New Home Markets Slips to Average for First Time in a Year

The new home market had a muted start to 2025

NEWPORT BEACH, CALIF., February 24, 2025 — Today, the experts at Zonda, the housing industry's foremost advisors, released the New Home Market Update report for January 2025.

The new home market had a slow start to the year. New home sales totaled 649,967 on a seasonally adjusted annualized rate in January, down 11.3% year-over-year. The Zonda Market Ranking, a measure of sales adjusted for supply, moved down from *slightly overperforming* to *average*. Meanwhile, quick move-in supply rose 18.9% compared to last year, providing consumers with more housing options.

The defining characteristic of today's housing market is its lack of uniformity. Our New Home Pending Sales Index demonstrates this, with some markets seeing 15%+ year-over-year growth, while others declined by the same margin. Variations in housing affordability, supply, labor market strength, and consumer confidence explain the locational differences.

"If there's one word to describe the new home market today, it would be 'fine'", said Ali Wolf, chief economist at Zonda. "Traffic is low, and buyers lack any sense of urgency, but reasonable conversion rates show that serious buyers are still out and about."

New home sales dropped year-over-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 649,967 new homes sold in January on a seasonally adjusted annualized rate. This was a decline of 4.2% from last month and a drop of 11.3% from a year ago. On a non-seasonally adjusted basis, 53,956 homes were sold, 11.2% lower than last year and 4.4% below the same month in 2019.

New Home Sales (SAAR)
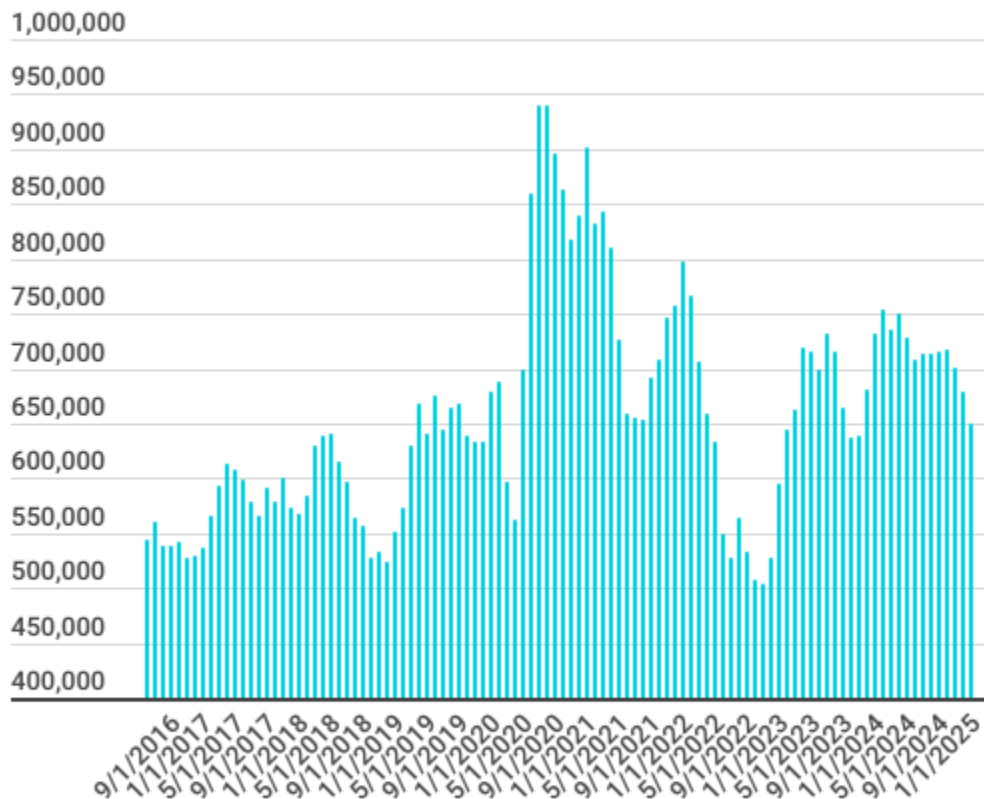
Source: Zonda

The PSI fell to lowest point since January 2023
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 125.3, representing a 11.3% decline from the same month last year. The index is currently 28.1% below cycle highs. On a month-over-month basis, seasonally adjusted new home sales decreased 5.9%.

New Home Pending Sales Index
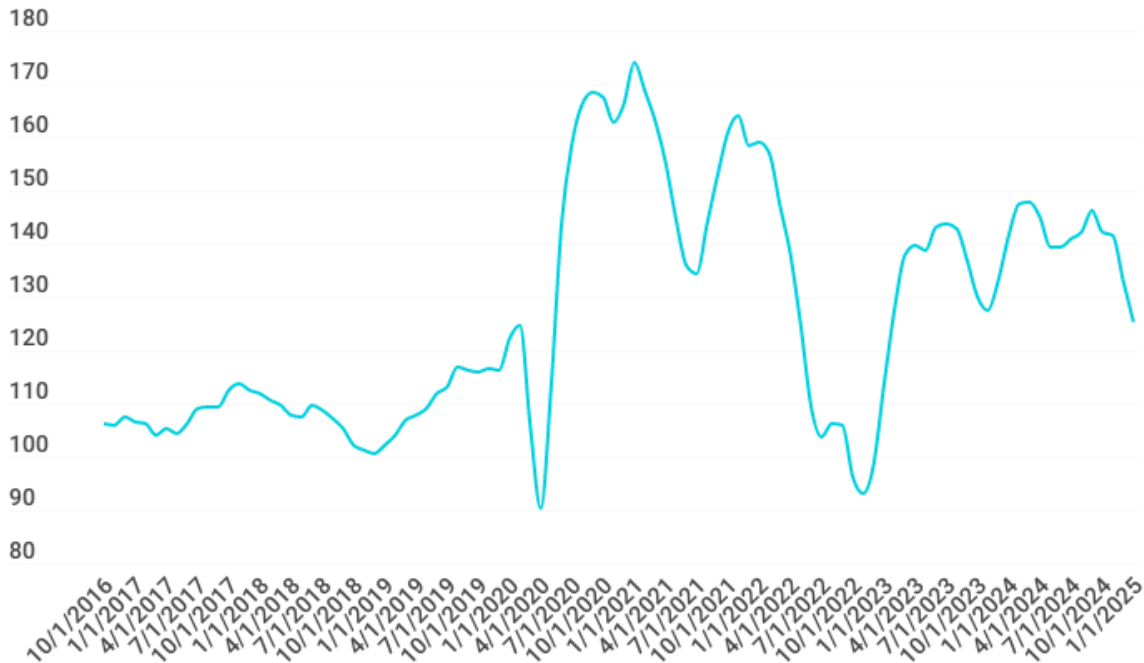
Source: Zonda

- Only two markets increased year-over-year, which were Cincinnati (+18.1%) and Baltimore (+2.1%). Cincinnati was up compared to last year but fell 2.0% month-over-month.
- Inversely, the metros that performed the worst year-over-year were San Francisco (-33.1%), Denver (-27.7%), and Las Vegas (-25.8%).
- On a monthly basis, Orlando, Baltimore, and Minneapolis were the best performing markets. Orlando increased 6.2% MOM.

New Home Pending Sales Index for Select Markets

Rank	METRO	SA MOM	SA YOY
1	Cincinnati	-2.0%	18.1%
2	Baltimore	4.8%	2.1%
3	Charlotte	-9.0%	-0.7%
4	Jacksonville	2.0%	-0.9%
5	Washington, DC	-4.9%	-2.0%
6	Sacramento	-17.7%	-5.1%
7	Minneapolis	3.1%	-7.4%
8	Houston	-3.5%	-9.7%
9	Salt Lake City	-13.9%	-10.7%
10	New York	-6.4%	-10.9%
11	Atlanta	-0.8%	-11.1%
12	Raleigh	-6.4%	-11.5%
13	Phoenix	-12.7%	-11.5%
14	Dallas	-6.4%	-12.9%
15	Orlando	6.2%	-13.8%
16	San Antonio	-0.6%	-13.8%
17	Philadelphia	-2.1%	-14.1%
18	Seattle	-14.8%	-14.8%
19	Austin	-3.3%	-16.0%
20	Riverside/San Bernardino	-2.2%	-16.6%
21	Tampa	-14.6%	-19.6%
22	Los Angeles/OC	-0.7%	-23.1%
23	Las Vegas	-14.7%	-25.8%
24	Denver	-26.6%	-27.7%
25	San Francisco	-14.7%	-33.1%

Source: Zonda

National ZMR shifted down to *average*
In order to add further context to sales, Zonda 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.

The map below shows a snapshot of top production markets by region. Zonda also offers the ZMR for entry-level, move-up/move-down, and high-end markets. Subscribers of the National Outlook report can access all top markets and the tiered breakdown in Zonda's portal. Non-subscribers can access the tiered maps for the select 10 markets by clicking below.

Zonda Market Ranking
Total Market
- 🟢 Significantly Overperforming
- 🟢 Slightly Overperforming
- 🟡 Average
- 🔴 Slightly Underperforming
- 🔴 Significantly Underperforming
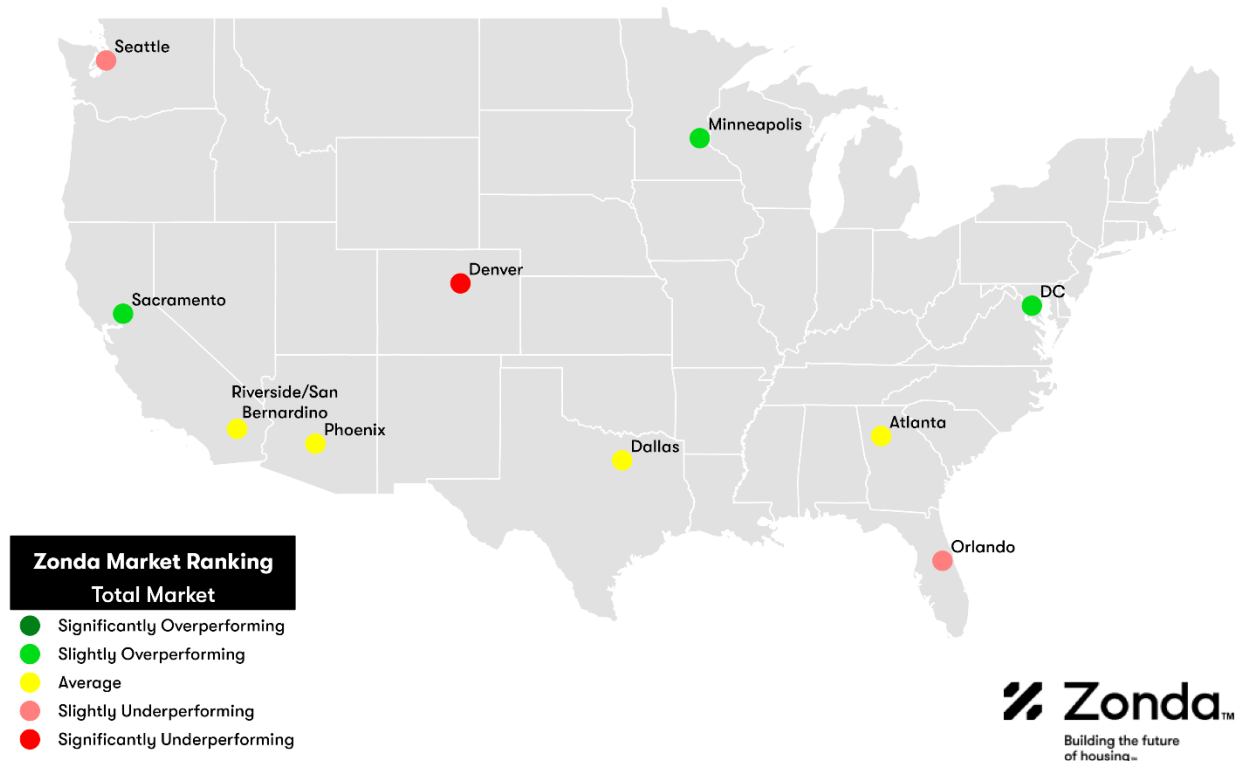
Note: The ZMR measures new home sales adjusted for supply and seasonality and compared to history. The data is as of January.

Source: Zonda

- The National ZMR index came in at 103.7 in January, indicating an *average* market. The National ZMR was *slightly overperforming* for all of 2024.

- Zonda's snapshot markets were split between 30% *overperforming,* 40% *average,* and 30% *underperforming*, marking a slight shift down from last month. Among Zonda's top 50 major markets, 34% were *overperforming*, 34% were *average*, and 32% 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.

Mixed pricing news
National home prices increased year-over-year for both move-up and high-end homes, up 0.3% to $520,729 and 1.2% to $918,703, respectively. Prices fell 0.5% for entry-level to $329,031. The entry-level declines represent a mix of select price drops, smaller home sizes, and differing locations.

Supplementing our data with a monthly survey Zonda conducts, 12% of builders lowered prices in January, 68% held prices flat, and 19% raised prices. In December, for comparison, 19% of builders lowered prices MOM, 72% held prices flat, and 9% increased prices.

National Home Value Appreciation by Price Tier (YOY Change)
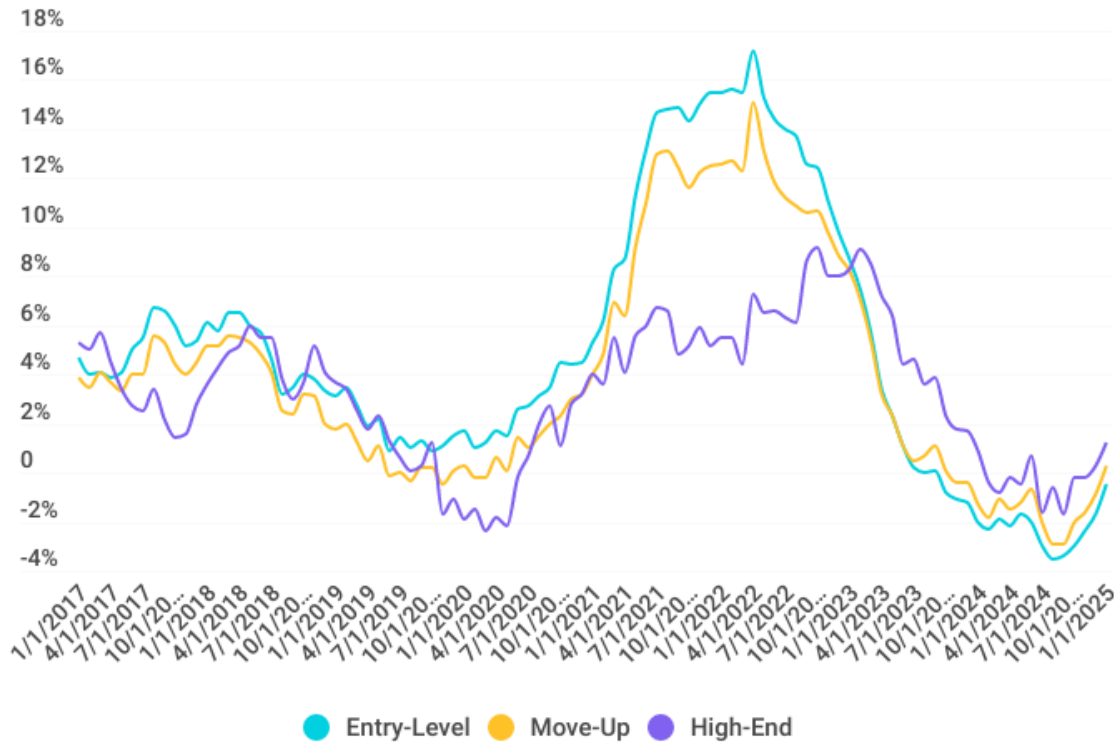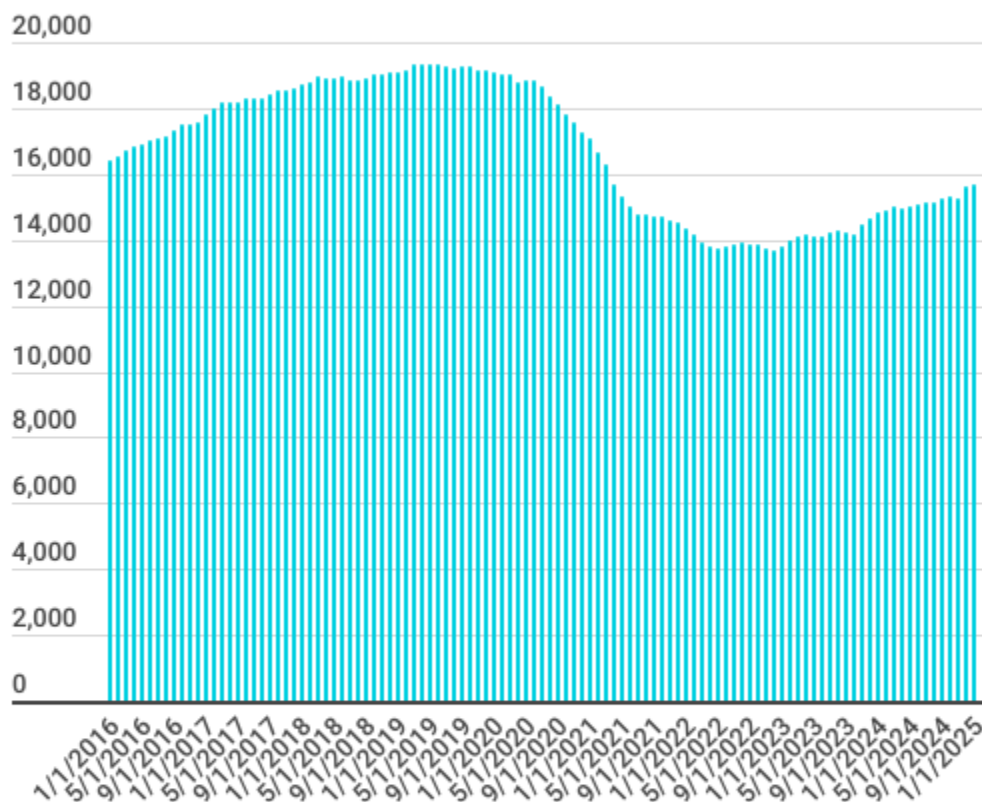

Source: Zonda

Incentives are still common in today's housing market to help address the affordability constraints for buyers. In January, 56% of new home communities offered incentives on to-be-built homes and 73% on quick move-in supply.

5.8% growth in community count year-over-year
There are currently 15,672 actively selling communities tracked by Zonda, up 5.8% from last year. On a month-over-month basis, the national figure grew 0.5%. Total community count is

17.8% 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

- Baltimore (+15.9%), Orlando (+10.1%), and Dallas (+7.5%) grew community count the most year-over-year.

- Relative to last year, the biggest community count declines were in San Francisco (-20.8%), Los Angeles/OC (-19.0%), and Philadelphia (-17.6%).

National quick move-ins (QMIs) totaled 33,976, up 18.9% compared to last year but 3.1% lower month-over-month. Total QMIs are 56.3% above 2019 levels. QMIs are homes that can likely be occupied within 90 days.

For many consumers, QMIs provide a great option given the lack of resale supply. As a result, some builders have pivoted to a more spec-heavy strategy to help capture today's buyers. In some markets, however, resale inventory is rising and QMIs have become less desirable than earlier this year.

Weekly Quick Move-In Count
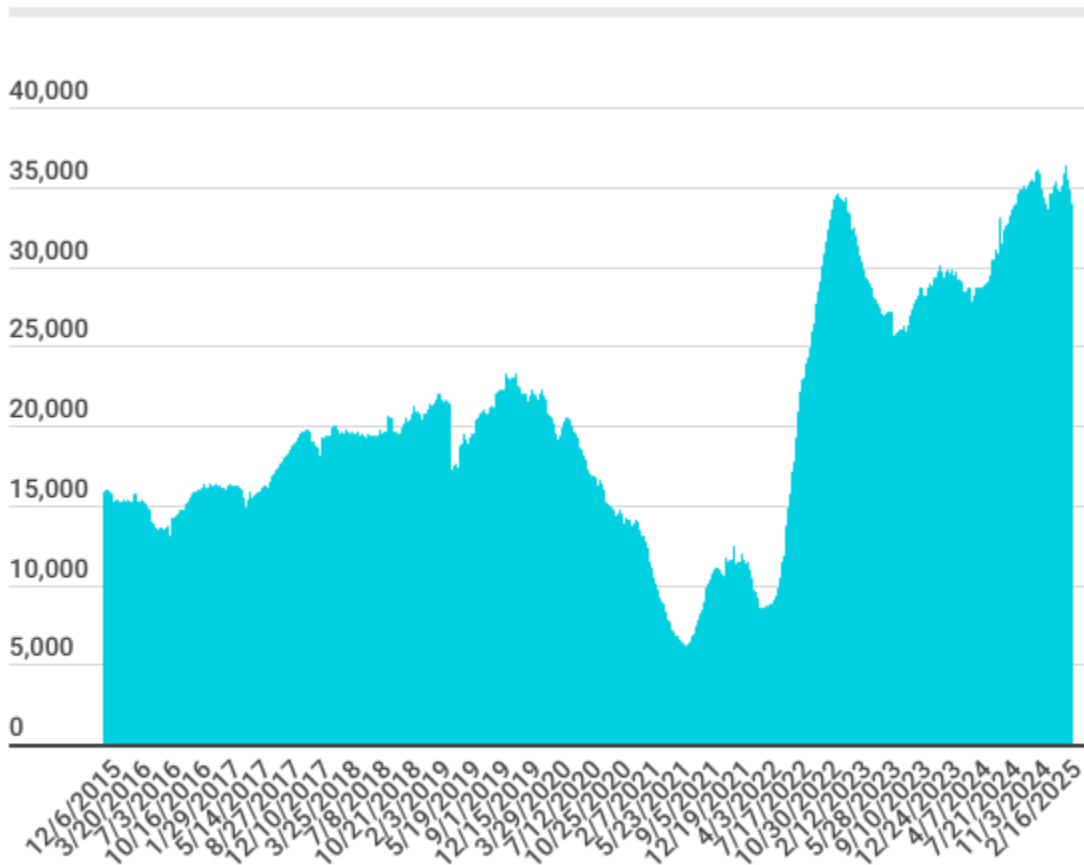
Source: Zonda

- On a metro basis, 76% of Zonda's select markets increased QMI count year-over-year.
- The markets that grew the most year-over-year were Seattle (+114.6%), Raleigh (+83.0%), and Charlotte (+77.7%).
- Cincinnati, Jacksonville, and Phoenix have seen the most growth in QMIs compared to the same time in 2019, up 254.8%, 245.7%, and 191.2%, respectively.

Methodology

The Zonda New Home Pending Sales Index (PSI) is built on proprietary, industry-leading data that covers 85% 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 15,000 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.

Visit ZondaHome.com or follow us on LinkedIn and Facebook for more information.

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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