



BAG | BUILDER
ADVISOR
GROUP

AVILA $\frac{R}{E}$ CAPITAL

**WHAT THE HOMEBUILDING
MARKET IS TELLING US IN 2026**

**HOUSING
ECONOMIC
SUMMIT**

BUILDER ADVISOR GROUP

The Builder Advisor Group team has served as the dedicated advisor to many of the nation's largest builders. Developed over several decades, we have a robust pipeline of potential buyers and sellers across the industry

ABOUT BUILDER ADVISOR GROUP

- Since inception, advised on 100+ M&A transactions and raised more than \$20 billion for builders and developers
- Advised on 27 M&A transactions and more than \$2 billion of capital since the beginning of 2021
- Advised on transactions involving 40 of the top 50 U.S. homebuilders

OUR SERVICES



Mergers & Acquisitions



Capital Raising



Debt Restructuring



Business Planning & Other Advisory Services



Tony Avila
Chief Executive Officer



Zach Legge
President



Ron Yelland
Vice President



Sam Sutter
Vice President



Mitchel Legge
Analyst



Liam Riley
Analyst

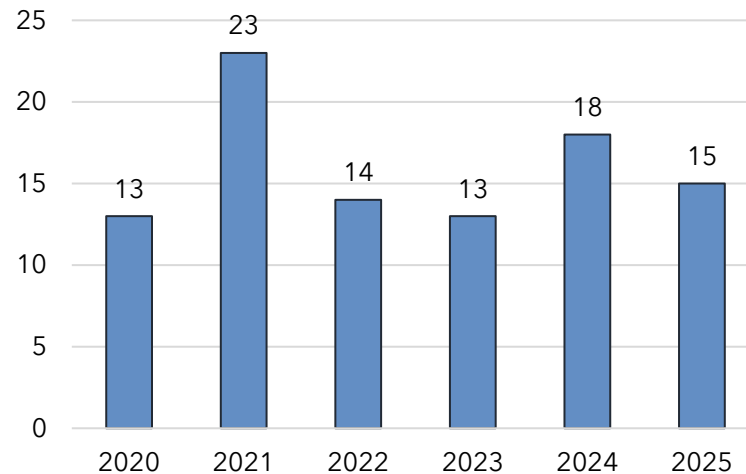
HOMEBUILDER M&A ACTIVITY

Continued M&A Activity

- Builder Advisor Group has completed 27 builder M&A assignments since 2021 and has a strong pipeline of deals for 2026
- Well capitalized public and private builders continue to have a strong interest in M&A as organic growth remains challenging
- Deleveraged balance sheets position builders to remain opportunistic and expand strategically despite ongoing market uncertainty

Total Builder M&A Transactions

By Year



May 2025



**SCOTT FELDER
HOMES**

Acquired



**OLIVIA
CLARKE
HOMES**



Acting as sell-side advisor

May 2025



**KEYSTONE
CUSTOM HOMES**

Acquired



**SOUTHERN
HOME OF THE
HOMES**



Acting as buy-side advisor


February 2025



LENNAR

Acquired

Land/Lots from
Mid-Atlantic
Private Builder



Acting as sell-side advisor

February 2025



EMPIRE

Acquired



SouthCraft Builders



Acting as sell-side advisor

January 2025



**Drees
HOMES.**

Acquired



**MONTICELLO
HOMES**



Acting as sell-side advisor

AVILA REAL ESTATE CAPITAL

AVILA RE CAPITAL

"Lending Built for Builders And Developers"

Closed over
\$1.5B
In **Land Acquisition
& Development**
Loans

Closed over
\$400M
In **Vertical
Construction**
Facilities

- Avila Real Estate Capital ("AREC") is a vertically integrated real estate investment platform with in-house expertise spanning land acquisition, development, construction, and sales
- Closed ~**\$1.5B in land acquisition & development** loans and **\$400M in builder vertical construction** facilities since 2022
- As traditional lenders pull back, AREC delivers speed, flexibility, and certainty of execution to keep projects moving
- Led by a seasoned team of banking and real estate professionals with decades of experience and billions in closed transactions nationwide

FIRM OVERVIEW

MACROECONOMIC UPDATE

STATE OF HOMEBUILDING

An Entrepreneurial Team with Institutional Discipline



John Brimberry
Chief Lending Officer



Nathan Cichon
Director, Homebuilder Finance



Jerry Schillaci
Director, Homebuilder Finance



Drew Szilagyi
Director, Homebuilder Finance



Philip Trujillo
Director, Homebuilder Finance



Mishal Patel
Director, Homebuilder Finance

AVILA REAL ESTATE CAPITAL

FIRM OVERVIEW

MACROECONOMIC UPDATE

STATE OF HOMEBUILDING

PUBLIC BUILDERS INVESTING WITH AREC

Toll Brothers
AMERICA'S LUXURY HOME BUILDER®
(Top 10 U.S. homebuilder)

D·R·HORTON
America's Builder
(Largest homebuilder in U.S.)

LGI
HOMES®
(Top 20 U.S. homebuilder)

CENTURY
COMMUNITIES
(Top 10 U.S. homebuilder)









LENNAR® (2nd largest U.S. homebuilder) | **DREAM FINDERS HOMES** (Top 20 U.S. homebuilder)

SUMITOMO FORESTRY
(2nd Largest U.S. presence of Japanese homebuilders)

BUILDERS IN DUE DILIGENCE:

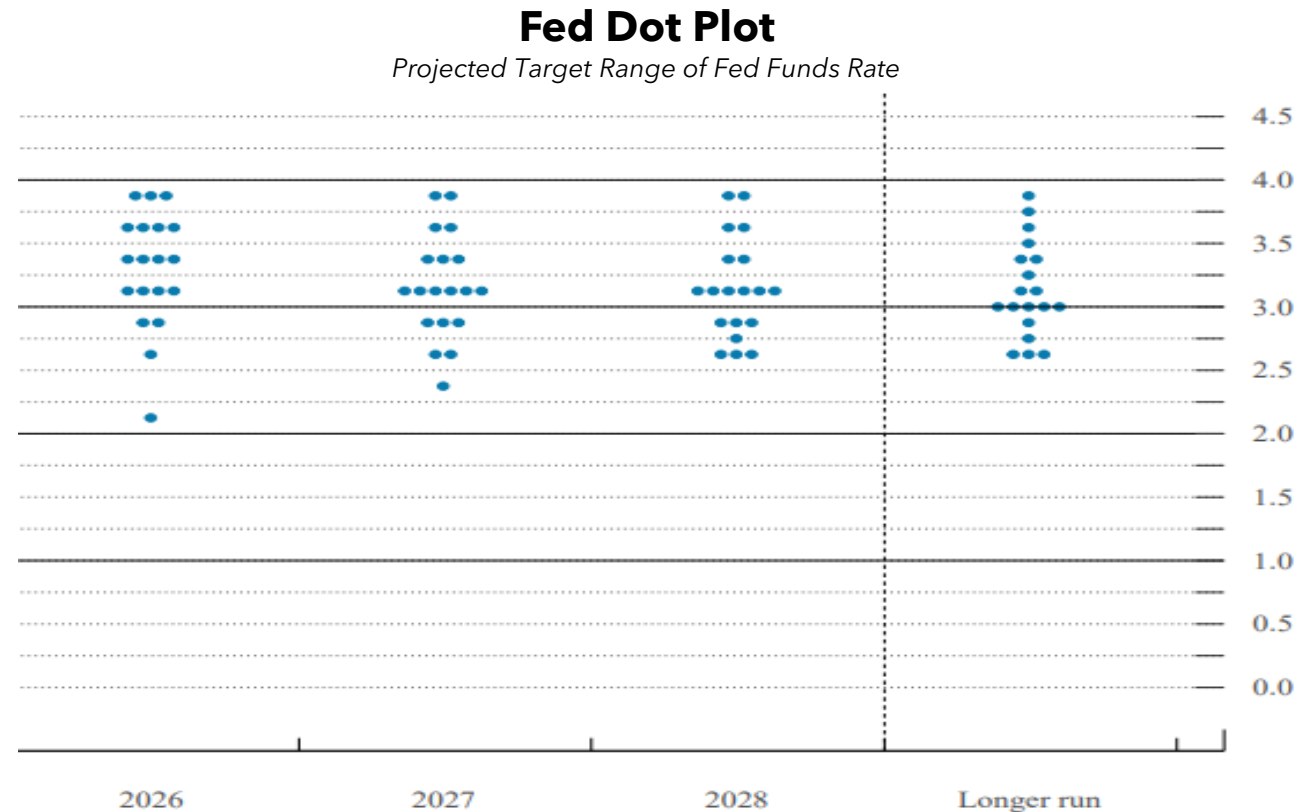
Meritage
Homes
CORPORATION
(Top 5 U.S. homebuilder)

LIMITED PARTNERS INVESTING WITH AREC

ROSS PEROT JR.	Chairman	
JOHN RYAN	Owner	
CANARELLI FAMILY	Family Office (Sold American West to Pulte)	
HAYDEN WATSON	Owner	
DWIGHT SANDLIN	Founder	
WAYNE MORAVITS	Former Owner (Sold to Drees Homes)	
LEE WINGATE	Former Owner (Sold to Lennar)	
FRED BALDA	President	

FED RATE OUTLOOK

- The Fed is signaling gradual relief over time, with policy expectations shifting away from further tightening
- Rate expectations are becoming more anchored and a higher neutral rate going forward, pointing to less volatility and a more predictable planning environment
- While rates may remain higher than prior expansion periods, the expectation is that policy and mortgage rates will ease from today's level and should modestly support housing affordability



SPREADS NORMALIZE & RATES EASE

- Mortgage spreads have tightened meaningfully over the past year, noting that lower mortgage rates today are driven by improving market mechanics
- As of February 2026, the 10-year Treasury Yield is 4.24% while the 30-year mortgage rate is 6.10%, putting the spread at 186 bps

- 30-year fixed mortgages are **~100 bps lower than a year ago**
- Rates have trended steadily lower, improving affordability for homebuyers by reducing monthly payments and potentially reducing the incentive gap homebuilders must fill

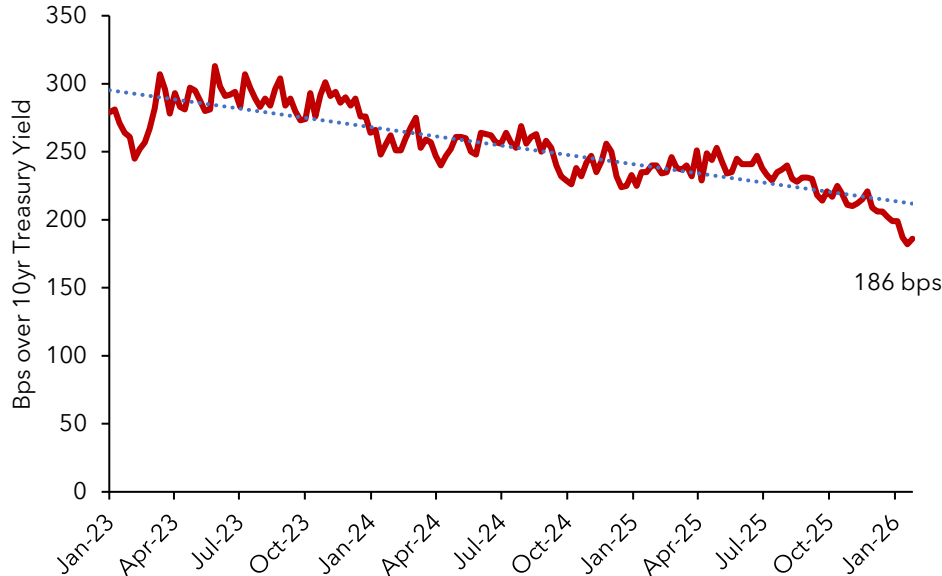
FIRM OVERVIEW

MACROECONOMIC UPDATE

STATE OF HOMEBUILDING

**HOUSING
ECONOMIC
SUMMIT**

Mortgage Rate Spread



30-Year Fixed Rate Mortgage Average in U.S.



BUYER DEMAND

- Builder Advisor Group has sat down with 10 of the top 20 U.S. homebuilders who have indicated that orders are increasing steadily, with many noting that January has been the strongest month in the last six months
- New home sales rose **20% month-over-month** on average in January and **4% year-over-year**
- In January, the average net new home sales per community in the U.S. reached the **highest level it's been in six months**

"[F4Q25] Improved absorption rates, which averaged 2.9 homes per community in the fourth quarter, an increase of 12% year-over-year and 16% sequentially."



Robert Francescon
CEO, President & Director
Century Communities

"The first couple of weeks of January were much better than the first couple of weeks of November and December."



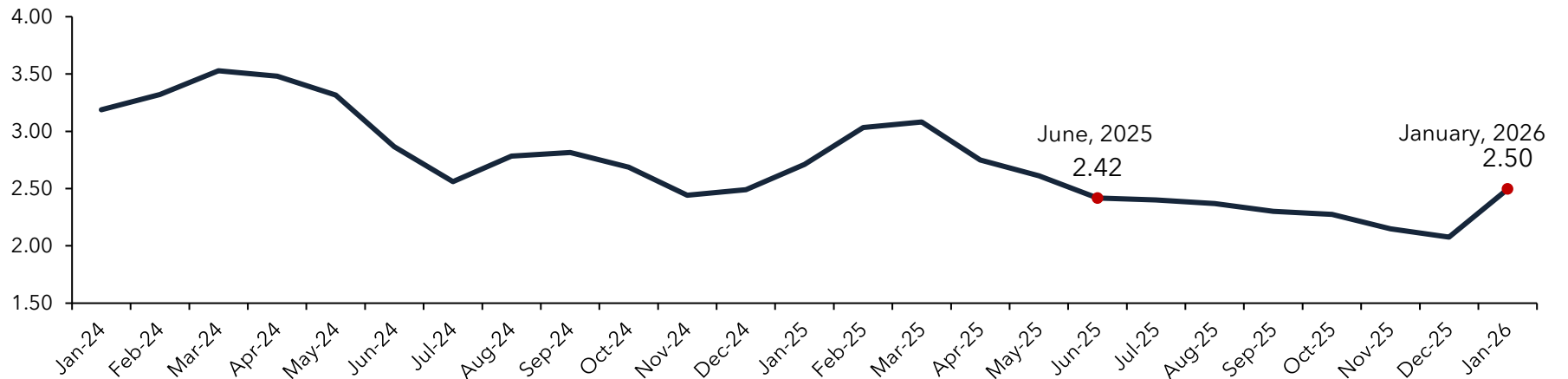
Phillippe Lord
CEO, Executive VP & Director
Meritage Homes

"Since mid-December, we've seen better traffic and buyer engagement. In fact, January sales pace has been in line with the prior year after 8 quarters of year-over-year pace compression."



Allan Merrill
Chairman, President & CEO
Beazer Homes

U.S. Average Net New Home Sales Per Community



Sources: John Burns

MANAGING PRICE & PACE

- Affordability has remained a headwind in 2025, pushing homebuilders to use incentives tactically to sustain sales pace while protecting margins heading into 2026
- Average incentive driven price reductions increased **6% in January**, up from **5% in December**, reflecting targeted affordability support rather than price cuts

"While we focus more on pace versus price for older, higher-cost communities and communities in closeout in the fourth quarter, we plan to take a more balanced approach between pace and price as we enter 2026."



Robert Francescon
CEO, President & Director
Century Communities

"We expect our sales incentives to remain elevated in fiscal 2026, the extent to which will depend on the strength of demand during the spring, changes in mortgage interest rates and market conditions throughout the year."



Paul Romanowski
CEO, President & Director
D.R. Horton

"We knew that incentives were going to be elevated in Q4 and intentionally chose to not chase additional sales and operate at a slightly slower volume. As we look into Q1, I think there's still some noise in the system."



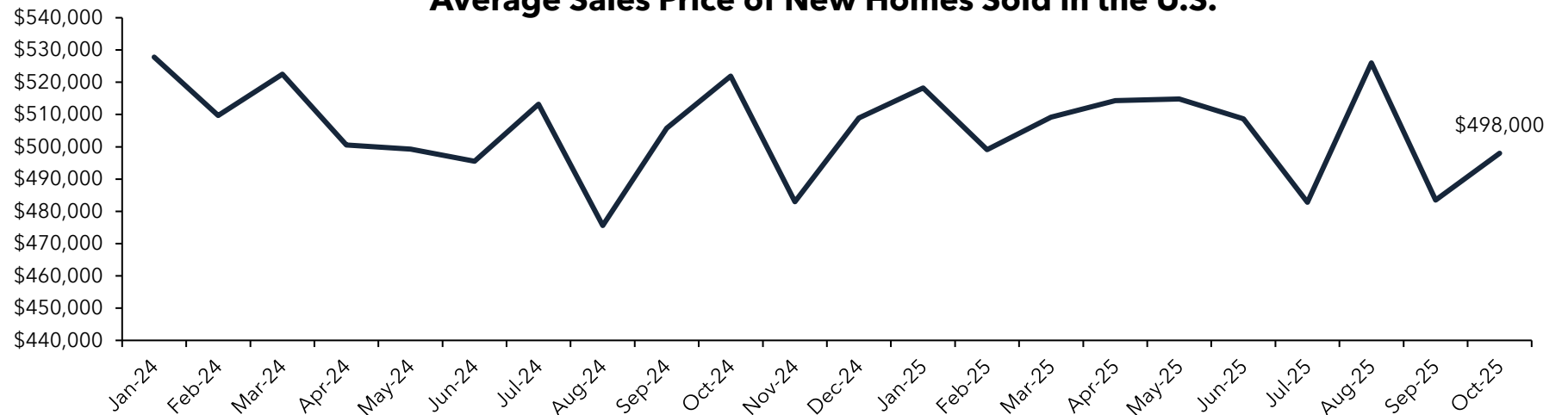
Phillippe Lord
CEO, Executive VP & Director
Meritage Homes

FIRM OVERVIEW

MACROECONOMIC UPDATE

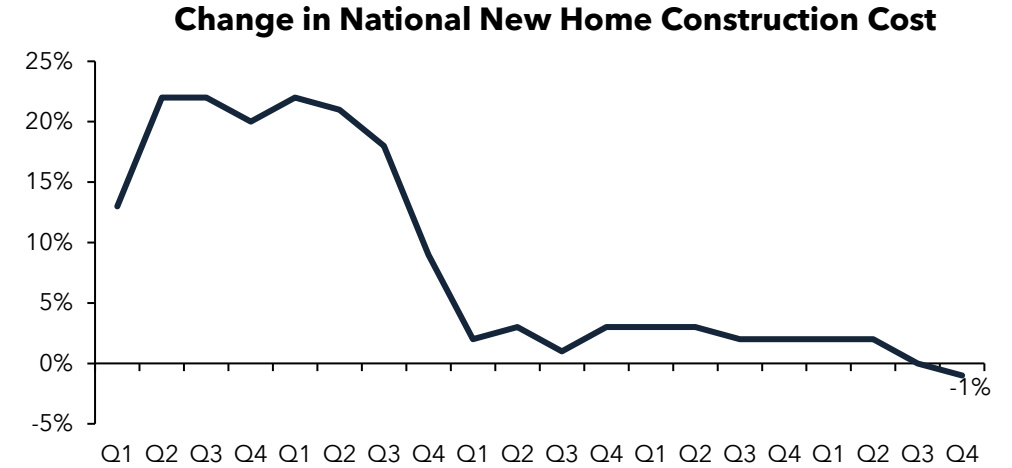
STATE OF HOMEBUILDING

Average Sales Price of New Homes Sold in the U.S.



STABILIZING CONSTRUCTION COSTS

- Overall construction costs **turned modestly negative** toward the back half of 2025, reflecting improved cost controls and materials pricing normalization
- Builder feedback points to incremental cost decreases, particularly in direct construction costs, with early 2026 expected to continue this trend
- Homebuilder's new home starts and moderating inflation should help contain construction costs and create a more predictable cost environment



Insights from Homebuilders

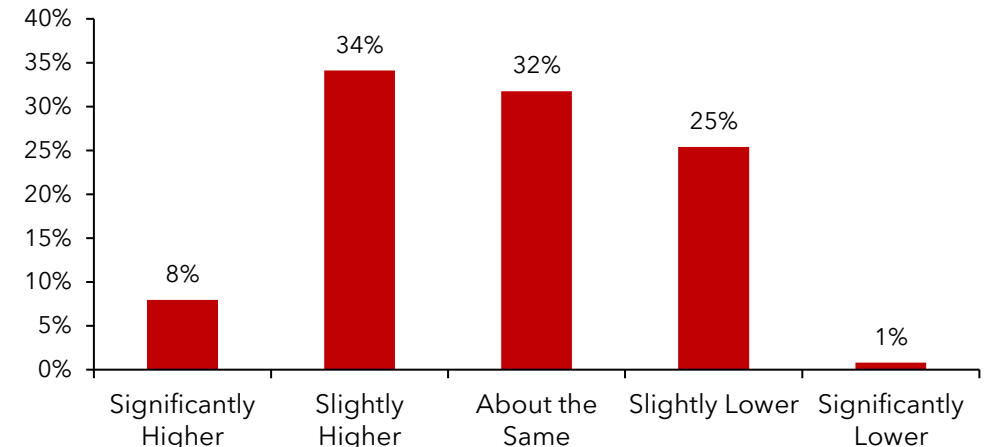
"Direct construction costs in the fourth quarter decreased by approximately 2% from Q3, and over 5% year-over-year. The downward trend will continue as we move into the first quarter of 2026."

LENNAR **Jon Jaffe**
CEO
Lennar

"Our team's accomplishments for the full year 2025 included reducing our direct construction costs on starts by an average of \$13,000 per home."

CENTURY COMMUNITIES **Dale Francescon**
Executive Chairman
Century Communities, Inc.

2026 Homebuilder Executive Outlook Survey expectations for overall construction costs in 2026 relative to 2025



LABOR COSTS ARE EASING

- Labor costs remain elevated, but **wage growth has moderated toward the end of 2025**
- Slowing wage inflation is beginning to reduce incremental cost pressure for builders
- Builder expectations for 2026 skew toward **flat or slightly lower labor costs** with limited risk of significant increases

Insights from Homebuilders

"We're seeing a modest decrease in construction costs in most parts of the country. It's either flat or it's down slightly..."

Douglas Yearley
Chairman & CEO
Toll Brothers

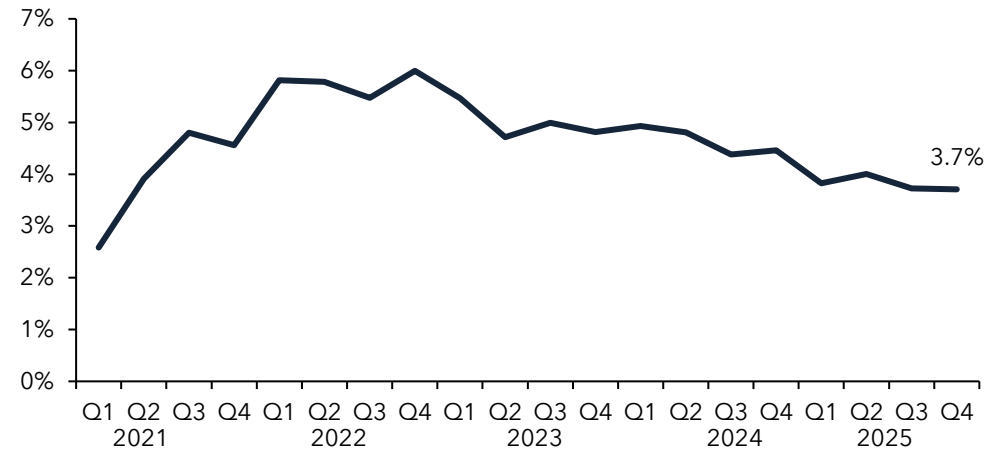
Toll Brothers
AMERICA'S LUXURY HOME BUILDER®

"So far, we've reduced labor and material construction costs by more than \$10,000 per home or nearly 200 basis points..."

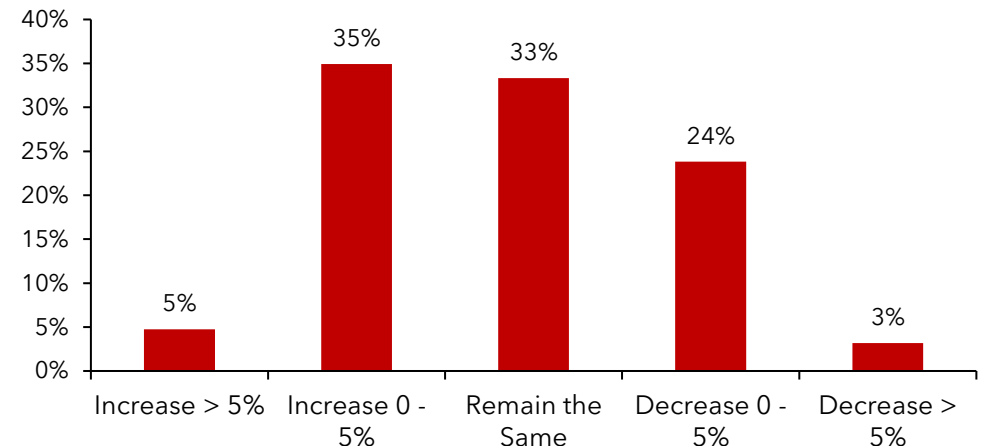
**BEAZER
HOMES**

Allan Merrill
Chairman, President & CEO
Beazer Homes

Change in National Average Hourly Labor Costs



2026 Homebuilder Executive Outlook Survey expectations for labor costs in 2026 relative to 2025



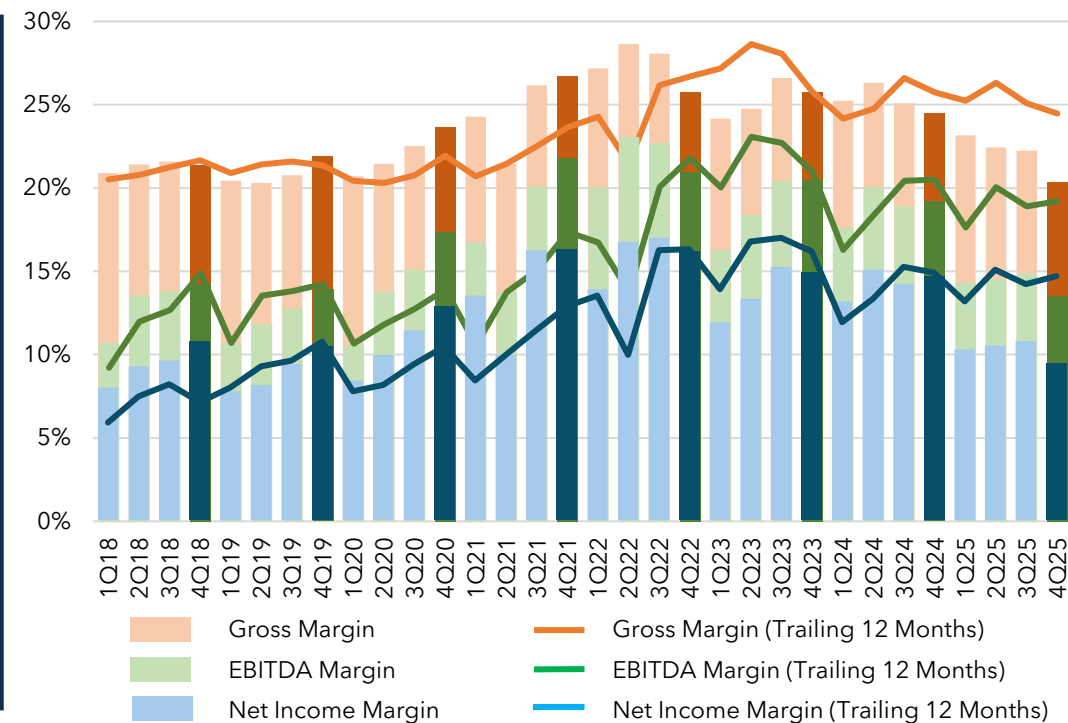
PUBLIC BUILDER MARGINS

- Through 2025, homebuilders have experienced margin pressure largely driven by incentive usage
- As builders enter 2026, margin outcomes will continue to be dependent on incentive discipline and pricing
- Encouraging demand trends early in the year should support margin stabilization

2025E Performance

	Closings	Revenue	Net Income	Margin
D.R. Horton	84,863	\$33.41B	\$3.62B	10.84%
Lennar	82,141	\$32.99B	\$2.11B	6.39%
PulteGroup	29,572	\$16.92B	\$2.22B	13.11%
Toll Brothers	11,292	\$10.97B	\$1.35B	12.28%
Century Communities	10,387	\$4.03B	\$0.15B	3.66%

Public Builder Gross Margins



Insights from Homebuilders

"Our incentive costs are expected to increase further on homes closed over the next few months, so we expect our home sales gross margin to be lower in the second quarter compared to the first quarter."



Jessica Hansen
Head of Investor Relations
D.R. Horton

"The incentive a year ago on this call that was out there for us was \$68,000 a house. The incentive today is \$80,000 a house. That explains the full 27.3% down to 26% margin change, and we are projecting out the year again on that same 80,000."



Douglas Yearley
Chairman & CEO
Toll Brothers

KEY BUILDER COMPARABLES

(Market Cap in millions)		Market Cap	EV / EBITDA		Price / Earnings (2)		Price / TBV (3)	Net Debt / Capital	Years of Lot Inventory Owned	Years of Lot Inventory Controlled	Inventory Turnover
Institution Name	Ticker		2025A	2026E	2025A	2026E					
Large Cap > \$5bn											
D.R. Horton, Inc.	DHI	\$45,811	10.4x	11.2x	16.1x	15.0x	1.9x	11.2%	1.6	5.1	1.0
Lennar Corporation	LEN	\$28,217	8.2x	9.1x	17.0x	16.7x	1.6x	-20.3%	0.2	5.8	1.7
PulteGroup, Inc.	PHM	\$25,757	8.4x	9.3x	14.3x	13.1x	2.0x	3.1%	3.2	4.8	1.0
NVR, Inc.	NVR	\$22,520	12.0x	13.3x	21.2x	18.7x	5.8x	-27.4%	0.0	7.5	4.2
Toll Brothers, Inc.	TOL	\$14,307	8.4x	8.7x	12.7x	11.7x	1.7x	16.7%	3.0	4.1	0.8
Taylor Morrison Home Corporation	TMHC	\$6,371	7.0x	8.5x	8.3x	10.1x	1.2x	23.4%	2.6	3.9	1.0
Meritage Homes Corporation	MTH	\$5,146	10.6x	10.7x	14.1x	12.9x	1.0x	16.9%	3.4	2.1	0.8
Mean *			9.3x	10.1x	14.8x	14.0x	2.2x	3.4%	2.0	4.8	1.5
Median *			8.4x	9.3x	14.3x	13.1x	1.6x	11.2%	2.6	4.8	1.0
Small Cap < \$5bn											
KB Home	KBH	\$3,892	8.8x	10.6x	11.4x	14.6x	1.0x	27.6%	2.7	2.7	0.9
M/I Homes, Inc.	MHO	\$3,678	7.0x	8.0x	10.5x	10.1x	1.2x	9.7%	2.7	2.9	1.0
Green Brick Partners, Inc.	GRBK	\$3,265	7.8x	8.8x	10.7x	11.0x	1.9x	9.9%	8.7	1.1	0.8
Tri Pointe Homes, Inc.	TPH	\$3,043	7.1x	9.9x	12.5x	15.5x	1.0x	12.6%	2.6	2.7	1.1
Century Communities, Inc.	CCS	\$2,021	14.3x	13.2x	17.2x	16.6x	0.8x	34.2%	1.0	7.4	1.0
Dream Finders Homes, Inc.	DFH	\$1,762	6.6x	7.7x	8.6x	11.2x	1.8x	49.4%	3.4	2.8	2.3
LGI Homes, Inc.	LGIH	\$1,331	34.1x	26.9x	17.5x	13.0x	0.6x	44.9%	8.9	1.9	0.5
Smith Douglas Homes Corp.	SDHC	\$923	8.2x	12.2x	19.9x	28.7x	2.2x	8.8%	0.3	8.2	2.9
Hovnanian Enterprises, Inc.	HOV	\$715	13.6x	NA	10.8x	NA	1.0x	59.5%	1.0	7.4	1.5
Beazer Homes USA, Inc.	BZH	\$702	25.2x	12.1x	21.7x	31.6x	0.6x	46.2%	2.7	3.7	1.0
Mean *			13.3x	12.2x	14.1x	16.9x	1.0x	30.3%	3.4	4.1	1.3
Median *			8.5x	10.6x	11.9x	14.6x	1.0x	30.9%	2.7	2.9	1.0

Source: S&P Global Market Intelligence

*Builders with estimates for 2025: TMHC, GRBK, TPH, DFH, SDHC, UHG, LGIH

*NVR, SDHC, & DFH are excluded from the mean and median of Price/TBV for outlier purposes

(1) Closing Share Price as of 2/6/2026

(2) P/E ratio is calculated on a fully diluted earnings basis

(3) TBV refers to Tangible Book Value