HOW TO SURVIVE THE DOWNTURN

Maury Carter of Orlando takes a dull approach to real estate. That's exactly why he's doing just fine.

BY CHARLES FISHMAN

Maury L. Carter of Orlando knows what may be the fail-safe secret to surviving in the real estate business in Florida these days.

Carter takes a quirky and original approach to land. He owns it. Not the way you own a car, or a house, not the way a developer owns 900 acres he wants to turn into 1,500 single-family homes. Carter actually *owns* the land.

There is, for instance, Triple E Ranch, seven miles east of St. Cloud on U.S. 192 in Osceola County. This is 10,084 acres of hay fields, orange groves, wetlands and pine and oak stands that Carter and his investors bought for $8.5 million — half the asking price — in 1983. Carter has a plan — now before the state — to turn Triple E into a 20,000-person town named Birchwood with a build-out value of about $1.5 billion.

Just a mile east on U.S. 192, Carter has another 10,322 acres.

He and his investors own these huge blocks, and the rest of their land, free and clear — 35,000 acres total, about $100 million worth, in Florida and Virginia.

This is Carter's secret weapon in the current real estate demolition derby and his absolutely inflexible guiding principle. "If we can't pay for it," Carter says, "we don't buy it."

Just as a cushion, there's $22 million in cash in the bank, proceeds from a sale to the state last year of 6,092 acres along the Wekiva River. Carter is looking to buy some land with that $22 million. He'd like to pay cash. As usual.

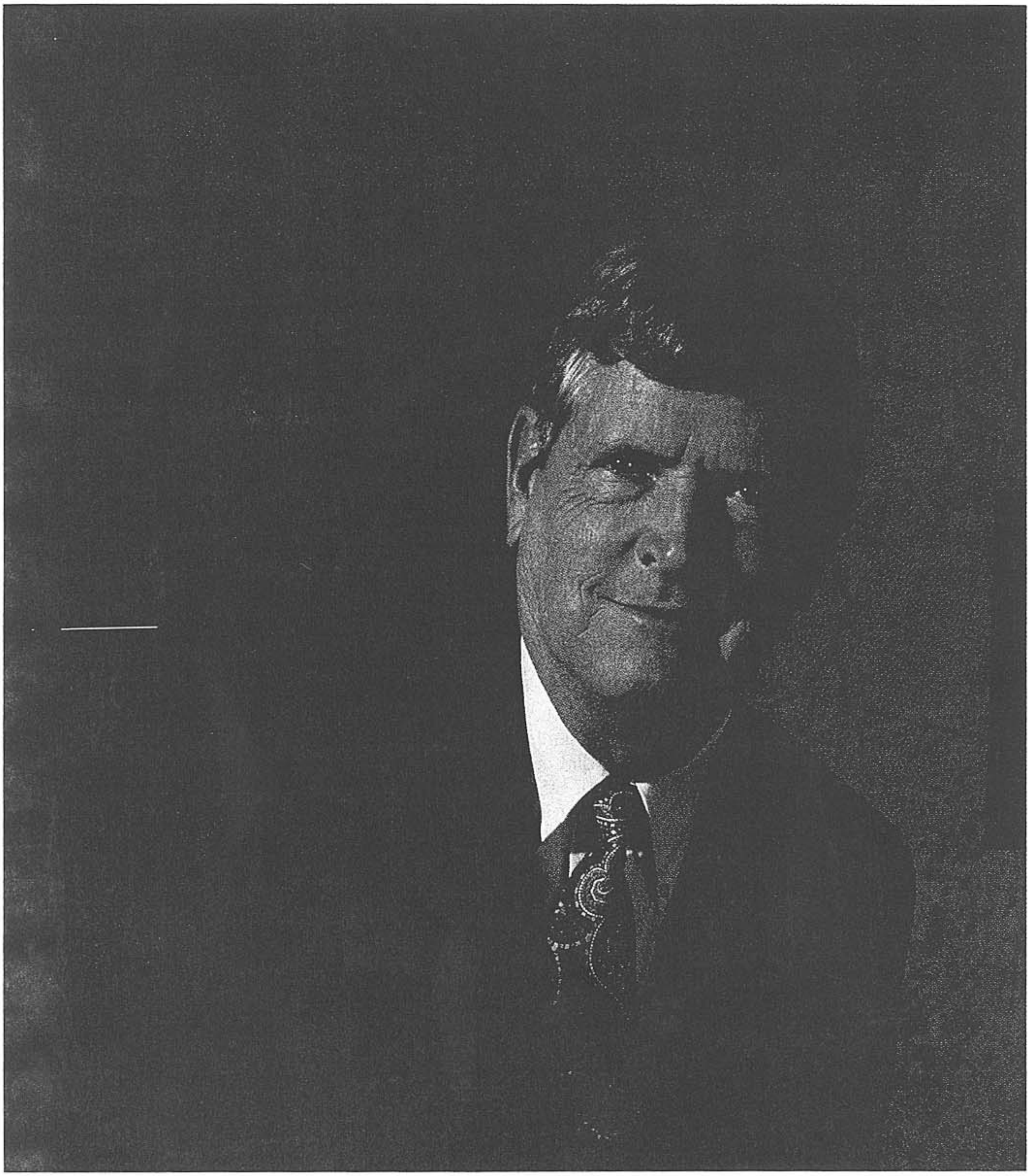
"I guess there are people who think we are crazy," says Carter in his soft Virginia accent. "Sure, we could have 10 times the land we own. But we're not going to do it. A lot of people are willing to take the risks, the gambles.

"You do watch those people pass you on the way up," he adds. "And you see them pass you on the way down, too."

It's easy to underestimate Carter. At 58, he's a slim man of middle height, wears nice, but nondescript, suits and has a mild manner. He's constantly solicitous. He's not a wisecracker, a big talker, a wheeler-dealer. If he goes through the toll booth first, he pays your toll too.

To meet him without knowing what he does, you might guess country doctor, or perhaps Protestant minister.

Carter is the principal of Maury L. Carter & Associates, which is really just Maury, his son Daryl, 28, and a handful of brokers. The firm, almost 20 years old, handles land for Carter and a small investor group he formed in the 1970s. It also brokers and manages land for customers.



Maury Carter has one guiding principle to lead him through the current real estate market. "If we can't pay for it," he says, "we don't buy it."

Daryl Carter says the company has sold $225 million worth of land in the past dozen years.

In the process, Carter has fine-tuned his style, that of a patient, shrewd, unemotional negotiator. He and his investors, for instance, bought some land near Orlando International Airport in 1978 for $800 an acre. Five years later, most of the land became the golf and residential development known as Lake Nona, with Carter selling 7,000 acres for $5,350 an acre — $37.5 million. (Walt Disney, by comparison, bought all 28,000 acres of his company's property in Central Florida for $5 million during the 1960s.)

Carter also brings rationality and common sense to a business more often driven by daring, dreams and wishful thinking. Owning land without mortgages means there's no interest clock running. Still, Carter wants the land he manages to generate as much income as possible. While Triple E Ranch awaits its transformation into the town of Birchwood, Carter is growing hay, sod and citrus there, mining white sand and fill dirt and leasing land for hunting and cattle grazing.

He takes the same disciplined approach to finding land. "The land we like to buy is close in to development," says Carter, "in the path of development, but far enough away that the prices aren't high. There's no impulse buying."

CHAZ MEISSNER PHOTOGRAPH

A ride down State Road 15 from Orlando toward St. Cloud is a vivid illustration of the deliberate, cautious Carter strategy at work.

"We were looking at where to buy back in the 1970s," Carter says. "We divided Orlando into four quadrants, and the southeast area was not developed." Between the airport and Orlando's growth, Carter figured it was just a matter of time. "It didn't take any genius IQ to see it," he says.

State Road 15 cuts through the heart of the area, and it is a road littered with Carter land deals — some in which his firm and partners owned land, some he simply brokered.

Traveling south at 55 mph in one of Carter's fleet of four Jeep Grand Wagoneers, Daryl ticks off the deals. There's 19 acres that sold for $1.25 million, 168 acres for $4.7 million, 474 acres for $4.5 million. Lake Nona — $35 million worth of land — zips by on the left.

Carter and his investors retain a 2,200-acre tract nearby, and the two 10,000-acre pieces are just to the south.

How good was Carter's hunch about the path of development? Daryl has brokered land for $27,000 an acre in the area. State Road 15 is slated to become four lanes, maybe even six lanes. And the Orlando Beltway's southern connector will slice across State Road 15, through the former and present Carter parcels, on its way west toward Disney World.

Carter, his investors and customers have made millions along the still-rural 22-mile strip. But he didn't know anything about the area that anybody else couldn't have figured out.

Maury Carter isn't quite recession proof, though he has done his best to become so. Even if he hasn't borrowed money, Carter says, "the interest clock is ticking" — in a different way. While most land holders are sweating their expenses, Carter and his investors only need to think about what they always think about: their return.

In Virginia and in Central Florida "we are continuing to prepare the lots, even though we know the market is not ready," he says. "We certainly wouldn't be doing that in a recession if we had to borrow the money."

The lack of leverage, combined with Carter's insistently low-key style, makes his business dealings almost dull. Carter knows that, too. With leverage, the rate of return can be very high. But Carter would rather give up a little potential profit to avoid no profit at all. And being able to work through the soft times is an advantage.

"During a period like this, the equipment and the people are readily available — the engineering firms, the surveyors. It's easier to get things done now than if all those people were so busy. And we can get things done a lot cheaper."

That's just one of the lessons and guiding principles Carter has picked up in the business since his first deal nearly 30 years ago.

Back then, Carter was an administrator for Martin Marietta in Orlando. What he really wanted to be, he says, was a doctor, "but I never gave that a serious thought. I knew we didn't have the money."

> 'The land we like to buy is close in to development . . . but far enough away that the prices aren't high,' Maury Carter says.

In 1963, while still at Martin Marietta, Carter and his brother-in-law were looking for a land investment. "We knew something was going on out (where Disney is now)," he says. "Land was being bought in large parcels."

Carter and his brother-in-law bought 40 acres for $40,000 just off U.S. 192.

"We didn't pay cash for that one," Carter says. "We put 25% down, with payments over five years." And they immediately set to work making the land work. They grew oranges and set up a six-acre barrow pit (fill from which was used to expand U.S. 192). "We got almost $25,000 for the fill dirt, and with the citrus income, by the time we sold the land five years later, we had gotten our money back."

The sale price: $264,000, more than six times what they paid.

Carter didn't leave Martin until 1972, but after that first deal, he was in real estate for good.

A FEW LESSONS FROM THE CARTERS

At the urging of FLORIDA TREND, Maury Carter and Daryl, his son, associate and gag writer, boiled down their best advice for buying investment land in Florida. Their most important tip: Keep your sense of humor.

In descending order of importance, the Rules of Carter go like this:

6: Don't overanalyze land with computer programs and number crunching. Use qualitative analysis: Go look at the land, walk on it, view it from the air.

5: When buying property in Florida, make sure there is actually some land on it. (Daryl offers this suggestion as Maury drives by a parcel someone is trying to sell them that "is mostly swamp.")

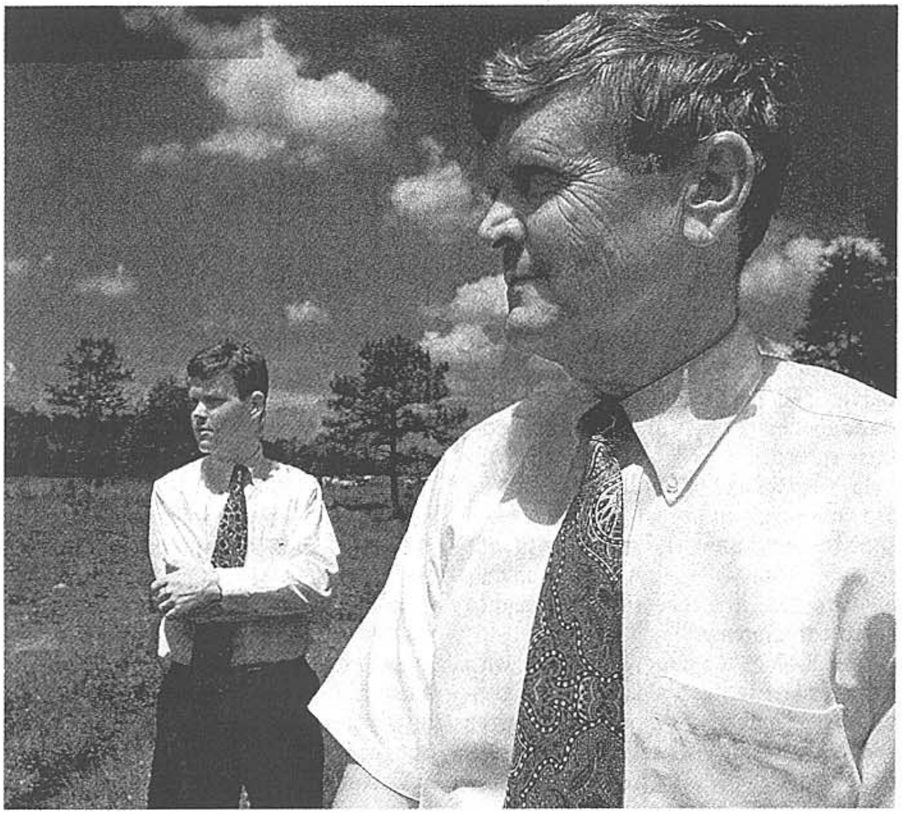
4: Use local, highly specialized real estate and consulting firms who know the market you're buying into and can pass that knowledge along.

3: Pay cash. Don't borrow. Have deep pockets — whether yours or your investors'.

2: Do not buy land in any area where municipal, county or state government has any influence. ("We are looking at the moon," Daryl says. "The view is great, the commute's a little rough, though.")

1: First and foremost, always seek professional help. ("That would be Maury L. Carter and Associates," Daryl offers.)

Bonus advice (from Maury): Stick to what you know. Carter, for instance, has no money in the stock market. He considers the stock market as baffling and risky as most people find real estate. "The best advice I can get on stocks," Carter says, shaking his head, "those stocks go down."



Maury Carter's son, Daryl, says Maury L. Carter & Associates has sold about $225 million worth of land during the past dozen years.

Soon after, he lost a deal he badly wanted. It was a parcel Carter wanted northeast of Winter Park. "There were a few hundred acres up there for $200 an acre," he says. "Now it's fully developed. At the time, I couldn't handle it myself, and I went looking for a partner. When I got one, I went to the guy, and he said, 'I sold that land yesterday.'

"The man that bought it, a few months later, he sold less than half the land for what he paid for the whole parcel."

Carter says he only needed to be taught the lesson of the deal that got away once. "Now I'd put the land under contract and then go out and find the partner." In fact, Carter now has built the partners into the process. In 1972, he formed an investment trust of two families (one from Massachusetts, one from Central Florida) who provided most of the capital.

Carter is the trust's public face; the families, he says, aren't comfortable with their dealings being public. Carter buys land on behalf of the trust. Sometimes he invests too, sometimes he doesn't.

"I won't compete with any of the people I work with," he says. "I find transactions, and I offer them 100% of the transaction. I'll take part in it if they want us to."

Carter is careful about what he takes out of a deal, too.

In 1989, Carter and his investors sold 2,200 acres of land to the Orlando airport for $5,500 an acre. The land had good road frontage, was in the desirable State Road 15 area, and the airport absolutely needed it. The airport was ecstatic at the price, and there was some suggestion by local brokers that the Carters let the land go too cheap.

Daryl Carter brokered the deal, and defended it then, saying, "It was all cash. The airport was . . . a good, solid buyer. The project was going to benefit the community. . . . And there were no contingencies."

Says Maury Carter now: "We had a sale then. It was a bird in the hand, a cash transaction. Maybe we could have done better if we had waited." But that seems to be another quiet Carter principle: There's no need to squeeze the last dime out of a deal. In the end, it can cost you more than it brings you.

The Carters work out of humble quarters in downtown Orlando — a former doctor's office that looks like an old house and is as plain as Carter himself. The office has one indulgence — a conference room with a 12-foot ceiling and a wall that is a floor-to-ceiling map of Central Florida, from Cocoa west to Disney, from Sanford south to Kissimmee.

At this stage, Carter could clearly afford more luxury. "I'm not a big spender," he says. "I don't have a yacht, I don't have a condo on the beach, I don't have a sports car." Carter doesn't even play golf. He likes nothing better than to get out and roam around his land.

Carter is better known in the trade than in public, because until recently, he has dealt mostly in raw land rather than seeking development approvals. Selling 6,000 acres on the Wekiva River last spring to the state brought Carter to the attention of environmentalists for the first time.

"Maury's a businessman," says Bernard Yokel, president of the Florida Audubon Society. "From an environmentalist's perspective, he will do everything he can to do the right thing, within the framework of good business objectives. Sometimes that means the environment works out pretty well, sometimes that means the environment comes up a bit short changed.

"But I don't regard him as an enemy. Maury has an intrinsic desire to want to protect some of those things that are really valuable, so long as it fits in with good business practice."

Carter may soon have a higher public profile, because he says regulation is changing his business, forcing him to do more development. "Sometime back," Carter says, "we bought raw land and sold raw land. But the buyers now, with the added requirements, are reluctant to buy land from us for development without the approvals in place."

Which is why Birchwood is a new experience for Carter. He's taking it farther through the permitting process than he has ever taken land before. Although the Carters will not build houses, Maury expects to control Birchwood almost to the point of completion — with golf courses, schools, 9,700 homes, retail space, park space, its own sewage treatment plant and 40% of the land untouched.

Birchwood does face a problem, because it's essentially a new town in a rural area, and even if it wins approval, it will be at least a year before work can begin. Carter says completion is 20 to 30 years off.

Meanwhile, Carter is casting about for the next place to buy land, an area like southeast Orlando was 20 years ago.

"I can level with you on that," he says. "We have no target area in specific, but I'm looking. I'd like to be able to do the same thing we did in south Orlando.

"If you have any suggestions, I'd like to know about it."

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