

THE ST. JOE COMPANY: FOREVER COMPOUNDER



NYSE-listed The St. Joe Company may be the most written about "secret" land company in the world. Its underlying investment thesis is not new nor original, but 2025 could be a particularly good time to start accumulating the stock.

The company owns a gigantic land bank in Northern Florida. Developing this previously remote stretch of the Sunshine State has lately been gathering steam.

After its recent sell-off, the stock has a realistic chance to 5x (or more) over the coming 7-10 years. It's the perfect investment to put away for a decade, or two.

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Buy land – they are not making any more of it

Dear Member,

Florida is forever going through pronounced cycles, but with an upward trajectory overall.

When I went to high school in the US in 1990, the Sunshine State was very much "out". Its real estate market had gone from boom to bust, and many owners were suffering under negative equity. At the time, things looked so bleak that it was difficult to imagine them ever turning around.

But turn around they did.

Florida has since experienced repeated booms and busts.

What hasn't changed is the long-term upward trajectory of this market.

It's not really a surprise, though, or is it?

Florida offers a combination of sunshine, seaside living, and low taxes – all while being in the United States of America rather than a Caribbean micro-state or a Latin American banana republic.

Florida does of course have its issues – hurricanes, termites, sinkholes, nasty insurance complications... Without them, it would have to be the US' most expensive real estate destination. Many of these issues are opportunities to improve things further, e.g. through the use of better building technology, which then makes for further price rises.

Will this be any different over the next 5, 10 and 20 years?

Probably not. The secular trends that have been driving real estate values in Florida remain intact.

The difficulty is to judge how things are going to pan out over the next 6, 12 and 24 months.

Markets have been anticipating another short-term downturn, driven by a combination of interest rates rising, overheated prices cooling off

after the pandemic boom, and long-hidden structural problems coming to the surface.

Source: [yahoo!finance](https://finance.yahoo.com), 4 December 2024

Real Estate Agents: Why 2025 Is the Year To Sell in Florida

Vance Cariaga

December 4, 2024 • 3 min read



Feverpitched / iStock.com

When it comes to assessing Florida's [housing market](#), it helps to grade on a scale. Even when the state's housing market hits a few bumps — as it has lately — it's still among the strongest in the country thanks to its population growth, sunny beaches and warm climate. These factors contribute to high demand for homes in Florida — and sellers are the beneficiaries. That should be the case in 2025 as well, according to experts.

One stock that has already gotten hammered because of these concerns is that of The St. Joe Company, the largest landholder in a particular area of Florida.

Since July 2024, the stock has fallen from USD 65 to now USD 46. It traded as low as USD 42 recently.

Could the stock fall further?

It could, but it's already outstanding value relative to the value of its underlying assets and its longer-term earnings potential.

Will St. Joe be a good proxy to benefit from the next 5, 10 and 20 years of rising real estate values in Florida?



Most likely, it will!

In fact, it is now much more likely to deliver on that role than it would have been in the past. **There have been measurable, important changes at this company and in the region its invested in.**

I first came across St. Joe in 2003. Much as I've always kept an eye on it, I never wrote about it before because I felt too many others were already doing so. What value could I add if a handful of other analysts and writers had already worked out the case?

I decided to write about it now for three reasons:

1. **Timing:** what happened to St. Joe's stock price lately is noteworthy. The stock got lots of attention when it reached new highs, but it has been neglected of late as its price came down.
2. **Insights:** many non-US readers will not be familiar with the particular situation of Florida's "panhandle" region, which Chapter 1 lays out. Even US readers may not yet be fully familiar with the region's ongoing changes.
3. **All-new US immigration theme:** I believe that under president Trump, the US is going to attract unprecedented numbers of highly qualified legal immigrants from around the globe. Absolute population growth in the US will continue to drive prices in Florida, and St. Joe is a great way to get exposure to this (non-consensus) theme. **I have seen the US go from 250m to 350m inhabitants, and I fully expect to witness it reach 500m on the back of a generational legal immigration boom kickstarted by the new administration.** How many of these new Americans will want to live in affordable real estate, near pristine beaches, and with low taxes?

With all that in mind, I introduce to you the most written about "secret" land company in the world.

As ever, do your own diligence and please use this report only as an inspiration rather than investment advice.

Best regards

A handwritten signature in black ink, appearing to read "S. Lorenz", with a long horizontal flourish extending to the right.

Swen Lorenz
Undervalued-Shares.com

Executive summary

The St. Joe Company (ISIN US7901481009, NYSE:JOE) owns 168,000 acres (68,000 hectares) of land in the "Florida panhandle", **110,500 acres of which are permitted for development.**

The panhandle region is the state's laggard, with a significantly lower population density and an economy that was long based on dying industries. However, it also has **Florida's finest beaches**, a more **seasonal climate**, better **protection from floods** due to its slight elevation, and **lower prices.**

Since the early 2000s, "JOE" has gradually turned itself into a combination of **developer and operator of real estate**, aiming to leverage the region's strengths to its advantage.

Since 2015, the company focused on building up its **recurring income.** Between 2015-2023, revenue increased by 34% p.a. to USD 740m while EBITDA and earnings per share have both grown by 30% p.a. With general operating expenses down from 24% of revenue to just 6%, St. Joe has demonstrated **efficiencies of scale and operational leverage.**

Despite the company's strong growth, the stock has only doubled since 2015. The market has **long held reservations** about St Joe, which, however, don't sufficiently recognise that the panhandle region has now reached **initial critical mass** and is likely to be **completely transformed over the coming 10-20 years.** St. Joe has the permits to develop **170,000 homes** and up to **20m square feet of commercial space.**

The stock is now trading at USD 46, down from USD 65 in July 2024. Relative to its earnings of USD 1.33 per share in 2023, it isn't an obvious bargain. Yet, St. Joe generates its current earnings from **just 2% of the land bank.** The existing portfolio of income-generating real estate is worth around USD 2bn net of cash and debt and means that the remaining 110,500 acres of usable land are valued at just USD 3,600 per acre. **The estimated net asset value per share already exceeds USD 100, and could reach USD 200-300 in the long run if St. Joe continues to develop its land.**

The issues that previously plagued the company (and the stock) are unlikely to be a major hurdle for its long-term success. The bigger challenge is to time an entry into the stock, given it is exposed to **short-term volatility.**

St. Joe seems like a stock that private investors should accumulate over time. It is particularly suited for investors seeking to get relatively

low-risk, low-maintenance exposure to the continued success of the US as a whole and Florida in particular. **St. Joe could at least generate a 5x upside over 7-10 years.**

The St. Joe Company at a glance	
Share price:	USD 46
Ticker symbol:	JOE (NYSE)
ISIN:	US7901481009
Outstanding shares:	58.4m
Market cap:	USD 2.7bn
Website:	www.joe.com

Chapter 1: Florida's forgotten coast

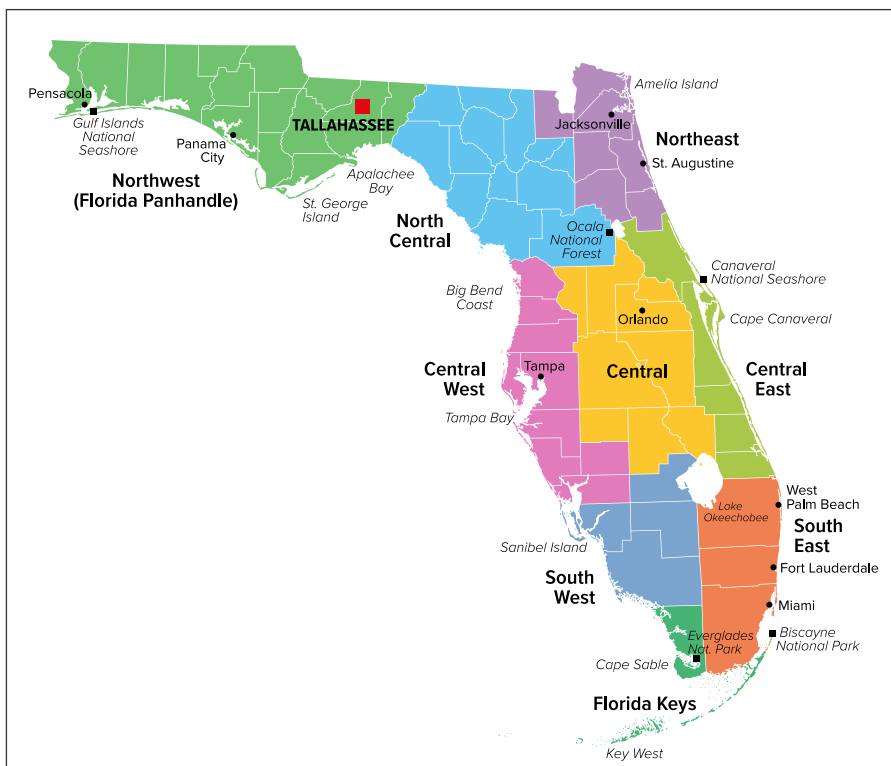
What you are going to learn in this chapter:

- Why the panhandle region has a distinct, mostly negative reputation.
- What makes this part of Florida attractive.
- How a confluence of factors is now transforming the region.

The poor man's part of Florida

Think of Florida, and you will most likely have images of Miami, Disney-world, the Everglades, or maybe the Florida Keys in your mind.

If you are a more experienced Florida visitor or resident, you'll also be familiar with names like West Palm Beach, Naples, or Cape Coral.



You are less likely to have visited the Northern part of Florida, commonly referred to as the "Florida panhandle". The panhandle region doesn't have a distinct Eastern boundary, but it usually extends to Tallahassee, the state's capital.

Many derogatory terms exist to describe this part of Florida, "Redneck Riviera" being the most common one.

Whatever you think of it, this part of Florida is undoubtedly quite different from the rest of the state.

Culturally, the panhandle region has long been more closely linked to the nearby Southern states, such as French-influenced Louisiana, Mississippi, and Alabama.

It's also quite rural. Its population density is just 20% that of the better-known parts of Florida.

Economically, the region never moved much beyond farming, forestry and lumbering, paper mills, shipbuilding, and commercial fishing, all industries that have gone through long-term declines and extinction-level crises. The panhandle region's only saving grace over the past few decades has been the growth of its tourism and hospitality industry.

Even Pensacola, a significant tourist hub, is visibly underdeveloped



The panhandle region does have the most beautiful beaches of the state – and that's anything but an overstatement. The sugar-white beaches and blue-green waters of its coast are due to a natural quirk, namely fine quartz that was eroded from granite in the Appalachian Mountains and washed to the region's shores by rivers and creeks. The coastline is (deservedly) often dubbed the "Emerald Coast".

The panhandle region's weak economy has long made for low prices. A combination of low prices and amazing beaches famously attracted "Spring Break", i.e. college students that come to Florida to party.

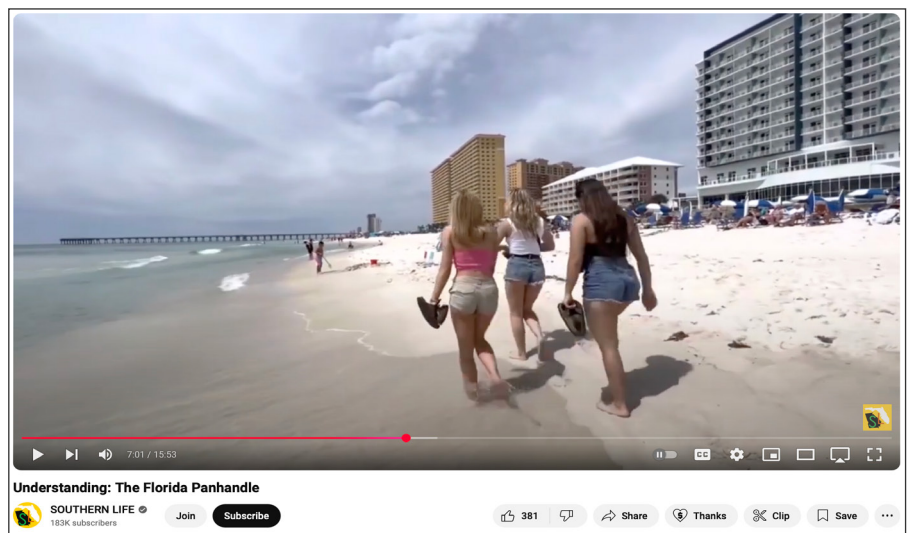
Miles and miles of stunning beaches



German readers will now wonder if the panhandle region was comparable to Spain's Mallorca island and its infamous "Ballermann" drinking culture of the 1990s. Mallorca had a reputation for hosting degenerated parties involving the worst music imaginable and lower-end tourists getting wasted on the beach. Fast-forward two decades, and Mallorca real estate has been transformed. Mallorca is now, first and foremost, an upmarket island.

Could the panhandle region be in for a similar transformation?

[MUST-watch 15-minute video](#) about the Florida panhandle




Transformation success stories

The US real estate market has many amazing stories of turnarounds and transformations. One of the more memorable reversal of fortunes – albeit without sunshine involved – is that of the Dumbo neighbourhood in New York.

During the 1970s, Dumbo ("Down under the Manhattan Bridge Overpass") was a derelict industrial area between the Manhattan and Brooklyn Bridges on the Brooklyn side of the Hudson River. One real estate investor borrowed USD 30m to buy the biggest part of the neighbourhood and then worked for decades to turn the place around. It's now a gentrified, highly desirable neighbourhood with high-end offices for firms like Etsy. Anyone who owned a property in the area will have multiplied their investment many times over.

Source: [Forbes](#), 22 January 2014

Brooklyn Billionaire: How One Man Made A Fortune Rebuilding Dumbo

By [Caleb Melby](#), Former Staff. I read SEC documents like it's my job... 

Jan 22, 2014 at 07:50am EST

Cash crises, political grudge matches, suicide. None of it stopped David Walentas from forging a ten-digit fortune by creating an entire neighborhood in New York's underdog borough. And he's about to do it all again.

More recently, I witnessed New York's Williamsburg district transform. I first stayed in this "edgy" part of Brooklyn in 2012 to satisfy my curiosity about a neighbourhood that increasingly turned up in media reports as a hip, up-and-coming area. At the time, my Manhattan friends looked down on me for even spending a single night there. Today, it's another booming, expensive neighbourhood. (Those of my friends who sneered at me instead of buying an investment property will today be kicking themselves.)

The question is, does a down-and-out location have the right ingredients to stage such a turnaround?

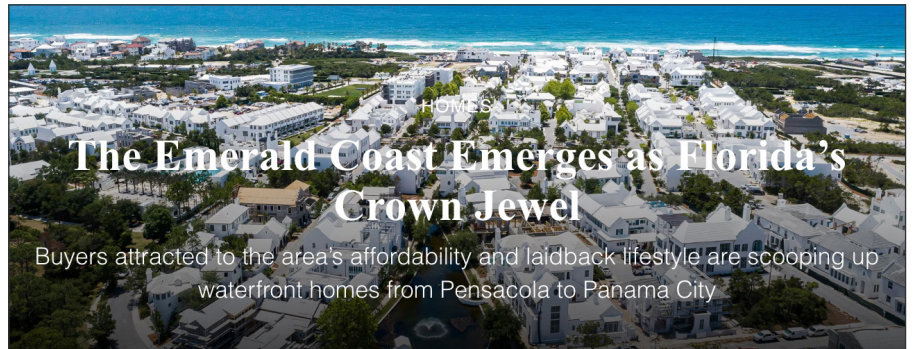
Most likely, the panhandle region does.

Florida's most exciting part for the next 20 years?

The headline of the following feature that appeared in the *The Wall Street Journal* in 2020 probably says everything you need to know.

Given the region's assets and recent developments, why shouldn't the Florida panhandle continue its current growth and become another great success story?

Source: [The Wall Street Journal](#),
28 October 2020



Alys Beach, Fla., is part of the Emerald Coast. MOON CREEK STUDIOS/ALYS BEACH

By [Beth DeCarbo](#) [Follow](#)

Oct. 28, 2020 2:31 pm ET

Buyers snapping up waterfront homes on Florida's Panhandle may speak with a slight Southern twang. And maybe they grew up eating grits and still drink their sweet tea from a Mason jar. But consider yourself warned: Never, ever call the state's Gulf Coast by its nickname.

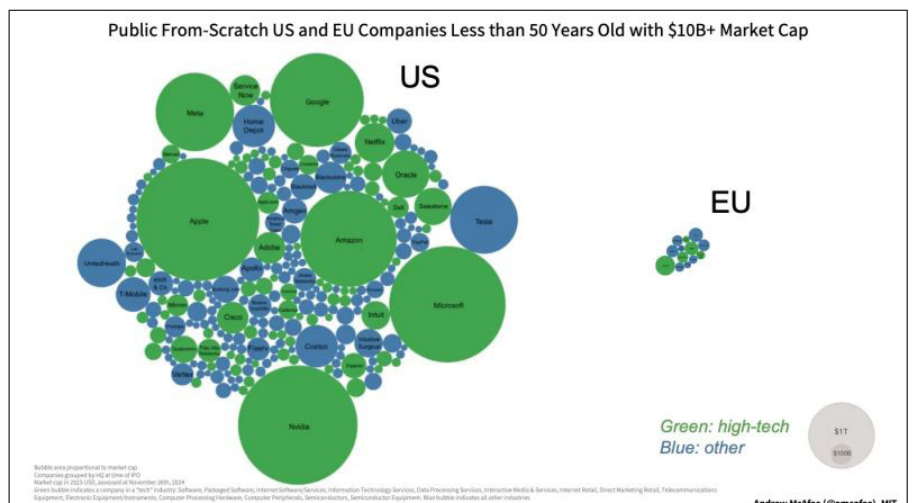
For a start, it's located in a country with a vibrant economy and a growing population.

There is no need to say much about the US economy, given the amount of media coverage that "US exceptionalism" has been garnering of late. I had written about this subject earlier than most others, in my July 2023 article "[USA - the unstoppable juggernaut?](#)".

It helps to have the tailwinds of an economy that:

- Has a growing population (350m today, up from 250m in 1990).
- Has its people move around quite flexibly, and allowing to exploit differences in price, taxes, or climate.
- Is creating more new wealth than any other economy on the planet.

Source: [The Geek Way](#)



The panhandle region has a number of advantages, such as:

- Lower prices (by far).
- Very low population density, equalling "more space".
- Fine sand beaches.
- Within a day's drive of much of the Eastern USA.
- Very limited high-end development so far, leaving room for upgrades and gentrification.

Source: [yahoo!finance](https://www.yahoo.com/finance), 6 February 2024

Florida Waterfront for Under \$500K? 6 Places You Can Find It

Martin Dasko

February 6, 2024 • 5 min read



Javier_Art_Photography / Getty Images/iStockphoto

If you're [looking for a waterfront property](#) in the state of Florida, the good news is that there are still various destinations with affordable options. Even though real estate prices have increased in the last few years, [it doesn't mean you have to spend a million dollars on a property](#) if you want to live by the water.

Unsurprisingly, it also has a few distinct disadvantages – or at least, factors that are perceived to be disadvantages:

- Actual seasons, including the occasional night of frost.
- An existing population sometimes viewed as "lower class".
- No major population centres, rather a collection of small towns.
- No nearby major international airports.

Are these disadvantages insurmountable?

Could some of them eventually turn out to be an advantage even?

Having seasons puts off those who like Florida's sweltering heat and humidity. However, it could be a selling point for those who prefer a less extreme climate.

A lack of infrastructure can be solved by building it. Having a newly-built infrastructure eventually becomes a selling point, especially in a country that is (in)famous for its ailing, decrepit infrastructure. Has anyone ever enjoyed flying to and from Miami's third-world airport?

Having 70% Republican voters could also become a selling point at a time when everyone has realised how Democrats have had a unique ability to ruin the cities they govern.

Enter – The St. Joe Company

There is one company that has set out to solve these challenges and turn at least some of these disadvantages into selling points.

To be clear, Dumbo and Brooklyn's Williamsburg aren't for everyone, and the Florida panhandle won't be for everyone either.

The region has, however, attracted a critical mass of new residents, which will provide the momentum to attract further investment. Investors and residents flock to places that they perceive to be on the up. Momentum usually begets more momentum.

Chapter 2 is looking at The St. Joe Company, which has been at the centre of this and is the #1 proxy for investing in the panhandle region.

It's another form of real estate that comes in the form of publicly listed equity, enabling you to invest without having to manage tenants!

Chapter 2: The St. Joe Company – a Florida land giant

What you are going to learn in this chapter:

- Who created The St. Joe Company's land bank in the first place.
- How St. Joe changed the game by donating land for a new airport.
- Why the company today is a different animal than ten years ago.

Land purchases 100 years ago

The St. Joe Company – or "JOE" as it's commonly called in reference to its ticker symbol – has its roots in the 1920s, when Alfred Irénée du Pont, a member of the influential Du Pont family, bought nearly 1m acres (404,000 hectares) of land in the Florida panhandle region. This was equivalent to 3% of the state of Florida, and it made du Pont's company the largest landowner of the entire state.

Du Pont bought the land for as little as USD 2 per acre. A papermill in Port St. Joe gave the company its name, even though the corporate head office was based in Jacksonville, where du Pont lived.

Over time, the company expanded from timber harvesting into railroads, banks, corrugated boxes, sugar, and communications. Following du Pont's death in 1935, the assets were rolled over into a trust and managed by his brother.

The trust and St. Joe largely stayed off the radar until the early 1990s, when the trust decided to take the company public in an effort to adapt to changing times. The newly listed company sold off non-core assets to tidy up its diverse portfolio. In 2002, it sold its last locomotives and freight cars.

By that time, St. Joe had come under the management of Peter Rummell, formerly president of Disney Development Company, the Walt Disney division tasked with managing and developing property. Rummell was one of the key people behind the 20,000-person planned

For a long time, St. Joe was known for its land bank and its option to sell lots at a considerable profit relative to the low book value. The company wasn't known for generating recurring income. Today, it is in a different position altogether. E.g., its 2023 revenue from hospitality operations alone exceeded its total revenue of 2016, even though 2023 was not even a full year of operations for five newly completed hotels.

Source: [Compounders Podcast](#),
5 October 2021



Clearly, the St. Joe of today is a very different animal compared to that of a decade ago.

What has changed over these years is how potential residents view this part of Florida, and how they approach purchasing real estate in this region.

Until the mid-2010s, the panhandle region would have been an area primarily of interest to buyers of second homes. However, even before

Source: [Daily Mail](#), 23 March 2024

The new Miami? Florida panhandle city of Pensacola sees swell in number of \$1M homes sold as laid-back vibe, stunning beaches and great amenities attract glut of wealthy newcomers

- Located on the western edge of the panhandle, Pensacola boasts 'the world's whitest beaches'
- The western gate to the Sunshine State is fast becoming a hotspot for wealthy sunseekers looking for a beachside home in a state with no income tax
- The number of homes sold for more than \$1 million in Pensacola has soared 220 percent since 2019

By [LAURA PARNABY FOR DAILYMAIL.COM](#)

PUBLISHED: 11:07 GMT, 23 March 2024 | UPDATED: 20:22 GMT, 27 March 2024



A coastal [Florida](#) city is fast becoming a hotbed for wealthy movers attracted by its sandy coast and laid-back vibe.

the pandemic hit, a noticeable shift was already underway, as more people started to move to the region full time.

There was also a shift in catchment area, where people came from. The region used to attract visitors mostly from the southern cities of Atlanta, Nashville, and Dallas (and anything between). Today, many visitors and new residents come from outside that arc.

These two trends started to become apparent before the pandemic, and during the pandemic they went supersonic.

It's easy to forget just how much effort it took to get there.

In retrospect, St. Joe's decision in the early 2000s to donate land for the construction of a new, major airport will appear like it was a no-brainer. By giving less than 1% of its land holdings to the government for free, the company allowed a major new transport hub to be created. The Northwest Florida Beaches International Airport now acts as gateway for 1.5m passengers per year (and its runway could allow 747-size planes to land if necessary). The increased footfall in the region will also have increased the value of St. Joe's remaining land holdings by a much higher percentage.

The Northwest Florida Beaches International Airport during construction



However, what seems like an obvious move has taken no less than 15 years to play out.

By the mid-1990s, it had become clear that St. Joe's part of the panhandle region needed a new, better airport. The airport in Panama City lacked in multiple ways – overall size, length of runway, and quality of visitor facilities.

St. Joe offered to donate 4,000 acres of land to the construction of a new airport, on the condition that the government took care of everything else.

Amazingly, a subsequent referendum on the new airport had 54% of the local population opposing it.

However, strong support from local businesses helped to get the project across the line after all. In 2010, the new airport in Panama City opened for operation, after the government invested USD 330m. It's now an established part of the local infrastructure and taken for granted, but few realise what a lengthy battle was required to make it happen. Large public infrastructure projects are never easy, not even in the US. This was the first new airport in the country in over 15 years.

I am saying all this as someone who has known about St. Joe since 2003.

My archive still holds a copy of the first article I read about the company at the time. I remember vividly coming across the stock and being fascinated by the size of its land holding and its underlying history.

This was a time when the stock spiked to USD 85 in 2005, compared to USD 12 in 2000. St. Joe was "in", and it looked like the sky was the limit. Investors knew that St. Joe owned swathes of undeveloped land immediately surrounding the new airport.



However, I felt it was better to hold fire and write about it at a later stage.

Little did I know that it was going to take 22 years before I felt that timing was right to shout about St. Joe from the rooftops write a research report.

A decade-long transformation

Since the airport was opened, St. Joe has donated further parcels of land in a strategic way, contributing to build the following:

- Ascension Sacred Heart Pensacola hospital
- Ascension Sacred Heart Emergency Care
- Arnold High School
- A. Gary Walsingham Academy
- Breakfast Point Academy
- Publix Sports Park
- Frank Brown Park
- Aaron Bessant Park

Ascension Sacred Heart Pensacola hospital



Someone planning to move down south to enjoy their retirement will want to have healthcare facilities nearby. By donating some land to a hospital and an emergency room, St. Joe will have significantly upgraded the attractiveness of its land to new residents.

All of these facilities have been built in the meantime. They are not a plan but reality.

What's more difficult to figure out, however, are the company's projected revenues and earnings.

If you are looking for a prediction of St. Joe's next quarterly earnings, you are in the wrong place. While for most companies with a market cap of over a billion dollars, at least one or two investment banks publish research, this does not seem to be the case for St. Joe.

There are many short-term factors to analyse and to worry about:

- The risk of US interest rates rising.
- The Florida real estate market as a whole cooling off following the pandemic boom.
- The location where the next hurricane makes landfall.

However, focusing on such short-term factors may be missing the point.

It could be similar to selling your apartment in Dumbo (see page 11) because Hurricane Sandy flooded parts of New York. In 2012, Dumbo's waterfront areas got partially flooded and covered in debris. Businesses were forced to close their doors temporarily.

Had you sold at the time, you would have missed out on Brooklyn's continued rise over the following decade.

For a new, rising real estate destination like the Florida panhandle, it's probably best if you think in stretches of three, five or even ten years. Maybe even longer than that.

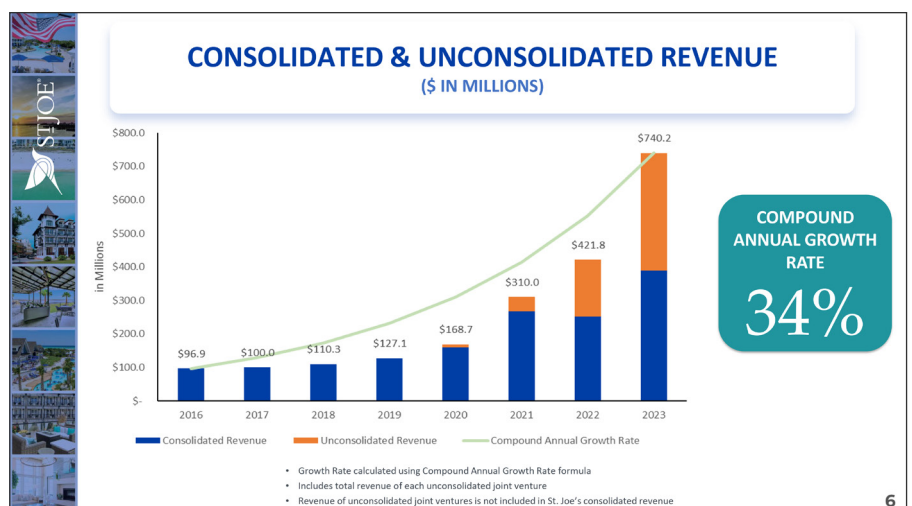
As it were, looking at St. Joe across such extended periods makes for interesting reading.

E.g., between 2000-2015, the company sold an average of 51,000 acres of land per year. This was a combination of tidying up the land bank and generating cash from sales at a time when the company had a less developed business.

Between 2016-2023, St. Joe only sold an average of 1,000 acres per year. It was done with streamlining its portfolio and focused on developing its land bank and accelerating the speed of doing so instead.

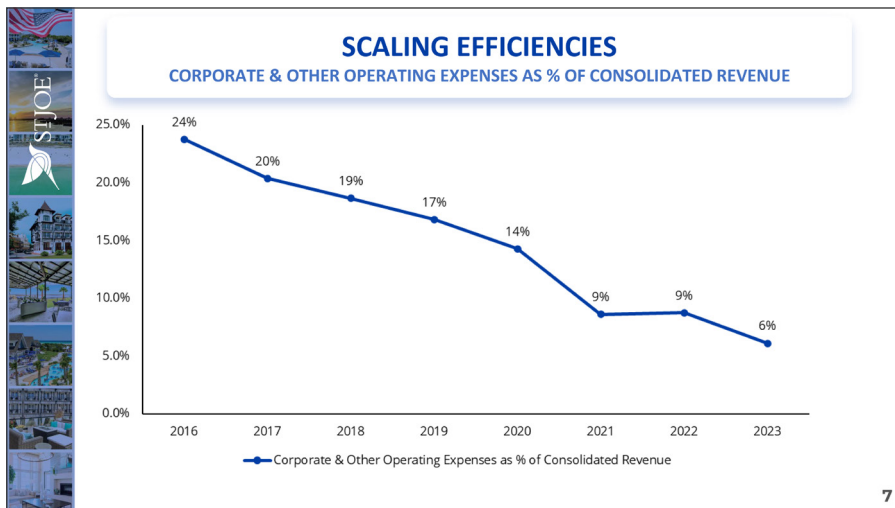
During the same period, the company grew its revenue from USD 97m to UD 740m, equivalent to growth of 34% p.a.

Source: The St. Joe Company, [annual meeting of shareholders 2024 presentation](#)



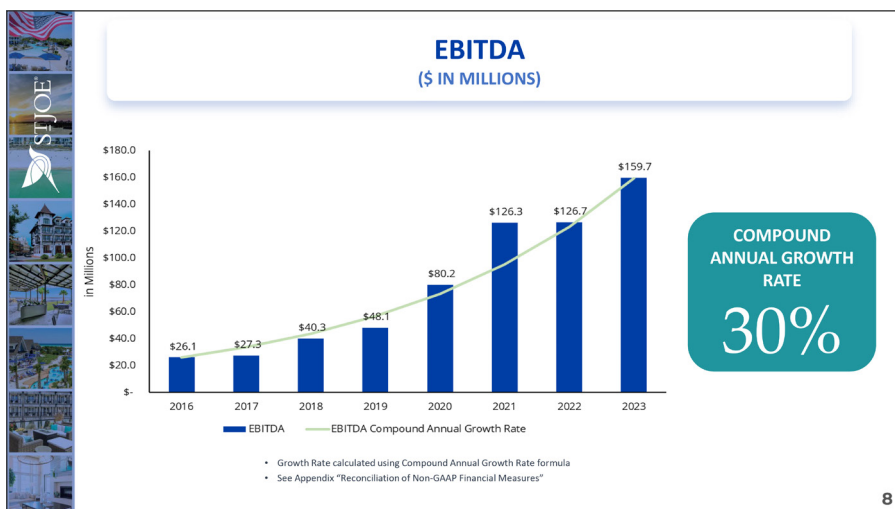
General operating expenses declined from 24% of revenue to 6%, which highlights the company's ability to grow and scale the business efficiently.

Source: The St. Joe Company, [annual meeting of shareholders 2024 presentation](#)



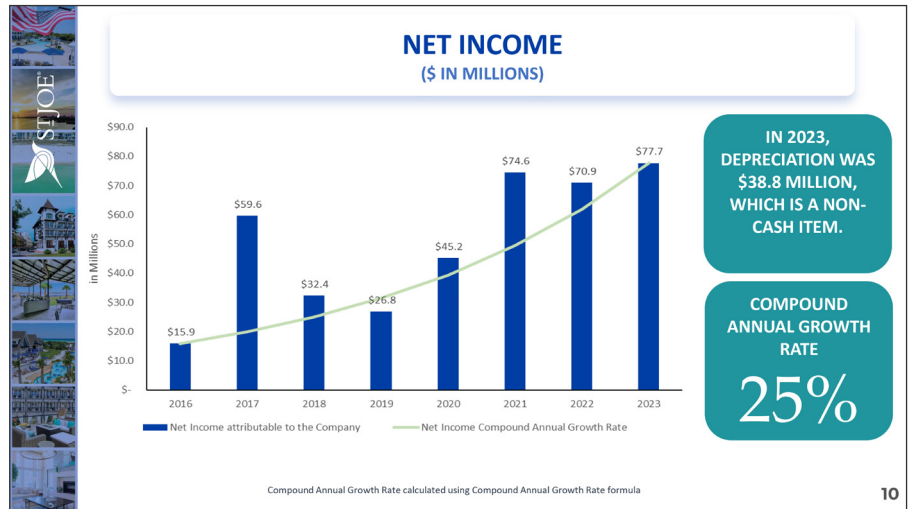
The EBITDA grew from USD 26m to USD 160m, equivalent to growth of 30% p.a.

Source: The St. Joe Company, [annual meeting of shareholders 2024 presentation](#)



Net income grew from USD 16m to USD 78m, equivalent to growth of 25% p.a.

Source: The St. Joe Company, [annual meeting of shareholders 2024 presentation](#)



Earnings per share increased from USD 0.21 to USD 1.33, equivalent to growth of 30% p.a.

Source: The St. Joe Company, [annual meeting of shareholders 2024 presentation](#)



These figures illustrate that over the past decade, St. Joe has become an altogether different company.

Interestingly, the share price hasn't done all that much.

In 2015, it was trading at USD 23. Today, it's at just 2x that level.

Florida has since experienced the great migration boom of the early 2020s, and St. Joe did its part in taking the portfolio forward.

Why didn't the share price increase a lot more?

Making headlines for all the wrong reasons

For many years, St. Joe has had a checkered history.



In 2006, David Einhorn of Greenlight Capital started to short the stock. The well-known hedge fund manager was outspoken in his criticism of the company, which focused on accounting practices and executive compensation. Besides, he also quite simply picked a good time to short the stock after its massive run-up earlier that decade.

Things got salty when Einhorn ended up sparring publicly with another then-famous hedge fund manager, Bruce Berkowitz. By 2010, Berkowitz' Fairholme Capital Management had built up one the best long-term track records of any hedge fund at the time, prompting *Fortune* to call Berkowitz "*the megamind of Miami*". Just 11 years after he had started the firm, Berkowitz' assets under management swelled to USD 16bn. Berkowitz took the opposite view of Einhorn, and his fund's stake in St. Joe grew to 29% of the share capital.

Being long the stock, Berkowitz took some of Einhorn's criticism onboard. He agitated for change at the company and fired potshots at the CEO for getting USD 11m in compensation during the 2007-2009 period when the company lost USD 126.8m. Following a public, nasty battle for board seats, Berkowitz eventually became chairman.

These past chapters were convoluted and fast-moving. Rumours at the time involved Berkowitz preparing a bid for the entire company, and St. Joe having trouble with banks restricting lending for the development of the land. At one point, the company even hired Morgan Stanley to explore a sale of its assets.

Some of these battles also played out at prominent value investor conferences, where Einhorn and others gave extensive presentations about St. Joe. There are probably few investors who were around at the time who don't associate the company's name with this entire episode.

In 2011, Einhorn closed his short and publicly declared that he was moving on.

[St. Joe did have to settle with the SEC in 2015](#), effectively admitting that its accounting practices had not always been up to scratch, and paying a serious fine of USD 2.75m.

In 2018, the controversy flared back up. New York-based hedge fund Kerrisdale Capital published a damning 29-page report, arguing that St. Joe's land bank was mostly in swampy, remote regions with limited prospects for ever getting developed. The firm also criticised Berkowitz' involvement, especially with regards to potential conflicts of interest. As ever, the criticiser also faced its own criticism: *Bloomberg* had once dubbed Kerrisdale "[the self-promotin'-est hedge fund in the land](#)".

Back then, these controversies took up major column space.

From today's perspective, they appear more like blips along the way, combined with a necessary maturing process.

Kerrisdale's attack led to a drop in the share price, albeit a relatively small one. St. Joe's bad stock performance in 2018 was primarily driven by the poor performance of the entire small cap sector. Anyone who bought following the Kerrisdale controversy will currently be up 4x.

As to Einhorn's earlier criticism that the land held by St. Joe resembles a "moonscape" and won't ever be of much use, watch the 5-minute video that St. Joe has published about its operation.

MUST-watch: [The St. Joe Company video](#) (5 minutes)



From today's perspective, the positive outcome of these past controversies is the pressure that it applied to management. St. Joe's has had to up its game, and its board of directors will be all the more cautious today.

This doesn't include Berkowitz anymore, though. The company's largest shareholder decided to step down from the board in October 2024.

His resignation was unexpected, but reportedly not about any form of disagreement. Shareholders were left bewildered, though. At the young age of 66 and with his large holding in the firm, why would Berkowitz step down?

Berkowitz had undergone his own set of challenges. His fund had shrunk by 90% to just USD 1.6bn, the biggest chunk of which was his own money. Unwilling to sell St. Joe at a price that Berkowitz felt didn't reflect the company's potential and underlying assets, this stake had ballooned to make up 78% (!) of his fund.

Since then, Berkowitz' fund has repeatedly sold some stock.

What to make of the situation?

The most likely explanation is a mix of several reasons:

- Berkowitz sees St. Joe on a good path, and he can leave any further efforts to someone else.
- He wanted to reduce his personal exposure to the company, which has already taken up much of his life and professional career over one and a half decades.
- He will be under some pressure to reduce the weighting of the position.

Will these changes and Berkowitz' ongoing selling stand in the way of the company – and the stock?

It'll probably be just another blip – and a buying opportunity, similar to the kerfuffle caused by Kerrisdale in 2018.

Chapter 3 will look at this in more detail, and based on the company's metrics.

Chapter 3: Argue about metrics – just don't sell!

What you are going to learn in this chapter:

- Why putting a value on St. Joe is so difficult (and controversial).
- The three factors that make it important to look at the stock now.
- How to derive some ballpark figures for the stock's long-term potential.

The risk of a short-term perspective

St. Joe is a difficult stock to analyse.

Imagine someone had offered you to buy into New York's Dumbo district (see page 11) in 1985. The redevelopment had already gone quite some way, but it was still a down-and-out area. Who'd ever move to Dumbo? Yuk!

Any business plan or investor presentation for Dumbo presented to you in 1985 would have focused on short-term problems:

- Never-ending opposition from city councillors and neighbours.
- Preference of New Yorkers to be in "sophisticated" Manhattan rather than "working-class" Brooklyn.
- Drug and crime issues on the wrong side of the "tracks" (= Hudson River).

Had you gotten in, you might have sold again a few years later because of short-term problems.

Yet, all you had to do was to bet on Dumbo (and its key investor) to retain the kind of momentum already built at the time.

Over time, the valuation differential between the two respective sides of the Hudson River has closed. Living on the Brooklyn side of the Hud-

son River is now about as expensive as living in Manhattan. All you had to do was to wait for the gap to close over time.

Simples, right?

One of the biggest problems in investing is that we all lack patience and forever get distracted by chasing the next shiny thing.

The difficulty in valuing the stock

Valuing St. Joe is incredibly difficult.

Should you base it on earnings? This neglects the value of the massive land bank that has yet to be developed.

Should you value the land bank? Land is worth little if no earnings are coming out of it yet, and developing the entire land bank will arguably take decades.

To add further complications, St. Joe is developing and operating properties together with partners, including joint ventures where St. Joe isn't necessarily the majority owner. On the one hand, the company gets its share of its earnings from these joint ventures, which is a simple accounting matter. On the other hand, minority stakes are always difficult to value because there is no real market to sell them.

Ask two analysts about St. Joe, and you get three opinions.

Most of them are based on a relatively short-term outlook, though.

The reasons why I chose to stick my neck out and publish a report about St. Joe now are the following.

It's just the beginning of a 50-year story

So far, St. Joe has developed only 2% of its land bank.

To be clear, not all of its land will be suitable for development. Of the 168,000 acres in the company's portfolio, 53,000 acres are reserved for conservation. 110,500 acres are currently available for development.

Land that will be developed in 30 years will have little value today.

Still, there is SUCH a big opportunity here that I can see this investment prosper not just over the next 5 or 10 years, but over 20, 30 or even 50 years.

The permitting that has taken place for this area is also a strong indicator of the suitability and value of the land. Florida's regulations are such that St. Joe would not have received the permission in principle to

build up to 170,000 houses if the state didn't deem this land suitable for development.

Given the long-term trajectory of the US in general and Florida in particular, why not latch onto that long-term potential? As a shareholder, you get a part of the upside while management takes care of the heavy lifting.

Source: [PRWeb](#), 6 June 2024

Engel & Völkers Continues Franchise Expansion in Florida Panhandle with New Location in Pensacola

NEWS PROVIDED BY
Engel & Völkers Florida
Jun 06, 2024, 05:25 ET

SHARE THIS ARTICLE

Engel & Völkers Florida expands luxury real estate services to Pensacola with franchisees Stephanie Harrington and Nick Johnson

Red States will keep winning

For years (and decades), blue cities used to be the place to be invested in real estate.

If you owned real estate in New York, San Francisco or Seattle, you would have enjoyed a multi-decade home-run.

Of late, these cities have made headlines mostly for crime and decay, even though they may yet come back (check also my Weekly Dispatches about real estate in [San Francisco](#) and [New York](#)).

Then again, why not invest where the overall trajectory is already clear and well-established?

Florida is as "red" a state as it gets, and the Florida panhandle is the reddest areas of all with 70% voting Republican.

Americans and businesses are flocking to the state, and often in industries such as energy, healthcare, and finance. For the first time in its history, younger people are moving to Florida to have a career. Given the broader trends in the US, it is likely that Florida will remain one of the country's growth powerhouses.

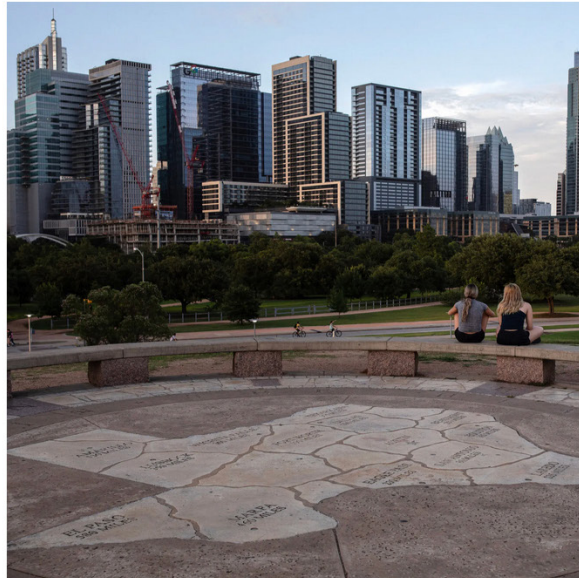
While New York and San Francisco have to work hard to free themselves from legacy issues, Florida is already focused on building its future.

It's difficult to imagine this powerful macro set-up to change anytime soon.

Source: [The New York Times](#), 13 April 2023

Why People Are Fleeing Blue Cities for Red States

April 13, 2023



Austin, Texas, is one of the blue-city boom towns in red states. Tamir Kalifa for The New York Times



By David Brooks
Opinion Columnist

There are a lot of us in the Northeastern media who properly spend a lot of time slamming the Republican Party for what a mess it's become. I have only one question: If we're right, why are so many people leaving blue states so they can live in red ones?

St. Joe now has top-notch management

You can't argue with 5- and 10-year figures.

As the numbers cited in chapter 2 show, St. Joe has built a veritable track record for delivering growth.

Einhorn, Kerrisdale – these names may still ring in the company's past, but St. Joe is soon going to move on from these issues and any related reputational damage.

The chairmanship of Berkowitz has brought a new level of professionalism to the company.

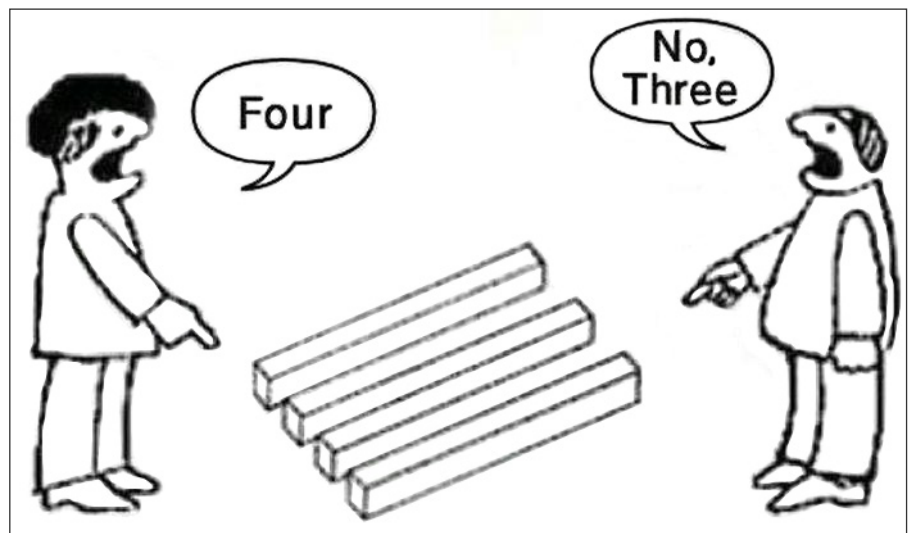
If Berkowitz feels that he no longer needs to chair the company that he is the largest shareholder of, then surely it's safe to dip your toes in and become a long-term holder.

Of course, the question remains....

How to value the stock

"JOE" is cheap or expensive, depending on how you choose to look at it.

In investing, too, it's possible to look at the entirely same thing and see something different. If it were any different, there wouldn't be buyers AND sellers.



With earnings of USD 1.33 per share in 2023, the stock of St. Joe is trading at 35x earnings. Is that cheap, given that these are the earnings from just 2% of its land holdings having been developed? Or is it expensive, because you can buy stocks with lower price/earnings ratios?

The single best summary of St. Joe's potential that I have come across so far is from [Harris "Kuppy" Kupperman](#). The manager of Praetorian Capital is heavily invested in the stock and a self-professed long-term owner.

Disclaimer: Kuppy is both a business partner and a personal friend. He was not involved with this report and will only have seen it after it got published.

On 12 January 2025, Praetorian Capital published the following assessment its regular fund newsletter (which you can subscribe to [here](#)):

"As a value investor, I always ask myself what something is worth today, and what it can be worth tomorrow. Valuing JOE's income producing prop-

erties is relatively easy. I can get deep into the math here, but for the sake of simplicity, let's assume their existing business operations (including full and partial ownership in 12 hotels with 1,298 rooms, multiple multi-family and senior living properties with 1,383 units, 1,179,000 square feet of other commercial space, a clubs business, marinas and a bunch of other assets like self-storage, a gas station and a shooting range) are worth approximately \$2 billion, net of the cash and debt on the balance sheet. Then, at the year-end market cap of \$2.6 billion, you're buying approximately 168,000 acres of land in Florida, much of it waterfront, for approximately \$3,600 an acre, net of the commercial real estate. I can assure you that this is the wrong price.

In fact, I think there's a genuine agreement amongst investors that this is the wrong price—the disagreement is in regard to the correct price. I like to think in terms of big numbers. If you assume the Net Asset Value (NAV) of the company today is between \$200 and \$300 a share, then you can work backwards and calculate that I'm valuing the land at between \$57,500 to \$92,200 an acre, if you assume that everything else on the balance sheet nets to \$2 billion. Looking around at recent transactions on the County Clerk's website, I have pretty good confidence that this range of outcomes is directionally correct and could be on the low side of things. Of course, JOE has plenty of acres that are worth less than \$57,500, but they also have acres that are worth a few million each, which drag the average up rapidly. For the sake of argument here, let's just accept that my math is correct, and using \$250 a share as a midpoint of NAV is accurate.

Having lived in Florida for 17 years, I have seen land in Florida appreciate rapidly. Maybe not every year, and there were a few down years during the GFC, but for the most part, land in Florida, especially land near the water, appreciates rapidly. As a shareholder, I assume this remains the case as the population of Florida, and particularly Bay, Gulf and Walton counties grows. If you assume that this collection of land and operating assets appreciates at 10% a year, which would be roughly the sum of the percentage changes in population growth and the CPI in the counties where JOE has investments, then it would imply that the NAV should appreciate by \$25 next year, before the company earns a cent from running their recurring cashflow businesses, or reinvests a cent into new development. Once you add in about two dollars of anticipated cash flow each year, and some value creation on the development side, I feel pretty confident in saying that the NAV can appreciate by \$30 next year. Given the year-end share price of \$45, that would represent an appreciation of 67%, which is quite attractive in my book. Naturally, this isn't a one-and-done situation – I expect this sort of NAV appreciation to be an annual phenomenon, though it will be somewhat lumpy and track the economic cycle to a certain extent. Of course, as we've learned repeatedly over the past few years, the returns for the stock and the returns for the NAV can remain divergent. While frustrating to us in 2024, I'm trying to predict long-term value creation, and I remain confident that the shares will one day accrete towards NAV.

I've had frequent meetings with management, who I think are excellent, over the four years that we have owned our shares. I've implored them to close this discount to NAV with buybacks, and they've done some occasional buybacks, but they've mostly focused on developing the land that they have. At first, I found this frustrating, now I'm more accepting. Let's return to the math again. Let's say they had bought back \$100 million of shares during 2024 at an average price of \$50, or at 20% of NAV, that would have been incredibly accretive. They would have created \$400 million of incremental NAV value for everyone!! Amazingly, there's something else that they could do that would be more accretive. Imagine if they instead spent \$100 million on building a new hospital (the first in the region), along with a new marina, town center, restaurants, etc., all amenities that retired people likely desire when they are researching about where to retire (JOE built all of these things in 2024). To be more accretive than buybacks, JOE would need to add more than \$400 million in value to their land through these investments. Do I think these improvements have added approximately \$2,400 per acre in incremental value to the 168,000 acres they have ($\$400 \text{ million} / 168,000 \text{ acres} = \$2,400$)?? Of course!! Their land has probably appreciated by far more than \$2,400 an acre. How can you sell high-end homes to retired people when the nearest hospital is over an hour away?? Even better, these amenities are going to produce cash flow, allowing the company to continue to reinvest at an even more rapid pace in the future. In summary, buybacks are nice, but developing property is even nicer, as we get added cash flow, value uplift on successful developments (trust me, that concrete and steel is worth a lot more than the \$100 million they spent on it), and value uplift on the surrounding 168,000 acres as well.

The problem with this is that while the stock market is usually correct over long periods of time, it is lazy and downright stupid over short periods of time. Since we started buying shares of JOE throughout 2020 at approximately \$20 per share, the shares have appreciated by 122%, but I feel strongly that NAV per share has appreciated even more rapidly. One day, this valuation gap will close, but without more aggressive buybacks, this may take some time."

What Kuppy refers to is the undisputed potential from gradually turning the land bank into mixed-used neighbourhood.

Under the current land usage plan, St. Joe is entitled to put 110,500 acres to use to develop 170,000 homes and 22m square feet of commercial space.


These are staggering numbers. The land earmarked for use is 8x the size of Manhattan. To build 170,000 homes would require to nearly 3x the number of housing units in Bay County. Even if the company built 1,500 homes per year, it would take 100 years to complete the existing land inventory. Along the way, it could generate USD 8.5bn in profits just from selling residential lot, based on a price of USD 95,000 per lot and a 100% profit margin. Obviously, as time progresses, the sales price of lots should increase. Never mind income potential from

other opportunities and its existing real estate gaining in value. It is one of the company's stated goals to expand its portfolio of income-producing commercial properties. Rather than sell lots for a quick profit, St. Joe wants to build its own real estate and keep pocketing the annual income.

Will it all happen, and how fast?

Over the past few years, the population of the Florida panhandle has achieved a critical mass (see chapter 2). It's now a place that attracts more people, and this shift will continue. The region now even features in the occasional celebrity house sale.

Source: [The Wall Street Journal](#), 3 July 2024



CoStar Group CEO Andy Florance Gets Record Price for Beachfront Florida Home

The \$28.5 million property is the most expensive home ever sold on the Panhandle

CoStar Group founder Andy Florance has sold his Florida Panhandle home for a record \$28.5 million.
PHOTO: DUNE LAKE STUDIOS

By [Libertina Brandt](#) [Follow](#)

July 3, 2024 3:01 pm ET

Andy Florance, founder of the real-estate data provider [CoStar Group](#), has sold his beachfront home on the Florida Panhandle for a record \$28.5 million.

St. Joe will always require lengthy periods to "seed and harvest". It typically takes two or three years from planning a new neighbourhood to the first sales, which then occur across several years.

St. Joe does benefit from the scale of the land holdings and the operational footprint it has built over the years. Its relationships in the region are a competitive advantage.

It will likely also benefit from a reduced cyclicity going forward. Historically and traditionally, the Florida market has been very cyclical. Second homes by their nature are a more cyclical part of the real estate market. However, this will gradually decrease now that there is a reduced percentage of second homes.

The launch of new products and services could further help St. Joe's income. E.g., the company has launched a club membership programme which is generating further recurring income.

All of this has turned St. Joe into a company that is very different from the St. Joe of earlier days, when it was a company making money from selling home sites alone.

Even the hurricane issue commonly associated with Florida property projects has "blown over" to some extent – no pun intended. The most recent significant hurricanes to hit the region have shown that St. Joe's real estate benefits from being recently built, resulting in more resilience and lower damage.

The ongoing development of the Florida panhandle is now merely a matter of time, with ever more people populating the US and a growing percentage preferring to live near the ocean, with plenty of sunshine, low taxes, and without the issues plaguing Democrat-governed cities.

When will the market start to recognise as much?

Timing this opportunity is as difficult as timing the ideal entry point to any stock.

Who knows, St. Joe stock might come under further pressure and reach the low 40s or even dip back into the 30s. Anything is possible with stocks, and the Florida real estate market is currently experiencing a number of pressures.

Could the stock be a lot higher in 3, 5 and 10 years?

Could you be very happy in 20 years because you bought into St. Joe using cost-averaging over an extended period in 2025 and 2026?

The likelihood is high.

And just like Dumbo, Williamsburg and similar opportunities, a few people will probably be kicking themselves then for having missed an "obvious opportunity" because they looked down on the region rather than focus on its strengths and the resulting potential.

If you are in doubt, visit and check it out yourself!

Risks and challenges

Coastal land in Florida: all coastal properties are susceptible to damage from erosion, weather, salt, flooding, tidal waves, etc. Florida is exposed to annual hurricanes.

Joint ventures: the complexity of the joint venture structure can be viewed as a risk, as the joint venture operations aren't fully shown on the quarterly earnings report unless they are consolidated.

Cyclicality: Florida is a highly cyclical real estate market, and so are second homes. Much as the cyclicality seems to be levelling off, it remains a significant factor for now.

Insurance: the Florida real estate market has always had its particular issues with insurance, but these have become worse of late. This has the potential to hit the entire Florida real estate market.

Competitive market: Florida lives off real estate, and there is plenty of unused land in the state, even now. Other developers could kickstart similar projects and outcompete St. Joe's offering.

Overheating and affordability: the Florida real estate market as a whole has performed very well since the pandemic kickstarted additional demand. It may require a cooling off period, also because of the decreased affordability in other parts of the state.

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