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THE SECOND COMING OF M&A KING KAHN

A look at how home building's top dealmaker once again moved to the center of the mergers and acquisitions universe

By Les Shaver



David Salafia

In the past two decades, Michael Kahn has forged a reputation as one of the premier matchmakers in home building. When a company wanted to sell, he found them a buyer. When a builder wanted to establish a foothold in a new market, Kahn uncovered a willing seller. But he hasn't done it alone.

Over the years, Kahn's had a strong support team with him, including Peter Hazeloop, his financial analyst; Joe Walsh, his operations person; Jill Firth, his buyer representative; Jody Kahn, his daughter and former producer of executive summaries and market studies for sellers (now senior vice president at John Burns Real Estate Consulting); Jim Sack, of the The Sack Law Firm and his attorney for more than 90 transactions; and Dr. Loretta Kahn, his wife, a former CIA consultant and deputy director at the Office of Personnel Management, and his "people insight person."

"I never go on any business appointment without Loretta," Kahn says. "She is superb at reading people, much better than I am, and that's a very important part of our business and our great success rate."

With that team in tow, Kahn is in the midst of yet another unplanned act in home building. After his 20-year home building business fell apart, he pushed his way into the center of the dealmaking universe through pure determination and stayed there for 20 more years. Now, after a brief respite, he's back for more at 78 years old.

Calling It Quits

Kahn's business ground to a halt during the recession. With builders more concerned about keeping their doors open than buying competitors, he decided to retire from the mergers and acquisitions (M&A) business in January 2011. "The market was crappy," says Kahn, the originator of more than 105 transactions worth a total of \$6 billion. "I had enough money to retire gracefully."

Kahn says his post-work life was fulfilling. He rekindled a childhood interest by taking acrylic painting lessons. He learned Italian and read books that went beyond business and home building. And, most important, he spent time with his wife, children, grandchildren, and great grandchildren. "I was perfectly happy in my retirement," he says.

In October 2012, he got a call from an old



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friend—Marty Gillespie of Pittsburgh-based Heartland Homes—who needed what Kahn calls a "liquidation event." "I thought it was an opportunity to help an old friend, make a nice fee, and go into retirement again," he says.

Kahn closed the sale of Heartland to Res-ton, Va.-based NVR on Dec. 31, 2012. "Then in January, it seemed the floodgates opened and I started to get call after call after call," he says.

Since then Kahn has completed nine deals, including representing Atlanta-based Crown Communities in its sale to Fort Worth, Texas-based D.R. Horton, and Scottsdale, Ariz.-based AV Homes in its purchase of Orlando-based Royal Oak Homes earlier this year. His calls came from both buyers and sellers who were motivated to return to markets they exited, enter new markets, or grow their footprints in their existing locations, Kahn says. On the seller's side, he sees aging leaders who don't want to ride another market cycle and younger builders who are motivated to get out because they don't want to take on liability and are having difficulty securing bank debt. "They just don't have the capital to compete with bigger better capitalized builders," he says.

50 Years of Experience

Kahn started building homes more than 50 years ago in Arizona. By the 1980s he had moved to Texas, but like many real estate professionals in that market, he ran into trouble. "I got killed in the downturn in early '80s and ended up losing everything I made since I started in 1962," he says. "I had no capital and no ability to get bank debt."

He also owed back taxes, which put him in a tight spot. Even though he was offered good jobs it was hard to pay Uncle Sam and support himself working on a salary for someone else. He knew he needed to do something bigger. That opportunity came on the way home from the 1988 International Builders' Show in Dallas. On the plane ride back to his new home in California, Kahn went through the BUILDER

100 and circled the companies that didn't have a stake in California. He wrote the CEOs of 72 of these companies and offered his services in breaking into the Golden State. "It didn't make sense that only three builders had a major presence in California," he says.

A career in M&A was born. "I got 18 positive responses," he recalls. "Within months, I was able to close a couple of transactions."

By 1993, interest in home building M&A had blossomed, and Kahn position himself to be a pivotal cog in these deals. Though he had squared up with the IRS in 1992, Kahn continued to send letters to CEOs. In 1996, he reached out to Dale Francescon and his brother, Robert, owners of Denver's Trimark Communities.

"We received an unsolicited letter from Mike in terms of laying out all of the reasons that a home builder might want to sell his company," Dale Francescon says. "As a result of that we met Mike, and we ended selling that company to D.R. Horton in 1996."

When the Francescons were restarting home building operations in 2002 under the Century Communities banner, they hired Kahn to find a financial partner. After Century went public last year, Francescon worked with Kahn on Century's 2013 purchase of Austin, Texas-based Jimmy Jacobs Homes and 2014 purchase of Houston-based Grand View Builders (Kahn represented Grand View in the deal).

"He's kind of the dean of home building M&A," Francescon says. "He understands home building like very few people. I've also used him as a resource. Even when he wasn't doing a specific transaction, I've always reached out to him for his input and thoughts."

While Francescon says Kahn is as relevant as ever, the question remains: How long will he deal with the tiresome negotiations and due diligence required to complete a home building deal? Kahn plans to keep working until it becomes too intrusive. "Maybe it will slow down naturally," he says. "I don't know. In the meantime, I enjoy it." **B**