

## WCI's Net Loss Widens as Florida Home Market Slumps (Update4)

By Brian Louis

May 7 (Bloomberg) -- **WCI Communities Inc.**, the Florida homebuilder whose chairman is billionaire **Carl Icahn**, reported its sixth consecutive loss as orders plunged in a state that's among the hardest hit by the housing slump.

The first-quarter net loss widened to \$84.1 million, or \$2 a share, from \$15.8 million, or 38 cents, a year earlier. Sales slid 59 percent to \$137.1 million, Bonita Springs, Florida-based WCI said today in a statement. Shares fell 15 percent.

WCI's situation is "very dire," **Vicki Bryan**, senior high-yield analyst for Gimme Credit LLC, said in a telephone interview. "People aren't ordering new homes."

Florida existing home sales plunged 26 percent in March from a year earlier and the median price fell 15 percent, the **Florida Association of Realtors** said in an April 22 statement. The state ranked second in March in total **foreclosures** as defaults more than doubled from a year ago, according to data from RealtyTrac Inc. of Irvine, California.

WCI was **projected** to report a net loss of \$1.27 a share, according to the one estimate in a Bloomberg survey.

The stock fell 48 cents to \$2.62 in New York Stock Exchange composite trading. It's down 88 percent in the past 12 months, reducing WCI's market value to \$110 million.

### No Recovery

"Another tough and disappointing quarter for WCI in what continues to be a very tough market," Chief Executive Officer **Jerry Starkey** said on a conference call. "Liquidity continues to be tight and will continue to be tight in the future."

Net new orders fell 23 percent to 183 and completed home sales declined 45 percent to 309, WCI said.

"Beyond the seasonal lift in Florida, there are no signs that demand has firmed -- many potential purchasers continue to sit on the sidelines afraid of falling prices and the direction of the economy," Starkey said today in the statement.

WCI had \$48 million in cash at the end of the quarter and \$1.7 billion in debt, according to the statement.

The company's lenders are getting appraisals on properties owned by the company and if the valuations are less than expected, the company's borrowing capacity may be reduced under a lending agreement. It may also result in mandatory prepayment of some debt. In March, WCI said it may not continue as a "going concern."

Sales Sink

Florida existing home sales fell to 9,142 from a year earlier in March. The median sales price was \$205,600, compared with \$242,800 a year earlier, the state realtors group said. Condo sales slid 24 percent to 3,145 in March and the median price declined 20 percent to \$176,600.

``There's a glut of inventory," **James Fielding**, an analyst at Standard & Poor's, said in an interview yesterday. Buyers aren't ``going to commit to a discretionary purchase if they perceive prices are going to continue to fall."

Home prices dropped in 22 U.S. metropolitan areas in February, according to a May 2 report by New York-based Radar Logic Inc., a real estate data company. Miami, Tampa and Jacksonville were the three Florida areas in the survey of 25 regions where prices fell.

The Federal Reserve said this week the proportion of U.S. banks making it tougher for companies and consumers to borrow approached a record in the past three months as the credit crunch deepened. Banks are restricting access to credit after financial firms posted more than \$318 billion of losses and writedowns crisis sparked by subprime mortgages.

Icahn disclosed an almost 15 percent stake in WCI in January 2007 and a month later proposed ousting the board. In March 2007, he made a \$22 a share offer for WCI, which was rebuffed. The proposal expired in May 2007.

Icahn and WCI settled a dispute over board seats in August when he and two allies were elected **directors**. He became chairman in September 2007 and the company, which had put itself up for sale in February 2007, ended plans to find a buyer.

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*Last Updated: May 7, 2008 16:22 EDT*