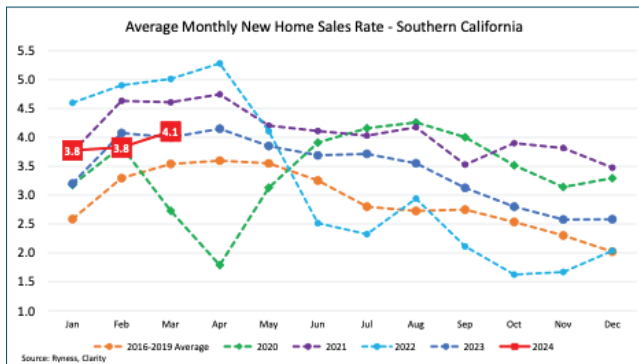


Southern CA New Home Market

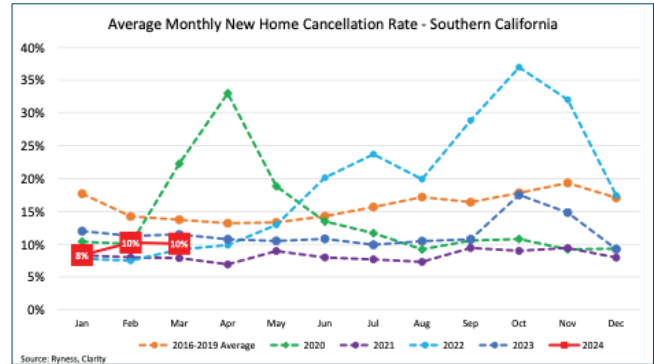
Q1 Marks a Promising Start to 2024

Despite ongoing affordability challenges, the new home market began the year with strong sales reflecting renewed buyer confidence. Housing demand and supply conditions remain favorable as unemployment remains low and new and resale supply is limited. New home sales have also been boosted by builders' ability to offer below-market mortgage rates. In addition, most new home projects are selling at price points that are near the median price in the market.

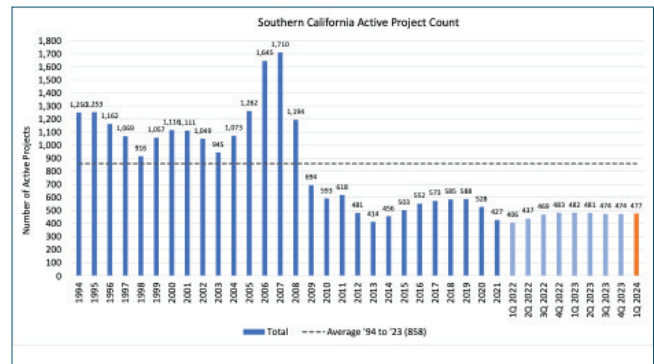
- New home sales in Southern CA averaged 3.9/project/mo in Q1 which was similar to 2023 (3.8) but well above the 2016 – 2019 average (3.1/project/mo) for the same quarter. Orange County continues to outperform all markets with an average of 4.5 sales/project/mo in the quarter, with the Inland Empire just behind with 4.2 sales/project/mo.



- Cancellations averaged just 10% in Q1, down slightly from a year ago. A cancellation rate in the 10 – 15% range is considered typical. The 2016 – 2019 average for Q1 was 15%. Orange County had by far the lowest cancellation rate in Q1, averaging just 5%, followed by Los Angeles at 9%.



- There were just 477 active new home projects in the region as of Q1, which is a little more than half of the historical average over the last 30 years. Project counts are also just a fraction of peak levels in 2006 and 2007 (1.6K+). In addition, the number of projects in the region has changed very little since mid-2022 when mortgage rates started rising. Near record low project counts in the region have contributed to strong sales and stable pricing. ■



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