TODAY’S DISCUSSION ABOUT HOMEBUILDERS

Where We Were – Pre COVID-19

Where We Are – Post COVID-19

Where We Are Going – 2020 Outlook
WE ARE HERE TO HELP!

National Data With Local Experts

- Local Market Experts
- 60 Advisors
- 500 Researchers
- 50 Technologists and Product Development
- Award Winning Builder Editorial Team
- Additional Industry Experts
Job Creation Through March Was Steady

- March 2020 = 6,400 Annual Formations
- Up 2.4% from 3-2019
- Total employed 288,800
- Colorado remains a top state for job creation

Source: Bureau of Labor Statistics
Colorado’s Net Migration Has Been Very Strong, And Has Generally Stayed Positive During Recessions

Source: Colorado State Demographer
The RESALE Market Was Coming Off Another Very Strong Year

- Two consecutive years of 14,000 transactions
- 1Q20 Sales up 10%
- March Sales down -18%
- Listings were up +19% compared to March 2019
- 2.1 Months of Supply
- Median Sales Price at all-time high of $392,723
Some Other Growth Drivers....

✓ Low unemployment = February 2.6% NoCO
✓ Healthy business relocations & expansions
✓ Diverse economic base
✓ Wages up 7.5% in Weld; 5.4% in Larimer; 3.6% National Avg.
✓ Strong demographics

= Pent up demand for housing. New home market off to VERY strong 2020 the first 10 weeks of the year
After a Plateau in 2018/19, Builders Were Poised for a Stronger 2020

<table>
<thead>
<tr>
<th>NORTHERN CO</th>
<th>Type</th>
<th>1Q19</th>
<th>1Q20</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Qtr Starts</td>
<td>Condominium</td>
<td>58</td>
<td>19</td>
<td>-67.2%</td>
</tr>
<tr>
<td></td>
<td>Townhome/Duplex</td>
<td>105</td>
<td>182</td>
<td>73.3%</td>
</tr>
<tr>
<td></td>
<td>Detached</td>
<td>866</td>
<td>1,184</td>
<td>36.7%</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>1,029</td>
<td>1,385</td>
<td>34.6%</td>
</tr>
<tr>
<td>Annual Starts</td>
<td>Condominium</td>
<td>195</td>
<td>108</td>
<td>-44.6%</td>
</tr>
<tr>
<td></td>
<td>Townhome/Duplex</td>
<td>447</td>
<td>496</td>
<td>11.0%</td>
</tr>
<tr>
<td></td>
<td>Detached</td>
<td>4,006</td>
<td>4,290</td>
<td>7.1%</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>4,648</td>
<td>4,894</td>
<td>5.3%</td>
</tr>
<tr>
<td>Qtr Closings</td>
<td>Condominium</td>
<td>33</td>
<td>24</td>
<td>-27.3%</td>
</tr>
<tr>
<td></td>
<td>Townhome/Duplex</td>
<td>84</td>
<td>91</td>
<td>8.3%</td>
</tr>
<tr>
<td></td>
<td>Detached</td>
<td>793</td>
<td>947</td>
<td>19.4%</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>910</td>
<td>1,062</td>
<td>16.7%</td>
</tr>
<tr>
<td>Annual Closings</td>
<td>Condominium</td>
<td>178</td>
<td>150</td>
<td>-15.7%</td>
</tr>
<tr>
<td></td>
<td>Townhome/Duplex</td>
<td>360</td>
<td>419</td>
<td>16.4%</td>
</tr>
<tr>
<td></td>
<td>Detached</td>
<td>3,918</td>
<td>4,158</td>
<td>6.1%</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>4,456</td>
<td>4,727</td>
<td>6.1%</td>
</tr>
</tbody>
</table>

Source: Metrostudy
# Metrostudy 1Q 2020 Survey Data

As Expected, Builders Experienced a VERY Strong First Quarter

## Denver Metro 8-County
- 1Q Starts: Up 31%
- Decorated Models: 493
- Finished Vacant Homes: 1,606
- Under Construction: 7,332
- Vacant Lots: 14 Mo

## Northern Colorado
- 1Q Starts: Up 35%
- Decorated Models: 164
- Finished Vacant Homes: 703
- Under Construction: 2,207
- Vacant Lots: 16 Mo

## Colorado Springs
- 1Q Starts: Up 34%
- Decorated Models: 109
- Finished Vacant Homes: 198
- Under Construction: 1,571
- Vacant Lots: 14 Mo

---

**What if We Didn’t Start Another Home in 2020, and closed all the standing INV?**

<table>
<thead>
<tr>
<th></th>
<th>2019 Closings</th>
<th>2020 Total to Close</th>
</tr>
</thead>
<tbody>
<tr>
<td>Finished Vacant Homes</td>
<td>2,507</td>
<td>13,617</td>
</tr>
<tr>
<td>Under Construction</td>
<td>11,110</td>
<td>20,329</td>
</tr>
<tr>
<td>Total to Close</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

2020 % Change: -33%

Source: Metrostudy
New Home Starts by Price: Most segments showing strength, particularly lower price points

Source: Metrostudy
Where We Are
The health crisis will impact the economy along the Front Range in different ways depending on the concentration of employment sectors.

Source: Colorado Department of Labor & Employment
*The initial unemployment insurance claims are calculated by multiplying the total claims since March 2020 (through 4/25/2020) by 80%, which is the estimated percentage of the labor force in the Front Range's 11 counties (Adams, Arapahoe, Boulder, Broomfield, Denver, Douglas, Elbert, El Paso, Jefferson, Larimer & Weld Counties). *Unemployment claims are dispersed throughout each Front Range County according to their share of unemployment along the Front Range. This assumes all counties are affected proportionally, which may not be the case. Data is not seasonally adjusted.
NoCO Builder Sales Contracts

- January: +51%
- February: +52%
- March: -18%
- April: -20%
- May: +2%

Source: Metrostudy
Denver/NoCO Builder Traffic & Contracts (4-Week Moving Avg)

Weekly Traffic per Subdivision

Weekly Net Contracts per Subdivision

Weekly Conversion Rate

Weekly Cancellation Rate

Source: Metrostudy
Builder Survey: On-Line Traffic Creeping Up

How has the volume of ONLINE TRAFFIC been for your local operation over the past week in comparison to the week prior?

<table>
<thead>
<tr>
<th></th>
<th>National</th>
<th>Colorado</th>
</tr>
</thead>
<tbody>
<tr>
<td>Significantly Increased</td>
<td>14.2%</td>
<td>5.9%</td>
</tr>
<tr>
<td>Slightly Increased</td>
<td>48.6%</td>
<td>55.9%</td>
</tr>
<tr>
<td>No Change/Flat</td>
<td>28.2%</td>
<td>32.4%</td>
</tr>
<tr>
<td>Slightly Decreased</td>
<td>7.7%</td>
<td>2.9%</td>
</tr>
<tr>
<td>Significantly Decreased</td>
<td>1.2%</td>
<td>5.9%</td>
</tr>
</tbody>
</table>

Source: Metrostudy
44% Of Builders Reported Better Net Sales W-o-W

This week felt better
First time in a month that we had a normal week
Strong buyers looking for homes

Net sales are tough
Very poor levels
No sales since early March

Compared to Last Week, How Have Net Sales Been?

Source: Metrostudy
Denver/NoCO Top 15 Builder Sales Contracts Trending Back Up

- Since March 29, the Top 15 Builders have averaged 88% of the sales activity in the market.

Source: Metrostudy
Builder Survey: Base Prices Are Staying Where They Are

Comparing this week to last week, what changes, if any, are you making to BASE PRICES?

- Significantly increased: 0.3% (National), 8.3% (Colorado)
- Slightly increased: 8.3% (National), 5.9% (Colorado)
- No change/flat: 88.9% (National), 85.3% (Colorado)
- Slightly decreased: 2.5% (National), 8.8% (Colorado)

Source: Metrostudy
Builder Survey: Spec Homes Are Still Expected To Remain In Check

How are you handling SPECULATIVE INVENTORY for your local operation?

- Sticking to plan: 26.5% National, 32.4% Colorado
- Taking a pause for now: 21.6% National, 26.6% Colorado
- Building less than originally planned: 50.6% National, 47.1% Colorado
- Building more than originally planned: 0.0% National, 1.2% Colorado

Source: Metrostudy
Finished Vacant Homes are Tight, Unlike Prior to Last Recession

Source: Metrostudy
Builder Survey: Lot Acquisitions Waiting For More Clarity

What action are you taking with respect to land/lot acquisitions?

- National
- Colorado

<table>
<thead>
<tr>
<th>Action</th>
<th>National</th>
<th>Colorado</th>
</tr>
</thead>
<tbody>
<tr>
<td>We are bringing new land/lot acquisitions into our plan</td>
<td>9.6%</td>
<td>5.7%</td>
</tr>
<tr>
<td>We are moving forward with all planned land/lot acquisitions</td>
<td>16.5%</td>
<td>17.1%</td>
</tr>
<tr>
<td>We are selectively moving forward with planned land/lot acquisitions</td>
<td>54.2%</td>
<td>60.0%</td>
</tr>
<tr>
<td>We have paused land/lot acquisitions</td>
<td>18.6%</td>
<td>17.1%</td>
</tr>
<tr>
<td>We have cancelled land/lot acquisitions</td>
<td>0.0%</td>
<td>1.2%</td>
</tr>
</tbody>
</table>

Source: Metrostudy
Finished Lots are Tight, Unlike Prior to Last Recession
Where Are We Going
2020 Outlook
Builder Survey: 2020 Plans are Changing...

How has your 2020 plan changed due to health crisis?

- More homes starts than 2020 plan: 1.9%
- Roughly 100%, or no change to 2020 plan: 11.8%
- Roughly 80% of 2020 plan: 57.8%
- Roughly 60% of 2020 plan: 58.8%
- Roughly 40% of 2020 plan: 19.3%
- Roughly 20% of 2020 plan: 23.5%
- Less than 20% of 2020 plan: 3.1%
- Less than 20% of 2020 plan: 2.9%
- Less than 20% of 2020 plan: 1.9%
- Less than 20% of 2020 plan: 2.9%
- Less than 20% of 2020 plan: 0.3%

Source: Metrostudy
## Tier One - BEST CASE
- Stay-at-home measures for entirety of Colorado officially ends 2nd week of May.
- Model homes open up without any major restrictions at time stay-at-home measures end.
- Governmental offices open up to allow return of normal permitting and inspections.
- Resale market opens up to at least 75% of "normal" listings and sales activity.
- No 2nd "bounce" in cases that would result in a repeat of stay-at-home measures for the rest of the year.
- Temporary furlough and layoffs end.
- 70% plus recall of furloughed and laid off workers within 6 months.
- Unemployment rate drops back to below 8% by end of July.
- Initial unemployment claims drop to normal levels.
- Restaurants allowed to open in June and airline travel returns to at least 50% of normal before end of summer.
- Large gathering events allowed beginning mid-summer (i.e. sports, concerts, etc.).
- Daycares open. Children able to attend school in the Fall.
- Stock market stabilizes - Dow stays above 22,000.
- Public narrative regarding economic concerns significantly outweighs health fear conversations.
- Testing measures available for all.

* Bonus Economic Booster - vaccine by/before end of year.

- New home sales demand is at 20% below pre-COVID-19 levels.
- Oil market stabilizes, prices normalize and local producers rehire staff.

## Tier Three - WORST CASE
- Escalation of COVID-19 outbreaks require a continuation of current stay-at-home measures beyond May 8th or a second stay-at-home measure is required later in the year.
- Due to continued health concerns, restaurants remain closed throughout the summer and airline travel stays below 25% of normal for the remainder of the year.
- Resale market opens up, but only to levels less than 50% of "normal" in terms of listings and sales activity.
- Daycares and schools remain closed in the Fall, requiring at least one adult family to stay home.
- No large gathering events allowed for the remainder of the year.
- Less than 50% recall of furloughed and laid-off workers within 3 months.
- Unemployment rates remains at or above 10% entering 3rd Quarter.
- Job protection measures outweighs job creations.
- In-migration to the State is minimal due to job losses and continued travel restrictions.
- Foreclosures begin to surface.
- Home price adjustments of -10% occur in resale and new markets.
- Stock market rates decline - Dow stays below 20,000.
- Public narrative regarding health concerns significantly outweigh economic concerns.
- New home sales demand is at 30% below pre-COVID-19 levels.
- Oil market remains oversupplied and prices stay below what is viable for operators; layoffs continue.

## Tier Two - MID-LEVEL CASE
- Stay-at-home orders lifted on May 8th with some restrictions in place (face masks and physical distancing for remainder of summer), which in turn are lifted by end of summer.
- Model homes open for normal visits (with minor restrictions; i.e. face masks and physical distancing).
- Resale market opens up to at least 50% to 70% of "normal" listings and sales activity.
- Restaurants allowed to open in June and airline travel returns to at least 25% of normal before end of summer.
- Smaller gathering events allowed.
- Daycares open. Children able to attend school in the Fall.
- Due to continued physical distancing requirements, construction timelines remain less efficient (i.e. subcontractors having to continue to work sequentially versus parallel); supply chains, deliveries erratic, and municipal permitting and inspecting delayed or unpredictable.
- The rate of layoffs slow; but unemployment remains high (8% to 10%).
- 50% to 70% recall of furloughed and laid-off workers within 3 months.
- Stock market remains volatile, but Dow stays above 20,000.
- Public narrative regarding economic concerns is balanced with health fear conversations.
- New home sales demand is at 20% to 30% below pre-COVID-19 levels.
- Oil market remains volatile, and gas prices remain low for consumers.
Challenges Ahead

- Uncertainty of how this health crisis progresses and impacts housing long term
- Unemployment claims and layoffs continue
- Oil prices and local producer contraction
- Traffic & contracts drop sharply and rebound slowly, then faster. Be aware of ‘head fake’ caused by lack of resale options driving buyers to new home market.
- Starts down, likely to bottom in 3Q
- Price corrections, putting some submarkets at greater risk
- Finished lot supply is likely to spike at the end of 2020
Some of the Positives

✓ Housing not at the center of this crisis like 2007-2010. Colorado was one of the markets that led the recovery, and should be again...
✓ Strong economy and housing demand leading into crisis
✓ New home market in a very strong position mid-March (healthy backlog, tight lot supply, low inventory, etc.). Inventory to close this year...lower price points were crushing it the first 10 weeks of the year
✓ Builders have pivoted hard and fast to new reality
✓ New home market will gain market share over resale market in coming months
Finding New Ways to Engage

Communicating to prospective buyers about the importance of safety in the model homes as well as job sites.

"Even in communities that are sheltering in place and stopping all non-essential businesses, these communities have consistently determined that home construction is an essential business. Thus we expect we will be able to continue to build your home despite the uncertainties that lie ahead. Obviously the potential exists that the pace of construction of your home may slow if there is substantial interference in supply chains or labor force, but at this time we do not anticipate substantial delays, while we recognize this is a very dynamic situation. We ask for your grace and understanding as we move through this unique time together."

-Doug Simple

Click here to learn more about the health and safety precautions Classic Homes is taking in response to COVID-19.

"Communication is key. Buyers appreciate it..."
Finding New Ways to Engage

Better in-home air quality through ventilation systems, moisture management, and building materials that minimize exposure to airborne contaminants and toxic chemicals.

Healthy Living increasingly important
Finding New Ways to Engage

Tour model homes on-site and on your own. All you need is to register, receive a code, then use that code to enter the home at your convenience.

Private Self Tours…the next Big Thing?
While virtual tours have been around for years, and many builders have been incorporating this feature as part of an increased on-line presence, the COVID-19 health crisis has elevated virtual tours as a top priority.
Finding New Ways to Engage

Prospective buyers can select features and upgrades to ‘build and design’ a home with dynamic pricing and imagery.

"Design your own home ‘virtually’"
Consider designing a **smaller but high-performance laundry**

**Dedicate** space to additional important functions in the home
...like an additional office/study space
Could “Zoom Rooms” be a thing?

We will be testing trade-off spaces like a smaller laundry, bathroom size for another office space.

Our Zoom Room, Test Space & Mobile/Additional Office
Office space(s) do not need to be large

Glass and light will make smaller spaces like this feel large and inviting
Fitness space and fitness room have gained interest public gyms will be out of favor for some time *(source: Google Trends)*

- Home gym solutions (at any size) will be a plus in 2020/2021
- Ideally, connect to an outdoor space where possible

Google Trends 20-Present, “Home Gym”
Could the open floorplan die?

Divisible space for more function, privacy, and multi-function and multi-use space will be in demand
Thank you!

John Covert, Director
Metrostudy Colorado
303-229-9160 (cell)
720-493-2020 x 1 (office)
jcovert@Metrostudy.com
www.metrostudy.com