

## BUILDING THROUGH THE BUST

When the real estate market hit the skids, one of the region's biggest developers adapted to keep growing.

BY MARK PUENTE  
Times Staff Writer

Pat Neal is an oddity among Florida developers: He still builds and sells lots of new homes. ¶ The financial crisis that shattered many of his competitors only slowed Neal. His edge? He paid cash for land before the boom drove up prices. ¶ "I didn't owe anybody any money," said Neal, whose Neal Communities builds mostly in the Lakewood Ranch area east of Interstate 75 in Manatee and Sarasota counties. "I don't like to take on debt and work hard to buy at the right price."

Neal Communities' housing starts peaked in 2005 at 386, fell to 121 in 2007 and should hit 397 this year. Neal expects to exceed 500 in 2012.

Earlier boom-and-bust cycles taught Neal a lesson in changing to meet the times. In postbust Florida, that meant building homes that are smaller, less expensive to build and thus more affordable.

In 2005, Neal's average new house was about 2,400 square feet and cost \$550,000. Today: 1,700 square feet and \$230,000.

### Ups, downs, back up

Homes started, closed and sold by Neal Communities since the housing market collapsed.

| Year | Starts | Closed | Sales |
|------|--------|--------|-------|
| 2004 | 268    | 172    | 261   |
| 2005 | 386    | 261    | 244   |
| 2006 | 183    | 226    | 125   |
| 2007 | 121    | 136    | 120   |
| 2008 | 150    | 159    | 143   |
| 2009 | 158    | 176    | 267   |
| 2010 | 309    | 267    | 285   |

"We had to make dramatic changes," said Neal, who lost money on some sales during the bust. "I like to think I have a three-year head start on the rest of the industry."

The strategy worked for Neal Communities, the nation's 94th-biggest home builder. Example: 18 builders put up 237 homes last year in Lakewood Ranch. Neal built as many as the other 17 combined. In fact, Neal built one of every five new houses started in Manatee and Sarasota counties last year. Those sales were worth almost \$71 million.

When it comes to understanding Neal's story, context is everything. In a state where construction traditionally drives the economy, there's nothing unusual about a builder finding a niche and doing well. And Neal is not the only builder to survive the catastrophic bust.

Neal stands out today because he did more than endure. He found a way to prevail.

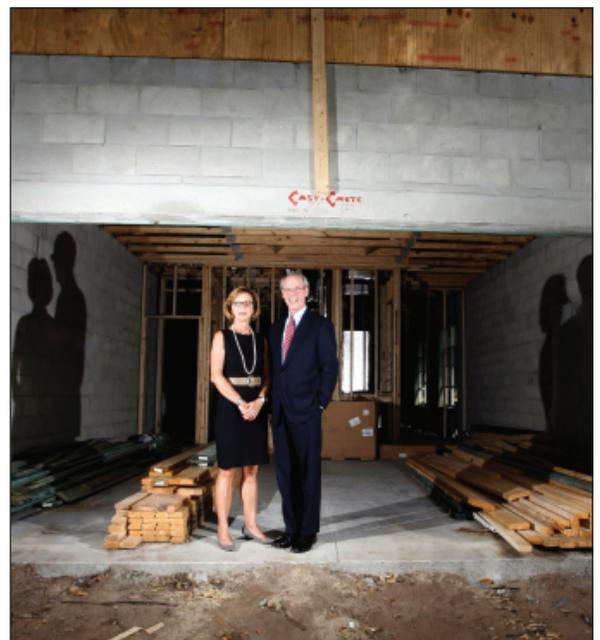
### Competitive advantage

Neal, 62, who recently finished his 8,000th home in the Sarasota-Manatee region, believes his long-standing strategy of buying up lots when prices are low leaves his company well-positioned for the future.

When the market improves, anyone who wants to build in his region will have to come to him for land.

"I have a competitive advantage," Neal said. He predicts a new wave of retiring boomers will flock to Florida, reigniting the housing market.

Neal offers specifics. Last year in Florida, builders started 31,600 homes — the lowest



MELISSA LYTTLE | Times

Charlene and Pat Neal managed to keep their company, Neal Communities, going during the down market by building more affordable houses and buying land at low prices.

in more than 20 years. He expects that to rise to at least 150,000 by 2017.

If so, he'll be ready. He already owns more than 5,800 lots and is still buying.

Neal spends about 30 percent of his time scouring the region for vacant land. He recently bought about 190 acres for \$8,000 an acre. That land once sold for about \$60,000 an acre.

"The future is good for those who plan and for home builders who have the proper structure and skill within their team and cash to continue," Neal said.

Neal's debt-free land, properly priced homes and a superior product set him apart,

said Tony Polito, a housing consultant with Tampa's Metrostudy, a national company that tracks the construction industry.

"Land is the biggest variable to building a house," Polito said. "He has a quality-built reputation."

Neal has won dozens of top national, state and local building awards in 40 years.

Paul Thompson, head of the Florida Home Builders Association, called Neal one of the state's most successful builders, adding: "They're going gangbusters and generating sales and traffic."

### Accidental builder

Neal graduated with an economics degree from the prestigious Wharton School of Finance at the University of Pennsylvania with plans to go into banking.

But his father, a tax attorney who retired to Florida, lured him to Bradenton to work in his real estate and construction business.

The duo built their first condo at Longboat Key in 1970. About eight years later, the company built its 1,000th house.

Along the way, Neal entered politics. He was elected to the Florida House in 1974 and to the state Senate as a Democrat in 1978. He once chaired the Appropriations Committee. His political career ended in 1986 when a Republican defeated him. He switched to the Republican Party years ago and recently served on Gov. Rick Scott's transition team. He is heavily involved in Republican fundraising.

Neal is not without controversy.

Critics accused him in 2007 of using his political influence with Bradenton officials to buy 64 acres near his property at reduced prices. The deal allowed Neal to buy land for \$3.2 million, \$1 million less than its appraised value. In return, the city got a cut of the profit when homes built on the land sold, the *Sarasota Herald Tribune* reported. The mayor argued the arrangement would earn the city at least \$4.5 million. The City Council approved the deal.

### Manhole covers

Neal sweats the details.

On a recent tour of his building sites, Neal talked about the finer details like amenities, paint schemes and landscaping. The things that customers expect and look

for when buying new homes. He walks through every home several times while under construction.

He wants the neighborhoods to look appealing, down to the smallest detail. Neal paints manhole covers black and the backs of stop signs to match the poles. He picks up trash from the streets.

Neal lives where he builds, in a 4,048 square-foot home valued at \$728,000 in Lakewood Ranch. He built his home last year, knowing he'd be living among customers who could easily find him if they were dissatisfied.

"I don't want to ever hide behind the cornflakes in a grocery store," he said, laughing.

Before meeting a reporter in late May, Neal typed a sixpage memo stuffed with talking points. He carried a schedule with a breakdown of where he needed to be every 15 minutes on the driving tour. He rattled off numbers like an auctioneer rattles off bids.

Charlene Neal, company vice president and Neal's wife of 34 years, said his penchant for details makes the company stronger.

"He's a very analytical guy," she said. "That's how he organizes his thoughts. He is very list driven."

Pat Neal's knack for detail saved the company in 2008, she said. Charlene Neal suggested the company stop building until the housing market improved. Her husband disagreed and called her suggestion selfish since employees relied on the firm.

Tough decisions followed. At its peak in July 2005, the company had 161 employees. It now has 60.

"It was a frightening time for everybody," Charlene Neal said.

Neal endured a period in which nearly half of Florida's 2,500 home builders ceased operations. Prominent local names among them include Engle Homes, Smith Family Homes, Tripp Trademark Homes, Windjammer Home Builders and Nohl Crest Homes.

Among the survivors, many stay afloat by doing home remodeling and weatherization.

Today, Neal Communities' customer base is among people 55 and older, near retirement and from other states.

Neal says new construction provides buyers with energy-efficient upgrades and warranties-incentives that sellers of existing



MELISSA LYTTLE | Times

**Charlene Neal is the vice president of design for the company. Pat Neal has been building homes in Manatee County since the early '70s.**

homes can't match.

Glenn Schubert agreed.

Schubert, 55, lives in Hawaii and retired from the Army and Air Force Exchange Service in October. He and his wife want to live near their children in the Tampa Bay area, but found Hillsborough and Pinellas too congested.

The couple toured Neal's model homes last year and returned last month to buy a 2,500-square-foot house. They expect to move in November. Schubert lauded the quality of Neal's homes.

"It is brand new," he said. "We don't want any problems. It worked out great for us."

Neal has no intention of slowing and doesn't know when he will retire. One son heads another division of the company and another could join the firm after college. The company recently expanded into the mortgage business and took 12 applications the first week.

"I have everything I want in life," Neal said. "I have fun. It's useful work."

(#23029) Reprinted with permission from the St. Petersburg Times. Copyright © 2011.  
For more information about reprints by PARS International Corp. contact us at 212-221-9595.

**NEAL**COMMUNITIES  
Building. Home. Life.