Covid-19 Economic Update

June 8, 2020

NATIONAL APARTMENT ASSOCIATION
We Lead the Way Home
Coronavirus Economic Impacts

- The New York Fed’s GDP Nowcast is a statistical model which forecasts current quarter and next quarter GDP on a weekly basis.

- Positive reports on labor, trade and other survey data last week were responsible for a 10-percentage point increase in the Q2 2020 GDP forecast.

Source: Federal Reserve Bank of New York, June 5, 2020
Coronavirus Economic Impacts

GDP Forecast Ranges High-Low-Median
2020-2021

• The median forecast from NABE (National Association for Business Economics) panelists calls for a 33.5% contraction in Q2 2020 GDP, followed by a 9.1% increase in Q3.

• The median forecast for annual GDP in 2020 is -5.6%.

• 87% of panelists think a second wave of Covid-19 is the biggest downside risk through 2020.

Source: National Association for Business Economic Outlook Survey, June 8, 2020; Ranges represent the five highest forecasts, the five lowest forecasts and the median of the entire sample; Survey open from May 14-May 26, 2020.
The median forecast for unemployment is 10.9% in 2020, the highest annual average since the data series began in 1948.

A gradual decline is expected, with an annual average of 8.0% in 2021.
Coronavirus Economic Impacts

Top Ten Sectors for Job Growth in May
*(May Job Gains vs. March/April Losses, 000s)*

Source: Bureau of Labor Statistics

- May’s BLS Employment Situation report of +2.5 million jobs stunned economists and analysts, many of whom were expecting steep declines in employment.

- Misclassification errors meant the unemployment rate was likely 16.3 percent and not 13.3 percent, as originally reported.
Coronavirus Rental Housing Impacts

Percent of Renters With Slight or No Confidence in Ability to Pay Next Month’s Rent

- Nearly half of renters making less than $25,000 per year reported they have slight or no confidence in their ability to pay rent in June.
- 32% of all renters, regardless of income, reported slight or no confidence in being able to pay June rent.

Source: U.S. Census Bureau Household Pulse Survey, May 21 – May 26
Apartment Industry Impacts

- Apartment leasing activity surged in May due to pent-up demand unleashed by loosened shelter-in-place ordinances.
- For May 2020 overall, new apartment lease signings exceeded May 2019 by 5.5%.
- In the last week of May, lease signings increased by 19.4% compared to the same time last year.
- Rent cuts are becoming a key operational strategy; executed new lease rents in May dropped 3.8% year-over-year.
- RealPage reported seeing a sizable gap between advertised market rents and actual executed rents, reflecting that property managers are offering unadvertised concessions to close leads.
- Occupancy rates rose by 20 basis points in May.
- New York, San Jose, Cincinnati, San Francisco, Orange County, Chicago and Boston all saw significant declines in year-over-year leasing activity in May.
- South Florida, Memphis, Greensboro, San Antonio, Fort Worth, Virginia Beach, Atlanta, Charlotte and Dallas saw solid growth in lease signings.

Source: Apartment New Lease Signings Surge in Late May by RealPage, June 4, 2020