Event Session

2021 ULI Virtual Housing Opportunity Conference???Housing Markets Outlook 2021
Date: March 16, 2021

00:00:04 --> 00:00:07:	Good morning, I'm Ron to Williger cheruvu allies.
00:00:07 --> 00:00:12:	Twilegar Center for Housing and is my pleasure to welcome
00:00:12 --> 00:00:13:	you to you allies.
00:00:13 --> 00:00:18:	2021 virtual Housing opportunity conference.
00:00:18 --> 00:00:21:	This year's conference, our largest ever,
00:00:21 --> 00:00:24:	will deliver timely expert perspectives on U.S.
00:00:24 --> 00:00:29:	housing markets. On the future of housing finance on federal
00:00:29 --> 00:00:32:	policy and the Biden administration.
00:00:32 --> 00:00:37:	On cutting edge technologies and on emerging best practices and
00:00:37 --> 00:00:39:	equitable development.
00:00:39 --> 00:00:43:	We have asked our speakers to focus on actionable learnings,
00:00:43 --> 00:00:49:	replicable models, and unique opportunities to meet growing housing demands
00:00:49 --> 00:00:50:	and needs.
00:00:50 --> 00:00:55:	The Housing Opportunity Conference embodies the Twilegar Center's mission of
00:00:55 --> 00:01:00:	increasing housing production and improving the ability of housing markets
00:01:01 --> 00:01:05:	and developers to meet housing demand across all income levels.
00:01:05 --> 00:01:09:	The center accomplishes this through several means.
00:01:09 --> 00:01:12:	First, the center works with ULI members,
00:01:12 --> 00:01:17:	district councils and local governments to build strategies and plans
00:01:17 --> 00:01:22:	addressing housing opportunities or obstacles to housing development.
00:01:22 --> 00:01:24:	Just this February, in fact,
00:01:24 --> 00:01:28:	the two elder center work with ULI Philadelphia and the
00:01:28 --> 00:01:32:	City of Philadelphia to develop a set of recommendations to
00:01:32 --> 00:01:36:	preserve at risk naturally occurring affordable housing.

00:01:36 --> 00:01:42: Unsubsidised rental stock affordable to lower income households.

00:01:42 --> 00:01:45: The report on these recommendations will be available later in

00:01:45 --> 00:01:48: the spring and the center looks forward to working with

00:01:48 --> 00:01:51: other you Ally District councils on local needs in the

00:01:51 --> 00:01:53: coming months.

00:01:53 --> 00:01:57: Additionally thought Leadership is a strength of you,

00:01:57 --> 00:02:01: a lion that will your center contributes to this through

00:02:01 --> 00:02:03: its research reports.

00:02:03 --> 00:02:07: This week we are releasing our second iteration of the

00:02:07 --> 00:02:09: UL Ihome Attain Ability Index.

00:02:09 --> 00:02:14: The index provides a high level snapshot of the extent

00:02:14 --> 00:02:18: to which a housing market provides a range of housing

00:02:18 --> 00:02:21: choices attainable to regional workforces.

00:02:21 --> 00:02:25: This year's release of the index also includes an enhanced

00:02:25 --> 00:02:29: focus on health and housing in the age of Covid.

00:02:29 --> 00:02:35: With findings suggesting critical policy financing and pragmatic interventions with

00:02:35 --> 00:02:38: significant potential for short term impact.

00:02:38 --> 00:02:41: Also, at UI Spring meeting in May,

00:02:41 --> 00:02:46: the center NRC Elko will release a new report focused

00:02:46 --> 00:02:50: on trends in lower density rental development.

00:02:50 --> 00:02:53: This will build on some of the center's prior work,

00:02:53 --> 00:02:57: with RC Elco highlighting several models and merging to meet

00:02:57 --> 00:03:00: evolving rental demand in a variety of markets.

00:03:00 --> 00:03:04: I look forward to the report's findings.

00:03:04 --> 00:03:08: Finally, the Twilegar Center works to build and broaden support

00:03:08 --> 00:03:09: for housing development,

00:03:09 --> 00:03:13: access, and affordability. We pursue this through our camp and

00:03:13 --> 00:03:18: Larson Housing Award programs are monthly webinars series an our

00:03:18 --> 00:03:22: annual housing Opportunity conference as well as through participation in

00:03:22 --> 00:03:27: other organizations, events and publications.

00:03:27 --> 00:03:30: While we are disappointed that we could not gather with

00:03:30 --> 00:03:31: you in person in Atlanta this year,

00:03:31 --> 00:03:36: as we had planned. Hosting the Housing Opportunity Conference virtually

00:03:36 --> 00:03:38: has enabled us to grow the event,

00:03:38 --> 00:03:43: making this year's event by far our largest yet.

00:03:43 --> 00:03:46: Importantly, as the conference has grown this year,
00:03:46 --> 00:03:51: we've been intentional about drawing a broader group of stakeholders
00:03:51 --> 00:03:53: as presenters an attendees as well.
00:03:53 --> 00:03:59: Our largest ever housing opportunity conference will therefore also be
00:03:59 --> 00:04:02: our most diverse and inclusive conference ever.
00:04:02 --> 00:04:05: As the real estate industry reckons with its history,
00:04:05 --> 00:04:09: particularly regarding redlining and residential development,
00:04:09 --> 00:04:14: you Ally has an opportunity and responsibility to provide leadership.
00:04:14 --> 00:04:17: I'm pleased that the Housing opportunity conference will be our
00:04:17 --> 00:04:20: most diverse and inclusive event to date.
00:04:20 --> 00:04:23: Thank you again for being part of this year's conference.
00:04:23 --> 00:04:27: It's now my pleasure to welcome you Ally Global CEO,
00:04:27 --> 00:04:29: Ed Walter.
00:04:29 --> 00:04:33: Ed has provided strong leadership at the Institute since 2018,
00:04:33 --> 00:04:35: and since that joined, he has worked to respond to
00:04:35 --> 00:04:39: the strong and growing interest in residential development among you
00:04:39 --> 00:04:40: allies.
00:04:40 --> 00:04:45: Global membership, which is clearly reflected in our conference attendance
00:04:45 --> 00:04:45: this week.
00:04:45 --> 00:04:48: Ed, thanks very much for your support of the Twilegar
00:04:48 --> 00:04:52: Center and for being part of this year's virtual Housing
00:04:52 --> 00:04:53: Opportunity Conference.
00:05:00 --> 00:05:03: Thank you Ron. It's a pleasure to join you virtually
00:05:03 --> 00:05:07: today to welcome our participants in this year's Housing Opportunity
00:05:07 --> 00:05:08: conference,
00:05:08 --> 00:05:10: including this morning's keynote speaker,
00:05:10 --> 00:05:12: Ali Wolf.
00:05:12 --> 00:05:15: As we near the end of the first quarter of
00:05:15 --> 00:05:15: 2021,
00:05:15 --> 00:05:18: the record number of Housing Opportunity,
00:05:18 --> 00:05:23: Conference attendees and sponsors who are participating this week reflects
00:05:23 --> 00:05:28: the enormous and growing need for an interest in housing
00:05:28 --> 00:05:31: development in cities throughout the US.
00:05:31 --> 00:05:33: I'd like to take a couple of minutes before turning
00:05:34 --> 00:05:37: the floor over to our friends and conference sponsors at
00:05:37 --> 00:05:41: Facebook to discuss the growing importance of visualize

housing work
00:05:41 --> 00:05:43: from the perspectives, our mission,
00:05:43 --> 00:05:45: and our membership.
00:05:45 --> 00:05:49: On the mission front, it's not difficult to understand why
00:05:50 --> 00:05:53: housing and the work of the Twilegar Center is a
00:05:53 --> 00:05:56: critical content area for the Institute.
00:05:56 --> 00:06:01: Consider our recently updated mission statement to shape the future
00:06:01 --> 00:06:06: of the built environment for transformative impact in communities worldwide.
00:06:06 --> 00:06:10: There is little in the built environment that can transform
00:06:10 --> 00:06:15: people's lives more than the homes and neighborhoods where they
00:06:15 --> 00:06:15: live.
00:06:15 --> 00:06:18: And this week we are all part of fulfilling you
00:06:18 --> 00:06:23: allies mission commitments as first we connect convening passionate members
00:06:23 --> 00:06:25: and stakeholders from you allies,
00:06:25 --> 00:06:29: unparalleled network of housing and development professionals.
00:06:29 --> 00:06:34: Then we inspire advancing innovative and best practices for equitable
00:06:34 --> 00:06:36: residential development.
00:06:36 --> 00:06:40: And finally, together we lead in overcoming barriers to housing,
00:06:40 --> 00:06:44: development, access and affordability to create stronger,
00:06:44 --> 00:06:46: more resilient cities nationwide. You'll,
00:06:46 --> 00:06:51: I member interest is growing around housing development as well.
00:06:51 --> 00:06:54: As we enter what we all hope is the final
00:06:54 --> 00:06:56: phase of the covid pandemic,
00:06:56 --> 00:07:01: concerns about housing access, quality and affordability are all top
00:07:01 --> 00:07:02: of mind.
00:07:02 --> 00:07:06: For cities across the US and around the world.
00:07:06 --> 00:07:10: Unsurprisingly, as cities have elevated housing as a priority,
00:07:10 --> 00:07:13: we have seen our member interest grow.
00:07:13 --> 00:07:18: The unprecedented level of participation in this year's Housing Opportunity
00:07:18 --> 00:07:19: Conference is 1 strong,
00:07:19 --> 00:07:22: indicator of ULI member interest.
00:07:22 --> 00:07:25: But it's certainly not the only one.
00:07:25 --> 00:07:31: The Twilegar Centerin responsible property investment counsel's April 2020 webinar

00:07:31 --> 00:07:36: focused on confronting COVID-19 in multifamily housing was one of

00:07:36 --> 00:07:40: the most attended Duely webinars of calendar year 2020.

00:07:40 --> 00:07:45: A year when online content proliferated across everyone's networks?

00:07:45 --> 00:07:49: Last year's family renter housing report launched during the virtual

00:07:49 --> 00:07:52: Spring Meeting was completed before the pandemic,

00:07:52 --> 00:07:55: but in many ways pre staged the shift towards home

00:07:55 --> 00:07:57: ownership and the suburbs.

00:07:57 --> 00:08:01: That was highlighted in our most recent emerging trends in

00:08:01 --> 00:08:02: real estate report.

00:08:02 --> 00:08:05: The family run to report is now among the top

00:08:05 --> 00:08:11: ten viewed and downloaded reports available through allies Knowledge Finder

00:08:11 --> 00:08:11: platform.

00:08:11 --> 00:08:15: The 2020 Virtual Fall Meeting provided further evidence of the

00:08:15 --> 00:08:20: importance of housing to align members with participants self selecting

00:08:20 --> 00:08:23: housing as their number 3 area of interest and housing

00:08:23 --> 00:08:28: related concurrent sessions being among the most attended at the

00:08:28 --> 00:08:29: event.

00:08:29 --> 00:08:33: We convened for this year's first ever virtual Housing Opportunity

00:08:33 --> 00:08:37: conference at a time when cities are desperately seeking solutions

00:08:37 --> 00:08:40: to meet both housing access and affordability needs and to

00:08:40 --> 00:08:44: ensure sufficient housing production to support growing housing demand.

00:08:44 --> 00:08:48: That is a key to the future economic health of

00:08:48 --> 00:08:49: communities.

00:08:49 --> 00:08:53: I look forward to the many conversations that await us

00:08:53 --> 00:08:57: this week as we delve into the housing solutions our

00:08:57 --> 00:09:00: members are imagining and creating every day.

00:09:00 --> 00:09:03: Thanks so much for being part of this year's virtual

00:09:03 --> 00:09:05: Housing Opportunity Conference.

00:09:05 --> 00:09:07: It's now my great pleasure to give the floor.

00:09:07 --> 00:09:10: Did Louis Knight, director of Real estate and facilities for

00:09:10 --> 00:09:11: Facebook,

00:09:11 --> 00:09:14: a gold sponsor of this year's event?

00:09:14 --> 00:09:16: Louis will introduce our opening keynote,

00:09:16 --> 00:09:17: speaker Louis.

00:09:19 --> 00:09:23: Hello everyone and thank you for the opportunity to speak

00:09:23 --> 00:09:23: with you today.

00:09:23 --> 00:09:26: Facebook is delighted to be sponsored,

00:09:26 --> 00:09:29: visualize, housing Opportunity conference to be given the privilege of

00:09:29 --> 00:09:31: introducing Allie Wolf,

00:09:31 --> 00:09:33: chief economist was under Ali will be giving us a

00:09:33 --> 00:09:35: sneak peek into the 2021 housing market.

00:09:35 --> 00:09:39: I'm Louis Knight, director of real estate and facilities at

00:09:39 --> 00:09:39: Facebook.

00:09:39 --> 00:09:41: I'm a member of your lies,

00:09:41 --> 00:09:43: urban regeneration, Gold Councils, gold flight,

00:09:43 --> 00:09:45: so please forgive that shameless plug.

00:09:45 --> 00:09:48: Prior to joining Facebook, I was in urban designer and

00:09:48 --> 00:09:50: planner across 30 years five continents.

00:09:50 --> 00:09:54: In many many many communities.

00:09:54 --> 00:09:58: Utilize housing opportunity. Conference is an important convening of leaders

00:09:58 --> 00:10:00: like you across the housing spectrum.

00:10:00 --> 00:10:03: It is a moment where we can come together to

00:10:03 --> 00:10:06: address housing and how we might all innovate for the

00:10:06 --> 00:10:08: good of the communities we live in.

00:10:08 --> 00:10:10: Before we give the zoom floor to Allie,

00:10:10 --> 00:10:12: I'd like to take a moment to share with you

00:10:12 --> 00:10:16: Facebook's interests in and commitments to the housing space.

00:10:16 --> 00:10:19: Nationally, we are under producing housing which is contributing to

00:10:20 --> 00:10:21: our housing crisis as a country.

00:10:21 --> 00:10:25: We suffer from an oversupply of marginally productive land.

00:10:25 --> 00:10:27: A long way from high paying jobs.

00:10:27 --> 00:10:30: We also suffer from an undersupply of diverse housing choices

00:10:30 --> 00:10:33: close to a skilled jobs that drive our economy.

00:10:33 --> 00:10:36: Compounding the challenge of equitably housing America,

00:10:36 --> 00:10:39: we face shared issues of climate volatility and lack of

00:10:39 --> 00:10:44: reinvestment in the infrastructure that supports and stabilizes are many

00:10:44 --> 00:10:46: and diverse communities.

00:10:46 --> 00:10:50: Facebook Support Solutions to end the historic inequalities in our

00:10:50 --> 00:10:53: housing system and increase housing opportunities for all,

00:10:53 --> 00:10:57: specially those in chronically under resourced communities.

00:10:57 --> 00:11:00: Fixing housing is not just the right thing to do,

00:11:00 --> 00:11:02: it's essential to achieving racial equity.

00:11:02 --> 00:11:05: We believe we have an opportunity to come together from

00:11:05 --> 00:11:09: across all sectors to create solutions that work and are

00:11:09 --> 00:11:09: impactful.

00:11:09 --> 00:11:13: That means government and lawmakers teaming up with business tech

00:11:13 --> 00:11:15: companies like ourselves.

00:11:15 --> 00:11:19: Partnering with community members and organizations.

00:11:19 --> 00:11:23: And labor organizations, academics, environmental and faith groups partnering across

00:11:23 --> 00:11:24: interests.

00:11:24 --> 00:11:27: In short, we need to listen to the many voices

00:11:27 --> 00:11:31: that have not traditionally been well represented in this conversation.

00:11:31 --> 00:11:33: We commonly hear two questions.

00:11:33 --> 00:11:37: Why is Facebook engaging in the housing space and what

00:11:37 --> 00:11:37: are we doing?

00:11:37 --> 00:11:41: We recognize the needs of our neighbors in the Bay

00:11:41 --> 00:11:43: Area who invited us to be a partner almost a

00:11:43 --> 00:11:44: decade ago.

00:11:44 --> 00:11:46: Our goal is to help reduce,

00:11:46 --> 00:11:48: preserve and protect housing for all.

00:11:48 --> 00:11:52: We remain committed to the communities and cities we have

00:11:52 --> 00:11:53: officers in.

00:11:53 --> 00:11:56: In 2016, we realized we can't help build a strong,

00:11:56 --> 00:12:01: diverse communities. We are part of without addressing housing affordability.

00:12:01 --> 00:12:06: We invested in several pilot initiatives which include the Catalyst

00:12:06 --> 00:12:11: Housing Fund founded in partnership with our neighboring community organizations

00:12:11 --> 00:12:13: and local government.

00:12:13 --> 00:12:16: The $75 million fund is on track to help create

00:12:16 --> 00:12:19: approximately 750 affordable homes by 2022.

00:12:19 --> 00:12:24: It's a start toward solutions for pressing housing issues near

00:12:24 --> 00:12:25: Menlo Park HQ.

00:12:25 --> 00:12:28: Our teacher housing pilot crew to us that there was

00:12:28 --> 00:12:31: pent up demand even in high cost locations like the

00:12:31 --> 00:12:35: Bay Area for well designed programs to support workforce or

00:12:35 --> 00:12:37: missing middle housing much closer to their work.

00:12:37 --> 00:12:40: In 2019 we announced a $1 billion investment in our

00:12:40 --> 00:12:44: housing initiative on top of paying more attention to local,

00:12:44 --> 00:12:46: state and Federal Housing policy.
00:12:46 --> 00:12:49: We're becoming more active in support of state bills that
00:12:49 --> 00:12:52: help make more housing more affordable for more people.
00:12:52 --> 00:12:56: We're also investing and beginning to see positive impacts from
00:12:56 --> 00:12:57: some programs.
00:12:57 --> 00:13:01: You know initiative. We helped establish the $500 million partnership
00:13:01 --> 00:13:04: for the base future with game of Amplifying the Three
00:13:04 --> 00:13:05: Peas protection,
00:13:05 --> 00:13:09: preservation and production and of increasing affordability for 100 and
00:13:09 --> 00:13:11: 75,000 households in the Bay Area.
00:13:11 --> 00:13:15: Last year, we launched the Community Housing Fund to create
00:13:15 --> 00:13:18: home specifically for our extremely low income neighbors.
00:13:18 --> 00:13:22: Through this fund, which we believe to be the largest
00:13:22 --> 00:13:23: private fund of its kind,
00:13:23 --> 00:13:27: we anticipate enabling the production of more than 2000 units
00:13:28 --> 00:13:31: across the core five counties to the Bay Area.
00:13:31 --> 00:13:33: We also invested in Factory OS.
00:13:33 --> 00:13:36: They make volume metric modular boxes in a unionized factory
00:13:36 --> 00:13:39: with the aim of reducing the per unit cost and
00:13:39 --> 00:13:41: increasing speeds of housing delivery.
00:13:41 --> 00:13:45: They are beginning to establish proof of concept and we
00:13:45 --> 00:13:49: believe further improvements across the three peas are achievable by
00:13:49 --> 00:13:52: the industrialization of building now well into 2021.
00:13:52 --> 00:13:56: It goes without saying that the housing market is fluctuated
00:13:56 --> 00:13:59: due the impacts of the global pandemic and may suffer
00:13:59 --> 00:14:01: some long hauler fatigue as we come.
00:14:01 --> 00:14:04: Out of the economic and social disruption.
00:14:04 --> 00:14:06: Like many of you Facebook's housing team has had to
00:14:07 --> 00:14:09: make adjustments and will continue to do so as we
00:14:09 --> 00:14:12: all recover in the market adjusts we encourage all of
00:14:12 --> 00:14:16: you to think more, and more creatively about solutions to
00:14:16 --> 00:14:17: the question.
00:14:17 --> 00:14:18: How can we build a better,
00:14:18 --> 00:14:21: more equitable housing supply with Facebook?
00:14:21 --> 00:14:23: Hope you get a chance to participate in all the
00:14:24 --> 00:14:27: discussions to come over the next couple of days and
00:14:27 --> 00:14:27: afterward.

00:14:27 --> 00:14:30: Thank you to you lie for your ongoing support available
00:14:30 --> 00:14:33: events like this and to all of you delighted to
00:14:33 --> 00:14:34: welcome.
00:14:34 --> 00:14:36: Sanders, chief economist Ali Wolf.
00:14:36 --> 00:14:37: Thank you.
00:14:39 --> 00:14:42: Thank you Lewis and thanks the entire UI team for
00:14:42 --> 00:14:45: having me here today for everyone else.
00:14:45 --> 00:14:48: Welcome to the housing market outlook.
00:14:48 --> 00:14:50: As mentioned, I am Ali Wolf,
00:14:50 --> 00:14:53: the chief economist for Zande.
00:14:53 --> 00:14:57: Zande is a housing data and consultancy firm that tracks
00:14:57 --> 00:14:59: the entire building life cycle.
00:14:59 --> 00:15:01: Now we have a lot to go through.
00:15:01 --> 00:15:06: In today's presentation we're going to start with the economic
00:15:06 --> 00:15:10: backdrop and then we're going to go into home sales,
00:15:10 --> 00:15:13: talk about supply. Talk about pricing.
00:15:13 --> 00:15:17: We'll cover some demographics will cover what Cova 19 did
00:15:17 --> 00:15:19: to the housing market,
00:15:19 --> 00:15:22: and then we'll wrap up with our final thoughts,
00:15:22 --> 00:15:25: including some risks and our forecasts.
00:15:25 --> 00:15:28: So to start with the economy,
00:15:28 --> 00:15:31: I'm actually pleased to be here and to be able
00:15:31 --> 00:15:34: to give positive news on the economic front.
00:15:34 --> 00:15:37: So before I dive into the good news,
00:15:37 --> 00:15:41: let's just step back and remember where we've come from
00:15:41 --> 00:15:43: over the past year.
00:15:43 --> 00:15:47: So remember, right away. The economy shed over 20 million
00:15:47 --> 00:15:49: jobs this time last year.
00:15:49 --> 00:15:51: Alot of the people were on furlough,
00:15:51 --> 00:15:56: but there was a lot of uncertainty about what was
00:15:56 --> 00:15:57: going to happen.
00:15:57 --> 00:15:59: And then almost right away,
00:15:59 --> 00:16:02: starting in May in June and in July,
00:16:02 --> 00:16:05: we were adding millions of those jobs back,
00:16:05 --> 00:16:09: and there was so much enthusiasm that it was going
00:16:09 --> 00:16:11: to be a complete snapback.
00:16:11 --> 00:16:14: But then the rate of growth started to slow to
00:16:14 --> 00:16:18: the point that we actually went negative in terms of
00:16:18 --> 00:16:21: job growth in December as covid cases went up.
00:16:21 --> 00:16:25: And of course, as hospitalizations rose as well.
00:16:25 --> 00:16:27: We're now back in growth mode.
00:16:27 --> 00:16:30: And we're in a very specific point as well.

00:16:30 --> 00:16:32: And before I get to that,
00:16:32 --> 00:16:36: let's also understand what that trajectory means.
00:16:36 --> 00:16:38: We're in a K shaped recovery.
00:16:38 --> 00:16:42: The K shaped recovery means there are certain people,
00:16:42 --> 00:16:46: and there are certain businesses that have a higher net
00:16:47 --> 00:16:51: worth and have more profitability than they did this time
00:16:51 --> 00:16:52: last year.
00:16:52 --> 00:16:55: Housing being one of those in the top half of
00:16:55 --> 00:16:57: the K in our home buyers.
00:16:57 --> 00:16:59: Falling in that part as well,
00:16:59 --> 00:17:03: but then we have this whole other section of the
00:17:03 --> 00:17:03: economy.
00:17:03 --> 00:17:05: We have the service side.
00:17:05 --> 00:17:09: We have conferences, conferences, concerts,
00:17:09 --> 00:17:11: tourism that are in that bottom half.
00:17:11 --> 00:17:15: And This is why I'm so excited here to talk
00:17:15 --> 00:17:19: about the February Jobs report because it captures the start
00:17:19 --> 00:17:23: of the revitalization of the bottom half of the K.
00:17:23 --> 00:17:27: Meaning the economy is starting to rebound and include more
00:17:27 --> 00:17:32: individuals than just those that were already thriving.
00:17:32 --> 00:17:35: In February, we added 379 thousand jobs,
00:17:35 --> 00:17:39: 355 thousand of which came directly from the absolute hardest
00:17:39 --> 00:17:40: hit,
00:17:40 --> 00:17:43: leisure and hospitality sector in particular.
00:17:43 --> 00:17:47: A lot of the jobs came from bars and restaurants.
00:17:47 --> 00:17:51: So as the economy opens back up as more people
00:17:51 --> 00:17:52: get vaccinated.
00:17:52 --> 00:17:56: That has been the longstanding risk to economic growth.
00:17:56 --> 00:18:00: Assuming covid cases, say in the right direction,
00:18:00 --> 00:18:04: we're now on a really positive trajectory.
00:18:04 --> 00:18:06: Now I don't want to be too rosy though,
00:18:06 --> 00:18:10: because let's say that the entire economy comes back and
00:18:10 --> 00:18:13: every single leisure and hospitality job that was lost returns
00:18:14 --> 00:18:14: overnight.
00:18:14 --> 00:18:17: Right now, without those jobs where we are,
00:18:17 --> 00:18:20: we're 9.5 million jobs shy of where we were when
00:18:20 --> 00:18:21: we started the pandemic.
00:18:21 --> 00:18:24: If you added every single job back from leisure and
00:18:24 --> 00:18:25: hospitality,
00:18:25 --> 00:18:27: we'd still be down 5,000,000,
00:18:27 --> 00:18:29: so it makes up a good share of the losses,

00:18:29 --> 00:18:33: and it's really positive that we're going to see awesome
00:18:33 --> 00:18:36: jobs figures for the next handful of months.
00:18:36 --> 00:18:39: It doesn't get us all the way back though.
00:18:39 --> 00:18:42: The story becomes interesting when you look at it by
00:18:42 --> 00:18:43: market,
00:18:43 --> 00:18:45: because if we're talking about how about 40%
00:18:45 --> 00:18:48: of all the job losses come from that leisure and
00:18:48 --> 00:18:50: hospitality sector,
00:18:50 --> 00:18:53: you're probably not surprised to see the unemployment rate in
00:18:54 --> 00:18:56: a market like Las Vegas or in LA or New
00:18:56 --> 00:18:59: York that are among the highest in the country.
00:18:59 --> 00:19:02: But there's this weird dynamic that as an economist,
00:19:02 --> 00:19:04: I find it really frustrating,
00:19:04 --> 00:19:07: because historically you trust and you rely on jobs data
00:19:07 --> 00:19:10: to tell you how good is a local housing market
00:19:10 --> 00:19:11: going to be.
00:19:11 --> 00:19:13: Well, there's been a huge divergent by that,
00:19:13 --> 00:19:15: because if you look at these markets,
00:19:15 --> 00:19:19: Ellie's housing market is actually doing really great.
00:19:19 --> 00:19:22: You look down list Sacramento's among the best performing in
00:19:22 --> 00:19:23: the country,
00:19:23 --> 00:19:26: Phoenix among the best performing in the country.
00:19:26 --> 00:19:29: And so part of this reason for the divergent between
00:19:29 --> 00:19:29: the.
00:19:29 --> 00:19:32: Economic data in the housing data is the K shaped
00:19:32 --> 00:19:35: recovery and part of it is the stimulus and we'll
00:19:35 --> 00:19:38: talk about the stimulus in just a moment.
00:19:38 --> 00:19:40: But for me to say that there has been this
00:19:41 --> 00:19:44: divergent between the employment trends in the housing trends,
00:19:44 --> 00:19:46: it doesn't hold as true,
00:19:46 --> 00:19:49: though when you're looking at the markets that are most
00:19:49 --> 00:19:49: recovered,
00:19:49 --> 00:19:53: the markets across the country that have the best economies
00:19:53 --> 00:19:54: right now.
00:19:54 --> 00:19:56: Salt Lake City. Believe it or not,
00:19:56 --> 00:19:58: has an unemployment rate under 4%.
00:19:58 --> 00:20:01: Today. Indianapolis, Minneapolis, Columbus, Cincinnati.
00:20:01 --> 00:20:04: Bunch of Midwest markets. They're among the top performers and
00:20:05 --> 00:20:07: let me pull out a few more that you'll see

00:20:07 --> 00:20:09:	later in the presentation.
00:20:09 --> 00:20:14:	Jacksonville, Austin, Raleigh you really see that those economies have
00:20:14 --> 00:20:15:	rebounded.
00:20:15 --> 00:20:18:	But when we talk about the divergents,
00:20:18 --> 00:20:21:	a lot of this comes from the unprecedented levels of
00:20:21 --> 00:20:25:	support we saw from both the Federal Reserve in Congress.
00:20:25 --> 00:20:29:	So again, thinking back what we saw from Jerome Powell
00:20:29 --> 00:20:31:	and from the Federal Reserve,
00:20:31 --> 00:20:35:	was this commitment to ensure that we don't fall into
00:20:35 --> 00:20:38:	another financial crisis if they can control it?
00:20:38 --> 00:20:43:	The Federal Reserve drop rates right away created different lending
00:20:43 --> 00:20:43:	facilities,
00:20:43 --> 00:20:47:	said financial markets. We have your back.
00:20:47 --> 00:20:50:	And that ensured actually, a really quick rebound in the
00:20:50 --> 00:20:52:	stock market that we'll talk about later.
00:20:52 --> 00:20:54:	That impacts the housing market.
00:20:54 --> 00:20:58:	And then we also had swift and aggressive action on
00:20:58 --> 00:21:00:	Congress's side as well.
00:21:00 --> 00:21:04:	If you remember a year ago there was bipartisanship that
00:21:04 --> 00:21:06:	would literally melt your heart in March.
00:21:06 --> 00:21:10:	In April, we passed that CARES Act that this is
00:21:10 --> 00:21:13:	a true statement staved off a depression.
00:21:13 --> 00:21:16:	We were going to be to the point that people
00:21:16 --> 00:21:18:	would have lost their homes,
00:21:18 --> 00:21:21:	would have not been able to pay their bills.
00:21:21 --> 00:21:24:	We threw money into the system to ensure that not
00:21:24 --> 00:21:25:	only.
00:21:25 --> 00:21:27:	Did we not fall into a depression?
00:21:27 --> 00:21:31:	But we didn't let the really strong economy we had
00:21:31 --> 00:21:33:	in 2019 fall aside.
00:21:33 --> 00:21:35:	Let me put some numbers around that.
00:21:35 --> 00:21:38:	What we know is that since last year one years
00:21:38 --> 00:21:39:	time,
00:21:39 --> 00:21:42:	we've pumped $3.7 trillion into the economy.
00:21:42 --> 00:21:45:	Now if you guys have questions we can talk about
00:21:45 --> 00:21:46:	this in the Q&A.
00:21:46 --> 00:21:49:	Whether that's the right dollar amount,
00:21:49 --> 00:21:53:	that's another discussion, but that's the fact.
00:21:53 --> 00:21:55:	Then you look at the great financial crisis.
00:21:55 --> 00:21:59:	Economic historians really say that's one of the most frustrating

00:21:59 --> 00:22:03: things about the great financial crisis is that we didn't
00:22:03 --> 00:22:05: put as much system money into the system.
00:22:05 --> 00:22:08: We didn't ensure that there wasn't a collapse,
00:22:08 --> 00:22:11: and so 1.8 trillion was pumped into the economy last
00:22:11 --> 00:22:11: time around.
00:22:11 --> 00:22:14: Overall several years. So truly unprecedented.
00:22:14 --> 00:22:17: You can't point to something in the past to say,
00:22:17 --> 00:22:19: oh, hey, we've done this before,
00:22:19 --> 00:22:20: and this is the outcome.
00:22:20 --> 00:22:23: We're literally learning as we go.
00:22:23 --> 00:22:27: In the CARES Act is really something that kick started
00:22:27 --> 00:22:28: the recovery.
00:22:28 --> 00:22:31: There's really no way to deny that when you look
00:22:31 --> 00:22:32: at the data.
00:22:32 --> 00:22:35: So remember we had the CARES act then in December
00:22:35 --> 00:22:38: we had the covid relief bill and then this month
00:22:38 --> 00:22:41: we got the American Rescue Plan Act.
00:22:41 --> 00:22:45: What you're looking at here are people's checking accounts and
00:22:45 --> 00:22:46: total debt levels.
00:22:46 --> 00:22:49: So let me make it very clear coming out of
00:22:49 --> 00:22:53: a recession you do not expect people's balance sheets people's
00:22:53 --> 00:22:54: own personal.
00:22:54 --> 00:22:57: Wealth to be better than what it was going into
00:22:57 --> 00:22:58: the recession.
00:22:58 --> 00:23:02: And in this case we are completely bucking that trend.
00:23:02 --> 00:23:07: People both employed and unemployed have more money today in
00:23:07 --> 00:23:12: their checking accounts in their savings accounts than they did
00:23:12 --> 00:23:13: a year ago.
00:23:13 --> 00:23:15: And then the debt levels.
00:23:15 --> 00:23:17: That's the blue line. Let me zoom in when you
00:23:18 --> 00:23:19: look at debt levels,
00:23:19 --> 00:23:22: we have people that have paid off more debt than
00:23:22 --> 00:23:25: they did going into this and not shown here,
00:23:25 --> 00:23:27: incomes have actually gone up as well.
00:23:27 --> 00:23:30: This goes back to unprecedented.
00:23:30 --> 00:23:33: We haven't seen this kind of trend where all of
00:23:33 --> 00:23:36: actually the consumer pocketbook measures look decent.
00:23:36 --> 00:23:40: Look good. So when we look at the consumer,
00:23:40 --> 00:23:42: we say OK, they're saving more money,

00:23:42 --> 00:23:45: but they're wanting to spend their money,
00:23:45 --> 00:23:49: they just have been forced to say because we haven't
00:23:49 --> 00:23:52: been able to go out and live our life exactly
00:23:52 --> 00:23:53: as we used to.
00:23:53 --> 00:23:55: So what you're looking at here?
00:23:55 --> 00:23:59: The economy? the US economy is historically a service based
00:23:59 --> 00:23:59: economy.
00:23:59 --> 00:24:02: We go to bars, we go to restaurants,
00:24:02 --> 00:24:06: bowling alleys, movie theaters, what we saw is that goods
00:24:06 --> 00:24:08: and services crashed in March and April.
00:24:08 --> 00:24:12: Makes sense, we all lived through it well coming out
00:24:12 --> 00:24:13: the other side.
00:24:13 --> 00:24:17: Goods completely flip flopped, meaning people were buying pelotons.
00:24:17 --> 00:24:20: They were buying puzzles. They were going out and they're
00:24:21 --> 00:24:23: buying furniture for their homes.
00:24:23 --> 00:24:25: All of that. The goods economy service.
00:24:25 --> 00:24:27: Think back to the K shaped recovery.
00:24:27 --> 00:24:32: Still struggling. And you see this with the retail sales.
00:24:32 --> 00:24:34: Retail sales numbers came out today,
00:24:34 --> 00:24:38: down month, over month, but still up year over year.
00:24:38 --> 00:24:42: Great retail sales figures. Great auto sales figures and of
00:24:42 --> 00:24:43: course housing.
00:24:43 --> 00:24:47: Housing has proven to be the strongest sector in the
00:24:47 --> 00:24:48: entire economy.
00:24:48 --> 00:24:52: Surprising basically everyone when the market had stalled out.
00:24:52 --> 00:24:55: For those 4 to 8 weeks depending on the market
00:24:55 --> 00:24:58: that you were in and this is important.
00:24:58 --> 00:25:02: This is important because what we saw last cycle is
00:25:02 --> 00:25:02: among.
00:25:02 --> 00:25:07: Other things housing helped contribute to the vicious cycle of
00:25:08 --> 00:25:09: the downturn.
00:25:09 --> 00:25:13: This time around we have done nothing but help drive
00:25:13 --> 00:25:18: economic growth since basically may of last year.
00:25:18 --> 00:25:22: Because think about it. For every single home we build,
00:25:22 --> 00:25:26: we create three jobs. Those are jobs in construction,
00:25:26 --> 00:25:28: in trade, in professional services.
00:25:28 --> 00:25:32: A lot of this on this call probably are employed
00:25:32 --> 00:25:35: because the builder is building homes.
00:25:35 --> 00:25:38: And then if someone is going to buy either a
00:25:38 --> 00:25:39: new or an existing home,

00:25:39 --> 00:25:41:	they're working with a mortgage broker.
00:25:41 --> 00:25:43:	They're working with the realtor,
00:25:43 --> 00:25:45:	they use an appraiser. They go out,
00:25:45 --> 00:25:47:	they spend money at Home Depot,
00:25:47 --> 00:25:49:	at home goods at Target at Wayfair,
00:25:49 --> 00:25:53:	and every dollar spent in those different categories also contribute
00:25:53 --> 00:25:54:	to growth.
00:25:54 --> 00:25:59:	Also support those companies. So monitoring housing trends really important,
00:25:59 --> 00:26:02:	but I also think it's definitely on the radar of
00:26:02 --> 00:26:06:	our elected officials that if they're able to continue to
00:26:06 --> 00:26:09:	do any kind of policies to support additional housing growth
00:26:09 --> 00:26:12:	to continue to support the recovery,
00:26:12 --> 00:26:15:	that's underway. So let's go into the home sales because
00:26:15 --> 00:26:18:	for awhile the housing market was really easy to follow
00:26:19 --> 00:26:22:	because we were just saying wow home sales at home
00:26:22 --> 00:26:25:	sales up. Everything's great, but now we've almost become a
00:26:25 --> 00:26:28:	victim of our own success because there are some unique
00:26:28 --> 00:26:30:	things that are going on today.
00:26:30 --> 00:26:33:	First thing to acknowledge home sales finished last year.
00:26:33 --> 00:26:36:	Amazing this year. So far we're starting out with home
00:26:36 --> 00:26:37:	sales up about 30%
00:26:37 --> 00:26:39:	year over year, spring selling season.
00:26:39 --> 00:26:42:	Waited for no one. It basically continued.
00:26:42 --> 00:26:45:	We didn't really see much of a slowdown towards the
00:26:45 --> 00:26:47:	end of last year and then it's been strong ever
00:26:47 --> 00:26:48:	since.
00:26:48 --> 00:26:50:	But when we look at home sales,
00:26:50 --> 00:26:53:	our data is made up of two different components.
00:26:53 --> 00:26:57:	This is called the new home pending sales index and
00:26:57 --> 00:26:59:	what we track is total new home orders.
00:26:59 --> 00:27:02:	So this one is how large is a market.
00:27:02 --> 00:27:06:	Either the national new home market or individual housing markets.
00:27:06 --> 00:27:09:	How many contract sales are there?
00:27:09 --> 00:27:12:	And we've seen that total new home orders are down
00:27:12 --> 00:27:14:	from their peak in June,
00:27:14 --> 00:27:16:	July, August of last year.
00:27:16 --> 00:27:19:	Two reasons one is, builders capping sales too.
00:27:19 --> 00:27:22:	Is community count? We'll talk about both of those in
00:27:22 --> 00:27:22:	a moment.
00:27:22 --> 00:27:25:	But when you look at the average sales rate per

00:27:25 --> 00:27:26: community,
00:27:26 --> 00:27:29: what we see is builders that have homes to sell.
00:27:29 --> 00:27:33: They're crushing it. They're selling as quickly.
00:27:33 --> 00:27:37: As they want to, because this is a really interesting
00:27:37 --> 00:27:39: dynamic today in that 50%
00:27:39 --> 00:27:43: of builders are capping their sales and an additional 20%
00:27:43 --> 00:27:47: are saying, hey, we're pausing taking contracts at all,
00:27:47 --> 00:27:51: or we're only going to sell homes at a certain
00:27:51 --> 00:27:52: stage of construction.
00:27:52 --> 00:27:57: Now this is to better align production the contract sales
00:27:57 --> 00:27:59: with production capacity,
00:27:59 --> 00:28:03: but this is going to really make the data tricky
00:28:03 --> 00:28:04: to follow.
00:28:04 --> 00:28:07: Because when we go into those really strong months of
00:28:07 --> 00:28:08: June and July,
00:28:08 --> 00:28:11: August of last year, I remember having conversations with builders.
00:28:11 --> 00:28:14: That said, I sold 30 homes this month.
00:28:14 --> 00:28:16: It was so awesome. I sold 25 homes this month.
00:28:16 --> 00:28:18: Well, that was 2020 in 2021.
00:28:18 --> 00:28:21: We're having builders say I'm going to sell three homes
00:28:21 --> 00:28:23: this month and once I hit those three,
00:28:23 --> 00:28:27: I'm not selling anymore. Think about the optics of that.
00:28:27 --> 00:28:29: Think about how the year over year change for some
00:28:30 --> 00:28:31: parts of this year may turn negative,
00:28:31 --> 00:28:35: and we're really hoping that the reporters report on that.
00:28:35 --> 00:28:37: Well, that you know this is a supply issue.
00:28:37 --> 00:28:39: This is not a fundamental shift in demand,
00:28:39 --> 00:28:42: but I really think that's going to make the housing
00:28:42 --> 00:28:46: market really tricky to understand in the coming months.
00:28:46 --> 00:28:49: But what we have to understand in the back of
00:28:49 --> 00:28:52: our mind is that this is not a demand issue,
00:28:52 --> 00:28:56: and in fact worth seeing universal housing strength across the
00:28:56 --> 00:29:01: country across different price points and across different buyer groups.
00:29:01 --> 00:29:05: And we're going to hit on those three categories throughout
00:29:05 --> 00:29:06: today's presentation,
00:29:06 --> 00:29:08: the first being it doesn't matter.
00:29:08 --> 00:29:11: Large market, small market, suburban urban.
00:29:11 --> 00:29:15: We are seeing that their sales happening virtually across the
00:29:15 --> 00:29:16: board.
00:29:16 --> 00:29:19: As long as the product is well priced and well

00:29:19 --> 00:29:20: positioned.
00:29:20 --> 00:29:23: So here remember, I showed you the employment data and
00:29:23 --> 00:29:27: I said hey remember these three markets Jacksonville,
00:29:27 --> 00:29:30: Austin, Raleigh? Those are the three that have among the
00:29:30 --> 00:29:34: highest year over year growth in their new home pending
00:29:34 --> 00:29:37: sales in contract sales Jacksonville with sales up 45%
00:29:37 --> 00:29:39: year over year.
00:29:39 --> 00:29:42: And then you look at it by price bucket.
00:29:42 --> 00:29:44: So what this is looking at is the bottom tier
00:29:44 --> 00:29:45: is entry level,
00:29:45 --> 00:29:47: the middle tier is move up top tier luxury.
00:29:47 --> 00:29:50: Not always. That's just the most basic way that you
00:29:50 --> 00:29:51: can think about it.
00:29:51 --> 00:29:54: So when we look at this data and we've been
00:29:54 --> 00:29:56: checking these sales rates by price tier,
00:29:56 --> 00:29:59: as long as we've been tracking our Zonta data and
00:29:59 --> 00:30:02: the bottom tier sells faster than the top tier,
00:30:02 --> 00:30:04: that's what we would expect.
00:30:04 --> 00:30:05: You have a lower price point.
00:30:05 --> 00:30:07: You have a bigger buyer pool.
00:30:07 --> 00:30:10: The interesting thing though, is that top third,
00:30:10 --> 00:30:12: the luxury market relative to itself,
00:30:12 --> 00:30:14: has actually grown the most,
00:30:14 --> 00:30:15: and so we're seeing that.
00:30:15 --> 00:30:18: Yes, it's still not as robust as the bottom third,
00:30:18 --> 00:30:23: but you're definitely seeing that strength across the different groups.
00:30:23 --> 00:30:26: And again, we'll spend some time to talk about how
00:30:26 --> 00:30:27: that's the case.
00:30:27 --> 00:30:29: Now we're talking about this.
00:30:29 --> 00:30:32: We're talking about sales in Jacksonville,
00:30:32 --> 00:30:35: up 45% year over year builders in Jacksonville or Builders
00:30:35 --> 00:30:38: and other markets across the country.
00:30:38 --> 00:30:40: Expected 2020 to be strong.
00:30:40 --> 00:30:43: I remember meeting with builders in 2019 and 2018 and
00:30:43 --> 00:30:46: talking about what the market was going to look like.
00:30:46 --> 00:30:49: No one expected sales to be up that much double
00:30:49 --> 00:30:50: digits,
00:30:50 --> 00:30:53: thirty 4050% growth and as a result we've seen that
00:30:53 --> 00:30:57: project count actually has continued to gondek go down as
00:30:57 --> 00:30:59: builders sell out communities.
00:30:59 --> 00:31:02: Quicker than they can replace them will talk later about

00:31:02 --> 00:31:05: the land grab and how there's so much hiring going
00:31:05 --> 00:31:07: on to backfill these communities.
00:31:07 --> 00:31:10: But for now this is a situation that we're faced
00:31:10 --> 00:31:12: with in a market like Washington DC.
00:31:12 --> 00:31:14: That's the one to the far right.
00:31:14 --> 00:31:17: What you're seeing is project count,
00:31:17 --> 00:31:18: down 30% year over year,
00:31:18 --> 00:31:20: Salt Lake City, Denver, LA,
00:31:20 --> 00:31:22: Orlando, all of that pulling down,
00:31:22 --> 00:31:26: again contributing to how active that market is in terms
00:31:26 --> 00:31:28: of contract sales.
00:31:28 --> 00:31:30: When this happens, when you have new home inventory that's
00:31:30 --> 00:31:31: really tight,
00:31:31 --> 00:31:32: you would think. OK, well,
00:31:32 --> 00:31:34: the existing home market can step in and grab some
00:31:34 --> 00:31:35: of that market share,
00:31:35 --> 00:31:38: or even the opposite if you didn't have much inventory
00:31:38 --> 00:31:39: on the existing home side.
00:31:39 --> 00:31:41: Oh well, builders can, and they can come in,
00:31:41 --> 00:31:43: and they can adjust for that.
00:31:43 --> 00:31:46: Or both of them are basically following the same trend.
00:31:46 --> 00:31:49: Right now there is that competitive advantage for anyone in
00:31:49 --> 00:31:52: existing homeowner or a builder who has inventory.
00:31:52 --> 00:31:56: You don't have one group that's really prevailing versus the
00:31:56 --> 00:31:56: other.
00:31:56 --> 00:31:59: The way I want you to look at this graph,
00:31:59 --> 00:32:02: this is looking at active listings and I want you
00:32:02 --> 00:32:03: to find out the Gray line.
00:32:03 --> 00:32:06: The Gray Line is 2019 levels.
00:32:06 --> 00:32:09: Remember in 2019, before the pandemic when we went to
00:32:09 --> 00:32:09: meetings,
00:32:09 --> 00:32:11: we were all saying wow.
00:32:11 --> 00:32:14: Inventory is so tight we have two months of supply.
00:32:14 --> 00:32:16: Well look what happened in 2020.
00:32:16 --> 00:32:19: We know that inventory got even tighter 2021 that little
00:32:20 --> 00:32:21: blue line that you see.
00:32:21 --> 00:32:24: Half the level of homes are on the market today,
00:32:24 --> 00:32:26: then just last year alone,
00:32:26 --> 00:32:30: instead of talking in terms of two months of supply,
00:32:30 --> 00:32:34: we're maybe talking two weeks of supply.
00:32:34 --> 00:32:36: Again, this will depend on the market.

00:32:36 --> 00:32:39: Some markets not as dramatic as others,

00:32:39 --> 00:32:42: but generally across the board listings are down.

00:32:42 --> 00:32:46: Look at Riverside in California or Raleigh or Dallas,

00:32:46 --> 00:32:50: or Salt Lake City. These markets have active listings down

00:32:50 --> 00:32:51: between 60 and 70%

00:32:51 --> 00:32:54: compared to last year. A little bit later,

00:32:54 --> 00:32:56: we'll talk about what can break this,

00:32:56 --> 00:32:59: because this feels borderline unsustainable,

00:32:59 --> 00:33:02: especially when you look at what's happening in the new

00:33:02 --> 00:33:04: home market with inventory,

00:33:04 --> 00:33:06: what's happening in the existing home market.

00:33:06 --> 00:33:10: It's not really a surprise what we're seeing with prices,

00:33:10 --> 00:33:12: and so this is data from Zillow that looks at

00:33:12 --> 00:33:16: the same tears that we were talking about before top

00:33:16 --> 00:33:17: tier middle tier,

00:33:17 --> 00:33:20: bottom looking luxury move up and entry level and looking

00:33:20 --> 00:33:23: at the home price appreciation year over year.

00:33:23 --> 00:33:26: Now I have been presenting on this data basically as

00:33:26 --> 00:33:29: long as it's been available and you see historically the

00:33:29 --> 00:33:30: bottom tier,

00:33:30 --> 00:33:33: the lowest price point. Not only we talked about earlier

00:33:33 --> 00:33:36: is going to hit a higher average sales rate for

00:33:36 --> 00:33:36: community,

00:33:36 --> 00:33:40: but it generally has more home price appreciation as well

00:33:40 --> 00:33:40: because again,

00:33:40 --> 00:33:44: a bigger fire pool. We're seeing basically everything that we

00:33:44 --> 00:33:48: used to know is getting broken because now all three

00:33:48 --> 00:33:52: of these groups are basically moving together up nationally 8

00:33:52 --> 00:33:54: to 9% year over year and then crazy.

00:33:54 --> 00:33:57: I'm from Cleveland, it's crazy for me to see that

00:33:58 --> 00:34:01: in Cleveland you see bottom to your price appreciation up

00:34:01 --> 00:34:01: 13%

00:34:01 --> 00:34:04: year, rear, middle up, 11 top tier,

00:34:04 --> 00:34:07: up nine. You can see so many other markets spread

00:34:07 --> 00:34:10: across the country where you have double digit or high

00:34:10 --> 00:34:13: single digit home price appreciation.

00:34:13 --> 00:34:15: As a result of not only that strong demand,

00:34:15 --> 00:34:18: but also what we're seeing on the supply side.

00:34:18 --> 00:34:22: So for existing homeowners, specially existing homeowners who have paid

00:34:22 --> 00:34:25: off some of their existing mortgages is great for equity.

00:34:25 --> 00:34:27: This is great for move up buyers in a lot

00:34:27 --> 00:34:29: of cases this is good for confidence.
00:34:29 --> 00:34:32: It really depends on the person's risk appetite,
00:34:32 --> 00:34:35: but generally this is good for confidence.
00:34:35 --> 00:34:38: Not so good for affordability.
00:34:38 --> 00:34:40: And so as we look at home prices,
00:34:40 --> 00:34:44: the first thing we have to acknowledge is that while
00:34:44 --> 00:34:46: we know that monthly payments matter,
00:34:46 --> 00:34:50: we being, housing experts that look at it every single
00:34:50 --> 00:34:50: day,
00:34:50 --> 00:34:54: I can tell you from personal conversations with friends they
00:34:54 --> 00:34:57: have reached out to me and said houses in my
00:34:57 --> 00:34:59: market used to be 300,000.
00:34:59 --> 00:35:01: Now they're 400,000. This is crazy.
00:35:01 --> 00:35:04: They don't know what that means in terms of the
00:35:04 --> 00:35:05: monthly payment.
00:35:05 --> 00:35:09: They just know that things have really gone up.
00:35:09 --> 00:35:13: But we are a monthly payment business and so education
00:35:13 --> 00:35:16: is helpful on this front because as you look at
00:35:16 --> 00:35:20: let's just look at what happened when rates went from
00:35:20 --> 00:35:22: 3.5 to 3%. So this is rates last year versus
00:35:23 --> 00:35:23: rates today.
00:35:23 --> 00:35:26: Yes rates have gone up and we'll talk about our
00:35:27 --> 00:35:30: rates forecast a little bit later in today's presentation,
00:35:30 --> 00:35:33: but even just compared to a year ago,
00:35:33 --> 00:35:37: based on rates alone, people depending on the market can
00:35:37 --> 00:35:39: save between about 75 and $200 a month put.
00:35:39 --> 00:35:41: Another way look at Orlando.
00:35:41 --> 00:35:44: This is the market on the far right.
00:35:44 --> 00:35:48: We're looking at Orlando's home prices and the interest rate
00:35:48 --> 00:35:51: and we're backing that into a payment over time.
00:35:51 --> 00:35:54: What we see is today's monthly payment in Orlando,
00:35:54 --> 00:35:57: even after after prices have gone up.
00:35:57 --> 00:35:59: So much is equivalent to 2017 levels,
00:35:59 --> 00:36:02: so equally I have different friends that say,
00:36:02 --> 00:36:04: why didn't I buy in 2017?
00:36:04 --> 00:36:06: Why didn't I buy a few years ago?
00:36:06 --> 00:36:09: Well, in a way, rates are giving you that second
00:36:09 --> 00:36:10: chance.
00:36:10 --> 00:36:11: Rates are turning back time.
00:36:11 --> 00:36:14: If you can get over the top line number and
00:36:15 --> 00:36:17: look at the rent versus own equation.
00:36:17 --> 00:36:20: Put a third way. Can this just go on forever

00:36:20 --> 00:36:22: and we don't have anything to worry about?
00:36:22 --> 00:36:23: I'm not in that camp.
00:36:23 --> 00:36:26: I'll give some reasons in a moment about why we're
00:36:26 --> 00:36:29: able to see so much price growth today that could
00:36:29 --> 00:36:31: actually last for a little bit.
00:36:31 --> 00:36:34: You know, maybe over the next 12 or 18 months
00:36:34 --> 00:36:35: if we're lucky,
00:36:35 --> 00:36:37: but we also know that there are some risks to
00:36:37 --> 00:36:39: prices going up a lot,
00:36:39 --> 00:36:42: so the percents now that you're seeing is how much
00:36:42 --> 00:36:45: home price appreciation can we go up from today's levels
00:36:45 --> 00:36:48: to get back to 2019 levels of affordability.
00:36:48 --> 00:36:50: The reason I say 2019 is that market was hot.
00:36:50 --> 00:36:53: That was strong. We were also happy in 2019.
00:36:53 --> 00:36:56: Obviously it's different now seeing what 2020 looks like,
00:36:56 --> 00:36:58: but 2019 was good for us and when we look
00:36:58 --> 00:37:00: at that every single meeting,
00:37:00 --> 00:37:03: though if we weren't talking about the supply shortage we
00:37:03 --> 00:37:06: were talking about attain ability in affordability and what do
00:37:06 --> 00:37:09: the next land deals look like and what product should
00:37:09 --> 00:37:11: we be working on? So it doesn't mean that the
00:37:11 --> 00:37:14: market stops when we hit these different levels of home
00:37:14 --> 00:37:15: price appreciation.
00:37:15 --> 00:37:18: It does mean we should be pretty aware of what
00:37:18 --> 00:37:19: that means.
00:37:19 --> 00:37:22: Or at the consumers monthly payment.
00:37:22 --> 00:37:24: Now, like I said, though,
00:37:24 --> 00:37:26: we're in this unique point in time that we have
00:37:26 --> 00:37:30: certain buyers that can keep driving prices up for a
00:37:30 --> 00:37:31: bunch of reasons,
00:37:31 --> 00:37:32: and we'll go through those.
00:37:32 --> 00:37:35: The first is what we just talked about when you
00:37:35 --> 00:37:38: look at the new home affordability ratio,
00:37:38 --> 00:37:41: it's actually more favorable than we've seen in the past.
00:37:41 --> 00:37:44: Really handful of years. So for people that have been
00:37:45 --> 00:37:46: looking to buy homes,
00:37:46 --> 00:37:49: that is still a driver of overall housing demand.
00:37:49 --> 00:37:51: Plus the equity that we discussed more.
00:37:51 --> 00:37:54: So we're seeing higher equity in some of the higher
00:37:54 --> 00:37:55: cost or more.
00:37:55 --> 00:37:58: Western states, but in a lot of cases people from
00:37:58 --> 00:38:00: some of these states on the West Coast have moved

00:38:00 --> 00:38:00: South,
00:38:00 --> 00:38:04: and they're bringing some of that money with them.
00:38:04 --> 00:38:06: Savings we already talked about savings,
00:38:06 --> 00:38:08: but for me this has been fun.
00:38:08 --> 00:38:11: I had been presenting on personal savings for years,
00:38:11 --> 00:38:13: way before the pandemic. I said,
00:38:13 --> 00:38:16: you know, we're in a good place going into the
00:38:16 --> 00:38:19: next recession because last cycle we had a 2.5%
00:38:19 --> 00:38:22: savings rate going into the great financial crisis.
00:38:22 --> 00:38:23: This time we had an 8%
00:38:23 --> 00:38:26: savings rate, but then when Covid hit,
00:38:26 --> 00:38:27: this jumped up to 35%
00:38:27 --> 00:38:30: and I remember meeting with clients and saying,
00:38:30 --> 00:38:33: wow, you know we have hit a historic level of
00:38:33 --> 00:38:34: personal savings.
00:38:34 --> 00:38:38: Well, now we have hit 12 months of historic levels
00:38:38 --> 00:38:40: of personal savings,
00:38:40 --> 00:38:43: which is really important for consumers.
00:38:43 --> 00:38:48: I'll talk about specifically one group on the next slide.
00:38:48 --> 00:38:49: And then the stock market.
00:38:49 --> 00:38:51: I am a stock market enthusiast.
00:38:51 --> 00:38:52: I watch it every day.
00:38:52 --> 00:38:55: But when you actually look at it in this chart
00:38:55 --> 00:38:58: and you drop in this line which is showing you
00:38:58 --> 00:39:00: 2019 levels of the S&P 500 and again,
00:39:00 --> 00:39:03: if you guys remember when that was happening,
00:39:03 --> 00:39:04: there was oh, you know,
00:39:04 --> 00:39:06: stock market feels a little bit frothy.
00:39:06 --> 00:39:09: It's going up. It's only gone up since into a
00:39:09 --> 00:39:10: really significant margin.
00:39:10 --> 00:39:12: And so when you look at the trend,
00:39:12 --> 00:39:16: obviously we had our bear market territory for about a
00:39:16 --> 00:39:18: month where the stock market had gone down.
00:39:18 --> 00:39:21: But when you're looking at that and you kind of
00:39:21 --> 00:39:22: Add all these together,
00:39:22 --> 00:39:25: you really can see how individuals in the top half
00:39:25 --> 00:39:28: of the K are a lot better off than where
00:39:28 --> 00:39:30: they were just a year ago.
00:39:30 --> 00:39:32: And let's just look at millennials.
00:39:32 --> 00:39:34: You don't have to be among the most wealthy in
00:39:35 --> 00:39:36: the entire country.
00:39:36 --> 00:39:40: Hopefully you just were able to keep your job throughout

00:39:40 --> 00:39:41: the past year.
00:39:41 --> 00:39:42: Because what we've found is 60%
00:39:42 --> 00:39:46: of Millennials save more money in 2020 than they did
00:39:46 --> 00:39:46: in 2019.
00:39:46 --> 00:39:49: And when you talk to this group and you say,
00:39:49 --> 00:39:52: OK, what are you going to do with that savings?
00:39:52 --> 00:39:55: The number one answer is I want to keep saving
00:39:55 --> 00:39:57: as much as I can.
00:39:57 --> 00:39:59: The number 2 answer I want to use this money
00:39:59 --> 00:40:02: as a down payment on a home and when you
00:40:02 --> 00:40:03: think about the millennials,
00:40:03 --> 00:40:06: if historically and actually, even in this survey,
00:40:06 --> 00:40:08: this comes from our own research,
00:40:08 --> 00:40:12: the millennials say the reason they haven't purchased a home
00:40:12 --> 00:40:12: right now,
00:40:12 --> 00:40:15: if they haven't, is because of affordability,
00:40:15 --> 00:40:18: and they can't come up with the down payment.
00:40:18 --> 00:40:21: Well here you go. You have a year of four
00:40:21 --> 00:40:21: savings.
00:40:21 --> 00:40:25: You have three different stimulus checks and you have student
00:40:25 --> 00:40:26: loan forbearance.
00:40:26 --> 00:40:30: That's going to be extended through September of this year.
00:40:30 --> 00:40:33: So people will have 18 months that they didn't have
00:40:34 --> 00:40:36: to service their student loans.
00:40:36 --> 00:40:39: This is really impactful for the largest living generation.
00:40:39 --> 00:40:43: The most active shopper. When you look at new and
00:40:43 --> 00:40:45: existing home sales combined.
00:40:45 --> 00:40:48: So we love to look at data in terms of
00:40:48 --> 00:40:51: the demographics and all obviously talk about that a little
00:40:51 --> 00:40:52: bit later,
00:40:52 --> 00:40:55: but also identifying the buyer is important.
00:40:55 --> 00:40:58: We've identified 8 main buyers that are really active today
00:40:58 --> 00:41:01: and when you look at these eight foreign buyers,
00:41:01 --> 00:41:04: probably the group that's not as active.
00:41:04 --> 00:41:07: So let's say seven of the eight fully engaged for
00:41:07 --> 00:41:10: a whole bunch of reasons that we talked about a
00:41:10 --> 00:41:11: lot of shared reasons,
00:41:11 --> 00:41:14: and then we haven't really talked about so far.
00:41:14 --> 00:41:17: Is that covid? Related lifestyle change,
00:41:17 --> 00:41:20: which is where I want to pivot the discussion a
00:41:20 --> 00:41:23: bit about the work from home and about re evaluating

00:41:23 --> 00:41:25: where and how you want to live.
00:41:25 --> 00:41:29: So let's discuss that when we talk to different division
00:41:29 --> 00:41:29: presidents,
00:41:29 --> 00:41:32: we do this survey every month and one of the
00:41:32 --> 00:41:34: questions we asked.
00:41:34 --> 00:41:37: These of these seven groups that are really engaged today
00:41:37 --> 00:41:40: which are most active for sales in traffic.
00:41:40 --> 00:41:42: So number one was the move up buyer and I
00:41:43 --> 00:41:46: think that has to do with partly the equity discussion
00:41:46 --> 00:41:49: and partly that in the new home space you're often
00:41:49 --> 00:41:51: catering more to the move up buyers.
00:41:51 --> 00:41:54: The second answer first time buyers.
00:41:54 --> 00:41:56: No surprise there. 30 answer.
00:41:56 --> 00:42:01: The relocation fire and that has truly been a game
00:42:01 --> 00:42:05: changer for some markets across the country.
00:42:05 --> 00:42:09: And that's something that wasn't as prevalent.
00:42:09 --> 00:42:14: Let's say if we just look back 1213 fourteen months
00:42:15 --> 00:42:15: ago.
00:42:15 --> 00:42:18: So this data? This fascinates me.
00:42:18 --> 00:42:21: This is from Redfin and what this is looking at
00:42:21 --> 00:42:25: is what percent of searches in these given markets are
00:42:25 --> 00:42:28: from people that are out of that market.
00:42:28 --> 00:42:30: So the way you read this,
00:42:30 --> 00:42:34: the blue bars correspond with the presents on the left.
00:42:34 --> 00:42:39: The Orange line corresponds with the percents on the right.
00:42:39 --> 00:42:41: Let me talk you through Boise,
00:42:41 --> 00:42:45: Boise. 80% of every search for a home on Redfin
00:42:45 --> 00:42:45: came from.
00:42:45 --> 00:42:49: Out of market and what you're seeing in that market
00:42:49 --> 00:42:50: is the home price appreciation.
00:42:50 --> 00:42:52: Follow it over to the right.
00:42:52 --> 00:42:56: You have over 20% year over year home price appreciation.
00:42:56 --> 00:42:58: So these markets you have between 50 and 80%
00:42:58 --> 00:43:01: of every search coming from out of market that would
00:43:01 --> 00:43:04: have been different and in a lot of these markets.
00:43:04 --> 00:43:09: Seeing this level of home price appreciation is unprecedented.
00:43:09 --> 00:43:11: Let's layer in one more thing,
00:43:11 --> 00:43:14: this number I just dropped in at the bottom down
00:43:14 --> 00:43:14: 90%
00:43:14 --> 00:43:17: that saying active listings in Boise,
00:43:17 --> 00:43:19: down 90% on a year over year basis.

00:43:19 --> 00:43:22: Again, that is not normal for a lot of these
00:43:22 --> 00:43:25: markets that would have done fine before the pandemic,
00:43:25 --> 00:43:27: but not this crazy good.
00:43:27 --> 00:43:30: Now let me show you the markets that have the
00:43:30 --> 00:43:33: least out of Metro searches and I want to make
00:43:33 --> 00:43:36: it clear this is not a knock on any of
00:43:36 --> 00:43:40: these markets because many of you probably actually operate in
00:43:40 --> 00:43:40: them.
00:43:40 --> 00:43:42: And you're going to see in a moment,
00:43:42 --> 00:43:46: the home price appreciation and the change in listings is
00:43:46 --> 00:43:48: basically the same as the markets on the left.
00:43:48 --> 00:43:51: So my point of showing this is for comparison and
00:43:51 --> 00:43:53: to say left have been changed.
00:43:53 --> 00:43:56: The right markets are still continuing to perform well.
00:43:56 --> 00:43:59: So here what you're seeing is the home price.
00:43:59 --> 00:44:02: Appreciation again corresponds with the right in the listings.
00:44:02 --> 00:44:06: So both graphs are showing that listings are down significantly
00:44:06 --> 00:44:07: year over year.
00:44:07 --> 00:44:10: Both graphs are showing that home price appreciation is up
00:44:10 --> 00:44:12: between 5:00 and 25%.
00:44:12 --> 00:44:15: This goes back to the universal strength that we're seeing
00:44:15 --> 00:44:17: in the housing market as well.
00:44:17 --> 00:44:21: But relocation and the ability to live in work wherever
00:44:22 --> 00:44:22: you want,
00:44:22 --> 00:44:25: at least for now, has been a huge huge game
00:44:25 --> 00:44:28: changer for housing across the country,
00:44:28 --> 00:44:32: really. So remember, a going into a year ago.
00:44:32 --> 00:44:34: We our homes have become our focal point.
00:44:34 --> 00:44:37: They become our gym or bar or movie theater in
00:44:37 --> 00:44:40: our office and to say that work from home was
00:44:40 --> 00:44:41: the game changer.
00:44:41 --> 00:44:43: It's truly what turbocharged housing demand.
00:44:43 --> 00:44:46: Because I'm going to show you later some of the
00:44:46 --> 00:44:49: demographic trends in the population by age.
00:44:49 --> 00:44:52: That was with us before the pandemic that was whistled
00:44:52 --> 00:44:54: with us throughout the pandemic.
00:44:54 --> 00:44:57: And that's going to follow us out of the pandemic.
00:44:57 --> 00:45:00: This is really the thing that I've identified as.
00:45:00 --> 00:45:02: The big game changer of why we think home sales
00:45:02 --> 00:45:03: have been so good.

00:45:03 --> 00:45:06: Now we've been through about 12 months of work from
00:45:06 --> 00:45:08: home as the vaccine rolls out.
00:45:08 --> 00:45:11: We know some companies you think Goldman Sachs or Google.
00:45:11 --> 00:45:14: They're saying people are not going to work from home
00:45:14 --> 00:45:15: forever.
00:45:15 --> 00:45:18: I think Goldman says this is an aberration and we're
00:45:18 --> 00:45:20: going to fix this as soon as possible.
00:45:20 --> 00:45:23: But then you have other companies Spotify Salesforce that are
00:45:23 --> 00:45:24: saying take the salary,
00:45:24 --> 00:45:27: take the salary and move wherever you want to.
00:45:27 --> 00:45:30: We're OK. You guys were efficient at home and we
00:45:30 --> 00:45:30: don't.
00:45:30 --> 00:45:32: We're not bothered by that.
00:45:32 --> 00:45:35: So you are going to see some differing trends on
00:45:35 --> 00:45:36: that front,
00:45:36 --> 00:45:38: but what we do know is managers and employees do
00:45:38 --> 00:45:41: want more flexibility in the future.
00:45:41 --> 00:45:44: Generally speaking, people want to continue to have the ability
00:45:44 --> 00:45:47: to work from home two to three days a week,
00:45:47 --> 00:45:51: which again can impact where and how people want to
00:45:51 --> 00:45:51: live.
00:45:51 --> 00:45:54: Now to talk about how work from home is what
00:45:54 --> 00:45:56: turbocharged the housing market.
00:45:56 --> 00:45:59: You can see this here when you ask people why
00:45:59 --> 00:46:02: have you moved or why are you planning on moving
00:46:02 --> 00:46:03: the working population.
00:46:03 --> 00:46:07: Those between 25 and 64 said it's the flexibility to
00:46:07 --> 00:46:08: work from anywhere.
00:46:08 --> 00:46:11: I actually had the news on this morning and I
00:46:11 --> 00:46:14: heard a stat that was really remarkable based on post
00:46:14 --> 00:46:15: office data,
00:46:15 --> 00:46:18: it said that 30% of people moved over the past
00:46:18 --> 00:46:18: year.
00:46:18 --> 00:46:20: Then the second answer is,
00:46:20 --> 00:46:23: well, why you planning on moving or why have you?
00:46:23 --> 00:46:26: Buy, rent or mortgage is too expensive and you're going
00:46:26 --> 00:46:29: to start to see some conflicting things of what people
00:46:29 --> 00:46:29: want.
00:46:29 --> 00:46:31: 'cause when you survey people and say,
00:46:31 --> 00:46:34: alright, you know we're working from home or our lifestyle

00:46:34 --> 00:46:34: is changed.
00:46:34 --> 00:46:36: What do you want in your home?
00:46:36 --> 00:46:41: No surprise, 30% of respondents wanted dedicated office space,
00:46:41 --> 00:46:45: 30% larger home, 30% went home with more rooms.
00:46:45 --> 00:46:47: But then 30% want a more affordable home,
00:46:47 --> 00:46:51: and so we know consumers have always wanted it all,
00:46:51 --> 00:46:53: but it's really become this heightened that hey,
00:46:53 --> 00:46:56: you know before the office was kind of,
00:46:56 --> 00:46:58: you know, an OK to push aside.
00:46:58 --> 00:47:01: Now that almost becomes a non-negotiable or at least having
00:47:01 --> 00:47:02: some space,
00:47:02 --> 00:47:06: it doesn't necessarily have to be a dedicated office space.
00:47:06 --> 00:47:08: But how do we as a new home market?
00:47:08 --> 00:47:11: How are we able to position ourselves to capture all
00:47:11 --> 00:47:13: of these different ones?
00:47:13 --> 00:47:14: And one of the obvious,
00:47:14 --> 00:47:17: and I think also a slightly more risky one,
00:47:17 --> 00:47:20: is moving further away from the central business district.
00:47:20 --> 00:47:22: And So what you're looking at here?
00:47:22 --> 00:47:24: I know it's a lot of data.
00:47:24 --> 00:47:26: I know it, but if you can look at your
00:47:26 --> 00:47:26: market,
00:47:26 --> 00:47:28: you'll be able to see the trends,
00:47:28 --> 00:47:31: what it's showing you is the average sales rate per
00:47:31 --> 00:47:35: community at different distances from the central business district,
00:47:35 --> 00:47:38: and then in the brackets in the parentheses you're seeing
00:47:38 --> 00:47:41: the year over year change compared to last year.
00:47:41 --> 00:47:43: So let me square off the different points.
00:47:43 --> 00:47:46: Of these individual markets that we've seen,
00:47:46 --> 00:47:48: the biggest growth rate year over year,
00:47:48 --> 00:47:50: the most increase in sales,
00:47:50 --> 00:47:52: and you can see in some cases there is a
00:47:52 --> 00:47:56: sweet spot that's still close to the central business district.
00:47:56 --> 00:47:59: It's not that everyone is shifting away from downtown,
00:47:59 --> 00:48:02: but you can see more square or rectangles around the
00:48:02 --> 00:48:04: markets further away from downtown,
00:48:04 --> 00:48:07: to the point that if you look for the best
00:48:07 --> 00:48:07: sellers,
00:48:07 --> 00:48:10: 70% of the best sellers right now are 30 plus
00:48:10 --> 00:48:11: miles from downtown,
00:48:11 --> 00:48:16: and you're seeing this across different markets across

different geographies.
00:48:16 --> 00:48:18: In the country that is a shift compared to what
00:48:18 --> 00:48:19: we saw last year,
00:48:19 --> 00:48:21: and so when we talk in the next section about
00:48:21 --> 00:48:24: where are we going to find land and how are
00:48:24 --> 00:48:26: we going to be able to backfill some of this
00:48:26 --> 00:48:29: inventory? That discussion of moving a little bit further away?
00:48:29 --> 00:48:32: Maybe some land deals that were off the table a
00:48:32 --> 00:48:34: year ago become a little bit more viable,
00:48:34 --> 00:48:37: or become a little bit more interesting today.
00:48:37 --> 00:48:40: Assuming that at least there's some kind of permanence in
00:48:40 --> 00:48:43: the way that people have shifted their mindset over the
00:48:43 --> 00:48:44: past year.
00:48:44 --> 00:48:46: So as we look at supply and now we talked
00:48:46 --> 00:48:47: high level about it,
00:48:47 --> 00:48:49: now I kind of want to talk about the future
00:48:49 --> 00:48:50: of inventory.
00:48:50 --> 00:48:53: The good news is it's obviously not like last cycle,
00:48:53 --> 00:48:56: so if you think back to 2008 there were 14.5
00:48:56 --> 00:48:58: units for sale for every home sold.
00:48:58 --> 00:49:00: So when the music stopped,
00:49:00 --> 00:49:03: builders had inventory. Still, you looked at the existing home
00:49:03 --> 00:49:04: side.
00:49:04 --> 00:49:07: There were some foreclosures. You saw the prices come down,
00:49:07 --> 00:49:10: you sell the confidence that was related to that.
00:49:10 --> 00:49:12: The loss of wealth for some individuals.
00:49:12 --> 00:49:15: And it became this vicious cycle.
00:49:15 --> 00:49:18: This time around there's 2.4 units for sale for every
00:49:18 --> 00:49:19: home sold,
00:49:19 --> 00:49:21: so it's not like last cycle,
00:49:21 --> 00:49:25: but it doesn't mean this doesn't come with its own
00:49:25 --> 00:49:28: set of issues because we're hearing these issues on a
00:49:29 --> 00:49:30: regular basis.
00:49:30 --> 00:49:31: When we look at lot supply,
00:49:31 --> 00:49:34: so one of the things that we hear often is
00:49:34 --> 00:49:34: Oh well,
00:49:34 --> 00:49:37: builders should just build more homes.
00:49:37 --> 00:49:40: OK, well it's not that easy because when you look
00:49:40 --> 00:49:42: at vacant developed lots,
00:49:42 --> 00:49:44: these are lots that can be turned into a start
00:49:45 --> 00:49:45: tomorrow.

00:49:45 --> 00:49:48: They are at historically low levels and then you look
00:49:48 --> 00:49:52: at it by market and you basically see every market
00:49:52 --> 00:49:54: across the country that we have.
00:49:54 --> 00:49:58: This lot supply index for the markets are considered significantly
00:49:58 --> 00:49:59: under supplied.
00:49:59 --> 00:50:02: So just like. Builders were surprised how strong the housing
00:50:02 --> 00:50:03: market was,
00:50:03 --> 00:50:06: so were developers. None of us planned for this kind
00:50:06 --> 00:50:06: of growth.
00:50:06 --> 00:50:09: So then you look at upcoming lots so they can
00:50:09 --> 00:50:10: develop lots.
00:50:10 --> 00:50:12: You know it's down and and there's certainly a land
00:50:12 --> 00:50:15: grab on that side when you look at total upcoming
00:50:15 --> 00:50:18: lots we look at this in three different phases.
00:50:18 --> 00:50:20: We look at total upcoming lots that are in the
00:50:20 --> 00:50:20: world,
00:50:20 --> 00:50:24: work, road work phase, that will turn into vacant developed
00:50:24 --> 00:50:26: lots for home builders within six months.
00:50:26 --> 00:50:27: That's up 8% year over year.
00:50:27 --> 00:50:30: You can see this on the chart to the right,
00:50:30 --> 00:50:31: but then you look at excavation.
00:50:31 --> 00:50:34: Those are vacant, developed lots that can turn into that
00:50:35 --> 00:50:36: can turn into bacon,
00:50:36 --> 00:50:38: develop lots for home builders in 12 months.
00:50:38 --> 00:50:40: 7% year over year total.
00:50:40 --> 00:50:42: Upcoming lots combined altogether down 1%
00:50:42 --> 00:50:45: year over year so we have to recognize that the
00:50:45 --> 00:50:48: undersupply isn't going to fix itself overnight.
00:50:48 --> 00:50:51: We know the public center better position in a lot
00:50:51 --> 00:50:54: of cases still have land to bring them through the
00:50:54 --> 00:50:55: next few years,
00:50:55 --> 00:50:57: so there's some support beyond that,
00:50:57 --> 00:51:00: but just know that to think that it's all going
00:51:00 --> 00:51:01: to be solved real quick.
00:51:01 --> 00:51:04: At least the data doesn't support that kind of thesis
00:51:05 --> 00:51:07: in terms of bringing more homes to the market,
00:51:07 --> 00:51:10: at least right away. So again,
00:51:10 --> 00:51:12: what can we see on the existing home side?
00:51:12 --> 00:51:14: And there's this interesting dynamic.
00:51:14 --> 00:51:16: Some of you may know it as game theory or
00:51:16 --> 00:51:17: prisoners dilemma,

00:51:17 --> 00:51:19: which is the idea that if I want to sell
00:51:19 --> 00:51:22: my home and I look on Zillow and I don't
00:51:22 --> 00:51:23: see any homes on the market,
00:51:23 --> 00:51:26: I'm not going to sell my home because I don't
00:51:26 --> 00:51:28: want to sell it and not have anywhere to move
00:51:28 --> 00:51:28: to.
00:51:28 --> 00:51:31: But let's say my neighbor is doing the same thing
00:51:31 --> 00:51:33: my neighbor wants to sell their home,
00:51:33 --> 00:51:36: but they look until they see there's nothing on the
00:51:36 --> 00:51:38: market they don't want to put their home on the
00:51:38 --> 00:51:40: market and not have anywhere to move to.
00:51:40 --> 00:51:43: You can see how this starts to this idea that
00:51:43 --> 00:51:44: no one's moving.
00:51:44 --> 00:51:47: No ones putting their homes on the market is keeping
00:51:47 --> 00:51:49: overall inventory levels down and what breaks it.
00:51:49 --> 00:51:51: How can we forecast this out?
00:51:51 --> 00:51:54: I'm sure some of you have other ideas for this
00:51:54 --> 00:51:54: as well.
00:51:54 --> 00:51:56: A few of them that came to my mind is
00:51:56 --> 00:52:00: maybe it's the vaccines because we know some people have
00:52:00 --> 00:52:03: legitimately said I don't want strangers in my home right
00:52:03 --> 00:52:05: now, so I'm not going to list my home because
00:52:06 --> 00:52:09: I don't feel comfortable that could break it as vaccines
00:52:09 --> 00:52:11: get rolled out more across the country.
00:52:11 --> 00:52:14: It could be enough. People having a lifestyle change so.
00:52:14 --> 00:52:16: You know, I'm I'm retiring or I'm having a kid
00:52:16 --> 00:52:19: or I'm moving and maybe that puts homes on the
00:52:19 --> 00:52:21: market to help keeping transactions going.
00:52:21 --> 00:52:23: Or maybe it's slowing home price appreciation.
00:52:23 --> 00:52:25: Maybe there are some people that are waiting and saying,
00:52:25 --> 00:52:27: you know, I think I would leave money on the
00:52:27 --> 00:52:29: table if I sold right now.
00:52:29 --> 00:52:31: So I want to wait 'cause things keep going up
00:52:31 --> 00:52:33: so there are a lot of things that we have
00:52:33 --> 00:52:33: to monitor.
00:52:33 --> 00:52:35: An if there is more existing home inventory,
00:52:35 --> 00:52:38: not necessarily bad for us in the new home market
00:52:38 --> 00:52:40: because it really just means there's more transactions.
00:52:40 --> 00:52:43: There's more people moving.
00:52:43 --> 00:52:45: For my final section, I'm going to try to breeze
00:52:45 --> 00:52:46: through this.
00:52:46 --> 00:52:48: I know I'm running a little long on time.

00:52:48 --> 00:52:51: For final thoughts, I think the first thing we have
00:52:51 --> 00:52:53: to acknowledge is what I talked about earlier.
00:52:53 --> 00:52:56: Rates have gone higher, we no longer have it to
00:52:56 --> 00:52:56: handle.
00:52:56 --> 00:52:57: We're now with a 3%
00:52:57 --> 00:52:59: interest rate, which I know a lot of you will
00:52:59 --> 00:53:02: laugh and tell me a story about how the first
00:53:02 --> 00:53:03: time you bought was 15%,
00:53:03 --> 00:53:05: but we do know that there is a mindset of
00:53:05 --> 00:53:08: going between 2:00 to 3:00 and then three to three
00:53:08 --> 00:53:10: and a half and three and a half to four.
00:53:10 --> 00:53:13: Those numbers do become scary for some of the generations
00:53:13 --> 00:53:16: that haven't experienced those really high interest rates.
00:53:16 --> 00:53:19: But they're actually going up for good reasons,
00:53:19 --> 00:53:22: and the good reason is that bond investors are saying,
00:53:22 --> 00:53:24: wow, you know, we put all this money into the
00:53:24 --> 00:53:25: system.
00:53:25 --> 00:53:26: The economy is on a path forward.
00:53:26 --> 00:53:29: This is awesome and so there pushing the 10 year
00:53:29 --> 00:53:30: Treasury up.
00:53:30 --> 00:53:33: Usually the 30 year fixed rate mortgage is linked to
00:53:33 --> 00:53:35: that and you see them move in tandem.
00:53:35 --> 00:53:38: Now our forecast is for the 30 year fixed rate
00:53:38 --> 00:53:40: mortgage to average 3.2%
00:53:40 --> 00:53:43: throughout this year. I will say this is partly because
00:53:43 --> 00:53:46: of what we believe the Federal Reserve can do.
00:53:46 --> 00:53:49: We know that the Fed is meeting tomorrow well today
00:53:49 --> 00:53:53: and tomorrow they're going to come out and they're going
00:53:53 --> 00:53:55: to say what they're going to do.
00:53:55 --> 00:53:58: Rates there's this talk that they are maybe going to
00:53:58 --> 00:54:00: start raising rates in 2023,
00:54:00 --> 00:54:03: but before then, if investors push rates up too high,
00:54:03 --> 00:54:06: the Federal Reserve can do Operation Twist.
00:54:06 --> 00:54:09: They can buy more longer dated bonds to bring that
00:54:09 --> 00:54:11: down to keep interest rates in check,
00:54:11 --> 00:54:13: which is why we're saying 3.2%
00:54:13 --> 00:54:16: for the year. I will say the highest I've heard,
00:54:16 --> 00:54:20: and it's from 2 very reputable organizations in our industry.
00:54:20 --> 00:54:22: They're saying 3.5%. So as you can hear,
00:54:22 --> 00:54:26: still very low levels just up from the levels that
00:54:26 --> 00:54:27: we're at today.

00:54:27 --> 00:54:29: But I do a lot of presentations and I've had
00:54:29 --> 00:54:31: a lot of people say.
00:54:31 --> 00:54:33: You know what rates aren't going to rise.
00:54:33 --> 00:54:36: They're going to stay exactly where they are.
00:54:36 --> 00:54:37: If you're in that camp,
00:54:37 --> 00:54:39: that's OK. You know everyone's forecasting.
00:54:39 --> 00:54:42: We're all just trying to figure it out,
00:54:42 --> 00:54:44: but what I would say is don't assume if rates
00:54:44 --> 00:54:47: don't rise that you're not going to lose people along
00:54:47 --> 00:54:48: the way.
00:54:48 --> 00:54:49: If just home prices rise alone,
00:54:49 --> 00:54:52: you can see to the far right how many people
00:54:52 --> 00:54:53: get priced out.
00:54:53 --> 00:54:54: If prices go up 5%
00:54:54 --> 00:54:56: from today, 10% from today,
00:54:56 --> 00:54:58: 15% from today, just based on home prices.
00:54:58 --> 00:55:02: You do start to see that buyer pool come down.
00:55:02 --> 00:55:04: We do think there's other risks,
00:55:04 --> 00:55:08: whether that's wallet share of people going back and spending
00:55:08 --> 00:55:11: money outside their home and spending money on services and
00:55:11 --> 00:55:14: not as concerned about their home like we were this
00:55:14 --> 00:55:17: year. The headline effect of numbers going negative year over
00:55:17 --> 00:55:18: year,
00:55:18 --> 00:55:21: commercial real estate space, a whole bunch of things,
00:55:21 --> 00:55:23: building material costs, labor shortages,
00:55:23 --> 00:55:27: you name him. But also we recognize the stock market,
00:55:27 --> 00:55:30: the savings, the stimulus, the revitalization of the bottom half
00:55:30 --> 00:55:31: of the K,
00:55:31 --> 00:55:34: that we started our presentation with the demographics.
00:55:34 --> 00:55:36: A lot of these I'll show you our forecast in
00:55:36 --> 00:55:39: a minute as we roll these together and we look
00:55:39 --> 00:55:43: at the demographic opportunities and we acknowledge that they've never
00:55:43 --> 00:55:46: been better. We know that Millennials are now 29 and
00:55:46 --> 00:55:46: 30.
00:55:46 --> 00:55:49: They're having kids. They're getting married.
00:55:49 --> 00:55:52: They're buying homes. And it's not just the millennials.
00:55:52 --> 00:55:54: You see the Gen X are is more active than
00:55:54 --> 00:55:55: we've seen in years.
00:55:55 --> 00:55:59: You see, the baby boomers hitting their lifestyle change.

00:55:59 --> 00:56:01: And then of course, coming up our Gen Z Group
00:56:01 --> 00:56:04: that are about 20 and younger right now that haven't
00:56:04 --> 00:56:08: even really started purchasing homes were rolling all that together
00:56:08 --> 00:56:11: and we feel pretty good with the direction of the
00:56:11 --> 00:56:13: economy and the housing market.
00:56:13 --> 00:56:16: Now I should say there are two different camps for
00:56:16 --> 00:56:19: where the housing market is going to go right now.
00:56:19 --> 00:56:22: Generally camp one is we hit this really good level
00:56:22 --> 00:56:25: and we stay at a really good level camp two
00:56:25 --> 00:56:27: as we hit a really good level and then we
00:56:27 --> 00:56:30: just keep going up. We're in camp.
00:56:30 --> 00:56:33: One of those two annual find really good experts in
00:56:33 --> 00:56:34: both of those camps.
00:56:34 --> 00:56:37: So that's I think what you should expect as you
00:56:37 --> 00:56:38: see different forecasts.
00:56:38 --> 00:56:40: But our forecast for 2021 is a 12.5%
00:56:40 --> 00:56:43: increase in single family housing starts.
00:56:43 --> 00:56:44: Some of these starts though,
00:56:44 --> 00:56:47: do know that they are homes that have been put
00:56:47 --> 00:56:48: under contract.
00:56:48 --> 00:56:51: Maybe earlier this year or maybe last year and they
00:56:51 --> 00:56:52: haven't started yet,
00:56:52 --> 00:56:54: so this isn't necessarily 13%
00:56:54 --> 00:56:56: more inventory that's hitting the market.
00:56:56 --> 00:57:00: Some of this is servicing contracts that have already been
00:57:00 --> 00:57:01: signed.
00:57:01 --> 00:57:03: And then for home sales we have a 6.7%
00:57:03 --> 00:57:04: increase in new home sales.
00:57:04 --> 00:57:06: What we want to acknowledge,
00:57:06 --> 00:57:09: of course, is that supply is the limiting factor as
00:57:09 --> 00:57:13: we talked about community count being down should be reversing
00:57:13 --> 00:57:16: trend as builders buy more land and as developers get
00:57:16 --> 00:57:19: really active. But we know that the capping sales is
00:57:19 --> 00:57:21: going to remain and we know that there still is
00:57:21 --> 00:57:25: enough downward pressure on supply right now to stop sales
00:57:25 --> 00:57:28: from really just Sky rocketing forward.
00:57:28 --> 00:57:31: So with that Christopher, if you're there,
00:57:31 --> 00:57:33: I'd like to bring you in to see if we
00:57:33 --> 00:57:34: have any questions.
00:57:37 --> 00:57:39: Well, thanks so much, Allie.
00:57:39 --> 00:57:42: Lots of information to digest there and really appreciate it.

00:57:42 --> 00:57:44: And hello everyone, I'm Christopher Tony.
00:57:44 --> 00:57:48: I'm the executive director of the Terwilliger Center for Housing
00:57:48 --> 00:57:51: and we're really excited to have everybody with us today
00:57:51 --> 00:57:55: for this opening session of our Housing Opportunity conference.
00:57:55 --> 00:57:57: And we do have a number of questions from the
00:57:57 --> 00:57:59: audience and for folks in the audience.
00:57:59 --> 00:58:04: I hope please you'll continue entering questions into the chat.
00:58:04 --> 00:58:06: 1st I have a question from David.
00:58:06 --> 00:58:08: I'll expand a little bit on your.
00:58:08 --> 00:58:11: Your presentation obviously is talked a lot about shifts in
00:58:11 --> 00:58:15: demand around single family housing and the economics that you're
00:58:15 --> 00:58:18: seeing in that can you draw some conclusions about what's
00:58:18 --> 00:58:20: happening on the multifamily side.
00:58:20 --> 00:58:24: From what you're seeing happening in single and single family,
00:58:24 --> 00:58:26: do you? What kind of how many of buyers are
00:58:26 --> 00:58:29: you seeing or coming from multi family as opposed to
00:58:29 --> 00:58:32: current owners who are moving to different spaces?
00:58:32 --> 00:58:36: And what kind of trends are you seeing on the
00:58:36 --> 00:58:37: multifamily?
00:58:37 --> 00:58:39: Yeah, so this is a great question and for anyone
00:58:39 --> 00:58:42: that doesn't know we have Kimberly Byram who is a
00:58:42 --> 00:58:45: principle in our team who is our multifamily experts in?
00:58:45 --> 00:58:47: So Luckily Kimberly and I are really good friends and
00:58:47 --> 00:58:49: we talk on a regular basis and she shares a
00:58:50 --> 00:58:52: lot of different stats with me on the multifamily side.
00:58:52 --> 00:58:55: So the first thing I would acknowledge is this idea
00:58:55 --> 00:58:57: that I'm going to start kind of high level and
00:58:57 --> 00:59:00: then I'll go down to some specifics crisper with the
00:59:00 --> 00:59:02: extra question that you added.
00:59:02 --> 00:59:04: The first thing is our multi family practice has never
00:59:04 --> 00:59:05: been busier,
00:59:05 --> 00:59:07: so it's there's a lot of talk that.
00:59:07 --> 00:59:10: Multi family, you know all the developers have stopped and
00:59:10 --> 00:59:12: no one wants to go into that space anymore.
00:59:12 --> 00:59:15: At least that's not what we're seeing on the ground
00:59:15 --> 00:59:16: where were very very busy.
00:59:16 --> 00:59:19: Interesting Lee are one of actually we have a lot
00:59:19 --> 00:59:22: of active studies in NYC and so when you talk
00:59:22 --> 00:59:24: about oh everyones leaving New York City and no one

00:59:24 --> 00:59:26: wants to live there anymore,
00:59:26 --> 00:59:29: we're actually getting a lot of studies in New York
00:59:29 --> 00:59:29: City,
00:59:29 --> 00:59:32: to which I think would surprise surprise me to be
00:59:32 --> 00:59:34: honest and so I think that's a good trend.
00:59:34 --> 00:59:37: Third is Kimberly goes through a lot of the public
00:59:37 --> 00:59:39: earnings calls and what she pulls out.
00:59:39 --> 00:59:41: They have a section. It's not always reported on a
00:59:41 --> 00:59:42: regular basis,
00:59:42 --> 00:59:43: but what she sent me.
00:59:43 --> 00:59:46: I think it was last week is that their percent
00:59:46 --> 00:59:47: of renters that have left.
00:59:47 --> 00:59:48: You know, when you leave,
00:59:48 --> 00:59:51: you did a survey at some of these communities.
00:59:51 --> 00:59:53: The percent of runners that left to purchase a home
00:59:53 --> 00:59:54: is up a little bit,
00:59:54 --> 00:59:56: but if you looked at it on a graph and
00:59:56 --> 00:59:58: if you looked at it in history,
00:59:58 --> 01:00:00: you wouldn't be able to point out,
01:00:00 --> 01:00:02: oh, that was covid. That's when everyone left the rental
01:00:02 --> 01:00:05: community and went into the for sale community.
01:00:05 --> 01:00:07: So I would say there are some household formations.
01:00:07 --> 01:00:09: Again, I'm using anecdotes here,
01:00:09 --> 01:00:11: but. A lot of my friends lived with their parents
01:00:11 --> 01:00:13: and now they bought a home because they were able
01:00:13 --> 01:00:16: to live with their parents and they were able to
01:00:16 --> 01:00:17: save money. So that's a component.
01:00:17 --> 01:00:20: Certainly there are people leaving rentals and there's no way
01:00:20 --> 01:00:20: to deny that.
01:00:20 --> 01:00:22: But what we've seen is there's still a lot of
01:00:22 --> 01:00:25: strength when you look at Class A in particular.
01:00:27 --> 01:00:30: Great thank you for that and this is from Rob
01:00:30 --> 01:00:31: as a as a whole.
01:00:31 --> 01:00:34: We've seen incomes increase. Can you talk a little bit
01:00:34 --> 01:00:37: about the what the changes have been at different quintile
01:00:37 --> 01:00:40: levels so so you talk some about the case shape
01:00:40 --> 01:00:42: recovery from kind of industry perspective?
01:00:42 --> 01:00:46: What about from that individual perspective?
01:00:46 --> 01:00:47: Yeah, So what? I would advise,
01:00:47 --> 01:00:50: I don't know how many people actually dig into the
01:00:50 --> 01:00:52: Bureau of Labor Statistics report,
01:00:52 --> 01:00:55: but they have a wage data component that they released

01:00:55 --> 01:00:57: the first Friday of every month.
01:00:57 --> 01:00:59: That data is shot. It's not worth looking at right
01:00:59 --> 01:01:01: now because to that question exactly,
01:01:01 --> 01:01:04: it looks like wages by that measure are up,
01:01:04 --> 01:01:06: but that's just because you've had some of the job
01:01:06 --> 01:01:09: losses come at the lower income spectrum,
01:01:09 --> 01:01:11: and so when you're taking out the lower income and
01:01:11 --> 01:01:13: only keeping in the high income,
01:01:13 --> 01:01:15: it looks like the numbers are up.
01:01:15 --> 01:01:17: So a different way to look at it is the
01:01:17 --> 01:01:18: personal income.
01:01:18 --> 01:01:21: And being able to track what happens.
01:01:21 --> 01:01:23: Again, even if someone has lost a home,
01:01:23 --> 01:01:24: this is not trying to be.
01:01:24 --> 01:01:26: We shouldn't have done this,
01:01:26 --> 01:01:28: or we should have. I'm not trying to take a
01:01:28 --> 01:01:29: stance on it,
01:01:29 --> 01:01:32: but that extra $600 every single week that we gave
01:01:32 --> 01:01:34: to unemployed in people more than 60%
01:01:34 --> 01:01:36: of people were earning more on unemployment.
01:01:36 --> 01:01:39: Then they weren't so they actually saw their income go
01:01:39 --> 01:01:39: up.
01:01:39 --> 01:01:41: It went to 400 and now it's at 300 extra.
01:01:41 --> 01:01:44: So you still have some people that surprisingly even on
01:01:45 --> 01:01:46: the bottom half of the K.
01:01:46 --> 01:01:48: Even the lower income that have done OK.
01:01:48 --> 01:01:51: I think one other thing that I'll hit on and.
01:01:51 --> 01:01:52: I don't have data on it,
01:01:52 --> 01:01:55: but it's it's eating me alive that I can't actually
01:01:55 --> 01:01:56: provide stats on it.
01:01:56 --> 01:01:57: I don't know about you guys,
01:01:57 --> 01:02:00: but I feel like people are gonna judge me for
01:02:00 --> 01:02:00: this.
01:02:00 --> 01:02:03: But there are some people that continued to work through
01:02:03 --> 01:02:05: the pandemic that maybe shouldn't have.
01:02:05 --> 01:02:08: Like maybe a hair stylist or a trainer or something
01:02:08 --> 01:02:08: like that.
01:02:08 --> 01:02:11: They were able to get their unemployment insurance and they
01:02:11 --> 01:02:12: had clients.
01:02:12 --> 01:02:15: So for those lucky individuals that were service sector that
01:02:15 --> 01:02:18: they could wear masks and they could still work.

01:02:18 --> 01:02:19: They actually did OK too.
01:02:19 --> 01:02:22: So some people in the bottom half they did better.
01:02:22 --> 01:02:24: A lot of people in the top applicated better.
01:02:24 --> 01:02:26: Some people are not doing well and there's food lines
01:02:26 --> 01:02:28: and I don't want to ignore that.
01:02:28 --> 01:02:31: That's happening too because we certainly know there are some
01:02:31 --> 01:02:34: people that couldn't work through the unemployment system or got
01:02:34 --> 01:02:35: blocked out or whatever,
01:02:35 --> 01:02:36: and they weren't able to make money.
01:02:36 --> 01:02:40: So I want to acknowledge their hurting as well.
01:02:40 --> 01:02:43: Great and and this question comes from Gabriel and I
01:02:43 --> 01:02:46: think we're hearing a lot of this debate happening right
01:02:46 --> 01:02:49: now with the amount of stimulus that has been put
01:02:49 --> 01:02:52: into the economy. What are your expectations around inflation and
01:02:52 --> 01:02:53: are you?
01:02:53 --> 01:02:56: Are you expecting to see this and what kind of
01:02:56 --> 01:02:59: what are the biggest issues that you would see around
01:03:00 --> 01:03:00: rising prices?
01:03:00 --> 01:03:03: Yeah, OK, so this is what this was really interesting
01:03:03 --> 01:03:04: and fun.
01:03:04 --> 01:03:06: So what we're seeing right now is that we're seeing
01:03:06 --> 01:03:07: price increases now.
01:03:07 --> 01:03:10: You can't necessarily say inflation when it's certain sectors of
01:03:10 --> 01:03:11: the economy.
01:03:11 --> 01:03:13: Inflation needs be everything to be technical,
01:03:13 --> 01:03:16: but what we're seeing is that the goods economy that
01:03:16 --> 01:03:19: we talked about that is thriving right now is where
01:03:19 --> 01:03:22: you're seeing the most cost increases on the building materials.
01:03:22 --> 01:03:25: And then you're also seeing that translate into higher prices
01:03:25 --> 01:03:26: for consumers.
01:03:26 --> 01:03:28: So we believe that that's going to continue to be
01:03:28 --> 01:03:28: there.
01:03:28 --> 01:03:31: But what we talked about is that wallet share.
01:03:31 --> 01:03:34: So while there has been price increases on the goods
01:03:34 --> 01:03:35: based economy,
01:03:35 --> 01:03:38: we're now going to have price increases on the service
01:03:38 --> 01:03:41: economy as we all try to go on planes and
01:03:41 --> 01:03:43: we try to go to hotels and we try to
01:03:43 --> 01:03:45: live our life normal again.

01:03:45 --> 01:03:47: So I think there will be a period where there's
01:03:47 --> 01:03:51: price increases that appears to be inflation on the goods
01:03:51 --> 01:03:52: and services side,
01:03:52 --> 01:03:55: and I think that will hit pretty hard this year.
01:03:55 --> 01:03:57: I do believe it will normalize,
01:03:57 --> 01:03:59: maybe that's 12 months from now.
01:03:59 --> 01:04:01: Maybe that's 18 months from now,
01:04:01 --> 01:04:05: but I would say. Expect really alarming inflation numbers in
01:04:05 --> 01:04:07: the coming six months.
01:04:09 --> 01:04:11: Uhm?
01:04:11 --> 01:04:15: This next question is from Scott Scott asks what sort
01:04:15 --> 01:04:19: of historically low level will zoning begin to accommodate innovative
01:04:19 --> 01:04:20: uses for space?
01:04:20 --> 01:04:25: For example, turning manufacturing zones in your residential water from
01:04:25 --> 01:04:27: peers and the foundations of River,
01:04:27 --> 01:04:29: etc.
01:04:29 --> 01:04:31: Where you live.
01:04:31 --> 01:04:34: The easiest depends on if your city is more pro
01:04:34 --> 01:04:35: pro growth.
01:04:35 --> 01:04:38: I think you're still seeing some cities that are going
01:04:38 --> 01:04:40: to be elected in some cities that are going to
01:04:40 --> 01:04:41: be open to it.
01:04:41 --> 01:04:44: Also, the creative destruction that will come out of some
01:04:44 --> 01:04:46: of the commercial real estate space.
01:04:46 --> 01:04:48: If you can get some kind of rezoning on any
01:04:48 --> 01:04:49: of that space too,
01:04:49 --> 01:04:52: I think I would be Pollyanna to say yes,
01:04:52 --> 01:04:55: I I think there is certainly a chance that you'll
01:04:55 --> 01:04:57: have some cities that reevaluate that.
01:04:57 --> 01:04:59: Now.
01:04:59 --> 01:05:04: One another question related to to the price pricing question
01:05:04 --> 01:05:05: increases.
01:05:05 --> 01:05:08: Push up down payments.
01:05:08 --> 01:05:12: Those aren't offset by falling rates of increases in savings
01:05:12 --> 01:05:16: and income than sufficient to allow buyers to take advantage
01:05:16 --> 01:05:17: of lower rates.
01:05:17 --> 01:05:19: I'm sorry the question you say about death.
01:05:22 --> 01:05:23: It was good. It was a little different than direction.
01:05:23 --> 01:05:26: I thought it was. I'm sorry.
01:05:26 --> 01:05:30: I the question is.

01:05:30 --> 01:05:33: Price increases push up down payments which aren't offset by
01:05:33 --> 01:05:37: falling rates and the increases in savings and income insufficient
01:05:37 --> 01:05:39: to allow buyers to take advantage of the lower rates.
01:05:39 --> 01:05:41: What I've heard so far is no doubt,
01:05:41 --> 01:05:44: yes. I've talked to builders and one question that I
01:05:44 --> 01:05:46: always want to ask if anyone has insight,
01:05:46 --> 01:05:49: share it with me, but I keep asking builders what
01:05:49 --> 01:05:51: are you seeing in terms of down payment or are
01:05:51 --> 01:05:54: you seeing that the down payment numbers are going up
01:05:54 --> 01:05:56: like people are coming with a higher down payment and
01:05:56 --> 01:05:59: the answer is sometimes the answer isn't always the answer
01:05:59 --> 01:06:00: is.
01:06:00 --> 01:06:02: You know, people often want to put down as low
01:06:02 --> 01:06:04: of a down payment as they can,
01:06:04 --> 01:06:05: but to the point of the question,
01:06:05 --> 01:06:08: you also want to be able to adjust your monthly
01:06:08 --> 01:06:09: payment so if you're able to,
01:06:09 --> 01:06:10: instead of put 3% down.
01:06:10 --> 01:06:12: Put 10% down. I know that sounds like a big
01:06:13 --> 01:06:13: jump,
01:06:13 --> 01:06:15: but we've had a lot of reasons why people could
01:06:15 --> 01:06:16: save more money.
01:06:16 --> 01:06:18: We have seen that there has been an offset there.
01:06:18 --> 01:06:20: It doesn't mean it can go on forever,
01:06:20 --> 01:06:24: but I would say that's what we're seeing so far.
01:06:24 --> 01:06:28: And this question is from Evangelion touches on a really
01:06:28 --> 01:06:29: important topic,
01:06:29 --> 01:06:32: kind of societally, as well as at our conference this
01:06:32 --> 01:06:32: week,
01:06:32 --> 01:06:36: which is equity. And do you have any information regarding
01:06:36 --> 01:06:39: home sells in African American communities?
01:06:39 --> 01:06:43: We know those were particularly hard hit by that financial
01:06:43 --> 01:06:43: crisis,
01:06:43 --> 01:06:47: and so are you seeing any any movement or opportunity
01:06:47 --> 01:06:48: there?
01:06:48 --> 01:06:50: So what I would say is not only were they
01:06:50 --> 01:06:53: particularly hit during the financial crisis,
01:06:53 --> 01:06:55: if you look at the data,
01:06:55 --> 01:06:59: you're still seeing that minorities have the highest unemployment rate
01:06:59 --> 01:07:00: across the country.

01:07:00 --> 01:07:04: Generally. Actually African American men are are very badly hit
01:07:04 --> 01:07:06: when you look at the numbers,
01:07:06 --> 01:07:09: and you charted out what I would say from this.
01:07:09 --> 01:07:12: I don't have actual data on home sales on that
01:07:12 --> 01:07:12: front,
01:07:12 --> 01:07:15: but I'll say is I have been part of discussions
01:07:16 --> 01:07:16: from both.
01:07:16 --> 01:07:19: Bank of America and JP Morgan Chase where they have
01:07:20 --> 01:07:24: really strong community initiatives where I have met with Community
01:07:24 --> 01:07:28: leaders that have wanted to improve access to homeownership or
01:07:28 --> 01:07:32: minorities through different education levels and and in some cases
01:07:32 --> 01:07:35: they they had a lot of their websites that weren't
01:07:35 --> 01:07:36: in English.
01:07:36 --> 01:07:38: So if people had any kind of barriers,
01:07:38 --> 01:07:41: they had community centers that people could go to.
01:07:41 --> 01:07:44: So I would say the mortgage lenders,
01:07:44 --> 01:07:46: especially in today's world where.
01:07:46 --> 01:07:48: All of us are trying to do our part.
01:07:48 --> 01:07:50: I've definitely seen as much as we all like to
01:07:50 --> 01:07:51: rat on the big banks.
01:07:51 --> 01:07:54: I've definitely seen that they have divisions now that are
01:07:54 --> 01:07:55: maybe they're not new,
01:07:55 --> 01:07:58: but they're definitely ramping up their activities to try to
01:07:58 --> 01:08:01: equalize that because we don't want to come out of
01:08:01 --> 01:08:03: this with very clear winners and losers,
01:08:03 --> 01:08:05: which I think we kind of are right now,
01:08:05 --> 01:08:07: but they're trying to at least level that out.
01:08:10 --> 01:08:13: Thank you for that another couple of questions,
01:08:13 --> 01:08:15: kind of policy folk focus.
01:08:15 --> 01:08:17: Do you see an opportunity?
01:08:17 --> 01:08:20: Maybe? Maybe some of the maybe some of the questions
01:08:20 --> 01:08:24: around redlining have opened up new conversations.
01:08:24 --> 01:08:26: Maybe the pandemic is open,
01:08:26 --> 01:08:30: new conversations and both Samir and Daniel have asked from
01:08:30 --> 01:08:32: kind of a policy perspective.
01:08:32 --> 01:08:36: Is there an opportunity to address things like Nimbyism is
01:08:37 --> 01:08:40: density stuffing that's off the table now?
01:08:40 --> 01:08:42: It is is there going to be an attempt to

01:08:42 --> 01:08:46: make neighborhoods less exclusive or kind of related to the
01:08:46 --> 01:08:47: Nimbyism question?
01:08:47 --> 01:08:51: Just in general, may there be an opening or a
01:08:51 --> 01:08:55: better opening in some of these policy conversations than there
01:08:55 --> 01:08:57: had been a year ago saying.
01:08:57 --> 01:08:59: So to answer policy questions,
01:08:59 --> 01:09:01: I will answer it like a politician,
01:09:01 --> 01:09:05: which is that when you look at the Biden administration's
01:09:05 --> 01:09:06: housing plan,
01:09:06 --> 01:09:08: they laid out a whole bunch of things that they
01:09:08 --> 01:09:09: want to address,
01:09:09 --> 01:09:12: and addressing redlining is one of those,
01:09:12 --> 01:09:14: and it goes back to the last question too,
01:09:14 --> 01:09:18: of being able to expand homeownership to more groups and
01:09:18 --> 01:09:20: to think about what can we do to work with
01:09:20 --> 01:09:23: cities and what can we do to really bring more
01:09:23 --> 01:09:26: supply to the market and bring more equitable supply to
01:09:26 --> 01:09:27: the market.
01:09:27 --> 01:09:29: And what can we do in terms of.
01:09:29 --> 01:09:30: They didn't talk about product,
01:09:30 --> 01:09:32: but we know on our side we're going to have
01:09:32 --> 01:09:34: to talk about what product works and and what are
01:09:34 --> 01:09:36: people willing to to live in and what kind of
01:09:36 --> 01:09:37: density are they willing to take.
01:09:37 --> 01:09:39: So I think there are discussions on this front.
01:09:39 --> 01:09:41: I think it's something that if we have this conference
01:09:41 --> 01:09:42: five years from now,
01:09:42 --> 01:09:43: which I know you will,
01:09:43 --> 01:09:46: I think you'll still be talking about it though.
01:09:46 --> 01:09:50: Certainly we're talking about five years ago.
01:09:50 --> 01:09:53: A question for Matthew.
01:09:53 --> 01:09:57: Focus specifically on lumber. The market for lumber futures put
01:09:57 --> 01:10:00: damper on land sale put any damper doesn't put any
01:10:00 --> 01:10:03: damper online sales for development is more than 12 months
01:10:03 --> 01:10:06: out to entitlement. Server comes acquirements.
01:10:08 --> 01:10:11: Oh was that sorry? Was that a question?
01:10:11 --> 01:10:13: I thought he was saying so the market for lumber
01:10:13 --> 01:10:17: futures put any damper on land sales where development is
01:10:17 --> 01:10:20: more than 12 months out to entitlements are other requirements.
01:10:20 --> 01:10:23: So what I would say about the lumber market is

01:10:23 --> 01:10:27: it's become very interesting in that normally builders would have
01:10:27 --> 01:10:29: a sense of what lumber would be a few months
01:10:29 --> 01:10:31: from now. And that's really changed.
01:10:31 --> 01:10:35: I've heard builders say that now it's not until basically
01:10:35 --> 01:10:38: the day the lumber gets delivered that they have a
01:10:38 --> 01:10:40: sense of what those prices are.
01:10:40 --> 01:10:41: So there are risks, no doubt,
01:10:41 --> 01:10:44: especially with a longer development timeline,
01:10:44 --> 01:10:46: no doubt. But I would say a lot of builders
01:10:47 --> 01:10:49: have gone into the land market and what I've been
01:10:49 --> 01:10:52: told kind of behind closed doors is that the prices
01:10:52 --> 01:10:55: that they're paying for land are really,
01:10:55 --> 01:10:57: really something else there. They're really,
01:10:57 --> 01:11:00: really, really high today, partly to be able to make
01:11:00 --> 01:11:01: the deal pencil,
01:11:01 --> 01:11:04: but partly to try to preserve some of their margin
01:11:04 --> 01:11:06: when it comes to higher costs.
01:11:09 --> 01:11:13: And I think that we have time for one more
01:11:13 --> 01:11:13: I guess.
01:11:16 --> 01:11:19: What are your expectations and maybe this gets a little
01:11:19 --> 01:11:21: too much on the policy side in terms of the
01:11:21 --> 01:11:23: stimulus and debt question looking forward.
01:11:23 --> 01:11:28: Am I kind of beyond the interest rate question?
01:11:28 --> 01:11:32: Expectations on broader impact on the markets,
01:11:32 --> 01:11:34: yeah.
01:11:34 --> 01:11:36: Yeah, so so I'll take it and I'll try to
01:11:36 --> 01:11:38: be less of a politician on this one.
01:11:38 --> 01:11:40: So when you talk about the stimulus,
01:11:40 --> 01:11:43: there is a math equation that's more art than science
01:11:43 --> 01:11:46: that you can use to determine what's the right dollar
01:11:47 --> 01:11:48: amount for stimulus.
01:11:48 --> 01:11:50: And based on our math we did not need as
01:11:50 --> 01:11:53: much stimulus as we put out in the most recent
01:11:53 --> 01:11:55: $1.9 trillion stimulus package,
01:11:55 --> 01:11:58: so the ramifications to that could be the question that
01:11:58 --> 01:12:01: was earlier that you maybe start to see some inflation
01:12:01 --> 01:12:04: because now you have a whole bunch of people that
01:12:04 --> 01:12:07: have more money and you have more money into the
01:12:07 --> 01:12:08: system.
01:12:08 --> 01:12:09: I hate to say it.
01:12:09 --> 01:12:12: I think you'll eventually have to see some tax increases

01:12:13 --> 01:12:15: because you got to pay the Piper at some point,
01:12:15 --> 01:12:18: and I think we should plan for that.
01:12:18 --> 01:12:20: I don't know how you plan for it,
01:12:20 --> 01:12:23: but expect it and then I would say the only
01:12:23 --> 01:12:25: I'm not for I I would say I'm more of
01:12:25 --> 01:12:26: a deficit.
01:12:26 --> 01:12:29: Hawk, I don't want to just keep adding to the
01:12:29 --> 01:12:31: overall levels if we don't have to.
01:12:31 --> 01:12:34: I would say the good news of the whole situation
01:12:34 --> 01:12:37: is that we're taking on more debt when interest rates
01:12:37 --> 01:12:40: are so low that are servicing of total.
01:12:40 --> 01:12:42: Total debt is below where it was last cycle when
01:12:42 --> 01:12:45: we were only doing 1.8 trillion over those several years.
01:12:45 --> 01:12:48: So we're actually our ability to service it,
01:12:48 --> 01:12:50: and the ability to crowd out and to take money
01:12:50 --> 01:12:53: from other sectors has actually diminished a little bit,
01:12:53 --> 01:12:56: even though the total levels of debt and deficit have
01:12:56 --> 01:12:57: gone up.
01:12:59 --> 01:13:03: Thanks for that Allie. I really appreciate your perspectives for
01:13:03 --> 01:13:05: answering questions from our audience today.
01:13:05 --> 01:13:08: Thanks so much. So the audience for your questions,
01:13:08 --> 01:13:11: please stay with us at the conference for the next
01:13:11 --> 01:13:13: couple of days and stay engaged.
01:13:13 --> 01:13:16: We appreciate having you here and I hope everyone has
01:13:16 --> 01:13:17: a great day.
01:13:17 --> 01:13:19: Thanks again, Allie. Take care.
