




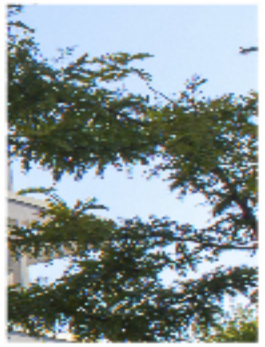




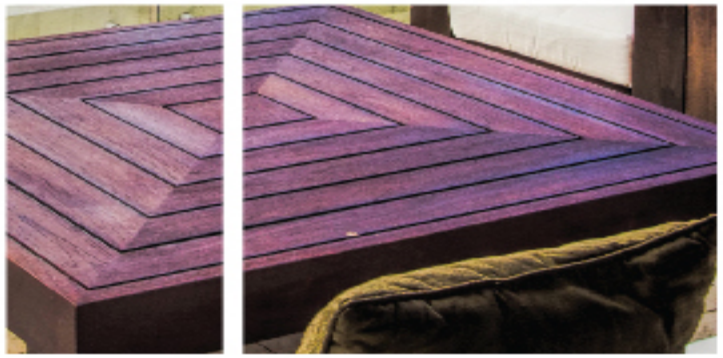


June 17, 2020

Covid-19 Weekly Economic Update

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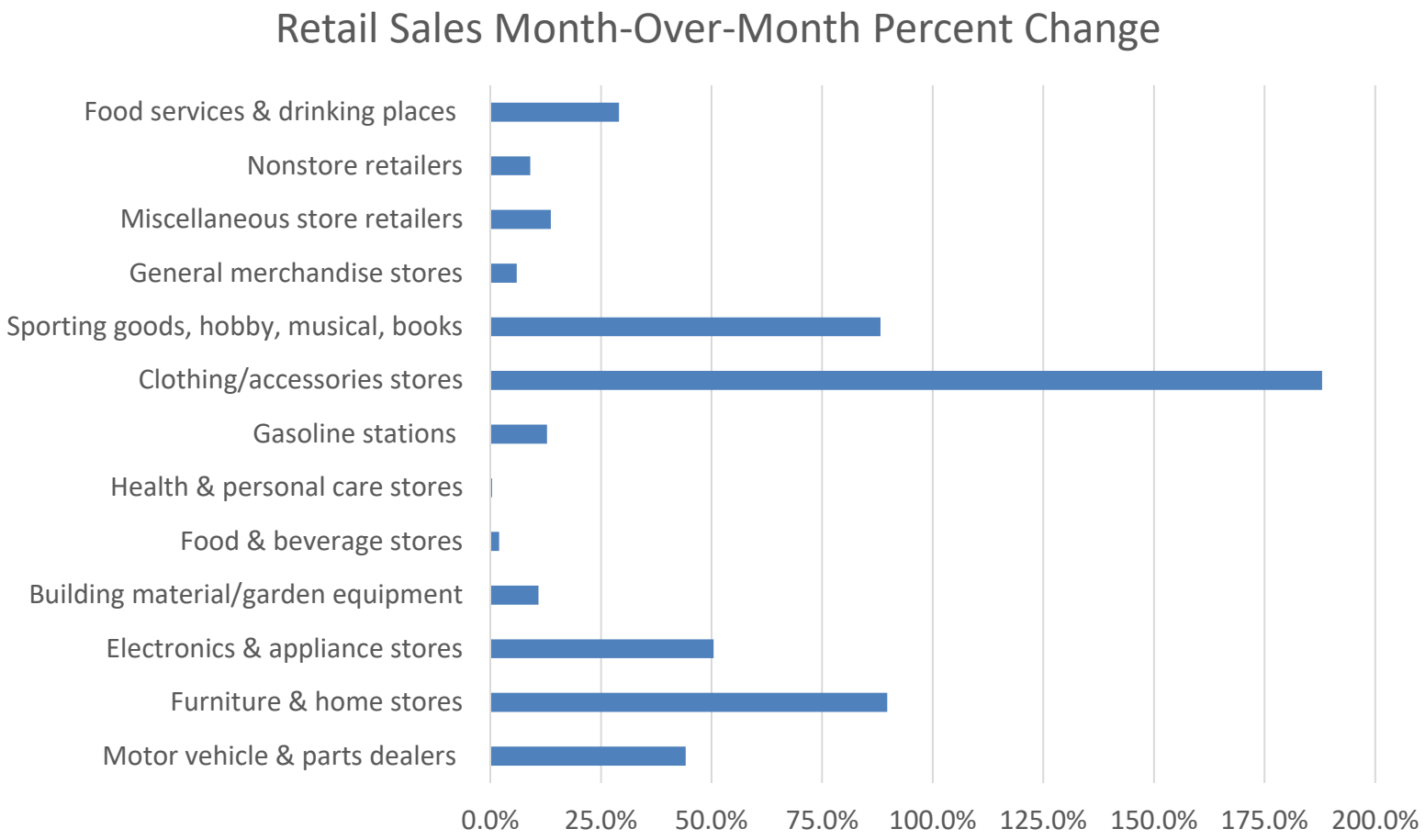
We Lead the Way Home

Coronavirus Economic Impacts



- As the economy opened in May, so did consumers' wallets, with month-over-month retail sales increasing by 17.7%.
- Spending at clothing and accessory stores nearly tripled, but April figures were extraordinarily depressed.
- Year-over-year, retail sales remained weak, decreasing 6.1%.

Source: U.S. Census Bureau, Advance Monthly Retail Trade Survey, June 16, 2020

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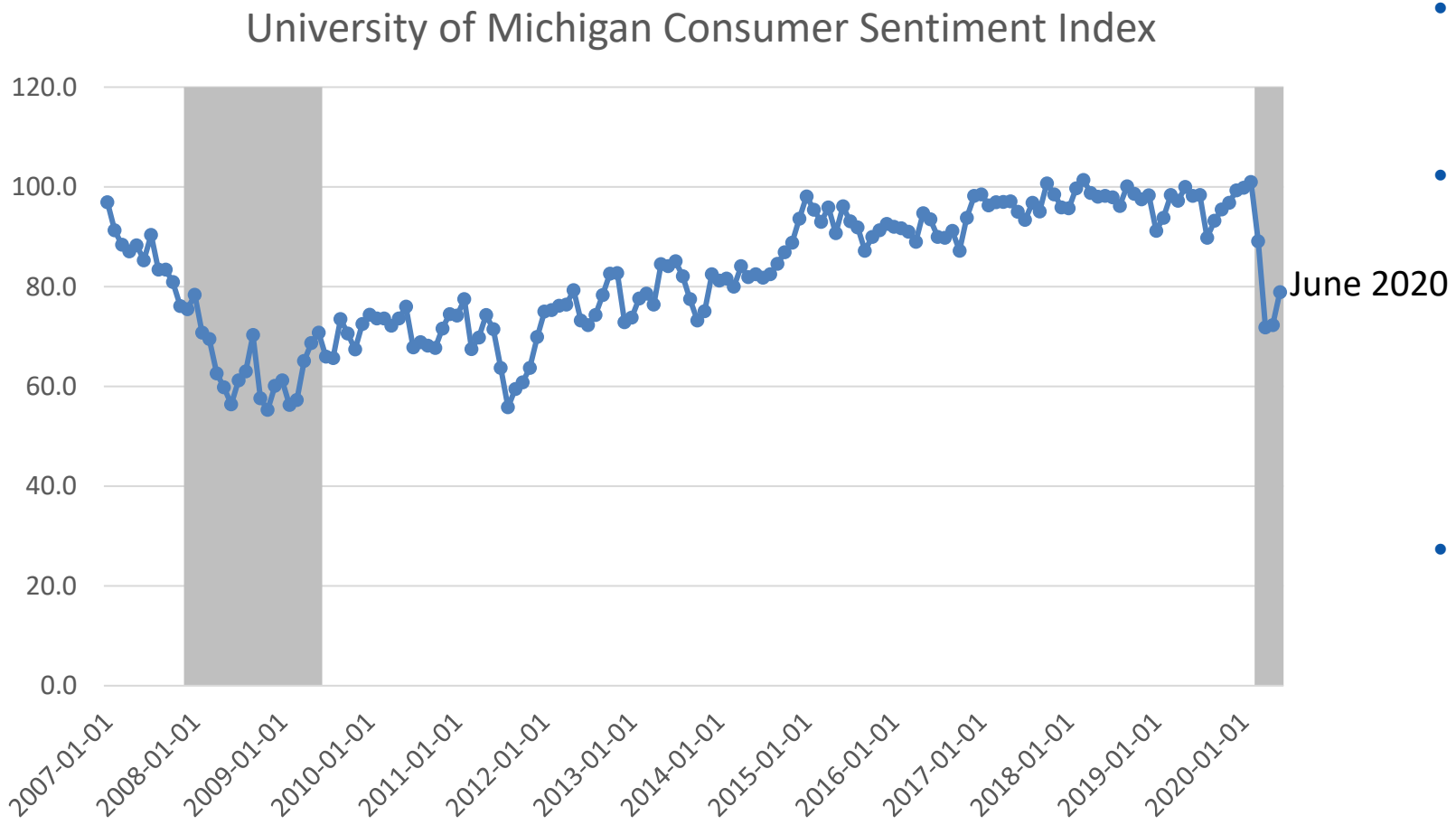
Coronavirus Economic Impacts



Source: University of Michigan

- Preliminary figures for June's Consumer Sentiment Index showed a 6.6-point increase.
- The Expectations component posted larger gains than Current Conditions, driven by a slowly reopening economy and lower unemployment rates.
- Despite rekindled optimism, two-thirds of consumers expect the economy to perform poorly this year and nearly half anticipate a renewed downturn.

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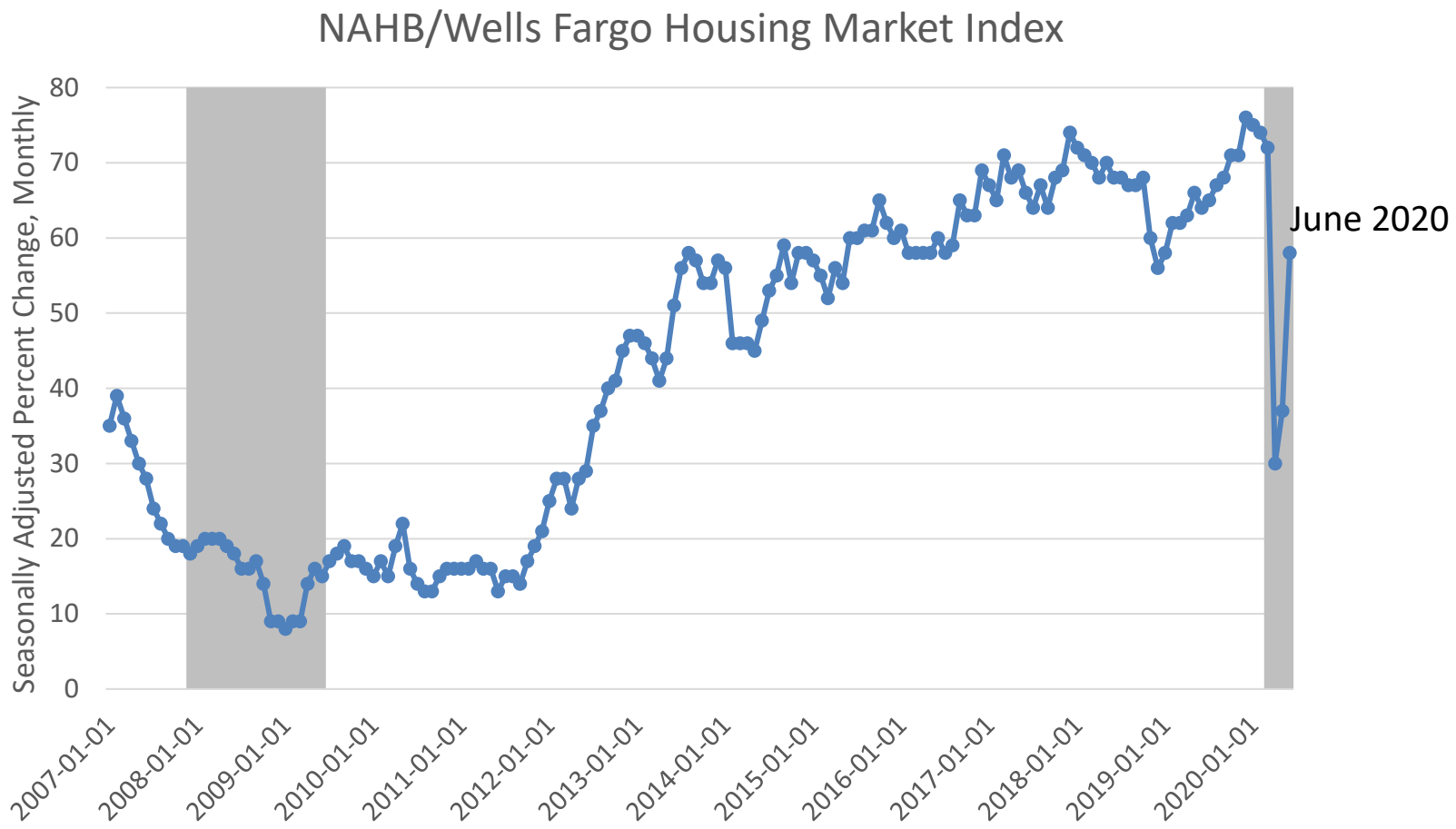
Coronavirus Economic Impacts



- Homebuilder confidence soared 21 points in June after a historic 42-point decline in April and a 7-point increase in May.
- Component increases were fairly uniform, although regional variations were evident with the Northeast experiencing the largest increase of 31 points.

Source: NAHB/Wells Fargo Housing Market Index, June 16, 2020

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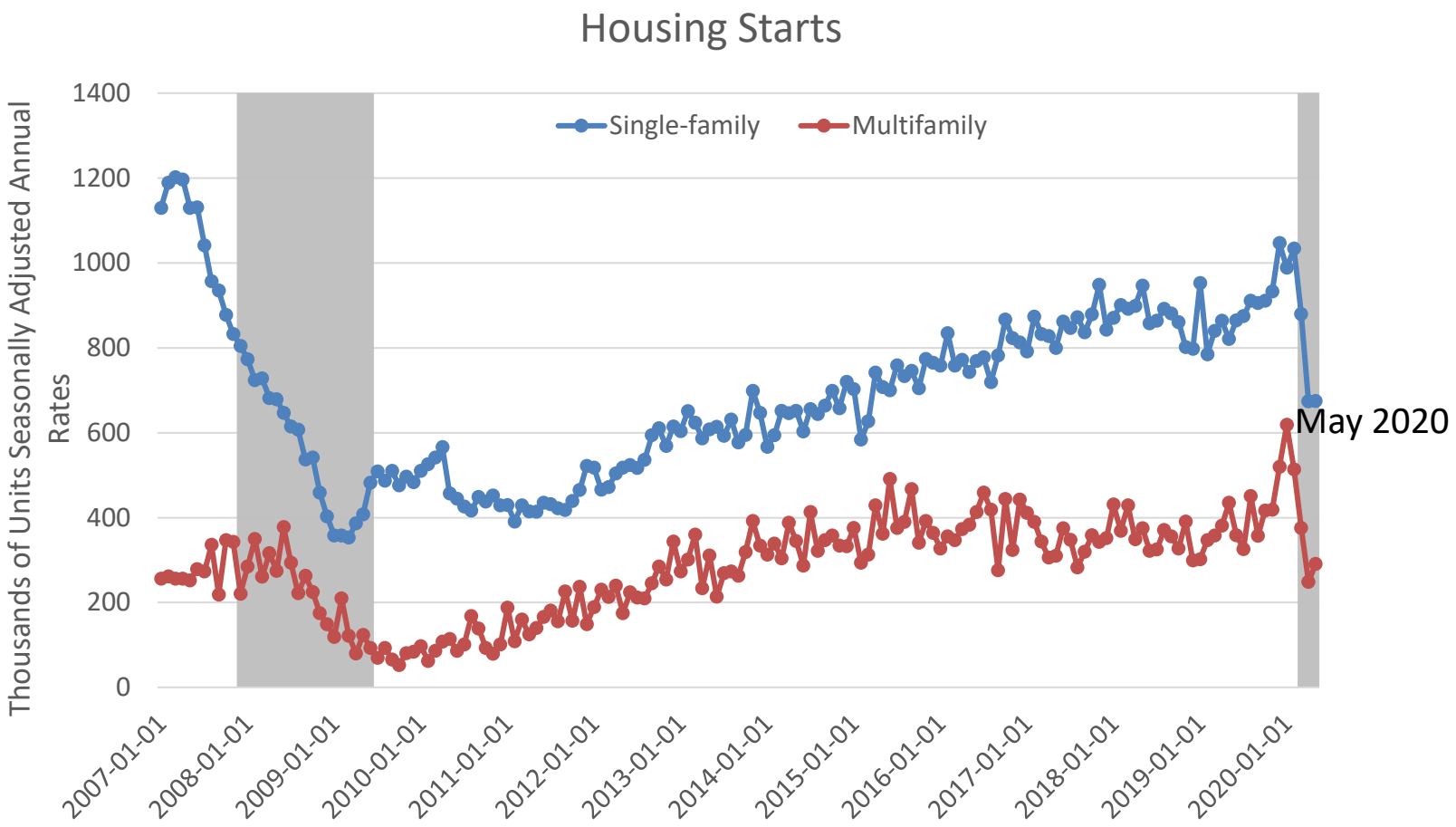
Coronavirus Economic Impacts



- Multifamily housing starts rose 16.9% from April to May but are down 33.1% from the same time last year.
- Only a small part of the losses from the prior 3 months were regained.
- Single-family starts were essentially flat at 675,000 units, down 17.8% on an annual basis.

Source: U.S. Census Bureau and U.S. Department of Housing and Urban Development, Privately Owned Housing Starts: 5-Unit Structures or More and 1-Unit Structures retrieved from FRED, Federal Reserve Bank of St. Louis June 17, 2020.

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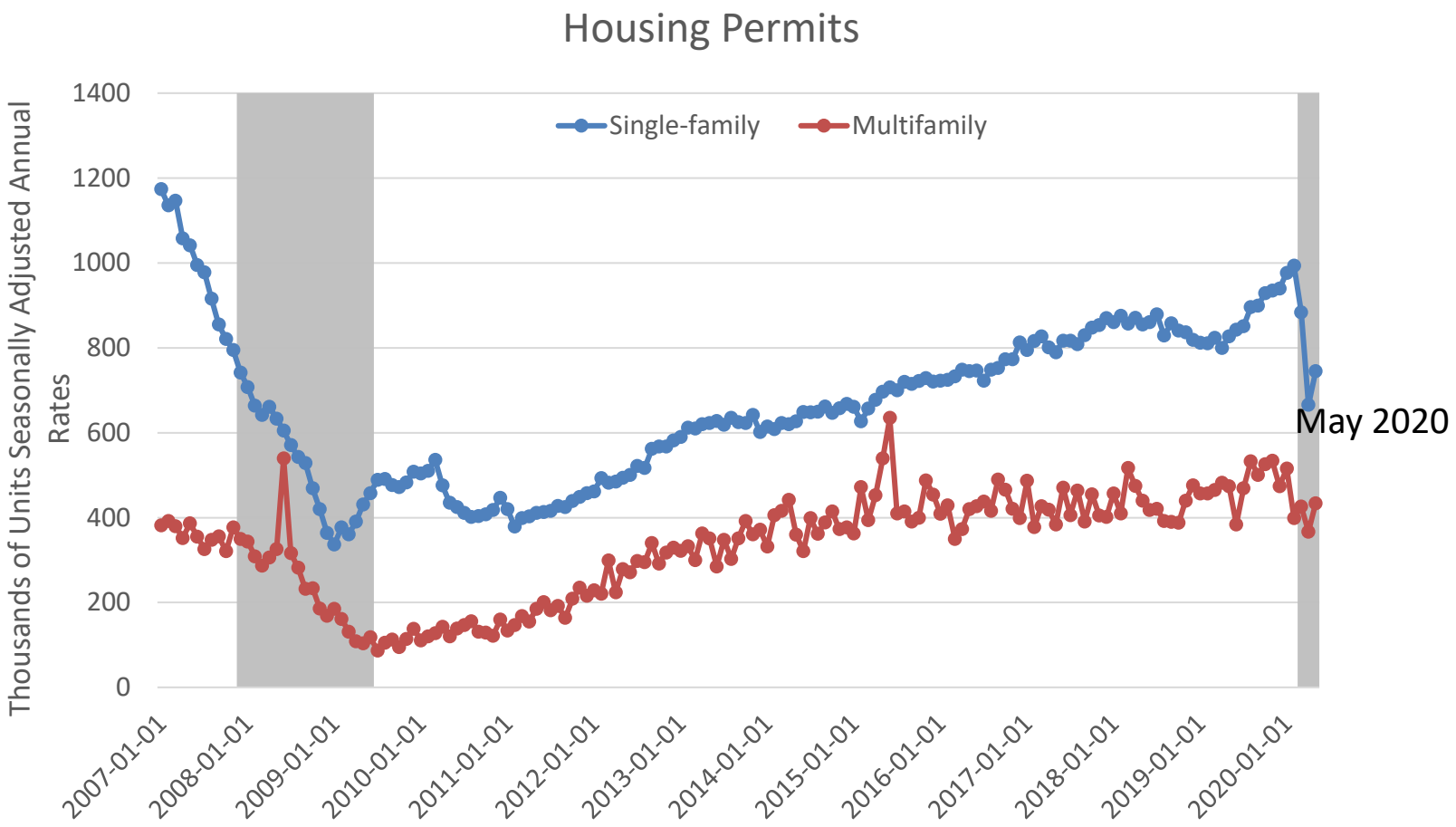

- Housing permits performed far better than starts, with 11.9 and 18.3 percent monthly increases for single-family and multifamily, respectively.
- The strong permit figures were a signal of builder confidence and, as a leading indicator, promising for construction activity in the coming months.

Source: U.S. Census Bureau and U.S. Department of Housing and Urban Development, New Private Housing Units Authorized by Building Permits: 5-Unit Structures or More and 1-Unit Structures retrieved from FRED, Federal Reserve Bank of St. Louis June 17, 2020.

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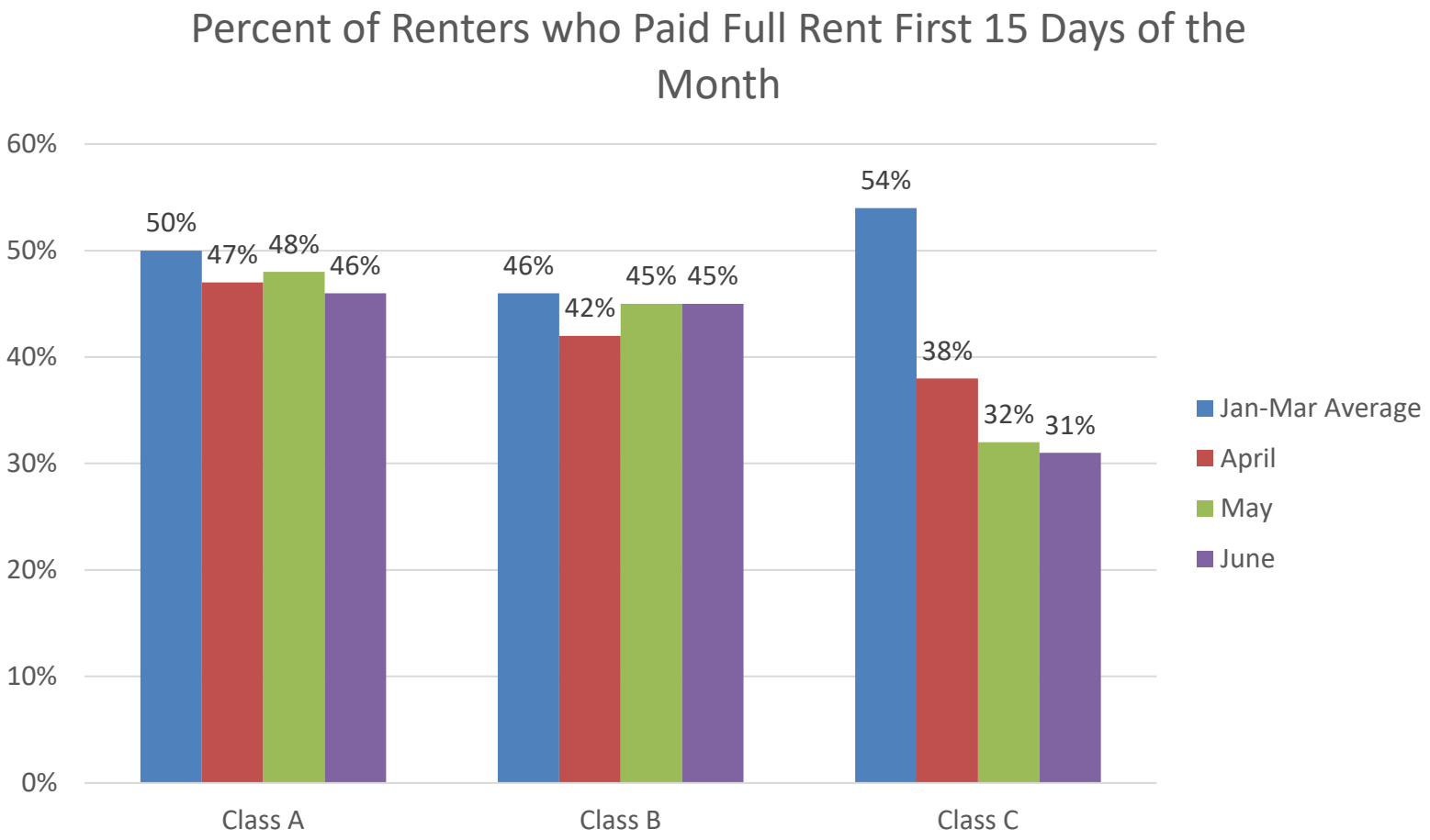
Apartment Industry Impacts



- Mid-month June rent collections for Class A and Class B properties were down slightly from earlier this year.
- Class C collections fell sharply when shutdowns and stay-at-home orders were put in place and have fallen each month since.
- Collections for Class C properties were off 23 percentage points from the first quarter average.

Source: LeaseLock, Inc.

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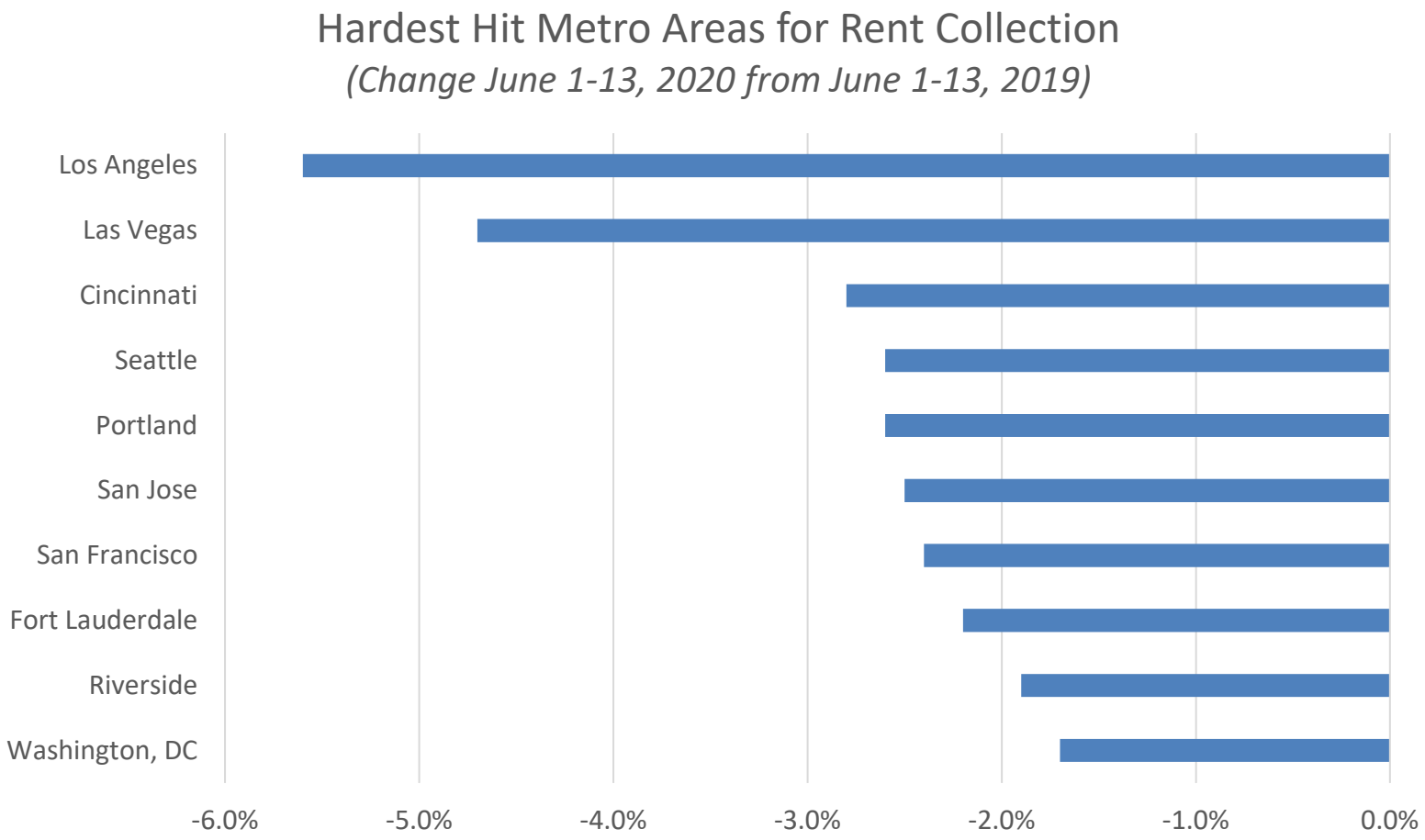
Apartment Industry Impacts



- Collections in California remained weak, with 4 metro areas in the bottom 10 for rent collections through mid-June.
- Las Vegas and Los Angeles ranked first and fifth, respectively for high unemployment rates: 33.5% and 18.8% as of April.

Sources: RealPage, Inc. Rent Payments June 1 – June 13; Bureau of Labor Statistics

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Apartment Industry Impacts

- Apartment traffic continued to recover and rose to pre-pandemic levels.
- New rental applications showed continued improvement through May but have not exceeded 2019 volumes.
- New lease rental rates in May 2020 for 8-14-month leases decreased an average of 5%, indicating price softening as a reaction to softening occupancy.
- Move-in volumes continued to lag 2019. As of May 29, 2020, move-ins were down 21%.
- Notice-to-vacate (NTV) levels were down 19% since last year, and NTV cancellations averaged an increase of 7%.
- May 2020 credit card usage went up 58% compared to February 2020.

Source: Impact of COVID-19 on Multifamily: Comparing February Through May 2019 to 2020 by MRI Software

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Apartment Industry Impacts

- Increasing demand has driven rents out of negative territory.
- Weaker seasonal rent growth lies ahead.
- Supply overhang will weigh on occupancies and rents in 4&5-star properties.
- Marginal shift of demand to suburbs based on commuting may help power increased demand and rent growth.
- Employment struggles in younger cohorts is expected to diminish their home buying power.
- Low birth rates imply poor family formation, which keeps demand in small units.
- Household formation is powered by employment, which will be weak over short term.

Source: State of the Market: Green Shoots? An Update on the Macro Outlook and U.S. CRE by CoStar Group, June 16, 2020

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