

13th Annual J.P. Morgan Homebuilding and Building Products Conference



May 19, 2020

FORWARD-LOOKING STATEMENTS

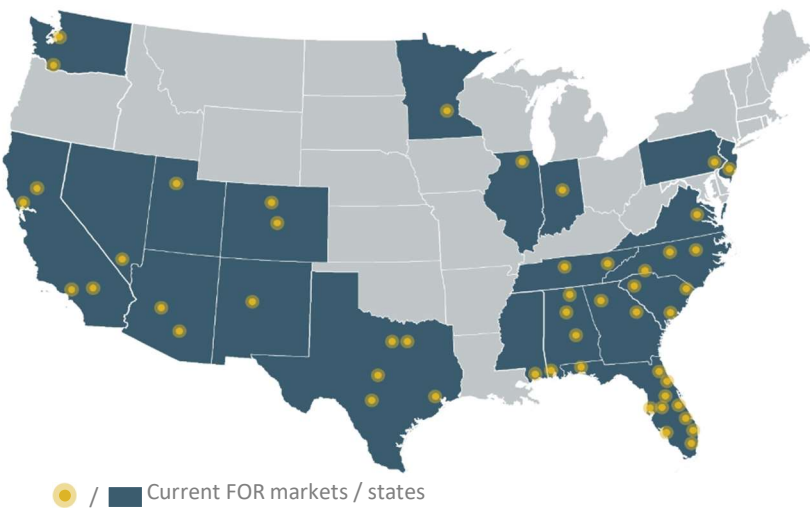
This presentation may include “forward-looking statements” as defined by the Private Securities Litigation Reform Act of 1995. Although Forestar believes any such statements are based on reasonable assumptions, there is no assurance that actual outcomes will not be materially different. Factors that may cause the actual results to be materially different from the future results expressed by the forward-looking statements include, but are not limited to: the impact of COVID-19 on the economy and our business; the effect of D.R. Horton’s controlling level of ownership on us and the holders of our securities; our ability to realize the potential benefits of the strategic relationship with D.R. Horton; the effect of our strategic relationship with D.R. Horton on our ability to maintain relationships with our vendors and customers; demand for new housing, which can be affected by a number of factors including the availability of mortgage credit, job growth and fluctuations in interest rates; competitive actions by other companies; accuracy of estimates and other assumptions related to investment in and development of real estate, the expected timing and pricing of land and lot sales and related cost of real estate sales; our ability to comply with our debt covenants, restrictions and limitations; our ability to hire and retain key personnel; changes in governmental policies, laws or regulations and actions or restrictions of regulatory agencies; general economic, market or business conditions where our real estate activities are concentrated; our ability to achieve our strategic initiatives; our ability to obtain future entitlement and development approvals; our ability to obtain or the availability of surety bonds to secure our performance related to construction and development activities and the pricing of bonds; obtaining reimbursements and other payments from governmental districts and other agencies and timing of such payments; the levels of resale housing inventory in our projects and the regions in which they are located; fluctuations in costs and expenses, including impacts from shortages in materials or labor; the opportunities (or lack thereof) that may be presented to us and that we may pursue; the strength of our information technology systems and the risk of cybersecurity breaches; and the conditions of the capital markets and our ability to raise capital to fund expected growth. Additional information about factors that could lead to material changes in performance is contained in Forestar’s annual report on Form 10-K and subsequent quarterly reports on Form 10-Q, both of which are filed with the Securities and Exchange Commission (SEC).

FORESTAR OVERVIEW

- **Forestar Group Inc. (“Forestar” or “FOR”) is a highly differentiated, national residential lot developer**
 - Develop and sell lots for single-family homes to D.R. Horton and other local, regional and national homebuilders
 - Focused on phased development of short duration, fully-entitled lot development projects
 - High turnover, lower risk lot manufacturing strategy with intense focus on returns
- **Majority-owned subsidiary of D.R. Horton, Inc. (“D.R. Horton” or “DHI”), the nation’s largest builder**
 - 75% of common shares acquired by DHI in 2017 for ~\$560M; 65% owned today by DHI
 - One of only two investment grade rated public homebuilders in the U.S.
 - Highly strategic relationship supports and de-risks Forestar’s significant growth ramp
- **Adjusting to current market conditions while still positioned to take advantage of long-term opportunity**
 - Diversified national footprint with a solid lot position
 - Strong liquidity profile

(1) As of or for the TTM ended 3/31/20 unless otherwise noted
(2) Liquidity defined as unrestricted cash and cash equivalents plus revolving credit facility availability as governed by the borrowing base
(3) As of 4/22/2020

Operations in 50 markets across 21 states⁽¹⁾



Current Snapshot ⁽¹⁾	
Owned and Controlled Lot Position	52,300
Owned Lots Under Contract or Subject to Right of First Offer to DHI	28,600
Revenues	~\$730M
Liquidity ⁽²⁾	~\$790M
Equity Market Cap ⁽³⁾	~\$560m

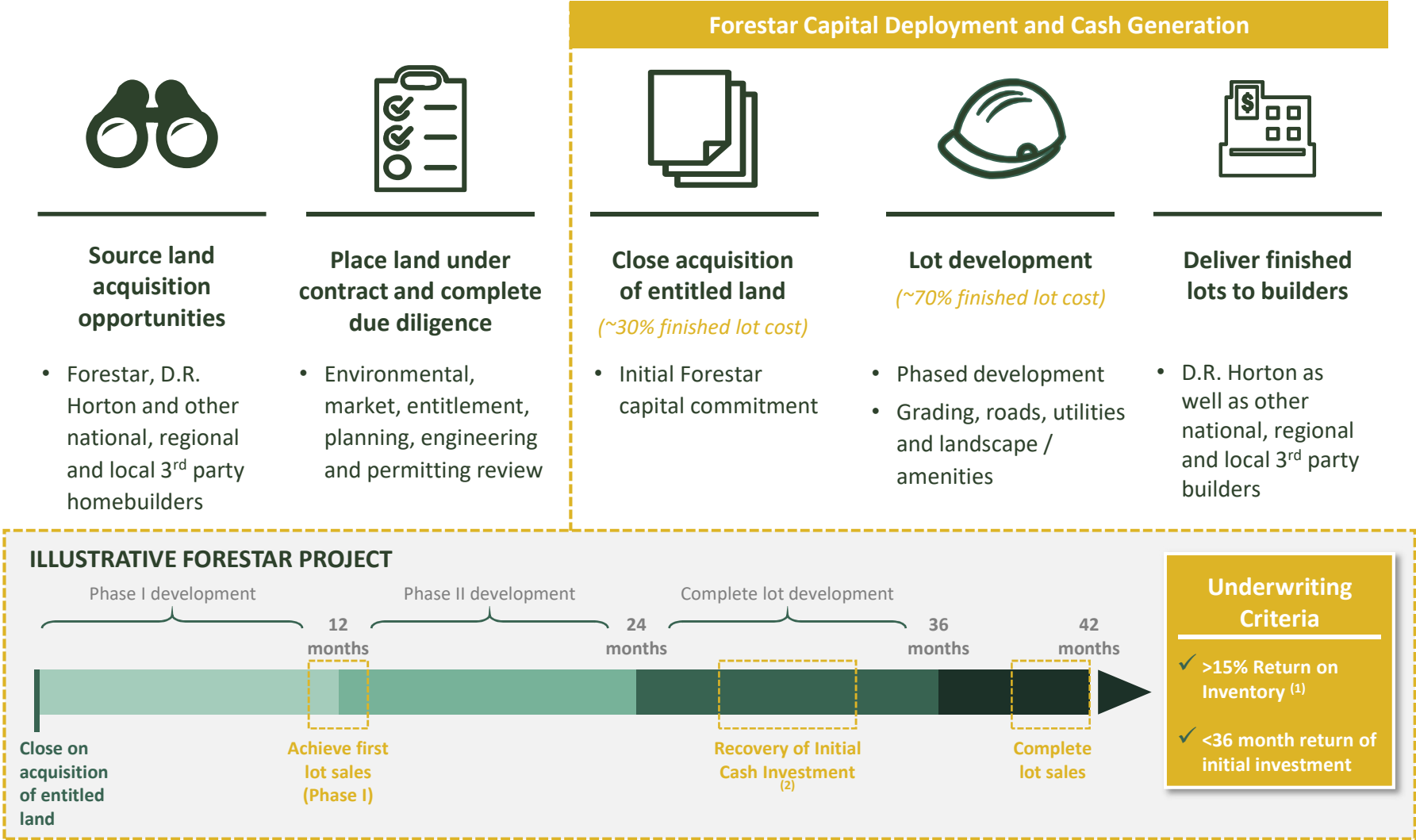
COVID-19

- Economic fundamentals remained solid in the housing and residential lot development markets throughout most of Q2 FY 2020; however, during the latter part of March and into April, the impacts of the COVID-19 pandemic (COVID-19) and the related widespread reductions in economic activity began to negatively affect the Company's business operations and demand for its residential lots
- The Company has been informed by its homebuilder customers that they are slowing their purchases of lots to adjust to lower levels of home sales orders as a result of pandemic
- In almost all municipalities across the U.S. where social distancing and other restrictions have been issued, residential construction has been designated an essential business as part of critical infrastructure
- The Company has continued its lot development operations in those markets where allowed in order to supply homebuilders finished lots for residential construction, while implementing operational protocols to comply with social distancing and other health and safety standards
- The extent to which COVID-19 impacts Forestar's operational and financial performance will depend on future developments, including the duration and spread of COVID-19, and the impact on the Company's customers, trade partners and employees, all of which are highly uncertain and cannot be predicted
- The Company believes it is well positioned to operate in this uncertain environment because of its low net leverage and strong liquidity position, its low overhead model and its relationship with D.R. Horton
- During this period of uncertainty, the Company is limiting its land acquisition and carefully managing lot development spending based on its current and anticipated future sales pace

THE FORESTAR VALUE PROPOSITION

DIFFERENTIATED BUSINESS MODEL DESIGNED TO ADDRESS A MARKET NEED	
<ul style="list-style-type: none">• Returns focused residential lot development business model• High turnover, lower risk lot manufacturing strategy focused on returns• Under-served lot development market with lack of well-capitalized and/or national participants	
LONG-TERM GROWTH OPPORTUNITY	INTENSE FOCUS ON RISK MITIGATION
<ul style="list-style-type: none">• Opportunity for increased scale within existing markets and entrance into new markets• Portfolio and platform expansion designed to increase returns and margins• Roadmap for market share gains through housing and economic cycles	<ul style="list-style-type: none">• Short duration, fully-entitled projects• Phased development and largely discretionary cash spend• Geographic diversification• Maintain strong liquidity and conservative leverage with balance between debt and equity
HIGHLY STRATEGIC RELATIONSHIP WITH D.R. HORTON ENHANCES BUSINESS MODEL, GROWTH AND RISK PROFILE	
<ul style="list-style-type: none">• Strategic alignment with and access to DHI network of markets, experienced team and business relationships• Instills culture of manufacturing-like approach and conservative operating strategy• Built-in demand for lots - D.R. Horton has a strong appetite for finished lots that will continue even during a downturn• Supports existing operating platform• Enhanced access to capital markets	

BUSINESS OVERVIEW



UNIQUE LOT MANUFACTURER BUSINESS MODEL

FOR’s unique lot manufacturing model is highly differentiated from that of a typical land developer

- Business model designed to achieve scale and consistency, while minimizing risk
- At scale, FOR’s high turnover, lower risk “lot manufacturing” strategy is expected to generate returns similar to an efficient, production-oriented homebuilder

FORESTAR	TYPICAL LAND DEVELOPER
✓ Short duration , fully-entitled lot development projects	X Long-term, often complex or unentitled, real estate projects
✓ Large scale with national footprint and in-market depth	X Lack of geographic diversification and depth in markets
✓ Returns-focused, lower risk inventory model	X Lower return, unpredictable inventory model
✓ Consistent operating results at scale and currently profitable	X Lack of consistent profitability
✓ Understandable, growth-oriented business model	X Limited visibility into future growth
✓ Strong liquidity and access to debt and equity capital	X Limited access to and high cost of capital
✓ Phased, discretionary land development with known buyer	X Speculative land with undefined buyer

BENEFITS OF HIGHLY STRATEGIC FOR AND DHI ALIGNMENT

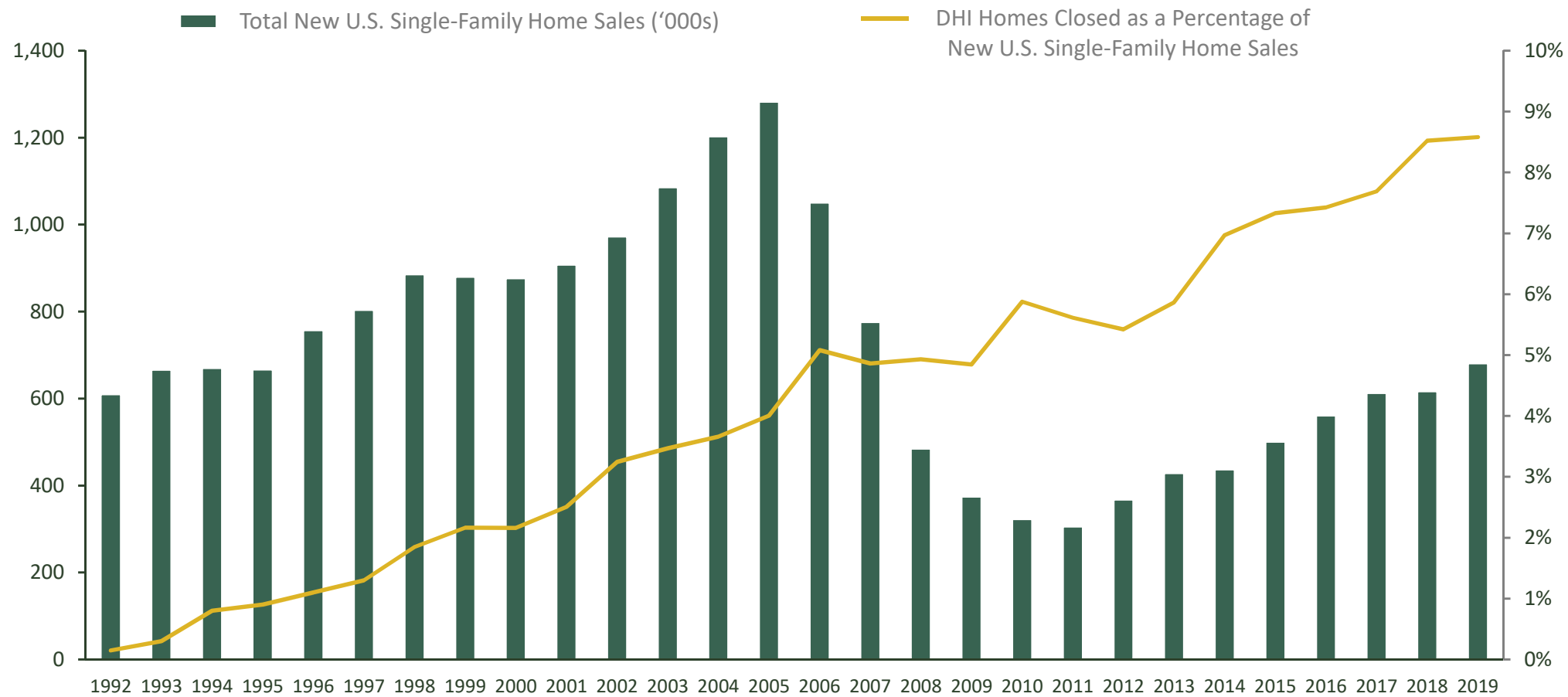


Alignment with DHI, the nation’s largest builder since 2002, provides support and stability in uncertain times

- D.R. Horton has a strong appetite for finished lots that will continue even during a market downturn
 - During the worst years of the last significant housing downturn, D.R. Horton still closed ~17,000 to 20,000 homes annually, the majority of which were built on finished lots purchased from 3rd parties
- DHI is committed to owning no more than a 2 to 3-year supply of lots and to increasing its mix of optioned lots in inventory
- Most land developers lack the scale and access to capital to be consistent suppliers of lots to DHI across its national footprint
- Master Supply, Stockholder and Shared Services Agreements formalize the business relationship and protect FOR’s interests
- DHI plans to maintain a significant ownership position in FOR over the long-term

Relationship with DHI further strengthens FOR’s competitive advantages and DHI’s interests are fully-aligned with shareholders to ensure the profitable expansion of FOR’s platform

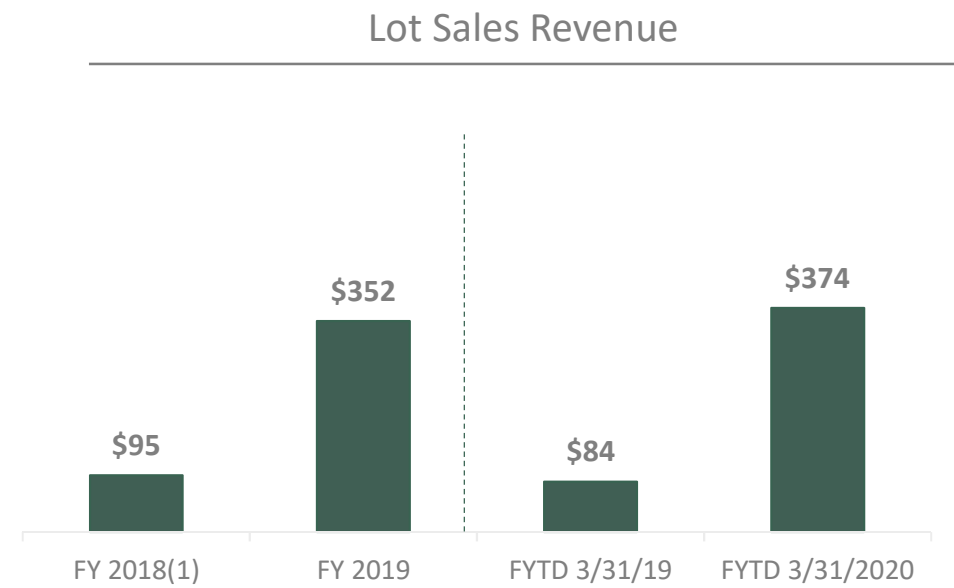
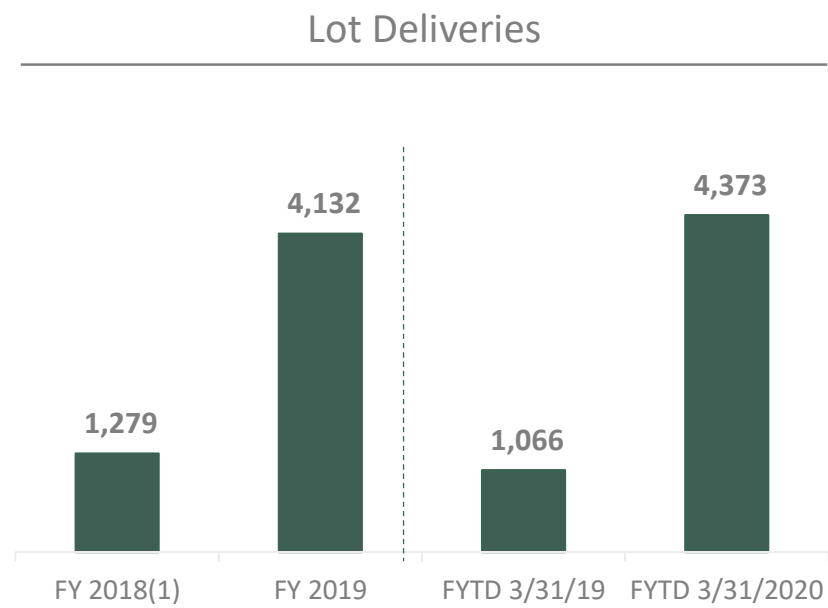
DHI GROWTH, CONSOLIDATION AND MARKET SHARE GAINS PROVIDE ROADMAP FOR FORESTAR



Source: Company filings, Census
Note: Periods represent full calendar year

LOT DELIVERIES & REVENUE

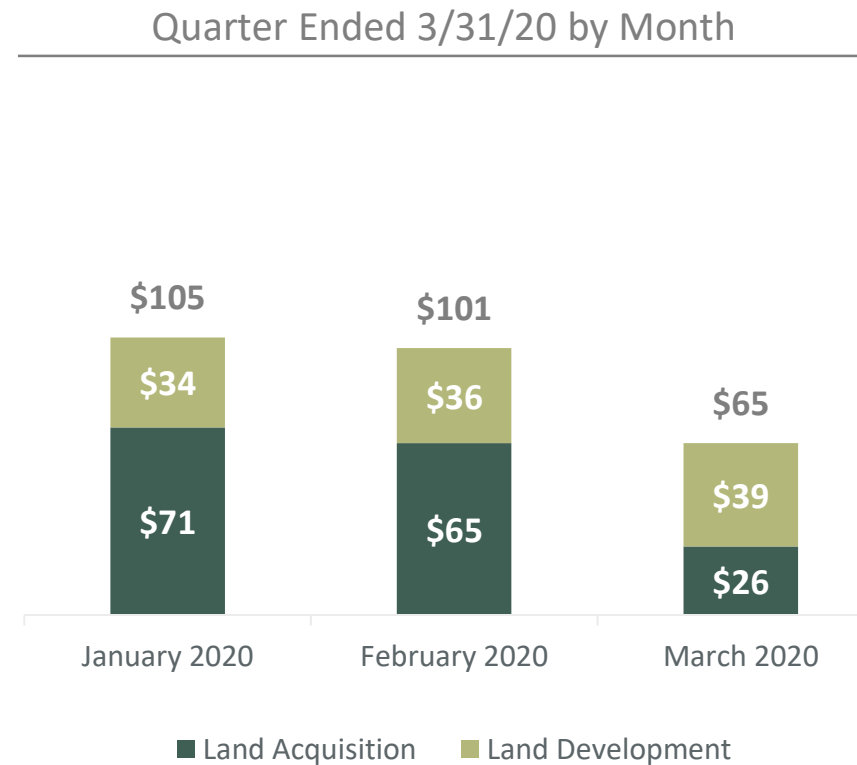
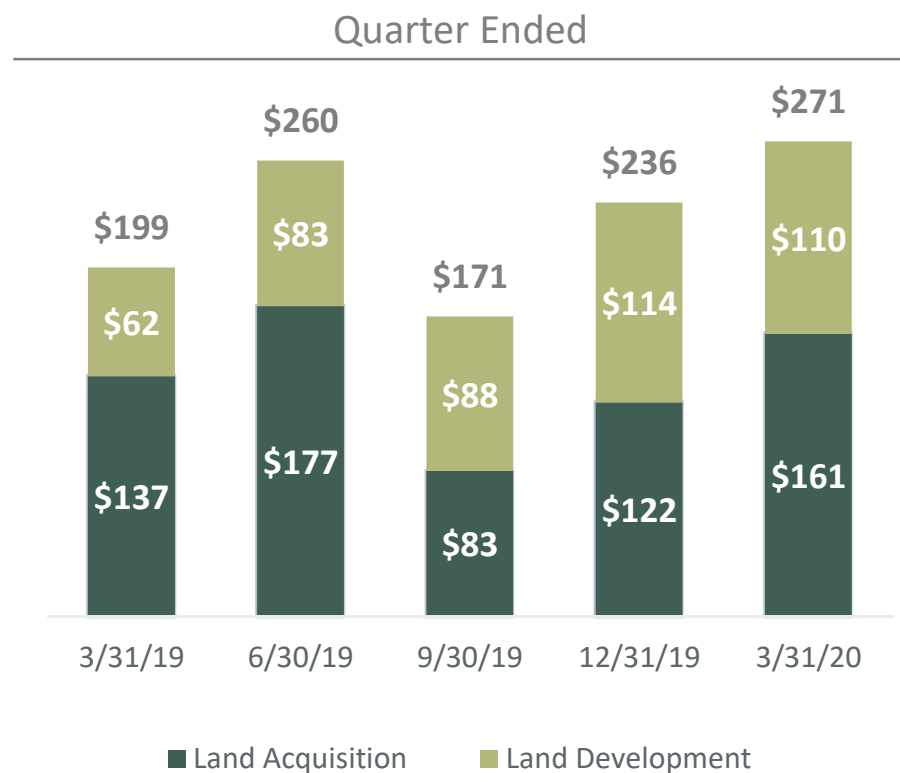
The Forestar team delivered a strong first 6 months of the year; however, as a result of COVID-19, the Company has withdrawn its lot delivery and revenue guidance for fiscal 2020 and 2021



\$ in millions
(1) Effective 1/1/18, FOR changed its fiscal year-end from 12/31 to 9/30; as presented, FY 2018 reflects the trailing twelve months ended 9/30/18 and excludes lots sold to unconsolidated ventures

LAND AND DEVELOPMENT INVESTMENTS

As a result of COVID-19, Forestar has temporarily restricted its land purchase activity and is continuing to closely manage all lot development spending



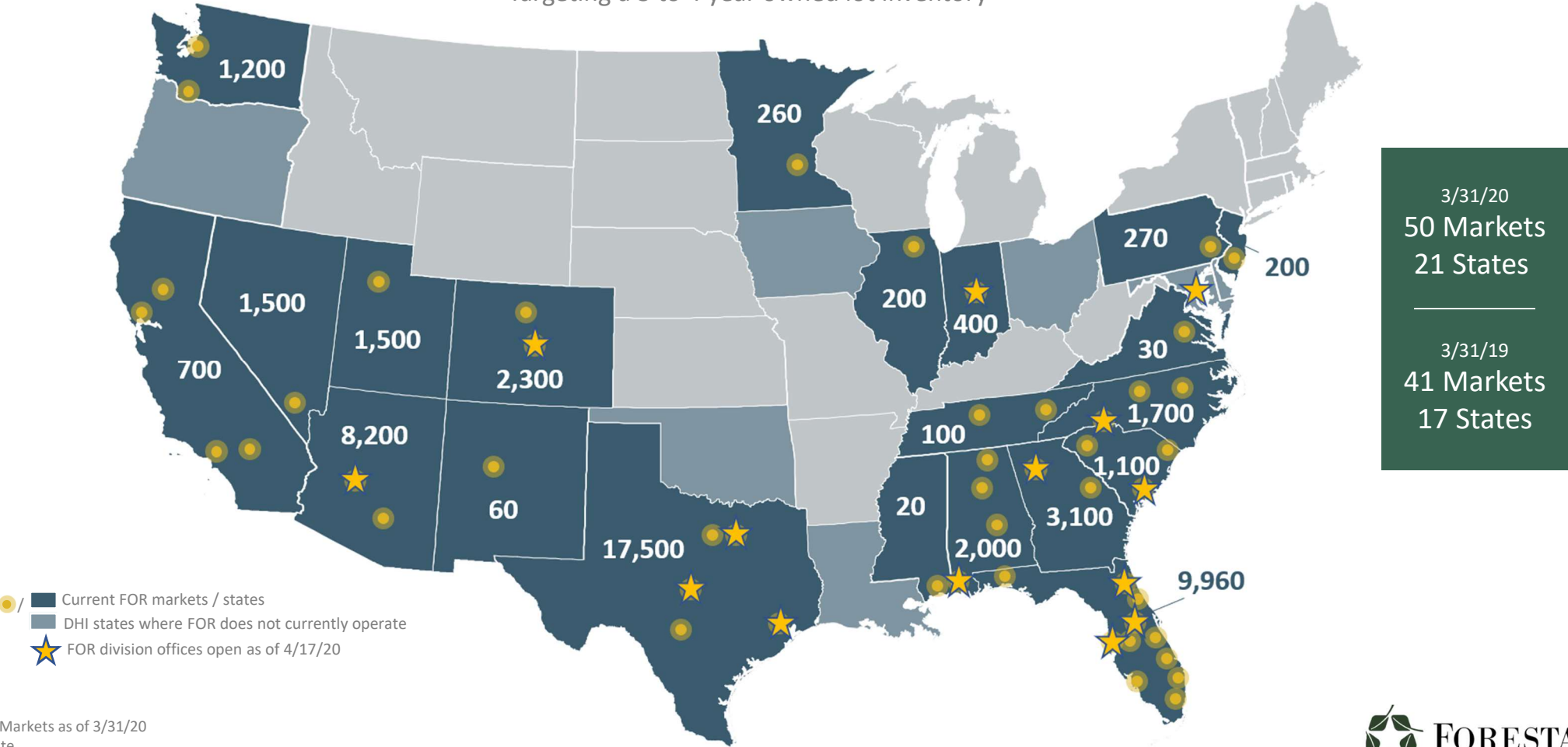
\$ in millions

DIVERSIFIED FOOTPRINT

Own and control 52,300 lots at 3/31/20

80% of owned lots are under contract to sell or subject to a right of first offer to DHI

Targeting a 3 to 4 year owned lot inventory



Lot Position by State and Markets as of 3/31/20
Lot counts are approximate
Of total lot position at 3/31/20, 35,800 are owned and 16,500 are controlled through purchase contracts

PRIMARY FOCUS ON ATTRACTIVE ENTRY-LEVEL SEGMENT

- Majority of recent Forestar investments have been focused on lots for homes at affordable / entry-level price points
- Average Forestar residential lot sale price for the TTM ended 3/31/20 was ~\$85,500⁽¹⁾
- Compelling demand from entry-level buyers, but lack of inventory has been a constraint
- D.R. Horton offers homes at all price points, with entry-level / first-time buyers representing a majority of closings
 - Entry-level Express Homes brand has increased from 5% of DHI closings in fiscal 2014 to 35% of closings in fiscal 2019
 - Public homebuilders have shifted towards entry-level, with the establishment of numerous entry-level brands over past five years

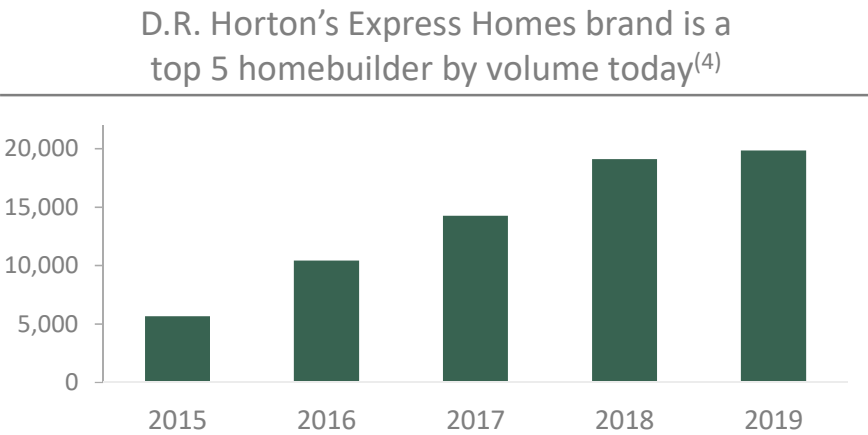
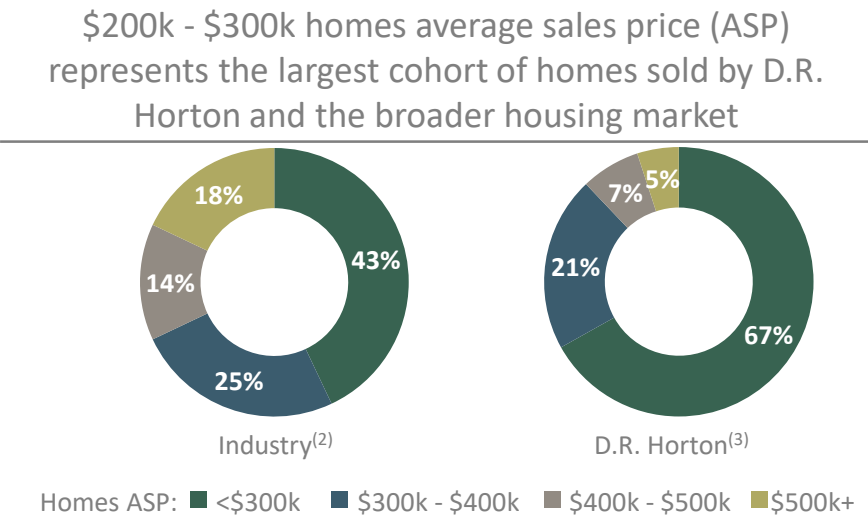
Source: Company filings, Census, John Burns Real Estate Consulting

(1) Excludes any impact from change in contract liabilities

(2) Based on rolling twelve month average of homes sold as of January 2020

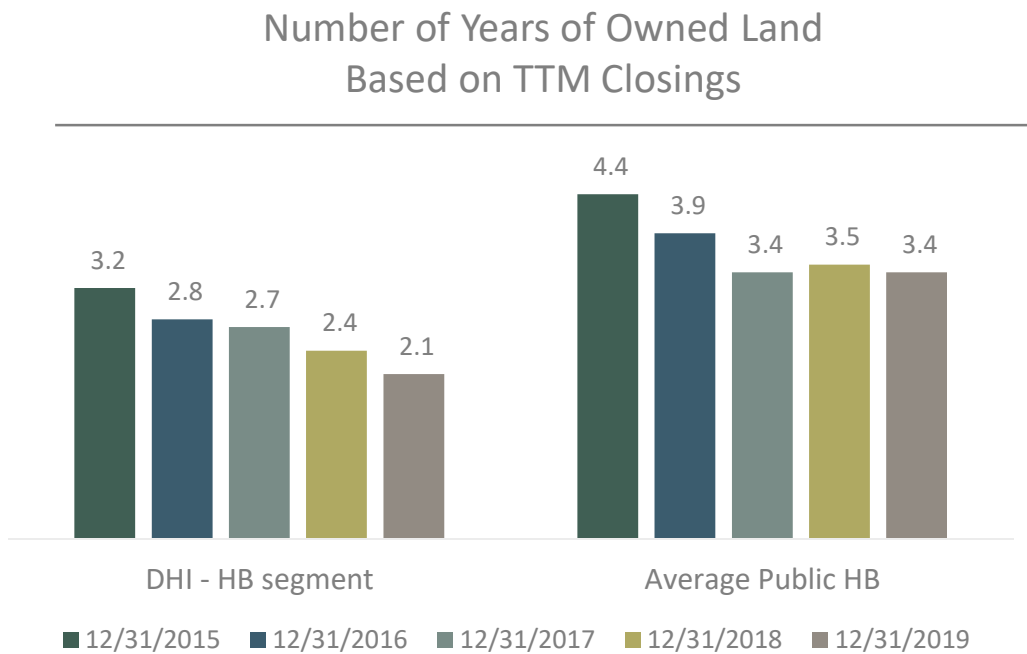
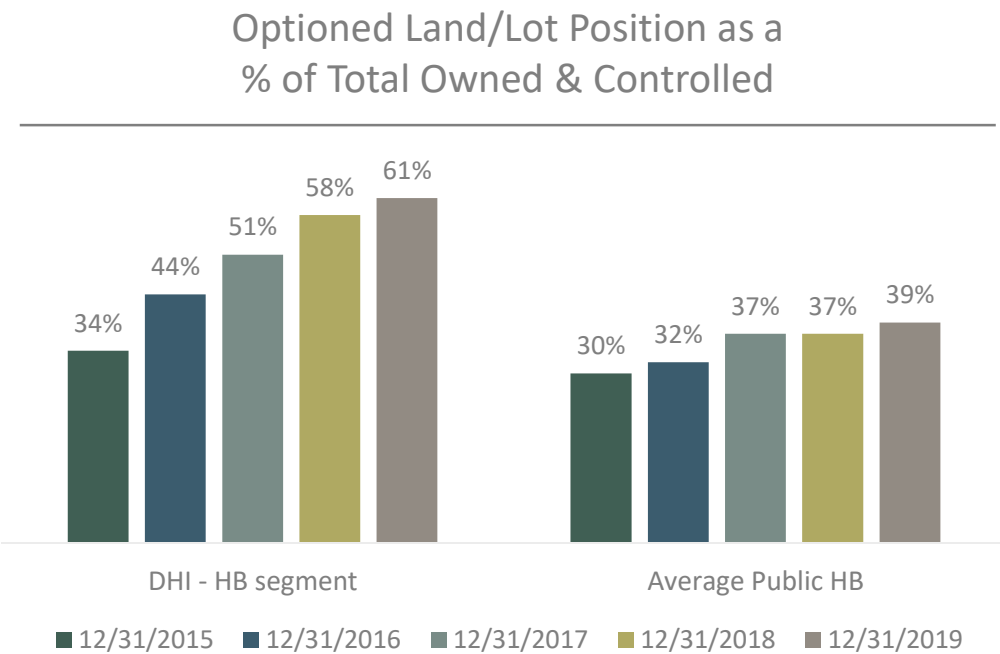
(3) Based on homes closed in TTM ended 3/31/20

(4) Based on fiscal year-end closings



UNIQUELY POSITIONED TO PROVIDE RESIDENTIAL FINISHED LOTS

Builders preference for ‘land lighter’ models enhances opportunity, and in times of economic uncertainty, homebuilders shift their land strategies to slow raw land purchases and focus on purchasing finished lots



Source: FactSet and respective Company SEC filings
Notes: Average Public Homebuilder (HB) data represents the land and lot positions of LEN, PHM, TOL, NVR, MTH, MDC, TMHC, TPH, LGIH and KBH
For LEN and KBH, data is as of the periods ended November 30
For TOL, data is as of the periods ended January 31

SEASONED LEADERS WITH DECADES OF LAND DEVELOPMENT EXPERIENCE

Experienced management team that knows how to navigate through market cycles

<p>DON TOMNITZ Executive Chairman</p> <p><i>Formerly President & CEO of DHI for over a decade and joined FOR in October 2017</i></p>	<p>DAN BARTOK CEO</p> <p><i>Joined FOR in December 2017; formerly EVP of Owned Real Estate for Wells Fargo, with 40 years experience in homebuilding & land development industry</i></p>	<p>JIM ALLEN CFO</p> <p><i>Joined FOR in March 2020 with over 35 years of operating and financial experience in multiple industries including manufacturing</i></p>
<p>MARK WALKER East Region President</p> <p><i>With DHI since 2012 and joined FOR in February 2019 with 18 years of real estate experience</i></p>	<p>NICOLAS APARICIO Florida Region President</p> <p><i>With DHI since 2011 and joined FOR in December 2018 with 20 years of real estate experience</i></p>	<p>IAN CUDE South Central Region President</p> <p><i>With DHI since 2012 and joined FOR in November 2019 with 22 years of real estate experience</i></p>

Dates with FOR include time with predecessor entities prior to 2008 when FOR became a standalone public company

FINANCIAL POSITION AND POLICY

In February 2020, Forestar further strengthened its financial position by issuing \$300M of 5.0% senior notes due 2028

FINANCIAL POSITION AS OF 3/31/20

- \$438M unrestricted cash and cash equivalents
- \$380M unsecured revolving credit facility
- ~\$790M total liquidity⁽¹⁾
- \$350M 8.0% senior notes due 2024
- \$300M 5.0% senior notes due 2028
- \$836M stockholders’ equity
- 19.5% net debt to total capital⁽²⁾

DISCIPLINED FINANCIAL POLICY

- Strict lot development investment underwriting:
 - **≥ 15%** return on inventory (ROI)⁽³⁾
 - **≤ 36-month** cash recovery of phase 1 investment
- Net debt to capital⁽²⁾ of **≤ 40%**
- Maintain strong liquidity
- Balanced financing plan including both debt and equity

(1) Liquidity defined as unrestricted cash balance plus revolving credit facility availability as governed by the borrowing base
(2) Net debt to capital is calculated as debt net of unrestricted cash divided by debt net of unrestricted cash plus stockholders’ equity
(3) ROI is calculated as pre-tax income divided by average inventory over the life of a project

FORESTAR INVESTMENT HIGHLIGHTS

Unique Returns-
Focused Lot
Manufacturing
Business Model

Strategic
Relationship With
D.R. Horton

Long-Term
Market Share
Gains

Geographic
Diversification

Primary Focus on
Attractive Entry-Level
Segment

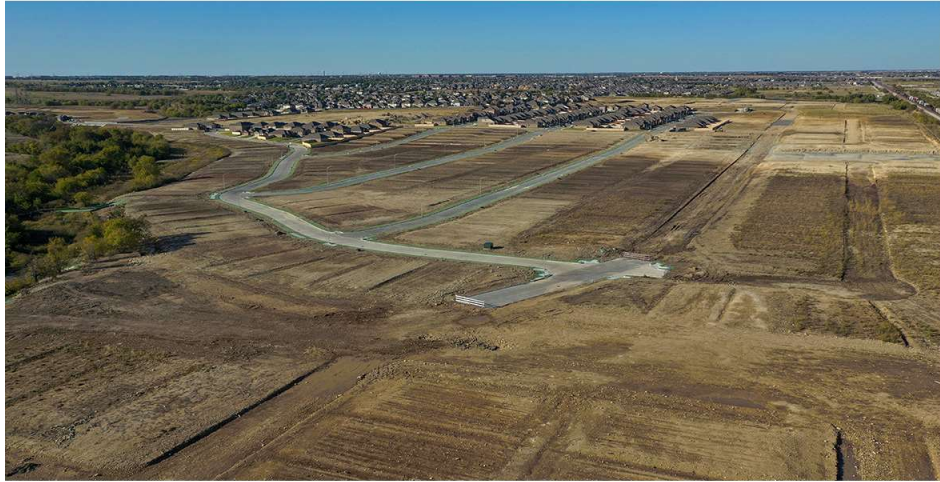
Homebuilders'
Increasing
Preference for
Lots Developed
by 3rd Parties

Proven/ Seasoned
Management Team
With Decades of
Real Estate
Experience

Strong Balance
Sheet and
Liquidity
Position



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