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Behind the deal: How Meritage Homes scored one of the largest infill land tracts in Houston

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When Pine Crest Golf Club hit the Houston market in January 2016, [David Jordan](#) knew it was a land deal his company couldn't pass up.

For more than a decade, the senior vice president of land for Meritage Homes had worked in the Spring Branch area, [seeing the neighborhood change from blue collar housing to high-end townhomes](#).

"I know this area very well after working over here for 15 years," Jordan said. "It's really changed. Values have gone up significantly. It's just a great location that's central to major employment downtown, the Energy Corridor and the Galleria."

Meritage Homes (NYSE: MTH) ventured into its first infill development project in June 2016 with Shadowdale Terrace, a small residential community on four acres near the intersection of Gessner and Clay roads within Spring Branch. After strong sales, the Scottsdale, Arizona-based homebuilder was looking to double down on the popular, gentrifying neighborhood. Meritage ranks No. 6 on Houston Business Journal's 2016 List of the largest Houston-area homebuilders.

However, it's become increasingly difficult to find large tracts of land, especially close in town. Most homebuilders end up buying several smaller parcels of land to assemble one larger tract of land.

Enter Pine Crest. The 18-hole semi-private golf course — built in 1992 and designed by architect Derrell Witt — spans 121 acres at 3080 Gessner Drive, just south of Clay Road. [MetroNational](#), a commercial real estate developer with extensive holdings in west Houston, owns the land, issuing a long-term ground lease with Pine Crest.

"It's one of the largest tracts of land in infill Houston and definitely the largest in Spring Branch," said [Davis Adams](#), HFF's managing director, who served as one of the brokers along with CBRE's Darin Gosda marketing the site. "It's really an extremely unique site."



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David Jordan is the senior vice president of land at Meritage Homes' Houston division.

Meritage was interested in Pine Crest from the very beginning, despite it being the first golf course the homebuilder will be redeveloping, Jordan said. The site is not only massive, it's also a short drive from CityCentre and Memorial City Mall at Interstate 10 and Beltway 8. The land is also largely undeveloped — there's nothing to raze to the ground.

"What we saw was the biggest opportunity available in the city in terms of one tract of land," Jordan said. "This is a big chunk of Meritage's future."

After consulting with Meritage Homes CEO Steven Hilton and Houston division president Kyle Davison, Jordan began bidding on the site. Over the course of nearly a year, he met with MetroNational executives time and time again, answering their questions about their plans for the site. Several other developers — mostly industrial companies — were interested in the site as well, which sits across Gessner from an H-E-B grocery store distribution center.

"There was strong interest and good reception," Adams said. "MetroNational was interested in seeing Spring Branch develop in the correct manner. They were looking for a top-tier homebuilder that's really going to build a really nice product out there that's going to enhance the neighborhood."

After nine months of due diligence and deliberate negotiations, MetroNational struck a deal to sell Pine Crest to Meritage.

The homebuilder plans to develop Spring Brook Village, a new 116-acre residential community on the former golf course. The first tract of 20 acres closed on April 27. The financial terms of the deal were not immediately disclosed, but Meritage plans to take down additional land over the next several years.

Pine Crest Golf Club is expected to close shortly. MetroNational is keeping several acres of commercial reserves off Gessner Road to develop at a future date.

Meritage plans to build homes from the high \$200,000s to the mid-\$500,000s within Spring Brook Village, which is expected to have about 800 residents upon completion. The energy-efficient homes, which will have a mix of one- to three-story floor plans, will be designed to appeal to first-time homebuyers, move-up homebuyers and empty nesters. The first lots in the new community will be delivered in the third quarter of 2018 with sales starting in December 2018.

Meritage is working with several land planners and consultants out of California to reimagine Pine Crest's rolling fairways and azure lakes into a residential community. Amenities within the new community will include walking trails, lakes, gazebos, recreation centers and an infinity pool.

"We're going to try to do some things the city has done on Buffalo Bayou to really amenitize the area," Jordan said. "We plan to make this community the place to live in Spring Branch."

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