

Haddad's Pivot: From Land Sales to Face Mask Donations

REAL ESTATE: CEO finds calling in chaos; 100K face masks

By MARK MUELLER

Emile Haddad runs California's largest land development company.

Last week, the chief executive of Irvine's **FivePoint Communities** and one of Orange County's most prominent business leaders had another line of work: doing clandestine business deals out of the trunk of his car.



Haddad: 'dark period will end'

The product?

High-quality and hard-to-find face masks acquired via "a guy that knows a guy," said Haddad, who had just stopped by the bank to get a cashier's check for the items.

The masks he was buying—5,000 in last Tuesday's transaction, one of the smaller deals he was to eventually make over the course of the week—typically run \$2 apiece. It's not typical times, though. Haddad said the negotiated fee was a marked-up price of \$6.50 a mask.

In the end, the "price doesn't matter," he told the Business Journal, which had reached out to hear about FivePoint's business plans during the pandemic (see story, this page).

"I'm buying the masks to donate them" to area hospitals, police and fire departments and others in OC who are on the front line of the COVID-19 crisis and in short supply for these types of products, said Haddad, who was also using his myriad connections in the

community to find hand sanitizers and other essential products he could then distribute to those in need.

"I want to help the medical community, the police, and the firefighters. I also want to help my residents (at Irvine's **Great Park Neighborhoods**)," said Haddad of his new-found side job. "You work where you can make the biggest impact."

For area residents, a mobile testing facility for the coronavirus could be set up at the parking lot of FivePoint's office campus in the coming weeks, he said. It would be run in tandem with **City of Hope** (see story, page 23).

Reached again late last week, Haddad said he'd struck gold.

A shipment with 100,000 N95 grade masks was on the way from a contact he'd made on the East Coast, along with 100,000 pairs of gloves; the money had just been wired, he said. And 20,000 bottles of sanitizers had also been tracked down.

Delivery of the masks was expected in a week or so. The plan was to divvy up the supplies equally between several area hospitals and other workers on the front line of battling the virus, he said.

Ground Game

An underground supply chain isn't new to Haddad, who was a teenager in Beirut during the start of the Lebanese Civil War and saw how the normal rules for logistics don't always apply in tough times.

Recent events here remind him of his former life, he said.

"During times like these, the supply chain [is managed] on the ground," he said. "It's about relationships, and people with rela-

tionships." One recent transaction was the result of talking to "a friend who owns gas stations," he said.

"My days in the war ... I think that helped train me to deal with these types of issues."

How to Help

Haddad wasn't espousing that every other area executive use his approach during the current COVID-19 crisis.

But there are ways each can help, he said.

"Look, this is an area of means. If everyone can adopt three, four, or five families and look after them. If they can help the police, the firefighters, the medical staff. If they can look after their own universe, then we can help a lot of people."

"In my case, I'm just trying to give people a path on how they can help." ■

FIVEPOINT HOLDINGS LLC



- **FOUNDED:** 2009
- **CEO:** Emile Haddad
- **HEADQUARTERS:** Irvine
- **BUSINESS:** real estate developer
- **TICKER SYMBOL:** FPH (NYSE)
- **2019 REVENUE:** \$184M
- **MARKET VALUE:** \$750M
- **QUOTABLE:** "We are as prepared as we can be, and we will continue to adapt to these evolving conditions," Haddad says.



Offerings from Lennar at new Rise community in Irvine's Great Park Neighborhoods

FivePoint Ready to Play Defense, if Necessary

"No one knows how long or bad things might get," **Emile Haddad**, chief executive of Irvine's **FivePoint Holdings LLC**, said during his company's latest quarterly earnings call with analysts on March 16, speaking on the impact of the coronavirus on area homebuilding and sales.

"However, we feel that we are as prepared as we can be, and we will continue to adapt to these evolving conditions."

FivePoint (NYSE: FPH), the developer of Irvine's **Great Park Neighborhoods** and the **Valencia** housing project in Los Angeles County and a pair of projects in the San Francisco area, gave analysts an overview of what the company was seeing on the ground as of mid-March, prior to state government directives for people to practice social distancing measures.

From the beginning of the year, "the first week we had 10 net sales. The second we had 11, then 13, then nine, then 16, then nine, then nine, and then 14," Haddad told analysts, referring to sales at its sites in Irvine.

"And as we got into the end of February and March, which is the period

when we started realizing the impact of the corona-virus, we jumped to 25 net sales, then 24 net sales, and this week which ended on [the 15th], we had nine net sales, which is basically our average."

Last month, the developer took the wraps off **Rise**, its latest community at the Great Park Neighborhoods. It'll have more than 500 homes when built out; **Lennar**, **Pulte** and **Shea** are the first to sell there.

On March 19, the developer sent out an email stating that its information center at the Irvine project was closed until further notice for in-person meetings, and that individual builders were making their own decisions on how to show models to prospective customers.

Strong Balance Sheet

From a corporate perspective, Haddad told analysts that FivePoint wouldn't be hit too hard by COVID-19-related slowdowns.

"Our balance sheet is our first line of defense," Haddad said, noting the company had some \$470 million of liquidity, including nearly \$340 million of cash on

its books, and "no outstanding borrowings under our \$125 million revolver."

"Our senior notes do not mature for five more years and our debt-to-capitalization ratio is at 25%. In addition, neither Valencia nor the Great Park community is encumbered with project debts," he said.

More than 60% of FivePoint's expenditures are variable costs. "Our contracts give us the right to suspend or terminate work on less than 30-day notice, giving us the ability to slow down or if needed stop such expenditures if conditions deteriorate," he said.

Prior Experience

"We have always run the company with protecting the downsides first, and being prepared for unforeseen conditions," said Haddad, whose company was created in 2009, in the teeth of the Great Recession.

"This dark period will end, and if history repeats itself, people will find comfort in their homes. This cocoon feeling coupled with a low interest rate environment should bode well for the residential real estate market in the long run."

—Mark Mueller