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Home Builder PulteGroup Tops Estimates

Home builder sees stability for '25 as it looks to key spring season for signals

BY DENNY JACOB

PulteGroup on Thursday was the latest home builder to show it is navigating through challenges in the tricky U.S. housing market, posting higher-than-expected quarterly results and forecasting a stable 2025.

However, the Atlanta company and competitors such as KB Home and D.R. Horton are in wait-and-see mode as winter wanes and the housing market revives, as mortgage rates continue to hover around 7%.

"The spring selling season will be the best barometer for how the consumer will behave in today's economic environment," departing Chief Financial Officer Bob O'Shaughnessy said. *

Among its maneuvers in the shifting environment, PulteGroup is aiming to reduce its spec inventory—homes built without a particular buyer in mind—back down to 40% to 45% of its total production by the end of the year. The company has said that target is optimal to balance the needs of first-time home buyers with those of mostly older, move-up buyers, all while protecting margins.

Industry observers also are waiting to see how proposals from the new Trump administration play out regarding tariffs and the possible deportation of millions of undocumented immigrants, many of whom work in construction.

On a call with analysts, PulteGroup Chief Executive Ryan Marshall said the company can adjust its plan to pare back its spec-built inventory in the event of supply shocks as any new policies are put in place.

"If we're at 53% [spec] today, we're going to work it down into the historical range. If we need to turn it up a little bit more, I think we've clearly got the ability to do that," he said. *

The company also isn't shying away from incentives to attract potential buyers—a tool that many of its competitors also are using—such as mortgage-rate buydowns to help spur demand, which can nudge would-be buyers off the sidelines.

PulteGroup's gross margin—a key measure of home-builder health—in the fourth quarter came in at 27.5%, down 130 basis points sequentially because of higher incentives. Gross margins in the current quarter are expected to be about 27% and remain near this level for most of the year, which O'Shaughnessy said ~~assumes incentives throughout 2025 will remain consistent with those from the fourth quarter.~~

In its latest quarter, Pulte-Group logged net income of \$913.2 million on revenue of \$4.92 billion. The average selling price of homes closed in the period was \$581,000, up from \$547,000 in the prior year period.

The company expects to deliver 31,000 homes closed in 2025, with about 6,400 to 6,800 coming in the first quarter, down slightly from 31,219 homes closed in 2024. It expects the average sales price to be in the range of \$560,000 to \$570,000 in each quarter of the year, compared with the average selling price of \$555,000 in 2024.