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Dallas-Ft. Worth

2023 Economic Forecast

Greater Fort Worth Builders Association

Sharing market trends from a local perspective

February 23, 2023

Bryan Glasshagel
SVP, Advisory
bglasshagel@zondahome.com

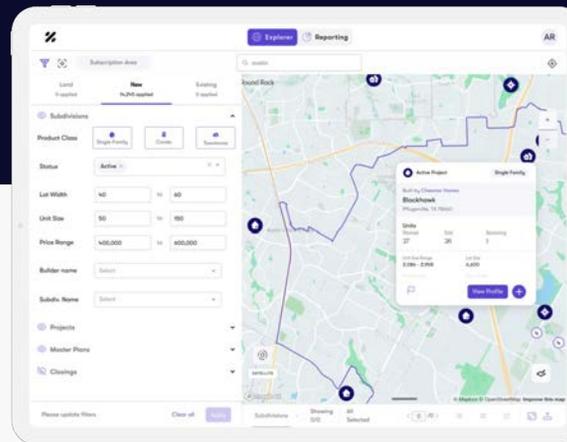
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#1 provider in new home construction data solutions



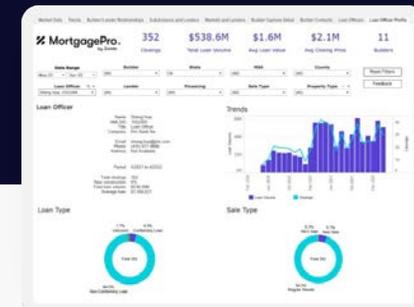
BuildingProductPro

Essential housing insights for building product suppliers



Enterprise™

The complete data solution for home builders



MortgagePro™

Helping mortgage lenders secure builder business

zondahome.com/products/data-intelligence

Advisory and Economics

75

advisors

Insights and advice, all under one roof.

Our team of advisors, economist, researchers, and analysts covers the entire spectrum of real estate helping companies grow their business and realize their goals. Their analysis is based off industry and Zonda proprietary data and can help you best plan for the future.



Ali Wolf

Chief Economist
Zonda Economics



Tim Sullivan

Senior Managing
Principal Zonda Advisory



Kimberly Byrum

Multifamily
Principal Zonda Advisory



Todd Tomalak

Building Products
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Mollie Carmichael

Community and Product Insights
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Here To Help

Your DFW Team

Get local support on:

- Market data and trends;
- The various products and services we offer; and
- Member services, orientation, and training.



**Bryan
Glasshagel**

SVP, Advisory



**Budd
Brumbaugh**

Director of Business Development

Today's Agenda

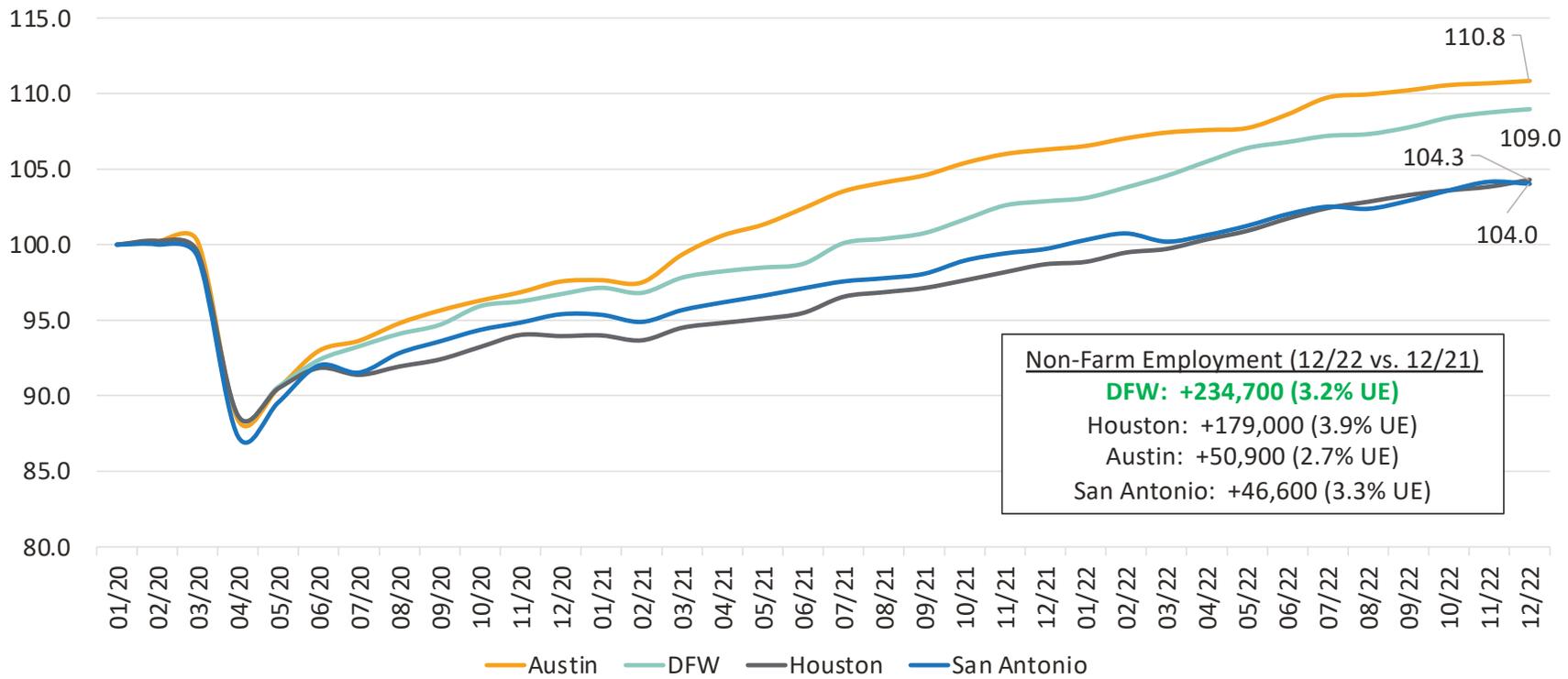
1. Regional Trends
2. Dallas-Ft. Worth Economy
3. Dallas-Ft. Worth Housing Demand
4. Dallas-Ft. Worth Housing Supply
5. Hot Topics
6. Final Thoughts & Forecast



Regional Trends

DFW's Economy Rebounded Strongly

Non-Farm Employment Index (January 2020 = 100)

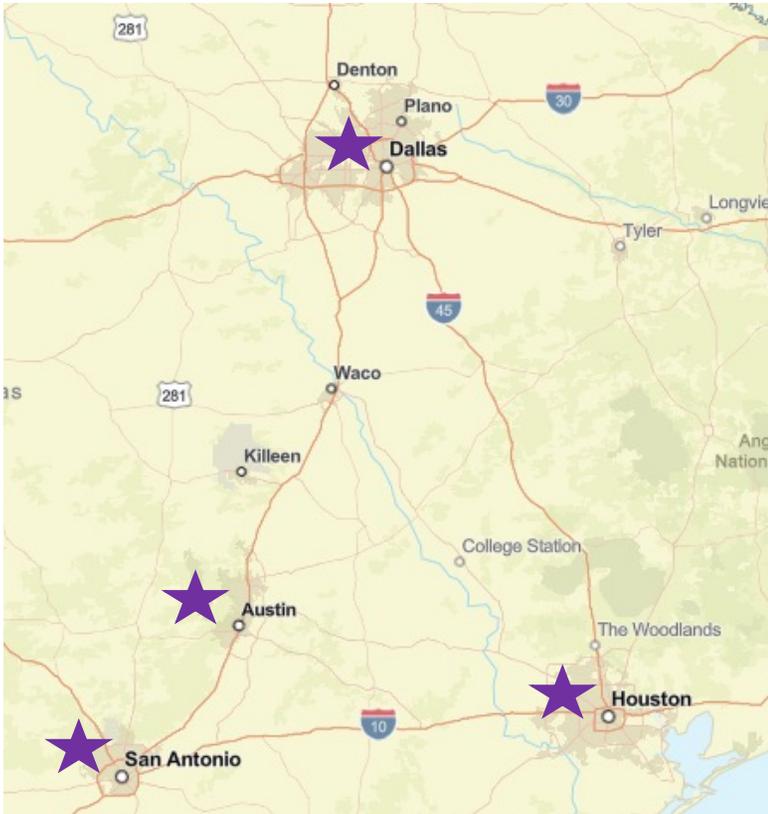


Non-Farm Employment (12/22 vs. 12/21)
DFW: +234,700 (3.2% UE)
 Houston: +179,000 (3.9% UE)
 Austin: +50,900 (2.7% UE)
 San Antonio: +46,600 (3.3% UE)

Source: Bureau of Labor Statistics

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Market Trends Across Texas Are Weakening



Source: Zonda

Austin MSA
Starts: **-17% YOY**
Closings: **+5% YOY**
Avg. Base Price: **\$514k**
Price Change: **+7.8% YOY**
VDL Supply: **16.8 Mos. ↑**
Deliveries vs. Starts: **126%**

San Antonio MSA
Starts: **-9% YOY**
Closings: **+7% YOY**
Avg. Base Price: **\$352k**
Price Change: **+0.3% YOY**
VDL Supply: **19.4 Mos. ↑**
Deliveries vs. Starts: **148%**

DFW MSA
Starts: **-16% YOY**
Closings: **+4% YOY**
Avg. Base Price: **\$510k**
Price Change: **+15.9% YOY**
VDL Supply: **18.0 Mos. ↑**
Deliveries vs. Starts: **122%**

Houston MSA
Starts: **-9% YOY**
Closings: **+1% YOY**
Avg. Base Price: **\$408k**
Price Change: **+9.2% YOY**
VDL Supply: **16.3 Mos. ↑**
Deliveries vs. Starts: **134%**

DFW is the Most Active New Home Market Nationally

Rank	Market	Annual Starts	YOY Change	% Change
1	Dallas-Ft. Worth	45,958	(8,525)	(15.6%)
2	Houston	37,797	(3,721)	(9.0%)
3	Central Florida	37,698	(123)	(0.3%)
4	Phoenix - Tucson	29,072	(5,487)	(15.9%)
5	Atlanta	22,583	(7,569)	(25.1%)
6	Austin	22,299	(4,692)	(17.4%)
7	San Antonio	19,165	(1,859)	(8.8%)
8	Denver - Colorado Springs	17,963	(6,512)	(26.6%)
9	Southern California	17,857	(3,366)	(15.9%)
10	Salt Lake City	14,833	(3,407)	(18.7%)
11	Sarasota - Bradenton	13,343	1,171	9.6%
12	Tampa	13,330	(2,778)	(17.2%)
13	Raleigh - Durham	13,208	(2,311)	(14.9%)
14	Charlotte	12,755	(2,270)	(15.1%)
15	Northern California	12,348	(4,343)	(26.0%)
16	Philadelphia Region	12,207	(1,620)	(11.7%)
17	Jacksonville	11,527	(1,711)	(12.9%)
18	Las Vegas	11,035	(3,308)	(23.1%)
19	South Florida	10,779	(2,654)	(19.8%)
20	Central California	10,211	(3,605)	(26.1%)
21	Nashville	9,396	(2,028)	(17.8%)
22	Suburban Maryland	9,377	(1,958)	(17.3%)
23	Northern Virginia	8,479	(959)	(10.2%)
24	Seattle	7,938	(1,508)	(16.0%)
25	Twin Cities	7,929	(2,729)	(25.6%)
Top 25 Totals:		429,087	(77,872)	(15.4%)

Source: Zonda

4

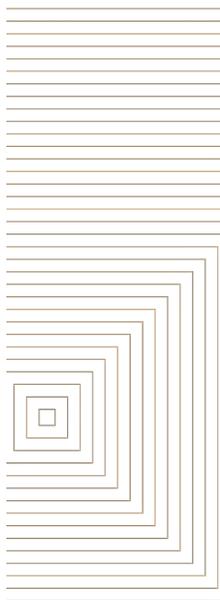
Texas Markets in the national Top 10 rankings

1st

DFW's national rank in terms of starts volume

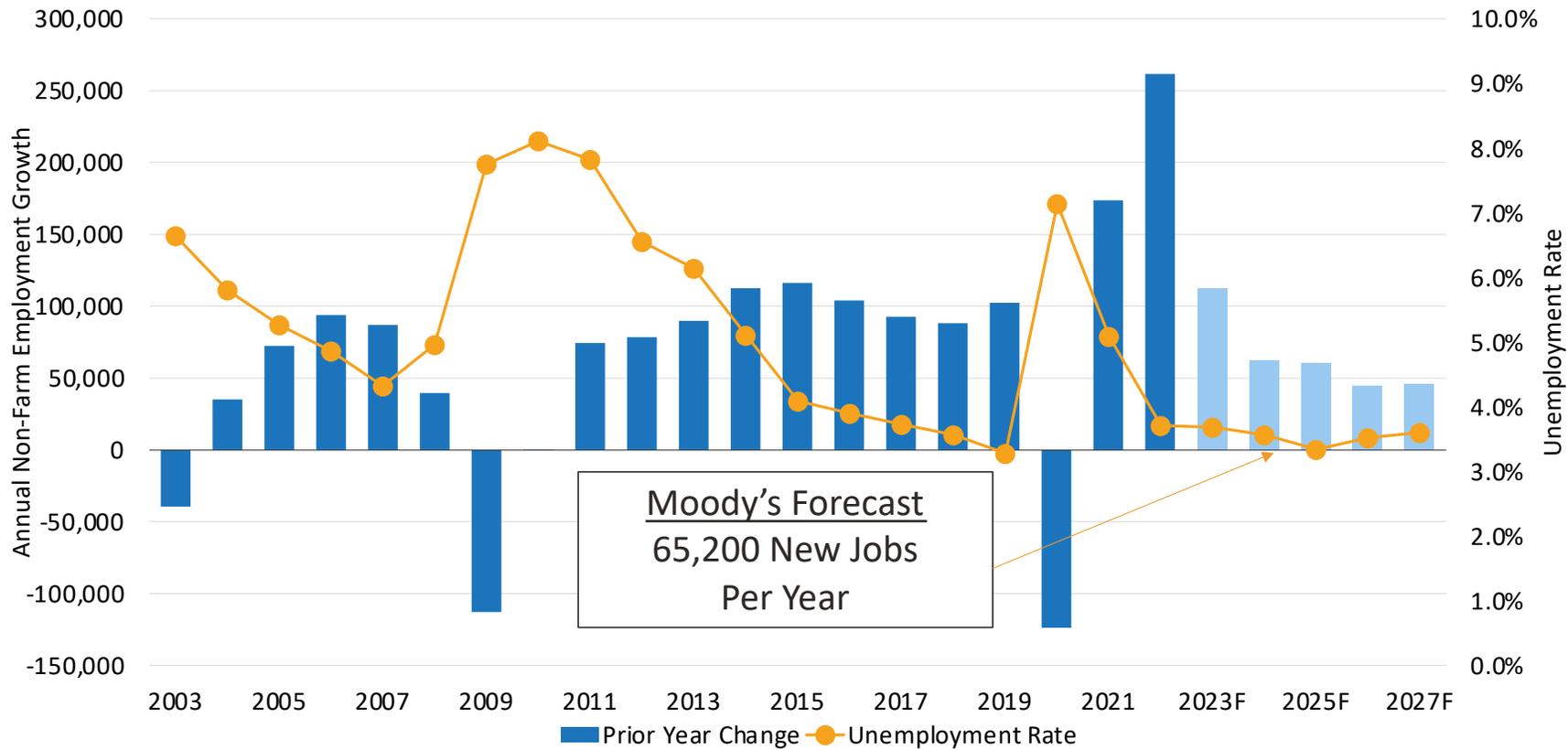
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Starts declined YOY in 24 of the top 25 markets



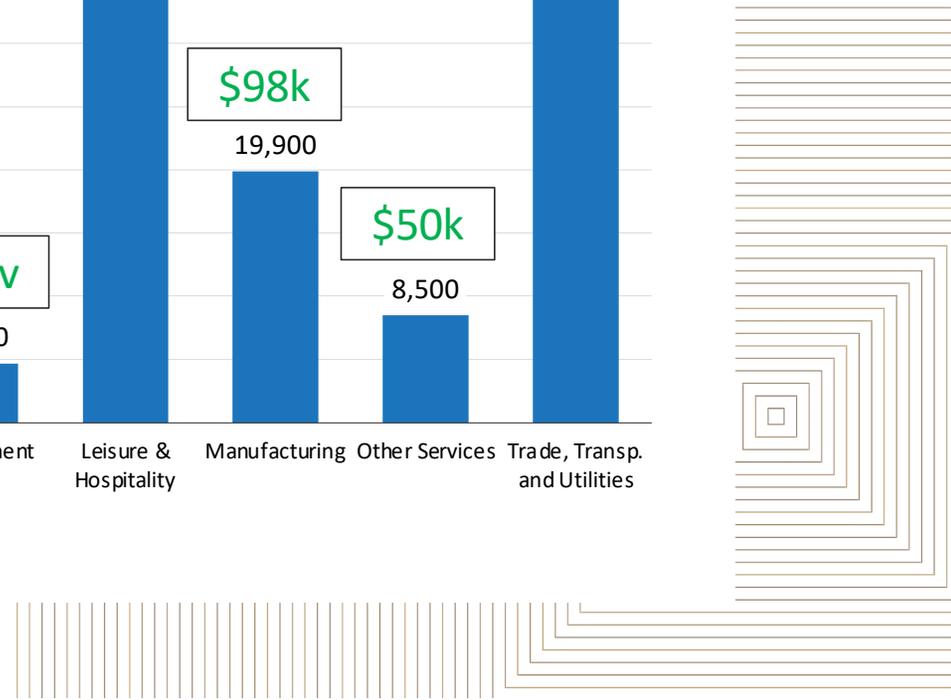
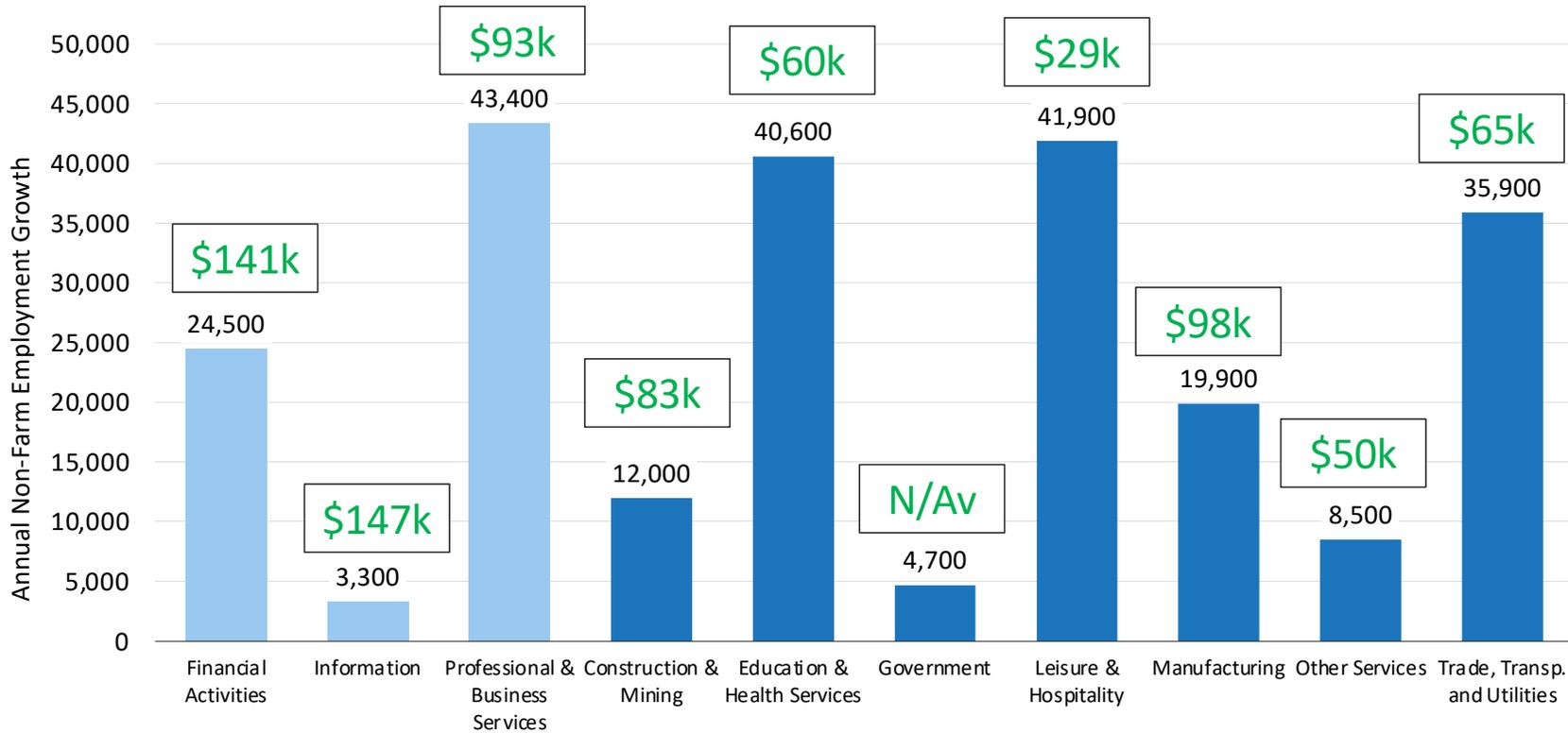
Dallas-Ft. Worth Economy

Employment & Unemployment Trends



Source: Moody's; BLS

Employment Growth is Broad Based – All Sectors Are Growing

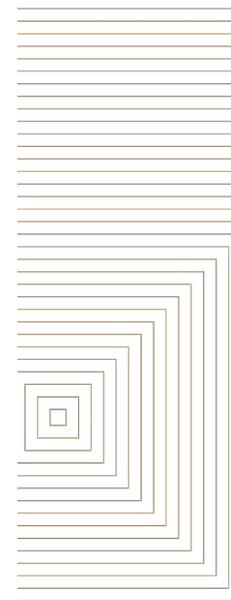


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DFW Continues to Attract New Businesses



14
Relocations in 2022

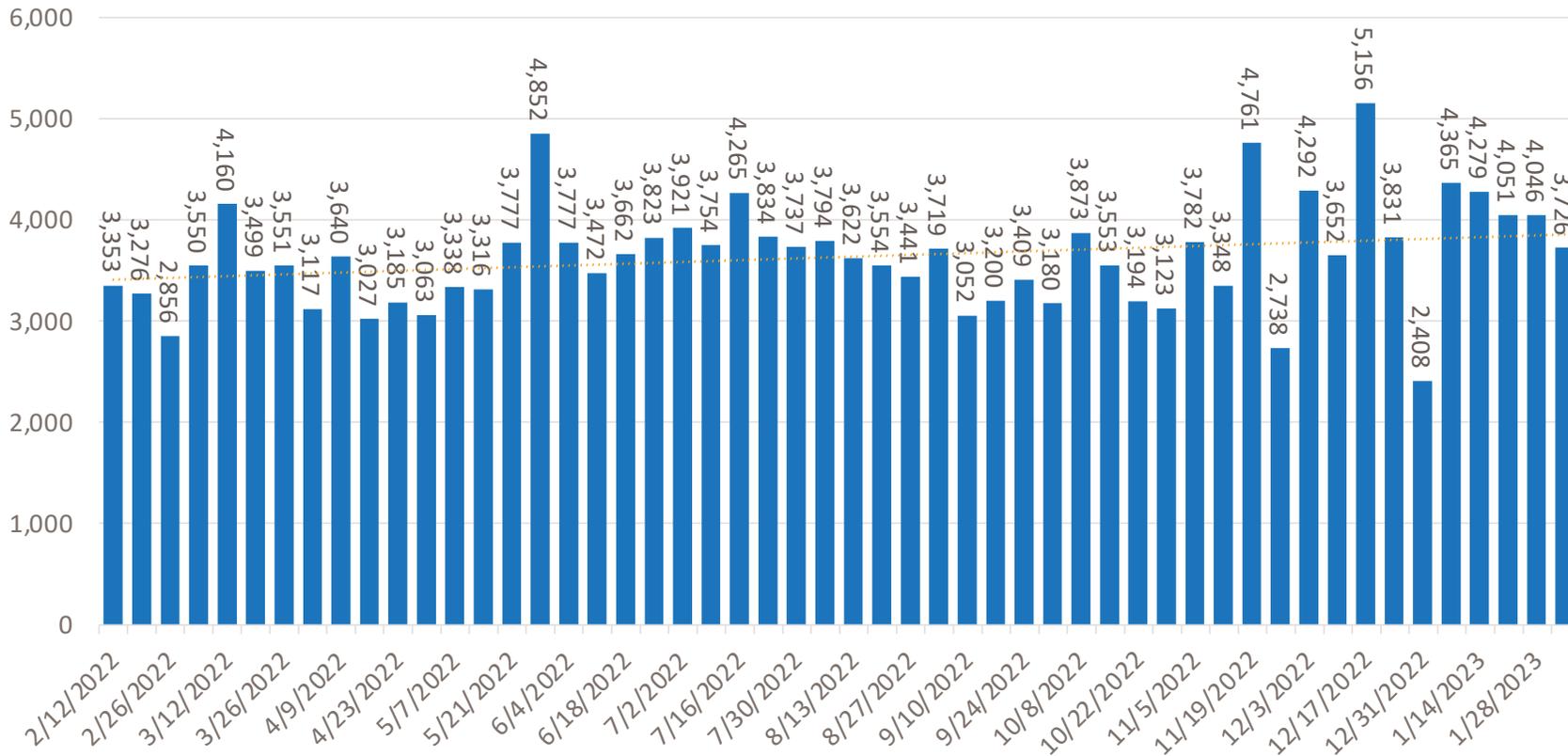


Source: Ytexas.com

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Initial Unemployment Claims Are Trending Slightly Higher



Source: Texas LMI

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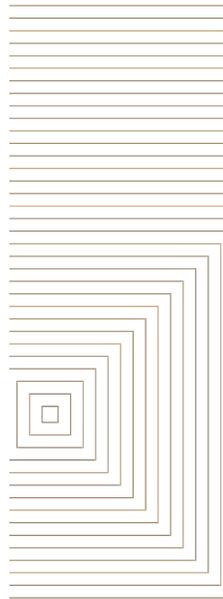
Texas is the #1 Growth State Again for U-Haul

Rank	State
1	Texas
2	Florida
3	South Carolina
4	North Carolina
5	Virginia
6	Tennessee
7	Arizona
8	Georgia
9	Ohio
10	Idaho

Rank	State
46	New York
47	Massachusetts
48	Michigan
49	Illinois
50	California

#1

2016, 2017, 2018,
2021 & 2022

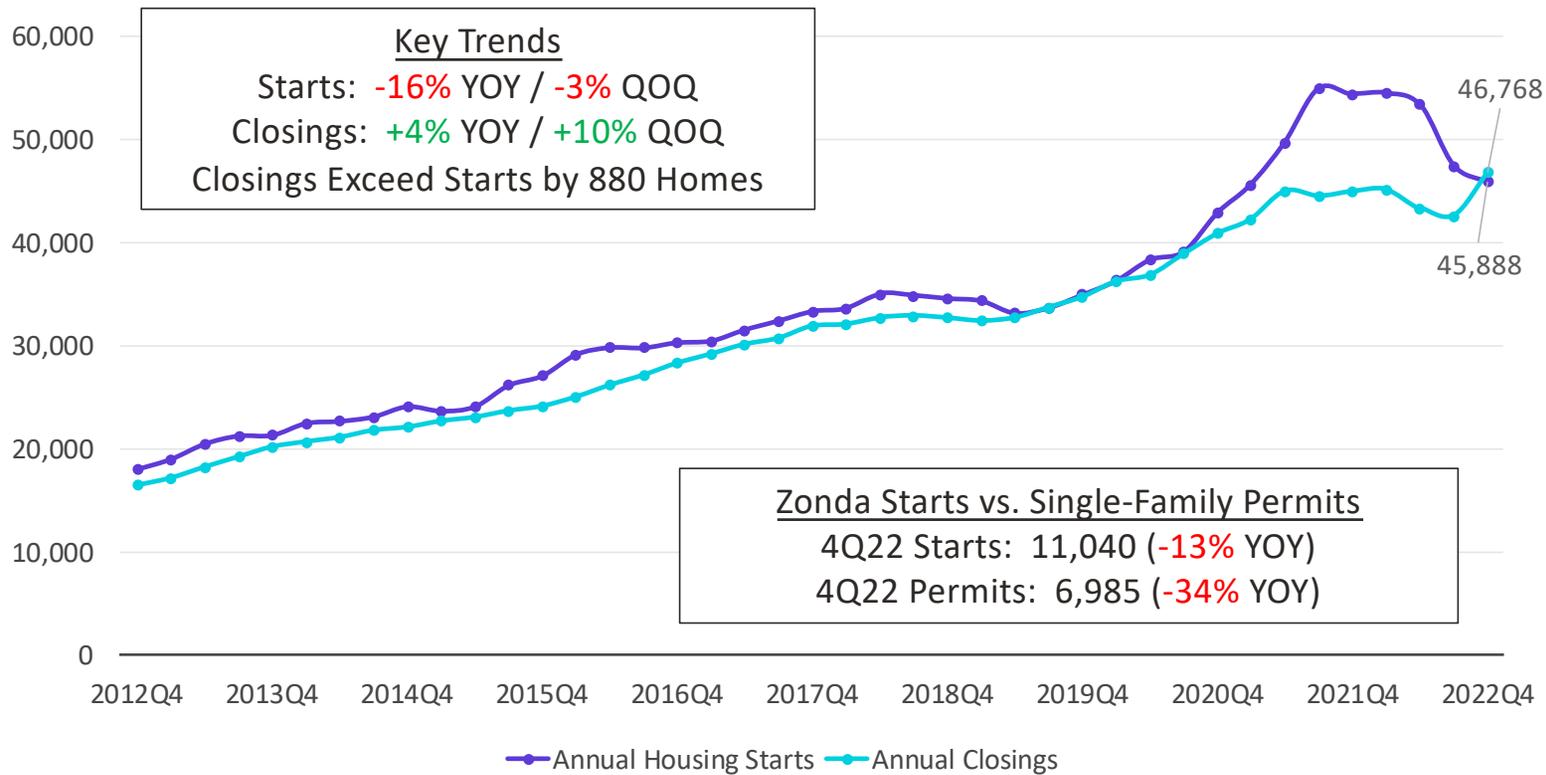


Source: U-Haul

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Dallas-Ft. Worth Housing Demand

Closings Above Starts For Only the 2nd Time in the Last Decade

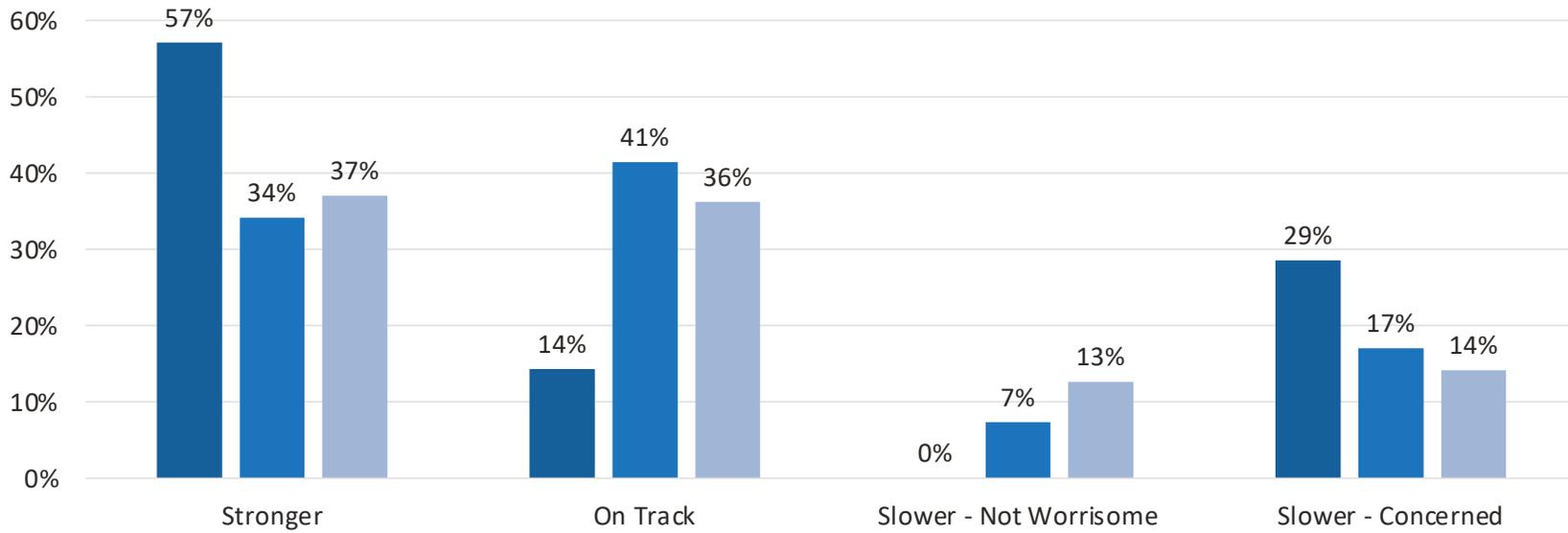


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Demand Improved in December and January

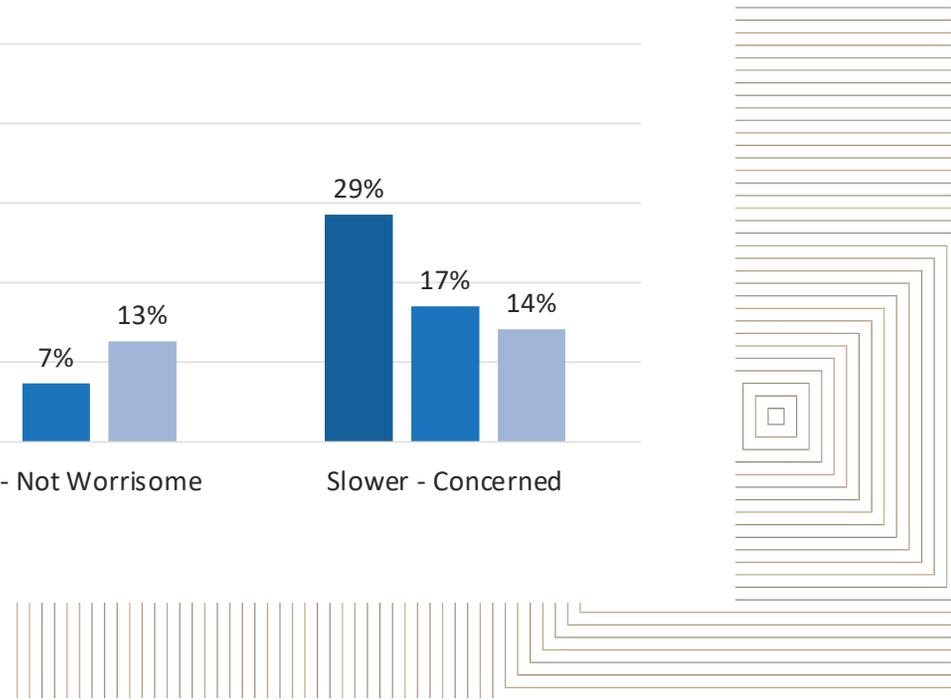
How is January shaping up for your local operation versus your expectations?

■ DFW ■ Texas ■ National

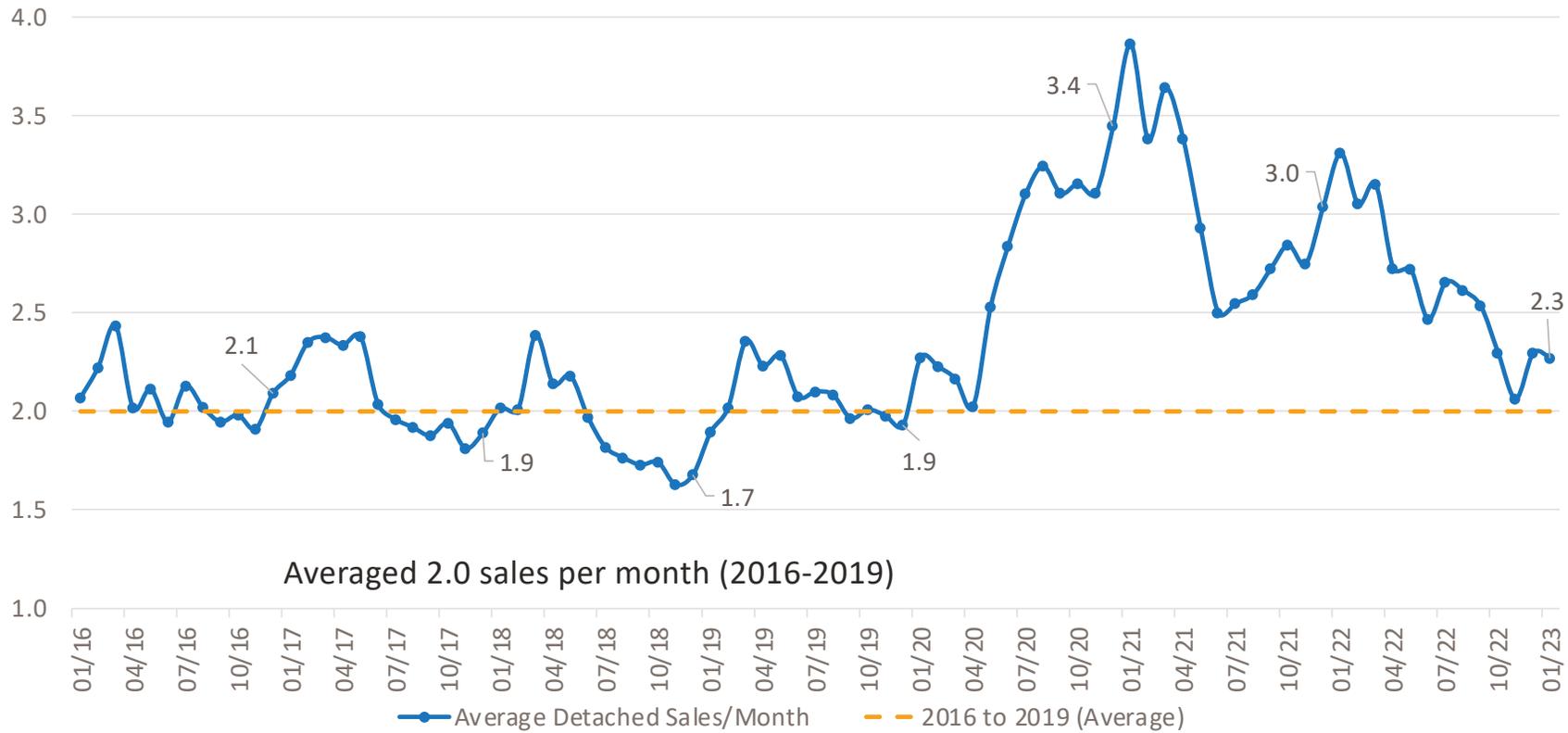


Source: Zonda

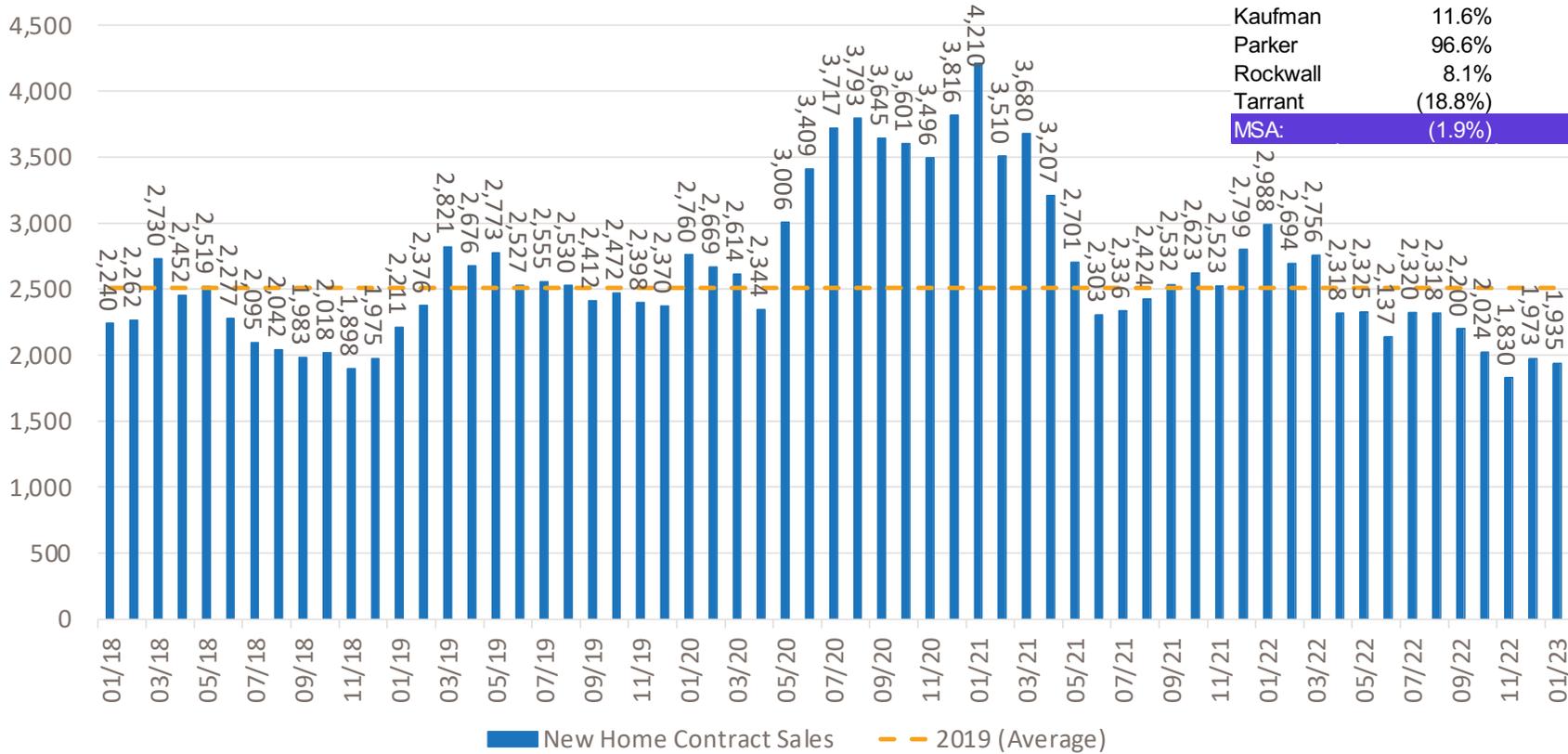
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Detached New Home Project Sales Rates Are Forming a Bottom

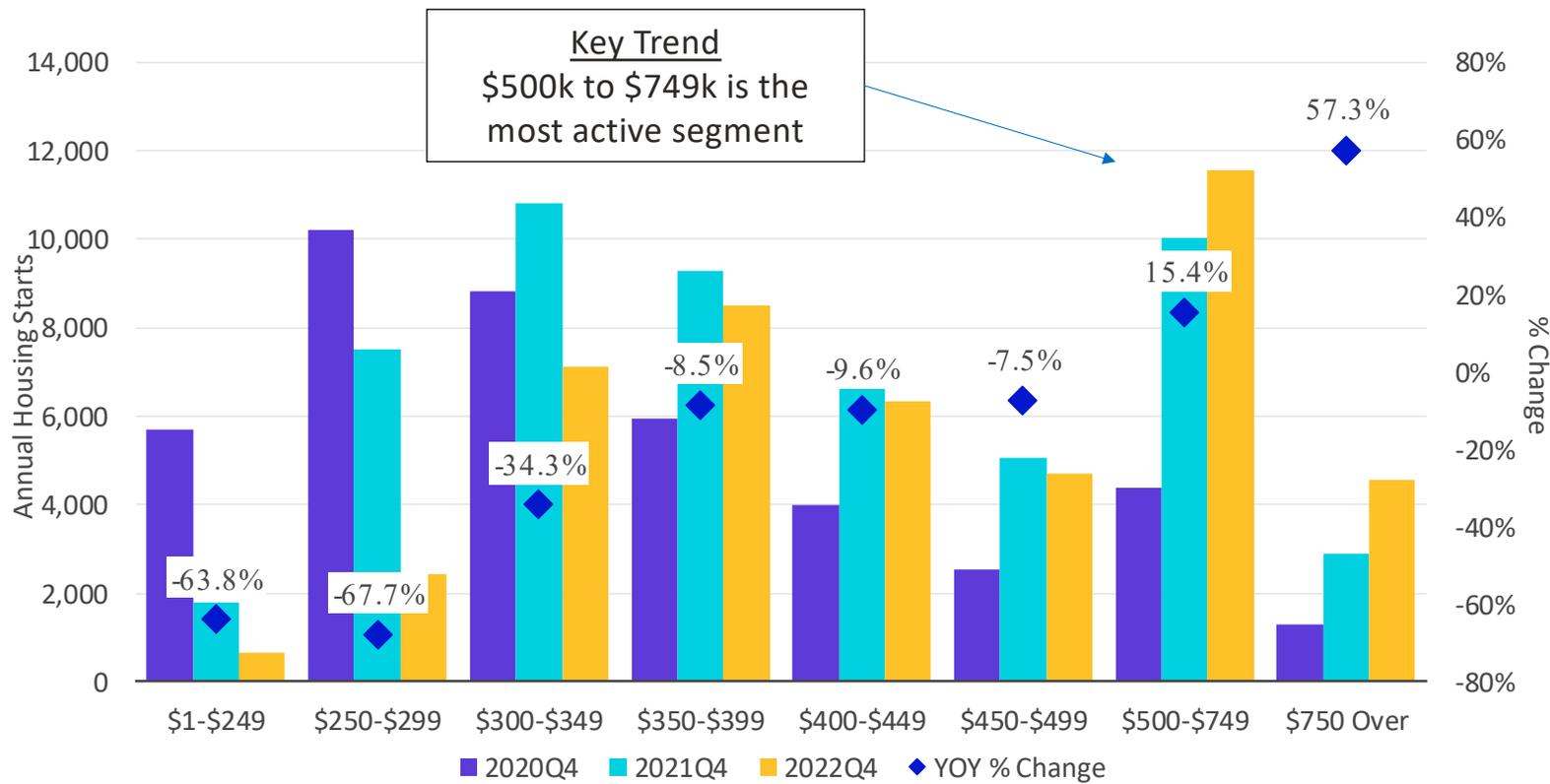


Monthly New Home Sales Have Stabilized

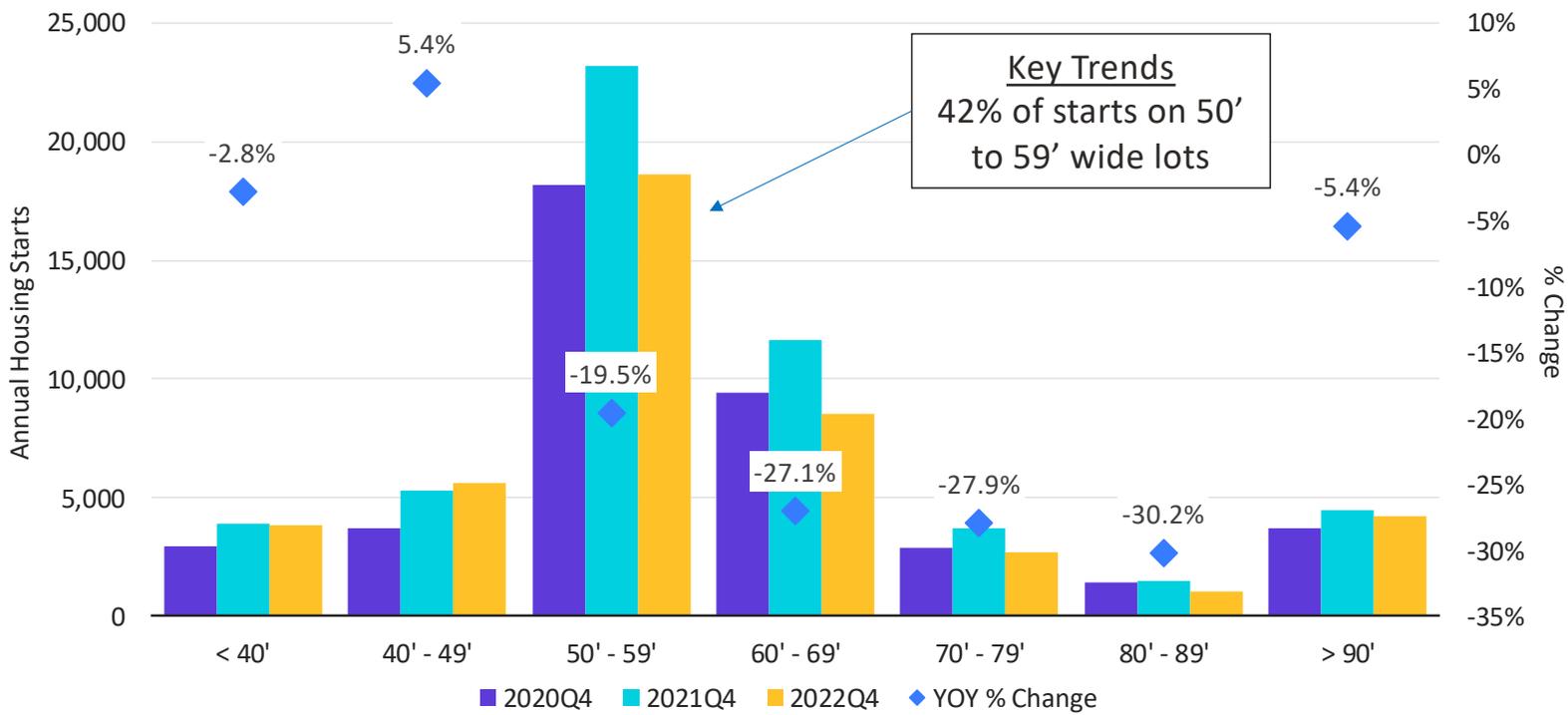


County	1/23 vs. 12/22	1/23 vs. 1/22	1/23 vs. 1/19
Collin	14.7%	(29.9%)	(4.0%)
Dallas	0.0%	(56.9%)	(50.3%)
Denton	(10.5%)	(35.4%)	(13.8%)
Ellis	11.5%	(50.0%)	(13.9%)
Johnson	20.3%	(37.4%)	20.3%
Kaufman	11.6%	(39.0%)	56.7%
Parker	96.6%	(33.7%)	29.5%
Rockwall	8.1%	(48.1%)	(37.5%)
Tarrant	(18.8%)	(15.2%)	(36.7%)
MSA:	(1.9%)	(35.2%)	(12.5%)

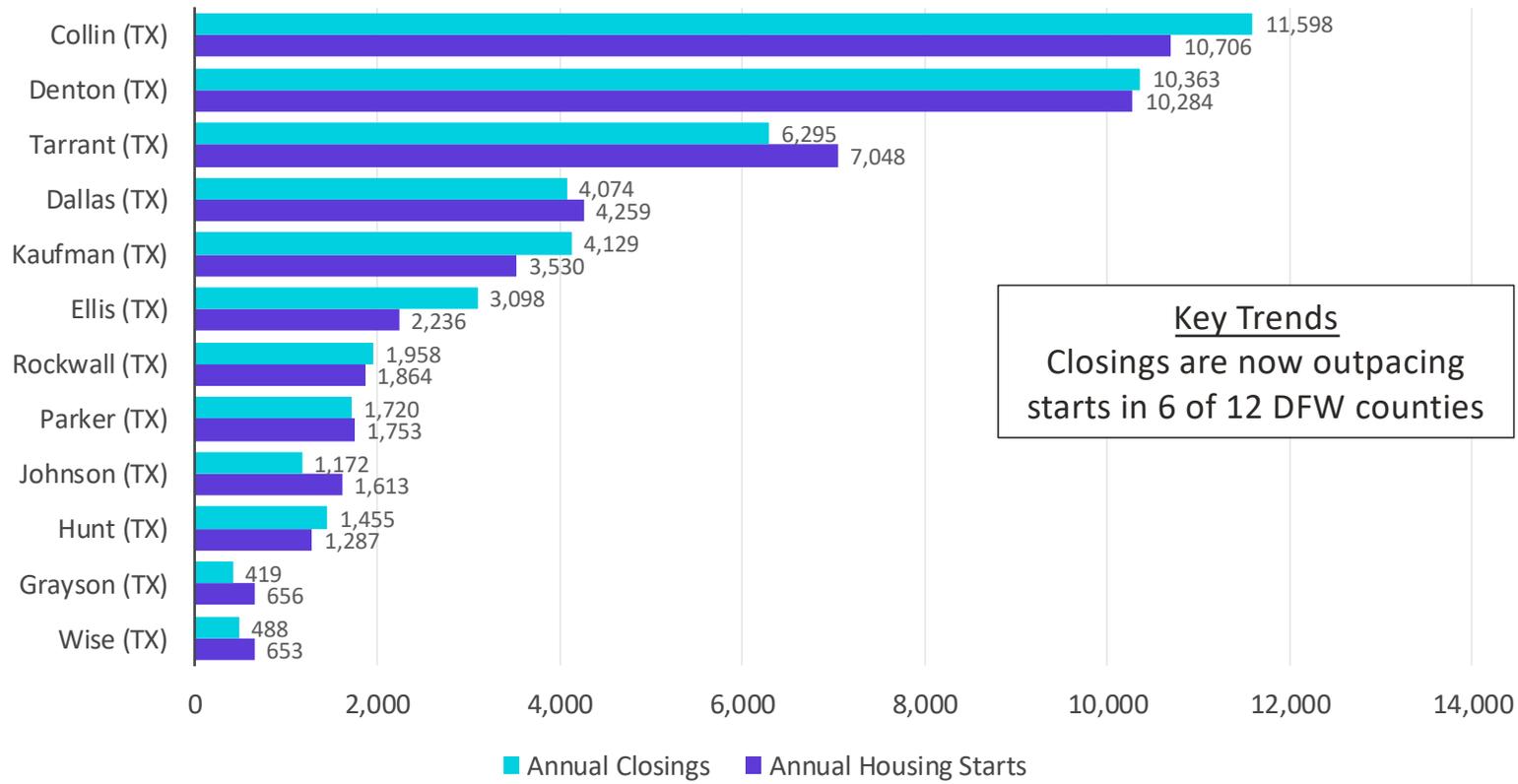
Start Activity Declined Across All Price Points Below \$500,000



Under 50' Wide Lots Offer a Potential Affordability Offset

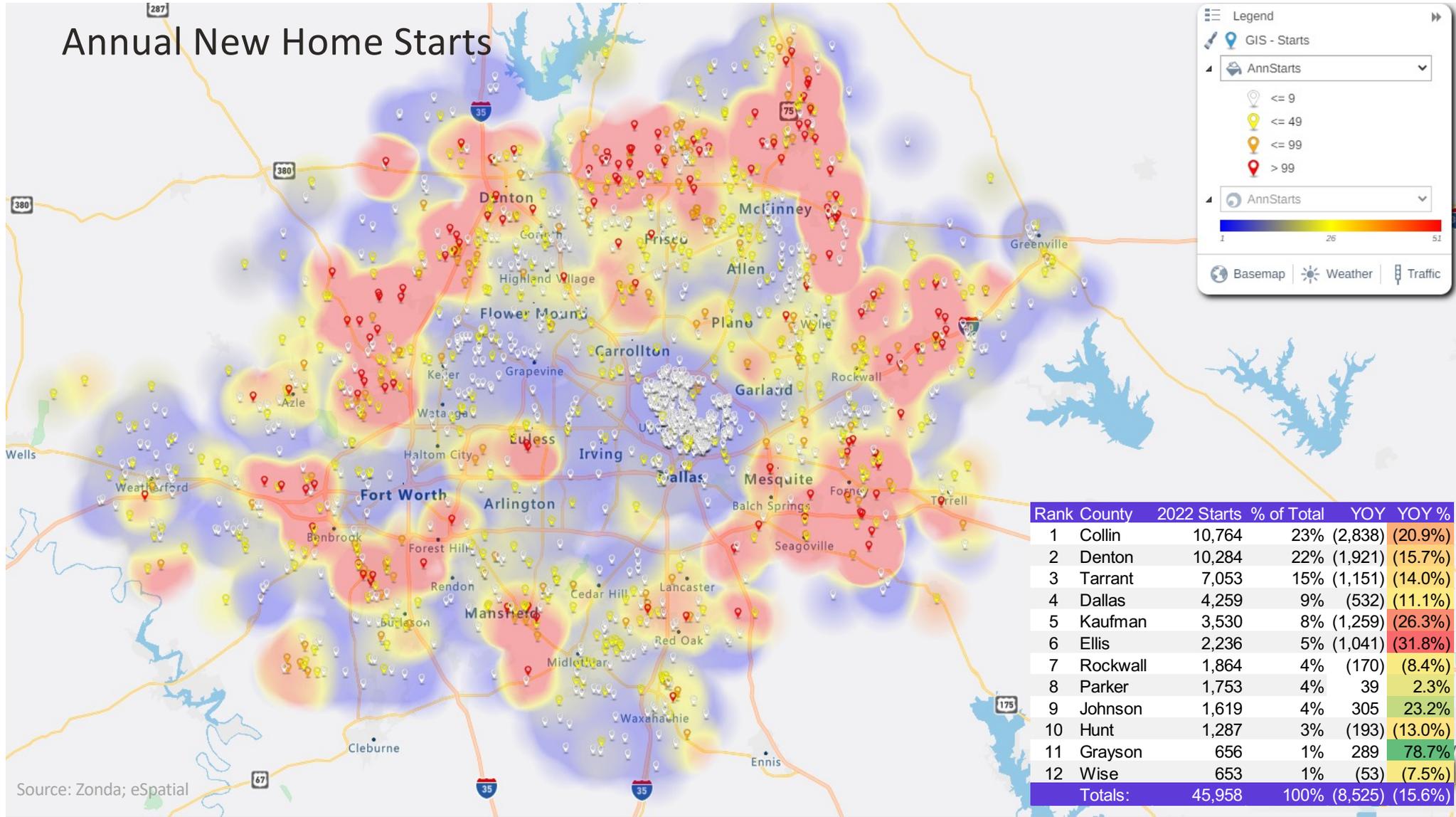


Annual Housing Starts vs Closings by County



Key Trends
Closings are now outpacing starts in 6 of 12 DFW counties

Annual New Home Starts



Legend

GIS - Starts

AnnStarts

- <= 9
- <= 49
- <= 99
- > 99

AnnStarts

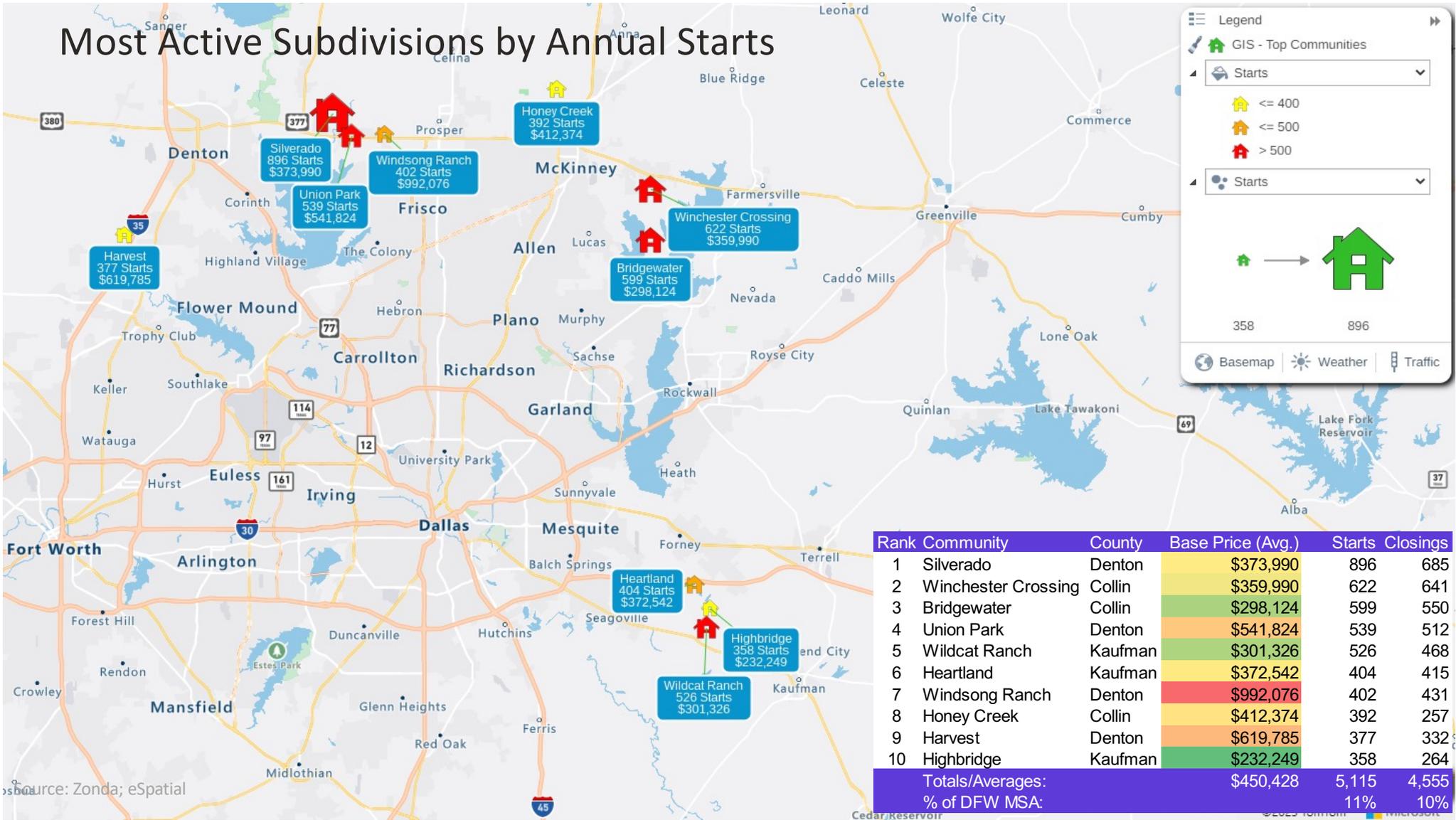
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Basemap Weather Traffic

Rank	County	2022 Starts	% of Total	YOY	YOY %
1	Collin	10,764	23%	(2,838)	(20.9%)
2	Denton	10,284	22%	(1,921)	(15.7%)
3	Tarrant	7,053	15%	(1,151)	(14.0%)
4	Dallas	4,259	9%	(532)	(11.1%)
5	Kaufman	3,530	8%	(1,259)	(26.3%)
6	Ellis	2,236	5%	(1,041)	(31.8%)
7	Rockwall	1,864	4%	(170)	(8.4%)
8	Parker	1,753	4%	39	2.3%
9	Johnson	1,619	4%	305	23.2%
10	Hunt	1,287	3%	(193)	(13.0%)
11	Grayson	656	1%	289	78.7%
12	Wise	653	1%	(53)	(7.5%)
Totals:		45,958	100%	(8,525)	(15.6%)

Source: Zonda; eSpatial

Most Active Subdivisions by Annual Starts

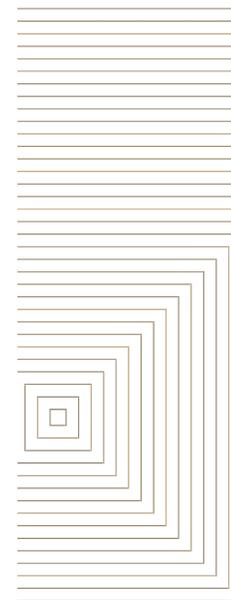


Rank	Community	County	Base Price (Avg.)	Starts	Closings
1	Silverado	Denton	\$373,990	896	685
2	Winchester Crossing	Collin	\$359,990	622	641
3	Bridgewater	Collin	\$298,124	599	550
4	Union Park	Denton	\$541,824	539	512
5	Wildcat Ranch	Kaufman	\$301,326	526	468
6	Heartland	Kaufman	\$372,542	404	415
7	Windsong Ranch	Denton	\$992,076	402	431
8	Honey Creek	Collin	\$412,374	392	257
9	Harvest	Denton	\$619,785	377	332
10	Highbridge	Kaufman	\$232,249	358	264
Totals/Averages:			\$450,428	5,115	4,555
% of DFW MSA:				11%	10%

Source: Zonda; eSpatial

Top Builders by Annual Housing Starts

Rank	Builder	Annual Housing Starts	Share of Annual Housing Starts	YOY Starts Growth	Annual Closings	Share of Annual Closings	Finished Vacant Inventory	Months of Supply	Vacant Developed Lot Inventory	VDL Months of Supply
1	DR Horton / Express	7,692	17.7%	-14.9%	8,597	19.7%	589	0.8	5,375	8.4
2	Lennar	3,735	8.6%	11.1%	3,191	7.3%	363	1.4	2,581	8.3
3	Green Brick Partners	1,920	4.4%	-28.0%	2,115	4.9%	372	2.1	1,955	12.2
4	Bloomfield Homes	1,826	4.2%	-27.7%	2,103	4.8%	339	1.9	3,075	20.2
5	Highland Homes	1,646	3.8%	-27.5%	2,019	4.6%	283	1.7	1,416	10.3
6	The Pulte Group	1,480	3.4%	-35.7%	1,772	4.1%	108	0.7	1,534	12.4
7	LGI Homes	1,284	2.9%	-29.8%	1,303	3.0%	247	2.3	1,395	13.0
8	Meritage Homes	1,187	2.7%	3.7%	925	2.1%	191	2.5	938	9.5
9	Ashton Woods Homes	1,120	2.6%	-35.3%	1,373	3.2%	289	1.4	803	8.6
10	First Texas Homes	1,052	2.4%	-28.9%	1,190	2.7%	262	2.6	1,986	22.7
11	History Maker Homes	859	2.0%	-18.6%	945	2.2%	107	1.4	487	6.8
12	Megatel Homes	722	1.7%	8.4%	495	1.1%	127	3.1	472	7.8
13	M/I Homes	695	1.6%	-7.6%	779	1.8%	75	1.2	1,234	21.3
14	Gehan Homes	642	1.5%	-29.1%	693	1.6%	99	1.7	798	14.9
15	Beazer Homes	632	1.5%	-16.7%	644	1.5%	37	0.7	475	9.0
16	American Legend Homes	602	1.4%	-19.5%	629	1.4%	90	1.7	585	11.7
17	Taylor Morrison	558	1.3%	-32.0%	665	1.5%	113	2.0	381	8.2
18	Perry Homes	551	1.3%	-34.2%	749	1.7%	123	2.0	446	9.7
19	Impression Homes	541	1.2%	-33.7%	602	1.4%	93	1.9	728	16.1
20	Antares Homes	539	1.2%	69.5%	368	0.8%	127	4.1	246	5.5
21	David Weekley Homes	537	1.2%	-30.3%	675	1.5%	83	1.7	861	19.2
22	Coventry Homes - Dream Finders Homes	497	1.1%	-25.3%	548	1.3%	72	5.6	458	11.1
23	Altura Homes	481	1.1%	-3.2%	482	1.1%	59	1.5	196	4.9
24	K. Hovnanian Homes	459	1.1%	-36.2%	569	1.3%	45	0.9	156	4.1
25	Riverside Homebuilders	435	1.0%	-38.4%	417	1.0%	57	1.6	379	10.5



Source: Zonda

Top 25 Builders: 73% of Total Starts

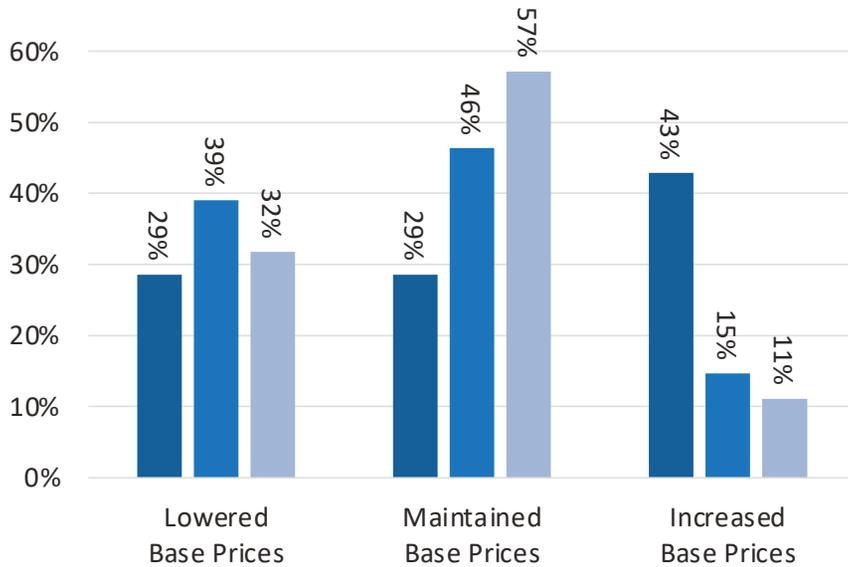


New Home Base Prices & Incentives Are Adjusting

Are lower prices increasing sales?
 DFW – 25% No
 TX – 20% No
 US – 20% No

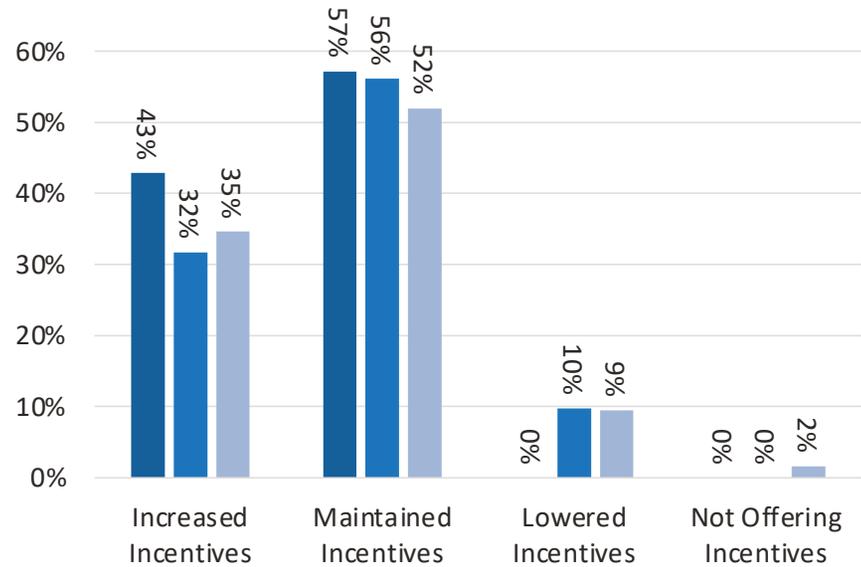
What base price changes have been made in January?

- DFW
- Texas
- National

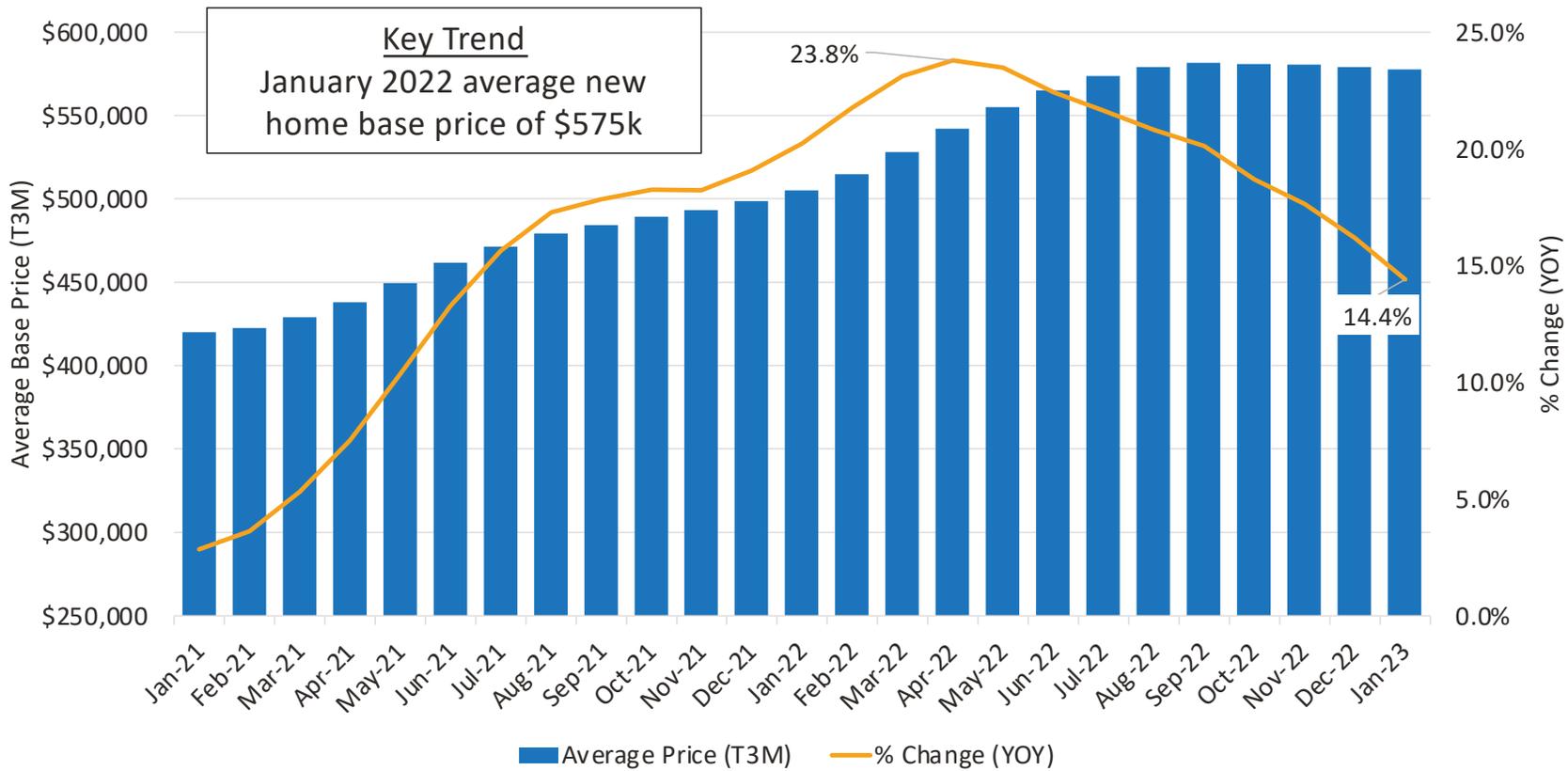


What incentive changes have been made in January?

- DFW
- Texas
- National



Detached New Home Price Appreciation is Moving Lower



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Builders Are Finding Price / Sales Equilibrium

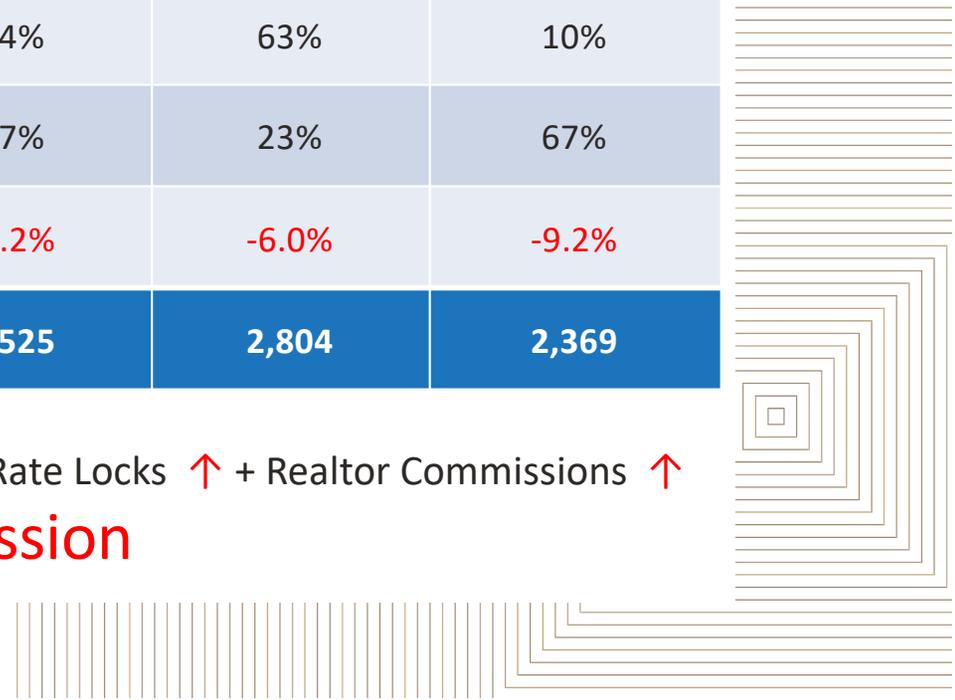
Price Trend	October	November	December	January	January vs. May
Increase	9%	8%	9%	14%	23%
Flat	61%	70%	74%	63%	10%
Decrease	30%	21%	17%	23%	67%
Avg. Decrease	-5.3%	-4.9%	-4.2%	-6.0%	-9.2%
Floorplans:	2,539	2,755	2,525	2,804	2,369

Base Prices ↓ + Mortgage Rate Buydowns ↑ + Interest Rate Locks ↑ + Realtor Commissions ↑

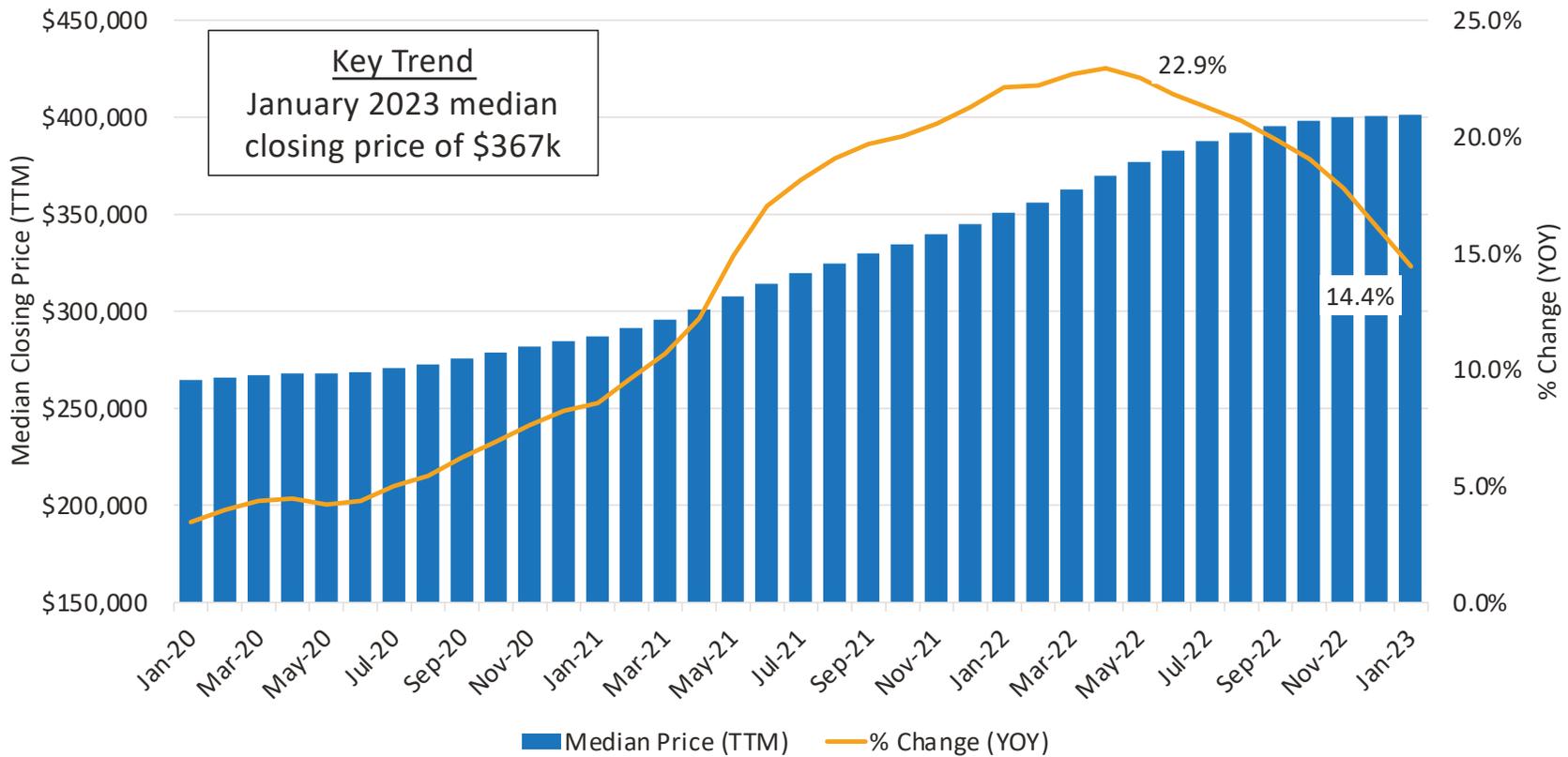
Margin Compression

Source: Zonda

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Single-Family Resale Home Price Appreciation is Slowing



Source: NTRIS MLS

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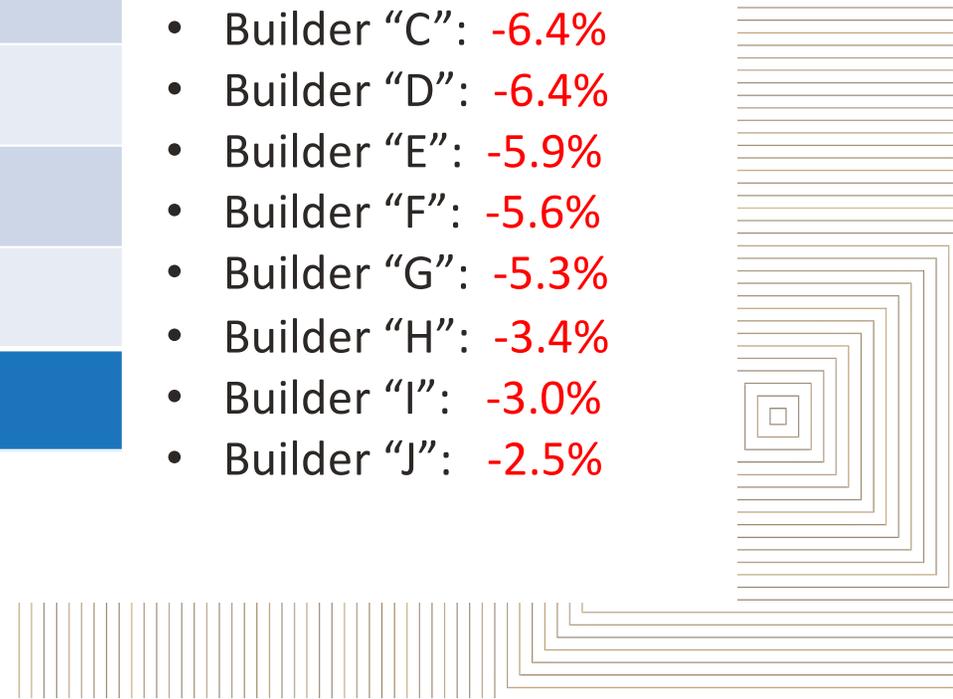
MLS Home Sellers are Reducing List Prices in DFW

Price Trend	Existing Detached Homes	New Detached Homes
Increase	2%	9%
Flat	52%	42%
Decrease	46%	49%
Avg. Decrease	-6.2%	-7.0%
Listings:	7,525	5,126

Top Builder Price Drops

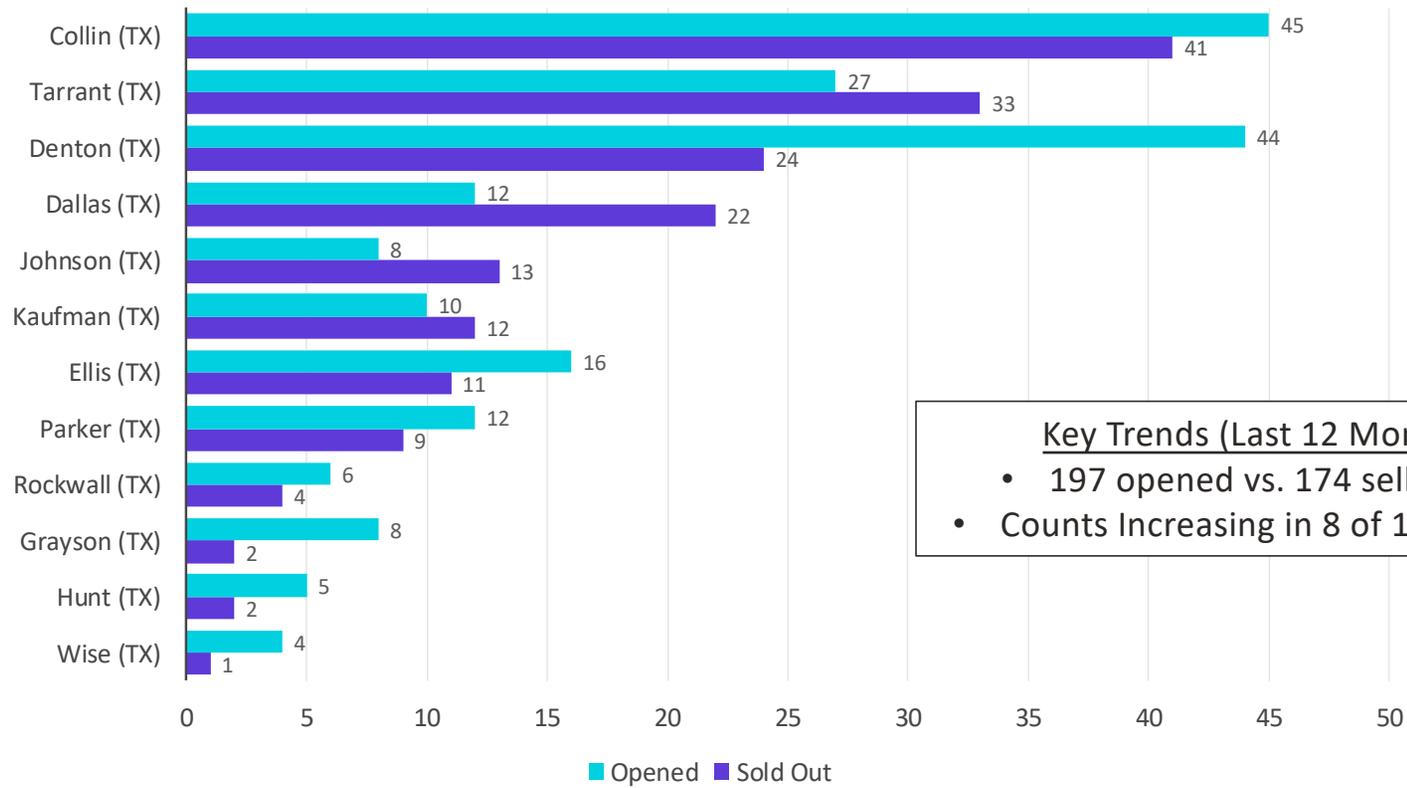
- Builder "A": -9.6%
- Builder "B": -9.3%
- Builder "C": -6.4%
- Builder "D": -6.4%
- Builder "E": -5.9%
- Builder "F": -5.6%
- Builder "G": -5.3%
- Builder "H": -3.4%
- Builder "I": -3.0%
- Builder "J": -2.5%

Source: NTREIS MLS



Dallas-Ft. Worth Housing Supply

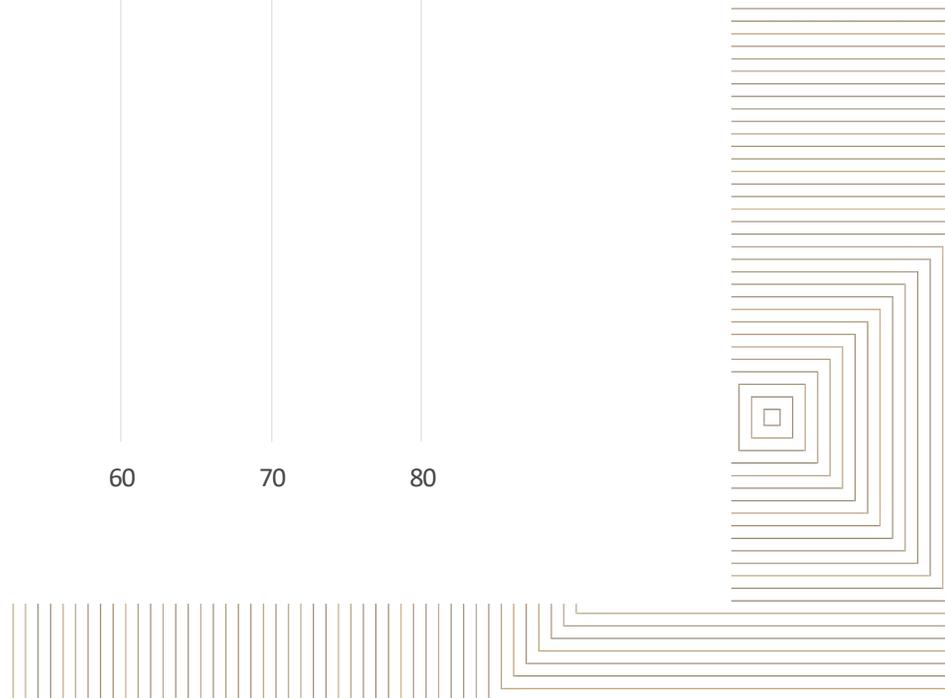
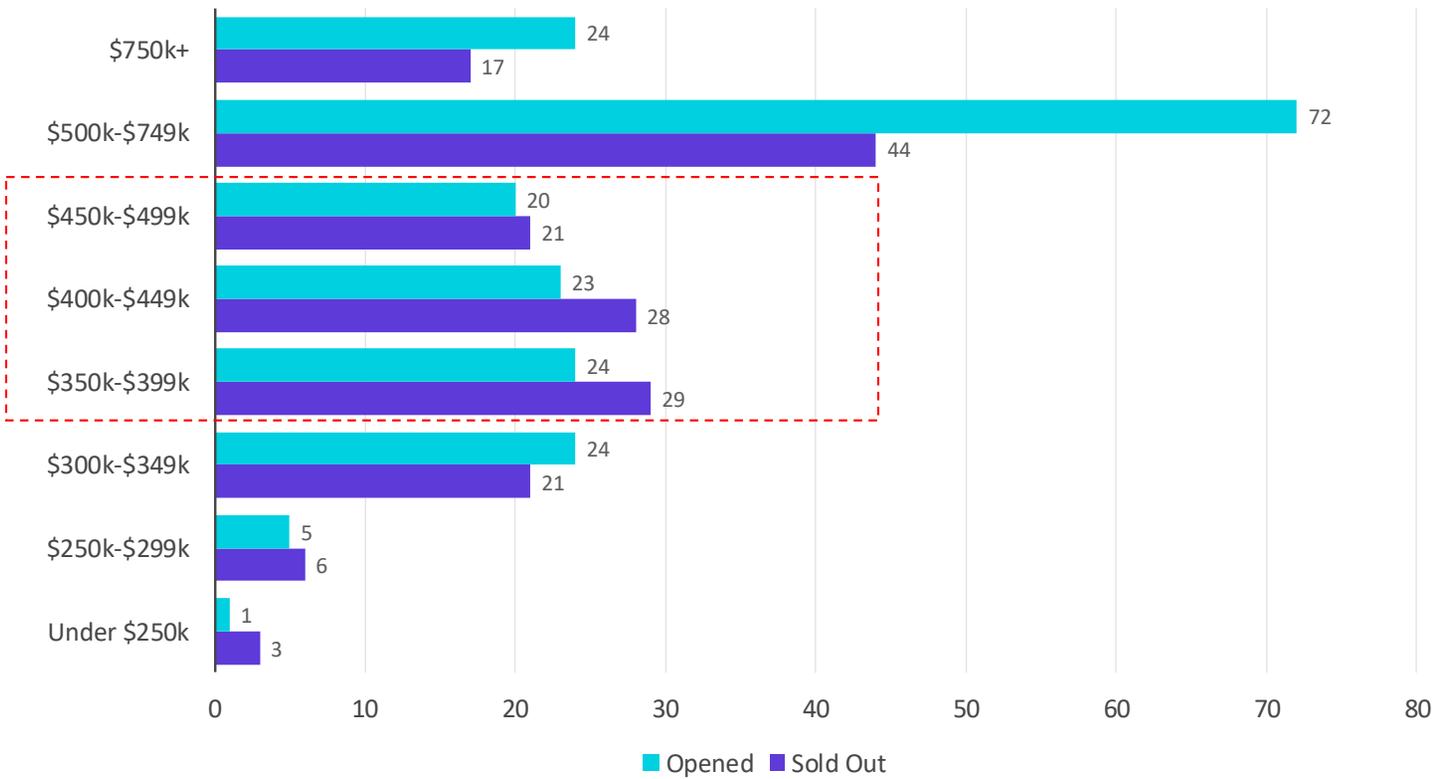
Project Counts Are Finally Increasing Across DFW



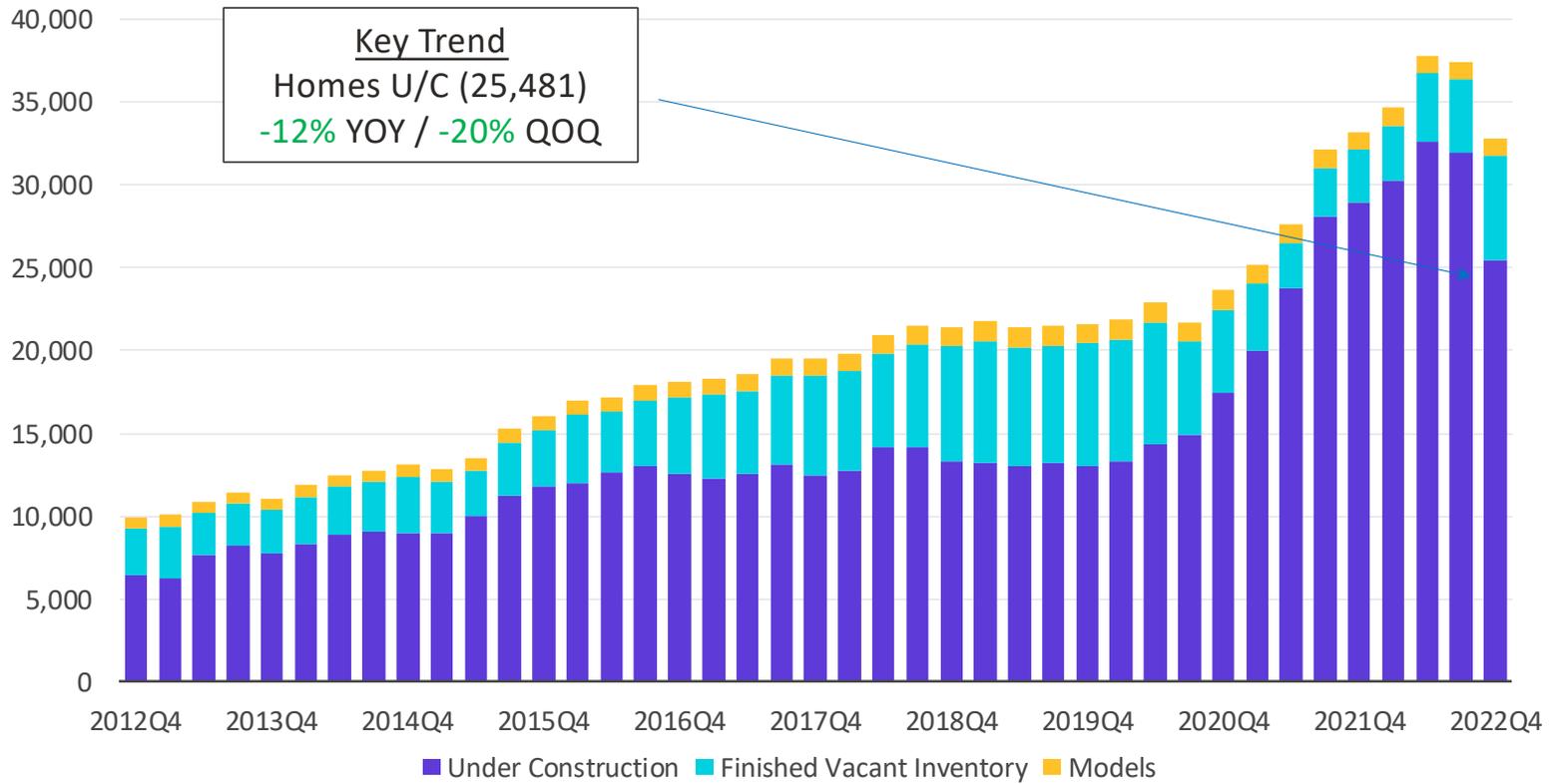
Key Trends (Last 12 Months)

- 197 opened vs. 174 selling out
- Counts Increasing in 8 of 12 counties

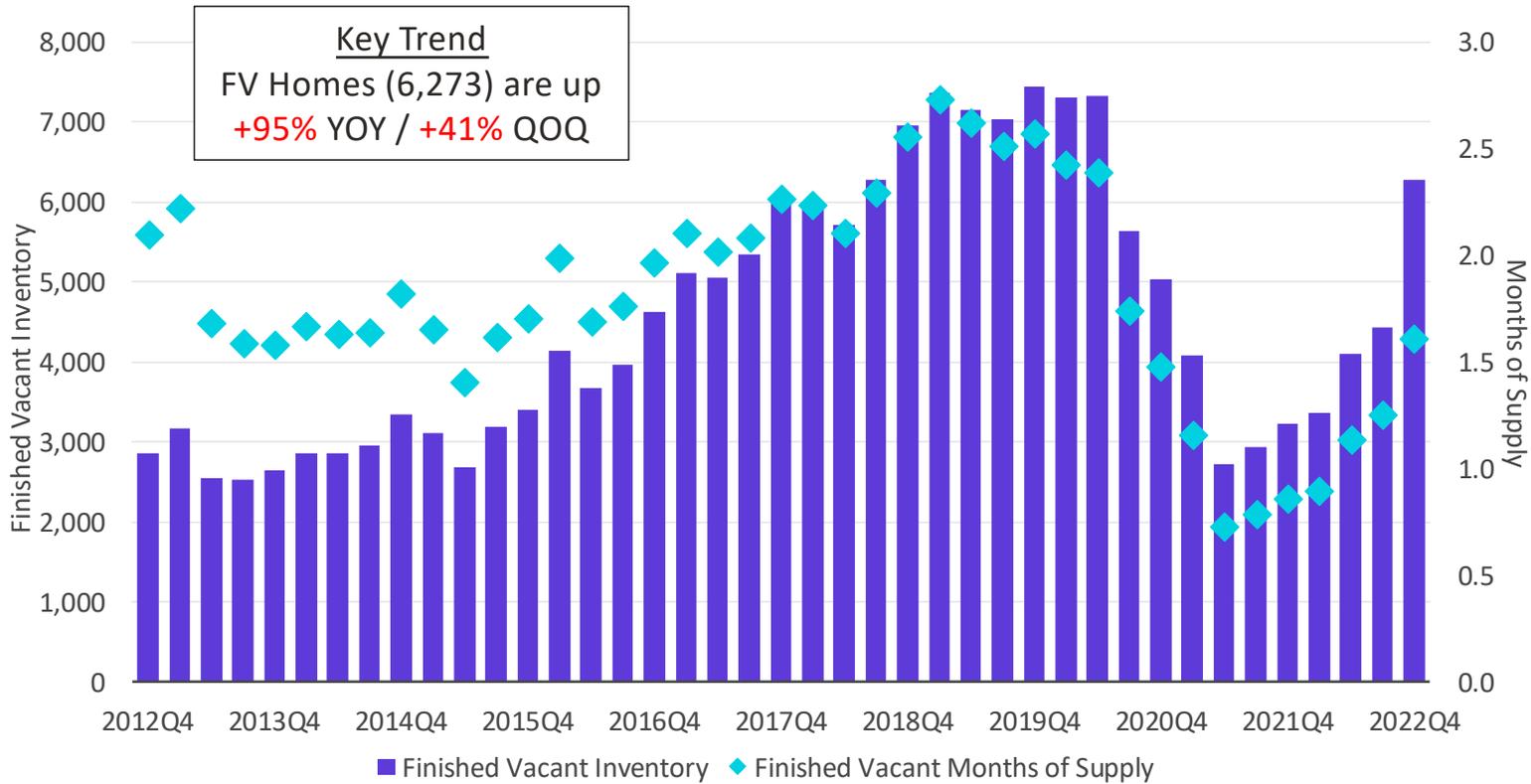
Project Count Growth Driven Mostly by Higher Price Points



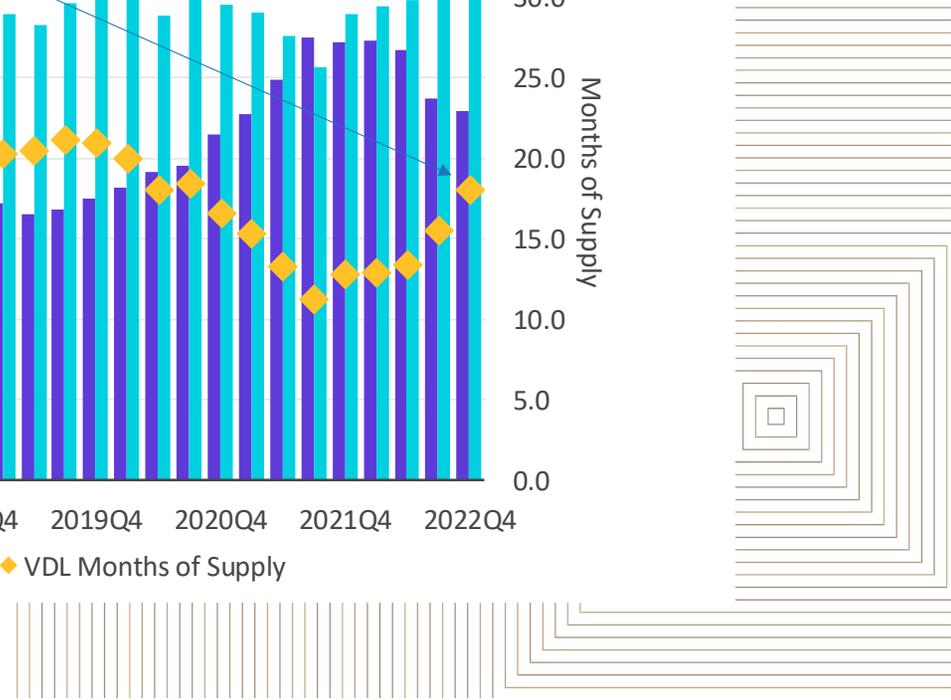
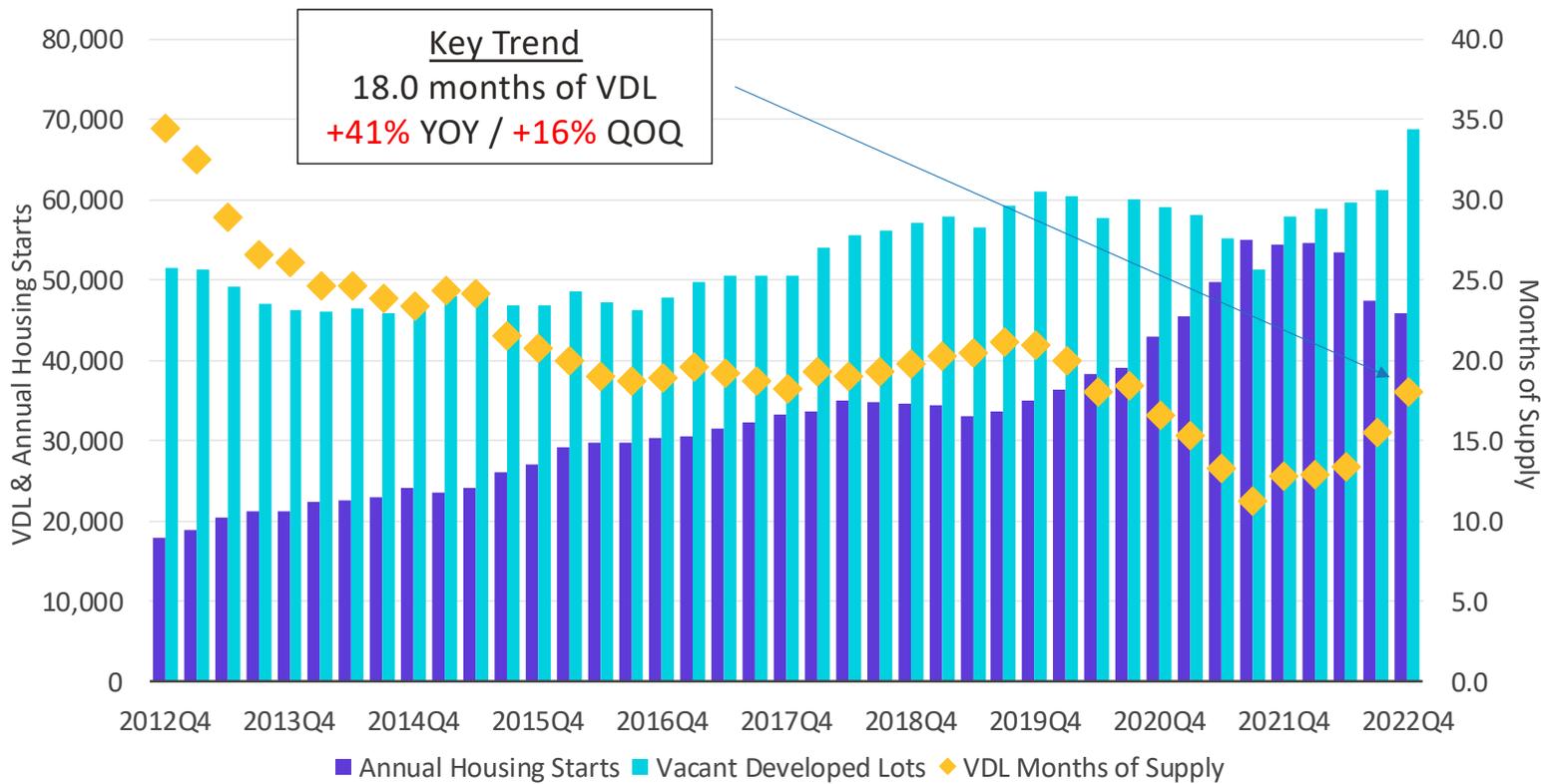
Homes Under Construction Are Rapidly Pulling Back



Finished Vacant Inventory Continues to Climb

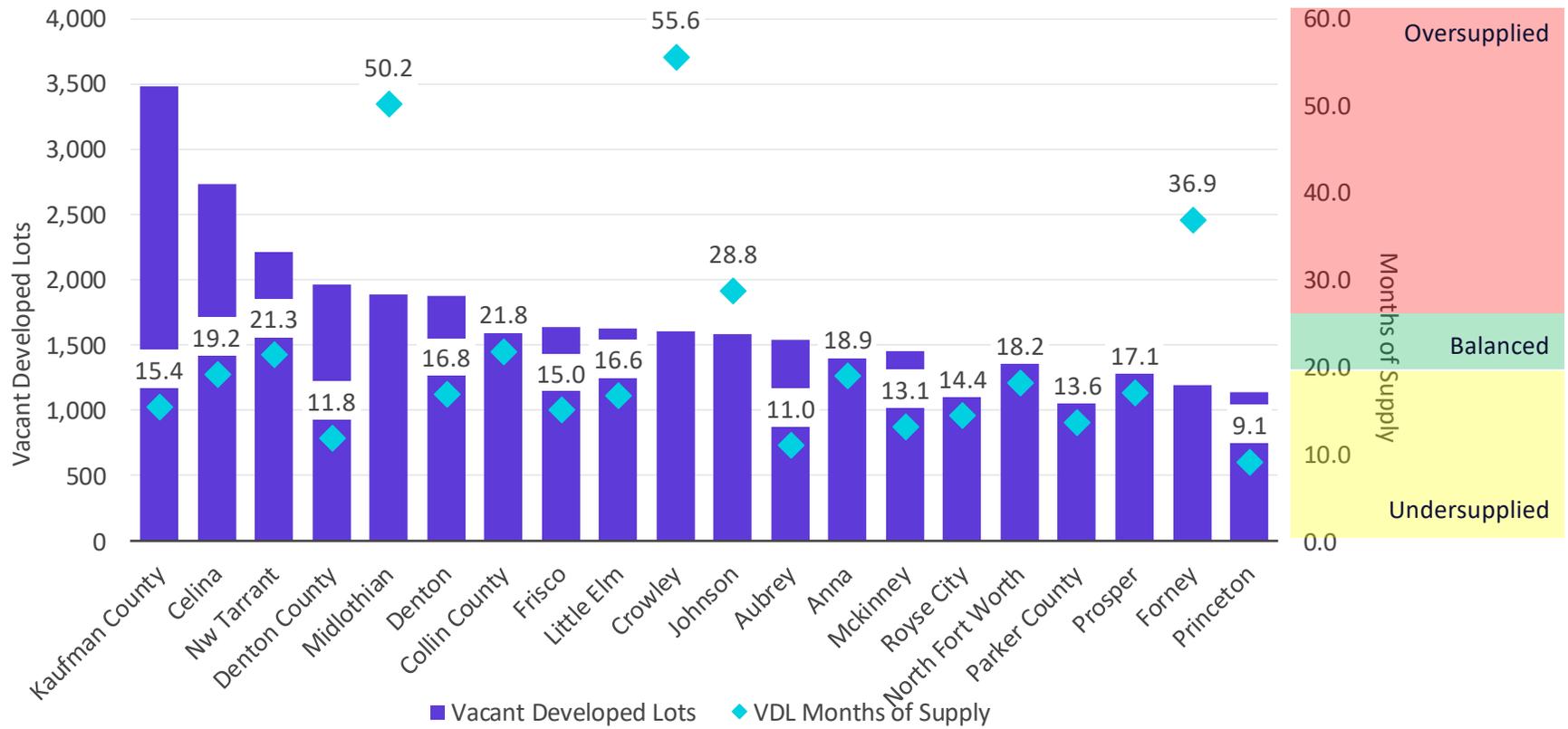


Vacant Developed Lot Supply Moving Closer to Equilibrium Levels



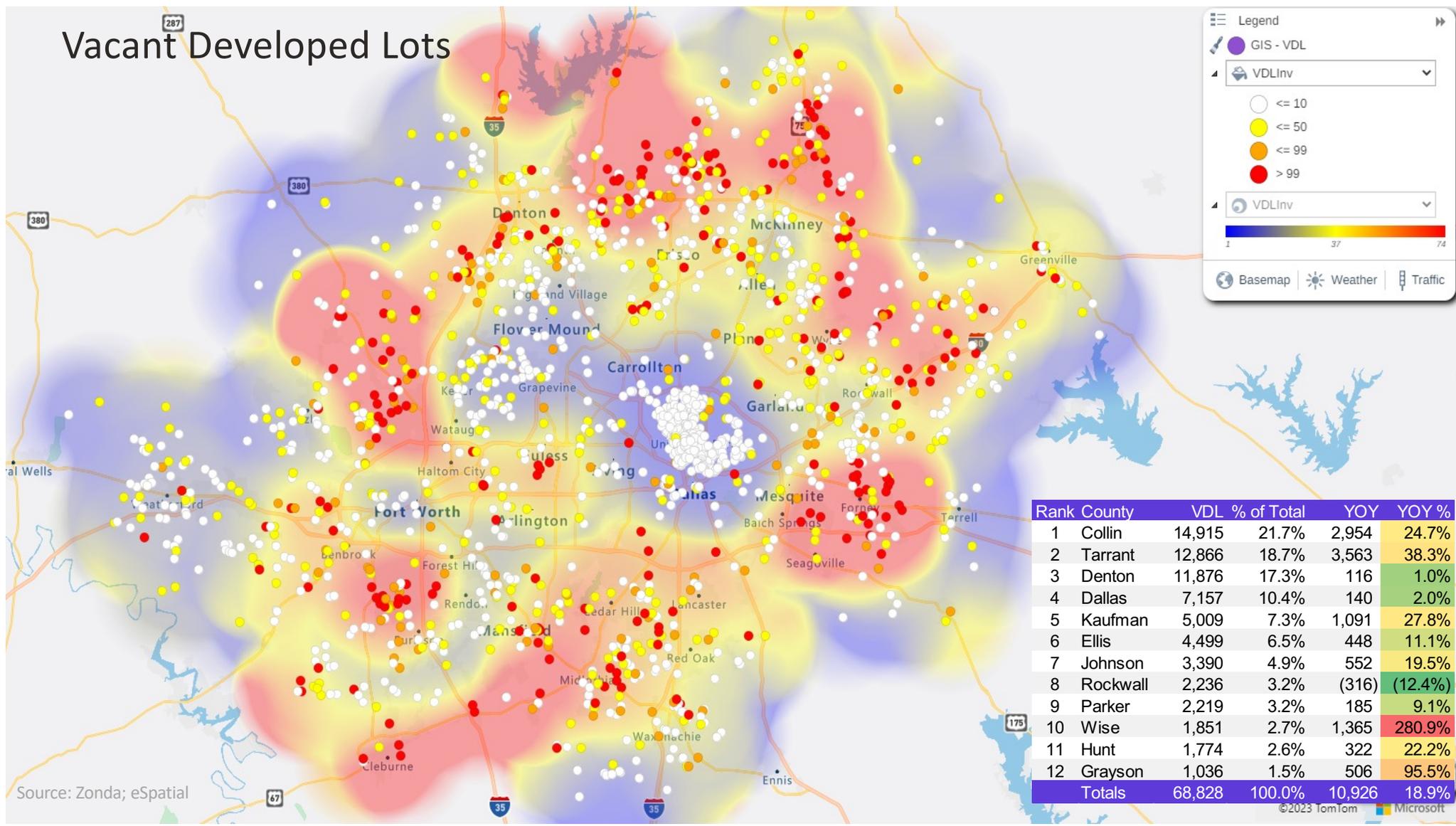


VDL Months of Supply is Rising in Many Submarkets



Source: Zonda

Vacant Developed Lots

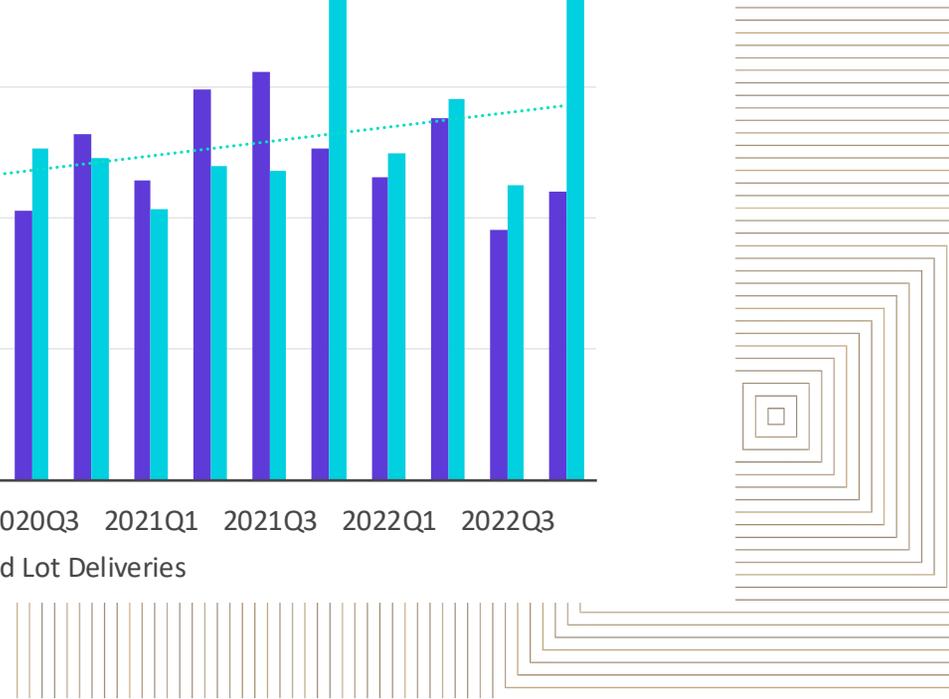
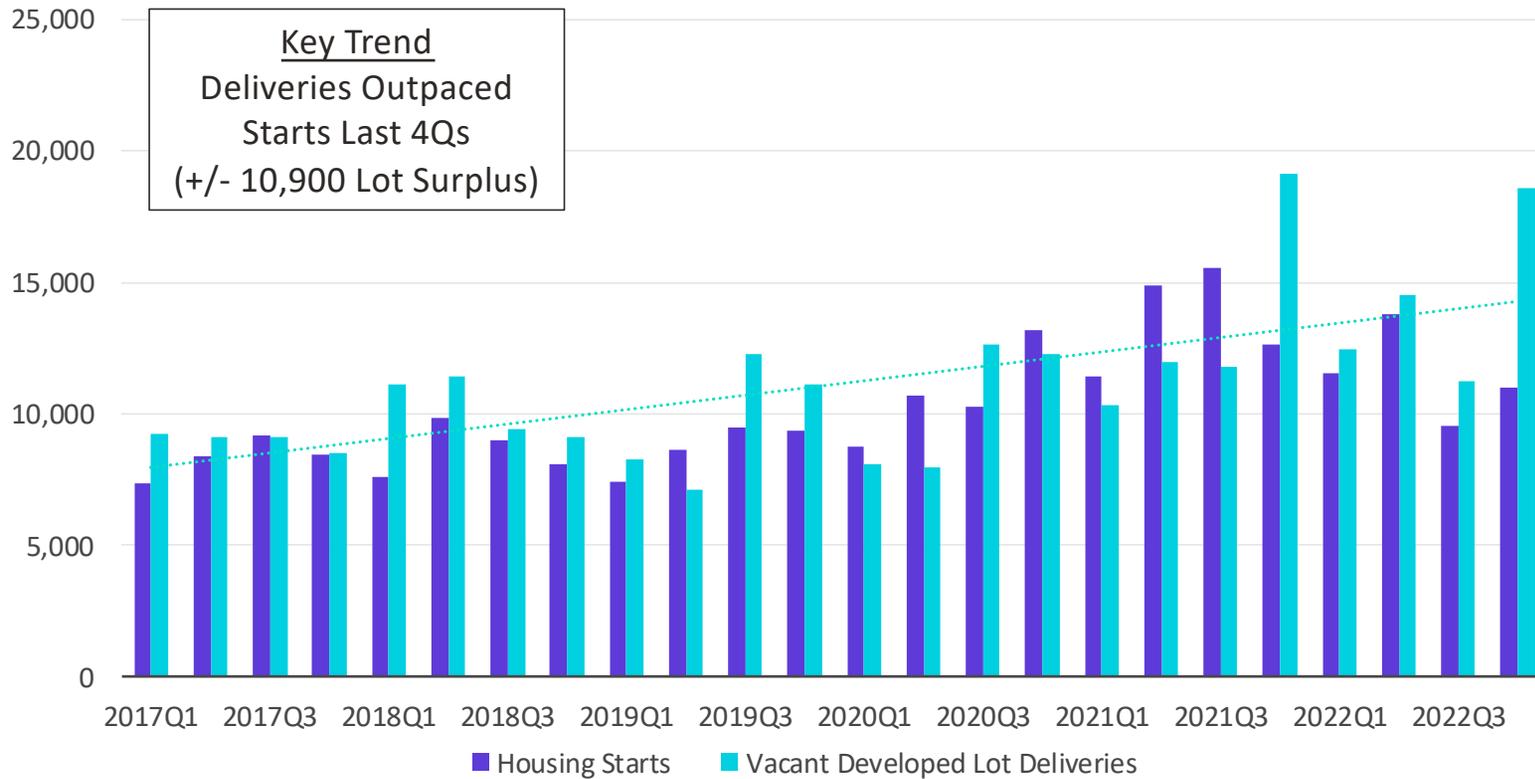


Rank	County	VDL	% of Total	YOY	YOY %
1	Collin	14,915	21.7%	2,954	24.7%
2	Tarrant	12,866	18.7%	3,563	38.3%
3	Denton	11,876	17.3%	116	1.0%
4	Dallas	7,157	10.4%	140	2.0%
5	Kaufman	5,009	7.3%	1,091	27.8%
6	Ellis	4,499	6.5%	448	11.1%
7	Johnson	3,390	4.9%	552	19.5%
8	Rockwall	2,236	3.2%	(316)	(12.4%)
9	Parker	2,219	3.2%	185	9.1%
10	Wise	1,851	2.7%	1,365	280.9%
11	Hunt	1,774	2.6%	322	22.2%
12	Grayson	1,036	1.5%	506	95.5%
Totals		68,828	100.0%	10,926	18.9%

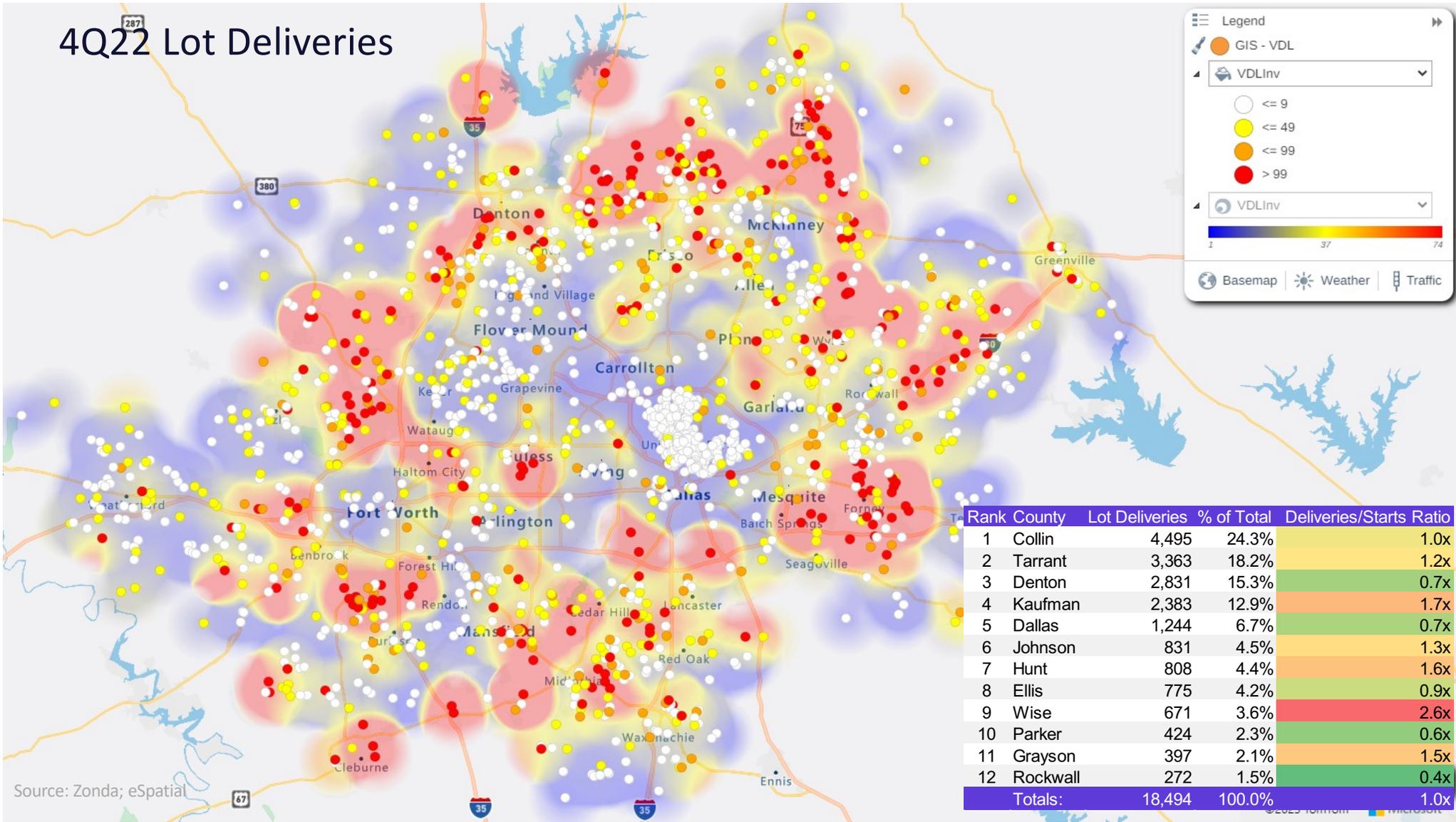
Source: Zonda; eSpatial

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Continuing Strong Lot Deliveries as Starts Pull Back



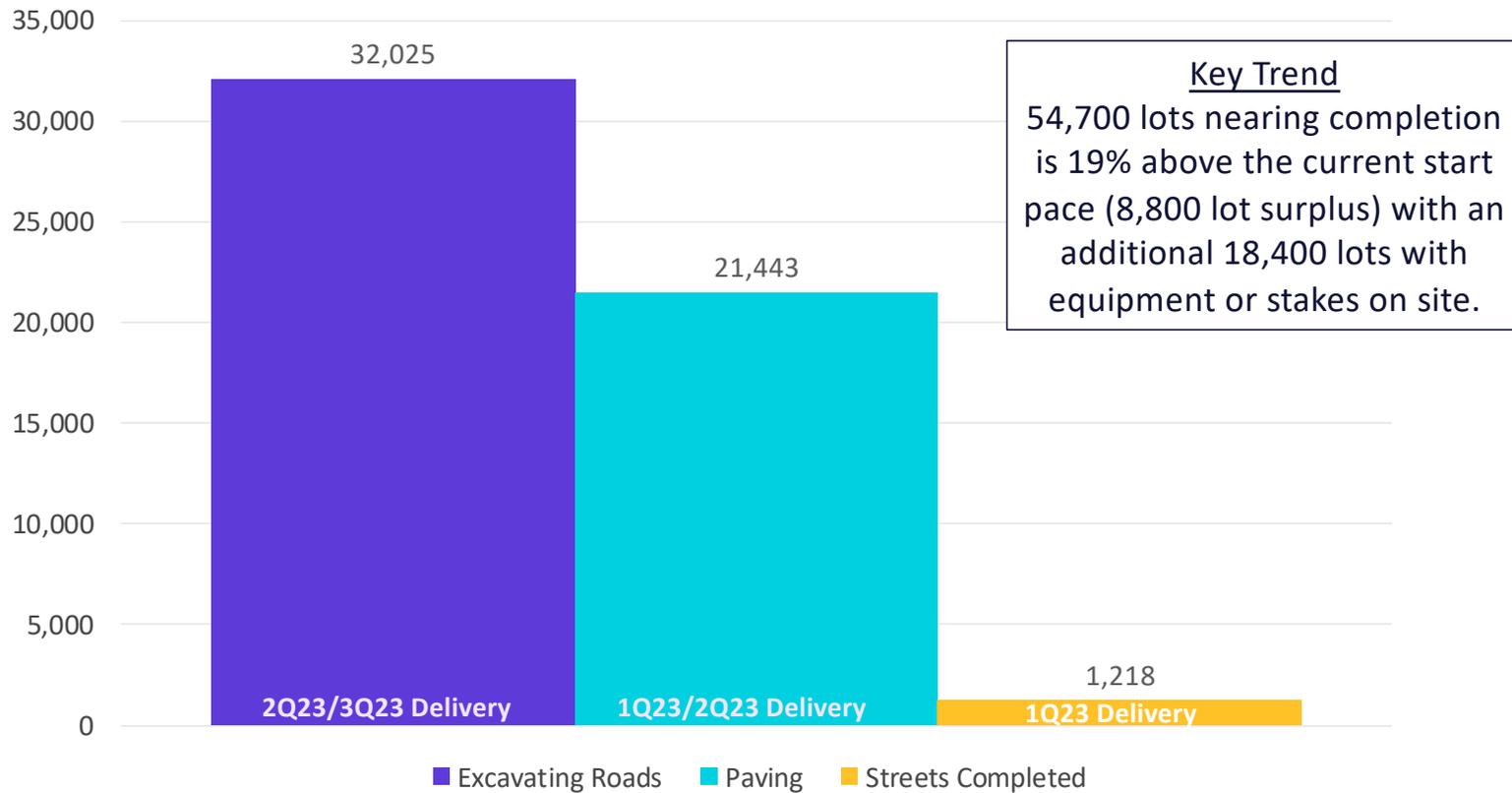
4Q22 Lot Deliveries



Source: Zonda; eSpatial

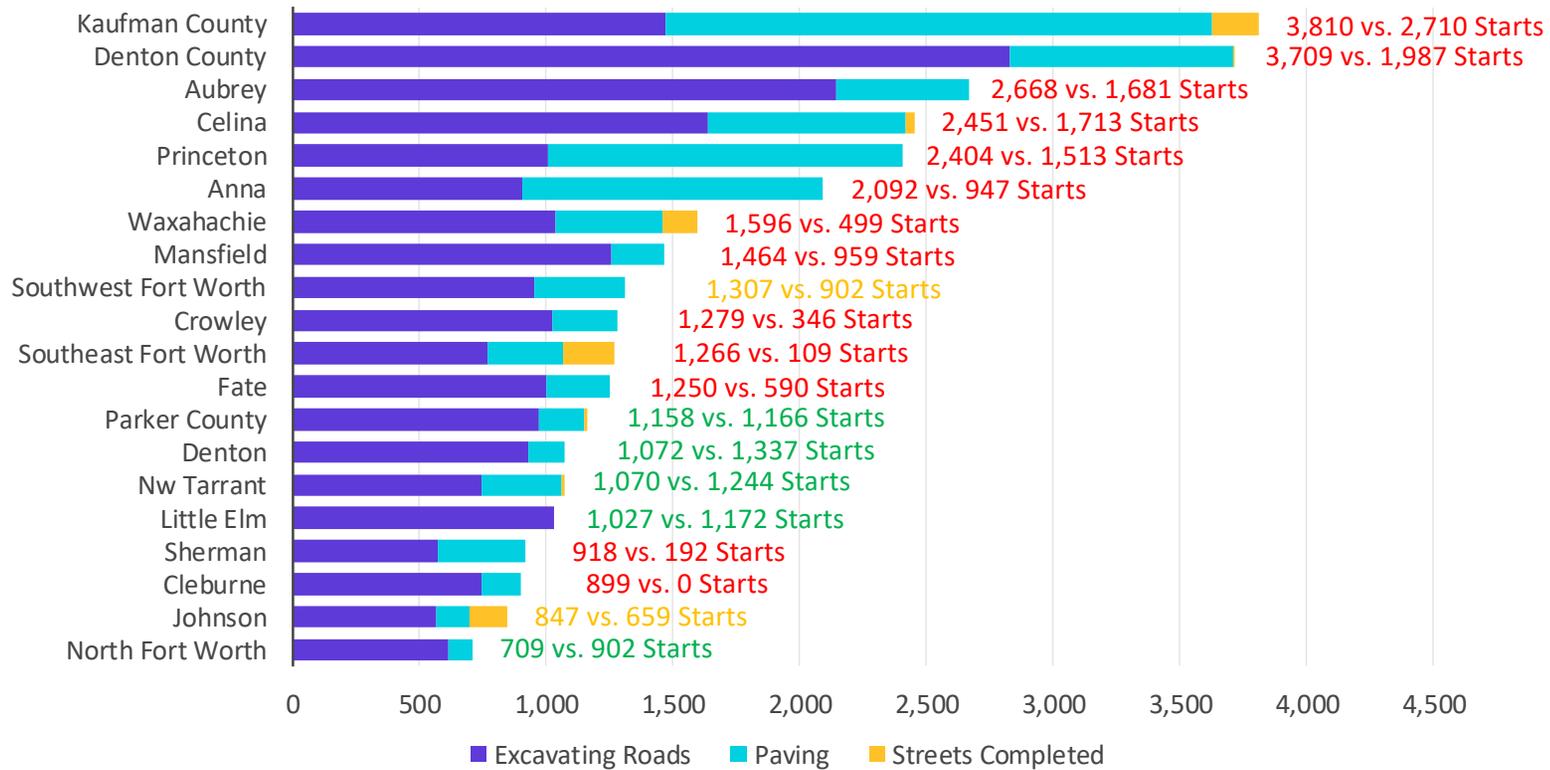


Lot Deliveries Are Not Pausing



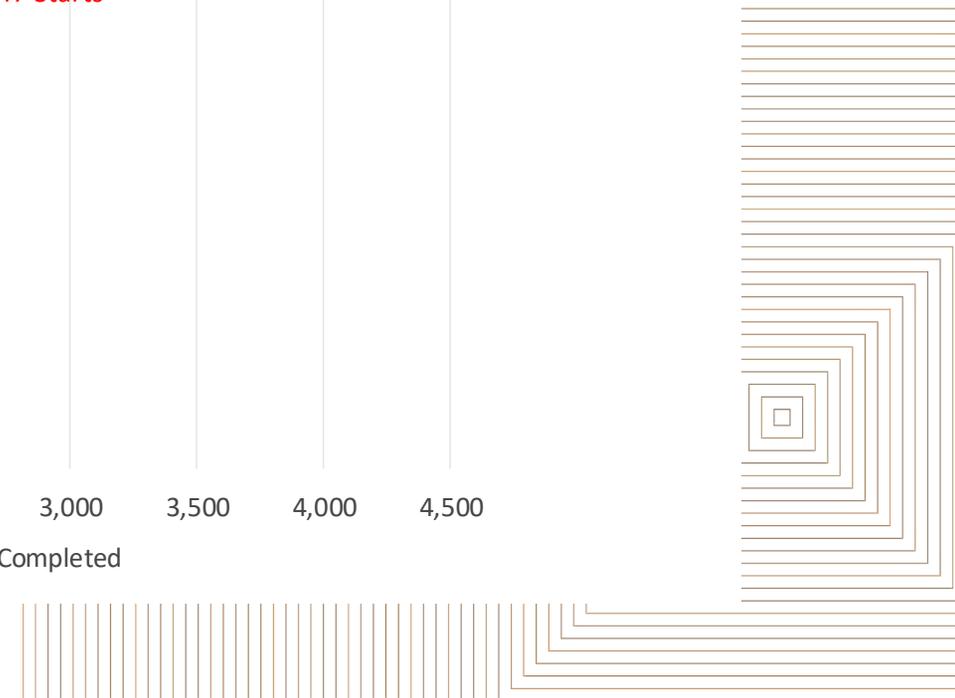


Seven Submarkets Have More than 1,500 Lots Nearing Completion



Source: Zonda

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Hot Topics: Buyer Considerations



Mortgage Market Remains Dynamic

What drives mortgage rates?

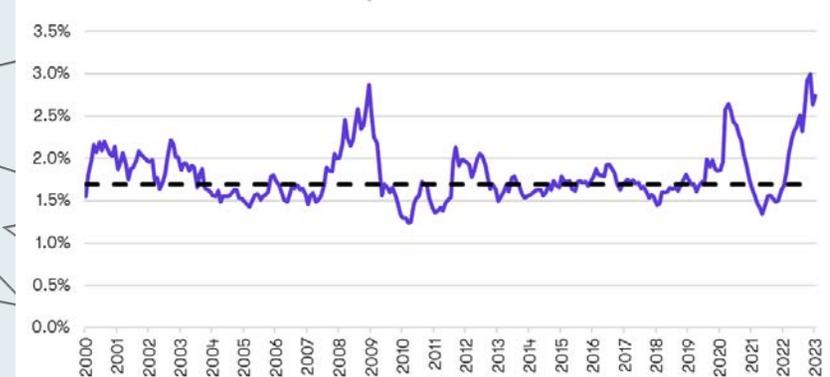
- The Federal Reserve
- Inflation
- Expectations of where the economy is going
- Number of active investors
- Alternative investments opportunities

10-Year vs 30-Year Mortgage Rate



Source: Zonda

30-Year Less 10-Year Spread (%)



Source: Zonda

If the spread were to normalize back to the historical average, we would be looking at a mortgage rate in the 5s compared to the 6s.



Rates Have Been Below 7.0% for 13 Weeks

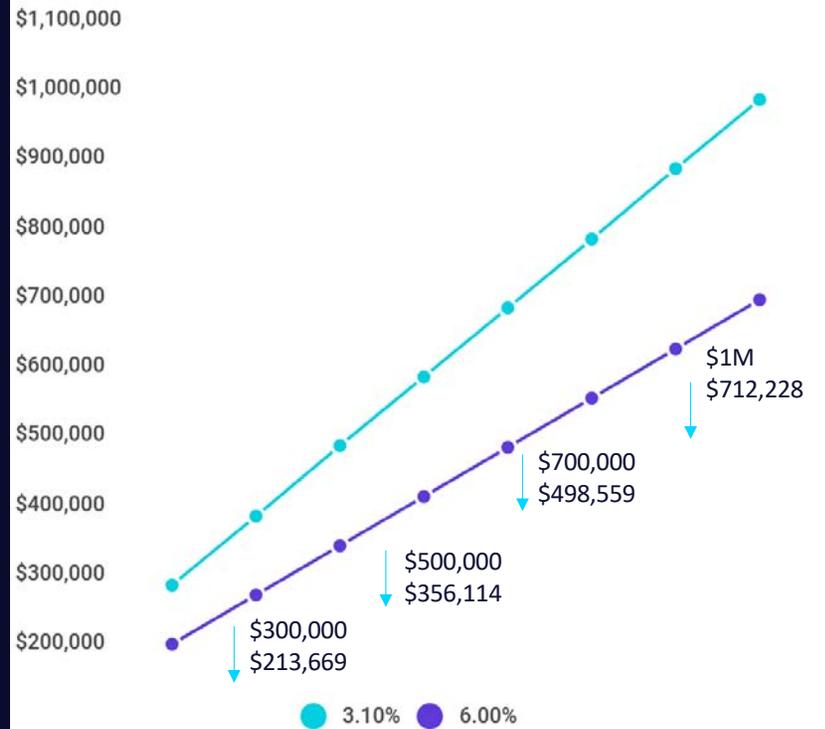
Change in Monthly Mortgage Payment

Metro	January 2022 Payment	CM Payment	Percent Change
Sarasota	\$1,496	\$2,437	63%
Tampa	\$1,187	\$1,912	61%
Orlando	\$1,226	\$1,968	61%
Jacksonville	\$1,163	\$1,847	59%
Charlotte	\$1,218	\$1,897	56%
Nashville	\$1,430	\$2,209	54%
Dallas	\$1,240	\$1,906	54%
Houston	\$1,009	\$1,542	53%
Atlanta	\$1,232	\$1,878	52%
Indianapolis	\$887	\$1,351	52%
Raleigh	\$1,444	\$2,161	50%
Washington, DC	\$1,876	\$2,715	45%
Denver	\$2,109	\$3,046	44%
Las Vegas	\$1,427	\$2,060	44%
Seattle	\$2,587	\$3,686	43%
Phoenix	\$1,535	\$2,181	42%
Los Angeles	\$3,124	\$4,423	42%
Sacramento	\$2,059	\$2,892	40%
Austin	\$1,956	\$2,646	35%

Source: Zillow; Zonda *assumes 20% down, January 2022 rate was 3.45%, current rate is 6.25%

The average monthly payment in DFW is 54% more expensive than at the beginning of 2021

Change in Purchasing Power at Given Rates

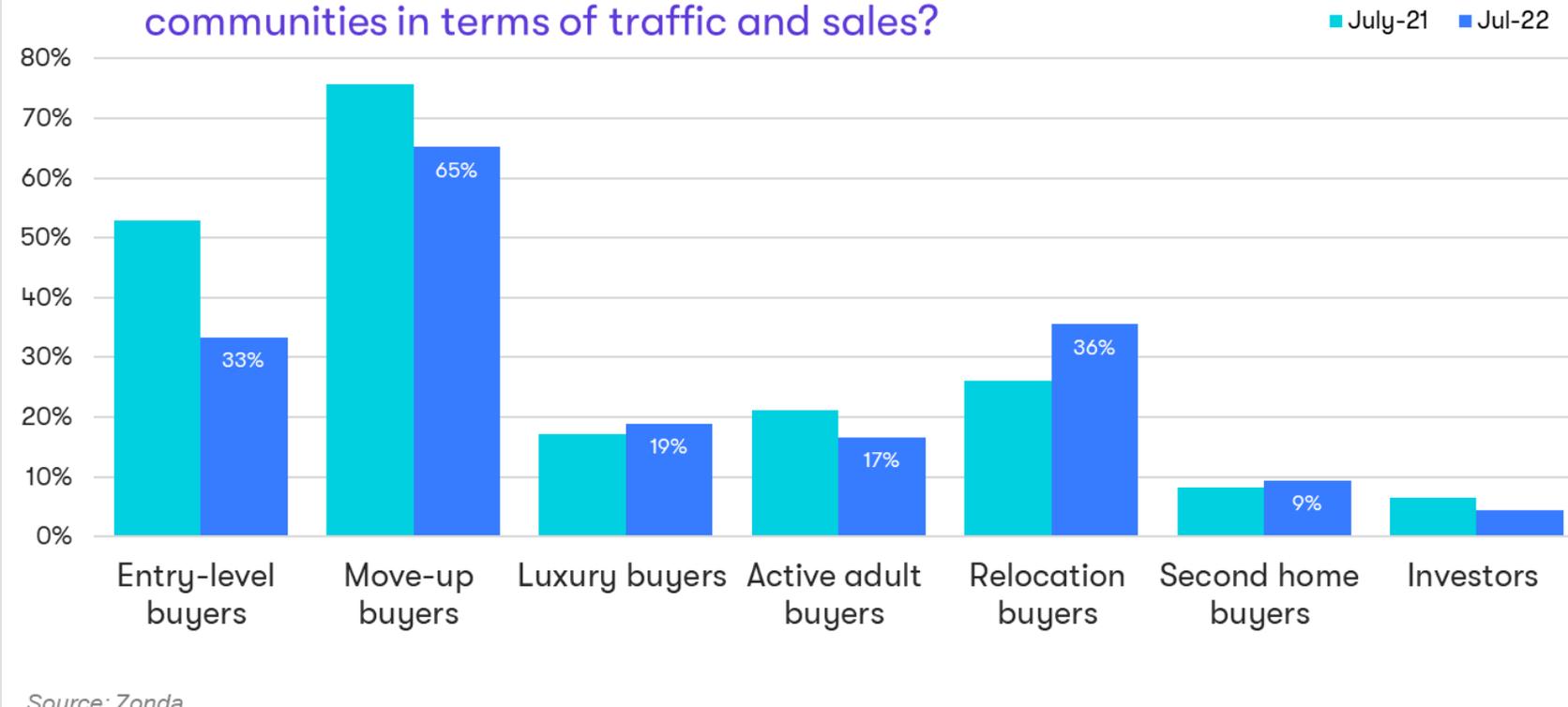


Source: Zonda Assuming the consumer doesn't change their budget



Interest Rates Impact Some Buyers Over Others

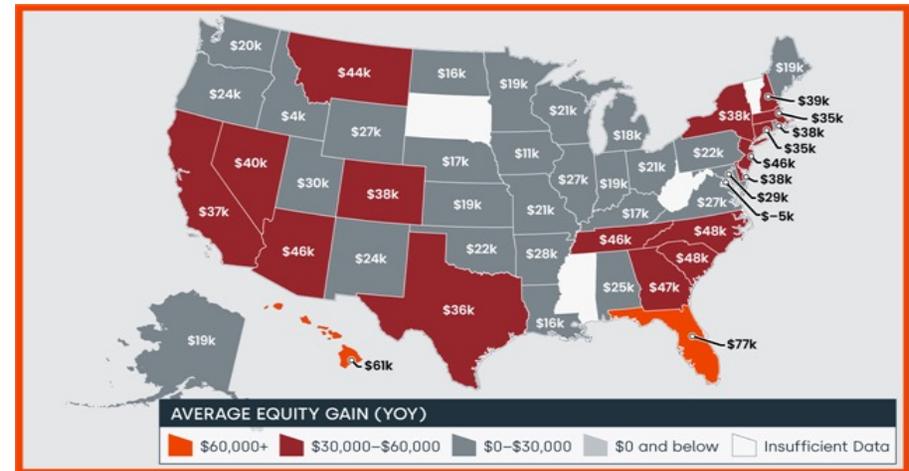
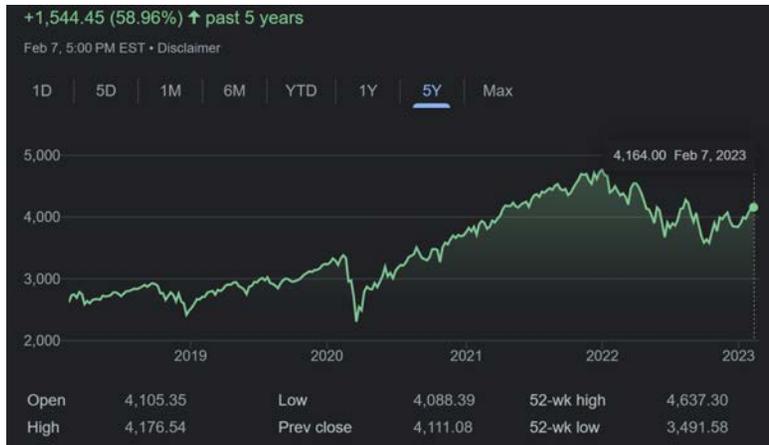
Which of the following are currently most active at your communities in terms of traffic and sales?



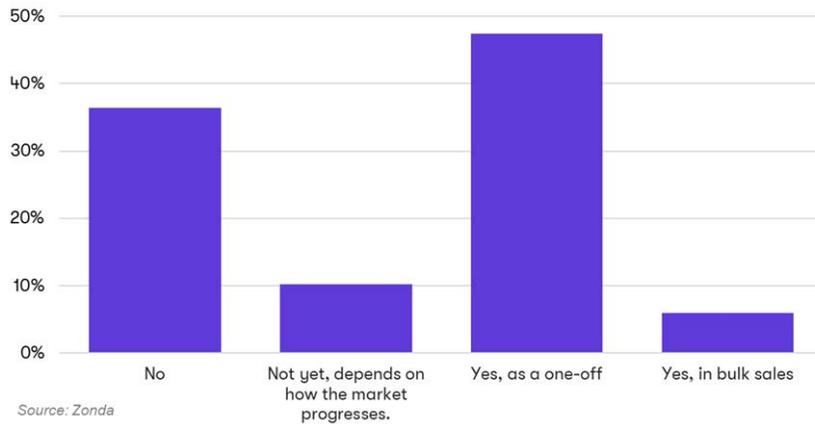
Source: Zonda



A Lot of Buyers Aren't So Cost Conscious



Are you selling homes to investors?



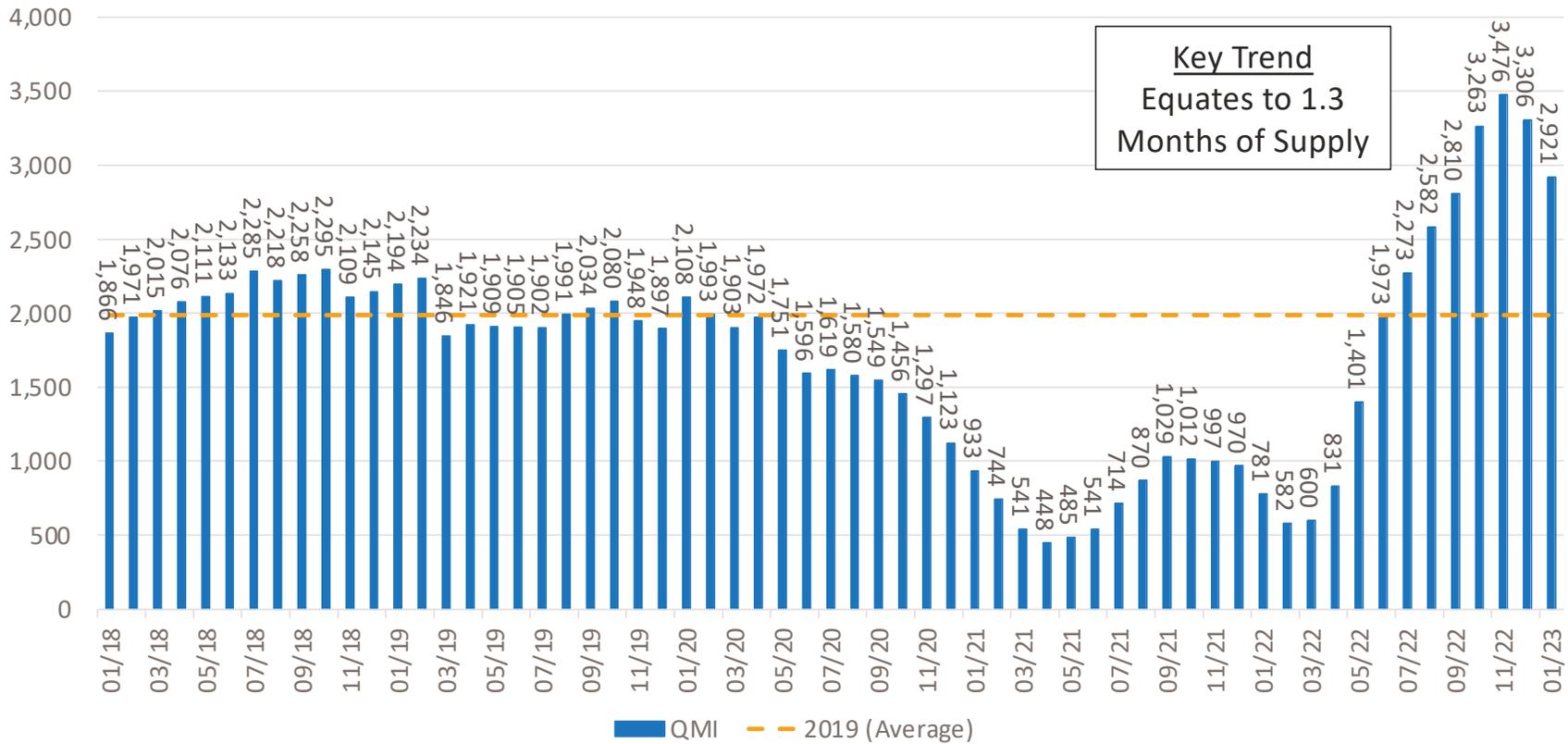
Source: CoreLogic; Zonda

Rank	2020 (rank in 2019)	2021 (rank in 2020)	2022 (rank in 2021)
1	Tennessee (12)	Texas (2)	Texas (1)
2	Texas (2)	Florida (3)	Florida (2)
3	Florida (1)	Tennessee (1)	South Carolina (4)
4	Ohio (7)	South Carolina (15)	North Carolina (19)
5	Arizona (20)	Arizona (5)	Virginia (31)
6	Colorado (42)	Indiana (12)	Tennessee (3)
7	Missouri (13)	Colorado (6)	Arizona (5)
8	Nevada (24)	Maine (29)	Georgia (23)
9	North Carolina (3)	Idaho (30)	Ohio (24)
10	Georgia (16)	New Mexico (39)	Idaho (9)

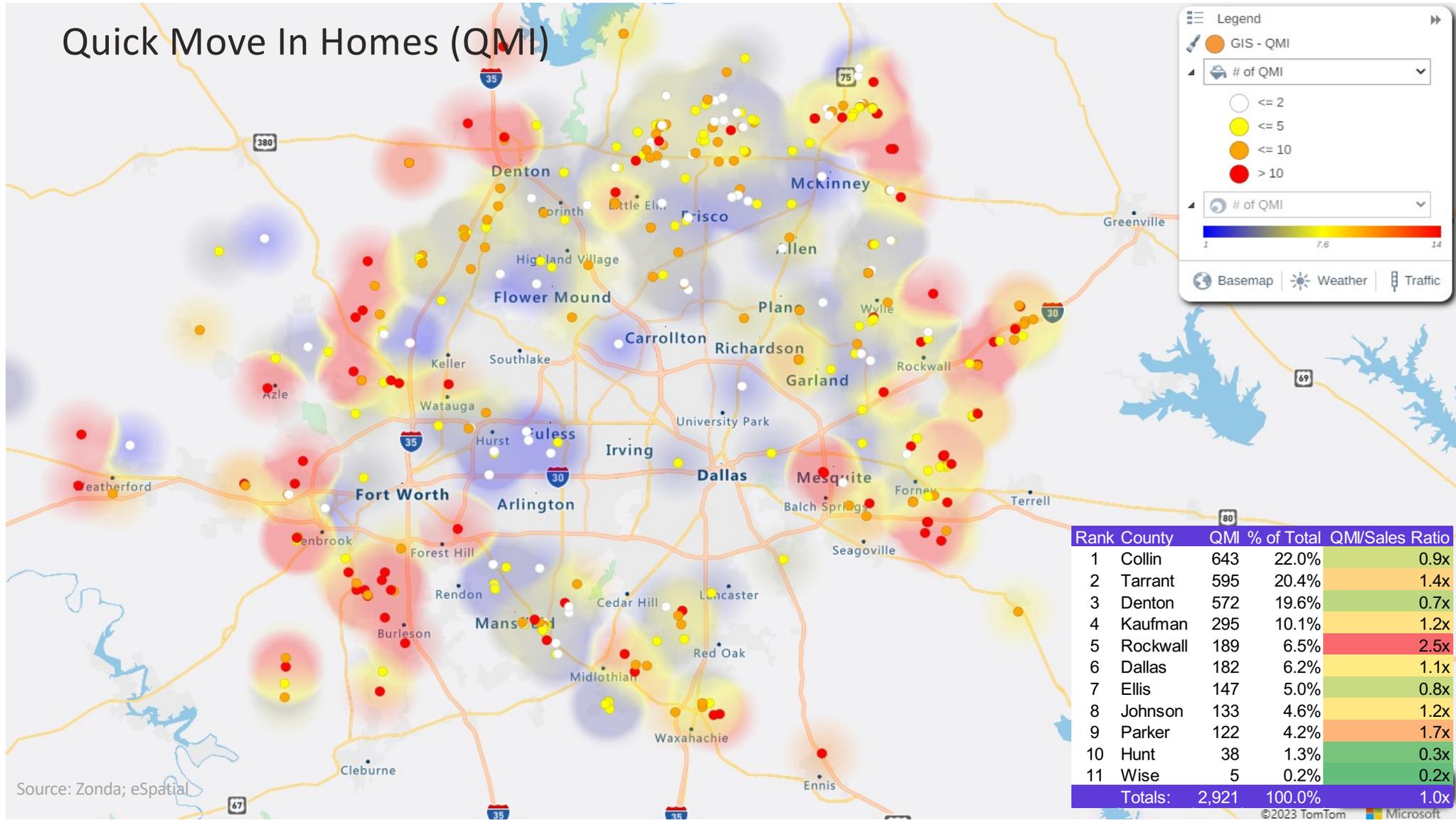
Source: U-Haul; Zonda

Hot Topics: Keeping an Eye On Inventory

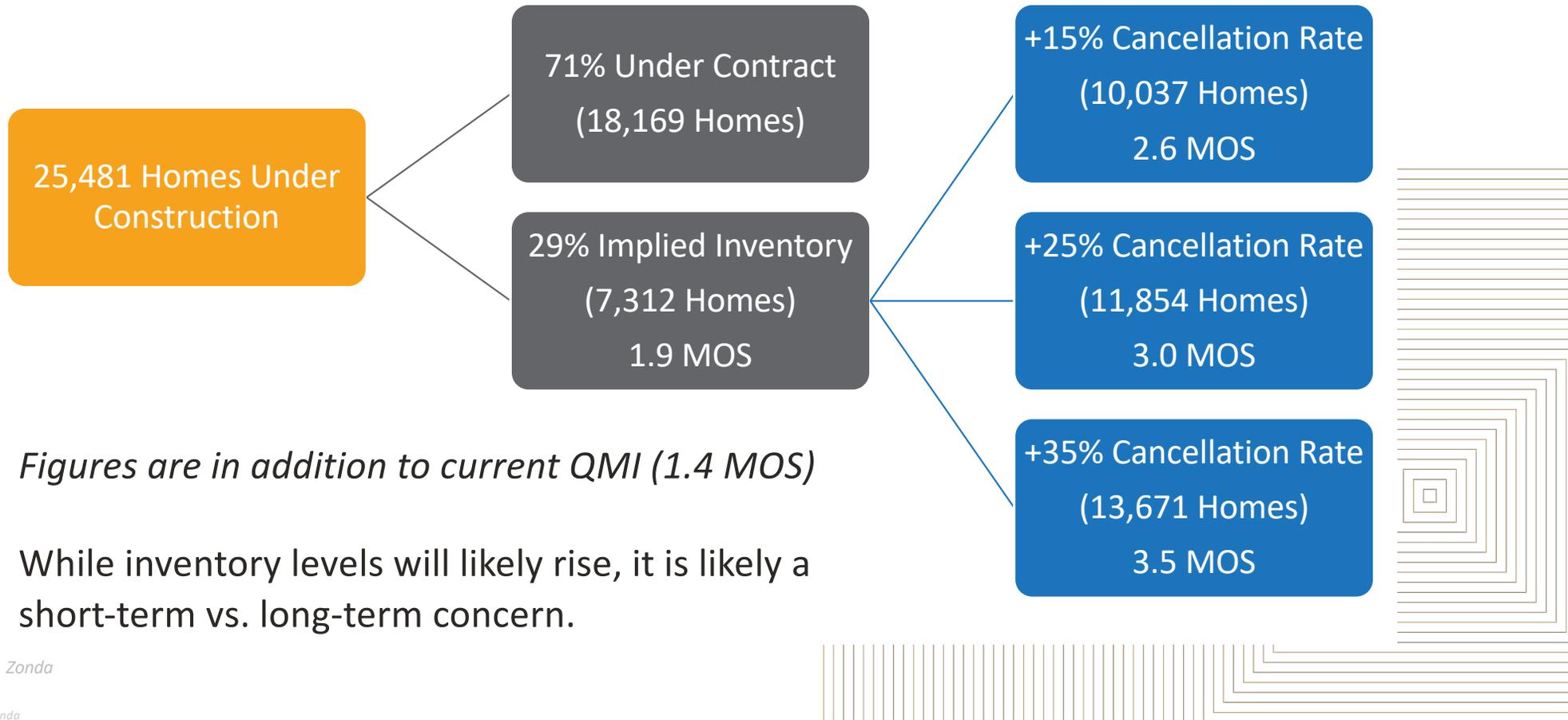
Quick Move In Homes Are Selling



Quick Move In Homes (QMI)



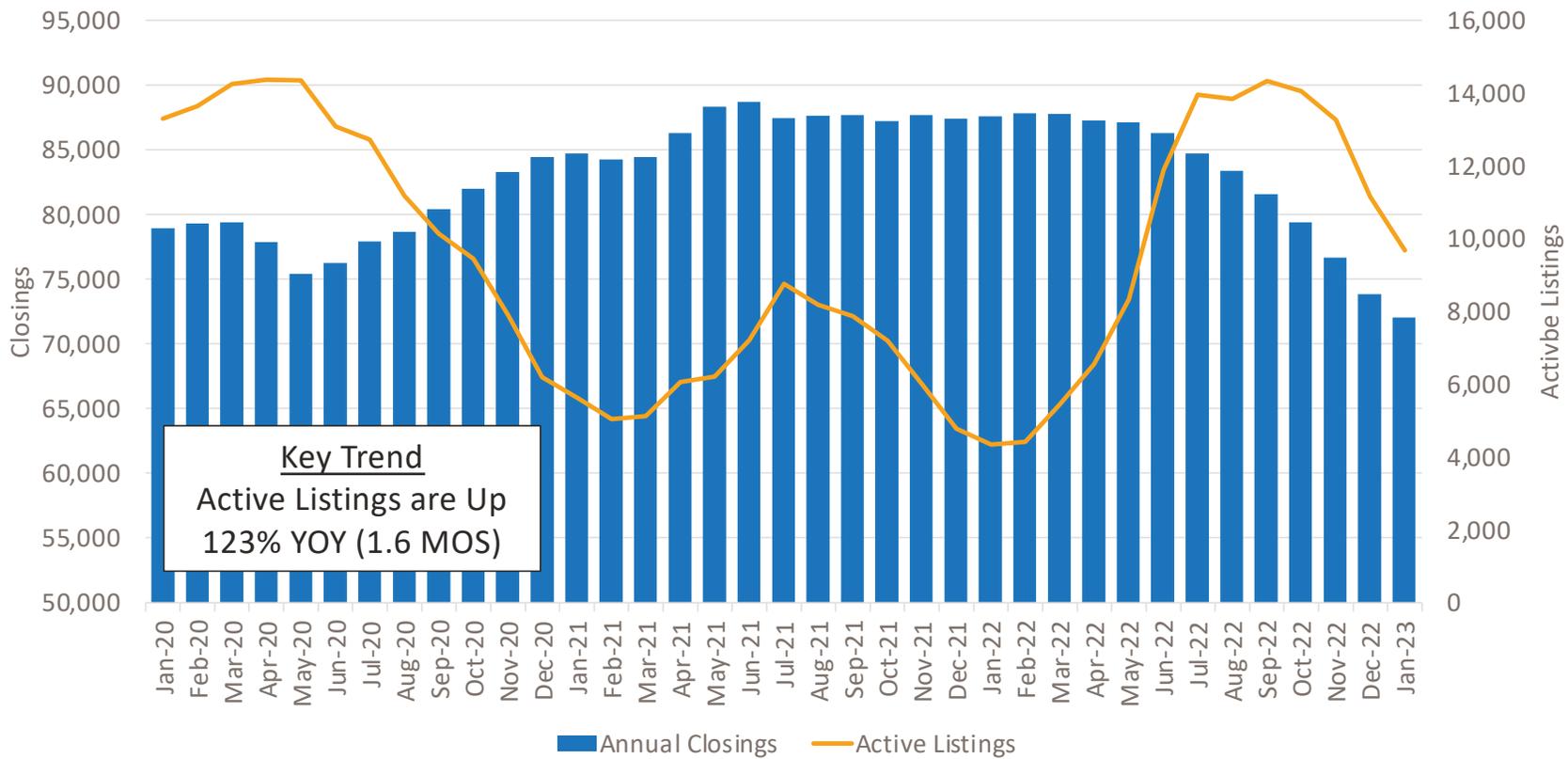
What About All Those Homes Under Construction? (4Q22 Update)



Figures are in addition to current QMI (1.4 MOS)

While inventory levels will likely rise, it is likely a short-term vs. long-term concern.

Single-Family Resale Listings and Sales Are Decreasing



Source: NTRIS MLS

Zonda

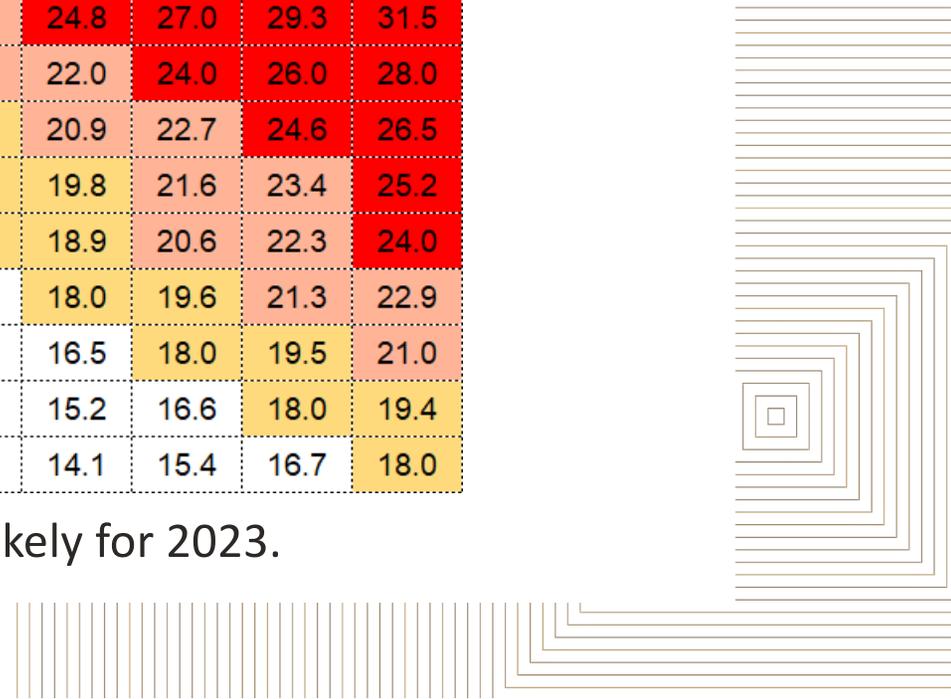
VDL Months of Supply Stress Test

		Vacant Developed Lots (0% = 4Q22)											
		41,318	48,204	55,090	61,977	65,420	68,863	72,306	75,749	82,636	89,522	96,408	
New Home Starts (0% = 4Q22)	Change	-40%	-30%	-20%	-10%	-5%	0%	5%	10%	20%	30%	40%	
	27,533	-40%	18.0	21.0	24.0	27.0	28.5	30.0	31.5	33.0	36.0	39.0	42.0
	32,122	-30%	15.4	18.0	20.6	23.2	24.4	25.7	27.0	28.3	30.9	33.4	36.0
	36,711	-20%	13.5	15.8	18.0	20.3	21.4	22.5	23.6	24.8	27.0	29.3	31.5
	41,300	-10%	12.0	14.0	16.0	18.0	19.0	20.0	21.0	22.0	24.0	26.0	28.0
	43,595	-5%	11.4	13.3	15.2	17.1	18.0	19.0	19.9	20.9	22.7	24.6	26.5
	45,889	0%	10.8	12.6	14.4	16.2	17.1	18.0	18.9	19.8	21.6	23.4	25.2
	48,183	5%	10.3	12.0	13.7	15.4	16.3	17.2	18.0	18.9	20.6	22.3	24.0
	50,478	10%	9.8	11.5	13.1	14.7	15.6	16.4	17.2	18.0	19.6	21.3	22.9
	55,067	20%	9.0	10.5	12.0	13.5	14.3	15.0	15.8	16.5	18.0	19.5	21.0
	59,656	30%	8.3	9.7	11.1	12.5	13.2	13.9	14.5	15.2	16.6	18.0	19.4
64,245	40%	7.7	9.0	10.3	11.6	12.2	12.9	13.5	14.1	15.4	16.7	18.0	

Reaching equilibrium (20 to 24 months) appears likely for 2023.

Source: Zonda

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Final Thoughts & Forecasts

Zonda.

National Housing Start Forecast

Starts: -20% in 2023

Are we too negative?

- Market is showing more signs of life for this year than originally thought
- Buyers come back to the market on lower rates
- Recession is avoided, preventing any vicious cycle
- Housing slows quicker than the rest of the economy and we are already nine months into the slowdown

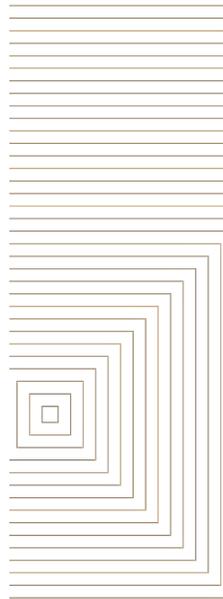
Are we too positive?

- Starts normally fall 50% in a recession
- Some of the top SF production markets are the ones where sales have pulled back the most
- What if a potential recession is not mild and short?
- Inflation doesn't slow further
- Affordability challenges persist and sales soften more
- The early 2023 uptick in sales represents more of a head fake than a sustainable bounce in demand

🚧 Zonda

Final Thoughts and Forecast (DFW)

- Total of 34,000 to 35,000 starts in 2023 (down 25% from YE2022).
- Inventory reduction and rates will be focal points in 2023.
- Don't let short-term issues cloud long-term opportunities.
- Prepare for the next leg up – product, land positions, people.
- DFW and Texas have strong tailwinds.
- Look for those green shoots!



Thank You!