**M/I Homes MHO**

M/I Homes is one of nation's leading builders of single-family homes.

**The trend of rising home prices is likely to persist after the pandemic ends because of increased affordability and consumer demand.** Affordability has improved because long-term interest rates have made mortgages more affordable, and household savings have dramatically increased as a result of lockdowns. Moreover, millennials have reached their peak marriage years, so are entering their peak years for home buying. These should provide a tailwind for single-family home properties.

**Economics Recovery**

High-income workers will experience a rebound so they are less likely to face the pressures of multi-family assets. And because their assets gain in value as home prices rise, they should perform well in a general regime of rising prices.

**Sector Trends**

1. Home-building activity has staged a significant turnaround from the coronavirus-related slowdown.
2. U.S. home builders began construction on homes at a seasonally-adjusted annual rate of 1.496 million in July, up 22.6% from the previous month and 23.4% from a year ago, the U.S. Census Bureau reported Tuesday. The pace of home building is now 7% down from the pre-coronavirus high.
3. Increases in both single-family and multifamily starts contributed to the overall increase. Construction on buildings with five or more units increased 56.7% on a monthly basis, while single-family starts rose 8.2%.
4. Likewise, the increase in building permits occurred across all types of housing: one-unit homes (up 17%), homes with between two and four units (up 12.5%) and buildings with five or more units (up 23.5%).
5. Low mortgage rates have made buying a home a more affordable proposition for millions of Americans, while the reality of living, working and attending school at home has prompted many households to search for bigger properties, particularly in the suburbs
   1. Suburban Home-building has an edge or Urban
      1. While prices are likely to rise all over, urban areas are at risk of losing their long stretch of outperformance over suburbs. More working from home in the future, risks around COVID-related closures of urban amenities, and potentially lingering aversion to density are likely to give the suburbs a relative edge in the future, even as both places rise in absolute terms. This could create an incremental demand bump of up to 500,000 new housing units in the US if up to 2% of people permanently relocate out of urban areas (Barclays)
6. Input Goods - Sharp increase in Lumber
   1. Lumber primarily imported from Canada has surged in price due to North American demand for new homes greater than what’s available - leading to higher prices of home-buyers

**Is there more value in Multi-Family Development Platforms?**

1. Many home developers are investing in multifamily development platforms. It seems that the demand fundamentals for multifamily are much stronger than single-family home development. Due to density and rental demand, economies of scale allow for more efficient profit in multifamily development.
   1. Build 200 rental units for $150k/u and sell for $250k/u vs. building a suburban 50 townhome development for $200-250k/u and selling for $300k/u).