

Hovnanian: Done with Fort Myers?

By Dawn Wotapka
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Builder Hovnanian Enterprises has apparently high-tailed it out of Fort Myers, Fla, four years after it scooped up a local builder to gain the top spot in what was then a booming region.

Back in August of 2005—at the height of the housing frenzy—New Jersey-based Hovnanian acquired First Home Builders of Florida, according to the News-Press.

But the market quickly crumbled. Hovnanian recently dumped its last 1,409 lots for \$4.2 million—about \$3,000 a pop, some fetching less than 10% of what they would have commanded four years ago, the paper reports.

The buyer was identified as Lehigh Investment Group LLC, a group of Czech investors.

“I think that was the last move regarding their exit from our market, actually,” Jack Solloway of Fort Myers-based Rapid Rescue LLC, who reportedly brokered the deal for the buyers, told the News-Press.

Hovnanian, the nation’s sixth-largest builder by 2008 closings, declined to comment.

Most of the lots Hovnanian reportedly sold are located in Lehigh Acres, 30-to-40 miles from the coast — making them less valuable in a state where water access is prized. It’s also a blue-collar town that was hard hit when construction jobs slowed.

“They bought something at the top of the market with a lot of individual single-family lots,” said Steve Hagenbuckle, managing principal of TerraCap Partners in Cape Coral, Fla., a real-estate private-equity fund. “It was an inland rural area that is less desirable.”

Fort Myers overall is one of the nation’s biggest boom-to-bust markets. Median existing-home prices more than doubled between 2002 and 2005, peaking at about \$322,000 in December of that year: Just a few months before Hovnanian’s cash deal.

In 2007’s first quarter, the builder wrote off \$93 million related to the souring region, citing “a continued substantial decline in sales pace and general market conditions as well as increasing cancellation rates.” Hovnanian - which reported its 12th consecutive loss Wednesday - hasn’t started a house there since March of 2007, the News-Press reported.

The Cape Coral-Fort Myers market has one of the nation’s highest foreclosure counts, with one in every 64 housing units slapped with a foreclosure filing in July, according to

RealtyTrac. Mr. Hagenbuckle said the Lehigh Acres area is a big contributor to that statistic.

That's dragging down prices: The area's average single-family price tumbled to \$82,139 in July from \$145,000 a year ago. Sales are picking up dramatically cutting inventory, as investors and first-time buyers take advantage of the lower prices, Mr. Hagenbuckle pointed out.

Still, there's another lingering problem from the housing frenzy: Homeowners report drywall imported from China is causing corrosion and foul-smelling odors. Of the roughly 1,200 cases reported nationwide, three-quarters are in Florida, with many in Fort Myers.

In its earnings call Thursday, Hovnanian said it has had just five drywall incidents in Florida.