

# ORANGE COUNTY BUSINESS JOURNAL

Monday, January 04, 2021

THE COMMUNITY OF BUSINESS™

## John Ho's Residential Success Story

### REAL ESTATE: LANDSEA GOING PUBLIC VIA SPAC

By [Katie Murar](#)

Monday, January 4, 2021

Landsea Homes, the fast-growing Newport Beach-based homebuilding arm of China real estate company Landsea Group, was launched from scratch seven years ago by one real estate executive who, at the time, had limited experience in the residential realm.

That's not evident when looking at Landsea Homes' recent track record, with consistent year-over-year sales growth and looming plans to become one of Orange County's largest publicly-traded real estate firms, after it goes public in a reverse-merger deal slated to close in the coming weeks.

John Ho was working as a commercial real estate consultant for JLL when Landsea approached him with the task of launching the homebuilding arm of the commercial developer firm in the United States.

Despite his limited experience in the sector, Ho had experience with Landsea as a consultant for the firm's U.S. investment plans.

"They essentially asked me to put my own advice into action," Ho told the Business Journal last month.

He started Landsea Homes in Pasadena in 2013, and has since grown the firm from a one-man operation with no revenue into a 250-employee business with north of \$700 million revenue expected in 2020, a new high that marks a nearly 12% jump over 2019 and took place in a year with numerous challenges amid the pandemic.

"I built it one land acquisition and one employee at a time, and it's been an incredible seven years," said Ho, the Business Journal's Business Person of the Year in the real estate sector.

"Being a public company will only continue that, as we grow our business and increase our market share."

#### Public Plans

Landsea announced plans to go public in September following a reverse merger with a publicly-traded blank-check entity out of New York, a method that's been growing in popularity as alternatives to traditional IPOs, especially in times of market uncertainty.

The deal would see Landsea Homes bought for \$344 million in stock by LF Capital, which is expected to close on the deal in the early part of the year.

Factoring in debt and other considerations, the builder is expected to have an enterprise value in excess of \$600 million once the deal closes, according to regulatory filings.

LF Capital, a Special Purpose Acquisition Corp. or SPAC backed by executives with ties to several banking and investment firms, raised more than \$150 million in proceeds in its 2018 IPO.

Landsea's existing ownership group will retain about a 67% stake in the company post-merger, which estimates a \$510 million equity value for the company when the deal is done.

Existing sponsors of the SPAC will have a 4% stake in Landsea and the remainder of the company's stock will be held by the public, once the merger is completed.

The company will be Nasdaq-listed under the ticker symbol "LSEA."

## **Pandemic IPO**

Taking the company public was a goal from the start, notes Ho, though he didn't expect it to occur during a pandemic.

Landsea decided to go the SPAC route last year, opening talks with several dozen companies and ultimately landing on LF Capital in March due to the company's significant cash holdings and strong sponsorship, which includes New York investment management firm BlackRock Inc.

Ongoing stay-at-home orders have certainly affected the way the deal has progressed, but it hasn't had any tangible impact on the timeline or value of the deal, according to Ho.

"We haven't been able to go on the usual road show and meet with analysts and investors in New York, everything has been virtual," Ho explained. "It's been a marathon of Zoom calls, and it's actually been very efficient and cost-effective."

## **Expansion**

Landsea counts some 5,400 home lots in California, Arizona and New York. More than a third of those lots were added in the past year.

Landsea's biggest expansion of late has been in the Arizona market, a focus that proved to be well-timed and helped lead to higher home sales last year.

"The market fundamentals have been incredible in Arizona," said Ho.

It entered Arizona by acquiring two builders there since 2018—Pinnacle West Homes and Garrett-Walker Homes—making Landsea a top five homebuilder in the state.

It plans on entering new markets using a similar acquisitive strategy as the one deployed in Arizona, as well as land buys.

"We've added well over 2,000 lots in 2020 and being a public company will only continue that," said Ho, adding that the company currently has 6,800 lots under control.

Landsea is currently targeting Texas and Florida for growth opportunities. The two states hold eight of the nation's top 20 largest new home markets, such as Dallas, Austin, Orlando and Tampa.

## **Quality Additions**

It's not just quantity Landsea is prioritizing.

The company has added to its product offerings this year in order to capture burgeoning demand from millennial buyers and keep up with design trends.

This includes the company's new LiveFlex program, a home-customization option that allows buyers to add on offices, at-home learning spaces or a gym, for example.

"There's been a strong demographic shift to wanting different household formations with more space, especially with work-from-home trends," said Ho.

This trailed another product rollout at the start of 2020, which included home automation, sustainability and energy savings amenities.

Landsea paired with Apple to connect home automation features to a mobile device; it also upgraded the homes' infrastructure with "more efficient mechanical systems, Energy Star rated appliances and LED lighting."

### **Surpassing Expectations**

Executive leadership at the builder will remain the same post-merger with the SPAC, with Ho staying on as CEO and Michael Forsum remaining president and chief operating officer.

Two LF Capital executives, including CEO Scott Reed, will have spots on the nine-member board.

Ho expects his day-to-day to be much the same, with the same goal the company started out with: focus on the natural growth of the business.

Local projects include IronRidge, a 608-home development in Lake Forest it launched in 2015, and Lido Villas, a 23-unit townhome project near Newport Beach's Lido Village shopping area that sold out last year.

In 2019, it boosted home sales in OC by nearly 70% to 135, its busiest year ever here, earning it the No. 12 spot on the Business Journal's list of the area's largest homebuilders.

Companywide revenue that year totaled nearly \$631 million, a 66% year-over-year increase.

At the start of 2020, it projected a 10% increase in revenue to \$697 million, though Ho said that figure will end up passing the \$700 million mark as a result of stronger-than-expected demand and solid market fundamentals.

"The industry is very well-positioned moving forward. It's been a phenomenal year for us," said Ho.

The company has a target of reaching nearly \$1.2 billion in revenue by 2022.