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## M/I Homes Widens Its Footprint in Texas

The builder's purchase of San Antonio's TriStone Homes may not be its last in the Lone Star State.

By John Caulfield

Texas is fast becoming a focal point of [M/I Homes'](#) expansion strategy.

The [Columbus, Ohio](#)-based builder entered its second Texas market in a year when it acquired [TriStone Homes](#), a three-year-old builder serving the [San Antonio](#) market. M/I did not reveal details about this all-cash deal when it disclosed it last Friday.

[M/I is already in Houston](#), where it expanded as a startup in March 2010. It recently began selling homes from communities in the suburbs of Katy and Humble, Texas, where its houses range from 3,300 to 4,024 square feet and are priced from \$474,900 to \$554,990, according to the company's website. M/I has two other Houston-area communities in the works, in Richmond and Cypress, Texas. However, M/I has only sold a handful of homes in this market, and its price point in Houston is likely to average closer to \$250,000 eventually, says Phil Creek, M/I's chief financing officer.

He tells *Builder* that its acquisition of TriStone Homes reflects his company's satisfaction with how well its Houston venture has gone so far. The builder is currently looking at other metro markets in Texas for growth opportunities, although Creek did not disclose which ones.

TriStone Homes, which the *San Antonio Business Journal* recently included on its Top 50 list of local private companies, targets first-time buyers primarily. It is active in five communities where its homes range from 1,348 to 3,200 square feet and are priced from the \$140s to the \$180s. In its prepared statement, M/I says that TriStone Homes sold 119 houses last year (an increase from 90 in 2009) for an average price of \$186,000. Creek suggests that TriStone's product is comparable to M/I's, in terms of its emphasis on quality, and fits in with M/I's overall price spectrum.

Last year, Dave Matlock, TriStone's founder, told *Builder* that the key to his company's success in a San Antonio market where big builders dominate has been [customer service](#), which revolves around TriStone's design center, construction flexibility, and third-party inspections.

Matlock could not be reached for comment at presstime. In a prepared statement, he said that teaming with M/I "provides us with an opportunity to grow our operation and take advantage of the long-term vitality of the San Antonio market." He also welcomed the opportunity to tap M/I's experience and capital resources.

Matlock's decision to sell his company, though, has been evolving for a year, according to Tony Avila of [Avila Advisors](#), the San Francisco-based consultant that represented TriStone Homes in this transaction.

Avila met Matlock in the first quarter of 2010 and was immediately impressed with his operations. He says that Matlock's interest in wanting to combine TriStone with a larger builder probably had a lot to do with "a tough [competitive] environment." Avila explained to Matlock that there are different kinds of owners and partners, and that the trick to any combination is "finding folks you can work with." Matlock is staying on as M/I's area president to manage its activities in San Antonio.

Avila had previously consulted with M/I Homes, helping that builder identify new markets for growth. He notes that Dennis Bailey, M/I's regional president, went to San Antonio to take a look at TriStone's operations last December. Two months later, Avila had more concrete discussions about a possible acquisition with Creek and Kevin Hake, M/I's vice president of finance.

Creek was noncommittal about whether further growth in Texas was more likely to be through acquisition or startup. Whatever move M/I makes will need to fit into its larger objective to "get our business back to profitability." (M/I lost \$26.2 million in 2010 on \$616.4 million in revenue that was up 8.1% over 2009.)

Its operations in Houston and San Antonio are part of M/I's Southern Region, which includes Florida, where the builder's business "has been slow to turn around," Creek says. The company's markets in Ohio and Indiana also remain soft, while business in the Carolinas, Washington D.C., and Chicago continues to strengthen.

*John Caulfield is senior editor for Builder magazine.*