

# **27<sup>th</sup> Annual Inland Empire Market Trends Seminar:**

## **The New Home Market**

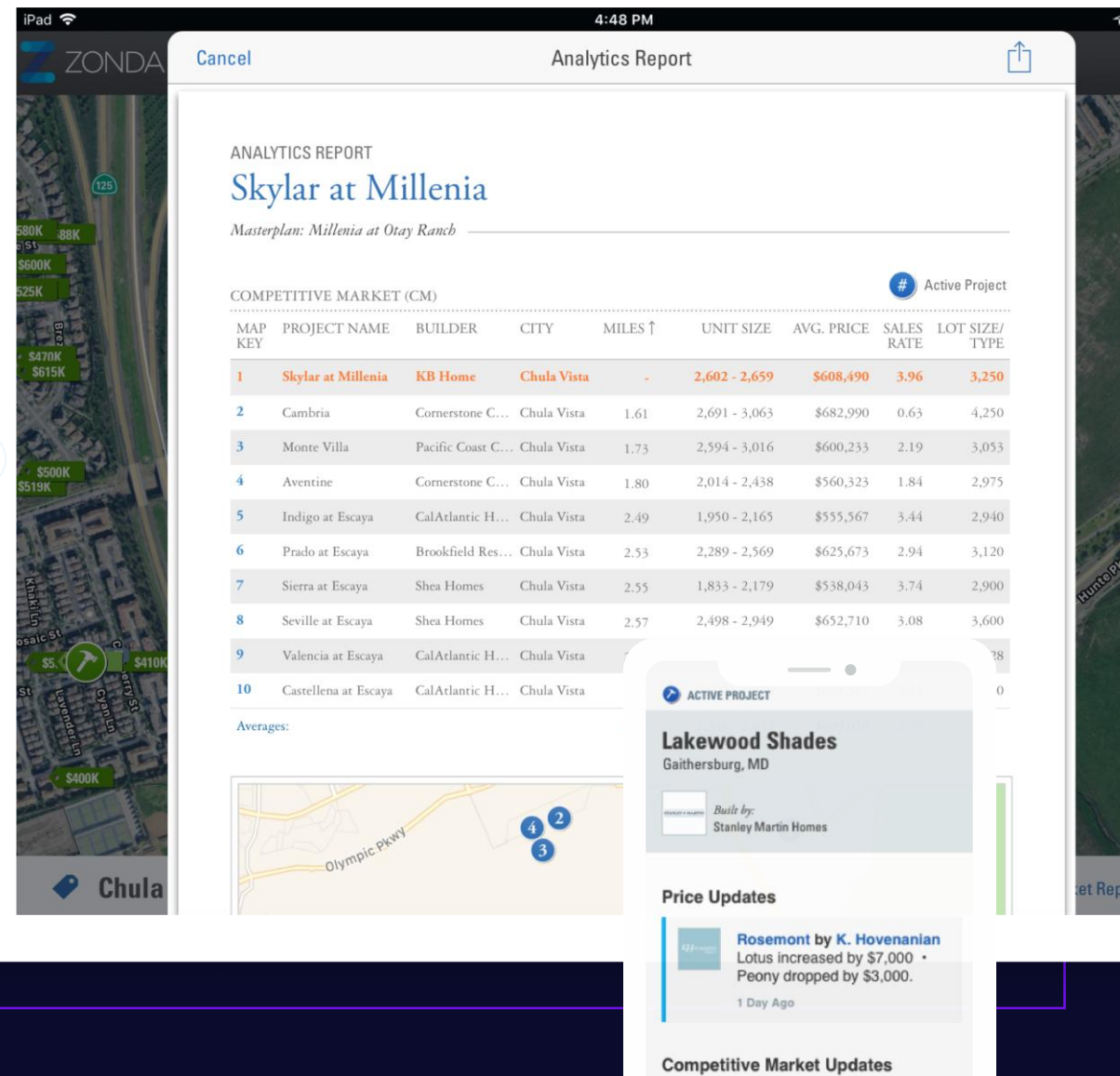


**Evan Forrest**  
**SVP - Advisory**

# Tracking the entire building lifecycle

Access the housing industry's most comprehensive research platforms

- 500+ housing and economic metrics
- Satellite imagery, sales office visits, in-house research department, surveys, and driving communities
- Curated and insightful market analysis

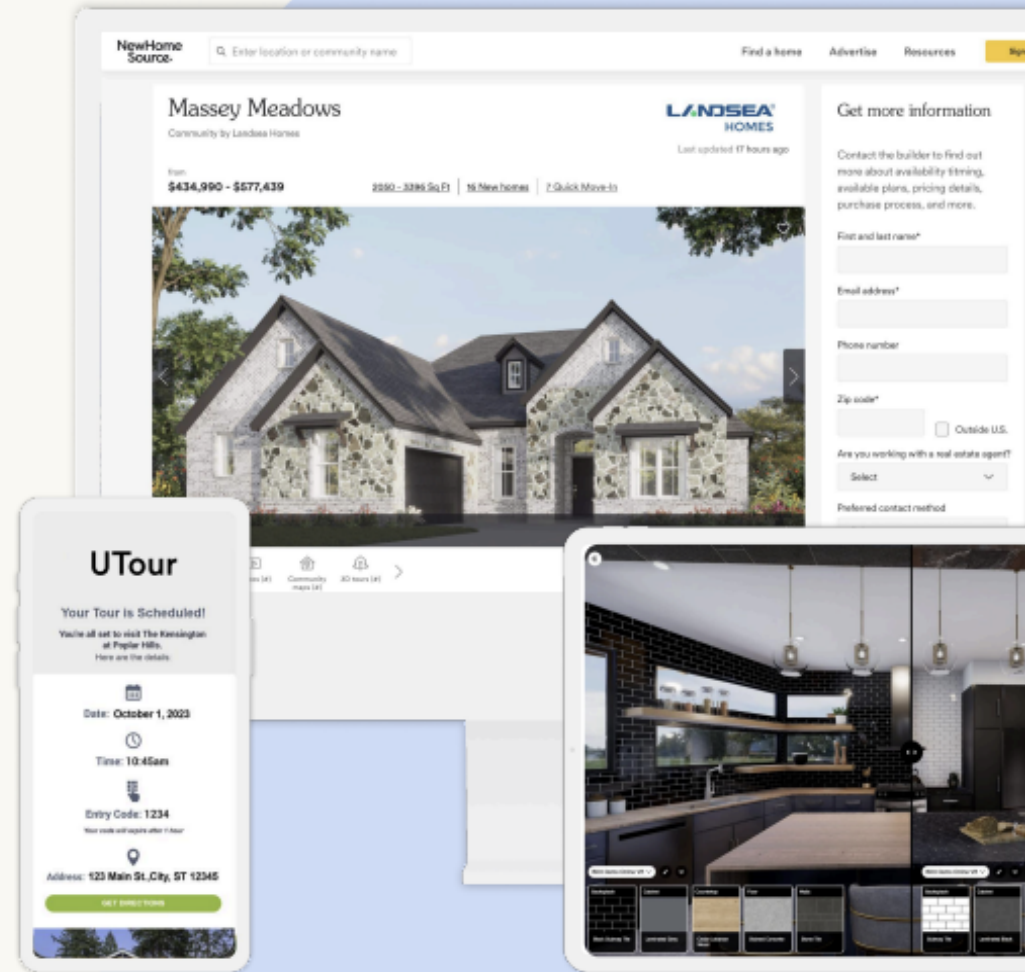


# NewHome Source.

## The #1 destination for new home shoppers

- New Home Listing Platform
- Interactive Floor Plans
- Virtual Walkthroughs
- Interactive Site Maps
- Self-guided Tours
- Realistic Home Renderings

Learn more: [zondahome.com/digital-solutions](https://zondahome.com/digital-solutions)



# Keep a pulse on active shifts in the industry

Zonda Research offers published research subscriptions crafted by our extensive team of expert advisors across a variety of disciplines connected to new residential construction market.

## National Outlook

The key to unlocking economic and housing insights for all involved in new residential construction.

## Building Products Outlook

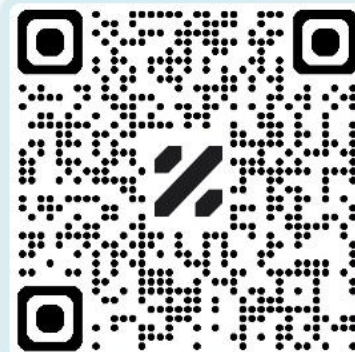
Expert insights driving large scale investments for building product professionals.

## Rental Housing Outlook

Unmatched housing rental market analysis for builders and investors.

## Master Plan Outlook

A real-time view of master planned communities for builders, developers, and investors



Over *200+ years*  
of experience



Expert analysis from trusted advisors  
with years of experience delivered  
directly to your inbox.





## Regional and National Expert



**Evan Forrest**

Senior Vice President

[eforrest@zondahome.com](mailto:eforrest@zondahome.com)

(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 with bonding work on developments

#### **Commercial Real Estate Studies**

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





## **Today's Agenda**

1. The National Economy
2. California's New Home Market
3. Inland Empire New Home Market
4. Final Thoughts



# **THE NATION**

The economy, tariffs, and rates



# 90% of Homebuilders are worried about tariffs

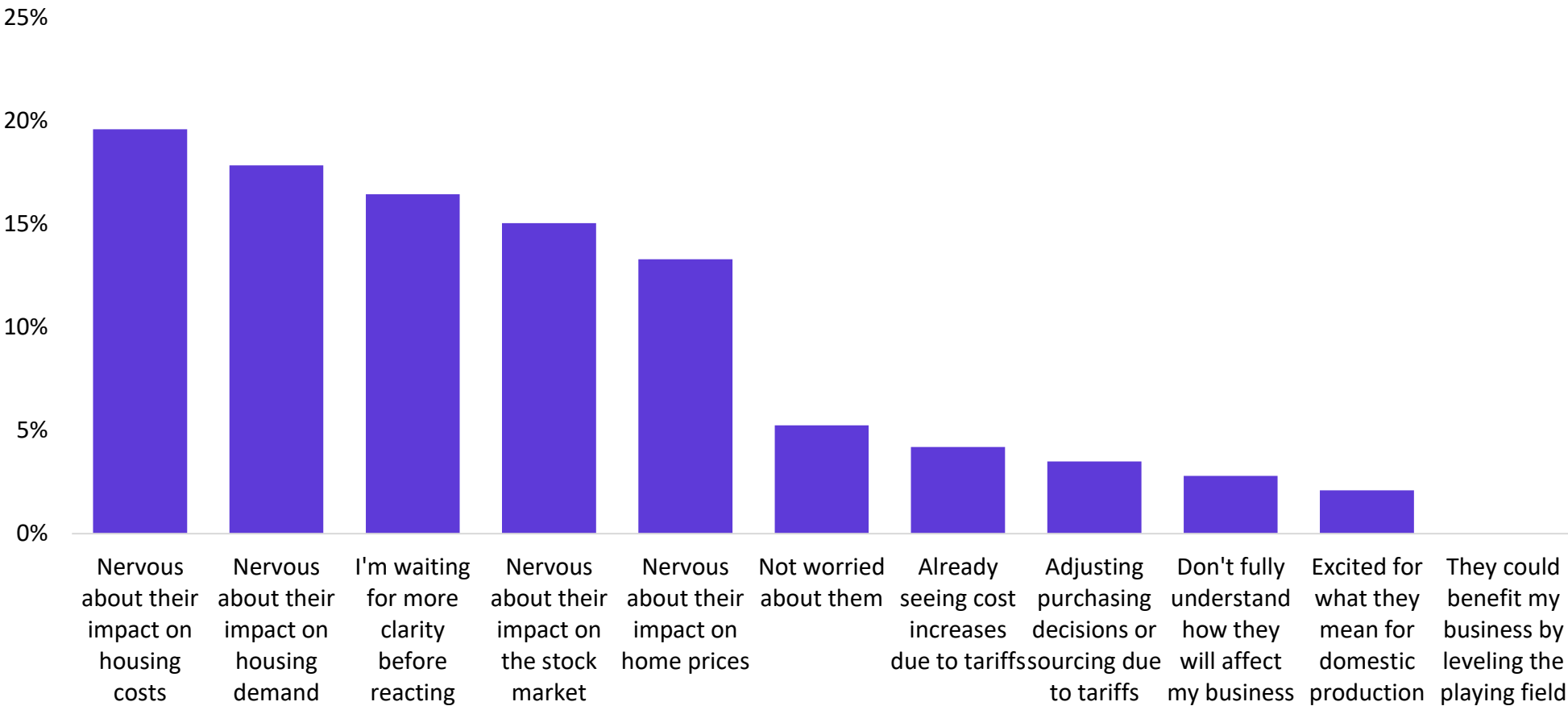
Varied worries by type

Builders' top concerns:

1. Nervous about their impact on housing costs

2. Nervous about their impact on housing demand

3. Nervous about their impact on the stock market



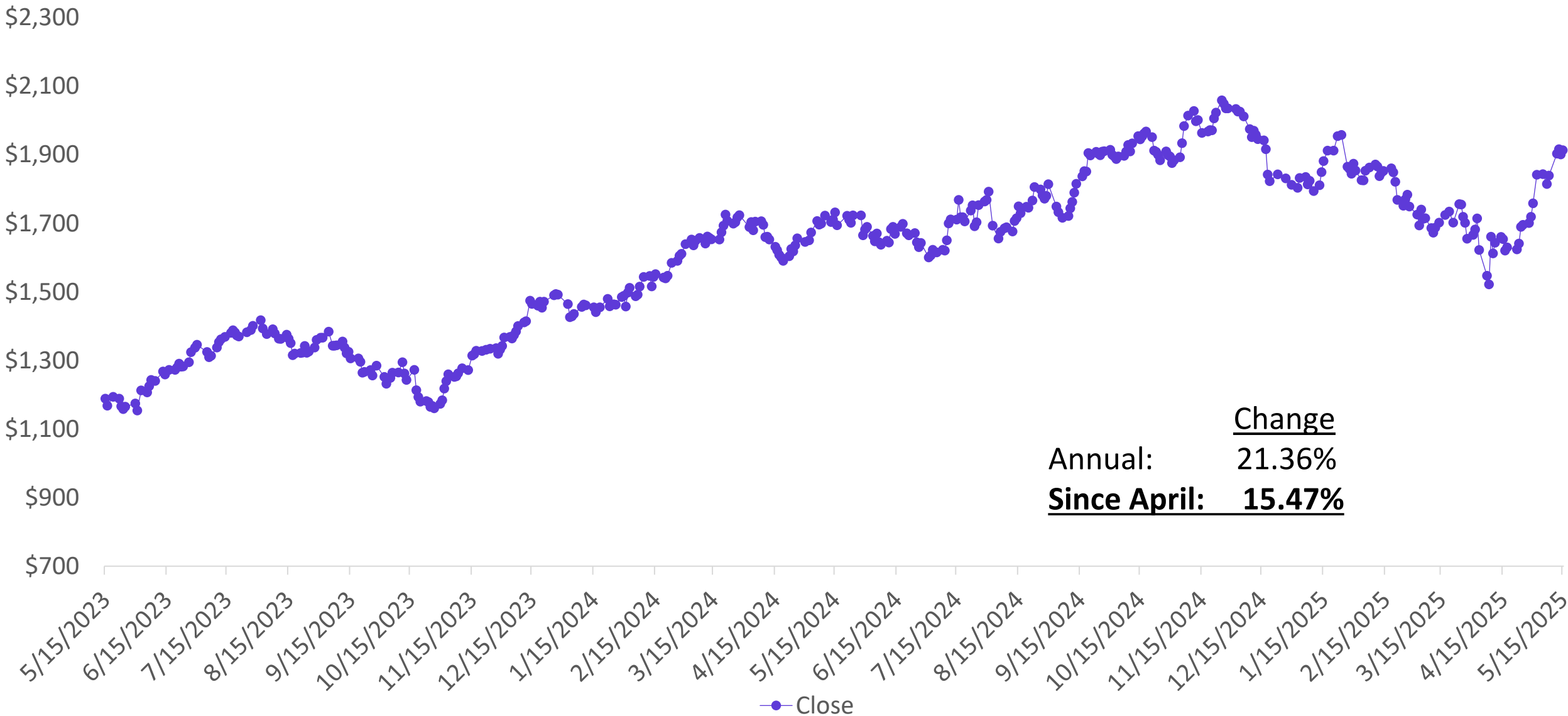
Source: Zonda

Zonda’s building product specialist, Todd Tomalak, estimates a 9% increase in costs, including 2.5% baseline inflation



# Dow Jones Construction Materials Index

The Future to build is getting more expensive

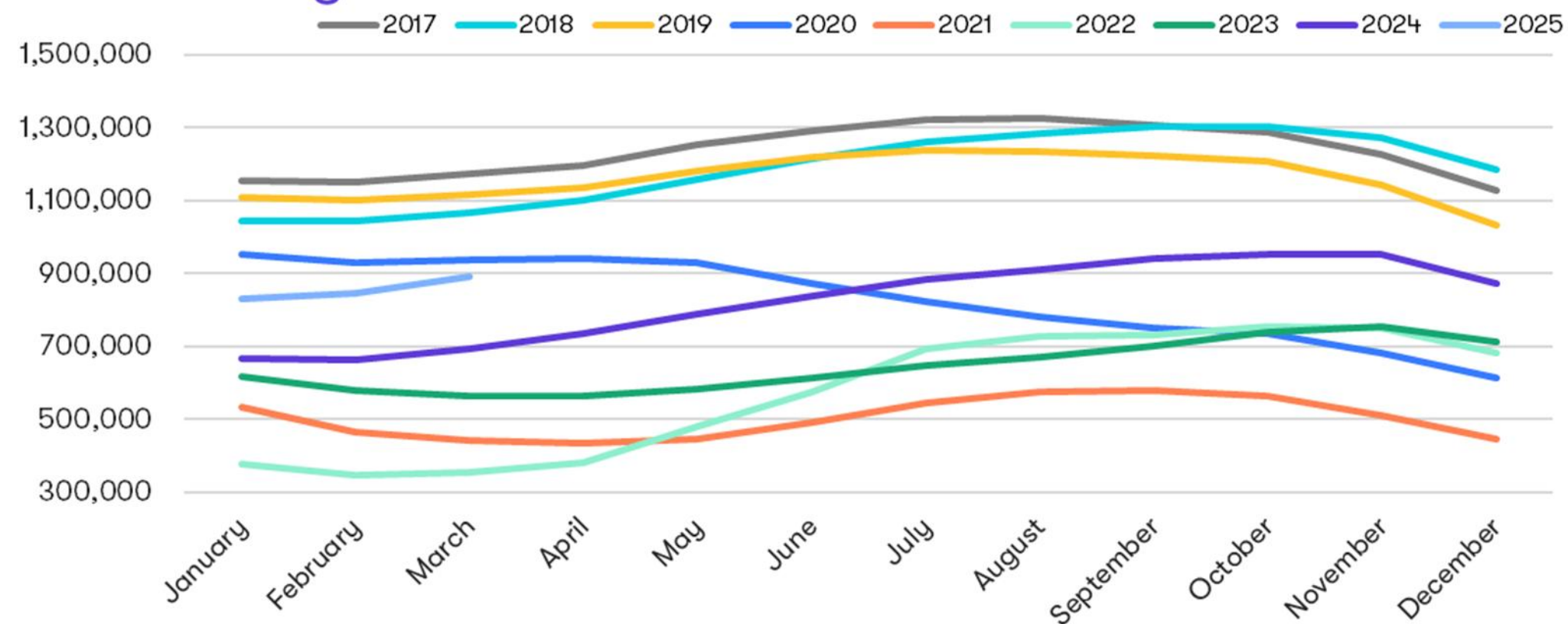


|                     |               |
|---------------------|---------------|
|                     | <u>Change</u> |
| Annual:             | 21.36%        |
| <u>Since April:</u> | <b>15.47%</b> |

# Listings are above recent trends but below historicals

We don't have enough replacement listings

## Active Listings

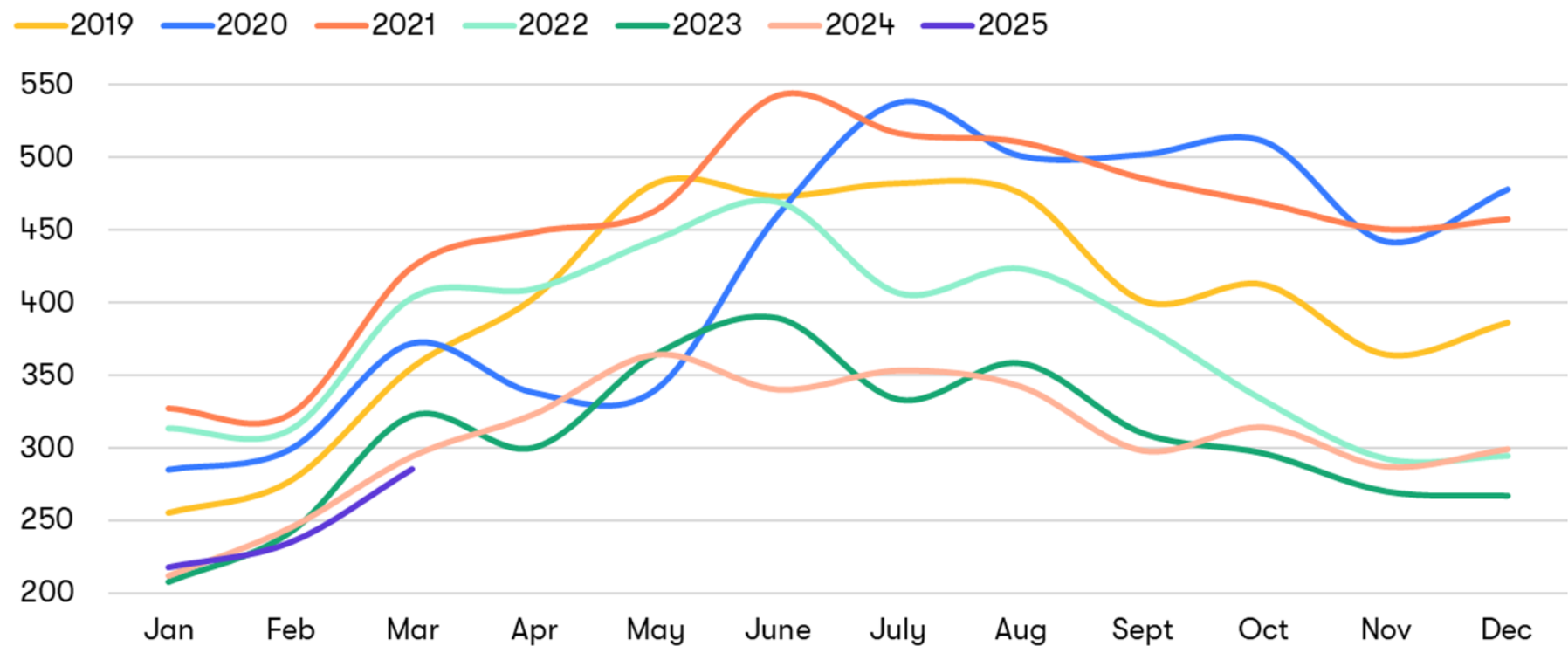


Source: Realtor.com; Zonda

# Existing home sales are still well below historicals

Down 3% YoY and 20% from 2019 – Points to quality of listings and sales

Total Existing Home Sales (000s, NSA)

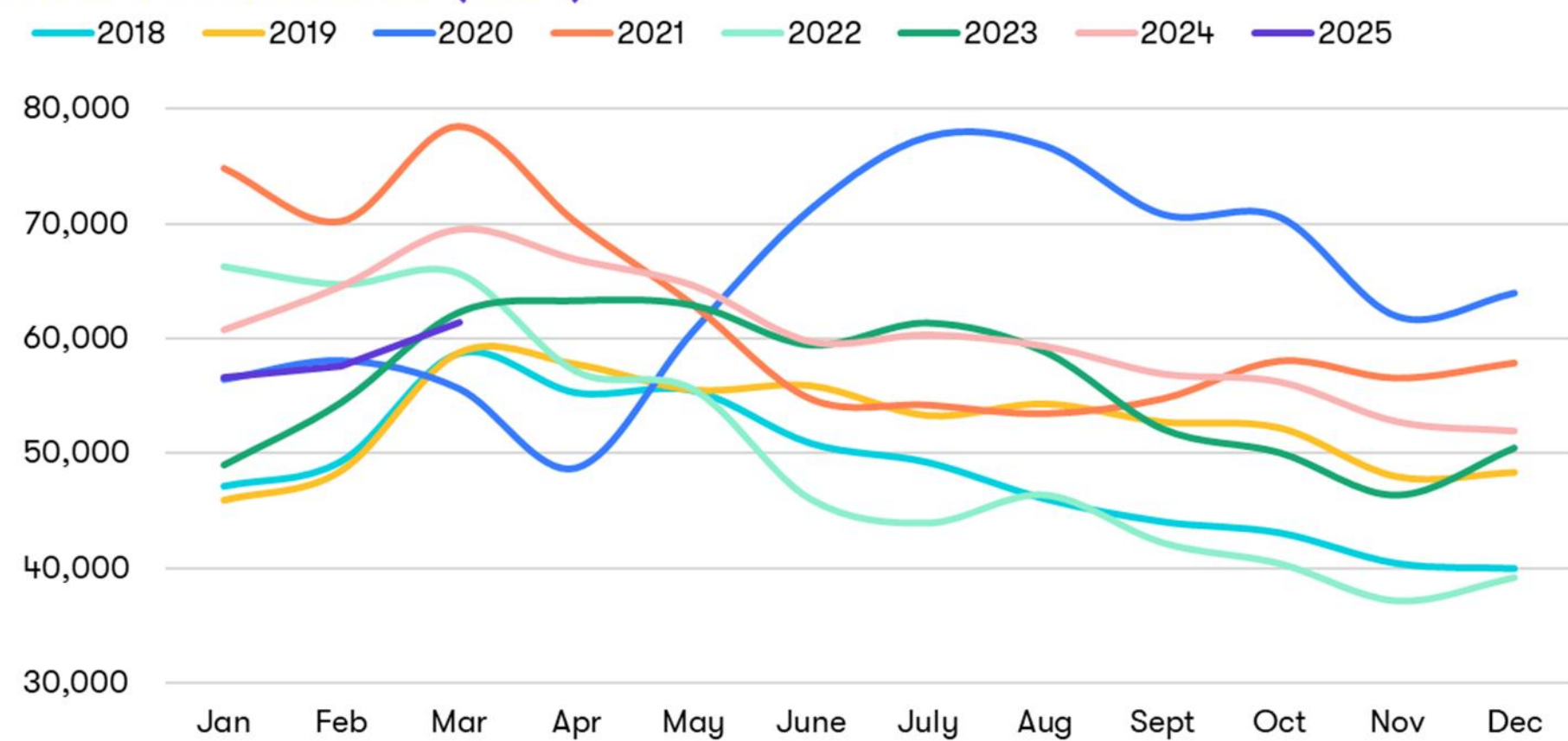


Source: NAR; Zonda

# New home sales are middle of the pack

Similar to pre-pandemic

## New Home Sales (NSA)

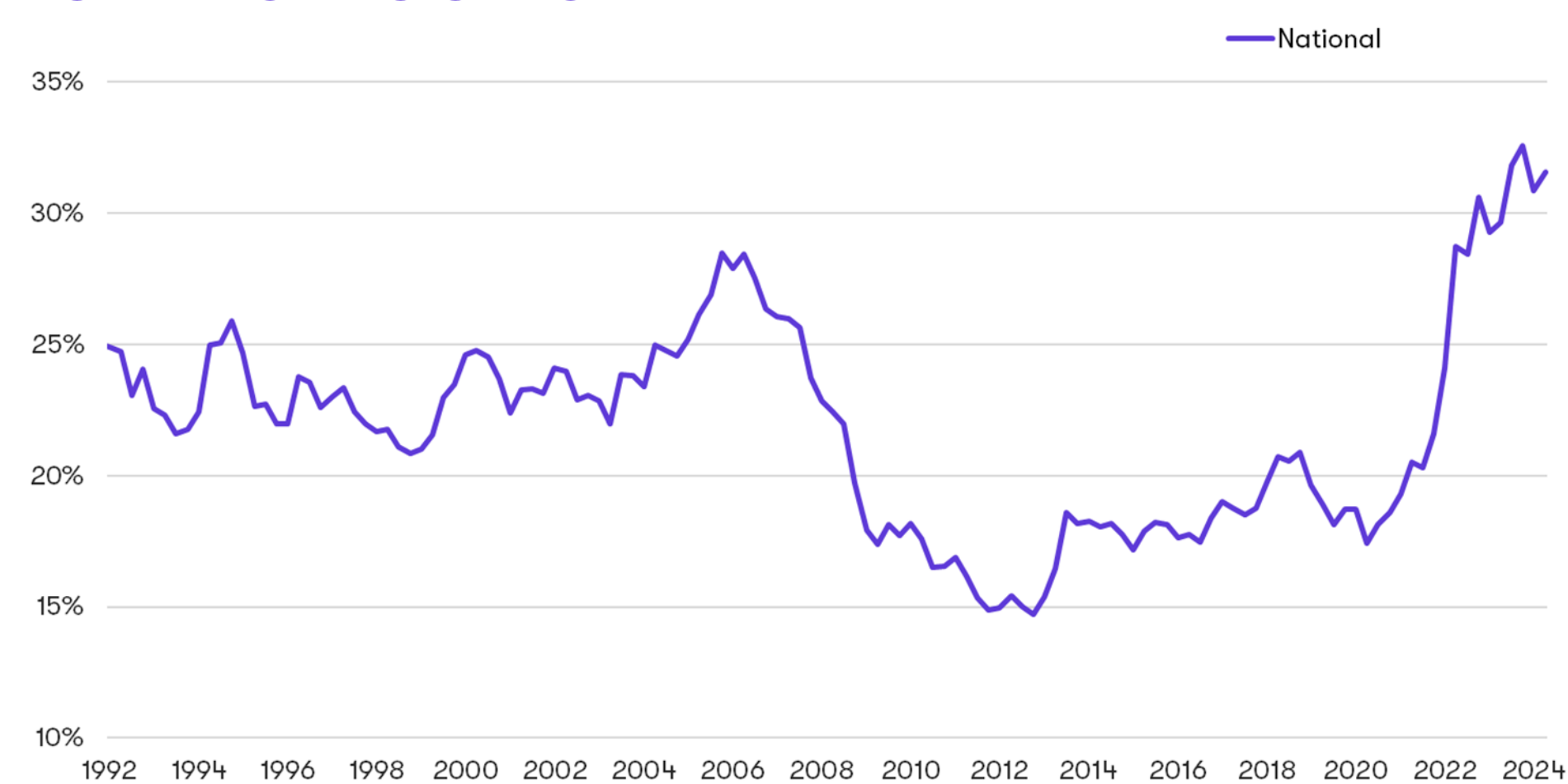


Source: Zonda

# Income is being stretched to purchase a home

Still well above norms as shown

Single-Family Mortgage Payment-to-Income Ratio



Source: NAR; US Census Bureau, Moody's Analytics; Zonda \*assumes 20% down, using quarterly average 30-year fixed

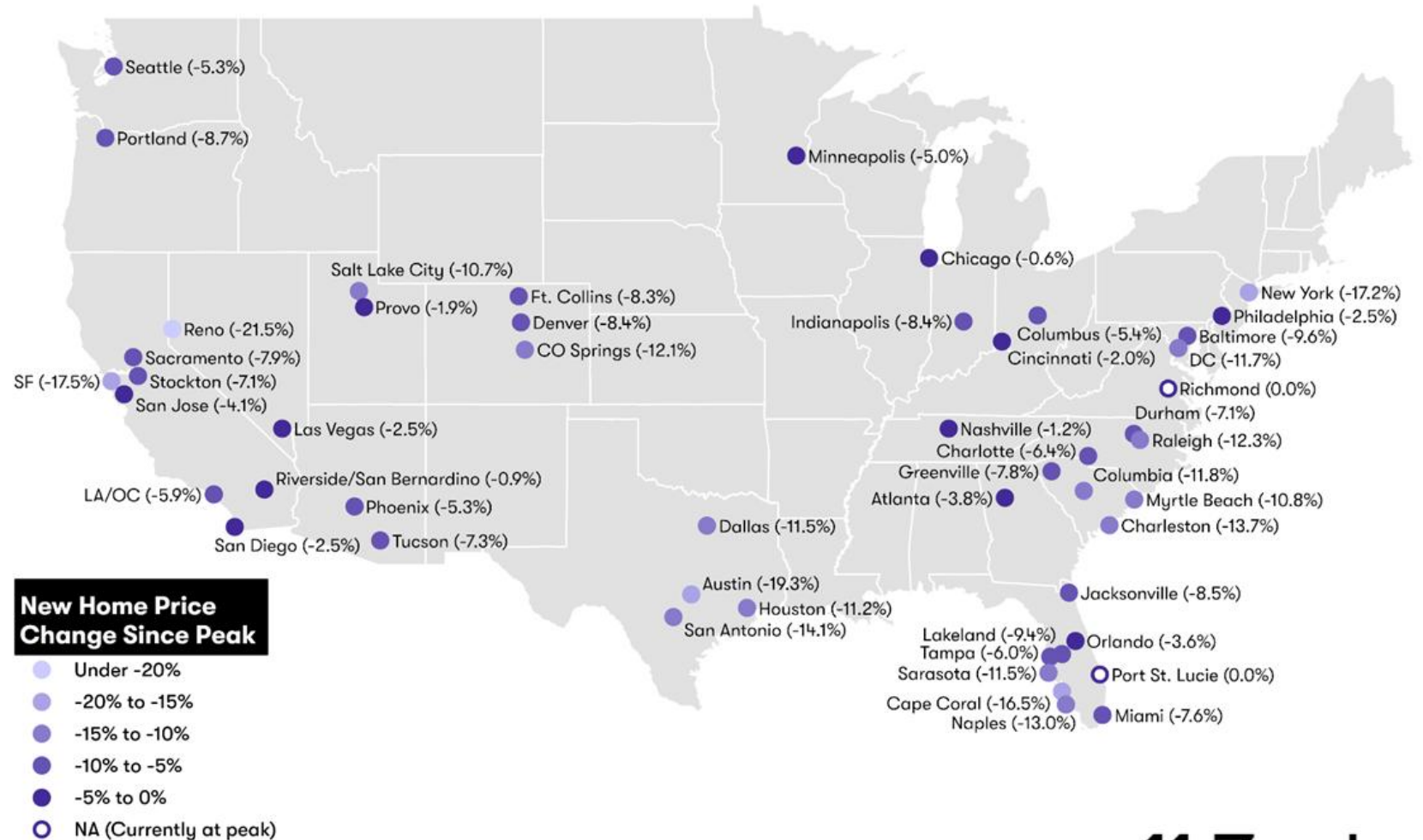
# Homebuilders are responding with a mixture of solutions

Consumers are now expecting incentives and more....

## Incentives AND price cuts

Since peak. New home prices were down from peak in every one of our top 50 markets.

35% of builders reported lowering prices in April.

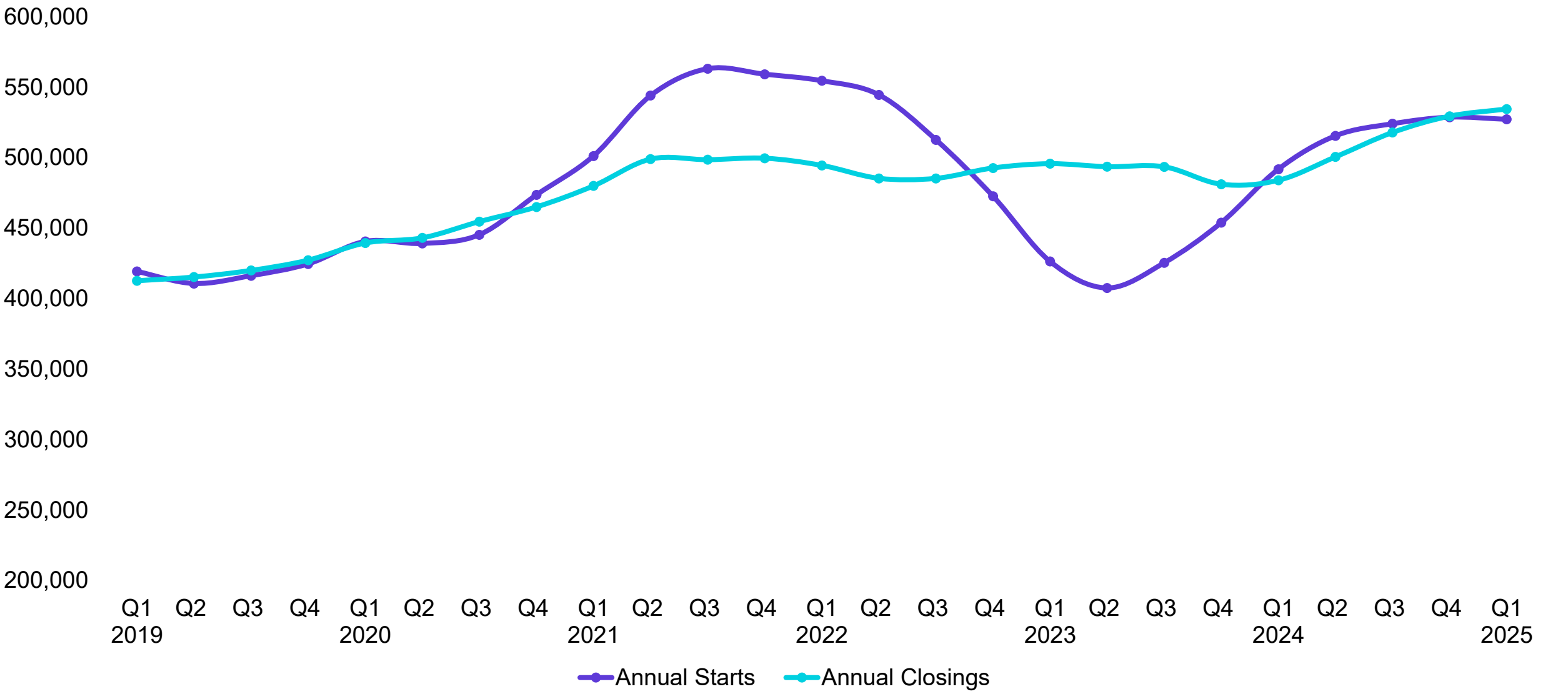


Note: Map displays the comparison between February 2025 new home prices and their peak. Hollow icons indicate that a market's new homes are currently at their peak.

Source: Zonda

# Annual starts and closings are trending together

Starts are up 7.2% and closings are up 10.5% but what is the story showing.





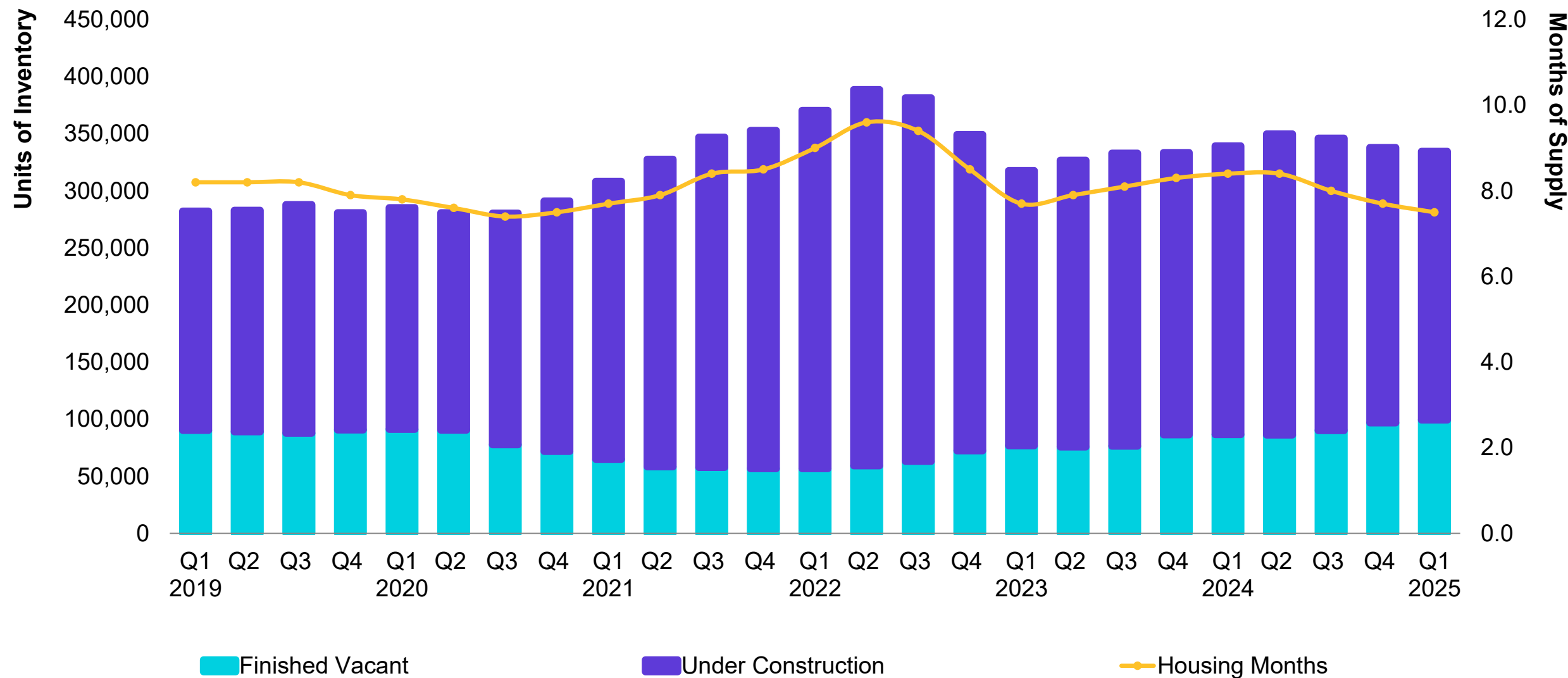
# Quarterly starts and closings are trending DOWN

Starts are down 0.5% and closings are down 4.0% with the expectation of a decline in 2025.



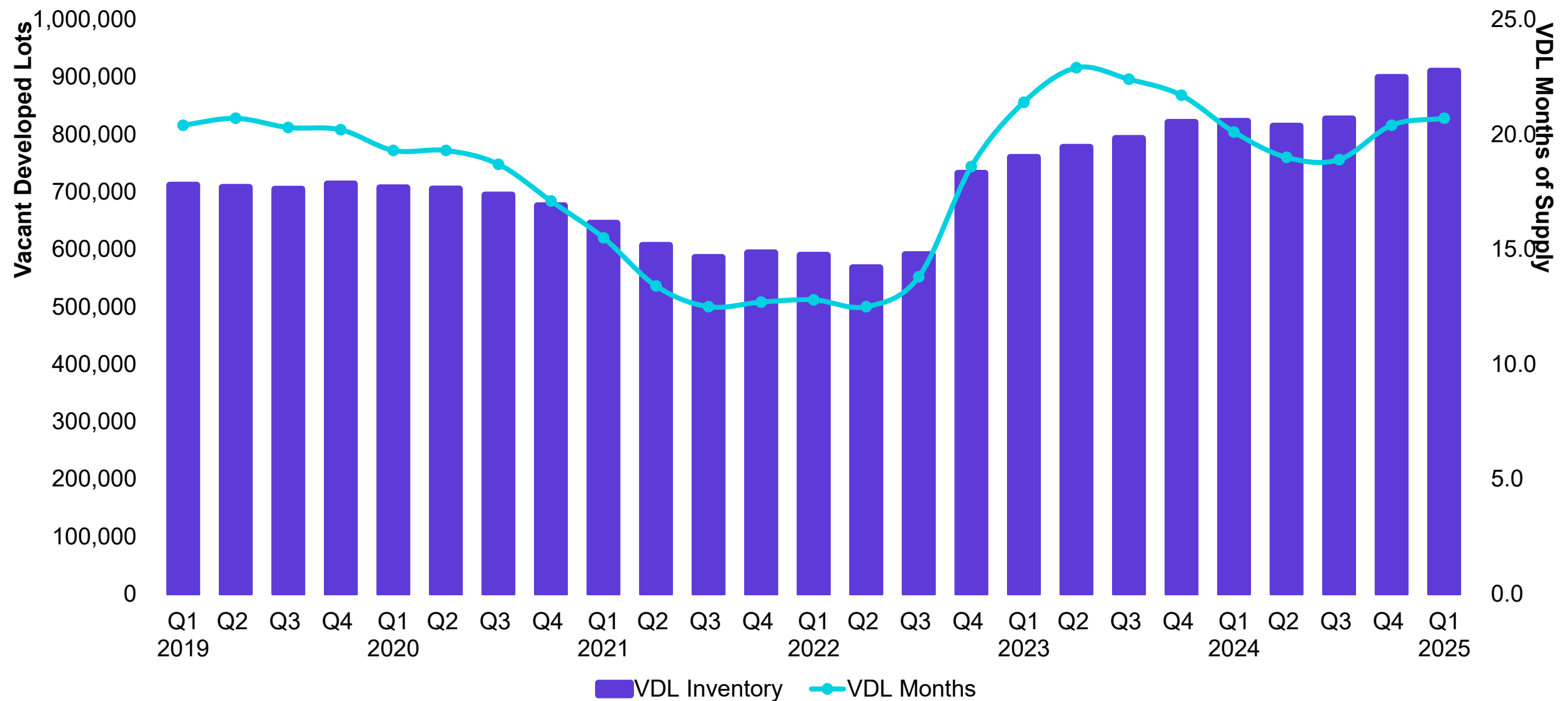
# Inventory is trending down

Months of Supply is reverting to historical norms



# Vacant Developed Lots are increasing

The months of supply is in equilibrium



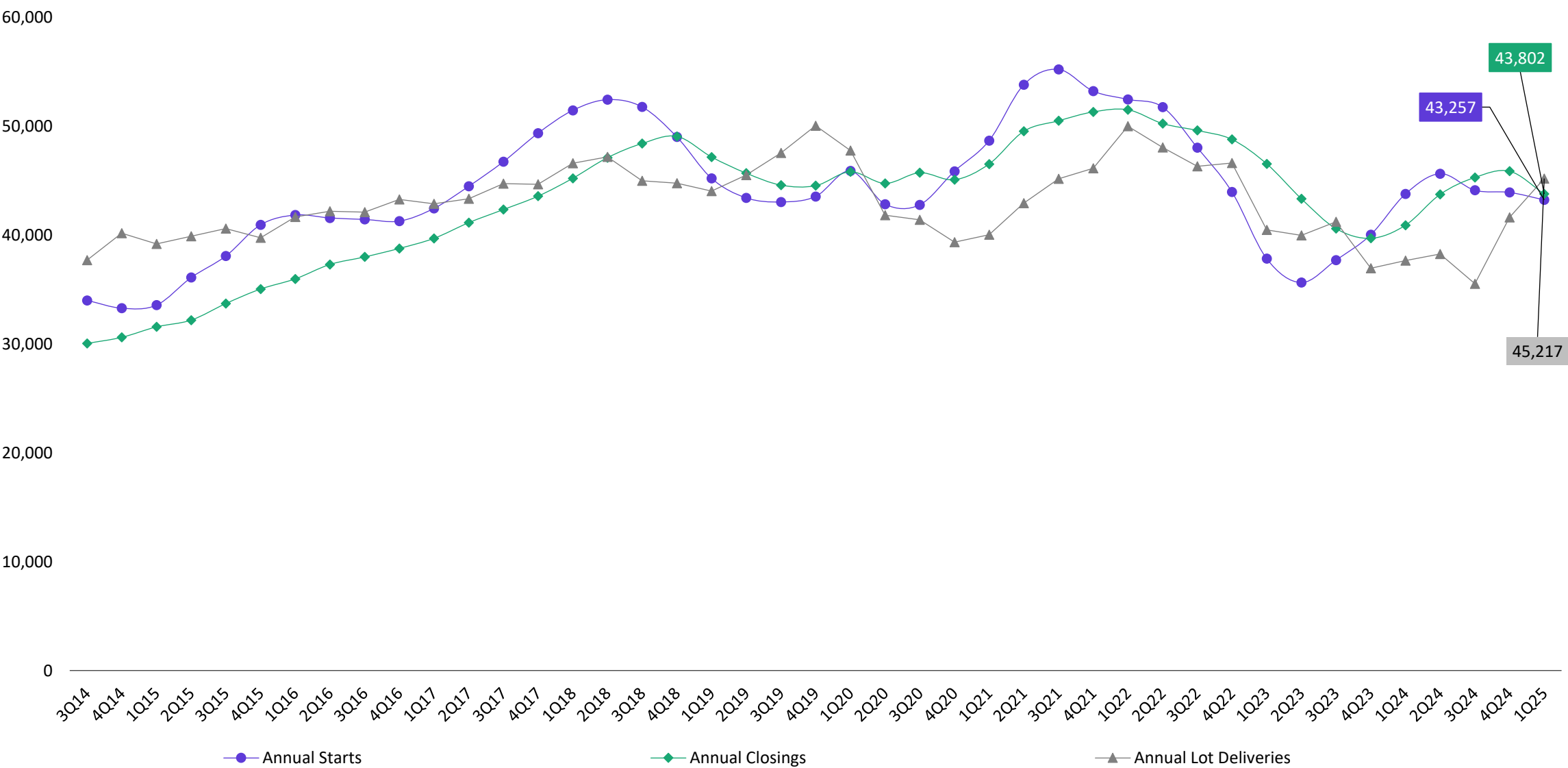
# **CALIFORNIA**

HOW IS THE STATE DOING?



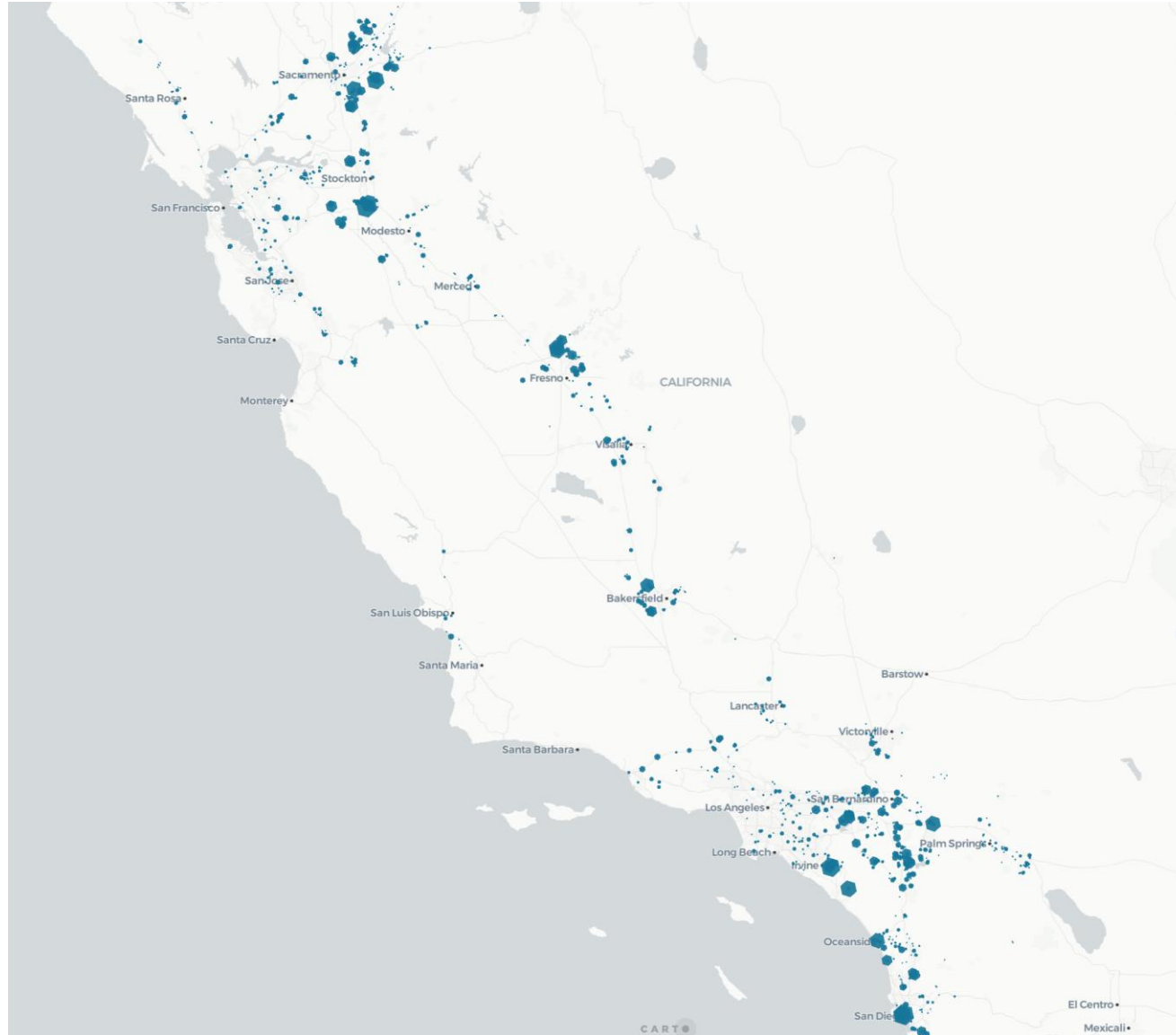
# Annual Starts and Closings are declining

Down 1.6% and 4.6%, respectively



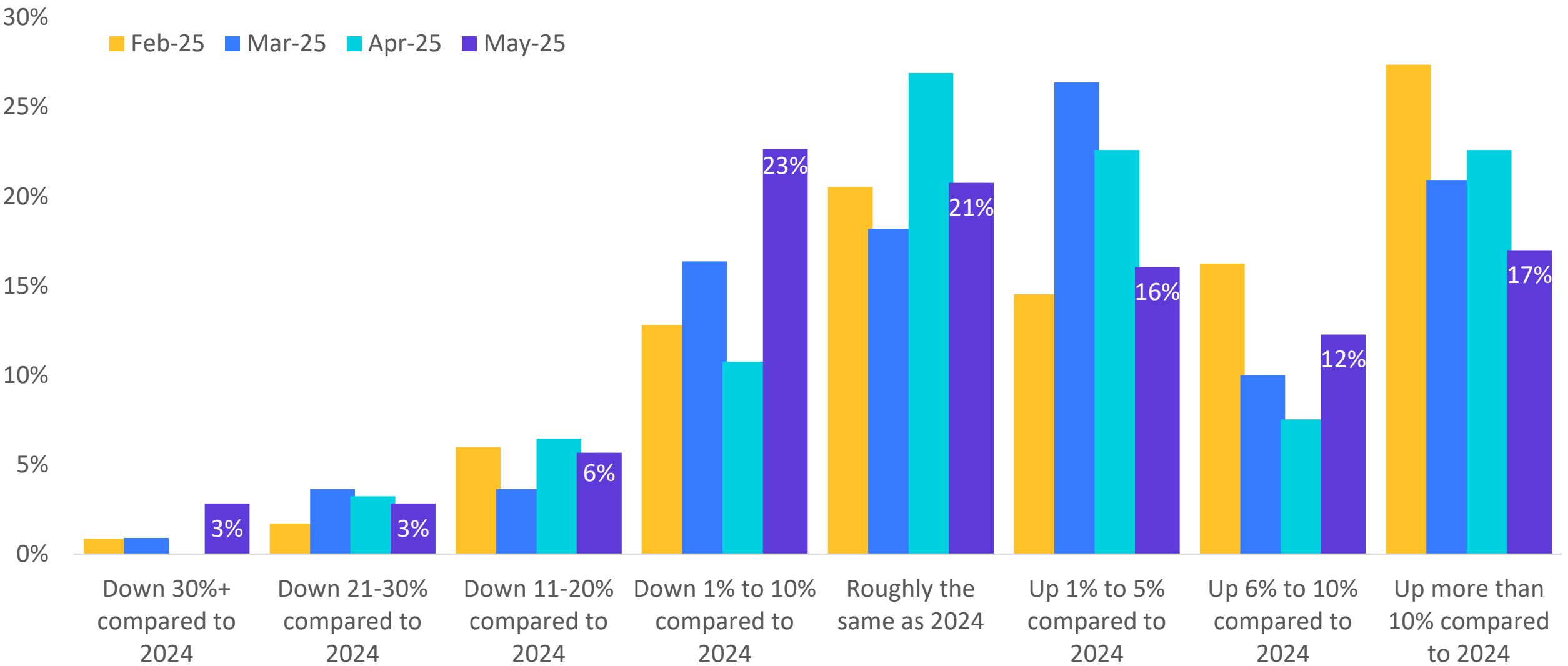
# Annual Starts are clustered.....

Starts are pushing outwards from centers



# Increase in builders expecting a decline in starts

California will likely see a decline

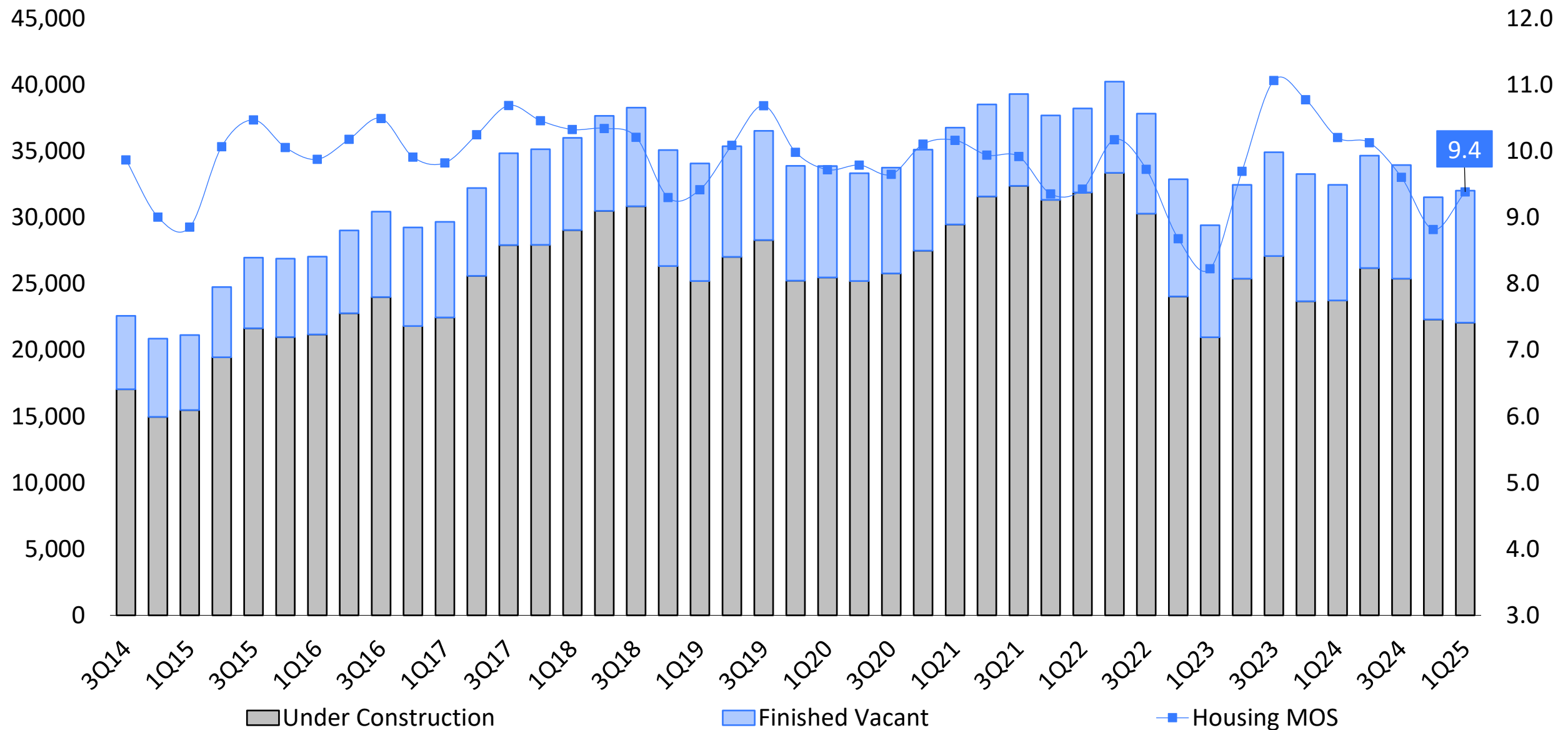


Source: Zonda



# Housing Inventory is down annually but up quarterly

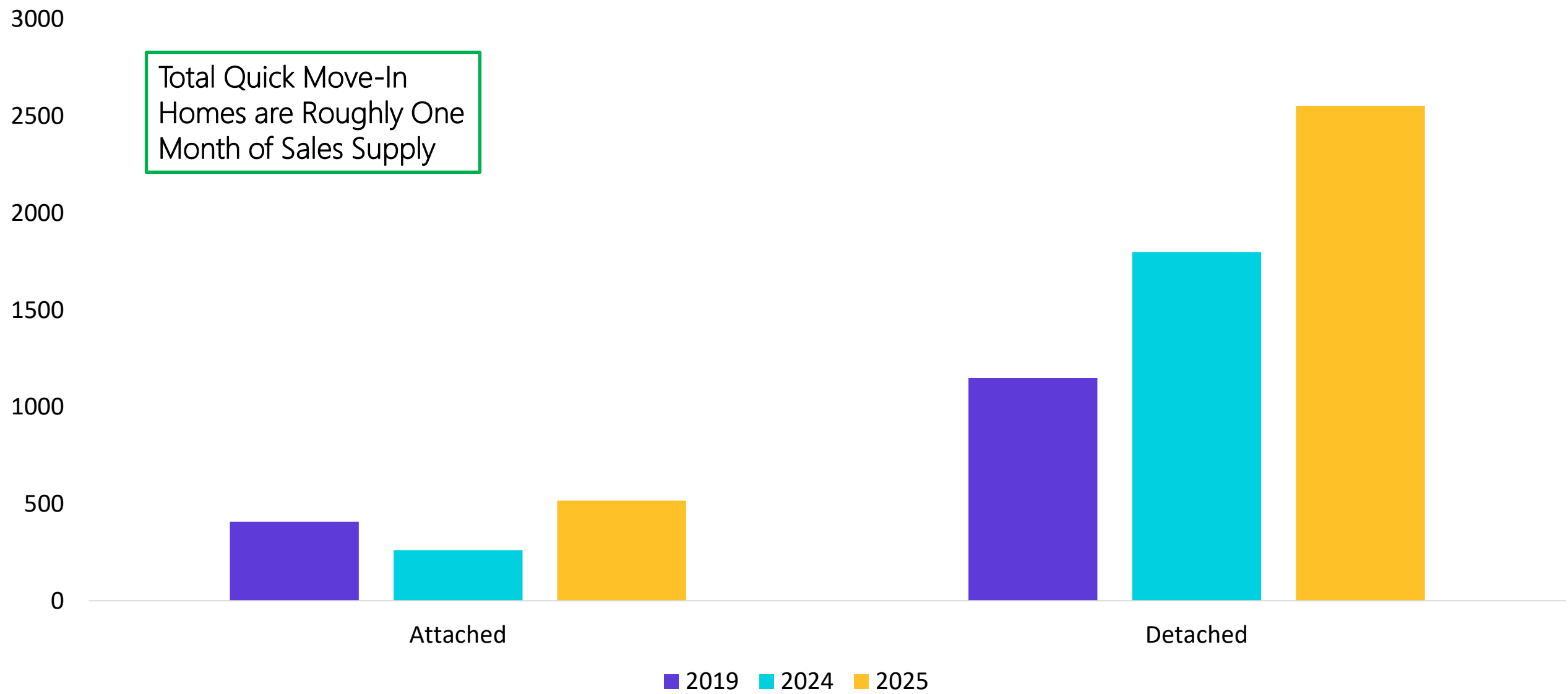
Months of Supply is 9.4 just lower than the 10-year average of 9.9



# Quick Move-In Homes have increased

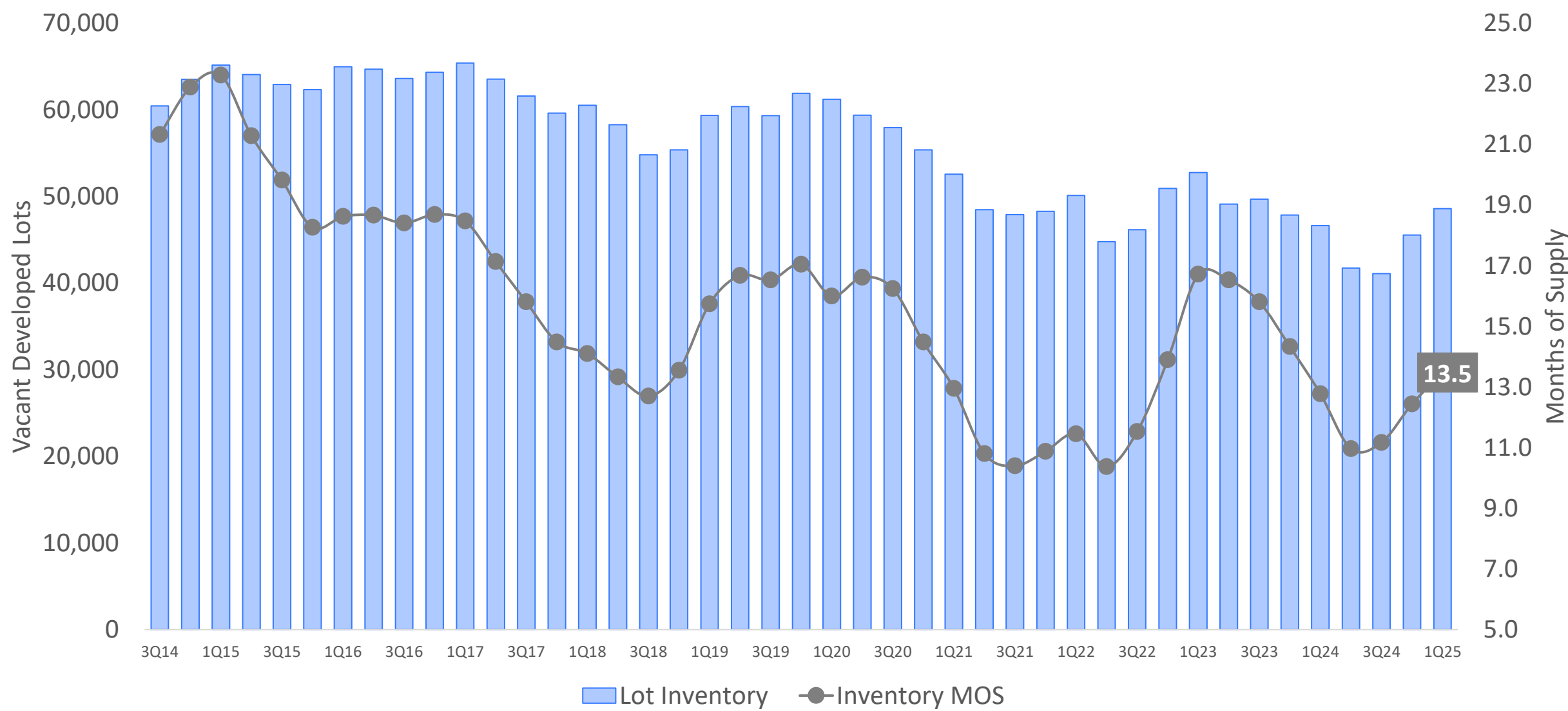
QMI's are up almost 50% in the state annually but are down 5% since January

Total Quick Move-In  
Homes are Roughly One  
Month of Sales Supply



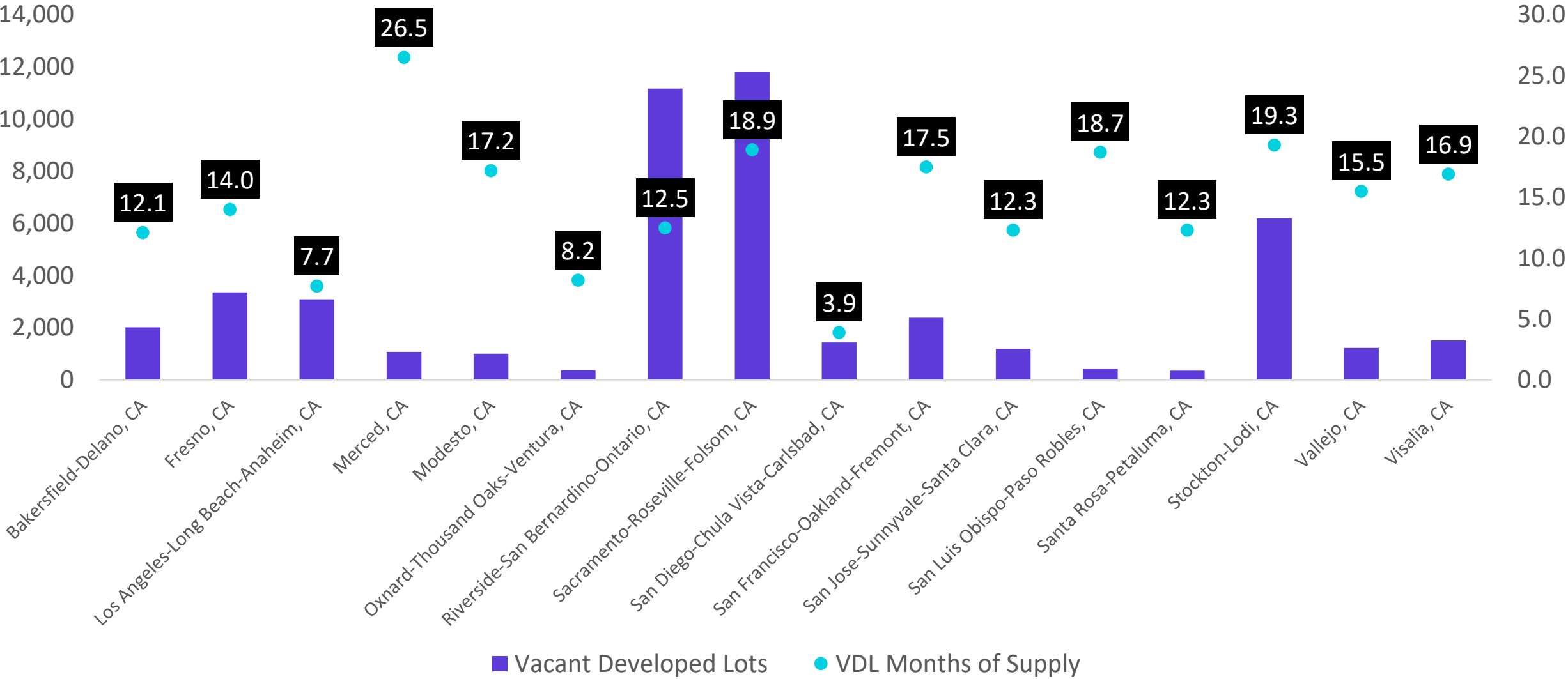
# Vacant developed lots have increased

The State is still severely under-supplied keeping prices high and pressing margins



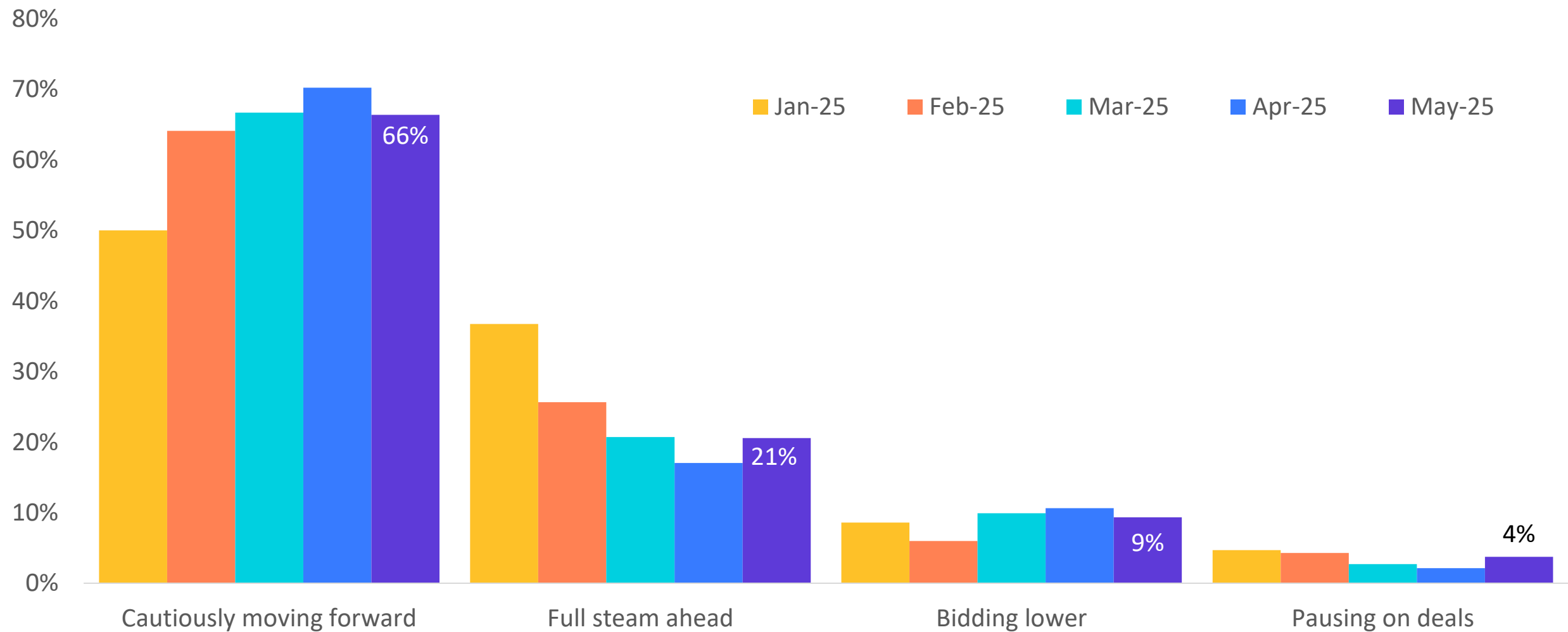
# Southern California is more under-supplied than State

Lot price relief is likely to be limited and selective



# Homebuilders are still pushing forward for lots

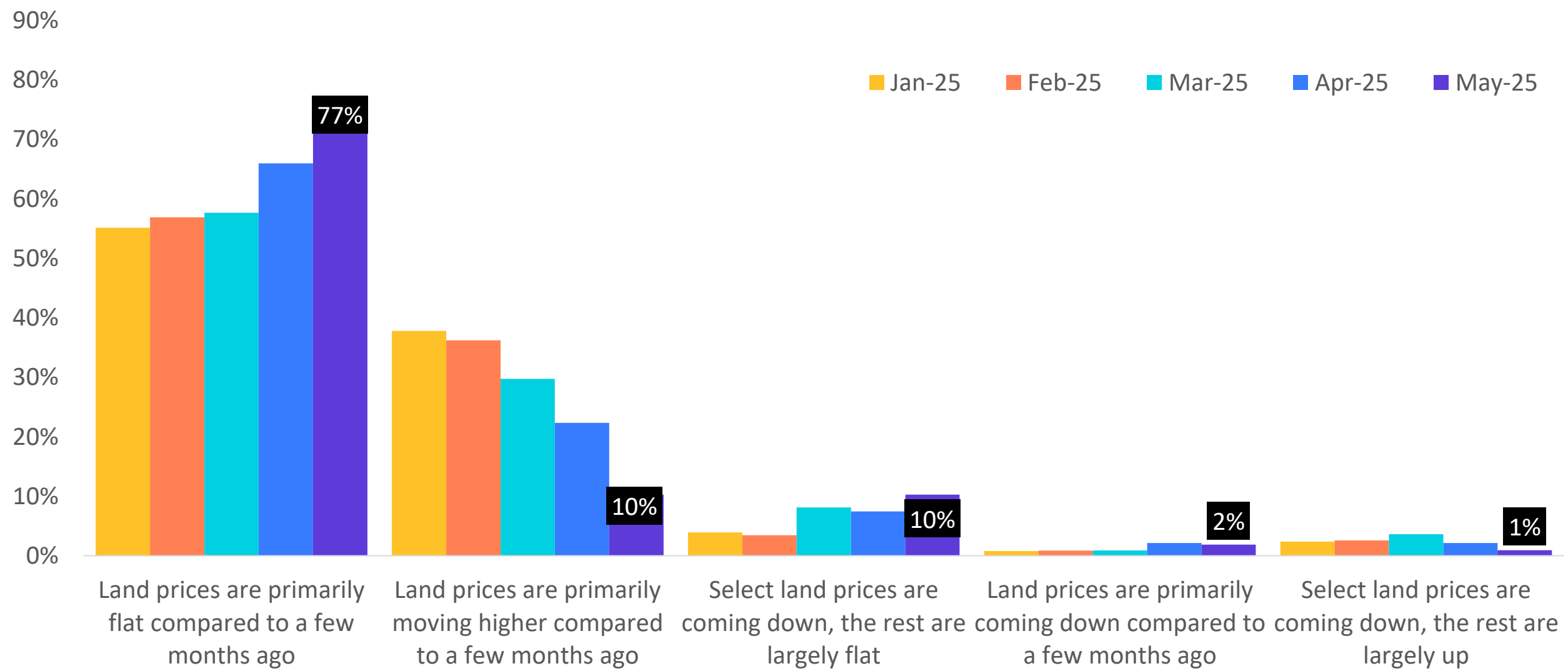
More cautiously and selectively as margins get tighter



Source: Zonda

# As a result, land prices are starting to flatten

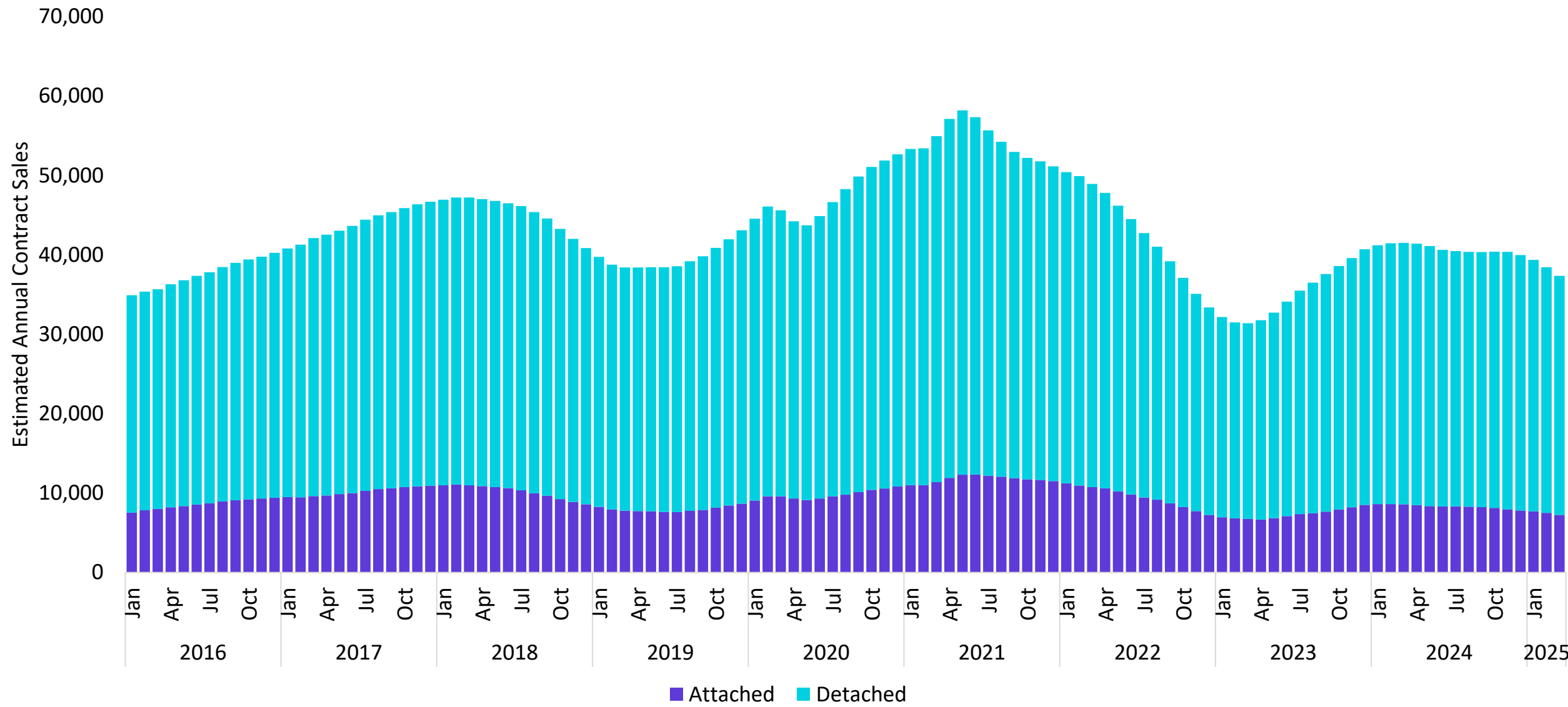
The are still elevated in the State



Source: Zonda

# Annual sales in the state have been declining

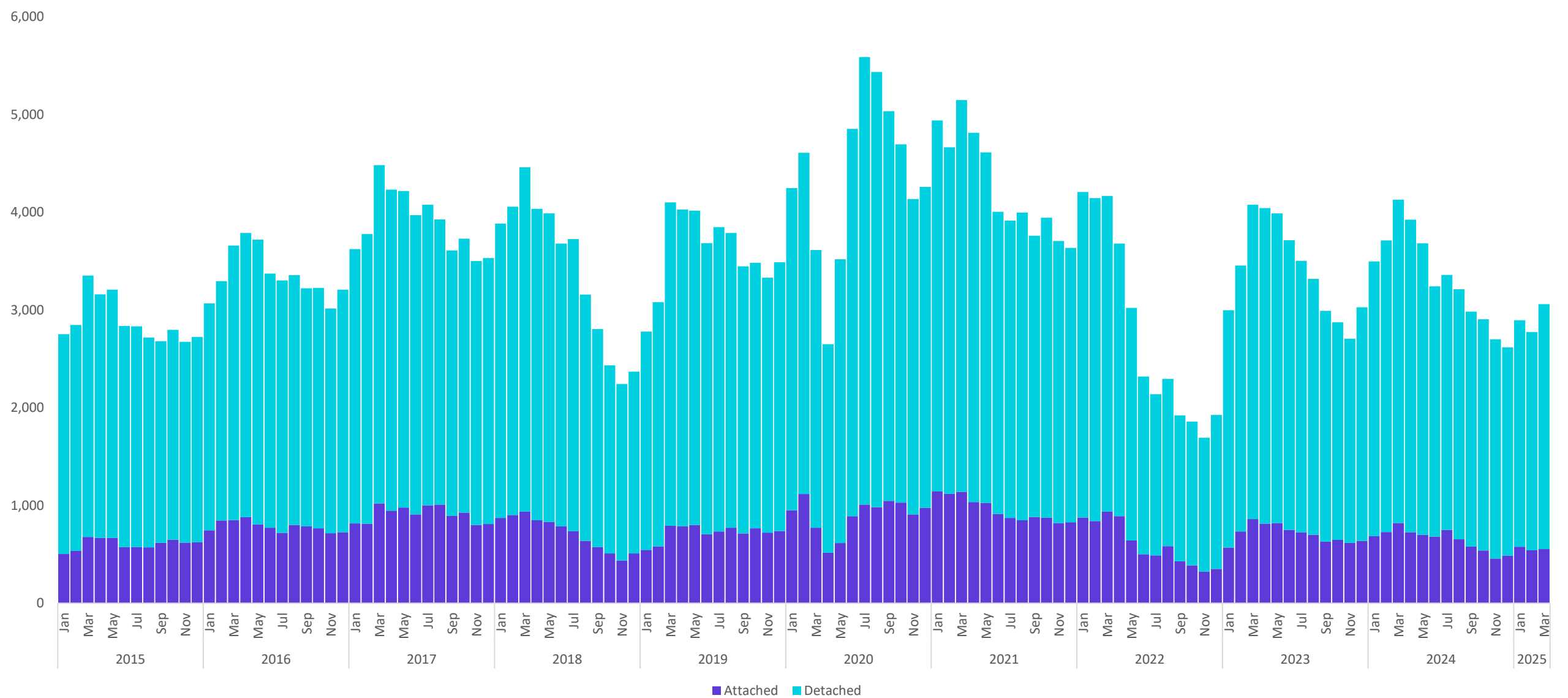
Sales are down 10.0% annually but only down 2.7% from 2019





# Monthly sales have not seen the same robust seasonality

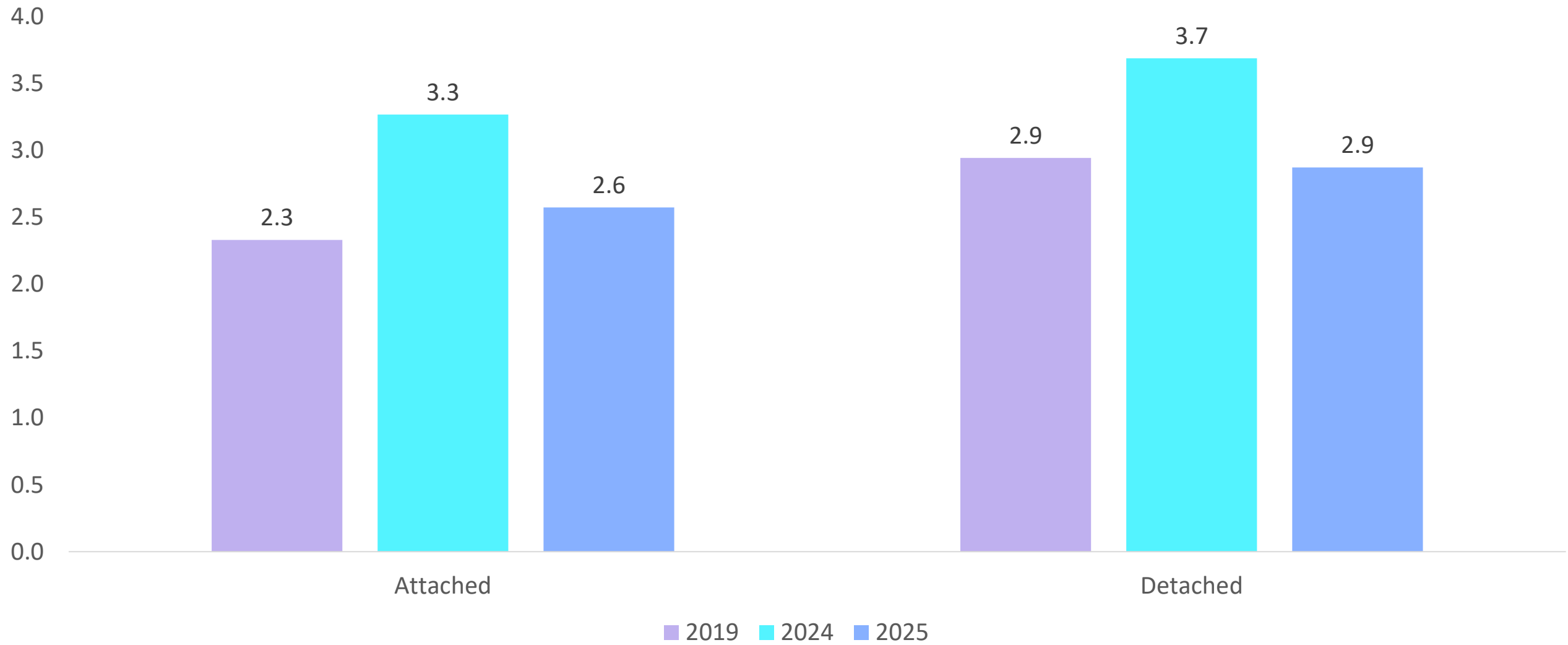
Slowest start to the year in sales outside of the pandemic



# March sales per neighborhood is in-line with 2019

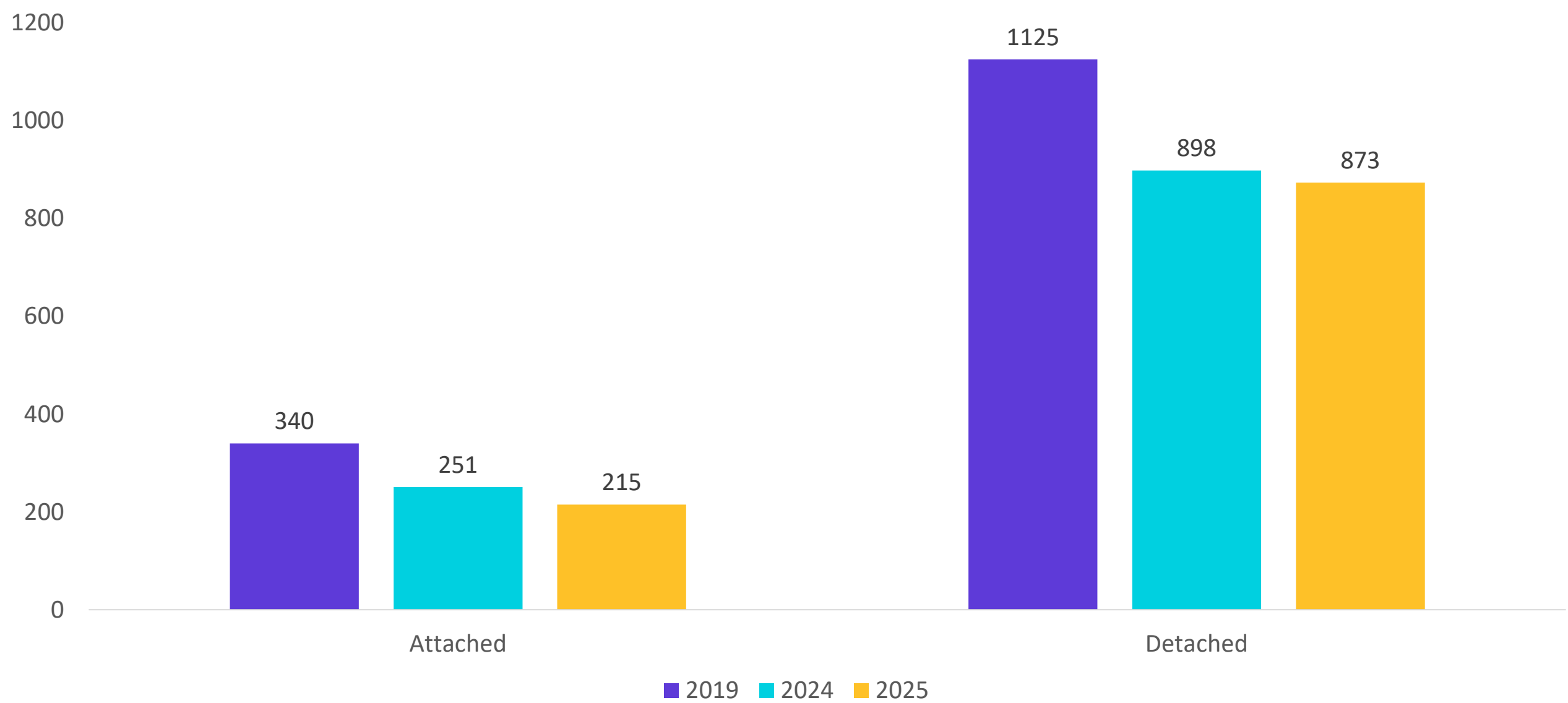
Down from 2024 and 2023

Average Monthly Sales per Neighborhood



# Actively selling neighborhoods continue to decline

Down 5.3% annually and 2% since 2019, expected to continue to decline

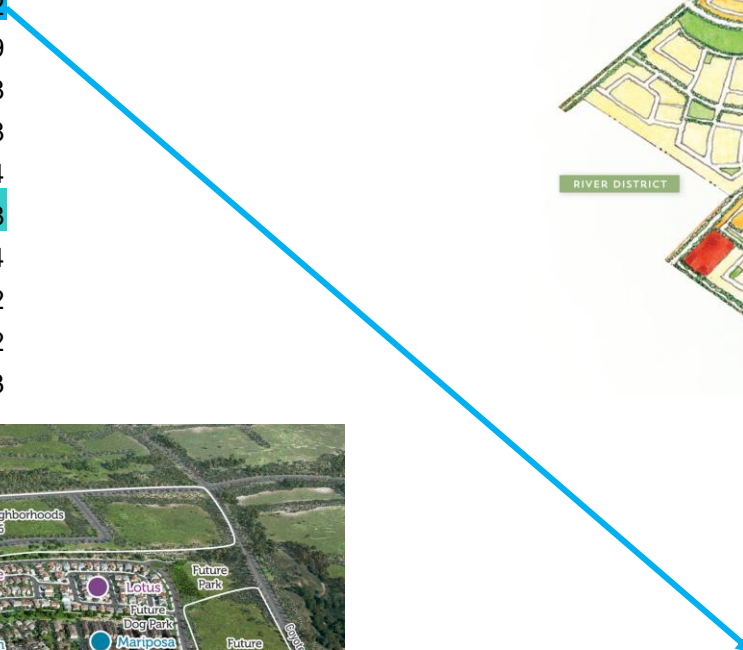


# Annual Sales pushed towards more attainable options

Contract Sales



## Product varies by area



# **INLAND EMPIRE**

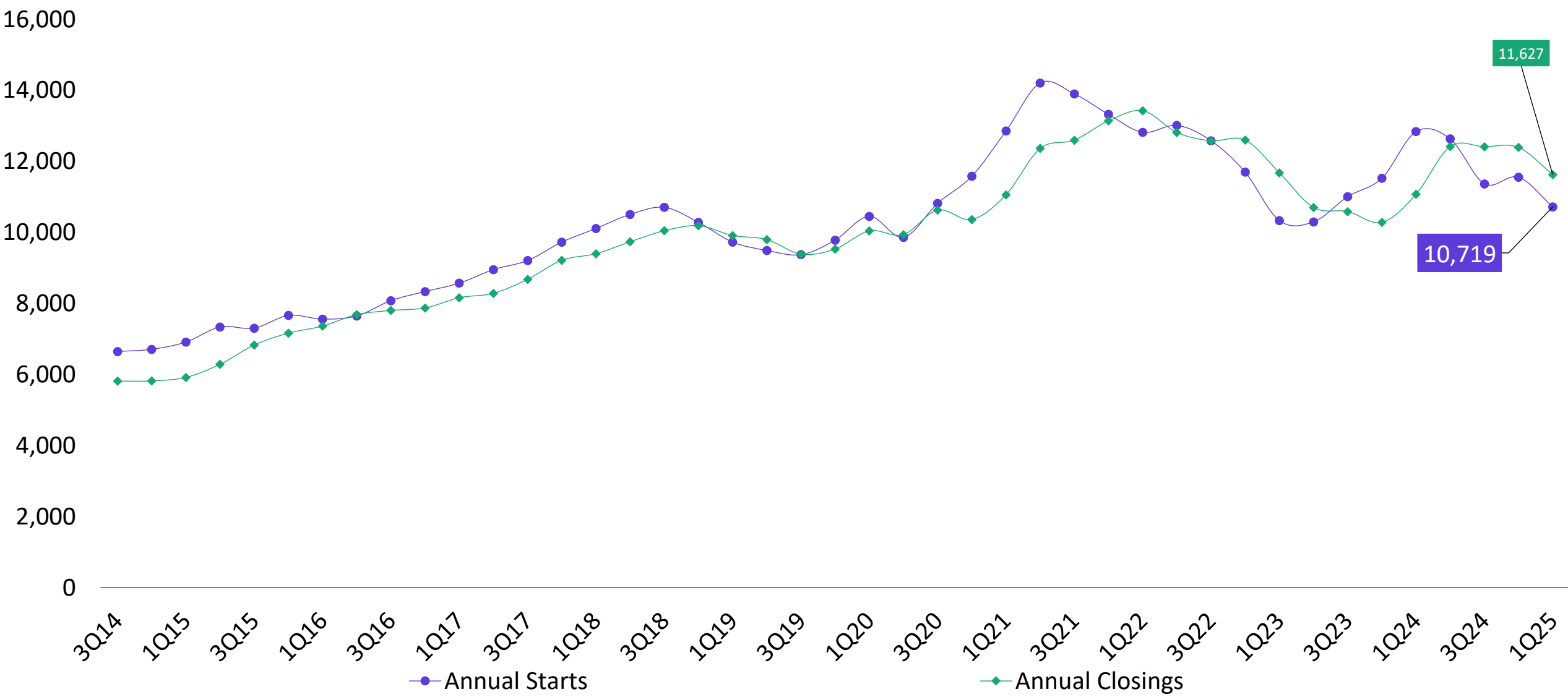
HOW IS IT DOING?





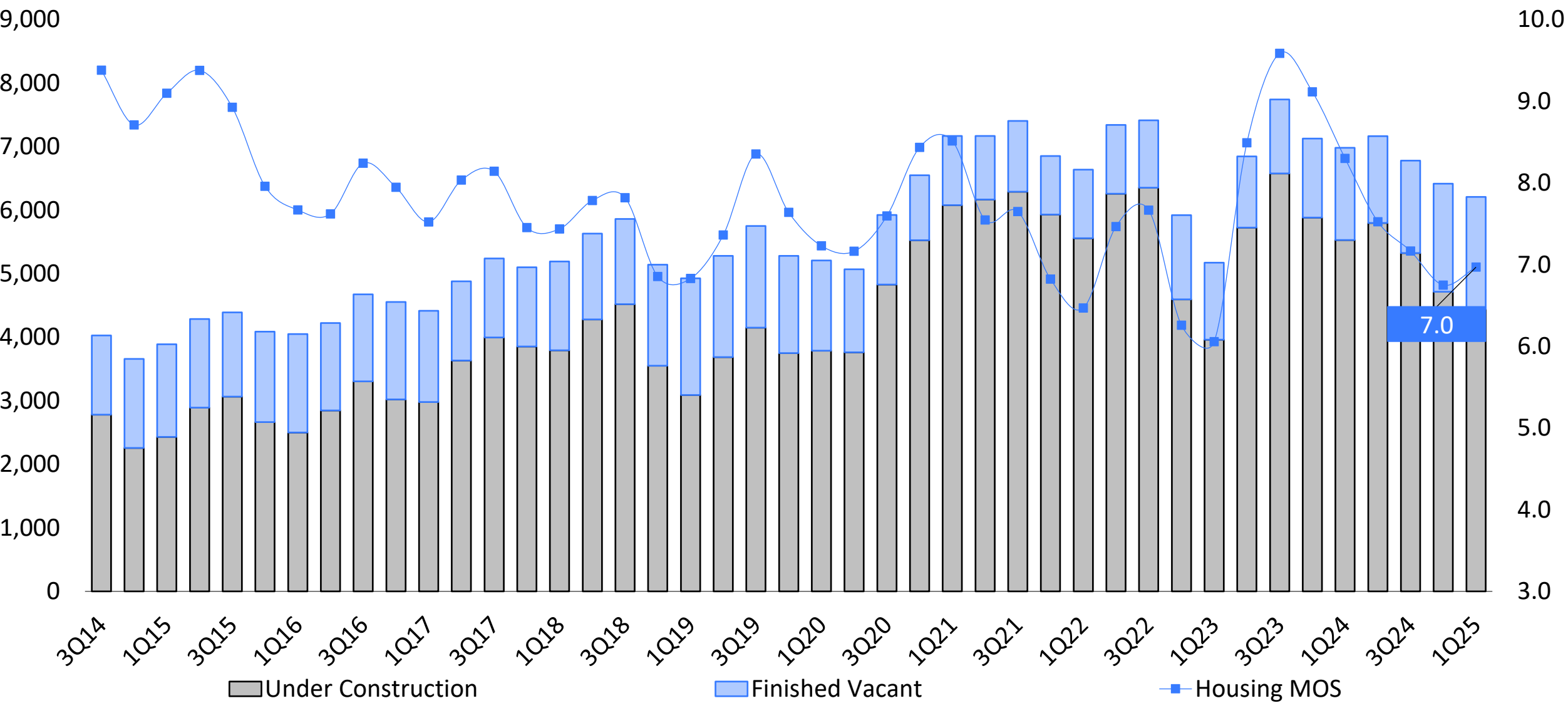
# Annual are down 16.5%

Annual closings will likely fall with annual starts and annual sales contracts



# Housing Inventory has been declining

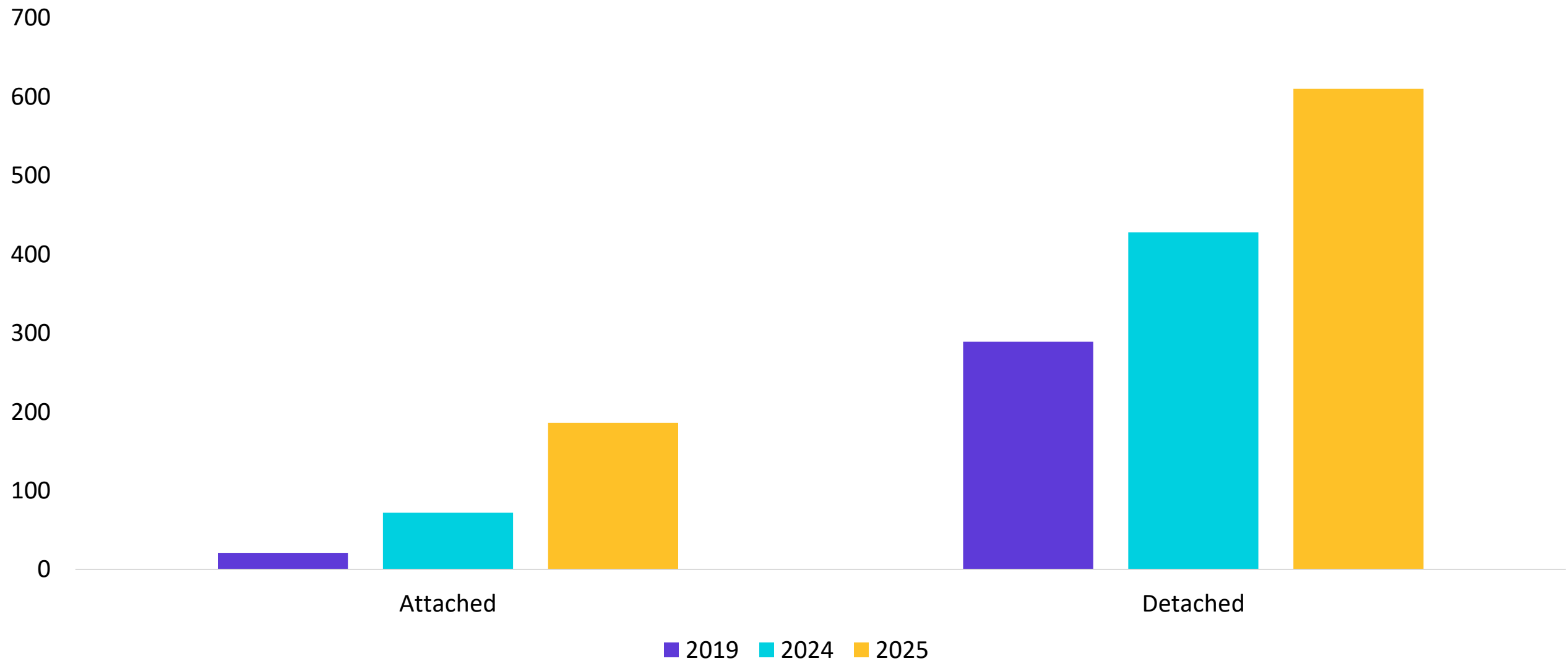
Finished vacant is just above the 10-year average of 21.7% share





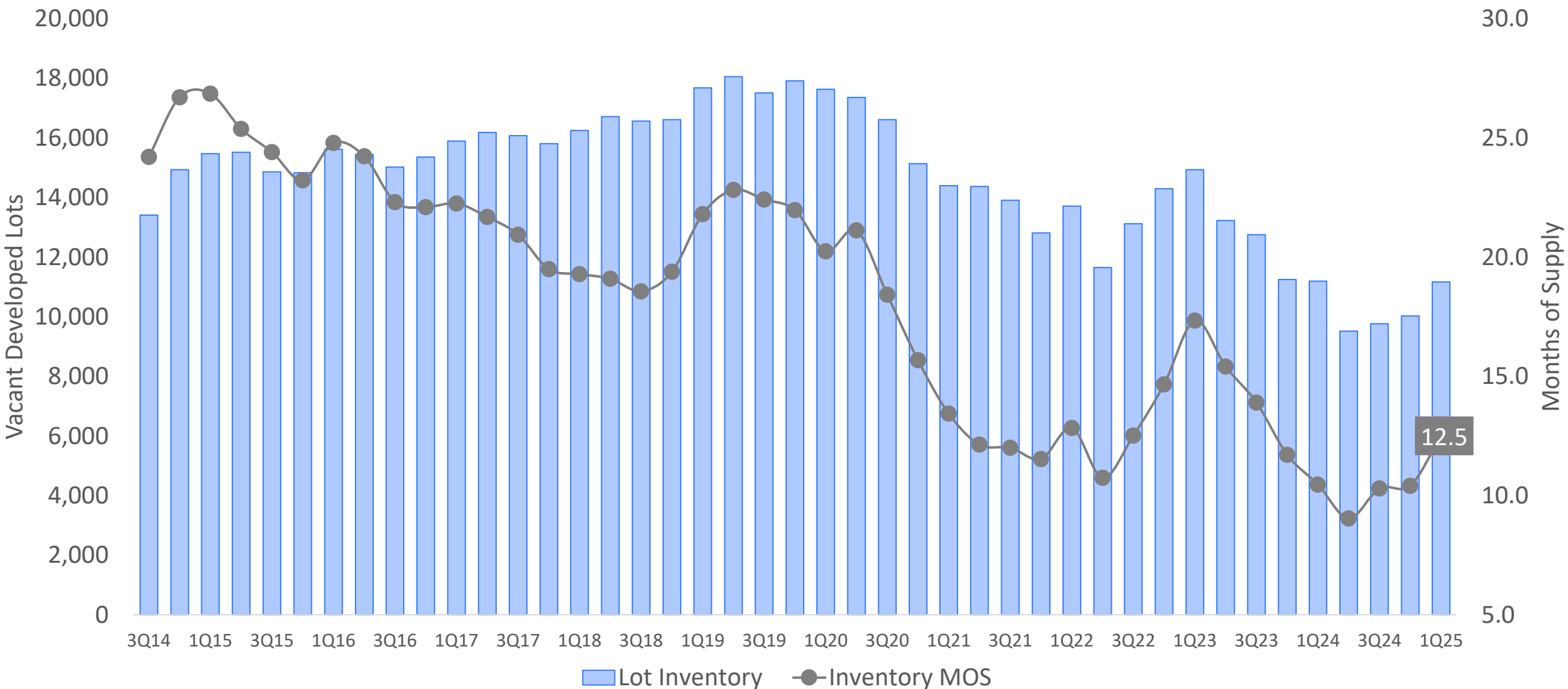
# Quick Move-In Homes have increased

QMI's represent just over one month of supply



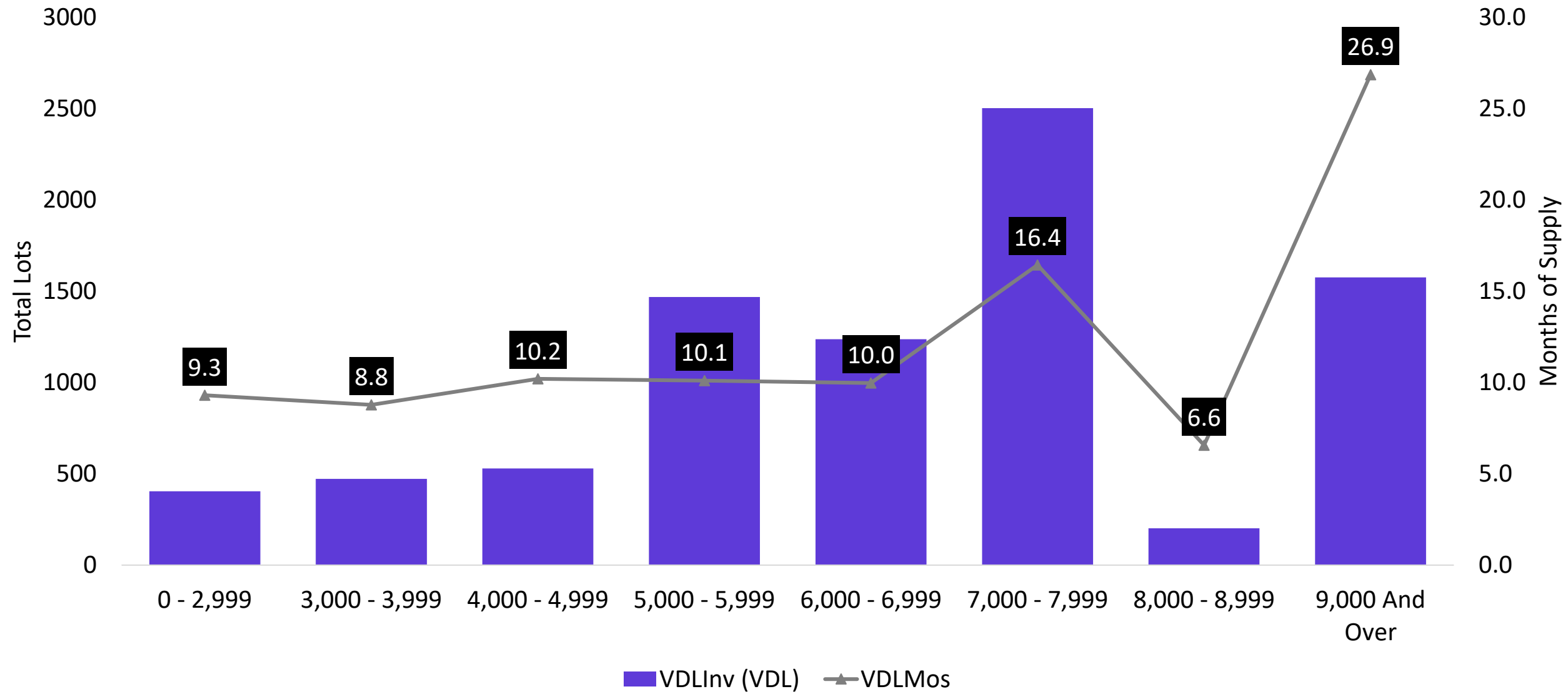
# Vacant developed lots increased, but are still at lows

Only around 10 months of supply is under development presently



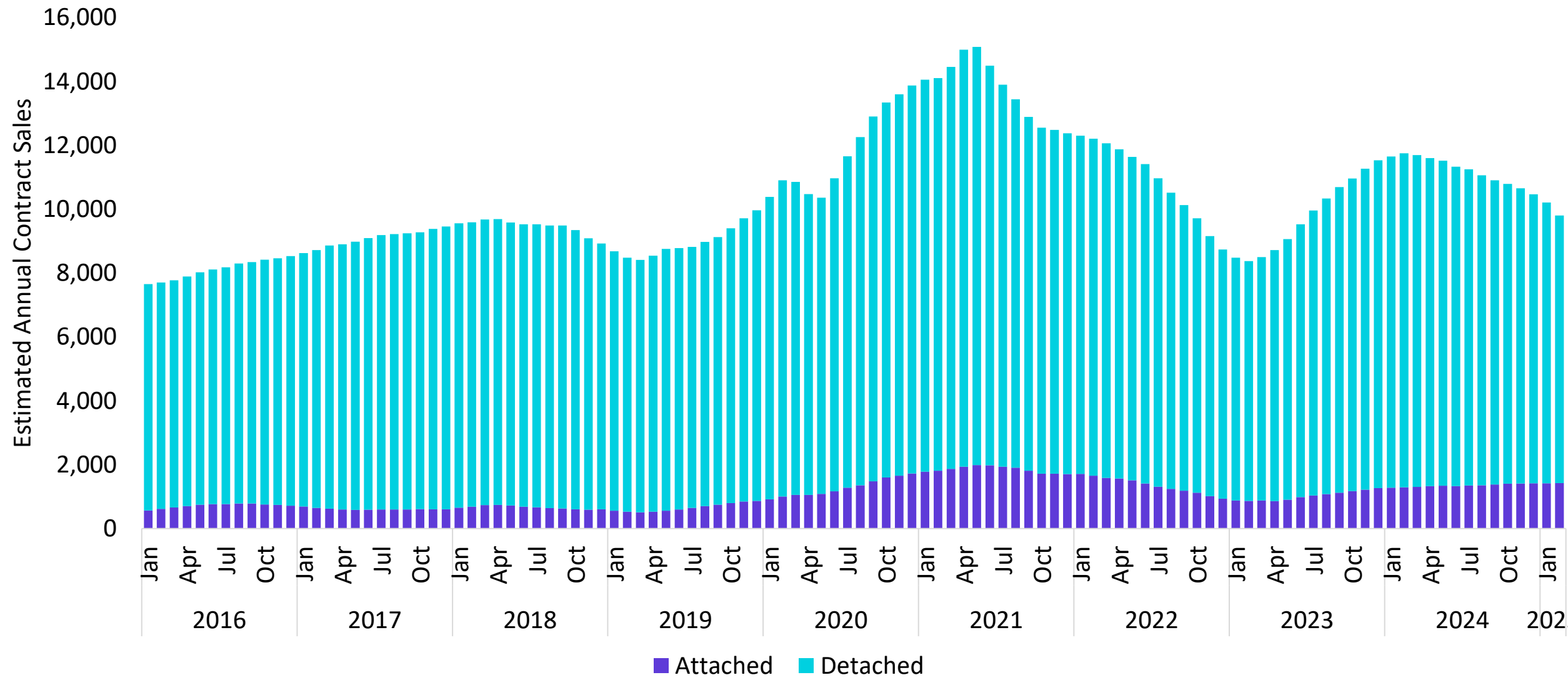
# VDL availability is lower based on market demand

Months of supply of lots is lower due to legacy lots that are unlikely to be actively developing



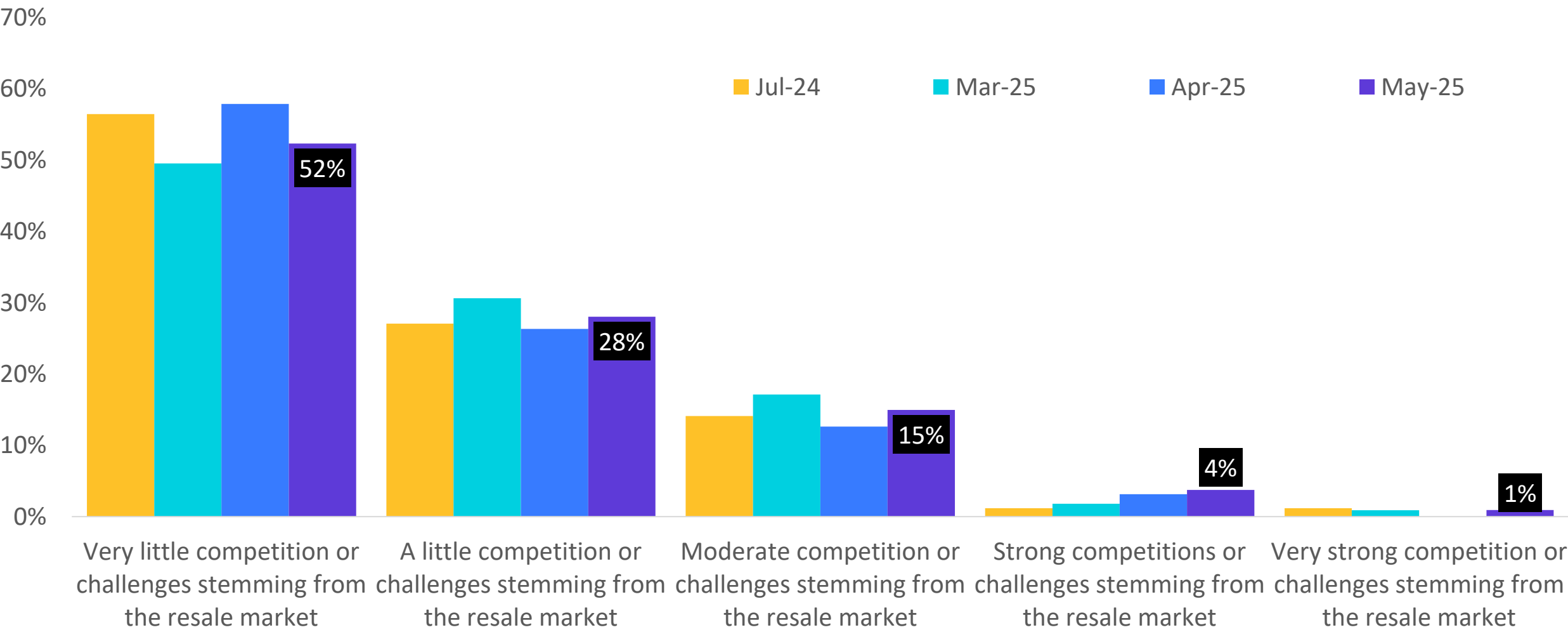
# Annual contract sales have been steadily declining

The lack of available products and challenging economic mindset is contributing to both



# Are resales causing a decline in sales?

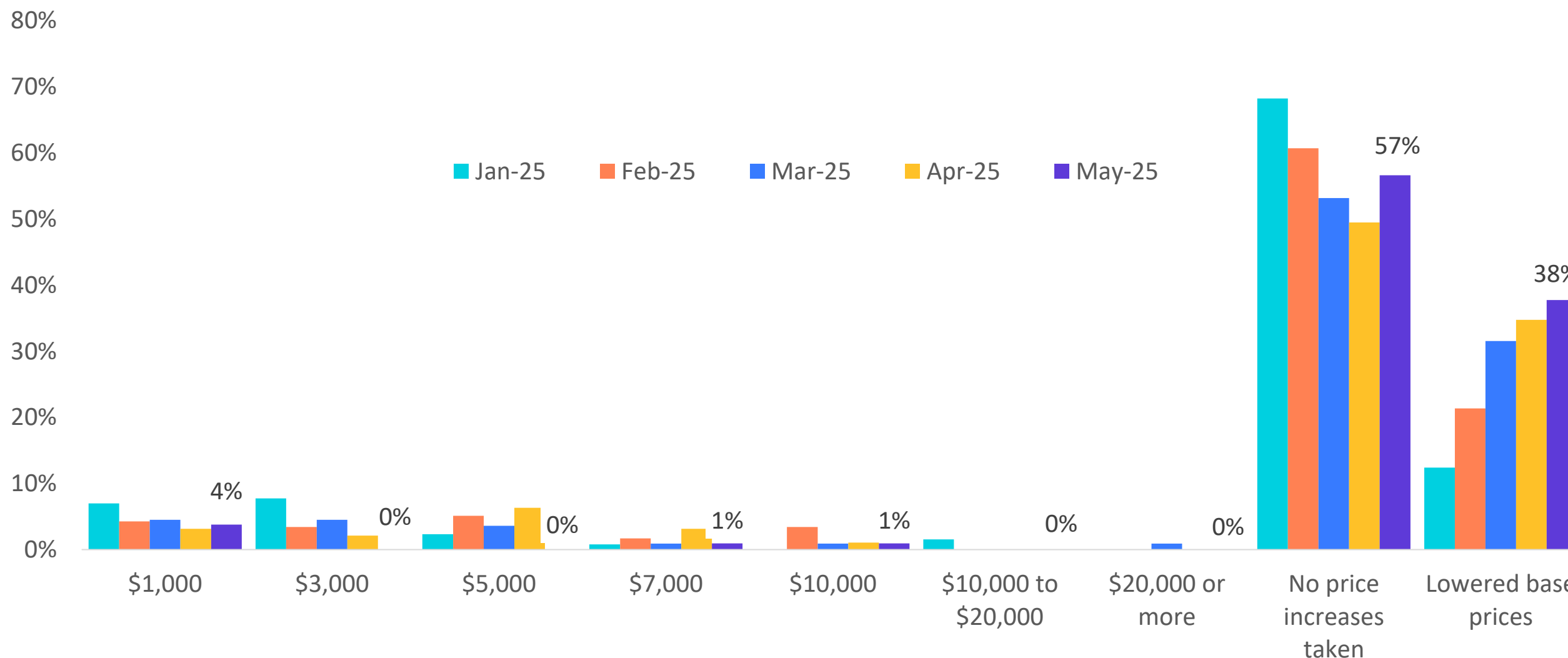
The lack of desirable and comparable products



Source: Zonda

# Some builders have lowered prices

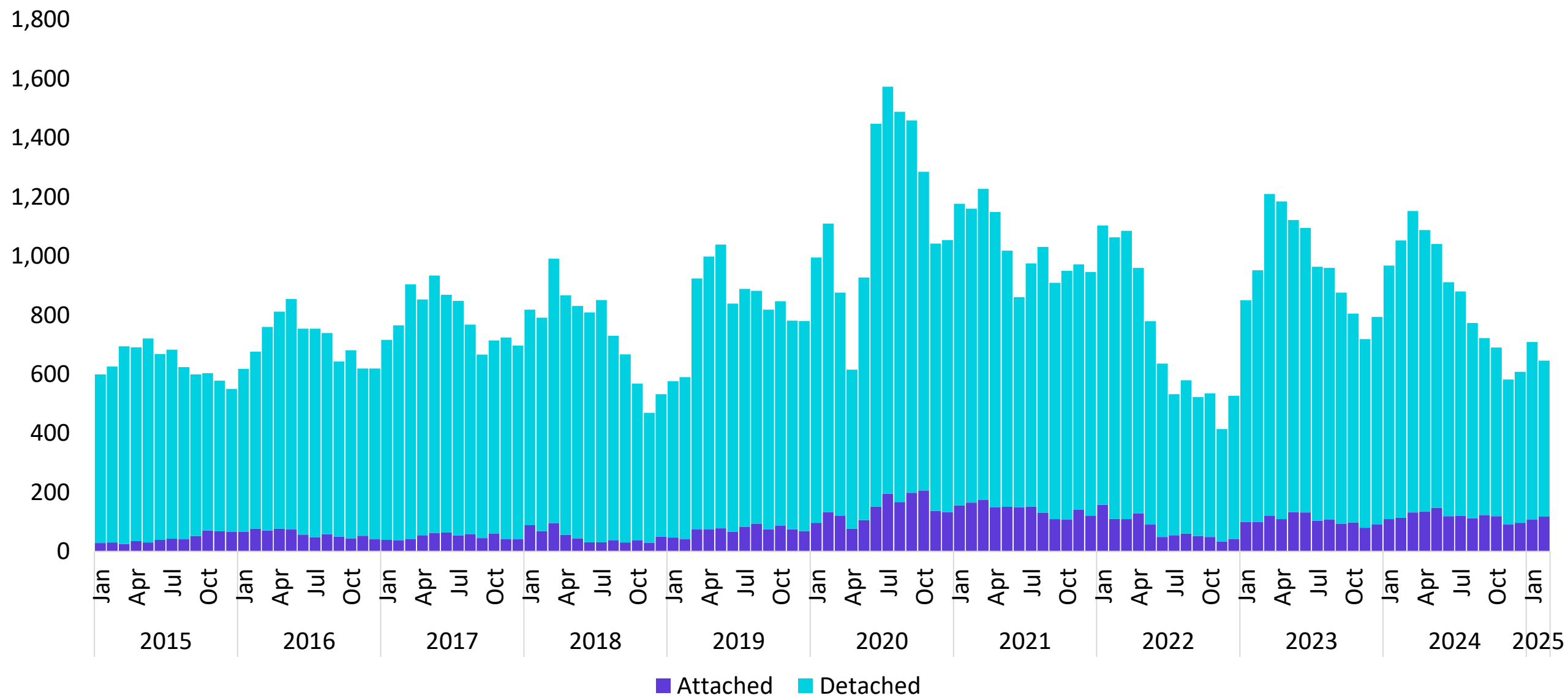
However, No Price changes have been increasing as well



Source: Zonda

# Monthly sales point to lower annual sales

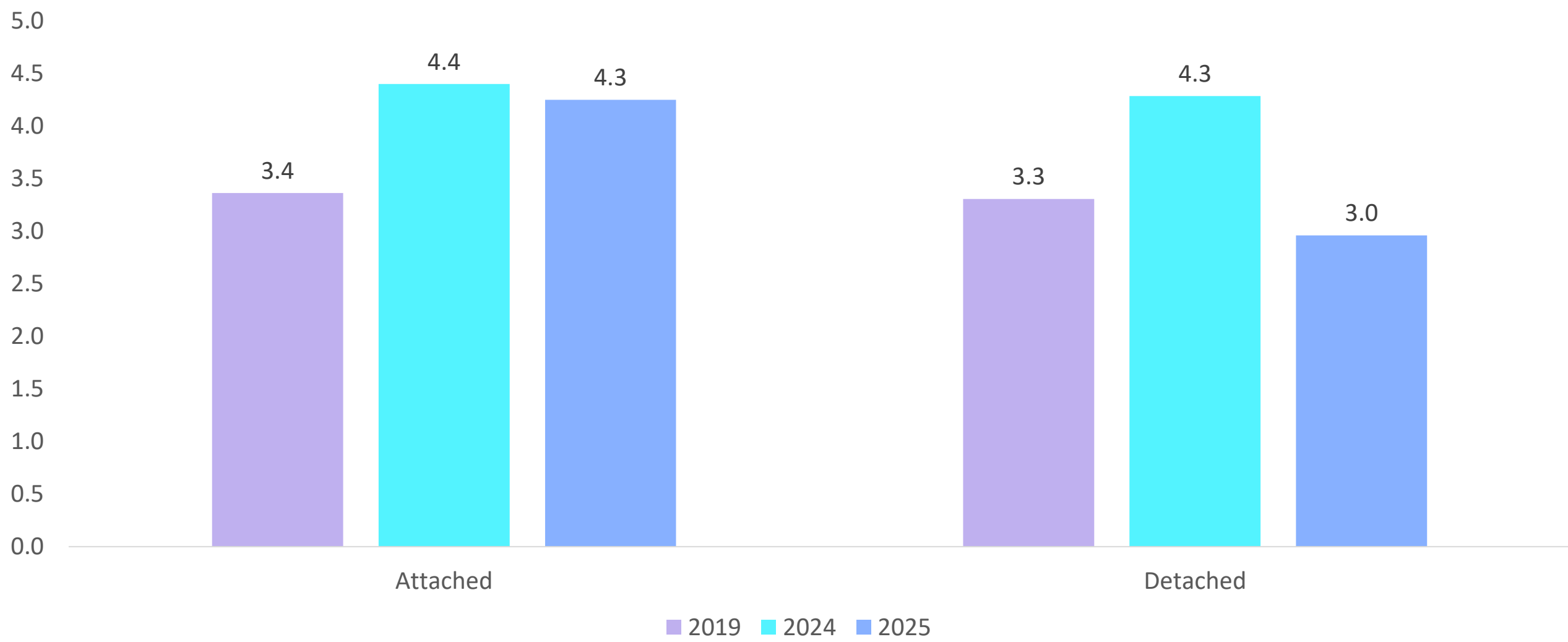
Sales are much slower than in 2024 and some of the slowest sales months since pre - 2018



# Sales per neighborhood are shifting with product

Detached product is more attractive if available

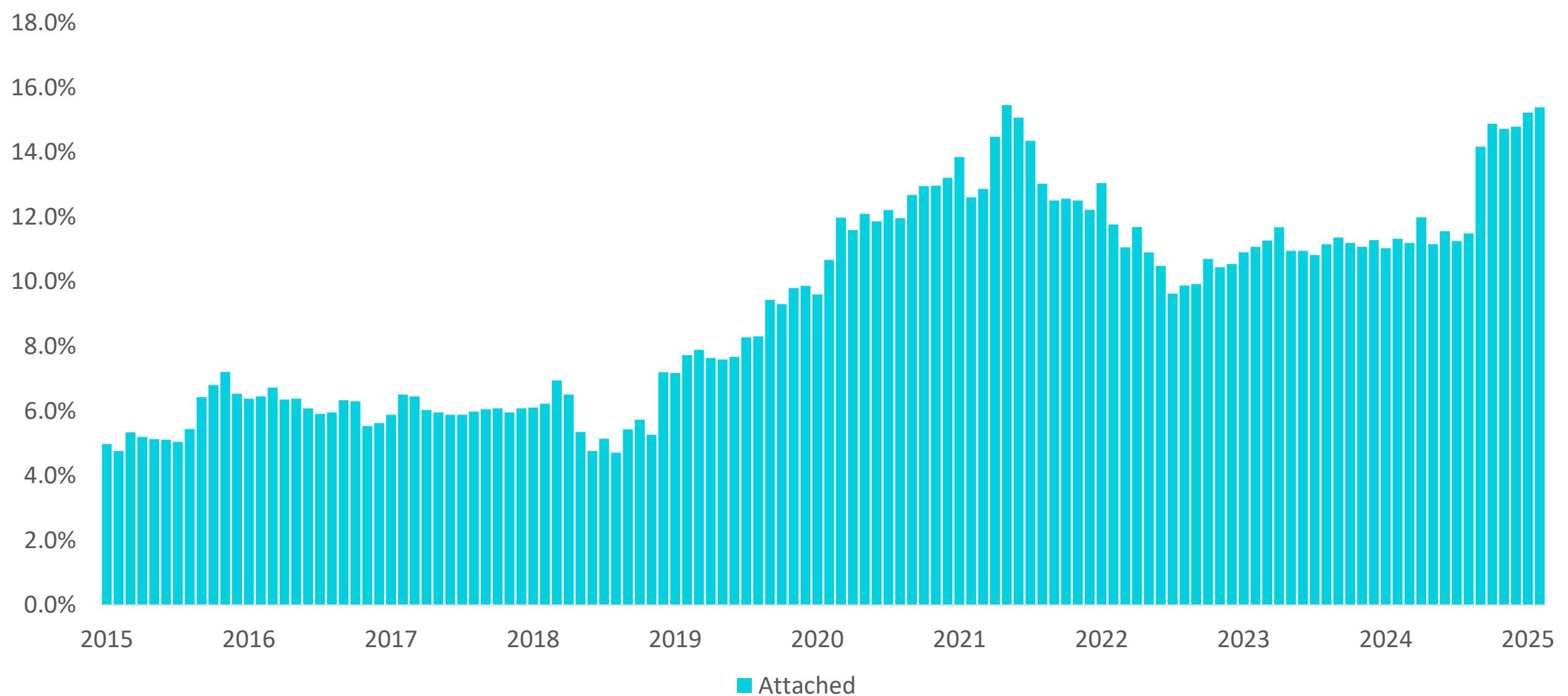
Average Monthly Sales per Neighborhood





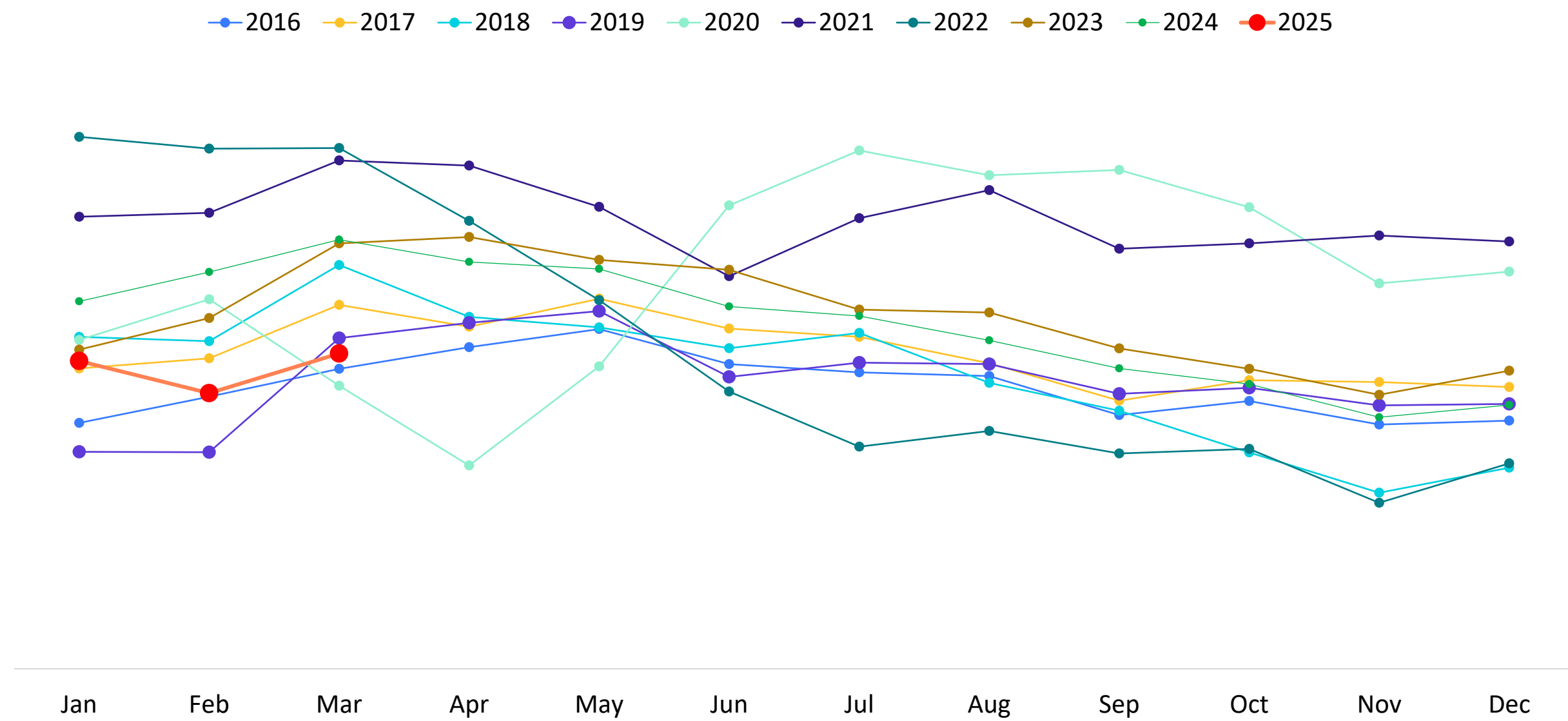
# Attached product is entering the market for ATTAINABILITY

Detached product is more attractive if available



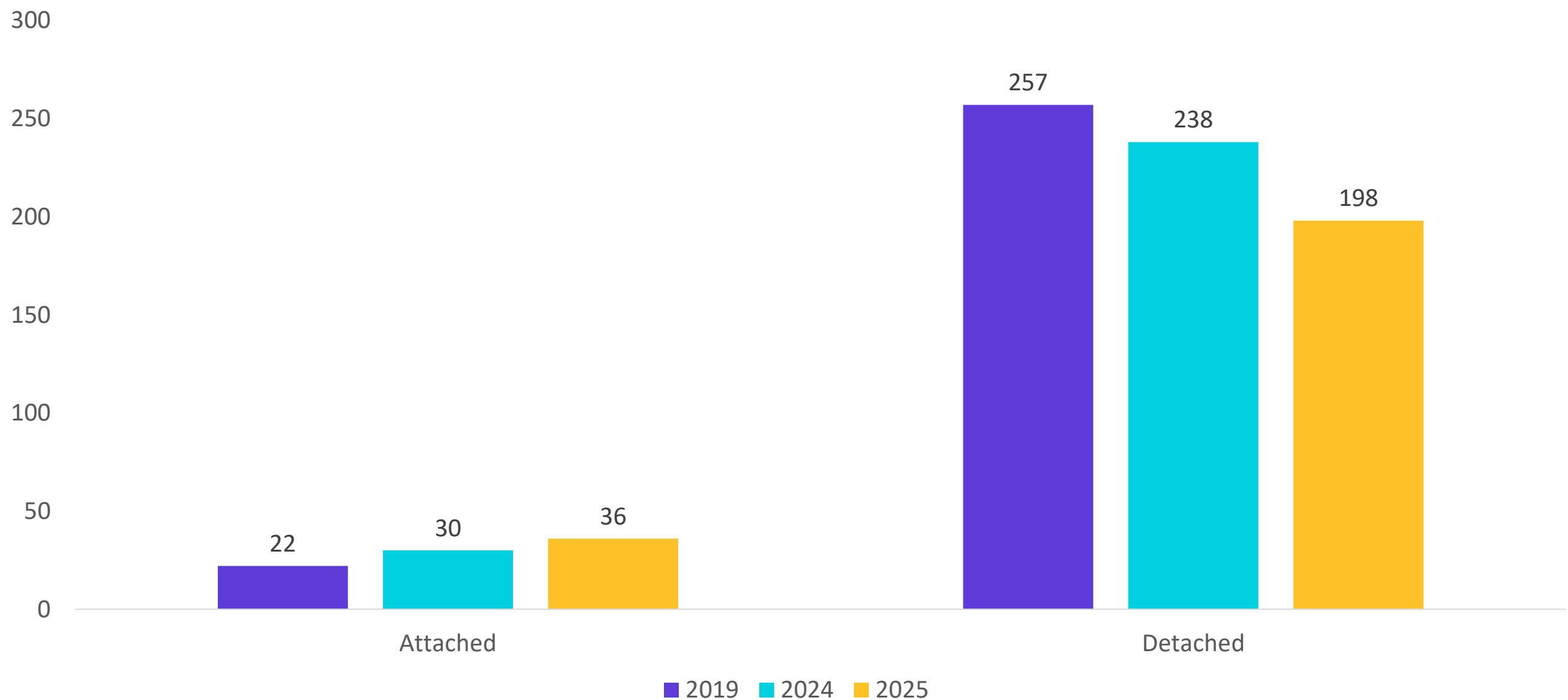
# Average sales/neighborhood are similar to pre-pandemic

Seasonality has been showing



# Replacement neighborhoods are not being opened

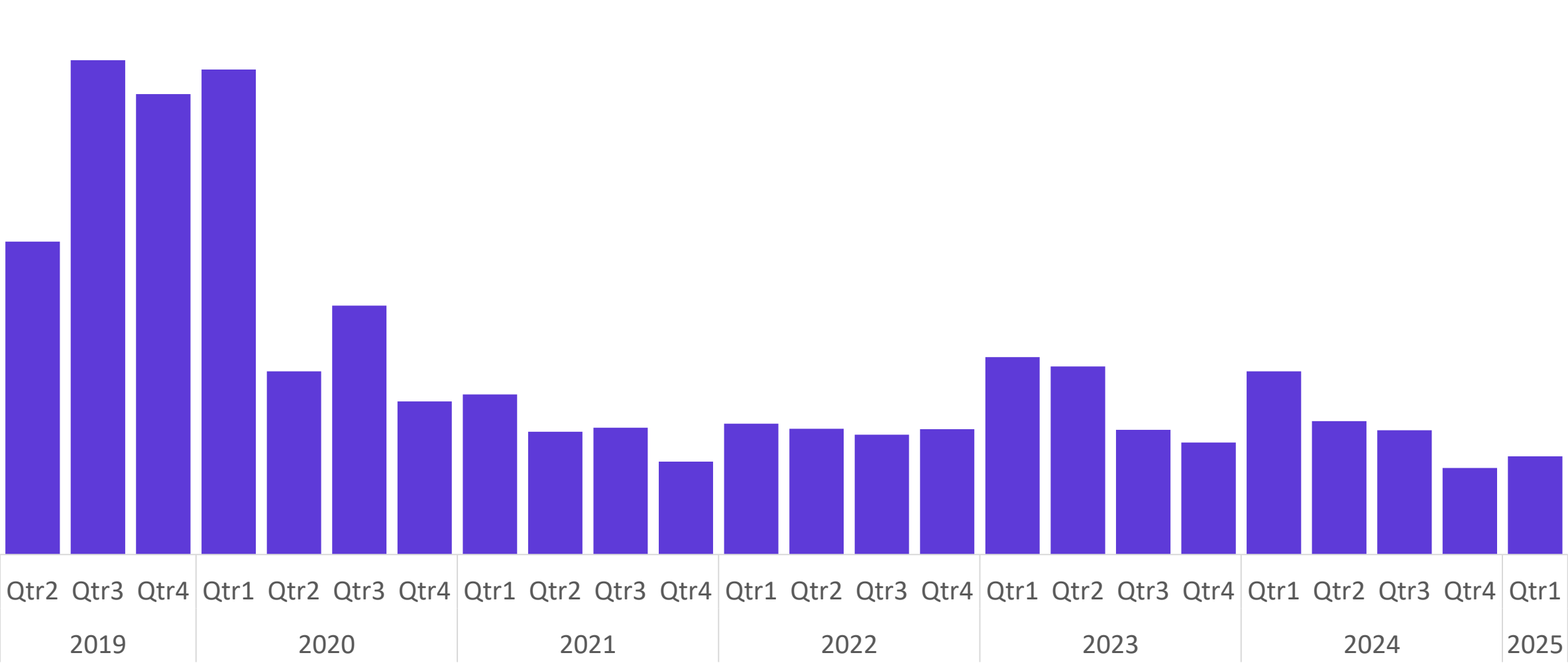
Down 12.7% annually but attached neighborhoods are up 20.0%



# First-quarter traffic units have fallen substantially

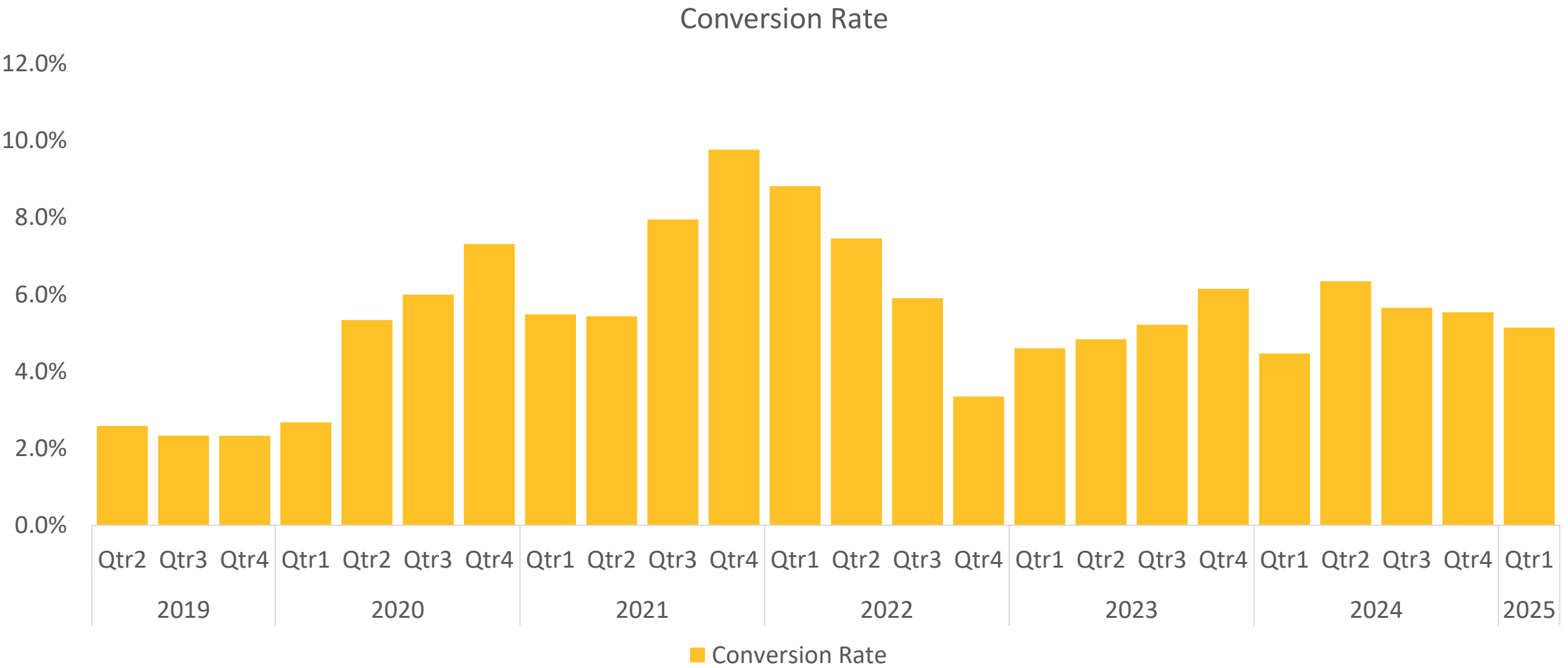
Traffic is down

Total Traffic



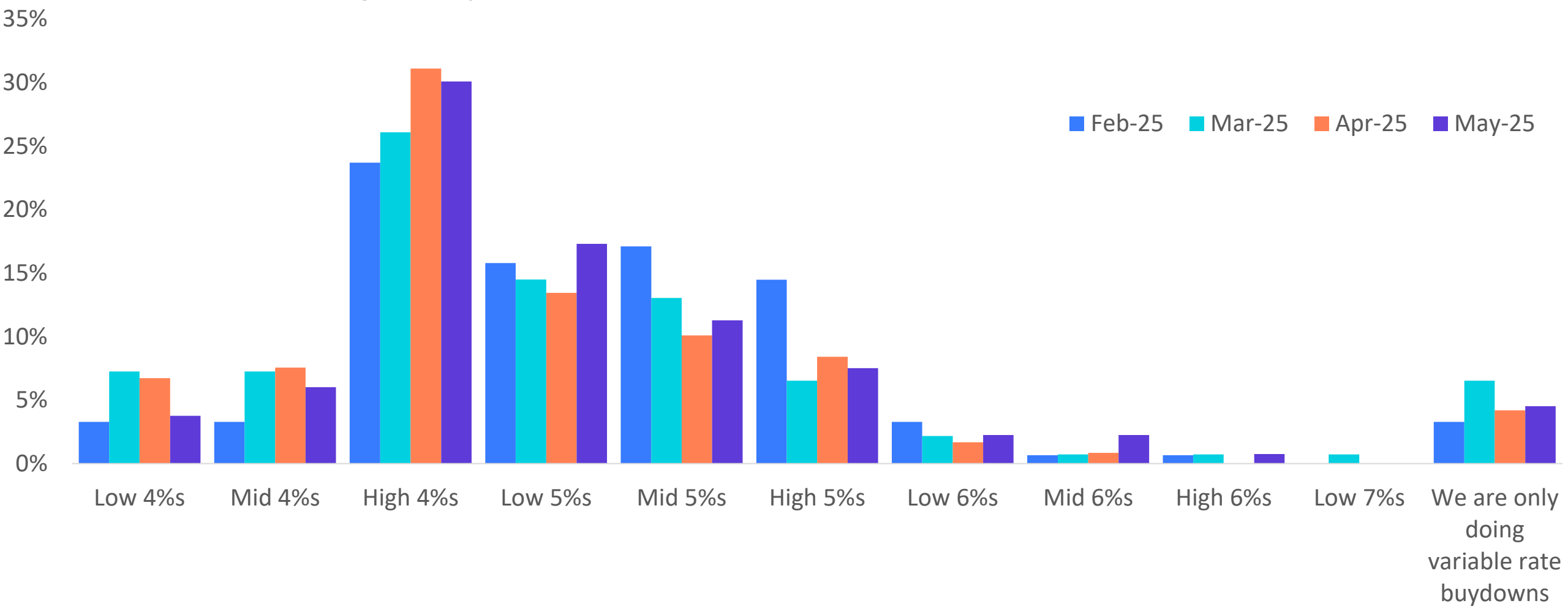
# Conversion rate is above historical norms

The rate has been declining over the past four quarters as the market became less stable



# Rate buydowns are increasingly in the high 4's

Static for those not doing rate buydowns



Source: Zonda

# Lennar dominates the market

DR Horton is substantial while KB Home and PulteGroup have gained market share

| Rank 2024 Top Homebuilders              | 2019         | 2020         | 2021         | 2022       | 2023       | 2024       | Share Change from 2020 | 2025       | Since 2020   |
|---|--------------|--------------|--------------|------------|------------|------------|------------------------|------------|--------------|
| 1 Lennar                                | 2088         | 2666         | 2215         | 1835       | 2724       | 2072       | 0.6%                   | 550        | 12,062       |
| 2 D.R. Horton, Inc.                     | 956          | 1685         | 1578         | 1208       | 1188       | 1380       | 1.0%                   | 534        | 7,573        |
| 3 KB Home                               | 1286         | 1366         | 1227         | 967        | 1447       | 1345       | 3.0%                   | 412        | 6,764        |
| 4 PulteGroup Inc.                       | 563          | 811          | 798          | 632        | 660        | 836        | 2.1%                   | 267        | 4,004        |
| 5 TRI Pointe Homes, Inc.                | 764          | 1226         | 1089         | 639        | 854        | 757        | -1.6%                  | 191        | 4,756        |
| 6 Richmond American Homes               | 297          | 1045         | 964          | 578        | 859        | 669        | -1.1%                  | 174        | 4,289        |
| 7 Meritage Homes                        | 95           | 308          | 386          | 252        | 507        | 552        | 3.1%                   | 193        | 2,198        |
| 8 Taylor Morrison                       | 515          | 606          | 364          | 306        | 415        | 456        | 0.0%                   | 130        | 2,277        |
| 9 Beazer Homes                          | 298          | 295          | 195          | 114        | 232        | 265        | 0.4%                   | 56         | 1,157        |
| 10 Woodside Homes                       | 174          | 303          | 310          | 311        | 523        | 231        | 0.0%                   | 36         | 1,714        |
| 11 Century Communities, Inc.            | 130          | 89           | 286          | 224        | 179        | 211        | 1.4%                   | 118        | 1,107        |
| 12 Landsea Homes                        | 0            | 200          | 308          | 160        | 223        | 174        | 0.2%                   | 63         | 1,128        |
| 13 Shea Homes                           | 84           | 94           | 105          | 174        | 158        | 156        | 0.8%                   | 49         | 736          |
| 14 New Home Co.                         | 86           | 123          | 98           | 149        | 271        | 142        | 0.5%                   | 94         | 877          |
| 15 K. Hovnanian Homes                   | 279          | 360          | 185          | 68         | 92         | 108        | -1.6%                  | 26         | 839          |
| 16 Brookfield Residential               | 324          | 461          | 230          | 94         | 76         | 98         | -2.4%                  | 55         | 1,014        |
| 17 Legacy Homes                         | 76           | 66           | 78           | 60         | 86         | 96         | 0.4%                   | 23         | 409          |
| 18 Woodbridge Pacific Group             | 74           | 76           | 137          | 183        | 39         | 75         | 0.2%                   | 11         | 521          |
| 19 Pacific Communities                  | 73           | 122          | 147          | 59         | 32         | 75         | -0.2%                  | 18         | 453          |
| 20 Trumark Homes                        | 37           | 10           | 68           | 60         | 27         | 75         | 0.6%                   | 41         | 281          |
| <b>Rest of Front Range Homebuilders</b> | <b>1,764</b> | <b>1,960</b> | <b>1,607</b> | <b>662</b> | <b>940</b> | <b>695</b> |                        | <b>160</b> | <b>5,864</b> |
| Top 20 Homebuilders Market Share        | 82.3%        | 85.9%        | 87.0%        | 92.4%      | 91.8%      | 93.4%      |                        | 95.0%      | 90.2%        |
| Top 20 Homebuilders Closings            | 8,199        | 11,912       | 10,768       | 8,073      | 10,592     | 9,773      |                        | 3,041      | 54,159       |
| Total Front Range Closings              | 9,963        | 13,872       | 12,375       | 8,735      | 11,532     | 10,468     |                        | 3,201      | 60,023       |
| Top Five Homebuilders Share             | 56.8%        | 55.9%        | 55.8%        | 60.5%      | 59.6%      | 61.0%      |                        | 61.0%      |              |

# Top-selling Neighborhoods in 2025

Product varies by area

| Rank | Neighborhood                        | Builder     | City          | 2025 | Starting Base |
|------|-------------------------------------|-------------|---------------|------|---------------|
| 1    | Rose Glen                           | Century     | Upland        | 51   | \$729,990     |
| 2    | Stella Pointe/Express               | D.R. Horton | Moreno Valley | 41   | \$536,490     |
| 3    | Prado                               | Meritage    | Temecula      | 41   | \$615,000     |
| 4    | Pradera Place/Express               | D.R. Horton | Winchester    | 39   | \$519,990     |
| 5    | Pradera Pointe/Express              | D.R. Horton | Winchester    | 37   | \$540,990     |
| 6    | Willowbend                          | D.R. Horton | Perris        | 37   | \$633,990     |
| 7    | Countryview/Lilac                   | KB Home     | Homeland      | 36   | \$468,990     |
| 8    | Highgrove/Gardens                   | Lennar      | Riverside     | 36   | \$471,000     |
| 9    | Willow Pointe at Canterwood/Express | D.R. Horton | Menifee       | 35   | \$561,990     |
| 10   | Westport at Eastvale Square         | New Home    | Eastvale      | 35   | \$399,990     |





# Things to watch for in 2025

The market continues to evolve

- Cracks in the consumer (mentally and financially)
- New administration: Pro-growth and less regulation good for wider economy, but tariffs, immigration, and interest rates disproportionately impact our industry
- Persistent cost pressures (incentives, land, materials)
- Rising cost to buy and hold (homeowners insurance, property taxes, HOAs), **but new homes generally have an advantage**
- Rising resale inventory, new home inventory, BTR inventory, and traditional MF inventory in *some* markets (demand is up too, but still worth watching)
- **Tariffs could and likely will affect the Southland due to the Port System**
- Consumer confidence and attitude shifts
- ***Attainability.....***

# Returning to the Basics

The market continues to evolve

- The new vs existing price spread has narrowed (partly because of changing product)
- Aged housing stock – new allows you to avoid problems
- Incentives
- Customize and design
- New homes have lower insurance costs
- **Strong potential to slightly negative annual starts**

Prices have and will continue to adjust, and we expect conditions to remain bumpy but for those buying, we want new homes to feel like a no-brainer



# Thank you!



**Evan Forrest**  
**SVP - Zonda**