

From Builder 2013  
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## Horton hatches a run for number 1 in the Charlotte market--Update 10:35 a.m.

The nation's largest home builder by volume acquires Carolina powerhouse Regent Homes, the Charlotte market's sixth largest builder

By John McManus

### Charlotte Market Summary

Closings		Single-Builder Section Closings				
Rank	Builder Name	3Q12	4Q12	1Q13	2Q13	Annual
1	True Homes	166	158	173	178	675
2	Lennar	138	132	137	171	578
3	Ryan	136	163	124	140	563
4	DR Horton	73	86	85	98	342
5	M/I Homes	68	89	93	87	337
6	Regent	70	69	92	87	318
7	Ryland	66	80	83	86	315
8	Pulte	65	65	74	87	291
9	Eastwood	63	70	61	83	277
10	Standard Pacific	41	51	53	73	218
Top 10 Totals		886	963	975	1,090	3,914

Source: Metrostudy Second Quarter 2013



D.R. Horton, the nation's No. 1 home builder by unit volume, plans to stay that way. Word is the [Fort Worth](#), Tx.-based enterprise has wrapped up acquisition of Regent Homes, a 10-year-old Carolina-market regional player whose operational footprint is currently in Charlotte and the Triad area of Greensboro and Winston Salem.

Regent, which in *BUILDER*'s 2012 **Builder 100 ranked No. 101 nationally** with about \$44 million in annual revenues, had stepped up its volume in 2013, and is currently selling in 11 neighborhoods in the Triad area and 12 in Charlotte environs. Together with D.R. Horton's annualized pace of 342 homes, according to *BIG BUILDER* sister company Metrostudy, the combined volume of the two players would be about 660, a tad shy of market leader True Homes, which is on pace in the rolling 12 month period for 675 closings.

Regent Homes' start date traces to 2003, when former Ryland Homes exec Ken Anson Jr. teamed with investors to position the home builder as a dollars-per-square-foot entry-level player. As such, Anson built Regent into the only firm clearly in head-to-head competition with market leader True Homes, whose ceo Mark Boyce (a former C.P. Morgan executive) modeled strategy to capture the big box, high-value, low cost-per-square foot buyer.

Both Regent and True build and sell their homes for between \$50 and \$60 per square foot, an analyst with knowledge of the market said. About three out of four Regent Homes sell, all-in, for \$150,000 or less. Regent's lots tend to run in the 40 ft. to 60 ft. range, and Metrostudy estimates are that its supply of vacant developed lots is about 11 months or less. This means that the acquisition is not so much a land and lot-supply deal, but rather a competitive position statement, and a run for market leadership.

The Horton acquisition runs consistent with several trends in the industry right now.

- \* public companies are methodically carrying out plans to extend their lot pipelines and operational strengths in geographies that map to pace and price balance
- \* private home building companies may be motivated to sell sooner than later, as access to acquisitions and development capital continues to be a high hurdle, and former leverage and standing relationships with land-sellers is getting eclipsed by big publics who can pay cash on the spot for coveted lot positions
- \* D.R. Horton's surgical strike puts No. 1 player True Homes on notice that competition for land and customers just got tougher

Horton's presence in the market--already significant--concentrates in the \$200s to \$250s average selling price, so the lower-range selling prices of Regent Homes represent extension into an incremental rather than duplicative customer base.

In terms of Charlotte market dynamics, Metrostudy notes:

***For the second quarter ending June 2013, Charlotte's quarterly starts for all product types were 2,260, a substantial increase over last quarter's 1,956. 2Q13 starts were 36.1% higher than the 1,660 quarterly starts from a year ago in 2Q12. Charlotte's annualized starts (rolling four quarters) as of second quarter rose to 7,812,***

*higher than last quarter's 7,200 annual starts. Annual starts have increased for seven consecutive quarters.*

*2Q13 Closings totaled 1,895 new homes, 184 more than last quarter's. Compared to one year ago, Charlotte's 2Q13 closings increased by 11.3%. The 7,056 annualized 2Q13 closings for all product types rose from last quarter's year over year total of 6,864. Annual closings have gradually increased for six consecutive quarters. No doubt total closings have been held down due to the lack of finished inventory available to close.*

*Our original year end growth projection of 12 to 16% for 2013 appears low relative to starts for the first half of 2013. Our expectations are now a 25-30% increase in starts with closings up 15-20% over last year.*



Source: Metrostudy