

STRATEGY

Building a fortune anew

BY CHRISTOPHER H. SCHMITT

Even as capstones to spectacular comebacks go, this one is dazzling: Late last year, Virginia home-building mogul Dwight Schar laid out \$70 million to buy the tony Palm Beach estate of Revlon Inc. CEO Ron Perelman and his actress wife, Ellen Barkin. It's the highest known price paid for a home in U.S. history and includes a 26,000-square-foot mansion, oceanfront and lakefront property, and furnishings worth millions. "He's bought a fabulous property—it's a classic Mediterranean-style house that had an open-checkbook renovation," says John Pinson, head of the local Realtors association. "There's really not another house like that."

Not bad for someone who, a decade ago, teetered on the edge. His big Washington-area home-building company, NVR, had been forced into bankruptcy, its stock price beaten down to just 31 cents, and Schar found himself in danger of losing control of his company. In the boom-and-bust home-building industry, NVR's woes were familiar: NVR had bought land—too much of it—and then found itself holding the bag when interest rates turned, land values sagged, and building slowed in the early 1990s. The company had also borrowed heavily to buy out a much bigger rival, Ryan Homes. After losing hundreds of millions of dollars, NVR threw in the towel with its 1992 Chapter 11 bankruptcy filing.

Today, as his new oceanfront villa atests, it's clear Schar and NVR are back. But while Schar may well have joined the South Florida glitterati, the story of NVR's resurgence is basically a conservative tale of patiently sticking to the knitting—downsizing risk while focusing on product quality and customer relations. As a result, in an era of spectacular business failures, NVR and its 4,400 employees have quietly



PART-OWNER. Dwight Schar (center) watches the Washington Redskins warm up.

pulled off one of its most impressive recoveries, operating in 11 states stretching from New York to Tennessee and the Carolinas.

Rebound. Two numbers may tell the story best. In October 1993, upon emerging from bankruptcy protection, NVR's stock price stood at \$10.25. Last week, with NVR ensconced as the nation's eighth-largest home builder, the price sat near \$800 on the American Stock Exchange, up 7,700 percent overall, or 44 percent annually. (Even at \$800, the price isn't as airy as it might seem—NVR's price-earnings ratio is just barely 12.)

Many executives have bragged about far less, but Schar, 63, shuns the spotlight and declined interview requests. His background is likewise modest. He grew up in Ohio, leaving home at 13 to work on a relative's farm. He paid his way through college by working the

night shift at a pipefitting factory. He married his high school sweetheart (although they later divorced) and taught junior high school science after graduating from Ashland College in Ohio. He sold real estate after school and on weekends but gave up teaching after a few months to sell houses full time.

Today, Schar's good fortune has also allowed him to leave his mark outside the office. He's a part-owner of the National Football League's Washington Redskins, a significant charitable donor, and a power player in Republican politics. He was among the biggest fundraisers for President Bush's re-election effort, and he held a top spot on Bush's inaugural committee.

The centerpiece of NVR's recovery has been to retool how it handles the vital, but perilous, commodity of land. Homes need land to sit on, of course,