October 28, 2020

Covid-19 Weekly Economic & Industry Update
The COVID-19 pandemic spared no industries during the first half of 2020 as measured by Gross Domestic Product (GDP).

The Arts & Entertainment sector, which includes hotels and restaurants, took a 26% hit in Q1 followed by a 92% contraction in Q2.

Source: US Bureau of Economic Analysis
Economic Impacts

- The S&P/CoreLogic Case-Shiller 20-City Composite Home Price Index increased 5.2% year-over-year in August, the strongest price gain in more than two years.
- All markets in the Index experienced an increase with the highest in Seattle, Phoenix, and San Diego.

Source: S&P Dow Jones Indices LLC, S&P/Case-Shiller 20-City Composite Home Price Index
Economic Impacts

New Home Sales

- New home sales dipped slightly in September but stayed elevated, increasing 32% year-over-year.
- Sales were strongest in the West, increasing by nearly 50% while the Northeast remained a laggard.
- Supply was constrained at under four months but increased from its record low in August.

Source: U.S. Census Bureau and U.S. Department of Housing and Urban Development, New Residential Sales, October 26, 2020
Economic Impacts

Existing Single-family Homes by Price
(% change year-over-year number of sales vs. inventory amount)

- Existing home sales were unseasonably higher than usual in September, increasing 9.4% from August and 21% year-over-year.
- Low mortgage rates and second home purchases helped fuel the activity.
- Homes sold stayed on the market for an average of 21 days, an all-time low.
- At 2.7 months, the supply of homes at the current pace of sales was also at a record-low.

Source: National Association of Realtors*
Economic Impacts

• 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 has been largely flat for more than a month with the recent surges in COVID-19 cases across the country unlikely to change that course.
• As of October 21, the national economy was operating at 81.5% of its normal level.

Sources: CNN Business, Moody’s Analytics
Apartment Industry Impacts

Monthly Rent Collections vs. March
(Percent Change from March Level)

- April: -17.0%
- May: -19.0%
- June: -24.0%
- July: -26.0%
- August: -29.0%
- September: -35.0%
- October: -28.0%

- Rent collections reversed course slightly in October but remained 28% below March levels through the 10th of the month.
- Payments from renters who pay online increased 4.3% from March levels.

Source: Rentec Direct, Impact of COVID-19 On Rent Payments and Rent Payment Methods, October 2020
Apartment Industry Impacts

- Apartment transaction volume totaled $24.0 billion during Q3 2020, down 51% year-over-year.
- The fall in deal volume decelerated from the previous quarter, suggesting that the worst may be over.
- The RCA Commercial Property Price Index (CPPI) for the apartment sector climbed 6.7% YOY in Q3 2020, a pace that outperformed relative to the RCA CPPI National All-Property Index which was up 1.4% YOY.
- Apartment cap rates stood steady at 5.2%, unchanged since a year ago.
- The cap rate for mid/high-rise assets increased to 5.0%, up 10 basis points from Q3 2019.
- Individual asset sales were down 52% YOY but portfolio and entity-level sales were down a little less.
- Garden-style apartment cap rates fell to a new low of 5.3%, also down 10 basis points since the previous year.
- Dallas, Atlanta, Los Angeles, Phoenix and Denver led the US in year-to-date apartment deal activity.

Source: Capital Trends: US Apartment by Real Capital Analytics (RCA), October 21, 2020