



NEW HOME SALES RISE TO END YEAR

Drop in mortgage rates and prices provides some affordability relief

NEWPORT BEACH, Calif., January 23, 2024 — Today, the experts at [Zonda](#), the housing industry's foremost advisors, released the New Home Market Update report for December 2023.

The new home market in 2023 proved to be more resilient than initially thought. Many consumers brushed off the mortgage rate instability partly as more cash buyers entered the market and partly as demographic-fueled demand stayed focused on converting from renting to owning. Inventory dynamics were important as well with builders reporting the top reason people bought last year was the lack of resale supply.

As we think about ways to be successful in 2024, a key answer is to go back to the basics. The National Association of Realtors released a survey of consumers that tells us why people purchased new homes last year. Besides the lack of inventory, avoiding renovations or problems, the ability to choose and customize the design, and amenities of new home communities were the biggest drivers.

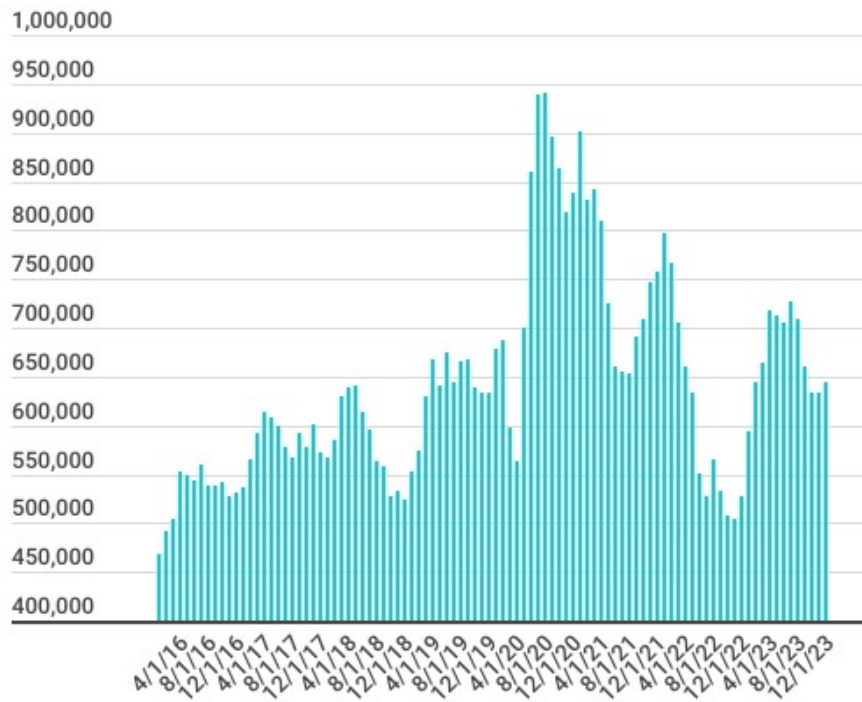
"Throughout all of the housing turmoil of the past few years, the demographic backdrop hasn't changed," said Ali Wolf, chief economist with Zonda. "What has changed is the consumer mindset around the state of the market and housing affordability. The consensus forecast is that the 2024 housing market will be a bit better than 2023, but we need to work on educating consumers on the value of homeownership and help address the affordability strain."

Sales climb to finish the year

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 643,704 new homes sold in December on a seasonally adjusted annualized rate. This was a gain of 1.6% from last month and an increase of 22.1% from a year ago. On a non-seasonally adjusted basis, 48,046 homes were sold, 22.3% higher than last year and 0.6% below the same month in 2019.

New home sales volume is now 11% below the recent peak seen in July 2023. Zonda's preliminary numbers show 671,500 new homes were sold in the full year of 2023, an increase of 11% from 2022.

New Home Sales (SAAR)



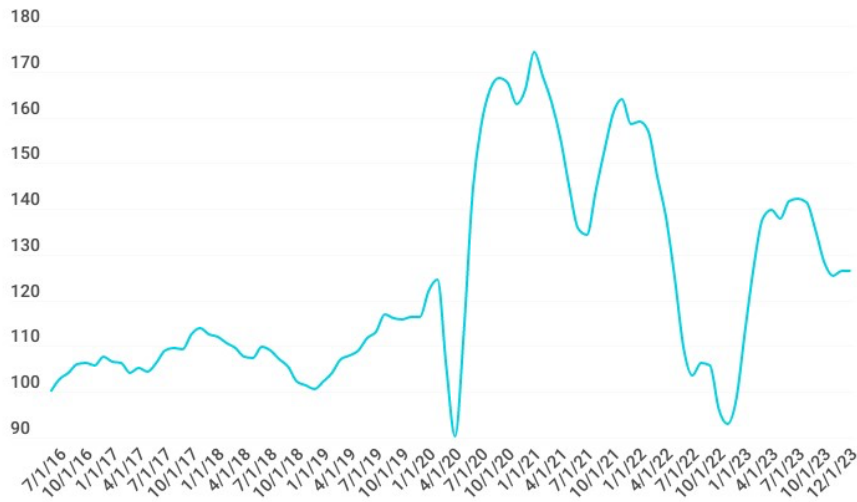
Source: Zonda



The New Home PSI held steady in December

Total sales volume is influenced by 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 December PSI came in at 126.4, representing a 28.6% rise from the same month last year. The index is currently 27.4% below cycle highs. On a month-over-month basis, seasonally adjusted new home sales increased 0.9%.

New Home Pending Sales Index



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



- The markets that posted the best numbers relative to last year were Las Vegas (+119.3%), Phoenix (+98.9%), and Denver (+84.8%). These markets slowed dramatically in late 2022 but have since stabilized. The base effect of those low levels contributed to the large YOY percentages.
- Only one market, New York (-5.7%), declined year-over-year.
- On a monthly basis, Denver, Salt Lake City, and Phoenix performed best.

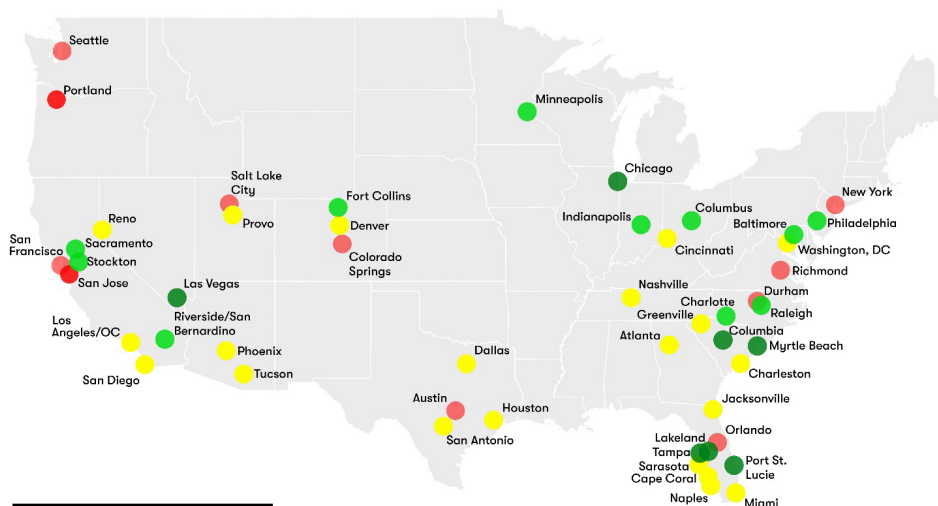
New Home Pending Sales Index for Select Markets

Rank	METRO	SA MOM	SA YOY
1	Las Vegas	15.2%	119.3%
2	Phoenix	21.4%	98.9%
3	Denver	44.8%	84.8%
4	San Francisco	-0.4%	74.8%
5	Sacramento	4.5%	72.2%
6	Cincinnati	3.1%	60.8%
7	Salt Lake City	30.5%	60.5%
8	Los Angeles/OC	1.1%	58.7%
9	Riverside/San Bernardino	2.2%	55.3%
10	Atlanta	-0.2%	47.5%
11	Tampa	-2.7%	46.4%
12	Raleigh	-6.2%	45.9%
13	Minneapolis	-0.7%	31.1%
14	Austin	-5.2%	28.9%
15	Charlotte	8.6%	19.2%
16	San Antonio	-5.6%	17.9%
17	Philadelphia	-1.6%	16.3%
18	Houston	2.0%	15.3%
19	Jacksonville	-7.3%	15.0%
20	Washington, DC	-1.1%	13.7%
21	Orlando	-6.9%	13.0%
22	Seattle	5.9%	12.6%
23	Baltimore	1.6%	10.0%
24	Dallas	-4.7%	8.2%
25	New York	17.9%	-5.7%

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

Over one third of new home markets were overperforming in December

In order to add further context on the metro level, we created the Zonda Market Ranking (ZMR). The ZMR accounts for both sales pace and volume, is seasonally adjusted, and is taken as a percentage relative to a baseline market average. Based on the percentage above or below baseline, markets are bucketed into performance groups ranging from significantly underperforming to significantly overperforming relative to historical activity.



Market Rankings - December 2023

- Significantly Overperforming
- Slightly Overperforming
- Average
- Slightly Underperforming
- Significantly Underperforming

- The National ZMR index came in at 105.2 in December, indicating an *average* market.
- The major metros *overperforming* their historical averages most in November 2023 were Port St. Lucie, Chicago, and Tampa.
- Two markets were *significantly underperforming*, San Jose and Portland. Durham, Salt Lake City, Seattle, Austin, New York, Colorado Springs, San Francisco, Orlando, and Richmond were *slightly underperforming*.
- Among our top fifty markets, 36% were *overperforming*, 42% were *average*, and 22% were *underperforming*. Last month, 50% were *overperforming*, 28% were *average*, and 22% were *underperforming*.
- Importantly, the ZMR does not account for what it takes to sell a home. For example, securing a sale might still feel difficult in a “significantly overperforming” market, but if incentives offered result in a sale, we count the sale.

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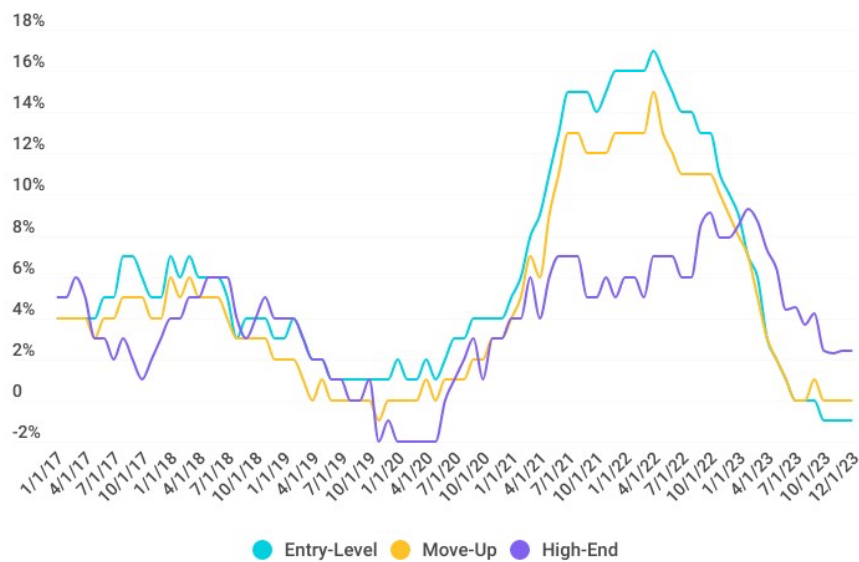
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Prices declined in entry-level and move-up segments

National home prices fell 1.2% for entry-level to \$333,536 and 0.3% for move-up to \$522,651, but rose 2.4% for high-end homes to \$916,489.

Supplementing our data with a monthly survey Zonda conducts, 18% of builders reported raising prices in December, up from 10% in November. Further, 71% reported holding prices flat, down from 75% last month.

National Home Value Appreciation by Price Tier (YOY Change)



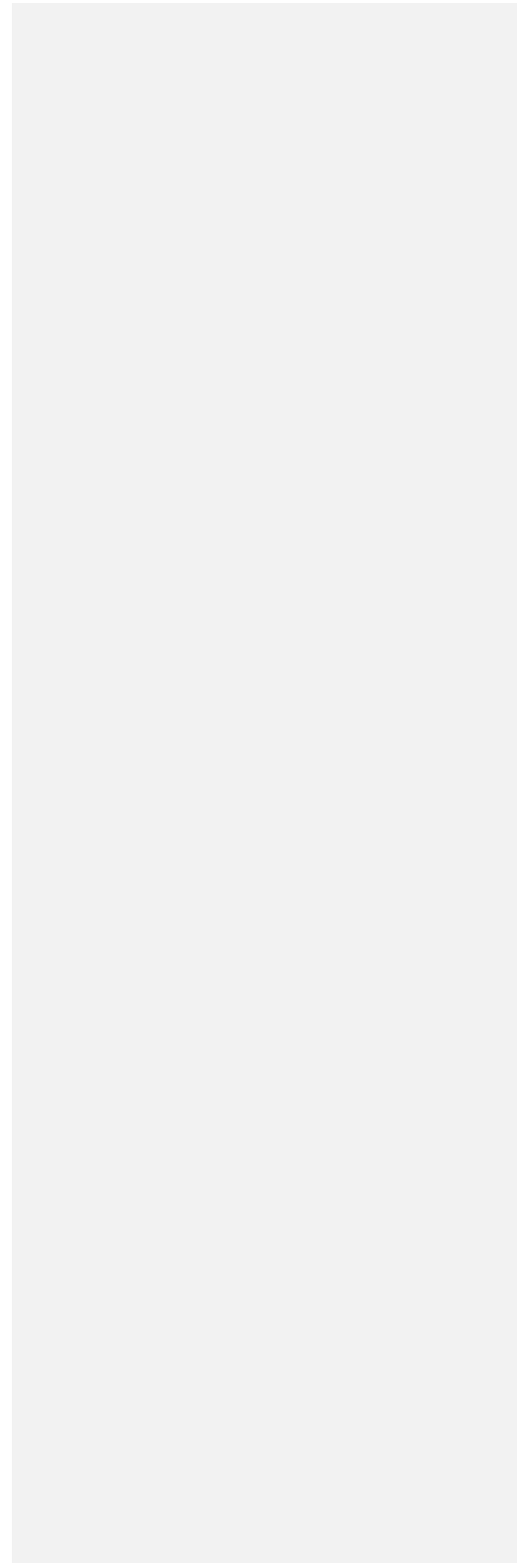
Source: Zonda

Incentives are still common in today's housing market to help address the affordability constraints for buyers. 56% of new home communities across the country offered incentives in December, down slightly month-over-month. Many builders find incentives are necessary to help seal the deal with consumers.

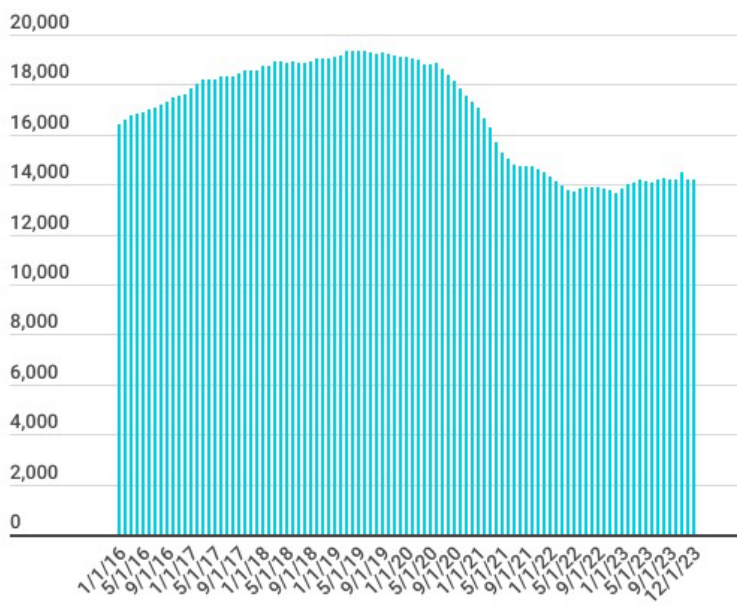


Low overall community count but up year-over-year

There are currently 14,197 actively selling communities tracked by Zonda, up 3.9% from last year. On a month-over-month basis, the national figure slipped 1.9%. Total community count is 25.8% below the same month in 2019. The lack of competition from other new home communities has allowed for some upward pressure on the average sales rate per month per community. Zonda defines a community as anywhere where five or more units are for sale.



National New Home Community Count



Source: Zonda



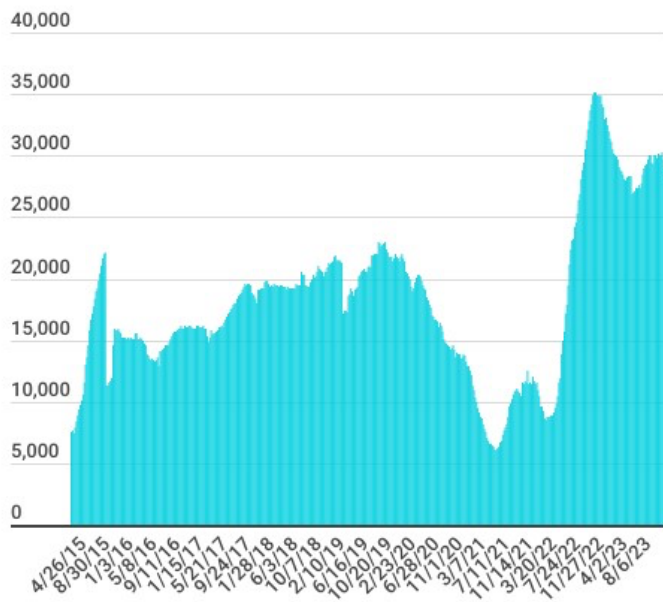
- Austin (+17.3%), Orlando (+15.2%), and Dallas (+11.1%) grew community count the most year-over-year. Relative to 2019, community count is down 13%, 27%, and 20%, respectively.
- The biggest community count declines were in San Francisco (-18.8%), Seattle (-13.3%), and Tampa (-11.5%).
- Community count fell year-over-year in all of Zonda's select markets.

National quick move-ins (QMIs) totaled 28,004, down 14.5% compared to last year and 8.8% lower month-over-month. Total QMIs are 116.8% above 2019 levels. QMIs are homes that can likely be occupied within 90 days.

QMIs sell out quicker than they can be replaced in many markets as consumers view these homes as a great alternative to the resale market given the dearth of supply. The quick rise in QMIs last year led to price drops at many new home communities. We aren't seeing the same build-up today.

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Weekly Quick Move-In Count



Source: Zonda



- The markets that grew the most year-over-year were Salt Lake City (+64.6%), Riverside/San Bernardino (+36.6%), and Cincinnati (+12.6%).
- Las Vegas, Jacksonville, and Riverside/San Bernardino have seen the most growth in QMIs compared to the same time in 2019, up 253.2%, 202.9%, and 135.5%, respectively.
- QMIs are down the most compared to 2019 in Baltimore (-65%), Seattle (-55%), and Atlanta (-47%).

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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