

# Homebuilder Industry: Customers and Suppliers



Customers	
	<b>Individual homebuyers</b> <ul style="list-style-type: none"> <li>First-time buyers</li> <li>Move-up buyers</li> <li>Downsizers</li> </ul>
	<b>Investors</b> <ul style="list-style-type: none"> <li>Individuals and companies who buy homes as rental properties or fix-and-flip investments</li> </ul>
	<b>Property developers and builders</b> <ul style="list-style-type: none"> <li>Commercial developers: apartment complexes, office buildings, shopping centers etc.</li> <li>Others</li> </ul>
	<b>Institutional and government clients</b> <ul style="list-style-type: none"> <li>Government: public works, housing projects</li> <li>Institutions: new facilities or renovations</li> <li>Non-profit: community projects</li> </ul>

Suppliers	
	<b>Land Developers / Lot Providers</b> <ul style="list-style-type: none"> <li>Developers that buy raw land, entitle it, and sell finished lots to builders.</li> <li>Land is the largest cost input (~20–25% of total)</li> </ul>
	<b>Construction Materials</b> <ul style="list-style-type: none"> <li>Lumber, concrete, roofing, windows, doors, appliances, HVAC, etc.</li> </ul>
	<b>Trade Labor / Subcontractors</b> <ul style="list-style-type: none"> <li>Framers, plumbers, electricians, roofers — usually hired on contract.</li> </ul>
	<b>Financing &amp; Services</b> <ul style="list-style-type: none"> <li>Mortgage lenders, title companies, inspection and utility providers.</li> </ul>
	<b>Logistics &amp; Equipment Providers</b> <ul style="list-style-type: none"> <li>Equipment rental, transport firms, IT systems (ERP, BIM, etc.).</li> </ul>






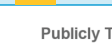

Industry Overview

KPIs, Drivers and Data

Forecast

# Homebuilder Industry: Competitors

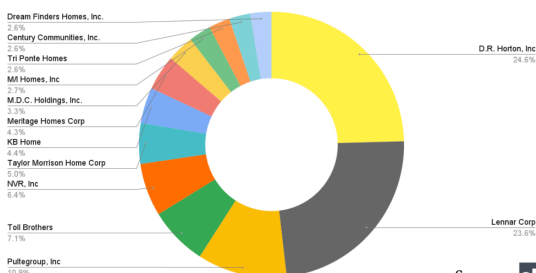


	Entry-level homes; vertically integrated lot sourcing via Forestar
	Broad mix from entry to move-up; known for efficiency and scale
	Move-up and active adult; multi-brand portfolio (Centex, Del Webb)
	Luxury focus
	Asset-light model (doesn't own land). Entry-level expansion focus
	Entry-level expansion focus
	Build-to-order model

Segment	Who They Are	Representative Companies	Strategic Focus
<b>National Public Builders</b>	Biggest national homebuilders, publicly traded	D.R. Horton, Lennar, PulteGroup, Toll Brothers, NVR	Operate nationwide; have scale, brand recognition, and detailed public data
<b>Regional / Private Builders</b>	Medium-sized builders focused on certain states or metro areas	Tri Pointe, Taylor Morrison, LGI, Century Communities	Regional specialization, exposure to local markets
<b>Substitutes / Adjacent</b>	Other sources of new housing supply	Build-to-rent developers (Invitation Homes, AMH), Custom builders, Manufactured housing firms (Clayton Homes, Skyline Champion)	Compete for similar buyers; influence pricing and demand for new homes

Publicly Traded Homebuilders Market share Revenues (TTM);

Financials as of Spring 2024



Source: eB

The homebuilder industry is moderately consolidated, with the top 10 public builders controlling ~40% of the new-home market (2024, NAHB). Scale and geographic diversification are key competitive advantages.

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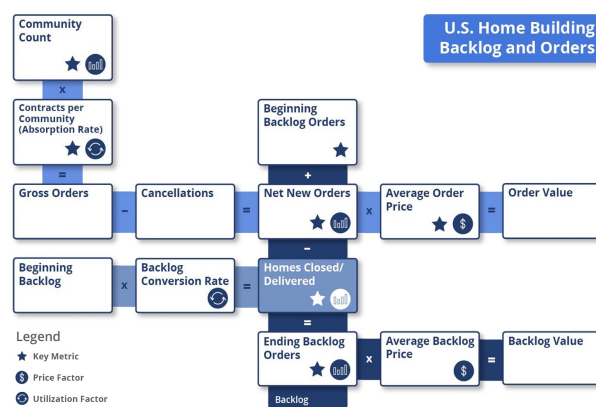
KPIs, Drivers and Data

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## Key KPIs and Drivers Across the Homebuilder Value Chain



Stage	Key KPI	Typical Drivers
Demand	Net New Orders, Absorption Rate	Mortgage rates, affordability, consumer sentiment, employment
Pipeline	Backlog Units, Backlog Conversion Rate, Cancellation Rate	Build cycle time, buyer confidence, interest rate volatility
Production	Housing Starts, Construction Cycle Time	Labor availability, materials cost, weather
Profitability	Gross Margin, EBIT Margin, pre-tax margin, Average Selling Price (ASP)	Land cost, materials, pricing power, incentives
Financial Outcomes	Earnings, ROE, Cash Conversion, Debt-to-Capital	Leverage, capital allocation, inventory turnover



*Mortgage rates and affordability drive the front end of the cycle, while execution speed and cost control determine how much of that demand converts into earnings.*

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## Public Data Sources



### Core industry KPIs

FRED / Census

Housing Starts (HOUST), Building Permits (PERMIT), New Home Sales

### Leading indicator of demand

MBA Weekly Survey

Mortgage rates, applications

### Leading sentiment driver

NAHB / Wells Fargo HMI

Builder confidence index

### Real-time proxy for demand

Google Trends

Mortgage rates, applications

### Cost & Labor Drivers

BLS / BEA

Employment, construction labor cost, materials cost

### Company Fundamentals

Company Filings / SEC

Gross Margin, EPS, ROE, Orders, Backlog, ASP, Land Pipeline

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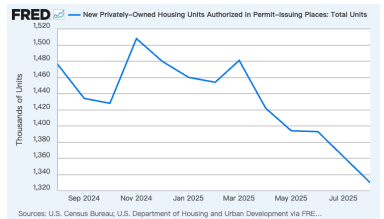
## Qualitative Forecasting

**Goal:** U.S. Housing Starts (HOUST) – Sep-2025



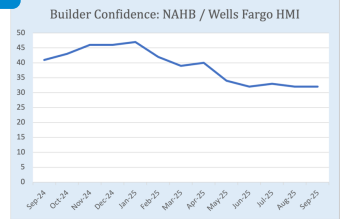
### Building Permits

- ~1.33 M, slightly above current starts (1.31 M)
- Down 2.4 % MoM (Aug 2025)
- Down 11 % YoY



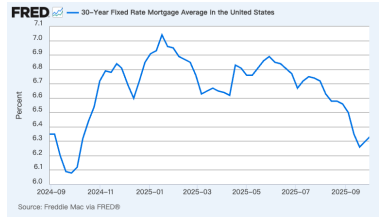
### Builder Confidence

- September 2025: 32 (unchanged MoM)
- Down from 41 in the same month last year



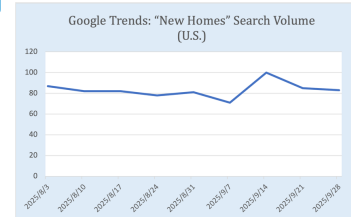
### Mortgage Rate

- September 2025: 6.26–6.5 %
- Down from August (6.56–6.63 %)
- Similar or slightly above last year (6.08–6.35 %)



### Google Trends

- No major change in “new homes near me” or “mortgage rate”
- Slight uptick in “new homes” searches



**Forecast: ~1.34M**

vs Aug-2025: +2.5% MoM  
vs Sep-2024: –1.3% YoY

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## Quantitative Forecasting – SARIMAX Model



### Model

$$\Delta Y_t = c + \varphi_1 \Delta Y_{t-1} + \theta_1 \varepsilon_{t-1} + \beta_1 (\text{Permit}_{t-1}) + \beta_2 (\text{MortgageRate}_t) + \varepsilon_t$$

Forecasts housing starts from past patterns, last month's permits, and current mortgage rates.

### Model Fit

Factors	Coefficient	P-value	significant
Building Permits (Lagged)	0.69	0.000	✓
Mortgage Rates	-29.5	0.000	✓

Model fit: captures short-term fluctuations and long-term trends well

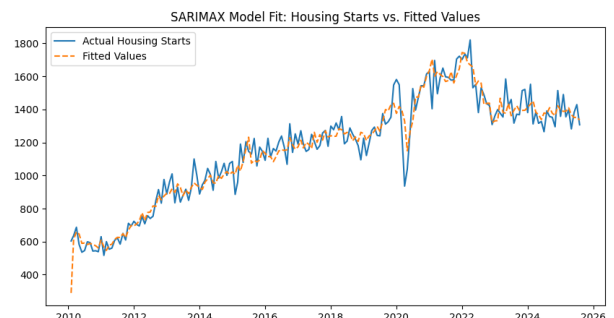
### Forecast

- 1.34 million**
- Range (95% confidence interval): 1.19M – 1.49M



### SARIMAX Model

- Forecasts future values using **past patterns**
- Captures **trend** and **seasonal cycles**
- Includes **external factors** (e.g., permits, mortgage rates)



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## Appendix – Reference List

### Customers & Industry Segments

- Building Radar — *Who Are the Customers of a Construction Company?* <https://www.buildingradar.com/construction-blog/who-are-the-customers-of-a-construction-company>

### Competitors & Market Structure

- eInvesting for Beginners — *Publicly Traded Home Builders: 2024 Results*. <https://einvestingforbeginners.com/publicly-traded-home-builders-report-spring-2024-results-schil/>
- Eye on Housing (NAHB) — *Top Builder Market Share Across Metros (2025)*. <https://eyeonhousing.org/2025/07/top-10-builder-market-share-across-metros/>
- NAHB — *Pro Builder Housing Giants (2024)*. <https://www.nahb.org/blog/2024/06/pro-builder-housing-giants>
- Wikipedia — *Company Background & Industry Overview*. <https://www.wikipedia.org>

### KPIs & Industry Frameworks

- R2 Management Partners — *KPIs Every Home Builder Must Track*. <https://r2managementpartners.com/kpis-every-home-builder-must-track-for-success/>
- S&P Global — *Visible Alpha: Guide to Home Building KPIs* (PDF). <https://www.spglobal.com/content/dam/spglobal/mi/en/documents/solutions/visible-alpha-guide-to-home-building-kpis.pdf>

### Industry Data & Indicators

- FRED — *Housing Starts (HOUST), Building Permits (PERMIT), Mortgage Rates (MORTGAGE30US)*. <https://fred.stlouisfed.org>
- Google Trends — *Search interest for “new homes.”* <https://trends.google.com/trends/explore?date=2024-05-01%202025-11-05&geo=US&q=new%20homes>
- NAHB — *Housing Market Index (HMI)*. <https://www.nahb.org/news-and-economics/housing-economics/indices/housing-market-index>

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