State of the Housing Market
Stay Ahead
WITH ZONDA

Access the housing industry’s most comprehensive research platforms

- 500+ housing and economic metrics
- Real-time price notifications
- Curated and insightful market analysis
Today’s Agenda

1. Home sales, supply, and price
2. Demand drivers
3. Forecasts and final thoughts
Home sales, supply, and price
Great start to February. Ahead of goal

Stronger than expected traffic given high interest rates and high pricing

Communities that are open and have homes available for sale are selling very well with continued price increases.

*Panic at not getting a house against the backdrop of rising IR*
Mortgage rate urgency meets home price urgency

30-Yr FRM

3.92%

0.8 Fees/Points

Source: Public Record Data, Zonda "over the past year"
An evolving market: prices up 25%

Source: Zonda
Resale market in a stalemate

- Refinanced
- Investors
- Holding a home and buying another
- Where else to move?

Active Listings

Percentage of Homes Pending in Less Than Two Weeks

Source: Redfin, Zonda
Texas

- Dallas: -20%
- Houston: -16%
- San Antonio: -11%

Are you making any adjustments to your sales strategy in order to better align with your production capacity?

United States New Home Community Count

Source: Zonda

Buyers finding a distorted market
Demand drivers
## What is driving the strength?

<table>
<thead>
<tr>
<th>Buyer</th>
<th>COVID related lifestyle change (including WFH)</th>
<th>Non-COVID lifestyle change</th>
<th>Great home equity</th>
<th>Stock market strength</th>
<th>Search for yield</th>
<th>Rising prices</th>
<th>FOMO</th>
<th>Low interest rates</th>
<th>Increased savings</th>
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<td>First-time</td>
<td>X</td>
<td>X</td>
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<td></td>
<td></td>
<td></td>
<td>X</td>
<td>X</td>
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<tr>
<td>Move-up</td>
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<td></td>
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<td>X</td>
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<td>Luxury</td>
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<td>Retiree/55+</td>
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<td>Foreign</td>
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</table>

Source: Zonda
About as good as it gets for demographics

**Millennials Population By Age**

2022 Estimate

<table>
<thead>
<tr>
<th>Age</th>
<th>Population (in Millions)</th>
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<td>22</td>
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<tr>
<td>23</td>
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<td>24</td>
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<td>40</td>
<td>7.9</td>
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<tr>
<td>41</td>
<td>8.2</td>
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<tr>
<td>42</td>
<td>8.5</td>
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</table>

**Did you save more money this year than last?**

- Yes: 7%
- No: 93%

**The Student Loan Deferral Savings Through December**

- City: San Francisco, Houston, Dallas, Los Angeles, Atlanta, Seattle, New York, Chicago, Miami, Phoenix, San Diego, Austin, Washington, D.C., Denver, San Jose, Nashville, Columbus, Kansas City, Charlotte, Minneapolis, Philadelphia, St. Louis, Portland, Seattle

*Source: Zonda.*
Gen X + Boomers: equities, equity, and lifestyle changes

Source: CoreLogic; Zonda

Market Summary > S&P 500

4,299.06
+1,931.72 (81.60%) ↑ past 5 years

Feb 23, 12:42 PM EST • Disclaimer

1D  5D  1M  6M  YTD  1Y  5Y  Max

2,000 3,000 4,000 5,000

2,362.72 Mar 31, 2017

Watch for volatility

AVERAGE EQUITY GAIN (Y/Y)

$90,000+  $60,000-$90,000  $30,000-$60,000  $0-$30,000  Insufficient Data

Source: CoreLogic; Zonda
Texas #1 for relocation (U-Haul)

“Elsewhere” percent

Austin: 31.1%
Houston: 31.5%
San Antonio: 43.1%

Factors making true affordability hard to quantify

Like-for-like home is $510,000 in Dallas and $1.3M in Los Angeles
Forecasts and final thoughts
We are calling for additional growth but with a little bit more caution.

+5.1% in 2022

Source: US Census Bureau; Zonda
Limiting factors

Texas

73% Yes
Government Services
(64% yes national)

95% Yes
Supply Disruptions
(91% yes national)

85% Yes
Labor Shortages
(79% yes national)

71% Yes
Land Disruptions
(66% yes national)

Source: Zonda
Siding
- James Hardie has additional lines and plants coming online gradually over 2022.
- LP is converting 2 mills over to production of SmartSide and should have additional capacity in the second half of 2022.

Decking
- Trex announced a third production site to open in Little Rock, Arkansas that will be operational in 2024, to take on additional demand.
- Azek TimberTech will have a new manufacturing facility in Boise, Idaho, that will be fully operational in 2022. This facility will produce decking, railing, trim and accessories.

Trusses
- MiTek is putting in $35M in CapEx in the form of new lines to increase production at those facilities throughout 2022-23.
- BFS is also in the process of adding additional truss capacity in certain markets to help grow floor and roof truss capacity as well as wall panels. BFS is also investing in some robotic lines which could help with the labor shortages.

EWP
- Boise is running at effective capacity of over 90% and continues to work on increasing their productivity with operational efficiencies.
- Weyerhaeuser – probably operating around the 85% range.
- LP – converted their LSL mill to produce SmartSide, so while it will help the siding category, it will hurt the overall beam and header production in the short term.
  - They are pumping in some CapEx to improve their LVL production to offset the LSL volume loss.
  - They have committed to keep the EWP business up and running while they explore strategic options for this business.

Gypsum
- No new additional production coming on board in 2022.

Roofing
- No new additional production coming on board in 2022.
- Owens Corning just announced mill upgrades that will help in 2023.

Insulation
- With only a slight increase in Fiberglass Insulation capacity, supply will remain tight for most of 2022.

Millwork
- Fiberglass doors & Attic Stairways will remain difficult through Q2 2022. It will gradually improve through the balance of next year.

Windows
- Window suppliers are receiving partial orders from component suppliers like glass, hardware and extrusions. With production already hand to mouth, this has caused last minute manufacturing delays in window orders.
- Window manufacturing will continue with lead time challenges through Q2 of 2022. Additional industry capacity will support builder growth forecasts, but order file backlogs will take a considerable time to work through.

Adhesives
- With the tightness on resin predicted to remain the same, expect shortages on caulking and adhesives.

Fasteners
- While steel pricing continues to stabilize, overseas freight continues to provide challenges.

MDF Mouldings/shelving
- On allocation and will remain difficult through the balance of this year as additional production is added in 2023.

Source: BFS; Zonda
Total upcoming lots +26% YOY

Source: Zonda

Expected Vacant Developed Lot Delivery Based on Stage of Construction

- Excavation (3Q/4Q 2022): 6%
- Streets Paved (2022): 25%
- Streets In (1Q21): 69%

Source: Zonda
<table>
<thead>
<tr>
<th>Metro</th>
<th>Excavation (3Q/4Q 2022)</th>
<th>Streets Paved (2022)</th>
<th>Streets In (1Q21)</th>
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</thead>
<tbody>
<tr>
<td>Dallas</td>
<td>39,855 (89%)</td>
<td>17,548 (30%)</td>
<td>463 (1%)</td>
</tr>
<tr>
<td>Seattle</td>
<td>30,016 (82%)</td>
<td>452 (1%)</td>
<td>6,101 (17%)</td>
</tr>
<tr>
<td>Phoenix</td>
<td>32,264 (91%)</td>
<td>3,065 (0%)</td>
<td>141 (0%)</td>
</tr>
<tr>
<td>Orlando</td>
<td>16,103 (61%)</td>
<td>7,904 (30%)</td>
<td>2,515 (9%)</td>
</tr>
<tr>
<td>Charlotte</td>
<td>12,052 (51%)</td>
<td>8,688 (38%)</td>
<td>2,497 (11%)</td>
</tr>
<tr>
<td>Sacramento</td>
<td>4,721 (20%)</td>
<td>16,901 (73%)</td>
<td>1,660 (7%)</td>
</tr>
<tr>
<td>Jacksonville</td>
<td>16,496 (76%)</td>
<td>4,613 (21%)</td>
<td>685 (3%)</td>
</tr>
<tr>
<td>Atlanta</td>
<td>15,878 (74%)</td>
<td>5,471 (25%)</td>
<td>203 (1%)</td>
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<tr>
<td>Washington, DC</td>
<td>16,578 (82%)</td>
<td>3,612 (18%)</td>
<td>9 (0%)</td>
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<tr>
<td>Raleigh</td>
<td>14,275 (77%)</td>
<td>4,320 (23%)</td>
<td>43 (0%)</td>
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<tr>
<td>San Francisco</td>
<td>8,399 (47%)</td>
<td>8,715 (48%)</td>
<td>932 (5%)</td>
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<tr>
<td>Denver</td>
<td>12,043 (74%)</td>
<td>4,169 (26%)</td>
<td>40 (0%)</td>
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<tr>
<td>Austin</td>
<td>7,873 (51%)</td>
<td>6,466 (42%)</td>
<td>1,220 (8%)</td>
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<td>San Antonio</td>
<td>8,365 (67%)</td>
<td>4,151 (33%)</td>
<td>62 (0%)</td>
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<tr>
<td>Houston</td>
<td>8,093 (88%)</td>
<td>4,094 (34%)</td>
<td>25 (0%)</td>
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<tr>
<td>New York</td>
<td>6,619 (72%)</td>
<td>1,282 (14%)</td>
<td>1,325 (14%)</td>
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<tr>
<td>Tampa</td>
<td>5,174 (67%)</td>
<td>200 (3%)</td>
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<td>Chicago</td>
<td>4,486 (67%)</td>
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<td>Las Vegas</td>
<td>5,215 (88%)</td>
<td>621 (11%)</td>
<td>59 (1%)</td>
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<td>Philadelphia</td>
<td>3,341 (89%)</td>
<td>1,133 (23%)</td>
<td>395 (8%)</td>
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<td>Los Angeles/OC</td>
<td>2,760 (62%)</td>
<td>642 (14%)</td>
<td>1,029 (23%)</td>
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<td>Colorado Springs</td>
<td>2,455 (66%)</td>
<td>1,221 (33%)</td>
<td>10 (0%)</td>
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<tr>
<td>Salt Lake City</td>
<td>1,700 (70%)</td>
<td>587 (24%)</td>
<td>144 (9%)</td>
</tr>
</tbody>
</table>
Sales dependent on supply, sales caps, and affordability

-7.3% in 2021, +10.9% in 2022
Don’t ignore the impact

- A 0.5% change in interest rate translates to 6.5% in home price
- A 1.0% change in interest rate translates to 13.2% in home price

If someone could afford the monthly payment for a $342,000 home at 3.0%, the equivalent payment at 4.0% is for a $297,000 home.

Source: Public Record Data; Zonda *Baseline assumes 3.0% rate and 20% down on sfd new homes
Price to income ratio at new highs
The days of “low interest rates offsetting HPA” are behind us

Income vs wealth

- Relocation vs local
- First-time vs move-up
- Lower income vs higher income
Starting to see challenges with interest rates

Some mortgage issues

We are starting to see buyers that can’t qualify at the higher prices
Final thoughts

- Expect a lot more for-sale and rental building in the years to come, but where will demand be at that point?
- Supply chain challenges should free up over the next 12-18 months
- Watch for sensitivity on home prices and rental rates
- Part-time WFH is here to stay
- Geopolitical risk picking up
- Are we at an inflection point?
- Watch for how the winners and losers play out
- Expect some economic volatility as consumers and businesses going through different periods of recalibration. Watch for hard or soft landing. If done right, we can get back on a healthier growth path
Thank you