



# COVID-19 Update

# Panelists

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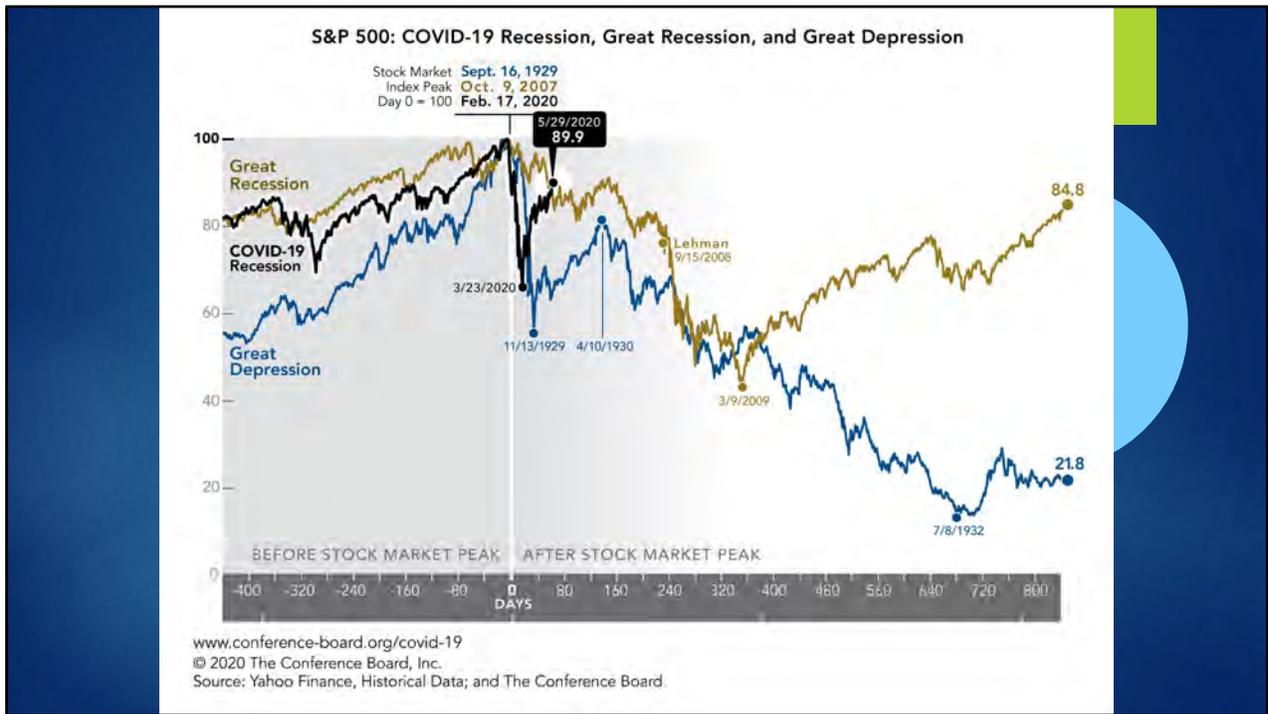
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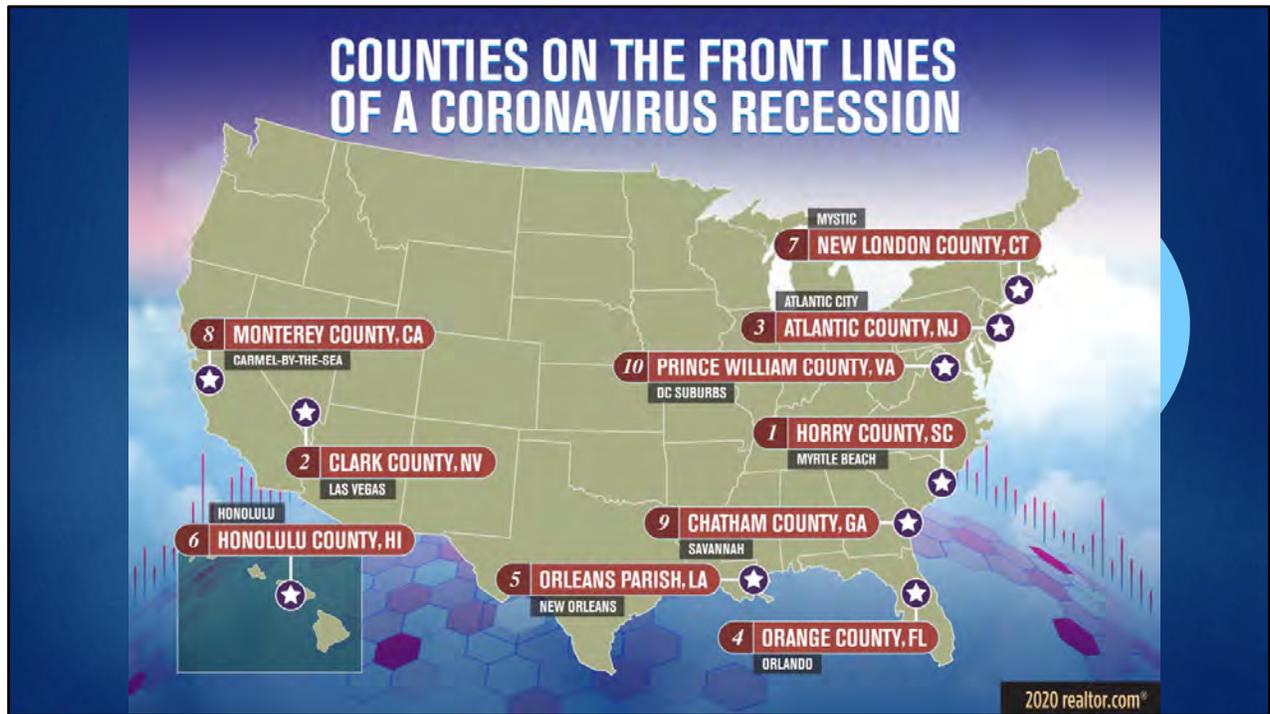
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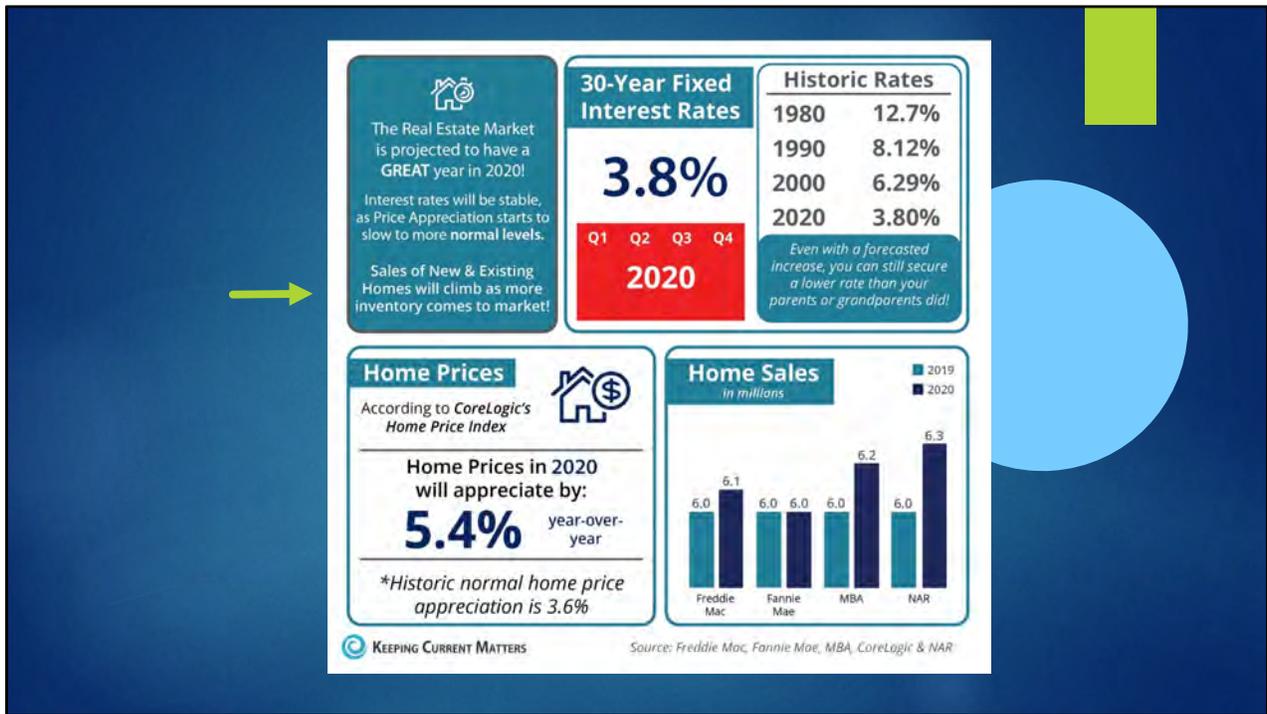
Source: The Conference Board



Source: Spark Rental



Source: Realtor.com



Source: Keeping Current Matters

## Revised their 2020 Housing Market Predictions post - Coronavirus Pandemic

- ▶ Home price growth will flatten, with a forecasted increase of 1.1%
- ▶ Inventory will remain low, but the rate of decline steadies and the mix of homes for sale shifts toward greater availability of lower-priced homes
- ▶ Mortgage rates remain low and may slide under 3% by the end of the year
- ▶ Home sales are constrained by low inventory and diminished seller and buyer confidence as the effects of COVID linger in the labor market
- ▶ Buyers seeking affordability and space drive interest in the suburbs



Source: Realtor.com



<b>Housing Indicator</b>	<b>Realtor.com 2020 Forecast</b>
<b>Mortgage Rates</b>	Average 3.2% throughout the year, 2.9% by end of year
<b>Existing Home Median Sales Price Appreciation</b>	Up 1.1%
<b>Existing Home Sales</b>	Down 15% for the year as a whole, Q2 expected to be worst, down 25%
<b>Single-Family Home Housing Starts</b>	Down 11%
<b>Homeownership Rate</b>	64.6%

Source: Realtor.com

## THE GREAT AMERICAN MOVE

As states, cities, and counties around the country slowly begin to reopen, we predict *The Great American Move*. Expect a surge in household and business relocations over the next few months that will provide new strategic opportunities for the real estate market.



### NEW HOMES

Home builders should capture the pent-up demand from apartment dwellers, home buyers moving from cities, families wanting more space, and residents relocating to new jobs.



### APARTMENTS

Apartment renters may move closer to jobs and to cities where businesses are hiring. Some may "double up" in larger units, while others look for more efficient spaces at lower absolute rents.



### SINGLE-FAMILY RENTALS

Single-family rentals allow financial flexibility and privacy, with enhanced "social distancing" opportunities. Many will be renters by choice and will pay a premium to live in a dedicated community with other renters and community amenities.



### COMMERCIAL REAL ESTATE

Retail stores will re-open in the best locations, and expect accelerated suburban mall redevelopment with new housing. Some office submarkets will need more space, and branded hotels with strict cleaning standards may benefit from business travel.



Source: John Burns Real Estate Consulting

NAR 2019  
**FOREIGN BUYER  
PURCHASES WERE**  
**\$77.9 BILLION\***  
APRIL 2018-MARCH 2019

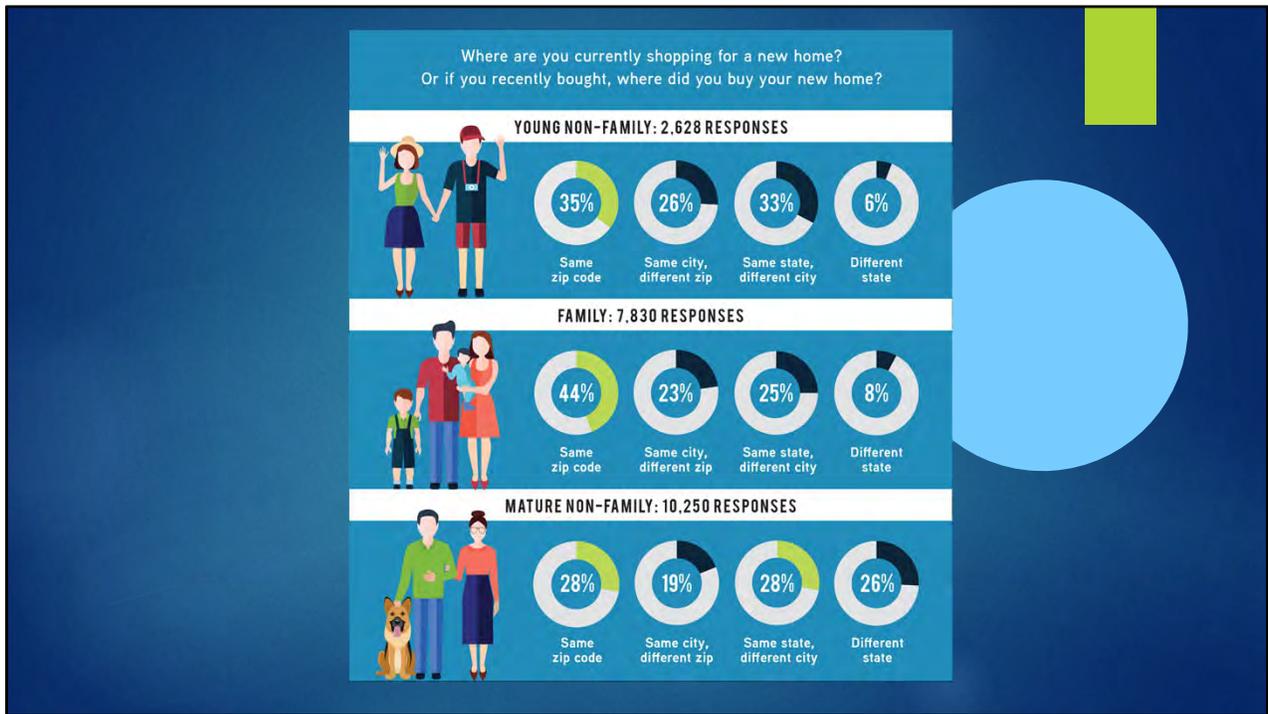
CHINA		<b>\$13.4</b> BILLION
CANADA		<b>\$8.0</b> BILLION
INDIA		<b>\$6.9</b> BILLION
UNITED KINGDOM		<b>\$3.8</b> BILLION
MEXICO		<b>\$2.3</b> BILLION



**\*5% OF \$1.57 TRILLION**  
OF EXISTING-HOME SALES DURING  
APRIL 2018-MARCH 2019.

2019 Profile of International Transactions in  
U.S. Residential Real Estate

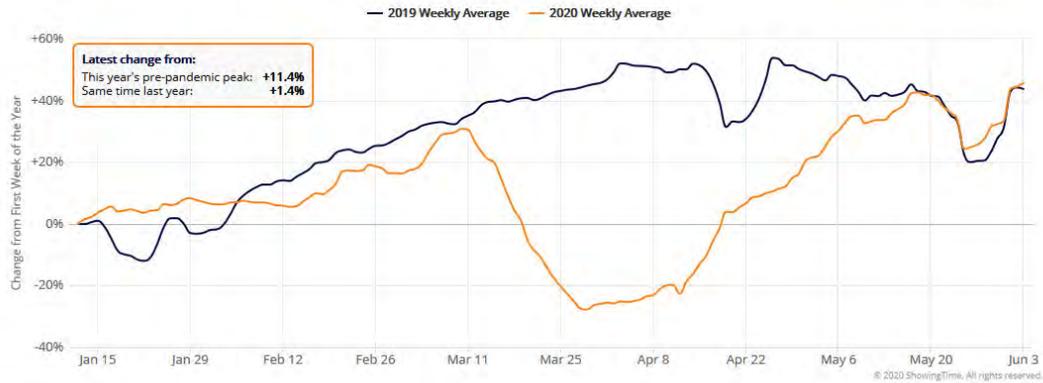
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Source: Realtor.com

## Impact of COVID-19 to Real Estate Showings in Ohio

Weekly showings normalized to the first calendar week of January, 7-day moving average. Data through June 3, 2020



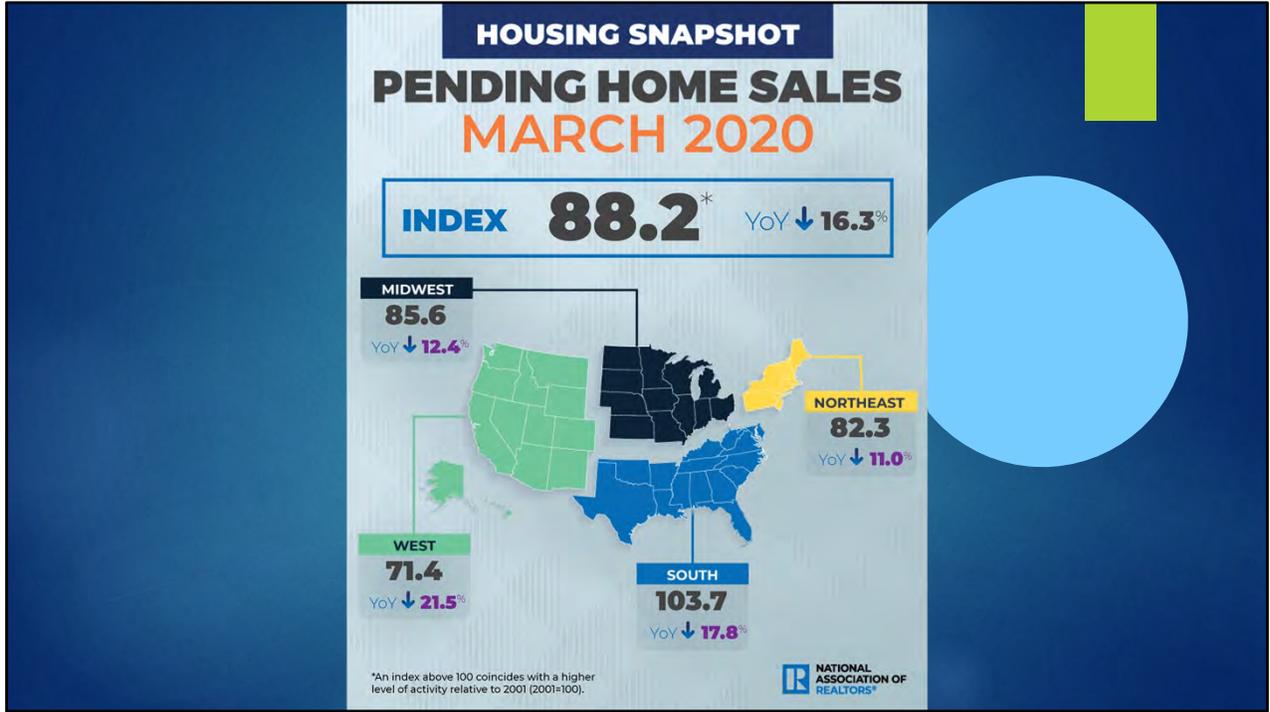
Source: Showing Time The showing traffic is back in full force. It's slightly higher than it was at the same time last year, and is above the March 2020 levels in all but six markets. Only New York remains down substantially from pre-pandemic levels (-28 percent), but is recovering at an accelerating pace. For Pennsylvania it took seven days to recover to the normal seasonal level after restrictions were lifted. And other states that are down slightly seem to be more affected by seasonal variations at this point.



<https://www.showingtime.com/impact-of-coronavirus>

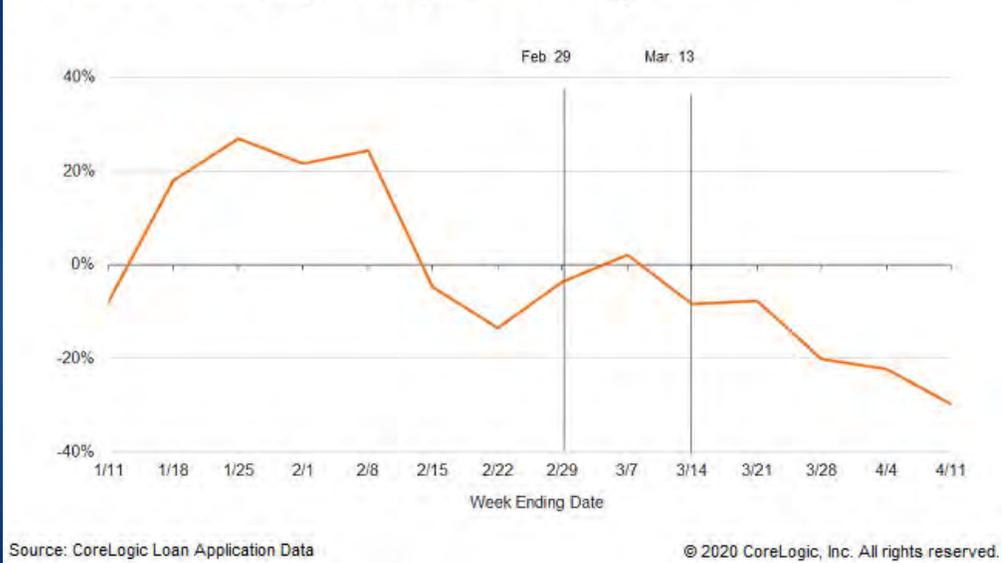


Source: NAR



Source: NAR

**Figure 1: Purchase Applications Lower in March and April Compared to Prior Year**  
Year-Over-Year Percent Change in Weekly Home Purchase Applications



Source: CoreLogic



Source: NAR



Source: CoreLogic



Source: Keeping Current Matters

## THE POST COVID-19 HOME BUYER

### FIRST-TIME BUYERS

Most likely to be living in dense apartments that lack "social distancing" opportunities

**NO PREVIOUS HOME TO SELL**

Comfortable with **new technology** that includes viewing products and services on-line

**one in four couples** in their mid-20s to mid-30s are dual income and college educated, allowing them to buy a first home more akin to a move-up

### YOUNG FAMILIES

Likely experiencing cabin fever with the whole family sharing one space and may be more motivated than ever to upgrade to a new home

**MAY HAVE AN EXISTING HOME TO SELL**

This segment will be a boon to the nearly **80%** share of household growth that we expect will be captured by the suburbs in years to come, bringing a desire for more urban-like conveniences

JOHN BURNS  
REAL ESTATE CONSULTING

The hope is that these buyers move-up taking low end luxury inventory and putting more moderate homes back into inventory and allowing the ecosystem to breathe.

Source: John Burns



Secondary Markets are getting their day in the sun as people leave the more dense large cities for smaller cities and the 'burbs

Source: National Association of Realtors

# Inventory Crisis!

## New Home Construction Slowdown

Dramatically slowed during public health crisis



Expected to remain slow in the face of a global recession.



In the long term, that means home shortages, particularly among starter homes.

Source: Spark Rental

## Tighter Mortgage Lending

Economists expect mass mortgage defaults, both from the public health crisis and ensuing economic crisis.



Little money flowing into mortgage-backed securities right now.



Some portfolio and hard money lenders have suspended new loan originations entirely.



### Conventional lenders tightening guidelines:

- Higher credit requirements: loans to buyers with scores under 640 all but suspended
- Higher DTI (debt-to-income) requirements
- Higher cash reserve requirements
- Higher down payments

Source: Spark Rental

NMHC Rent Payment Tracker Finds 93.3 Percent of Apartment Households Paid Rent as of May 27

**MAY 1-27, 2020**

93.3% ▼

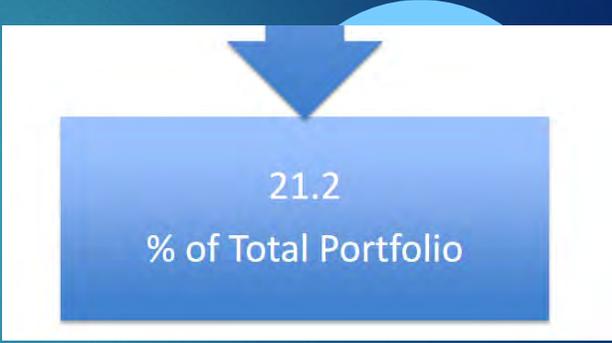


of rent payments made

Source: NMHC

## Renter Assistance

- Approximately how many residents did your company help with rental obligations, either through payment plans, late fee waivers, etc.?



21.2  
% of Total Portfolio

Source: Joint survey of NAA and IREM [https://www.naahq.org/sites/default/files/naa-documents/owneroperator\\_covid-19\\_survey\\_iremnaa\\_summary\\_may\\_2020\\_final.pdf](https://www.naahq.org/sites/default/files/naa-documents/owneroperator_covid-19_survey_iremnaa_summary_may_2020_final.pdf)

## Landlord Impact: Suspended Evictions & Foreclosures



Nationwide Moratorium: On all Section 8 rentals and properties with government-backed mortgages (through 7/24/20)



Some states and cities have also suspended evictions



Other jurisdictions have closed civil courts, effectively blocking evictions



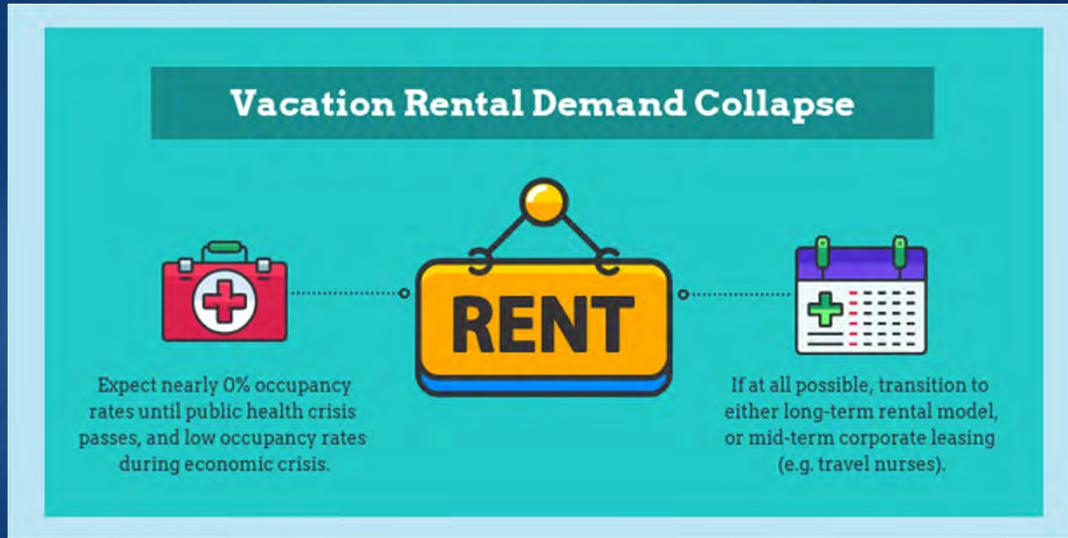
Landlords can expect high rent defaults, but may not find flexibility on their loans - portfolio lenders not bound by nationwide moratorium



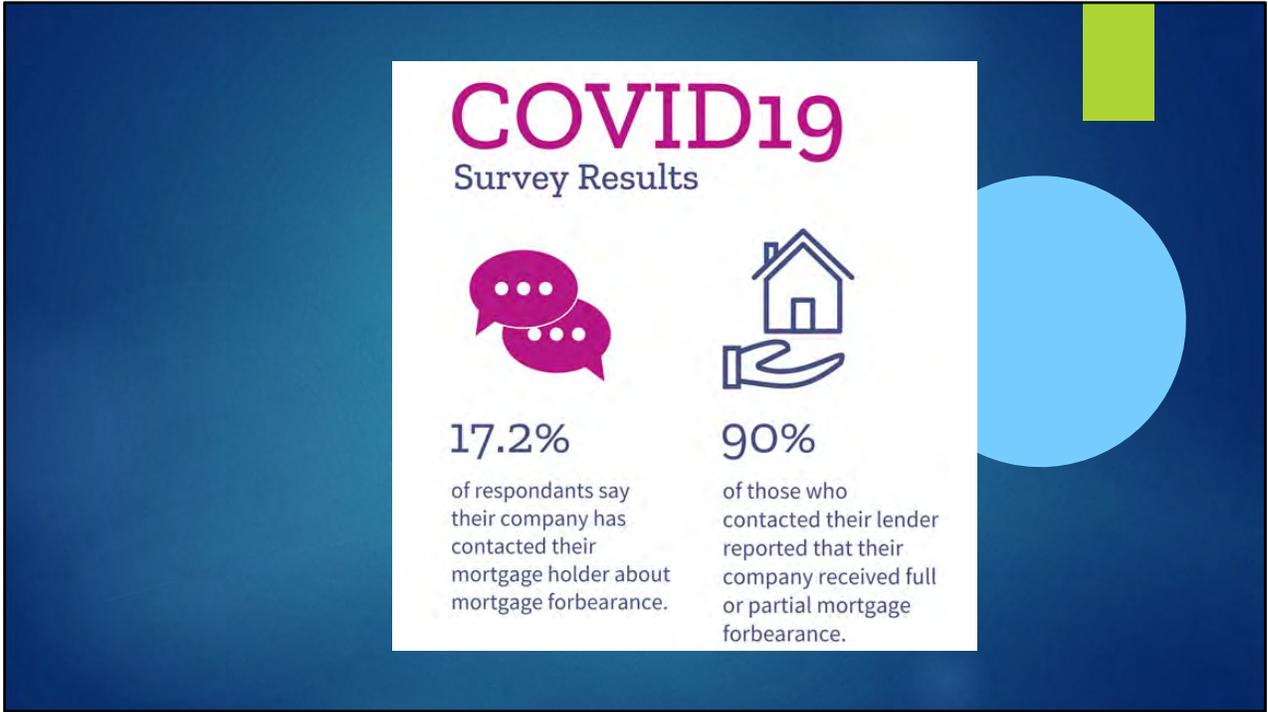
Buy rent default insurance if you can still find it

Source: Spark Rental

We don't agree, but if others do there may be an opportunity to buy



Source: Spark Rental



Source: Joint survey of NAA and IREM [https://www.naahq.org/sites/default/files/naa-documents/owneroperator\\_covid-19\\_survey\\_iremnaa\\_summary\\_may\\_2020\\_final.pdf](https://www.naahq.org/sites/default/files/naa-documents/owneroperator_covid-19_survey_iremnaa_summary_may_2020_final.pdf)

I would be a bit concerned about these 2 "Boomtowns" for multiple reasons. Legislation like rent control being #1.

Somewhat speculative, but may be worth the risk?

### GEOGRAPHIC OPPORTUNITIES: MARKET RECOVERY

JOHN BURNS  
REAL ESTATE CONSULTING

**BOOM MARKETS**

These metro areas have less exposure to the industries most impacted by COVID-19 and are also affordable markets with pro-growth governments. We rated these markets as Strong or Very Strong in February, and we expect them to be among the first to earn their ranking back.

**NEW BOOMTOWNS**

These six boomtowns attract far more than their share of smart young workers. These markets also attracted a lot of development, which will delay their recovery a bit. Patient investors will reap great rewards.

**LESS COMPETITION**

These metros are on our list of markets to recover last due to their reliance on tourism. Our clients with patient capital and who prefer to avoid bidding wars should consider these three markets as great long-term opportunities.

Not a buy for me, but maybe a long-term hold play? Will depend upon how "opening" goes.

Source: John Burns Real Estate Consulting