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TRI POINTE HOMES
STARTS ITS PUBLIC JOURNEY

Home building's "next generation" of public companies rang in loud and clear this morning with the opening bell on the New York Stock Exchange, as executives of TRI Pointe Homes opened the markets, and launched a bid to raise upwards of $230 million in new equity through the sale of 13.7 million shares via an IPO.

As a flurry of war-wizened public home builders bellies up to the earnings disclosure bar in turn this week, many of them reporting that finally, sales velocity, operating statistics, and new investment costs in lots and development are cranking into balance, an upstart newcomer to the crowd may raise some eyebrows.

Not for long, though.

TRI Pointe, founded by home building veterans--a former William Lyon Homes brain trust of executives--during the cataclysmic weeks of America's deepest housing downturn since the Great Depression, has about 350 home closings under its belt since it hung up its shingle, and current holdings of about 775 lots in Sourthern and Northern California, as well as Colorado. For simplicity's sake, divide that total lot pipeline in to seven operating communities, and give them a run-rate of 3.5 homes sold, per community per month, and you're looking at about 30 months or so of lot supply. The reasons for its meteoric prospects:

• Start-up capital, compliments of Starwood Capital's Barry Sternlicht

• Opportunistic land buying during the downturn years by a team

• Absence of legacy land issue to write down or work through

It's a prototypical fast-track new home builder, and we have been seeing their like crop up and mop up impressively in the early days of recovery. Their narrative melds a deep bench of home building operations, land smarts, and capital access into an efficient forager for opportunistic lot acquisitions during an extended period of distress at both the household and home builder/borrower level. Defaults, walkaways, repossessions were misery for some, opportunity for others, like Starwood Capital and TRI Pointe.

Here's Reuter's take on Tri Pointe's initiative this morning.

"Homebuilder Tri Pointe Homes LLC (TPH.N) priced its initial public offering above the expected range two days after it raised its IPO size, valuing the company at about $537 million.

The company priced 13.7 million shares at $17 per share, above its expected price of $14 to $16 per share, raising about $233 million.

The Irvine, California-based company is set to become the first U.S. homebuilder to go public in almost a decade."

Well, actually, maybe six or seven years, but it seems like a decade ago.

Tri Pointe follows Scottsdale, Ariz.-based Taylor Morrison Home Corp., which announced its offering in December, and is looking to raise $250 million.

Tri Pointe got $150 million in funding from an affiliate of Greenwich, Conn.-based Starwood Capital Group in 2010. Starwood founder Barry Sternlicht is Tri Pointe's chairman.

Here, from Securities and Exchange documents TRI Pointe filed in its IPO registration, is an outlook for what's ahead:

"We also focus on increasing our number of active selling locations which we expect will contribute to our net new home order growth, homes in backlog and ultimately new home deliveries. We opened seven new selling locations during the nine-month period ended September 30, 2012, five in Southern California and two in Northern California. We experienced a 279% increase in net new home orders from 34 to 129, a 720% increase in backlog units from 10 to 82 and a 1,052% increase in backlog value from $4.0 million to $46.1 million for the nine months ended September 30, 2012, as compared to the same period in 2011. Home sales revenue was $22.3 million for the nine months ended September 30, 2012, representing an increase of $13.0 million, or 140%, when compared to the same period in the prior year, due to a 112% increase in the number of homes delivered from 26 to 55 and an increase in the average sales price of homes delivered from $357,000 to $405,000, representing an increase of $48,000, or 13%, during such period."

When TRI Pointe registered with the SEC a couple of weeks ago, Bloomberg/BusinessWeek's John Gittelsohn wrote:

"One of Tri Pointe's advantages is having a pipeline of land from Starwood, which has been acquiring lots since 2007, when prices were falling as demand for new homes collapsed. Selling Starwood land to Tri Pointe is a way for Sternlicht to be involved with both sides of the transaction, said Richard Gollis, principal at Newport Beach, California-based Concord Group, a real estate advisory firm. "Having a public builder provides an additional opportunity to monetize their land inventory," Gollis said in a telephone interview."

For the moment, what TRI Pointe lacks in sheer heft gives it advantages in speed, agility, and effectiveness in operational management, customer care, and focus. While many of the bigger publics continue to chase land deals that enable them to open more stores, the tracts they typically pursue are the larger parcels, with a longer lot pipeline. Supple, more-adaptable, and quicker-to-the-checkbook players may find that smaller, started-but-broken deals with nearer-term community sell-out horizons will allow them to ramp up volume in more dependably higher-velocity submarkets.

TRI Pointe has also made a signature of its customer care program, many buyers getting a surprise call from TRI Pointe ceo Doug Bauer, who'd like to accompany them for their first walk-through as they take over the deed and keys to their new home.

Now that TRI Pointe and Taylor Morrison are out of the gate with their IPOs, the question emerges as to which other private companies may be on course for a public offering cash-out strategy. We know that Eric Lipar has a self-professed goal to take fast-growing LGI Homes public, and would not be surprised if that were to occur within the next 12 months. Too, Ashton-Woods and Woodside Homes may be candidates for an IPO sooner than later. Stay tuned.