

Pathways: A Conversation with Karl Mistry '04

Division President at Toll Brothers

Author: Matthew Farrell

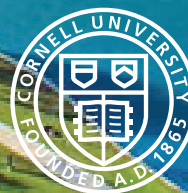


Karl Mistry '04

Karl Mistry's responsibilities include oversight of all Toll Brothers communities throughout Houston, Texas, and he is actively involved in the acquisition and approval process for new residential development. Mistry joined Toll Brothers in 2004 as an Assistant Project Manager, and most recently was promoted to Division President in 2012. He has served as a Board Member of the Greater Houston Builders Association since 2013.

Before his move to Houston in 2010, Mistry was involved in the acquisition and operation of multiple communities in the Dallas/Fort Worth market, where his career with Toll Brothers began.

Mistry earned a BS in Economics from Texas A&M University in 2002 and then graduated from Cornell University in 2004 with a Masters of Professional Studies in Real Estate Development and Finance. He and his wife Rosemary, along with their daughter Lyla and son Cyrus, reside in The Woodlands, TX.



**Cornell
Baker Program
in Real Estate**

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I. IT HAS BEEN OVER 10 YEARS SINCE YOU FINISHED THE BAKER PROGRAM; CAN YOU DESCRIBE YOUR CAREER PATH SINCE LEAVING SCHOOL?

In my first year in the real estate program, Bob Toll was a speaker at the Cornell Real Estate Conference and I was impressed by him and made a point to introduce myself. That year, I was selected for a job interview, and I kept in touch with local management in Texas. In my second year I secured an offer with Toll Brothers to join the Assistant Project Manager Training Program. I got to spend time in sales, construction, marketing, accounting, purchasing, land development, land acquisition—I kind of did it all. That program got me on my way. I worked for Toll Brothers in Dallas for 6 years and ascended the ladder until I became a Vice President of Operations. Then, in 2010, the company moved me to Houston to help expand our footprint here. In 2012 I was promoted to Division President.

II. HAVING GROWN UP WITHIN ONE COMPANY, HOW WOULD YOU SAY THE DIFFERENT POSITIONS YOU'VE HELD HAVE CHANGED YOUR PERSPECTIVE OVER TIME?

The biggest advantage is that I can relate to virtually everyone in every job description. At some point in my career, even if it was only for a few months during my training program, I had the chance to roll up my sleeves and perform their roles. I currently manage a group of project managers and they are really the backbone of Toll Brothers' operational system. I can relate very closely to what they do because for the vast majority of my career that's what I did. This provides me with some built-in credibility amongst the team who work for me because I've done their job. As you ascend the ladder at Toll Brothers, you have wider geographic responsibility and you certainly add some additional tasks, but the core business remains the same, which is really working hard to buy great land, build quality homes and provide a great customer experience.

III. WHAT IS THE MOST CHALLENGING PROJECT YOU'VE WORKED ON AND WHAT LESSONS DID YOU TAKE AWAY FROM IT?

There is a long list of projects that have been challenging, which is the nature of the job. Dealing with the financial crisis in the Dallas market was a tremendous challenge. Every community was impacted as the whole nation dealt with an historic housing crisis. I learned several valuable lessons in those times and we were forced to reduce staff dramatically.

This was the first downturn I'd been through, and it validated the old cliché that if it seems too good to be true, it probably is. Looking forward at new opportunities, I can draw on those tough times and it helps me think of better ways to protect Toll Brothers in the event of another slowdown, like the one we are experiencing now in Houston.

IV. WE HEAR A LOT ABOUT TROUBLE IN THE HOUSTON MARKET DUE TO THE CURRENT OIL SLUMP. IS THIS AN ISSUE THAT IS IMPACTING YOUR BUSINESS AND HOW HAVE YOU ADAPTED AS A RESULT?

It has definitely impacted our business. We just reported that we were down 25% in Houston.

One move that has helped us weather the oil slump so far is the acquisition of three large master planned communities in Houston that we purchased in 2012 and 2013. With these acquisitions, I have been able to sell improved lots to other builders. We have the land development expertise and the capital, so we made the acquisitions with the intent to sell finished lots to other builders. While the top end of the market has slowed down—which is what Toll Brothers predominantly builds—the lower end of the market is doing very well. In a way, owning these master plans has provided a small hedge against the correction we've seen in the market, because I'm still able to sell lots and create revenue and margin in a different way.

On the operations side, we are always looking to innovate and attract new customers. A focus on marketing and presentation in these times is more important than ever. Fortunately, at Toll Brothers, there is a culture rooted in luxury and quality presentation, so I hope we can actually increase our market share through this oil correction.

V. SINCE LEAVING SCHOOL, YOU HAVE WORKED THROUGH UPSWINGS AND DOWNTURNS IN THE DEVELOPMENT CYCLE. WHAT ADVICE CAN YOU GIVE STUDENTS WHO MIGHT BE GRADUATING DURING A TIME OF MARKET UNCERTAINTY?

I would say to pick a company that has weathered several of these downturns and ask very specific and pointed questions about how they did it. I weathered the financial crisis in Dallas. I learned a lot about Toll Brothers in the process. While we had a lot of layoffs as a company, I gained a tremendous amount of respect for the way Toll Brothers handled it. You learn about the culture and the character of an organization when you go through a downturn. I would say if you are concerned about a cycle, ask questions about what happened in 2006, 2007 and in 2008 when things really

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started to fall apart. What steps did the company take to insulate its employees or its projects and how did they fare?

VI. WHAT ADDITIONAL ADVICE CAN YOU GIVE TO STUDENTS OF THE BAKER PROGRAM TO HELP US PREPARE FOR FUTURE CAREERS?

It's going to sound cliché, but do your very best to stay in touch with some of your classmates and professors. During your career, when you get to forks in the road, the only people that will have a complete understanding of your situation, your education, and your preparation, will be your classmates and professors. So while they may not be in the same city or the same asset class within the industry, they can probably offer a unique perspective. I know as I was making my decision to come to Toll Brothers, and even to Houston, I consulted a lot with Brad Olson, Dick Booth, Jan deRoos, and my Cornell classmates.

Another one, also a cliché, I've learned from being at one place for 12 years. I find I appreciate more and more the people with whom I work. The people you work with are probably as important, or more important than where you work. I think people learn that the hard way. If you start your career and feel that you are not connecting with people for whatever reason, even if you like the company, your happiness in your job and your quality of life are really impacted. At the end of the day, the reason people stay in a job is because of who they work with. Now that I find myself in a position surrounded with people that I really enjoy, it is hard to imagine working anywhere else. That is extremely difficult to replace.

One last piece of advice is that for your first job, don't overthink the process and the initial offer. Your first job is just a starting point. If you think long term about where you want to be in 10 years, a 20% or 30% delta in compensation today will have very little long-term impact if you are successful in that job and you like your company. Don't take a job that you don't feel really good about over a few bucks. Early in your career is the time to make that decision for all the right reasons.

VII. WHAT PROJECTS ARE YOU CURRENTLY WORKING ON THAT YOU ARE THE MOST EXCITED ABOUT?

Fortunately, we have several. One of them is a project called Woodson's Reserve. It was the first master planned community that we purchased in 2012 and it has just come to market in the last 12 months. Despite the oil slump, it has been successful. We recently completed a 6,000 square foot clubhouse and recreation center, which has the potential to

win a lot of awards, because it is something unique in our market. I had the chance to contribute a lot to the vision for this community so I'm very excited to see it come together. At build out, it will be approximately 1,000 lots and it also has 18 acres of commercial property. We've been working with the local school district, and we've sold them two school sites. It's a really neat project.

Another one is called Sienna Plantation and it is a 3,800 acre master planned community. Toll Brothers sought private equity capital for this project. I had a chance to work with GTIS, a New York based private equity firm. They're our joint venture partner on this project. It's now 2 ½ years old, and it's been open for sale for just over a year. For me, on a professional level, it was a special project. I had the chance to work with several private equity firms before we decided on GTIS, and I was able to draw on my experience at Cornell to understand the financial underwriting that a private equity firm might do. That was very rewarding. We're selling lots to 12 other builders. There's over 150 acres of commercial and we've sold a couple of school sites there as well. We're building world class amenities that are going to be coming out of the ground this year.

VIII. IT'S NICE TO HEAR THAT YOUR EXPERIENCE AT CORNELL IS STILL HELPING YOU.

You know, it absolutely does. I think early in my career at Toll Brothers, it really came in handy on the transaction side of the business. I don't think you quite understand it until you are in a job. The life-blood of Toll Brothers is how we buy our land and a focus on buying at Main and Main. Land is our raw material that goes into our manufacturing process. Without the right land at the right price in the right location, the system doesn't work. So my knowledge regarding the time value of money, discounted cash flows, and an IRR model helped me very early on in my career. Within just a couple years of starting at Toll Brothers I was very involved in the acquisition side of the business and I think that's common amongst most of the Cornell graduates who work here. We quickly get tapped to participate in land acquisition, and there's no doubt that it's because of the preparation we received in the Baker Program.

IX. WHAT ARE YOUR PROFESSIONAL GOALS FOR THE NEXT DECADE?

I'm very proud of working at Toll Brothers. I soon hope to be overseeing the State of Texas, or perhaps even a larger region, and continuing to help build our luxury real estate brand. I think I'll get that chance.

