

Good Morning

Weyerhaeuser Real Estate Company Analyst Seminar

May 2005



Forward-looking Statements

This presentation contains statements that are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Some of these forward-looking statements can be identified by the use of forward-looking terminology such as “expects,” “may,” “will,” “believes,” “should,” “approximately,” “anticipates,” “estimates,” “plans,” and “probably,” and the negative or other variations of those terms or comparable terminology or by discussions of strategy, plans or intentions. In particular, some of these forward-looking statements deal with forecasts regarding the outlook for the national housing market, demand, market position in particular markets, competitive landscape in particular markets, expectations regarding increased market share of large homebuilders, builder/dealer consolidation affordability of particular housing markets, large base of first-time homebuyers in particular housing markets, barriers to entry in particular housing markets, financial goals, the regulatory environment and timing of land entitlement process, increase in land values, softness of certain local housing markets, labor demand and supply, innovation, technology, cost reduction, cycle time reduction, quality improvement, competition based upon solutions, and similar matters. The accuracy of such forward-looking statements is subject to a number of risks, uncertainties and assumptions that may cause actual results to differ materially from those projected, including, but not limited to, the effect of general economic conditions, including the level of interest rates, exchange rates and inflation; immigration and population growth; the relative strength of various U.S. and global business segments; local market economies and employment growth; energy prices; raw material prices; the effect of governmental actions; natural disasters; and the outbreak of terrorism, war and other hostilities.

In addition, some information in this presentation is derived from publicly available information, building industry publications and websites, data compiled by market research firms, and similar sources. Although we believe that this information is reliable, we have not independently verified any of this information and we cannot assure you that it is accurate.

Agenda

- 7:00 a.m. WRECO Overview
- 7:30 a.m. Homebuilding Operations
- 8:50 a.m. Land and Land Development
- 10:10 a.m. Construction Practices and Trends
- 11:10 a.m. South Village Case Study
- 11:30 a.m. Meeting Adjourns
- Noon Depart for South Village Tour
- 3:30 p.m. Return to airport



Weyerhaeuser Real Estate Company

Daniel S. Fulton
President, Weyerhaeuser Real Estate Company

Weyerhaeuser Real Estate Company

- Single family homebuilding
 - Retail business — sell direct to final customer
 - Local / regional focus
 - Focused on markets where we have a competitive advantage
- Builder finance

Who We Are

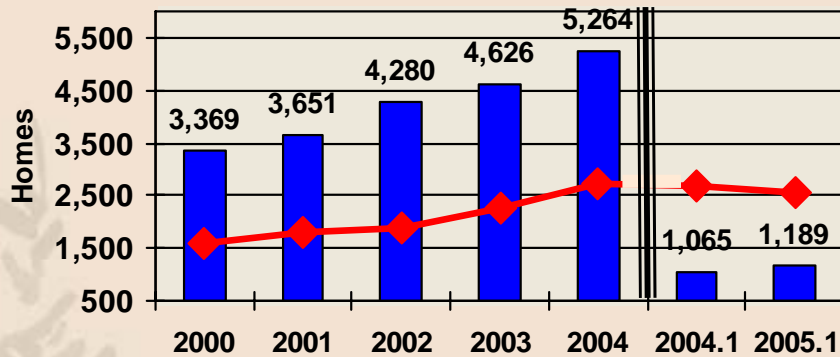
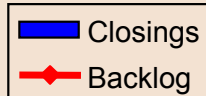
WRECO



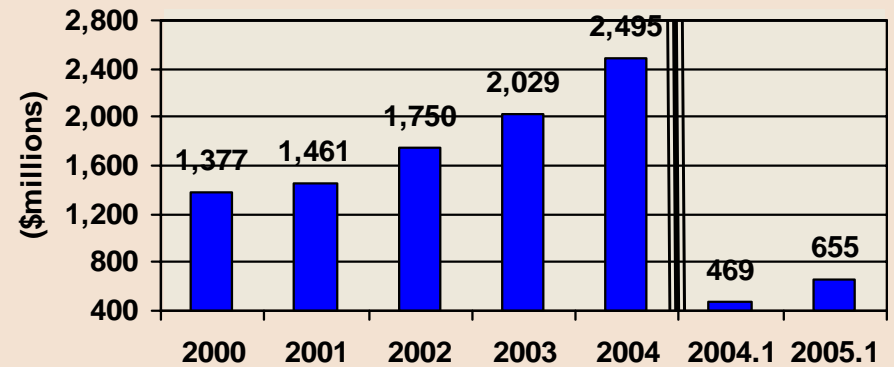
Financial Performance

■ 2005 has started strongly

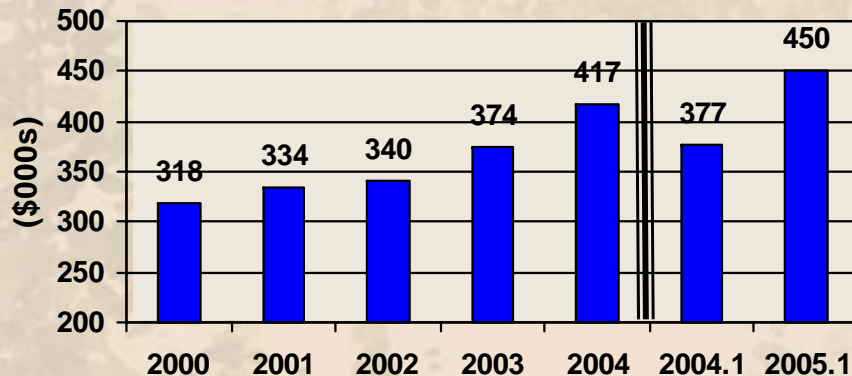
Closings & Backlog



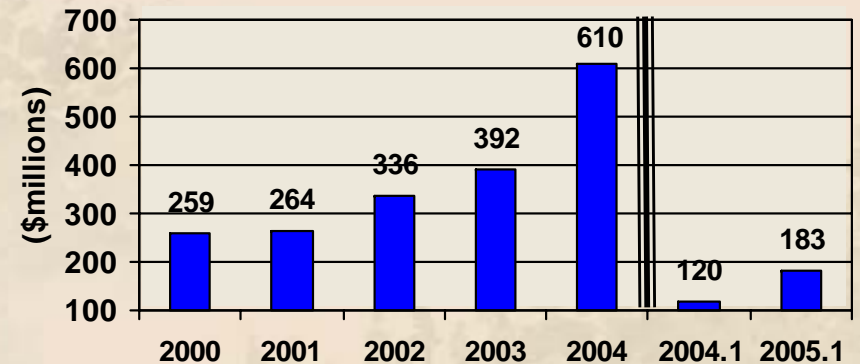
Revenues



Average Home Price



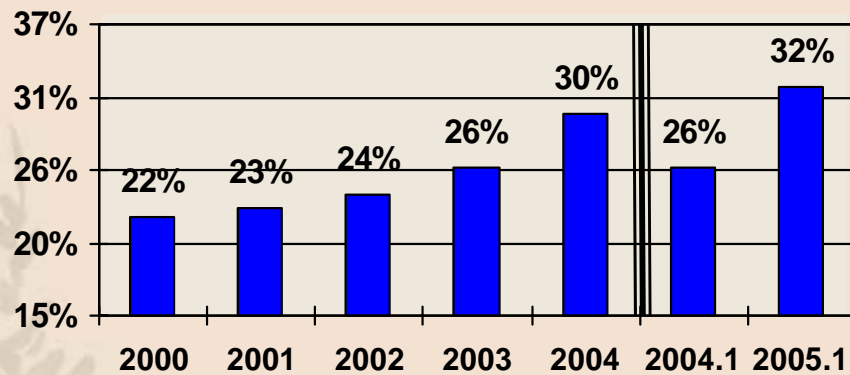
Pre-tax Earnings



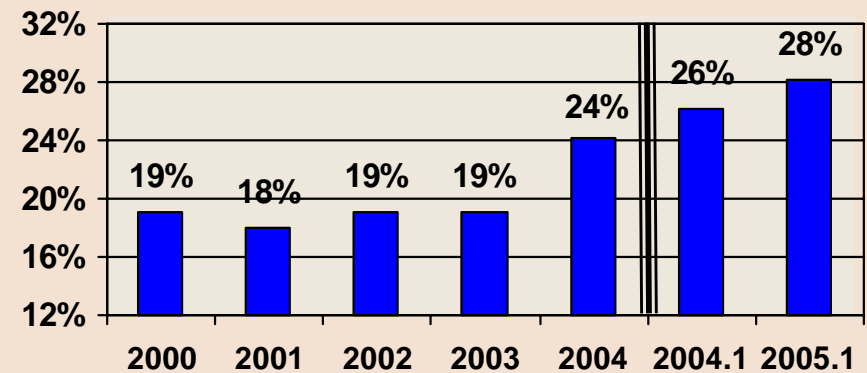
Financial Performance

- Margins and turnover trending favorably

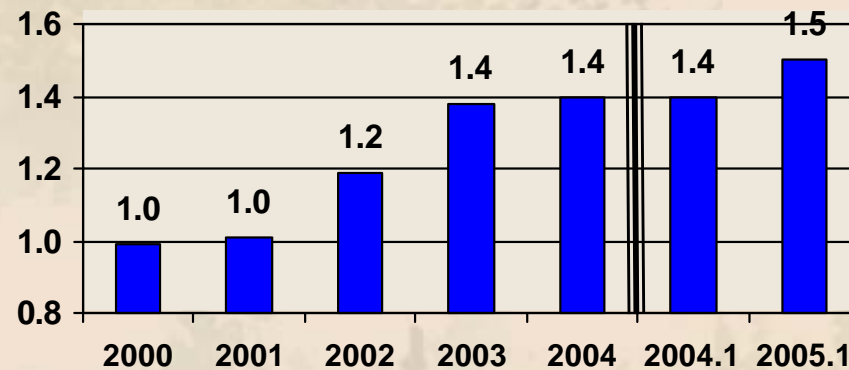
Single Family Gross Margin



Pre-tax Margin



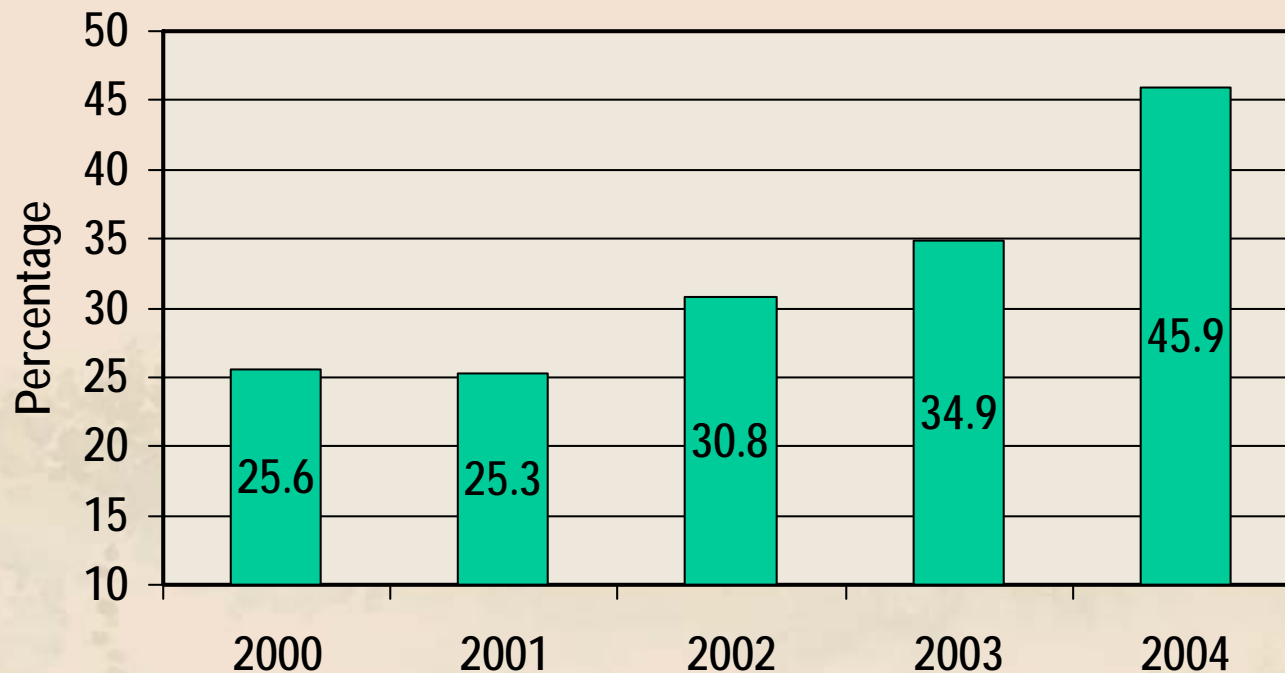
Asset Turnover



Return on Investment

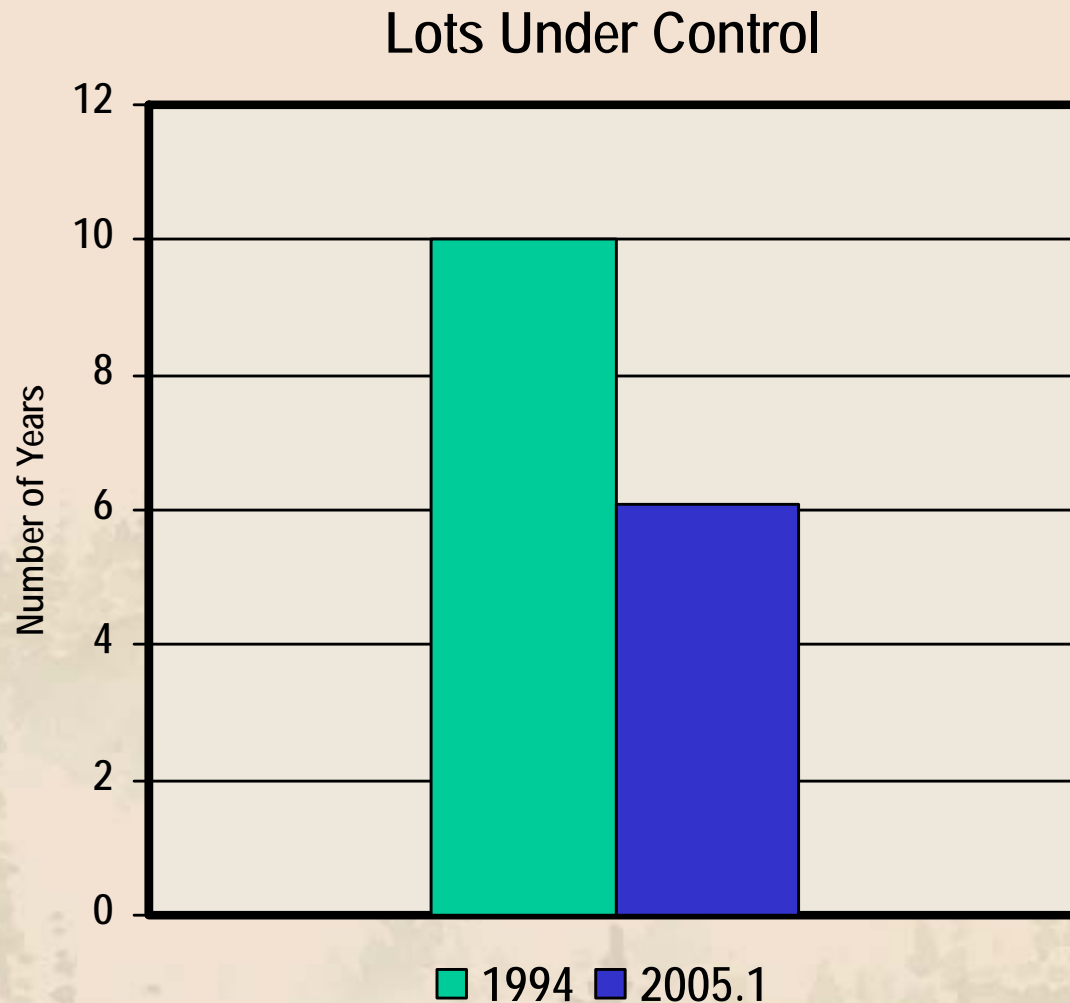
- WRECO has been a consistent top-quartile financial performer compared to other public homebuilders

Return On Investment



Land Pipeline

- WRECO currently has a 6-year supply of land and lots under control



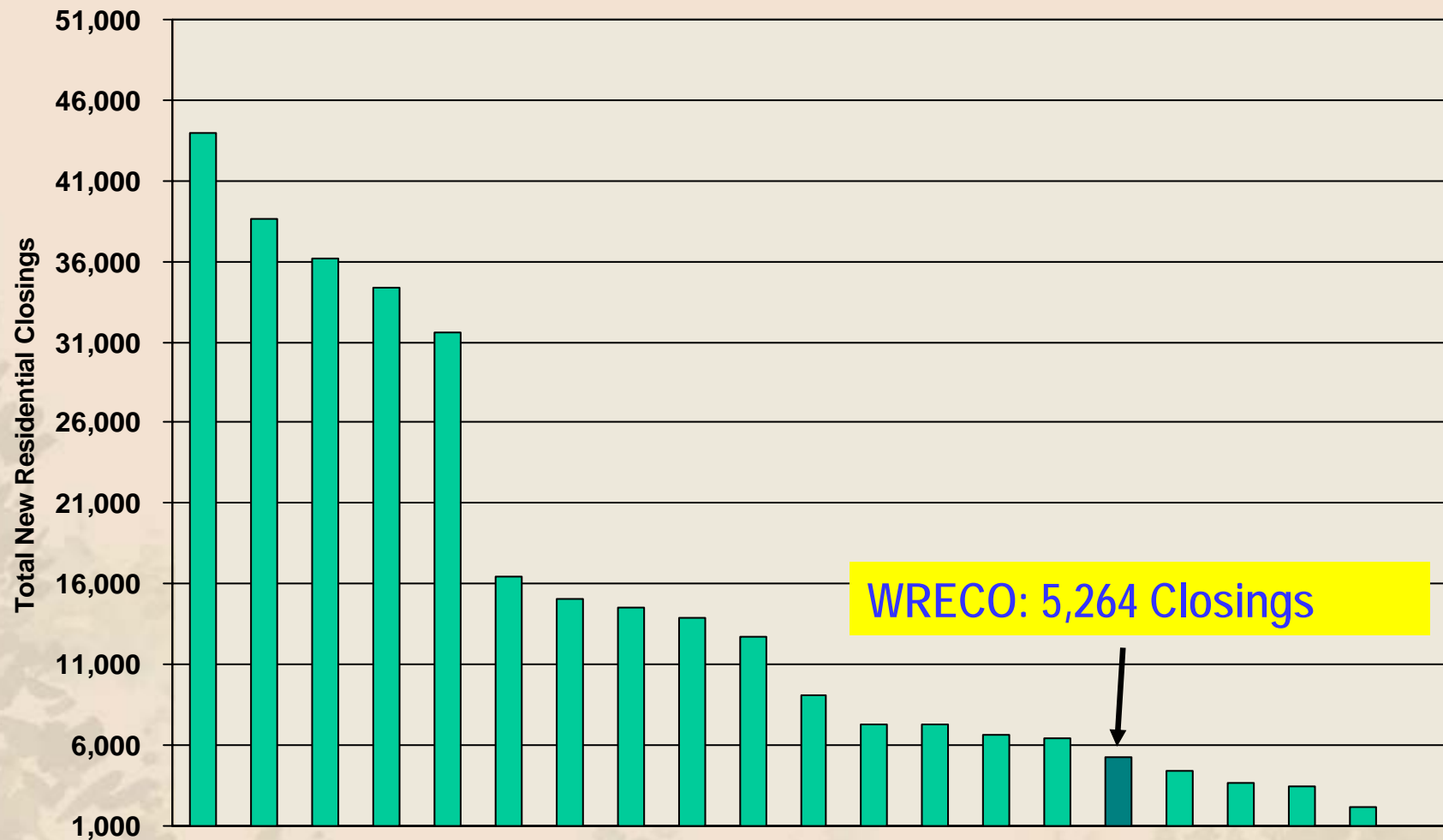
WRECO — RIR

- WRECO is widely known for industry leadership in job-site safety



WRECO Ranked 16th in Closings in 2004

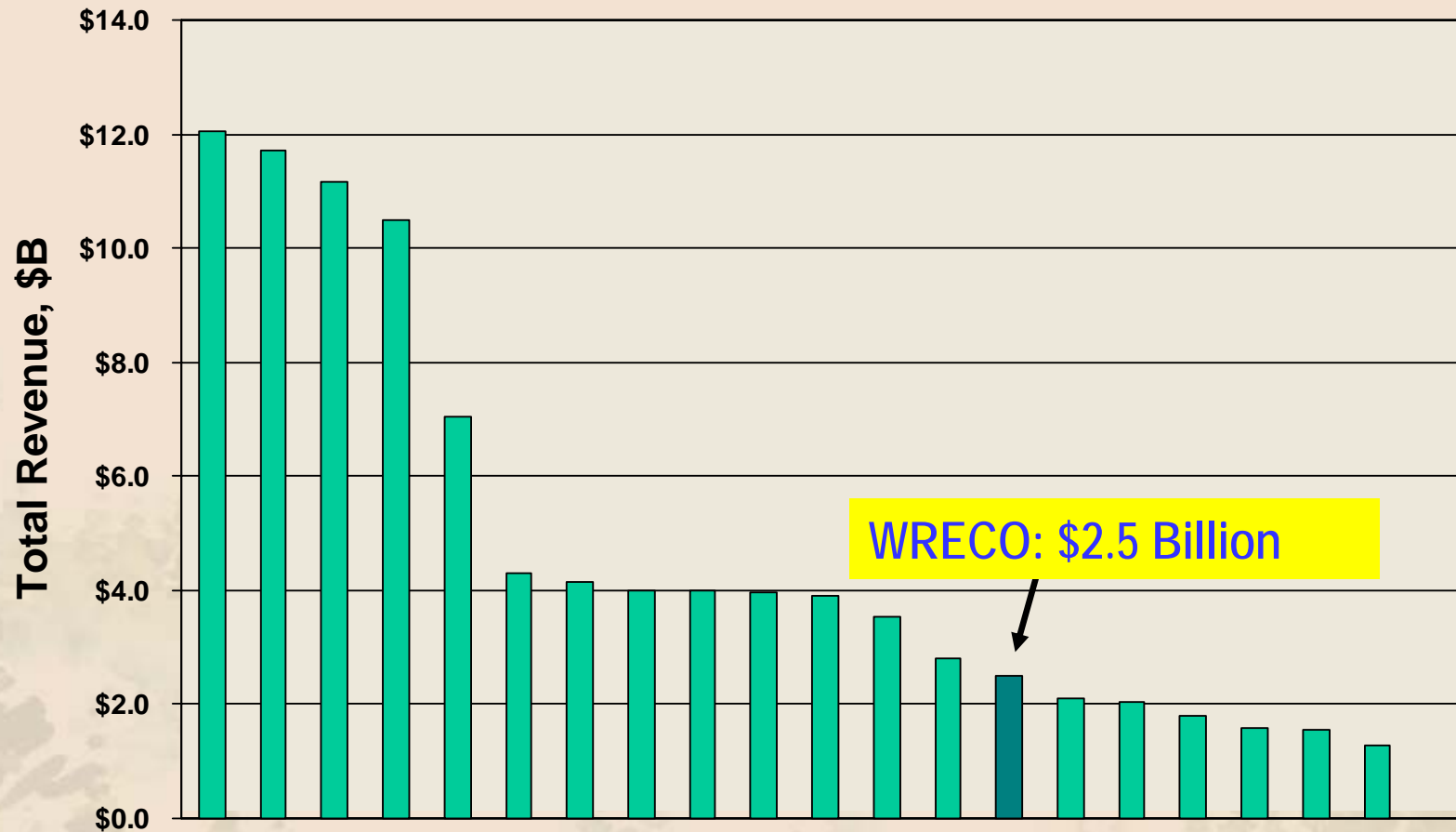
Rank by Closings



(Source: Builder Magazine, May 2005 and Professional Builder Magazine, May 2005)

WRECO Ranked 14th in Revenue in 2004

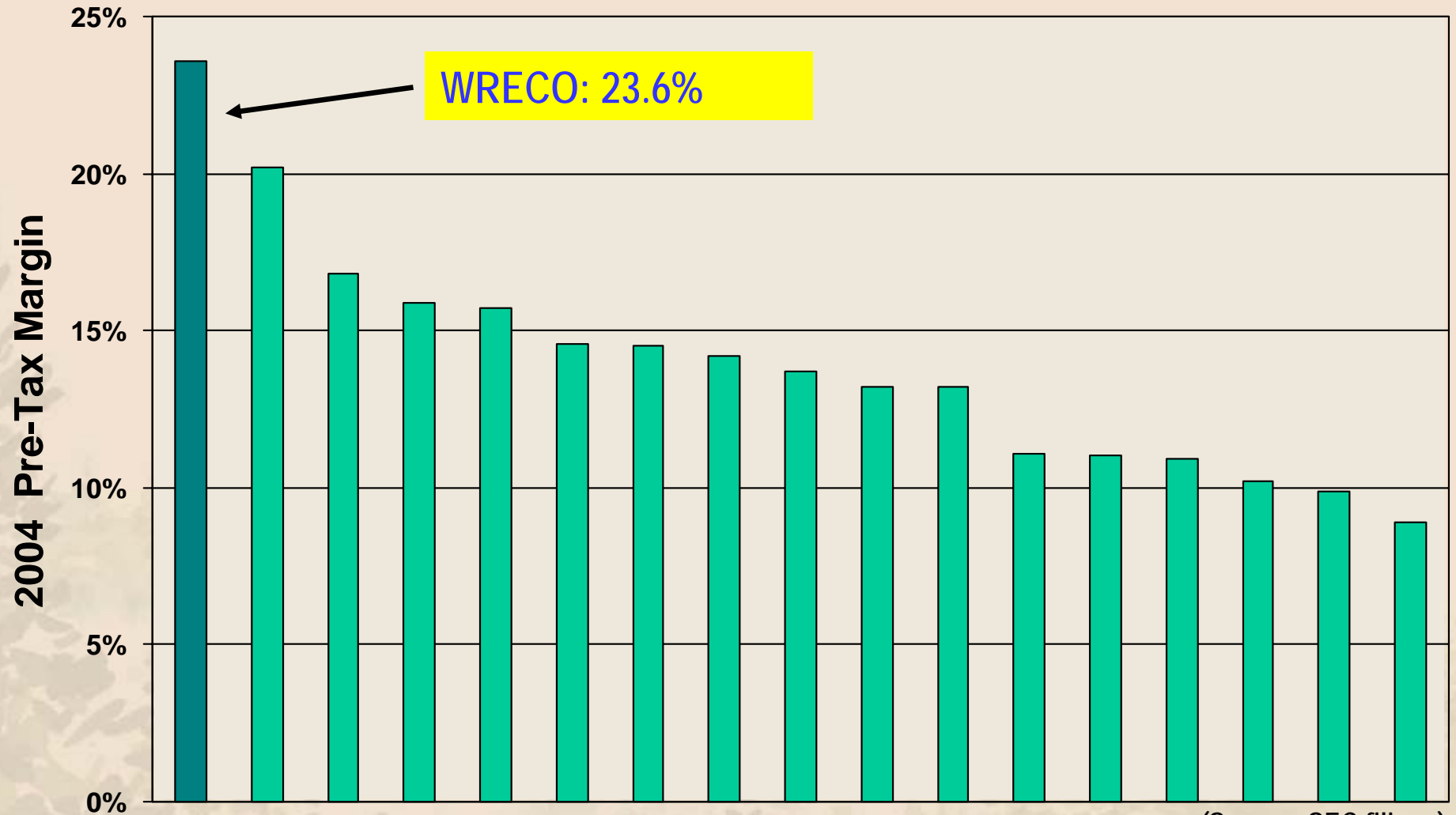
Rank by Total Revenue



(Source: Builder Magazine, May 2005)

WRECO Ranked 1st in Pre-tax Margin Among the Top 20 Public Builders in 2004

Rank by Pre-Tax Margin



(Source: SEC filings)

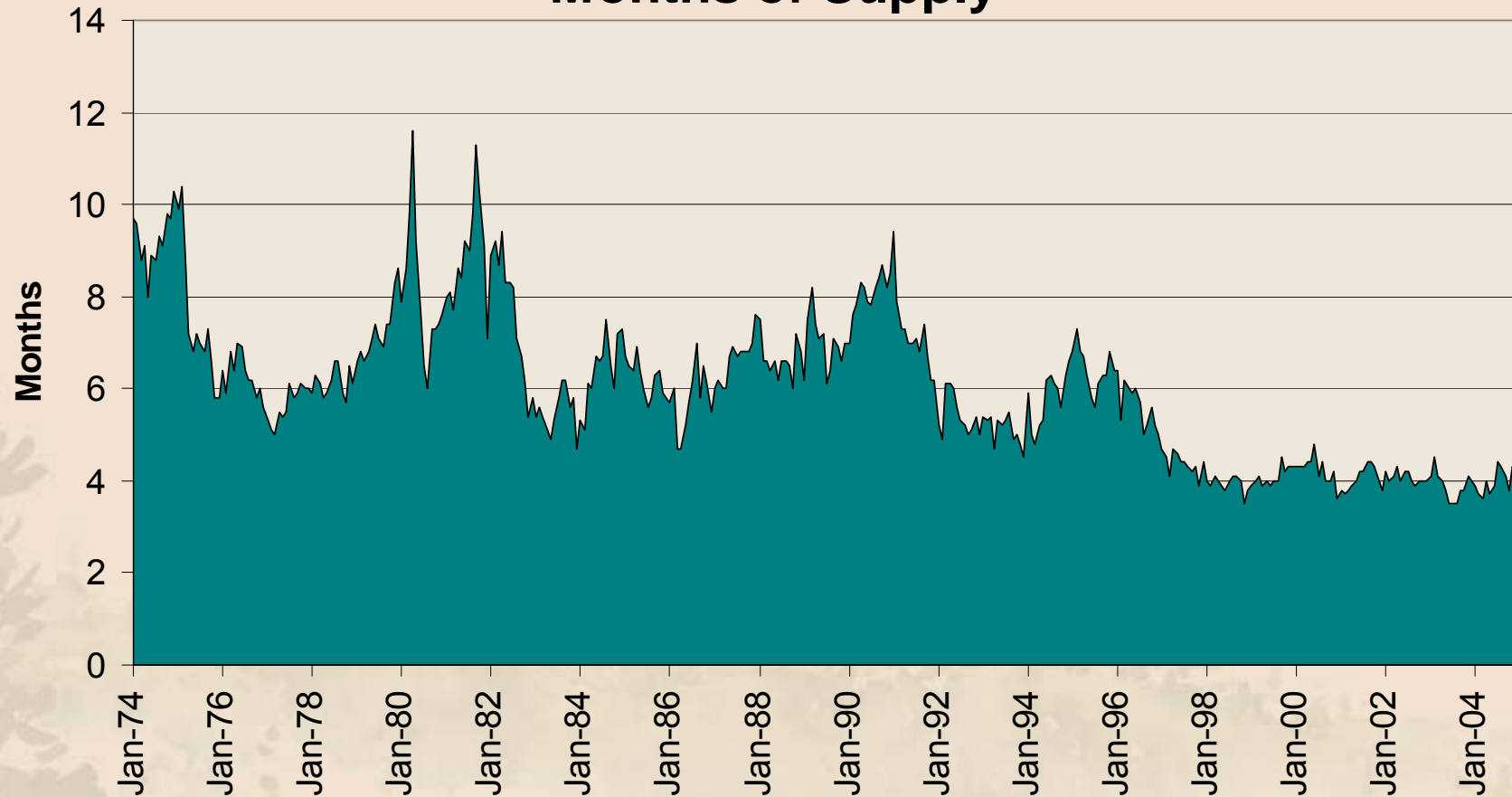
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Large Builders Capture Increasing Market Share

- Current stability of market drivers
- Supply constraints
- Improved inventory management
- Geographic diversification
- Product diversification
- Improved technology
- Purchasing efficiencies
- Stronger balance sheets

Housing Supply Remains Low by Historical Standards

Months of Supply



Industry Market Share Trends

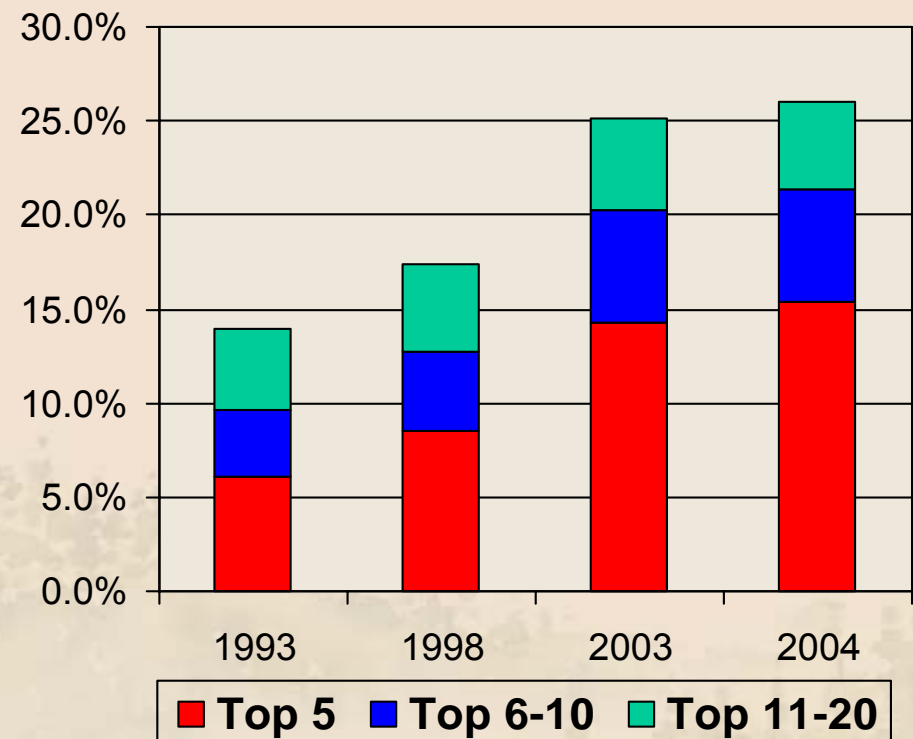
- Large homebuilders continue to gain scale faster than small builders

- Improved efficiencies
- Sophistication
- Stability

1993—2004 CAGR

Top 5 Closings	14.8%
Top 6–10	10.9%
Top 11–20	6.3%
Total U.S.	5.5%

Top 20 Market Share



Source: Builder Magazine, US Census Bureau, NAHB

Large Builder Competitive Advantages

Builders 1–20		Builders 276–400		Advantage
Gross Margin	26.8%	Gross Margin	24.1%	2.7%
<u>SGA</u>	<u>12.5%</u>	<u>SGA</u>	<u>13.6%</u>	<u>1.1%</u>
EBIT Margin	14.3%	EBIT Margin	10.5%	3.8%
<u>Financing Cost</u>	<u>1.7%</u>	<u>Financing Cost</u>	<u>2.1%</u>	<u>0.4%</u>
Profit Margin	12.6%	Profit Margin	8.4%	4.2%

Source: Michael Porter presentation, *The U.S. Homebuilding Industry and the Competitive Position of Large Builders*, 11/18/2003

- First look at deals (land and partnership)
- Expertise and resources to entitle land
- Attract and retain best people
- Involvement in industry initiatives
- Technology investment and implementation

Our Competitive Advantages

- Select markets
- Experienced management
 - 22-year average tenure
- Localized approach
 - Product preferences
 - Community and governmental issues
- Aligned management processes focused on financial results
- Powerful regional brands
- Disciplined execution
 - Safe job sites
 - Focused value propositions
 - Inventory control
- Linkage with Weyerhaeuser

Weyerhaeuser Realty Investors



“Making deals work for over 30 years”

- Dependable source of capital
- Quick initial response
- Funding on the promised date
- Hassle-free approval
- Competitively priced
- Honest, fair and focused on long-term relationships

2004 Closings: 7,371 Homes and Lots

- Equity or mezzanine debt construction financing to medium size homebuilders (50–600 homes annually)
- WRI is an investment manager for institutional investors as well as an investor itself
 - Total investment in WRI represents less than 2% of WRECO’s assets
 - Principal markets: Southern California, Northern California, Phoenix, Las Vegas, Denver, Puget Sound, Portland, Washington DC, Chicago, Boise, Salt Lake City

WRECO Is Positioned to Succeed

- Outlook for the national housing market is favorable
 - Demographic trends are compelling
- WRECO is a top performer
 - We have strong competitive advantages

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7:30 a.m.	Homebuilding Operations	Dan Fulton (Moderator) Larry Burrows Will Holder Peter Orser Mike McGee Hal Struck
8:40 a.m.	Break	
8:50 a.m.	Land and Land Development	Dan Fulton (Moderator) Jon Lash Steve Margolin Steve Nardella Joel Marshall John Osgood

Winchester Homes



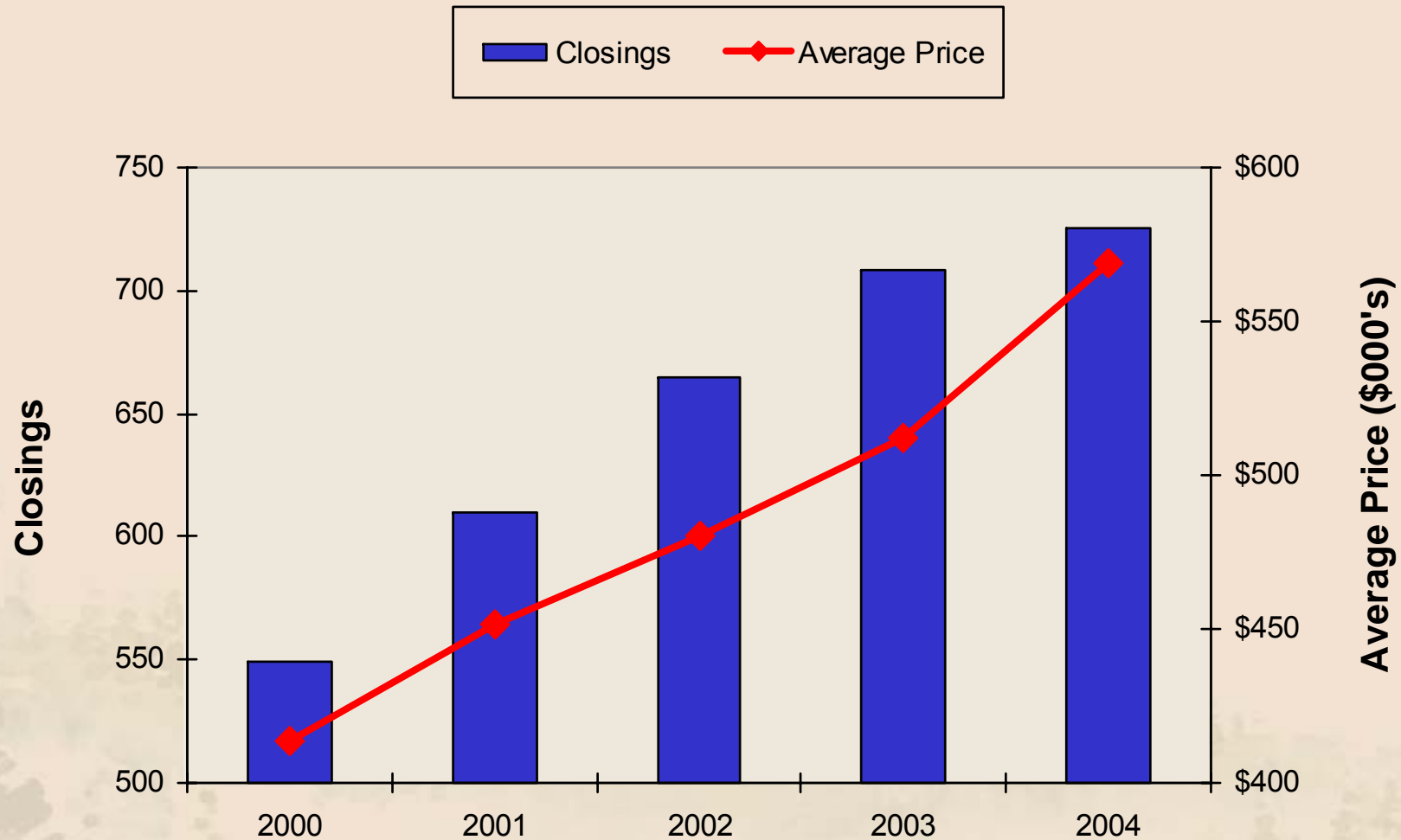
"Delivering a superior customer-focused buying experience to customers that value and can afford customization, in well-designed communities in superior locations. Preferred brand for the upscale buyer."

Home Sizes (sf)	Price Range	Communities	2004 Closings
1,459–4,502	\$245,000–\$1,470,000	21	725 homes

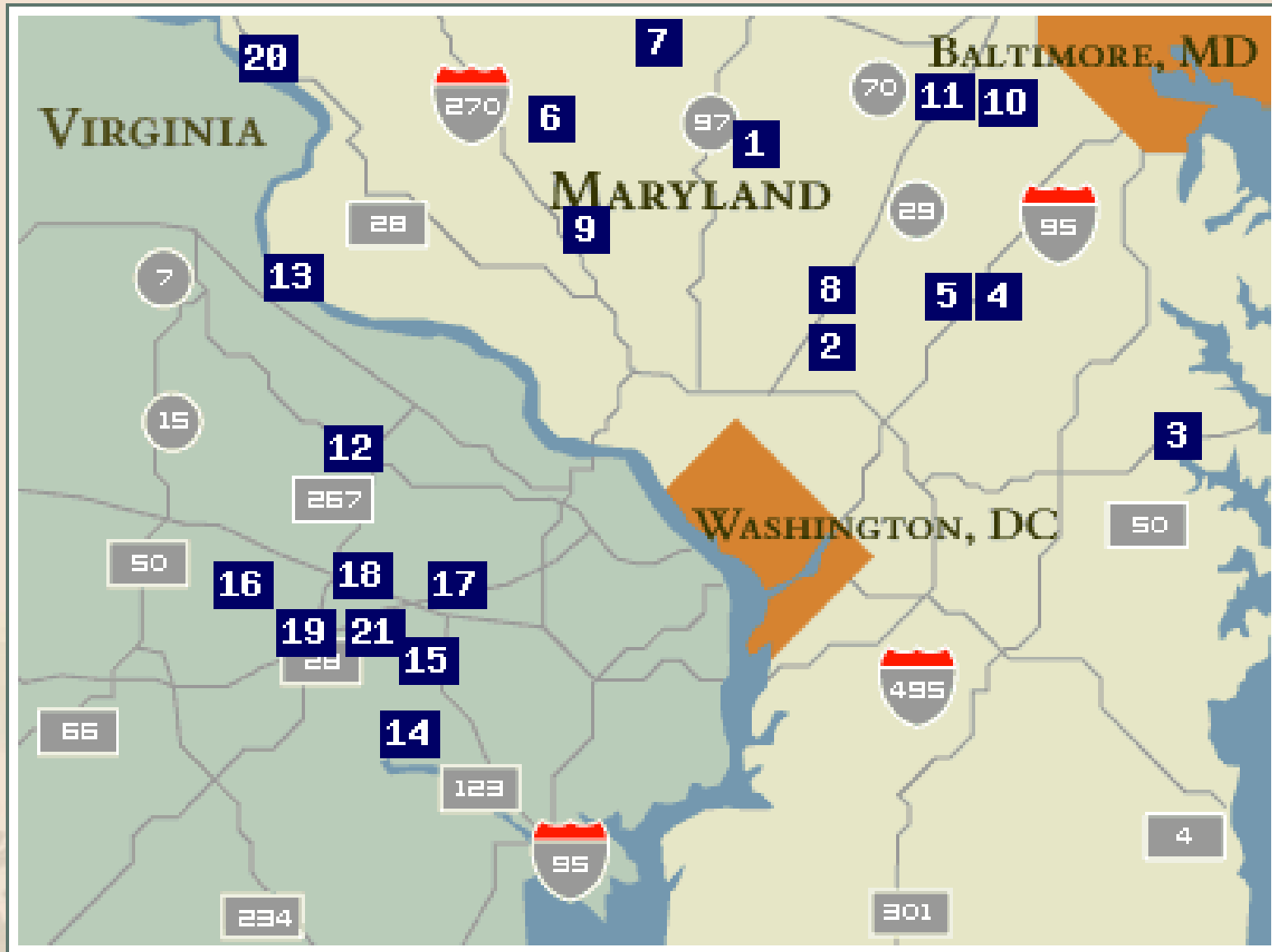
- One of the largest builders of upscale homes in the D.C. area
- Market customization leader through  program
- First large builder to win NAHB's Housing Quality Award
- Rated #4, "50 Best Companies to Work For" by *Professional Builder Magazine*



Winchester Homes: Historical Snapshot



Winchester Homes: Geography

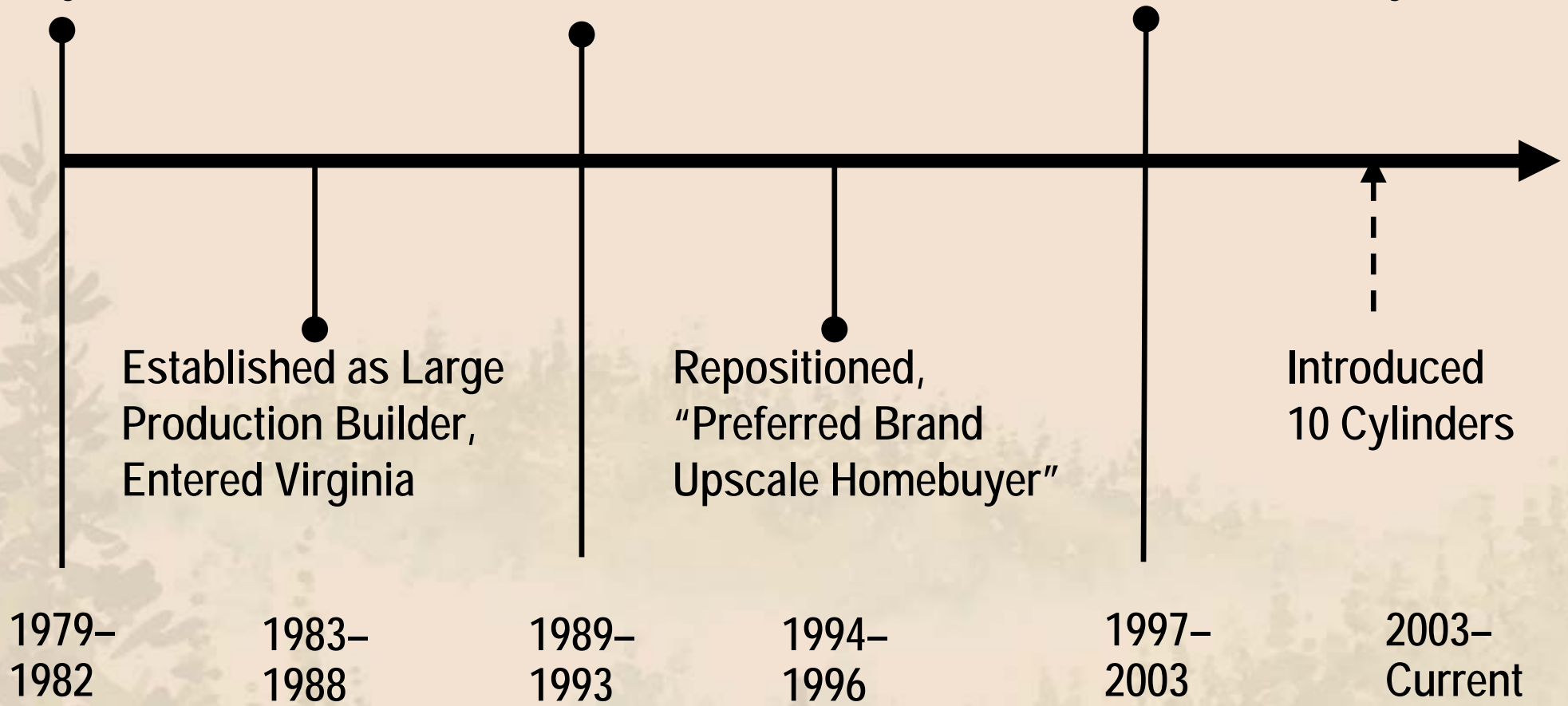


Winchester Homes: Formative Periods

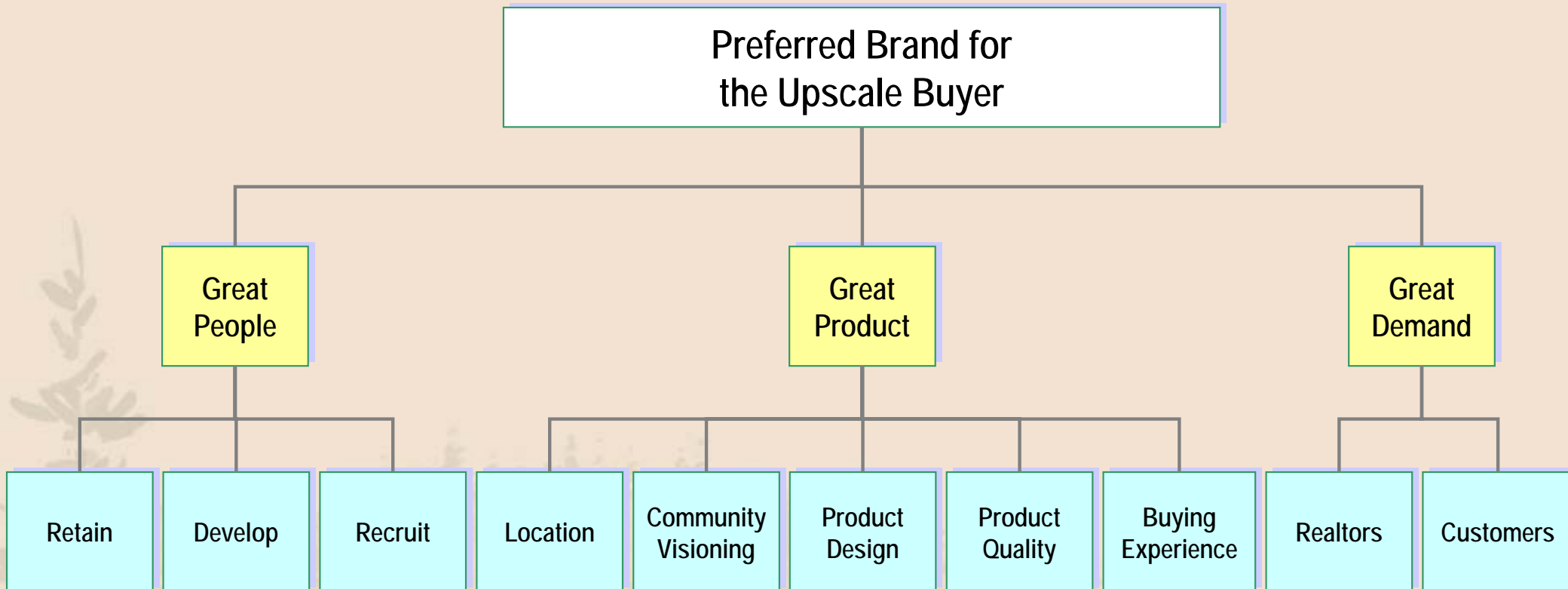
Started from Scratch in Maryland

Market Peaked, Refocused, Branded Quality (WinchestersWorth)

Implemented Customization (Your Home Your Way)



Winchester Homes: 10 Cylinders Operationalized



Winchester Homes: Customization Through

YOUR HOME  YOUR WAY



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Trendmaker Homes



TRENDMAKER HOMES
DISCOVER THE DIFFERENCES

"We offer luxury, production homes at a price below custom homes, but at a premium from other production builders, while using processes that minimize the hassle and anxiety of the home buying/building experience."

<u>Home Sizes (sf)</u>	<u>Price Range</u>	<u>Communities</u>	<u>2004 Closings</u>
1,700–5,869	\$185,000–\$667,000	22	745 homes

- Houston's leading home builder in its targeted upscale market segment
- Broad product offering: townhomes to spacious, luxury single-family homes
- Houston Builder Ranking 2004: 2nd aver. price (\$338,000), 8th total \$ volume (\$252MM)



Trendmaker Homes: Overview

- Houston homebuilder since 1971
- Purchased by WRECO in 1984
- Over the years we have carved out a competitive market niche with Houston's discriminating, move-up homebuyers
- Enjoys strong Realtor support with 83% co-op sales vs. 64% for all builders combined
- We target where we see the greatest profit potential
 - Move-up family buyers
 - Move-down empty nesters

Trendmaker Homes: Market Statistics

Houston Market Characteristics

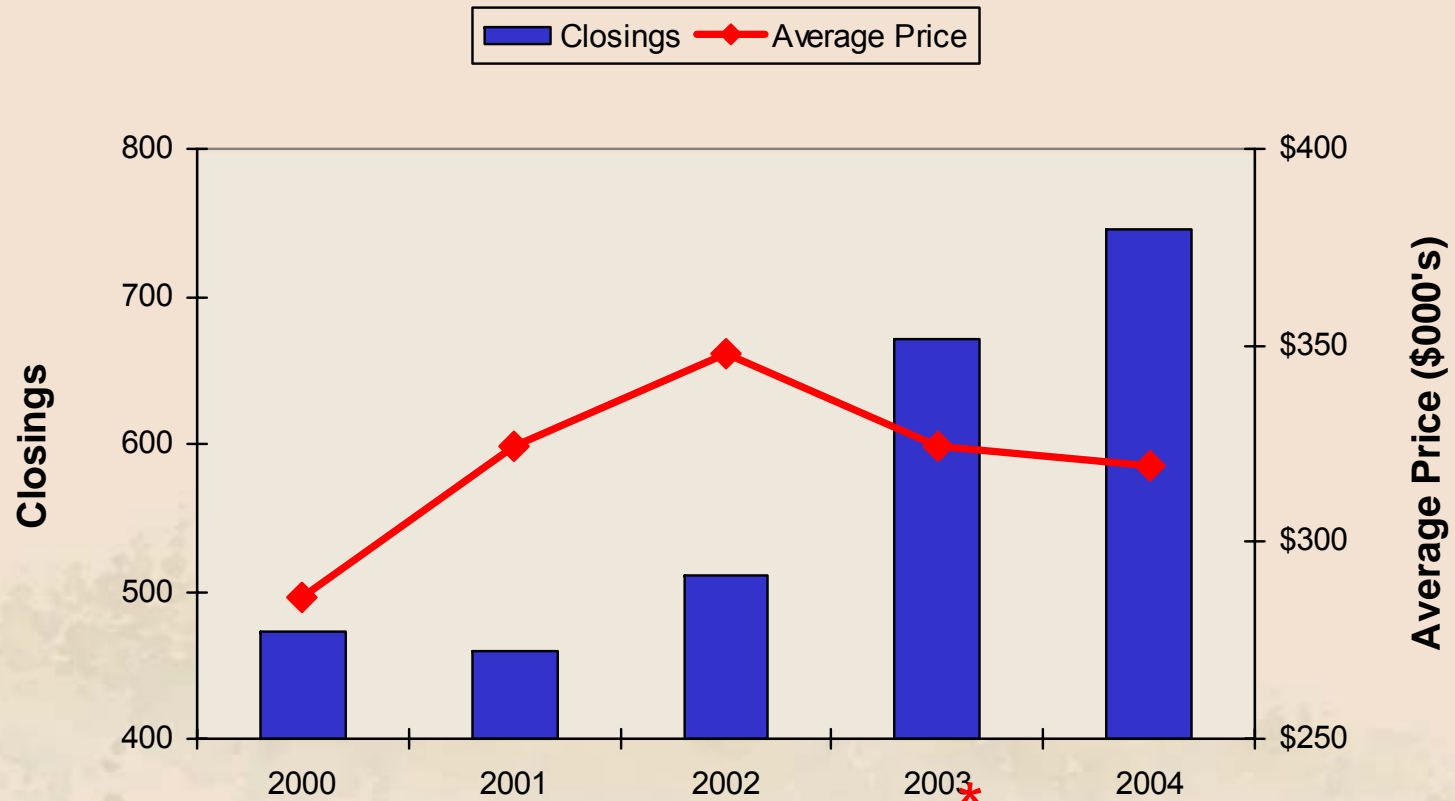
- 4th largest city in America with almost 5 million residents
- Added 34,900 new jobs in 2004
(Best Texas Market: Source, MetroStudy)
- Over 40,000 housing starts in 2004
- One of the most affordable metro housing markets with large base of first-time homebuyers and move-up buyers
- Highly attractive regulatory environment with few zoning or entitlement requirements

Trendmaker Homes: Competitive Landscape

- Few significant entry barriers for new builders or lot developers
- Supply-rich environment, highly competitive at the retail level
- Steady demand from both local buyers and corporate relocation buyers
- National and local builders play an important market roll
- Realtors play an very important role in corporate relocations and in reselling existing homes for local move-up buyers
- Separate and distinct builder and developer market roles

Trendmaker Homes: Historical Snapshot

Trendmaker Homes



* Introduced lower-priced townhomes

Trendmaker Homes: Strategy

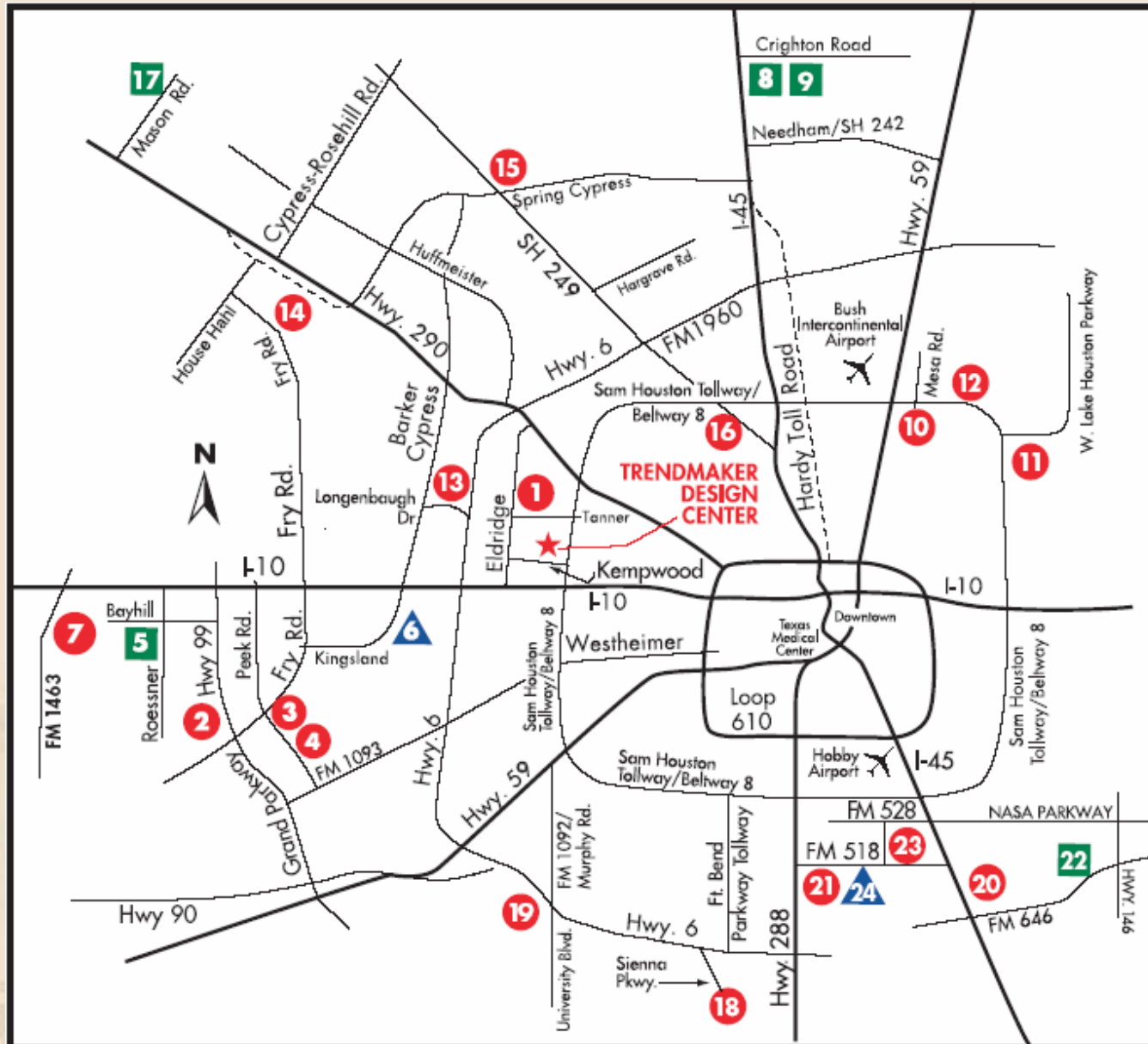
Product

- High-design homes
- High level of finishes
- Complete architectural elements
- Functional features

Professionalism

- Uncompromising safety standards
- Tenured employees — train and retain
- Customer-satisfaction driven
- Focused Realtor and developer relations

Trendmaker Homes: Houston Community Map



Trendmaker Homes: Target Markets / Product



- 60' Lot Product Line
 - 2,400–3,400 s.f.
 - \$190–250,000
 - 90% brick, granite counters
 - Move-up and move-down buyers



- 65' Lot Product Line
 - 2,900–3,600 s.f.
 - \$250–300,000
 - Detached garages, large dining rooms
 - Strong family homes, some empty nesters

Trendmaker Homes: Target Markets / Product



- 70' Lot Product Line
 - 3,000–4,200 s.f.
 - \$300,000+
 - Elegant, highly amenitized homes, master suites with sitting rooms and large game rooms
 - Move-up family buyers



- 80'+ Lot Product Line
 - 3,500–5,000 s.f.
 - \$300–500,000+
 - Auto-court, 3-car garages, lake and golf lots, high design
 - Move-up family buyers

Trendmaker Homes: Target Markets / Product



- Acreage Lot Product Line
 - 2,500–5,000 s.f.
 - \$300–500,000+
 - Considerable product range, country style and estate lots
 - Multi-generational buyers, large-family living



- Townhomes
 - 1,800–2,400 s.f.
 - \$200–260,000
 - Rear-loaded, 3-car garages, courtyards, 1- and 2-story plans
 - Density: 6 units per acre
 - Move-down, empty nesters

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Quadrant Homes

QUADRANT HOMES
MORE HOUSE. LESS MONEY.

"We provide the most home for the money — space, choice, value and hassle-free."

Home Sizes (sf)	Price Range	Communities	2004 Closings
1,288–4,120	\$170,000–\$390,000	11	1,160 homes

- #1 in sales volume in the Puget Sound Region
- Builds homes using an "even-flow" production system
- Selected by Washington CEO Magazine as the "Best Company to Work For" in 2004
- Only homebuilder in the nation recommended for OSHA / WISHA VPP Star status

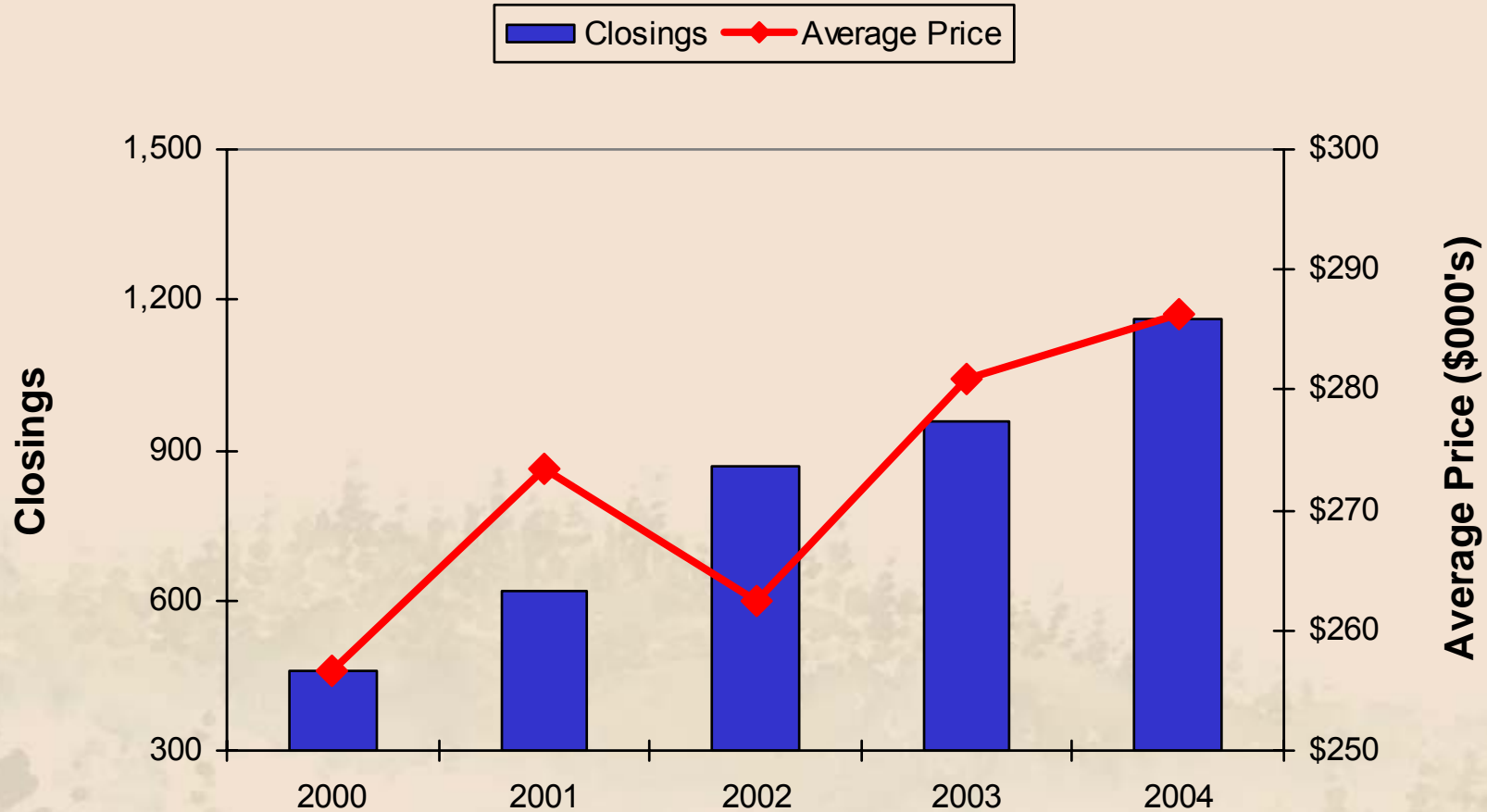


Quadrant Homes: Historical Overview

- Purchased by Weyerhaeuser in 1969
- 1974: Region's first master-planned community (West Campus)
- 1990–2000: Leader in commercial build-to-suit market
- 1998: Reengineered homebuilding value proposition and began 1/day
- 2002: Exit commercial
- 2003: 4/day
- 2004: 5 and 6/day

Quadrant Homes: Historical Snapshot

Quadrant Homes



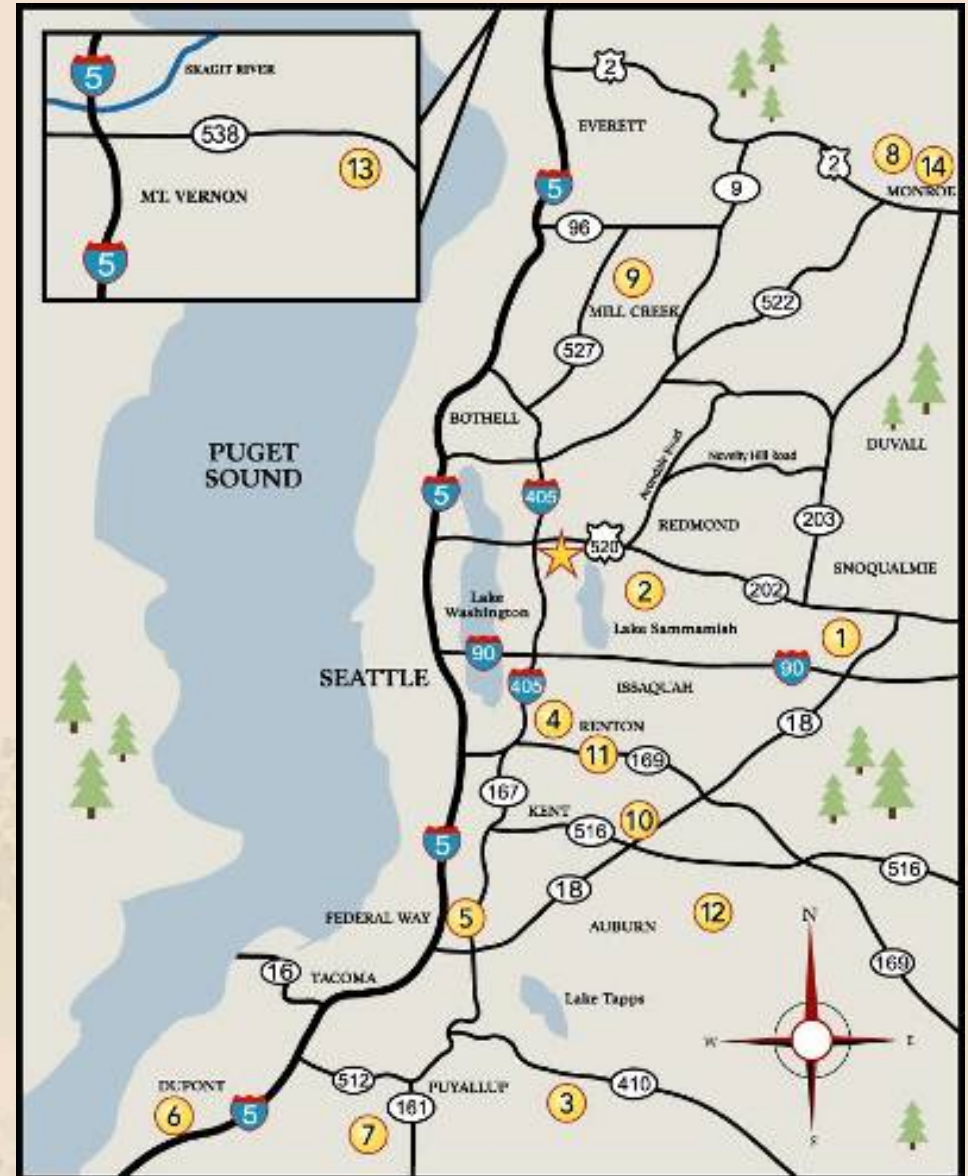
Quadrant Homes

■ Market Characteristics

- New homes
- Resale homes
- Jobs
- Regulatory environment

■ Competitive Landscape

- Only 2 publics
 - No large land positions
- Mid-size (300) pushing for 500 sales recently
- The 2 publics pushing out into the next ring



Quadrant Homes: Strategies

- Remain focused on executing in the Puget Sound core (\$250–\$400,000)
- Create compelling value in next ring out (\$150–\$300,000)
- Target unavailable price point in 3rd ring (\$125–\$200,000)
- Stay true to More House, Less Money by appealing to 1st and 2nd homebuyers

Quadrant Homes: Value Proposition

- More House — Less Money
- Differentiated by execution of the value delivery system and “tipping-point” brand value
- Market position is sustainable because
 - Surgical focus on principles
 - People
 - Ability to transport brand
 - Disciplined land-acquisition strategies

Quadrant Homes: Brand

- Local Northwest focus
- Reinforced by “listening to the customer”
- Focus on referral, not traffic generation
- Create a repeatable / referable experience
- Demonstrate “green” and citizenship values

Quadrant Homes: Value Delivery System

- The competitive edge of a low-cost producer
 - Safety focus with commitment to quality
 - 6 starts and 6 closings every day
 - 54-working-day construction schedule
 - Harnessing the power of choice
 - Focusing on returns through velocity

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- Founded in Los Angeles in 1921
- Purchased by WRECO in 1969
- Celebrating over 50 years in the Los Angeles, San Diego and Las Vegas markets
- Our Senior Management Team has an average tenure of 22 years
- Builder Magazine's "2003 America's Best Builder"
- U.S. EPA Energy Star "2003, 2004 and 2005 Partner of the Year"



Pardee Homes: Value Proposition

- Our value proposition is customer driven, based on 80+ years of experience and intentionally broad

**“We build homes and communities
for the way people want to live,
creating premium value
through a trusting builder relationship.”**

- Focused on development of highly amenitized master-planned communities and the construction of homes for first-time through luxury move-up buyers, with extensive option offerings

- **We develop a keen sense of regional buyer preferences and earn exceptional homebuyer loyalty**
- **We utilize Six Sigma processes to drive continuous improvement**
- **We are a recognized industry leader in energy efficient and “Green Building” practices**



-  **PardeeHomes** is a powerful brand that succeeds against national brands by being home grown, and benefiting from established trade contractor and consultant alliances

CALIFORNIA

Home Sizes (s.f.)

998–5,118

Price Range

\$264,000–\$2,100,000

Communities

25

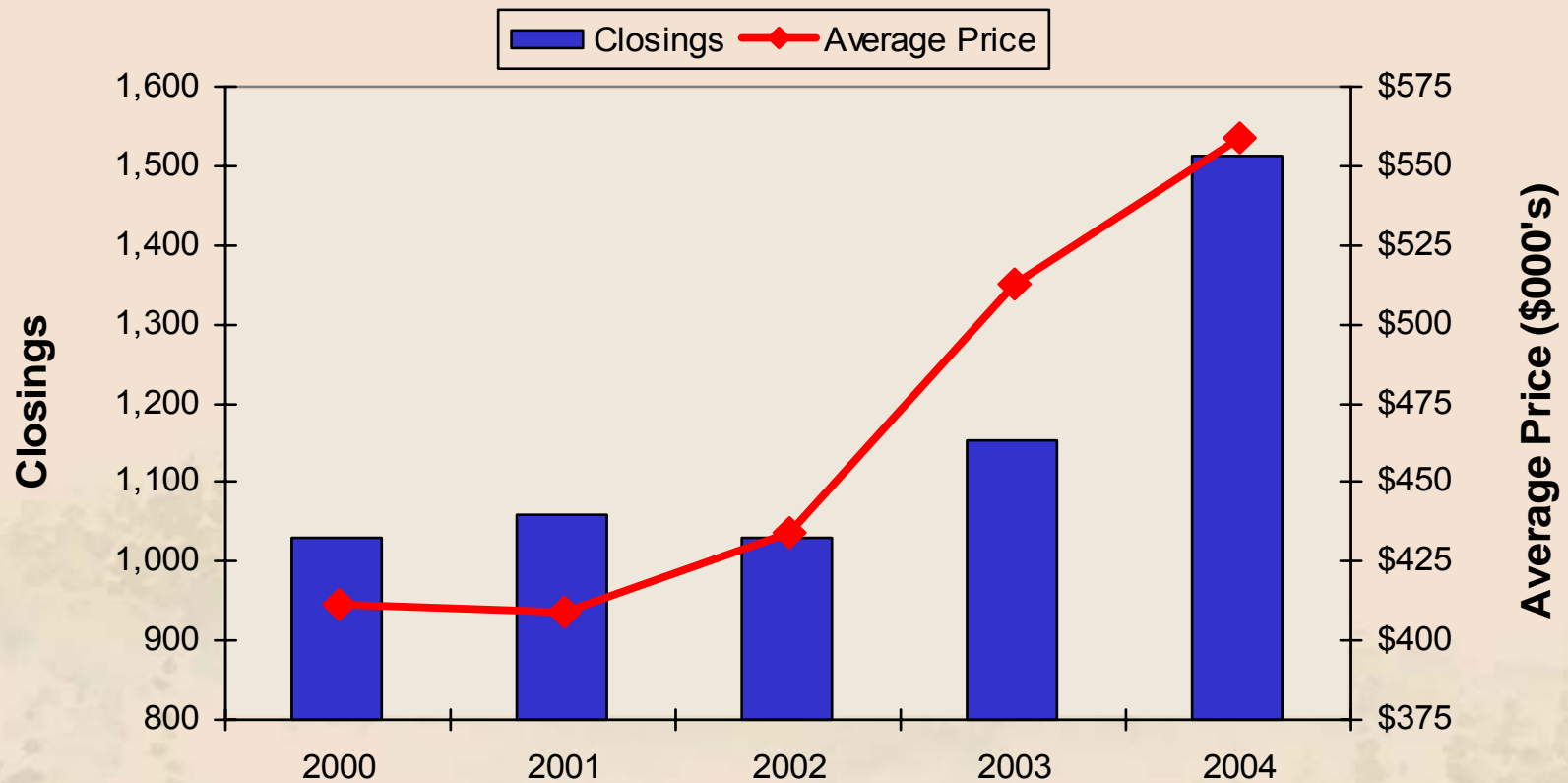
2004 Closings

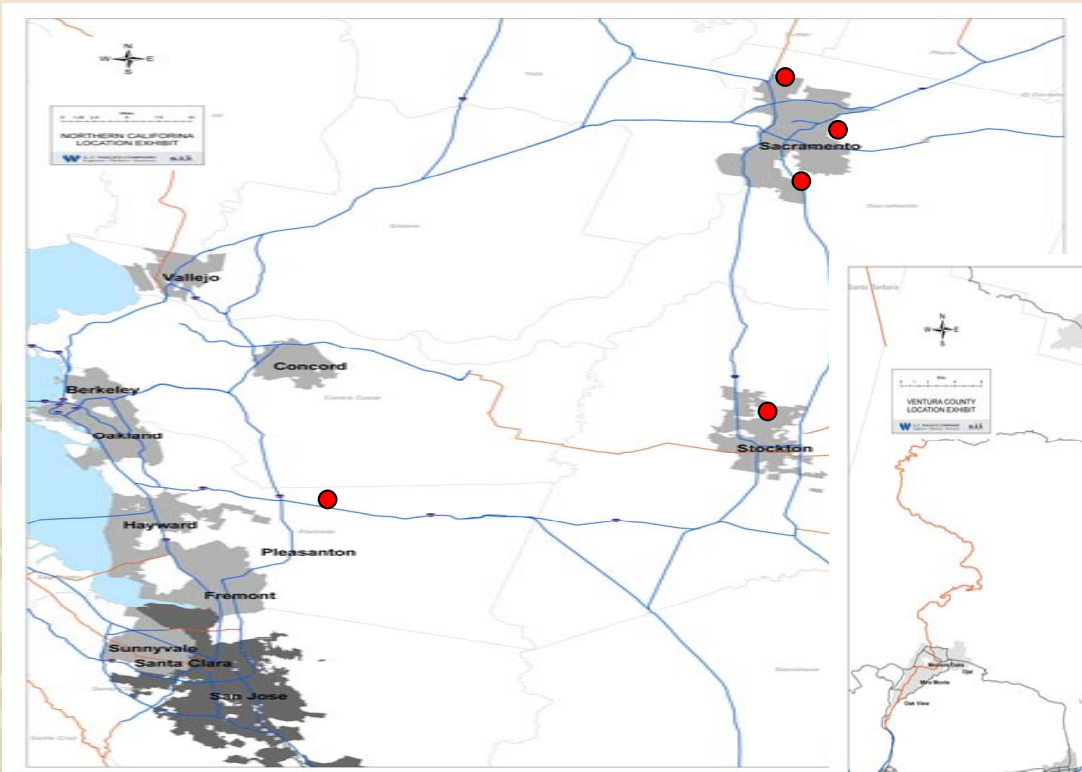
1,514



Pardee Homes: Historical Snapshot

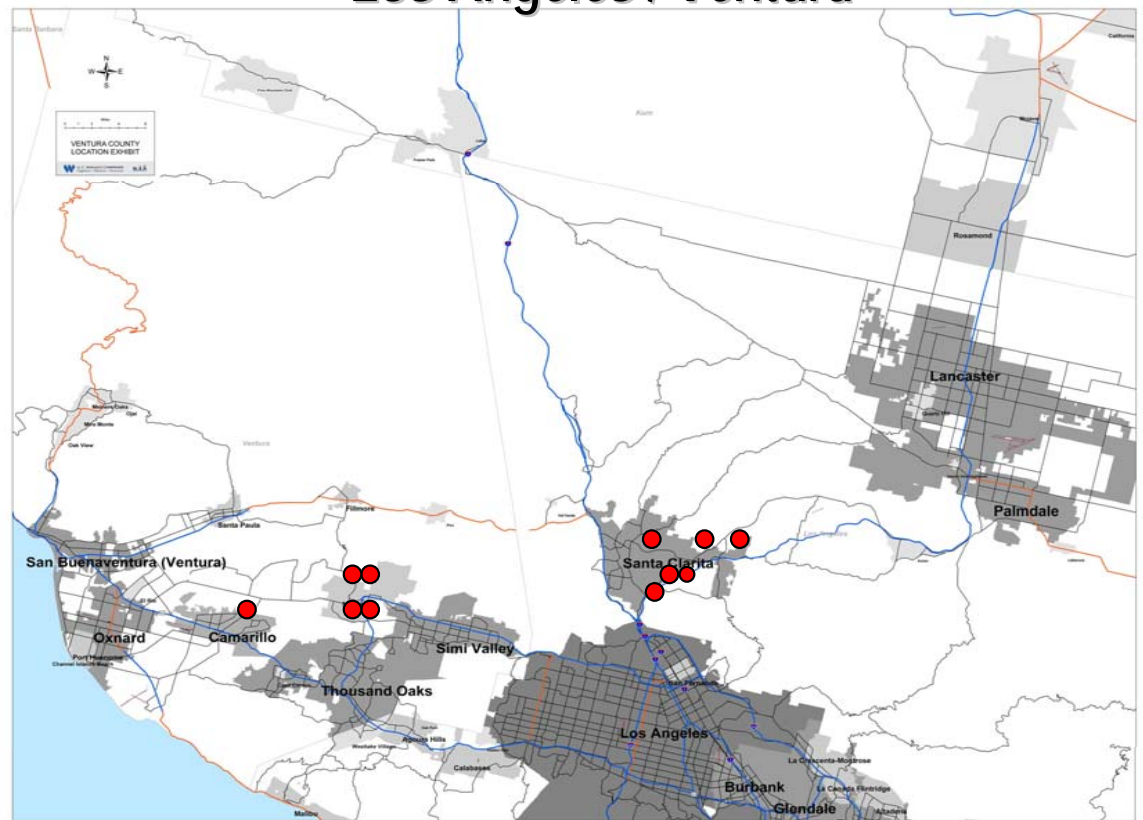
California

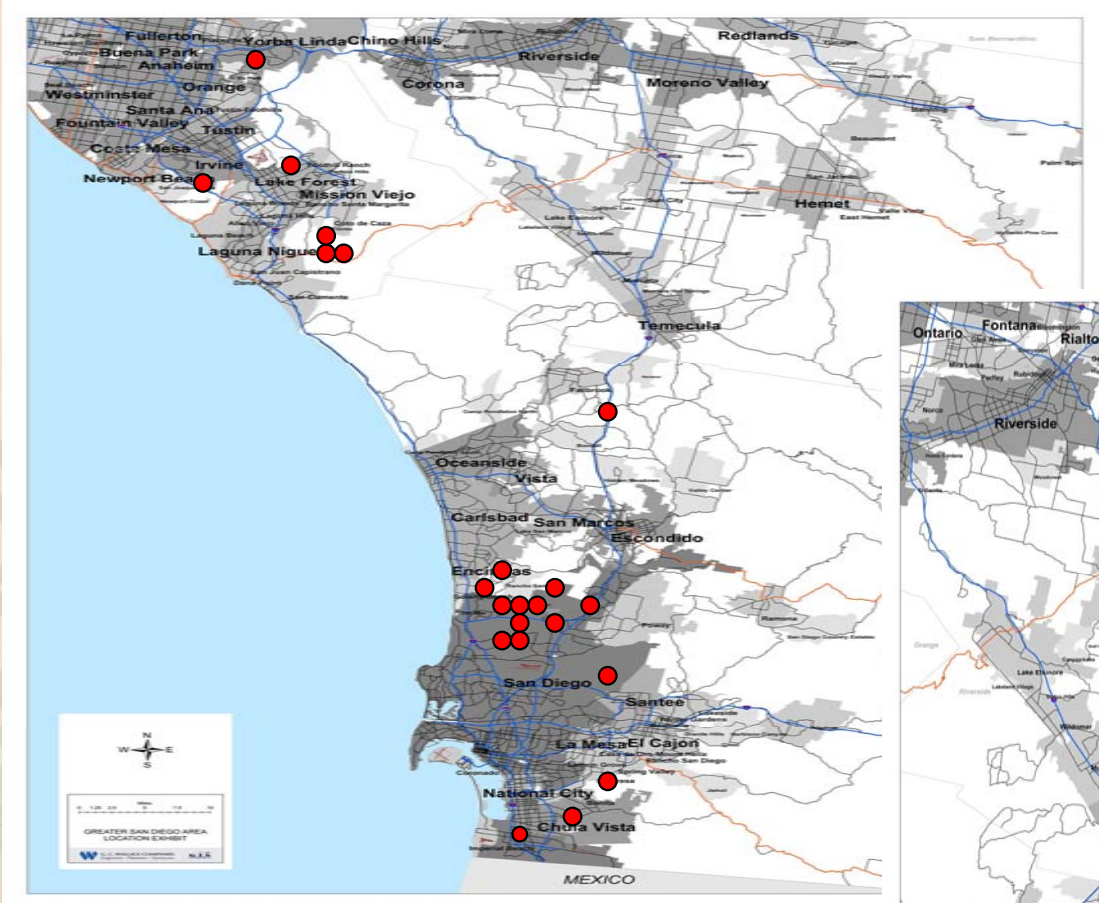




East Bay / Sacramento

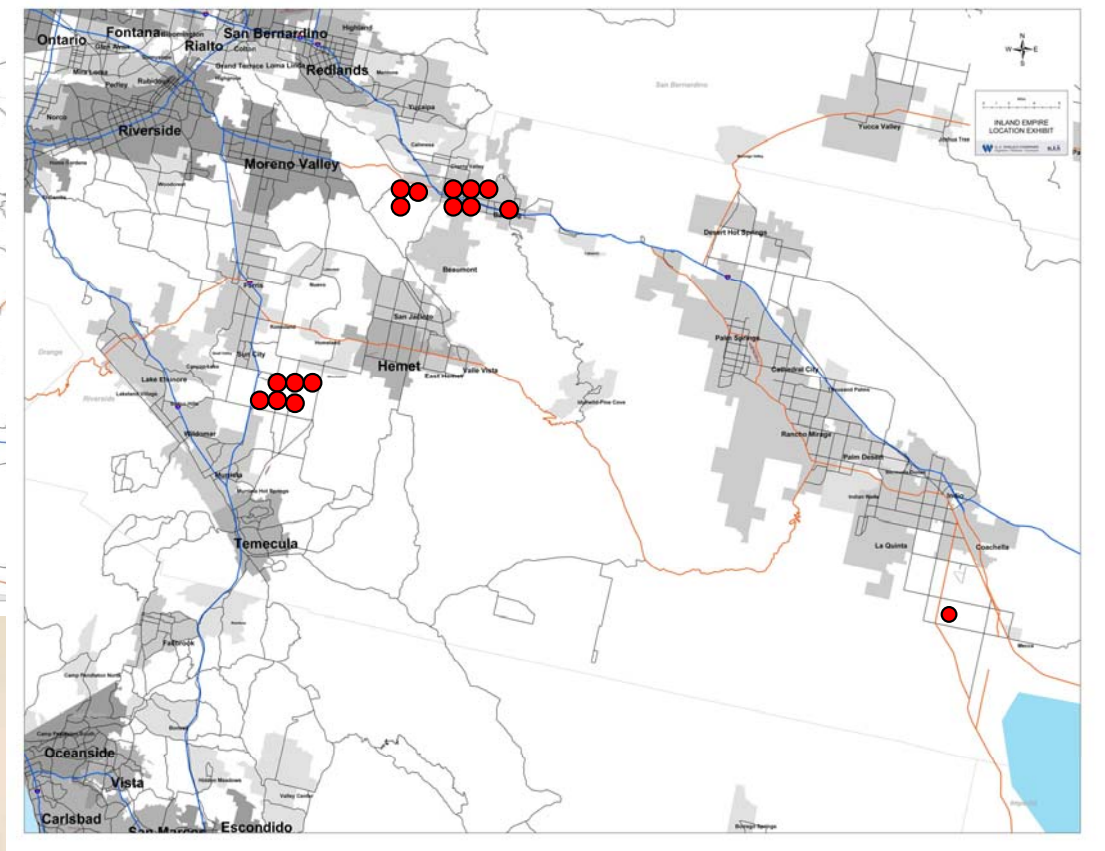
Los Angeles / Ventura





Orange County / San Diego

Inland Empire



NEVADA

Las Vegas



Home Sizes (s.f.)

1,414–4,330

Price Range

\$258,000–\$789,000

Communities

17

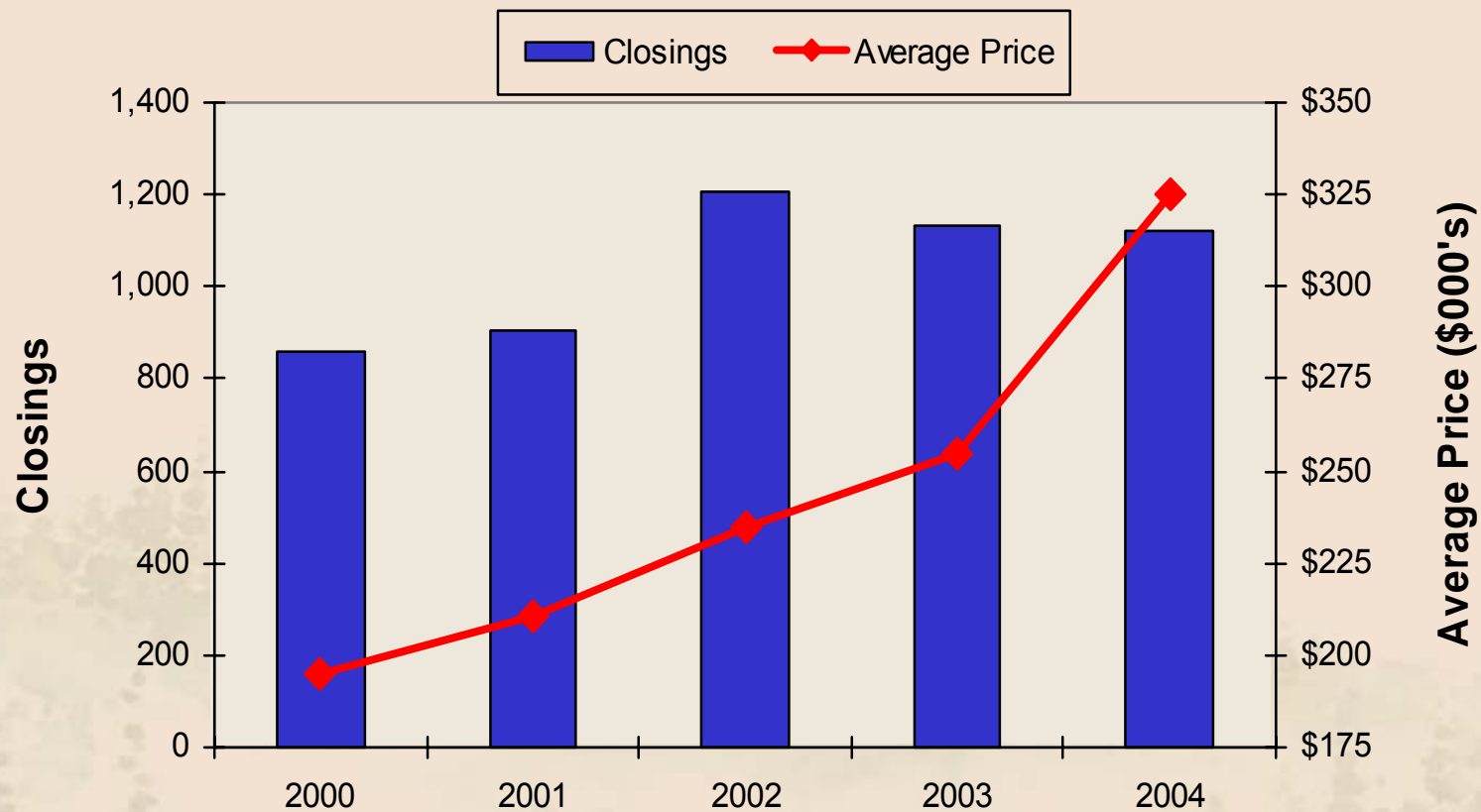
2004 Closings

1,120

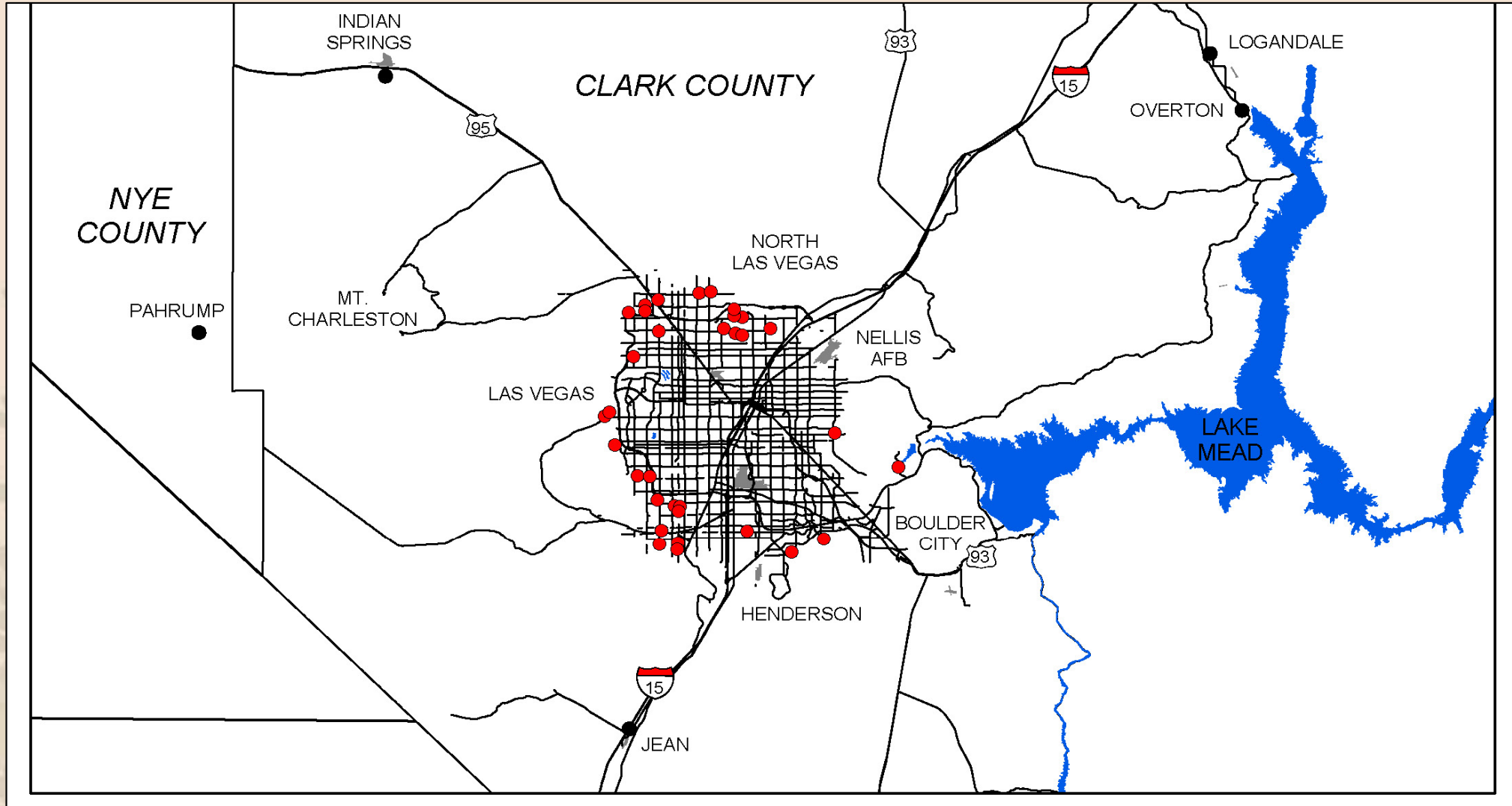


Pardee Homes: Historical Snapshot

Nevada



Pardee Homes



Pardee Homes: Competitive Landscape

- Characteristics of our markets
 - Employment trending positive
 - Housing pushing to the edges
 - Land is becoming more scarce
- Demographics of our markets
 - 50% families aged 35-40
 - Increasingly ethnically diverse
 - Buyers seek affiliation with an eco-friendly builder
- Product position
 - 90,000+ options available to satisfy buyer preferences

Pardee Homes: Competitive Advantage

- We develop master plans that offer our customers a wide variety of opportunities
 - Housing
 - Employment centers
 - Shopping and civic uses
 - Schools
 - Recreational amenities

Pardee Homes: Competitive Advantage

- We have proven problem-solving expertise in running the gauntlet of local, state and federal regulatory processes



- Well-honed execution skills resulting in superior performance

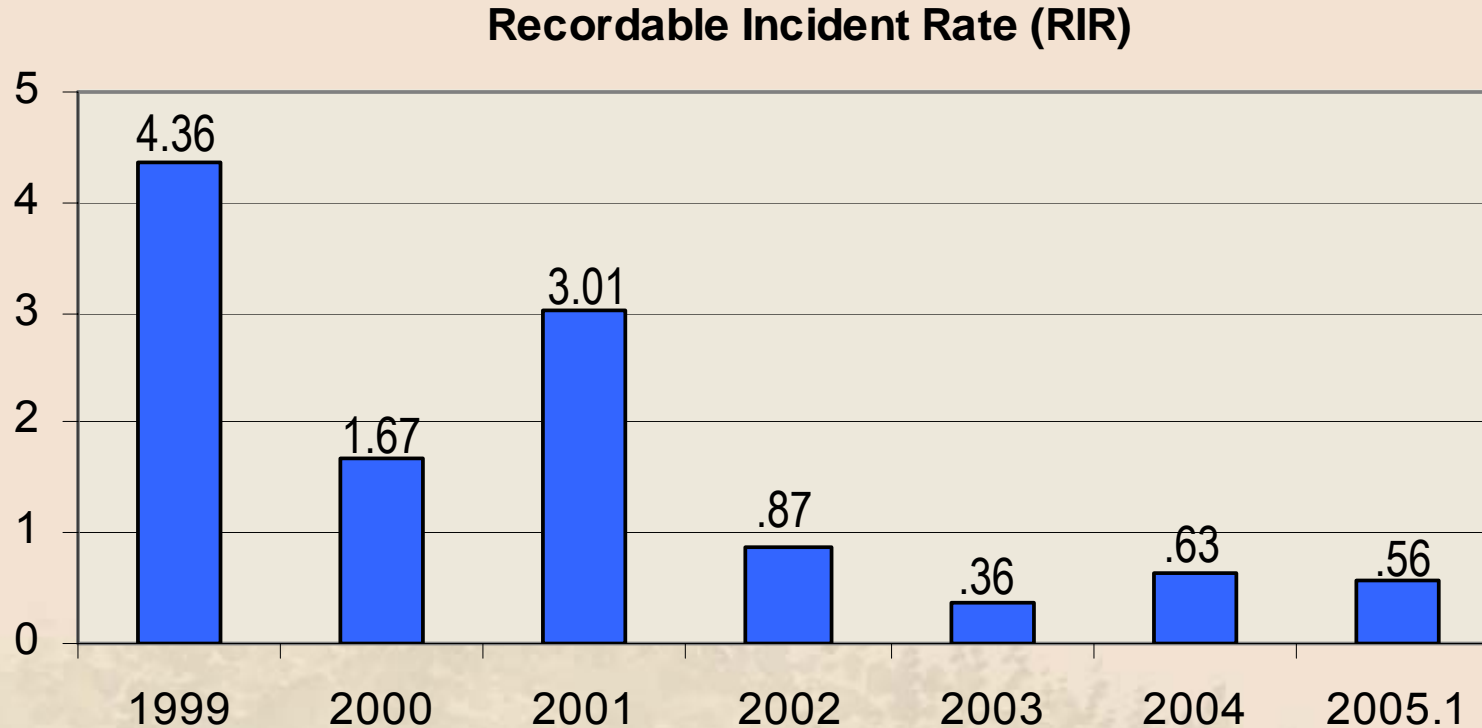
In our 84 year history we have never had an unprofitable year!

Pardee Homes



Safety Is Good Business!

Pardee Safety History



- Recordable incident rate is the number of incidents per 200,000 labor hours

WRECO Homebuilding Strategy

- Local business, national scale
- Unique local value propositions
 - Local land strategies
 - Local design and construction
- Share common values
 - Safety
 - People
 - Business conduct

WRECO Homebuilding Strategy (cont.)

- Share common support
 - HR administration, training and development
 - Information technology
 - National purchasing
 - Capital
- Share common practices
 - Listen to the customer
 - Disciplined financial management – ROI focus
- Leverage scale of WRECO / Weyerhaeuser
- Aligned culturally with Weyerhaeuser

*What questions
do you have?*

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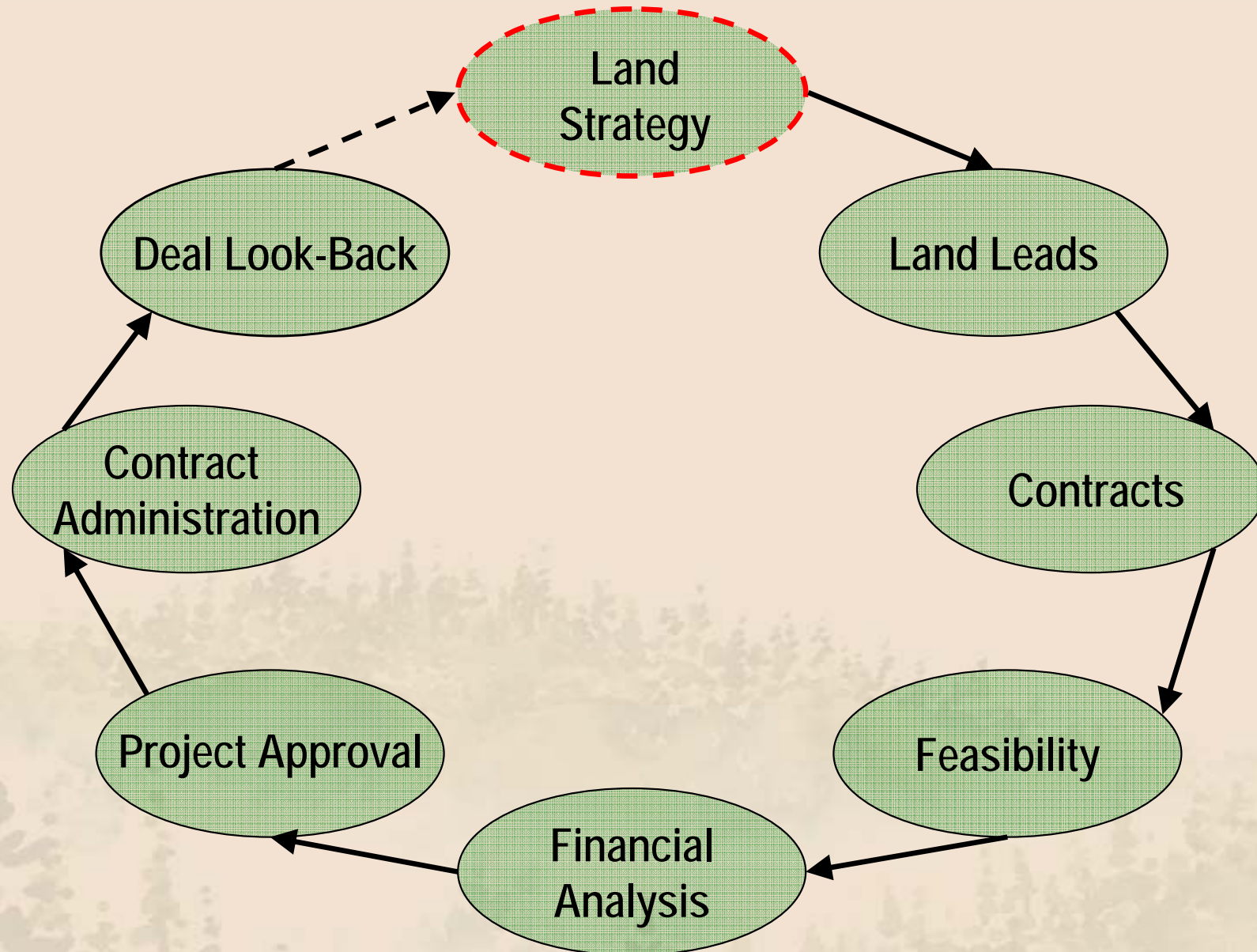
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Land is the Lifeblood of our Business

- Land acquisition is managed as a process
- Land is purchased in alignment with market specific strategies
- Effective land acquisition requires a balance between opportunity, capital and risk

Land Acquisition Process Overview



Land Strategy Drives the Process

- Main elements of land strategy
 - Understanding market attractiveness
 - What is the opportunity?
 - Plan to take advantage of opportunity
 - What is the strategy?
 - Strategy implementation
 - How do we balance the opportunity, capital requirements and risk?

Land Strategy / Key Measurements

- Number of years supply in lot pipeline
 - Lots owned or to be acquired via specific performance contract
 - Lots under option contract
- Compliance with internal debt limits
- Achieves target returns

Land Financing Alternatives

- Wholly owned
- Option contract
- Joint venture
 - Landowner
 - Homebuilder partner
 - Financial partner

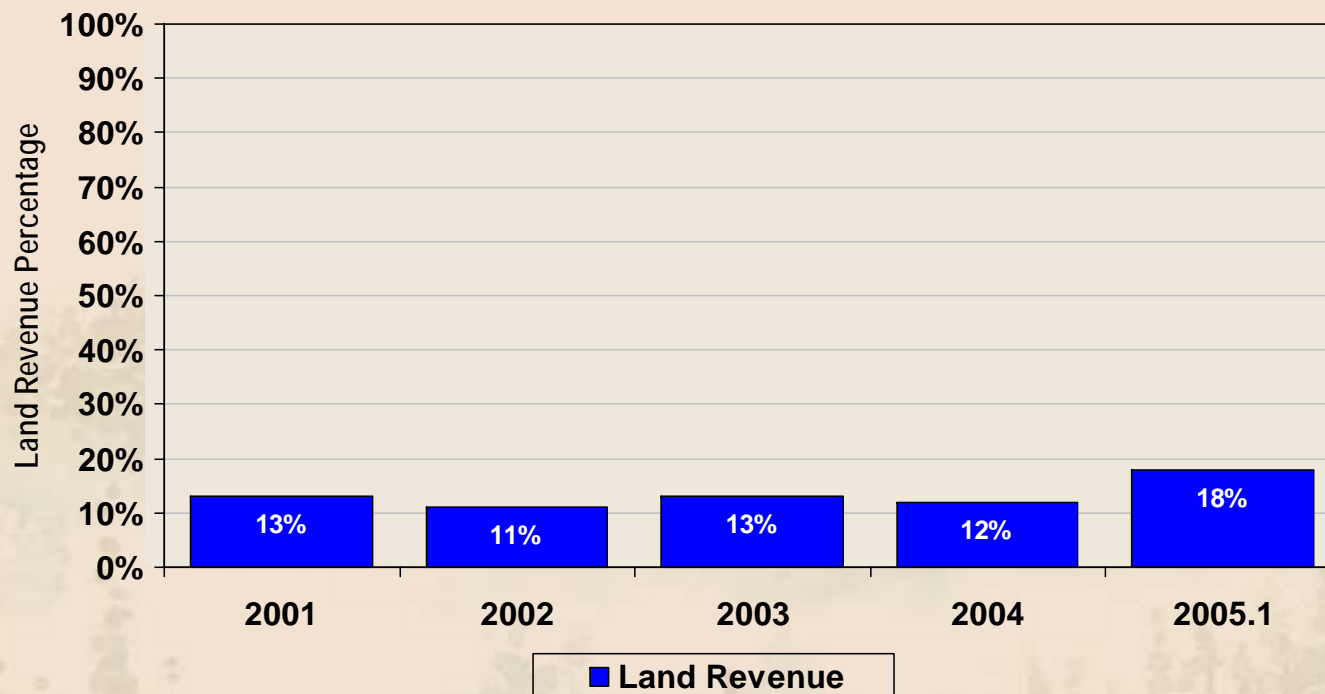
Typical Land-related Roles

- Acquisitions / deal-maker
- Planning and entitlements
- Development operations
- Feasibility analyst

Selling Land is an Integral Part of our Strategy

- In large mixed-use master plan communities, we routinely sell the non-residential properties to other developers
- “Improve our hand in land”

Land Revenue as a Percent of Total Revenue



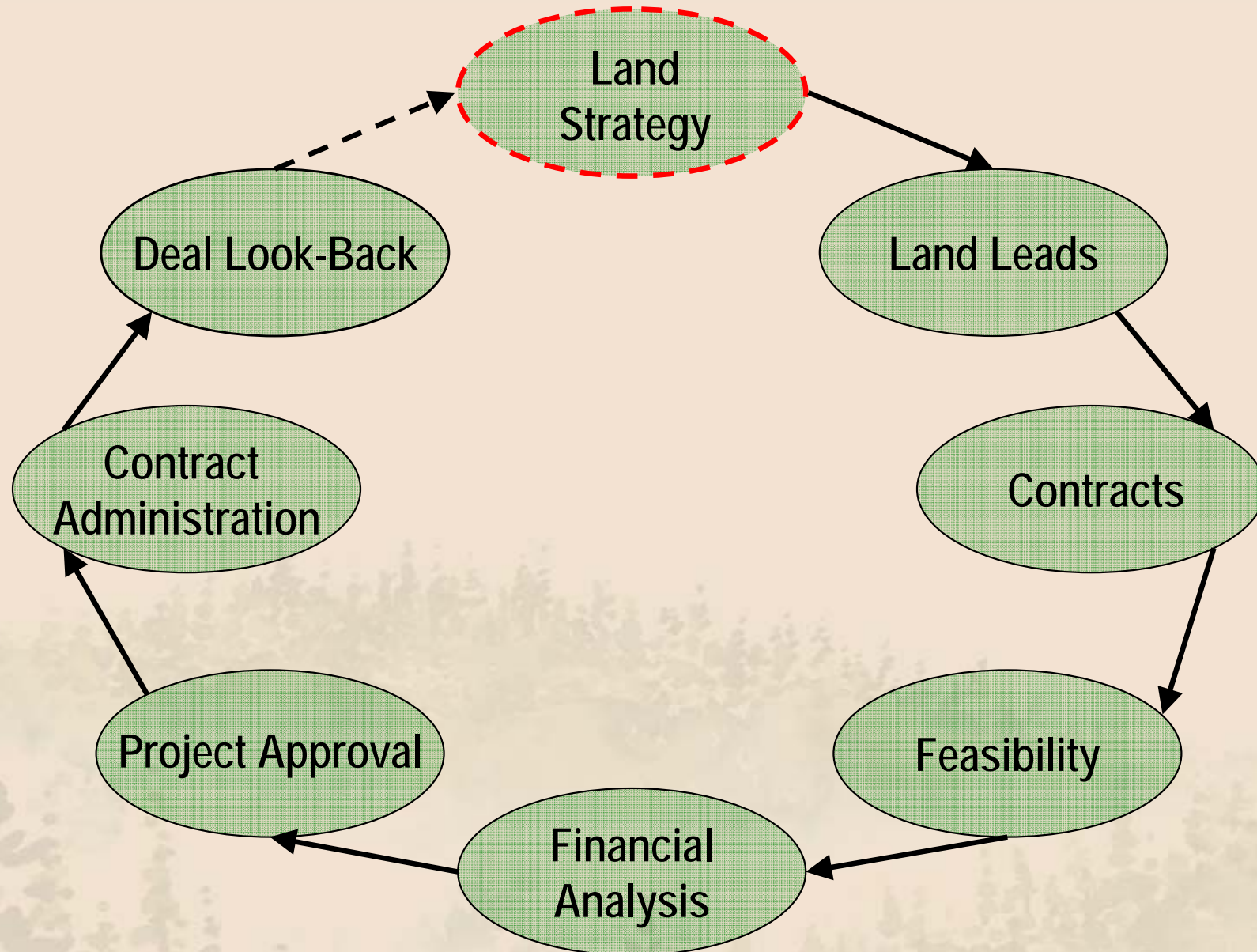
Land Acquisition Key Controls

- Standard underwriting package, including common financial analysis model
- Risk-adjusted minimum hurdle rates
- Annual and 5-year planning process
- All deals require approval of WRECO's President and CEO

Land Regulation

- Growth Management
- Comprehensive Plan
- Permitting

Land Acquisition Process Overview

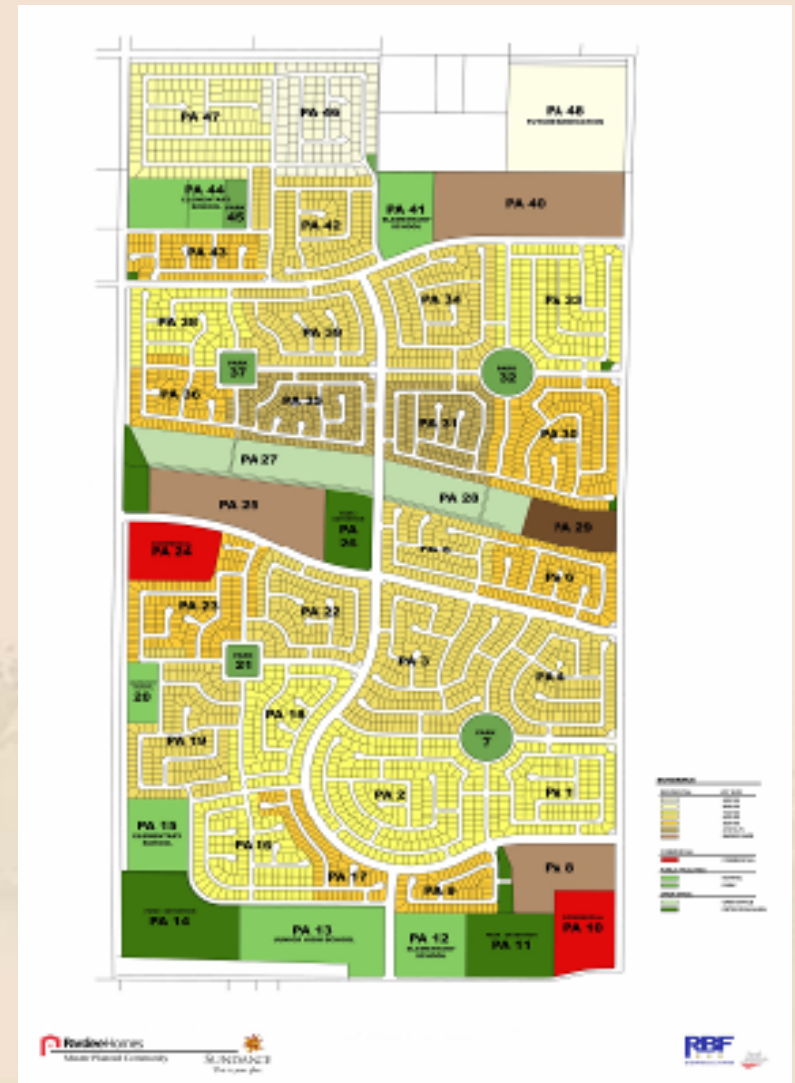
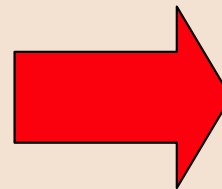


Land Planning Optimization

- Land planning is closely related to the entitlement process and technology has provided tools to quickly analyze alternatives
 - Linear Programming (financial optimization)
 - Computer Simulation (physical optimization)

Land Planning Optimization

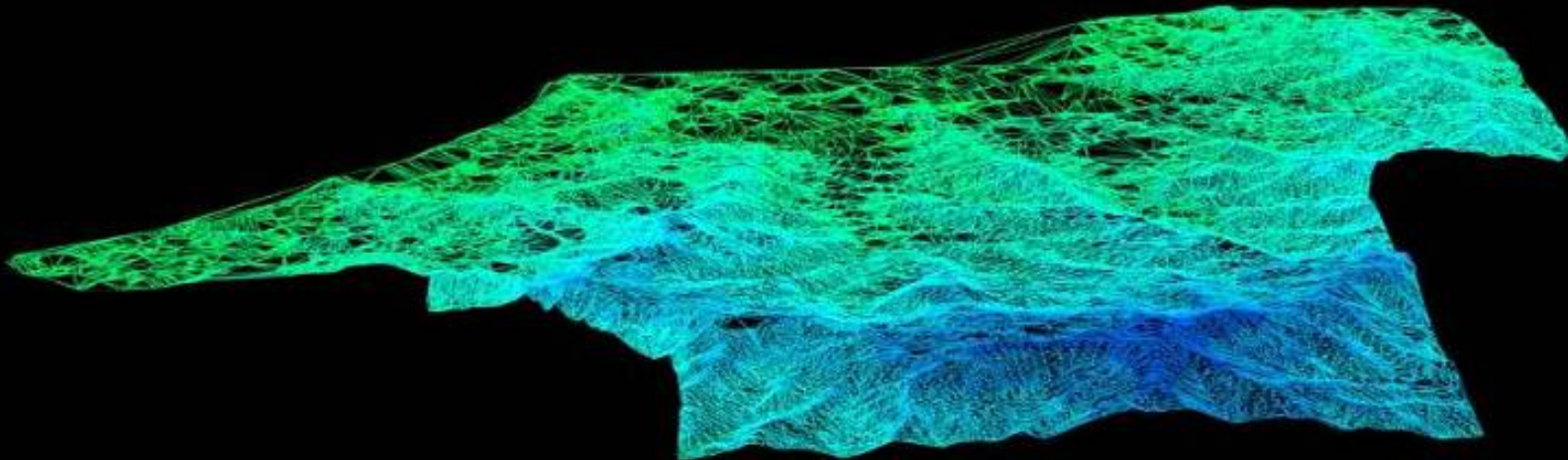
- Linear Programming for Land Use Optimization



Land Planning Optimization

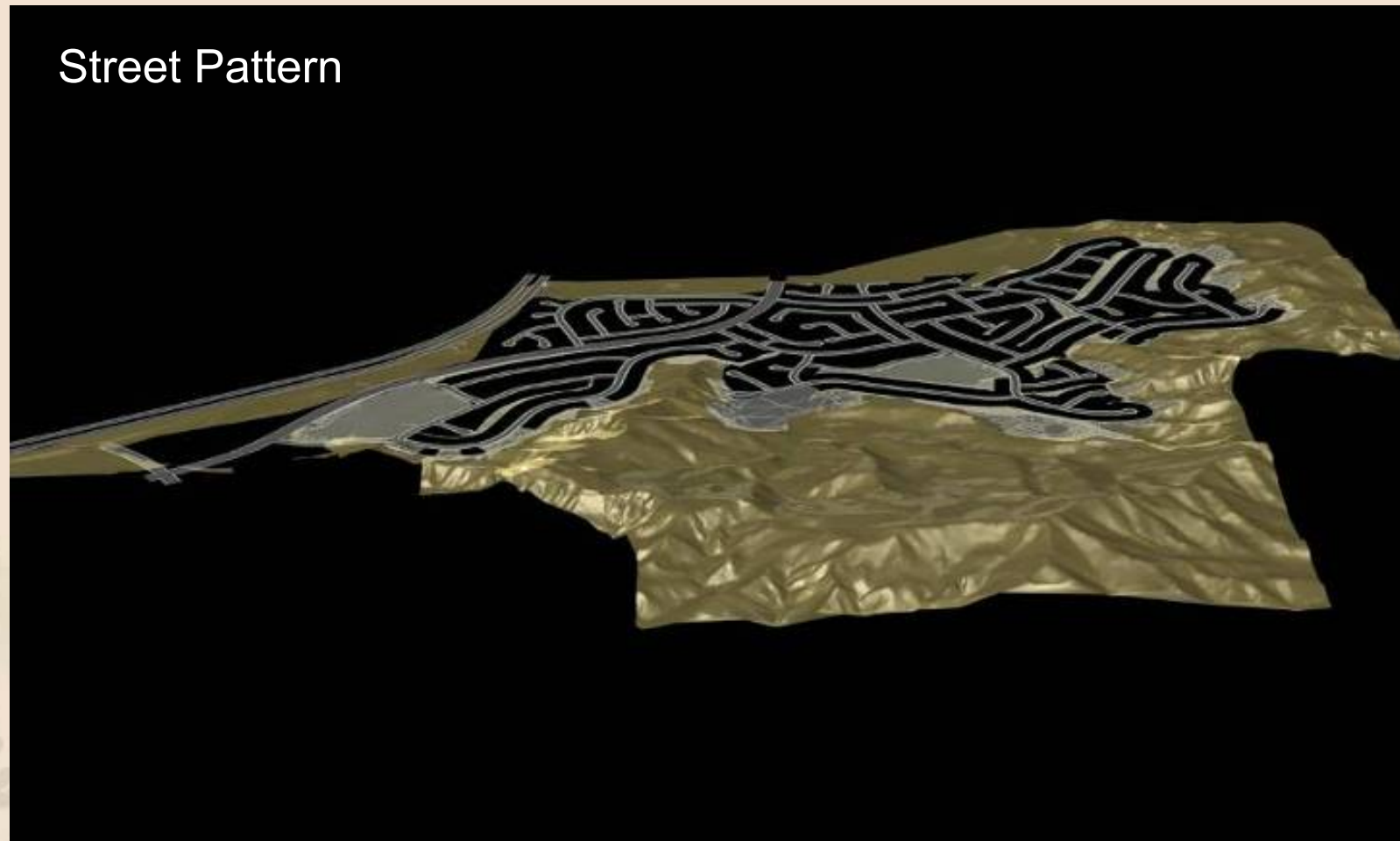
- Computer Simulation

Digitized Topography



Land Planning Optimization

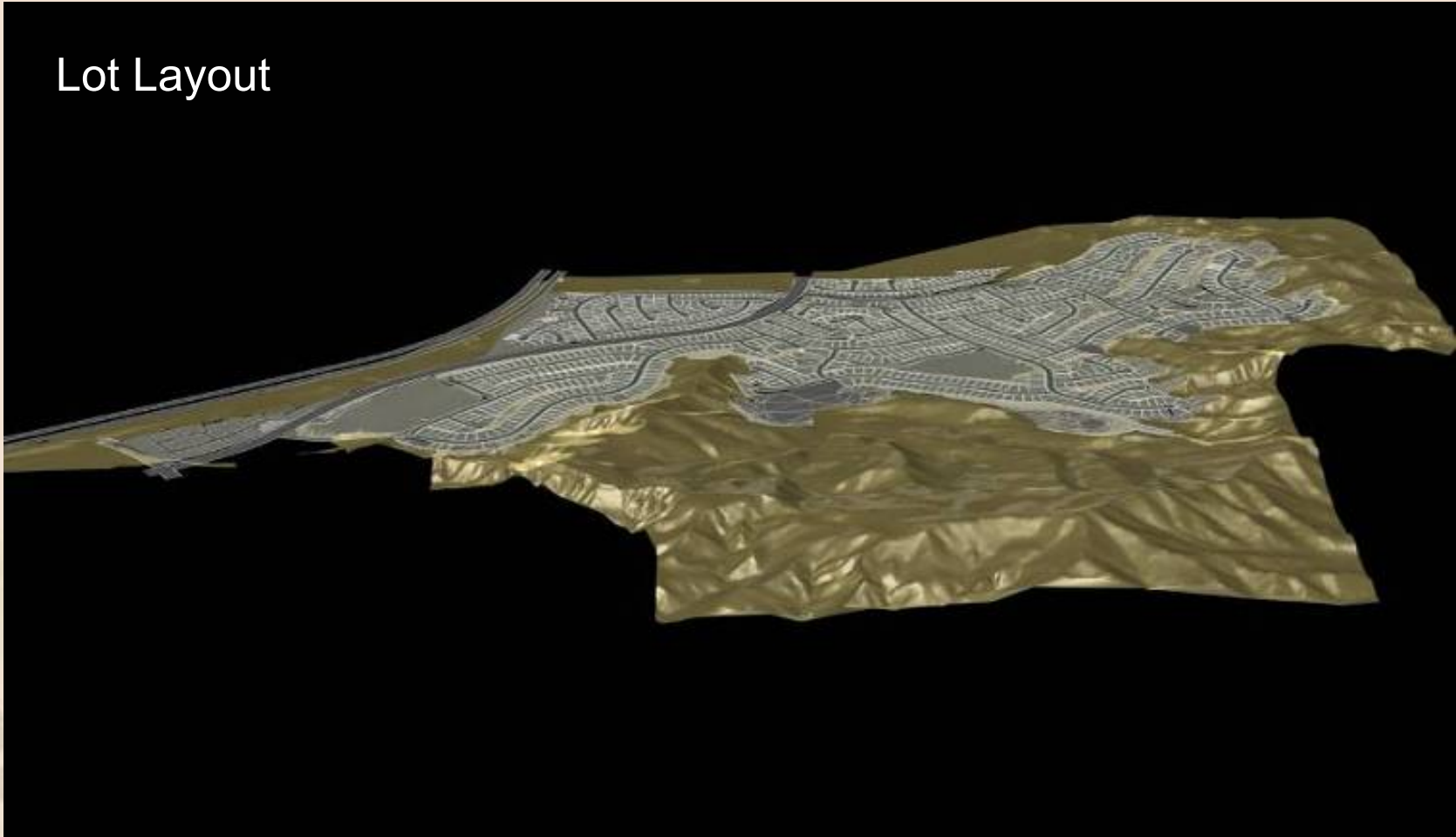
- Computer Simulation



Land Planning Optimization

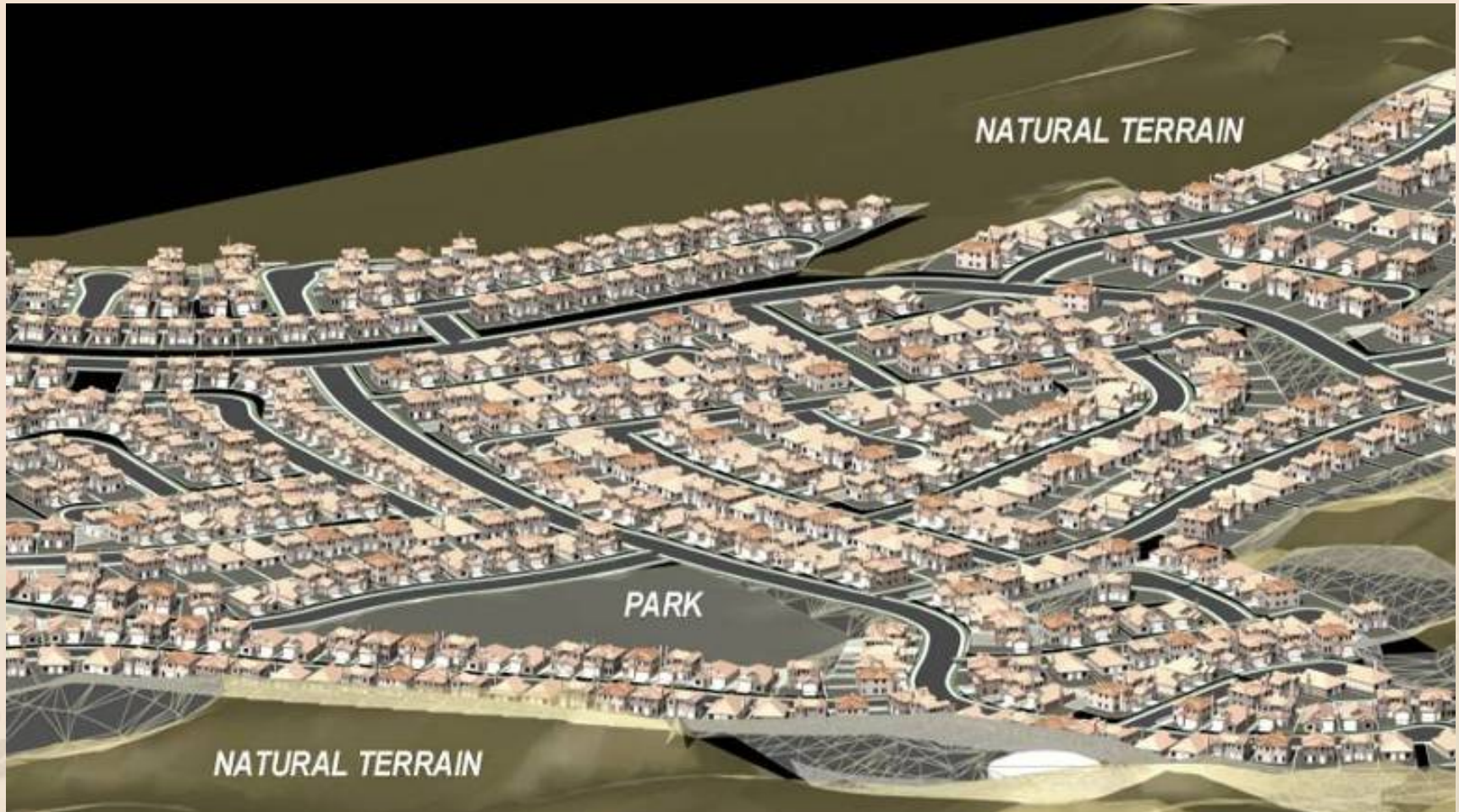
- Computer Simulation

Lot Layout

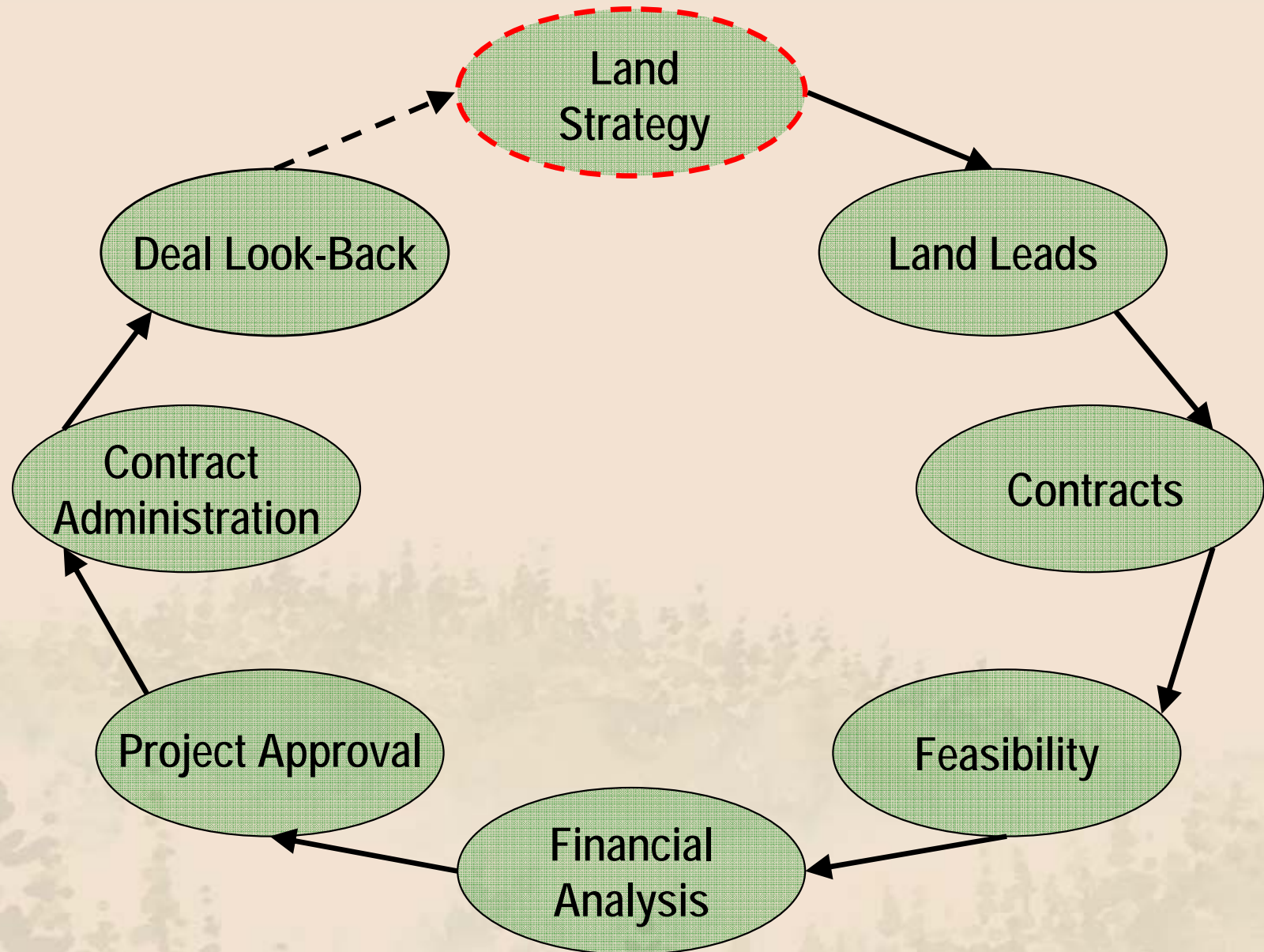


Land Planning Optimization

- Computer Simulation



Land Acquisition Process Overview



Agenda

10:10 a.m.	Construction Practices and Trends	Mark Gray Carlos Guilherme
11:10 a.m.	South Village Case Study	Alan Shapiro John Monacci
11:30 a.m.	Meeting Adjourns	Dan Fulton
Noon	Depart for South Village Tour	
3:30 p.m.	Return to airport	

WRECO and Weyerhaeuser Wood Products

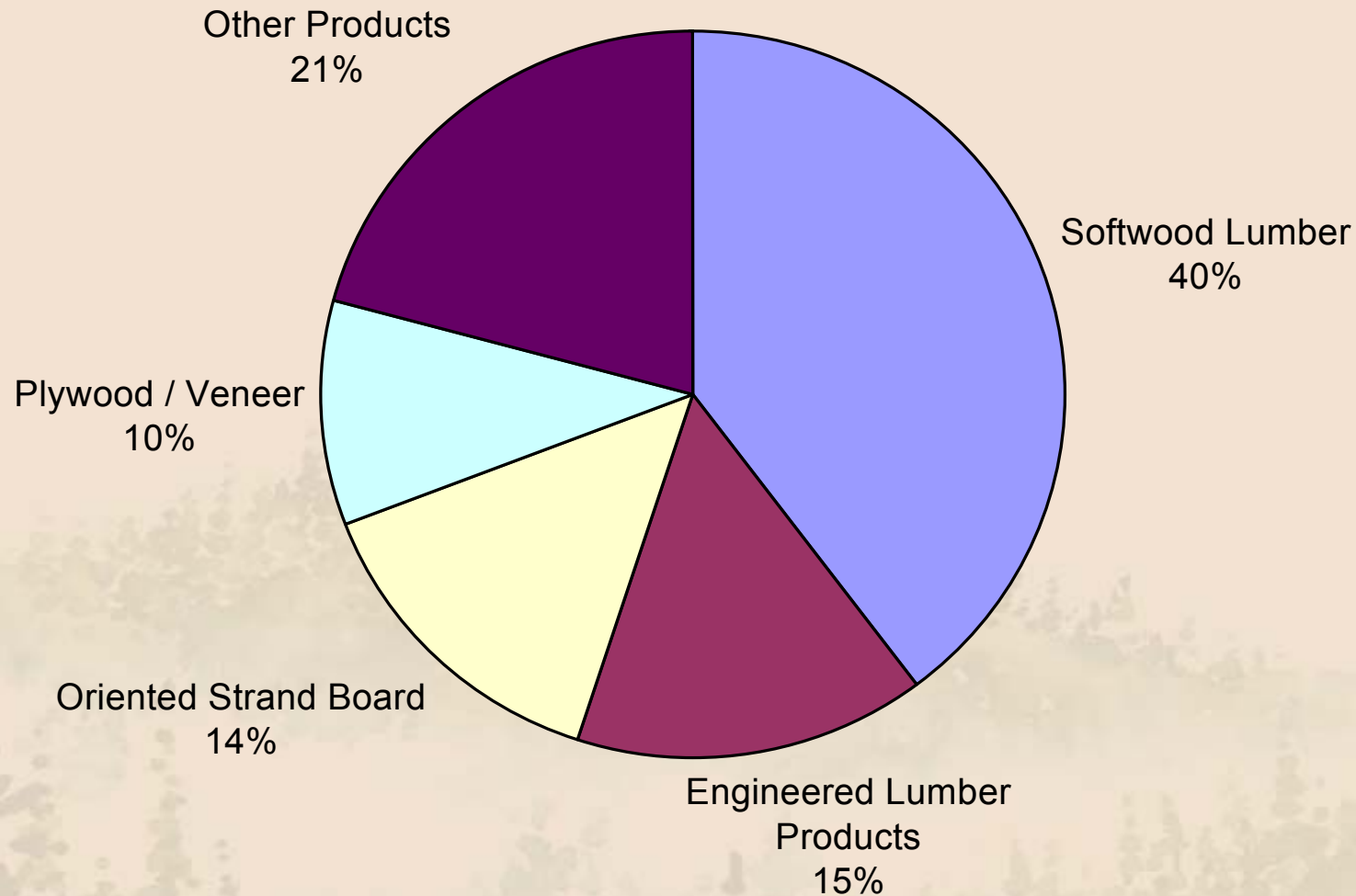


Presentation Outline

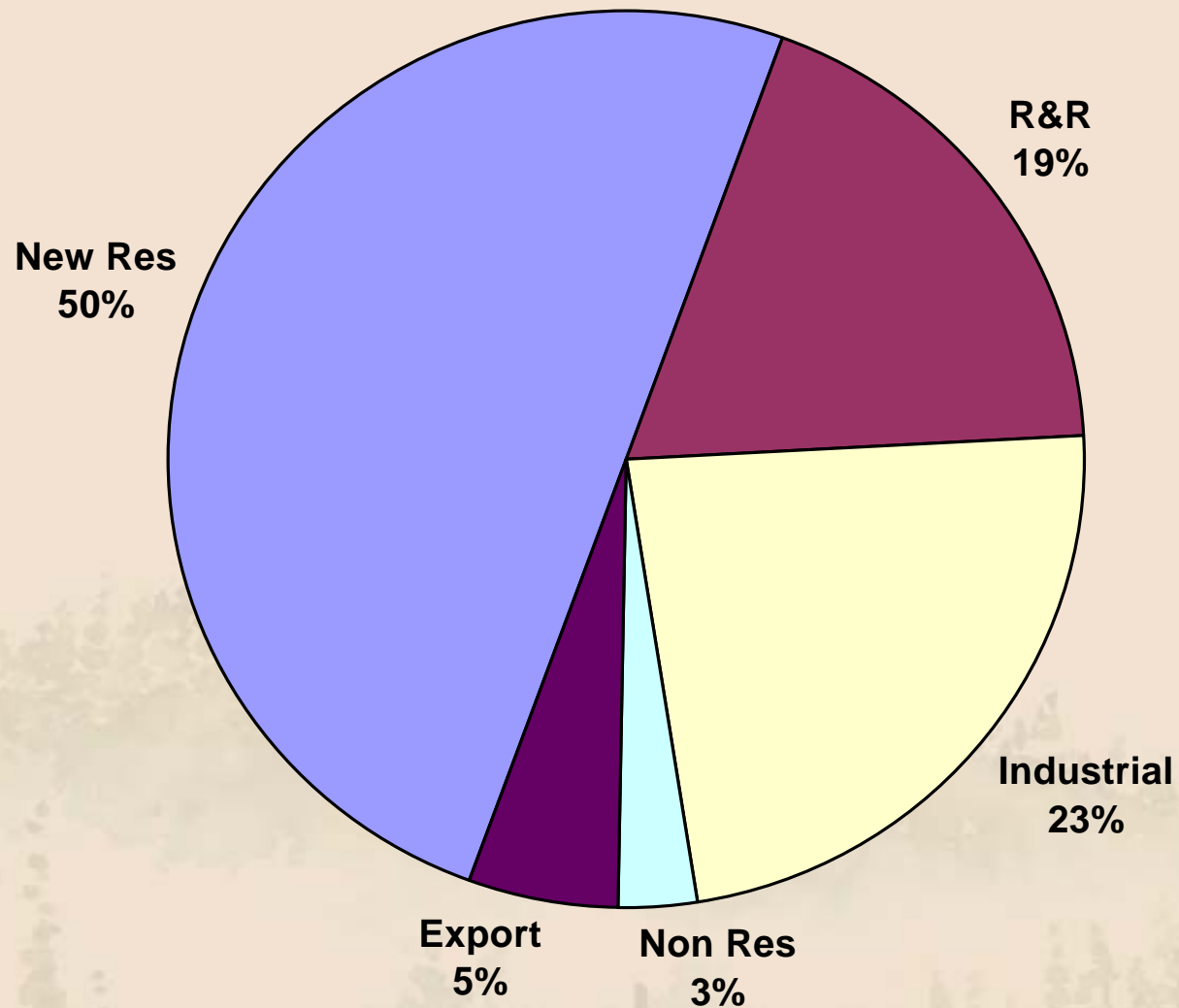
- Overview of building practices
- Major trends in home construction
- WRECO / WY responses to these trends

Leading Producer of Residential Building Materials

2004 Total Third Party Sales \$9.8 Billion



Focused on the New Residential Market



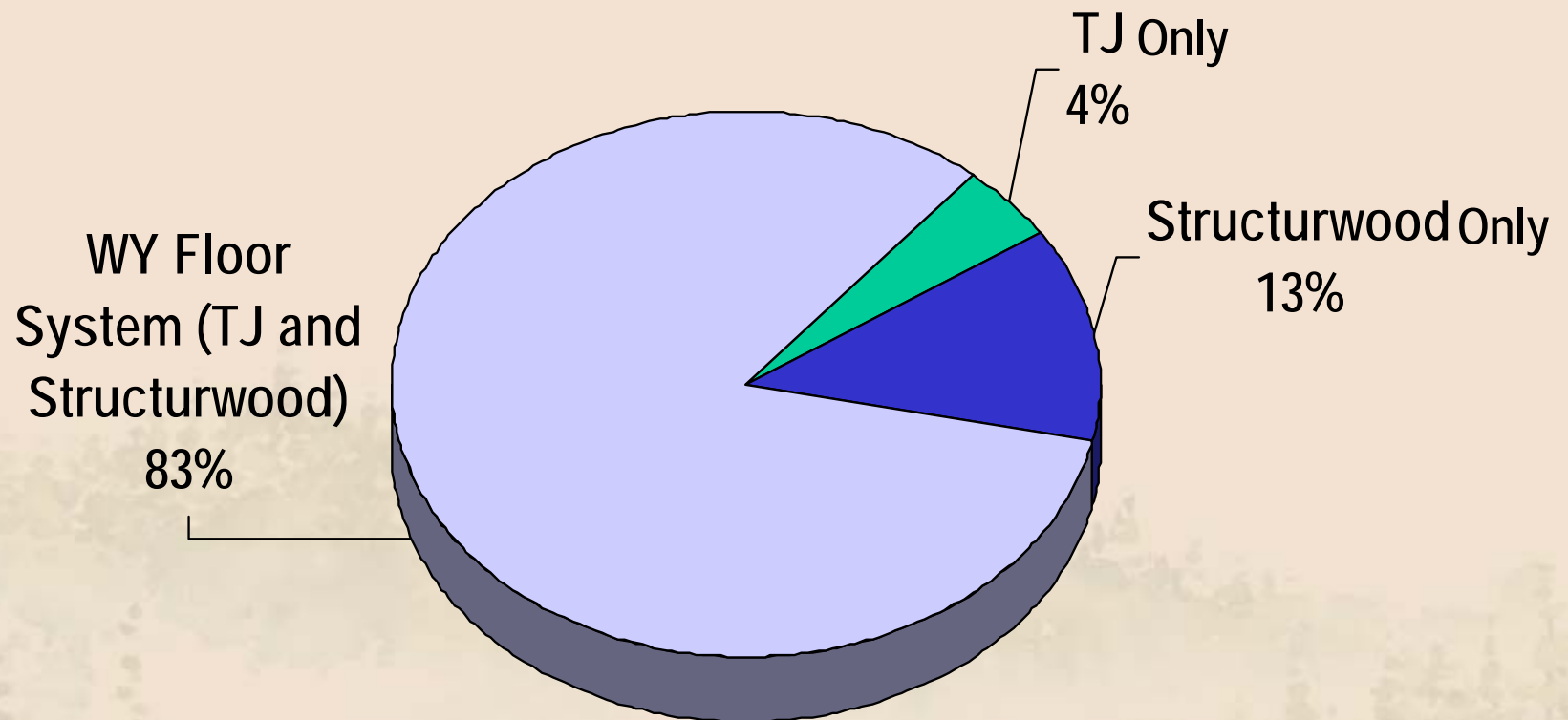
Value of WRECO / Wood Products Relationship

- Collaborate to gain superior information
 - Trends in home construction
 - Better understanding of product usage requirement
 - Sources for product innovation
- Jointly develop and trial innovations — products and building methods
- Joint marketing opportunities (Sales centers, Extreme, etc.)

Use of Weyerhaeuser Products

100% of WRECO's wood floor systems use Weyerhaeuser products

% of 2004 Closings

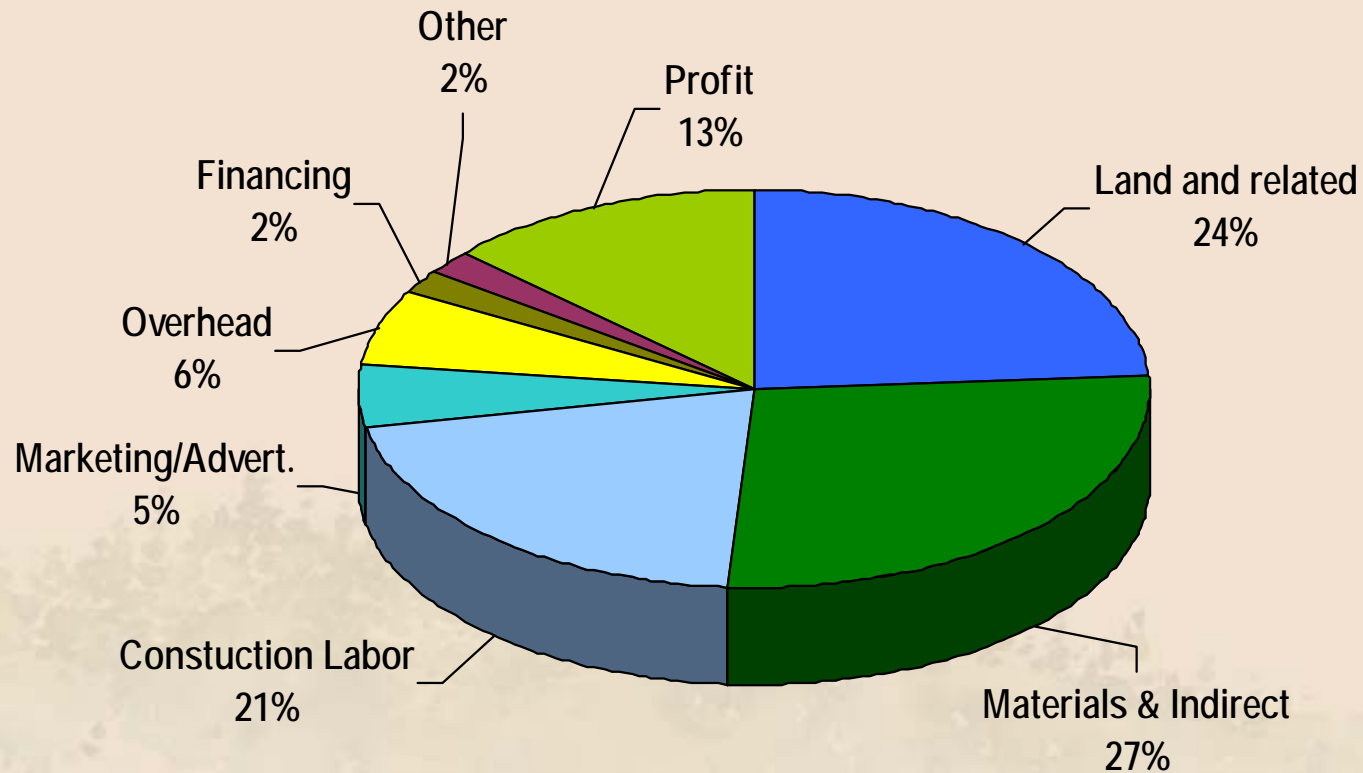


Presentation Outline

- Overview of building practices
- Major trends in home construction
- WRECO / Weyerhaeuser responses to these trends

Cost Breakdown of Large Builders*

% of Home Sale Price



* Average of 6th through 25th builder
Source: Professional Builder Magazine, May 2005

Basements / Crawl Spaces / Slab On-grade



Wall Panelization and Traditional Site Frame



Trendmaker



Winchester



Pardee



Quadrant

Exterior Sheathing and Roofing



Trendmaker



Winchester



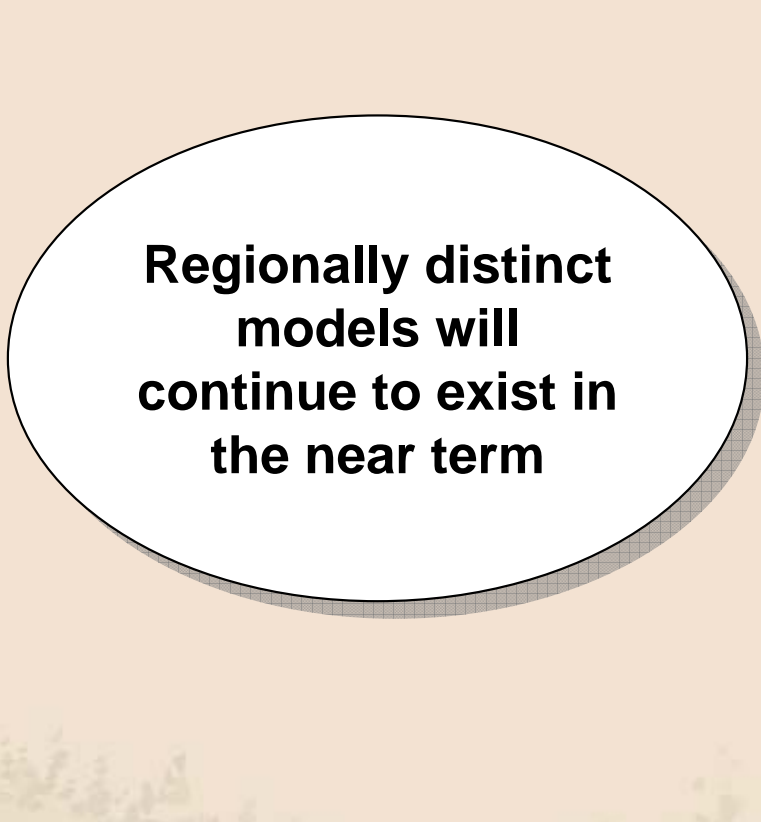
Pardee



Quadrant

Regional Differences Will Persist

- Building practices / code requirements
- Builder concentration
- Propensity to prefabrication
- Labor availability
- Relative structure supply chain participants

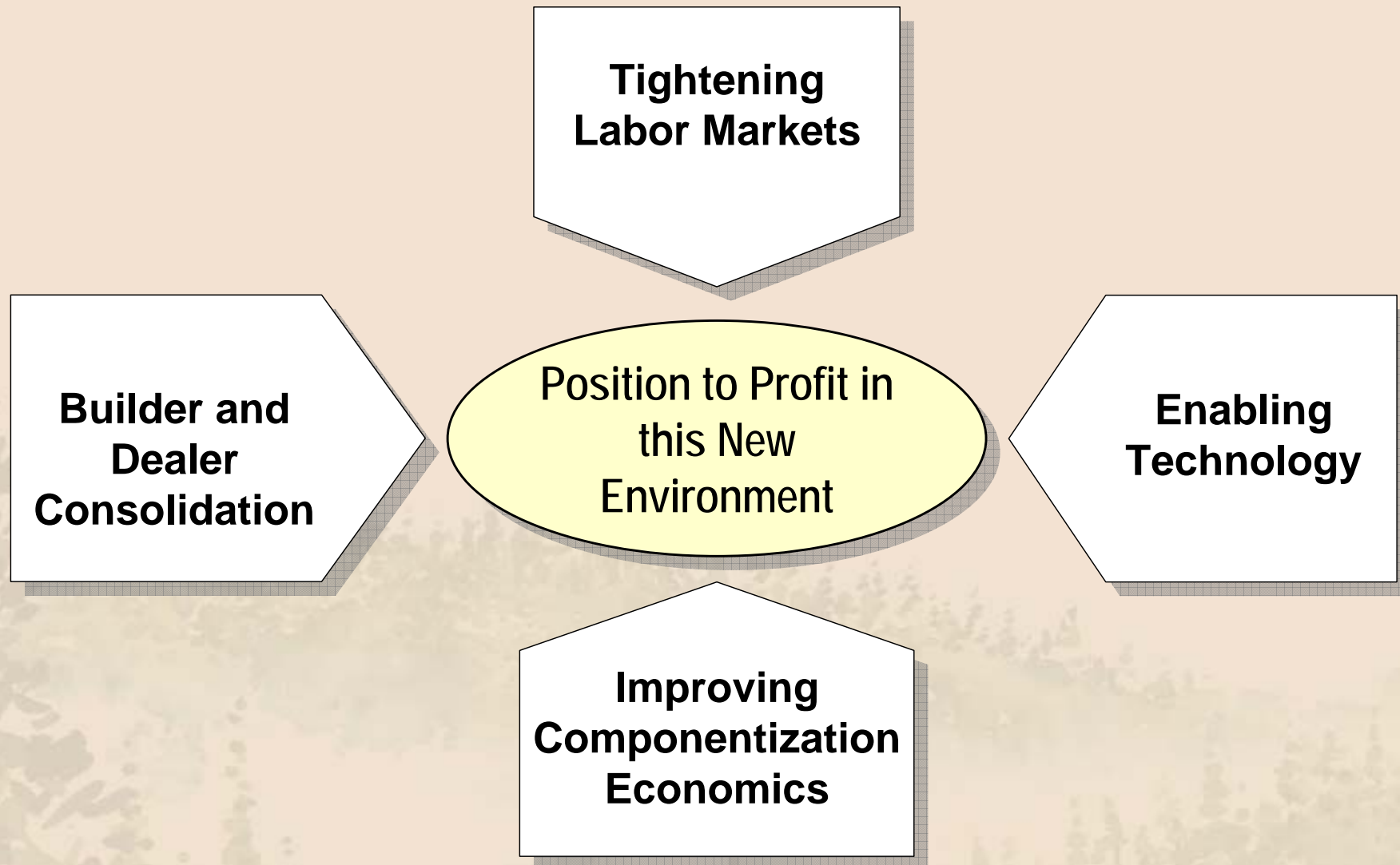


Regionally distinct models will continue to exist in the near term

Presentation Outline

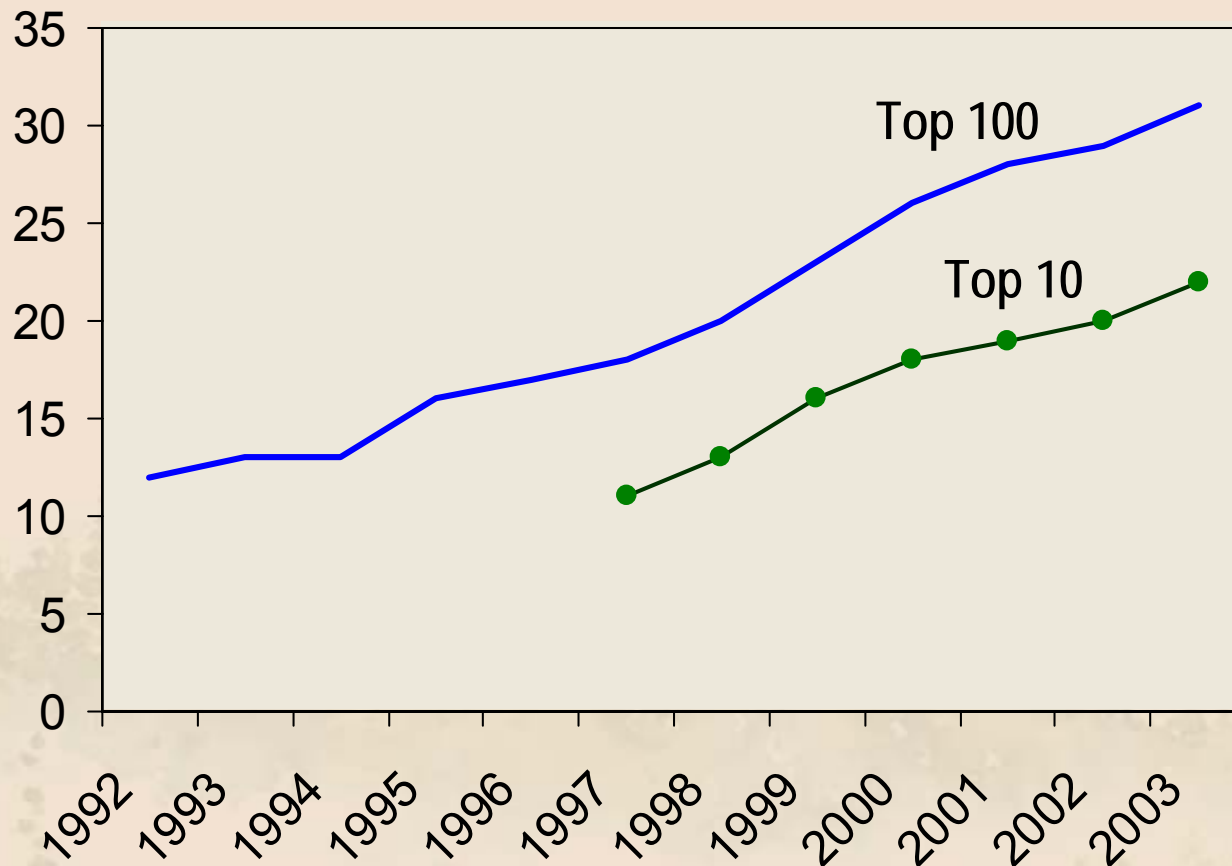
- Overview of building practices
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Trends in Homebuilding Industry



Builders Continue to Consolidate

Production Builder Market Share % of total closings



Source: Builder Magazine

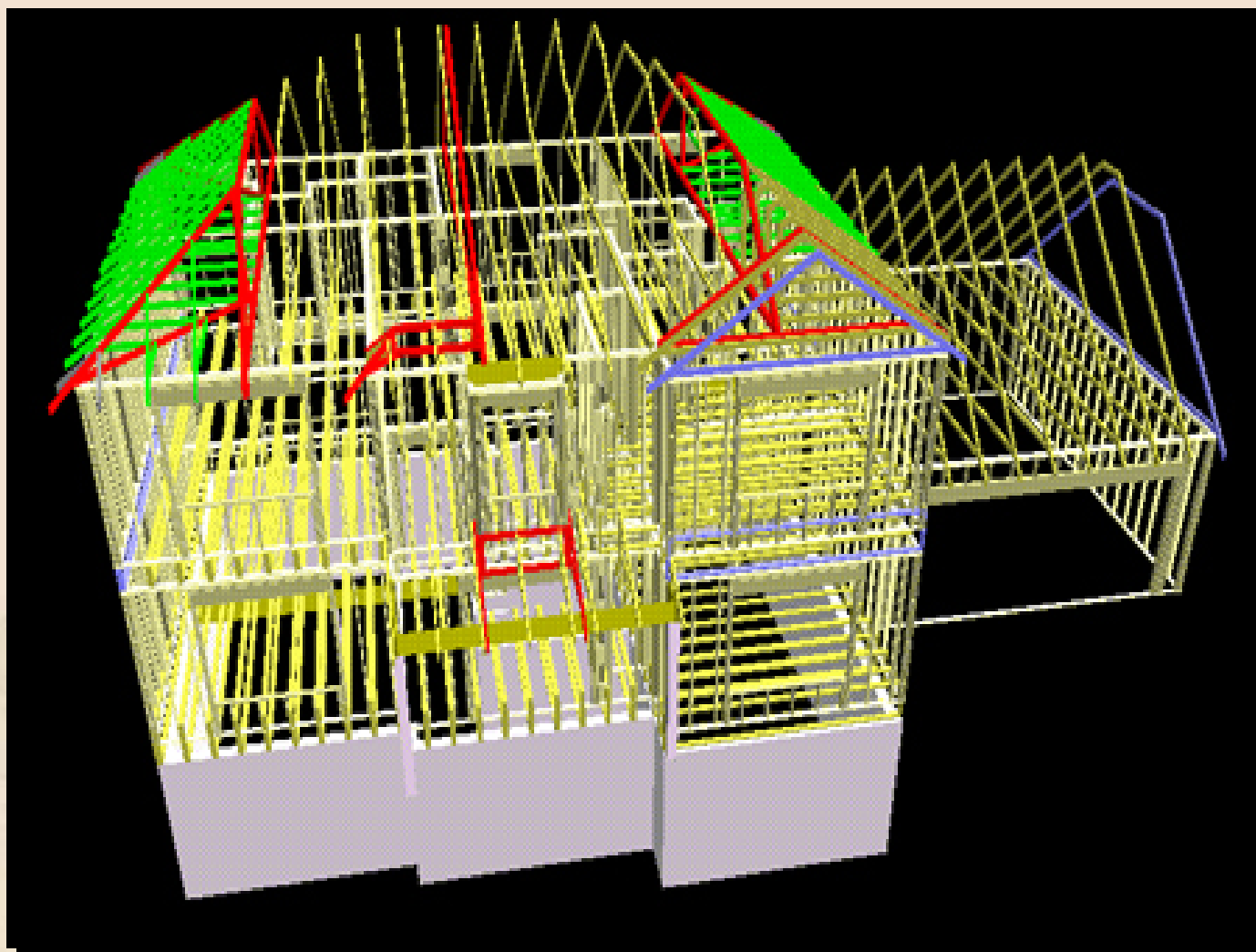
Greater Use of Components



Other Componentized Practices



Enabled by Technology



Industry Trends

- More components to reduce cost, cycle time and improving quality
- Improved coordination across the supply channel
- Production builders will lead this change
- Basis of competition for suppliers will change from products to solutions
- Balance common processes with unique regional needs

Presentation Outline

- Overview of building practices
- Major trends in home construction
- WRECO / Weyerhaeuser responses to these trends

Positioning Initiatives

- Clear focus on the residential market
- Developing new value proposition
 - Innovating on products
 - Enabling software
 - Market presence
- Investing in world class technology
- Operating excellence throughout the delivery chain
- Bringing the full value of WY integration
 - Homebuilding/Manufacturing
 - Systems creation
 - Manufacturing/Timberlands

*What questions
do you have?*

Agenda

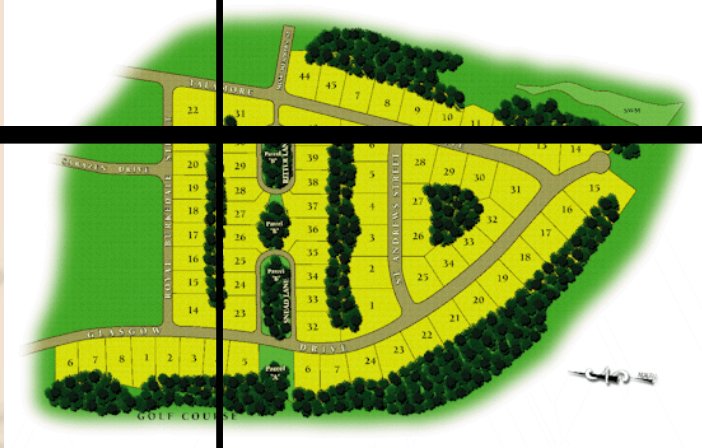
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South Riding, Loudoun County Virginia



Winchester Homes: How We Arrived Here — South Riding Story

Winchester Purchased
102 “Premium” Lots from
South Riding Developer
Trafalger House



1996-1998

Identified Adjacent Parcels
(428 Lots) to Continue
Successful Program

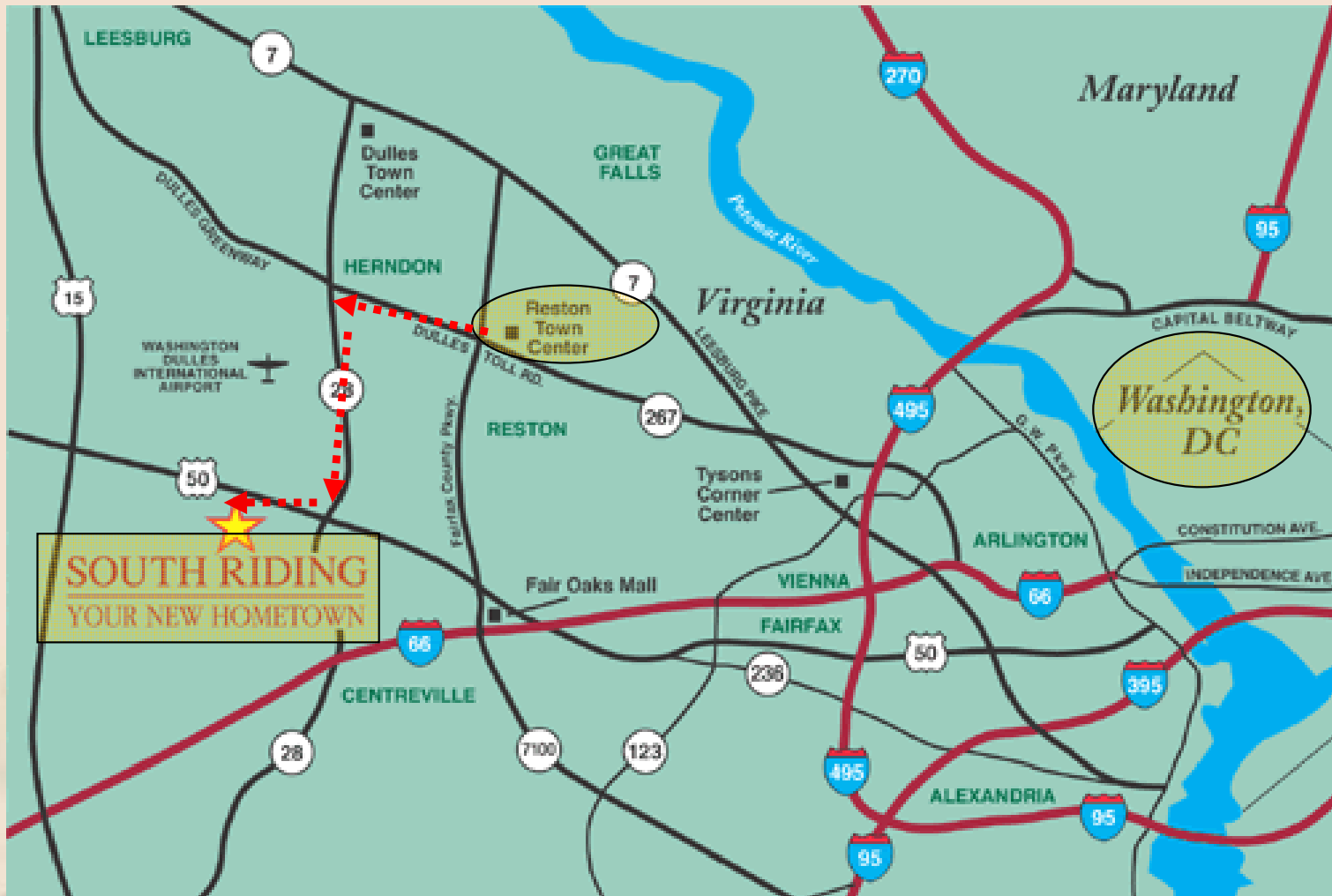


1999

Sales Begin at
South Village

2003-Current

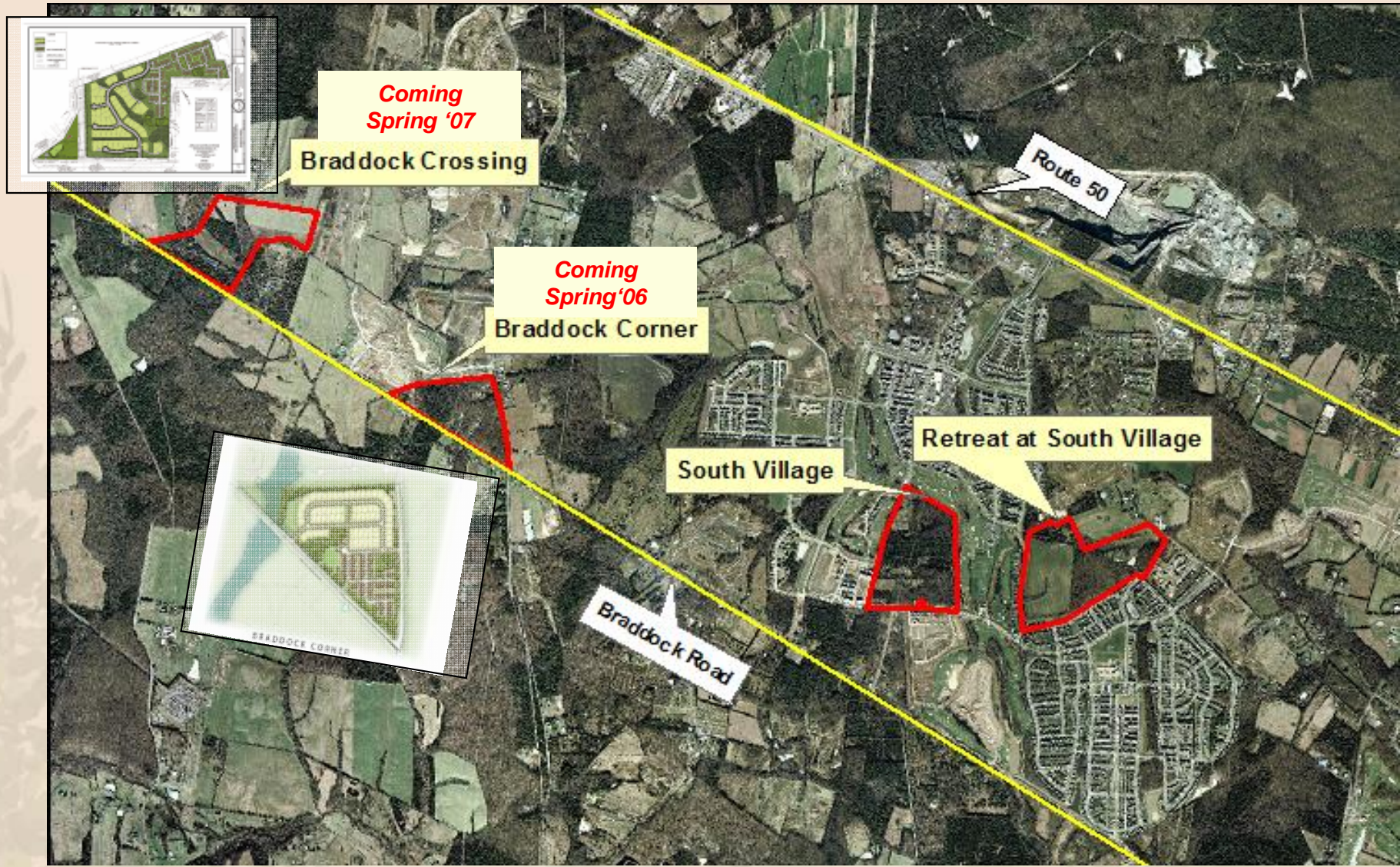
Winchester Homes: Map of South Riding and Vicinity



South Riding: Overview



Winchester Homes: Hub and Spoke Strategy



South Village: Commons and Retreat




WINCHESTER
HOMES

**Retreat At
South
Village**


WINCHESTER
HOMES

**South
Village
Commons**

South Village: Commons Site Plan



South Village: Commons Home Styles

3,000–3,500 s.f. High \$700,000



2,300 s.f. Low \$500,000



3,200–3,500 s.f. Mid \$700,000



2,600 s.f.
Low \$500,000



South Village: Retreat Site Plan



South Village: Retreat Home Styles



2,900-4,500 s.f. Low \$800,000

3,000-3,500 s.f. High \$700,000



South Village: Our Successes

- 268 Sales since community start (2003)
- 43% Average increase in price — Townhomes
- 40% Average increase in price — Single Family
- 96% Willingness To refer*
- 74% Highly enthusiastic customer rating*
- 42% Homeowner referral rating*

* Source: Woodland/O'Brien & Associates

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Thank You

- Check out of room (if not already done)
- Take luggage to curbside
- Pick up box lunch on designated table
- Board bus no later than Noon

Enjoy your day, travel safely!