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## **Ambitious and Well-Equipped, McGuyer Homebuilders Sheds Its Low Profile**

**This Texas builder opens up after a recent acquisition and joint-venture partnership.**

By John Caulfield

For most of its 23 years, Houston-based McGuyer Homebuilders (MHI) preferred to keep a low profile, even as it was emerging as one of the housing industry's largest privately owned builders.

But recent events have led MHI to be a bit more forthcoming about its growth objectives. The builder's acquisition early this month of Wilshire Homes, coupled with a year-old joint venture financing agreement with the private equity firm Wheelock Street Capital, indicates that MHI is ready to make some competitive noise in its four Texas markets.

What changed for MHI, which ranked 28<sup>th</sup> in closings on the BUILDER 100 for 2010? For one thing, its promotion last year of Gary Tesch to president. Tesch, who had been MHI's chief financial officer for a decade, stepped into his new job just as MHI and Wheelock were forming a 50-50 partnership whose first deal—which was announced a year ago—was the repurchase of 3,200 homesites in eight communities from the lender GMAC/RFC, which had foreclosed on those properties.

"We didn't want to have to pay for those sites on our own," recalls Tesch, who spoke with *Builder* by phone on Monday afternoon. In Wheelock MHI found an eager, aggressive partner that not only has considerable investment capital at its disposal but also a land portfolio of its own that presents MHI with future construction opportunities. Tesch confirms that his company is one of eight builders that will build out Sweetwater, Wheelock's 1,800-lot community in the hill country of Austin, Texas. He's also hoping that MHI will be one of the builders at Stillwater, Wheelock's 2,000-site project in [San Antonio](#).

The partners have stated publicly that they plan to invest more than \$50 million "to acquire single assets, portfolios, and other home builders." Tesch says the joint venture is open-ended enough so that other deals can flow into it "pretty easily."

Tesch says his company, which also builds in Houston and Dallas-Fort Worth, has "huge growth plans" for the San Antonio and Austin markets. And it so happened that as MHI was completing its deal with GMAC, the owners of Austin-based Wilshire Homes were facing a dilemma all too familiar to many other builders around the country: banks adamantly refusing to provide construction financing at a time when home buyers were scarce and foreclosures were rampant.

Wilshire Homes retained the San Francisco-based brokerage Avila Advisors, which lined up several potential white knights interested in acquiring Wilshire's assets, including at least two public builders, says Tesch. MHI was one of those suitors, and what it offered Wilshire's co-founder and CEO Ed Horne "was an opportunity," says Tesch, to be an integral part of a company that wanted to expand its local reach in the two markets where Wilshire generated \$63 million from 227 closings in 12 communities last year.

After talks that began last summer, MHI Central Texas, an MHI affiliate, acquired Wilshire Homes' assets on April 7 for an undisclosed amount. Horne joined MHI as a senior vice president and "is going to be a part of our expansion," says Tesch. MHI will continue to market homes in these metros under the Wilshire brand, as well as its own Coventry and Plantation banners. Tesch expects Wilshire to close 210 homes in Austin/San Antonio in 2011, and MHI—with 19 communities in those markets—to close another 227. By 2014, MHI projects that it should be generating \$180 million from more than 600 closings in those two markets alone.

Before he jumps into any deals, Tesch says he first needs to be comfortable with his partners. "Life's too short to do business with bad people. Ed Horne is a good guy. Dan Green [a principal at Wheelock] is a good guy." He says that MHI and Wheelock are looking at the full gamut of potential real estate opportunities, including purchasing notes from financial institutions, finished lots, and even some raw land.

When it was closing 3,300 homes a year back in 2006, part of MHI's growth strategy was acquiring subdivisions from other builders or developers. Tesch says he's open to purchasing abandoned subdivisions today, but only "if the banks are willing to sell at a discounted price and there's a holding period."

There have been some big transactions in MHI's arena lately, including Stratford Land's acquisition in March of 196 acres in the Austin area's Blackhawk master-planned community, with an option to acquire 357 more acres.

So far, though, Tesch says he hasn't come across much that's interested him, and hasn't seen evidence that banks are willing to release large portfolios, at least in Texas. "I do get to see some of our banks' REO reports, but most of them are for 20 to 50 lots."

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