

Economic Update

DECEMBER 30, 2020

CHANDAN ECONOMICS

1. NEW STIMULUS AGREEMENT

- Congress agreed to a \$900B relief package on December 20th, and the legislation passed both chambers on December 21st.
- Assuming it is signed into law, the bill will include \$600 direct payments to each adult plus an additional \$600 per child per household. The amount will be lower for individuals who made more than \$75,000 in 2019, and those who earned more than \$99,000 in 2019 are ineligible.
- The bill also extends unemployment benefits of up to \$300 per week that was set to expire at the end of the year. This provision is expected to run through at least March 14th. This will also extend a separate program for gig-economy workers that was set to expire at the end of the year.
- \$284B will be made available to businesses through an expansion of the Paycheck Protection Program. Eligibility will include small businesses as well as nonprofit organizations, faith-based organizations, and independent restaurants.
- The bill will also extend a moratorium on evictions through January 31st and include \$25B in renter assistance.
- Also included in the package is money to be allocated towards vaccines, distribution, and additional testing.
- Other provisions include \$82B for Schools to repropose facilities for COVID safety, as well as legislation that supports paid sick leave, increased food stamp assistance, and aid for airlines and other transportation entities.
- Aid to State & Local governments and corporate liability protections were not included in the agreement.

2. SUMMARY OF ECONOMIC PROJECTIONS

- In its most recent Summary of Economic Projections, the FOMC estimated a -2.4% drop in GDP in 2020, slightly more positive than the most recent projection of -3.7%. Participants expect GDP to reach 4.2% in 2021 and moderate at 1.8% over the longer-run.
- According to projections, the unemployment rate is expected to stand at 6.7% by year's end, down 70 basis points from their September projection but squarely in-line with the Census Bureau's most recent Jobs report. Unemployment is expected to drop to 5.0% in 2021 and 4.1% in the longer-run.
- Personal Consumption Expenditures (PCE), the Federal Reserve's preferred measure of inflation, is expected to reach 1.2% in 2020 and 1.8% in 2021. Core-PCE, which excludes food and energy, is projected to reach 1.4% in 2020 and 1.8% in 2021. The longer-run inflation target for the FOMC is 2.0%.

3. RESTAURANT BOOKINGS

- According to the restaurant booking app OpenTable, reservations as of December 20th are down 62.3%

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from the same time last year. After falling as low as 100% below year prior levels during the nation-wide shutdown, bookings recovered through the late-Spring and Summer before topping out at -27.1% near the end of October. The onset of colder weather and worsening conditions on the public-health front have led to new restrictions and fewer restaurant visits in the months since.

- Nevada boasts the most robust restaurant booking data in the country, though the data may be misleading. Compared to one year ago, reservations are down just 23.3%. However, since late-November, new restrictions on restaurants have stipulated that only patrons with reservations may be seated and served.
- Minnesota is currently the U.S. state with the least number of restaurant bookings compared to one year ago. As of December 20th, reservations are down by 97.6%. These data are hardly surprising, as Governor Tim Walz banned indoor seating at bars and restaurants in mid-November.

4. APARTMENT RENTER PERFORMANCE

- The NMHC's Rent Payment Tracker reported that just 75.4% of renters made rent payments by December 6th, down from 80.4% who paid by the same day last month.
- 80.1% of renters fulfilled their rent payments last month according to the Census Bureau's Household Pulse Survey (HPS) for the week ending on December 7th, down from 81.5% during the same week in November. Due to methodology differences, the HPS payment level consistently trends about 10-15% below the NMHC's final monthly tally.
- According to the HPS, 14.9% of renters expressed no confidence in meeting next month's rent payment, up from 11.9% of renters last month.
- The drop in tenant sentiment and performance comes amid rising COVID-19 cases and economic sluggishness throughout the U.S.

5. APARTMENT INVESTMENT MARKET INDEX

- The Freddie Mac Multifamily Apartment Investment Market Index (AIMI), a measure of overall multifamily sector investment health that tracks asset prices, property-level incomes, and mortgage rates, moved up to 131.2 in Q3 2020, up by 1.9% from Q2 and 2.0% from Q3 2019.
- While there have been observed declines in net operating income and price growth throughout 2020, lower mortgage rates largely offset this.
- Multifamily prices increased by 2.4% year-over-year, while mortgage rates declined by 44 basis points and NOI dropped by -1.2%.

6. STUDENT HOUSING

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- According to Moody's Analytics/ REIS reporting, vacancies rose in the Student Housing sector by 270 basis points to 7.9% in Q3, while rents rose by 1.3% to 1.8%.
- Demand dampened throughout the sector as colleges and universities across the U.S. forego in-person classes, with many limiting campus accesses.
- There are remaining questions about how schools will adjust for the upcoming spring semester. While some campuses have indicated that they will move forward with plans to open in the Spring, the pullback by other institutions will keep demand below pre-pandemic levels for some time.

7. TSA CHECKPOINT THROUGHPUT

- According to the TSA, the volume of passengers screened at American airports has picked up ahead of the holiday season. Between December 18th and December 20th, more than one million people passed through security every day— the first such three-day stretch since the beginning of the domestic outbreak in March.
- Even as the pace of holiday travel accelerates, total passenger throughput stands well below 2019 benchmarks for the same dates. As of December 21st, 38.3% as many travelers passed through American airports compared to the same date last year. Since March, the high watermark for 2020 travel compared to 2019 figures came in the lead-up to Thanksgiving, when on November 22nd, passenger volume match 45.1% of last year's totals.
- While these data reflect that holiday travel patterns are far from normal, the current stretch is still elevated compared to any other point during the pandemic, ultimately increasing the likelihood that the current infection-wave may worsen before it again gets better.

8. NFIB SMALL BUSINESS SURVEY

- The composite Small Business Optimism Index, compiled by the NFIB, fell to 101.4 in November, down from consecutive readings of 104.0 in September and October.
- 34% of small businesses reported having positions that they have not yet been able to fill. After falling as low as 23% in April, the monthly average of small businesses reporting job openings has stood at 33% for the past six months. Over the same six-month stretch in 2019, the share averaged just over 36%.
- 24% of small business owners peg an insufficient quality of labor as the single most important problem holding their business back. Taxes [20%], government regulations [14%], and poor sales [13%] also appear high on the list.

9. RETAIL SALES

- According to the Census Bureau's advanced estimates, U.S. Retail and Food Services sales totaled \$546.5B

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in November. The total represents a year-over-year increase of 4.1%, but a 1.1% drop from the previous month.

- Retail trade sales fell 80 basis points in November from the month before, but an increase of 7.1% year-over-year.
- Non-store retail sales rose by 29.9% from November 2019. Sales from food services and drinking places fell 17.2% from last year.
- November's year-over-year broad improvement is partially explained by the timing of the Thanksgiving holiday. Cyber Monday, a historically high-volume shopping day, took place in December last year while it remained in November this year.

10. SINGLE-FAMILY HOUSING

- According to the Census Bureau, authorized building permits for Single-Family housing units rose at an annualized rate of 1.1M units in November. The annualized total is an increase of 1.3% from October and is 22.2% higher than the November 2019 level.
- Single-family housing starts remained virtually unchanged in November, holding steady at 1.1M, but up 27.1% year-over-year.
- Completions of Single-Family Housing units dropped slightly to an annual rate of 874K in November, down from 879K in October. November's reading is -4.5% below the same level observed this time last year.

SUMMARY OF SOURCES

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