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Green Brick Partners, Inc.

NYSE:GRBK

Earnings Call

Thursday, April 30, 2026 5:00 PM GMT

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Call Participants

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Presentation

Operator

Hello, and welcome to the Green Brick Partners, Inc. First Quarter 2026 Earnings Call. All lines have been placed on mute to prevent any background noise. After the speakers' remarks there will be a question-and-answer session. [Operator Instructions]

I would now like to turn the conference over to Jeff Cox, Chief Financial Officer. Please go ahead.

Jeffery D. Cox
CFO & Principal Accounting Officer

Good afternoon, and welcome to Green Brick Partners earnings call for the first quarter ended March 31, 2026. Following today's remarks, we will hold a Q&A session. As a reminder, this call is being recorded and will be available for playback. In addition, a presentation will accompany today's webcast, which is available on the company's Investor Relations website at investors.greenbrickpartners.com.

On the call today is Jim Brickman, Co-Founder and Chief Executive Officer; Jed Dolson, President and Chief Operating Officer; and myself, Jeff Cox, Chief Financial Officer.

Some of the information discussed on this call is forward-looking, including a discussion of the company's financial and operational expectations for 2026 and beyond. In yesterday's press release, the company detailed material risks that may cause its future results to differ from its expectations. The company's statements are as of today, April 30, 2026, and the company has no obligation to update any forward-looking statements it may make.

The comments also include non-GAAP financial metrics. A reconciliation of these metrics and the other information required by Regulation G can be found in the earnings release that the company issued yesterday and in the aforementioned presentation.

With that, I'll turn the call over to Jim.

James R. Brickman
Co-Founder, CEO & Director

Thank you, Jeff. I'm pleased to announce our first quarter results, particularly given that we achieved these results against the backdrop of ongoing and persistent affordability challenges faced by many consumers in the housing market, as well as increasing uncertainty and volatility for consumers caused by domestic and global events and trends ranging from increasing gas prices to job concerns in this new AI era. Despite these challenges, our team's effort and disciplined approach led to another excellent quarter for our business and our shareholders.

Net income attributable to Green Brick for the first quarter was $61 million or $1.39 per diluted share on total revenues of $465 million. We delivered 908 homes in the quarter, only 2 less than in Q1 2025, and we had 1,037 net new orders. We achieved this despite, as we mentioned on our last call, losing about 7 selling days in January due to inclement weather in DFW, our largest market.

Orders increased sequentially each month of the quarter with March sales outpacing the same period in 2025. This was more in line with a normal spring selling season.

We believe our investment-grade balance sheet and low financial leverage provide us with the flexibility to navigate and take advantage of evolving market conditions. At the end of Q1, our homebuilding debt to total capital ratio decreased to 11.5% and our net homebuilding debt to total capital ratio decreased to 5.5%, among the lowest of our public homebuilding peers. We also have $475 million in available liquidity.

Our industry-leading homebuilding gross margins of 28.9% give us the flexibility to profitably adjust the pricing of our homes to respond to market conditions. We believe the foundation of our industry-leading gross margin starts with our commitment to owning and developing land.

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We remain highly disciplined in how we control and purchase land. One of the primary differentiators from many of our peers is that we do not engage in off-balance sheet, high interest cost land banking arrangements that can distort a builder's economic leverage and risk, and that can give a land banker indirect control over a builder's lot purchase timing.

At the end of the first quarter, 77% of our approximately 49,000 lots are owned. We have 3,400 lots owned or under contract in 4 joint ventures with other homebuilders or landowners. These joint ventures account for 7% of our total lots owned and controlled and only 2.9% of our total assets. These joint ventures are evaluated with the same underwriting criteria as our other land investments to ensure that we remain focused on attractive risk-adjusted returns and protect shareholder value.

As many of you who follow our company know, this disciplined approach to land acquisition and development is not a new philosophy for our company. We have always believed that a self-development focused strategy provides us with better capital efficiency and returns, allowing us to make higher margins, lower cost and enhanced inventory control so that we can better determine the pace of land and lot deliveries.

We generated strong operating cash flows of $56 million for the quarter. In the last 12 months, we generated $201 million in operating cash flows and returned $74 million to shareholders through repurchases. Even with our land heavy balance sheet and macroeconomic headwinds, we delivered strong returns during the quarter of 9.6% return on assets and 13.1% return on equity, among the very best of public homebuilding peers. Our disciplined returns-focused approach and our experienced team of operators position us well for future value creation.

This quarter, we began reporting on financial service operations as a separate segment due to the strong growth of our wholly owned mortgage company. Green Brick Mortgage was founded in 2024 and funded its first loan in the first quarter of 2025. During 2025, Green Brick Mortgage grew rapidly and by the end of Q1 2026, was serving all of our tax entities.

For the first quarter, revenues for Green Brick Mortgage increased from $1.3 million to $5.6 million year-over-year as the number of funded loans increased by almost 250%. Pre-tax income from our financial services segment increased year-over-year by 139% in Q1 to $4.3 million.

While the macroeconomic landscape prevents short-term headwinds for the entire industry, we believe the core strengths that have driven Green Brick's success over the past decade will enable us to continue to navigate any challenges with confidence and flexibility.

As always, we will focus on maintaining operational excellence centered on our disciplined approach to land acquisition and development to position us for future growth and ensuring we continue to build out our team of experienced, dedicated employees who drive our growth and provide a quality home and buyer experience for our customers.

We believe we are well positioned to sustain our peer-leading return metrics and provide long-term value to our shareholders. We remain focused on growing our business, particularly our Trophy brand. Trophy's continued growth in DFW in Austin, combined with our first community opening in Houston Q1, presents significant opportunities for sustained growth for the next few years. This expansion allows us to continue serving the critical first-time and first move-up buyer segments while further diversifying our revenue base and strengthening our presence in key Texas markets.

With that, I'll now turn it over to Jeff to provide more detail regarding our financial results.

Jeffery D. Cox
CFO & Principal Accounting Officer

Thank you, Jim. I want to take a few minutes to address the Form 8-Ks that were filed yesterday in which we concluded that certain closing cost incentives offered to our buyers have been previously incorrectly classified as cost of residential units rather than as a reduction of the transaction price.

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After evaluating these issues under ASC 606, we determined that we will restate our previously issued audited consolidated statements of income for the years ended December 31, 2023, 2024 and 2025 included in the annual report on Form 10-K and the unaudited condensed consolidated statements of income for the quarters ended in 2025 and 2024 to reflect the reclassification of closing cost incentives as a reduction in revenue rather than as a cost of residential units.

This reclassification of closing cost incentives will not impact any prior periods reported gross profits, operating income, net income, earnings per share, cash flow, debt covenant compliance, shareholders' equity or the strong underlying economics of the company's operations and business. The impact will be a reduction in home sales revenues and associated average sales prices and an improvement to our gross margins.

We are currently in the process of completing the restatement of our prior period financial statements and expect to file an amended annual report on Form 10-K. However, our comments today reflect these changes for prior periods referenced.

We have also filed an 8-K that sets forth our preliminary assessments of the impact of this reclassification for the years ended December 31, 2023, 2024 and 2025 as well as each of the quarters in 2025 and 2024. Our first quarter 2026 results are not affected by the pending restatement.

Net income attributable to Green Brick for the first quarter decreased 18.8% year-over-year to $61 million, and diluted earnings per share decreased 16.8% year-over-year to $1.39 per share. SG&A as a percentage of residential unit revenue for the first quarter was 11.7%, an increase of 80 basis points year-over-year, driven primarily by mix and higher discounts and incentives.

Given the challenging economic conditions and oversupply of housing inventories in our markets, discounts and incentives increased year-over-year as a percentage of home closing revenue to 10.1% from 6.8%.

Our average sales price of $493,000 was down 4.1% sequentially and down 6.9% year-over-year. Home closings revenue of $448 million on 908 deliveries declined 7.1% compared to the same period last year, and our homebuilding gross margins decreased 320 basis points year-over-year and 140 basis points sequentially to 28.9%. 63% of our Q1 closings were sold during the quarter, driven largely by our Trophy Signature Homes brand.

We started 979 new homes, an increase of 13% year-over-year and 11% sequentially due to increasing buyer demand in the quarter. Units under construction at the end of the quarter were 2,119, down 7.7% year-over-year, but were up 3.5% sequentially as we increased starts in Q1 to better match our sales pace.

We ended the quarter with 419 completed specs, an average of 4.1 per community, a reduction of 13% from Q4. We will continue to monitor market conditions and seasonal trends, and align our starts with our sales pace to appropriately manage our investment in spec inventory. Our goal is to maintain approximately 1.5 months of supply of completed specs in our communities.

Primarily due to adverse weather in January, we saw a 7.1% decline in traffic year-over-year during the quarter. Net new home orders during the first quarter were 1,037, down 6.2% year-over-year. Average active selling communities of 103 were down 1% year-over-year. As a result, our sales pace for the first quarter decreased slightly to 3.4 per month compared to 3.5 per month in the previous year. As noted in our prior call, we still expect community count to increase in the second half of the year.

Our backlog at the end of the first quarter was 649 units with backlog revenue of $381 million, a 35% decrease year-over-year. We experienced a significant shift because Trophy Signature Homes represented 40% of our backlog units compared to 27% in Q1 of 2025. As a result of the increased mix of trophy orders in our backlog, along with continued elevated discounts and incentives across all of our brands, backlog ASP decreased 13% to $587,000.

In Q1, we repurchased 114,000 shares of our common stock for approximately $7 million, with $160 million remaining in authorized share repurchases. We will continue to repurchase shares opportunistically as part of our disciplined capital allocation strategy and efforts to return value to our shareholders.

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During Q1, we terminated our secured revolving credit facility. And as of quarter end, we had no outstanding borrowings on our $330 million unsecured revolving credit facility. At the end of the quarter, we maintained a robust cash position of $145 million and total liquidity of $475 million. We believe we are well positioned to weather the challenging market conditions and ongoing volatility to opportunistically deploy capital to maximize shareholder returns and to accelerate growth as the housing market improves.

With that, I'll now turn it over to Jed.

Jed Dolson
President & COO

Thank you, Jeff. We continue to see a challenging sales environment within all our consumer segments, but we are encouraged by the positive response we have seen from first-time homebuyers who are most impacted by affordability challenges and a weakening job market.

Our team responded well to these conditions as evidenced by our relatively strong first quarter sales volume and low cancellation rate of 7.7% during the quarter, which continues to be one of the lowest cancellation rates in the public homebuilding industry. We believe it demonstrates the creditworthiness of our buyers, quality of our product and desirability of our communities.

Rate buydowns remain a necessary tool to drive traffic and sales, especially with first-time homebuyers and quick move-in homes. And we helped address the affordability challenges faced by many consumers by providing our homebuyers with price concessions, interest rate buydowns and closing cost incentives. Incentives for net new orders during the quarter were 9.9%, an increase of 320 basis points year-over-year, although a decrease of 30 basis points from the prior quarter.

With our superior infill and infill-adjacent communities and industry-leading gross margins, we believe we are strategically positioned to adjust pricing as needed to meet market demand and maintain our sales pace. While we recognize the importance of preserving our margins, we also recognize that our industry-leading margins provide us with significant pricing flexibility to compete effectively in a volatile market and drive sales pace when appropriate.

We are also excited about the progress of our wholly owned mortgage company. During the first quarter, Green Brick Mortgage closed and funded over 360 loans. The average FICO score was 742 and the average debt-to-income ratio was just under 40%, consistent with the previous quarter. We completed the rollout of Green Brick Mortgage to all of our Texas communities in the quarter, and we expect to roll out Green Brick Mortgage to the Providence Group, our Atlanta builder, in the latter part of 2026.

As Green Brick Mortgage continues to expand its service to most of our communities, we anticipate that by year-end, its capture rate will range from 70% to 80%, which should generate additional revenue as we increase the number of loans funded through our mortgage company. We continue to reduce our construction cycle times, which were down 25 days from a year ago to under 130 days. Trophy's average cycle time in Dallas-Fort Worth was under 90 days, the lowest in their history and a testament to the efficiency and quality of our construction teams and trade partner base.

While labor availability remains relatively stable across all our markets, we are monitoring potential cost increases related to the rise in oil prices. We remain engaged with our trade partners to monitor potential cost pressures and will adjust as necessary. As part of our efforts to position ourselves for future growth, during the quarter, we invested approximately $89 million in land and lot acquisitions, and $78 million in land development, excluding reimbursements. For 2026, we expect land and lot acquisitions of approximately $400 million and land development outflows of approximately $420 million, excluding reimbursements.

We believe our superior land position provides a competitive advantage that will be the foundation for strong growth in subsequent years. Approximately 38,000 of our lots are owned with approximately 11,000 lots under option contracts. Approximately 75% of our total lots owned and under contract are allocated to Trophy Signature Homes.

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Excluding approximately 25,000 lots in long-term master planned communities, our lot supply is approximately 6 years. With approximately 49,000 lots owned and under contract, we remain patient and selective with future land opportunities without compromising the ability to grow our business in the near and intermediate term.

With that, I'll turn it over to Jim for closing remarks.

James R. Brickman
Co-Founder, CEO & Director

Thank you, Jed. In closing, we remain confident in our long-term outlook and our ability to continue to deliver excellent operational and financial results. Our land strategy, diversified product portfolio and strong balance sheet continue to differentiate Green Brick from our peers and support attractive returns for our shareholders over the long term.

Like the rest of our industry, we continue to navigate a challenging environment, but I am hopeful that the market is starting to find a more stable footing and normalization. I believe that 2026 will be a year that we lay a foundation so that we can execute our strategy and accelerate our growth in the coming years.

With all of these challenges, I would like to recognize our team for their disciplined execution and resilience successfully navigating this market. Our results would not be possible without their focus, leadership and commitment.
This concludes our prepared remarks, and we will now open the line for questions. Thank you.

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Question and Answer

Operator

[Operator Instructions] Your first question comes from Ryan Gilbert of BTIG.

Ryan Christopher Gilbert
BTIG, LLC, Research Division

Definitely encouraging to hear that, I guess, demand improved throughout the quarter. How -- can you give us an update on how things are looking so far in April in terms of traffic and maybe sales pace?

James R. Brickman
Co-Founder, CEO & Director

Yes. Jed, why don't you take that?

Jed Dolson
President & COO

Yes. I would say April is looking very similar to March. So we're still in a strong spring season.

Ryan Christopher Gilbert
BTIG, LLC, Research Division

Okay. Got it. And then just around your commentary around the challenging sales environment, but you're still seeing consumer response to the incentives that you're offering. I'm just curious, Jim or maybe Jed, if you could maybe expand on, I guess, how long you think this can last? Or do you expect a weakening labor market to pressure first-time homebuyers? It doesn't seem like that's been the case so far, but just kind of looking ahead, what you're thinking.

James R. Brickman
Co-Founder, CEO & Director

Yes. This is Jim. While we're seeing strong demand, it's very elastic demand, meaning that the buyers are very educated and a small movement in pricing can really accelerate sales velocity. And really, one of the things we're very encouraged about because our pre-tax margins are so high, they're running around 17% or just under that we have tremendous flexibility if we need to get a buyer that wants a slight discount in the home even from current levels. Pretty much, we're not seeing that happening right now. We think that things may have bottomed. But if you can predict interest rates, I'll tell you what our margins are going to look like because they're highly correlated right now, and we're not getting a lot of relief on the interest rate front.

Jed, do you have anything you want to add to that?

Jed Dolson
President & COO

I would just say the past week has been rough on the mortgage rates, and that can cause -- just a little change in mortgage rates can cause a 1% decline in gross margin for us.

Operator

Your next question comes from Jay McCanless with Citizens Bank.

Jay McCanless
Citizens JMP Securities, LLC, Research Division

First question I had, what are you seeing in the land market right now? Land prices still continuing to go up? Or are you seeing some areas where maybe you're getting a little bit of a break or maybe land inflation slowing down a little bit?

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James R. Brickman
Co-Founder, CEO & Director

Yeah. That's a good question, Jay. What we're seeing is on C-minus and D location lots, builders are wanting to pedal those. Obviously, the only buyer are other builders. And if a builder wants to pedal a lot in C-minus or D location, he wants to do it because he's not making margins. So it's really not attractive to another builder to buy. And it's not distressed enough to have us get interested. So that's what's taking place really in the perimeter locations or the further out perimeter locations.

Interestingly and conversely, high-margin land in the more infill or employment-centric locations is still in high demand. And one of the things we're very excited about, we bought a large track yesterday that we have been working on for how long, Jed? Two years.

Jed Dolson
President & COO

Two years.

James R. Brickman
Co-Founder, CEO & Director

It was complicated, had a lot of moving parts. We're really excited about it because we have the balance sheet to take this down. Other people don't. We have the management team to do the entitlement, sewer water and all of the other challenges that come with a large master planned property. And we feel really good about that because it's a barrier to entry. All these land-light guys just couldn't pull that kind of transaction off.

Jay McCanless
Citizens JMP Securities, LLC, Research Division

That's good to hear. Speaking of infill versus Trophy and some of your higher-end brands versus Trophy, I guess which performed better during the quarter? Was it move-up? Was it entry level? What were you seeing in terms of demand between the different buyer segments?

James R. Brickman
Co-Founder, CEO & Director

It was spotty, I think, is the best way to define it. Trophy was a star. We found that, and Jed can elaborate on that, that there is a very large pool of buyers, sub-$350,000. And Trophy can meet that price point and still make really nice margins. Florida did good. Atlanta slowed down in its market that we were surprised because Atlanta was traditionally very strong even in the infill markets.

And Jed, what do you want to add to that?

Jed Dolson
President & COO

Yes. I would just say that some of the kind of not luxury -- luxury continued to do well for us in that for us, that's homes priced in the $900 and up range. We saw spottiness in, say, the $500 to $800 range, where we had some good months, some bad months depending on what submarket. We're really encouraged in Dallas that in March and April, we really hit good numbers with that buyer, which is typically a cultural buyer. So we're encouraged about that. But -- so to kind of sum it all up, I'd say it's -- we feel really good about luxury, and we feel really good about entry level and the stuff in the middle is more challenging.

James R. Brickman
Co-Founder, CEO & Director

Yes, Jay. And some of the stuff in the middle that Jed was talking about this $500,000 to $800,000 price point. One of the reasons why we think it's so much slower are our immigration policies. Many of those

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homes are sold to physicians, higher income people and the current administration is making it uncertain for those people, and it's impacting housing as a result.

Jay McCanless
Citizens JMP Securities, LLC, Research Division

That's great color, Jim. Any concerns or issues with other builders maybe having built a little too much at that price point and having to be more aggressive on the discounting there?

James R. Brickman
Co-Founder, CEO & Director

I think it's -- in some markets, I think it's fairly isolated. Jed and I were talking about it this morning that it can affect some markets. Generally, I don't -- I'm not worried about it. And again, one of the reasons I'm not worried about it is because if we're making a 17% pre-tax margin, and we're competing against a builder that's making a 3% pre-tax margin down the street that's land light, those guys have given about all they can give, and we're just kind of waiting and seeing what happens.

Jay McCanless
Citizens JMP Securities, LLC, Research Division

Okay. Great. And then just the last one I had, congrats on starting in Houston. I guess, over time, how many communities do you think Green Brick can have in that market? And is it always just going to be a Trophy market? Or are you guys going to look to do some infill properties?

James R. Brickman
Co-Founder, CEO & Director

Well, right now, it's -- let's talk strategically. Basically, what we want to do is enter any market that really has to be a top 10 to 12 city market because Trophy is going to be our scalable brand that goes into that market. To be effective, we're still going to self-develop and we want to have a really experienced land team and a land acquisition team that has strategic advantages. So if that's going to make us really enter larger markets, we're looking at San Antonio right now. And I think the probability of us bringing other brands there is probably unlikely at this point, but you never should say never.

Operator

[Operator Instructions] Your next question comes from Alex Rygiel with Texas Capital.

Alexander John Rygiel
Texas Capital Securities, Research Division

Given the mix of backlog in Trophy Homes, should we model ASPs declining through 2026?

Jed Dolson
President & COO

I think it's a mix issue more than a backlog -- this is Jed. I think it's a mix issue more than a backlog issue. So like we mentioned, we're seeing very strong demand at the entry level. If that becomes a bigger percentage of our sales, then the ASP would go down.

Alexander John Rygiel
Texas Capital Securities, Research Division

And how do sales of the Houston market affect ASPs?

Jed Dolson
President & COO

They're going to be -- Houston will continue to bring ASP down. When you look at the -- Zonda put out the biggest markets based on Q1 starts and DFW is the largest, Alex, and Houston was the second, and there

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was a huge drop-off to Phoenix, which was third. In Dallas, we're the third biggest by units. And we think we'll probably end up being the second biggest this year by revenue, trailing only D.R. Horton.

So those are really big markets, but to have really big markets, you need very affordable housing. So the ASP in Houston will be lower than the Dallas. But those are 2 very strong markets that we're going to continue to grow our market share in Dallas, and we're excited about the early success in Houston, and we look forward to being able to, in the near future, be a more dominant player there.

Alexander John Rygiel
Texas Capital Securities, Research Division

And then as it relates to your comments about April being sort of in line with March, is that typical historically?

Jed Dolson
President & COO

Yes. We've gone and looked at a lot of historical trends recently. And there's -- so much of it correlates with what interest rates were for every April versus every March going forward, but going backwards. But for the most part, yes, what we typically see is April is just a little bit weaker than March and then May is because of graduations and so forth and the beginning of summer, the spring season really kind of concludes in May and then you enter the summer season.

Operator

Your next question comes from Rohit Seth with B. Riley Securities. Your line is open. Rohit, perhaps

Rohit Seth
B. Riley Securities, Inc., Research Division

Just on sales pace, you had a good turnout in the first quarter. It looks like you have some levers with your strong margins. Do you think you can maintain sort of the sales pace that you had in the prior year from 2Q to Q4 kind of averaged about 3 homes per month.

Jeffery D. Cox
CFO & Principal Accounting Officer

Yes. Seth, this is Jeff. I think that's very doable. When we look at the historical trends that Jed mentioned earlier, we were about 2.97 last year in Q2 and 2.91 in Q3. When we look at how we performed this quarter compared to last year, we're down a little bit. But keep in mind, we did have that weather event that Jim referenced earlier in his remarks. So we tend to be trending generally with the same pace as last year.

Rohit Seth
B. Riley Securities, Inc., Research Division

Okay. And can you remind me the spread between Trophy Homes? I know there's a faster sales pace there in the rest of the book.

James R. Brickman
Co-Founder, CEO & Director

So Trophy was 51%, 52% of our sales in Q1, and we expect them to continue to increase that pace as we continue to grow the brand and expand in Houston and Austin. 75%, I believe, of our lots owned and controlled are allocated towards Trophy. So that will continue to increase over time.

Rohit Seth
B. Riley Securities, Inc., Research Division

Is Trophy moving something like 5 units a month, something like that?

Jed Dolson

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President & COO

It's really neighborhood dependent. I mean I'll answer it this way. We have some communities that have 2 different lot sizes, where in Q1, we averaged 20 sales a month. So that was as defined by community count, that would be 10 sales. And then we had others where we averaged 3 or 4. So we can pull some better data for you for our next call on that.

James R. Brickman
Co-Founder, CEO & Director

Yes. Some of our communities that are particularly in the last phases where we've had success and phasing out, we are melting margin intentionally and maintaining slower sales pace.

Rohit Seth
B. Riley Securities, Inc., Research Division

Okay. Is there maybe a margin floor where you guys are not willing to breach?

James R. Brickman
Co-Founder, CEO & Director

No, we don't look at it that way really. We look at -- basically, we're always modeling internal rate of return on sales pace and price. So it's a little bit more complex than that because we also want to get our capital returned on our lots and looking at that redeployment of that capital. So it's a little more complicated than just saying we will sell houses based upon margin. It's the sales pace that comes with the margin and the capital that comes in from that lot sale into the calculus.

Jeffery D. Cox
CFO & Principal Accounting Officer

But obviously, when we're reporting 28.9% gross margins, and we have peers that are reporting 15%, 16%, we feel excited about the coming months, and we feel excited about our ability to adjust prices as needed.

Operator

This concludes the question-and-answer session. I will turn the call to Jim Brickman for closing remarks.

James R. Brickman
Co-Founder, CEO & Director

Well, thank you, everybody, for attending our call. We're always delighted to have anybody call Jeff, Jed or myself with follow-up questions and really would encourage you to do that, and we can get into a little bit more detail about some of the master planned communities we're really excited about. Thank you for the call.

Operator
This concludes today's conference call. Thank you for joining. You may now disconnect.

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