

National Economic Snapshot: Employment & Housing

AUGUST 2021

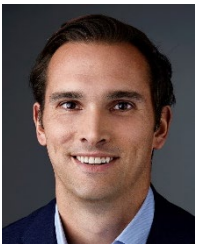
We present the August edition of the *Genesis Capital National Economic Snapshot: Employment & Housing*.

Like all of our clients, Genesis Capital is working to support one of the strongest housing markets in recent memory. As a leading loan provider for residential construction projects from coast to coast, Genesis has meaningfully bolstered our footprint throughout the nation over the past 18+ months. While the pace of the housing market may be slowing slightly in some areas, we anticipate sustained strong performance as supply attempts to catch up to demand, and the broader economy continues to recover.

Recessionary events underscore the importance of understanding regional economics. We have seen varied impacts and subsequent rebounds across major metropolitan areas. As such, we take a bottom-up view and utilize local data to monitor and evaluate markets and readily share this information with our clients. While national housing starts are up 31% year-over-year, many metropolitan areas are outperforming. For instance, a subset of areas where we have seen growth – Raleigh, Austin and Denver – come in at 42%, 49% and 75%, respectively. Regional migration, another indicator that factors into our analysis, has been widely publicized.

While levels of economic uncertainty remain high and supply chains are still disrupted, we see tailwinds for housing nationwide. We anticipate resale price appreciation of high single digits or better in all major markets, continued strong permit issuance, as well as growth in home sale closings. Client feedback supports our views as they are reporting robust sales and price increases nationwide.

We look forward to long-term partnerships with our clients across the nation and are eager to share our analysis to help capitalize on opportunities. Please feel free to reach me directly at peter.littell@genesiscapital.com or any of our other senior leaders at genesisteam@genesiscapital.com.



Peter Littell
SVP, Sales Management

Deconstructing the Numbers...

The national housing market is beginning to show potential signs of leveling off as inventory for new homes increased 19.7% year-over-year to the highest level in recent years. The media attention over the last year regarding historic low mortgage rates, increasing construction costs, and decreasing inventory sent home sales prices skyward and fostered a buying frenzy. As noted in The Mortgage Bankers Association's¹ recent report, following almost 8 years of upward trending home sales, June new home sales slowed to an adjusted annual rate of 704,000, with the last three months slumping 7% from the average rate in 2020. Despite residential buyers' sentiment of an overheated market, they continue to purchase homes above historic average prices. The most current metrics reported by the S&P Case-Shiller² national home price index in May stated that home prices rose 17% versus the previous May; representing the largest annual gain since the index began in the 1980s. Additionally, the National Association of Realtors³ notes that June "marks 112 straight months of year-over-year gains" in pricing metrics. The decreased supply along with FOMO (fear of missing out) on historic low interest rates has caused many buyers to bid up prices and pay above ask. This trend extended outside of the U.S. and according to Organization for Economic Cooperation & Development⁴ data, only 3 of the 40 countries analyzed experienced home price declines during the first three months of this year, the smallest share since 2000.

A real concern as it relates to housing inventory and pricing is the ability to find skilled labor to meet demand, which could be the largest impact on future pricing metrics. This is especially true in secondary and tertiary markets that have experienced a substantial influx of buyers and have the greatest need. The national employment issue could be exacerbated over the coming years as, according to the National Association of Home Builders⁵, housing starts are forecast to exceed 2019 totals by double digits annually through 2023, so demand will remain.

Tres Seippel, MAI, MRICS
Senior Development and Construction Manager

- P2 • Employment
- P3 • Residential Permits
- P4 • New Housing Starts
- P5 • New Home Sales and Inventory

CITATIONS

¹ [Mortgage Bankers Association](#) - July 20, 2021

² [S&P CoreLogic Case-Shiller](#) - July 27, 2021

³ [National Association of Realtors](#) - July 22, 2021

⁴ OECD (2021), *Housing prices (indicator)*. doi: 10.1787/63008438-en (Accessed on 10 August 2021)

⁵ [National Association of Home Builders](#) - June 8, 2021

YEAR-OVER-YEAR CHANGES (2021-2020)



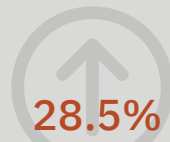
DECREASE

in U-3 Unemployment



INCREASE

In 1-4 Permitted Units



INCREASE

in Housing Unit Starts



INCREASE

in Median Sales Price



INCREASE

in Residential Inventory

Employment

FIVE CONSECUTIVE MONTHS OF CONSTRUCTION INDUSTRY RECOVERY

Overall, the construction industry showed slight but positive change year-over-year. Preliminary numbers for July show a continued trend of recovery at 2.9% year-over-year. Employment recovery, however, has a new potential obstacle – the Covid-19 Delta variant. Restrictions are once again being put in place in certain areas and there’s a possibility for a contracting labor market should case numbers continue to surge. New single-family general contractors have the largest increases year to date versus 2020 at 7.9%.

JOB GAINS OUTPERFORM PROJECTIONS

In July, the national unemployment rate decreased by 0.5% month-over-month and 4.8% year-over-year as the number of unemployed persons fell to 8.7M. The number of persons on temporary layoff fell 1.2M in July, which is substantially lower than the high of 18M in April 2020 but still 489,000 higher than February 2020.

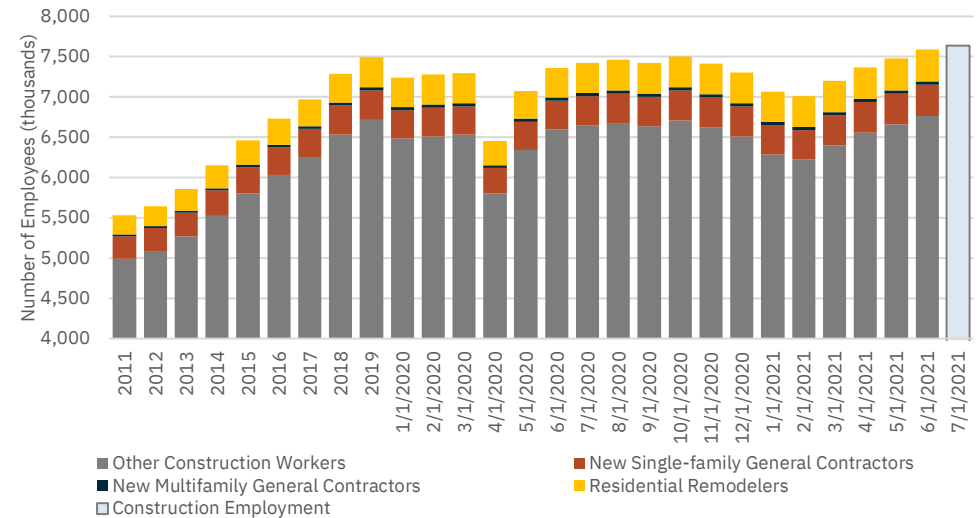
	JUNE		CHG	MAY	CHG
	2021	2020	(YEAR)	2020	(MONTH)
Other Construction	6,763	6,595	2.5%	6,660	1.6%
New Single-Family General Contractors	391	362	8.1%	382	2.3%
New Multifamily General Contractors	39	39	0.3%	40	-0.8%
Res. Remodelers	399	363	9.9%	395	1.0%

	AUGUST		CHG	JUNE	CHG
	2021	2020	(YEAR)	2020	(MONTH)
U-3 Unemployment	5.4%	10.2%	-4.8%	5.9%	-0.5%
U-6 Unemployment	9.2%	16.5%	-7.3%	9.8%	-0.6%

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.

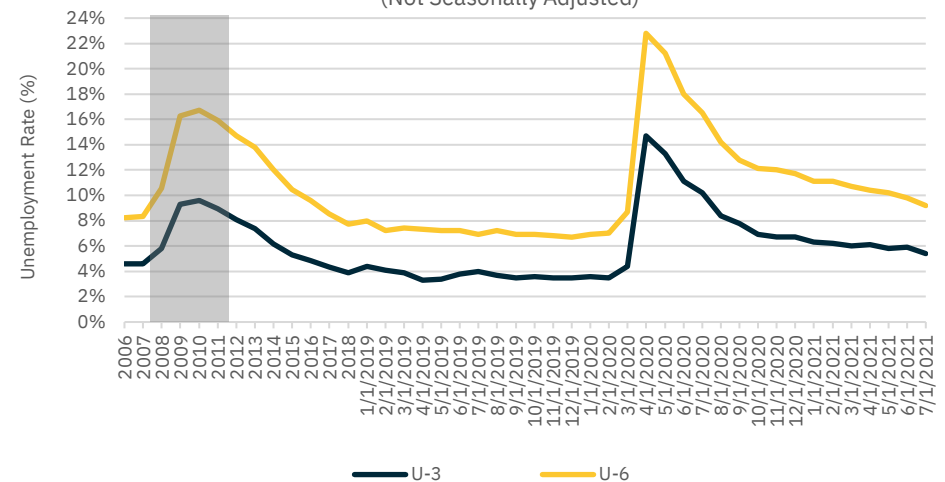
U-3 is the most reported rate of unemployment in the U.S. and represents the number of people actively seeking a job. The U-6 rate is widely considered to be more accurate, as U-6 includes discouraged, under-employed and unemployed workers.

U.S. Construction Employees 2010 through July 2021



Note: Includes preliminary data for two most recent months. 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:

- 2021 data was collected on August 6, 2021 but preliminary data is through May.
 - 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

YTD PERMIT FILINGS HIGHEST SINCE 2006

June 2021 posted the third highest permit filings in a single month since the Great Recession. Similarly, single-family homes also posted the third largest filings in a single month over the same time. Despite a continued upward trend in filings, the country is still underbuilding homes. A June report from the National Association of Realtors¹ stated that the country is short about 6.8 million housing units. Single-family residences continue to make up over 70% of all permit filings. Five-plus unit permit filings increased by double digits year-over-year and month-over-month at 16.7% and 16.1%, respectively. Growth in the South and West continue to outpace the rest of the nation with both experiencing double digit increases year-over-year.

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.

CITATION

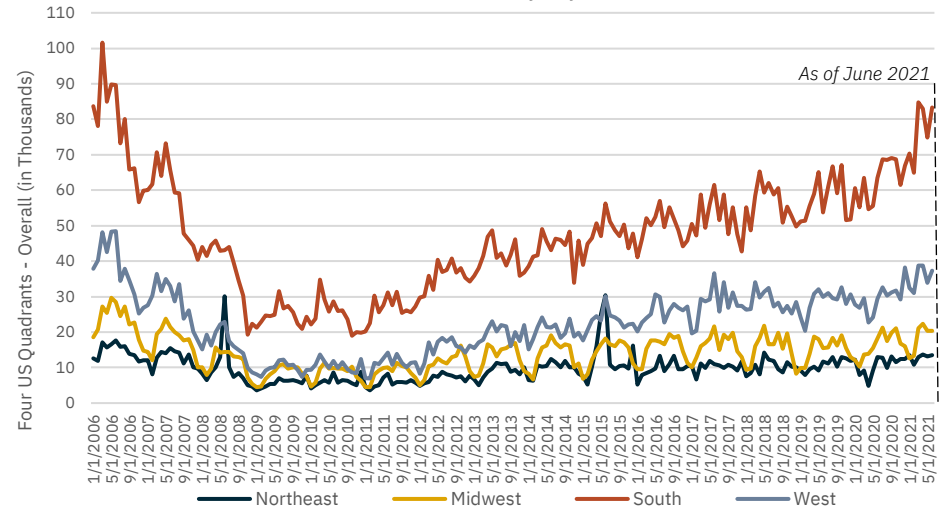
¹ [National Association of Realtors](#) - June 16, 2021

NATIONAL NEW HOME PERMIT DATA (IN THOUSANDS)

	JUNE		% CHG (YEAR)	MAY 2021	% CHG (MONTH)
	2021	2020			
Overall, One to Four	109.8	88.8	23.6%	103.7	5.8%
Overall, Five-Plus	44.7	38.3	16.7%	38.5	16.1%
Northeast	13.5	13.5	0.3%	13.1	3.0%
Midwest	20.4	18.7	8.9%	20.4	-0.1%
South	83.3	65.2	27.8%	74.9	11.3%
West	37.3	29.8	25.0%	29.8	25.0%

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.

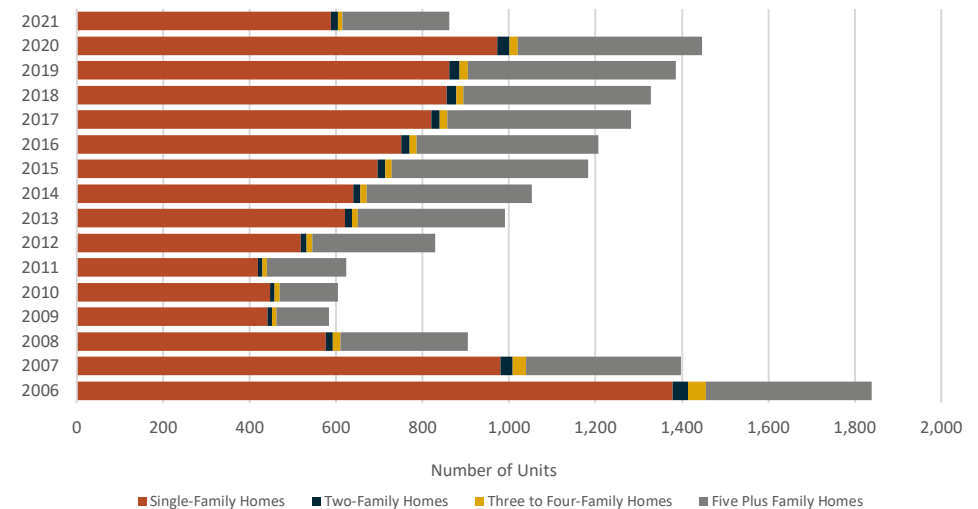
New Privately Owned Housing Units Authorized by Census Regions
(Not Seasonally Adjusted)



Note: 2021 Data is as of June

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

Residential Permits 2006 through June 2021



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

New Housing Starts

YTD NEW HOME STARTS HIGHEST SINCE GREAT RECESSION

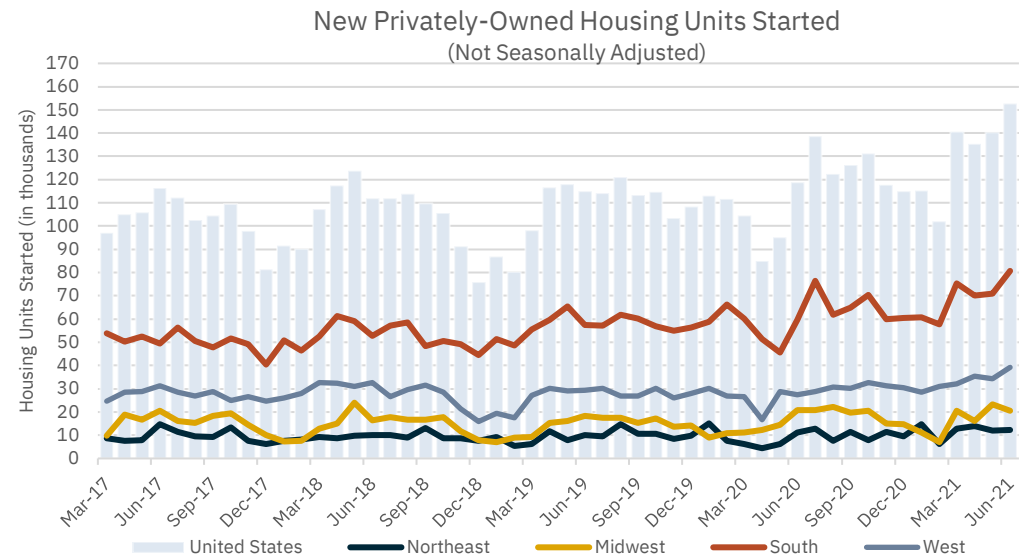
Despite the slight year-over-year drop of home starts in the Midwest, nationwide the first half of 2021 outperformed the 10-year average by 62%. June new home starts were 28.5% higher, year-over-year and 8.7% higher month-over-month. June exceeded the 4-year average by 42,227 units. Continuing the trend, single-family unit starts, and five-plus buildings caused much of the growth across the nation; especially in the South and West which posted increases above 35%. June median home sales exceeded the four-year average by 9.75%.

New housing starts for the first six months of 2021 outperformed 2020 by 54.4% and 57.2% versus 2019. As one might expect, the increase is due in large part to the 63.3% increase in single-family home starts versus last year. On a regional basis, the Northeast saw the greatest increase in home starts during the first half of 2021 when compared to last year.

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.

	JUNE		% CHG (YEAR)	MAY 2021	% CHG (MONTH)
	2021	2020			
Overall, One to Four	111.8	87.4	27.9%	100.7	11.0%
Overall, Five-Plus	40.8	31.4	29.9%	39.6	3.0%
Northeast	12.2	11.2	8.9%	11.9	2.5%
Midwest	20.6	20.7	-0.5%	23.3	-11.6%
South	80.7	59.5	35.6%	70.9	13.8%
West	39.2	27.3	43.6%	34.3	14.3%

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

New Home Sales and Inventory

NEW HOME SALES

	JUNE		% CHG (YEAR)	MAY 2020	% CHG (MONTH)
	2021	2020			
Northeast	3,000	5,000	-40.0%	4,000	-25.0%
Midwest	8,000	8,000	0.0%	8,000	0.0%
South	32,000	47,000	-31.9%	35,000	-8.6%
West	17,000	20,000	-15.0%	18,000	-5.6%

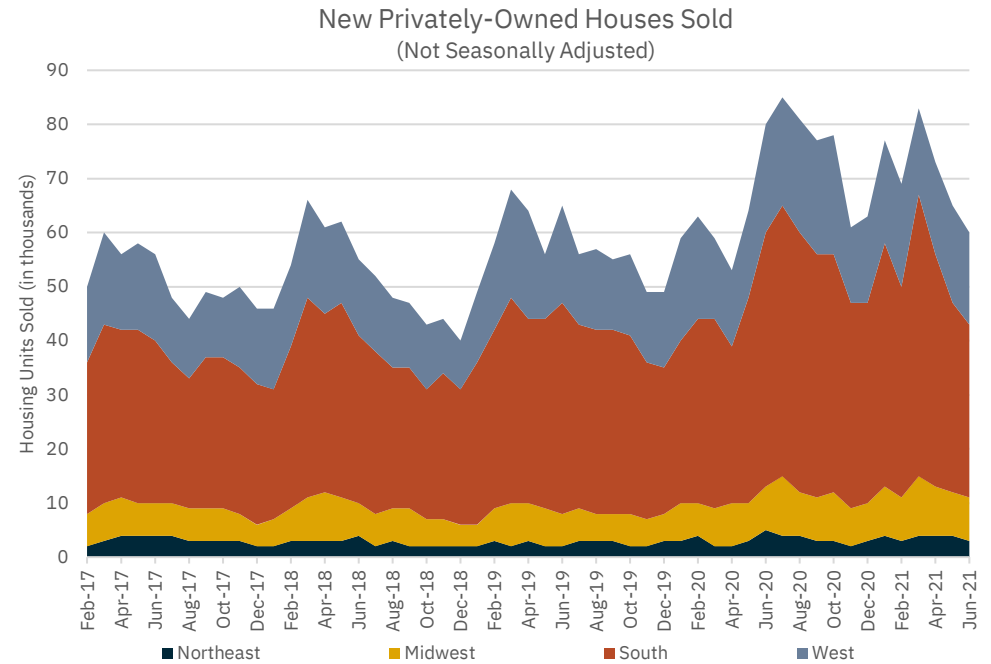
NEW HOME INVENTORY

	JUNE		CHG (YEAR)	MAY 2020	CHG (MONTH)
	2021	2020			
Northeast	27,000	24,000	12.5%	26,000	3.8%
Midwest	32,000	31,000	3.2%	30,000	6.7%
South	210,000	168,000	25.0%	186,000	12.9%
West	90,000	75,000	20.0%	85,000	5.9%

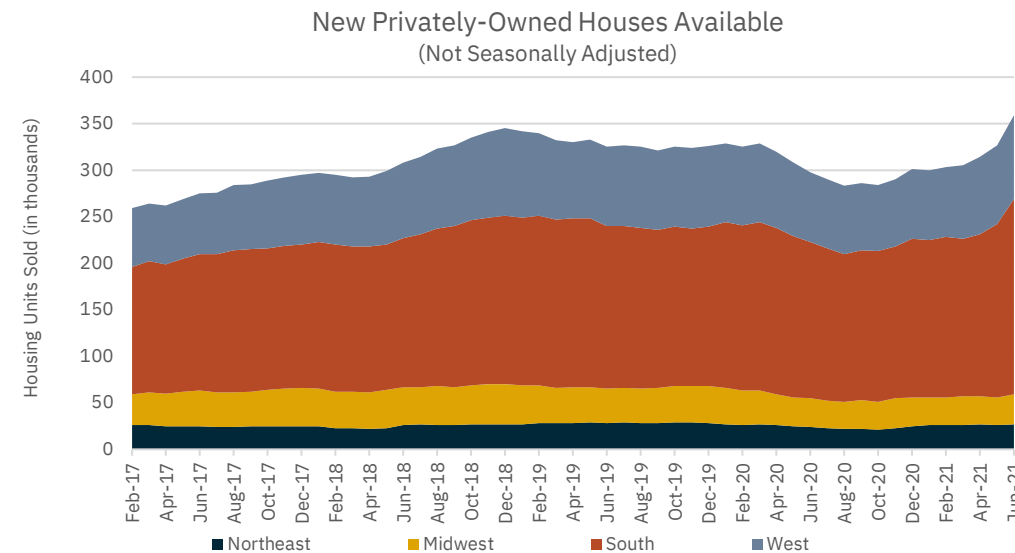
NEW HOME SALES AND MONTHS OF SUPPLY

	JUNE		CHG (YEAR)	MAY 2020	CHG (MONTH)
	2021	2020			
Median sales price (\$)	\$361,800	\$341,100	6.1%	\$380,700	-5.0%
Months' supply	5.9	3.8	2.1	5.0	0.9

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

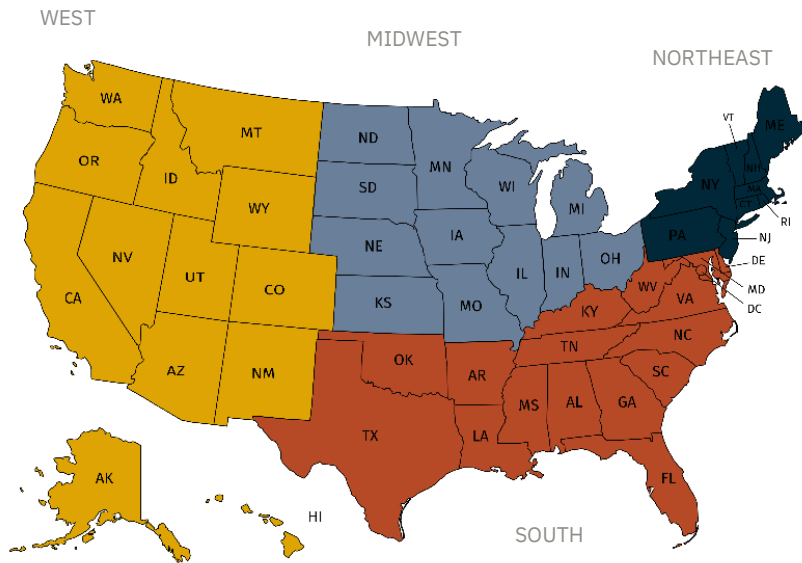


Source: U.S. Census (www.census.gov); compiled by Genesis Capital Construction Department



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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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