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Green Builders in the deep red

SEC filing details big financial challenges

Austin Business Journal - by [Kate Harrington](#) ABJ Staff

Frozen lending and a slow housing market have made a disastrous combination for at least one Central Texas homebuilder.

Austin-based Green Builders Inc.'s annual report to the Securities and Exchange Commission, filed on Dec. 23, outlines a dire situation: In its 2008 fiscal year ending Sept. 30, the company lost \$14.8 million, compared with a loss of \$6.5 million for the nine months ending on Sept. 30, 2007. The company, formerly Wilson Holdings Inc., started operating as Green Builders (AMEX: GBH) in spring 2007 and has cumulatively lost about \$28 million.

Green Builders is a real estate development and homebuilding company with three subdivisions in Central Texas and a focus on building energy-efficient homes. In November 2008 the company added a green remodeling service.

"Our ability to continue as a going concern is heavily dependent upon our ability to restructure our existing debt agreements and obtain additional capital to sustain operations," the filing states. "Currently, we have no commitments to obtain additional capital, and there can be no assurance that financing will be available in amounts or on terms acceptable to us, if at all."

If the company can't get adequate loans, the filing continues, it may be at risk for defaulting on loans, forfeiting option fees and deposits, and may have to abandon some development activities or liquidate "a substantial portion of" its holdings at "unfavorable prices."

While many homebuilding companies are feeling the pinch of the slow housing market, Green Builders is the only Austin-based publicly traded homebuilder, and its SEC filings offer insight into the homebuilding market that can't be gleaned from private companies that aren't required to disclose such detailed financial information.

Since its inception, Green Builders has completed 237 homes and has about 1,200 undeveloped acres. The company also has about 450 acres under option. Its homes range in price from the \$180,000s to the \$600,000s.

Clark Wilson, president and CEO of Green Builders, said the company has made some layoffs, although he declined to give specific numbers. Green Builders employs 20, according to its Web site.

Wilson said he's optimistic that Green Builders will weather its current financial storm, although he declined to elaborate on how long the company will be able to continue operations without a turnaround from the housing market. Bankruptcy is not on the horizon, though, he said.

Wilson is predicting that a turnaround in Austin's housing market could start by the second quarter of this year.

Eldon Rude, director of the Austin market for MetroStudy, predicted the market will begin a recovery in 2010. He said during the First Annual Austin Economic Housing Forecast on Jan. 6 that new housing starts in 2009 will likely fall to about 6,000, or a 25 percent tumble from 2008 starts.

Builders specializing in green construction may recover more quickly than others, said Ray Tonjes, National Association of Home Builders' Green Subcommittee chairman and founder of Austin-based Ray Tonjes Builder Inc.

"In this day and age, when energy and climate change [are more visible], I think that energy conservation and green building will be more of a marketing edge than ever before," Tonjes said.

"The good news about Austin and Central Texas ... is that we don't have near the structural problems that other parts of the country have," Wilson said, adding that Green Builders doesn't have a lot of extra inventory. "When the market comes back, it will come back with a vengeance, and it will turn quickly because we don't have that massive hangover" of inventory.

Wilson said Green Builders has only six unfinished homes in its inventory. According to data Metrostudy presented in its economic housing forecast, the Austin area has about 2,387 finished vacant homes and another 1,655 homes under construction. That equates to about a 39-month supply.

Describing strategy to weather its financial situation, Wilson said only that the company is looking at opportunities to "expand into a couple more deals" so that when buyers return to the market the company will have products to offer.

According to the latest financial filing, Green Builders may need to seek joint venture partners for land transactions. Because its stock is trading below \$1 per share, the company is at risk of being de-listed, the company said. As of Jan. 6, the company's shares were trading at 23 cents, which makes the potential to raise capital through issuing stock remote.

Green Builders isn't the only homebuilder feeling the pinch from the downturn.

"Until this financial crunch passes and the banks are able to be more liquid and lend more money, and this can level out, most builders out there are going to find challenges in getting money for their projects," said Naomi Bludworth, communications and education director for the Home Builders Association of Greater Austin. "That's what everybody is seeing."

Courtesy of JB Goodwin