



NEW HOME PENDING SALES DIP 5.8% BUT THE SPRING SELLING SEASON SIGNALS SALES

Incentives Now Average \$13,697 to Help Move Sales of New Homes

NEWPORT BEACH, Calif., February 22, 2023 — Today, the experts at [Zonda](#), the housing industry's foremost advisors, released the New Home Market Update report for January 2023.

There's an interesting dynamic in the housing market where the improvement in demand seen so far in 2023 is celebrated by the homebuilding community but is carefully watched by policymakers trying to get inflation under control. The Federal Reserve is enacting restrictive policy to intentionally slow the overheated economy, and the housing market is a core part of that.

So far, the majority of builders report a stronger than expected start to the year. There are pockets of outperformance where some communities are exceeding sales seen at the beginning of last year, but the majority remain well below the feverish levels seen in 2021 and early-2022.

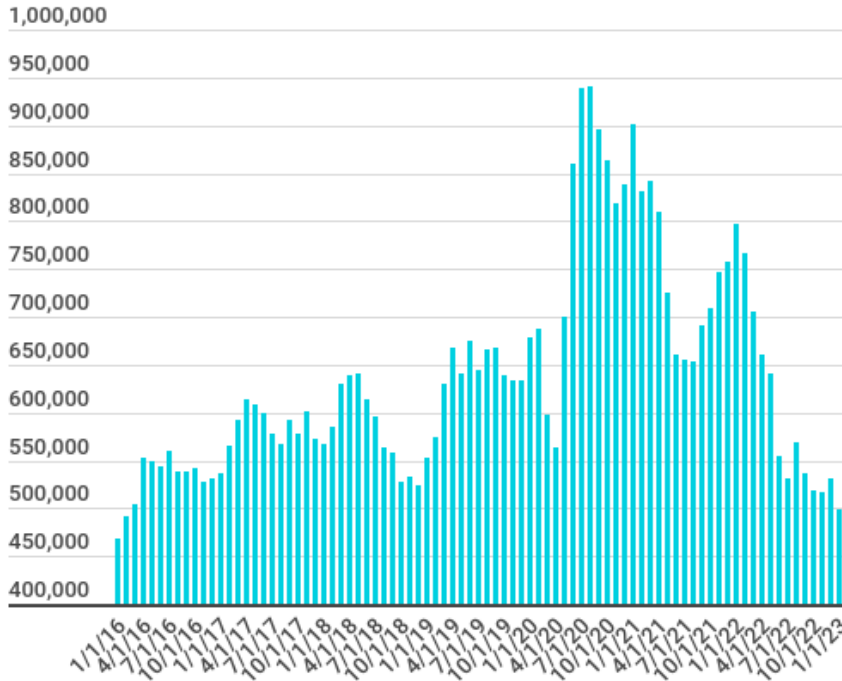
This uptick in demand is captured in Zonda's New Home Pending Sales Index (PSI) for January. The PSI was down 5.8% month-over-month when seasonally adjusted but up 4.3% when non-seasonally adjusted. Put simply, this is telling us that sales rose nationally in January but not to the same extent as would be expected given the time of year.

"It has felt like we've experienced data whiplash over the past few months as new economic and housing stats have been released," said Ali Wolf, Zonda's chief economist. "It's hard to see the uncertainty clearing anytime soon, so we recommend going back to the basics of understanding market resilience, local supply and demand dynamics, and consumer preferences to guide future developments."

Sales activity ticked up but less than the traditional seasonal improvement

Zonda's new home sales metric counts the number of new home contract sales each month and accounts for both cancellations and seasonality. This metric shows there were 498,214 new homes sold in January on a seasonally adjusted annualized rate. This was a decline of 6.1% from last month and a drop of 37.5% from a year ago. On a non-seasonally adjusted basis, 40,112 homes were sold, 39.5% lower than last year but up 2.1% from December 2022.

New Home Sales (SAAR)



Source: Zonda

Some markets appear to have stabilized

Total volume is down due to both supply and demand. Zonda's New Home Pending Sales Index (PSI) was created to help account for fluctuations in supply by combining both total sales volume with the average sales rate per month per community. The January PSI came in at 90.6, representing a 43.0% decline from the same month last year. The index is currently 48.0% below cycle highs. On a month-over-month basis, seasonally adjusted new home sales decreased 5.8%. Similar to total volume, the PSI ticked up on an unadjusted basis, climbing 4.3% from December 2022.

New Home Pending Sales Index



Source: Zonda; Data is seasonally adjusted and as of January 2023

- The PSI failed to grow in any of the select markets year-over-year, but Baltimore was again the strongest performer.
- The metros that performed the worst year-over-year were Phoenix (-64.4%), Las Vegas (-62.9%), and Denver (-62.8%).
- On a monthly basis, Cincinnati, San Antonio, and Austin were the best performing metros. Cincinnati increased 0.7% relative to last month, while San Antonio and Austin were down 0.3% and 1.5%, respectively. Note, these percentages are seasonally adjusted.

New Home Pending Sales Index for Select Markets

| Rank | METRO | SA MOM | SA YOY |
|------|--------------------------|--------|--------|
| 1 | Baltimore | -2.1% | -7.1% |
| 2 | Charlotte | -10.6% | -21.1% |
| 3 | Dallas | -5.2% | -26.6% |
| 4 | Raleigh | -5.0% | -31.2% |
| 5 | Philadelphia | -4.7% | -33.5% |
| 6 | Washington, DC | -4.2% | -33.9% |
| 7 | Tampa | -13.1% | -35.3% |
| 8 | New York | -6.4% | -38.2% |
| 9 | Houston | -3.9% | -40.6% |
| 10 | San Antonio | -0.3% | -40.9% |
| 11 | Minneapolis | -10.1% | -40.9% |
| 12 | Jacksonville | -3.3% | -44.1% |
| 13 | Orlando | -5.7% | -44.7% |
| 14 | Atlanta | -4.5% | -48.4% |
| 15 | Austin | -1.5% | -49.3% |
| 16 | Cincinnati | 0.7% | -49.8% |
| 17 | Seattle | -19.4% | -50.4% |
| 18 | Salt Lake City | -9.7% | -55.0% |
| 19 | Los Angeles/OC | -12.1% | -56.6% |
| 20 | Sacramento | -9.1% | -59.7% |
| 21 | Riverside/San Bernardino | -14.7% | -61.9% |
| 22 | San Francisco | -10.2% | -62.4% |
| 23 | Denver | -4.5% | -62.8% |
| 24 | Las Vegas | -8.5% | -62.9% |
| 25 | Phoenix | -1.8% | -64.4% |

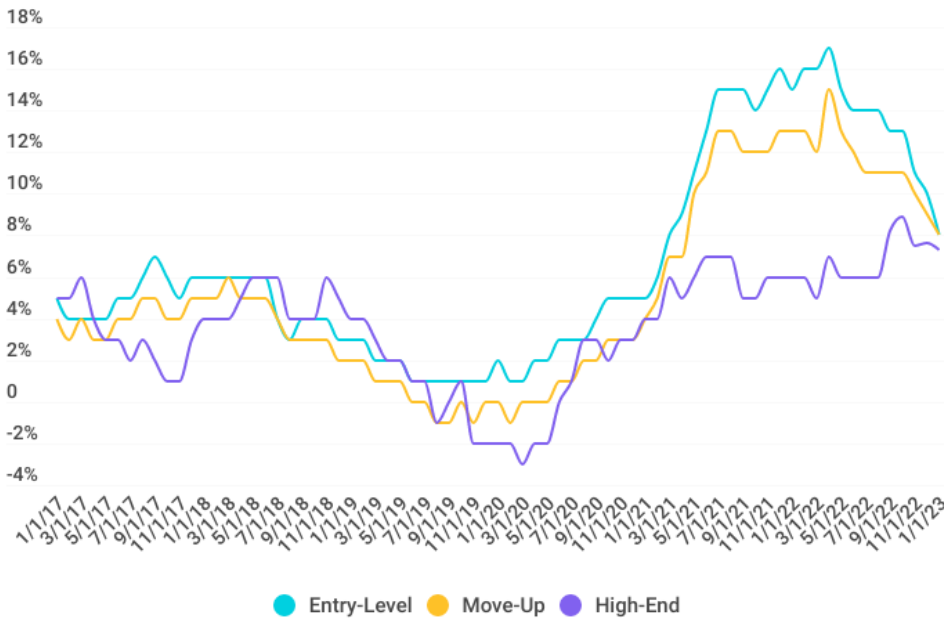
Source: Zonda; Data is seasonally adjusted and as of December 2022

Home prices continue to decelerate

National home prices increased year-over-year across entry-level, move-up, and high-end homes. Prices rose 8.4% for entry-level to \$336,943, 8.0% for move-up to \$526,718, and 7.3% for high-end homes to \$904,410.

Supplementing our data with a monthly survey Zonda conducts, the majority of builders reported holding their prices flat month-over-month from December to January. Roughly 32% of builders lowered prices and 12% increased them. The latter is a divergence from recent trends, and we'll be watching the direction of price changes throughout the year to get a sense of supply and demand and pricing power.

National Home Value Appreciation by Price Tier (YOY Change)



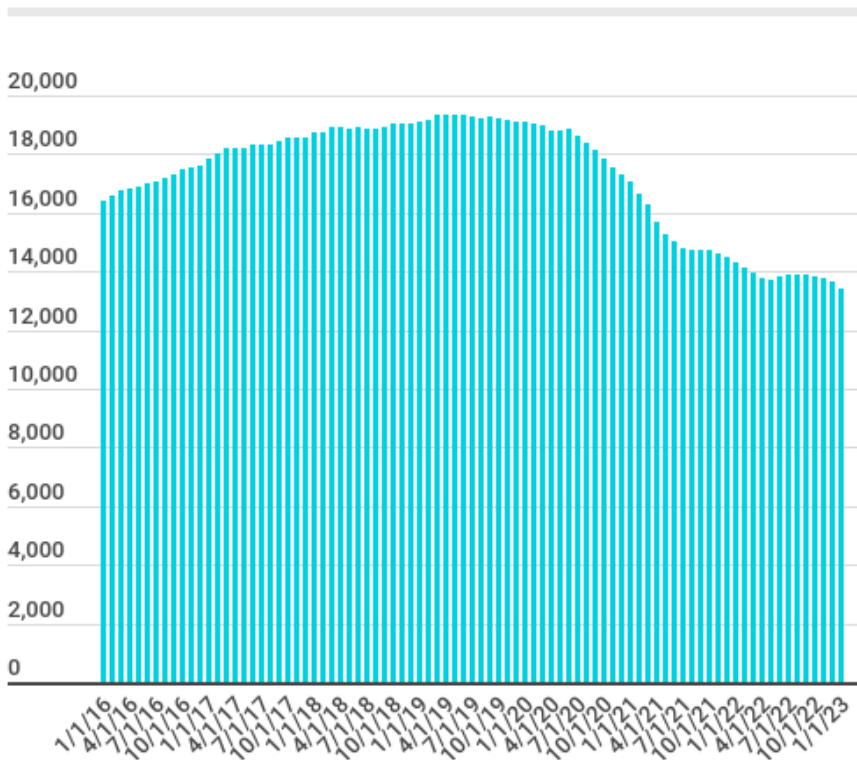
Source: Zonda

Incentives are still common in today’s housing market given the lower levels of sales. 57.6% of active projects are offering to-be-built incentives, up from last month. The average incentive dollar amount is \$13,697 or 4.0% of the list price.

Total community count is nearly 30% below pre-pandemic levels

There are currently 13,412 actively selling communities tracked by Zonda, down 6.4% from last year. On a month-over-month basis, the national figure slipped 1.9%. Total community count is 29.8% below the same month in 2019. Zonda defines a community as anywhere where five or more units are for sale.

National New Home Community Count



Source: Zonda

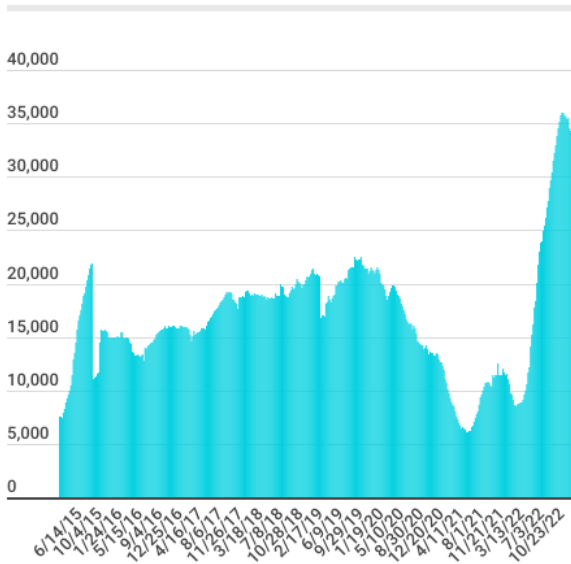
- Riverside/San Bernardino (+17.9%), Phoenix (+10.4%), and Los Angeles/OC (+9.3%) grew community count the most year-over-year.
- Relative to last year, the biggest community count declines were in seen Baltimore (-21.1%), New York (-20.3%), and Atlanta (-19.4%).
- Community count in none of our select markets rose month-over-month, 4% were flat, and 96% fell.

National quick move-ins (QMIs) totaled 29,084, up 203.9% compared to last year but 11.7% lower month-over-month. Total QMIs are 39.3% above 2019 levels. QMIs are homes that can likely be occupied within 90 days.

In many cases, builders were willing and able to offer more aggressive price cuts and/or incentives to help sell these homes, and the month-over-month drop captures the effectiveness.

Zonda’s survey of builders in January found that nearly 60% of builders were either somewhat comfortable or comfortable with their QMI levels, while 37% were somewhat uncomfortable or uncomfortable. The balance said they didn’t have any QMIs.

Weekly Quick Move-In Count



Source: Zonda



- On a metro basis, all of Zonda's select markets increased QMI count year-over-year.
- The markets posting the biggest gains year-over-year were Phoenix, Tampa, and Riverside/San Bernardino. All three markets have seen QMIs rise 400%+ YOY. Month-over-month QMIs were 1% lower in Phoenix and down 24% in Tampa and Riverside/San Bernardino.
- Jacksonville, Phoenix, and Sacramento have seen the most growth in QMIs compared to the same time in 2019, up 353.6%, 211.7%, and 143.4%, respectively.

Methodology

The Zonda New Home Pending Sales Index (PSI) is built on proprietary, industry-leading data that covers 60% of the production new home market across the United States. Reported number of new home pending contracts are gathered and analyzed each month. Released on the 15th business day of each month, the New Home PSI is a leading indicator of housing demand compared to closings because it is based on the number of signed contracts at a new home community. Zonda monitors 18,000 active communities in the country and the homes tracked can be in any stage of construction.

The new home market represents roughly 10% of all transactions, allowing little movements in supply to cause outsized swings in market activity. As a result, the New Home PSI blends the cumulative sales of activity recently sold out projects with the average sales rate per community, which adjusts for fluctuations in supply. Furthermore, the New Home PSI is seasonally adjusted based on each markets' specific seasonality, removes outliers, and uses June 2016 as the base month. The foundation of the index is a monthly survey conducted by Zonda. It is necessary to monitor both new and existing home sales to establish an accurate picture of the relative health of the residential real estate market.

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About Zonda

Zonda provides data-driven housing market solutions to the homebuilding industry. From builders to building product manufacturers, mortgage clients, and multifamily executives, we work hand-in-hand with our customers to streamline access to housing data to empower smarter decisions. As a leading brand in residential construction, our mission is to advance the home building industry, because we believe better homes mean better lives and stronger communities. Together, we are building the future of housing.

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