

30th Annual Los Angeles/Orange County Market Trends Seminar

January 26, 2023

Sharing market trends from a local perspective



Evan Forrest

Vice President - Advisory

Zonda Advisory is here to help

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Master Plan Profile

Lakewood Ranch

Developed by Schroeder-Manatee Ranch Inc.

Ranked #2
National MPC Rank, 2019 Closings

Units		Projects	
	Feb 19, 2021		
Planned	22,934	Active Projects	
Sold	15,983	Upcoming Projects	
Unsold	6,951	Active Units Remaining	
Available QMI	76		

Sales Performance — Last 12 Months

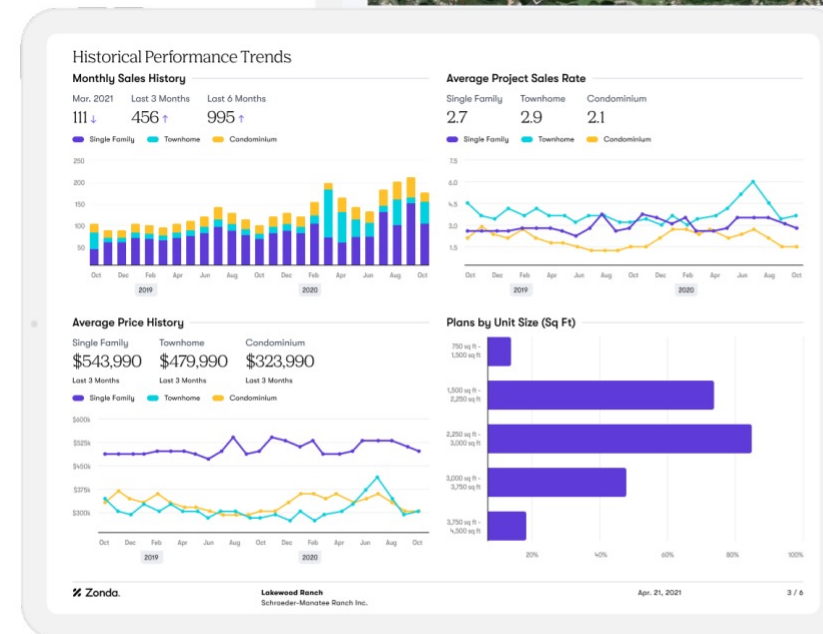
Sales	Sales Rate	List Price Range
1,928	2.18	\$764,490 - \$880,000

Amenities

Wellness	Sports	Schools	Family Recreation	Other
Hiking Trails Yoga Studio Fitness Center	Baseball Diamond Soccer Fields Tennis Lap Pool	Elementary Middle High	Playgrounds Tot Lots Resort Pool	Farm Row Creek

Builders

- Darling Homes
- Drees Homes
- Jaeger Homes, Inc.



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Evan Forrest

Vice President

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(949) 579-1229

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

Submarket Studies

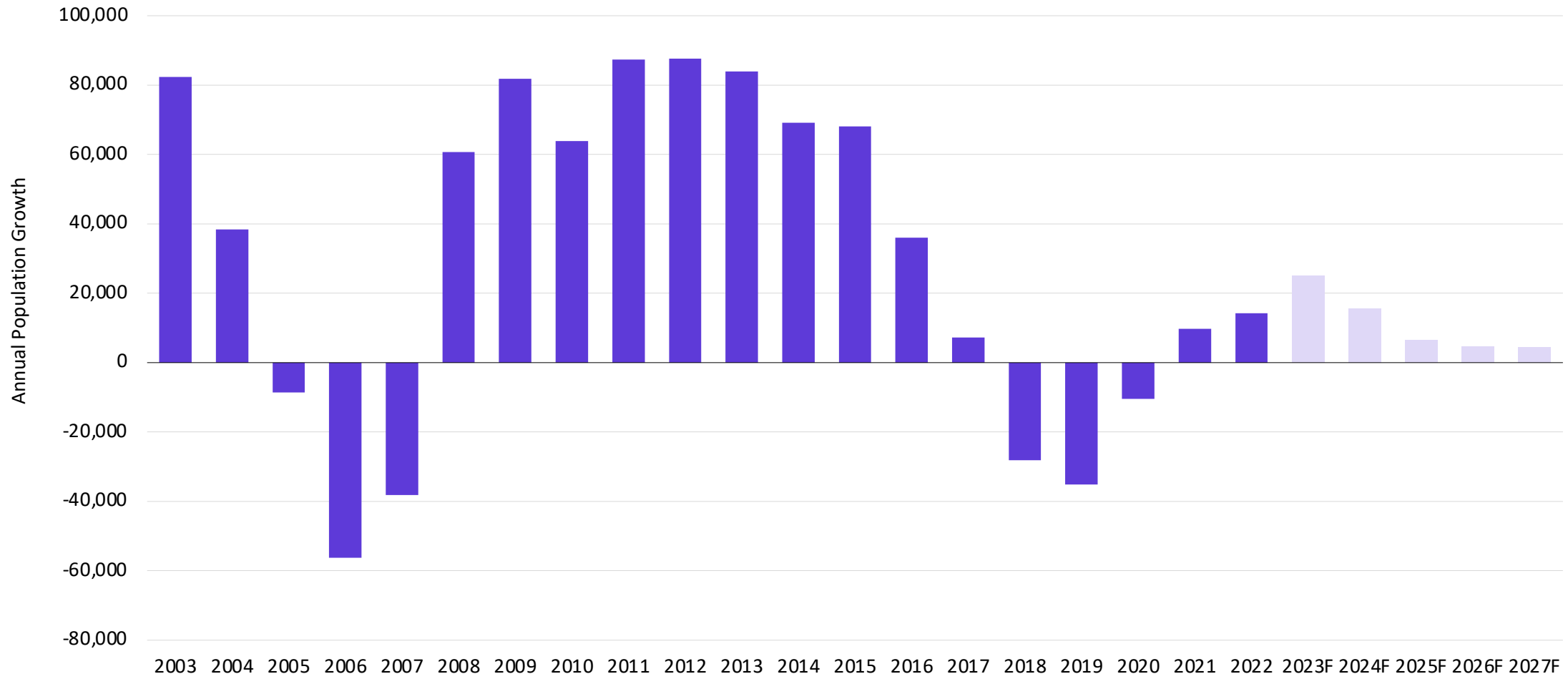
Reviewed submarkets to assist builders with determining market penetration and opportunity

Today's Agenda

1. The Local Economy
2. New Home Supply
3. Lot Supply
4. Demand – Home Sales
5. Pricing Changes
6. On the Horizon

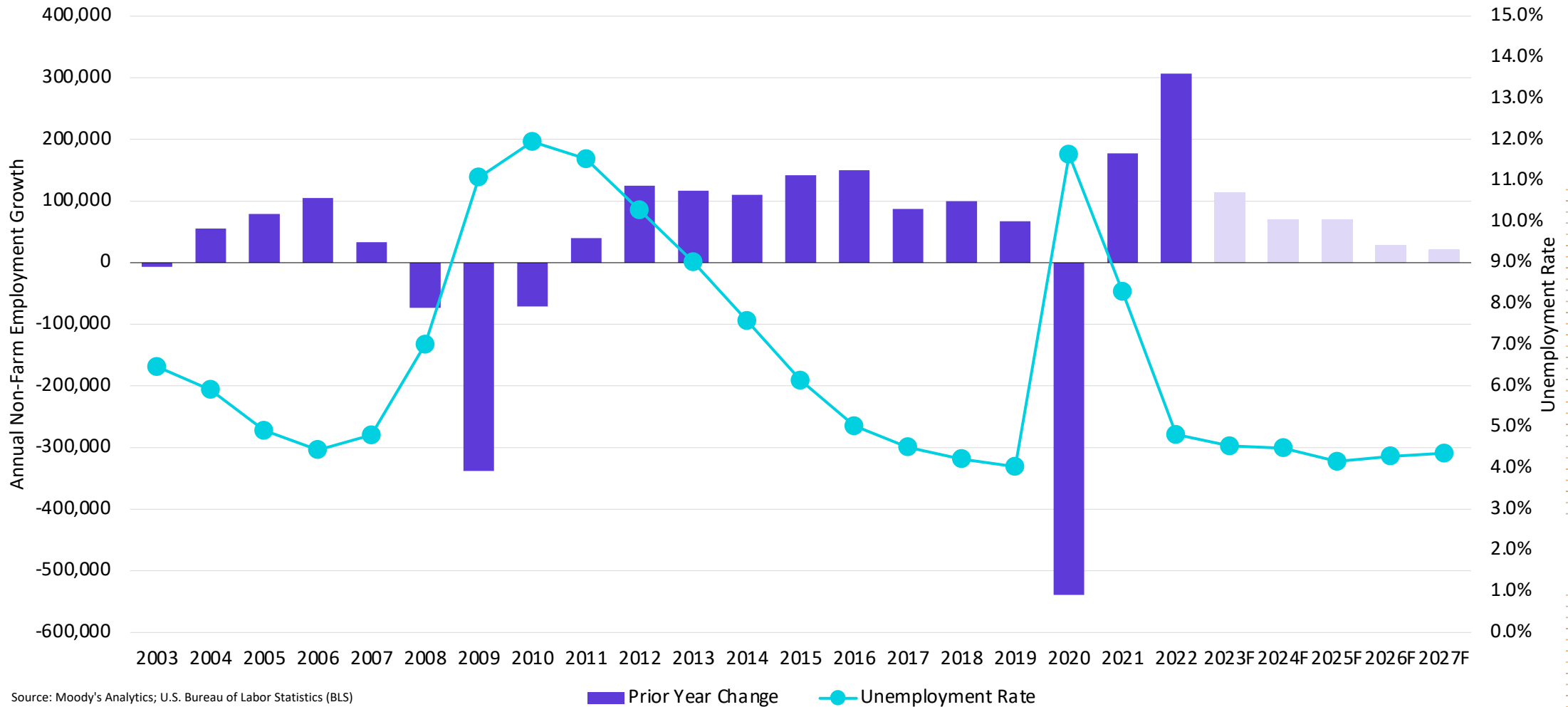
Los Angeles – Long Beach – Anaheim MSA Market Economic Overview

Expected population growth



Source: Moody's Analytics; U.S. Census Bureau (BOC)

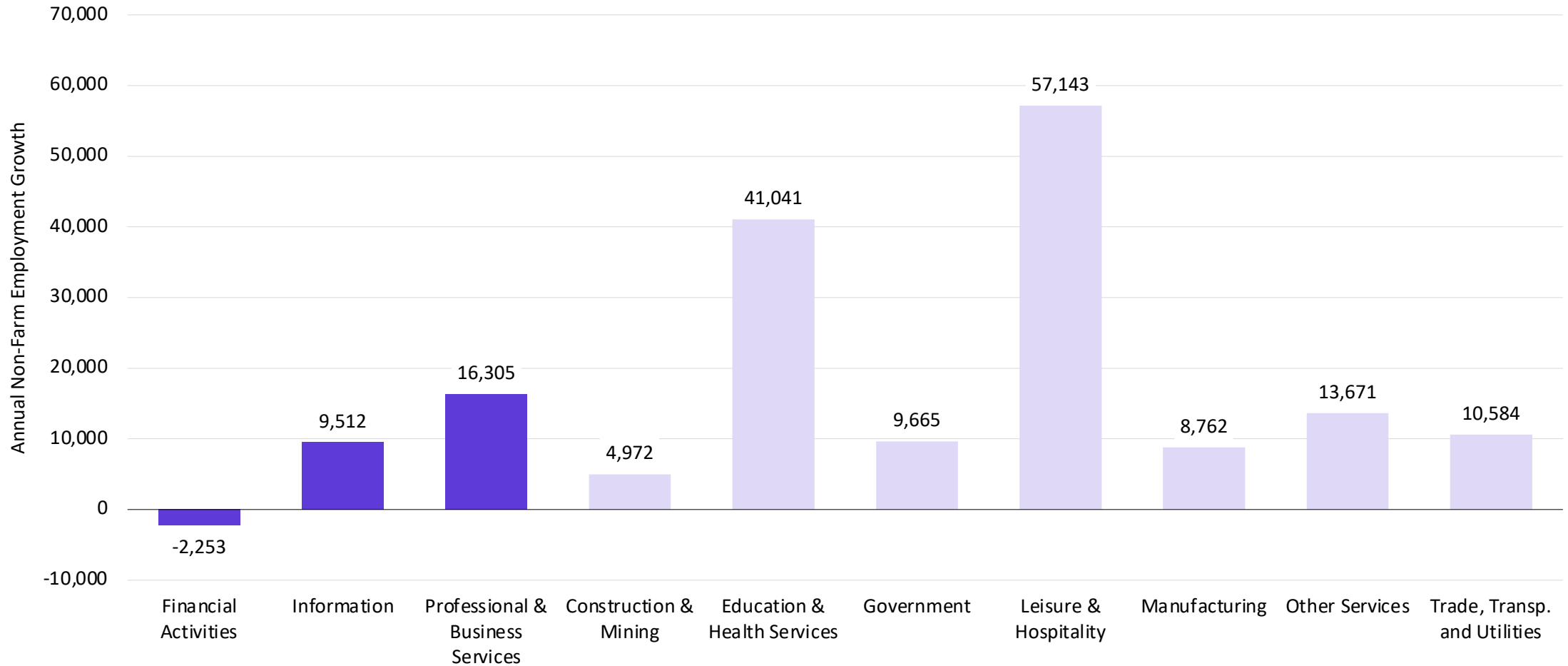
Low unemployment is expected to continue



Source: Moody's Analytics; U.S. Bureau of Labor Statistics (BLS)

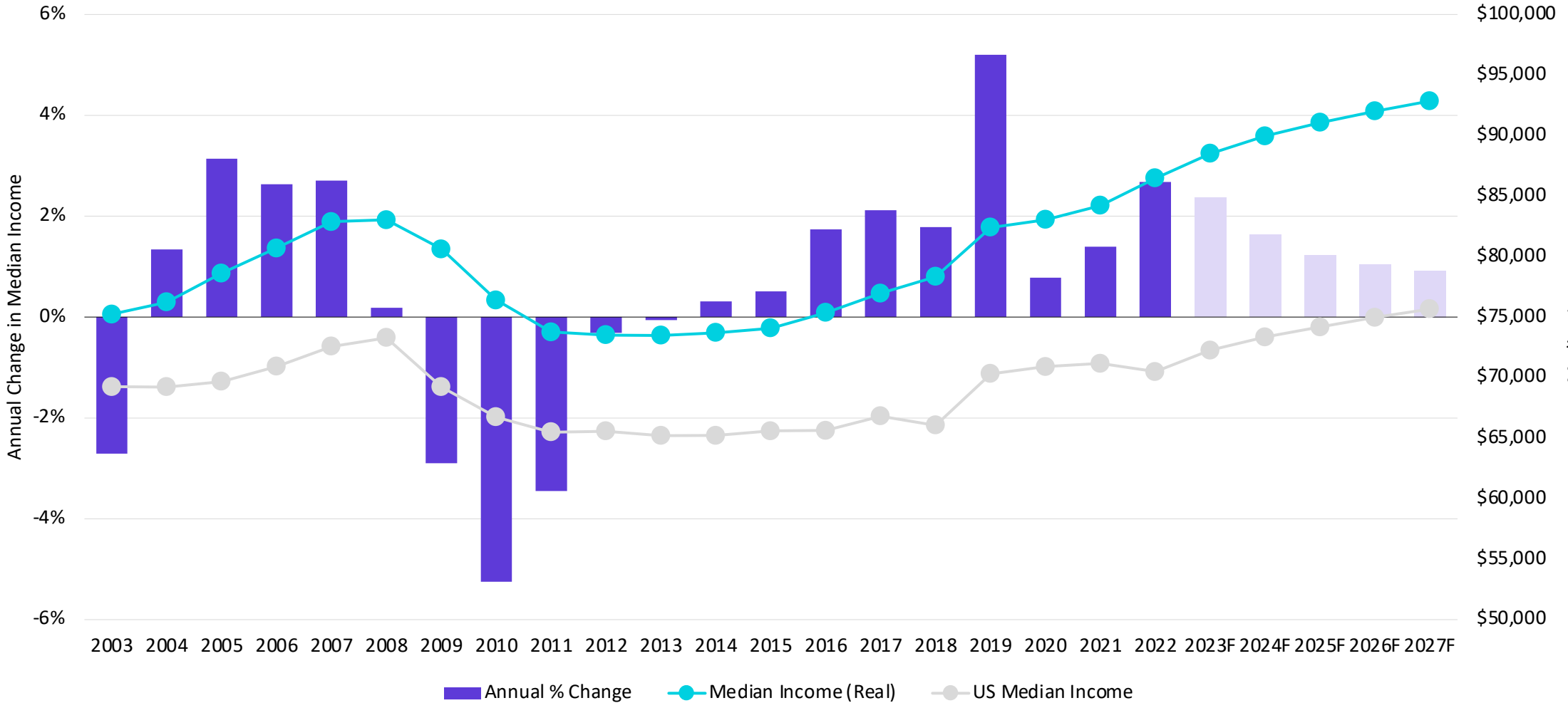
■ Prior Year Change ● Unemployment Rate

Healthy annual job growth (Dec.)



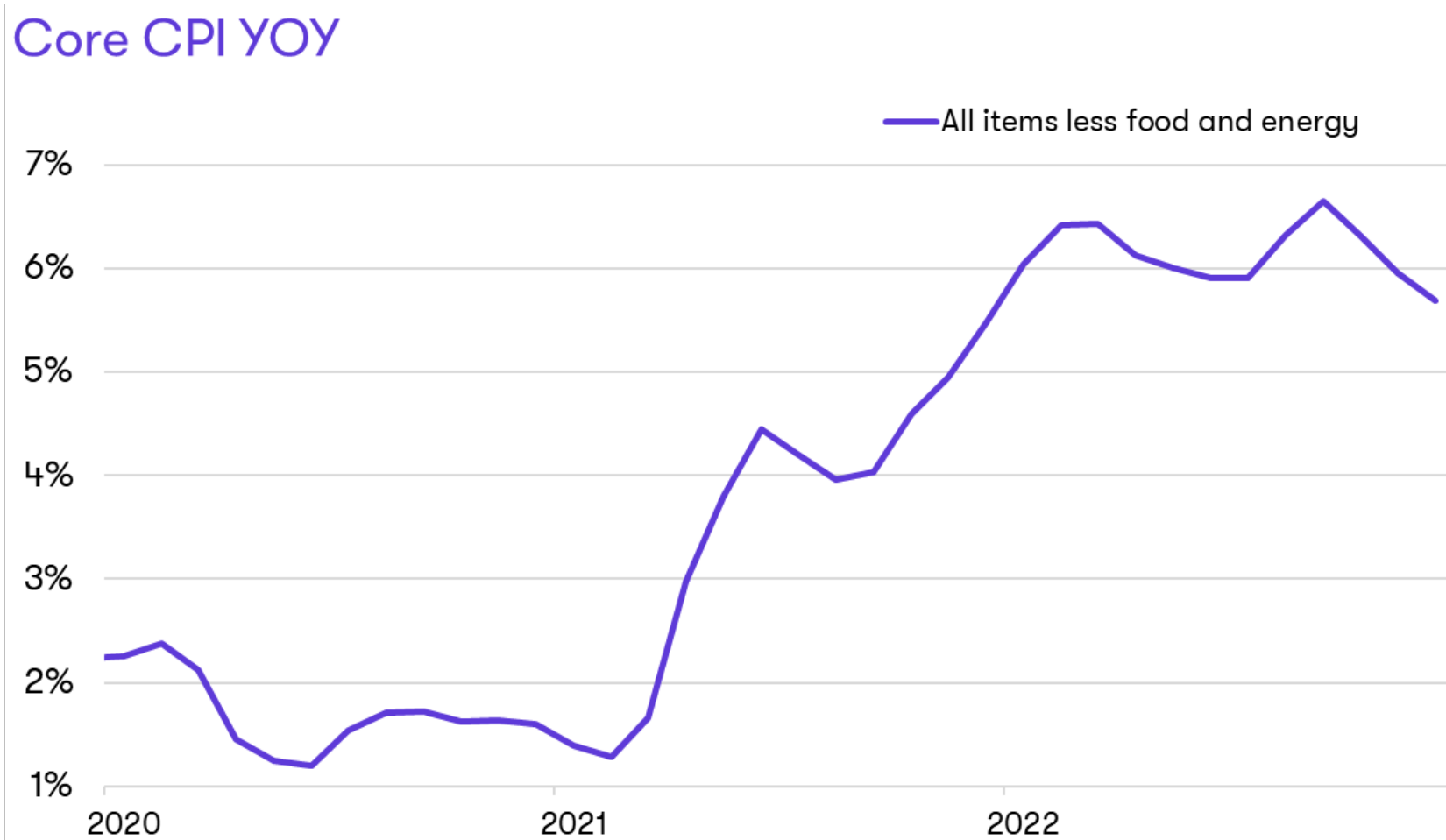
Source: Moody's Analytics; U.S. Bureau of Labor Statistics (BLS)

Income growth anticipated at 1.4% per year

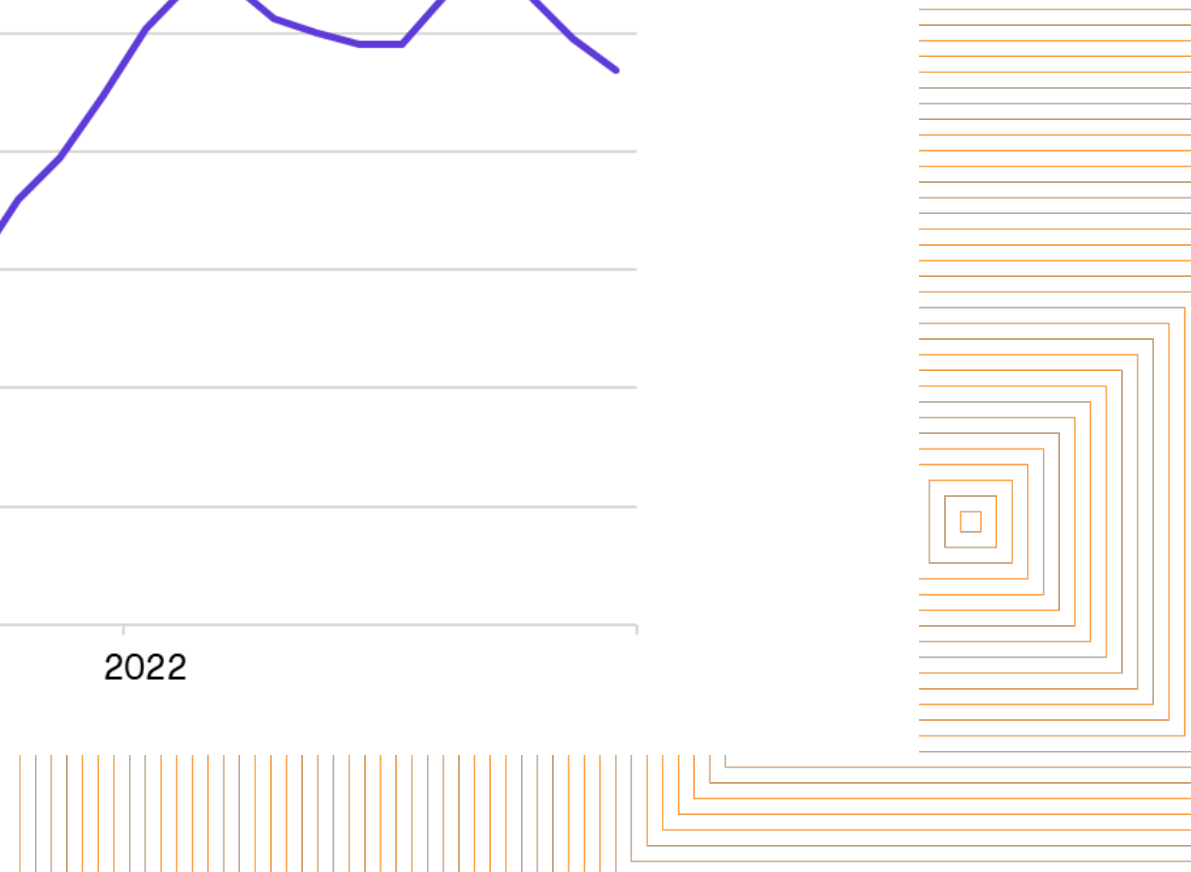


Not enough progress made...yet

Core CPI YOY



Source: BEA; Zonda

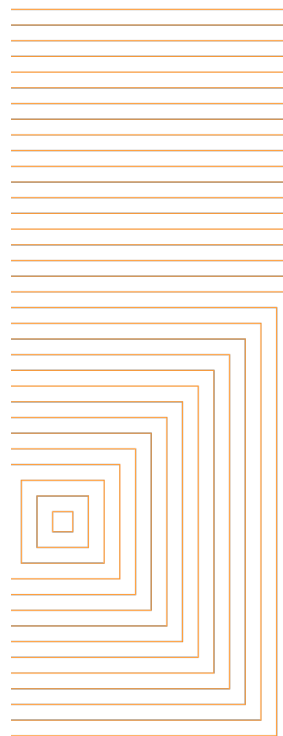


Mortgage market remains dynamic

10-Year vs 30-Year Mortgage Rate



Source: Zonda



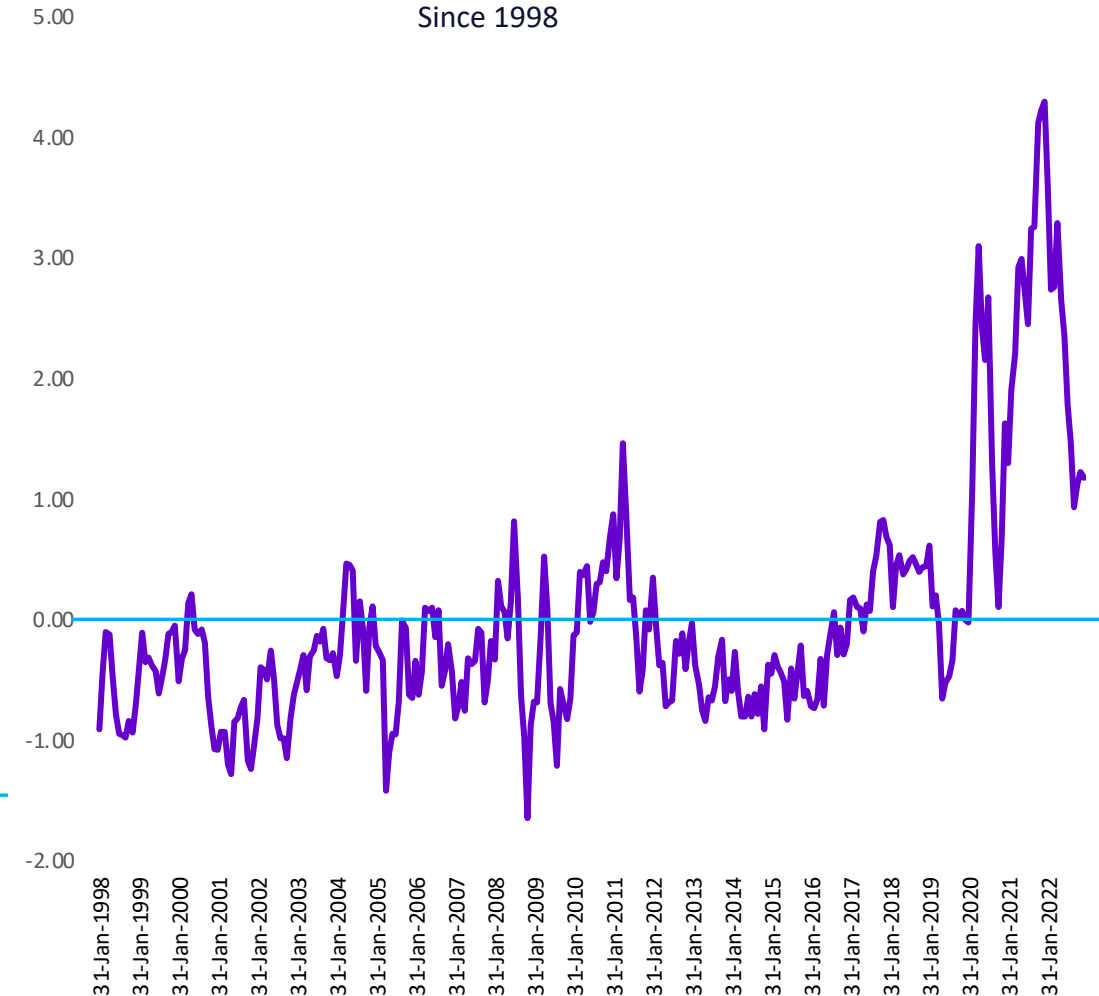
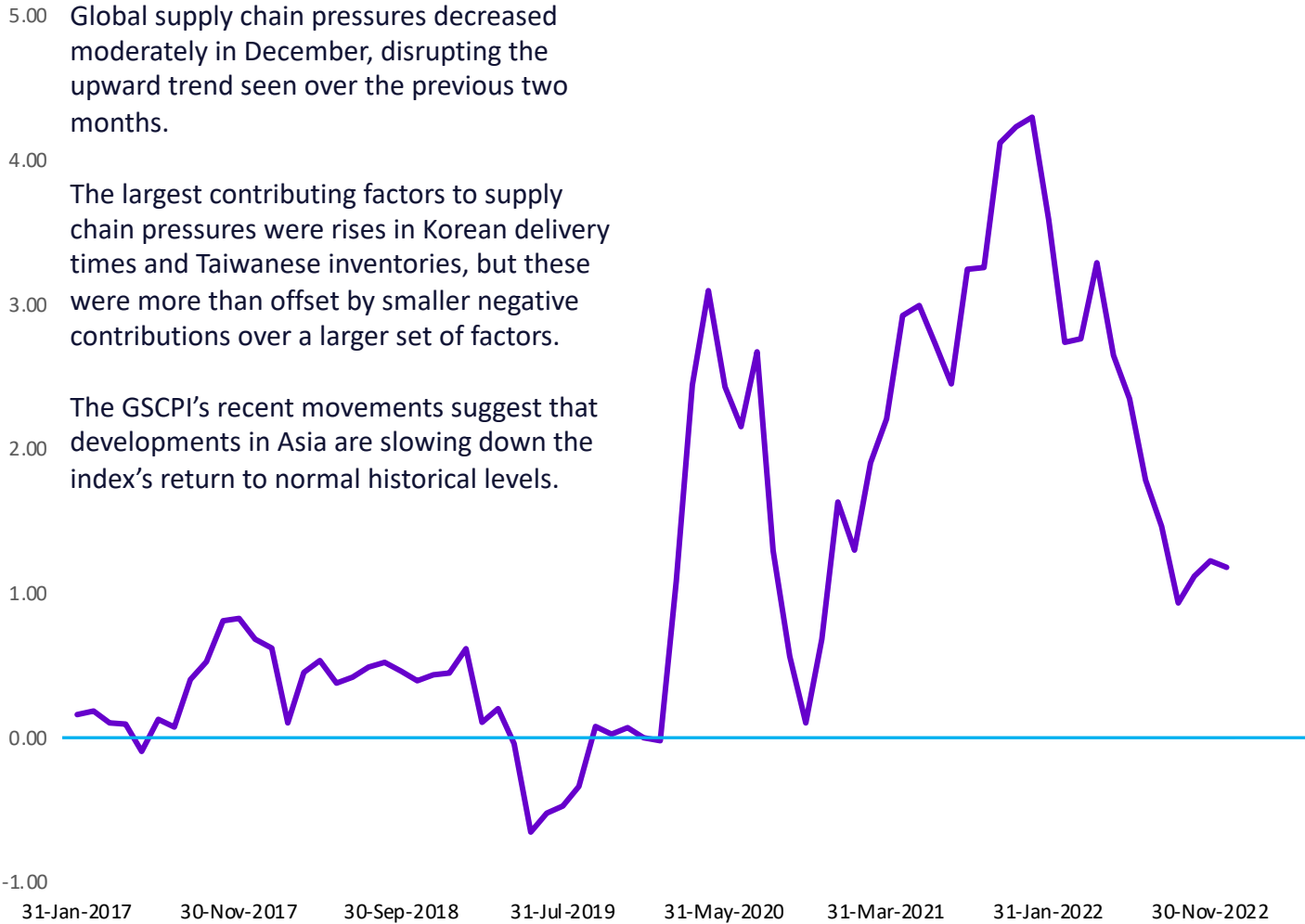
Global supply chain are returning to historical norms – NYC FED

The NY Fed Notes:

5.00 Global supply chain pressures decreased moderately in December, disrupting the upward trend seen over the previous two months.

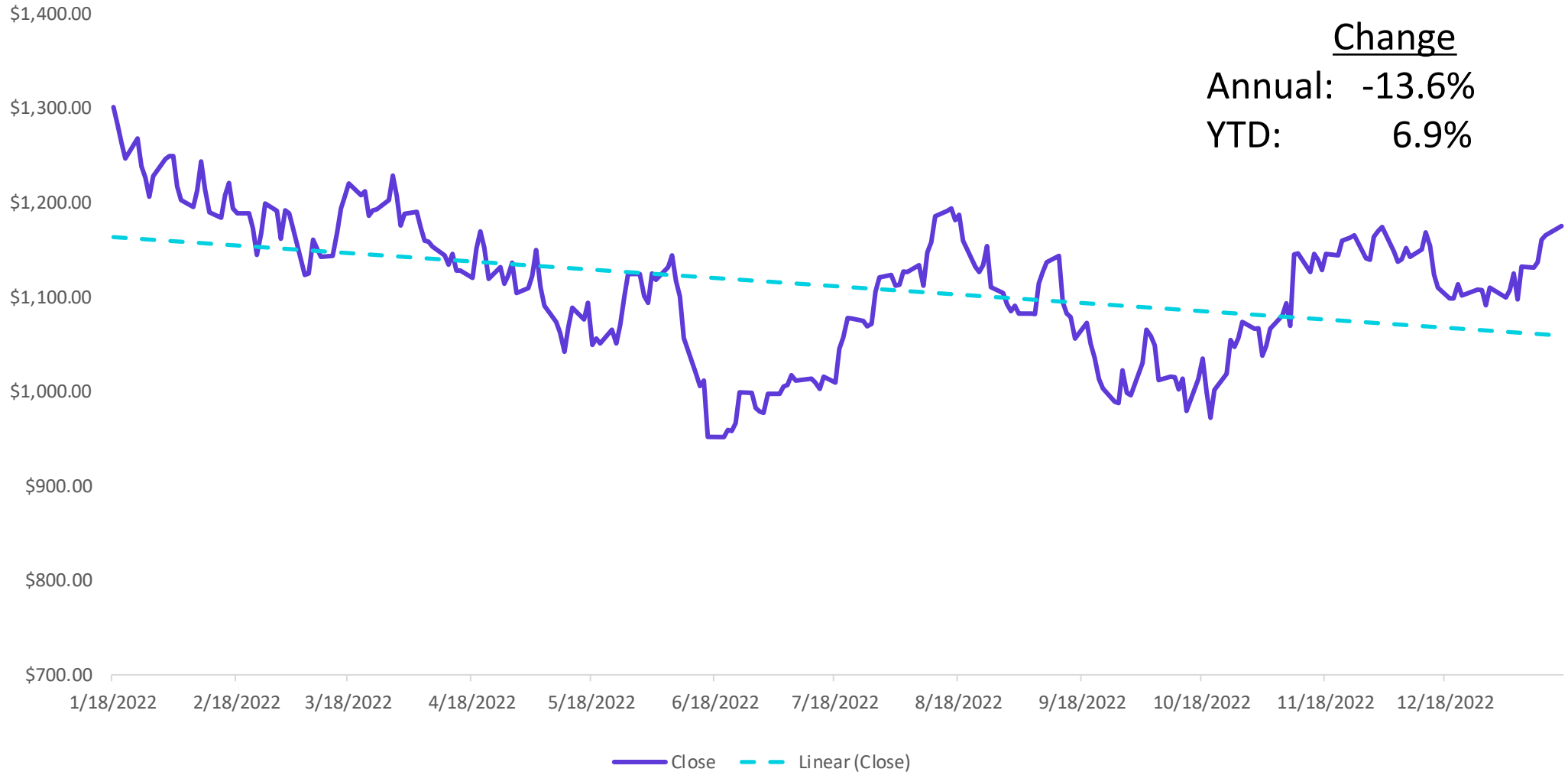
4.00 The largest contributing factors to supply chain pressures were rises in Korean delivery times and Taiwanese inventories, but these were more than offset by smaller negative contributions over a larger set of factors.

3.00 The GSCPI's recent movements suggest that developments in Asia are slowing down the index's return to normal historical levels.



Source: Federal Reserve Bank of New York – Global Supply Chain Pressure Index (GSCPI)

Construction Materials well below a year ago but increasing



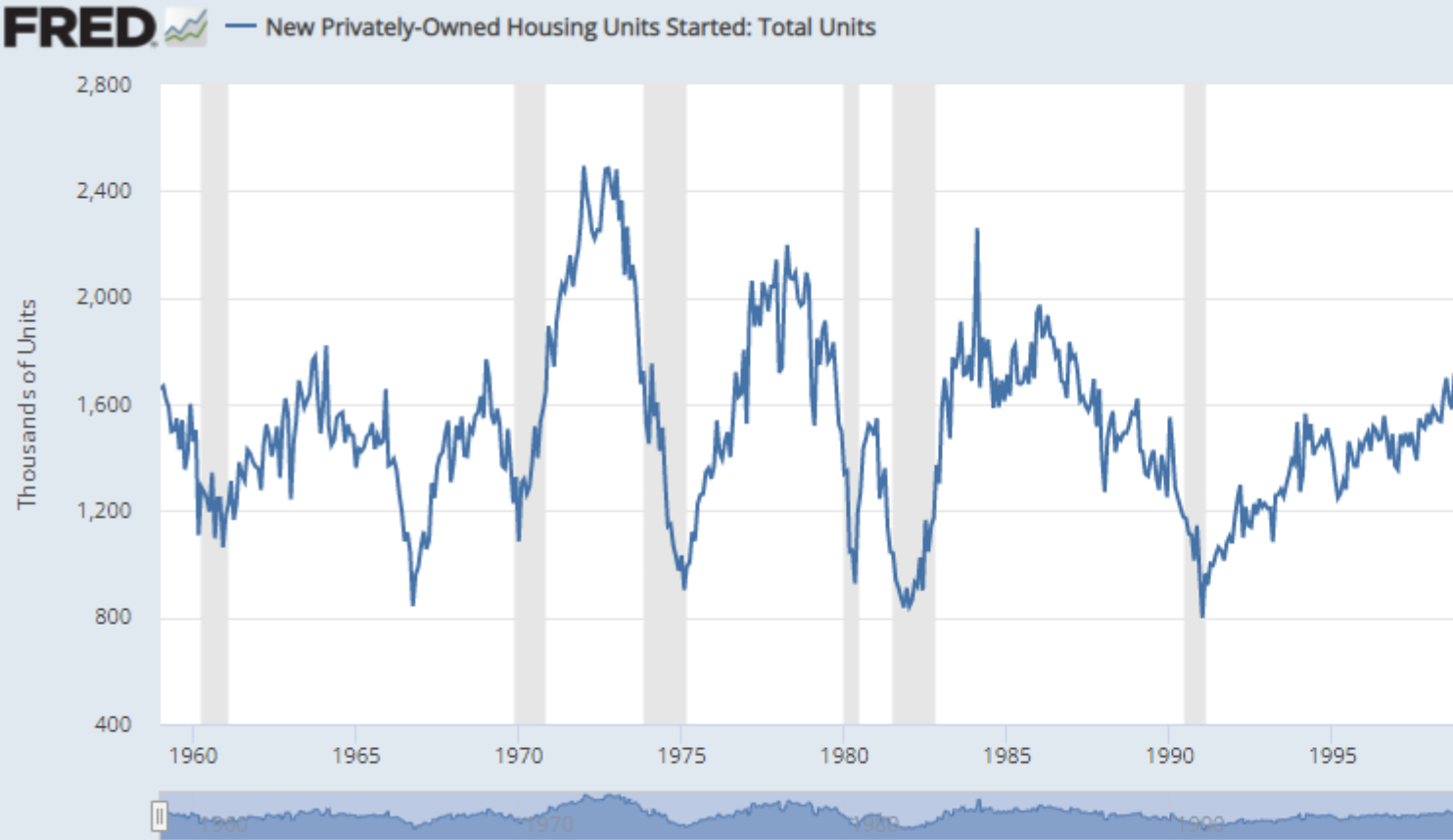
Lumber pricing has been leveling off





National starts drop avg. 43%

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		1,777	1,425	352	-19.8%



Averages 1 - 7

-43%

- 1 - Peaks in previous 24 months
- 2 - Assumption recession is coming
- 3 - Recessionary Period #6 had starts on a multi-year fall so peak was started within 24 months
- 4 - As determined by St. Louis FRED

Shaded areas indicate U.S. recessions.

Sources: Census; HUD

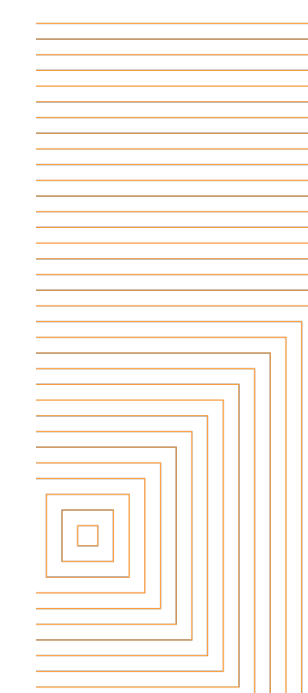
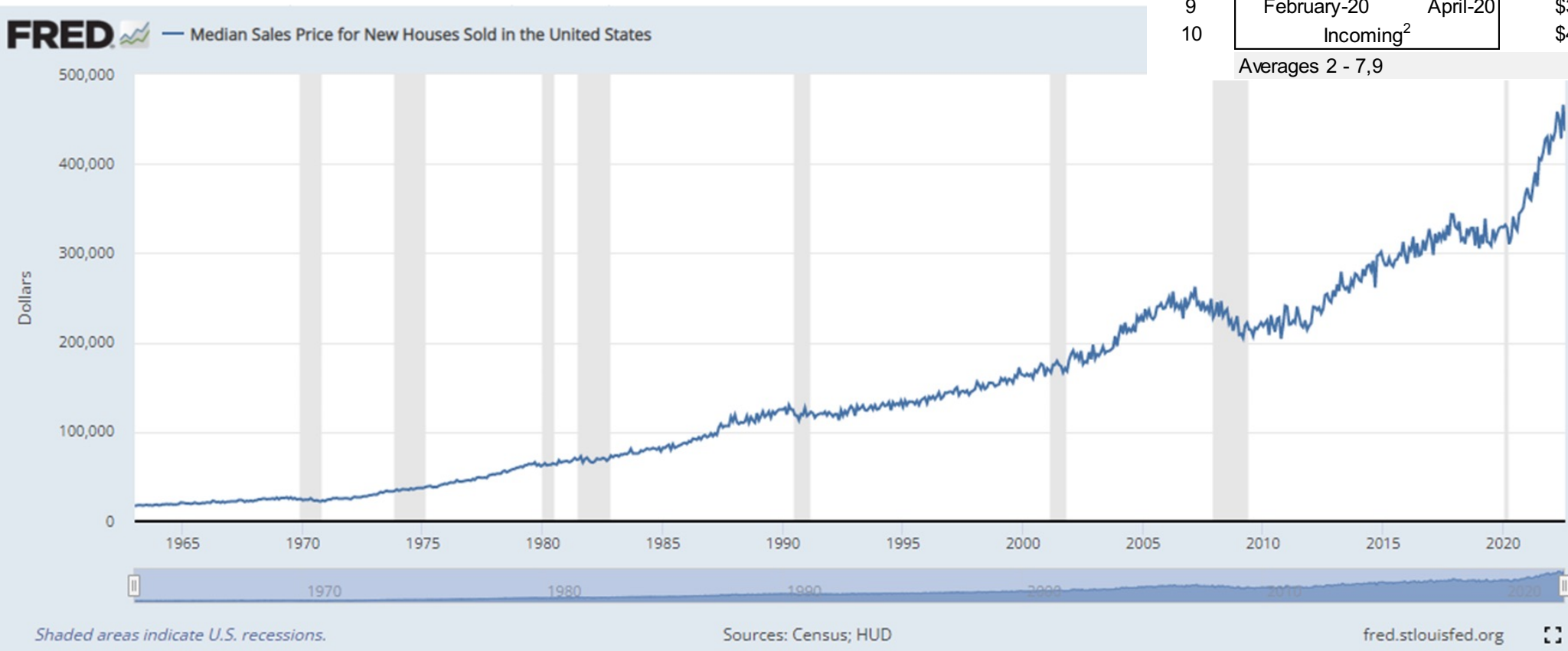
fred.stlouisfed.org

Source: St. Louis FED FRED Economic Data; Zonda

Market: Los Angeles & Orange County / Winter 2022
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National median price drops avg. 9.4%

Period #	Recessionary Time Period		Median Price		
#	Start	Finish	Peak # ^{1, 6, 7, 8}	Trough #	% Drop
1	April-60	February-61			
2	December-69	November-70	\$26,800	\$22,100	-17.5%
3	November-73	March-75	\$35,700	\$34,200	-4.2%
4	January-80	July-80	\$66,000	\$61,500	-6.8%
5	July-81	November-82	\$72,600	\$65,700	-9.5%
6	August-90	March-91	\$130,000	\$113,000	-13.1%
7	March-01	November-01	\$176,300	\$162,000	-8.1%
8	December-07	June-09	\$262,600	\$204,200	-22.2%
9	February-20	April-20	\$331,800	\$310,100	-6.5%
10	Incoming ²		\$479,800	\$470,600	-1.9%
Averages 2 - 7,9					-9.4%



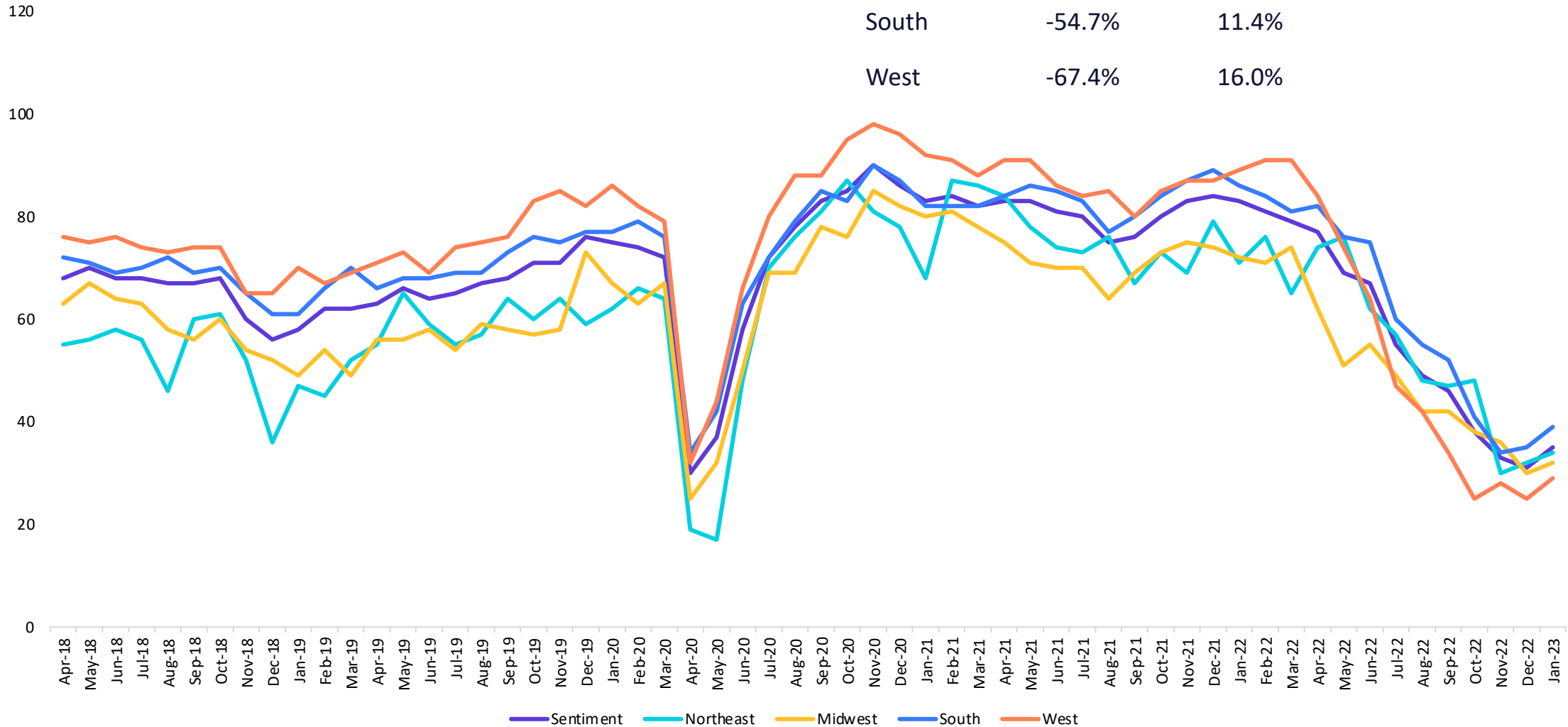
1- Previous peaks determined in previous 24 months
 2- Assumption recession is coming
 3- Recessionary Period #6 had starts on a multi-year fall so peak was started within 24 months
 4- As determined by St. Louis FRED
 5- Only measured on Quarterly Basis
 6- Prices rose through the recession of 1973 - 1975 (stagflation); dropped 0.5% in the two quarters following the recession before rising again
 7- Prices dropped immediately before recession before rising through the recession
 9- Prices stagnated before beginning to rise at the end of the recession

National Economy

Builder Expectations

Homebuilder Sentiment Index

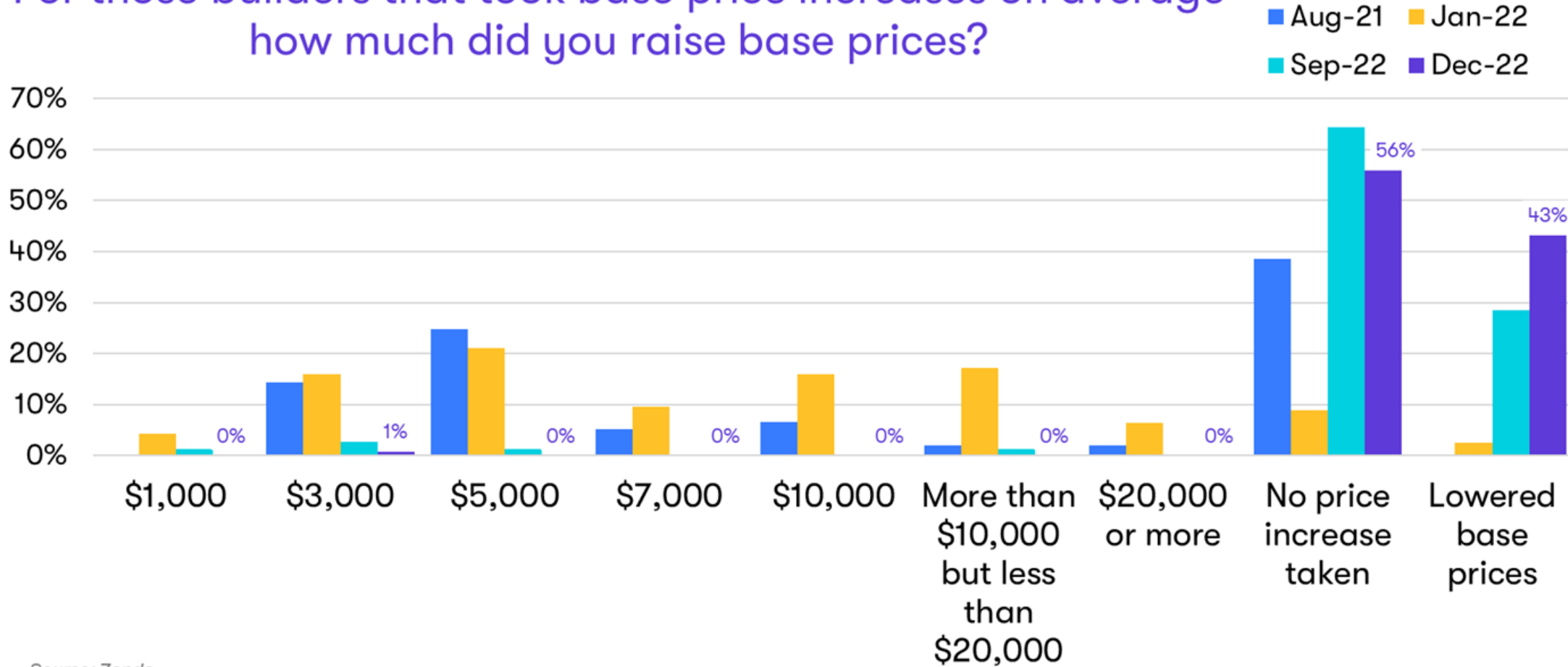
Area	Annual	Monthly
Northeast	-52.1%	6.3%
Midwest	-55.6%	6.7%
South	-54.7%	11.4%
West	-67.4%	16.0%



Source: NAHB/Wells Fargo

Lowered base pricing increased to 43% in December

For those builders that took base price increases on average how much did you raise base prices?

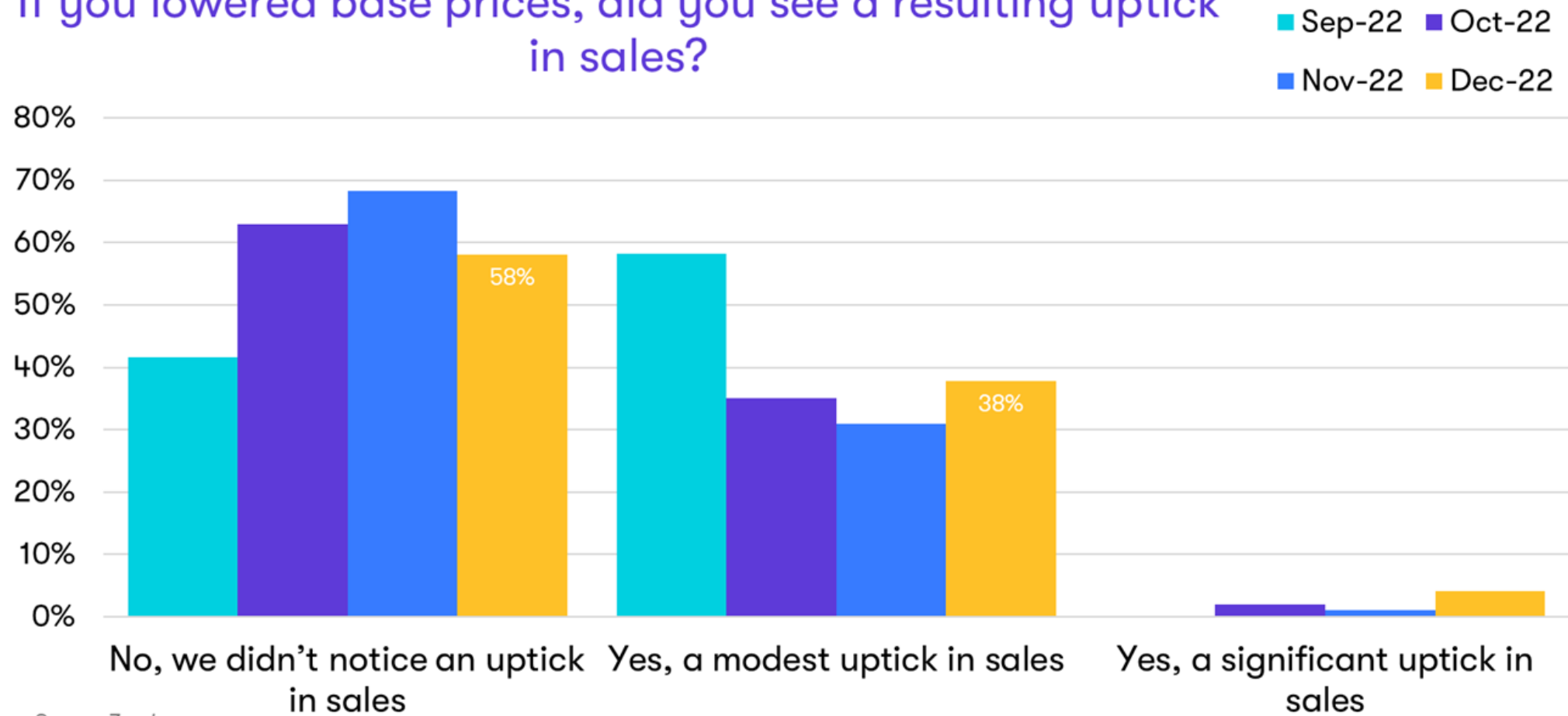


Source: Zonda

Source: Zonda

71% of California didn't see any uptick in sales

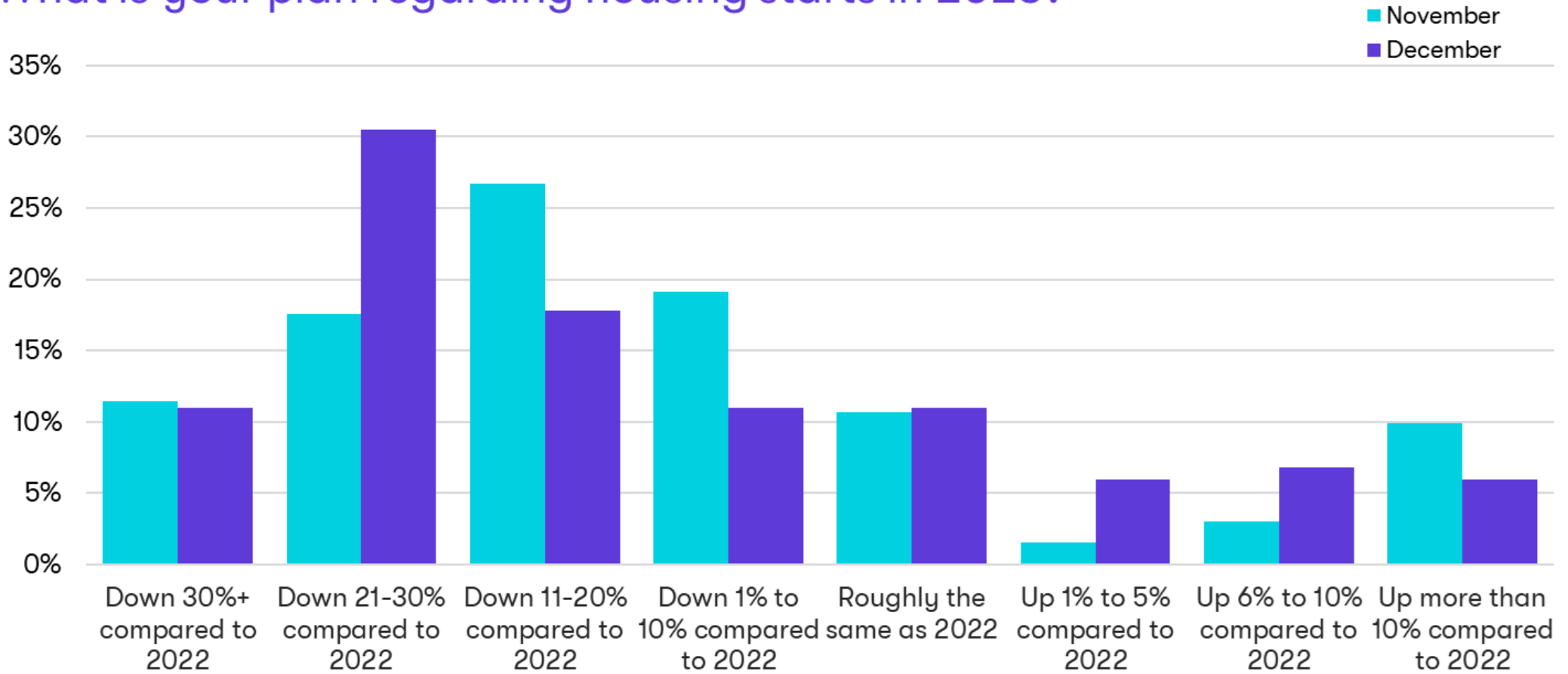
If you lowered base prices, did you see a resulting uptick in sales?



Source: Zonda

Housing starts are expected to slowdown (~70% expect decreases)

What is your plan regarding housing starts in 2023?

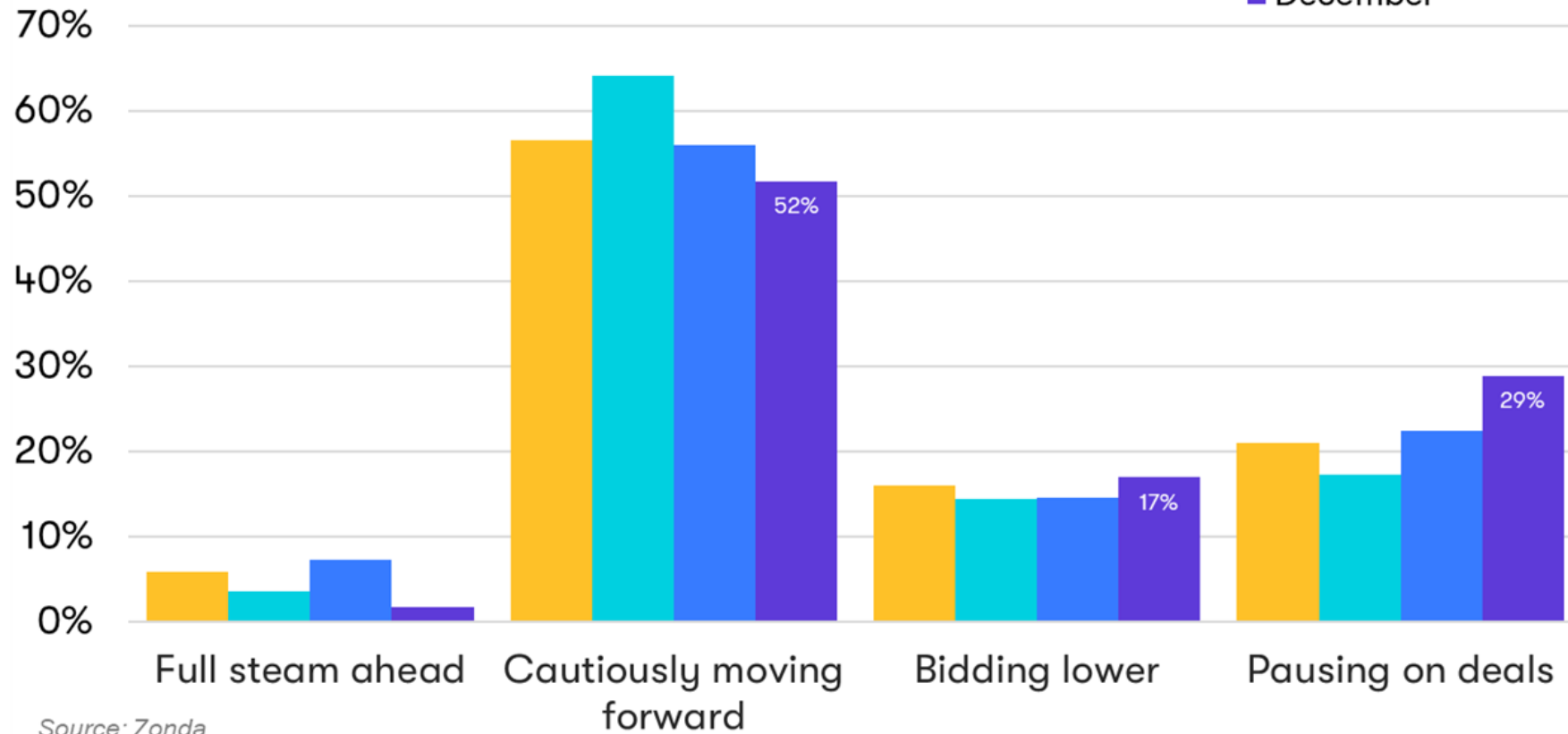


Source: Zonda

Land Acquisition: Sellers still have elevated pricing

How are you thinking about your land acquisition strategy?

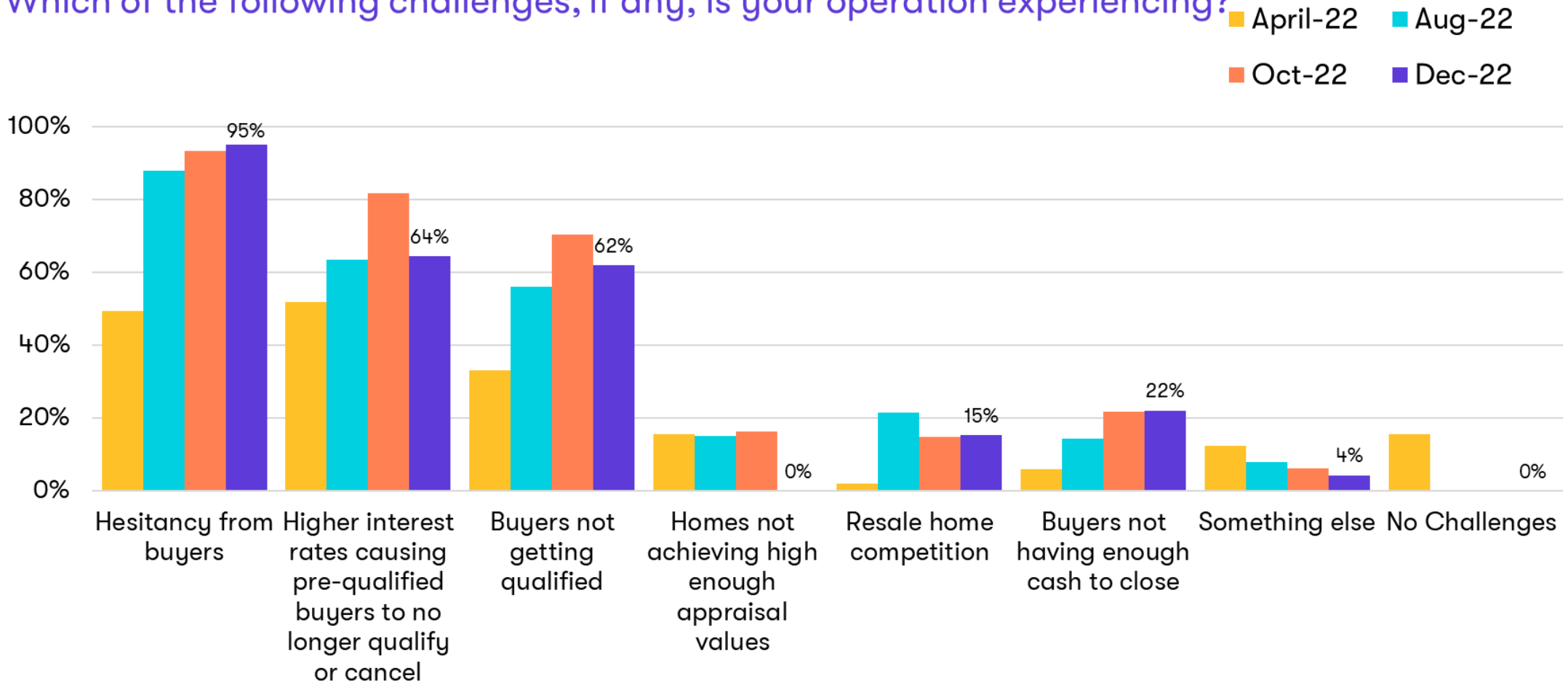
July
August
September
December



Source: Zonda

Affordability and confidence issues

Which of the following challenges, if any, is your operation experiencing?

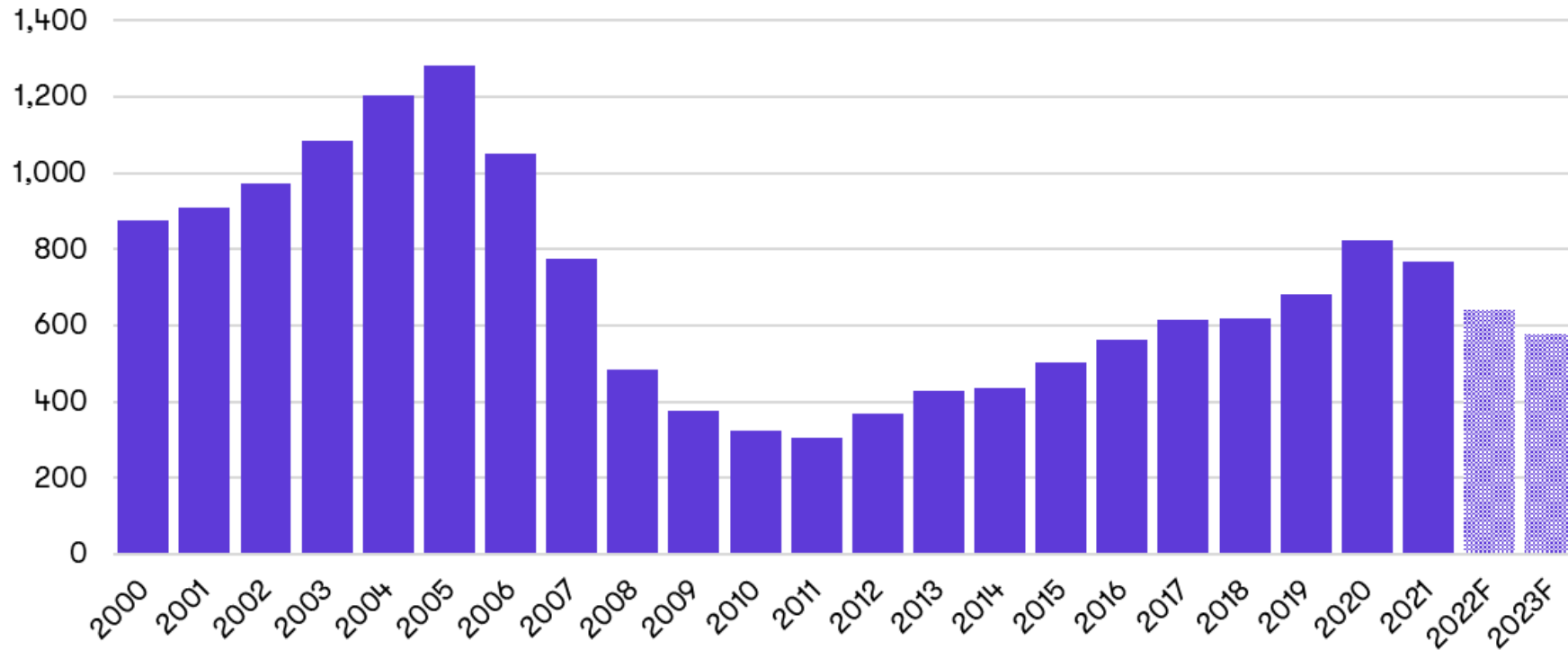


Source: Zonda

Source: Zonda

Sales expected to drop over 9.8% in 2023

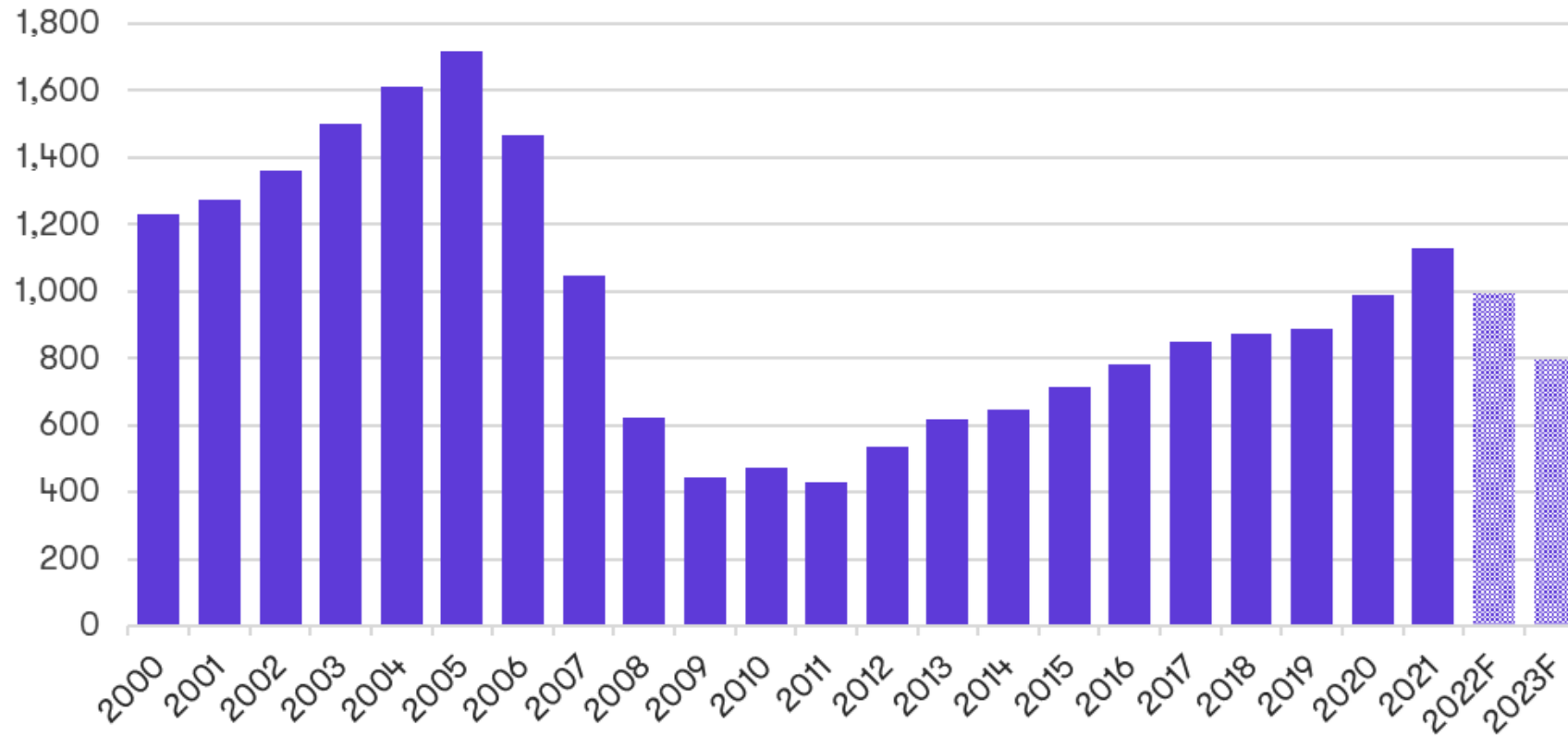
New Home Sales



Source: U.S. Census Bureau; Zonda

Starts expected to drop over 20.0% in 2023

Single-Family Starts



Source: US Census Bureau; Zonda

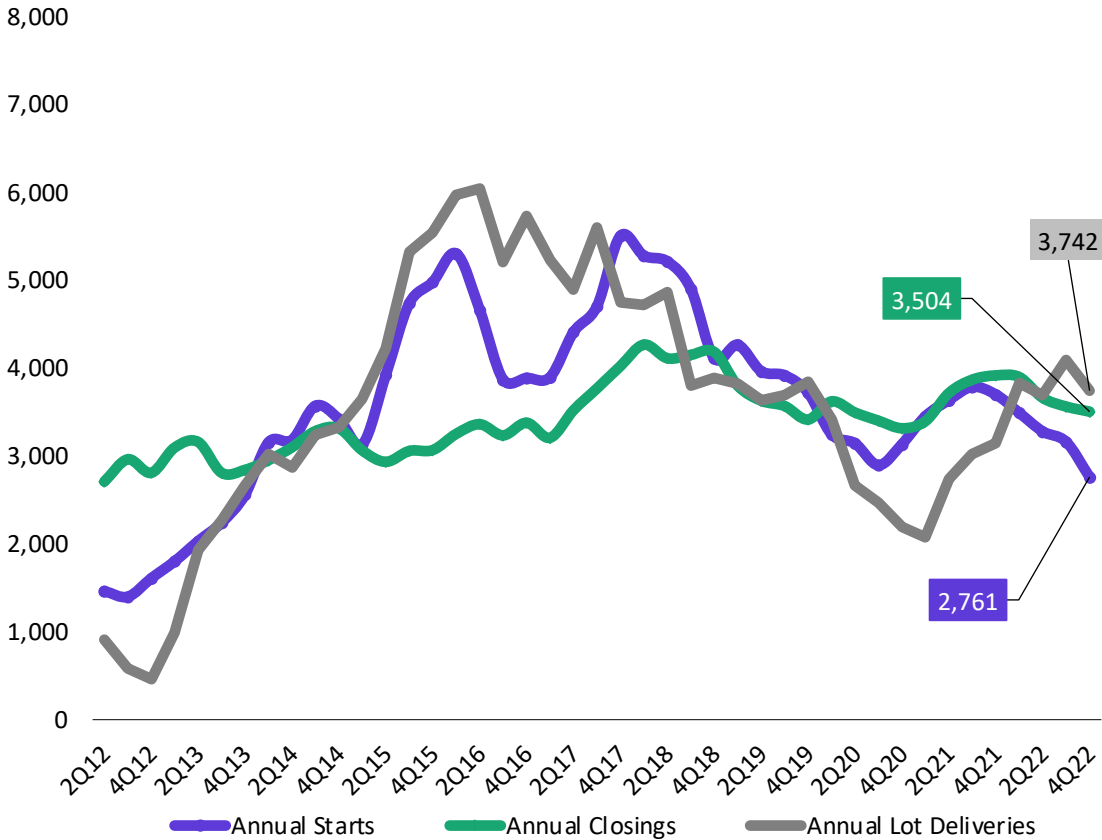
Los Angeles – Long Beach – Anaheim

New Home Supply

Annual Starts & Closings are declining

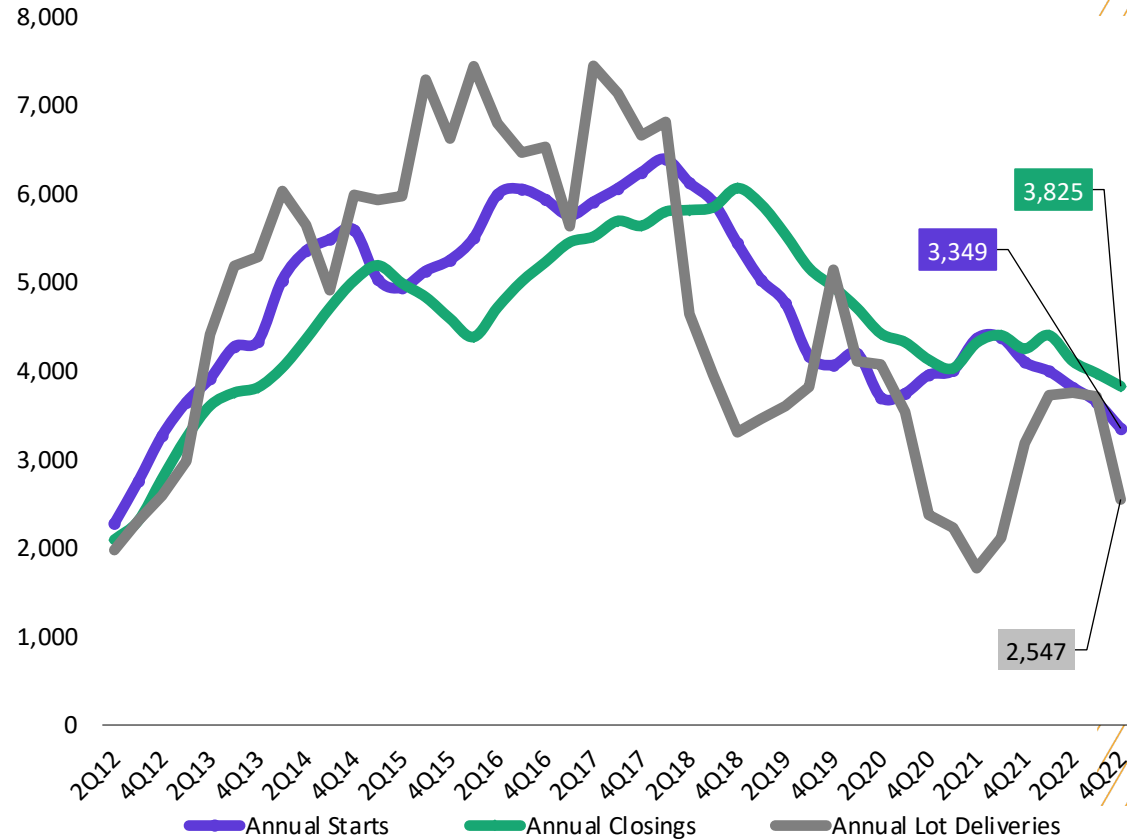
Annual starts have declined 19.1% annually

Attached



Annual starts have declined 18.3% annually

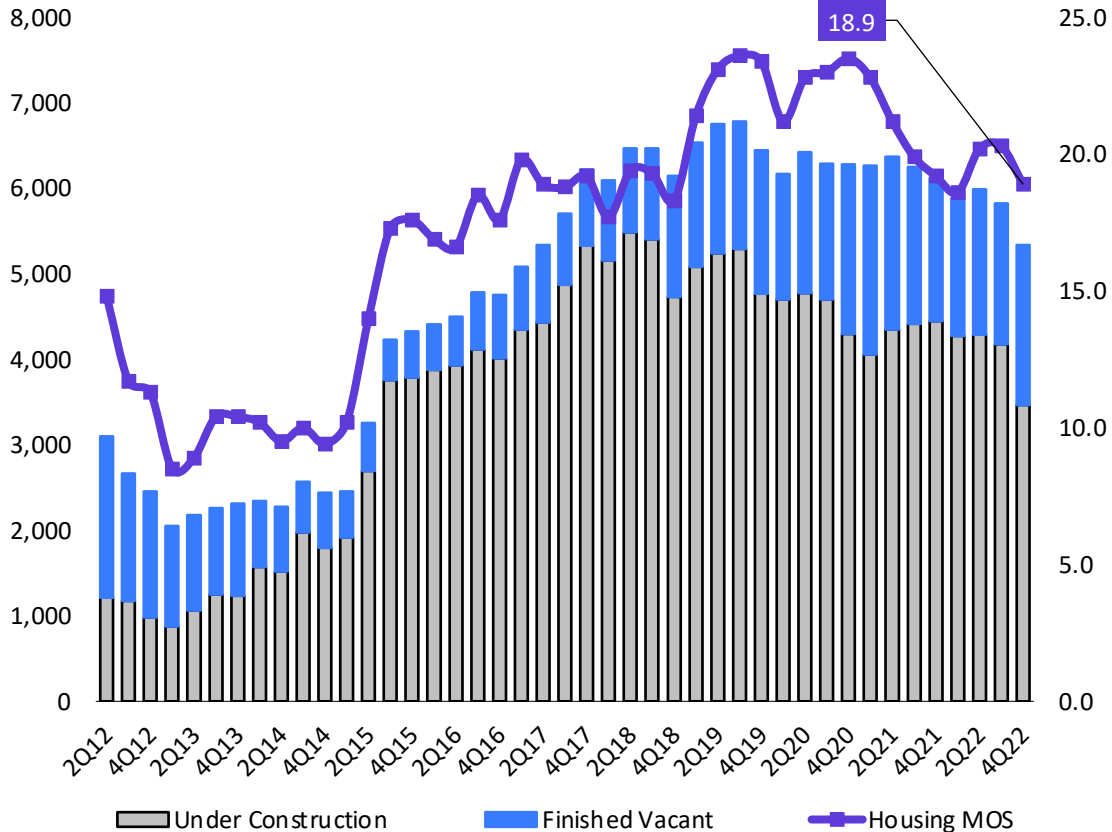
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Inventory has dropped 11.9% (det.) and 15.8% (att.) from 4Q21

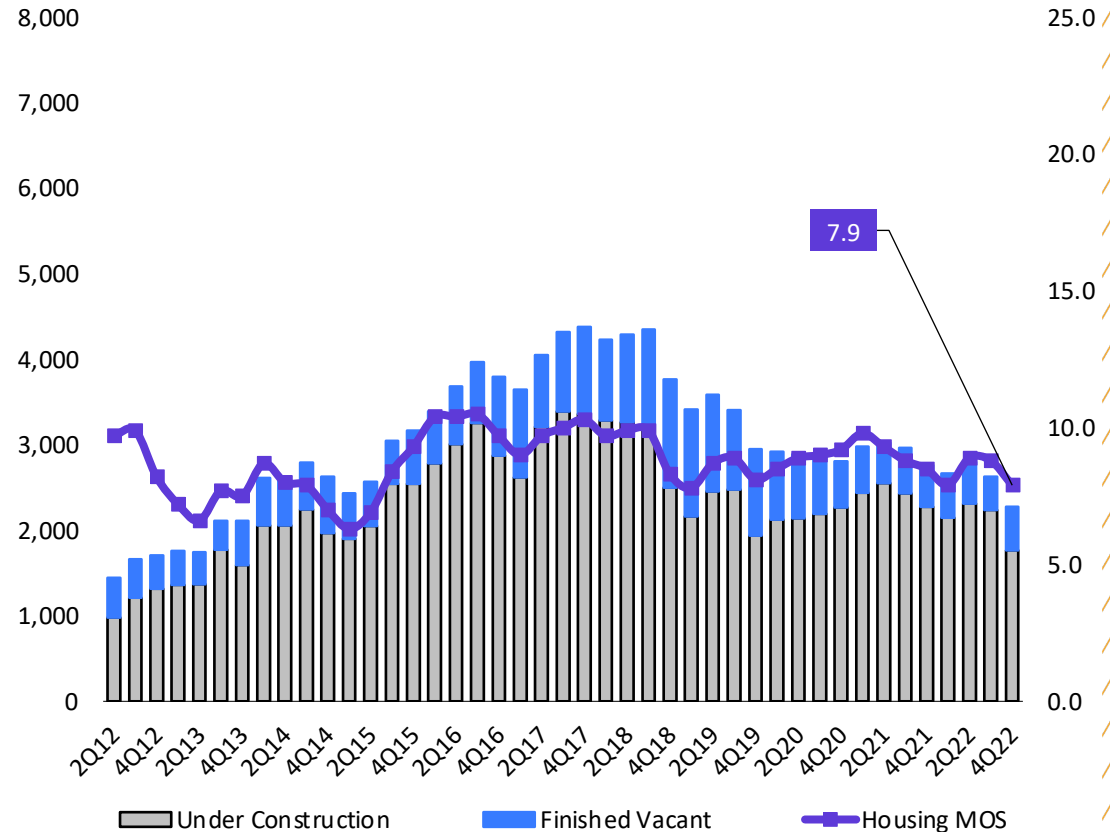
Finished vacant inventory is below the historical avg. of 23%

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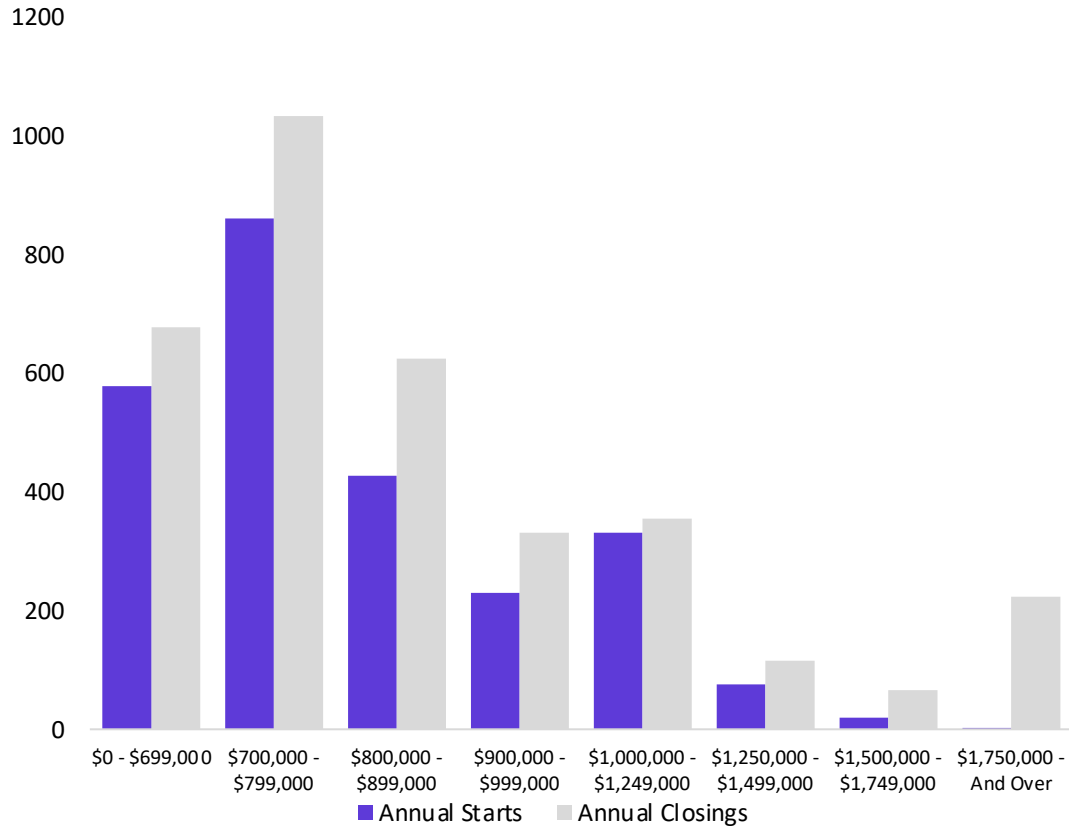
Finished vacant inventory is at the historical avg. of 31%

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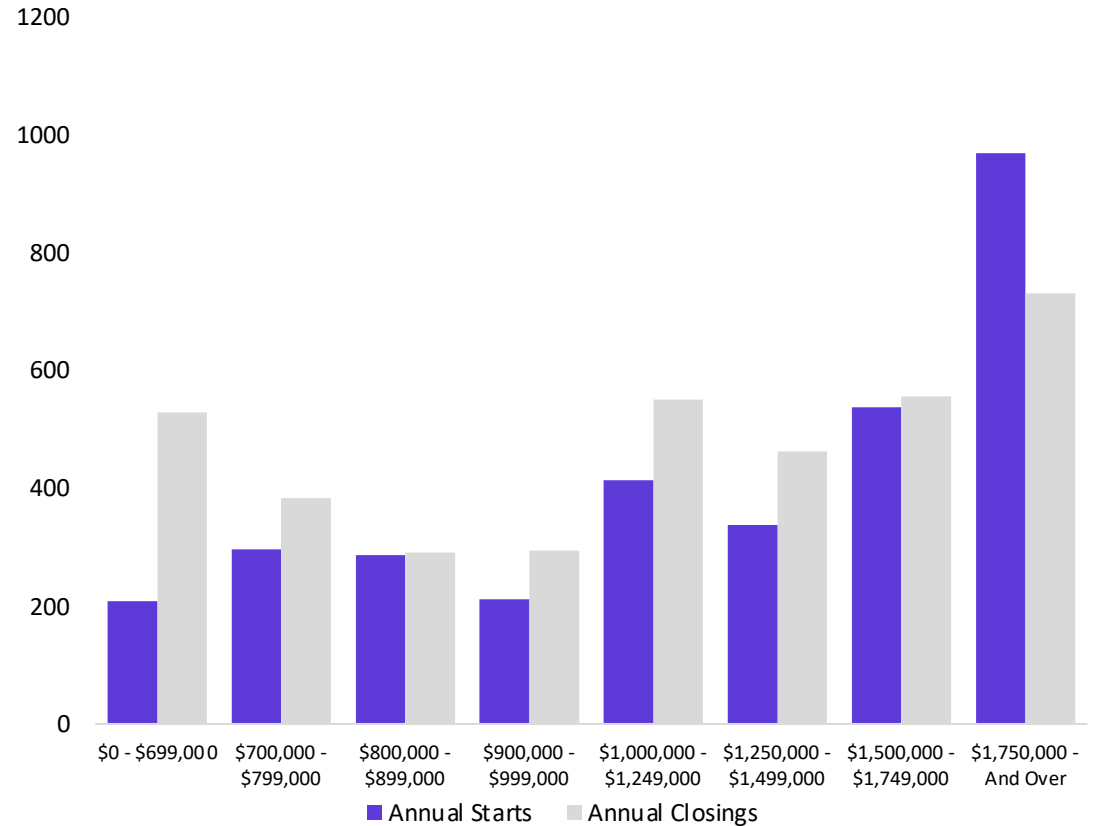


Coastal market continues to attract high prices

Attached



Detached



Attached product is pushing the LA/OC Market

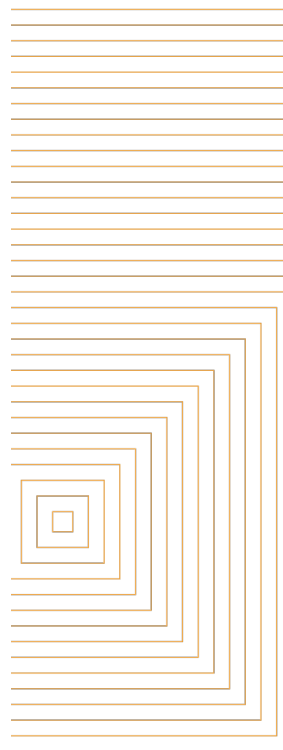
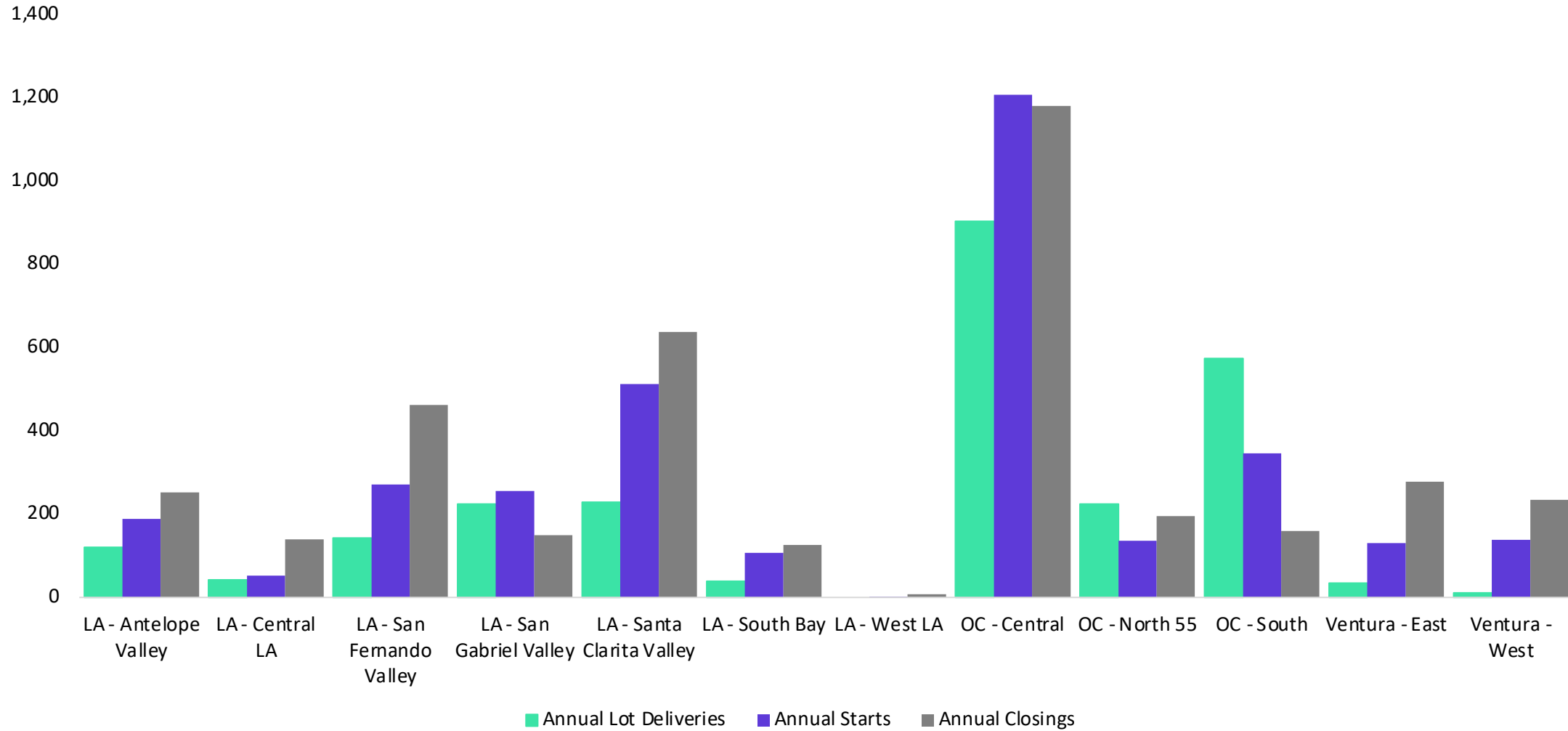
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Subdivision Name / Rank	Annual Del.	Annual Starts	Avg. Mo. Starts	Annual Close	Avg. Mo. Close
Rancho Mission Viejo / Rienda - Portico Condo	120	96	8.0	13	1.1
100 West / Towns Condo	0	92	7.7	43	3.6
Carson Landing Flats Condo	83	83	6.9	33	2.8
Belmont (TH) - Los Alamitos	135	64	5.3	7	0.6
Tustin Legacy / Landing - Terra Condo	140	63	5.3	0	0.0
Rancho Mission Viejo / Rienda - Harvest (TH)	65	61	5.1	42	3.5
Mission Foothills / Neo (TH)	60	60	5.0	39	3.3
Nolin (TH)	60	60	5.0	19	1.6
Moneta Pointe (TH)	0	57	4.8	46	3.8
Great Park / Solis Park - Dawn Condo	88	56	4.7	0	0.0
Newshire Condo	56	56	4.7	0	0.0
Los Coyotes Country Club / Villas Condo	62	54	4.5	0	0.0
Magnolia Square (TH)	0	54	4.5	69	5.8
Tustin Legacy / Landing - Luna (TH)	126	54	4.5	25	2.1
Metro Heights / Vista (TH)	310	50	4.2	0	0.0
Jasmine Walk (TH)	0	47	3.9	29	2.4
100 West / Terraces Condo	0	46	3.8	47	3.9
Rancho Mission Viejo / Rienda - Oasis (TH)	116	46	3.8	19	1.6
Walnut Place (TH)	45	45	3.8	0	0.0
Great Park / Solis Park - Summerstone (DU)	72	44	3.7	0	0.0
TOP 20 TOTALS / AVERAGES	1,538	1,188	5.0	431	

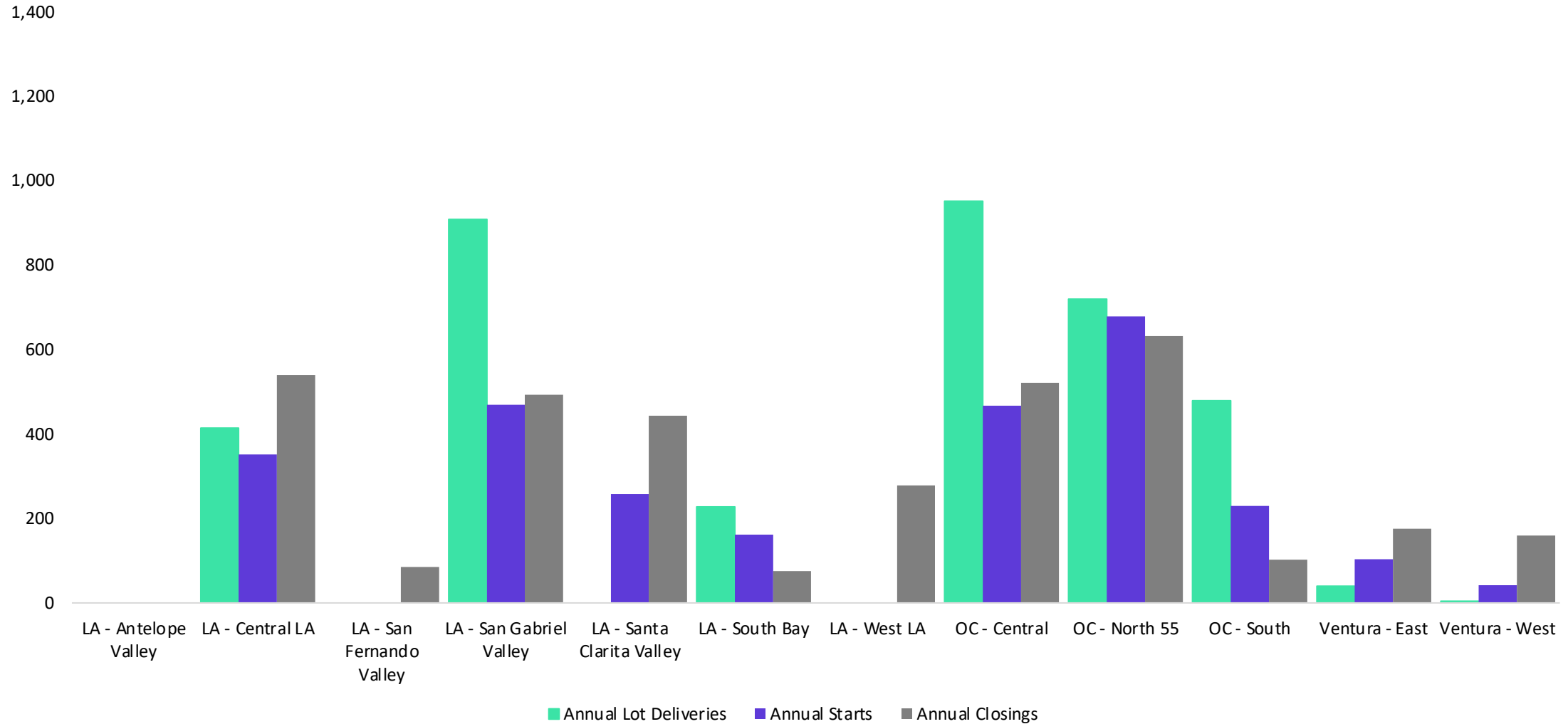
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Subdivision Name / Rank	Annual Delivery	Annual Starts	Avg. Mo. Starts	Annual Close	Avg. Mo. Close
Meadows / Magnolias	0	67	5.6	9	0.8
Meadows / Willows	0	66	5.5	16	1.3
Orchard Hills / Reserve - Como	0	65	5.4	48	4.0
Skyline Ranch / Altis	11	65	5.4	38	3.2
Skyline Ranch / Starling	0	64	5.3	40	3.3
Porter Ranch / Westcliffe - Summit	0	61	5.1	37	3.1
Orchard Hills / Reserve - Fresco	0	60	5.0	55	4.6
Meadows / Redwoods	0	56	4.7	0	0.0
Rancho Mission Viejo / Rienda - Serenity	84	55	4.6	34	2.8
Porter Ranch / Hillcrest - Overlook	0	53	4.4	27	2.3
Meadows / Oaks	0	52	4.3	25	2.1
Skyline Ranch / Lyra	0	52	4.3	33	2.8
Porter Ranch / Westcliffe - Skyline	0	51	4.3	35	2.9
Portola Springs / Highland	0	51	4.3	63	5.3
Rancho Mission Viejo / Rienda - Evolve	70	51	4.3	21	1.8
Joshua Ranch / Skyridge	0	50	4.2	0	0.0
Lacy Crossing / Row Homes	0	50	4.2	57	4.8
Ponte Vista / Westport	0	48	4.0	13	1.1
Rancho Mission Viejo / Rienda - Paisley (DC)	107	47	3.9	20	1.7
Orchard Hills / Groves - Ravello	0	45	3.8	28	2.3
TOP 20 TOTALS / AVERAGES	272	1,109	4.6	599	

Detached lots are being delivered in Orange County

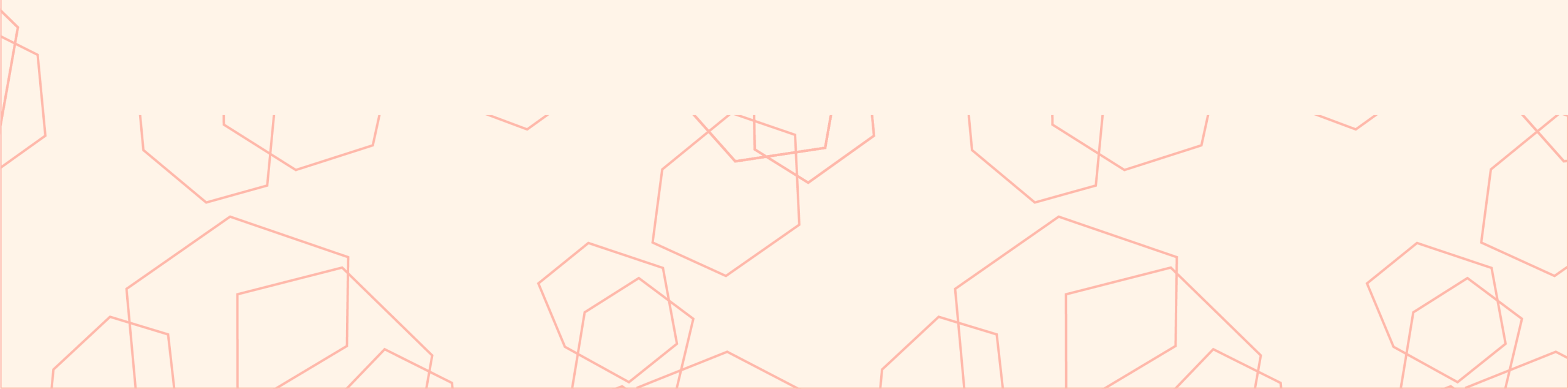


Attached lots are in-fill and in Central OC planned communities



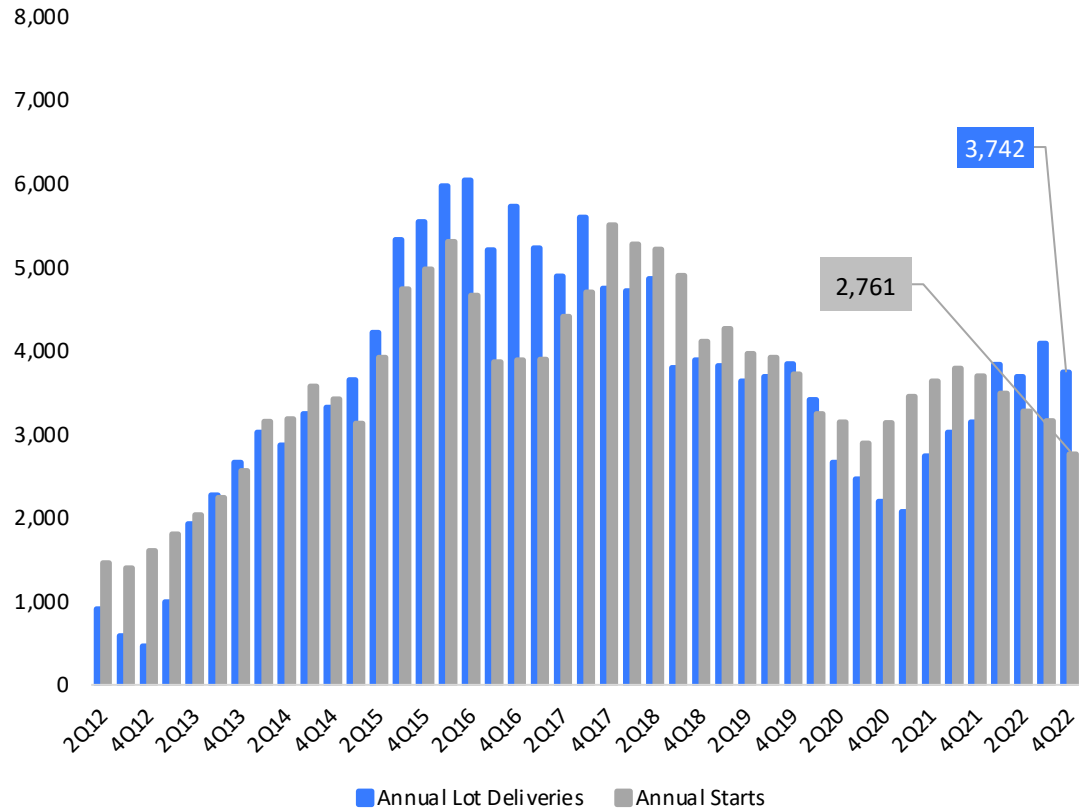
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Lot Supply

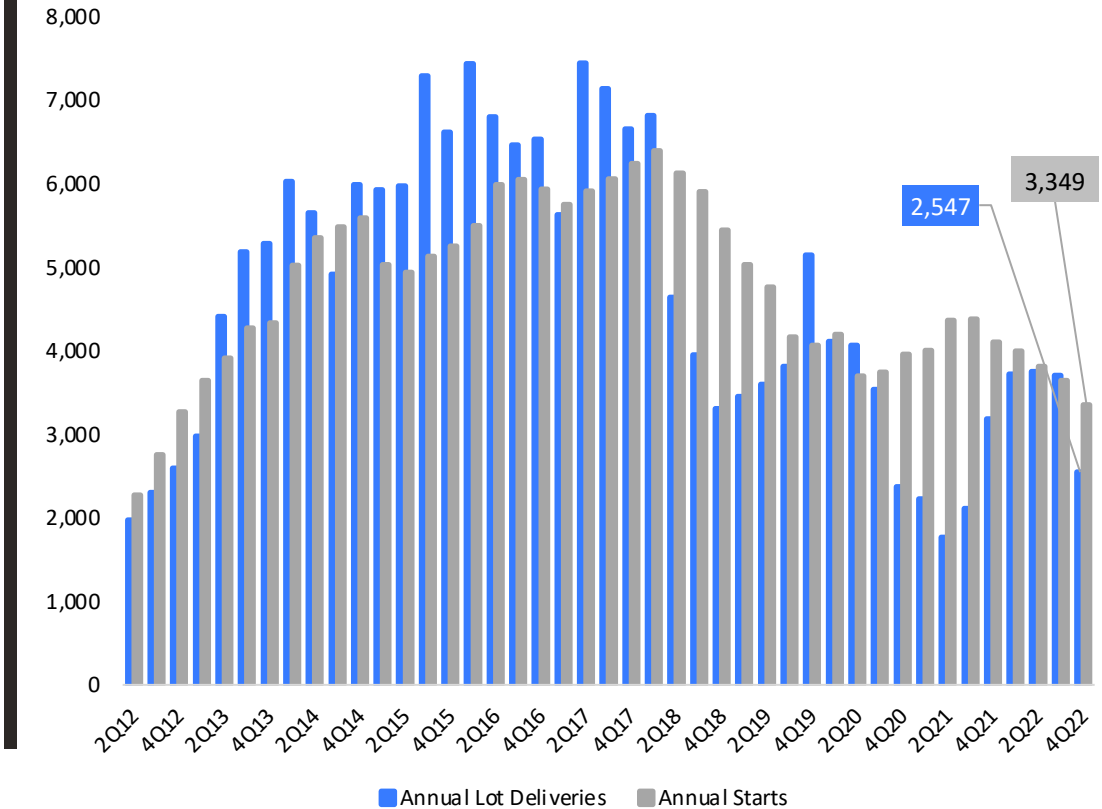


Annual det. lot deliveries have decreased in the last quarter

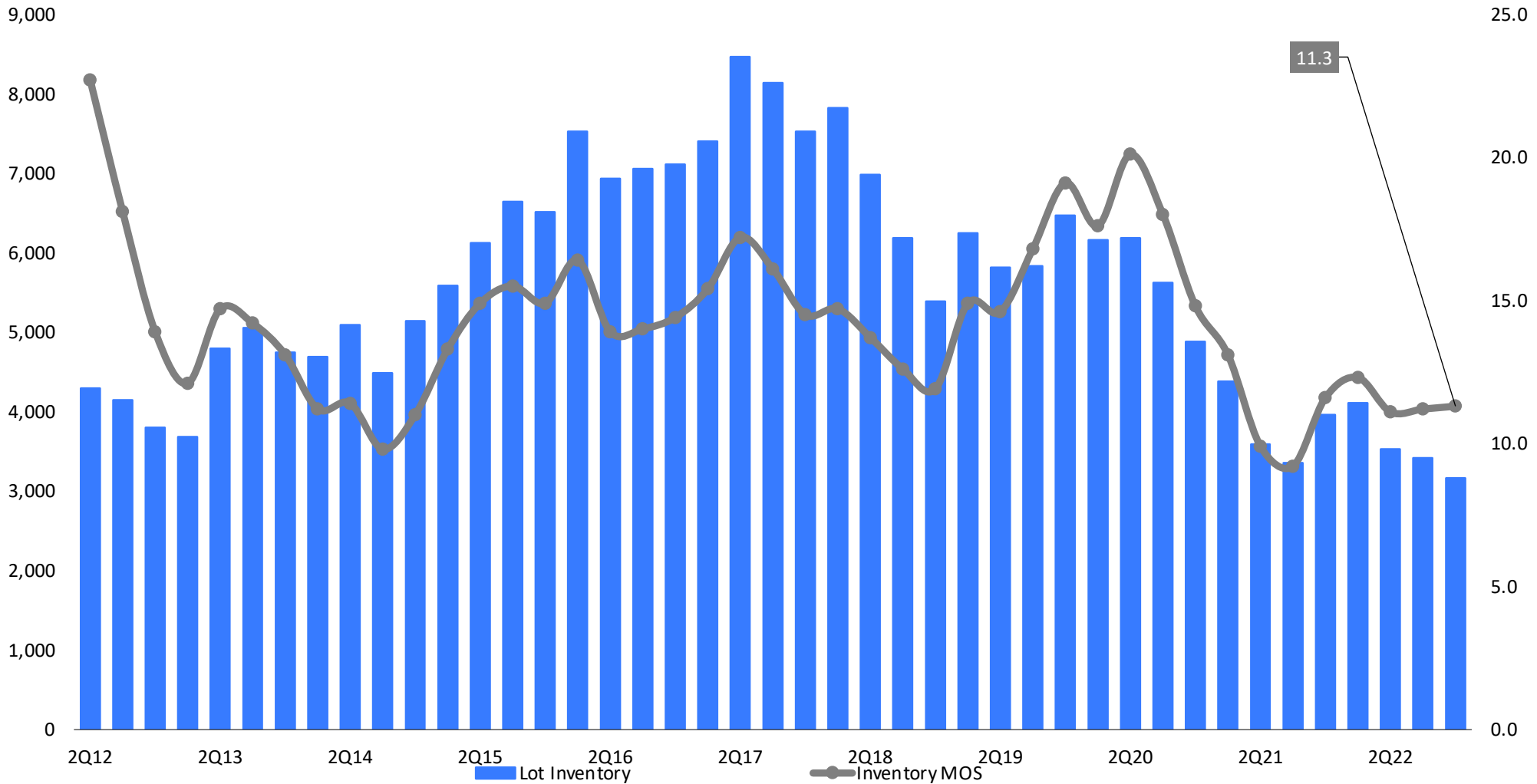
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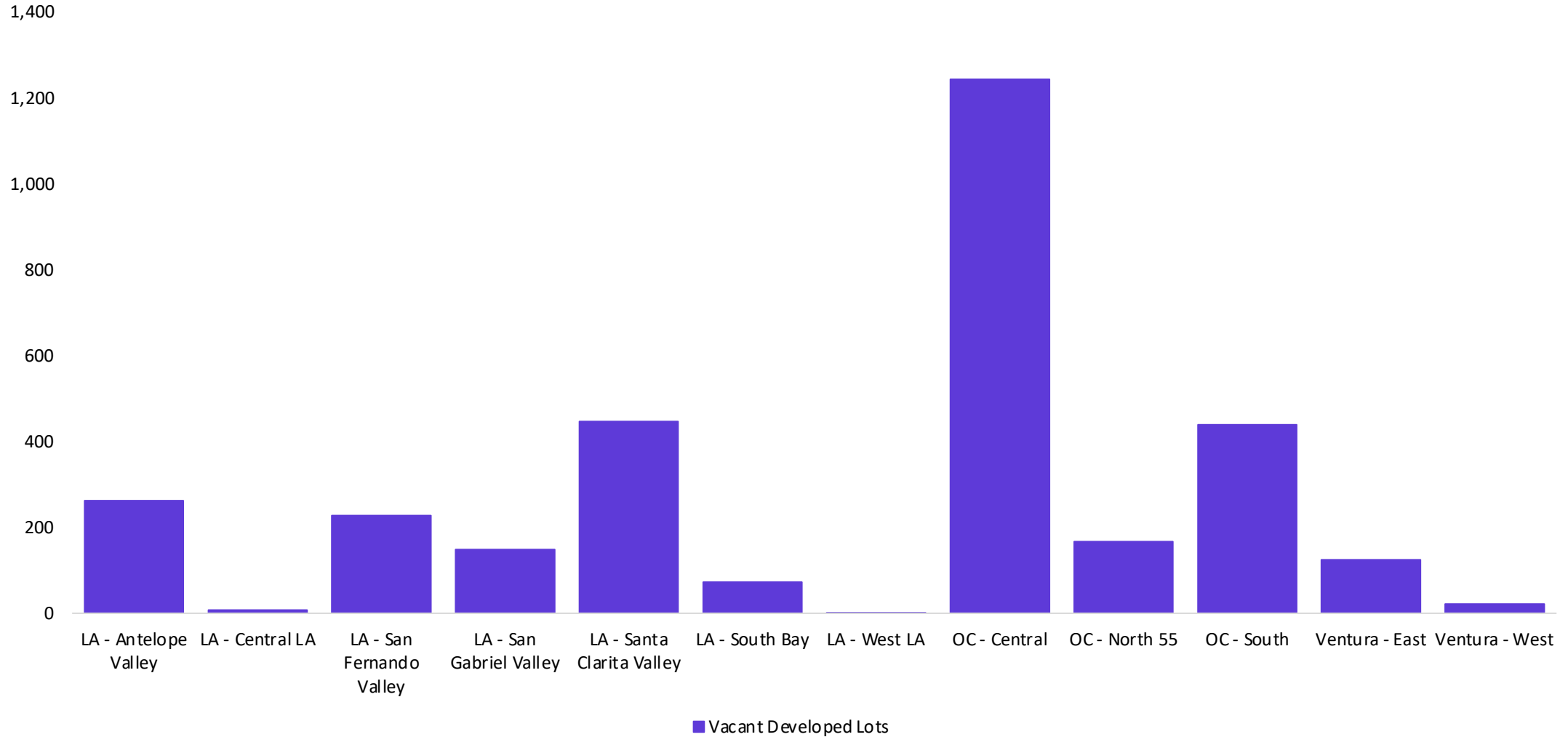
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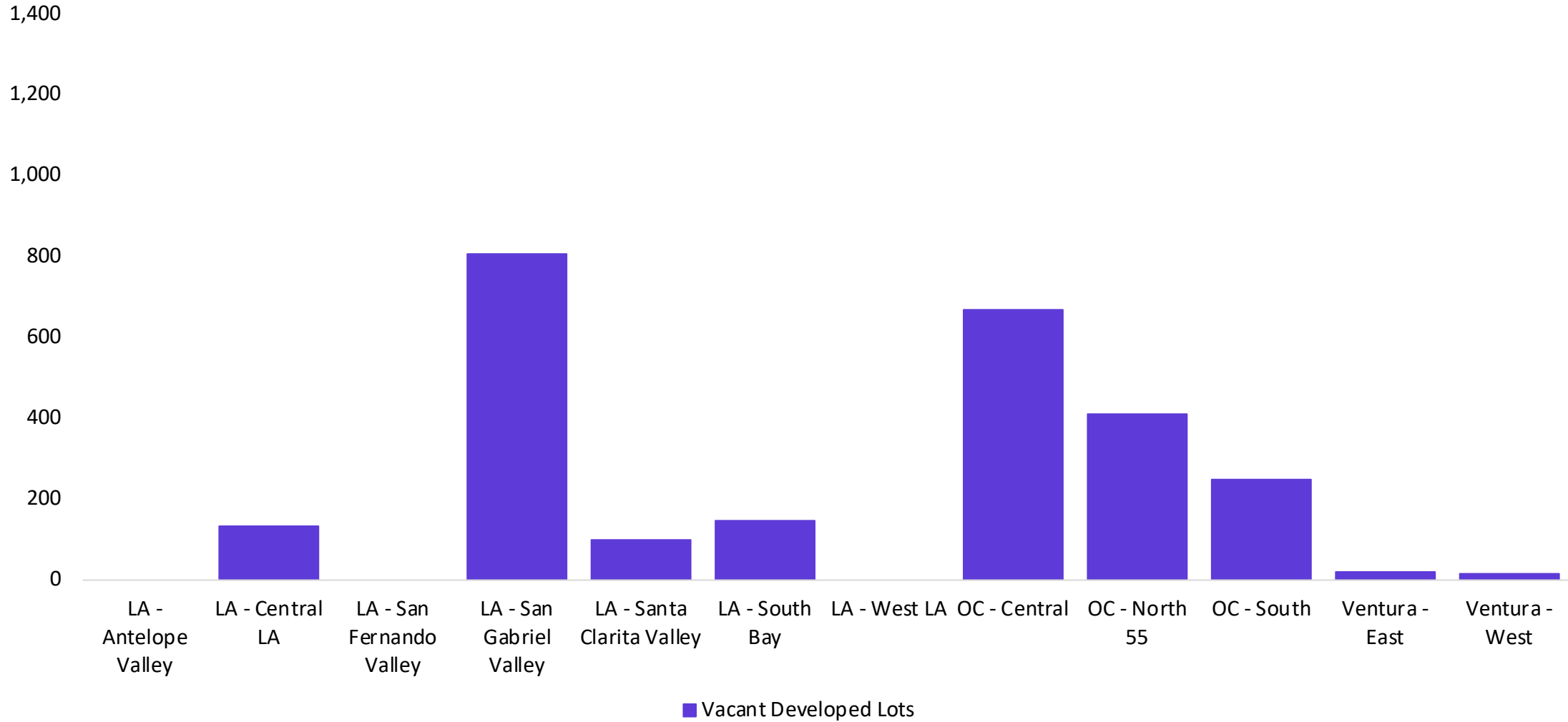
Detached VDL is still under-supplied



Limited VDL by Sub-Market

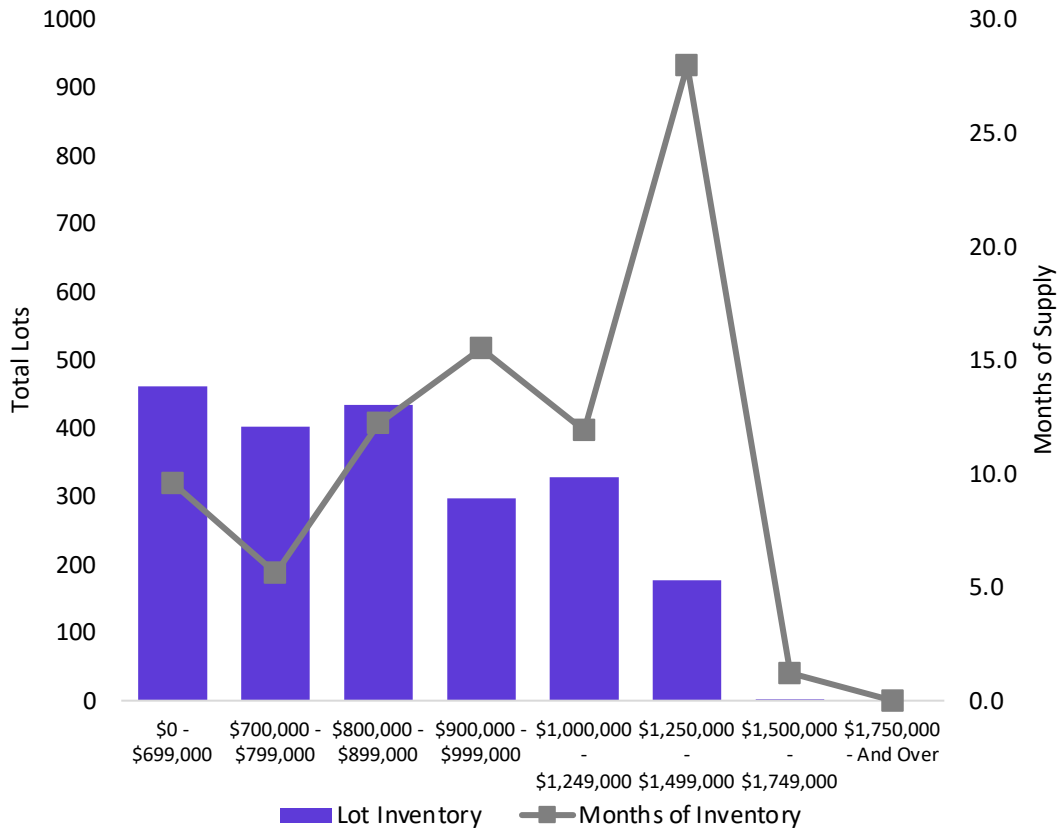


Attached lots are varied

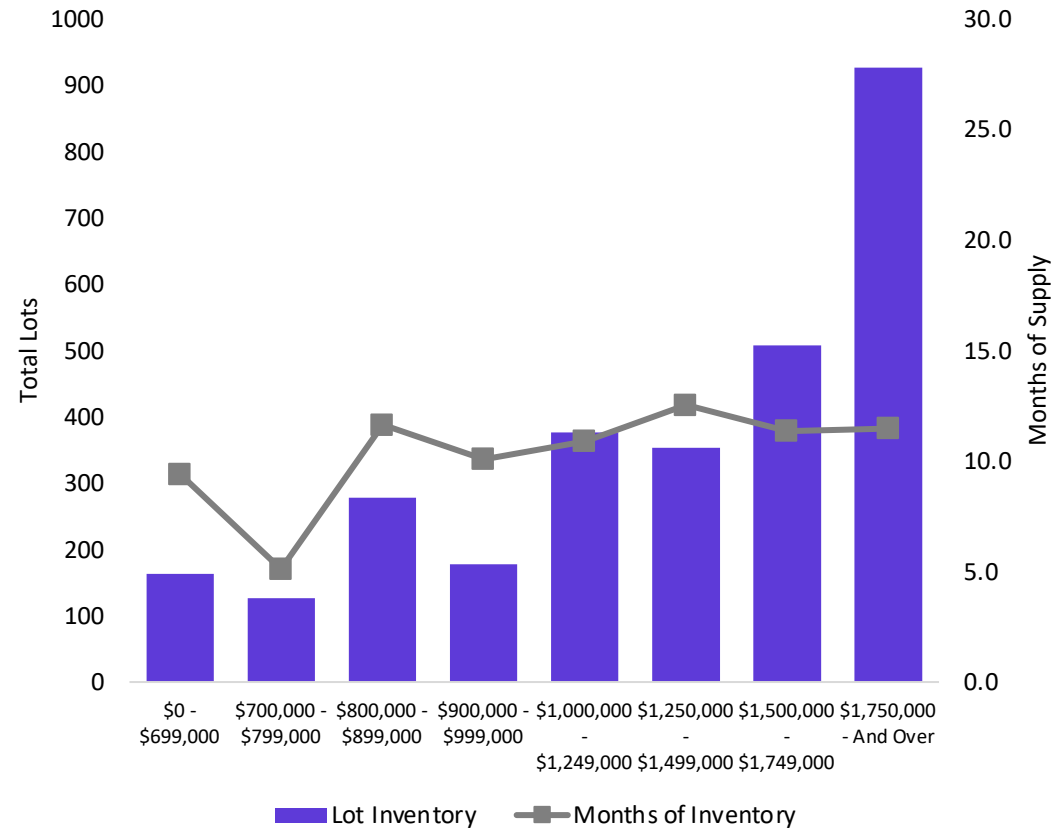


Limited attainable detached lot supply with supply still low

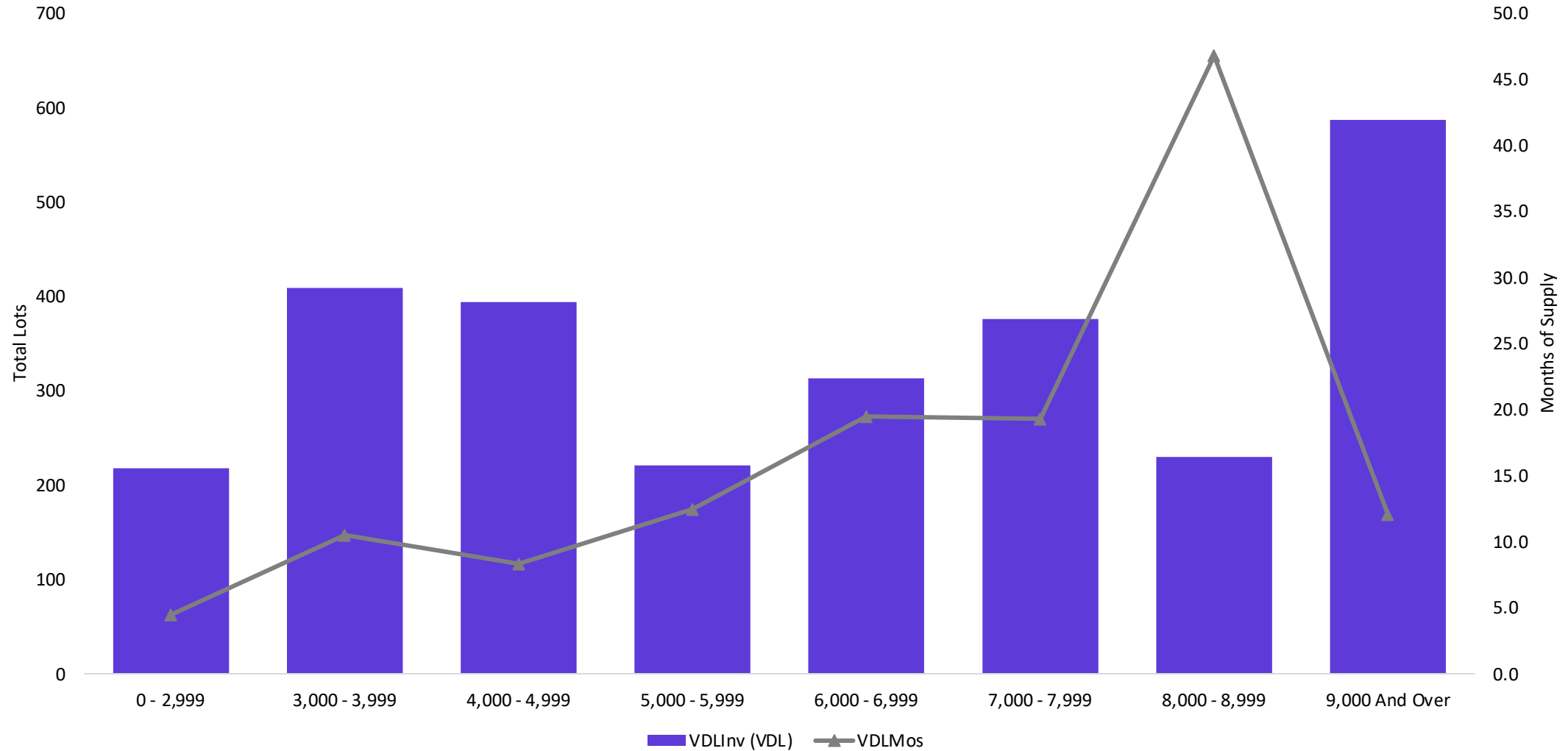
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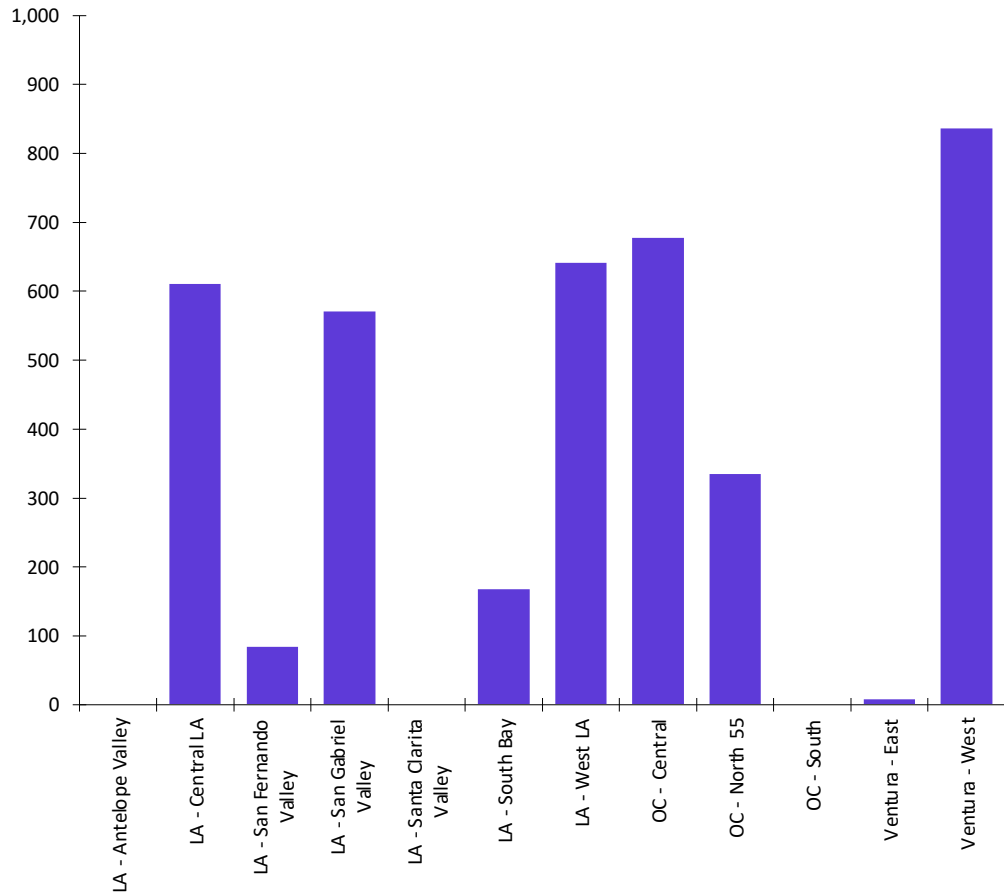


VDL lot sizes have been getting denser

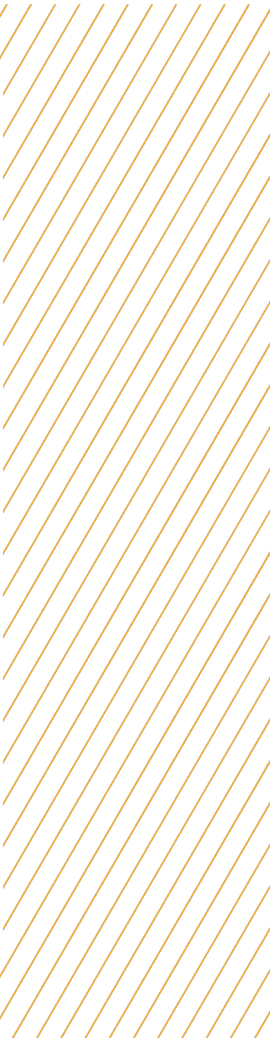
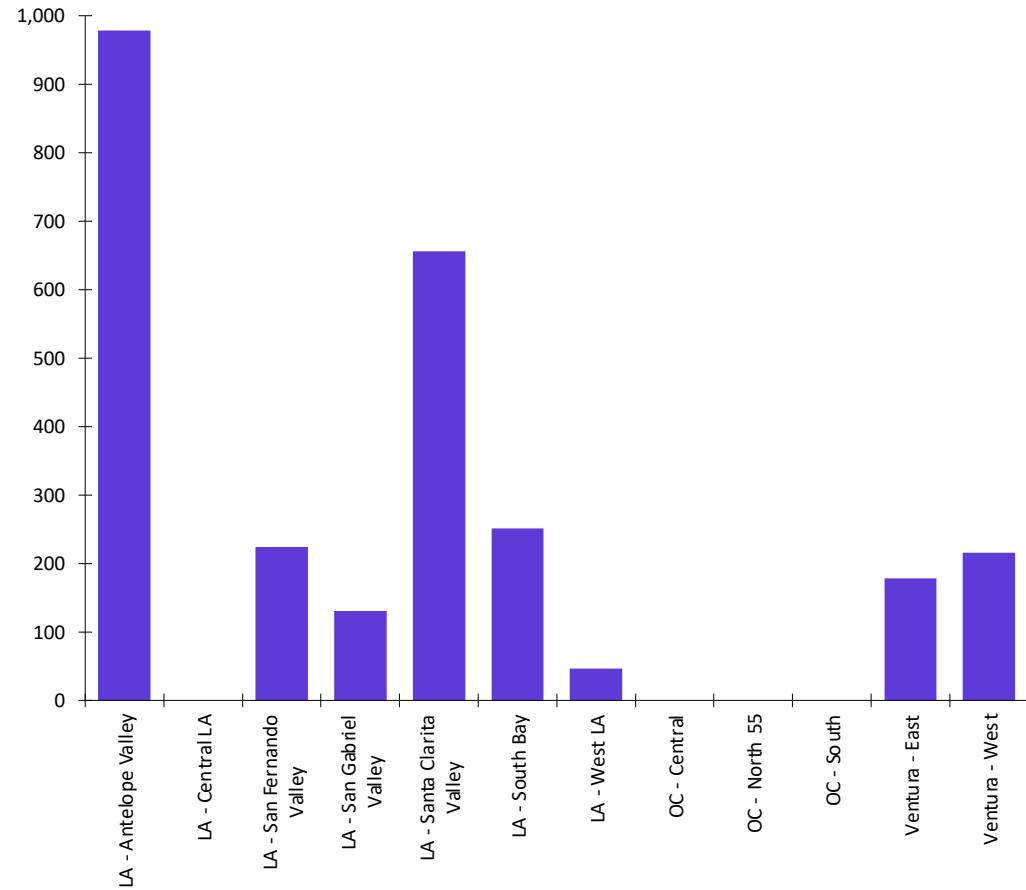


Future Lots at Excavation and Above are unlikely to increase VDL

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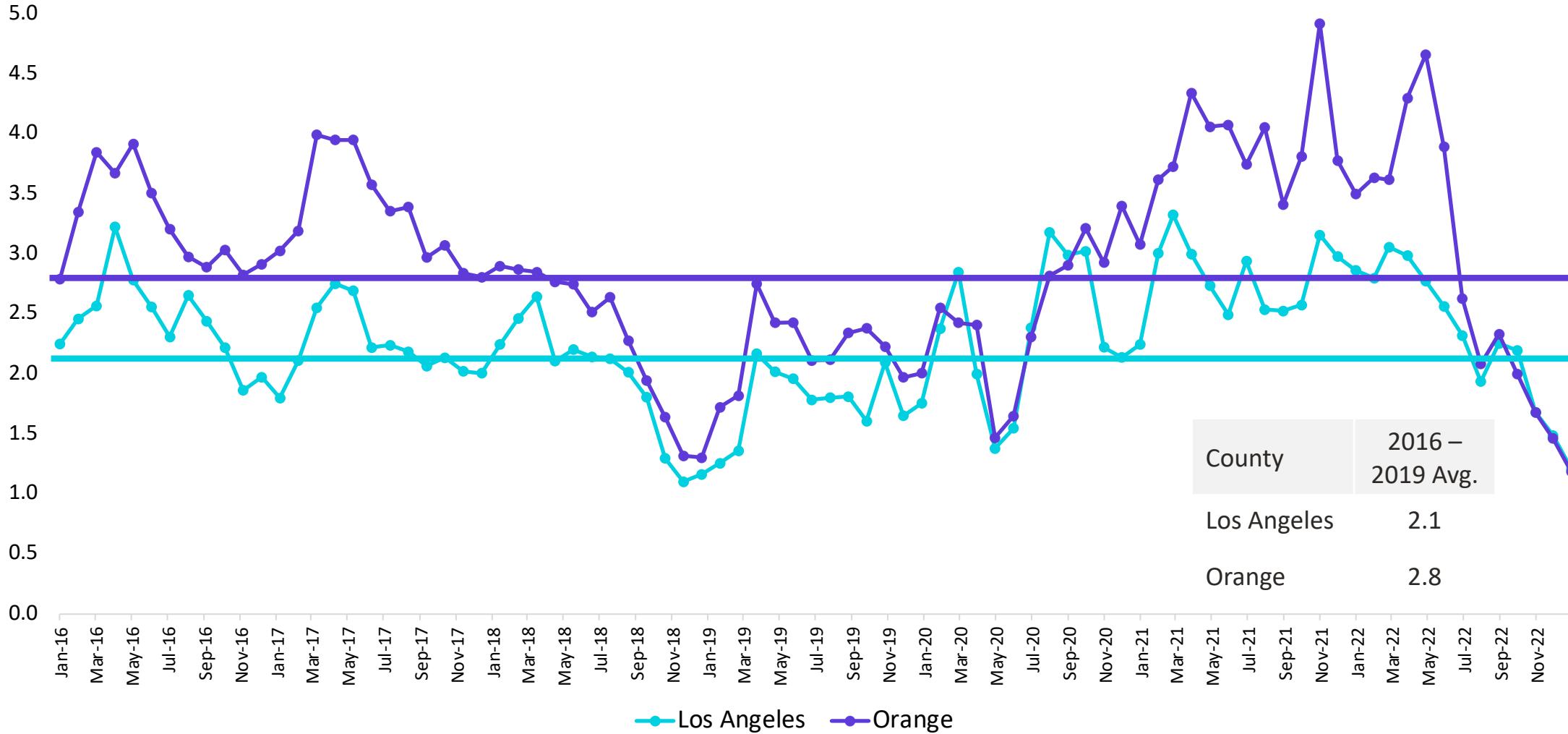
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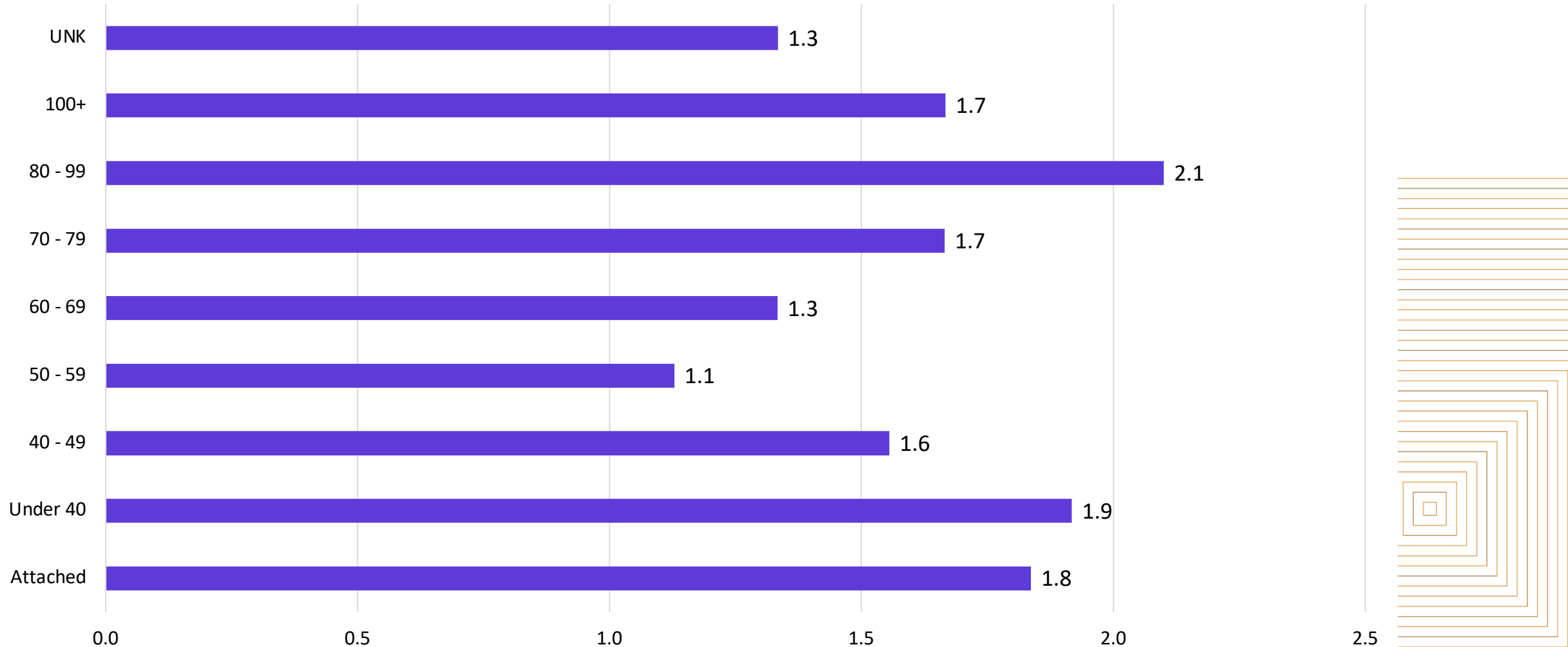
Los Angeles – Long Beach – Anaheim

Demand - Sales

Below pre-pandemic norms for average monthly sales per project



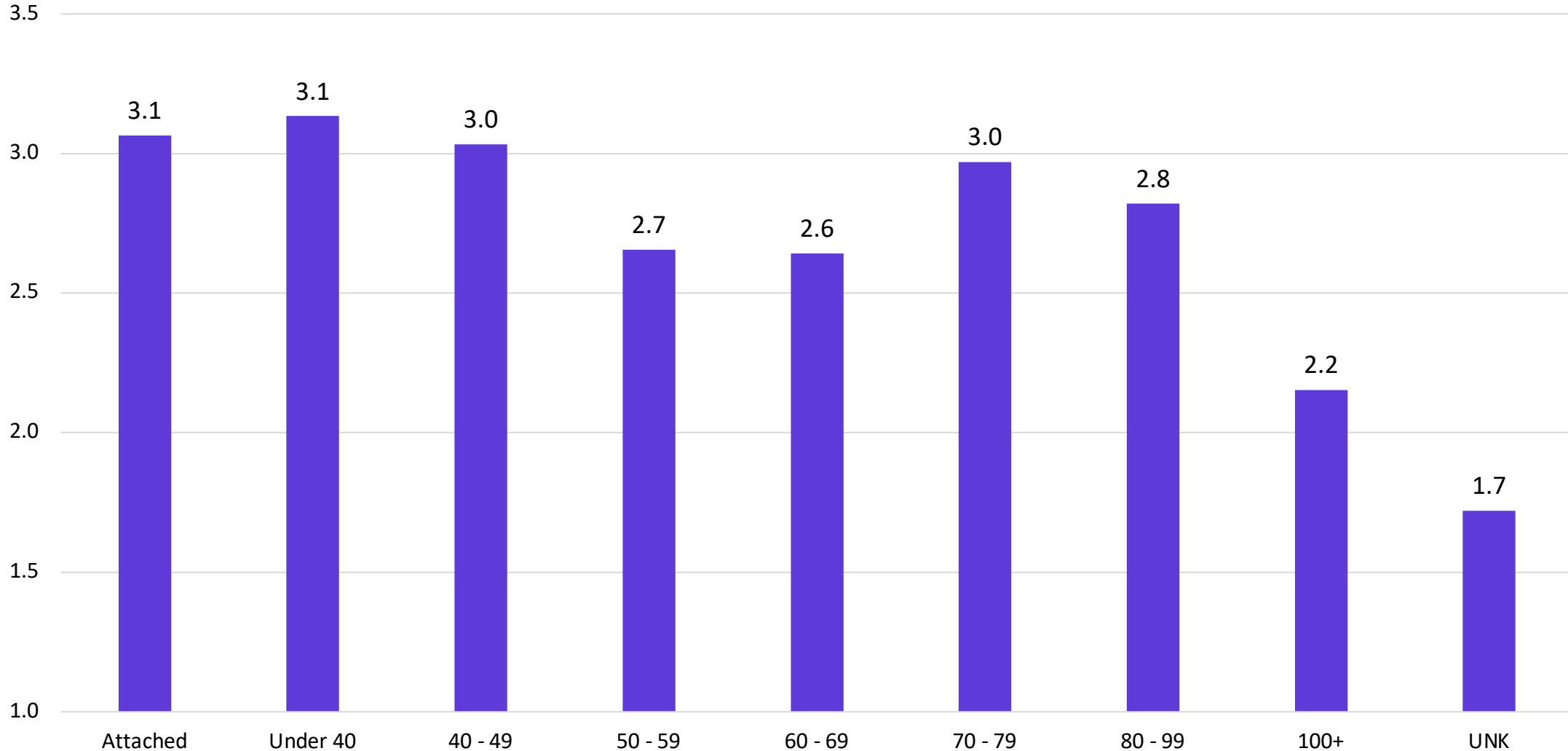
L3M sales rates dependent on area



L3M top selling neighborhoods – South 55 accounts for +44% of top

Neighborhood	City	L3M Rate	Overall Rate	Min. Sq. Ft.	Max Sq. Ft.	Min. \$	Max. \$
Vincent Place/Valencia	West Covina	8.33	8.79	1,465	2,125	\$729,000	\$833,000
Seville at Vincent Place	West Covina	7.67	8.21	1,216	1,791	\$590,000	\$685,000
Fresco/Eastwood Village	Irvine	6.33	3.32	2,213	3,032	\$1,469,500	\$2,286,000
Perla	Los Angeles	6.00	3.30	474	1,067	\$539,000	\$847,000
Cira at The Landing	Tustin	6.00	6.00	2,433	3,398	\$1,263,060	\$1,462,185
Luna at The Landing	Tustin	6.00	6.00	1,985	2,270	\$1,028,040	\$1,049,960
Solis Park/Amber	Irvine	5.67	3.93	2,064	2,584	\$1,099,990	\$1,489,990
DOMAINE 39	Pasadena	5.67	5.89	954	2,169	\$795,000	\$2,570,000
Trenton Heights	Santa Clarita	5.33	4.67	2,163	2,387	\$784,990	\$801,990
Carson Landing	Compton	5.00	6.56	1,414	1,907	\$591,489	\$813,990
Harvest at Rancho Mission Viejo	Rancho Mission Viejo	5.00	6.23	1,510	1,893	\$789,000	\$905,000
Solis Park/Camellia	Irvine	4.67	4.18	1,829	2,720	\$1,014,990	\$1,314,990
Flats & Towns at Covina Bowl	Covina	4.67	4.16	736	1,823	\$485,900	\$685,900
Solis Park/Cascade	Irvine	4.00	3.62	2,031	2,336	\$984,990	\$1,047,990
Docente	Claremont	4.00	4.95	1,401	2,182	\$715,990	\$885,990

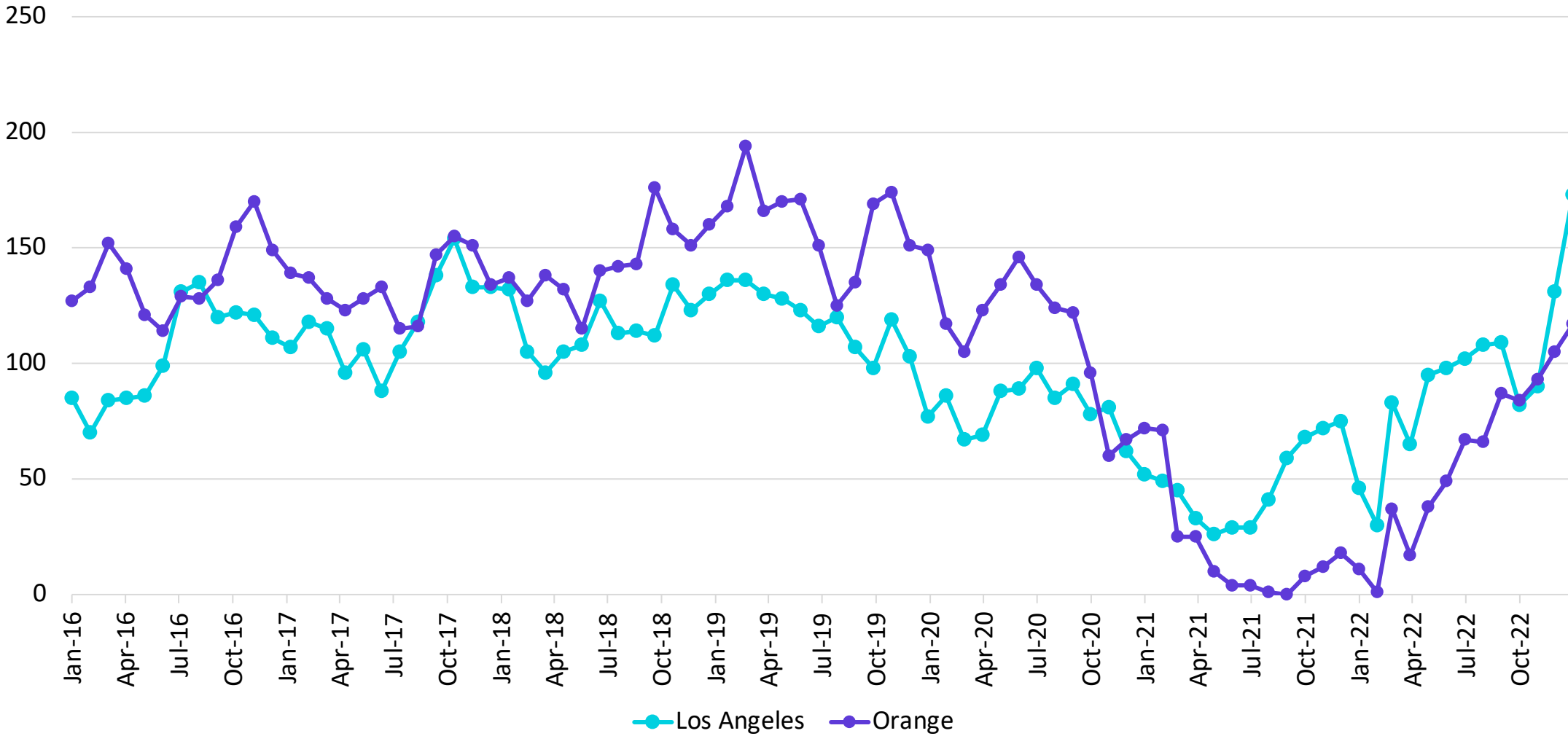
Densities determine overall sale rates



Top starting communities – Top 3 accounts for +42%

Planned Community	Annual Starts	Annual Closings	Estimated Total Lots	Occupied	Models	Finished Vacant	Under Construction	Vacant Developed Lots	Potential Future Lots
Villages of Irvine	540	761	19,480	17,517	39	148	225	812	739
Great Park Neighborhoods	516	438	10,589	5,567	34	65	323	384	4,216
Rancho Mission Viejo	443	174	14,000	3,629	39	69	190	478	9,595
Newhall Ranch	440	755	16,355	817	23	125	82	221	15,087
Meadows	321	58	541	58	18	63	200	202	0
Porter Ranch	229	334	3,618	3,366	9	27	136	80	0
Skyline Ranch	186	130	1,219	688	14	36	54	107	320
Tustin Legacy	154	32	993	625	13	23	106	226	0
Metro Heights	148	0	730	0	15	11	128	576	0
100 West	138	118	292	118	6	114	44	10	0
Williams Ranch	115	34	506	34	15	0	66	155	236
Ponte Vista	112	97	616	119	9	17	60	157	254
Asteria	76	0	158	0	10	0	66	0	82
Farm - OC	71	13	169	13	6	0	58	92	0
Mission Foothills	60	56	165	110	5	9	35	6	0

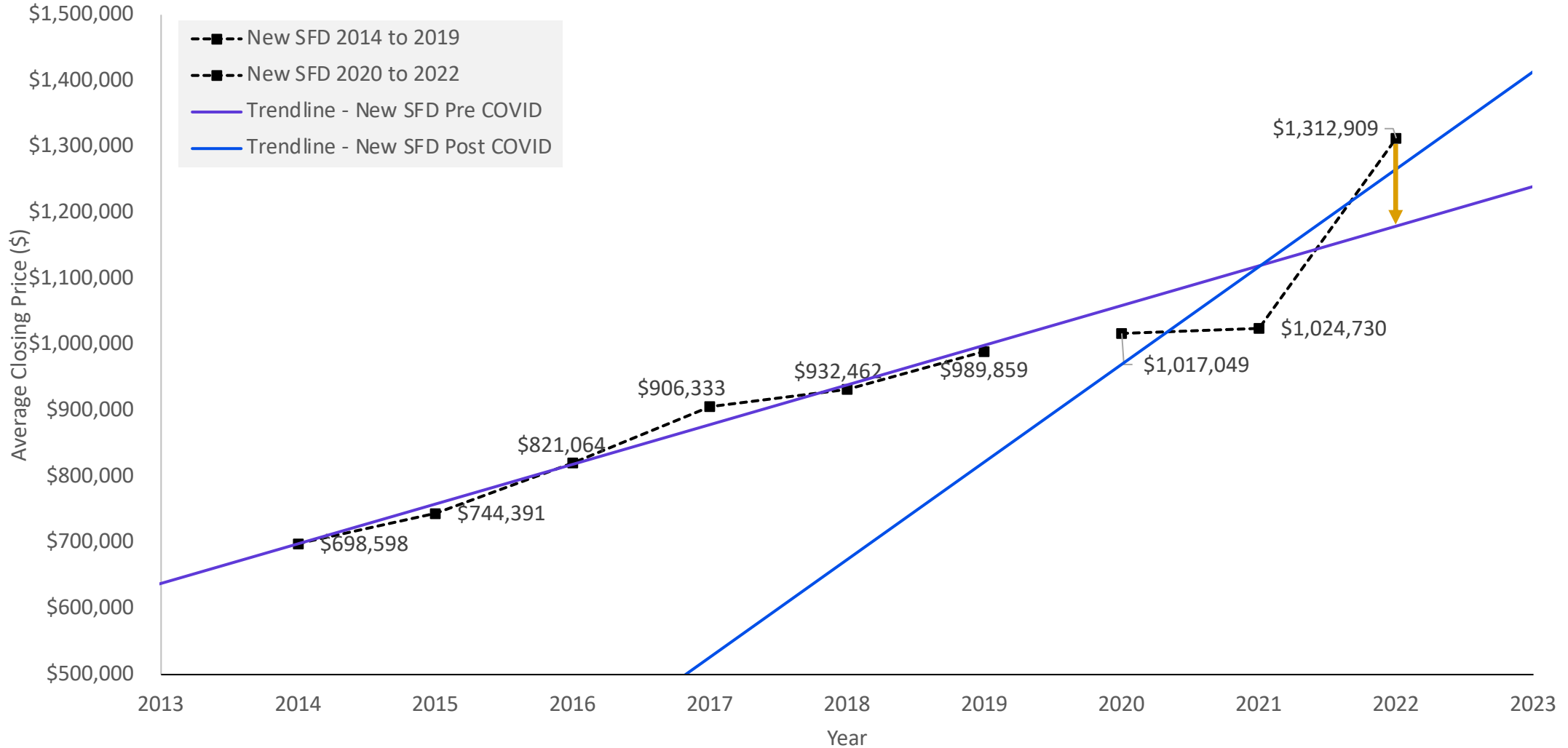
Quick Move-In have increased closer to pre-pandemic norms



Los Angeles – Long Beach – Anaheim Market

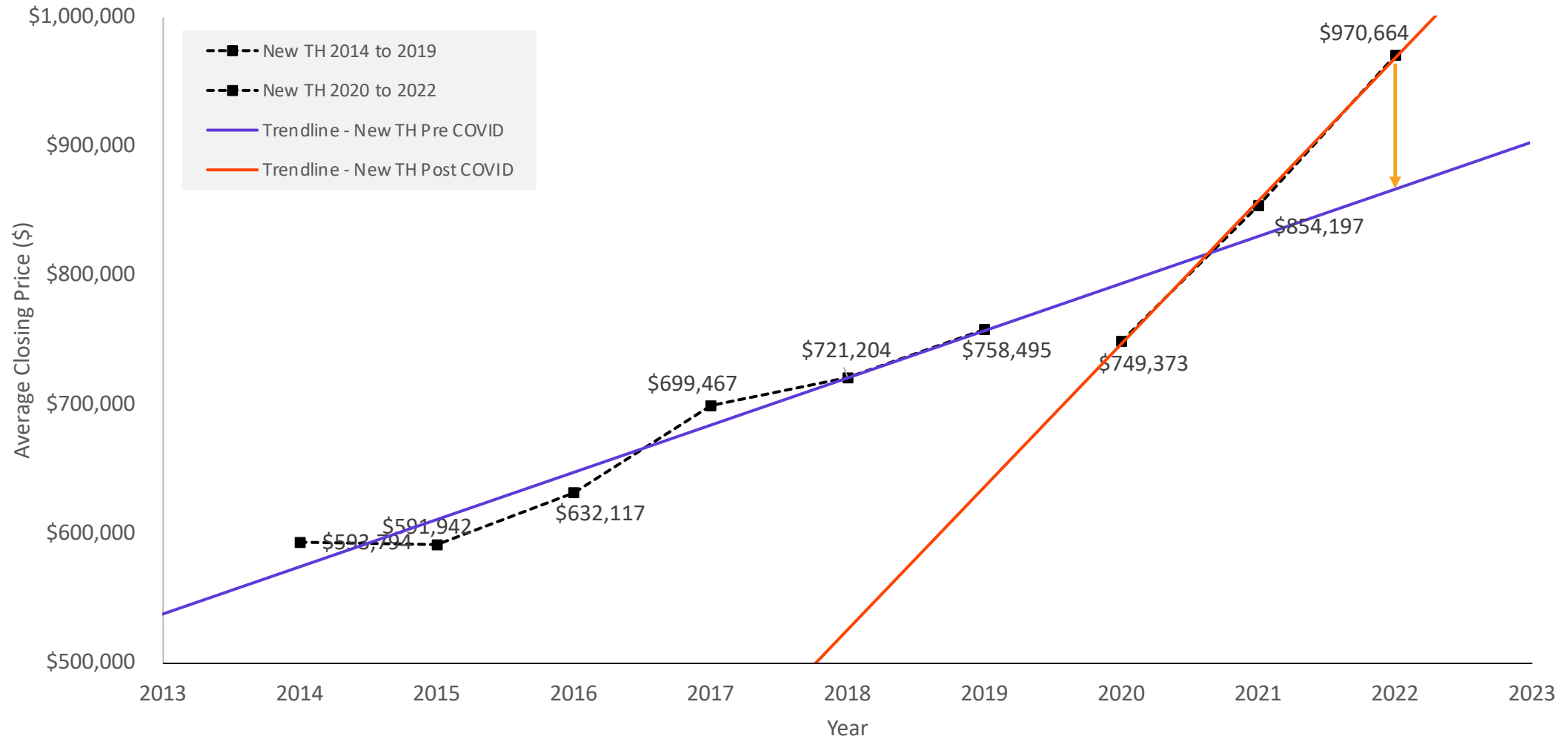
Pricing Estimates

Los Angeles County appreciation has been significant



Source: Black Knight

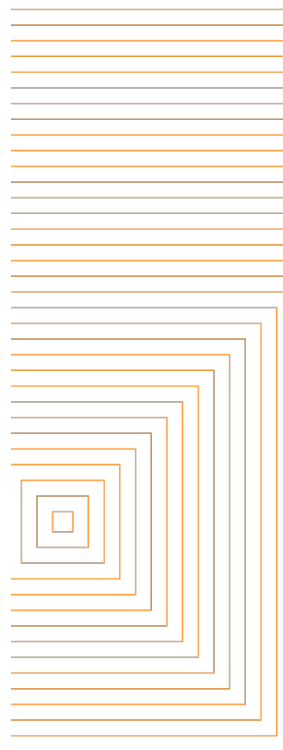
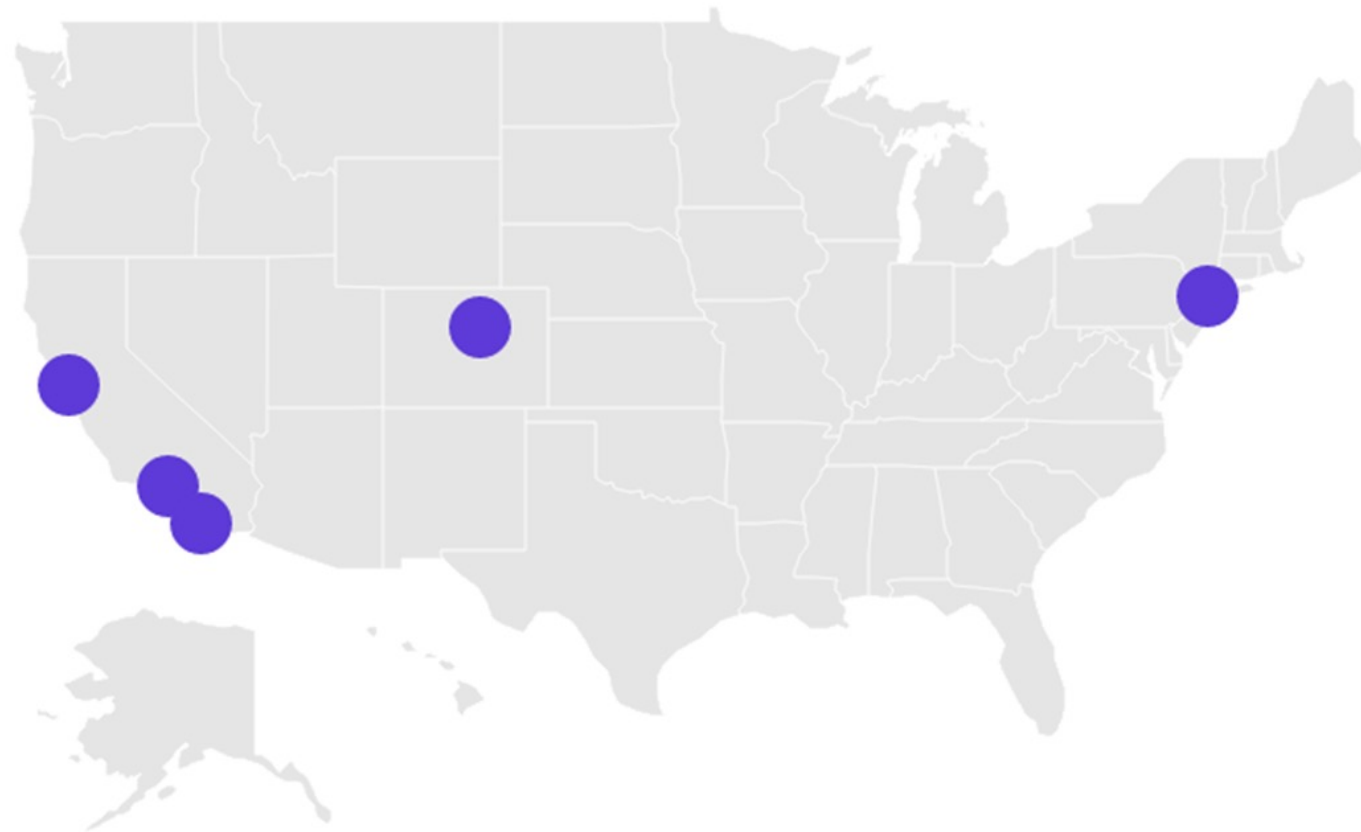
Orange County COVID gap



Source: Black Knight

California is still one of the most desirable places to live

If money wasn't an object, where in the U.S. would you live?



On The Horizon

Economy

- Economic uncertainty continues in the near term
- Mortgage market remains volatile with expected continued rate increases from the FED through March 2023 at least
- Global supply chains are returning to historical norms with some importing issues still evident
- Construction materials and lumber materials have decreased in 2022
- Los Angeles & Orange County expect continued population growth
- Retail & Tourism continues to recover

Real Estate

- Resale listing price has decreased with further drops likely as more listings appear on the market
- New detached base pricing has begun decreasing with compression expected
- Annual starts are down 18.0% - 19.0%
- Builder inventory continues to drop
- Lot supply & MOS increased to equilibrium with increases likely due to lot deliveries
- Sales per project is returning to historical norms with some good recent results reported by builders
- Incentives, rate buydowns, and limited price compression have been used by builders
- Short term outlook is challenging while the long-term outlook remains positive
- **Now is the time to rethink, replan, reengage, and reposition**

Regional and National Expert



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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

Submarket Studies

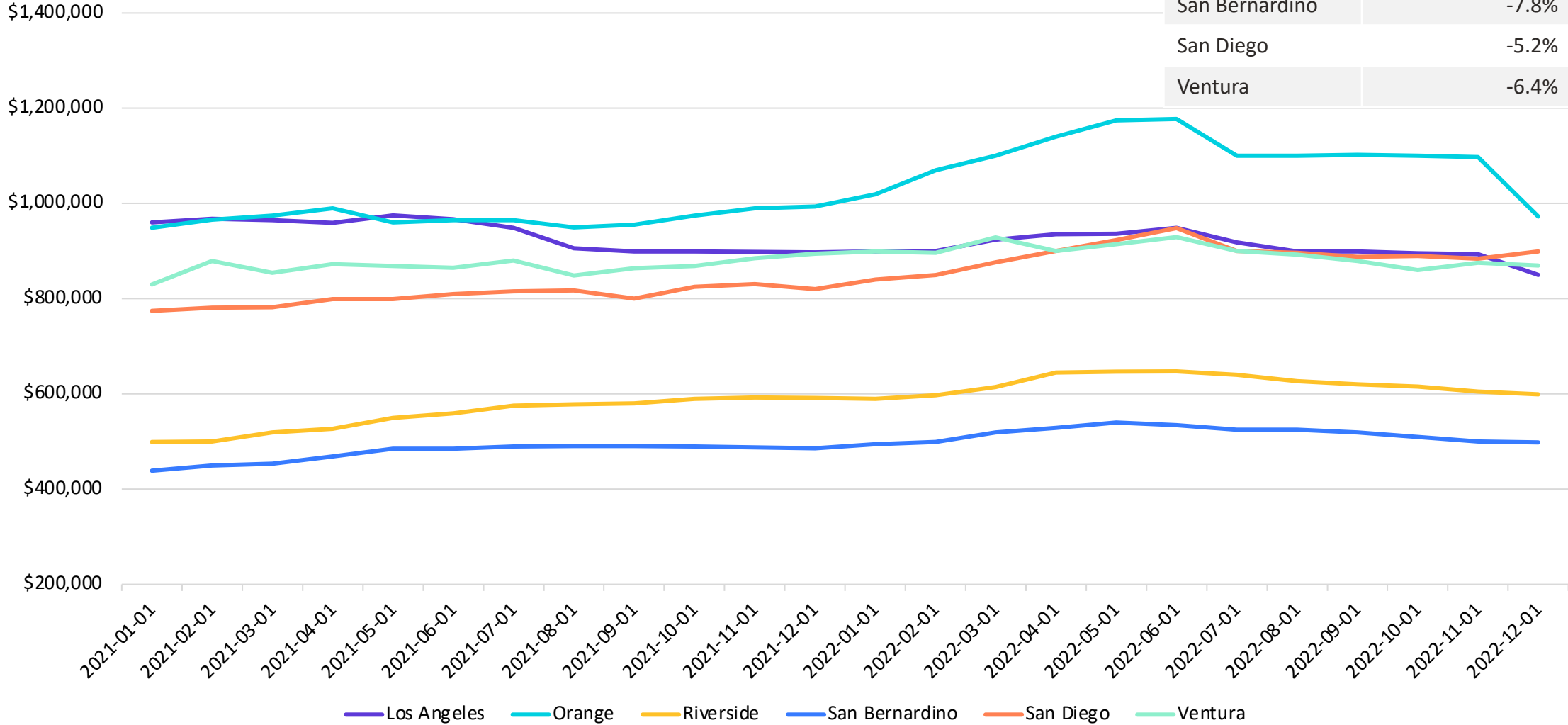
Reviewed submarkets to assist builders with determining market penetration and opportunity

Thank you

www.zondahome.com



Median resale listings correcting



Source: St Louis Fed Fred, Realtor.com

Market: Los Angeles & Orange County / Winter 2022
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