

National Economic Snapshot: Employment & Housing

NOVEMBER 2020

This month's *Genesis Capital National Economic Snapshot: Employment & Housing* report includes key unemployment data that may be useful in understanding how the pandemic is impacting the real estate industry and U.S. workforce. As we monitor the unemployment statistics every month, we are mindful of the importance of retaining and hiring quality talent to service our clients.

While we continue to navigate through the impacts of the pandemic, Genesis remains committed to focusing on our two most important assets – our clients and employees. Our dedicated team members strive to ensure that the client service they deliver during the pandemic (and beyond) exceeds our borrower's expectations.

During this time more than ever, it is critical for any business to proactively interact with employees. Positive employee engagement through video conferencing has allowed Genesis to keep employees motivated and connected while performing their jobs remotely.

As you evaluate your business plans for the remainder of the year and into 2021, now would be an ideal time to discuss your future projects and financing needs with your Loan Officer or any member of our senior leadership team.

If there's anything you'd like to discuss, please reach us at genesisteam@genesiscapital.com, or you email me directly at venishia.price@genesiscapital.com.



Venishia Price
Chief Human Resources Officer

Deconstructing the Numbers...

The construction industry experienced an employment increase of 104,000 jobs (not seasonally adjusted) in October, with residential construction jobs holding steady at 792,900 as of the most recent data. October continued to post strong residential construction employment buoyed by a decrease in current lumber pricing.

Single-family permits and starts continued to outpace multifamily, but according to an October survey by the Associated General Contractors of America, the pandemic continues to create a negative impact – citing numerous construction projects delayed or canceled as a result. Our internal view of Genesis Capital clients indicates our borrower base continues to push forward with increased production, narrowing to strategies that best fit projected market conditions. As with broader industry construction reports, we are seeing construction delays affect project delivery timelines, increasing costs and creating new stressors. With reports of COVID-19 cases increasing, project completions remain in flux causing likely delays in market delivery, as such we continue to see re-positioning of projects by developers.



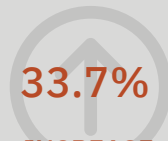
Robert Jayne,
Executive Vice President – Construction & Development

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- P4 • New Housing Starts
- P5 • New Home Sales and Inventory

YEAR-OVER-YEAR CHANGES (2020-2019)



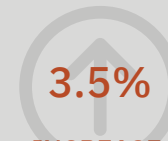
INCREASE
in U-3 Unemployment



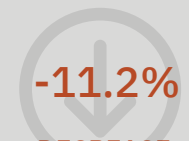
INCREASE
In 1-4 Permitted Units



INCREASE
in Housing Unit Starts



INCREASE
in Median Sales Price



DECREASE
in Residential Inventory

Employment

CONSTRUCTION EMPLOYMENT 3.2% ABOVE MARCH 2020

Month-over-month metrics were relatively flat with residential remodel employment and new single-family general contractors both increasing by 0.1%. New multifamily general contractors experienced a monthly decrease of 1.9% in employment during the same time frame.

LABOR MARKET RECOVERY BETTER THAN ANTICIPATED

The unemployment rate fell below 7.0% as seven of the twelve major employment sectors increased by more than 1.0%, month-over-month. The monthly drop could be a positive sign that the long-term employment effects of the pandemic might not be as bad as previously feared. Conversely, the week prior to this report, the U.S. broke previous daily COVID infection rates and recorded more than 84,000 new cases in six of the last seven days.

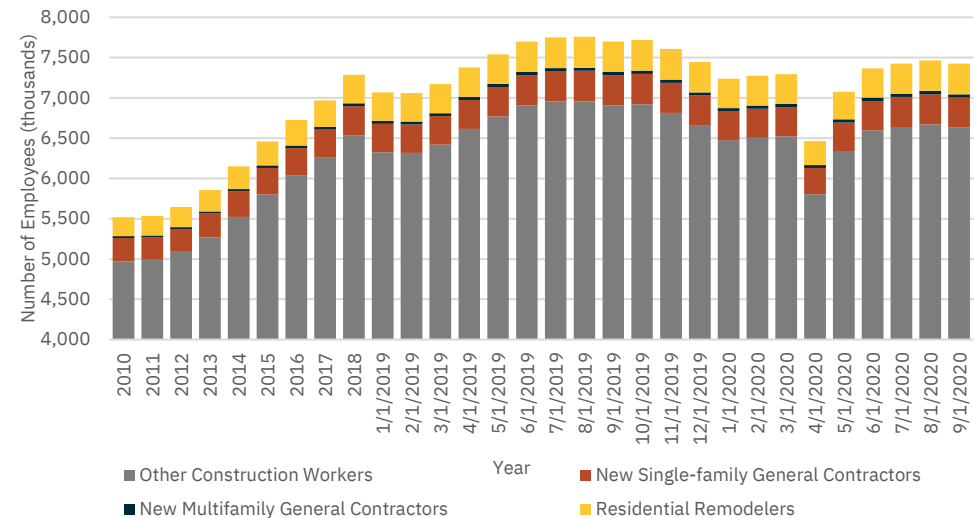
	SEPTEMBER		CHG	AUGUST	CHG
	2020	2019	(YEAR)	2020	(MONTH)
Other Construction	6,631	6,907	-4.0%	6,672	-0.6%
New Single-Family General Contractors	374	377	-0.8%	373	0.1%
New Multifamily General Contractors	41	37	11.2%	42	-1.9%
Res. Remodelers	379	379	-0.2%	378	0.1%

	OCTOBER		CHG	SEPTEMBER	CHG
	2020	2019	(YEAR)	2020	(MONTH)
U-3 Unemployment	6.9%	3.6%	3.3%	7.9%	-1.0%
U-6 Unemployment	12.1%	6.9%	5.2%	12.8%	-0.7%

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).

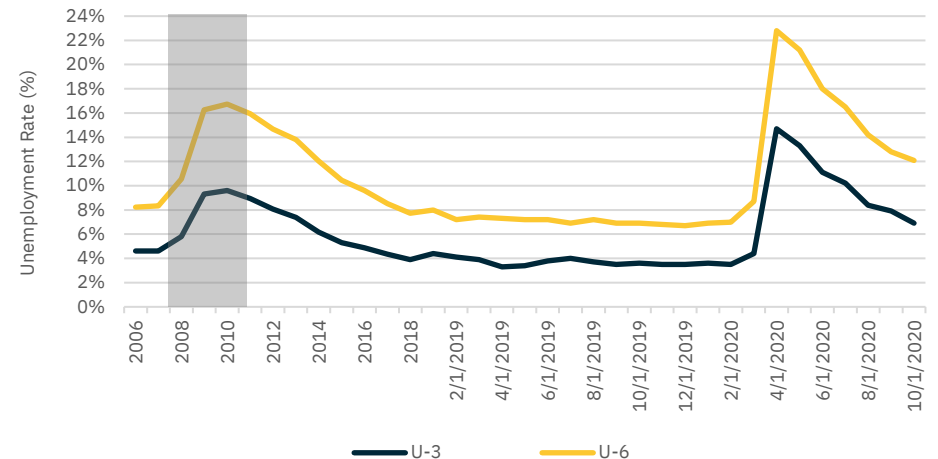
U-3 is the most commonly reported rate of unemployment in the U.S. and represents the number of people actively seeking a job. The U-6 rate is widely considered to be more accurate, as U-6 includes discouraged, under-employed and unemployed workers.

U.S. Construction Employees 2010 through September 2020



Note: 2020 data was collected on November 6, 2020 but preliminary data is through August.
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 November 6, 2020 but preliminary data is through September.
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

YEAR-TO-DATE SINGLE-FAMILY PERMITS EXCEED 2019

Although overall residential permits exceeded 2019 by 4.3%, year-to-date, single-family authorized permits are 10.1% higher than 2019. To date, single-family permits accounted for 71% of all permits filed during 2020 while in 2019 they only accounted for 67% over the same period. There is continued strength in the one to four family development space in September, up 33.7% versus the previous year, while five plus family homes saw a 15.7% decrease.

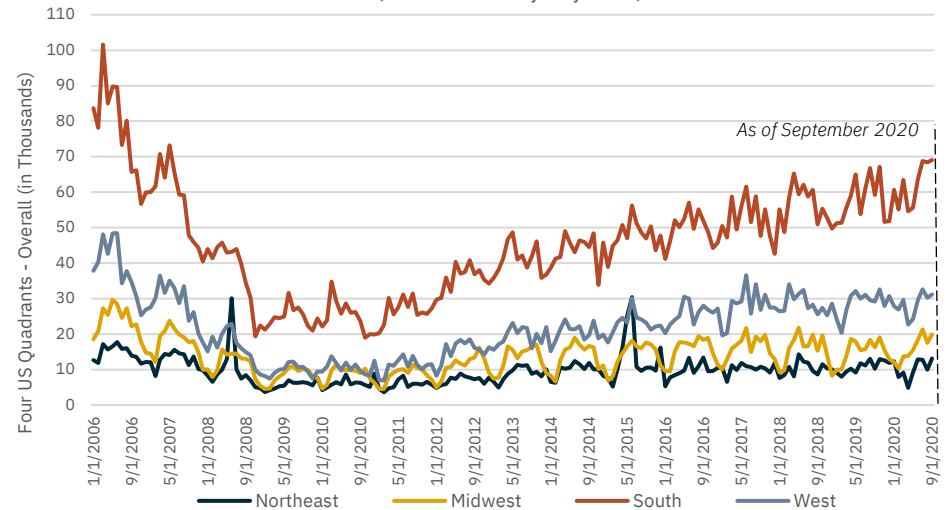
New home permit filings are reflective of both current and future economic outlooks. They are indicators of consumer confidence and how homebuilders are perceiving changes to the market.

NATIONAL NEW HOME PERMIT DATA (IN THOUSANDS)

	SEPTEMBER		% CHG	AUGUST		% CHG
	2020	2019	(YEAR)	2020		(MONTH)
Overall, One to Four	98.59	73.72	33.7%	94.49		4.3%
Overall, Five-Plus	34.73	41.20	-15.7%	31.72		9.5%
Northeast	13.16	10.24	28.4%	9.93		32.5%
Midwest	19.91	16.27	22.4%	17.57		13.3%
South	69.05	59.21	16.6%	68.44		0.9%
West	31.20	29.19	6.9%	30.26		3.1%

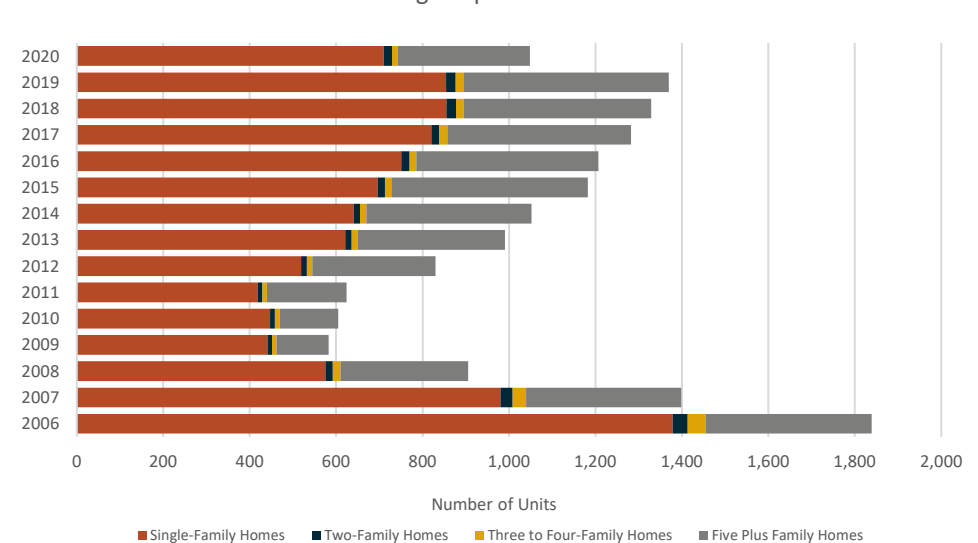
This data set is revised monthly around the 18th workday of each month and provides estimates for the number of new home permits that were issued in the U.S. and four Census Regions.

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



Note: 2020 Data is as of September
Source: US Census (www.census.gov); compiled by Genesis Capital Construction Department

Residential Permits 2006 through September 2020



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

New Housing Starts

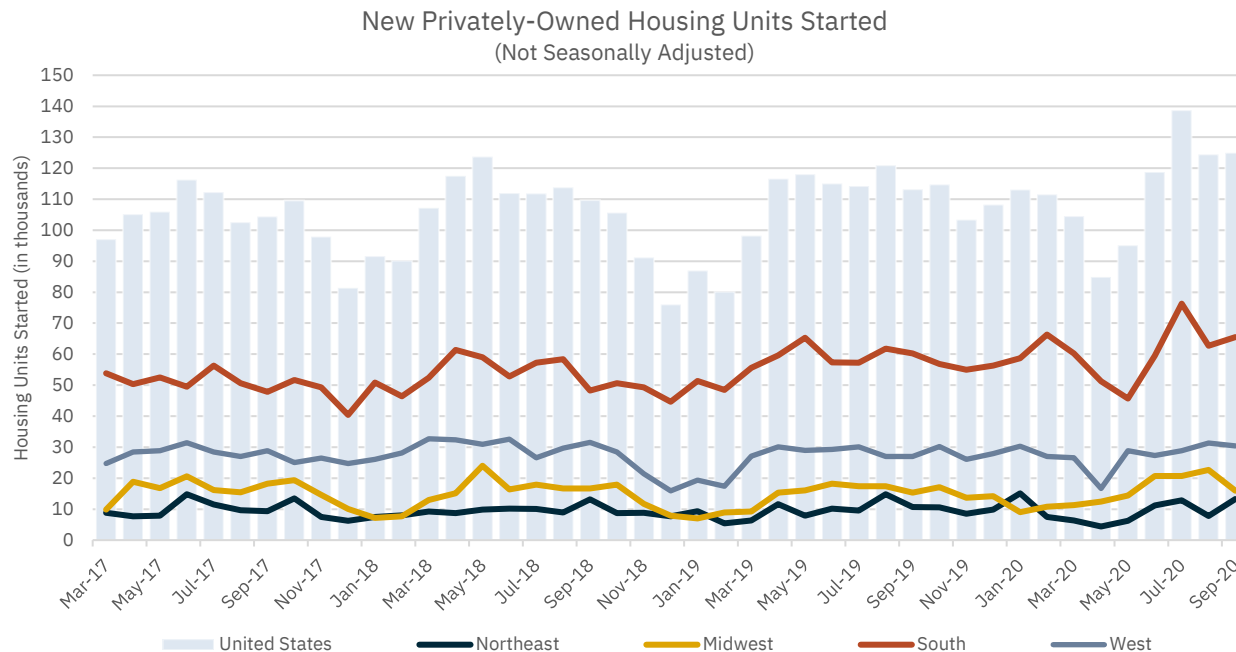
MULTIFAMILY HOUSING STARTS CONTINUE TO DECLINE

National housing starts continue to surpass 2019 year-to-date metrics by 5.5%, despite the decrease in multifamily starts. The increase in starts has been heavily influenced by the 6.1% increase in one to four family projects and (to a lesser degree) the 3.9% increase in five-plus unit projects. Looking only at five-plus unit starts from May through September shows there has been a 7.9% decrease year-over-year, maintaining the assumption that developers are continuing to shift to single-family production.

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.

	SEPTEMBER		% CHG	AUGUST		% CHG
	2020	2019	(YEAR)	2020	(MONTH)	(MONTH)
Overall, One to Four	98.40	79.60	23.6%	94.50	4.1%	
Overall, Five-Plus	26.70	33.60	-20.5%	30.00	-11.0%	
Northeast	13.30	10.70	24.3%	7.80	70.5%	
Midwest	15.90	15.30	3.9%	22.70	-30.0%	
South	65.60	60.20	8.8%	62.70	4.5%	
West	30.40	27.00	12.6%	31.30	-2.9%	

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



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

New Home Sales and Inventory

NEW HOME SALES

	SEPTEMBER		% CHG (YEAR)	AUGUST		% CHG (MONTH)
	2020	2019		2020	2019	
Northeast	3,000	3,000	0.0%	4,000		-25.0%
Midwest	8,000	5,000	60.0%	8,000		0.0%
South	44,000	34,000	29.4%	49,000		-10.2%
West	21,000	13,000	61.5%	22,000		-4.5%

NEW HOME INVENTORY

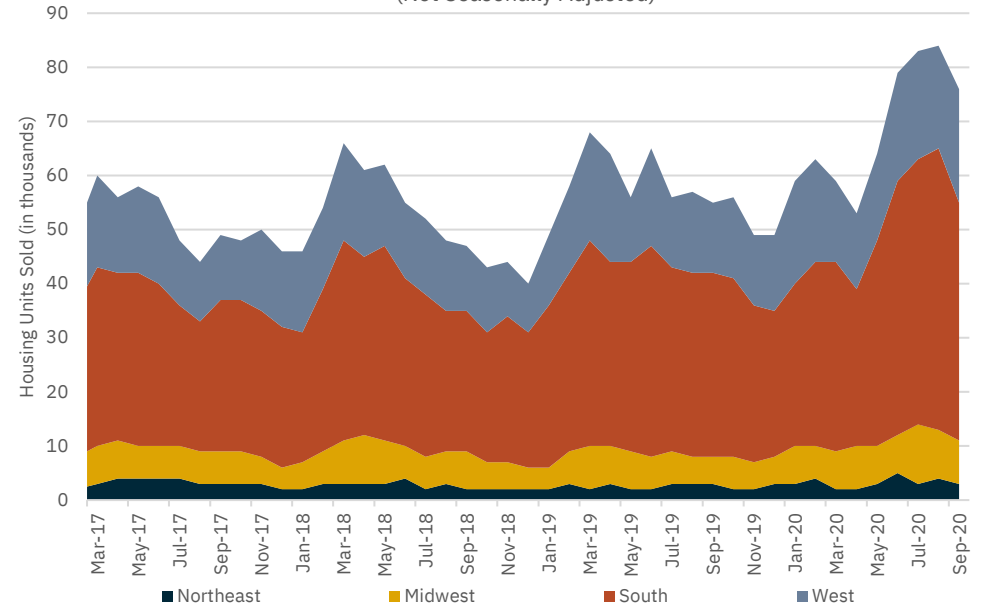
	SEPTEMBER		CHG (YEAR)	AUGUST		CHG (MONTH)
	2020	2019		2020	2019	
Northeast	24,000	28,000	-14.3%	23,000		4.3%
Midwest	31,000	38,000	-18.4%	28,000		10.7%
South	161,000	170,000	-5.3%	158,000		1.9%
West	70,000	85,000	-17.6%	72,000		-2.8%

NEW HOME SALES AND MONTHS OF SUPPLY

	SEPTEMBER		CHG (YEAR)	AUGUST		CHG (MONTH)
	2020	2019		2020	2019	
Median sales price (\$)	\$326,800	\$315,700	3.5%	\$322,400		1.4%
Months' supply	3.80	5.70	-1.90	3.40		0.40

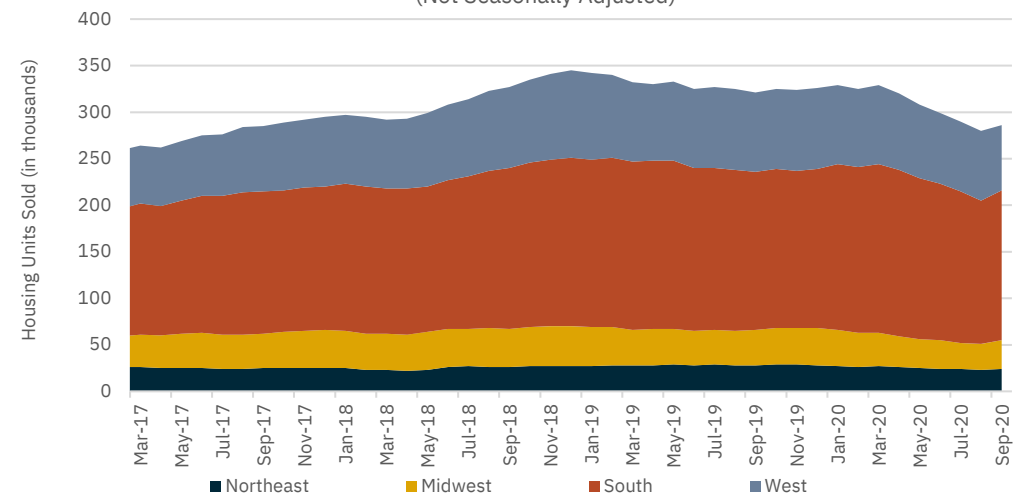
Revised monthly estimates for the U.S. and four Census Regions are released on or around the 18th workday of each month.

New Privately-Owned Houses Sold
(Not Seasonally Adjusted)



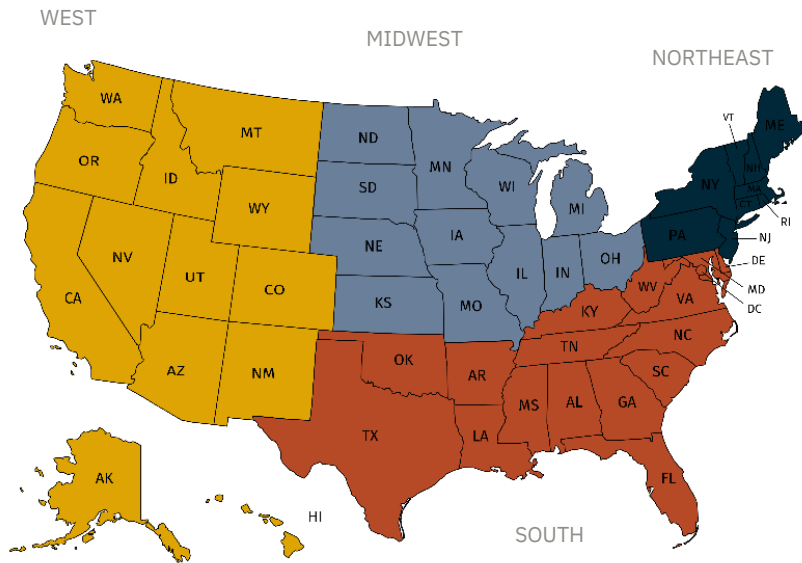
Source: U.S. Census (www.census.gov); compiled by Genesis Capital Construction Department

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:



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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