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DJIA **24224.06** 0.44% ▲S&P 500 **2714.45** 0.55% ▲Nasdaq **7498.23** 0.71% ▲U.S. 10 Yr -6/32 Yield **2.849%** ▼Crude Oil **73.29** 0.73% ▲

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<https://www.wsj.com/articles/home-builder-lennar-sees-solid-fundamentals-lifting-operations-housing-market-1530026033>

U.S.

Lennar Sees 'Solid Fundamentals' Lifting Operations, Housing Market

Company says concerns about rising interest rates and construction costs have been offset by low unemployment and increasing wages



Shares of Lennar were up in midafternoon trading. PHOTO: TRAVIS DOVE/BLOOMBERG NEWS

By Allison Prang and Bowdeya Tweh

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Lennar Corp. said strong demand for new homes and higher selling prices drove earnings growth in the most recent quarter, as the nation's largest home builder reported it has so far shaken off concerns about rising interest rates and construction costs.

Lennar executives worked to assure analysts on its earnings call Tuesday that it wasn't seeing declining demand in the market, noting that customers are still able to afford homes and that the U.S. economy and job growth have been good.

"While there's a lot of focus in the press on rates going up...wage growth is real and it's happening out there," Chief Executive Richard Beckwitt told analysts. "Confidence is solid. So we put all those things together and we don't look at the headlines. We operate our business. And the business is strong."

Shares of Lennar rose 5% by midafternoon Tuesday after the company reported its latest quarterly results were helped by what Executive Chairman Stuart Miller called "solid fundamentals" in the housing market. The report also helped lift shares in fellow home builders D.R. Horton Inc., PulteGroup Inc. and NVR Inc.

Lennar's results also come after federal data released Monday showed an increase in sales of new homes for the month of May. The Commerce Department said purchases of newly built single-family homes rose 6.7% from a month earlier, or 14.1% from a year ago. Sales of existing homes, however, declined last month.

Lennar reported its backlog nearly doubled from a year ago to 19,622, reflecting the more-than 6,000 homes acquired as part of its purchase of CalAtlantic, which closed in February. Not including the backlog added from CalAtlantic, Lennar's backlog rose 27% to 12,971.

The average sales price for new orders rose 11% to \$418,000 in the three-month period ended May 31.

“Concerns about rising interest rates and construction costs have been offset by low unemployment and increasing wages, combined with short supply based on years of underproduction of new homes,” Lennar’s Mr. Miller said in prepared remarks.

Lennar’s second-quarter profit rose 45% to \$310.3 million, or 94 cents a share. Excluding costs related to the acquisition and other items, the company made \$1.58 a share, beating estimates of 45 cents a share from analysts polled by Thomson Reuters.

Home-building revenue rose 75% to \$5.06 billion, driven by the CalAtlantic purchase. Overall revenue rose 67% to \$5.46 billion.

Lennar made a play for home builder CalAtlantic to help increase its scale and control costs for items such as land and materials.

But despite a U.S. economy that has been in expansion since mid-2009 and had low levels of unemployment, the National Association of Home Builders forecast home-building activity this year would be below the estimated number of homes needed to keep up with the rate of population growth.

The inventory of homes for sale at the end of March fell 7.2% from a year earlier to 1.67 million, according to the National Association of Realtors. However that metric was higher than the record low of 1.48 million in the fourth quarter.

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