

BORAS REAL ESTATE

RESIDENTIAL LAND

2022 Report: Spec Home Construction and Residential Land

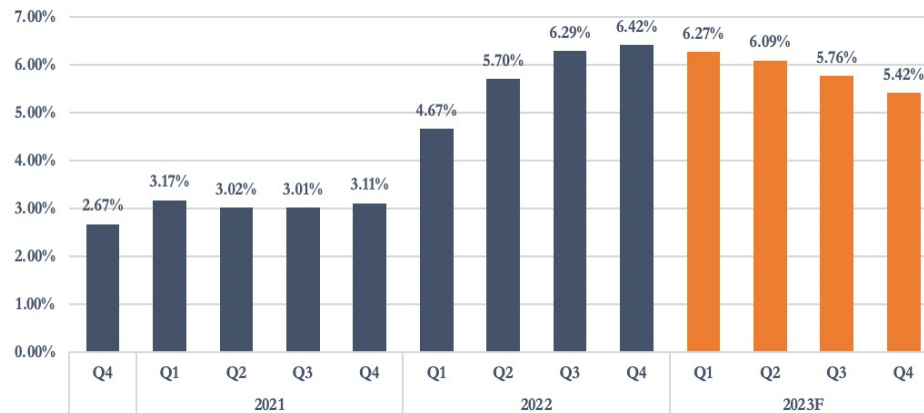
The Valley, Malibu and Parts of Ventura County



Big Picture: Economy

Mortgage Rates

- Mortgage rates have increased dramatically, with the average 30-year fixed now over 6%.
- This is down to the Fed's policy of increasing interest rates to slow the economy and, most importantly, bring inflation under control.
- Higher rates combined with only modest declines in housing prices, has made housing is less affordable than ever.
- The outlook for 2023 depends on which guru you follow. In the chart to the left, I relied on Matthew Gardner. Gardner believes that rates have peaked and will begin to decline in 2023. Others expect inflation to persist, causing mortgage rates to move higher in 2023.



Sources: St. Louis FED; forecast by Chief Economist for Windermere Real Estate, Matthew Gardner

Economic Indicators

- Economists expect the U.S. economy to contract in 2023 by 0.5% to 1%, driven largely by weakness in the housing market and, to a lesser extent, weakening foreign trade.
- Forecasts for CPI in 2023 run the gamut from a welcome decline to 4% to persisting at or above 8%.
- Single family housing starts, which showed strong growth during the pandemic, grew at an anemic 2.3% in 2022 and are expected to decline by more than 6% in 2023.
- According to UCLA's Andersen School forecast, the national economy will experience sluggish growth or a mild recession in 2023. Forecasters believe the California economy will move with but outperform the national economy, bolstered by construction, non-information technology fields and defense.

	2018	2019	2020	2021	2022	2023F
US GDP Growth	3.0%	2.2%	-3.5%	5.7%	0.9%	-0.5%
CPI	2.4%	1.8%	1.2%	4.7%	8.0%	4.4%
Single Family Housing Starts Growth	3.9%	3.2%	7.0%	16.1%	2.3%	-6.2%
California Job Growth	2.1%	1.5%	-6.9%	3.2%	4.9%	1.0%
Unemployment	4.3%	4.1%	10.3%	7.4%	4.4%	4.7%
Population Growth	0.2%	0.1%	-0.5%	-0.1%	0.0%	0.0%

Sources: California Association of Realtor (CAR) and US Census Bureau.

Big Picture: Single Family Detached Housing Statistics*

California

- Existing single-family home sales in California tumbled by 44.1% compared to December 2021. Month to month, December 2022 home sales inched higher, 1.1% above November sales.
- While home sales declined sharply, median home prices fell by just 2.8% year over year.
- In December 2022, there were 2.7 months of inventory on the market compared to just 1.2 months for December 2021.
- It took 28 days to sell a home in Los Angeles County in December 2022, compared to just 12 days a year earlier.

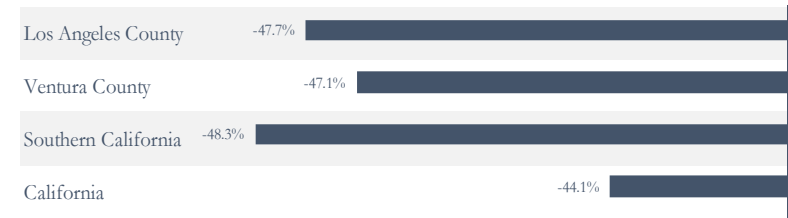
Los Angeles County

- Existing single-family home sales in LA County fell by a whopping 47.7% compared to December 2021. Month to month, December 2022 home sales were 3.0% above those for November 2022.
- While home sales declined sharply, median home prices slipped only slightly, registering a modest 3.2% decline year over year.
- In December 2022, there were 3.1 months of inventory on the market compared to just 1.3 months the previous December.
- It took 26 days to sell a home in Los Angeles County in December 2022, compared to just 12 days a year earlier.

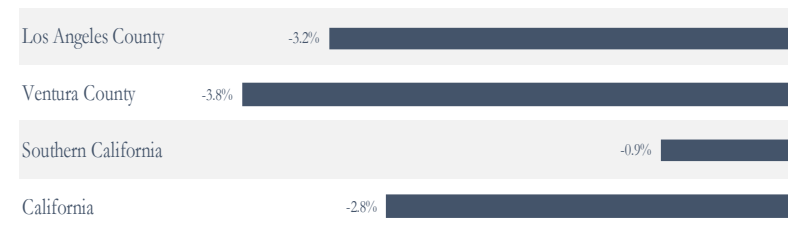
Ventura County

- Existing single-family home sales in Ventura County fell by a dramatic 47.1% compared to December 2021. Month to month, December 2022 home sales were 3.0% above sales for November 2022.
- Though home sales declined sharply, median home prices slipped by just 3.8% year over year.
- In December 2022, there were 2.3 months of inventory on the market compared to just 1.1 the previous year.
- It took 39 days to sell a home in Ventura County in December 2022, compared to just 22 days a year earlier.

Existing Home Sales



Median Home Prices



Inventory



DOM



* Source of statistical information: California Association of Realtors (CAR). There are variety of additional sources that provide similar information regarding the housing market. Each source's numbers can differ, but the trends indicated by the numbers tend to be consistent across sources.

The Valley¹: Market Highlights 2022

Residential Lot Volume

\$14.4MM
(39 transactions)

Average Price

\$369,329
(\$11.5/sf)

Median Price

\$264,000
(\$17.7/sf)

Spec Home Volume

\$321.1 MM
(59 Homes)

Average Lot Cost

\$1,348,645
(24.8% of Avg. Selling Price)

Median Home Price

\$4,375,000
(\$934/sf)

Teardown Candidate Vol.²

\$198.8 MM
(161 Homes)

Average Price

\$1,235,004
(\$146/sf land)

Average DOM

21 Days
(Median DOM 12 days)

¹ Parts of the Valley covered by this report include Woodland Hills, Bell Canyon, Calabasas, Tarzana, Encino, Sherman Oaks, and Studio City

² Teardowns candidates were homes located in Tarzana, Encino, Sherman Oaks, and Studio City built prior to 1980 and that sold for not more than \$1,500,000.

The Valley¹: Detail

Buildable Lots

- **Teardowns².** 161 single-family homes/teardown candidates closed in 2022. The average DOM was just 21 days, with some never hitting the market. The median price was \$1,275,000, with closing prices ranging from \$700,000 to \$1,500,000. The average lot size was 8,486 square feet, selling for an average of \$146 per square foot.
- **Lot Sales.** 39 on-market residential lots closed in 2022, at a median selling price of \$264,000. The average lot was 31,171 square feet, with an average price per square foot of \$11.50 and average DOM of 106 days.

	Buildable Lot Closings	Potential Teardowns
Closings	39	161
Total Volume	\$14,403,830	\$198,835,603
Average Closing Price	\$369,329	\$1,235,004
Average Closing Price/SF (Home)	n/a	\$749
Average Closing Price/SF (Land)	\$11.5	\$146
Median Closing Price	\$264,000	\$1,275,000
Average Lot Size (SF)	32,171	8,486
Median Lot Size (SF)	14,808	7,053
Average DOM	106	21
Median DOM	63	12

Spec Home Sales

- 59 spec homes closed in 2022. The median price of a home was \$4,375,000 or \$934 per square foot. The average home was on the market for 27 days. The most active areas were Sherman Oaks and Encino.
- Builders paid an average of \$1,348,645 for their lots (\$249 per buildable square foot), equating to 24.8% of the average selling price. Projects took an average of 29 months, from land acquisition to sale of the finished home.

Selling Details		Builder Lot Details	
Spec Homes Closing	59	Average Lot Cost	\$1,348,645
Average Closing Price	\$5,441,818	Average Lot Cost/SF	\$97
PSF	\$1,003	Average Lot Cost % of Selling Price	24.8%
Average Home Size	5,423	Average Lot Cost/Buildable SF	\$249
Average Lot Size	13,927	Average Project Time (months)	29
Average DOM	27	Median Lot Cost	\$1,190,000
Median Closing Price	\$4,375,000	Median Lot Cost/SF	\$133
PSF	\$934	Median Lot Cost % of Median Selling Price	27.2%
Median Home Size	4,987	Median Lot Cost/Buildable SF	\$239
Median Lot Size	9,574	Median Project Time (months)	27
Median DOM	22		

¹ Parts of the Valley covered by this report include Woodland Hills, Bell Canyon, Calabasas, Tarzana, Encino, Sherman Oaks, and Studio City

² Teardowns/investors candidates were homes located in Tarzana, Encino, Sherman Oaks, and Studio City built prior to 1980, and that sold for not more than \$1,500,000.

Ventura County¹: Market Highlights 2022

Residential Lot Volume

\$70.7MM
(93 transactions)

Average Price

\$760,979
(\$8.6/sf)

Median Price

\$540,000
(\$20.8/sf)

Spec Home Volume

\$49.6 MM
(21 Homes)

Average Lot Cost

\$391,2878
(18.6% of Avg. Selling Price)

Median Home Price

\$1,858,250
(\$654/sf)

¹This report does not cover all of Ventura County. This report covers Agoura Hills, Thousand Oaks, Westlake Village, Camarillo, Oxnard, Ventura, and Ojai.

Ventura County¹

Buildable Lots

- 93 on-market buildable residential lots closed in 2022, with an average DOM of 109 days.
- The median selling price of a lot was \$264,000, with closing prices ranging from \$35,000 to \$5,950,000.
- The average lot was 88,588 square feet, ranging in size from 1,750 square feet to over 36 acres.
- Buyers paid an average of \$8.50 per square foot, with the most desirable lots selling for over \$500 per square foot.

Buildable Lot Closings	
Closings	93
Total Volume	\$70,771,074
Average Closing Price	\$760,979
Average Closing Price/SF (Land)	\$8.59
Median Closing Price	\$540,000
Average Lot Size (SF)	88,588
Median Lot Size (SF)	19,886
Average DOM	109
Median DOM	63

Spec Home Sales

- 21 spec homes closed in 2022. The median price was \$1,858,250 or \$654 per square foot. The average home was on the market for 82 days. The most active areas were Ventura and Thousand Oaks.
- Builders paid an average of \$391,287 for their lots (\$133 per buildable square foot), equating to 18.6% of the average selling price. Projects took an average of 48 months, from land acquisition to the sale of the finished home.

Selling Details		Builder Lot Details	
Spec Homes Closing	21	Average Lot Cost	\$391,287
Average Closing Price	\$2,363,431	Average Lot Cost/SF	\$7
PSF	\$771	Average Lot Cost % of Selling Price	18.6%
Average Home Size	3,500	Average Lot Cost/Buildable SF	\$133
Average Lot Size	56,352	Average Project Time (months)	48
Average DOM	82	Median Lot Cost	\$355,000
Median Closing Price	\$1,858,250	Median Lot Cost/SF	\$31
PSF	\$654	Median Lot Cost % of Median Selling Price	17.3%
Median Home Size	2,838	Median Lot Cost/Buildable SF	\$129
Median Lot Size	8,712	Median Project Time (months)	46
Median DOM	39		

¹This report does not cover all of Ventura County. This report covers Agoura Hills, Thousand Oaks, Westlake Village, Camarillo, Oxnard, Ventura, and Ojai.

Malibu: Market Highlights 2022

Residential Lot Volume

\$86.5MM
(51 transactions)

Average Price

\$1,696,618
(\$10.1/sf)

Median Price

\$1,200,000
(\$20.0/sf)

Spec Home Volume

\$102.8 MM
(9 Homes)

Average Lot Cost

\$2,465,714
(16.8% of Avg. Selling Price)

Median Home Price

\$6,750,000
(\$1,291/sf)

Malibu

Buildable Lots

- 51 on-market residential lots closed in 2022 with an average DOM of 121 days.
- The median selling price of a lot was \$1,200,000, with a wide range in selling prices from \$66,000 to \$6,000,000.
- The average lot was 3.8 acres square feet, ranging in size from 4,563 square feet to 25 acres.
- Buyers paid an average of \$10.13 per square foot, with some buyers paying more than \$100 per square foot.

Residential Lot Closings

Closings	51
Total Volume	\$86,527,504
Average Closing Price	\$1,696,618
Average Closing Price/SF (Land)	\$10.1
Median Closing Price	\$1,200,000
Average Lot Size (SF)	167,484
Median Lot Size (SF)	59,439
Average DOM	121
Median DOM	83

Spec Home Sales

- 9 newly constructed homes closed in 2022. The median price of a home was \$6,750,000 or \$1,715 per square foot. The average home was on the market for 98 days.
- Builders paid an average of \$2,463,714 for their lots (\$43.99 per buildable square foot), equating to 16.8% of the average selling price. Projects took an average of 53 months, from land acquisition to the sale of the finished home.

Selling Details		Builder Lot Details	
Spec Homes Closing	9	Average Lot Cost	\$2,465,714
Average Closing Price	\$11,426,111	Average Lot Cost/SF	\$44
PSF	\$1,715	Average Lot Cost % of Selling Price	16.8%
Average Home Size	7,181	Average Lot Cost/Buildable SF	\$288
Average Lot Size	43,595	Average Project Time (months)	53
Average DOM	98	Median Lot Cost	\$1,500,000
Median Closing Price	\$6,750,000	Median Lot Cost/SF	\$94
PSF	\$1,291	Median Lot Cost % of Median Selling Price	20.8%
Median Home Size	5,456	Median Lot Cost/Buildable SF	\$264
Median Lot Size	32,069	Median Project Time (months)	43
Median DOM	73		