

## Homebuilders

# Lots to track: Public builders lot position continues to grow

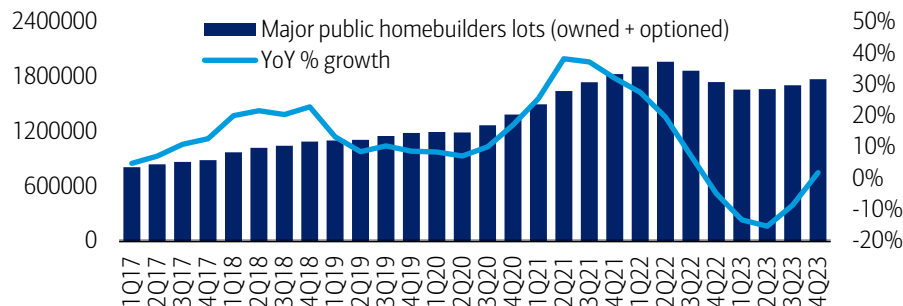
Industry Overview

## Public builders lots increased YoY and QoQ in 4Q23

Public homebuilders lots (owned + optioned) increased 1.9% YoY in 4Q23 and 3.9% QoQ. We estimate public homebuilders now control roughly 1.8mm lots compared to 1.7mm in 4Q22 and 1.2mm 4Q19. 4Q23 is the 3<sup>rd</sup> consecutive quarter where public homebuilders increased lots under control following a reduction from 2Q22 – 1Q23 to match the stronger sales pace in 1H23. The percent of lots under control through option contracts increased to 68.9%, a record high and well above pre-COVID level of ~45%. We anticipate builders continue to increase their lot positions despite elevated land prices. In January, we hosted a State of US Housing market call with Zonda (see [our Jan 22 takeaway report](#)) and according to their surveys, 74% of builders expect starts to increase in 2024, supported by higher lot supply, and 35% of builders expect to increase starts by more than 10% in 2024.

### Exhibit 1: Major public homebuilder lots (owned + optioned)

Public homebuilders lots increased 1.9% YoY and 3.9% QoQ in 4Q23



Source: Company Data. Homebuilders include: DHI, LEN, TOL, PHM, NVR, KBH, MTH, MDC, TMHC, CCS, DFH

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## Years of land supply up QoQ at 6.1 years

Public homebuilders' years of land (owned and optioned) was up QoQ at 6.1 years of supply in 4Q23, as compared to 5.9 years in 3Q23 (defined as lots divided by trailing four quarter deliveries). This is slightly above pre-COVID levels.

### Exhibit 2: Major public homebuilders' years of land under control (owned + optioned)

Public homebuilders' years of land under control increased to 6.1 in 4Q23



Source: Company data

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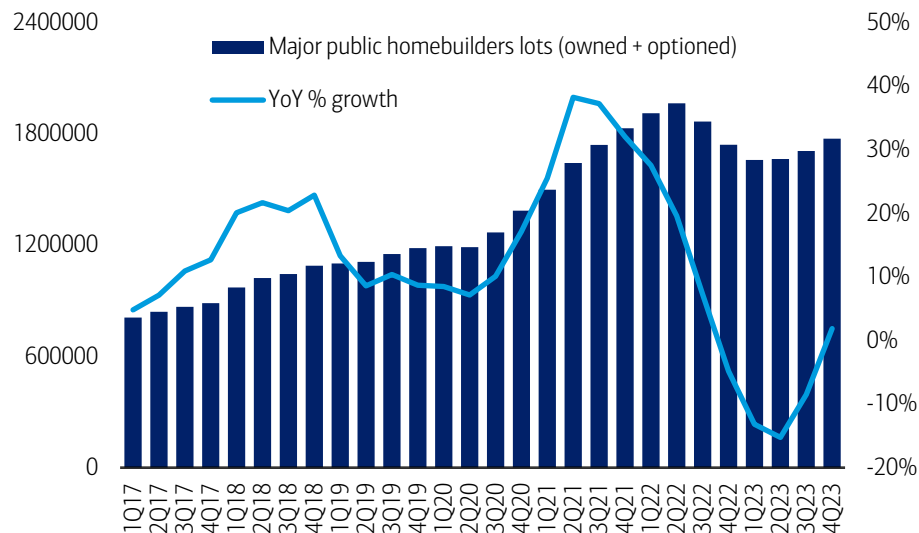
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## Public homebuilders' lots up YoY and QoQ

Public homebuilders lots (owned + optioned) increased +1.9% YoY in 4Q23 and 3.9% QoQ. Public homebuilders now control roughly 1.8mm lots compared to 1.7mm in 4Q22 and 1.2MM 4Q19.

### Exhibit 3: Major public homebuilder lots (owned + optioned)

Public homebuilders lots increased 1.9% YoY and 3.9% QoQ in 4Q23



Source: Company Data. Homebuilders include: DHI, LEN, TOL, PHM, NVR, KBH, MTH, MDC, TMHC, CCS, DFH

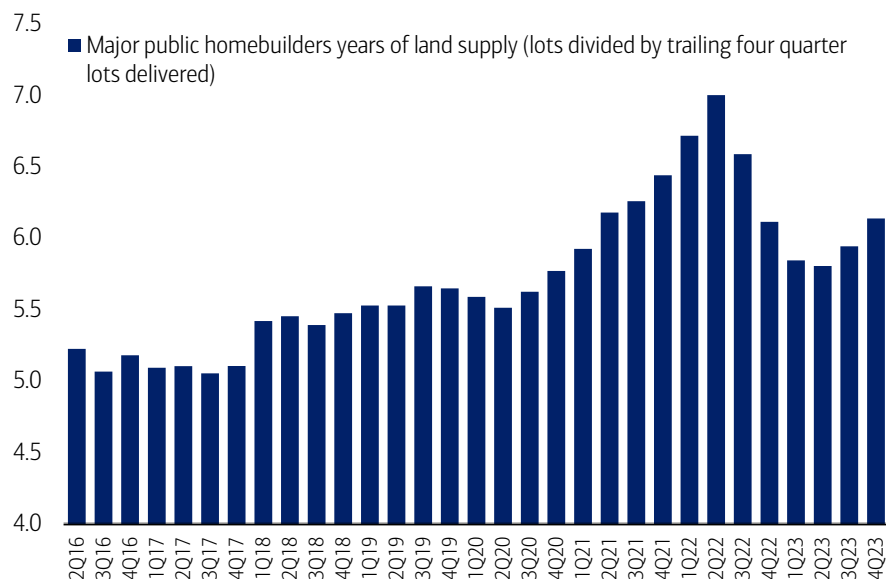
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## Years of lot supply up QoQ at 6.1 years

Public homebuilders' years of land (owned and optioned) was up QoQ at 6.1 years of supply in 4Q23 as compared to 5.9 years in 3Q23 and ending 4 quarters of sequential decline. Years of lot supply is defined as lots divided by trailing four quarter deliveries.

### Exhibit 4: Major public homebuilders' years of land under control (owned + optioned)

Public homebuilders' years of land under control increased to 6.1 in 4Q23



Source: Company data

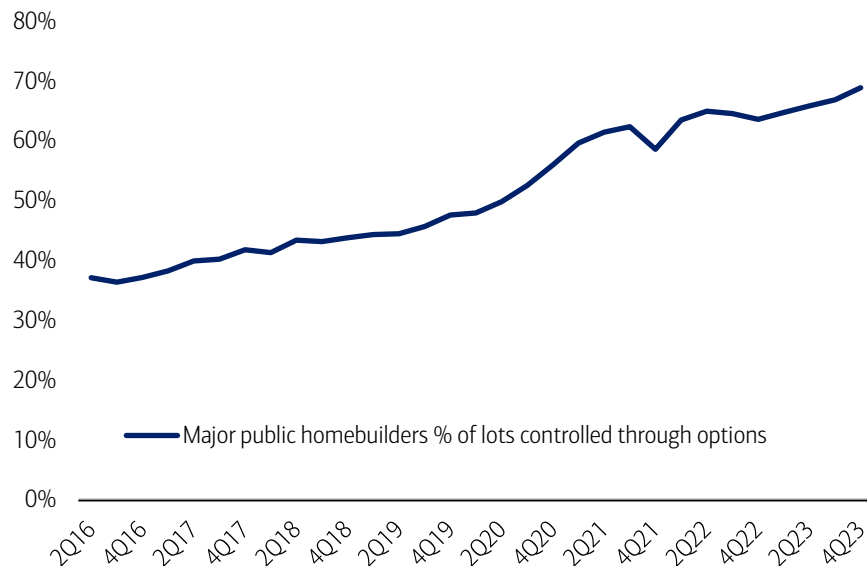
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## Option vs. own mix: record high % of optioned lots

Most public homebuilders are continuing to shift toward a more asset-light option. In 4Q23, the % of lots under control through option contracts was roughly 68.9%, a record high. 4Q23 percentage of optioned lots rose +2.0% compared to 3Q23 of 66.9%. This compares to 63.6% in 4Q22 and an average of 48.9% since 2015. We expect public builders will continue to shift towards an asset-light model.

### Exhibit 5: % of lots under control through option contracts

Option contracts consisted of around 68.9% of lots under control for public homebuilders in 4Q23



Source: Company data

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## New home lot supply index fell QoQ, but rose YoY in 4Q23

Zonda's New Home Lot Supply Index (LSI) is a residential real estate indicator based on the number of single-family vacant developed lots and the rate those lots are absorbed. A value of 100 reflects "perfect equilibrium," while a reading of 75 and below reflects a "significantly undersupplied" market. New Home LSI fell to 61.9 in the fourth quarter of 2023 (but up +25.1% YoY). Sequentially, the index fell (3.2%) compared with the third quarter of 2023. 4Q23 still reflects a "significantly undersupplied" market across the US, and the loosening YoY trend is due to softness in the 4Q22 market. Among US markets, Los Angeles/OC, Miami, and San Diego currently have the tightest lot supply among major markets, due to severe geographic and topographical limitations on land and lot development. Phoenix, Nashville, and Charlotte loosened the most on a YoY basis, where starts were up 47%, 13%, and 4% YoY respectively.

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