Residential Round Up

January 13, 2026

Dean Wehrli, Principal

JOHN BURNS
RESEARCH & CONSULTING

WHO WE ARE

John Burns Real Estate Consulting, LLC provides independent research and consulting services related to the US housing industry. John Burns founded the company in 2001 because he saw a need for better analysis of the housing market. The company has grown into a highly passionate team of research analysts and consultants in offices across the country. We work together to provide the most trusted source of US housing analysis.

Research Subscriptions

An ongoing, retainer-based relationship, in which we provide clients with our published research, client services, and exclusive events. Clients find immense value in our research and services for:

- Superior insight on housing and remodeling trends
- Regional intelligence
- Internal reporting and business planning
- Investor relations support

Custom Market Consulting

A contracted engagement, in which we help clients with a specific strategic decision or question.

- Demand forecasting
- Market analysis
- Growth strategy
- Voice of customer analysis

Outline

Part 1: Brief National Economic and Housing Picture

Part 2: Sacramento and Regional Market Trends

Part 3: It’s All About the Price

Part 4: Builder Strategies

Part 5: “Stay in Heaven ‘til ‘27”

Recap

Brief National Economic and Housing Picture

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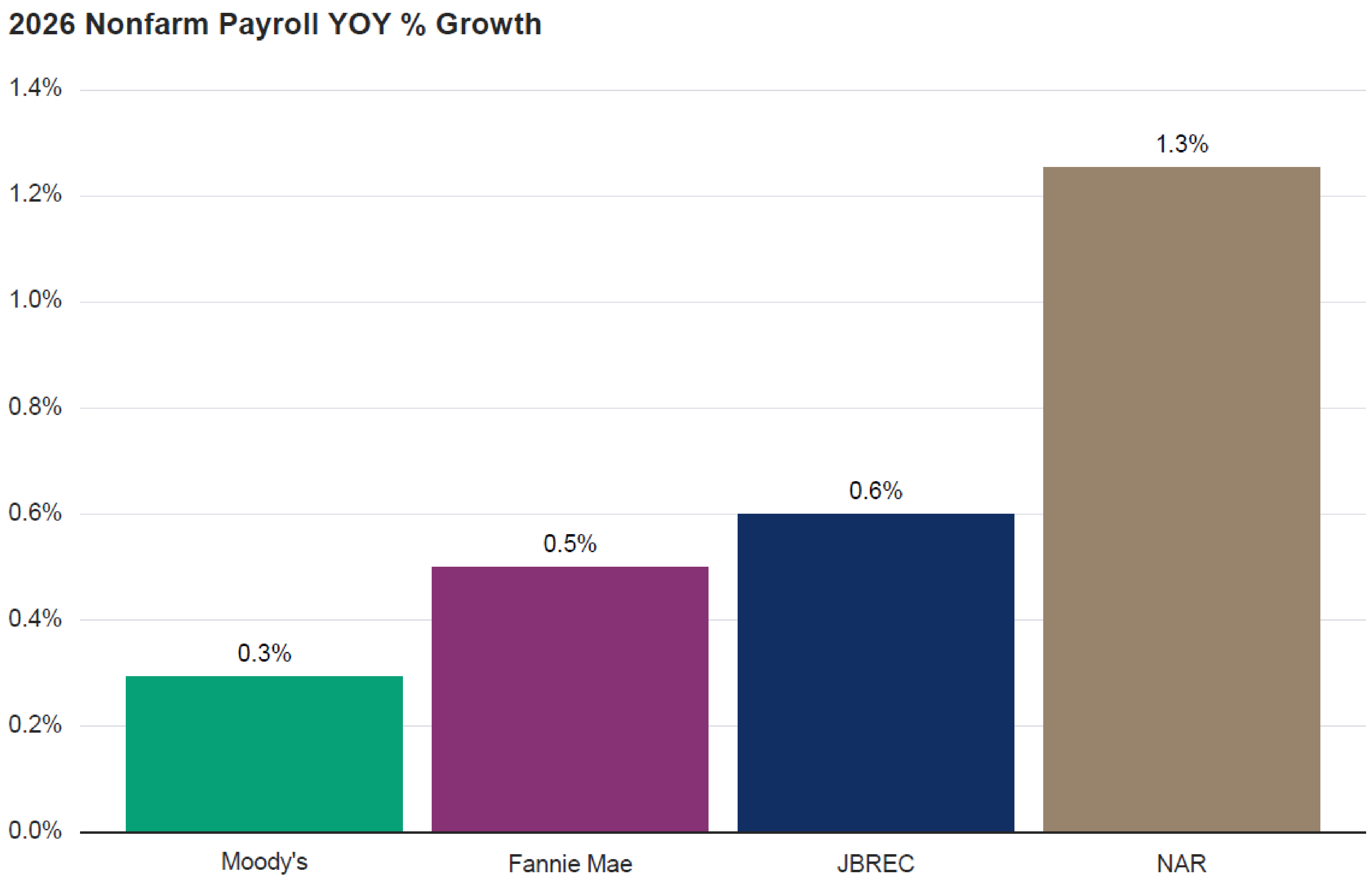
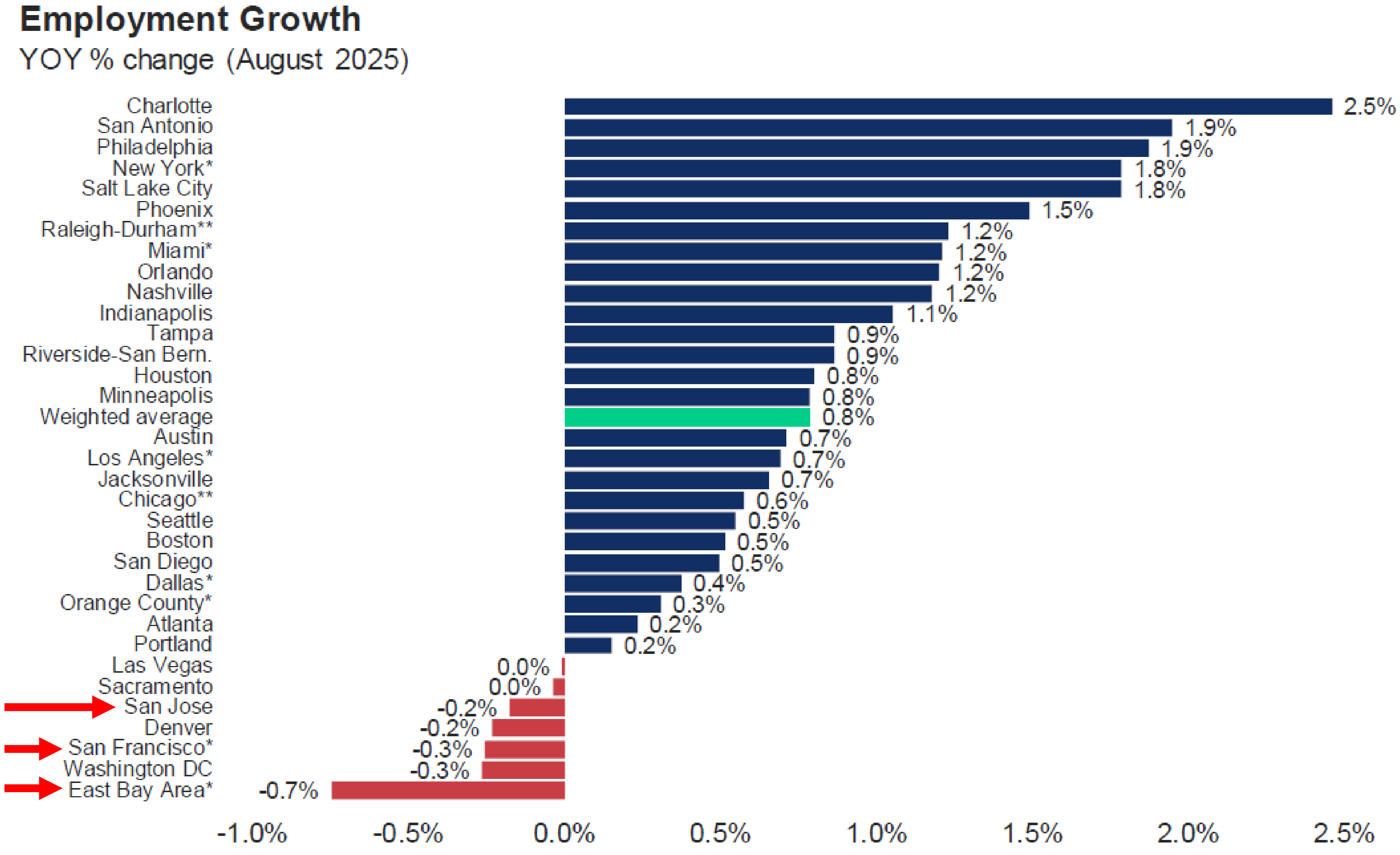
Key assumptions for 2026: job growth



Sources: Fannie Mae (Oct-25); Moody's (Nov-25); NAR (Jul-25); John Burns Research and Consulting, LLC (Pub: Nov-25)

We are slightly above Moody's on job growth in 2026. Employment growth will remain muted in 2026 as less immigration caps job gains.

Payrolls increased +0.8% YOY on average across the top markets as of August 2025.



*Metro division **combination of metro divisions (except Raleigh-Durham, which is a combination of metros)

Sources: BLS; John Burns Research and Consulting, LLC (Data: Aug-25, Pub: Oct-25)

YOY employment growth remains positive in most top markets but continues to moderate.

Charlotte recorded the strongest growth at +2.5% YOY, while the East Bay saw the largest payroll decline (-0.7% YOY).

We expect all regions to see positive (but cooling) employment growth in 2025, up +0.6% YOY on average across core metros.

Regional Market Employment Growth and Forecast

Region	2020	2021	2022	2023	2024	Current	2025P	2026P	2027P	2028P
Southern California	-762K	353K	516K	81K	86K	61K	21K	46K	20K	32K
(YOY change)	(7.5%)	3.8%	5.3%	0.8%	0.8%	0.6%	0.2%	0.4%	0.2%	0.3%
Northern California	-455K	191K	334K	51K	27K	-4K	12K	37K	19K	26K
(YOY change)	(6.6%)	3.0%	5.0%	0.7%	0.4%	(0.1%)	0.2%	0.5%	0.3%	0.4%
California	-1216K	544K	849K	132K	113K	57K	33K	82K	38K	58K
(YOY change)	(7.1%)	3.4%	5.2%	0.8%	0.7%	0.3%	0.2%	0.5%	0.2%	0.3%
Northern Florida	-209K	226K	285K	173K	92K	46K	63K	57K	40K	48K
(YOY change)	(4.2%)	4.8%	5.7%	3.3%	1.7%	0.8%	1.1%	1.0%	0.7%	0.8%
Southern Florida	-212K	159K	201K	138K	81K	36K	38K	44K	28K	33K
(YOY change)	(5.7%)	4.5%	5.5%	3.6%	2.0%	0.9%	0.9%	1.1%	0.7%	0.8%
Florida	-421K	385K	486K	311K	173K	82K	101K	101K	68K	81K
(YOY change)	(4.8%)	4.7%	5.6%	3.4%	1.8%	0.9%	1.1%	1.0%	0.7%	0.8%
Texas	-562K	586K	922K	545K	253K	136K	173K	193K	157K	173K
(YOY change)	(3.8%)	4.1%	6.3%	3.5%	1.6%	0.8%	1.1%	1.2%	0.9%	1.0%
Midwest	-1340K	544K	695K	399K	155K	102K	38K	86K	40K	60K
(YOY change)	(6.3%)	2.7%	3.4%	1.9%	0.7%	0.5%	0.2%	0.4%	0.2%	0.3%
Northeast	-2283K	780K	1139K	530K	345K	290K	146K	65K	2K	26K
(YOY change)	(8.0%)	3.0%	4.2%	1.9%	1.2%	1.0%	0.5%	0.2%	0.0%	0.1%
Northwest	-306K	128K	216K	83K	54K	42K	41K	36K	30K	37K
(YOY change)	(6.1%)	2.7%	4.4%	1.6%	1.0%	0.8%	0.8%	0.7%	0.6%	0.7%
Southeast	-737K	577K	675K	403K	260K	208K	123K	128K	98K	123K
(YOY change)	(4.6%)	3.8%	4.2%	2.4%	1.5%	1.2%	0.7%	0.7%	0.6%	0.7%
Southwest	-357K	342K	413K	227K	108K	68K	46K	71K	60K	71K
(YOY change)	(4.5%)	4.6%	5.3%	2.7%	1.3%	0.8%	0.5%	0.8%	0.7%	0.8%
Core MSA Totals	-7222K	3885K	5394K	2629K	1461K	985K	700K	763K	493K	627K
(YOY change)	(6.1%)	3.5%	4.7%	2.2%	1.2%	0.8%	0.6%	0.6%	0.4%	0.5%

Employment growth continues to cool across most metros. Some top metros are already shedding jobs YOY.

Employment Growth YOY

- Greater than 3%
- 2% to 3%
- 1% to 2%
- 0% to 1%
- Less than 0%

Notes: Select metro area totals only. Metro areas used in this table do not match the same metro areas used in a table without forecasts. *The Northern California region includes Reno, NV.

Source: Bureau of Labor Statistics; John Burns Research and Consulting, LLC (Data: Aug-25, Pub: Oct-25)

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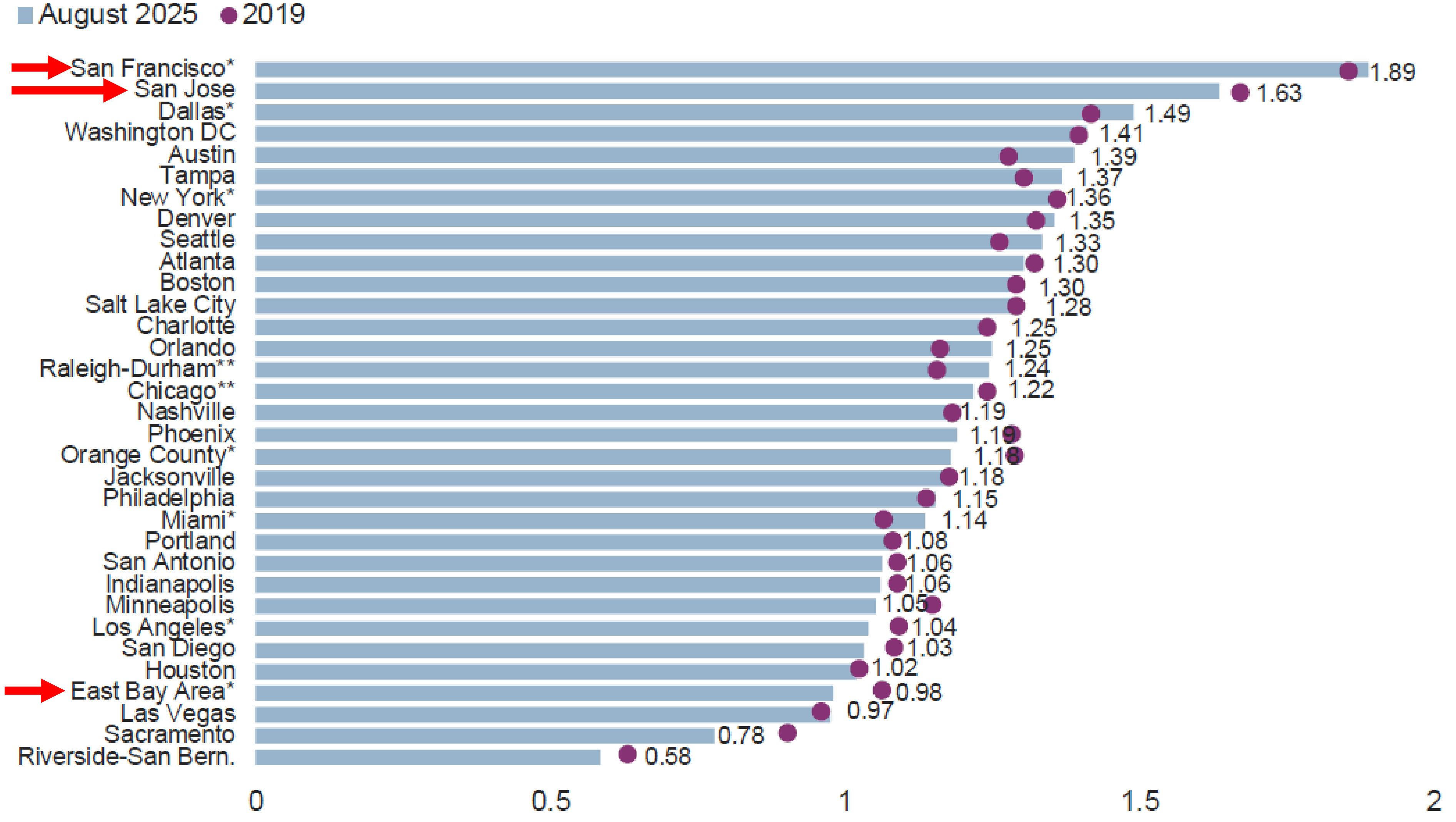
San Francisco's labor market has the largest concentration of high-income jobs among top markets.

Location Quotient (High-Income Sectors)



Location quotient (LQ) is the ratio of a metro area's industry sector share of total jobs to the share of US jobs for that industry. An LQ greater than 1 indicates an industry with a greater share of local area employment than nationwide.

San Francisco's high-income sectors comprise a larger share of the metro's total employment than the rest of the US.

The high-income sector includes Financial Activities, Information, and Professional and Business Services.

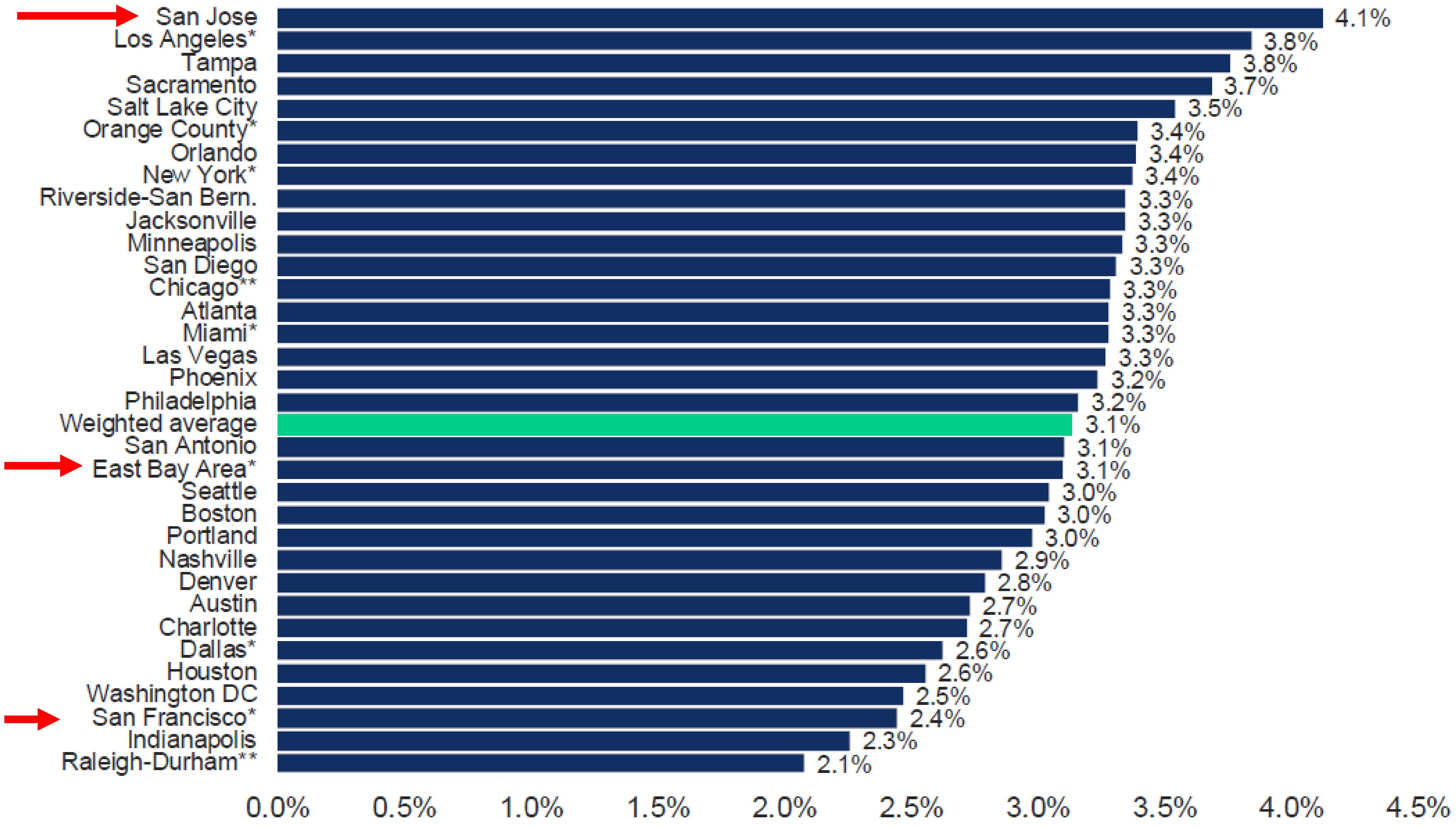
*Metro division **combination of metro divisions (except Raleigh-Durham, which is a combination of metros)

Source: John Burns Research and Consulting, LLC tabulations of Bureau of Labor Statistics data (Data: Aug-25, Pub: Oct-25)

Household income rose +3.1% YOY on average across top markets. Income growth has cooled from year-ago rates in nearly all top markets.

Median Household Income Growth

YOY % change (September 2025)



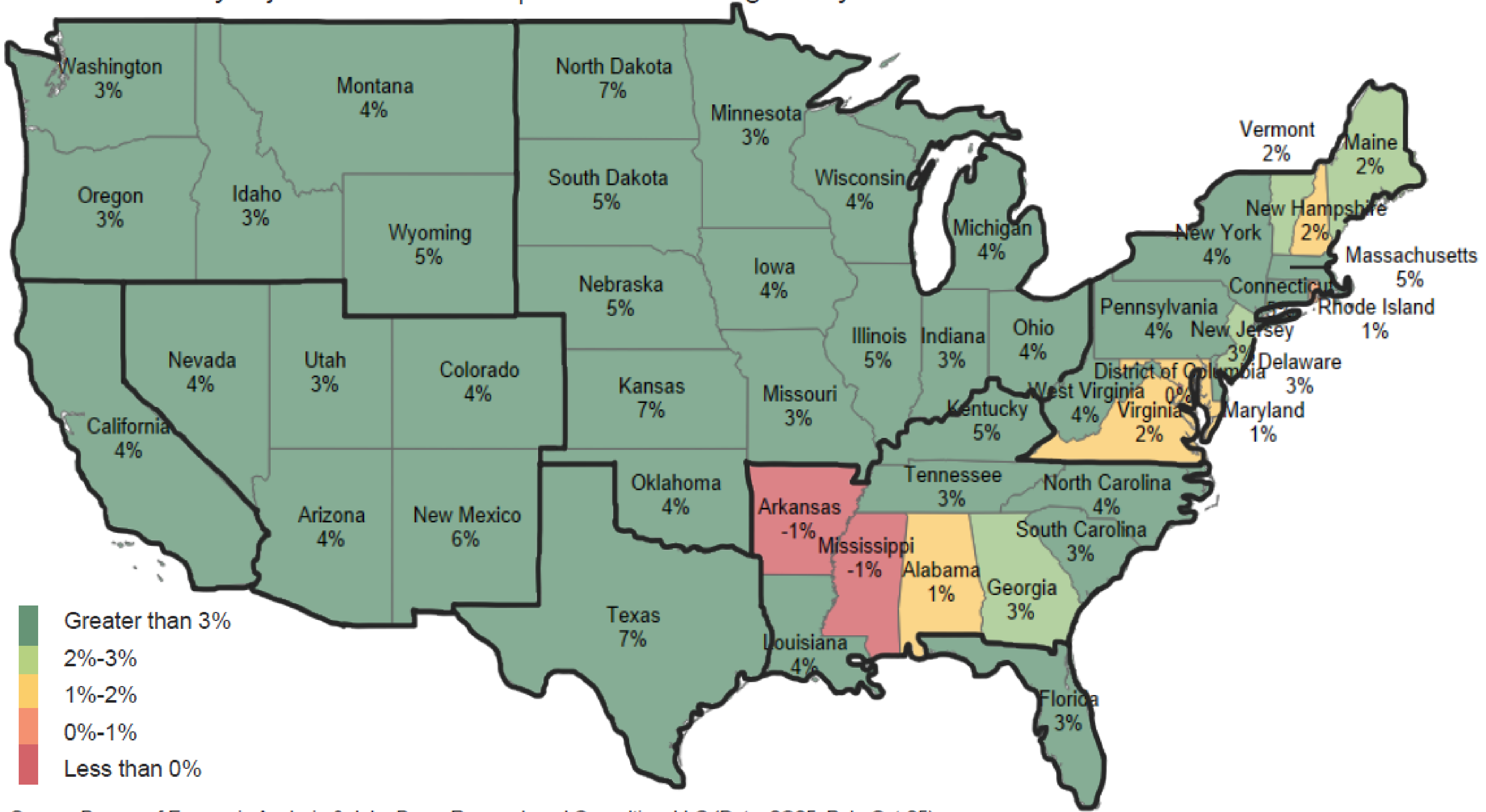
*Metro division **combination of metro divisions (except Raleigh-Durham, which is a combination of metros)

Source: John Burns Research and Consulting, LLC (Data: Sep-25, Pub: Oct-25)

Texas and the California experienced the strongest real GDP growth in 2Q25.

Real GDP Growth by State / Region (JBREC Definitions)

2Q25 Seasonally adjusted annual rates | Outline shows regions by JBREC definition



Source: Bureau of Economic Analysis & John Burns Research and Consulting, LLC (Data: 2Q25, Pub: Oct-25)

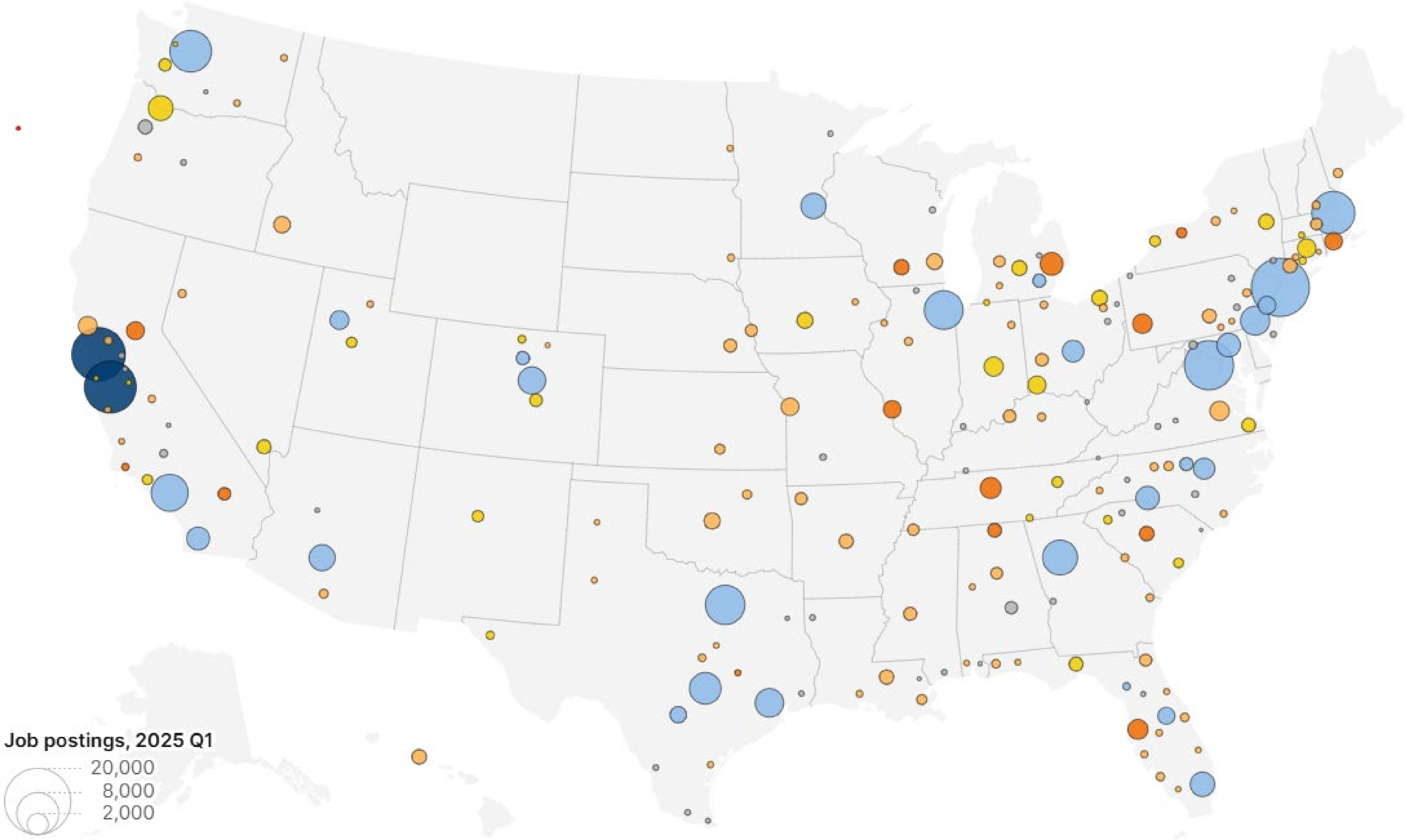
Region	1-Year Growth
Texas	6.8%
California	4.3%
Midwest	4.0%
Southwest	3.7%
Northeast	3.3%
Florida	3.3%
Northwest	3.1%
Southeast	2.9%

We show the seasonally adjusted annual rate, rather than the YOY % change, to better align with how national GDP is reported.

Six different types of AI metro areas

AI cluster type

Superstars | Star Hubs | Emerging Centers | Focused Movers | Nascent Adopters | Others



Job postings, 2025 Q1

20,000
8,000
2,000

Source: Brookings' analysis of job posting data from Lightcast.

Brookings Metro

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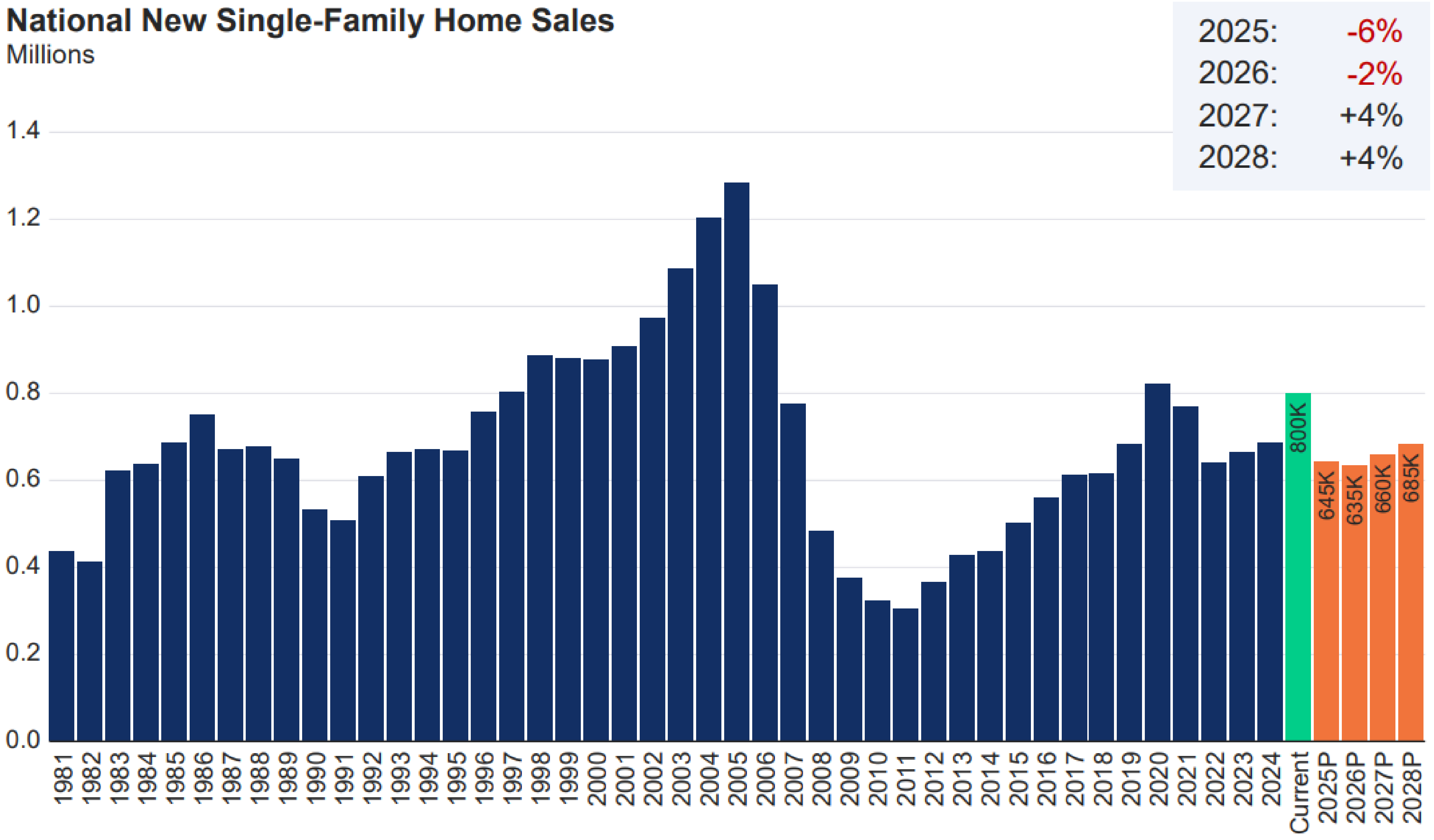
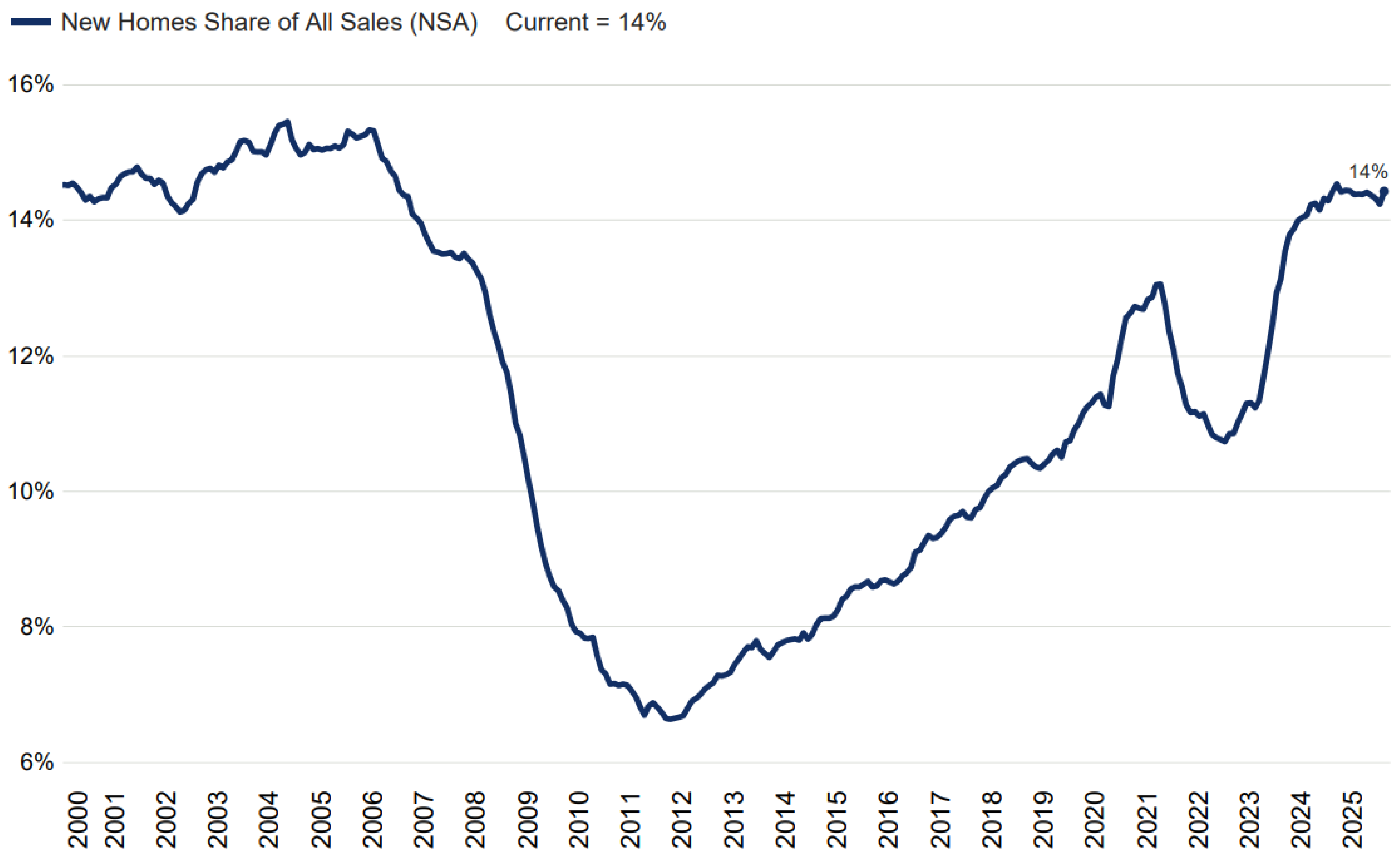
We forecast that new single-family home sales will fall another -2% YOY in 2026.



Current = Current month (seasonally adjusted annual rate).

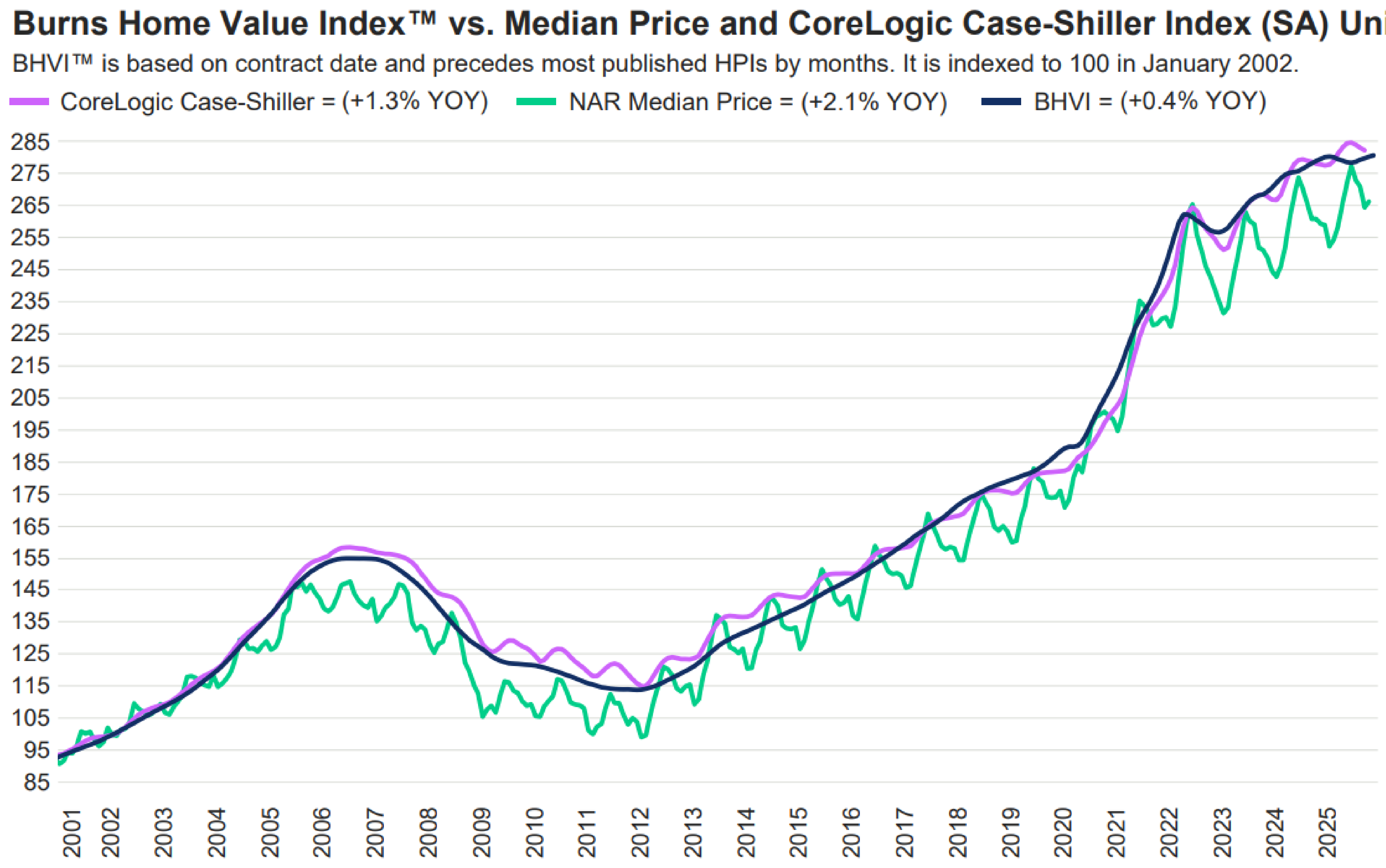
Sources: U.S. Census Bureau; John Burns Research and Consulting, LLC forecasts (Data: Aug-25; Pub: Dec-25)

New homes represent over 14% of all sales, the highest since 2006



Sources: Census Bureau; John Burns Research and Consulting, LLC (Data: Aug-25, Pub: Dec-25)

Home prices are flat, per our Burns Home Value Index

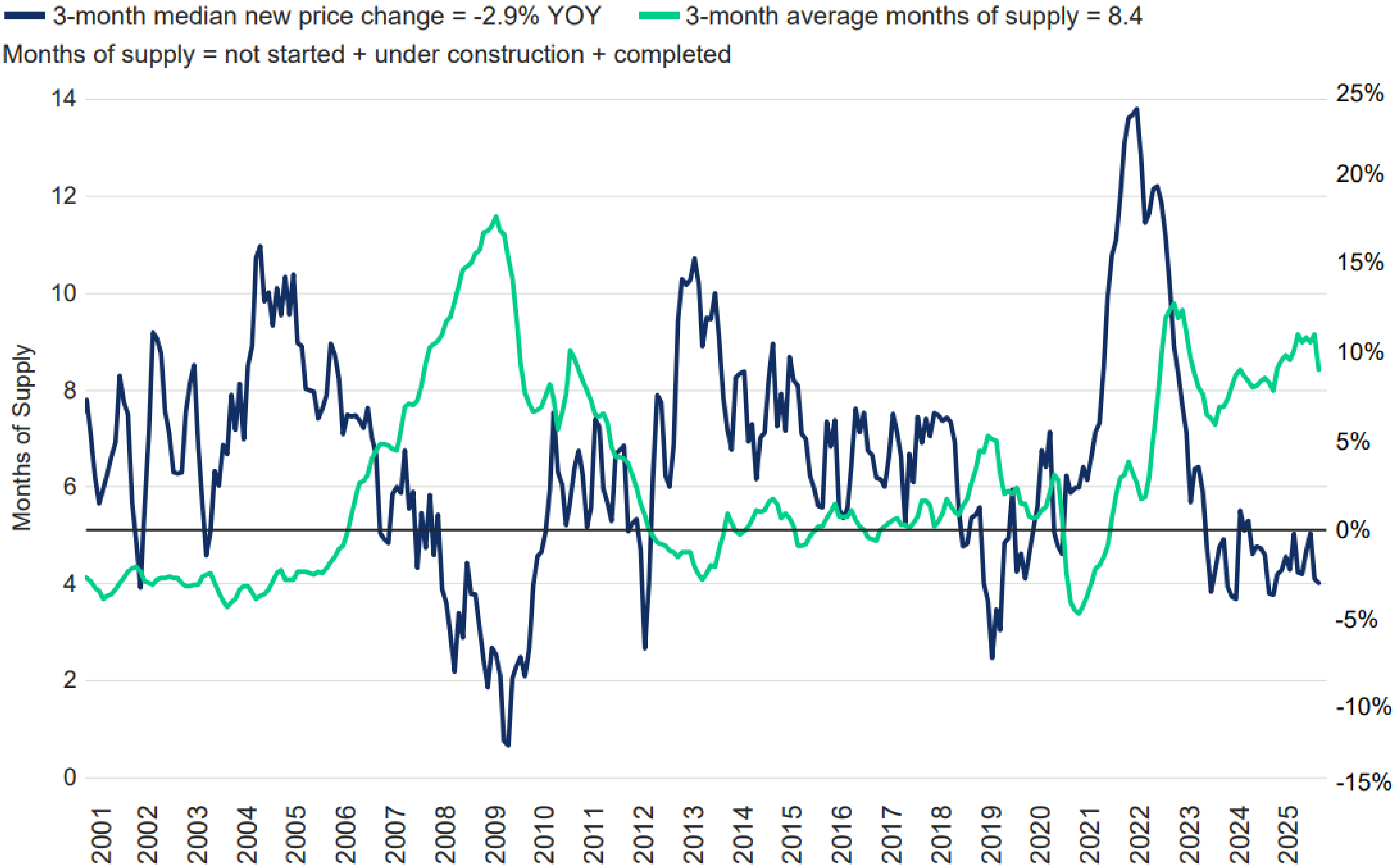


Note: 'National' for the Burns Home Value Index is a rollup of 150 markets which may differ from National rollups of other data points, based on market coverage.
Sources: NAR; S&P/Case Shiller; John Burns Research and Consulting, LLC (Data: Nov-25, Pub: Dec-25)

US home prices remained flat at 0% YOY, according to our Burns Home Value Index™.

Median new home prices and months of supply are inversely related

New Home Unsold Months of Supply vs. Price Appreciation



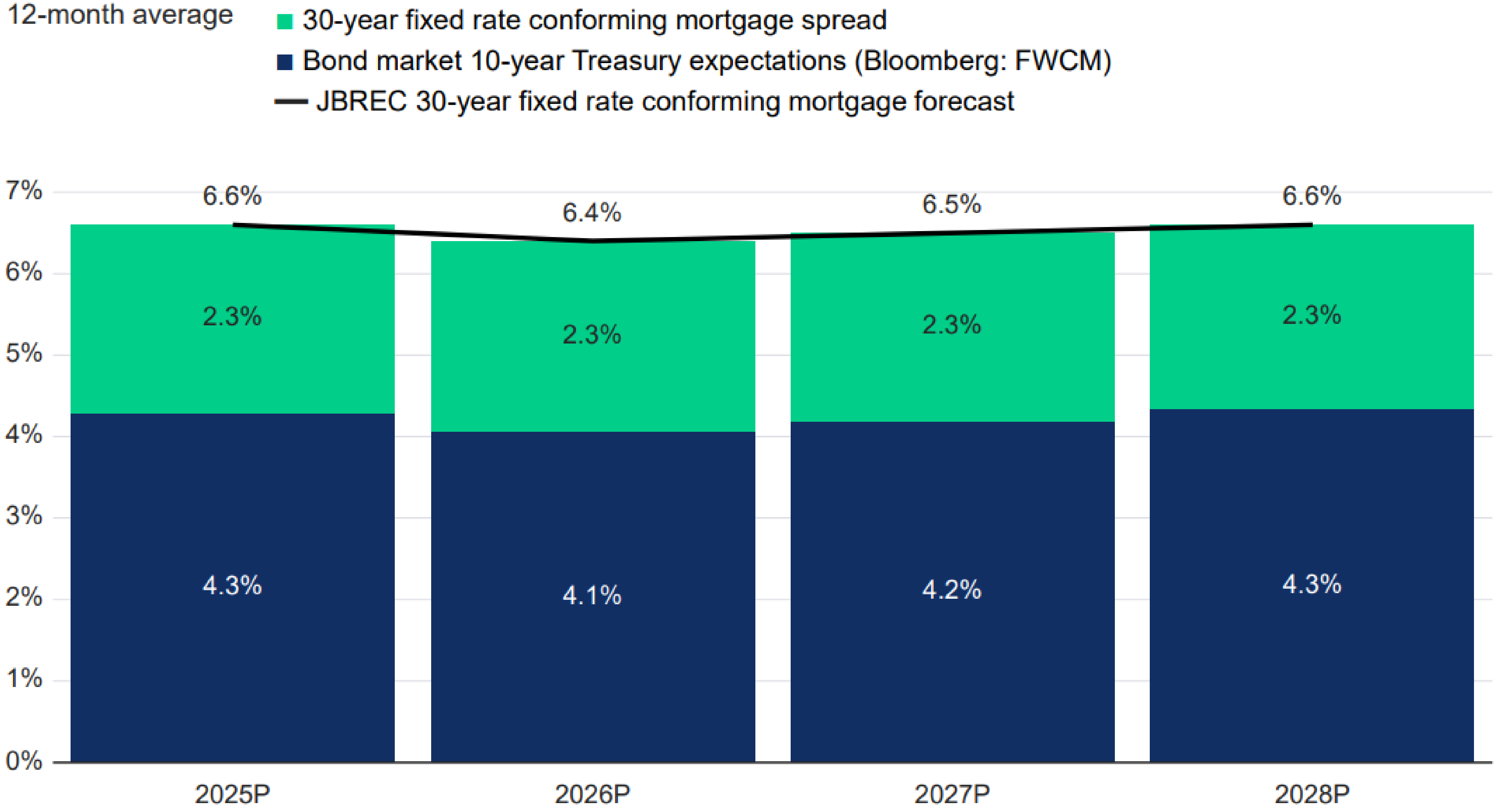
Sources: Census Bureau; John Burns Research and Consulting (Data: Aug-25, Pub: Dec-25)

New home months of unsold supply fell to 8.4, while median new home prices declined -2.9% YOY. Note that mix shift can skew median new home price trends as reported by the Census Bureau.

We base our mortgage rate forecast on market pricing for 10-year treasuries and our view of the mortgage premium.

Annual Average 30-Year Fixed Conforming Mortgage Rate Forecast

12-month average



Note: Currently, the spread for mortgage rates over the 10-year Treasury is higher than normal (typically 190bps). The elevated spread is due to uncertainty around interest rates and less demand for mortgage-backed securities since the Fed stopped purchasing MBS in 2022. We expect the spread to normalize in the coming years as interest rates stabilize.

Sources: Bloomberg; John Burns Research and Consulting, LLC (Data: Dec-25; Pub: Dec-25)

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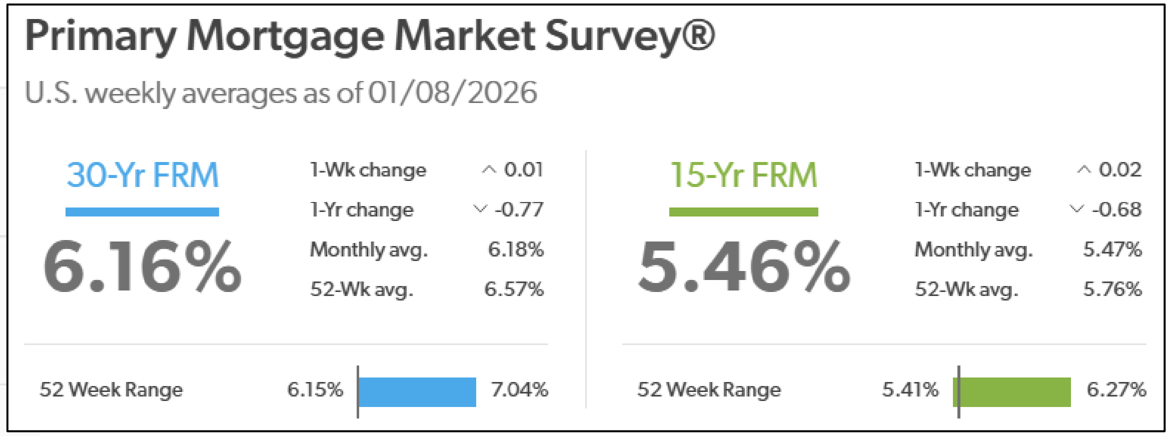
Mortgage rates down to lowest level in 1 year and 2nd lowest level in 2.5 years



Sacramento and Regional Market Trends

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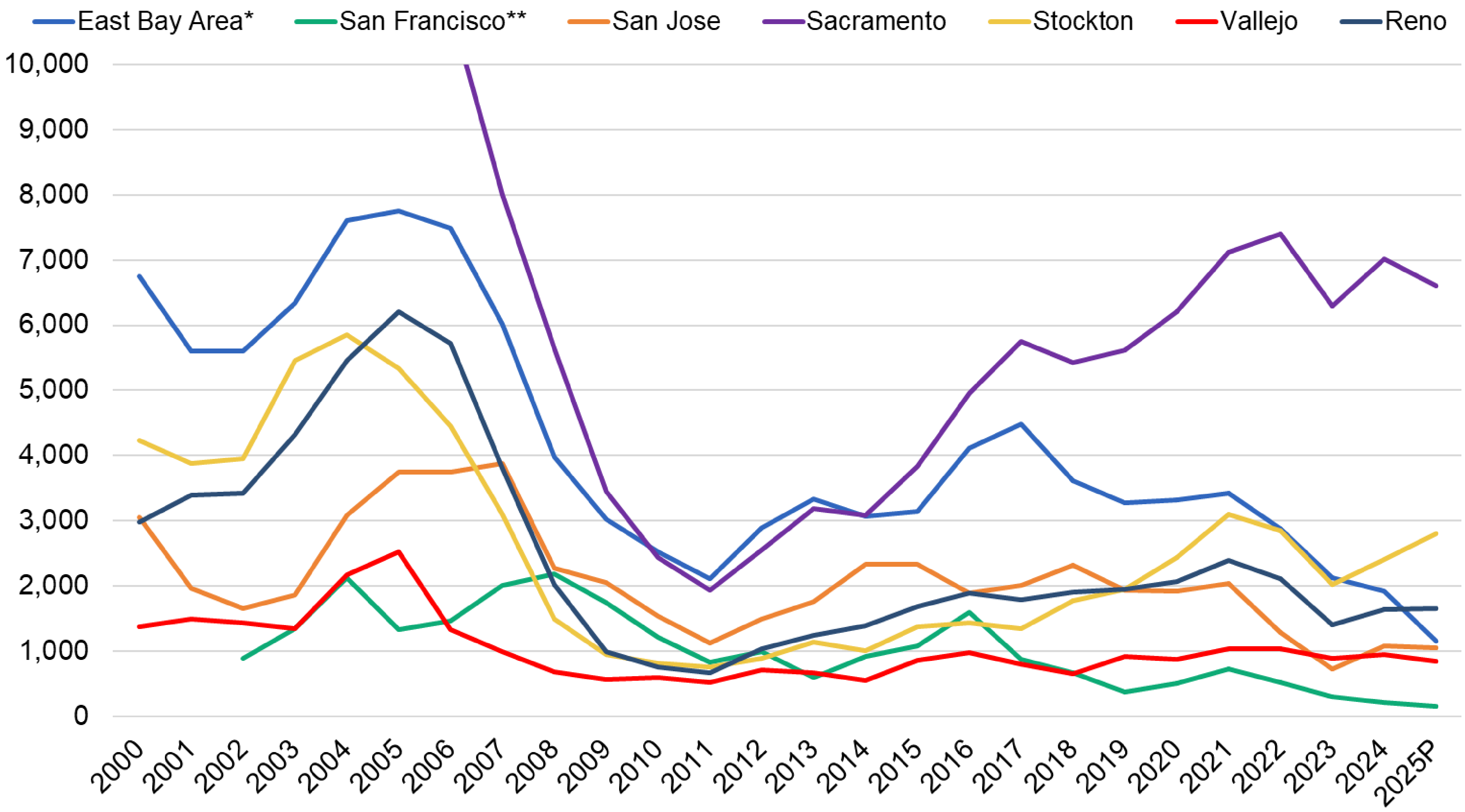
New Home Sales by MSA

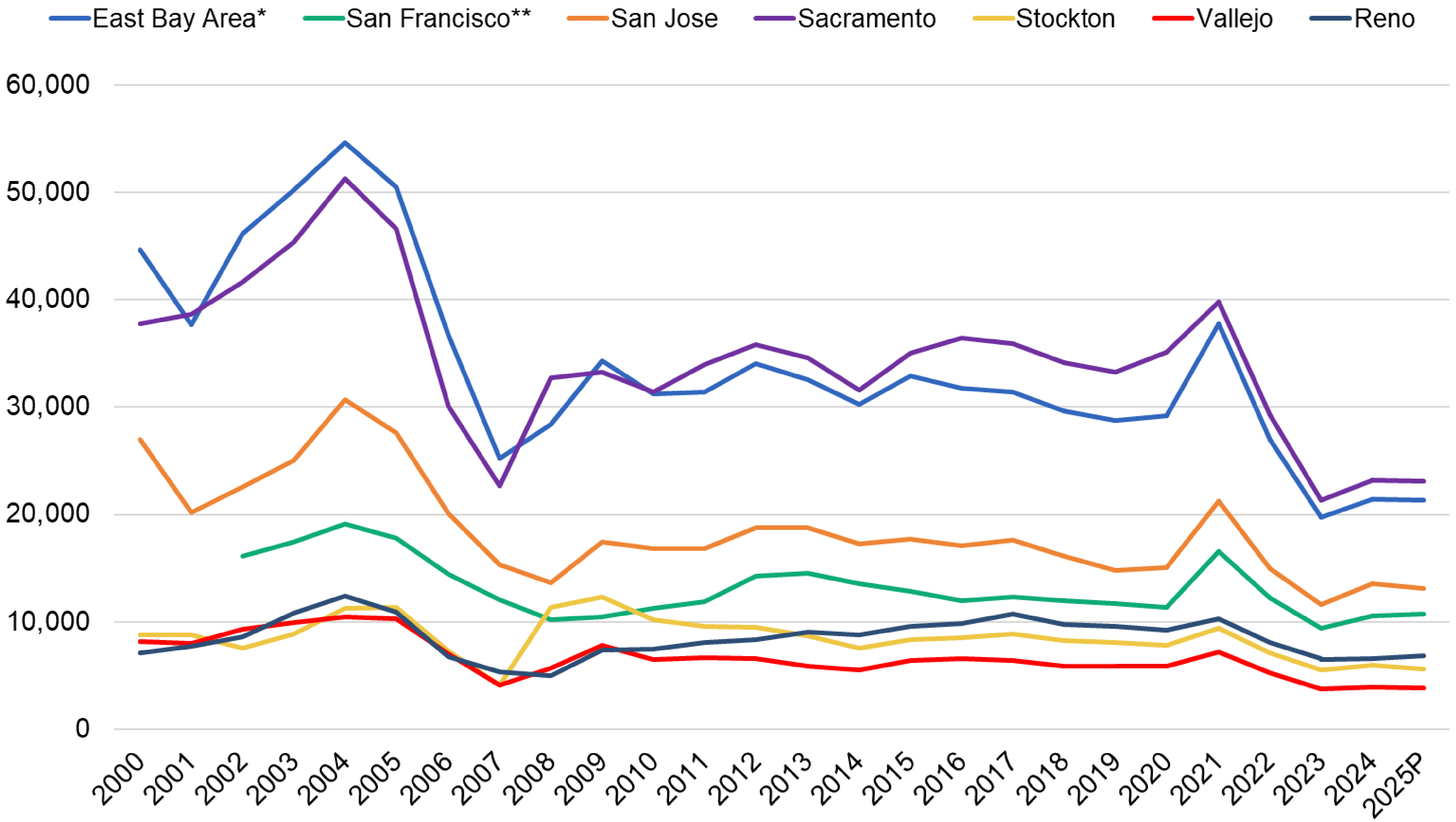


Sac MSA New Home Sales

Date	Sales	YOY %
2007	8,012	-26.2%
2008	5,652	-29.5%
2009	3,449	-39.0%
2010	2,436	-29.4%
2011	1,927	-20.9%
2012	2,557	32.7%
2013	3,184	24.5%
2014	3,083	-3.2%
2015	3,835	24.4%
2016	4,951	29.1%
2017	5,749	16.1%
2018	5,423	-5.7%
2019	5,612	3.5%
2020	6,208	10.6%
2021	7,121	14.7%
2022	7,402	3.9%
2023	6,297	-14.9%
2024	7,019	11.5%
2025P	6,600	-6.0%

*Metro division, ** Combination of metro divisions
Sources: JBREC Analysis of Public Records (Data: Nov-25, Pub: Dec-25)

Existing Home Sales by MSA

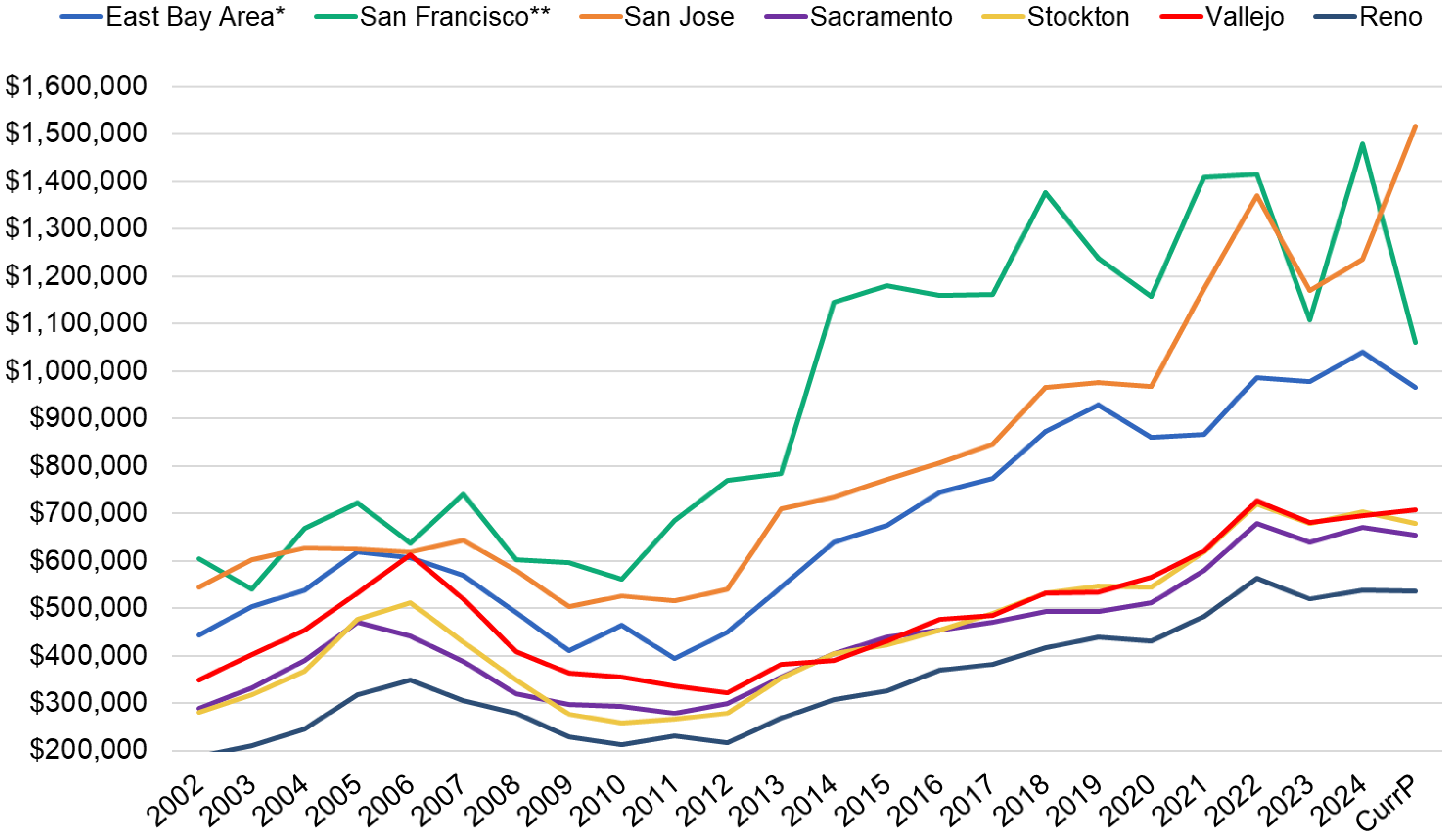


Sac MSA Existing Home Sales

Date	Sales	YOY %
2005	46,605	-9.2%
2006	30,048	-35.5%
2007	22,629	-24.7%
2008	32,777	44.8%
2009	33,250	1.4%
2010	31,435	-5.5%
2011	33,948	8.0%
2012	35,839	5.6%
2013	34,566	-3.6%
2014	31,610	-8.6%
2015	35,016	10.8%
2016	36,474	4.2%
2017	35,954	-1.4%
2018	34,150	-5.0%
2019	33,257	-2.6%
2020	35,127	5.6%
2021	39,842	13.4%
2022	29,319	-26.4%
2023	21,343	-27.2%
2024	23,177	8.6%
2025P	23,600	1.8%

*Metro division, ** Combination of metro divisions
Sources: JBREC Analysis of Public Records (Data: Nov-25, Pub: Dec-25)

New Home Median Price by MSA

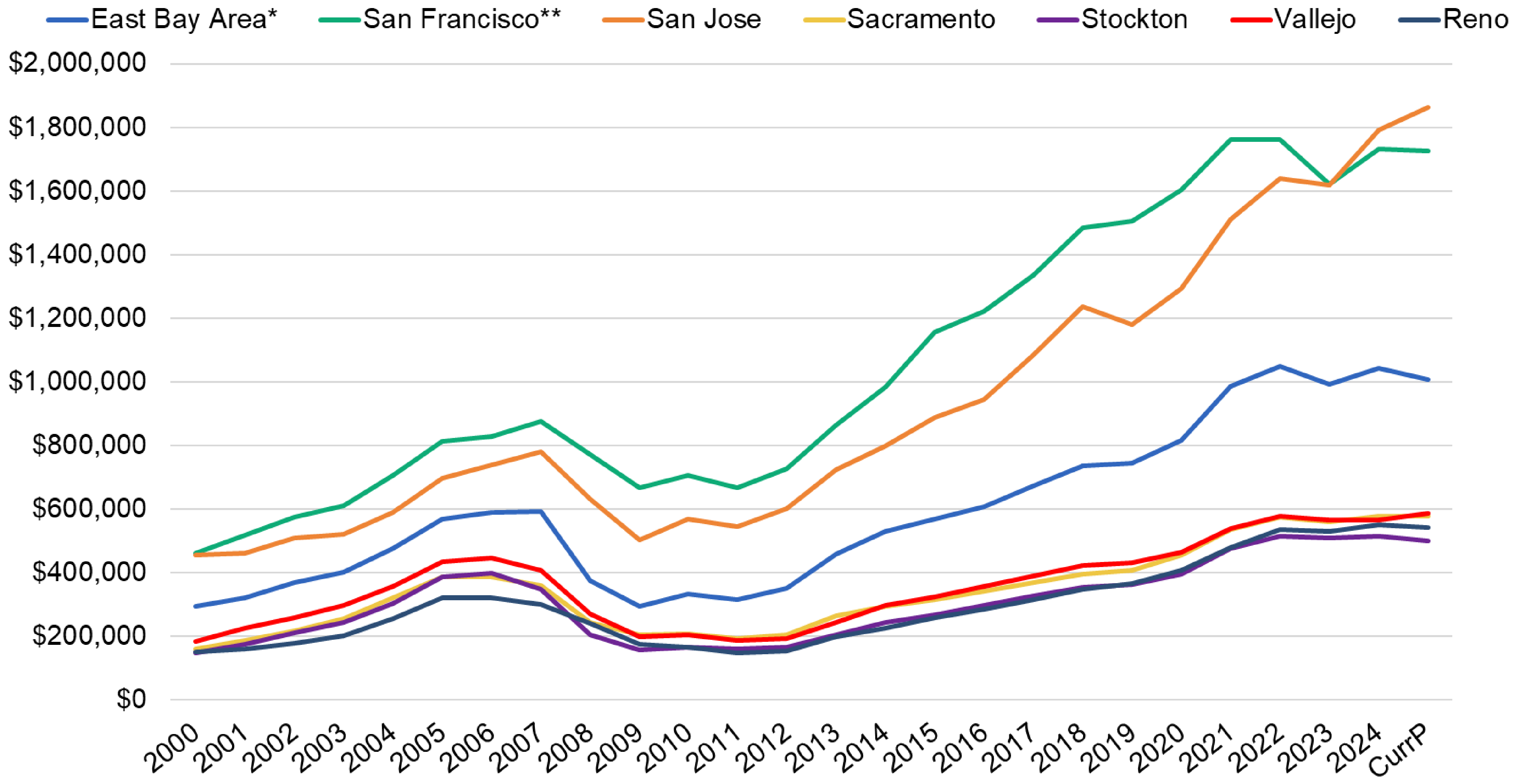


*Metro division, ** Combination of metro divisions
Sources: JBREC Analysis of Public Records (Data: Nov-25, Pub: Dec-25)

Annual Data		
Date	Sales	YOY %
2015	$439,400	8.6%
2016	$454,500	3.4%
2017	$471,000	3.6%
2018	$493,600	4.8%
2019	$493,700	0.0%
2020	$511,000	3.5%
2021	$580,400	13.6%
2022	$679,400	17.1%
2023	$639,400	-5.9%
2024	$670,000	4.8%

Monthly Data		
Date	Median Price	YOY %
Oct-24	$673,800	1.0%
Nov-24	$676,000	2.4%
Dec-24	$670,600	2.4%
Jan-25	$679,400	4.8%
Feb-25	$648,500	-1.0%
Mar-25	$690,000	2.8%
Apr-25	$674,100	-1.6%
May-25	$663,200	0.2%
Jun-25	$676,900	0.6%
Jul-25	$678,200	1.3%
Aug-25	$662,600	-1.7%
Sep-25	$652,200	-4.1%
Oct-25	$645,500	-4.2%

Existing Home Median Price by MSA



Annual Medians		
Date	Median Price	YOY %
2015	$313,500	6.3%
2016	$340,700	8.7%
2017	$367,200	7.8%
2018	$394,800	7.5%
2019	$408,300	3.4%
2020	$455,300	11.5%
2021	$535,200	17.5%
2022	$574,400	7.3%
2023	$558,000	-2.9%
2024	$576,500	3.3%

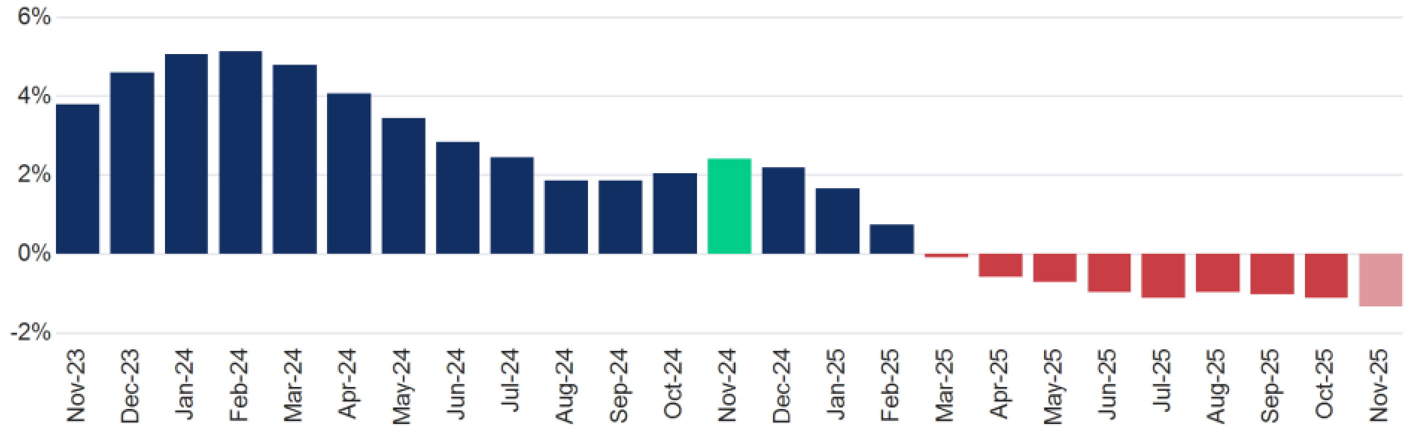
Monthly Data		
Date	Median Price	YOY %
Oct-24	$577,900	1.7%
Nov-24	$570,000	3.7%
Dec-24	$575,100	5.2%
Jan-25	$553,800	4.8%
Feb-25	$581,800	4.8%
Mar-25	$593,100	5.8%
Apr-25	$583,900	0.4%
May-25	$593,700	0.7%
Jun-25	$600,000	0.6%
Jul-25	$592,400	0.7%
Aug-25	$584,500	0.1%
Sep-25	$580,300	-0.6%
Oct-25	$589,100	1.9%

*Metro division, ** Combination of metro divisions
Sources: JBREC Analysis of Public Records (Data: Nov-25, Pub: Dec-25)

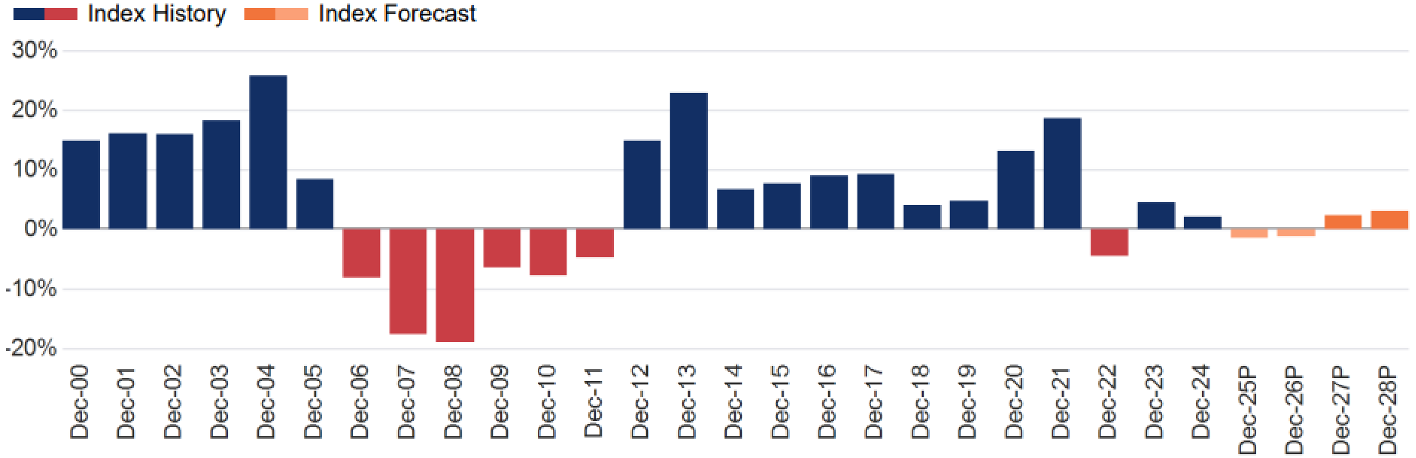
Burns Home Value Index (BHVI)

Existing Home Values
(Burns Home Value Index™ - BHVI)

Burns Home Value Index™ YOY Growth %



Burns Home Value Index™ December Growth % (2000 to 2028)



Source: John Burns Research and Consulting, LLC (Data:Nov 25, Pub:Dec-25)

Sacramento, CA
December 2025

AVG. SINCE 1982*	NOW
4.7%	-1.3%

* Historical average growth rate based on annual averages.

Monthly Data

Date	Value	YOY %
Jan-24	265.9	5.1%
Feb-24	267.5	5.1%
Mar-24	268.5	4.8%
Apr-24	268.9	4.1%
May-24	268.4	3.4%
Jun-24	268.2	2.8%
Jul-24	268.3	2.4%
Aug-24	268.4	1.8%
Sep-24	268.8	1.8%
Oct-24	269.3	2.0%
Nov-24	270.1	2.4%
Dec-24	270.5	2.2%
Jan-25	270.3	1.7%
Feb-25	269.5	0.8%
Mar-25	268.2	-0.1%
Apr-25	267.3	-0.6%
May-25	266.5	-0.7%
Jun-25	265.6	-1.0%
Jul-25	265.3	-1.1%
Aug-25	265.8	-1.0%
Sep-25	266.1	-1.0%
Oct-25	266.3	-1.1%
Nov-25	266.5	-1.3%

Year End Values

Date	Value	YOY %
Dec-06	170.0	-8.1%
Dec-07	140.0	-17.6%
Dec-08	113.6	-18.9%
Dec-09	106.3	-6.4%
Dec-10	98.1	-7.7%
Dec-11	93.5	-4.7%
Dec-12	107.5	14.9%
Dec-13	132.0	22.8%
Dec-14	140.9	6.8%
Dec-15	151.7	7.6%
Dec-16	165.4	9.0%
Dec-17	180.7	9.3%
Dec-18	188.2	4.1%
Dec-19	197.2	4.8%
Dec-20	223.2	13.2%
Dec-21	264.8	18.7%
Dec-22	253.1	-4.4%
Dec-23	264.7	4.6%
Dec-24	270.5	2.2%

BHVI Change from January 2020

MSA	Jan. 20	Dec. 25	% Diff
East Bay	218.0	275.1	26.2%
Sacramento	197.2	266.5	35.1%
San Francisco	263.8	302.5	14.7%
San Jose	256.4	364.0	42.0%
Santa Rosa	186.8	224.9	20.4%
Stockton	174.8	235.9	35.0%
Vallejo-Fairfield	176.5	223.8	26.8%

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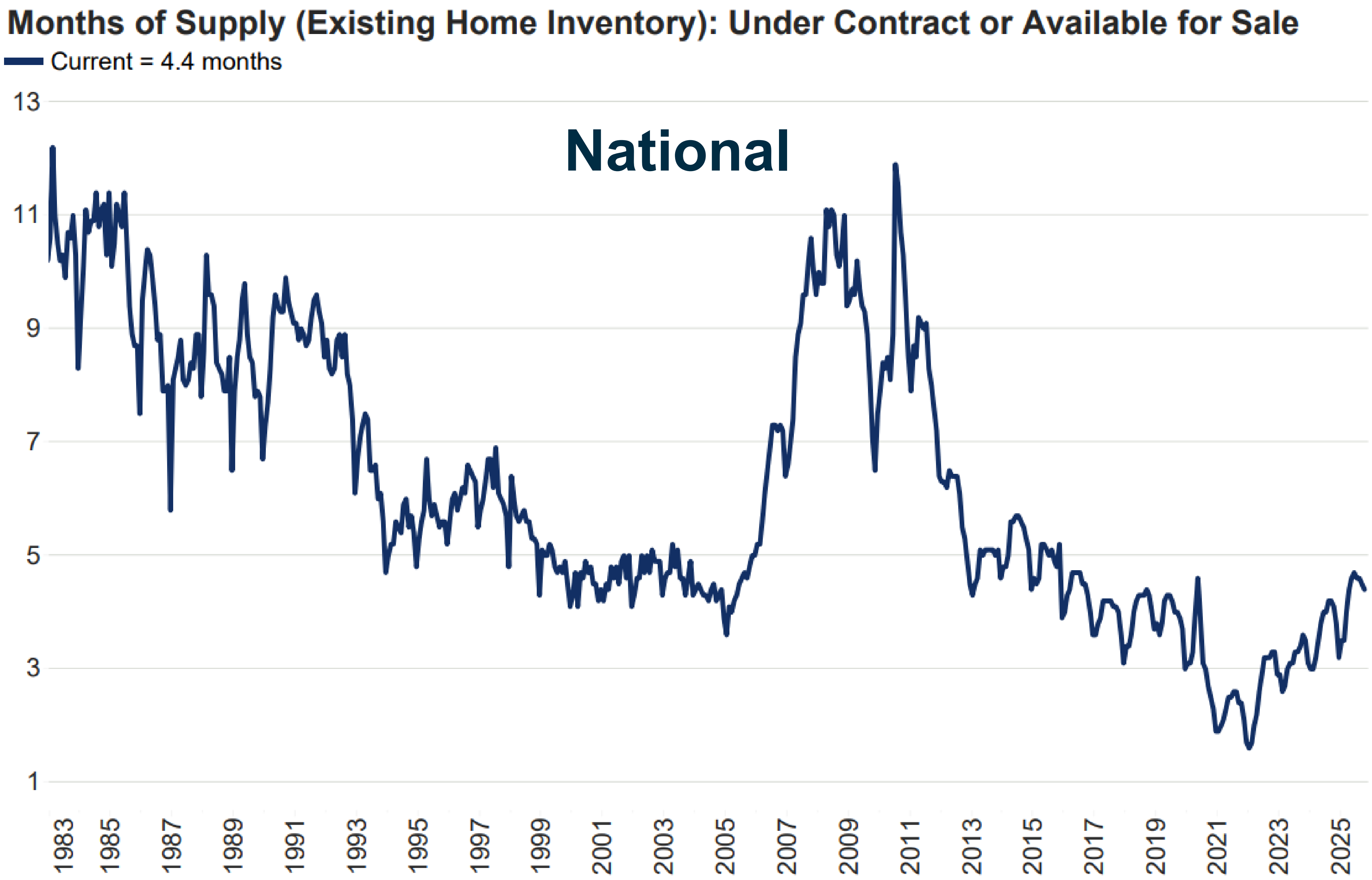
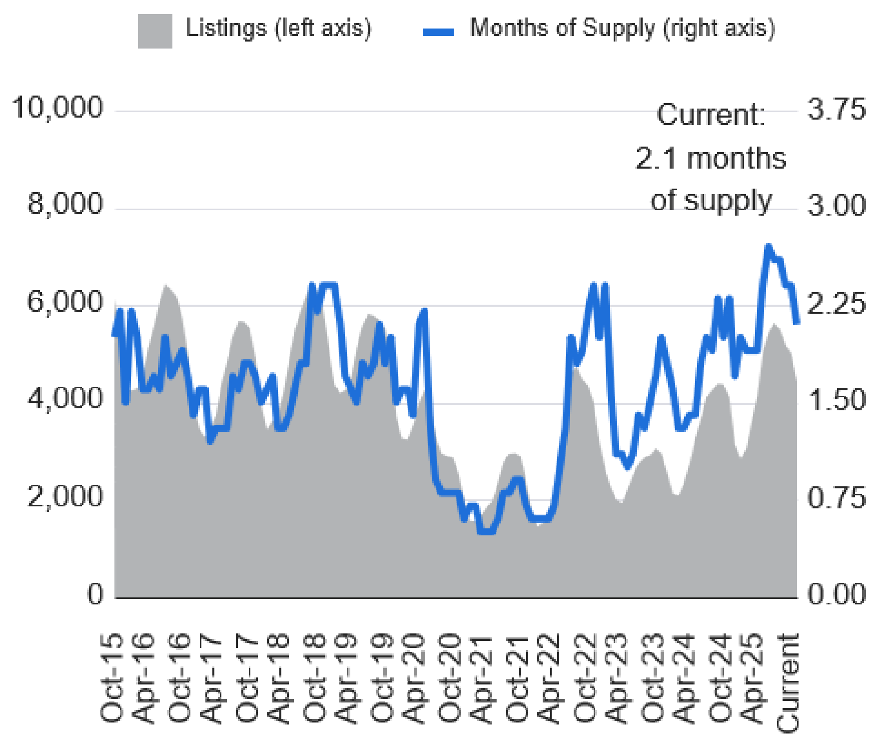
Months of supply is rising YOY



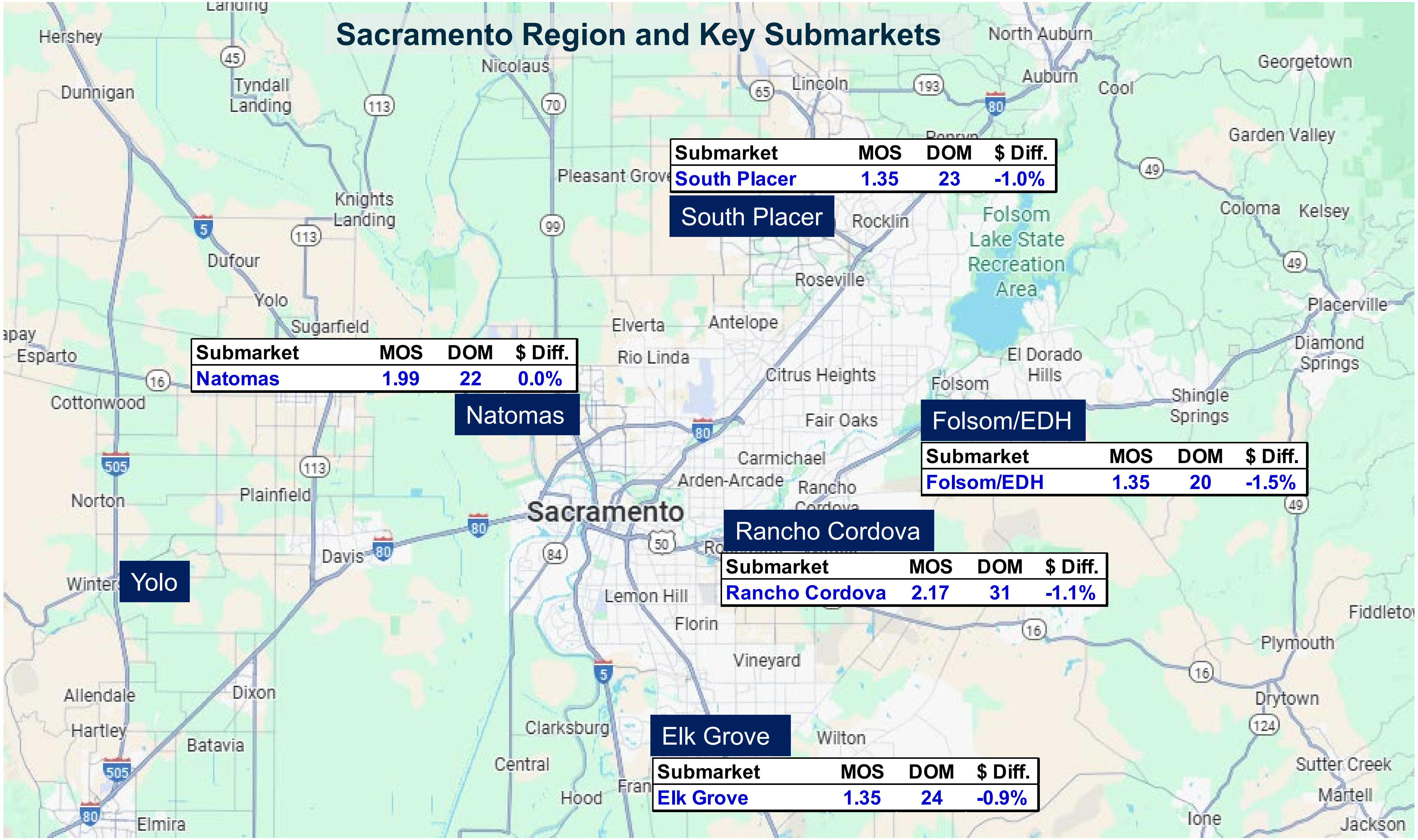
Sources: NAR; John Burns Research and Consulting, LLC (Data: Oct-25, Pub: Dec-25)

Sac MSA

Resale Listings		Months of Supply	
Current	Year-Ago	Current	Year-Ago
4,443	4,132	2.1	2.3



Sacramento Region and Key Submarkets



Submarket	MOS	DOM	$ Diff.
South Placer	1.35	23	-1.0%

Submarket	MOS	DOM	$ Diff.
Natomas	1.99	22	0.0%

Submarket	MOS	DOM	$ Diff.
Folsom/EDH	1.35	20	-1.5%

Submarket	MOS	DOM	$ Diff.
Rancho Cordova	2.17	31	-1.1%

Submarket	MOS	DOM	$ Diff.
Elk Grove	1.35	24	-0.9%

It’s All About the Price

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Burns Affordability Index

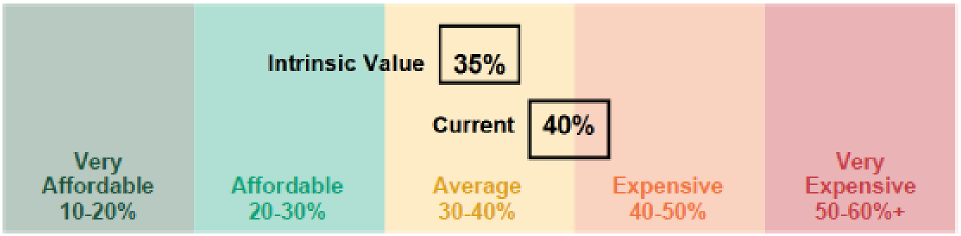
Sacramento, CA
October 2025

Our Burns Affordability Index shows that the Housing-Cost-to-Income Ratio for Sacramento is currently 40%, which is **Average** compared to other US markets. However, the current value is higher than Sacramento's intrinsic value of 35%, which we believe is the correct future ratio to use and is 3% higher than the market's historical norm of 32%. See our Burns Under/Overpriced Market Index page for detail on how much the market is under/overpriced.

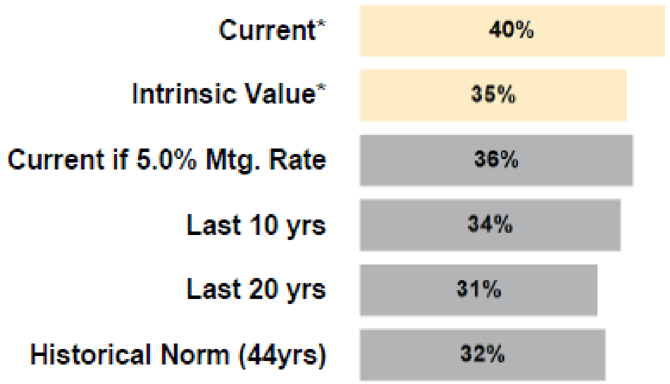
BAI	
MSA	**Current**
San Francisco	87%
San Jose	79%
East Bay	56%
Sacramento	40%
Reno	44%
Stockton	37%
Vallejo	36%

Burns Affordability Index

Housing-Cost-to-Income Ratio

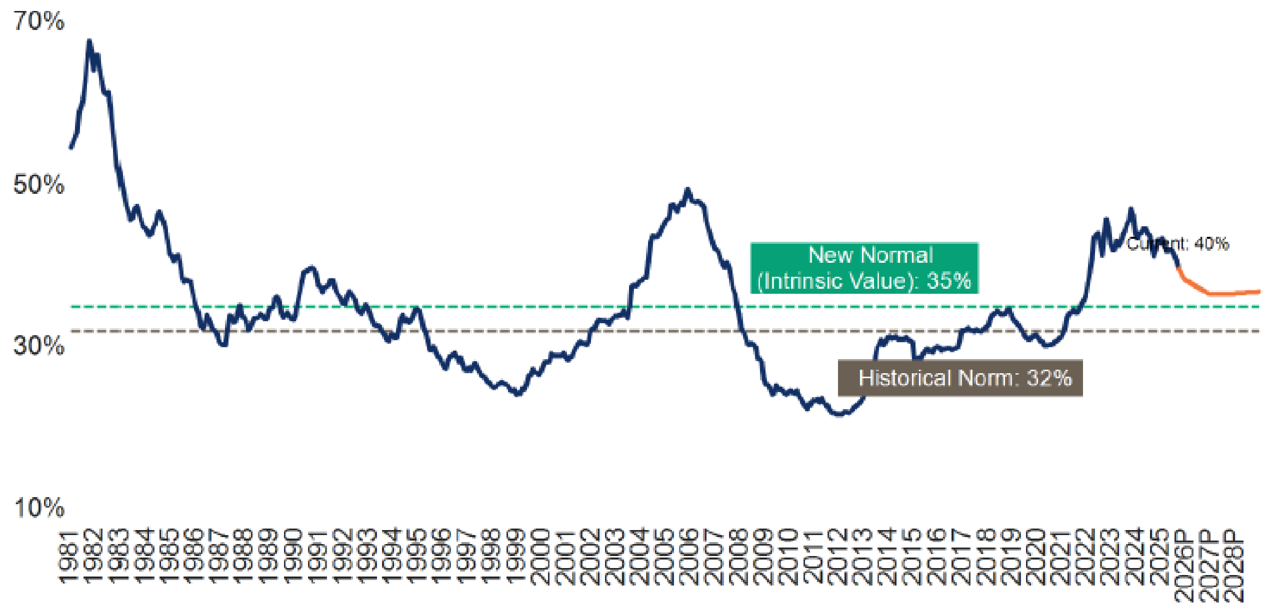


Housing-Cost-to-Income Ratios used in the Analysis



Burns Affordability Index

Housing-Cost-to-Income Ratio



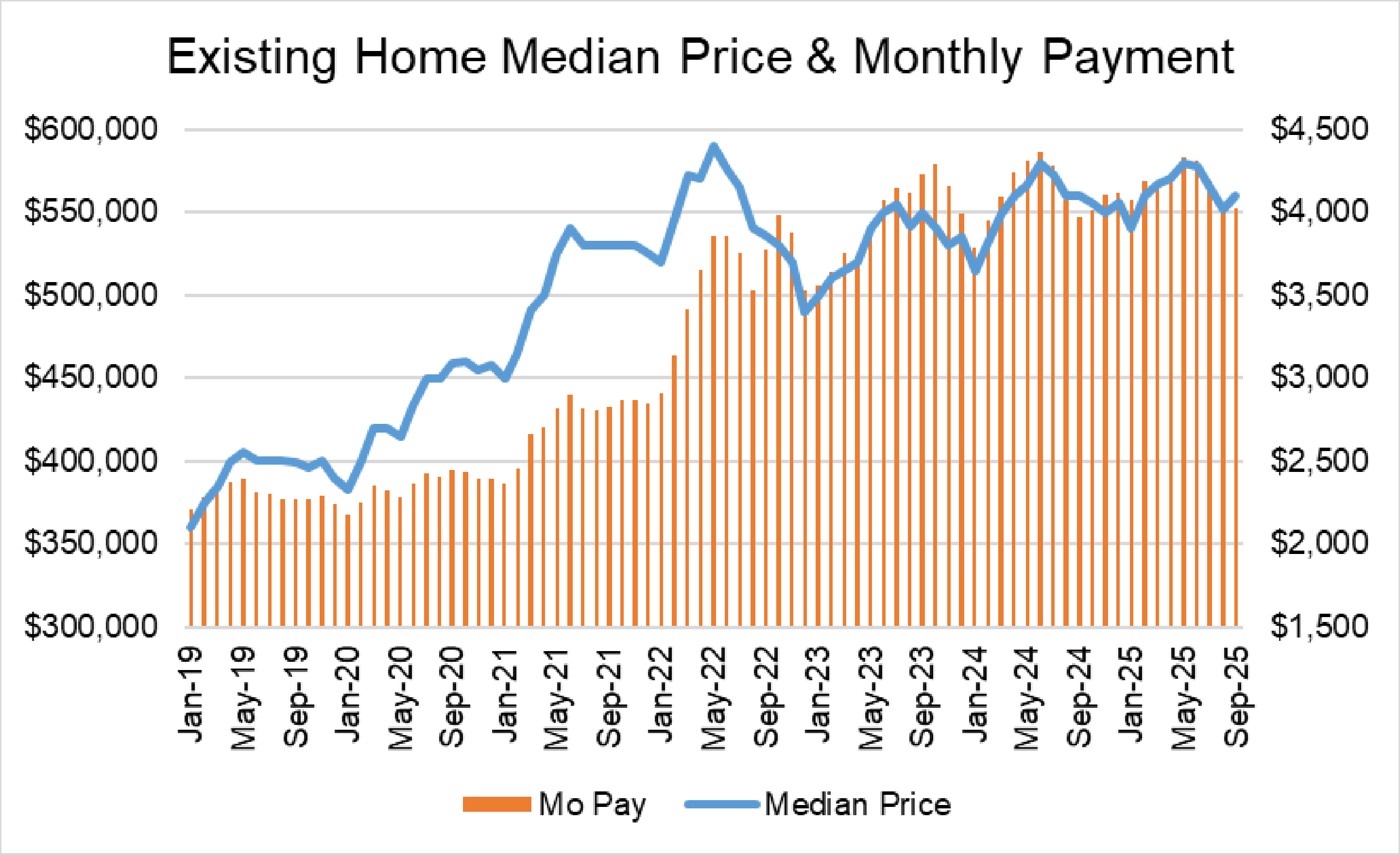
We calculate the housing-cost-to-income ratio (HC/I ratio) by dividing the market's median monthly housing costs by 125% of the median income. Housing cost assumes the purchase of a home equal to the market's median-priced existing home with a 10% down payment and a 30-year, fixed-rate mortgage. Payment includes PITI (principal, interest, taxes and insurance) plus mortgage insurance.
*To determine the intrinsic HC/I value, we look at the long-term trend of the market's HC/I ratio, with an emphasis on recent history and our forecasts. This intrinsic adjuster (the spread between the intrinsic HC/I value and the historical median HC/I ratio) is representative of fundamental shifts in several markets we feel are now permanently more/less expensive due to increased/decreased demand or limited supply.

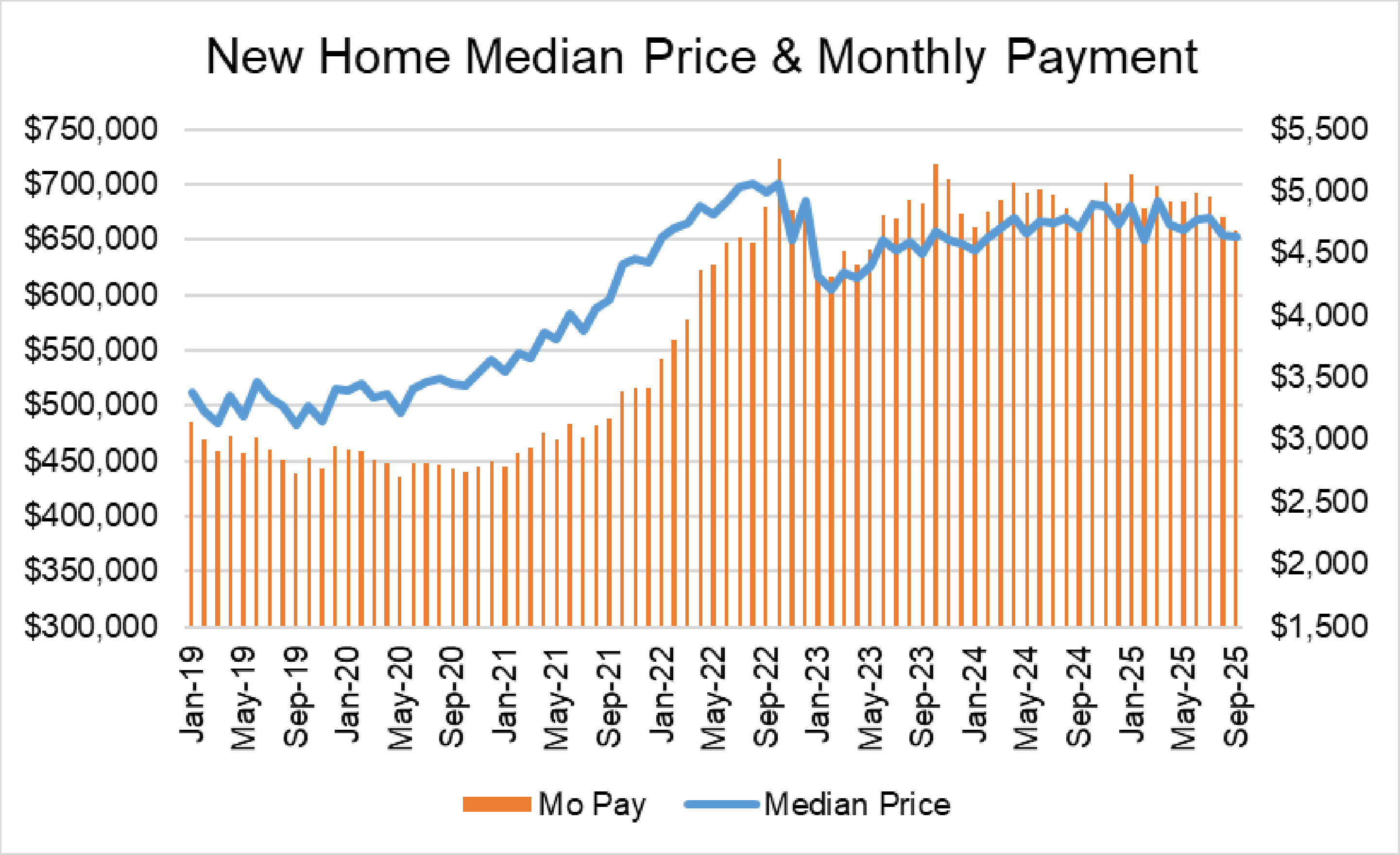
JOHN BURNS
RESEARCH & CONSULTING

Sacramento, CA

October 2025

Monthly payments soared as prices flattened or even decreased.

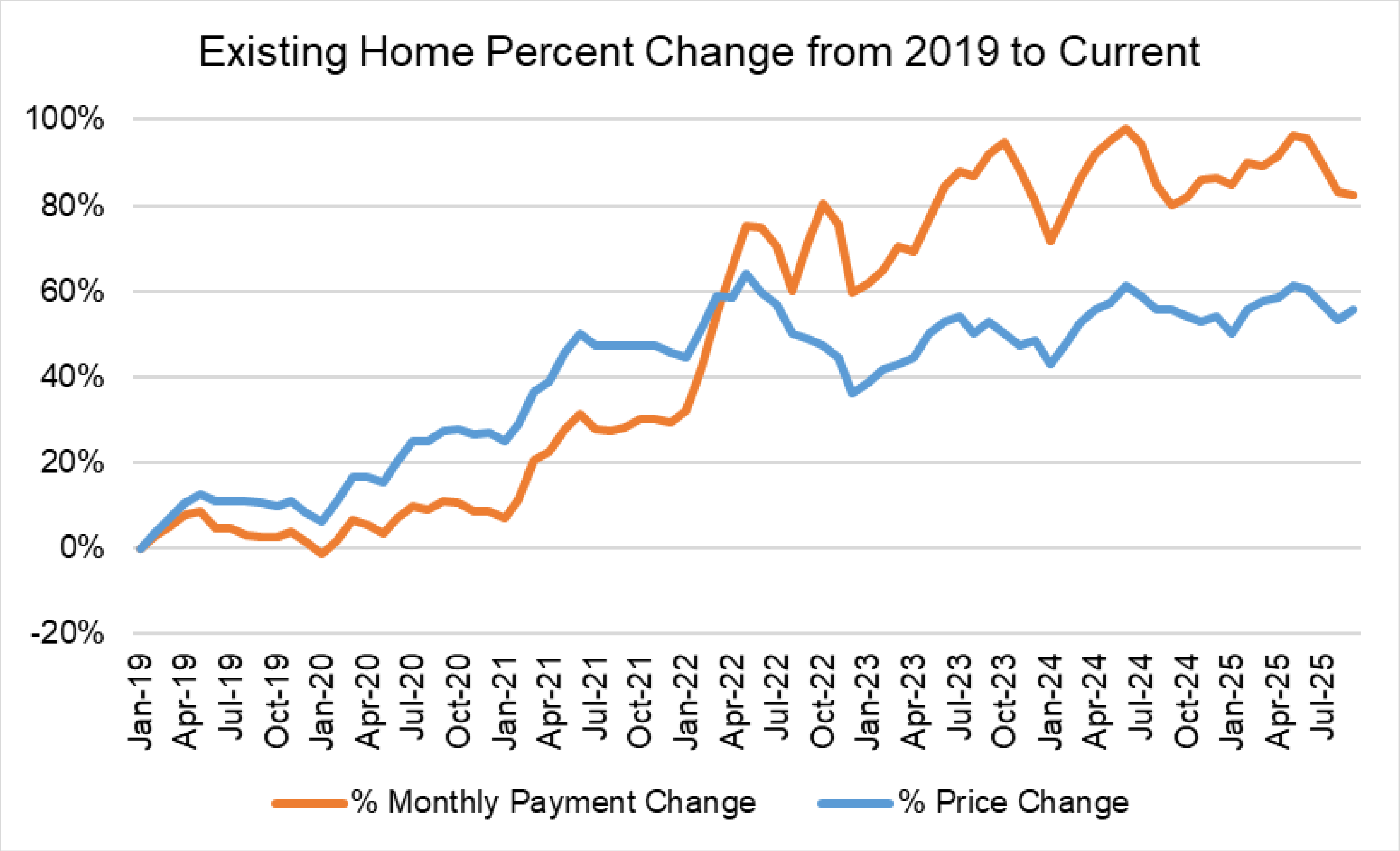


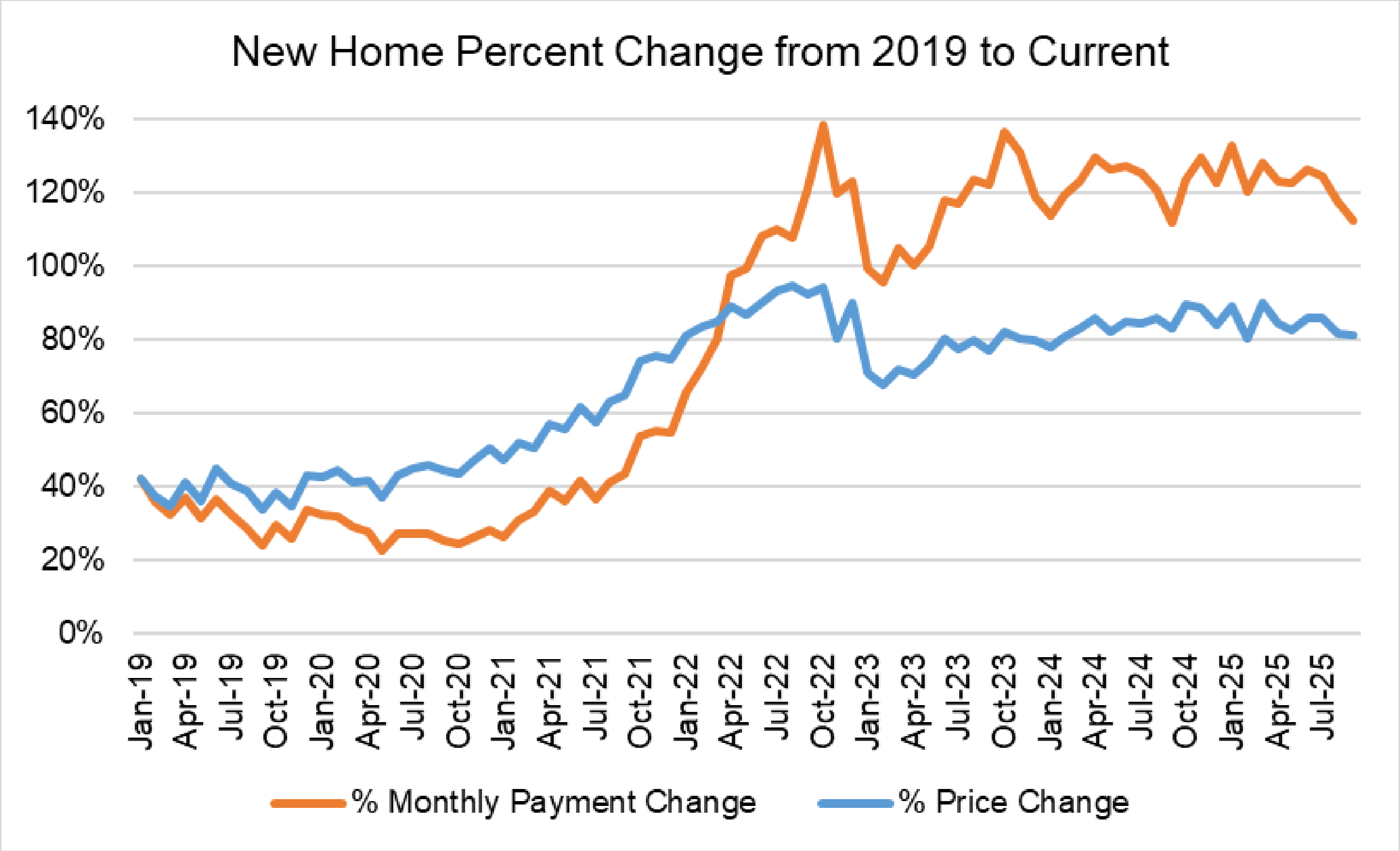


Sacramento, CA

October 2025

See the spread widen between price and monthly payment when mortgage rates began to rise





Existing Home Price Sacramento Region and Key Submarkets

Sac MSA	2019	Current
Annual Income	$78,700	$104,200
% Change		*32.4%*

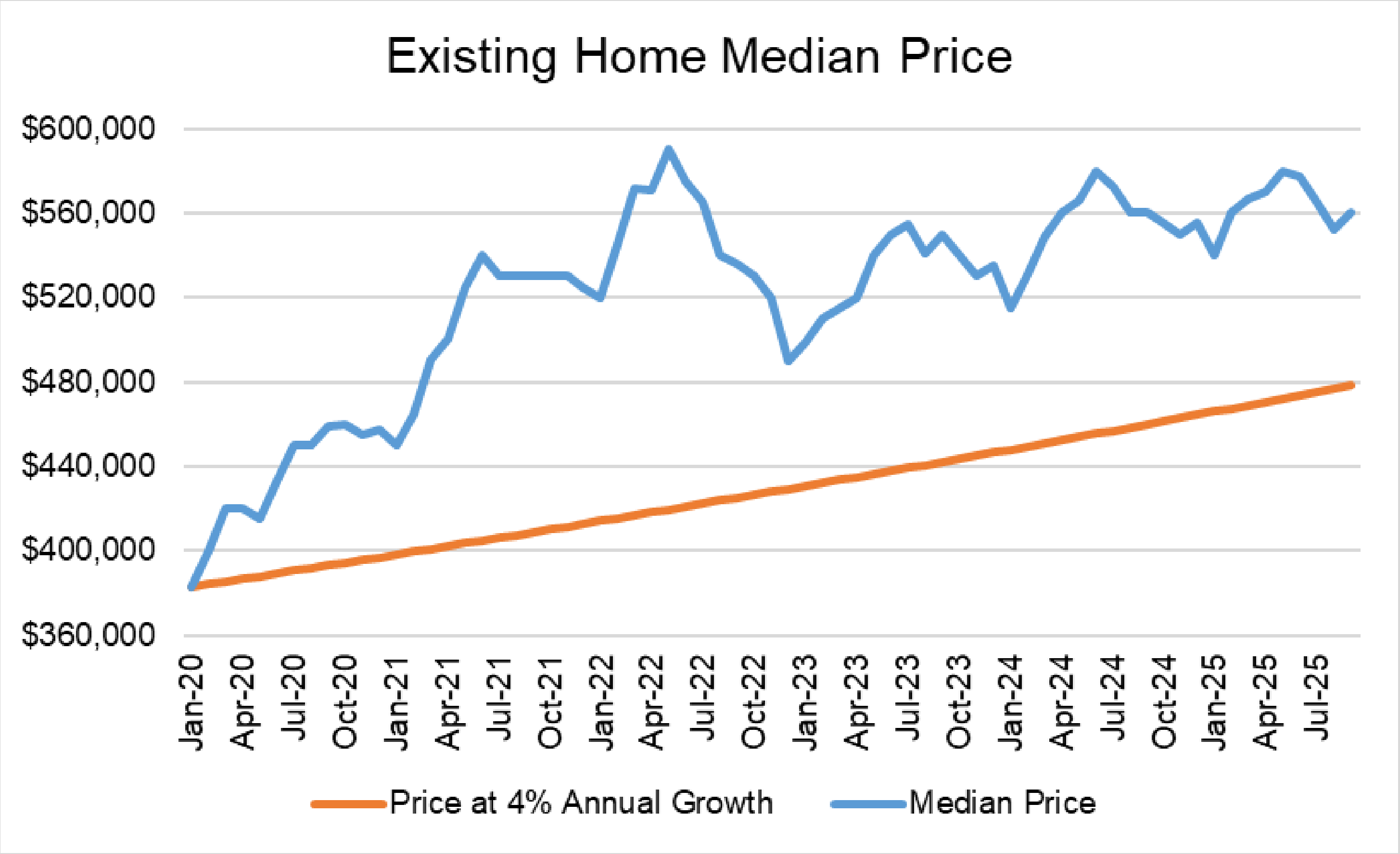
Payment has outpaced price and income

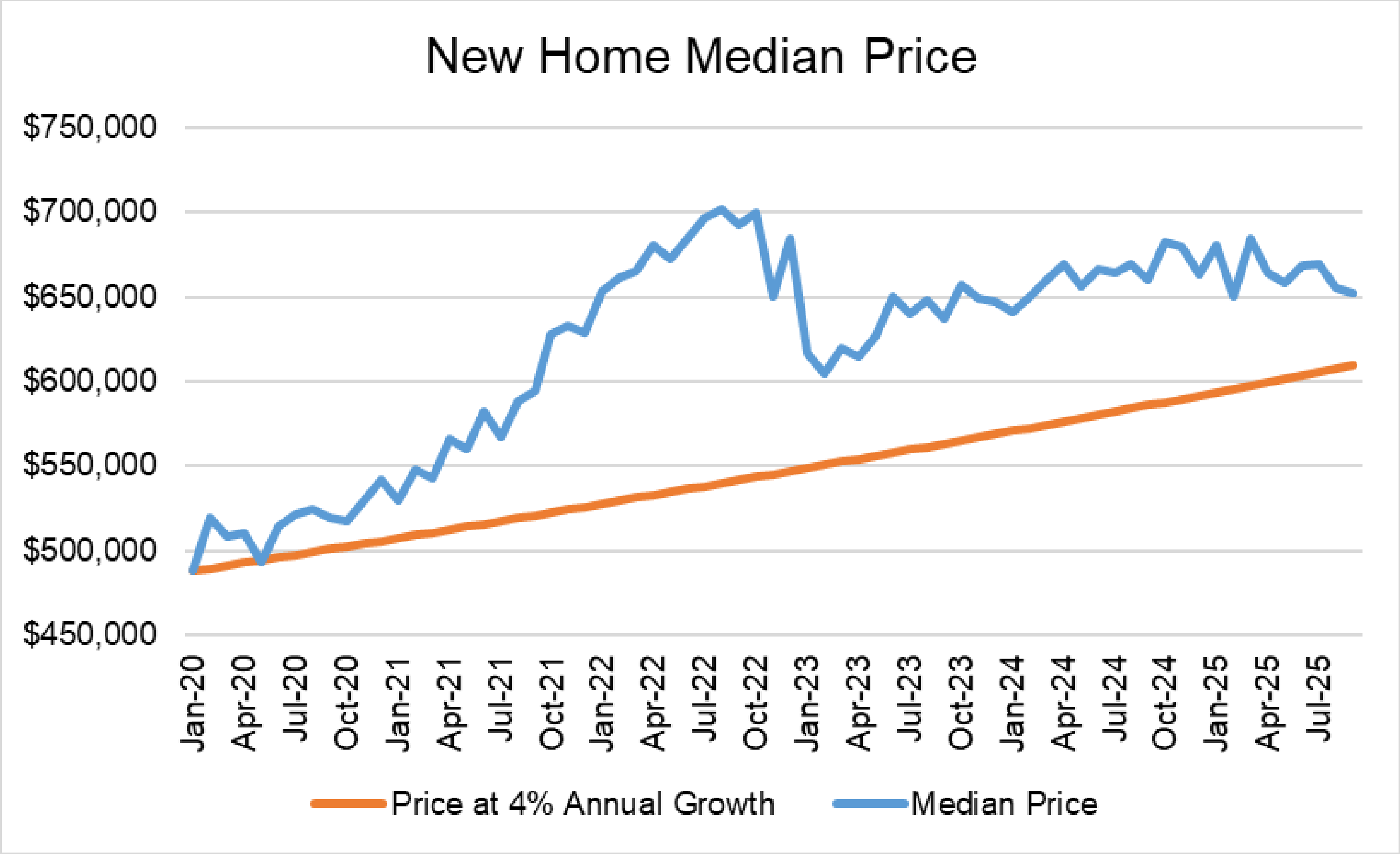
Submarket	Price 2019	Price 2025	Mo. Pay 2019	Mo. Pay 2025
Folsom/EDH	$586,814	$843,053	$3,430	$6,240
% Change	-	*43.7%*	-	*81.9%*
Sutter/Yuba	$294,586	$411,326	$1,722	$3,045
% Change	-	*39.6%*	-	*76.8%*
Yolo County	$424,500	$600,000	$2,482	$4,441
% Change	-	*41.3%*	-	*79.0%*
South Placer	$470,578	$636,903	$2,751	$4,714
% Change	-	*35.3%*	-	*71.4%*
Elk Grove	$430,000	$630,000	$2,514	$4,663
% Change	-	*46.5%*	-	*85.5%*
Rancho Cordova	$350,000	$520,000	$2,046	$3,849
% Change	-	*48.6%*	-	*88.1%*
Natomas	$365,000	$513,000	$2,134	$3,797
% Change	-	*40.5%*	-	*78.0%*

Let's pretend things had been "normal"…

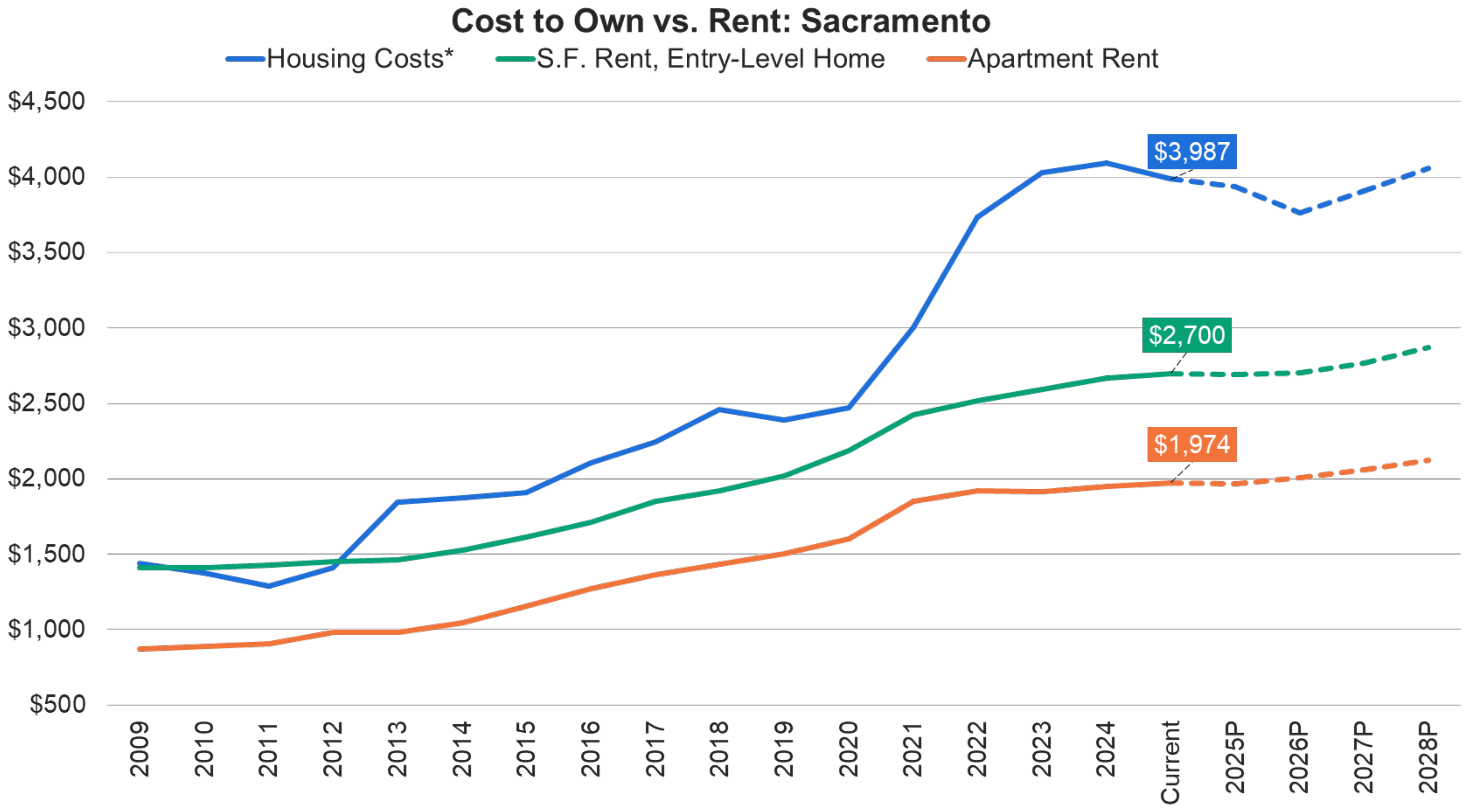
Sacramento, CA

October 2025

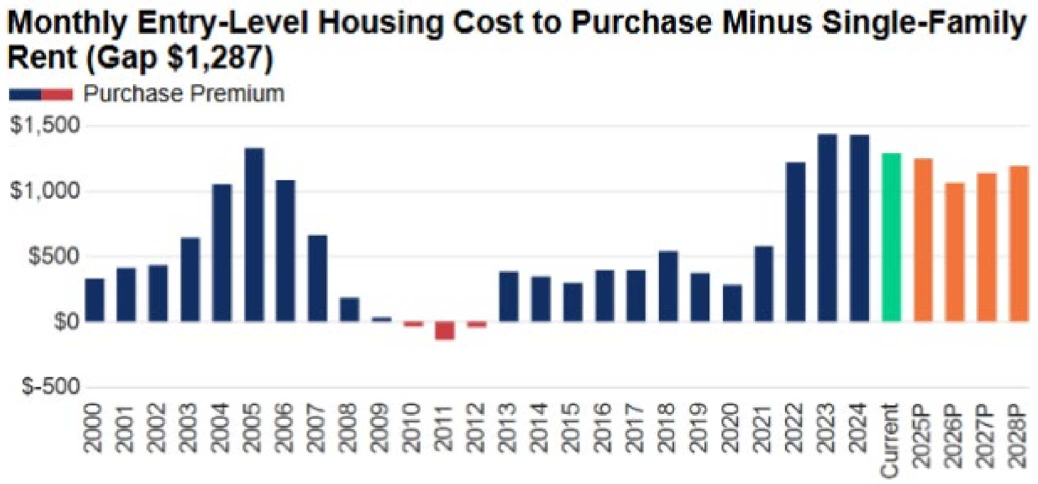




If rents are too damn high, what does that make housing payments?



Source: Burns Apartment Rent Index (BARI), John Burns Research and Consulting based on aggregated data from RealPage, Inc., JBREC forecasts (Data as of June 2025, projections as of October 2025)



		Housing Costs		
	Home Value, Entry-Level Home	Home Payment, Entry-Level Home	Home Payment YOY %	Housing Costs (Payment + Maintenance)
2016	$291K	$1,886	11.3%	$2,107
2017	$319K	$2,017	6.9%	$2,243
2018	$332K	$2,228	10.5%	$2,458
2019	$348K	$2,157	-3.2%	$2,393
2020	$393K	$2,229	3.3%	$2,469
2021	$467K	$2,746	23.2%	$3,002
2022	$447K	$3,461	26.0%	$3,733
2023	$467K	$3,748	8.3%	$4,030
2024	$477K	$3,802	1.4%	$4,092
Current	$468K	$3,689	-0.5%	$3,987
2025P	$461K	$3,634	-4.4%	$3,935
2026P	$448K	$3,452	-5.0%	$3,764
2027P	$461K	$3,581	3.7%	$3,906
2028P	$475K	$3,722	3.9%	$4,060

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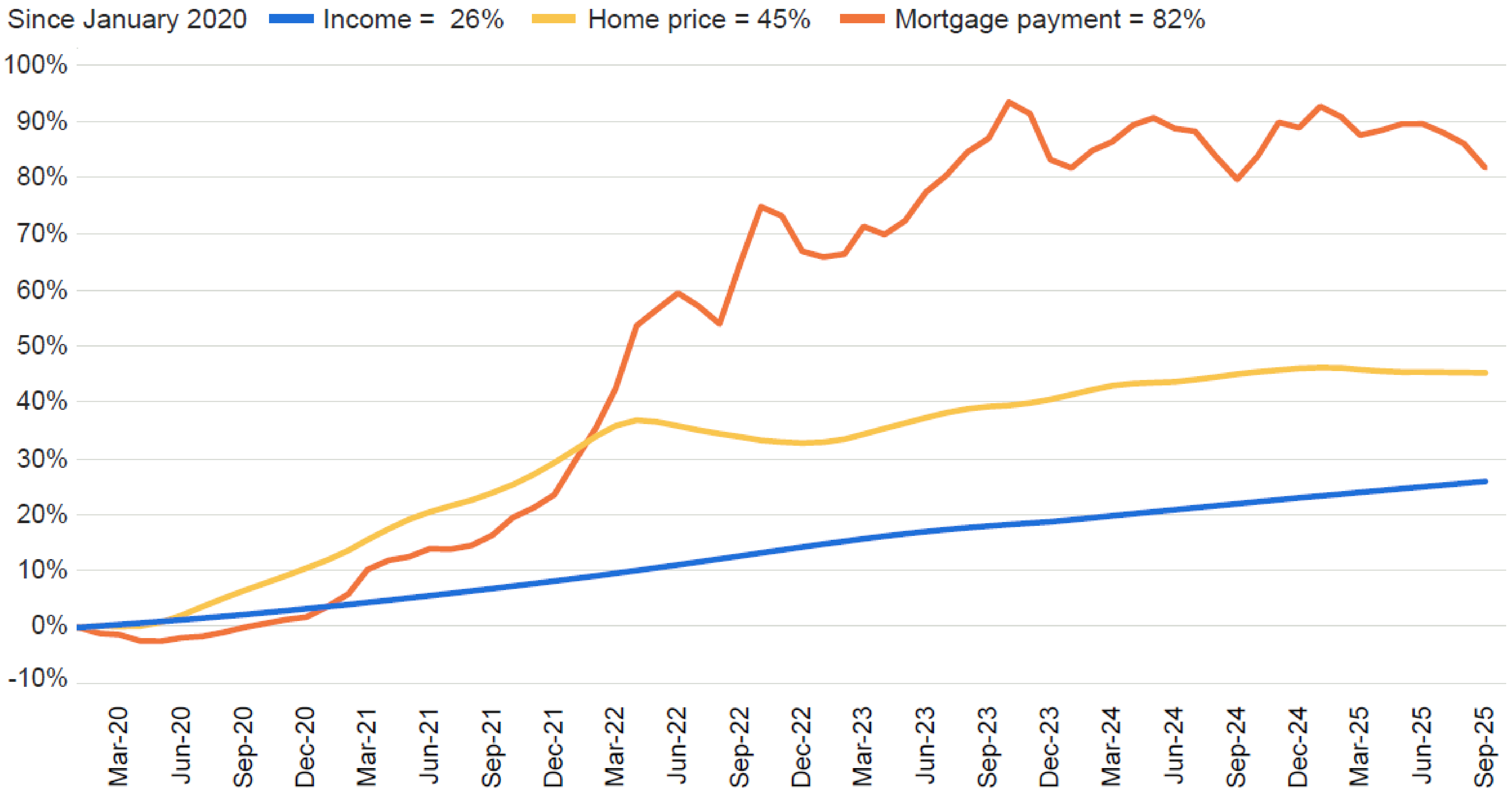
Income growth lags significantly compared to home price and mortgage growth.

Income, Home Price, and Mortgage Payment Growth



Our definition of median housing payment assumes the purchase of a home at 80% of the market's median-priced resale home, 5% down payment, and a 30-year, fixed-rate mortgage. Payment is PITI and includes mortgage insurance. We divide the median housing payment by the median income to calculate the ratio.

Source: John Burns Research and Consulting, LLC (Data: Sep-25, Pub: Oct-25)

Mortgage payments have increased +82% since January 2020, while median incomes only gained +26%. The disconnect between home price and income growth, driven largely by rising interest rates, has greatly reduced affordability.

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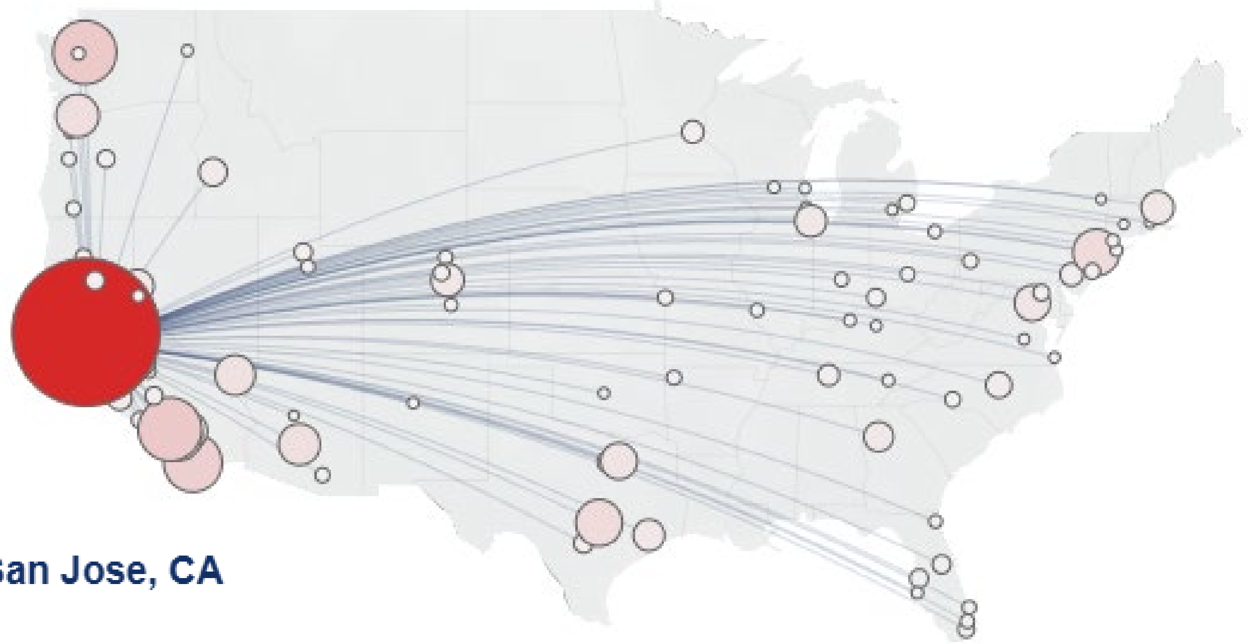
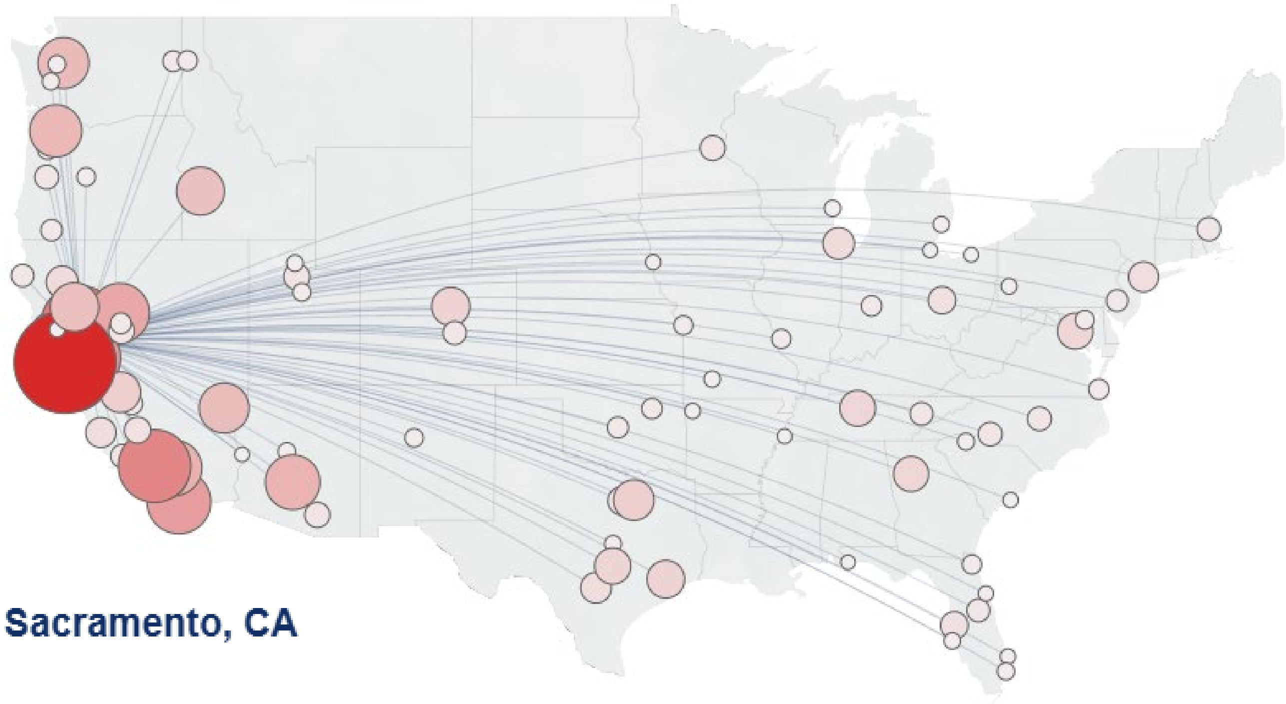


San Jose, CA

To Where?	
East Bay Area, CA	4,969
San Francisco, CA	4,239
Sacramento, CA	1,663
Stockton, CA	995
Seattle, WA	918
Los Angeles, CA	915
San Diego, CA	777
Santa Cruz, CA	659
Orange County, CA	519
New York, NY	494
Austin, TX	492
Modesto, CA	420

Nor/Cen Cal.			
MSA	BAI	Exist. $	New $
San Francisco	87%	$1,714,800	$1,260,934
San Jose	79%	$1,791,500	$1,328,100
East Bay	56%	$985,700	$930,000
Sacramento	40%	$583,100	$660,800
Reno	44%	$564,800	$529,700
Stockton	37%	$500,000	$689,500
Modesto	35%	$460,000	$537,000
Fresno	37%	$417,000	$482,800



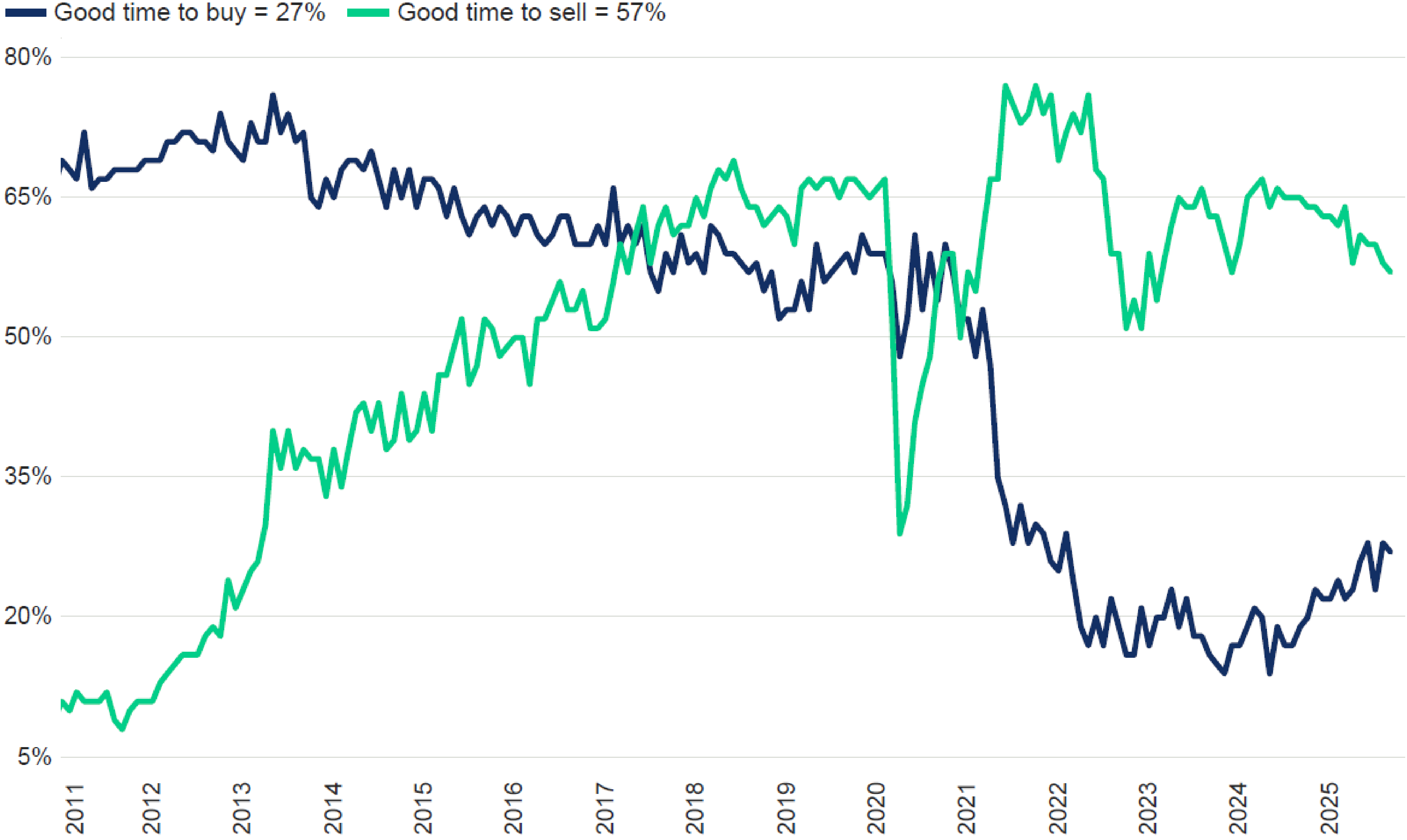
Sacramento, CA

To Where?	
East Bay Area, CA	1,598
Yuba, CA	918
Vallejo, CA	827
Los Angeles, CA	812
San Jose, CA	796
Stockton, CA	709
San Francisco, CA	698
Non-Metro Counties	671
San Diego, CA	629
Reno, NV	541
Riverside, CA	473
Phoenix, AZ	463

Other MSAs			
MSA	BAI	Med. $	New $
Bakersfield	34%	$370,000	$451,000
Phoenix	35%	$465,900	$502,200
Austin	36%	$440,000	$373,500
Dallas	36%	$407,320	$406,800
Las Vegas	39%	$460,000	$538,300
Nashville	37%	$491,400	$545,200
Boise	39%	$507,150	$518,680
Orlando	40%	$420,900	$444,600

Only 27% of consumers believe that now is a good time to buy a house.

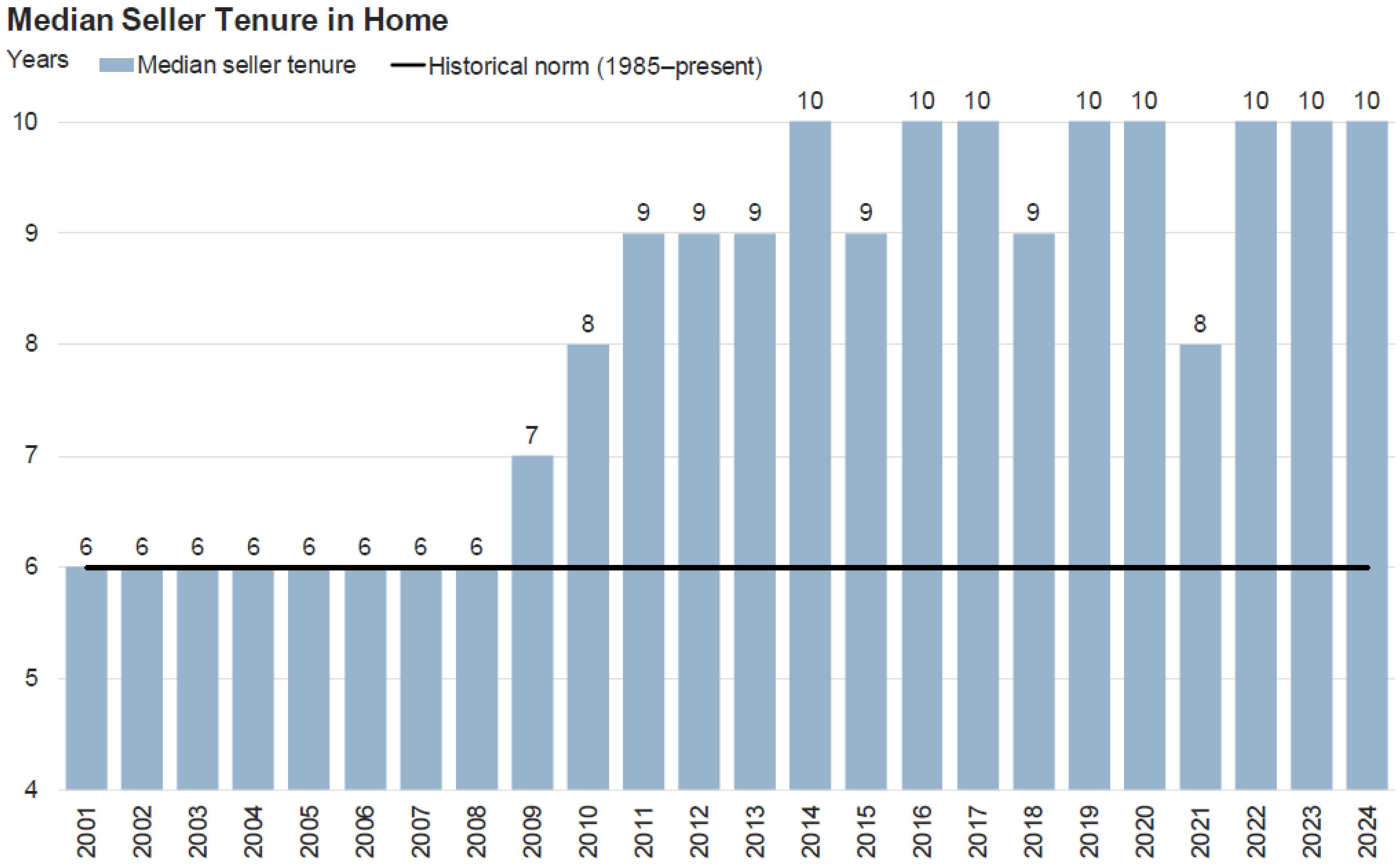
National Housing Survey: Consumer Sentiment



Note: The sample size is roughly 1,000 Americans, 18 years or older, who are surveyed via telephone.
Source: Fannie Mae National Housing Survey (Data: Sep-25, Pub: Oct-25)

57% of consumers believe that now is a good time to sell a house, down from a recent high of 77%.

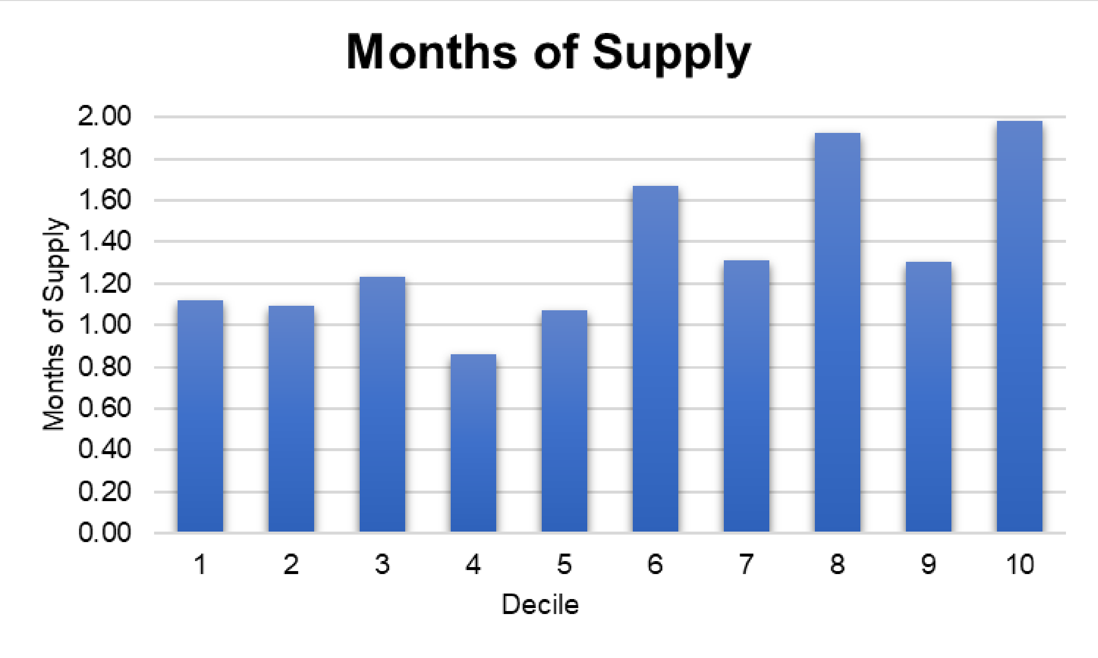
The typical seller in 2024 spent 10 years in their home before selling, up from just 8 years in 2021.

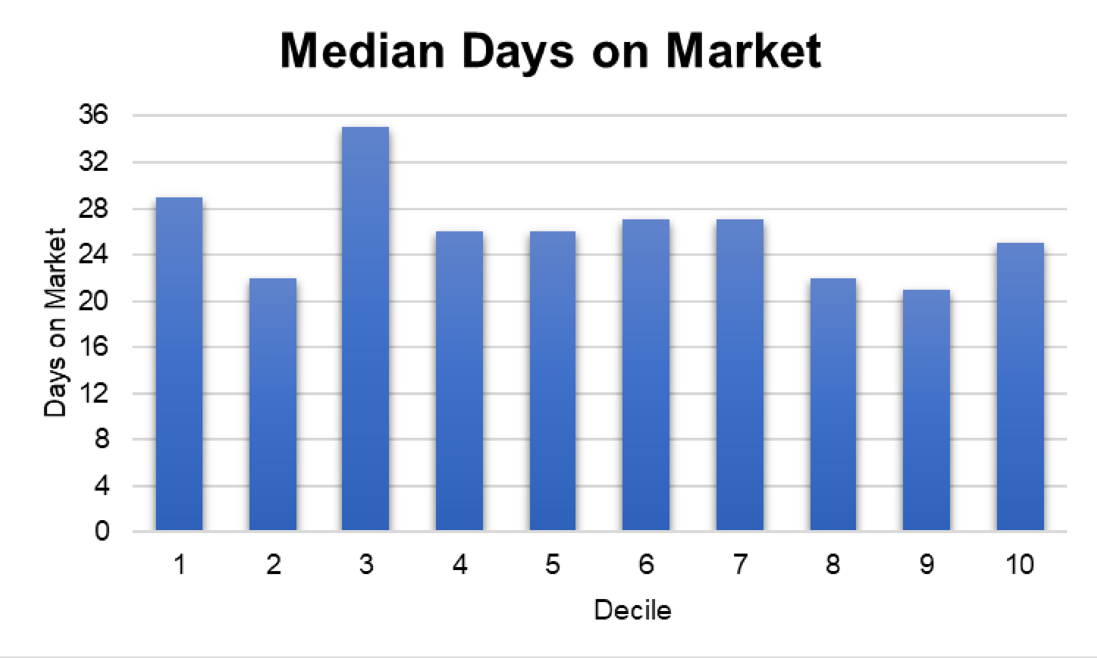


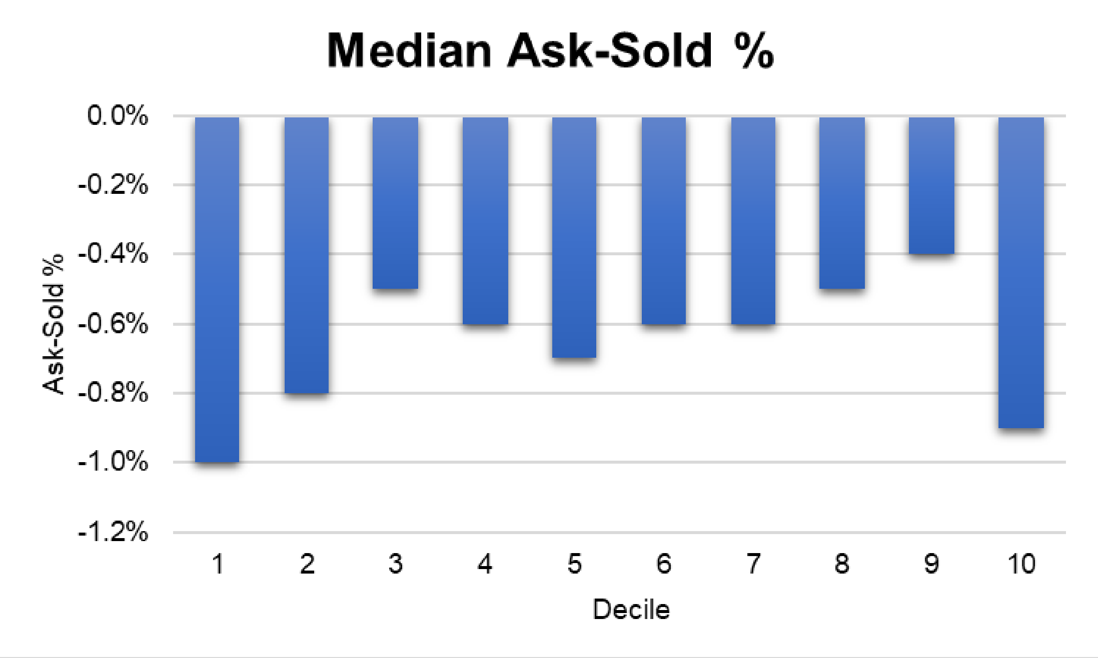
Sources: NAR; John Burns Research and Consulting, LLC (Data: 2024, updated annually†; Pub: Nov-25)

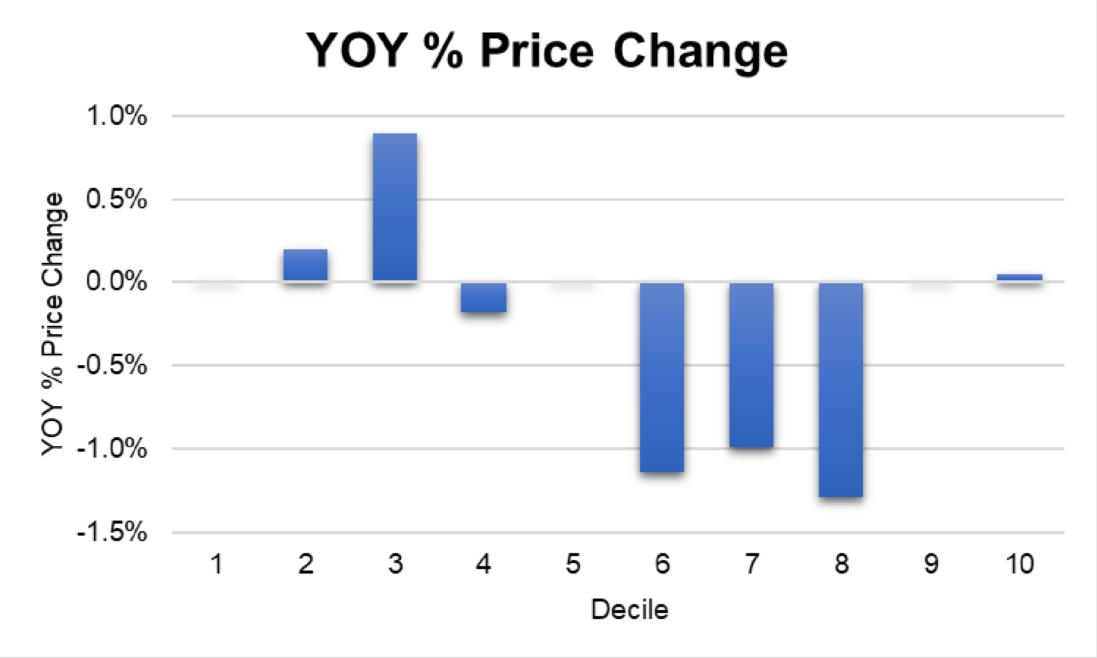
Tenure will likely rise as homeowners cling to their low mortgage rates.

Price category chaos



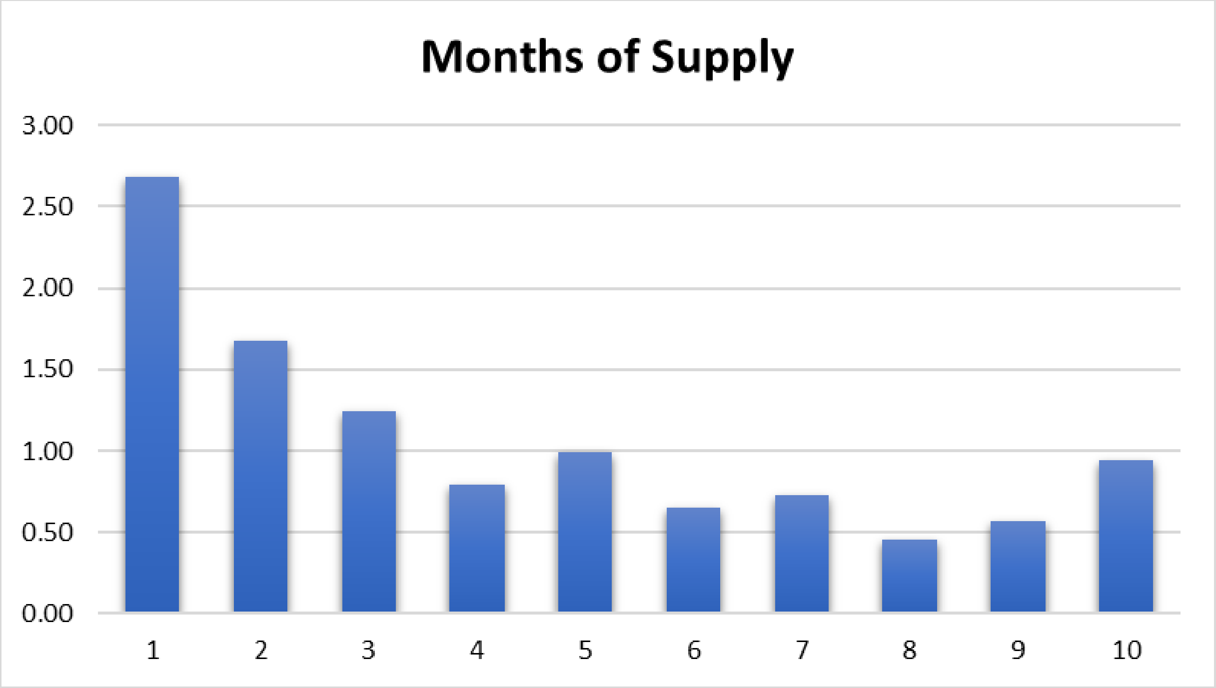


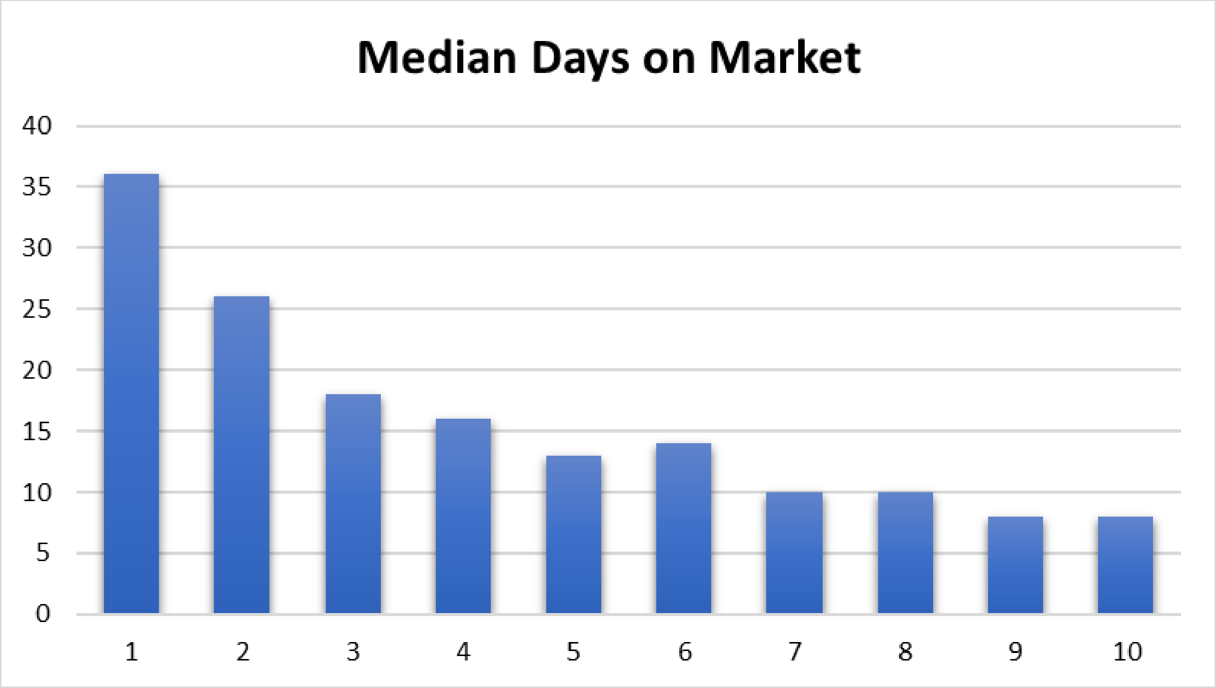


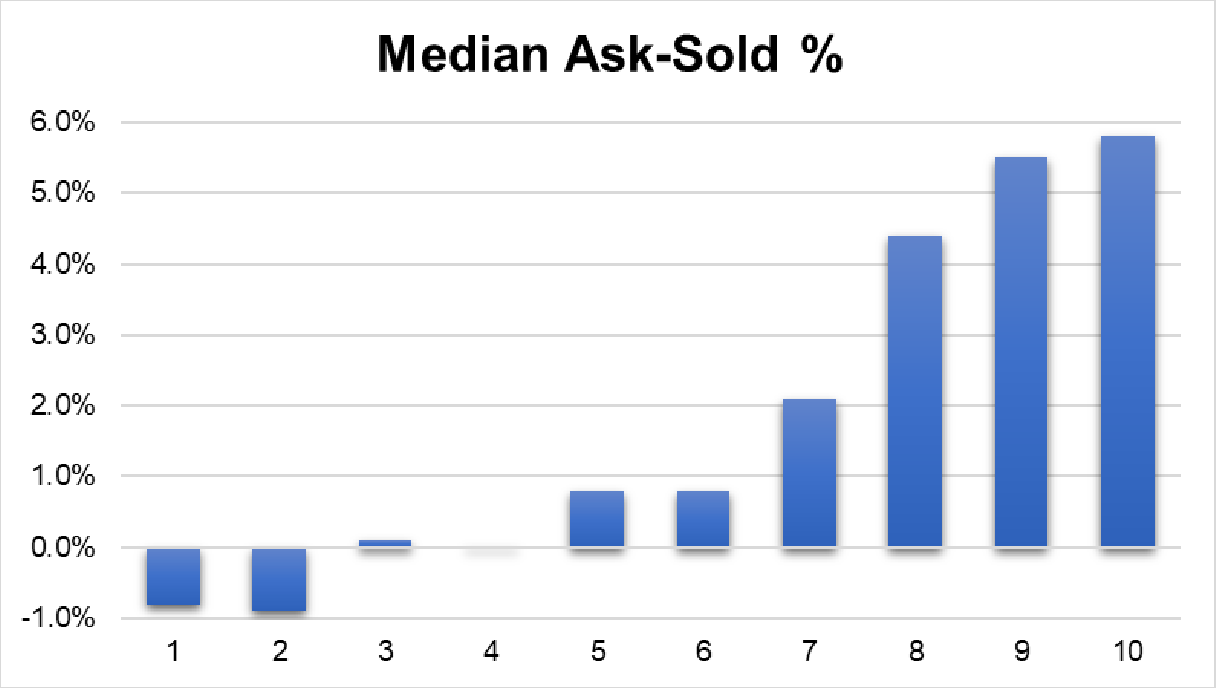


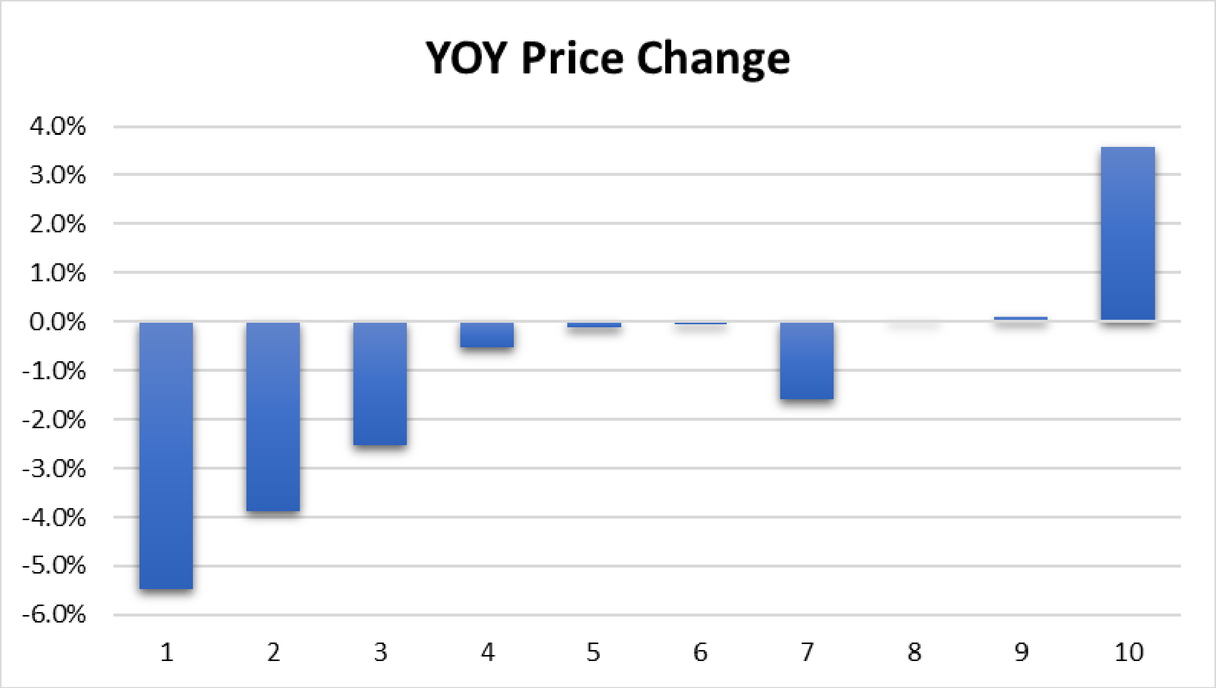
Data per MLS for the combined cities of Roseville, Rocklin, and Lincoln. Decile 1 = lowest priced tenth of the market, etc.

It's good to be rich









Builder Strategies

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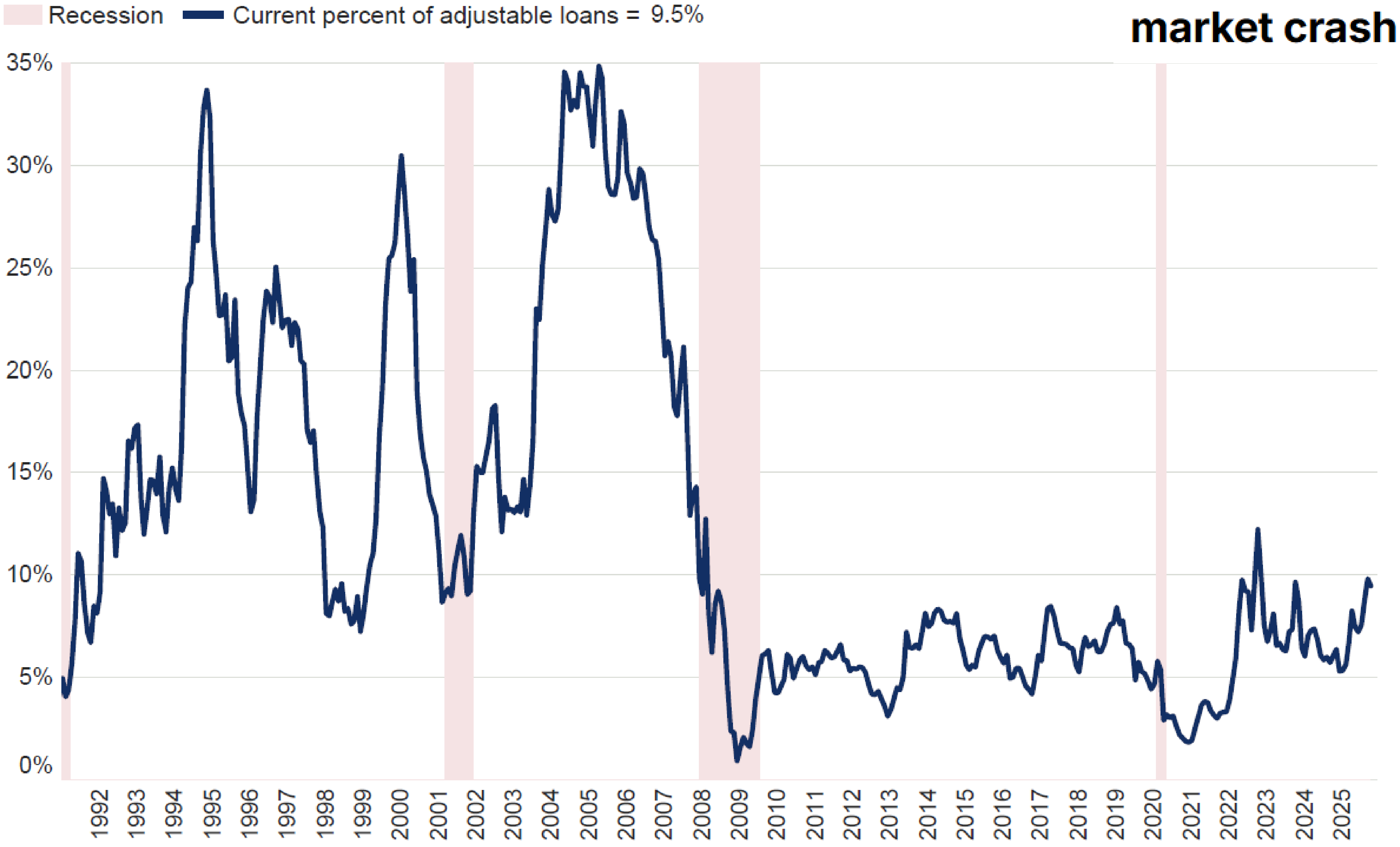
ARMs remain low relative to history.

Recent headline:

Risky loan which contributed to housing market crash is making a comeback

Adjustable Rate Mortgages as a % of Newly Issued Mortgages



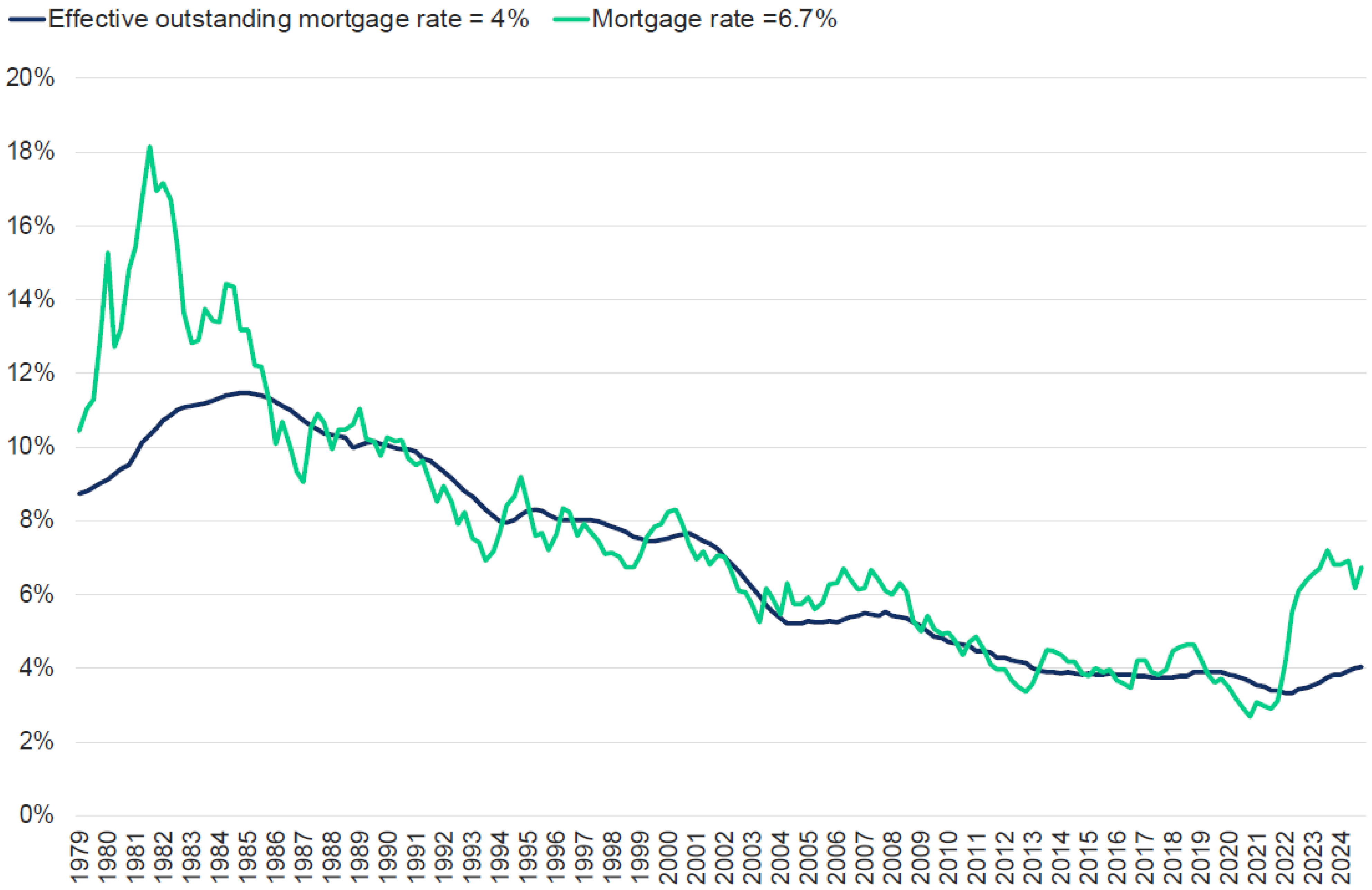
Source: MBA (Data: Oct-25, Pub: Oct-25)

The current percent of adjustable loans is 9.5%. ARMs are now subject to more stringent underwriting requirements after the financial crisis.

But 14% of recent new home buyers

The effective mortgage rate on outstanding loans increased to 4.0% in 4Q24.

Mortgage Rates vs. Effective Outstanding Mortgage Rates



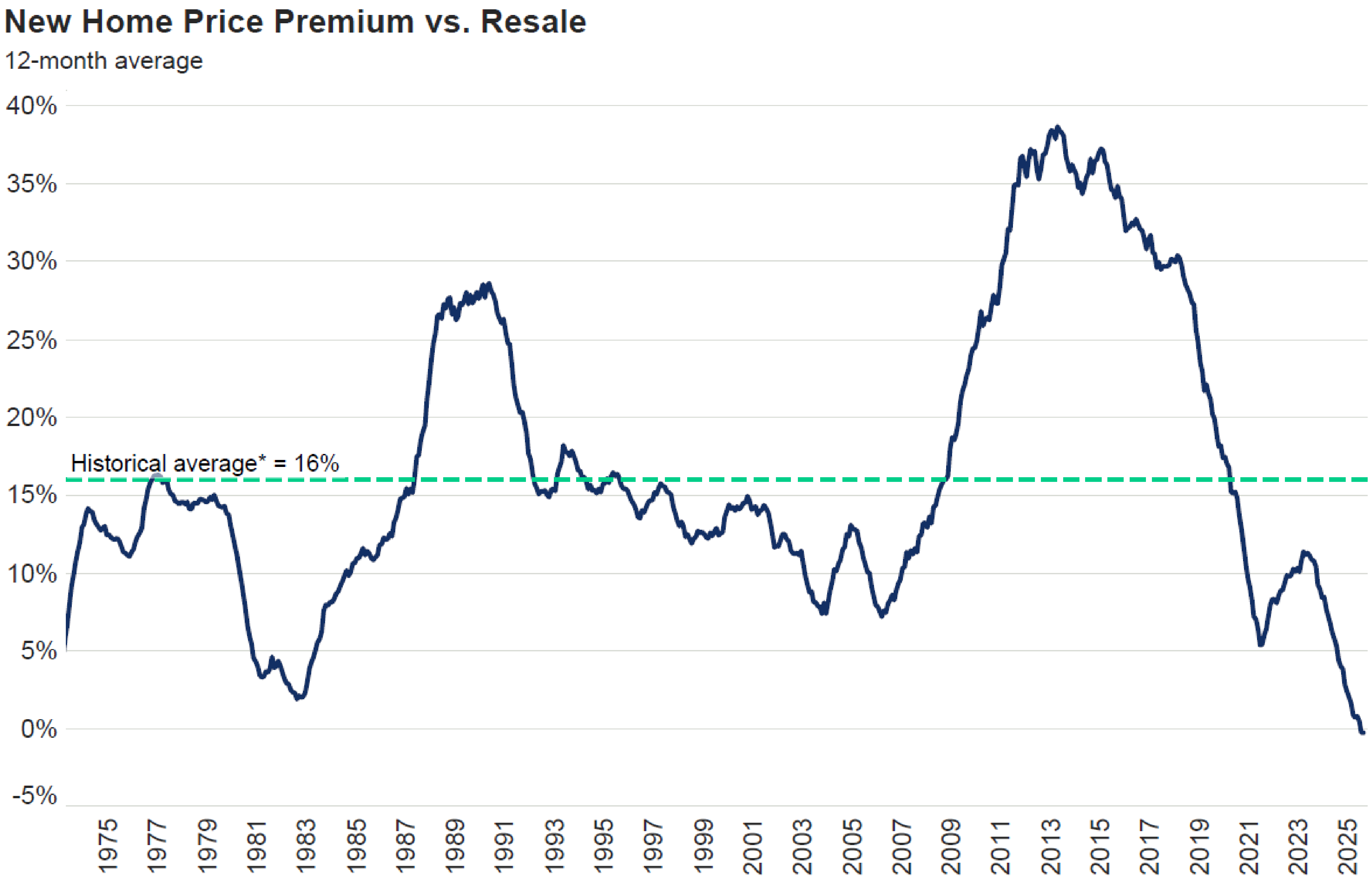
Sources: Bureau of Economic Analysis, Freddie Mac, John Burns Research and Consulting, LLC (Data: 4Q24, updated quarterly†) Pub: Oct-25

Mortgage rates slowly re-setting to higher levels.

Homeowners locked in at low rates are less likely to sell, keeping inventory low.

And only 2.8% of mortgages are seriously underwater.

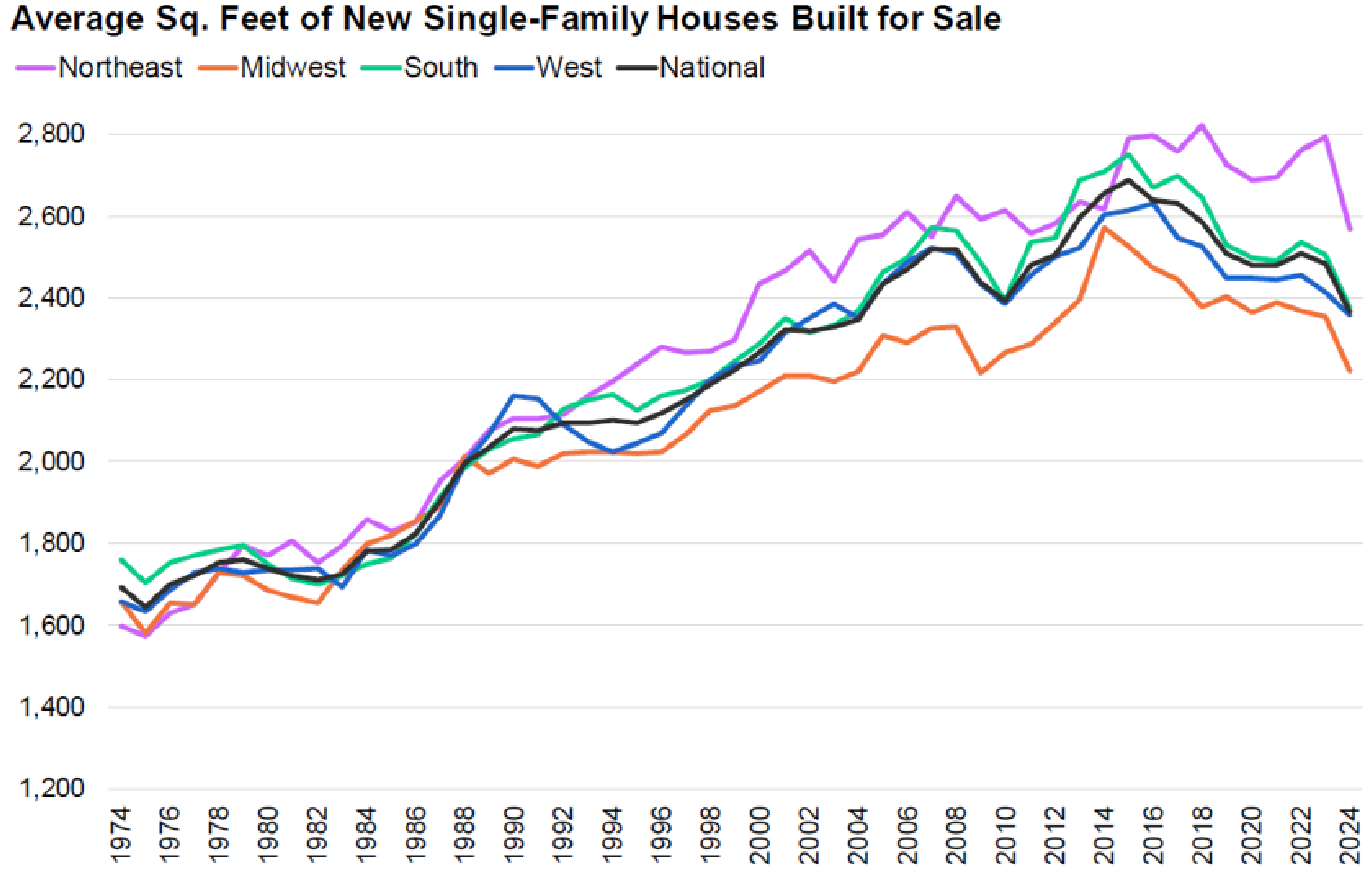
The new home premium fell to 0%.



Sources: NAR; U.S. Census Bureau; John Burns Research and Consulting, LLC (Data: Aug-25, Pub: Oct-25) *Historical average: Dec-87 through current

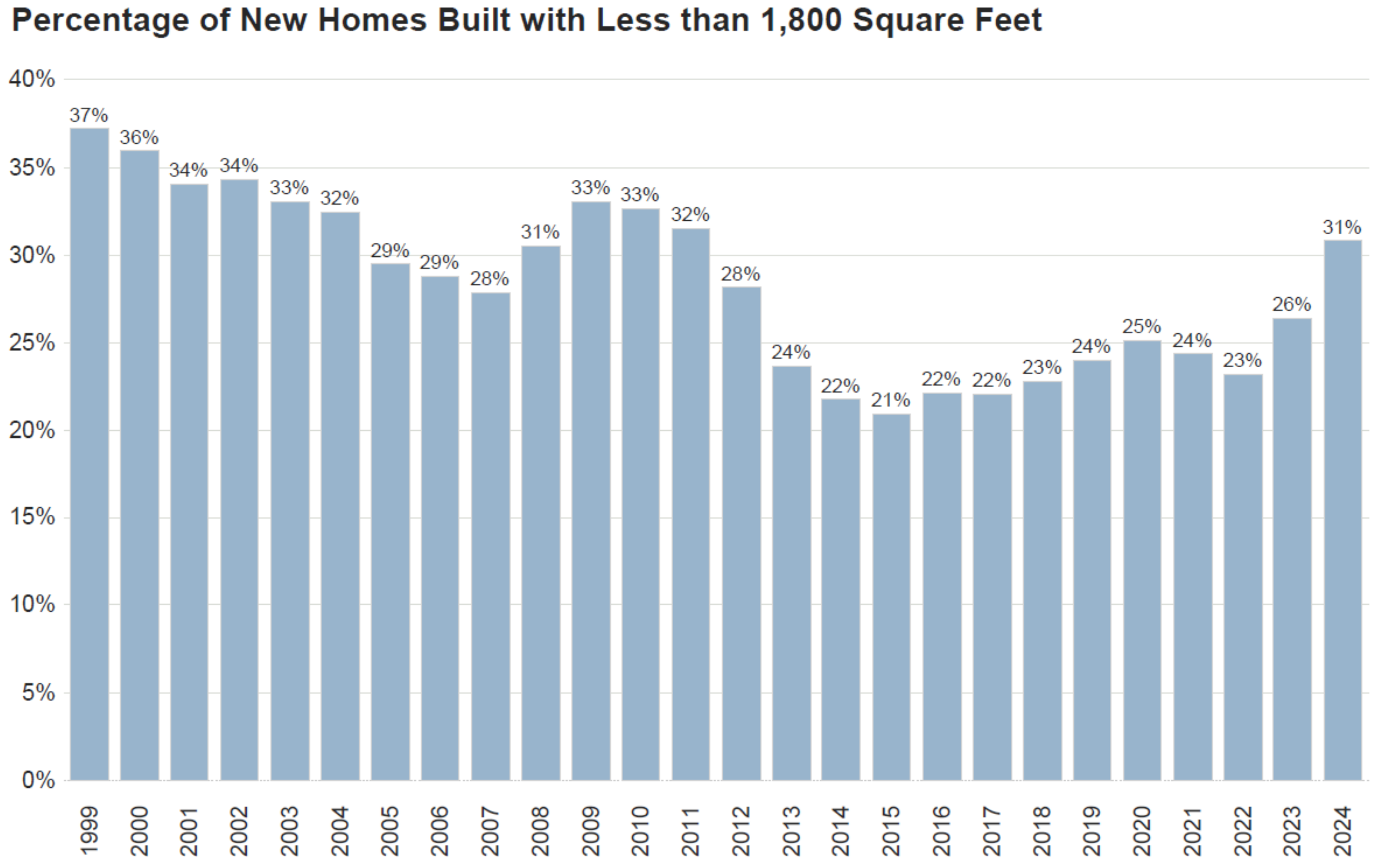
Builders have pivoted to offering more product at lower prices and in more distant locations where homes are cheaper, driving down the new home price premium. Note that Census does not factor incentives in to new home prices.

Smaller new homes lower the average building materials demand for each home started.



Sources: John Burns Research and Consulting, LLC; U.S. Census Bureau, Survey of Construction (Data: 2024; Pub: Oct-25)

New homes <1,800 sq. ft. are gaining market share.

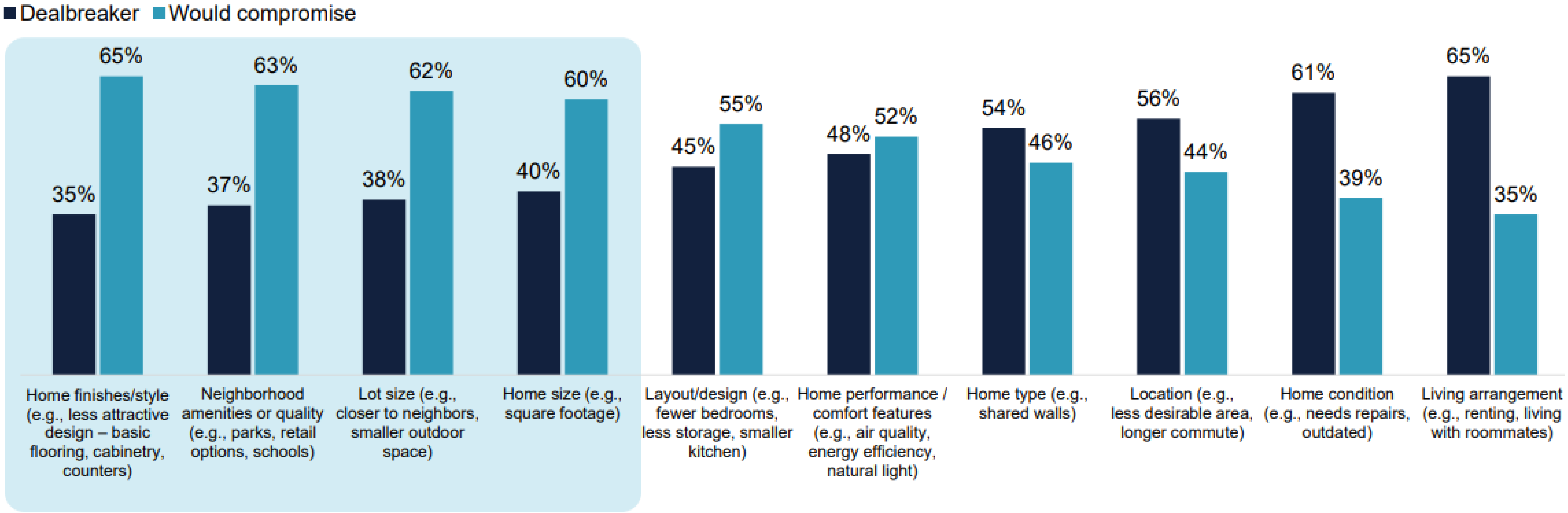


Source: Census Bureau (Data: 2024, Pub: Nov-25)

More than 60% of prospective homebuyers are willing to compromise on finishes, neighborhood, and lot or home size.

Considering your next home (and today's home prices and interest rates), please indicate whether the following are dealbreakers or something you would compromise on.

Share of US homeowners and renters, excluding those who never plan to move



NEW HOME TRENDS INSTITUTE

Source: New Home Trends Institute by John Burns Research & Consulting, LLC June 2025 survey of 1,288 US homeowners and renters

JOHN BURNS RESEARCH & CONSULTING

More Mature Singles and Couples would compromise on home size than other life stages, who rank compromising on home finishes/style higher.

Top 5 compromises consumers would consider making in their next home

Share of US homeowners and renters by life stage, excluding those who never plan to move

Young Singles and Couples	Young Families	Mature Families	Mature Singles and Couples
1) Home finishes/style (66%)	1) Home finishes/style (60%)	1) Home finishes/style (61%)	1) Home size (72%)
2) Neighborhood amenities or quality (63%)	2) Neighborhood amenities or quality (54%)	2) Neighborhood amenities or quality (59%)	2) Lot size (70%)
3) Lot size (60%)	3) Lot size (53%)	3) Lot size (56%)	3) Neighborhood amenities or quality (68%)
4) Home size (56%)	4t) Home performance/comfort features (50%)	4) Home size (53%)	4) Home finishes/style (66%)
5) Layout/design (55%)	4t) Home size (50%)	5) Home performance/comfort features (50%)	5) Layout/design (63%)
	5) Home type (48%)		

NEW HOME TRENDS INSTITUTE

Source: New Home Trends Institute by John Burns Research & Consulting, LLC June 2025 survey of 1,288 US homeowners and renters

11-03-2025NEWS

Housing affordability is stretched so thin that D.R. Horton is leaning even harder on 3.99% mortgage rate buydowns

The builder said 73% of its homebuyers in fiscal Q4 2025 received a mortgage rate buydown, compared with 72% the prior quarter.

D.R. Horton, America's largest homebuilder, is doubling down on mortgage rate buydowns in order to keep its sales volumes up amid an affordability-strained housing market.

On its October 28 earnings call, the builder said 73% of its homebuyers in fiscal Q4 2025 received a mortgage rate buydown—up slightly from 72% in the previous quarter.

"As we anticipated on our last call, we did expect to lean in more heavily to the offering of 3.99% [mortgage rate buydown]," said Jessica Hansen, D.R. Horton's senior vice president of communications and head of investor relations. "That is something that we've been doing, and we saw the mortgage rate in our backlog come down. It's actually below 5% today, coming into this quarter."

"The most attractive monthly payment we can put them in is with a lower rate," said CEO Paul Romanowski. "It's a benefit to the homeowner over time in terms of paying down more of their principal."

The incentives appear to be working. Net new orders rose 5% year over year in Q4, to 20,078—up from 19,035 a year earlier—demonstrating D.R. Horton's ability to maintain sales momentum despite affordability headwinds.

Hits margins, but public builder margins still higher than 2018-19.

“Stay in Heaven until ‘27”

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RESEARCH & CONSULTING

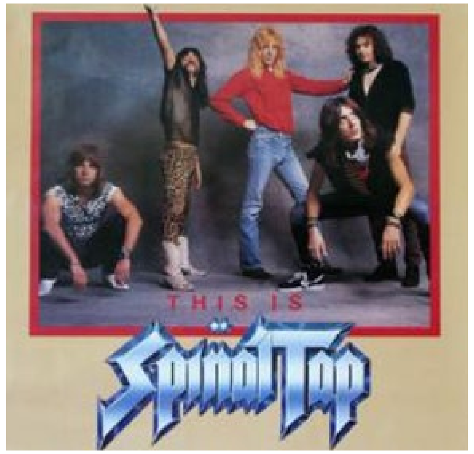
- “Keep your bread unleavened until ‘27”

- “Make lemonade from lemons in ‘27”

- “I have a confession, it won’t be much better ‘til ’27”

- “You might have to be a felon until ‘27”

- “The housing market will go to 11 in ‘27”

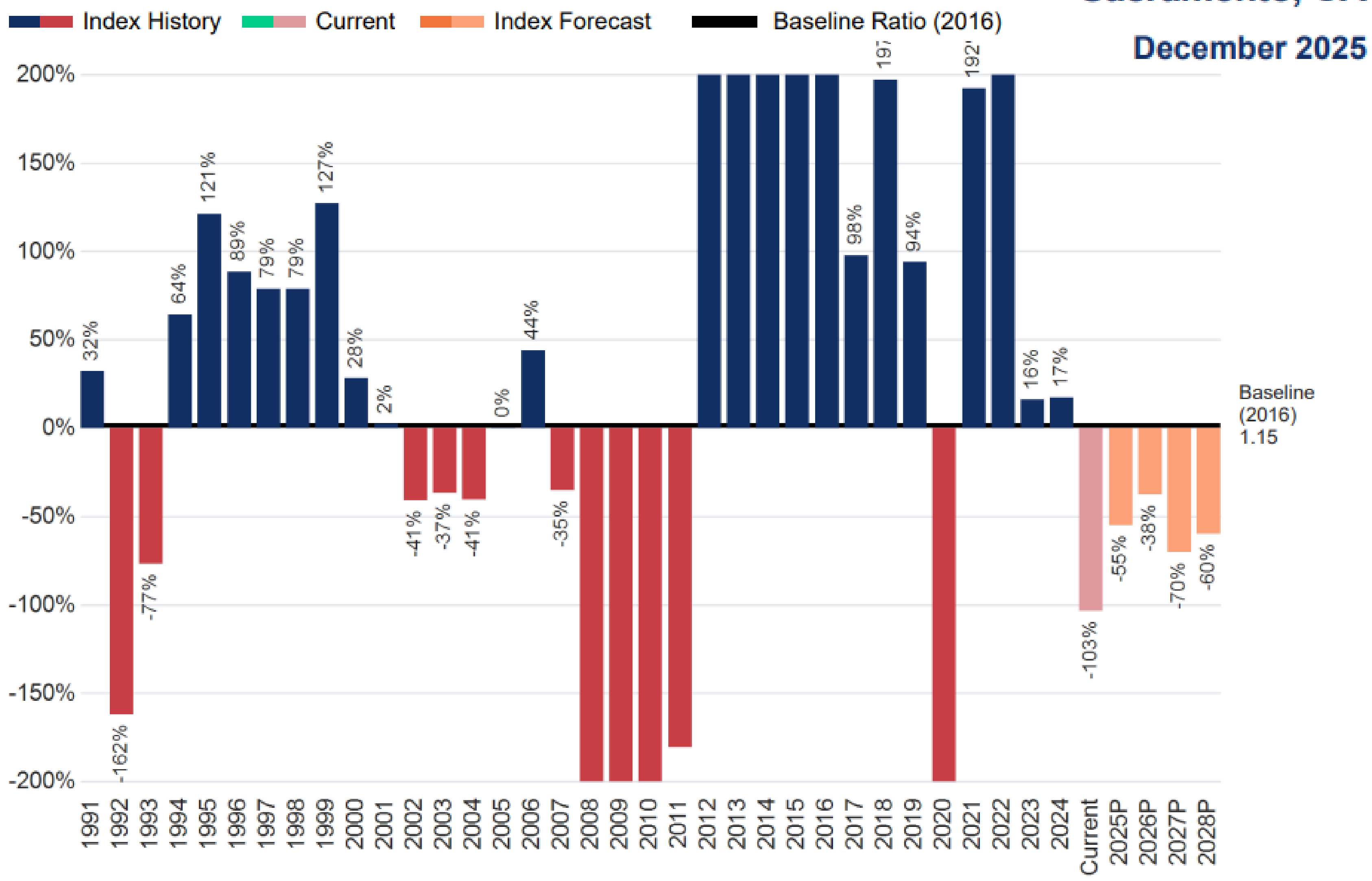


E/P Ratios indicate pent-up demand, but slowing ahead

*Current employment growth / total building permits (e/p) ratio of (0.04) is **103% below** the 1.15 baseline 2016 ratio for the total employment to total household ratio. A positive percentage means current demand for more housing units exceeds current supply.*

Sacramento, CA

December 2025



Note: Chart scale cropped at 200% / -200% to better illustrate the variations between years

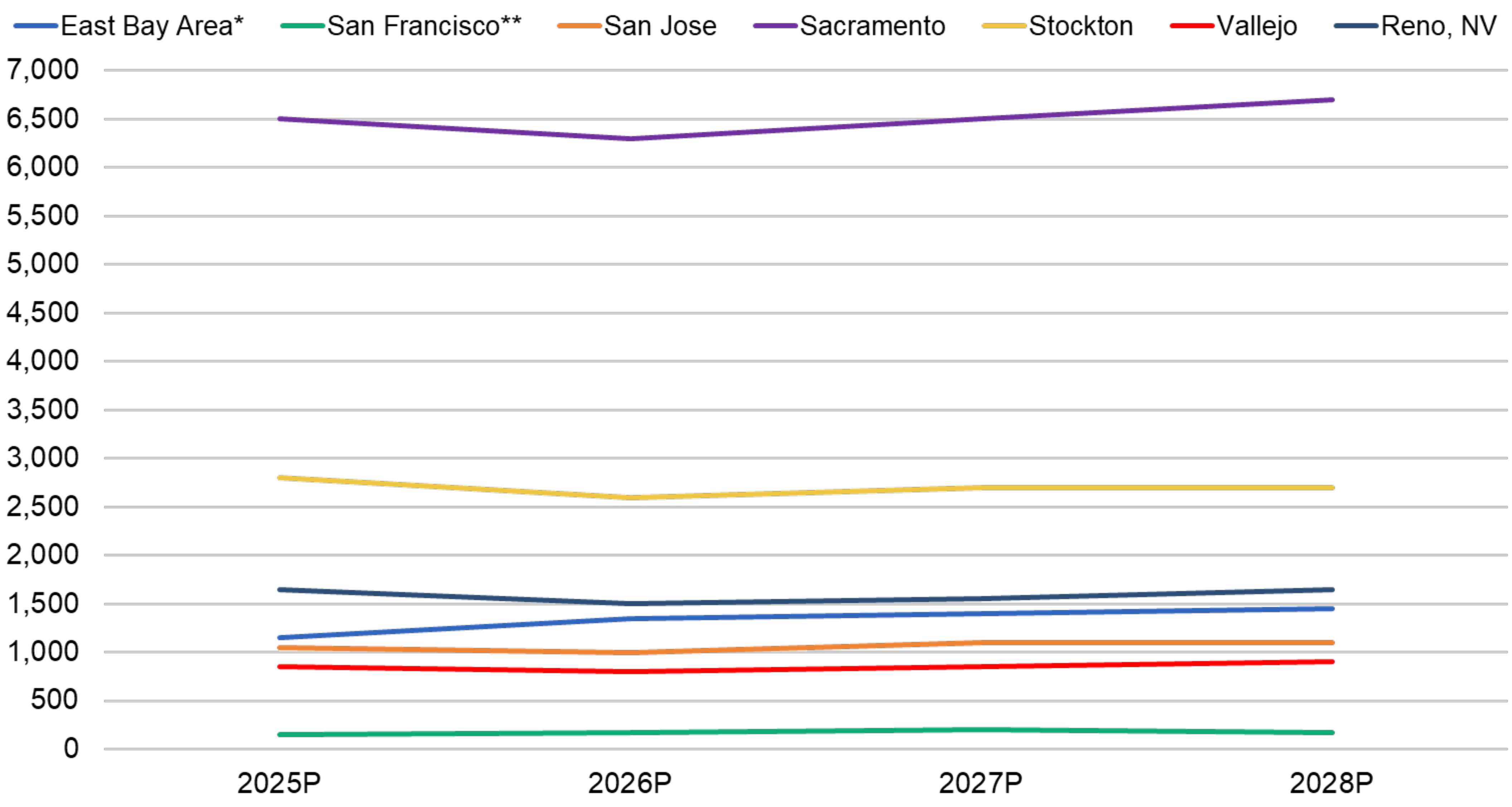
	Payroll Employment Growth	Total Building Permits	Emp / Permits Ratio (E/P)	Excess Demand / (Supply)
2006	19,600	11,877	1.65	44%
2007	6,000	8,050	0.75	-35%
2008	(18,600)	5,511	(3.38)	-394%
2009	(48,900)	2,710	(18.04)	-1674%
2010	(22,200)	2,702	(8.22)	-817%
2011	(2,300)	2,491	(0.92)	-181%
2012	17,900	3,408	5.25	358%
2013	22,600	4,189	5.40	371%
2014	20,000	4,159	4.81	319%
2015	28,300	6,184	4.58	299%
2016	32,200	7,204	4.47	290%
2017	21,700	9,567	2.27	98%
2018	28,100	8,251	3.41	197%
2019	21,700	9,761	2.22	94%
2020	(51,100)	11,246	(4.54)	-496%
2021	41,600	12,422	3.35	192%
2022	43,900	10,800	4.06	255%
2023	15,900	11,941	1.33	16%
2024	15,600	11,613	1.34	17%
Current	(403)	10,368	(0.04)	-103%
2025P	5,200	10,050	0.52	-55%
2026P	7,200	10,050	0.72	-38%
2027P	3,600	10,500	0.34	-70%
2028P	5,000	10,800	0.46	-60%

These ratios show whether or not more housing is needed to meet the demand from economic and demographic growth. Affordability and other factors can also help determine whether prices will rise or fall.

JOHN BURNS RESEARCH & CONSULTING

Come to Sacramento for the A's, stay to sell new homes

New Home Sales by MSA



Recap

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Price the Key Problem

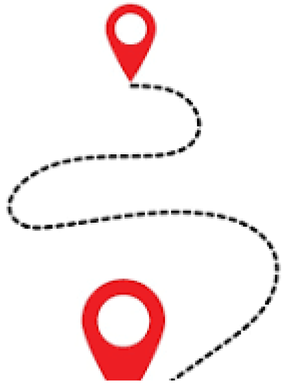
- Affordability levels are poor to terrible

- Income growth has lagged home prices – but Bay Area continues to have great income profile
- Pricing still way above 2019 ("normal" year pre-COVID)

- Outlying areas more affordable – but cheaper options out of state
- Consumer confidence eroding but not collapsing
- Homebuyer pessimism

What might new home builders do?

- Incentivize
- Higher densities
- Smaller homes
- Pull back on spec
- Infill locations with less competition (resales = different buyer)
- Outlying locations (though can be less appealing)
- Be mindful of resales
- Emphasize quality of new vs resale
- Judicious new activity



Outlook Recap

- Sales holding steady
- Inventory up but still very manageable
- Prices down, but most of the pain already felt
- Some more pain remains next year
- Incentives here for a while
- Builders will try to solve for price
- Resumption of appreciation in 27-28

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