Shinn Consulting

The Roaring 2020s
Housing's Best Decade

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Executive Summary

This special report on the housing forecast for this decade started as an article for the March issue of our monthly newsletter. When the World Health Organization declared the COVID-19 virus a pandemic on March 12, effectively shutting down the country for several weeks, the article was put on hold to evaluate the pandemic's long-term impact on the housing industry. Home builders were able to respond to the new environment very quickly without losing much of their large backlog of sales, and they have been experiencing a strong rebound of sales since April.

The decade of 2020s is poised to be the best decade for housing demand in U.S. history. It is positioned to out-perform the decade of the 1970s, when the wave of baby boomers entered the housing market.

The two largest demographic groups will need housing during this decade. Baby boomers will be entering their last stage of housing demand as they become empty nesters and hit retirement age, and millennials will be demanding housing throughout the decade.

The weak housing recovery from the Great Recession has created a housing shortage along with pent-up demand with very little new or existing for-sale inventory. Mortgage interest rates are at historical lows, both for 30-year fixed rate and 15-year fixed rate mortgages, stimulating home buyer activity and easing affordability issues. The relocation of businesses and industry from large metropolitan areas in the northeast and the Rust Belt of the northern Midwest to smaller urban areas in the West and South will create mobility and housing demand.

While the pandemic crisis shutdown has been devastating, it has some underlying benefits for the housing industry. First, the shelter-in-place regulations have caused many families to experience cabin fever and rethink their housing situations. Second, it has triggered forced savings, allowing homebuyers to save for down payments on new homes. The personal savings rate in the U.S. is at an all-time high, boosted by the government stimulus payments of $3,500 to a family of four, the $600 weekly supplement unemployment benefit, and the Payroll Protection Plan which allowed people to maintain their jobs.

The need to work remotely has broken the relationship between housing and work location based on commute times, allowing homebuyers to move to the suburban fringe and exurbia. People are migrating from the congested urban core apartments to satellite suburban single-family communities for health reasons and to escape the current urban unrest.

On the negative side of the ledger going into this decade, the home building industry is not in a position to deliver the needed housing. During the Great Recession, the housing industry lost more than half of the builders, trade contractors and tradespeople. Building supply companies never expanded their manufacturing facilities, in fact, they shuttered factories that were never reopened. During the last decade, the industry was not able to replenish its home building capacity. These issues are causing longer construction times and higher costs for labor and materials. In addition, government regulations and limited availability of residential land are creating significant hindrances for suburban residential development in major metropolitan areas.

For well-organized and well-managed home building companies, this decade is going to be the greatest home building opportunity since the 1970s.

The next 50 years will be dominated by the millennial generation. Follow them with your product offering throughout your home building career, and you should be very successful.

Demographics of the Home Buyer

The demographics during the 2020s will support very strong housing demand as major portions of the population enter the housing market for the first time or enter a different stage of their lives necessitating a change in housing. The two driving forces for housing demand will be the baby boomers' desire to downsize to smaller, single-story, maintenance-free housing and millennials entering their family stage of life. In addition to these two large populations, Generation X will be entering the stage of life with the highest income potential, when they historically purchase their largest homes and/or acquire vacation properties.

Silent Generation

There are still 21.3 million people 75 years old or older. The Silent Generation was born during the Great Depression and World War II. They comprise 14.5 million households representing 6.5% of total U.S. households. By the end of decade, this group will be over 85 years old, probably vacating their current housing accommodations during this decade through either death or a move to assisted living facilities. They are leaving the housing market, creating vacant existing inventory. The average U.S. life expectancy in 2019 was 78.87 years. Currently, there are 11.9 million people over the age of 79, and another 23.5 million will join their ranks during the decade, for a total of 35.4 million people. We should lose about half this population (17.7 million people) during this decade.

In 2019, there were 8.32 million households headed by someone over 79 years of age. There will be another 23.4 million households joining this group by the end of this decade. We can assume that we will lose all of the 80-year-old and above households to death and senior group housing, and half of the households entering their 80s will lose a spouse. With the death of a partner, there will be housing mobility as the surviving spouses downsize or enter assisted living facilities.

Baby Boomers

Baby boomers have been the driving force for the housing industry for the last 50 years. They entered the housing market in the 1970s, when the industry had five years of two million or more annual housing starts, peaking at a record 2.357 million starts in 1972. Single family housing starts exceeded 1.0 million with a record of 1.45

million starts in 1977, and another 1.43 million starts in 1978. During the first three years of the 1970s, multifamily housing represented about 45 percent of the total housing starts.

Baby boomers were born between 1946 and 1964. Currently, they are 56 to 74 years old with their highest income and housing purchasing years behind them. By the end of this decade, all baby boomers will be in their last stage of housing at 66 to 84 years of age. They generally will be retired empty nesters migrating to single-story, maintenance-free housing.

This generation will continue to be active. They will generally reject age-restricted communities because they do not think of themselves as elderly. They are healthier and more active than their predecessors, and they generally think and act 10 years younger than their chronological age.

The average annual birth rate for early baby boomers, born from 1946 to 1953, was only 3.5 million. This group of boomers is currently 67 to 74 years old, already at retirement age. The average birth rate for baby boomers born from 1954 to 1964 was almost 4.2 million per year, peaking in 1957 at 4.3 million births. This group is currently 56 to 66 years old and will be retiring during this decade, peaking in 2023. There was an average of 700,000 more births in the second half of the baby boomer generation than in the early years. Throughout this decade, there will be an increased wave of people reaching retirement age.

According to the U.S. Census Bureau, there were 73.24 million people between the ages of 55 and 74 years old in 2019. This population will reach retirement age by the end of this decade. This is an increase of 26.35 million people in this age group, or an average increase of 2.635 million during this decade.

Looking at the number of households by age, in 2019 there were 24.2 million households headed by a person 55 to 64 years old. This group will be headed by a person 65 to 74 years old by the end of this decade. Currently, there are only 19.7 million households headed by a person aged 65 to 74. During this decade, these households will increase by 4.5 million, or an average of 450,000 households per year.

Baby boomers typically got married when the male was 23.2 years old and the female was 20.8 years old. They typically bought their first single-family home when their first child was school age and the head of the household was 32 years old. Prior to that, they were typically renters or had purchased a condo or townhouse.

Generally, baby boomers postponed downsizing their homes during the last decade. They were over-housed with no urgency to move. During the housing recession, they lost about 30% of their equity, and with high unemployment rates, they viewed their homes as sanctuaries for their children until they could find employment. If they were able to refinance their mortgages with lower interest rates in 2012, a move would have exposed them to higher interest rates and monthly payments for the purchase of a smaller home. Their hesitancy to downsize caused very low existing home inventory available for sale during the last decade.

With record low interest rates, an increase in housing values, and low unemployment rates (pre-pandemic shutdown), baby boomers are ready to downsize during this decade. They are going to create a huge demand for housing as they leave their large homes for smaller homes and a maintenance-free lifestyle. Some of them will be forced to move because of health reasons, with most of the households relocating in their current communities because of family, friends, support facilities and security. Some baby boomers will relocate to warmer, less expensive areas in the southern and western regions of the country while others will follow the grandchildren as their children pursue employment opportunities, also favoring a southern migration.

Generation X

Generation X is the smallest population group in the housing market. The impact of this generation has been felt during the last two decades in the softness for higher priced homes due to lack of demand. As baby boomers begin to downsize, leaving larger homes en masse, the softness for higher priced homes will continue.

Generation X encompasses the population born from 1965 to 1979. Currently, their age range is from 41 to 55 years old which is the heart of the housing market. Throughout this decade, Generation X will be in their highest income and highest priced home buying stage of life. They will be between 51 and 65 years old by the end of the decade

During the 15-year span of Generation X, there were 51.3 million births for an average of 3.42 million per year. This follows an average of 4.2 million births for the second half of the baby boomer generation which represents an annual drop of 780,000 births. The peak birth rate for Generation X was in 1979 (its last year), at 3.49 million births which was 810,000 fewer births than the peak registered for baby boomers in 1957.

According to the U.S. Bureau of Census in 2019, Generation X (40 to 54 years old at that time) consisted of 60.3 million people, accounting for 32.3 million households or an average annual population of 4.0 million people and 2.15 million households. When compared to the average number of households during the second half of the baby boomer generation, this represents a drop of 270,000 households per year.

The median age for marriage for Generation X was 27 years old for males and 25 years old for females. This puts the expected age of the head of household at 35 years old for the purchase of the first suburban single-family home based on schooling for the first child. This generation would have been entering the housing market just before the housing recession and through the recovery during the last decade. It was devastating for this generation, but it also created opportunities. With distressed real estate values, these home buyers were able to bypass several home purchases and buy a larger single-family home earlier in their lives. This impacted housing demand during the last decade as they skipped the typical moves from starter home to first-move-up to second-move-up to ultimate family home.

This generation may refinance to remodel their current home and not re-enter the real estate market during this decade until they are ready to downsize. Generation X may be in the market early for a second/retirement home in the South or West during their 50s.

Millennials

Millennials will be the second major driving force for housing demand during this decade. For the next 50 years, the millennial generation will shape the housing industry. Millennials are a generation of late bloomers, postponing entering the housing market because of the housing recession, huge student debt, and a slowness to mature.

This generation began to enter the housing market in the mid-2010s, driving growth of the multifamily segment of the market. Multifamily housing starts increased to over 35% of the total annual housing starts in 2014 and 2015. Towards the end of the last decade, first-time home buyers increased their share of home purchases to about 39% for existing home sales and will continue to increase their share throughout this decade for both new and existing home sales.

Millennials were born between 1980 and 1996. Currently, this generation is between 25 and 39 years of age. By the end of the decade, this segment of the population will be 35 to 49 years old and firmly into homeownership. From 1980 to 1996, there were 62.0 million births, averaging 3.88 million births per year. The peak annual births of millennials occurred in 1990 at 4.18 million. This group of people is now 30 years old. From 1989 to 1993, (currently 27 to 31 years old) annual births exceeded 4.0 million, with an average of 4.08 births per year. This segment of the millennial generation (currently 27 to 31 years old) is poised to enter the homeownership market.

This generation only had five years of births over 4.0 million (from 1989 to 1993) while the baby boomer generation had eleven years of births in excess of 4.0 million (from 1954 to 1964). The average birth rate from 1981 through 1988 (currently 32 to 39 years old) was 3.73 million per year, 450,000 below the peak reached in 1990. This is the current first-time home buyer population. From 1994 to 1996, millennials averaged 3.9 million births. This segment (currently 24 to 26 years old) is entering the rental market.

The U.S. Bureau of Census in 2019 reported 66.65 million millennials between 25 and 39 years of age which will end of the decade between 35 to 49 years of age and be in the move-up segment of the housing market. In 2019, the millennial population consisted of 31.77 million households headed by people between 25 and 39 years of age which is an average annual number of households of 2.12 million.

The median age for marriage is 29.8 for millennial men (6.6 years later than baby boomers) and 27.8 for millennial women (7 years later than baby boomers). The typical first marriage for this generation appears to occur between 2011 to 2026. There is still a substantial part of this segment that is not married but is projected to be during the first half of this decade. Assuming the purchase of the first suburban single-family home will be strongly influenced by schools for the first child, men and women of this generation will enter the home buying stage at age 38 and 36 respectively.

Since the front end of this generation is currently 39 years old, we are just beginning to see the impact of millennials on homeownership. This generation spearheaded activity in the rental markets during the last decade. It is now time for millennials to impact the for-sale single-family market during this decade.

Millennials will have as much (if not more) impact on the housing industry as the baby boomers have had over the last 50 years.

For a long career in the home building industry, hitch your company to this generation. Design your housing products to follow their life stages, and it will give you a 50-year run of success.

Pre-Housing Recession

To understand the housing recession and its impact on this decade, we need to go back to the dotcom bubble and crash. Between 1995 and March of 2000, the Nasdaq index which was dominated by technology companies, rose 400%, peaking in March 2000, only to crater 78% by October 2002. During the technology bubble, the Fed raised the federal funds target rate six times from 4.75% on November 17, 1998, to 6.50%. During the same period of time, the 30-year fixed rate mortgage rate increased from 7.74% to 8.52%.

As the dotcom bubble began to burst, the Fed reversed action and reduced the target federal funds rate thirteen times, from 6.50% to 1.00% on June 25, 2003. During the same time period, the 30-year fixed rate mortgage rate dropped 3.02% to 5.23%, a 36.6% decline. Beginning in June 2003, the Fed revised its position, raising the federal funds rate seventeen times to 5.25% on June 29, 2006, causing the 30-year mortgage rate to rise to 6.76% during the same period which contributed to the housing bubble and bust.

At the peak of the dotcom bubble, the GDP grew 4.1% in 2000. With the crash, the GDP fell to 1.0% growth in 2001, recovering to 3.8% in 2004, 3.5% in 2005, and dropping back to 2.9% in 2006, as the housing recession began.

In 2000, the front end of the baby boomers was 54 years old and entering the stage of life where they earn peak income and purchase their largest homes. The back end of the baby boomers was 36 years old and in the housing market for either the first time or a first-time move-up home. The entire generation was in an age band to be active in the housing market. Housing demand was spurred further with historically record-low mortgage interest rates. With the strong demand, home builders began to build a substantial backlog and construction times got extended. During this three-year period, the average sales price for new homes increased 18.8%.

As mortgage interest rates increased to 6.76% in July 2006, the strong demand (which increased single-family starts 21.8%) began to wane. To counter the softening of housing demand, the mortgage industry became creative with relaxed credit standards and subprime mortgage instruments which were packaged with prime mortgages in mortgage-backed securities. Home buyers were qualified with low earnest money deposits and at initial tickler interest rates. These loans allowed homeownership for lower income, high-risk buyers. It made it easier for home buyers to purchase larger homes. This was the era of what has been referred to as "McMansions."

Home buyer speculation ran rampant. With home builders experiencing huge backlogs and long construction lead times, many buyers did not think they would need to take possession and planned to flip their contract, betting on the home's appreciation. This was a recipe for the housing industry to collapse. As mortgage interest rates increased, home appreciation stopped, and buyers couldn't sell or refinance their homes to escape the escalating interest rates of their variable rate mortgages. Home buyers began to walk from their low earnest money deposits, leaving builders with months of negative sales as these homes became inventory homes. The housing industry was so fueled with all the marginal sales, it took over a year for it to realize the game was over.

Multifamily housing was not part of the housing bubble. Multifamily housing starts averaged about 340,000 units throughout the housing bubble which was about what the production was prior to the 2000 to 2006 period. The bubble was strictly a single-family phenomenon with a 42.3% increase in starts from 2000 to 2005. The last quarter of 2005 was the beginning of the housing crash.

Housing Recession's Impact

The housing bubble ended in November 2005, with an annualized rate of 1.81 million single-family starts. The housing recession lasted 39 months until January 2009, when the annualized production rate bottomed at 357,000 starts. In 2009, legislation was passed for first-time homebuyer tax credits of up to $8,000 for buyers entering a binding purchase contract prior to April 30, 2010, and settling on or before June 30, 2010. If the home was the buyer's primary residence for 36 months, the credit did not need to be repaid. This created a stimulus for housing. However, upon its termination, housing activity receded to recession lows. The real sustained housing recovery did not occur until January 2012.

In addition to the first-time homebuyer tax credit, the average 30-year fixed mortgage rate in 2009 dropped a whole percentage point from 6.3% to 5.3%. This was the first time in over 40 years that the average annual rate was below 6.0%, with five monthly averages of less than 5.0%.

Housing prices had tumbled 30% across the country with even deeper losses in housing values in Florida, Nevada and Arizona. While devastating for the current owners, it created opportunities for home buyers at the back end of the baby boomer generation (48 years old) and the front end of Generation X (47 years old) to be able to buy their ultimate home early, skipping at least one of the home move-up stages.

Foreclosure filings spiked during the housing recession. In 2008, the rate of foreclosure filings recorded an 81% increase in filings, up 225% from the rate registered in 2006. Both Freddie Mac and Fannie Mae suspended foreclosures from November 26, 2008, through January 31, 2009, in an effort to stem the tide. According to RealtyTrac, completed foreclosures from January 2006 to April 2016 totaled over 6.3 million. Many of these bank-owned foreclosed homes were sold to investors, creating pools of single-family rental properties, effectively taking them out of the market.

The housing recession was devastating for the home building industry. Over the last 50 years, the industry has consisted of about 95,000 to 100,000 home builders. Even with the consolidation, this number had remained fairly consistent. In 2006, according to the U.S. Bureau of Census, there were 98,067 residential builders. By 2012, this number plummeted to 48,261 builders, a drop of 50.8%. The industry has yet to replenish the number of home building companies. Many of the surviving companies have gotten bigger in response to demand. Today, the number of home building companies that build over 100 homes a year is higher than it has ever been.

The trade base decreased from 2.501 million tradespeople in August 2006, to 1.238 million in January 2011 which was a reduction in manpower of 1,263 or 50.5%. Most of the loss has been permanent. The average age of tradespeople in 2006 was 55 years old. The older part of this trade base has either retired or left the industry for more stable employment. A large segment of the labor force is comprised of Hispanic tradespeople, many of whom moved to Canada or returned to Mexico. By June of this year, the industry was able to replenish 83.0% of the trade base to 2.075 million tradespeople which is still 426,000 or 17% below pre-recession levels. Much of this replenishing has been with less-tenured and unskilled workers.

Building material supply manufacturers were expanding plant capacities and supply facilities during the bubble to handle the increasing market demand. They were totally caught off guard, as was the entire industry, with the NAHB stating that the recession was only going to be a mild 10% adjustment. Many of the new manufacturing plants were never opened while existing plants were shuttered and distribution channels were abandoned. The ranks of manufacturing representatives were vacated. Local building suppliers ran out of cash and could not afford to keep inventory in their warehouses. Many of them failed as accounts receivables ballooned because builders couldn't pay their bills, leaving voids in the builder supply lines.

2010s: Decade of Housing Recovery

The 2010s decade was a long, weak economic and housing industry recovery. We are now in the eleventh year of the recovery which is the longest economic recovery in history. At the beginning of the decade, the annual unemployment rate was 9.3% which did not decrease to below 5.0% until 2016 (4.7%). The average unemployment rate for the first half of the decade was 7.0%. The average for the second half of the decade was 4.24%, reaching a low of 3.5% in 2019 which is considered full employment.

The GDP grew 2.28% with only 2015 exceeding 3.0% at 3.10% annual growth rate. During the first half of the decade, the GDP grew at an average annual rate of 2.13% with an average annual rate of 2.44% during the second half.

Demographically, the baby boomer generation entered the decade between the ages of 46 and 64. The back end of the generation was entering their prime age for spending the most on housing and the front end of the generation was reaching retirement age and beginning to downsize their homes. By the end of the decade, this generation was between 56 and 74 years old and past prime home buying age.

Members of Generation X, the smallest segment of the population, were 31 to 45 years old in 2010, spanning all housing demand segments, from starter homes to ultimate housing accommodations. By 2019, this population was 41 to 55 years old, normally having purchased their second and largest home during the decade. The front end of this generation was preparing for retirement at the end of the decade.

Millennials in 2010 were 14 to 30 years old. The front end of this generation was forming households and generally in the rental market and entering the first-time homebuyer market throughout the decade. The back end of the generation was just beginning to form households by the end of the decade. This generation fueled demand for multifamily housing with 21.8 million households passing through this segment of the housing market during the decade. Head of households were between 30 and 39 years of age in 2019, beginning to move into the first-time homebuying stage of life. The back end of this generation will maintain demand for multifamily housing for the first half of this decade, but at a slower pace.

With the large inventory of foreclosures and short-sale homes on the market at destressed sales prices, the demand for new single-family homes was impacted. Homebuyers (back end of baby boomers and front end of Generation X) were able to buy larger homes at discounted prices with historically low mortgage rates, skipping several typical home buying steps.

With record low mortgage rates dropping to 3.35% at the end of 2012, homeowners were able to refinance at low interest rates, not matched again during the decade. Households were generally over-housed with no urgency to move, and the desire to maintain a large home as a safe-haven for the children during high unemployment and the slow recovery was prevalent. The result was reduced housing mobility, low existing home inventory, and rapidly increasing home prices due to the fact that demand outpaced supply.

During the second half of the decade, the Fed increased interest rates ten times with five of them occurring between March 21, 2018 and July 31, 2019. The 2018 increases caused mortgage rates to exceed 4.0%, reaching 4.87% in November which impacted housing demand and housing mobility. The Fed reversed course on July 31, 2019, with three reductions by March 3, 2020, causing the 30-year fixed rate mortgage to immediately drop below 4.0% (3.8%), rekindling the housing market.

The home building industry, with its reduced capacity following the housing recession, was not in a position to meet the demand. There were fewer builders, a lack of trades, and shortages of building materials. In October 2019, there were more than 300,000 open positions for construction tradespeople.

For the previous 50 years, from 1960 to 2009, the housing industry had built an average of 10.8 million single-family homes per decade. During the 2010s, home builders only produced 6.8 million single-family homes, a shortfall of 4.0 million homes for the decade (or 400,000 home per year). This represented a 37.0% decrease from the five-decade average and a 44.7% drop from production during the prior decade.

Total Single-Family Homes Built Per Decade

1960s	9.3 million single-family homes
1970s	11.4 million single-family homes
1980s	9.9 million single-family homes
1990s	11.0 million single-family homes
2000s	12.3 million single-family homes
2010s	6.8 million single-family homes

During the last decade, the housing industry only produced 21,288 single family homes per million population, which was 20,368 less than the average yield generated during the prior three decades, or a shortfall of 48.9%.

Based on the current U.S. population, we are beginning this decade with a housing shortage of over 6.74 million single-family homes due to lack of production during the last decade.

To accommodate the entrance of millennials into the housing market and the movement of baby boomers as they downsize, the housing industry is going to need to produce 17.6 million single-family homes, or an average annual production rate of 1.76 million homes during this decade. This does not take into consideration the fact that household size has declined from an average of 3.14 people in 1970, to 2.52 people in 2019.

Single-Family Starts Per Million Population Per Decade

1960s	47,007 single-family starts
1970s	53,138 single-family starts
1980s	41,588 single-family starts
1990s	41,710 single-family starts
2000s	41,671 single-family starts
2010s	21,288 single family starts

Freddie Mac has estimated that the housing market currently has a shortage of 3.3 million homes which is increasing annually by about 300,000 homes. Realtor.com has estimated that the shortage created during the 2010s has created a need for 3.8 million additional homes to balance supply with demand for the 2020s.

The Greatest Housing Decade Ever

The decade began very strong for the housing industry. The Fed had dropped the federal funds rate three times during the second half of 2019, which brought down the 30-year fixed rate mortgage interest rate below 4.0% for the first time since June 2017. In January, the mortgage rate had continued to drop to 3.62% which was the lowest rate since June 2016. The mortgage interest rate continued to drop through the first quarter to 3.45% in March. With the drop in mortgage interest rates, home buyers began to flood the market place.

Existing home sales expanded 7.2% year-over-year in February, to a strong annual sales rate of 5.77 million, with home inventory declining to about three months of supply in the pipeline. Homes were typically on the market for only 36 days.

Home builders had strong sales coming into 2020, building up a substantial backlog of homes. By February, new home sales for the year were up 21.1%, with the median sales price increasing 7.8% over the prior year. Year-to-date housing starts were up 35.3% over last year, with single family starts up 20.6%, 2- to 4-unit buildings up 16.4%, and multifamily homes up 35.3%. New home inventory was tightened to about five months of supply, not as tight as existing homes inventory.

According to the First-Time Homebuyer Market Report from Genworth Financial, the first-time homebuyer the industry has been looking for finally entered the home buying market, representing 39% of single-family buyers and 55% of all purchased mortgages at the beginning of the decade.

The Black Swan Soared

On March 12, during our Executive Summit in Fort Lauderdale, Florida, the housing environment changed when the World Health Organization declared the COVID-19 virus a pandemic, requiring social distancing. For the next two days, we worked with our builder community to establish protocols for social distancing policies for onsite sales, office personnel, job site construction, and warranty service. That weekend, builders across the country were still experiencing very strong sales activity. By March 16, the country was closed down with shelter-in-place regulations for several weeks, causing home builders to lose the spring selling season. That week, we had emergency meetings with all our builder groups to establish weekly or bi-weekly meetings. On April 2, we conducted a webinar for our community entitled "Navigating the COVID-19 Storm."

Everything changed in the blink of an eye. The U.S. economy was shut down with the exception of essential businesses. The home building industry was forced to change the way of doing business overnight. Builders were forced to immediately establish online selling with virtual home tours, online contracting and closings, online selection and upgrade processes, online trade and supplier bidding and contracting, reliable online scheduling of construction to maintain single trade activities, and online customer inspections and warranty procedures. Additionally, builders had to learn, as every business did, to operate with a dispersed staff. Employees had to learn how to work from home efficiently and effectively. Teleconferencing became the norm, and the ability to collaborate was a challenge.

During the shutdown, from mid-March through April, the country lost 20.6 million jobs, resulting in an unemployment rate skyrocketing from 3.5% in February (a 50-year low) to 14.7% (more than double the loss during the Great Recession). April saw an increase of 15.9 million people unemployed for a total of 23.1 million unemployed by the end of the month. The workers hardest hit by the shutdown were in the leisure and hospitality industries. Many in this group are on the low end of the salary scale working in restaurants, bars, travel, retail, and service sectors and are typically renters, not home buyers. Overall, businesses in this sector were down 85% or more.

New and existing home sales were impacted in March and April by 20.0% and 25.0% declines respectively. The GDP dropped 5.4% in the first quarter which was the impact of only the second half of March. In the second quarter of 2020, the GPD dropped 31.7%.

The pandemic has disrupted the housing industry supply chain. Building material manufacturers have had to reduce production to maintain social distancing and sanitation in their plants. Some factories closed because of outbreaks of COVID-19. In some states, factories had to be closed for the duration of the shutdown because they were not considered essential businesses. Manufacturer offices have been closed with sales and operational staff working from home. Distributors and suppliers are having issues with their warehouse staff maintaining social distancing, and outbreaks of the virus have resulted in their operational and sales staffs being dispersed. The trade base has also been impacted with many of the Hispanic trades leaving the country because of the virus and not able to return in the current environment.

Federal Government Support During Shutdown

The Federal Reserve quickly responded on March 15, by reducing its target federal funds rate 1.00% to 0%-0.25%. This action caused the 30-year fixed mortgage interest rate to drop from 3.47% in February, to a historic record low of 3.02% in July.

On March 23, under the CARES Act, the Fed announced a series of measures to assist households, businesses, and state and local governments at a cost of approximately $2.3 trillion. The Main Street Lending Program provided four-year loans for small businesses to retain workers and payroll, the Payroll Protection Program provided loans to small businesses via the commercial banking system, the Municipal Liquidity Facility provided support to cash-strapped municipalities, and the Primary Market Corporate Credit Facility provided support for primary issuance in the investment grade corporate bond market.

The CARES Act was an unprecedented monetary and fiscal stimulus package to counter the impact of the COVID-19 shutdown of the economy. It included cash payments of $1,200 for individuals making up to $75,000 and $2,400 for couples making $150,000 or less, plus a $500 per child bonus. Unemployment benefits were increased by $600 per week for four months for unemployed and furloughed workers.

The income tax filing date was delayed from April 15 to July 15. Both the 10% early withdrawal penalty on retirement account withdrawals up to $100,000 and the required minimum distribution rules for calendar year 2020 were waived.

Small Business Administration loans were available for payroll and mortgage or rental payments. Loans were for eight weeks of expenses to provide cash-flow assistance and 100% federally guaranteed and forgiven if used appropriately.

Other policies having an impact on the housing industry were the suspension of student loan payments for six months and deferred payments of employer Social Security payroll tax to be paid over the following two years. The goal was to help households and businesses stay liquid and solvent with the ability to remain current on their financial obligations during the shutdown. Keeping consumers and businesses solvent during the shutdown would foster a rapid recovery once it was over.

Housing Industry Recovery

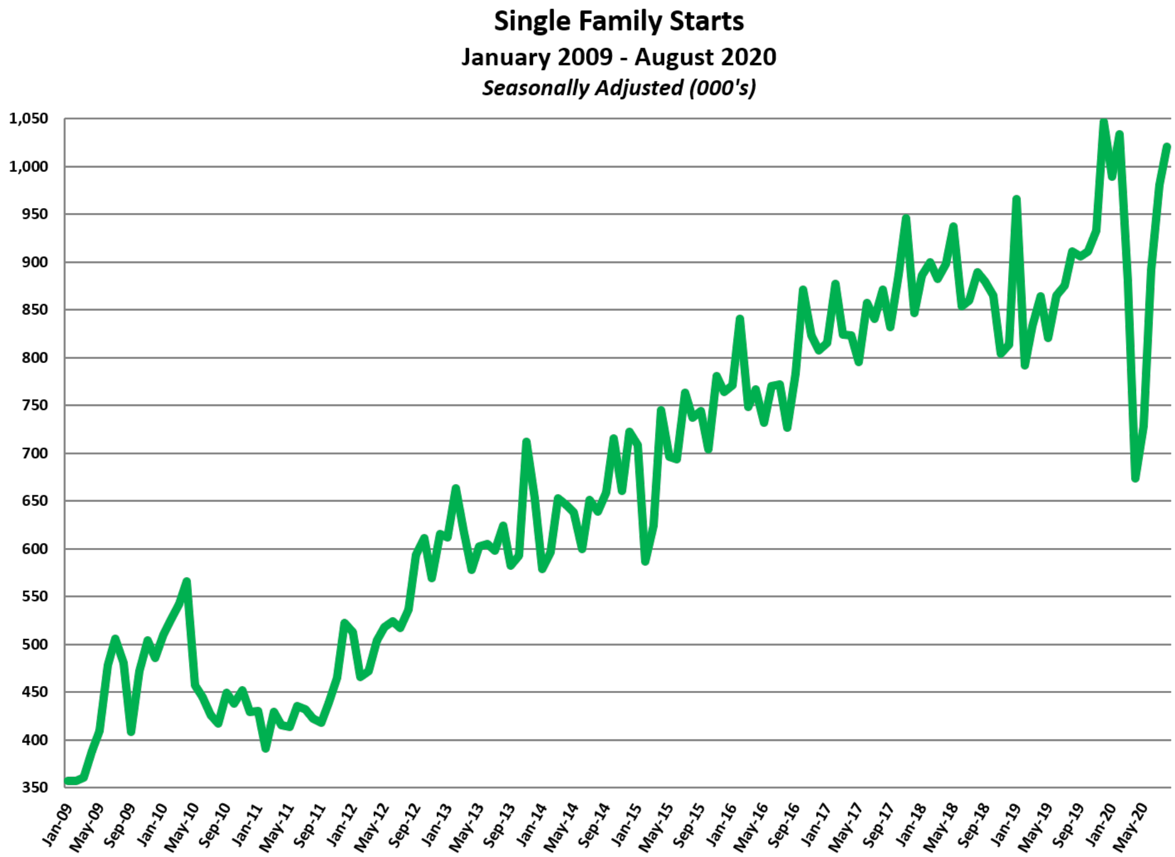
The national shutdown for the COVID-19 virus ended on May 1. It had been more than six weeks of lockdown with people forced to stay at home with minimal economic activity. The population had cabin fever. Requirements to practice social distancing and wear a mask in public were still in place, but the economy was gradually opening up and the people were anxious to get on with their lives after being confined for so long.

In May, the unemployment rate dropped to 13.3% with the addition of 2.5 million people employed. June had an additional 4.8 million people added to the employment rolls, dropping unemployment to 11.1%. July unemployment dropped to 10.2% with the addition of 1.7 million people employed, and August recorded an increase in employment of 1.4 million with unemployment dropping to 8.4%. In four months, the economy had added 10.4 million jobs which is approximately half of the jobs lost with the shutdown. Thus far, we have seen a strong "V" shaped recovery.

The Fed has vowed to continue to do whatever it takes to revive the economy using its full range of tools. It will not be in any hurry to raise interest rates and will increase its holdings of Treasury securities and residential and commercial mortgage-backed securities. Based on the Fed's position, mortgage interest rates have continued to drop to record lows, with the 30-year fixed rate mortgage decreasing to 3.02% in July. This is a decline of 16.6% from the 3.62% rate register in January of this year. The 15-year fixed rate mortgage dropped almost 18.0% during the same time frame to 2.52%.

Savings rates for households increased substantially during the shutdown due to a lack of spending and a surge in transfer payments. At the end of the shutdown, consumers were sitting on about $460 billion in excess savings. The personal savings rate ballooned from below 8% to 33%. The consumer has a large pent-up demand for goods and services with the cash savings to satisfy the demand. For housing, consumers exited the shutdown with cash savings for the deposit on a new home.

The annualized rate for new home sales dropped 20.4% during the shutdown. In May, the annualized rate rebounded 20.5%, and by July, sales had increased 58.1% from April, the highest rate of sales since April 2007. New single family starts dropped 34.8% during the shutdown. In May, they recovered by 8.0%, and by July, starts had grown 39.5% from the April low.



For one of our builder groups, sales have exceeded plans by an average of 19% for May, 42% for June, and 39% for July. These builders are raising prices to slow down sales and cover increasing costs due to price increases for lumber and other material and labor shortages. On the production side, they are all operating between 120% and 170% of their capacity which is going to put an even greater strain on their labor pool and supply chain as they try to recover from the shutdown.

Due to the April shutdown, existing home sales (closed contracts) dropped 9.4% in May. However, May pending home sales which represent signed contracts, increased by a record-setting 44.3% from April. From the low sales of existing homes in April, sales increased almost 50% in July to an annualized rate of 5.86 million homes which is the highest annualized rate since November 2009. Between April and July, pending home sales increased 77.0% signaling a strong "V" shaped recovery. With almost no inventory of existing or new housing, demand will continually force price escalation and sales of new to-be-built for-sale single-family homes, condos and townhouses. The housing industry is now posed to lead the economy out of the COVID-19-induced recession of the last several months.

George Floyd Protests & Riots

Just as the U.S. economy was beginning to recover from the pandemic shutdown, George Floyd's death in the hands of the Minneapolis police fostered Black Lives Matter and Antifa demonstrations, riots, looting, and arson in cities across the country. Portland, Oregon has now had over 100 days and counting of unrest with clashes between demonstrators and police. Reactions from some mayors and governors have been to defund police causing citizens and businesses to be concerned about their safety because of the racial tensions in urban centers.

After more than three months of urban unrest and safety concerns, on top of shelter-in-place and work from home directives, households are rethinking their current housing accommodations. People are more determined to move and modify their destinations. There is a strong motivation to vacate city center rentals for single-family suburban living with easier social distancing and larger homes to accommodate spending more time at home. Safety, security, and the need for more space are all contributing to this migration trend, coupled with the severance of the commuting umbilical cord to the central city office caused by telecommuting.

COVID-19 Lockdown & Urban Riots Winners and Losers

Winners	Losers
Suburban and Exurban	Metropolitan Center Cities
Satellite Cities	Urban Core Cities
Smaller Urban Areas	Large Urban Areas
Southern Affordable Locations	Northern High Tax Locations
On-line Retail Shopping	Brick and Mortar Retail & Malls
Home Telecommuting	Office Space Buildings
Single-Family Housing	Multifamily Housing
Homeownership	Rental Housing
Home Schooling	Public Schools
Charter & Private Schools	Teachers' Union

Housing Though the Rest of the Decade

The 2020s decade began with a shortage of single-family housing of 3.3 million according to Freddie Mac. Realtor.com estimates an additional 3.8 million new homes will be required to fully meet the demand for housing.

During the decade, millennial and baby boomer populations will both be in a stage of life band that traditionally plans to modify their housing accommodations. Additionally, the disruption of the COVID-19 pandemic shutdown and urban unrest has motivated households to relocate sooner than later.

According to the America at Home Study conducted in April, the millennial renter is now motivated to own a home and baby boomer home owners desire to trade in their large homes for smaller maintenance-free homes. The study found that Gen Xers, at 45 to 54 years old and typically move-up buyers, were the least likely buy. One possible explanation being they were able to buy their ultimate homes early by taking advantage of the depressed housing market following the recession a decade ago.

Another study by Redfin conducted in July revealed that home buyers are on the move. Low mortgage rates and the desire for designated work from home areas and more outdoor space are motivating buyers to make the move.

Supporting the mobilization of home buyers during the decade are the historically low mortgage interest rates.

Mortgage rates are the lowest on record. Currently, the interest rate for a 30-year fixed rate mortgage is 3.02%, and the rate for a 15-year fixed rate mortgage is 2.52% and moving lower. This is effectively free money. With economic recovery from the shutdown a priority, there will be no urgency for the Fed to raise interest rates anytime soon.

Demographics During the Decade

The population's demographics are very favorable for the housing industry throughout the 2020 decade. Housing mobility from the three segments of the population will be high as they move from one life cycle housing stage to the next.

Millennials are currently 24 to 39 years of age. This generation currently consists of 66.7 million people in 31.8 million households. The largest segment is between 25 to 29 years old with a population of 23.3 million people. Primarily apartment dwellers at this stage, this age group will become first-time home owners by the end of the decade. Currently, this age group consists of slightly less than 10.0 million households which is 1.2 million fewer households than the current population aged 35 to 39.

This indicates a diminishing demand for starter homes during the latter part of the decade.

The second largest population of millennials are 30 to 34 years old now and will be ready to leave rental apartments and become first-time home buyers through the first half of the decade. By the end of the decade, they will be 40 to 44 years old and moving from starter homes to their first-time move-up larger home to accommodate their maturing family. This age group consists of 10.6 million households and 21.9 million people. This is an increase of 427,000 households for this age group by the end of the decade which indicates a slight increase in demand for the first-time move-up housing market through the later part of the decade.

The population between 35 and 39 years of age is the third largest segment of millennials with 21.4 million people. It is the largest segment of millennial households at 11.2 million. This group will be 45 to 49 years of age at the end of the decade which is an increase of 341,000 household in this age group. They will have purchased their second move-up homes during the decade. By the end of the decade, they will be entering their highest income years with a mature family consisting of children in junior high school, high school and college. At this stage, they will typically be looking to buy their ultimate largest home for their mature family.

Generation X is currently 41 to 54 years old and will exit the decade between the ages of 51 to 64. This generation consists of 60.3 million people in 32.3 million households. This is the smallest segment of the population at 6.4 million less than millennials and 12.9 million less than baby boomers (which spans 20 years as opposed to 15 years for both Gen Xers and millennials). With regard to the number of households, Gen Xers consist of slightly more households than millennials at 32.2 million compared to 31.8 million. (The number of households for baby boomers in 2019 was 43.9 million.)

The biggest segment of the Gen X population is currently 50 to 54 years old and represents the largest number of households at 11.3 million. This age group is in their highest income years and spends the most on housing, buying their largest home and possibly a vacation home. By the end of the decade, this group will be 60 to 64 years old and empty nesters preparing for retirement. The group will consist of around 822,000 fewer households than currently in this segment. Gen Xers will be in the twilight of their careers and preparing for retirement. They may purchase their retirement home as a second home at this stage of their lives.

The second largest segment of Gen Xers is currently 45 to 49 years old. They are entering their highest income years and will be purchasing their most expensive home during the first half of the decade. This group is slightly smaller than the prior segment. Therefore, there will be a drop in the number of 55- to 59-year-old households of 1.3 million during the decade, and housing demand for the large ultimate home will soften during the second half of the decade.

The smallest segment of the Gen X population is currently 40 to 44 years old and consists of 19.6 million people and 10.2 million households. This group of households will generally have young children in pre-school or elementary school. They will have purchased or are currently buying their first home, leaving the central city for the suburbs. By the end of the decade, they will be 50 to 54 years of age. They will have purchased their ultimate home during the decade. This group consists of 1.0 million fewer households than those currently 50 to 54 years old. This suggests a continual soft market for large, expensive houses during the decade.

The baby boomer generation is currently 56 to 74 years old, consisting of 73.2 million people in 43.9 million households. The baby boomer population spans 20 years while millennials and Gen X only span 15 years. To normalize the three generational segments by considering the same time span for each grouping, only the 55 to 69 age group for the baby boomer generation is included which consists of 59.1 million people in 35 million households. This is a large generation following the Silent Generation which was born during the Great Depression and World War II. That generation was relatively small with only about 2.6 million annual births.

The demand for new housing relates to the size of growth from one population segment to the next.

There were two major segments of baby boomers. From 1946 to 1953, the average birth rate was 3.5 million per year. From 1954 to 1963, the average birth rate was 4.2 million. This held consistent in 2019, with the 65 to 74 age group having a population of 31.5 million in 19.7 million households, while the second half of the generation at 55 to 64 years of age had a population of 41.8 million in 24.2 million households. This is an increase of 10.3 million people and 4.5 million households. This represents a large increase in housing demand from the first half to the second half of the baby boomer generation.

The largest segment of baby boomers is currently 55 to 59 years of age. These home owners have bought their large home and are currently putting their children through college and becoming empty nesters. They leave the decade retired at the age of 65 to 69 as active seniors. Their children are probably married and they have most likely experienced the birth of the first grandchild. These are active adults, traveling and adjusting to retirement. Some may have downsized their housing, but because of economic uncertainty, many have probably held on to the big home as a safe haven for their children until they have stable employment. This segment has 32.8 million more people in 1.3 million more households than its predecessor.

The second largest segment of baby boomers is the group currently 60 to 64 years old. This group is composed of 20.6 million people in 12.1 million households. This segment consists of empty nesters planning on retirement during the first half of the decade. They may be in the market or starting to shop for a retirement location, possibly in the South or Southwest. As they mature through the decade, they exit at 70 to 74 years of age. They are active seniors, but are now wanting to shed the large home for a single-story home in a maintenance-free community during the second half of the decade. As they downsize, the majority will stay in their current community because they have friends, family, and familiar support services. Some in this segment will not move at all, holding on to the current homestead. Some will follow their grandchildren as the parents relocate for employment, and some will head to warmer climates and less expensive communities. Since they believe they are ten years younger than their age, they will have a tendency to shy away from large, age-restricted senior living communities. This segment of baby boomers has 6.5 million more people in 3.2 million more households than its predecessor.

The third largest group of baby boomers is currently 65 to 69 years old. This group consists of 17.4 million people in 10.8 million households. Currently, these are retired, active adult households. As they mature to the age of 75 to 79 years old, they will shed their large homes for smaller, single-story, maintenance-free living during the second half of the decade. They are entering their twilight years of being active adults at the end of the decade. They encompass 8.0 million more people in 4.7 million more households than the previous segment. At the end of the decade, they will begin to look at senior living communities with independent living accommodations and progressive health care facilities.

The last segment of baby boomers is currently 70 to 74 years old. There are 14.1 million people in 8.9 million households. Presently, this is the first large wave of baby boomers leaving their large homes for smaller, maintenance-free living. By the second half of the decade, this segment, at 80 to 84 years of age will migrate from independent living to senior living facilities with full health care amenities. This is the first large group of baby boomers to impact senior living facilities. It represents a growth of 8.1 million people in 4.8 million households. This will necessitate a substantial growth in senior care facilities across the country during the second half of the decade.

Population by Age: 2019 to 2029 (in thousands)

Source: U.S. Census Bureau/Shinn Consulting

Age	2019	2029	Difference
All Ages	324,355		
Under 5 years	19,735		
5 to 9 years	20,212		
10 to 14 years	20,827	19,735	(1,092)
15 to 19 years	20,849	20,212	(637)
20 to 24 years	21,254	20,827	(427)
25 to 29 years	23,277	20,849	(2,450)
30 to 34 years	21,932	21,254	(678)
35 to 39 years	21,443	23,277	1,834
40 to 44 years	19,584	21,932	2,348
45 to 49 years	20,345	21,443	1,098
50 to 54 years	20,355	19,584	(771)
55 to 59 years	21,163	20,345	(818)
60 to 64 years	20,592	20,355	(237)
65 to 69 years	17,356	21,163	3,807
70 to 74 years	14,131	20,592	6,461
75 to 79 years	9,357	17,356	7,999
80 to 84 years	6,050	14,131	8,081
85 years & older	5,893	15,407	9,514

Households by Age of Head of Household (in thousands)

2019 Civilian Noninstitutionalized Population

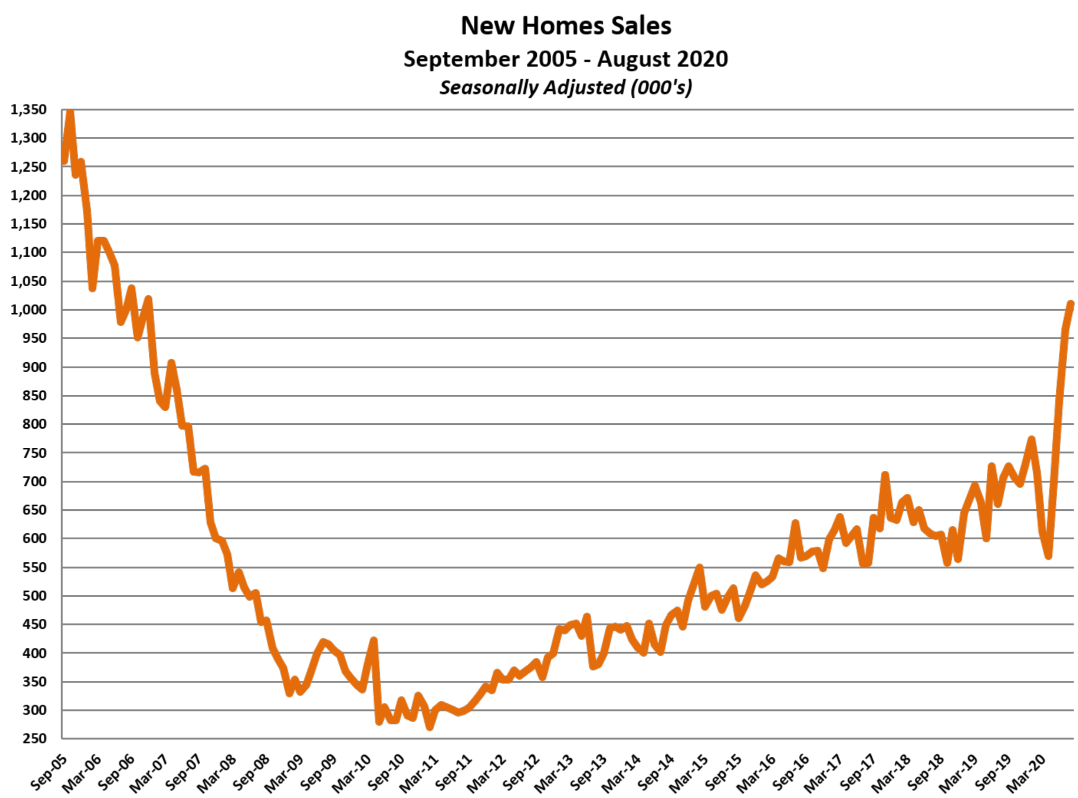
Source: U.S. Census Bureau/Shinn Consulting

Age of Household	2019	2029	Difference
Total	128,582		
15 to 19 years	711		
20 to 24 years	5,488		
25 to 29 years	9,975	711	(9,264)
30 to 34 years	10,636	5,488	(5,148)
35 to 39 years	11,161	9.975	(6,334)
40 to 44 years	10,209	10,636	427
45 to 49 years	10,820	11,161	341
50 to 54 years	11,251	10,209	(1,042)
55 to 59 years	12,099	10,820	(1,279)
60 to 64 years	12,073	11,251	(822)
65 to 69 years	10,802	12,099	1,297
70 to 74 years	8,879	12,073	3,194
75 to 79 years	6,149	10,802	4,653
80 to 84 years	4,076	8,879	4,803
85 years & older	4,253	10,225	5,972

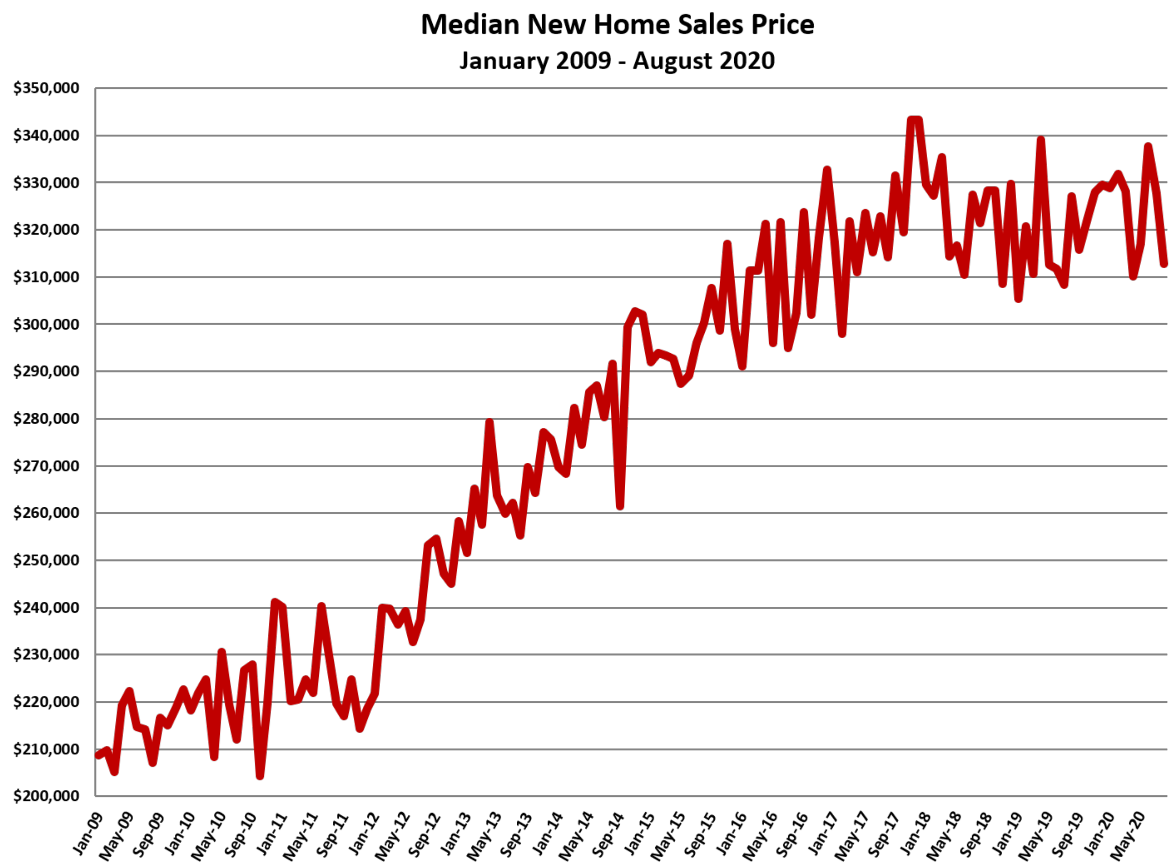
Housing Recovery Update

Currently, sales are on fire for both new and existing homes, even with the lack of inventory. Existing home sales in August were at the highest pace since December 2006, at 6.0 million homes annually. The median home price rose 11.4% since last August, and existing home inventory has declined to only a three-month supply. The average home was on the market for 22 days with 69% of the homes being sold in less than a month. Pending home sales recorded a record number in August, jumping 24.2% from the previous year. Bidding wars for existing homes are common with multiple offers exceeding the seller's asking price.

New home sales in August were the strongest since September 2006, exceeding an annual pace of over one million homes. New home sales were 43.2% ahead of the sales rate a year ago while home inventories have dropped 40.0% with only 3.3 months of supply. Completed home inventory has declined 31.6% since last year. In August, year-to-date sales were 15.0% ahead of last year, even with the shutdown during peak home-buying season.



The median sales price for new homes dropped 4.3% from last year, most likely impacted by millennials buying smaller homes and baby boomers downsizing. Sales in the South and West are very strong, increasing 50.0% and 54.7% respectively year-over-year. With the extremely tight inventories of both new and existing homes for sale, home buyers in the market are forced to buy to-be-built new homes and will continually support escalating sales prices, creating affordability issues.



Mortgage interest rates continue to drop to record lows, spurring demand and mitigating housing price increases. In September, the 30-year fixed rate mortgage fell to 2.89% and the 15-year fixed rate mortgage dropped to 2.39%. Historically, these are unheard of rates. With the effects of the pandemic and no sign of inflation on the horizon, these record low mortgage rates will continue through much of this decade.

Home Building Industry Response

The home building industry cannot currently service the housing demand that is going to occur during this decade. The industry lost a lot of home builders during the housing recession over a decade ago, and we have not seen a replenishment back to the historical ranks. Currently, many home builders are operating at 150% to 175% of their capacity, causing highly extended construction schedules.

The trade base and the number of tradespeople is inadequate. Many of the tradespeople left the industry during the housing recession. About a third of the residential labor force has historically been immigrants, and many of them recently left the country and have not returned because of tighter immigration restrictions and the pandemic.

Material manufacturing capacity and the supply chain have not expanded to respond to the increased demand. Currently, there are shortages of windows, cabinets, door hardware, door slabs, lumber, appliances, roofing, lighting fixtures, insulation, interior trim, flooring, tile, and plumbing fixtures. This is causing substantial construction delays and increasing costs.

There is not an adequate supply of finished lots. Government regulations are causing very long approval processes for zoning and land development, making maintaining adequate land inventories a challenge.

Call to Action

The roots of the home building industry come from the realtor community and the crafts, not from manufacturing. Home builders need to start thinking outside of the box to be able to respond to the elevated demand expected throughout the decade.

The industry needs to embrace more manufacturing concepts and processes.

The home builder needs to look at each community as a factory with the homes under construction on an assembly line. The superintendent is a plant manager typically managing an annual production volume representing between $10 and $15 million dollars in sales.

As opposed to paying attention to the individual house schedule, the builder needs to pay attention to the interrelationship of all the homes on the assembly line. The flow of production needs to be consistent and reliable across all homes on the assembly line. The trades need to logically move from home to home in a standardized process. There needs to be a queue of homes ready to go into production to consistently feed the assembly line and maintain production capacity. Care should be taken to not overload the assembly line which creates choke points and overtaxes trade base capacity.

More effort should be spent on product design to simplify and standardize the production process. The base house plan—and all allowable changes to the base plan—should be pre-planned and pre-priced during the design process before the plan goes into production.

The auto industry is a good example of this. How many different car models can fit on the same chassis? The home building industry should do the same thing with its foundations.

We did this for a builder in Tampa, Florida, modifying thirteen of the builder's plans to have consistent match points for the kitchens and breakfast area, the living and family area, the master bedroom and bath, and the secondary bedrooms. We had four sections that could be mixed and matched. We labeled it "You Can Have It Your Way." This gave the builder nearly 2,200 different combinations which all fit on the same foundation.

For a great example of process efficiency from the manufacturing industry, visit the BMW website and go through the process of buying a car. Everything can be customized on the car from a catalog of pre-planned and pre-priced options. You can change the engine, the transmission, the rear end, the tires, the wheels, the steering wheel, the seats, the body trim, and the color. The car is fully customized for the buyer over the internet from a catalog. The housing industry can do the same thing with appropriate advanced planning. This shortens and simplifies the buying process, streamlines the production process, and reduces exposure to negotiation.

Typically, home builders have one assembly line with everything assembled onsite in a rather linear method which is time consuming. Builders should rethink the construction process to develop simultaneous subassembly processes that will feed the main assembly line. Establishing a field panel plant in the community allows for the construction of the walls at the same time the ground plumbing and foundation is installed. It can reduce construction time, increase quality, and reduce cost. Builders should work with suppliers to arrange more pre-assembly of their products prior to coming to the job site.

Home builders should look at changing products to expedite the production process and reduce delays and rework. For an example, check out the *2 Hour House* website and video. The house was a project by the Tyler Texas Home Builders Association under the leadership of Brian Conaway. The house was built from raw dirt to finished landscaped home in two hours and fifty-two minutes. The schedule for the project was detailed down to the minute with orchestrated phases of construction. Pay attention to the number of simultaneous subassembly lines, how many components were preassembled, and what different products were used to reduce time and improve quality.

Pre-cut framing packages from lumber yards decrease work on the main assembly line and reduce waste while improving quality. Pre-built panels shipped to the job site is a subassembly process done by a supplier. A step further would be to make sandwich panels (complete with everything installed in the panels) with quick connects at the joints for the electrical and plumbing. This is possible with foam sandwich panels. In Florida, three homes were erected in an afternoon using light concrete tilt-up panels instead of masonry block.

The industry's labor problem has been growing for decades as high schools across the country have eliminated vocational technical programs. The housing industry needs to get involved and establish training programs for the trades. Now is the perfect time to recruit young people into the trades with high unemployment in the hospitality industry.

Home builders, along with their local and state associations, should be working with school boards and junior colleges to establish vocational tech programs to train young people in the trades. HBAs should develop an apprenticeship program with trade contractors to hire and train young people. Joe Loidolt of Classic Homes in Colorado Springs has established a program with high schools which is a good prototype program that should be expanded nationwide. Pat Hamill of Oakwood Homes in Denver has established a vocational tech training program in his panel plant—another great program that should be replicated throughout the industry.

Home builders are very concerned about maintaining an adequate supply of land for their current volume of sales and throughout the decade. They need to keep a pipeline of finished lots, approved land for development, and land going into the zoning process. There are three pieces to the land issue: price, regulations, and approval time. Escalating raw land costs have been an issue. However, finished lot cost has maintained its historical relationship to home sales price at approximately 20% of sales price. Increased regulations and the time required for zoning approval have a major impact on the amount of land builders need to keep in inventory along with their ability to respond to changes in home demand. Without an adequate supply of lots to match current demand, many builders are concerned they will run out of approved lots.

Home builders need to think outside of the box to identify opportunities for acquiring land.

With the move by consumers to online shopping, many retail department stores, retail malls, and strip centers are closing. Land managers want to shed these failed and shuttered stores to get them off the books, and cities want these locations back on the tax rolls. These are typically large land parcels in prime locations that could be downzoned for multi-use residential development providing great opportunities to pick up a large parcel of land in an "A" location at a very reasonable price with reasonably easy zoning approval.

Becoming proactive regarding urban development regulations is a must for home builders. They need to get more involved with local and state governments, participate in and be elected to city councils, and become members of the American Planning Association (APA). Home builders are often absent from the table when regulation decisions are made with only the academics, consultants, and lawyers recommending regulations that will affect home builders. Being the lone voice of reason at APA meetings is not always fun, but it is an important role for home builders. The building community needs to be proactive to counter "no growth" attitudes and present a positive story about how they are investing in and improving their communities.

This is going to be a fantastic decade for the home building industry, and builders need to step up to the plate and become very proactive—otherwise, opportunities will be lost. There are a lot of large corporations with vast financial resources currently looking at opportunities in the housing industry. They are referred to as industry disruptors. If the home building industry does not respond and become proactive in solving the current core issues, home builders and the industry as a whole will be a casualty. This is a wonderful industry, full of great people who are very dedicated to their communities. Do not let that change. Enjoy the fruits of your efforts during housing's best decade.