

Weyerhaeuser Turns Profit on Site Near Houston

By MAURA WEBBER SADOVI

What a difference an energy-stoked economy makes.

In many parts of the U.S., prices of raw land, which typically has no roads or sewers, intended for housing have barely recovered from the depths of the downturn. Some of the land in remote areas even is being returned to agricultural use.

But in the Houston area, which is enjoying strong job growth thanks to the energy sector, [Weyerhaeuser](#) Co. just made a profit on the sale of 3,200 acres of mostly raw land to a venture led by [Tricon Capital Group](#) Inc. for \$125 million. A Weyerhaeuser spokesman confirmed the profit but declined to say how much it was. Weyerhaeuser paid about \$56 million for the land in 2005, according to people familiar with the property.

Indeed, the Cross Creek Ranch master-planned community, which the land is part of, has seen continued signs of progress throughout the downturn.

There were 250 homes sold last year, up from 189 in 2011 and 161 in 2010. Homes have sold at an average price of about \$330,000 since 2008.

"This is a market-rate sale," said David Jarvis, Houston director of Metrostudy, a housing-research firm. "That's what you're seeing in Houston."

Last year, Houston recorded 18,366 housing starts, the most of any U.S. market followed by Metrostudy but still way below its peak of 48,000 starts in 2006. Demand for new homes in the Houston area is strengthening, and more than 20,000 new-home starts are expected this year, according to Metrostudy.

Demand for Texas land owes some of its strength to the population that has jumped 26%, to 5.9 million, in 2010 since 2000. In Houston, housing demand also has been fueled by the growth in the energy sector, where more than 16,000 energy and energy-related jobs were added in the 12 months ending in March, according to the Greater Houston Partnership.

Cross Creek Ranch is located in Fulshear, about 30 miles west of downtown Houston, and near to such employers as [BP PLC](#) and [ConocoPhillips](#). Much of a main roadway from Houston to Fulshear recently was widened, shortening travel time.

"Folks [from Houston] used to make a day out of coming out and getting barbecue," said C.J. Snipes, Fulshear's administrator. On a good day, it now takes about 35 minutes to get to downtown Houston, Mr. Snipes said.

Since its 2005 purchase, Weyerhaeuser has invested millions more to improve parts of it, adding roads, a sewer system, thousands of trees and amenities like a water park and gym.

Since it opened in 2008, about 600 homes have been sold by Weyerhaeuser and others that purchased lots from the company. Tricon Capital, a Canadian real-estate-investment firm, plans to sell an additional 300 lots this year.

In other parts of the country, results haven't been quite so rosy for Weyerhaeuser, a forest-products company as well as a large home builder. The number of single-family homes it sold dropped to 1,902 last year from a peak of 4,152 in 2007.

On Tuesday, Weyerhaeuser's shares closed at \$20.52, up 50 cents, or 2.5%, in 4 p.m. New York Stock Exchange composite trading. That is up from the 52-week low of \$14.82, but still below the \$80 range they were trading at in 2007. The company has warned Wall Street that it would have a loss from its single-family home-building operations in the first quarter.

Weyerhaeuser's sale of the Cross Creek land comes as home builders generally have been backing away from the practice of banking land for future projects. Instead, they have been opting to buy land when needed.

Will Holder, president of Weyerhaeuser's Trendmaker Homes subsidiary, which developed Cross Creek, said selling the land to Tricon gives the company more flexibility to invest in other areas of Houston. Weyerhaeuser's deal with Tricon allows it to keep buying lots at Cross Creek, he said.

Weyerhaeuser's strategy makes particular sense in a state like Texas, where it is relatively easy to get entitlements to build on land. It makes less sense to hold such large tracts, said Paul C. Quinn, an analyst with RBC Capital Markets.

The 3,200 acres that Weyerhaeuser sold included 131 finished lots, 295 partially finished lots and 4,463 raw lots. Also in the package: 400 acres of open space, 144 acres for commercial development, 50 acres for multifamily development and about 75 acres for five planned schools.

Tricon joined with Johnson Development Corp., a Houston land developer, and an unnamed Canadian institution to buy Cross Creek. Glenn Watchorn, Tricon's chief operating officer, said the master-planned community was attractive partly because of the amenities and infrastructure that Weyerhaeuser has already added.

"If you believe the housing market has bottomed out, there's probably no better place than land," said Mr. Watchorn.