August 5, 2020

Covid-19 Weekly Economic & Industry Update
Economic Impacts

Source: U.S. Bureau of Economic Analysis

- 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.
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.
Economic Impacts

July Monthly Job Losses by Industry

- 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
Economic Impacts

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<th>Job Hiring Announcements July</th>
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- 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
Economic Impacts

Vehicle Sales

- 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
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
Rental Housing Impacts

Bottom/Top States for Renter Lack of Confidence

*July 16 – July 21, 2020*

- 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
Apartment Industry Impacts

Top/Bottom Markets for Rent Impacts
(July 2020 Year-over-Year Rent Growth)

- 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.

Source: Matrix Multifamily National Report, July 2020 by Yardi
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