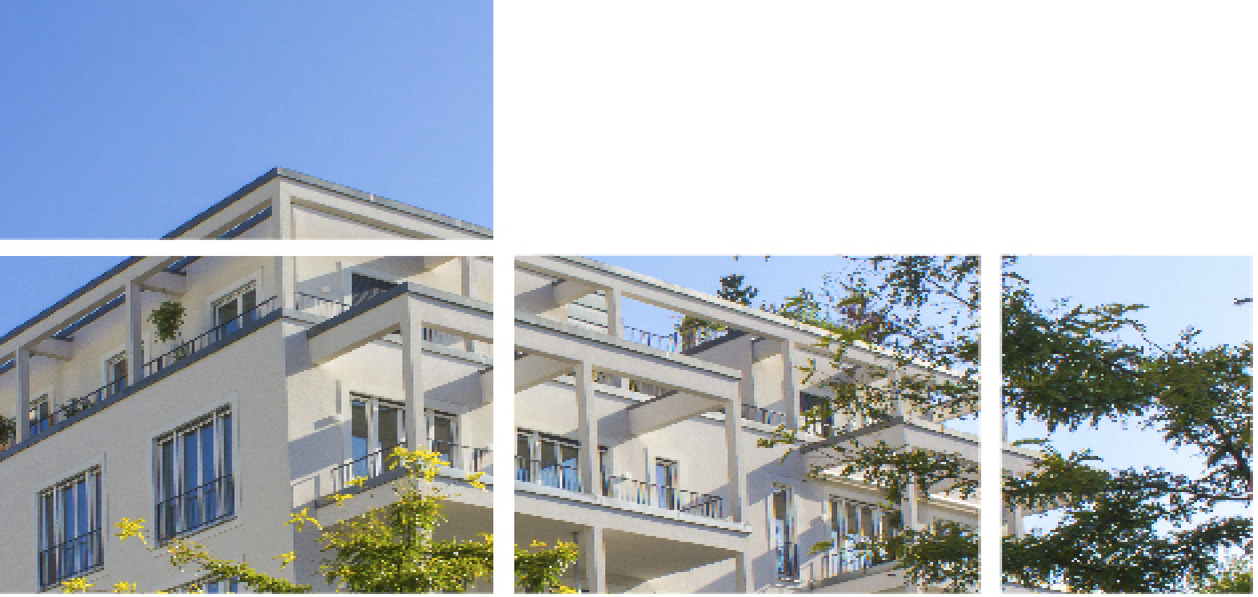
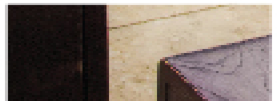


May 26, 2021

Economic & Industry Update

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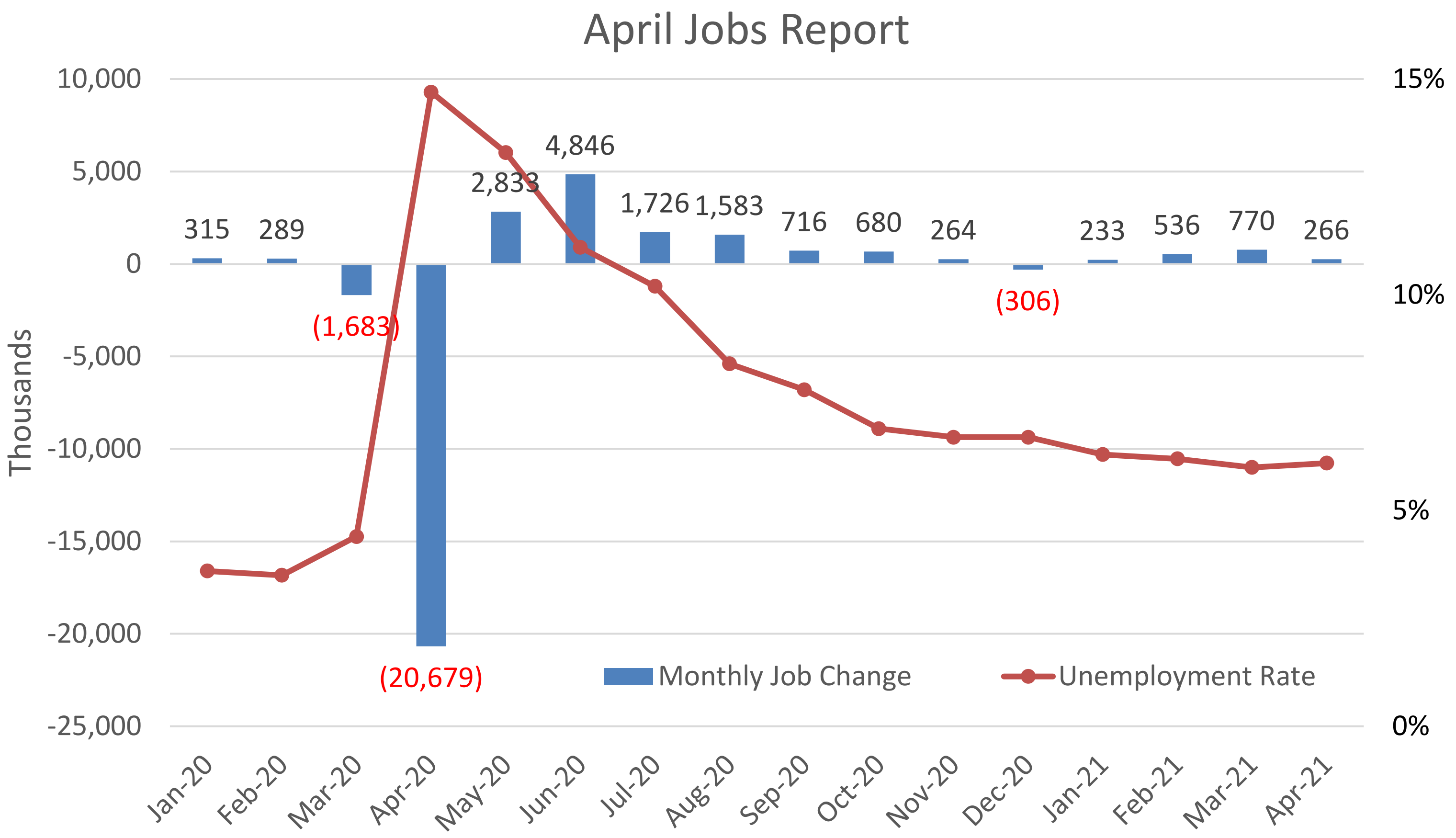
We Lead the Way Home

Economic Indicators



- April's jobs report was disappointing, with consensus forecasts off by more than 700,000 jobs.
- More bad news came by way of the unemployment rate which ticked up to 6.1%, as well as downward revisions to the March jobs report.
- An increase of 331,000 jobs in the hospitality sector was only partially offset by losses in temporary help and transportation/warehousing.

Source: U.S. Bureau of Labor Statistics

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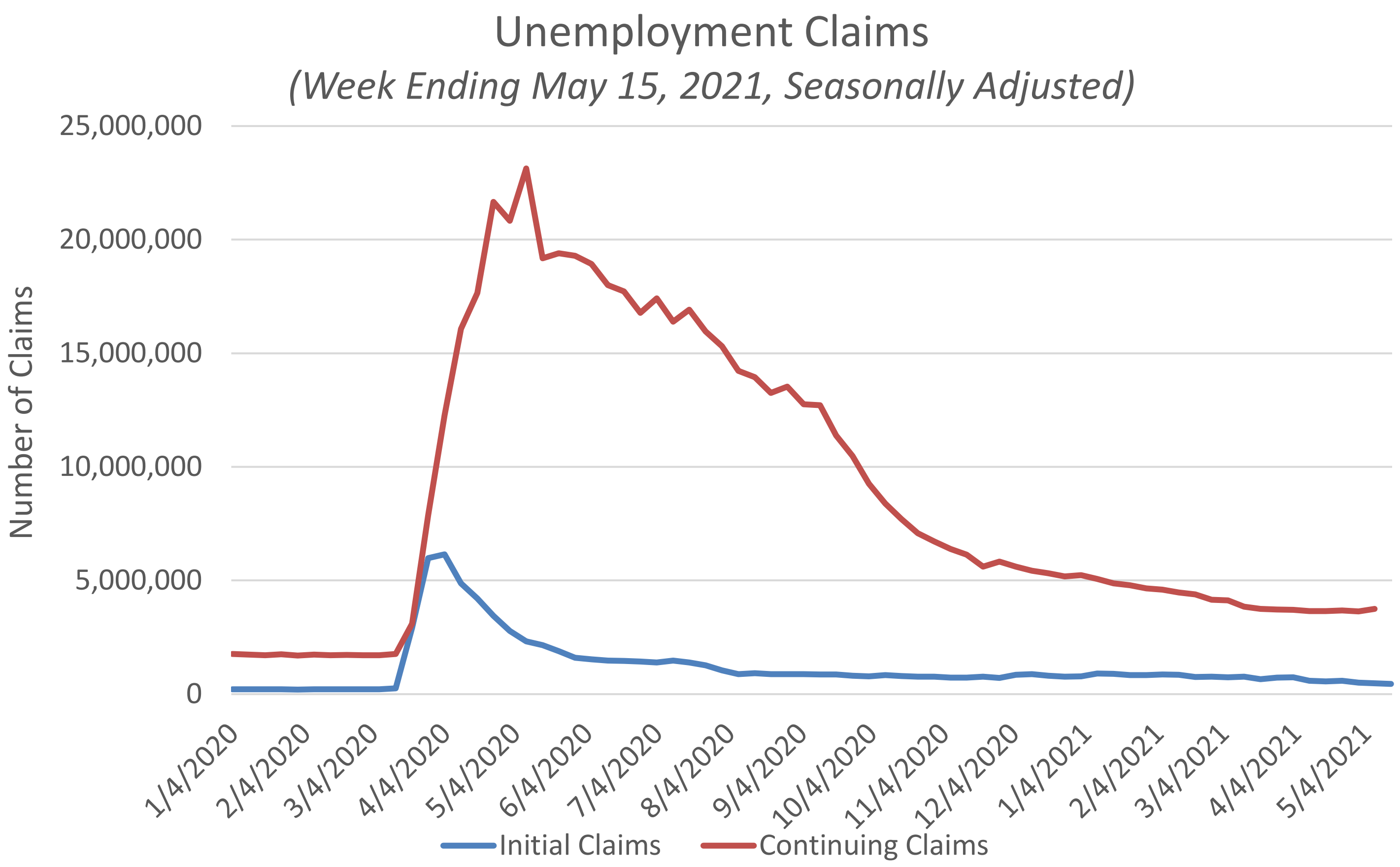
Economic Indicators



- Initial claims filed the week ending May 15, 2021 were at their lowest level since the pandemic began.
- Continuing claims edged up, however, signaling stress in the labor market as some 8.2 million Americans are still out of work.

Source: U.S. Employment and Training Administration, Initial Claims [ICSA], retrieved from FRED, Federal Reserve Bank of St. Louis; May 24, 2021

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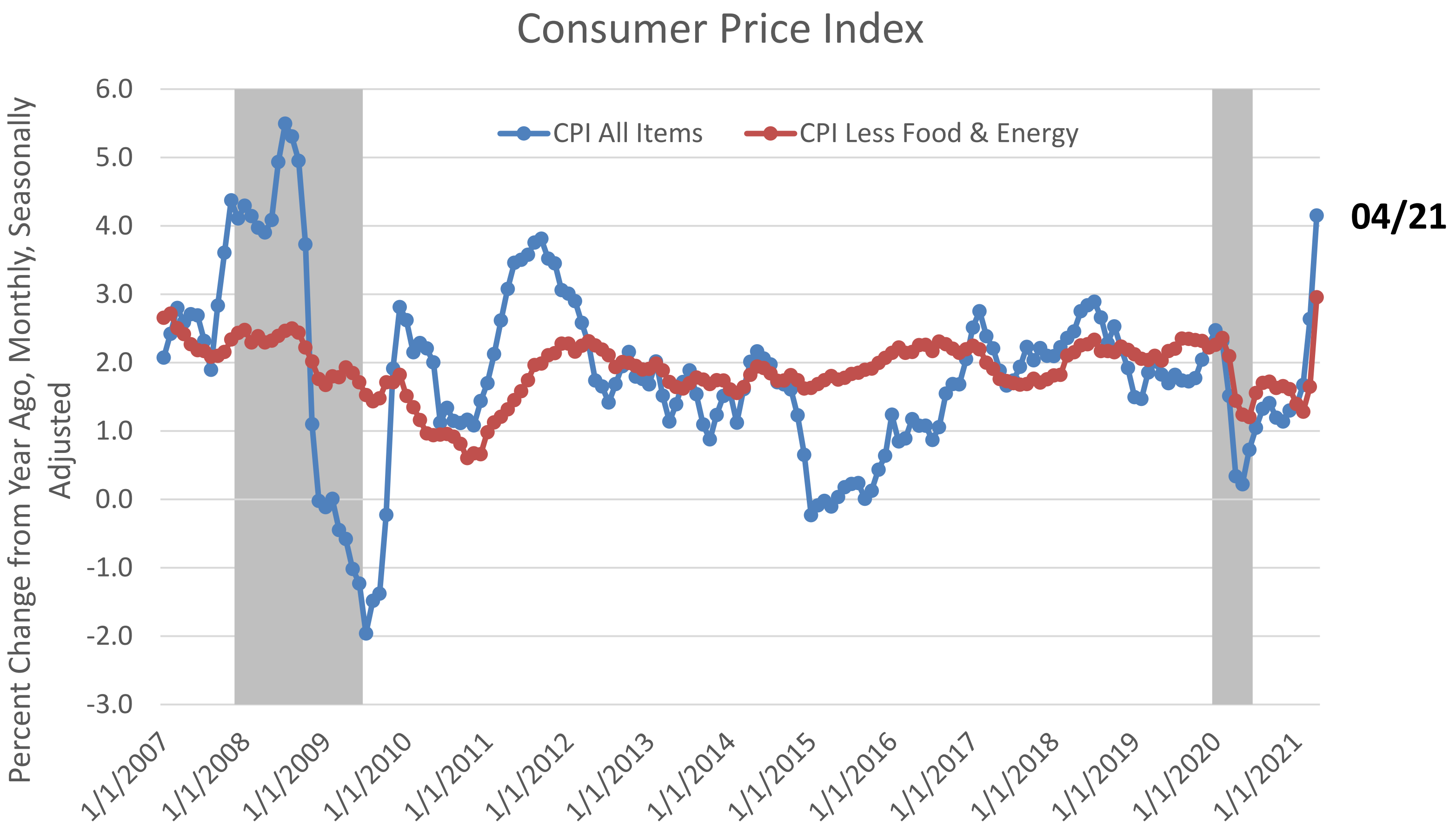
Economic Indicators



- On a year-over-year basis, the Consumer Price Index rose by its highest rate since 2011.
- It's important to note that part of this increase is due to the base month comparison being April 2020, when the CPI plummeted during the height of pandemic shutdowns.
- And while most economists believe this is temporary, consumers and businesses are bracing for further price pressures.

Source: U.S. Bureau of Labor Statistics, Consumer Price Index for All Urban Consumers: All Items Less Food and Energy in U.S. City Average, retrieved from FRED, Federal Reserve Bank of St. Louis, May 25, 2021.

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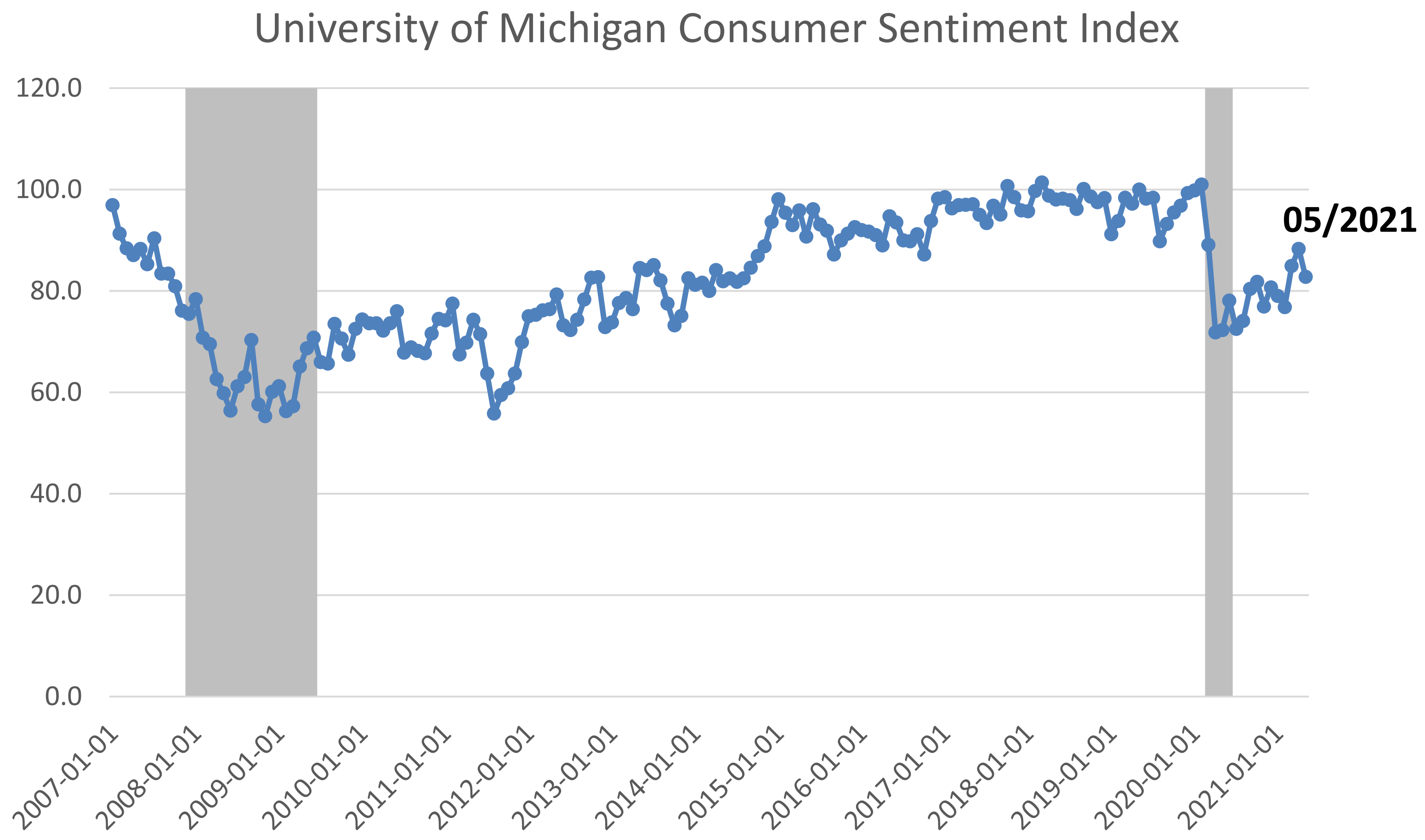
Economic Indicators



- Initial estimates of consumer sentiment dropped in May amid a boom in economic activity and rising vaccine rates.
- Inflation was the main cause of the 6.2-point decline as soaring inflation expectations translated into anticipated declines in real income.

Source: University of Michigan, May 14, 2021

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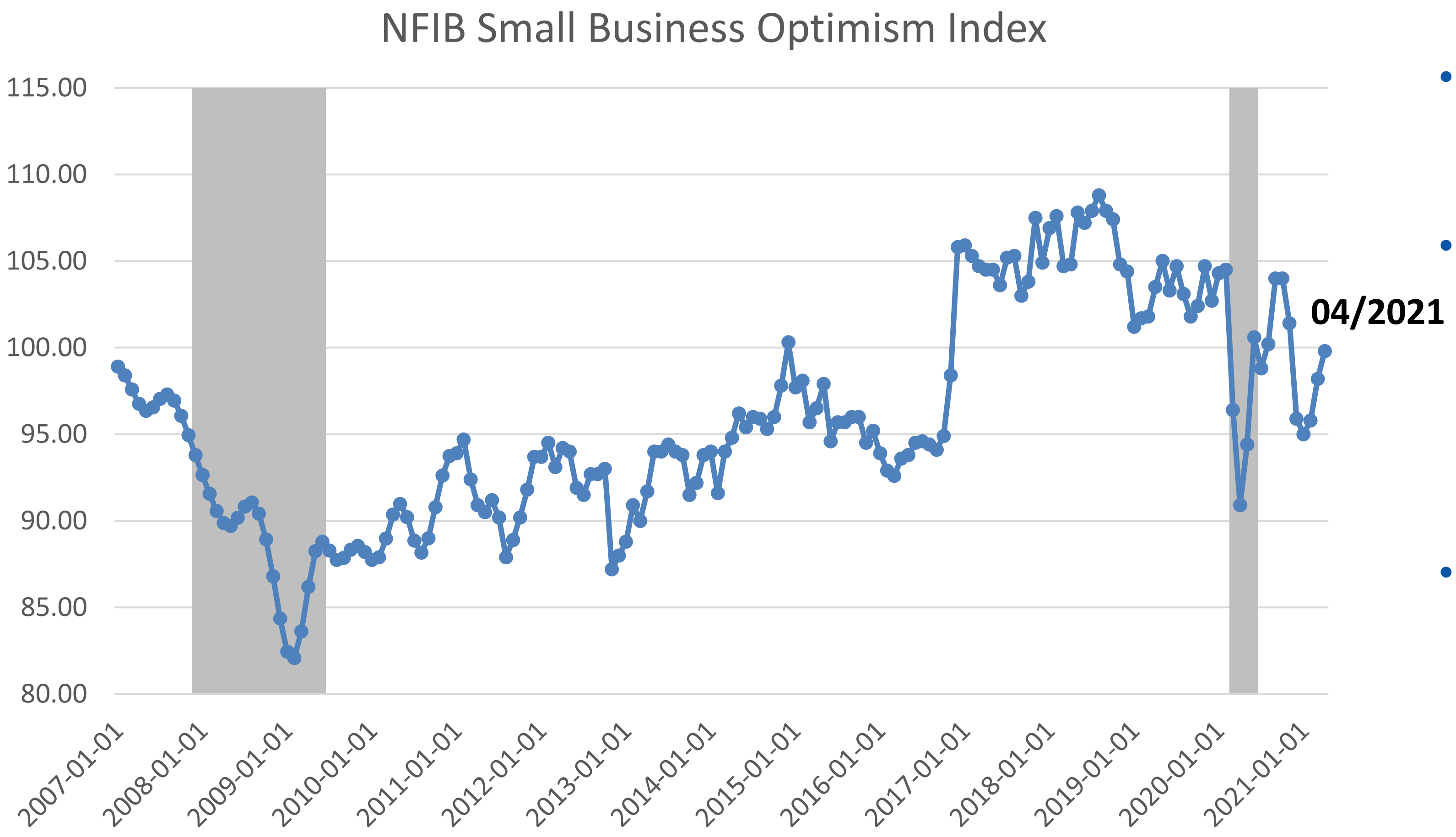
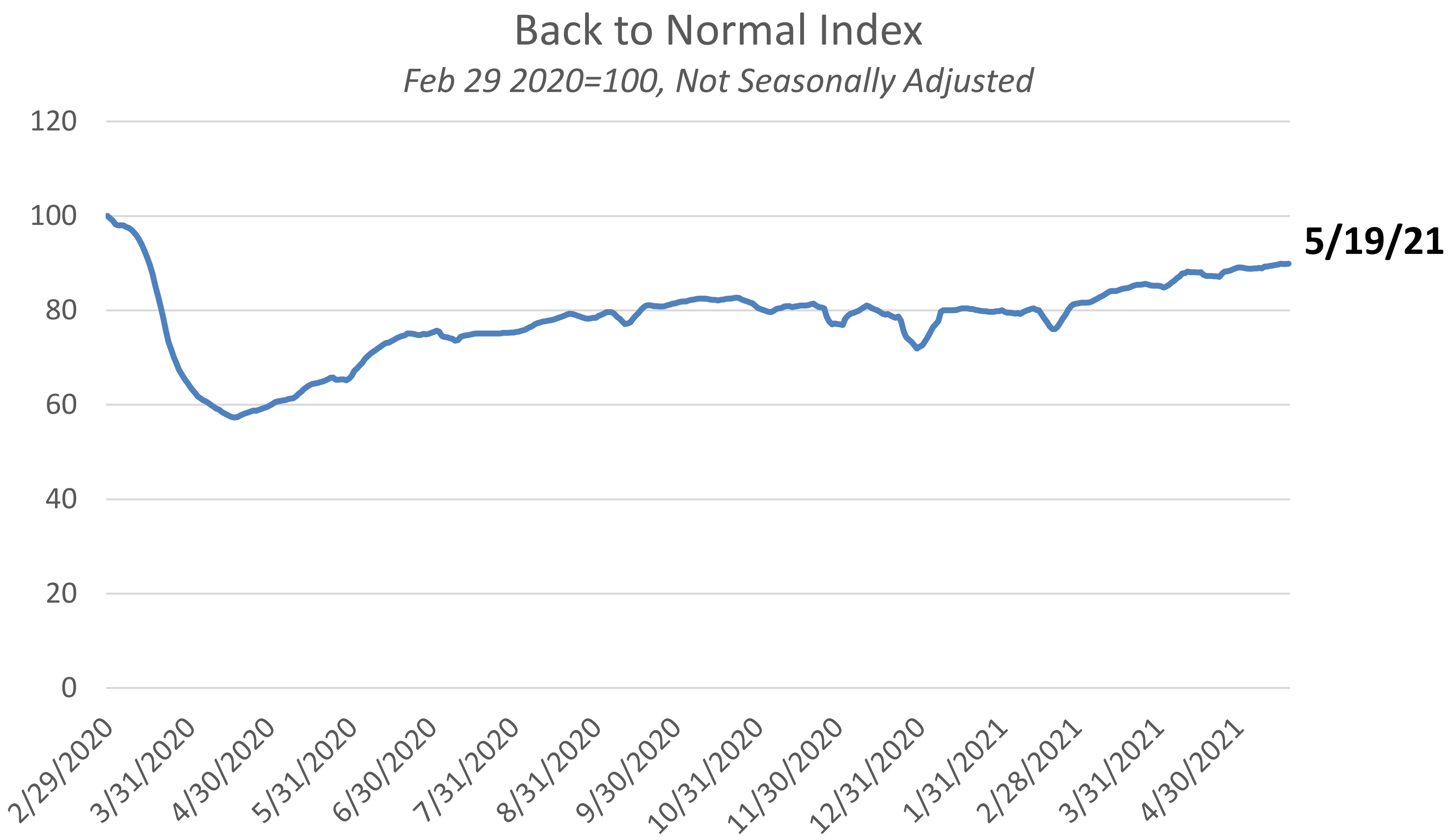
Economic Indicators



- The Small Business Optimism Index increased 1.6 points in April.
- Eight of ten index components increased while two declined, the most notable of which was the outlook for better business conditions over the next six months.
- However, this gloomy outlook ran counter to expectations for business investment which increased by 7 points.

Source: National Federation of Independent Businesses; Moody's Analytics

Economic Indicators



- The Back to Normal Index tracks twelve high frequency data series plus monthly employment figures, using February 29, 2020 as the baseline for "normal."
- The index was up by half a point led by airline passenger traffic and restaurant bookings.
- Several states have now surpassed 100, meaning economic activity is stronger than it was before the pandemic: Idaho, Oklahoma, South Dakota and West Virginia.

Sources: CNN Business, Moody's Analytics

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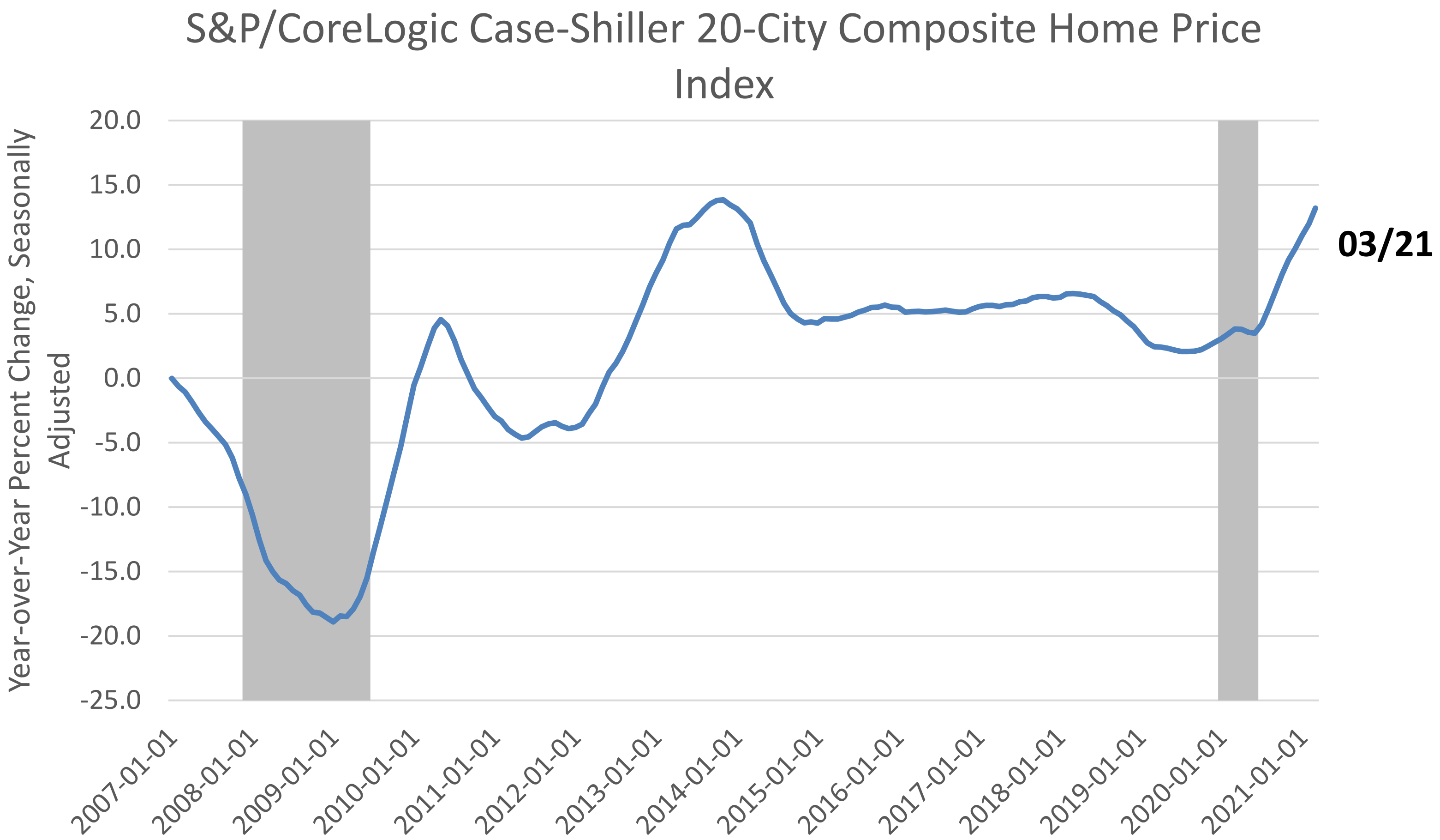
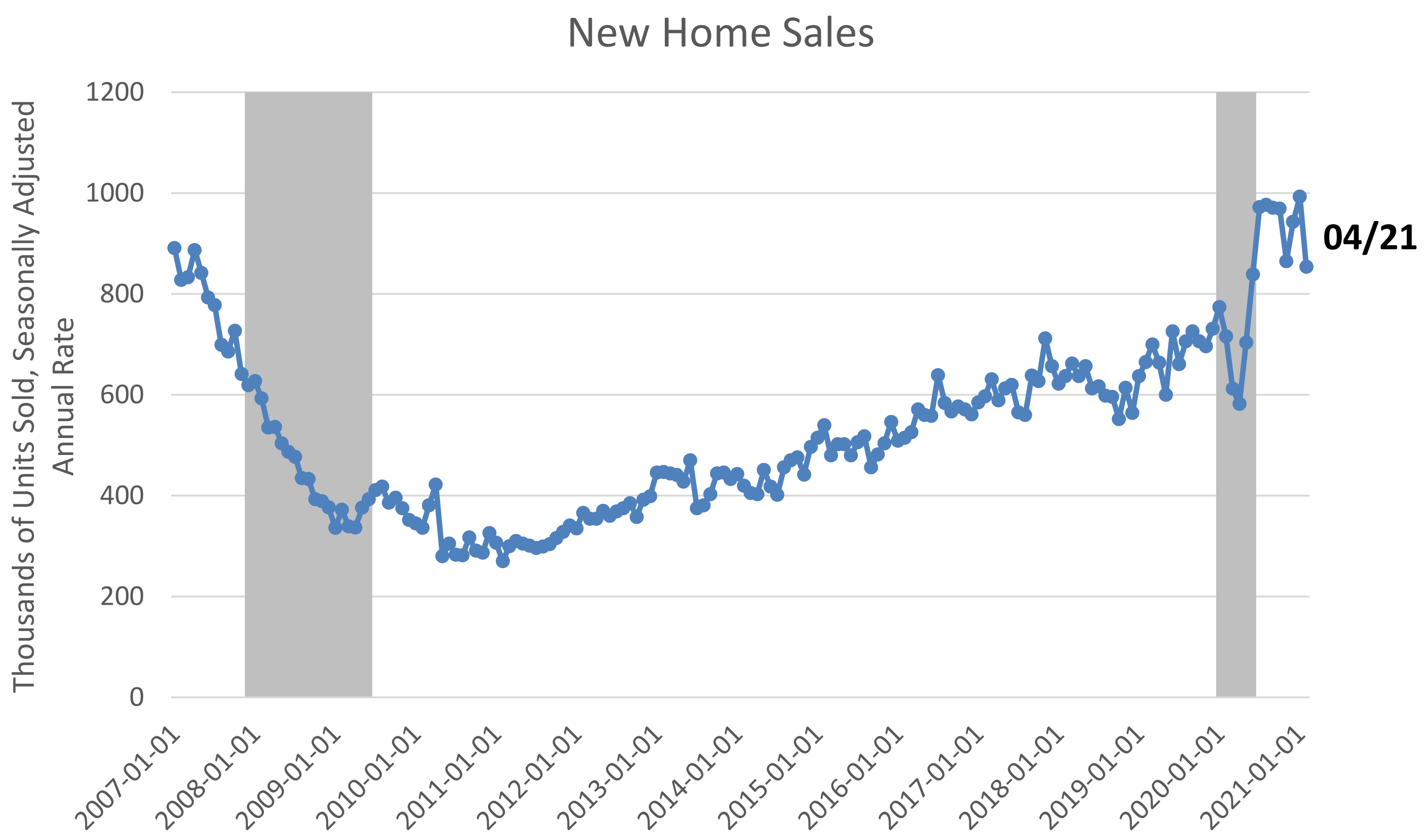
Economic Indicators



- The S&P/CoreLogic Case-Shiller 20-City Composite Home Price Index increased by 13.2%, the highest rate since January 2014.
- Chicago was the only city of twenty that did not experience double-digit increases while Phoenix topped the list with a 20% gain.

Source: S&P Dow Jones Indices LLC, S&P/Case-Shiller 20-City Composite Home Price Index, retrieved from FRED, Federal Reserve Bank of St. Louis; May 25, 2021

Economic Indicators



- New home sales cooled in April but remained well-above pre-pandemic levels.
- The drop in sales is more a reflection of supply challenges and construction backlogs than demand abating.

Source: U.S. Census Bureau and U.S. Department of Housing and Urban Development, New Residential Sales, May 18, 2021

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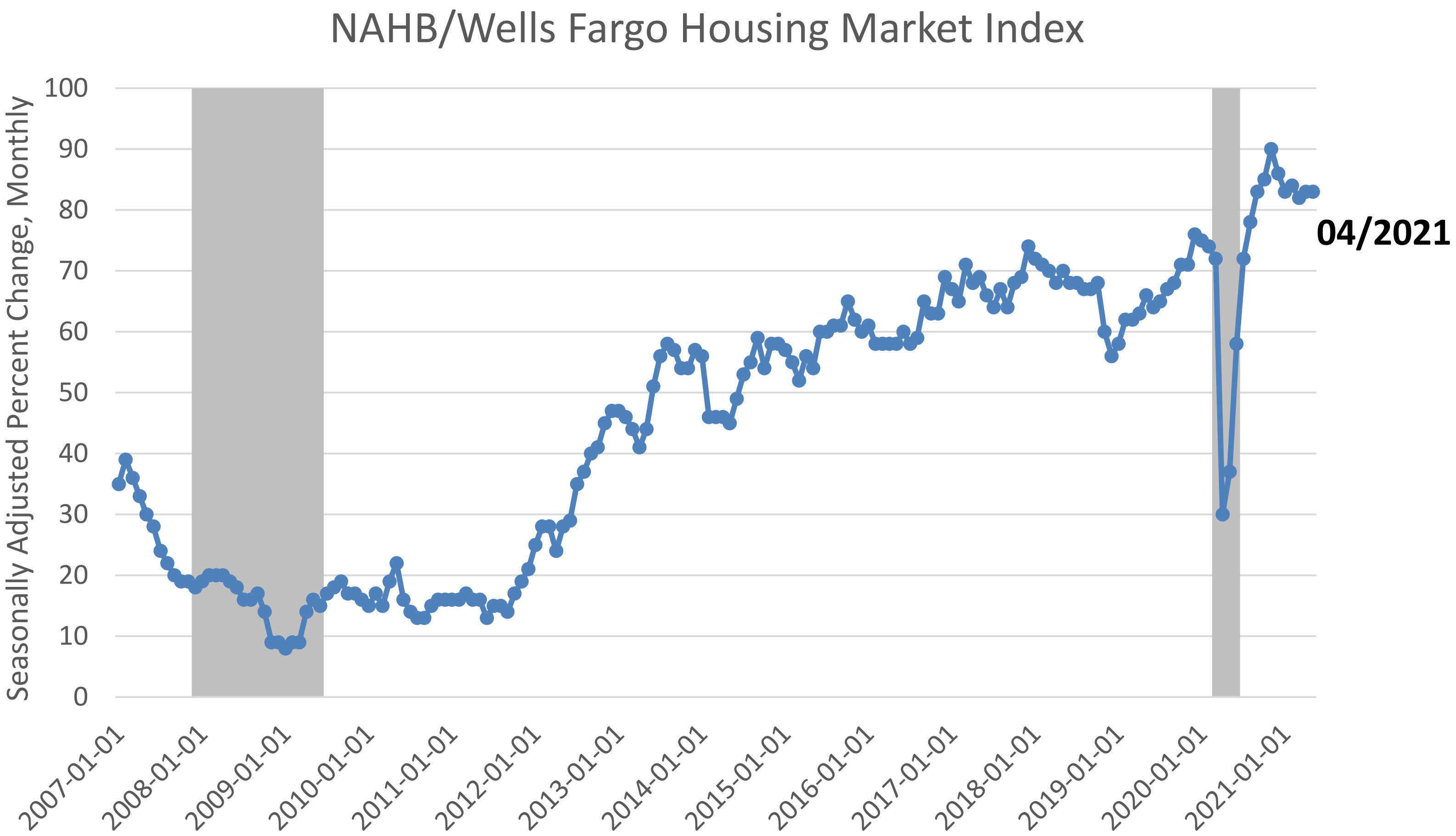
Economic Indicators



- Homebuilder confidence stabilized and was unchanged in April at 83 points, an elevated level compared to pre-pandemic measures.
- Supply chain challenges and materials cost increases remained a top concern for builders.

Source: NAHB/Wells Fargo Housing Market Index, May 17, 2021

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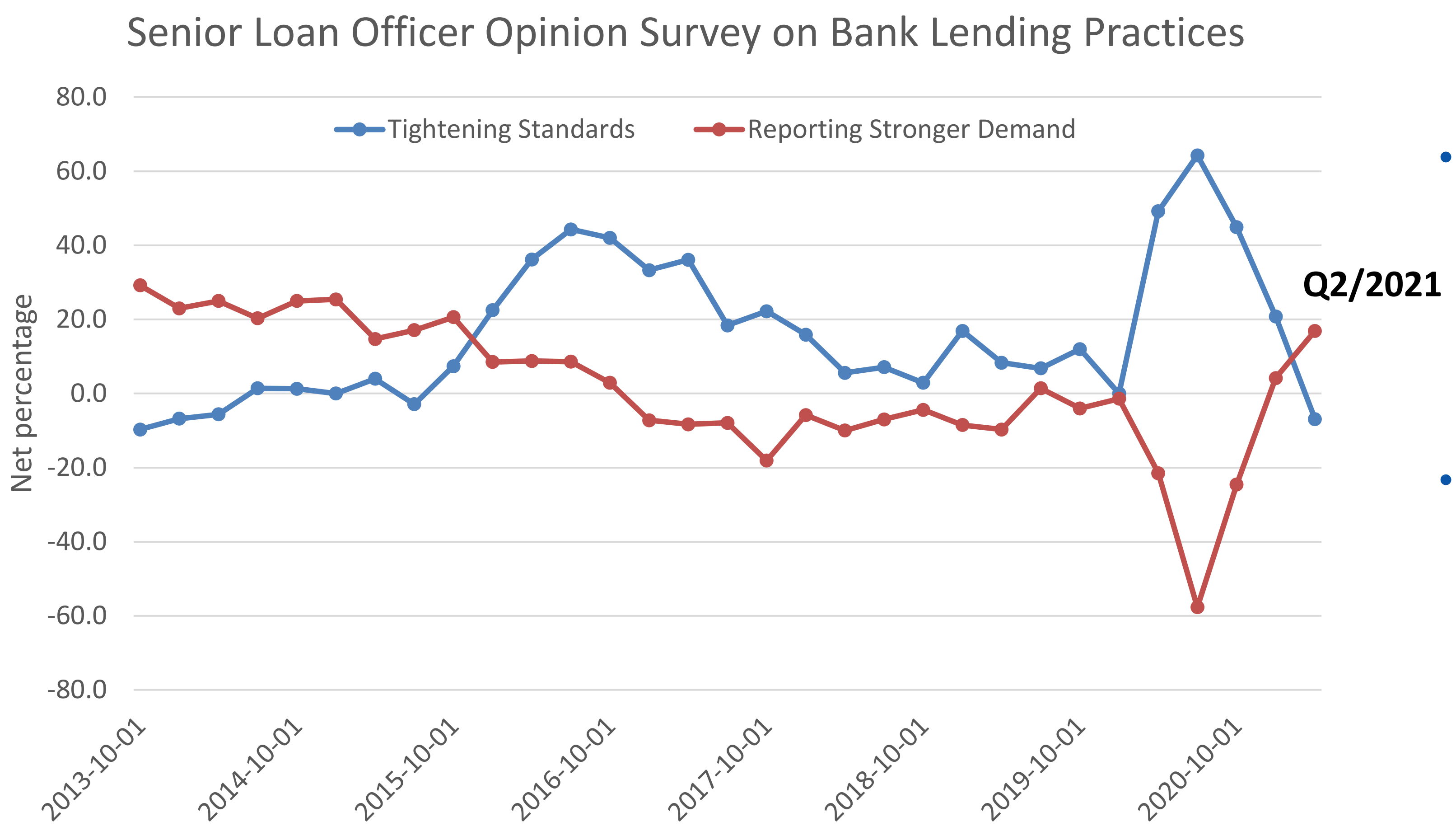
Economic Indicators



- The Federal Reserve Bank's Senior Loan Officer Opinion Survey revealed both stronger demand for multifamily loans and loosening standards.
- For the first time since the pandemic began, multifamily loans experienced net loosening, i.e. a reading below zero.

Source: Board of Governors of the Federal Reserve System

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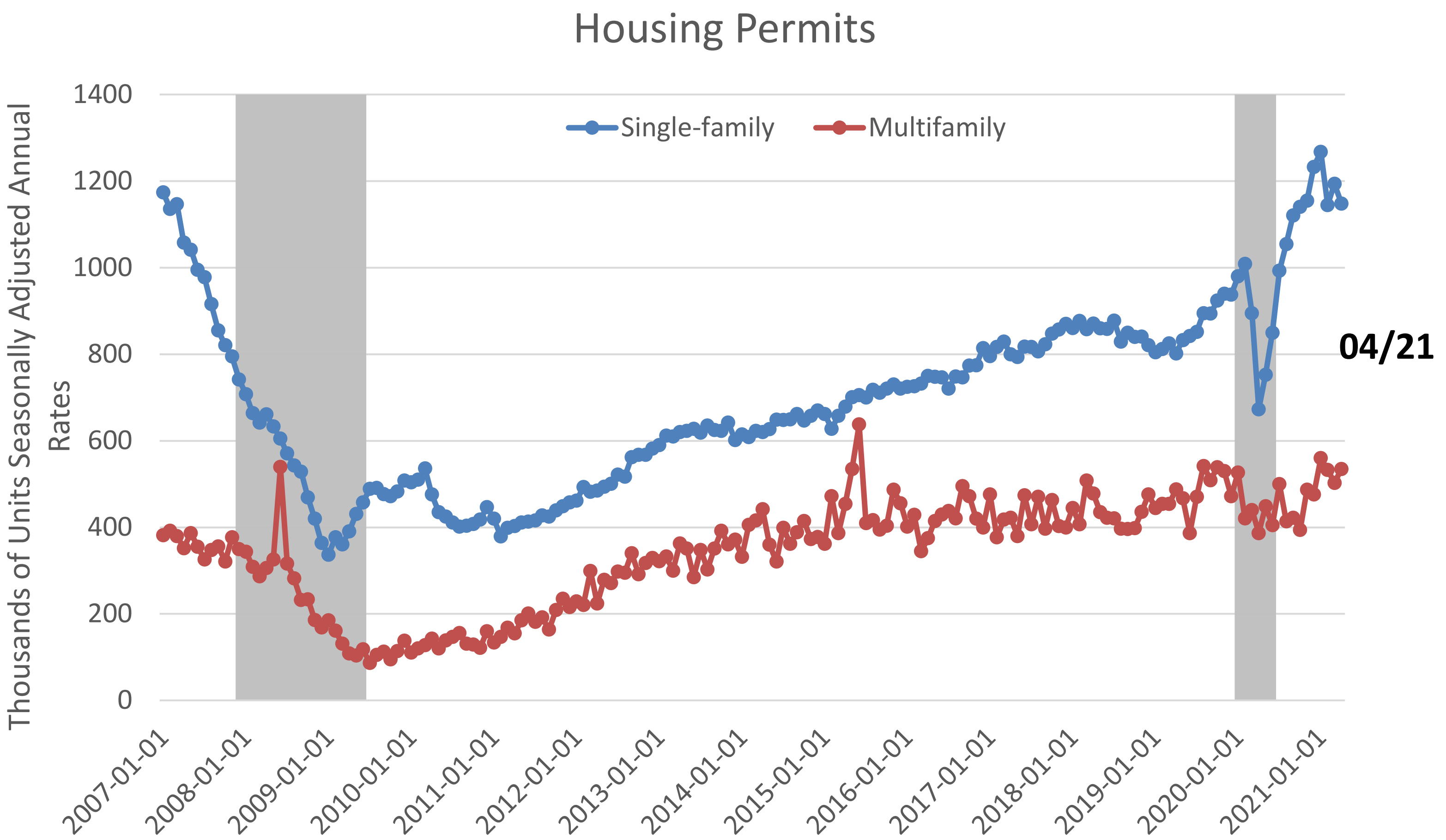

- Single-family permitting activity dropped slightly this month but has remained above 1.1 million seasonally adjusted annual units for 8 consecutive months.
- Multifamily permits have been averaging 533,000 units this year, well above the 480,000-unit average in 2019.

Source: U.S. Census Bureau and U.S. Department of Housing and Urban Development, New Residential Construction, May 18, 2021

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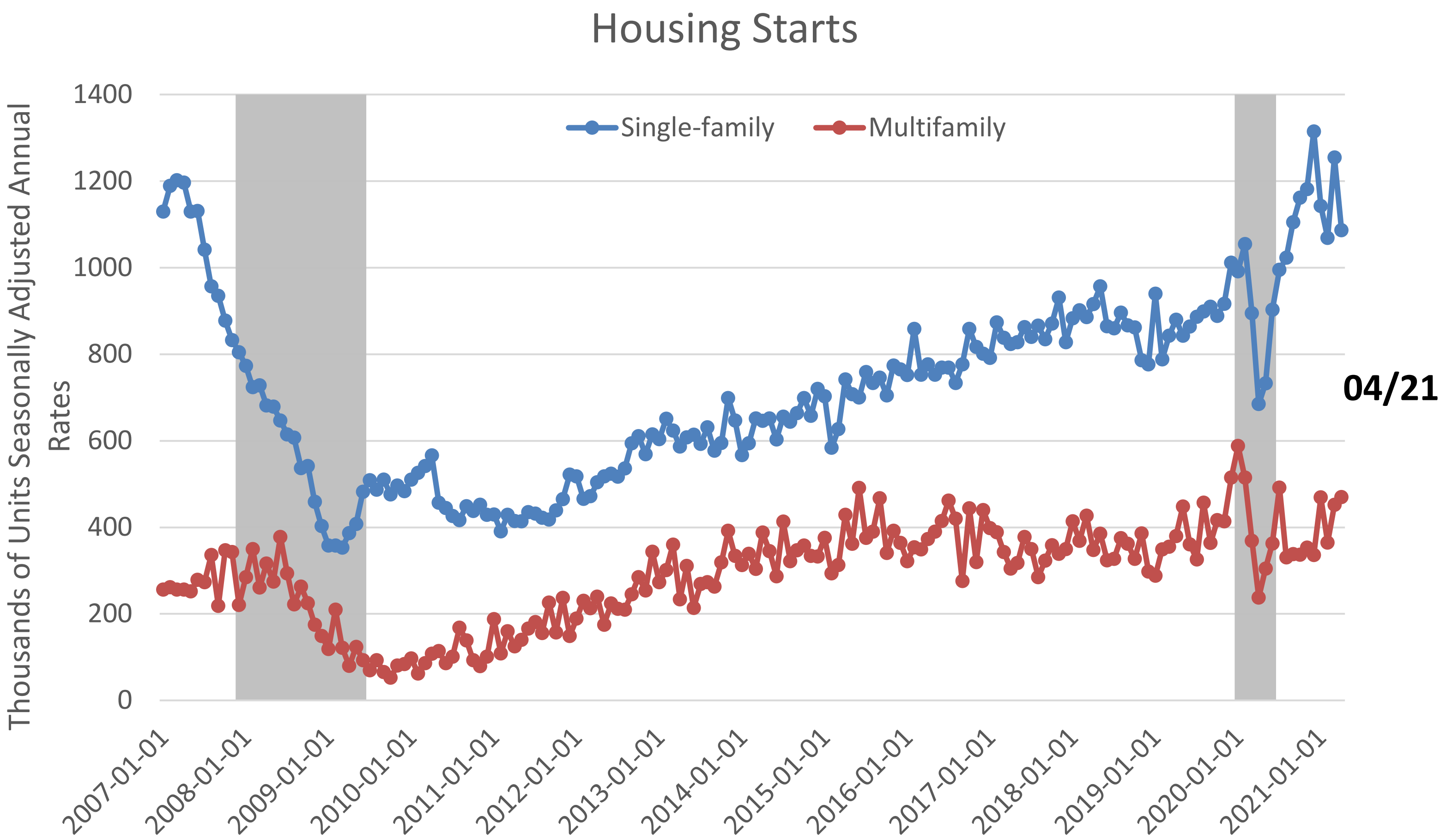
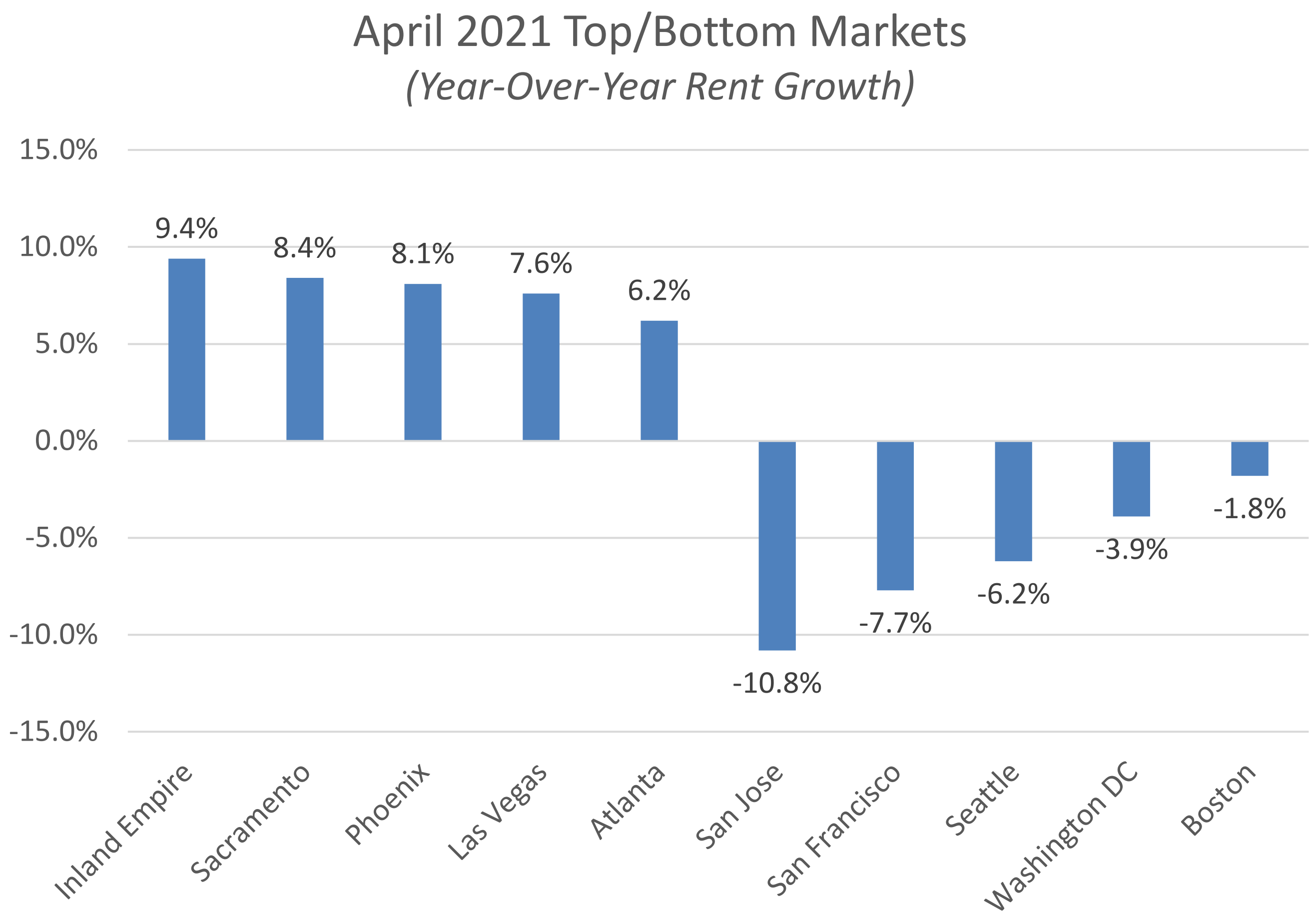
Economic Indicators



- Single-family starts also moderated in April, down 13% over the month.
- Multifamily starts increased by 4% to a seasonally adjusted annual rate of 470,000 units.

Source: U.S. Census Bureau and U.S. Department of Housing and Urban Development, New Residential Construction, May 18, 2021

Apartment Industry Indicators



- Multifamily rents increased by 1.6% on a year-over-year basis in April to $1,417, the largest increase since the beginning of the pandemic.
- Gateway markets continued their path to recovery this month, showing positive month-to-month gains in April.

Source: National Multifamily Report April 2021 by Yardi Matrix

NATIONAL APARTMENT ASSOCIATION

Apartment Industry Indicators

- The national multifamily market stabilized in Q1 2021, one quarter earlier than expected.
- The vacancy rate rose by only 20 basis points while average quarterly rent rose for the first time since Q1 2020.
- While market stabilization provides a solid base for recovery in the coming quarters, conditions remained weaker than a year ago with rent down 4.2% and vacancy up by 50 basis points.
- Construction levels remain high, but widespread vaccines, economic activity, fiscal stimulus and the return to offices are expected to drive sufficient demand for apartments.
- While market segments including Class A, gateway markets and urban core remain weaker, the lessening of concessions in Q1 bodes well for recovery for the remainder of the year.

Source: Q1 2021 U.S. Multifamily Figures, CBRE Research

Apartment Industry Indicators

- Total traffic volume in April 2021 was 32% above 2019 levels while also eclipsing any month of summer 2020.
- New lease pricing has also stabilized, up slightly from 2020, even as compared to 2019.
- Concessions have again dropped notably in volume but have increased in value.
- Move-in volumes for April 2021 reached pre-pandemic levels.
- Move-out levels have yet to regain prior levels, a potential side effect of ongoing eviction moratoriums slowing departures.
- Renewals for month-to-month leases are averaging 23% for 2021, an increase of more than 2% over the same period in 2020.
- Card usage for rent payments seems to have normalized at roughly 25-27% of payment volumes, down from summer peaks.

Source: Impact of COVID-19 on Multifamily: January-April 2021 by MRI Software