BIASC New Home Market
Quarterly Report

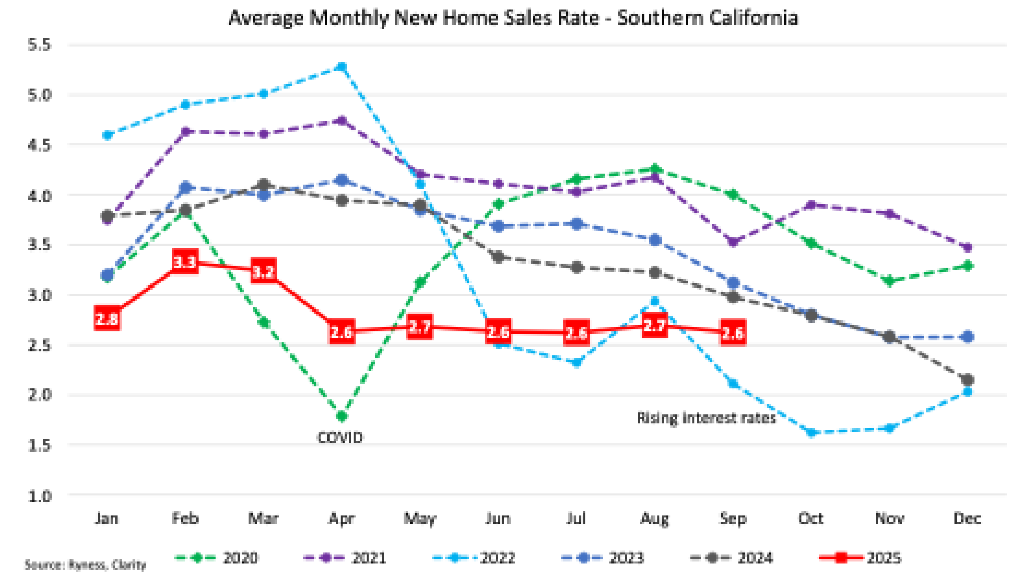
CLARITY
REAL ESTATE ADVISORS

The Market is Starting to Find its Footing

Market conditions improved slightly in Q3, adjusting for seasonality, driven by an uptick in buyer confidence and marginally lower mortgage rates. However, overall new home sales in the region remain below the "equilibrium" level and builders are still having to offer generous incentives, mostly in the form of interest rate buydowns, to spur sales. Base home prices are relatively flat year-over-year despite some softening in recent months but buyers are spending less on options and upgrades and premiums are down a bit. Some builders are pre-plotting options and upgrades and charging below typical retail value.

Although poor affordability remains a headwind, the housing market is starting to find its footing following turbulence earlier in the year associated with tariff/economic concerns. New home sales in September averaged 2.6/mo, slightly below the same month in 2024 (3.0/mo) and 2023 (3.1/mo) but close to the 2016 – 2019 average (2.8/mo). Also, new home project traffic has returned to more normal seasonal levels after subdued traffic in the first and second quarters. Mortgage rates have been trending downward and the possibility of rates falling below 6% later in the year could provide a tailwind going into 2026.

- New home sales in Southern CA averaged 2.7/project/mo in Q3 which was the same as Q2 but below Q3 2024 (3.2). Sales have been remarkably consistent since April, ranging from 2.6 – 2.8/mo. We consider equilibrium to be 3.0/mo. Q3 sales were strongest in OC (3.0/mo) and the Inland Empire (3.0/mo), while Los Angeles (2.2/mo) and San Diego (2.4/mo) recorded slower rates.



- New home project traffic started off the year at levels well below previous years. However, traffic has returned to more normal seasonal levels in Q3. There was an average of 17 new home shoppers/project/week in Q3, which is the same as Q3 2024 and a little below Q3 2023 (20). Unlike previous years where traffic has varied seasonally, activity in 2025 has been very consistent at 16 – 18 shoppers/project/week. In addition, shopper traffic in September was only slightly below the same month in 2024 and 2023.