



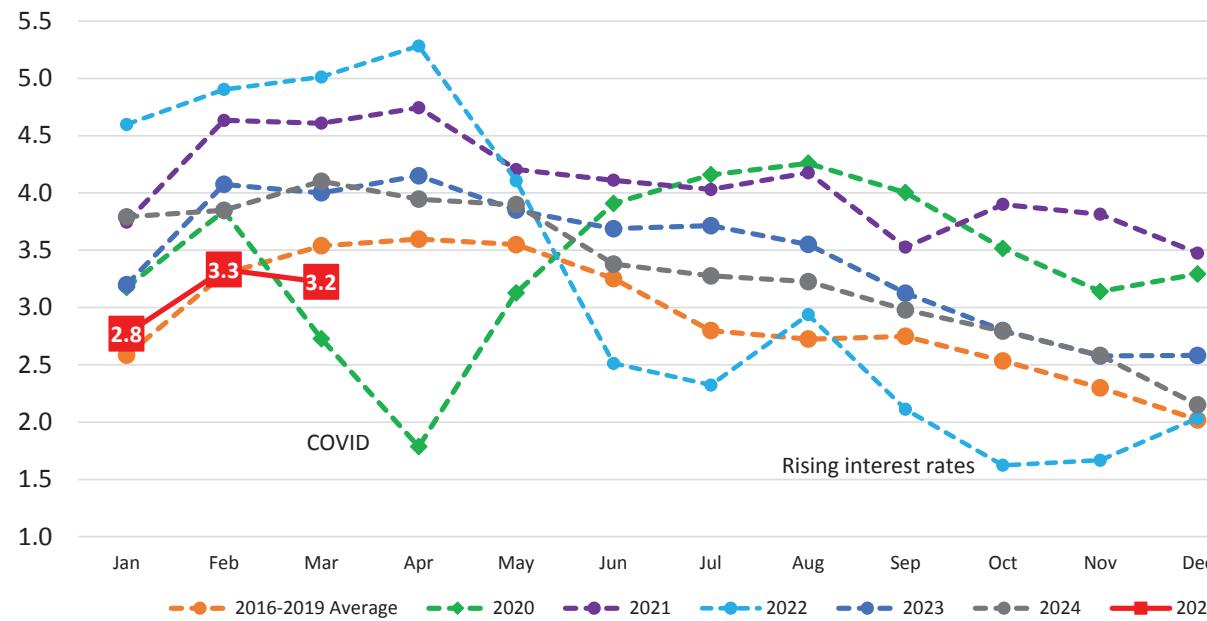
BIASC New Home Market Quarterly Report

Sales Return to “Normal” Levels As Tariffs Loom

Sales at new home projects were the lowest in 5 years in Q1 2025 but remain in the healthy range, averaging 3.1/mo. Historically, a sales pace of 3.0 sales/mo has represented equilibrium in the new home market. Typically, if sales are averaging 3.0/mo or faster, homebuilders have pricing strength and can raise prices. In comparison, the average from 2021 through 2024 for Q1 was 4.2/mo which resulted in strong price appreciation. Poor affordability and the lock in effect of low mortgage rates have kept many buyers on the sideline. Generous builder incentives, often exceeding \$20K, have continued into the Spring selling season. However, prices are relatively stable overall as supply remains limited in most submarkets.

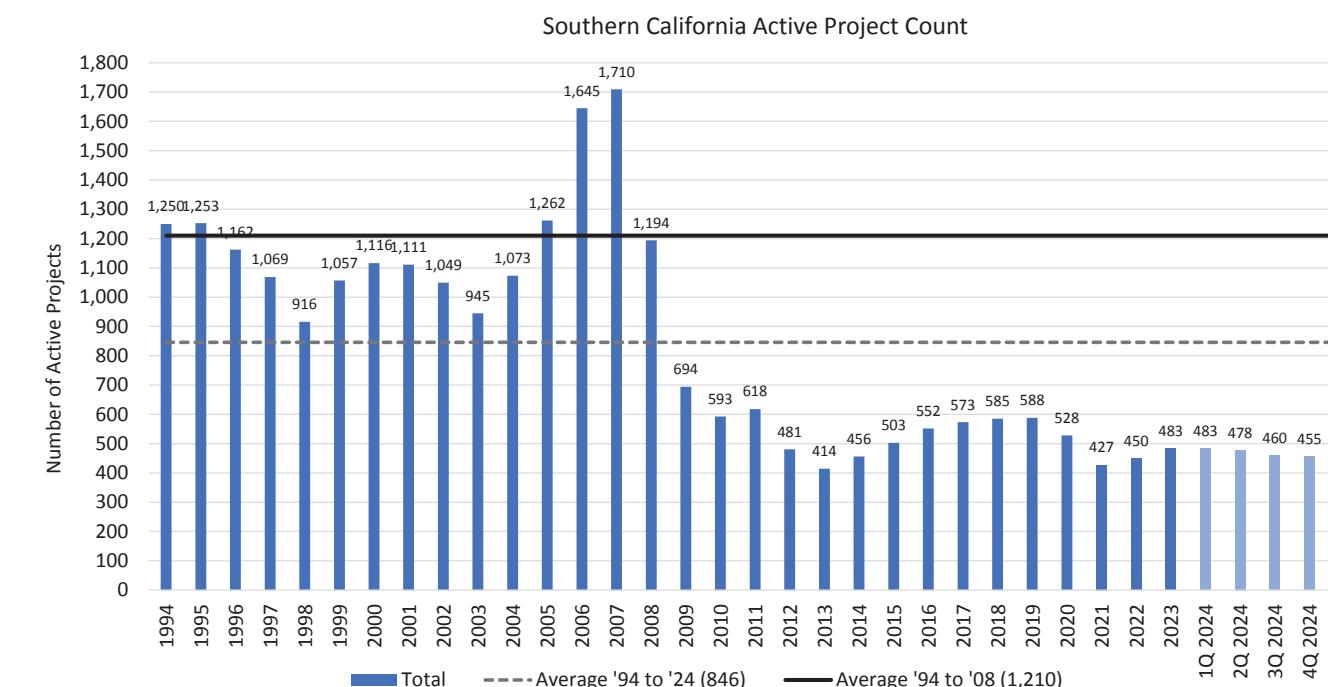
- New home sales in Q1 2025 were similar to the 2016 – 2019 average of 3.1/mo. Sales were strongest in Orange County and the Inland Empire, both averaging 3.3/project/mo in Q1. The Inland Empire, which finished the quarter strong with 3.7 sales/mo in the month of March, continues to benefit from buyers coming out of coastal markets looking for affordable price points.

Average Monthly New Home Sales Rate - Southern California



CLARITY
REAL ESTATE ADVISORS

Although housing demand has cooled in recent months, new home supply remains tighter than ever. There were just 445 active new home projects in the region as of Q1, which is a little more than half of the historical average over the last 30 years. Project counts are also just a fraction of peak levels in 2006 and 2007 (1.6K+). In addition, the number of projects in the region are down 24% from 2018 – 2019. In Orange County, current project counts are about one-third of what they were in 2017-2018. Near record low projects in the region have contributed to healthy sales and stable pricing despite poor affordability.



Impact of Tariffs

The majority of hardware imports and wood products used to build homes come from outside of the U.S and could be impacted by tariffs. Although it is uncertain what tariffs will actually be implemented, if any, even the expectation of tariffs will likely push the cost of constructing a new home higher. Given today's relatively flat pricing environment and elevated incentives, builders will have limited ability to pass on additional costs to buyers. However, builders may look to offset possible higher costs through providing a lower spec level and/or reducing soft costs (marketing, etc.). In addition, possible lower mortgage rates will improve affordability and return some pricing power back to the builders.