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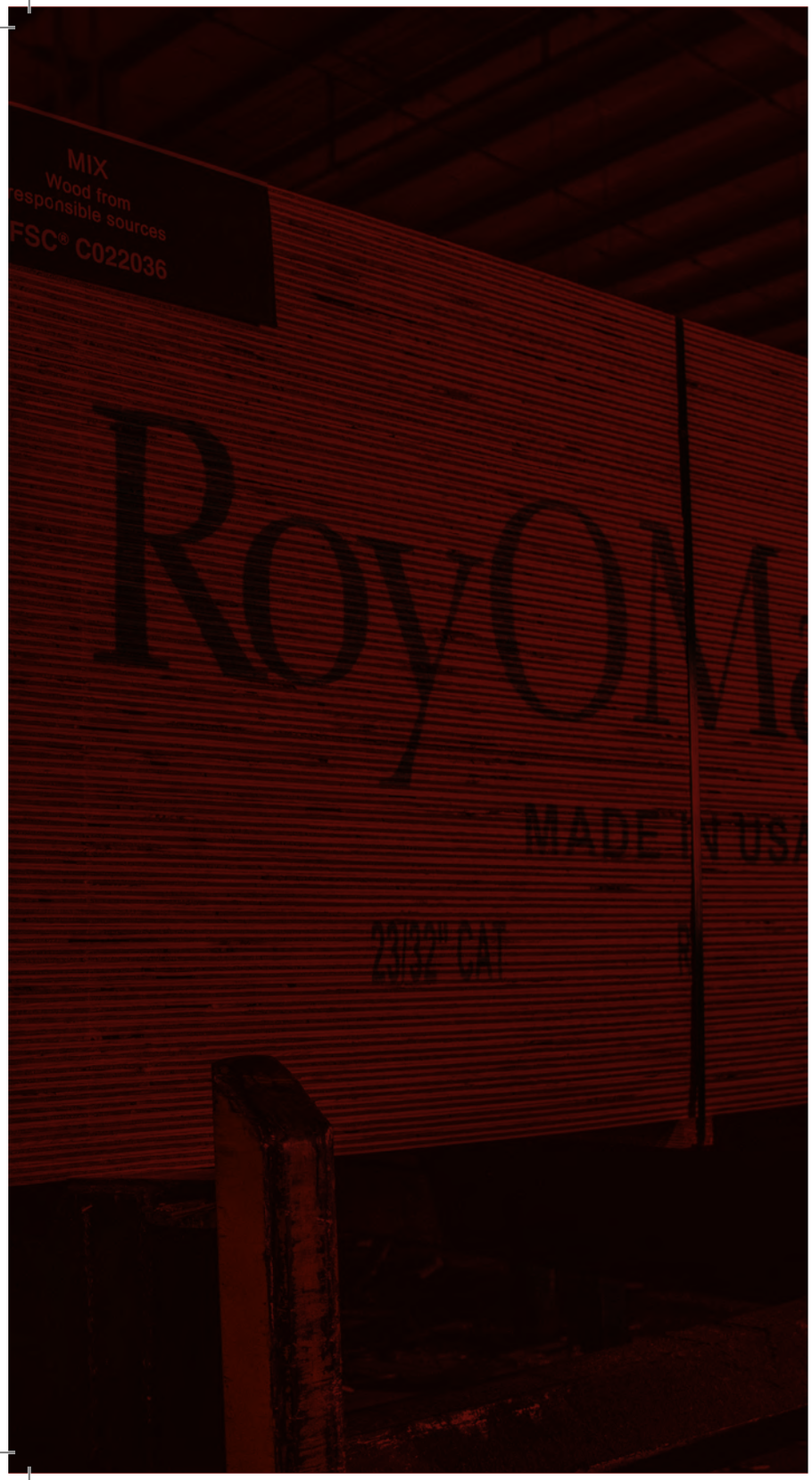
BOARD BRIEF 2023 Q1



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:

- Declining Home prices
- Inflation Slowing
- Normalizing housing market
- Housing days on market increasing
- Fed Reserve rate hikes continue
- Growing housing inventory YoY
- U.S. Job Openings decreased
- Decrease in residential construction spending
- Builder Confidence continues to increase
- Economic volatility
- Several banking failures

Inflation and Shelter Index

Source: nahb.org / Bureau of Labor Statistics

The overall inflation rate, along with the cost of housing, showed signs of cooling in March, with the shelter index (housing inflation) experiencing its smallest monthly gain since November 2022. Still, housing in March continued to be the largest contributor to the overall inflation rate, accounting for more than 60% of the increase when excluding the volatile food and energy sector. The data is also a clear sign that the Fed's ability to address rising housing costs is limited, as shelter cost increases are driven by a lack of affordable supply and increasing development costs.

New Permits and New Starts

Source: U.S. Census Bureau

Building permits in March were 24% below March 2022 levels. Privately-owned housing starts in March were 17% below March of last year, and housing completions were 13% above March of last year.

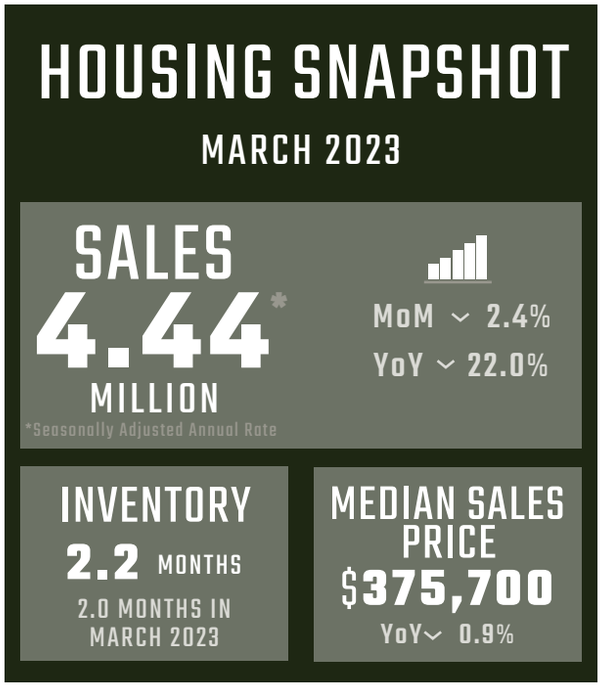
The Spring Market is Here

Builders remain cautiously optimistic in April as limited resale inventory helped to increase demand in the new home market even as the industry continues to grapple with building material issues. Builder confidence in the market for newly built single-family homes in April rose one point to 45, according to the NAHB. "For the fourth straight month, builder confidence has increased due to a lack of resale inventory despite elevated interest rates," said NAHB Chairman Alicia Huey.

The drop in mortgage rates–from 7% to about 6.5% the weekend after Silicon Valley Bank's collapse–led to a bump in mortgage applications. There was a bump in applications of 6.5% for the week ended March 10 from the prior week, indicating that there are many buyers waiting on the sidelines for more affordability. Daryl Fairweather, chief economist at Redfin, said in an interview that it's possible mortgage rates could drop more significantly by the end of 2023, but there will likely be a lot of ups and downs before then. Mortgage applications increased again 5.3% week-over-week for the week ending April 7.

After an unexpected uptick in February, sales of existing homes dipped again in March as buyers contended with a market bereft of supply, according to data by the National Association of Realtors. Existing home sales fell 2.4% between February and March to a seasonally adjusted annual rate of 4.44 million–22% lower than they were a year earlier. "Home sales are trying to recover and are highly sensitive to changes in mortgage rates," NAR Chief Economist Lawrence Yun said in a statement. "Yet, at the same time, multiple offers on starter homes are quite common, implying more supply is needed to fully satisfy demand. It's a unique housing market."

According to the U.S. Labor Department, the Fed's consistent interest rate hikes are now showing an impact. The data showed that while inflation is still well above where the Fed feels comfortable, it is at least showing continuing signs of decelerating. A 3.5% drop in energy costs and an unchanged food index helped keep headline inflation in check. The 5% consumer price inflation in March is a steady improvement from 9% last summer, 8% in autumn, 7% during Christmas, and 6% in the early months of this year. The ideal inflation of 2% is still maybe a year away, experts say.



Source: National Association of Realtors

While annual U.S. home price growth continued for the 133rd straight month in February, the 4.4% increase was the lowest recorded since 2019, according to CoreLogic Home Price Index for February 2023. Eight states and districts recorded annual home price losses, with much of the depreciation seen in the relatively expensive Western U.S., including California, Idaho, Oregon, Washington and Utah. "The divergence in home price changes across the U.S. reflects a tale of two housing markets," said Selma Hepp, chief economist at CoreLogic. "Declines in the West are due to the tech industry slowdown and a severe lack of affordability after decades of under-supply. The consistent gains in the Southeast and South reflect strong job markets, in-migration patterns and relative affordability due to new home construction."

The number of job openings fell in February, dropping below 10 million for the first time in nearly two years in a sign that employers' demand for workers eased amid a still strong labor market. Job openings in February still far outnumbered the 5.9 million unemployed people seeking work, indicating the labor market remained tight. "We're finally seeing companies cutting back their openings, which is the first step towards easing the tightness of the labor market," said Lightcast Senior Economist Ron Hetrick. "This could be what a soft landing looks like in today's economy."

Privately owned single-family starts in March rose to a seasonally adjusted annual rate of 861,000, up 2.7 percent from the previous month, according to U.S. Census Bureau. Despite the second consecutive month of growth in single-family starts, that number was nearly 28% lower than the same time in 2022. "Single-family production showed signs of a gradual upturn in March as stabilizing mortgage rates and limited existing inventory helped to offset stubbornly high construction costs, building labor shortages and tightening credit conditions," wrote Nanayakkara-Killinton, NAHB's vice president for forecasting and analysis. "This is reflected in the slight uptick in builder sentiment in April."

According to the U.S. Houzz and Home Study of more than 46,000 U.S. respondents, homeowners are renovating their homes for the long run. More than three in five homeowners state that they plan to stay in their homes for 11 years or more following a 2022 renovation. Nearly three in five homeowners remodeled or decorated their homes in 2022 and nearly half made repairs. Renovation activity continues into 2023, as more than half of homeowners plan renovation projects this year.

Millennials are no longer the top generation buying homes, as a rapid increase in mortgage rates and other factors have sidelined a lot of first-time buyers since last spring and summer. The National Association of Realtors recently released its latest demographic report, finding baby boomers (ages 58 to 76) made up 39% of home buyers last year, an increase from 29% in 2021. Millennials (ages 24-42) had been the dominant home buying generation prior to 2022 but only made up 28% of home buyers last year, which is a decline from the 43% observed in 2021. Jessica Lautz, deputy chief economist and vice president of research at the NAR, attributes the shift to two major trends. First-time home buying on the whole is down, and most millennials in the housing market are first time buyers, she said, while boomers looking to buy their dream homes have equity built up from previous homeownership. “Boomers were not downsizing, they were actually making trades for the same size property, if not a larger home, which puts them right into competition with millennials,” she said. Millennials are the ones most affected by inflation, and most of them are simply priced out of the market right now.

At NAWLA’s 2023 Leadership Summit, Dr. Jessica Lautz, Deputy Chief Economist and VP of Research for the National Association of Realtors, spoke on top trends to watch in real estate.

Notable trends Dr. Jessica Lautz mentioned:

-average number of offers received on most recent sale is currently 2.5, down from its peach of 5.5, still reveals an active buying market

-nearly 30% of buyers are paying in cash, diminishing the impact of rising interest rates

-rising trend of buyers who are buying a second property, as a vacation home and/or investment property which bodes well for real estate demand

OSB PRICING YOY

MAY 2022	MAY 2023
$765	$335

*After prices fell off sharply the second half of 2022, they have been on the rise lately due to overall market dynamics.

OSB SHEATHING (SOUTHWEST) 7/16" PRICES NET F.O.B. MILL
US Southwest RL End-week

$335

DOWN $430

(-56.2% YOY)

Magnolia Yard Building, circa 1965

LOUISIANA

TOP MARKETS:

BATON ROUGE

2,938 STARTS
(+24.6% YTD)

622 SINGLE PERMITS
(-43% YTD)

LAFAYETTE

1,635 STARTS
(+28.4% YTD)

460 SINGLE PERMITS
(-19% YTD)

216 MULTI PERMITS
(+1864% YTD)

NEW ORLEANS/METAIRIE

479 SINGLE PERMITS
(-52% YTD)

385 MULTI PERMITS
(+62% YTD)

LAKE CHARLES

147 SINGLE PERMITS
(-43% YTD)

80 MULTI PERMITS
(+400% YTD)

LOUISIANA ECONOMY

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

Louisiana did experience growth in personal income and gross domestic product in the fourth quarter of 2022, but not as much as the nation as a whole, the U.S. Department of Commerce reports. Personal income increased at an annual rate of 6% in Louisiana, compared to the national average of 7.4%. GDP grew at an annual rate of 2.2% in Louisiana, compared to a national average of 2.6%.

Baton Rouge

While home sale prices might be falling nationwide, they continue to climb in the Capital Region. The median U.S. home price fell 3.3% in March, the largest year-over-year drop since 2012, according to a new report from Redfin. On the other hand, East Baton Rouge, Livingston and Ascension parishes together saw prices increase 3% last month, according to the Greater Baton Rouge Association of Realtors.

Louisiana's Republican U.S. House members are among those demanding America's federal workers return to the office, USA Today Network reports. Many reasons are reported for the push, among the reasons are delays in securing passports, to veterans unable to obtain records needed to secure health care, to delays in hurricane victims receiving FEMA benefits. More locally, downtown Baton Rouge businesses claim that because state workers aren't required to come into the office everyday their businesses are suffering. Ben Taylor, a real estate broker who owns buildings downtown, states that "the taxpayers paid dearly for the rebuilding of all of the downtown office buildings. It is time to bring the state workers back to their offices."

The Baton Rouge area added about 2,300 jobs from January to February, including 1,600 new construction jobs, the Baton Rouge Area Chamber reports. Construction added about 3,900 jobs year over year, which represents 8.4% growth. The Capital Region's labor force reached a new record, increasing by 10,700 people over two months. Other sectors showing year-over-year growth include manufacturing, education, health care, leisure and hospitality, and professional and business services. Sectors that lost jobs year-over-year include trade,

transportation and utilities, and government.

Placid Refining is moving its headquarters from Dallas to Baton Rouge and plans to modernize its existing local facility in Port Allen, investing $66 million in the process. Placid expects to create 20 new jobs and retain the 215 employees who currently work in Port Allen.

Troyer Builders, a Metairie-based builder of custom homes, is expanding to the Baton Rouge metro. Troyer Builders has built more than 400 custom homes in the New Orleans and Northshore areas. They focus on blending traditional Southern symbolism with modern design techniques. When asked if there's room for another high-end custom builder in the area, local real estate agent Vicki Spurlock said there was because so many wonderful homebuilders in the area have retired, and that many of the remaining builders are spec builders building out subdivisions.

Northridge, a 215-lot planned development, has been proposed for 64 acres near the intersection of Groom Road and La. 964. The residential lots would be paired with almost 16 acres of open space.

Lafayette

The downtown area will soon make way for more residential units as more and more people are looking at the idea of living in Downtown Lafayette. Over the past year, the Lafayette Consolidated Government has introduced several proposals and partnerships to turn the downtown area from simply a commercial area into a neighborhood. There may be some concern over law enforcement, but according to Lafayette Police Sgt. Robin Green, people can expect business as usual from the law enforcement. "Adding the residential areas into the downtown area we are still going to do our job," Green said. "Look at River Ranch. It's residential and business in the same area. This is no different."

The Waters, a new 30-acre residential development, is underway at Rue de Belier & Town Center Parkway. The development is designed to meet the growing demand for premium residential real estate in Lafayette. The Waters will feature 97 spacious lots, each spanning about 6,000 feet. Construction is currently underway, and the development **is** expected to be completed by early 2024.

Lake Charles

For many, housing is still needed even several years after the 2020 hurricanes."The housing assessment tells us that we didn't have enough affordable housing out there before a storm, and when a storm comes and destroys much of the affordable housing, affordable housing is one of the things that lags behind in terms of recovery," Louisiana Housing Corporation (LHC) Executive Director Josh Hollins said. LHC is working with developers to bring more affordable housing to the Lake Area. Two complexes were just approved for development in Lake Charles. One will be a 144-unit family development on Power Center Parkway, and the other a 145-unit senior facility on Gerstner Memorial Drive. The project should be complete in late 2024 or early 2025.

More FEMA grants are coming to southwest Louisiana businesses as a result of Hurricane Laura. The two recipients are The Calcasieu Parish Sheriff's Office and the Southwest Louisiana Hospital Association. The funding has been earmarked for emergency protective measures to prepare for future natural disasters.

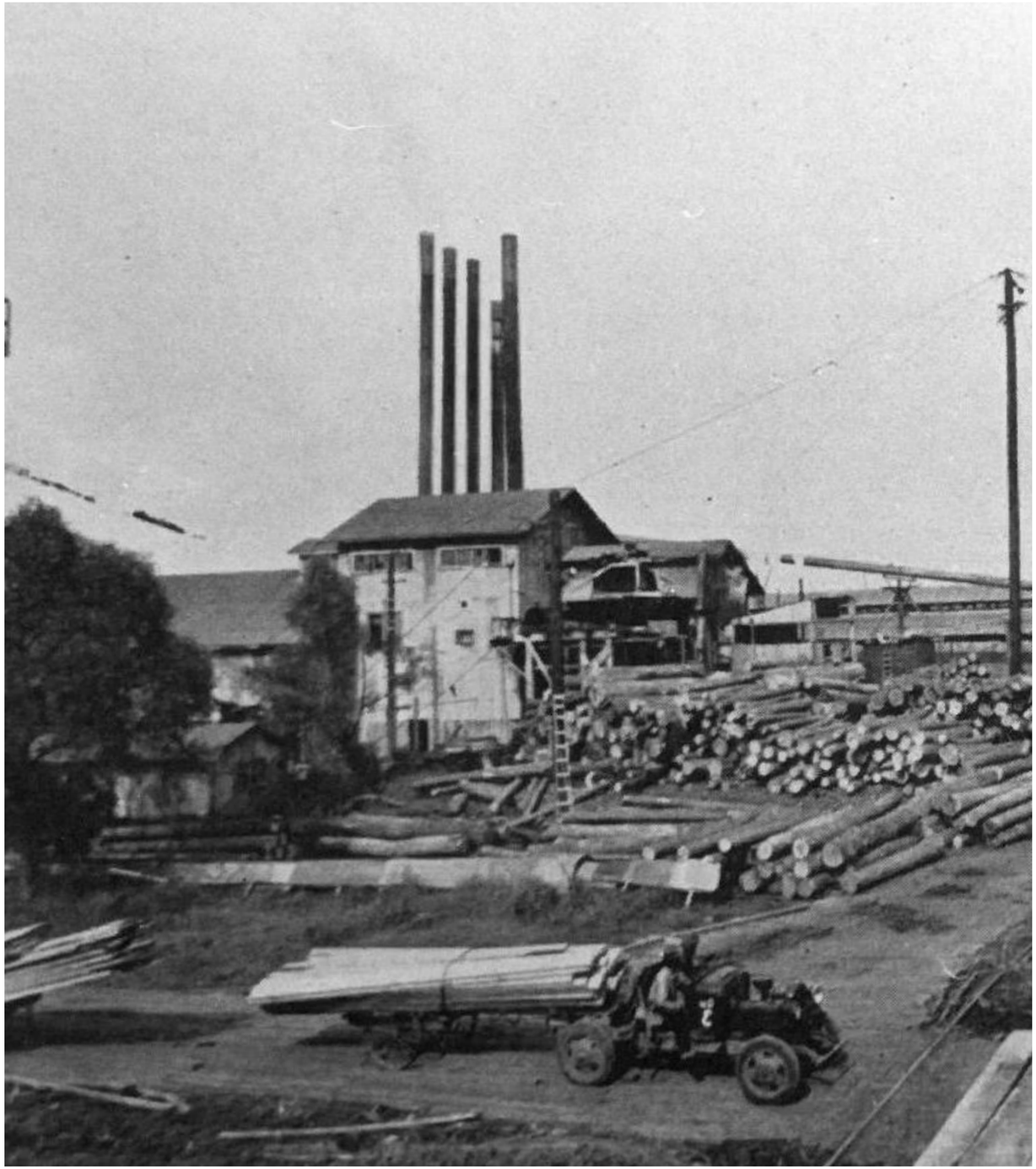
New Orleans

Although sales are picking up across the nation, that is not the case in and around the Big Easy. The number of sales is down significantly, Orleans Parish is down 36%, Jefferson's down 29%, and St. Tammany's down 32%. Potential home buyers here are being hit not only with the higher mortgage interest rates, but also with the exorbitant costs of homeowners insurance; that is, if they can find an insurance company to write a policy. "It has gone from a sellers' market, where homes were getting better than full-price offers after being on the market for only a few hours, to a buyers' market, where homeowners may have to take what is offered," says Arthur Sterbcow, a local real estate analyst.

Other issues driving home sales, or lack thereof, in New Orleans are the crime rate and failing infrastructure. Sterbcow blames both of these issues for helping to drive residents out of the city and causing people to move to St. Tammany and Jefferson Parishes. "The condition of the streets is the big thing that really gets people. It all shows a lack of attention to infrastructure, and people wonder who's going to pay for that."

New Orleans did recently receive a new $15 million federal grant to help the city's homeless population. Approximately 200 American cities applied for the grants, but New Orleans was one of the only 60 to receive the aid awarded by the federal Department of Housing and Urban Development. The grant goes to UNITY of Greater New Orleans to address homelessness among people in unsheltered settings and in rural communities. UNITY of Greater New Orleans is a coalition of mental health and housing providers that landed the grant. And the local medical community committed to match the $15 million in providing mental health assistance, counseling and other services to help many get off the street.

© Provided by WVUE New Orleans



Roy O. Martin Lumber Company at onset of WWII, circa 1939

TEXAS

TOP MARKETS:

AUSTIN/ROUND ROCK/GEORGETOWN

22,291 STARTS
(-17.3% YTD)

15,176 NEW HOME SALES
(-1.9% LAST 12 MONTHS)

3,428 SINGLE PERMITS
(-47% YTD)

4,473 MULTI PERMITS
(-18% YTD)

DALLAS/FORT WORTH/ARLINGTON

45,288 STARTS
(-16.3% YTD)

32,996 NEW HOME SALES
(+2.4% LAST 12 MONTHS)

7,729 SINGLE PERMITS
(-41% YTD)

6,654 MULTI PERMITS
(-10% YTD)

HOUSTON/THE WOODLANDS/SUGAR LAND

37,821 STARTS
(-9.1% YTD)

27,610 NEW HOME SALES
(-1.9% LAST 12 MONTHS)

11,036 SINGLE PERMITS
(-27% YTD)

6,235 MULTI PERMITS
(+22% YTD)

SAN ANTONIO/NEW BRAUNFELS

19,163 STARTS
(-8.8% YTD)

11,548 NEW HOME SALES
(+2.3% LAST 12 MONTHS)

1,735 SINGLE PERMITS
(-45% YTD)

2,464 MULTI PERMITS
(-15% YTD)

TEXAS ECONOMY

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

Texas senators recently unanimously approved Lt. Gov. Dan Patrick's agenda on property tax cuts this legislative season, which would pump billions of state dollars into public schools and give bigger tax breaks for homeowners and business owners. Before the session started, Republican leaders made it clear they wanted the legislature to use part of a historic state surplus of nearly $33 billion to bring down property taxes. Patrick's $16.5 billion package contained three separate priority bills. Democrats joined Republicans to pass all three bills.

The two biggest bottlenecks in the construction industry hindering its growth and success are talent shortages and supply chain issues. Historically, increases in interest rates and economic downturns have often resulted in a contraction of construction hiring. "Every one of our clients is still hiring," says Ashley Richards, Managing Partner at Kaye/Bassman International, whose firm placed 132 professionals in the construction market in 2022, despite all signs of a slowdown. The industry heavily relies on a functioning supply chain, which has become a significant issue due to the impact of COVID-19 and the continuing geopolitical conditions we are facing. As a result, material costs increased significantly. According to the Talent Shortage Survey by ManpowerGroup, Texas is estimated to have a 1.5-million-person shortage of craft professionals in December of 2026. Organizations like TEXO are taking steps to attract younger workers into the craft professional line of work by educating students in grade school and high school as another option to build a career versus going to college. As the population in Texas continues to grow, this type of labor shortage hinders how fast they can grow their infrastructure.

Austin

Elon Musk is planning a Texas Utopia. He is planning to build his own town on part of thousands of acres of newly purchased pasture and farmland about 35 miles from the city in Bastrop County. Rumor is that Mr. Musk and his top executives want his Austin-area employees, including workers at Boring, electric-car maker Tesla, and space and exploration company SpaceX, to be able to live in new homes with below-market rents. The site already includes a group of modular homes, a pool, an outdoor sports area and a gym. Signs hanging from poles read "welcome, snailbrook, tx, est. 2021."

The Caldwell County Commissioners Court unanimously approved on March 28 a development agreement between the county and a subsidiary of Lennar Corp. for a neighborhood of up to 1,600 homes in the rural area south of Austin. The development agreement will allow Lennar to transform the 491-acre parcel into a large community of single-family homes, plus parkland and amenities. Some experts believe that this region between Austin and San Antonio will evolve into the state's next metroplex.

Austin has the nation's second hottest job market, right behind Nashville. Despite some layoffs by major tech companies that call Austin home, the area is still ripe for job seekers. "We're not seeing a lot of pain yet in Austin," said Thom Singer, CEO of the Austin Technology Council. "There's a lot of smart people who are predicting this year is going to get worse. But so far, we're not hearing a lot of huge impact in the Austin market."

Dripping Springs City council is considering annexing and rezoning nearly 100 acres, clearing the way for hundreds of homes in the fast-growing city west of Austin. If the annexation is approved and the land is rezoned as a planned development district, the project, known as Gateway Village, could have 307 single-family homes.

Dallas

Dallas continues to prove itself to be among the more robust markets in the nation despite the recent slowdown in home buying. Although new home inventory has been trending higher, the average sales rate is much improved compared to the later part of 2022. Builders have been adjusting starts, and although they are lower than their peak they are still well above pre-pandemic levels. Prices are still up by double-digit percentages, but seem to be leveling off.

Prices in the Dallas/Fort Worth/Arlington area rose by 1.3% for the two months ending in March, continuing to outpace the all-city average across the country, the U.S. Bureau of Labor Statistics reported. Rents are up over 11% YOY, and single-family housing prices rose 9%. Housing costs aren't the only thing to rise in the DFW area as the grocery inflation is now at 14%, higher than any of the other 17 major cities examined, with Detroit being the only exception.

As demand for new homes contracts due to affordability, build-to-rent single-family homes have grown in market share and account for 8% of new construction. These rentals will help fill a significant gap since affordability continues to be an issue.

A developer (JPI) plans to build a new multifamily project in Lewisville with a $65 million price tag.

The project, located at 4500 Windhaven Parkway, will total 380 units. The developer plans to deliver the project in 2025, according to a filing with the state. JPI also has plans to build a $92 million residential development in south Fort Worth. The project will contain multifamily buildings, single-family homes, duplex homes and an amenity center with an outdoor pool and courtyard.

The City of Grand Prairie is on the brink of a slew of new development with plans for over 700 multifamily units and 1 million square feet of industrial space, all aimed at accommodating the growing population of Dallas-Fort Worth.

Another projected $70 million multifamily development is headed to Frisco. The 352-unit multifamily project is scheduled to start on July 1 and is expected to be completed by November 2025. This project is part of The Link, a mixed-use development spanning 240 acres adjacent to the new PGA of America headquarters.

A North Texas land development firm is planning a residential community just outside McKinney's city limits that will bring more than 100 new homes to the market. Corson Cramer Development has acquired 43 acres of land in the jurisdiction of McKinney. The development will deliver 104 residential lots to Perry Homes. Prices for the homes have not been set, but will likely be in the $500,000 to $600,000 range.

Houston

Houston is still an affordable option due to its abundant supply, with 268 projects offering homes under $300K and a large number of projects under construction coupled with slower demand. New home appreciation in Houston has lagged behind other Texas markets since 2020, but an increasing share of builders are lowering prices and/or increasing incentives to get inventory off the shelves.

While single-family home prices in Greater Houston have come down for the first time in more than two years, according to the Houston Association of Realtors' February sales report, the median price is still $320,000, over 30% higher than in February 2020.

The Houston metro area remains a powerhouse on the national stage. Ranking in the top 30% across the country's biggest cities, Houston has nearly fully recovered from the challenges and setbacks imposed since the pandemic began. According to the Business Journals' Future of cities report analysis, Houston is in the 73rd percentile overall, meaning only 27% of metros nationwide are doing better.

Mass timber projects are gaining traction in greater Houston, and Houston-based Hicks Ventures is planning to erect a six-story, 200,000-square-foot office building in west Houston. The goal of the planned mass-timber office building will be to achieve net-zero carbon emissions, as well as net-zero operational energy use. Mass timber refers to a construction process in which solid wood panels are either nailed or glued together to create beams and other building components. "Our goal was to create something unlike anything Houston has seen before," Hicks told the Houston Business Journal. The project is expected to break ground during the fourth quarter of this year with estimated completion in late 2024. Hicks is looking to attract companies looking to hire and retain younger workers, for whom green initiatives are increasingly important.

Luxury manufactured housing communities are increasingly becoming an option for many who are being priced out of traditional home ownership. Houston-based Excel is developing phase 2 of Casa de Campo where it will add another 133 manufactured homes for a total of 205 on the 36-acre property. Increasingly, manufactured homes can be much more affordable than traditional homes or even apartment rents. And with the expanding trend of "luxury" manufactured home developments touting amenities found at Class A apartment complexes, this form of ownership is becoming continuously more popular.

Another residential development is coming to the Katy area. Gamal Enterprises, Inc. recently purchased 282 acres with plans to develop an 838-home community, along with 22 acres of commercial space. Gamal is also planning a 700-800 home community next to Dewberry Farms.

San Antonio

San Antonio housing starts have been in decline since the Federal Reserve brought interest rates up. Soon, those numbers may see an uptick. - GABE HERNANDEZ | SABJ

San Antonio's economic foundation will likely remain stable in spite of the effects of a possible economic downturn according to local housing market professionals. "I think we will go back to pre-pandemic sales volumes," said Kevin Best, an associate broker with San Antonio Portfolio Real Estate. "2020-2022 was an anomaly–huge demand and low inventory caused the whole frenzy." Best said he is encouraged by what he is seeing in the market. On the new housing side, data from Zonda revealed that homebuilders had sold through enough quick move-in inventory to justify going out and looking for more lots to build on, which is an encouraging sign.

San Antonio sales activity was stronger than expected as the year began, and it improved dramatically compared to where the market was before the holidays. The number of new homes under construction has continued to decrease from 2Q 22's record high, while the average quick move-in per project has decreased from its Q4 high. These were palatable improvements that showed the effectiveness of price reductions, incentives, and decreases in mortgage rates.

The metro area has 11,950 homes under construction, well above the 10-year average of 5,315. Builders need to sell through this inventory, and that might take several quarters. San Antonio's employment recovery from early 2020 has lagged the other large Texas markets.

In the final quarter of 2022 San Antonio's inventory of quick move-in homes surged to more than double the average of the last five years. However, most recent estimations for how the first quarter of 2023 is going to pan out shows signs of relief.

"That inventory that's been stockpiling is now starting to sell," said Keith Hughes, Zonda director of business development.

San Antonio's current vacant developed lots (VDLs) inventory is at about 19 months' worth, which Hughes says is within the parameters of where it needs to be to keep pace with demand.

San Antonio housing starts have been in decline since the Federal Reserve brought interest rates up. Soon, those numbers may see an uptick.

An entity linked to Houston multifamily real estate firm Allied Orion Group recently purchased 30 acres south of Boerne. Although the firm hasn't yet released plans for the purchase, they are a full-service multifamily investment, construction and property management firm.

As the Texas Hill Country has continued to attract new residents, investment has quickly followed suit. The Business Journal recently reported that RREAF Holdings, a Dallas firm, had plans for a 240-acre development farther up Interstate 10, in Kerrville. Master planned communities are also slated for New Braunfels and Lockart. Permitting and platting records show explosive growth around Boerne and Seguin.

Local developer Weston Urban is planning to start construction on a 16-story, 415,000-square-foot multifamily project downtown in July, according to state filings. The project would occupy a slot in between the existing Continental Hotel building and the Arana building, and it would include 290 apartment units, 331 parking spaces and 7,500 square feet of leasing and amenity space.

The city's largest homebuilder, Lennar, believes there is a tiny home market in the area, and they have started constructing homes at their Elm Trails subdivision. Homes are built on a measly 20-foot wide lot, and are available in 350 or 661 square feet. Prices begin at $131,000.

Lennar is building 350-square-foot homes at its Elm Trails subdivision, on San Antonio's East Side. - GABE HERNANDEZ | SABJ

First load of wood to OSB, circa 1983

ARIZONA

TOP MARKETS:

PHOENIX/MESA/CHANDLER

24,028 STARTS
(-17% YTD)

4,687 SINGLE PERMITS
(-53% YTD)

5,824 MULTI PERMITS
(+50% YTD)

TUCSON

3,592 STARTS
(-10.9% YTD)

1,822 NEW HOME SALES
(-1.8% LAST 12 MONTHS)

736 SINGLE PERMITS
(-49% YTD)

678 MULTI PERMITS
(+2% YTD)

ARIZONA ECONOMY

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

Phoenix

Maricopa County had the biggest population growth in the country in 2022, according to Census Bureau's data released March 30. The county's population increased by 1.3% from July 2021 to July 2022 with the addition of 56,831 residents. This was the largest gain in residents across the U.S. and occurred mostly because of domestic migration.

Job growth remains healthy and there are continued significant investments in the semiconductor industry. These investments are expected to create a strong level of jobs over the next few years. Despite headwinds, strong in-migration patterns are likely to continue.

Homebuilding in metro Phoenix slowed dramatically in mid-2022 and buyers benched themselves after rising mortgage interest rates caused potential home buyers to hit pause. Still, despite the slowdown last year, Patty Lafferty, principal and designated broker for The Land Agency said she's starting to see signs of stabilization as the first quarter of 2023 winds down. She contributes one reason for her optimism is the fact that, over the past several years, metro Phoenix's economy has become more diversified, as the tech and biotech sectors continue to provide more stability to what was once a real estate-based economy. "We're still seeing 300 people a day moving into Maricopa County from elsewhere–that's 111,000 people a year," said Shelby Duplessis, president of land development for The Empire Group of Cos. As a result, Empire Group plans to build 354 rental homes within a luxury community

on a 40-acre parcel near Taiwan Semiconductor Manufacturing Co.'s chip factory being built in north Phoenix.

Homebuilders in the Phoenix area are starting to scout for land to build more homes. They've bought more lots in March than they did during the first two months of 2023. According to Jim Daniel, president of R.L. Brown Housing Reports, "Homebuilders spent close to $134 million in the Phoenix market, acquiring over 2,000 new lots in March, and this is good news," he said. That's up from 1,234 lots purchased in March 2022. Greg Vogel, CEO of Land Advisors Organization, said builders have been eating through their existing backlog over the past year, which means they're out hungry for more land.

Developers plan to add nearly 7,000 apartment units to Phoenix as they redevelop three iconic malls. The redevelopment projects at Park Central, Metrocenter and Paradise Valley malls will exceed $3 billion in total development costs, said Mike Ebert, managing partner of Phoenix-based Red Development LLC. With a goal of adding 50,000 housing units to Phoenix by 2023, these three redevelopment projects will produce anywhere between 6,000 and 7,000 units toward the effort.

Tucson

Demand for housing in the Tucson area has improved over the last few months with price discovery and incentives playing key roles. Those builders that are offering favorable incentives and are reducing prices are experiencing a welcomed uptick in sales activity. Consumers are starting to come to grips with the new interest rates, and buyers are moving off of the sidelines. Supply levels are on the rise, which could put downward pressure on pricing.

Not only are builders offering incentives and cutting prices, but sellers are as well. They are paying closing costs and are offering rate buydowns to entice buyers. New data from Redfin shows 42% of sellers nationwide are offering concessions to buyers which is pulling some buyers off of the sidelines.

As the spring homebuying season begins, some promising trends are developing in Tucson, especially for first time home buyers. Affordability and inventory are improving. Right now, there are 2,500 homes for sale in the Tucson area. One year ago, there were only 1,000. A normal market would see 4,000 for sale. Homes are sitting on the market a little longer YOY, but 50 days is about what you'd expect in a normal market. Also, homes are now selling at 95% of the original list price. While all-cash-buyers made up 31% of recent closings in the Tucson area, a local real estate expert says those buyers are focused on higher price points.

Roy O. Martin and Roy O. Martin, Jr., circa 1960

First hydraulic loaders, circa 1970

OKLAHOMA

TOP MARKETS:

OKLAHOMA CITY

5,089 STARTS
(+22.4%YTD)

1,112 SINGLE PERMITS
(-45% YTD)

90 MULTI PERMITS
(-13% YTD)

TULSA

2,945 STARTS
(+35%YTD)

784 SINGLE PERMITS
(-28% YTD)

58MULTI PERMITS
(-73% YTD)

OKLAHOMA ECONOMY

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

Oklahoma City

In March, Oklahoma City home prices were up 6.7% YOY, selling for a median price of $269K. Days on market has increased to 25 days compared to 7 days last year. Homes available for sale are up 12.7% YOY. Homes sold jumped 25% from February to March.

Oklahoma City has just recently started to move past the pandemic in terms of employment. While jobs have been slow to return, part of the reason has been not enough workers. There are concerns that a diminished labor pool could undermine efforts to attract companies. Gov. Stitt signed SB1176 in hopes of luring Volkswagen by dropping the job creation requirement from 4,000 to 3,500 jobs. Higher interest rates have also slowed new home construction and permit issuances are expected to fall below pre-pandemic levels this year.

In a recent report released by Business Insider Oklahoma City landed on the top 10 list of major metros with the lowest property taxes. The median property tax paid on all homes was only $1,884 on a median home value of $258,225. This another major reason that relative home affordability in the Oklahoma City area is luring buyers.

Tulsa

Tulsa was recently ranked by Zillow as the sixth best metro in the US for first-time buyers in 2023. The factors considered were mortgage affordability, rent affordability, the inventory-to-buyer ratio, and the share of listings with a price cut. The beauty of the Tulsa area and its relative affordability will continue to appeal to buyers from more-expensive markets. Buyers can get a lot of square feet for their money in Tulsa and still be close to the happenings downtown.

Tulsa's YOY job growth has recently strengthened rather than weakened. The rate of job creation is outpacing the US and OK. The metro unemployment rate has decreased in recent months while more people have returned to the labor force.

New housing activity is scattered across the area. Some of the most prominent areas are Hyde Park at Tulsa Hills, Stone Canyon, in Rogers County just east of Owasso, and at Forest Ridge in Broken Arrow. The mid level price range, $375,000 to $525,000, seems to be the strongest right now. "With the higher interest rates, we do expect there to be a slight downturn in market activity, at least in the first half (of 2023)," said Smith, who used to be a residential builder at CedarRock Homes. "That is seen in the January housing starts, which were 143, which is down from previous years. We believe that is just temporary and by summertime or the third quarter, that will return to normal."

ARKANSAS

TOP MARKETS:

LITTLE ROCK/NORTH LITTLE ROCK/ CONWAY

1,592 STARTS
(+18.1% YTD)

380 SINGLE PERMITS
(-38% YTD)

40 MULTI PERMITS
(-88% YTD)

FAYETTEVILLE/SPRINGDALE/ROGERS

3,684 STARTS
(+53% YTD)

1,090 SINGLE PERMITS
(-24% YTD)

550 MULTI PERMITS
(-2% YTD)

ARKANSAS ECONOMY

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

Arkansas' unemployment rate declined to 3% in March from 3.2% in February according to the state Division of Workforce Services. Employment has increased for six consecutive months. The labor force participation rate remained unchanged at 57.4%. Year-over-year there were 10,118 more employed Arkansans in March.

Little Rock

New home starts fell sharply at the end of 2022 and are expected to contract even further in response to high mortgage rates. Existing home prices have peaked and may be undergoing a modest correction. New home prices are still defying market fundamentals with double-digit percent increases but that is more likely the result of builders propping up prices by buying down mortgage rates in order to move inventory.

Home prices were up 2% YOY in March, selling for a median price of $230K. On average homes sell after 41 days on the market compared to 37 days last year.

Fayetteville

Active listings in Fayetteville were up 96% YOY in March, and the average number of days on the market increased 154% from 22 days to 56 days. The median sales price increased to $373,000, up from $333,000 just a year earlier. Although there was an increase in the number of units sold from February to March, the number of units sold decreased 15% year-over-year.

"Currently, one-third of housing inventory is new construction, compared to historical norms of a little more than 10%," said NAHB Chief Economist Robert Dietz. "More buyers looking at new homes, along with the use of sales incentives, have supported new home sales since the start of 2023. And while AD&C loan conditions are tight, there is not significant evidence thus far that pressure on the regional bank system has made this lending environment for builders and land developers worse."

Roy O. Martin Lumber Co. Inc, circa 1960

NEW MEXICO

TOP MARKETS:

ALBUQUERQUE

1,944 STARTS
(-18.4% YTD)

1,067 NEW HOME SALES
(-1.3% LAST 12 MONTHS)

428 SINGLE PERMITS
(-35% YTD)

400 MULTI PERMITS
(+16% YTD)

NEW MEXICO ECONOMY

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

Following weeks of lobbying and last-minute negotiations, New Mexico lawmakers passed legislation to expand the state's tax incentives for film productions. The new incentives, which are set to take effect on July 1, raise the yearly cap on film credit rebates by $10 million annually for the next five years. The incentives passed also doubles the rural uplift credit to 10% and redefines what productions are eligible for this credit. Bryan Evans, business representative for IATSE Local 480, said he hopes the increased film credit rebate will double the state's film industry in the next five years. Evans said New Mexico had recently garnered outside interest because it's more affordable than Los Angeles and offers nearly year-round sunshine. Last year, film, television and digital media productions operating in New Mexico spent more than $855 million, according to the New Mexico Film Office. This figure is 36% higher than the previous fiscal year and accounts for 55 film productions and 54 television productions that took place in the state.

The New Mexico unemployment rate decreased to 3.5% from 4.6% last March, the largest decrease in the year-over-year unemployment rate in the country.

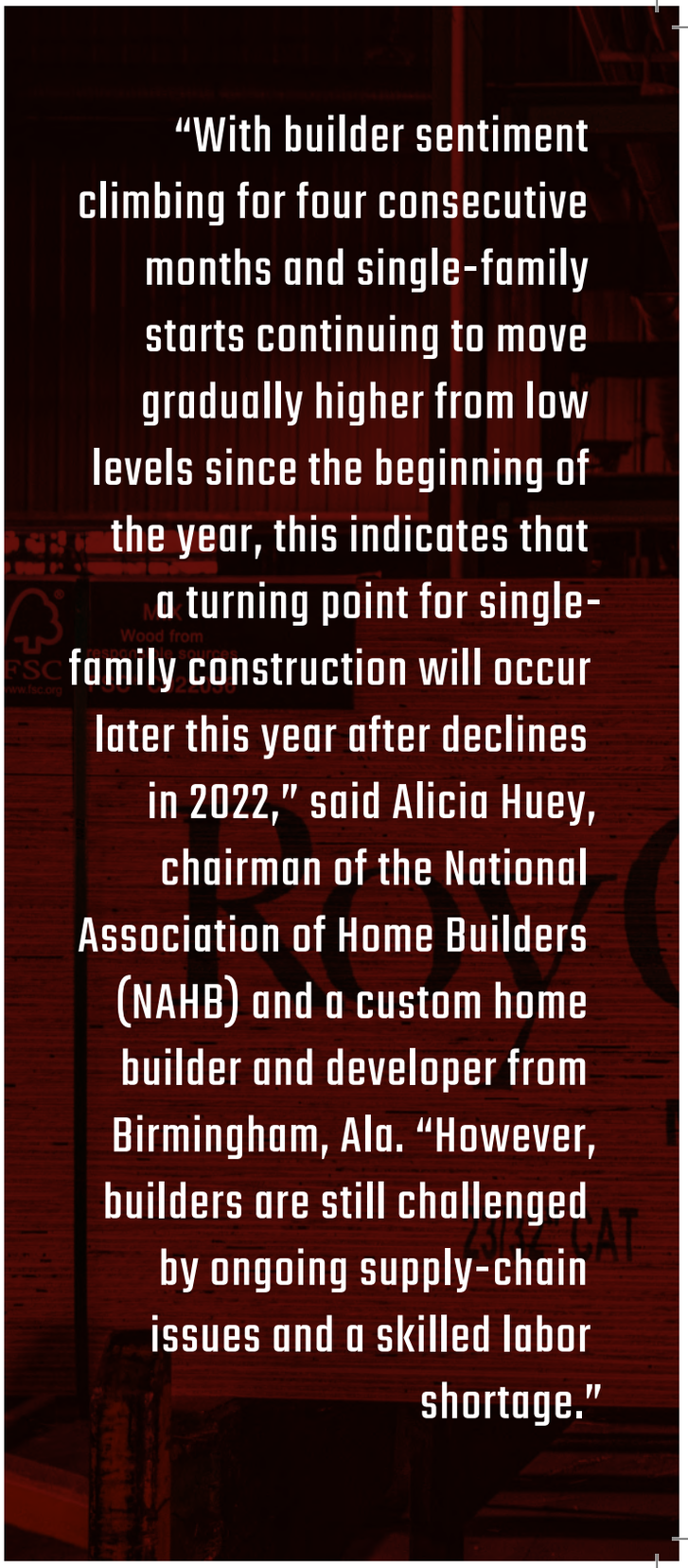
Although builders in New Mexico are cautious, their confidence is still up. In fact, in a recent survey of several homebuilders in the state, all of them indicated that they plan to build as many, if not more, homes in 2023 than they did in 2022. Although labor shortages and material shortages are still an issue, they realize that they are still under-supplied in housing.

Albuquerque

Single-family homes are spending more days on the market and seeing an increased absorption rate, while home prices are continuing to rise. In fact, the number of days on the market for detached single-family homes doubled over the last year to 34 days, according to the latest Greater Albuquerque Association of Realtors report. The absorption rate, which is equal to the number of listings available to sell in a month, increased 140% since last year from a rate of 0.5 in March 2022 to 1.2 in March 2023. New listings, pending sales, closed sales, and the percent of list price received all experienced YOY percentage decreases.

ABB Group, a company with products and services focused around electrification and robotics, wants to invest $40 million through a new 90,000 square foot manufacturing facility in west Albuquerque. Operations surrounding the facility could create 55 jobs in New Mexico. Planning and construction is underway with completion set for 2024.

Allaso Olivine, the newest class-A apartment complex to come to the area is set to be completed in the later part of 2024, according to Titan Development. The 105 market-rate unit project is set for Albuquerque's Far Northeast Heights.



Roy O. Martin III reviewing Swedish press, circa 1981

NEVADA

TOP MARKETS:

LAS VEGAS/HENDERSON/PARADISE

11,488 STARTS
(-15.3% YTD)

7,941 NEW HOME SALES
(+3.1% LAST 12 MONTHS)

2,223 SINGLE PERMITS
(-33% YTD)

763 MULTI PERMITS
(-42% YTD)

RENO

1,861 STARTS
(-32.2% YTD)

1,070 NEW HOME SALES
(+2.1% LAST 12 MONTHS)

407 SINGLE PERMITS
(-44% YTD)

593 MULTI PERMITS
(-21% YTD)

NEVADA ECONOMY

- Tourism
- Gaming
- Mining
- Agriculture
- Manufacturing

Las Vegas

New home sales have rebounded in recent months as mortgage rates retreated from their October 2022 highs. Estimates show that home prices are overvalued by more than 30%, so affordability is still a key factor.

The construction sector has been adding jobs at a robust pace and new home construction is at its highest level since the last boom. However, builders are facing challenging conditions and are being forced to cut prices and offer more incentives, so layoffs could move higher.

Southern Nevada home sales jumped again last month as prices stayed flat, with buyer activity overall still well below year-ago levels. The median sales price of previously owned single-family homes–the bulk of the market–was $425,000 in March, virtually unchanged from February but down over 7% from March of last year, according to trade association Las Vegas Realtors. Although available inventory shrank last month amid a jump in sales, it's still more than double what it was a year ago. Total inventory is up almost 110% YOY.

Las Vegas Realtors shared that while home values have fallen for seven consecutive months, the area inventory is still not increasing fast enough, and is in fact declining against demand. "While many people comment on the fact that fewer homes were sold than a year ago, most are failing to state that a year ago our market was still seeing unprecedented highs north of a 26% increase in home prices year over year. This is something we have never witnessed in our lifetime and was not sustainable. So are we experiencing a decline in home sales from one year earlier? Absolutely we are. Is the sky falling? Absolutely not." Troy Reierson

Reno

Reno's housing market continues to experience uncertainty and volatility in 2023. Considered a pandemic boomtown, the metro area is facing greater uncertainty as high-tech layoffs are mounting, and the remote workers that Reno attracted during the pandemic are now being increasingly called back to the office.

Reno broke its three-month streak of falling home prices as the city posted an increase in the median home sales price to kick off spring. Reno posted a median home price of $555,000 in March, up from $521,500 in February, according to the latest data from Sierra Nevada Realtors. These numbers are for existing single-family homes. Despite this increase, the median sales price is still down 8% YOY. "We are still seeing the market in a correcting phase as we get further into 2023," said Sara Sharkey, co-president of Sierra Nevada Realtors.

Active inventory is up 42% YOY, and homes are staying on market 3 times longer than the same period last year, but that still only equates to 18 days. Fewer sellers are putting their homes on the market in response to cooling demand and increased mortgage interest rates. Listings are down 29% YOY. Unit sales are also down 20% YOY.

Tesla continues to expand their presence in Reno by increasing the footprint of their vehicle battery facility and adding a new electric semi-truck factory. Stellar aviation is also investing $25 million to expand facilities at their Reno airport.

"With the largest monthly increase for builder sentiment since June 2013, the HMI indicates that incremental gains for housing affordability have the ability to price-in buyers to the market,"

- Alicia Huey,

NAHB Chairman

Pine on buggies, hardwood stacks MTC, circa 1936

UTAH

TOP MARKETS:

SALT LAKE CITY

3,781 STARTS
(-30.7% YTD)

1,958 NEW HOME SALES
(+1.5% LAST 12 MONTHS)

638 SINGLE PERMITS
(-53% YTD)

1,911 MULTI PERMITS
(-18% YTD)

PROVO/OREM

6,978 STARTS
(-14.9% YTD)

3,781 NEW HOME SALES
(+2% LAST 12 MONTHS)

760 SINGLE PERMITS
(-61% YTD)

563 MULTI PERMITS
(-46% YTD)

OGDEN/CLEARFIELD

2,949 STARTS
(-12.5% YTD)

1,304 NEW HOME SALES
(+1.6% LAST 12 MONTHS)

381 SINGLE PERMITS
(-66% YTD)

303 MULTI PERMITS
(-61% YTD)

UTAH ECONOMY

- Aerospace
- Advanced Composites
- Tech
- Distribution

The Utah housing market report for closed sales and median sales price reveals a mixed picture of the state's real estate industry. According to data provided by the Utah Association of REALTORS®, among the 23 counties, seven of them registered an increase in closed sales between February of 2022 and February of 2023, while sixteen of them saw a decline. Median sales price showed a similar

trend, where nine counties recorded an upsurge, and fourteen counties observed a slump. The median sales price in the state of Utah dropped from $502,000 to $464,000, which represents a 7.6% decrease.

Salt Lake City

Not unlike many other metros, local home builders saw a modest bounce in sales as falling rates helped bring buyers back to the table. It is increasingly clear that buyers are tapped out and are waiting on either prices or interest rates to drop. The supply of finished vacant homes is increasing but remains manageable.

The Salt Lake City (SLC) real estate market has been one of millennials' toughest real estate markets due to limited supply relative to demand, and it has become one of the top markets to watch in 2023. The population is very young, and the largest percentage of the city's population falls in the 25 to 39-year-old age group.

Several factors have generated rapid increases in housing prices in Salt Lake County. SLC has a track record of being one of the best long-term investments in the U.S. According to NeighborhoodScout's data, Salt Lake city real estate appreciated 162% over the last ten years, which is an average annual home appreciation rate of 10%, putting SLC in the top 10% nationally for real estate appreciation. However, due to current market conditions, the SLC metro area home values have gone down 1.5% over the last twelve months.

Due to an unusually high amount of rainfall over the last several months and as temperatures begin to warm, there is concern for flooding issues as the snowpack begins to melt. Recently the area has suffered damage from mudslides, sinkholes, and retaining wall failures. Residents are starting to prepare for more flooding from spring runoff.

Provo-Orem

Provo home builders reported a surge in new home sales after a few months of declining mortgage rates, highlighting how closely demand is tied to affordability. New home prices have remained resilient, and builders have been holding steady on prices by buying down rates and offering more incentives.

Home prices in Provo were down 16% compared to last year, and sell after 30 days on the market compared to 8 days last year.

Area farmers and the Utah County Commission met recently to discuss the proposal of an agricultural protection area spanning 274 acres south of Provo, in Leland and Benjamin. If passed, this area would be protected from eminent domain and nuisance lawsuits initiated by cities, municipalities and utility companies. "The main reason we're going after it is that Spanish Fork City is allowing a lot of potential subdivisions, and the latest one was a four-story, high-rise apartment building right next to the farmland in our area. We just want to have that added protection. Right now, most of us just want to keep farming and do what we've been doing without harassment from newcomers," said Leland farmer and rancher Rex Larsen.

Investors looking for hot spots to buy their next money-making short-term rentals might want to consider Provo. It was named the highest-grossing market for investors who own short-term rental cabins, according to an analysis by short-term rental data provider AirDNA. Investors can expect to earn up to $110,595 a year renting out cabins on a short-term rental platform. These earnings are on homes with a market cost of $536,789, so that equates to an over 20% yield.

Ogden-Clearfield

Single-family starts fell abruptly in the fourth quarter of 2022 to levels matching the number of closings for the first time since the early months of the pandemic. The slowdown is among the sharpest in the nation and according to the Census Bureau, permit issuances at the end of 2022 compared to the beginning of 2022, fell 65.8%, the eight largest decline among major metros in the nation. Despite all of this, home prices are still holding well above year-ago levels.

Drought conditions continue to be an issue in the area as the Great Salt Lake is dangerously low. Water conservation efforts could affect development plans, and the environmental consequences could be severe.

Efforts to encourage more housing development in Ogden remain a continued focus of debate and deliberation. Utah House Speaker Brad Wilson alluded to efforts to create more housing stock through a pair of initiatives. One proposal calls for conversion of surplus Ogden School district property into housing developments, while a zoning ordinance proposal is still in the works that would allow for conversion of motels into multifamily housing.

Roy O. Martin Lumber Company in Alexandria, circa 1960

CALIFORNIA

TOP MARKETS:

LOS ANGELES/LONG BEACH/ANAHEIM

5,695 STARTS
(-17.1% YTD)

4,591 NEW HOME SALES
(+2.7% LAST 12 MONTHS)

2,803 SINGLE PERMITS
(-4% YTD)

3,792 MULTI PERMITS
(+1% YTD)

SAN FRANCISCO/OAKLAND/BERKELEY

2,917 STARTS
(-31.7% YTD)

2,288 NEW HOME SALES
(+1.9% LAST 12 MONTHS)

668 SINGLE PERMITS
(-37% YTD)

885 MULTI PERMITS
(-37% YTD)

SAN DIEGO/CARLSBAD

3,172 STARTS
(+11.6% YTD)

2,452 NEW HOME SALES
(+3.5% LAST 12 MONTHS)

496 SINGLE PERMITS
(-48% YTD)

1,090 MULTI PERMITS
(-28% YTD)

SACRAMENTO/ROSEVILLE/FOLSOM

7,082 STARTS
(-18.4% YTD)

4,467 NEW HOME SALES
(+2.7% LAST 12 MONTHS)

1,403 SINGLE PERMITS
(-37% YTD)

1,509 MULTI PERMITS
(+403% YTD)

CALIFORNIA ECONOMY

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

Los Angeles

Pending new home sales in the Los-Angeles-Orange County market have been negative YOY every month since May 2022. The slump in sales is allowing supply to catch up a bit. In early 2023, LA-OC saw one of the largest YOY percentage gains in active projects in the US. The metro has also experienced one of the largest YOY increases in lot supply among major markets nationwide. The area is still significantly undersupplied for lots, not unlike most other major markets.

Although builders across the rest of the country have a higher than comfortable backlog of homes under construction and finished unsold inventory, this is not the case in LA-OC. Total spec inventory has continued to decrease. That doesn't mean builders haven't had to discount prices.

Mayor Karen Bass heard from real estate executives on how she can support the revitalization of downtown L.A. They say she is off to a good start since she recently declared a state of emergency with the homelessness crisis, removing encampments near parks and schools. The executives say that she should continue to make bold moves. Justin Weiss, vice president at Kennedy Wilson Brokerage, had three key ideas: Bass should bolster her connections to building owners and developers through the planning department, increasing the police presence will make visitors to downtown "more comfortable walking a few blocks to be able to go to a restaurant," and she should call public employees back to the office so developers can have face-to-face conversations across city departments to discuss how to increase downtown utilization. Stephane Lacroix, general manager of the Downtown Los Angeles Proper Hotel, said he sees downtown as "an open book. Coming downtown, I feel there's a very different dynamic. It's more collaborative. There's an amazing, positive

outlook, and there's a strong desire to win as a community, which I believe is a key to success."

Affordable housing developer Danco has purchased 18 acres in Moorpark with the intent to develop a 200-unit affordable housing community. Some 65% of the units will be available for those who make 30% to 60% of the area median income.

San Francisco

As a luxury-priced market, San Francisco has been particularly impacted by slumping tech stocks and tech layoffs. Despite the layoffs, however, the housing market here showed signs of picking up at the beginning of the year after a lull in sales the latter half of 2022. Opportunistic buyers re-appeared to seize on prices that have dropped from their Q2 022 peak. The sales rebound could be short-lived. The failure of Silicon Valley Bank, a main lender for tech startups that was intricately tied to the Bay Area's surge in wealth over the years, and Meta's announcement that it will lay-off another 10K workers has stoked fears of a widening downtown in tech. Despite all of this, tech skills are still in high demand. As the artificial intelligence (AI) race heats up, many of the largest VC funding rounds for AI companies have occurred in the Bay Area.

The redevelopment of Concord Naval Weapons Station that we reported on last quarter has been stalled again after the Concord City Council, for the second time in three years, fired the developer by not approving a term sheet. This development would ultimately bring an additional 15,595 homes to the area.

Between 2019 and 2021, the most recent year for which city-specific census data is available, San Francisco's population fell 7.5% and San Jose's was down 3.7%. The net loss of people between the two cities essentially wiped out a decade's worth of population growth. Over the same period, the state's population as a whole fell, but only by .75%.

San Francisco is considering dropping its inclusionary requirement for residential development to as low as 12% to spur the construction of more housing in the city. The Controller's Office recommended in March that the city lower its inclusionary requirement–the proportion of affordable homes that market-rate housing projects with more than 10 units must include–to between 12% and 16%. This range has been recommended because it makes some kinds of multifamily development feasible. Some city leaders are also considering a reduction in the real estate transfer tax to spur more office-to-housing conversions.

Perhaps the biggest news-worthy event to come out of the San Francisco/Silicon Valley area this quarter is the collapse of Silicon Valley Bank. The FDIC has entered into a purchase and assumption agreement for all deposits and loans of Silicon Valley Bridge Bank by First Citizens Bank of Raleigh, North Carolina. The deal, according to the FDIC, included the purchase of $72 billion of SVB's assets at a discount of $16.5 billion.

San Diego

San Diego's new home market bounced back recently as mortgage rates started to retreat from their peak in November. The tight correlation between interest rates and sales shows how stretched home buyers are, but it also demonstrates the strong latent demand resulting from years of not building enough homes.

Despite the passage of Senate Bill 9, San Diego continues to face significant hurdles in building enough homes to meet demand. The higher mortgage rates have curbed new construction but lack of skilled labor, land prices, and no-growth NIMBY's (not in my back yard) are also limiting supply.

Sacramento

Briefly lowered interest rates helped boost new home sales near the end of 2022 and into early 2023. New home prices have peaked and are starting to undergo some correction but the outlook remains murky. Builders are remaining cautious and starts activity continues to contract.

Despite the Placer One development gaining momentum that will ultimately bring 5,600 homes to the Roseville area, there has been a big drop in construction jobs as a growing number of projects approach close out. There are not enough new developments to replace them. Layoffs began in late-2022 but the pace has been accelerating. Wetter-than-average weather may also be a factor.

Taylor Morrison Home Corp., a homebuilder, has expanded its plan in the Folsom Ranch development, buying home lots for three future neighborhoods. The homebuilder bought five parcels near Discovery Drive and Mangini Parkway in Folsom Ranch for $41.45 million. The lots can accommodate about 260 homes, according to Taylor Morrison. Tim Hearl, the vice president of sales and marketing for Taylor Morrison's Sacramento division, said model homes for two of the new neighborhoods are under construction and sales will start this month. The third neighborhood will begin in June.

The Sacramento region city most likely to discourage growth proposals is suddenly seeing them pop up one after another. The city of Davis has recently received proposals for a 170-unit project called Palomino Place within city limits, and a project called Pioneer Community outside the city but touting its environmentally conscious features. Pioneer would bring up to 1,215 homes to the area, in addition to agricultural land mitigation, new sports park, senior housing, a 200-acre energy park consisting of solar panels, and a zero-emission refueling/charging station for both electric and hydrogen vehicles. If the proposals are approved construction would start in about a year.

LETTER FROM PAUL

We are continuing our celebration of delivering one-hundred years of excellence to our valued customers, and hope that you are enjoying a glimpse into our rich history with the images throughout this brief.

Over the past four weeks, we have observed a consistent upward trend in OSB prices. This contrasts with the preceding six-week period where prices remained relatively stable. We attribute these recent price increases to several different factors:

1. There has been a significant surge in tract builder home starts, which has contributed to the short-term increase in demand for OSB products. This upturn in construction activity has fueled the need for reliable and high-quality building materials, including OSB.

2. At the beginning of the year certain regions, namely the West, experienced record rainfall resulting in weather-related delays in construction projects. However, the situation has improved, and things are finally starting to dry out and construction activities are ramping back up, leading to an increased demand for OSB, and other construction materials.

3. Several multi-family projects, originally scheduled for later in the year, have been expedited and are now underway. This accelerated construction timeline has created an immediate surge in demand for OSB products. We are committed to meeting this demand and ensuring timely delivery.

4. While the overall market dynamics impact the overall supply of OSB products, we want to assure you that we are not taking any market-related downtime in our facilities. Our goal is to ensure a continuous and reliable supply of OSB products to our valued customers.

As your trusted supplier of OSB products and friend, we are dedicated to meeting your needs and exceeding your expectations, all while upholding our commitment to safety, ethics, and sustainability. Despite the prevailing market conditions, we remain focused on fulfilling contract and open-market orders. Overall builder sentiment is still increasing, and we are constantly exploring opportunities to move our products, irrespective of price fluctuations, to maintain a seamless supply for your customers and their projects.

-Paul Pfingsten
OSB Sales Manager

LETTER FROM LORI

The first quarter yielded positive results, and we experienced prices not normally typical for this time of year (the last two years aside). The plywood market has remained stable over the past nine weeks, with consistent production by suppliers and sustained demand from customers across various sectors such as retail, distribution, treaters, and industrial markets, with the latter exhibiting the strongest performance. While export sales to Mexico and the Caribbean experienced a slight decline, there was continued demand.

While market participants hold varying perspectives regarding the industry, including segments such as custom homes, remodeling, and furniture, there seems to be a consensus that it is prudent to remain active in the market, exercise inventory management, and improve logistical strategies, particularly transportation. Ultimately, the focus should be on achieving optimal performance, and that is what we at RoyOMartin hang our hat on at the end of every day.

As we continue to celebrate our centennial milestone, our commitment to ensuring safety, prioritizing employee warfare, upholding quality standards, and providing exceptional customer service will remain steadfast. You can count on uncompromising quality and an unwavering commitment.

-Lori Byrd
Director of Plywood and Solid Wood Sales

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

PAUL PFINGSTEN

OSB Sales Manager

Paul.Pfingsten@RoyOMartin.com

LORI BYRD

Director of Plywood and Solid Wood Sales

Lori.Byrd@RoyOMartin.com

LACY TOWNSEND

Product Marketing Analyst | Board Brief Author and Editor

Lacy.Townsend@RoyOMartin.com

ZACH ZIMMERMAN

Associate Business Development Manager: DFW, California, Oklahoma

Zach.Zimmerman@RoyOMartin.com

TONY ROCHA

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

Tony.Rocha@RoyOMartin.com

WAYNE MILLER

Senior Sales Representative

Wayne.Miller@RoyOMartin.com

KELLY MATTHEWS

Senior Sales Representative

Kelly.Matthews@RoyOMartin.com

KRISTIE MCCURDY

International Sales Manager

Kristie.McCurdy@RoyOMartin.com

RYAN TRACZEWITZ

Business Development Manager

Ryan.Traczewitz@RoyOMartin.com

TRICIA DAUZAT

Sales Representative

Tricia.Dauzat@RoyOMartin.com

ALISHA ROBICHAUX

Customer Service Representative

Alisha.Robichaux@RoyOMartin.com

BEAUX ROACH

Sales Representative

Beaux.Roach@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: Business Journals, Wall Street Journal, Builderonline, Inman, Housingwire, Businessreport, Business Insider, The Advocate, Tulsa World, LBM Journal, Developing Lafayette, Mortgage Bankers Association, World Property Journal, Msn.com, Rockethomes, Redfin, Standard-Examiner

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