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By John Gittelsohn

June 27 (Bloomberg) -- Lennar Corp., the third-largest U.S. homebuilder by revenue, rose to a one-month high after a tax benefit and improving demand fueled a surge in its fiscal second-quarter profit.

Net income for the three months through May rose to \$452.7 million, or \$2.06 a share, from \$13.8 million, or 7 cents, a year earlier, the Miami-based company said today in a statement. The results included \$403 million from the partial reversal of deferred tax assets tied to losses during the housing crash.

Earnings excluding the gain were 21 cents a share, beating the 16-cent average estimate of 20 analysts in a Bloomberg survey.

"Lennar's quarterly performance was impressive and provides further evidence that the U.S. housing market is, in fact, in recovery mode," Vincent Foley and Cedric Morris, analysts at Barclays Plc in New York, wrote in a note today.

Purchases of U.S. new homes have begun to rebound as low mortgage rates help attract buyers amid a limited supply of existing properties. New houses sold at an annual pace of 369,000 in May, up 7.6 percent from the previous month and the highest rate since April 2010, when buyers rushed to take advantage of federal tax credits designed to stimulate the market, data from the Commerce Department show.

'Slow Recovery'

"Evidence from the field suggests that the 'for sale' housing market has, in fact, bottomed and that we have commenced a slow and steady recovery process," Chief Executive Officer Stuart Miller said in the statement.

Lennar gained 7.4 percent to \$29.41 at 10:12 a.m. in New York. It earlier rose as much as 7.5 percent to the highest level in intraday trading since May 17. The shares increased 39 percent this year through yesterday, compared with a 37 percent advance for the 11-member Standard & Poor's 1500 Homebuilding Index.

Revenue for the quarter climbed to \$930.2 million from \$764.5 million a year earlier. Orders rose to 4,481 homes from 3,204 a year earlier and the cancellation rate was 16 percent. The company's backlog, an indication of future sales, jumped 61 percent to 3,970 from a year earlier. The average sales price of homes delivered increased to \$250,000 from \$245,000 in the same period last year.

Lennar is the first publicly traded builder to reverse some of its deferred tax assets, which auditors advised companies to write down after losses soared in 2007 when home sales plummeted, Megan McGrath, an analyst with MKM Partners LLC, said before the report.

'Continued Profitability'

The reversal reflects "the expectation of continued profitability, as well as the improved housing market," Miller said in the statement.

Lennar, which has reported a profit in every period since the second quarter of 2010, trades distressed real estate and notes through its Rialto Investments unit to supplement its homebuilding revenue.

Rialto had operating earnings of \$4.3 million in the second quarter, down from \$9.8 million a year earlier. The unit's revenue fell to \$33.5 million from \$42.6 million.

In another sign of a strengthening housing market, contracts to buy existing homes rose 5.9 percent in May from the previous month, matching a two-year high reached in March, the National Association of Realtors reported today. A shrinking supply will spur demand for more new houses, Lawrence Yun, the association's chief economist, said in a statement from Washington.

"If housing starts do not rise in a meaningful way over the next two years due to the difficulty in getting construction loans, and barring an unexpected shift in the economy, the steady shedding of inventory could lead to shortages where home prices could get bid up close to 10 percent in 2013," Yun said.

(Lennar will hold a conference call at 11 a.m. New York time. See LEN US <Equity> EVT <GO>.)

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