

Market Update: Berkshire Hathaway Acquires Taylor Morrison

On Sunday, Berkshire Hathaway announced an agreement to acquire Taylor Morrison for about \$8.5 billion in cash, taking the builder private. Taylor Morrison will continue operating under its existing management team, including CEO Sheryl Palmer. The deal is expected to close in the second half of this year, subject to shareholder and regulatory approval. Combined with the site-built builders already owned by Berkshire's Clayton subsidiary, this would make Berkshire the fourth-largest site-built homebuilder in the country.

Builder Advisor Group has sold Clayton four homebuilders over the past eight years and stays in active dialogue with Berkshire's homebuilding leadership. Berkshire first entered the U.S. housing sector in 2003 with the acquisition of Clayton Homes. Clayton has grown into the dominant force in manufactured and modular housing, accounting for nearly half of the annual home production in that sector. Over the years, they have acquired a number of site-built homebuilding companies that deliver roughly 10,000 homes annually. Berkshire's focus has been integration: bringing the Clayton site-built acquisitions onto one operating platform.

The question that always loomed was: given the size of Berkshire's balance sheet and their conviction in the U.S. economy, why was their investment in residential housing so small? For sale housing is the largest real estate asset class in the US economy and Berkshire had a relatively modest allocation to the site-built segment, which represents the vast majority of new home production in this country.

With the acquisition of Taylor Morrison, the first major deal with Greg Abel at the helm, they are meaningfully increasing that investment. Taylor Morrison will add another 12,000 home deliveries to the Berkshire homebuilding enterprise. It will be interesting to see what consolidation and integration looks like across the Clayton site-built subsidiaries. Abel noted the potential to combine operations over time, unlocking synergies that would continue to propel the business into a national homebuilder. We believe Taylor Morrison could be the piece that will drive the synergies and scale that Berkshire expects.

There's a larger signal here for anyone watching housing headlines. We believe a buyer as patient and disciplined as Berkshire does not commit \$8.5 billion of cash to site-built homebuilding unless it expects demand to hold well beyond the next few quarters. Berkshire tied the deal to its long-term commitment to housing, and we read it the same way. The price softness and affordability stories of the past two years mostly reflect normalization off the 2021 to 2022 spike, when COVID pulled housing activity well above trend. Underneath that is a structural supply and demand imbalance. The country has underbuilt for years against household formation, and that shortage is what supports demand over a full cycle.

What does this mean for the industry and what should homebuilders and developers be thinking about? Taylor Morrison already buys finished lots from several of our borrowers. We expect the company to acquire lots more aggressively once it sits inside Berkshire. This deal is another chapter in an ongoing wave of consolidation in the sector. Buyer demand for well-run homebuilding platforms remains very strong. We are actively working with buyers and investors looking to grow through acquisition by backing established operators, expanding into new geographies, diversifying product offerings, or adding community count. BAG is currently representing several private companies on the sale of their businesses. Private builders who have built strong businesses have more options today than they have had in years.

As always, if you would like to have a confidential discussion about your business, please reach out to us at inquiries@builderadvisorgroup.com.