

Special commentary

from the Investment Advisory Group

Eviction moratorium expiration unlikely to upend the U.S. economy

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What happened

The federal moratorium on residential evictions expired on July 31. House Speaker Pelosi didn't have enough votes to extend it to October 18, though she vowed to continue attempting to get the votes.

Background on the nationwide eviction moratorium

The original eviction moratorium was temporary. Congress adopted a four-month moratorium as part of the CARES Act from March 24 to July 24, 2020. During that span, "covered" tenants could not be evicted for nonpayment of rent nor could landlords file notices to vacate until 30 days after the expiry (August 23, 2020). Covered tenants were defined as those renters below a certain income level (individuals under \$99,000 and joint filers under \$198,000) and in properties participating in federal assistance programs or with federally-backed financing.

The federal eviction moratorium has been extended four times. When the original moratorium lapsed, President Trump signed an Executive Order directing the Centers for Disease Control and Prevention (CDC) to issue a new eviction ban. The CDC's eviction moratorium extended it four more months from September 4 through December 31, 2020. Congress extended it legislatively through January 31, 2021, as part of the COVID-19 relief bill (officially known as the Consolidated Appropriations Act of 2021) enacted in late December 2020. In 2021, the CDC extended it three more times, until March 31, then June 30 and again through July 31.

The eviction moratorium has been controversial. The question of legal authority to issue such a moratorium sprang up almost immediately when the CARES Act was passed. It was complicated by using the CDC extensions. There were many legal challenges with mixed results, both in state and federal district courts, although more seemed to rule against moratorium.

One federal court case emerged with realtor organizations and landlords challenging the CDC's authority to regulate private property rights. In late June 2020, the U.S. Supreme Court let the moratorium stand but explicitly stated they did so because it was set to expire in 30 days and the White House said it wouldn't extend it any further. Thus, even the Supreme Court left the legality unclear.

A handful of states have stepped in with their own eviction moratoriums. Several states—such as New York, New Jersey, Oregon, and Vermont—have extended and tweaked various eviction moratoriums.

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Our take – The economic impact is likely to be limited

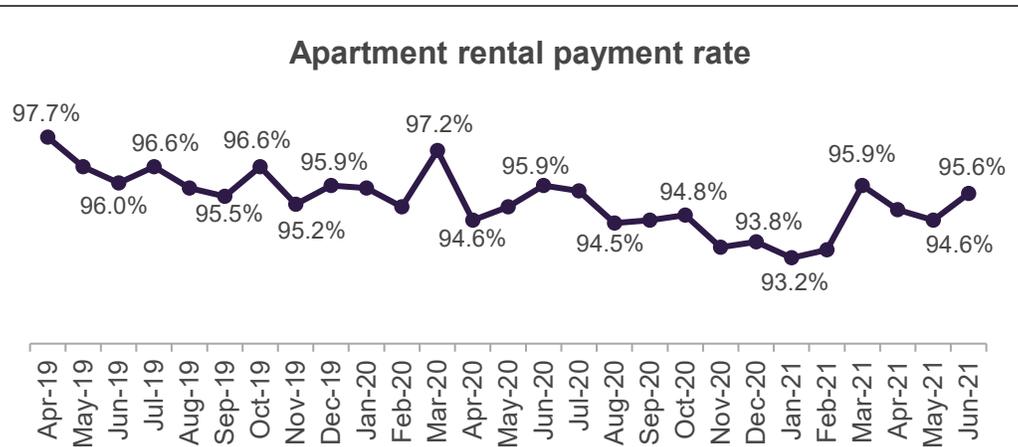
First, the federal moratorium for covered tenants is estimated to apply to between 28% and 46% of occupied rental units nationally. That would equate to 12.5 to 20.5 million renters of the 44.5 million units, based on the American Housing Survey.

The “best” figure is from the Household Pulse Survey by the U.S. Census Bureau. Roughly 7 million, or 13% of respondents, said they were not currently caught up on rent payments, but that was from May 12-24. About 75% of those respondents had incomes under \$50,000 and just over half had children (56.4%). Accordingly, most would appear to be covered tenants (based on the income requirement). But, more than half also qualify to get the federal child care tax credit that began in July.

Also, the lower income strata has seen some of the biggest wage increases. Average earnings for hourly employees are up 3.7% year over year, faster than the pre-pandemic pace of 3.2%. Moreover, the overall savings rate for Americans is at 9.4%, still two full percentage points above the pre-pandemic level.

On the landlord side, the renters still owe the back rent. While renters can't be evicted for nonpayment of rent, the landlord can get a court judgement for the rent owed and could eventually collect on the judgment.

Overall payments of apartment rents have been surprisingly steady over the past two years at professionally-managed properties. The June full month rental payment rate was 95.6%, which was just 0.4 percentage point below the June 2019 rate of 96.0%.



Data Source: Truist IAG, National Multifamily Housing Council (NMHC); percentage of rental payments made at professionally-managed units; full month payments; data through June 2021.

Bottom line

There will undoubtedly be an impact for individual renters and landlords, especially mom & pop property owners. Just how much the expiration of the federal eviction moratorium will impact the macro economy and at what magnitude is not easy to calculate. Still, the weight of the evidence leads us to believe the impact on the overall economy will be rather limited.

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