

BURNS

Home Builder Survey

18% sample size of all US new home sales in January: 356 ratings by
292 housing executives responsible for 2,800+ communities in 80 metros

Published February 6, 2023

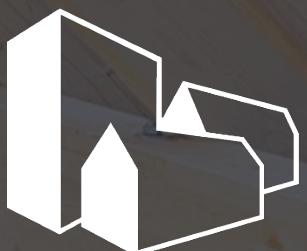




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**John Burns
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Builder sales surge beyond seasonal norm

Most metrics significantly improved MOM in our builder survey, including sales and single-family starts rates, pricing, cancellations, and sentiment ratings. The big question is whether these improvements will continue in the spring or if the January lift will be fleeting.

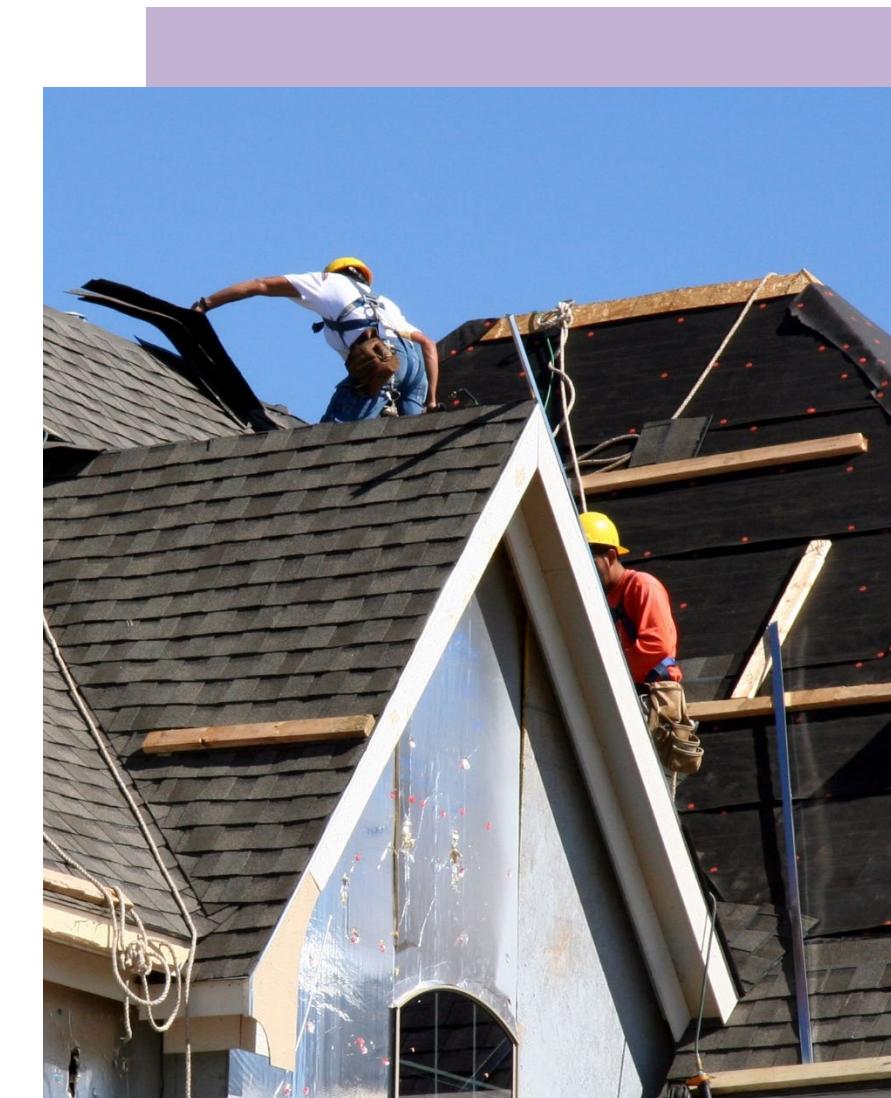


- New home sales per community jumped 53% MOM in January to an average of 2.9 sales per community, double the +24% average sales rate change nationally in January from 2012 through 2019 (more normal market conditions) in our survey's history.
 - January sales rates improved in all regions, exceeding 3 sales per community in Florida, Texas, the Southeast, and Southern California.
 - New home sales fell -19% YOY, combining -18% sales rate and -1% community count declines. January's decline significantly improved from -44% to -48% YOY sales declines in 4Q22.
- Builders' traffic and expected sales sentiment ratings improved MOM in all regions.
 - Traffic ratings exceed Average in three regions: the Northwest, Southeast, and Texas.
 - Expected sales ratings exceed Fair in four regions: the Northeast, Southeast, Northwest, and Texas.

Source: John Burns Real Estate Consulting, LLC, independent survey of ~18% of all US new home sales, NSA (Data: Jan-23, Pub: Feb-23)

While sales surged in January, few builders are raising prices.

- **Single-family starts improved modestly MOM as builders have standing inventory to sell. The 2.2 average starts rate nationally improved from a recent bottom of 1.8 in November 2022, remaining -13% below the 2.5 January average from 2013 to 2019.**
 - **Single-family starts declined -42% YOY**, combining a -41% starts rate and -1% community count decline. All regions report double-digit declines led by -68% YOY in Northern California and the Southwest.
- **While sales surged in January, few builders are raising prices.** 54% of builders held prices flat MOM, and we suspect many are monitoring the sales impacts of 4Q22 price concessions as well as recent declines in mortgage rates to 6%.
 - **34% of builders reduced net prices MOM, easing from 52% in December.**
 - **YOY price appreciation decelerated to 3% nationally from 20% one year ago.** Southwest, Southern California, and Northern California builders report negatives of -4% to -6% YOY.
- **Cancellations averaging 13% nationally returned to a normal range of 15% or less, easing from a 25% peak in October and November.**
 - **Texas (18%), Southwest (17%), and Northern Cal (16%) averages remain elevated and have increased 7 to 11 percentage points YOY.**
 - **Many builders are still offering concessions to buyers in backlog to keep them in place.**



Source: John Burns Real Estate Consulting, LLC, independent survey of ~18% of all US new home sales, NSA (Data: Jan-23, Pub: Feb-23)

Finished inventory rose from the abnormally low levels of last January.

- **Finished inventory increased MOM in just three regions:** Southern California, Florida, and the Northeast. Of these regions with rising inventory, only Southern Cal averages more than 2 inventory homes per community, partly due to the prevalence of attached product.
 - **Finished inventory rose YOY to 2.2 homes per community, comparable to January 2019**, from an abnormally low 0.4 average inventory last January.
- **To offer more attainably priced homes in 2023, 54% of builders plan to change specifications or features, and 42% plan to reduce square footage.** Builders checked all choices that applied, so the percentages don't add to 100%.
 - **Most builders planning specification changes are focusing on the homes' interiors**, substituting materials and removing features. Several will make some previously standard features optional to reduce the base prices.
 - **Only 12% of builders are shifting to electric appliances from gas**, mostly due to changes in building codes and power company rebates. Just 2% of builders are changing appliances due to air quality concerns.



Source: John Burns Real Estate Consulting, LLC, independent survey of ~18% of all US new home sales, NSA (Data: Jan-23, Pub: Feb-23)

Builders' incentives paired with lower rates improved January traffic and sales MOM and eased cancellations. Single-family starts may rise with spring sales.

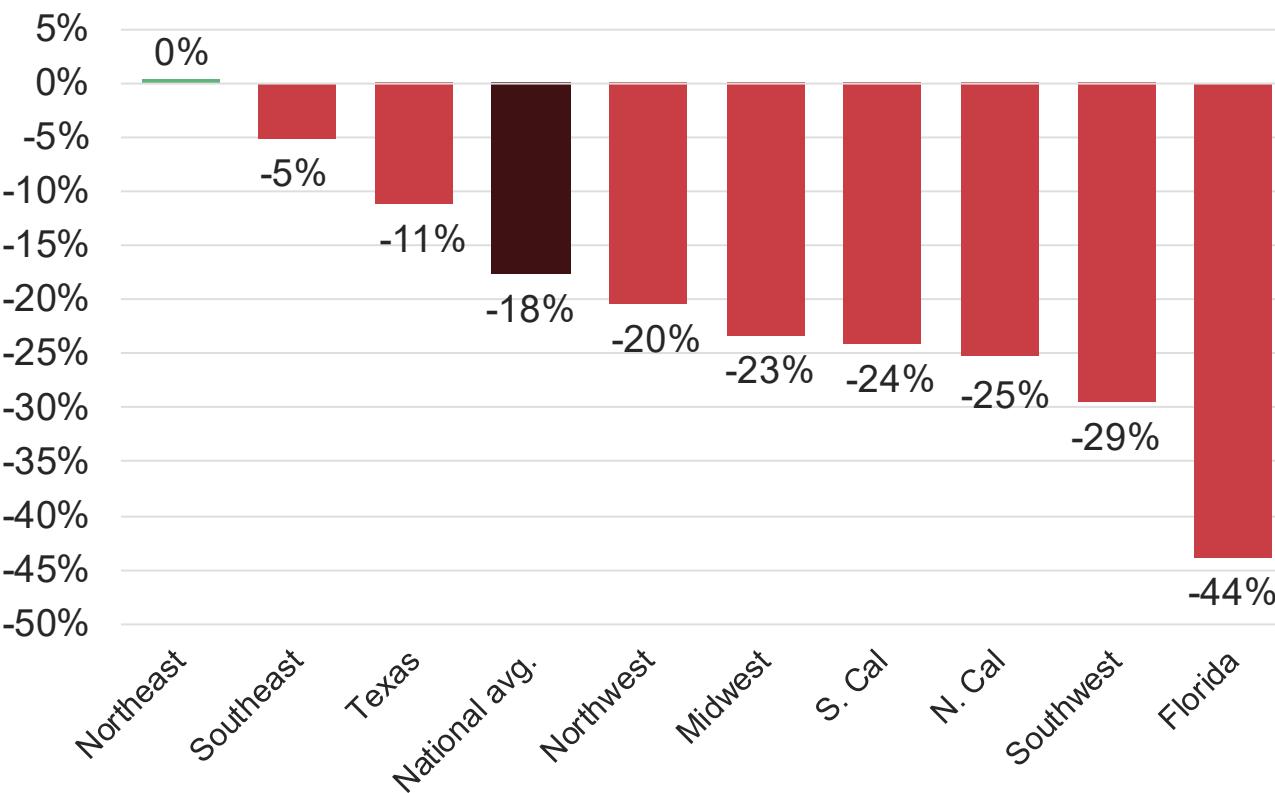
Client type and associated capital	Overall rating	New home sales: -19% YOY	New home SF starts: -42% YOY	Price: +3% YOY	Finished inventory: +500% YOY	Conclusion
Builders and developers						Sales soared MOM but relied on price reductions and incentives, compressing YOY appreciation. Though January cancellations eased to a healthy level, finished inventory ticked up and aligns with the seasonal norm last seen in 2019.
Building products						SF starts rose MOM in January but stayed below the seasonal average. If strong sales continue, starts may grow following a delay as builders clear finished inventory. Backlog homes maintain building product orders for late-stage construction.
Apartments and SFR						Strong YOY rent growth and growing supply contribute to cooling rental absorption. Some SFR operators slow home purchases from builders, given increased capital costs and a wide bid/ask spread for the time being.
Resales and iBuyers						New home price reductions and available inventory for quick move-ins may attract buyers away from resales. Resale sales have slowed, and listings are sitting, leading to price cuts. Uncertain home values challenge the iBuyer business model.

Source: John Burns Real Estate Consulting, LLC, independent survey of ~18% of all US new home sales, NSA (Data: Jan-23, Pub: Feb-23)

Executive summary	Sales	Starts	Price	Other YOY	Buyer segments	MOM	Question of the month	Commentary	RESPONDENTS Matched responses YOY*
January new home sales fell -19% YOY, combining a -18% YOY sales rate per community and a -1% YOY community count decline.									

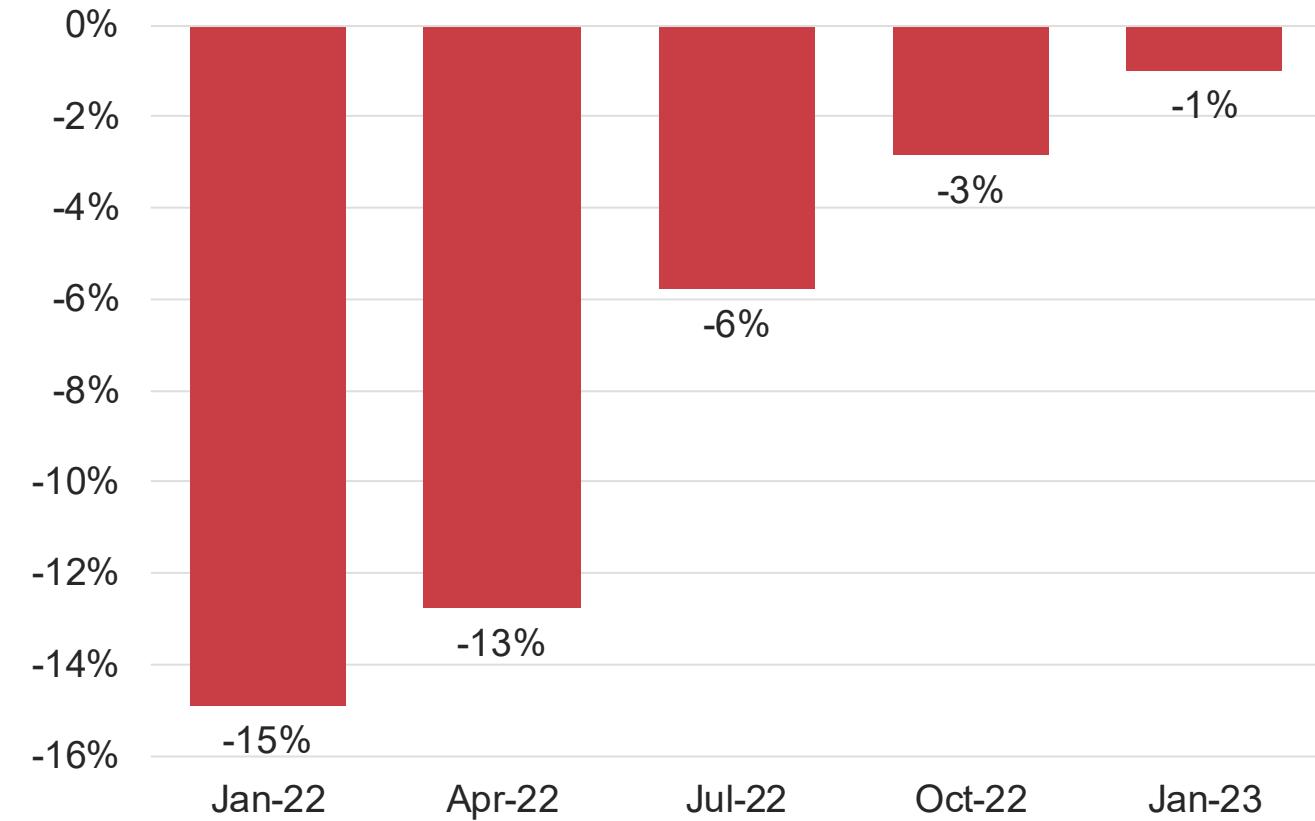
New Home Sales per Community YOY % Change

Jan-23 vs. Jan-22 (matched builder responses)



Builder Community Count Growth

YOY % change 47 top metros**



*Note: The above chart shows YOY comparisons only for builders who participated in the survey one year prior. For the survey of January conditions, YOY comparisons include 200 responses.

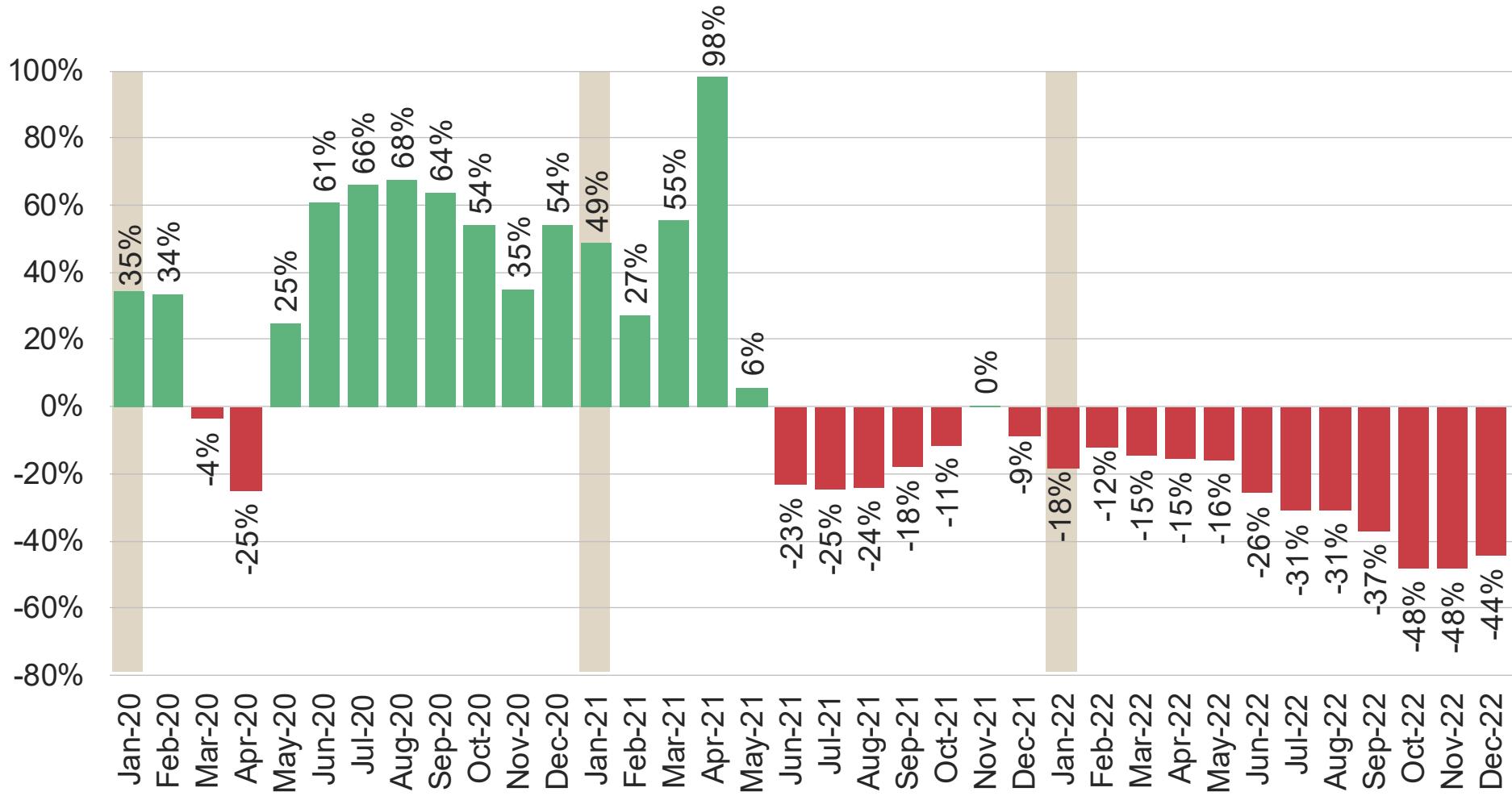
**To determine national community county growth, we count the number of communities on every production builder's website in the top 47 markets.

The community count growth of the matched responses and the entire country may differ. Builder count growth was last updated in Oct 2022.

Source: John Burns Real Estate Consulting, LLC, independent survey of ~18% of all US new home sales, NSA (Data: Jan-23, Pub: Feb-23)

January's average new home sales rate per community declined -18% YOY on top of a -18% decline last January.

New Home Sales per Community YOY % Change



Slower net sales rates this January reflect builders' less frenzied demand paired with higher cancellations.

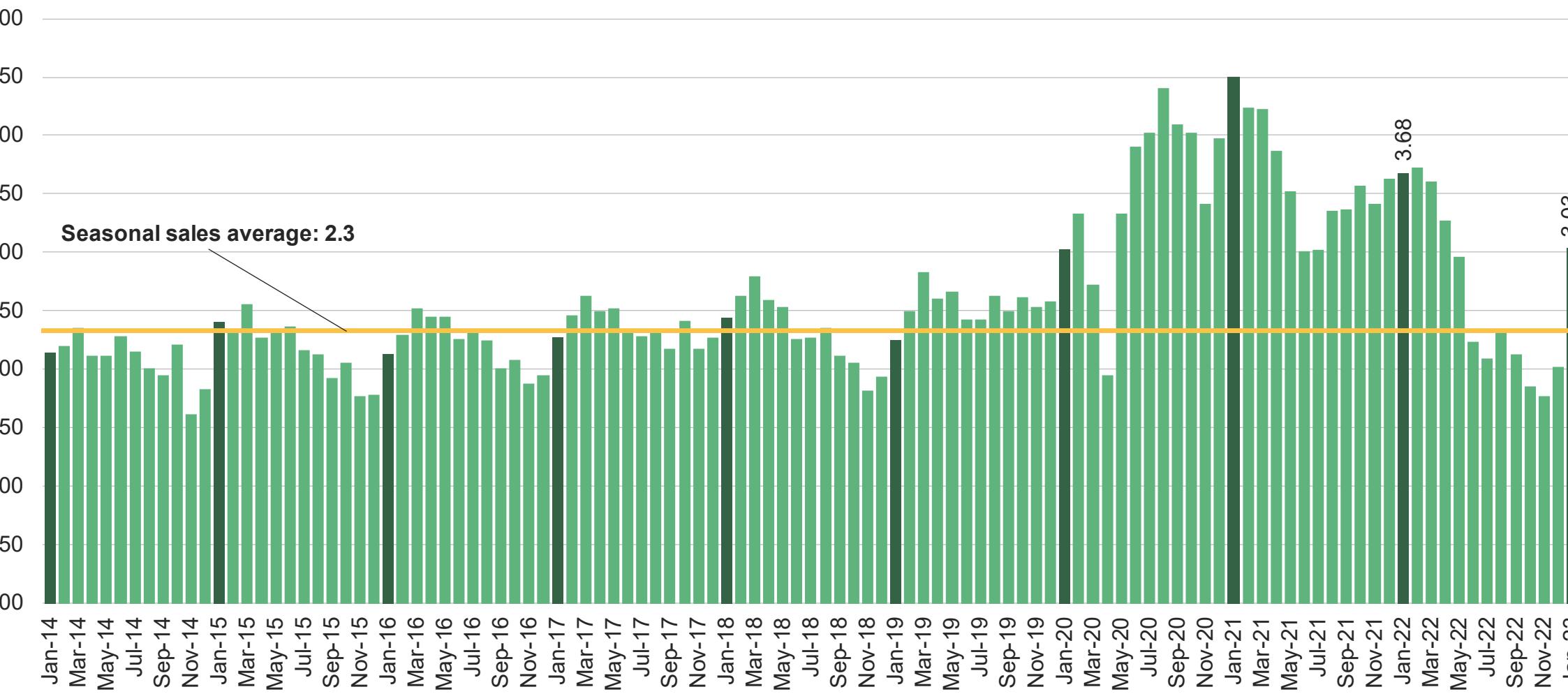
Last January, many builders were still restricting sales rates to manage strong demand, escalating costs, and production delays.

*Note: The above chart shows YOY comparisons only for builders who participated in the survey one year prior. For the survey of January conditions, YOY comparisons include 200 responses.

Source: John Burns Real Estate Consulting, LLC, independent survey of ~18% of all US new home sales, NSA (Data: Jan-23, Pub: Feb-23)

Builders averaged 3.0 sales per community in January, 30% above the 2.3 January average from 2013 to 2019 (more normal years).

Average New Home Sales Rates per Community

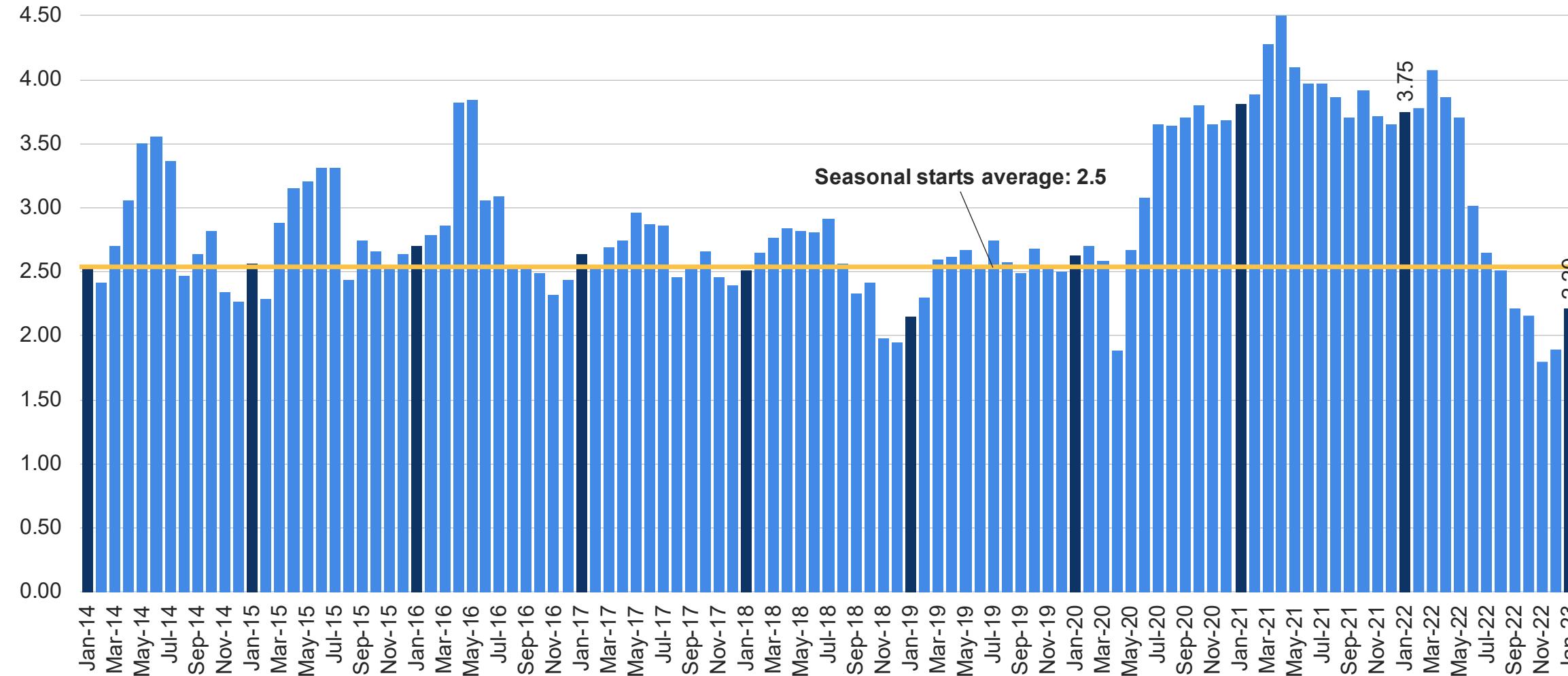


*Note: The above chart shows YOY comparisons only for builders who participated in the survey one year prior. For the survey of January conditions, YOY comparisons include 200 responses.

Source: John Burns Real Estate Consulting, LLC, independent survey of ~18% of all US new home sales, NSA (Data: Jan-23, Pub: Feb-23)

Builders averaged 2.2 single-family starts per community in January, up MOM, but -13% below the 2.5 January average from 2013 to 2019 (more normal years).

Single-Family New Home Starts Rates per Community



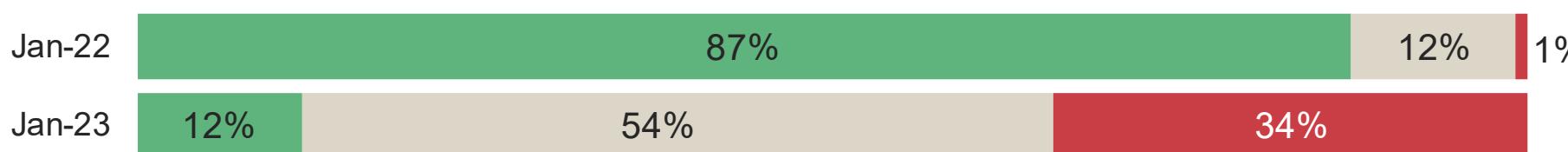
*Note: The above chart shows YOY comparisons only for builders who participated in the survey one year prior. For the survey of January conditions, YOY comparisons include 217 responses.

Source: John Burns Real Estate Consulting, LLC, independent survey of ~18% of all US new home sales, NSA (Data: Jan-23, Pub: Feb-23)

Pricing, traffic, and expected sales ratings have weakened significantly from last January. 34% of builders reduced net prices via incentives or price cuts.

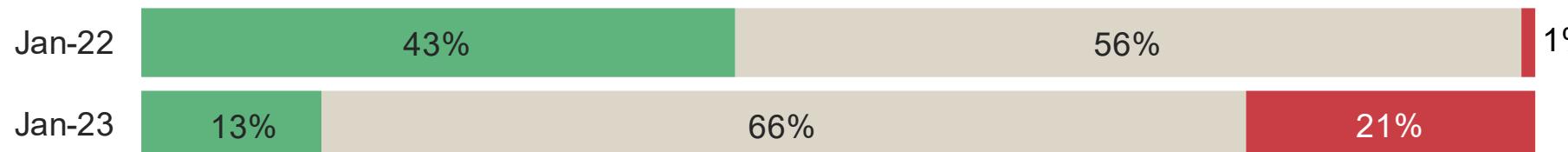
Direction of New Home Prices (Net of Incentives)

All responses ■ Increased ■ Flat ■ Decreased



Traffic of Prospective Buyers in New Homes

Matched builder responses YOY ■ High ■ Average ■ Low

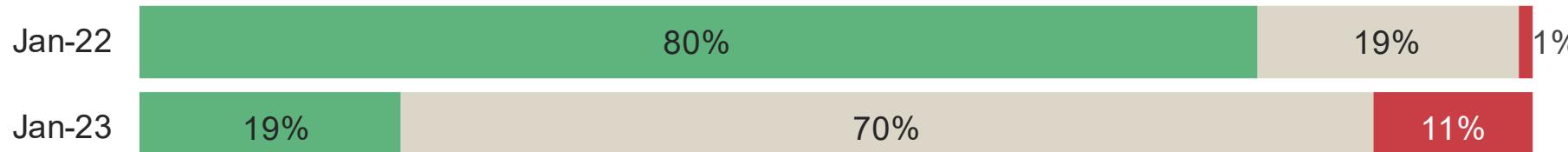


66% of builders rate traffic as Average, reflecting cooling YOY but a notable lift from 4Q22.

Builders anticipate stronger spring sales, buoyed by a January lift; 70% expect Fair sales, and 19% expect Good sales for the next six months.

Expected Sales of New Single-Family Homes: Next 6 Months

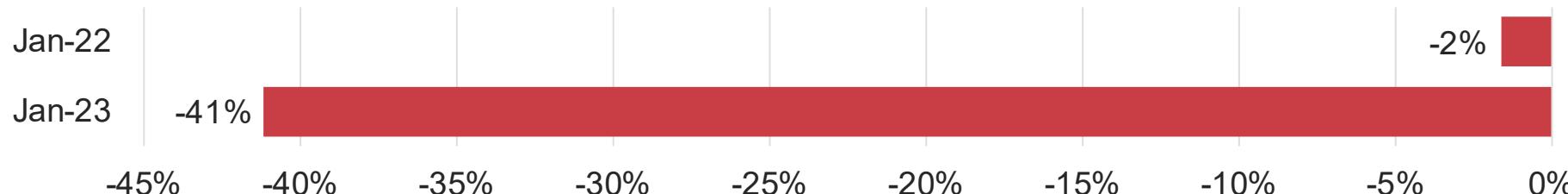
Matched builder responses YOY ■ Good ■ Fair ■ Poor



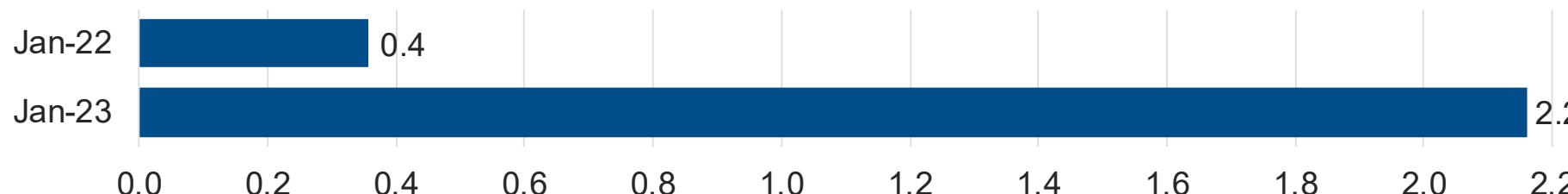
Source: John Burns Real Estate Consulting, LLC, independent survey of ~18% of all US new home sales, NSA (Data: Jan-23, Pub: Feb-23)

Single-family starts per community fell -41% YOY. Finished inventory jumped 500% YOY, and cancellations rose by 5% YOY.

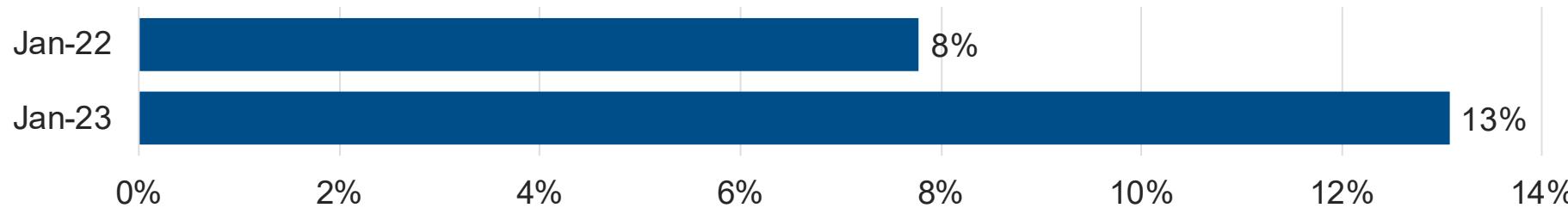
Single-Family Starts per Community YOY % Change



Number of Unsold, Finished New Homes per Community



Average Cancellation Rate YOY



Finished inventory jumped YOY off an abnormally low base and aligns with 2.2 homes per community in January 2019, reflecting a more normal year for housing.

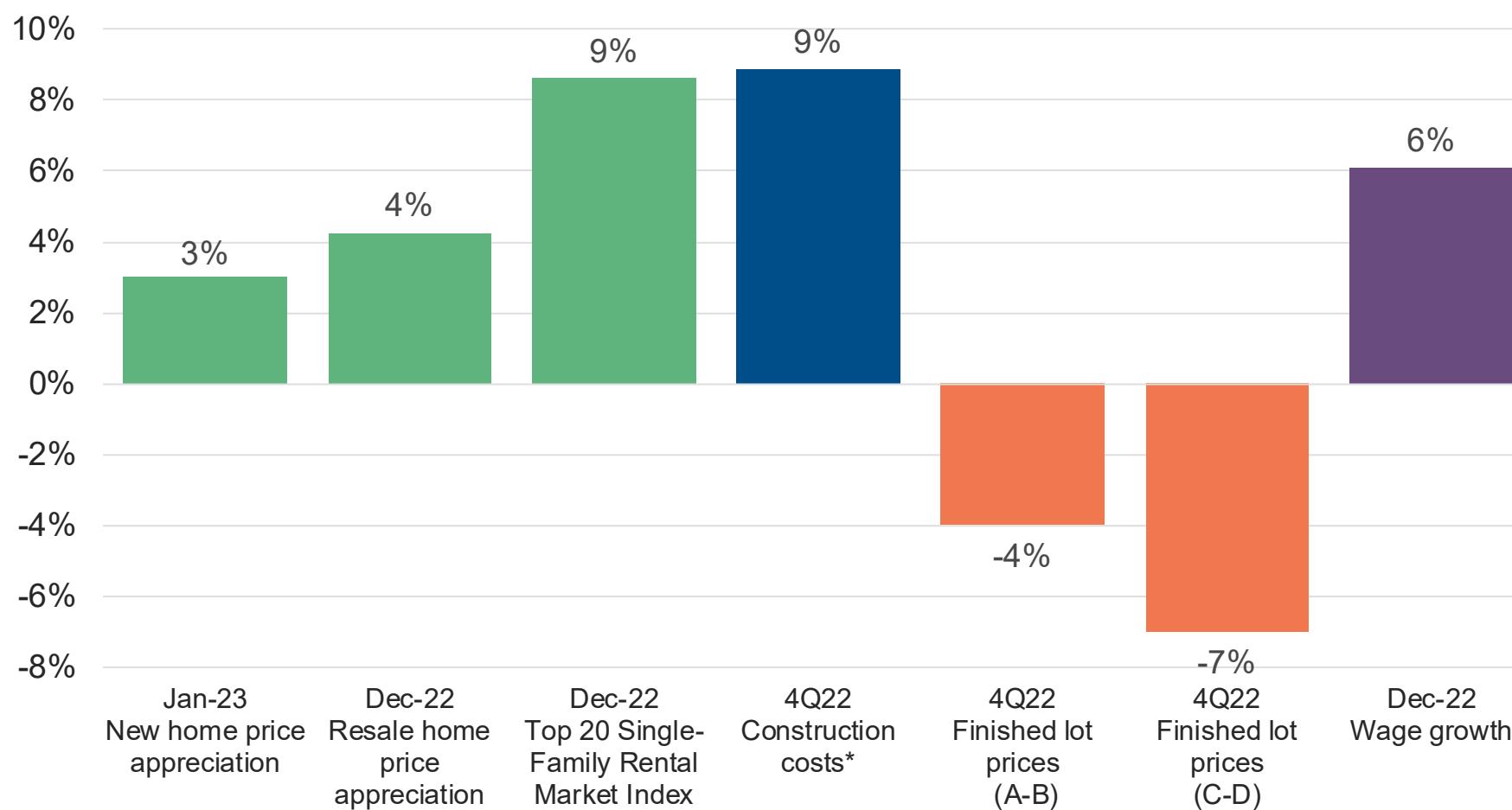
In normal market conditions, many builders keep 1–2 finished homes per community for buyers seeking a quick move-in.

*Note: Historical data had been changed to reflect revised and additional survey responses. Previously, historical data used was as-reported survey responses.

Source: John Burns Real Estate Consulting, LLC, independent survey of ~18% of all US new home sales, NSA (Data: Jan-23, Pub: Feb-23)

3% YOY new home price appreciation trails 4% YOY resale price appreciation and 9% single-family rental growth.

YOY % Increase in Key Housing and Economic Metrics



January's 3% average new home price appreciation has plummeted from a peak of 22% YOY in February 2022. Broad-based incentives and price reductions are quickly reducing builders' YOY price appreciation.

Finished lot and land prices have declined nationally YOY, which will help builders offer more attainably priced homes.

Construction costs are moderating yet continue to pressure new home prices. Fewer home starts should ease cost pressure this year.

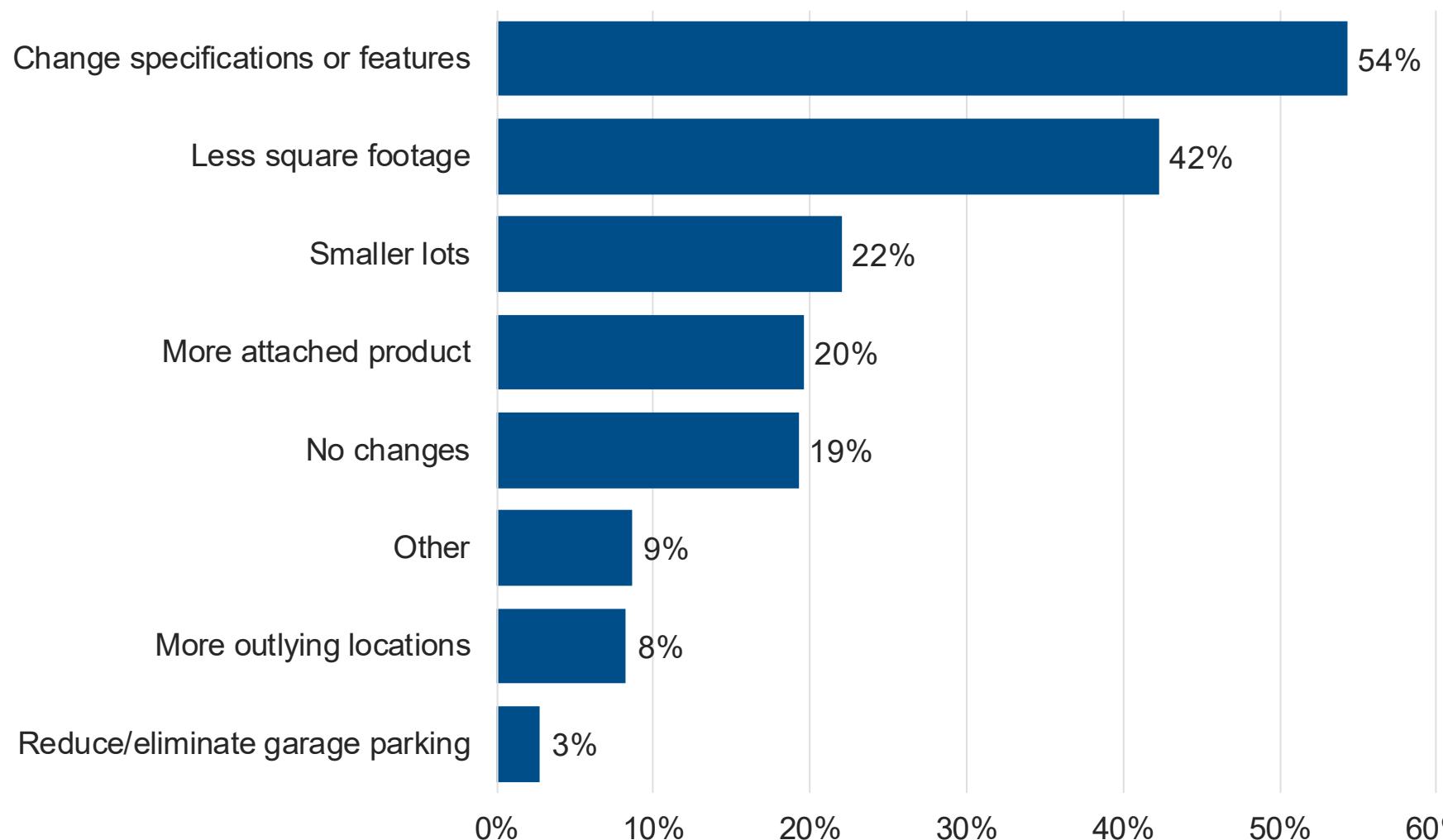
*Construction costs include labor and materials but excludes the lot.

Source: Census Bureau; Moody's Analytics; Single-family rent is our Burns Single-Family Rent Index™, a measure of new lease effective rent, weighted average roll-up of 20 markets; Burns Home Value Index™ (BHVI); John Burns Real Estate Consulting, LLC, independent surveys, NSA (Data: Dec-22/Jan-23, Pub: Feb-23)

Executive summary	Sales	Starts	Price	Other YOY	Buyer segments	MOM	Question of the month	Commentary	RESPONDENTS All responses
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54% of builders plan to change specifications or features, and 42% will reduce square footage to offer more attainable price points.

National: What changes does your team plan to make in 2023 to offer more attainably priced homes, in this metro?



Builders selected all options that applied, so percentages exceed 100%.

Only 8% of builders plan to build in more outlying locations to achieve lower price points. Price reductions and incentives bring prices for closer-in homes within reach for more buyers.

Builders selecting Other plan to:

- Negotiate with their trades to **reduce hard costs**
- **Shift product mix** towards entry from move-up/luxury
- **Offer more incentives**
- **Reduce complexity** in construction and options offered

Source: John Burns Real Estate Consulting, LLC, independent survey of ~18% of all US new home sales, NSA (Data: Jan-23, Pub: Feb-23)

New home sales



January new home sales fell -19% YOY, pairing a -18% sales rate and a -1% YOY decline in community counts.



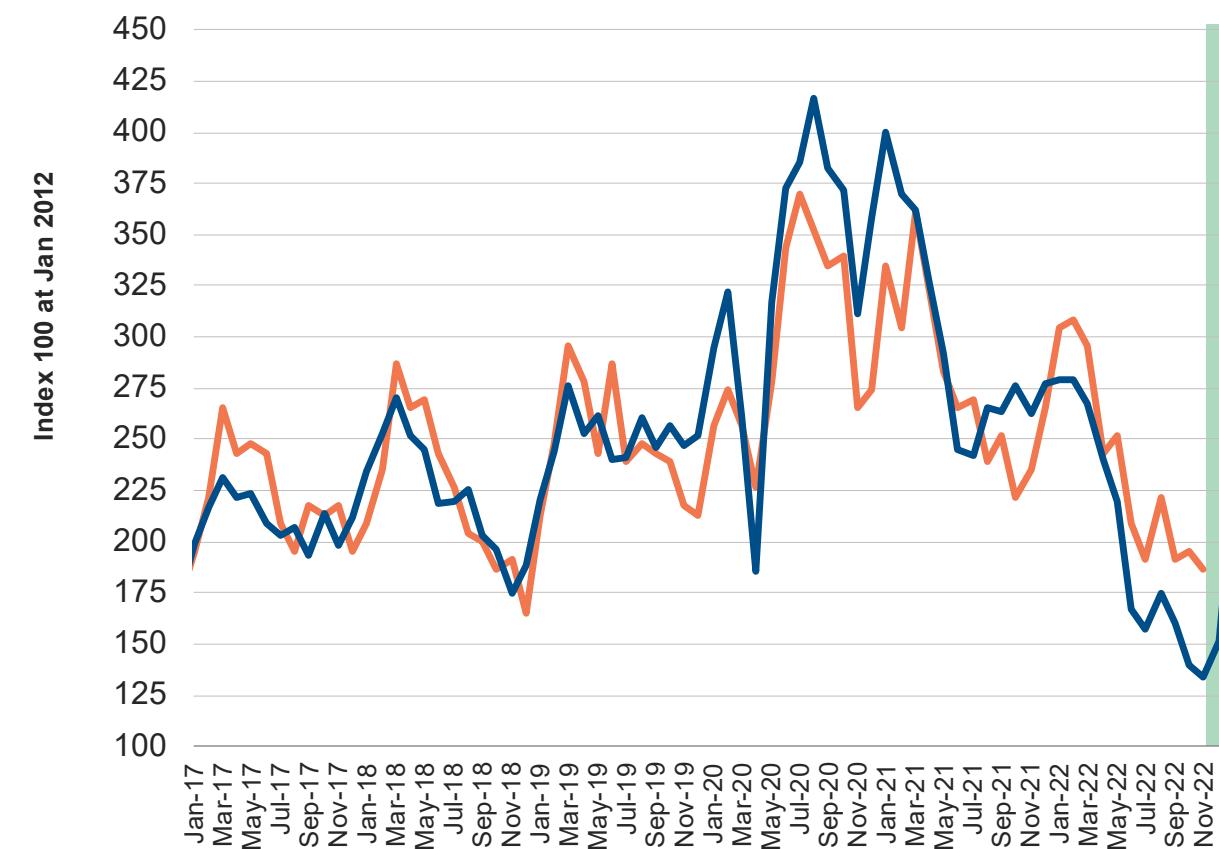
Matched responses YOY*

Elevated cancellation rates keep our survey's sales feedback lower than the Census Bureau's releases but more accurate. We ask builders for their average sales *net of cancellations*, while Census reports gross sales before cancellations. Also, the CB's +/- 15%-20% reported margin for error contributes to the spread between our sales statistics.

The average 30-year fixed rate eased from 6.5% on January 1 to 6.0% by month's end. The rate dip, paired with builders' incentives and price reductions, drove a MOM jump in traffic and sales.

Burns National Sales Index vs. New Home Sales (NSA)

—Census Bureau US Sales Volume Index (S.F. New Home Sales, NSA)
—Burns National Sales Index



*Note: The above chart shows YOY comparisons only for builders who participated in the survey one year prior. For the survey of January conditions, YOY comparisons include 200 responses.

Source: John Burns Real Estate Consulting, LLC, independent survey of ~18% of all US new home sales, NSA (Data: Dec-22/Jan-23, Pub: Feb-23)

NATIONAL NEW HOME SALES				
	Index (100=Jan 2012)	YOY % Change		
	Burns National Sales Index	Census Bureau US New Home Sales (NSA)	Burns National Sales Index	Census Bureau US New Home Sales (NSA)
Jan-21	400	335	36%	31%
Feb-21	370	304	15%	11%
Mar-21	362	361	39%	41%
Apr-21	325	322	75%	42%
May-21	292	283	-8%	2%
Jun-21	245	265	-34%	-23%
Jul-21	242	270	-37%	-27%
Aug-21	265	239	-36%	-32%
Sep-21	264	252	-31%	-25%
Oct-21	276	222	-26%	-35%
Nov-21	263	235	-16%	-11%
Dec-21	277	265	-23%	-3%
Jan-22	279	304	-30%	-9%
Feb-22	279	309	-25%	1%
Mar-22	267	296	-26%	-18%
Apr-22	240	243	-26%	-24%
May-22	220	252	-25%	-11%
Jun-22	167	209	-32%	-21%
Jul-22	158	191	-35%	-29%
Aug-22	175	222	-34%	-7%
Sep-22	160	191	-39%	-24%
Oct-22	140	196	-49%	-12%
Nov-22	133	187	-49%	-20%
Dec-22	152	204	-45%	-23%
Jan-23	226	185	-19%	
2019 average			12%	11%
2020 average			33%	20%
2021 average			-10%	-6%

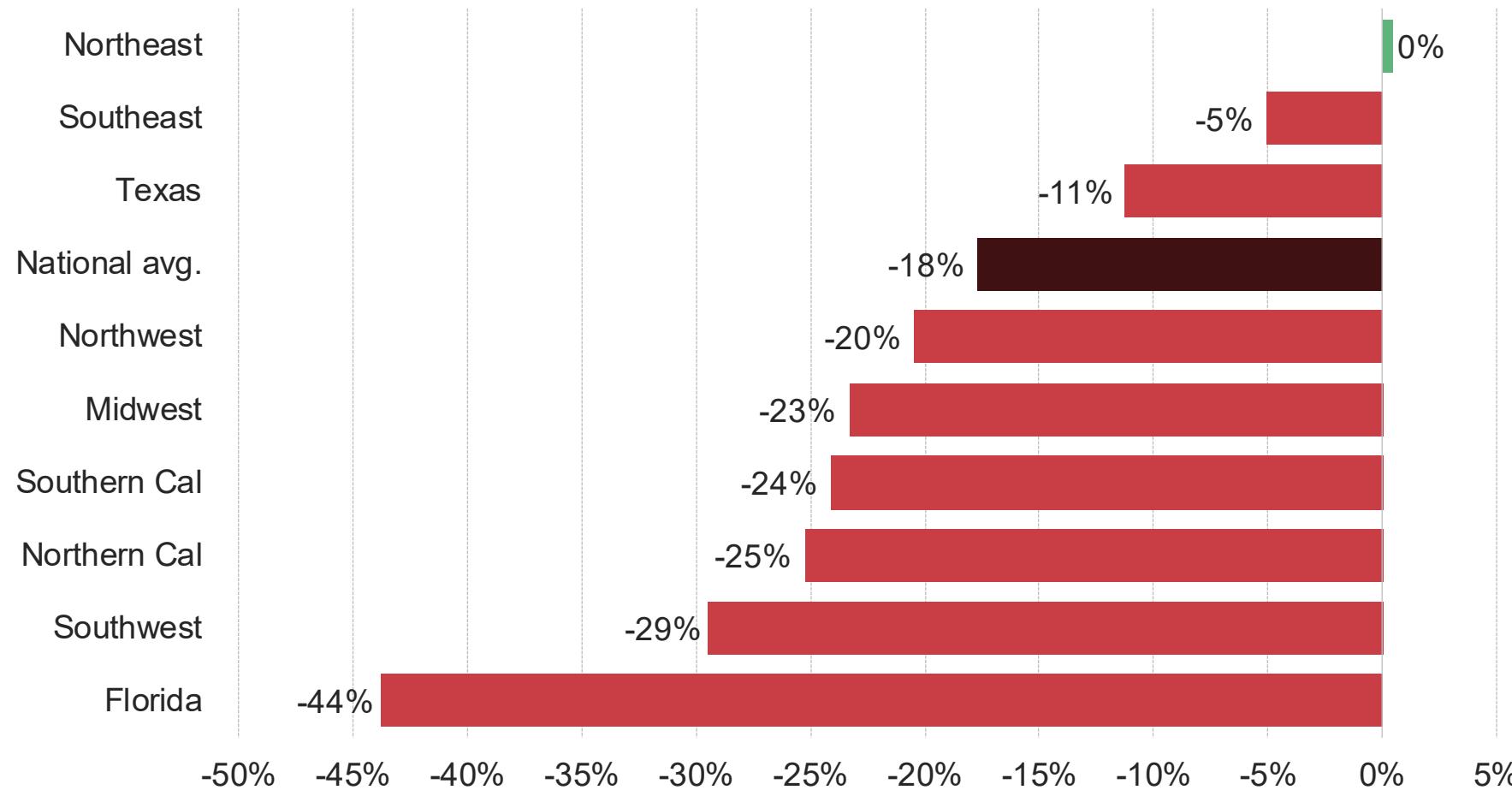
Sales rates declined YOY in 8 regions, remaining flat in the Northeast. Florida builders report the largest decline but still solid sales rates.



Matched responses YOY*

Regional New Home Sales per Community, YOY % Change

Matched builder responses YOY, weighted averages



Matched Tampa builders report a -46% YOY sales decline to still robust 4 sales per community. Sales rates also declined:

- 40% YOY to 3/community in Orlando
- 42% YOY to 3–5/community suggested by a smaller Jacksonville sample

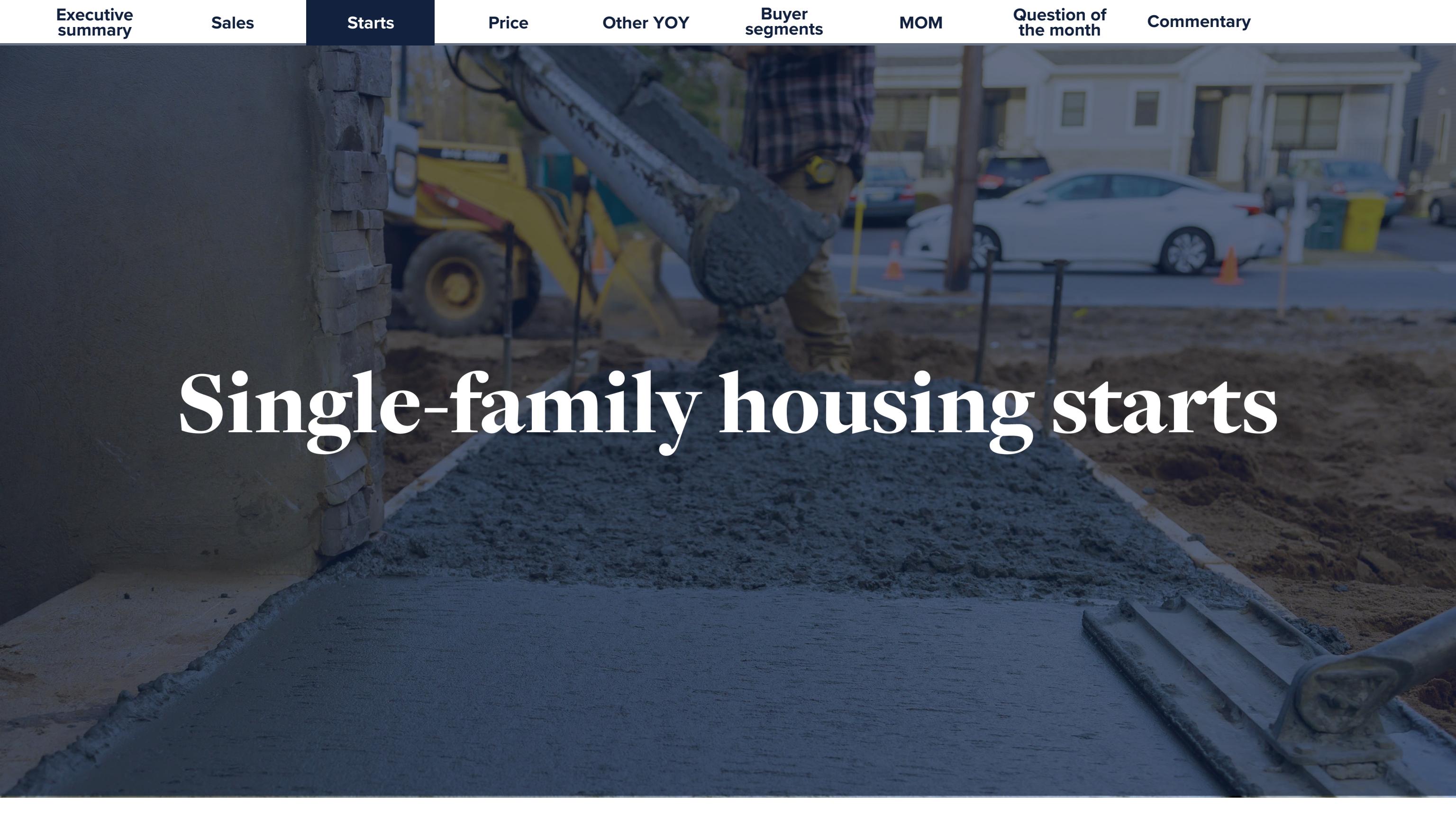
Strong sales at relatively affordable Los Angeles communities offset other metros' declines:

- 42% YOY in Riverside-San Bernardino and -40% in Bakersfield
- Small matched samples suggest -25% to -70% YOY declines in Orange County and San Diego.

Matched Richmond builders report a 7% YOY average sales increase, offset by a small -2% decline in the Washington metro and a larger -41% decline in Boston.

*Note: The above chart shows YOY comparisons only for builders who participated in the survey one year prior. For the survey of January conditions, YOY comparisons include 200 responses.

Source: John Burns Real Estate Consulting, LLC, independent survey of ~18% of all US new home sales, NSA (Data: Jan-23, Pub: Feb-23)

A photograph showing a construction worker wearing a plaid shirt and safety gear, pouring concrete from a pump into a large, rectangular foundation form. The background shows a residential street with houses and parked cars.

Single-family housing starts

January's single-family starts rate declined -42% YOY, pairing a -41% YOY starts rate and -1% community count declines.



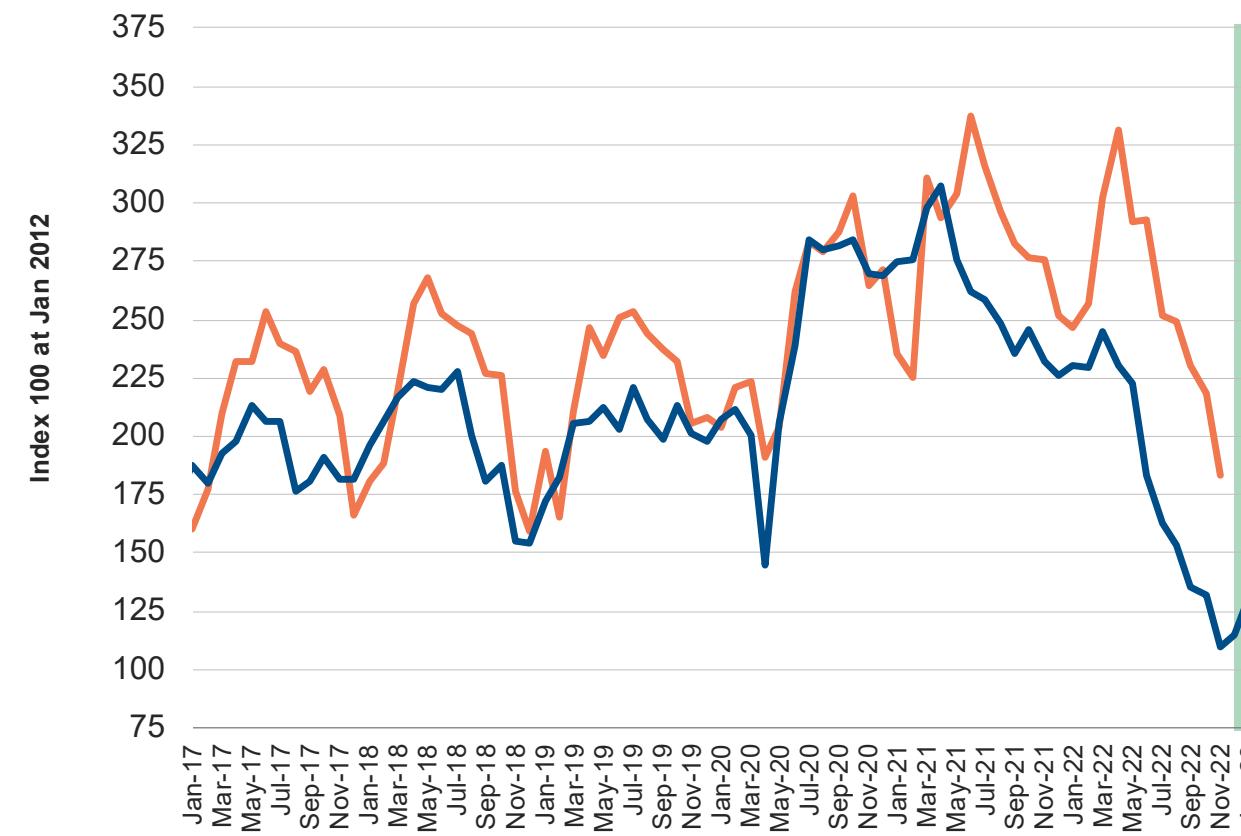
Matched responses YOY*

Single-family starts per community stay -13% below the 2.5 January average from 2013 to 2019 but rose slightly MOM to 2.2, after bottoming at 1.8 in November 2022.

Both JBREC and Census Bureau starts numbers remain volatile. The CB's starts report typically includes a +/- 10%-15% margin for error and generalizes a random sample. We survey production volume builders.

Burns National Single-Family Starts Index vs. Single-Family Starts (NSA)

Census Bureau US SF Starts Index (SF Starts, NSA)
Burns National Starts Index



*Note: Seasonality differences between JBREC national starts index and Census figures may result from differing methodology and builder mix.

Source: John Burns Real Estate Consulting, LLC, independent survey of ~18% of all US new home sales, NSA (Data: Dec-22/Jan-23, Pub: Feb-23)

NATIONAL SINGLE-FAMILY STARTS				
	Index (100=Jan 2012)		YOY % Change	
	Burns National Starts Index	Census Bureau US Starts (NSA)	Burns National Starts Index	Census Bureau US Starts (NSA)
Jan-21	275	235	33%	16%
Feb-21	276	225	31%	2%
Mar-21	298	311	49%	39%
Apr-21	307	294	112%	54%
May-21	276	304	34%	49%
Jun-21	262	337	10%	29%
Jul-21	259	316	-9%	11%
Aug-21	248	296	-11%	6%
Sep-21	235	282	-16%	-2%
Oct-21	246	277	-14%	-9%
Nov-21	232	276	-14%	4%
Dec-21	226	252	-16%	-7%
Jan-22	230	247	-16%	5%
Feb-22	230	257	-17%	14%
Mar-22	245	302	-18%	-3%
Apr-22	230	331	-25%	13%
May-22	223	292	-19%	-4%
Jun-22	183	293	-30%	-13%
Jul-22	162	251	-37%	-20%
Aug-22	154	249	-38%	-16%
Sep-22	135	230	-42%	-19%
Oct-22	132	219	-46%	-21%
Nov-22	110	183	-53%	-33%
Dec-22	115	191	-49%	-24%
Jan-23	133	133	-42%	
2019 average			1%	1%
2020 average			19%	12%
2021 average			9%	14%

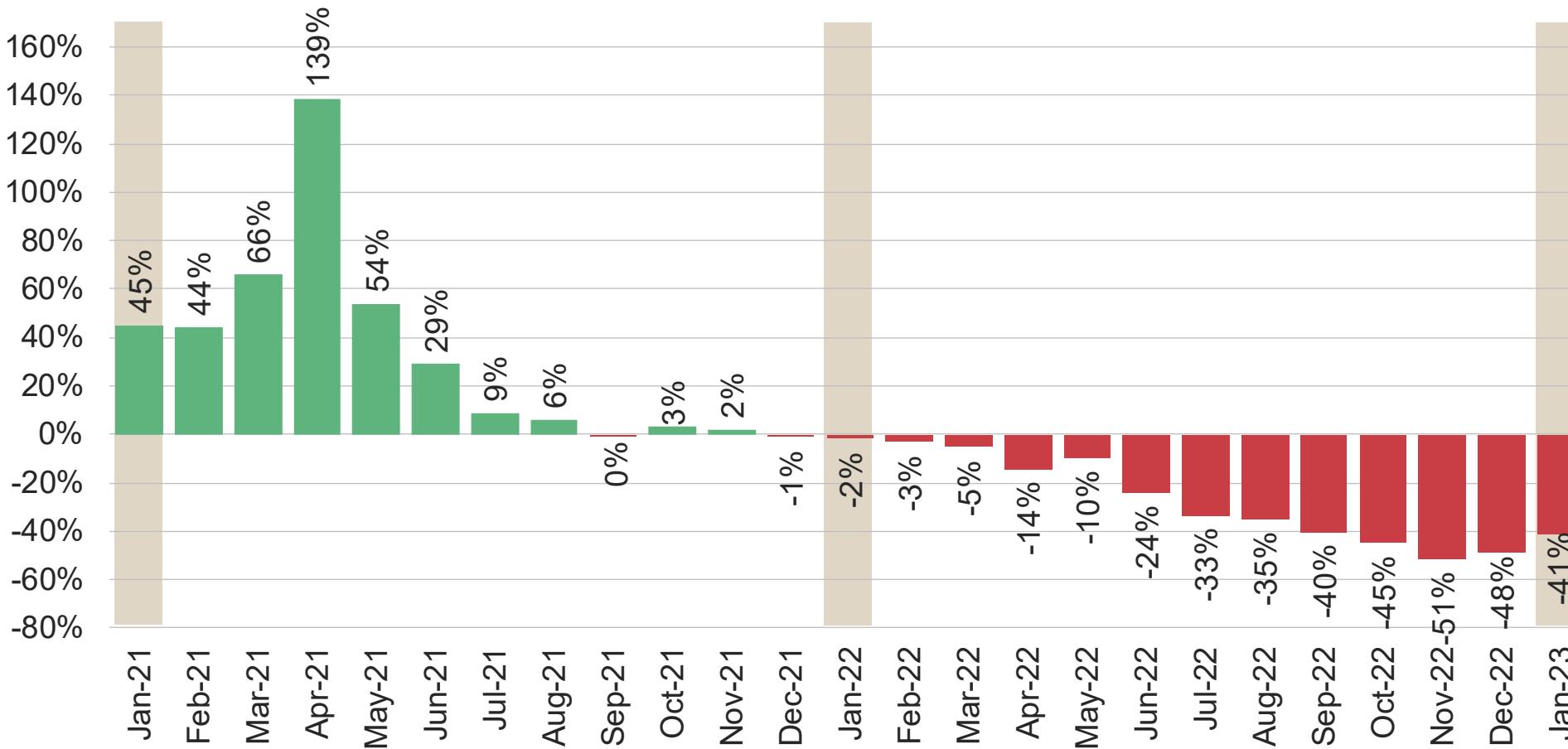


Matched responses YOY*

Average single-family starts per community fell -41% YOY compared to -2% last January.

Single-Family Housing Starts per Community YOY % Change

Matched builder responses YOY, weighted averages



Many builders reduced their speculative starts in 2022 to align with slower sales rates. However, uncertainty around construction costs paired with continued delays discourage some from returning to presales this year.

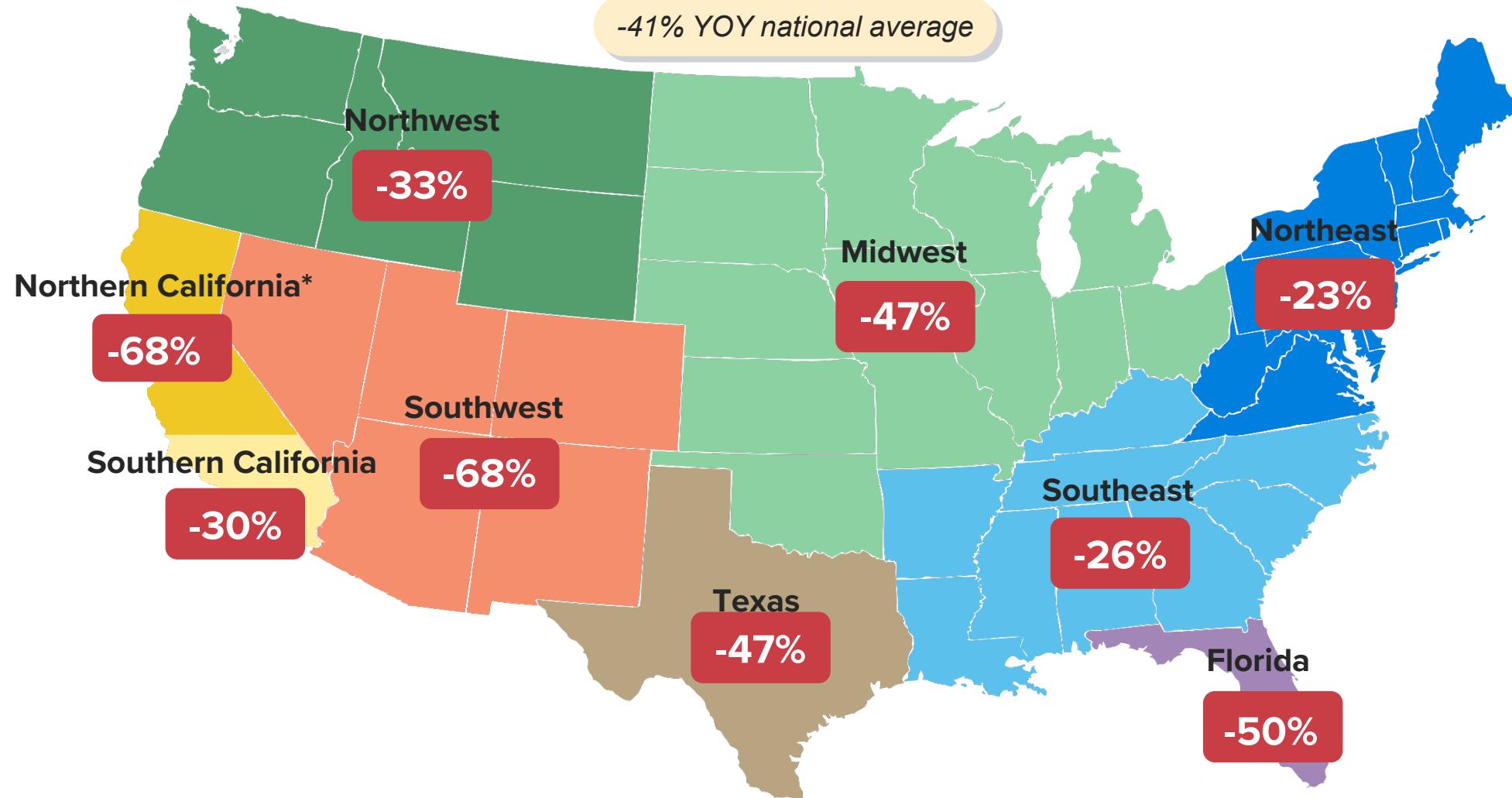
Seasonally, builders typically increase starts in January to have quick move-in homes available for the spring selling season. If stronger sales continue, we expect builders to prioritize clearing their elevated finished inventory over starts in the short term.

*Note: The above chart shows YOY comparisons only for builders who participated in the survey one year prior. For the survey of January conditions, YOY comparisons include 217 responses.

Source: John Burns Real Estate Consulting, LLC, independent survey of ~18% of all US new home sales, NSA (Data: Jan-23, Pub: Feb-23)

Single-family housing starts per community declined YOY in all 9 regions, led by a -68% decline in Northern California and the Southwest.

YOY Change in Single-Family Housing Starts per Community



Northern Cal and Southwest builders significantly reduced starts YOY across all major markets. Average starts fell:

- 56% YOY in Sacramento
- 41% YOY in Boise
- 38% YOY in Seattle
- 26% YOY in Portland

This map reflects YOY comparisons for 217 builders who also participated in our survey one year ago.

*Note: The above chart shows YOY comparisons only for builders who participated in the survey one year prior. For the survey of January conditions, YOY comparisons include 217 responses.

Source: John Burns Real Estate Consulting, LLC, independent survey of ~18% of all US new home sales, NSA (Data: Jan-23, Pub: Feb-23)



New home prices

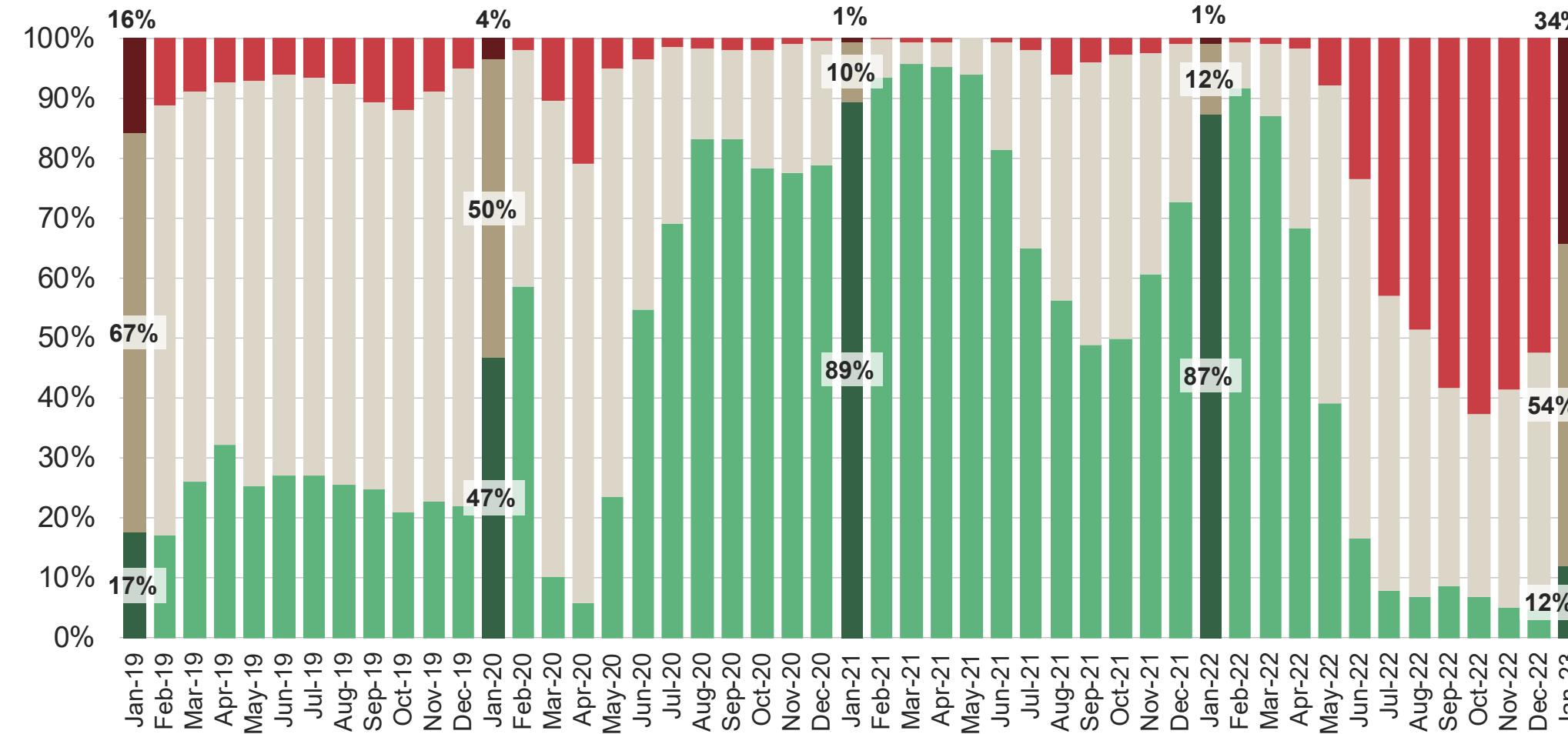


All responses

54% of builders held prices Flat MOM in January, and 34% reduced net prices. Only 12% Increased prices, sinking from 87% one year ago.

National: Direction of New Home Prices (Net of Incentives)

All responses ■ Increased ■ Flat ■ Decreased

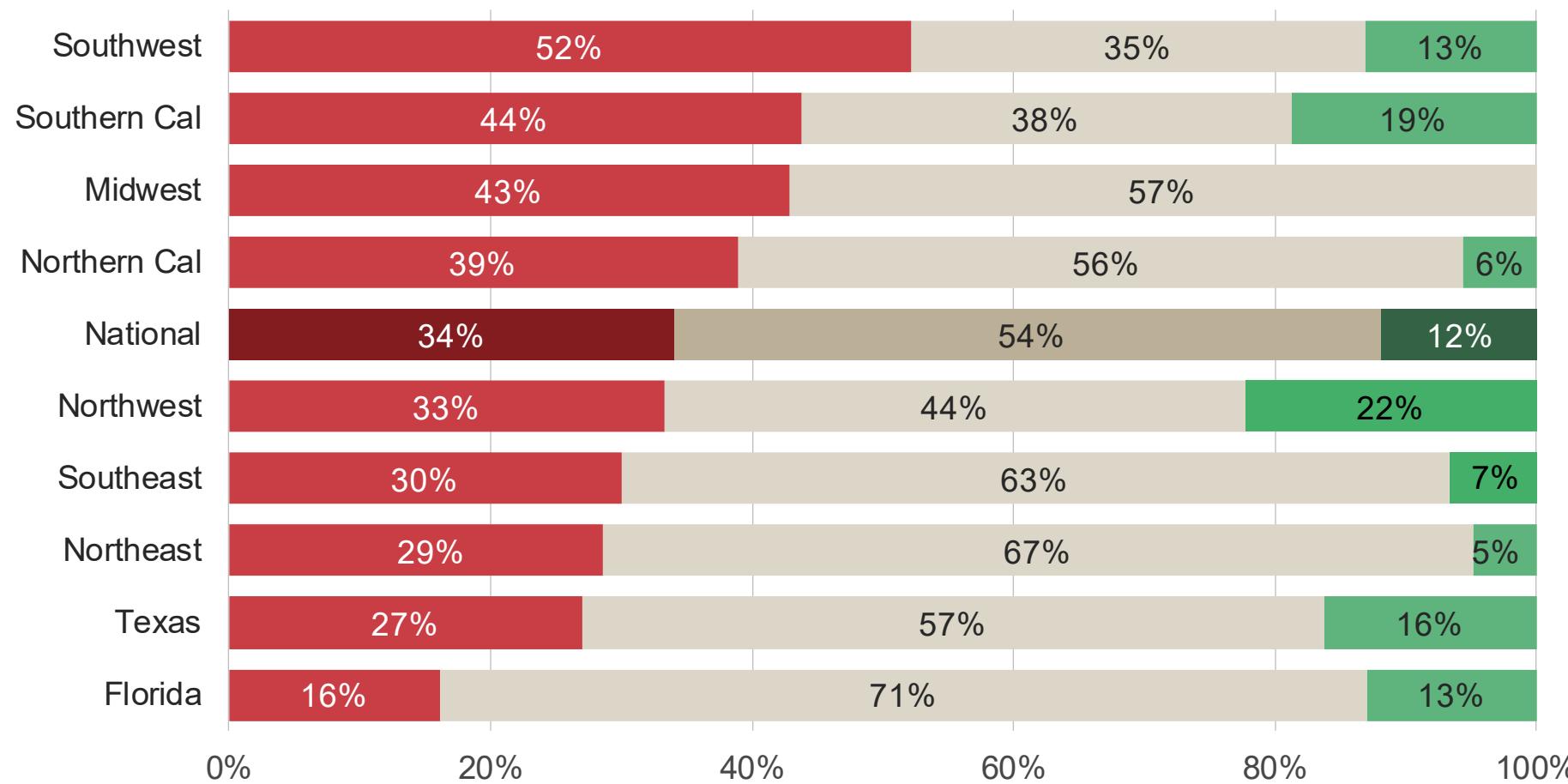


Source: John Burns Real Estate Consulting, LLC, independent survey of ~18% of all US new home sales, NSA (Data: Jan-23, Pub: Feb-23)



Direction of New Home Prices (Net of Incentives) MOM

January 2023 ■ Decreased ■ Flat ■ Increased



80% of Salt Lake City builders Decreased net prices month over month, driving the Southwest's weak price rating. 75% of Denver builders also Decreased prices MOM, and 25% held prices Flat.

28% of Tampa builders Increased prices in January, fueling moderate Florida pricing. Most builders in the region held prices Flat MOM, including:

- 91% in Orlando
- 75% in Jacksonville

Source: John Burns Real Estate Consulting, LLC, independent survey of ~18% of all US new home sales, NSA (Data: Jan-23, Pub: Feb-23)

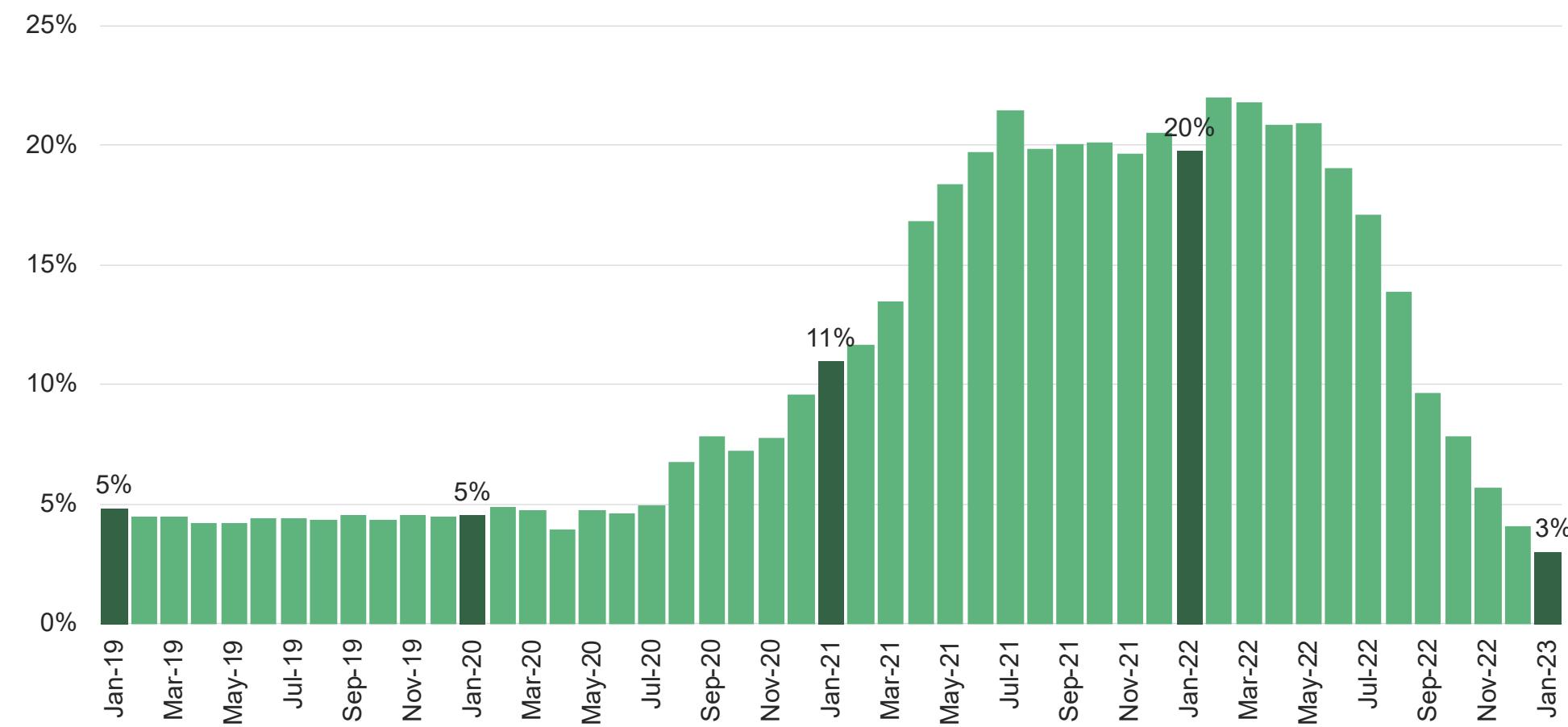
January's 3% average YOY new home price appreciation rate cooled nationally from 20% one year ago.



All responses

National New Home YOY Price Increases (Net of Incentives)

All responses

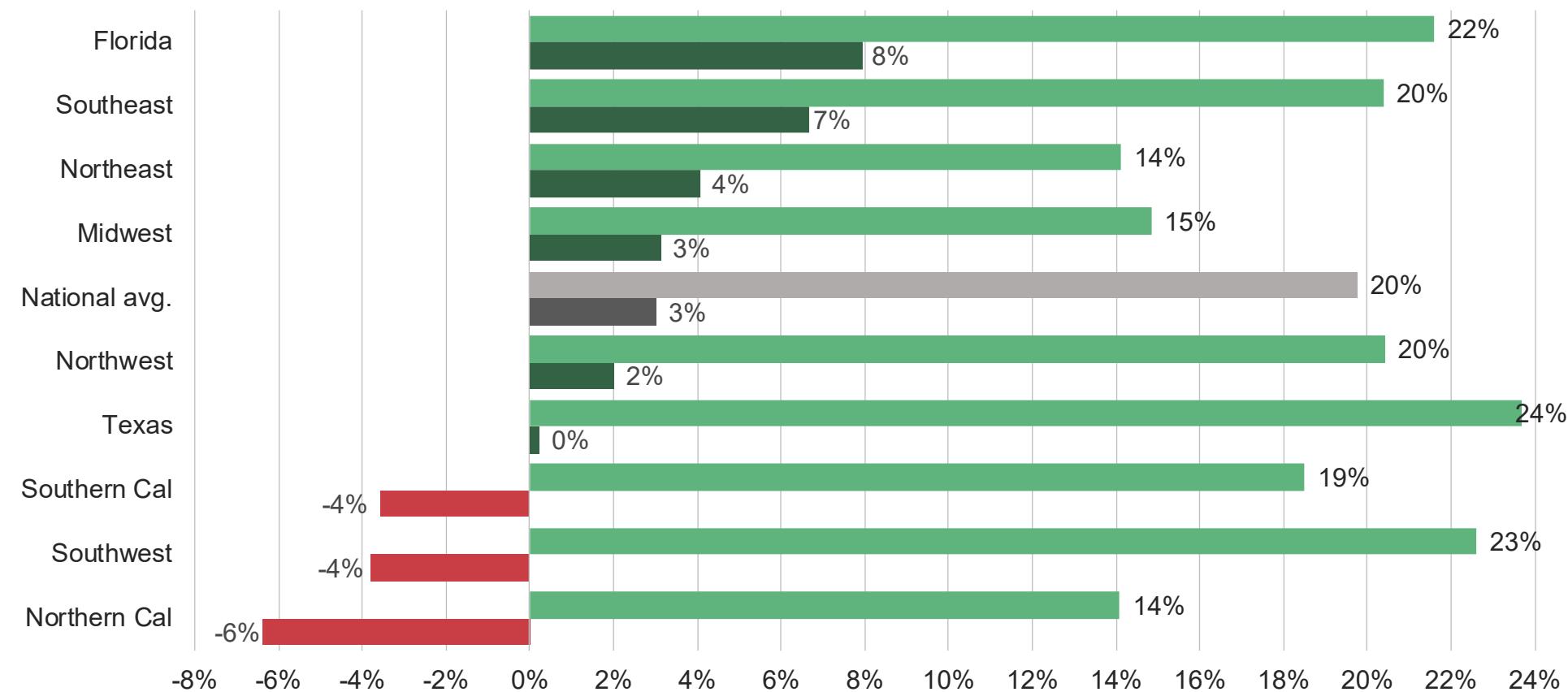


Source: John Burns Real Estate Consulting, LLC, independent survey of ~18% of all US new home sales, NSA (Data: Jan-23, Pub: Feb-23)

Executive summary	Sales	Starts	Price	Other YOY	Buyer segments	MOM	Question of the month	Commentary	RATING	RESPONDENTS
Price growth decelerated YOY in all regions. The S. California average turned negative YOY, joining the Southwest / N. California trend.										

Average New Home Net Price Increases (YOY)

All responses ■ Jan-22 ■ Jan-23



Florida builders report the strongest average price appreciation, up 8% YOY but decelerating -14 percentage points from one year ago.

- Tampa builders bolster the regional average with net prices up 16% YOY versus 20% one year ago.
- Orlando pricing also stays high, up 13% YOY versus 19% last January.

All major Northern Cal markets average YOY price declines ranging from -1% to -13%.

Source: John Burns Real Estate Consulting, LLC, independent survey of ~18% of all US new home sales, NSA (Data: Jan-23, Pub: Feb-23)

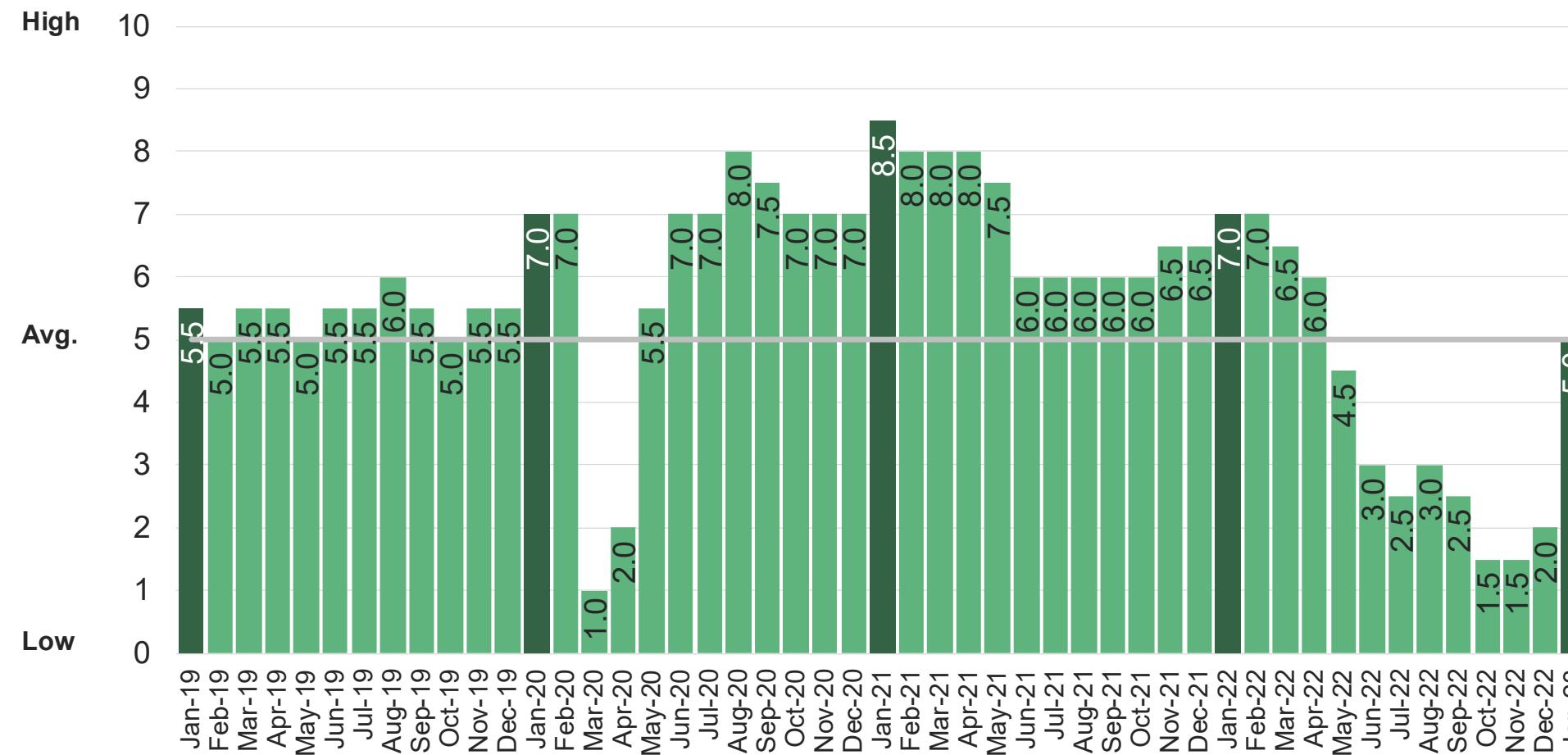


Other year-over-year changes

Traffic ratings jumped in January but remain slightly below 5.5 in January 2019.

Traffic of Prospective Buyers in New Homes

Matched builder responses YOY, National average



*Note: The above chart shows YOY comparisons only for builders who participated in the survey one year prior. For the survey of January conditions, YOY comparisons include 202 responses.

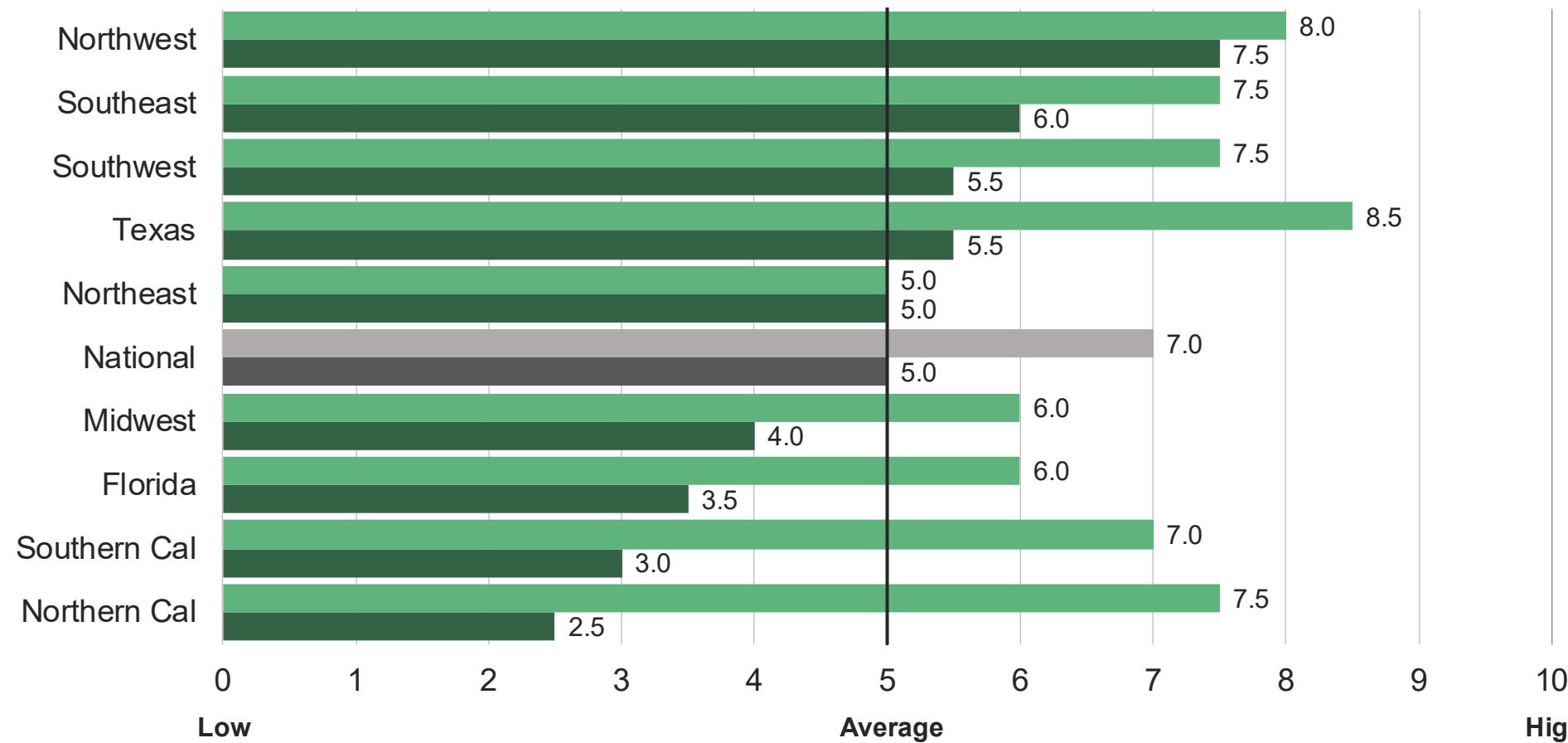
Source: John Burns Real Estate Consulting, LLC, independent survey of ~18% of all US new home sales, NSA (Data: Jan-23, Pub: Feb-23)

Builders share traffic ratings above Average in the Northwest, Southeast, Southwest, and Texas.



Traffic of Prospective Buyers in New Homes

Matched builder responses YOY, weighted averages ■ Jan-22 ■ Jan-23



76% of Southeast builders report Average traffic, including:

- 100% in Raleigh-Durham
- 71% in Charlotte
- 66% in Atlanta
- 60% in Nashville

50% of Northern Cal builders report Low traffic, driven by very soft ratings in smaller markets like Stockton, Reno, and Santa Rosa.

*Note: The above chart shows YOY comparisons only for builders who participated in the survey one year prior. For the survey of January conditions, YOY comparisons include 202 responses.

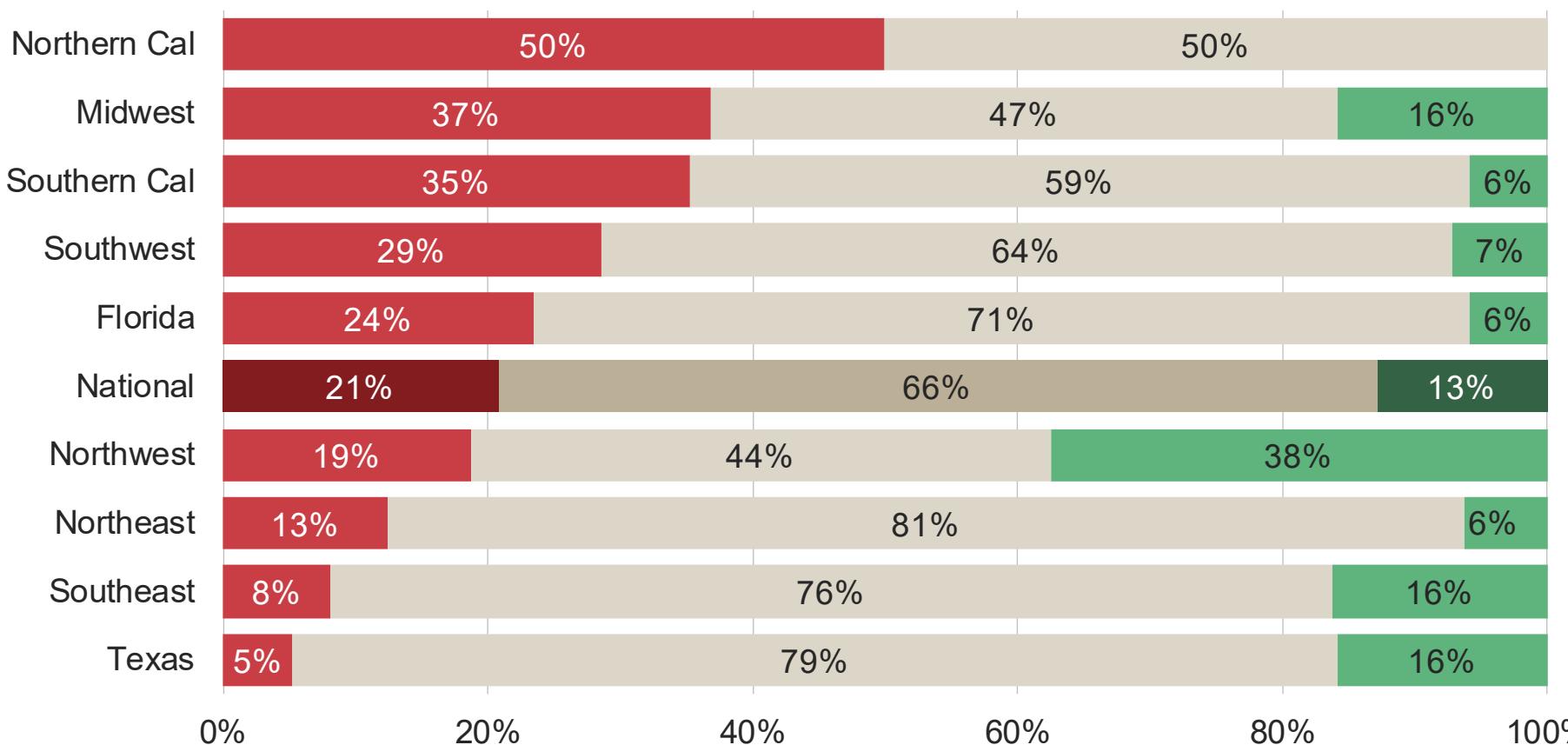
Source: John Burns Real Estate Consulting, LLC, independent survey of ~18% of all US new home sales, NSA (Data: Jan-23, Pub: Feb-23)

Executive summary	Sales	Starts	Price	Other YOY	Buyer segments	MOM	Question of the month	Commentary	RATING	RESPONDENTS
38% of Northwest builders report High traffic ratings compared to none in Northern California.										

Prospective New Home Buyer Traffic Ratings

January 2023

■ Low ■ Average ■ High



16% of Texas, Midwest, and Southeast builders shared High traffic ratings. The metros with the strongest traffic ratings in each region include:

- Dallas with 25% High ratings
- Chicago with 33% High ratings
- Atlanta with 33% High ratings

*Note: The above chart shows YOY comparisons only for builders who participated in the survey one year prior. For the survey of January conditions, YOY comparisons include 202 responses.

Source: John Burns Real Estate Consulting, LLC, independent survey of ~18% of all US new home sales, NSA (Data: Jan-23, Pub: Feb-23)

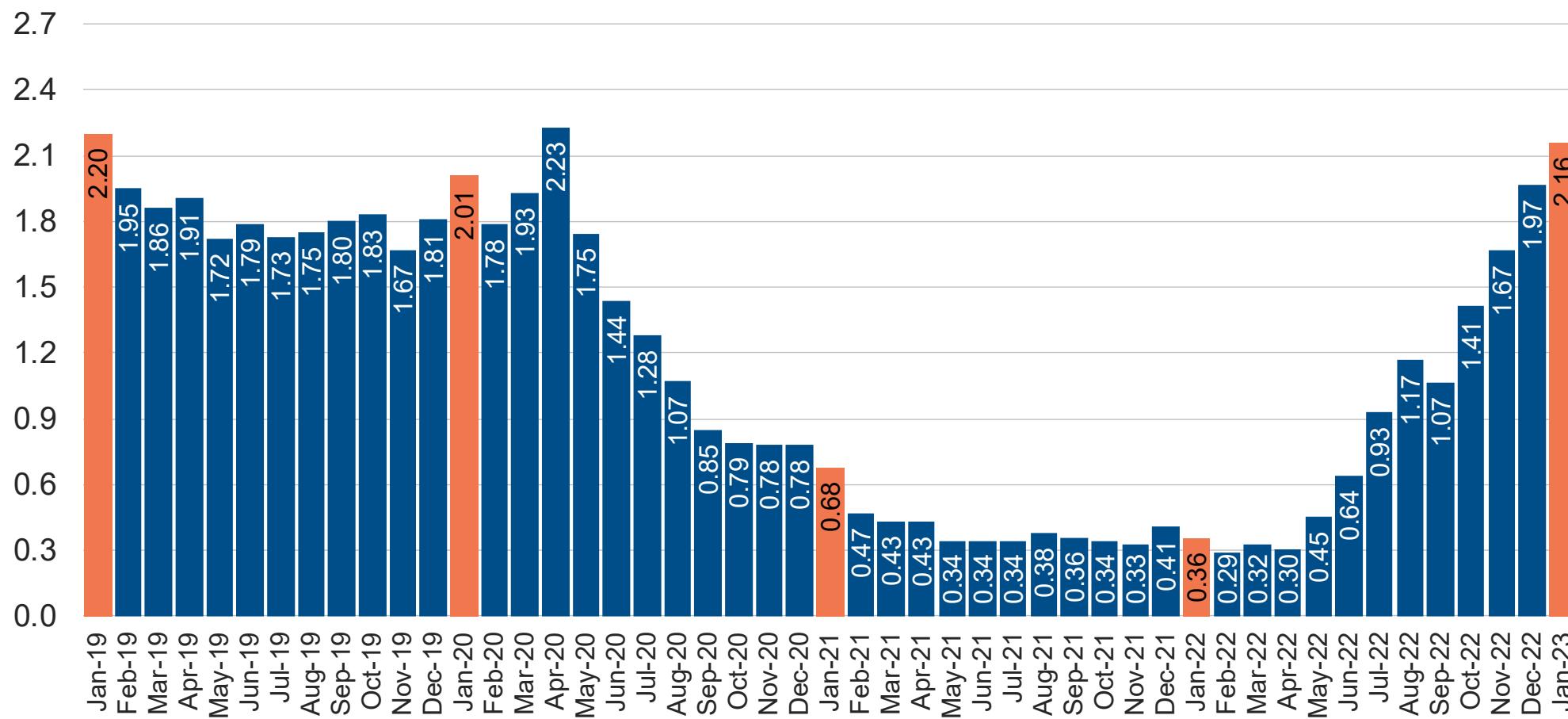
Average finished inventory popped 10% MOM to 2.16 as builders continue to finish long backlogged homes.



Matched responses YOY*

Number of Unsold, Finished New Homes per Community

Matched builder responses YOY, national average



44% of builders averaged 3 or more finished homes per community, doubling from 22% last month and skyrocketing from just 2% one year ago.

29% of builders averaged 1–2 finished homes per community (25% last January), which we consider to be a normal range.

15% of matched builders have, on average, no finished homes per community, down from 73% last year.

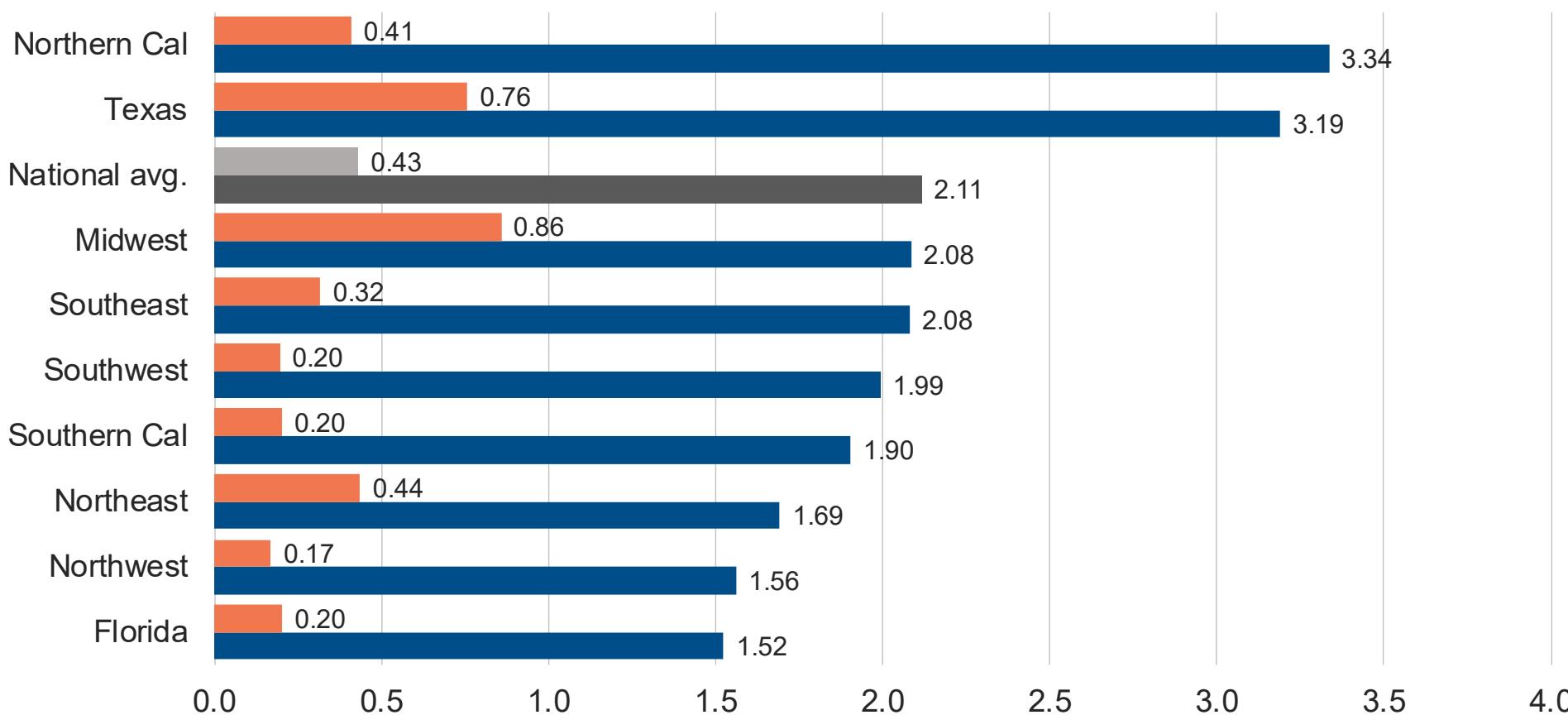
*Note: Inventory levels can be influenced by builder strategies, type of community (such as active adult), and seasonality that varies significantly by market. The above chart shows YOY comparisons only for builders who participated in the survey One year prior. For the survey of January conditions, YOY comparisons include 214 responses.

Source: John Burns Real Estate Consulting, LLC, independent survey of ~18% of all US new home sales, NSA (Data: Jan-23, Pub: Feb-23)

Executive summary	Sales	Starts	Price	Other YOY	Buyer segments	MOM	Question of the month	Commentary	RATING	RESPONDENTS
Inventory soared YOY in every region and far exceeded normal (>2 per community) in Northern California and Texas.										

Number of Unsold, Finished New Homes per Community

Matched builder responses YOY □ Jan-22 ■ Jan-23



20% of matched Texas builders report having 4 or more finished inventory homes per community, propelling the region's high average. Averages are especially elevated in:

- Fort Worth at 4.5 homes
- Houston at 4.1 homes
- Austin at 3.4 homes

Higher finished inventory may also help attract some buyers, with a Houston builder noting: "Buyers seem to be looking for finished inventory with the assurance of locking in their interest rate."

*Note: Inventory levels can be influenced by builder strategies, type of community (such as active adult), and seasonality that varies significantly by market. The above chart shows YOY comparisons only for builders who participated in the survey One year prior. For the survey of January conditions, YOY comparisons include 214 responses.

Source: John Burns Real Estate Consulting, LLC, independent survey of ~18% of all US new home sales, NSA (Data: Jan-23, Pub: Feb-23)

Cancellations fell to 13% in January, as the 30-year mortgage rate eased to 6% and builders offered large incentives to their backlog.

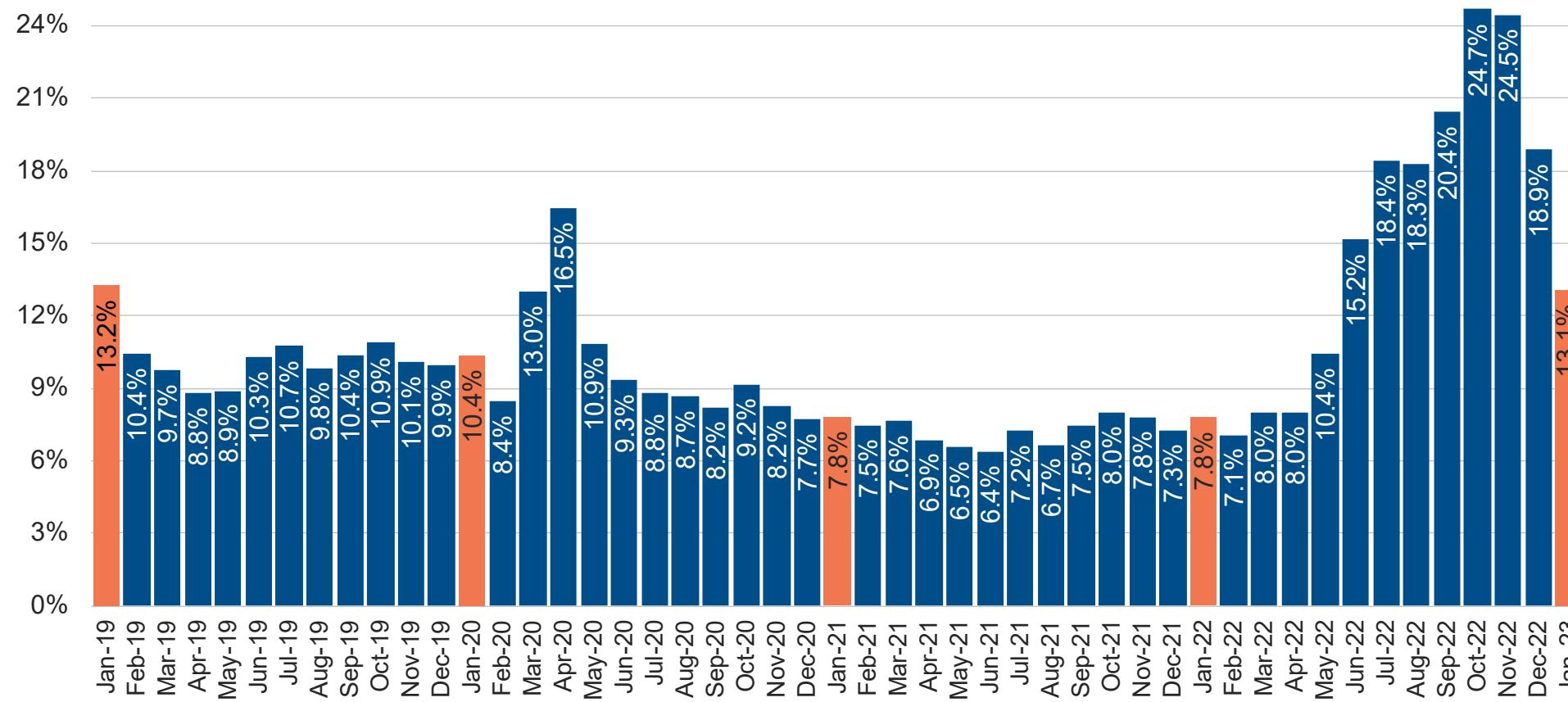


Matched responses YOY*

Average Cancellation Rate

Matched builder responses YOY, weighted averages

27%



Builders report cancellations as a percentage of their gross sales.
Cancellations from buyers in backlog remain higher than normal and reverse sales from many months ago.

Cancellations fell to the lowest rate since May 2022, and the current average sits in a relatively normal sub-15% range. The current 13% rate still sits about 5 percentage points higher than January 2022, however.

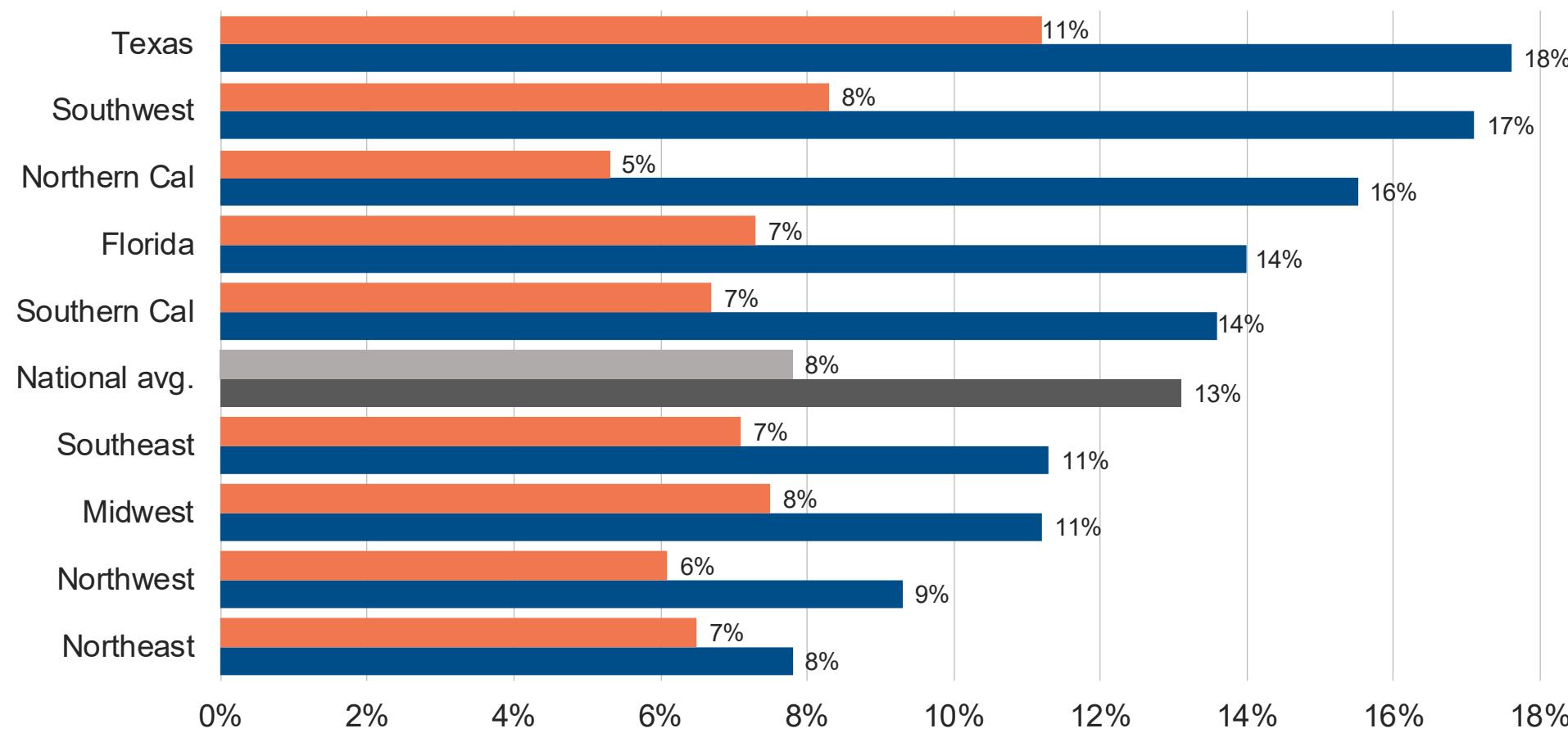
*Note: The above chart shows YOY comparisons only for builders who participated in the survey one year prior. For the survey of January conditions, YOY comparisons include 226 responses.
Cancellations are a percentage of gross sales.

Source: John Burns Real Estate Consulting, LLC, independent survey of ~18% of all US new home sales, NSA (Data: Jan-23, Pub: Feb-23)

Executive summary	Sales	Starts	Price	Other YOY	Buyer segments	MOM	Question of the month	Commentary	RATING	RESPONDENTS
Cancellations remain elevated YOY in all regions and exceed 15% in Texas, the Southwest, and Northern California.										

Average Cancellation Rate by Region

Matched builder responses YOY, weighted averages ■ Jan-22 ■ Jan-23



Matched Texas builders report an 18% average cancellation rate, driven by Houston and San Antonio averaging 23%.

- Cancellation rates stayed below 15% in the other major Texas metros.

Matched Florida builder cancellations doubled YOY to 14%.

- Smaller metros primarily drove the increase.
- However, Orlando cancellations jumped to 20% from 16%.

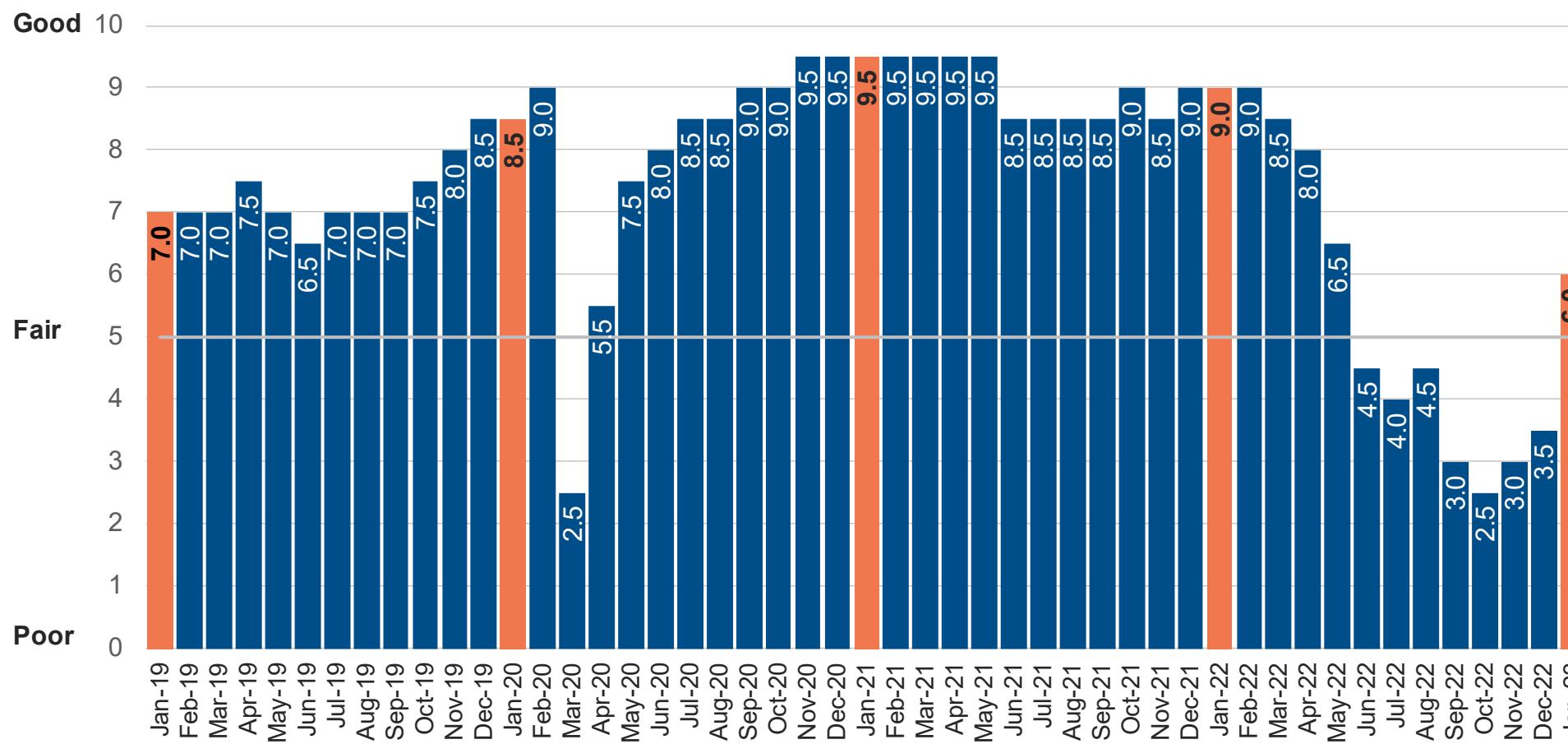
*Note: The above chart shows MOM comparisons only for builders who participated in the survey one month prior. For the survey of January conditions, MOM comparisons include 337 responses. Cancellations are a percentage of gross sales.

Source: John Burns Real Estate Consulting, LLC, independent survey of ~18% of all US new home sales, NSA (Data: Jan-23, Pub: Feb-23)

Expected sales ratings popped in January, signaling optimism driven by a strong month of new home sales.

Expected Sales of Single-Family New Homes: Next 6 Months

Matched builder responses YOY, national average



Expectations rose for three consecutive months, finally rising above Fair for the first time since May of 2022.

Contributing factors include:

- Improved sales
- Fewer MOM price reductions
- Dip in mortgage rates to 6% during the month
- Easing cost pressure

*Note: The above chart shows YOY comparisons only for builders who participated in the survey one year prior. For the survey of January conditions, YOY comparisons include 202 responses.

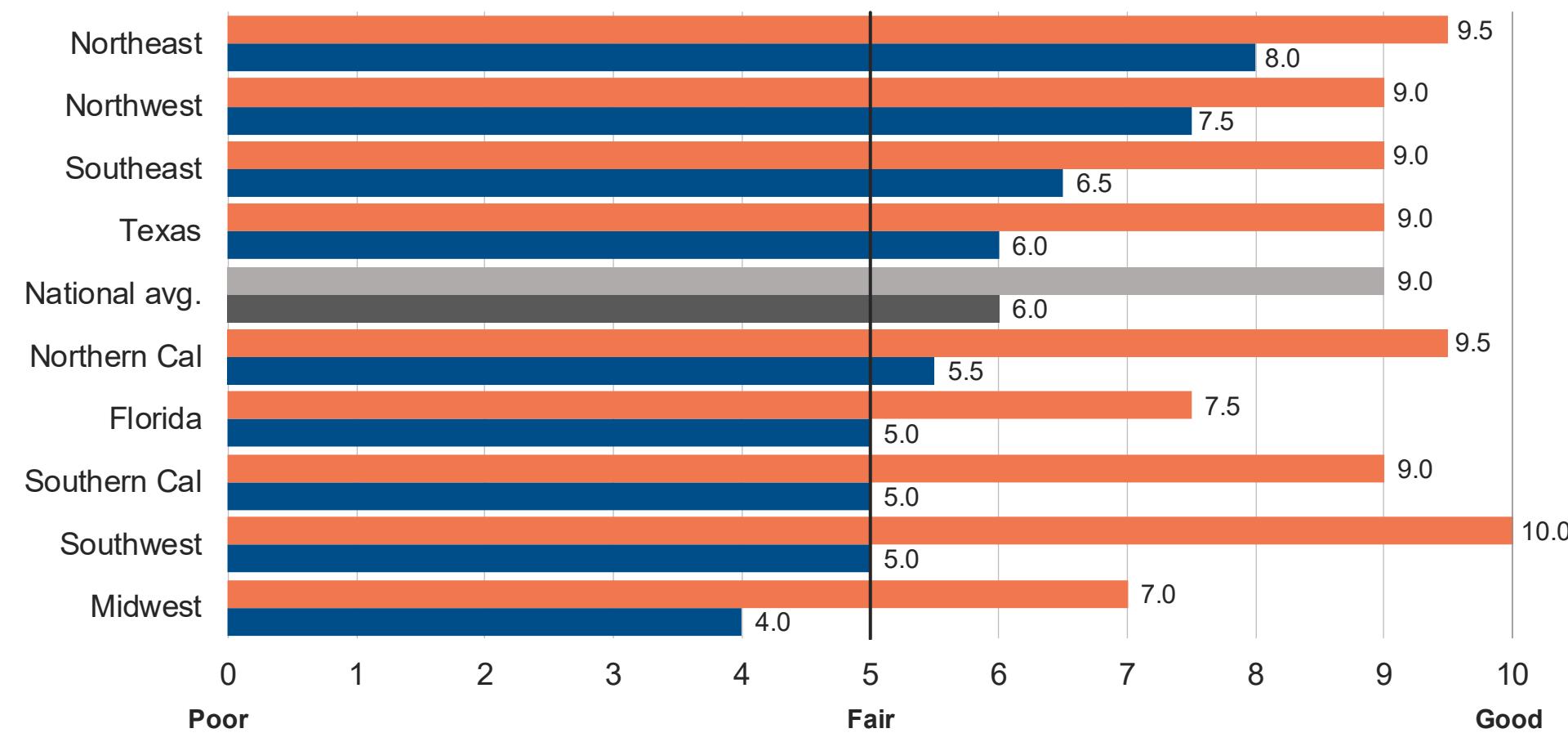
Source: John Burns Real Estate Consulting, LLC, independent survey of ~18% of all US new home sales, NSA (Data: Jan-23, Pub: Feb-23)

Sales expectations fell YOY in every region. Midwest builders share the only rating falling below Fair.



Expected Sales of Single-Family New Homes: Next 6 Months

Matched builder responses YOY, weighted averages ■ Jan-22 ■ Jan-23



Midwest expectations remain the weakest, driven by Low ratings in Cincinnati, Minneapolis, and St. Louis. Conversely:

- 100% in Chicago shared Fair ratings
- 80% in Indianapolis shared Fair ratings

Northeast builders are the most optimistic, with:

- 66% Good ratings in Boston
- 50% Good ratings in Richmond, Washington, DC, and Philadelphia

*Note: The above chart shows YOY comparisons only for builders who participated in the survey one year prior. For the survey of January conditions, YOY comparisons include 202 responses.

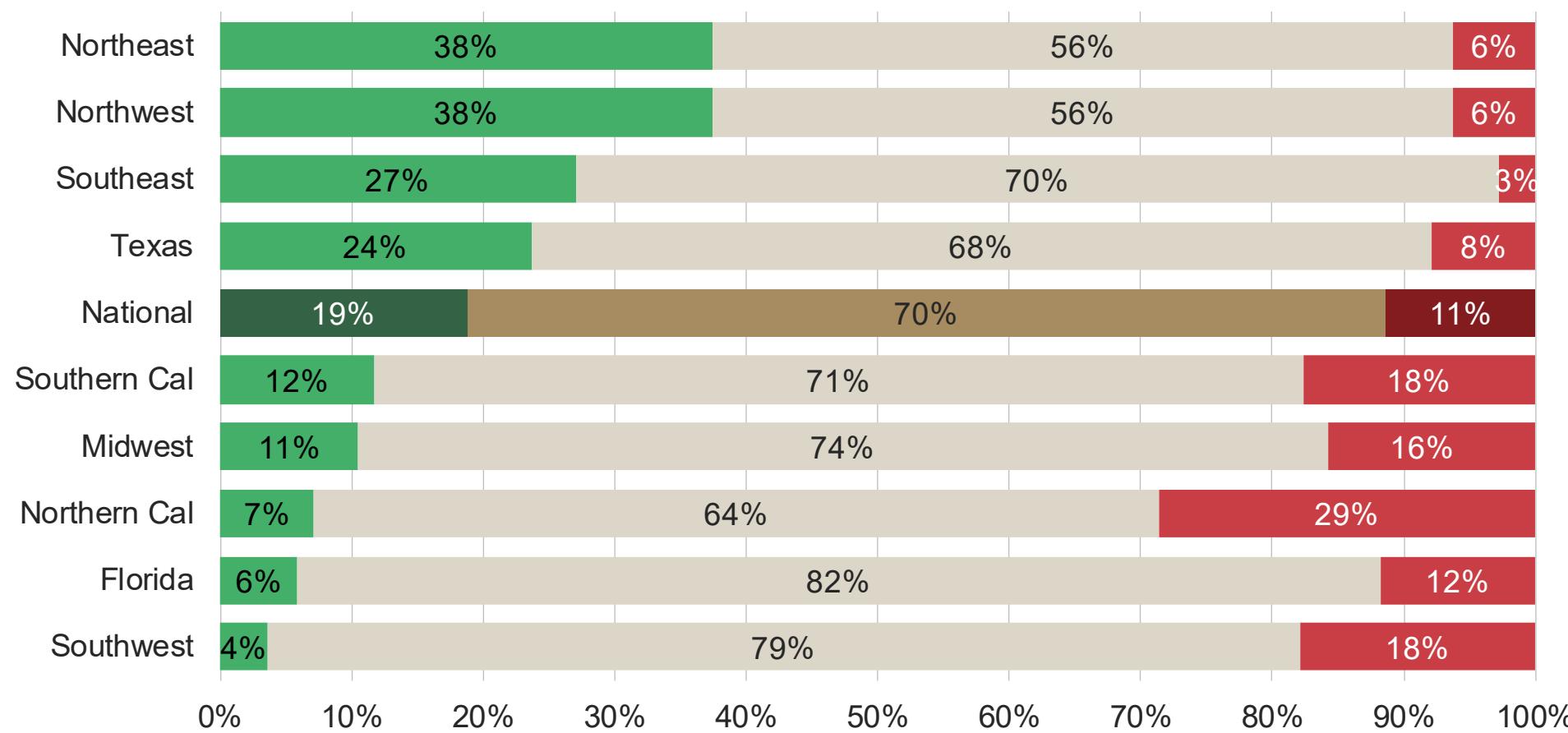
Source: John Burns Real Estate Consulting, LLC, independent survey of ~18% of all US new home sales, NSA (Data: Jan-23, Pub: Feb-23)

Executive summary	Sales	Starts	Price	Other YOY	Buyer segments	MOM	Question of the month	Commentary	RATING	RESPONDENTS
38% of Northeast and Northwest builders expect Good sales compared to 4% in the Southwest.										

Rate Expected Sales of Single-Family New Homes: Next 6 Months

January 2023

Good Fair Poor



24%+ of Northeast, Northwest, Southeast, and Texas builders shared Good expected sales ratings. The metros with the largest share of Good ratings in each region include:

- Boston with 66% Good ratings
- Portland with 50% Good ratings
- Charlotte with 57% Good ratings
- Dallas with 50% Good ratings

*Note: The above chart shows YOY comparisons only for builders who participated in the survey one year prior. For the survey of January conditions, YOY comparisons include 202 responses.

Source: John Burns Real Estate Consulting, LLC, independent survey of ~18% of all US new home sales, NSA (Data: Jan-23, Pub: Feb-23)



Buyer segments

Market Conditions by Buyer Type



Very Strong Strong Normal Slow Very Slow

Entry / 1st move-up

Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan
Very Strong	Very Strong	Strong	Normal	Normal	Slow							



2nd move-up / luxury

Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan
Strong	Very Strong	Strong	Strong	Normal	Slow							



Empty nest / active adult

Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan
Strong	Very Strong	Strong	Strong	Normal	Normal	Slow						

Improving sales and pricing indicators may prompt upgrades over the next few months.

Normal Market Conditions

Builders sell 2–3 homes per community per month, with prices rising just ahead of inflation.

Source: John Burns Real Estate Consulting, LLC, independent survey of ~18% of all US new home sales, NSA (Data: Jan-23, Pub: Feb-23)

New home sales rates catapulted 53% month over month nationally.

Entry level / first move-up

Qualification issues sideline buyers.

- Highest sales rates of all segments, in a normal range.
- 31% of builders decreased net prices MOM versus 16% increasing prices.
- Entry-level finished inventory rose to 2.9 per community.
- Builders employ rate buy-downs and price cuts to help entry-level buyers qualify, pulling year-over-year price appreciation down to 2%.

Second move-up / and luxury

Price reductions encourage purchases.

- Move-up and luxury sales rates trail the entry segment, increasing slightly MOM.
- 37% of builders dropped net prices MOM versus 11% increasing prices.
- Move-up finished inventory ticked up to 1.9 per community.
- Lower rates combined with steep discounts motivate buyers.

Empty nest / active adult

Some buyers stay active despite financial concerns.

- Slightly higher YOY price appreciation than entry and move-up.
- 38% of builders decreased net prices MOM versus zero increasing prices.
- Lowest cancellation rate among all segments at 8%.
- Cash buyers are less sensitive to rate movement, and the stock market improvements over the last few months boost buyer confidence.

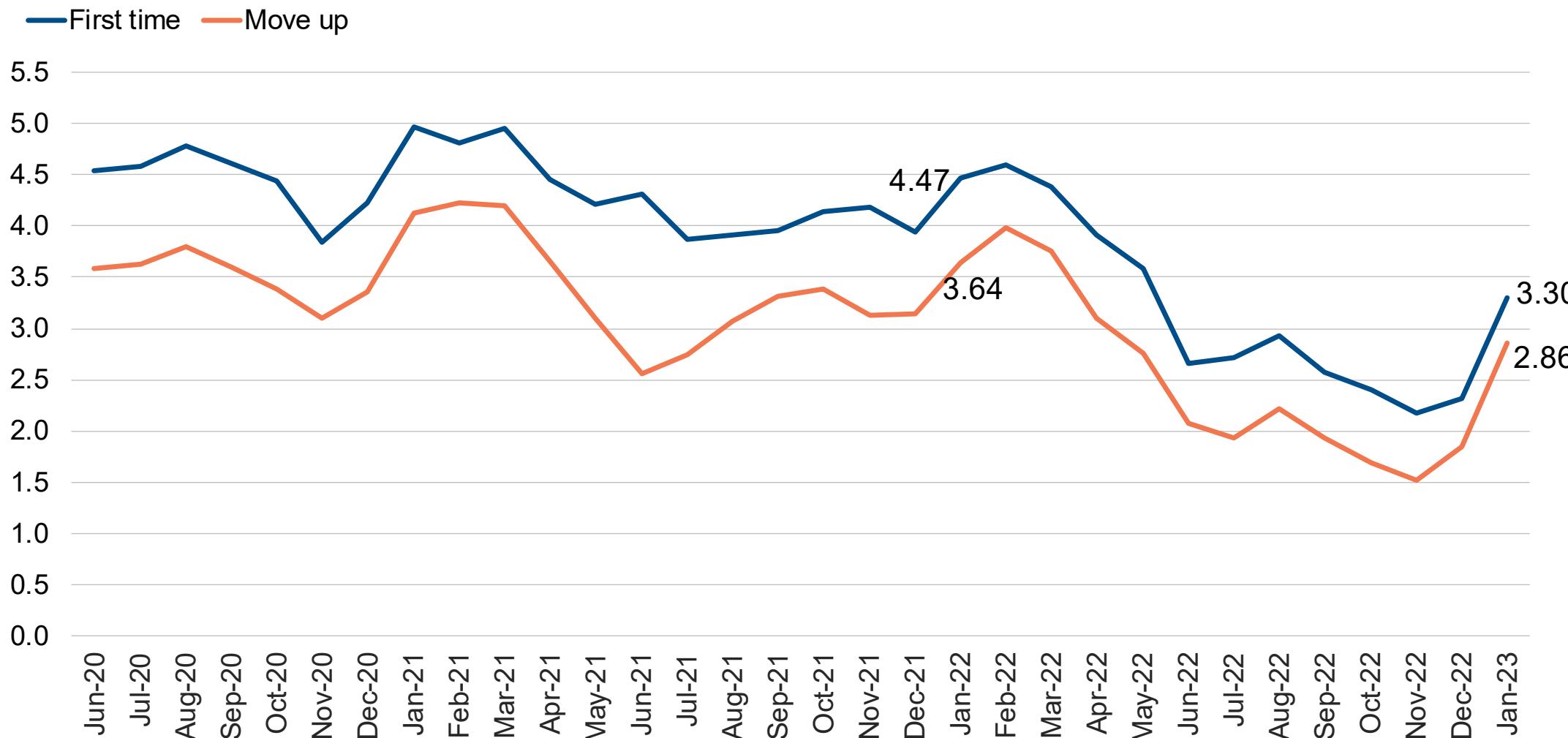
Market conditions

- Very Strong
- Strong
- Normal
- Slow
- Very Slow

Refer to prior page for a definition of Normal market conditions.

Builders targeting first-time buyers averaged 3.3 sales per community in January (-26% YOY) versus 2.9 for move-up builders (-21% YOY).

Average New Home Sales Rates per Community by Buyer Segment



Source: John Burns Real Estate Consulting, LLC, independent survey of ~18% of all US new home sales, NSA (Data: Jan-23, Pub: Feb-23)

Traffic ratings jumped MOM for first-time and move-up segments, returning to Average ratings.

Traffic of Prospective Buyers in New Homes by Buyer Segment

—First time —Move up

High 10

9

8

7

6

5

4

3

2

1

0

Low

Jun-20 Jul-20 Aug-20 Sep-20 Oct-20 Nov-20 Dec-20 Jan-21 Feb-21 Mar-21 Apr-21 May-21 Jun-21 Jul-21 Aug-21 Sep-21 Oct-21 Nov-21 Dec-21 Jan-22 Feb-22 Mar-22 Apr-22 May-22 Jun-22 Jul-22 Aug-22 Sep-22 Oct-22 Nov-22 Dec-22 Jan-23

7.5

7.0

5.5

5.0

Source: John Burns Real Estate Consulting, LLC, independent survey of ~18% of all US new home sales, NSA (Data: Jan-23, Pub: Feb-23)

31% of builders targeting first-time buyers reduced net prices MOM in January, easing from 70% in September and October 2022.



All responses

Direction of New Home Prices (Net of Incentives) for First-Time Builders

■ Increased ■ Flat ■ Decreased



Source: John Burns Real Estate Consulting, LLC, independent survey of ~18% of all US new home sales, NSA (Data: Jan-23, Pub: Feb-23)

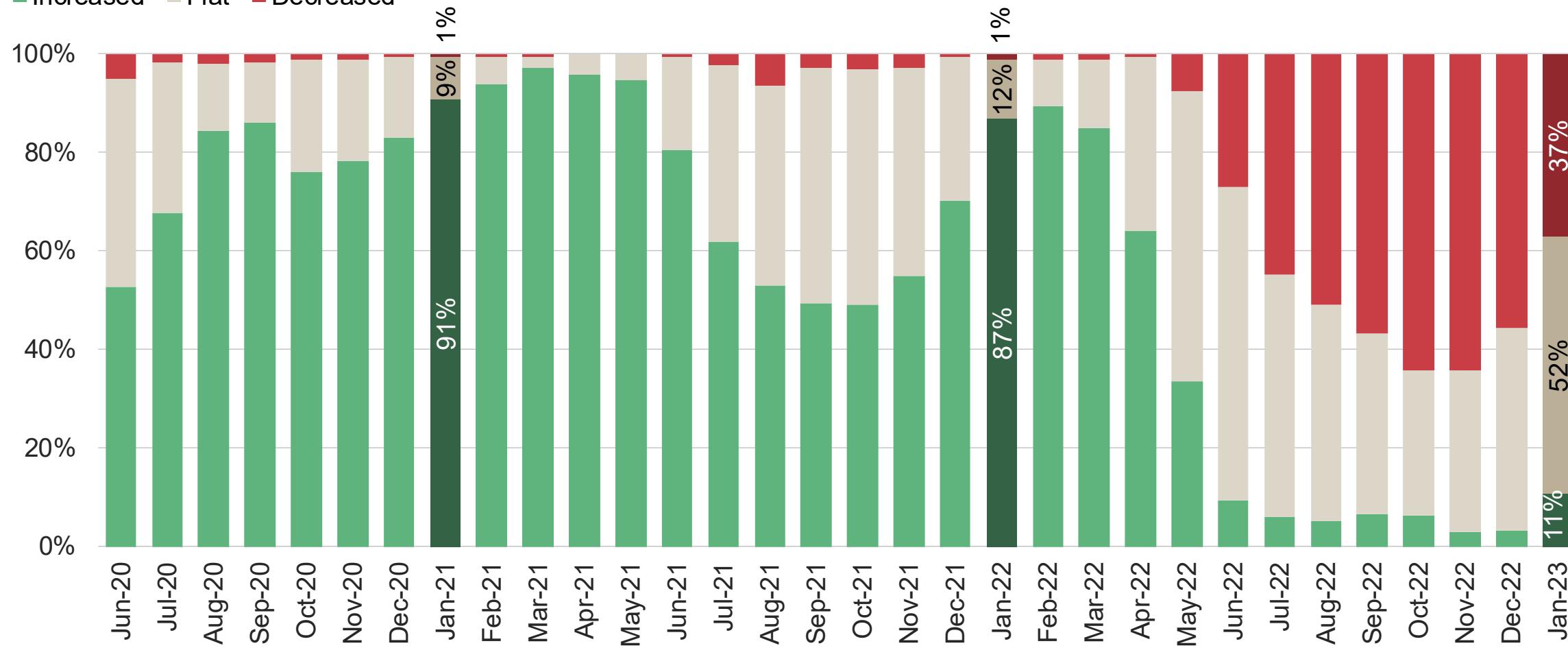
37% of move-up builders decreased net prices MOM in January, easing from 64% reporting price reductions in October/November.



All
responses

Direction of New Home Prices (Net of Incentives) for Move-Up Builders

■ Increased ■ Flat ■ Decreased



Source: John Burns Real Estate Consulting, LLC, independent survey of ~18% of all US new home sales, NSA (Data: Jan-23, Pub: Feb-23)

Month-over-month changes

Executive summary	Sales	Starts	Price	Other YOY	Buyer segments	MOM	Question of the month	Commentary	RATING	RESPONDENTS
Average sales rates increased MOM in all 9 regions. The +53% national increase significantly outperforms the January seasonal average.										

Month-over-Month Change in Net New Home Sales per Community

Per Current Participants

Region	Jan 23 Net Sales	Dec 22 Net Sales	% Change MOM
Northern California	2.78	1.52	83%
Florida	3.78	2.22	70%
Northwest	2.71	1.63	67%
Texas	3.28	2.11	56%
Wtd. avg. (326 matched builder responses)	2.94	1.92	53%
Southeast	3.37	2.22	52%
Southern California	3.08	2.10	46%
Midwest	1.76	1.22	44%
Southwest	2.29	1.69	35%
Northeast	2.36	1.77	33%

Our survey's +53% MOM average sales rate increase far exceeds the +24% average sales rate change nationally in January from 2012 through 2019 (more normal market conditions) in our survey's history.

- 6% mortgage rates paired with incentives, price cuts, and quick move-in inventory boosted sales.

Raleigh-Durham's 139% MOM sales rate jump leads the Southeast, followed by:

- 80% in Charlotte and 70% in Nashville
- 43% in Atlanta
- 25% in Charleston
- Raleigh and Charlotte builders exceed 4 sales per community.

Solid Seattle (+75%) and Portland (+38%) average MOM sales rate increases trail 98% in Spokane and 121% in Boise.

*Note: The above table shows MOM comparisons only for builders who provided a sales rate for both the current and prior month in the January survey. For the survey of January conditions, MOM comparisons include 326 responses.

Source: John Burns Real Estate Consulting, LLC, independent survey of ~18% of all US new home sales, NSA (Data: Jan-23, Pub: Feb-23)

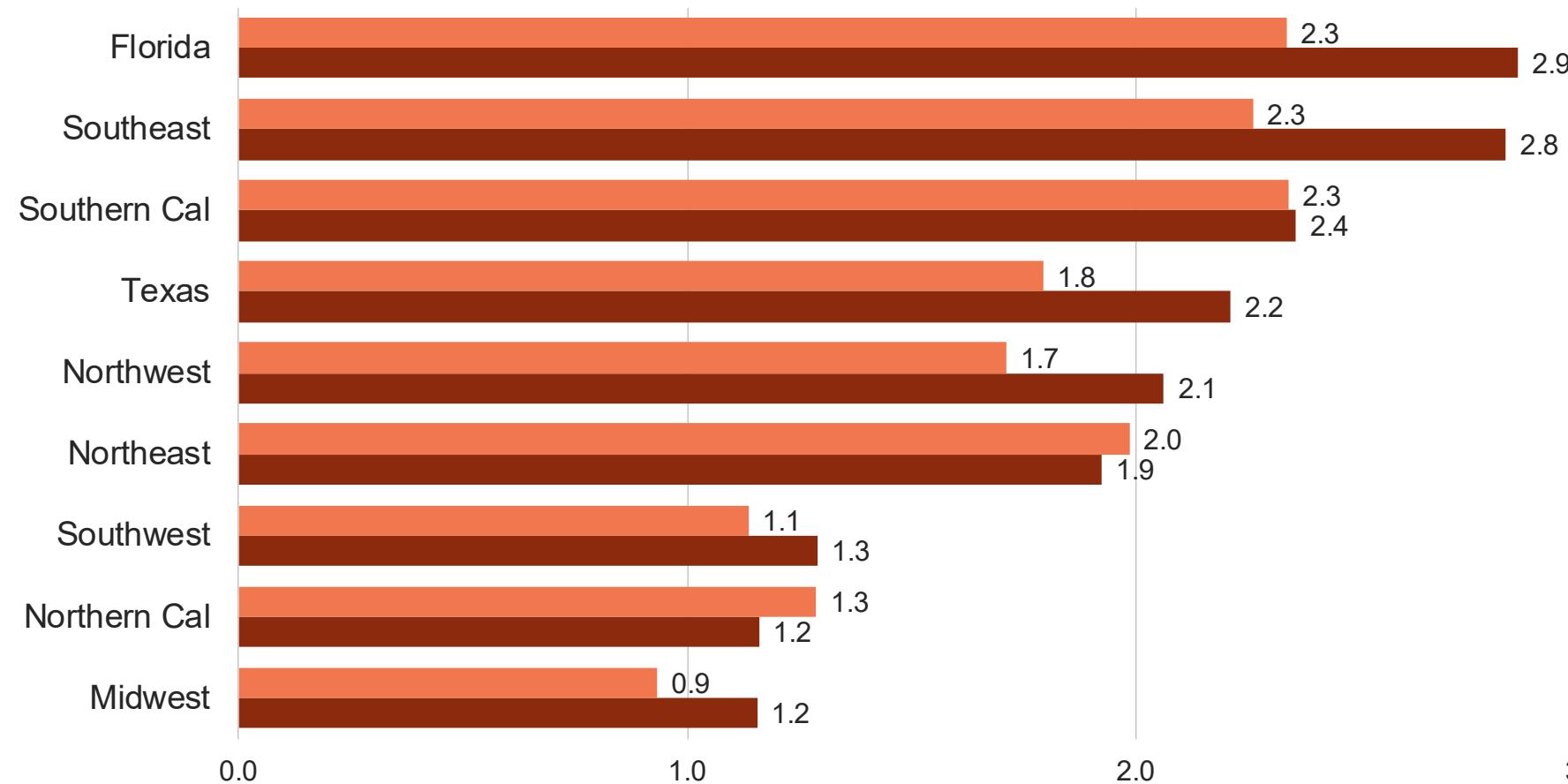
Average single-family starts rose MOM in 7 of 9 regions as many builders increased starts in response to stronger January sales.



Matched responses
MOM*

Single-Family Housing Starts per Community

Matched builder responses MOM, weighted averages Dec-22 Jan-23



Nationally, January single-family starts increase by 13% MOM on average per our survey's history from 2012 to 2019, reflecting more normal market conditions.

Average starts jumped MOM in Florida (26%) and the Southeast (22%), fueled by:

- 4.6 starts in Atlanta
- 3.3 in Tampa
- 3.0 in Orlando
- 2.9 in Jacksonville
- 2.7 in Raleigh-Durham
- 2.6 in Charleston

*Note: The above chart shows MOM comparisons only for builders who participated in the survey one month prior. For the survey of January conditions, MOM comparisons include 331 responses.

Source: John Burns Real Estate Consulting, LLC, independent survey of ~18% of all US new home sales, NSA (Data: Jan-23, Pub: Feb-23)

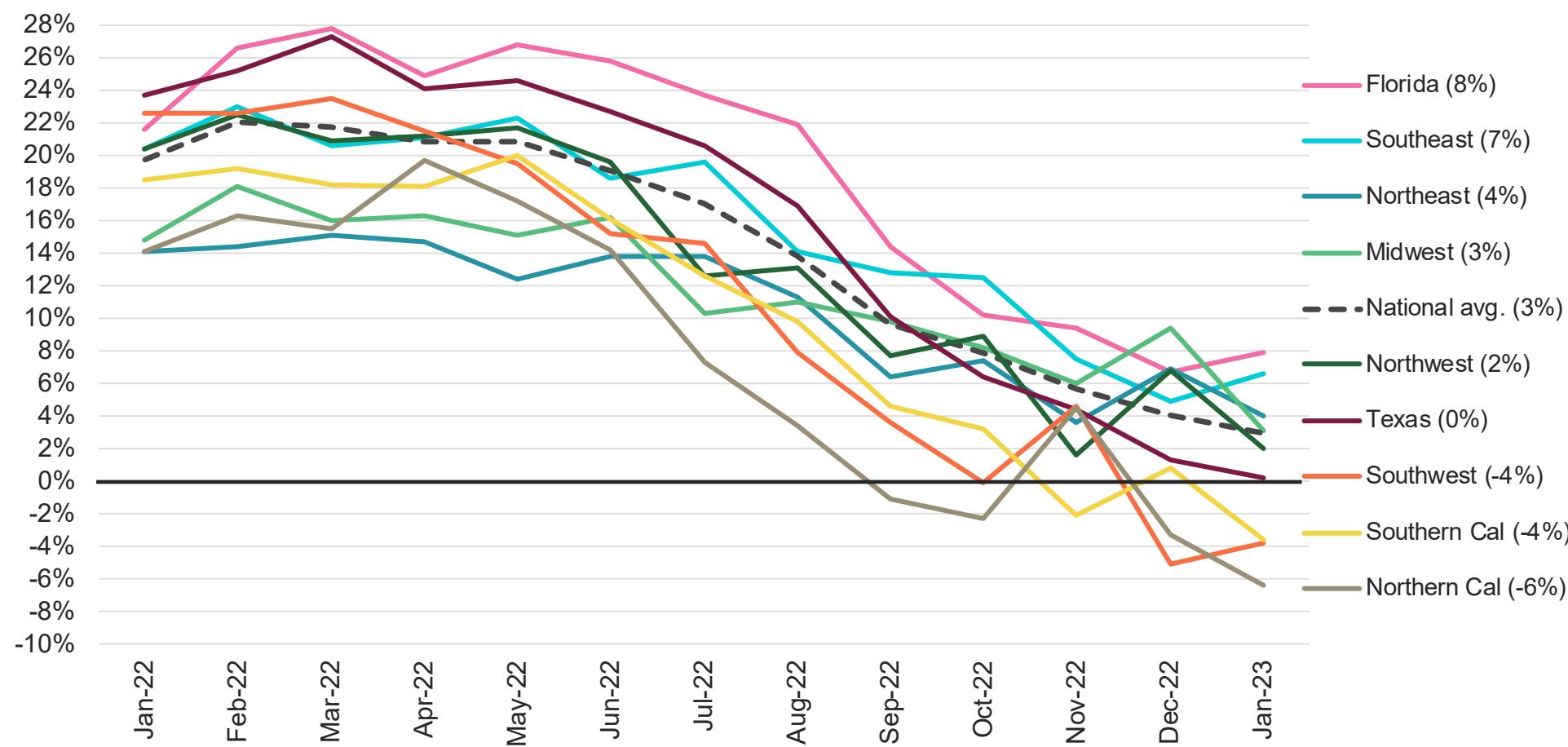
From December to January, YOY price appreciation ticked up slightly in Florida, the Southeast, and the Southwest.



All responses

Regional New Home YOY Net Price Increases on Average

All responses



YOY price appreciation jumped month over month in Atlanta and Charlotte, contributing to the Southeast's pricing uptick.

We expect home prices to trend lower this year.

- **Elevated mortgage rates and economic uncertainty will hold back some buyers, prompting more incentives and price cuts.**
- **High construction costs will gradually recede** as new home volume declines, allowing builders to lower prices and protect margins.
- **Declining finished lot and land prices** will support lower home prices.

Source: John Burns Real Estate Consulting, LLC, independent survey of ~18% of all US new home sales, NSA (Data: Jan-23, Pub: Feb-23)

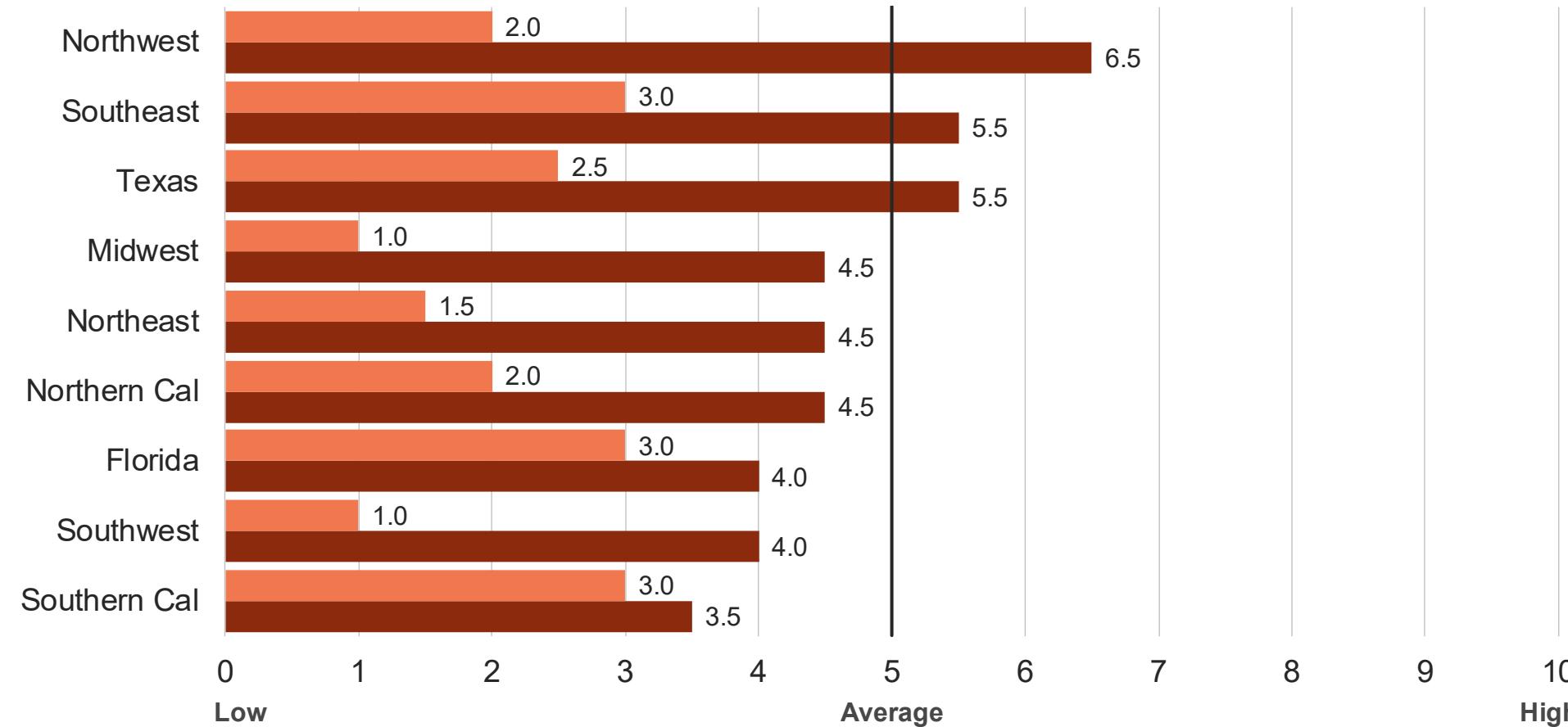
Traffic ratings rose MOM in all regions, soaring most in the Northwest.



Matched responses
MOM*

Traffic of Prospective Buyers in New Homes

Matched builder responses MOM, weighted averages Dec-22 Jan-23



Portland and Seattle builders fuel the improved Northwest traffic rating.

- 42% of Portland builders shared High ratings, up from 0% last month.
- 33% of Seattle builders reported High ratings, rising from 0% in December.

Southern California ratings rose slightly in January but remain the lowest overall with:

- 100% Average ratings in San Diego
- 75% Average ratings in Los Angeles, 25% Low
- 66% Average ratings in Orange County, 33% Low
- 50% Average, 50% Low in Riverside-San Bernardino

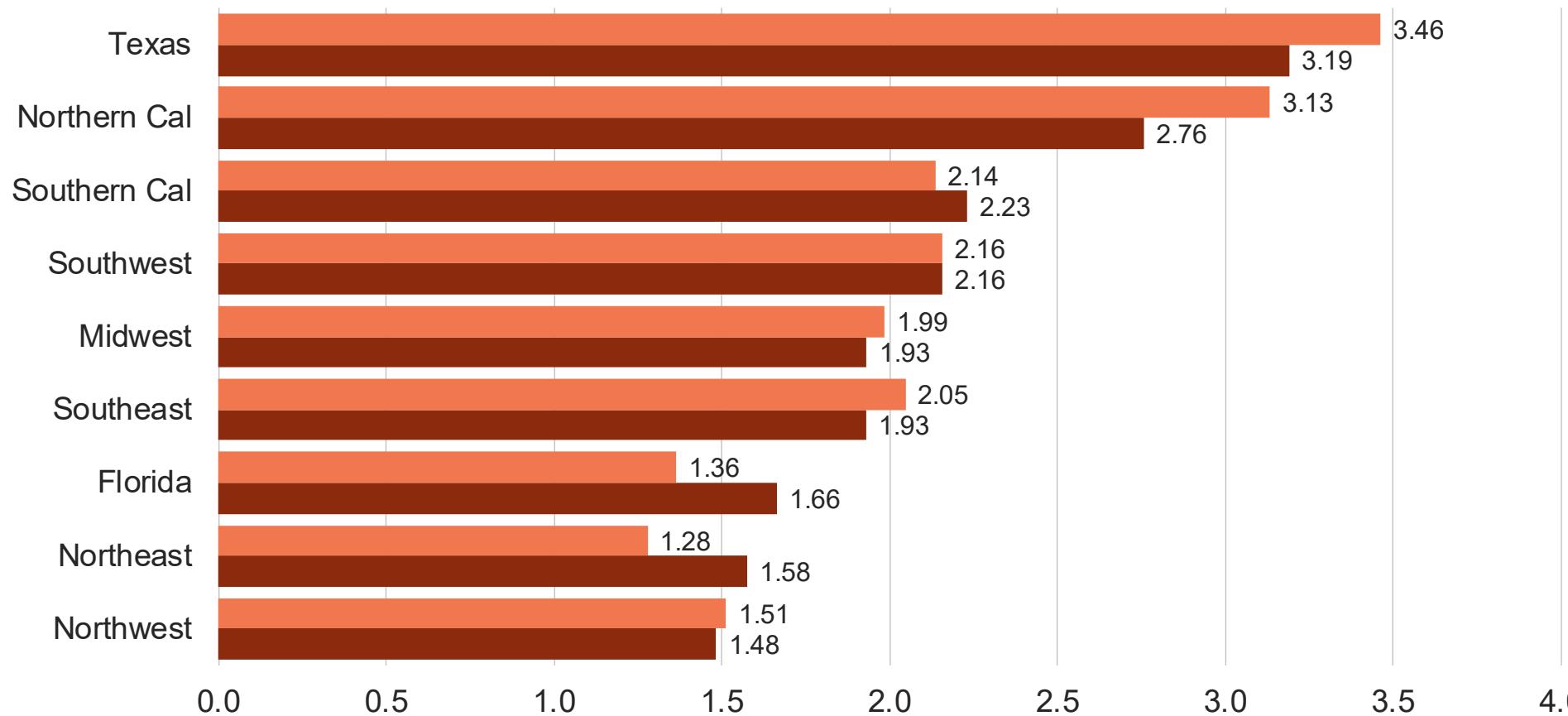
*Note: The above chart shows MOM comparisons only for builders who participated in the survey one month prior. For the survey of January conditions, MOM comparisons include 261 responses.

Source: John Burns Real Estate Consulting, LLC, independent survey of ~18% of all US new home sales, NSA (Data: Jan-23, Pub: Feb-23)

Executive summary	Sales	Starts	Price	Other YOY	Buyer segments	MOM	Question of the month	Commentary	RATING	RESPONDENTS
Finished inventory rose MOM in just 3 of 9 regions, remaining flat or declining slightly in all others.										

Number of Unsold, Finished New Homes per Community

Matched builder responses MOM, weighted averages ■ Dec-22 ■ Jan-23



Northern California saw the largest MOM drop in finished homes per community, falling below 3. The decline was driven by decreases in smaller metros, as well as:

- Sacramento inventory falling to 2.9 from 3.3
- Reno inventory falling to 3.9 from 4.3

Finished inventory rose MOM in the Northeast, with inventory increasing:

- To 2.6 from 2.0 in Washington, DC
- To 1.9 from 1.3 in Boston

*Note: Inventory levels can be influenced by builder strategies, type of community (such as active adult) and seasonality that varies significantly by market. The above chart shows MOM comparisons only for builders who participated in the survey One month prior. For the survey of January conditions, MOM comparisons include 322 responses.

Source: John Burns Real Estate Consulting, LLC, independent survey of ~18% of all US new home sales, NSA (Data: Jan-23, Pub: Feb-23)

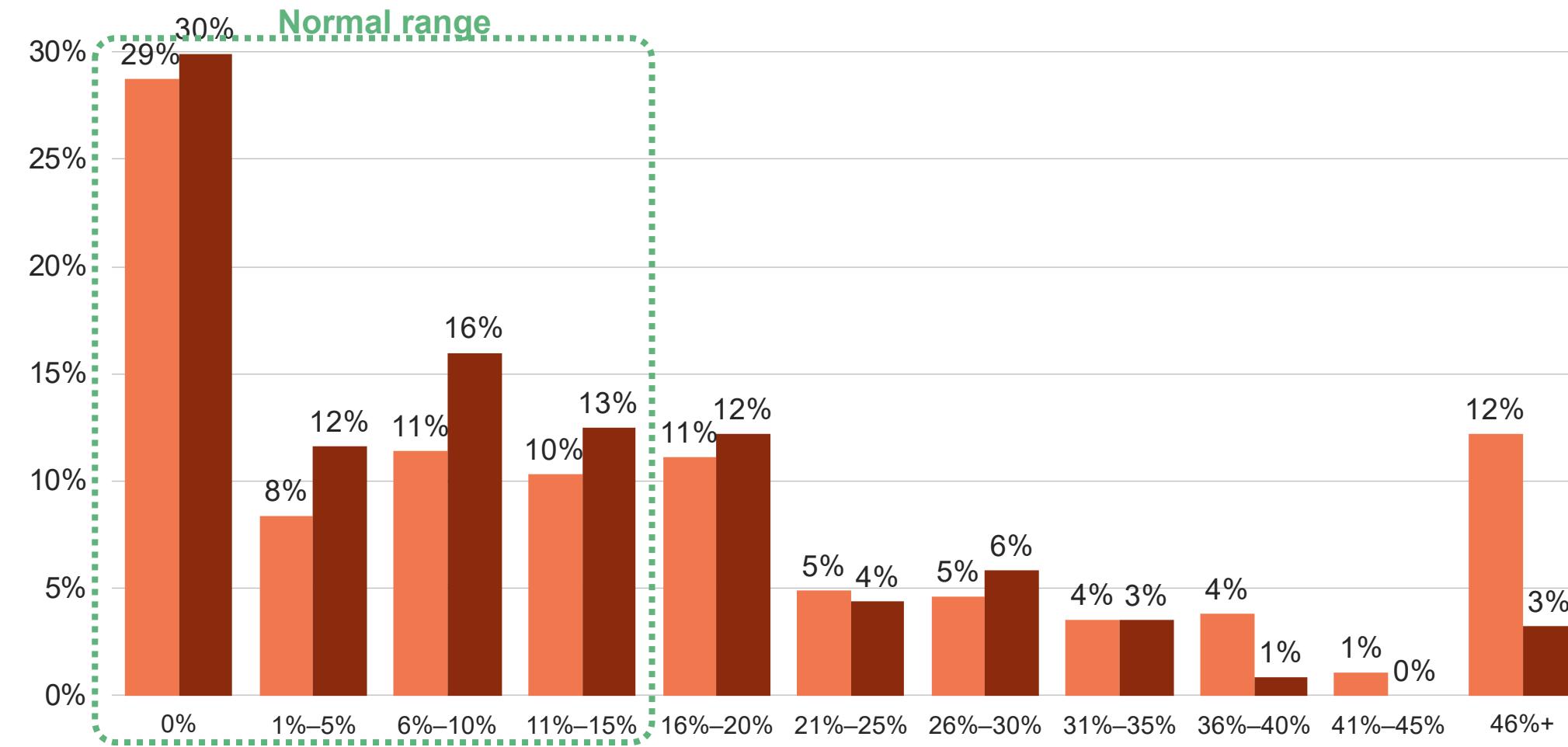
Only 3% of builders report high cancellation rates of 46%+, plummeting from 12% in December. 71% report cancellations in the normal range.



All responses

Builders' Average Cancellation Rate

Percentage of responses (all responses) ■ Dec-22 ■ Jan-23



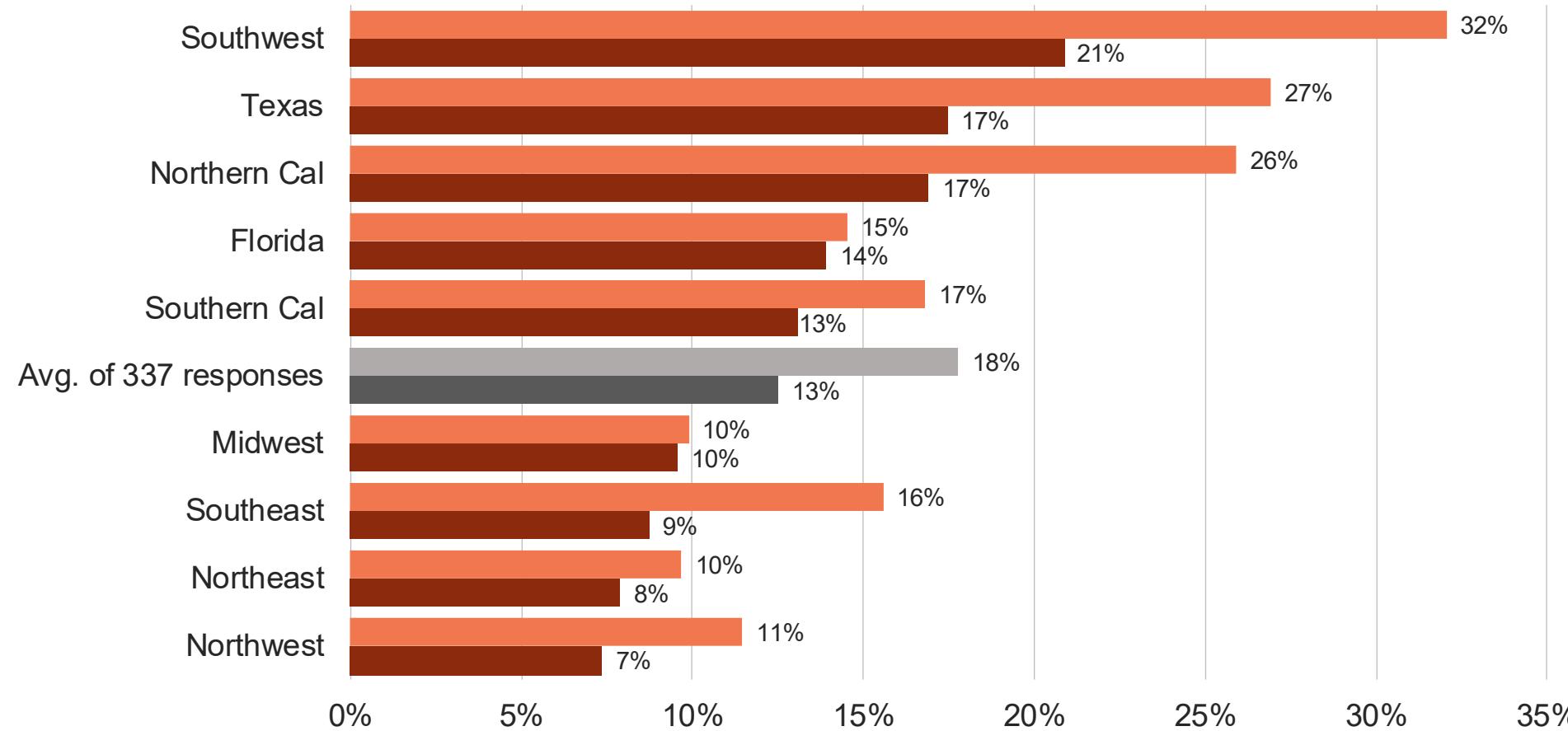
Source: John Burns Real Estate Consulting, LLC, independent survey of ~18% of all US new home sales, NSA (Data: Jan-23, Pub: Feb-23)

Cancellations retreated MOM in all regions, with major improvements in the Southwest, Texas, Northern California, and the Southeast.



Average Cancellation Rate by Region

Matched builder responses MOM, weighted averages Dec-22 Jan-23



Southwest builders still report the highest cancellation rates, though their average fell 11 percentage points MOM. Matched builders' average rates:

- Fell to 26% in Provo-Orem from 52% in December
- Fell to 26% in Phoenix from 34%
- Fell to 21% in Las Vegas from 36%
- Fell to 19% in Denver from 28%
- Fell to 16% in Salt Lake City from 19%

Matched Southeast builders reported particularly large cancellation rate decreases in Atlanta (14% from 26%) and Birmingham (7% from 16%).

*Note: The above chart shows MOM comparisons only for builders who participated in the survey one month prior. For the survey of January conditions, MOM comparisons include 337 responses.

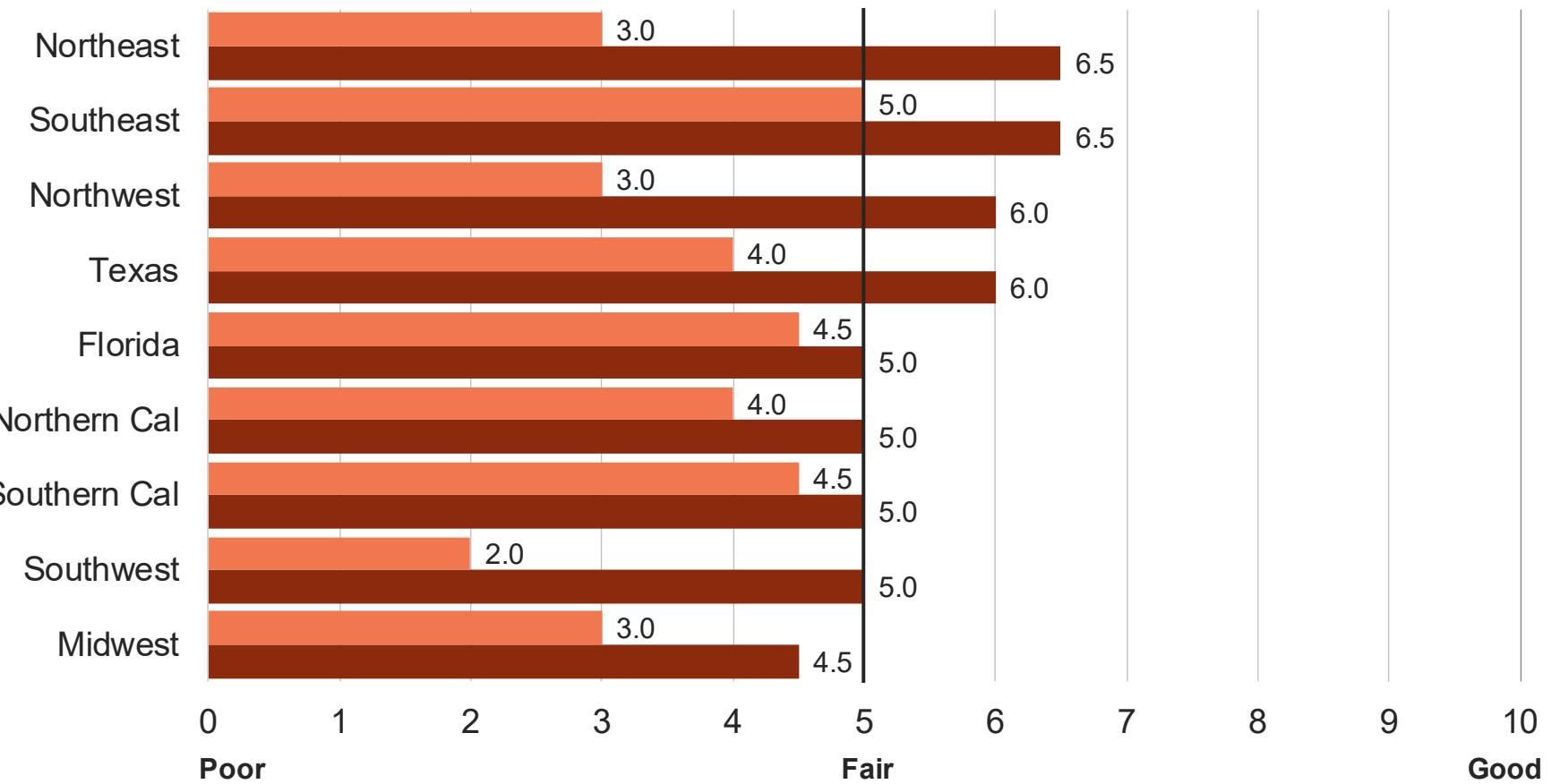
Cancellations are a percentage of gross sales.

Source: John Burns Real Estate Consulting, LLC, independent survey of ~18% of all US new home sales, NSA (Data: Jan-23, Pub: Feb-23)

Executive summary	Sales	Starts	Price	Other YOY	Buyer segments	MOM	Question of the month	Commentary	RATING	RESPONDENTS
Expected sales ratings rose MOM in all regions. Northeast, Southeast, Northwest, and Texas ratings rose above Fair.										Matched responses MOM*

Rate Expected Sales of Single-Family New Homes: Next 6 Months

Matched builder responses MOM, weighted average  Dec-22  Jan-23

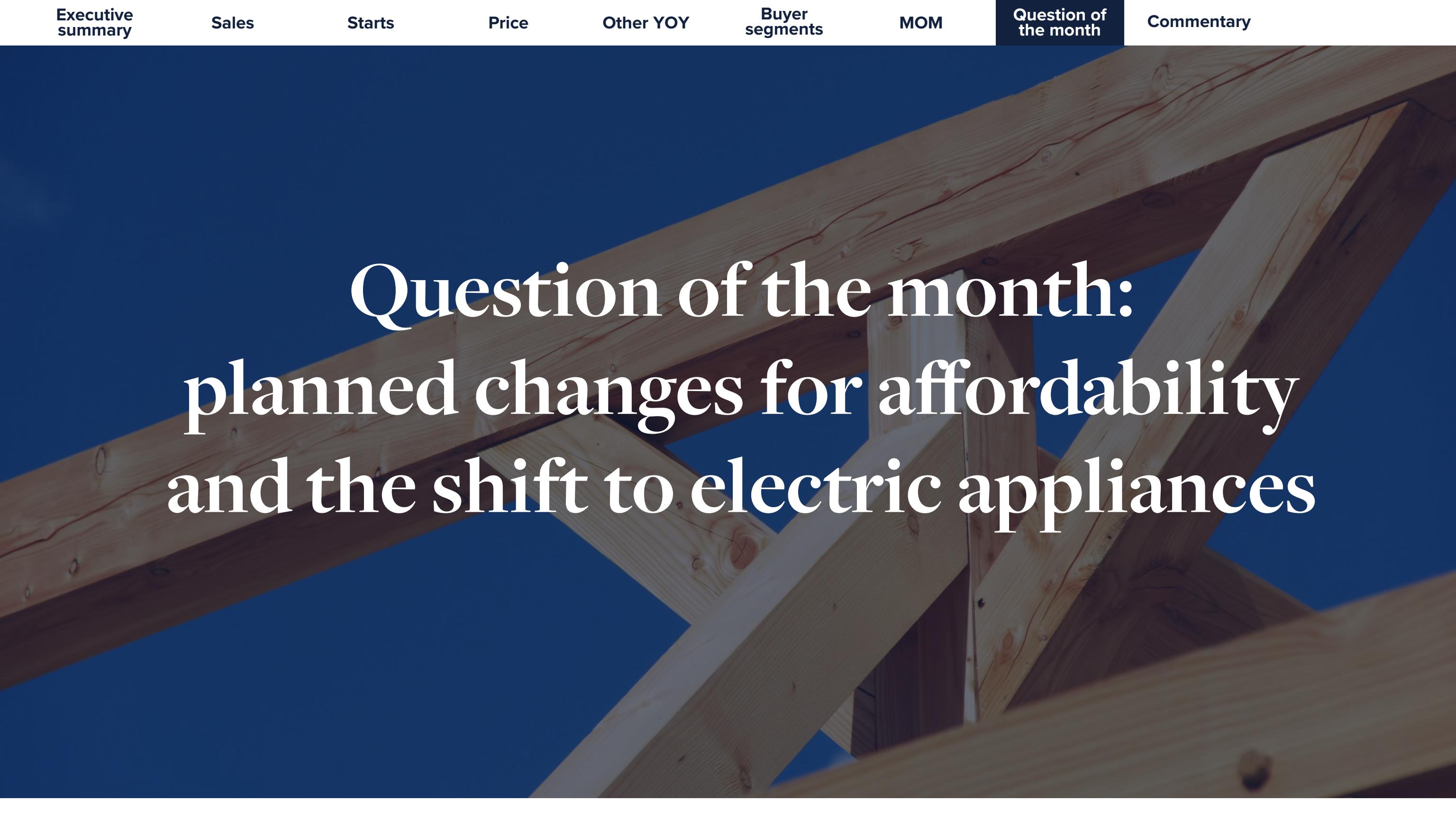


Southwest builders' expectations dramatically improved MOM as:

- 25% of Salt Lake City builders shared Good ratings, rising from 0% last month
- 10% of Phoenix builders shared Good ratings, rising from 0%
- 86% of Las Vegas builders shared Fair ratings, rising from 57%
- 66% of Denver builders shared Fair ratings, rising from 17%
- 60% of Colorado Springs builders shared Fair ratings, rising from 20%

*Note: The above chart shows MOM comparisons only for builders who participated in the survey one month prior. For the survey of January conditions, MOM comparisons include 261 responses.

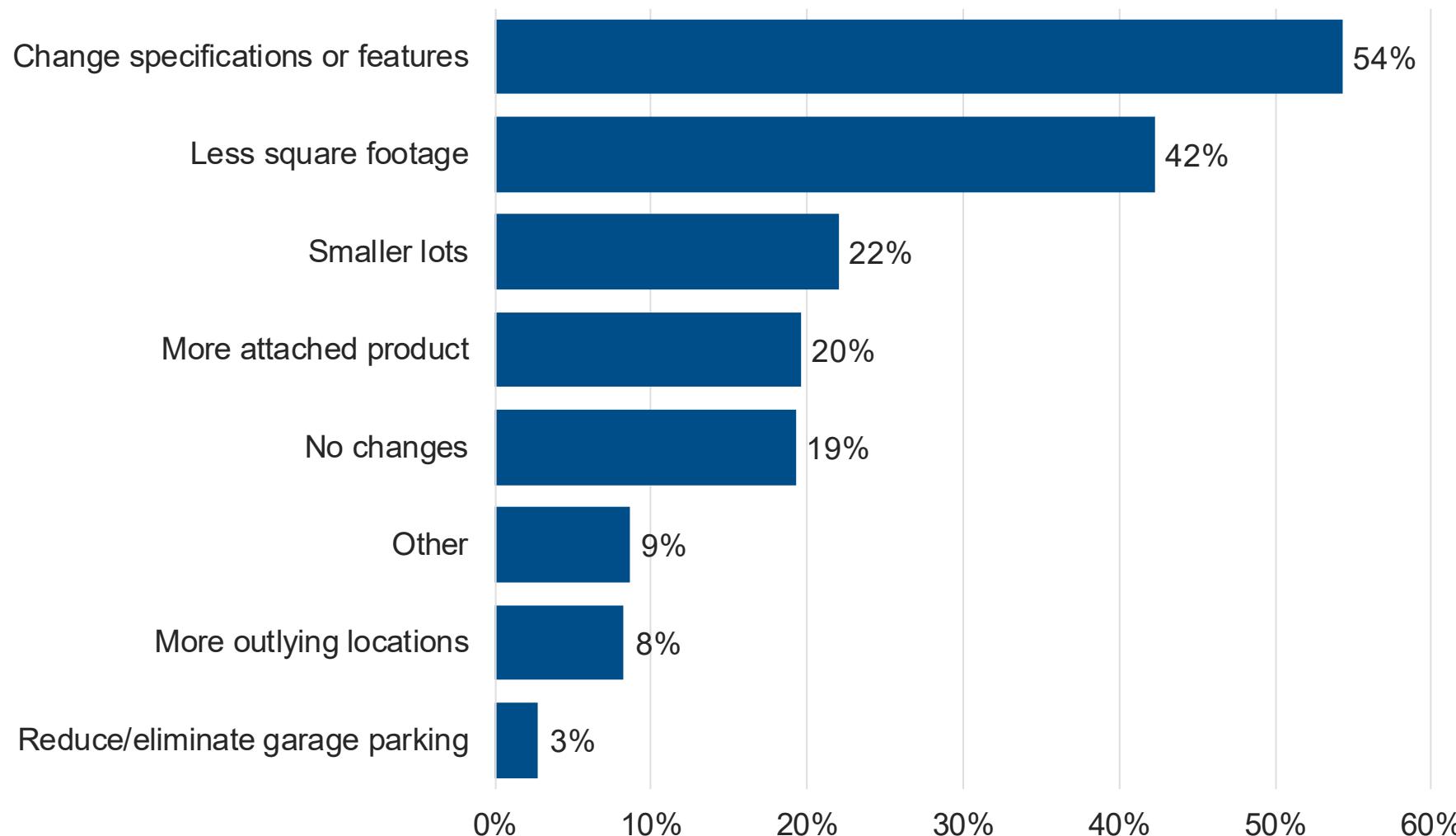
Source: John Burns Real Estate Consulting, LLC, independent survey of ~18% of all US new home sales, NSA (Data: Jan-23, Pub: Feb-23)

A photograph of wooden roof trusses against a clear blue sky. The trusses are made of light-colored wood and are angled upwards towards the top right of the frame. The background is a solid blue.

Question of the month: planned changes for affordability and the shift to electric appliances

54% of builders plan to change specifications or features, and 42% will reduce square footage to offer more attainable price points.

National: What changes does your team plan to make in 2023 to offer more attainably priced homes, in this metro?



Builders selected all options that applied, so percentages exceed 100%.

Only 8% of builders plan to build in more outlying locations to achieve lower price points. Price reductions and incentives bring prices for closer-in homes within reach for more buyers.

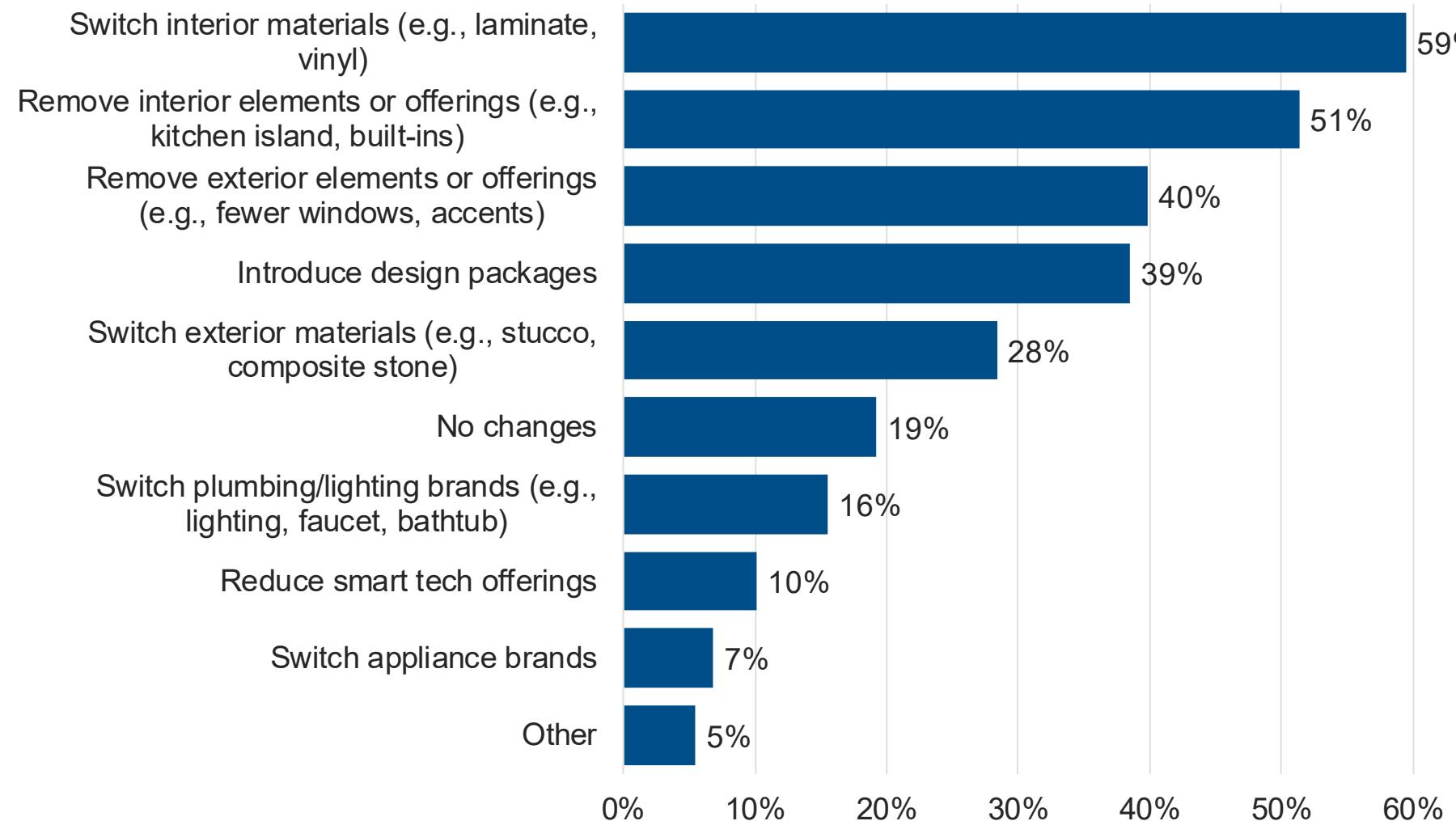
Builders selecting Other plan to:

- Negotiate with their trades to **reduce hard costs**
- **Shift product mix** towards entry from move-up/luxury
- **Offer more incentives**
- **Reduce complexity** in construction and options offered

Source: John Burns Real Estate Consulting, LLC, independent survey of ~18% of all US new home sales, NSA (Data: Jan-23, Pub: Feb-23)

Builders planning to change specifications and features are focused on interior materials and elements offered.

National: How do you plan to change your specifications or features in 2023 to lower costs?



Builders selected all options that applied, so percentages exceed 100%.

40% of builders plan to adjust exterior features, and 28% plan exterior materials changes.

- Architectural requirements set by jurisdictions often limit exterior changes.

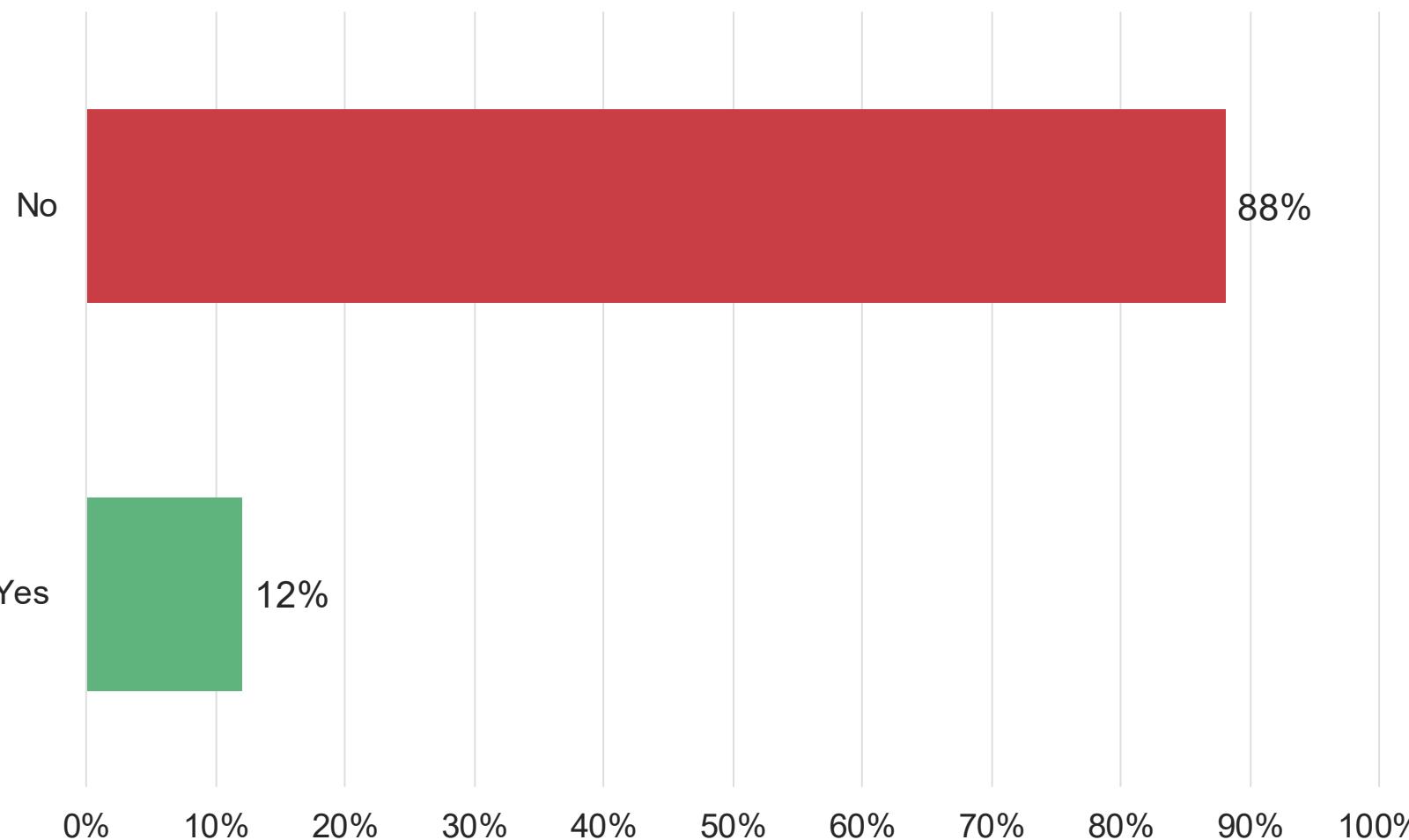
Builders selecting Other plan to:

- Shift some previously **standard features to options**
- **Standardize features** across their communities
- Use **national purchasing contracts** to capture volume-driven savings

Source: John Burns Real Estate Consulting, LLC, independent survey of ~18% of all US new home sales, NSA (Data: Jan-23, Pub: Feb-23)

88% of builders report *not* shifting to electric appliances from gas versus 11% of builders making the shift.

National: Are you shifting to electric appliances instead of gas?



In the comments section, builders repeatedly note different appliance preferences by buyer segment.

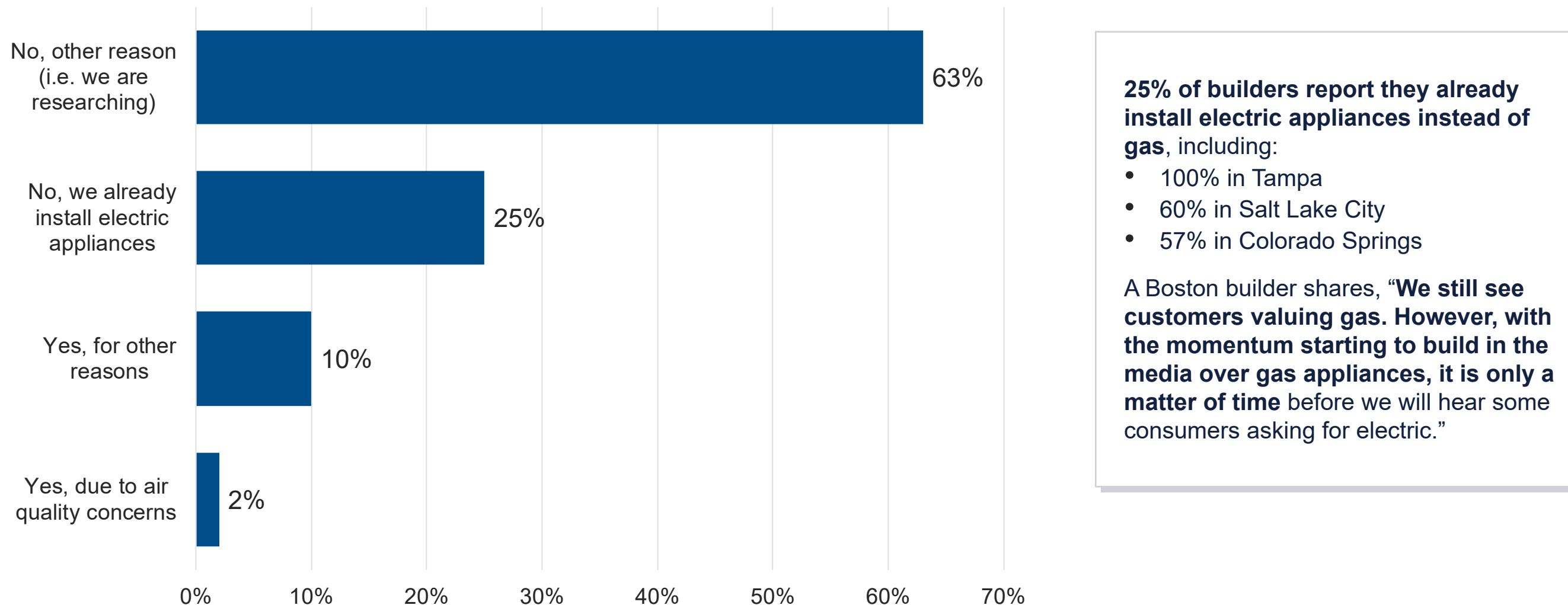
- 78% of Active Adult / Empty Nester builders and 66% of Move-up / Luxury builders report *not* shifting to electric as these buyers prefer gas.
- In contrast, 47% of Entry builders report that they already install electric appliances or are currently making the shift.

A Riverside-San Bernardino builder explains, “**Many first-time buyers are coming from rental properties that already have electric cooking.**”

Source: John Burns Real Estate Consulting, LLC, independent survey of ~18% of all US new home sales, NSA (Data: Jan-23, Pub: Feb-23)

Only 2% of builders are shifting to electric appliances due to air quality concerns. 10% are shifting due to building code changes and rebates.

National: Are you shifting to electric appliances instead of gas?

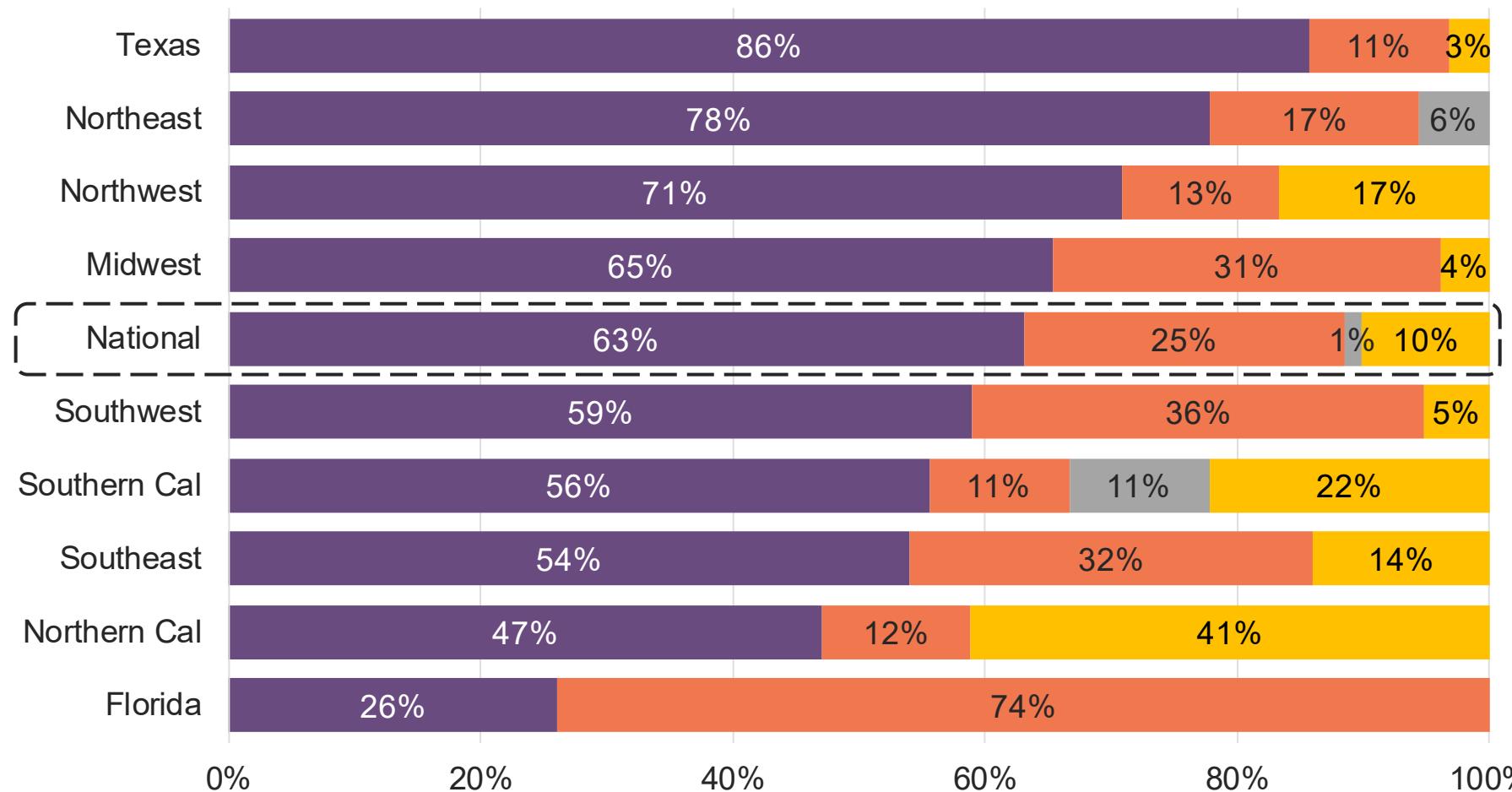


Source: John Burns Real Estate Consulting, LLC, independent survey of ~18% of all US new home sales, NSA (Data: Jan-23, Pub: Feb-23)

70%+ of Texas, Northeast, and Northwest builders report *not* shifting to electric appliances versus 74% in Florida already installing electric.

Regional: Are you shifting to electric appliances instead of gas?

- No, other reason (i.e. we are researching) ■ No, we already install electric appliances
- Yes, due to air quality concerns ■ Yes, for other reasons

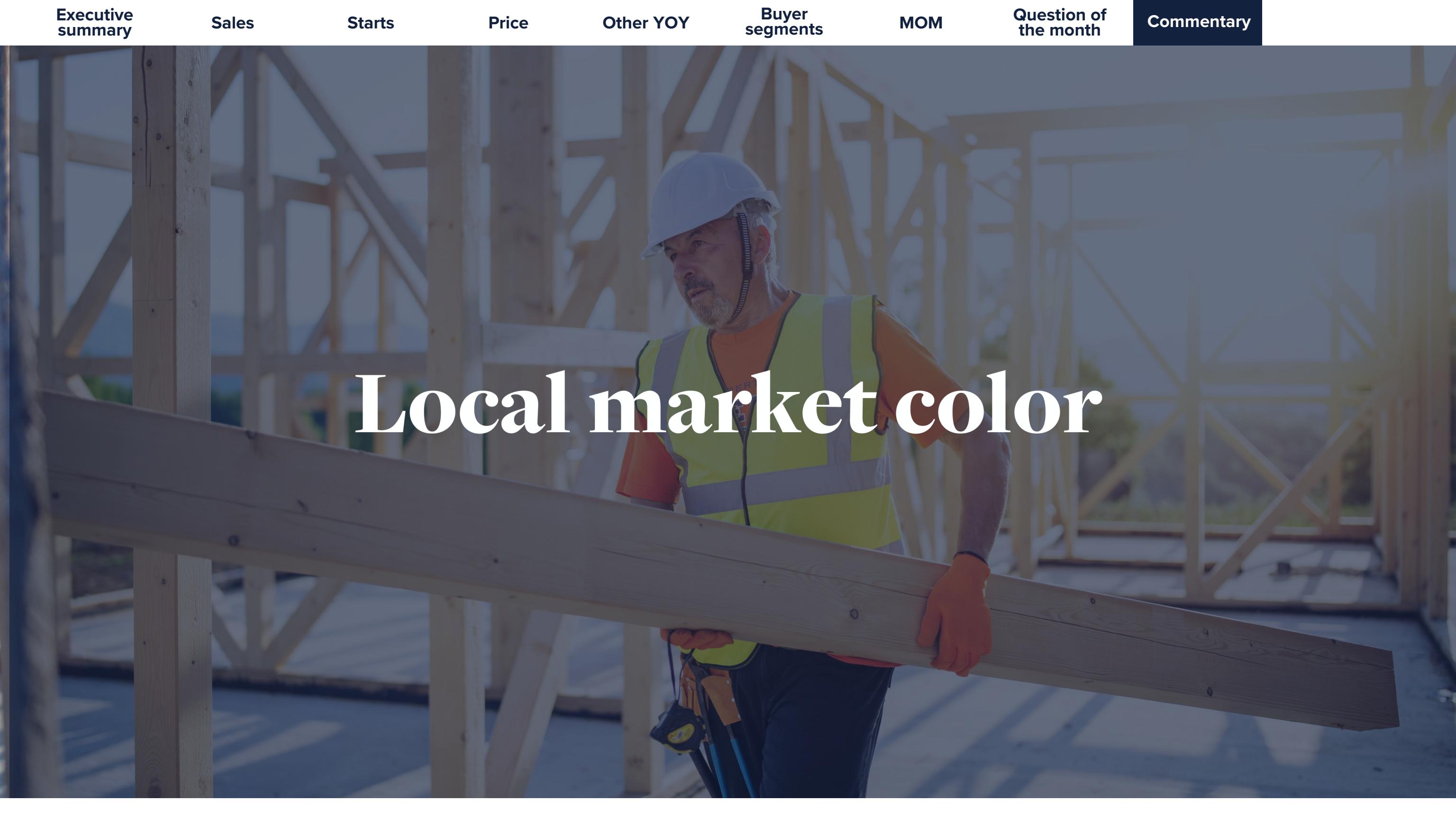


More California builders will shift to electric appliances over the next few years to adhere to new statewide building codes. For now, roughly half of builders still construct homes with gas.

A Baltimore builder comments, “Customers still overwhelmingly request gas appliances.”

A West Palm Beach builder counters, “The cost of adding gas appliances has always far outweighed the incremental sale or two it would garner.”

Source: John Burns Real Estate Consulting, LLC, independent survey of ~18% of all US new home sales, NSA (Data: Jan-23, Pub: Feb-23)



Local market color

Florida builder commentary

Tampa: "Leads in our Florida market were strong in January and December. Now we're just waiting for people to pull the trigger."

Question of the month: attainable pricing changes comments

Fort Myers: "Remove complexity."

Melbourne: "Trade and material price improvements"

Ocala: "Smaller homes"

West Palm Beach: "Issue with trying to go smaller is the municipalities don't like that. They want larger lots and more open space."

Question of the month: change from gas to electric appliances comments

Fort Myers

- "Not our primary buyer—but in this market, gas is seen as luxury, especially for pool heating, backup generators, etc."
- "Most consumers think it's ridiculous. Our market is almost exclusively electric as gas is not available."

Jacksonville: "No, not yet. Feel the overall narrative towards gas is changing, and buyers would prefer electric."

Orlando

- "Most prefer gas."
- "Nothing on gas other than it was hard for General Electric to supply the cooktops in 2022."
- "Mostly electric offered in our market. Gas is considered an advantage for communities that offer it."

West Palm Beach: "We stayed electric because gas is not a sustainable resource, and the cost of adding those appliances has always far outweighed the incremental sale or two it would garner."

Midwest builder commentary

Chicago, IL: “Just getting ready to start a spec which is the highest-priced home we have ever done at \$1.3M. However, we feel that the location in a dynamic western suburb in the Chicago market, where appreciation has probably been as great as anywhere, will handle the price. New construction all around us at the same price levels. Unfortunately, the market calls for a high level of exterior and interior specifications, so hard to cut back on too many things.”

St. Louis, MO-IL: “Market has picked up since the end of 2022 as buyers have accepted a new normal. COVID times are in the rear-view mirror. We're expecting to be back to pre-COVID sales numbers and pricing for the year. Buyers are adding significantly less in terms of options.”

Question of the month: attainable pricing changes comments

Minneapolis, MN-WI: “Reduce construction costs”

St. Louis, MO-IL: “Reduce hard costs”

Question of the month: change from gas to electric appliances comments

Chicago, IL: “Not a concern from our buyers”

Kansas City, MO-KS: “We do use gas when we are building ranch plans for the older generation; they seem to like gas.”

Madison, WI: “Our buyers like gas cooking (and gas dryers for lower utility costs).”

Minneapolis, MN-WI

- “No [changes], we let the buyers choose what they want.”
- “No, we haven't received any requests or feedback. Buyers still want gas appliances.”

Northern California builder commentary

Reno, NV

- “January was a much stronger month. Traffic was up, reshows were higher, and gross sales were the highest since May of 2022.”
- “Traffic is up a bit, but sales are not yet. We will see what the year is going to bring in the next 30–60 days, as this is the beginning of buying season.”

Question of the month: attainable pricing changes comments

Oakland: “Rebidding our work”

Sacramento: “Focus on minor plan changes and renegotiated pricing with trades.”

Question of the month: change from gas to electric appliances comments

Fresno: “Gas is still preferred here in Fresno, CA.”

Oakland

- “People love gas and hate electric appliances in our market.”
- “We are researching and implementing where [we are] required to use electric due to codes.”

Sacramento

- “Preparing to switch at this time in light of building code changes.”
- “We shifted to all-electric a couple of years ago. I was hesitant at first, but we've only received a handful of negative comments since inception. The city of Sacramento now requires all electric, so we no longer have a choice.”
- “Sustainability”

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Northern California builder commentary

Question of the month: change from gas to electric appliances comments

Sacramento: “We have had all-electric communities for a few years now due to a reimbursement program through the Sacramento Municipal Utility District. Helps us save a few grand per door.”

Santa Rosa: “City [of Santa Rosa] is now ‘all electric’ by new ordinance. I believe that buyers prefer gas, but so far, no real opposition one way or another.”

Stockton: “Due to new California regulatory requirements, the switch is happening on both for-sale and build-to-rent products. General sentiment is that consumers born/raised in California prefer gas. There are concerns about the ability of the power grid to run an all-electric home in the future.”

Reno, NV

- “We are still providing only a gas stub for dryers, gas oven and cooktop or range, gas-forced air furnace, and gas water heater.”
- “Gas is still preferred here.”

Northeast builder commentary

Boston, MA: “The market came to life in January. A lot of traffic and reservations. Inventory of used homes continues to shrink in Massachusetts.”

Harrisburg, PA: “The phone is ringing again. Traffic is up; sales are up. Incentives and low mortgage rates fuel buyers coming back to the market. How long will it last?”

Richmond, VA: “Housing costs must come down. Profitability is a major concern in 2023.”

Northeast builder commentary

Richmond, VA: "We continue to not experience the 'sky is falling' scenarios that we hear from other markets across the country. Richmond has never had the highs and lows due to our 2nd or 3rd tier market size; however, pricing continues to push, and inventory continues to be low. Curious if and when we will see the slowdown. Hopefully, this spring, we will have a better gauge on where things will net out in 2023."

Question of the month: attainable pricing changes comments

Allentown, PA-NJ: "Build more 1-car townhomes that are more cost-efficient and thus lower the sales price."

Washington, DC: "Increase incentives for purchasers."

Question of the month: change from gas to electric appliances comments

Baltimore, MD

- "We don't hear much at all about gas appliances."
- "It's political. Consumers still overwhelmingly request gas appliances."

Boston, MA

- "Code will require it by 2024."
- "No customers requested to switch. We were concerned about air quality given how tight our houses are."
- "We have not yet—in fact, we still see our customers valuing gas. However, with the momentum starting to build in the media over gas appliances, it is only a matter of time before we will hear some consumers asking for this. We do offer electric choices but are still putting gas into our new neighborhoods. We expect this will change in 2024 and 2025 due to what we see as some coming code changes."

Northeast builder commentary

Question of the month: change from gas to electric appliances comments

Harrisburg, PA: “No, we install electric as standard (due to cost savings) but give buyers the option to go to gas. Most buyers take the option to go to gas as they prefer gas over electric.”

Philadelphia, PA: “Most of our customers would prefer to stay with gas appliances.”

Richmond, VA

- “We install electric appliances as a standard and offer gas as an option.”
- “We still feel there is a need for gas appliances for certain buyer profiles.”
- “Our buyers feel like gas is an upgrade over electric. Many of them prefer gas, and I have not heard any say they don't want gas heat, hot water, or upgraded gas appliances.”

Washington, DC: “We install, and likely will continue to install, a mix of gas and electric appliances. Certainly, we continue to see gas cooking as a desirable option, and we have not received any negative consumer feedback to date.”

Northwest builder commentary

Question of the month: specification changes comments

Boise City, ID: "More standardization of included features."

Seattle, WA: "In some communities, covered patios will become optional."

Question of the month: change from gas to electric appliances comments

Boise City, ID: "No consumer feedback against gas appliances."

Portland, OR

- "We are watching the state changes closely as they push toward more electric homes. Energy codes will drive our offerings. Still a strong desire for gas appliances, but we do anticipate changes in the coming years."
- "No switch away from gas yet, but it appears to be something that will be required in the future by code."
- "Our buyers expect and desire to have gas appliances. It is still considered a desirable upgrade."

Seattle, WA

- "Most consumers still prefer gas, though it is becoming more difficult to provide and meet the energy code/built green requirements. We have had a few inquiries regarding potential air quality concerns."
- "Washington energy code change coming."

Spokane, WA: "Many buyers want a gas range or cooktop for themselves or a stub for a future homeowner."

Tacoma, WA: "Customers want gas. Government wants gas."

Southern California builder commentary

Los Angeles: “On sales, we are seeing movement. Sales rates of 2 per month feels good compared to zero. But they need to be a lot more than 2 per month to justify new investment.”

Orange County: “Sales in good locations are good. Sales in bad locations are bad. Quality and location matter.”

Riverside-San Bernardino: “January has been a good selling month. Hopefully, it's a positive trend that continues into the year.”

San Diego: “Gross sales are pretty good. Cancel rates are high. So total numbers are only fair. But it's better than bad.”

Question of the month: attainable pricing changes comments

Riverside-San Bernardino: “Not really changing our target product, just adjusting our pricing and absorption to reflect continued softness in the near term.”

Question of the month: specification changes comments

Riverside-San Bernardino: “We are working on more national contracts with suppliers.”

Question of the month: change from gas to electric appliances comments

Bakersfield: “State of California mandates coming soon.”

Los Angeles

- “We are only switching where required right now.”
- “The biggest reason to move to electric is because the State of California is making it impossible to do gas appliances. The fact that the gas company is raising rates to an insane degree adds fuel to the fire. No pun intended.”

Southern California builder commentary

Question of the month: change from gas to electric appliances comments

Orange County

- “This change is driven by the regulations from the state coupled with the insane rate increases by the Gas Company. It has nothing to do with air quality concerns.”
- “New communities will be all-electric. We aren't changing existing communities at this time.”

Riverside-San Bernardino

- “We have sold net zero communities in the past and have experienced pushback from the buyers. Some of their comments pertain to a lack of alignment with their culture, cooking, and heating.”
- “Many first-time buyers are coming from rental properties that already have electric cooking. Title 24 is onerous when not including all-electric; therefore, it is easy to make the switch.”
- “For new projects that have been grandfathered under the previous Title 24 rules, we are still using gas. For projects in entitlement today, we are assuming we will move to all-electric to comply.”
- “Minor pushback, but for the most part, customers are accepting the change. Code change is the main driver.”

San Diego: “Consumers are not the factor. Regulations are.”

Southeast builder commentary

Charleston, SC: "We will be starting our first model of this 'rebuild' in February and hope to open for sales again by June."

Greenville, SC: "January sales and traffic activity were very encouraging."

Knoxville, TN: "January had a very different feel than Q4 of 2022. We saw a few homes with competing offers again, a lot more buyer urgency, and showings/traffic has been up. We always say just wait for 'the first nice weekend of the year,' and it could not have been any more true this year. On that first nice Friday of 2023, our sales team's phones were very active."

Nashville, TN: "Build-to-rent buyers are seeking developed lots and development sites in the greater Nashville area for single-family detached and townhomes. Some are apartment developers and or student housing developers. They stated money is coming from foreign countries."

Question of the month: attainable pricing changes comments

Atlanta, GA: "Simplify home options."

Hilton Head-Beaufort, SC: "Unique community—not really about price point; more about general market conditions driving sentiment."

Knoxville, TN: "Cheaper and less desirable plans, ex: split foyers."

Nashville, TN: "Reduce hard costs."

Raleigh-Durham, NC

- "Change our mix of product to include more entry-level and less move-up product."
- "We are closing out our luxury communities and opening communities at lower price points."

Question of the month: specification changes comments

Atlanta, GA: "Reduce margin and take out some standard features."

Greenville, SC: "We already do design packages. Lower design collection packages would have been a better option for us."

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Southeast builder commentary

Question of the month: change from gas to electric appliances comments

Atlanta, GA

- “No one so far has brought concerns with gas cooking.”
- “No consumer feedback. [We are] switching to electric for cost savings and design efficiencies in certain product only. Not going all-electric, still some gas in higher end to meet consumer preference of gas. No negative feedback on gas.”
- “No feedback to date. Offer electric in our lower-priced urban portfolio of townhome product.”

Birmingham, AL: “In our area, gas is still preferred in \$400K+ homes.”

Charleston, SC: “No consumer feedback and not considering shifting at this time.”

Charlotte, NC: “Customers prefer gas over electric.”

Fayetteville, AR-MO: “We have not received any negative feedback towards gas and will continue offering it and including it in some communities.”

Greenville, SC

- “Buyers prefer gas ranges, but institutional buyers prefer electric.”
- “No significant feedback. Buyers still like gas more than electric.”

Knoxville, TN

- “Our market desires electric appliances but still demands gas for heat and water heaters.”
- “The majority of our customers request gas appliances. We have recently had a couple of elderly customers specifically request electric for safety reasons.”

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Southeast builder commentary

Question of the month: change from gas to electric appliances comments

Little Rock, AK: "Keeping costs down with all-electric."

Nashville, TN

- "80% electric, 20% gas by demand."
- "All electric neighborhoods have less development complications due to material shortages and scheduling. Consumers still prefer gas when given the choice, but if gas is not available, they will buy anyway in most cases, especially with our product."
- "Consumers have a high desire for gas; however, the EPA will slowly eliminate gas."

Raleigh-Durham, NC

- "We use electric appliances because of our energy program."
- "A significant percentage of our buyers request gas cooking appliances, and this is sometimes a deal-breaker in communities where we do not offer gas."
- "Duke Energy has strong rebate programs for kilowatt-hour savings using electric appliances."
- "Buyers still like gas appliances when available."

Wilmington, NC

- "We do electric appliances now."
- "Duke Energy has had substantial rebates in place for kilowatt-hour savings, so it is very beneficial to the builder to install electrical appliances."

Southwest builder commentary

Denver, CO: "Traffic increasing, but still well below the previous January's [traffic]. Waiting to see if this is anything more than just a seasonal bump."

Phoenix, AZ

- "This continues to be a very difficult market with permit activity plummeting."
- "We saw increased traffic and interested buyers in January."

Salt Lake City, UT: "Because we [build] forward-thinking homes that are above and beyond code and where our competitors build, we are never the least expensive option. It costs more to build energy-efficient homes that are ahead of the competition. Almost all pricing has decreased this month, but not really a lot of movement year over year."

Question of the month: attainable pricing changes comments

Colorado Springs, CO: "Interest rate buydowns"

Las Vegas, NV: "Incentives"

Phoenix, AZ: "Offer closing cost incentives."

Tucson, AZ: "Buy down interest rates."

Question of the month: specification changes comments

Denver, CO: "Some structural adjustments to make things more efficient and streamlined."

Question of the month: change from gas to electric appliances comments

Denver, CO: "We offer both electric and gas ranges (use only gas heat). Pressure to change to electric coming from local jurisdictions, but not consumers."

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Southwest builder commentary

Question of the month: change from gas to electric appliances comments

Denver, CO

- “Our buyers still prefer gas appliances.”
- “We still have a large majority of our buyers requesting gas appliances. For example, an electric range is standard in our homes, but 90%+ of our customers have upgraded to the gas range option.”
- “Nothing yet. Do not have plans to move to electric only.”
- “No concerns expressed by consumers yet.”

Colorado Springs, CO: “Gas is still a preferred option for our customers when it comes to ranges and to house heating.”

Las Vegas, NV: “No comments from the public, [only the] media.”

Phoenix, AZ

- “We still offer gas appliances.”
- “The customer can select what they want.”

Salt Lake City, UT

- “[Our company] is never content to wait for the market to catch-up to how we build. We have been moving to electric appliances and all electric homes for over a year.”
- “We have only had 1 buyer recently express concern over the gas range we install. Other buyers seem to still prefer the gas over electric appliances in the kitchen.”

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Southwest builder commentary

Question of the month: change from gas to electric appliances comments

Salt Lake City, UT

- “In our market most are not connected to this discussion.”
- “We offer both electric and gas options. We are not shifting to electric instead of gas.”

Tucson, AZ: “Our homeowners are still wanting gas ranges and hot water heaters.”

Texas builder commentary

Austin

- “We had a big uptick in sales in January. Reduced mortgage rate financing deals are bringing buyers in.”
- “Entry-level product experienced a strong wave of demand after we adjusted prices -20% to -25% from early summer peaks.”

Houston

- “January was the highest single sales month for the division—14 years of experience. Some of this is due to community count, but the highest sales were achieved in longer-term locations.”
- “Strong month for [our company] in the Houston market. Buyers seem to be looking for finished inventory with the assurance of locking in their interest rate.”

San Antonio: “We are just launching into the San Antonio market with limited sales opportunities so far, but with a number of other new projects opening quickly.”

Texas builder commentary

Question of the month: attainable pricing changes comments

Austin

- “Get trade base to lower their cost and pricing to us.”
- “Our first focus is competitively pricing to market the product that consumers want. Niche product has been the hardest hit, so we do not plan to stray far from traditional product simply to hit a lower price point. Standard features will certainly be reviewed on an ongoing basis.”

Houston: “We have contracted for some 40' lots.”

Question of the month: specification changes comments

Houston: “Make previously standard features into options.”

San Antonio: “We are offering design packages on our higher end homes.”

Question of the month: change from gas to electric appliances comments

Austin

- “Only do electric when there is no gas to the community. Clients prefer gas.”
- “Gas is still preferred.”
- “Two of our clients have considered changing to induction cooktops for air quality, but only one has confirmed.”
- “No comments as of yet from our customers. Our communities with gas standard have had zero requests to go to electric.”
- “We have had buyers bring this up but nothing concerning.”

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Texas builder commentary

Question of the month: change from gas to electric appliances comments

Austin

- “People want gas.”
- “We live in Texas. Most of our communities have gas installed as a condition of using a certain number of appliances.”

Dallas

- “Consumers prefer gas over electric in Texas markets and we intend to continue offering gas.”
- “No changes. We offer both.”
- “Dallas is a dominant gas appliance market. In communities that don't have gas available to them we offer induction cooktops.”
- “[Consumers] prefer gas.”
- “Gas appliances are still king in the luxury home market.”
- “No feedback from consumers.”

Fort Worth: “We do a mix [of gas and electric].”

Houston

- “Our clients love gas, and we have no intention of changing.”
- “No customer feedback yet. The market is very much a gas market at this point and will likely remain primarily gas for quite some time.”
- “Our customers want gas appliances.”

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Texas builder commentary

Question of the month: change from gas to electric appliances comments

Houston

- “We offer both electric appliances and some that are gas. This has not been anything we've received feedback on to make a change for 2023.”
- “Customers prefer gas appliances, especially cooktops.”
- “No request for electric appliances”
- “We have not received this feedback.”

San Antonio

- “No requests. Cost savings are the reason to change to electric appliance and water heater.”
- “We had a couple of buyers reach out but nothing major came of it.”
- “Our buyers like gas appliances.”
- “We typically tend to prefer electric as the gas meters are harder to come by.”

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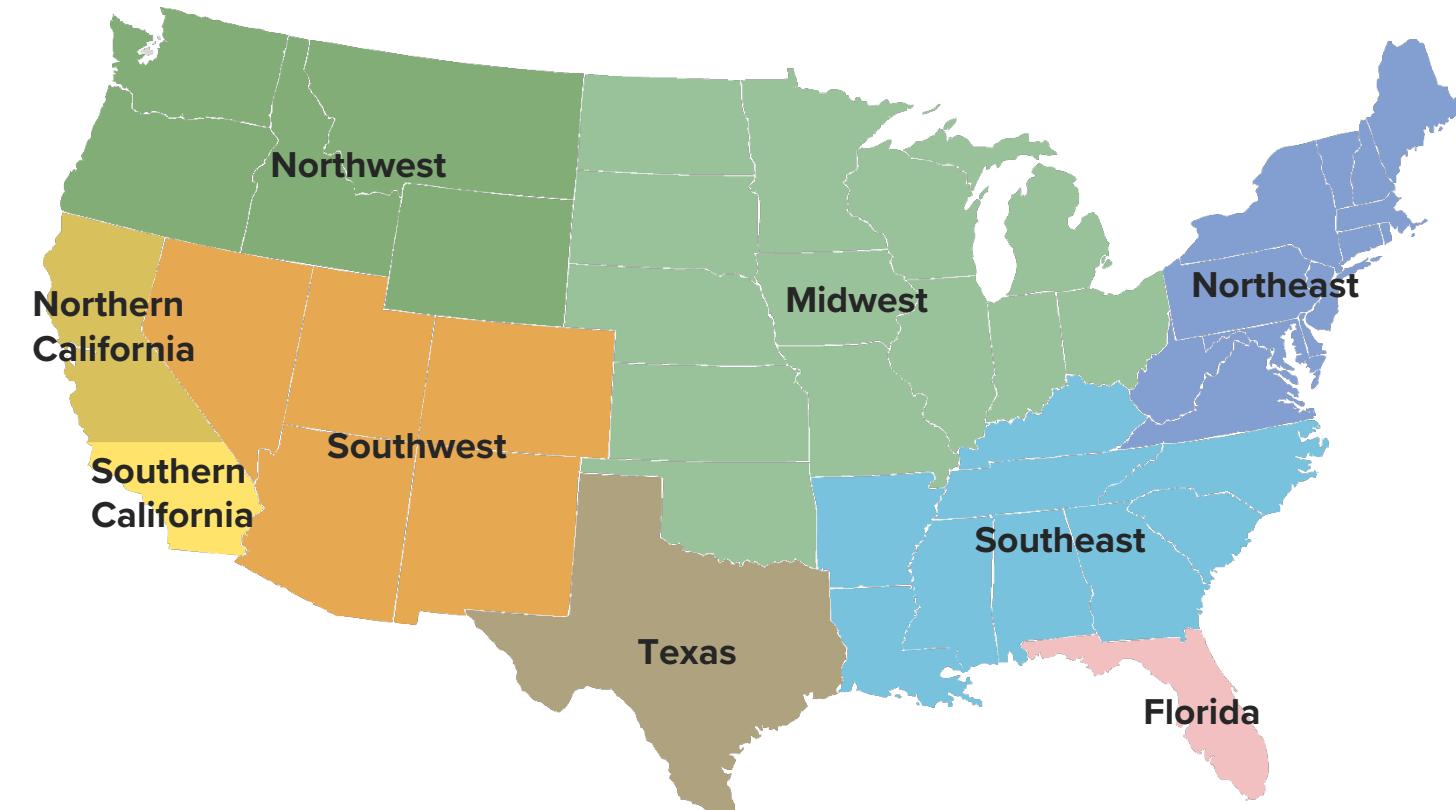
Our survey results comprise 18% of US new home sales.

Publicly traded builders account for 25% of the responses.

Data note: Each region contains multiple MSAs. Some survey respondents rate conditions for multiple MSAs. The information in this survey is based on the breakdown of responses by region, per the table below.

Region	Responses	Matched YOY Sales Responses	Matched MOM Sales Responses
Florida	31	14	28
Midwest	29	22	28
Northeast	22	17	21
Northern California	20	13	17
Northwest	27	16	26
Southeast	66	37	59
Southern California	35	16	30
Southwest	49	27	46
Texas	77	38	71
Total	356	200	326
Percentage of total responses		56%	92%

Survey participation. Our survey results are based on market ratings provided by 292 participants. Together, survey participants oversee 2,800+ communities across 80 metros. We estimate that the builder survey represents 18% of new home sales annually. 200 of these respondents (56%) also responded one year ago, allowing us to perfectly compare the performance of the same companies year over year.



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Limiting conditions

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