



BIASC New Home Market Quarterly Report

Sales and Prices Stabilize Amid Higher Rates

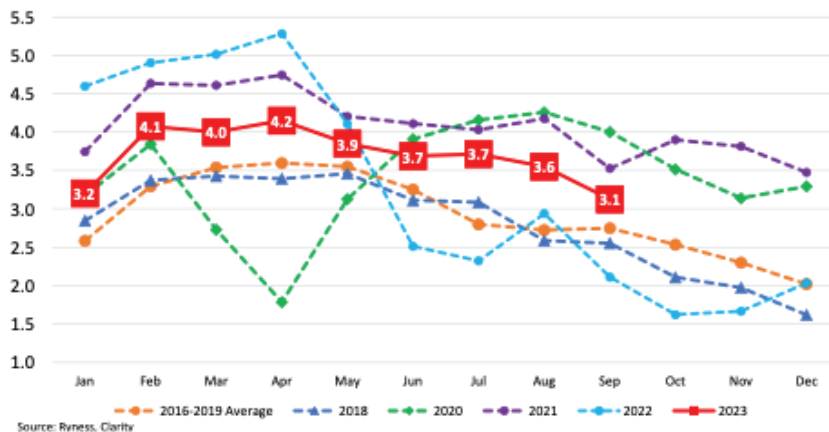
The new home market has proven resilient in the face of higher mortgage rates and historically poor affordability. New home projects continue to benefit from constrained resale supply and mortgage rate buydowns, allowing buyers to access sub-6% fixed rates.

- New home sales in Southern CA averaged 3.5/mo/project in Q3 which is above the 2016 – 2019 average (2.8/mo/project) for the third quarter. Q3 sales are down slightly from Q2 (3.9/mo/project) corresponding with a typical seasonal slowdown. Orange County led the way in Q3 with an average sales rate of 4.3/mo/project.

- Prices were relatively flat in Q3 after rising rapidly in the second half of Q1 and throughout Q2. Despite low new and resale supply, poor affordability has curbed demand resulting in a price ceiling in most markets. Material price growth will likely not return until interest rates come down closer to 6% (or lower).

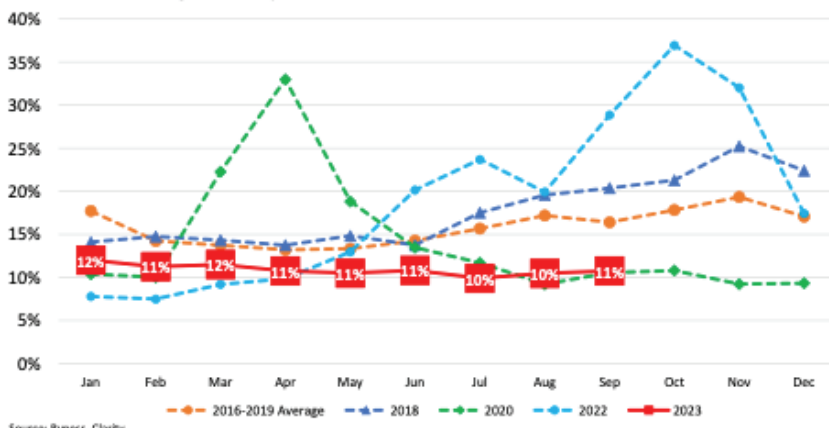
As the new home market finds its footing in a higher interest rate environment, there have been interesting shifts in the Southern California land market. The following summarizes key trends related to failed/modified escrows, land buyers, and sales by lot condition provided by Land Advisors California.

Average Monthly New Home Sales Rate - Southern California



- Cancellations averaged just 10% in Q3, down a tick from earlier in the year. A cancellation rate in the 10 – 15% range is considered typical. The 2016 – 2019 average for Q3 was 16%. A relatively low cancellation rate indicates most buyers are well qualified at current mortgage rates and competition is limited. Orange County had by far the lowest cancellation rate in Q3, averaging just 4%.

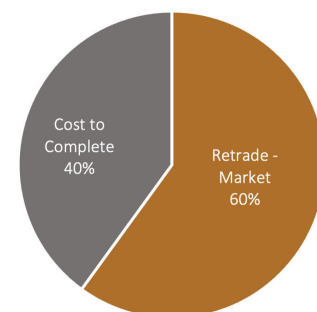
Average Monthly New Home Cancellation Rate - Southern California



Top 3 Reasons for Failed and/or Modified Escrows in the Most Recent Quarter

The top 3 factors causing transactions to fall out of escrow in Southern California are: (1) retrades influenced by market dynamics, (2) intricacies and terms within the Purchase & Sale Agreement, and (3) complications arising from the Cost to Complete. In Q3 2023, failed transactions decreased by 50% compared to the previous quarter. Market condition-induced retrades remained the principal cause, accounting for 60% of fall-outs, while issues related to Cost to Complete, constituted the remaining 40%.

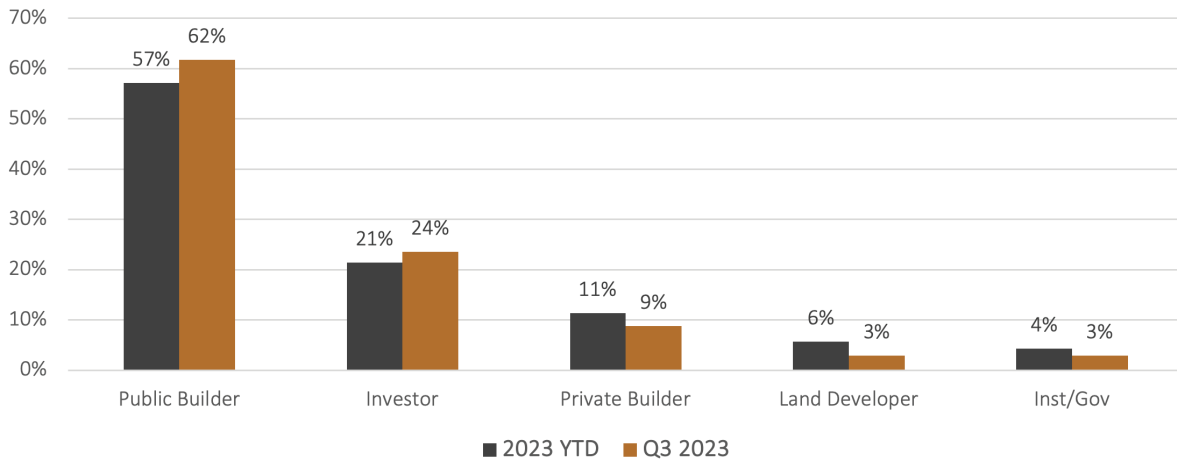
Reasons for Failed Escrows - Q3 2023



Share of Land Buyers By Type

Public homebuilders have accounted for 57% of all residential land transactions so far in 2023, followed by investors at 21%, and private homebuilders at 11% of the deals. In Q3 2023, public homebuilders increased their market share to 62% while private builders decreased to just 9%. The continued dominance of public homebuilders reflects a bullish stance and capital capacity in the current land market.

Residential Land Sales by Buyer Profile



Share of Sales By Lot Condition

As the availability of finished lots declined in 3Q 2023 compared to earlier in the year, the share of semi-finished, blue-topped and unimproved lots increased. With 46% of sales in 3Q 2023, unimproved lots, consisting primarily of entitled land, represented the largest share of transactions.

Residential Land Sales by Lot Condition

