

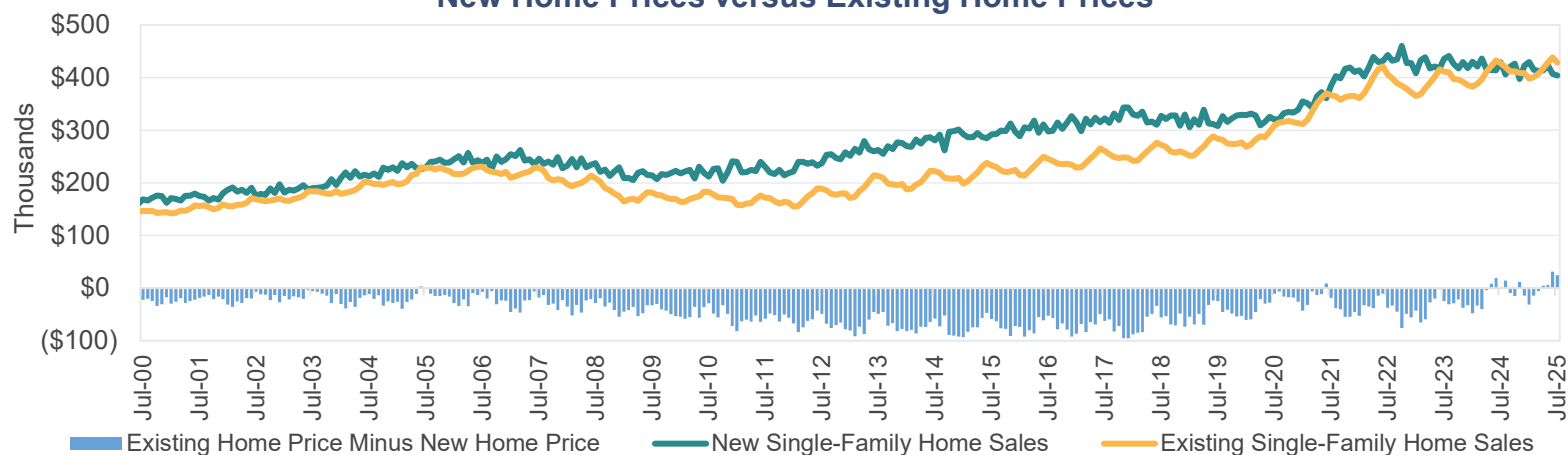
# The Sterling Capital VAULT

## U.S. Housing: Out with the New and in with the Old?



Since 2020, the premium for a new home has declined versus the median home price of an existing home and, aside from a pandemic-induced blip in 2021 when the cost of capital was historically cheap, the median price for an existing home is now sustainably above that of a new home. Historically, new homes are priced at a premium to existing homes due to newer materials, construction standards, and updated features and designs. What's happening?

### New Home Prices versus Existing Home Prices



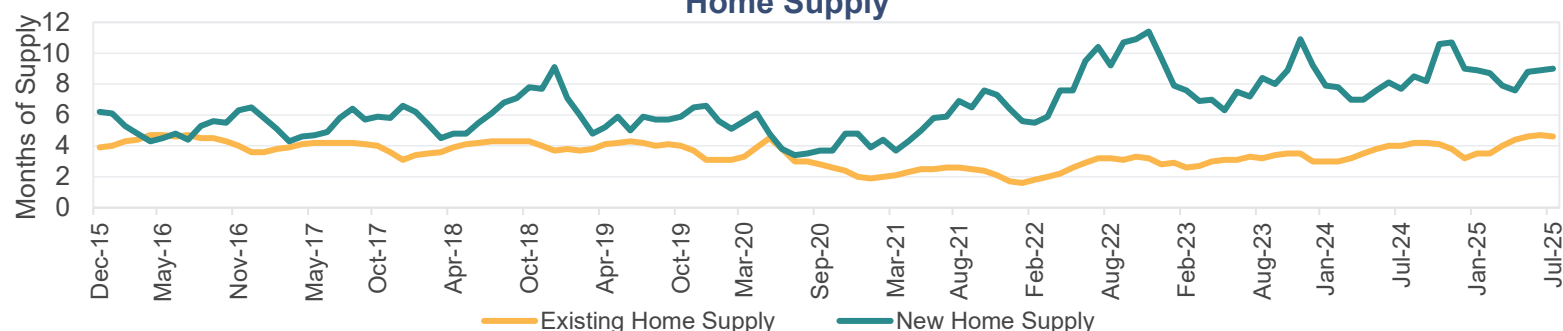
### Lock-In Effect

Mortgage rates and home prices (both new and existing) soared post-pandemic and changed the calculus on the cost of homeownership. Since 2022, more homeowners hold a below-market rate on their existing mortgage and would face higher borrowing costs on a new mortgage. Homeowners are no longer opportunistically moving as they were in 2021. The Federal Housing Finance Agency estimates that every 1% increase in the gap between a borrower's existing rate and the market rate cuts sales probability by 18%. As of Q1 2025, 71.3% of outstanding mortgages are below 5%, with the average at 4.3%.

### Supply

As potential homebuyers opt to remain in their existing homes with their below-market rate, the supply of existing homes has fallen below historical averages. Meanwhile, homebuilders have attempted to fill that gap by accelerating production of new homes. This dynamic is pressuring new home prices lower and existing home prices higher.

### Home Supply



### Smaller Homes

Builders have reduced the size of the homes they build. The median square footage of a new single-family home declined to approximately 2,140 square feet as of Q1 2024, the smallest since 2009. If a prospective buyer wants a larger home, they'll likely need to turn to the undersupplied existing home market. However, as discussed, many existing homeowners are locked into their below-market rate mortgages and are not incentivized to move.

Textual data is as of 08.31.2025 unless otherwise noted and is sourced from the Federal Housing Finance Agency and Bankrate.com. Chart data is as of 07.31.2025. Sources for both charts: U.S. Census Bureau; National Association of Realtors; Sterling Capital Management Analytics. The views expressed represent the opinions of Sterling Capital Management. Any type of investing involves risk and there are no guarantees these methods will be successful. This information must be read in conjunction with the definitions and disclosures on the last page.

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