

## NEW HOME MARKET SHOWS SOME RESILIENCE

### *Use of incentives by builders contributes to 25.6% increase year-over-year in new home sales*

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

The new home market has been relatively resilient even with mortgage rates holding above 7%. Zonda's new home sales metric shows there were 709,114 new homes sold in August on a seasonally adjusted annualized rate. This was a gain of 0.6% from last month and an increase of 25.6% from a year ago. Overall, sales have held up better than expected but seasonality and affordability challenges remain clear headwinds to the market.

The relative resilience in the new home market can be attributed to five main things:

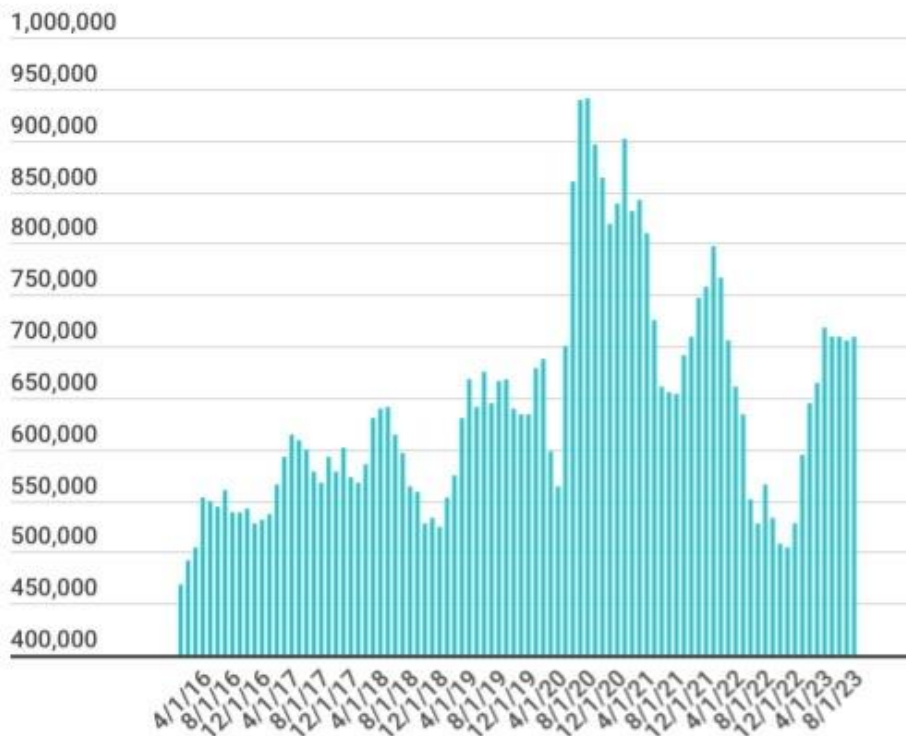
1. Limited quality competition from the resale market
2. The use of incentives by builders, especially mortgage rate buydowns
3. A narrowing of the price spread between new and existing homes
4. The growing share of cash buyers in the market unfazed by rising rates
5. A begrudging acceptance from consumers that low interest rates are a thing of the past

"The tale of two housing markets persists," said Ali Wolf, Zonda's chief economist. "While the overall demand pool for housing is down given affordability constraints, new home sales are up year-over-year as many builders have some inventory to sell and are willing to sweeten the deal for consumers with incentives. In contrast, resale sales are down year-over-year as the lack of inventory continues to plague the market."

### **New home sales have been above 700k for five months**

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 709,114 new homes sold in August on a seasonally adjusted annualized rate. This was a gain of 0.6% from last month and an increase of 25.6% from a year ago. On a non-seasonally adjusted basis, 59,097 homes were sold, 27.6% higher than last year and 8.8% above the same month in 2019.

## New Home Sales (SAAR)

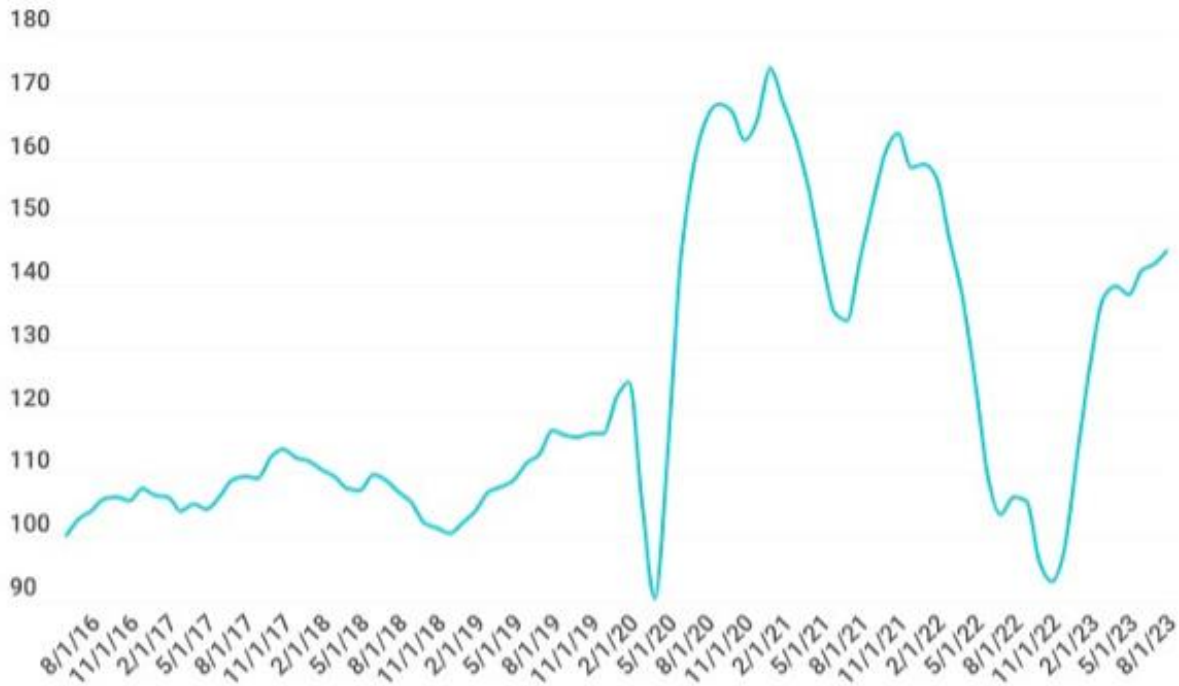


Source: Zonda

### Sales in most markets are up year-over-year

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 August PSI came in at 145.6, representing a 37.1% rise from the same month last year. The index is currently 16.4% below cycle highs. On a month-over-month basis, seasonally adjusted new home sales increased 1.6%.

## New Home Pending Sales Index



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

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- The markets that posted the best numbers relative to last year were Phoenix (+155.0%), Sacramento (+111.8%), and San Francisco (+70.8%). These markets slowed dramatically last year as the interest rate shock pushed affordability past the point where many consumers were comfortable. The markets have since stabilized and the base effect of last year's low levels is contributing to the large year-over-year percentages.
- The metros that performed the worst year-over-year were Jacksonville (-2.0%), Baltimore (+1.4%), and New York (+18.4%). Notice that the latter two markets are positive. Every one of our select markets posted a year-over-year gain except for Jacksonville.
- On a monthly basis, Cincinnati, Salt Lake City, and Sacramento were the best performing markets.

## New Home Pending Sales Index for Select Markets

Rank	METRO	SA MOM	SA YOY
1	Phoenix	4.0%	155.0%
2	Sacramento	7.8%	111.8%
3	San Francisco	4.8%	70.8%
4	Las Vegas	7.1%	70.6%
5	Denver	5.3%	68.1%
6	Minneapolis	-6.9%	62.9%
7	Riverside/San Bernardino	7.7%	57.5%
8	Dallas	3.1%	56.6%
9	Los Angeles/OC	3.2%	39.5%
10	San Antonio	-2.5%	39.2%
11	Cincinnati	42.6%	38.8%
12	Charlotte	1.9%	35.3%
13	Tampa	3.9%	35.1%
14	Salt Lake City	21.0%	32.3%
15	Seattle	5.0%	30.8%
16	Raleigh	-6.2%	29.0%
17	Austin	1.6%	29.0%
18	Orlando	1.5%	26.7%
19	Atlanta	-3.3%	24.5%
20	Houston	0.9%	21.7%
21	Washington, DC	0.7%	21.0%
22	Philadelphia	-2.4%	20.6%
23	New York	-0.9%	18.4%
24	Baltimore	-2.4%	1.4%
25	Jacksonville	-6.5%	-2.0%

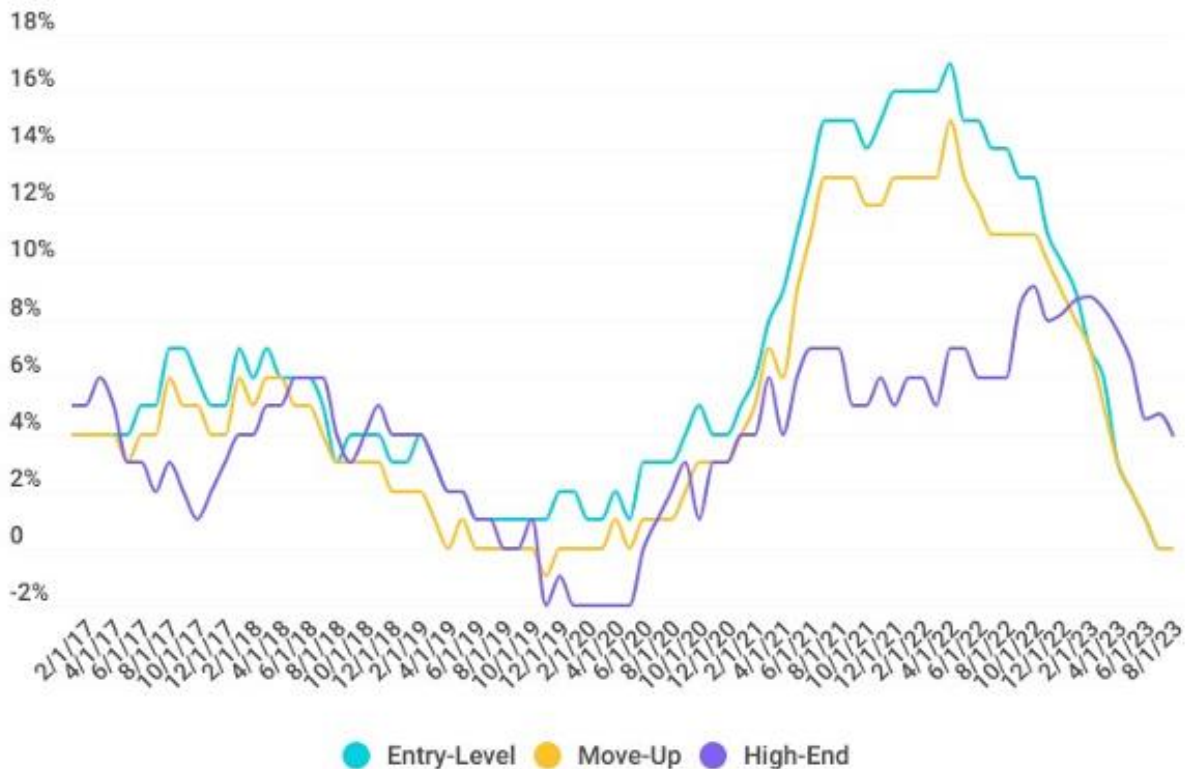
Source: Zonda; Data is seasonally adjusted and as of August 2023

### Pricing growth is at a more moderate pace

National home prices increased year-over-year across entry-level, move-up, and high-end homes. Prices rose 0.2% for entry-level to \$340,203, 0.4% for move-up to \$528,856, and 3.9% for high-end homes to \$920,772.

Supplementing our data with a monthly survey Zonda conducts, 37% of builders reported raising prices in August and 58% reported holding prices flat. The percentage of builders reporting price increases has slowed as seasonality kicks in and builders further evaluate the affordability backdrop.

### National Home Value Appreciation by Price Tier (YOY Change)



Source: Zonda

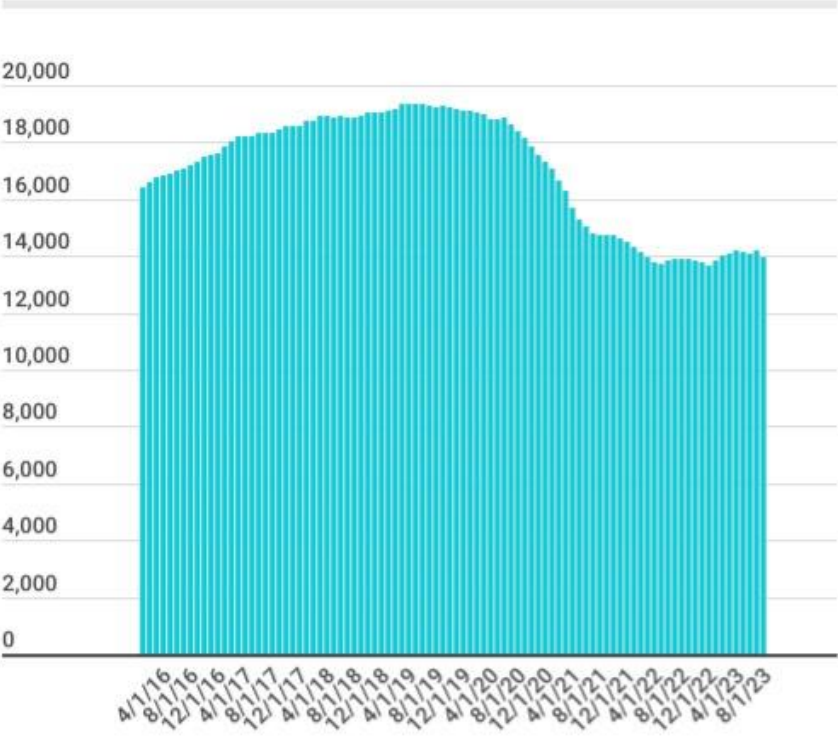
Incentives are still common in today's housing market to help address the affordability constraints for buyers. 58% of new home communities across the country were offering

incentives in August, flat month-over-month. The most effective way to get consumers off the sidelines has been through mortgage rate buydowns and funds towards closing costs.

**Builders are gaining market share, but project count is still low**

There are currently 13,923 actively selling communities tracked by Zonda, up 0.2% from last year. On a month-over-month basis, the national figure slipped 1.9%. Total community count is 27.6% below the same month in 2019. The lack of competition from other new home communities is allowing 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



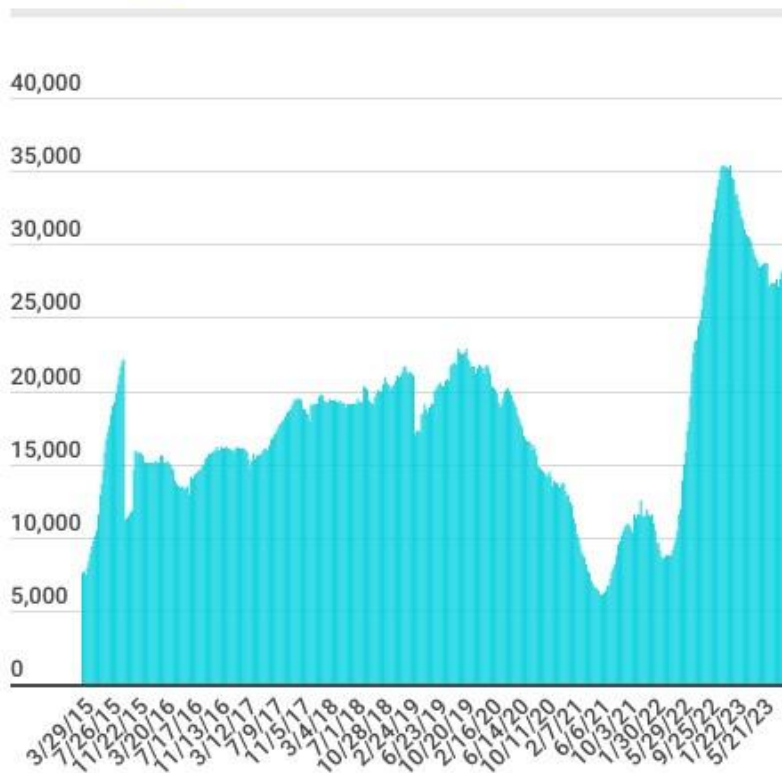
- Austin (+15.9%), Minneapolis (+14.4%), and Riverside/San Bernardino (+10.0%) grew community count the most year-over-year. Relative to 2019, community count is down 12% and 9% in Austin and Riverside/San Bernardino, but up 4% in Minneapolis.

- Community count fell the most in Tampa (-17.4%), Seattle (-16.9%), and Las Vegas (-15.0%) relative to last year.
- Community count fell year-over-year in 92% of our select markets, while 8% rose.

National quick move-ins (QMIs) totaled 26,312, down 9.4% compared to last year and 7.0% lower month-over-month. Total QMIs are 80.5% above 2019 levels. QMIs are homes that can likely be occupied within 90 days.

QMIs are selling 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.

## Weekly Quick Move-In Count



Source: Zonda

- On a metro basis, 20% of Zonda's select markets increased QMI count year-over-year.

- The markets that grew the most year-over-year were Los Angeles/OC (+14.5%), Salt Lake City (+12.6%), and Las Vegas (+10.4%).
- Las Vegas, Salt Lake City, and Phoenix have seen the most growth in QMIs compared to the same time in 2019, up 221.1%, 197.8%, and 110.6%, respectively.
- QMIs are down the most compared to 2019 in Baltimore (-63%), New York (-59%), and San Francisco (-59%), three markets particularly limited by land and lot availability.

### **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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