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Will home building be Barry Sternlicht's next 'W'?

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The UpTake: *Real estate mogul Barry Sternlicht has a track record of ruffling feathers in the real estate industry with new ideas and aggressive deal-making. Will he do the same in home-building?*

In January, TRI Pointe Homes became the first homebuilder to file an IPO since 2004, and behind its fast growth since starting up in 2009, was a man many in real estate know by name, Barry Sternlicht.

He's spent two decades surprising the world with his unconventional and monumental real estate deal-making, and in just 10 years building one of the most revered hotel chains in the world—Starwood Hotels and Resorts. Since then, he's bought up dozens of office buildings, shopping malls and apartment buildings around the world, launched a new upscale hotel company, formed a REIT for buying up and managing homes for rent, and purchased the 18th-century castle-turned-exclusive property, Hotel de Crillon. He even made a bid at Saks Fifth Avenue (He eventually lost out to Hudson's Bay of Canada).

And today, he's helped create a top 10 largest homebuilder in the nation. Irvine, Calif.-based TRI, of which Sternlicht's Greenwich, Connecticut-based Starwood Capital owns 38 percent, announced today it would purchase another publicly-traded builder Weyerhaeuser. The combined company will control 30,000 lots around the nation, with strongholds in California, Colorado and Texas. Before today, TRI had 2,700.

So what is it about Sternlicht that gets deals like these done?

Portfolio Magazine profiled the man back in 2007 after he exited Starwood Hotels and prepared to launch three new hotel lines: the

eco-friendly 1 Hotels & Homes (which will open its first hotels in Miami and New York City in 2014 and Brooklyn in 2015), the luxury crystal-inspired Bacarrat Hotels & Resorts (with plans for hotels in New York, Morocco and Dubai by 2016) and highest-end Crillon hotels inspired by the Parisian namesake (which is currently under construction, to be reopened in 2015).

He's a man ambitious enough to put it all on the line—getting rid of \$800 armoires (to save money) from hotel rooms despite the impact it might have on ratings. He's creative enough to understand the power of branding and design—he introduced the W line of hotels geared toward younger, fashionable travelers and Westin's 'Heavenly Bed.'

He's business-savvy enough to know a good deal when it's presented to him—the 1992 iteration of Starwood Capital bought auctioned properties during the government's bailout of the savings and loan industry, eventually earning a 100 percent return. He's self-aware enough to know he can't work for others—he couldn't handle a non-CEO role at Starwood Hotels. And he's paranoid enough to stay one step ahead of his competitors at all times—Marriott and Hilton followed his lead on 'W' style hotels in the years to follow its launch.

According to past staffers, Sternlicht loves to be 'the wunderkind,' the man who can pull off something others thought impossible.

Today, that's homebuilding, an industry that collapsed during the recession and has been slow to rebound despite growing demand. In March, in an interview with the Wall Street Journal, Sternlicht said:

I think the idea that the American populace is now a renter generation is hogwash. The American dream is still to own your home. People are sensing perhaps that the subsidized interest rate curve that the government has created is going away. It won't



Barry Sternlicht, Starwood Capital Group

Barry Sternlicht is the 52-year-old CEO and founder of Greenwich, Conn.-based Starwood Capital Group, an investor in more than \$40 billion worth of real estate transactions. Sternlicht is the board chair of TRI Pointe Homes, a fast-growing home builder in Irvine, Calif. that announced today it would purchase a much larger competitor in Weyerhaeuser. The combined company will join the top 10 largest homebuilders in the nation.

be here forever. So if you have the wherewithal to scrape together a down payment, all the sudden, all across the country you're hearing that home prices are appreciating, so you're stepping out and your buying a home. It's like a rolling stone gathering moss. People are making no money on their cash. So if their home is going up at 5%, and they borrowed 80%, then they're getting a 25% return on their equity. As an asset class, now that the world doesn't look like it's totally ending, people are taking their cash out of hibernation and buying homes.

Sternlicht keeps his spot chairing the board of the new combined company, and will likely guide its strategy to grow even larger in the months and years to come. And with Sternlicht involved, don't be surprised if TRI is the company that changes the way homebuilding has always been done.