

32nd Annual LA/OC Market Trends Seminar

New Home Update

1/23/2025

Sharing market trend
perspective



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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.



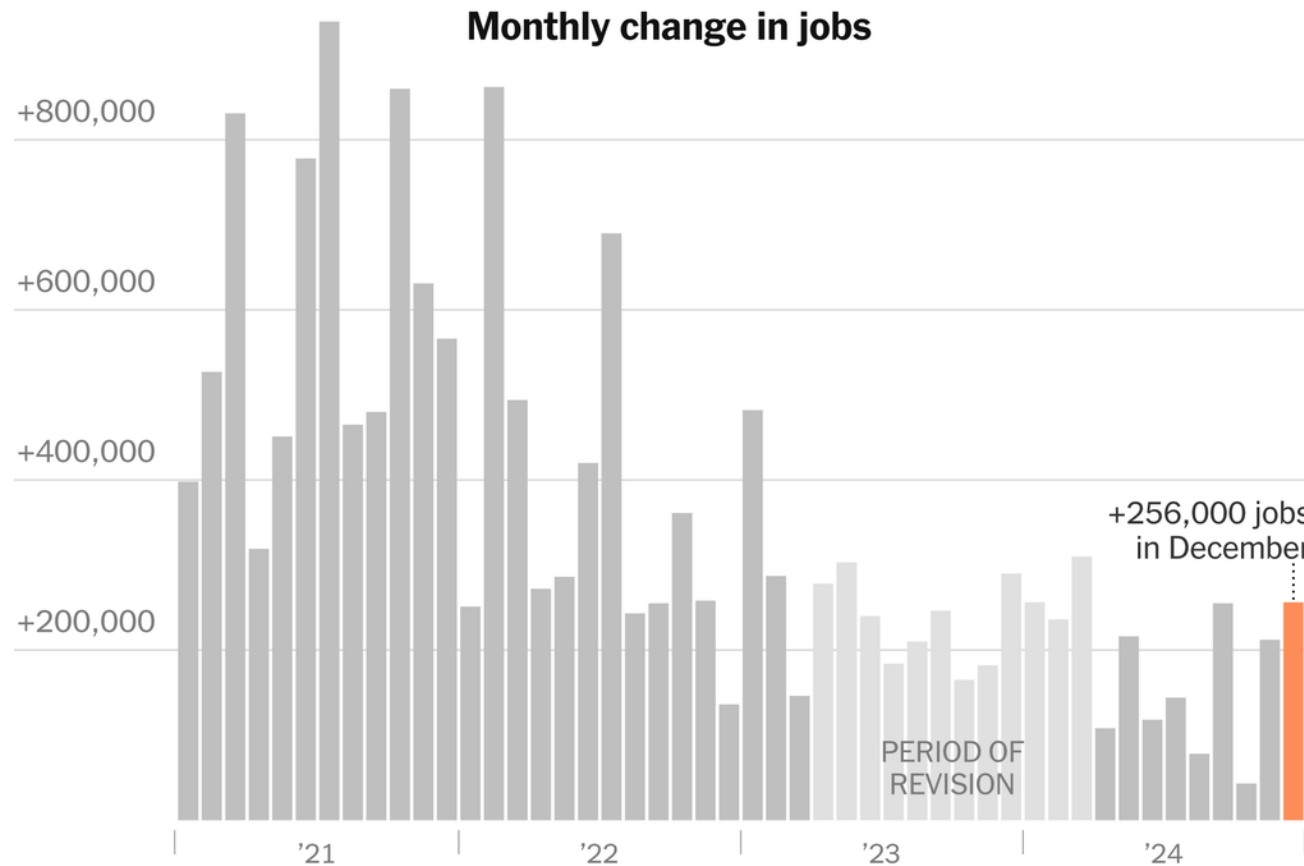
Today's Agenda

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

National Housing Review

December hiring increased beating expectations

Employers finished the year with a burst of hiring, adding 256,000 jobs in December. The unemployment rate ticked down to 4.1 percent.
— New York Times 1/10/2025



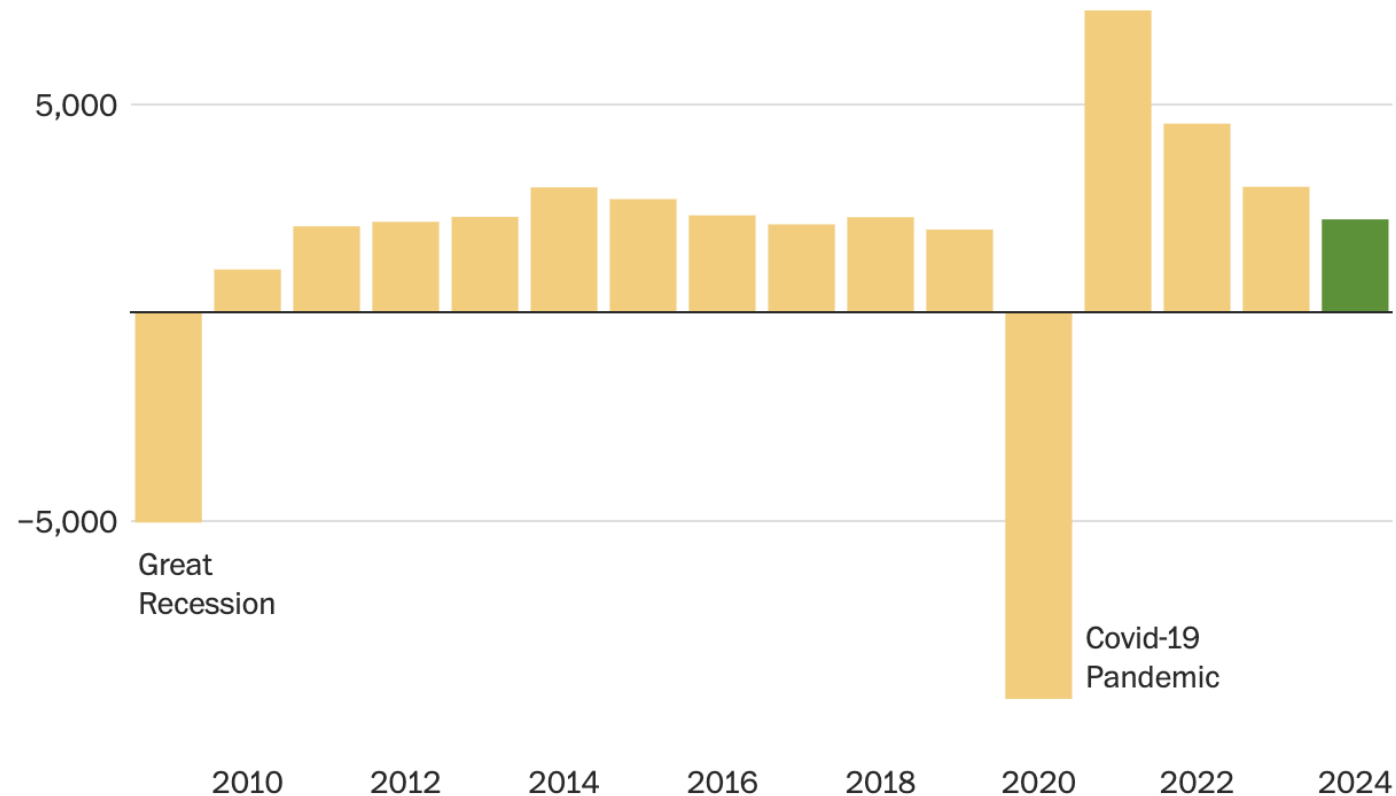
Arguably the best piece of news in this report is that long-term unemployment — generally defined as the number of people out of work for more than six months — fell slightly in December, to 1.6 million. Long-term joblessness had been rising slowly but steadily for months, so the decline, though small, is encouraging.

- New York Times – Ben Casselman – 1/10/2025

Jobs report likely will maintain the FED pause on rates

Hiring slowed down in 2024 to a pace similar to 2018

Annual employment gains (or losses)



Source: Bureau of Labor Statistics

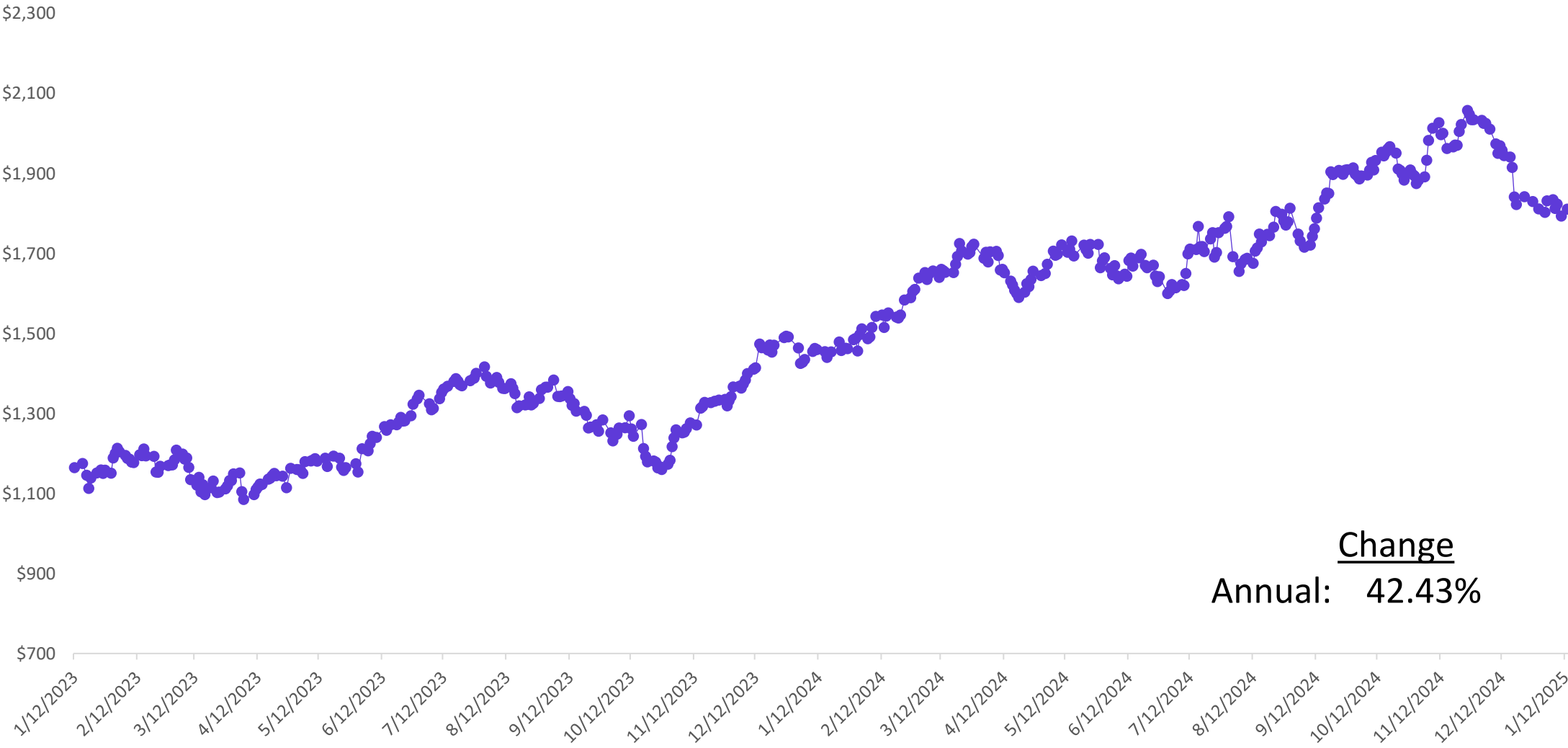
Average hourly wages increased by 0.3% to \$35.69, marking the 45th [straight](#) month of record pay for workers, though the 3.9% annual wages bump is a far cry from the more than 4.5% growth enjoyed by workers across Sept. 2021 through Sept. 2023 as [record](#) job switching fueled significant wage increases.

Though 2024 was a solid year for job growth – nonfarm payrolls grew by more than 1% from 157.3 million to more than 159 million from Dec. 2023 to Dec. 2024 – U.S. companies announced the second-most [job cuts](#) since 2009 last year, trailing only 2020, according to Challenger, Gray & Christmas.
– Forbes 1/10/2025

Investors are reacting to the economy and potential new policy.
Mortgage rates are moving in response

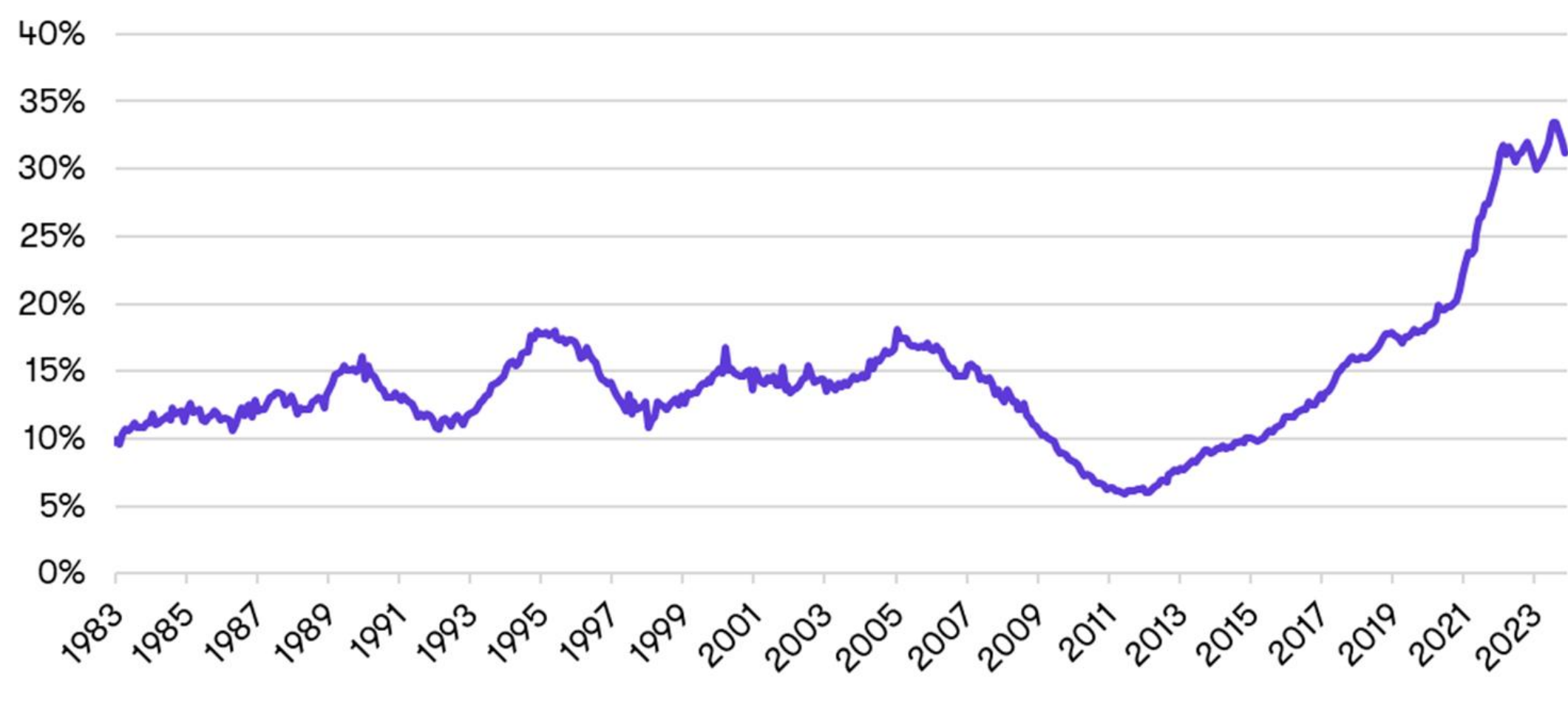


Construction materials saw a recent drop after the election...but tariffs



Change
Annual: 42.43%

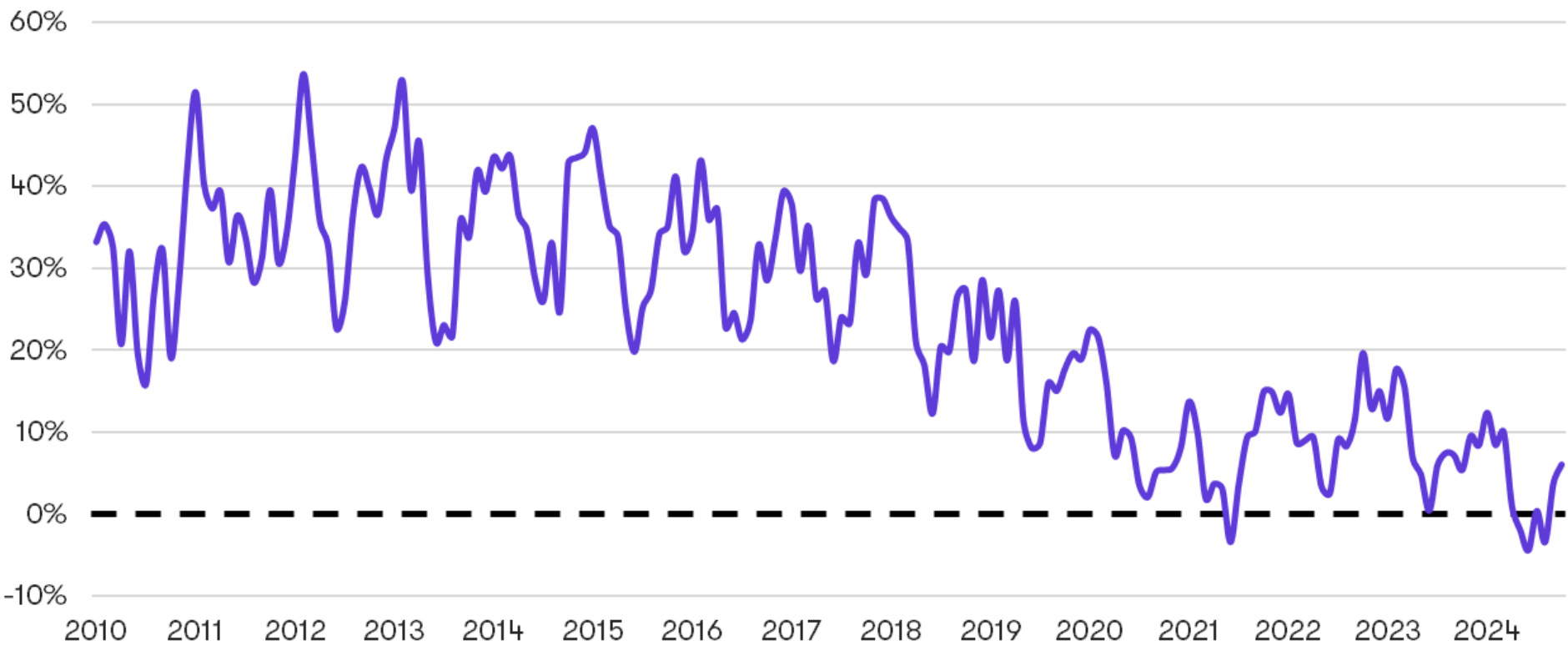
New home share has the potential to maintain its share



Source: NAR; US Census Bureau; Zonda

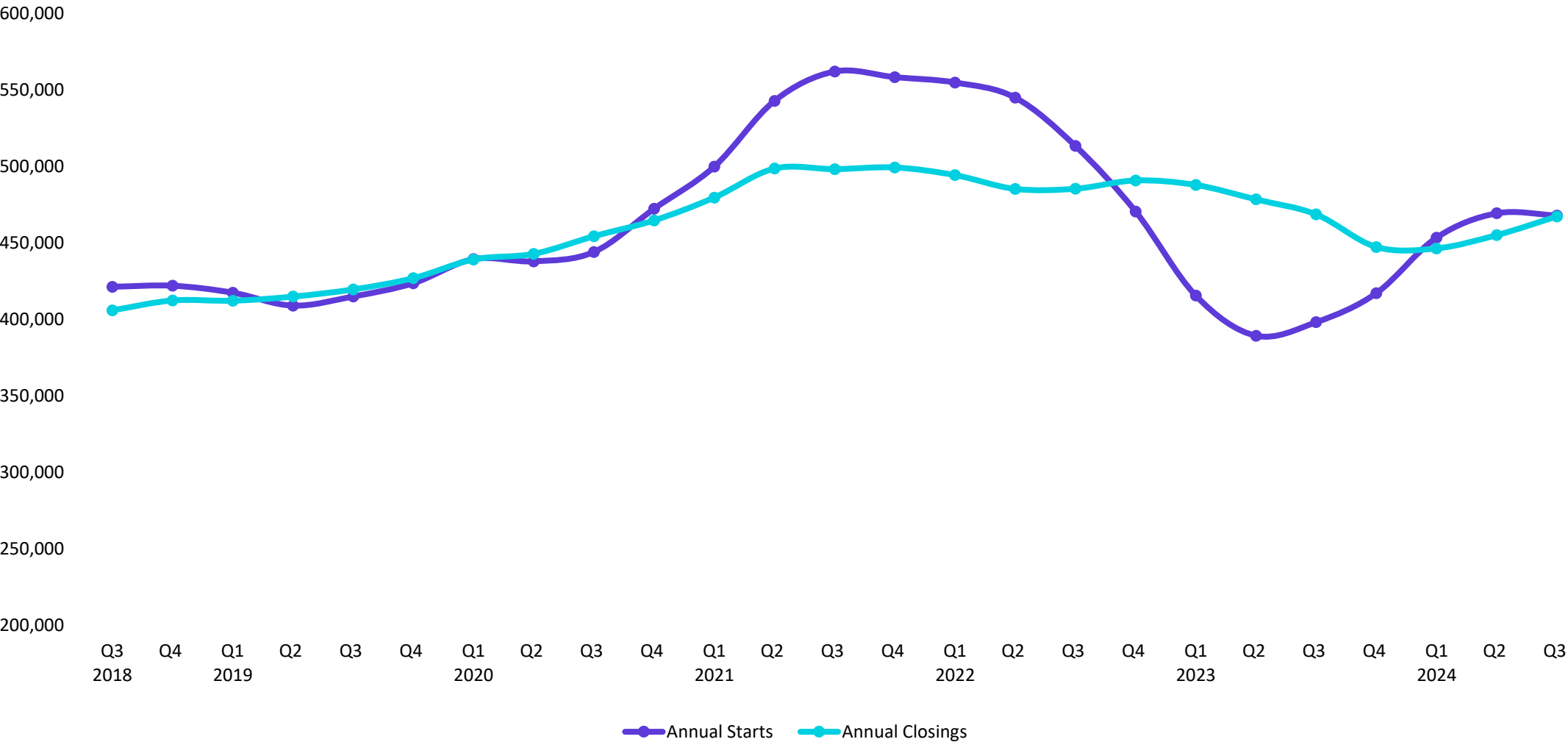
Minimal price but modernized amenities and features

National New vs Existing Price Spread

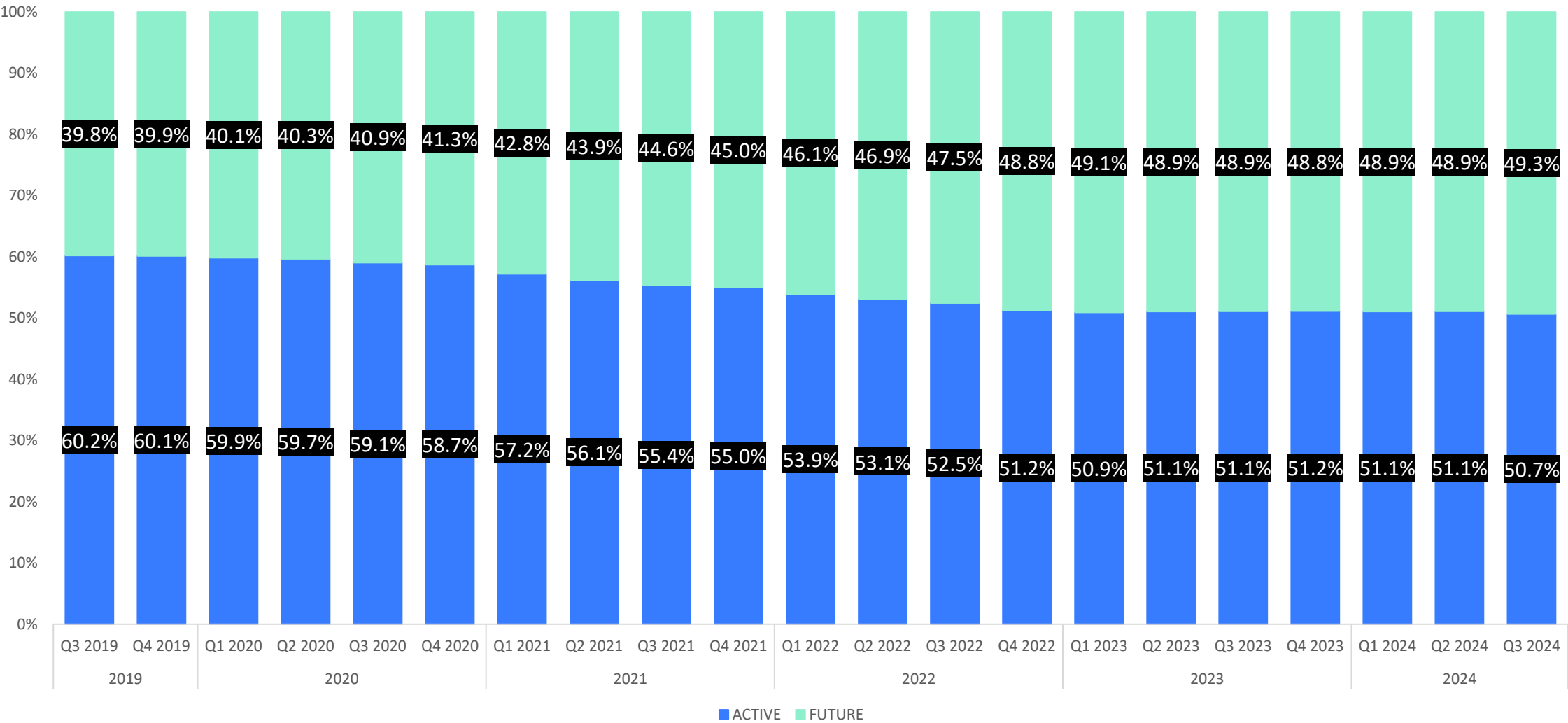


Source: NAR; U.S. Census Bureau; Zonda

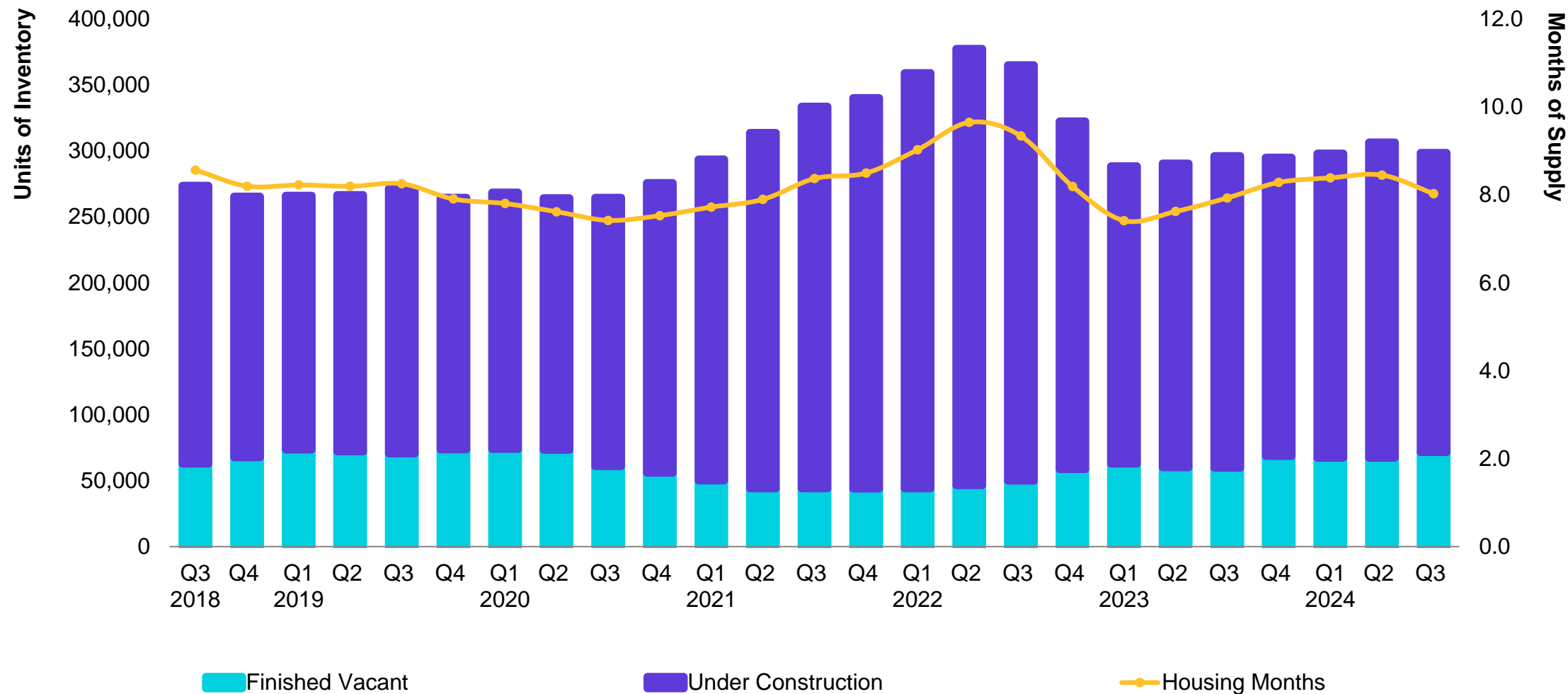
Annual starts are showing seasonality moving towards a healthier markets



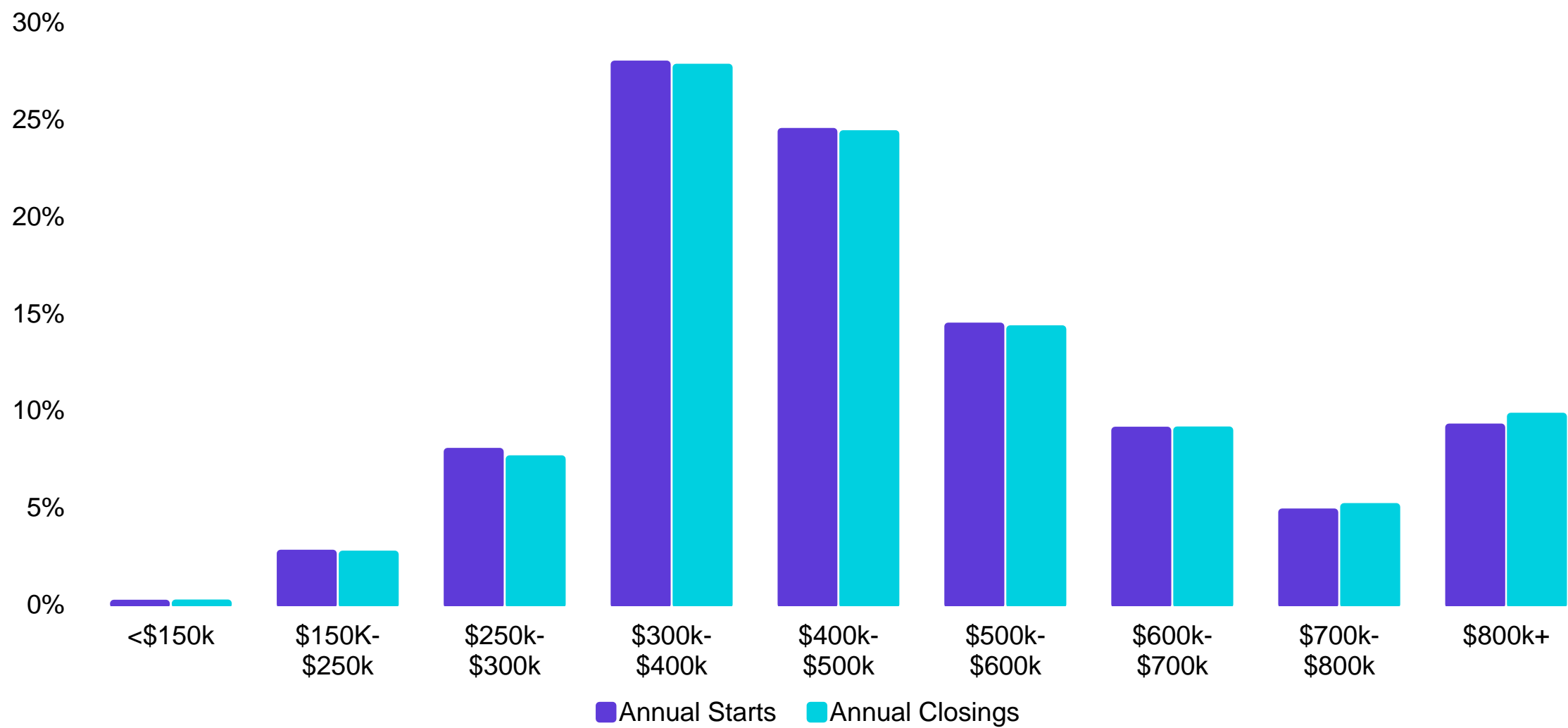
Active neighborhoods have declined 19.4% since 2019



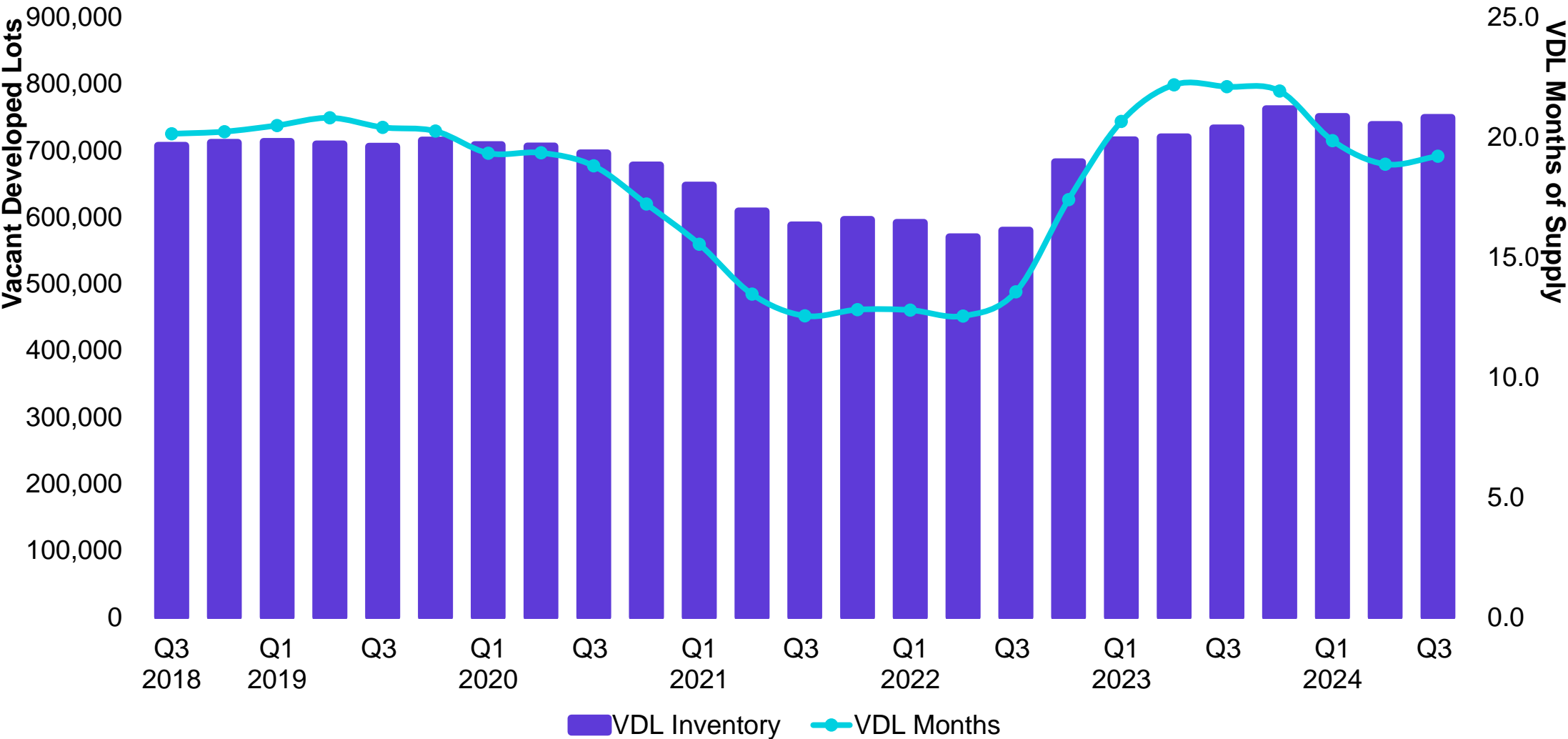
Inventory has returned to historical norms



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

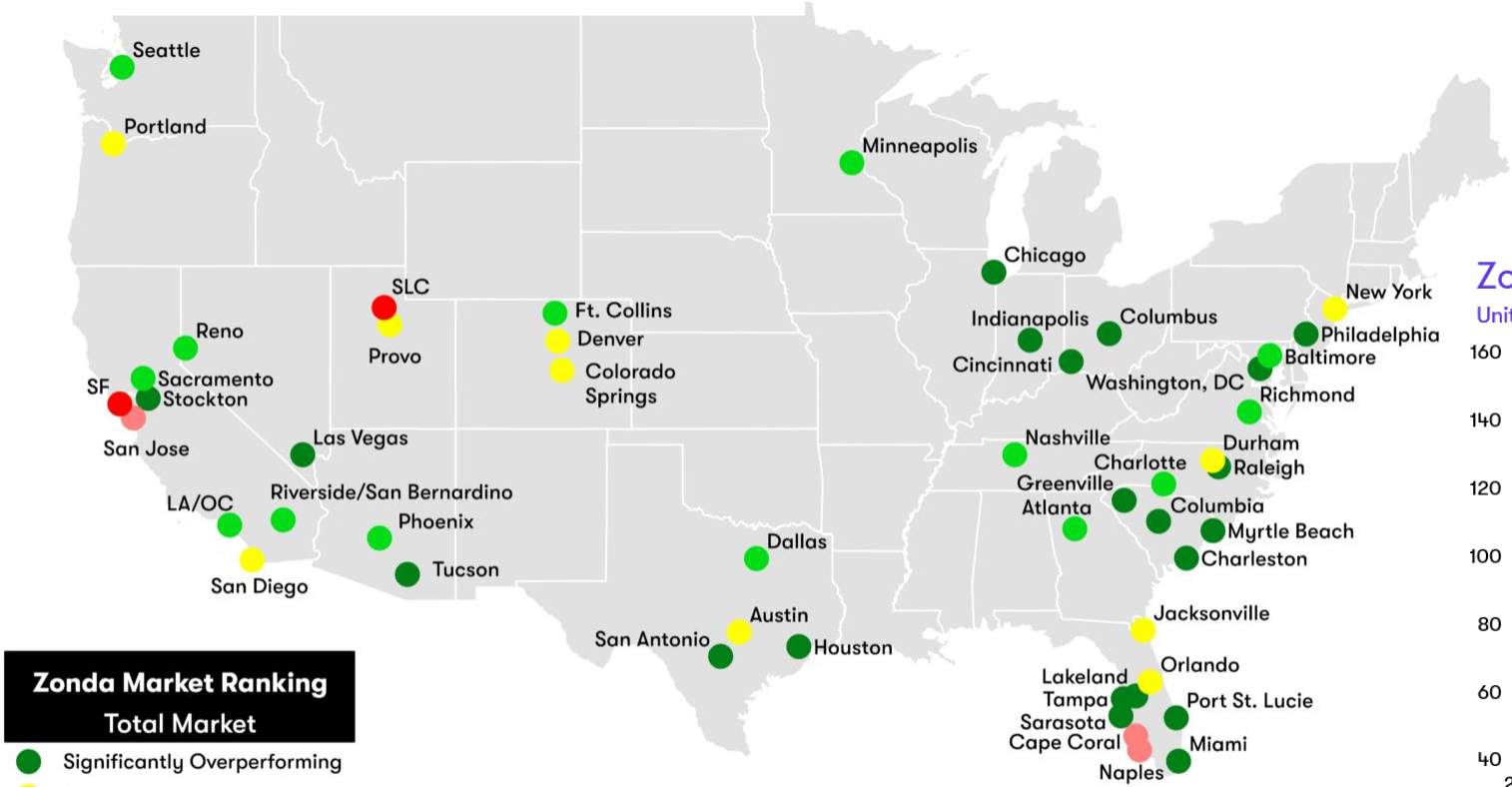


Vacant developed lot MOS increased slightly as builders prepared for 2025

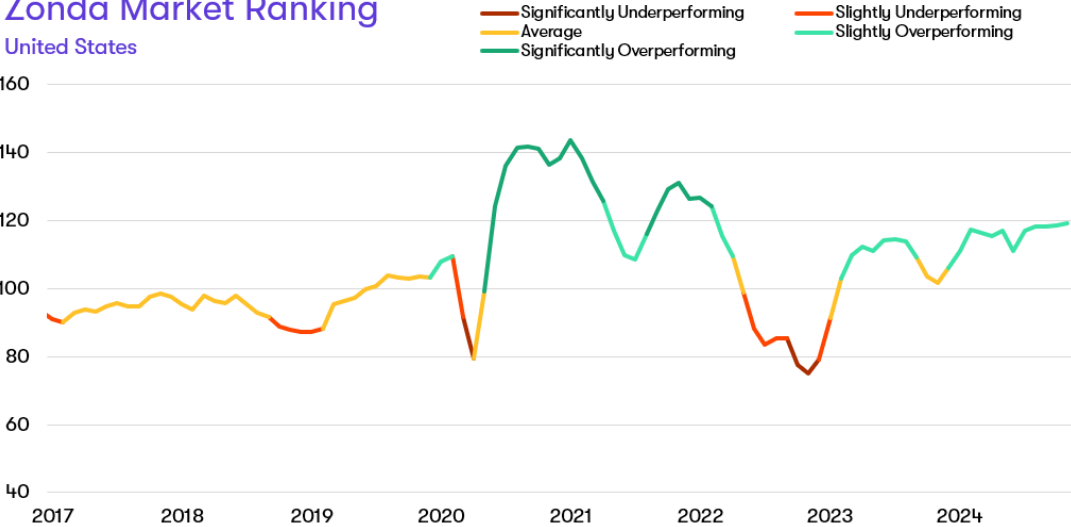




70% of the markets are over-performing



Zonda Market Ranking United States



Source: Zonda



Note: The ZMR measures new home sales adjusted for supply and seasonality and compared to history. The data is as of November.

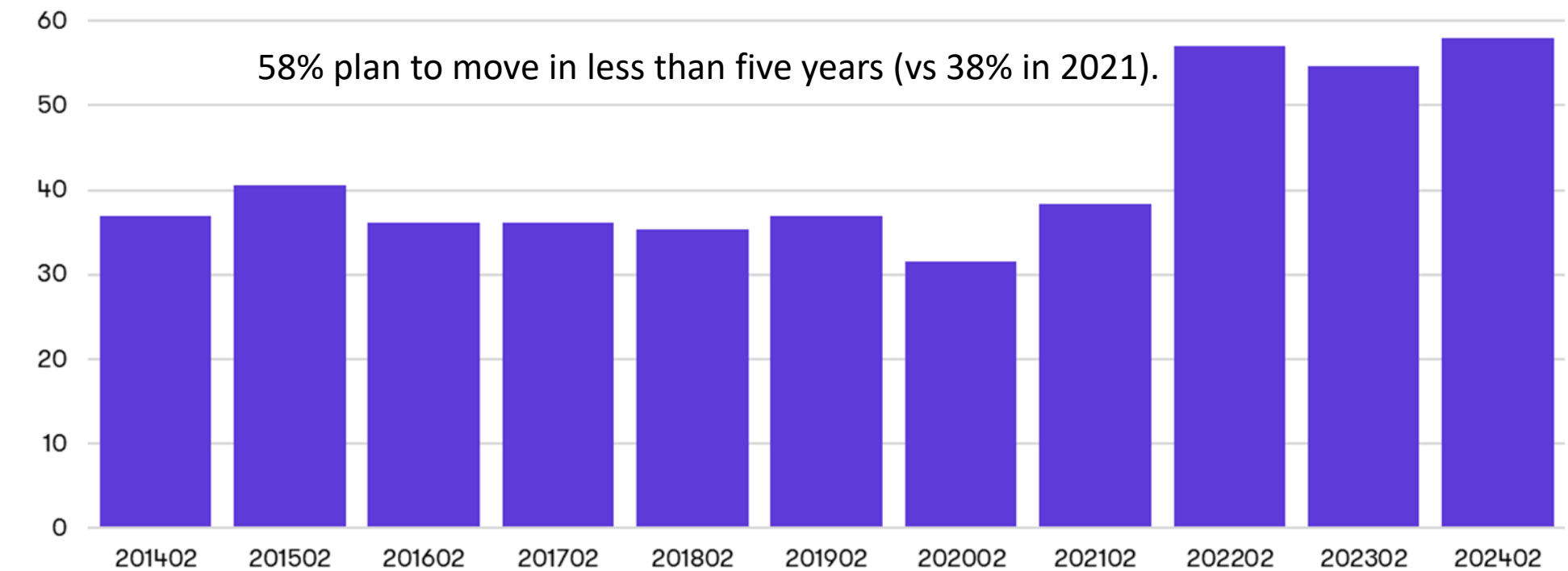
Source: Zonda

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

Market: Southland / Winter 2025
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Despite the sentiment – Consumers are still planning to move

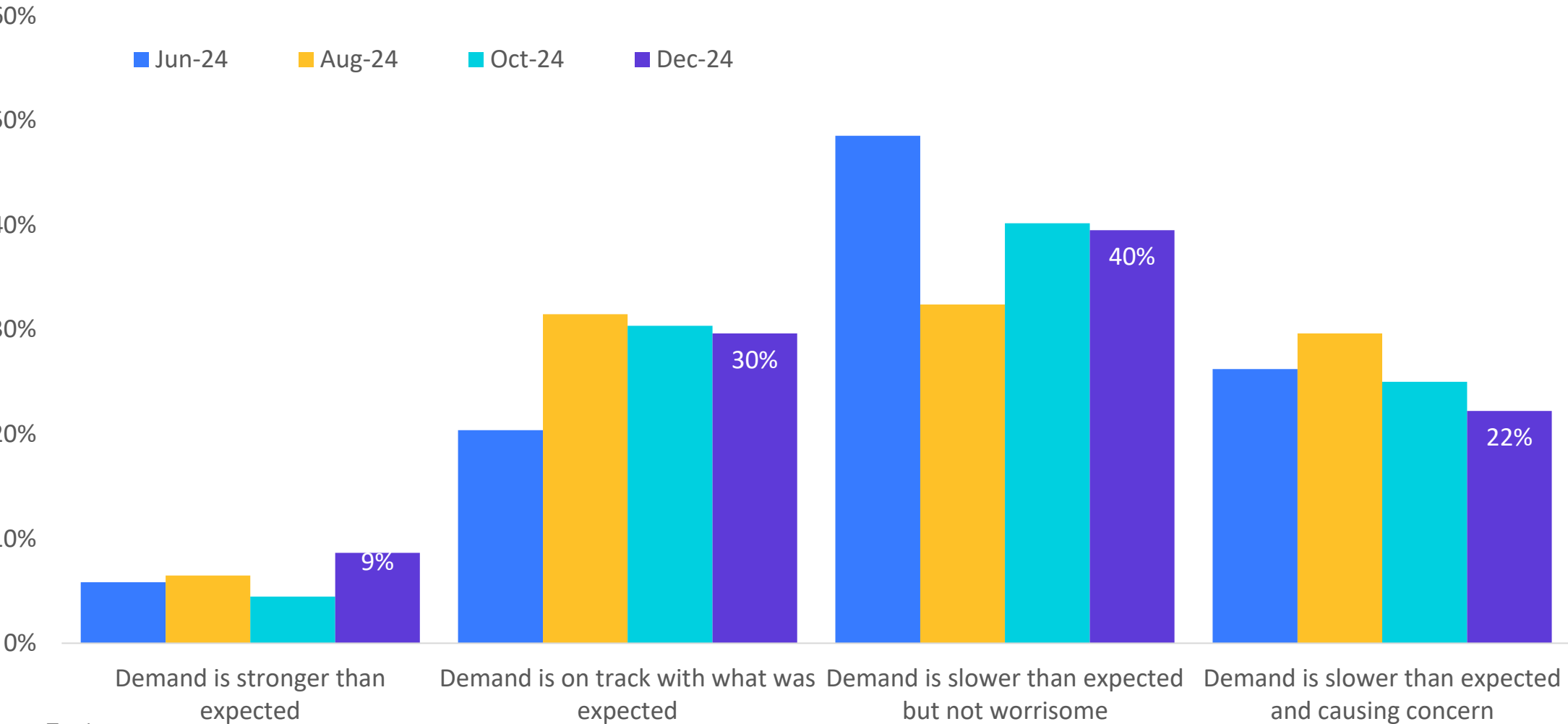
Plans to Move in <5 Years (%): Homeowners under 50 years old



Source: Fed; Zonda

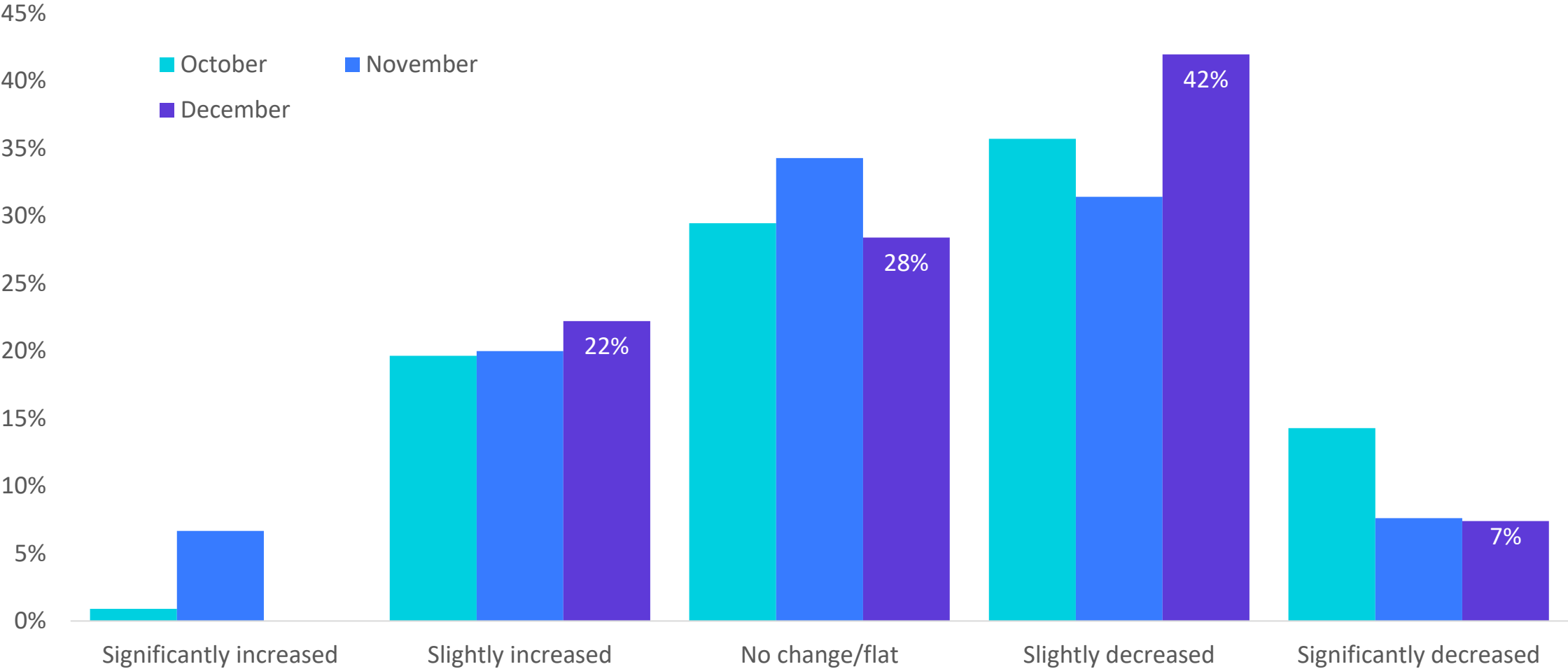
National Economy Builder Expectations

Demand has been showing seasonality but some positive pockets are emerging



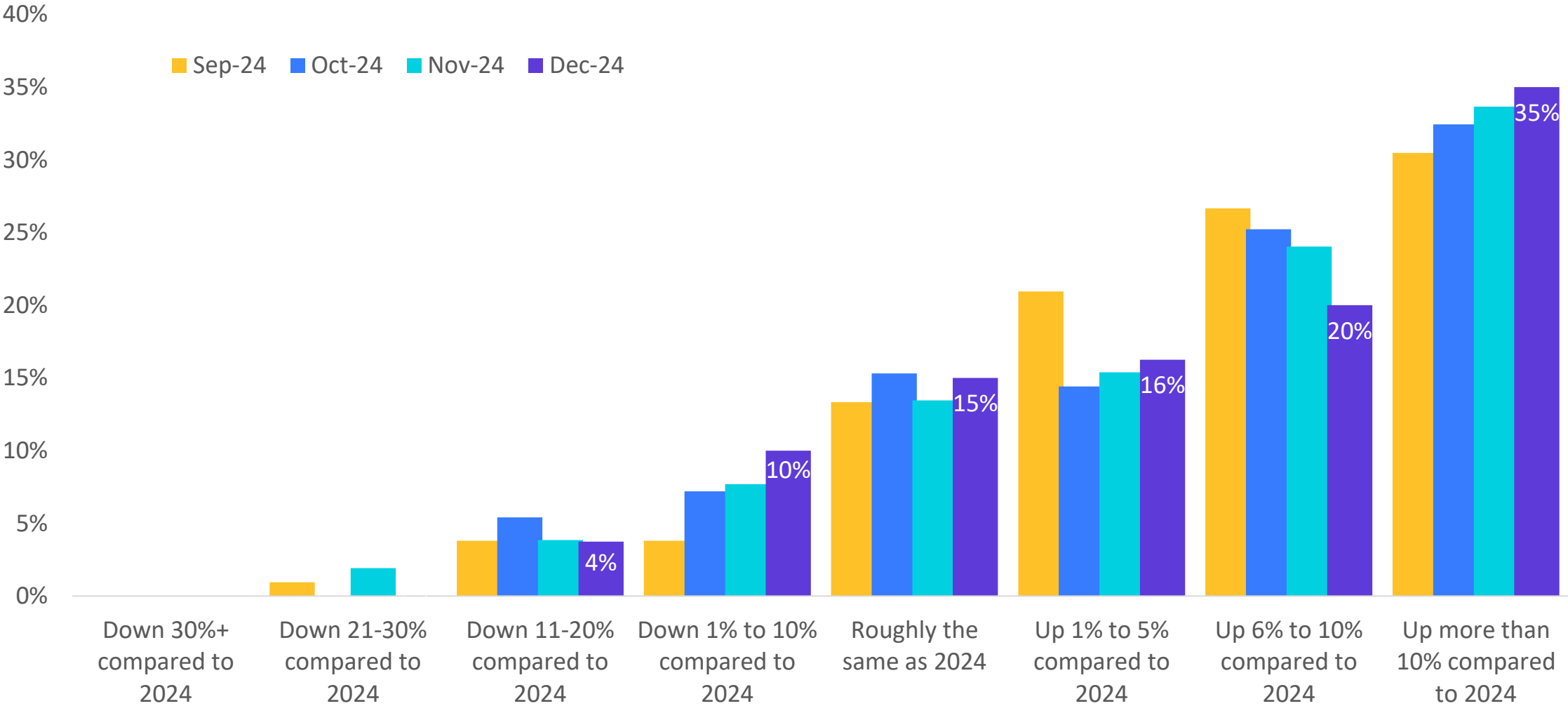
Source: Zonda

How are sales doing?



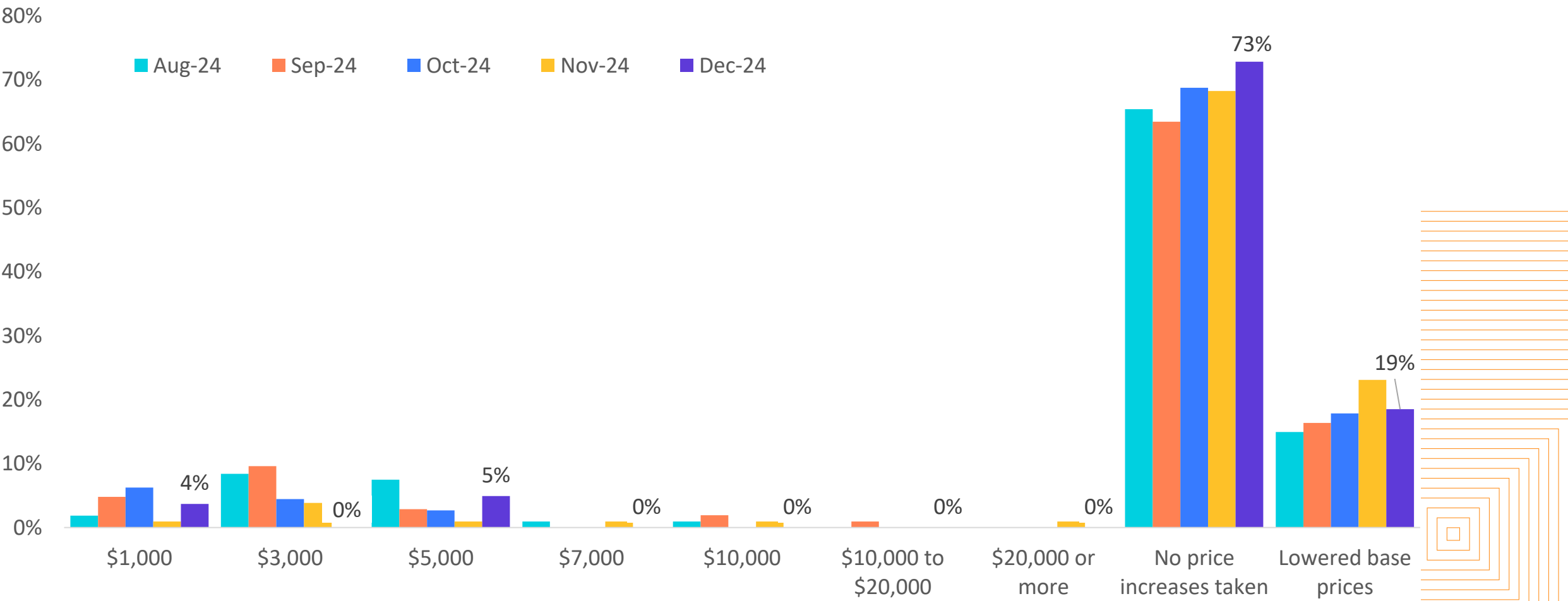
Source: Zonda

What does that mean for starts?



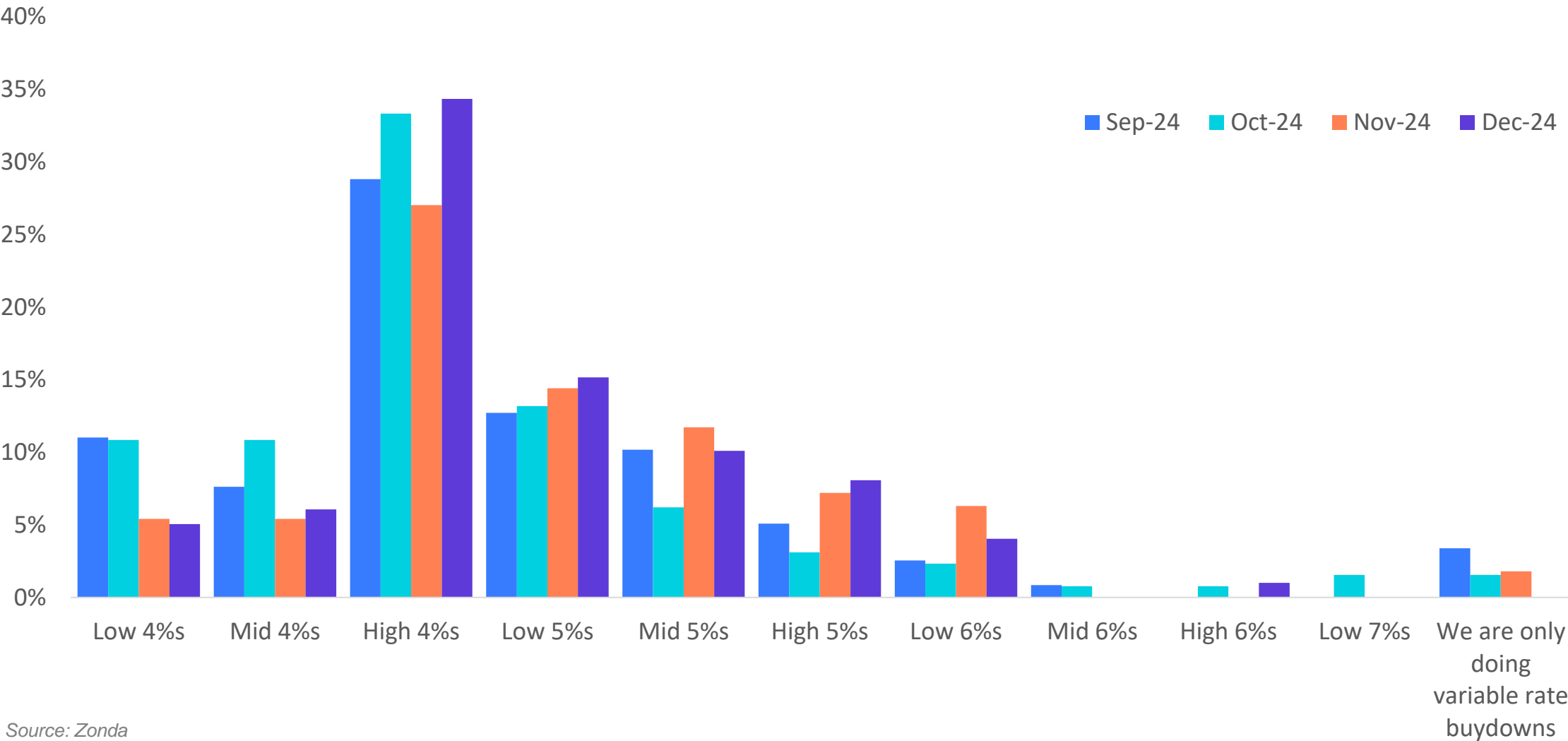
Source: Zonda

Price Increase? Generally flat



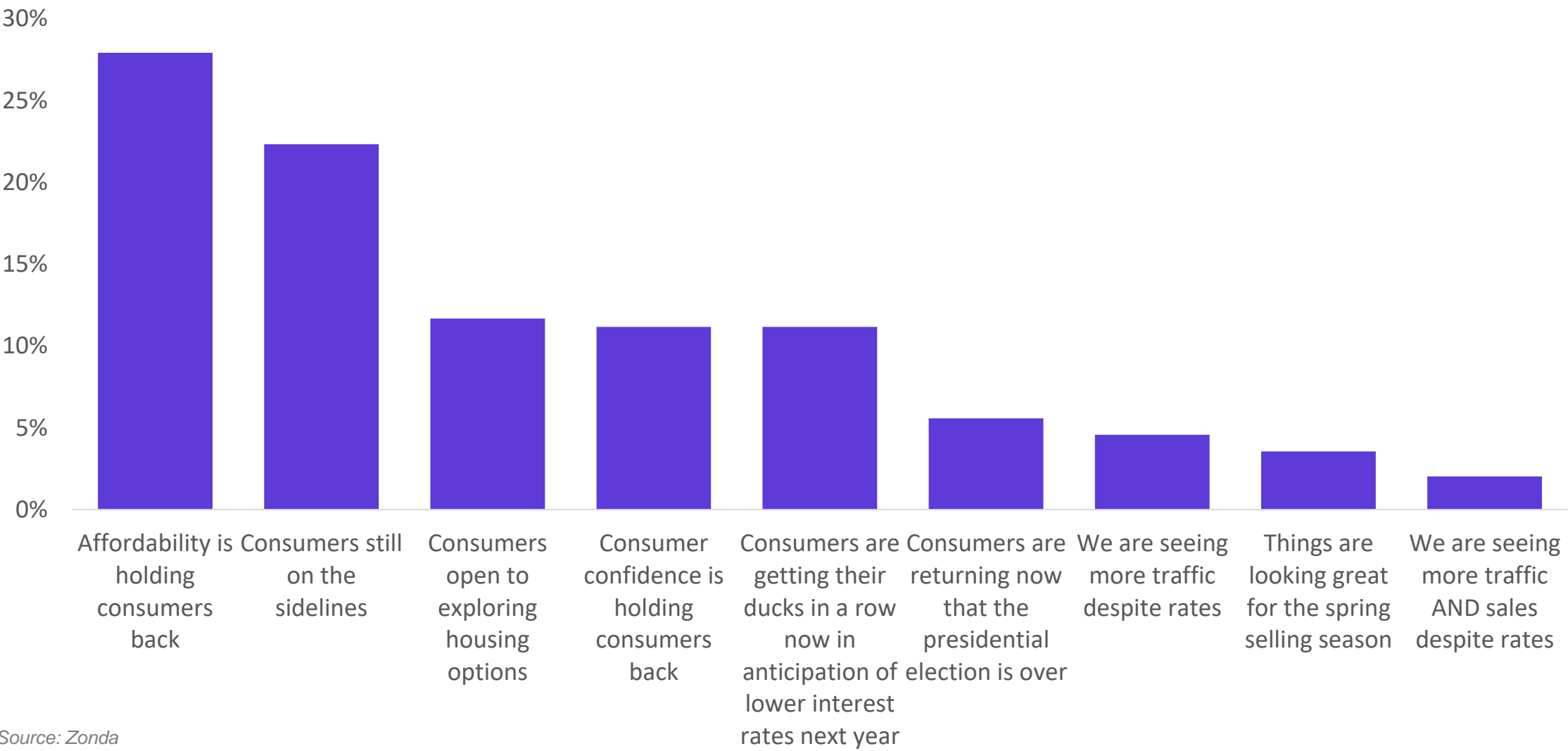
Source: Zonda

Rate buydowns are finding a comfort level in the 5% range



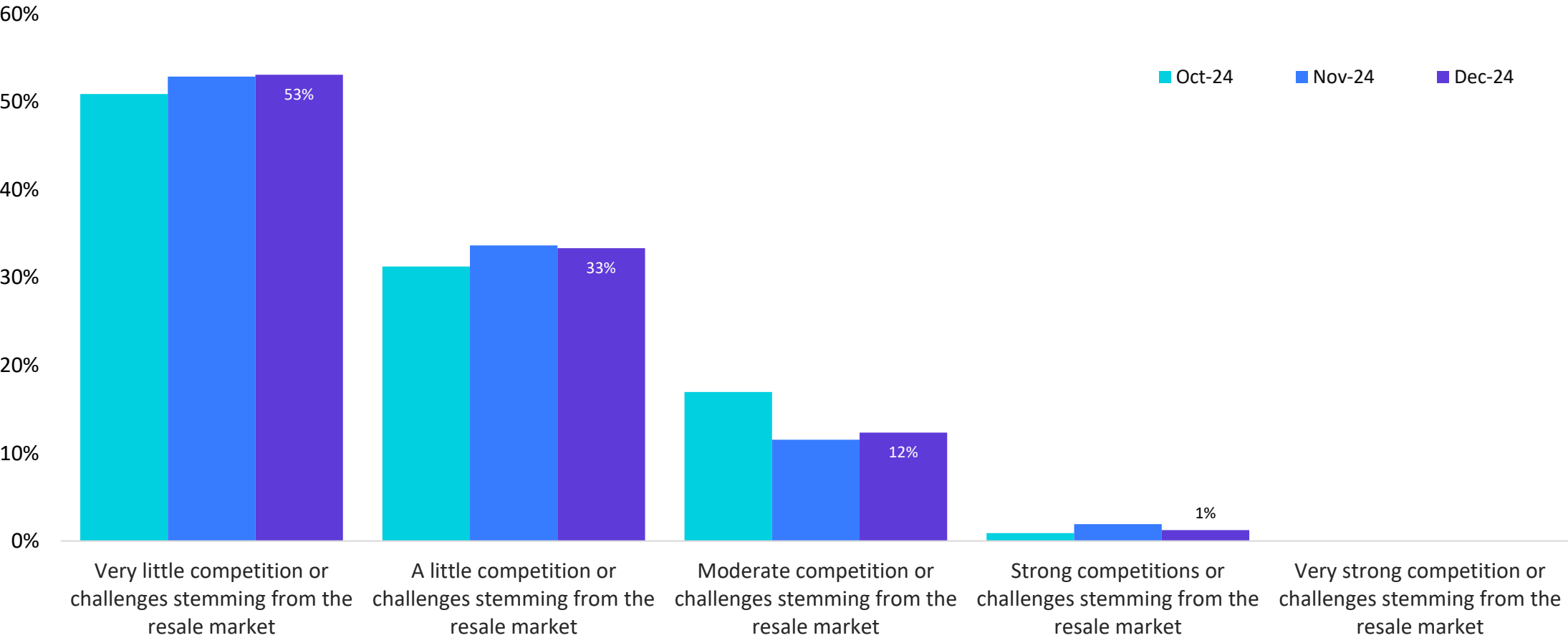
Source: Zonda

Consumers are hesitant but attainability is getting them off of the sidelines



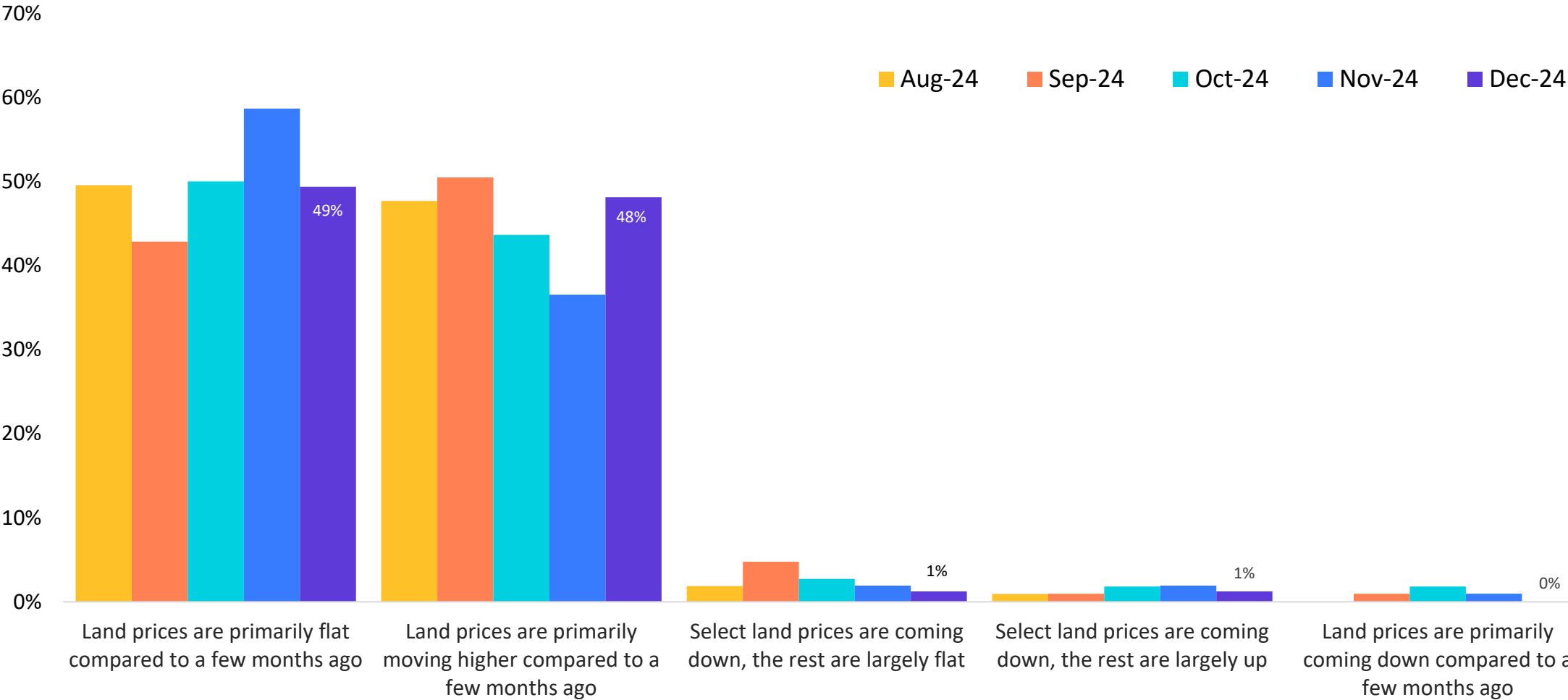
Source: Zonda

Despite increasing, resales haven't provided strong competition



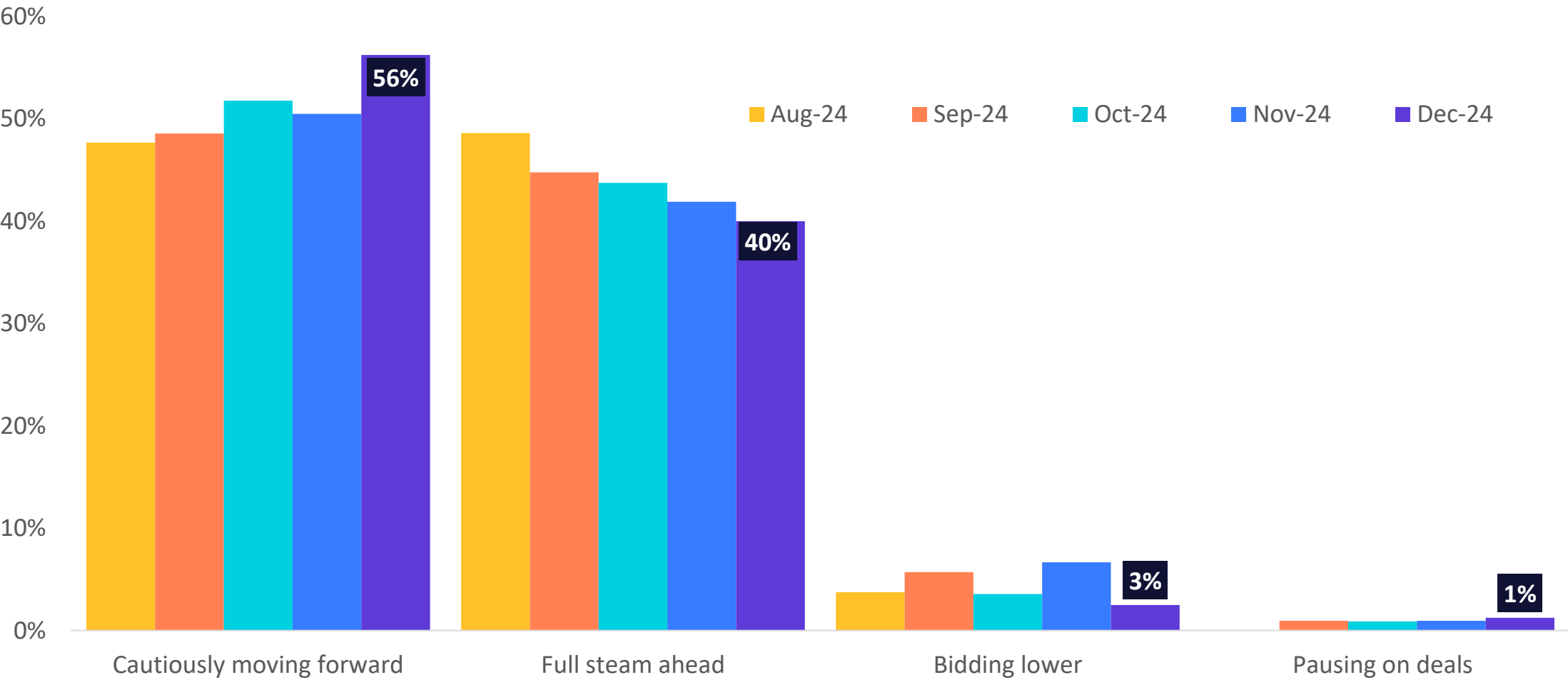
Source: Zonda

Land: Prices are increasing due to builder need



Source: Zonda

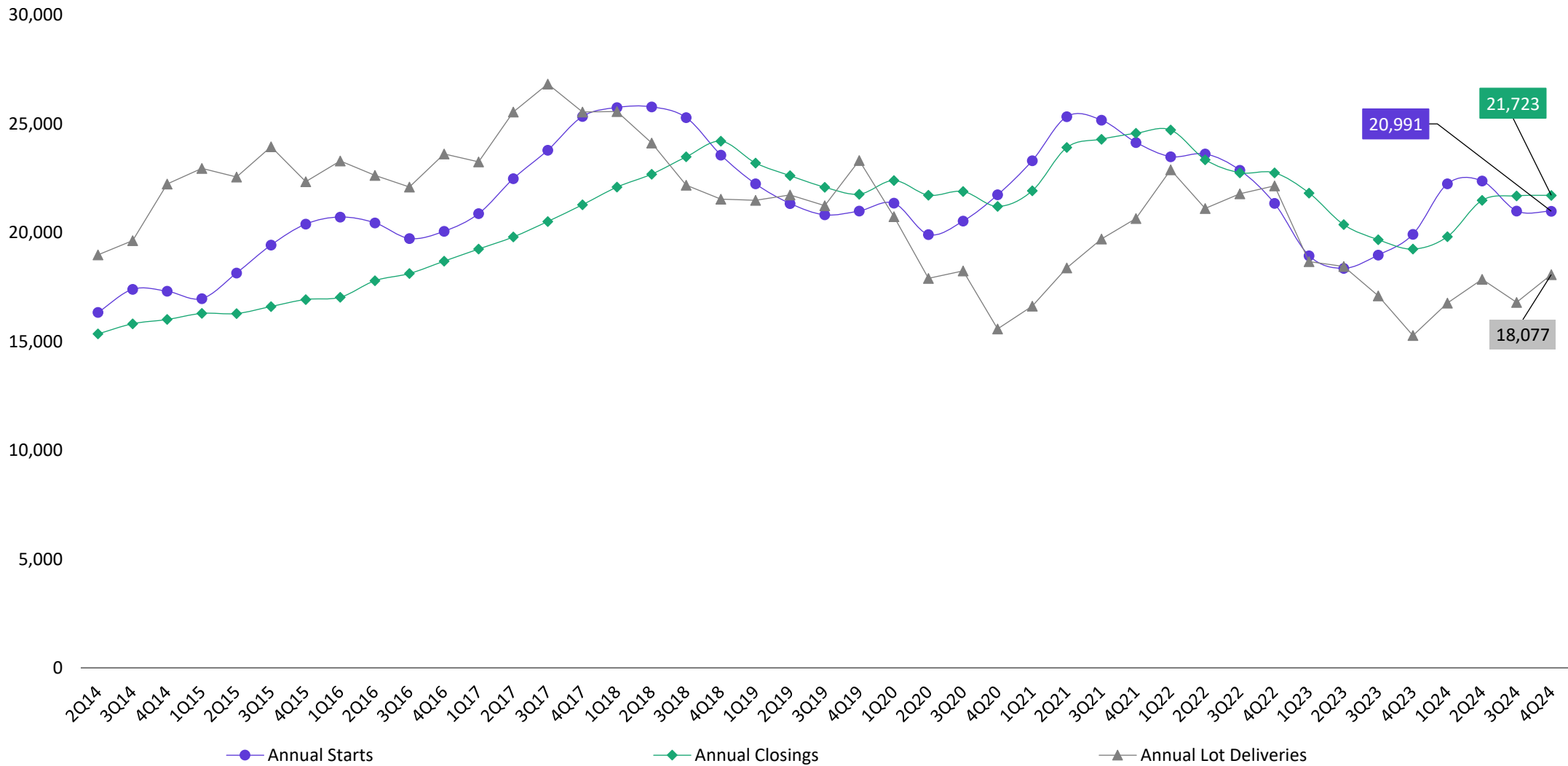
Are we pausing land? A bit more cautious but no



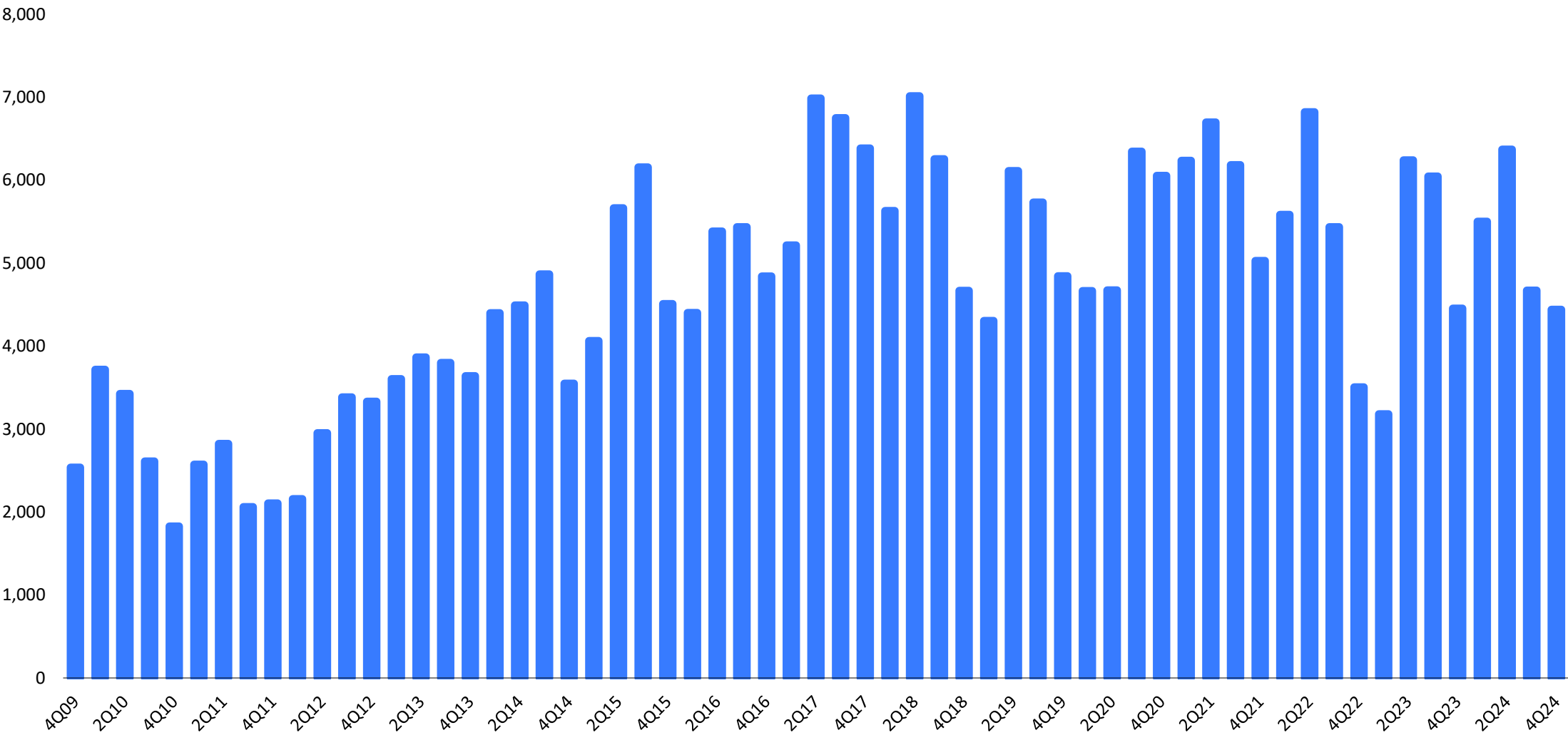
Source: Zonda

Southland New Home Supply

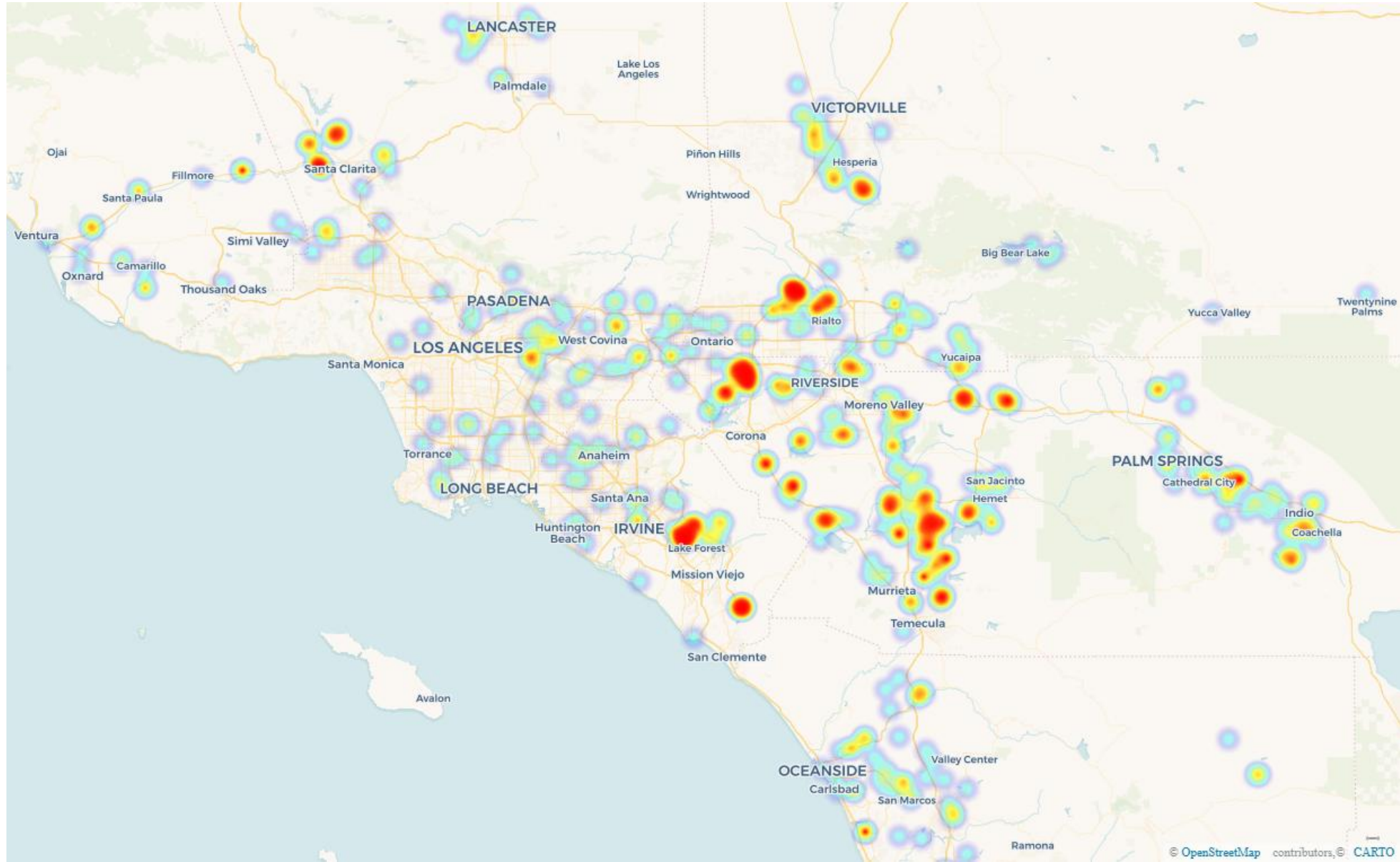
Annual starts are slowing, while annual lot deliveries remain low



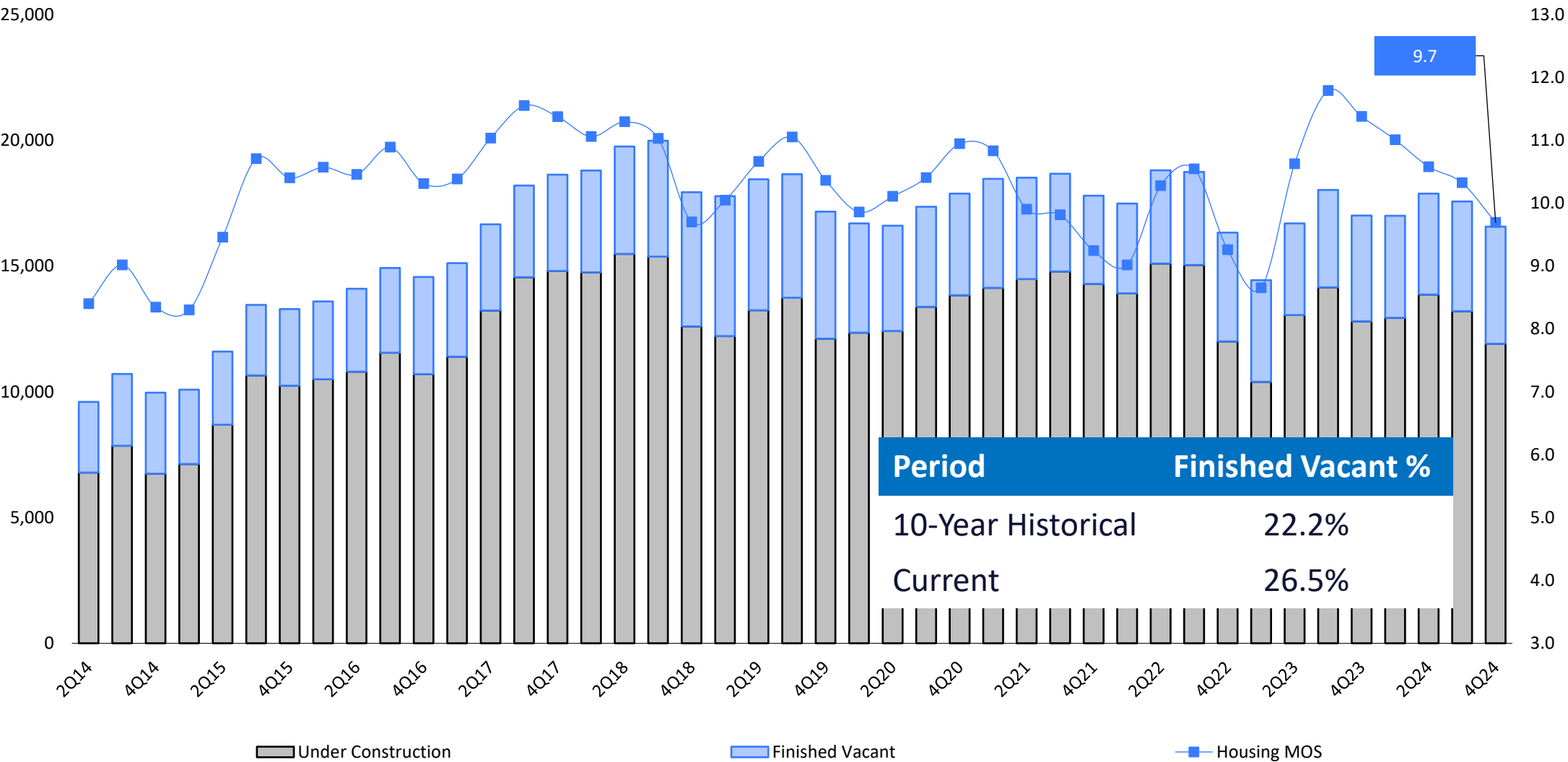
Quarterly starts typically increase from Q4 to Q1 significantly



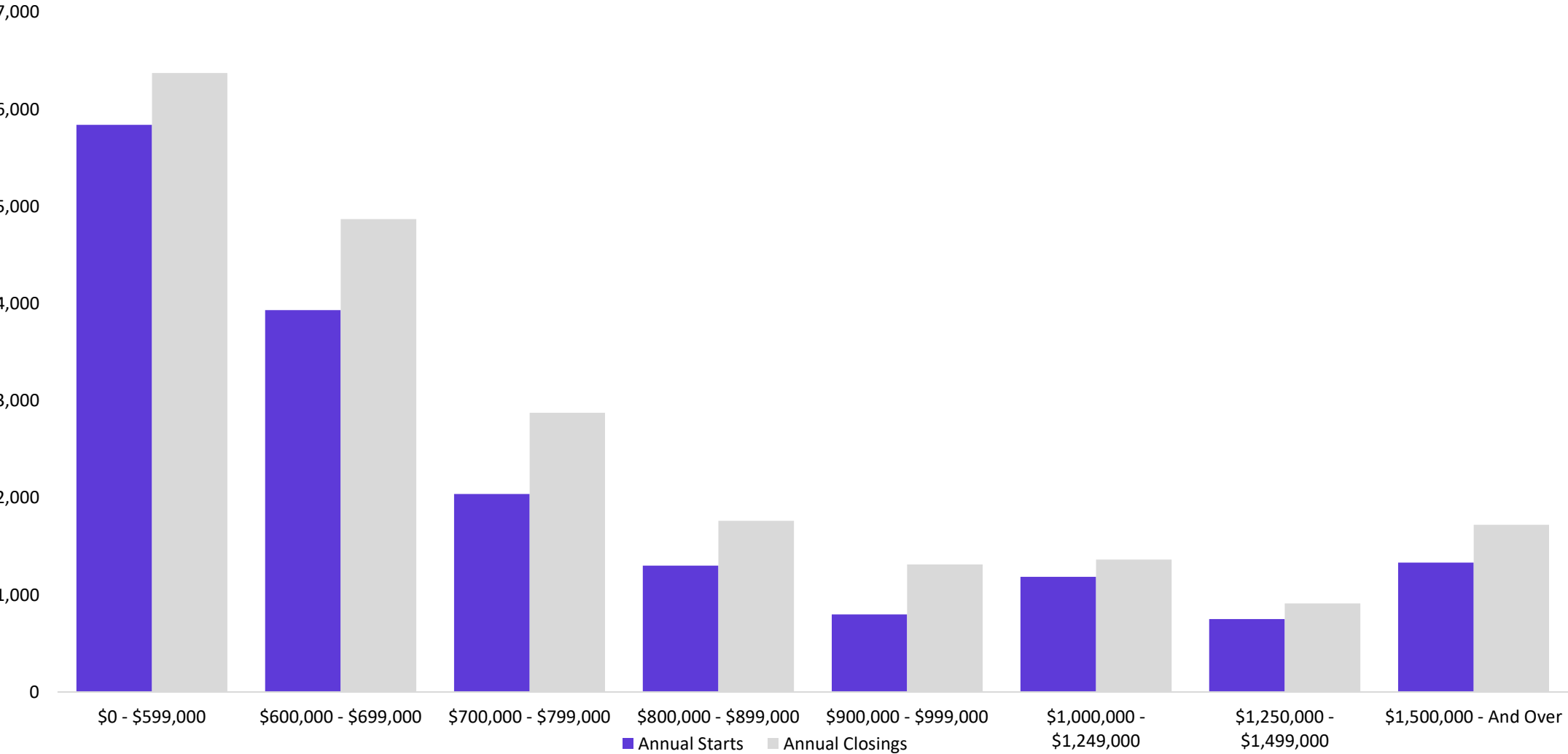
Starts are showing increasing in more attainable areas



Inventory is significantly below historical norms and expected to decline



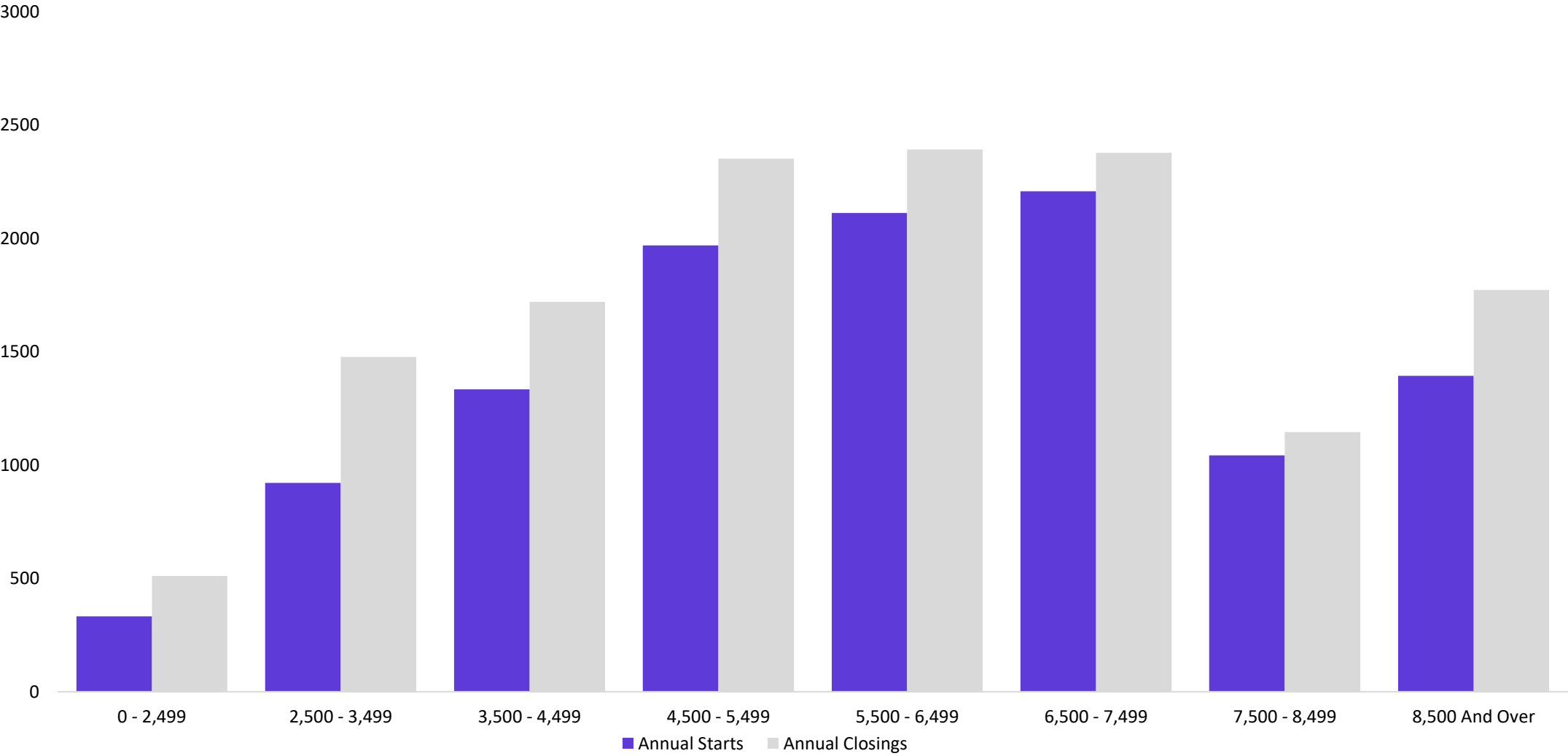
The market is pushing outwards to more attainable housing and supply of land



Source: Zonda

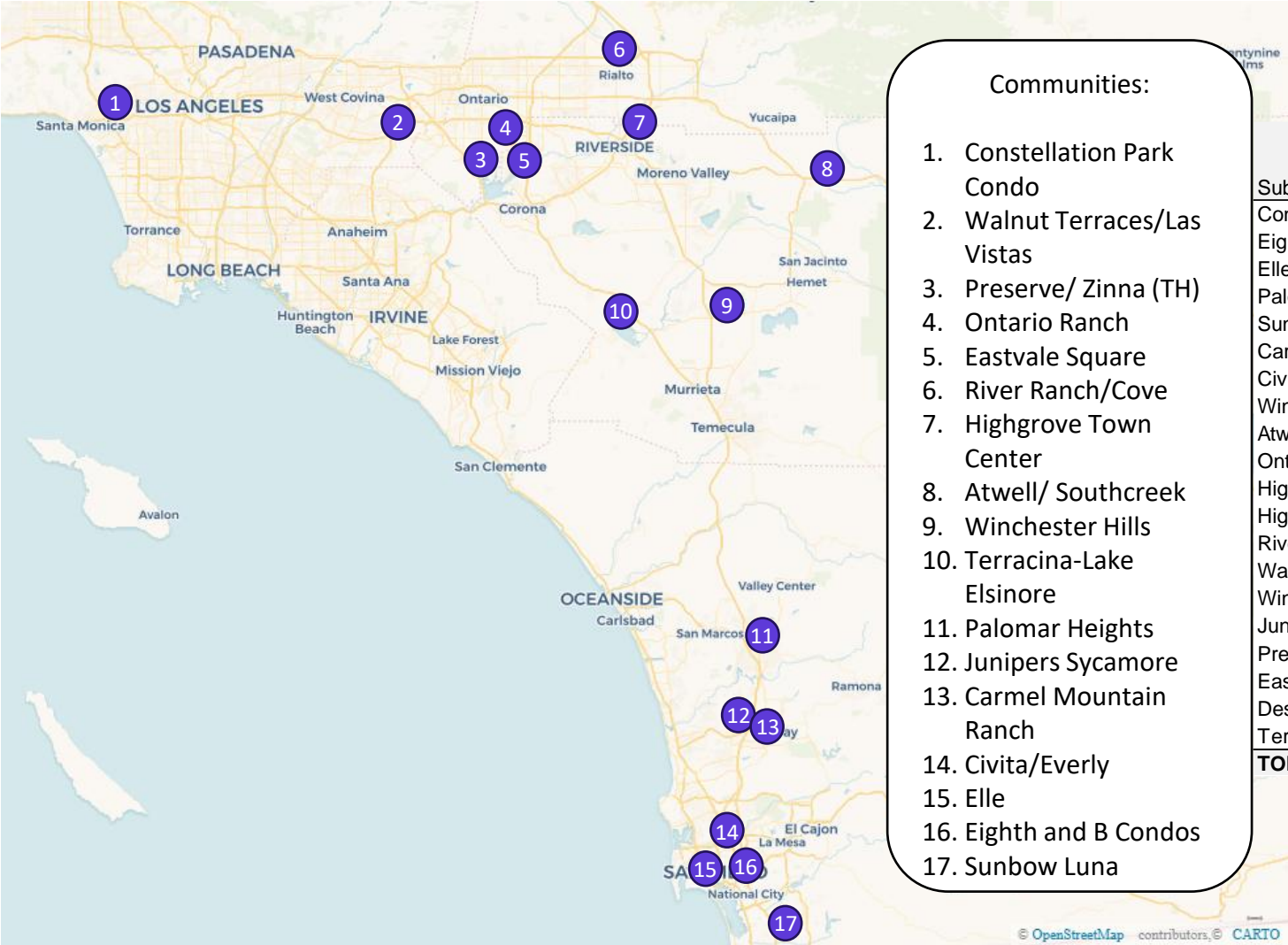


All lot sizes are seeing decreasing supply without notable replacement



Source: Zonda

Top annual starting neighborhoods

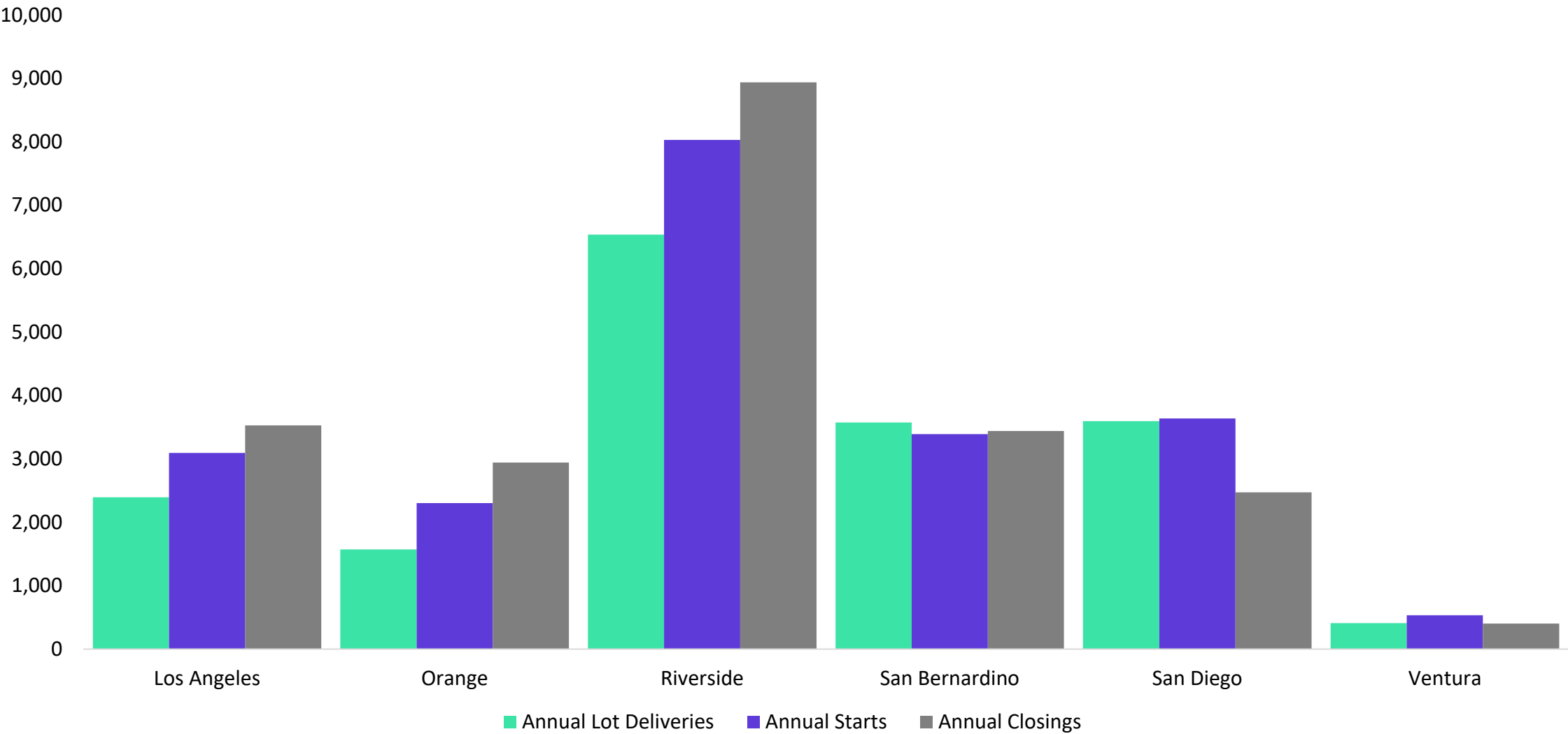


Communities:

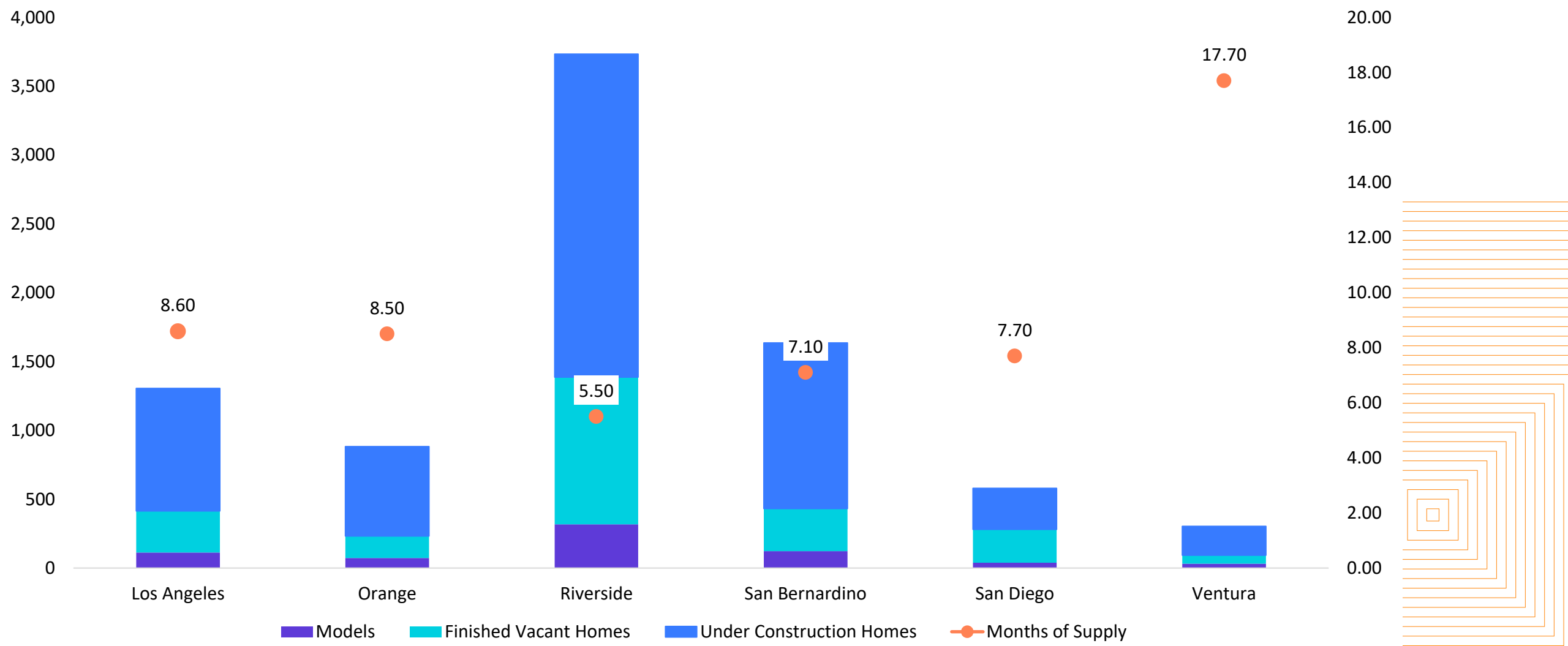
- 1. Constellation Park Condo
- 2. Walnut Terraces/Las Vistas
- 3. Preserve/ Zinna (TH)
- 4. Ontario Ranch
- 5. Eastvale Square
- 6. River Ranch/Cove
- 7. Highgrove Town Center
- 8. Atwell/ Southcreek
- 9. Winchester Hills
- 10. Terracina-Lake Elsinore
- 11. Palomar Heights
- 12. Junipers Sycamore
- 13. Carmel Mountain Ranch
- 14. Civita/ Everly
- 15. Elle
- 16. Eighth and B Condos
- 17. Sunbow Luna

Subdivision Name / Rank	Builder	Postal City	Annual Starts	Avg. Mo. Starts
Constellation Park Condo	JMB Realty Corporation	Los Angeles	483	40.3
Eighth and B Condos	Bosa Development	San Diego	389	32.4
Elle	Bay Structure, LLC	San Diego	191	15.9
Palomar Heights	Integral Communities	Escondido	132	11.0
Sunbow Luna	Lennar Homes	Chula Vista	132	11.0
Carmel Mountain Ranch/Trails Lavender	Lennar Homes	San Diego	120	10.0
Civita/ Everly	Toll Brothers Inc	San Diego	113	9.4
Winchester Hills/Pradera Pointe	D.R. Horton Inc -	Winchester	101	8.4
Atwell/ Southcreek	Tri Pointe Homes	Banning	100	8.3
Ontario Ranch/Falloncrest-Ashbrook	Lennar Homes	Ontario	98	8.2
Highgrove Town Center/Paseo (TH)	Lennar Homes	Riverside	96	8.0
Highgrove Town Center/Gardens (TH)	Lennar Homes	Riverside	95	7.9
River Ranch/Cove	Lennar Homes	Rialto	93	7.8
Walnut Terraces/Las Vistas	CBC Home	Walnut	91	7.6
Winchester Hills/Pradera Place	D.R. Horton Inc -	Winchester	90	7.5
Junipers Sycamore	Lennar Homes	San Diego	90	7.5
Preserve/Zinnia (TH)	Beazer Homes	Chino	89	7.4
Eastvale Square/Westport Condo	The New Home	Eastvale	88	7.3
Desert Willow Village	LGI Homes	Victorville	87	7.3
Terracina-Lake Elsinore/Villa Real	KB Home	Lake Elsinore	87	7.3
TOP 20 TOTALS / AVERAGES			2,765	11.5

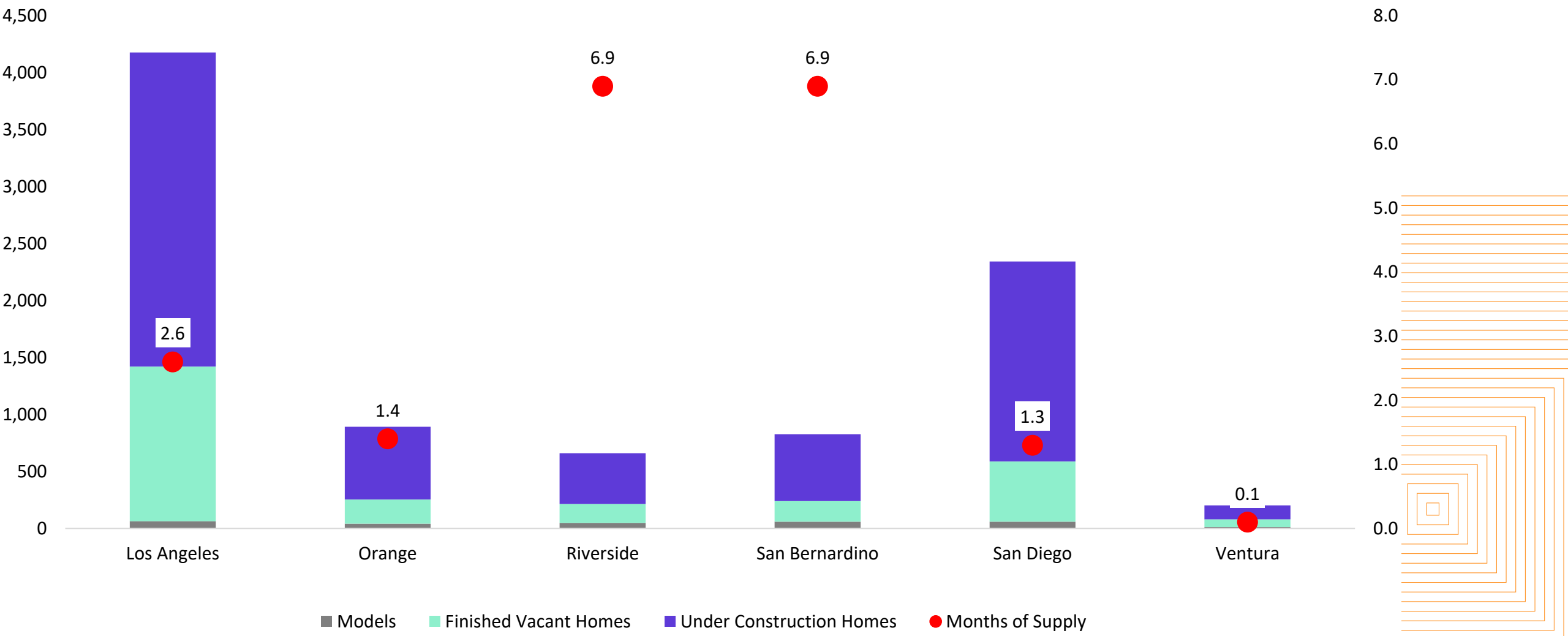
Riverside is 40% of the total market with LA (15%) & OC (11%)



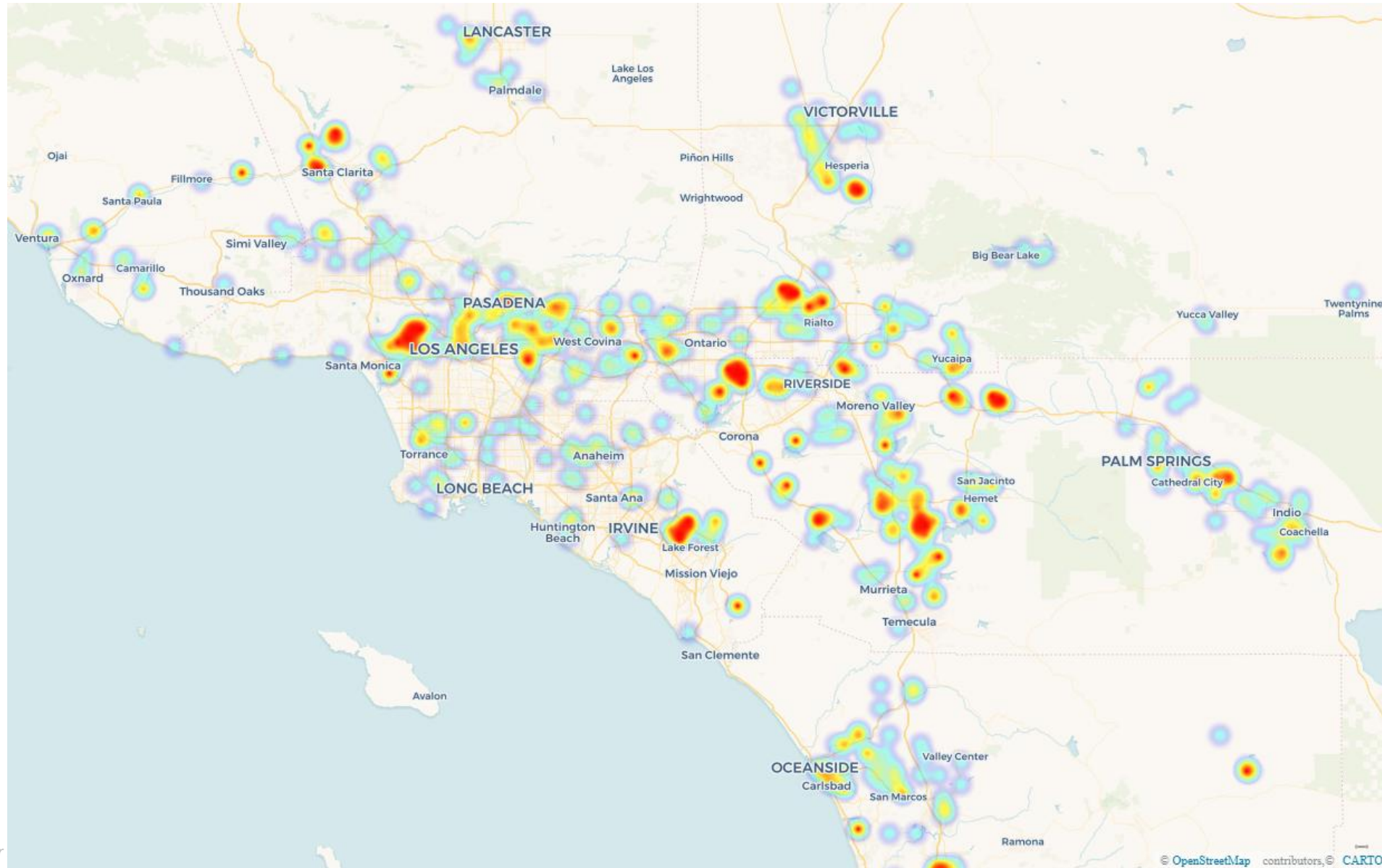
Detached inventory is generally within historical norms



Attached Inventory is limited in the market



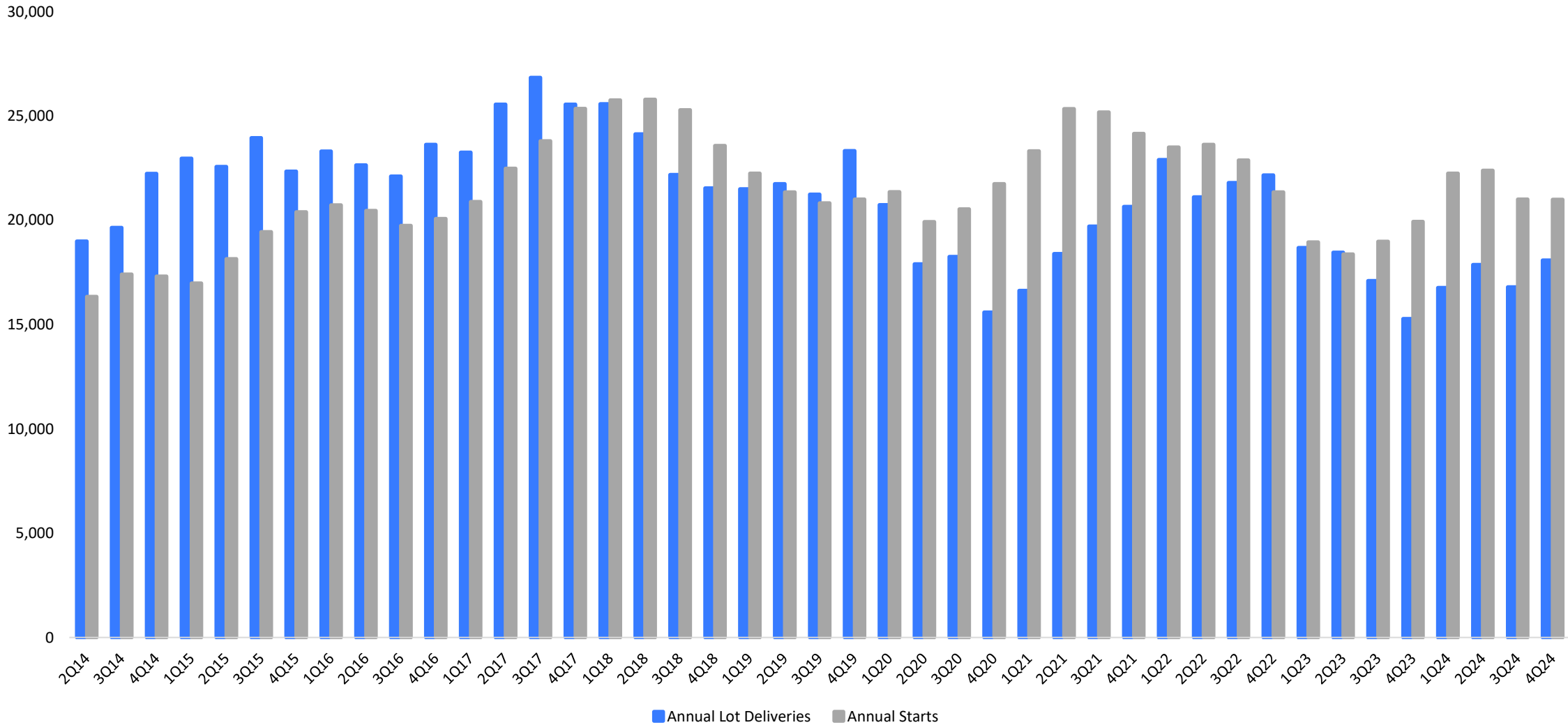
Housing inventory is generally in the Inland Empire



Southland Lot Supply

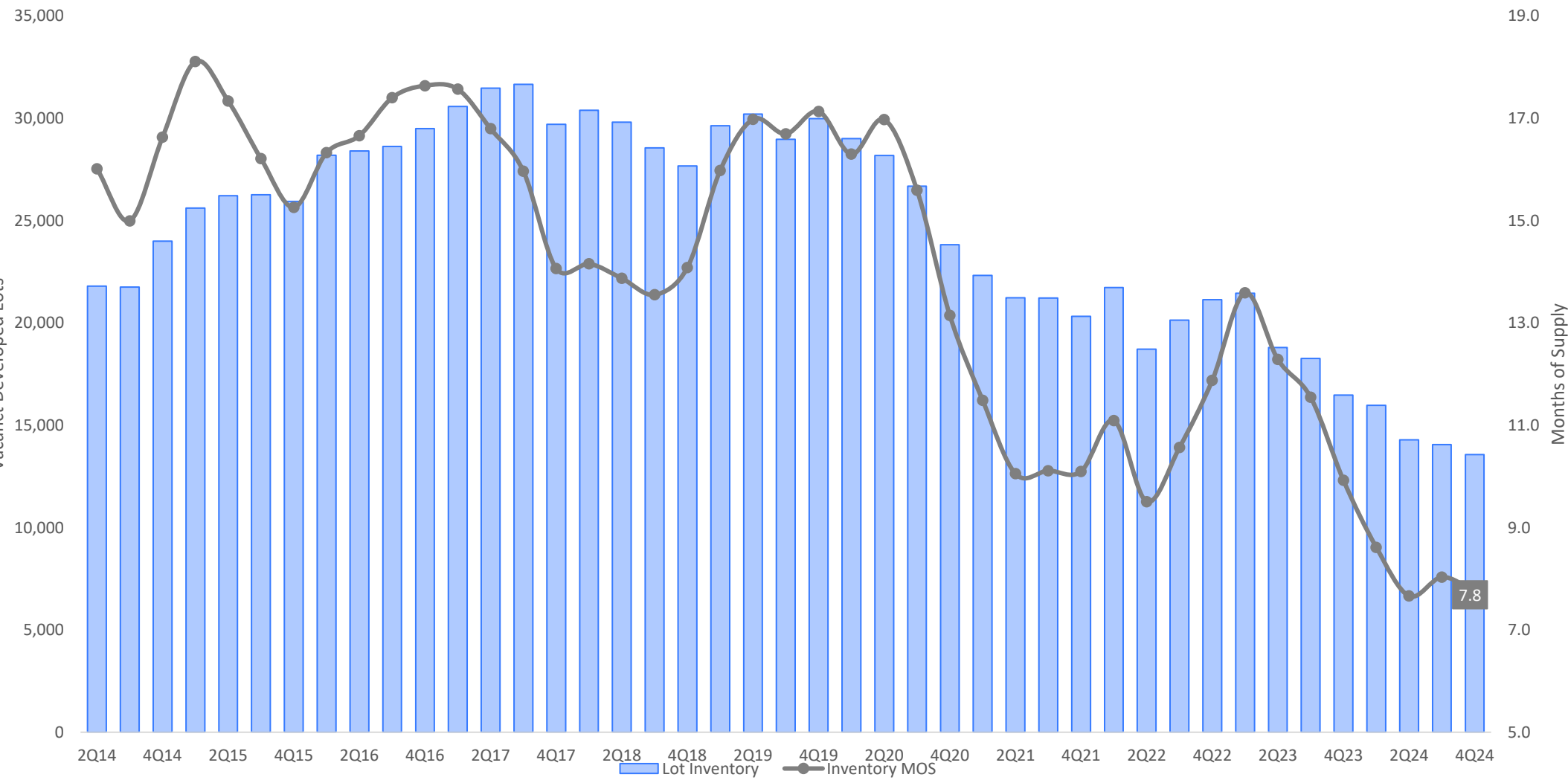


Starts are far out-pacing lots deliveries causing concern

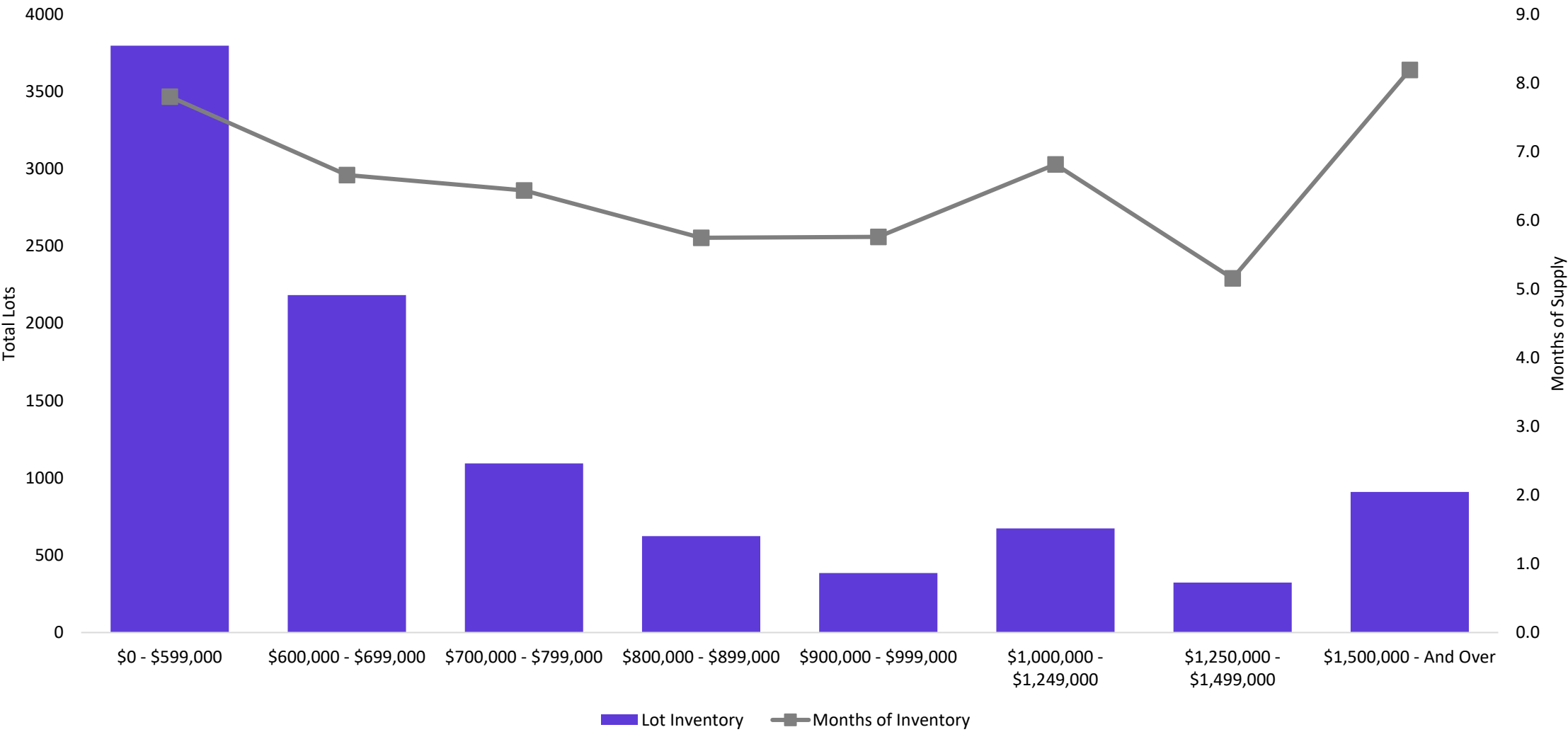


Source: Zonda

Vacant Developed Lots have 7.8 MOS & are severely under-supplied



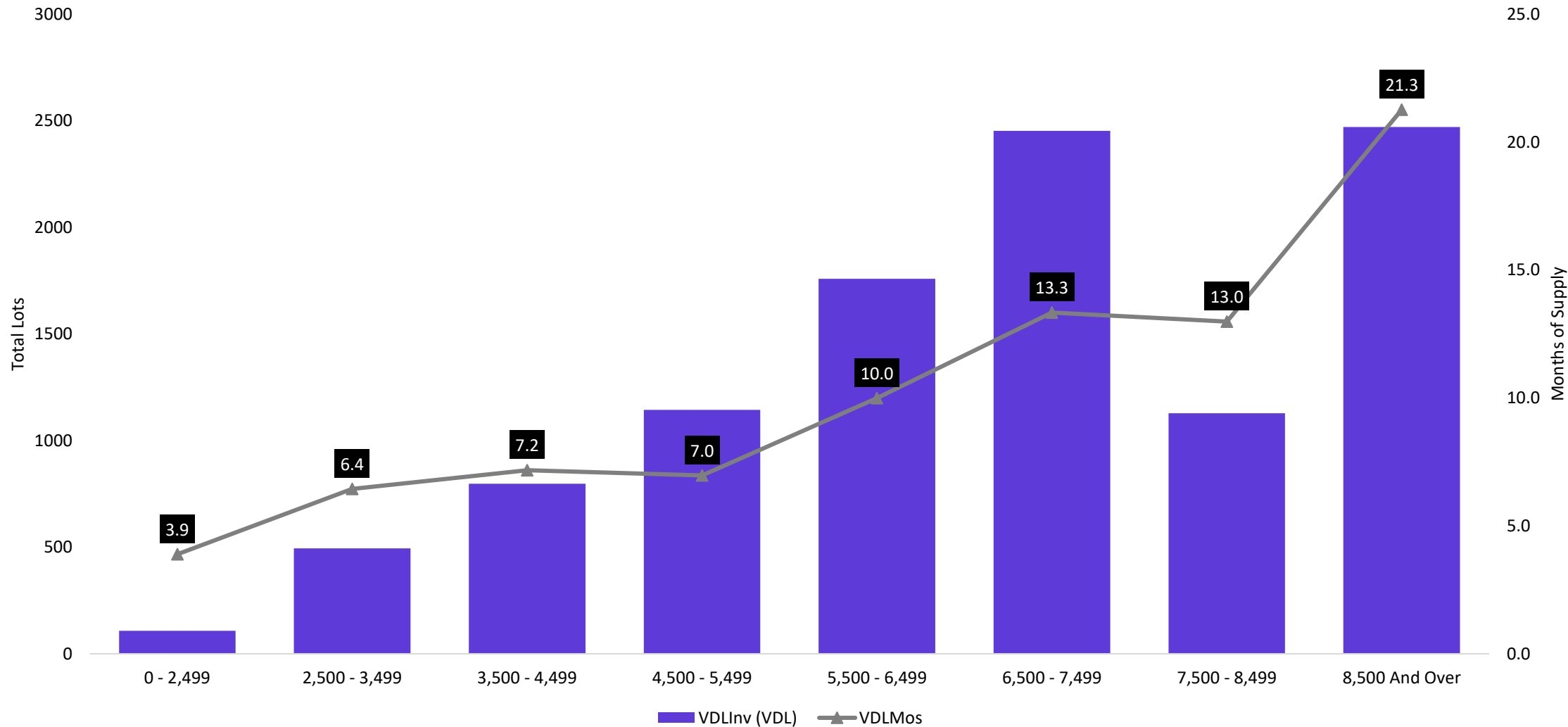
All price ranges are impacted and under-supplied – location premiums



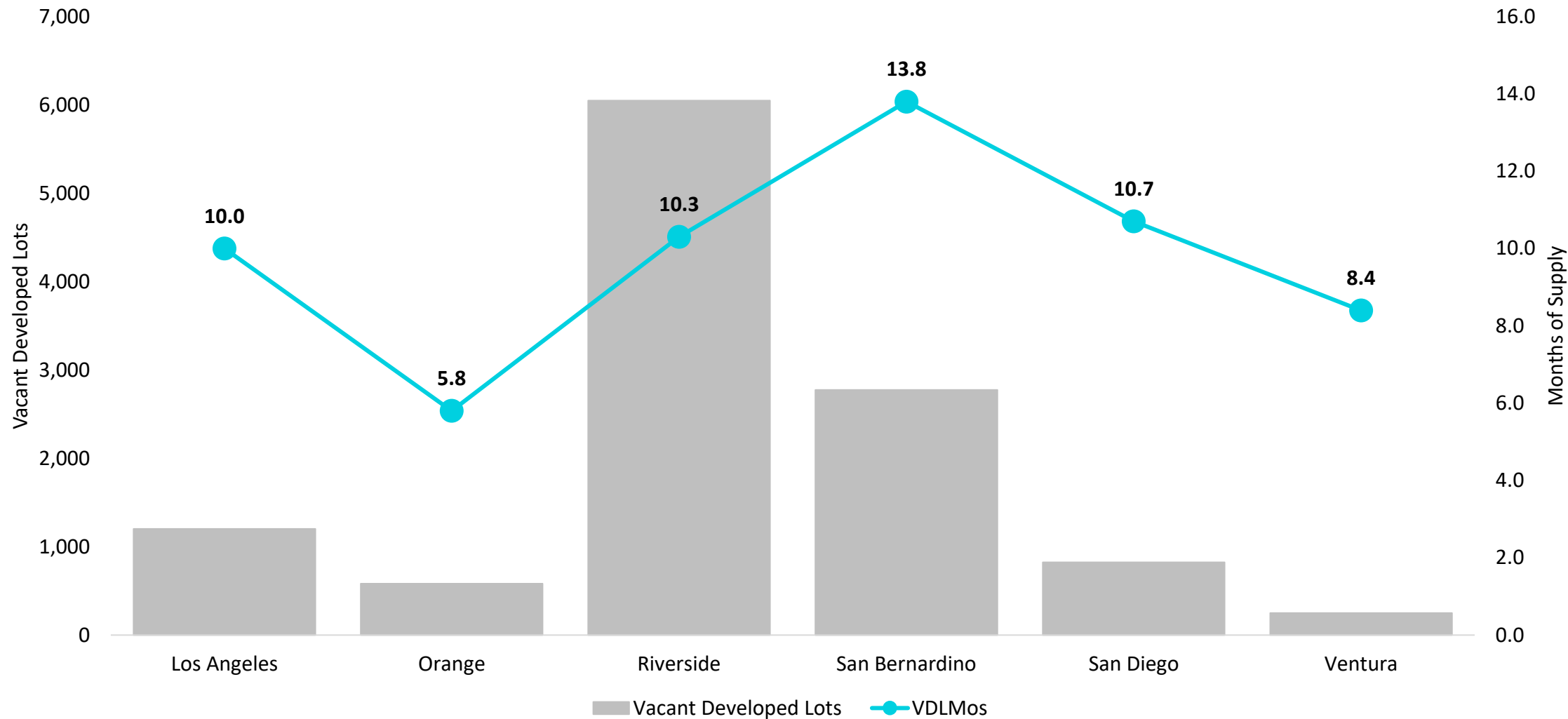
Source: Zonda



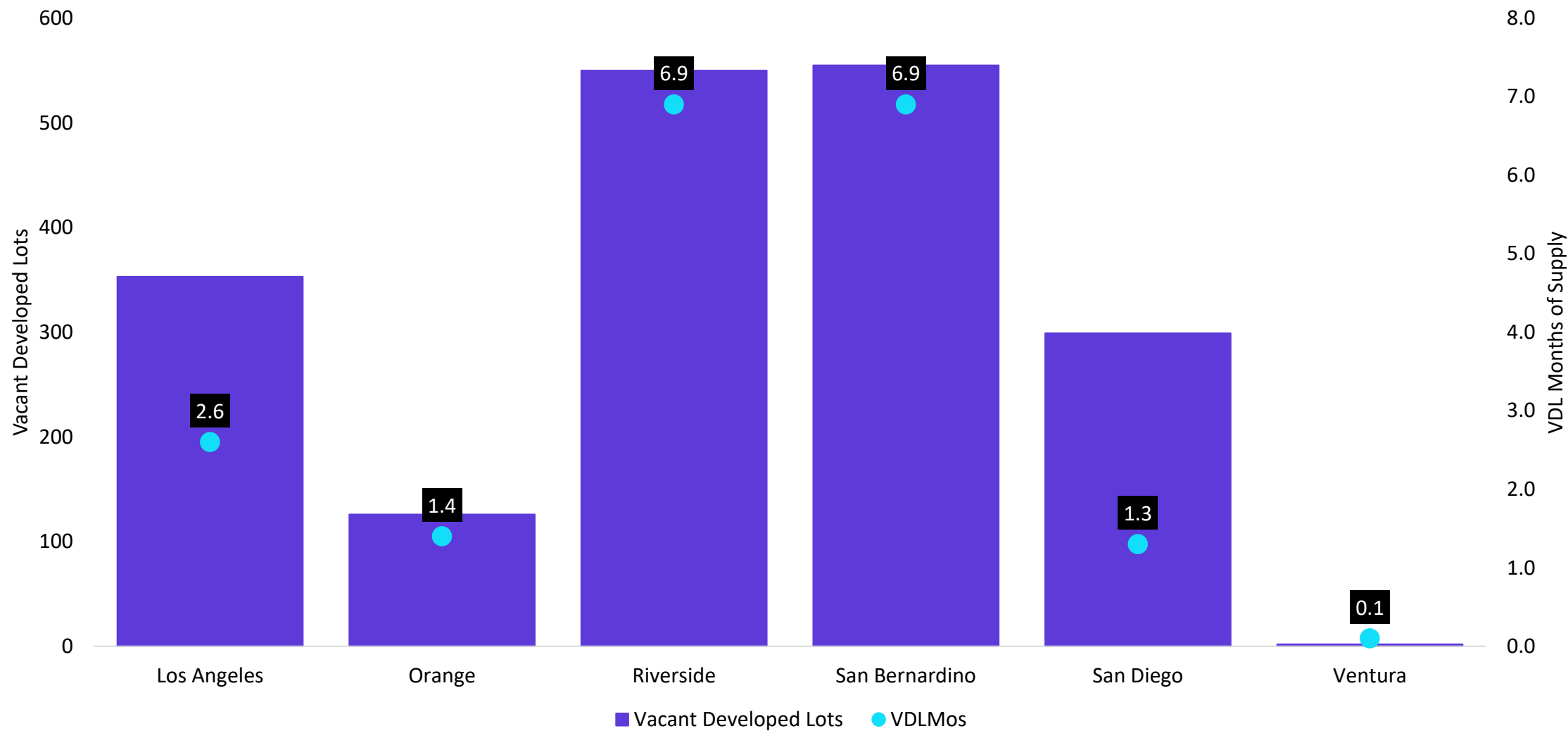
Generally denser lots are moving and in-demand



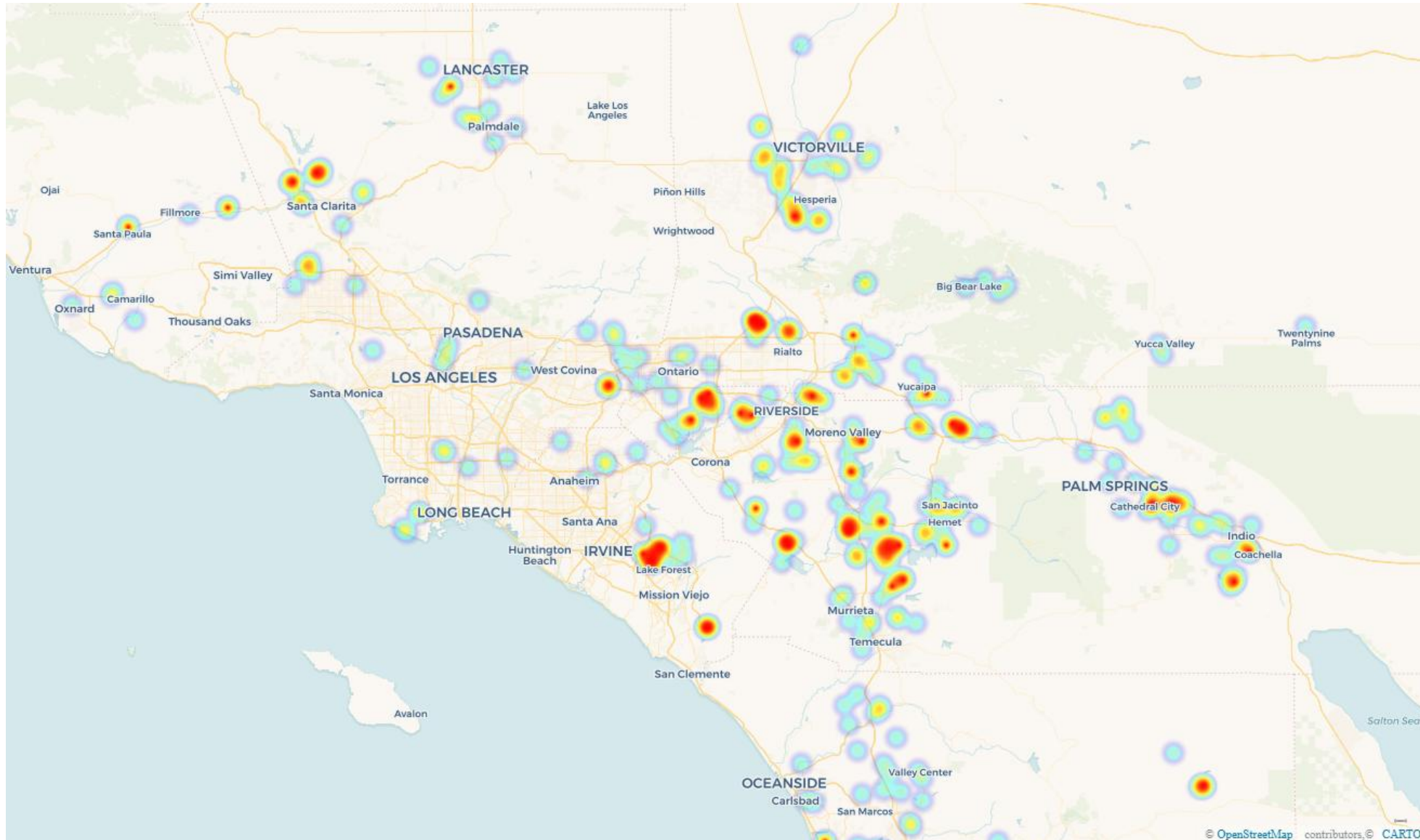
Orange County remains in demand for detached lots



Attached lots are not filling the void for the demand in the market

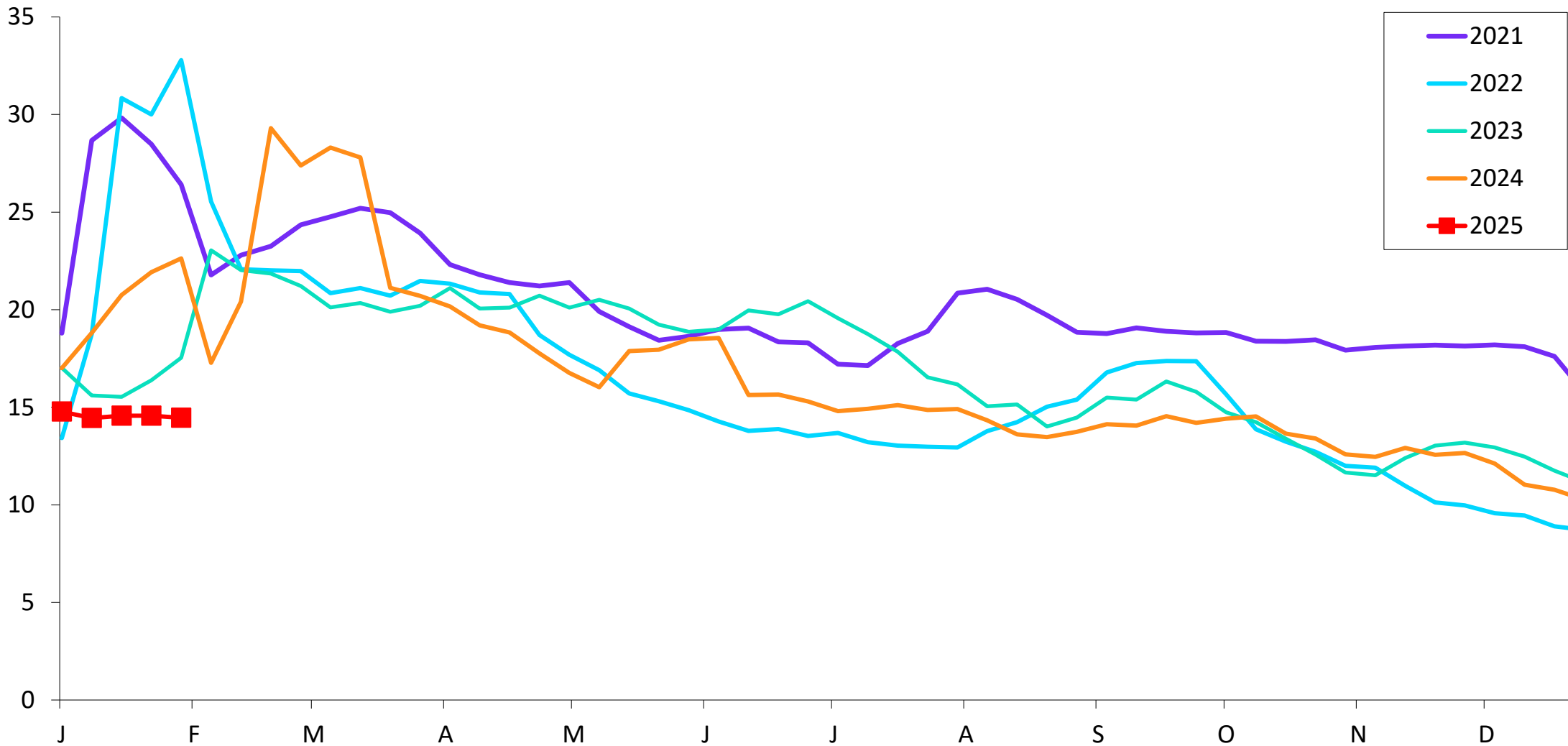


Vacant Developed Lots focused are MPC's

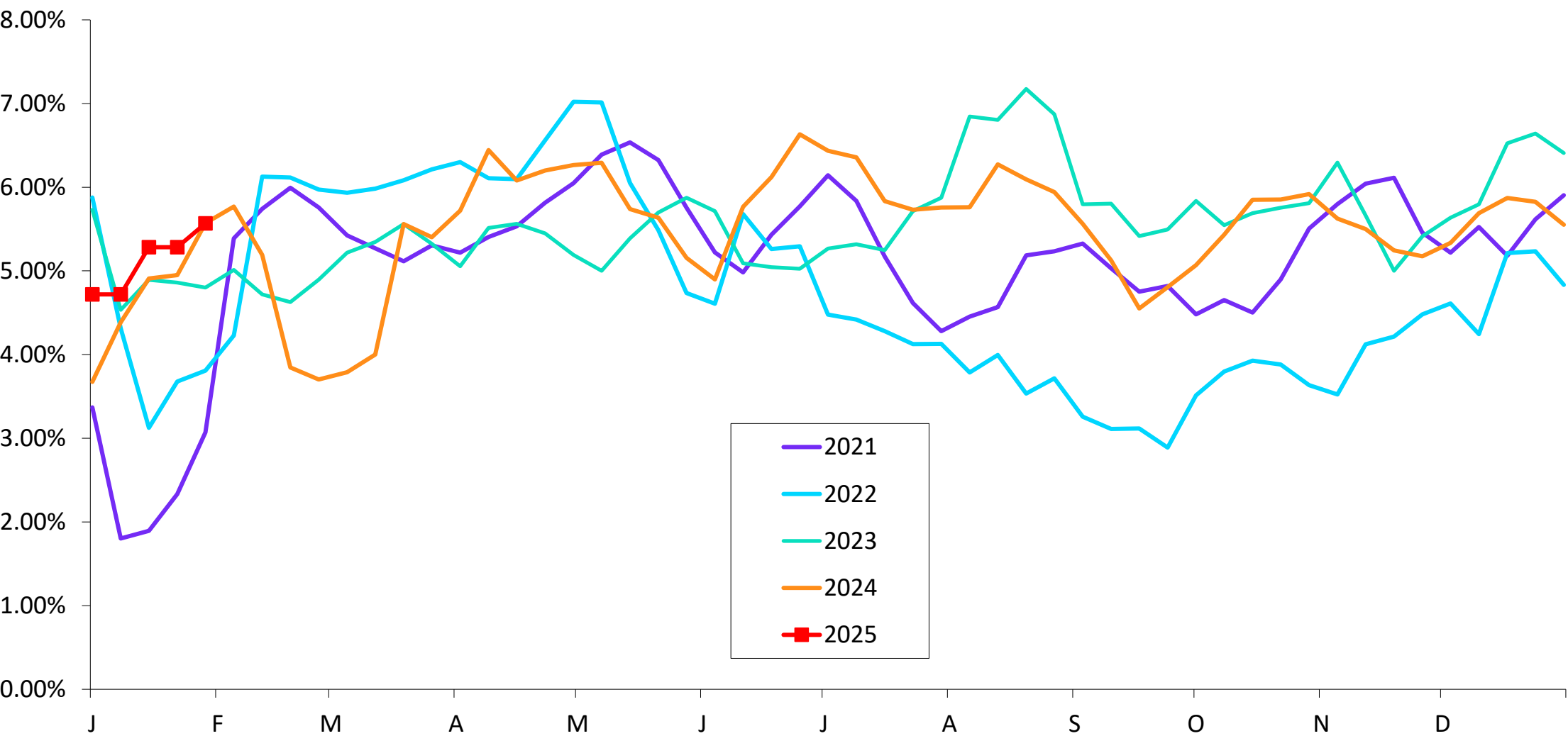


Southland Demand - Sales

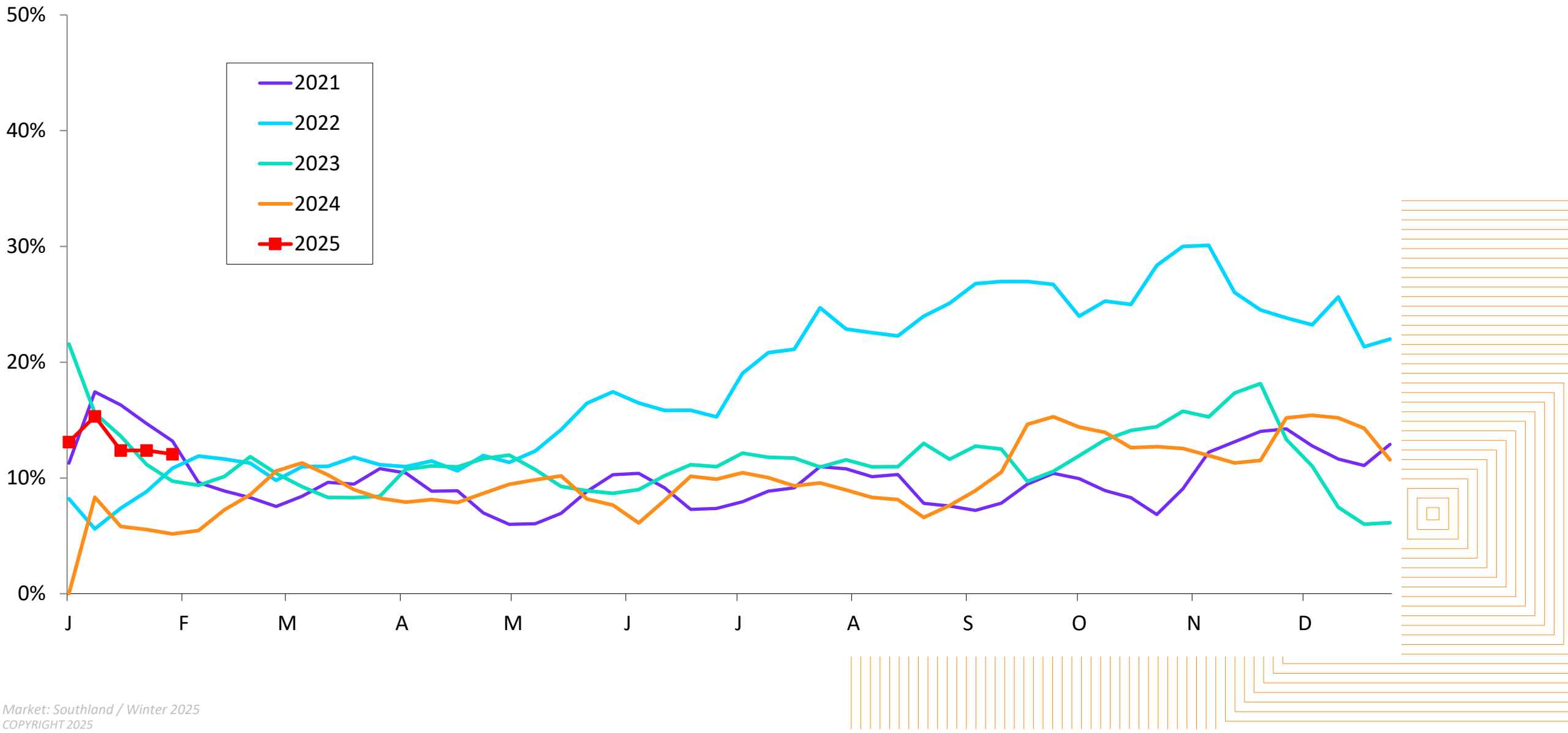
Traffic per neighborhood remains low – Magnifies the need for online



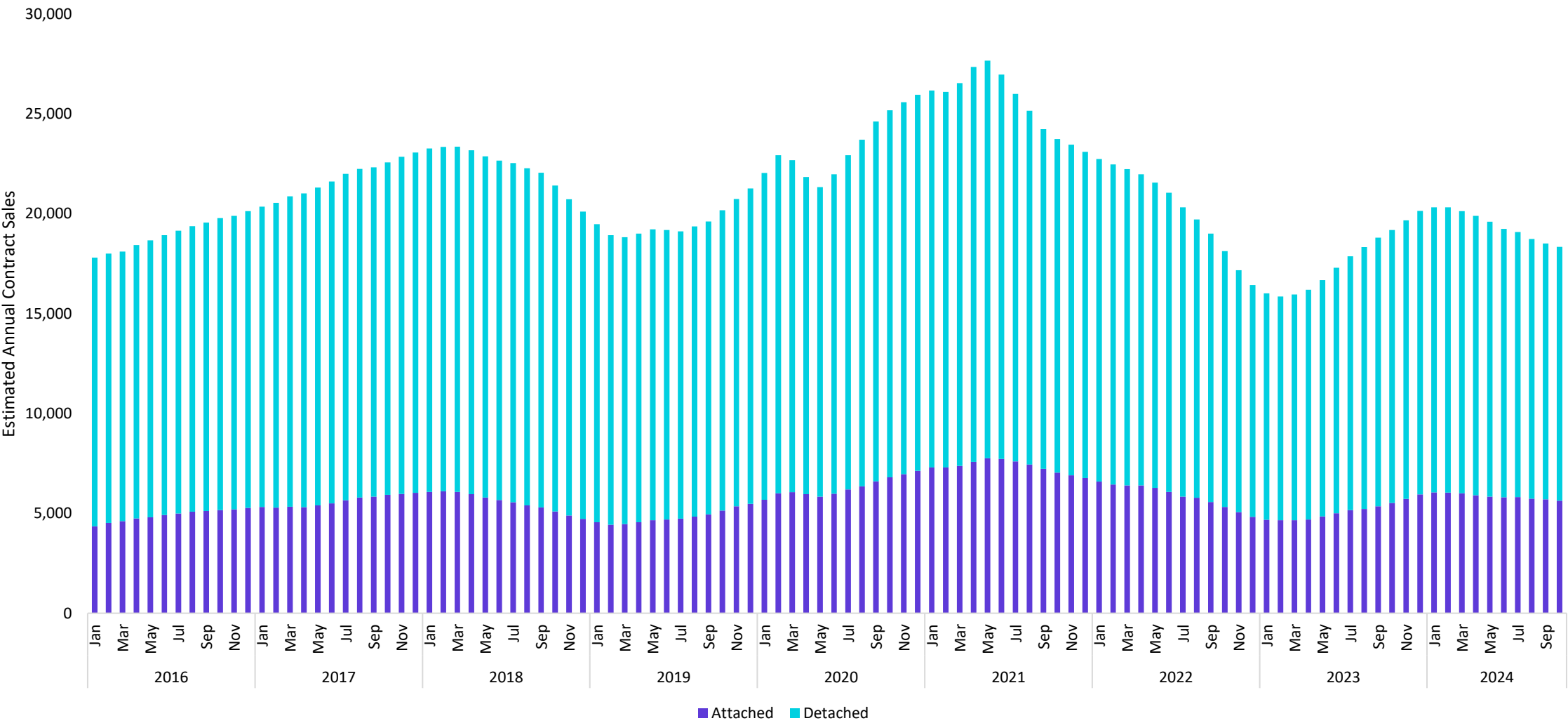
Conversion rate is above norms



Cancellation rate has remained low with strong traffic units

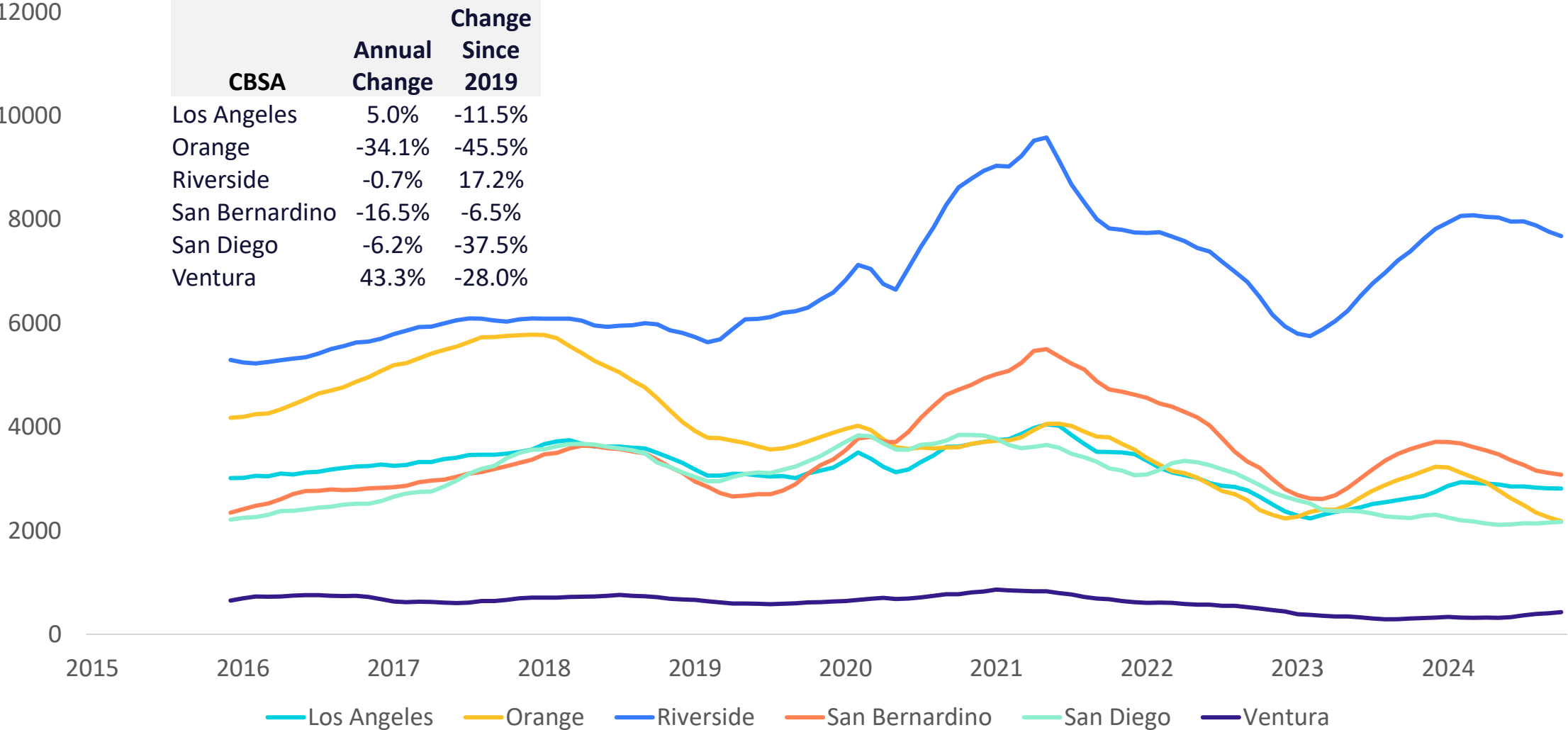


Annual sales showed seasonality and are starting to level off

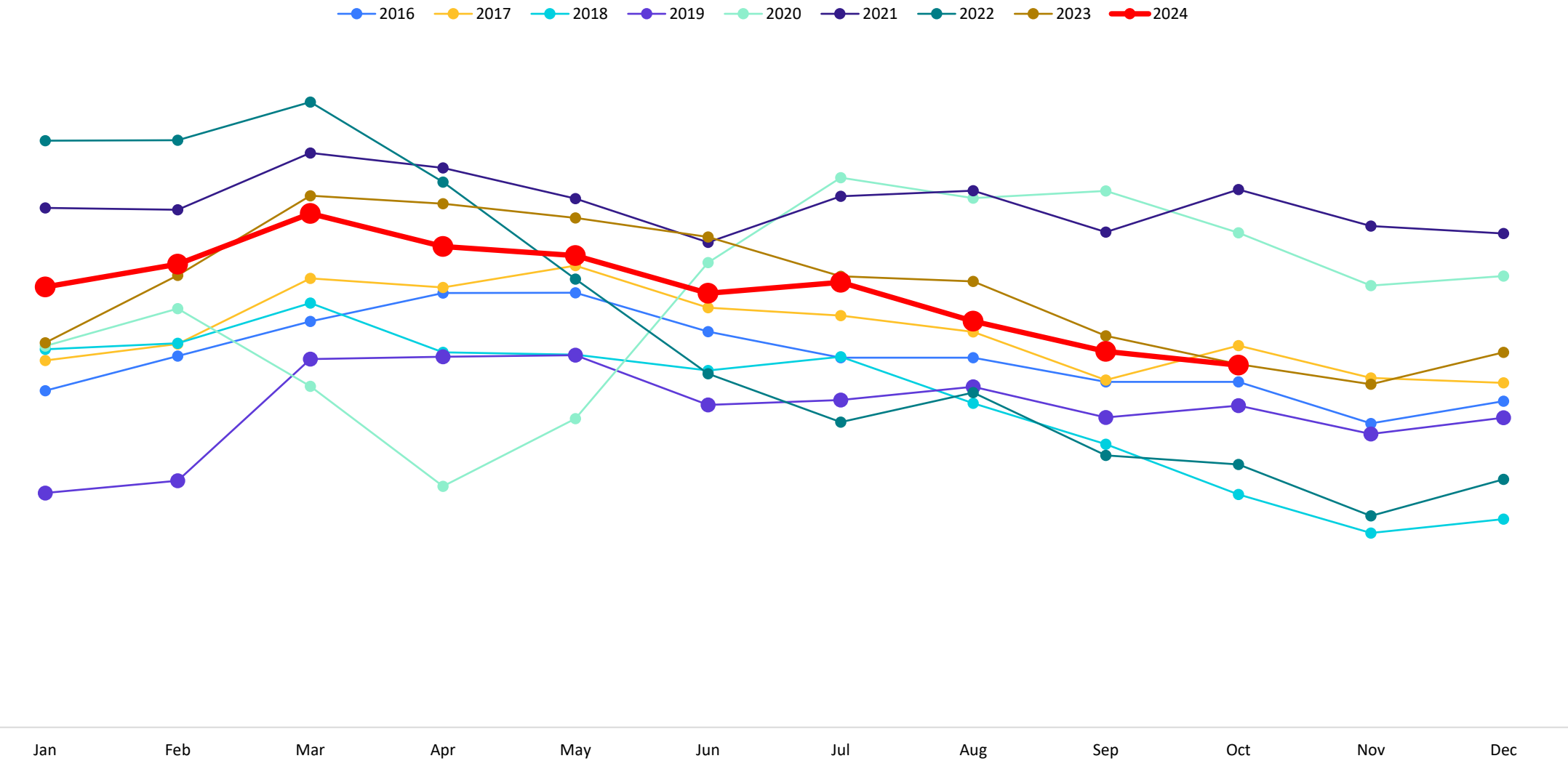


Annual sales are generally down but leveling off

CBSA	Annual Change	Change Since 2019
Los Angeles	5.0%	-11.5%
Orange	-34.1%	-45.5%
Riverside	-0.7%	17.2%
San Bernardino	-16.5%	-6.5%
San Diego	-6.2%	-37.5%
Ventura	43.3%	-28.0%

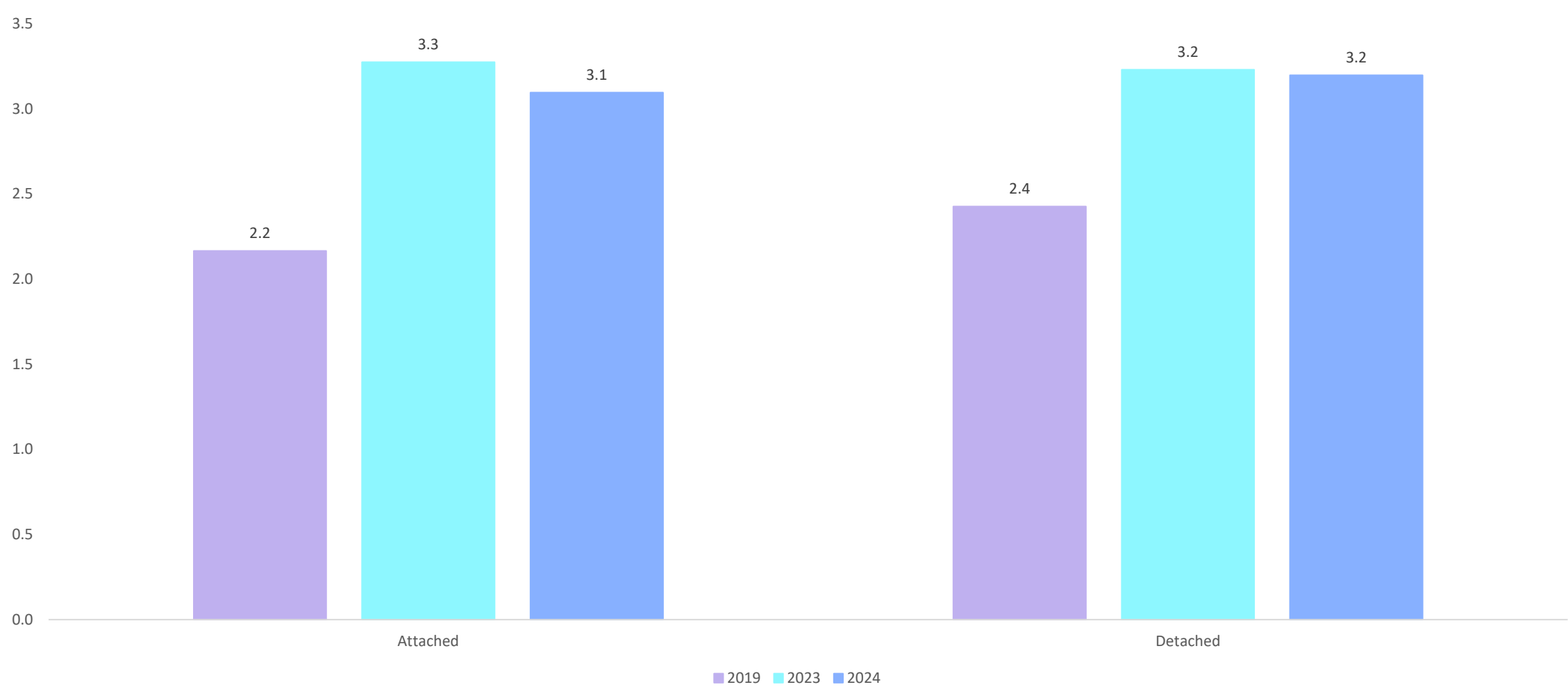


Sales per Neighborhood has been similar to pre-pandemic years

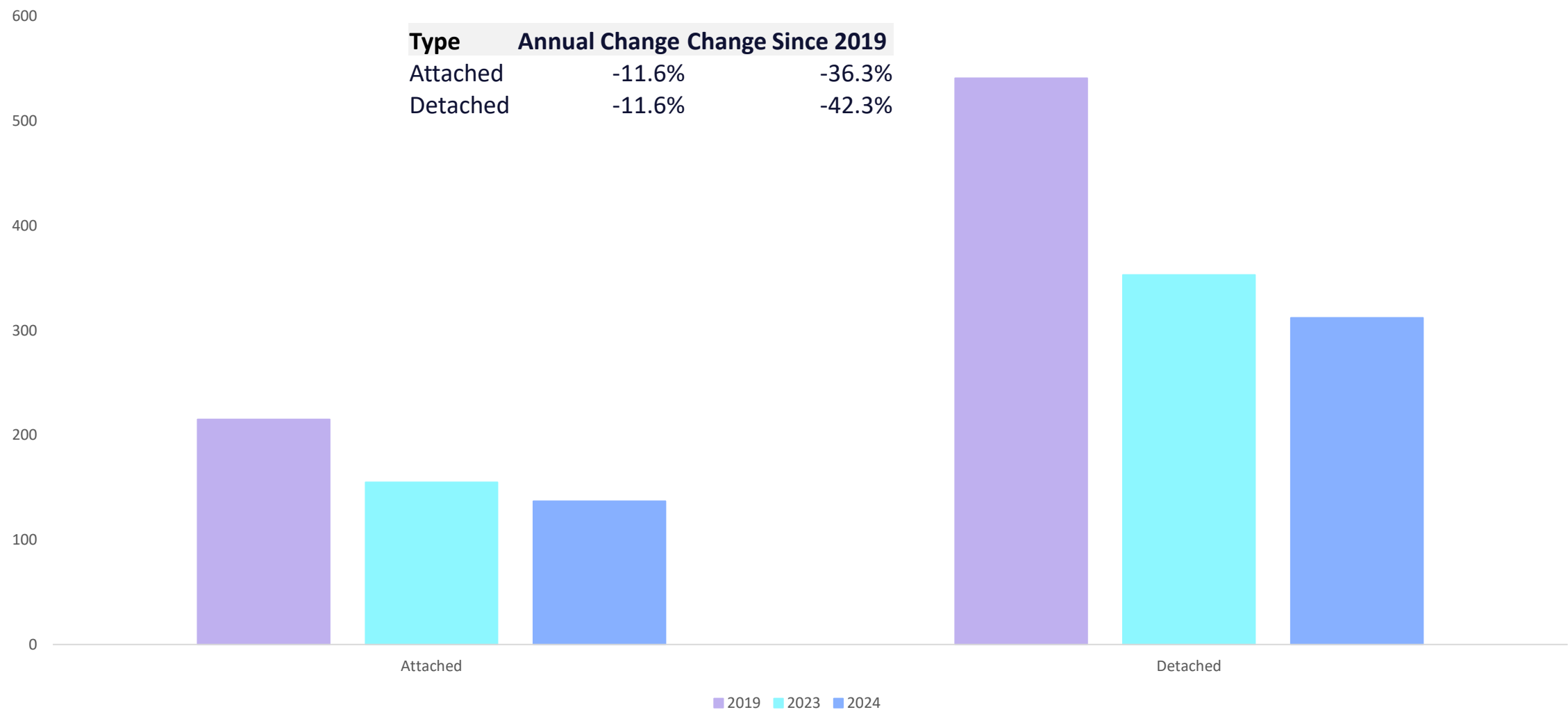


Despite the yearly decline in annual sales – sales per neighborhood is similar

Average Monthly Sales per Neighborhood

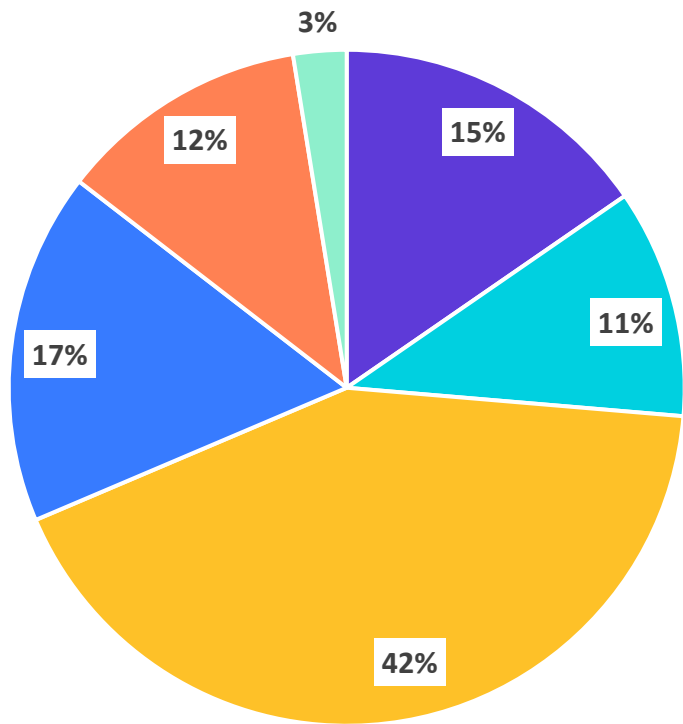


Replacement neighborhoods are needed in the market

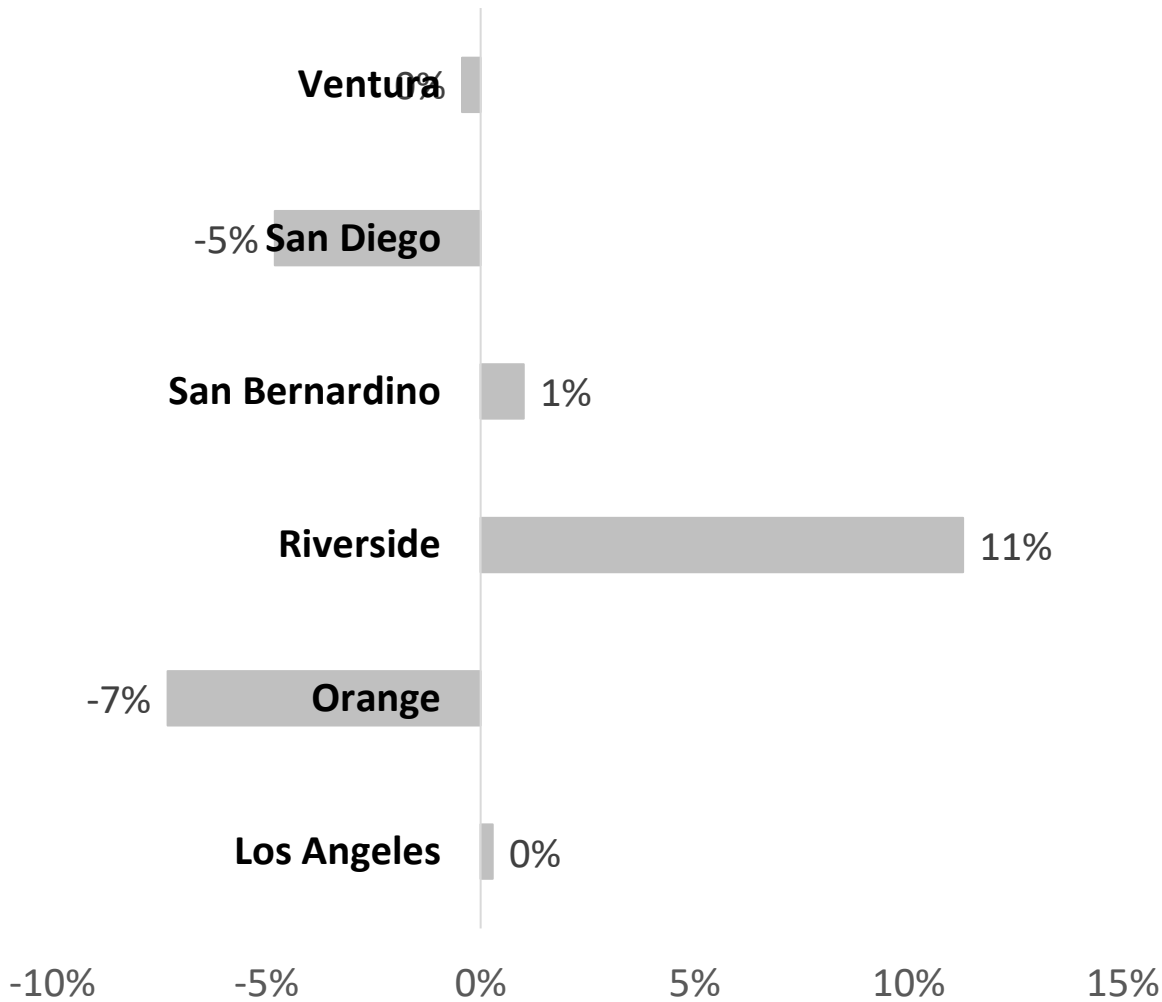


Type	Annual Change	Change Since 2019
Attached	-11.6%	-36.3%
Detached	-11.6%	-42.3%

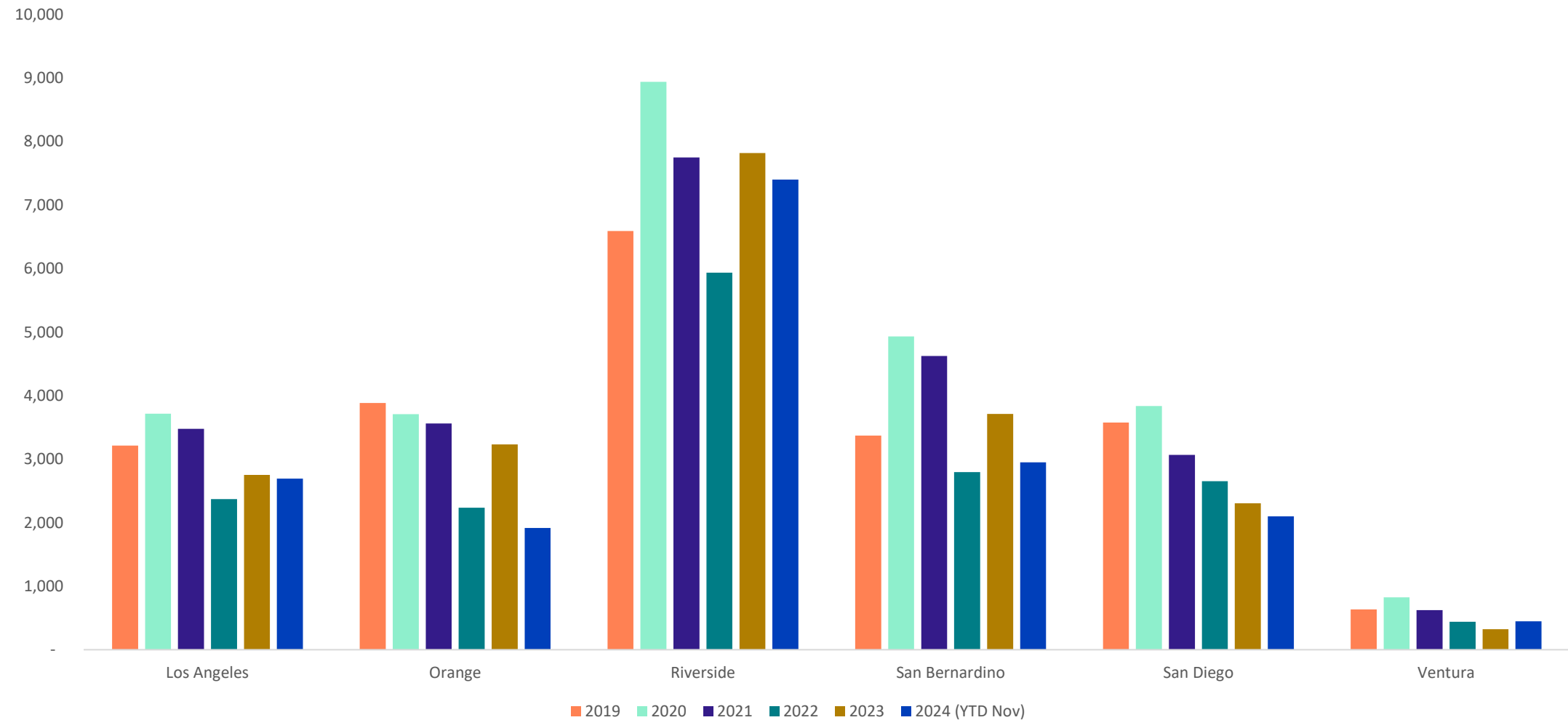
Market Share Change from 2019 to 2024



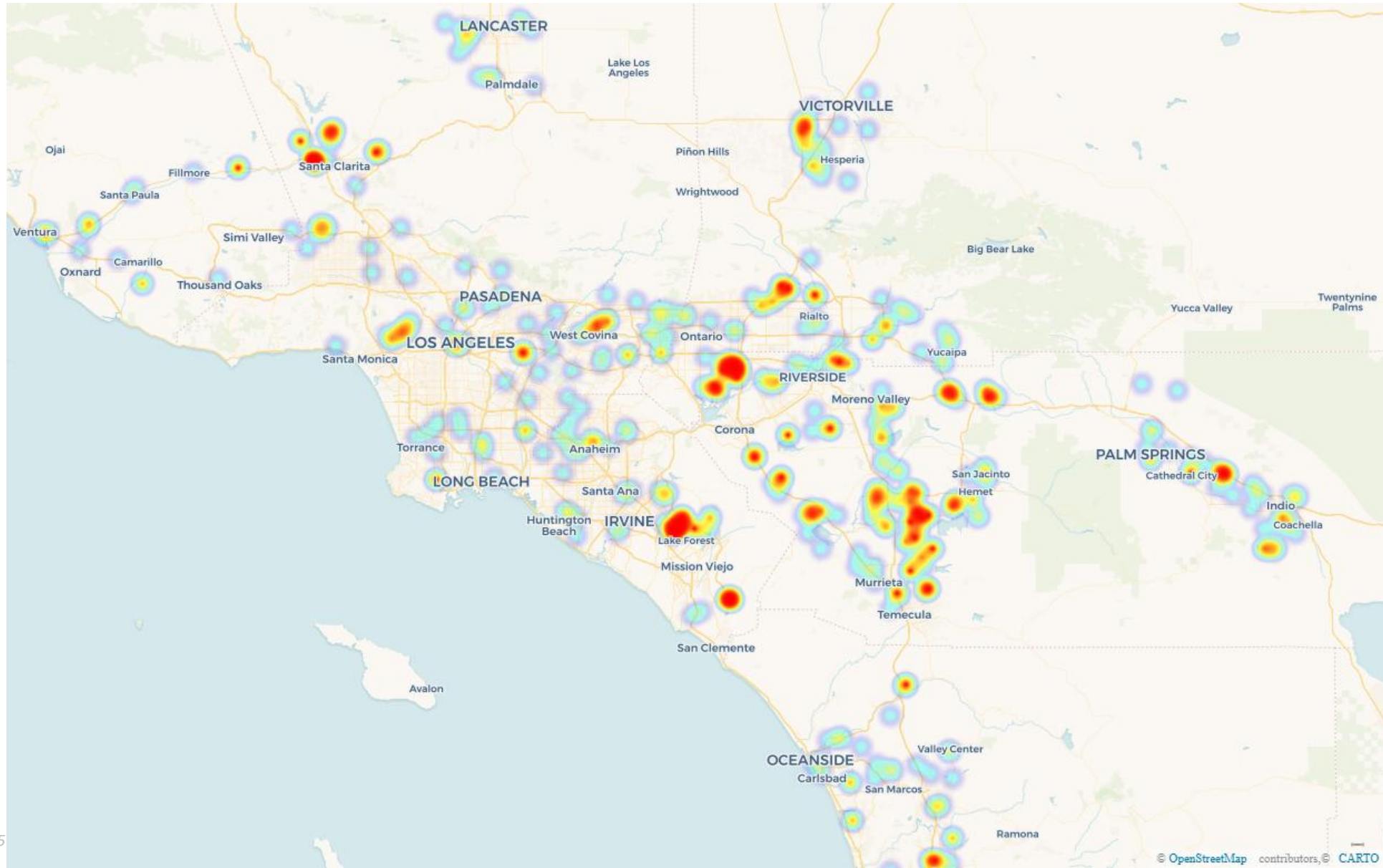
- Los Angeles
- Orange
- Riverside
- San Bernardino
- San Diego
- Ventura



Sales are expected to increase in 2025 if developable lots are available

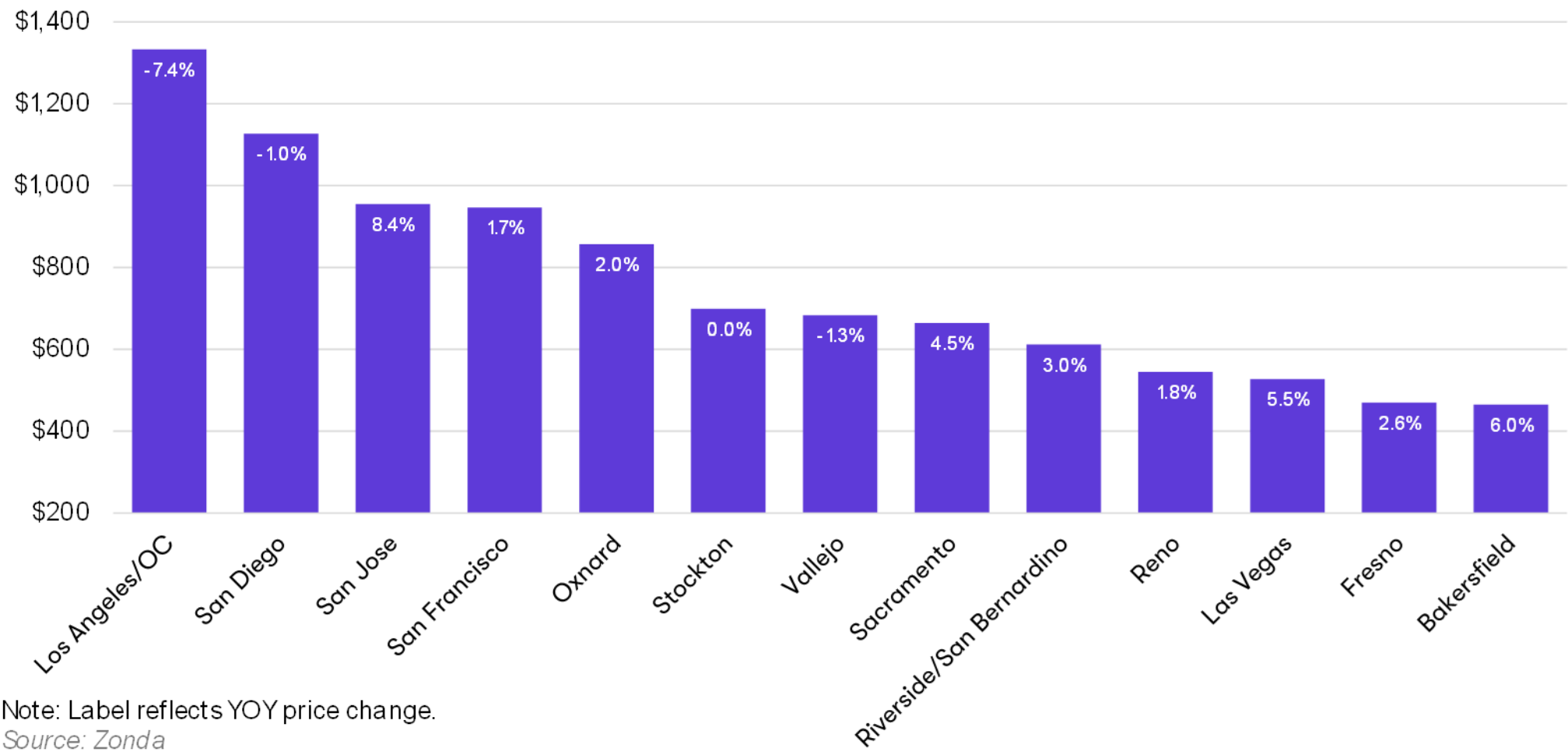


Sales are foreshadowing a further push outward



Some of the highest prices in the Country

Median New Home Price by Market (\$000s)



On the Horizon

On the Horizon

- The economy continues to improve with some potential warning signs involving tariffs and labor.
- Homebuilder margins will continue to be pressed due to demand and high land, and materials costs.
- National new home market is showing signs of seasonality and normalcy.
- Replacement neighborhoods are needed.
- Southern California has typified some seasonality with attainability the main concern.
- Homebuilders have limited buildup of standing inventory.
- Actively selling neighborhoods down annually by 12%.
- Southern California is extremely under-supplied with lots.
- Unknown demand will occur due to the fires, at least in the shorter term.