



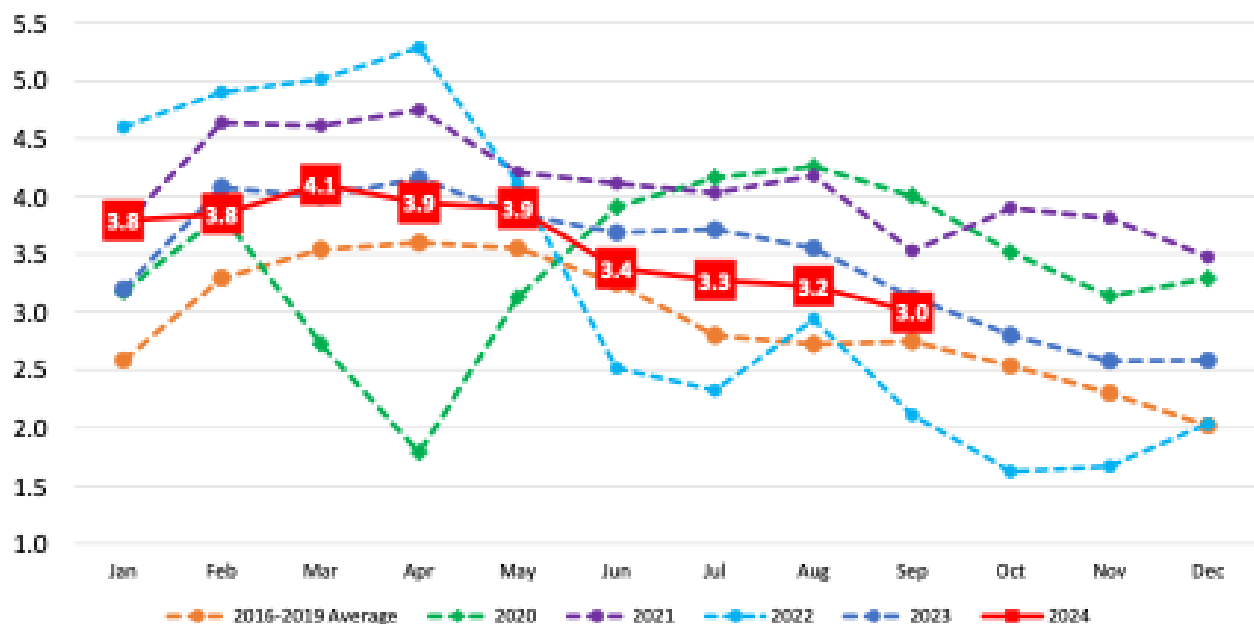
BIASC New Home Market Quarterly Report

Q3 Sales Steady but Price Fatigue Starts to Emerge

New home projects notched steady sales in Q3; however, buyers are experiencing price fatigue. Poor affordability has caught up to the market as prices bumped up against a ceiling over the last several months. As a result, incentives at new home neighborhoods have increased in most areas throughout the region. Whereas six months ago incentives may have been \$5K to \$10K, now \$15K to \$20K is becoming more common, and some projects are as high as \$30K+. The recent decline in mortgage rates will provide some marginal improvement in affordability, but the pricing environment will likely be somewhat soft in Q4. Demand and supply fundamentals remain favorable for builders, with new home project counts near record low levels along with a relatively healthy job market.

- New home sales in Southern CA averaged 3.2/project/mo in Q3 which was slightly below 2023 (3.5) and well above the 2016 – 2019 average (2.8/mo/project) for the same quarter. Sales have slowed since May, but the trend tracks typical seasonal trends. By offering incentives including interest rate buydowns, new home projects continue to have a competitive advantage compared to the resale market.

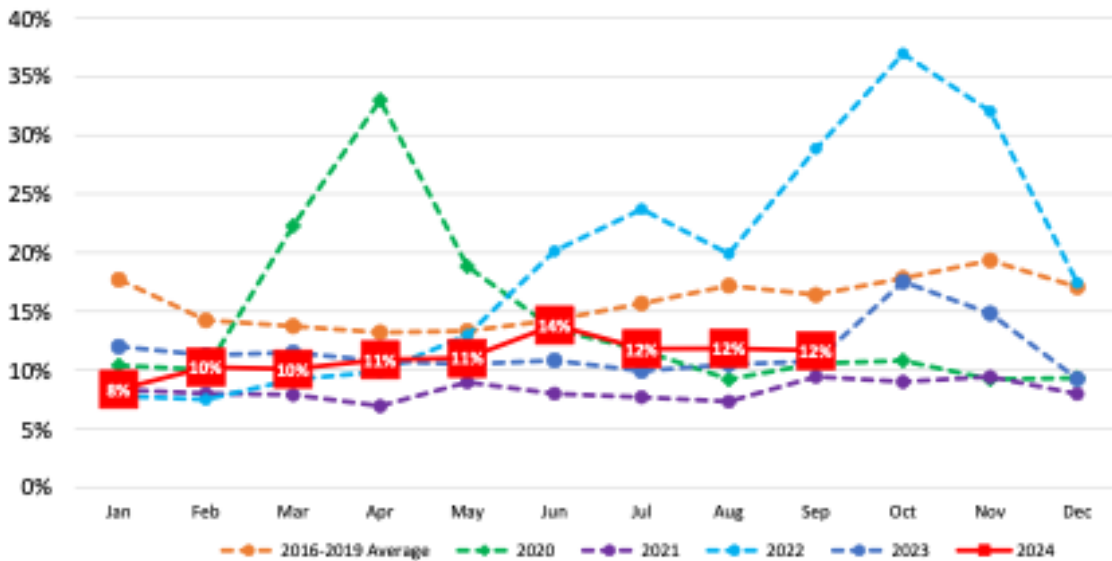
Average Monthly New Home Sales Rate - Southern California



Source: Ryneess, Clarity

- Cancellations averaged 12% in Q3, up slightly from a year ago. A cancellation rate in the 10 – 15% range is considered typical. The 2016 – 2019 average for Q3 was 16%. Los Angeles County had the lowest cancellation rate in Q3, averaging just 9%, and the Inland Empire recorded the highest average rate (17%).

Average Monthly New Home Cancellation Rate - Southern California



Source: Ryneess, Clarity

- There were just 453 active new home projects in the SoCA region as of Q3, which is 47% below the historical average over the last 30 years. Remarkably, the entire SoCA region has fewer active projects than the individual metros of Atlanta, Phoenix, Houston, and Atlanta. The Los Angeles/Orange County metro area, with just 140 active projects and nearly 13 million people, has just a fraction of the number of projects than other major metros. The lack of new home supply in the region has contributed to poor affordability and will likely prevent a significant price correction going forward.

Active Projects - 3Q 2024

