

National Economic Snapshot: Employment & Housing

SEPTEMBER 2020

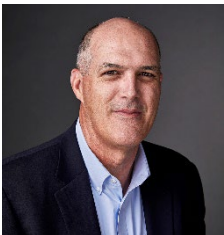
Recently, I took the opportunity to visit one of our clients in the Bay area to see firsthand how they are managing the production of their homes through the Covid-19 pandemic. It was an encouraging day.

They had implemented workspace policies including an online questionnaire and temperature check for all employees, vendors and visitors to their sites. As I walked their sites, I witnessed small teams working together; a site manager I spoke with described how the workers are holding each other accountable to hopefully keep the worksite Covid-free so everyone can keep working.

This month's *National Economic Snapshot of Employment and Housing* reinforces the positive results I encountered on my site visit. Homebuilders and investors across the country are leading the way to re-open the country's economic engine.

Genesis Capital is fully committed to helping our current and new clients navigate these ever changing economic and social conditions. Providing you with industry specific information, such as this report, to unparalleled economic data from Goldman Sachs Economic Research through our *Genesis Insights* industry newsletter.

As you evaluate your business plans for the remainder of 2020 and beyond, now is an ideal time to discuss your future projects and financing needs with your Loan Officer or any member of our senior leadership team. You can reach me at Tom.Hallock@genesiscapital.com or any of our other senior officers at genesisteam@genesiscapital.com. This *National Economic Snapshot of Employment and Housing* data demonstrates that while unprecedented market uncertainty persists, there is cause for tempered optimism.



Tom Hallock
Chief Lending Officer

Deconstructing the Numbers...

The Construction industry continued to see encouraging momentum from July to August, with increases in employment across all sectors. Residential employment continues to lead the way by a large margin, while there's also been a noticeable turnaround in non-residential employment gains from the previous month. Although a rebound from the first quarter of 2020 and pre-COVID conditions, the overall numbers still trail 2019 year-to-date. Permit filings also continued at an elevated pace, echoing what we're hearing from Genesis Capital's client base of continued confidence in the upward trajectory of the housing market. Although the outlook in the near-term is promising, there is a viewpoint that much of the uptick may be a direct response to the lost starts during the first months of the pandemic and may prove to be a wave of variance versus the long-term trend.

The lending and construction teams at Genesis Capital continue to engage clients nationally, with many borrowers pursuing some complex scopes of work as we head towards the end of 2020. We are aligned with our clients in the assessment that the short-term may continue to present opportunities, with some potential leveling of continued increases during the fourth quarter. Any projected leveling, however, may not equal static overall – and the imbalance across different sectors could create space for sector specific performance. Diverging paths, including continued rises and expected dips, could present conflicted but unique opportunities for those who don't react to the market data in totality.



Robert Jayne,
Executive Vice President – Construction & Development

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and Inventory

The monthly Genesis Capital National Economic Snapshot presents macro level employment and housing trends that impact the overall real estate sector, with a specific focus on construction, finance, and the absorption of units. This report is provided to Genesis Capital clients for informational purposes and should not be considered investment advice.

YEAR-OVER-YEAR CHANGES (2020-2019)



4.7%

INCREASE

in U-3 Unemployment



17.0%

INCREASE

In 1-4 Permitted Units



6.3%

INCREASE

in Housing Unit Starts



7.2%

INCREASE

in Median Sales Price



-8.6%

DECREASE

in Residential Inventory

Employment

CONSTRUCTION EMPLOYMENT OUTPACES PRE-COVID NUMBERS

August national construction employment experienced a 2.2% increase versus March 2020. Similarly, due in large part to peaks in new home starts, residential construction saw a 1.9% increase during the same timeframe. Despite these increases, year-to-date construction employment is down 1.7% versus 2019.

10.5M JOBS ADDED BETWEEN APRIL AND AUGUST

Even though the unemployment rate dropped below 10%, unemployment is still at historic highs. The Government sector added the most employees due in large part to the hiring of census workers with a 3.0% gain. Transportation /warehousing and retail trade added the second and third most employees in August at 1.4% and 1.5%, respectively.

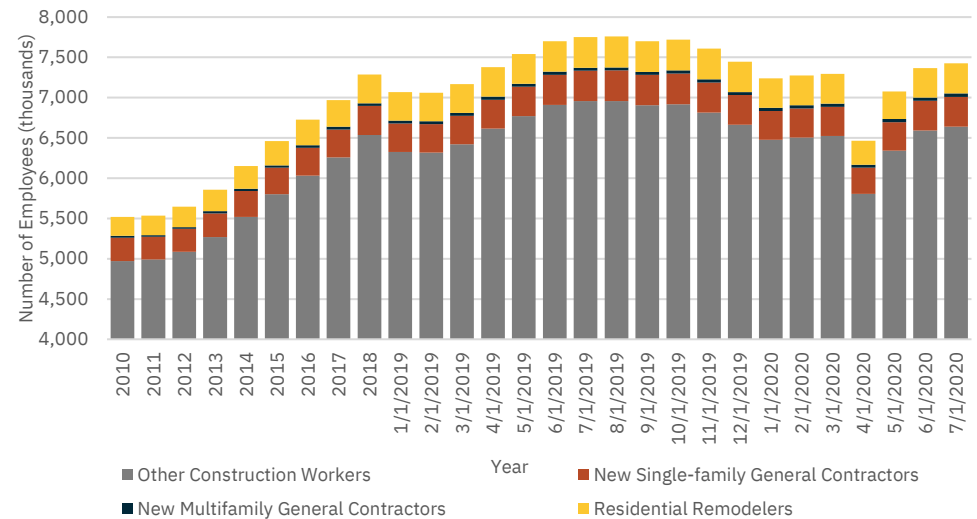
	JULY		CHG (YEAR)	JUNE 2020	CHG (MONTH)
	2020	2019			
Other Construction	6,639	6,957	-4.6%	6,594	0.7%
New Single-Family General Contractors	372	376	-1.1%	368	1.0%
New Multifamily General Contractors	41	37	10.2%	41	0.5%
Res. Remodelers	374	382	-2.1%	362	3.4%

	AUGUST		CHG (YEAR)	JULY 2020	CHG (MONTH)
	2020	2019			
U-3 Unemployment	8.4%	3.7%	4.7%	10.2%	-1.8%
U-6 Unemployment	14.2%	7.2%	7.0%	16.5%	-2.3%

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).

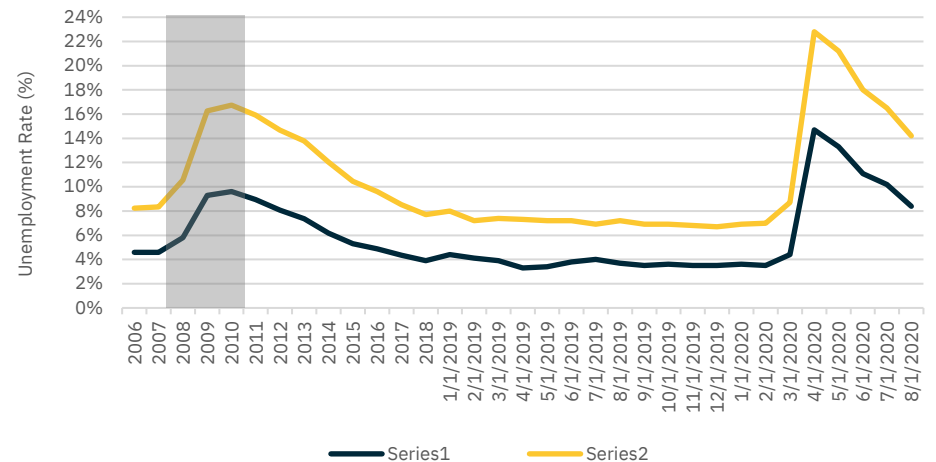
U-3 is the most commonly reported rate of unemployment in the U.S. and represents the number of people actively seeking a job. The U-6 rate is widely considered to be more accurate, as U-6 includes discouraged, under-employed and unemployed workers.

U.S. Construction Employees 2010 through July 2020



Note: 2020 data was collected on September 4, 2020 but preliminary data is through July.
Source: The Bureau of Labor Statistics; Compiled by Tres Seippel, MAI, MRICS.

National Unemployment - 16 Years and Older Not Seasonally Adjusted



Note:

- 2020 data was collected on September 4, 2020 but preliminary data is through August.
 - 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

MONTHLY PERMIT FILINGS CLIMB TO 14-YEAR HIGH

Residential developers appear to be ramping up production as July 2020 witnessed the highest number of new home permit filings since June 2006. New permit filings, however, are still below the pre-2007 recession peak, which was achieved in June 2005. The South still outpaces the rest of the nation by more than double the number of units permitted. One to four-unit properties account for 71% of all new permits, which is slightly above the two-year average at 67%. As noted in previous reports, concerns related to continued waves of COVID-19 and the impact on the housing market still exist but appear to be fueling single-family home development.

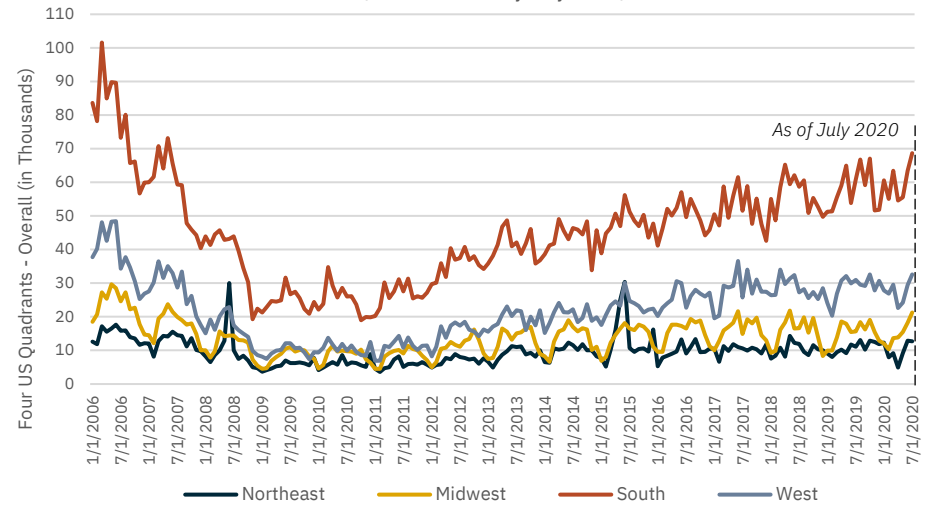
New home permit filings are reflective of both current and future economic outlooks. They are indicators of consumer confidence and how homebuilders are perceiving changes to the market.

NATIONAL NEW HOME PERMIT DATA (IN THOUSANDS)

	JULY		% CHG (YEAR)	JUNE 2020	% CHG (MONTH)
	2020	2019			
Overall, One to Four	96.28	82.27	17.0%	88.16	9.2%
Overall, Five-Plus	39.14	36.51	7.2%	35.84	9.2%
Northeast	12.73	11.13	14.3%	12.89	-1.2%
Midwest	21.32	15.70	35.7%	18.24	16.8%
South	68.73	60.91	12.8%	63.43	8.4%
West	32.65	31.04	5.2%	29.44	10.9%

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.

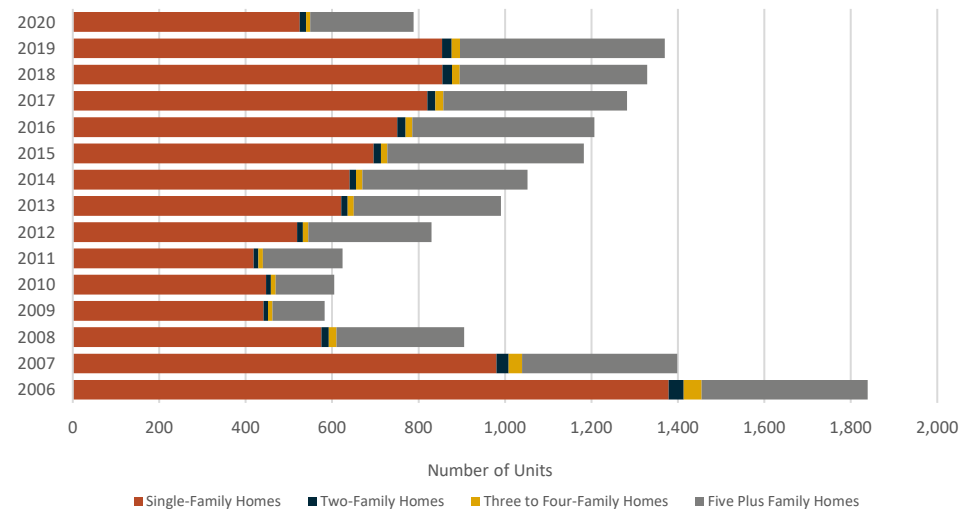
New Privately Owned Housing Units Authorized by Census Regions
(Not Seasonality Adjusted)



Note: 2020 Data is as of July

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

Residential Permits 2006 through July 2020



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

New Housing Starts

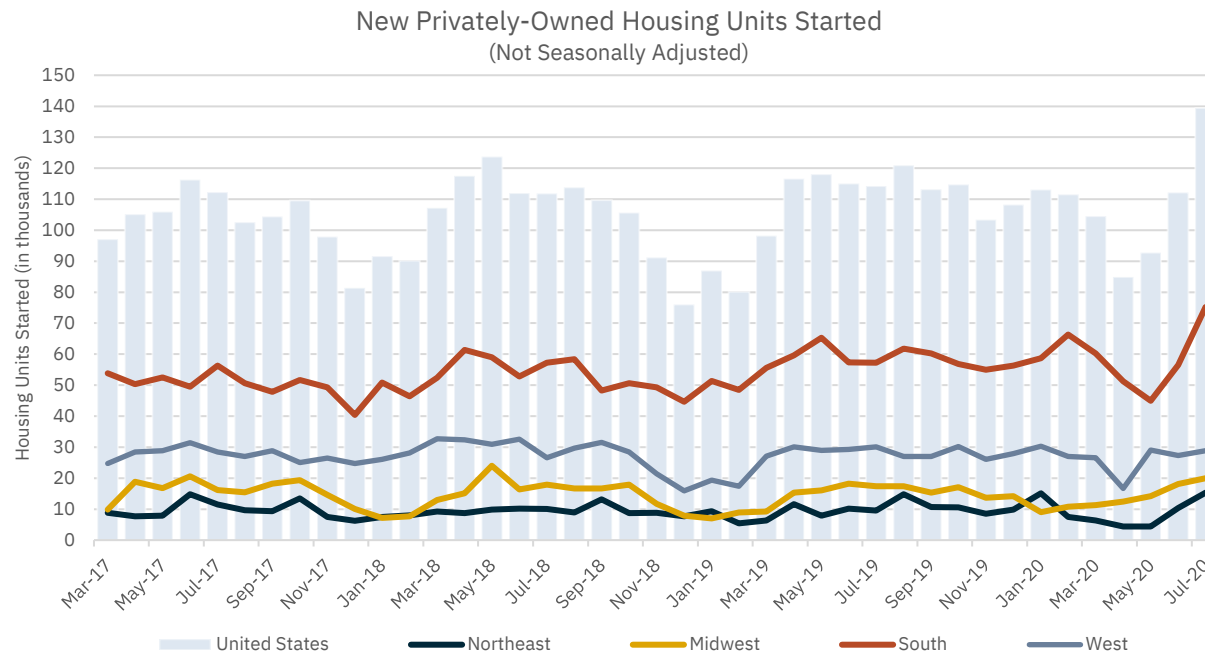
JULY HOUSING STARTS HIGHEST SINCE SEPTEMBER 2006

Nationwide monthly housing starts surpassed pre-2007 recession metrics. The increase in housing starts indicates developers' and lenders' bullish outlook on the national housing market. The West region experienced a 4.0 decrease in new home starts contrary to the increases in other regions. The last time each region was higher than the current month's starts was in; June 2015 for the Northeast, May 2018 for the Midwest, September 2006 for the South, and January 2020 for the West.

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 large issue like COVID-19 or even the 2008 Recession.

	JULY		% CHG (YEAR)	JUNE 2020	% CHG (MONTH)
	2020	2019			
Overall, One to Four	90.10	84.80	6.3%	85.10	5.9%
Overall, Five-Plus	49.40	29.40	68.0%	29.50	67.5%
Northeast	15.30	9.50	61.1%	11.10	37.8%
Midwest	20.00	17.40	14.9%	19.00	5.3%
South	75.20	57.20	31.5%	57.60	30.6%
West	28.90	30.10	-4.0%	26.90	7.4%

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



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

New Home Sales and Inventory

NEW HOME SALES

	JULY		% CHG (YEAR)	JUNE 2020	% CHG (MONTH)
	2020	2019			
Northeast	4,000	3,000	33.3%	5,000	-20.0%
Midwest	11,000	6,000	83.3%	7,000	57.1%
South	44,000	34,000	29.4%	43,000	2.3%
West	18,000	13,000	38.5%	19,000	-5.3%

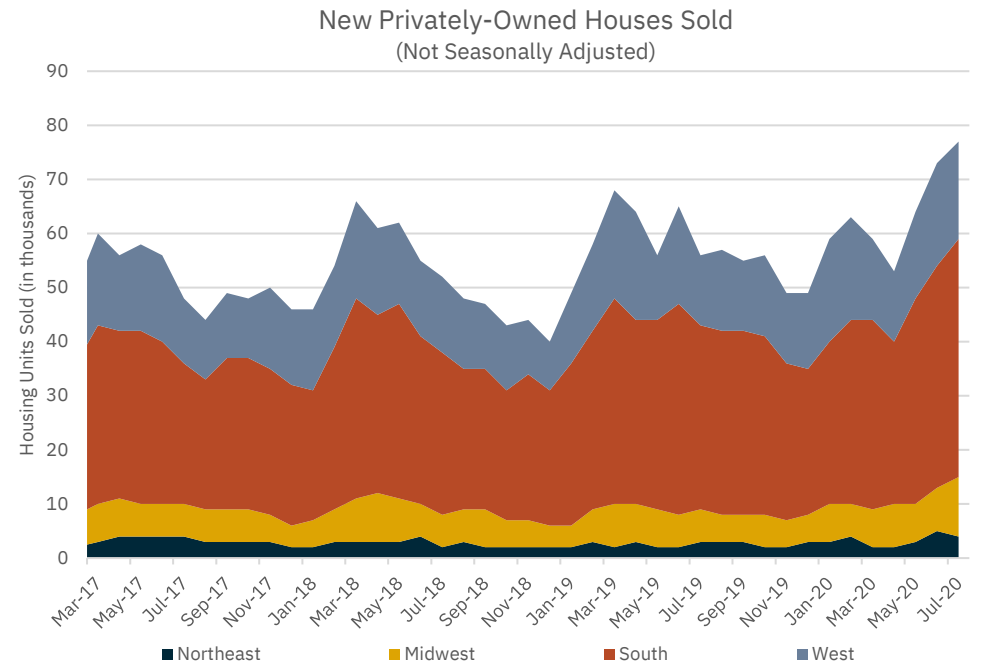
NEW HOME INVENTORY

	JULY		CHG (YEAR)	JUNE 2020	CHG (MONTH)
	2020	2019			
Northeast	24,000	29,000	-17.2%	24,000	0.0%
Midwest	29,000	37,000	-21.6%	31,000	-6.5%
South	168,000	174,000	-3.4%	169,000	-0.6%
West	78,000	87,000	-10.3%	78,000	0.0%

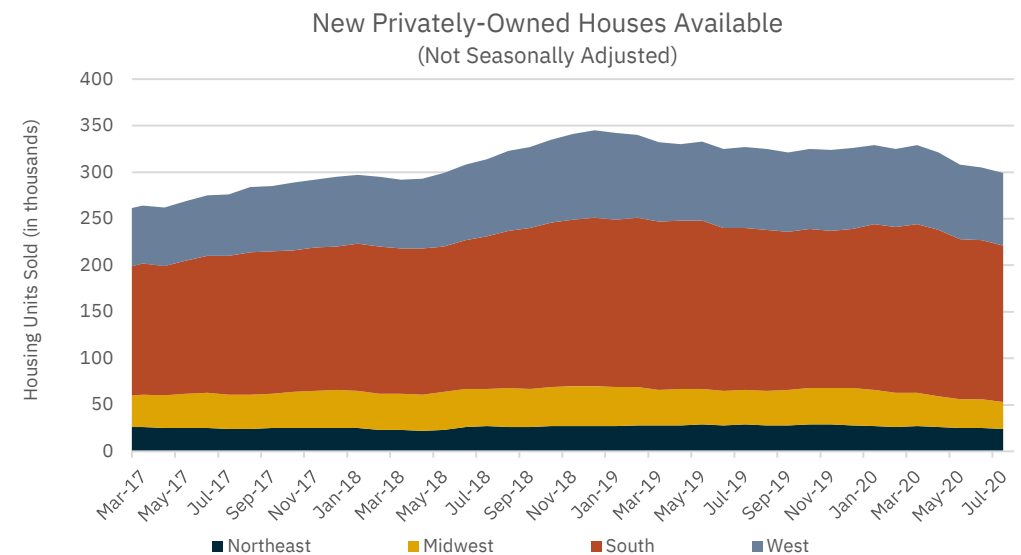
NEW HOME SALES AND MONTHS OF SUPPLY

	JULY		CHG (YEAR)	JUNE 2020	CHG (MONTH)
	2020	2019			
Median sales price (\$)	\$330,600	\$308,300	7.2%	\$337,000	-1.9%
Months' supply	3.90	5.90	-2.00	4.00	-0.10

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

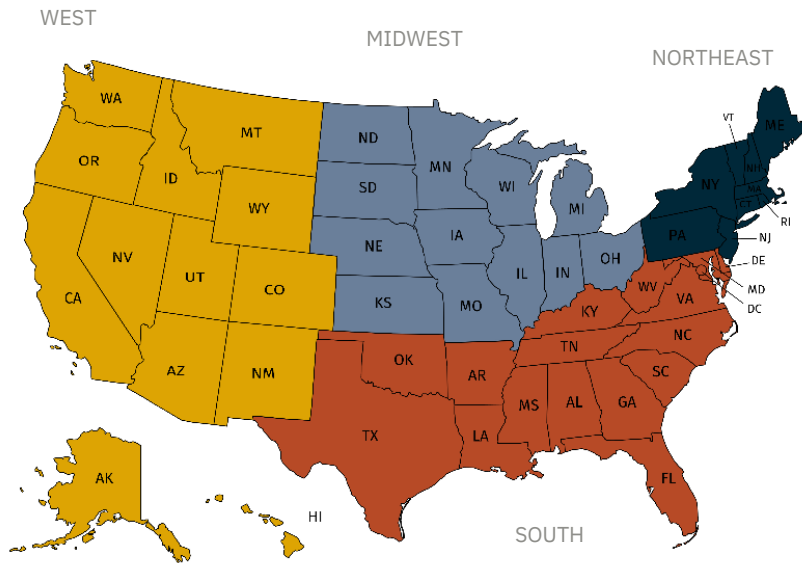


Source: U.S. Census (www.census.gov); compiled by Genesis Capital Construction Department



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



CONTRIBUTORS

Robert Jayne

Executive Vice President – Construction & Development
 rjayne@genesiscapital.com

Tres Seippel, MAI, MRICS

Senior Development and Construction Manager
 tres.seippel@genesiscapital.com

For additional information about Genesis Capital, contact your Loan Officer or go to genesiscapital.com. You may also reach us at genesisteam@genesiscapital.com or **800 663 2195**.

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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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