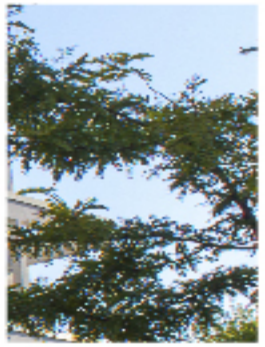
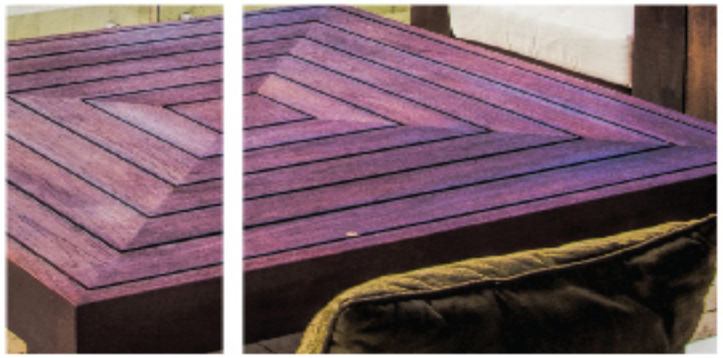






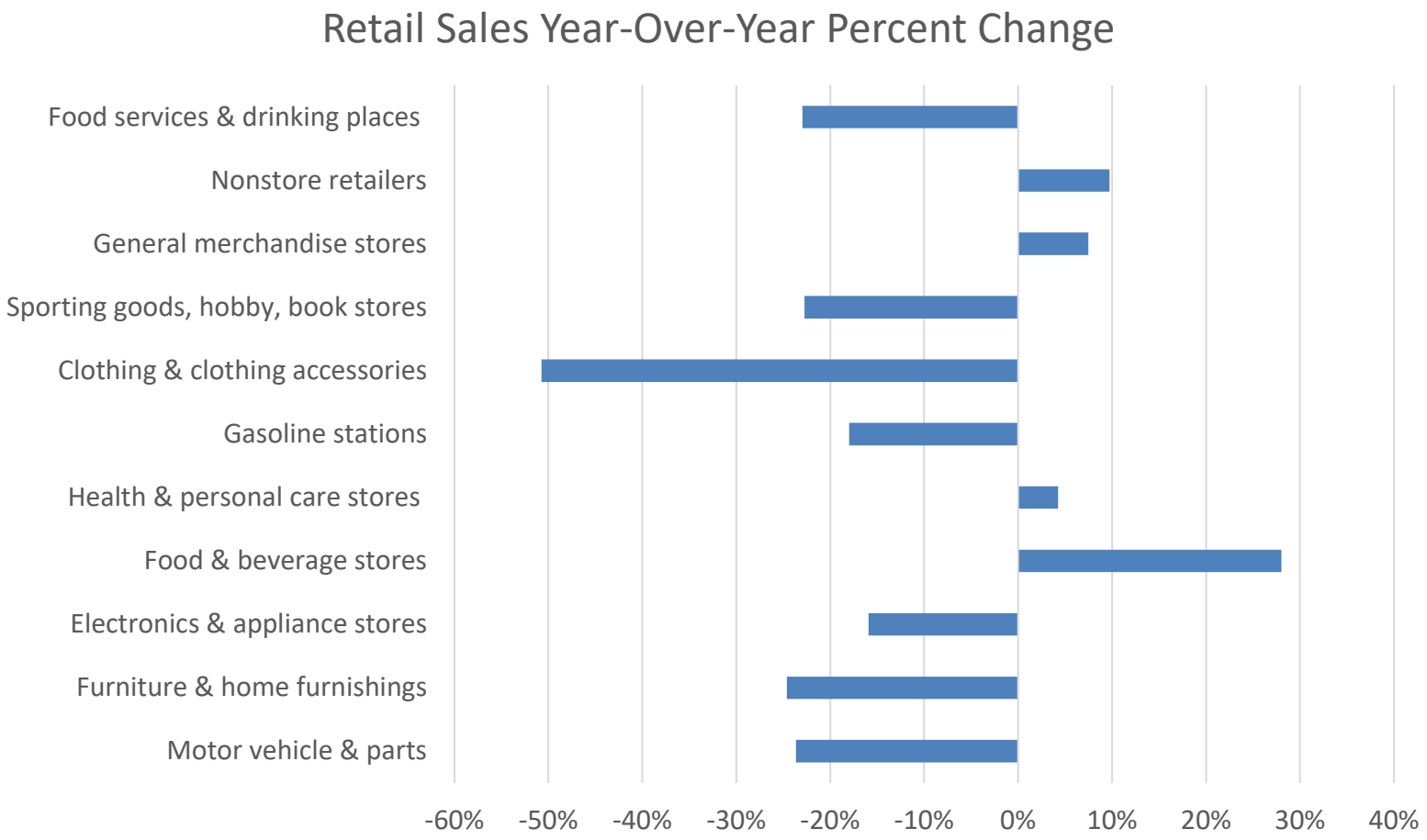




April 20, 2020

Covid-19 Economic Update

NATIONAL APARTMENT ASSOCIATION
We Lead the Way Home

Coronavirus Economic Impacts

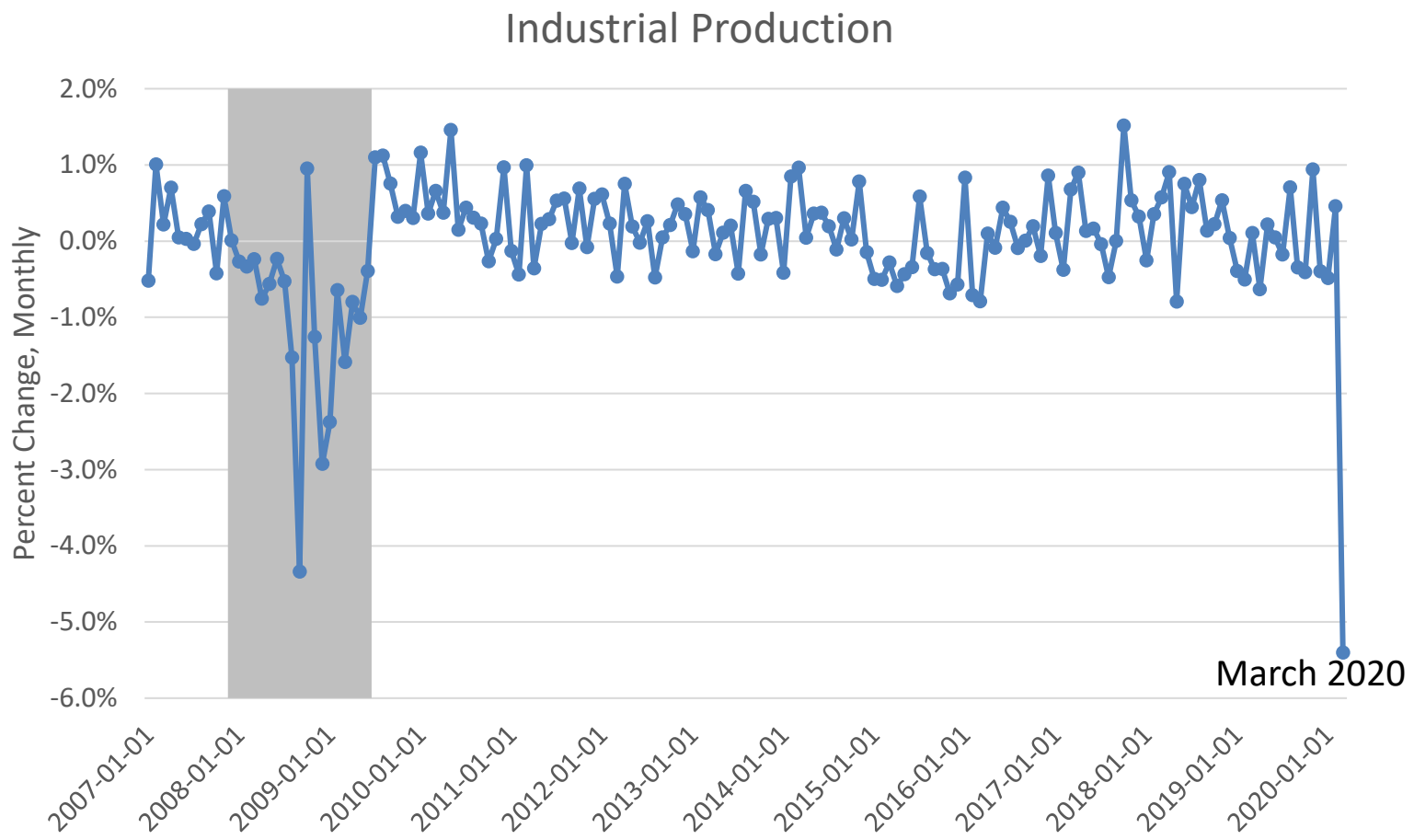


- The driving force behind positive economic fundamentals leading up to the pandemic, the U.S. consumer, sharply curtailed spending in March.
- Consumers were focused on necessities and on-line purchases only.
- The apparel industry took the hardest hit with sales declining by more than 50%, already resulting in store closure announcements by some major retailers.

Source: U.S. Census Bureau, Advance Monthly Retail Trade Survey, April 15, 2020

NAA NATIONAL APARTMENT ASSOCIATION

Coronavirus Economic Impacts



- The Industrial Production Index is an economic indicator that measures movements in production output in manufacturing, utilities and mining; it highlights structural developments in the economy.
- The Index fell by 5.4 percent in March, the largest decline since 1946.

Source: Board of Governors of the Federal Reserve System retrieved from FRED, Federal Reserve Bank of St. Louis; April 20, 2020.

NAA NATIONAL APARTMENT ASSOCIATION

Commercial Real Estate Impacts

RCLCO Sentiment Survey

- 64 percent of survey respondents believe the downturn and recovery will be a “U” shape but are evenly split on the timing of peak Coronavirus cases and thus, the duration of the downturn.
- The plurality of respondents (42%) feel the impact to the apartment industry will be moderate, i.e. 5-9 percent declines in revenue, NOI and/or asset values.
- Most respondents feel there will be sufficient availability of capital for projects currently under construction as well as debt and equity for refinancing/recapitalization of stabilized assets.
- Respondents expect limited availability of capital for planned new development.

Source: RCLCO Covid-19 Sentiment Survey, April 17, 2020

NAA NATIONAL APARTMENT ASSOCIATION

Apartment Industry Impacts

Rent Changes March-peak to April 10, 2020
Total U.S. -0.8%

4/5-Star Properties	
Orange County	-3.5%
San Jose	-2.7%
Orlando	-2.7%
Sacramento	-2.6%
San Diego	-2.6%

3- Star Properties	
Los Angeles	-3.1%
Orange County	-2.7%
Palm Beach County	-2.1%
Orlando	-2.0%
Fort Lauderdale	-2.0%

Source: CoStar State of the Market, April 17, 2020

NAA NATIONAL APARTMENT ASSOCIATION

Apartment Industry Impacts

- Multifamily remains relatively resilient with no fundamental changes to underlying drivers of demand in the long-term after digesting near-term shocks to NOI.
- The increase in delinquency rates in April are not as pronounced as the market had feared. The true impact will begin to surface in May and June.
- Early mitigants to COVID-19-related declines in traffic, leasing, and collections include PropTech, virtual marketing practices and e-payment platforms that have been well-established.
- Transactions began to pause in mid-March as the debt markets destabilized and investors wait to see the impact on operations in April, May and June.

Source: Cushman & Wakefield COVID-19 Implications for Multifamily Investors, April 16, 2020

NAA NATIONAL APARTMENT ASSOCIATION