

National Economic Snapshot: Employment & Housing

SEPTEMBER 2021

We present the September edition of the *Genesis Capital National Economic Snapshot: Employment & Housing*. Created for our clients by the leaders of our Construction Department, this report provides an objective overview and analysis of key data relating to employment, residential permits, housing starts, and new home sales and inventory.

The Genesis Capital Finance team is focused on maintaining our client-first mentality throughout the funding process. As the final stage of distributing funds to our clients, we have leveraged technology to release funds as quickly and efficiently as possible, while maintaining a rigorous control environment to protect our clients and our firm.

As Genesis Capital continues to grow and looks for new ways to meet our clients' needs, the Finance team is involved in running analysis and financial models that helps Genesis offer creative solutions. In addition to serving our external clients, the Finance team also partners with other Genesis departments in their key growth initiatives. For example, our Business Intelligence team is providing rich dashboard visuals to every department across the firm. This real-time access to data helps us understand the markets in which our clients operate. It also gives us insight into ourselves – so we can continue to enhance our product and service offering while fulfilling our overall long-standing philosophy of being a data-driven firm.

While some firms struggle to execute return to office plans, Genesis Capital has been successfully supporting our clients and maintaining seamless business operations throughout the past 18 months of the changing pandemic-related environment. We look forward to eventually inviting our clients and employees back into our offices for in-person collaboration and socializing. As always, we continue the approach of putting our clients and employees' well-being first.

Please feel free to reach out to any of our senior leaders at genesisteam@genesiscapital.com.



Brent Maloney
Chief Financial Officer

Deconstructing the Numbers...

The lackluster August jobs report showed the U.S. added only an estimated 235,000 positions following very strong months earlier in the summer. While still a sign of movement in the right direction, the numbers were especially disappointing as a majority of economists surveyed projected the number of new hires to be around 2-3 times higher. On September 8, the Federal Reserve released this month's Beige Book which noted that "demand for workers continued to strengthen, but all Districts noted extensive labor shortages that were constraining employment and, in many cases, impeding business activity. Contributing to these shortages were increased turnover, early retirements (especially in health care), childcare needs, challenges in negotiating job offers, and enhanced unemployment benefits."¹ The lack of skilled labor remains a concern for the real estate industry even as preliminary August employment numbers outpaced the prior peaks in 2019. The potential lack of employees coupled with rising concerns about the Delta variant and the ever increasing residential real estate market should be watched closely by those in the market.

In the middle of August, Goldman Sachs lowered their third quarter forecasts of U.S. economic growth from 9% to 5.5% due in large part to the impacts of the COVID-19 Delta variant. They further predict that concerns around the virus will diminish and raised their fourth quarter estimate to 6.5% from 5.5%. The updated forecast created a ripple effect as they now project U.S. gross domestic product rising only 6% this year, from a prior full-year forecast of 6.4%. In doing so they also increased their forecast for the first three quarters of 2022. September's Beige Book also heavily attributed the deceleration of economic activity to "a pullback in dining out, travel, and tourism in most Districts, reflecting safety concerns due to the rise of the Delta variant."¹ This can be seen in the plateau of leisure and hospitality jobs.

Tres Seippel, MAI, MRICS
Senior Development and Construction Manager

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

Source: 1 Federal Reserve Beige Book
(https://www.federalreserve.gov/monetarypolicy/files/BeigeBook_20210908.pdf)

YEAR-OVER-YEAR CHANGES (2021-2020)



DECREASE
in U-3 Unemployment



DECREASE
In 1-4 Permitted Units



INCREASE
in Housing Unit Starts



INCREASE
in Median Sales Price



INCREASE
in Residential Inventory

Employment

CONSTRUCTION INDUSTRY EMPLOYMENT SLOWS

Similar to the overall job market, the construction industry saw a plateauing in employment. This is in stark contrast to the ever-increasing home starts across the country and a cause for concern around finding capable contractors and laborers to effectively complete jobs. Preliminary numbers for August show a continued trend of recovery at 2.5% year-over-year.

JOB GAINS GREATLY UNDERPERFORM PROJECTIONS

In August, the national unemployment rate decreased 0.2% month-over-month and 3.2% year-over-year as the number of unemployed persons fell to the lowest number during the pandemic. The recovery has slowed dramatically following two very strong months of improvement. The slowing recovery appears to be heavily influenced by increased concerns with the Delta variant. In September, more than 7.5 million people will lose unemployment benefits and the states that cut the benefits early did not experience a rapid increase in hiring (as projected) versus the states that kept the benefits in place longer.

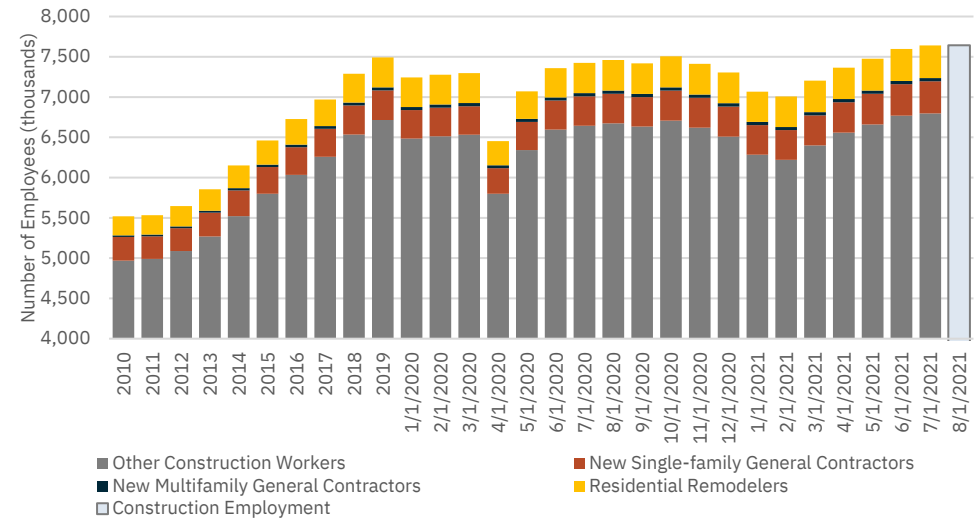
	AUGUST		CHG	JULY	CHG
	2021	2020	(YEAR)	2020	(MONTH)
Other Construction	6,798	6,643	2.3%	6,769	0.4%
New Single-Family General Contractors	399	366	9.1%	391	2.1%
New Multifamily General Contractors	40	40	0.0%	39	0.5%
Res. Remodelers	405	375	7.8%	399	1.4%

	JULY		CHG	JUNE	CHG
	2021	2020	(YEAR)	2020	(MONTH)
U-3 Unemployment	5.2%	8.4%	-3.2%	5.4%	-0.2%
U-6 Unemployment	8.8%	14.2%	-5.4%	9.2%	-0.4%

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.

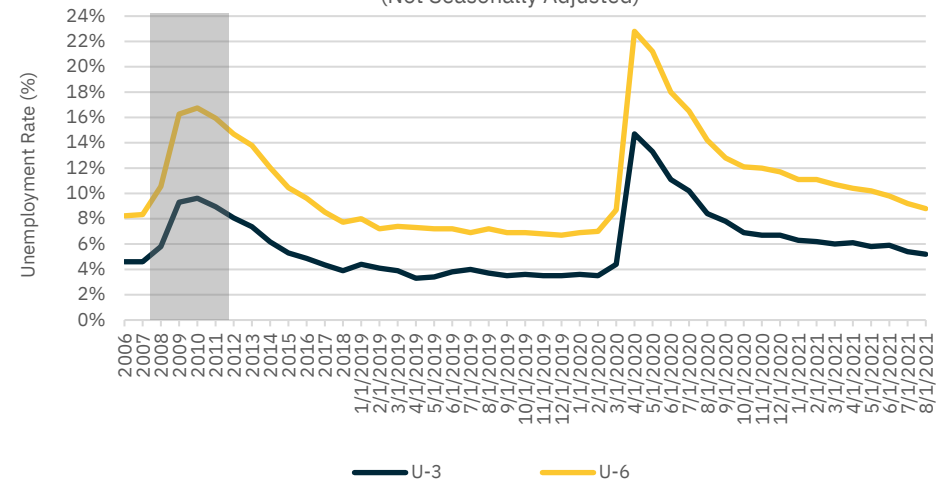
U-3 is the most reported rate of unemployment in the U.S. and represents the number of people actively seeking a job. The U-6 rate is widely considered to be more accurate, as U-6 includes discouraged, under-employed and unemployed workers.

U.S. Construction Employees 2010 through August 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 September 3, 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

JULY PERMIT FILINGS UP 0.2% Y-O-Y, BUT 9.9% BELOW LAST MONTH

Monthly permit filings in July 2021 were the lowest since February of this year, following four months of residential permit filings in excess of 142,000 units. The drop in filings was due in large part to a decrease in permitted single-family units compared to last month. July 2021 single-family permit filings accounted for only 69% of all residential filings, the lowest amount since January of this year. Year to date permit filings have still surpassed 2020 by 23.5%. Additionally, filings to date have already surpassed annual permit filings in the years from 2008 through 2013. If permit filings continue at this pace, the data suggests that residential permit filings can be expected to surpass the prior seven years (but will still be below the 2006 total). Growth in the South and West continue to outpace the rest of the nation with both experiencing increases year-over-year while the Northeast and Midwest experienced double digit decreases.

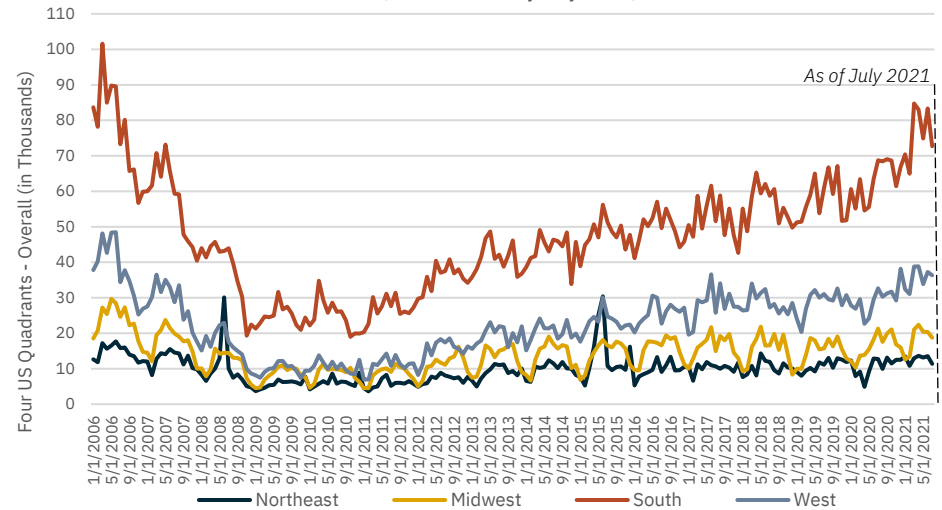
New home permit filings are reflective of both current and future economic outlooks. They are indicators of consumer confidence and how homebuilders are perceiving changes to the market.

NATIONAL NEW HOME PERMIT DATA (IN THOUSANDS)

	JULY		% CHG (YEAR)	JUNE	
	2021	2020		2021	(MONTH)
Overall, One to Four	96.5	96.9	-0.4%	109.8	-12.1%
Overall, Five-Plus	42.7	42.0	1.6%	44.7	-4.6%
Northeast	11.4	13.3	-14.4%	13.5	-15.9%
Midwest	18.7	22.0	-14.9%	20.4	-8.0%
South	72.7	70.5	3.1%	83.3	-12.7%
West	36.3	33.0	10.0%	37.3	-2.5%

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.

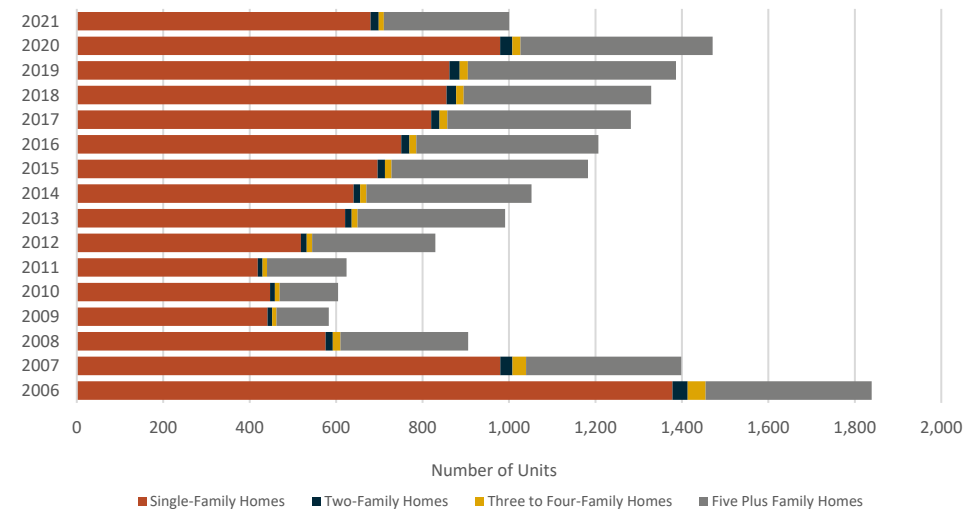
New Privately Owned Housing Units Authorized by Census Regions
(Not Seasonally Adjusted)



Note: 2021 Data is as of July

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

Residential Permits 2006 through July 2021



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

New Housing Starts

YTD NEW HOME STARTS CONTINUE OUTPERFORMING

Year-to-date home starts continue to outpace prior annual totals. As of July 2021 year-to-date has already surpassed the 40-year average of home starts by over 130,000 units, or 16.2%. Based on U.S. Census data, if new home starts continue at this pace, it's likely that 2021 will surpass 1.2 million units, which would be the highest annual total since the early 1970s.

Five-plus unit starts dropped year-over-year, while single-family starts have continued to increase. The drop in five-plus units was exclusively in the Northeast and Midwest. The Northeast was the only region to experience a sharp drop in single-family starts at 36.0%. Despite these drops, all regions have seen double digit year-to-date growth versus the prior two years.

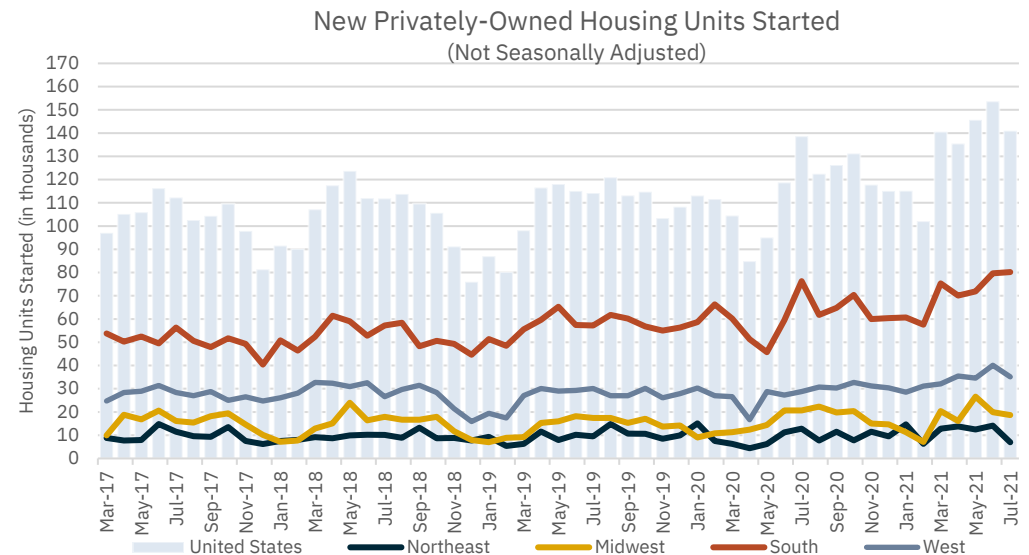
With municipalities fully able to process permits and home starts, one might consider if the prior year's backlog is fueling the staggering metrics – or are developers continuing to start homes with hopes to keep up with demand? The National Association of Realtors projects housing starts to continue to increase every quarter in the near term as new home sales slump in the third quarter of 2021, but grow every quarter after throughout 2022.¹

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.

Source 1: https://cdn.nar.realtor/sites/default/files/documents/forecast-q3-2021-us-economic-outlook-29-2021_1.pdf

	JULY		% CHG (YEAR)	JUNE 2021	% CHG (MONTH)
	2021	2020			
Overall, One to Four	105.1	94.8	10.9%	112.4	-6.5%
Overall, Five-Plus	35.8	43.8	-18.3%	41.3	-13.3%
Northeast	7.0	12.8	-45.3%	14.1	-50.4%
Midwest	18.7	20.7	-9.7%	19.9	-6.0%
South	80.2	76.3	5.1%	79.7	0.6%
West	35.1	28.8	21.9%	40.1	-12.5%

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

	JULY		% CHG (YEAR)	JUNE 2020	% CHG (MONTH)
	2021	2020			
Northeast	2,000	4,000	-50.0%	3,000	-33.3%
Midwest	6,000	11,000	-45.5%	8,000	-25.0%
South	37,000	50,000	-26.0%	35,000	5.7%
West	18,000	20,000	-10.0%	17,000	5.9%

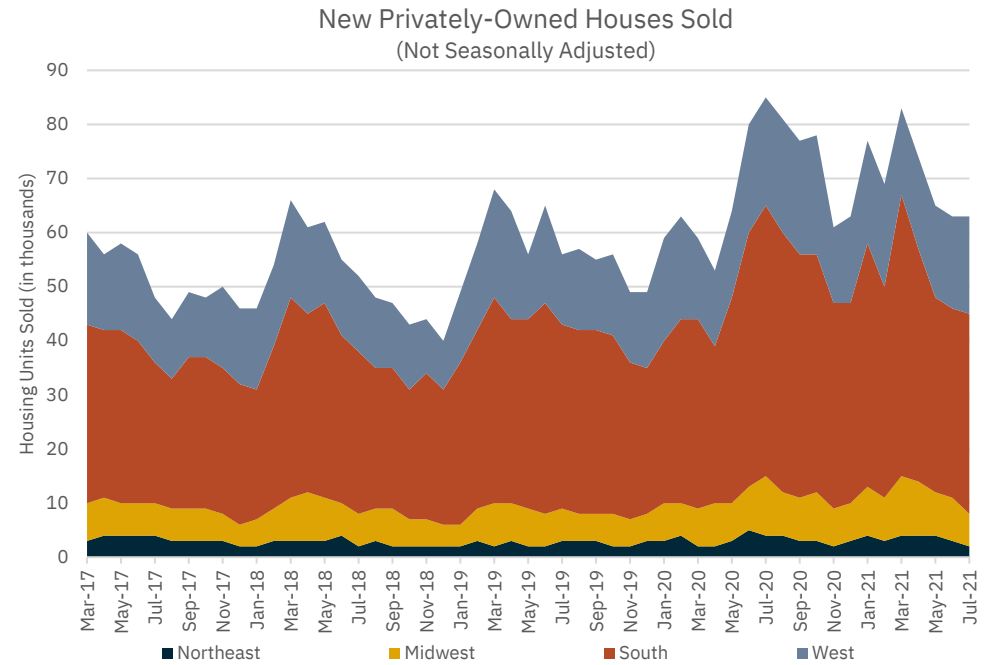
NEW HOME INVENTORY

	JULY		CHG (YEAR)	JUNE 2020	CHG (MONTH)
	2021	2020			
Northeast	28,000	23,000	21.7%	27,000	3.7%
Midwest	33,000	29,000	13.8%	31,000	6.5%
South	218,000	164,000	32.9%	205,000	6.3%
West	89,000	74,000	20.3%	88,000	1.1%

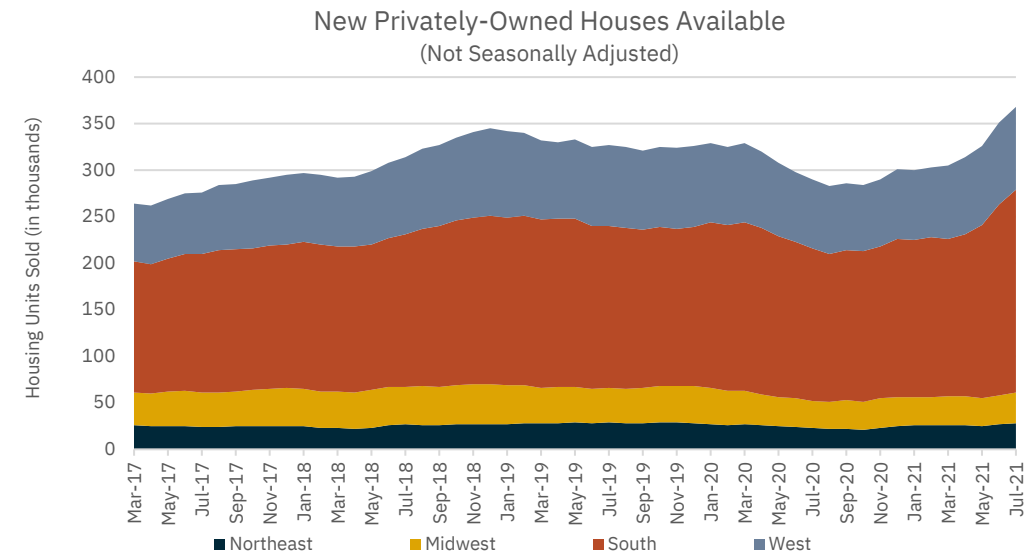
NEW HOME SALES AND MONTHS OF SUPPLY

	JULY		CHG (YEAR)	JUNE 2020	CHG (MONTH)
	2021	2020			
Median sales price (\$)	\$390,500	\$329,800	18.4%	\$370,200	5.5%
Months' supply	5.9	3.4	2.5	5.6	0.3

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

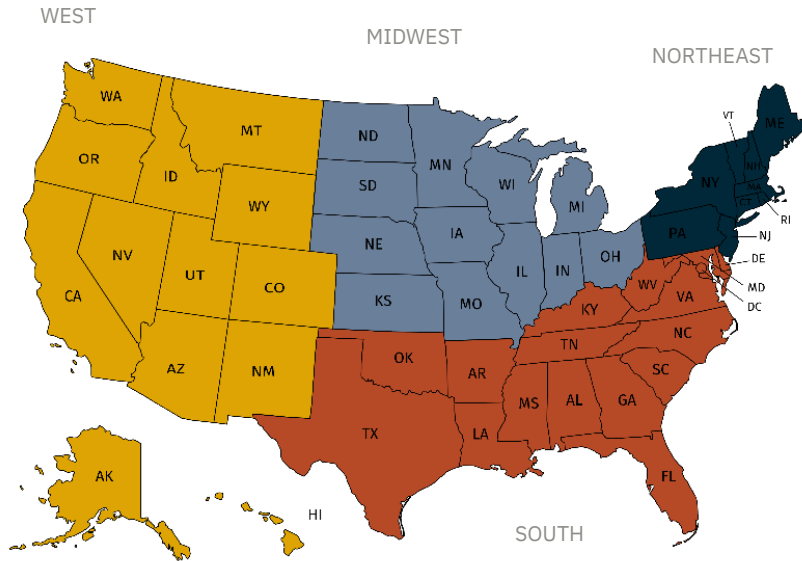


Source: U.S. Census (www.census.gov); compiled by Genesis Capital Construction Department



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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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