

MONTHLY RESEARCH WEBINAR

THE HOUSING SECTOR: CHALLENGES AND OPPORTUNITIES

Moderator:

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Director of Research

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■ **The Housing Sector: Challenges and Opportunities**

- Jim Kelleher, CFA, Director of Research
- Chris Graja, CFA, Senior Analyst
- Kevin Heal, Senior Analyst & Fixed Income Strategist

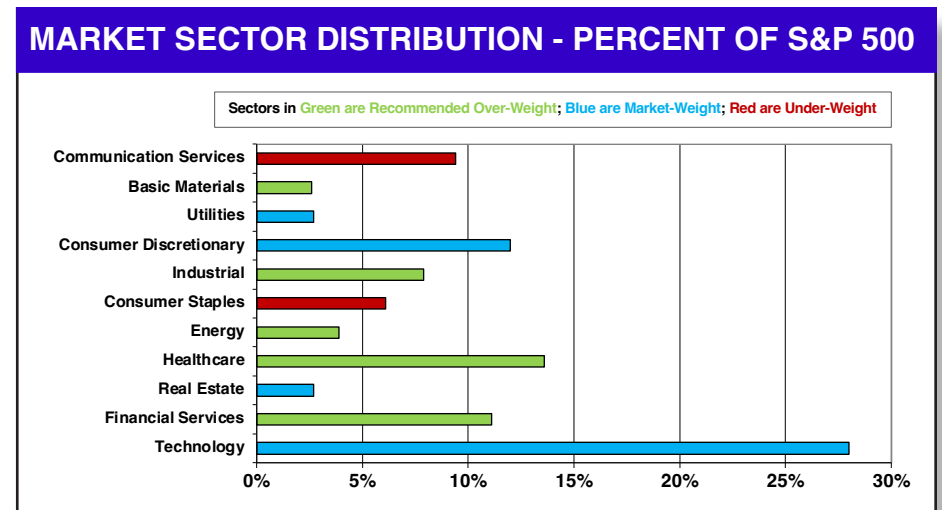
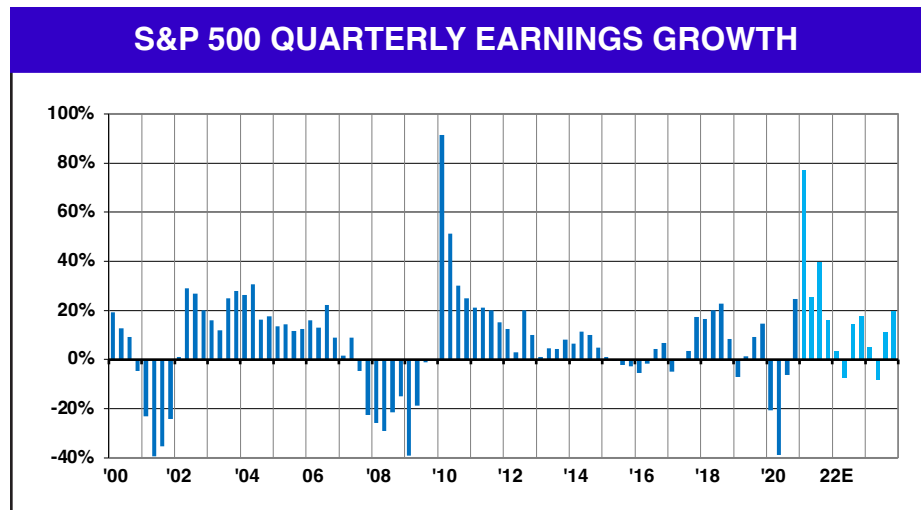
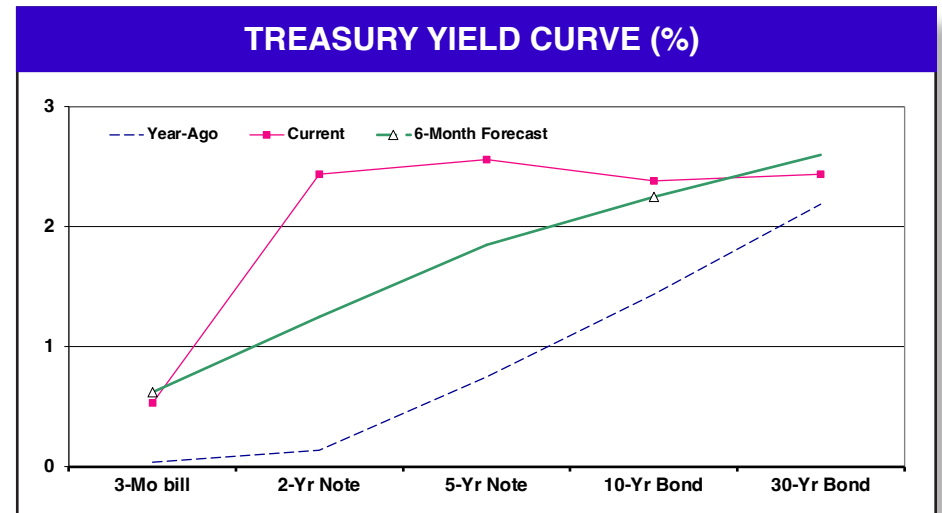
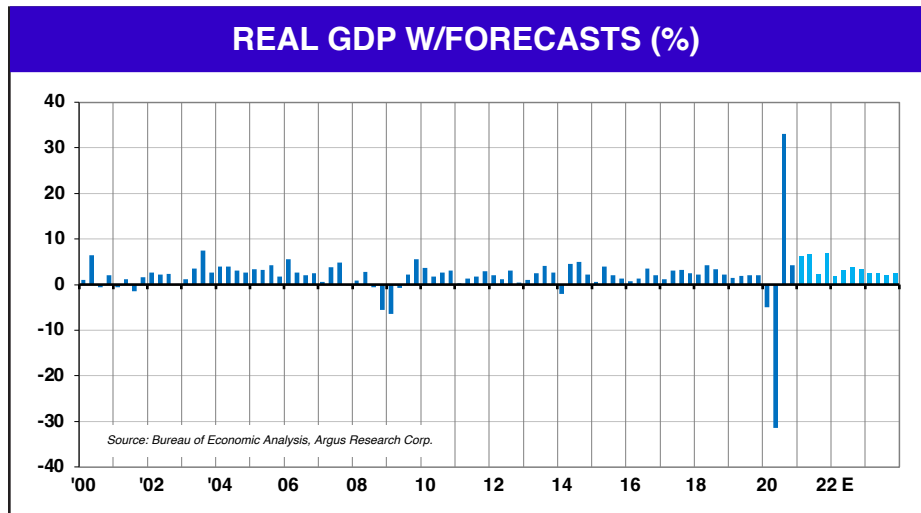
■ **Argus Quick Notes**

- Shooting Stars and Falling Angels of 1Q22
- Small and Mid-Cap Favorites
- Energy Stocks on the BUY List
- High-Yield Stocks
- Find these on the homepage of our website

■ **Argus Mid-Cap Model Portfolio**

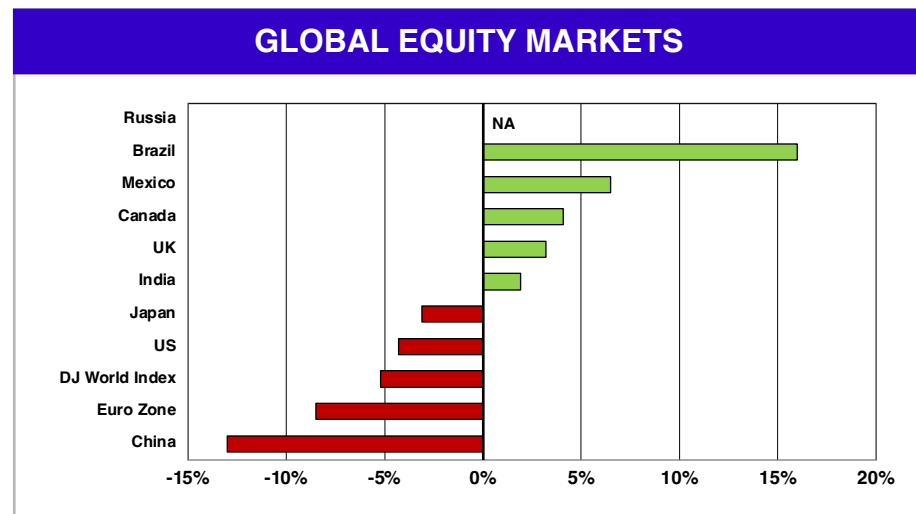
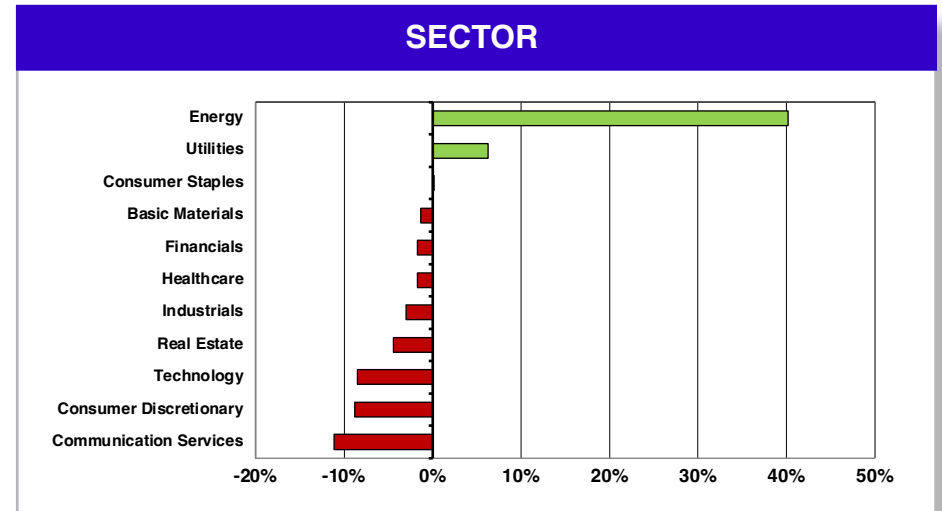
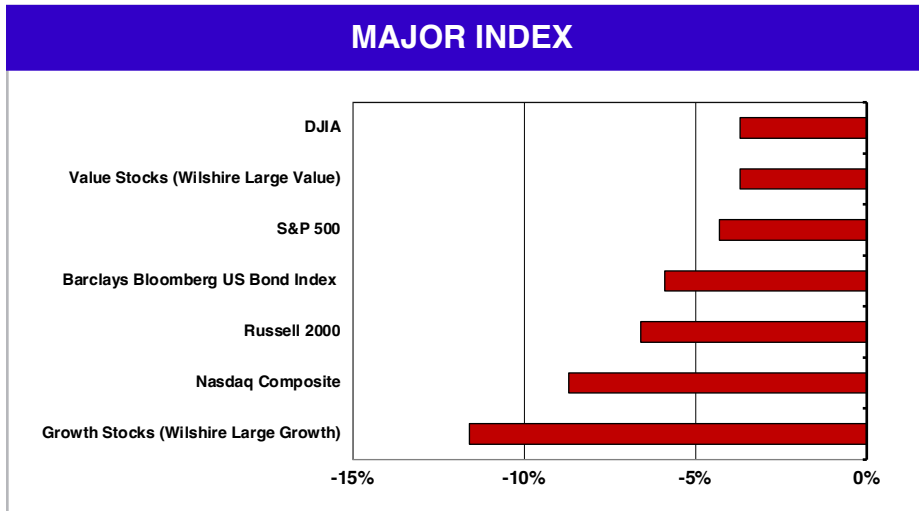
- Small and Mid-Cap (SMID) stocks have underperformed over 12 months
- SMID well-positioned for market-beating returns going forward
- Domestic Focus a positive amid volatile geopolitics
- Find information on the homepage of our website

MACRO FORECASTS



MARKET PERFORMANCE

DATA AS MARCH 31, 2022



- **Bulls: There is a massive shortage of housing in the U.S that will take years to resolve.**
- **Years of underproduction after the Great Recession (2007-2009).**
- **The shortage is most acute in starter homes.**
- **The huge (~75 million) Millennial generation (born '81-'96) is forming households.**
- **The huge (~72 million) Boomer generation (born '46-'64) is healthy and aging in place.**
- **Supply chain, labor shortages, and volatile commodities are still limiting production.**
- **Consumer finances are in good shape.**

- **Bears: Housing was expensive even before the spike in mortgage rates.**
 - Housing affordability is worst for first-time buyers.
 - Home improvement spending could wane as the economy reopens.
 - The Fed must fight inflation. Soft landings are difficult to engineer.
 - The 2yr/10yr yield curve just inverted.
 - A sharp decline in home prices has very negative implications for the economy.

■ Our view:

- While much is uncertain we see a huge shortage of affordable housing.
- Americans are enterprising – particularly in caring for their family.
- Homeowners who locked-in low rates may stay put but make improvements.
- COVID changed the way we live: Home renovations will follow.
- There is a massive opportunity to make homes more sustainable.
- We are in the early innings of smart-home technology particularly for seniors.
- Employers with a labor shortage can collaborate with employees with housing issues.

- **Home Depot (HD)**
 - \$400 target price.

- **Lowe's (LOW)**
 - \$290 target price.

- **Williams-Sonoma (WSM)**
 - \$250 target price.

- **D.R. Horton (DHI)**
 - \$120 target price.

- **Toll Brothers (TOL)**
 - \$70 target price.

- **Procter & Gamble (PG)**
 - \$185 target price.

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