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KB Home Issues \$400 Million of Bonds as Housing Sales Decline

By Jessica Summers Mar 20, 2014 5:35 PM ET

[KB Home \(KBH\)](#) sold \$400 million of bonds that it may use to acquire and develop land, in its first offering in five months.

The builder issued 4.75 percent, senior notes maturing in 2019 that yielded 304 basis points more than similar-maturity Treasuries, according to data compiled by Bloomberg. Proceeds from the sale, which was increased in size from \$300 million initially marketed, may be used for general corporate purposes, including land acquisitions and land development, according to a statement yesterday from the Los Angeles-based company.

The new notes are graded B2 by Moody's Investors Service, which today changed its outlook on KB Home to "positive" from "stable." KB Home, which mostly focuses on first-time home buyers, issued the debt as data showed purchases of previously-owned homes in the U.S. declined in February to the lowest level since July 2012.

"They're sort of looking at the market advantageously," Jody Lurie, a corporate-credit analyst at Janney Montgomery Scott LLC in Philadelphia, said in a telephone interview. Issuing now gives KB Home "an ability to secure additional liquidity, while financing is cheap."

Moody's "expects the company's credit metrics to continue to improve over the next year as it benefits from increasing demand for new homes," according to a statement today. In October, KB Home sold \$450 million of 7 percent securities due 2021 to yield 460 basis points more than similar-maturity Treasuries, Bloomberg data show.

KB Home reported fiscal first-quarter earnings yesterday that beat estimates as it raised prices and opened communities in high-cost, land-constrained markets, such as parts of [California](#).