UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended September 30, 2020

or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from ______ to ______

Commission File Number 1-35796

TRI Pointe Group, Inc.

(Exact Name of Registrant as Specified in Its Charter)

Delaware	**61-1763235**
(State or other Jurisdiction of Incorporation or Organization)	**(I.R.S. Employer Identification No.)**

19540 Jamboree Road, Suite 300
Irvine, California 92612
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code (949) 438-1400

Not Applicable
(Former name, former address and former fiscal year, if changed since last report)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value $0.01 per share	TPH	New York Stock Exchange

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

126,825,194 shares of the registrant's common stock were issued and outstanding as of October 12, 2020.

EXPLANATORY NOTE

As used in this Quarterly Report on Form 10-Q, references to "TRI Pointe", the "Company", "we", "us", or "our" (including in the consolidated financial statements and related notes thereto in this report) refer to TRI Pointe Group, Inc., a Delaware corporation ("TRI Pointe Group") and its consolidated subsidiaries.

TRI POINTE GROUP, INC.
QUARTERLY REPORT ON FORM 10-Q
INDEX
September 30, 2020

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

TRI POINTE GROUP, INC.
CONSOLIDATED BALANCE SHEETS
(in thousands, except share and per share amounts)

	September 30, 2020 (unaudited)	December 31, 2019
Assets		
Cash and cash equivalents	$ 493,585	$ 329,011
Receivables	73,419	69,276
Real estate inventories	2,989,377	3,065,436
Investments in unconsolidated entities	36,880	11,745
Goodwill and other intangible assets, net	159,492	159,893
Deferred tax assets, net	30,752	49,904
Other assets	174,060	173,425
Total assets	$ 3,957,565	$ 3,858,690
Liabilities		
Accounts payable	$ 94,064	$ 66,120
Accrued expenses and other liabilities	332,147	322,043
Loans payable	250,000	250,000
Senior notes, net	1,083,254	1,033,985
Total liabilities	1,759,465	1,672,148
Commitments and contingencies (Note 13)		
Equity		
Stockholders' equity:		
Preferred stock, $0.01 par value, 50,000,000 shares authorized; no shares issued and outstanding as of September 30, 2020 and December 31, 2019, respectively	—	—
Common stock, $0.01 par value, 500,000,000 shares authorized; 126,825,194 and 136,149,633 shares issued and outstanding at September 30, 2020 and December 31, 2019, respectively	1,268	1,361
Additional paid-in capital	425,753	581,195
Retained earnings	1,771,067	1,603,974
Total stockholders' equity	2,198,088	2,186,530
Noncontrolling interests	12	12
Total equity	2,198,100	2,186,542
Total liabilities and equity	$ 3,957,565	$ 3,858,690

See accompanying condensed notes to the unaudited consolidated financial statements.

TRI POINTE GROUP, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(unaudited)
(in thousands, except share and per share amounts)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Homebuilding:				
Home sales revenue	$ 826,036	$ 746,269	$ 2,187,816	$ 1,931,110
Land and lot sales revenue	3,242	607	3,462	6,819
Other operations revenue	634	618	1,900	1,853
Total revenues	829,912	747,494	2,193,178	1,939,782
Cost of home sales	643,456	577,627	1,717,772	1,573,847
Cost of land and lot sales	3,214	495	3,790	7,552
Other operations expense	624	609	1,872	1,826
Sales and marketing	44,714	47,834	132,545	133,888
General and administrative	36,323	38,751	113,714	114,202
Restructuring charges	54	—	5,603	—
Homebuilding income from operations	101,527	82,178	217,882	108,467
Equity in loss of unconsolidated entities	106	18	67	(33)
Other (expense) income, net	(3,120)	325	(9,075)	6,719
Homebuilding income before income taxes	98,513	82,521	208,874	115,153
Financial Services:				
Revenues	2,552	901	6,442	1,959
Expenses	1,334	817	3,698	1,765
Equity in income of unconsolidated entities	3,273	2,114	7,761	4,861
Financial services income before income taxes	4,491	2,198	10,505	5,055
Income before income taxes	103,004	84,719	219,379	120,208
Provision for income taxes	(24,322)	(21,858)	(52,286)	(31,014)
Net income	$ 78,682	$ 62,861	$ 167,093	$ 89,194
Earnings per share				
Basic	$ 0.61	$ 0.45	$ 1.27	$ 0.63
Diluted	$ 0.61	$ 0.44	$ 1.27	$ 0.63
Weighted average shares outstanding				
Basic	128,941,901	141,088,381	131,190,301	141,729,759
Diluted	129,515,114	141,533,546	131,672,652	142,128,786

See accompanying condensed notes to the unaudited consolidated financial statements.

TRI POINTE GROUP, INC.
CONSOLIDATED STATEMENTS OF EQUITY
(unaudited)
(in thousands, except share amounts)

	Number of Shares of Common Stock (Note 1)	Common Stock	Additional Paid-in Capital	Retained Earnings	Total Stockholders' Equity	Noncontrolling Interests	Total Equity
Balance at June 30, 2020	130,325,865	$ 1,303	$ 482,111	$ 1,692,385	$ 2,175,799	$ 12	$ 2,175,811
Net income	—	—	—	78,682	78,682	—	78,682
Shares issued under share-based awards	162,067	1	2,190	—	2,191	—	2,191
Stock-based compensation expense	—	—	3,477	—	3,477	—	3,477
Share repurchases	(3,662,738)	(36)	(62,025)	—	(62,061)	—	(62,061)
Balance at September 30, 2020	126,825,194	$ 1,268	$ 425,753	$ 1,771,067	$ 2,198,088	$ 12	$ 2,198,100

	Number of Shares of Common Stock (Note 1)	Common Stock	Additional Paid-in Capital	Retained Earnings	Total Stockholders' Equity	Noncontrolling Interests	Total Equity
Balance at December 31, 2019	136,149,633	$ 1,361	$ 581,195	$ 1,603,974	$ 2,186,530	$ 12	$ 2,186,542
Net income	—	—	—	167,093	167,093	—	167,093
Shares issued under share-based awards	896,622	9	3,103	—	3,112	—	3,112
Minimum tax withholding paid on behalf of employees for restricted stock units	—	—	(5,473)	—	(5,473)	—	(5,473)
Stock-based compensation expense	—	—	10,888	—	10,888	—	10,888
Share repurchases	(10,221,061)	(102)	(163,960)	—	(164,062)	—	(164,062)
Balance at September 30, 2020	126,825,194	$ 1,268	$ 425,753	$ 1,771,067	$ 2,198,088	$ 12	$ 2,198,100

	Number of Shares of Common Stock (Note 1)	Common Stock	Additional Paid-in Capital	Retained Earnings	Total Stockholders' Equity	Noncontrolling Interests	Total Equity
Balance at June 30, 2019	142,258,663	$ 1,423	$ 662,087	$ 1,423,120	$ 2,086,630	$ 13	$ 2,086,643
Net income	—	—	—	62,861	62,861	—	62,861
Shares issued under share-based awards	14,454	—	101	—	101	—	101
Stock-based compensation expense	—	—	3,828	—	3,828	—	3,828
Share repurchases	(3,035,420)	(31)	(41,704)	—	(41,735)	—	(41,735)
Balance at September 30, 2019	139,237,697	$ 1,392	$ 624,312	$ 1,485,981	$ 2,111,685	$ 13	$ 2,111,698

	Number of Shares of Common Stock (Note 1)	Common Stock	Additional Paid-in Capital	Retained Earnings	Total Stockholders' Equity	Noncontrolling Interests	Total Equity
Balance at December 31, 2018	141,661,713	$ 1,417	$ 658,720	$ 1,396,787	$ 2,056,924	$ 13	$ 2,056,937
Net income	—	—	—	89,194	89,194	—	89,194
Shares issued under share-based awards	611,404	6	294	—	300	—	300
Minimum tax withholding paid on behalf of employees for restricted stock units	—	—	(3,612)	—	(3,612)	—	(3,612)
Stock-based compensation expense		—	10,614		10,614		10,614
Share repurchases	(3,035,420)	(31)	(41,704)	—	(41,735)	—	(41,735)
Balance at September 30, 2019	139,237,697	$ 1,392	$ 624,312	$ 1,485,981	$ 2,111,685	$ 13	$ 2,111,698

See accompanying condensed notes to the unaudited consolidated financial statements.

TRI POINTE GROUP, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited)
(in thousands)

	Nine Months Ended September 30,	
	2020	2019
Cash flows from operating activities:		
Net income	$ 167,093	$ 89,194
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	19,196	18,357
Equity in income of unconsolidated entities, net	(7,828)	(4,828)
Deferred income taxes, net	19,152	10,493
Amortization of stock-based compensation	10,888	10,614
Charges for impairments and lot option abandonments	2,044	6,519
Changes in assets and liabilities:		
Real estate inventories	78,025	(142,599)
Receivables	(4,134)	(18,915)
Other assets	(6,191)	(9,086)
Accounts payable	27,944	(34)
Accrued expenses and other liabilities	12,667	(60,239)
Returns on investments in unconsolidated entities, net	9,035	6,215
Loss on extinguishment of debt	10,243	—
Net cash provided by (used in) operating activities	338,134	(94,309)
Cash flows from investing activities:		
Purchases of property and equipment	(16,782)	(22,392)
Proceeds from sale of property and equipment	26	46
Investments in unconsolidated entities	(26,822)	(712)
Net cash used in investing activities	(43,578)	(23,058)
Cash flows from financing activities:		
Borrowings from debt	850,000	400,000
Repayment of debt	(808,791)	(381,895)
Debt issuance costs	(4,768)	(3,125)
Proceeds from issuance of common stock under share-based awards	3,112	300
Minimum tax withholding paid on behalf of employees for share-based awards	(5,473)	(3,612)
Share repurchases	(164,062)	(41,735)
Net cash used in financing activities	(129,982)	(30,067)
Net increase (decrease) in cash and cash equivalents	164,574	(147,434)
Cash and cash equivalents–beginning of period	329,011	277,696
Cash and cash equivalents–end of period	$ 493,585	$ 130,262

See accompanying condensed notes to the unaudited consolidated financial statements.

TRI POINTE GROUP, INC.
CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

1. Organization, Basis of Presentation and Summary of Significant Accounting Policies

Organization

TRI Pointe is engaged in the design, construction and sale of innovative single-family attached and detached homes through its portfolio of six quality brands across ten states, including Maracay in Arizona, Pardee Homes in California and Nevada, Quadrant Homes in Washington, Trendmaker Homes in Texas, TRI Pointe Homes in California, Colorado and the Carolinas and Winchester Homes in Maryland and Virginia.

Basis of Presentation

The accompanying financial statements have been prepared in accordance with U.S. generally accepted accounting principles ("GAAP"), as contained within the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC"), for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. They should be read in conjunction with our consolidated financial statements and footnotes thereto included in our Annual Report on Form 10-K for the year ended December 31, 2019. In the opinion of management, all adjustments consisting of normal recurring adjustments, necessary for a fair presentation with respect to interim financial statements, have been included. The results for the three and nine months ended September 30, 2020 are not necessarily indicative of the results to be expected for the full year ending December 31, 2020 due to seasonal variations and other factors, such as the effects of the novel coronavirus ("COVID-19") and its potential impacts on our future results.

The consolidated financial statements include the accounts of TRI Pointe Group and its wholly owned subsidiaries, as well as other entities in which TRI Pointe Group has a controlling interest and variable interest entities ("VIEs") in which TRI Pointe Group is the primary beneficiary. The noncontrolling interests as of September 30, 2020 and December 31, 2019 represent the outside owners' interests in the Company's consolidated entities. All significant intercompany accounts have been eliminated upon consolidation.

Use of Estimates

Our financial statements have been prepared in accordance with GAAP. The preparation of these financial statements requires our management to make estimates and judgments that affect the reported amounts of assets and liabilities and the disclosures of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from our estimates.

Revenue Recognition

We recognize revenue in accordance with Accounting Standards Topic 606 ("ASC 606"), *Revenue from Contracts with Customers*. Under ASC 606, we apply the following steps to determine the timing and amount of revenue to recognize: (i) identify the contract(s) with a customer; (ii) identify the performance obligations in the contract; (iii) determine the transaction price; (iv) allocate the transaction price to the performance obligations in the contract; and (v) recognize revenue when (or as) the Company satisfies a performance obligation.

Home sales revenue

We generate the majority of our total revenues from home sales, which consists of our core business operation of building and delivering completed homes to homebuyers. Home sales revenue and related profit is generally recognized when title to and possession of the home is transferred to the homebuyer at the home closing date. Our performance obligation to deliver the agreed-upon home is generally satisfied in less than one year from the original contract date. Included in home sales revenue are forfeited deposits, which occur when homebuyers cancel home purchase contracts that include a nonrefundable deposit. Both revenue from forfeited deposits and deferred revenue resulting from uncompleted performance obligations existing at the time we deliver new homes to our homebuyers are immaterial.

Land and lot sales revenue

Historically, we have generated land and lot sales revenue from a small number of transactions, although in some years we have realized a significant amount of revenue and gross margin. We do not expect our future land and lot sales revenue to be material, but we still consider these sales to be an ordinary part of our business, thus meeting the definition of contracts with customers. Similar to our home sales, revenue from land and lot sales is typically fully recognized when the land and lot sales transactions are consummated, at which time no further performance obligations are left to be satisfied. Some of our historical land and lot sales have included future profit participation rights. We will recognize future land and lot sales revenue in the periods in which all closing conditions are met, subject to the constraint on variable consideration related to profit participation rights, if such rights exist in the sales contract.

Other operations revenue

The majority of our homebuilding other operations revenue relates to a ground lease at our Quadrant Homes reporting segment. We are responsible for making lease payments to the landowner, and we collect sublease payments from the buyers of the buildings. This ground lease is accounted for in accordance with ASC Topic 842, *Leases*. We do not recognize a material profit on this ground lease.

Financial services revenues

TRI Pointe Solutions is a reportable segment and is comprised of our TRI Pointe Connect mortgage financing operations, TRI Pointe Assurance title and escrow services operations, and TRI Pointe Advantage property and casualty insurance agency operations.

Mortgage financing operations

TRI Pointe Connect was formed as a joint venture with an established mortgage lender and is accounted for under the equity method of accounting. We record a percentage of income earned by TRI Pointe Connect based on our ownership percentage in this joint venture. TRI Pointe Connect activity appears as equity in income of unconsolidated entities under the Financial Services section of our consolidated statements of operations.

Title and escrow services operations

TRI Pointe Assurance provides title examinations for our homebuyers in Austin (Texas), Colorado and Maryland and both title examinations and escrow services for our homebuyers in Arizona, Nevada, Texas and Virginia. TRI Pointe Assurance is a wholly owned subsidiary of TRI Pointe and acts as a title agency for First American Title Insurance Company. Revenue from our title and escrow services operations is fully recognized at the time of the consummation of the home sales transaction, at which time no further performance obligations are left to be satisfied. TRI Pointe Assurance revenue is included in the Financial Services section of our consolidated statements of operations.

Property and casualty insurance agency operations

TRI Pointe Advantage is a wholly owned subsidiary of TRI Pointe and provides property and casualty insurance agency services that help facilitate the closing process in all of the markets in which we operate. The total consideration for these services, including renewal options, is estimated upon the issuance of the initial insurance policy, subject to constraint. TRI Pointe Advantage revenue is included in the Financial Services section of our consolidated statements of operations.

Restructuring Charges

In May 2020, due to the existing and anticipated future impact of the COVID-19 pandemic on our business, we implemented a workforce reduction plan. As a result of the workforce reduction plan, we incurred $54,000 and $5.6 million of pre-tax restructuring charges consisting of severance and related costs for the three and nine months ended September 30, 2020, respectively.

Recently Issued Accounting Standards Not Yet Adopted

In December 2019, the FASB issued Accounting Standards Update (“ASU”) No. 2019-12, Income Taxes (Topic 740): *Simplifying the Accounting for Income Taxes* (“ASU 2019-12”), which is intended to simplify various aspects related to accounting for income taxes. ASU 2019-12 removes certain exceptions to the general principles in Topic 740 and also clarifies and amends existing guidance to improve consistent application. ASU 2019-12 is effective for the Company beginning after December 15, 2020. We do not expect the adoption of ASU 2019-12 to have a material impact on our consolidated financial statements.

Adoption of New Accounting Standards

In January 2017, the FASB issued ASU No. 2017-04, *Intangibles–Goodwill and Other (Topic 350): Simplifying the Accounting for Goodwill Impairment* ("ASU 2017-04"), which removes the requirement to perform a hypothetical purchase price allocation to measure goodwill impairment. A goodwill impairment will now be the amount by which a reporting unit's carrying value exceeds its fair value, not to exceed the carrying amount of goodwill. ASU 2017-04 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2019. We adopted ASU 2017-04 on January 1, 2020 and our adoption did not have a material impact on our consolidated financial statements.

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments–Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* ("ASU 2016-13"), which replaces the incurred loss impairment methodology with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to estimate credit losses for financial instruments, including receivables from community facilities districts or similar municipalities. ASU 2016-13 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2019. We adopted ASU 2016-13 on January 1, 2020 and our adoption did not have a material impact on our consolidated financial statements.

2. Segment Information

We operate two principal businesses: homebuilding and financial services.

Our homebuilding operations consist of six homebuilding brands that acquire and develop land and construct and sell single-family detached and attached homes. In accordance with ASC Topic 280, *Segment Reporting*, in determining the most appropriate reportable segments, we considered similar economic and other characteristics, including product types, average selling prices, gross profits, production processes, suppliers, subcontractors, regulatory environments, land acquisition results, and underlying demand and supply. Based upon these factors, our homebuilding operations are comprised of the following six reportable segments: Maracay, consisting of operations in Arizona; Pardee Homes, consisting of operations in California and Nevada; Quadrant Homes, consisting of operations in Washington; Trendmaker Homes, consisting of operations in Texas; TRI Pointe Homes, consisting of operations in California and Colorado, as well as early stage operations in the Carolinas; and Winchester Homes, consisting of operations in Maryland and Virginia.

Our TRI Pointe Solutions financial services operation is a reportable segment and is comprised of our TRI Pointe Connect mortgage financing operations, our TRI Pointe Assurance title and escrow services operations, and our TRI Pointe Advantage property and casualty insurance agency operations. For further details, see Note 1, *Organization, Basis of Presentation and Summary of Significant Accounting Policies.*

Corporate is a non-operating segment that develops and implements company-wide strategic initiatives and provides support to our homebuilding reporting segments by centralizing certain administrative functions, such as marketing, legal, accounting, treasury, insurance, internal audit and risk management, information technology and human resources, to benefit from economies of scale. Our Corporate non-operating segment also includes general and administrative expenses related to operating our corporate headquarters. A portion of the expenses incurred by Corporate is allocated to the homebuilding reporting segments.

The reportable segments follow the same accounting policies used for our consolidated financial statements, as described in Note 1, *Organization, Basis of Presentation and Summary of Significant Accounting Policies*. Operational results of each reportable segment are not necessarily indicative of the results that would have been achieved had the reportable segment been an independent, stand-alone entity during the periods presented.

Total revenues and income before income taxes for each of our reportable segments were as follows (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Revenues				
Maracay	$ 95,109	$ 70,860	$ 253,535	$ 166,074
Pardee Homes	253,199	321,922	673,883	651,484
Quadrant Homes	72,951	49,875	154,323	164,812
Trendmaker Homes	106,955	103,428	324,332	296,212
TRI Pointe Homes	202,648	154,737	567,792	519,280
Winchester Homes	99,050	46,672	219,313	141,920
Total homebuilding revenues	829,912	747,494	2,193,178	1,939,782
Financial services	2,552	901	6,442	1,959
Total	$ 832,464	$ 748,395	$ 2,199,620	$ 1,941,741
Income (loss) before income taxes				
Maracay	$ 11,535	$ 6,179	$ 24,139	$ 10,355
Pardee Homes	54,784	73,790	137,243	87,734
Quadrant Homes	8,477	1,600	13,420	4,154
Trendmaker Homes	10,055	5,578	25,364	10,888
TRI Pointe Homes	20,682	7,245	40,783	29,734
Winchester Homes	8,811	(71)	14,527	1,718
Corporate	(15,831)	(11,800)	(46,602)	(29,430)
Total homebuilding income before income taxes	98,513	82,521	208,874	115,153
Financial services	4,491	2,198	10,505	5,055
Total	$ 103,004	$ 84,719	$ 219,379	$ 120,208

Total real estate inventories and total assets for each of our reportable segments, as of the date indicated, were as follows (in thousands):

	September 30, 2020	December 31, 2019
Real estate inventories		
Maracay	$ 356,763	$ 338,259
Pardee Homes	1,166,332	1,218,384
Quadrant Homes	255,773	264,437
Trendmaker Homes	250,605	268,759
TRI Pointe Homes	753,948	737,662
Winchester Homes	205,956	237,935
Total	$ 2,989,377	$ 3,065,436
Total assets		
Maracay	$ 372,977	$ 382,262
Pardee Homes	1,237,628	1,300,047
Quadrant Homes	300,923	331,187
Trendmaker Homes	292,510	353,610
TRI Pointe Homes	937,887	930,348
Winchester Homes	256,266	291,456
Corporate	522,298	241,357
Total homebuilding assets	3,920,489	3,830,267
Financial services	37,076	28,423
Total	$ 3,957,565	$ 3,858,690

3. Earnings Per Share

The following table sets forth the components used in the computation of basic and diluted earnings per share (in thousands, except share and per share amounts):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Numerator:				
Net income	$ 78,682	$ 62,861	$ 167,093	$ 89,194
Denominator:				
Basic weighted-average shares outstanding	128,941,901	141,088,381	131,190,301	141,729,759
Effect of dilutive shares:				
Stock options and unvested restricted stock units	573,213	445,165	482,351	399,027
Diluted weighted-average shares outstanding	129,515,114	141,533,546	131,672,652	142,128,786
Earnings per share				
Basic	$ 0.61	$ 0.45	$ 1.27	$ 0.63
Diluted	$ 0.61	$ 0.44	$ 1.27	$ 0.63
Antidilutive stock options and unvested restricted stock units not included in diluted earnings per share	1,666,469	2,459,868	2,550,475	2,916,252

4. Receivables

Receivables consisted of the following (in thousands):

	September 30, 2020	December 31, 2019
Escrow proceeds and other accounts receivable, net	$ 34,597	$ 29,282
Warranty insurance receivable (Note 13)	38,822	39,994
Total receivables	$ 73,419	$ 69,276

Receivables are evaluated for collectability and allowances for potential losses are established or maintained on applicable receivables when collection becomes doubtful. Receivables were net of allowances for doubtful accounts of $367,000 and $426,000 as of September 30, 2020 and December 31, 2019, respectively.

5. Real Estate Inventories

Real estate inventories consisted of the following (in thousands):

	September 30, 2020	December 31, 2019
Real estate inventories owned:		
Homes completed or under construction	$ 1,069,640	$ 951,974
Land under development	1,401,858	1,641,354
Land held for future development	152,633	122,847
Model homes	274,539	275,204
Total real estate inventories owned	2,898,670	2,991,379
Real estate inventories not owned:		
Land purchase and land option deposits	90,707	74,057
Total real estate inventories not owned	90,707	74,057
Total real estate inventories	$ 2,989,377	$ 3,065,436

Homes completed or under construction is comprised of costs associated with homes in various stages of construction and includes direct construction and related land acquisition and land development costs. Land under development primarily consists of land acquisition and land development costs, which include capitalized interest and real estate taxes, associated with land undergoing improvement activity. Land held for future development principally reflects land acquisition and land development costs related to land where development activity has not yet begun or has been suspended, but is expected to occur in the future. The increase in land held for future development is attributable to two projects located in the Inland Empire in California at our Pardee Homes reporting segment that were transferred from land under development.

Real estate inventories not owned represents deposits related to land purchase and land and lot option agreements, as well as consolidated inventory held by variable interest entities. For further details, see Note 7, *Variable Interest Entities*.

Interest incurred, capitalized and expensed were as follows (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Interest incurred	$ 20,063	$ 22,405	$ 62,670	$ 67,740
Interest capitalized	(20,063)	(22,405)	(62,670)	(67,740)
Interest expensed	$ —	$ —	$ —	$ —
Capitalized interest in beginning inventory	$ 196,335	$ 197,295	$ 192,356	$ 184,400
Interest capitalized as a cost of inventory	20,063	22,405	62,670	67,740
Interest previously capitalized as a cost of inventory, included in cost of sales	(23,538)	(19,234)	(62,166)	(51,674)
Capitalized interest in ending inventory	$ 192,860	$ 200,466	$ 192,860	$ 200,466

Interest is capitalized to real estate inventory during development and other qualifying activities. During all periods presented, we capitalized all interest incurred to real estate inventory in accordance with ASC Topic 835, *Interest,* as our qualified assets exceeded our debt. Interest that is capitalized to real estate inventory is included in cost of home sales or cost of land and lot sales as related units or lots are delivered. Interest that is expensed as incurred is included in other (expense) income, net.

Real Estate Inventory Impairments and Land Option Abandonments

Real estate inventory impairments and land and lot option abandonments and pre-acquisition charges consisted of the following (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Real estate inventory impairments	$ —	$ —	$ —	$ —
Land and lot option abandonments and pre-acquisition charges	315	1,029	2,044	6,519
Total	$ 315	$ 1,029	$ 2,044	$ 6,519

Impairments of real estate inventory relate primarily to projects or communities that include homes completed or under construction. Within a project or community, there may be individual homes or parcels of land that are currently held for sale. Impairment charges recognized as a result of adjusting individual held-for-sale assets within a community to estimated fair value less cost to sell are also included in the total impairment charges.

In addition to owning land and residential lots, we also have option agreements to purchase land and lots at a future date. We have option deposits and capitalized pre-acquisition costs associated with the optioned land and lots. When the economics of a project no longer support acquisition of the land or lots under option, we may elect not to move forward with the acquisition. Option deposits and capitalized pre-acquisition costs associated with the assets under option may be forfeited at that time.

Real estate inventory impairments and land option abandonments are recorded in cost of home sales and cost of land and lot sales on the consolidated statements of operations.

6. Investments in Unconsolidated Entities

As of September 30, 2020, we held equity investments in six active homebuilding partnerships or limited liability companies and one financial services limited liability company. Our participation in these entities may be as a developer, a builder, or an investment partner. Our ownership percentage varies from 7% to 65%, depending on the investment, with no controlling interest held in any of these investments.

Unconsolidated Financial Information

Aggregated assets, liabilities and operating results of the entities we account for as equity-method investments are provided below. Because our ownership interest in these entities varies, a direct relationship does not exist between the information presented below and the amounts that are reflected on our consolidated balance sheets as our investments in unconsolidated entities or on our consolidated statements of operations as equity in income of unconsolidated entities.

Assets and liabilities of unconsolidated entities (in thousands):

	September 30, 2020	December 31, 2019
Assets		
Cash	$ 10,171	$ 8,537
Receivables	2,785	7,393
Real estate inventories	200,357	116,760
Other assets	556	703
Total assets	$ 213,869	$ 133,393
Liabilities and equity		
Accounts payable and other liabilities	$ 40,518	$ 11,009
Company's equity	36,880	11,745
Outside interests' equity	136,471	110,639
Total liabilities and equity	$ 213,869	$ 133,393

Results of operations from unconsolidated entities (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Net sales	$ 8,993	$ 8,617	$ 23,689	$ 19,081
Other operating expense	(4,166)	(5,466)	(12,322)	(11,746)
Other income, net	—	173	(4)	174
Net income	$ 4,827	$ 3,324	$ 11,363	$ 7,509
Company's equity in income of unconsolidated entities	$ 3,379	$ 2,132	$ 7,828	$ 4,828

7. Variable Interest Entities

In the ordinary course of business, we enter into land and lot option agreements in order to procure land and residential lots for future development and the construction of homes. The use of such land and lot option agreements generally allows us to reduce the risks associated with direct land ownership and development, and reduces our capital and financial commitments. Pursuant to these land and lot option agreements, we generally provide a deposit to the seller as consideration for the right to purchase land at different times in the future, usually at predetermined prices. These deposits are recorded as land purchase and land option deposits under real estate inventories not owned on the accompanying consolidated balance sheets.

We analyze each of our land and lot option agreements and other similar contracts under the provisions of ASC 810, *Consolidation* to determine whether the land seller is a VIE and, if so, whether we are the primary beneficiary. Although we do not have legal title to the underlying land, if we are determined to be the primary beneficiary of the VIE, we will consolidate the VIE in our financial statements and reflect its assets as real estate inventory not owned included in our real estate inventories, its liabilities as debt (nonrecourse) held by VIEs in accrued expenses and other liabilities and the net equity of the VIE owners as noncontrolling interests on our consolidated balance sheets. In determining whether we are the primary beneficiary, we consider, among other things, whether we have the power to direct the activities of the VIE that most significantly impact the VIE's economic performance. Such activities would include, among other things, determining or limiting the scope or purpose of the VIE, selling or transferring property owned or controlled by the VIE, or arranging financing for the VIE.

Creditors of the entities with which we have land and lot option agreements have no recourse against us. The maximum exposure to loss under our land and lot option agreements is generally limited to non-refundable option deposits and any capitalized pre-acquisition costs. In some cases, we have also contracted to complete development work at a fixed cost on behalf of the landowner and budget shortfalls and savings will be borne by us. Additionally, we have entered into land banking arrangements which require us to complete development work even if we terminate the option to procure land or lots.

The following provides a summary of our interests in land and lot option agreements (in thousands):

	September 30, 2020			December 31, 2019		
	Deposits	Remaining Purchase Price	Consolidated Inventory Held by VIEs	Deposits	Remaining Purchase Price	Consolidated Inventory Held by VIEs
Consolidated VIEs	$ —	$ —	$ —	$ —	$ —	$ —
Unconsolidated VIEs	49,021	492,628	N/A	42,896	440,974	N/A
Other land option agreements	41,686	409,218	N/A	31,161	358,345	N/A
Total	$ 90,707	$ 901,846	$ —	$ 74,057	$ 799,319	$ —

Unconsolidated VIEs represent land option agreements that were not consolidated because we were not the primary beneficiary. Other land option agreements were not considered VIEs.

In addition to the deposits presented in the table above, our exposure to loss related to our land and lot option contracts consisted of capitalized pre-acquisition costs of $7.7 million and $6.0 million as of September 30, 2020 and December 31, 2019, respectively. These pre-acquisition costs are included in real estate inventories as land under development on our consolidated balance sheets.

8. Goodwill and Other Intangible Assets

As of September 30, 2020 and December 31, 2019, $139.3 million of goodwill is included in goodwill and other intangible assets, net on each of the consolidated balance sheets. The Company’s goodwill balance is included in the TRI Pointe Homes reporting segment in Note 2, *Segment Information*.

We have two intangible assets as of September 30, 2020, comprised of an existing trade name from the acquisition of Maracay in 2006, which has a 20 year useful life, and a TRI Pointe Homes trade name resulting from the acquisition of Weyerhaeuser Real Estate Company in 2014, which has an indefinite useful life.

Goodwill and other intangible assets consisted of the following (in thousands):

	September 30, 2020			December 31, 2019		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Goodwill	$ 139,304	$ —	$ 139,304	$ 139,304	$ —	$ 139,304
Trade names	27,979	(7,791)	20,188	27,979	(7,390)	20,589
Total	$ 167,283	$ (7,791)	$ 159,492	$ 167,283	$ (7,390)	$ 159,893

The net carrying amount of our amortizing intangible asset related to the Maracay trade name was $2.9 million and $3.3 million as of September 30, 2020 and December 31, 2019, respectively. Amortization expense related to this intangible asset was $134,000 for each of the three-month periods ended September 30, 2020 and 2019, respectively, and $401,000 for each of the nine-month periods ended September 30, 2020 and 2019, respectively. Amortization of this intangible was charged to sales and marketing expense. The remaining useful life of the Maracay trade name was 6.2 years as of December 31, 2019.

On October 22, 2020 the Company announced that it would consolidate our homebuilding brands into one unified name, TRI Pointe Homes. As such, we expect the remaining balance of $2.9 million related to the Maracay trade name to be amortized ratably over the next nine months, as our existing communities transition to the unified name by June 30, 2021. Expected amortization related to the Maracay trade name for the three months ending December 31, 2020 is $963,000. Expected amortization related to this intangible asset for the six months ending June 30, 2021 is $1.9 million.

Our $17.3 million indefinite life intangible asset related to the TRI Pointe Homes trade name is not amortizing. All trade names and goodwill are evaluated for impairment on an annual basis or more frequently if indicators of impairment exist.

9. Other Assets

Other assets consisted of the following (in thousands):

	September 30, 2020	December 31, 2019
Prepaid expenses	$ 19,225	$ 24,070
Refundable fees and other deposits	30,121	30,242
Development rights, held for future use or sale	1,702	2,213
Deferred loan costs—loans payable	3,391	4,345
Operating properties and equipment, net	55,809	57,803
Lease right-of-use assets	48,384	50,947
Income tax receivable	12,193	—
Other	3,235	3,805
Total	$ 174,060	$ 173,425

10. Accrued Expenses and Other Liabilities

Accrued expenses and other liabilities consisted of the following (in thousands):

	September 30, 2020	December 31, 2019
Accrued payroll and related costs	$ 30,477	$ 42,798
Warranty reserves (Note 13)	81,867	76,607
Estimated cost for completion of real estate inventories	78,739	90,899
Customer deposits	38,802	20,390
Income tax liability to Weyerhaeuser	346	346
Accrued income taxes payable	5,458	1,530
Liability for uncertain tax positions (Note 15)	486	486
Accrued interest	20,248	11,952
Other tax liability	8,479	8,448
Lease liabilities	53,045	56,125
Other	14,200	12,462
Total	$ 332,147	$ 322,043

11. Senior Notes and Loans Payable

Senior Notes

The Company’s outstanding senior notes (together, the “Senior Notes”) consisted of the following (in thousands):

	September 30, 2020	December 31, 2019
4.875% Senior Notes due July 1, 2021	$ —	$ 300,000
5.875% Senior Notes due June 15, 2024	450,000	450,000
5.250% Senior Notes due June 1, 2027	300,000	300,000
5.700% Senior Notes due June 15, 2028	350,000	—
Discount and deferred loan costs	(16,746)	(16,015)
Total	$ 1,083,254	$ 1,033,985

In June 2020, TRI Pointe Group issued $350 million aggregate principal amount of 5.700% Senior Notes due 2028 (the “2028 Notes”) at 100.00% of their aggregate principal amount. Net proceeds of this issuance were $345.2 million, after debt issuance costs and discounts. The 2028 Notes mature on June 15, 2028 and interest is paid semiannually in arrears on June 15 and December 15.

In June 2017, TRI Pointe Group issued $300 million aggregate principal amount of 5.250% Senior Notes due 2027 (the "2027 Notes") at 100.00% of their aggregate principal amount. Net proceeds of this issuance were $296.3 million, after debt issuance costs and discounts. The 2027 Notes mature on June 1, 2027 and interest is paid semiannually in arrears on June 1 and December 1.

In May 2016, TRI Pointe Group issued $300 million aggregate principal amount of 4.875% Senior Notes due 2021 (the "2021 Notes") at 99.44% of their aggregate principal amount. Net proceeds of this issuance were $293.9 million, after debt issuance costs and discounts. The 2021 Notes were scheduled to mature on July 1, 2021 and interest was paid semiannually in arrears on January 1 and July 1. On June 3, 2020, the Company commenced a cash tender offer for any and all of the outstanding 2021 Notes at a price of $1,025 per $1,000 principal amount of 2021 Notes tendered before the expiration of the tender offer. The principal amount of 2021 Notes tendered was $216.3 million, or 72% of the outstanding principal amount, after which $83.7 million principal amount of 2021 Notes remained outstanding as of June 30, 2020. The remaining outstanding principal amount of $83.7 million was fully paid in July 2020 in connection with the redemption of the remaining 2021 Notes.

TRI Pointe Group and its wholly owned subsidiary TRI Pointe Homes, Inc. ("TRI Pointe Homes") are co-issuers of the $450 million aggregate principal amount 5.875% Senior Notes due 2024 (the "2024 Notes"). The 2024 Notes were issued at 98.15% of their aggregate principal amount. The net proceeds from the offering of the 2024 Notes was $429.0 million, after debt issuance costs and discounts. The 2024 Notes mature on June 15, 2024, with interest payable semiannually in arrears on June 15 and December 15.

As of September 30, 2020, there were $13.0 million of capitalized debt financing costs, included in senior notes, net on our consolidated balance sheet, related to the Senior Notes that will amortize over the lives of the Senior Notes. Accrued interest related to the Senior Notes was $19.1 million and $9.8 million as of September 30, 2020 and December 31, 2019, respectively.

Loans Payable

The Company's outstanding loans payable consisted of the following (in thousands):

	September 30, 2020	December 31, 2019
Term loan facility	$ 250,000	$ 250,000
Total	$ 250,000	$ 250,000

On March 29, 2019, the Company entered into a Second Amended and Restated Credit Agreement (the "Credit Agreement"), which amended and restated the Company's Amended and Restated Credit Agreement, dated as of July 7, 2015. The Credit Facility (as defined below), which matures on March 29, 2023, consists of a $600 million revolving credit facility (the "Revolving Facility") and a $250 million term loan facility (the "Term Facility" and together with the Revolving Facility, the "Credit Facility"). The Term Facility includes a 90-day delayed draw provision that allowed the Company to draw the full $250 million from the Term Facility in June 2019 in connection with the maturity of the 4.375% Senior Notes that matured on June 15, 2019. The Company may increase the Credit Facility to not more than $1 billion in the aggregate, at its request, upon satisfaction of specified conditions. The Revolving Facility contains a sublimit of $75 million for letters of credit. The Company may borrow under the Revolving Facility in the ordinary course of business to repay senior notes and fund its operations, including its land acquisition, land development and homebuilding activities. Borrowings under the Revolving Facility will be governed by, among other things, a borrowing base. Interest rates on borrowings under the Revolving Facility will be based on either a daily Eurocurrency base rate or a Eurocurrency rate, in either case, plus a spread ranging from 1.25% to 2.00%, depending on the Company's leverage ratio. Interest rates on borrowings under the Term Facility will be based on either a daily Eurocurrency base rate or a Eurocurrency rate, in either case, plus a spread ranging from 1.10% to 1.85%, depending on the Company's leverage ratio.

As of September 30, 2020, we had no outstanding debt under the Revolving Facility and there was $533.2 million of availability after considering the borrowing base provisions and outstanding letters of credit. As of September 30, 2020, we had $250 million outstanding debt under the Term Facility with an interest rate of 1.51%. As of September 30, 2020, there were $3.4 million of capitalized debt financing costs, included in other assets on our consolidated balance sheet, related to the Credit Facility that will amortize over the remaining term of the Credit Facility. Accrued interest, including loan commitment fees, related to the Credit Facility was $742,000 and $1.2 million as of September 30, 2020 and December 31, 2019, respectively.

At September 30, 2020 and December 31, 2019, we had outstanding letters of credit of $66.8 million and $32.6 million, respectively. These letters of credit were issued to secure various financial obligations. We believe it is not probable that any outstanding letters of credit will be drawn upon.

Interest Incurred

During the three months ended September 30, 2020 and 2019, the Company incurred interest of $20.1 million and $22.4 million, respectively, related to all debt during the period. Included in interest incurred are amortization of deferred financing and Senior Note discount costs of $1.1 million and $1.2 million for the three months ended September 30, 2020 and 2019, respectively. During the nine months ended September 30, 2020 and 2019, the Company incurred interest of $62.7 million and $67.7 million, respectively, related to all debt during the period. Included in interest incurred was amortization of deferred financing and Senior Note discount costs of $3.5 million and $5.0 million for the nine months ended September 30, 2020 and 2019, respectively. Accrued interest related to all outstanding debt at September 30, 2020 and December 31, 2019 was $20.2 million and $12.0 million, respectively.

Covenant Requirements

The Senior Notes contain covenants that restrict our ability to, among other things, create liens or other encumbrances, enter into sale and leaseback transactions, or merge or sell all or substantially all of our assets. These limitations are subject to a number of qualifications and exceptions.

Under the Credit Facility, the Company is required to comply with certain financial covenants, including those relating to consolidated tangible net worth, leverage, liquidity or interest coverage, and a spec unit inventory test. The Credit Facility also requires that at least 97.0% of consolidated tangible net worth must be attributable to the Company and its guarantor subsidiaries, subject to certain grace periods.

The Company was in compliance with all applicable financial covenants as of September 30, 2020 and December 31, 2019.

12. Fair Value Disclosures

Fair Value Measurements

ASC Topic 820, *Fair Value Measurements and Disclosures*, defines “fair value” as the price that would be received for selling an asset or paid to transfer a liability in an orderly transaction between market participants at measurement date and requires assets and liabilities carried at fair value to be classified and disclosed in the following three categories:

- Level 1—Quoted prices for identical instruments in active markets
- Level 2—Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are inactive; and model-derived valuations in which all significant inputs and significant value drivers are observable in active markets at measurement date
- Level 3—Valuations derived from techniques where one or more significant inputs or significant value drivers are unobservable in active markets at measurement date

Fair Value of Financial Instruments

A summary of assets and liabilities at September 30, 2020 and December 31, 2019, related to our financial instruments, measured at fair value on a recurring basis, is set forth below (in thousands):

		September 30, 2020		December 31, 2019	
	Hierarchy	Book Value	Fair Value	Book Value	Fair Value
Senior Notes [1]	Level 2	$ 1,096,270	$ 1,190,750	$ 1,045,072	$ 1,104,750
Term loan facility [2]	Level 2	$ 250,000	$ 250,000	$ 250,000	$ 250,000

(1) The book value of the Senior Notes is net of discounts, excluding deferred loan costs of $13.0 million and $11.1 million as of September 30, 2020 and December 31, 2019, respectively. The estimated fair value of the Senior Notes at September 30, 2020 and December 31, 2019 is based on quoted market prices.

(2) The estimated fair value of the Term Loan Facility as of September 30, 2020 approximated book value due to the variable interest rate terms of this loan.

At September 30, 2020 and December 31, 2019, the carrying value of cash and cash equivalents and receivables approximated fair value due to their short-term nature and variable interest rate terms.

Fair Value of Nonfinancial Assets

Nonfinancial assets include items such as real estate inventories and long-lived assets that are measured at fair value on a nonrecurring basis when events and circumstances indicating the carrying value is not recoverable. The following table presents impairment charges and the remaining net fair value for nonfinancial assets that were measured during the periods presented (in thousands):

		Nine Months Ended September 30, 2020		Year Ended December 31, 2019	
	Hierarchy	Impairment Charge	Fair Value Net of Impairment	Impairment Charge	Fair Value Net of Impairment
Real estate inventories (1)	Level 3	$ —	$ —	$ 10,078	$ 9,735

(1) Fair value of real estate inventories, net of impairment charges represents only those assets whose carrying values were adjusted to fair value in the respective periods presented.

The impairment charges recorded during the year ended December 31, 2019 relate to four communities where the carrying value of each community exceeded the fair value based on a discounted cash flow analysis.

13. Commitments and Contingencies

Legal Matters

Lawsuits, claims and proceedings have been and may be instituted or asserted against us in the normal course of business, including actions brought on behalf of various classes of claimants. We are also subject to local, state and federal laws and regulations related to land development activities, house construction standards, sales practices, employment practices, environmental protection and financial services. As a result, we are subject to periodic examinations or inquiry by agencies administering these laws and regulations.

We record a reserve for potential legal claims and regulatory matters when they are probable of occurring and a potential loss is reasonably estimable. We accrue for these matters based on facts and circumstances specific to each matter and revise these estimates when necessary. In view of the inherent difficulty of predicting outcomes of legal claims and related contingencies, we generally cannot predict their ultimate resolution, related timing or eventual loss. Accordingly, it is possible that the ultimate outcome of any matter, if in excess of a related accrual or if no accrual was made, could be material to our financial statements. For matters as to which the Company believes a loss is probable and reasonably estimable, we had $1.3 million and $419,000 of legal reserves as of September 30, 2020 and December 31, 2019, respectively.

Warranty

Warranty reserves are accrued as home deliveries occur. Our warranty reserves on homes delivered will vary based on product type and geographic area and also depending on state and local laws. The warranty reserve is included in accrued expenses and other liabilities on our consolidated balance sheets and represents expected future costs based on our historical experience over previous years. Estimated warranty costs are charged to cost of home sales in the period in which the related home sales revenue is recognized.

We maintain general liability insurance designed to protect us against a portion of our risk of loss from warranty and construction defect-related claims. We also generally require our subcontractors and design professionals to indemnify us for liabilities arising from their work, subject to various limitations. However, such indemnity is significantly limited with respect to certain subcontractors that are added to our general liability insurance policy.

Our warranty reserve and related estimated insurance recoveries are based on actuarial analysis that uses our historical claim and expense data, as well as industry data to estimate these overall costs and related recoveries. Key assumptions used in developing these estimates include claim frequencies, severities and resolution patterns, which can occur over an extended period of time. These estimates are subject to variability due to the length of time between the delivery of a home to a homebuyer and when a warranty or construction defect claim is made, and the ultimate resolution of such claim; uncertainties regarding such claims relative to our markets and the types of product we build; and legal or regulatory actions and/or interpretations, among other factors. Due to the degree of judgment involved and the potential for variability in these underlying assumptions, our actual future costs could differ from those estimated. There can be no assurance that the terms and limitations of the limited warranty will be effective against claims made by homebuyers, that we will be able to renew our insurance coverage or renew it at reasonable rates, that we will not be liable for damages, cost of repairs, and/or the expense of litigation surrounding possible construction defects, soil subsidence or building related claims or that claims will not arise out of uninsurable events or circumstances not covered by insurance and not subject to effective indemnification agreements with certain subcontractors.

We also record expected recoveries from insurance carriers based on actual insurance claims made and actuarially determined amounts that depend on various factors, including the above-described reserve estimates, our insurance policy coverage limits for the applicable policy years and historical recovery rates. Because of the inherent uncertainty and variability in these assumptions, our actual insurance recoveries could differ significantly from amounts currently estimated. Outstanding warranty insurance receivables were $38.8 million and $40.0 million as of September 30, 2020 and December 31, 2019, respectively. Warranty insurance receivables are recorded in receivables on the accompanying consolidated balance sheets.

Warranty reserve activity consisted of the following (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Warranty reserves, beginning of period	$ 79,190	$ 71,471	$ 76,607	$ 71,836
Warranty reserves accrued	7,025	6,826	19,169	17,481
Warranty expenditures	(4,348)	(5,404)	(13,909)	(16,424)
Warranty reserves, end of period	$ 81,867	$ 72,893	$ 81,867	$ 72,893

Performance Bonds

We obtain surety bonds in the normal course of business to ensure completion of certain infrastructure improvements of our projects. The beneficiaries of the bonds are various municipalities. As of September 30, 2020 and December 31, 2019, the Company had outstanding surety bonds totaling $630.7 million and $611.6 million, respectively. As of September 30, 2020 and December 31, 2019, our estimated cost to complete obligations related to these surety bonds was $423.7 million and $382.3 million, respectively.

Lease Obligations

Under ASC 842 we recognize a right-of-use lease asset and a lease liability for contracts deemed to contain a lease at the inception of the contract. Our lease population is fully comprised of operating leases, which are now recorded at the net present value of future lease obligations existing at each balance sheet date. At the inception of a lease, or if a lease is subsequently modified, we determine whether the lease is an operating or financing lease. Key estimates involved with ASC 842 include the discount rate used to measure our future lease obligations and the lease term, where considerations include renewal options and intent to renew. Lease right-of-use assets are included in other assets and lease liabilities are included in accrued expenses and other liabilities on our consolidated balance sheet.

Operating Leases

We lease certain property and equipment under non-cancelable operating leases. Office leases are for terms of up to ten years and generally provide renewal options. In most cases, we expect that, in the normal course of business, leases that expire will be renewed or replaced by other leases. Equipment leases are typically for terms of three to four years.

Ground Leases

In 1987, we obtained two 55-year ground leases of commercial property that provided for three renewal options of ten years each and one 45-year renewal option. We exercised the three ten-year extensions on one of these ground leases to extend the lease through 2071. The commercial buildings on these properties have been sold and the ground leases have been sublet to the buyers.

For one of these leases, we are responsible for making lease payments to the landowner, and we collect sublease payments from the buyers of the buildings. This ground lease has been subleased through 2041 to the buyers of the commercial buildings. For the second lease, the buyers of the buildings are responsible for making lease payments directly to the landowner, however, we have guaranteed the performance of the buyers/lessees. See below for additional information on leases (dollars in thousands):

	Three Months Ended September 30, 2020	Three Months Ended September 30, 2019	Nine Months Ended September 30, 2020	Nine Months Ended September 30, 2019
Lease Cost				
Operating lease cost (included in SG&A expense)	$ 2,300	$ 2,755	$ 7,094	$ 6,965
Ground lease cost (included in other operations expense)	624	609	1,872	1,826
Sublease income, operating leases	—	—	—	—
Sublease income, ground leases (included in other operations revenue)	(634)	(618)	(1,900)	(1,853)
Net lease cost	$ 2,290	$ 2,746	$ 7,066	$ 6,938
Other information				
Cash paid for amounts included in the measurement of lease liabilities:				
Operating lease cash flows (included in operating cash flows)	$ 2,109	$ 1,556	$ 6,343	$ 4,806
Ground lease cash flows (included in operating cash flows)	$ 624	$ 609	$ 1,872	$ 1,826
Right-of-use assets obtained in exchange for new operating lease liabilities	$ 290	$ 311	$ 1,445	$ 2,364

	September 30, 2020	December 31, 2019
Weighted-average discount rate:		
Operating leases	5.8 %	5.9 %
Ground leases	10.2 %	10.2 %
Weighted-average remaining lease term (in years):		
Operating leases	5.7	6.1
Ground leases	47.5	48.1

The future minimum lease payments under our operating leases are as follows (in thousands):

	Property, Equipment and Other Leases	Ground Leases [1]
Remaining in 2020	$ 2,219	$ 767
2021	8,412	3,070
2022	5,607	3,070
2023	4,503	3,070
2024	2,779	3,070
Thereafter	6,410	83,516
Total lease payments	$ 29,930	$ 96,563
Less: Interest	4,366	69,083
Present value of operating lease liabilities	$ 25,564	$ 27,480

(1) Ground leases are fully subleased through 2041, representing $64.7 million of the $96.6 million future ground lease obligations.

14. Stock-Based Compensation

2013 Long-Term Incentive Plan

The Company's stock compensation plan, the 2013 Long-Term Incentive Plan (the "2013 Incentive Plan"), was adopted by TRI Pointe in January 2013 and amended, with the approval of our stockholders, in 2014 and 2015. In addition, our board of directors amended the 2013 Incentive Plan in 2014 to prohibit repricing (other than in connection with any equity restructuring or any change in capitalization) of outstanding options or stock appreciation rights without stockholder approval. The 2013 Incentive Plan provides for the grant of equity-based awards, including options to purchase shares of common stock, stock appreciation rights, bonus stock, restricted stock, restricted stock units ("RSUs") and performance awards. The 2013 Incentive Plan will automatically expire on the tenth anniversary of its effective date. Our board of directors may terminate or amend the 2013 Incentive Plan at any time, subject to any requirement of stockholder approval required by applicable law, rule or regulation.

As amended, the number of shares of our common stock that may be issued under the 2013 Incentive Plan is 11,727,833 shares. To the extent that shares of our common stock subject to an outstanding option, stock appreciation right, stock award or performance award granted under the 2013 Incentive Plan are not issued or delivered by reason of the expiration, termination, cancellation or forfeiture of such award or the settlement of such award in cash, then such shares of our common stock generally shall again be available under the 2013 Incentive Plan. As of September 30, 2020, there were 5,501,078 shares available for future grant under the 2013 Incentive Plan.

The following table presents compensation expense recognized related to all stock-based awards (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Total stock-based compensation	$ 3,477	$ 3,828	$ 10,888	$ 10,614

Stock-based compensation is charged to general and administrative expense on the accompanying consolidated statements of operations. As of September 30, 2020, total unrecognized stock-based compensation related to all stock-based awards was $22.3 million and the weighted average term over which the expense was expected to be recognized was 1.9 years.

Summary of Stock Option Activity

The following table presents a summary of stock option awards for the nine months ended September 30, 2020:

	Options	Weighted Average Exercise Price Per Share	Weighted Average Remaining Contractual Life	Aggregate Intrinsic Value (in thousands)
Options outstanding at December 31, 2019	891,343	$ 15.03	3.4	$ 994
Granted	—	—	—	—
Exercised	(240,573)	$ 13.00	—	—
Forfeited	(8,257)	$ 14.37	—	—
Options outstanding at September 30, 2020	642,513	$ 15.80	2.7	$ 1,084
Options exercisable at September 30, 2020	642,513	$ 15.80	2.7	$ 1,084

The intrinsic value of each stock option award outstanding or exercisable is the difference between the fair market value of the Company's common stock at the end of the period and the exercise price of each stock option award to the extent it is considered "in-the-money". A stock option award is considered to be "in-the-money" if the fair market value of the Company's stock is greater than the exercise price of the stock option award. The aggregate intrinsic value of options outstanding and options exercisable represents the value that would have been received by the holders of stock option awards had they exercised their stock option award on the last trading day of the period and sold the underlying shares at the closing price on that day.

Summary of Restricted Stock Unit Activity

The following table presents a summary of RSUs for the nine months ended September 30, 2020:

	Restricted Stock Units	Weighted Average Grant Date Fair Value Per Share	Aggregate Intrinsic Value (in thousands)
Nonvested RSUs at December 31, 2019	3,384,351	$ 12.39	$ 52,694
Granted	1,464,261	$ 18.45	—
Vested	(990,929)	$ 13.36	—
Forfeited	(783,521)	$ 11.09	—
Nonvested RSUs at September 30, 2020	3,074,162	$ 15.29	$ 53,706

RSUs that vested, as reflected in the table above, during the nine months ended September 30, 2020 include previously granted time-based RSUs. RSUs that were forfeited, as reflected in the table above, during the nine months ended September 30, 2020 include performance-based RSUs and time-based RSUs that were forfeited for no consideration.

On July 28, 2020, the Company granted an aggregate of 5,632 time-based RSUs to certain employees. The RSUs granted vest in equal installment annually beginning on February 20, 2021 over a three-year period. The fair value of each RSU granted on July 28, 2020 was measured using a price of $16.79 per share, which was the closing stock price on the date of grant. Each award will be expensed on a straight-line basis over the vesting period.

On April 27, 2020, the Company granted an aggregate of 47,080 time-based RSUs to the non-employee members of its board of directors. The RSUs granted to non-employee directors vest in their entirety on the day immediately prior to the Company's 2021 annual meeting of stockholders. The fair value of each RSU granted on April 27, 2020 was measured using a price of $10.62 per share, which was the closing stock price on the date of grant. Each award will be expensed on a straight-line basis over the vesting period.

On March 9, 2020 and February 20, 2020, the Company granted an aggregate of 17,692 and 639,395, respectively, time-based RSUs to certain employees and officers. The RSUs granted vest in equal installment annually on the anniversary of the grant date over a three-year period. The fair value of each RSU granted on March 9, 2020 and February 20, 2020 was measured using a price of $14.13 and $18.39 per share, respectively, which were the closing stock prices on the dates of grant. Each award will be expensed on a straight-line basis over the vesting period.

On February 20, 2020, the Company granted an aggregate of 547,166 performance-based RSUs to the Company's Chief Executive Officer, Chief Operating Officer and President, Chief Financial Officer, General Counsel, Chief Marketing Officer and Chief Human Resources Officer. These performance-based RSUs are allocated to two separate performance metrics, as follows: (i) 50% to homebuilding revenue, and (ii) 50% to pre-tax earnings. The vesting, if at all, of these performance-based

RSUs may range from 0% to 100% and will be based on the Company's percentage attainment of specified threshold, target and maximum performance goals. Any award earned based on performance achieved may be increased or decreased by 25% based on the Company's total stockholder return ("TSR'") relative to its peer-group homebuilders. The performance period for these performance-based RSUs is January 1, 2020 to December 31, 2022. The fair value of these performance-based RSUs was determined to be $19.36 per share based on a Monte Carlo simulation. Each award will be expensed over the requisite service period.

On February 20, 2020, the Company granted an aggregate of 207,300 performance-based RSUs to the Company's division presidents. These performance-based RSUs are allocated to two separate performance metrics, as follows: (i) 50% to homebuilding revenue of the applicable Company division, and (ii) 50% to pre-tax earnings of the applicable Company division. The vesting, if at all, of these performance-based RSUs may range from 0% to 100% and will be based on the applicable Company division's percentage attainment of specified threshold, target and maximum performance goals. The performance period for these performance-based RSUs is January 1, 2020 to December 31, 2022. The fair value of these performance-based RSUs was measured using a price of $18.39, which was the closing stock price on the date of grant. Each award will be expensed over the requisite service period.

On May 6, 2019, the Company granted an aggregate of 61,488 time-based RSUs to the non-employee members of its board of directors and 1,098 time-based RSUs to certain employees. The RSUs granted to non-employee directors vest in their entirety on the day immediately prior to the Company's 2020 annual meeting of stockholders and the RSUs granted to employees vest in equal installments annually on the anniversary of the grant date over a three-year period. The fair value of each RSU granted on May 6, 2019 was measured using a price of $13.66 per share which was the closing stock price on the date of grant. Each award will be expensed on a straight-line basis over the vesting period.

On March 11, 2019 and February 28, 2019, the Company granted an aggregate of 3,025 and 990,723, respectively, of time-based RSUs to certain employees and officers. The RSUs granted vest in equal installments annually on the anniversary of the grant date over a three-year period. The fair value of each RSU granted on March 11, 2019 and February 28, 2019 was measured using a price of $13.22 and $12.60 per share, respectively, which were the closing stock prices on the dates of grant. Each award will be expensed on a straight-line basis over the vesting period.

On February 28, 2019, the Company granted 247,619, 238,095 and 114,285 performance-based RSUs to the Company's Chief Executive Officer, President, and Chief Financial Officer, respectively. These performance-based RSUs are allocated to two separate performance metrics, as follows: (i) 30% to TSR, with vesting based on the Company's TSR relative to its peer-group homebuilders; and (ii) 70% to earnings per share. The vesting, if at all, of these performance-based RSUs may range from 0% to 100% and will be based on the Company's percentage attainment of specified threshold, target and maximum performance goals. The performance period for these performance-based RSUs is January 1, 2019 to December 31, 2021. The fair value of the performance-based RSUs related to the TSR metric was determined to be $8.16 per share based on a Monte Carlo simulation. The fair value of the performance-based RSUs related to the earnings per share goal was measured using a price of $12.60 per share, which was the closing stock price on the date of grant. Each award will be expensed over the requisite service period.

As RSUs vest for employees, a portion of the shares awarded is generally withheld to cover employee tax withholdings. As a result, the number of RSUs vested and the number of shares of TRI Pointe common stock issued will differ.

15. Income Taxes

We account for income taxes in accordance with ASC Topic 740, *Income Taxes* ("ASC 740"), which requires an asset and liability approach for measuring deferred taxes based on temporary differences between the financial statements and tax bases of assets and liabilities using enacted tax rates for the years in which taxes are expected to be paid or recovered. Each quarter we assess our deferred tax asset to determine whether all or any portion of the asset is more likely than not unrealizable under ASC 740. We are required to establish a valuation allowance for any portion of the asset we conclude is more likely than not to be unrealizable. Our assessment considers, among other things, the nature, frequency and severity of our current and cumulative losses, forecasts of our future taxable income, the duration of statutory carryforward periods and tax planning alternatives.

We had net deferred tax assets of $30.8 million and $49.9 million as of September 30, 2020 and December 31, 2019. We had a valuation allowance related to those net deferred tax assets of $3.5 million as of September 30, 2020 and December 31, 2019. The Company will continue to evaluate both positive and negative evidence in determining the need for a valuation allowance against its deferred tax assets. Changes in positive and negative evidence, including differences between the Company's future operating results and the estimates utilized in the determination of the valuation allowance, could result in changes in the Company's estimate of the valuation allowance against its deferred tax assets. The accounting for deferred taxes is based upon estimates of future results. Differences between the anticipated and actual outcomes of these future results could have a material impact on the Company's consolidated results of operations or financial position. Also, changes in existing federal and state tax laws and tax rates could affect future tax results and the valuation allowance against the Company's deferred tax assets.

TRI Pointe has certain liabilities to Weyerhaeuser Company ("Weyerhaeuser") related to a tax sharing agreement. As of both September 30, 2020 and December 31, 2019, we had an income tax liability to Weyerhaeuser of $346,000. The income tax liability to Weyerhaeuser is recorded in accrued expenses and other liabilities on the accompanying consolidated balance sheets. During the second quarter of 2019 we amended our existing tax sharing agreement with Weyerhaeuser, pursuant to which the parties agreed, among other things, that we had no further obligation to remit payment to Weyerhaeuser in connection with any potential utilization of certain deductions or losses associated with certain Weyerhaeuser entities with respect to federal and state taxes. As a result of the amendment, during the three months ended March 31, 2019, we decreased our income tax liability to Weyerhaeuser and recorded other income of $6.0 million, which is included in other income, net in the accompanying consolidated statements of operations.

Our provision for income taxes totaled $24.3 million and $21.9 million for the three months ended September 30, 2020 and 2019, respectively and $52.3 million and $31.0 million for the nine months ended September 30, 2020 and 2019, respectively. The Company classifies any interest and penalties related to income taxes assessed by jurisdiction as part of income tax expense. The Company had $486,000 of uncertain tax positions recorded as of September 30, 2020 and December 31, 2019. The Company has not been assessed interest or penalties by any major tax jurisdictions related to prior years.

16. Related Party Transactions

We had no related party transactions for the nine months ended September 30, 2020 and 2019.

17. Supplemental Disclosure to Consolidated Statements of Cash Flows

The following are supplemental disclosures to the consolidated statements of cash flows (in thousands):

	Nine Months Ended September 30,	
	2020	2019
Supplemental disclosure of cash flow information:		
Interest paid (capitalized), net	$ (11,832)	$ (11,599)
Income taxes paid (refunded), net	$ 41,400	$ 23,731
Supplemental disclosures of noncash activities:		
Amortization of senior note discount capitalized to real estate inventory	$ 800	$ 1,409
Amortization of deferred loan costs capitalized to real estate inventory	$ 2,737	$ 4,112

18. Supplemental Guarantor Information

2021 Notes, 2027 Notes and 2028 Notes

On May 26, 2016, TRI Pointe Group issued the 2021 Notes, on June 5, 2017, TRI Pointe Group issued the 2027 Notes and on June 10, 2020, TRI Pointe Group issued the 2028 Notes. All of TRI Pointe Group's 100% owned subsidiaries that are guarantors (each a "Guarantor" and, collectively, the "Guarantors") of the Credit Facility, including TRI Pointe Homes, are party to supplemental indentures pursuant to which they jointly and severally guarantee TRI Pointe Group's obligations with respect to these Notes. Each Guarantor of the 2021 Notes, the 2027 Notes and the 2028 Notes is 100% owned by TRI Pointe Group, and all guarantees are full and unconditional, subject to customary exceptions pursuant to the indentures governing the 2021 Notes, the 2027 Notes and the 2028 Notes, as described in the following paragraph. All of our non-Guarantor subsidiaries have nominal assets and operations and are considered minor, as defined in Rule 3-10(h) of Regulation S-X. In addition, TRI Pointe Group has no independent assets or operations, as defined in Rule 3-10(h) of Regulation S-X. There are no significant restrictions upon the ability of TRI Pointe Group or any Guarantor to obtain funds from any of their respective wholly owned subsidiaries by dividend or loan. None of the assets of our subsidiaries represent restricted net assets pursuant to Rule 4-08(e)(3) of Regulation S-X.

A Guarantor of the 2021 Notes, the 2027 Notes and the 2028 Notes shall be released from all of its obligations under its guarantee if (i) all of the assets of the Guarantor have been sold; (ii) all of the equity interests of the Guarantor held by TRI Pointe Group or a subsidiary thereof have been sold; (iii) the Guarantor merges with and into TRI Pointe Group or another Guarantor, with TRI Pointe Group or such other Guarantor surviving the merger; (iv) the Guarantor is designated "unrestricted" for covenant purposes; (v) the Guarantor ceases to guarantee any indebtedness of TRI Pointe Group or any other Guarantor which gave rise to such Guarantor guaranteeing the 2021 Notes, the 2027 Notes or the 2028 Notes; (vi) TRI Pointe Group exercises its legal defeasance or covenant defeasance options; or (vii) all obligations under the applicable supplemental indenture are discharged.

2024 Notes

TRI Pointe Group and TRI Pointe Homes are co-issuers of the 2024 Notes. All of the Guarantors (other than TRI Pointe Homes) have entered into supplemental indentures pursuant to which they jointly and severally guarantee the obligations of TRI Pointe Group and TRI Pointe Homes with respect to the 2024 Notes. Each Guarantor of the 2024 Notes is 100% owned by TRI Pointe Group and TRI Pointe Homes, and all guarantees are full and unconditional, subject to customary exceptions pursuant to the indentures governing the 2024 Notes, as described below.

A Guarantor of the 2024 Notes shall be released from all of its obligations under its guarantee if (i) all of the assets of the Guarantor have been sold; (ii) all of the equity interests of the Guarantor held by TRI Pointe or a subsidiary thereof have been sold; (iii) the Guarantor merges with and into TRI Pointe or another Guarantor, with TRI Pointe or such other Guarantor surviving the merger; (iv) the Guarantor is designated "unrestricted" for covenant purposes; (v) the Guarantor ceases to guarantee any indebtedness of TRI Pointe or any other Guarantor which gave rise to such Guarantor guaranteeing the 2024 Notes; (vi) TRI Pointe exercises its legal defeasance or covenant defeasance options; or (vii) all obligations under the applicable indenture are discharged.

Presented below are the condensed consolidating balance sheets at September 30, 2020 and December 31, 2019, condensed consolidating statements of operations for the three and nine months ended September 30, 2020 and 2019 and condensed consolidating statement of cash flows for the nine months ended September 30, 2020 and 2019. Because TRI Pointe's non-Guarantor subsidiaries are considered minor, as defined in Rule 3-10(h) of Regulation S-X, the non-Guarantor subsidiaries' information is not separately presented in the tables below, but is included with the Guarantors. Additionally, because TRI Pointe Group has no independent assets or operations, as defined in Rule 3-10(h) of Regulation S-X, the condensed consolidated financial information of TRI Pointe Group and TRI Pointe Homes, the co-issuers of the 2024 Notes, is presented together in the column titled "Issuer".

Condensed Consolidating Balance Sheet (in thousands):

	September 30, 2020			
	Issuer	Guarantor Subsidiaries	Consolidating Adjustments	Consolidated TRI Pointe Group, Inc.
Assets				
Cash and cash equivalents	$ 484,490	$ 9,095	$ —	$ 493,585
Receivables	19,054	54,365	—	73,419
Intercompany receivables	178,690	—	(178,690)	—
Real estate inventories	753,947	2,235,430	—	2,989,377
Investments in unconsolidated entities	—	36,880	—	36,880
Goodwill and other intangible assets, net	156,604	2,888	—	159,492
Investments in subsidiaries	2,041,698	—	(2,041,698)	—
Deferred tax assets, net	9,021	21,731	—	30,752
Other assets	2,504	171,556	—	174,060
Total assets	$ 3,646,008	$ 2,531,945	$ (2,220,388)	$ 3,957,565
Liabilities				
Accounts payable	$ 22,361	$ 71,703	$ —	$ 94,064
Intercompany payables	—	178,690	(178,690)	—
Accrued expenses and other liabilities	92,305	239,842	—	332,147
Loans payable	250,000	—	—	250,000
Senior notes	1,083,254	—	—	1,083,254
Total liabilities	1,447,920	490,235	(178,690)	1,759,465
Equity				
Total stockholders' equity	2,198,088	2,041,698	(2,041,698)	2,198,088
Noncontrolling interests	—	12	—	12
Total equity	2,198,088	2,041,710	(2,041,698)	2,198,100
Total liabilities and equity	$ 3,646,008	$ 2,531,945	$ (2,220,388)	$ 3,957,565

Condensed Consolidating Balance Sheet (in thousands):

	December 31, 2019			
	Issuer	Guarantor Subsidiaries	Consolidating Adjustments	Consolidated TRI Pointe Group, Inc.
Assets				
Cash and cash equivalents	$ 186,200	$ 142,811	$ —	$ 329,011
Receivables	26,016	43,260	—	69,276
Intercompany receivables	576,846	—	(576,846)	—
Real estate inventories	737,662	2,327,774	—	3,065,436
Investments in unconsolidated entities	—	11,745	—	11,745
Goodwill and other intangible assets, net	156,604	3,289	—	159,893
Investments in subsidiaries	1,870,885	—	(1,870,885)	—
Deferred tax assets, net	9,020	40,884	—	49,904
Other assets	14,676	158,749	—	173,425
Total assets	$ 3,577,909	$ 2,728,512	$ (2,447,731)	$ 3,858,690
Liabilities				
Accounts payable	$ 14,915	$ 51,205	$ —	$ 66,120
Intercompany payables	—	576,846	(576,846)	—
Accrued expenses and other liabilities	92,479	229,564	—	322,043
Loans payable	250,000	—	—	250,000
Senior notes	1,033,985	—	—	1,033,985
Total liabilities	1,391,379	857,615	(576,846)	1,672,148
Equity				
Total stockholders' equity	2,186,530	1,870,885	(1,870,885)	2,186,530
Noncontrolling interests	—	12	—	12
Total equity	2,186,530	1,870,897	(1,870,885)	2,186,542
Total liabilities and equity	$ 3,577,909	$ 2,728,512	$ (2,447,731)	$ 3,858,690

Condensed Consolidating Statement of Operations (in thousands):

	Three Months Ended September 30, 2020			
	Issuer	Guarantor Subsidiaries	Consolidating Adjustments	Consolidated TRI Pointe Group, Inc.
Homebuilding:				
Home sales revenue	$ 202,648	$ 623,388	$ —	$ 826,036
Land and lot sales revenue	—	3,242	—	3,242
Other operations revenue	—	634	—	634
Total revenues	202,648	627,264	—	829,912
Cost of home sales	164,915	478,541	—	643,456
Cost of land and lot sales	—	3,214	—	3,214
Other operations expense	—	624	—	624
Sales and marketing	10,019	34,695	—	44,714
General and administrative	19,539	16,784	—	36,323
Restructuring charges	7	47	—	54
Homebuilding income from operations	8,168	93,359	—	101,527
Equity in gain of unconsolidated entities	—	106	—	106
Other (expense) income, net	(3,318)	198	—	(3,120)
Homebuilding income before income taxes	4,850	93,663	—	98,513
Financial Services:				
Revenues	—	2,552	—	2,552
Expenses	—	1,334	—	1,334
Equity in income of unconsolidated entities	—	3,273	—	3,273
Financial services income before income taxes	—	4,491	—	4,491
Income before income taxes	4,850	98,154	—	103,004
Equity of net income (loss) of subsidiaries	73,832	—	(73,832)	—
Provision for income taxes	—	(24,322)	—	(24,322)
Net income	$ 78,682	$ 73,832	$ (73,832)	$ 78,682

Condensed Consolidating Statement of Operations (in thousands):

	Three Months Ended September 30, 2019			
	Issuer	Guarantor Subsidiaries	Consolidating Adjustments	Consolidated TRI Pointe Group, Inc.
Homebuilding:				
Home sales revenue	$ 154,737	$ 591,532	$ —	$ 746,269
Land and lot sales revenue	—	607	—	607
Other operations revenue	—	618	—	618
Total revenues	154,737	592,757	—	747,494
Cost of home sales	130,248	447,379	—	577,627
Cost of land and lot sales	—	495	—	495
Other operations expense	—	609	—	609
Sales and marketing	9,716	38,118	—	47,834
General and administrative	19,353	19,398	—	38,751
Homebuilding (loss) income from operations	(4,580)	86,758	—	82,178
Equity in income of unconsolidated entities	—	18	—	18
Other income, net	21	304	—	325
Homebuilding (loss) income before income taxes	(4,559)	87,080	—	82,521
Financial Services:				
Revenues	—	901	—	901
Expenses	—	817	—	817
Equity in income of unconsolidated entities	—	2,114	—	2,114
Financial services income before income taxes	—	2,198	—	2,198
(Loss) income before income taxes	(4,559)	89,278	—	84,719
Equity of net income of subsidiaries	67,420	—	(67,420)	—
Provision for income taxes	—	(21,858)	—	(21,858)
Net income	$ 62,861	$ 67,420	$ (67,420)	$ 62,861

Condensed Consolidating Statement of Operations (in thousands):

	Nine Months Ended September 30, 2020			
	Issuer (1)	Guarantor Subsidiaries	Consolidating Adjustments	Consolidated TRI Pointe Group, Inc.
Homebuilding:				
Home sales revenue	$ 567,791	$ 1,620,025	$ —	$ 2,187,816
Land and lot sales revenue	—	3,462	—	3,462
Other operations revenue	—	1,900	—	1,900
Total revenues	567,791	1,625,387	—	2,193,178
Cost of home sales	472,901	1,244,871	—	1,717,772
Cost of land and lot sales	—	3,790	—	3,790
Other operations expense	—	1,872	—	1,872
Sales and marketing	31,121	101,424	—	132,545
General and administrative	58,757	54,957	—	113,714
Restructuring charges	1,118	4,485	—	5,603
Homebuilding income from operations	3,894	213,988	—	217,882
Equity in income of unconsolidated entities	—	67	—	67
Other (loss) income, net	(9,446)	371	—	(9,075)
Homebuilding (loss) income before income taxes	(5,552)	214,426	—	208,874
Financial Services:				
Revenues	—	6,442	—	6,442
Expenses	—	3,698	—	3,698
Equity in income of unconsolidated entities	—	7,761	—	7,761
Financial services income before income taxes	—	10,505	—	10,505
(Loss) income before income taxes	(5,552)	224,931	—	219,379
Equity of net income (loss) of subsidiaries	172,645		(172,645)	—
Provision for income taxes	—	(52,286)	—	(52,286)
Net income	$ 167,093	$ 172,645	$ (172,645)	$ 167,093

Condensed Consolidating Statement of Operations (in thousands):

	Nine Months Ended September 30, 2019			
	Issuer (1)	Guarantor Subsidiaries	Consolidating Adjustments	Consolidated TRI Pointe Group, Inc.
Homebuilding:				
Home sales revenue	$ 519,280	$ 1,411,830	$ —	$ 1,931,110
Land and lot sales revenue	—	6,819	—	6,819
Other operations revenue	—	1,853	—	1,853
Total revenues	519,280	1,420,502	—	1,939,782
Cost of home sales	438,679	1,135,168	—	1,573,847
Cost of land and lot sales	—	7,552	—	7,552
Other operations expense	—	1,826	—	1,826
Sales and marketing	28,976	104,912	—	133,888
General and administrative	57,223	56,979	—	114,202
Homebuilding (loss) income from operations	(5,598)	114,065	—	108,467
Equity in loss of unconsolidated entities	—	(33)	—	(33)
Other income, net	6,169	550	—	6,719
Homebuilding income before taxes	571	114,582	—	115,153
Financial Services:				
Revenues	—	1,959	—	1,959
Expenses	—	1,765	—	1,765
Equity in income of unconsolidated entities	—	4,861	—	4,861
Financial services income from operations before taxes	—	5,055	—	5,055
Income before taxes	571	119,637	—	120,208
Equity of net income of subsidiaries	88,628	—	(88,628)	—
Provision for income taxes	(5)	(31,009)	—	(31,014)
Net income	$ 89,194	$ 88,628	$ (88,628)	$ 89,194

Condensed Consolidating Statement of Cash Flows (in thousands):

	Nine Months Ended September 30, 2020			
	Issuer	Guarantor Subsidiaries	Consolidating Adjustments	Consolidated TRI Pointe Group, Inc.
Cash flows from operating activities:				
Net cash provided by operating activities	$ 33,229	$ 304,905	$ —	$ 338,134
Cash flows from investing activities:				
Purchases of property and equipment	(6,533)	(10,249)	—	(16,782)
Proceeds from sale of property and equipment	—	26	—	26
Investments in unconsolidated entities	—	(26,822)	—	(26,822)
Intercompany	401,576	—	(401,576)	—
Net cash provided by (used in) investing activities	395,043	(37,045)	(401,576)	(43,578)
Cash flows from financing activities:				
Borrowings from debt	850,000	—	—	850,000
Repayment of debt	(808,791)	—	—	(808,791)
Debt issuance costs	(4,768)	—	—	(4,768)
Proceeds from issuance of common stock under share-based awards	3,112	—	—	3,112
Minimum tax withholding paid on behalf of employees for restricted stock units	(5,473)	—	—	(5,473)
Share repurchases	(164,062)	—	—	(164,062)
Intercompany	—	(401,576)	401,576	—
Net cash (used in) financing activities	(129,982)	(401,576)	401,576	(129,982)
Net increase (decrease) in cash and cash equivalents	298,290	(133,716)	—	164,574
Cash and cash equivalents–beginning of period	186,200	142,811	—	329,011
Cash and cash equivalents–end of period	$ 484,490	$ 9,095	$ —	$ 493,585

Condensed Consolidating Statement of Cash Flows (in thousands):

	Nine Months Ended September 30, 2019			
	Issuer	**Guarantor Subsidiaries**	**Consolidating Adjustments**	**Consolidated TRI Pointe Group, Inc.**
Cash flows from operating activities:				
Net cash provided by (used in) operating activities	$ 5,678	$ (99,987)	$ —	$ (94,309)
Cash flows from investing activities:				
Purchases of property and equipment	(7,088)	(15,304)	—	(22,392)
Proceeds from sale of property and equipment	—	46	—	46
Investments in unconsolidated entities	—	(712)	—	(712)
Intercompany	(81,969)	—	81,969	—
Net cash used in investing activities	(89,057)	(15,970)	81,969	(23,058)
Cash flows from financing activities:				
Borrowings from notes payable	400,000	—	—	400,000
Repayment of notes payable	(381,895)	—	—	(381,895)
Debt issuance costs	(3,125)	—	—	(3,125)
Proceeds from issuance of common stock under share-based awards	300	—	—	300
Minimum tax withholding paid on behalf of employees for restricted stock units	(3,612)	—	—	(3,612)
Share repurchases	(41,735)	—	—	(41,735)
Intercompany	—	81,969	(81,969)	—
Net cash (used in) provided by financing activities	(30,067)	81,969	(81,969)	(30,067)
Net decrease in cash and cash equivalents	(113,446)	(33,988)	—	(147,434)
Cash and cash equivalents–beginning of period	148,129	129,567	—	277,696
Cash and cash equivalents–end of period	$ 34,683	$ 95,579	$ —	$ 130,262

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

CAUTIONARY NOTE CONCERNING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains "forward-looking" statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). These forward-looking statements are based on our current intentions, beliefs, expectations and predictions for the future, and you should not place undue reliance on these statements. These statements use forward-looking terminology, are based on various assumptions made by us, and may not be accurate because of risks and uncertainties surrounding the assumptions that are made.

Factors listed in this section—as well as other factors not included—may cause actual results to differ significantly from the forward-looking statements included in this Quarterly Report on Form 10-Q. There is no guarantee that any of the events anticipated by the forward-looking statements in this Quarterly Report on Form 10-Q will occur, or if any of the events occurs, there is no guarantee what effect it will have on our operations, financial condition, or share price.

We undertake no, and hereby disclaim any, obligation to update or revise any forward-looking statements, unless required by law. However, we reserve the right to make such updates or revisions from time to time by press release, periodic report, or other method of public disclosure without the need for specific reference to this Quarterly Report on Form 10-Q. No such update or revision shall be deemed to indicate that other statements not addressed by such update or revision remain correct or create an obligation to provide any other updates or revisions.

Forward-Looking Statements

Forward-looking statements that are included in this Quarterly Report on Form 10-Q are generally accompanied by words such as "anticipate," "believe," "could," "estimate," "expect," "future," "goal," "intend," "likely," "may," "might," "plan," "potential," "predict," "project," "should," "target," "will," "would," or other words that convey the uncertainty of future events or outcomes. These forward-looking statements may include, but are not limited to, statements regarding our strategy, projections and estimates concerning the timing and success of specific projects and our future production, land and lot sales, the outcome of legal proceedings, the anticipated impact of natural disasters or contagious diseases on our operations, operational and financial results, including our estimates for growth, financial condition, sales prices, prospects and capital spending.

Risks, Uncertainties and Assumptions

The major risks and uncertainties—and assumptions that are made—that affect our business and may cause actual results to differ from these forward-looking statements include, but are not limited to:

- the effects of the ongoing novel coronavirus ("COVID-19") pandemic, which are highly uncertain and subject to rapid change, cannot be predicted and will depend upon future developments, including the severity and duration of the outbreak, the duration of existing and future social distancing and shelter-in-place orders, further mitigation strategies taken by applicable government authorities, the availability and efficacy of a vaccine, adequate testing and treatments and the prevalence of widespread immunity to COVID-19;
- the effects of general economic conditions, including employment rates, housing starts, interest rate levels, availability of financing for home mortgages and strength of the U.S. dollar;
- market demand for our products, which is related to the strength of the various U.S. business segments and U.S. and international economic conditions;
- the availability of desirable and reasonably priced land and our ability to control, purchase, hold and develop such parcels;
- access to adequate capital on acceptable terms;
- geographic concentration of our operations, particularly within California;
- levels of competition;
- the successful execution of our internal performance plans, including restructuring and cost reduction initiatives;
- raw material and labor prices and availability;
- oil and other energy prices;
- the effects of U.S. trade policies, including the imposition of tariffs and duties on homebuilding products and retaliatory measures taken by other countries;
- the effects of weather, including the re-occurrence of drought conditions in California;

- the risk of loss from earthquakes, volcanoes, fires, floods, droughts, windstorms, hurricanes, pest infestations and other natural disasters, and the risk of delays, reduced consumer demand, and shortages and price increases in labor or materials associated with such natural disasters;
- the risk of loss from acts of war, terrorism, civil unrest or outbreaks of contagious diseases, such as COVID-19;
- transportation costs;
- federal and state tax policies;
- the effects of land use, environment and other governmental laws and regulations;
- legal proceedings or disputes and the adequacy of reserves;
- risks relating to any unforeseen changes to or effects on liabilities, future capital expenditures, revenues, expenses, earnings, synergies, indebtedness, financial condition, losses and future prospects;
- changes in accounting principles;
- risks related to unauthorized access to our computer systems, theft of our homebuyers' confidential information or other forms of cyber-attack; and
- other factors described in "Risk Factors" included in our Annual Report on Form 10-K for the year ended December 31, 2019 and in other filings we make with the Securities and Exchange Commission ("SEC").

The following discussion and analysis should be read in conjunction with our consolidated financial statements and related condensed notes thereto contained elsewhere in this Quarterly Report on Form 10-Q. The information contained in this Quarterly Report on Form 10-Q is not a complete description of our business or the risks associated with an investment in our securities. We urge investors to review and consider carefully the various disclosures made by us in this report and in our other reports filed with the SEC, including our Annual Report on Form 10-K for the year ended December 31, 2019 and subsequent reports on Form 8-K, which discuss our business in greater detail. The section entitled "Risk Factors" set forth in Item 1A of our Annual Report on Form 10-K, and similar disclosures in our other SEC filings, discuss some of the important risk factors that may affect our business, results of operations and financial condition. Investors should carefully consider those risks, in addition to the information in this report and in our other filings with the SEC, before deciding to invest in, or maintain an investment in, our common stock.

Overview

Third quarter housing demand was strong as evidenced by the 50% increase in our new home orders and on a 65% increase in monthly absorption rates compared to the prior-year period. Mortgage interest rates have been hovering around historical lows, new and existing home inventory levels remain low and consumer cash savings is up, due in part to a widespread decrease in discretionary spending. This strong housing backdrop has been boosted even further by unforeseen positive effects of various forced stay-at-home restrictions, which we believe has facilitated positive momentum associated with owning a new home, particularly in areas outside of dense urban zones. We believe the foregoing factors have contributed to the current robust demand environment for new homes, and we are cautiously optimistic as we look forward to 2021. Despite this optimism, we continue to assess macroeconomic risks that could negatively impact housing demand, such as uncertainty surrounding the upcoming election results, the failure of the federal government to pass an additional fiscal stimulus package, or the passage of an insufficient one, higher inflation associated with deglobalization and the threat of further restrictions related to COVID-19 as we enter the fall and winter months.

Highlights of the quarter include an increase in homebuilding gross margin percentage to 22.1% and a reduction in selling, general and administrative expense as a percentage of home sales revenue to 9.8%. Our monthly absorption rate for the quarter was 4.8, a record high for any quarter since the Company's inception. These results, along with a slight increase in average sales price of homes delivered to $634,000, helped us achieve net income of $78.7 million, representing a 25% increase compared to the prior-year period. While housing demand remains strong and our homebuilding gross margin percentage increased in the third quarter compared to the prior-year period, rising material costs, particularly with respect to lumber, could negatively impact our future homebuilding gross margins going forward. As of September 30, 2020, our backlog units and dollar value of backlog were at record company highs of 3,188 units and $2.1 billion, respectively, up 38% and 39% from the prior-year period, respectively. In addition, we ended the quarter with total liquidity of $1.0 billion, including cash and cash equivalents of $493.6 million and $533.2 million of availability under our Credit Facility.

Our results for the three months ended September 30, 2020 may not be indicative of trends that will persist, as uncertainty caused by COVID-19 and government responses to the pandemic have impacted, and will continue to impact, our business and operations.

Impact of COVID-19 and Business Outlook

On March 11, 2020, the World Health Organization declared the outbreak of COVID-19 a global pandemic, and on March 13, 2020, the United States issued a proclamation declaring a national emergency concerning COVID-19. As a result of the pandemic, a number of states and local governments issued shelter-in-place orders or guidance for individuals not engaged in essential activities to remain at home other than for essential needs. While our TRI Pointe Homes—Bay Area and Quadrant Homes divisions were prohibited from engaging in residential construction activities in the Bay Area in California and Seattle, Washington, respectively, for several weeks beginning in late March 2020, residential homebuilding operations are currently designated as an essential business activity and remain exempt from the application of "stay-at-home" orders in all of our markets. However, there can be no assurance that our homebuilding operations will continue to remain exempt in all of our markets.

In response to the COVID-19 pandemic and measures taken by applicable governmental authorities, in mid-March 2020, we implemented new operating measures relating to our sales, construction and other operations, including protocols relating to social distancing, enhanced sanitation, monitoring of symptoms related to COVID-19 and other processes. Under these measures, we encouraged employees at our corporate and division offices whose duties could be performed from home to work remotely; our new home galleries and design studios transitioned to virtual appointments or appointment-only with pre-screened individuals, as permitted by law; we instituted social distancing, hygiene and sanitation guidelines in accordance with recommended protocols throughout the organization (including in our new home sales galleries and design studios, and with respect to trade partners and their employees on our jobsites); and we postponed non-essential customer care service and warranty requests. As of the date of this report, as permitted by applicable government orders or guidelines, we have transitioned substantially all of our employees back to our corporate and division offices (in many cases, using staggered or flexible schedules to limit the number of individuals in our offices on a given day), have resumed non-essential customer care service and warranty requests in substantially all of our markets, and are no longer appointment-only in many of our new home galleries. Our field-based team members continue to report to their assigned communities in all jurisdictions where homebuilding has been deemed an essential activity or is otherwise permitted by applicable government authorities. We have also encouraged our employees to use our virtual working and communication platforms in lieu of holding in-person meetings whenever possible.

The COVID-19 outbreak and the measures taken by governmental authorities to delay and contain its spread have resulted in substantial adverse effects on the United States economy and could result in a severe and/or prolonged economic recession. The ongoing impact of COVID-19 on the United States economy and our business and operations is unknown, as the velocity of this economic slowdown and the subsequent job losses are unprecedented. While demand for new homes has rebounded substantially over the last several months, given the dynamic nature of the situation, we cannot estimate the duration and severity of the impact of COVID-19 on the homebuilding industry or whether the current demand environment will persist. To the extent we experience further negative impacts, however, we anticipate that such impacts may include reduced consumer confidence, difficulties in obtaining financing for potential homebuyers, shortages of or increased costs associated with obtaining building materials, increased unemployment levels, declining wage growth and fluctuating interest rates. The uncertainty surrounding the containment of this virus, in the form of testing, vaccination and/or treatments, is a key unknown, and the ultimate strategy adopted to address the pandemic, if any, will substantially impact the form of any resulting economic recovery. Similarly, the extent of the impact of COVID-19 on our liquidity and operational and financial performance will depend on, among other things, existing and future federal, state and local restrictions regarding virus containment, as we believe these factors are highly correlated with consumer strength as it relates to employment and economic well-being.

As of the date of this report, we continue to build and sell homes in all of our markets, and net new orders and traffic in our sales offices have increased significantly as compared to the beginning of the second quarter. Notwithstanding, the new protocols we implemented in response to the COVID-19 outbreak and the measures taken by governmental authorities to contain its spread continue to affect our business and operations as of the date of this report, in many regards, including by requiring a substantial investment of time and resources by our management and organization and causing other material disruptions to our normal operations.

As noted above, as of September 30, 2020, we had total liquidity of $1.0 billion. We have implemented a strategy to maximize operating cash flows and maintain our existing liquidity by reducing or deferring cash expenditures as much as possible, including negotiating with land sellers and developers to extend the closing date of land acquisitions and lot take-downs, as well as postponing land development activities for certain communities.

Consolidated Financial Data (in thousands, except per share amounts):

	Three Months Ended September 30, 2020	Three Months Ended September 30, 2019	Nine Months Ended September 30, 2020	Nine Months Ended September 30, 2019
Homebuilding:				
Home sales revenue	$ 826,036	$ 746,269	$ 2,187,816	$ 1,931,110
Land and lot sales revenue	3,242	607	3,462	6,819
Other operations revenue	634	618	1,900	1,853
Total revenues	829,912	747,494	2,193,178	1,939,782
Cost of home sales	643,456	577,627	1,717,772	1,573,847
Cost of land and lot sales	3,214	495	3,790	7,552
Other operations expense	624	609	1,872	1,826
Sales and marketing	44,714	47,834	132,545	133,888
General and administrative	36,323	38,751	113,714	114,202
Restructuring charges	54	—	5,603	—
Homebuilding income from operations	101,527	82,178	217,882	108,467
Equity in income (loss) of unconsolidated entities	106	18	67	(33)
Other (expense) income, net	(3,120)	325	(9,075)	6,719
Homebuilding income before income taxes	98,513	82,521	208,874	115,153
Financial Services:				
Revenues	2,552	901	6,442	1,959
Expenses	1,334	817	3,698	1,765
Equity in income of unconsolidated entities	3,273	2,114	7,761	4,861
Financial services income before income taxes	4,491	2,198	10,505	5,055
Income before income taxes	103,004	84,719	219,379	120,208
Provision for income taxes	(24,322)	(21,858)	(52,286)	(31,014)
Net income	$ 78,682	$ 62,861	$ 167,093	$ 89,194
Earnings per share				
Basic	$ 0.61	$ 0.45	$ 1.27	$ 0.63
Diluted	$ 0.61	$ 0.44	$ 1.27	$ 0.63

Three Months Ended September 30, 2020 Compared to Three Months Ended September 30, 2019

Net New Home Orders, Average Selling Communities and Monthly Absorption Rates by Segment

	Three Months Ended September 30, 2020			Three Months Ended September 30, 2019			Percentage Change		
	Net New Home Orders	Average Selling Communities	Monthly Absorption Rates	Net New Home Orders	Average Selling Communities	Monthly Absorption Rates	Net New Home Orders	Average Selling Communities	Monthly Absorption Rates
Maracay	244	18.7	4.3	157	15.5	3.4	55 %	21 %	29 %
Pardee Homes	696	40.0	5.8	424	43.0	3.3	64 %	(7) %	76 %
Quadrant Homes	78	8.5	3.1	68	6.8	3.3	15 %	25 %	(8) %
Trendmaker Homes	318	30.5	3.5	192	37.0	1.7	66 %	(18) %	101 %
TRI Pointe Homes	422	25.3	5.6	293	29.7	3.3	44 %	(15) %	69 %
Winchester Homes	175	11.0	5.3	157	15.5	3.4	11 %	(29) %	57 %
Total	1,933	134.0	4.8	1,291	147.5	2.9	50 %	(9) %	65 %

Net new home orders for the three months ended September 30, 2020 increased by 642 orders, or 50%, to 1,933, compared to 1,291 during the prior-year period. The increase in net new home orders was due to a 65% increase in monthly absorption rates. New home order demand was exceptionally strong throughout the quarter as mortgage interest rates fell to historically low levels.

Maracay reported a 55% increase in net new home orders driven by a 29% increase in monthly absorption rate and a 21% increase in average selling communities. The Phoenix market has remained strong as evidenced by the monthly absorption rate of 4.3. Pardee Homes reported a 64% increase in net new home orders driven by a 76% increase in monthly absorption rates offset by a 7% decrease in average selling communities. The absorption rates in the Inland Empire, Los Angeles and San Diego improved significantly compared to the prior-year period, and while Las Vegas experienced a decrease in absorption rate, its monthly absorption rate for the quarter was 3.1. Net new home orders increased 15% at Quadrant Homes due to a 25% increase in average selling communities offset by an 8% decrease in monthly absorption rate as compared to the prior-year period. Trendmaker Homes' net new home orders increased 66% due to a 101% increase in monthly absorption rate, offset by an 18% decrease in average selling communities. Despite being impacted by COVID-19 and the volatility in the oil market earlier in the year, our Houston division has been resilient and achieved a monthly absorption rate of 3.2 for the current quarter, which far exceeds the 1.8 absorption rate in the prior-year period. Our sales pace in both our Austin and Dallas–Fort Worth markets improved on a year-over-year basis as well, achieving a monthly absorption rate of 4.3 and 3.6, respectively. TRI Pointe Homes' net new home orders increased 44% due to a 69% increase in monthly absorption rate, offset by a 15% decrease in average selling communities. The increase in TRI Pointe Homes' monthly absorption rate was driven by stronger market conditions in each of our Southern California, Bay Area, Sacramento and Colorado markets compared to the prior-year period. Winchester Homes reported an 11% increase in net new home orders as a result of a 57% increase in monthly absorption rate offset by a 29% decrease in average selling communities. The increase in Winchester Homes' monthly absorption rate was due to strong order demand and more favorable overall market conditions compared to the prior-year period.

Backlog Units, Dollar Value and Average Sales Price by Segment (dollars in thousands)

	As of September 30, 2020			As of September 30, 2019			Percentage Change		
	Backlog Units	**Backlog Dollar Value**	**Average Sales Price**	**Backlog Units**	**Backlog Dollar Value**	**Average Sales Price**	**Backlog Units**	**Backlog Dollar Value**	**Average Sales Price**
Maracay	501	$ 317,887	$ 635	404	$ 218,424	$ 541	24 %	46 %	17 %
Pardee Homes	1,067	696,520	653	753	542,370	720	42 %	28 %	(9) %
Quadrant Homes	228	222,394	975	89	77,426	870	156 %	187 %	12 %
Trendmaker Homes	404	184,507	457	367	184,563	503	10 %	— %	(9) %
TRI Pointe Homes	682	461,574	677	451	306,337	679	51 %	51 %	— %
Winchester Homes	306	184,484	603	248	162,332	655	23 %	14 %	(8) %
Total	3,188	$ 2,067,366	$ 648	2,312	$ 1,491,452	$ 645	38 %	39 %	— %

Backlog units reflect the number of homes, net of actual cancellations experienced during the period, for which we have entered into a sales contract with a homebuyer but for which we have not yet delivered the home. Homes in backlog are generally delivered within three to nine months, although we may experience cancellations of sales contracts prior to delivery. Our cancellation rate of homebuyers who contracted to buy a home but cancelled prior to delivery of the home (as a percentage of overall orders) was 9% and 17% during the three-month periods ended September 30, 2020 and 2019, respectively. The dollar value of backlog was $2.1 billion as of September 30, 2020, an increase of $575.9 million, or 39%, compared to $1.5 billion as of September 30, 2019. This increase was due to an increase in backlog units of 876, or 38%, to 3,188 as of September 30, 2020, compared to 2,312 as of September 30, 2019.

Maracay's backlog dollar value increased 46% compared to the prior-year period due to a 24% increase in backlog units and a 17% increase in average sales price. The increase in backlog units is due to the strong market conditions in Arizona for most of the current-year period and the success of recently opened communities. In addition, we opened the current-year period with a higher number of backlog units, which resulted in higher carryforward of opening backlog units in the current-year period compared to the prior-year period, which had been impacted by the housing slowdown in late 2018. Pardee Homes' backlog dollar value increased 28% due to an increase in backlog units of 42% offset by a decrease in backlog average sales price of 9%. The increase in backlog units is largely due to the increase in net new home orders we experienced during the quarter as low interest rates helped accelerate orders, with particularly strong success at our Inland Empire division. Quadrant Homes' backlog dollar value increased 187% as a result of a 156% increase in backlog units and a 12% increase in average sales price. The increase in backlog units was a result of starting the current-year period with an increase in backlog units. Trendmaker Homes' backlog dollar value remained flat compared to the prior-year period due to an offsetting increase in backlog units of 10% and a decrease in average sales price of 9%. The increase in backlog units resulted primarily from the significantly higher absorption rate in the current year period. TRI Pointe Homes' backlog dollar value increased 51% due to a 51% increase in backlog units. The increase in backlog units resulted from a strong demand environment across this reporting segment. Winchester Homes' backlog dollar value increased 14% due to a 23% increase in backlog units offset by an 8% decrease in average sales price. The increase in backlog units is a result of starting the current-year period with an increase in backlog units.

New Homes Delivered, Homes Sales Revenue and Average Sales Price by Segment (dollars in thousands)

	Three Months Ended September 30, 2020			Three Months Ended September 30, 2019			Percentage Change		
	New Homes Delivered	Home Sales Revenue	Average Sales Price	New Homes Delivered	Home Sales Revenue	Average Sales Price	New Homes Delivered	Home Sales Revenue	Average Sales Price
Maracay	170	$ 95,109	$ 559	138	$ 70,860	$ 513	23 %	34 %	9 %
Pardee Homes	368	250,294	680	461	321,922	698	(20) %	(22) %	(3) %
Quadrant Homes	78	72,317	927	56	49,258	880	39 %	47 %	5 %
Trendmaker Homes	235	106,619	454	224	102,821	459	5 %	4 %	(1) %
TRI Pointe Homes	292	202,647	694	226	154,737	685	29 %	31 %	1 %
Winchester Homes	160	99,050	619	82	46,671	569	95 %	112 %	9 %
Total	1,303	$ 826,036	$ 634	1,187	$ 746,269	$ 629	10 %	11 %	1 %

Home sales revenue increased $79.8 million, or 11%, to $826.0 million for the three months ended September 30, 2020. The increase was comprised of (i) $72.9 million related to an increase of 116 new homes delivered in the three months ended September 30, 2020 compared to the prior-year period, and (ii) $6.8 million related to an increase of $5,000 in average sales price of homes delivered in the three months ended September 30, 2020 compared to the prior-year period.

Maracay home sales revenue increased 34% due to a 23% increase in new homes delivered and a 9% increase in average sales price during the current-year period. The increase in new homes delivered is due to higher backlog units to start the current-year period compared to the prior-year period. Pardee Homes' home sales revenue decreased 22% due to a 20% decrease in new homes delivered and a 3% decrease in average sales price. The decrease in new homes delivered was due to lower backlog units to start the current-year period compared to the prior-year period and timing. Quadrant Homes' home sales revenue increased 47% due to a 39% increase in new homes delivered and a 5% increase in average sales price. The increase in new homes delivered was due to a higher number of backlog units at the start of the current-year period compared to the prior-year period. Trendmaker Homes' home sales revenue increased 4% due to a 5% increase in new homes delivered offset by a 1% decrease in average sales price. TRI Pointe Homes' home sales revenue increased 31% due primarily to a 29% increase in new homes delivered and a 1% increase in average sales price. The increase in new homes delivered was driven by the timing of deliveries and the higher backlog leading into the current year period. Home sales revenue increased at Winchester Homes by 112% due to a 95% increase in new homes delivered. The increase in new homes delivered was due to a higher number of backlog units at the start of the current-year period compared to the prior-year period.

Homebuilding Gross Margins (dollars in thousands)

	Three Months Ended September 30,			
	2020	%	2019	%
Home sales revenue	$ 826,036	100.0 %	$ 746,269	100.0 %
Cost of home sales	643,456	77.9 %	577,627	77.4 %
Homebuilding gross margin	182,580	22.1 %	168,642	22.6 %
Add: interest in cost of home sales	23,495	2.8 %	19,240	2.6 %
Add: impairments and lot option abandonments	315	0.0 %	1,029	0.1 %
Adjusted homebuilding gross margin[(1)]	$ 206,390	25.0 %	$ 188,911	25.3 %
Homebuilding gross margin percentage	22.1 %		22.6 %	
Adjusted homebuilding gross margin percentage[(1)]	25.0 %		25.3 %	

(1) Non-GAAP financial measure (as discussed below).

Our homebuilding gross margin percentage decreased to 22.1% for the three months ended September 30, 2020 as compared to 22.6% for the prior-year period. The decrease in gross margin percentage was due to mix, with both comparable periods including high revenue from some of our long-dated California assets, which produce gross margins above the Company average. Excluding interest and impairment and lot option abandonments in cost of home sales, adjusted homebuilding gross margin percentage was 25.0% for the three months ended September 30, 2020, compared to 25.3% for the prior-year period.

Adjusted homebuilding gross margin is a non-GAAP financial measure. We believe this information is meaningful as it isolates the impact that leverage and noncash charges have on homebuilding gross margin and permits investors to make better comparisons with our competitors, who adjust gross margins in a similar fashion. Because adjusted homebuilding gross margin is not calculated in accordance with GAAP, it may not be comparable to other similarly titled measures of other companies and should not be considered in isolation or as a substitute for, or superior to, financial measures prepared in accordance with GAAP. See the table above reconciling this non-GAAP financial measure to homebuilding gross margin, the most directly comparable GAAP measure.

Sales and Marketing, General and Administrative Expense (dollars in thousands)

	Three Months Ended September 30,		As a Percentage of Home Sales Revenue	
	2020	2019	2020	2019
Sales and marketing	$ 44,714	$ 47,834	5.4 %	6.4 %
General and administrative (G&A)	36,323	38,751	4.4 %	5.2 %
Total sales and marketing and G&A	$ 81,037	$ 86,585	9.8 %	11.6 %

Total sales and marketing and general and administrative ("SG&A") as a percentage of home sales revenue decreased to 9.8% for the three months ended September 30, 2020, compared to 11.6% in the prior-year period. Total SG&A expense decreased $5.5 million to $81.0 million for the three months ended September 30, 2020 from $86.6 million in the prior-year period.

Sales and marketing expense as a percentage of home sales revenue decreased to 5.4% for the three months ended September 30, 2020, compared to 6.4% for the prior-year period. The decrease was due primarily to lower advertising expense and higher leverage on the fixed components of sales and marketing expense as a result of the 11% increase in homebuilding revenue compared to the prior-year period. In addition, we realized some cost savings related to the workforce reduction plan implemented in May 2020. Sales and marketing expense decreased to $44.7 million for the three months ended September 30, 2020 compared to $47.8 million in the prior-year period due primarily to the decrease in advertising expense.

General and administrative ("G&A") expense as a percentage of home sales revenue decreased to 4.4% of home sales revenue for the three months ended September 30, 2020 compared to 5.2% for the prior-year period largely due to higher leverage on our G&A expense as a result of the 11% increase in homebuilding revenue compared to the prior-year period. In addition, G&A expense was favorably impacted by the realization of cost savings related to our workforce reduction plan implemented in May 2020. G&A expense decreased to $36.3 million for the three months ended September 30, 2020 compared to $38.8 million for the prior-year period.

Other (Expense) Income, Net

Other (expense) income, net for the three months ended September 30, 2020 included a $3.4 million charge in connection with the early extinguishment of a portion of our 4.875% Senior Notes due 2021 (the "2021 Notes"). In June 2020, we commenced and settled a cash tender offer for any and all of our then outstanding $300 million principal amount of 2021 Notes as part of a plan to refinance our long-term debt due in 2021 with longer maturity financing. The principal amount of 2021 Notes tendered was $216.3 million, or 72% of the outstanding principal amount, after which $83.7 million principal amount of 2021 Notes remained outstanding as of June 30, 2020. The $3.4 million charge in the current quarter was related to the full repayment of this remaining balance outstanding.

Interest

Interest, which we incurred principally to finance land acquisitions, land development and home construction, totaled $20.1 million and $22.4 million for the three months ended September 30, 2020 and 2019, respectively. All interest incurred in both periods was capitalized.

Income Tax

For the three months ended September 30, 2020, we recorded a tax provision of $24.3 million based on an effective tax rate of 23.6%. For the three months ended September 30, 2019, we recorded a tax provision of $21.9 million based on an effective tax rate of 25.8%. The increase in provision for income taxes is due to a $18.3 million increase in income before income taxes to $103.0 million for the three months ended September 30, 2020, compared to $84.7 million for the prior-year period.

Financial Services Segment

Income before income taxes from our financial services operations increased to $4.5 million for the three months ended September 30, 2020 compared to $2.2 million for the prior-year period. This increase is due to higher home sales volume in the three months ended September 30, 2020 compared to the prior-year period, resulting in a corresponding increase in financial services captured in the current-year period. We experienced higher financial services profit in all three areas of our financial services segment, represented by mortgage financing, title and escrow services, and property and casualty insurance operations.

Nine Months Ended September 30, 2020 Compared to Nine Months Ended September 30, 2019

Net New Home Orders, Average Selling Communities and Monthly Absorption Rates by Segment

	Nine Months Ended September 30, 2020			Nine Months Ended September 30, 2019			Percentage Change		
	Net New Home Orders	Average Selling Communities	Monthly Absorption Rates	Net New Home Orders	Average Selling Communities	Monthly Absorption Rates	Net New Home Orders	Average Selling Communities	Monthly Absorption Rates
Maracay	646	17.4	4.1	571	14.0	4.5	13 %	24 %	(9) %
Pardee Homes	1,594	41.5	4.3	1,379	43.9	3.5	16 %	(5) %	23 %
Quadrant Homes	309	8.2	4.2	210	6.9	3.4	47 %	19 %	24 %
Trendmaker Homes	757	30.3	2.8	682	38.1	2.0	11 %	(20) %	40 %
TRI Pointe Homes	1,163	29.2	4.4	882	29.7	3.3	32 %	(2) %	33 %
Winchester Homes	457	12.2	4.2	379	14.7	2.9	21 %	(17) %	45 %
Total	4,926	138.8	3.9	4,103	147.3	3.1	20 %	(6) %	26 %

Net new home orders for the nine months ended September 30, 2020 increased by 823 orders, or 20%, to 4,926, compared to 4,103 during the prior-year period. The increase in net new home orders was due to a 26% increase in monthly absorption rates, offset by a 6% decrease in average selling communities. New home order demand was exceptionally strong through January and February of 2020, followed by a significant decline in March and April, a slow and steady improvement in May followed again by exceptionally strong demand in June through September. This unusual volatility was due to the COVID-19 pandemic and the measures taken to contain its spread, as well as the impacts on consumers and the overall economy. Historically low interest rate levels have been present for much of the year, providing a significant boost in demand.

Maracay reported a 13% increase in net new home orders driven by a 24% increase in average selling communities, offset by a 9% decrease in monthly absorption rates. Despite the decrease, the monthly absorption rate was strong at 4.1 for the nine months ended September 30, 2020 due to strong market conditions, despite the slowdown we experienced during March and April due to COVID-19. Further, the strong current year absorption rate demonstrates strong demand for Maracay's new community openings during the current-year period. Pardee Homes reported a 16% increase in net new home orders driven by a 23% increase in monthly absorption rates, offset by a 5% decrease in average selling communities. The increase in monthly absorption rate was experienced across all of our California divisions, with particular strength from the Inland Empire where we landed at a rate of 5.6 for the current-year period, compared to 3.6 in the prior-year period. Net new home orders increased 47% at Quadrant Homes due to a 24% increase in monthly absorption rate and a 19% increase in average selling communities during the current-year period as compared to the prior-year period. The increase in monthly absorption rate to 4.2 was due to an exceptionally strong demand environment in January and February of the current-year period, as well as a significant improvement in market conditions during the latter half of May and through September, notwithstanding reduced demand in the month of April due to COVID-19. Trendmaker Homes' net new home orders increased 11% due to a 40% increase in monthly absorption rate, offset by a 20% decrease in average selling communities. Though we experienced stronger monthly absorption rates at each of our Houston, Austin and Dallas–Fort Worth markets in the current-year period, COVID-19 and the volatility in the oil market negatively impacted our sales pace in the current-year period, particularly in March and April. TRI Pointe Homes' net new home orders increased 32% due to an 33% increase in the monthly absorption rate. The increase in TRI Pointe Homes' monthly absorption rate was driven by stronger market conditions in each of our California markets as well as our Colorado market, compared to the prior-year period. Winchester Homes reported a 21% increase in net new home orders as a result of a 45% increase in monthly absorption rate offset by a 17% decrease in average selling communities. The increase in Winchester Homes' monthly absorption rate was due to strong order demand and more favorable overall market conditions compared to the prior-year period.

New Homes Delivered, Homes Sales Revenue and Average Sales Price by Segment (dollars in thousands)

	Nine Months Ended September 30, 2020			Nine Months Ended September 30, 2019			Percentage Change		
	New Homes Delivered	Home Sales Revenue	Average Sales Price	New Homes Delivered	Home Sales Revenue	Average Sales Price	New Homes Delivered	Home Sales Revenue	Average Sales Price
Maracay	475	$ 253,535	$ 534	318	$ 166,074	$ 522	49 %	53 %	2 %
Pardee Homes	987	670,978	680	1,028	651,484	634	(4) %	3 %	7 %
Quadrant Homes	170	152,423	897	167	162,960	976	2 %	(6) %	(8) %
Trendmaker Homes	698	323,996	464	628	289,951	462	11 %	12 %	— %
TRI Pointe Homes	810	567,791	701	749	519,280	693	8 %	9 %	1 %
Winchester Homes	350	219,093	626	236	141,361	599	48 %	55 %	5 %
Total	3,490	$ 2,187,816	$ 627	3,126	$ 1,931,110	$ 618	12 %	13 %	1 %

Home sales revenue increased $256.7 million, or 13%, to $2.2 billion for the nine months ended September 30, 2020. The increase was comprised of (i) $224.9 million related to an increase of 364 new homes delivered in the nine months ended September 30, 2020 compared to the prior-year period, and (ii) $31.8 million related to an increase of $9,000 in average sales price of homes delivered in the nine months ended September 30, 2020 compared to the prior-year period.

Maracay home sales revenue increased 53% due to a 49% increase in new homes delivered during the current-year period. The increase in new homes delivered is due to a 119% increase in backlog units to start the current-year period compared to the prior-year period. Pardee Homes' home sales revenue increased 3% due to a 7% increase in average sales price, offset by a 4% decrease in new homes delivered. The increase in average sales price was due to a product mix shift that included a greater proportion of deliveries from our higher-priced California assets in the current-year period, particularly from our San Diego market. Quadrant Homes' home sales revenue decreased 6% due to an 8% decrease in average sales price, offset by a 2% increase in new homes delivered. Quadrant opened the year with a 93% increase in backlog units compared to the prior year opening backlog. New homes delivered in the current-year period has been impacted by COVID-19-related construction delays. Trendmaker Homes' home sales revenue increased 12% due to an 11% increase in new homes delivered. The increase in new homes delivered was due to the timing of deliveries. Home sales revenue increased at Winchester Homes by 55% due to a 48% increase in new homes delivered and a 5% increase in average sales price. The increase in new homes delivered was due to a higher number of backlog units at the start of the current-year period compared to the prior-year period.

Homebuilding Gross Margins (dollars in thousands)

	Nine Months Ended September 30,			
	2020	%	2019	%
Home sales revenue	$ 2,187,816	100.0 %	$ 1,931,110	100.0 %
Cost of home sales	1,717,772	78.5 %	1,573,847	81.5 %
Homebuilding gross margin	470,044	21.5 %	357,263	18.5 %
Add: interest in cost of home sales	62,118	2.8 %	51,502	2.7 %
Add: impairments and lot option abandonments	2,044	0.1 %	6,519	0.3 %
Adjusted homebuilding gross margin[(1)]	$ 534,206	24.4 %	$ 415,284	21.5 %
Homebuilding gross margin percentage	21.5 %		18.5 %	
Adjusted homebuilding gross margin percentage[(1)]	24.4 %		21.5 %	

(1) Non-GAAP financial measure (as discussed below).

Our homebuilding gross margin percentage increased to 21.5% for the nine months ended September 30, 2020 as compared to 18.5% for the prior-year period. The increase in gross margin percentage was due to a decrease in incentives as compared to the prior-year period, during which we delivered homes impacted by the weaker pricing trends experienced in the second half of 2018. In addition, we benefited from the favorable impact of higher current-year period revenue from some of our long-dated California assets, which produce gross margins above the Company average. Excluding interest and impairment and lot option abandonments in cost of home sales, adjusted homebuilding gross margin percentage was 24.4% for the nine months ended September 30, 2020, compared to 21.5% for the prior-year period.

Adjusted homebuilding gross margin is a non-GAAP financial measure. We believe this information is meaningful as it isolates the impact that leverage and noncash charges have on homebuilding gross margin and permits investors to make better comparisons with our competitors, who adjust gross margins in a similar fashion. Because adjusted homebuilding gross margin is not calculated in accordance with GAAP, it may not be comparable to other similarly titled measures of other companies and should not be considered in isolation or as a substitute for, or superior to, financial measures prepared in accordance with GAAP. See the table above reconciling this non-GAAP financial measure to homebuilding gross margin, the most directly comparable GAAP measure.

Sales and Marketing, General and Administrative Expense (dollars in thousands)

	Nine Months Ended September 30,		As a Percentage of Home Sales Revenue	
	2020	2019	2020	2019
Sales and marketing	$ 132,545	$ 133,888	6.1 %	6.9 %
General and administrative (G&A)	113,714	114,202	5.2 %	5.9 %
Total sales and marketing and G&A	$ 246,259	$ 248,090	11.3 %	12.8 %

Total SG&A as a percentage of home sales revenue decreased to 11.3% for the nine months ended September 30, 2020, compared to 12.8% in the prior-year period. Total SG&A expense decreased $1.8 million to $246.3 million for the nine months ended September 30, 2020 from $248.1 million in the prior-year period.

Sales and marketing expense as a percentage of home sales revenue decreased to 6.1% for the nine months ended September 30, 2020, compared to 6.9% for the prior-year period. The decrease was due primarily to higher leverage on the fixed components of sales and marketing expense as a result of the 13% increase in homebuilding revenue compared to the prior-year period. In addition, we realized some cost savings related to the workforce reduction plan implemented in May 2020. Sales and marketing expense decreased to $132.5 million for the nine months ended September 30, 2020 compared to $133.9 million in the prior-year period due primarily to lower advertising expense, offset by higher variable commission costs associated with higher home sales revenue.

G&A expense as a percentage of home sales revenue decreased to 5.2% of home sales revenue for the nine months ended September 30, 2020 compared to 5.9% for the prior-year period largely due to higher leverage on our G&A expense as a result of the 13% increase in homebuilding revenue compared to the prior-year period. In addition, G&A expense was favorably impacted by the realization of cost savings related to our workforce reduction plan implemented in May 2020. G&A expense decreased to $113.7 million for the nine months ended September 30, 2020 compared to $114.2 million for the prior-year period.

Restructuring Charges

In May 2020, due to the existing and anticipated future impact of the COVID-19 pandemic on our business, we implemented a workforce reduction plan. As a result of the workforce reduction plan, we have incurred $5.6 million of pre-tax restructuring charges during the nine months ended September 30, 2020, consisting of severance and related costs, substantially all of which had been paid as of September 30, 2020.

Interest

Interest, which we incurred principally to finance land acquisitions, land development and home construction, totaled $62.7 million and $67.7 million for the nine months ended September 30, 2020 and 2019, respectively. All interest incurred in both periods was capitalized.

Income Tax

For the nine months ended September 30, 2020, we recorded a tax provision of $52.3 million based on an effective tax rate of 23.8%. For the nine months ended September 30, 2019, we recorded a tax provision of $31.0 million based on an effective tax rate of 25.8%. The increase in provision for income taxes is due to a $99.2 million increase in income before income taxes to $219.4 million for the nine months ended September 30, 2020, compared to $120.2 million for the prior-year period.

Financial Services Segment

Income before income taxes from our financial services operations increased to $10.5 million for the nine months ended September 30, 2020 compared to $5.1 million for the prior-year period. This increase is due to higher home sales volume in the nine months ended September 30, 2020 compared to the prior-year period, resulting in a corresponding increase in financial services captured in the current-year period. We experienced higher financial services profit in all three areas of our financial services segment, represented by mortgage financing, title and escrow services, and property and casualty insurance operations.

Lots Owned or Controlled by Segment

Excluded from owned and controlled lots are those related to Note 6, *Investments in Unconsolidated Entities*, to the accompanying condensed notes to unaudited consolidated financial statements included in this Quarterly Report on Form 10-Q. The table below summarizes our lots owned or controlled by segment as of the dates presented:

	September 30,		Increase (Decrease)	
	2020	2019	Amount	%
Lots Owned				
Maracay	1,925	2,095	(170)	(8)%
Pardee Homes	12,287	13,631	(1,344)	(10)%
Quadrant Homes	932	1,029	(97)	(9)%
Trendmaker Homes	3,226	2,131	1,095	51 %
TRI Pointe Homes	3,057	2,954	103	3 %
Winchester Homes	770	1,188	(418)	(35)%
Total	22,197	23,028	(831)	(4)%
Lots Controlled[(1)]				
Maracay	1,892	1,395	497	36 %
Pardee Homes	1,419	296	1,123	379 %
Quadrant Homes	—	398	(398)	(100)%
Trendmaker Homes	1,219	1,012	207	20 %
TRI Pointe Homes	4,243	2,235	2,008	90 %
Winchester Homes	890	392	498	127 %
Total	9,663	5,728	3,935	69 %
Total Lots Owned or Controlled[(1)]	31,860	28,756	3,104	11 %

(1) As of September 30, 2020 and 2019, lots controlled represented lots that were under land or lot option contracts or purchase contracts.

Liquidity and Capital Resources

Overview

Our principal uses of capital for the nine months ended September 30, 2020 were operating expenses, land purchases, land development, home construction and repurchases of our common stock. We used funds generated by our operations to meet our short-term working capital requirements. We monitor financing requirements to evaluate potential financing sources, including bank credit facilities and note offerings. In March 2020, we borrowed a total of $500 million under our revolving credit facility to, in part, safeguard our balance sheet as the credit and banking market showed signs of distress in the wake of the COVID-19 outbreak. In June 2020, we determined that any concerns regarding near term access to liquidity had sufficiently receded and, as a result, we repaid all outstanding amounts under our revolving credit facility. While the current economic environment resulting from the COVID-19 pandemic is unprecedented, and the ultimate effects of COVID-19 and the related restrictions imposed on businesses and individuals across the world remain unknown, we continue to monitor the credit markets as we remain focused on generating positive margins in our homebuilding operations. While acquiring desirable land positions is critical to our long-term growth initiatives, under the current conditions we are focused on maintaining a strong balance sheet while maximizing flexibility as to future land spend. As of September 30, 2020, we had total liquidity of $1.0 billion, including cash and cash equivalents of $493.6 million and $533.2 million of availability under our Credit Facility, as described below, after considering the borrowing base provisions and outstanding letters of credit.

Our board of directors will consider a number of factors when evaluating our level of indebtedness and when making decisions regarding the incurrence of new indebtedness, including the purchase price of assets to be acquired with debt financing, the estimated market value of our assets and the availability of particular assets, and our Company as a whole, to generate cash flow to cover the expected debt service.

Senior Notes

In June 2020, TRI Pointe Group issued $350 million aggregate principal amount of 5.700% Senior Notes due 2028 (the “2028 Notes”) at 100.00% of their aggregate principal amount. Net proceeds of this issuance were $345.2 million, after debt issuance costs and discounts. The 2028 Notes mature on June 15, 2028 and interest is paid semiannually in arrears on June 15 and December 15.

In June 2017, TRI Pointe Group issued $300 million aggregate principal amount of 5.250% Senior Notes due 2027 (the “2027 Notes”) at 100.00% of their aggregate principal amount. Net proceeds of this issuance were $296.3 million, after debt issuance costs and discounts. The 2027 Notes mature on June 1, 2027 and interest is paid semiannually in arrears on June 1 and December 1.

In May 2016, TRI Pointe Group issued $300 million aggregate principal amount of 4.875% Senior Notes due 2021 (the “2021 Notes”) at 99.44% of their aggregate principal amount. Net proceeds of this issuance were $293.9 million, after debt issuance costs and discounts. The 2021 Notes were scheduled to mature on July 1, 2021 and interest was paid semiannually in arrears on January 1 and July 1. On June 3, 2020, the Company commenced a cash tender offer for any and all of the outstanding 2021 Notes at a price of $1,025 per $1,000 principal amount of 2021 Notes tendered before the expiration of the tender offer. The principal amount of 2021 Notes tendered was $216.3 million, or 72% of the outstanding principal amount, after which $83.7 million principal amount of 2021 Notes remained outstanding as of June 30, 2020. The remaining outstanding principal amount of $83.7 million was fully paid in July 2020 in connection with the redemption of the remaining 2021 Notes.

TRI Pointe Group and its wholly owned subsidiary TRI Pointe Homes, Inc. (“TRI Pointe Homes”) are co-issuers of the $450 million aggregate principal amount 5.875% Senior Notes due 2024 (the “2024 Notes”). The 2024 Notes were issued at 98.15% of their aggregate principal amount. The net proceeds from the offering of the 2024 Notes was $429.0 million, after debt issuance costs and discounts. The 2024 Notes mature on June 15, 2024, with interest payable semiannually in arrears on June 15 and December 15.

Our outstanding senior notes (the “Senior Notes”) contain covenants that restrict our ability to, among other things, create liens or other encumbrances, enter into sale and leaseback transactions, or merge or sell all or substantially all of our assets. These limitations are subject to a number of qualifications and exceptions. As of September 30, 2020, we were in compliance with the covenants required by our Senior Notes.

Loans Payable

On March 29, 2019, we entered into a Second Amended and Restated Credit Agreement (the “Credit Agreement”), which amended and restated our Amended and Restated Credit Agreement, dated as of July 7, 2015. The Credit Facility (as defined below), which matures on March 29, 2023, consists of a $600 million revolving credit facility (the “Revolving Facility”) and a $250 million term loan facility (the “Term Facility” and together with the Revolving Facility, the “Credit Facility”). The Term Facility includes a 90-day delayed draw provision, which allowed us to draw the full $250 million from the Term Facility in June 2019 in connection with the maturity of the 4.375% Senior Notes that matured on June 15, 2019. We may increase the Credit Facility to not more than $1 billion in the aggregate, at our request, upon satisfaction of specified conditions. The Revolving Facility contains a sublimit of $75 million for letters of credit. We may borrow under the Revolving Facility in the ordinary course of business to repay senior notes and fund our operations, including our land acquisition, land development and homebuilding activities. Borrowings under the Revolving Facility will be governed by, among other things, a borrowing base. Interest rates on borrowings under the Revolving Facility will be based on either a daily Eurocurrency base rate or a Eurocurrency rate, in either case, plus a spread ranging from 1.25% to 2.00%, depending on our leverage ratio. Interest rates on borrowings under the Term Facility will be based on either a daily Eurocurrency base rate or a Eurocurrency rate, in either case, plus a spread ranging from 1.10% to 1.85%, depending on the Company’s leverage ratio.

As of September 30, 2020, we had no outstanding debt under the Revolving Facility and there was $533.2 million of availability after considering the borrowing base provisions and outstanding letters of credit. As of September 30, 2020, we had $250 million outstanding debt under the Term Facility with an interest rate of 1.51%. As of September 30, 2020, there were $3.4 million of capitalized debt financing costs, included in other assets on our consolidated balance sheet, related to the Credit Agreement that will amortize over the remaining term of the Credit Agreement. Accrued interest, including loan commitment fees, related to the Credit Agreement was $742,000 and $1.2 million as of September 30, 2020 and December 31, 2019, respectively.

At September 30, 2020 and December 31, 2019, we had outstanding letters of credit of $66.8 million and $32.6 million, respectively. These letters of credit were issued to secure various financial obligations. We believe it is not probable that any outstanding letters of credit will be drawn upon.

Under the Credit Facility, we are required to comply with certain financial covenants, including, but not limited to, those set forth in the table below (dollars in thousands):

Financial Covenants	Actual at September 30, 2020	Covenant Requirement at September 30, 2020
Consolidated Tangible Net Worth	$ 2,038,596	$ 1,537,140
(Not less than $1.35 billion plus 50% of net income and 50% of the net proceeds from equity offerings after December 31, 2018)		
Leverage Test	29.8 %	≤55%
(Not to exceed 55%)		
Interest Coverage Test	6.4	≥1.5
(Not less than 1.5:1.0)		

In addition, the Credit Facility limits the aggregate number of single family dwellings (where construction has commenced) owned by the Company or any guarantor that are not presold or model units to no more than the greater of (i) 50% of the number of housing unit closings (as defined) during the preceding 12 months; or (ii) 100% of the number of housing unit closings during the preceding 6 months. However, a failure to comply with this “Spec Unit Inventory Test” will not be an event of default or default, but will be excluded from the borrowing base as of the last day of the quarter in which the non-compliance occurs. The Credit Facility further requires that at least 97.0% of consolidated tangible net worth must be attributable to the Company and its guarantor subsidiaries, subject to certain grace periods.

As of September 30, 2020, we were in compliance with all of these financial covenants.

Stock Repurchase Program

On February 13, 2020, our board of directors discontinued and cancelled our 2019 Repurchase Program and approved our 2020 Repurchase Program, authorizing the repurchase of shares of common stock with an aggregate value of up to $200 million through March 31, 2021. Purchases of common stock pursuant to the 2020 Repurchase Program may be made in open market transactions effected through a broker-dealer at prevailing market prices, in block trades, or by other means in accordance with federal securities laws, including pursuant to any trading plan that may be adopted in accordance with Rule 10b5-1 under the Exchange Act. We are not obligated under the 2020 Repurchase Program to repurchase any specific number or dollar amount of shares of common stock, and we may modify, suspend or discontinue the 2020 Repurchase Program at any time. Our management will determine the timing and amount of repurchase in its discretion based on a variety of factors, such as the market price of our common stock, corporate requirements, general market economic conditions and legal requirements. During the three months ended September 30, 2020, we repurchased and retired an aggregate of 3,662,738 shares of our common stock at an average price of $16.94 under the 2020 Repurchase Program for $62.1 million. For the nine months ended September 30, 2020, we repurchased and retired an aggregate of 10.2 million shares of common stock under the 2019 Repurchase Program and 2020 Repurchase Program for a total of $164.1 million.

Leverage Ratios

We believe that our leverage ratios provide useful information to the users of our financial statements regarding our financial position and cash and debt management. The ratio of debt-to-capital and the ratio of net debt-to-net capital are calculated as follows (dollars in thousands):

	September 30, 2020	December 31, 2019
Loans Payable	$ 250,000	$ 250,000
Senior Notes	1,083,254	1,033,985
Total debt	1,333,254	1,283,985
Stockholders' equity	2,198,088	2,186,530
Total capital	$ 3,531,342	$ 3,470,515
Ratio of debt-to-capital[1]	37.8 %	37.0 %
Total debt	$ 1,333,254	$ 1,283,985
Less: Cash and cash equivalents	(493,585)	(329,011)
Net debt	839,669	954,974
Stockholders' equity	2,198,088	2,186,530
Net capital	$ 3,037,757	$ 3,141,504
Ratio of net debt-to-net capital[2]	27.6 %	30.4 %

(1) The ratio of debt-to-capital is computed as the quotient obtained by dividing total debt by the sum of total debt plus stockholders' equity.

(2) The ratio of net debt-to-net capital is a non-GAAP financial measure and is computed as the quotient obtained by dividing net debt (which is total debt less cash and cash equivalents) by the sum of net debt plus stockholders' equity. The most directly comparable GAAP financial measure is the ratio of debt-to-capital. We believe the ratio of net debt-to-net capital is a relevant financial measure for investors to understand the leverage employed in our operations and as an indicator of our ability to obtain financing. See the table above reconciling this non-GAAP financial measure to the ratio of debt-to-capital. Because the ratio of net debt-to-net capital is not calculated in accordance with GAAP, it may not be comparable to other similarly titled measures of other companies and should not be considered in isolation or as a substitute for, or superior to, financial measures prepared in accordance with GAAP.

Cash Flows—Nine Months Ended September 30, 2020 Compared to Nine Months Ended September 30, 2019

For the nine months ended September 30, 2020 as compared to the nine months ended September 30, 2019:

- Net cash provided by operating activities increased by $432.4 million to $338.1 million for the nine months ended September 30, 2020, from net cash used of $94.3 million for the nine months ended September 30, 2019. The change was comprised of offsetting activity, including (i) a decrease in cash used for real estate inventory purchases of $220.6 million, (ii) an increase in net income to $167.1 million for the nine months ended September 30, 2020 compared to $89.2 million in the prior-year period, (iii) a decrease in cash used for accrued expenses and other liabilities of $72.9 to cash provided of $12.7 million in the nine months ended September 30, 2020 compared to a cash use of $60.2 million in the prior-year period, (iv) offset by changes in other assets, receivables, accounts payable, deferred income taxes and returns on investments in unconsolidated entities.
- Net cash used in investing activities was $43.6 million for the nine months ended September 30, 2020, compared to $23.1 million for the prior-year period. The increase in cash used in investing activities was due mainly to an increase in investments in unconsolidated entities.
- Net cash used in financing activities was $130.0 million for the nine months ended September 30, 2020, compared to net cash used of $30.1 million for the prior-year period. Net cash used in financing activities in the current-year period was primarily comprised of $164.1 million of cash used for share repurchases, offset by a net borrowing of $41.2 million related to the issuance of upsized $350 million 2028 Notes used to replace and retire the $300 million 2021 Notes.

Off-Balance Sheet Arrangements and Contractual Obligations

In the ordinary course of business, we enter into purchase contracts in order to procure lots for the construction of our homes. We are subject to customary obligations associated with entering into contracts for the purchase of land and improved lots. These purchase contracts typically require a cash deposit and the purchase of properties under these contracts is generally contingent upon satisfaction of certain requirements by the sellers, including obtaining applicable property and development entitlements. We also utilize option contracts with land sellers and land banking arrangements as a method of acquiring land in staged takedowns, to help us manage the financial and market risk associated with land holdings, and to reduce the use of funds from our corporate financing sources. These option contracts and land banking arrangements generally require a non-refundable deposit for the right to acquire land and lots over a specified period of time at pre-determined prices. We generally have the right, at our discretion, to terminate our obligations under both purchase contracts and option contracts by forfeiting our cash deposit with no further financial responsibility to the land seller. In some cases, however, we may be contractually obligated to complete development work even if we terminate the option to procure land or lots. As of September 30, 2020, we had $90.7 million of cash deposits, the majority of which are non-refundable, pertaining to land and lot option contracts and purchase contracts with an aggregate remaining purchase price of $901.8 million (net of deposits). See Note 7, *Variable Interest Entities*, to the accompanying condensed notes to unaudited consolidated financial statements included in this Quarterly Report on Form 10-Q.

Our utilization of land and lot option contracts and land banking arrangements is dependent on, among other things, the availability of land sellers or land banking firms willing to enter into such arrangements, the availability of capital to finance the development of optioned land and lots, general housing market conditions, and local market dynamics. Options may be more difficult to procure from land sellers in strong housing markets and are more prevalent in certain geographic regions.

As of September 30, 2020, we held equity investments in six active homebuilding partnerships or limited liability companies and one financial services limited liability company. Our participation in these entities may be as a developer, a builder, or an investment partner. See Note 6, *Investments in Unconsolidated Entities,* to the accompanying condensed notes to unaudited consolidated financial statements included in this Quarterly Report on Form 10-Q.

Inflation

Our operations can be adversely impacted by inflation, primarily from higher land, financing, labor, material and construction costs. In addition, inflation can lead to higher mortgage rates, which can significantly affect the affordability of mortgage financing to homebuyers. While we attempt to pass on cost increases to customers through increased prices, when weak housing market conditions exist, we are often unable to offset cost increases with higher selling prices.

Seasonality

Historically, the homebuilding industry experiences seasonal fluctuations in quarterly operating results and capital requirements. We typically experience the highest new home order activity during the first and second quarters of our fiscal year, although this activity is also highly dependent on the number of active selling communities, timing of new community openings and other market factors. Since it typically takes three to nine months to construct a new home, the number of homes delivered and associated home sales revenue typically increases in the third and fourth quarters of our fiscal year as new home orders sold earlier in the year convert to home deliveries. Because of this seasonality, home starts, construction costs and related cash outflows have historically been highest in the second and third quarters of our fiscal year, and the majority of cash receipts from home deliveries occur during the second half of the year. We expect this seasonal pattern to continue over the long-term, although it may be affected by volatility in the homebuilding industry and the impacts of the COVID-19 pandemic.

Description of Projects and Communities Under Development

The following table presents project information relating to each of our markets as of September 30, 2020 and includes information on current projects under development where we are building and selling homes.

Maracay

County, Project, City	Year of First Delivery(1)	Total Number of Lots(2)	Cumulative Homes Delivered as of September 30, 2020	Lots Owned as of September 30, 2020(3)	Backlog as of September 30, 2020(4)(5)	Homes Delivered for the Nine Months Ended September 30, 2020	Sales Price Range (in thousands)(6)
Phoenix, Arizona							
City of Buckeye:							
Arroyo Seco	2020	44	—	44	33	—	$435 - $499
City of Chandler:							
Windermere Ranch	2019	91	51	40	35	31	$553 - $593
Canopy North	2020	129	—	25	16	—	$484 - $553
Canopy South	2020	112	2	21	19	2	$580 - $602
City of Gilbert:							
Lakes At Annecy	2019	216	90	126	46	54	$316 - $382
Annecy P3	2021	251	—	251	—	—	$265 - $325
Lakeview Trails	2019	92	77	15	10	36	$600 - $698
Lakeview Trails II	2021	68	—	68	19	—	$600 - $698
Copper Bend	2020	38	19	19	19	19	$492 - $511
Avocet at Waterston	2020	115	5	110	36	5	$546 - $631
Brighton at Waterston	2020	88	2	86	35	2	$652 - $696
Domaine at Waterston	2020	128	—	128	27	—	$803 - $848
City of Goodyear:							
Villages at Rio Paseo	2018	117	112	5	2	51	$204 - $234
Cottages at Rio Paseo	2018	93	86	7	5	5	$243 - $264
Sedella	2021	75	—	75	—	—	$441 - $521
City of Mesa:							
Cadence	2021	127	—	127	—	—	$312 - $345
City of Peoria:							
Legacy at The Meadows	2017	74	68	6	2	—	$425 - $451
Estates at The Meadows	2017	272	198	74	29	36	$555 - $641
Enclave at The Meadows	2018	126	118	8	8	48	$417 - $512
Deseo	2019	94	36	58	32	30	$548 - $642
City of Phoenix:							
Loma @ Avance	2019	124	58	66	13	36	$415 - $474
Ranger @ Avance	2019	145	42	103	31	40	$457 - $534
Piedmont @ Avance	2019	99	28	71	12	26	$554 - $572
Alta @ Avance	2020	26	7	19	11	7	$668 - $697
Town of Queen Creek							
Madera 50's	2022	105	—	105	—	—	$330 - $410
Madera 60's	2022	70	—	70	—	—	$391 - $453
Madera 75's	2022	91	—	91	—	—	$463 - $510
Pathfinder South At Spur Cross	2020	53	5	48	42	5	$523 - $543
Pathfinder North At Spur Cross	2020	65	6	59	19	6	$605 - $622
Closed Communities	N/A	—	—	—	—	34	
Phoenix, Arizona Total		**3,128**	**1,010**	**1,925**	**501**	**473**	
Tucson, Arizona							
Closed Communities	N/A	—	—	—	—	2	
Tucson, Arizona Total		**—**	**—**	**—**	**—**	**2**	
Maracay Total		**3,128**	**1,010**	**1,925**	**501**	**475**	

Pardee Homes

County, Project, City	Year of First Delivery[1]	Total Number of Lots[2]	Cumulative Homes Delivered as of September 30, 2020	Lots Owned as of September 30, 2020[3]	Backlog as of September 30, 2020[4][5]	Homes Delivered for the Nine Months Ended September 30, 2020	Sales Price Range (in thousands)[6]
California							
San Diego County:							
Sendero	2019	112	95	17	14	34	$1,470 - $1,610
Vista Santa Fe	2019	44	37	7	10	19	$1,910 - $2,010
Terraza	2019	81	80	1	1	34	$1,360 - $1,430
Carmel	2019	105	65	40	19	18	$1,600 - $1,800
Vista Del Mar	2019	79	47	32	28	14	$1,750 - $1,900
Highlands	2021	52	—	52	12	—	$1,900 - $2,100
Sendero Collection	2021	76	—	76	—	—	$1,350 - $1,400
Pacific Highlands Ranch PA 9C	2021	42	—	42	—	—	TBD
Lake Ridge	2018	129	102	27	19	25	$800 - $880
Veraz	2018	111	90	21	17	44	$440 - $520
Solmar	2019	74	58	16	10	49	$410 - $510
Solmar Sur	2021	108	—	108	—	—	$410 - $510
Marea	2020	143	—	143	—	—	$365 - $435
PA61 Rancho Las Brisas & Affordable	2021	203	—	203	—	—	TBD
Meadowood	TBD	844	—	844	—	—	$370 - $650
South Otay Mesa	TBD	893	—	893	—	—	TBD
Los Angeles County:							
Cresta	2018	67	44	23	16	10	$830 - $900
Verano	2017	95	68	27	15	13	$550 - $650
Arista	2017	143	109	34	19	18	$740 - $810
Lyra	2019	141	65	76	39	32	$660 - $740
Sola	2019	189	101	88	38	40	$560 - $620
Luna	2020	114	—	114	45	—	$615 - $690
Strata	2021	292	—	292	—	—	$550 - $670
Skyline Ranch Future	TBD	334	—	334	—	—	TBD
Riverside County:							
Canyon Hills Future 70 x 115	TBD	125	—	125	—	—	TBD
Westlake	2020	163	—	163	84	—	$315 - $350
Daybreak	2017	159	151	8	6	28	$360 - $390
Abrio	2018	113	94	19	18	24	$415 - $450
Cascade	2017	194	177	17	17	19	$335 - $360
Beacon	2018	106	89	17	16	18	$510 - $560
Alisio	2019	84	83	1	1	32	$300 - $335
Elan	2019	95	25	70	17	13	$390 - $425
Mira	2019	96	18	78	11	8	$365 - $395
Avid	2019	68	23	45	7	6	$340 - $365
Vita	2019	115	40	75	17	12	$315 - $340
Sundance Future Active Adult	TBD	330	—	330	—	—	TBD
Avena	2018	84	71	13	11	19	$455 - $485
Braeburn	2018	82	73	9	7	28	$415 - $450
Overland	2021	85	—	85	4	—	$485 - $515
Canvas	2018	89	86	3	3	28	$405 - $430
Kadence	2018	85	76	9	9	27	$425 - $435
Newpark	2018	93	57	36	33	15	$450 - $500
Easton	2018	92	54	38	33	20	$495 - $535
Compass	2021	52	—	52	1	—	$450 - $515
Tournament Hills Future	TBD	268	—	268	—	—	TBD
Terramor	2022	75	—	75	—	—	TBD
Arroyo	2020	110	—	110	96	—	$300 - $335
Cienega	2020	106	8	98	87	8	$300 - $335

Centerstone	2021	120	—	120	35	—	$315 - $330
Landmark	2021	130	—	130	8	—	$350 - $380
Horizon	2021	130	—	130	15	—	$380 - $430
Atwell Future	TBD	3,742	—	3,742	—	—	TBD
San Joaquin County:							
Bear Creek	TBD	1,252	—	1,252	—	—	TBD
Closed Communities	N/A	—	—	—	—	11	
California Total		**12,714**	**2,086**	**10,628**	**838**	**666**	
Nevada							
Clark County:							
Tera Luna	2018	63	45	18	8	16	$620 - $670
Tera Luna Ridge	2021	53	—	53	—	—	$620 - $670
Linea	2018	123	122	1	1	14	$370 - $410
Strada 2.0	2019	62	30	32	27	25	$460 - $555
Strada III	2021	30	—	30	—	—	
Arden	2020	79	4	75	15	4	$400 - $440
Capri	2020	114	9	105	19	9	$320 - $350
Arden 2.0	2022	154	—	154	—	—	$370 - $400
Capri 2.0	2022	214	—	214	—	—	$300 - $325
Pebble Estate Future	TBD	8	—	8	—	—	TBD
Evolve	2019	74	61	13	4	36	$305 - $340
Midnight Ridge	2020	104	17	87	27	17	$550 - $700
Axis	2017	52	53	—	—	3	$860 - $1,125
Axis at the Canyons	2019	26	18	7	1	6	$840 - $960
Cobalt	2017	107	88	19	9	14	$385 - $465
Onyx	2018	88	81	7	6	29	$480 - $510
Nova Ridge	2017	78	75	3	2	6	$700 - $900
Nova Ridge at the Cliffs	2019	30	10	20	8	7	$700 - $900
Corterra	2018	53	51	2	1	17	$455 - $545
Highline	2020	59	6	53	10	6	$490 - $600
Indogo	2018	202	109	93	20	32	$340 - $390
Larimar	2018	106	56	50	8	25	$370 - $440
Blackstone	2018	105	68	37	16	19	$425 - $525
35 x 90 Product	TBD	140	—	140	—	—	TBD
Cirrus	2019	54	30	24	14	23	$380 - $420
Sandalwood	2020	116	7	109	33	7	$765 - $940
Latitude	2021	96	—	96	—	—	$390 - $430
Atlas	2021	93	—	93	—	—	$450 - $490
Contour	2021	116	—	116	—	—	$300 - $320
Closed Communities	N/A	—	—	—	—	6	
Nevada Total		**2,599**	**940**	**1,659**	**229**	**321**	
Pardee Total		**15,313**	**3,026**	**12,287**	**1,067**	**987**	

Quadrant Homes

County, Project, City	Year of First Delivery(1)	Total Number of Lots(2)	Cumulative Homes Delivered as of September 30, 2020	Lots Owned as of September 30, 2020(3)	Backlog as of September 30, 2020(4)(5)	Homes Delivered for the Nine Months Ended September 30, 2020	Sales Price Range (in thousands)(6)
Washington							
Snohomish County:							
Grove North, Bothell	2019	43	35	8	8	24	\$805 - \$910
Trailside at Meadowdale Beach, Edmonds	2021	38	—	38	—	—	\$750 - \$800
Cypress, Lynnwood	2021	42	—	42	—	—	\$545 - \$655
King County:							
Vareze, Kirkland	2020	82	22	60	29	22	\$755 - \$930
Cedar Landing, North Bend	2019	138	47	91	42	23	\$795 - \$930
Monarch Ridge, Sammamish	2019	59	27	32	30	14	\$1,000 - \$1,285
Overlook at Summit Park, Maple Valley	2019	126	55	71	37	26	\$610 - \$780
Aurea, Sammamish	2019	41	26	15	14	17	\$675 - \$821
Aldea, Newcastle	2019	129	59	70	22	21	\$665 - \$920
Lario, Bellevue	2020	46	13	33	26	13	\$905 - \$1,197
Lakeview Crest, Renton	2020	17	—	17	11	—	\$1,400 - \$1,875
Eagles Glen, Sammamish	2020	10	5	5	3	5	\$1,150 - \$1,555
Willows 124, Redmond	2023	173	—	173	—	—	\$720 - \$930
Finn Meadows, Kirkland	2020	10	4	6	6	4	\$1,050 - \$1,245
Woodlands Reserve, Kirkland	2022	37	—	37	—	—	\$945 - \$1,350
Hazelwood Gardens, Newcastle	2021	15	—	15	—	—	\$1,200 - \$1,360
Kitsap County:							
Blue Heron, Poulsbo	2022	85	—	85	—	—	\$556 - \$726
McCormick Village, Port Orchard	2021	88		88	—	—	\$483 - \$538
Poulsbo Meadows, Poulsbo	2021	46	—	46	—	—	\$528 - \$564
Closed Communities	N/A	—	—	—	—	1	N/A
Washington Total		**1,225**	**293**	**932**	**228**	**170**	
Quadrant Total		**1,225**	**293**	**932**	**228**	**170**	

Trendmaker Homes

County, Project, City	Year of First Delivery(1)	Total Number of Lots(2)	Cumulative Homes Delivered as of September 30, 2020	Lots Owned as of September 30, 2020(3)	Backlog as of September 30, 2020(4)(5)	Homes Delivered for the Nine Months Ended September 30, 2020	Sales Price Range (in thousands)(6)
Texas							
Fort Bend County:							
Cross Creek Ranch 45', Fulshear	TBD	10	—	10	—	—	TBD
Cross Creek Ranch 60', Fulshear	2013	55	34	21	3	22	$460 - $545
Cross Creek Ranch 65', Fulshear	2013	96	68	28	12	9	$498 - $717
Cross Creek Ranch 70', Fulshear	2013	112	95	17	10	24	$561 - $593
Cross Creek Ranch 80', Fulshear	2013	71	70	1	1	21	$679
Cross Creek Ranch 90', Fulshear	2013	52	43	9	5	9	$730 - $834
Fulshear Run 1/2 Acre, Richmond	2016	145	54	91	—	4	$646
Harvest Green 75', Richmond	2015	75	54	21	17	11	$494 - $637
Sienna Plantation 80', Missouri City	TBD	25	—	25	3	—	$593 - $670
Sienna Plantation 85', Missouri City	2015	54	47	7	2	11	$601 - $727
Grayson Woods 60'	2019	38	12	26	14	11	$463 - $542
Grayson Woods 70'	2019	35	11	24	14	9	$537 - $612
Haven at Seven Lakes (Land)	TBD	129	—	129	—	—	TBD
Harris County:							
The Groves, Humble	2015	117	103	14	2	14	$340 - $396
Lakes of Creekside 80'	2016	17	15	2	1	6	$505 - $641
Lakes of Creekside 65'	TBD	18	—	18	3	—	$425 - $526
Lakes at Creekside 60'	2016	135	134	1	—	—	TBD
Balmoral 50'	2019	46	12	34	6	5	$265 - $347
Bridgeland '80, Cypress	2015	137	119	18	2	21	$656 - $914
Bridgeland 70'	2018	30	23	7	4	17	$532 - $687
Villas at Bridgeland 50'	2018	48	24	24	1	8	$350 - $418
Falls at Dry Creek	2019	26	14	12	5	11	$566 - $675
Grant-Cyp-Rosehill	TBD	428	—	428	—	—	TBD
Hidden Arbor Traditions, Cypress	TBD	156	129	27	3	—	$390 - $549
Clear Lake, Houston (Land)	2015	772	691	81	31	95	$401 - $608
Indian Hills (Land)	TBD	72	—	72	—	—	TBD
Northgrove, Tomball	TBD	25	7	18	—	—	TBD
The Woodlands, Creekside Park	2015	131	128	3	3	11	$427 - $467
Montgomery County:							
Grand Central Park	TBD	17	—	17	—	—	$315 - $421
Rodriguez	TBD	342	—	342	—	—	TBD
Villas at Royal Brook, Porter	2019	26	13	13	1	10	$349 - $367
Waller County:							
LakeHouse	2019	351	90	261	39	59	$289 - $608
Williamson County:							
Rancho Sienna 60'	2016	51	46	5	3	13	$363 - $495
Highlands at Mayfield Ranch 50'	2019	105	49	56	24	19	$312 - $408
Highlands at Mayfield Ranch 60'	2019	46	35	11	10	21	$382 - $415
Meyer Ranch	2020	33	4	29	11	4	$300 - $419
Rancho Sienna 50'	2019	64	22	42	12	14	$308 - $449
Palmera Ridge	2019	66	36	30	23	20	$310 - $345
Hays County:							
6 Creeks 50' Section 1 & 2 50'	2020	35	22	13	8	22	$347 - $356
6 Creeks 60' Section 1 & 2 60'	2020	15	7	8	6	7	$374
Travis County:							
Turner's Crossing (Land)	TBD	324	—	324	—	—	TBD
Williamson County:							
Bar W (Land)	TBD	152	—	152	—	—	TBD
Cressman Tract (Land)	TBD	85	—	85	—	—	TBD

Bryson	TBD	12	—	12	—	—	TBD
Collin County:							
Creeks of Legacy, Celina	2020	61	—	61	17	—	$319 - $400
Miramonte, Frisco	2016	62	61	1	1	9	$475 - $560
Retreat at Craig Ranch, McKinney	2012	165	161	4	1	7	$375 - $415
Dallas County:							
Vineyards, Rowlett	2017	40	39	1	1	11	$368 - $480
Denton County:							
Glenview, Frisco	2017	50	47	3	2	15	$345 - $485
Paloma Creek, Little Elm	2015	267	199	68	16	22	$307 - $390
Parks at Legacy, Prosper	2017	55	49	6	3	17	$384 - $495
Stark Farms, Denton	2021	2	—	2	—	—	$285 - $342
Valencia, Little Elm	2016	82	65	17	11	8	$350 - $444
Kaufman County:							
Gateway Parks, Forney	2020	24	—	24	13	—	$270 - $370
Rockwall County:							
Heath Golf and Yacht, Heath	2016	122	91	31	10	17	$400 - $510
Woodcreek, Fate	2017	165	110	55	20	22	$267 - $340
Tarrant County:							
Chisholm Trail Ranch, Fort Worth	2017	111	80	31	5	16	$270 - $345
Lakes of River Trails, Fort Worth	2011	178	158	20	16	4	$335 - $420
Ventana, Benbrook	2017	96	72	24	9	17	$318 - $430
View at the Reserve, Mansfield	2022	310	—	310	—	—	$318 - $422
Closed Communities	N/A	—	—	—	—	25	
Texas Total		6,569	3,343	3,226	404	698	
Trendmaker Homes Total		**6,569**	**3,343**	**3,226**	**404**	**698**	

TRI Pointe Homes

County, Project, City	Year of First Delivery(1)	Total Number of Lots(2)	Cumulative Homes Delivered as of September 30, 2020	Lots Owned as of September 30, 2020(3)	Backlog as of September 30, 2020(4)(5)	Homes Delivered for the Nine Months Ended September 30, 2020	Sales Price Range (in thousands)(6)
Southern California							
Orange County:							
Varenna at Orchard Hills, Irvine	2016	135	119	16	8	18	$1,238 - $1,314
Lyric	2019	70	66	4	4	25	$779 - $946
Windbourne	2019	51	30	21	18	24	$1,164 - $1,276
Cerise at Canvas	2020	56	6	50	14	6	$734 - $821
Violet at Canvas	2020	65	11	54	23	11	$557 - $735
Claret at Canvas	2020	72	12	60	25	12	$578 - $687
San Diego County:							
Prism at Weston	2018	142	127	15	14	36	$574 - $644
Riverside County:							
Citron @ Bedford	2019	101	73	28	27	27	$400 - $424
Cassis at Rancho Soleo	2020	79	10	69	26	10	$496 - $511
Cava at Rancho Soleo	2020	63	13	50	23	13	$395 - $441
Cerro at Rancho Soleo	2020	103	7	96	17	7	$376 - $435
Los Angeles County:							
Tierno at Aliento	2017	63	49	14	13	—	$704 - $732
Tierno II at Aliento	2018	63	49	14	14	18	$704 - $732
Mystral	2019	78	65	13	13	17	$629 - $685
Celestia	2019	72	70	2	2	20	$597 - $633
San Bernardino County:							
Ivy at The Preserve	2019	113	32	81	22	27	$367 - $445
Hazel at The Preserve	2020	133	28	105	44	28	$386 - $437
Tempo at The Resort	2020	80	15	65	24	15	$519 - $582
Closed Communities	N/A	—	—	—	—	50	
Southern California Total		**1,539**	**782**	**757**	**331**	**364**	
Northern California							
Contra Costa County:							
Greyson Place	2019	44	36	8	6	20	$865 - $990
Santa Clara County:							
Blanc at Glen Loma	2019	49	23	26	24	18	$735 - $785
Noir at Glen Loma	2019	64	22	42	28	13	$884 - $934
Lotus at Urban Oak	2023	123	—	123	—	—	$940 - $1,064
Solano County:							
Bloom at Green Valley	2018	91	88	3	3	13	$557 - $597
Lantana at the Villages	2019	133	89	44	30	34	$503 - $553
Marigold at the Villages	2021	119	—	119	—	—	$508 - $545
Shimmer at One Lake	2021	45	—	45	—	—	$570 - $605
Splash at One Lake	2021	72	—	72	—	—	$540 - $577
San Joaquin County:							
Sundance, Mountain House	2015	113	111	2	2	3	$668 - $760
Sundance II, Mountain House	2017	138	132	6	6	33	$653 - $731
River Islands	2020	44	—	44	33	—	$494 - $546
Alameda County:							
Onyx at Jordan Ranch, Dublin	2017	105	97	8	8	17	$914 - $966
Palm, Fremont	2019	31	17	14	12	9	$2,250 - $2,392
Ellis at Central Station, Oakland	2020	128	—	128	7	—	$740 - $815
Sonoma County:							
Riverfront Petaluma	2021	20	—	20	—	—	$740 - $901
Sacramento County:							
Natomas	2021	94	—	94	—	—	$360 - $412

Mangini - Brookstone	2020	96	26	70	28	26	$591 - $677
Mangini - Waterstone	2020	77	23	54	26	23	$660 - $753
Placer County:							
La Madera	2019	102	41	61	17	31	$463 - $548
Radiance	2021	103	—	103	—	—	$475 - $497
Illumination	2021	110	—	110	—	—	$434 - $465
Timbercove	2021	18	—	18	—	—	$444 - $474
San Francisco County:							
Cambridge Street (SFA)	2021	54	—	54	—	—	$1,160 - $1,430
Closed Communities	N/A	—	—	—	—	40	
Northern California Total		**1,973**	**705**	**1,268**	**230**	**280**	
California Total		**3,512**	**1,487**	**2,025**	**561**	**644**	
Colorado							
Douglas County:							
Terrain Ravenwood Village (3500)	2018	157	119	38	31	31	$390 - $429
Trails at Crowfoot	2021	100	—	100	—	—	TBD
Sterling Ranch Alley	2020	97	2	95	16	2	$440 - $457
Sterling Ranch TH	2021	46	—	46	—	—	TBD
Canyons 4500	2020	89	3	86	19	3	$600 - $660
Terrain Sunstone	2021	74	—	74	—	—	TBD
Sterling Ranch 5A	2021	55	—	55	—	—	TBD
Jefferson County:							
Candelas 4020 Series, Arvada	2019	98	83	15	14	37	$471 - $531
Crown Point, Westminster	2019	64	63	1	1	32	$449 - $499
Candelas TH, Arvada	2022	92	—	92	—	—	TBD
Arapahoe County:							
Adonea 3500, Aurora	2020	71	2	69	31	2	$410 - $430
Adams County:							
Reunion Alley, Commerce City	2021	50	—	50	3	—	TBD
Reunion Ridge	2021	97	—	97	—	—	
Closed Communities	N/A	—	—	—	—	59	
Colorado Total		**1,090**	**272**	**818**	**115**	**166**	
North Carolina							
Wake County:							
Waterside Townhomes, Raleigh, NC	2020	23	—	23	—	—	$335 - $351
Townes at North Salem St., Apex, NC	2021	55	—	55	—	—	$312 - $339
Mecklenburg County:							
Mayes Hall, Davidson, NC	2021	50	—	50	—	—	$335 - $406
Everton, Charlotte, NC	2021	20	—	20	—	—	$524 - $570
North Carolina Total		**148**	**—**	**148**	**—**	**—**	
South Carolina							
York County:							
Balsam, Rock Hill, SC	2021	53	—	53	—	—	$279 - $304
Ashburn, York County, SC	2020	13	—	13	6	—	$258 - $294
South Carolina Total		**66**	**—**	**66**	**6**	**—**	
TRI Pointe Total		**4,816**	**1,759**	**3,057**	**682**	**810**	

Winchester Homes

County, Project, City	Year of First Delivery[(1)]	Total Number of Lots[(2)]	Cumulative Homes Delivered as of September 30, 2020	Lots Owned as of September 30, 2020[(3)]	Backlog as of September 30, 2020[(4)(5)]	Homes Delivered for the Nine Months Ended September 30, 2020	Sales Price Range (in thousands)[(6)]
Maryland							
Anne Arundel County:							
Two Rivers Townhomes, Crofton	2017	152	87	65	19	22	$465 - $548
Watson's Glen, Millersville	2015	103	18	85	31	14	$386 - $419
Frederick County:							
Landsdale, Monrovia							
Landsdale SFD	2015	222	189	33	30	29	$515 - $624
Landsdale TND Neo SFD	2015	77	72	5	5	13	$450 - $483
Montgomery County:							
Cabin Branch, Clarksburg							
Cabin Branch SFD	2014	359	266	93	23	29	$570 - $780
Cabin Branch Crossings Townhomes	2019	114	8	106	46	7	$438 - $508
Cabin Branch Manor Townhomes	2014	428	379	49	17	28	$393 - $467
Preserve at Stoney Spring - Lots for Sale	TBD	2	—	2	—		
Glenmont MetroCenter, Silver Spring	2016	171	154	17	17	23	$460 - $518
Chapman Row, Rockville	2019	61	26	35	26	16	$700 - $750
North Quarter, North Bethesda	2020	104	22	82	9	22	$620 - $675
Closed Communities	N/A	—	—	—	—	25	
Maryland Total		**1,793**	**1,221**	**572**	**223**	**228**	
Virginia							
Fairfax County:							
Stuart Mill, Oakton - Lots for Sale	TBD	5	—	5	—	—	TBD
West Oaks Corner, Fairfax	2019	188	78	110	34	52	$715 - $840
Bren Pointe SFA, Fairfax	2020	35	—	35	—	—	TBD
Loudoun County:							
Brambleton, Ashburn							
Birchwood Bungalows AA	2018	63	52	11	13	19	$587 - $644
Birchwood Carriages AA	2019	54	32	22	30	31	$543 - $578
Downtown Bramleton	2020	9	—	9	—	11	TBD
Willowsford Grant II, Aldie	2017	55	49	6	6	—	$1,000 - $1,255
Closed Communities	N/A	—	—	—	—	9	
Virginia Total		**409**	**211**	**198**	**83**	**122**	
Winchester Total		**2,202**	**1,432**	**770**	**306**	**350**	
Combined Company Total		**33,253**	**10,863**	**22,197**	**3,188**	**3,490**	

(1) Year of first delivery for future periods is based upon management's estimates and is subject to change.
(2) The number of homes to be built at completion is subject to change, and there can be no assurance that we will build these homes.
(3) Owned lots as of September 30, 2020 include owned lots in backlog as of September 30, 2020.
(4) Backlog consists of homes under sales contracts that have not yet been delivered, and there can be no assurance that delivery of sold homes will occur.
(5) Of the total homes subject to pending sales contracts that have not been delivered as of September 30, 2020, 2,124 homes are under construction, 283 homes have completed construction, and 781 homes have not started construction.
(6) Sales price range reflects base price only and excludes any lot premium, buyer incentives and buyer-selected options, which may vary from project to project. Sales prices for homes required to be sold pursuant to affordable housing requirements are excluded from sales price range. Sales prices reflect current pricing and might not be indicative of past or future pricing.

Critical Accounting Policies

Our discussion and analysis of our financial condition and results of operations is based on our unaudited condensed consolidated financial statements included in this Quarterly Report on Form 10-Q, which have been prepared in accordance with GAAP. Our condensed notes to the unaudited consolidated financial statements included in this Quarterly Report on Form 10-Q and the audited financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2019 describe the significant accounting policies essential to our unaudited condensed consolidated financial statements. The preparation of our financial statements requires our management to make estimates, judgments and assumptions. We believe that the estimates, judgments and assumptions that we have used are appropriate and correct based on information available at the time they were made. These estimates, judgments and assumptions can affect our reported assets and liabilities as of the date of the financial statements, as well as the reported revenues and expenses during the period presented. If there is a material difference between these estimates, judgments and assumptions and actual facts, our financial statements may be affected.

In many cases, the accounting treatment of a particular transaction is specifically dictated by GAAP and does not require our judgment in its application. There are areas in which our judgment in selecting among available alternatives would not produce a materially different result, but there are some areas in which our judgment in selecting among available alternatives would produce a materially different result. See the condensed notes to the unaudited consolidated financial statements that contain additional information regarding our accounting policies and other disclosures.

There have been no material changes to our critical accounting policies and estimates as compared to the critical accounting policies and estimates described in our Annual Report on Form 10-K for the fiscal year ended December 31, 2019.

Recently Issued Accounting Standards

See Note 1, *Organization, Basis of Presentation and Summary of Significant Accounting Policies*, to the accompanying condensed notes to unaudited consolidated financial statements included in this Quarterly Report on Form 10-Q.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

We are exposed to market risks related to fluctuations in interest rates on our outstanding debt. We did not utilize swaps, forward or option contracts on interest rates or commodities, or other types of derivative financial instruments as of or during the nine months ended September 30, 2020. We did not enter into during the nine months ended September 30, 2020, and currently do not hold, derivatives for trading or speculative purposes.

Item 4. Controls and Procedures

We have established disclosure controls and procedures to ensure that information we are required to disclose in the reports we file or submit under the Exchange Act, is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms, and accumulated and communicated to management, including the Chief Executive Officer (the “Principal Executive Officer”) and Chief Financial Officer (the “Principal Financial Officer”), as appropriate, to allow timely decisions regarding required disclosure. Under the supervision and with the participation of senior management, including our Principal Executive Officer and Principal Financial Officer, we evaluated our disclosure controls and procedures, as such term is defined under Rule 13a-15(e) promulgated under the Exchange Act. Based on this evaluation, our Principal Executive Officer and Principal Financial Officer concluded that our disclosure controls and procedures were effective as of September 30, 2020.

Our management, including our Principal Executive Officer and Principal Financial Officer, has evaluated our internal control over financial reporting to determine whether any change occurred during the three months ended September 30, 2020 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting. Based on that evaluation, there has been no such change during the three months ended September 30, 2020.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

The information required with respect to this item can be found under Note 13, *Commitments and Contingencies—Legal Matters*, to the accompanying condensed notes to unaudited consolidated financial statements included in this Quarterly Report on Form 10-Q and is incorporated by reference into this Item 1.

Item 1A. Risk Factors

There have been no material changes to the risk factors in Part I, Item 1A "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2019, as revised and supplemented by our Quarterly Reports on Form 10-Q filed with the SEC since the filing of our Annual Report on Form 10-K for the year ended December 31, 2019. If any of the risks discussed in our Annual Report on Form 10-K (as revised or supplemented by any Quarterly Reports on Form 10-Q) occur, our business, prospects, liquidity, financial condition and results of operations could be materially and adversely affected, in which case the trading price of our common stock could decline significantly and you could lose all or a part of your investment. Some statements in this Quarterly Report on Form 10-Q constitute forward-looking statements. Please refer to Part I, Item 2 of this Quarterly Report on Form 10-Q entitled "Cautionary Note Concerning Forward-Looking Statements."

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

On February 21, 2019, our board of directors approved our 2019 Repurchase Program, authorizing the repurchase of shares of common stock with an aggregate value of up to $100 million through March 31, 2020. On December 16, 2019, we announced that our board of directors had authorized the repurchase of up to an additional $50 million through March 31, 2020, increasing the aggregate value of shares of common stock authorized to be repurchased under the 2019 Repurchase Program to $150 million from $100 million.

On February 13, 2020, our board of directors discontinued and cancelled the 2019 Repurchase Program and approved our 2020 Repurchase Program, authorizing the repurchase of shares of common stock with an aggregate value of up to $200 million through March 31, 2021. Purchases of common stock pursuant to the 2020 Repurchase Program may be made in open market transactions effected through a broker-dealer at prevailing market prices, in block trades, or by other means in accordance with federal securities laws, including pursuant to any trading plan that may be adopted in accordance with Rule 10b5-1 under the Exchange Act. We are not obligated under the 2020 Repurchase Program to repurchase any specific number or dollar amount of shares of common stock, and we may modify, suspend or discontinue the 2020 Repurchase Program at any time. Our management will determine the timing and amount of repurchases in its discretion based on a variety of factors, such as the market price of our common stock, corporate requirements, general market economic conditions and legal requirements. During the three months ended September 30, 2020, we repurchased and retired an aggregate of 3,662,738 shares of our common stock at an average price of $16.94 under the 2020 Repurchase Program for $62.1 million. For the nine months ended September 30, 2020, we repurchased and retired an aggregate of 10.2 million shares of common stock at an average price of $16.05 under the 2019 Repurchase Program and 2020 Repurchase Program for a total of $164.1 million.

During the three months ended September 30, 2020, we repurchased and retired the following shares pursuant to our repurchase programs:

	Total number of shares purchased	Average price paid per share	Total number of shares purchased as part of publicly announced program	Approximate dollar value of shares that may yet be purchased under the program
July 1, 2020 to July 31, 2020	444,019	$ 16.96	444,019	$ 92,040,734
August 1, 2020 to August 31, 2020	1,313,496	$ 16.87	1,313,496	$ 69,880,521
September 1, 2020 to September 30, 2020	1,905,223	$ 16.99	1,905,223	$ 37,508,621
Total	3,662,738	$ 16.94	3,662,738	

Item 6. Exhibits

Exhibit Number	*Exhibit Description*
3.1	Amended and Restated Certificate of Incorporation of TRI Pointe Group, Inc. (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K (filed July 7, 2015))
3.2	Amended and Restated Bylaws of TRI Pointe Group, Inc. (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K (filed October 27, 2016))
31.1	Chief Executive Officer Section 302 Certification of the Sarbanes-Oxley Act of 2002
31.2	Chief Financial Officer Section 302 Certification of the Sarbanes-Oxley Act of 2002
32.1	Chief Executive Officer Section 906 Certification of the Sarbanes-Oxley Act of 2002
32.2	Chief Financial Officer Section 906 Certification of the Sarbanes-Oxley Act of 2002
101	The following materials from TRI Pointe Group, Inc.'s Quarterly Report on Form 10-Q for the quarter ended September 30, 2020, formatted in Inline eXtensible Business Reporting Language (iXBRL): (i) Consolidated Balance Sheets, (ii) Consolidated Statements of Operations, (iii) Consolidated Statement of Cash Flows, and (iv) Condensed Notes to Consolidated Financial Statement.
104	Cover page from TRI Pointe Group, Inc.'s Quarterly Report on Form 10-Q for the quarter ended September 30, 2020, formatted in Inline XBRL (and contained in Exhibit 101).

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

		TRI Pointe Group, Inc.
Date: October 22, 2020	By:	/s/ Douglas F. Bauer
		Douglas F. Bauer
		Chief Executive Officer
		(Principal Executive Officer)
Date: October 22, 2020	By:	/s/ Glenn J. Keeler
		Glenn J. Keeler
		Chief Financial Officer
		(Principal Financial Officer)

Exhibit 31.1

SECTION 302 CERTIFICATION

I, Douglas F. Bauer, certify that:

1. I have reviewed this report on Form 10-Q of TRI Pointe Group, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: October 22, 2020

/s/ Douglas F. Bauer

Douglas F. Bauer

Chief Executive Officer (Principal Executive Officer)

Exhibit 31.2

SECTION 302 CERTIFICATION

I, Glenn J. Keeler, certify that:

1. I have reviewed this report on Form 10-Q of TRI Pointe Group, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: October 22, 2020

/s/ Glenn J. Keeler

Glenn J. Keeler

Chief Financial Officer (Principal Financial Officer)

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of TRI Pointe Group, Inc. (the “Company”) on Form 10-Q for the period ended September 30, 2020 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Douglas F. Bauer, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: October 22, 2020

/s/ Douglas F. Bauer

Douglas F. Bauer
Chief Executive Officer (Principal Executive Officer)

Exhibit 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of TRI Pointe Group, Inc. (the "Company") on Form 10-Q for the period ended September 30, 2020 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Glenn J. Keeler, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: October 22, 2020

/s/ Glenn J. Keeler

Glenn J. Keeler
Chief Financial Officer (Principal Financial Officer)