

Outlook

25th Annual Inland Empire Market Trends Seminar

June 8, 2022

Sharing market trends from a local perspective

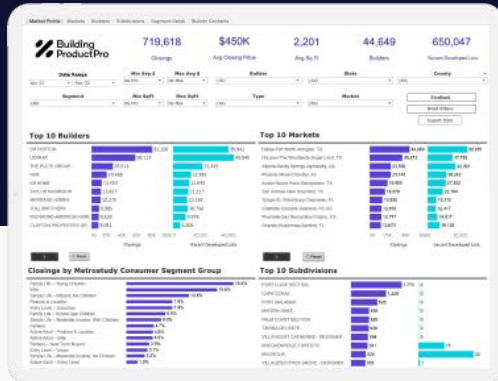


Evan Forrest

Vice President - Advisory

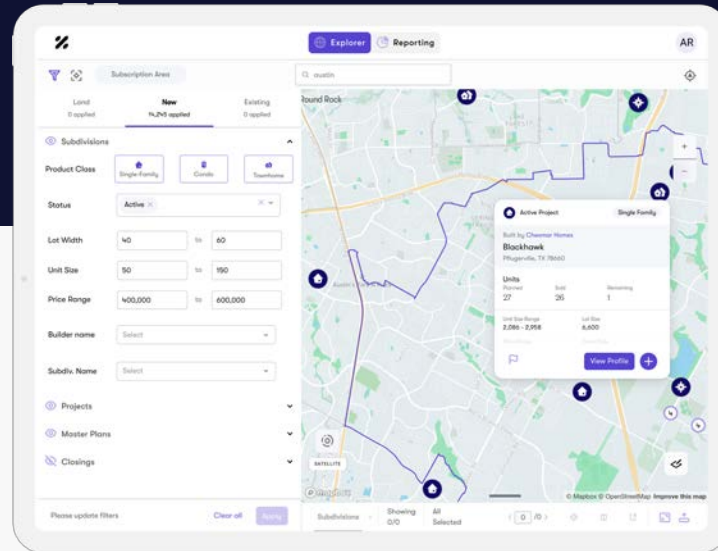
6/8/2022

#1 provider in new home construction data solutions



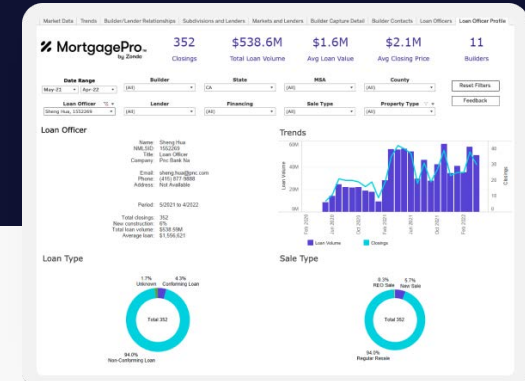
BuildingProductPro

Essential housing insights for building product suppliers



Enterprise™

The complete data solution for home builders



MortgagePro™

Helping mortgage lenders secure builder business

Regional and National Expert



Evan Forrest

Vice President

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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

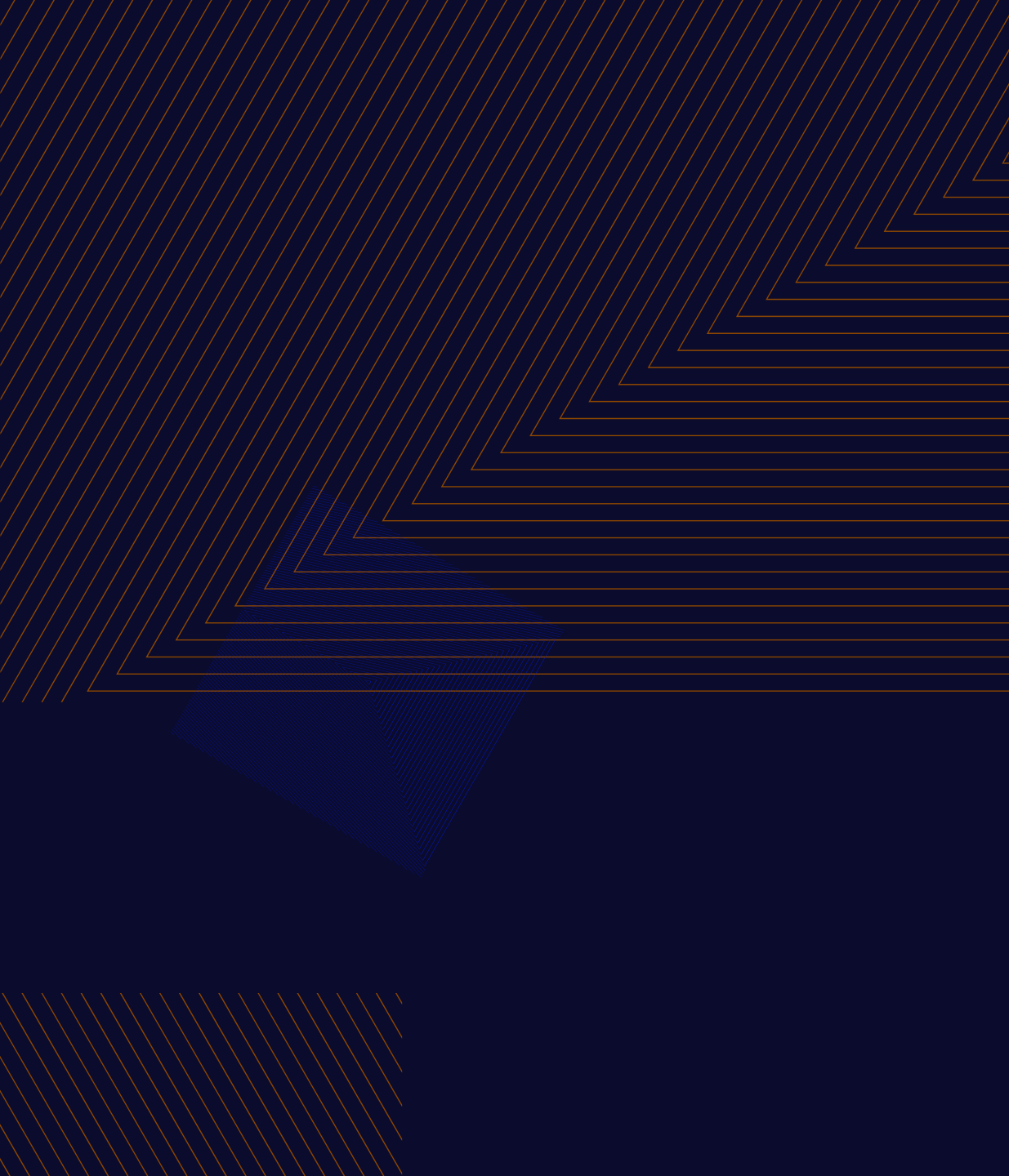
Performed studies on Improvement Districts assisting bonding work on developments

Submarket Studies

Reviewed submarkets to assist builders with determining market penetration and opportunity



Today's Agenda

1. Homebuilder Expectations
 2. New Home Supply
 3. Lot Supply
 4. Demand - Sales
 5. On the Horizon
- 

National Economy

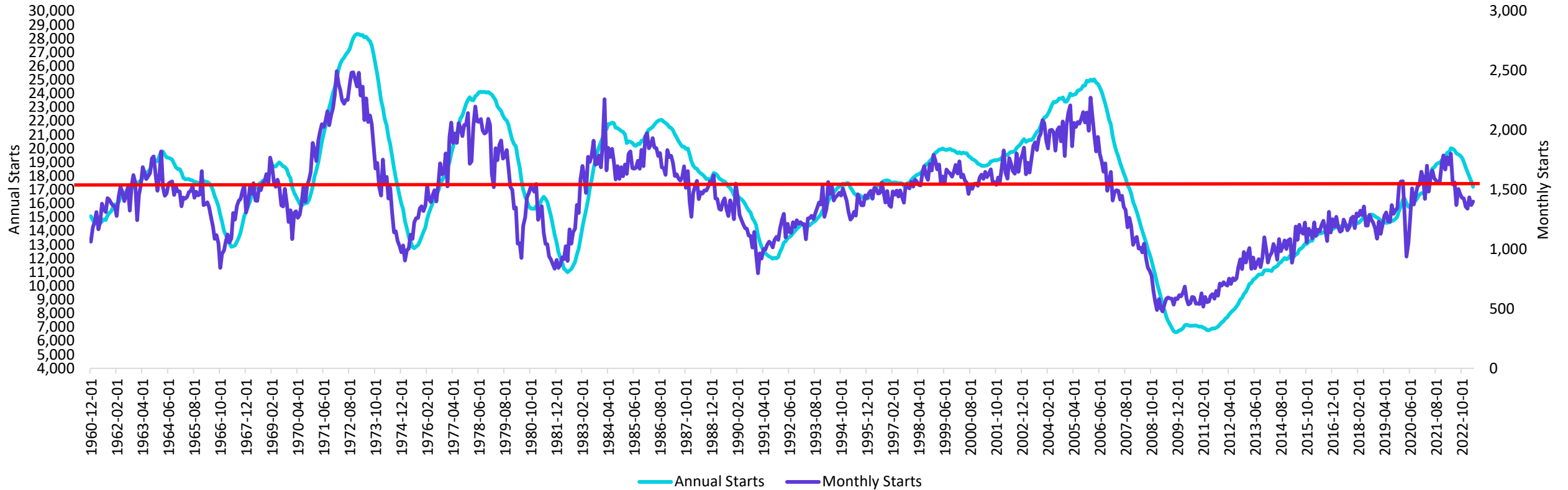
Builder Expectations



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		1,771	1,371	400	-22.6%

Averages 1 - 7 -43%



Source: St. Louis FED FRED Economic Data; Zonda

Market: Inland Empire / Spring 2023
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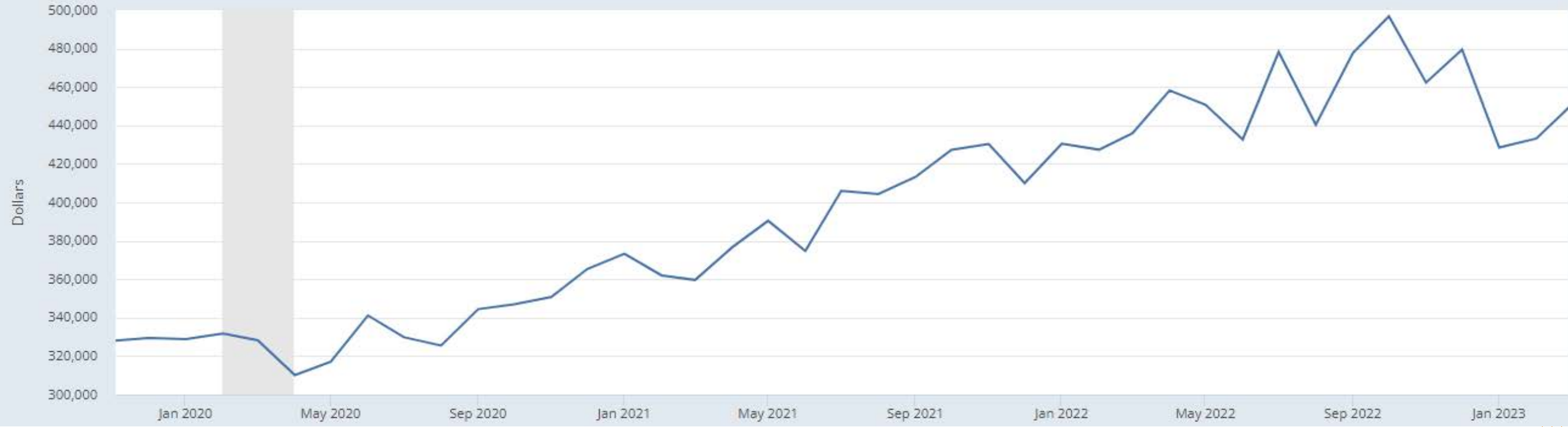




National median price drops avg. 9.4%

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	October-22	January-23	\$496,800	\$426,500	-14.2%
Averages 2 - 7,9					-9.4%

FRED — Median Sales Price for New Houses Sold in the United States

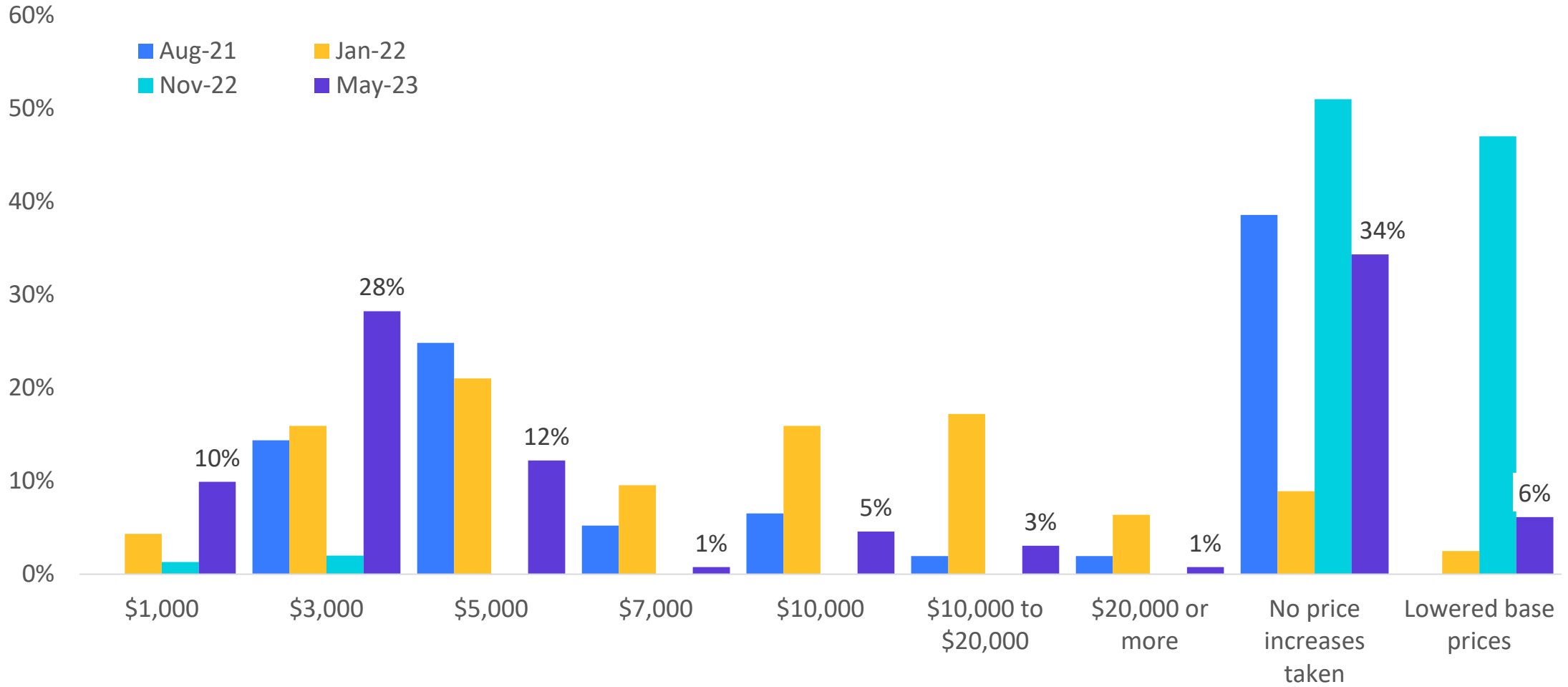


- 1 - Previous peaks determined in previous 24 months
- 2 - Assumption recession is coming
- 3 - Recessionary Period #6 had starts on a multi-year fall so peak was started within 24 months
- 4 - As determined by St. Louis FRED
- 5 - Only measured on Quarterly Basis
- 6 - Prices rose through the recession 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

Source: St. Louis FED FRED Economic Data; Zonda

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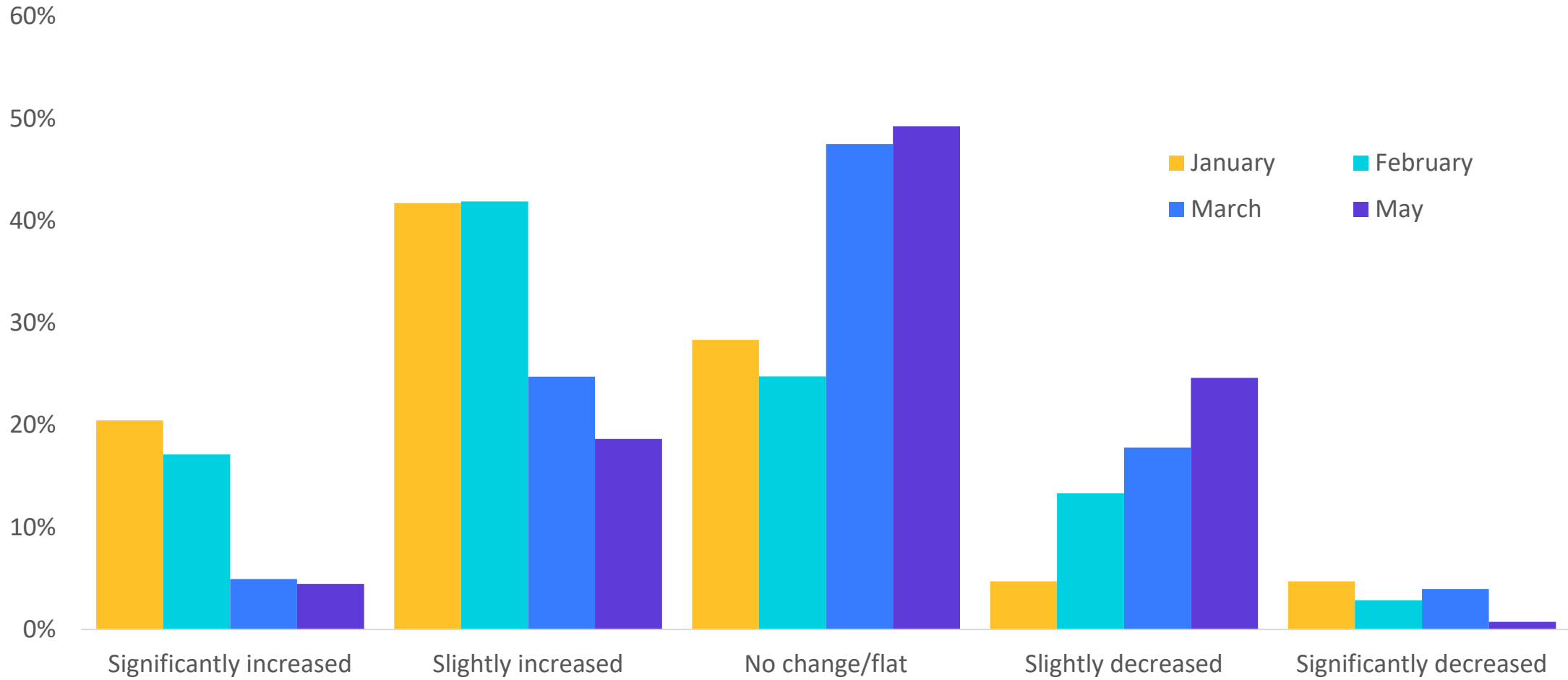
Minimal price increases are coming back to the market



Source: Zonda

Source: Zonda

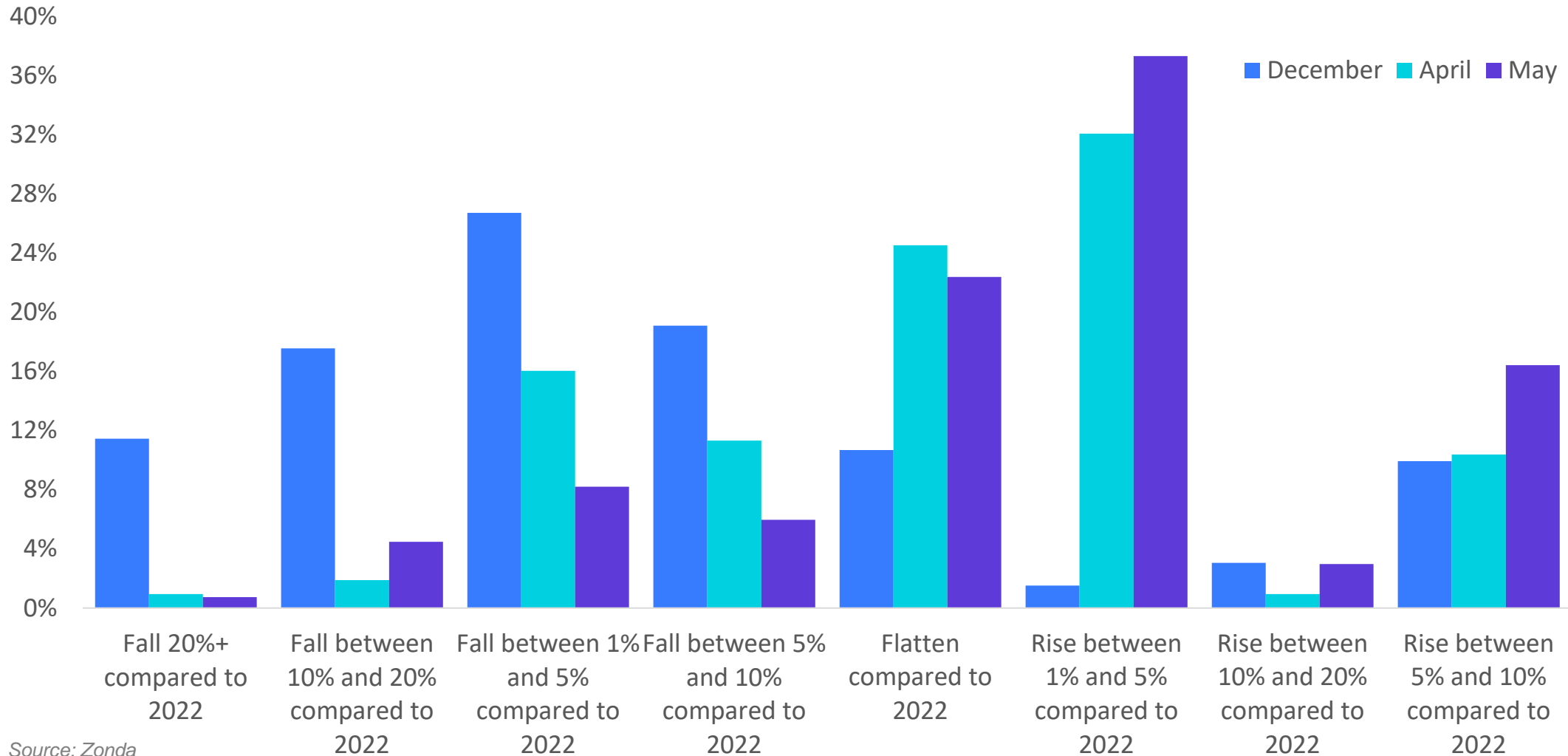
2023 gross sales have been varied for homebuilders



Source: Zonda

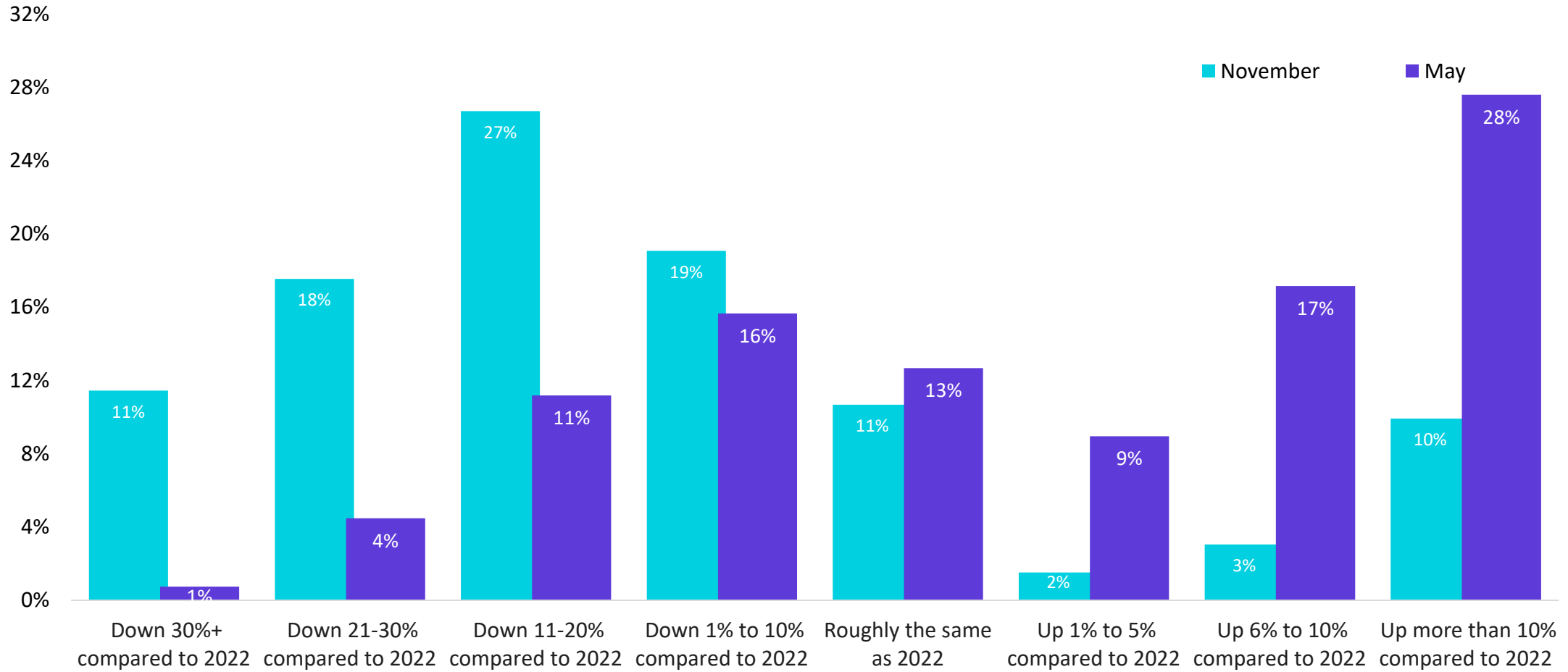
Source: Zonda

Pricing in transition



Source: Zonda

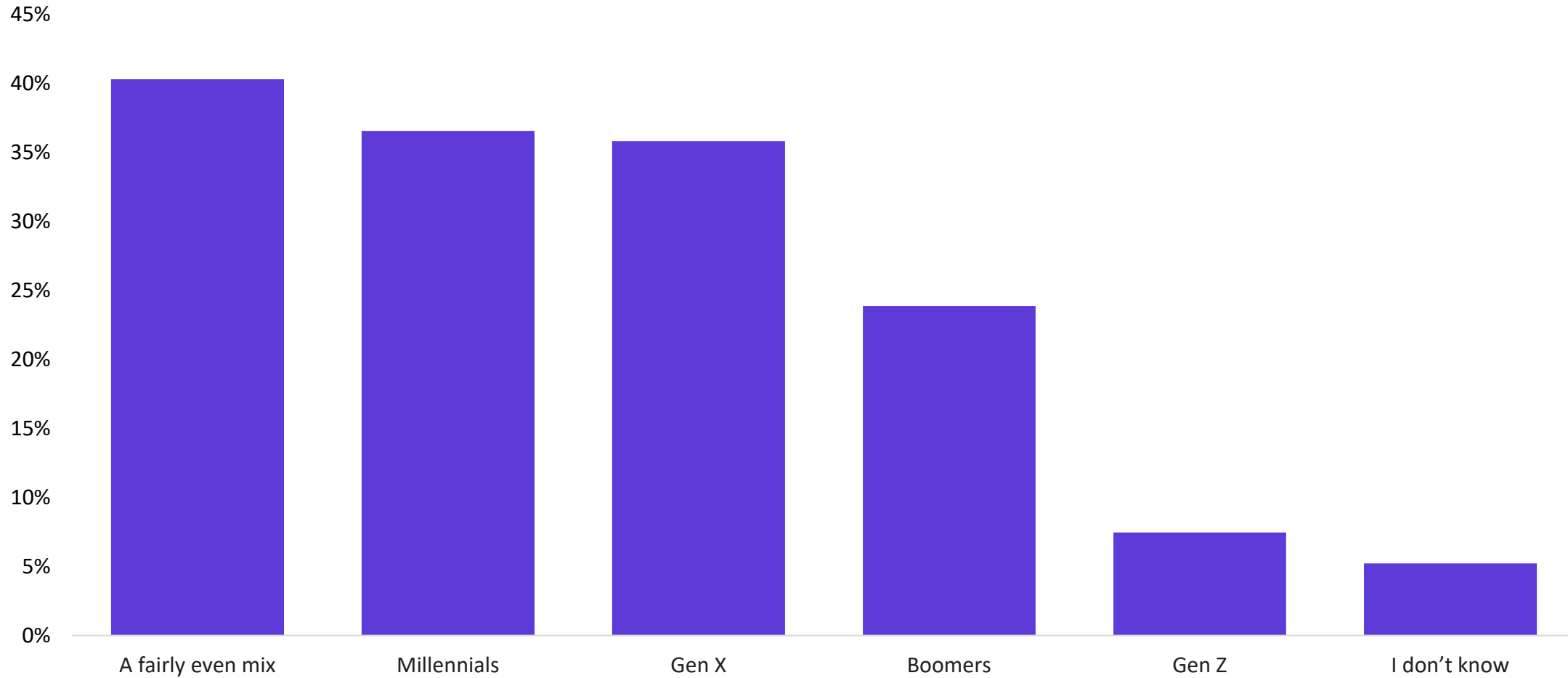
Homebuilders are more optimistic about sales



Source: Zonda

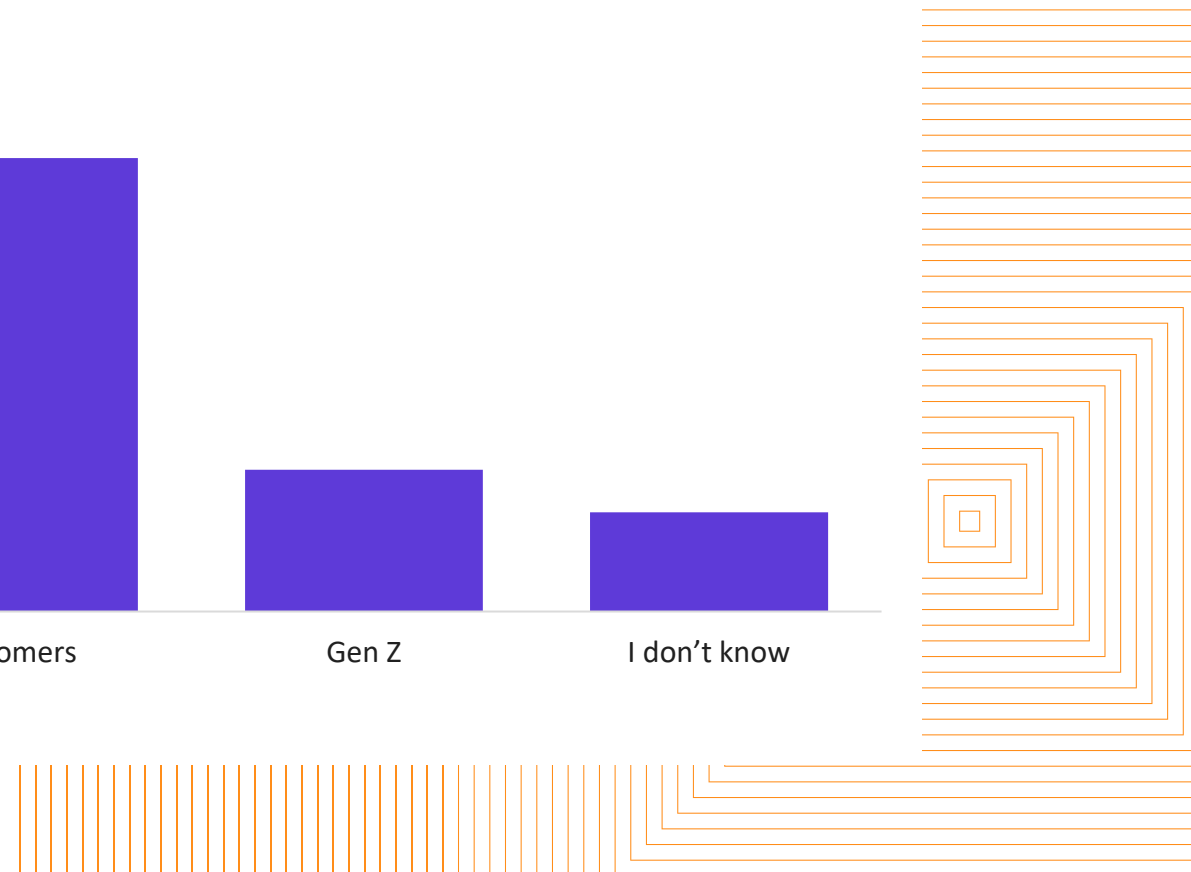
Source: Zonda

Who are these Gen X buyers?

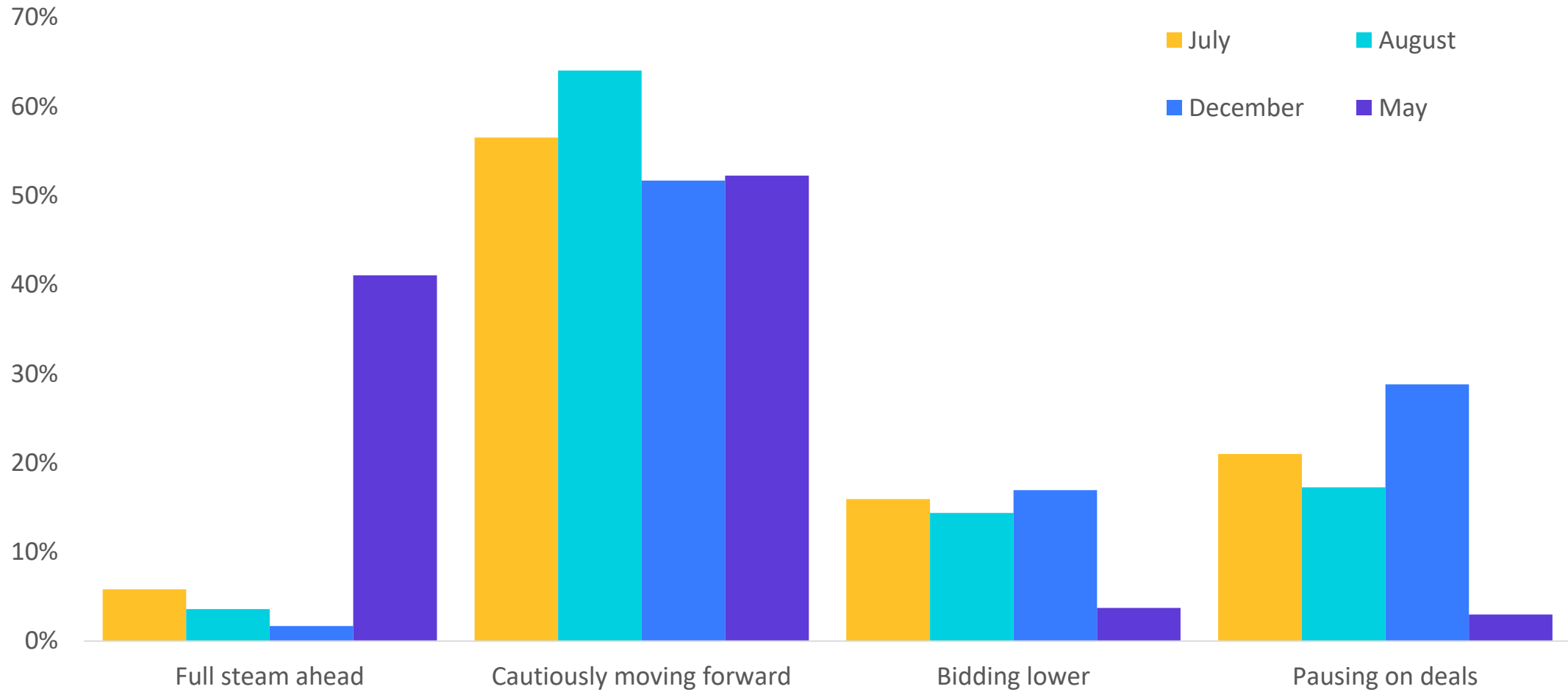


Source: Zonda

Source: Zonda



Land Acquisition: Caution moving forward or faster....



Source: Zonda

Source: Zonda

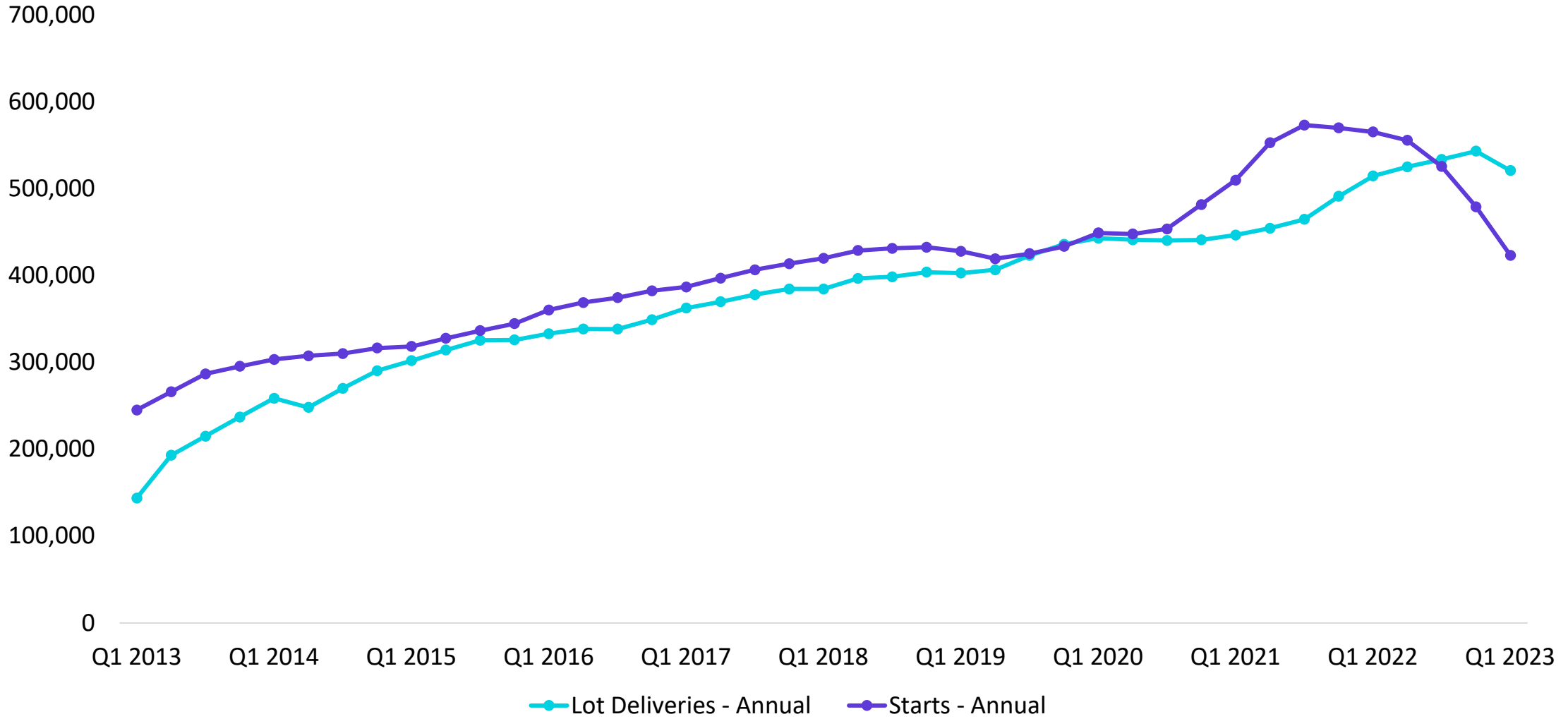
Land: Acq is pushing prices again.



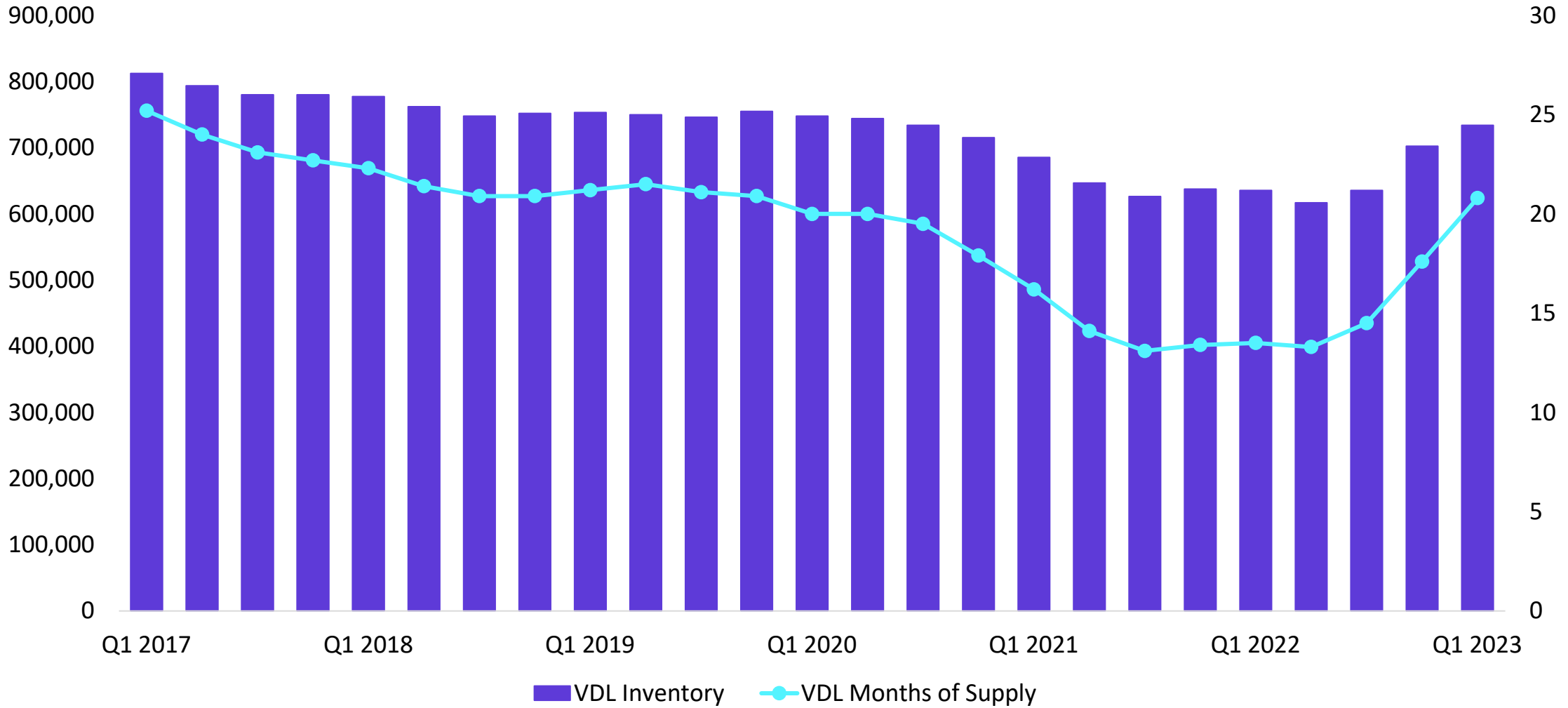
Source: Zonda

Source: Zonda

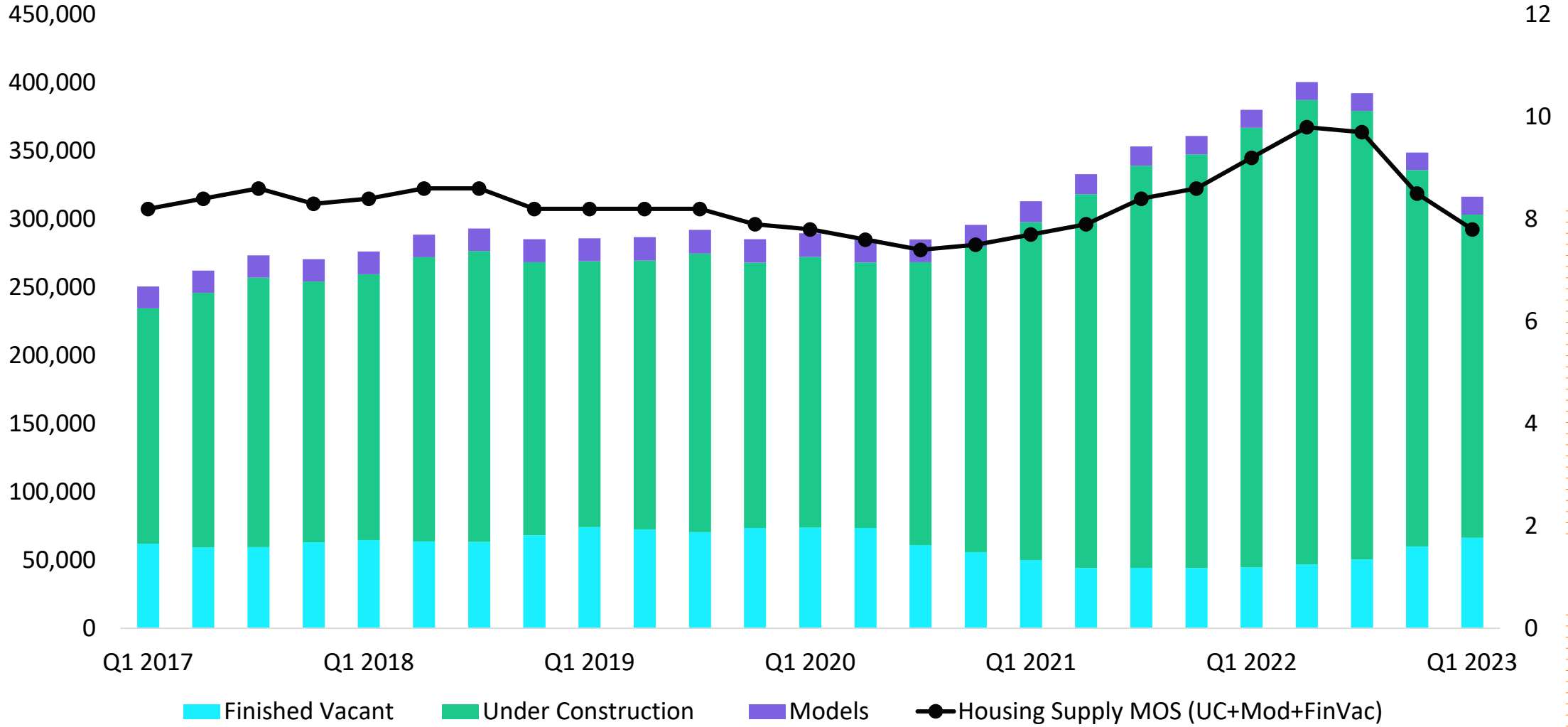
Annual Starts have the potential to drop further through 2Q 2023



National vacant developed lot MOS is in equilibrium



Inventory is declining



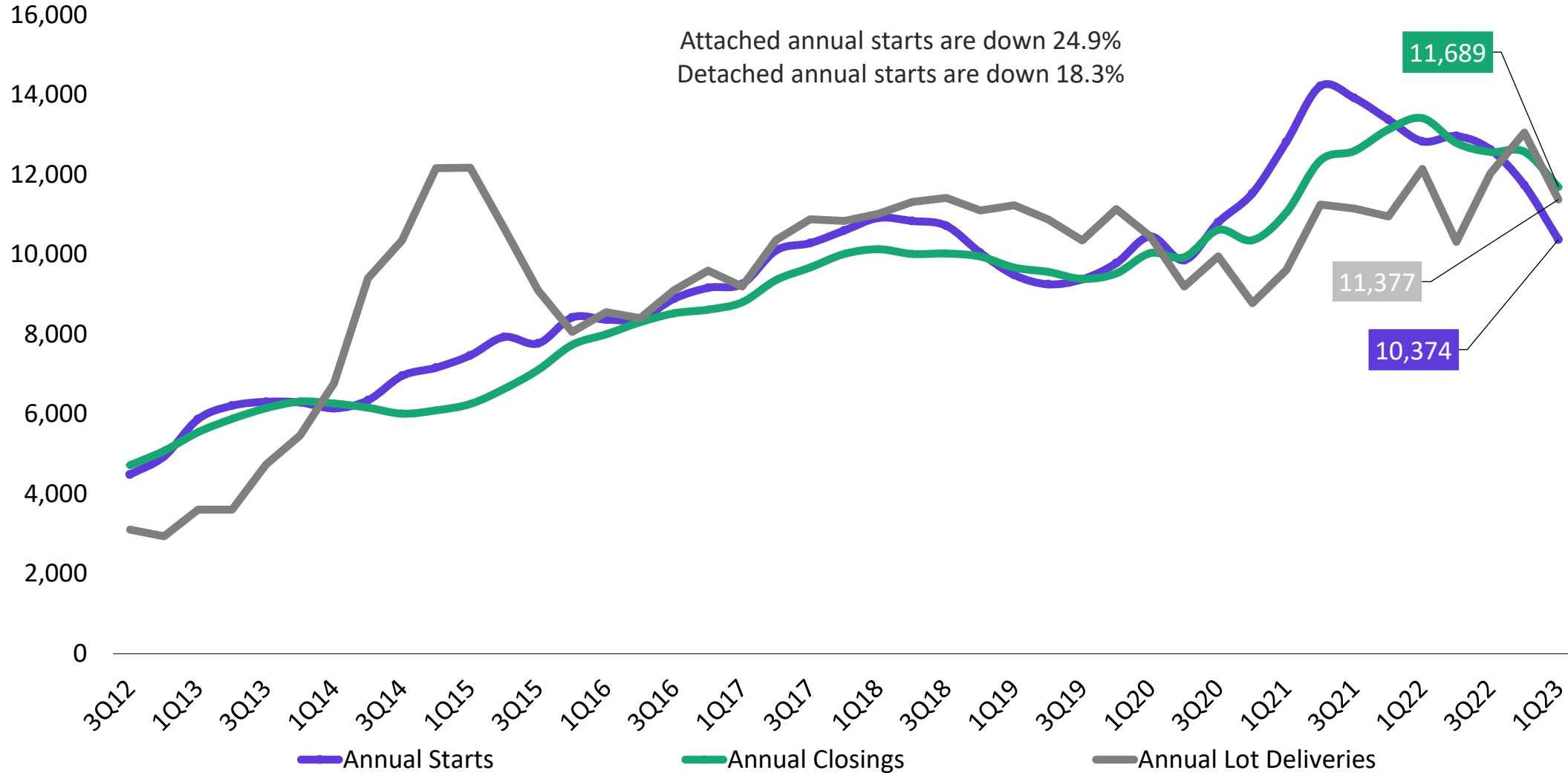
Source: Zonda Economics Team: Chief Economist Ali Wolf & Nik Scoolis

Market: Inland Empire / Spring 2023
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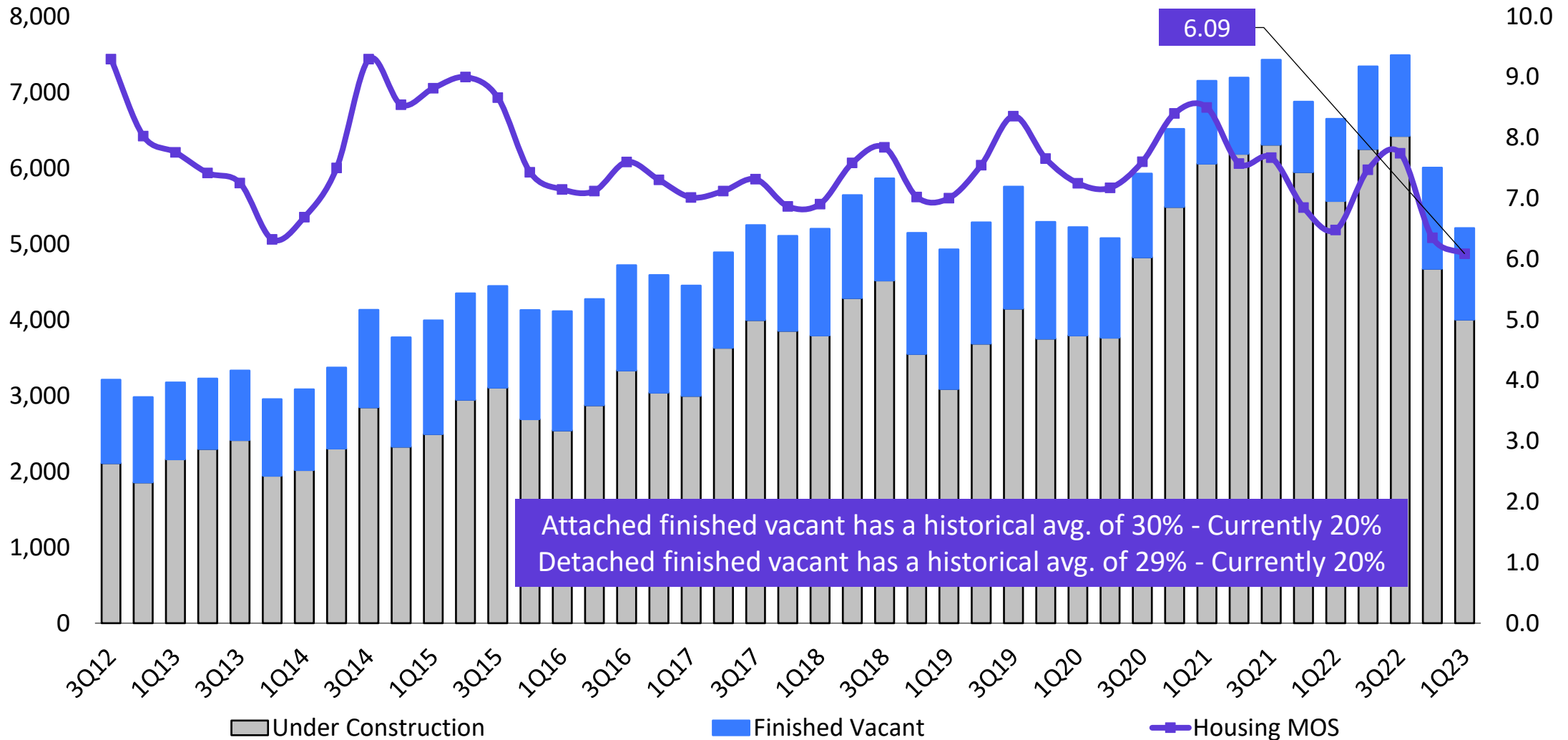
Inland Empire

New Home Supply

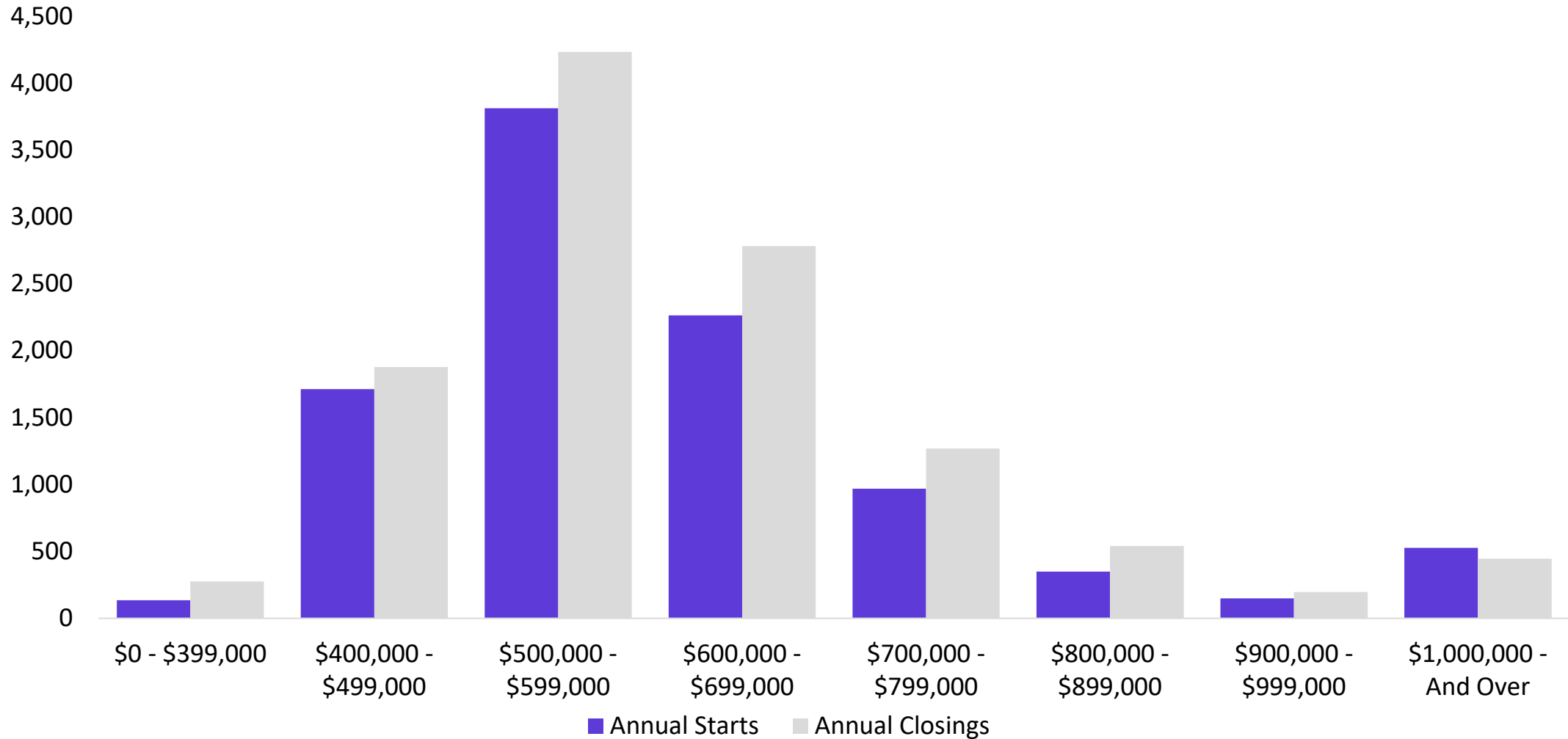
Annual starts fell 19.2% with one more quarter of declines expected



Under construction homes are down 28.1%



Price ceilings are evident – pressure on margins

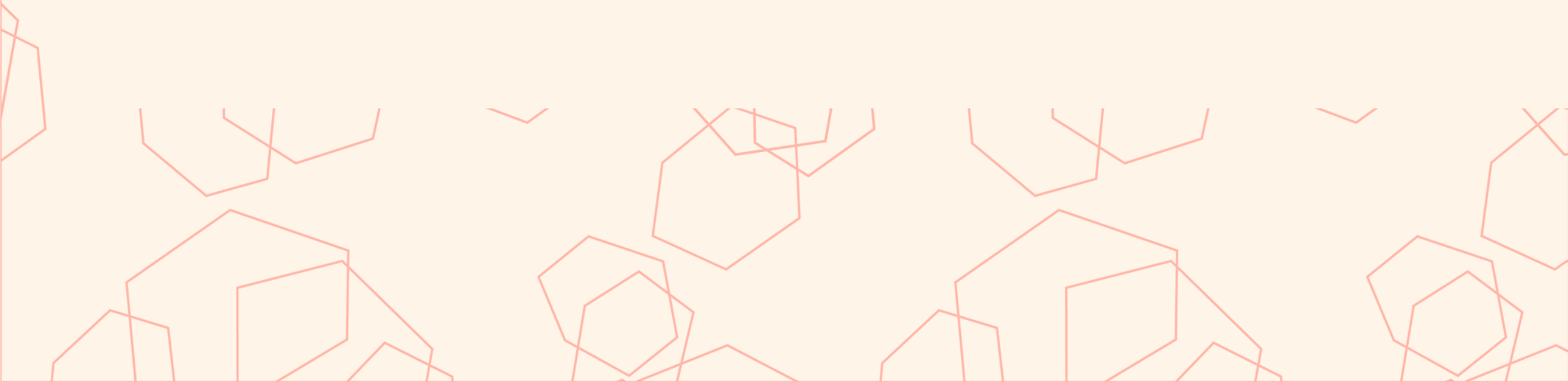


Top annual starting neighborhoods

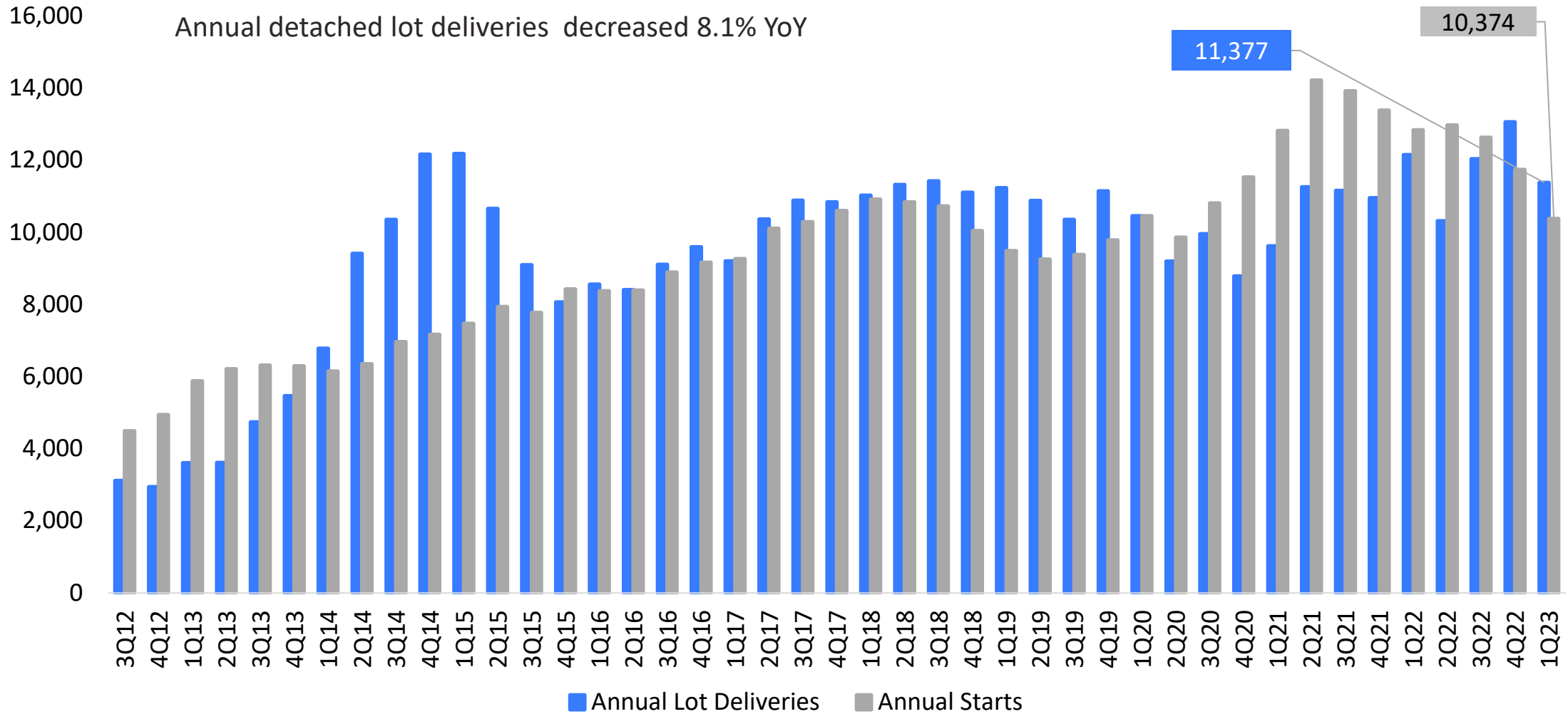
Subdivision Name / Rank	Postal City	Lot Size Range	Annual Delivery	Annual Starts	Avg. Mo. Starts	Annual Close	Avg. Mo. Close	Finished Vacant	Under Const.	Home Inv. MOS	VDL Inv	VDL MOS	Future Lots
Olivewood (AKA Heartland)	Beaumont	7,000	38	227	18.9	285	23.8	9	58	3.5	139	7.4	62
Rancho Mirage / Del Webb	Rancho Mirage	6,325	186	176	14.7	174	14.5	11	39	4.1	53	3.6	0
Pleasant Valley Ranch / Trails	Winchester	10,625	117	121	10.1	79	6.6	14	28	6.8	78	7.7	0
Sagewood - Menifee	Menifee	6,600	0	104	8.7	139	11.6	16	14	2.9	2	0.2	0
Heritage Pointe	Hemet	6,000	81	102	8.5	127	10.6	21	18	4.0	62	7.3	0
Starling Pointe	San Jacinto	7,000	177	95	7.9	48	4.0	6	39	11.8	82	10.4	0
Fairways / Augusta	Beaumont	5,000	0	93	7.8	142	11.8	12	11	2.2	57	7.4	0
Polo Club / Trilogy	Indio	5,000	0	92	7.7	100	8.3	10	33	6.0	80	10.4	0
Sommers Bend / Esplanade	Temecula	6,000	0	81	6.8	92	7.7	9	25	5.5	41	6.1	0
Retreat / Villas Condo	Fontana	\$0	0	80	6.7	58	4.8	2	30	7.7	5	0.8	0
Spring Mountain Ranch / Cambria	Riverside	5,000	130	80	6.7	88	7.3	4	9	2.2	139	20.9	30
Sevilla - CV	Coachella	7,200	0	80	6.7	54	4.5	26	20	10.7	4	0.6	0
Province	Indian Wells	10,625	0	76	6.3	30	2.5	9	37	21.2	35	5.5	0
Paradiso / Siena	Indio	8,400	0	75	6.3	86	7.2	10	15	3.9	17	2.7	0
Terra Lago / Four Seasons	Indio	6,000	39	74	6.2	88	7.3	1	17	2.9	58	9.4	0
Gabion Ranch / Woodridge (TH)	Fontana	\$0	0	72	6.0	104	8.7	13	12	3.4	0	0.0	0
Skyborne / Vega	Desert Hot Springs	5,500	0	72	6.0	98	8.2	0	29	3.9	47	7.8	0
Del Sol - RV	Moreno Valley	7,200	0	70	5.8	85	7.1	8	0	1.4	1	0.2	0
Terramor / Irontree	Corona	7,350	52	68	5.7	56	4.7	11	14	6.0	18	3.2	0
Serrano Lake	Yucaipa	7,200	0	68	5.7	53	4.4	1	35	9.1	39	6.9	0
TOP 20 TOTALS / AVERAGES			820	1,906	7.9	1,986		193	483	5.9	957	5.9	92

Inland Empire

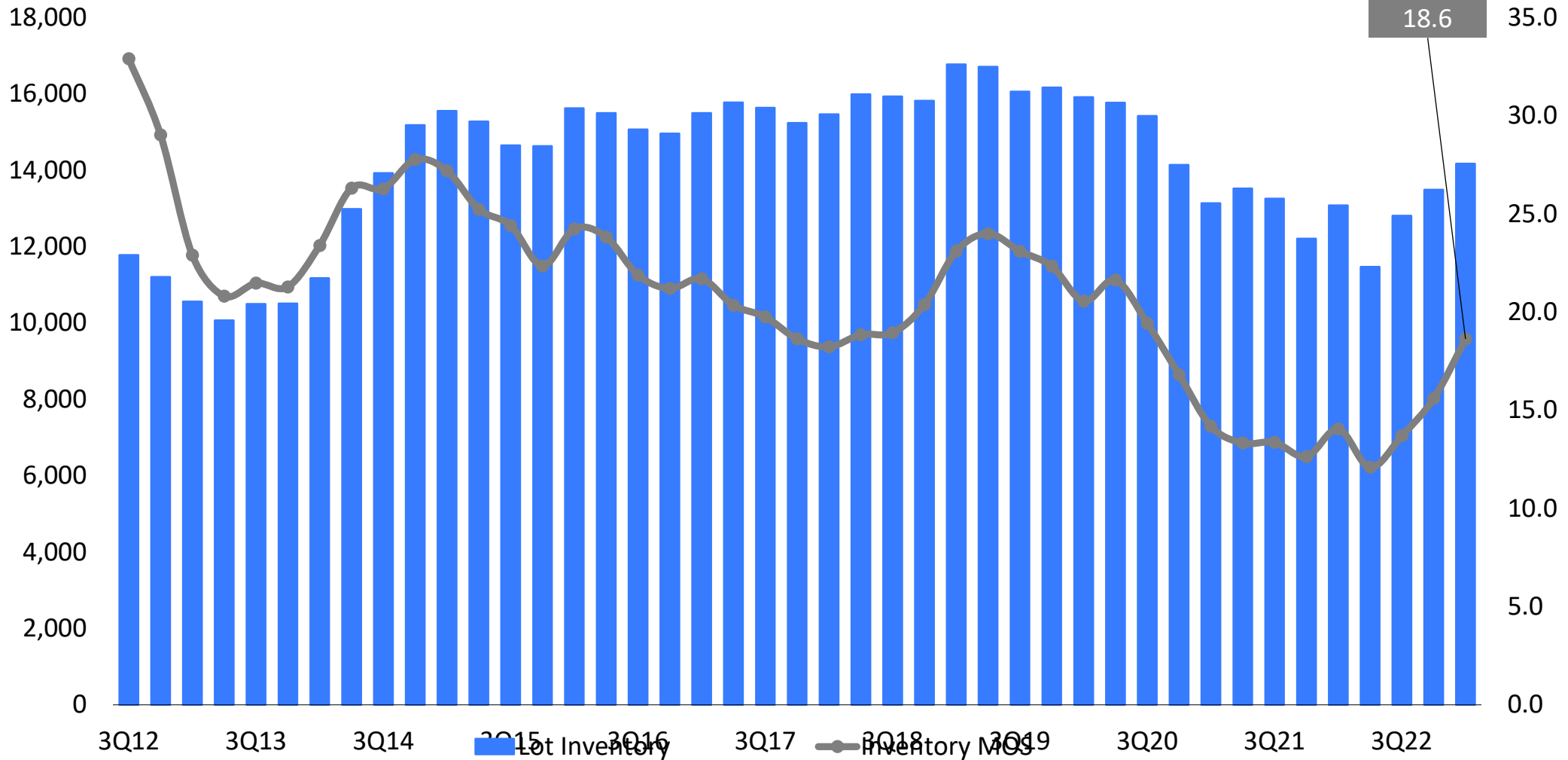
Lot Supply



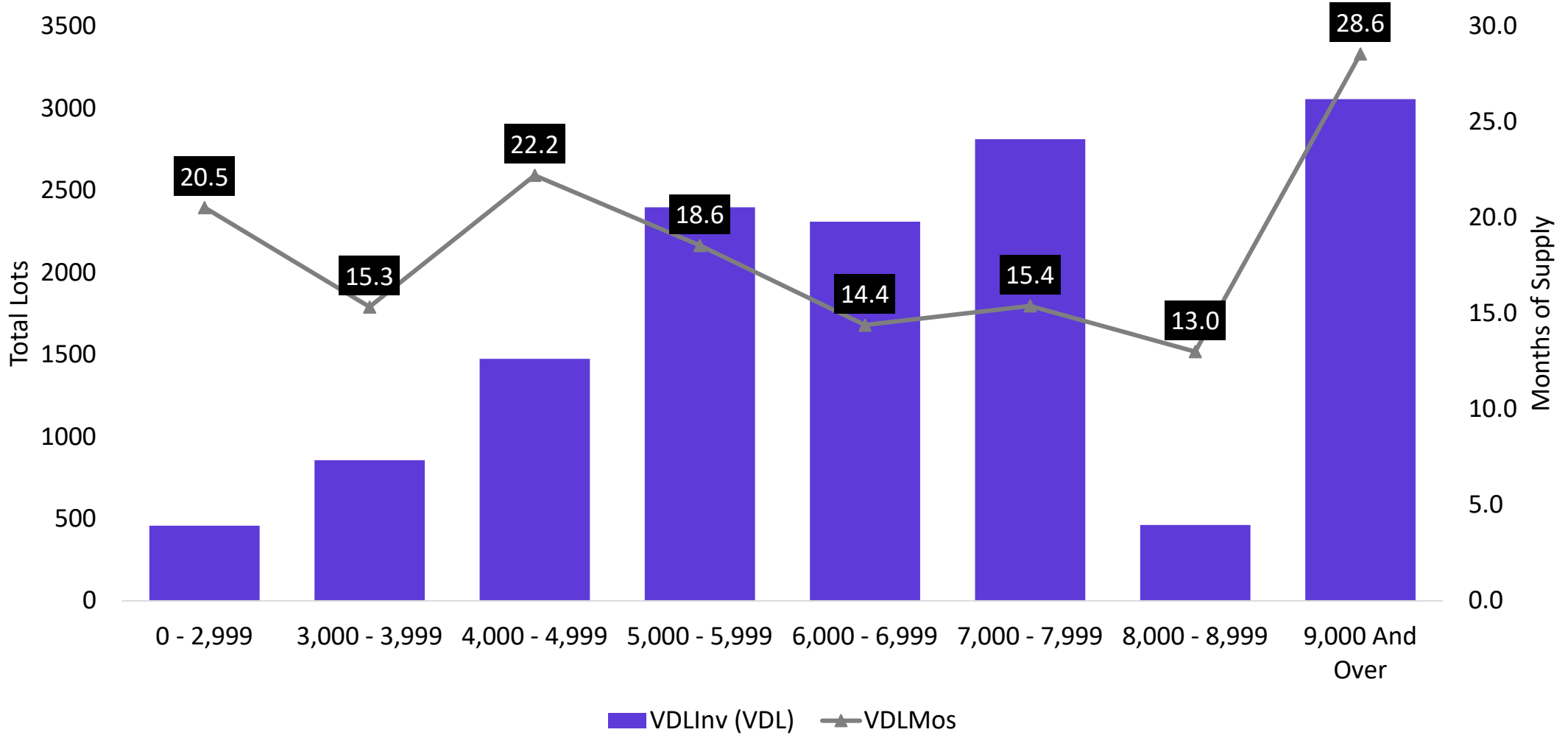
Lot deliveries declined in response to contract-sales



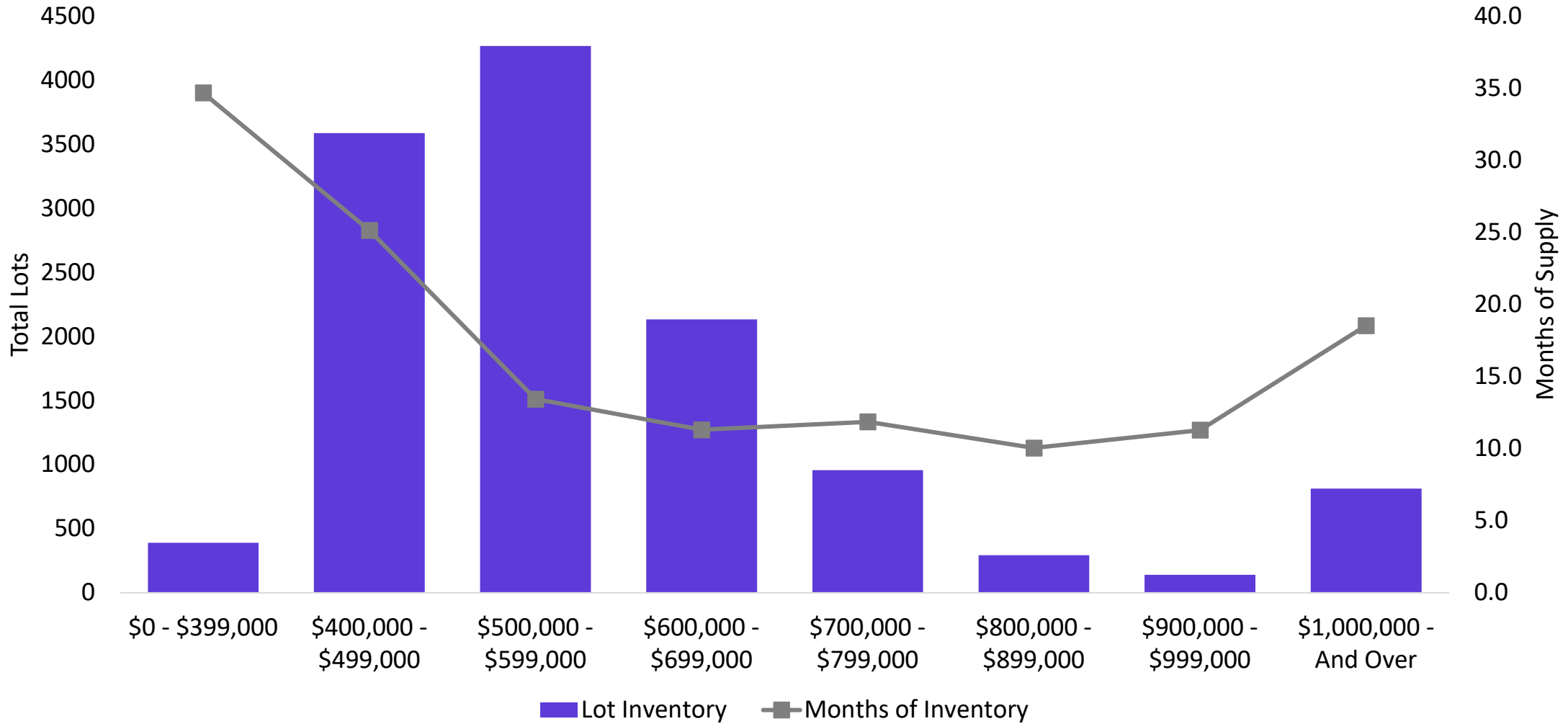
Vacant Developed Lots ('VDL') keeping lot prices high



Larger lots are above equilibrium

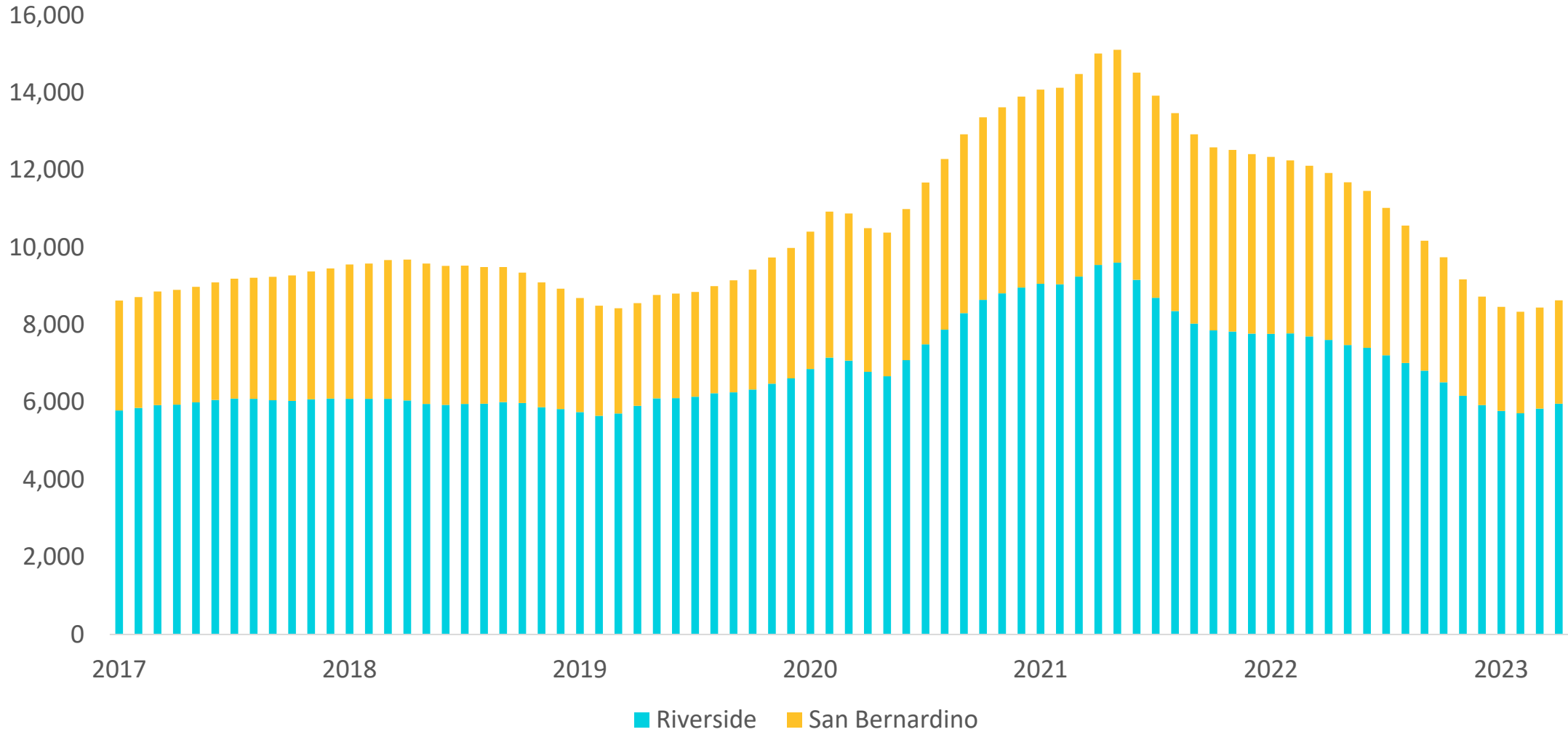


Price ranges are generally below equilibrium

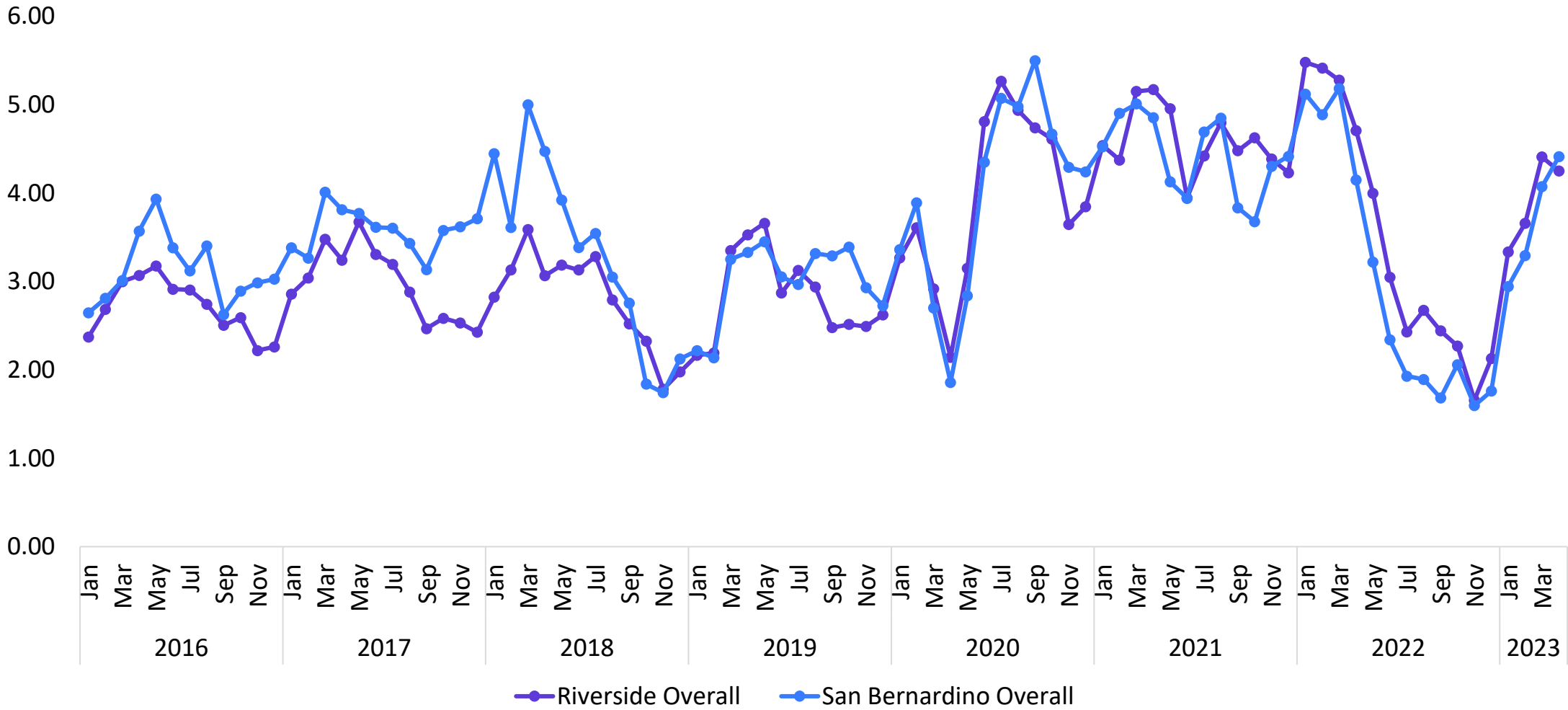


Inland Empire Demand - Sales

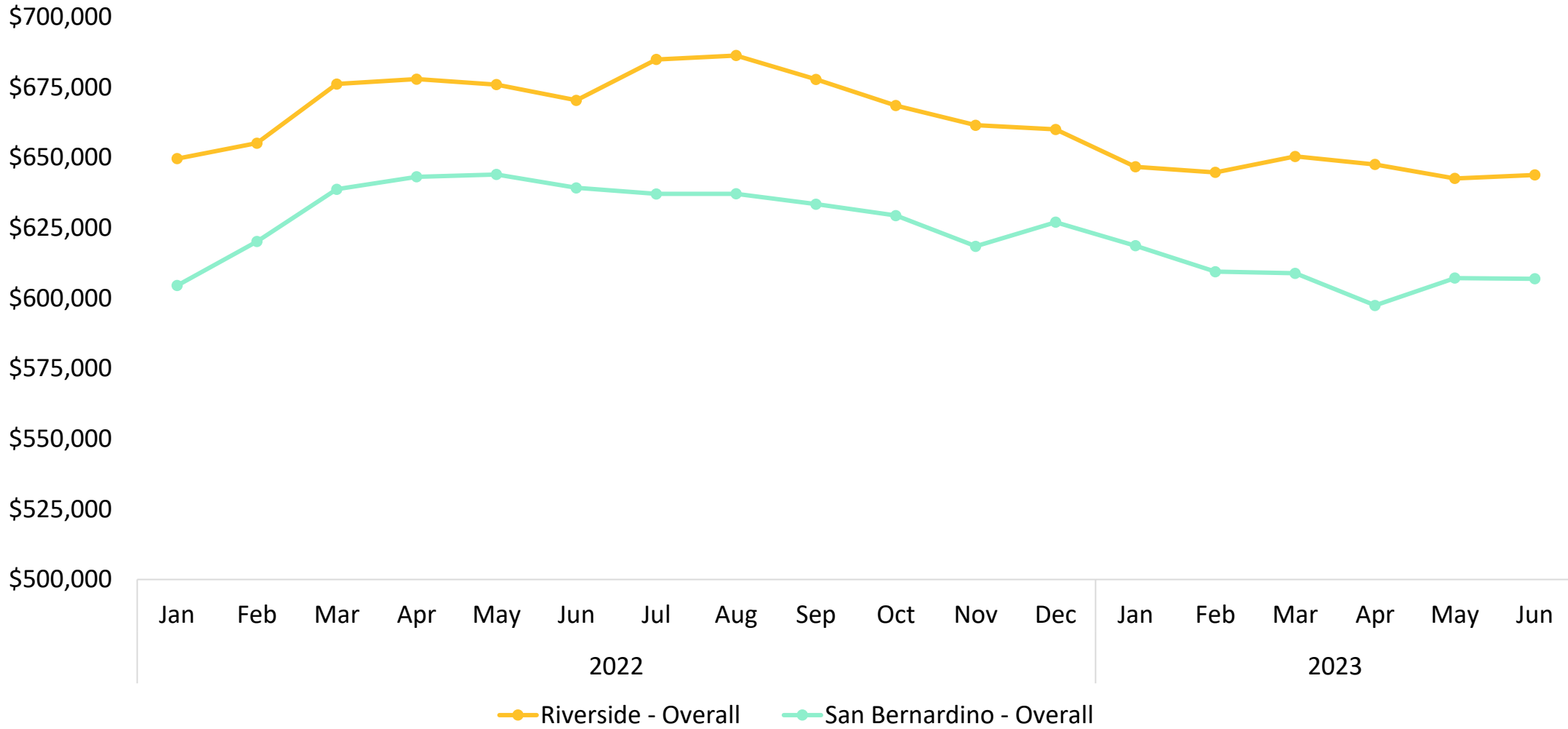
Annual sales appear to have hit a trough in February



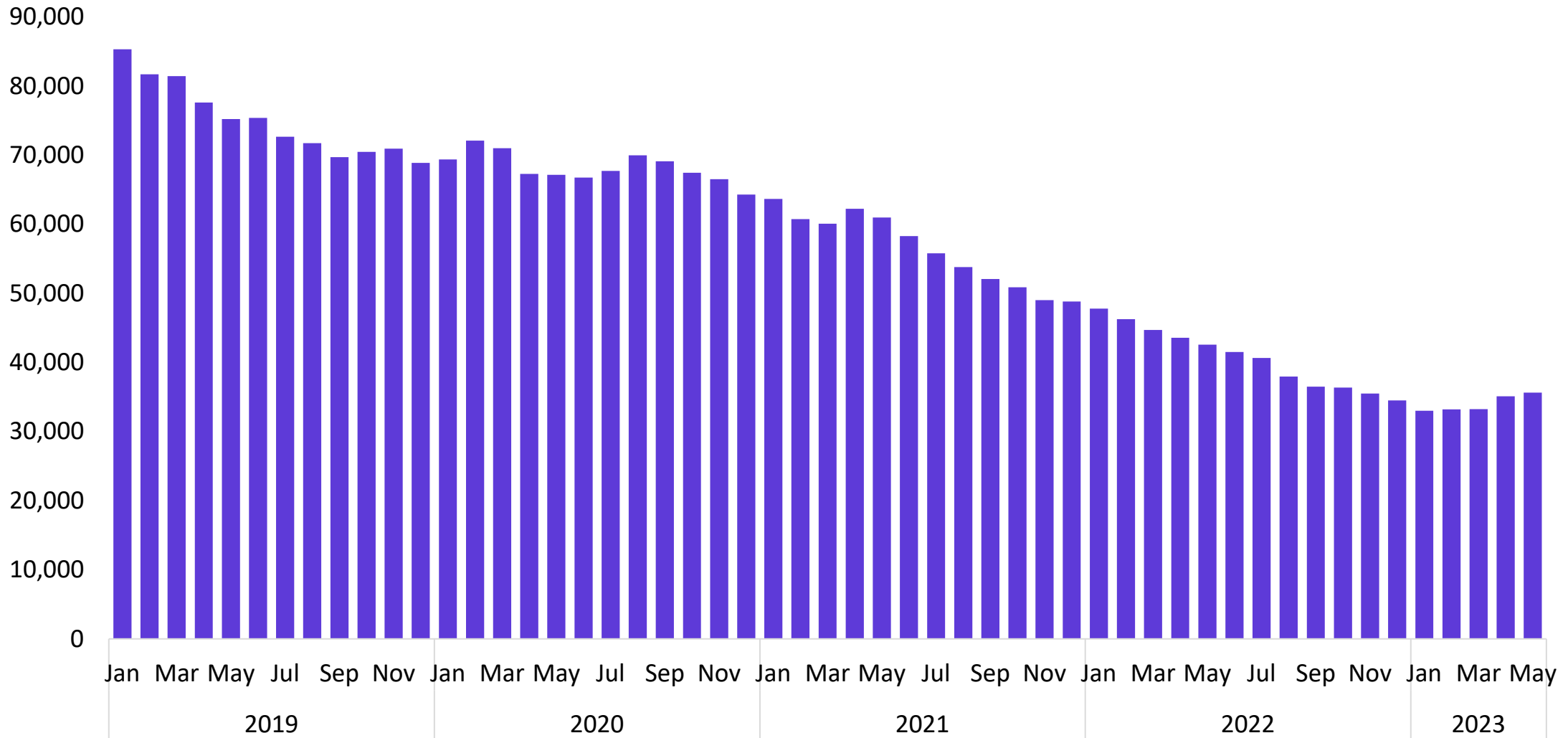
Average sales per subdivision has rebounded



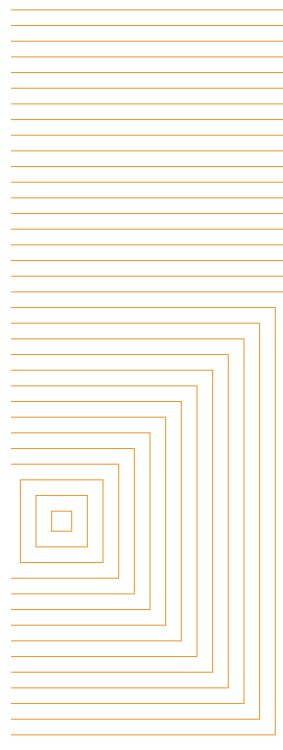
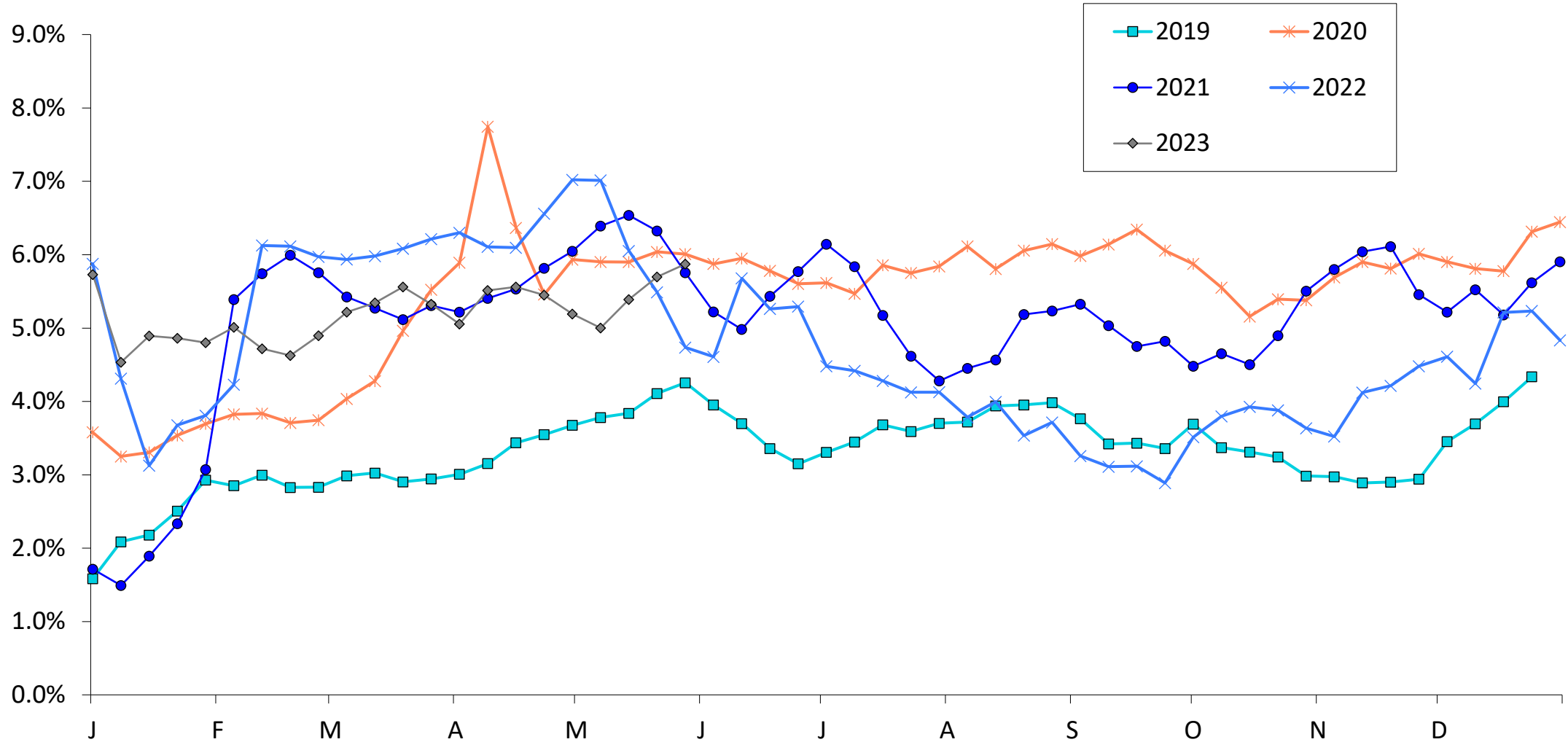
Average base price has declined 5.8% (San Ber.) & 6.2% (Riverside)



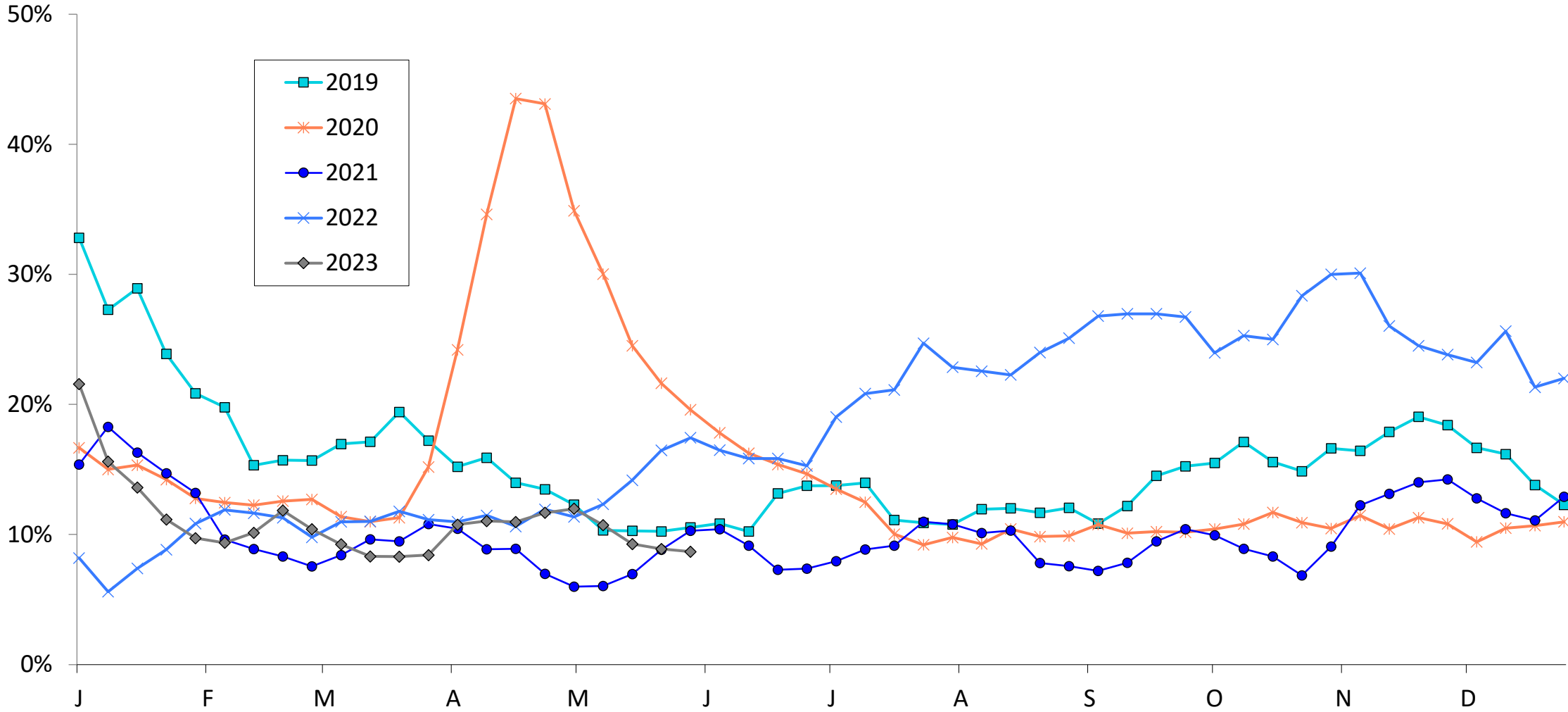
Annual traffic appears to have hit a trough



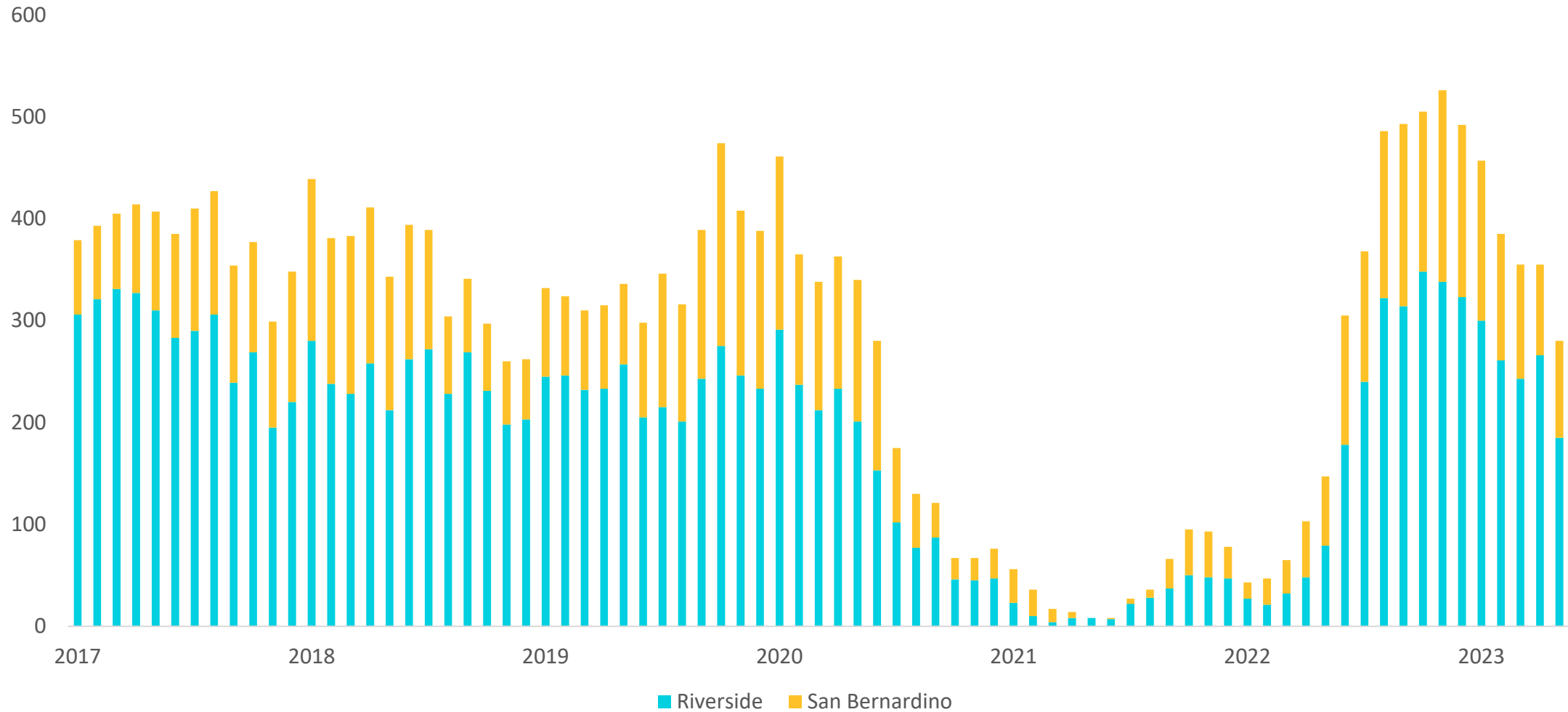
Conversion rate has been similar to previous years



Cancellations are trending toward normalcy

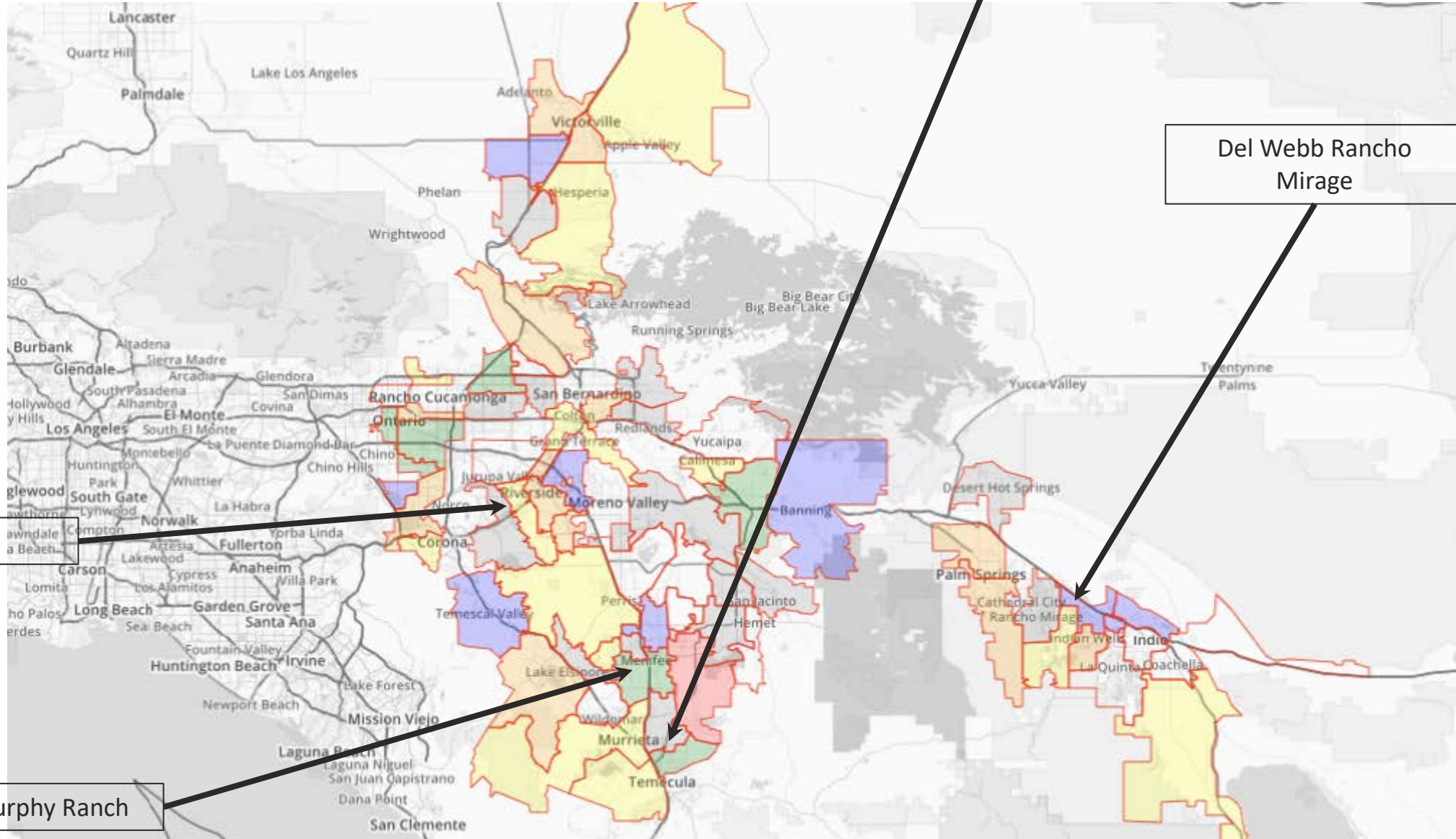


Quick Move-In Homes are dropping monthly



Concentration of 2023 Sales (Zip Code)

Color	Unit Range
Yellow	1 – 9
Orange	10 – 24
Grey	25 – 49
Light Blue	50 – 99
Blue	100 – 199
Green	200 – 299
Red	300+



L3M top selling active subdivisions

Neighborhood	Builder	City	Min. Sq. Ft.	Max. Sq. Ft.	Min. \$	Max. \$
Torrey at Sunset Ranch	KB Home	Ontario	2,308	2,780	\$749,990	\$812,990
Olivewood	Taylor Morrison	Beaumont	1,564	3,266	\$474,990	\$680,255
Cheyenne at Olivebrook	KB Home	Winchester	1,383	2,882	\$466,990	\$572,990
Southcreek	TRI Pointe	Banning	1,787	2,282	\$385,000	\$412,000
Oak Shade at Shadow Mountain	KB Home	Menifee	1,472	2,454	\$519,990	\$583,990
Rock Meadows at Olivebrook	KB Home	Winchester	1,470	2,387	\$473,990	\$547,990
Countryview/Lilac	KB Home	Homeland	1,445	2,622	\$467,990	\$541,990
Cielo at Nuevo Meadows	KB Home	Nuevo	1,479	2,035	\$451,990	\$492,990
Quartz Ranch/Canyon View	Lennar	Menifee	2,649	4,134	\$625,025	\$833,790
Esplanade	Taylor Morrison	Temecula	1,787	2,574	\$675,990	\$846,000
Nuevo Meadows/Brisa	KB Home	Nuevo	1,686	2,227	\$451,990	\$493,990
River Ranch/Ridgewater	Lennar	Rialto	1,792	2,590	\$557,185	\$677,250
Cambridge Court	Woodside Homes	Ontario	1,951	2,365	\$691,000	\$770,500
Narra Hills/Strata	Landsea Homes	Fontana	2,099	2,552	\$631,081	\$678,154



Narra Hills - Landsea



Torrey at Sunset Ranch – KB Home



Southcreek – TRI Pointe



Olivewood – Taylor Morrison



Cambridge Court - Woodside

YTD - Top 10 Builders in the Inland Empire – Plenty of time for shifts

Homebuilder	2023 Rank YTD	2022 Rank	2023 Mover	2022	2023 YTD	Sq. Ft. Min.	Sq. Ft. Max.	Price Min.	Price Max.
Lennar	1	1	→	1835	1051	849	4,134	\$361,150	\$1,622,290
KB Home	2	3	↑	967	753	1,383	3,368	\$420,990	\$929,990
TRI Pointe Homes, Inc.	3	4	↑	639	381	1,303	2,743	\$385,000	\$791,990
Richmond American Homes	4	6	↑	578	377	1,400	3,510	\$408,990	\$808,990
D.R. Horton, Inc.	5	2	↓	1182	361	1,342	3,015	\$399,990	\$1,009,990
PulteGroup Inc.	6	5	↓	632	299	1,324	3,994	\$416,990	\$881,990
Woodside Homes	7	8	↑	311	210	1,225	3,795	\$461,000	\$865,500
Taylor Morrison	8	7	↓	320	204	654	3,266	\$419,990	\$920,840
Meritage Homes	9	9	→	252	174	1,387	3,247	\$482,000	\$709,000
The New Home Company	10	14	↑	149	144	1,198	2,202	\$514,990	\$747,990
Landsea Homes	11	13	↑	160	97	949	3,079	\$451,955	\$825,000

Inland Empire On the Horizon

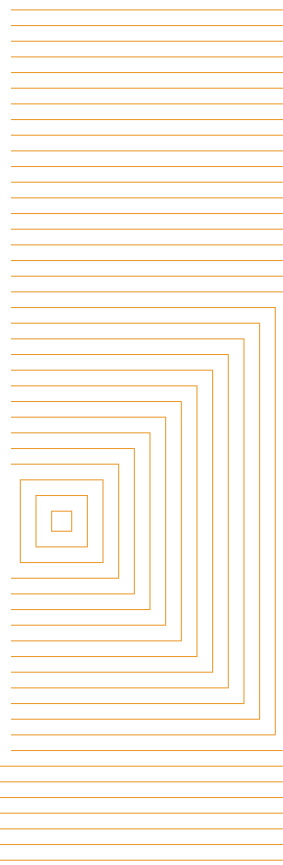
On The Horizon

Economy

- Economic uncertainty continues
- Mortgage market remains volatile
- Global supply chains are returning to historical norms
- Construction materials and lumber appear to be leveling
- Population growth expected going forward

Real Estate

- Annual starts and lot deliveries continue to decline – likely one more quarter
- Inventory homes are below historical norms
- Lot supply & MOS are around equilibrium overall but below in high demand lots
- Lot prices will likely remain high
- Sales per project is showing life in 2023 but dependent on the future mortgage market
- Long term demand for the market will remain
- **Now is the time to rethink, replan, reengage, and reposition**



Thank you

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