

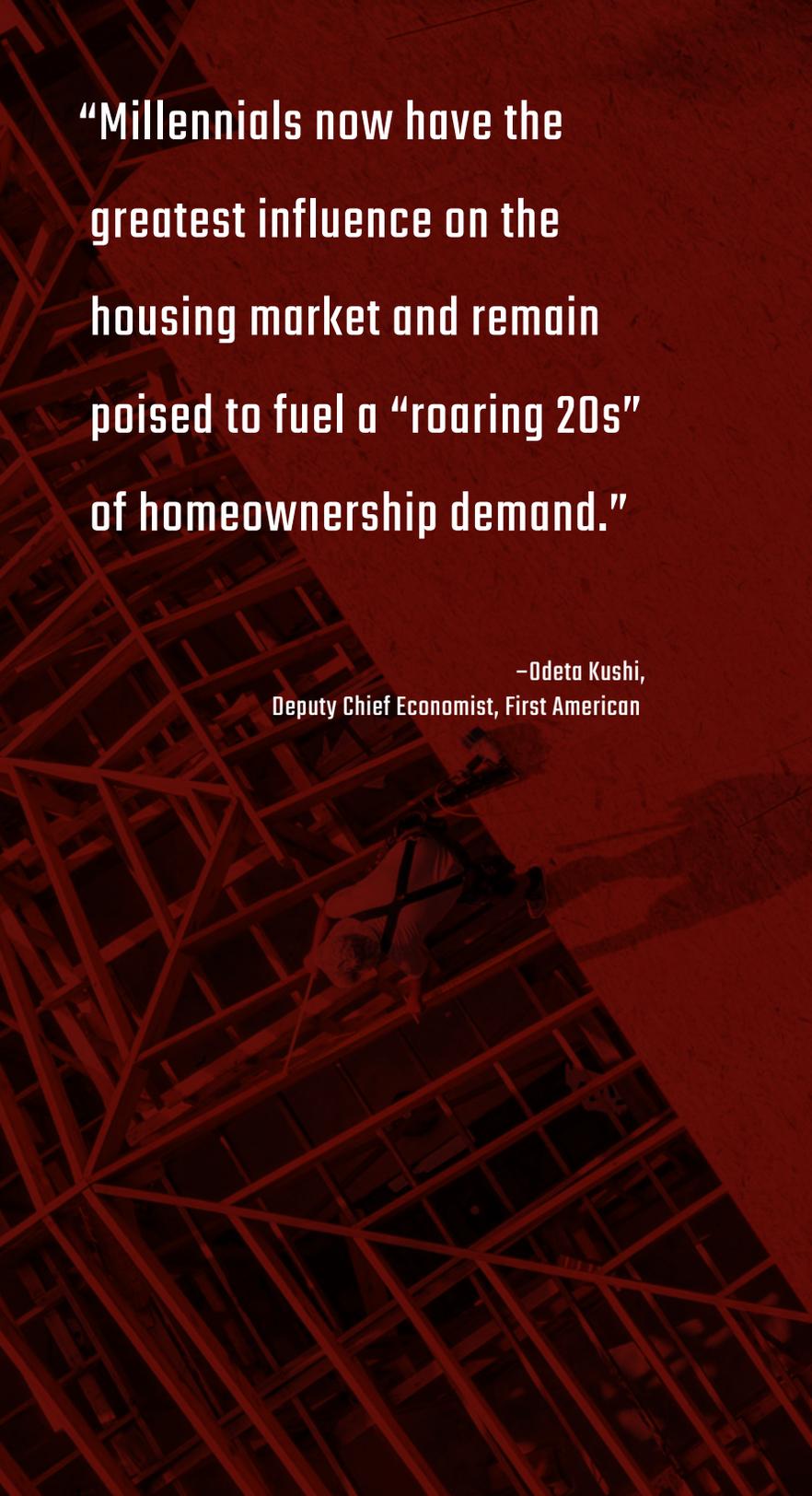


Since 1923

Roy O Martin®

BOARD BRIEF

2021 Q2



“Millennials now have the greatest influence on the housing market and remain poised to fuel a “roaring 20s” of homeownership demand.”

**—Odetta Kushi,
Deputy Chief Economist, First American**

Home building is a local industry, but with benefits and setbacks stemming from outside variables across different parts of the country. The RoyDMartin Board Brief lays out the stats for our customers in key areas, namely the southwest region, so you can better understand the many factors affecting your local market.

TRENDS WE ARE SEEING NATIONWIDE:

- June housing starts at 1.643 million, up +29.1% YOY but down -6.6% from last quarter. Newly built homes make up 26% of the single-family market, a record high.
- Jobs are down -7.6 million workers, with rate of people quitting their jobs the highest ever
- New home sales are down -6.6% but still trending above pre-pandemic levels
- Median home sale price reached \$386,888, up +24.8% YOY
- Lumber prices are down, but home prices continue to rise between 11-12% as builders now simply collect higher profits.
- Panel prices followed lumber prices in price fall, but is no indication of market slowdown.
- The National Apartment Association sued the federal government for unlawful eviction moratorium imposed by the CDC.
- Build-to-Rent grows to a \$40 billion industry, offering first time would-be homeowners who are priced out of the market an opportunity to expand outside of apartment dwellings.
- The largest single-family landlord in the U.S., Invitation Homes, increased new leases by 14%.
- Building supply chains as bad as ever with 92% of builders stating supply-chain issues prohibit building growth. It is across the board with all building materials facing shortages and long-lead times.
- Mortgage rates falling again to 2.78% as a result of the uncertainty caused by the new Delta variant. It is possible we could see another housing rush as homeowners refrain from selling and buyers, fearing new restrictions, seek more housing options.
- 30% of all homes sold this year were purchased with cash.
- State legislatures met with big and controversial laws being passed.
- Housing deficit is now at 5.5 million

LACK OF WORKERS: THE NEW PANDEMIC

“I Quit.” –Americans

Corporations do not have control over housing prices, but it is undeniable that housing has always been a workforce development issue, and is likely to be even more so in the coming years. Communities that are not proactive about housing—its availability and affordability—could face worse labor shortages than those imposed by the pandemic. The labor issues in construction we are seeing now are twofold: workers being priced out of hot markets and workers quitting their jobs because of unemployment benefits.

In our previous Board Briefs we focused mainly on the high demand for housing coupled with the low supply of materials, which was the main catalyst for rising prices. Now there is a new player: unemployment. The difference is that without workers, builders cannot build. If they cannot build, material prices will go down and supplies will level out because they will not buy, which has contributed to prices falling in Q2. Lack of building due to lack of labor will only increase demand as housing supply levels will plummet.

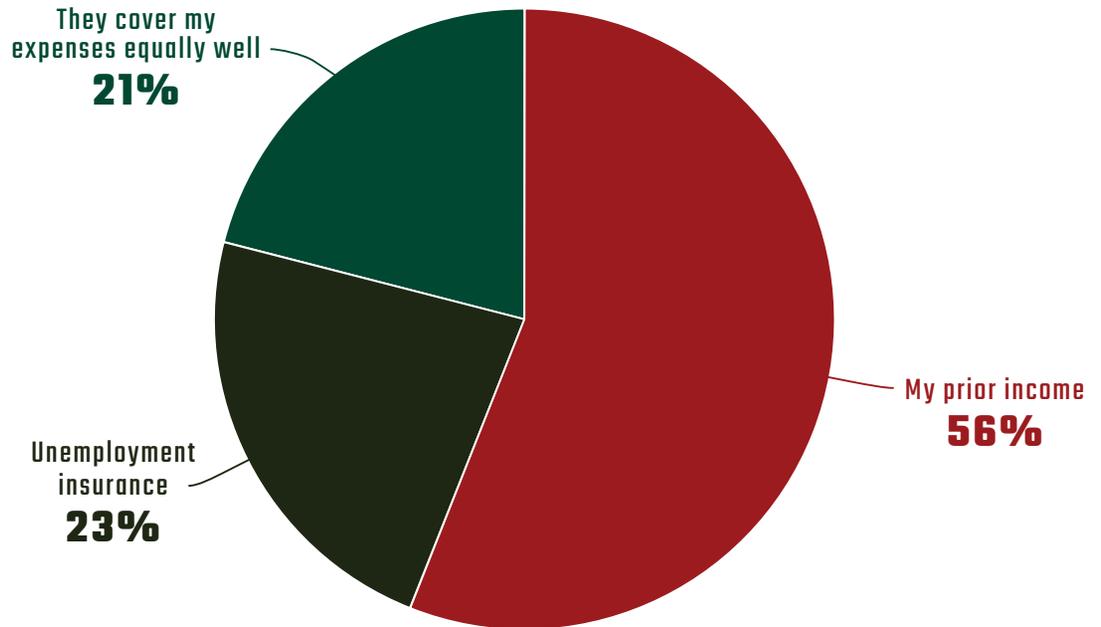
Nearly every employer is in need of new workers, with generous employment benefits being the main catalyst for keeping workers at bay. The Morning Consult reported that 1.8 million Americans turned down job offers in order to remain unemployed. People who want to work are recruited to higher

paying jobs with other companies. Companies are paying people to simply show up to interviews. Even after the termination of federal unemployment benefits, The Morning Consult predicts the U.S. economy will still remain 4.7 million jobs short of pre-pandemic levels.

26 governors prematurely terminated federal benefits for unemployed workers. States with terminated unemployment benefits or plans to early-terminate unemployment benefits include Arizona, Utah, Texas, Oklahoma, Arkansas, and Louisiana.

In a recent poll, only slightly more than half of unemployment recipients said their prior income was better than unemployment insurance for covering their expenses. 23% said unemployment was better at covering their expenses than going to work every day.

Does the money you receive from unemployment insurance or the income you receive prior to receiving unemployment insurance better cover your expenses?
Among those currently receiving unemployment insurance



MORNING CONSULT

Poll conducted from 06/22 - 06/25, 2021, among a sample of U.S. 463 adults currently receiving unemployment insurance, with a margin of error of +/-5%.



**We are very short staffed
and no one wants a job right
now. ITS THE NEW
PANDEMIC!**

**Most of us are working
doubles everyday.. PLEASE
BE KIND to the ones that did
showup for their job today!!**

**THANK YOU FOR
UNDERSTANDING!**

WITH LOVE- THE CANTINA

While data from Indeed show a record number of job openings, new weekly unemployment claims were up 37,000 for a total of 412,000 unemployment claims last week in June.

The housing industry has slowed due to these labor shortages. Wood product supplies are opening up but building is being stalled by the labor force. While the harvest is plentiful, the workers are few. Builders cannot keep up with demand due to their lack of labor, and workers who are willing to work are being lured to the highest paying projects.

Lack of housing affordability in major metro areas is complicating the labor market. If workers cannot afford to live in those regions, they will find work elsewhere and move to other markets.

Another workforce factor affecting the housing market is the work from home craze. Silicon Valley is committed to continuing work from home options in order to retain top talent, which is great news for the housing industry as these workers relocate. This is not so great news for smaller businesses around the country as they now have to compete with Silicon Valley salaries for employees.

Economists expect 3.5 million workers to re-enter the labor force in the coming year. Workers re-entering will still face obstacles including their willingness and ability to get hired. Without a labor force, employers are having to make do without by implementing creative measures (such as closing indoor dining at fast food restaurants but keeping the drive-thru open) and some are even closing businesses. The workers who are waiting until their benefits run out to find work may one day find themselves in a bind.

INFLATION

Inflation is here and affecting the housing market, and not just in the ways you would expect. Inflation is in fact largely responsible for recent home buying for those entering the market for the very first time. Landlords, stuck with the rising prices of literally everything, have no choice but to raise rents from \$1000/month to \$1500/month in some cases. Renters are looking at the rising rents and saying “It’s time to buy.” Mortgages are at all-time lows, Americans have more disposable income from government subsidies, and workers have the freedom to move anywhere they want due to a rise in remote work.

Inflation rates for US are up 5% according to the U.S. inflation calculator. The U.S. has not seen an inflation rate over 5% since 2008, when the high reached 5.6%.

Gasoline is seeing some of the highest inflation at 45.1%.

Inflation rates overall are up 8.2% since 2018 record lows.

Chart: United States Annual Inflation Rates (2011 to 2021)

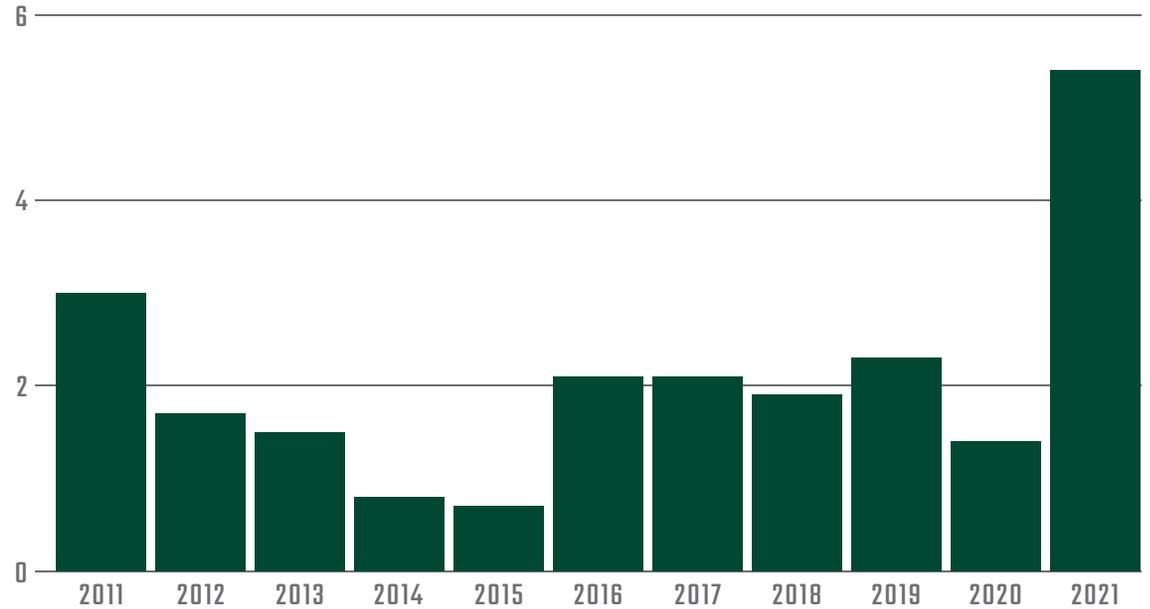
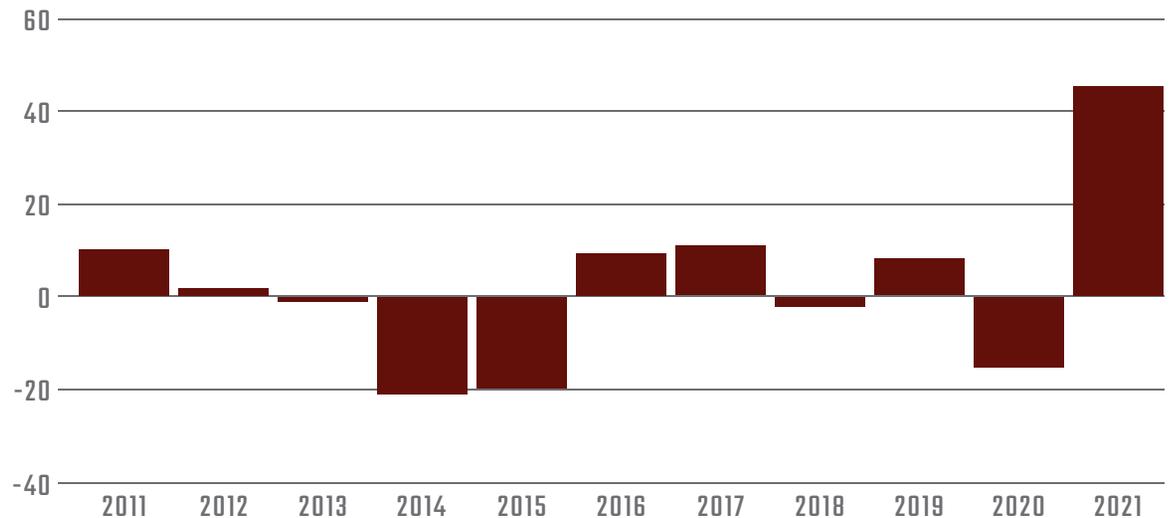


Chart: Annual Gasoline Inflation - Percent Increase or Decrease



WHAT DROVE MATERIAL PRICES IN Q2:

▲ UP

- Freezes in Texas
- The Pandemic
- Forest Fires
- Tariffs on Chinese Steel
- High Demand
- Unscheduled OSB down time

▼ DOWN

- A typical summer retail slow down with people on vacation
- A “wait-and-see” philosophy from builders not in high-demand areas
- Builders intentionally slowing sales to catch up on orders
- Buyers priced out of the market as housing prices soar

OSB PRICING YOY

JULY 2020

\$390

JULY 2021

\$525

OSB SHEATHING (SOUTHWEST) 7/16" PRICES NET F.O.B. MILL
US Southwest RL End-week

\$525

UP \$135

(+134.6% YOY)

*OSB pricing on 7/16 OSB in southwest region from July 2020 - July 2021. Chart from Random Lengths, FastMarkets RISI

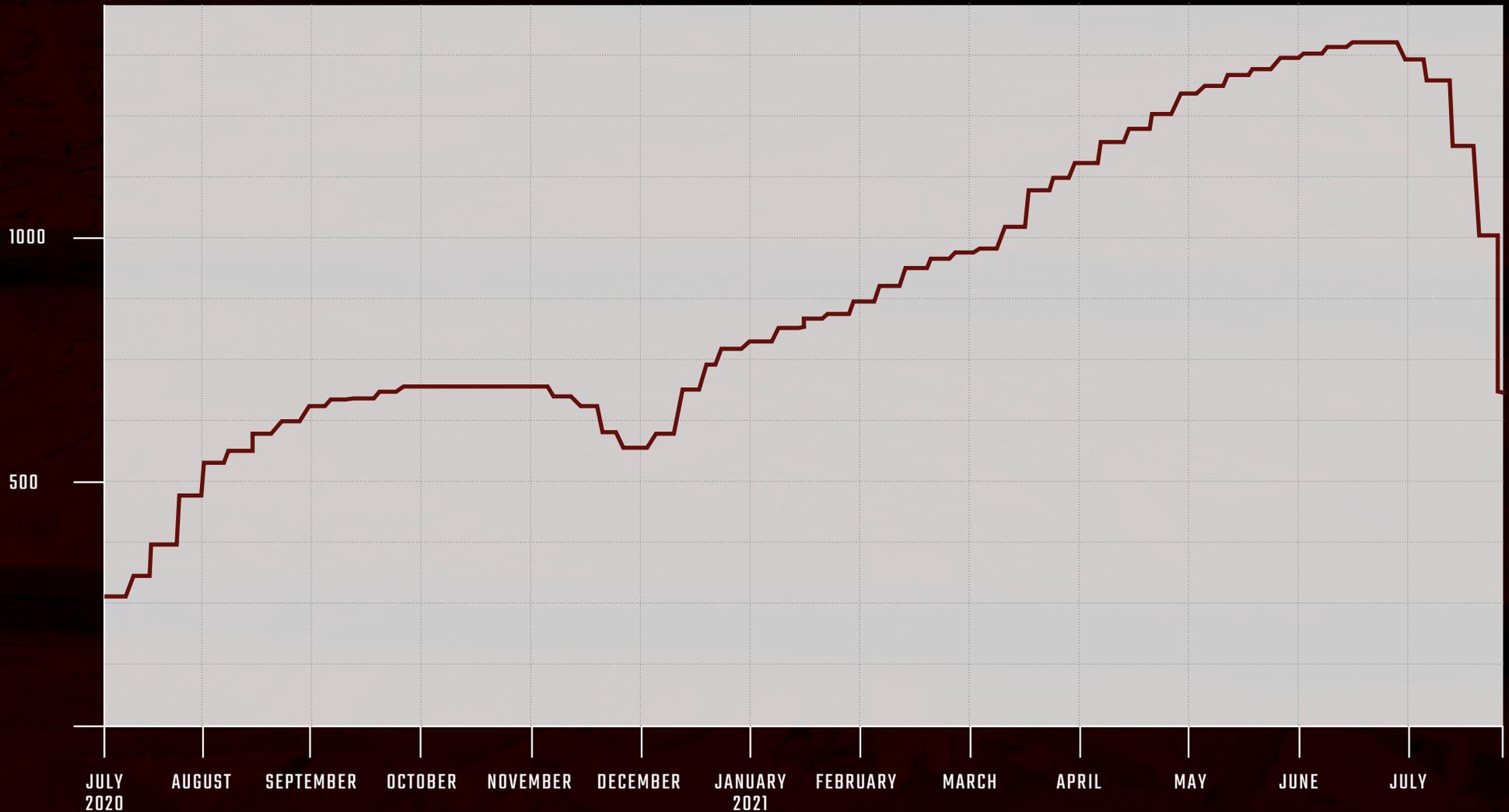




Photo by: Beau Brune/LSU Athletics

LOUISIANA

TOP MARKETS:

BATON ROUGE

1,352 HOME SALES

(up +36% YOY)

4,051 PERMITS

(up +15% YOY)

LAFAYETTE

2,659 PERMITS

(up +52% YTD)

NEW ORLEANS

3,087 PERMITS

(up +43% YTD)

LOUISIANA ECONOMY

- Oil and Gas
- Commercial Fishing
- Tourism
- Agriculture and Forestry
- Chemicals
- Gaming

SIGNIFICANT LEGISLATION PASSED:

- Legalized sports betting. Football just got better.
- Ended federal unemployment benefits
- Provided an extra \$300 million annually for roads and bridges

Baton Rouge

Compared to other markets in the nation, housing is slow to come online in Baton Rouge, and the city currently ranks in the bottom 10% of the Wall Street Journal's emerging housing index. Baton Rouge ranked 284 out of the 300 based on economic health and real-estate market. The locals, however, will tell you the housing market is booming, and experts see signs that a strong housing market will continue for a while.

Single-family permitting dominates the market in Baton Rouge, as it should due to the vast oversupply of multi-family. Multi-family permits totaled 14 while single-family totaled 4,037. Planned communities are growing in the area. The Pointe-Marie TND subdivision near L'Auberge Casino has filed for its second filing, with 12 of the 16 single-family lots pre-sold. Long Farm Village is beginning the design of its fifth and final phase, which will include 171 single-family lots. The Lakes at Harveston's second residential phase is expected to come online soon, with final buildout having 1,300 residential lots over 1,400 acres. Materra is moving forward with their construction of a master-planned 140-residential-lot community on the campus of Woman's Hospital due to strong demand in that area. New home prices have risen 1.9% to a median of \$252,000.

Homes for sale are at an all time low, with inventory falling -56.8% since June. Homes stay an average of 17 days on the market.

Commercial real estate surged +49% above the six-year average, and dollar volume rose +98% according to Elifin Realty. Year-to-date transactions in the commercial space are the highest on-record.

New industrial projects are on the rise as Amazon, Grön Fuels and Exxon are expected to create

thousands of new jobs. Regional employment should grow 1% by the end of 2021 as a result. Baton Rouge has not benefited as it should have from rising gas prices, as those jobs have fled or stayed in Texas. Refineries are just now catching up on maintenance as they delayed costs during the pandemic.

Lafayette

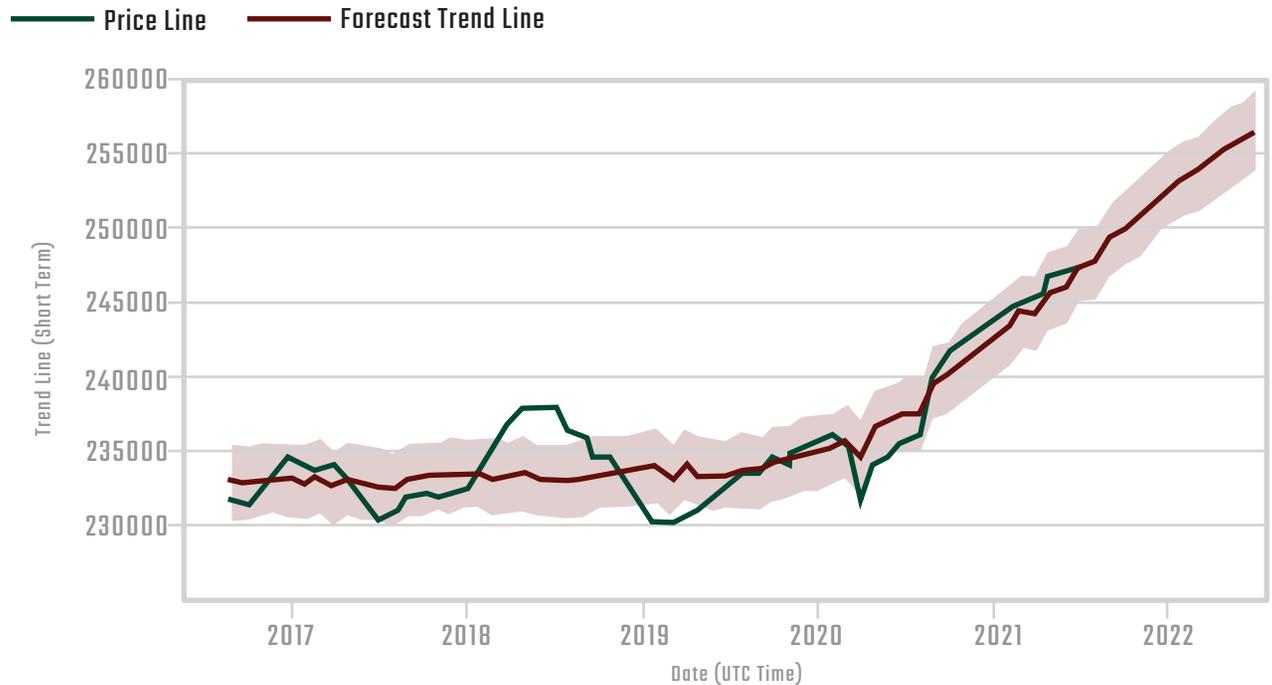
Residential sales are at all time highs in Lafayette and fast-growing Carencro. Inventory is short and single-family permitting is up +51% as a direct result. Carencro saw 221 home starts in 2020 which was twice as many starts as it had in 2019. Residents are moving north of I-10 and the market will need 500 houses to absorb the demand.

Still undeniably affordable, the Lafayette median home sale is rising quickly, up +4.6% YOY to \$180,300. Total sales volumes reached \$150 million, the highest ever for the area. There is currently a housing supply of 1.9 months.

New Orleans

Ranking 238 of 300 on the emerging housing index, New Orleans could do better, and the outlook is positive that it can do just that according to economic forecasters. There is a dwindling supply of houses on the market, and median prices are on the rise. Forecasts from Walletinvestor.com see the area on the upwards trajectory of a housing boom, with home sales increasing 29.54% in the next ten years. The market is trending towards bullish, an encouraging opportunity for investors. New home builds currently make up 26% of the single-family for-sale market, an increase of +29.7 YOY. 32.1% of homes purchased were all-cash transactions.

New Orleans City Real Estate Forecast Chart, Short-Term Housing Market Forecast for The Upcoming Months and Year
The short-term real estate market forecast is based on the median home listing prices from the last 5 years.



The current frenzy of the New Orleans real estate market has would-be sellers hesitant to list their homes as there are few places to go. Median home prices are up and bidding wars are common. With labor shortages in the hospitality industry and employers increasing wages to gain workers, it is likely this is another contributing factor to rising home prices as buyers have more cash to spend.

Unemployment within the city is up to 11% and has not returned to pre-pandemic levels of 5%. The hospitality industry, a significant contributor to the city’s economy, has been hit severely. As of early August, all festivals that normally dominate the spring had been rescheduled for the fall, and hotels were fully booked. Jazz Fest, however, just announced it is canceling the festival for the fall due to an uptick in cases, and more festivals could follow suit. Louisiana is hard-hit by the Delta variant and full recovery still seems out of immediate grasp.

 In SEC news, LSU quarterback Miles Brennan is out this season due to a shoulder injury caused by tripping on his flip flop while carrying his tackle box on a fishing trip.



Photo by: Craig Bisacre/Texas A&M Athletics

TEXAS

TOP MARKETS:

AUSTIN

24,988 NEW HOME SALES

(up +21.9% YOY)

23,431 STARTS

(up +9.7% YOY)

SAN ANTONIO

19,867 NEW HOME SALES

(up +52.2% YOY)

17,483 STARTS

(up +6.1% YOY)

DALLAS

47,196 NEW HOME SALES

(up +31.4% YOY)

45,131 STARTS

(up +5.6% YOY)

HOUSTON

38,216 NEW HOME SALES

(up +22.2% YOY)

38,492 STARTS

(up +4.2% YOY)

TEXAS ECONOMY

- Finance
- Tech
- Healthcare
- Air & Space
- Oil & Gas
- Manufacturing
- Agriculture

SIGNIFICANT LEGISLATION PASSED:

- Funding for broadband and education
- Statewide power grid reform as a direct response to the February freezes: prohibiting electricity providers from passing wholesale fuel costs on to customers, reducing the number of ERCOT board members from 16 to 11 (8 of whom must be chosen by political appointees), allowing ERCOT to charge for backup wind and solar, and requiring weatherization of plants to prevent equipment failure in extreme weather conditions.
- Alcohol to go

Austin

Large corporations expanding are sending homeowners and residents to the suburbs and outskirts of town. With housing in Austin at continued historic low supplies, comparisons are being drawn to high-priced western metropolitan areas such as San Francisco and Seattle, with the expectation that over time, housing prices within Austin city limits will be astronomical.

In our last Board Brief we mentioned Elon Musk’s tweet on the need for more housing in the Austin area. He did not wait for us to build more homes, and is instead working on his own housing initiative. On July 9, 2021 Tesla Energy, Brookfield Asset Management and Dacra announced a partnership for Musk’s housing project: the first Tesla Solar neighborhood and the nation’s most sustainable residential community. The large-scale sustainable neighborhood in Austin will be a first of its kind and is tentatively named “SunHouse at Easton Park.” Tesla V3 solar roof tiles and Powerwall 2 battery storage will be installed in each home for the project. Residents will be provided with backup storage in the case of outage, and will be compensated for returning power to the energy grid. After the ice storm where millions were out of

power, this is an appealing concept for many Texans. To complement the housing initiative, Brookfield, Dacra, and Tesla will also incorporate additional transportation, technology, and energy solutions to create a “new paradigm for residential community development.” Meanwhile, the billionaire reportedly lives in a box.



Billionaire Elon Musk reportedly lives in a box, literally the company is called Boxabl, which is a pre-fab flat-pack Casita

Hollywood celebrities are leaving Los Angeles and taking up residency in Austin. Actors leaving Tinseltown for the area include Zachary Levi, James Van der Beek, Stephen Amell, and Jared Padalecki. “I’m excited for the growth. We’re not going back. We don’t have a landmark like Niagara Falls or Disney World or the Eiffel Tower. They’re all coming for the vibe — we’ve got people,” said long-term local celebrity Matthew McCaunaghey. “I’ve talked to quite a few people before and since they came here and the two words I hear over and over again are ‘hospitality’ and ‘optimism’, so my line has been, ‘Don’t turn here into why you left there.’”

Austin’s biggest housing risk is not being able to keep up with the demand. Strong population growth, companies relocating and expanding to the area, lack of labor, and building costs are all contributing to a frenzied market.

New Braunfels

New Braunfels and other small Texas towns are gaining from remote workers. New Braunfels is particularly attractive due to its close proximity to both Austin and San Antonio. For workers in either city commuting just one day or two to work, affordable housing in a slower-paced community is very attractive. Companies across the U.S. continue to allow employees to work from home, such as USAA in San Antonio, thus allowing a large

home-buying demographic to buy homes in locations that work best for their families. Million dollar homes give buyers a lot more bang for their buck in New Braunfels. Where \$1M can get a 2600 square foot home in a chic San Antonio neighborhood, it can buy a new 5,000 square foot home in New Braunfels. With inflation a million dollars just isn’t what it used to be, and buyers are relocating out of pricey cities because of it.

New Braunfels is also seeing economic growth on its own, with a \$110MM investment from Continental Automotive Systems underway. The project will create 570 new jobs and the construction permit is in the works.

San Antonio

San Antonio’s affordability is fueling growth in its housing market. According to the U.S. Census Bureau, San Antonio is ranked ninth in the nation for in-migration. The city had a record-breaking year of housing starts, and would have seen more had land availability not been an issue.

Lennar Homes is planning two huge major developments, one a 130-acre development with 630 homes and another 122-acre development off I-35 with 657 homes with prices in the mid-\$200,000s. Meanwhile, in the wealthy area of Dominion Heights a new development is under construction that will include 56 zero-lot-line homes starting at \$800,000. Houses under one million dollars in Dominion Heights are extremely rare and the developers are seeking to fill a void with the new master planned community.

As buyers find it increasingly difficult to enter the housing market, build-to-rent communities are popping up everywhere, with San Antonio being a hub. Build-to-rent communities are largely taking off in Sunbelt communities with as much as \$40



“Austin is going to be
the biggest boomtown
that America has seen
in 50 years.”

—Elon Musk,
on The Joe Rogan Experience

billion invested in the space. Texas builders who are investing in the trend include AHV Communities, Lennar/Lafayette Communities, Wan Bridge, and DR Horton. Houses in these communities enjoy the same amenities as apartment complexes, such as swimming pools, leasing agents, dog parks and gyms but have the space and yard of a traditional home.

Microsoft announced plans to build an additional data center in San Antonio with construction costs estimated at \$140 million for the 79,384 sq ft space, with expected completion in February of 2022. A much anticipated downtown hotel by the Harris Bay company will soon be underway, with 2,500 square feet of meeting and event space expected to serve a growing need in executive space conference centers.

Dallas

Dallas added nearly 120,000 people in one year, from July 2019 to July 2020. Pandemic migrations will likely see that number increase in 2021. Home starts hit a record 15,246 in Q2.

The median home price in the Dallas Fort-Worth area has surpassed the \$350,000 mark. Million-dollar homes are no longer an anomaly in the area, as buyers lose spending power as they compete for homes. Whereas buyers would typically spend less for a less-desirable location or a fixer-upper, Dallas buyers are now paying for those homes what they would for move-in ready dream homes. Homes in high-end areas can average \$416/sq ft in sale price.

The Dallas housing market is so hot builders are now foregoing buyer agents and MLS listings, choosing instead to act as their own agents and taking highest and best offers. As builders are able to sell all their homes without real estate agents, the new trend is negatively impacting the pending sales lists posted by the National Association of Realtors.

Houston

Export trades in Houston are down 18% due to crude oil and the lack of demand during the pandemic. Global consumption was down to 80MM barrels in 2020 vs 102MM barrels in 2019. With 17% of Houston GDP attributed to exports, this was a big blow to the city that is very much tied to the oil and gas industry.

Jobs are down -43% in Houston, but housing is still booming. Having only regained 57% of its workforce, Houston housing continues to be surprisingly hot and only a shortage of lots, labor, and building materials are expected to slow starts in 2021. There is a shortage of resale homes, which is good for homebuilders as they will continue to be busy. Lots are unfortunately in extremely short order, with only a 7 month supply and will not be able to keep up with demand for the next 16 months.

Everything is bigger in Texas, including master-planned communities. The Highlands, located in Porter, will have 4,000 homes, an 18-hole golf course and clubhouse, miles of hiking and biking trails, a water park with a lazy river, on-site fitness center, tennis and pickle ball courts, an event lawn, and an elementary school.



This year's A&M Thanksgiving game will be in LSU's Death Valley where 100,000 Louisianians will look forward to beating Texas at something since they got us on the economy. UT has joined the SEC because Texans just have to have the best.

OKLAHOMA

TOP MARKETS:

OKLAHOMA CITY

7,613 PERMITS

(up +16% YOY)

TULSA

4,827 PERMITS

(up +11% YOY)

OKLAHOMA ECONOMY

- Energy
- Agriculture and Forestry
- Natural Resources
- Transportation and Logistics
- Manufacturing

SIGNIFICANT LEGISLATION PASSED:

- Anti-rioting bills, including HB 1674 which criminalizes destructive rioting and grants legal protections for drivers who may happen to run over protesters lying in the streets blocking traffic.
- Tax credits for the aerospace industry
- Any federal laws or executive orders deemed unconstitutional by the state legislature will now be rendered null and unenforceable in the state.

Oklahoma City

According to Forbes magazine, Oklahoma City continues to be ranked as one of the most competitive housing markets in the country, and home building is going strong with permits on the rise by +16%. Material shortages and price increases held builders back in Q2. Spec builders were reluctant to build with material prices and delays. Labor is in short supply as well, with skilled workers and qualified subcontractors being in high demand

and few in number. High demand and lack of supply should continue to fuel this hot market, which saw a total of 7,003 starts YOY in Q1.

The market for homes in Oklahoma City is highly competitive with homes for sale receiving multiple offers, no contingencies, and an average sale of 1% - 4% above the asking price.

A drop in retail and commercial construction caused a 19.1% drop in construction payrolls in Q2. Overall, the state lost 75,000 jobs due to the coronavirus pandemic according to University of Oklahoma economist Robert Dauffenbaugh. Most jobs lost were high-paying jobs in the oil and gas industry, as that sector took one of the biggest economic hits. Chesapeake Energy alone reduced 800 payrolls in the area. Office retail in Oklahoma City now has 620,000 square feet of vacancy. The outlook, however, is very bright as the state continues to successfully recruit new businesses including Costco (1500 jobs), Kratos (\$400 million investment for manufacturing unmanned military planes), and Corken (120 jobs in oil and gas). The region is expecting to produce 6,000 new jobs over the next three years.

Tulsa

Do you want a house in Tulsa? Cool, so does everyone else. Pending home sales are up +25% with 1,634 homes closing last month. Home prices both new and existing are increasing in double digits as competition heats up and supply dwindles. Permitting for single-family is up +21%, while multifamily is down -28% YOY.

Home building is at its highest levels since the peak in 2007 when starts reached 4,303. Unlike other regions, Tulsa has an abundance of land and a healthy lot supply. Tulsans don't care though and are instead buying existing homes, tearing them down, and then rebuilding.



Most importantly, OU has joined the SEC.



Photo by: Ty Russell/OU Athletics



Photo by: Walt Beazley and Christina Long

ARKANSAS

TOP MARKETS:

LITTLE ROCK

2,616 PERMITS

(up +13% YOY)

FAYETTEVILLE

7,234 PERMITS

(up +2% YOY)

ARKANSAS ECONOMY

- Energy
- Healthcare
- Agriculture
- Forestry and Timber
- Freight and Transportation

SIGNIFICANT LEGISLATION PASSED:

- Sovereignty Act, which renders federal laws invalid if they infringe on the right to bear arms
- Mandating doctors to prescribe antidotes to accompany opioid prescriptions, which will quickly reverse the effects of an overdose
- SAFE Act bans doctors from giving experimental puberty blockers and hormones to children for transexual treatment

Little Rock

Demand for luxury homes in Little Rock is not slowing as homes valued at \$1 million or more are on pace to climb past 2020's record of forty-four \$1M+ homes sold. The renter market is strong as workforces move to affordable towns like Little Rock, seeking housing that they are priced out of in other fast-growing markets. Little Rock hosts an astonishing 34% of Gen Z renters and is a top-trending market for the young generation, and multifamily permitting is up +50% YOY in direct correlation. Home builders are expecting permits and starts to rise as home inventory is down.

Employment in Little Rock is down -10% from pre-pandemic levels, with hospitality suffering the greatest loss. The cancellation of the Keystone XL pipeline has spurred a domino effect on the economy, halting work on the 740-acre Welspun Tubular site in the Port of Little Rock, which should have been filling orders for production of more than 1 million feet for the Keystone project. The port also could face a loss of Czech arms maker CZ-USA's 74-acre project and 600 jobs as deadlines were missed due to the company's acquisition of Colt. Amazon once again comes to save the day with a major expansion at the port that will add 1,000 new jobs. Michael Pakko, chief economist and state economic forecaster, predicts it will be the end of 2022 before the local economy truly recovers from the pandemic.

The state will invest \$17 million at the Ebbing Air National Guard Base in Fort Smith after the Air Force announced it would locate a new training center for F-35 and F-16 pilots. The defense sector is huge in the area, with more than 10,000 Arkansans working in it. The economic impact from the base will contribute \$2 billion to the state's economy in 2021.

Fayetteville

New home construction is on the rise in Fayetteville and prices are still on the rise, even after a +13% increase last year. Competition is strong and inventory is scarce. Home sale values topped \$3 billion, a 10.3% increase YOY. The economy is still reeling from the pandemic as the service industries suffer from a lack of visitation to the area.

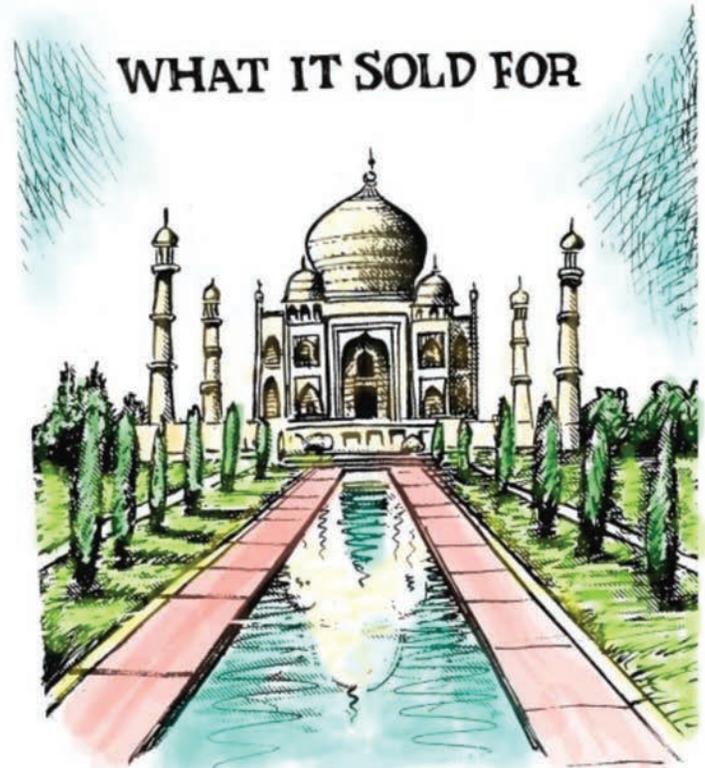
 The Arkansas Razorbacks are playing football this year. LSU fans will be very cordial when they host the team on November 13.

Today's Housing Market...

AS LISTED



WHAT IT SOLD FOR



© DAVE GRANLUND
POLITICAL CARTOONS.COM



Photo by: NM State Athletics

NEW MEXICO

TOP MARKETS:

ALBUQUERQUE

2,260 PERMITS

(up +2% YOY)

NEW MEXICO ECONOMY

- Aerospace and Defense
- Energy
- Accommodation and Food Services
- Distribution, Logistics, and Transportation
- Public Administration and Federal Government

SIGNIFICANT LEGISLATION PASSED:

- Community solar program established
- New Mexico Civil Rights Act: gives anyone who claims deprivation of rights to bring suit to state and district courts and prohibits qualified immunity.
- Required paid sick leave of up to 64 hours a year.

Albuquerque

Home prices are escalating in Albuquerque with the median new home price at \$358,300, a growth rate of 14.2% from this time last year. Housing is hottest in the Rio Rancho, Los Lunas, and Mesa Del Sol developments. Inventory is incredibly low, contributing to the uptick in home prices. Albuquerque has been under-built for the past decade and permits are finally on the rise.

Jobs are down -6.9% annually with IT jobs down -9.1% YOY. Private sector employment is below the national average but expected to tick up with Netflix addition of 1,000 jobs and Orion Center \$10 billion expansion.

Santa Fe

Median home prices in Santa Fe reached a high of \$600,000. According to the Santa Fe Association of Realtors, home sales were up a total of 106.6% YOY with \$378 million in closed sales. Inventory in the area is at 1.4 months, down -57.6% YOY. New home building is rising in the Colibri community, near Santa Fe airport, with 116 lots set for development. A new community development called Esencia will house 580 lots and is in the planning phases now.

Affordable housing, deemed essential for a thriving workforce, is a top priority for the Santa Fe County Growth Management Department. RFPs are being accepted for 120 apartment units near Camino del Jacobo and Airport Road.



The Board Brief always teaches us a lot. While researching this issue, for instance, we learned that New Mexico has college football too: #GoLobos and #GoAggies. The New Mexico State University has the better mascot, a cowboy with pistols. It's so great OSU sued them as they claimed there can only be one #PistolPete. These, however, were 2014 problems and most likely rendered null in 2021 as he will undoubtedly be canceled soon.

The Lobos mascot is a wolf ranked along with the likes of the Clemson Tiger, who has his own GoFundMe site supported by LSU fans.



Photo by: Jeff Bottari

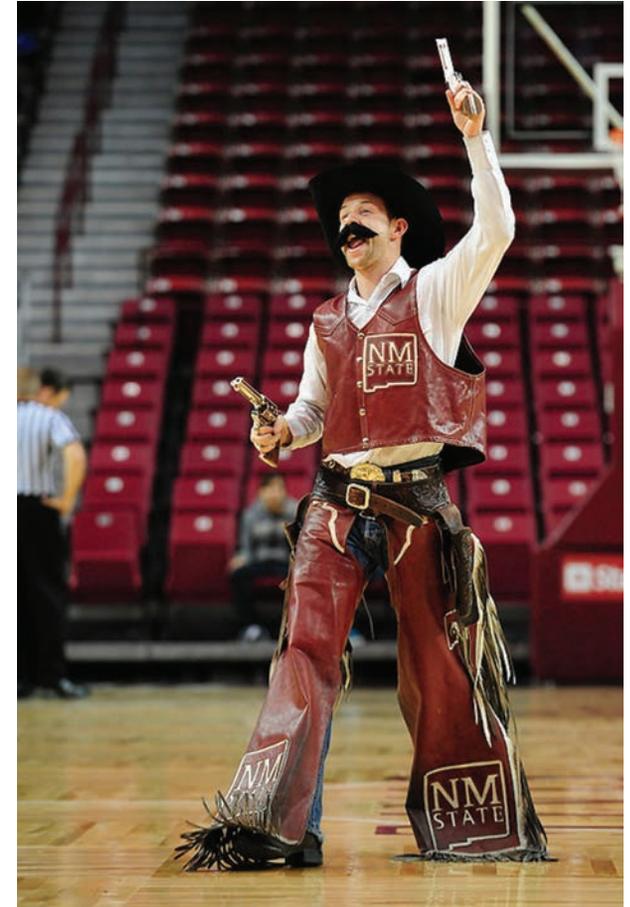


Photo by: Sam Wasson



Photo by: Arizona State Athletics

ARIZONA

TOP MARKETS:

PHOENIX

27,933 NEW HOME SALES

(up +18.4% YOY)

25,983 STARTS

(up +6.5% YOY)

TUCSON

4,166 NEW HOME SALES

(up +30.7% YOY)

3,572 STARTS

(up +3.5% YOY)

ARIZONA ECONOMY

- Tourism
- Services Industry
- Semiconductors
- Manufacturing
- Agriculture
- Mining

SIGNIFICANT LEGISLATION PASSED:

- Historic tax reform implementing the lowest flat tax in the country at 2.5%, removing taxes from veterans' paychecks, reducing property taxes, preventing a 77.7% tax increase on small business, increasing charitable giving tax incentives, and reducing individual's income tax rate by 13%.
- The Election Integrity SB1485 signed into law, removing inactive voters from voter registration.

Phoenix

In Q2, Phoenix had the fastest price growth in homes for 24 straight months. While home prices may be soaring in Phoenix, they are still cheap in comparison to other large western cities. Median existing home prices in the area are at \$399,900, up +31.3% YOY. Californians are beyond thrilled with the housing discount price tag and are buying up homes with a deal finders enthusiasm. Virtually all of the houses on market in Maricopa County have been absorbed. With Moody's Analytics expecting Phoenix to add more than 100,000 in 2022, the hot housing market will be sticking around in this area for the next several quarters.

The master-planned development, Alamar, in the community of Avondale is nearly sold out of its first phase of 461 homes. With homes being sold at a record pace, builders are deliberately slowing their pace to keep up with the demand, as labor and supply shortages prohibit them from scaling up. 30% of the homes purchased in the development are from out-of-state buyers, namely California. The development's success has spurred other master-development planning, with D.R. Horton investing \$245.5 million for 2,783 acres on the east side of town.

Trending in Phoenix as well as other parts of the country are new build-to-rent communities. Arizona-based Walton Global Holdings plans to develop 2,500 single-family rental units in the southwest region. Build-to-rent is currently a roughly \$40 billion industry with 64,000 build-to-rent homes developed in 2020 alone. Over 80,000 units are expected this year, and builders in the space are projecting that number could rise as high as 200,000 units annually in the next few years.

Tucson

Affordability is a growing concern in Tucson as home prices soar and price out local homebuyers. Home prices are up +29% with a median range of \$300,000. Shortage of supply and increased demand are expected to keep the Tucson housing market on the upward trajectory for the remaining two quarters in 2021.

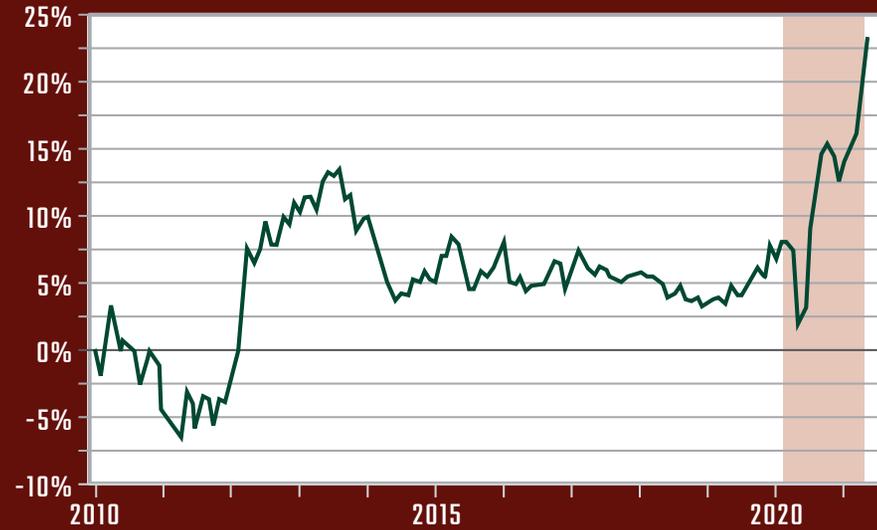
With the housing market crash in 2009, Tucson saw home values cut in half. Recovery has been slow for the past decade but is now seeing strong buyer activity. Supply and demand continue to favor the area's housing market but is nowhere near the frenzy of 2008.

The rental market in Tucson is huge due to the large numbers of students, snowbirds, and military personnel renters. Rental rates are up +18% YOY. Tucsonans in need of affordable housing are struggling, with more than 18,000 families on the waiting list for Section 8 housing.

 Sad day for ASU football, as they lost their punter to the transfer portal. Michael Turk is one of the nation's top college punters and is leaving the team. Where is he going? We don't know, but hopefully, someone will tell him soon.

Housing Prices

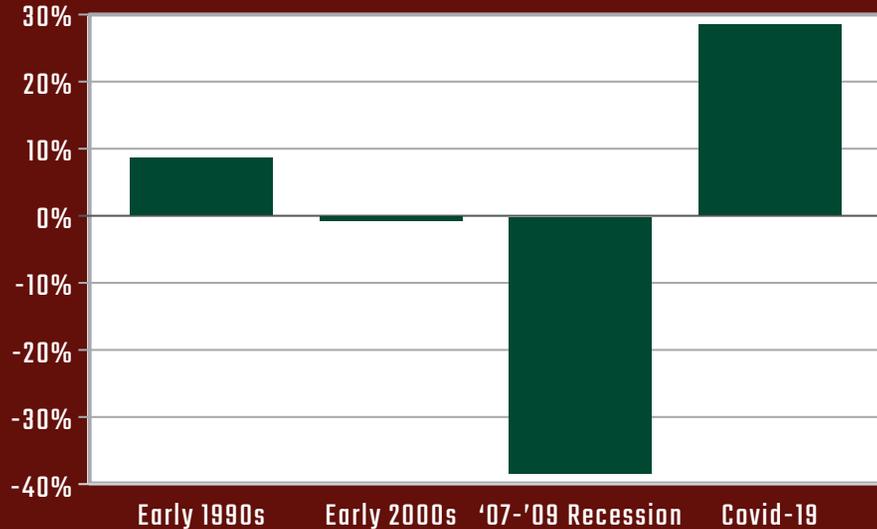
Who can afford these housing prices? A study from the Wall Street Journal showed most Americans got richer during the pandemic.



Source: National Association of Realtors

S&P Returns

S&P returns skyrocketing directly correlate to housing prices on the rise everywhere in the country:



Source: National Bureau of Economic Research (recession dates); Dow Jones Market Data (index levels)



Photo by: University of Nevada Athletics

NEVADA

TOP MARKETS:

LAS VEGAS

13,808 NEW HOME SALES

(up +42.6% YOY)

11,785 STARTS

(up +8.2% YOY)

RENO

2,912 NEW HOME SALES

(up +46.2% YOY)

2,365 STARTS

(up +4.7% YOY)

NEVADA ECONOMY

- Tourism
- Gaming
- Mining
- Agriculture
- Manufacturing

SIGNIFICANT LEGISLATION PASSED:

- Mail-in ballots for elections; ballots automatically mailed to all registered voters in the state
- Marijuana consumption lounges approved
- Primaries to replace caucuses in elections

Las Vegas

Demand may be easing due to record-breaking prices in the Las Vegas housing market. Home prices are up +20% YOY with an average sale-pending time frame of 15 days. Homes in luxury markets are receiving 4% above the asking price and go pending in 5 days. Inventory is nearly depleted with a 0.7 month supply as builders cannot keep up with demand and are not building at a rate to meet the needs of the market. Builders are 6 months - 1 year sold out of yet-to-be-built homes. Until the area sees more home starts, home sale prices will continue on their upward trajectory.

The rental market is hot with low vacancy and high occupancy rates. An average 1-bedroom apartment currently leases for \$1,067/month, up +7% YOY. Corporations are entering the housing market, buying up homes to rent to families who are being outbid. Ironically, this is only contributing to families being priced out of the market as they cannot compete with large corporate buyers. This is just another example of the build-to-rent craze and large corporations looking to get into the housing market, the darling of the COVID economy.

Just exactly how hot is the Vegas market? People are buying houses that have burned down. One such incinerated house in North Las Vegas received 6 offers from investors.

Burned-out house in North Las Vegas sells quickly

After going up in flames early last year, the home was listed for sale July 22, and six different investors made offers. [reviewjournal.com](https://www.reviewjournal.com)



Reno

Homeowners in Reno are still reluctant to put their homes on the market, causing sales and prices to climb higher. Buyers are competing for a scarce number of homes. Homebuilding is moving quickly with two new major developments in the area. Lansing is planning to build 4,500 homes over 1,500 acres and The Talus housing development with 3,995 is also moving forward as appeals for delay were denied.

GameStop is having fun with its earnings from the January Reddit-user stock market takeover and building a new facility in Reno, which will reportedly focus on digital growth.



The University of Nevada Wolf Pack is poaching eight D-1 players from other notable teams this season, including 6 from the Pac-12.



Photo by: Utah Athletics

UTAH

TOP MARKETS:

SALT LAKE CITY

4,532 NEW HOME SALES

(up +12.6% YOY)

5,496 STARTS

(up +24.6% YOY)

PROVO-OREM

5,635 NEW HOME SALES

(up +12.2% YOY)

7,562 STARTS

(up +5.7% YOY)

OGDEN

2,355 NEW HOME SALES

(up +8.1% YOY)

3,448 STARTS

(up +7.9% YOY)

UTAH ECONOMY

- Aerospace
- Data Centers
- Advanced Composites
- Digital Media
- Distribution

SIGNIFICANT LEGISLATION PASSED:

- Historic funding for education with an extra \$59.6 million in supplemental appropriations
- Funding for increasing broadband access
- HB294 terminates emergency powers and public health orders once the state reaches a level 1,633,000 doses of the Covid-19 vaccine, which it has already surpassed.

Salt Lake City

Starts are up +24.6% as builders rush to fill demand in Salt Lake City. Home prices are also increasing 24% as the market is tight with homes spending an average of six days on market before going pending. Inventory of new move-in ready homes is at a low of a 0.6 month supply.

First-time homebuyers are being priced out of the competitive Salt Lake market, with some buyers offering \$6,000 over asking only to be outbid by another offer \$60,000 over asking. Some homes see as many as 54 offers, all above asking, and most waiving inspections. Open houses have lines out the door, with prospective buyers needing to make decisions within a 15-minute time span. Would-be home buyers are tired after putting in 15-20 offers on homes, only to be constantly outbid. Many are giving up and renting for the short term, waiting for more supplies to open up before they try again.

The Salt Lake Tribune highlighted the craziness of the market, noting first-time homebuyers and younger buyers are the ones who are being hit hardest by the housing shortage. They aren't leaving the city, but instead are renting while they wait for the market to cool. As one prospective buyer noted, "Maybe it will level out. Maybe we won't have to go \$70,000 over asking and get beat out by 50 other offers."

Provo-Orem

Demand is increasingly outweighing supply in Provo-Orem, one of the hottest housing markets in the nation. Median home prices are at \$426,205, up +4.1% YOY. New home sales are up for the year but down from some of the highs of the pandemic housing rush as supply has dwindled.

The threat of wildfires could damage 39.4% of homes in Utah, including Provo. All of Utah's major cities, in fact, are in danger from the wildfires that were caused by droughts and lightning strikes last month.

Ogden

Houses for sale in Ogden were down -61.2% in July from the month prior as the market tightened. Homeowners became increasingly reluctant to sell and builders struggled to keep up with demand. Homes stay on the market an average of nine days in Ogden before going pending.

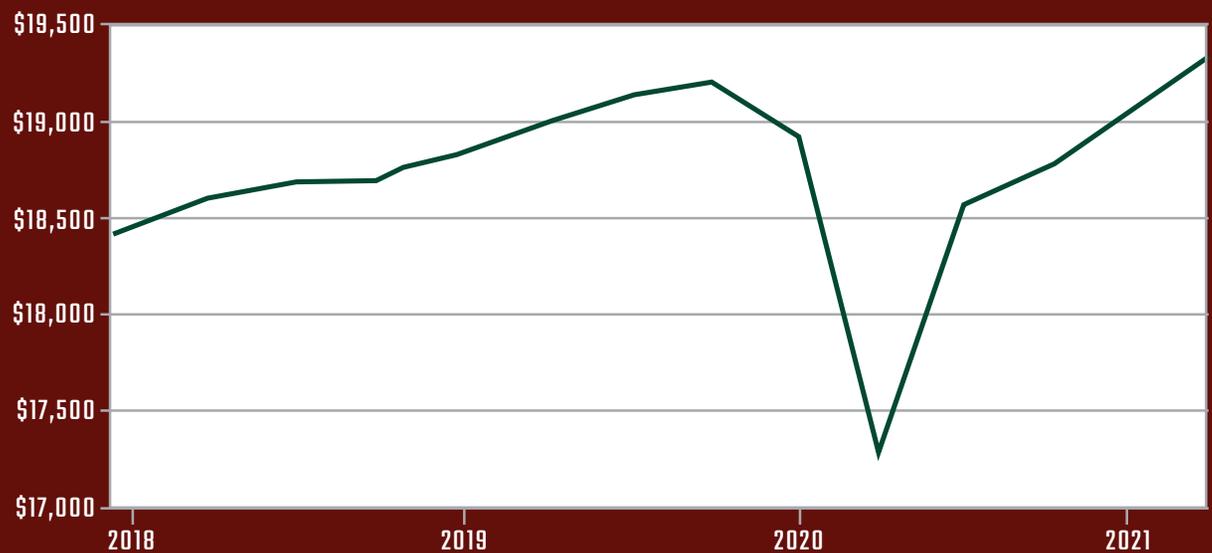
Job growth in Ogden is among the highest in the nation with high employment rates in construction, transportation, utilities, and service industry jobs. Infrastructure is contributing to high job growth with the \$120 million transit project connecting Weber State to Ogden. Land prices are high though and are affecting infrastructure costs.



The Utah Utes had an undefeated season in 2008, capped by a defeat of Nick Saban's University of Alabama team in the Sugar Bowl. Do it again.

Is the Economy back? GDP is up to pre-pandemic levels, increasing an annualized rate of 6.5% in Q2.

Real Gross Domestic Product (\$B)



Source: BEA; Zonda



Photo by: John McGillen/USC Athletics

CALIFORNIA

TOP MARKETS:

LOS ANGELES

8,082 NEW HOME SALES

(up +19.9% YOY)

6,590 STARTS

(up +6.6% YOY)

SAN FRANCISCO

5,272 NEW HOME SALES

(up +37% YOY)

4,705 STARTS

(down -2.7% YOY)

SAN DIEGO

3,631 NEW HOME SALES

(up +1.1% YOY)

2,871 STARTS

(down -7.9% YOY)

SACRAMENTO

9,213 NEW HOME SALES

(up +52.5% YOY)

6,675 STARTS

(up +2.7% YOY)

CALIFORNIA ECONOMY

- Tech
- Tourism
- Agriculture
- Entertainment
- Maritime
- Military
- Distribution

SIGNIFICANT LEGISLATION PASSED:

- \$100 billion for Comeback Recovery, including 46,000 housing units for the homeless, \$600 stimulus checks for two-thirds of all Californians with an extra \$500 for families, infrastructure, and wildfire prevention
- Medi-Cal (medicare) for undocumented immigrants 50 and over
- Expanded financial aid for college students

Los Angeles

Los Angeles has a worrisome shortage of housing, which is a huge problem as it still remains one of the hottest markets in the country. A new development in Montebello with 1,200 homes under 173 acres is underway and should supply a little relief to the strapped market. Vacant lots are scarce: Orange County is one of the most strapped areas in the nation. New home sales were at 564 in July, down -7.1% from the previous month. Housing is hot, but Los Angeles is still a top market for out-migration.

California has extended the eviction moratorium as implemented by the CDC, and landlords are suing. The California Rental Housing Association filed suit in federal court on July 30, citing the moratorium extension violates the Takings Clause and Contracts Clause of the U.S. Constitution, which bars the government from taking personal property without compensation. It is also noted that stimulus checks were distributed to individuals with the intent of purchasing essentials, such as food and shelter.

The state of Florida will be giving Disney \$580 million in tax credits for relocating its headquarters and moving 2000 California jobs to Orlando over the next two decades. The credits will be used to build and operate a regional campus near the up-and-coming Lake Nona. Less than 5% of the total staff in CA and the move will take place over the next 1.5 years. Industrial rents in Los Angeles are hitting record highs, up +4.2% from Q1 and +10% YOY, while the vacancy dropped below pre-pandemic levels.

San Francisco

75% of San Diego and San Francisco buyers are still facing bidding wars in May 2021, compared to 54% the previous year. The average sale price is \$1.5 million, spending an average of 16 days on the market. Housing is very competitive with average homes selling +10% over the list price while some go upwards of +20% over list price, with a net of 66.4% of homes being sold above asking. San Francisco remains the most expensive market in the country and competition is high even with the exodus into surrounding areas.

Condo pricing has not changed too much over the pandemic and apartment rent has decreased YOY. Condo sales are going strong with a MOM increase of +7.9%.

Facebook is building a company town (don't call it a "city") in the Bay Area called Willow Village. Encompassing 1.6 million square feet, the community will include a grocery store, pharmacy, restaurants, a 193-room hotel, 1,729 apartment units, 1.25 million sq ft of Facebook office space, and a town square.



Never leave work in Facebook town, where Mayor Zuckerberg ensures you have everything you need in his new Utopia.

San Diego

Homes in San Diego spend an average of 10 days on the market at an average sales price of \$800,000. 62% of homes are selling for +3% to +8% over list price. Second only to Phoenix, San Diego has the fastest growth in home prices at +25.9% YOY.

Supply is depleted and demand is high as workers continue to work remotely, millennials enter the market, and interest rates hover at all-time lows. Permitting is up in single-family and is expected to exceed the record highs of 2020.

San Diego has the second-lowest supply of lots, coming in behind only Los Angeles in vacant-lot shortages.

Sacramento

Not to be outdone by the rest of the state, Sacramento is also selling its houses above the asking price, albeit at a lower and more affordable rate of +4.8% over the list price. Median home prices are at \$470,000 and selling within a week. The capital city remains an affordable alternative for the Bay Area as well as other high-priced regions of the state as more and more companies continue to allow remote work. Notably, Google, Apple, and Lyft are extending work-from-home policies due to the Delta variant. Lyft is extending WFH until 2022.

As more migrants flock to affordable Sacramento, housing shortages are a concern. The city was not prepared for the massive influx of residents they are attracting, and supply levels are worryingly low. Realtor.com expects Sacramento to lead in home sales growth in 2021, with a projected +17.2% increase over 2020's record highs

 LSU will play UCLA in the season opener Labor Day weekend in Pasadena. Tiger fans who don't make the trip will undoubtedly be trying out sports betting at home.

HOWDY, PARDNER! TEXAS WELCOMES NEW CORRIGAN OSB FACILITY IN POLK COUNTY

Texas Governor Greg Abbott officially announced the establishment of a new RoyOMartin Corrigan OSB production facility in Polk County, Texas. Corrigan OSB is the wholly owned Texas subsidiary of Martco L.L.C. (also known as RoyOMartin). The project will create 50 new jobs and \$211 million in capital investment. A Texas Enterprise Fund (TEF) grant of \$278,000 was extended to the facility, which includes a \$3,000 Veteran Created Job Bonus.

“Texas leads the nation as the best place to live, work, raise a family — and build a home,” said Governor Abbott. “I thank Corrigan OSB for their expanded investment in Texas to meet the increasing demand for building materials and for creating even more jobs for hardworking Texans.”

“I’m excited to see that Corrigan OSB is considering expanding their presence in Polk County,” said Senator Robert Nichols. “The first plant they opened in 2018 created 170 jobs and had a substantial economic impact. This additional investment would create even more well-paying jobs and further boost the local economy.”

“With this new OSB plant, we will be well positioned to meet the backlog of demand for quality building products, produced from renewable, sustainable resources abundant in our

region,” said E. Scott Poole, RoyOMartin President and COO. “Our growth in East Texas has given us an influx of talent with a tremendous work ethic, a long-term, sustainable, raw-material base, and access to a growing and vibrant residential market. We remain steadfast in investing in our people, our forestland, quality manufacturing, and our growing customer base.”

“The partnership between Polk County and all RoyOMartin projects, including Corrigan OSB, has been a positive experience for both parties,” said Polk County Judge Sidney Murphy. “We are looking forward to extending that partnership and being a part of future opportunities for Polk County residents and tax-payers. They have been good neighbors to the local communities and school districts, along with providing good job opportunities for local people and graduates.”

“Corrigan-Camden ISD is looking forward to working with Roy O. Martin in continuing to cultivate the productive relationship that was forged when the first oriented strand board plant was constructed in the district,” said Richard A. Cooper, Superintendent of Corrigan-Camden ISD. “RoyOMartin and their employees set the example of what good stewards of the community should be.

THE BOARD BRIEF IS BROUGHT TO OUR CUSTOMERS BY THE ROYOMARTIN SALES TEAM

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SOURCES

HOME SALES AND STARTS: US Census Bureau, Redfin Data, Zonda, Trulia, Zillow, National Association of Realtors, National Association of Home Builders, CNBC, Zonda, Movoto.com, Norad Real Estate, The Salt Lake Tribune

PERMITTING: US Census Bureau, MetroStudy, Zonda, Redfin, Trulia

ECONOMIC DATA AND INDICATORS: WalletHub, Moody's, Bureau of Labor and Statistics, Bureau of Economic Analysis, US Department of Housing and Urban Development, Meyer's Research, BizJournal, Investopedia, The Wall Street Journal, The Morning Consult, Case Shiller HPA

PRICING: Random Lengths, FastMarket RISI, Redfin Data, Movoto.com

CONSTRUCTION DATA: Association of General Contractors of America, National Association of Home Builders, Builder Online