

D.R. Horton: Can the FY25 closing target stay within reach?

Internal ID: S&F-STR-199

Topic: Pricing Strategy, Customer Strategy

Industry: Homebuilding

Source: Strategy & Finance

Publication date: 5 October 2026

License: Not specified

Decision date: 19 November 2024

Industry: Homebuilding

The choice

D.R. Horton entered fiscal 2025 with an initial target of 90,000-92,000 homebuilding closings. [8] It had closed 89,690 homes in FY2024. The target was therefore a modest increase, but the evidence around demand was mixed: FY2024 net orders rose, cancellations declined, backlog was smaller, and the number of completed unsold homes had increased.

DHI had several levers it could use in individual communities. It could continue mortgage-rate and other sales incentives broadly; emphasize smaller, lower-price homes while targeting incentives to selected buyers and locations; or moderate sales pace and starts where inventory and cancellations pointed to weaker absorption. A market-specific combination was also possible.

Prepare a recommendation for how DHI should pursue its FY2025 closing target. Which levers should it emphasize, where should it apply them, and what evidence would lead it to change course? The alternatives are a classroom decision frame, not a disclosed management plan. Public sources do not report community-level incentive economics or a company-wide incentive budget.

What DHI knew at the cutoff

DHI reported 86,561 FY2024 net sales orders, up 10% from FY2023. Its cancellation rate was 18%, down from 20%. The company closed 89,690 homes during the year. Orders, cancellations and closings are separate annual flows; the difference between the order and closing totals is not a same-home conversion rate. At year-end, backlog was 12,180 homes, down 20% year over year. DHI cautioned that backlog contracts could still cancel because of mortgage approval or home-sale contingencies. [1]

Total home inventory was 37,400 homes, down from 42,000 a year earlier. Of these, 25,700 were unsold, compared with 27,000 in FY2023. Within that unsold pool, 10,300 were complete, up from 7,000; about 1,100 completed homes had been finished more than six months, compared with 620 a year earlier. These totals do not show how inventory was distributed across DHI's markets, product types or price points. [1]

Management said it had used mortgage-rate buydowns, reduced home prices and offered smaller floor plans where needed to improve affordability. [1, 8] Home-sales gross margin was 23.5% in each of FY2023 and FY2024; homebuilding pre-tax margin declined from 16.6% to

16.1%. DHI expected incentives to remain elevated if market conditions and mortgage rates stayed similar. The filing does not isolate the cost or sales effect of any one incentive or product change. [1]

DHI said its local teams adjust product offerings, prices, incentives, sales pace and inventory to meet demand and manage returns at the community level. Seventy-six percent of the company's 632,900 owned-and-controlled lots were controlled through purchase contracts. The public filing gives the aggregate remaining purchase price and earnest deposits, but not contract termination rights or exit costs. [1]

The market signal

Census and HUD estimated that September 2024 new single-family home sales were at a 738,000 seasonally adjusted annual rate, up 6.3% from September 2023. The 90% confidence interval for that year-over-year change was $\pm 18.6\%$. The agencies estimated a 7.6-month supply of new homes for sale. This national survey is uncertain and does not represent DHI's particular communities. [2]

Freddie Mac's 30-year fixed-rate mortgage survey averaged 6.78% on November 14, compared with 7.44% one year earlier. The survey reflects conventional conforming loans for borrowers with 20% down and excellent credit, rather than the full range of DHI customers or DHI-supported offers. [3]

Lennar, another large homebuilder, said its Q3 2024 buyers responded to increased sales incentives. Its delivered-home average price net of incentives fell year over year; Lennar attributed the change to market pricing, incentives and product mix. This is a related market signal, not a direct comparison of DHI's customers or results. [4]

Research lens

Three studies suggest useful questions but do not estimate DHI's response. Bhutta and Ringo's study of a 2015 FHA mortgage-insurance-premium reduction found increased borrowing among FHA-reliant borrowers, especially more constrained households; the policy is different from builder-funded buydowns. Anenberg and Ringo use a calibrated housing-search model to separate demand and supply influences in county listing markets; the result depends on model assumptions and does not measure DHI traffic or orders. Berger, Turner and Zwick find that the temporary First-Time Homebuyer Credit stimulated overall transactions but did not significantly increase new-home sales in their reported comparison. It was a different policy and housing cycle. No coefficient from these studies can be used as DHI's incentive elasticity. [5-7]

Questions for discussion

1. Is the initial 90,000-92,000 closing target consistent with the year-end evidence? Which indicators should carry the most weight?
2. What are the advantages and risks of broad mortgage incentives, smaller or lower-price offerings with selective incentives, and a moderated local sales pace?
3. How would you distinguish incremental sales from purchases that an offer merely brings forward?
4. What market-level information would you request before allocating offers or adjusting starts?
5. What observable evidence would trigger a change in your recommendation?

Selected sources

1. D.R. Horton FY2024 Form 10-K, filed Nov. 19, 2024, [SEC filing](#), MD&A orders/backlog HTML lines 1131-1178; home sales/margins lines 1198-1217; inventory/lot disclosures lines 1344-1384; strategy lines 967-978.
2. U.S. Census Bureau and HUD, *Monthly New Residential Sales: September 2024*, released Oct. 24, 2024, [PDF](#), p. 1, lines 7-29.
3. Freddie Mac, *Primary Mortgage Market Survey*, Nov. 14, 2024, [PDF](#), p. 1, lines 0-19.
4. Lennar, Q3 2024 results, Sept. 19, 2024, [IR release](#), lines 58-64 and 73-82.
5. Bhutta and Ringo (2021), "The Effect of Interest Rates on Home Buying," *Journal of Monetary Economics* 118:195-211, [final citation](#); full 2017 FEDS manuscript, [PDF](#), Tables 2-3, pp. 14-16.
6. Anenberg and Ringo (2024), "Volatility in Home Sales and Prices: Supply or Demand?," *Journal of Urban Economics* 139, 103610, [final citation](#); full 2022 author manuscript, [PDF](#), §§5-6, pp. 13-18.
7. Berger, Turner and Zwick (2020), "Stimulating Housing Markets," *Journal of Finance* 75(1):277-321, [final citation](#); final author PDF, [PDF](#), Table III, pp. 18-19, and Table IV, pp. 26-27.
8. D.R. Horton, FY2024 results release, Oct. 29, 2024, [SEC Exhibit 99.1](#), initial FY25 guidance lines 86-90; mortgage-rate buydowns and smaller floor plans lines 48-50.

Information cutoff: Nov. 19, 2024. All figures and statements are limited to evidence publicly available by that date.