GENESIS CAPITAL

National Economic Snapshot:
Employment & Housing

MARCH 2021

GENESIS CAPITAL

We present the March edition of the *Genesis Capital National Economic Snapshot: Employment & Housing*.

As we near the start of Spring and the end of the first quarter, the economy is setting pace for the year. In the following pages, you 'll read that the first month of this year saw the most permits filed in the last 15 years during a January. New home inventory continues to decrease – continuing to boost the median sales price. And, although overall construction employment continues to experience a decline, residential construction remains strong.

Recently, I assumed a new role as Genesis Capital's EVP-Sales Manager and I look forward to speaking with our clients and partners in the near future. Many of you already know me through my previous position leading our Valuations Team. In my 8 years with Genesis, the company has always placed a key emphasis on gathering information about the real estate market and sharing these insights in conversations with our clients. Our skilled Valuations Team, for example, obtains market data through local MLS, CoStar, Realist, and local area experts to help us better understand the opportunities our clients are pursuing. The team has valued thousands of properties throughout the nation – from SFR, new construction, multifamily, rental and mixed use. This knowledge enables Genesis to offer our clients a second look at their investments, often helping them maximize the value of their projects.

No matter how complex your next project may be, rest assured that the team at Genesis Capital has the experience and knowledge to be your trusted lending partner.

To reach me directly, please email me at mike@genesiscapital.com.

Mike Corominas
Executive Vice President,
Sales Manager

Deconstructing the Numbers...

While there's promising news of decreasing case numbers and vaccination distribution greatly expanding, we are now a year into the pandemic and the economic impacts are still being felt. February employment numbers outperformed most economists' expectations, but many Americans are unfortunately experiencing the limited "arm" of the much discussed "K-shaped" recovery. It appears the nation's increased employment levels are not necessarily the creation of new jobs, but rather adding back those that may have been lost due to pandemic restrictions.

High demand for single-family homes (especially in smaller cities) continues to fuel housing development. Supply, however, remains at near historic lows with new home prices remaining relatively stable and rising in many cities. January saw the strongest start to a year in new home sales since 2006 and should the market continue in its upward trajectory, 2021 could be a banner year.

The sustained increase in residential construction employment stands in stark contrast to a dramatic drop in non-residential construction employment. It's unclear if this drop was in commercial projects or public works, but severe winter weather likely contributed to the limited of demand for non-residential development.

In conversations with Genesis Capital's borrowers and partners, we're hearing more about pandemic-induced construction delays and cost overruns as a result of recent material cost spikes. These are likely to be temporary as the economy starts to open up more with increased fiscal stimulus going into effect and its expected positive economic impact. Of course, we'll be on the lookout for signs of short-term inflation and discuss potential risks in future editions of this report.

Robert Jayne
Chief Construction Officer

YEAR-OVER-YEAR CHANGES (2021-2020)

2.7% INCREASE in U-3 Unemployment	19.2% INCREASE In 1-4 Permitted Units	-3.2% DECREASE in Housing Unit Starts	5.3% INCREASE in Median Sales Price	-7.0% DECREASE in Residential Inventory

Employment

CONSTRUCTION EMPLOYMENT CONTINUES DOWNWARD MOVE

Compared to February 2020 (the last full month before pandemic-related closures) total construction employment reported a 3.8% drop last month. Residential construction continues to remain strong while "Other Construction" accounted for the largest portion of the drop. New "multifamily general contractors" again saw the largest year-over-year increases at 7.1%. The first two months of this year averaged 3.1% below the first two months of 2020.

UNEMPLOYMENT (OVERALL) REMAINS UNCHANGED

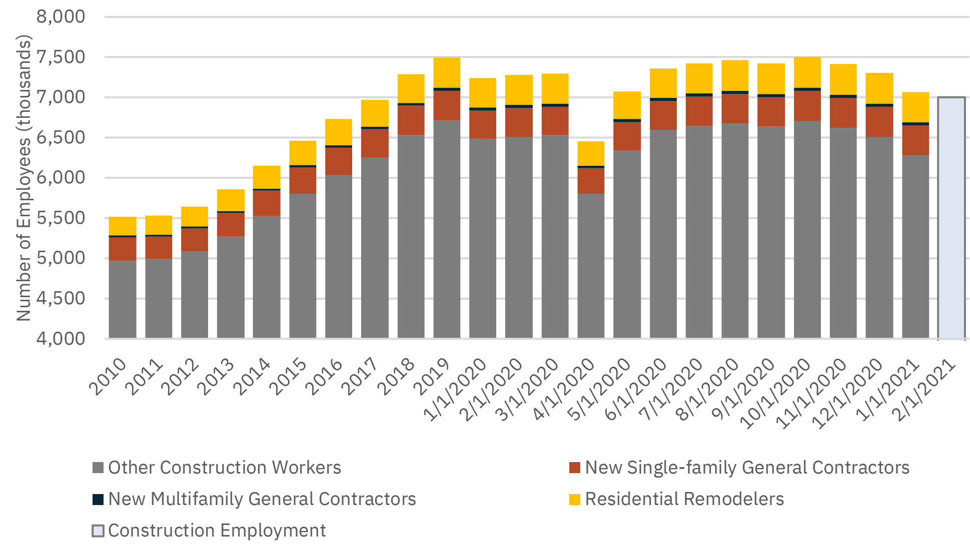
Overall unemployment figures changed very little last month, but the numbers are still well below the highs of April 2020. National employment increased by 379,000 in February, buoyed mostly by leisure and hospitality. Declines were seen in construction, mining, state/local government, and education.

	JANUARY 2021	JANUARY 2020	CHG (YEAR)	DECEMBER 2020	CHG (MONTH)
Other Construction	6,281	7,243	-13.3%	6,508	-3.5%
New Single-Family General Contractors	368	355	3.6%	374	-1.7%
New Multifamily General Contractors	410	36	9.9%	41	-2.7%
Res. Remodelers	376	368	2.1%	381	-1.5%
	FEBRUARY 2021	**FEBRUARY 2020**	**CHG (YEAR)**	**JANUARY 2020**	**CHG (MONTH)**
U-3 Unemployment	6.2%	3.5%	2.7%	6.3%	-0.1%
U-6 Unemployment	11.1%	7.0%	4.1%	11.1%	0.0%

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.

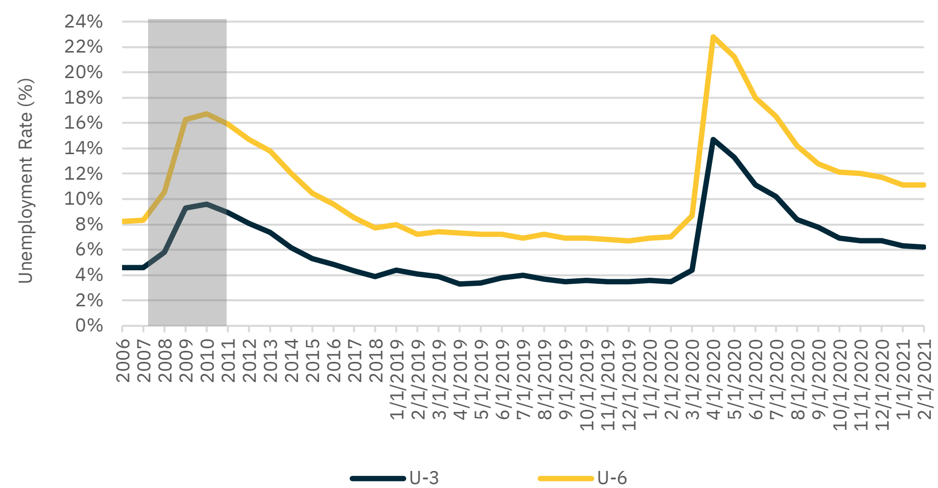
U-3 is the most reported rate of unemployment in the U.S. and represents the number of people actively seeking a job. The U-6 rate is widely considered to be more accurate, as U-6 includes discouraged, under-employed and unemployed workers.

U.S. Construction Employees 2010 through January 2021



Note: 2020 data was collected on March 5, 2021 but preliminary data is through December. Statsitics 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 March 5, 2021 but preliminary data is through January.
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

MOST PERMITS FILED DURING JANUARY IN LAST 15 YEARS

Despite posting month-over-month declines in new residential permits, January 2021 saw the most permits filed during a January since 2006. This follows double digit, month-over-month, increases in December 2020. This January had the sixth most permits filed during a January since 1959. Although permit filings have been steadily increasing over the past months, we are still below pre-recession numbers and are still experiencing restricted inventory. This limited inventory has helped buoy new home prices across the country during the pandemic, as compared to the 2008 Recession. Single-family home permits account for 68.2% of all permits filed in January, which was a slight increase over January 2020. The Midwest and West experienced double digit decreases in month-over-month permit filings while the Northeast and South had single digit increases.

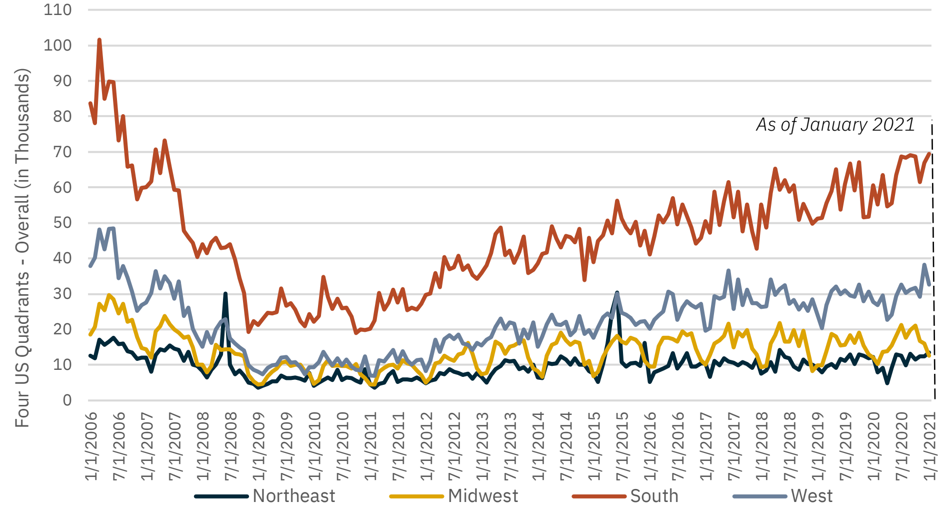
New home permit filings are reflective of both current and future economic outlooks. They are indicators of consumer confidence and how homebuilders are perceiving changes to the market.

NATIONAL NEW HOME PERMIT DATA (IN THOUSANDS)

	JANUARY 2021	JANUARY 2020	% CHG (YEAR)	DEC 2020	% CHG (MONTH)
Overall, One to Four	87.5	73.4	19.2%	92.0	-4.9%
Overall, Five-Plus	40.9	39.5	3.5%	41.5	-1.4%
Northeast	13.6	12.3	10.6%	12.5	8.8%
Midwest	12.6	12.1	4.1%	16.0	-21.3%
South	69.4	60.6	14.5%	66.9	3.7%
West	32.7	27.8	17.6%	38.2	-14.4%

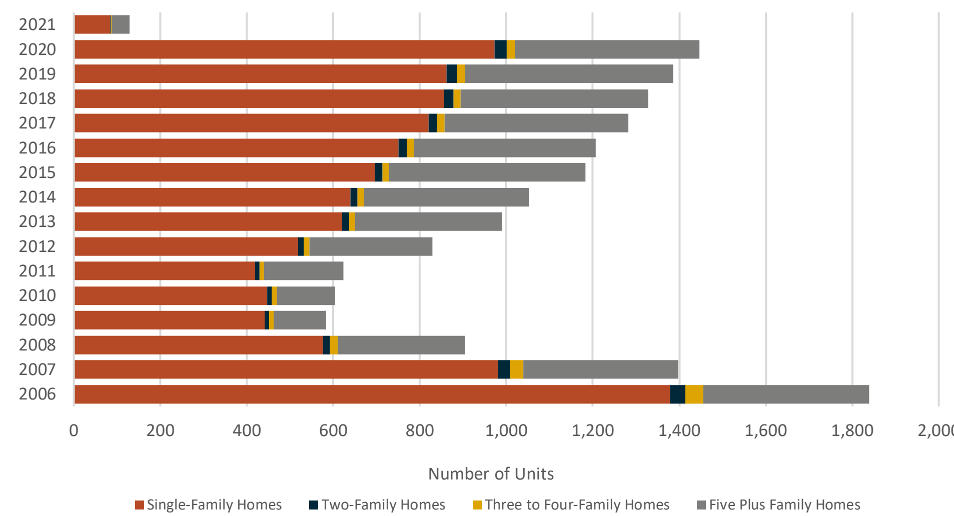
This data set is revised monthly around the 18th workday of each month and provides estimates for the number of new home permits that were issued in the U.S. and four Census Regions.

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); compiled by Genesis Capital Construction Department

Residential Permits 2006 through January 2021



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

New Housing Starts

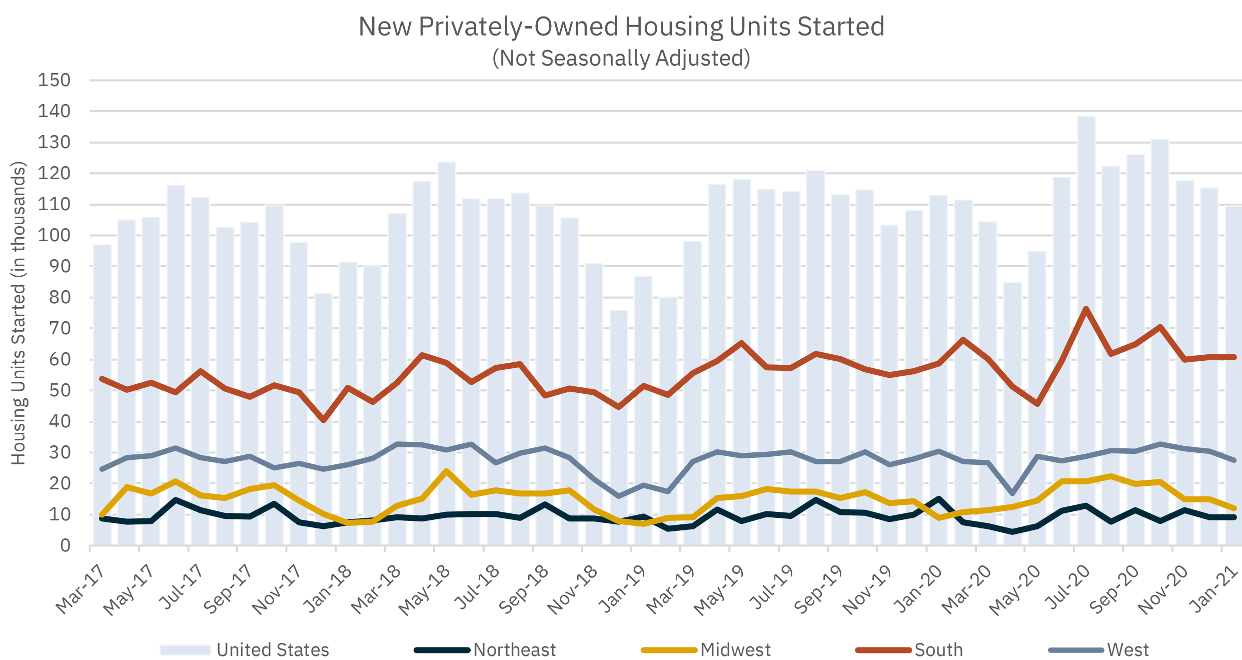
JANUARY FIVE-PLUS HOME STARTS BELOW 40 MONTH AVERAGE

Single-family homes continue to dominate housing starts across the nation, averaging 75% of all starts during the last ten months. The Northeast, Midwest, and South all posted double digit, year-over-year, increases in single-family home starts in January alone. January also saw a slight increase in the number of multifamily unit starts, accounting for 28% of all starts in the month.

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.

	JANUARY		% CHG	DECEMBER	% CHG
	2021	2020	(YEAR)	2020	(MONTH)
Overall, One to Four	79.1	68.1	16.2%	90.2	-12.3%
Overall, Five-Plus	30.3	45.0	-32.7%	25.2	20.2%
Northeast	9.1	15.1	-39.7%	9.1	0.00%
Midwest	12.1	9.0	34.4%	15.0	-19.3%
South	60.7	58.7	3.4%	60.8	-0.2%
West	27.5	30.3	-9.2%	30.5	-9.80%

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



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

New Home Sales and Inventory

NEW HOME SALES

	JANUARY 2021	JANUARY 2020	% CHG (YEAR)	DECEMBER 2020	% CHG (MONTH)
Northeast	2,000	3,000	-33.3%	3,000	-33.3%
Midwest	7,000	7,000	0.0%	6,000	16.7%
South	42,000	30,000	40.0%	36,000	16.7%
West	18,000	19,000	-5.3%	15,000	20.0%

NEW HOME INVENTORY

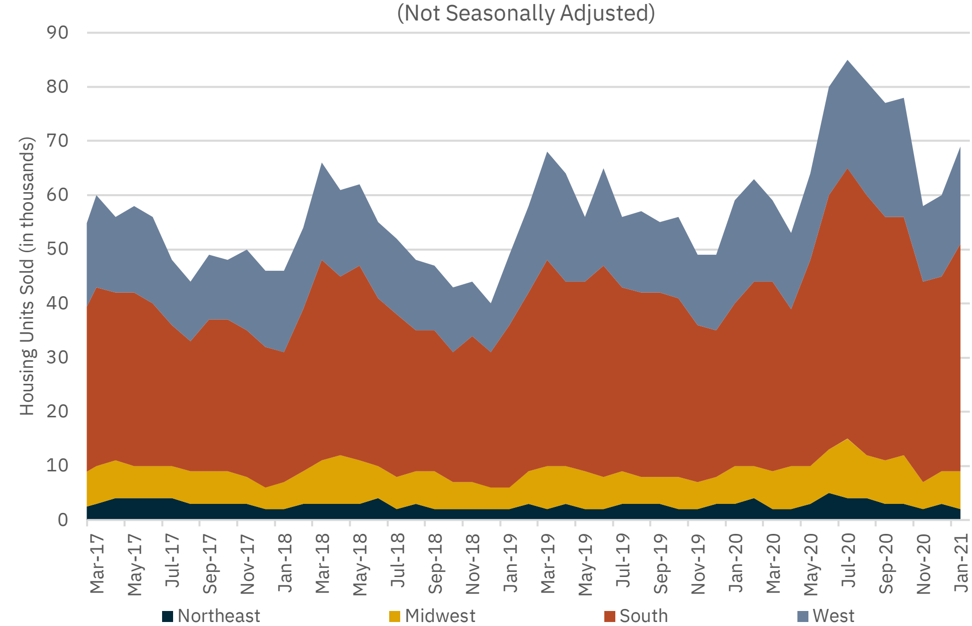
	JANUARY 2021	JANUARY 2020	CHG (YEAR)	DECEMBER 2020	CHG (MONTH)
Northeast	26,000	27,000	-3.7%	25,000	4.0%
Midwest	31,000	39,000	-20.5%	32,000	-3.1%
South	174,000	178,000	-2.2%	171,000	1.8%
West	75,000	85,000	-11.8%	74,000	1.4%

NEW HOME SALES AND MONTHS OF SUPPLY

	JANUARY 2021	JANUARY 2020	CHG (YEAR)	DECEMBER 2020	CHG (MONTH)
Median sales price ($)	$346,400	$328,900	5.3%	$353,100	-1.9%
Months' supply	4.4	5.6	-1.20	5.2	-0.8

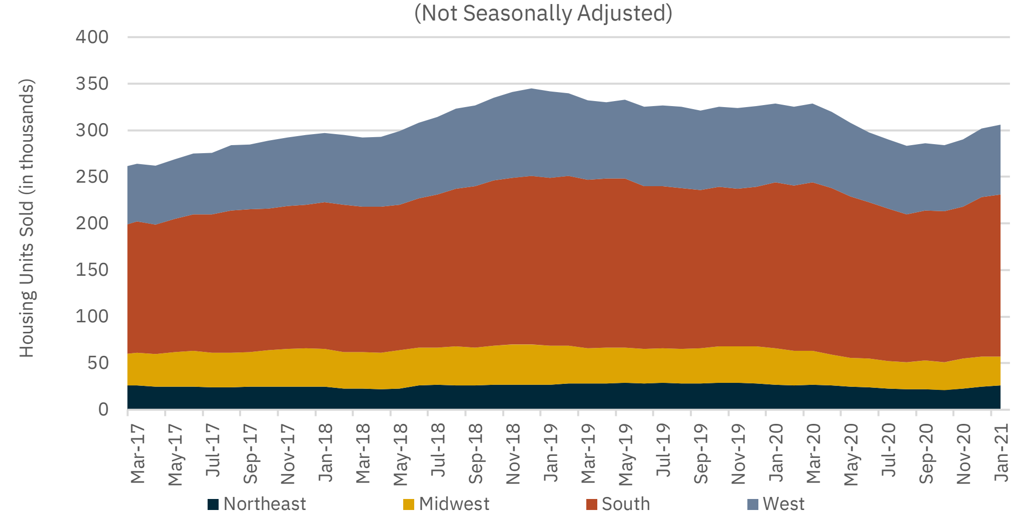
Revised monthly estimates for the U.S. and four Census Regions are released on or around the 18th workday of each month.

New Privately-Owned Houses Sold
(Not Seasonally Adjusted)



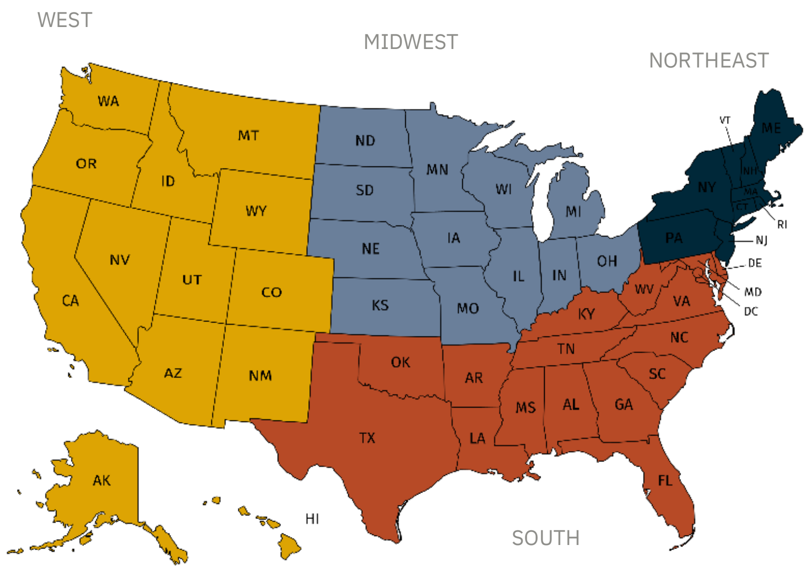
Source: U.S. Census (www.census.gov); compiled by Genesis Capital Construction Department

New Privately-Owned Houses Available
(Not Seasonally Adjusted)



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

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