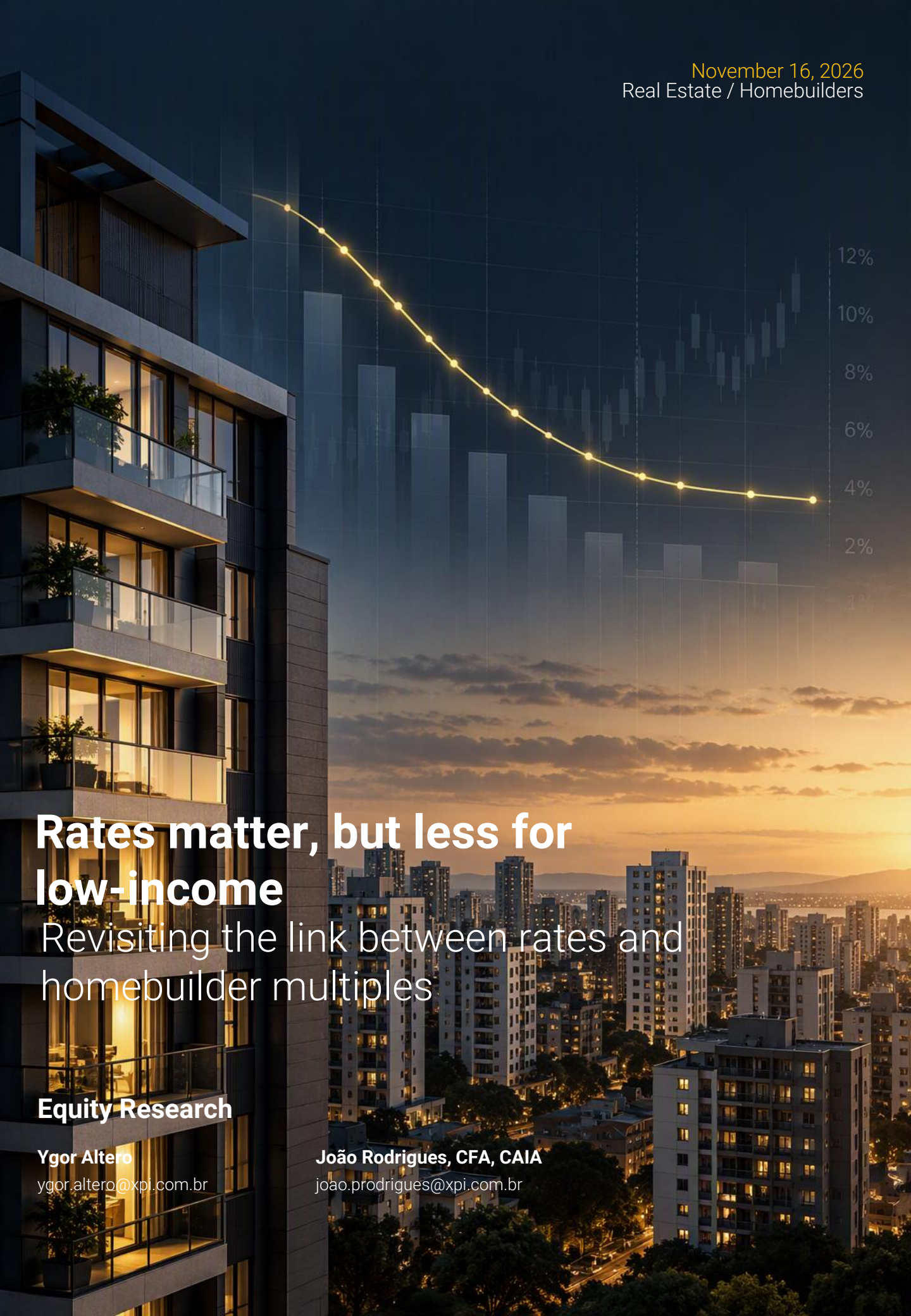
November 16, 2026
Real Estate / Homebuilders



Rates matter, but less for low-income

Revisiting the link between rates and homebuilder multiples

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Real Estate

Rates matter, but less for low-income

Revisiting the correlation between interest rates and homebuilder multiples

We revisit the link between interest rates and homebuilders' P/BV multiples across our coverage. We correlate P/BV with the inverse of the long-term yield, so a positive correlation means multiples rise as rates fall, while a negative one means they moved in the same direction as rates. Low-income has been structurally less sensitive to rates, with correlations of -74% over five years, -54% over three years and 20% over the past year, versus -27%, -24% and 74% for mid/high-income. FGTS-funded MCMV financing also limits the impact of market rates on demand and valuations, making low-income the most protected segment in a persistently high-rate scenario. **We reiterate CURY3 as our Top Pick, followed by DIRR3 and TEND3. The three names trade at 6.1x, 4.1x and 2.5x 2027E P/E, respectively, with dividend yields of 14.8%, 12.1% and 7.9%.**

Why read this report? We revisit our correlation study between interest rates and homebuilder P/BV multiples, for both segments and for each company in our coverage, to identify which stocks are most dependent on long-term rates.

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Low-income is structurally less tied to rates. Low-Income P/BV shows correlations of -74% over five years, -54% over three years and 20% over the past year with the inverse of the NTN-B 10Y, versus -27%, -24% and 74% for mid/high-income.

Subsidized funding shields the segment. Low-Income demand relies on FGTS-funded MCMV financing, with rates set by the program rather than the market, limiting the direct impact of long-term rates. MCMV updates and lower competition may help explain the negative correlations over five and three years.

Mid/High-Income remains highly sensitive to rates. The segment has tracked long-term rates closely over the past 10 and 15 years (70-71%), and the relationship has resurfaced over the past year (74%), following two periods of negative correlation (-27% in the 5Y window and -24% in the 3Y window). We continue to view the segment as highly exposed to the direction of long-term rates.

Break in pattern from 2021-today. After the pandemic we observed a break from what we consider normal behavior (when multiples rise following a decline in interest rates). We believe some of the companies' fundamentals, combined with: (i) significant drop in INCC (after peaking during the pandemic); (ii) low unemployment rates in Brazil; (iii) more benign competitive landscape, help explain why most of the names outperformed and re-rated, despite increases in interest rates

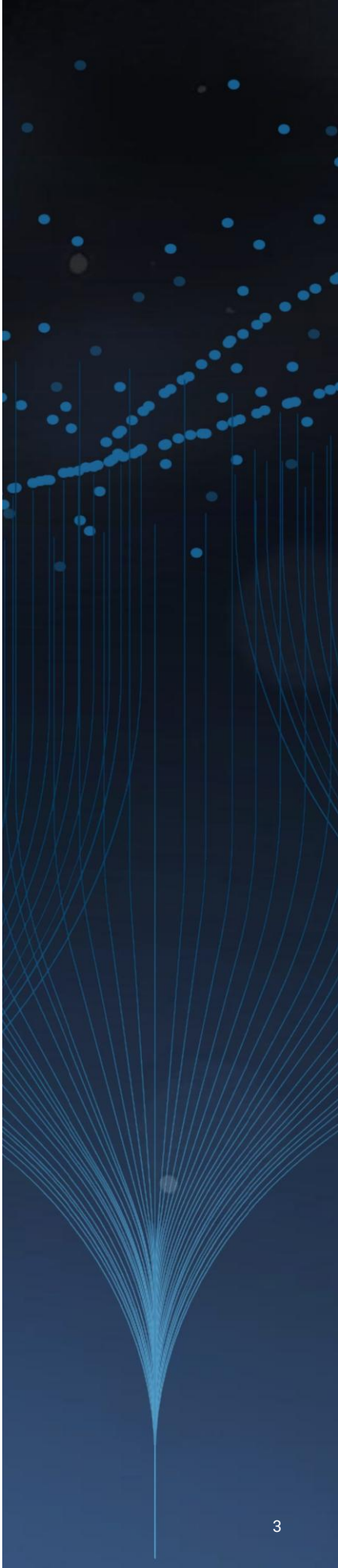
Our preference: We remain constructive on low-income homebuilders, recommending CURY3, DIRR3 and TEND3. Cury remains our Top Pick, supported by its net cash position and solid execution, while trading at 6.1x 2027E P/E. Direcional and Tenda complements our preference, trading at attractive 2027E P/E multiples of 4.1x and 2.5x, respectively, while offering dividend yields of 12.1% and 7.9%.

Summary

04. Introduction: rates and homebuilder multiples

07. Low-Income

11. Mid/High-Income



Introduction: rates and homebuilder multiples

The link broke, but is coming back

Different rate sensitivities across segments and timeframes

Why rates matter. Long-term rates affect homebuilders through two channels: the cost of capital, as higher yields increase investors' required returns, and housing demand, as mortgage rates affect affordability. However, the impact differs by segment. Low-Income demand relies on FGTS-funded MCMV financing, with rates set by the FGTS Council, limiting its exposure to market rates. By contrast, mid/high-income buyers rely mostly on SBPE mortgages, whose rates follow market conditions more closely.

Our study. We correlated daily P/BV with the inverse of the long-term yield, so a positive figure means multiples rise as rates fall. We use the NTN-B 10Y (real) and the Fixed 10Y, over windows of 15, 10, 5, 3 and 1 year ending Oct 22, 2026, for each company and for market-cap-weighted segment averages.

What we found out. Low-Income has been structurally less tied to rates, with negative correlations over five and three years and only a limited relationship over the past year. By contrast, mid/high-income multiples tracked rates over the past 15 and 10 years, lost this relationship over five and three years, and regained it over the past year.

Figure 01: Correlation of P/BV with the NTN-B 10Y Yield by Window

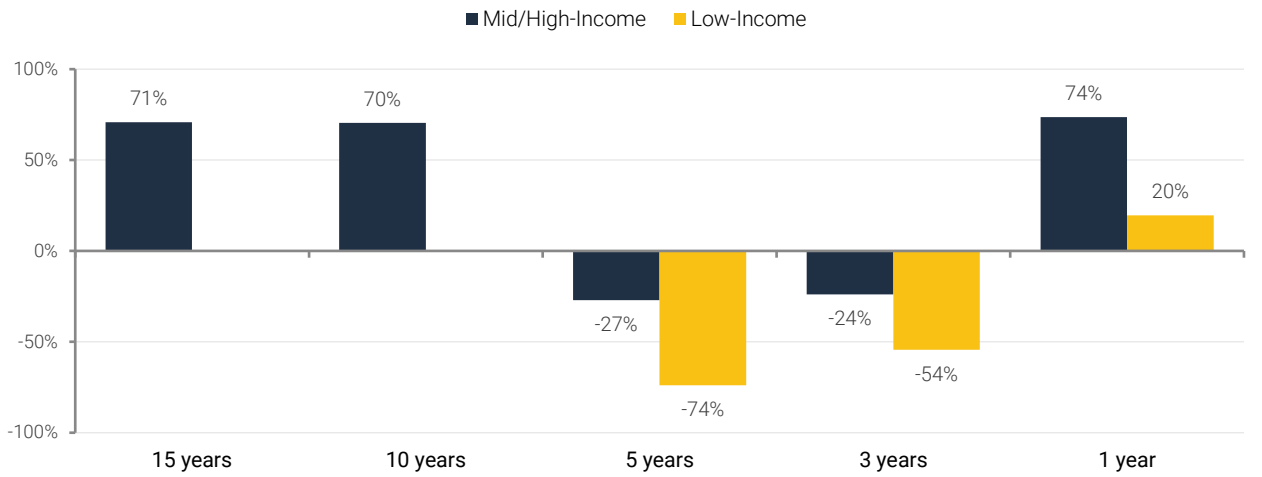


Figure 02: Correlation of P/BV with Rates by Window

	15 years	10 years	5 years	3 years	1 year
Mid/High-Income vs. NTN-B 10Y	71%	70%	-27%	-24%	74%
Mid/High-Income vs. Fixed 10Y	70%	71%	-11%	-23%	84%
Low-Income vs. NTN-B 10Y	-17%	-38%	-74%	-54%	20%
Low-Income vs. Fixed 10Y	-13%	-34%	-48%	-53%	31%

Note: Daily data, windows ending Oct 22, 2026; positive correlation = P/BV rises as the yield falls. The low-income average covers fewer companies in the 15- and 10-year windows (MRVE3 and DIRR3; TEND3 from May-17; CURY3 and PLPL3 from Sep-20).

Reading the Charts. Over five years, both segments saw multiples rise even as yields moved higher, contrary to the traditional relationship between rates and valuations. Over the past year, low-Income remained largely detached from rates, while mid/high-Income moved back in line with falling yields, leaving the segment more exposed to any renewed increase in long-term rates.

Conclusion

A clear preference for low-income in a higher-for-longer scenario

Low-Income is the least rate-dependent segment. Low-income multiples have been structurally less tied to long-term rates: correlations are negative over five and three years (-74% and -54%) and only 20% over the past year, versus 74% for mid/high-Income. Subsidized funding, recurrent readjustments to MCMV program, gross margins recovery and a healthy competition scenario help to explain the better performance of low-income homebuilders recently, despite the increase in interest rates in Brazil. MRVE3 is the exception, behaving as a rate-dependent play (92% over 10 years).

Mid/High-Income remains exposed to rates. Over the past 10 and 15 years, mid/high-income multiples have closely tracked long-term rates, and the link has resurfaced over the past year (74%), after negative correlations in the 5-Y and 3-Y analysis (which are probably explained by better competitive scenario and low unemployment rates in Brazil than in other high-rates cycles). EZTC3, CYRE3 and EVEN3 are the names most tied to rates, leaving them the most exposed to higher long-term yields.

Our preference. Considering the possibility of higher long-term rates, we favor low-income and reiterate CURY3 as our Top Pick, followed by DIRR3 and TEND3. Cury combines solid execution, cash generation and a net cash position, supporting its 6.1x 2027E P/E. Direcional trades at 4.1x P/E with a 12.1% dividend yield, while Tenda's turnaround supports its appeal at 2.5x P/E and a 7.9% yield.

Figure 03: Correlation of P/BV with the NTN-B 10Y Yield, by company and window

	Segment	15 years	10 years	5 years	3 years	1 year
Mid/High-Income avg.	Mid/High	71%	70%	-27%	-24%	74%
CYRE3	Mid/High	80%	81%	-15%	-1%	78%
EZTC3	Mid/High	81%	94%	65%	26%	84%
EVEN3	Mid/High	82%	84%	15%	34%	44%
TRIS3	Mid/High	n.a.	n.a.	-19%	-33%	64%
LAVV3	Mid/High	n.a.	n.a.	-61%	-42%	60%
MDNE3	Mid/High	n.a.	n.a.	-69%	-54%	32%
MELK3	Mid/High	n.a.	n.a.	39%	47%	48%
Low-Income avg.	Low-Income	n.a.	n.a.	-74%	-54%	20%
CURY3	Low-Income	n.a.	n.a.	-65%	-26%	28%
DIRR3	Low-Income	-15%	-38%	-74%	-68%	22%
MRVE3	Low-Income	84%	92%	47%	7%	72%
TEND3	Low-Income	n.a.	n.a.	-65%	-63%	-21%
PLPL3	Low-Income	n.a.	n.a.	16%	65%	39%

Correlation with the inverse of the NTN-B 10Y yield: positive = P/BV rises as the yield falls. Shading: blue >= 60%; light blue 30% to 60%; grey -30% to 30%; light yellow -60% to -30%; yellow <= -60%. n.a.: window not available or not comparable (listing after the start of the window, change in the low-income composition in Sep-20, or TRIS3 long-term windows excluded).

Rates matter, but less for low-income

Low-Income

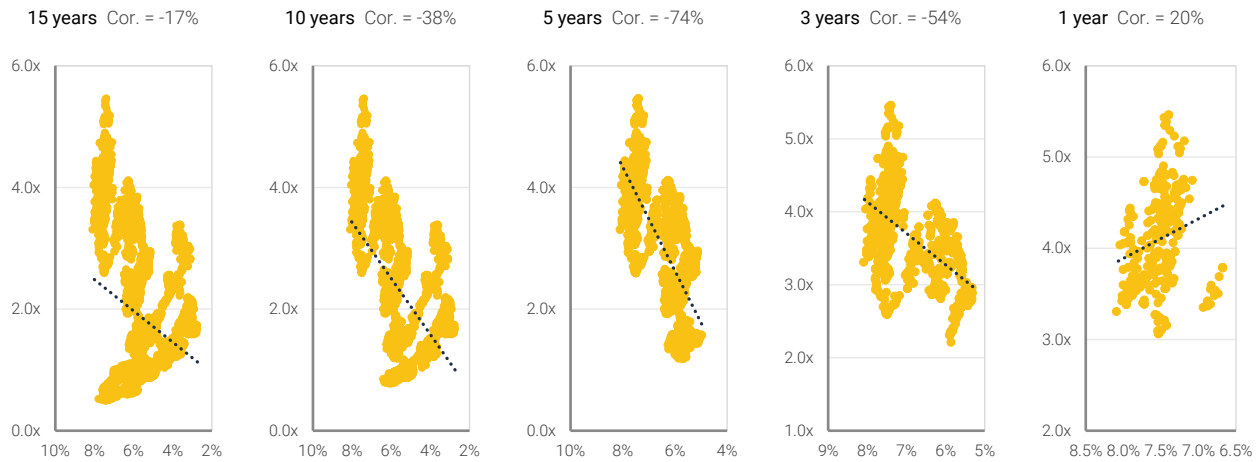
Low-Income: less tied to rates

Subsidized funding limiting the impact of market rates

Low-income has been structurally less rate-dependent. Low-Income correlations with the inverse of the NTN-B 10Y are negative in all windows of three years or more (-17% over 15 years, -38% over 10 years, -74% over five years and -54% over three years), reflecting the segment's reliance on subsidized funding and the strong company-specific rerating of its main names. Over five years, low-income P/BV rose 142% while the NTN-B 10Y went from 5.3% to 6.8%.

A segment that grew over time. Fewer companies make up the longer windows: MRVE3 and DIRR3 cover the full period, TEND3 joins in May-17, and PLPL3 and CURY3 in Sep-20, after their listings. Their entry lifted the average P/BV from 1.7x to 3.3x within three days, a change in composition rather than a rerating, so the 15- and 10-year figures should be read with this in mind.

Figure 04: Low-income P/BV vs. NTN-B 10Y Yield (reversed scale)



Detached over the past year. Over the past year, the NTN-B 10Y fell from 7.6% to 6.8%, but low-income P/BV contracted by 15%, keeping the one-year correlation at 20% (31% with the Fixed 10Y). With the Fixed 10Y, correlations are also negative from 15 to three years (-13% to -53%).

Figure 05: Low-income P/BV vs. Fixed 10Y Yield (reversed scale)

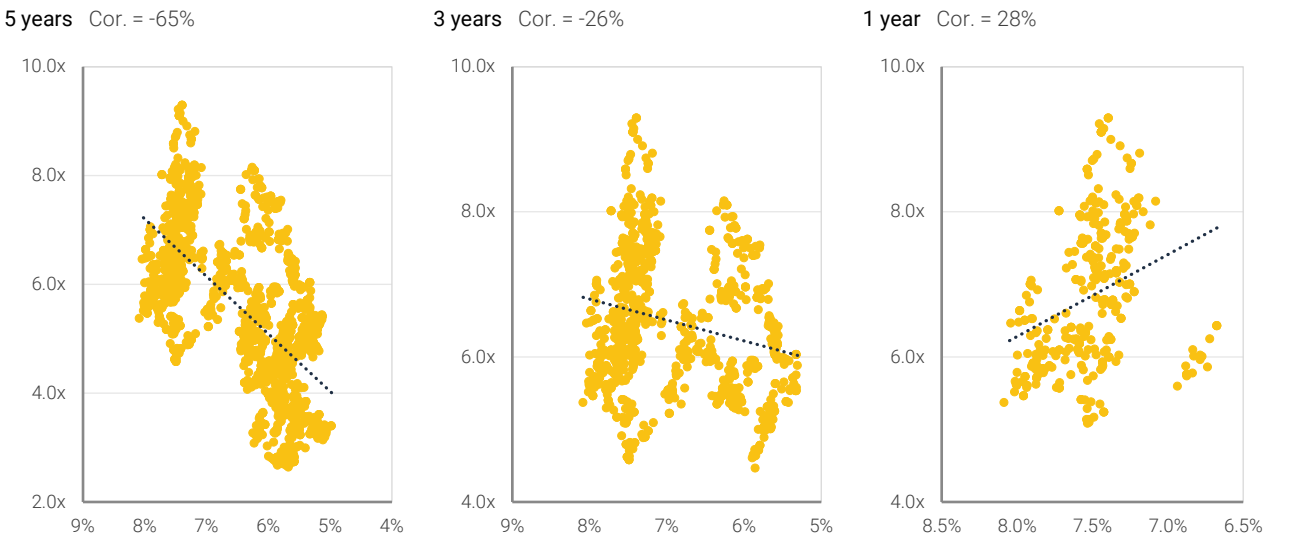


Low-Income: Cury and Direcional

Different stories, similar rate sensitivities

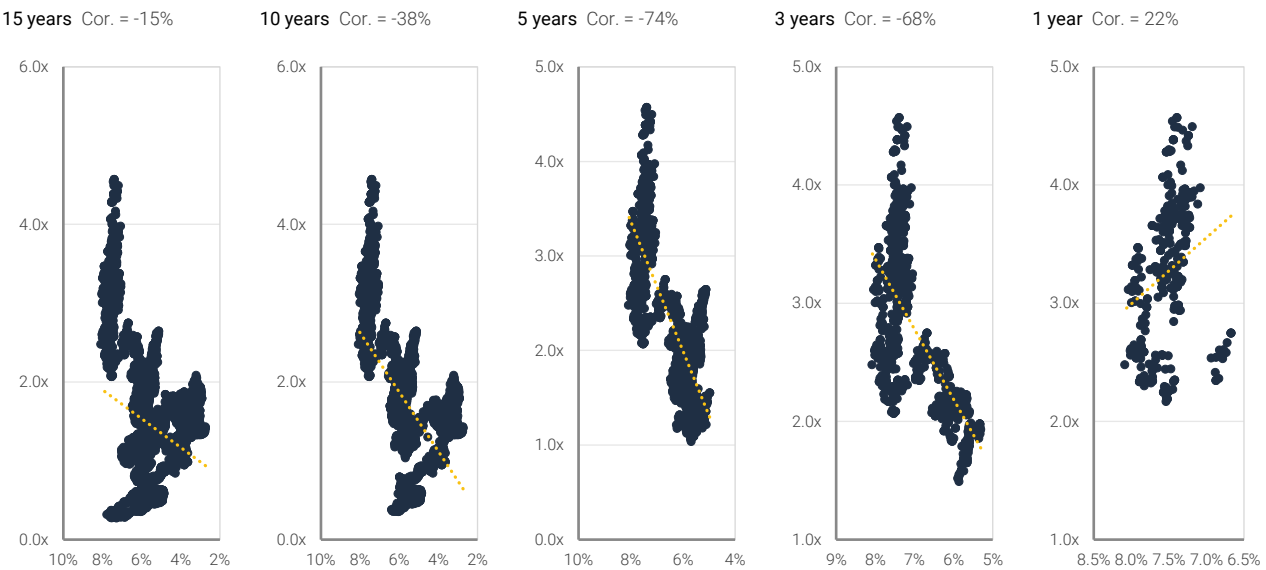
CURY3: driven by its own fundamentals. CURY3's valuation has been largely decoupled from rates: -65% over five years, -26% over three years and 28% over the past year. Its P/BV rose from 3.26x to 5.96x over five years despite higher rates and contracted over the past year even as rates fell, reflecting strong fundamentals rather than the macro scenario. This independence supports CURY3 as our preference in low-income.

Figure 06: CURY3 P/BV vs. NTN-B 10Y Yield (reversed scale)



DIRR3: A similar path. DIRR3 shows negative correlations in all windows of three years or more (-15% over 15 years and -74% over five years), as its P/BV more than doubled from 1.22x to 2.53x over five years, with only a weak link over the past year (22%), explained by the company's strong operational performance and ROE expansion over the recent past.

Figure 07: DIRR3 P/BV vs. NTN-B 10Y Yield (reversed scale)

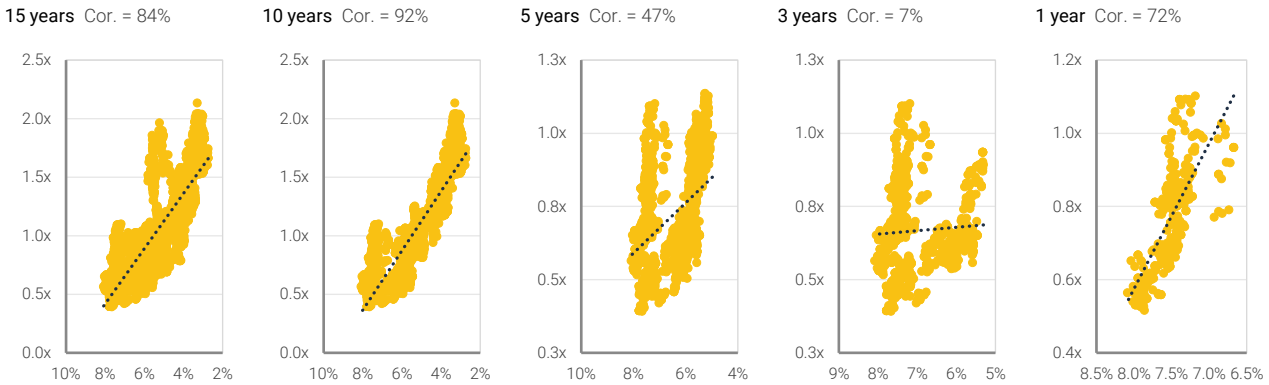


Low-Income: MRV, Tenda and Plano&Plano

Mixed behaviors between MRVE3, PLPL3 and TEND3

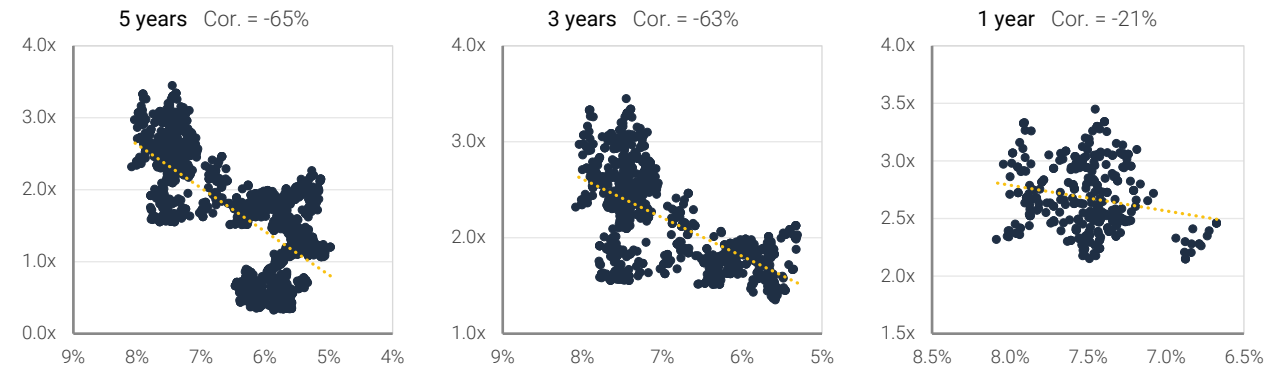
MRVE3: The most rate-dependent low-income stock. MRVE3 is the most rate-sensitive low-income name, with correlations of 84% over 15 years, 92% over 10 years and 72% over the past year. Unlike its peers, the stock behaves more like a mid/high-Income name, reflecting its greater exposure to leverage, US operations and macro conditions.

Figure 08: MRVE3 P/BV vs. NTN-B 10Y Yield (reversed scale)



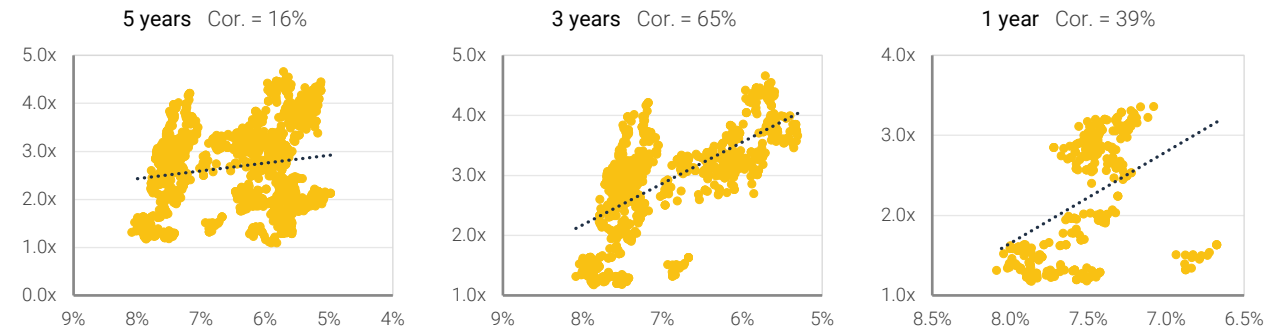
TEND3: The turnaround is completed. TEND3 shows negative correlations across every window, including -65% over five years and -21% over the past year. Its P/BV more than doubled from 1.08x to 2.28x over five years despite higher rates, as its successful turnaround and recovering profitability outweighed the macro scenario.

Figure 09: TEND3 P/BV vs. NTN-B 10Y Yield (reversed scale)



PLPL3: A positive but unstable correlation. PLPL3 shows a positive but inconsistent relationship with rates, ranging from 16% over five years to 65% over three years. Its P/BV declined from 1.99x to 1.45x over five years, suggesting that company-specific factors have played a greater role than rates in determining its valuation.

Figure 10: PLPL3 P/BV vs. NTN-B 10Y Yield (reversed scale)



Rates matter, but less for low-income

Mid/High-Income

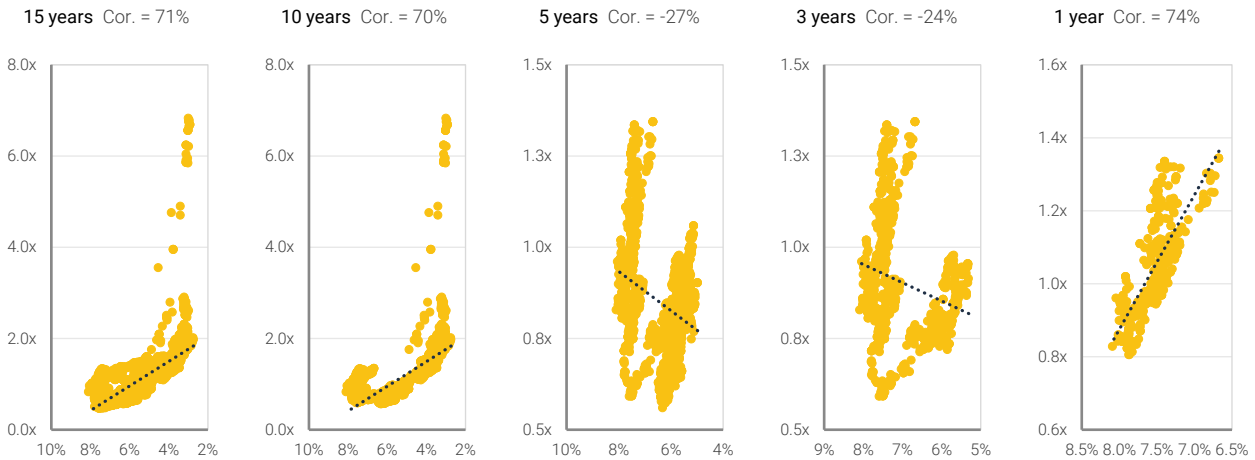
Mid/High-Income: sensitive to rates

Long-term rate sensitivity is becoming visible again

Mid/High-Income valuations follow rates over the long run. Using 15 years of daily data, mid/high-income P/BV shows correlations of 71% over 15 years and 70% over 10 years with the inverse of the NTN-B 10Y yield. Results are similar when using fixed rates (70% and 71% with the Fixed 10Y), indicating that the relationship holds regardless of the rate measure.

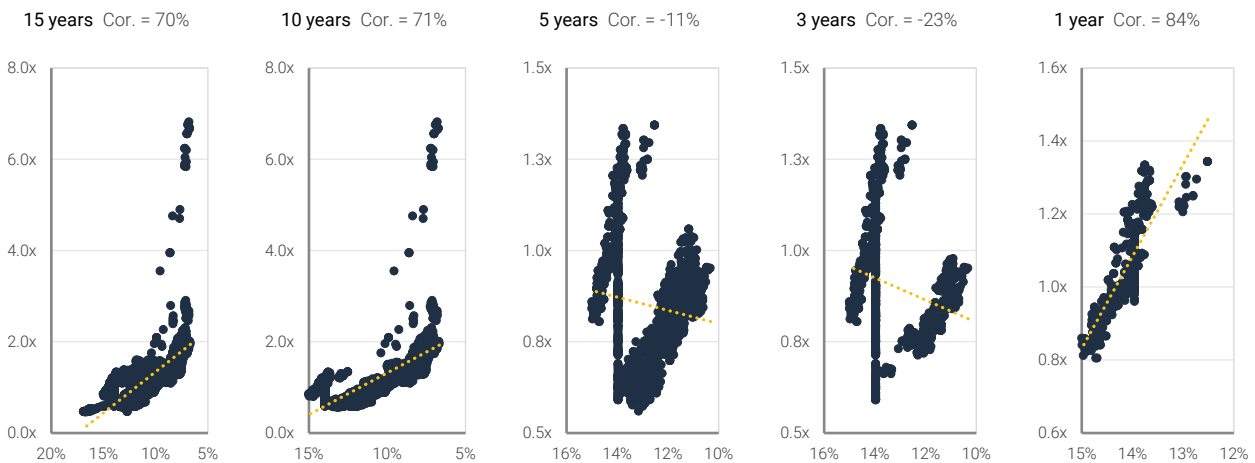
Higher rates, higher multiples. Five years ago, the NTN-B 10Y yielded 5.3%; today it yields 6.8%. Over the same period, mid/high-income P/BV rose 50%, as ROE recovered and several companies rerated on their own delivery, which helped drive the five- and three-year correlations into negative territory (-27% and -24%).

Figure 11: Mid/High-Income P/BV vs. NTN-B 10Y Yield (reversed scale)



The link is resurfacing. Over the past year, the NTN-B 10Y fell from 7.6% to 6.8% and mid/high-income P/BV rose 33%, taking the one-year correlation back to 74% (84% with the Fixed 10Y). With multiples moving back in line with rates, the segment is exposed to any renewed increase in long-term yields.

Figure 12: Mid/High-Income P/BV vs. Fixed 10Y Yield (reversed scale)

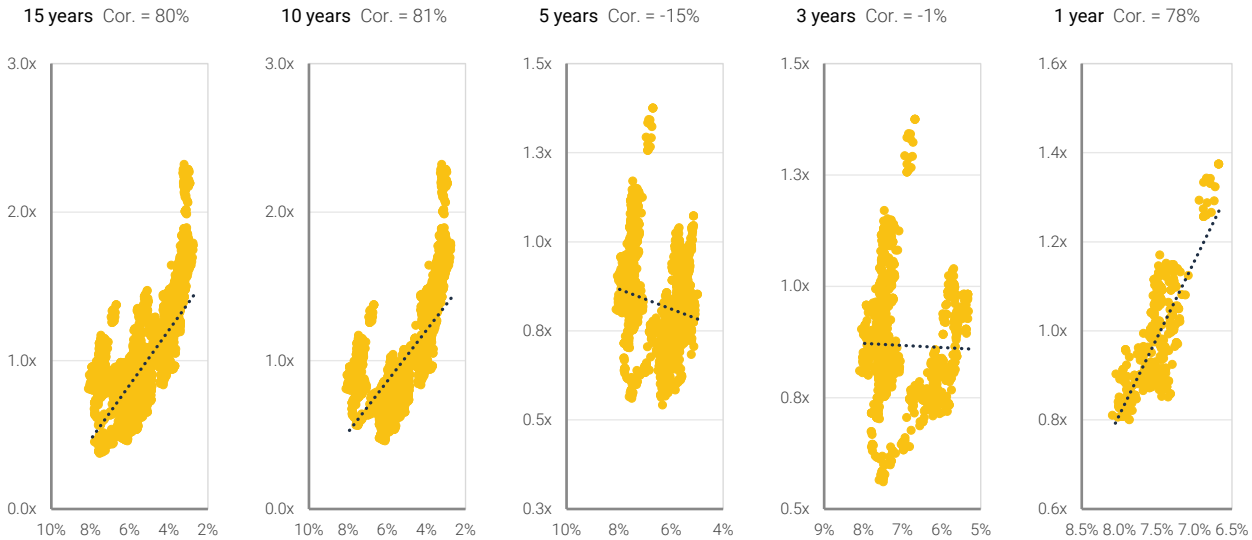


Mid/High-Income: Cyrela and EZtec

EZTEC as the purest rate play; Cyrela supported by execution

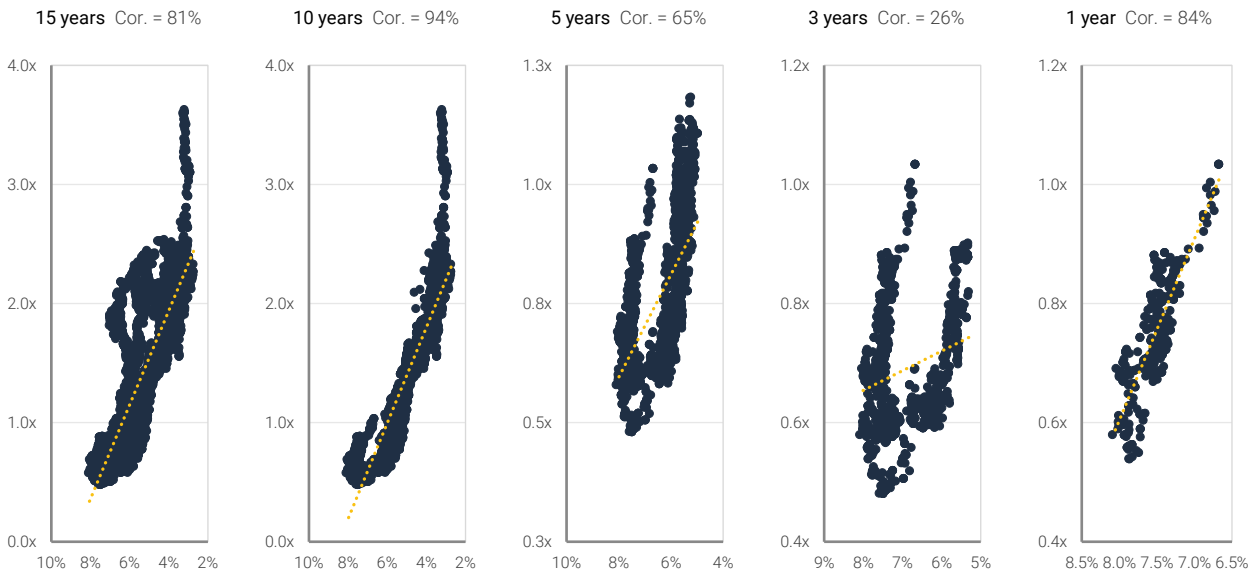
CYRE3: A rate linked stock. CYRE3 tracks rates closely over our analysis windows (80% over 15 years and 81% over 10 years) and again over the past year (78%). Over five years, the correlation fell to -15% as its P/BV rose from 0.79x to 1.33x despite higher rates, in a period when company specific micro conditions (significant operational outperformance vs peers) mattered more than macro conditions. Even so, its long-run link keeps it among the most rate-exposed names.

Figure 13: CYRE3 P/BV vs. NTN-B 10Y Yield (reversed scale)



EZTC3: the purest rate play. EZTC3 shows the strongest and most consistent link to rates in our coverage: 81% over 15 years, 94% over 10 years and still 65% over five years. With its P/BV broadly flat over five years (1.02x to 0.98x), its valuation remains essentially a function of rates, specially considering that micro conditions have been below market expectations.

Figure 14: EZTC3 P/BV vs. NTN-B 10Y Yield (reversed scale)

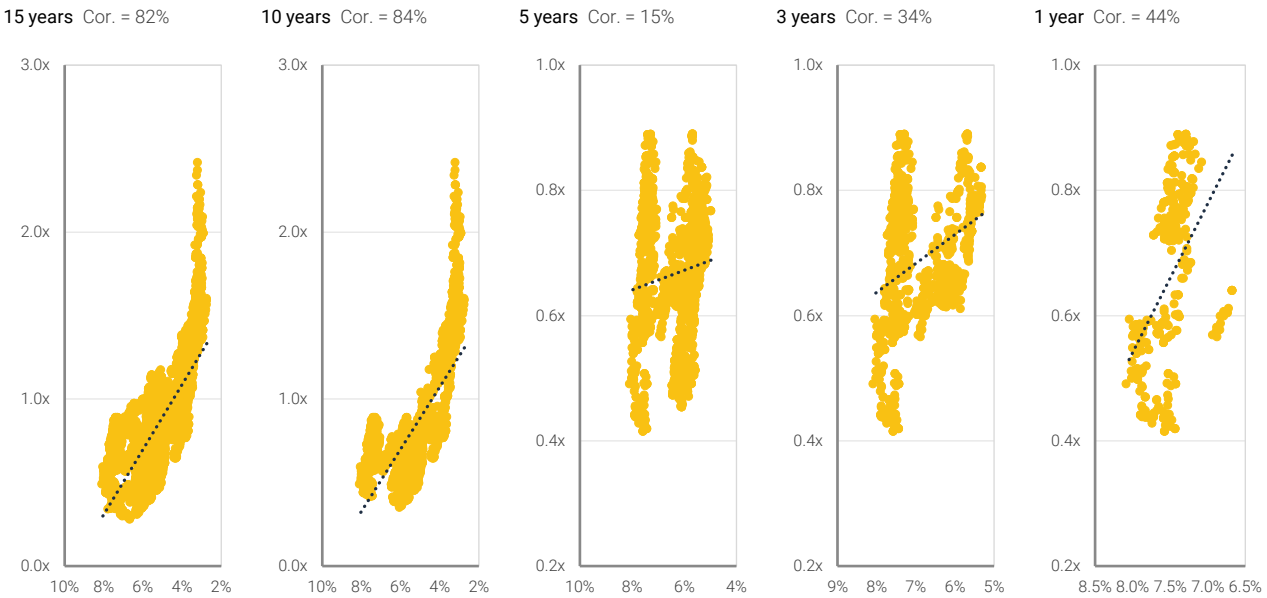


Mid/High-Income: Even and Trisul

Long-term rate exposure, with a recent shift in Trisul

EVEN3: rate-driven, without rerating. EVEN3 followed rates closely over the long run (82% over 15 years and 84% over 10 years), but the link has weakened (15% over five years and 44% over the past year) in our most recent windows of our analysis.

Figure 15: EVEN3 P/BV vs. NTN-B 10Y Yield (reversed scale)



TRIS3: mixed signals. TRIS3's correlation with rates turned negative over five and three years (-19% and -33%), with its P/BV broadly stable around 1.0x, but the link has resurfaced over the past year (64%). The company could be one with divergent behavior, especially due to its increased position in the low-income segment.

Figure 16: TRIS3 P/BV vs. NTN-B 10Y Yield (reversed scale)

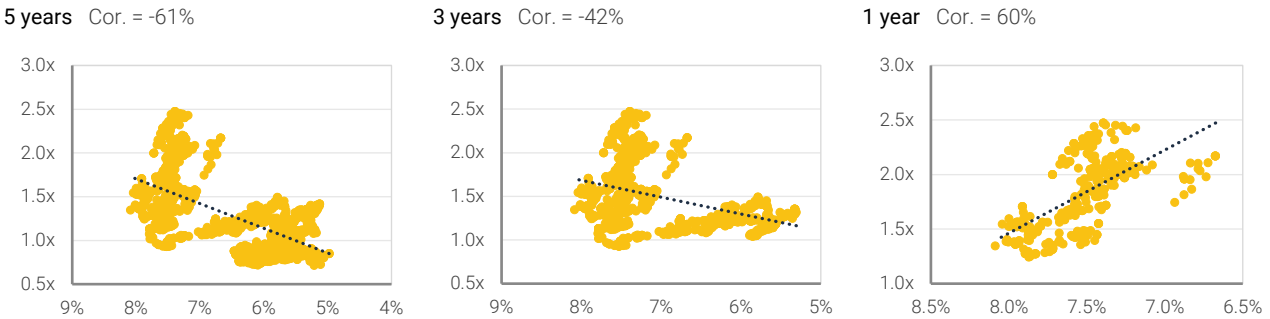


Mid/High-Income: the 2020 Listings

Company-specific re-rating outweighing the rate cycle

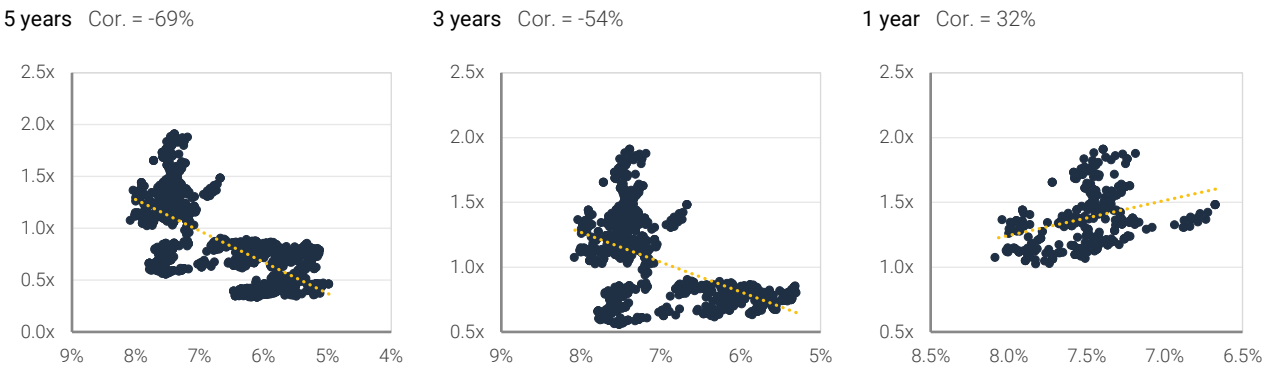
LAVV3: rerating overrode rates. LAVV3's P/BV rose from 0.82x to 2.05x over five years, producing a -61% correlation with rates. Over the past year, it has started to track rates again (60%). The company has delivered the highest ROE in the segment, justifying a higher P/B despite the increase in interest rates.

Figure 17: LAVV3 P/BV vs. NTN-B 10Y Yield (Reversed Scale)



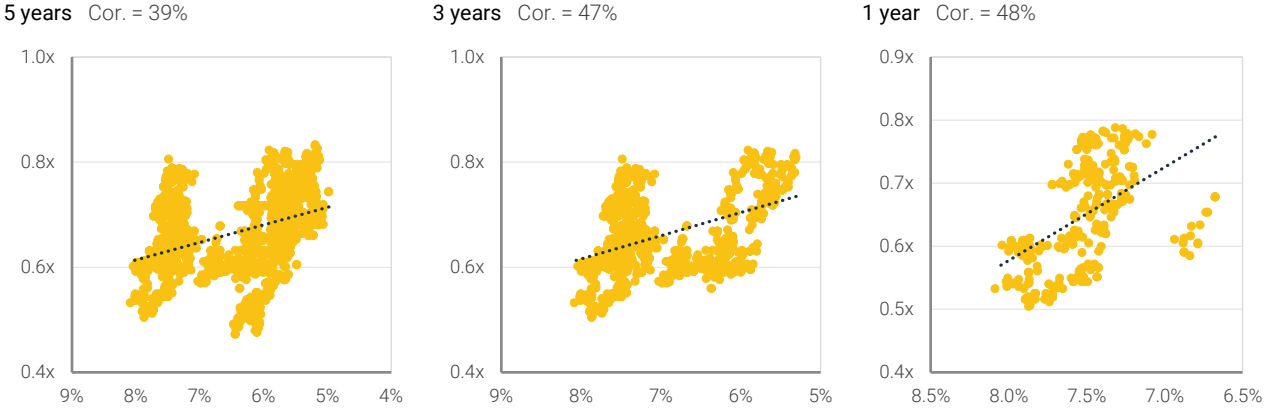
MDNE3: The strongest rerating in mid/high-income. MDNE3's P/BV nearly tripled over five years (0.47x to 1.35x), resulting in a -69% correlation with rates. Over the past year, the link turned positive (32%) as the book theory suggests. The company has attracted greater analyst coverage over time and delivered one of the best performances within the high-income segment.

Figure 18: MDNE3 P/BV vs. NTN-B 10Y Yield (reversed scale)



MELK3: moderately rate-linked. MELK3 shows a stable, moderate link to rates (39% over five years, 47% over three years and 48% over the past year), with its P/BV contracting from 0.69x to 0.60x over five years.

Figure 19: MELK3 P/BV vs. NTN-B 10Y Yield (reversed scale)




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