Covid-19 Economic Update

May 11, 2020
The U6 unemployment rate measures all unemployed people plus those marginally attached to the labor force (not actively seeking work now) plus those employed part-time for economic reasons.

This alternative measure of unemployment ballooned to 22.8 percent in April, its highest level on record.
Coronavirus Economic Impacts

- Private sector employment shrunk by 15.1% from March to April.
- Arts Entertainment & Recreation, Food Service & Drinking Places and Dentist Offices each lost more than half their workforces in just one month.

Sources: U.S. Bureau of Labor Statistics
Coronavirus Economic Impacts

- Consumer credit outstanding fell $12B in March, its first monthly decline since 2011.
- Non-revolving credit (student loans, auto loans) increased by $16.1B but revolving credit (credit cards) contracted by $28.2B, the largest monthly decline since the data series’ inception in the late 1960s.

Sources: Board of Governors of the Federal Reserve System
## Apartment Industry Impacts

### Most Impacted Markets
- New York
- San Jose
- Orange County
- Austin
- Los Angeles
- Boston
- Nashville
- San Francisco
- Sacramento
- SW Florida Coast

### Least Impacted Markets
- Baltimore
- Louisville
- Inland Empire
- Albuquerque
- Indianapolis
- Salt Lake City
- Charlotte
- San Antonio
- St. Louis
- Philadelphia

- Yardi Matrix rated the impact of Covid-19 on apartment markets by the following factors:
  - Prospect Volume
  - Availability
  - Approvals
  - Notices

Source: COVID-19's Impact on Multifamily Real Estate by Yardi, May 6, 2020
Apartment Industry Impacts

- The leasing season has resumed, as prospects have adjusted to self-guided and virtual tours. Leasing activity has dramatically picked up since the last week in April.
- Weekly apartment listings views from RENTCafé are up 16.7% since 2019 as of May 3rd.
- Leasing call center volume has also surged by 155% year-over-year.
- A warning sign for Class A properties is if increased concessions start a cascading decline in rent.
- Small floor plans in Class A properties in major cities are struggling as younger renters who do not have a tie to the city are terminating leases and moving home.
- Short-term rental exposure is another smaller, but potentially concentrated risk factor.
- Federal relief to individuals should limit multifamily property financial distress at least until August.
- 5.8% of multifamily CMBS loans were 30+ days in default in April, up from 2.8% in March.
- Debt market conditions have improved since Fed included Agency CMBS in the Term Asset-Backed Securities Loan Facility (TALF).

Source: COVID-19's Impact on Multifamily Real Estate by Yardi, May 6, 2020