With Merger Closed, TRI Pointe Homes to Focus on Expansion, New Services

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By Kris Hudson

Home builder TRI Pointe Homes Inc. TPH +0.57% vaulted into the big leagues Monday by completing its $2.8 billion acquisition of Weyerhaeuser Co.'s WY -0.12% home-building operations.

Now TRI Pointe has its sights set on expanding into new territories
and business lines.

TRI Pointe, based in Irvine, Calif., has been a relatively small player since its formation in 2009 even though it is backed by private-equity kingpin Barry Sternlicht of Starwood Capital. It closed 396 home sales last year in two states: California and Colorado.

By acquiring timber conglomerate Weyerhaeuser’s home-building division, TRI Pointe became the 16th largest U.S. builder in terms of home sales last year, based on figures from Builder Magazine. As part of the deal, TRI Pointe inherited Weyerhaeuser’s Pardee Homes in California and Las Vegas; Winchester Homes in the Washington, D.C., area; Maracay Homes in Arizona; Trendmaker Homes in Houston; and Quadrant Homes in Washington state.

The first order of business for TRI Pointe Chief Executive Douglas Bauer is to expand the new company from within, he said in an interview. He plans to beef up TRI Pointe’s financial services by either starting in-house operations for mortgage origination, insurance and escrow services or partnering with third-party providers. “That will be key as we go into 2015 and beyond, to grow that financial side of the business,” he said.

Mr. Bauer also intends to ramp up production within the former Weyerhaeuser operations by plowing much of their cash flow back into the business. Under Weyerhaeuser, income generated by the home-building division sometimes went to the parent to be included in dividends and for use in other divisions.

“These five companies haven’t been operated as a pure home-building company,” Mr. Bauer said. “Now they’re going to be part of one. There is a lot of runway for growth for these companies.”

Alex Barron, president and founder of housing-analysis firm Housing Research Center LLC, based in El Paso, Texas, said he anticipates a greater pace of construction from TRI Pointe now that the former Weyerhaeuser divisions are overseen by home-building executives rather than a timber conglomerate.

“Weyerhaeuser probably wasn’t as interested in growing those entities as it was in harvesting (income) from them,” Mr. Barron said.
“I think, going forward, we'll see those division presidents have more access to capital than they had before. We'll probably see more growth out of that entity than we had to this point.”

TRI Pointe was started in 2009 by Mr. Bauer and other veterans of builder William Lyon Homes. Mr. Sternlicht’s Starwood Capital joined in 2010 by providing TRI Pointe $150 million of financing. Starwood’s stake in TRI Pointe, which was 37.9% upon the builder’s initial public offering last year, now is 7.4%. Mr. Sternlicht remains as TRI Pointe’s chairman.

Looking ahead, Mr. Bauer foresees TRI Point expanding into additional states, but probably not for another year or two.

“There is obviously room for expansion in Texas,” he said. “The other area that I look at hard is the East Coast. We’re in Washington, D.C., and Virginia. Do I look to the Carolinas down to Florida?”