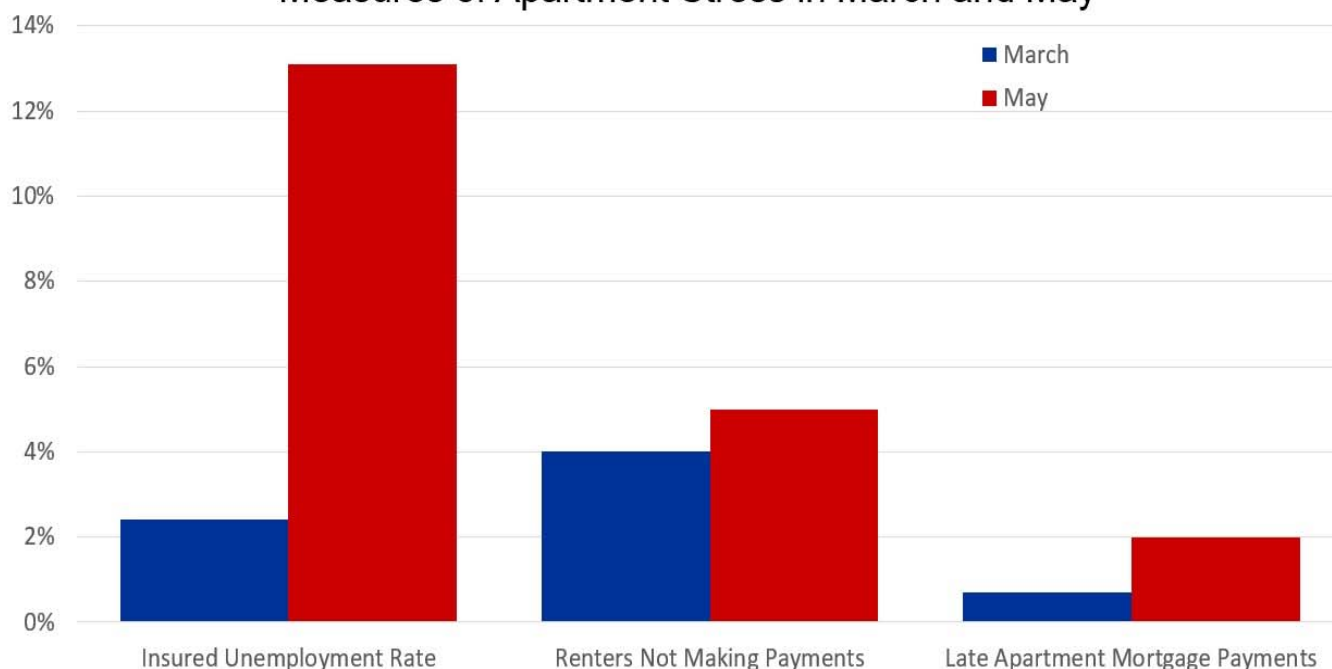


Chart of the Week – June 5th, 2020 Measures of Apartment Stress in March and May



Source: BLS, NMHC, MBA

There has been an important disconnect between the labor market and apartment markets over the last two months.

The labor market is currently seeing historic levels of stress – with the April jobs report showing a decline of 20 million jobs. The just-released May numbers were unexpectedly positive, but still leave the job market 13% smaller than pre-COVID-19 levels, with a high unemployment rate of 13%. The most recent weekly unemployment insurance claims reveal that the number of people receiving unemployment insurance jumped to 13.1% of the covered labor force as of May 16, up from 2.4% as of March 21.

But that same level of, and increase in, stress has not transmitted to the apartment market. A gauge from the National Multifamily Housing Council (NMHC) of the share of renters making their monthly payments shows only a small fall-off in recent months – with 95% making their payments in April, down 3 percentage points from a year earlier. Through the 27th of the month, May collections were running two percentage points ahead of April. With that relative strength in rent payments, most apartment property investors are also making their mortgage payments, with 2% of mortgage payments late as of April 20, compared to just less than 1% in March.

What explains the disconnect? In all likelihood, the substantial stimulus from the federal government. The *CARES Act* and other federal programs have provided unprecedented financial support to households. In April, U.S. personal income jumped a massive 10.5% on a monthly basis, more than double the previous record – even while compensation fell 8%. Government social benefits jumped 90% to a record (by far) \$6.3 trillion seasonally adjusted annual rate.