

The Market for New Homes Expected to Remain Strong in 2024

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The housing market in the greater Sacramento region was challenging for prospective homebuyers in 2023. Simply put, there weren't nearly enough existing homes for sale to accommodate the demand. But if it weren't for the ability of homebuilders to provide additional homes, it would have been far worse.

The topsy-turvy market during the past few years was driven primarily by the Federal Reserve, which slashed interest rates during the pandemic to their lowest points in decades — then quickly ramped up rates in the past 18 months to tame inflation.

Thousands of homeowners who locked in home interest rates below 4% are now not interested in selling even if they would normally downsize or relocate. While rates have dipped into the mid-6% range from their peak near 8%, it is unlikely that a large number of



New Home Sales 2013-2023.

existing homes will become available any time soon.

Fortunately, while new home builders are unable to construct as many new homes in the region as needed, our BIA homebuilders were able to help more than 6,000 families in our region become homeowners last year. That was the third-highest total in nearly 20 years, exceeded only by sales

during the peak pandemic timeframe. For the year, Roseville saw the most sales of any city, followed by Folsom, Elk Grove, Rancho Cordova and Sacramento. One reason new homes were so attractive is that in many cases, new home builders were able to help buyers qualify for purchases by offering appealing financial benefits such as mortgage rate buydowns. Builders have

the ability to work directly with homebuyers to provide loans that are more affordable to the average buyer than what they could obtain from a bank to buy an older home. That is a benefit of buying new that existing homeowners can't match. The year 2024 should be another solid year for new home sales. Builders would like to increase new home production to meet

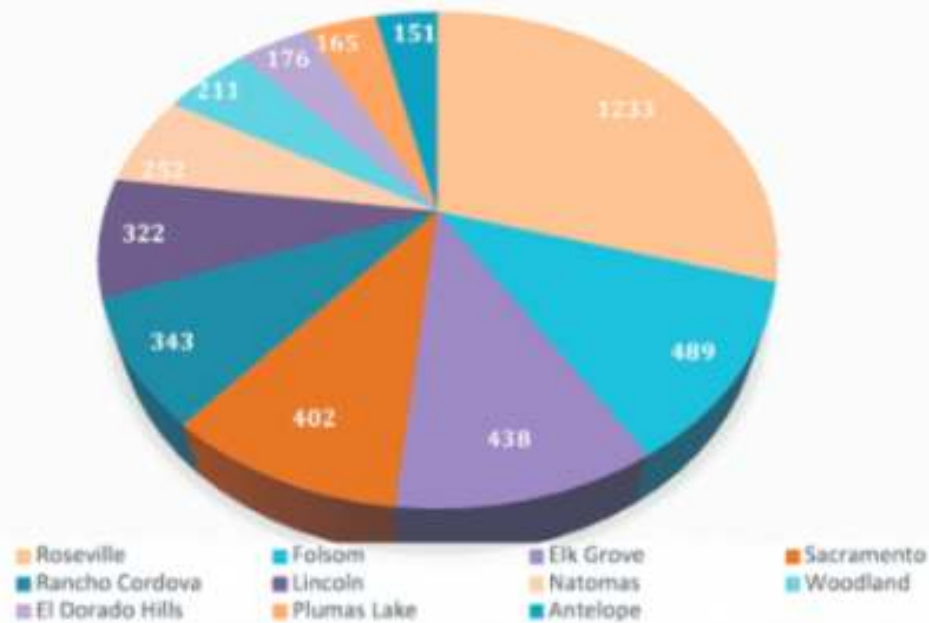
the needs of local families, but there are barriers such as high government fees, regulations and a persistent workforce shortage.

The BIA and our affiliate, the North State Building Industry Foundation, are working hard to attract younger workers to the building trades. We recently partnered with the Home Builders Institute to launch the new Build-Strong Academy in Sacra-

mento, which provides a free 12-week training program teaching basic carpentry skills to qualify for an entry-level job. This is just one of many tuition-free programs that are offered for people looking to work in the construction industry. The regulatory barriers to housing are more difficult to overcome. Opposition to new hous-

SEE NEW HOMES, 2M

March-Dec 2023 New Home Sales by Submarket



March-Dec. 2023 New Home Sales by Submarket. Submarket totals for January and February are not available.

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NEW HOMES

ing, permitting delays, high government fees — averaging about \$100,000 per home in our region — and other factors prevent builders from building. The state estimates we need to construct about 180,000 new homes and apartments statewide each year to begin catching up with the shortfall, but it's difficult to build even two-thirds of that total.

We are hopeful that the U.S. Supreme Court will rule in an El Dorado County case heard just last

week that many local government fees are excessive. Bringing fees under control could spur more housing production and more affordability. But if you're interested in buying a home, consider checking out the nearly 200 new home communities open around the region, offering a wide variety of styles and floorplans. Coupled with builder incentives, it really is a good time to buy. Norem is the BIA's political director and senior policy advisor.

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