

Last Year's No. 1 Company Cautious in Current Climate

Real Estate Firm NewMark Merrill Drops Off List

By Mark R. Madler

A year after being at the top of the Fastest Growing Private Companies list, caution is now the catchword at NewMark Merrill Cos.

The Woodland Hills shopping center developer was not alone to be affected by changes in the real estate industry. All told, three companies from the top 10 of last year's list failed to break into the same position this year.



Last Year: NewMark's Sandy Sigal was at top of the list.

NewMark Merrill and Larwin Company dropped out of the list altogether. California Home Builders went from the top five to the bottom five.

The shopping center market was good last year when compared with the residential and mortgage markets, said NewMark Merrill CEO Sandy Sigal.

Still, the company has made changes by diversifying into other regions and focusing on its shopping center management and repositioning businesses rather than on development, Sigal said.

"We are being cautious for all the right reasons," Sigal said.



NewMark Merrill had had 133 percent growth between 2004 and 2005, from \$16 million to \$38 million. The firm leases retail space in Tarzana, Winnetka and Thousand Oaks.

Another way to adapt to the changing real estate landscape is becoming a preferred builder for drug store chain CVS as it expands in California. The company is currently renovating a grocer

store in Burbank into a CVS.

Drug stores fall into a genre of retailers not affected by a downturn in the economy. Large chains like CVS offer more services than drug stores had in the past and serve an aging Baby Boomer generation needing the products stocked there, Sigal said.

"We have a whole business oriented around helping them grow," Sigal added.

Larwin Company, the No. 2 company on the 2006 list with 128 percent growth, expects to close on just 100 homes this year.

Gross revenue will drop between 30 percent and 40 percent because there is no demand for new homes, said President Dennis Cullumber.

Planned projects in Simi Valley and Pomona have been delayed and the start of a second project in Simi Valley was indefinitely postponed. Those delays led to layoffs of supervising field staff.

In the spring, company officials will take a look if the market has shown improvement in volume of sales and in sales prices, Cullumber said.

While NewMark and Larwin dropped from the list two other real estate firms made it for the first time.

The Siegel Group, a commercial real estate and business developer in Studio City, made the list at No. 3 with 116 percent revenue growth between 2005 and 2006. Residential contractor and remodeler Behr Building of La Canada captured the No. 20 spot with 26 percent growth.

Housing debacle

Demand for homes throughout 2005 and into early 2006 was helped along by sub-prime mortgages – loans to lenders with less than perfect credit.

Housing demand dropped during the remainder of 2006 due to increasing interest rates and stagnation in the appreciation of housing prices. At the same time, lenders who received sub-prime mortgages faced higher monthly payments. Home sales dropped to 1,100 a month in 2006 from a high of 1,550 in 2002 and 2003, according to a report from the San Fernando Valley Economic Research Center at California State University, Northridge.

Residential real estate companies had been doing well through 2005 because of refinancing of homes to get a lower interest rate, explained center director Dan Blake.

"A lot of people were upgrading their homes and there was the money," Blake said.

While the cooling real estate market affected California Home builders, the company's slower rate of growth for 2005 was of design by its president Shawn Evenhaim.

California Home Builders ranked No. 5 on the 2006 list with 83 percent growth from 2004 to 2005. The company was No. 49 this year with just less than 3.5 percent growth from 2005 to 2006.

The Canoga Park builder wants to remain at its current size. To grow bigger might mean bringing in outside investors or outsourcing work done in-house.

“If we push it to a new level then at that point the company will change,” Evenhaim said.

California Home Builders specializes in infill housing – constructing homes in established neighborhoods, as compared to the larger builders who put up multiple homes on large tracts land.

Projects have included homes in Winnetka and Granada Hills and apartment complexes in Sylmar and Van Nuys.

“Buying a house from us is like buying a Bentley rather than buying a Toyota,” Evenhaim said.

Both Evenhaim and Larwin’s Cullumber don’t expect any improvement in the real estate market in 2008.

Some reasonable growth and market stabilization should take place should appear by 2009, Evenhaim said.

When the market does take an upturn there will be less inventory because builders held off on construction and the resale sector won’t be strong because people would have taken their homes off the market, Cullumber said.