



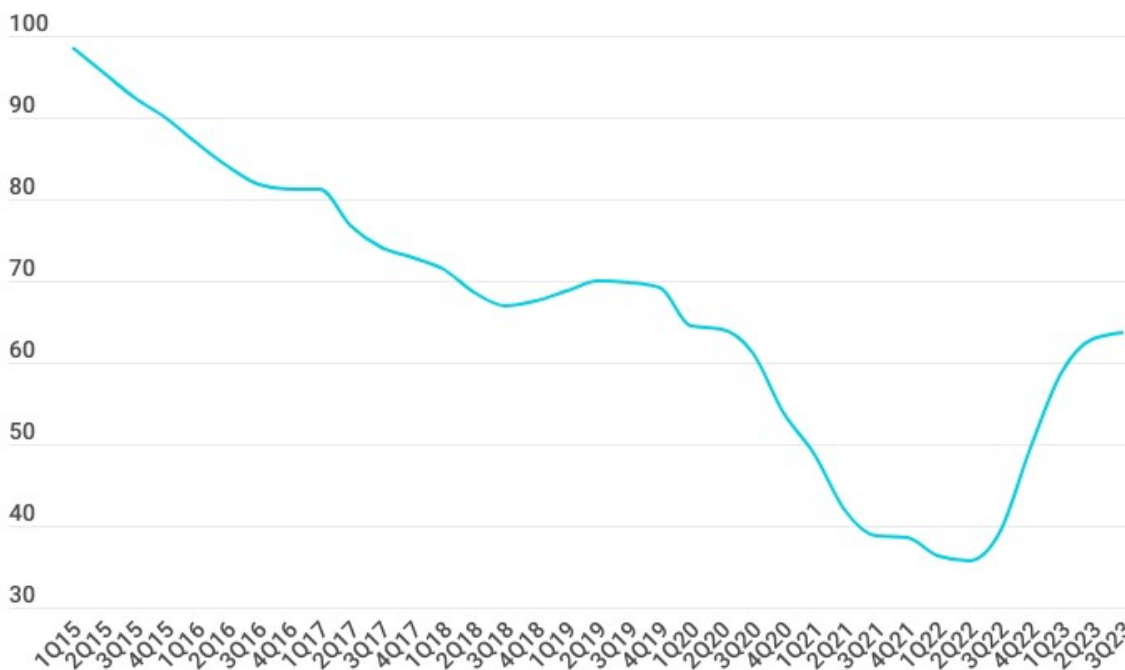
New Home Lot Inventory Modestly Climbs Again, Zonda Reports

—Lot supply ticks up for fifth consecutive quarter—

Newport Beach, Calif., November 8, 2023—Today, the experts at [Zonda](#), the housing industry's foremost advisors, released the New Home Lot Supply Index (LSI) for 3Q23. The New Home LSI, backed by data from Zonda, shows lot supply loosened year-over-year across the United States. The index is a residential real estate indicator based on the number of single-family vacant developed lots and the rate at which those lots are absorbed.

- The New Home LSI came in at 63.7 for 3Q23, representing a 62.4% increase from 3Q22. The LSI is now back to mid-to-late 2020 levels.
- On a quarter-over-quarter basis, supply increased by 1.4% from 2Q23.
- Despite the increase, the 3Q23 data still reflects a “significantly undersupplied” market nationally.
- It is important to remember how this index is calculated. We consider the total vacant developed lot supply and adjust it for overall starts activity. Because housing starts are down compared to the past couple of years, there has been an accompanying uptick in the index.

New Home Lot Supply Index



Source: Zonda; Data as of 3Q23



“Builders need lots to build homes,” said Ali Wolf, chief economist at Zonda. “Building was outpacing the ability to replenish lots during the height of the housing market throughout late-2020 to early-2022. With total starts below one million for the past 12+ months, some health has returned to the land and lot market. In fact, overall vacant developed lot activity has trended up for the fifth straight quarter.”

Lot supply loosened in most major metropolitan areas in 3Q23, with 29 of 30 increasing year-over-year.

- Lot inventory is still categorized as “significantly undersupplied” in most markets, but the loosening trend is broad based.

- As of the third quarter, there were six markets labeled “appropriately supplied” and two considered “slightly undersupplied.” Know that moving into “appropriately supplied” doesn’t mean these markets are flush with lots. It just captures a more tempered and healthier pace of lot conversion compared to the height of the market.
- The LSI in Austin rose dramatically quarter-over-quarter and became the highest market in the index, now sitting at 101.0, an increase of 109% from the same time last year. While the fundamentals of job growth and migration are strong in Austin, housing affordability has slowed demand. The slower demand has translated to slower starts activity and an uptick in the LSI.
- The markets where land supply loosened the most on a year-over-year basis were led by Phoenix, Austin, and Denver. In these markets, starts were down 24%, 32%, and 28%, respectively, compared to the same quarter last year.
- Los Angeles/OC was the only major metro that tightened compared to the same time last year.
- Los Angeles/OC, San Diego, and Miami currently have the tightest lot supply among major markets. All three have severe geographic and topographical limitations on land and lot development.
- The LSI grew quarter-over-quarter in 13 of Zonda’s select 30 markets, down compared to last quarter. On a quarter-over-quarter basis, Austin and Baltimore loosened the most, up 24% and 23%, respectively.

New Home Lot Supply Index By Market

Appropriately Supplied Markets	Index Value (YOY Change)
Austin	101.0 (109%)
San Antonio	98.7 (102%)
Denver	93 (108%)
Boise	91.4 (41%)
Phoenix	88.0 (144%)
Minneapolis	87.3 (64%)

Slightly Undersupplied Markets	Index Value (YOY Change)
Salt Lake City	79.3 (58%)
Dallas	76.5 (57%)

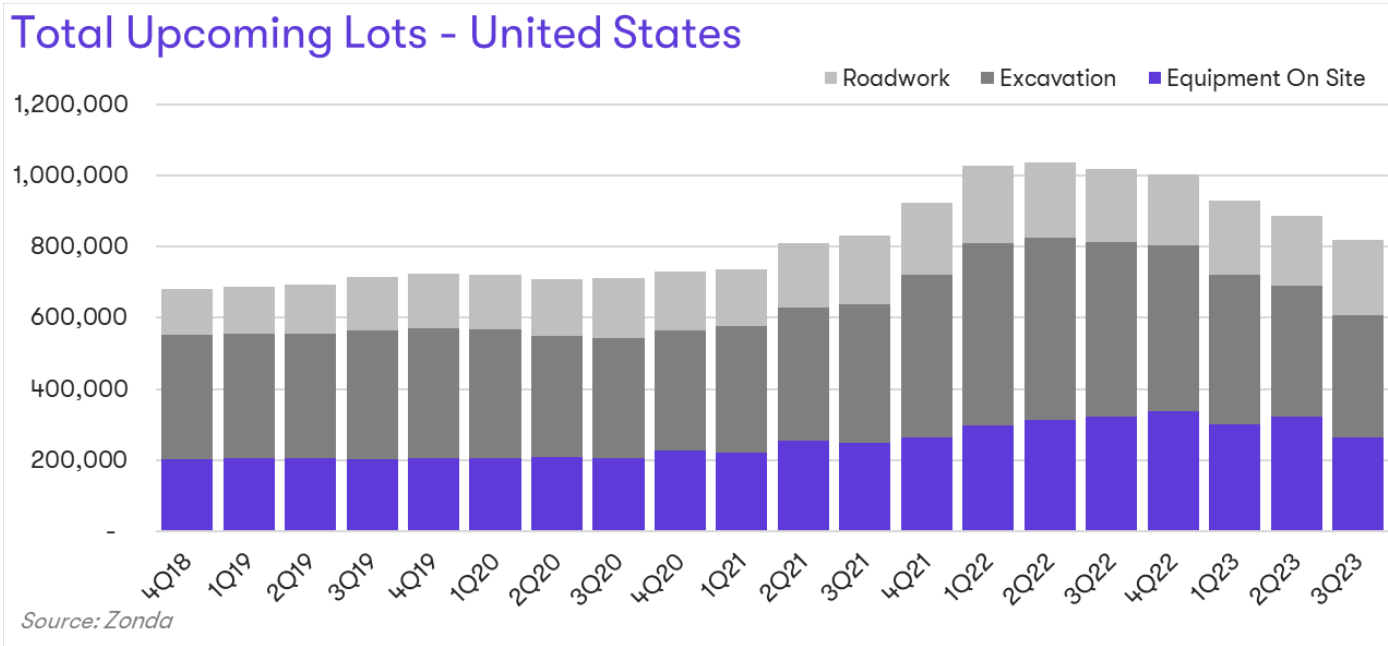
Significantly Undersupplied Markets	Index Value (YOY Change)
Portland	74.5 (52%)
Atlanta	70.7 (36%)
Houston	69.5 (59%)
Indianapolis	62.3 (73%)
Las Vegas	62.2 (105%)
Sacramento	60.3 (49%)
New York	59.7 (14%)
Philadelphia	55.1 (46%)
Nashville	51.8 (90%)
Charlotte	48.8 (79%)
Baltimore	47.3 (51%)
Riverside/San Bernardino	47.1 (28%)
San Francisco	45.6 (13%)
Washington, DC	44.5 (40%)
Seattle	41.6 (13%)
Raleigh	41.1 (23%)
Jacksonville	40.2 (74%)
Tampa	37.1 (28%)
Orlando	34.4 (30%)
Miami	30.5 (73%)
San Diego	27.0 (40%)
Los Angeles/OC	23.7 (-26%)

Source: Zonda; Data as of 3Q23

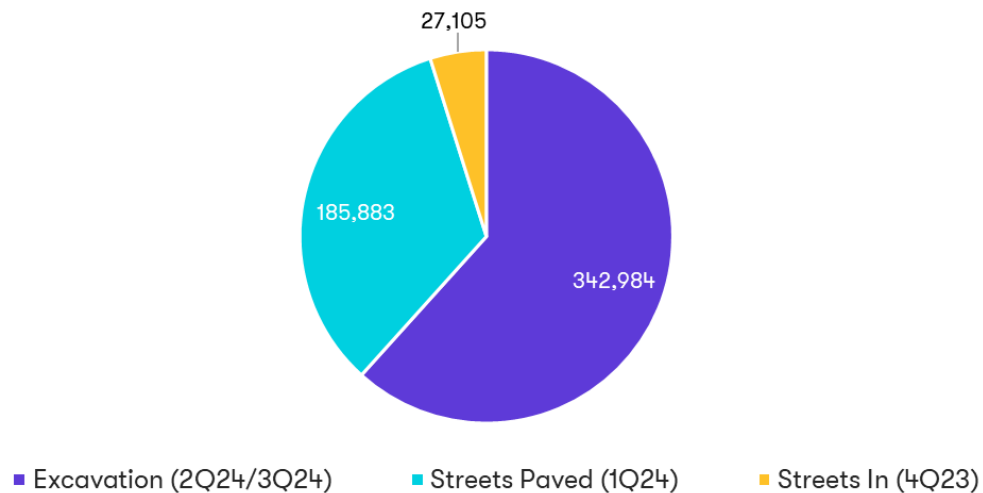
Zonda also records future lots through the stages of development. The stages range from raw land through streets in, which is the last step before the lot becomes a vacant developed lot. Zonda groups the last few stages into a classification called total upcoming lots, which typically indicates delivery over the next 12-18 months.

Total upcoming lots for 3Q23 decreased 19% year-over-year and fell 7% from last quarter. The largest declines among the total upcoming lots came in the streets in stage, which fell 34% from the same period last year. The pullback in total upcoming lots in the third quarter corresponds with the market demand pullback of the past 18 months.

The largest share of total upcoming lots are in the excavation stage, making up 62% nationally. These lots have an expected delivery between 2Q24 and 3Q24 (the range represents different timeframes from local entitlement processes). Note, not all of the lots in excavation will match Zonda’s estimated timeline.



Expected Vacant Developed Lot Delivery Based on Stage of Construction



Source: Zonda

“When looking at land and lot supply, we like to see how closely trends align with sales,” Wolf said. “The third quarter total upcoming lots data is down 19% year-over-year given the stop-go development of an uncertain market. However, the most recent release captures a 13% increase compared to the fourth quarter of 2019. This tracks with the fact that current new home sales are outperforming pre-pandemic levels.”

Methodology

The Zonda New Home Lot Supply Index (LSI) is built on proprietary, industry-leading data that covers the production new home market across the United States. The index values represent single-family vacant developed lot supply, lots that are ready to be built on, relative to equilibrium. Released quarterly, the New Home LSI provides an unrivaled look into the lot markets across the country, offering a current quarter snapshot as well as insight into the directional trend.

The New Home LSI is calculated based on each markets’ specific equilibrium as determined by our team of local experts and historical activity. The comparative current value is adjusted to capture the “true” months of supply figure by applying a greater weight to vacant developed lots in subdivisions with more starts activity. Each index value is associated with a phrase highlighting the current lot supply dynamics. A value of 100, represents perfect equilibrium, while a value of 125 and above equals “Significantly Oversupplied”, 115-125 - “Slightly Oversupplied”, 85-115 - “Appropriately Supply”, 75-85 – “Slightly Undersupplied”, and 75 and below – “Significantly Undersupplied.”

The foundation of the index is a quarterly release conducted by Zonda. It is necessary to monitor residential lot supply to understand how new home markets may be impacted by the incoming pipeline.

About Zonda

Zonda represents the housing industry's leading provider of rich data and the industry's top advisors for residential real estate development and new home construction. With products and services geared for homebuilders, multifamily developers, lenders, and financial institutions, we provide innovative solutions to maximize opportunities in today's real estate development landscape. To learn more, visit zondahome.com.

###