

# National Economic Snapshot: Employment & Housing

**DECEMBER 2020**

Like many of you, the pandemic inspired Genesis Capital to examine our business model. From an operations standpoint, we set out with a goal of remaining effective for our customers as our entire workforce worked remotely. This analysis also served as the catalyst for us to ask our borrowers for candid feedback regarding our operations and procedures to make needed changes to ensure client satisfaction.

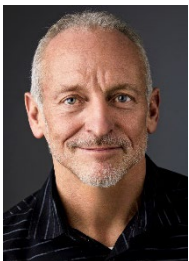
As a result of these conversations, we've already made significant enhancements to our borrower onboarding process and implemented a dedicated fix & flip process team.

In the months ahead, we'll be streamlining portfolio management requirements and establishing process teams devoted to Luxury SFR and complex transactions.

Genesis has a robust technology roadmap including the introduction of our online borrower portal. In the near future, clients will be able to use this platform to submit new loans, look at loans in the portfolio, review current status of loans in process, and, subsequently, request construction draws, obtain payoff demands and more.

As documented in the following pages of our December edition of the *Genesis Capital National Economic Snapshot: Employment and Housing* Report, the housing market remains resilient. We appreciate your continued feedback and the confidence you've placed in Genesis Capital throughout this unprecedented year. We look forward to continuing to serve your leverage needs and help you take advantage of the opportunities that lie ahead in 2021.

If there's anything you'd like to discuss, please reach us at [genesisteam@genesiscapital.com](mailto:genesisteam@genesiscapital.com), or you email me directly at [marc.geredes@genesiscapital.com](mailto:marc.geredes@genesiscapital.com).



**Marc Geredes**  
Head of Operations

### *Deconstructing the Numbers...*

Construction employment declined slightly (1.1%) in November, a majority of which is projected to be in non-residential construction, a continuing decline for 2020. This trend is expected to continue over the next few months as COVID-19 continues to overwhelm the nation. Year-over-year, the construction industry has lost approximately 250,000 employees overall, a significant impact when coupled with COVID-19 and seasonality. While these numbers are cause for concern, it's important to recognize the resiliency of the industry and the need for quality housing that remains a priority. While multifamily general contractors saw an uptick in employment last month, we consider the real strength to lie within the single-family (one to four unit) market, at least for the mid-term. This is fully supported by the year-over-year and month-over-month increases in single-family permits and home starts across the nation.

We continue to remain cautiously optimistic as we head into the beginning of the new year that the pending vaccine, stability of the real estate market, and strength of the American economy will help see the industry through the challenges ahead.



*Robert Jayne,*  
Executive Vice President – Construction & Development

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#### YEAR-OVER-YEAR CHANGES (2020-2019)



# Employment

## CONSTRUCTION EMPLOYMENT DECLINES DURING NOVEMBER

Overall construction employment declined 1.1% during November following a 1.2% increase last month. October saw a 12.0%, year-over-year, increase in new multifamily general contractors while new single-family general contractors decreased by 0.3% over the same period.

## SMALLEST MONTHLY JOBS GROWTH DURING THE PANDEMIC

There were 245,000 jobs added in November, the smallest monthly addition this year. The nation is still in a 9.8 million jobs hole and the pace of the recovery has slowed dramatically. During November, an additional 400,000 people left the labor market and over the course of the pandemic almost 4 million people (mainly women and baby boomers) stopped looking for jobs. The staggering numbers that prematurely left the labor market could negatively impact the timeline of a K-shaped recovery.

	OCTOBER		CHG	SEPTEMBER	CHG
	2020	2019	(YEAR)	2020	(MONTH)
Other Construction	6,707	6,919	-3.1%	6,631	1.1%
New Single-Family General Contractors	380	381	-0.3%	373	1.7%
New Multifamily General Contractors	42	37	12.0%	41	2.7%
Res. Remodelers	383	382	0.2%	379	1.1%

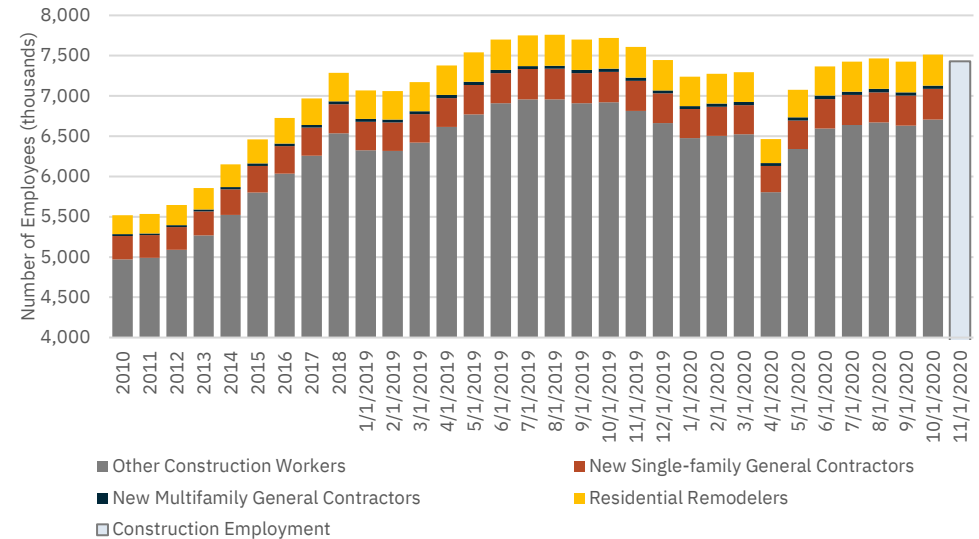
  

	NOVEMBER		CHG	OCTOBER	CHG
	2020	2019	(YEAR)	2020	(MONTH)
U-3 Unemployment	6.7%	3.5%	3.2%	6.9%	-0.2%
U-6 Unemployment	12.0%	6.8%	5.2%	12.1%	-0.1%

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).

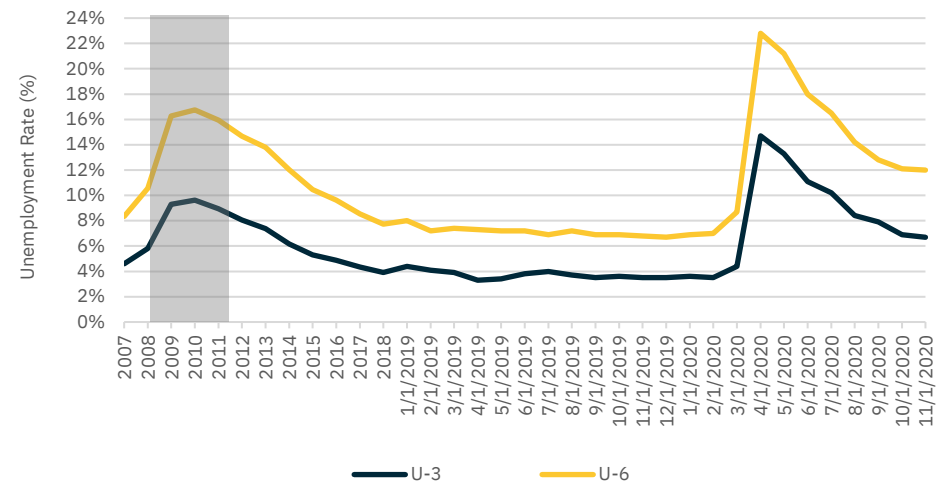
U-3 is the most reported rate of unemployment in the U.S. and represents the number of people actively seeking a job. The U-6 rate is widely considered to be more accurate, as U-6 includes discouraged, under-employed and unemployed workers.

U.S. Construction Employees 2010 through October 2020



Note: 2020 data was collected on December 4, 2020 but preliminary data is through September.  
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 December 4, 2020 but preliminary data is through October.
  - 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 MULTIFAMILY PERMITS DOUBLE DIGITS BELOW 2019

Although overall residential permits exceeded 2019 by 3.9%, year-to-date, multifamily authorized permits are 10.7% lower than 2019. On the plus side, year-to-date, permits for single-family homes in the South are up 13.0% from last year. Conversely, permits in the West region for two-plus units are 13.5% year-to-date, when compared to 2019. The Northeast and West posted year-over-year decreases in total permit filings due in large part to municipal closures and drops in the multifamily sector.

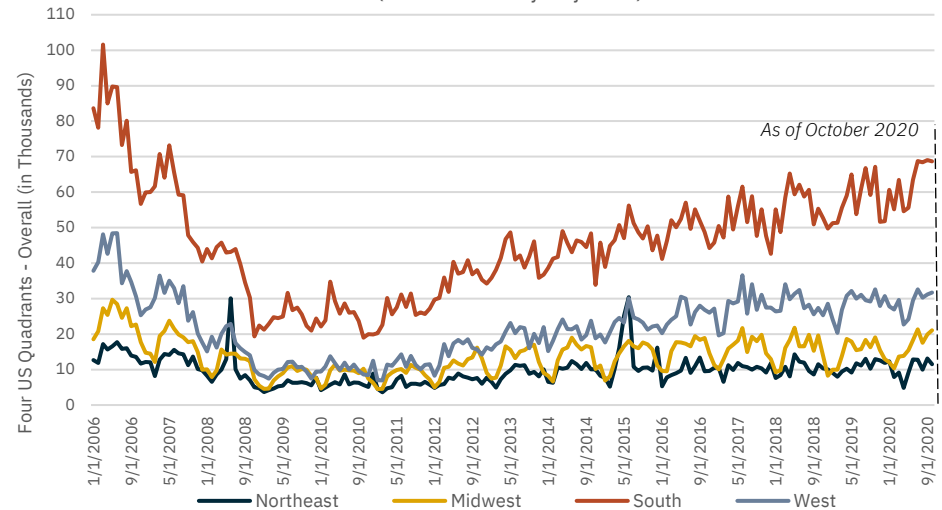
New home permit filings are reflective of both current and future economic outlooks. They are indicators of consumer confidence and how homebuilders are perceiving changes to the market.

## NATIONAL NEW HOME PERMIT DATA (IN THOUSANDS)

	OCTOBER		% CHG	SEPTEMBER	% CHG
	2020	2019	(YEAR)	2020	(MONTH)
Overall, One to Four	100.46	84.00	19.6%	98.59	1.9%
Overall, Five-Plus	32.46	47.73	-32.0%	34.73	-6.5%
Northeast	11.48	12.93	-11.3%	13.16	-12.8%
Midwest	21.06	19.09	10.4%	19.91	5.8%
South	68.66	67.10	2.3%	69.05	-0.6%
West	31.72	32.61	-2.7%	31.20	1.7%

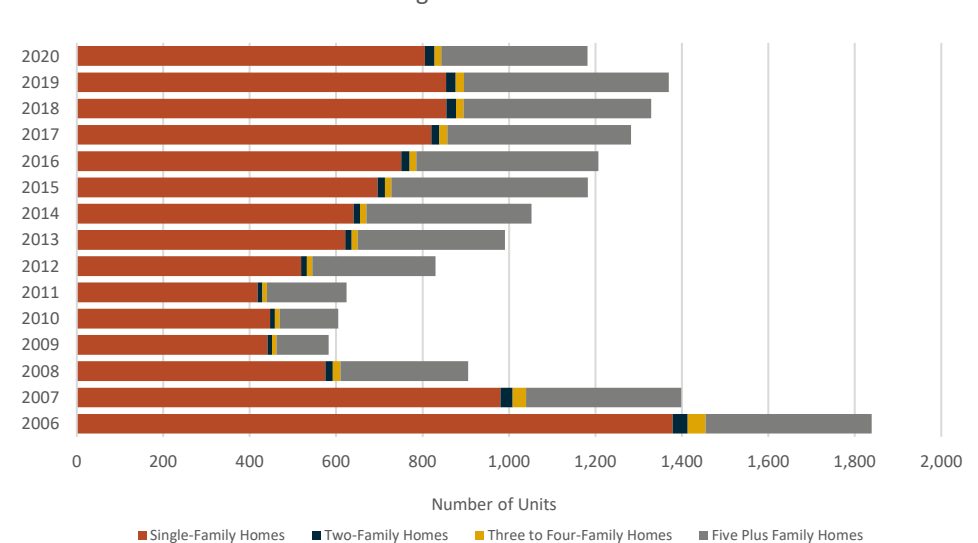
This data set is revised monthly around the 18th workday of each month and provides estimates for the number of new home permits that were issued in the U.S. and four Census Regions.

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



Note: 2020 Data is as of October  
Source: US Census ([www.census.gov](http://www.census.gov)); compiled by Genesis Capital Construction Department

Residential Permits 2006 through October 2020



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

# New Housing Starts

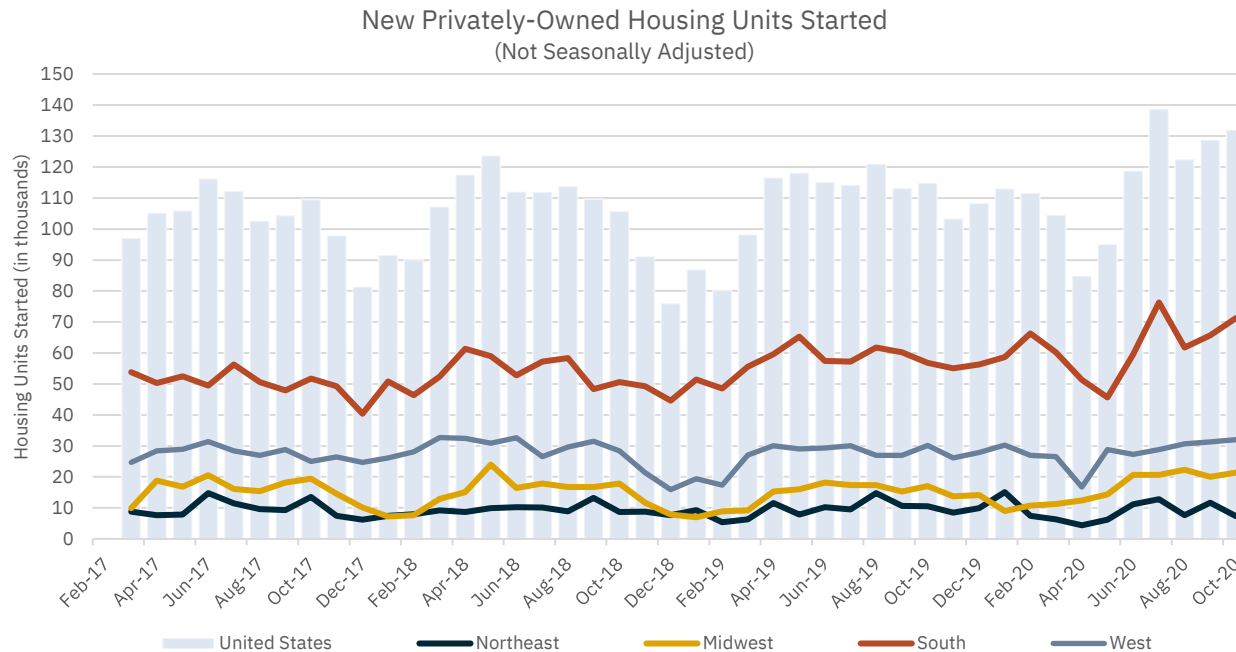
## TWO TO FOUR FAMILY HOME STARTS OUTPACE 2019

Nationally, two-to-four family homes have surpassed their year-to-date 2019 totals by 11.8%. Overall housing starts increased 6.6% versus the same time frame. Five-plus unit projects saw the smallest increases at 2.3%. Year-over-year all regions, except the Northeast, exhibited increases in new home starts. The Northeast, which has been hit extremely hard by COVID and seen several municipal offices shuttering due to the pandemic, posted both year-over-year and month-over-month decreases in excess of 30%.

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.

	OCTOBER		% CHG	SEPTEMBER		% CHG
	2020	2019	(YEAR)	2020		(MONTH)
Overall, One to Four	102.50	77.90	31.6%	96.80		5.9%
Overall, Five-Plus	29.60	36.90	-19.8%	32.0		-7.5%
Northeast	7.30	10.60	-31.1%	11.70		-37.6%
Midwest	21.40	17.10	25.1%	20.10		6.5%
South	71.30	56.80	25.5%	65.70		8.5%
West	32.0	32.20	6.0%	31.30		2.2%

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



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

# New Home Sales and Inventory

## NEW HOME SALES

	OCTOBER		% CHG (YEAR)	SEPTEMBER		% CHG (MONTH)
	2020	2019		2020	2020	
Northeast	3,000	2,000	50.0%	3,000	0.0%	
Midwest	9,000	6,000	50.0%	8,000	12.5%	
South	47,000	33,000	42.4%	47,000	0.0%	
West	21,000	15,000	40.0%	21,000	0.0%	

## NEW HOME INVENTORY

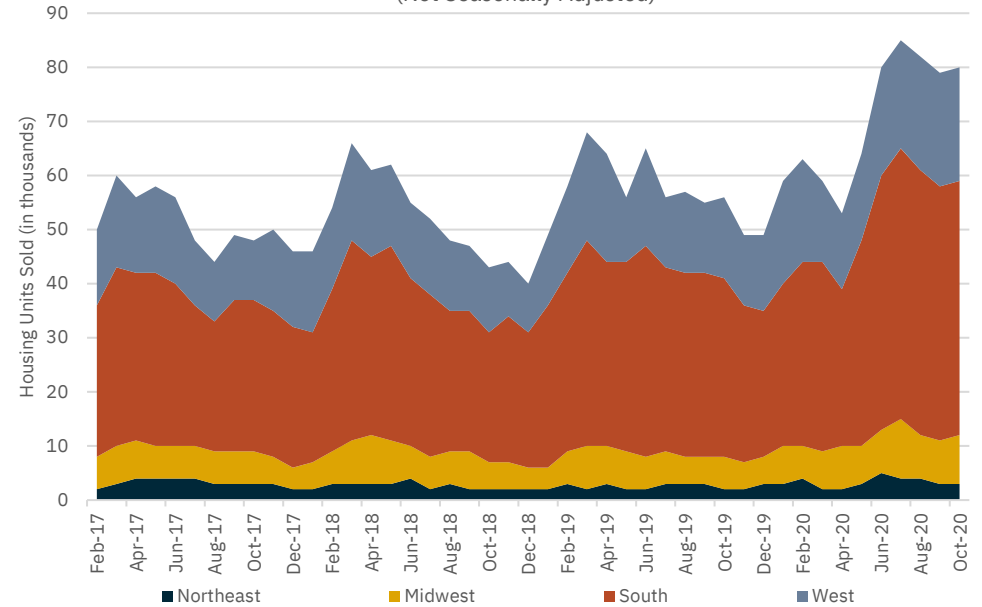
	OCTOBER		CHG (YEAR)	SEPTEMBER		CHG (MONTH)
	2020	2019		2020	2020	
Northeast	23,000	29,000	-20.7%	23,000	0.0%	
Midwest	30,000	39,000	-23.1%	30,000	0.0%	
South	155,000	171,000	-9.4%	156,000	-0.6%	
West	70,000	86,000	-18.6%	70,000	0.0%	

## NEW HOME SALES AND MONTHS OF SUPPLY

	OCTOBER		CHG (YEAR)	SEPTEMBER		CHG (MONTH)
	2020	2019		2020	2020	
Median sales price (\$)	\$330,600	\$322,400	2.5%	\$331,600	-0.3%	
Months' supply	3.50	5.90	-2.40	3.50	0.00	

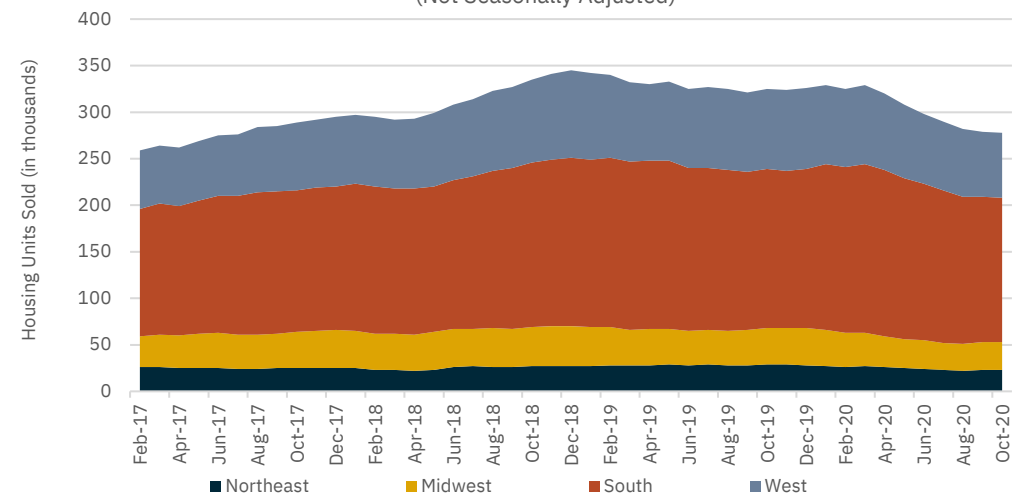
Revised monthly estimates for the U.S. and four Census Regions are released on or around the 18th workday of each month.

New Privately-Owned Houses Sold  
(Not Seasonally Adjusted)



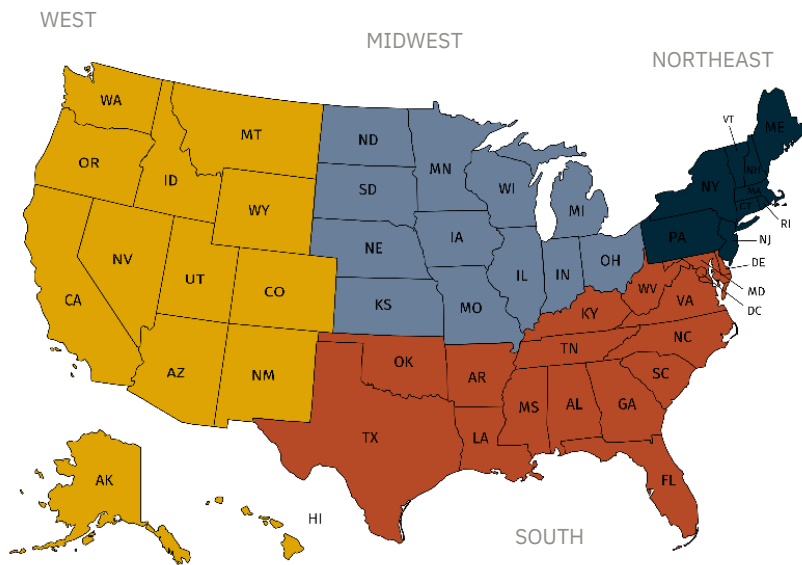
Source: U.S. Census ([www.census.gov](http://www.census.gov)); compiled by Genesis Capital Construction Department

New Privately-Owned Houses Available  
(Not Seasonally Adjusted)



Source: U.S. Census ([www.census.gov](http://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**

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