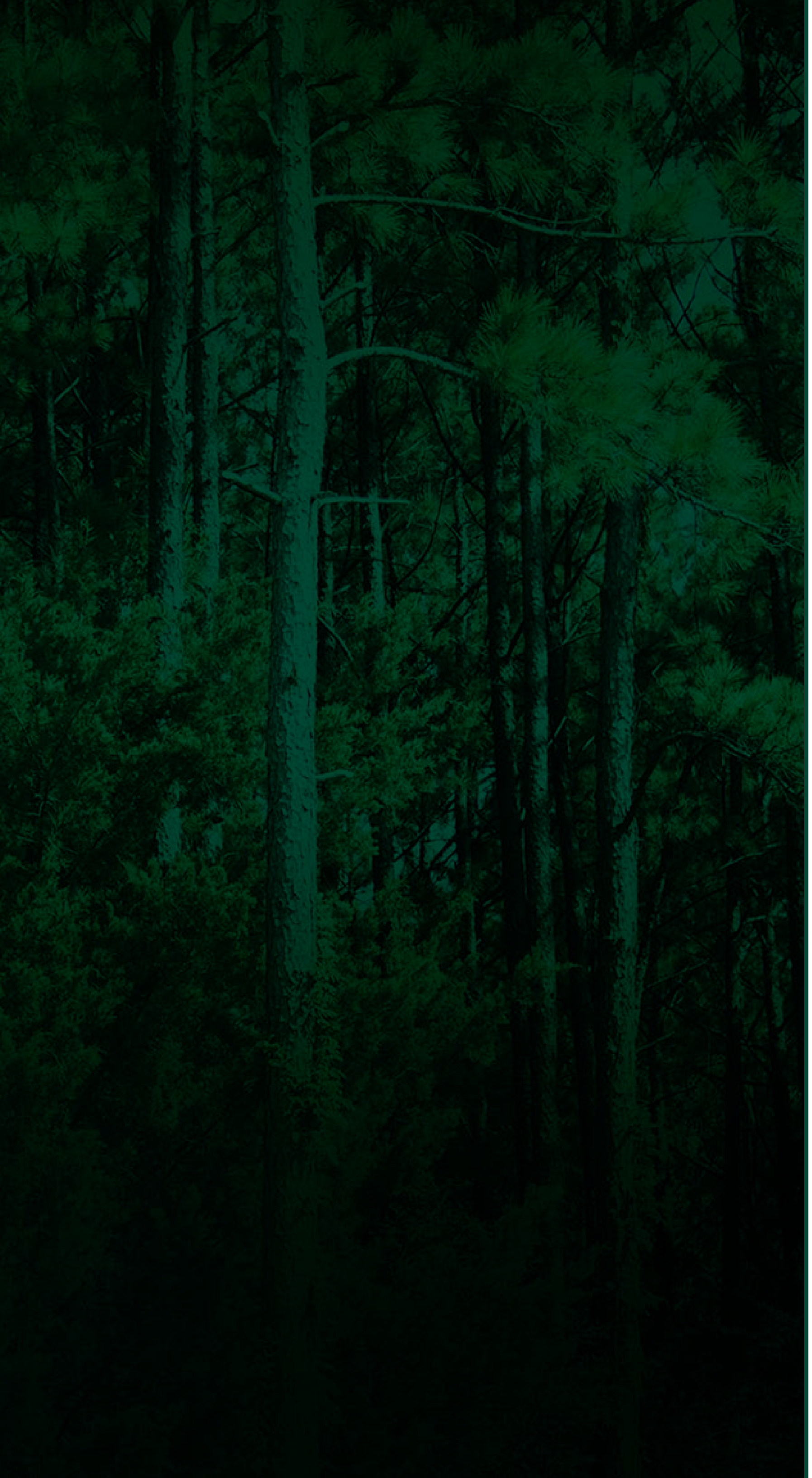


Since 1923

RoyOMartin®

BUILDING TOMORROW *Together*

BOARD BRIEF

2024 YEAR END REVIEW

2024
VISION STATEMENT

RoyOMartin is a family-owned, professionally managed company whose stakeholders hold fast to our core values of Respect, Integrity, Commitment, Honesty, Excellence, and Stewardship.

We excel at growing people, working safely, producing quality wood products, and sustaining natural resources entrusted to us by God.

Home building is a local industry, but with benefits and setbacks stemming from outside variables across different parts of the country. The RoyOMartin Board Brief lays out the stats for our customers in key areas, namely the southwest region, so you can better understand the many factors affecting your local market.

TRENDS WE ARE SEEING NATIONWIDE:

- MORTGAGE INTEREST RATE DECREASED FROM 2024 HIGHS
- HOME PRICES CONTINUE TO RISE
- HOUSING INVENTORY INCREASING, THOUGH STILL CONSTRAINED RELATIVE TO DEMAND
- FED RESERVE RATE IS STABLE
- EXPERTS ANTICIPATE A STABILIZED HOUSING MARKET IN THE COMING YEAR
- BUILDER SENTIMENT IS CAUTIOUSLY OPTIMISTIC
- BUYERS AND BUILDERS ARE CAUTIOUS ABOUT HOW THE POLICIES OF THE NEW ADMINISTRATION WILL AFFECT HOUSING MARKET

"Recently a committee of stakeholders worked with executive team members, board members and shareholders to develop a new vision statement. The 2024 RoyOMartin Vision Statement, which was unanimously approved by the Board of Managers, looks to the future of RoyOMartin while respecting and honoring the values and principles that have guided us over the last 100 years."

Natalie Martin Monroe,
VP of Environmental Safety & Sustainability Operations

"This committee has done a great job of memorializing the values and vision that has made RoyOMartin last 100 years, and the values and vision we will continue to uphold for the next 100 years. Our future is very bright because our younger shareholders, managers and stakeholders embrace this statement like our current leaders. We are "World Class" in so many areas and strive to continue to be the industry leader in the future."

Roy O. Martin, III
Chairman & CEO

OSB Pricing YOY

MARCH 2024

$620

MARCH 2025

$320

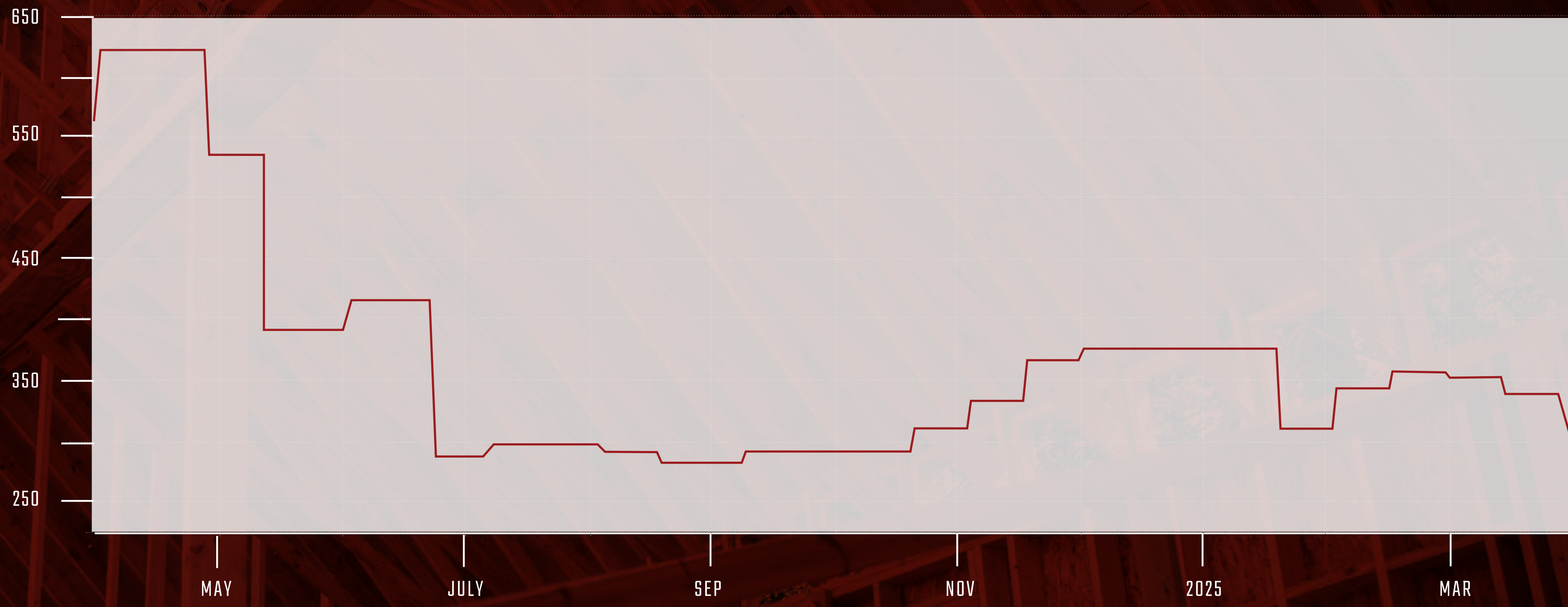
OSB SHEATHING (SOUTHWEST) 7/16" PRICES NET F.O.B. MILL

US Southwest RL End-week

$320

DOWN $300

-48.4% YOY



According to new research, the rising cost of homeownership is prompting more Americans to opt for renting. On average, monthly mortgage payments for new home homes are 35% higher than apartment rents, and mortgage payments, including taxes, have increased 75% since late 2019. Austin and Los Angeles currently have the nation's highest cost-to-buy premiums, where homeownership in these two metros cost almost 2.5 times than average rent. "The disparity between mortgage payments and rental costs creates a significant hurdle for individuals and families looking to transition from renting to homeownership," said Matt Vance, Americas Head of Multifamily Research at CBRE. "For many, renting offers financial advantages and lifestyle flexibility, allowing them to adapt to evolving priorities and circumstances."

Although national active listings are on the rise (up 24.6% between January 2024 and January 2025), we're still below pre-pandemic active inventory levels (25.3% below January 2019). How does this relate to pricing? Generally speaking, local housing markets where active inventory has returned to pre-pandemic levels have experienced softer home price growth (or outright price declines) over the past three years. Conversely, local housing markets where active inventory remains far below pre-pandemic levels have experienced stronger home price growth over the past three years.

The U.S. construction industry is facing significant challenges due to labor shortages linked to immigration policies and the rising costs of materials driven by proposed tariffs.

Tariffs—such as a proposed 25% tax on Canadian goods and the existing 14.54% tariff on softwood lumber—are anticipated to further inflate material costs. However, for some context, let's consider the following:

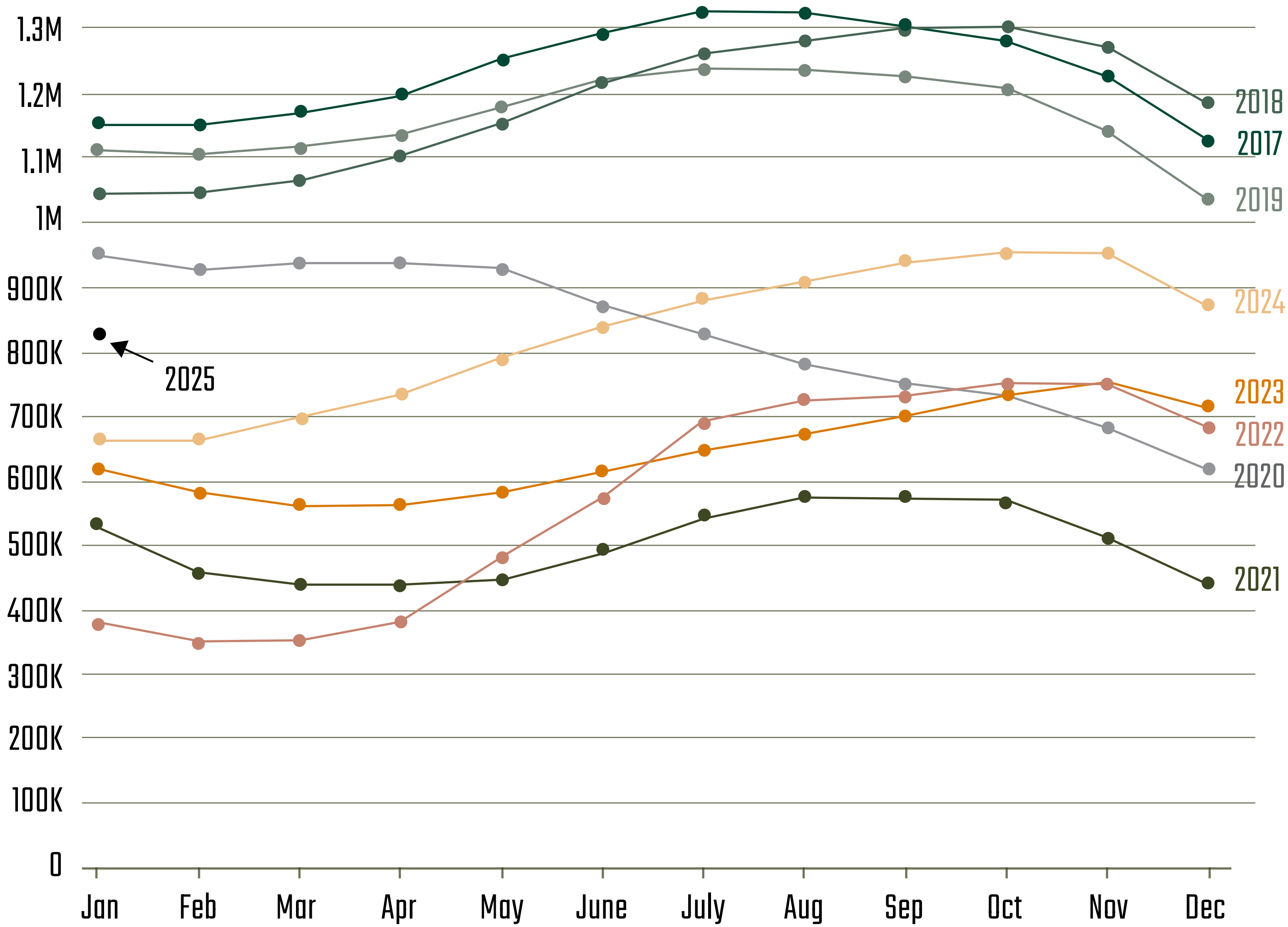
With proposed 25% tariffs on certain Canadian and Mexican imports expected to take effect on April 2nd, many in the construction and building supply industries are understandably concerned about potential cost increases. However, it's important to put this policy change into perspective, particularly in relation to its actual impact on overall home prices and affordability.

The U.S. currently produces approximately 70% of the lumber and wood panels it consumes, and 85–90% of its gypsum board, while Canadian imports only account for about 25% of lumber use (less for panels). This means the proposed tariffs would affect a relatively small portion of the total materials supply chain.

Even if lumber and panel prices were to increase by the full 25% due to these tariffs, the effect on total home construction costs would be modest. For a median-priced home of $420,000, framing materials typically represent only about 5% of total costs. That means a 25% spike in lumber and panel prices would increase the monthly mortgage payment by approximately $23—assuming a 10% down payment and a 6.65% mortgage rate on a 30 year loan. A more conservative and realistic price increase of 15% would translate to only about $14 more per month.

To put that in context, a mere 0.1 percentage point increase in mortgage rates, from 6.65% to 6.75%, would raise the same mortgage payment by $25. This underscores the fact that the key drivers of home affordability remain mortgage rates, home prices, and household incomes—not building material costs alone.

Active U.S. housing inventory for sale, according to Realtor.com



Monthly active listings (i.e. inventory) on Realtor.com through January 31, 2025

Chart: Lance Lambert • Create with Datawrapper

ResiClub

Land prices and labor costs, particularly those driven by longstanding productivity challenges in construction, continue to be the biggest contributors to rising home prices. While material pricing deserves attention, it is not the primary factor affecting housing affordability.

Regardless of the overall impact, importers and builders will have to decide whether to absorb these higher costs or pass them on to the buyers, which will still impact overall project budgets.

In 2024, households earning the median U.S. income of $83,782 spent nearly 42% of their income on monthly housing costs for a typical home priced at $429,734. Although this represents a slight improvement from 42.2% in 2023, it remains significantly above the 30% threshold that was common in the 2010s.

To keep housing costs within the recommended 30% of their earnings, buyers in 2024 would need an annual income of $116,782—about $33,000 more than the median income. This stark difference highlights the ongoing affordability challenge faced by many potential homeowners.

While the average monthly housing payment reached a record high in 2024, wages only saw a modest 4% growth in 2024, falling short of keeping pace with the escalating housing costs.

The U.S. housing market has seen a surge in mortgage demand recently, according to new data from Freddie Mac and the Mortgage Bankers Association. This spike is driven by a notable drop in interest rates, a positive indicator for home builders and industry professionals.

As of March 6, 2025, the average 30-year fixed mortgage rate fell to 6.63%, down from 6.76% the previous week, marking the largest decline since mid-September. The 15-year fixed rate also dropped to 5.79% from 5.94%. Compared to a year ago, rates remain slightly lower, creating new opportunities for both buyers and refinancers.

Freddie Mac's Chief Economist, Sam Khater, noted that lower rates are boosting homebuyers' purchasing power and encouraging more market activity. Refinancing has also picked up, with refi applications making up 44% of total mortgage applications—the highest share since mid-December.

For builders, this uptick in demand could translate to increased new home sales, especially as buyers who were previously priced out may now reconsider purchasing. The current rate trend presents an opportunity for developers and suppliers to meet growing demand as the spring homebuying season gains MOMentum.

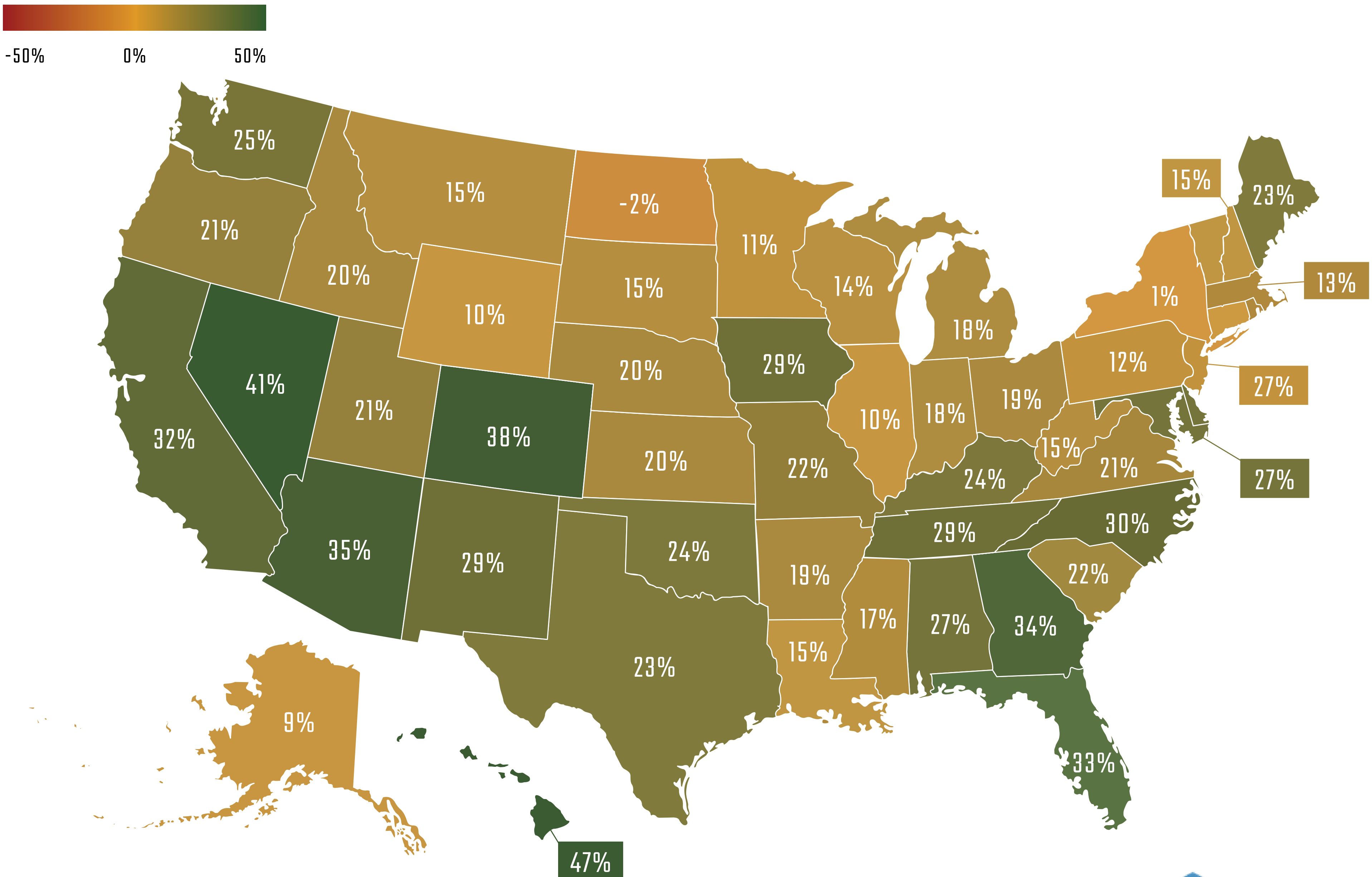
In total, 1,364,100 homes were started in 2024, a 3.9% decrease from the previous year. For the full year, 1,627,900 homes were completed in 2024, reflecting a 12.4% increase from 2023. This data highlights a mixed landscape for the housing market, with a decline in overall starts and permits year-over-year, but an increase in completions, suggesting some challenges in the supply chain and construction timelines.

The Home Purchasing Sentiment Index (HPSI) saw a modest increase in January 2025, rising by 0.3 points to 73.4, following a decline in December. This marks a 2.7-point improvement compared to the same time last year. Confidence in both buying and selling homes strengthened, with a growing number of people anticipating an increase in home prices this year.

However, the outlook for mortgage rates shifted, with the percentage of people expecting rates to fall dropping by 13 percentage points in January 2025. At the same time, expectations for rising rent costs continued to climb, with 65% of people now anticipating higher rents, an 8-point rise from the previous month.

While optimism about the housing market is on the rise, concerns over higher mortgage and rent costs remain a significant factor influencing consumer sentiment.

One-year change in active housing inventory for sale
Shift between January 2024 and January 2025



Map: Lance Lambert • Source: ResiClub analysis of listing data from Realtor.com
Created with Datawrapper

LOUISIANA

TOP MARKETS:

LAFAYETTE

2,078 SINGLE PERMITS
[+3% YTD]

20 MULTI PERMITS
(-95% YTD)

LAKE CHARLES

789 SINGLE PERMITS
(+41% YTD)

536 MULTI PERMITS
(+18% YTD)

NEW ORLEANS/METARIE

2,064 SINGLE PERMITS
(7% YTD)

627 MULTI PERMITS
(-47% YTD)

BATON ROUGE

3,413 SINGLE PERMITS
(+14% YTD)

635 MULTI PERMITS
(+134% YTD)

LOUISIANA ECONOMY

- Oil and Gas
- Tourism
- Chemicals
- Commercial Fishing
- Agriculture and Forestry

Lafayette

The Lafayette housing market faces mounting challenges as affordability concerns continue to weigh on buyers. High insurance premiums, rising mortgage rates, and a stagnant local economy are slowing home sales, especially in higher-priced segments. While rural parishes see an increasing share of transactions due to their affordability, overall demand remains weak, leading to an 11.5% oversupply in the market.

New home prices have declined, but existing home prices are appreciating as buyers opt for lower-cost options. The University of Louisiana at Lafayette provides some stability as a major employer, yet job growth remains slightly negative, contributing to economic uncertainty. With new home construction activity tapering off, builders appear cautious about adding supply in the face of weaker absorption rates.

Long-term, Lafayette's overvaluation of 27.4% raises concerns about future price corrections.

Lake Charles

Homes are taking longer to sell, with an average of 95 days on the market, signaling a slower-paced market. High mortgage rates and limited inventory continue to put pressure on both buyers and builders.

Woodring Apartments, a mixed-income and resilient workforce housing complex, was unveiled to Lake Charles residents recently. The downtown investment was intended to stimulate economic development, particularly to help the area recover from the devastating impacts of both Hurricanes Laura and Delta. The downtown establishments are excited because this provides affordable housing to their workforce who reside in the area.

New Orleans

The New Orleans housing market is showing signs of softening, with the median sale price dropping to $310,000 in February 2025—a 4.6% year-over-year (YOY) decline. At the same time, sales activity picked up, with a 22% increase in homes sold compared to last year. Homes are spending an average of 104 days on the market, slightly faster than the previous year, but still reflective of a slower market pace. Inventory is rising, with over 2,900 active listings, and about 72% of homes are selling below asking price—indicating a clear shift toward a buyer's market. Builders and suppliers should also be aware of affordability concerns tied to high mortgage rates, insurance costs, and stagnant wages, which are limiting buyer budgets. Additionally, flood risk remains a critical factor in New Orleans, with the majority of new listings facing moderate to severe exposure—something that continues to affect property values, build decisions, and insurance premiums.

Additionally, the city has implemented stringent regulations on short-term rentals to combat illegal listings and address the affordable housing crisis. These measures aim to preserve housing availability for long-term residents but have led to legal challenges from platforms like Airbnb.

Baton Rouge

Baton Rouge's real estate market is experiencing a mixed landscape of strong industrial growth but weaker home-buying MOMentum. While industrial construction and job opportunities should, in theory, support a strong housing demand, rising home prices, economic uncertainty, and a softening job market are cooling buyer enthusiasm.

Despite ongoing construction, housing supply is slightly outpacing demand, contributing to longer days on the market and increased months of supply. Buyers appear hesitant, likely due to economic uncertainty tied to both mortgage rate stability and national energy policy shifts, given the city's dependence on the fossil fuel industry.

Although home prices have continued to appreciate, particularly in the existing home market (+4.1% YOY), affordability remains a moderate concern, and new permits are growing at a faster pace than job creation. Baton Rouge's housing market is likely to remain stable but slow-moving in early 2025, with potential risk factors tied to broader economic conditions.

The unemployment rate stood at 3.1%, slightly higher than pre-pandemic levels but indicative of a relatively stable labor market. As of November 2024, Baton Rouge maintained 420,800 jobs, reflecting a loss of 200 jobs from October 2024 but a gain of 1,900 jobs compared to November 2023.


BATON ROUGE, LA


LAFAYETTE, LA

"In March 2025, U.S. existing-home sales fell by 5.9% from February, marking the largest monthly decline since November 2022 and the slowest pace for any March since 2009. The drop reflects continued economic uncertainty and high mortgage rates, which remain above 6.5%."
Wall Street Journal

TEXAS

TOP MARKETS:

AUSTIN/ROUND ROCK/GEORGETOWN

16,996 STARTS
(+14.5% LAST 12 MONTHS)

16,448 NEW HOME SALES
(-2.1% LAST 12 MONTHS)

16,521 SINGLE PERMITS
(-1% YTD)

15,783 MULTI PERMITS
(-28% YTD)

UNDER CONSTRUCTION MOS **5.8**

DALLAS/FORT WORTH/ARLINGTON

46,955 STARTS
(+12.5% LAST 12 MONTHS)

38,329 NEW HOME SALES
(-2.1% LAST 12 MONTHS)

47,191 SINGLE PERMITS
(11% YTD)

25,128 MULTI PERMITS
(4% YTD)

UNDER CONSTRUCTION MOS **5.5**

HOUSTON/THE WOODLANDS/SUGAR LAND

38,415 STARTS
(+ 15.3% LAST 12 MONTHS)

32,634 NEW HOME SALES
(+2.2% LAST 12 MONTHS)

52,276 SINGLE PERMITS
[5% YTD)

13,020 MULTI PERMITS
(-29% YTD)

UNDER CONSTRUCTION MOS **5.5**

SAN ANTONIO/NEW BRAUNFELS

17,579 STARTS
(+33.0% LAST 12 MONTHS)

16,482 NEW HOME SALES
(-2.3% LAST 12 MONTHS)

10,916 SINGLE PERMITS
(25% YTD)

3,860 MULTI PERMITS
(-50% YTD)

UNDER CONSTRUCTION MOS **5.6**

TEXAS ECONOMY

- Finance
- Tech
- Healthcare
- Air and Space
- Energy
- Manufacturing
- Agriculture

The Texas housing market closed out 2024 on a strong note, rebounding from a late summer slowdown with a surge in sales activity through the final quarter. After a dip in August and a slight decline in September, sales picked up in October, November, and December, suggesting renewed buyer confidence heading into 2025. While the summer slowdown aligned with typical seasonal patterns, affordability concerns and higher mortgage rates may have also played a role in temporary buyer hesitation.

Despite some month-over-month fluctuations, home prices remained relatively stable across the state. The median home price declined slightly from $345,000 in July to $340,000 in December, signaling mild affordability improvements without a major market correction. The average home price hovered around $420,000–$430,000, indicating steady demand, particularly in high-growth metro areas.

Inventory levels fluctuated but trended upward, peaking at 128,178 active listings in October before declining slightly toward the end of the year. Months of inventory remained in the 4.6 to 4.74 range, keeping the market balanced rather than favoring buyers or sellers. The rise in active listings provided buyers with more options, yet it did not lead to significant downward pressure on pricing—suggesting that demand remained strong enough to absorb new supply.

A key driver behind the late-year sales surge was the significant increase in total dollar volume, which grew 18.57% YOY in December. This reflects both higher transaction counts and resilient pricing, pointing to renewed market activity. Regional variations likely played a role, with metro areas like Austin seeing price declines, while markets such as Dallas, Houston, and San Antonio continued to attract buyers due to job growth and strong in-migration trends.

Looking ahead in 2025, affordability will remain a key factor. If mortgage rates stabilize or decline, pent-up demand could drive another strong quarter of sales. With more inventory on the market, buyers may gain additional negotiating power, particularly in areas where pricing has softened. While Austin may continue to see cooling, other regions—especially those with robust employment growth—could maintain their MOMentum.

Overall, Texas ended 2024 with a clear shift in MOMentum, moving from a mid-year slowdown to a strong close. With sales activity strengthening and inventory increasing, early indicators suggest a more dynamic housing market in the months ahead.

Austin

As 2024 came to a close, the Austin metro's new home market found itself in a measured but challenging phase. Unlike other major Texas markets where new home sales were outperforming historical norms, Austin's sales remained firmly in the "average" range, reflecting a market still working through affordability pressures. This performing at an "average" level relative to historical trends, makes Austin the only one of Texas' four largest metro markets where sales were not categorized as "overperforming."

Builders navigated the year by leaning into mortgage rate buydowns, a strategy that proved effective in maintaining demand despite rising costs. Heading into 2025, this approach is expected to remain a key competitive tool, especially as resale homes linger on the market for extended period

Heading into 2025, Austin's housing market is poised for a competitive and rate-sensitive environment. Builders continue to lean on mortgage buydowns to attract buyers, while existing home sellers struggle with longer time-on-market challenges. With stable new construction starts but weakening resale trends, the market will likely remain in a delicate balance between supply and affordability constraints.

Dallas

The Dallas-Fort Worth-Arlington housing market continues to expand, bolstered by large-scale developments and strong job creation. New projects, such as Centurion American's 2,200-home master-planned community in Van Alstyne, reflect confidence in long-term demand, but affordability pressures are shaping market trends.

Single-family permits increased 5.5% YOY, a positive indicator for future supply, while multifamily permits declined by 5.2%, signaling shifts in developer confidence and barriers to capital. New home sales, however, fell 2.1%, and median new home prices declined to $428,520, a 2.2% drop. The region remains 16.8% overvalued, suggesting affordability constraints may continue to dampen demand.

Zillow listings surged 35.1%, and homes are taking longer to sell, with 70 days to pending compared to previous periods. While job growth remains steady, with 79,624 new jobs added and an unemployment rate of 3.1%, the over 200% spike in foreclosures raises concerns about financial strain among homeowners.

Looking ahead, the market's underbuilt housing supply has improved slightly but remains 2.2% underbuilt. Developers are preparing for future demand, as reflected in the 2.9% increase in future lots, yet affordability remains a pressing issue. Large-lot home sales have slowed, while smaller lot sizes are gaining traction. The Dallas-Fort Worth market is resilient, but ongoing affordability pressures and economic shifts will play a crucial role in shaping the housing landscape in 2025.

Houston

Houston's real estate market continues to attract buyers and investors, thanks to its affordability, economic diversity, and extensive master-planned communities. The city ranked 10th in Zonda's Baby Chaser Index, a testament to its appeal among Millennials and Baby Boomers alike. While affordability remains a selling point compared to other major metros, Houston's market isn't without challenges.

Housing starts surged by 15.3% YOY, signaling robust builder confidence. However, new home sales declined, despite a modest uptick in the average sales rate. With median closing prices softening slightly, Houston's 12.1% overvaluation raises questions about long-term affordability and market correction.

One of the biggest economic wins is Chevron's announcement to relocate its corporate headquarters from California to Houston over the next five years. This move could inject thousands of high-paying jobs into the local economy, adding fuel to an already growing workforce. With annual job growth at 1.3% and median household income up 5.5%, Houston's job market remains strong.

Despite the positives, the city's housing supply dynamics remain a watchpoint. The months of supply for vacant developed lots of 16.5 months remains below the equilibrium range of 20-24 months, raising concerns about potential oversupply if demand weakens. Zillow listings have risen by 27.4%, indicating that more homes are hitting the market, which could slow price growth in 2025.

Houston's economic and housing market fundamentals remain strong, but the coming months will test the city's ability to balance supply and demand effectively. With an influx of jobs, stable income growth, and continued migration, Houston remains a powerhouse for buyers—albeit with some cautionary signals on the horizon.

San Antonio

San Antonio continues to defy expectations, emerging as a standout in the national housing market. While it isn't the largest Texas metro, it is certainly among the fastest-growing. The city ranked #1 in overall employment growth and #5 for high-income job growth over the past year, reinforcing its status as an economic overachiever. In fact, this rapid expansion in jobs has pushed new home starts in the region into the top five nationally, a feat that places San Antonio ahead of major Texas markets like Dallas, Houston, and Austin in annual growth.

A major contributor to the region's economic appeal is its educated workforce. Forbes ranks San Antonio as the fourth most educated city in the U.S., with 67.3% of residents completing a bachelor's degree and 29.6% holding a graduate degree. It's the highest-ranking Texas city on the list, surpassing Austin, which sits at #7.

However, the market is facing some headwinds. The number of finished but vacant homes has exceeded 3,000 units for the first time since 2007. If this inventory continues to build, builders may shift focus from starting new projects to clearing existing stock, possibly leading to price reductions to maintain sales velocity.


SAN ANTONIO, TX


HOUSTON, TX

ARIZONA

TOP MARKETS:

PHOENIX/MESA/CHANDLER

23,342 STARTS
(+54.2% LAST 12 MONTHS)

21,153 NEW HOME SALES
(+2.9% LAST 12 MONTHS)

30,166 SINGLE PERMITS
[22% YTD)

15,349 MULTI PERMITS
(-26% YTD)

UNDER CONSTRUCTION MOS **7.2**

TUCSON

3,665 STARTS
(+75.2% LAST 12 MONTHS)

3,198 NEW HOME SALES
(+2.5% LAST 12 MONTHS)

4,168 SINGLE PERMITS
(13% YTD)

1,100 MULTI PERMITS
(-30% YTD)

UNDER CONSTRUCTION MOS **5.8**

ARIZONA ECONOMY

- Tourism
- Services Industry
- Semiconductors
- Manufacturing
- Agriculture
- Mining

Phoenix

The Phoenix-Mesa-Chandler metro area continues to experience a construction and economic boom, largely fueled by the semiconductor industry. The $7 billion Halo Vista development, designed to support TSMC's massive $65 billion semiconductor facility, is expected to be a game-changer, generating approximately 6,000 jobs by its completion. With this economic MOMentum, housing starts have surged, bringing new inventory to the market at an aggressive pace.

However, concerns about inventory oversupply in the move-up segment (homes above $585K) are beginning to surface. This could lead to a slowing sales pace in that price tier, particularly if affordability remains a challenge. Despite a 24.6% YOY increase in new home pending sales, a marginal 0.5% month-over-month (MOM) gain signals potential demand softening in the near future.

Median home prices are rising steadily, with new home prices at $475,025 (up 4.5% YOY) and existing homes at $450,000 (up 4.0% YOY). These numbers reflect Arizona's continued migration trends, particularly from high-cost West Coast metros, where relocation interest outpaces outbound searches by a 3:1 ratio.

The labor market remains robust, with a low unemployment rate of 2.2% and a 1.9% increase in total jobs for 2025. Household formation is growing at 2.47% annually, supporting continued housing demand. However, the market remains 17.1% overvalued, suggesting home prices are outpacing income-supported levels.

One area of uncertainty lies in Phoenix's reliance on tax incentives to support new developments. The Skyye on 6th high-rise project, which benefits from a Government Property Lease Excise Tax (GPLET) abatement, is now facing legal challenges. If overturned, this could impact future high-density development incentives.

Overall, while Phoenix's housing market is expanding rapidly, it is entering a phase where inventory levels and affordability must be closely monitored. If supply outpaces demand, price corrections may follow, particularly in higher-priced home segments.

Tucson

Tucson's housing market remains strong, with a high level of construction activity and strong sales MOMentum. However, slowing population growth and affordability challenges could pose risks in the long run. The surge in build-to-rent (BTR) projects indicates that investors see rental demand growing, which may help stabilize the market. Builders may need to monitor inventory closely to avoid oversupply and ensure continued price stability.

New home construction is booming and demand remains strong. Pending new home sales have surged 32.5% year-over-year, reinforcing the metro's position as an overperforming market. While some signs of slowing have appeared, builders continue to ramp up supply to meet the growing need for housing.

One of the most striking developments is the BTR boom. Investor interest in Tucson's rental market is skyrocketing, with projections showing a 363% increase in BTR units by the end of 2025—a trend that speaks to shifting housing preferences and affordability concerns. With more people opting to rent rather than buy, this influx of rental housing could provide a stabilizing effect, offering alternatives in an increasingly expensive market.

New construction is moving at a breakneck pace, with housing starts up 75.2% year-over-year, one of the sharpest increases in the region. However, with an estimated 19.5% overvaluation, Tucson's home prices are well above what local incomes can support, raising questions about long-term affordability. The median price for a new home sits at $400,000, unchanged from last year, while existing home prices continue to rise, reaching $350,000 (a 5.3% increase). This suggests that while demand remains strong, buyers may be reaching the upper limits of affordability.

At a broader level, Tucson's economic foundation remains steady but is not experiencing the same explosive growth as other metros. The unemployment rate has dropped slightly to 3.2%, and job growth continues at a modest 0.6%.

The biggest challenge for Tucson's housing market in 2025 may not be demand but how to balance supply with long-term economic sustainability. For now, Tucson remains an attractive option for homebuyers and investors, with its relative affordability compared to larger Arizona markets and its strong rental market.

OKLAHOMA

TOP MARKETS:

OKLAHOMA CITY

3,747 STARTS
(+2.9% LAST 12 MONTHS)

3,241 NEW HOME SALES
(-1.4% LAST 12 MONTHS)

5,880 SINGLE PERMITS
(8% YTD)

1,016 MULTI PERMITS
(1% YTD)

UNDER CONSTRUCTION MOS **6.4**

TULSA

2,096 STARTS
(+224.0% LAST 12 MONTHS)

2,071 NEW HOME SALES
(+1.5% LAST 12 MONTHS)

3,595 SINGLE PERMITS
[3% YTD)

709 MULTI PERMITS
(-56% YTD)

UNDER CONSTRUCTION MOS **5.5**

OKLAHOMA ECONOMY

- Energy
- Agriculture and Forestry
- Natural Resources
- Transportation and Logistics
- Manufacturing

Oklahoma City

Oklahoma City's housing market has been on a remarkable growth trajectory over the past five years, with home prices surging 52.0%. However, the rapid price appreciation has outpaced household income growth, which increased by a more modest 18.2%. Despite this, Oklahoma City remains one of the most attractive labor markets in the U.S., ranking second for new hires and recent college graduates. Major investments, such as Pratt & Whitney's $255 million military engine facility, are further solidifying the city's job market and economic strength.

Housing inventory remains high, with 24.3 months of developed lot supply and an 8.5 month housing inventory. New home sales have slowed, with 3,241 transactions recorded over the past year, while the median home price for new construction jumped to $379,000, a 17.5% increase.

Employment trends are positive, with total jobs projected to rise 0.9% to 718,214, and unemployment falling to 2.5%. The city will add 10,740 new households in 2025, signaling continued population growth. However, foreclosures have increased by 61.6%, and affordability challenges remain, with the affordability ratio dropping by 10.7%.

The combination of increased housing inventory, strategic economic investments, and a robust job market positions Oklahoma City as an attractive destination for both residents and investors in the coming year.

Tulsa

If you've been watching Tulsa's housing market, you've probably noticed some major shifts. For the past three years, Oklahoma has been experiencing a population surge, with Tulsa and Oklahoma City leading the way. For the first time in decades, the state isn't losing college graduates to other regions—in fact, it's gaining new residents from Western states.

As Tulsa grows, home values are soaring, and the market has officially crossed into "overvalued" territory. According to the latest data, home prices in Tulsa are now 13.7% higher than what local incomes can comfortably support. That's great news for sellers but a growing challenge for buyers trying to enter the market.

The median price for a new home is now $360,250, a 20.2% jump in just a year. Existing homes, while more affordable, are also up 8.1% to $232,500. The price gains aren't happening in a vacuum—they reflect strong demand, driven by the influx of new residents and a historically low unemployment rate of just 2.5%.

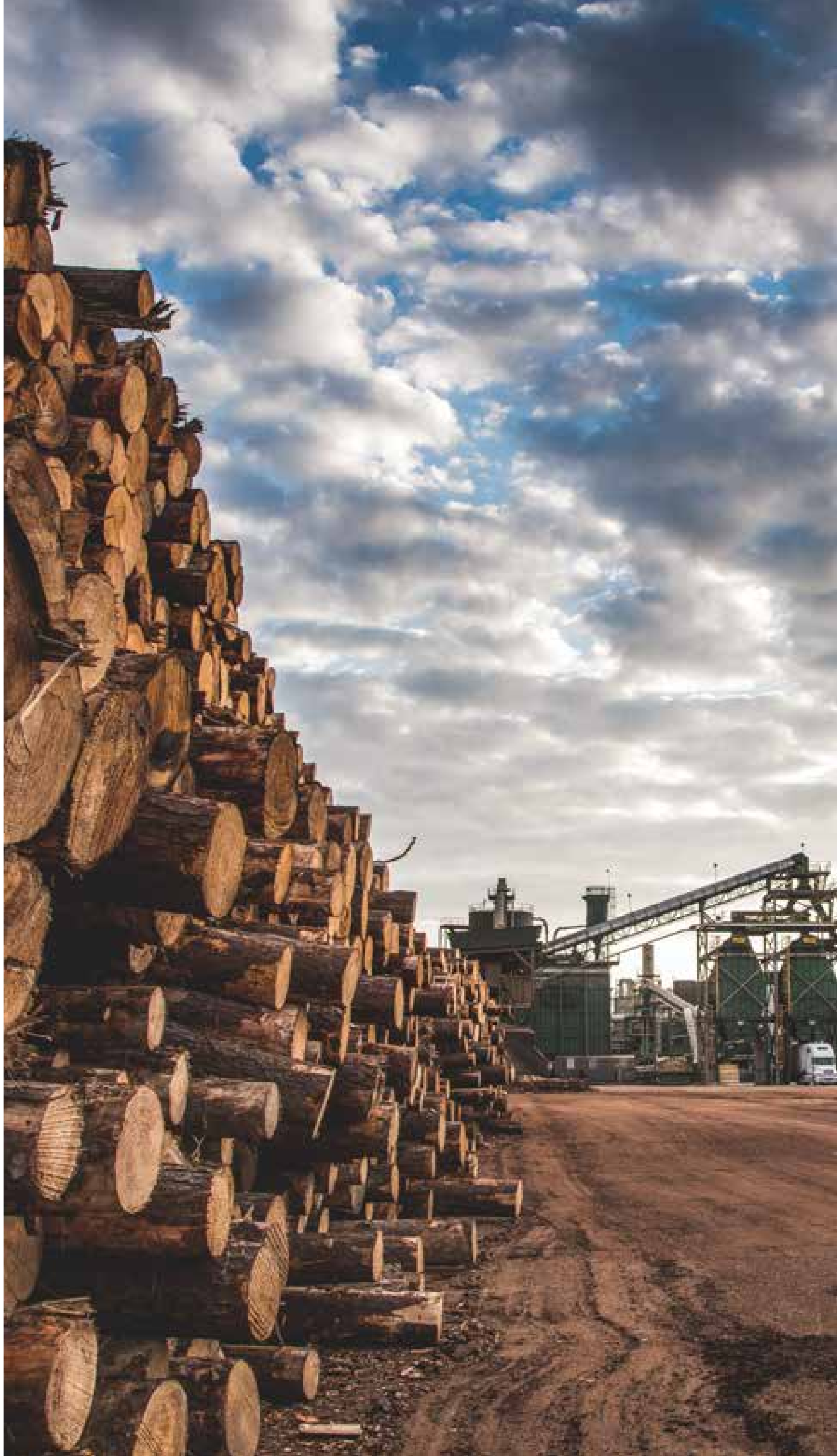
But there's another key factor: federal investment in Tulsa's tech industry. The city recently secured $51 million in funding as part of the national Tech Hub initiative, designed to grow autonomous systems technology (think drones, robotics, and AI-driven infrastructure). This initiative could bring 56,000 new jobs over the next decade, strengthening Tulsa's reputation as a rising tech city.

Despite the demand, home sales in Tulsa are lagging behind the national average, signaling that high prices may be starting to cool buyers' enthusiasm. While 2,071 homes sold in the past year—a substantial increase—new construction is struggling to keep up with demand.

Currently, Tulsa has:

- 3,397 vacant developed lots ready for new builds.
- 1,318 total housing units on the market, with 7.7 months of supply (higher than many other metros).
- A declining number of homes under construction (down to 5.5 months of supply), suggesting builders are being cautious about flooding the market.

Tulsa's housing market is at a crossroads—a booming economy and new federal investment are bringing in thousands of new residents, but rising prices and affordability concerns could slow things down. Whether the city can balance growth with affordability will shape the market in the years ahead.



"By the end of this year, NAHB projects mortgage rates will be below 6.5% and by the end of 2025, we expect rates to be in the high 5% range. This is good news for builders, housing demand and housing affordability."
Robert Dietz, Chief Economist at NAHB

ARKANSAS

TOP MARKETS:

LITTLE ROCK/NORTH LITTLE ROCK/CONWAY

1,981 SINGLE PERMITS
(3% YTD)

549 MULTI PERMITS
(-26% YTD)

FAYETTEVILLE/SPRINGDALE/ROGERS

5,513 SINGLE PERMITS
(3% YTD)

2,389 MULTI PERMITS
(54% YTD)

ARKANSAS ECONOMY

- Healthcare
- Agriculture
- Energy
- Forestry and Timber
- Freight and Transportation

In the third quarter of 2024, Arkansas led the nation with a 5.4% annualized increase in personal income and a 6.9% expansion in real GDP. This robust growth was largely driven by a substantial rise in farm income, highlighting the state's strong agricultural sector.

A study by Atlas Van Lines identified Arkansas as the most popular state to move to in 2024. The state's affordability, job opportunities, and quality of life were key factors attracting new residents.

A significant investment of nearly $32 million was allocated for a large-scale solar project benefiting the University of Arkansas system. This initiative aims to construct 18 solar power plants, projected to save the university system over $120 million in energy costs over the next 25 years, underscoring Arkansas's commitment to renewable energy and sustainability.

As of January 2025, the median home price in Arkansas was $209,000, marking a 3.7% year-over-year increase.

The state's workforce reached unprecedented levels, with employment figures hitting record highs for ten consecutive months. By December 2024, nearly 1.37 million Arkansans were employed, reflecting the state's dynamic job market.

These developments collectively highlight Arkansas's dynamic growth, strategic investments in infrastructure and renewable energy, and an increasingly attractive environment for both residents and businesses.

Little Rock

As Little Rock-North Little Rock-Conway enters 2025, the region is experiencing a subtle shift in its housing market dynamics. After five years of rapid appreciation, a staggering 39.6% increase in home prices, values are now cooling off. Despite this moderation, affordability remains a challenge, as housing price gains have far outpaced household income growth, which increased by only 12.5% over the same period.

The market remains undersupplied, with a 1.43% shortfall between total housing supply and demand. However, single-family home construction is responding to this shortage, with an increase in new home starts in 2024. Multifamily permits also saw slight growth, indicating a push for more rental housing options.

The median price of new homes ($328,500) and existing homes ($227,000) has continued to climb, despite signs of softening demand. Homes are staying on the market longer, with days to pending reaching 77 days—a noticeable slowdown.

The job market remains relatively stable, with an unemployment rate of 2.7%. Household growth continues at a modest pace, aligning with Little Rock's steady population expansion.

Looking forward, market conditions suggest a balancing act. While home price increases are slowing, mortgage rate pressures and high affordability ratios continue to limit accessibility. The region remains slightly overvalued (3.9%), and affordability challenges could impact demand. However, a strong economic foundation, expanding logistics infrastructure, and increased housing construction could sustain long-term stability.

Fayetteville

The Fayetteville-Springdale-Rogers, AR housing market is seeing signs of stabilization after years of rapid price growth. While home prices surged 68.2% over the past five years, they are expected to decline as the market adjusts to affordability pressures.

The region's economic performance remains strong, ranking 16th in nonfarm employment growth and 33rd for high-income job growth. However, low wages and lower educational attainment continue to pose challenges, making homeownership difficult for many residents.

Affordability remains a major issue, as household incomes have grown by just 22.6% over the past five years, compared to home price growth of nearly 70%. This discrepancy has made homeownership increasingly difficult, especially given the region's low wage averages and limited research & development investments.

The labor market remains strong, with 4,795 new jobs expected in 2025 and an unemployment rate of just 2.2%. Household formation is also on the rise, with 5,040 new households projected in 2025.

Overall, Fayetteville remains an attractive place to live and invest, but price corrections and affordability concerns will likely shape the market's trajectory over the next year. The slight price declines in 2024 may continue to provide a window of opportunity for buyers, while ongoing economic and job growth suggests that long-term demand remains healthy.

NEW MEXICO

TOP MARKETS:

ALBUQUERQUE

1,935 STARTS
(+33.4% LAST 12 MONTHS)

1,595 NEW HOME SALES
(+2.1% LAST 12 MONTHS)

2,085 SINGLE PERMITS
(1% YTD)

812 MULTI PERMITS
(-11% YTD)

UNDER CONSTRUCTION MOS **5.7**

NEW MEXICO ECONOMY

- Aerospace and Defense
- Energy
- Accommodation and Food Services
- Distribution, Logistics, and Transportation
- Public Administration and Federal Government

Albuquerque

The Albuquerque housing market is navigating a dynamic landscape as new home starts remain stable near recent peaks, yet home closings have slowed, dipping below the three-year historical average in Q3 of 2024. While existing home sales show gradual year-over-year improvement, affordability concerns and shifting buyer behavior are reshaping the market's trajectory.

Construction inventory expanded to 6.6 months, surpassing the three-year average, yet finished vacant inventory remains tight, staying below its decade-long norm. In response to affordability challenges, the rental market continues to grow, bolstered by both traditional apartments and build-to-rent communities, which are easing some demand pressure from the for-sale housing sector.

Despite these headwinds, builder confidence remains strong, with 1,935 new home starts recorded—an impressive 33.4% increase year-over-year. However, closings fell by 5.6%, signaling potential buyer hesitation or financing constraints.

While new home sales ticked up to 1,595 in the last 12 months, the market continues to grapple with affordability. Albuquerque's housing market is now considered 10.5% overvalued, underscoring the gap between home price appreciation and local income growth.

Albuquerque's economy remains steady, with 423,533 total jobs and an unemployment rate of just 2.2%. Household growth continues at 0.9% year-over-year, contributing to sustained housing demand, but single-family permits dropped slightly (-1.3%). In contrast, multifamily permits increased 1.4%, highlighting continued developer interest in rental markets.

City policy initiatives could help reshape Albuquerque's housing landscape. A two-year pilot program launched by the Albuquerque City Council is aimed at fast-tracking development projects and waiving select fees, a move designed to support new construction and economic development. However, challenges remain: 544 new build-to-rent units in the Bedrock at the Trails and Aspire communities will help meet rental demand but may further reduce available homes for sale, affecting ownership rates.

Albuquerque's housing market is undergoing a shift, balancing strong builder activity with affordability challenges and a changing buyer mix. While construction remains active, the market is likely to see continued pressure on home prices and affordability ratios as rental alternatives expand and borrowing costs shape purchasing power. The coming months will reveal whether rising inventory and policy incentives can ease pricing constraints or if further cooling in home sales is on the horizon.

NEVADA

TOP MARKETS:

LAS VEGAS/HENDERSON/PARADISE

11,095 STARTS
(+23.5% LAST 12 MONTHS)

12,118 NEW HOME SALES
(+4.0% LAST 12 MONTHS)

12,277 SINGLE PERMITS
[+23.5% YTD)

2,477 MULTI PERMITS
(-17% YTD)

UNDER CONSTRUCTION MOS **5.1**

RENO

1,253 STARTS
(+3.7% LAST 12 MONTHS)

1,392 NEW HOME SALES
(+2.2% LAST 12 MONTHS)

2,265 SINGLE PERMITS
(14% YTD)

1,829 MULTI PERMITS
(-20% YTD)

UNDER CONSTRUCTION MOS **9**

NEVADA ECONOMY

- Tourism
- Gaming
- Mining
- Agriculture
- Manufacturing

Las Vegas

The Las Vegas housing market is experiencing robust growth, moving from a slightly overperforming status to significantly overperforming. Housing starts surged 23.5% year-over-year, while annual closings reached their highest level in over a decade. This expansion is driven by strong demand for new homes, with pending new home sales rising 15.6% YOY. However, affordability concerns persist, as home prices have outpaced income growth, making the market 13.6% overvalued heading into 2025.

Despite some economic uncertainty, job growth remains steady, with 14,022 new jobs added in the past year and a continued low unemployment rate of 4.8%. A $3 billion federal investment in a high-speed rail line linking Las Vegas to Southern California is expected to stimulate additional growth in the housing and tourism sectors.

On the supply side, housing inventory remains tight, with finished vacant home supply at only 0.9 months, reflecting strong buyer demand. While under-construction inventory has risen slightly to 5.0 months, builders are still struggling to keep pace with the market's needs.

Overall, Las Vegas remains a strong, high-growth market, supported by infrastructure investments, steady employment expansion, and strong new home demand. However, affordability and tourism-related risks remain key challenges to monitor in 2025.

Reno

The Reno housing market is showing renewed signs of growth and improvement after a period of underperformance. Migration data reveals a strong influx of interest from major West Coast metropolitan areas, with inbound searches significantly outpacing outbound searches. Despite this surge in demand, housing construction remains sluggish, leading to multi-year lows in new housing starts and an ongoing underbuilt supply. Home sales activity is rebounding, with the New Home Pending Sales Index jumping over 76% YOY. However, the median closing price of new homes has fallen 5.7% YOY to $515,115, suggesting that affordability challenges and shifting demand patterns may be tempering price growth. On the other hand, existing home prices have increased by 2.4%, reaching $539,950, reflecting persistent demand for resale properties.

To address its housing shortage, Reno is considering progressive zoning reforms, including legalizing granny flats, increasing density allowances, and streamlining 'by-right' approvals for certain developments. These measures could boost future housing inventory, but implementation will take time.

Job growth remains steady, with Reno expected to add 4,001 jobs in 2025 and maintain an unemployment rate of 4.0%. The employment landscape is evolving as remote work declines, potentially impacting the influx of high-income workers who previously sought Reno as an affordable alternative to California markets.

While Reno is still considered overvalued (19.2%), the declining foreclosure rate (-36.1%) and strong migration trends suggest a stable and improving market. However, affordability remains a growing concern, particularly as supply constraints persist.


LAS VEGAS, NV

UTAH

TOP MARKETS:

SALT LAKE CITY

3,225 STARTS
(+20.5% LAST 12 MONTHS)

2,752 NEW HOME SALES
(-1.4% LAST 12 MONTHS)

3,503 SINGLE PERMITS
(12% YTD)

2,334 MULTI PERMITS
(-62% YTD)

UNDER CONSTRUCTION MOS **6.1**

PROVO/OREM

5,580 STARTS
(+34.8% LAST 12 MONTHS)

4,789 NEW HOME SALES
(+2.0% LAST 12 MONTHS)

5,242 SINGLE PERMITS
(13% YTD)

1,191 MULTI PERMITS
(-22% YTD)

UNDER CONSTRUCTION MOS **6.3**

OGDEN/CLEARFIELD

1,548 STARTS
(+15.7% LAST 12 MONTHS)

1,453 NEW HOME SALES
(+1.5% LAST 12 MONTHS)

2,480 SINGLE PERMITS
(37% YTD)

1,268 MULTI PERMITS
(-16% YTD)

UNDER CONSTRUCTION MOS **4.7**

UTAH ECONOMY

- Aerospace
- Advanced Composites
- Tech
- Distribution

Salt Lake City

Salt Lake City's real estate market continues to show strength, but affordability remains a growing concern. The city's approval of the Fairpark district redevelopment aims to balance growth with housing accessibility by requiring a portion of new units to be affordable and family-friendly. This move aligns with increasing demand as job growth fuels population expansion.

The housing market remains overvalued, with home prices outpacing incomes. Despite a 19.4% YOY increase in pending new home sales, the affordability gap is evident. Median new home prices have slightly declined (-1.4%), suggesting some softening, but home insurance costs skyrocketed 51% in recent years, making homeownership even more expensive.

On the supply side, Salt Lake City's housing market is seeing moderate growth. Vacant developed lots increased to 5,010 (+7.6% YOY), while new home starts jumped 20.5% YOY, showing builders' confidence in continued demand. However, there is still a 0.5% housing undersupply, putting pressure on pricing.

The economic environment remains strong, with job growth up 1.4% YOY and household incomes rising 5.9% YOY. Salt Lake City ranked 23rd in the U.S. for total job creation, adding 18,000+ new jobs, especially in high-income sectors. Unemployment remains low at 2.4%, further reinforcing economic stability.

However, risks remain. Foreclosures are up 83.3% YOY, signaling distress for some homeowners. Additionally, rising insurance costs and the slowdown in existing home price growth indicate affordability pressures that could weigh on demand in 2025. Overall, Salt Lake City's market remains resilient but faces affordability hurdles. The new development projects and strong job market should support long-term growth, but prospective buyers will need to navigate rising costs and any economic uncertainties in 2025.

Provo-Orem

The Provo-Orem housing market is navigating a complex mix of high demand, rising home prices, and efforts to boost affordability through legislative action. With home prices increasing by over 4% in both new and existing markets, affordability remains a major challenge, as fewer than 25% of local residents can afford a home under current conditions. Housing costs now consume 65.3% of household income, well above sustainable levels. As of January 2025, the median home price in Provo reached $485,000, marking a significant 24.4% year-over-year increase. Homes typically remained on the market for 44 days, a slight improvement from 51 days the previous year, indicating sustained demand.

Despite affordability issues, the Provo-Orem area continues to see strong population growth, with a 2.2% increase in household formation. New home starts saw an impressive 34.8% jump, one of the highest increases in the nation. However, overall inventory is still near record lows, making it difficult for buyers to find available homes.

To address the housing crisis, Utah lawmakers are considering a statewide housing reform bill in 2025. The proposed legislation would allow cities to implement "density overlays" in housing-eligible zones, encouraging the construction of affordable, high-density housing. If passed, this plan could help alleviate Provo's housing shortage and make homeownership more attainable.

From an economic perspective, job growth remains stable, with 4,971 new jobs added and an unemployment rate of 2.4%. Wage growth is also outpacing inflation, with a 5.4% increase in median household income. Looking ahead, the housing market remains overvalued, but price appreciation is slowing. If mortgage rates stabilize and new housing policies take effect, affordability could improve gradually in 2025. However, high home prices and limited inventory may continue to challenge buyers in the near term.

Ogden-Clearfield

The Ogden-Clearfield housing market is facing affordability headwinds despite ongoing efforts to expand the housing supply. Home insurance costs have soared, making homeownership even more challenging. Weber County has seen an 86.1% spike in insurance rates over three years, one of the sharpest increases nationwide. This trend is driven by wildfire risks in mountainous areas, adding to already high housing costs.

Builders are increasing incentives and mortgage buydowns to counteract affordability challenges. However, the market remains overvalued by 16.2%, and housing costs exceed 50% of income for many residents. Home prices continue to climb, with the median new home price at $545,625 (+2.9% YOY) and existing home prices at $450,000 (+3.0% YOY).

Despite affordability struggles, housing construction is increasing, with new home starts up 15.7% YOY. However, closings have dropped by 21.6%, indicating that buyers are hesitant or priced out. Total housing inventory has also declined (-14.9%), reflecting a tightening market.

On the employment front, Ogden's economy remains strong, adding 6,383 jobs in 2025, and unemployment has edged lower to 2.3%. Household growth is steady at 1.7%, with 4,190 new households in 2025.

Overall, Ogden-Clearfield faces significant affordability challenges despite strong economic fundamentals. Rising insurance costs and high home prices are placing pressure on buyers, while builders try to counteract these issues with incentives. The market remains highly competitive but strained, as affordability limits demand despite continued job growth.

"We have one of the worst housing affordability crises we've ever seen in the nation's history," Wolf stated in an interview with Bloomberg. "If you look at home prices, we are at an all-time high today. Millions of Americans tell us they want to own a home. They just can't get to a point where they can afford one."

Ali Wolf, Chief Economist at Zonda

CALIFORNIA

TOP MARKETS:

LOS ANGELES/LONG BEACH/ANAHEIM

5,494 STARTS
(-1.3% LAST 12 MONTHS)

4,938 NEW HOME SALES
(-2.8% LAST 12 MONTHS)

11,681 SINGLE PERMITS
(-1% YTD)

14,990 MULTI PERMITS
(-21% YTD)

UNDER CONSTRUCTION MOS **10.5**

SAN FRANCISCO/OAKLAND/BERKELEY

1,922 STARTS
(-21.7% LAST 12 MONTHS)

2,080 NEW HOME SALES
(-2.0% LAST 12 MONTHS)

2,777 SINGLE PERMITS
(-9% YTD)

3,052 MULTI PERMITS
(-31% YTD)

UNDER CONSTRUCTION MOS **9.3**

SAN DIEGO/CARLSBAD

3,592 STARTS
(+69.5% LAST 12 MONTHS)

2,178 NEW HOME SALES
(-3.1% LAST 12 MONTHS)

3,398 SINGLE PERMITS
[11% YTD)

8,361 MULTI PERMITS
(-1% YTD)

UNDER CONSTRUCTION MOS **11.6**

SACRAMENTO/ROSEVILLE/FOLSOM

7,549 STARTS
(+30.3% LAST 12 MONTHS)

7,499 NEW HOME SALES
(+3.0% LAST 12 MONTHS)

8,638 SINGLE PERMITS
(9% YTD)

7,931 MULTI PERMITS
(-28% YTD)

UNDER CONSTRUCTION MOS **5.7**

CALIFORNIA ECONOMY

- Tourism
- Tech
- Agriculture
- Entertainment
- Maritime
- Military

Los Angeles

The Los Angeles-Long Beach-Anaheim housing market remains a dynamic and challenging environment. Irvine, in particular, has emerged as a standout growth hub, attracting both domestic and international buyers. With its safety, strong schools, and expanding job market, the city continues to build, planning 15,800 new homes, a remarkable pace compared to Santa Ana and Anaheim.

However, broader regional challenges persist. The New Home Pending Sales Index reflects strong buyer demand, growing by 13.2% YOY, signaling a resilient market despite broader economic concerns. But affordability remains a major issue, as home prices continue to outpace income growth. Currently, the market is 17.9% overvalued, meaning home prices are significantly higher than what local incomes can sustainably support. This presents potential long-term risks, especially if interest rates remain high.

Housing supply remains constrained, with under-construction months of supply at 10.5 months and finished vacant homes dropping to 4.0 months. This indicates continued strong absorption of new housing, keeping inventory relatively low. Employment growth in the region is slowing significantly, with total jobs projected to rise to 6.29 million in 2025, but at a sluggish 0.1% YOY growth rate. The film and TV industry continues to shed jobs as it grapples with the lingering impacts of the pandemic, 2023's industry strikes, and the ongoing restructuring of streaming services. The result is a cooling effect on the broader job market, which could influence long-term housing demand.

Builders, while active, are still significantly underbuilding relative to demand. The market is 1.1% underbuilt, with a shortage of over 53,000 housing units. This gap underscores the persistent housing crisis in Southern California, where demand consistently outpaces supply, further exacerbating affordability issues.

San Francisco

San Francisco's housing market has entered a phase of notable cooling, marked by a decline in new home sales and an ongoing affordability crisis. The combination of seasonal slowdowns, rising mortgage rates, and limited inventory has contributed to one of the steepest year-over-year sales declines among major U.S. metros. In fact, since May 2024, the market has seen consistent YOY losses in pending home sales, culminating in Q4 with one of the sharpest drops in the nation.

As 2025 begins, the city finds itself in uncharted territory, being the only metro among Zonda's top 50 markets to be labeled as "significantly underperforming" its historical averages. The pace of new home sales remains among the lowest in the country, and the market is grappling with a sluggish recovery.

New home construction is slowing dramatically. Housing starts are down 21.7% YOY, and developers are exercising caution as demand wavers. The number of active projects in development is shrinking, further complicating the region's long-term supply issues. While there is still 9.3 months of supply under construction, indicating a backlog of homes in the pipeline, the market's absorption rate has slowed.

While median home prices experienced a modest year-over-year increase, they remained below previous peaks, reflecting a market still in recovery. The condominium sector faced particular challenges, with a notable 4.3% month-over-month price decline in December 2024, suggesting shifting buyer preferences or potential oversupply in this segment.

A significant concern was the sharp contraction in inventory, which plummeted by 50.9% month-over-month, setting record lows. This scarcity of available homes intensified competition among buyers, yet paradoxically, properties lingered on the market longer, averaging 73 days in January 2025—five days more than the previous year. This extended time on

the market may indicate buyer hesitation, possibly due to elevated property prices or the impact of high mortgage rates.

The broader economic landscape also played a pivotal role. The city's employment sector showed a slow yet steady recovery, with a 1.4% growth rate between October and December 2024, and an unemployment rate holding at 3.9%. However, the high cost of borrowing dampened both supply and demand, as stakeholders adjusted to the new financial realities.

San Diego

In response to the region's chronic housing shortage, San Diego has launched the Small-Scale Neighborhood Homes Initiative, which aims to encourage the development of townhomes and row homes in high-resource areas while integrating them with existing neighborhoods. To support this effort, San Diego has applied for a $7 million federal grant to fund research and community engagement for the project.

Despite these proactive measures, residential development in San Diego continues to face opposition from local groups concerned about environmental impacts. Two major projects in La Jolla and University City are currently undergoing environmental reviews, with pushback from residents adding uncertainty to their future. This trend underscores the difficulty of expanding housing in the region, even as demand continues to push home prices higher.

The New Home Pending Sales Index saw an 8.3% decline year-over-year, indicating a slowdown in demand compared to the previous year. Home prices continue to rise, particularly for new construction. The median price for a new home now sits at over $1 million, reflecting an impressive 22.1% year-over-year increase. Meanwhile, the median price of existing homes has climbed to $863,750, marking a 4.3% increase over the past year. These rising prices have contributed to concerns about affordability, especially as wages struggle to keep pace with the cost of living.

Despite the city's efforts to encourage development, San Diego remains significantly underbuilt, with an estimated 32,550 housing units needed to meet demand. The total housing inventory stands at 3,112 units, with 1,127 vacant developed lots available for future construction. Housing supply remains tight, with a 16.4 month inventory of available homes, which is on the higher side compared to national averages.

New construction activity is increasing, with housing starts up 69.5% year-over-year, bringing 3,592 new homes into development. However, this increase comes after a prolonged period of underbuilding, and it remains to be seen whether it will be sufficient to balance the market. San Diego's economy continues to expand, but job growth is slowing. The region is projected to add 9,770 jobs in 2025, representing a 0.6% annual increase.

Looking ahead, San Diego's housing market is expected to remain overvalued, though at a more moderate level. Currently, the region is estimated to be 10.4% overvalued, suggesting that home prices are running ahead of income-supported levels. Median household income is expected to rise to $109,675 in 2025, but this 1.8% increase is unlikely to offset rising home prices, particularly for first-time buyers. One encouraging sign is the increasing pace of lot deliveries, which have risen 64% year-over-year, indicating that builders are preparing to meet future demand. However, housing affordability remains a key concern, with median new home prices now over $1 million and rising at a much faster rate than wages.

Sacramento

Sacramento's housing market is currently in a strong position, classified as "slightly overperforming" by Zonda's Market Ranking. The demand for new homes has surged, with a 29.6% YOY increase in pending sales and a 6.3% MOM growth rate, reflecting renewed buyer confidence.

A major development project, the Yarbrough Project in West Sacramento, is expected to add 3,000 homes and boost the population by 18%, reinforcing the region's growth trajectory. The local microchip industry has also expanded, with Samsung and Soliddigm opening R&D centers, supporting economic diversification and job creation.

However, challenges remain. California's insurance crisis has hit the market hard, with major insurers like Allstate, State Farm, and Farmers withdrawing from writing new homeowner policies. Rising insurance premiums have made it more difficult to secure mortgages, adding pressure to an already expensive housing market.

Despite these concerns, Sacramento's home sales remain strong, with 7,499 homes sold in the past year and a steady increase in construction (30.3% YOY growth in starts). The median new home price has risen to $692,500 (7.5% YOY increase), while the existing home price is now at $560,000 (4.7% YOY increase). The market remains overvalued by 14.0%, though this is expected to ease slightly over time.

In summary, Sacramento's housing market remains strong but faces headwinds from insurance challenges and affordability constraints. However, growth in the microchip sector, job expansion, and large-scale housing developments like Yarbrough continue to support long-term demand and economic resilience.

LETTER FROM PAUL

The final quarter of 2024 was one of unprecedented planning for our OSB sales team at Martco. Our team spent the quarter executing a strategic inventory build plan to support your needs during a 12-week press rebuild project at our Oakdale OSB facility, set to begin in early January 2025. This project represented the most extensive mill outage we have experienced in company history. The timing of this inventory build plan fell firmly amidst the 2025 OSB contract negotiation season, further complicating the decision on how to best navigate this downtime. We ultimately made the decision that we felt best supported you, our customers, and kept contract volumes level year over year. With this same idea in mind, we strategically built inventory to support the on-time shipping performance you have come to expect from Martco as a partner.

Our team took the mill down in Oakdale the first week of January 2025 as scheduled. The management/maintenance teams in Oakdale did a phenomenal job with communication, execution, and keeping this project on schedule across the 12-week period. The Oakdale crew kept our sales team up to date on progress through countless phone calls, emails, texts, and meetings. This level of communication enabled us to keep you informed along the way. We leaned very hard on our Corrigan OSB team during this outage as well. We pushed them to make additional product swaps on the production side, and to load extra cars and trucks each week to ensure that our product arrived to you on time. The collaboration and teamwork exhibited by our teams at each facility was nothing short of WORLD CLASS. This project is now complete, and Oakdale OSB is back online! We are committed to producing high quality OSB and delivering service levels that are second to none in the industry.

As we are now firmly into the 2025 calendar year, we are operating in what has been described as an uncertain economic climate. There are headwinds for those of us in the building material world. Lending rates, home affordability, and inflation are just a few that we hear each week. These factors have placed many in our industry in a “wait and see” mode for the short term. I do not claim to have all the answers around permits, home starts, labor, etc. I do know that there is a need for more housing in this country. You can count on your RoyOMartin OSB sales team to deliver and to meet your needs for years to come. Thank you for your support as our loyal partners.

Paul Pfingsten
Director of OSB Sales

LETTER FROM LORI

As we close the chapter on 2024, we do so on a strong note, with Q4 performing better than many had anticipated. However, the start of 2025 has been met with its share of challenges, as frigid temperatures across the country slowed momentum.

Looking ahead, we anticipate renewed optimism as we enter spring, driven in part by lower interest rates. Many believe the second half of the year will outperform the first, bringing more stability and opportunity. For now, industrial accounts remain cautious, keeping inventories lean, which places added pressure on transportation and production teams to ensure the efficiency of just-in-time shipments—an approach that doesn’t always go as planned.

We’ve seen a modest increase in purchasing activity as some customers prepare for spring retail sales; but overall, the market remains stable. Plywood production this quarter has been limited due to mill maintenance and planned downtime, though we expect most mills to return to full production by April. Until then, customers are keeping a close eye on order files.

On the global front, imports remain steady, and while uncertainty persists, an end to the war in Ukraine would bring positive developments across the industry.

Through it all, our commitment remains unwavering—we will continue to prioritize safety, quality, and our people. We look forward to a productive and successful 2025, and as always, we appreciate your partnership.

Lori Byrd
Director of Plywood and Solid Wood Sales

THE BOARD BRIEF IS BROUGHT TO OUR CUSTOMERS BY THE ROYOMARTIN SALES AND MARKETING TEAM

PAUL PFINGSTEN

Director of OSB Sales

Paul.Pfingsten@RoyOMartin.com

LACY TOWNSEND

Communications and Marketing Supervisor

Board Brief Author and Editor

Lacy.Townsend@RoyOMartin.com

TONY ROCHA

Senior Field Sales & Business Development Rep: Houston, Austin, Phoenix

Tony.Rocha@RoyOMartin.com

KELLY MATTHEWS

Senior Sales Representative

Kelly.Matthews@RoyOMartin.com

RYAN TRACZEWITZ

Business Development Manager

Ryan.Traczewitz@RoyOMartin.com

ALISHA ROBICHAUX

Customer Service Representative

Alisha.Robichaux@RoyOMartin.com

LORI BYRD

Director of Plywood and Solid Wood Sales

Lori.Byrd@RoyOMartin.com

ZACH ZIMMERMAN

Associate Business Development Manager: DFW, California, Oklahoma

Zach.Zimmerman@RoyOMartin.com

WAYNE MILLER

Senior Sales Representative

Wayne.Miller@RoyOMartin.com

KRISTIE MCCURDY

International Sales Manager

Kristie.McCurdy@RoyOMartin.com

TRICIA DAUZAT

Sales Representative

Tricia.Dauzat@RoyOMartin.com

BEAUX ROACH

Sales Representative

Beaux.Roach@RoyOMartin.com

DIRK MARGHEIM

Creative Production Manager

Board Brief Contributor

Dirk.Margheim@RoyOMartin.com

RoyOMartin®

www.royomartin.com

SOURCES

HOME SALES AND STARTS: U.S. Census Bureau, National Association of Homebuilders, Zonda

PERMITTING: U.S. Census Bureau, National Association of Homebuilders, Zonda

ECONOMIC DATA AND INDICATORS: Chron.com, The Business Journals, Newsweek, World Property Journal, EyeonHousing.com, msn.com, HousingWire, Inside Tucson Business, FastCompany.com, Timber Exchange, Associated Press, Bureau of Labor Statistics, LA Works, Common Sense Institute, Immago, KFOR, The Sun, Forest Economic Advisors, New York Post

PRICING: Random Lengths, FastMarket RISI, Business Journals, National Association of Realtors

CONSTRUCTION DATA: National Association of Homebuilders, Zonda, U.S. Census Bureau