


Growing: The Lennar Way

from  to shining 



1998 Annual Report

Ask About Lennar

Founded in 1954, Lennar Corporation has grown to become one of the leading providers of new homes and residential financial services in America. Lennar has grown through its commitment to strive to provide  “Zero Defect” homes and services to families across America.

- **Building homes for our customers**

Lennar Corporation is one of the largest homebuilders in the United States, with operations in Florida, Texas, Arizona, Nevada, and California. The company markets homes to first-time, move-up and active adult home buyers. Home prices range from under \$100,000 to over \$400,000. Through our Financial Services Division, we provide residential mortgage, title and closing services, as well as other ancillary services including home security monitoring and cable television service.


- **Building careers for our associates**

Lennar Corporation currently employs over 4,000 associates throughout the company’s markets. While each associate contributes his or her individual talents to the company, all associates are bound together by the strong cultural values that are uniquely Lennar’s. Company values include integrity, responsibility, trust, and commitment to quality. The Lennar environment encourages and enables our associates to grow as our company grows.

- **Building value for our shareholders**

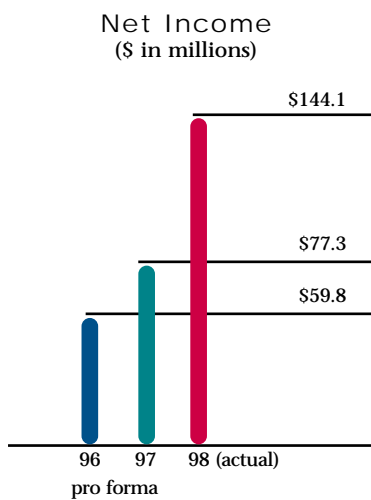
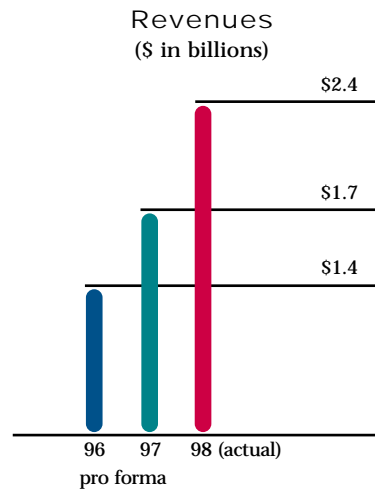
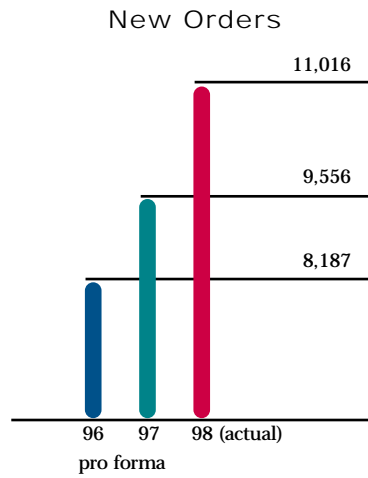
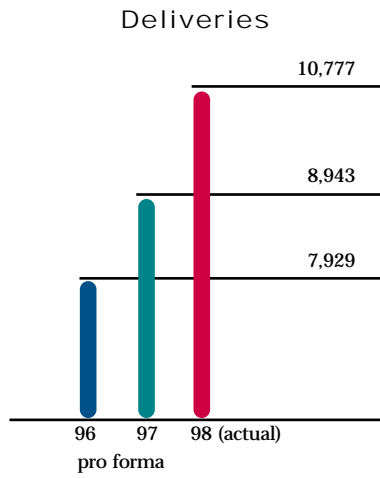
Lennar Corporation has been a consistent leader in providing long-term value for shareholders. The company balances long-term and short-term strategies to provide strong earnings per share growth with an industry-leading balance sheet that is positioned to ensure long-term value creation. A diversified earnings stream provides earnings stability and predictability. And a simple operating model allows the company to stay lean and well positioned for the future.

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Record Growth



Growing: The Lennar Way

It's not just how big you grow, it's how you grow big.

Dear Shareholders,

1998 was an outstanding growth year for Lennar Corporation. In addition to growing by every financial measure, we grew as a more efficient and more diversified company; better positioned to compete and consolidate as we look ahead. Our growth model has enabled us to grow quickly and comfortably, attaining both short-term goals and ensuring long-term stability.

In 1998 we...

- Grew earnings per share by 73%.
- Reduced our homebuilding debt to total capital ratio to 43% from 55%.
- Achieved a 33% return on beginning shareholders' equity.
- Increased shareholders' equity 63%, from \$439 million to \$716 million.



Lennar grew by adhering to longstanding values that have enabled our company to enhance shareholder value while we have built the very best homebuilding company in the business. A balance of operational and financial strategies continued to guide Lennar as we grew our business.

Kept Our Operations Simple...

We believe that our strategy of keeping things simple will continue to enable us to grow quickly and efficiently. From where we build, to what we build, to how we build, *The Simpler The Better*. By keeping our business simple, we have maintained management focus on the core business and leveraged our overhead, while we have maintained gross margins that are among the highest in the industry.

Where we build - Coast to coast and focused. Our geographic strategy is to remain concentrated in the fastest-growing markets in the nation. This geographic strategy enables us to focus management on targeted markets and maximize our efficiency in those markets.

What we build - Everything's Included.™ Our product strategy is to offer a better value to our customers by including an expanded standard features package, limiting options, upgrades and changes, and simplifying production in the field. No off-site design centers and no extra overhead; we just pass the added value on to our customers.

How we build -  Zero Defects. The big red  for Zero Defects is so important to us that you'll see it on our name badges, in the hallways of all of our offices, and even on the cover of our annual report. It's at the heart of everything we do - it's just that simple. Our company is more and more focused on quality. We reduce the number of service calls and keep our customer base happier in the process.

Through our simple operating platform, we remain well positioned to sustain growth from our existing base of business and to integrate future acquisitions with ease and efficiency.

Grew Through Acquisitions...

We believe that industry consolidation continues to be a significant driver behind growth. We began 1998 having just completed the combination with Pacific Greystone and we grew from there. Throughout 1998 we continued to execute our growth model with strategic acquisitions which were immediately integrated and were accretive to earnings per share. These acquisitions have enabled us to grow our business, expand our management team, and further diversify our earnings stream.

In the past year we acquired Winncrest Homes, which positioned us as the largest homebuilder in Sacramento, California. We also purchased ColRich Communities and Polygon Communities, which provided us with well-positioned replacement communities and our entrance into the Inland Empire in Southern California. The purchase of North American Title Company helped us to quickly position our title operations in the west.

A distinct Lennar culture continues to drive the integration of a diverse group of management teams to grow as a consistent and efficient, unified company. From the way we talk to the way we account, from the way we build to the way we motivate, Lennar associates are part of a unique, coordinated program. We know who we are and what we stand for. We move in tandem and work together as a team.



Diversified Our Earnings...

We believe that a diverse business will provide the most consistent predictable and recurring earnings stream. Throughout 1998 we diversified our business in a variety of ways.

In 1998 we continued to diversify geographically as we expanded our positions in the five fastest-growing states in the country. We not only grew within our existing operating divisions, but we also added new divisions in Fort Worth, Texas and the Inland Empire in California. This strategy has enabled us to diversify coast to coast, and at the same time, leverage the strength of a compact, experienced and focused management team.

We continued to maintain a balanced product offering, covering first-time buyers through retirement buyers at prices ranging from under \$100,000 to over \$400,000.

We had our first full year of operations from Lennar Land Partners in 1998, which generated over \$30 million of pretax profits for us. Our diversification with joint venture partners will continue to be a significant source of bottom line profits for the company.

Lennar Financial Services grew over 186% in 1998 and contributed \$33 million to our pretax earnings. Our earnings are now more balanced between mortgage and title, and we're excited about the prospects for our Strategic Technologies division. Currently we are focused on adding ancillary service businesses to further diversify our earnings stream and generate high shareholder returns.

And Strengthened Our Balance Sheet...

We believe that managing a prudent, conservative balance sheet is both a strong foundation for future growth and our means of keeping the cycle as our ally, not our adversary. In 1998 we enhanced the capital structure of our company while we continued to maintain a current, conservatively-stated, asset base.

We balanced our financial performance this past year by lowering our debt to total capital ratio from 55% to 43%, while we achieved a 73% EPS growth rate. In 1998, Standard & Poor's upgraded the company's corporate credit and senior unsecured debt ratings to investment grade.

We also diversified our debt structure by issuing \$229 million of Zero Coupon Senior Convertible Debentures while maintaining the financial flexibility of over \$500 million available on our credit facility at year-end. As a result, Lennar has one of the strongest balance sheets in the homebuilding industry.

...Because It's A Sprint And A Marathon.

We believe that real success is defined in terms of both long-term as well as short-term achievements. Our strong financial results were achieved through a combination of good strategic positioning, focused execution of our operating plan, and a well-balanced program of integrating compatible companies under the Lennar umbrella. We grew earnings per share while at the same time we improved our balance sheet. We achieved short-term growth and earnings objectives while we improved long-term growth prospects.

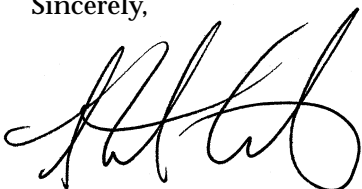
So, where does Lennar grow from here? Because of the way we have positioned our company, we have many options for continued growth. As we approach the new millennium, we believe that we are uniquely positioned to benefit from the opportunities that lie ahead. Over the span of our now 45-year history, we have positioned our company to produce industry-leading financial results and increased value for our shareholders. And we have never been better positioned than we are right now.

As we move into 1999, our management team will continue to seek new opportunities to grow our business by expanding market share within our markets. At the same time, we will continue to diversify our business by considering new growth markets for expansion and seeking new business lines to leverage our profit per customer. Additionally, we will continue to use our efficient operating model to maintain a lean overhead structure and to further strengthen our financial position. By balancing growth with conservative management, we believe that we will produce the strongest results for our shareholders.

In closing I'd like to say thank you to some very special people. Thank you to our shareholders for their continued support and investment in our company. Thank you to our customers for putting their trust in Lennar Corporation and allowing us to build and finance their dream. And thank you to all Lennar associates across the country for working so hard to produce outstanding results for both our customers and our shareholders.

I would also like to say a special thank you to Irving Bolotin who retired this year after 45 years of service to Lennar Corporation. Irving was with the company since inception and served as our Senior Vice President since Lennar went public in 1970. Irving's leadership, integrity and work ethic have been an inspiration to all of us. And we look forward to his continued guidance for many years to come as a valued member of our Board of Directors.

Sincerely,



Stuart A. Miller
President & Chief Executive Officer





The Valencia by Village Builders recently received a "Best In American Living" Award from the National Association Of Home Builders.

GROWING

Young families to active adults

A big part of growing our business is growing with our customers through their life cycle, starting with their first new home.

Lennar's home buyers are typically comprised of:

- **FIRST-TIME HOME BUYERS, who are seeking to get the greatest value and quality for their initial home.**
- **MOVE-UP HOME BUYERS, often with children at home, who are seeking more spacious plans, more features and more amenities, with the same great value and quality.**
- **ACTIVE ADULTS, also known as empty-nesters, who are seeking homes requiring less maintenance and providing more recreational opportunities.**

We are proud to say that our home buyers not only enjoy their own homes, but urge their friends and family to buy Lennar homes, too. In fact, a main source of new customers is word-of-mouth referrals. It is also common for a family to purchase a second or third Lennar home as their needs change, or for one family to include two or three generations of Lennar homeowners.





Kingwood, one of the largest master-planned communities in Houston, is being developed by Lennar Corporation.



Lennar builds homes for first-time home buyers ranging in price from under \$100,000 to over \$200,000.

Building homes for people starting out.

Far from being a homogeneous group with one set of needs, today's first-time home buyers are a highly diversified group comprised of singles, couples, young families, and single parents. Lennar has responded to the first-time home buyer with a variety of home styles.

Our "Everything's Included"™ program provides our homeowners with everything they need and want in a new home. For the first-time home buyer, "Everything's Included"™ translates into tremendous value. For Lennar, it's another way of keeping it simple. It's also another reason Lennar will be remembered when first-time home buyers are ready to become move-up home buyers.

Building homes for families moving up.

Brand loyalty is rare among home buyers, but Lennar takes pride in a large number of repeat customers. Rather than moving on, these customers move up with Lennar.

In 1998, Lennar enhanced its position with move-up home buyers by unveiling elegant new designs in all of our markets. Because families are spending more time at home, we introduced more spacious homes with innovative features like Lennar's Home Learning Center,™ a pre-wired, built-in computer workstation suitable for both young students and home-based business people.

While our designs may be cutting edge, Lennar's philosophy is "The Simpler The Better." For move-up buyers, "Everything's Included"™ means homes that are personalized, not customized. For Lennar, it means we're building customers for life.



Lennar builds homes for move-up home buyers ranging in price from under \$200,000 to over \$400,000.



Lennar builds homes for active adults ranging in price from under \$100,000 to over \$200,000.

Building relationships that last a lifetime.

Yesterday's baby boom is fast becoming tomorrow's active adult audience. The more than 76 million boomers, who constitute over 1/3 of the total U.S. population, are beginning to move into their 50s. It's estimated that by the year 2005, this health-conscious, fitness-focused group will represent the majority of all active adults in America, and Lennar is ready.

Lennar, a leading builder of active adult communities for over four decades, is expanding this aspect of our homebuilding business. Lennar is introducing more exclusive communities for active adults in Florida and Arizona, as well as in Houston's largest master-planned community, The Woodlands. Our home designs offer more room for hobbies and entertaining, and more convenience features to free up time to enjoy it all.



GROWING

Building coast to coast in America's fastest-growing markets

Growing The Lennar Way is about being a big fish in a big pond. Lennar has focused on success by concentrating our homebuilding operations in Florida, Texas, Nevada, Arizona, and California.

To achieve a strong position in America's top markets, Lennar operates under a well-established, simple program for concentrated growth:

- **DIVERSIFICATION - Establish a broad mix of product and services coast to coast that appeals to many segments of our growing markets.**
- **CONSOLIDATION - Acquire homebuilders and residential financial service companies that enhance our position in these fastest-growing markets.**
- **INTEGRATION - Introduce the Lennar culture to the management and staff of our newly acquired companies.**

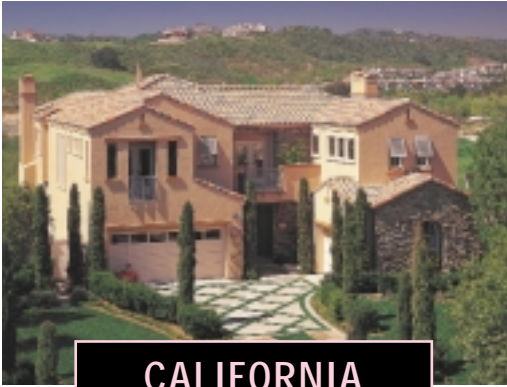
Simply stated, this program allows us to focus management attention on just the fastest-growing markets. This concentrated focus maximizes efficiencies in these markets, while enhancing company profitability.





Lennar is now one of the largest homebuilders in California.

Coast to coast



CALIFORNIA

- One of the largest homebuilders in California
- Established significant land position
- Population and employment growth outpacing the national averages
- Four of the ten fastest-growing counties in the nation are in California
- Housing affordability has improved since the late 1980s



NEVADA

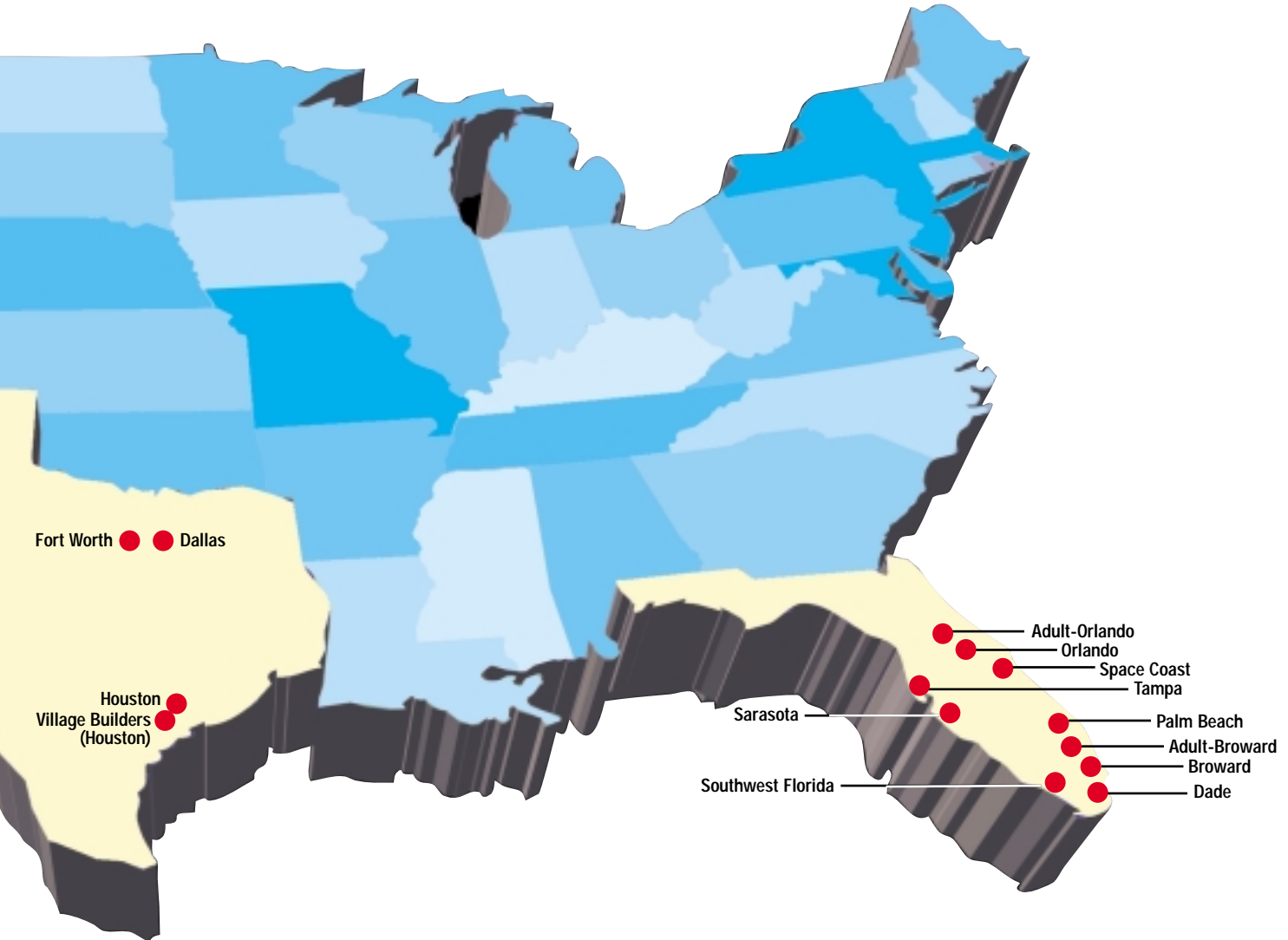
- Nevada is expected to lead the nation in employment growth over the next five years
- Clark (Las Vegas) is the third fastest-growing county in the nation
- Lennar's strategy in Nevada is to maintain modest investment levels
- Concentrating on first-time home buyers



ARIZONA

- Maricopa (Phoenix) is the fastest-growing county in the nation
- Lennar has over 25 years experience in the Phoenix market
- Strong employment growth continues to fuel the strong Phoenix market

and focused



TEXAS

- One of the largest homebuilders in Texas
- The #1 state in housing starts in 1998
- Largest in Houston market, expanding into the fast-growing Austin and Fort Worth markets
- Developing established master-planned communities



FLORIDA

- Largest homebuilder in Florida
- Significant market share in South Florida
- Florida is second in residential permits in the first 10 months of 1998
- Historically stable market with growth fueled by both domestic and foreign immigration

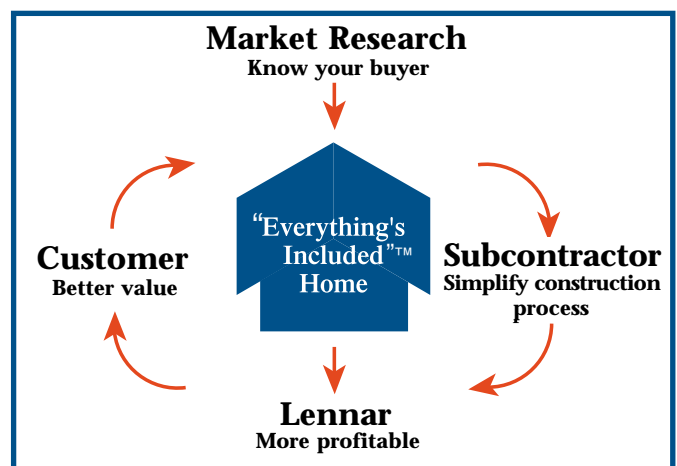
GROWING

***Building the best homes across the land.
Homes with “Everything’s Included.”™
Closings with  “Zero Defects.”***

Lennar’s Z Values is a statement of our core values that drives us toward the goal of achieving Zero Defects in everything we do. It’s just the beginning of our never-ending commitment to customer care. Through our TLC program (Total Lennar Care), we provide a support system our homeowners can rely on for years to come.

At Lennar, we’re not content with mere customer satisfaction. We want every Lennar homeowner to be Tickled, Delighted, and Happy. To achieve this goal, Lennar has made a pledge to strive to deliver each and every home with a commitment called “Zero Defects.”

Our “Everything’s Included”™ program benefits our customers by ensuring consistent quality, timely delivery and great value, while still allowing them to personalize, not customize, their home. “The Simpler The Better.”





Z
ZERO DEFECTS

TDH **Lennar**
ANTHONY

Anthony Smith of Lennar's Dallas division was the first recipient of Lennar's TDH pin, awarded for his outstanding "Z Values" pride and workmanship.

From to



Katherine Chang

Homeowner

"I noticed that it says zero defects and that really impressed me because construction is so complex. To say zero defects - that is pretty ambitious and everybody seems to feel that's what they can do."



**Roseanne
& Renny Freet**

Homeowners

"It's nice to know that the home you are living in is secure and safe, and built and constructed in a manner that is built to our best interest."



Randy Mulpas

Director of Construction,
Orange County, California

"I love bringing homeowners out here and showing them this is what I'm doing for them, this is what you've saved for your whole life, and I get the opportunity to build it for you."



shining

LENNAR

VALUES

OUR ZERO DEFECT COMMITMENT
TO STRIVE TO:

- 1.** OFFER OUR CUSTOMERS THE VERY BEST VALUE IN THE MARKETPLACE WITH OUR EVERYTHING'S INCLUDED™ FEATURES.
- 2.** MAKE THE LENNAR HOME BUYING EXPERIENCE ONE THAT IS UNPARALLELED IN OUR INDUSTRY BY PROVIDING OUR CUSTOMERS WITH THE HIGHEST LEVEL OF PRIDE, PROFESSIONALISM AND INTEGRITY.
- 3.** DELIVER EACH AND EVERY HOME TO OUR CUSTOMERS WITH ZERO DEFECTS PRIOR TO CLOSING.
- 4.** PROMPTLY RESPOND TO ALL SERVICE REQUESTS ON THE NEXT BUSINESS DAY, OR ON THE SAME DAY WHENEVER POSSIBLE.
- 5.** COMPLETE ALL WARRANTY REPAIRS IN A TIMELY, COURTEOUS AND PROFESSIONAL MANNER.



GROWING

Sharing a masterplan with partners who can build it

Nothing exemplifies Lennar's team approach better than what happens when we acquire another company. We strive to keep it simple. We recognize the talents of those people already in place; they know the geographic and demographic markets better than anyone. We simply introduce them to The Lennar Way of building business, and provide them with the support they need to explore new opportunities for growth.

New associates from acquisitions complement a well established and tenured Lennar management team. At Lennar, it's important to us that our associates are Tickled, Delighted and Happy, and that they are inspired by Lennar's long history of success. That's why we have created a unique culture which emphasizes such values as integrity, responsibility, trust, and commitment to quality. Many of our top executives have risen through our ranks, motivated by the entrepreneurial Lennar spirit that encourages, nurtures and challenges them.

How well does it work? Just ask the associates of our recently acquired companies. They'll tell you: Sales are up, profits are up, morale is up. The sky's the limit, and they're proud to wear their new name badge.



Jonathan M. Jaffe
Vice President and
Regional President,
Lennar Corporation



Allan J. Pekor
Vice President,
Lennar Corporation;
President, Lennar
Financial Services, Inc.



Jay Wissink
Regional President,
Lennar Corporation



The name badge proudly worn by every associate in every company of the Lennar family is a symbol of Lennar's strong spirit of tradition and culture.

GROWING THE

VILLAGE BUILDERS
KAY

“The acquisition was the best thing that could have happened to Village Builders. We are part of a parent company that has the knowledge and support to help us grow and become a full-service, quality builder. We have experienced record sales since 1996, with greatly enhanced profitability.”



KAY HOWARD
President, Village Builders; Former Marketing Director, Village Builders, acquired in 1996

GREYSTONE HOMES
BRUCE

“Woven through the fibers of Lennar is a common goal of working together to be the best we can be and having fun along the way. The strong Lennar culture will be often misunderstood by outsiders. However, it really makes for a unique company with which I’m proud to be associated.”



BRUCE GROSS
Chief Financial Officer, Lennar Corporation; Former Senior Vice President, Pacific Greystone, acquired in 1997

GREYSTONE HOMES
PETER

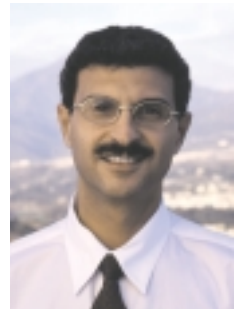
“One plus one equals three. We’ve taken the best of both organizations and created a wonderful team atmosphere. With Lennar’s financial support and solid land holdings, we have been able to achieve record sales and profits in the past year.”



PETER KIESECKER
Regional President, Lennar Homes California Region; Former President, Greystone Homes, acquired in 1997

BRAMALEA
EMILE

“Sometimes you get lucky, in spite of your efforts. As a result of the acquisition, our dreams for the Bramalea team have come true. We are doing a lot of things and having a lot of fun.”



EMILE HADDAD
Regional President, Lennar Homes Western Land Region; Former Senior Vice President, Bramalea Homes, acquired in 1995

BRAMALEA
JEFF

“The acquisition of Bramalea California went extremely well, with a smooth transition for everyone involved. Lennar’s involvement has opened up tremendous opportunities for our company, and we are very optimistic about our future.”



JEFF ROOS
President, Lennar Homes Orange County Division; Former Senior Vice President, Bramalea Homes, acquired in 1995

NORTH AMERICAN TITLE COMPANY
DAN

“North American’s new affiliation with Lennar Corporation brings many additional assets to our customers: recognized financial strength, national support, and an unrelenting commitment to the real estate and home-building industries. As we’re developing new relationships within Lennar and capturing new revenues, we’re excited about our future as a Lennar company.”



DAN WENTZEL
Chairman & CEO, North American Title Company, acquired in 1998

LENNAR WAY



JEFF SPITZER
President,
Lennar Homes
Sacramento Division;
Former Owner,
Renaissance Homes,
acquired in 1996

“When you sell your own company, you sell a part of yourself. With Lennar’s management style and support, the transition has been smooth and allowed for tremendous growth. Our company has become the largest builder in our market, with a growth of over 900%. We have gone from 100 closings a year to nearly 1,000.”



JOHN TAMBURELLO
President,
Regency Title
Company,
acquired in 1996

“It’s been a win-win situation. With Lennar’s significant presence in the home buying marketplace, Regency Title has been able to capitalize on opportunities for increased volume and sales. We believe the acquisition has been beneficial to Lennar, too, enabling them to be a significant player in the local market.”

Growing: The Lennar Way means building careers for our associates.



JOE STUNJA
President, Friendswood
Development Co.;
Former Vice President,
Friendswood Development
Co., acquired in 1996

“As a result of the tremendous latitude Lennar has given us in taking advantage of community development opportunities in Houston, we have made more land acquisitions in the last two years than we had in the previous ten. One good indicator of the success of Lennar’s purchase of Friendswood Development Company is the satisfaction of our associates; the only changes that have been made since we started under Lennar’s ownership have been in the addition of people to assist with our growth.”



TOM WINN
President, Lennar
Homes Sacramento
Land; Former
President & Owner,
Winncrest Homes, Inc.,
acquired in 1998

“An acquisition can be traumatic for people who have been doing business the same way for 15 or 20 years. But Lennar’s purchase of Winncrest went about as smoothly as one can hope. Lennar was very thoughtful and responsive throughout the process, and our associates have blended in and embraced the Lennar culture. We’re happy to be part of the Lennar family.”



LARRY OLIN
President, Lennar
Homes Inland
Empire Division;
Former President,
Polygon Homes,
acquired in 1998

“The Inland Empire of Southern California is in a rapidly expanding housing marketplace. With the Lennar team behind us, we will be able to become an impact player in this arena. We are more than impressed with the ease of transition from a small, privately held builder to joining a national homebuilding firm, especially with their treatment of people and ongoing commitments.”

GROWING

Building our business by building our services

By growing our own companies to service our customers, Lennar is enhancing the ownership experience for Lennar homeowners while increasing the value for Lennar shareholders.

Lennar Financial Services (LFS) offers mortgage, title and technology services for Lennar homeowners and others.

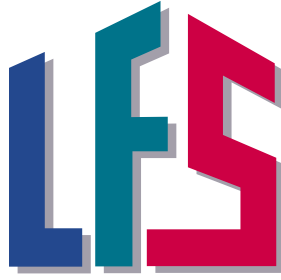
LFS shares the same culture and value system with the homebuilding division of Lennar. LFS offers its own brand of Zero Defects service, with a focus on customer satisfaction.

With these diverse services provided by LFS, Lennar has the unique ability to grow its business during homebuilding market cycles. LFS and Lennar Homes have a strong foundation to build on.





The UAMC card, shown at left, is the credit card of the mortgage business. It gives qualified cardholders the convenience of a pre-approved mortgage amount.



Lennar Financial Services, Inc.

MORTGAGE SERVICES

Since its inception in 1981, Universal American Mortgage Company (UAMC) has emerged as one of the nation's strongest mortgage providers.

UAMC sells the loans it originates into the secondary market and either retains or sells the rights to service those loans.

UAMC continues to service mortgage loans in nearly every state. And 1998 was another banner year for UAMC:

- *UAMC achieved record earnings in every division.*
- *UAMC originated over \$1 billion in loans.*
- *UAMC's servicing portfolio grew to over \$3.2 billion and provides substantial income and cash flow in the form of servicing fees received from investors.*

UAMC

UNIVERSAL AMERICAN MORTGAGE COMPANY

TITLE SERVICES

The Lennar family of title companies has grown to include three major companies in the title agency business: Universal Title Insurors in Florida, Regency Title in Houston, Texas, and North American Title headquartered in Northern California. Title insurance underwriting is also provided by North American Title and TitleAmerica Insurance Corporation.

- *North American Title, acquired in 1998, was one of the nation's largest privately-owned title agencies, operating through more than 80 branches in California, Arizona and Colorado.*
- *All LFS title companies had record profits in fiscal 1998.*
- *LFS title companies participated in over 120,000 transactions in 1998.*



TECHNOLOGY SERVICES

Strategic Technologies, Inc. (STI) is a new and rapidly growing sector of the LFS family.

STI provides cable TV and home security services to homeowners in Lennar communities and others in both California and Florida.

In 1998, its second year in business, Strategic Technologies increased its customer base by 40%.

Our strategy for this emerging segment of our company is to further benefit from the growing Lennar base of customers coast to coast.

- *Strategic Technologies provided cable TV to over 5,000 customers in 1998.*
- *Strategic Technologies provided alarm service to over 5,000 customers in 1998.*

STRATEGIC TECHNOLOGIES



GROWING

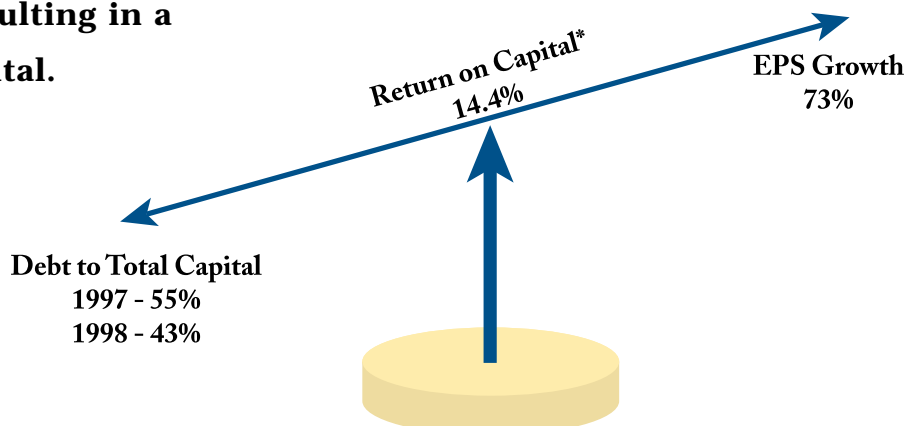
Building one of the best balance sheets in the business

Lennar has developed the ability to generate strong earnings growth while improving financial strength by operating under a *low/high* strategy.

Our thorough due diligence and conservative accounting leads to Lennar's *low* land basis and *high* gross margins.

Our diversification into ancillary business lines, including title, mortgage and Strategic Technologies, allows a *low* incremental investment to create *high* return on assets.

Our prudent, conservative balance sheet management, coupled with our aggressive growth through diversification, consolidation and integration, yields a program with *low* leverage and *high* earnings growth, resulting in a *high* return on capital.



*Net income plus after tax interest / average debt plus average equity



700 NW 107th Ave.
Miami, FL 33172