




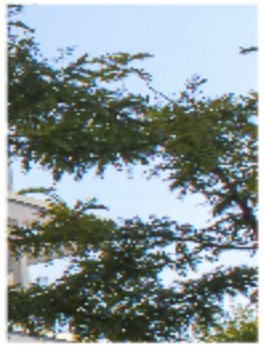





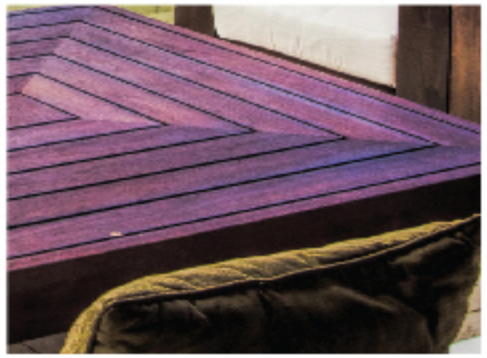


August 5, 2020

Covid-19 Weekly Economic & Industry Update

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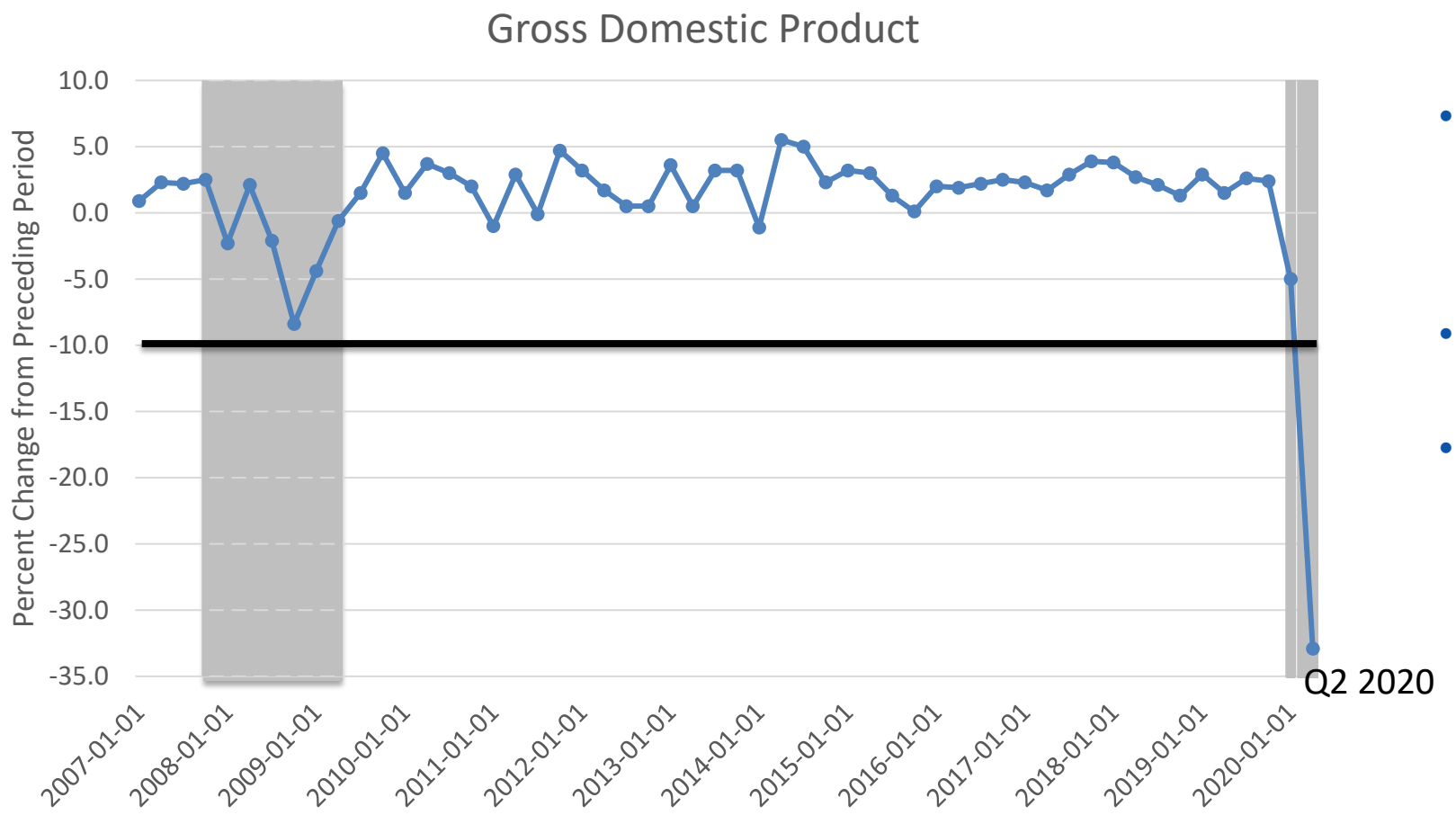
We Lead the Way Home

Economic Impacts



- GDP declined 32.9% during Q2 2020 at an annualized rate, the largest loss in history.
- The prior record was a 10% decline in Q1 1958.
- Potentially large revisions may be made to this estimate, which is common during recessions.

Source: U.S. Bureau of Economic Analysis

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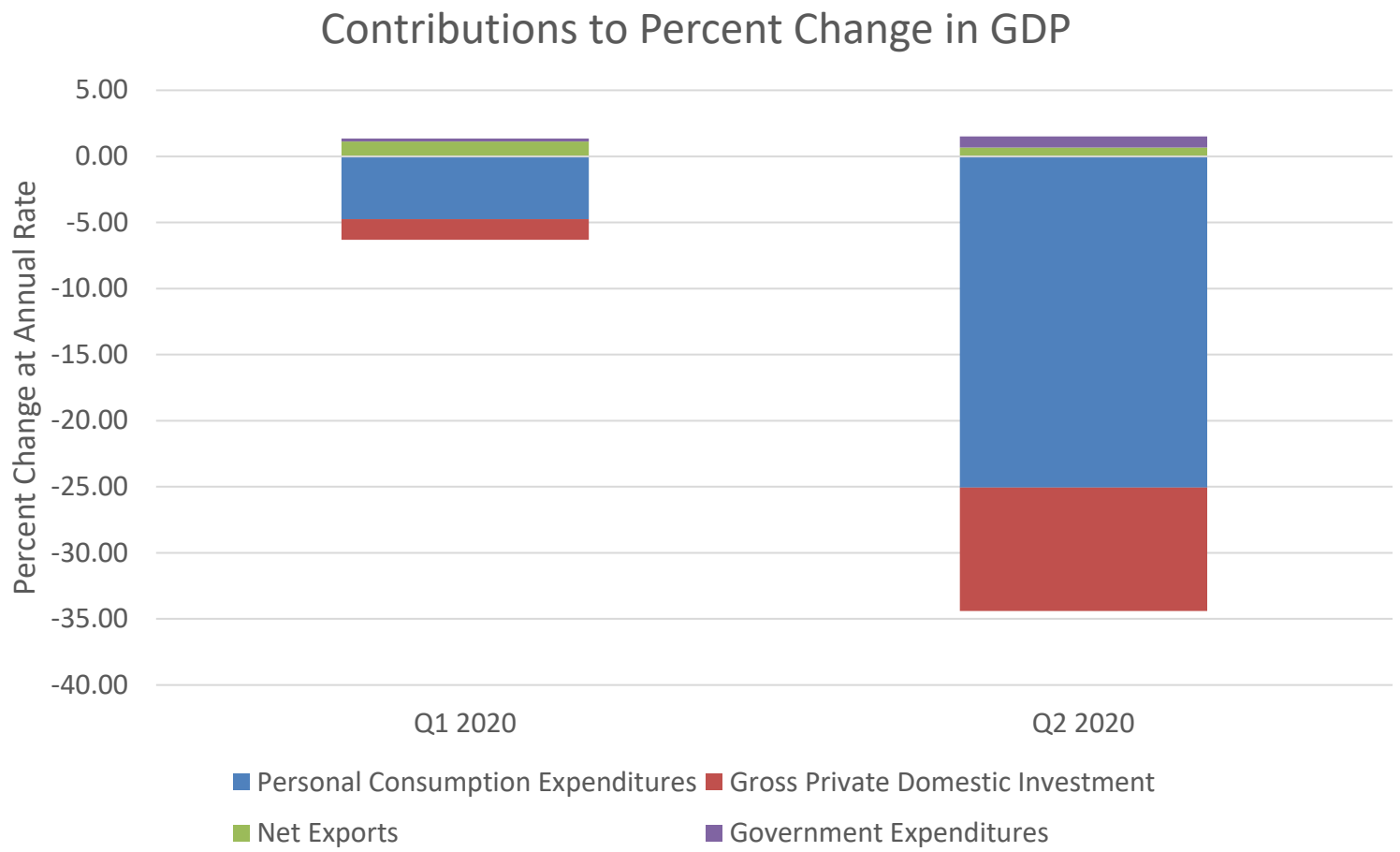
Economic Impacts



- Steep declines in consumer spending were responsible for much of the GDP losses, followed closely by business spending and investment.
- Although positive contributors, net exports and government spending provided very little by way of offsets.

Source: U.S. Bureau of Economic Analysis

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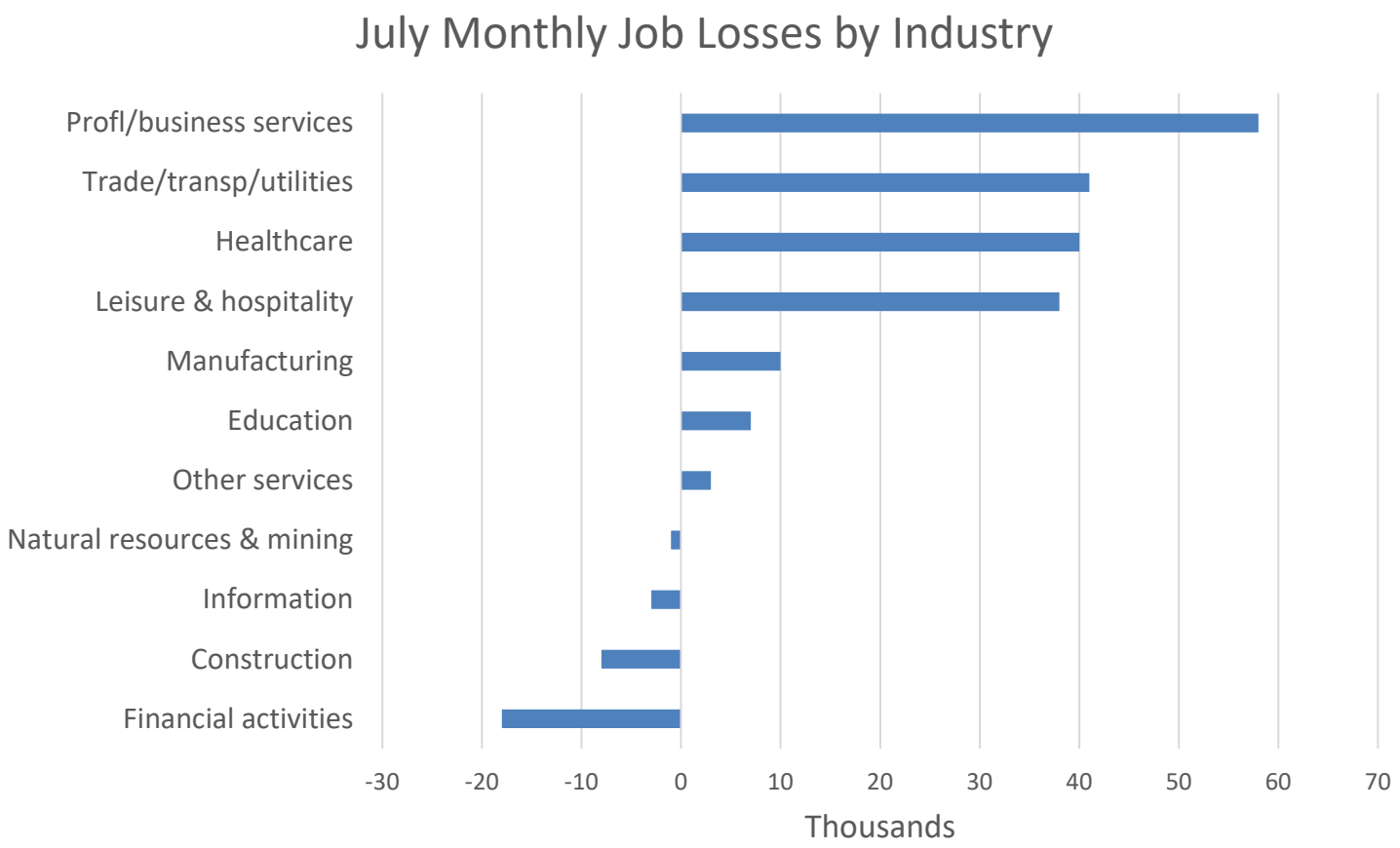
Economic Impacts



- ADP presents an early read on employment prior to the official release of the BLS jobs data.
- Only 167,000 jobs were added in July, well below consensus expectations of 1.5 million.
- Professional/business services added nearly 60,000 jobs while financial activities, construction and information contracted.

Sources: Automated Data Processing (ADP); Moody's Analytics

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Economic Impacts

Job Hiring Announcements July	
Warehousing	100,340
Services	33,485
Entertainment/Leisure	22,212
Government	22,024
Education	17,189
Healthcare/Products	16,749
Transportation	10,900
Retail	10,589

- Job hiring announcements nearly matched job cut announcements in July: 246,507 vs. 262,649, respectively.
- The warehousing sector was far and away the biggest winner, with hiring announcements topping 100,000 due to sustained demand for online shopping.

Source: Challenger, Gray & Christmas July Job Cut Report

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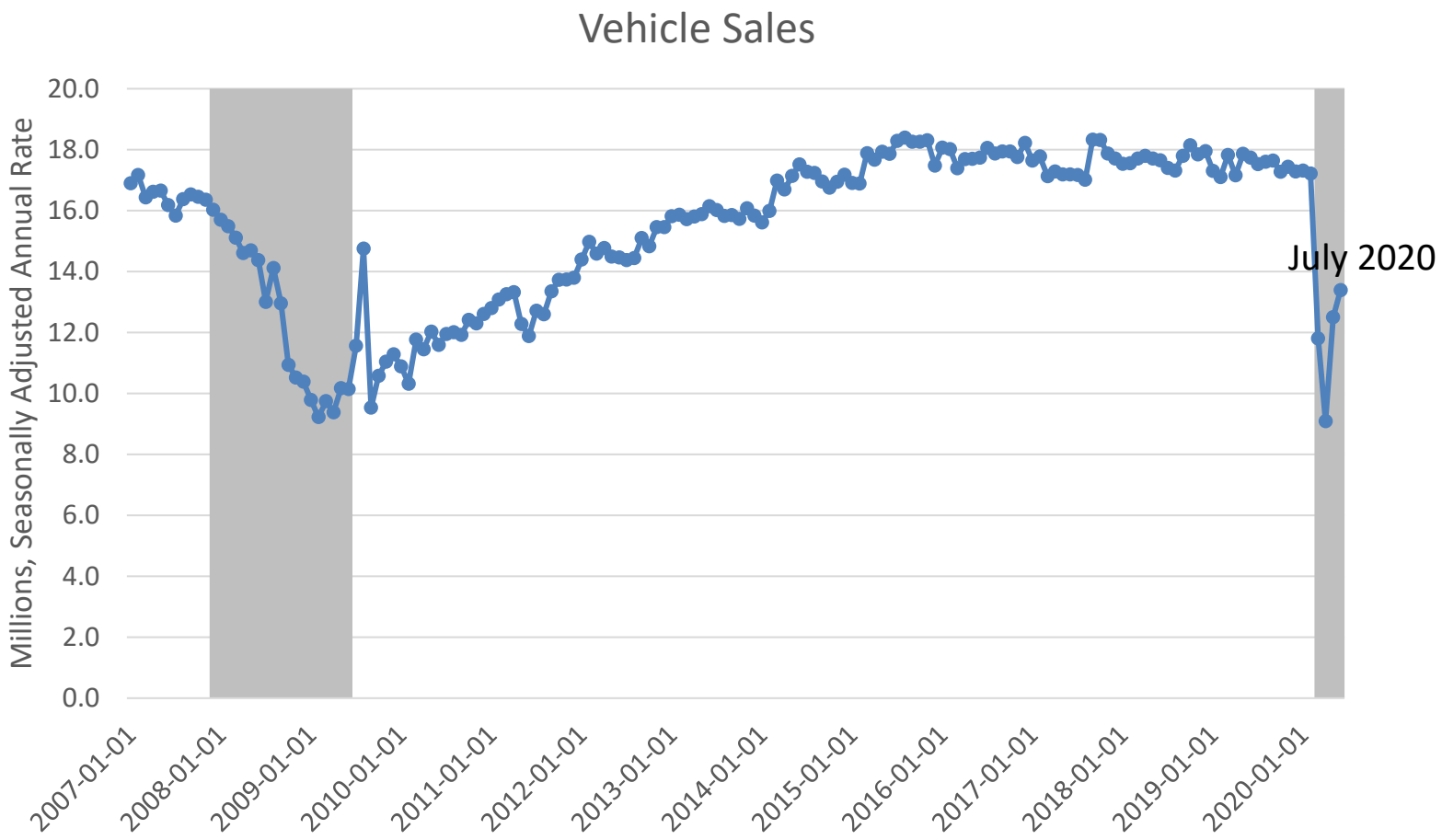
Economic Impacts



- Vehicle sales continued their upward trend, but remained well below pre-pandemic levels.
- During a time when most consumers are reconsidering major purchases, the auto industry is benefitting from a shift in mobility preferences away from public transport and air travel.

Sources: U.S. Bureau of Economic Analysis, Total Vehicle Sales retrieved from FRED, Federal Reserve Bank of St. Louis August 5, 2020; Moody's Analytics

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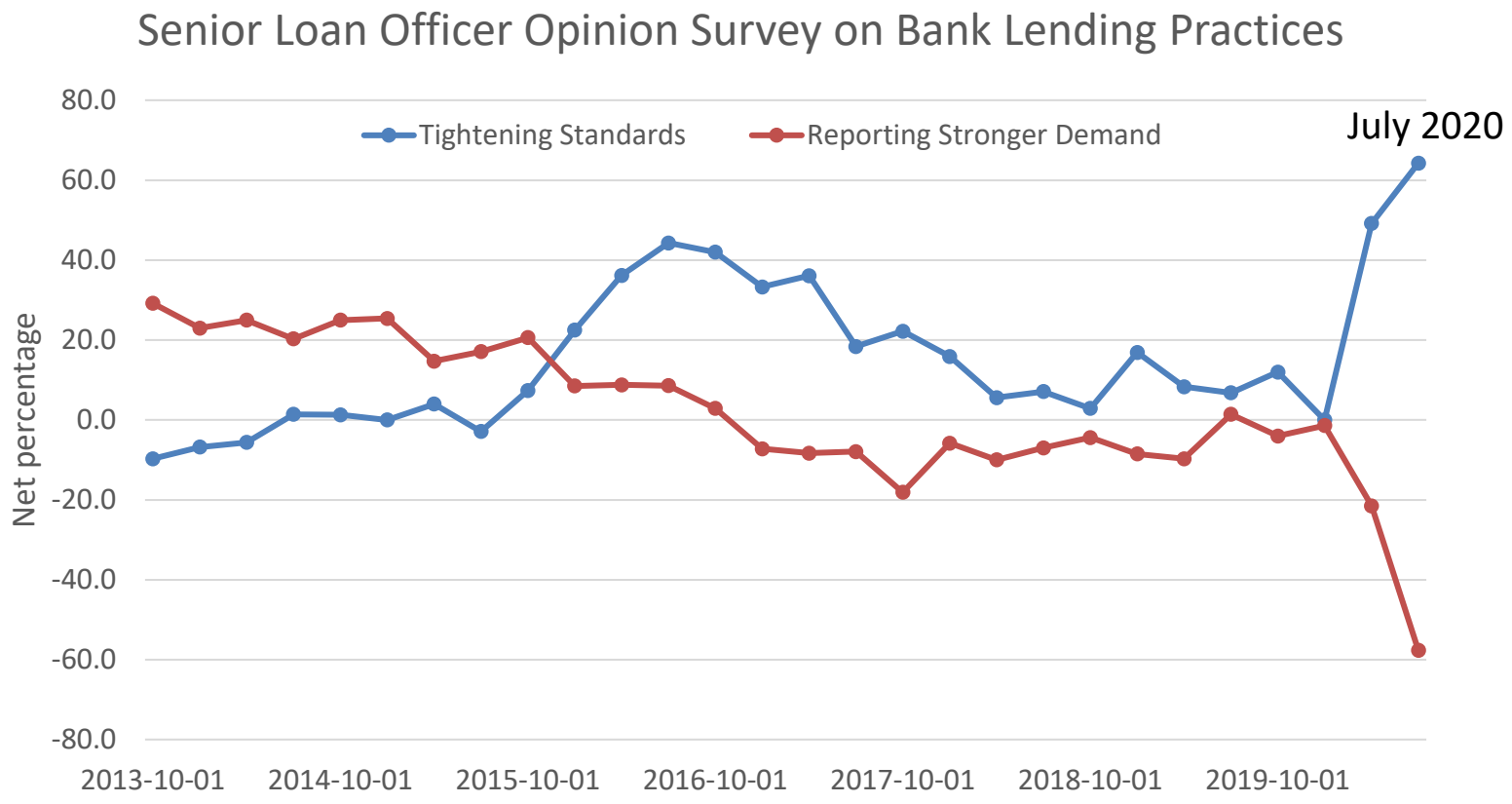
Economic Impacts



- The Federal Reserve Bank's Senior Loan Officer Survey hit record levels in July for both questions related to the multifamily finance industry.
- The net percentage of loan officers reporting tightening standards for multifamily loans rose to 64.3 while the net percentage reporting stronger demand for multifamily loans fell to -57.7.

Source: Board of Governors of the Federal Reserve System

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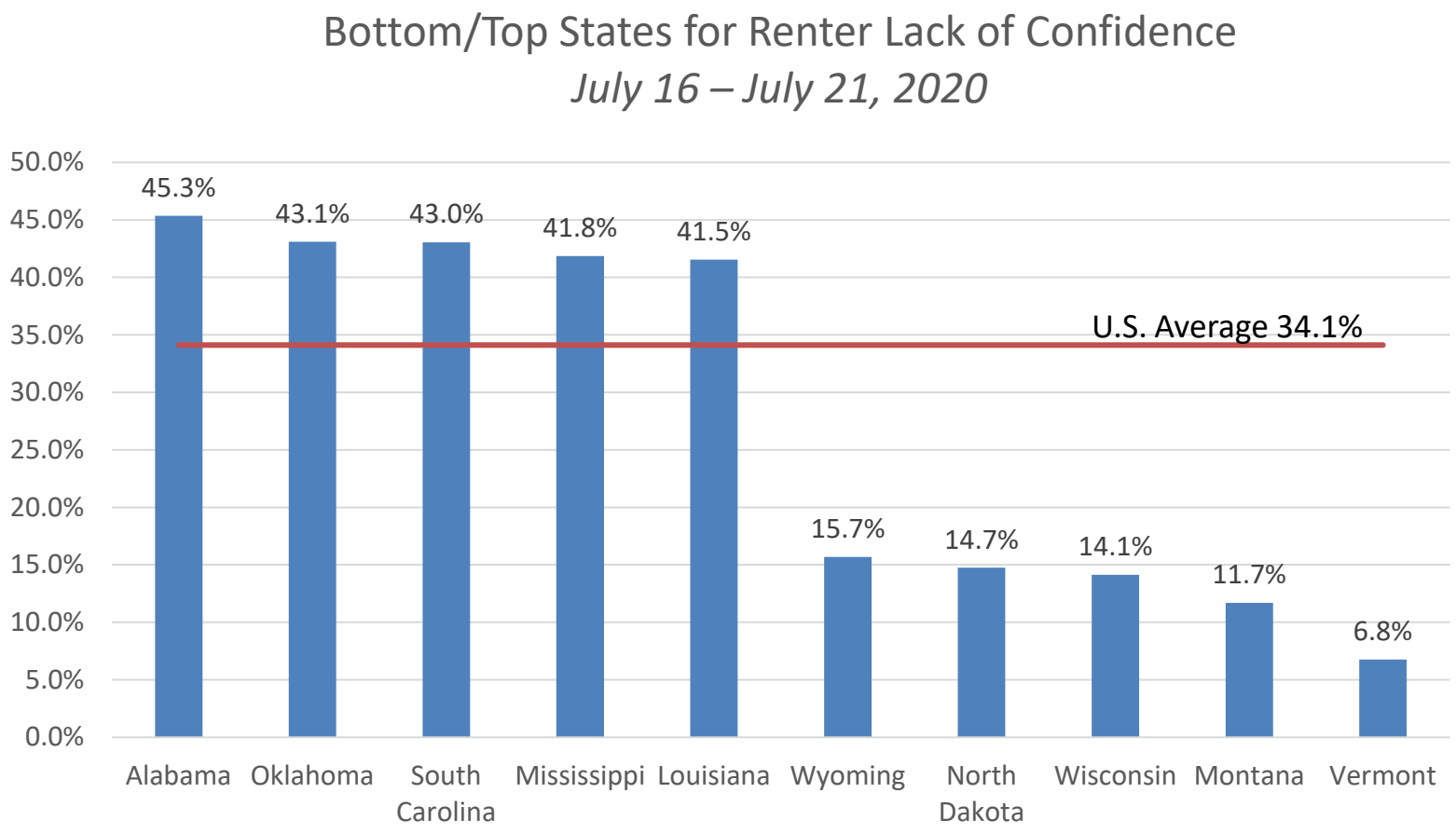
Rental Housing Impacts



- Renters in Southern states such as Alabama, South Carolina and Mississippi have the least confidence in their ability to pay next month's rent.
- Generally, renters in interior, more isolated states have greater confidence in their ability to make rental obligations.

Source: U.S. Census Bureau Household Pulse Survey

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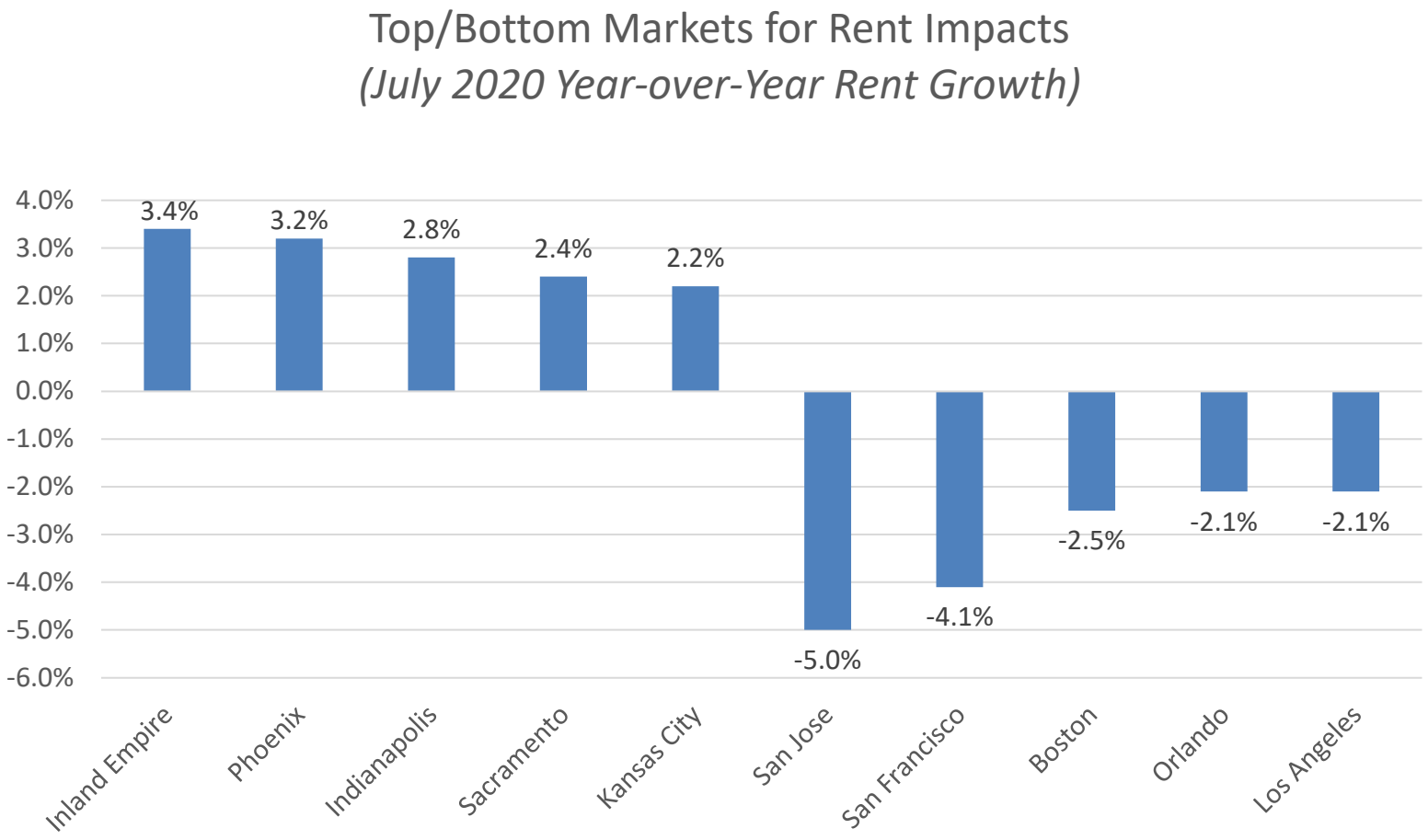
Apartment Industry Impacts



Source: Matrix Multifamily National Report, July 2020 by Yardi

- Multifamily rents increased $2 in July, ending the four-month trend of declines. Year-over-year rent growth remained negative.
- The Renter-by-Necessity asset class held strong, increasing 1.2% over the year, while Lifestyle rents fell 1.7%, with the largest declines in gateway and coastal markets.
- Job losses have resulted in significant declines in occupancy in Houston, Dallas, Austin, and San Antonio.

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Apartment Industry Impacts

- Freddie Mac forecasts multifamily vacancy rate increases of 200-250 basis points and rent declines under two percent in 2020.
- Rent contraction equates to gross income loss in the 3.3 to 4.2 percent range. The high end of this range would lower a property's debt service coverage ratio by only 0.05, meaning well-positioned properties will be able to meet monthly expense obligations.
- Larger coastal cities such as San Jose, San Francisco and Miami will see the greatest income declines while interior metros such as Chicago, St. Louis and Knoxville are expected to see modest declines.
- Total multifamily loan origination volume is expected to drop by 20-40 percent this year.
- Five metro areas were identified as not having enough unemployment benefits to cover median rent, either due to higher costs of living, lower UI benefit amounts, or a combination of the two: San Jose, Miami, Phoenix, Orlando and San Francisco.

Source: Freddie Mac 2020 Midyear Outlook, Multifamily Research Center

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