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## Toll Buying Half of a 2,379-Home California Subdivision

By John Gittelsohn - May 30, 2012

[Toll Brothers Inc. \(TOL\)](#), the largest U.S. luxury-home builder, is buying half of a Southern [California](#) subdivision approved for as many as 2,379 houses as demand for new single-family properties begins to recover.

Toll will become a joint-venture partner with closely held builder Shea Homes to develop the 387-acre (157-hectare) Shea Baker Ranch in Lake Forest, according to Bob Yoder, Southern California president for Shea Homes.

“It’s currently in escrow,” Yoder, whose company is based in Walnut, California, said in a telephone interview yesterday. “We’re in discussions how we’d best allocate the lots.”

Construction starts and orders for new U.S. houses, after setting a record low in 2011, have picked up this year as the job market improved and record-low [mortgage rates](#) made housing more affordable.

[New homes](#) sold at an annual pace of 343,000 last month, up 9.9 percent from a year earlier, the Commerce Department said May 23. Builders [broke ground](#) on single-family homes at an annual rate of 492,000 in April, a 19 percent jump.

Yoder declined to say how much Toll agreed to pay for its share of the land. The seller is Baker

Ranch Properties, a firm controlled by the family who once owned much of the area that now comprises the city of [Lake Forest](#), about 45 miles (72 kilometers) southeast of Los Angeles.

Larry Tucker, co-managing member of Baker Ranch Properties, declined to discuss the transaction. Toll also declined to comment, said Kira Sterling, chief marketing officer at the Horsham, Pennsylvania-based builder.

### 'Pretty Big Deals'

Toll spent \$124 million on land in the quarter ended April 30, Chief Executive Officer Douglas Yearley Jr. said during a May 23 earnings call. It expects to announce "some pretty big deals" in the coming months, he said. The company ended the quarter with 39,500 lots owned or optioned in 20 states.

"We are now seeing more good deals at more good prices on average than we have for a long time," Toll Chairman Robert Toll said about land purchases during the call. "We're opportunistic. If a good deal comes, we go. If a good deal doesn't come, then we sit."

The average price of a Toll Brothers home contracted for sale in the most recent quarter was \$585,000.

New homes in Orange County sold for a median price of \$625,500 in April, up almost 17 percent from a year earlier, according to San Diego-based research company DataQuick. The number of new homes sold in the county fell 26 percent.

### Pent-Up Demand

“There’s not much inventory now in Orange County,” Richard Gollis, principal of the Concord Group, a homebuilding and development consulting firm in [Newport Beach](#), California, said in a telephone interview. “There seems to be pent-up demand in good communities.”

Shea Baker Ranch, which received preliminary planning approval from the Lake Forest City Council on May 15, is within one mile of Great Park Neighborhoods, a master-planned community for as many as 5,000 homes being developed by FivePoint Communities Inc. The first Great Park homes are scheduled to go on sale next year. Shea Baker Ranch also is less than two miles from [Irvine](#) Co.’s Woodbury and Portola Springs communities.

“Great location,” [John Burns](#), chairman of John Burns Real Estate Consulting Inc. in Irvine, California, said in an e-mail. “It’s a big deal.”

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