FORESTAR

INVESTOR PRESENTATION

DECEMBER 12, 2018

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: general economic, market or business conditions where our real estate activities are concentrated; the conditions of the capital markets and our ability to raise capital to fund expected growth; our ability to achieve our strategic initiatives; the opportunities (or lack thereof) that may be presented to us and that we may pursue; our ability to hire and retain key personnel; our ability to obtain future entitlement and development approvals; obtaining reimbursements and other payments from special improvement districts and other agencies and timing of such payments; 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; the levels of resale housing inventory in our mixed-use development projects and the regions in which they are located; fluctuations in costs and expenses, including impacts from shortages in materials or labor; 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; changes in governmental policies, laws or regulations and actions or restrictions of regulatory agencies; our partners’ ability to fund their capital commitments and otherwise fulfill their operating and financial obligations; our ability to comply with our debt covenants, restrictions and limitations; the strength of our information technology systems and the risk of cybersecurity breaches; the effect of D.R. Horton's controlling level of ownership on us and our stockholders; our ability to realize the potential benefits of the strategic relationship with D.R. Horton; and the effect of our strategic relationship with D.R. Horton on our ability to maintain relationships with our vendors and customers. Additional information about issues that could lead to material changes in performance is contained in Forestar’s annual report on Form 10-KT, which is filed with the Securities and Exchange Commission (SEC).

Unique Returns-Focused Lot Manufacturing Business Model

Significant Growth Profile Coupled With Geographic Diversification

Strategic Relationship With D.R. Horton Supports Ability to Scale and De-Risks Expansion

Shifting Homebuilder Inventory Models and Solid Long-Term Industry Fundamentals

Experienced Management Team With Decades of Real Estate Experience

Strong Balance Sheet and Liquidity Position

FOR has transformed its business into a highly differentiated, returns-focused lot manufacturer

FORESTAR TRANSFORMATION

2015-2018

Return to Core Business

- ✓ Monetized non-core assets
- ✓ Sold non-strategic legacy projects

Implementing Strategy

- ✓ Strategic relationship with DHI
- ✓ Supplemented executive and operational leadership
- ✓ Invested in return-focused lot development opportunities

FORESTAR TODAY

Differentiated Finished Lot Manufacturer

Strategy

- Simplified business plan focused on residential lot development
- Phased development of short duration, fully-entitled projects
- High turnover, lower risk lot manufacturing strategy
- Ability to pursue opportunistic strategic investments

Results

- Access to lower cost of capital
- National scale with geographic diversification
- Profitable today and expect consistent long-term profits and returns

FOR's business model will achieve scale and consistent returns, while minimizing risk

- Well-capitalized, geographically diverse lot developer focused on short duration, fully-entitled lot development opportunities
- High turnover, lower risk "lot manufacturing" strategy generates returns similar to an efficient, production-oriented homebuilder
  - Expect 15% return on inventory (ROI)[1] and initial cash payback within 36 months on new lot development investments
  - Projects typically generate lot sale revenue within 12 months
  - Phased projects in which future development is largely discretionary
- Flexibility to pursue opportunistic strategic investments
- Control operating and overhead costs while ensuring infrastructure supports planned growth
- Consistently profitable today and targeting annual pre-tax profit margins of at least 10% by FYE 2021

(1) ROI is calculated as pre-tax income divided by average inventory over the life of a project

Investment Profile for Target Development Projects

- ✓ 15% Return on Inventory[1]
- ✓ Initial Cash Payback Within 36 Months
- ✓ High Velocity Residential Communities
- ✓ Generate Revenue Within 12 Months
- ✓ Development Cash Spend Largely Discretionary

- X Unentitled Land
- X Speculative Land with Undefined Buyer
- X Long-Dated, Complex Assets

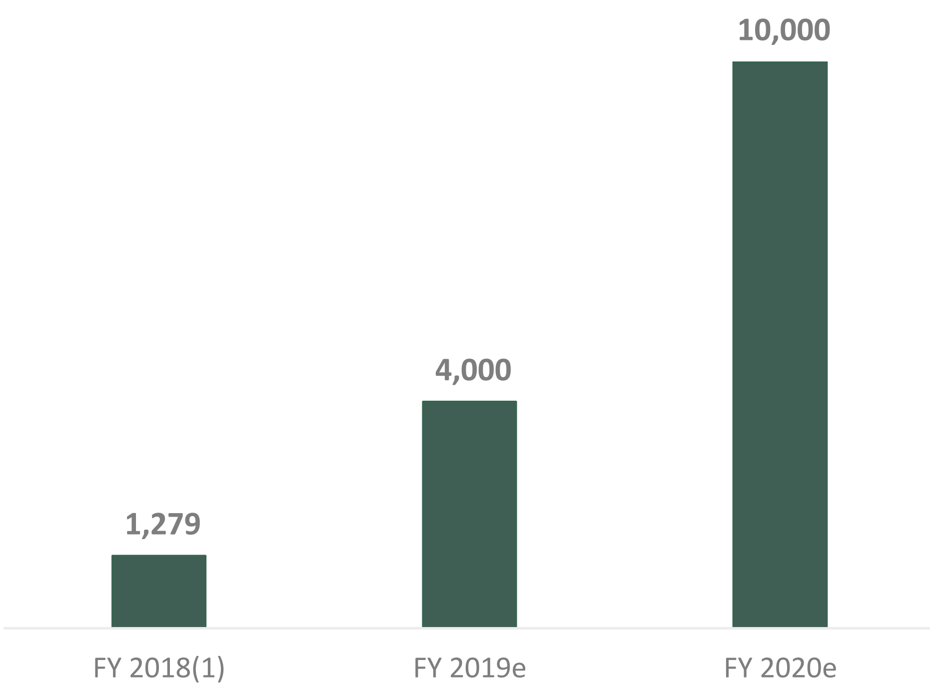
(1) Return on inventory is calculated as pre-tax income divided by average inventory over the life of a project

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

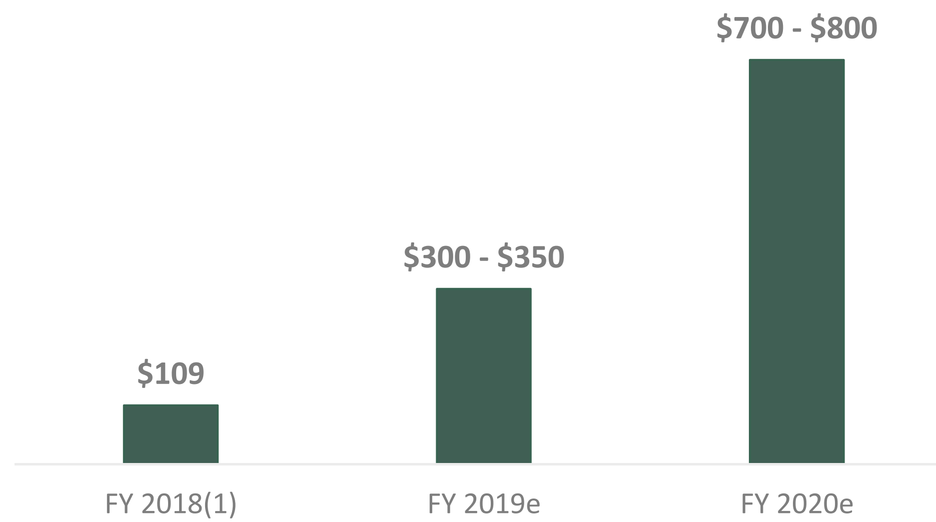
FORESTAR	TYPICAL LAND DEVELOPER
✓ **Short duration,** fully-entitled lot development projects	X Long-term, often complex, land development assets
✓ **Large scale** with national footprint and in-market depth	X Lack of geographic diversification and depth in markets
✓ **Returns-focused, lower risk** inventory model	X Lower return, unpredictable inventory model
✓ **Consistent operating** results at scale	X Lack of consistent profitability
✓ **Understandable, sustainable, 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

Expect 8x increase in deliveries to 10,000 lots by 2020, generating $700M to $800M of revenue

Lot Deliveries



Revenue



$ 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

ACCELERATING FOR'S GROWTH TRAJECTORY

During the TTM ended 9/30/18:
- Invested $476M in land acquisition and development
- Acquired 44 new projects representing 16,200 lots

Own and control 20,100 lots at 9/30/18, with 13,600 under contract with or subject to right of first offer to DHI

Expect to invest > $800M in land acquisition and development in FY19

Expect to own a 3 to 4-year supply of land and lots

DHI acquisition date of 75% of o/s shares of FOR

Strategic asset sale

Obtained $380M 3-year unsecured revolving credit facility

Expect to access the debt and equity capital markets in FY19 and FY20 for long-term growth capital

Oct. 5, 2017	Feb. 2018	Aug. 2018	FYE 2018	FYE 2019	FYE 2020	FYE 2021

Delivered 1,279 lots and generated $109M of revenues during the TTM ended 9/30/18

Expect to deliver 4,000 lots and generate $300M to $350M of revenues with a mid-single digit pre-tax profit margin in FY19

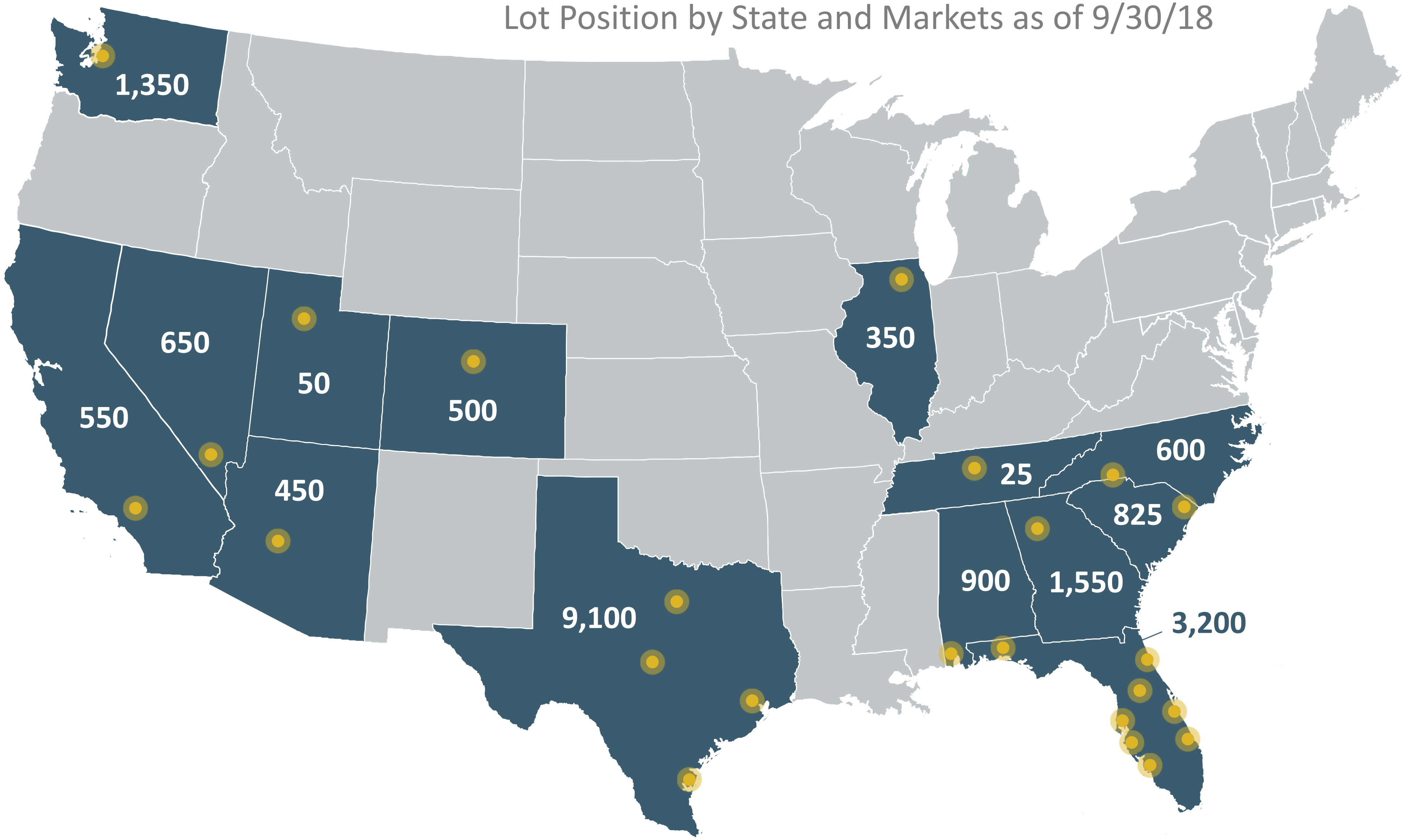
Expect to deliver 10,000 lots and generate $700M to $800M of revenues with a high-single digit pre-tax profit margin in FY20

Expect > 20% revenue growth and a pre-tax profit margin of ~10% in FY21

LEGEND
- Portfolio and Investments
- Transactions and Financings
- Operating Results and Expectations

Lot counts and dollar amounts are approximate and exclude lots sold to unconsolidated ventures

Lot Position by State and Markets as of 9/30/18



9/30/18
24 Markets
14 States

9/30/17
14 Markets
10 States

Represents 20,100 lots controlled by FOR of which 18,100 are owned and 2,000 are optioned

Lot Development Projects	• Targeting shorter duration, phased developments with lower market risk
	  ◦ Majority of recent investments have been focused on lots for homes at affordable/entry-level price points
	• Includes projects sourced by DHI and FOR to sell lots to both DHI and other builders
	  ◦ Lot sales to builders other than DHI are expected to be 10% to 20% of FOR sales in FY19 and FY20, growing to 25% to 30% over the long-term
	• Annual returns on inventory(1) >15% for life of project, with typical gross margin range of 16% to 24%
	  ◦ Gross margin percentage varies with project duration, land seller profile and the extent of FOR's involvement in sourcing, pre-acquisition entitlement work, development and other value creation activities
	• As FOR's development portfolio and operating platform expands over the next 3 to 5 years, lot development returns and pre-tax profit margins are expected to increase

Short-Term Lot / Land Banking Projects	• Short-term investments of available capital • Primarily with DHI • Annual returns on inventory(1) of 12% to 16% • Gross margin percentage ranges from high-single digit to mid-teens based on duration and lot development status • Short-term lot / land banking volume will fluctuate and likely decline as a percentage of the portfolio mix over time as FOR's development platform expands

(1) Return on inventory is calculated as pre-tax income divided by average inventory over the life of a project

HIGHLY STRATEGIC BENEFITS OF FOR & DHI ALIGNMENT

BENEFITS TO FOR

- Enhanced leadership team, with experience growing and transforming businesses
- Supports ability to scale to national platform
- Significant built-in demand for current and future lot deliveries
- Improved access to capital markets

STRONG AND SYMBIOTIC STRATEGIC RELATIONSHIP

BENEFITS TO DHI

- Long-term consistent supplier of finished lots across DHI's national footprint (84 markets in 29 states)
- Integral component of DHI's operational strategy
- Participate in value creation of FOR

Alignment with DHI supports FOR's transformation into a national, well-capitalized lot manufacturer, selling finished lots directly to builders

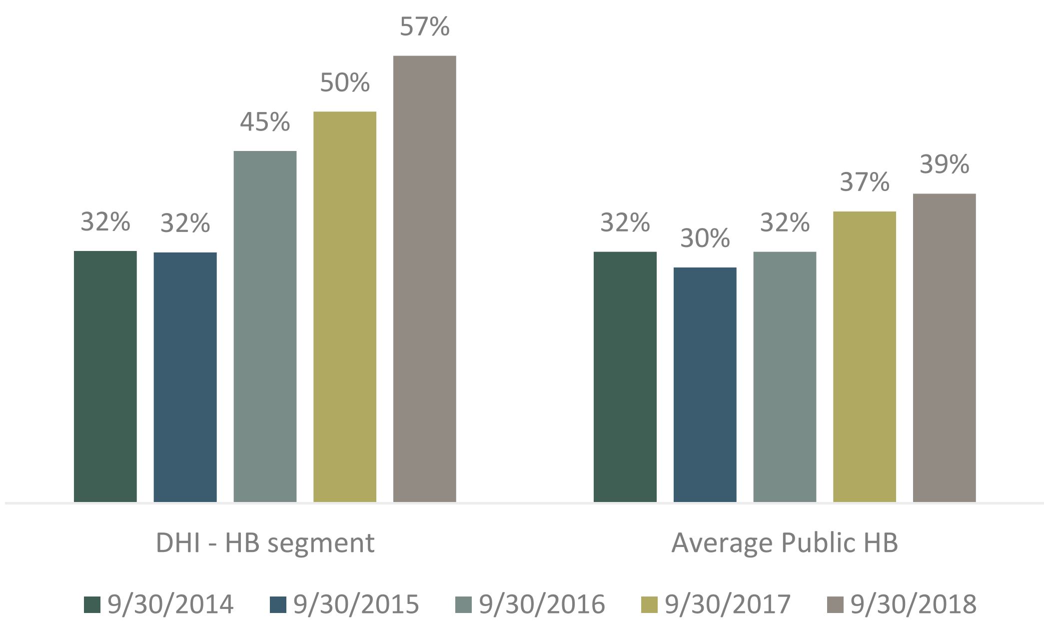
- FOR became a majority-owned subsidiary of DHI in October 2017, when DHI acquired 75% of FOR's outstanding shares
- DHI is the nation's largest volume homebuilder and an investment grade company
- DHI's annual purchases of finished lots significantly exceed FOR's near-term growth plans, and DHI purchases finished lots through market cycles
- DHI is committed to owning no more than a 2 to 3-year supply of lots and to increasing the mix of optioned lots of its total homebuilding land and lot position
- Most land developers lack the scale and access to capital to be consistent suppliers of a significant portion of lots to DHI across its national footprint
- Master Supply Agreement (MSA), Shareholders' Agreement and Shared Services Agreement formalize the business relationship and protect FOR's interests(1)
- DHI plans to maintain a significant ownership position in FOR over the long-term

Relationship with DHI further strengthens FOR's competitive advantages relative to typical private and public land developers

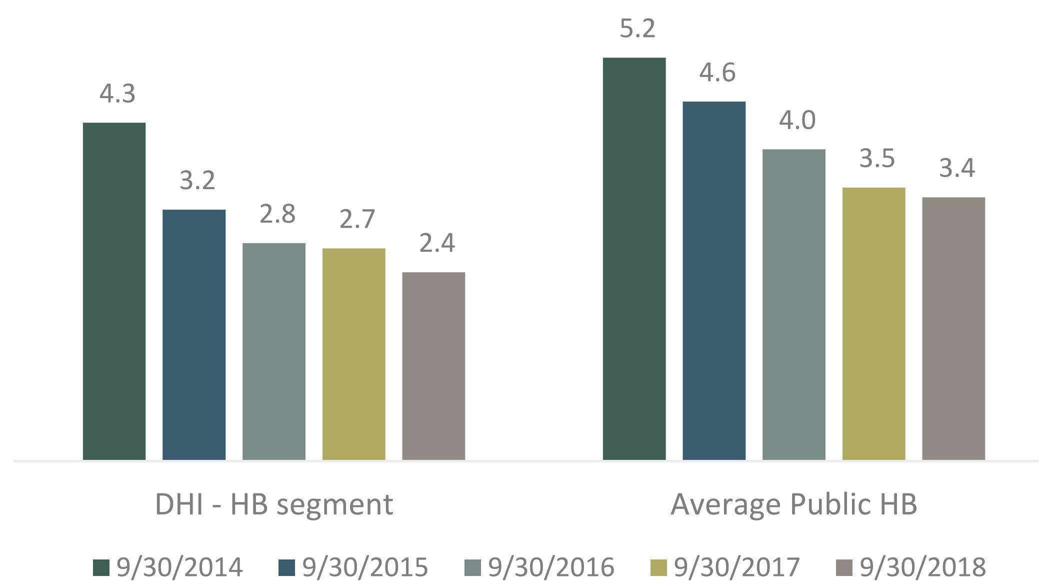
(1) MSA, Shareholders' Agreement and Shared Services Agreement summaries included in Appendix

As homebuilders increase their optioned land and shorten their owned land positions to improve returns, FOR is uniquely positioned to capitalize on residential lot development opportunities

Optioned Land/Lot Position as a % of Total Owned & Controlled



Number of Years of Owned Land Based on TTM Closings



Source: FactSet and respective Company SEC filings

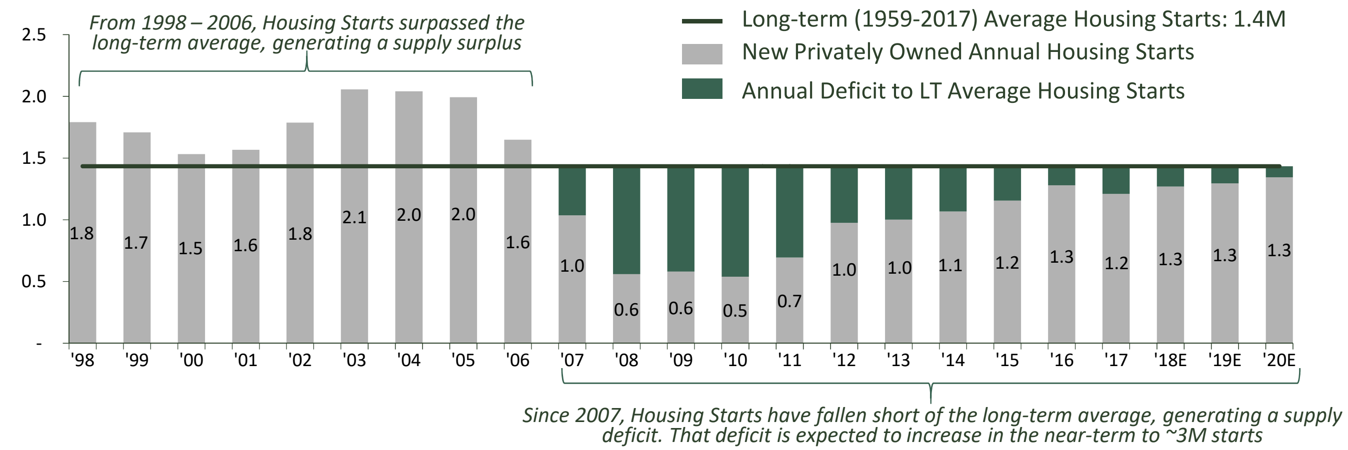
Notes: Average Public Homebuilder (HB) data represents the land and lot positions of LEN, PHM, TOL, NVR, MTH, MDC, TMHC, TPH, LGIH and KBH
For LEN and KBH, data is as of the periods ended August 31
For TOL, data is as of the periods ended October 31

SOLID LONG-TERM INDUSTRY FUNDAMENTALS

Despite the recent pullback in equities and short-term news headlines, long-term industry fundamentals remain solid

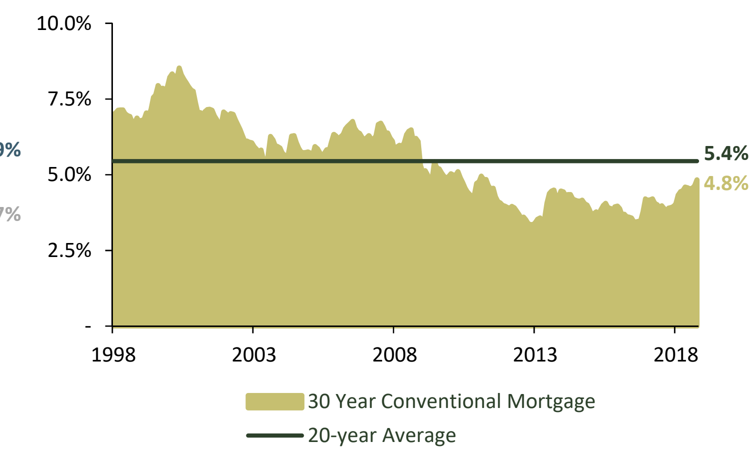
- Limited supply of homes at affordable price points
- Unemployment rate near or at record lows for almost all groups of Americans
- Hourly wages growing
- Interest rates (though rising) remain near historic lows
- Favorable demographics
- High consumer confidence

SURPLUS / (DEFICIT) TO HISTORIC AVERAGE HOUSING STARTS (M)[1]



HISTORIC UNEMPLOYMENT RATES[2]

HISTORIC MORTGAGE RATES[2]



Source: Federal Reserve Bank of St. Louis, Freddie Mac, National Association of Realtors, NAHB, U.S. Census Bureau
Notes: Unemployment and mortgage rate data as of October 2018
(1) 2018e – 2020e starts are derived using annual growth estimates from the NAHB
(2) Represent monthly rates

Management team has ability to scale FOR and replicate DHI's success as a public company

DON TOMNITZ
Executive Chairman

Formerly President & CEO of DHI for over a decade; joined FOR in Oct. 2017

DAN BARTOK
CEO

Joined FOR in Dec. 2017; formerly EVP of Owned Real Estate for Wells Fargo, with close to 40 years experience in homebuilding & land development industry

CHUCK JEHL
CFO

With FOR since 2005; in current role since 2015

TOM BURLESON
West Region President

With FOR since 2003 & has over 25 years of real estate experience

MICHAEL QUINLEY
East Region President

With FOR since 2008 & has over 30 years of real estate experience

NICOLAS APARICIO
Florida Region President

With DHI since 2011; recently joined FOR with 20 years of real estate experience

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

FINANCIAL POSITION AND POLICY

FINANCIAL POSITION AS OF 9/30/18

- $319M unrestricted cash and cash equivalents
- $380M 3-year unsecured revolving credit facility
- $694M total liquidity(1)
- $119M convertible notes due 2020
- $673M shareholders' equity
- 15% total debt to 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 ($4 million of LCs outstanding under FOR's revolving credit facility as of 9/30/18)
(2) Debt to capital is calculated as debt divided by shareholders' equity plus debt; net debt to capital is calculated as debt net of cash divided by debt net of cash plus shareholders' equity)
(3) ROI is calculated as pre-tax income divided by average inventory over the life of a project

FOR plans to grow its platform and scale rapidly while maintaining sufficient liquidity and modest leverage

- FY 2018 and FY 2019 are transition years as FOR builds and grows its real estate portfolio and residential lot development platform to support a large-scale national lot manufacturing operation
- Current liquidity and available capital are sufficient to support FY 2019 and FY 2020 revenue growth
- FOR plans to access the public capital markets in FY 2019 and FY 2020 to support its 3 to 5 year plan to further expand its residential lot development business
  - Capital plans include issuing new debt and equity securities
  - All growth plans and capital raises will be evaluated and adjusted based on economic, housing market and capital market conditions
- FOR plans to maintain a flexible financial position to support growth plans and make opportunistic investments
- FOR expects to consolidate market share in highly fragmented lot development industry through housing market and economic cycles

Unique Returns-Focused Lot Manufacturing Business Model

Significant Growth Profile Coupled With Geographic Diversification

Strategic Relationship With D.R. Horton Supports Ability to Scale and De-Risks Expansion

Shifting Homebuilder Inventory Models and Solid Long-Term Industry Fundamentals

Experienced Management Team With Decades of Real Estate Experience

Strong Balance Sheet and Liquidity Position

APPENDIX

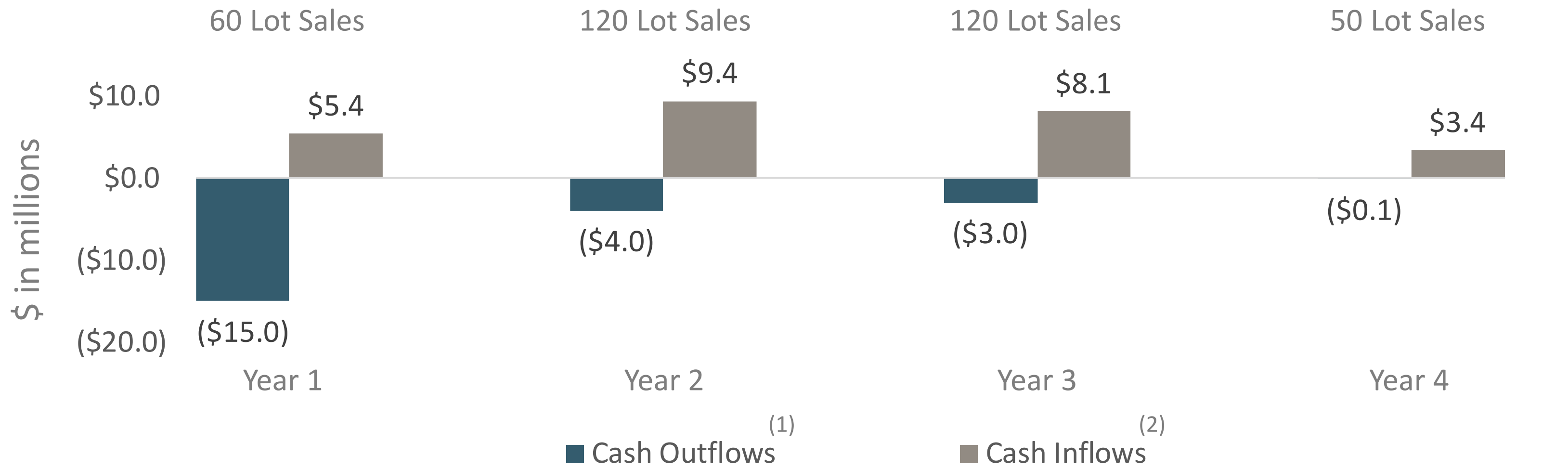
FORESTAR

ILLUSTRATIVE LOT DEVELOPMENT PROJECT

And Homebuilder vs. Lot Manufacturer Project Economics

ILLUSTRATIVE FORESTAR PROJECT CASH FLOWS & RETURN

Project Cash Flows



Project Inventory at Year-End

Note: For illustrative purposes only; projects can have a wide range of cash flows and returns

(1) Cash outflows include land acquisition and development spend and direct project overhead

(2) Cash inflows include lot sales and impact of earnest money

(3) Defined as the number of months required to recover Forestar's initial cash investment, including (i) land acquisition costs and (ii) development spend required to deliver the first phase of the project

Project Metrics

Size & Duration:

- *Project Size: 350 Lots*
- *Project Life: 42 months*
- *Development Phasing: 2 phases*
- *Lot Sale Takedown Schedule: 6 lot sale dates per phase*

Cash Flows & Inventory:

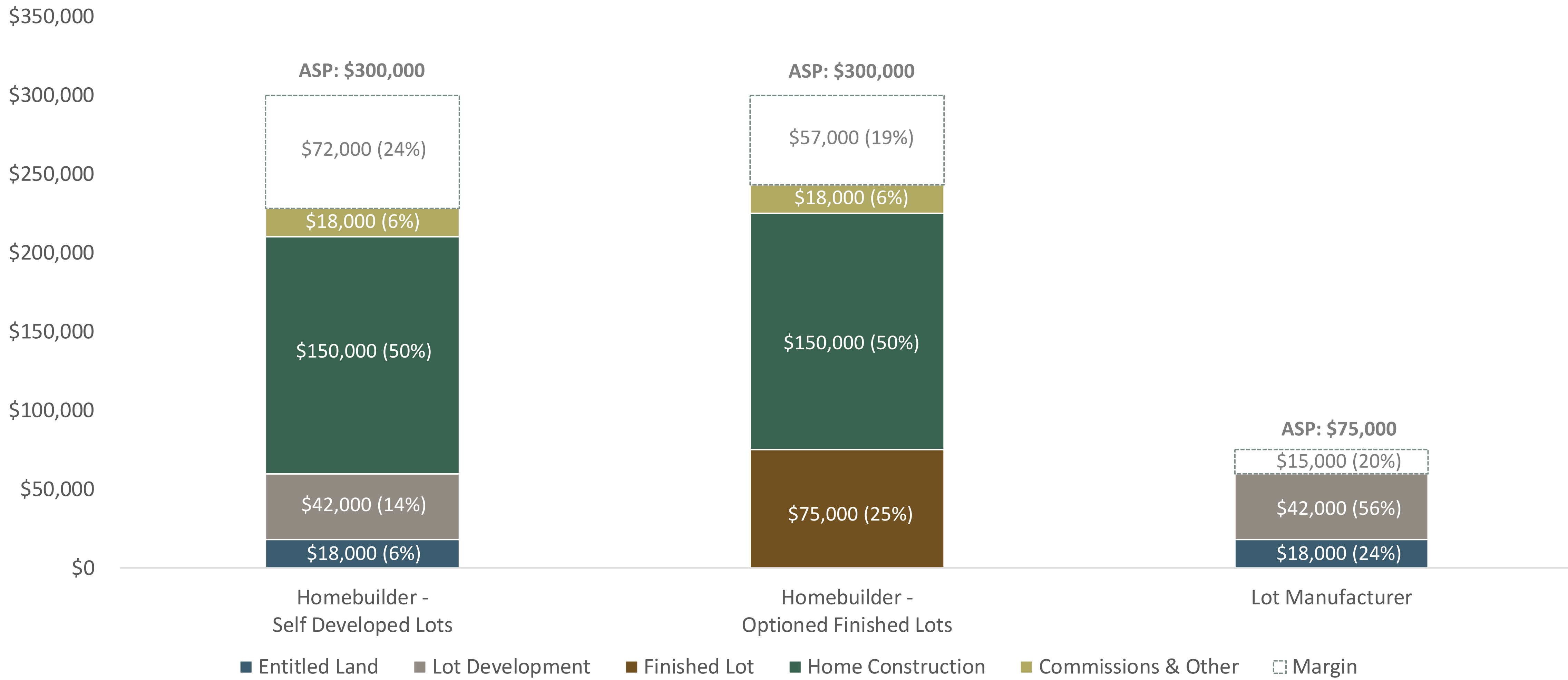
- *Lot Sale Revenues: $26.3M ($75,000 per lot)*
- *Land Acquisition Cost: $6.3M ($18,000 per lot)*
- *Development Spend: $14.7M ($42,000 per lot)*
  - *1st Phase Development: $8.5M*
- *Net Cash Flow: $4.2M*
- *Average Monthly Inventory: $7.9M*

Project Metrics:

- *Gross Margin: 20.0%*
- *Return on Average Inventory: 15.0%*
- *Initial Cash Recovery [3]: ~27 months*

FORESTAR

ILLUSTRATIVE HOMEBUILDER VS. LOT MANUFACTURER PROJECT ECONOMICS

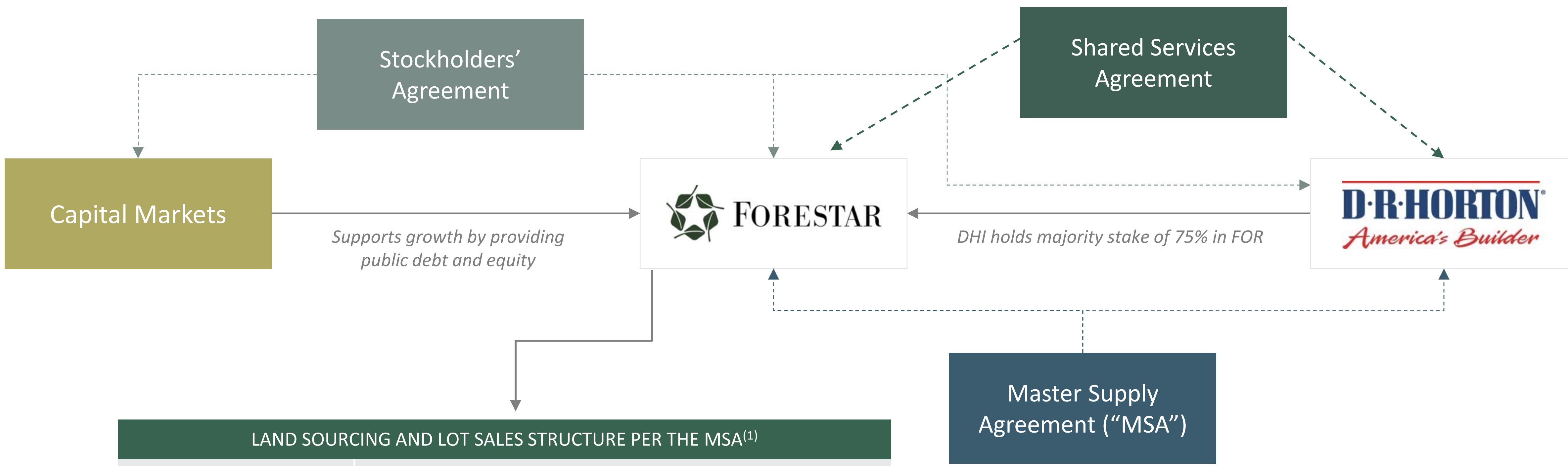


For illustrative purposes only; projects can have a wide range of economics

FOR & DHI RELATIONSHIP OVERVIEW

And Agreement Summaries

FOR & DHI RELATIONSHIP OVERVIEW



LAND SOURCING AND LOT SALES STRUCTURE PER THE MSA[1]	
Project sourced by	**DHI ROFO Structure**
D·R·HORTON America's Builder	• ROFO on 100% of lots
FORESTAR	• ROFO on 50% of lots in 1st phase • ROFO on 50% of lots in any subsequent phase, in which DHI purchased 25%+ of lots in previous phase
3rd Party Homebuilder	• No DHI ROFO on lots

(1) Lots are sold to DHI and other builders at market pricing

MASTER SUPPLY AGREEMENT (MSA)

- Establishes business relationship between DHI and FOR as both companies identify residential real estate opportunities
- Provides DHI the right of first offer (ROFO) to purchase up to 100% of the lots from DHI sourced projects at market prices
- Provides DHI the ROFO to purchase up to 50% of the lots in the first phase of a Forestar sourced project and 50% of the lots in any subsequent phase in which DHI purchases at least 25% of the lots in the previous phase
- DHI has no ROFO rights on third-party builder sourced development opportunities provided to FOR
- Continues until the earlier of (i) the date which DHI owns less than 15% of voting shares of FOR or (ii) June 29, 2037; however, FOR may terminate the MSA at any time when DHI owns less than 25% of the voting stock of Forestar
- As of September 30, 2018, FOR has made significant progress growing its business under the MSA since the merger:
  - FOR acquired 44 new projects representing 16,200 lots since the acquisition date
  - FOR owned and controlled 20,100 lots, with 13,600 under contract with or subject to right of first offer to DHI

- DHI has the right to nominate FOR's board members commensurate with DHI's equity ownership
  - DHI nominated four of FOR's five board members
  - FOR Board of Directors must include at least three independent directors (currently has four)
- Established an investment committee to approve new lot development and banking projects
- As long as DHI owns at least 35% of FOR's outstanding equity, FOR must obtain DHI consent in order to:
  - Issue equity
  - Incur, assume, refinance or guarantee debt that would increase FOR's gross leverage to greater than 40%
  - Select, terminate, remove or change compensation arrangements for the Executive Chairman, CEO, CFO and other key senior management
  - Make an acquisition or investment greater than $20 million
- As long as DHI owns at least 20% of FOR's outstanding equity:
  - DHI has the right to designate individuals to FOR's Board based on DHI's ownership percentage
  - DHI has the right to designate the Executive Chairman of FOR

SHARED SERVICES AGREEMENT

- Shared Services Agreement between FOR and DHI defines the terms under which DHI may provide administrative, compliance, operational and procurement services to FOR
- Scope and cost of services provided to FOR are mutually agreed upon by FOR and DHI management teams and are adjusted periodically as necessary
- Services provided currently include:
  - Accounting, Finance and Treasury
  - Tax
  - Human Resources, Payroll and Benefits
  - Legal – Securities, Corporate Governance, Litigation and Risk Management
  - Internal Audit
  - Information Technology
  - Investor and Public Relations
- FOR also contracts with DHI for lot development services in projects owned by FOR in geographic markets where FOR has not yet established development teams and capabilities
  - FOR pays DHI a fixed fee for each lot developed, which is mutually agreed upon for each project

REVOLVING CREDIT FACILITY

Summary of Terms

Forestar obtained a $380 million 3-year unsecured revolving credit facility in August 2018

Borrower	Forestar Group Inc.
Facility Description	• Senior unsecured revolving credit facility • Borrowings are non-recourse to D.R. Horton
Facility Amount	$380 million
Quarterly Borrowing Base	Borrowing base assets include Unrestricted Cash, Single-Family Lots Under Contract, Single-Family Lots Not Under Contract, Land Under Development, Land Held for Future Development, Commercial / Multi-Family Lots Under Contract, and Commercial / Multi-Family Lots Not Under Contract
Tenor	Three years, maturing August 16, 2021
Joint Lead Arrangers	JPMorgan Chase Bank, Citibank, Mizuho Bank and Wells Fargo Securities
Drawn Pricing (1)	L + 175 bps
Undrawn Fee (1)	30 bps
Financial Covenants	• Minimum Liquidity: Greater than or equal to the greater of (x) $50 million and (y) LTM Cash Interest Incurred • Maximum Leverage (2): Less than or equal to 0.55x • Minimum Tangible Net Worth (3): Greater than the sum of (a) $432.5 million, (b) 50% of the cumulative Consolidated Net Income, if positive, commencing with the fiscal quarter ending September 30, 2018 and (c) 50% of the aggregate increase in Tangible Net Worth after June 30, 2018 by reason of the issuance of Capital Stock of or capital contributions to the Borrower
Change of Control (4)	Shall include (x) public disclosure that any person, other than DHI, becomes the beneficial owner of 50% or more of the voting stock of Forestar and (y) D.R. Horton and its subsidiaries cease to own at least 25% of the voting stock of Forestar

Note: For detailed credit facility terms, please refer to the Credit Agreement filed as Exhibit 10.1 to Form 8-K dated August 16, 2018

(1) Please refer to the leverage-based pricing schedule included in the schedules to the Credit Agreement; drawn pricing and undrawn fee shown above are those currently applicable at leverage (total net indebtedness / (total net indebtedness + tangible net worth)) less than or equal to 0.30x

(2) Defined as (total net indebtedness / total net indebtedness + tangible net worth)

(3) Including Capital Stock issued upon conversion of convertible indebtedness (other than any convertible indebtedness outstanding as of the closing date of the facility)

(4) Please refer to the Credit Agreement for other Change of Control provisions