

# Big Shifts Ahead for Housing in a Post-COVID World

**Lesley Deutch, Managing Principal**  
[ldeutch@realestateconsulting.com](mailto:ldeutch@realestateconsulting.com)  
561-998-5814

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# We help our research subscribers & consulting clients make informed decisions.

## Burns US Housing Analysis and Forecast

Published January 16, 2019

JOHN & BURNS  
REAL ESTATE CONSULTING

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Published December 19, 2019

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Second quarter 2019 results

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**DESIGN LENS**  
by John Burns Real Estate Consulting  
December 2019 Edition

## Burns Housing Survey from the Front Lines

14% sample size of all US new home sales in December  
359 ratings by 310 housing executives responsible for 3,500+ communities in 80 metros  
Published January 9, 2020

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REAL ESTATE CONSULTING

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Published December 23, 2019

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Summary of third quarter 2019 results  
Published December 4, 2019

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Published June 30, 2020

JOHN & BURNS  
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Published December 18, 2019

JOHN & BURNS  
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## Single-Family Rental Market Index (SFRMI)

Published December 4, 2019

We received 127 market ratings from single-family rental operators in 48 metros who collectively manage 122K properties in the US. Operators rated 3Q19 market conditions.

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Prepared exclusively for JBREC - John Burns

**KB MI**  
KITCHEN & BATH MARKET INDEX  
NBA  
JOHN & BURNS  
REAL ESTATE CONSULTING

Third Quarter - 2019

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**Atlanta, GA MSA**  
Burns Historical and Forecasted Data - Metro Analysis

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December 2019

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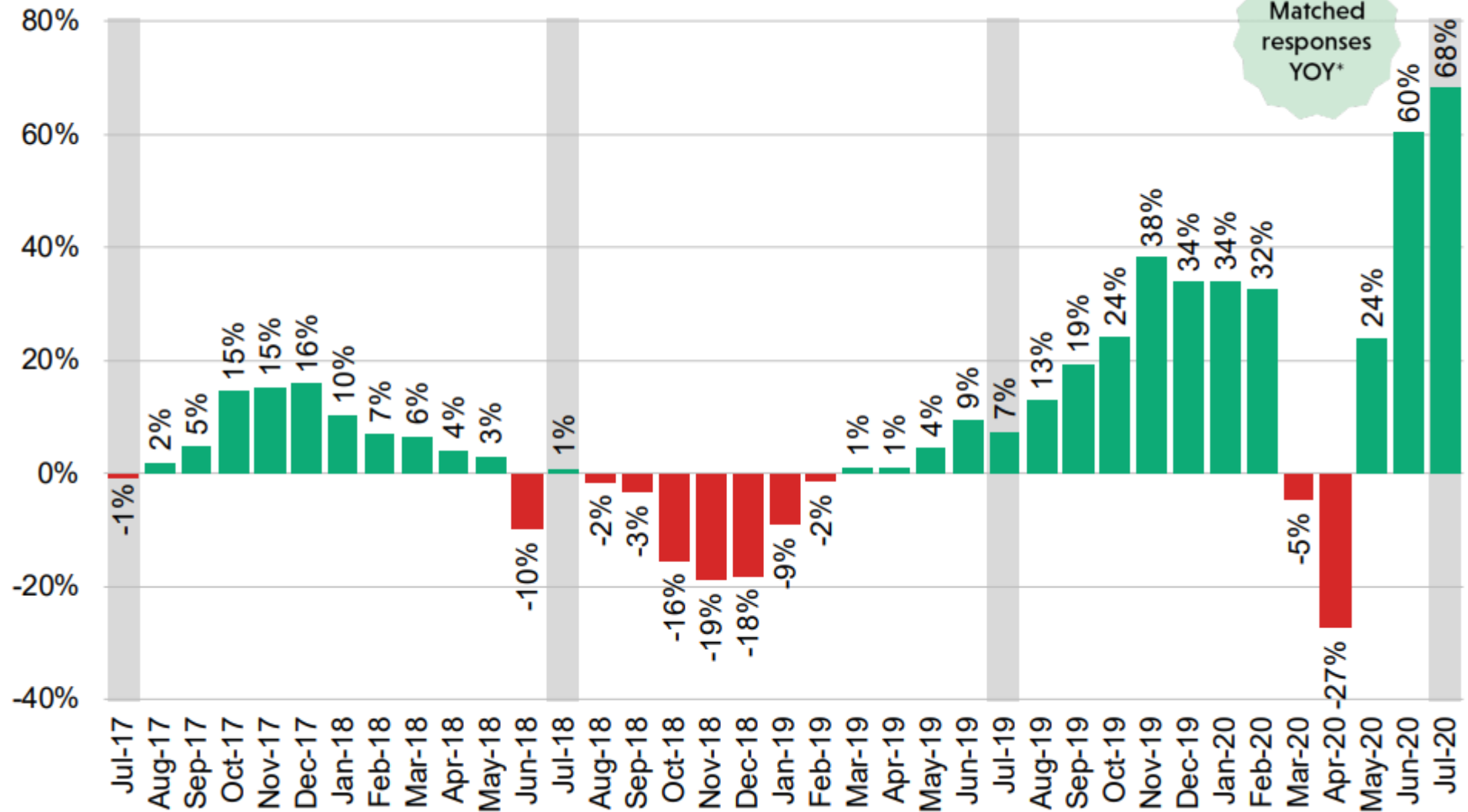




# The “V” Shaped Housing Recovery

# Average per community sales rate climbed 68% YOY!

## YOY Sales Rate Change



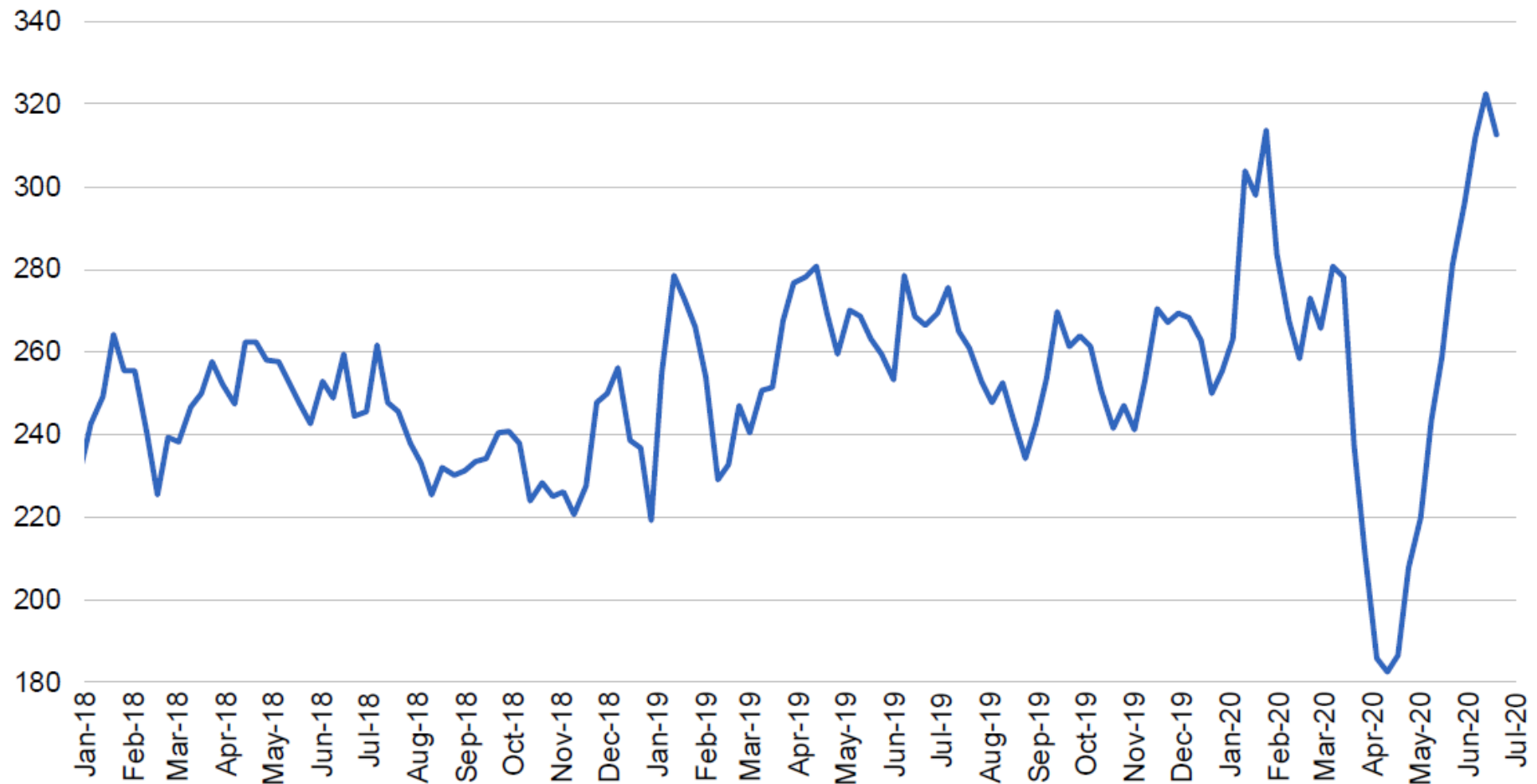
\*Note: The above chart shows YOY comparisons only for builders who participated in the survey one year prior. For the July survey, YOY comparisons include 223 responses.

# Mortgage applications to buy homes have exceeded pre-Covid levels.

## Purchase Mortgage Application Index

Seasonally adjusted weekly values

Note: The index does not capture cash transactions and thus understates activity.

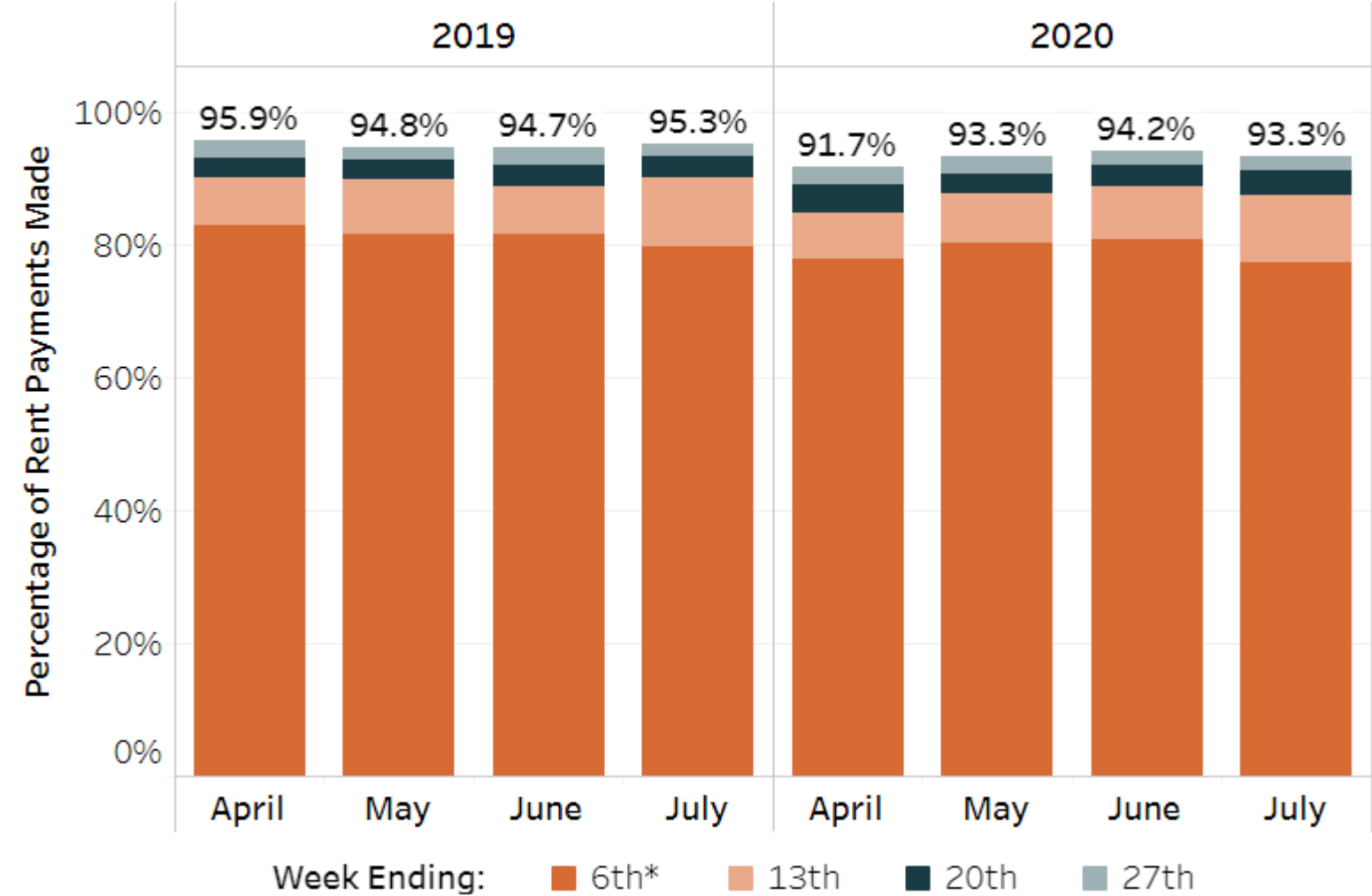


Source: MBA (Data: Jun-20, Pub: Jul-20)

# Rent collections remain strong but starting to show signs of weakness.

## Rent Payment Tracker: Weekly Results

\*\*Data collected from between 11.1 - 11.5 million apartment units



Source: NMHC (Data: Jun-20; Pub: Jun-20)





# How Can **Housing** Do So Well During Recession?





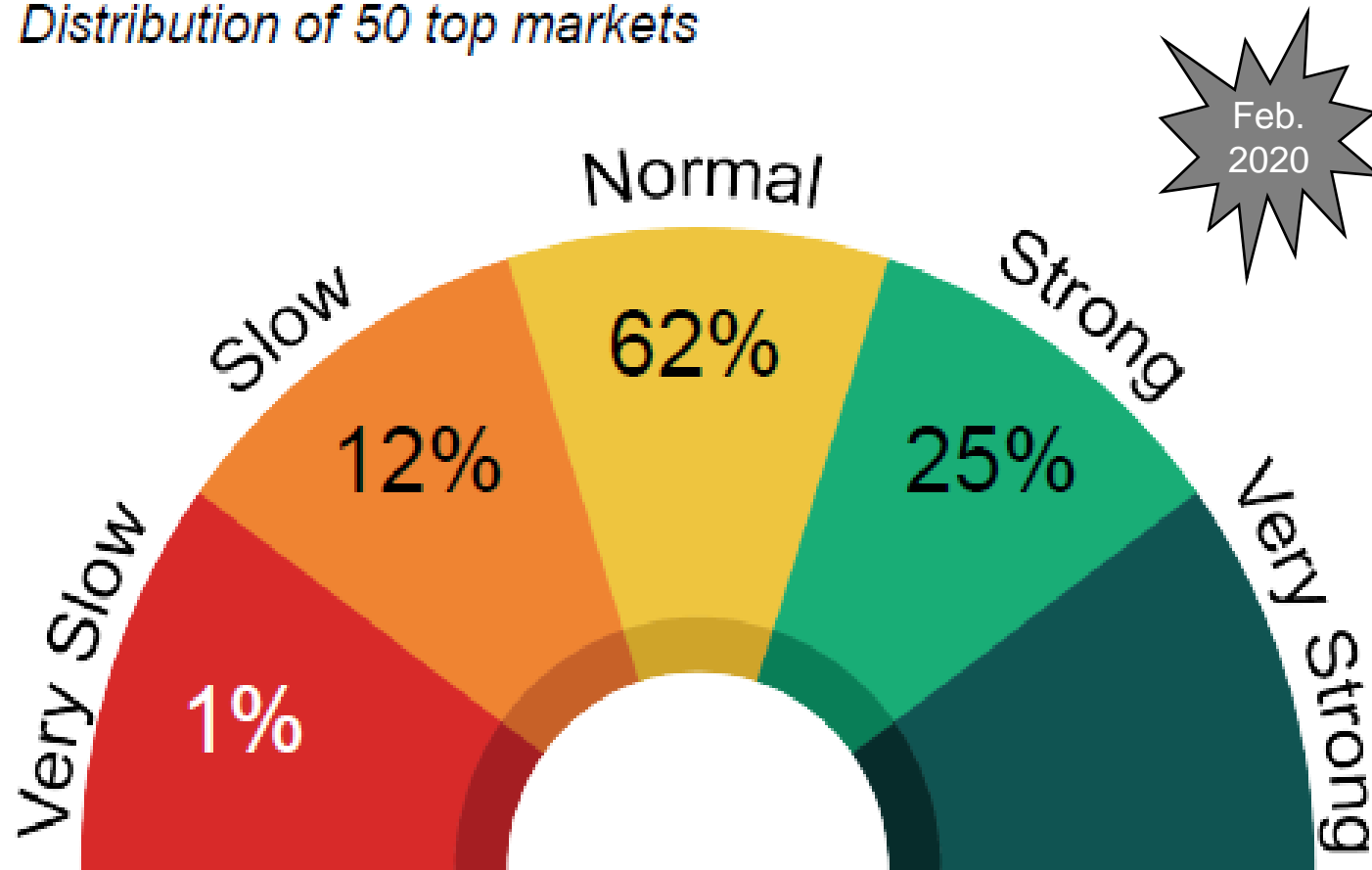
# COVID induced societal shifts disproportionately benefitting for-sale housing





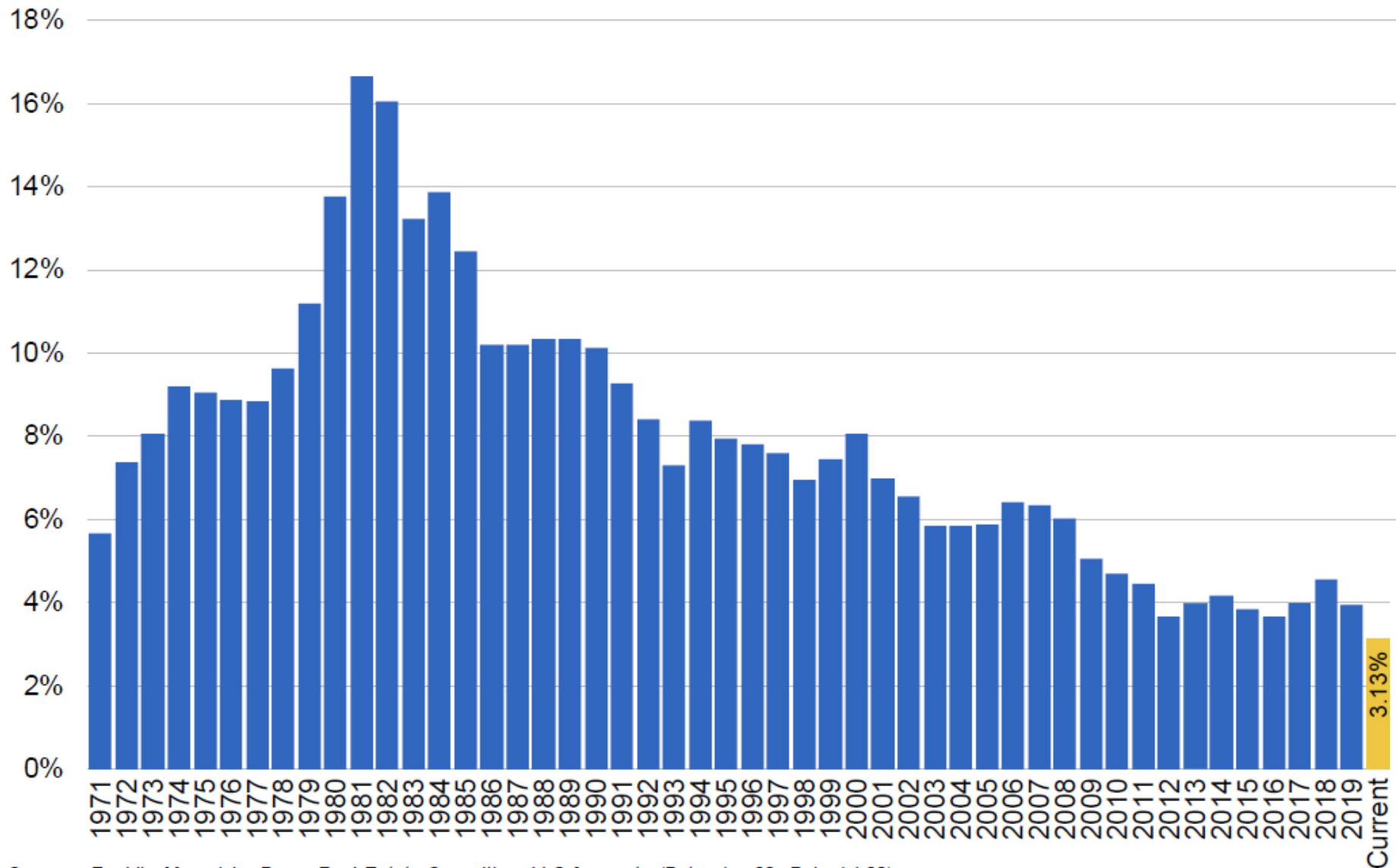
# Strong pre-COVID housing backdrop put shoppers on pause, who are now unleashing

*Distribution of 50 top markets*



# Mortgage rates below 3% for the first time, keeping affordability from getting stretched as prices rise.

## 30-Year Fixed Mortgage Rates



Sources: Freddie Mac; John Burns Real Estate Consulting, LLC forecasts (Data: Jun-20, Pub: Jul-20)



The background of the slide is a gradient of blue. It features three white paper airplanes flying from left to right. Each airplane is followed by a white dashed line that curves upwards and then downwards, creating a sense of movement and trajectory. The text is centered in a dark grey horizontal band.

# What to Expect **Post-** **COVID?**

# The Great American Move



## SHORT-TERM

### **The Great American Move**

As states, cities, and counties around the country slowly begin to reopen, expect a surge in **household and business relocations** that will provide new strategic opportunities for the real estate market.



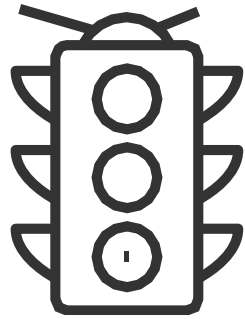
## LONG-TERM

### **Period of Thrift and Caution**

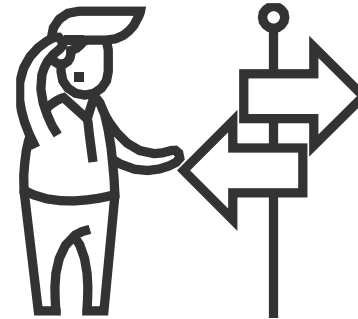
Slow increase in spending while people try to rebuild savings and still behave cautiously because they fear the virus.



# Two things to remember



Large events do not create new trends, they accelerate and decelerate existing ones.



Consumers do not know how they will change yet. They will overstate the magnitude of effect.



1

look at pre-existing trends



2

assess how COVID will  
accelerate or decelerate them



3

draw some conclusions





# Geographic Shifts



# The Great American Move

As states, cities, and counties around the country slowly begin to reopen, we predict *The Great American Move*. Expect a surge in **household and business relocations** over the next few months that will provide new strategic opportunities for the real estate market.



NEW HOMES



APARTMENTS



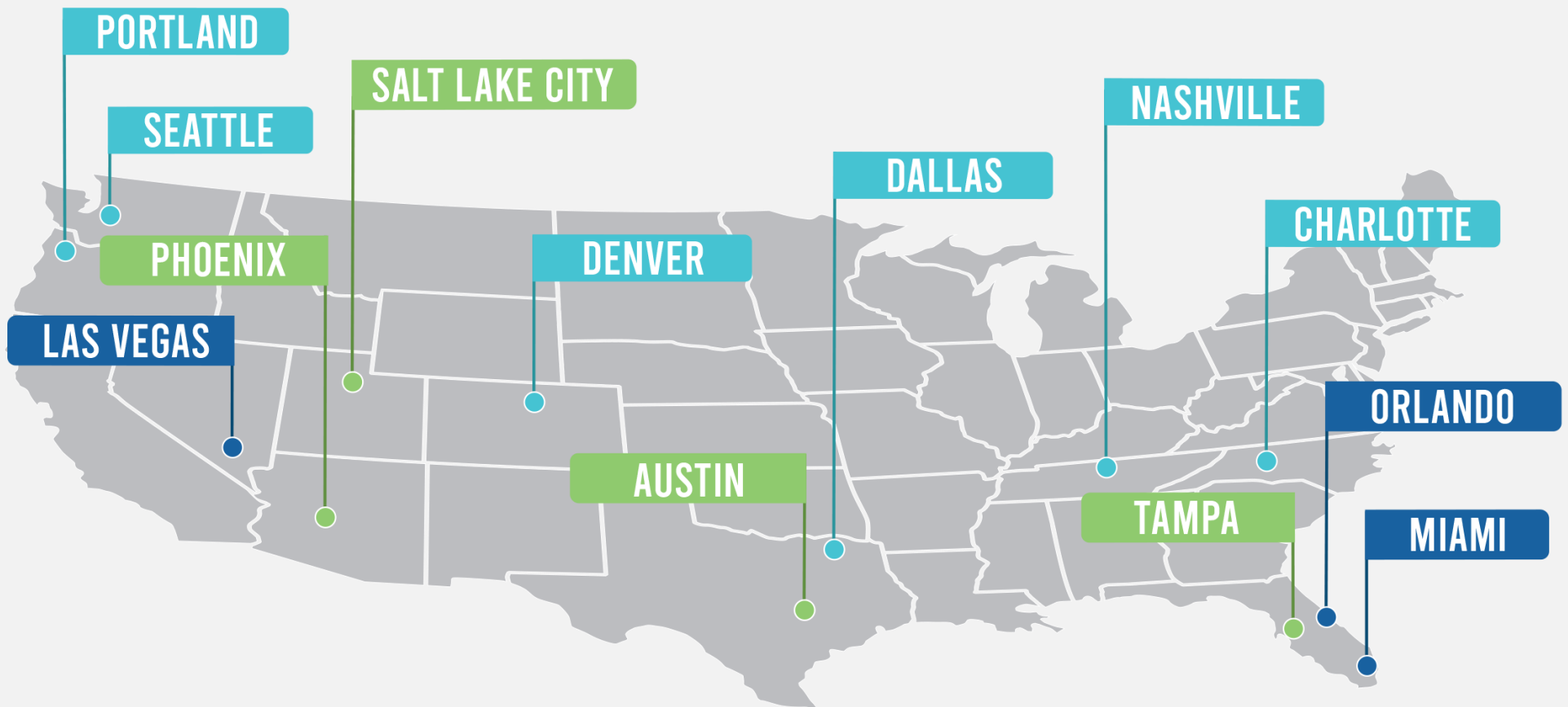
SINGLE-FAMILY  
RENTALS



COMMERCIAL  
REAL ESTATE



# Market Recovery



**BOOM MARKETS**

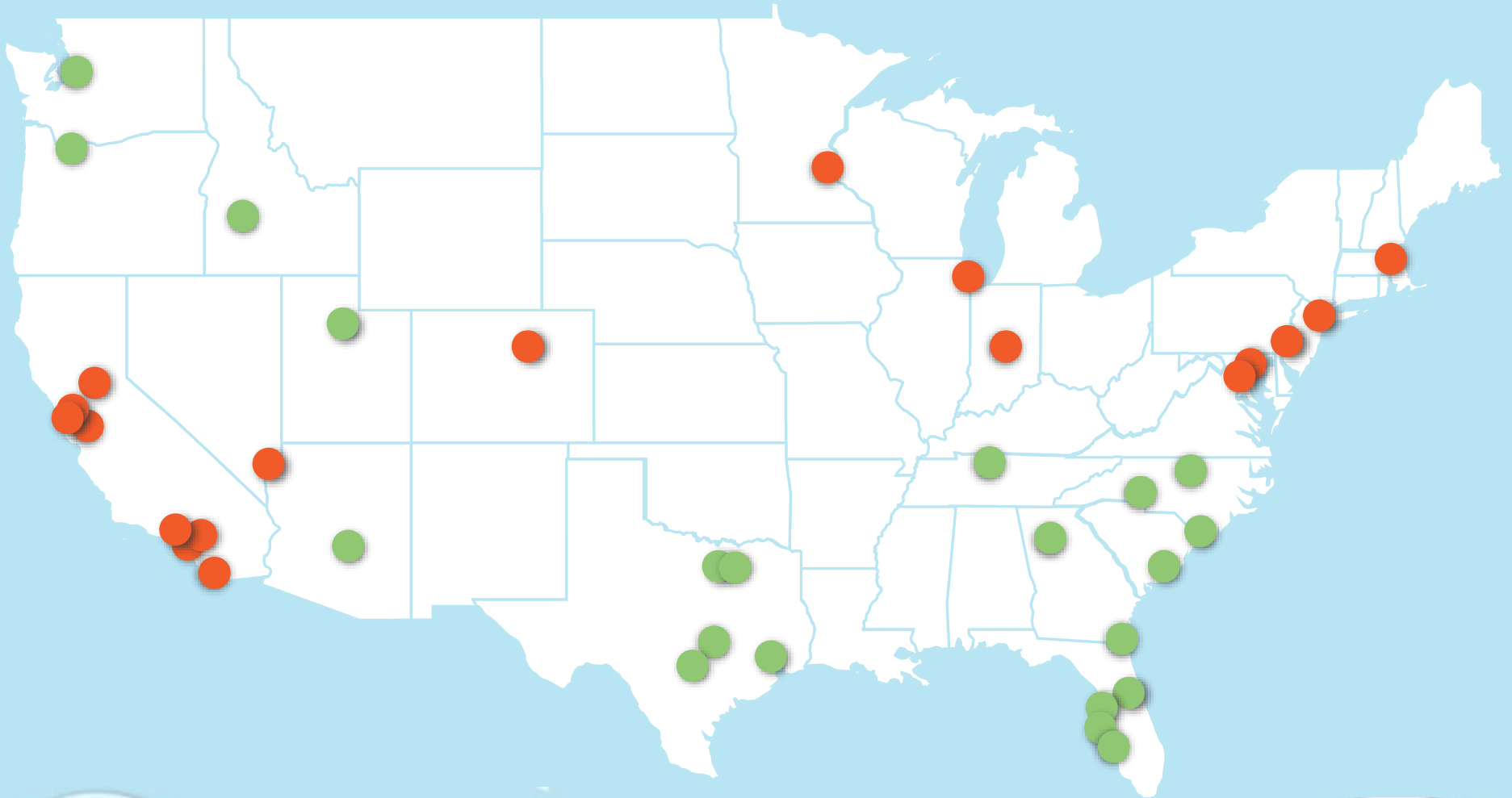


**NEW BOOMTOWNS**



**LESS COMPETITION**

# Homebuyers on the Move



**OUT-MIGRATION  
Markets**

**IN-MIGRATION  
Markets**



# Market Opportunities



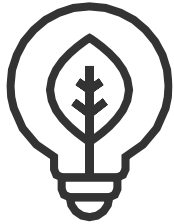




# Consumer Shifts



# Shifting Preferences



## SUSTAINABILITY

- Consumers reverting to single-use products for safety
- Many brands are hitting pause on sustainability initiatives



## HEALTH

- Newfound awareness of cleanliness
- Unilever and P&G anticipate prolonged interest in cleaning goods
- Preoccupation with health from virus trickles into other aspects of health

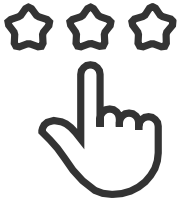
# Opportunity

- Major new home advantage
- Healthy homes are still worth it.
- Think about designs that maximize health and cleanliness (e.g. mudrooms)
- Stay on top of building products that maximize cleanliness





# Shifting Preferences



## EXPERIENCE LIFESTYLE

- Tipping point to settle down for Millennials forming families
- Homebody trend: 74% of Millennials already prefer a relaxing night to an exciting one (Mintel, 2019)
- Security and control



## WORK FROM HOME

- COVID proves benefits of working from home
- Prior to the pandemic, mobile searches for “remote jobs” had increased by over 210% over the last two years.
- IWG found that “more than two-fifths of U.S. workers see commuting as the worst part of their day.”

# Opportunity

- Plan for more (not all) people to work from home more – 16% plan to work from home more (MRI Simmons)
- Working from home opens up the opportunity to live in a more affordable area
- Think about including one (or two) spaces to work from home.





# Technology Shifts





# Technology: New Ways to Sell Homes

Find your new home in any of these three different ways:

## PRIVATE GUIDED TOUR\*

Meet with an  
NHC  
One-on-One

**BOOK NOW**

## LIVE VIDEO TOUR\*

Walk Through  
Our Model  
Homes Virtually

**BOOK NOW**

## PRIVATE SELF TOUR\*

Come Visit Us  
and Explore  
On Your Own

**BOOK NOW**



## DEL WEBB DRONE TOUR

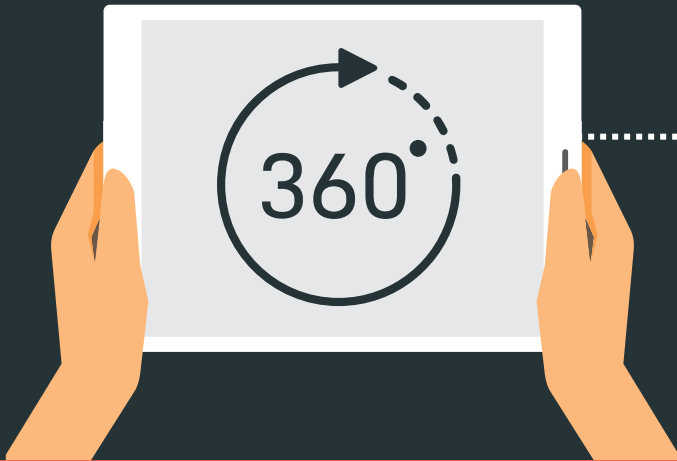
Join us Saturday, May 16 at 10am for a Facebook Live drone tour of Del Webb Nexton. See some of their model homes from a birds eye view. [Learn more.](#)

## FIND YOUR NEW HOME, FROM HOME

Hillwood Communities invites you to shop online for your new home. Many of our builders offer ways for you to explore your new home options from your smartphone or computer.

# Virtual Empathy

Embrace the virtual world: online tours are now the rule, not the exception.



Allow prospects to access homes when convenient for them. Simple online interfaces are key (think 3D renderings and drag-and-drop).

Build rapport: purchasing a home is the most important consumer decision.



**ENHANCE  
TRUST**

## MAKE IT PERSONAL



Real-time  
chats



Social media  
tours

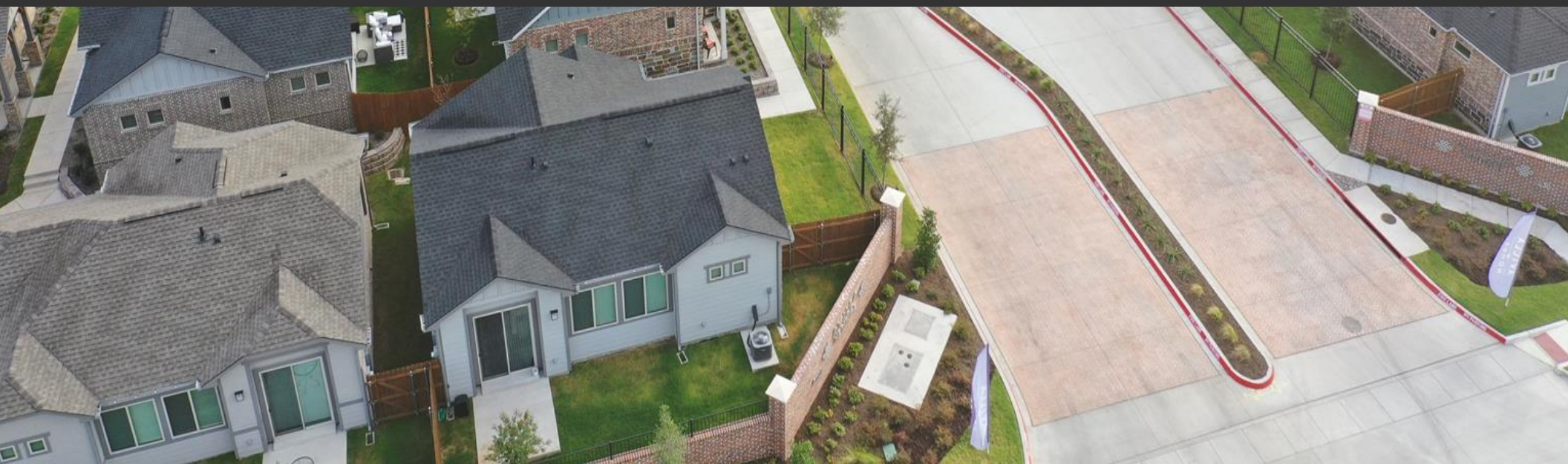


Celebratory  
flair



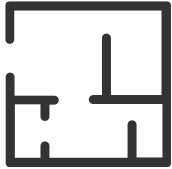


# Product Shifts





# Shifting Preferences



## EXTREME OPEN LAYOUTS

- Noise carries everywhere
- No private space for separation
- Want a great room with an additional defined room (or at least semi-defined space)



## RIGHT-SIZED, FUNCTIONAL HOMES

- Small house with no yard doesn't work during quarantine
- If you actually spend lots of time in your home, function becomes more important than looks
- Economic impact

# Opportunity

- Traditional apartment-style multifamily homes will lose out to SFR
- Outdoor space becomes a bigger selling point
- Increased demand for homes of a practical size with practical spaces



# Single-Family Rentals





# What Will Make This Recovery Different



**Slower:** Social distancing / health concerns will prevent economy from recovering to 2019 levels for many years.



**Restructuring:** Debt and local government issues still to be resolved.



**Stimulus Repercussions:** Huge government bailouts propping up employers and consumers.



**Fewer foreclosures:** Fully documented mortgage loans are ready to be modified rather than pushed through to foreclosure



**Consumer focus on home “nesting”:** Unprecedented focus on living in a nice home will shift the consumer focus from experiences to their home





# Finding “The Light” at the End of the Tunnel

Every Friday, new opportunities to navigate the cycle. [www.realestateconsulting.com](http://www.realestateconsulting.com)