NEWS RELEASE

Used Carpeting, Outdated Design and Old-School Energy Bills? No Thanks. Why homebuyer interest in newly built homes has doubled during the pandemic.

5/6/2021

For decades, consumer data has shown that most people would rather own a brand new home instead of a resale one. However, in the last year, the number of homebuyers shopping exclusively for a newly built home rather than a previously owned one has doubled, according to recent reports. And it's not just interest; homebuyers are voting with their wallets. The new-home market share of total home sales was up nationally by nearly 20% year over year in Q4 2020. The shift is even more pronounced among millennial buyers—whose somewhat delayed entry into the housing market has been a significant source of the pent-up demand unleashed last spring—and is set to propel the market for years to come.

As the CEO of one of America's leading homebuilders, this trend bodes well for my industry, but the broader questions are: Why the sudden shift? Can we just chalk it up to the pandemic or is it a more lasting change?

From my vantage point, based on long experience in the industry, the past year has reduced some of the historic barriers to buying new—most notably, price and location—and at the same time, amplified and accelerated consumers' strong preference for new homes in ways that I predict will still be here long after the pandemic recedes. Here are just a handful of the reasons that homebuyers are choosing new homes rather than used ones, a trend that I believe is here to stay:

#1: It's brand new; no one else has ever lived there.

Who wouldn't prefer a brand new beautiful home that's never belonged to anyone else and has been built from the

ground up just for them? The appeal of a clean, new home has grown even stronger during the pandemic. Beyond that, there is comfort for homeowners in knowing they won't be living with someone else's past choices.

#2 "Work-From-Home" has redefined and expanded where people want to live.

The biggest obstacle facing homebuyers when buying new has been finding a home in their price range in a location where they want to live at the time they want to buy. The shift to "Work-From-Home," which may be permanent for all or part of the workweek for many, means homebuyers are reassessing and expanding their view of appealing locations, with commute times less of a limiting factor.

#3: A new home is more affordable than you may think.

Because of their many advantages, new homes have historically commanded a premium of 15 to 20% compared to similar resale homes, so many people may think a new home is out of their price range. However, low inventory has increased resale prices significantly, and in many areas, resale homes have appreciated faster than new homes. In fact, the most recent national data shows that new and resale homes are currently selling for approximately the same price per square foot. That means that, in many markets, buyers may no longer have to choose between all the benefits of a new home and the compromises that come with an older home, perhaps the clearest reason of all for the surge of interest in new homes.

#4: It's designed for the way people live today.

Whether it's "Work-From-Home," evolving technology, changing American households or a host of other shifts, we live differently today than we did even 10 or 20 years ago. A new home is designed for contemporary lifestyles. It used to be that our industry just assumed what buyers wanted and built it. Today, smart builders are leaning into consumer data. For example, we use proprietary studies of both new and resale buyers in every market in which we operate to offer home designs and options that reflect real buyers' wants and needs. Because people have spent more time than ever in their homes over the last year, they're clearly recognizing their old homes' shortcomings. In this environment, we're seeing more buyers seeking contemporary amenities, including spacious, open floor plans, lots of natural light, indoor/outdoor flow, storage and closet space, and technology capability.

#5: It's more sustainable, which can make it less expensive to own.

New homes built to today's building codes are more energy efficient than a decade or two ago, which can lower utility bills and reduce the overall cost of homeownership. Sustainable homebuilding is close to my heart and has been one of the signature initiatives of my career. Shortly after I was named CEO of KB Home, we became the first builder to make every home we build ENERGY STAR® certified, which achieves a 20% energy-efficiency

improvement on average compared to homes built to current code and even more compared to resale homes. Just one in 10 homes built in the U.S. over the past few years meet this rigorous standard. Water-efficiency programs such as the Environmental Protection Agency's (EPA) WaterSense® program, which KB Home has long supported, can reduce monthly utilities even further. This can add up to real savings on monthly utility bills, and in turn, lower the total cost of homeownership compared to homes without these benefits.

#6: It offers potential health benefits of building science and modern materials.

Given that most of us spend 90% of our lives inside—which may even have increased with the pandemic—it's important that our home environments are as healthy as they can be. New homes typically include features that can support improved indoor air quality compared to older homes with legacy systems. As champions of the science of building healthier homes, we at KB Home are focused on supporting our buyers' health and comfort, and offering affordable new homes that can make a positive impact on their well-being. Our design features are guided by the EPA's Indoor airPLUS standards, including high performance ventilation systems that exceed code requirements and regularly introduce fresh outdoor air; eco-friendly products like carpeting, paint, insulation and cabinetry that have fewer harsh chemicals; and antimicrobial door handles and touchless faucets that can help reduce the spread of germs.

#7: A new home is often a smarter home.

With technology such an integral part of daily life, it's no surprise that smart-home tech is a priority for today's homebuyers. Many new homes offer smart-tech features that can improve quality of life with more convenience, energy savings, security and well-being. These include smart thermostats that learn homeowners' preferences, smart phone–driven appliances, safety features like video doorbells and high-speed fiber-optic internet that can handle the technology hub that is today's home.

#8: It offers peace of mind.

New homes are brand new, so significant problems are unlikely and often covered under warranty. New homebuyers don't have to worry about expensive repairs, hidden costs or having savings to spend on renovations before moving in. New homes are also built using the latest construction materials and methods and up to current building codes as well as designed to modern safety standards. Warranties, such as the 10-year limited warranty that stands behind our homes, give buyers peace of mind since they know that customer service is just a phone call or email away should anything come up.

#9: It's built just for them, so they can personalize it for their life.

A new home is built brand new, from the homesite to a beautiful, finished home ready for move in. And while many builders build the home and then sell it, giving the buyer little or no choice in what goes into it, some builders give homebuyers expanded choice in what goes into their new home. At my own company, we are committed to offering our buyers an extraordinary level of personalization with our built-to-order business model. I believe this is one of the core potential advantages of our new homes and creates a level of personal value for our homebuyers that can't be matched with an existing house, whether it's new or used. We partner with our customers to help them express their creative vision. They choose everything, from the homesite and floor plan to exterior elevation style and design options, to make their home uniquely their own. Our goal is that when their home is done, they love it because it truly expresses them and their lifestyle.

Like the fundamental goal of homeownership itself, the desire for a new home built from the ground up uniquely for you is an enduring aspiration that I believe will never go out of style. And now more people are making this dream a reality. Sustaining the dream of homeownership today and into the future is personal for me and my entire team at KB Home. We are honored every day to be part of helping the next wave of homebuyers attain this milestone accomplishment.