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Partners buy the rest of Merrill Ranch

Staff Reports

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Southwest Value Partners and GoldenTree InSite Partners (GTIS Partners) announced that they have acquired almost the entire remaining Merrill Ranch property, and even a small part of Anthem at Merrill Ranch.

With the partners' 4,500-acre purchase, only about 80 acres still belong to the Merrill family trust. The Merrills sold 3,200 acres to Pulte Homes six years ago to begin Anthem.

The partners' property was acquired from a consortium of 60 banks which had previously foreclosed on the parcel, at a purchase price that represented a substantial discount to the 2004 price of the contiguous Anthem land parcel within the same master plan, the partners said. They did not disclose the actual price.

"I think they just appreciate the long-term investment potential of that property," Florence Planning Director Mark Eckhoff said this week. He said the land has good topography and lots of potential for future development. The partners' land is partially entitled for up to 18,000 residential lots and an additional 900 acres are fully entitled for commercial use.

Southwest Value Partners (SWVP) is a privately held real estate investment company, based in San Diego. It was founded in 1990 by Phoenix Suns majority owner Robert Sarver and Mark Schlossberg.

"As the public homebuilders are now recapitalized and actively buying finished lots, we are concentrating our investment efforts on buying entitled land in great locations like Merrill Ranch," Tom Shapiro, president of GTIS Partners said in a prepared statement. "Once the finished lot inventory is exhausted, homebuilders will focus their efforts on acquiring good quality entitled land in markets with strong demographics."

Schlossberg of SWVP added, "The supply of finished lots in the Phoenix market currently stands at 54 months based on current absorption, but only 18 months based on historical average absorption. As the Phoenix population and employment growth continues to stabilize, the residential lot market should return to equilibrium in the next several years."

Rob Vahradian, managing director of GTIS Partners, said, "We believe at our basis, this investment is a very asymmetric bet on the recovery of the Phoenix housing market.

A return to normal absorption rates and historical pricing trends should produce outside gains, while we feel our downside is well protected."

SWVP is a Pacific Southwest-based value oriented real estate investment company. It has acquired diverse and substantial real estate assets, including residential and commercial land tracts, Class A commercial office towers, Class A/B multifamily apartment units, hotels, real estate based equity interests, and real estate secured notes.

For the Merrill Ranch purchase, a fund managed by GTIS Partners invested 70 percent of the equity capital in partnership with SWVP. SWVP contributed the remaining 30 percent of equity capital and will manage the day-to-day operations of the partnership. Nathan & Associates Inc., the largest residential land brokerage company in the Phoenix market, served as an advisor to both parties on the purchase and will continue to provide sales and marketing services to the partnership.

GoldenTree InSite Partners

GTIS Partners is a global real estate investment firm headquartered in New York with an office in São Paulo. The firm

was formed in February 2005 in partnership with GoldenTree Asset Management. GTIS Partners has 37 employees and manages over \$1.1 billion of committed equity. The firm pursues value-added real estate opportunities through direct equity investment and nontraditional lending activities. To date, the firm has committed capital to residential, retail, industrial, office, hotel, and mixed-use projects in the U.S. and Brazil.

The firm's principals have more than 80 years of investment, management, and operations experience, which spans all major property types and geographies.

Nathan & Associates, Inc., founded in 1980, is one of the Southwest's leading land brokerage and real estate firms. The company specializes in marketing retail, multifamily, industrial and office uses.

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