

# National Economic Snapshot: Employment & Housing

**APRIL 2021**

A year ago, uncertainty loomed as the Covid-19 pandemic took hold, upending the economy and changing nearly every aspect of daily life.

Amid the darkest days of the global pandemic, and the uncertainty it delivered, a white knight arose: housing. Unparalleled demand, lack of inventory, explosive stock market growth, and other variables presented an opportunity to Genesis, and our clients, to go on the offensive.

It was a trigger point that allowed for proactive innovation coupled with strategy audit, economic resurgence, and growth. Those operating in the residential sector have certainly benefited.

Today, we sit in a unique position: Interest rates continue to be, and are expected to remain, at historic lows. Meanwhile, demand for housing continues to surge, GDP is forecast to grow, and the pandemic is beginning to wane. New opportunities are taking shape, including build-to-rent, municipal adoption of ADU development, and horizontal multifamily, to name a few.

That said, market dynamics — and the opportunities tied to them — continue to shift. While the news is positive (especially as compared to this time last year), uncertainty about where to operate and how to be positioned remains top of mind.

Questions loom: Will there be a geographic migration reversal? Will walkability become en vogue once more? How will that impact secondary and tertiary market fundamentals? Will housing continue to surge? Will inflation kick in? How will that impact home values? Rents? Will the ibuy space continue to disrupt age-old industry standards? How will that impact acquisition channels? Profit margins? What will happen when foreclosure moratoriums are lifted? Jobless claims are on the rise. How will that impact housing demand? How will rising lumber costs impact profit margins? Are there other areas of potential savings to preserve profit margins?

Genesis Capital, a leader in the national lending arena, has the purview to help our clients answer those questions and understand where to be. With access to national data, MSA level housing reports, lending experience, and an in-house construction team, Genesis Capital is a valuable resource to our existing and prospective clients.

Now is the time to evaluate your business plans and strategies for 2021 and beyond. As your trusted lending partner, Genesis Capital stands ready to help you seize the opportunities in the market. You can reach me at [rob@genesiscapital.com](mailto:rob@genesiscapital.com) or any of our other senior leaders at [genesisteam@genesiscapital.com](mailto:genesisteam@genesiscapital.com).



**Rob Brauchli**  
Senior Vice President, Sales

## Deconstructing the Numbers...

Although 2021 is expected to bring more stability to the construction industry after a tumultuous 2020, the recovery cycle is expected to be much different than in the previous “post-recession” period. The segmentation between nonresidential and residential construction creates an interesting paradox to consider as they seemingly move in opposite directions.

With a 24% drop in nonresidential construction starts in 2021, the trend for non-residential construction is likely to see further declines through 2021. In contrast, residential construction starts are projected to continue increasing despite spiking material cost and disrupted supply chains throughout the country. As residential construction booms, trade labor pools are further strained adding increased upward pressure on overall project costs. One must take a step back and recognize the connectivity within the industry and the shared fundamentals of resources and labor.

As economic recovery takes hold and vaccine distributions increase through Q2 2021, unforeseen changes in the labor force coupled with changes in social behavior could further shift key drivers of the housing market. In addition, impacts of new political policies remain to be seen, and if “return to normalcy” will have substantial impacts on the mindsets of buyers and sellers alike.

*Robert Jayne*  
Chief Construction Officer

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### YEAR-OVER-YEAR CHANGES (2021-2020)



INCREASE  
in U-3 Unemployment



INCREASE  
In 1-4 Permitted Units



DECREASE  
in Housing Unit Starts



INCREASE  
in Median Sales Price



DECREASE  
in Residential Inventory

# Employment

## RESIDENTIAL CONSTRUCTION PLATEAUS, COMMERCIAL REBOUNDS

The first quarter of 2021 saw 2.4% fewer construction employees than last year. Preliminary March 2021 numbers saw a 3.0% increase versus February. The growth is almost exclusively due to the commercial construction sector with steady, but stagnant, residential construction employment. The growth in commercial construction could be related to the lower number of winter storms in March versus February. These numbers are likely to continue improving when factoring in the potential rollout of the recently proposed national infrastructure plan.

## NATIONAL UNEMPLOYMENT CONTINUES TO IMPROVE

March added over 900,000 jobs, the most substantial gain since August. The growth outpaced what was predicted by most economists. As expected, the sectors experiencing the greatest recovery were those hurt most by closures.

|                                       | FEBRUARY |       | CHG    | JANUARY |       | CHG     |
|---------------------------------------|----------|-------|--------|---------|-------|---------|
|                                       | 2021     | 2020  | (YEAR) | 2020    | 2020  | (MONTH) |
| Other Construction                    | 6,218    | 7,278 | -14.6% | 6,283   | 6,283 | -1.0%   |
| New Single-Family General Contractors | 369      | 357   | 3.4%   | 368     | 368   | 0.3%    |
| New Multifamily General Contractors   | 40       | 38    | 4.5%   | 40      | 40    | 0.3%    |
| Res. Remodelers                       | 380      | 371   | 2.3%   | 377     | 377   | 0.8%    |

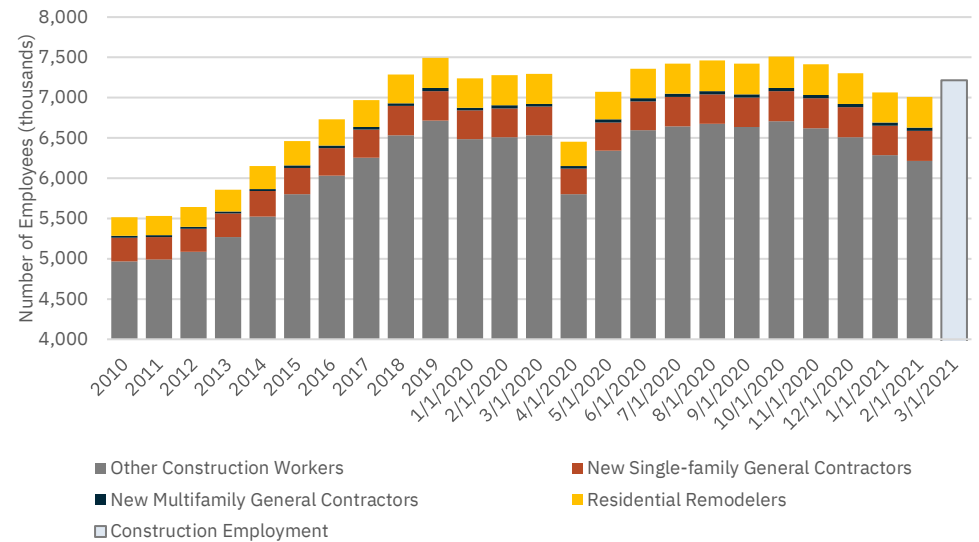
  

|                  | MARCH |      | CHG    | FEBRUARY |       | CHG     |
|------------------|-------|------|--------|----------|-------|---------|
|                  | 2021  | 2020 | (YEAR) | 2020     | 2020  | (MONTH) |
| U-3 Unemployment | 6.0%  | 4.4% | 1.6%   | 6.2%     | 6.2%  | -0.2%   |
| U-6 Unemployment | 10.7% | 8.7% | 2.0%   | 11.1%    | 11.1% | 0.4%    |

Employment statistics are released on the Friday of the first full week of the month. These numbers are taken from the U.S. Census Bureau Employment Situation report, which is typically released on the third Friday after the conclusion of the reference week (i.e., the week which includes the 12th of the month). We report on not seasonally adjusted metrics.

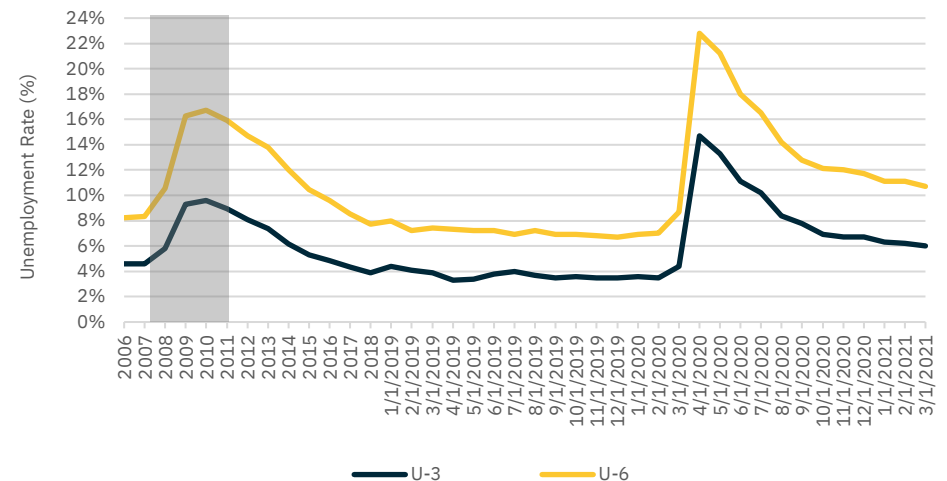
U-3 is the most reported rate of unemployment in the U.S. and represents the number of people actively seeking a job. The U-6 rate is widely considered to be more accurate, as U-6 includes discouraged, under-employed and unemployed workers.

### U.S. Construction Employees 2010 through February 2021



Note: 2020 data was collected on March 5, 2021 but preliminary data is through December. Statistics are not seasonally adjusted  
 Source: The Bureau of Labor Statistics; Compiled by Tres Seippel, MAI, MRICS.

### National Unemployment - 16 Years and Older Not Seasonally Adjusted



Note:

1. 2020 data was collected on April 2, 2021 but preliminary data is through February.

2. Shaded area represents a recession, as determined by the National Bureau of Economic Research.

Source: The Bureau of Labor Statistics; Compiled by Genesis Capital Construction Department

# Residential Permits

## NATIONAL FILINGS SECOND LOWEST SINCE PANDEMIC BEGAN

February outperformed the 20-year monthly average by 11,200 homes, despite permit filings dropping for a second month. The slowdown, while typical for the first quarter of a year, could be directly correlated to (1) a lack of available development lots, (2) continued municipal bottleneck, and/or (3) a potential apprehension around the future profit margins directly impacted by increased material costs. As of this report, the first quarter is on track to outperform every first quarter since the recession. Single-family home permits account for about 70% of all permits filed in this month, slightly below February 2020.

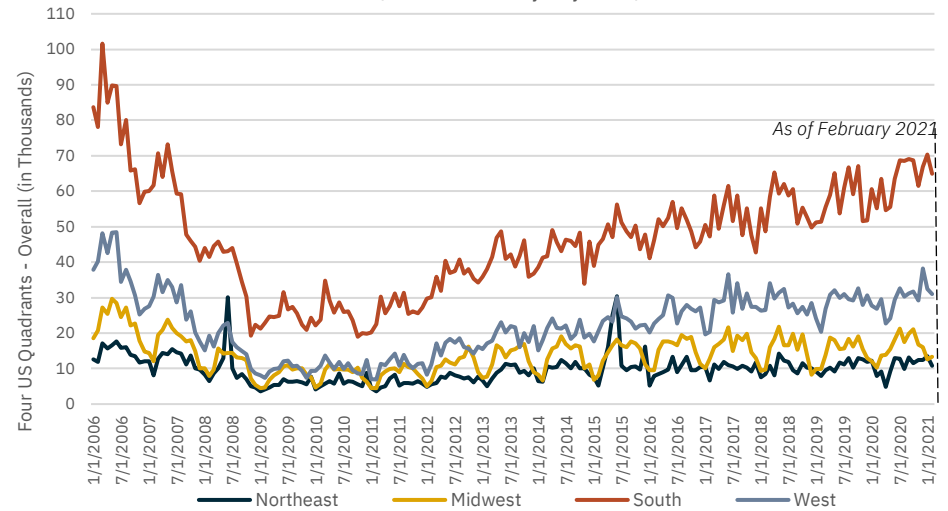
New home permit filings are reflective of both current and future economic outlooks. They are indicators of consumer confidence and how homebuilders are perceiving changes to the market.

## NATIONAL NEW HOME PERMIT DATA (IN THOUSANDS)

|                      | FEBRUARY |      | % CHG<br>(YEAR) | JANUARY |         |
|----------------------|----------|------|-----------------|---------|---------|
|                      | 2021     | 2020 |                 | 2021    | (MONTH) |
| Overall, One to Four | 84.5     | 74.1 | 14.0%           | 87.6    | -3.5%   |
| Overall, Five-Plus   | 35.6     | 26.2 | 36.1%           | 41.3    | -13.7%  |
| Northeast            | 10.8     | 7.9  | 36.3%           | 13.4    | -19.9%  |
| Midwest              | 13.4     | 10.3 | 29.1%           | 12.6    | 6.1%    |
| South                | 64.9     | 55.1 | 17.8%           | 70.4    | -7.8%   |
| West                 | 31.0     | 26.9 | 15.5%           | 32.4    | -4.2%   |

This data set is revised monthly around the 18th workday of each month and provides estimates for the number of new home permits that were issued in the U.S. and four Census Regions.

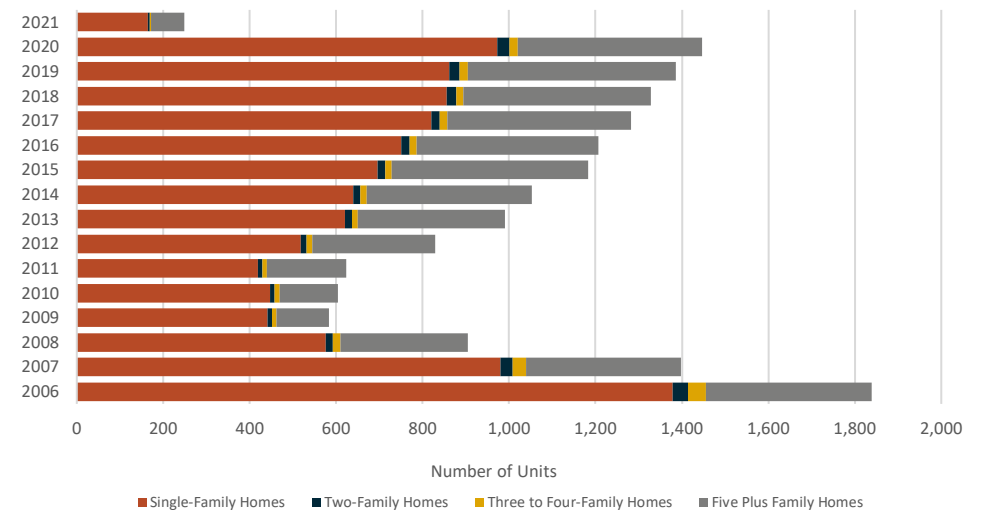
New Privately Owned Housing Units Authorized by Census Regions  
(Not Seasonality Adjusted)



Note: 2020 Data is as of December

Source: US Census ([www.census.gov](http://www.census.gov)); compiled by Genesis Capital Construction Department

Residential Permits 2006 through February 2021



Source: U.S. Census ([www.census.gov](http://www.census.gov)); compiled by Genesis Capital Construction Department

# New Housing Starts

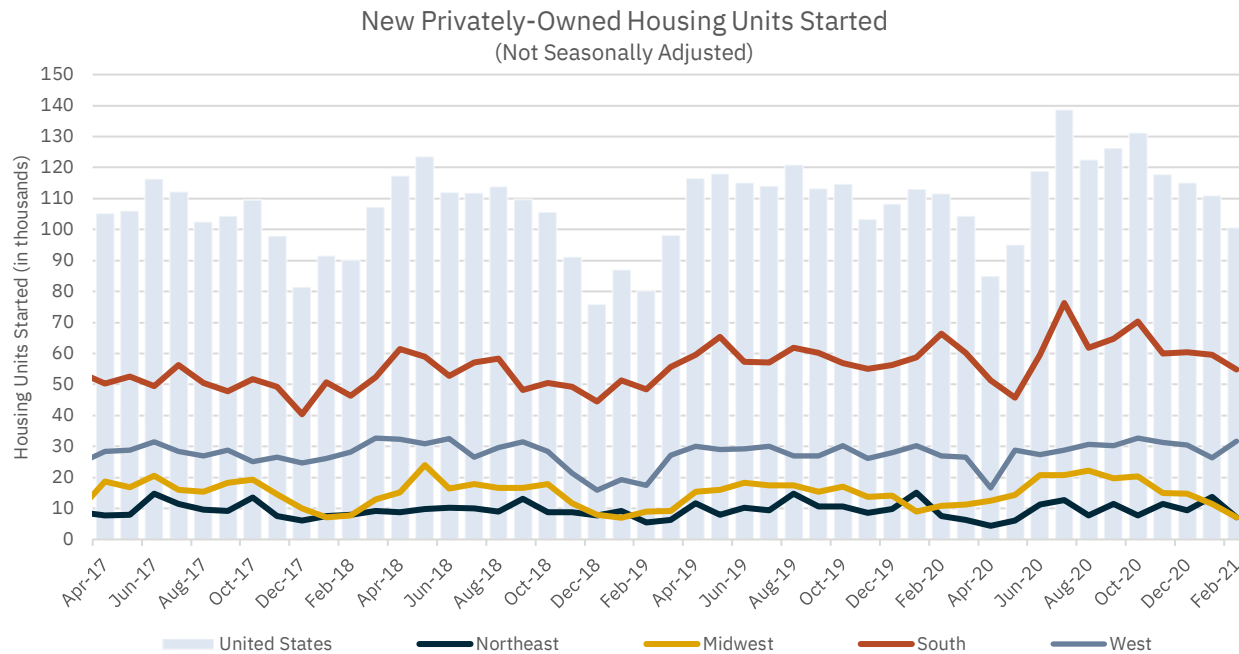
## FEBRUARY HOUSE STARTS DROP FOR SECOND MONTH

New home starts dropped 9.8%, year-over-year. The steep drop is related, almost exclusively, to two-plus home starts. Similar to permit filings, it is unclear if this drop in starts is a continuation of permitting delays, development cost concerns around land and materials, or an intentional slowdown by developers. Regionally, only the West posted positive double-digit growth, both year-over-year and month-over-month in single-family and multi-unit housing starts. The Midwest and South had drops in all types both month-over-month and year-over-year while the Northeast was a blend.

New home starts are typically a key indicator of economic strength as residential construction has overarching impacts on most other industries. A brief slowdown in starts can signal a major shift.

|                      | FEBRUARY |      | % CHG  | JANUARY |         |
|----------------------|----------|------|--------|---------|---------|
|                      | 2021     | 2020 | (YEAR) | 2021    | (MONTH) |
| Overall, One to Four | 72.9     | 74.4 | -2.0%  | 78.1    | -6.7%   |
| Overall, Five-Plus   | 27.8     | 37.2 | -25.3% | 33.0    | -15.8%  |
| Northeast            | 7.1      | 7.5  | -5.3%  | 13.8    | -48.6%  |
| Midwest              | 7.1      | 10.8 | -34.3% | 11.5    | -38.3%  |
| South                | 54.8     | 66.3 | -17.3% | 59.5    | -7.9%   |
| West                 | 31.7     | 27.0 | 17.4%  | 26.3    | 20.5%   |

This data set is revised monthly around the 18<sup>th</sup> workday of each month and provides estimates for the number of new home permits that were issued in the U.S. and four Census Regions



# New Home Sales and Inventory

## NEW HOME SALES

|           | FEBRUARY |        | % CHG<br>(YEAR) | JANUARY |        | % CHG<br>(MONTH) |
|-----------|----------|--------|-----------------|---------|--------|------------------|
|           | 2021     | 2020   |                 | 2020    | 2020   |                  |
| Northeast | 3,000    | 4,000  | -25.0%          | 3,000   | 0.0%   |                  |
| Midwest   | 7,000    | 6,000  | 16.7%           | 10,000  | -30.0% |                  |
| South     | 37,000   | 34,000 | 8.8%            | 42,000  | -11.9% |                  |
| West      | 17,000   | 19,000 | -10.5%          | 18,000  | -5.6%  |                  |

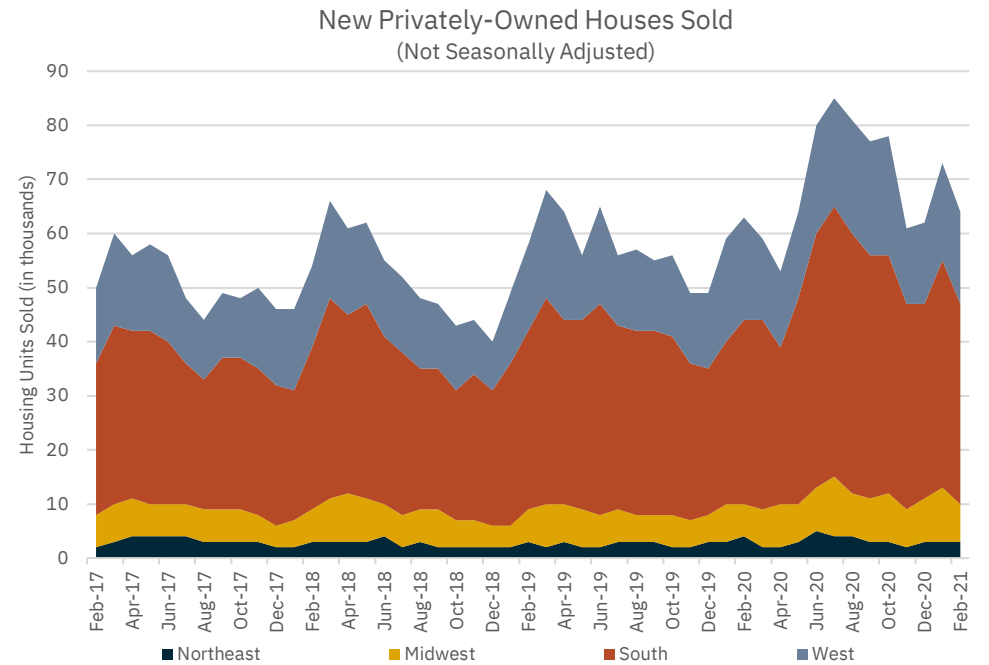
## NEW HOME INVENTORY

|           | FEBRUARY |         | CHG<br>(YEAR) | JANUARY |      | CHG<br>(MONTH) |
|-----------|----------|---------|---------------|---------|------|----------------|
|           | 2021     | 2020    |               | 2020    | 2020 |                |
| Northeast | 26,000   | 26,000  | 0.0%          | 26,000  | 0.0% |                |
| Midwest   | 30,000   | 37,000  | -18.9%        | 30,000  | 0.0% |                |
| South     | 177,000  | 178,000 | -0.6%         | 172,000 | 2.9% |                |
| West      | 77,000   | 84,000  | -8.3%         | 75,000  | 2.7% |                |

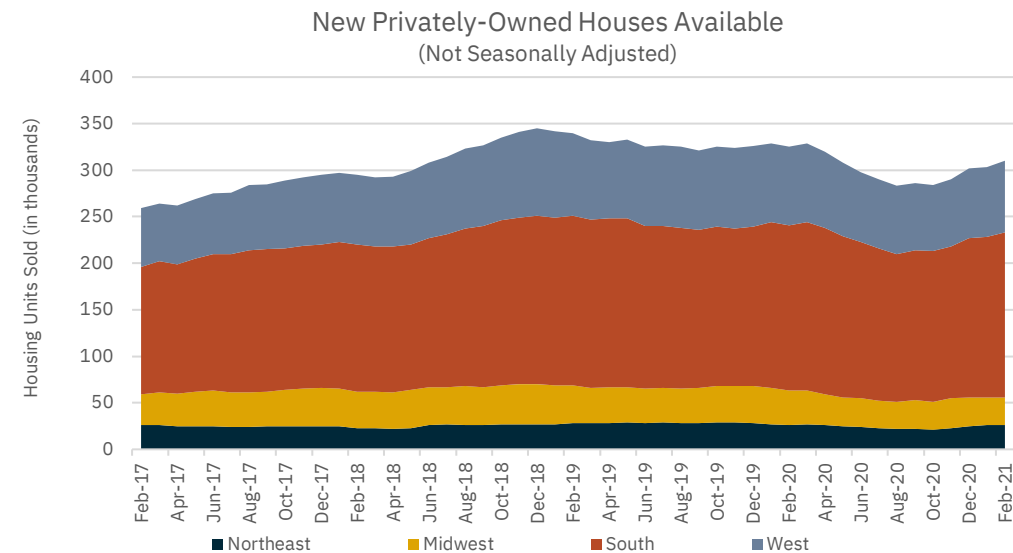
## NEW HOME SALES AND MONTHS OF SUPPLY

|                         | FEBRUARY  |           | CHG<br>(YEAR) | JANUARY   |       | CHG<br>(MONTH) |
|-------------------------|-----------|-----------|---------------|-----------|-------|----------------|
|                         | 2021      | 2020      |               | 2020      | 2020  |                |
| Median sales price (\$) | \$346,400 | \$331,800 | 5.3%          | \$353,200 | -1.1% |                |
| Months' supply          | 4.8       | 5.1       | -0.3          | 4.2       | -0.6  |                |

Revised monthly estimates for the U.S. and four Census Regions are released on or around the 18th workday of each month.

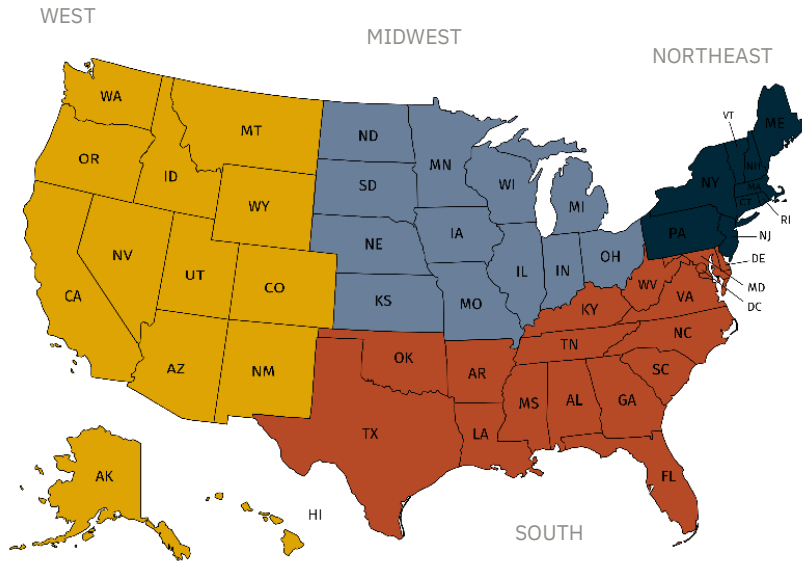


Source: U.S. Census ([www.census.gov](http://www.census.gov)); compiled by Genesis Capital Construction Department



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For statistical purposes, the U.S. Census Bureau divides the nation into four geographic regions illustrated in the map below:



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**Source for all tables and charts: U.S. Census (census.gov) Compiled by Genesis Capital Construction Department**

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