



**FOR-SALE  
HOUSING MARKETS UPDATE  
SEPTEMBER 2020**

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**RCLCO**  
REAL ESTATE ADVISORS

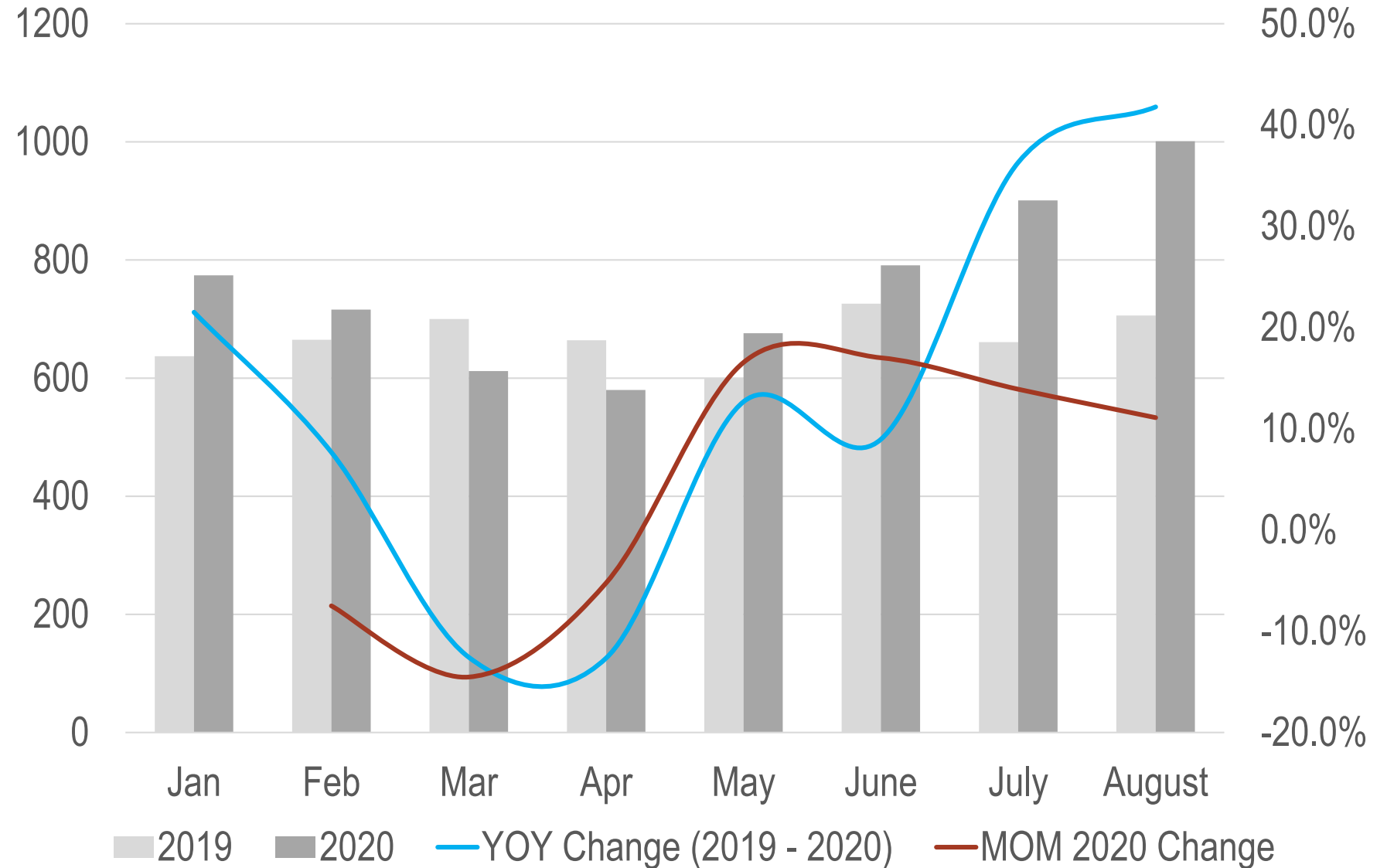


# V-SHAPED RECOVERY FOR THE HOUSING MARKET

August total sales of new single-family homes are up 43.2% from August 2019

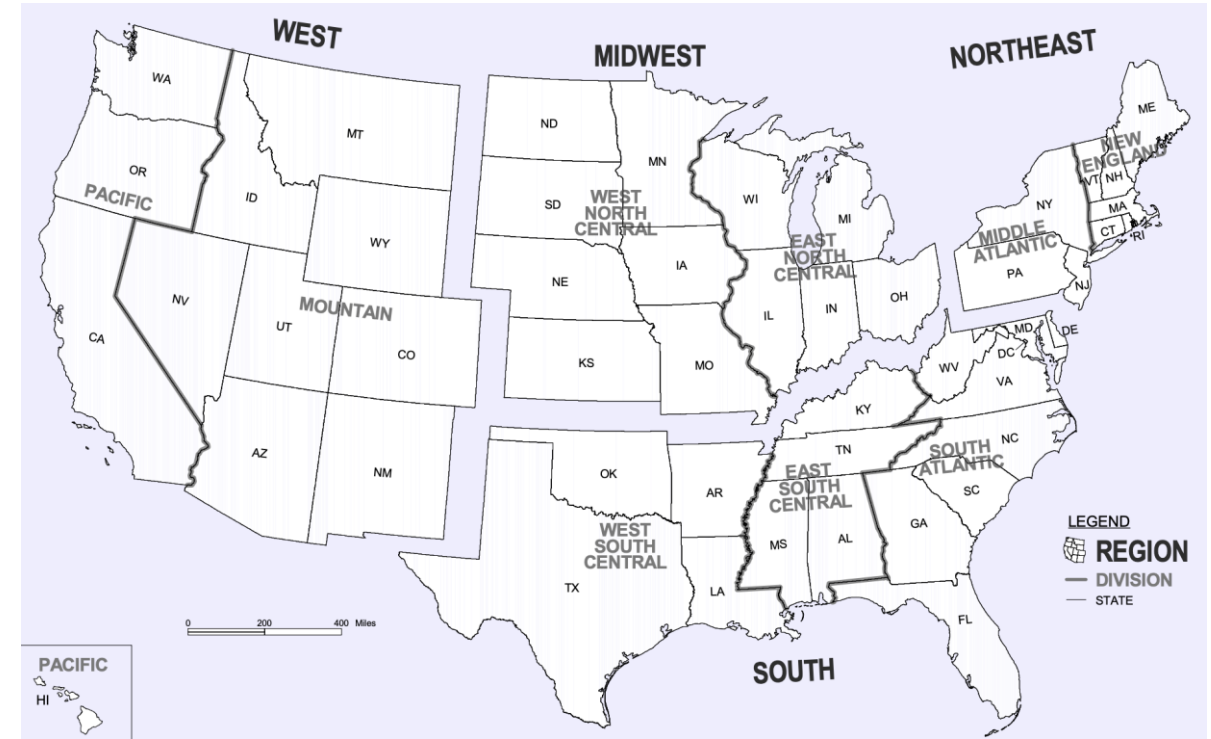
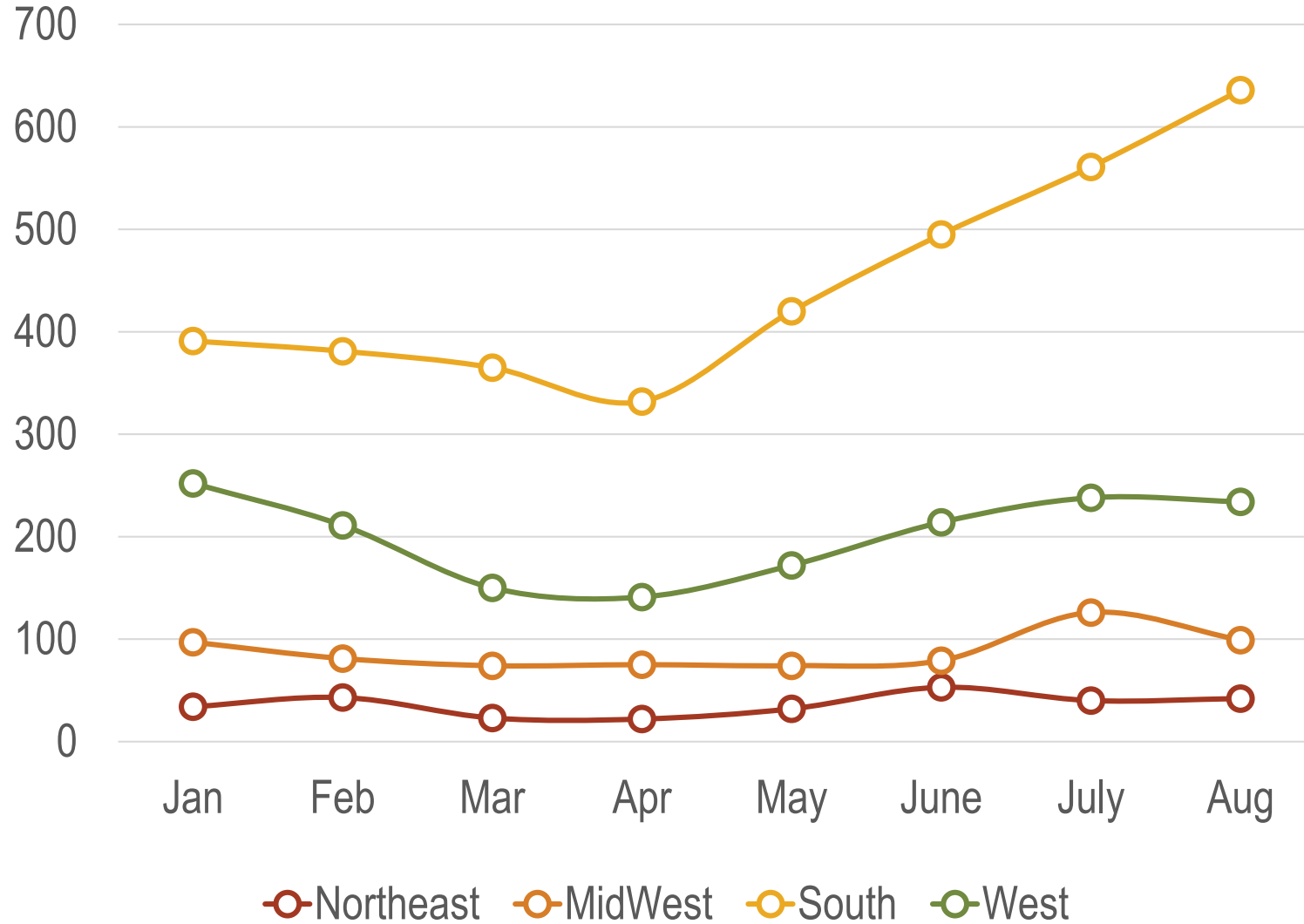
- ▶ Seasonally adjusted annual rate of 1,011,000
- ▶ 3.3 months of supply of new homes at the current pace (12.2 months 1/2009)
- ▶ Average sales price of \$369,000, \$312,000 median price
- ▶ Low interest rates, Covid-19 driven flight to safety in the suburbs, and demographic shifts are driving new housing demand
- ▶ Housing demand is strong but supply is not, low inventories likely to impact affordability
- ▶ Builders are challenged by growing costs, particularly the price of lumber

## New Home Sales



# THE GREATEST INCREASE IS IN THE SOUTH

## 2020 New Home Sales by Region



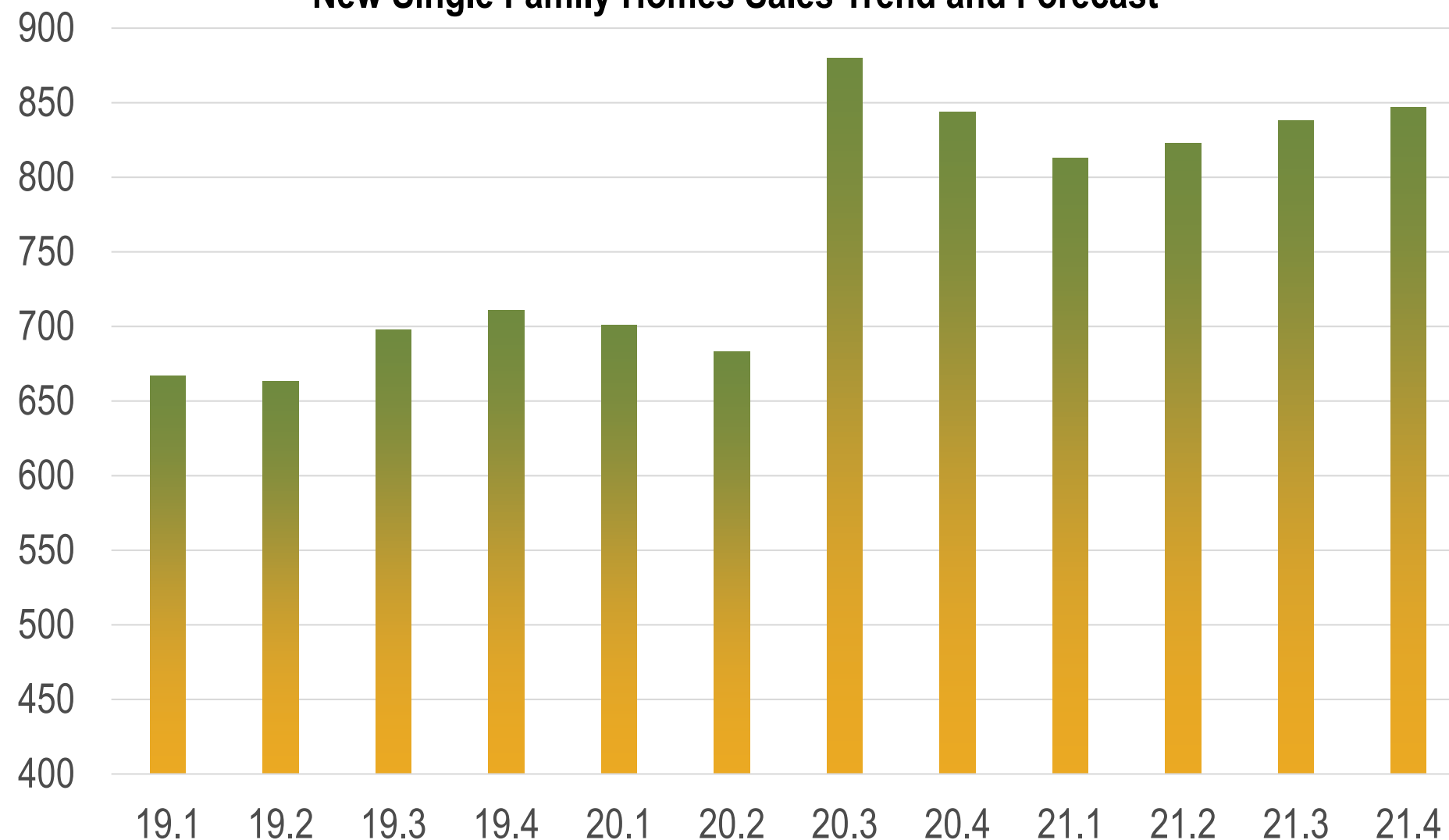
	Jan	Feb	Mar	Apr	May	June	July	Aug
<b>Northeast</b>	34	43	23	22	32	53	40	42
<b>MidWest</b>	97	81	74	75	74	79	126	99
<b>South</b>	391	381	365	332	420	495	561	636
<b>West</b>	252	211	150	141	172	214	238	234

# STRONG FORECAST FOR SINGLE-FAMILY HOME SALES BY QUARTER

Factors that could alter this forecast:

- ▶ Rising costs (lumber etc)
- ▶ Diminishing lot inventory (particularly lower priced lots)
- ▶ Do we get a handle on COVID-19 or do cases rise fall and winter, impact consumers and businesses? Delay in the development / deployment of a vaccine OR increase in infections could result in a reduced rate of growth
- ▶ Low interest rates are an inducement to buy homes but slow supply growth and increasing costs will drive up home prices, lower affordability and impact demand

## New Single Family Homes Sales Trend and Forecast

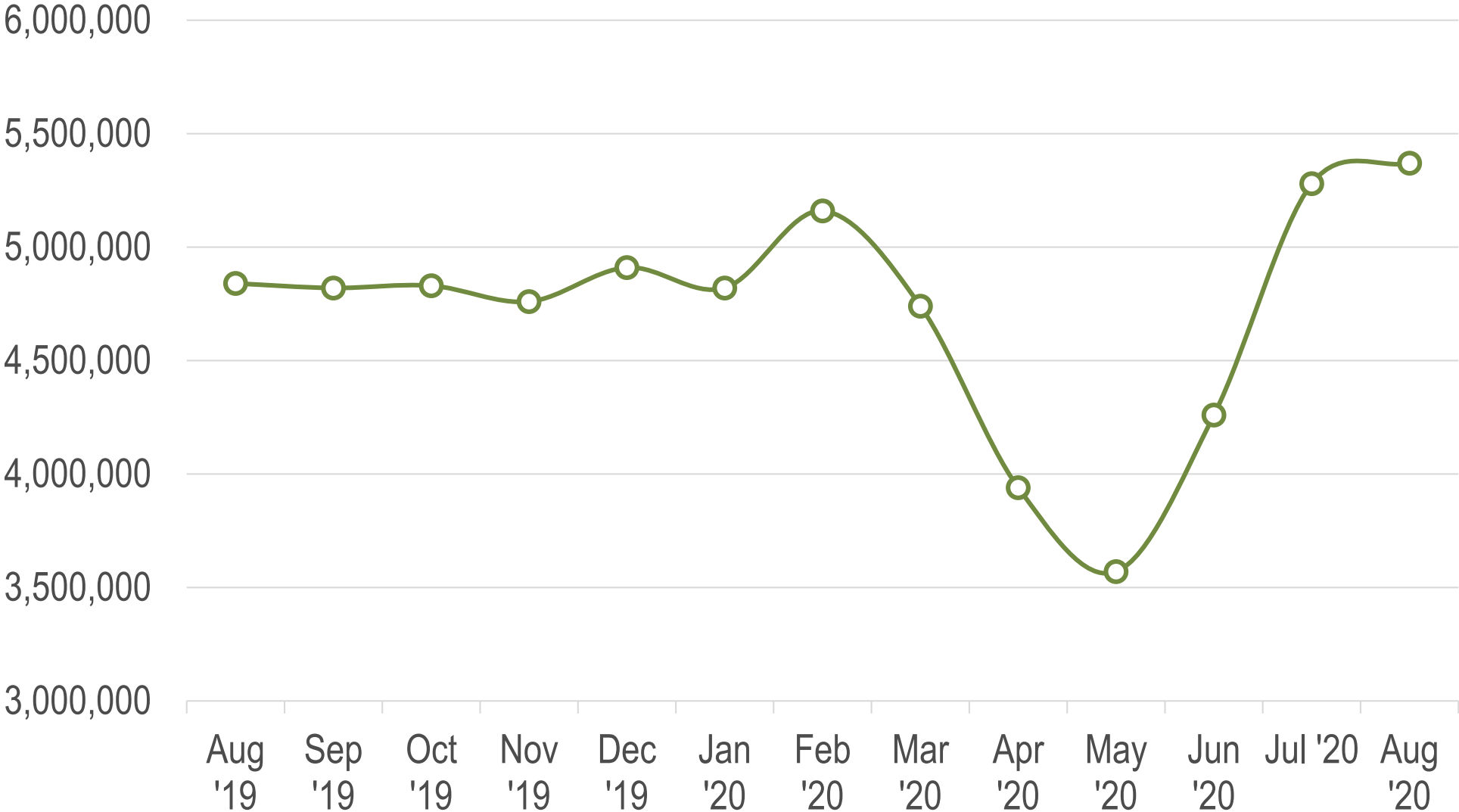


# EXISTING HOME SALES UP, PRICES UP, INVENTORY DOWN

Existing home sales seasonally-adjusted annual rate of 6.00 million in August, up 10.5% year-over-year

This marks three consecutive months of positive sales gains

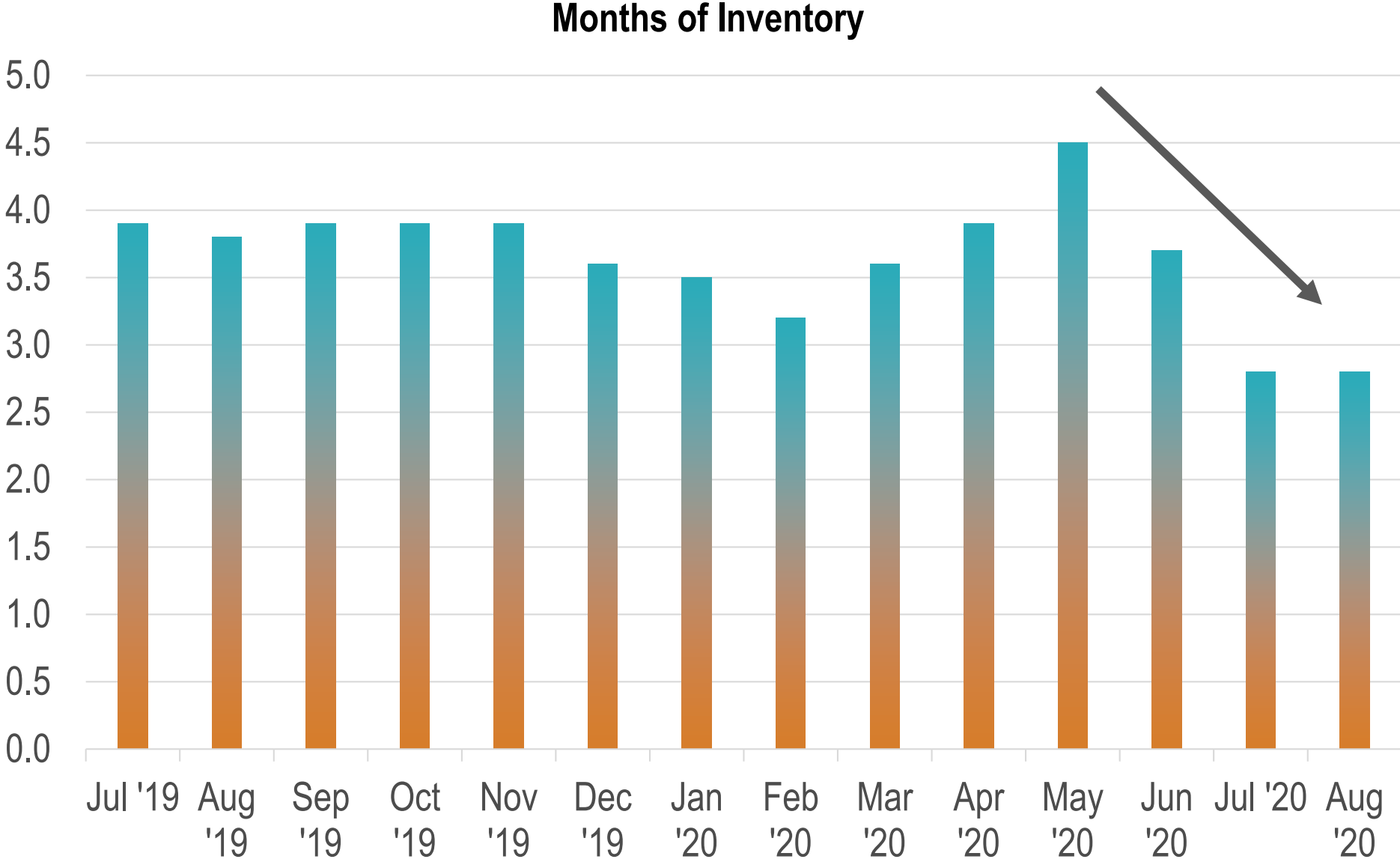
### Existing Single Family Annual Home Sales Seasonally Adjusted



# EXISTING HOME INVENTORIES TRENDING DOWN

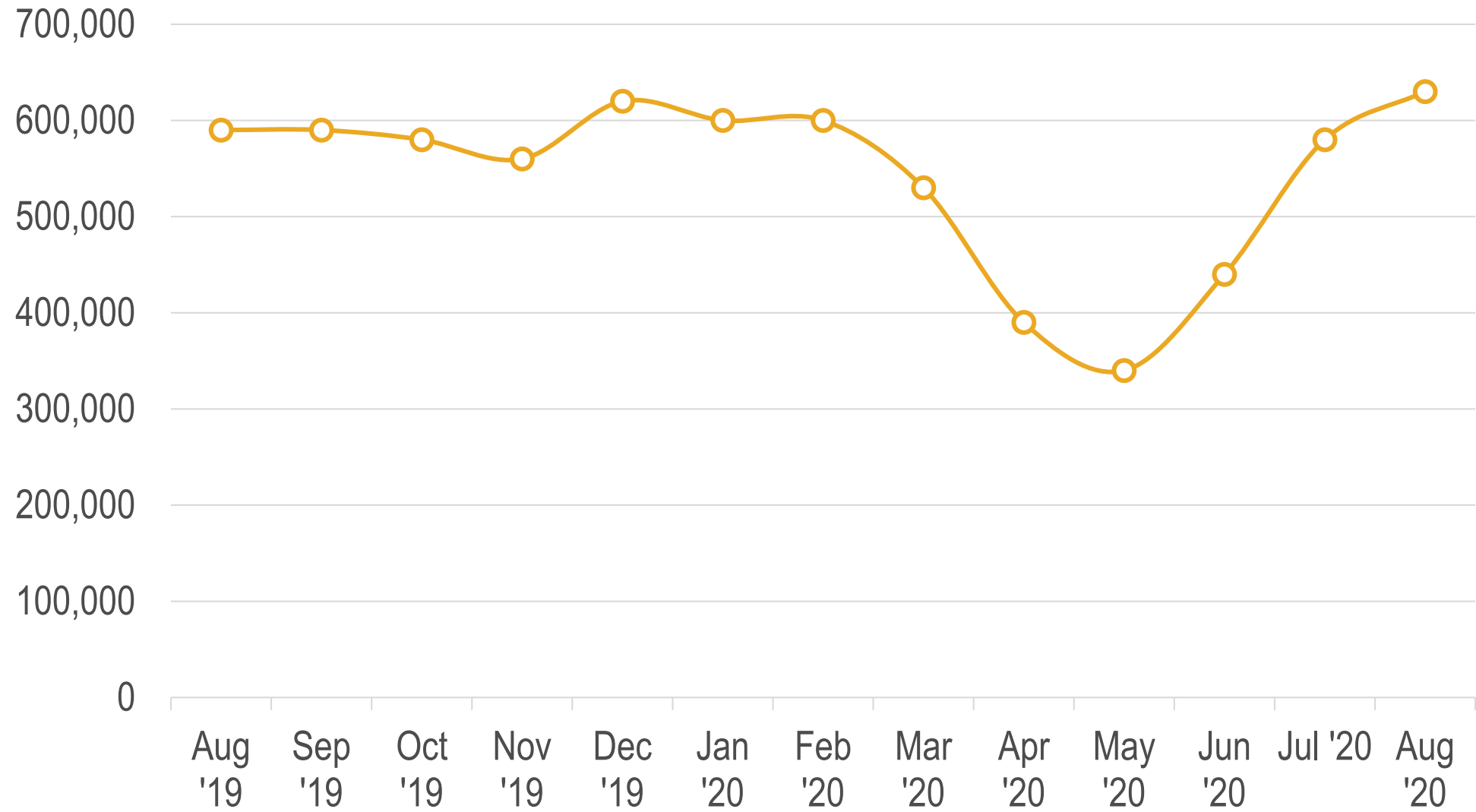
Just over 3 months inventory – very low – keeping prices up, helping to support demand for new housing

Housing demand is strong but supply is not, and this imbalance will inevitably impact affordability until the pace of development increases more substantially.



# EXISTING HOME SALES UP, PRICES UP, INVENTORY DOWN

### Existing Condo, Townhome, Co-Op Annual Home Sales Seasonally Adjusted



Sales as a whole rose year-over-year, up 10.5% from a year ago, and attached for-sale housing sales have more than recovered as well

Total existing-home sales (includes single-family homes, townhomes, condominiums and co-ops) rose 2.4% from July to a seasonally-adjusted annual rate of 6.00 million in August.



# CRITICAL ASSUMPTIONS

Our conclusions are based on our analysis of the information available from our own sources and from the client as of the date of this report. We assume that the information is correct, complete, and reliable.

We made certain assumptions about the future performance of the global, national, and local economy and real estate market, and on other factors similarly outside either our control or that of the client. We analyzed trends and the information available to us in drawing these conclusions. However, given the fluid and dynamic nature of the economy and real estate markets, as well as the uncertainty surrounding particularly the near-term future, it is critical to monitor the economy and real estate markets continuously and to revisit the aforementioned conclusions periodically to ensure that they are reflective of changing market conditions.

It has become increasingly clear that the U.S. economy is in a recession, and yet the extent of the damage to the economy and the ability to rebound from a still unfolding disruption are unknown. These events underscore the notion that stable and moderate growth patterns are historically not sustainable over extended periods of time, the economy is cyclical, and real estate markets are typically highly sensitive to business cycles. Further, it is particularly difficult to predict inflection points, including when economic and real estate expansions will end, and when downturn conditions return to expansion.

Our analysis and recommendations are based on information available to us at the time of the writing of this report, including the likelihood of a downturn, length and duration, but it does not consider the potential impact of additional/future shocks on the national and/or local economy, and does not consider the potential benefits from major "booms" that may occur. Similarly, the analysis does not reflect the residual impact on the real estate market and the competitive environment of such a shock or boom. Also, it is important to note that it is difficult to predict changing consumer and market psychology. As such, we recommend the close monitoring of the economy and the marketplace, and updating this analysis as appropriate.

Further, any project and investment economics included in our analysis and reports should be "stress tested" to ensure that potential fluctuations in revenue and cost assumptions resulting from alternative scenarios regarding the economy and real estate market conditions will not cause unacceptable levels of risk or failure.

In addition, and unless stated otherwise in our analysis and reports, we assume that the following will occur in accordance with current expectations by market participants:

- ▶ Tax laws (i.e., property and income tax rates, deductibility of mortgage interest, and so forth)
- ▶ Availability and cost of capital and mortgage financing for real estate developers, owners and buyers
- ▶ Competitive supply (both active and future) will be delivered to the market as planned, and that a reasonable stream of supply offerings will satisfy real estate demand
- ▶ Major public works projects occur and are completed as planned

Should any of the above change, this analysis should be updated, with the conclusions reviewed accordingly (and possibly revised).



# GENERAL LIMITING CONDITIONS

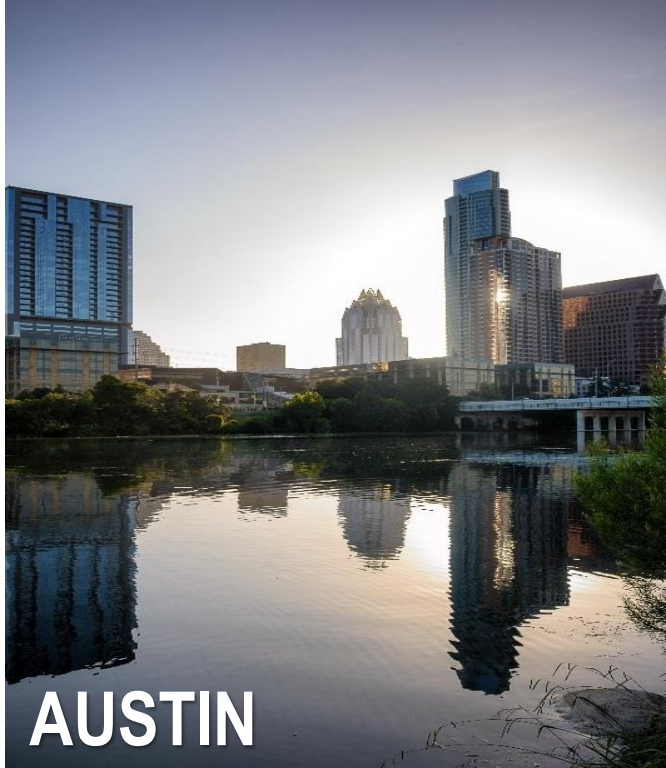
Reasonable efforts have been made to ensure that the data contained in this study reflect accurate and timely information and are believed to be reliable. This study is based on estimates, assumptions, and other information developed by RCLCO from its independent research effort, general knowledge of the industry, and consultations with the client and its representatives. No responsibility is assumed for inaccuracies in reporting by the client, its agent, and representatives or in any other data source used in preparing or presenting this study. This report is based on information that to our knowledge was current as of the date of this report, and RCLCO has not undertaken any update of its research effort since such date.

Our report may contain prospective financial information, estimates, or opinions that represent our view of reasonable expectations at a particular time, but such information, estimates, or opinions are not offered as predictions or assurances that a particular level of income or profit will be achieved, that particular events will occur, or that a particular price will be offered or accepted. Actual results achieved during the period covered by our prospective financial analysis may vary from those described in our report, and the variations may be material. Therefore, no warranty or representation is made by RCLCO that any of the projected values or results contained in this study will be achieved.

Possession of this study does not carry with it the right of publication thereof or to use the name of "Robert Charles Lesser & Co." or "RCLCO" in any manner without first obtaining the prior written consent of RCLCO. No abstracting, excerpting, or summarization of this study may be made without first obtaining the prior written consent of RCLCO. This report is not to be used in conjunction with any public or private offering of securities or other similar purpose where it may be relied upon to any degree by any person other than the client without first obtaining the prior written consent of RCLCO. This study may not be used for any purpose other than that for which it is prepared or for which prior written consent has first been obtained from RCLCO.







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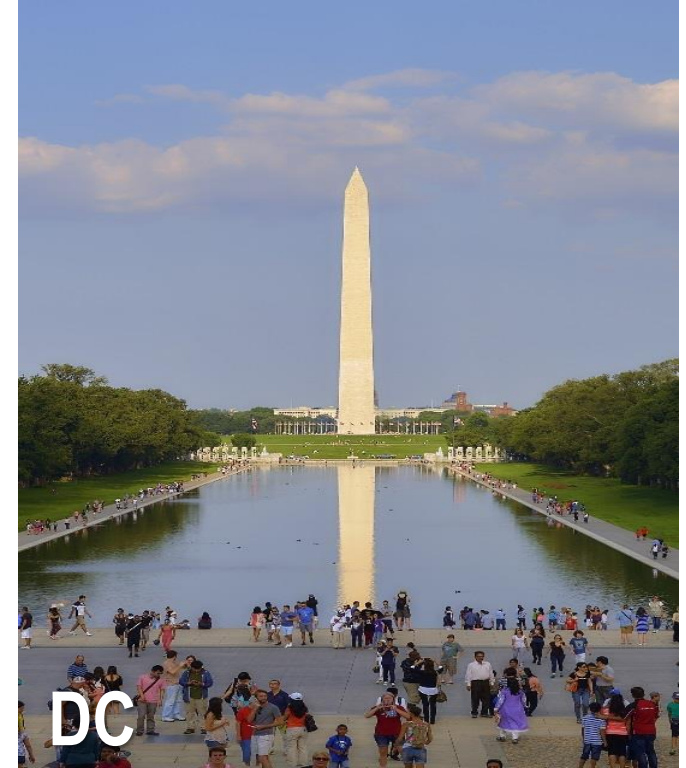
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