

## Homebuilders Sound Alarm on Housing Market as Buyers Disappear

Story by Giulia Carbonaro • 2h • 4 min read

Homebuilders are engaging with a "shock and awe" strategy on pricing and incentives in an attempt to attract buyers as a flood of new inventory reaches the Texas and Florida markets. This is according to Allan Merrill, chairman, president and CEO of Beazer Homes, one of the largest homebuilders in the United States.

"I was surprised by how deep folks went to move finished inventory," Merrill said during the company's Q1 2025 Earnings call on January 30.

### Why It Matters

Texas and Florida, which saw an explosion of demand during the pandemic years due to an influx of out-of-state people, started more new construction projects than anywhere in the nation over the past five years. The result is a much-needed growth in inventory in the two states—but, as home prices and mortgage rates remain high, buyers are reluctant to enter the market.

Experts think that many metropolitan areas in the two states—especially in former pandemic boomtowns such as Austin and Tampa—might see price growth soften throughout 2025, if not experience outright price declines.

### What To Know

Both Merrill and Paul Romanowski, president and CEO of home construction company D.R. Horton, have sounded the alarm over the way growing inventory in Texas and Florida is affecting sales in the two states—which is leading homebuilders to increase incentives for buyers.

During the company's earnings call last month, Romanowski said that the recent buildup in inventory in the two states "has had some impact on [our] sales when you look at portions of the Florida market and as well isolated to some of the Texas markets where they saw a significant run-up in valuations."

The D.R. Horton CEO said the company has seen "some moderation" in those areas, "but generally, as we enter into the spring, [we] have been pleased with what we've seen in these first few weeks in our sales offices across our footprint."

The John Burns Research & Consulting's Burns Homebuilder Survey, conducted from around 380 public and private builders in December 2024 and published in January, found that homebuilders in Texas and Florida were spending more than anywhere else in the country on sale incentives to boost unsold inventory—equal to 10 percent of the sales price.

On a \$411,100 home—the median sale price of a home in Florida, according to Redfin's latest data—homebuilders would be spending \$41,110 on incentives. On a \$350,900 home in Texas, the median sale price in the state, homebuilders would be spending \$35,090 in incentives.

In the Lone Star State, inventory was up 15.2 percent in December compared to a year earlier, for a total of 143,659 homes listed for sale. The number of newly listed homes was 23,258, up 1.6 percent year-over-year.

In the Sunshine State, there were 196,965 homes for sale in December, 22.7 percent more than a year earlier. The number of newly listed homes, at 34,745, was up 9 percent year-over-year.

Despite more availability, buyers are staying on the sidelines of the market because mortgage rates are still hovering around the 7 percent mark and home prices remain historically high in both Texas and Florida. Redfin found that home prices in Texas were 2.6 percent higher in December compared to a year earlier, while, in Florida, they were up by 1.8 percent. As of January 30, the 30-year fixed-rate mortgage was 6.95 percent, according to Freddie Mac, down 0.01 percent from a week earlier and up 0.32 percent from a year earlier.

### **What People Are Saying**

For **David Auld, D.R. Horton executive chairman**, offering incentives is necessary to move unsold inventory and meet buyers where they are at. Last month, **he said:** "although both new and existing home inventories have increased from historically low levels, the supply of homes at affordable price points is generally still limited," Romanowski told analysts.

"To help spur demand and address affordability, we are continuing to use incentives such as mortgage rate buy-downs, and we have continued to start and sell [more] of our smaller floor plans."

**Merrill**, on the other hand, thinks there's a risk in offering such high incentives. During the earnings call at the end of last month, **he said:** "[Homebuilders] may advertise, call it, a 2.99 percent rate. And that rate applies to these three homes that can close within this time period. But that rate is now in the market. [ ...] Well, there's no path necessarily for every home to that rate. And so what do those buyers do? They hold out and say, well, we'll check back with you in January."

Merrill added that many buyers "could have made great deals in December" but are now struggling to find similar offers in January.

### **What Happens Next**

Homebuyers and realtors are observing a growing trend of inventory piling up in Texas and Florida, which they fear is making these states vulnerable to a housing market downturn. A majority of experts expect home price growth to slow down in the two states over the coming months, while some metropolitan areas might report price declines.