

Challenges — and Opportunities — in the Coronavirus Era

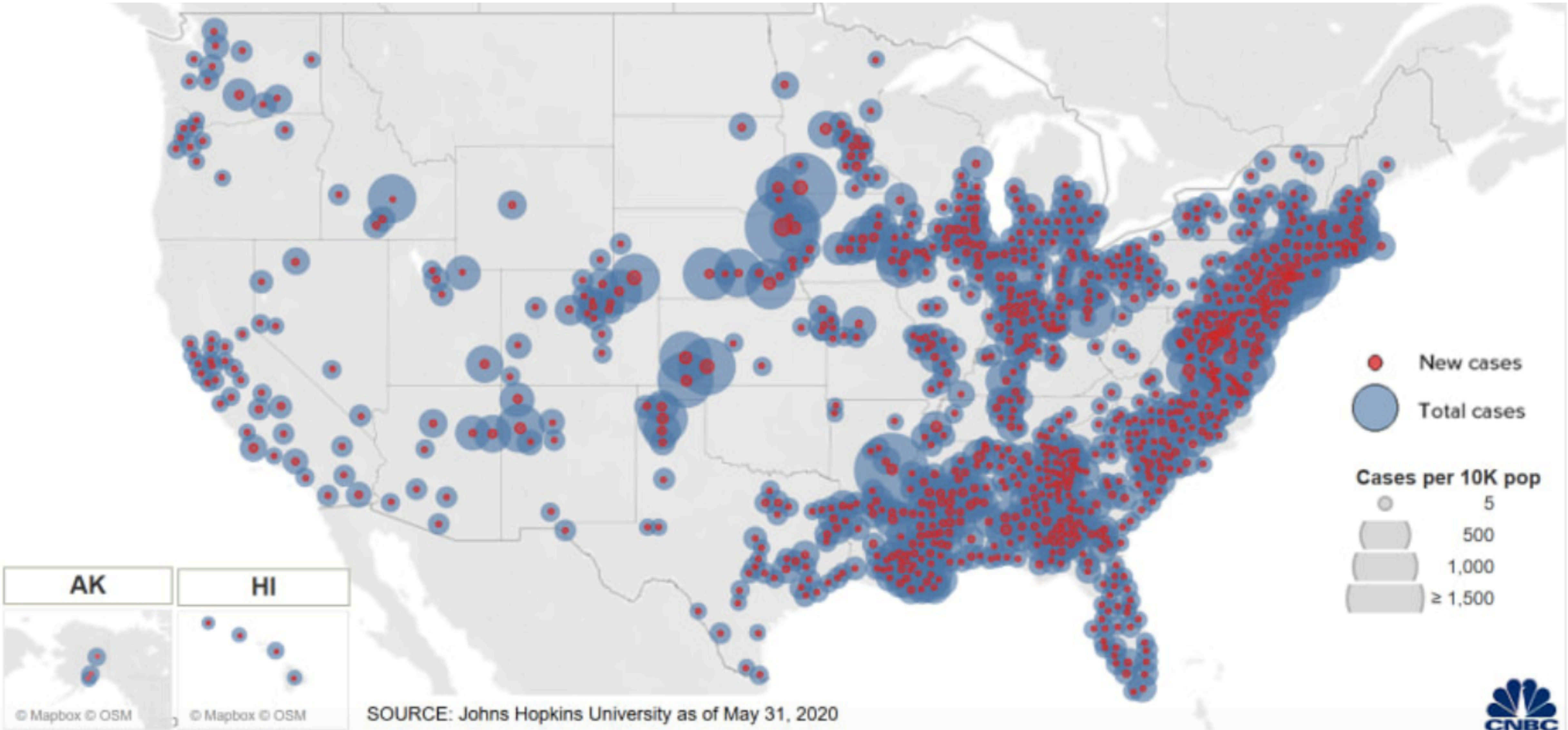
Craig Webb
President, Webb Analytics
Softwood Lumber Board meeting
August 6, 2020



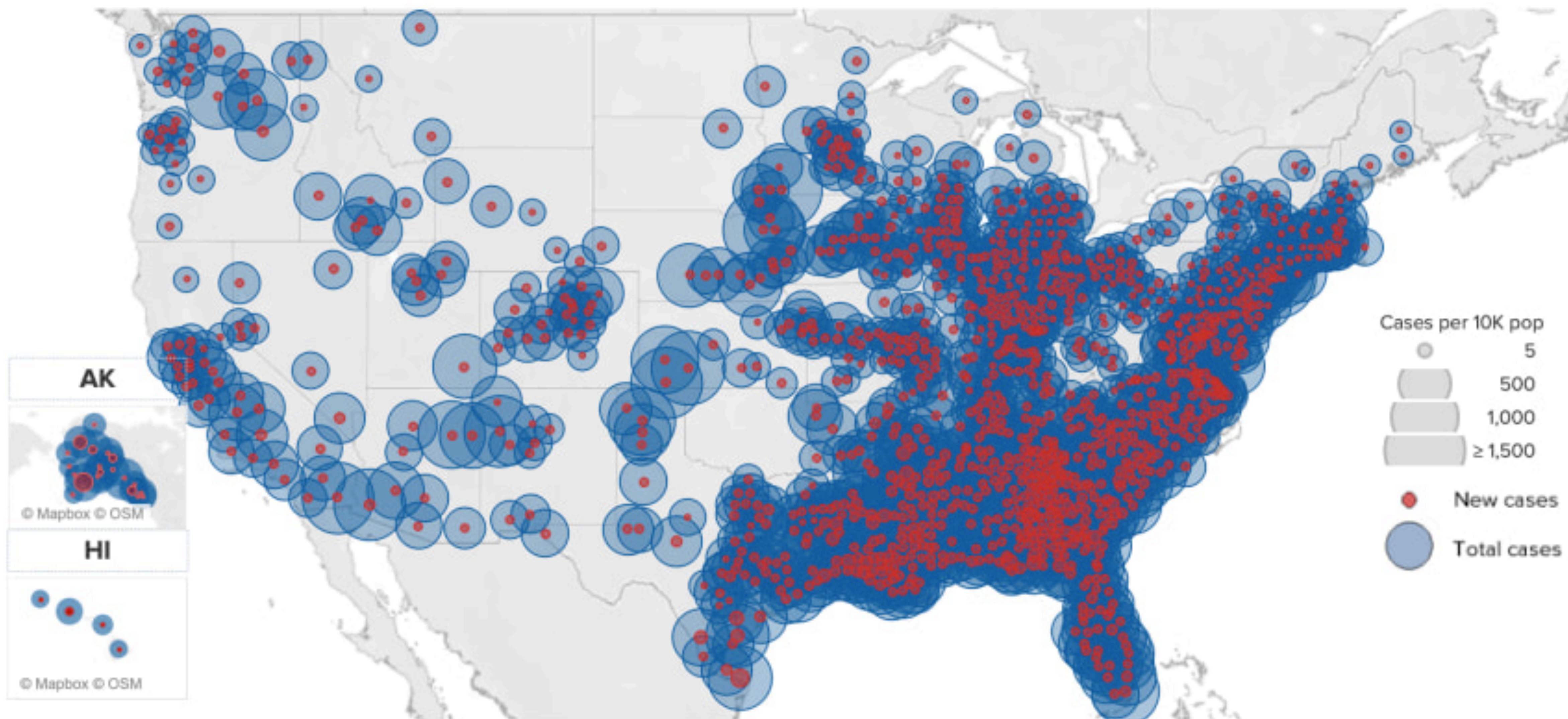
What's New?

- The virus has proven much tougher to keep under control than first thought. Long-term relief (particularly a vaccine) might not be widespread until the end of 2021.
- We're in a 90% economy. If those final 10 points create your profit, then you have a problem.
- State and local gov'ts are in crisis. Fed \$\$\$ are dwindling. And hurricane season is here.
- For all that, dealers are doing quite well, thanks in good part to what looks to be a continued surge in decking and other DIY work.
- Stress levels are rising at dealers. People issues are the next challenge act for LBM leaders. Dealers are working to adjust their cultures to the new normal.
- Expect SF housing starts levels to remain essentially unchanged and commercial construction to be challenged.

That Was Then



This Is Now



SOURCE: Johns Hopkins University as of August 6, 2020

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Wharton's Forecast: No Comprehensive Relief Until at Least November 2021

closed

PUBLIC POLICY

A Return to 'Normal': How Long Will the Pandemic Last?

Feel the
Burnout



Returning to Some Old Ways Might Be an Impossibility

For instance, will we ever again blow out candles on a birthday cake?





Leaders

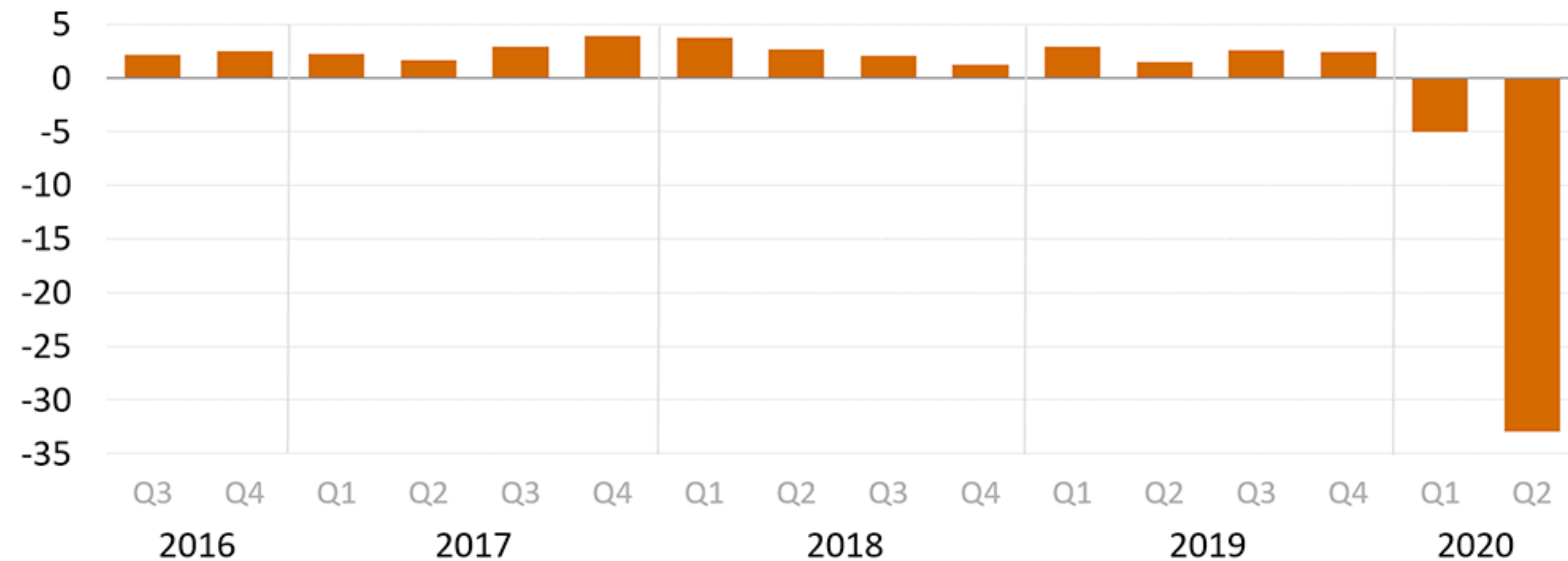
Apr 30th 2020 edition >

The 90% economy

Life after lockdowns

It will be hard in ways that are difficult to imagine today

Real GDP: Percent change from preceding quarter

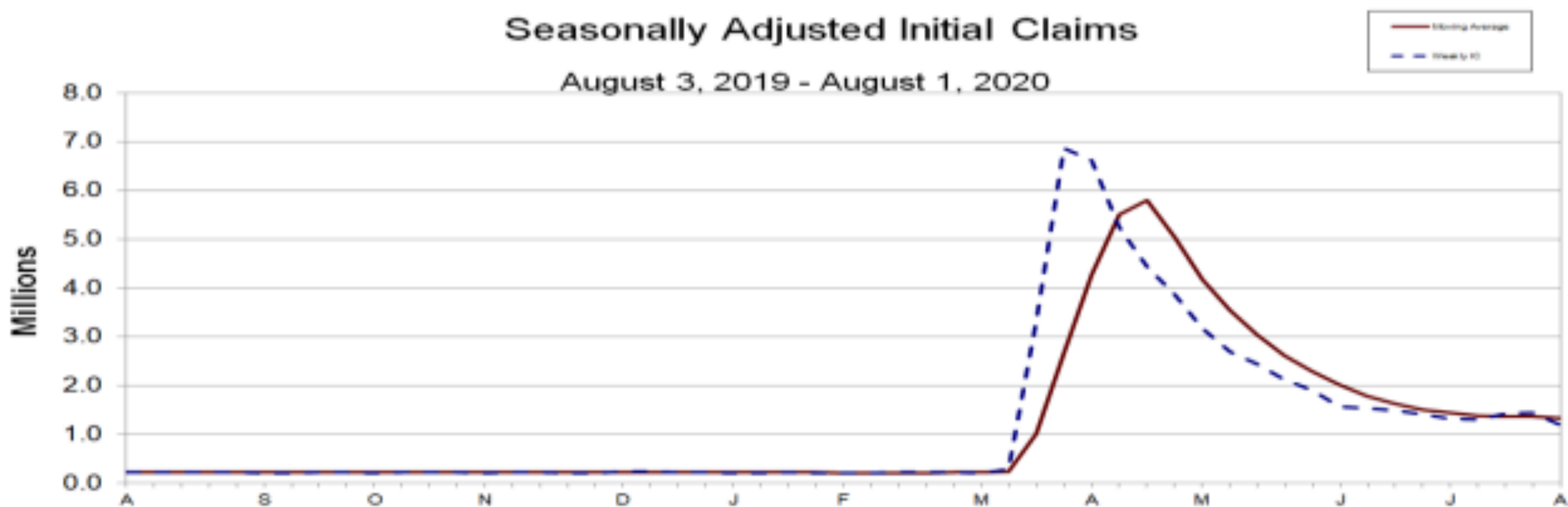


U.S. Bureau of Economic Analysis

Seasonally adjusted at annual rates

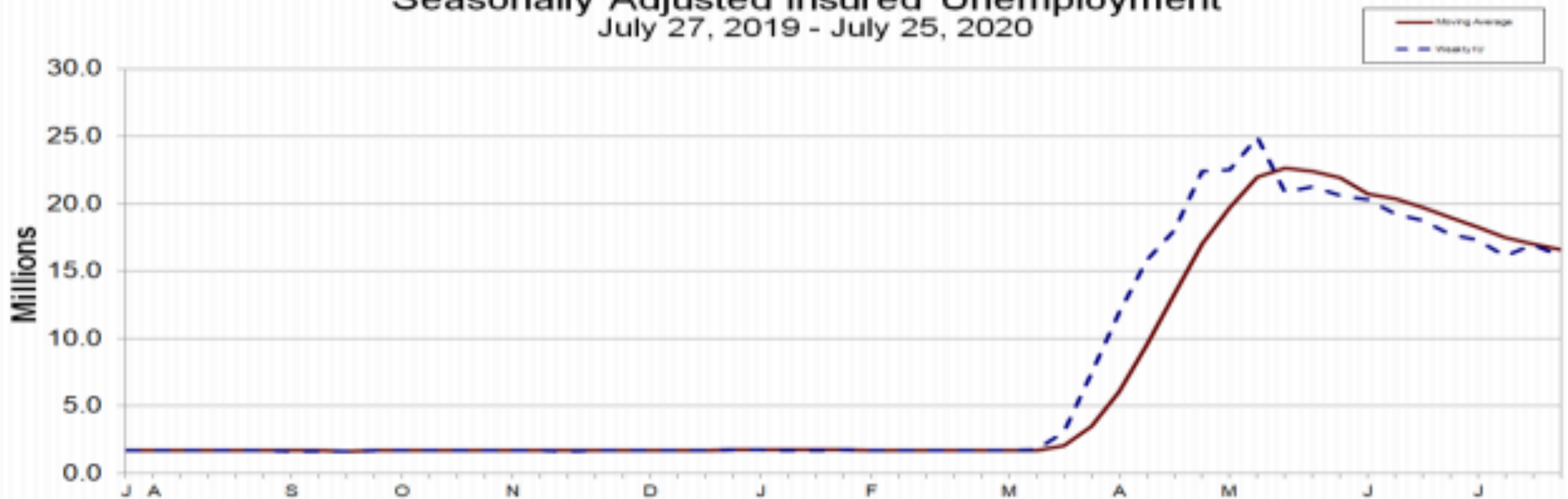
Seasonally Adjusted Initial Claims

August 3, 2019 - August 1, 2020



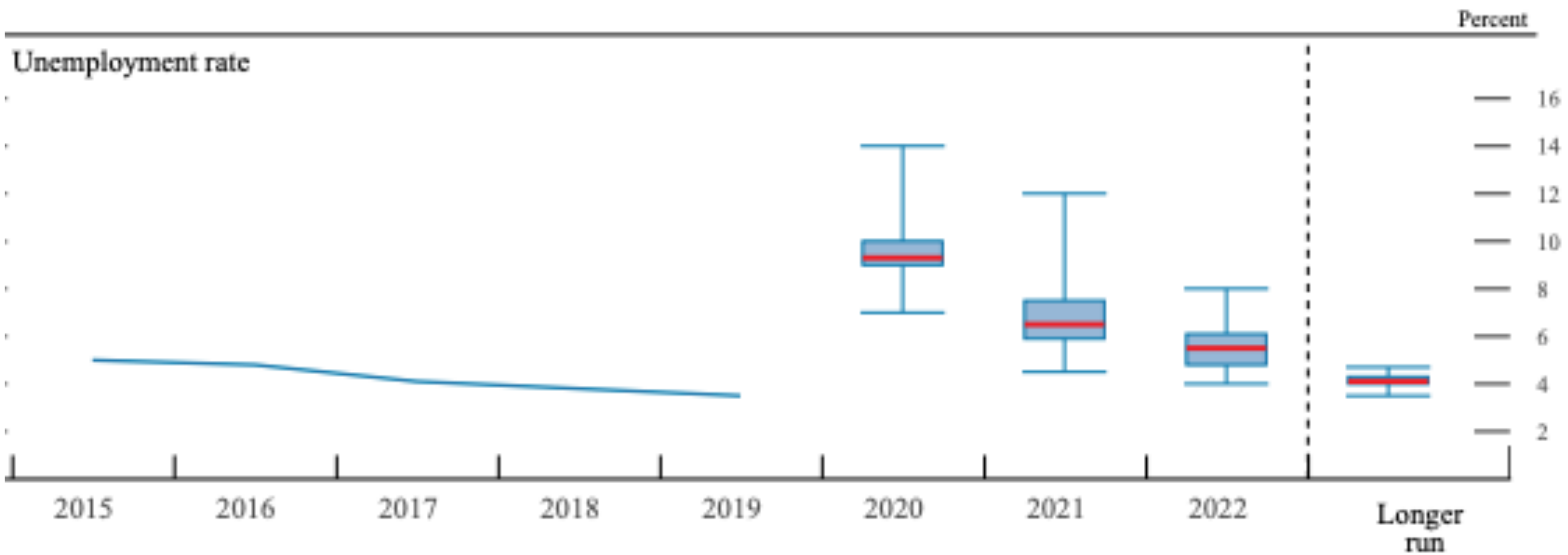
Seasonally Adjusted Insured Unemployment

July 27, 2019 - July 25, 2020



Source: U.S. Department of Labor

The Fed Sees a Long, Slow Slog Ahead



So ... What's Keeping
the U.S. Going?

Free money

When government spending knows no limits



Democrats, White House negotiators search for virus relief deal as Trump threatens to take unilateral steps

Meeting set for Thursday evening could prove critical in determining if agreement is possible



What Happens Next? Stay Tuned.

Prospects for another \$1,200/pp stimulus payment are good. The size of the unemployment supplement is what's up for debate, along with support for state/local governments.

Moving Up, Moving Out

1. Millennials (with babies!) already wanted to go to the suburbs.
2. COVID encourages single-family housing.
3. Low gasoline prices already were helping with commuting costs. Working from home will help encourage living outside the city even more.

#AloneTogether

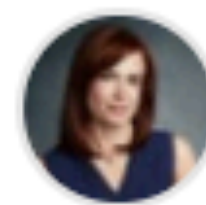
For ways to

Alone

REAL ESTATE

Homebuilders just saw the strongest June sales since the last housing boom, as pandemic pushes more buyers to the suburbs

PUBLISHED MON, JUL 13 2020 • 11:24 AM EDT UPDATED MON, JUL 13 2020 • 11:51 AM EDT



Diana Olick

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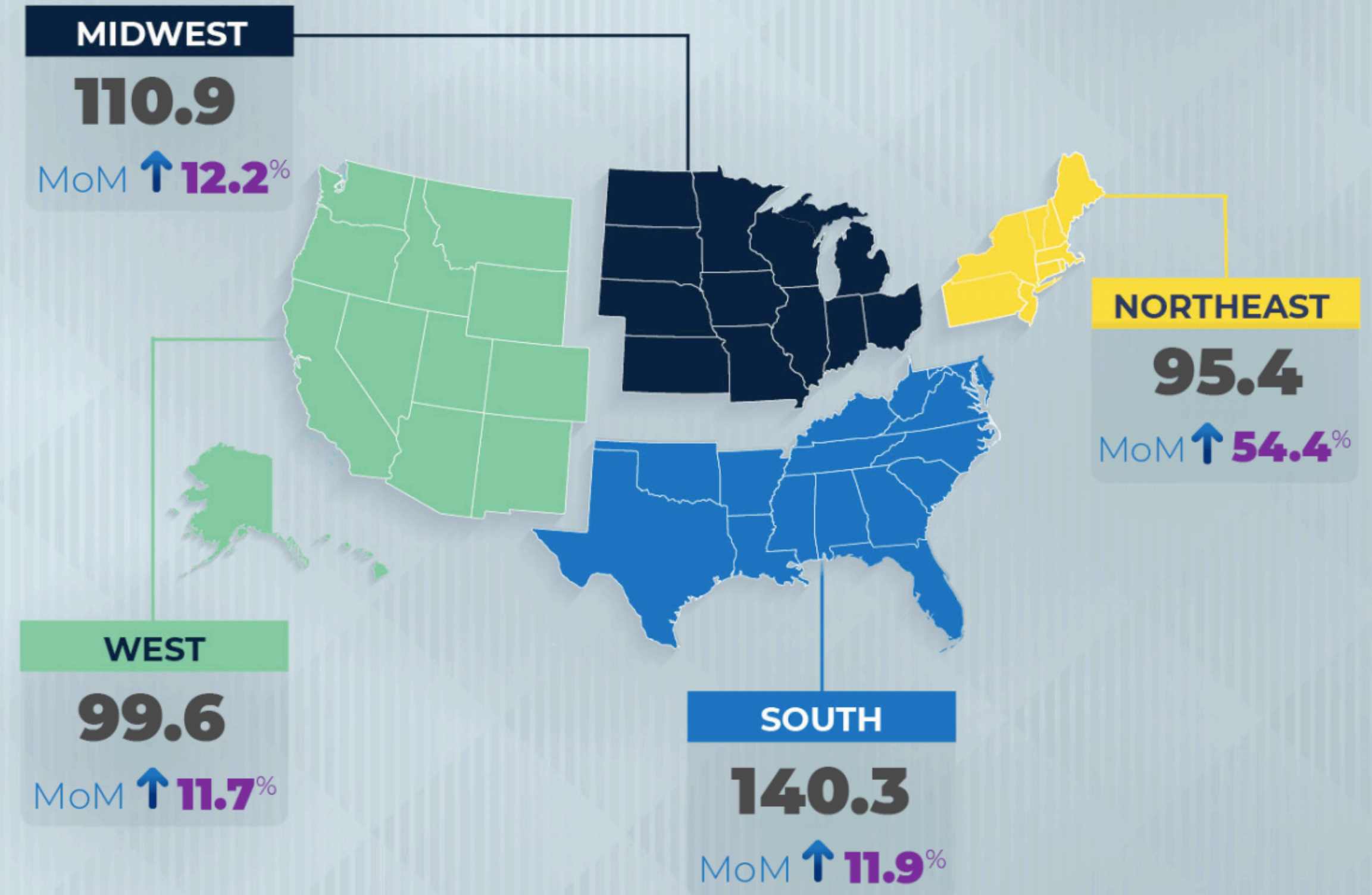


Based on This, You'd Think We've Never Had a Pandemic

A relative lack of supply makes this downturn much different for housing than during the Great Recession

HOUSING SNAPSHOT PENDING HOME SALES JUNE 2020

INDEX **116.1*** MoM **↑16.6%**

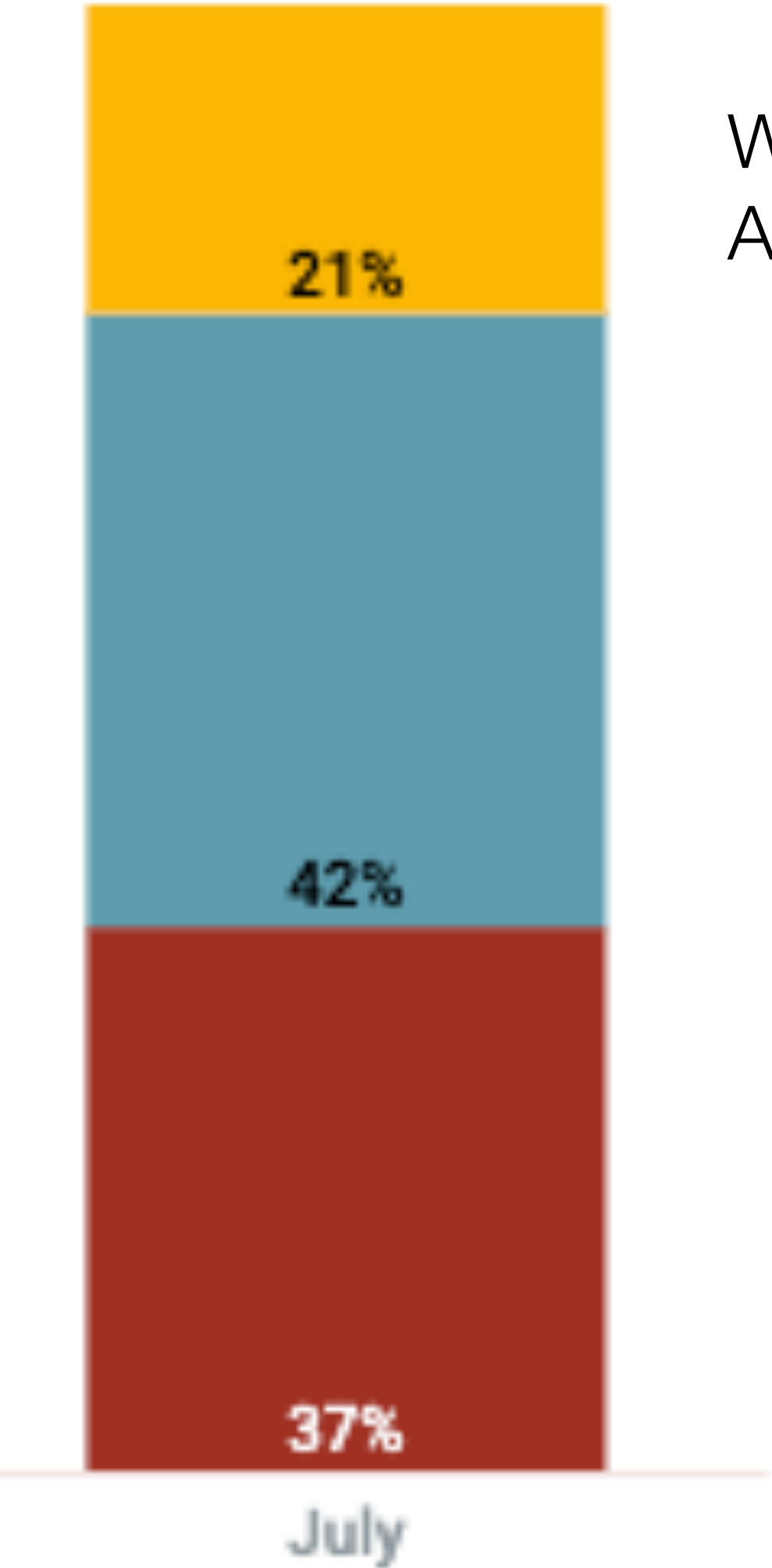


*An index above 100 coincides with a higher level of activity relative to 2001 (2001=100).

DIYers' Plans

Which DIY Projects Are You Planning to Start in the Next Few Weeks?

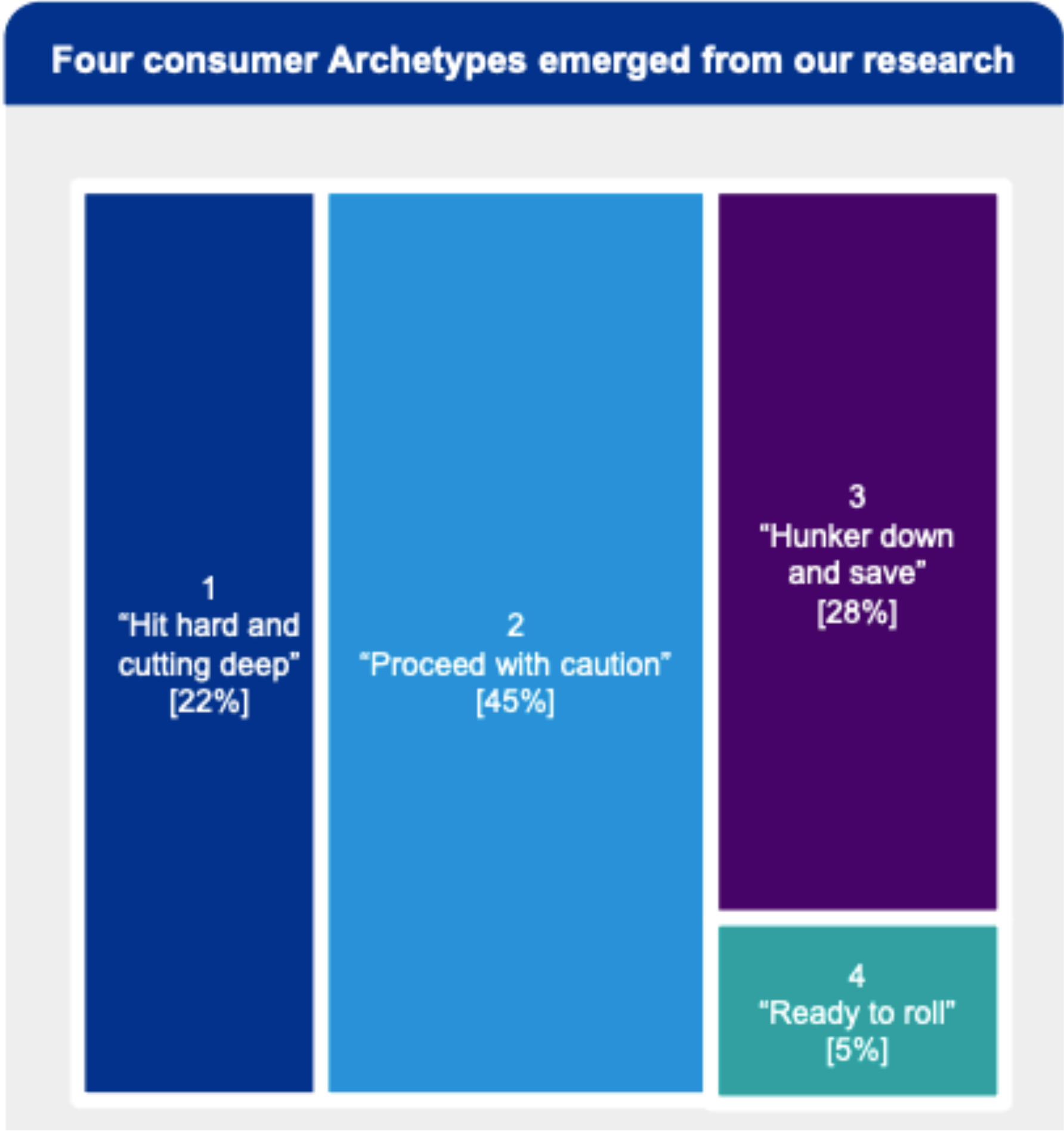
Decking/Patio	19%
Flooring	18%
Cabinets	13%
Door	12%
Window	10%
Counters	6%



Which of These Statements Do You Agree With Most?

- COVID-19 Has Impacted My DIY Projects and I'm Doing More
- COVID-19 Has No Impact on My DIY Projects
- COVID-19 Has Impacted My DIY Projects and I'm Doing Less

Behind the Disparities, KPMG Sees Four Personas Emerging



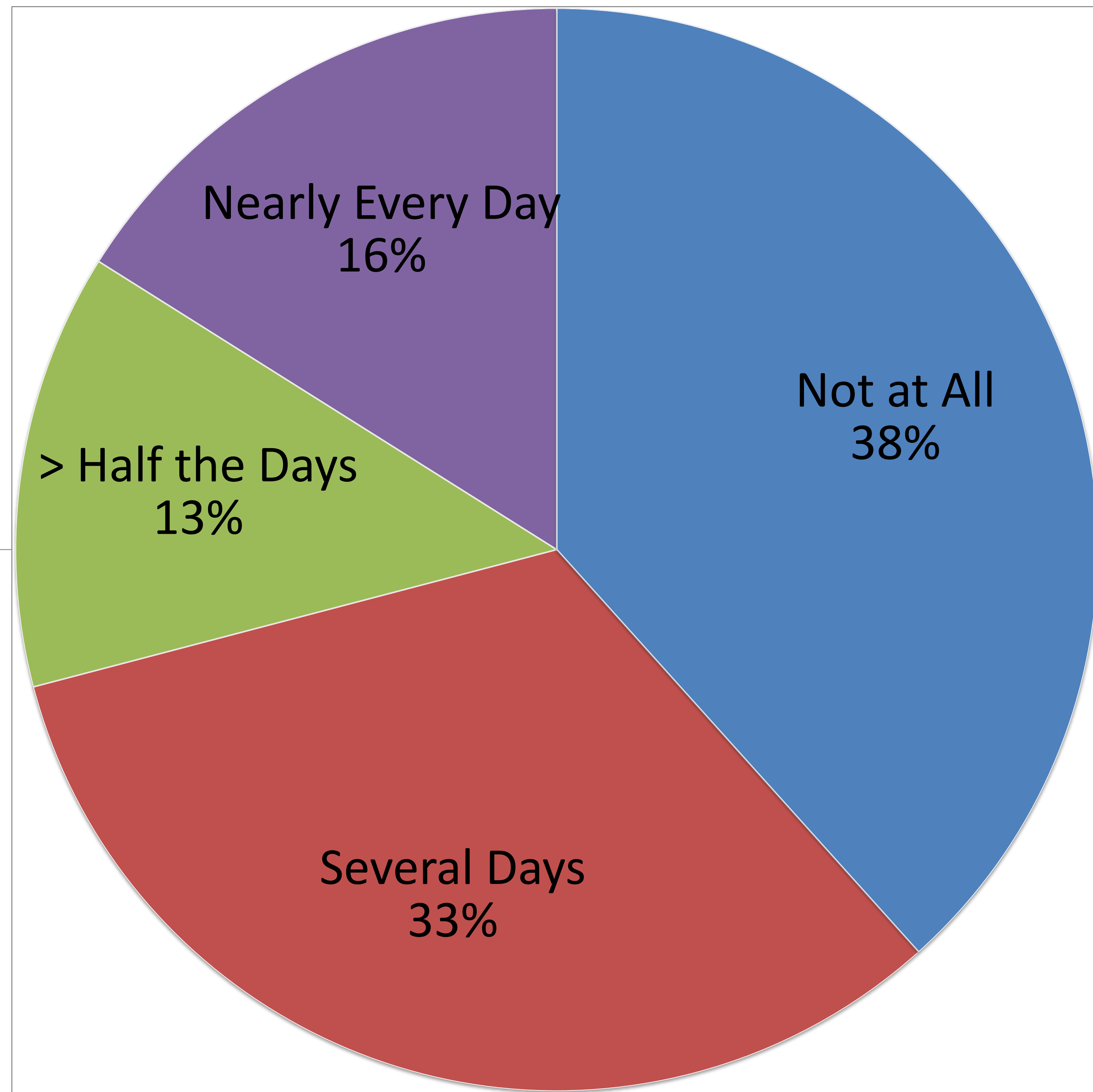
Characteristics of archetypes			
	Description	Avg. age	Avg. income
1	<ul style="list-style-type: none">Survey population that has been hardest hit by COVID-19Was less able to deal with circumstances prior to pandemicSpending significantly less across categoriesNot optimistic about the future	51	~45,000
2	<ul style="list-style-type: none">Survey population also impacted by COVID-19 but not as significantly economically and still concerned about futureModerate income prior to pandemic, spending about the sameMost unsure about the future	44	~60,000
3	<ul style="list-style-type: none">Not necessarily directly impacted by COVID-19Most financially able to deal with pandemicSpending less given concern for economic outlookMore pessimistic about the future	53	~110,000
4	<ul style="list-style-type: none">Not directly impacted by COVID-19Moderate income, spending more across categoriesMost optimistic about the future, eager for social activities, but will still modify behaviors to maintain social distancing	33	~65,000

Source: KPMG survey

Minor Headaches

Frequency of Americans Not Being Able to Control or Stop Worrying About Their Situation

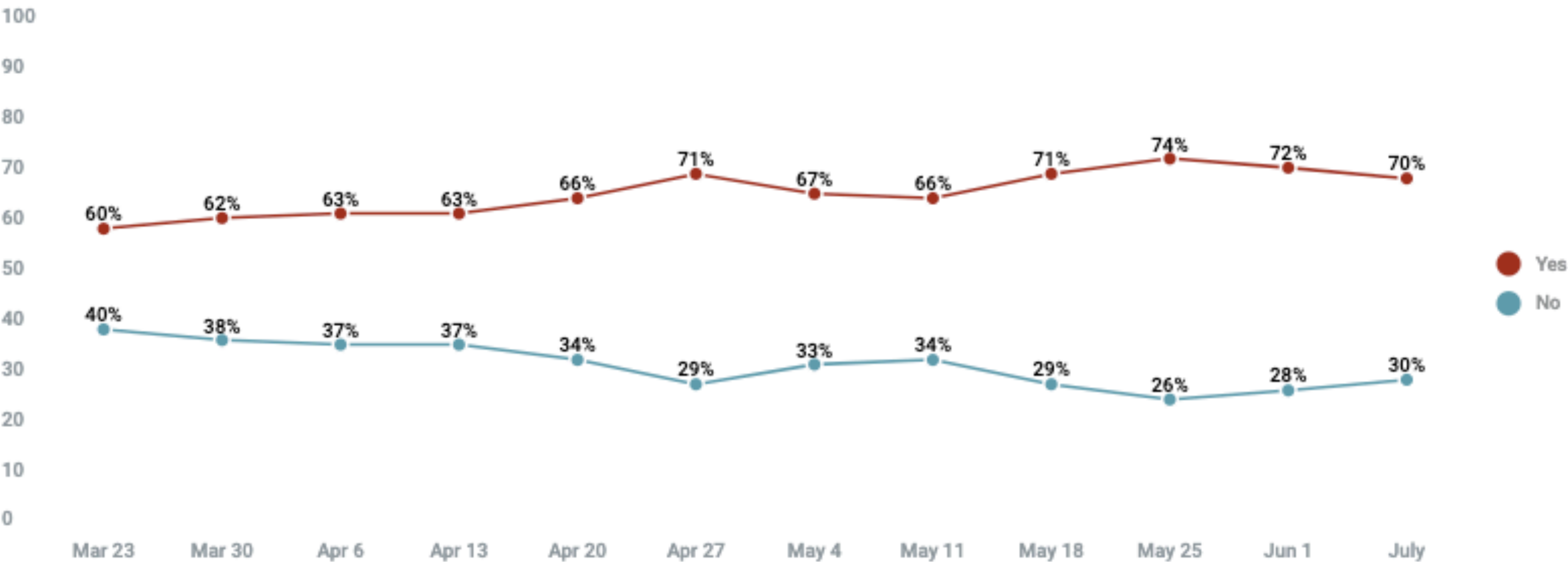
Source: Census Bureau Pulse Survey, July 21-27 (86,792 respondents)



DIYers' Plans

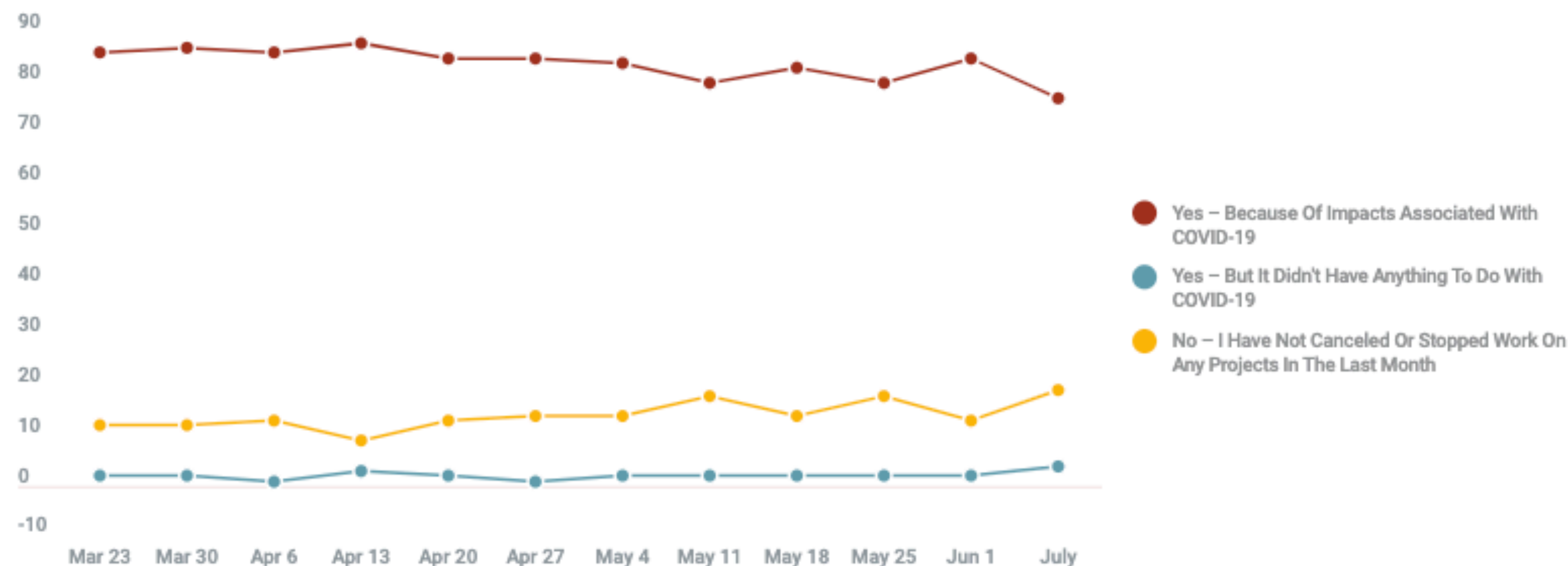
Have You Started Any New DIY Projects in or Around Your Home in the Last Month?

(Maintenance, Replacement, Repair or Remodeling Work That YOU Are Doing)



Impact on Small Builders/Remodelers

Has Work Been Delayed or Stopped on Any of Your Existing Jobs in the Last Month for Any Reason?



Impact on Small Contractors/Remodelers in July

	# of Project Requests vs. Normal	Closure Rate vs. Normal	Expected Rev. In Next Few Months
Much Higher	3%	5%	4%
Somewhat Higher	12%	16%	18%
Same as Expected	20%	26%	20%
Somewhat Lower	38%	37%	35%
Much Lower	27%	16%	23%

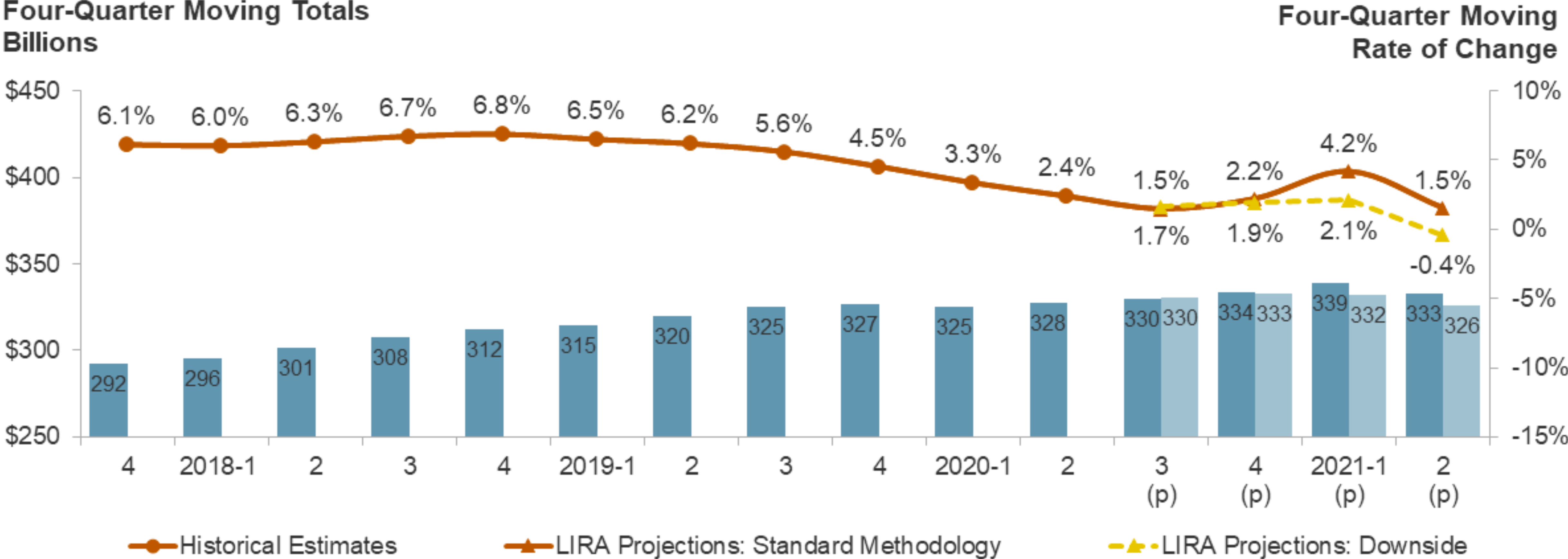
How Long Can You Last at Reduced Revenue Before You Are Impacted by Financial Difficulty or Possibly Closure?

1-3 Months	27%
3-6 Months	33%
6-12 Months	19%
Year or More	12%
Don't Know	9%

Source: The Farnsworth Group & the Home Improvement Research Institute

Leading Indicator of Remodeling Activity – Second Quarter 2020

Homeowner Improvements & Repairs
Four-Quarter Moving Totals
Billions



Notes: The downside projections incorporate forecasted data for coincident model inputs: retail sales at building materials and supplies dealers, CoreLogic's Home Price Index, and GDP. Forecasted data provided by Moody's Analytics Forecasted, Baseline Scenario, July 2020. Historical estimates since 2017 are produced using the LIRA model until American Housing Survey benchmark data become available.

Meanwhile, on the Commercial
Side of Construction ...

62% of metros shed construction jobs from June 2019 to June 2020

7/30/2020

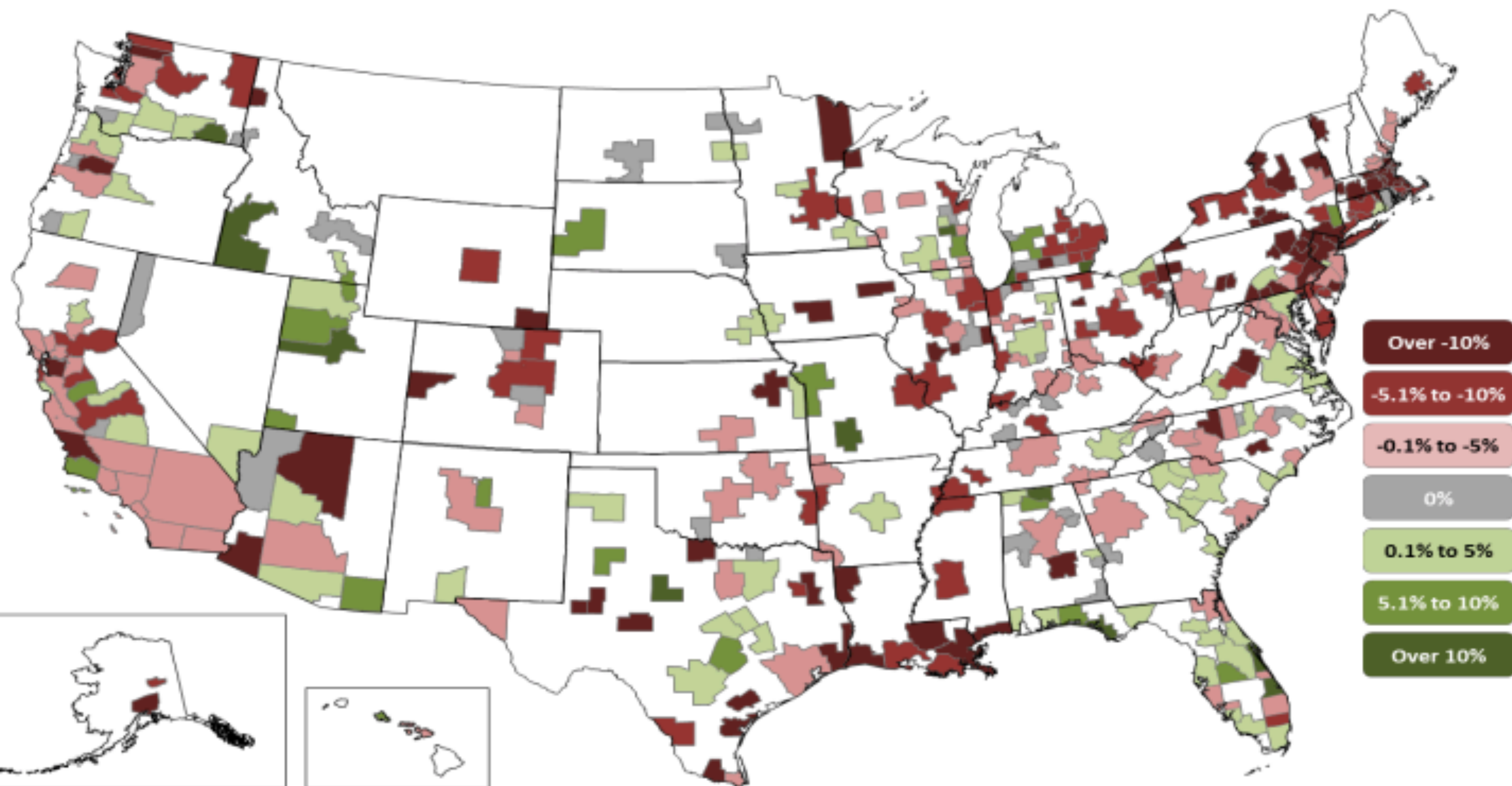


Construction employment decreased in 225, or 62%, out of 358 metro areas between June 2019 and last month, despite widespread increases from May to June, according to an analysis of government data that the Associated General Contractors of America has released. Association officials urged government officials to enact liability



AGC
THE CONSTRUCTION
ASSOCIATION

Percent Change in Construction Employment by Metro Area, June 2019–June 2020



Builders Need Help Staying Safe

Austin has six COVID-19 clusters in construction industry, new safety measures now in place



CORONAVIRUS

Construction site at Big Sky resort generates more than 100 COVID-19 cases

Contractors took steps to limit the spread after an earlier outbreak at the site. It didn't work.

The Eagle

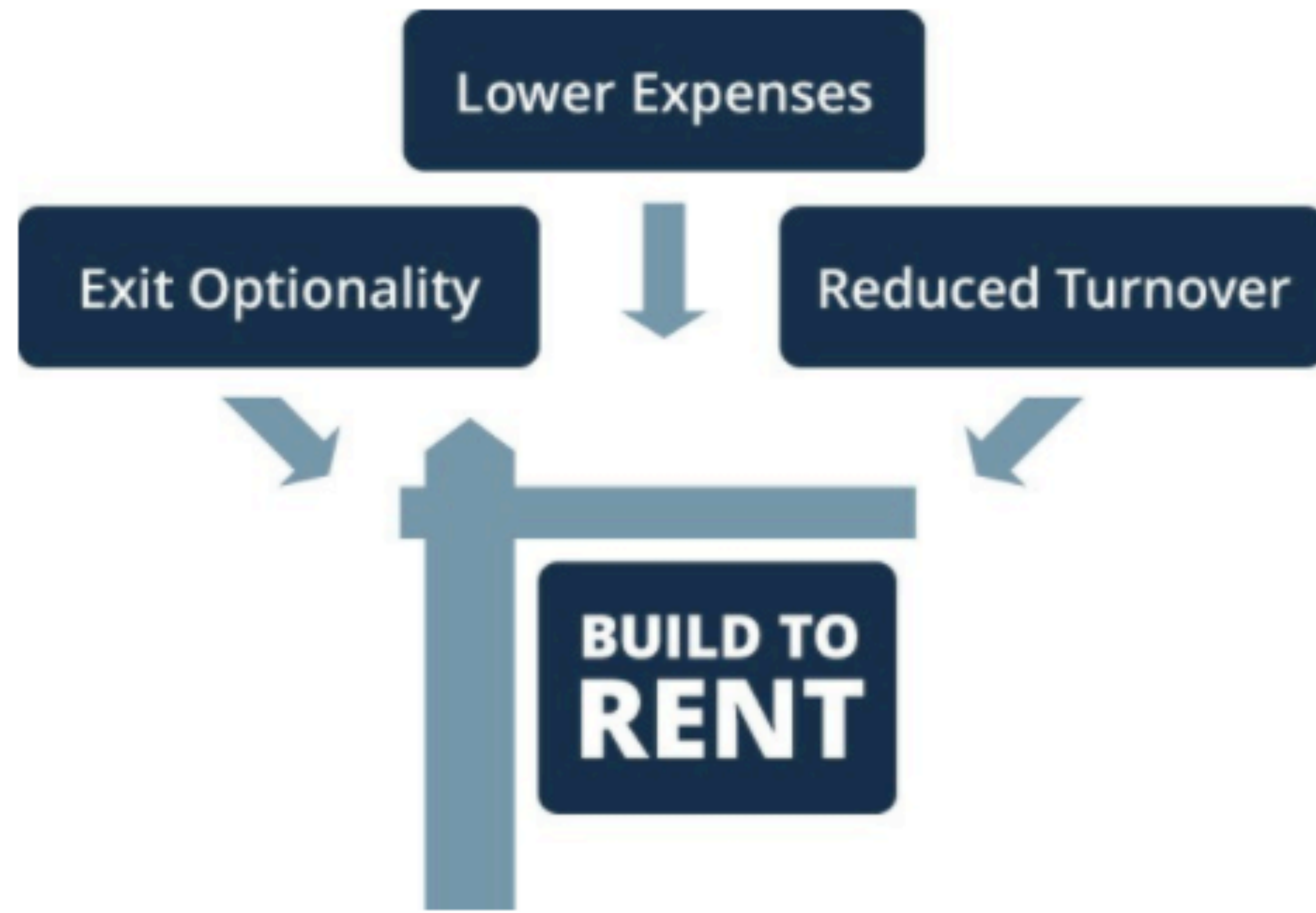
55 workers at Texas A&M construction site test positive for COVID-19



SINGLE-FAMILY BUILT-FOR-RENT'S BREAK-OUT MOMENT HAS COME

Toll invests \$60 million to accelerate BB Living's growth into six new markets, as builder strategies adjust to a pivot in consumer housing preferences and needs.

By [John McManus](#)



Toll Brothers on May 27 made public a \$60 million investment in a \$400 million venture with BB Living to create build-to-rent housing in Phoenix, Denver, Las Vegas, Jacksonville, Dallas, Houston and Boise.

Here are some companies' holdings now:

- 300,000 units: Blackstone, Colony and Invitation Homes
- 250,000 units: American Homes 4 Rent, Progress Residential, Main Street Renewal, Tricon and Front Yard
- 20,000 units: Amherst Residential

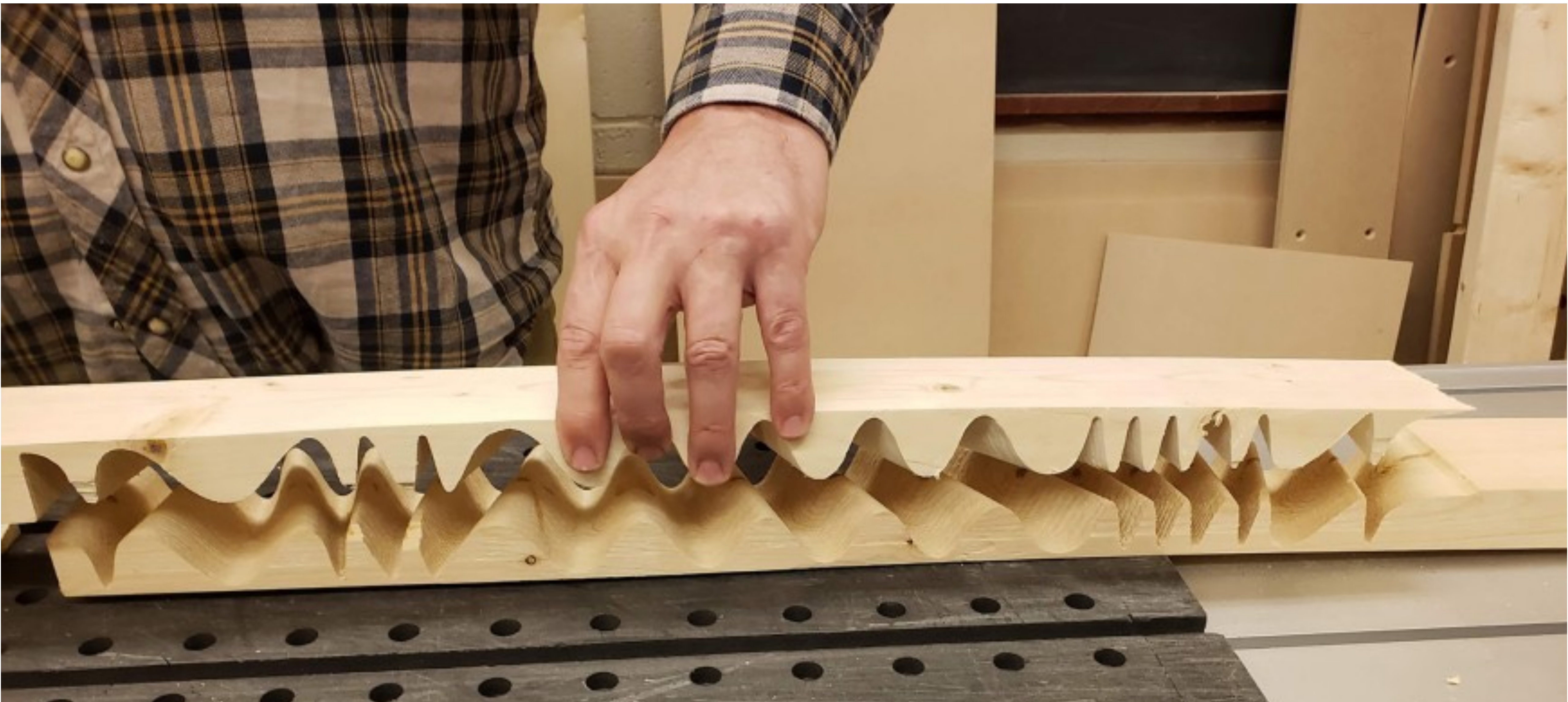


Single Family Rental homes are the Company's target market.

- 3.9 million new rental units are forecast for 2016-2020, of which 1.5 million are expected to be homes (Source: US Census and Green Street Advisors).
- 9.2% increase in home rental units from 2016-20.
- Total target market is 17.2 million home rental units.

Much of this growth is being fueled by the under-supply of rental housing inventory. Purchases of Build For Rent homes to satisfy this demand are being driven by large scale orders and requests for proposals from institutional investors that continue to grow. Current estimates are in the hundreds of billions of dollars being invested in the single-family rental sector over the next five years. Recent market data analysis from John Burns Real Estate Consulting on the single-family rental market analysis and forecast suggests that growth in the rental market remains strong.

The New Big Advance? 'Zippered' Wood



The Curvy
Metals
of Art
Nouveau



The Curvy
Metals
of Art
Nouveau

Reborn
with 21st
Century
Wood



Expect to Work Hard, but Your Efforts Won't Be Pleasant ... or Speedy



Questions? Concerns?

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