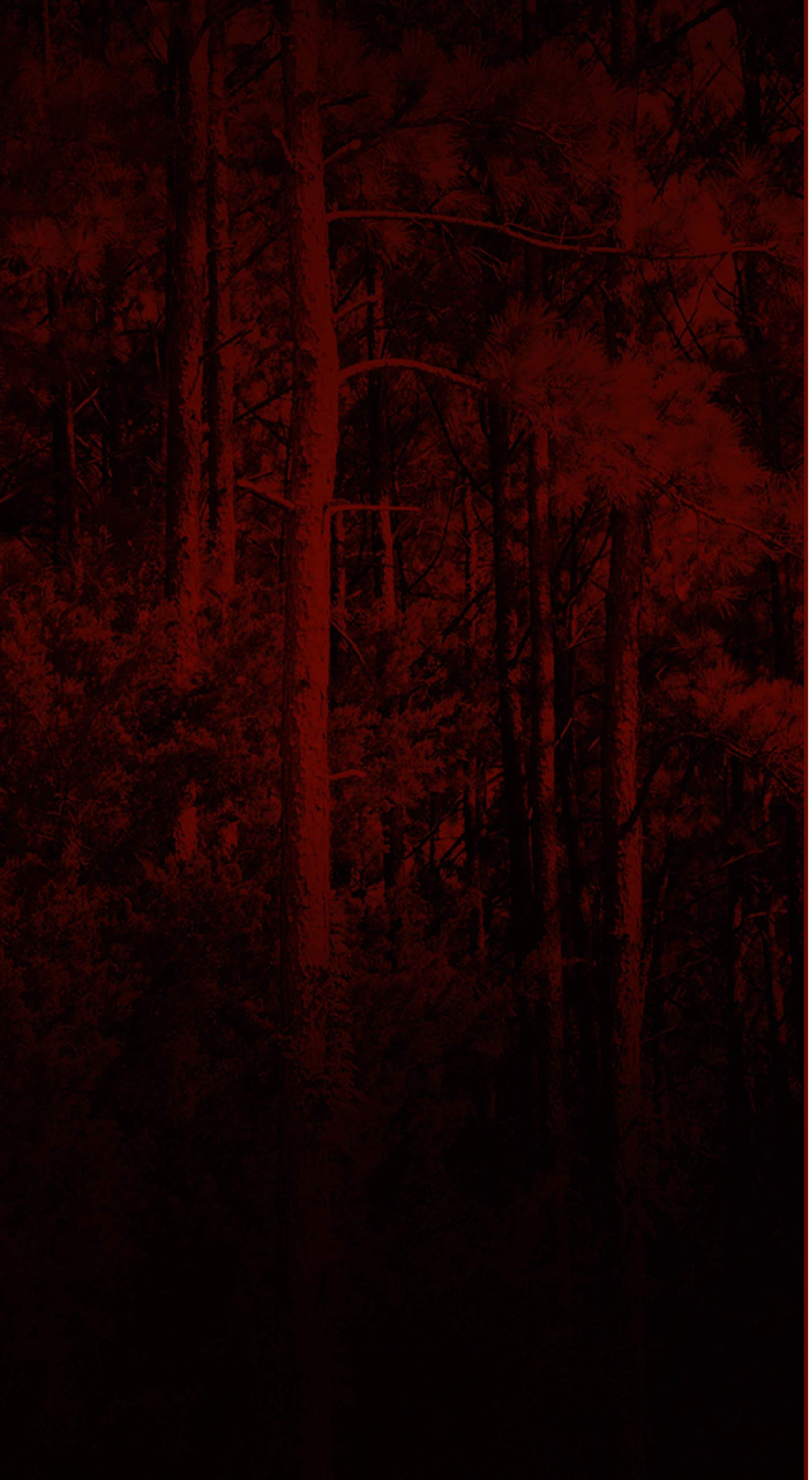


RoyOMartin

1923 2023

100th Anniversary

Rooted in Excellence Since 1923

BOARD BRIEF 2023 Q4

2024 VISION STATEMENT

RoyOMartin is a family-owned, professionally managed company whose stakeholders hold fast to our core values of **R**espect, **I**ntegrity, **C**ommitment, **H**onesty, **E**xcellence, and **S**tewardship.

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:

- INFLATION DECREASING
- HOUSING DAYS ON MARKET INCREASING
- FED RESERVE PAUSES RATE HIKES
- EXISTING HOME INVENTORY SLOWLY INCREASING
- BUILDER CONFIDENCE CONTINUES TO INCREASE
- ECONOMIC VOLATILITY
- CONTINUED HIGH CONSUMER AND HOUSING PRICES

"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

OSB Pricing YOY

FEBRUARY 2023

$240

FEBRUARY 2024

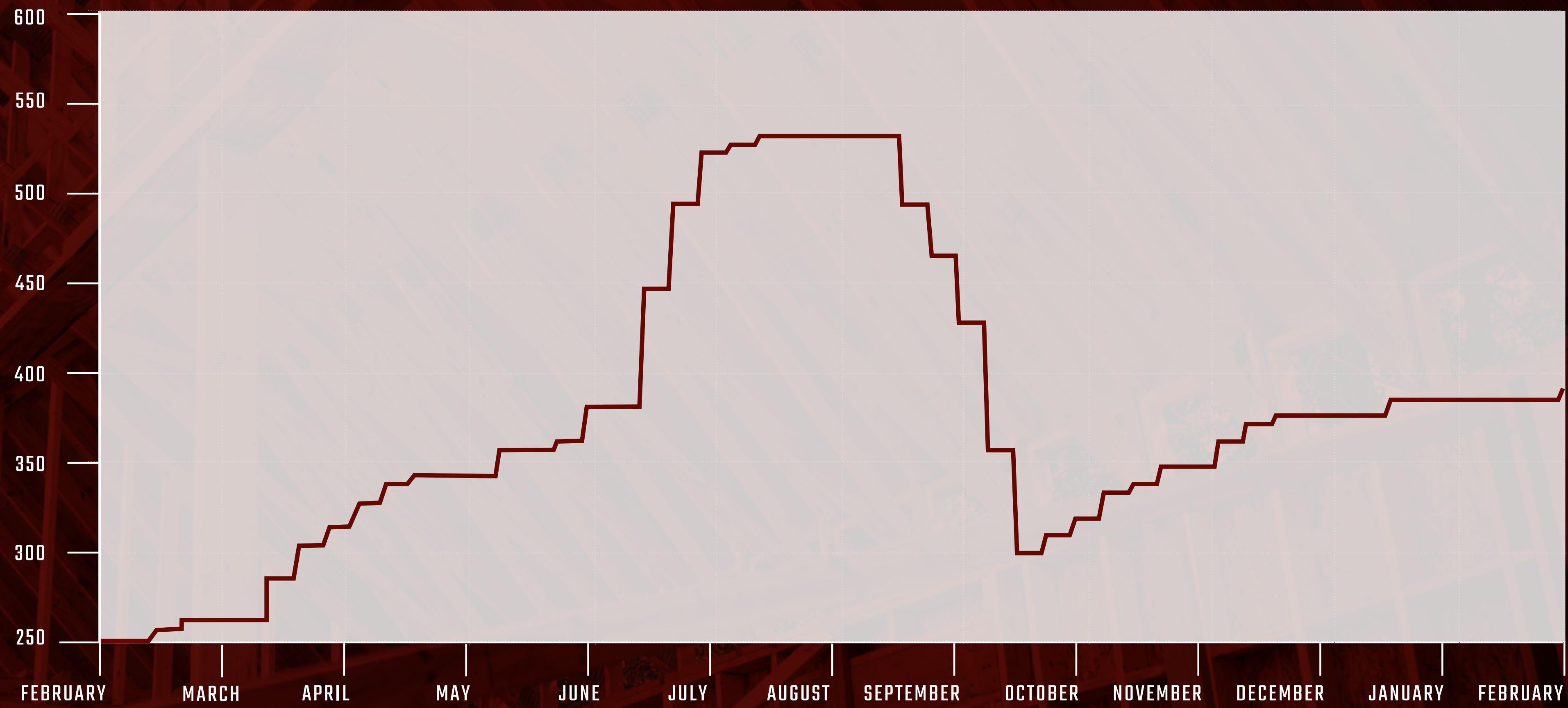
$390

*Pricing continues to stabilize after a volatile 2023.

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

$390

UP $150
(+62.5% YOY)



Worsening Affordability in Key Sunbelt Housing Markets

As consumer prices continue to affect households nationwide, they are aggravated by increased housing costs. With increased construction costs and elevated interest rates, homeowners will continue to feel the pressure.

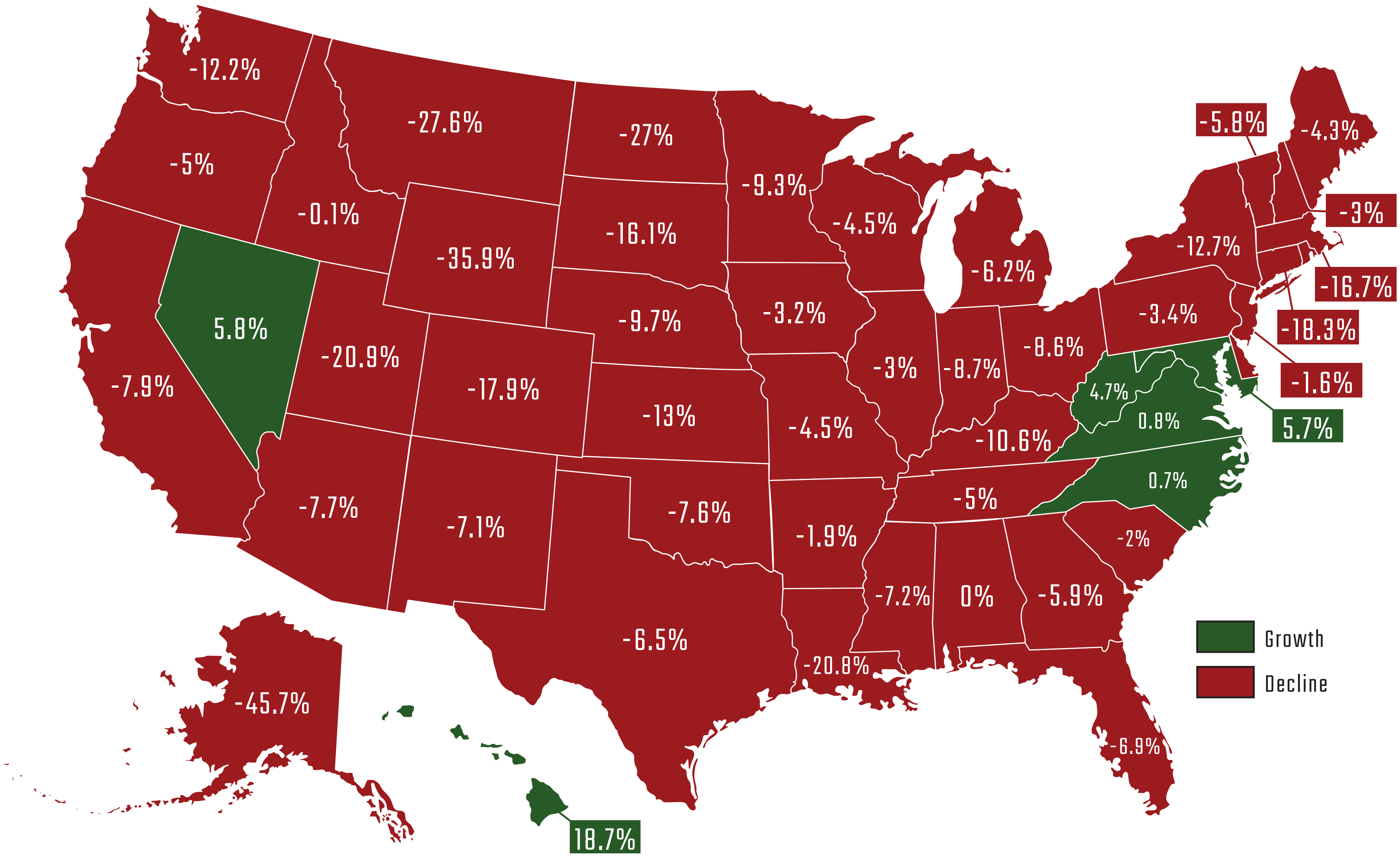
	December 2019	December 2023
Metro	Housing Cost to Income	Housing Cost to Income
Denver	29%	43%
Las Vegas	29%	48%
Phoenix	25%	41%
Salt Lake City	29%	46%
Austin	38%	47%
Dallas	26%	45%
Houston	26%	38%
San Antonio	28%	40%
Jacksonville	22%	37%
Orlando	28%	48%
Tampa	26%	44%

*Metro division

Source: We calculate the housing-cost-to-income ratio (HC/I ratio) by dividing the market's median monthly housing costs by 125% of the median income. Housing cost assumes the purchase of a home equal to the market's median-priced existing home with a 10% down payment and a 30-year, fixed-rate mortgage. Payment includes PITI (principal, interest, taxes, and insurance) plus mortgage insurance.

Source: John Burns Research & Consulting

Single-Family Permits



In December, YOY single-family permits declined in all four regions, according to an analysis from the National Association of Home Builders. Between December 2022 and December 2023, we witnessed a decline in single-family permits for all but 8 states in the U.S. For 2023, the total number of multifamily permits issued nationwide was 17.4% below the December 2022 permits.

Source: National Association of Homebuilders

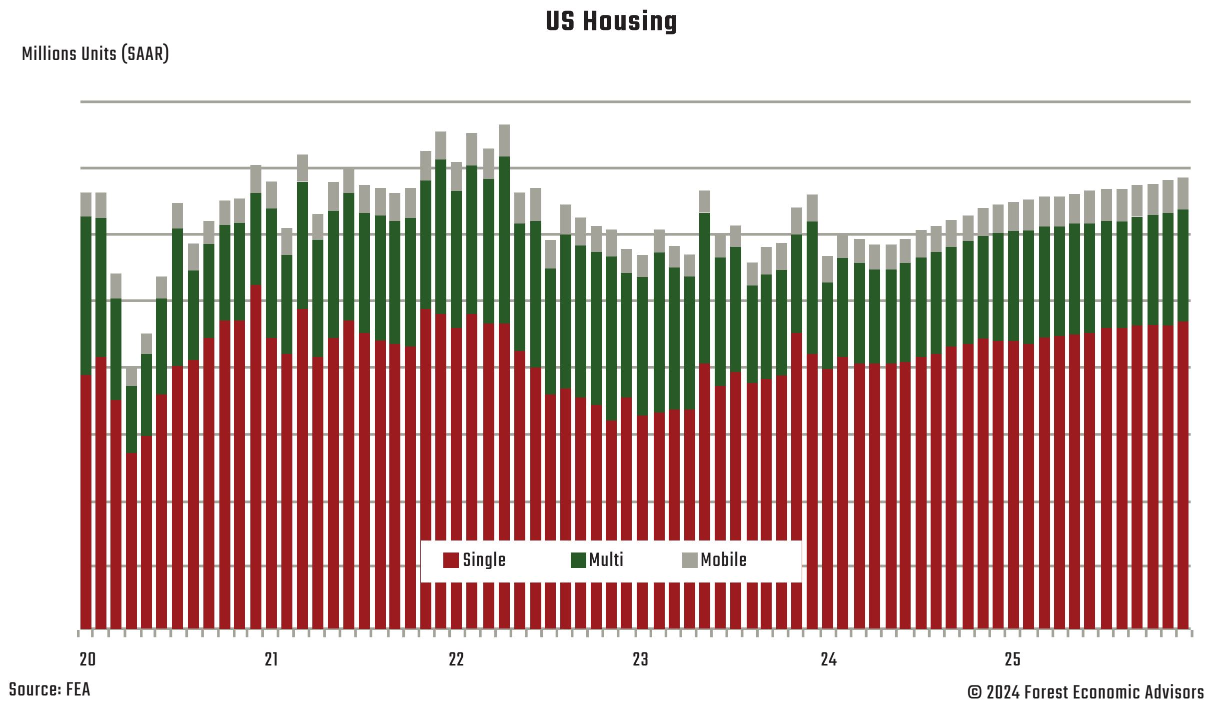
Upward pressure continues on Housing and Consumer Prices

Consumer prices rose again in December, driven by higher energy prices and sticky housing costs, according to analysis from the National Association of Home Builders. Despite this increase, overall inflation has moderated by nearly half, declining from 6.5% in 2022 to 2.4% by the end of 2023. Shelter costs, despite peaking in March 2023, continue to put upward pressure on inflation, accounting for over two-thirds of the total increase in all items excluding food and energy. The Fed's ability to address rising housing costs is limited because increases are driven by a lack of affordable supply and increasing development costs.

U.S. employers added a surprisingly robust 353,000 jobs in January, 2024. The unemployment rate stayed at 3.7%, just above a half-century low.

A Federal Reserve official recently laid out a case for lowering interest rates methodically at some point over this next year as the economy comes into balance and inflation cools, although he acknowledged that the timing of those cuts remain uncertain. "The data we have received the last few months is allowing the committee to consider cutting the policy rate in 2024," says Christopher Waller, one of the 12 policymakers who get to vote. While noting that risks of higher inflation remain, he said, "I am feeling more confident that the economy can continue along its current trajectory." While officials want to make sure they fully stamp out rapid inflation, they also want to avoid squeezing the economy so much with higher borrowing costs that they cause a painful recession.

With the recent drop in interest rates to a 30-year fixed mortgage rate of 6.75%, mortgage applications increased over 10% week over week ending January 12, 2024. In addition the Refinance Index increased 11% from the previous week and was 10% higher than the same week a year ago. The unadjusted Purchase Index increased 28% compared with the previous week and was 20% lower than the same week one year ago.



Existing-home sales ended 2023 down about 19% from the prior year, according to data from the National Association of Realtors. While the number of transactions declined, prices rose in most metro areas through the end of the year, and that trend appears to be holding up early into this year. The national median single-family existing-home price was up over 3% from the prior year, to $391,700. Lawrence Yun, chief economist at the NAR, said he believes the worst in inventory and sluggish home sales is done and that 2024 will largely be a year of recovery. For the four-week period that ended Feb. 4, 2024, the median U.S. sales price was up 5.4% year over year, the biggest increase in more than a year, according to Redfin Corp. Meanwhile, pending home sales are down 8% from the same period a year prior.

More than 660,000 newly built homes sold last year, which represents a 4.2% increase from 2022, according to Zillow and the U.S. Census Bureau. Homebuilders are continuing to lure buyers by offering concessions like mortgage-rate buydowns. In addition, they have started to build smaller, more moderately priced homes, on smaller lots.

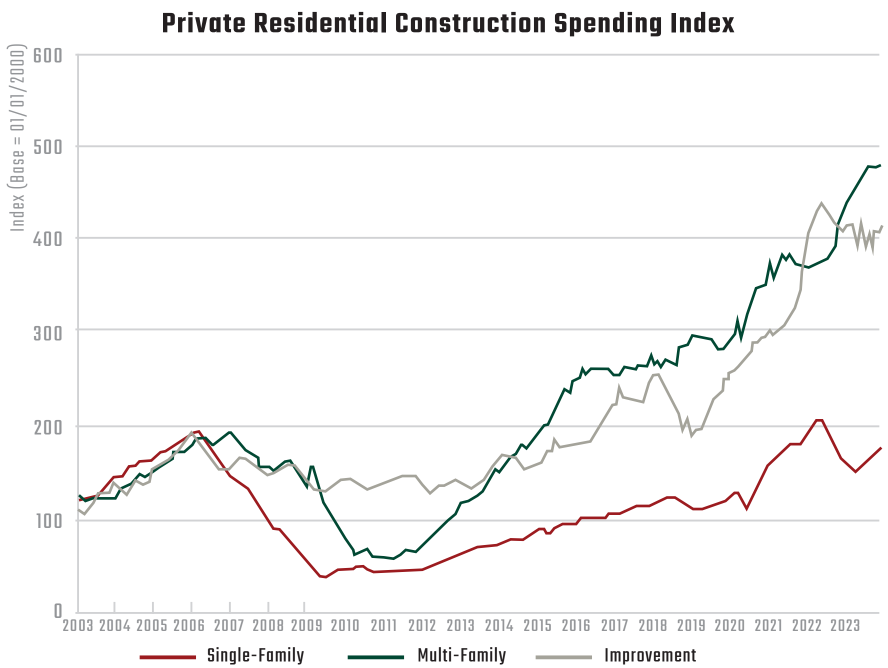
Homebuilder sentiment improved in January, jumping 7 points to 44 on the National Association of Home Builders monthly index. Although anything below 50 is still considered negative, the index has now moved 10 points higher in the last two months. Sentiment is at its highest level since September. The increase coincides with a big drop in mortgage interest rates from around 8% in mid-October.

Following the homebuilder sentiment, consumer sentiment is also improving. In fact, consumer sentiment shot up in January to the highest level since the summer of 2001. Americans have noticed relief from waning inflation and saw an improved economy. While sentiment has improved, it is still well below pre pandemic levels of around 100. The current rate of inflation is 3.4%, but it has slowed considerably over the last year and half.

After jumping to the highest level in 19 months in December, US housing starts fell 15% to 1.331 million units (SAAR) in January. This large decrease was primarily due to a 36% decline in multifamily starts. Single-family starts were down less than 5% in December. Housing starts are expected to increase in March, but are anticipated to remain below December's level through September of 2025. The Forest Economic Advisors are predicting that starts won't drop to the levels seen early last year at any time over the forecast due to high pent-up demand, strong demographic tailwinds, near-record-low inventory of homes for sale, and a backlog of homes that have been sold but not started. Housing starts are anticipated to grow just 0.3% in 2024, but 9.2% in 2025. The single-family share will hold steady around 73-74% over the forecast, above its 66% share in 2023.

Although residential-improvement expenditures will decline in the first and second quarters of this year, expenditures will still remain high by historical standards. Increased equity, aging housing stock, and the unwillingness of homeowners to give up their sub-3% mortgage rates are all factors influencing homeowners to fix up, or add onto, their current home rather than moving up.

US industrial production will grow this year, and up to 2.5% next year. There are many reasons to be optimistic on the manufacturing side, including: manufacturing inventories are low, supply-chain disruptions, and the changing geopolitical environment. US furniture production fell 8.7% in 2023, primarily due to imports devastating the domestic furniture industry. Growth will slowly pick up in the second quarter. Production will be 2.6% lower in 2024 than 2023, but 2025 will be 3.9% higher than 2024.



(National Association of Home Builders)

NAHB analysis shows that private residential construction spending rose slightly in December, marking three months of gains. The 2023 annual spending on private residential construction was $864.9 billion, 5.8% lower than the 2022 numbers. Existing home inventory continues to be lacking, and this is boosting new construction. Compared to a year ago, spending on single-family construction is almost 10% higher. Single-family construction has experienced solid growth since May 2023 under the pressure of supply-chain issues and elevated interest rates

LOUISIANA

TOP MARKETS:

LAFAYETTE

1,820 STARTS
(+14.3% YTD)

2,011 SINGLE PERMITS
(-1% YTD)

378 MULTI PERMITS
(+1790% YTD)

LAKE CHARLES

378 SINGLE PERMITS
(-38% YTD)

456 MULTI PERMITS
(+68% YTD)

NEW ORLEANS/METAIRIE

1,927 SINGLE PERMITS
(-38% YTD)

1,174 MULTI PERMITS
(+10% YTD)

BATON ROUGE

3,074 STARTS
(-1.9% YTD)

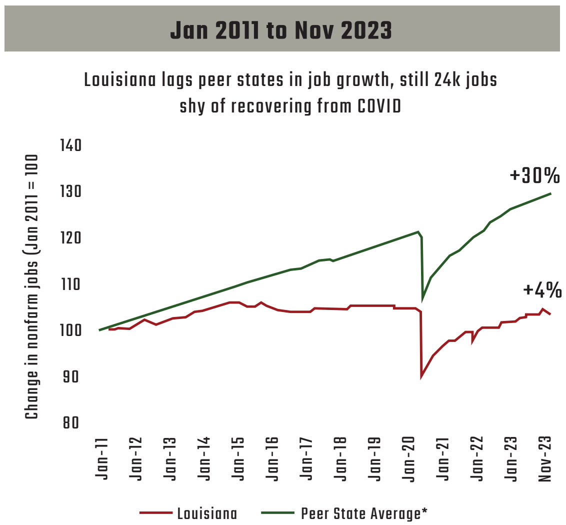
2,982 SINGLE PERMITS
(-15% YTD)

271 MULTI PERMITS
(-7% YTD)

LOUISIANA ECONOMY

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

Louisiana ranks as the 9th best state for construction jobs in the U.S., outranking all other southern states except for West Virginia, reports the LBM Journal. Of the state's $219 billion gross state product (GSP) for 2023, over $7 billion came from the construction sector, with the average annual construction salary in Louisiana estimated at $50,350.



Source: Bureau of Labor Statistics; figures are seasonally adjusted
*Peer states include Alabama, Arkansas, Florida, Georgia, Mississippi, Oklahoma, South Caroline, Texas

This data shows the performance of Louisiana compared to the rest of the U.S. South has been lagging, but job numbers have picked up over the last 12 months. It grew by 1.8% over the last twelve months through November. Over the last 12 years, Louisiana grew non-farm jobs by 4% while benchmark states in the South grew by 30%. Louisiana has lost 12,000 jobs since 2016, while other states gained jobs by 8.9%. Baton Rouge, New Orleans, and Lake Charles areas grew the fastest over the last 12 months. Health care, administrative support, and hospitality jobs were the most in-demand jobs across Louisiana in December, according to job posting data, although job postings declined slightly.

Lafayette

Residential construction still remains higher than pre-pandemic levels. Not unlike the rest of the country, relatively high mortgage rates continue to limit the supply of existing homes

State	Nov 2022-Nov 2023 %age change
Louisiana	1.8%
Alabama	1.8%
Arkansas	1.0%
Florida	2.8%
Georgia	2.1%
Mississippi	-0.6%
Oklahoma	0.9%
South Carolina	2.7%
Texas	3.0%

and builders are benefiting from overflow demand. Recently, new homes have accounted for roughly one quarter of all closings. The median new home price has been climbing while existing home prices have trended lower to flat with changes to mortgage rates reflected quickly in prices.

The Lafayette Mayor-President elect, Monique Blanco Boulet is asking for public input on key issues that her administration will face. One of the key issues during her campaign was affordable housing, and that will remain a key issue as she takes office. “But we also need what I call workforce housing. Housing that our first responders can afford, housing that our teachers can afford. We have a shortage of first responders in most of our agencies and how do we incentivize those people to come to Lafayette and live in Lafayette,” said Blanco-Boulet.

Lake Charles

Newly inaugurated Governor Jeff Landry said that the Interstate 10-Calcasieu Bridge, known as the “pistol bridge” that we’ve reported on in previous briefs, will be replaced at a cheaper rate. “We are getting the same bridge that was planned, five miles of new interstate and frontage roads, but it’s going to be 25 percent less,” Landry said during a recent banquet at Golden Nugget Casino Resort. He says that tolls will still be necessary to fund the project, but they have been reduced by 26% for locals. The commercial truck toll has also been reduced by 30%. The new design process will take approximately two years.

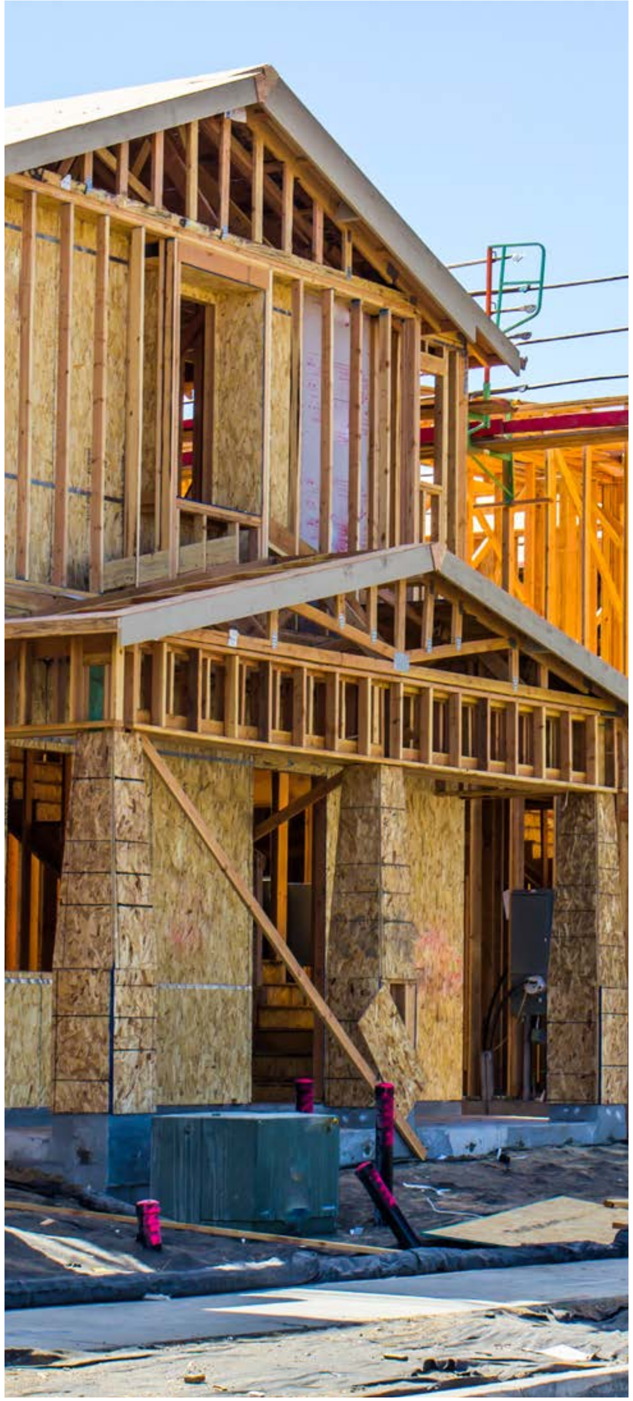
The Lake Charles City Council unanimously voted at the beginning of January to approve a citywide rezoning plan. Many areas throughout the city have been “upzoned,” with previously residential areas being changed to neighborhood or mixed-use zones. These changes will allow for more dwellings per acre–10 for neighborhood and 12 for mixed-use–and the institution of non-residential structures with major and minor conditional use permits. This will be the first citywide rezoning to take place in 30 years. The residents who will see the most change from this rezoning are pushing for businesses that will service the neighborhoods, specifically for jobs.

Lake Charles Methanol II recently announced plans to invest $3.24 billion to construct a new manufacturing plant that will produce low-carbon intensity methanol and other chemicals at the Port of Lake Charles.

New Orleans

Two years after New Orleans voters rejected a millage supporting a city housing fund, the City Council has a new plan to address the persistent shortage of affordable places to live. Recently, council members voted unanimously to create a housing trust fund. This is an early step towards securing a dedicated stream of potentially millions of dollars from the city’s annual budget to help build affordable apartment complexes and other developments. The local housing crisis has been made more acute in recent years by high insurance rates, property taxes and construction costs. According to a report by the National Low Income Housing Coalition, the area needs more than 47,000 additional affordable rental units, and right now there are only 158,828.

An $80 million affordable housing development opened in Central City in the former Brown’s Dairy site. The complex contains 192 units. The complex is one of the most significant investments in affordable housing in the city in recent years. The units are available to people who make as much as 60% of the area median income, or $49,200 for a family of four. Rents are determined based on income, and for a one-bedroom apartment could range from $679 to $833 a month. “It’s the kind of project we want to see more of,” said Andreanecia Morris, executive director for HousingNola. “But it also demonstrates how much it takes to do something this impactful. And now we’ve got to do it another 20, 30 times.” More than 67,000 households in New Orleans, or 42% are considered “cost burdened,” meaning more than 30% of their income goes to housing costs, HousingNOLA says.



“Even as overall inflation continues to moderate, shelter costs continue to put upward pressure on inflation, accounting for more than half the inflation gains in the latest Consumer Price Index,” NAHB chief economist Robert Dietz said in a statement. “The best way to tame shelter inflation and address America’s housing affordability challenges is to enact policies that reduce regulatory costs to help builders increase the supply of housing.”

Baton Rouge

National real estate experts are predicting Baton Rouge will see the third-highest decline in sales growth in the nation next year. This is according to the Realtor.com 2024 Housing Forecast. The forecast predicts the Baton Rouge-area residential market next year will see a 20.4% decline in sales year-over-year and a 5.6% decline in price growth year-over-year. For comparison, nationwide sales are expected to increase 0.1% YOY.

The Baton Rouge housing market really took winter seriously, and has seriously cooled. Pending sales and closed sales have continued to decrease YOY, while time on market and months of supply of inventory have continued to increase YOY. Months of supply has increased about 40% YOY to almost 4 months, as opposed to only 1 months supply in early 2022.

Baton Rouge does have some things going for it. For example, it is one of the most affordable, midsize cities in the U.S., and it ranks in the top 10 markets in the U.S. where first-time buyers can get the biggest discounts by choosing an attached home.

TEXAS

TOP MARKETS:

AUSTIN/ROUND ROCK/GEORGETOWN

15,523 STARTS (-27.8% YTD)

16,319 NEW HOME SALES (-1.7% LAST 12 MONTHS)

16,738 SINGLE PERMITS (-22% YTD)

21,861 MULTI PERMITS (-4% YTD)

DALLAS/FORT WORTH/ARLINGTON

42,501 STARTS (-4.7% YTD)

39,376 NEW HOME SALES (-2% LAST 12 MONTHS)

42,659 SINGLE PERMITS (-2% YTD)

24,066 MULTI PERMITS (-29% YTD)

HOUSTON/THE WOODLANDS/SUGAR LAND

35,631 STARTS (-5.5% YTD)

32,718 NEW HOME SALES (+2% LAST 12 MONTHS)

50,014 SINGLE PERMITS (+5% YTD)

18,322 MULTI PERMITS (-35% YTD)

SAN ANTONIO/NEW BRAUNFELS

14,798 STARTS (-21.7% YTD)

15,233 NEW HOME SALES (-2.2% LAST 12 MONTHS)

8,756 SINGLE PERMITS (-14% YTD)

7,763 MULTI PERMITS (-44% YTD)

TEXAS ECONOMY

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

Austin

Although nearly 60% of new home starts over the past year were priced above $400K, there are still communities coming to the market with average base prices below $350K. The entry-level market has contracted, but buyers can still find new options being brought to market in surrounding areas. Among major US markets, Austin recently posted the largest YOY gain in new home project count.

In December, the median price of a home in the Austin metro dropped 10% year-over-year, and housing inventory reached the highest level it's been in more than eight years.

Amid a housing affordability crisis, the Austin City Council recently voted to allow the construction of more homes on single-family lots in an effort to put more housing units on the market. This change will allow homebuilders to put up to three housing units, such as duplexes and triplexes, on almost any lot in the city where single-family homes are currently allowed. The move hopes to boost the supply of affordable homes to middle-income households. Critics of this are skeptical about this change actually creating housing more affordable.

Hundreds of acres of housing are coming to the south Austin metro. Caldwell County commissioners recently unanimously approved a development agreement for a subdivision in Maxwell. With Austin struggling to build enough affordable housing, the homes in this new development would be going up in one of the most affordable pockets of the region. Schulle Farms would consist of 831 homes.

Austin and surrounding areas, namely south of the area, have massive pipeline of industrial projects under development. According to a report from commercial real estate agency CommercialSearch, 18.2 million square feet of industrial space is under construction in the region. Industrial real estate has been booming in recent years across the metro as big companies like Tesla Inc. and Samsung Electronics Co. Ltd. build major manufacturing plants here, leading more suppliers and other companies to invest in the region.

Dallas

The higher mortgage rates are having an impact on Dallas' existing housing supply. The volume of new listings has been slowing and days to sell have increased to more than two months. It's still overperforming compared to its long-term history but is starting to feel the strain of higher mortgage rates as affordability concerns continue to soften demand. Despite all of this, the metro area still remains one of the hottest housing markets in the nation and the hottest in the state. Job growth is strong, and demographic trends are favorable. Due to declining affordability we are starting to see lot sizes shrink considerably. Lots that are 40-49 feet have increased by over 2%.

Texas' fastest-growing city is a small spot outside Dallas named Josephine, census data shows. Josephine is a small city about a 45-minute drive northeast of Dallas. Between 2020 and 2022, the city's population grew from 2,131 to 6,944, a 226% jump. Compare that with Dallas, where the population fell by .37% in that time period, and Austin, where it increased by only 1.30%. Local agents believe people are flocking to Josephine for its relatively cheap homes, lower taxes, and proximity to Dallas while still maintaining a quiet and communal vibe.

“Affordability conditions should show some gradual improvement this year, as mortgage rates peaked in the fourth quarter of 2023 and are now well below 7%,” NAHB Chairman Alicia Huey

Two Dallas-based real estate developers are working together to bring a residential community paired with retail to a part of the Castle Hills neighborhood in Lewisville. Retail firm Weitzman formed a joint venture with apartment builder JPI to develop part of a mixed-use development at the southwest corner of Josey Lane and Sam Rayburn Tollway. As part of the venture, Weitzman agreed to contribute roughly 12 acres of land west of the Kroger on Windhaven Parkway, on which JPI will build 760 apartment units next to the existing marketplace. The development will be pedestrian family and is expected to be complete by fall 2025.

Houston

Houston has started the year with its second year-over-year increase in sales since the first quarter of 2022, the Houston Association of Realtors reports. Single-family home sales were up 9% over January 2023, while the average sales price was up 2.7%, and the median price was up just over 2%. Total active listings are almost 18% higher than the same time last year, and inventory is now at 3.3 months of supply.

“January was an unexpectedly positive month for Houston housing, but we don’t want to get ahead of ourselves because we know that consumers are still keeping a wary eye out for interest rates and inflation,” said HAR Chair Thomas Mouton with Century 21 Exclusive.

Like its neighbor to the south, San Antonio, Zonda also names Houston as one of the top

Irving-based builder JPI plans to deliver 760 apartment units next to the Kroger in Castle Hills Marketplace.

10 affordable markets to watch this year. Houston is attractive due to its relatively low affordability and its employment diversity. It is one of the most supplied new-home markets, and ranks as the second-largest new home production market in the US. It also ranks high in pent-up housing demand.

Houston home sales reached positive territory in November–the first year-over-year increase the market has seen in 19 months. However, in the greater Houston area, Realtor.com predicts the housing market will see a 9.7% decline in sales in 2024. At the same time, home prices are expected to see a decline of 4.5% this year. The Houston area housing market does appear to be in a better position to start 2024 thanks to moderating prices and expanded inventory. Single-family home sales for all of 2023 were down 12% from 2022. Total dollar volume was down 12.6% YOY.

San Antonio

Zonda ranks San Antonio No. 3 on its list of top 10 affordable US markets to watch this year. The metro is a lower-priced and affordable alternative to larger Texas markets, and it continued to attract many new residents in 2023. San Antonio is growing fast, and residents are finding conversion to homeownership a lot harder than in the past. Affordability is great in comparison to other larger markets, but there still aren't enough affordable homes available. Even still, it is the sixth-largest market in the US, and 66% of new home developments have at least one floor plan under $400K.

Source: The San Antonio Business Journal

The city saw hundreds of applications for new homes in December 2023, despite a decline in starts throughout the year. There were 246 production builder permit applications filed in December. The South Side and Far West Side are still the most popular areas for new home building in the city.

New Braunfels, one of the hottest housing markets in the country, has seen a dramatic decline in new home building efforts. In fact, data from Zonda shows a 40% decline in new home starts across the San-Antonio-New Braunfels metro since last year. New Braunfels alone shows a 50% decline in starts according to the same data, which is the highest of any single submarket in the metro. One reason for the decline could be that the city's municipal utility provider, New Braunfels Utilities, introduced a dramatic increase to impact fees that are imposed on developers.   Although that didn't take effect until February and may not have much bearing on the current numbers, many homebuilders and land developers said they would look outside of New Braunfels city limits in the future due to this increase.

Lennar rolled the dice on a tiny home community in San Antonio, and they are reaping the rewards. The community, called Elm Trails, is near Converse. It features 95 homes built on 20-foot lots. Currency prices are set around the $150,000 mark for a 650-square-foot model home, with mortgages averaging about $1,000 monthly. Thirty-five residents have moved in, with another 20 homes under contract.

ARIZONA

TOP MARKETS:

PHOENIX/MESA/CHANDLER

17,577 STARTS
(-25.6% YTD)

18,474 NEW HOME SALES
(+2.9% LAST 12 MONTHS)

24,810 SINGLE PERMITS
(-8% YTD)

20,827 MULTI PERMITS
(+1% YTD)

TUCSON

2,724 STARTS
(-24.4% YTD)

2,739 NEW HOME SALES
(-2.2% LAST 12 MONTHS)

3,688 SINGLE PERMITS
(-2% YTD)

1,567 MULTI PERMITS
(-21% YTD)

ARIZONA ECONOMY

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

The minimum wage in Arizona increased by 50 cents to $14.35 per hour on January 1, 2024, according to the Industrial Commission of Arizona. The increase is directly tied to the 2.7% increase in inflation from August 2022 to August 2023. This is the eighth straight year that Arizona's minimum wage has increased, and it is one of the 10 highest in the U.S. Arizona's unemployment rate was 4.2% in October 2023, higher than the national rate of 2.7%.

Phoenix

The Phoenix metro area ranked second in Zonda's new home pending sales index with a 124% year-over-year increase. The index measures total sales volume with the average sales rate per month per community. Buyers are coming around to the new normal with interest rates and cancellation rates lower than a year ago. Although still under 5%, the unemployment rate in Phoenix has been moving higher lately. Major employers like Lucid announced layoffs affecting as many as 968 employees.

Local analysts are optimistic that any drop in mortgage interest rates will be the catalyst needed to spark a surge in home closings. "We are expecting a positive outlook for housing in 2024," said Tina Tamboer, senior housing analyst for The Cromford Report.

"We're coming into 2024 with hope as opposed to despair and skepticism like last year," she said. "We're not quite to 'relief,' but we do have good reasons to hope."
Tina Tamboer

Phoenix tops the nation in construction for build-to-rent (BTR) communities, with more than 8,000 units currently under construction, according to a report released by Northmarq on January 17. Dallas-Fort Worth is close behind Phoenix at No. 2, but no other U.S. city comes close to the sizzling level of BTR construction in these two metros. These BTR communities that originated in Arizona are taking the nation by storm, offering luxurious detached rental homes in communities with resort-like amenities. This peak comes when higher mortgage rates are motivating homebuilders to transition a share of their lots to rental communities. Several new BTR communities are underway in Phoenix and the surrounding areas.

Tucson

Housing prices across the state have increased quite a bit over the last few years, and they are only expected to go up in 2024 as well.

The average price of a home in Tucson in 2013 was $170,000, and that has doubled in the last 10 years. Matthew Hicks, the leader of the Endeavor team with REAL Broker said, "Right now I think the big thing is the interest rates. As soon as those rates come down I think that there's a lot of pent-up demand and we'll see prices go back up." In January, Tucson home prices were up 6.6% compared to the same time last year.

The sales rate for new home builds has slipped since July as declines in affordability are having an impact. As builders ramp down construction, total new home inventory is falling but the number of finished vacant homes has been rising.

The Housing Affordability Strategy for Tucson has been calling for a clear plan for more affordable housing. Towards this end, the City of Tucson completed the purchase of the vacant southwest corner at Stone and Speedway in anticipation of the next phase of affordable housing coming to the Thrive in the '05 area. The City of Tucson successfully competed and won a $50 million Choice Neighborhoods Implementation grant from the U.S. Department of Housing and Urban Development (HUD). Tucson was only one of eight sites in the country that received these funds. "Speedway and Stone is the next phase of implementing our Choice Neighborhood Grant, helping us add more affordable and mixed-income housing to this corner of Tucson," said Tucson Mayor Regina Romero.

The American Battery Factory is expected to bring 1,000 new jobs to the area upon completion. The 2 million-square-foot facility is expected to generate $3.1 billion in economic impact to the state over 10 years.

OKLAHOMA

TOP MARKETS:

OKLAHOMA CITY

3,939 STARTS (+3513.8%YTD)

3,470 HOME SALES (+1.2%YTD)

5,449 SINGLE PERMITS (-9% YTD)

1,009 MULTI PERMITS (+17% YTD)

TULSA

3,580 STARTS (-2.8%YTD)

3,495 SINGLE PERMITS (-9% YTD)

1,616 MULTI PERMITS (+25% YTD)

OKLAHOMA ECONOMY

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

Oklahoma City

New home sales have slowed considerably in recent months in response to the higher mortgage rates. Homebuilders are expected to pull roughly the same number of permits compared to 2023 as they adjust their product mix by offering lower-priced homes to address the decline in affordability. The supply of existing homes continues to tick higher and may start to eat into new home demand.

New residential housing is headed to the northwest side of the metro. The land near NW 36th Street and Walker Avenue was once a golf course several decades ago. It was also previously the home to the First Christian Church. It is now set to become a residential area. Residential developer, Ronald Bradshaw, plans to develop the area into 129 residential lots on 32 acres with some nature trails as well. The development is in the very early stages.

Oklahoma City's Chesapeake Energy Corp. and Texas-based Southwestern Energy Co. are merging. This will create a $24 billion enterprise that "redefines the natural gas producer, forming the first U.S. based independent that can truly compete on an international scale." This is according to Nick Dell'Osso, Chesapeake president and CEO. The new company will remain in Oklahoma City, but will also keep Southwestern's headquarters in Spring, TX. It remains unclear how many, if any, jobs will be lost to the consolidation, or whether they would be in Oklahoma City or Texas.

Tulsa

According to Zillow, the Tulsa housing market is showing resilience and growth. As of December 31, 2023, the average home value in Tulsa is $190,363, reflecting an almost 4% increase over the past year. Homes in Tulsa typically go pending in approximately 19 days, indicating a dynamic and fast-paced market.

Single-family starts for the entire Tulsa area are down, but starts in the city of Tulsa are booming. In addition to the city of Tulsa's strong showing, Broken Arrow, Wagoner County, and Bixby experienced significant growth in 2023.

Several large companies moved to Tulsa in 2023, including aerospace specialists Expleo USA and the solar tech company 3SUNUSA, adding to the metro economy's diversity. Tulsa County's population continues to grow at a steady pace and labor demand is currently strong. Tulsa's energy sector is likely to remain flat for at least the next year.

ARKANSAS

TOP MARKETS:

LITTLE ROCK/NORTH LITTLE ROCK/ CONWAY

1,613 STARTS
(-1.1% YTD)

1,915 SINGLE PERMITS
(+6% YTD)

740 MULTI PERMITS
(-50% YTD)

FAYETTEVILLE/SPRINGDALE/ROGERS

5,338 STARTS
(+2.6% YTD)

5,337 SINGLE PERMITS
(-2% YTD)

1,554 MULTI PERMITS
(-14% YTD)

ARKANSAS ECONOMY

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

Little Rock

New home construction continues to contract at a rapid pace and is expected to fall to levels comparable to the years following the last housing bubble as mortgage rates hold at relatively high levels. There is a chronic shortage of existing homes for sale. The local economy continues to create new jobs but there is some headwind building as the unemployment rate creeps higher.

Single family homes in Little Rock spend 96 days on the market, and the average price per square foot is $145. Unemployment in the area sits at 5%.

Home prices have decreased slightly compared to the previous year, but the market remains competitive. Little Rock ranks as the 13th most affordable city in the U.S. to buy a home according to Scholaroo. According to Realtor.com, the median listing home price in Little Rock, AR, as of December 2023, stood at $280,000, reflecting a year-over-year growth of 6.6%.

Fayetteville

The new home market share of total residential closings in Fayetteville is holding close to 25% and underscores the growing number of buyers gravitating to new builds due to supply issues. The gap between new and resale prices has narrowed in recent months, and there is greater activity at the lower end of the price spectrum–below the $300,000 range. Due to elevated mortgage interest rates, builders are exercising caution and construction activity is slowing as housing starts and permits have fallen sharply since 2022. It is still rated as one of the best places to live by U.S. News & World Report and one of the best-performing cities by the Milken Institute.

Northwest Arkansas cities are among the top 10 best performing, according to a new study. The Milken Institute recently released a report finding the “best-performing cities” in the country based on economic well-being. Thirteen measures were used to report and divided into three categories. The measures included factors such as job growth over the years, affordable housing and community resilience. Northwest Arkansas was ranked seventh, up two spots from 2023, and it jumped both Dallas and Phoenix from the previous year’s rankings. In recent years, strong job and population growth, in large part driven by Fayetteville’s transportation industries, has Northwest Arkansas hoping to become the next Silicon Valley of transportation,” the Milken Institute wrote. “With Walmart beginning construction on a new headquarters in Bentonville and the region seeing record-high venture capital investments, the future looks bright.”

Northwest Arkansas has been adding 10,000 residents a decade and has surpassed 560,000 in population. It is projected to approach 1 million by 2045. Duke McLarty, the executive director of the Northwest Arkansas Council’s workforce housing council, recently said the region will need 90,000 more homes in the next 20 years.

NEW MEXICO

TOP MARKETS:

ALBUQUERQUE

1,635 STARTS
(-14.7% YTD)

1,369 NEW HOME SALES
(+2% LAST 12 MONTHS)

2,067 SINGLE PERMITS
(+3% YTD)

910 MULTI PERMITS
(-14% YTD)

NEW MEXICO ECONOMY

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

Although the number of home sales decreased in New Mexico in 2023, sale prices saw a jump, according to the newest annual report released by the Greater Albuquerque Association of Realtors. The median price for a detached, single-family home increased from $330,000 in 2022 to $345,000 in 2023, which is a 4.55% increase. Over the past decade, the median price for a detached house nearly doubled from $174,900 in 2013 to $345,000 in 2023, an increase of over 97%.

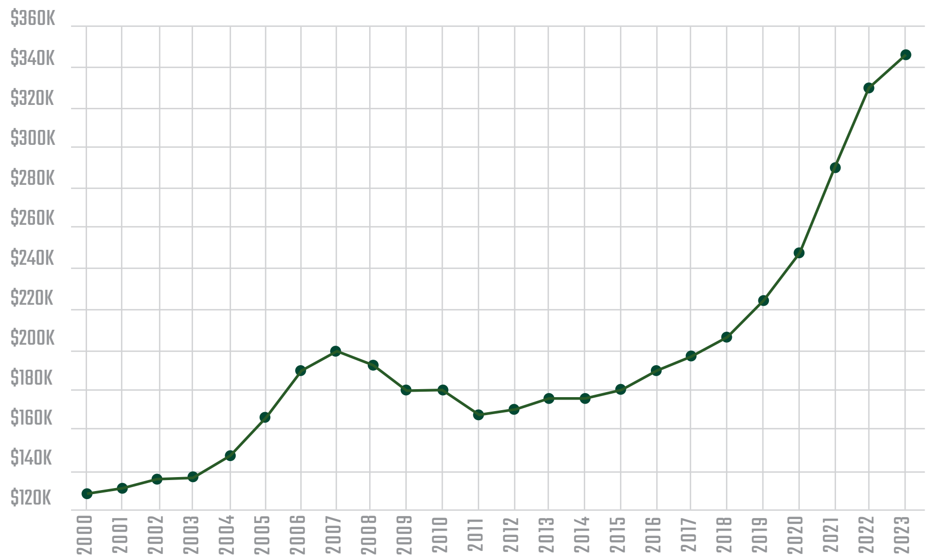
Albuquerque

Due to builders pulling back because of reduced demand, permit activity is approaching pre-pandemic levels. As mortgage interest rates approached the highest levels in decades it became increasingly unpopular for existing home owners to trade in their historically low interest rate they locked in during the pandemic for a much higher current rate. This placed more demand on homebuilders. However, as rates approached 8% several months ago, affordability is increasingly becoming a sticking point for many would-be buyers.

The median sales price of a detached, single-family home in Albuquerque saw a 5.46% increase YOY. In January, the market here saw the fewest closed sales in the last five years, with only 504 closed sales. The January 2024 closed sales were 23% down from December 2023, and down 3% from January 2023. On the other hand, new listings increased by over 40% between December 2023 and January 2024.

Seeing the continued demand for housing in New Mexico, Price Land Development Group, a local land development firm, will deliver thousands of residential lots to homebuilders in Albuquerque and Santa Fe over the next five years. Included in their plans are two communities, together totaling 544 lots, located on the corner of Paseo del Norte Boulevard and Woodmont Avenue NW and 118th Street and Amole Mesa Avenue SW. The firm also partnered with Los Angeles-based real estate investment and development company Laterra Development to construct the build-to-rent neighborhood, and it's expected to be finished by the end of 2026. "The market has been undersupplied for years now so we're just helping to meet that demand," said Garret Price, founder of Price Land Development. "We saw the opportunity to provide a thoughtfully designed master plan which offers amenities such as private parks and trails at an affordable price. There was nothing of that nature being offered in the Southwest submarket."

MEDIAN HOME PRICE FOR DETACHED-SINGLE FAMILY HOMES IN ALBUQUERQUE



Source: Greater Albuquerque Assocation of Realtors 2023 Annual Market Statistics

NEVADA

TOP MARKETS:

LAS VEGAS/HENDERSON/PARADISE

9,819 STARTS (-13.6% YTD)

10,630 NEW HOME SALES (+4.4% LAST 12 MONTHS)

10,087 SINGLE PERMITS (+10% YTD)

2,986 MULTI PERMITS (-23% YTD)

RENO

1,254 STARTS (-30.4% YTD)

1,215 NEW HOME SALES (-1.8% LAST 12 MONTHS)

1,992 SINGLE PERMITS (-9% YTD)

2,279 MULTI PERMITS (-39% YTD)

NEVADA ECONOMY

- Tourism
- Gaming
- Mining
- Agriculture
- Manufacturing

Las Vegas

The Las Vegas metro housing market continues to experience a sharp contrast between new and existing home sales triggered by high mortgage rates. Existing home sales have slowed sharply by the lack of inventory which has helped support current prices. Sales have climbed year-over-year as builders have adapted and are now offering in house financing and rate buydowns to attract buyers. As a result of this, new home starts in Las Vegas have stabilized after a steep decline for most of 2022. However, builders remain cautious as they have been burned by past housing booms.

In 2023 the Las Vegas Valley real estate industry had its worst year for sales since 2008, and local real estate agents are uncertain as to where the market is headed in 2024. Online real estate brokerage Redfin said that “signs point to a shift towards a buyer’s market in 2024, as pandemic-driven inflation takes its last gasps, mortgage rates come down and more people list their homes for sale.” But the valley is plagued by a lack of inventory and affordable housing in the post-pandemic real estate market, as many homeowners who bought with low interest rates during the pandemic are refusing to sell their homes because of higher mortgage costs.

A $3 billion federal grant will support the development of a high-speed rail line, cutting travel time between Las Vegas and Southern California to around 2 hours. In addition to the jobs created, the train will boost the Las Vegas tourism economy.

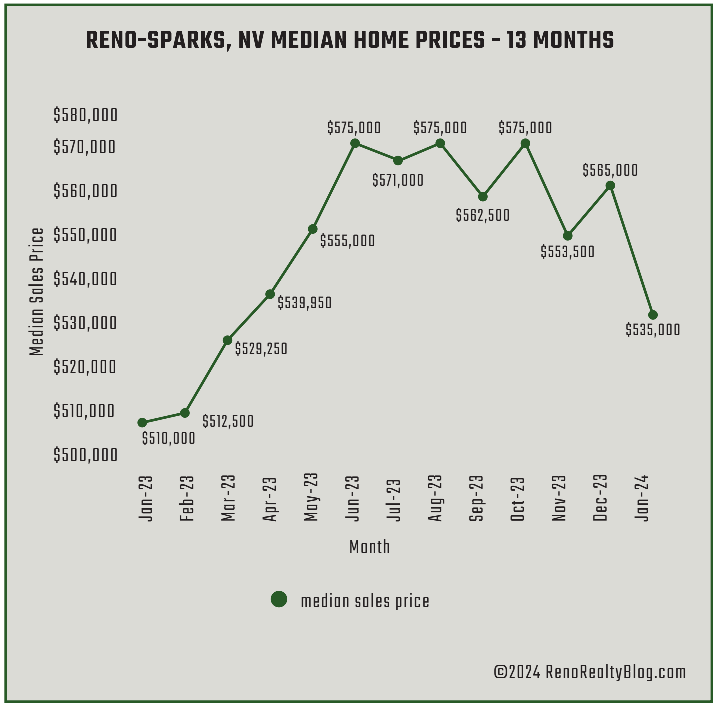
Reno

The rising interest rates and high home prices have taken a toll on Reno’s housing market. The metro area has been underperforming since mid-2022. However, as the Fed holds rates steady, the outlook is much improved and the local economy remains healthy with low unemployment and strong job growth.

The Reno-Sparks housing market displays a complex narrative of fluctuating sales and prices amidst varying inventory levels. The YOY increase in sales, despite a decline in median prices and inventory, underscores the challenges and opportunities in the market.

Demand remains resilient indicated by a rise in pending sales. January 2024 sales were up almost 6% compared to the same period last year. According to the forecast data, as of January 31, 2024, the Reno Metropolitan Statistical Area (MSA) is expected to experience a growth rate of 1.2% by the end of April and anticipates a cumulative growth of 3.7% by January 31, 2025.

In 2023, Northern Nevada had a total of 21 companies that relocated or expanded their workforce, creating 1,288 new jobs according to the Economic Development Authority. Tesla remains committed and will invest $3.6 billion to produce semi-trucks.



The median home price for the Reno-Sparks real estate market fell to $565,000 in January coming off the bounce observed in December. January's median sales price represents a 5.3% decrease from December's; however, it is up 4.9% year-over-year.

UTAH

TOP MARKETS:

SALT LAKE CITY

3,722 STARTS
(+10.2% YTD)

2,618 NEW HOME SALES
(+1.5% LAST 12 MONTHS)

3,127 SINGLE PERMITS
(-17% YTD)

6,072 MULTI PERMITS
(-1% YTD)

PROVO/OREM

4,618 STARTS
(-30.8% YTD)

3,976 NEW HOME SALES
(+2.2% LAST 12 MONTHS)

4,655 SINGLE PERMITS
(-9% YTD)

1,520 MULTI PERMITS
(-52% YTD)

ODGEN/CLEARFIELD

1,577 STARTS
(-39.9% YTD)

1,490 NEW HOME SALES
(+1.4% LAST 12 MONTHS)

1,815 SINGLE PERMITS
(-39% YTD)

1,508 MULTI PERMITS
(-27% YTD)

UTAH ECONOMY

- Aerospace
- Advanced Composites
- Tech
- Distribution

The Utah housing market is currently experiencing a shift towards a buyer's market. The data reveals a decrease in closed sales both in the month of November and year-to-date. There is a higher inventory of homes available, providing buyers with more options and potentially giving them stronger negotiating power. The median sales price has dropped by almost 5%, indicating a potential decline in home values year-over-year, but we can't ignore other factors such as market demand, interest rates, and economic conditions. Closed sales were down 15% YOY in November. Utah added 39,000 jobs over the past 12 months, representing an annual growth rate of 2.3%. Notably, the Salt Lake City metro area led job growth with a rise of 2.7%, followed by Ogden and Provo metro areas with 2.4% and 1.7%, respectively. The average time to sell a home increased by 17 days compared to the same period in 2022.

Salt Lake City

New home sales in the area are slightly underperforming compared to the historical average. As a result, new home inventory has been trending higher. Salt Lake City remains very competitive as the active project count for detached and attached communities rose 6.4% and 31.3%, respectively.

Utah's tech industry is booming. Research by SmallPDF, a document management company ranked Utah ninth among the best states for working in tech. There is a high concentration of tech jobs with 39 jobs per 1,000 being tech positions.

Strong consumer spending and low construction activity have brought good news to investors in the retail sector, as demand and rents continue to rise region-wide. Despite a flat to decreasing demand for storage and logistics over previous years, rent growth has grown year-over-year. Office space in the area is faring better than the national market at large.

The Larry H. Miller Company intends to put at least $3.5 billion into a mixed-use development on Salt Lake City's long-overlooked west side, including a potential Major League Baseball stadium. State and local leaders, including the governor, support the plan. The nearly 100-acre site sits between the Salt Lake City International Airport and downtown and is bordered by I-80 and a light rail, as well as the Fairpark and Jordan River. The planned multifunction, mixed-use development will feature green space and trails, a beautified Jordan Riverwalk, innovative residential options, a focus on local dining and retail and, if the Millers' pursuit of a big league expansion team is successful, a ballpark. It will be walkable, bikeable and transit connected, according to the company.

The Larry H. Miller Company and Miller family unveiled rendering for the Power District, a newly 100-acre site adjancent to the Utah State Fairpark and the Jordan River, Feb. 15, 2024
(Aerial view of the Power District looking east)
© Larry H. Miller Company

Provo-Orem

New home starts appear to be stabilizing after a dropoff during 202. Total new inventory has also settled lower after peaking the middle of 2022. Not unlike the rest of the country, high home prices and mortgage rates have hurt affordability with less than a quarter of local residents able to afford a home. Housing costs as a percent of income climbed to 65.3%.

The Provo-Orem metro area may be one of the best places in the nation for first-time homebuyers, according to a recent report by ConsumerAffairs. The personal finance company analyzed over 150 major metro city areas across the United States, ranking them based on nine factors including finances and quality of life. Overall, their research found Provo-Orem ranked as the second-best metro for first-time homebuyers. "The Provo-Orem area has the lowest violent crime rate in the country and the second-highest rate of home appreciation," the report read. "It offers first-time buyers the ideal mix of affordability and quality of life." According to data from Zillow, Provo's average home price was about $450,000 in December 2023–about $50,000 less than the average across Utah.

Ogden-Clearfield

A partnership proposed by Ogden, with the state of Utah, has the potential to save millions of gallons of water per day, ensure a reliable supply of culinary water and help the Great Salt Lake–tackling an Avian nightmare that occurs every summer. “We experience a significant outbreak every year of botulism,” said Ogden Mayor Ben Nadolski. He said the hotter and more shallow the water, the more botulism occurs, leaving innumerable carcasses behind. The problem could be solved with the replacement of a 90-year-old and 6.4 miles long pipeline in Ogden, Canyon, with an ask of $10 million from Utah lawmakers to round out a $100-million project paid through federal funding and other means. The aged pipeline is incontinent, losing 3 million gallons of water per day, or 9 acre-feet of water. That is a lot of water not making it downstream from Pineview Reservoir for culinary use or for the benefit of the Great Salt Lake.

If homeowners get their way, the creation of a new city could be on the ballot this November. Homeowners in Odgen Valley say they’re not getting the representation they need through the county, and that decisions that impact the community are often made by people who don’t live there. So, there is an effort to incorporate the area into a new city with the proposed name of Odgen Valley. Homeowners are concerned with the growth of communities and the lack of infrastructure to support this. This infrastructure costs money, and a feasibility study by the lieutenant governor’s office shows the new city would bring a tax surplus of about 5%. Of course, a major concern of homeowners is this tax increase.

CALIFORNIA

TOP MARKETS:

LOS ANGELES/LONG BEACH/ANAHEIM

5,721 STARTS (-5.9% YTD)

6,022 NEW HOME SALES (+3.1% LAST 12 MONTHS)

11,810 SINGLE PERMITS (+7% YTD)

18,881 MULTI PERMITS (-13% YTD)

SAN FRANCISCO/OAKLAND/BERKELEY

2,339 STARTS (-20.6% YTD)

2,680 NEW HOME SALES (-1.5% LAST 12 MONTHS)

3,037 SINGLE PERMITS (-6% YTD)

4,441 MULTI PERMITS (-43% YTD)

SAN DIEGO/CARLSBAD

2,318 STARTS (-25.6% YTD)

2,333 NEW HOME SALES (-3.1% LAST 12 MONTHS)

3,048 SINGLE PERMITS [-13% YTD)

8,420 MULTI PERMITS (+42% YTD)

SACRAMENTO/ROSEVILLE/FOLSOM

6,229 STARTS (-12.8% YTD)

6,663 NEW HOME SALES (+2.7% LAST 12 MONTHS)

7,941 SINGLE PERMITS (-2% YTD)

3,976 MULTI PERMITS (+54% YTD)

CALIFORNIA ECONOMY

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

Last year was a nightmare for home sales in California. Although 2024 is projected to be a stronger year, housing issues will continue to persist in the years to come. The California Association of Realtors has projected a 24% increase in home sales in 2024. However, some are skeptical. “California has been the most inventory-constrained market for years, particularly since the onset of the pandemic,” said Selma Hepp, chief economist at Irvine-based CoreLogic, Inc. “People don’t want to move, we don’t have new construction, and I just don’t know where the inventory is going to come from.” Hepp added that if the state had adequate inventory, the sales projections would be even higher given the pent-up housing demand. Propositions have been made, but they have yet to make a dent with California facing a housing shortage estimated at between 2.5 million and 3.5 million homes. Changes in permits haven’t seemed to help much. Over the last few decades, the story hasn’t changed either, said Robert Kleinhenz, director of California State University-Long Beach’s office of economic research. California has known that it needed to build 250,000 homes per year just to keep up with demand but has fallen woefully short, he said. In the last 10 years along, single-family home permits have not exceeded 120,000 in a year, Kleinhenz said. “We need 250,000, maybe 300,000 units per year,” he said. “We’re barely getting half that.”

> “Mortgage rates have stayed close to where they started the year, despite swings in Treasury yields, because of slowing inflation offset by stronger-than-expected readings on the job market,” said Joel Kan, vice president and deputy chief economist at the MBA, in a statement. “Purchase activity has been strong to start 2024 compared to the final quarter of 2023. However, activity is still weaker than a year ago because of low housing supply.”

Los Angeles

Annual starts in the Los Angeles-Orange County market continue to increase quarter-over-quarter(QOQ). Annual new home closings have posted their first QOQ increase since early 2022. Both annual starts and closings, however, ended 2023 lower than 2022. Coming off of a 20-year high in Q3 2023, months of supply of under construction units pulled back again to just slightly higher than the 10-year average. Months of supply of finished vacant inventory has increased and is higher than its 10-year average. The market remains challenging, but low resale supply continues to push buyers towards new homes. The area's new home sales rate is trending higher YOY.

Vacant developed lot inventory and months of supply have continued to decrease which will keep continued pressure on lot prices. This is largely due to severe geographic and topographical limitations on land and lot development in the area.

The Los Angeles metro area earned the dubious distinction as the least affordable major market in the U.S. for a 13th straight quarter. Only 2.7% of homes sold there in Q4 2023 were affordable to households earning the area median income of $98,000.

San Francisco

San Francisco's decline in annual starts has leveled-off, but annual new home closings have continued to slide. Both annual starts and annual new home closings are at their lowest levels since 2012. The average monthly new home sales rate is higher YOY and higher than pre-pandemic 2019. Despite this, when considering both sales rate and volume, San Francisco is one of about a dozen large markets across the U.S. that are slightly underperforming their historical new home sales activity, according to Zonda. Job growth is forecast to strengthen in 2024 and remain strong in 2025. Because of limited land and lot availability, the number of active new home projects has been declining since spring 2023.

More and more of the Bay Area residents face housing insecurity each year, forced in part by the widening income gap between the region's highest and lowest earners, the lack of affordable housing stock and the continued challenges of building homes. California has been using legislation to remove burdensome regulations that have held back developments, but there is much work left to be done. One of the largest drivers of housing development over the past year has been the Santa Clara Valley Transportation Authority. "When our portfolio is fully built out, this would make the VTA one of the most progressive and largest landowners that are developing affordable housing in Santa Clara County," said Jessie O'Malley Solis, the real estate and transit-oriented development director at the VTA spearheading this initiative. The VTA's goal is to add 27 transit-oriented developments between Gilroy and North San Jose and as far east as Mountain View within the next 20 years. When fully built out, they would add 7,000 housing units to the region's housing pipeline, including 3,000 that qualify as affordable housing.

San Diego

According to the latest Zonda Market Ranking, the San Diego metro was among the best-performing metros in the state. The Pending Sales Index showed that the metro area was slightly over performing YOY on a seasonally adjusted basis. However, there is continued pressure on builders to continue offering incentives and reduced prices to temper the decline in affordability. While total new home inventory is lower, finished vacant inventory is higher. Additionally, San Diego's existing home price has proved to be more resilient than its peers.

Despite the passage of Senate Bill 9, San Diego continues to face significant hurdles in building enough homes to meet demand. Higher mortgage rates have curbed new construction but lack of skilled labor and elevated land prices are limiting supply.

Sacramento

Sacramento's new home market remains very active, and is among the best performing metro in the state. There is still strong demand, and inventory is still low, which is helping to stabilize the average new home sales rate. The Zonda New Home Pending Sales Index (PSI), which takes into account the total sales volume with the average sales rate, increased over 9% YOY on a seasonally adjusted basis. Builders are starting to ramp up new construction as total new home inventory approaches pre-pandemic levels.

According to data compiled by Sacramento area appraiser and housing analyst Ryan Lundquist, there were just 21,000 property listings last year in Sacramento, Placer, Yolo and El Dorado counties. “We’re missing a glaring 15,000 listings from the normal level, and so the market would have felt a lot different if we had all those listings hit the market, instead of those sellers sitting back,” Lundquist said. The activity added up to about 60% of the normal market amid high mortgage rates and high prices. The 2023 dynamic is likely to carry over into 2024, where the market still feels competitive due to low supply and low demand.

After a rough 2023 for residential real estate market in resales, January 2024 figures suggest a modest, but better outlook for the new year. Lyon Real Estate’s report showed YOY increases in both pending sales and new listings, though both were less than 15%. Locally, 1,513 new listings came to market in January, 13% more than a year earlier. The median sales price is up 5% YOY.

Sacramento County supervisors are discussing a loan to help a proposed workforce housing project in Orangevale get underway. Beech Hill Apartments would have 29 units with units ranging from one to three bedrooms. “Assuming a successful tax credit allocation this spring, construction should commence mid/late fall of this year,” said Mark Wiese, president at developer Pacific Housing Inc.

Single-family homes, apartments and commercial space are all proposed for a 10.8 acre site of undeveloped land on Stockton Boulevard in Sacramento. The plan calls for 157 housing units in all.

Construction on a home in the River Islands subdivision in Lathrop, California, May 5, 2021. Last year, California issued about the same number of permits for single-family homes as the Houston metro area.

LETTER FROM PAUL

As I reflect on the final quarter of 2023, the demand and price environment for OSB outpaced projections by most all accounts. Although the average sales price for commodity sheathing was down significantly versus Q3, the Q4 average was north of where we anticipated it to be during our business planning sessions last summer. Our OSB facilities maintained lean inventory levels throughout October and November, which is contrary to the typical position we see during those winter months.

As you all know, we experienced a significant fire event at our Corrigan OSB facility on December 5, 2023. Our team took immediate action to assess the damage and develop plans to get the facility back online in the timeliest manner possible. This event resulted in approximately 3 full weeks of downtime, which created enormous challenges for our sales team and customers. We take an immense amount of pride in our on-time shipment performance, specifically regarding our contract order obligations. My team and I kept this at the top of our minds as we laid out a plan of action to address late orders and deliver clear, transparent updates to our customers. I want to share some of the specific steps we took, and the decisions we made to minimize the impact of this event for you, our valued customers:

- The SAFETY of our team members was the #1 focus as we devised our plans.
- We did not enact force majeure, despite this situation falling well within the scope of this clause. We value our contract relationships and believe that following through on those commitments is absolutely the right thing to do for our customers.
- We had crews from our Oakdale location on site in Corrigan in less than 24 hours from the event to support damage assessment and planning.
- We reassigned a multitude of resources, both labor and mechanical, from Corrigan II to Corrigan I to expedite repairs.
- We sent Corrigan shipping team members to Oakdale to facilitate the increased shipping demand flowing from Oakdale during this time. This significantly increased overnight loading capacity to maximize shipments.
- Our sales team provided detailed weekly updates on startup projections and order status by customer.

I am proud to report to you that Corrigan is now delivering some of the most consistent weekly production that we have seen since before this fire event. I understand the impact that this event had on many of you who are reading this letter. I want to take this opportunity to say a sincere THANK YOU from everyone in the RoyOMartin organization. You all were understanding and helpful as we worked through this challenging time. My team and I received many emails and phone calls from you conveying your concern and thanking us for the way we were handling this situation. The RoyOMartin team is built to overcome adversity, and our response to this challenge embodies that idea. Thank you all for your continued support and partnership.

Paul Pfingsten | OSB Sales | Manager

LETTER FROM LORI

As we reflect on 2023, and our centennial celebration in November, and look forward to the future, we at RoyOMartin are filled with a sense of gratitude and optimism. The year 2023 has indeed closed on a high note for our Chopin, La mill, marking one of our best years yet in the production of lumber products, including timbers, plywood, and solid wood. This achievement is a testament to the hard work, dedication, and commitment of our team.

Looking ahead, our optimism remains strong as we enter 2024. With discussions of lower interest rates in the mid to late year and the historical steadiness election years tend to bring, we are enthusiastic about what the coming year holds. Our expectations for 2024 are to mirror the successes of 2023, aiming for steady business without the burden of volatile price swings. This stability will be welcomed as it aids us in planning, production, and ultimately, in delivering the high-quality products you have come to expect from us.

At our Chopin facility, our focus remains unwavering on three core areas: safety, our people, and maximizing the yield from each log we process. Safety is at the forefront of everything we do, ensuring that our operations not only meet but exceed industry standards. Our team, the backbone of our operations, continues to grow stronger and more dedicated. We are committed to investing in their development, recognizing that their success is critical to our organization and those we are so fortunate to do business with.

Maximizing the log is not just an operational objective but a commitment to sustainability and efficiency. We are blessed with a rich timber base in Louisiana, enabling us to produce panels with beautiful faces for high-grade applications. Our dedication to utilizing every part of the log reflects our respect for natural resources and our commitment to reducing waste.

As we move forward, we want to reassure you of our commitment to maintaining the high standards of quality and service you have come to expect from RoyOMartin. We are excited about the opportunities that 2024 presents and look forward to continuing to serve your needs with excellence. Here's to a prosperous year for us all!

Lori Byrd | Director of Plywood and Solid Wood Sales

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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: The Business Report, Zonda, City of Tucson, msn.com, Arkansas Business, Reno Realty Blog, Building Salt Lake, Norada, ksl.com, abc10.com, Forest Economic Advisors, The Wall Street Journal, LBM Journal, CNBC, Yahoo Finance, American Press, Inman, NewOrleansCityBusiness.com, msn.com, Las Vegas Sun, Redfin.com, The Advocate, BusinessReport.com, The Oklahoman, National Association of Home Builders

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

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