

26th Annual Inland Empire Market Trends

New Home Trends Update

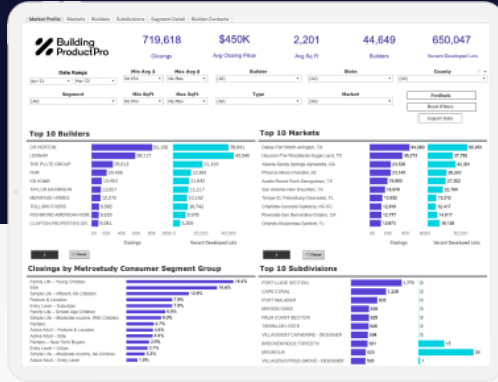
06/06/2024

Sharing market
erspective



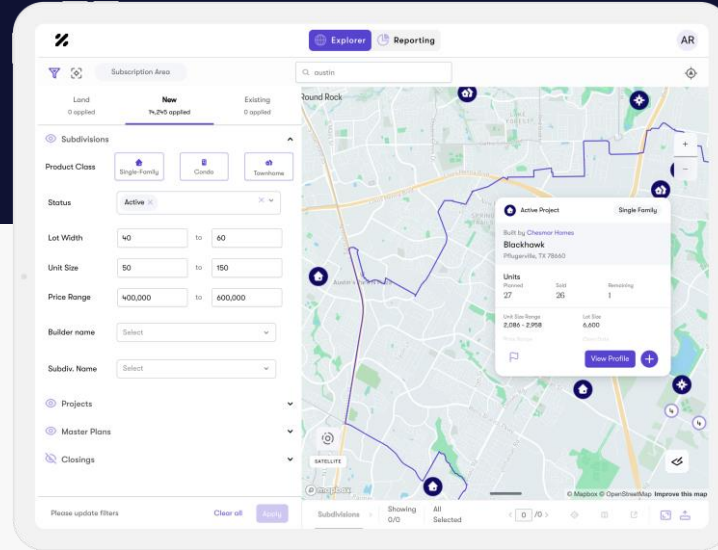
Evan Forrest
Vice President, Advisory
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#1 provider in new home construction data solutions



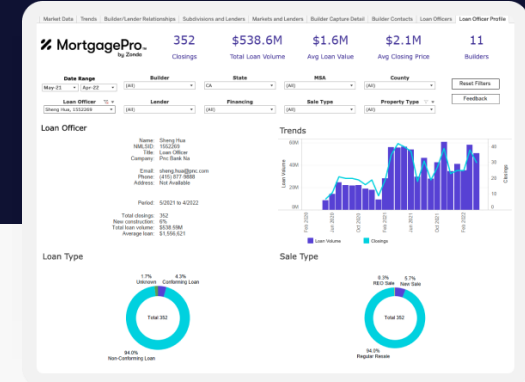
BuildingProductPro

Essential housing insights for building product suppliers



Enterprise™

The complete data solution for home builders



MortgagePro™

Helping mortgage lenders secure builder business

Introducing Zonda's reimagined listing service:

Livabl.TM
Building new home dreams

Connecting consumers to the most
accurate and **comprehensive** new
home construction listings

NOW AVAILABLE

Create your free listing today at livabl.com

STRONGER TOGETHER

Zonda and BDX
have joined forces

Zonda is streamlining the new home shopping journey by combining its data and tech platform with the leading new home listings portal in the U.S.

zondahome.com/bdx

Here To Help

Your Local Team

Get local support on:

- Market data and trends,
- The various products and services we offer, and Member services, orientation, and training.



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RECENT ENGAGEMENTS

Land Plan Optimizations

Performed Land Plan Optimizations throughout the country to guide builders and developers on the highest and best use of properties

Improvement Districts


Performed studies on Improvement Districts assisting bonding work on developments

Commercial Real Estate Studies

Determined the demand, type, and potential for various commercial real estate avenues.



Today's Agenda

1. National Housing Review
 2. Builder Expectations – Monthly Survey
 3. New Home Supply
 4. Lot Supply
 5. Demand – Sales
 6. On the Horizon
- 

National Housing Review

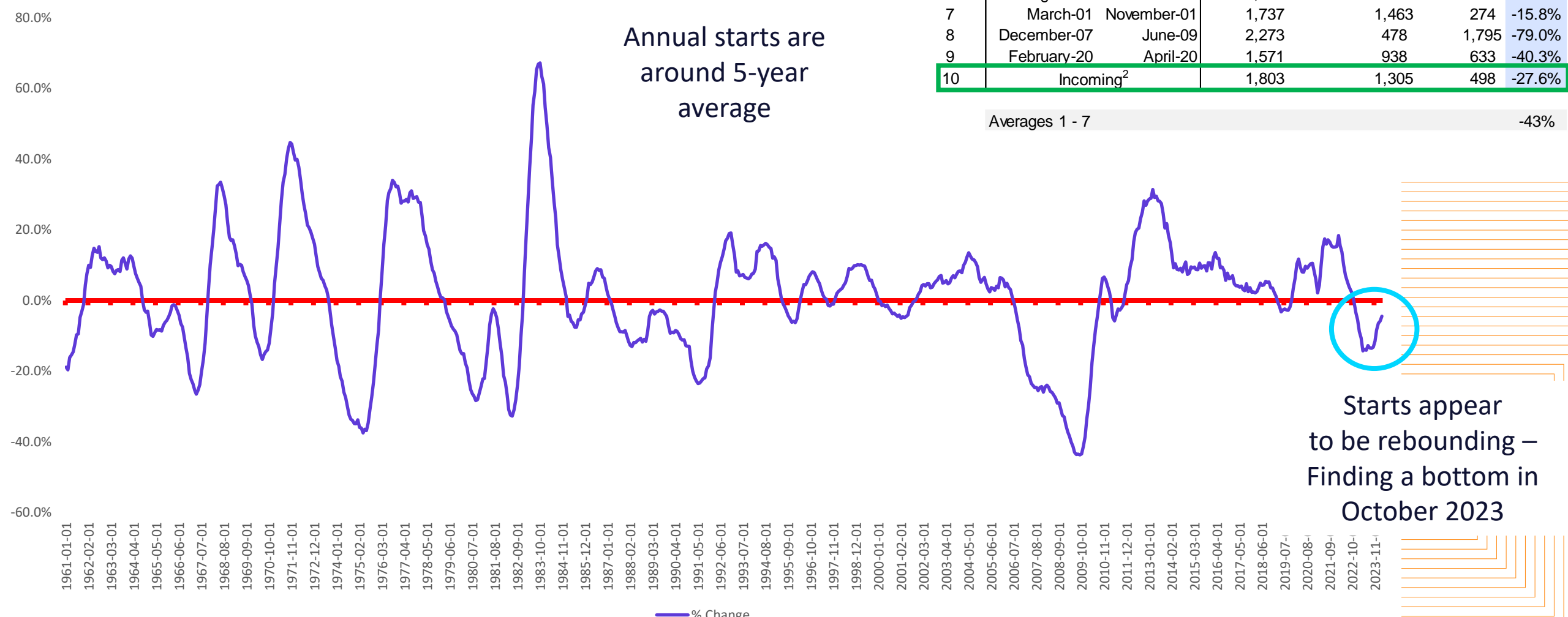


National starts drop avg. 43%

Annual starts are around 5-year average

Period #	Recessionary Time Period		Annual Starts (,000 - Thousands)			
	Start	Finish	Peak # ¹	Trough #	Delta	% Drop
1	April-60	February-61	1,601	1,063	538	-33.6%
2	December-69	November-70	1,769	1,085	684	-38.7%
3	November-73	March-75	2,485	904	1,581	-63.6%
4	January-80	July-80	2,094	927	1,167	-55.7%
5	July-81	November-82	1,547	837	710	-45.9%
6	August-90	March-91	1,621	798	823	-50.8%
7	March-01	November-01	1,737	1,463	274	-15.8%
8	December-07	June-09	2,273	478	1,795	-79.0%
9	February-20	April-20	1,571	938	633	-40.3%
10	Incoming ²		1,803	1,305	498	-27.6%

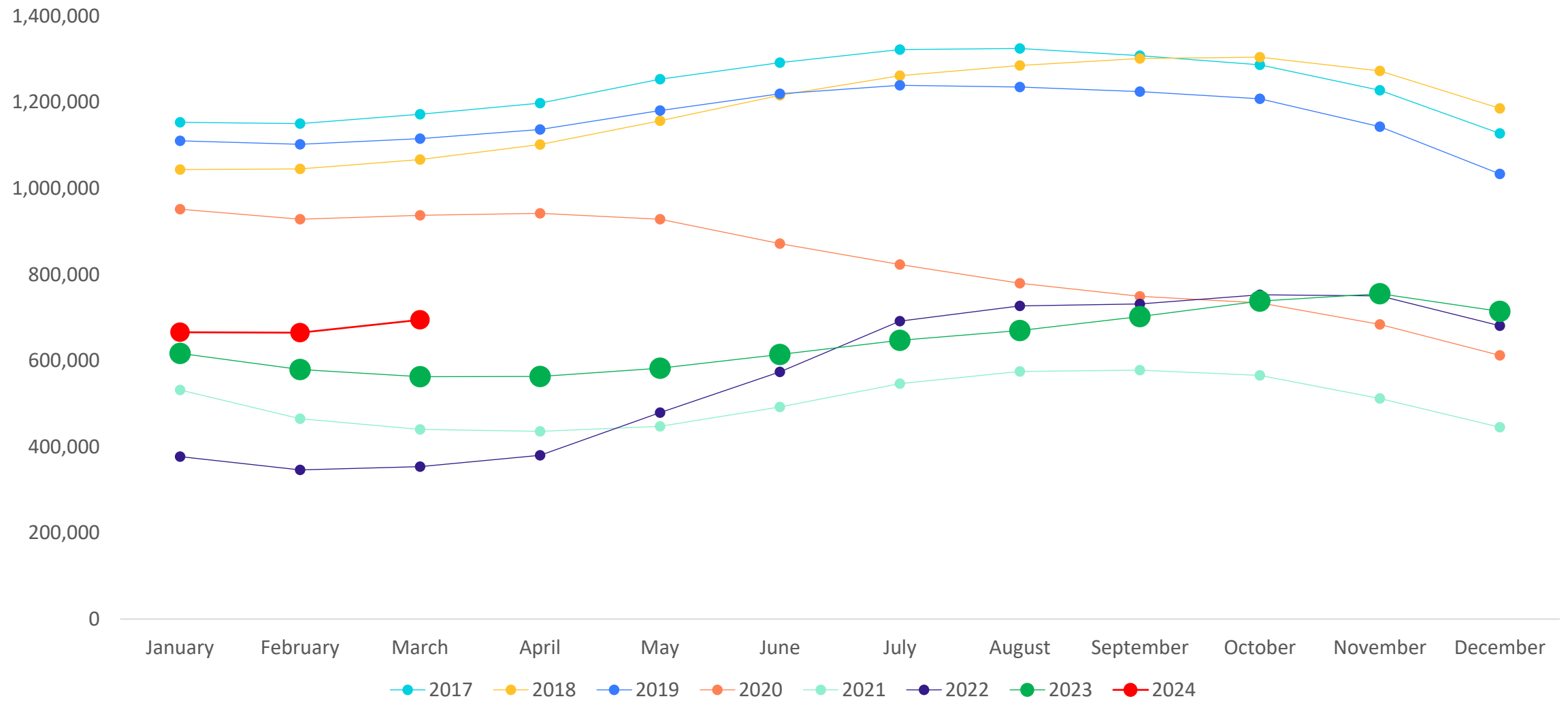
Averages 1 - 7 -43%



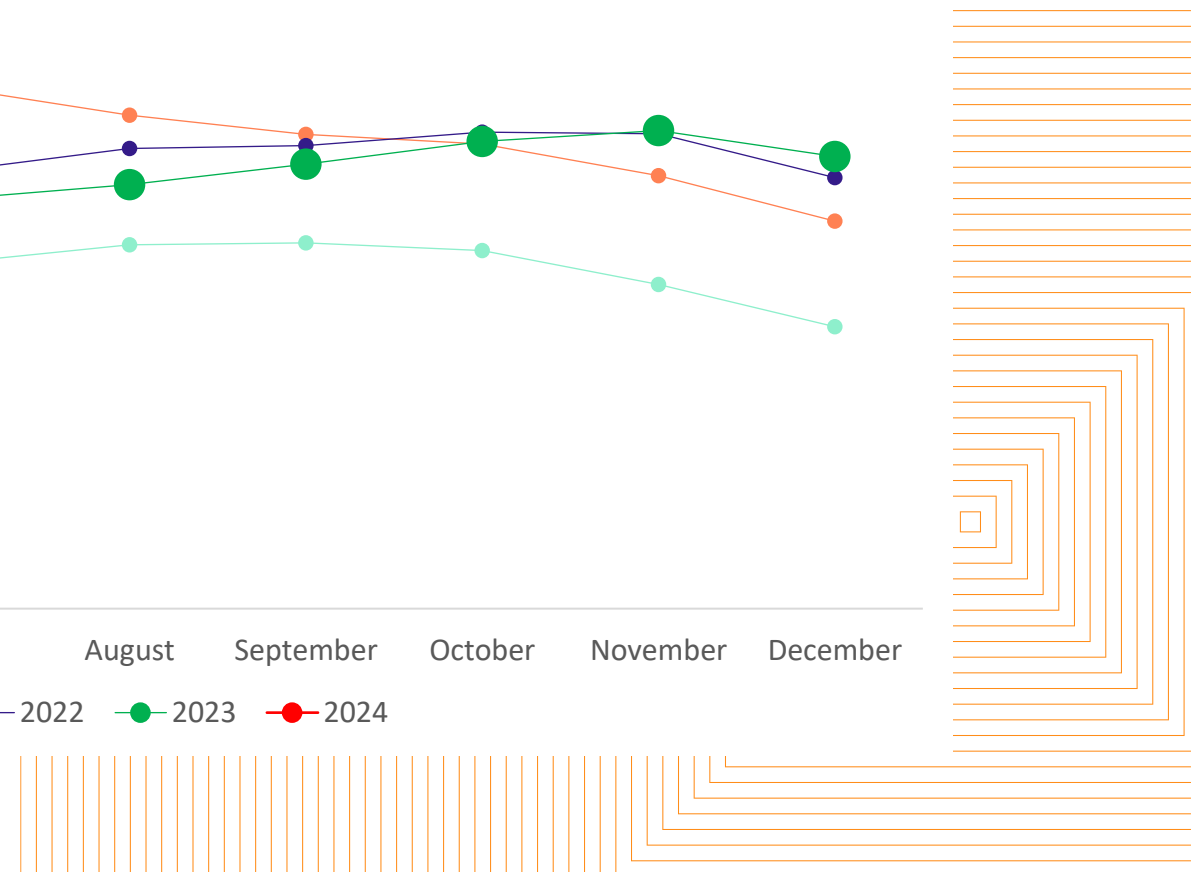
Starts appear to be rebounding – Finding a bottom in October 2023

Source: St. Louis FED FRED Economic Data; Zonda

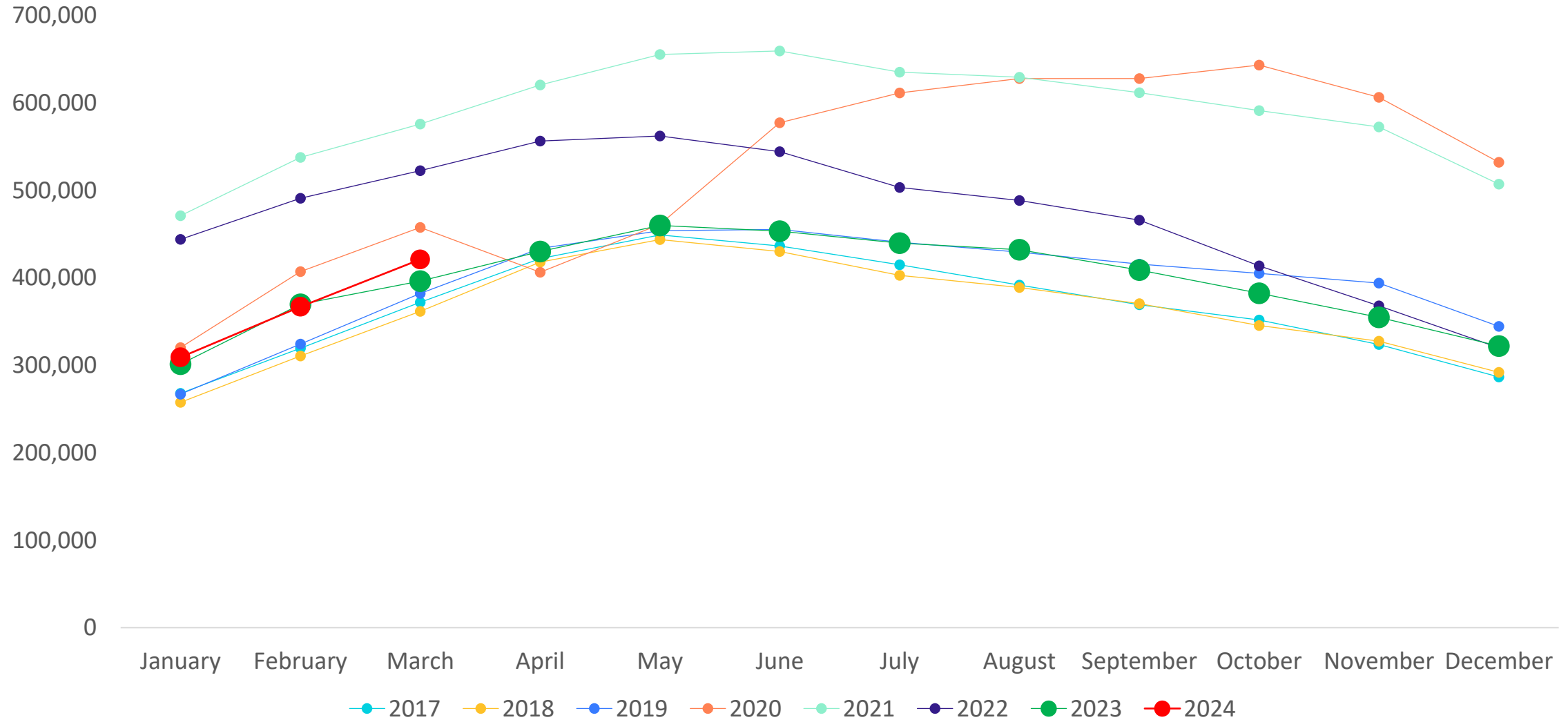
National existing listings are 49% of 2019 listings....exhibiting under-supply



Source: St. Louis FED FRED Economic Data; Zonda



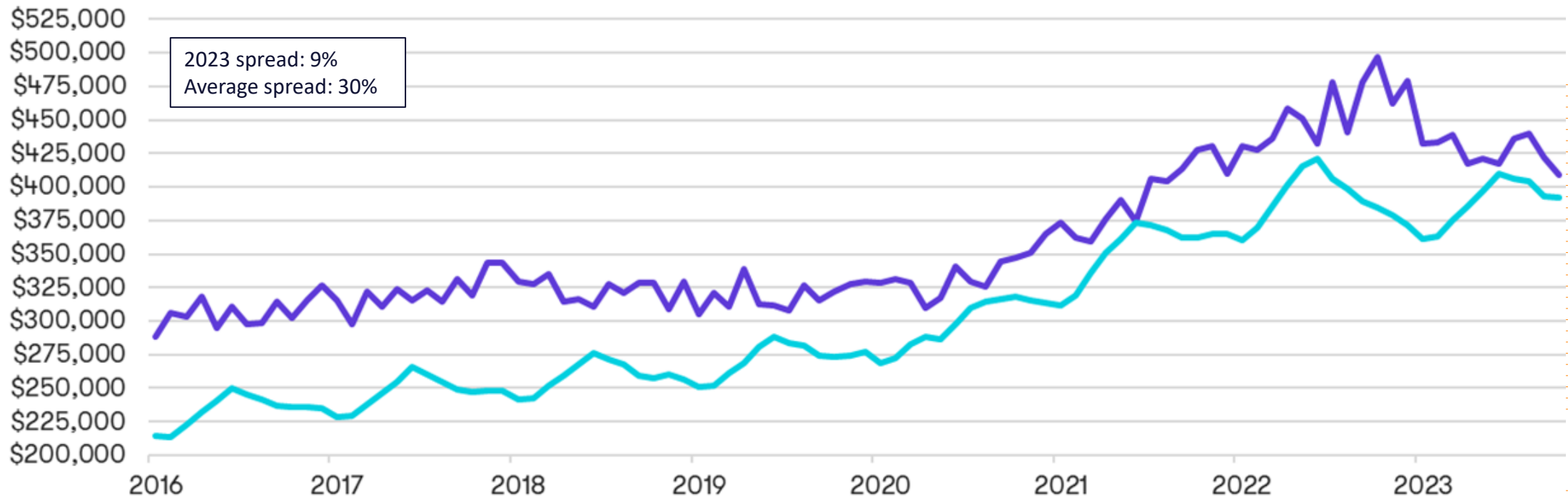
Pending listings are above 2019



Source: St. Louis FED FRED Economic Data; Zonda

Continued limited resale supply pushing buyers to new homes

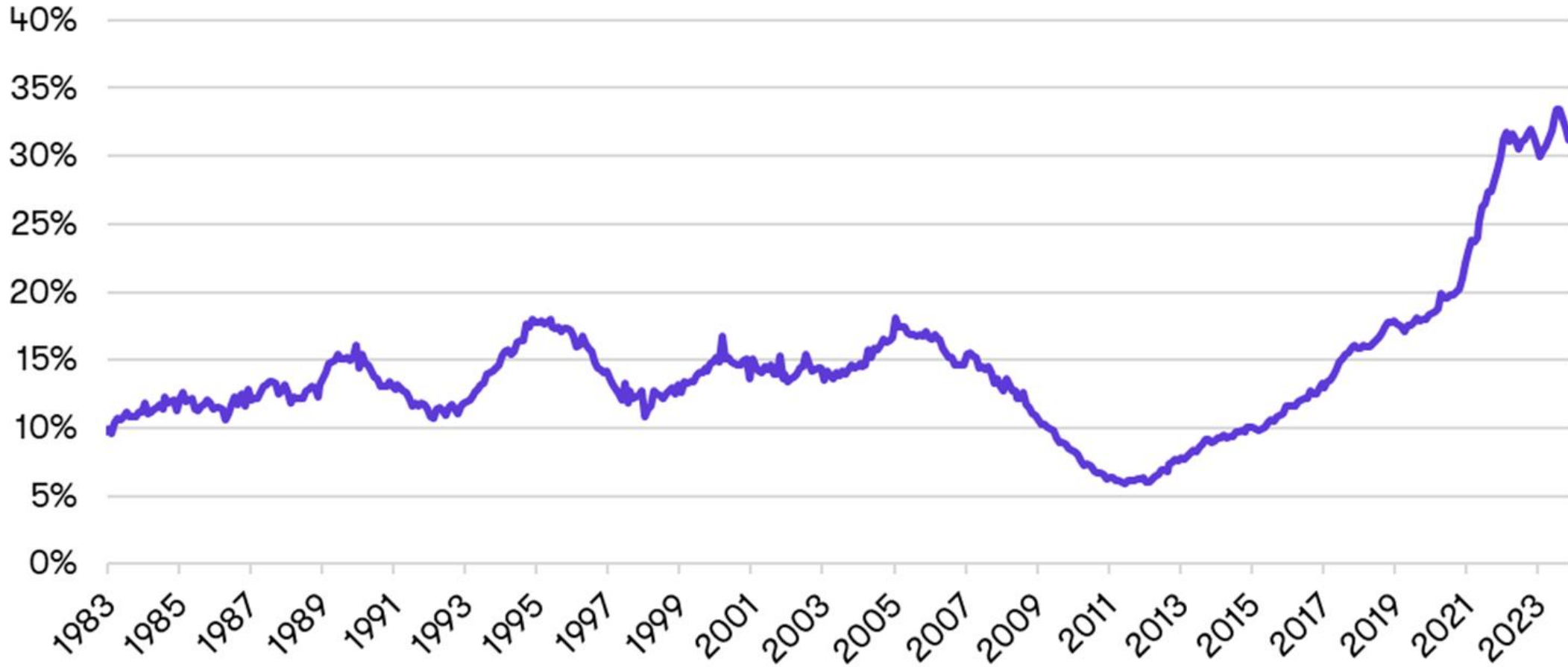
National New vs Existing Price



Source: NAR; Census; Zonda

Zonda.

New home share will likely continue to grow

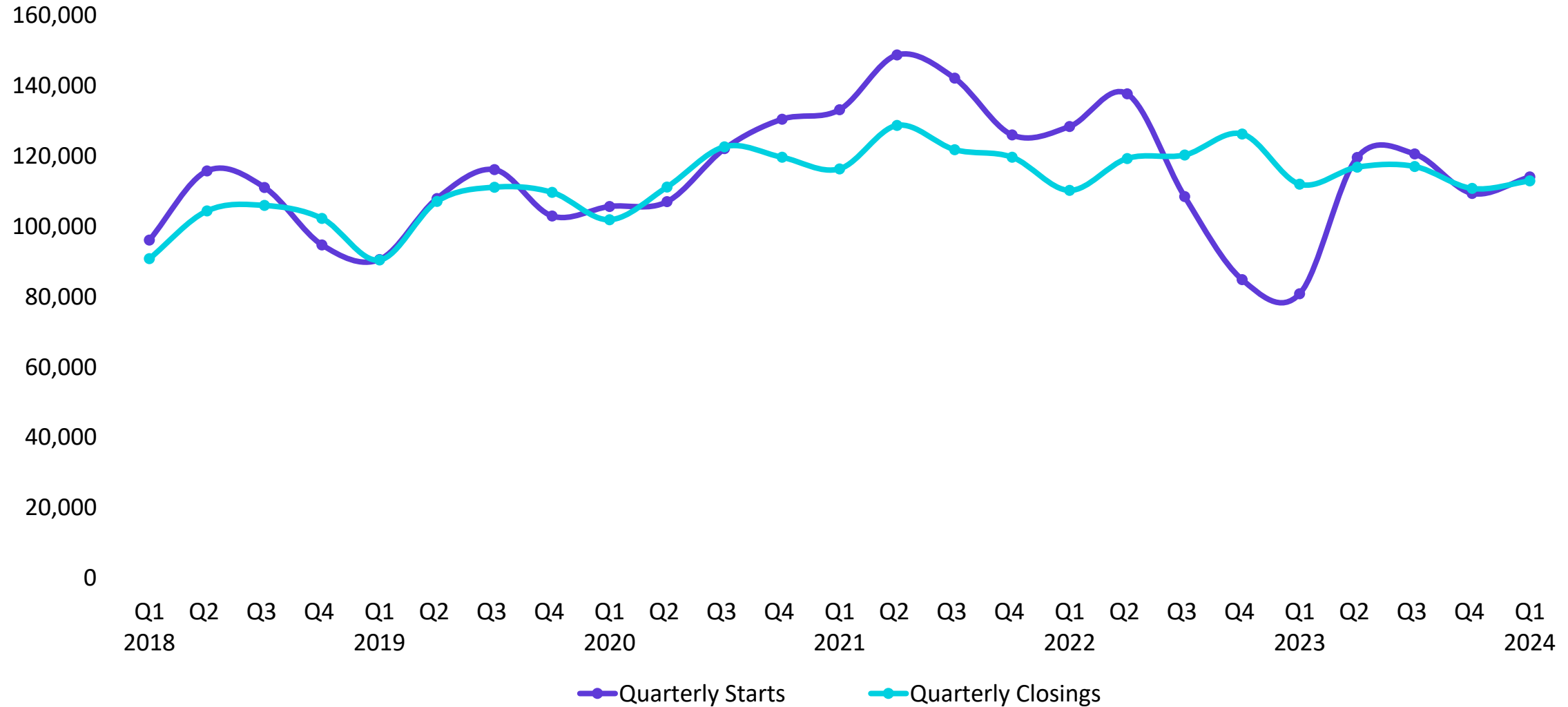


Source: NAR; US Census Bureau; Zonda

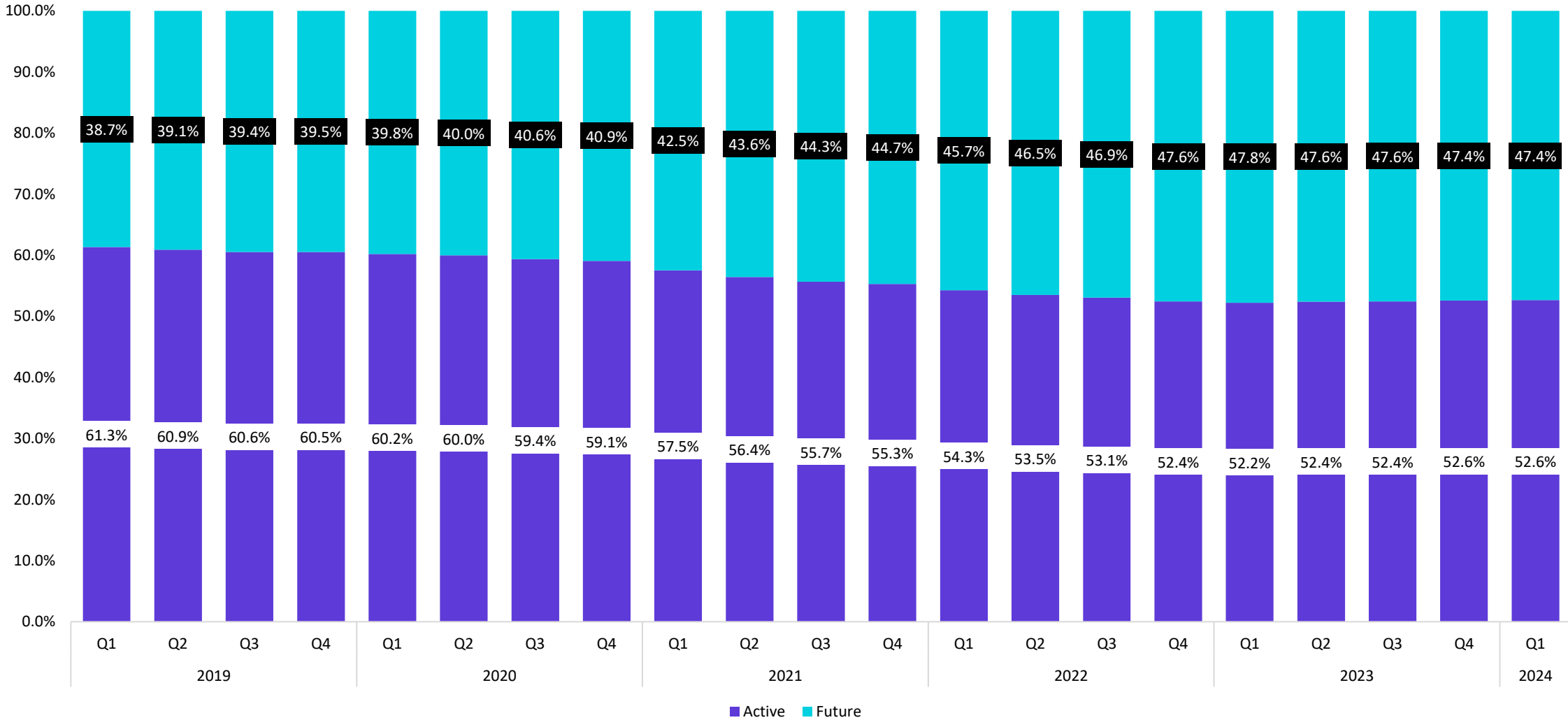
Annual Starts have risen 17.7% since 2Q23 but where are they going?



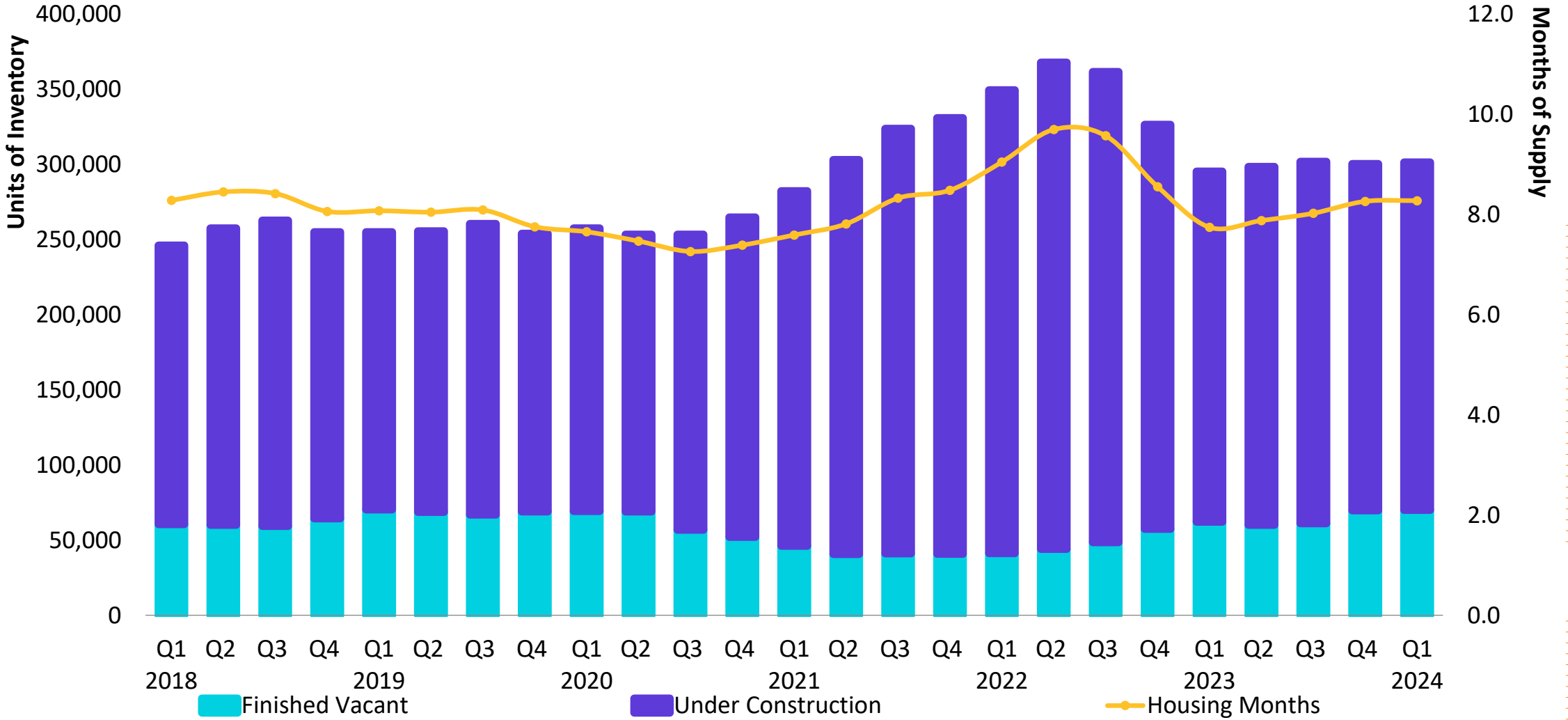
Quarterly starts appear to be leveling off



Active neighborhoods have declined 8-9% nationally



Inventory has returned to historical norms

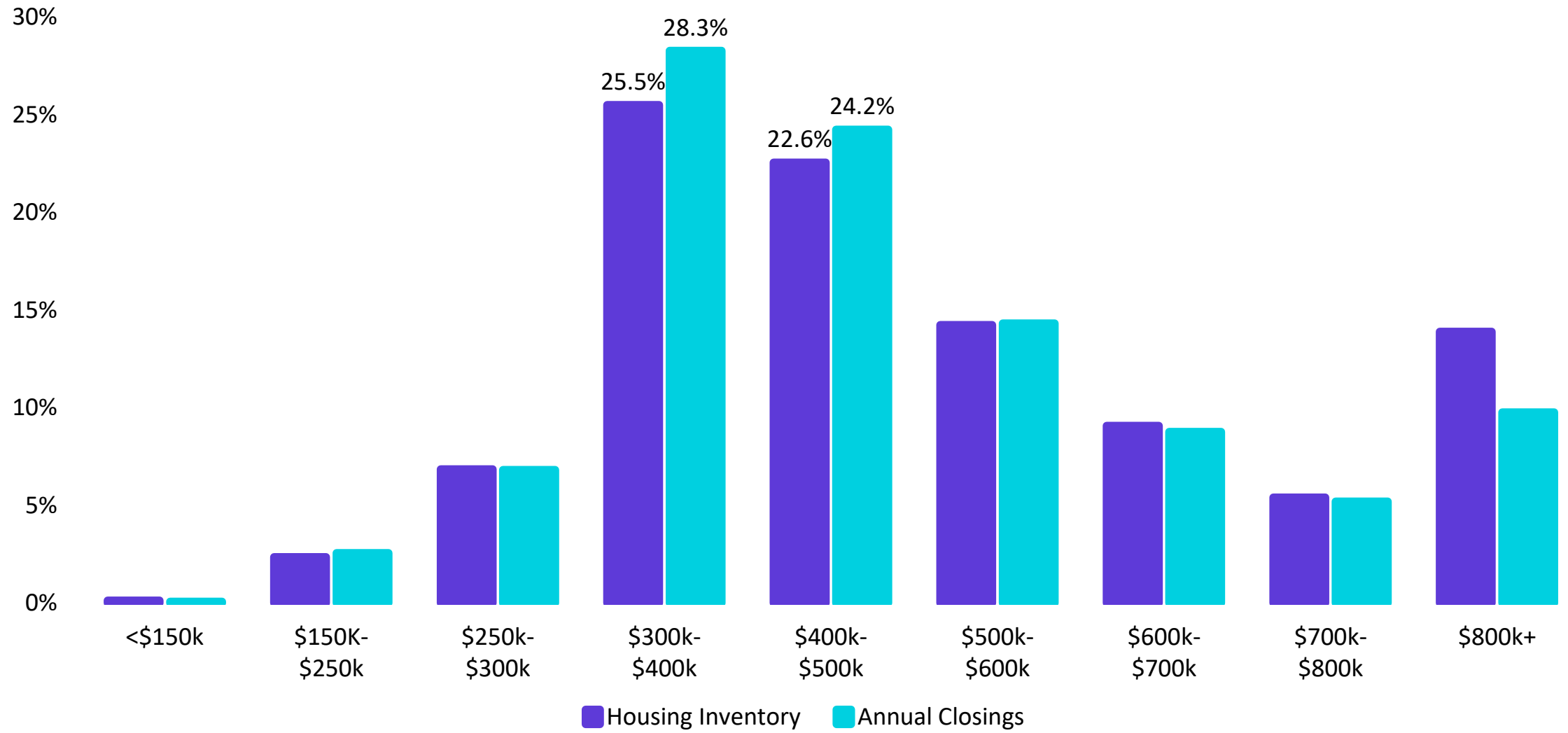


Source: Zonda Economics Team: Chief Economist Ali Wolf & Sean Fergus

Market: Inland Empire / Spring 2024

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Pricing is clustered in the \$300K - \$500K ranges

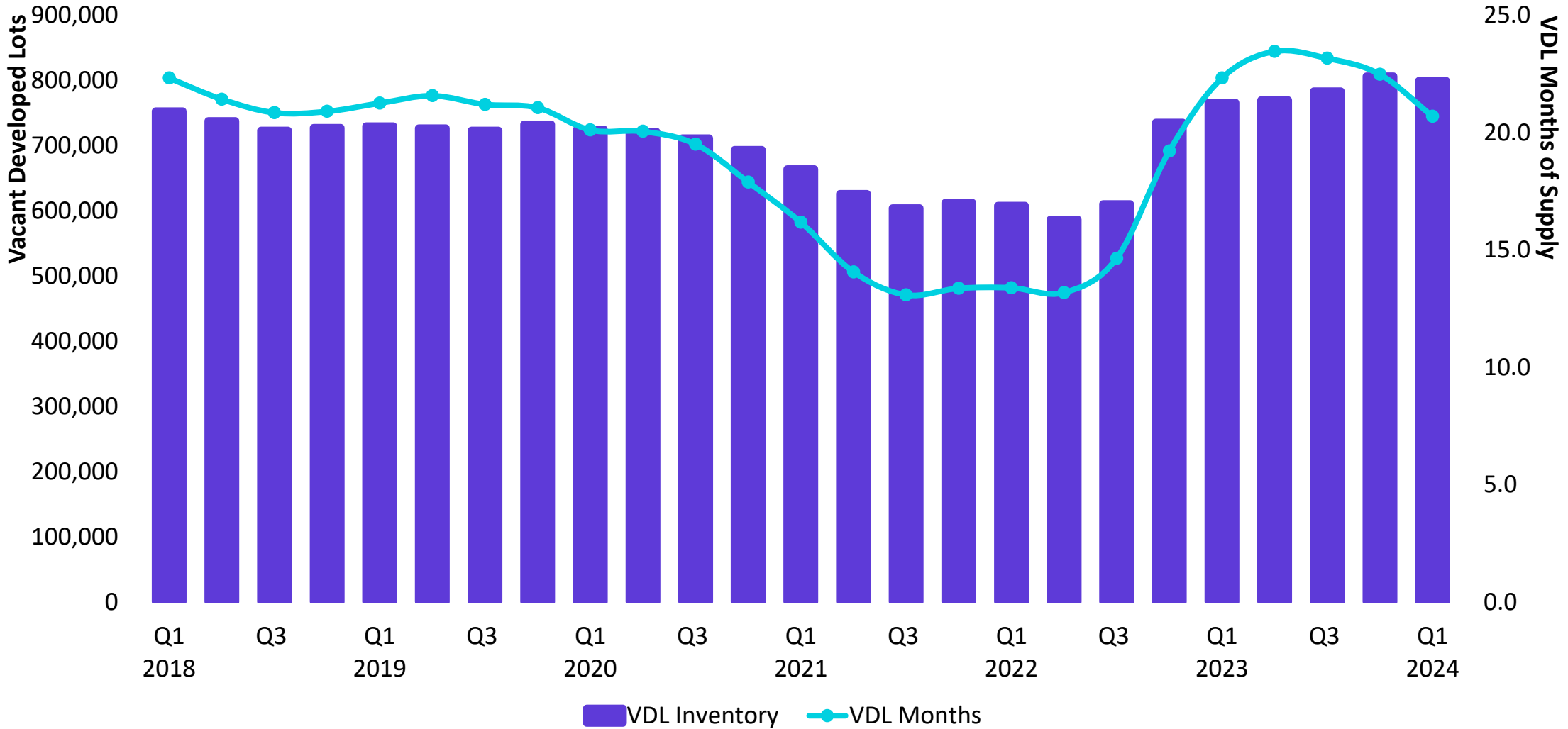


Source: Zonda Economics Team: Chief Economist Ali Wolf & Sean Fergus

Market: Inland Empire / Spring 2024

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Vacant developed lot MOS declined for the third straight quarter



Source: Zonda Economics Team: Chief Economist Ali Wolf & Sean Fergus

Market: Inland Empire / Spring 2024

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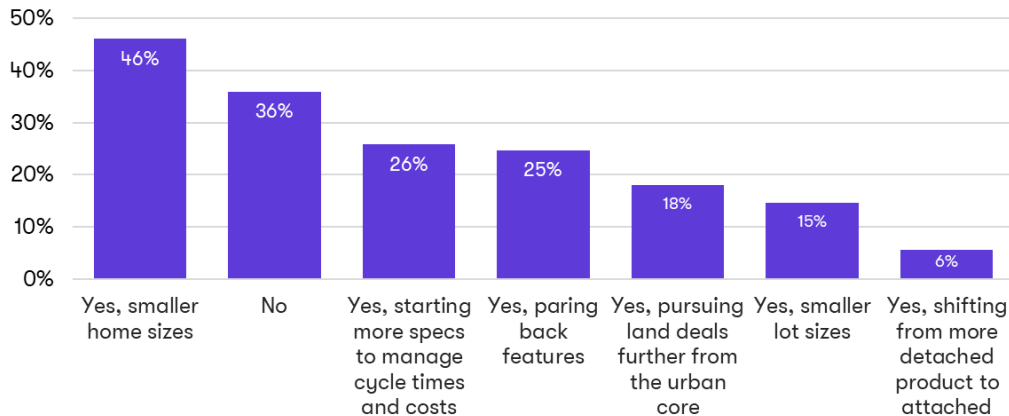
Changes in home size

Average Unit Size by Metro

Metro	CM 2018	Current Month	Percent Change
Miami-Fort Lauderdale-Pompano Beach, FL	2,954	2,981	1%
Sacramento-Roseville-Folsom, CA	2,410	2,425	1%
Philadelphia-Camden-Wilmington, PA-NJ-DE-MD	2,600	2,537	-2%
Denver-Aurora-Lakewood, CO	2,273	2,206	-3%
Phoenix-Mesa-Chandler, AZ	2,576	2,454	-5%
Lakeland-Winter Haven, FL	2,224	2,109	-5%
Tampa-St. Petersburg-Clearwater, FL	2,562	2,392	-7%
Los Angeles-Long Beach-Anaheim, CA	2,535	2,361	-7%
Austin-Round Rock-Georgetown, TX	2,591	2,405	-7%
North Port-Sarasota-Bradenton, FL	2,474	2,280	-8%
Dallas-Fort Worth-Arlington, TX	2,905	2,659	-8%
Nashville-Davidson--Murfreesboro--Franklin, TN	2,634	2,384	-10%
Washington-Arlington-Alexandria, DC-VA-MD-WV	2,836	2,552	-10%
National	2,647	2,378	-10%
Indianapolis-Carmel-Anderson, IN	2,623	2,355	-10%
Las Vegas-Henderson-Paradise, NV	2,697	2,417	-10%
Atlanta-Sandy Springs-Alpharetta, GA	2,795	2,500	-11%
Jacksonville, FL	2,606	2,315	-11%
Riverside-San Bernardino-Ontario, CA	2,572	2,259	-12%
Houston-The Woodlands-Sugar Land, TX	2,859	2,439	-15%
Orlando-Kissimmee-Sanford, FL	2,738	2,334	-15%
Raleigh-Cary, NC	2,707	2,307	-15%
San Antonio-New Braunfels, TX	2,593	2,205	-15%
Minneapolis-St. Paul-Bloomington, MN-WI	2,815	2,384	-15%
Charlotte-Concord-Gastonia, NC-SC	2,874	2,398	-17%
Seattle-Tacoma-Bellevue, WA	2,788	2,246	-19%

Source: Zonda

Are you changing your product to lower costs and sales prices? Please select all that apply.

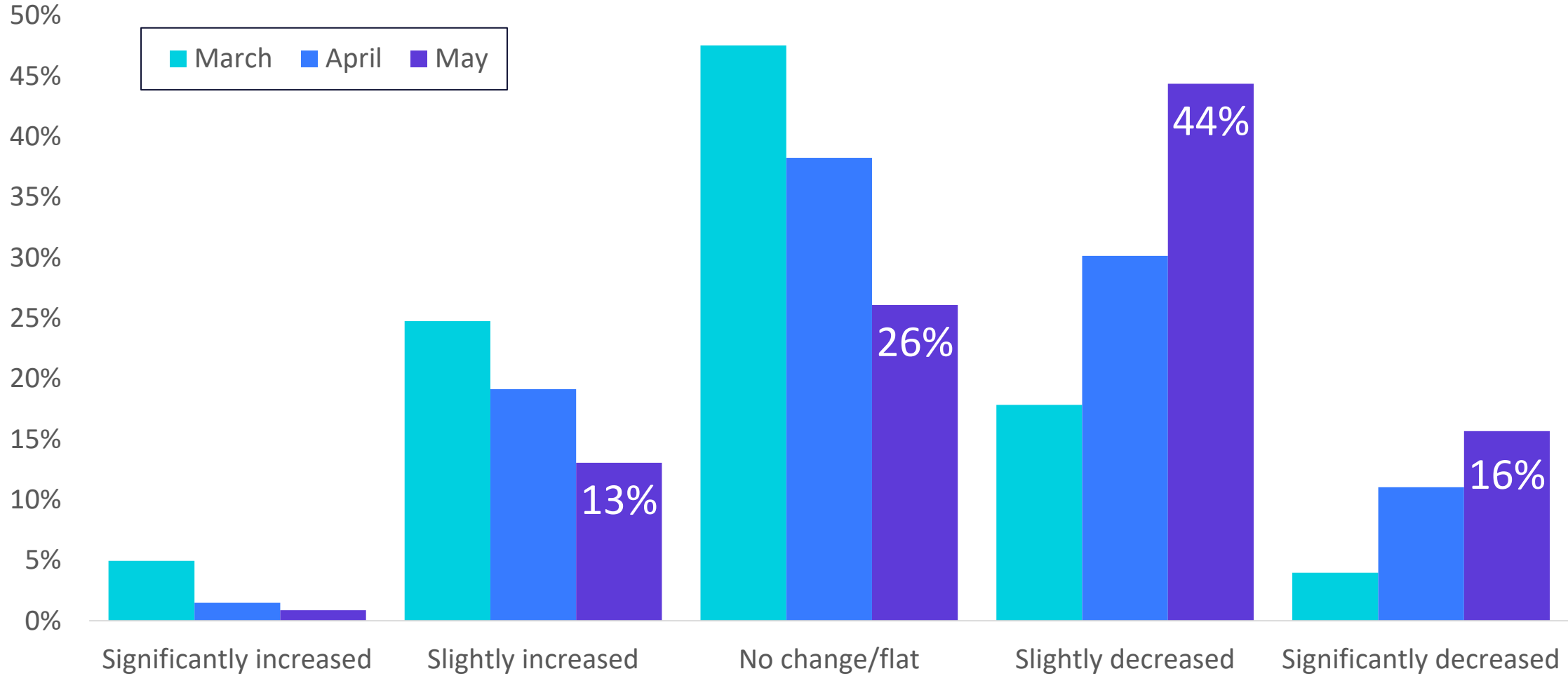


Source: Zonda



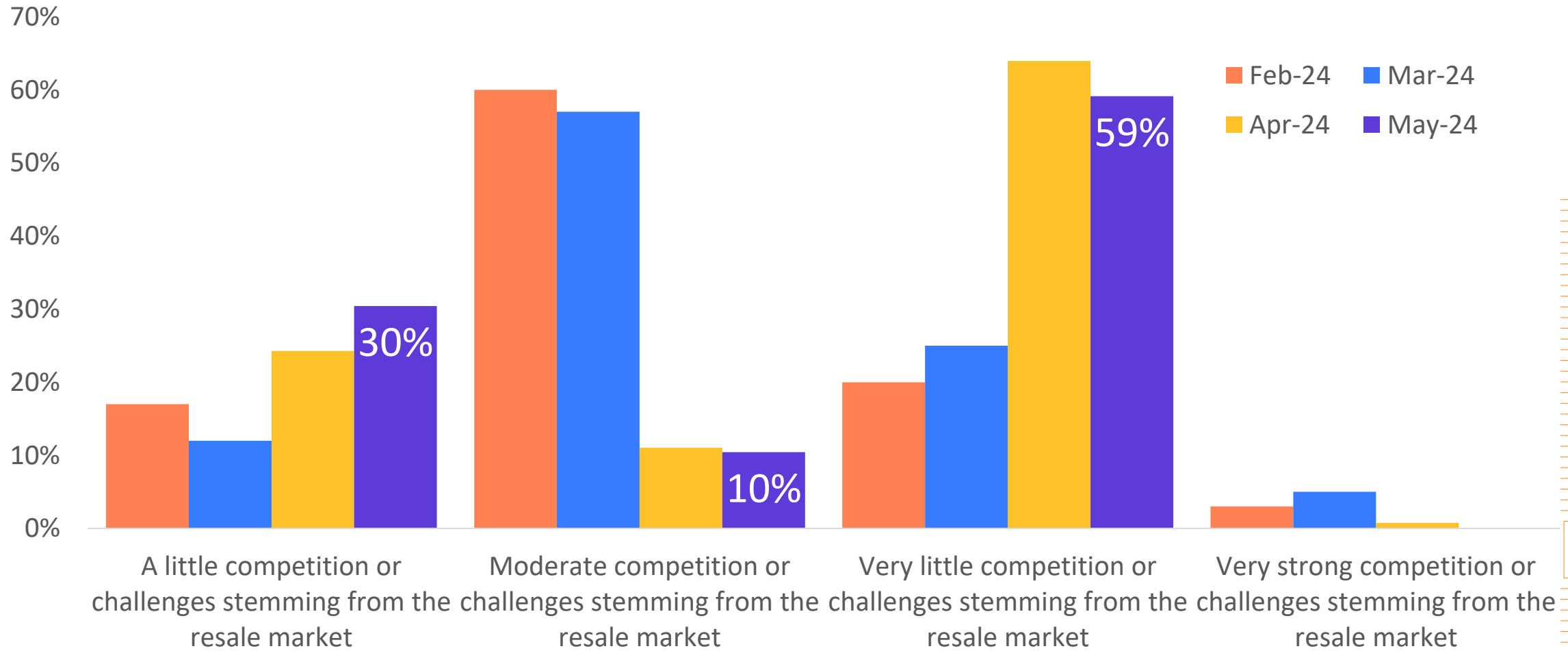
National Economy Builder Expectations

How are sales doing?



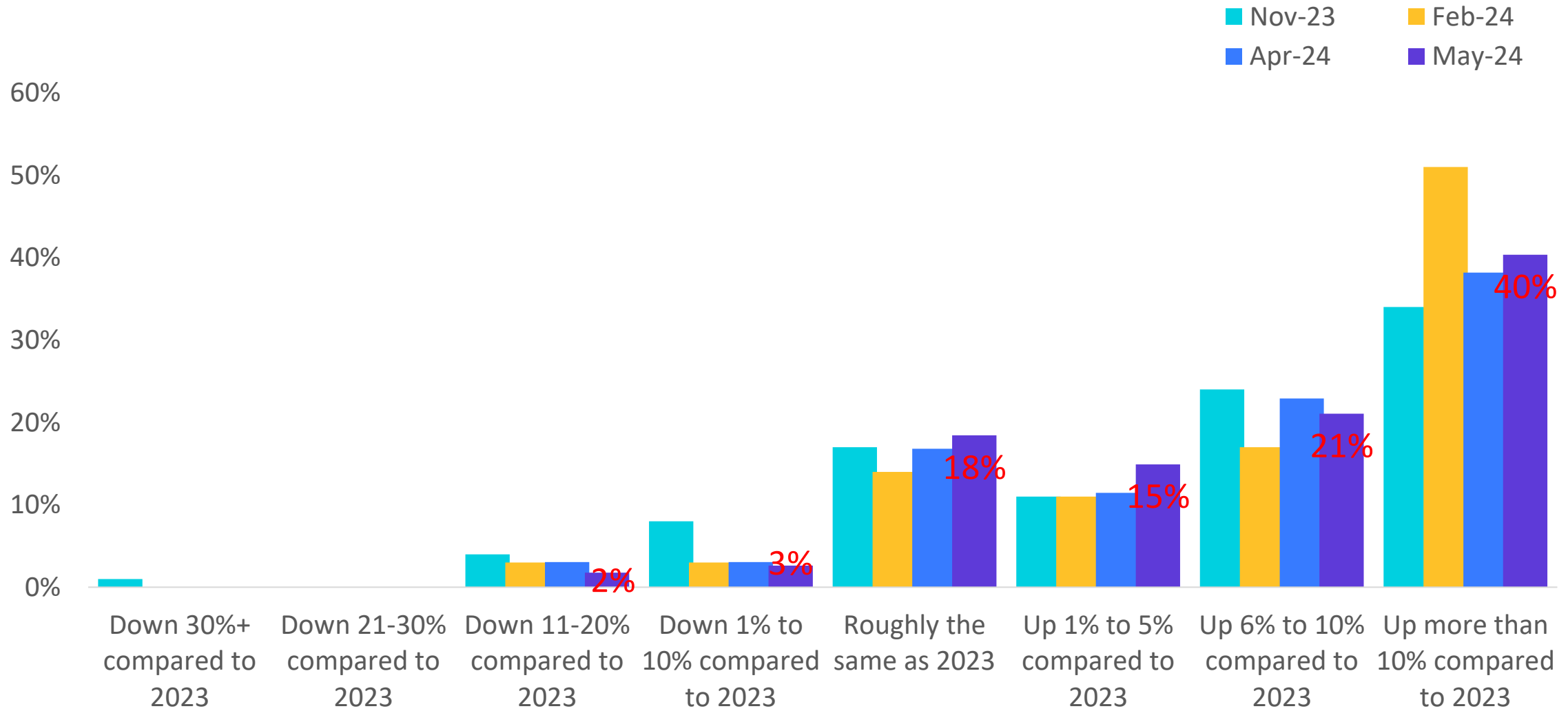
Source: Zonda

Is the resale market providing competition?



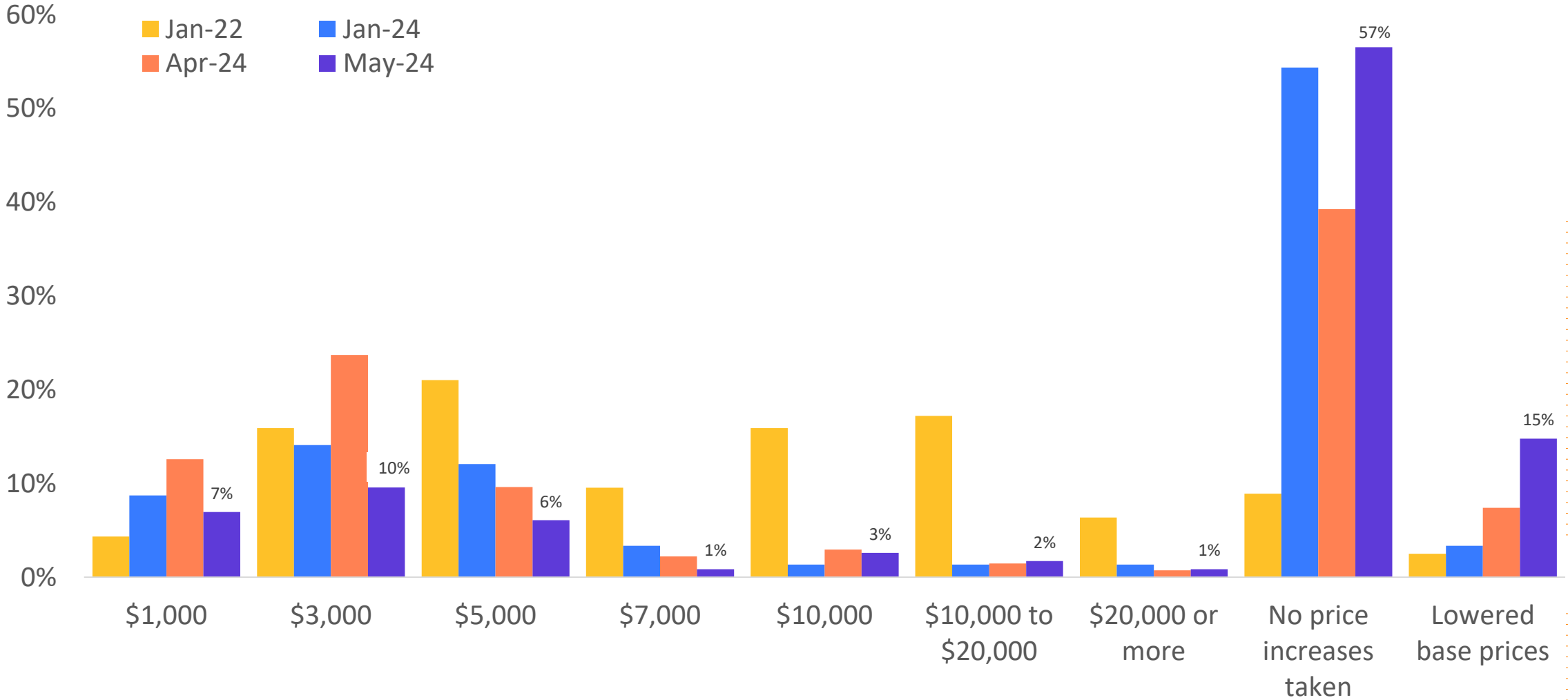
Source: Zonda

What does that mean for starts?



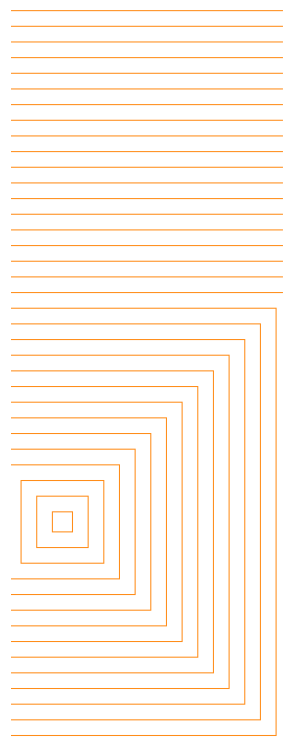
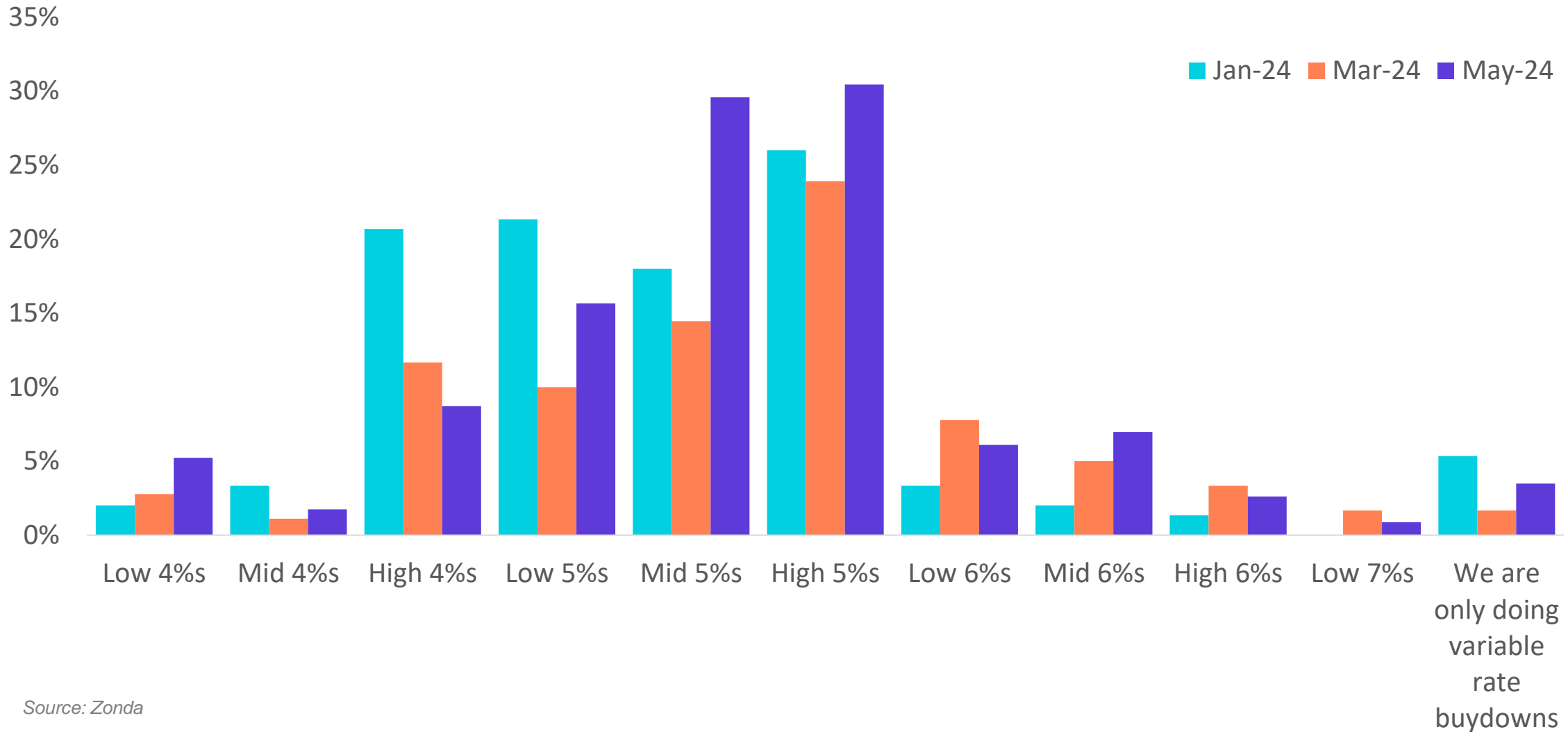
Source: Zonda

Minimal price increases continue



Source: Zonda

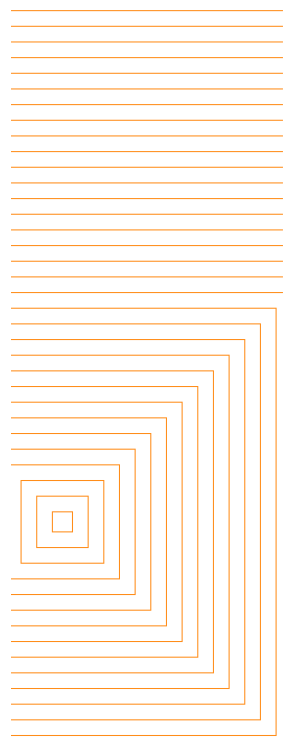
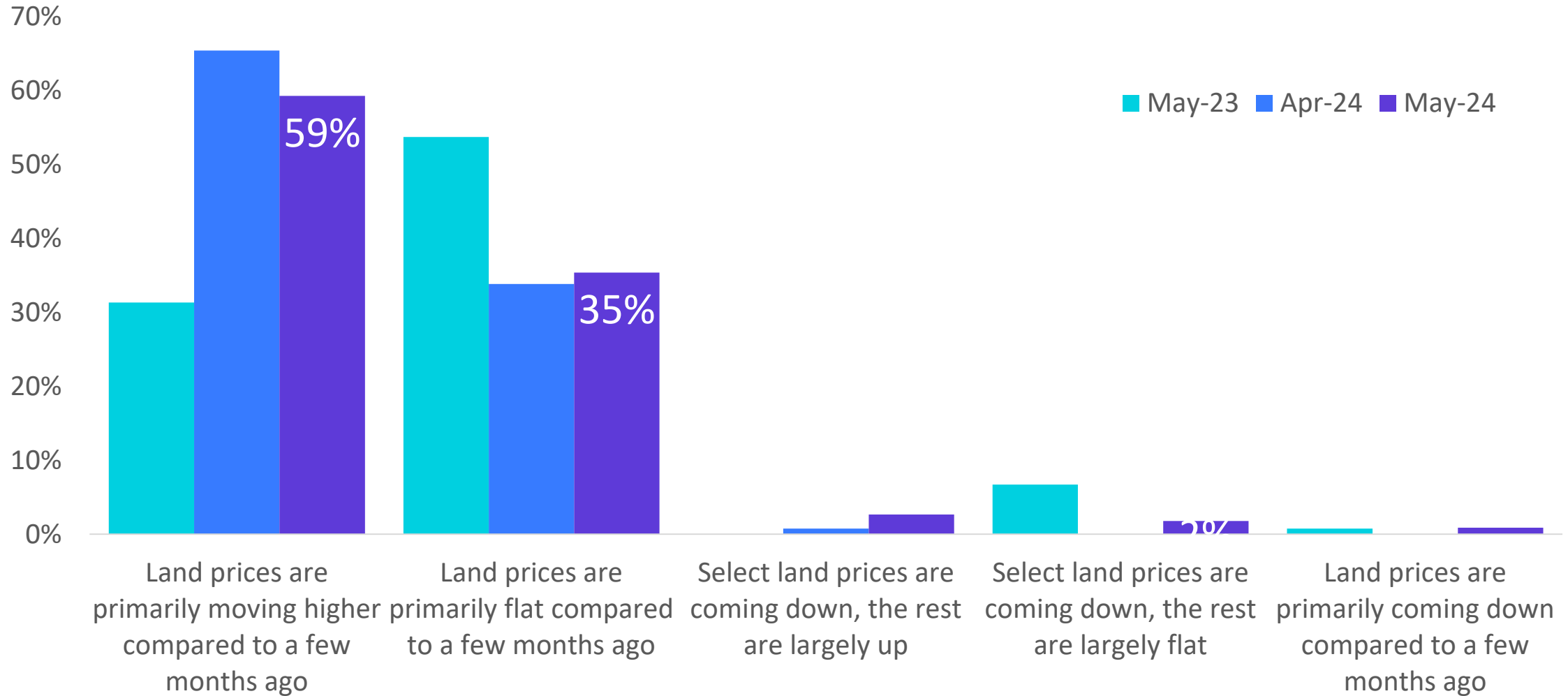
Where are rate buydowns?



Source: Zonda

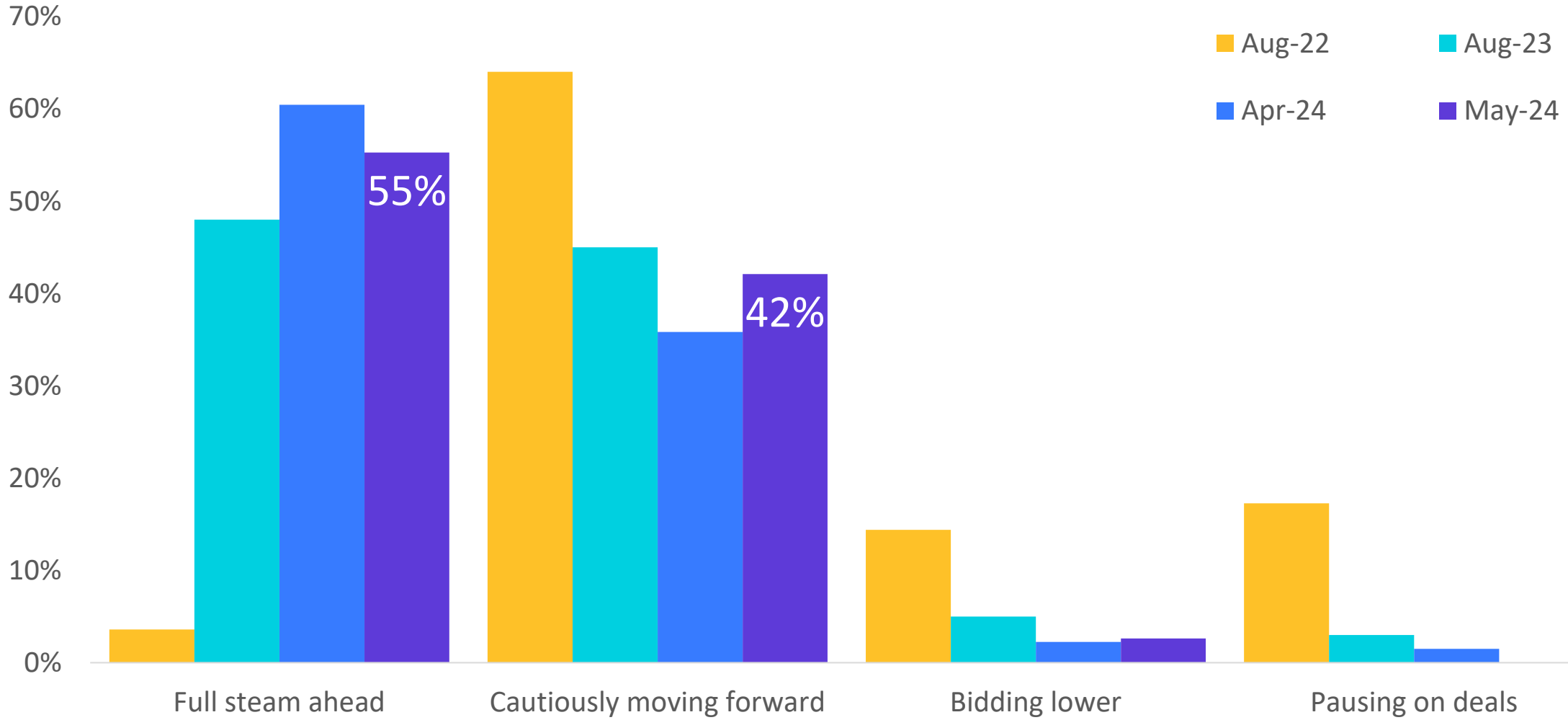


Land: Prices are increasing with demand pressing margins further



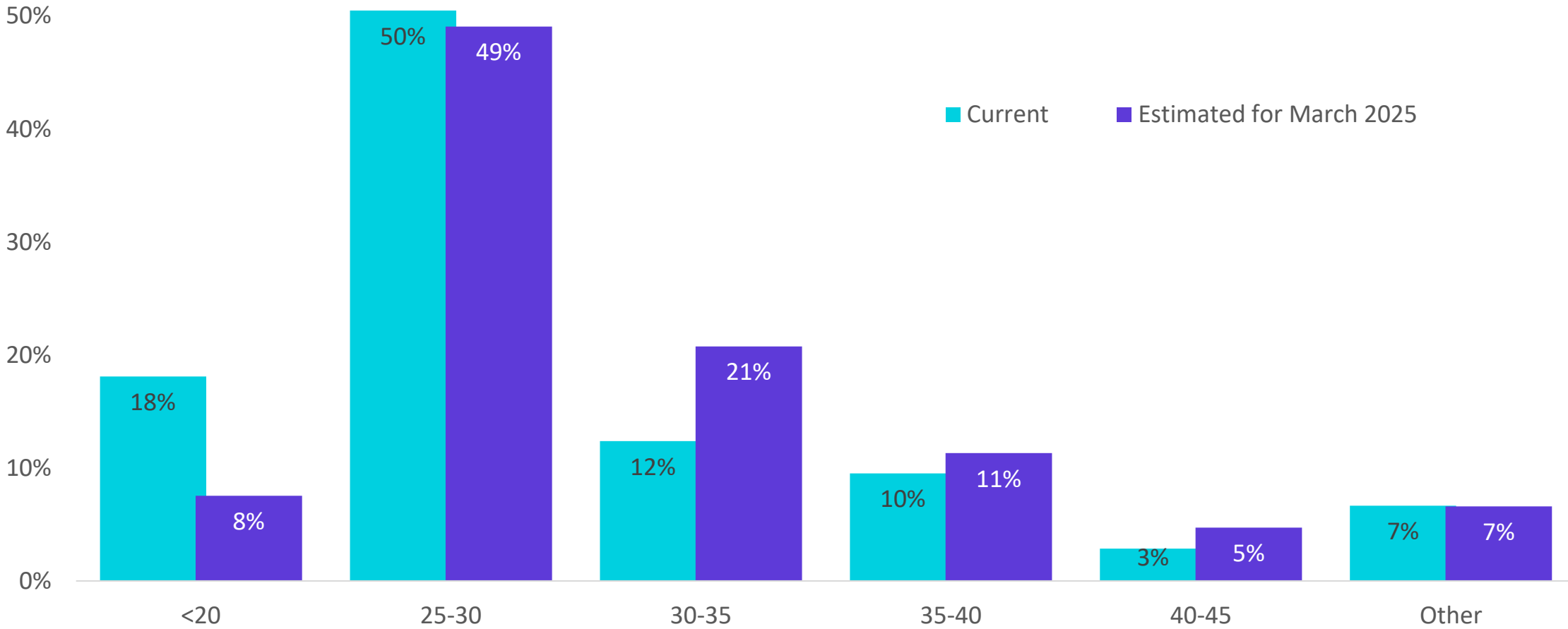
Source: Zonda

Are we pausing land? No, we are hitting the accelerator.

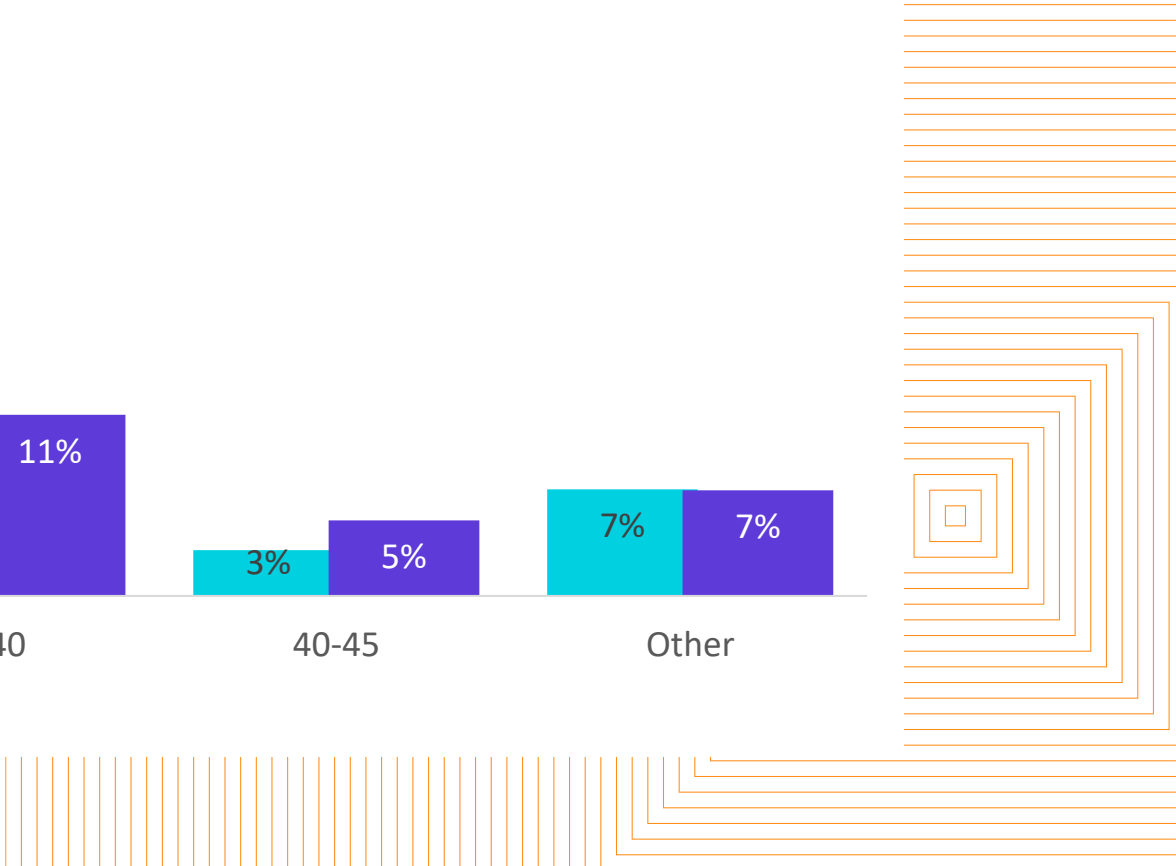


Source: Zonda

Ratios are moving higher. Margins being pushed

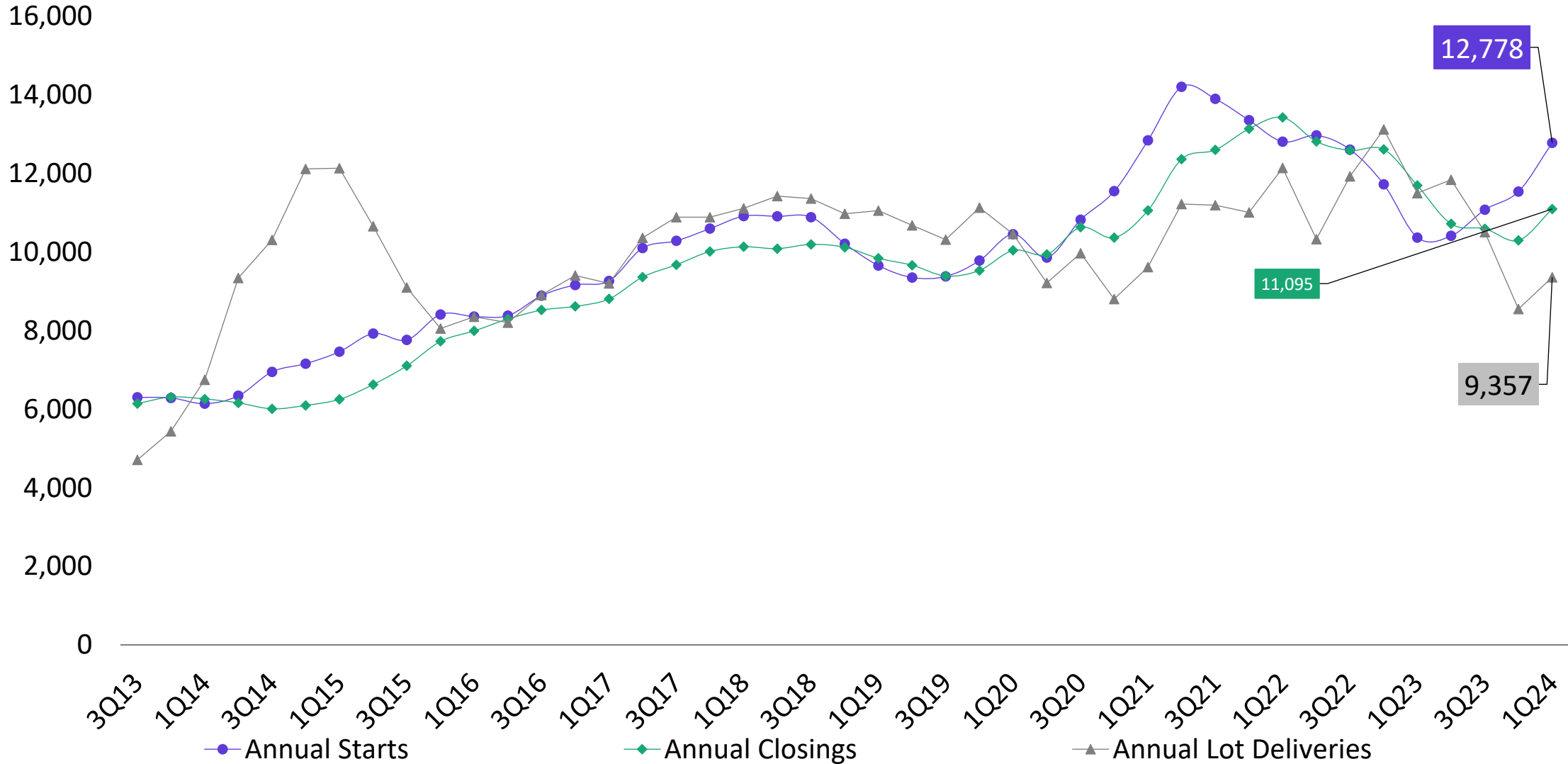


Source: Zonda



Inland Empire New Home Supply

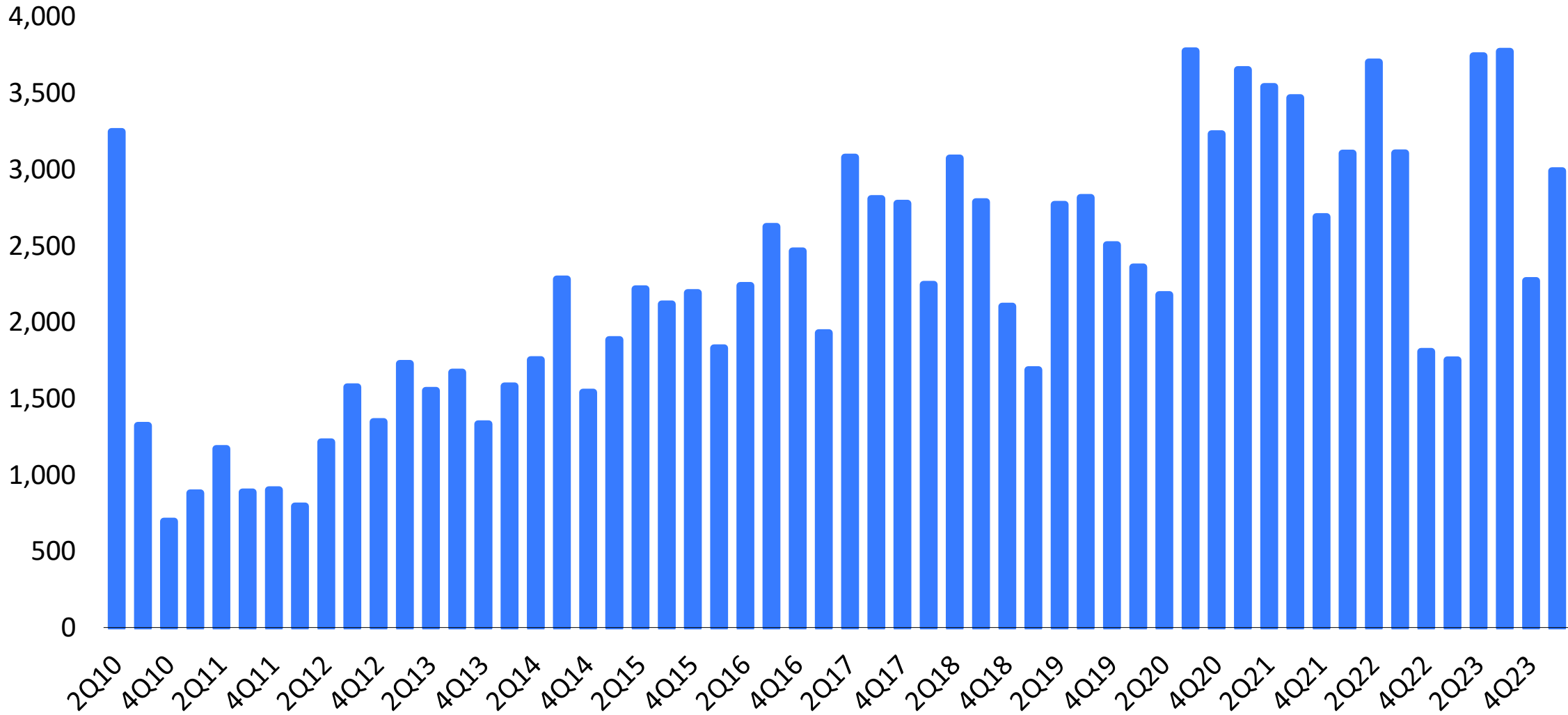
Annual starts are up 23.2% YoY



Source: Zonda

Zonda.

Quarterly starts are leveling off but starts usually average +33.4% from 1Q to 2Q



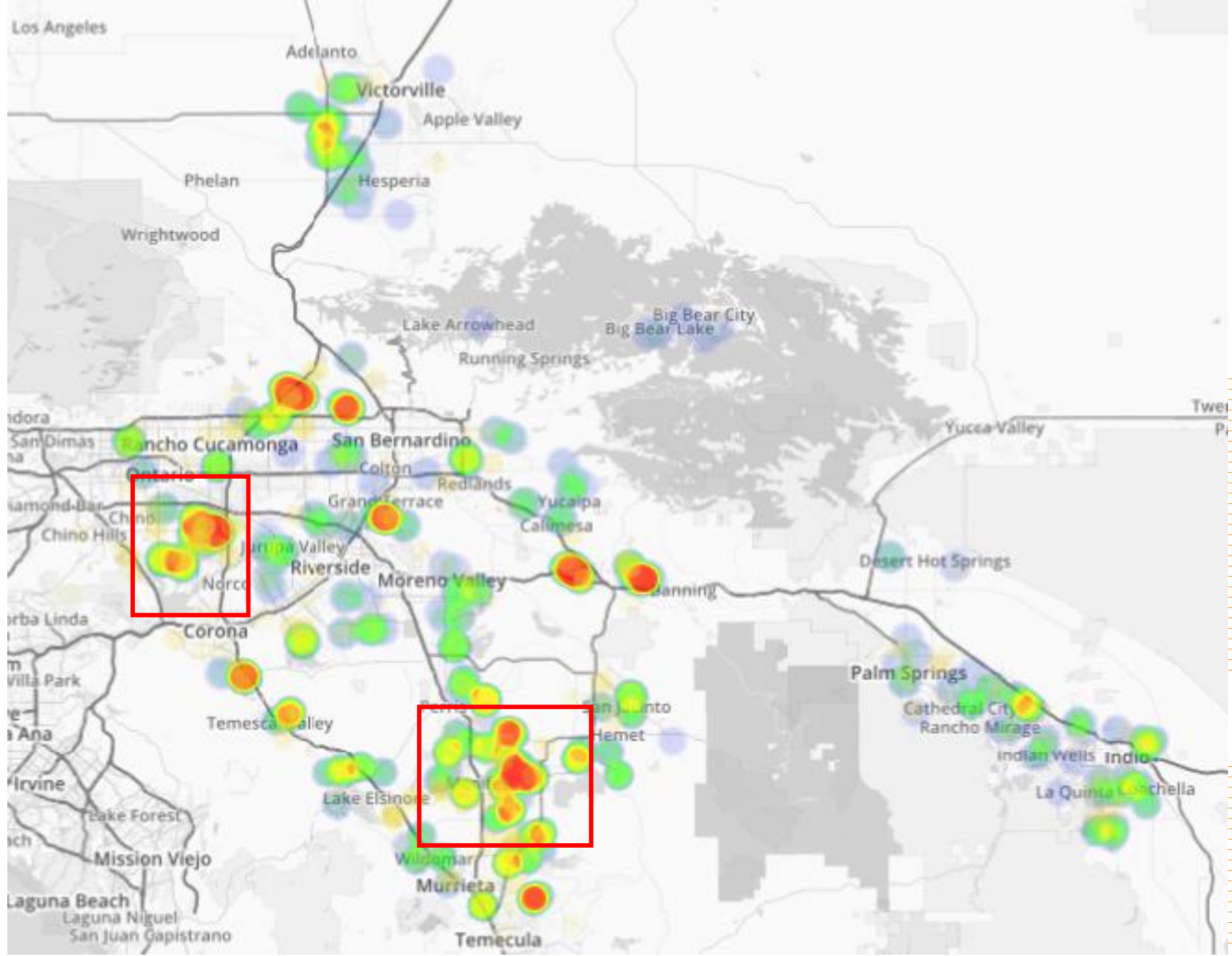
Source: Zonda

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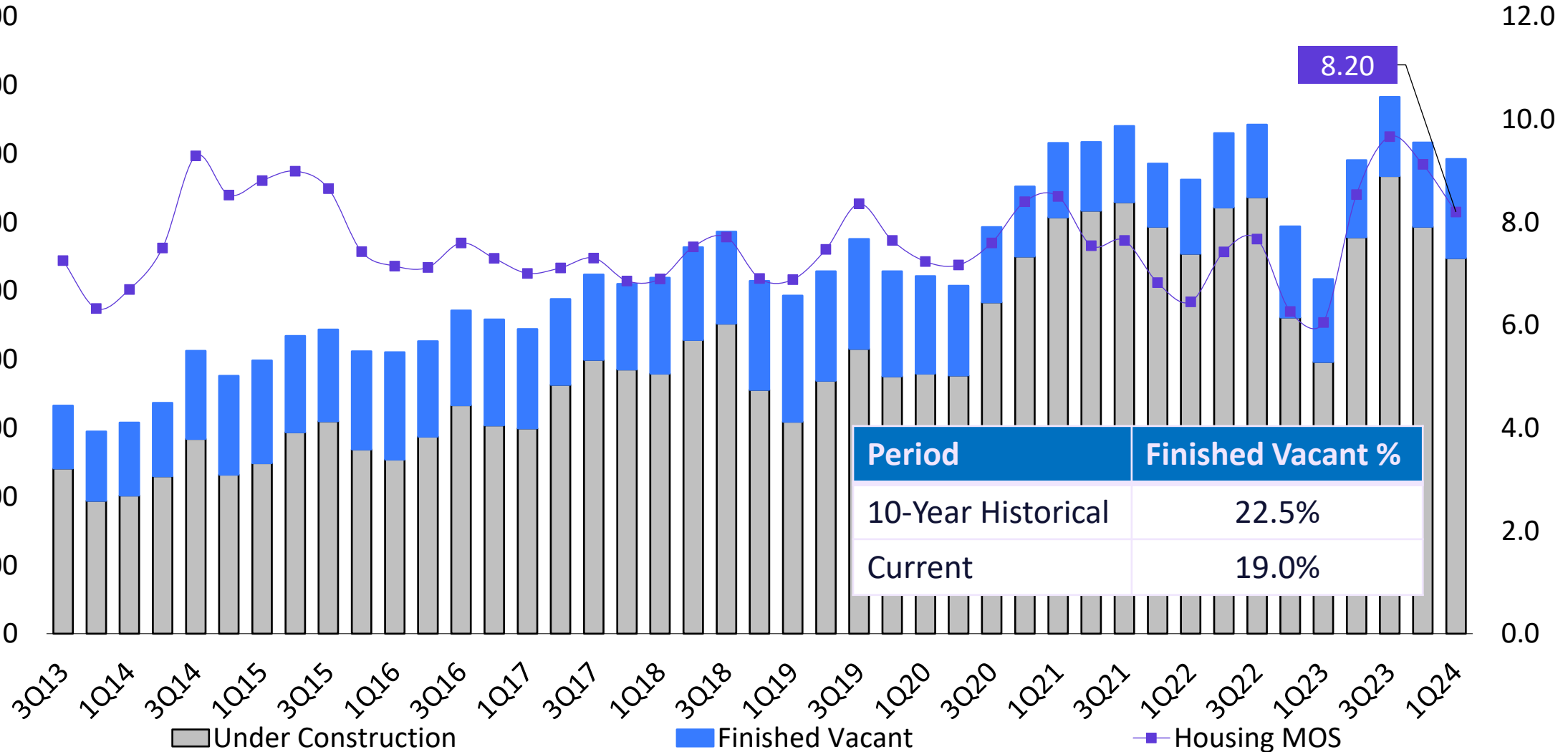


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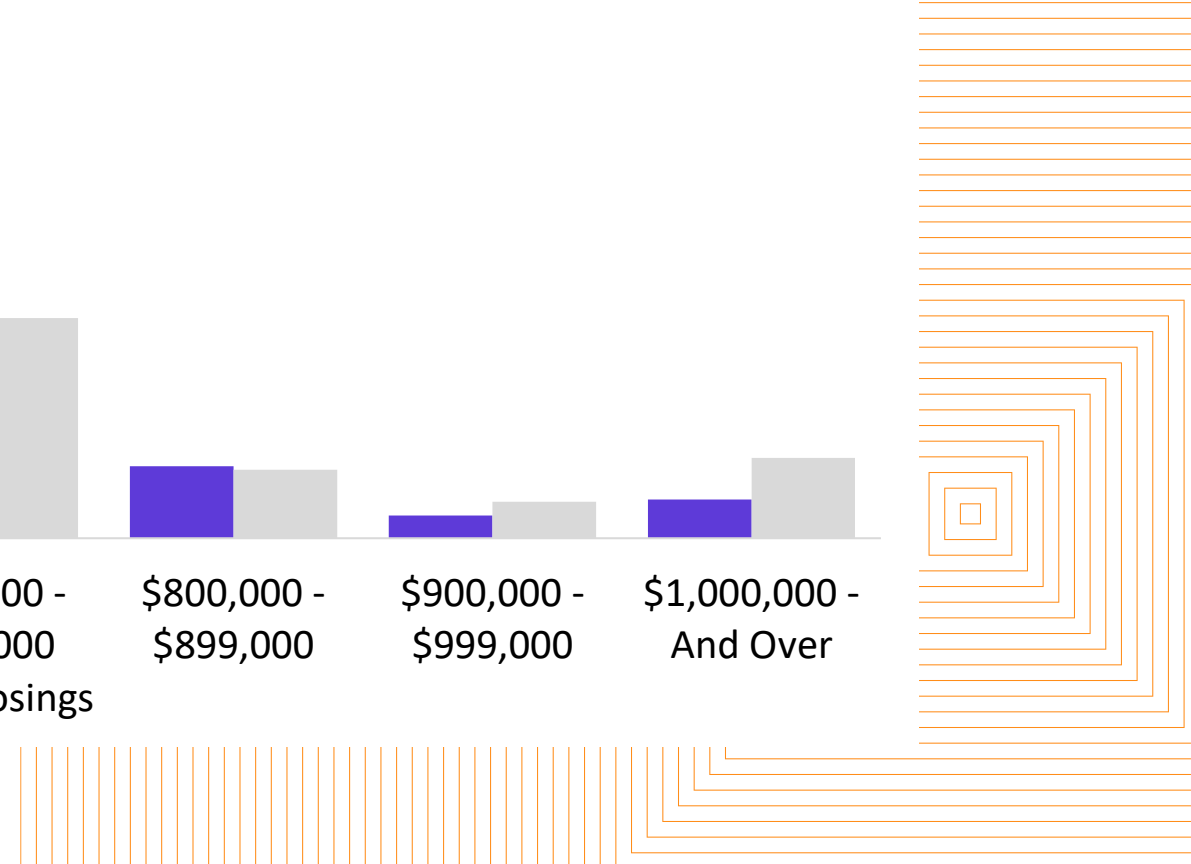
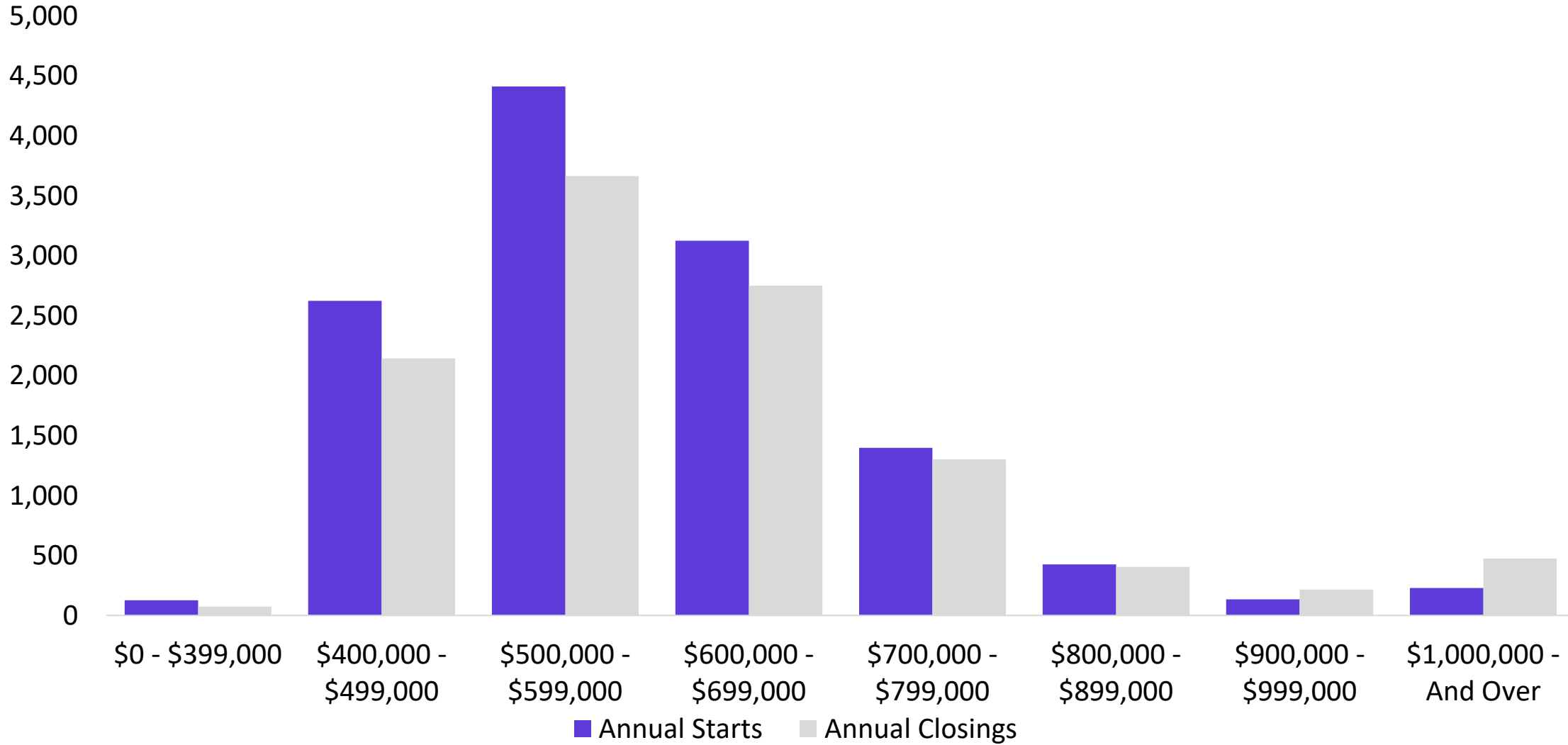
Annual Starts



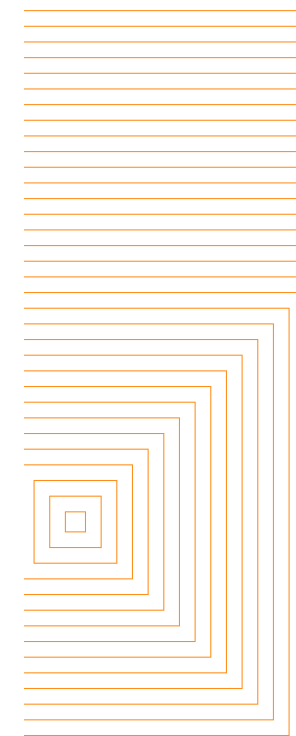
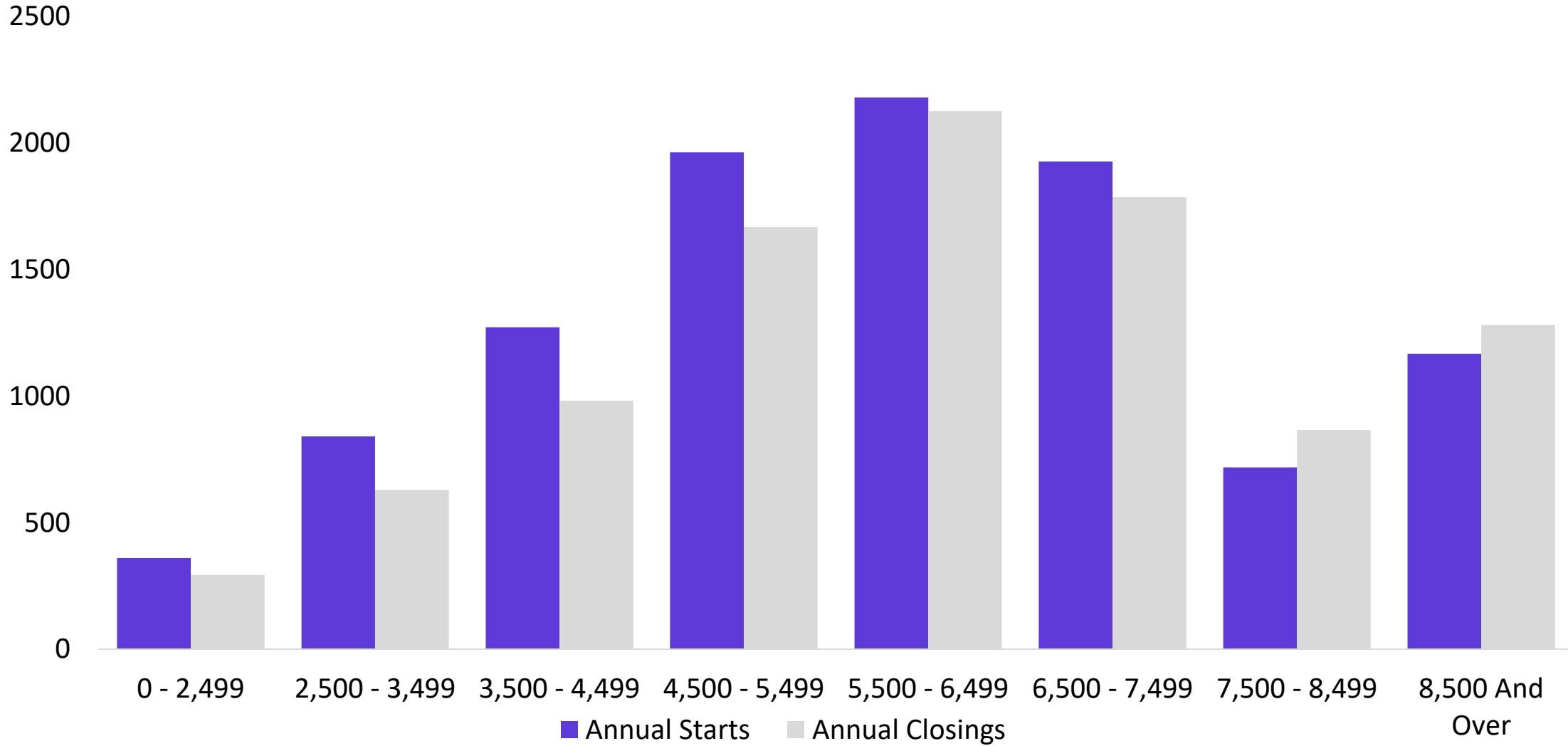
Inventory is not worrisome



60% of the starts market is between \$500,000 - \$700,000



40% of annual starts are 4,500 – 6,500

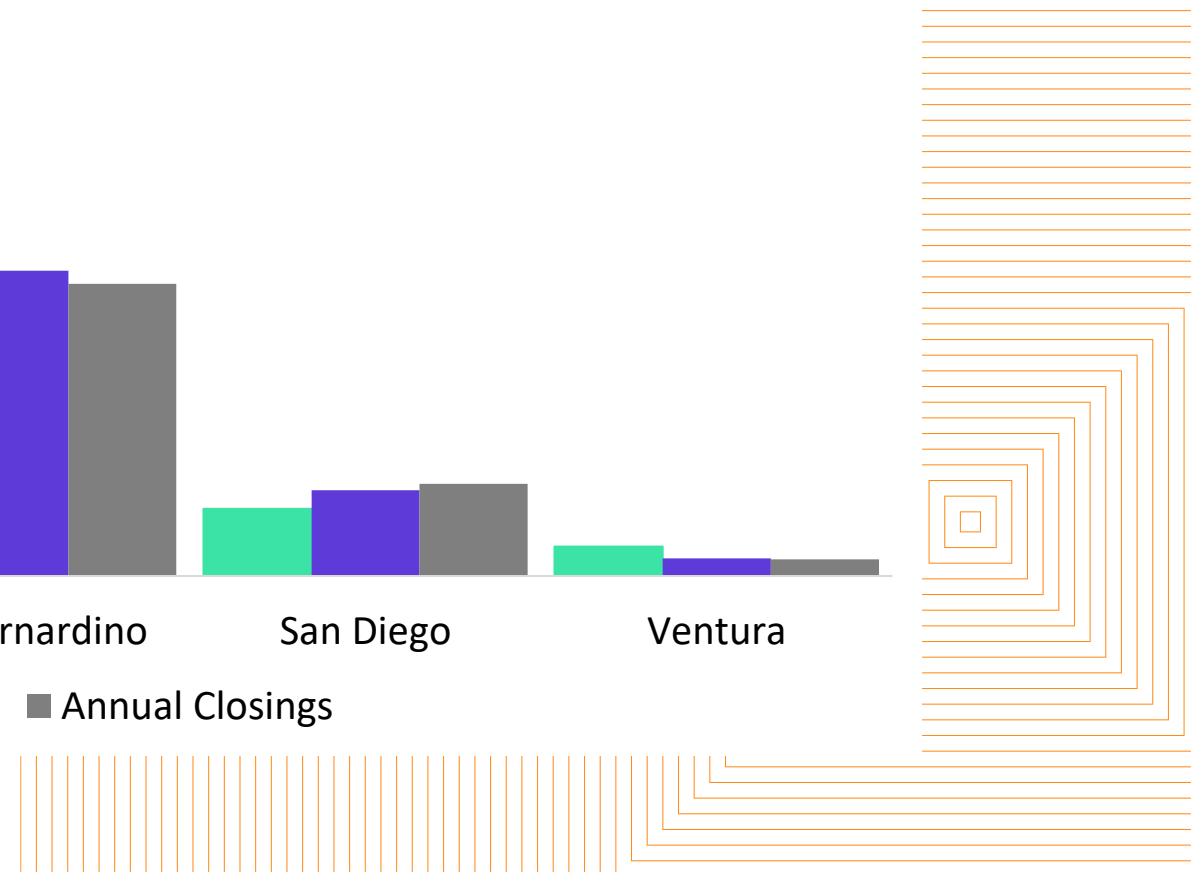
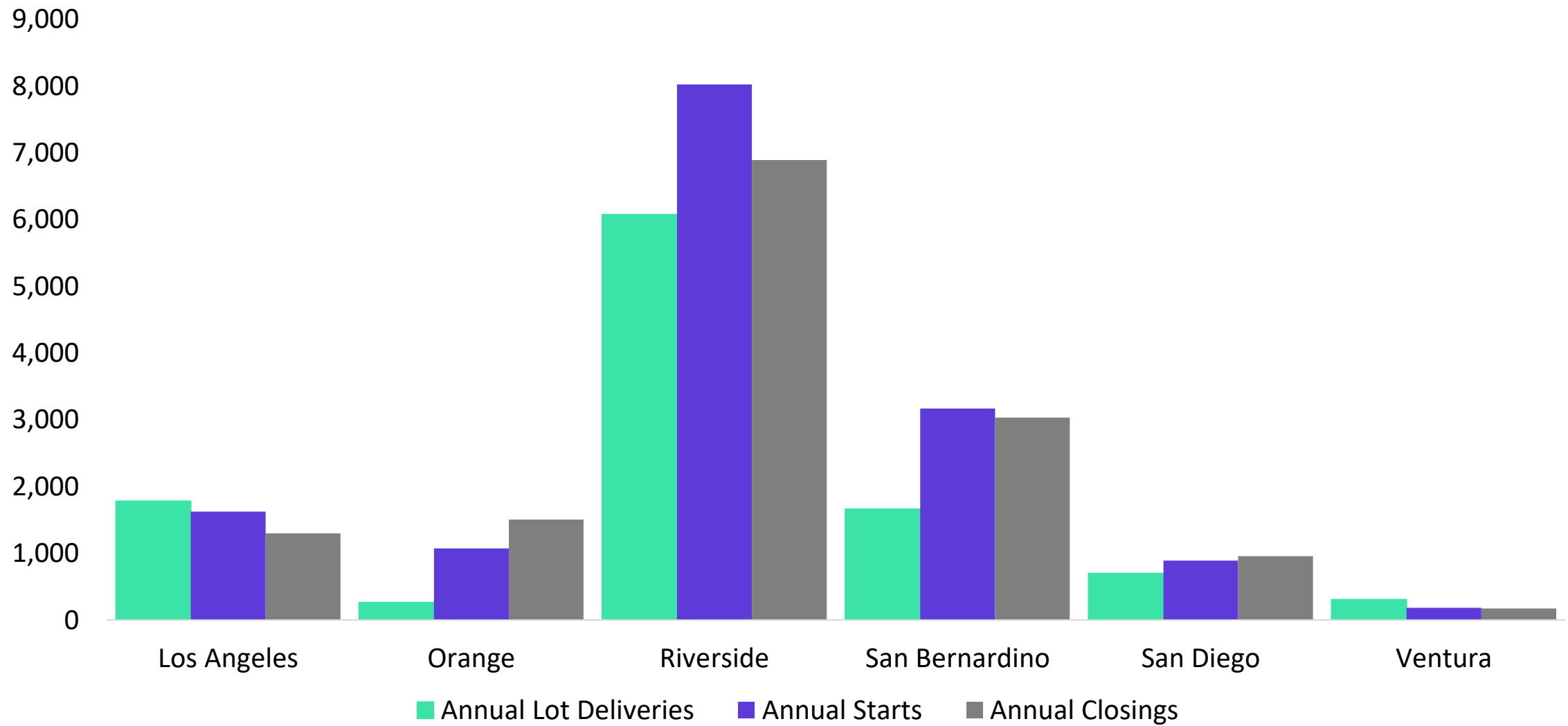




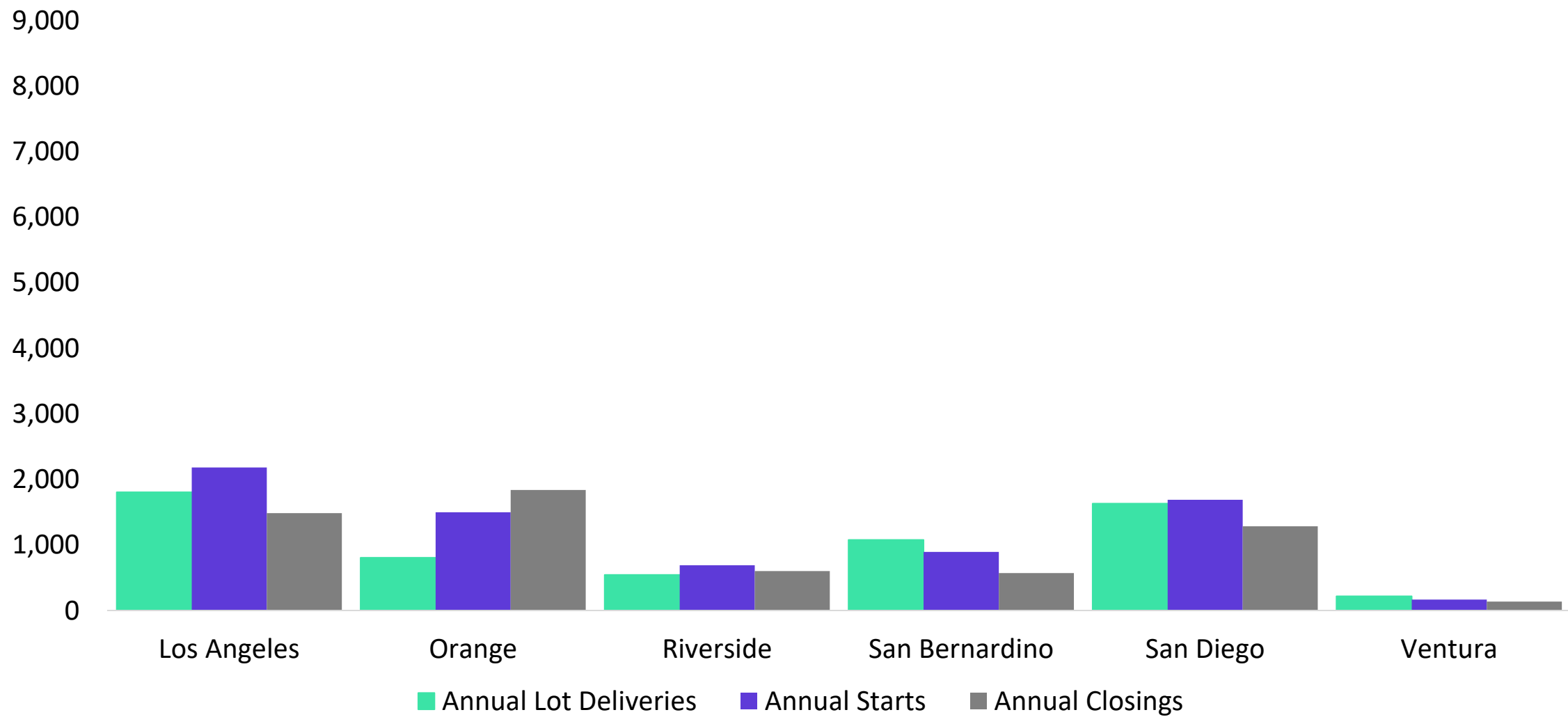
Top annual starting neighborhoods – a lot more attached products

Subdivision Name / Rank	Builder	Postal City	Annual Delivery	Annual Starts	Avg. Mo. Starts	Annual Close	Avg. Mo. Close	Finished Vacant	Under Const.	Home Inv. MOS	VDL Inv	VDL MOS
Atwell / Southcreek	Tri Pointe Homes	Banning	125	157	13.1	75	6.3	20	62	13.6	17	1.3
Olivewood (AKA Heartland)	Taylor Morrison	Beaumont	62	133	11.1	145	12.1	16	39	5.8	68	6.1
Fairways / Augusta	D.R. Horton Inc	Beaumont	77	112	9.3	97	8.1	30	23	6.9	62	6.6
Ontario Ranch / Sunset Ranch - Torrey	KB Home	Ontario	110	110	9.2	80	6.7	0	30	5.0	0	0.0
Piemonte / Radius (TH)	Taylor Morrison	Ontario	110	110	9.2	4	0.3	29	77	318.0	0	0.0
Spring Mountain Ranch / Cambria	KB Home	Riverside	30	110	9.2	62	5.2	3	58	12.4	59	6.4
Olivebrook / Cheyenne	KB Home	Winchester	64	108	9.0	31	2.6	10	67	31.0	43	4.8
Ontario Ranch / Sunset Ranch - Belmont	KB Home	Ontario	135	105	8.8	40	3.3	16	55	22.5	30	3.4
Nuevo Meadows / Cielo	KB Home	Nuevo	0	101	8.4	36	3.0	6	59	22.7	48	5.7
Nuevo Meadows / Brisa	KB Home	Nuevo	0	98	8.2	43	3.6	0	55	16.2	18	2.2
Prairie Crossing / North Sky	D.R. Horton Inc	Winchester	0	97	8.1	88	7.3	20	17	5.5	1	0.1
Ontario Ranch / Sunset Ranch - Sevilla Condo	KB Home	Ontario	168	94	7.8	14	1.2	18	64	73.7	74	9.5
Sevilla Condo	Lennar Homes	Winchester	0	91	7.6	86	7.2	9	43	7.8	26	3.4
Winchester Hills / Outlook - Copper Skye	Tri Pointe Homes	Winchester	0	90	7.5	47	3.9	4	60	17.4	16	2.1
Tierra Del Sol - RV	Meritage Homes	Winchester	0	90	7.5	72	6.0	9	30	6.8	3	0.4
Ontario Ranch / Country Lane - Pradera Pointe	Lennar Homes	Ontario	0	86	7.2	69	5.8	12	17	5.6	37	5.2
Pradera Pointe	D.R. Horton Inc -	Winchester	210	86	7.2	43	3.6	1	39	12.0	124	17.3
Spring Mountain Ranch / Sonoma	KB Home	Riverside	0	85	7.1	68	5.7	7	30	7.1	22	3.1
Countryview / Sage	KB Home	Homeland	93	85	7.1	65	5.4	2	50	10.2	53	7.5
Mariposa Pointe	D.R. Horton Inc -	Coachella	0	85	7.1	88	7.3	7	11	2.7	24	3.4
TOP 20 TOTALS / AVERAGES			1,184	2,033	8.5	1,253	5.2	219	886	30.1	725	4.4

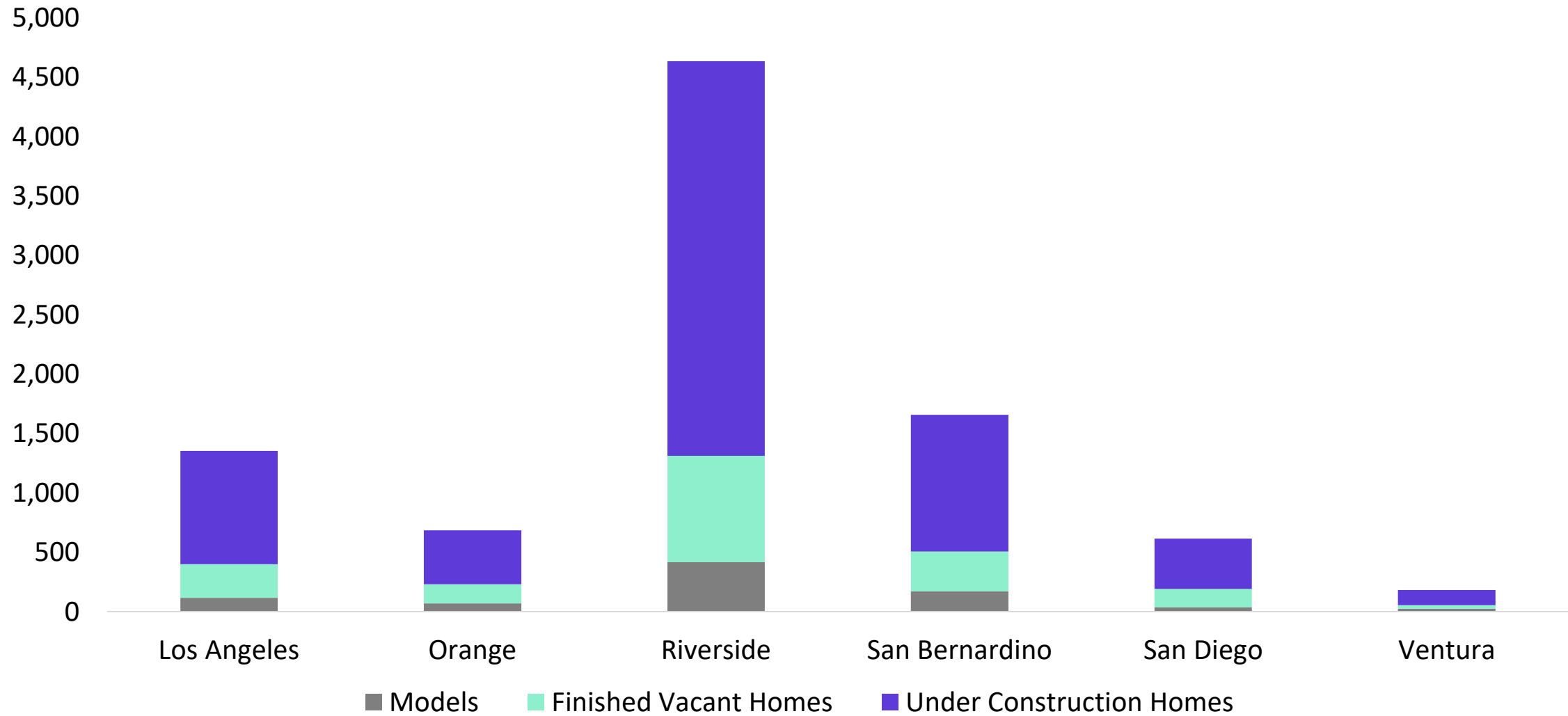
Detached – Riverside is the strength of the market due to availability



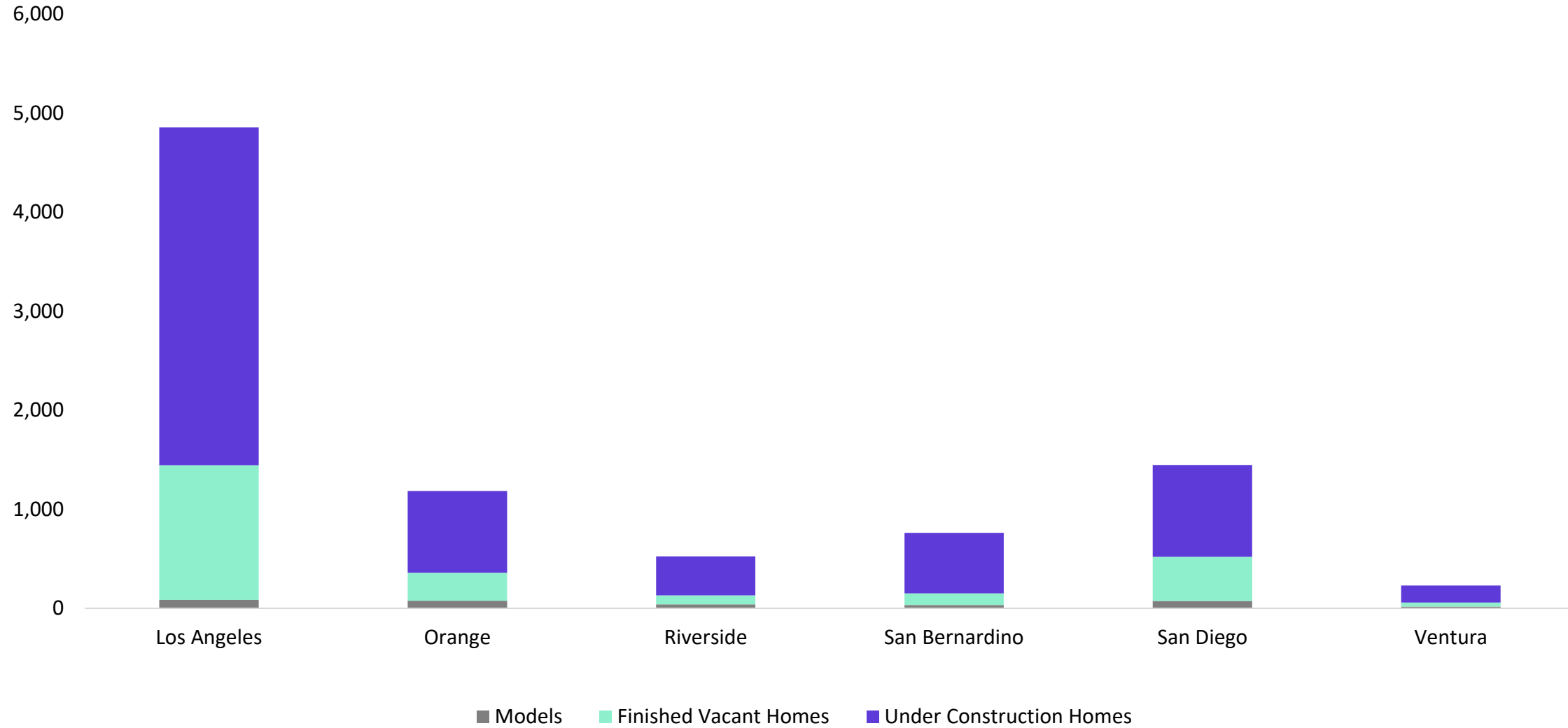
Attached units are stronger along the coast



Detached – No Counties have a buildup of finished vacant

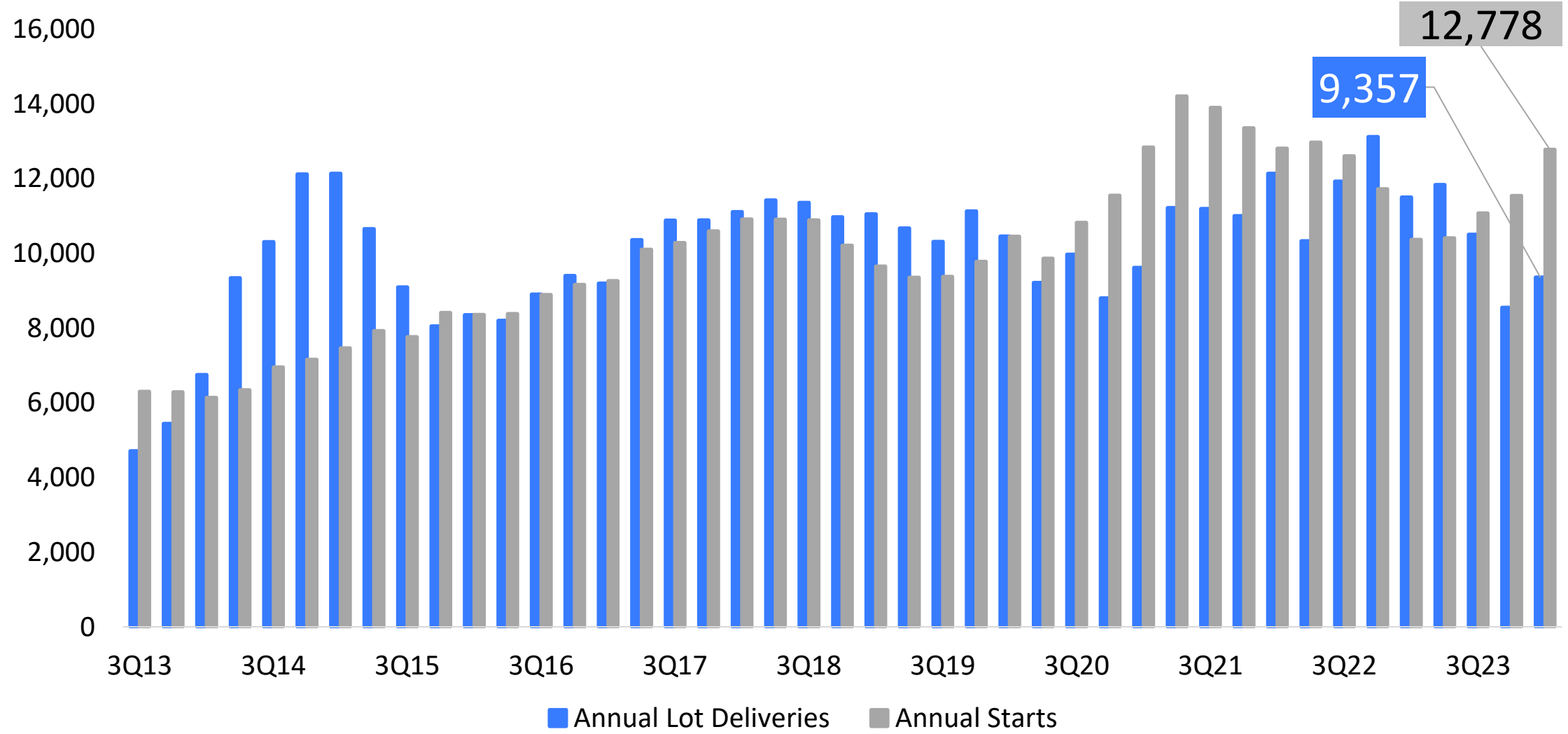


Attached – Los Angeles County has more flats/condos increasing Finished Vacant



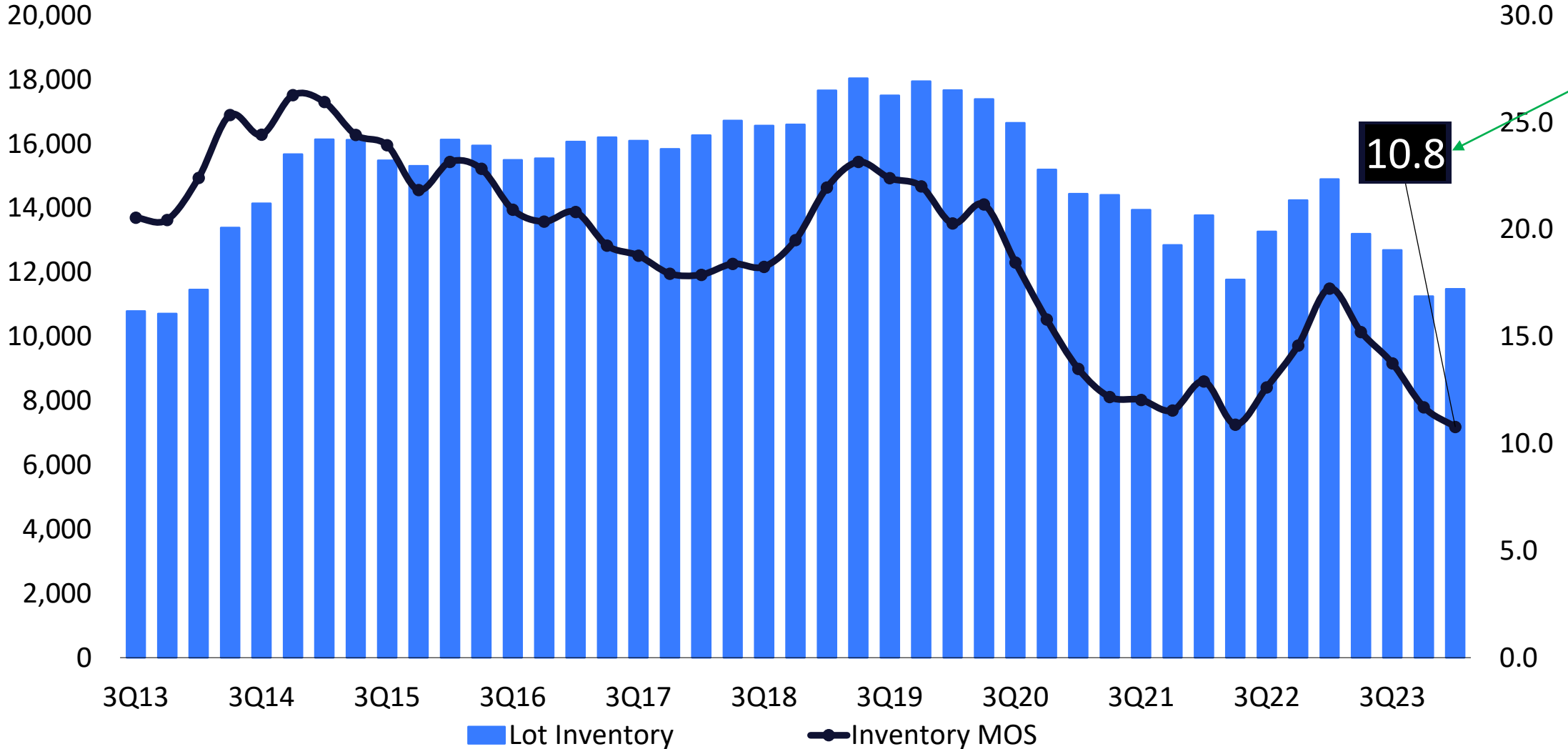
Inland Empire Lot Supply

Starts out-pacing deliveries keeping lots prices high



Zonda.

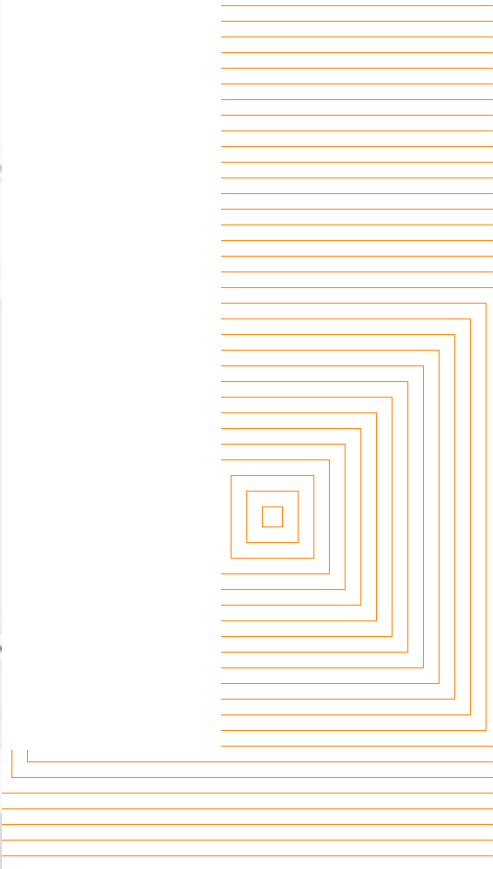
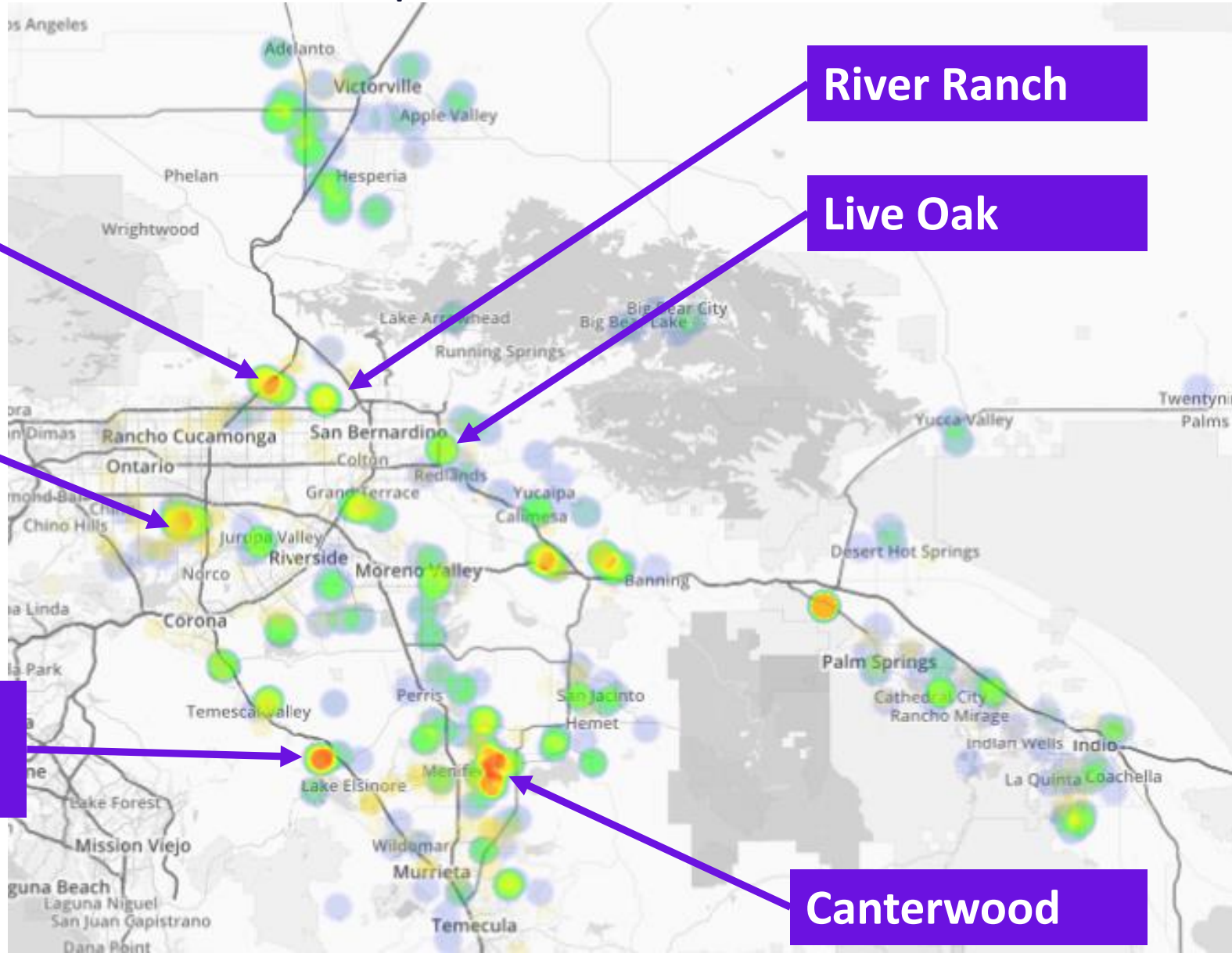
VDL has fallen from 17.2 MOS in 1Q23 to 10.8 MOS by 1Q24



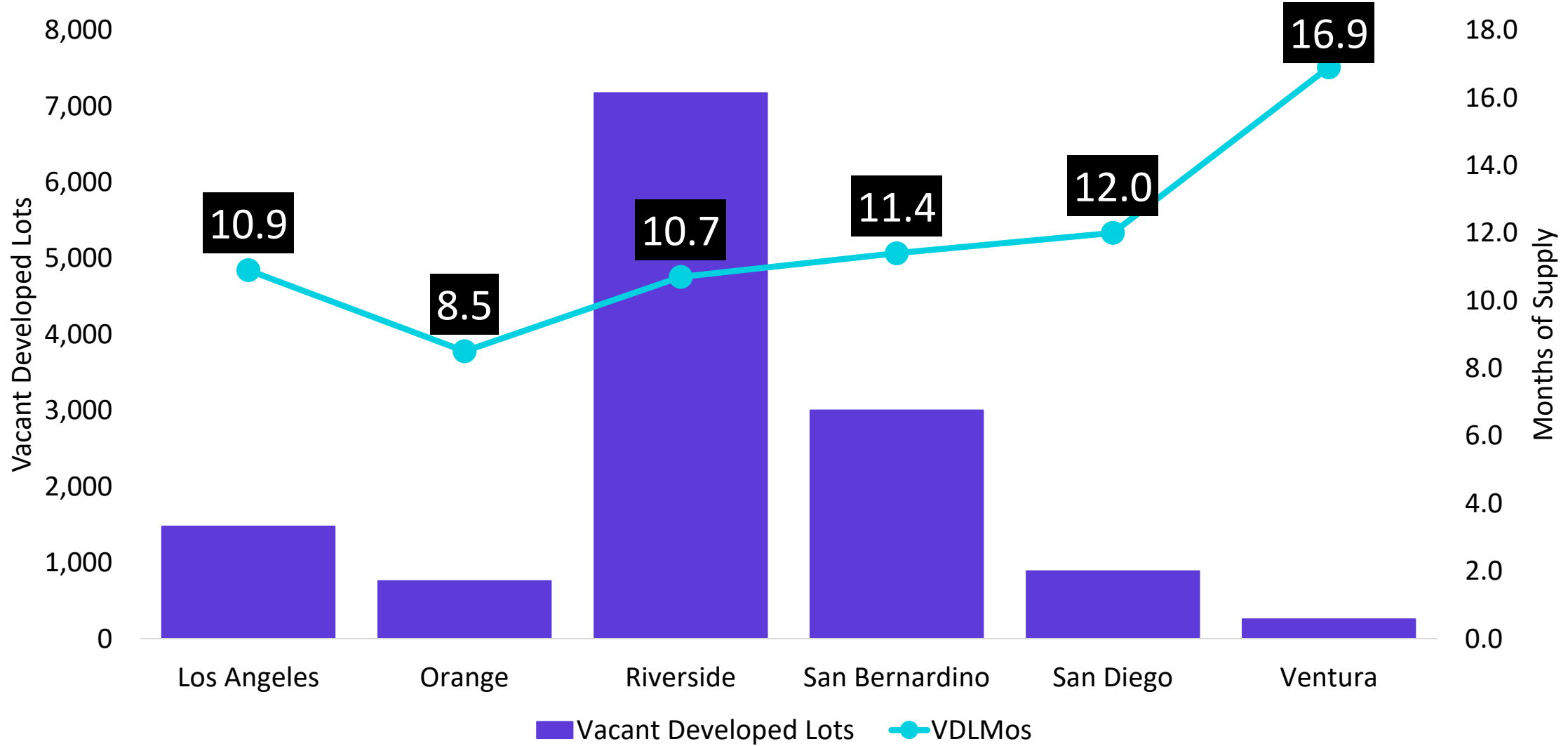
MOS has potential to decline further

10.8

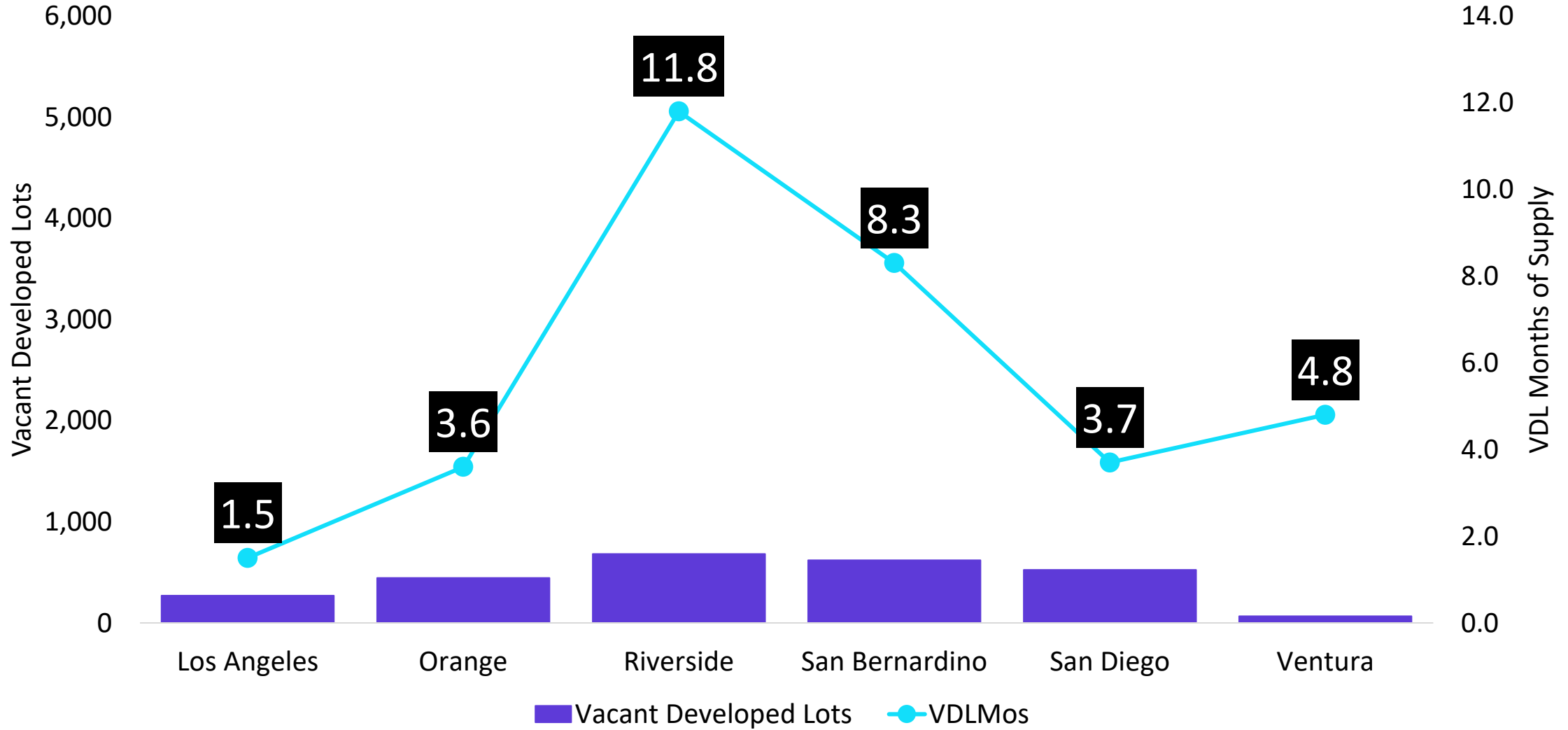
Where are the Vacant Developed Lots?



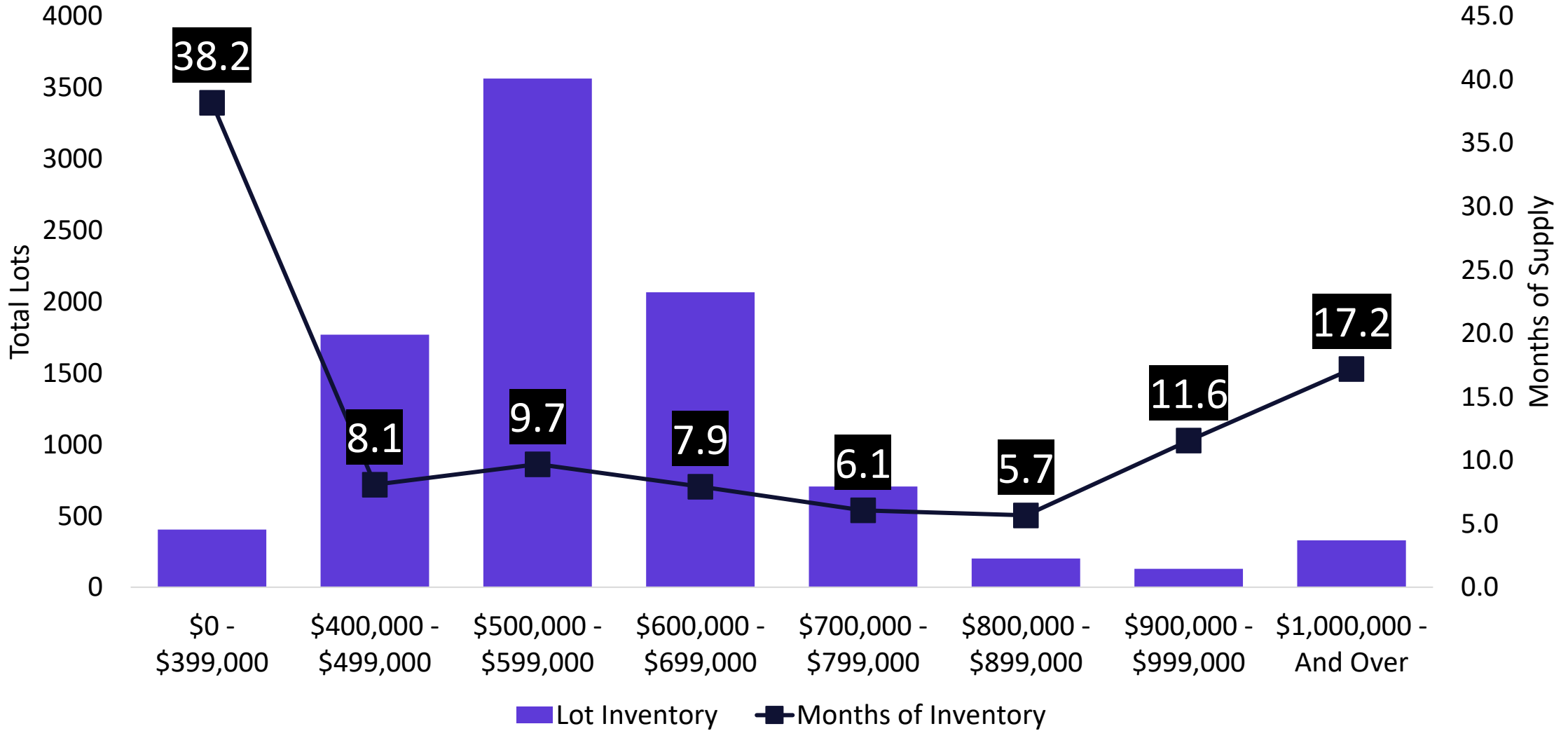
Detached – VDL varies but is well below equilibrium



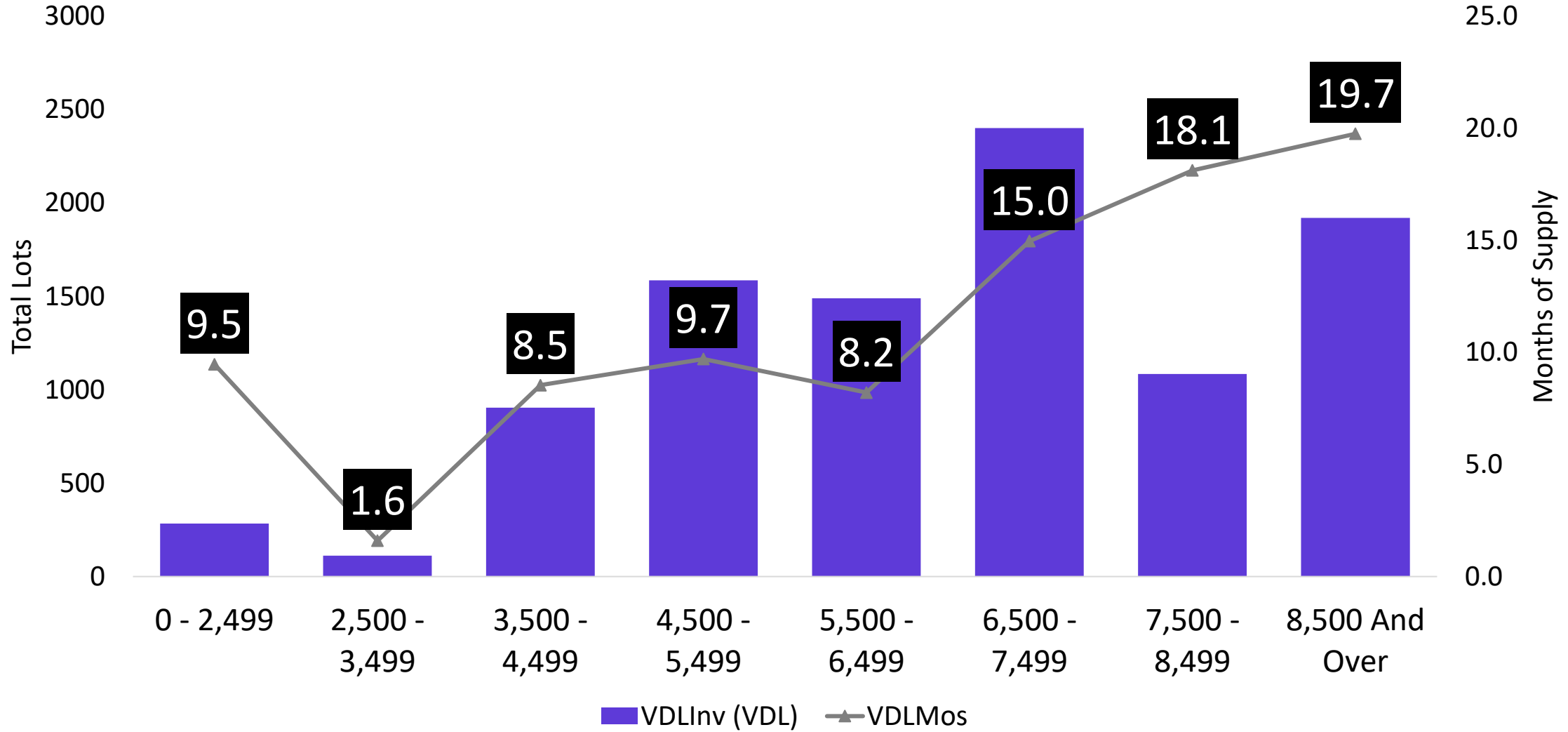
Attached lots vary by location



Under-supplied in the meat of the market – causing attainability issues

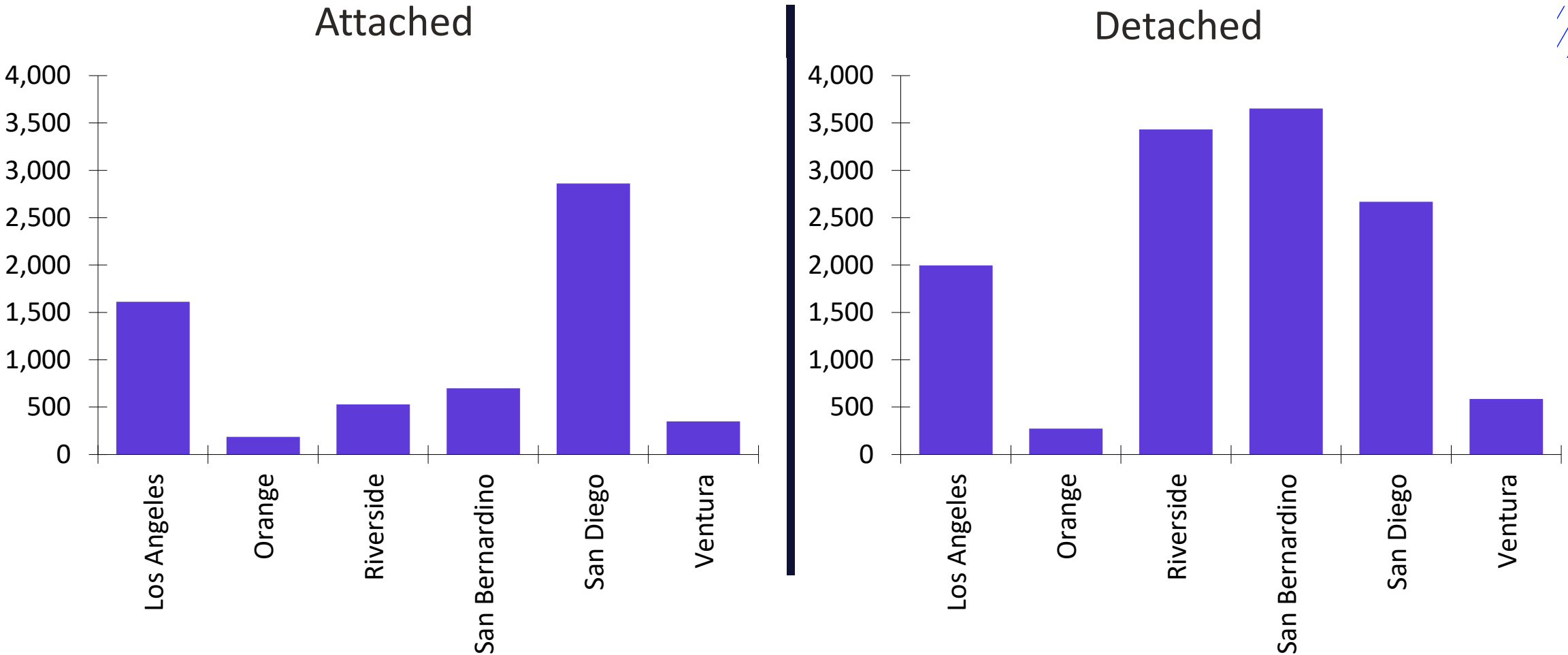


Larger lots are generally dormant

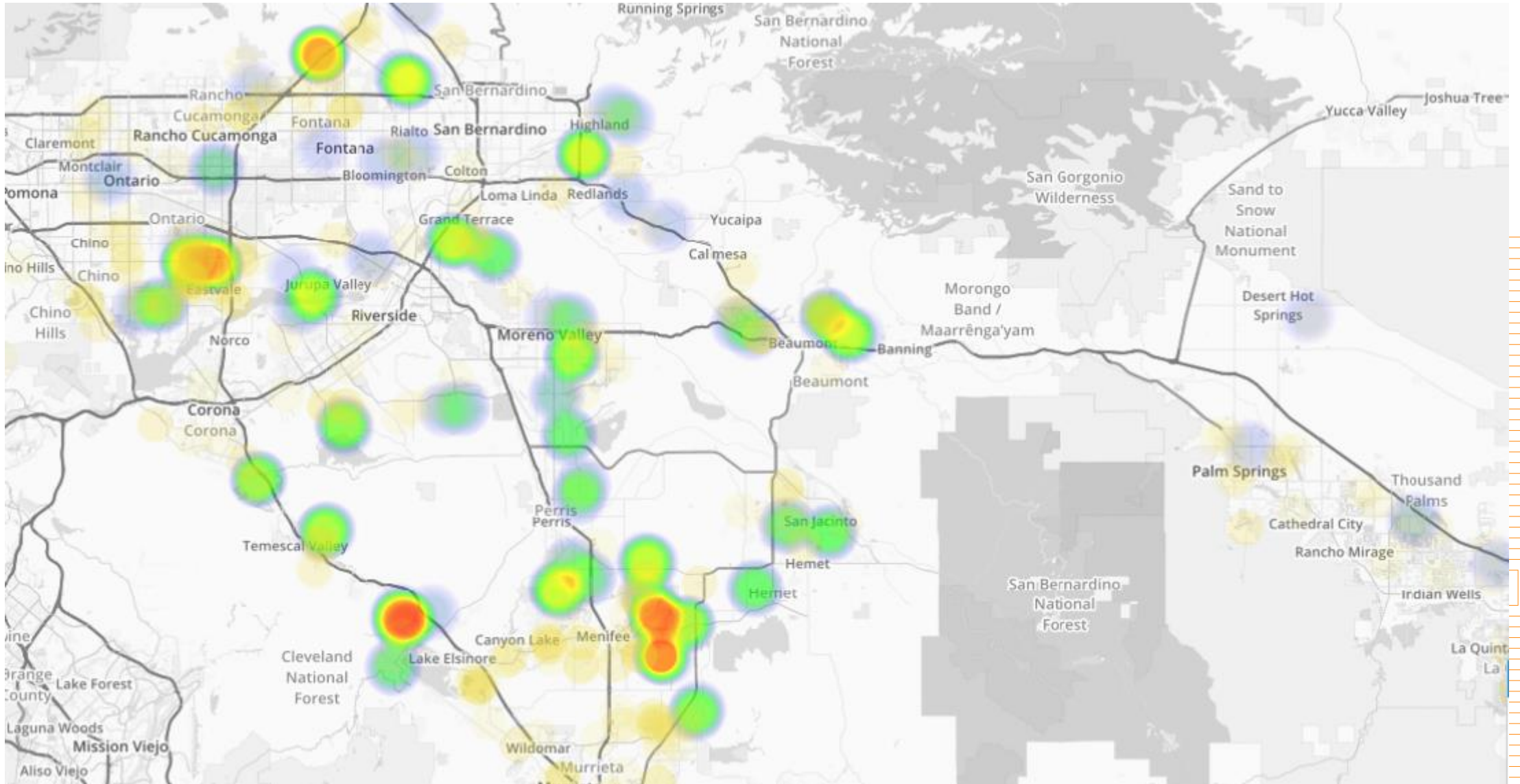


Source: Zonda

Where are the lots coming online? (at Excavation and above)

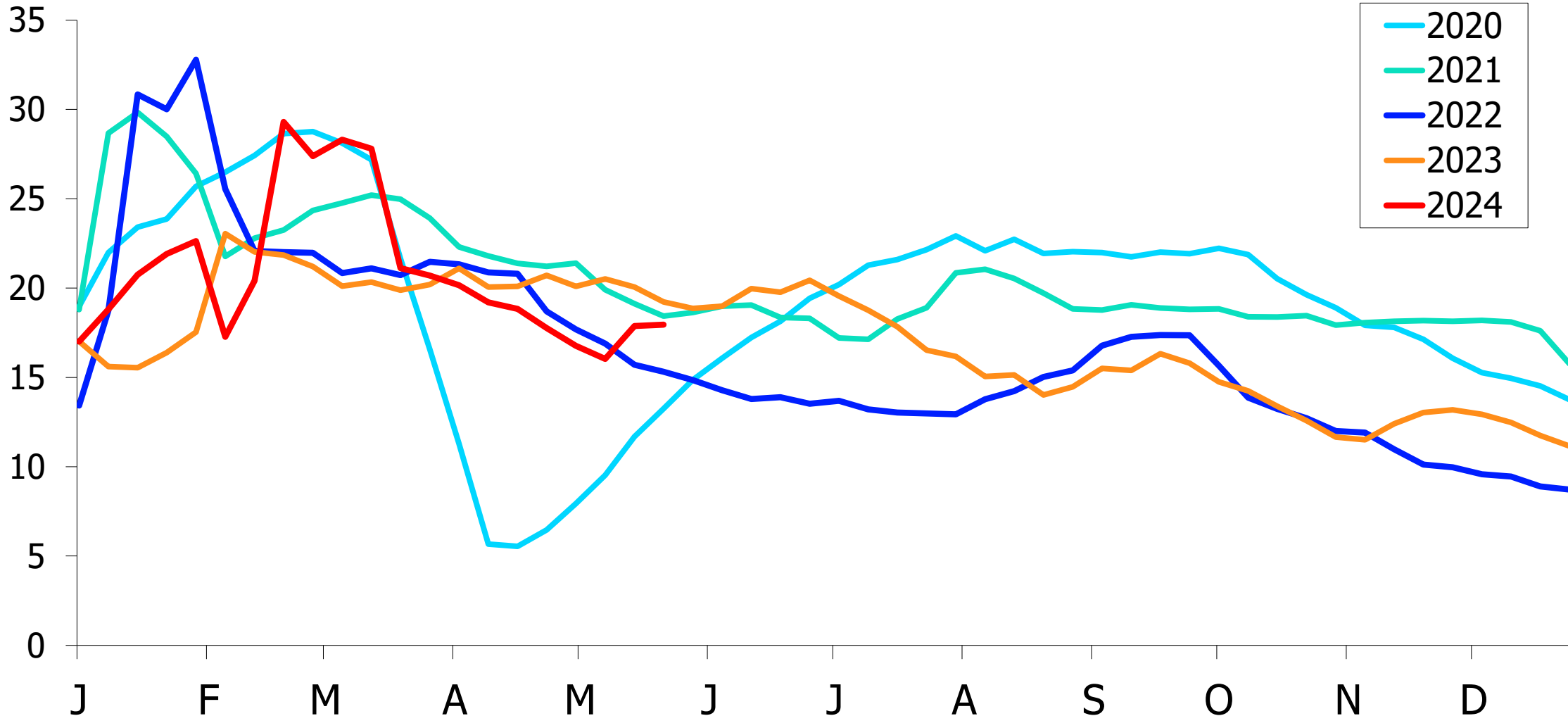


Where have lots been delivered over the past year



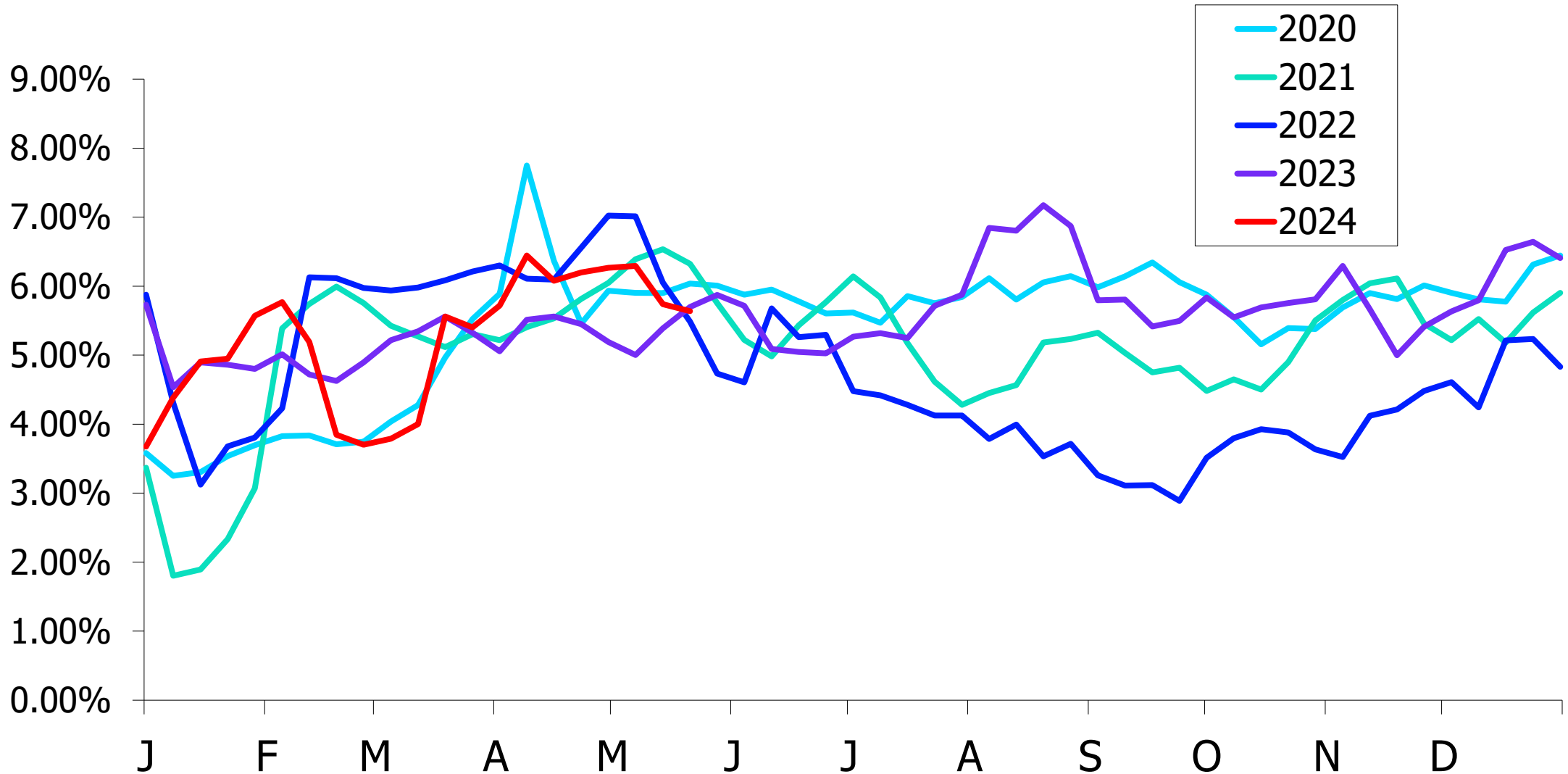
Inland Empire Demand - Sales

Traffic per neighborhood remains low – Magnifies the need for online



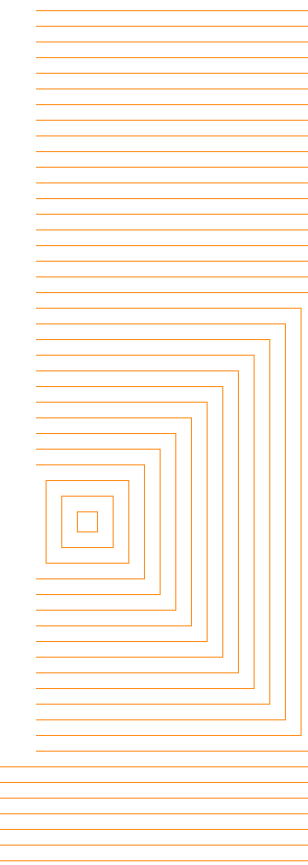
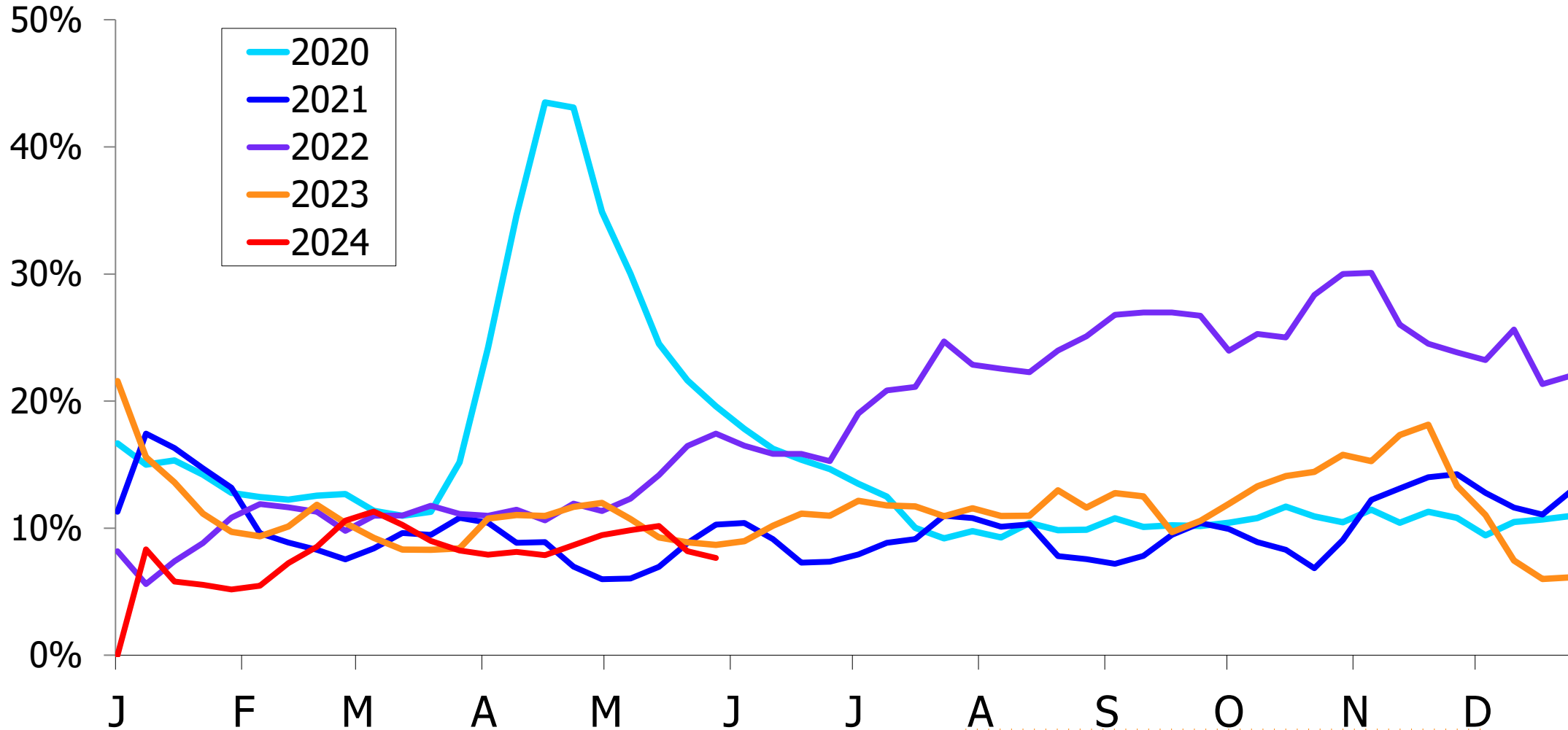
📊 Zonda.

Conversion rate is above pre-pandemic norms

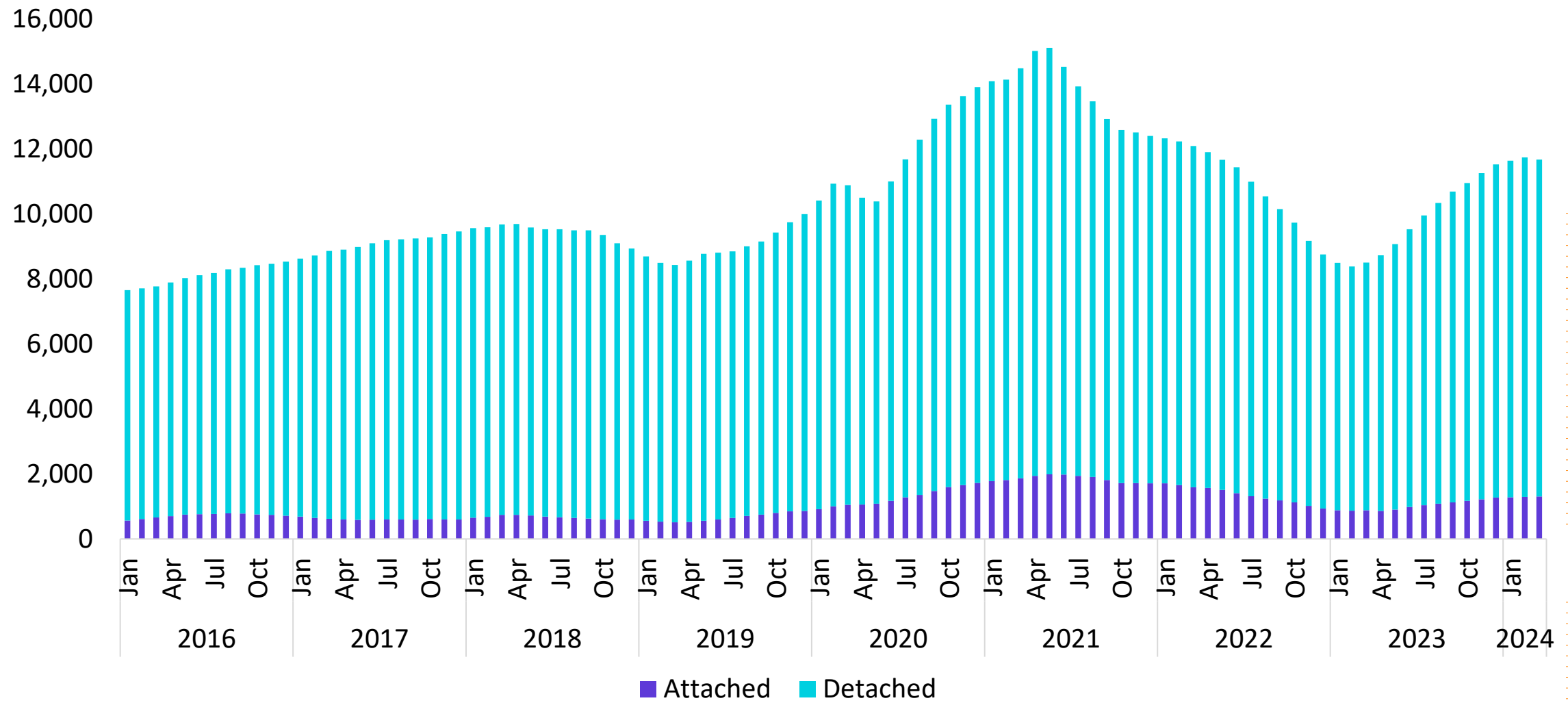


% Zonda.

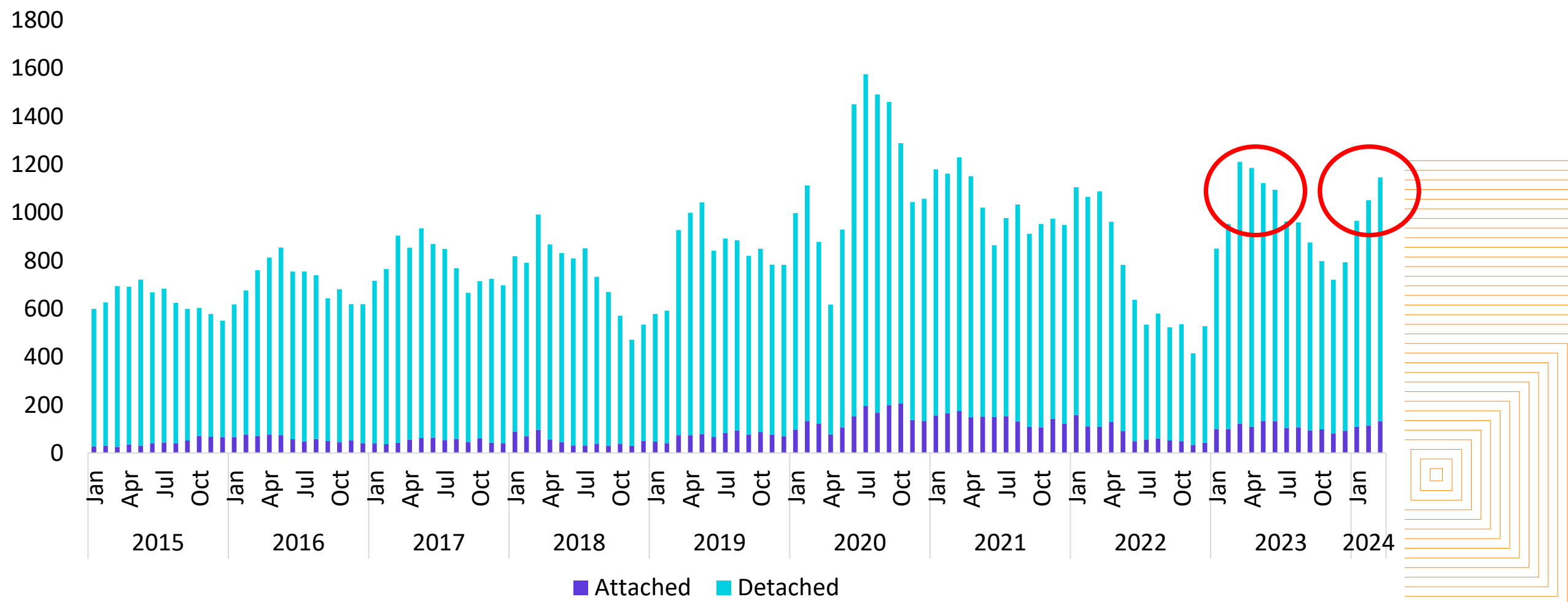
Cancellation rate has remained low with strong traffic units



Annual sales hit a bottom in Early Spring 2023 but have risen 39.3% since

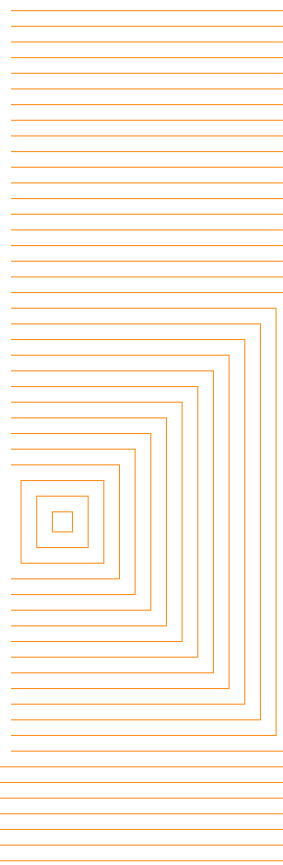
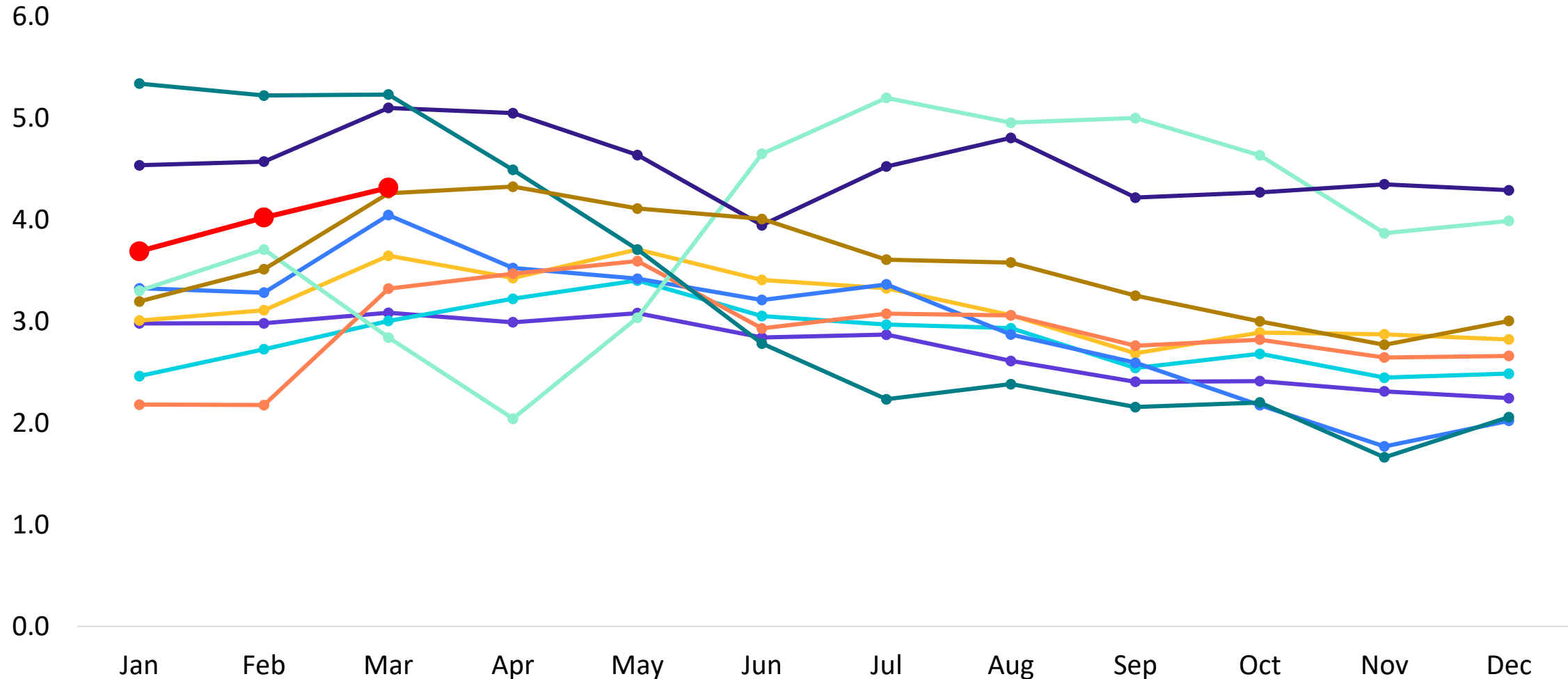


Early 2024 has been stronger than early 2023 but could decline after strong 2023 late spring numbers

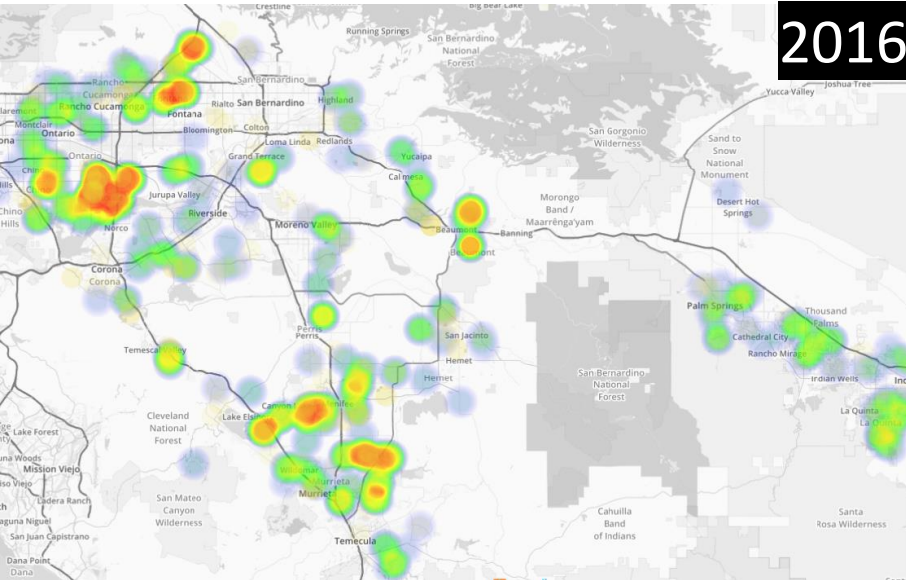


Sales per Neighborhood have been strong over the past few months

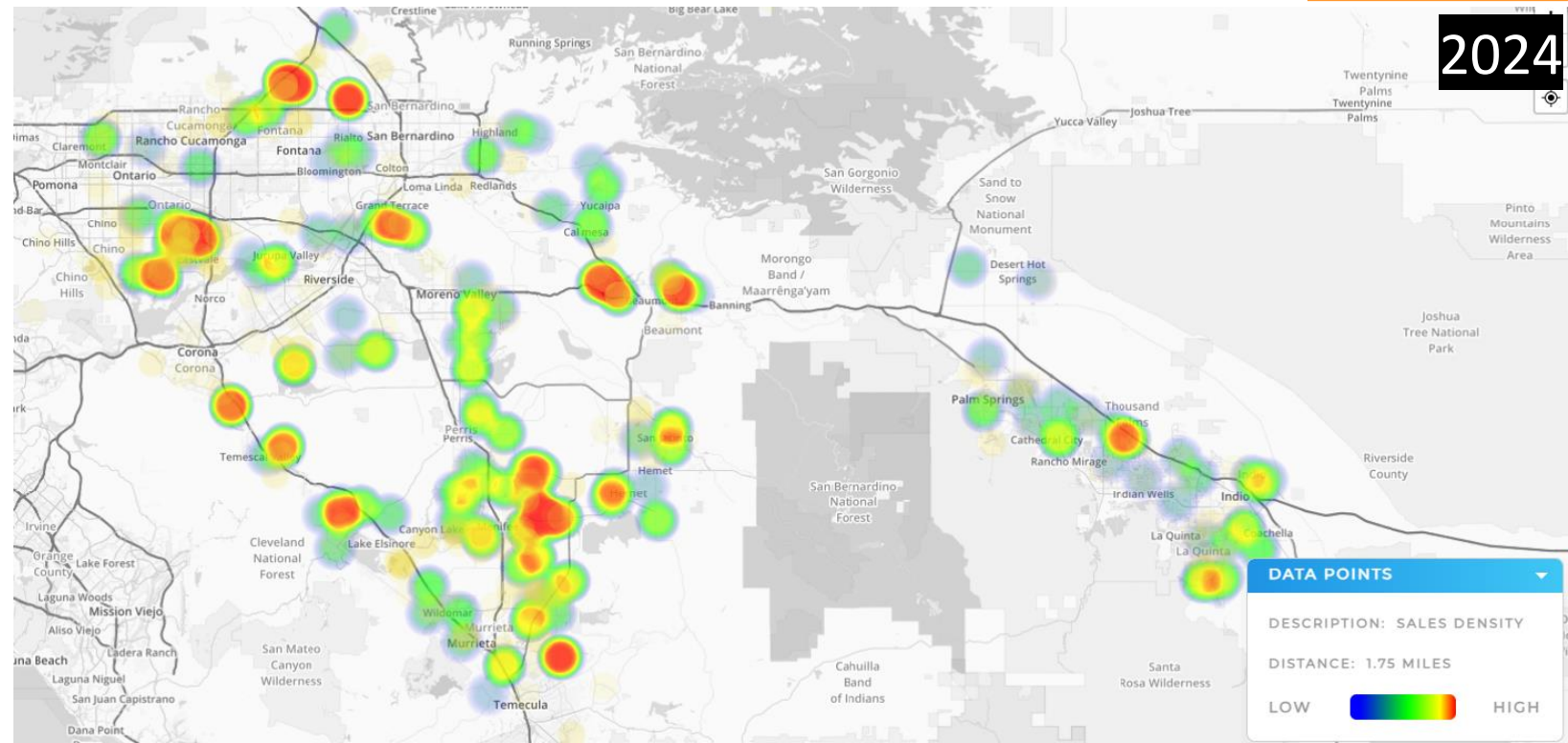
2015 2016 2017 2018 2019 2020 2021 2022 2023 2024



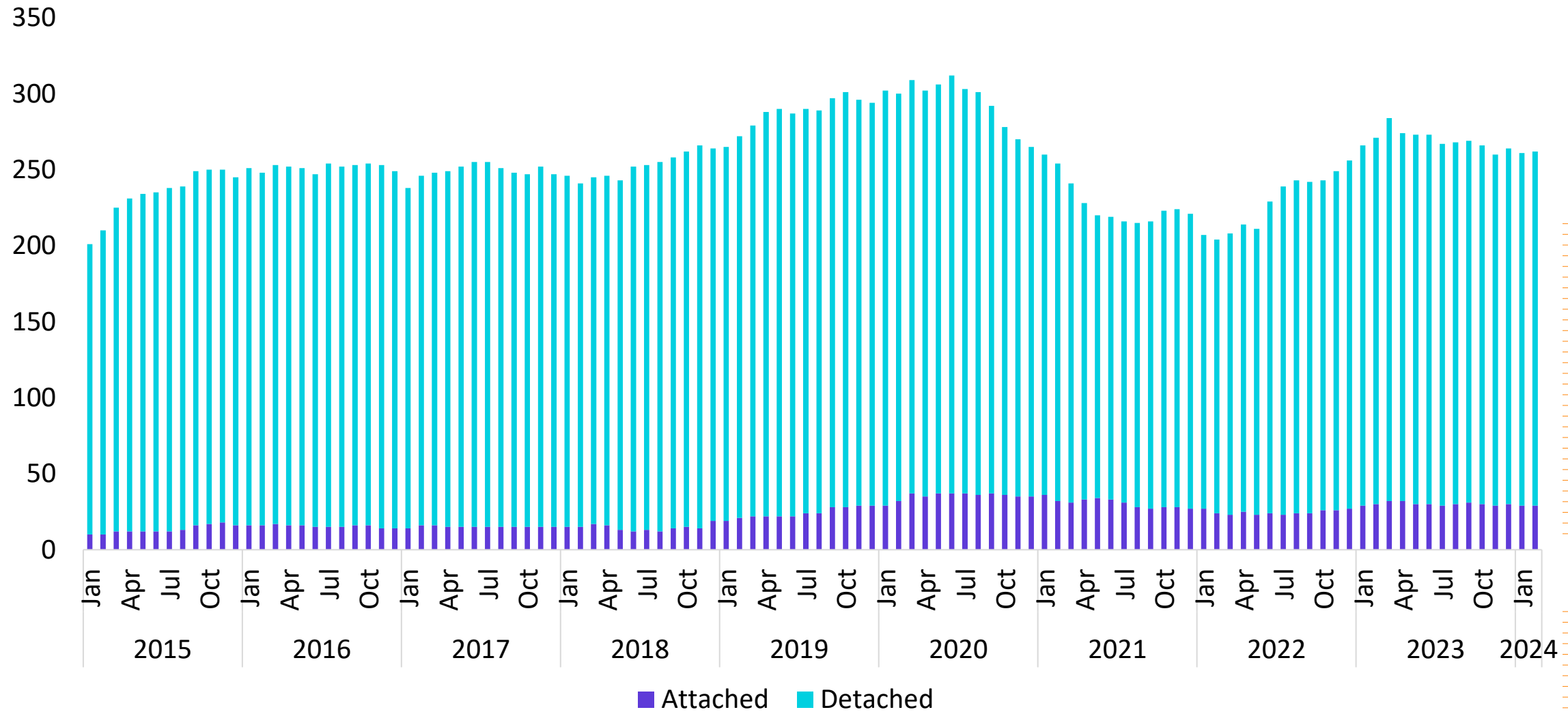
2016 vs 2024 Sales Heat Map



Sales and demand continue to move south and east



Actively selling neighborhoods have slowly been receding since 2023



Lot Deliveries, and VDL are below 10-year averages

Category	Current	Annual Change	Quarterly Change	10-Year Average	Over 10-Yr Avg.
Annual Lot Deliveries	9,357	-18.6%	9.5%	10,326	FALSE
Annual Starts	12,778	23.2%	10.7%	10,182	TRUE
Annual Closings	11,095	-5.1%	7.8%	9,717	TRUE
Models	659	-9.0%	-0.9%	666	FALSE
Finished Vacant Homes	1,442	19.4%	17.5%	1,304	TRUE
Finished Vacant % Inventory	19.0%	-7.1%	21.4%	22.5%	FALSE
Under Construction Homes	5,477	38.2%	-7.7%	4,163	TRUE
Total Housing Inventory	7,578	28.5%	-3.2%	6,134	TRUE
Vacant Developed Lots ('VDL')	11,479	-23.0%	2.0%	15,156	FALSE
VDL Months of Supply	10.78	-37.5%	-1.0%	18.7	FALSE
Future Lots	304,612	-2.5%	-1.0%	292,163	TRUE

On the Horizon

On The Horizon

Economy

- Economic uncertainty continues
- Federal Reserve has begun sending moderating signals
- Global supply chains are seeing some potential temporary pressures
- Construction materials have increased

Real Estate

- Top buyer is discretionary. 55+ buyers are the best positioned to buy, but don't HAVE to.
- Annual starts are up quarter to quarter with further increases expected
- Inventory levels have been stable
- In-demand lots are equilibrium keeping land prices elevated
- Sales per neighborhood has started 2024 above historical norms but active neighborhoods are down
- Attainability concerns continue
- Homebuyers are increasingly starting their home search online before visiting the neighborhoods
- Annual sales are up since hitting a trough in Early 2023
- Encouraging long-term outlook for the Inland Empire

Here To Help

Your Local Team

Get local support on:

- Market data and trends,
- The various products and services we offer, and Member services, orientation, and training.



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