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TRI Pointe expands far beyond its home base



"The best way to invest in the housing industry is to become geographically diverse," says Douglas F. Bauer, TRI Pointe's chief executive. (Don Bartletti / Los Angeles Times)

By **RONALD D. WHITE**

Starting a home-building company during a recession and housing market meltdown might seem like a bad idea.

But not to three longtime executives at William Lyon Homes of Newport Beach. TRI Pointe Homes Inc. was the result.

"When you are going to start something new, you'd rather start at the bottom than the top, right?" said Douglas F. Bauer, one of the Irvine company's founders and its chief executive since the May 2009 beginning. "You really have only one way to go, and that's up."



TRI Pointe has more than 30,000 lots in California, Colorado, Nevada, Washington, Arizona, Texas, and Washington, D.C., and its suburbs. Above, a development in Irvine. (Don Bartletti / Los Angeles Times)

Bauer was joined by TRI Pointe co-founders Thomas J. Mitchell, who serves as president and chief operating officer, and Michael D. Grubbs, who is the company's chief financial officer and treasurer.

By late October 2009, TRI Pointe had only a dozen employees but some key advantages, Bauer said.

As a new company, it wasn't saddled with debt. It also wasn't burdened by property that was worth less than the purchase price.

Those factors and the trio's longtime building experience helped land it a spot among six companies picked by the Irvine Co. to build homes for a fee or a percentage of a home's sales price for their work. TRI Pointe was tapped to build 95 homes.

"When you can generate fee income right away, it means you're making money right away," Bauer said. "That's different from having to spend millions of dollars buying land, building houses, then maybe three years later you're making some income."

The estimated average price for a TRI Pointe home is \$543,000, the company said.

Oct. 27, 6:24 p.m.: An earlier version of this article quoted TRI Pointe Homes as saying that the median price of the houses it builds is \$368,000. In fact, the company said, it measures home values by estimated average price, not the median. That average is \$543,000.

The latest

Last week, TRI Pointe unveiled its collection of 29 single-family luxury homes in the Platt Park North area of Denver.

The company this year launched new neighborhoods in the Northern California town of Brentwood. Those one- and two-story single-family houses have a starting price in the high \$400,000s.

The biggest TRI Pointe news came in July, with the closing of its \$2.8-billion purchase of Weyerhaeuser Co.'s home-building subsidiary. The deal increased the TRI Pointe workforce from 147 to about 950 and expanded its operations far beyond its traditional California and Colorado niche.

Accomplishments

Bauer said the Weyerhaeuser deal made TRI Pointe one of the 10 biggest publicly traded home builders in the U.S., by market capitalization.

With the property brought in through the Weyerhaeuser transaction, Tri Pointe has more than 30,000 lots in California, Colorado, Nevada, Washington, Arizona, Texas, and Washington, D.C., and its suburbs.

That geographic diversity will make the company less susceptible to regional or

localized housing market slowdowns, Bauer said.

"The best way to invest in the housing industry is to become geographically diverse," Bauer said. "Phoenix and Maryland and Virginia are right now a little cooler, but the rest of the nine markets we are now in are quite warm and doing fine."

Challenges

Home building is extremely competitive and cyclical; when the economy slows, so does demand for new housing.

In addition, if interest rates rise, that could reduce demand for new homes and boost monthly payments for new borrowers.

Analysts

Opinion is divided among the seven Wall Street analysts who regularly cover TRI Pointe. Three rate it as a strong buy. Four others suggest holding the stock, noting its sluggish stock price and thin profit margins compared with competitors.

Mike Weintraub of Buckingham Research Group said TRI Pointe has "decent ongoing fundamentals and an upbeat outlook."

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