

## SFA Research Corner

### The Road Back: What a Difference a Job Makes

June 23, 2021



## WHAT WE'RE WATCHING

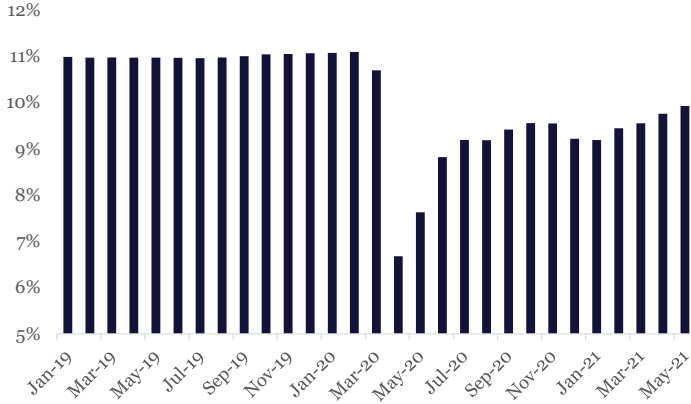
✉ [Elen Callahan](#)  
Head of Research  
203.512.0503

With more than 50% of Americans vaccinated, consumers are increasingly comfortable in resuming travel and leisure activities. This sector, which had struggled even as other sectors began to recover, has started to show meaningful signs of improvement. Increased activity in this sector will directly impact performance of CMBS, particularly those pools with sizeable exposure to hotels, and ABS backed by aircraft leases, timeshare loans, rental car fleet leases, and credit card loans. CMBS issuance year-to-date stands at \$34 billion; for the other impacted sectors, issuance has reached \$6 billion.

Pent-up demand is particularly noticeable in dining. Leisure and hospitality employment increased by 292,000 in May, nearly two-thirds of which came from an increase in hiring at food and drink places. In May, sales at food services and drinking establishments were up 70.6% over 2020 and up 4.6% over 2019, according to the U.S. Census Bureau. [OpenTable](#) data shows that 25% of restaurants that closed for COVID are closed permanently. But of the remaining 75%, dining has bounced back strongly and is about 90% of the level reached in 2019, with some cities reflecting an increase over pre-pandemic sales for the same period.

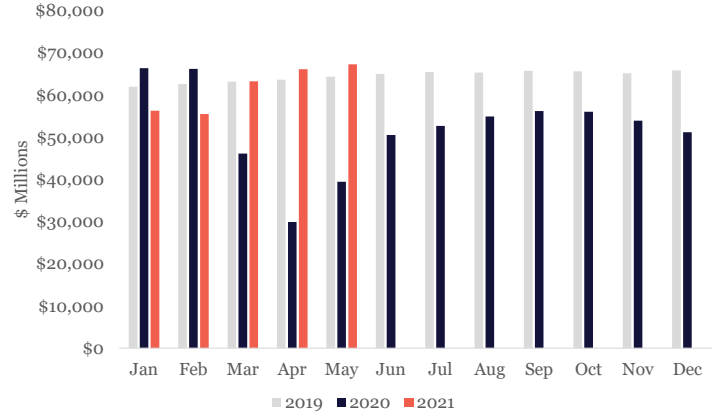
Travel and tourism have also benefited from the rapid distribution of vaccines, which has boosted traveler confidence and lifted pandemic-linked travel rules. The TSA reported that it has screened an average of 1.8 million travelers a day in June. Although this falls short of the 2.5 million daily travelers in June 2019, this is four times greater than the average daily passenger volume recorded in June 2020. Indeed, in March, United Airlines became the first airline to announce the end of its cash burn. Travel is expected to improve further in the coming months. According to the [U.S. Travel Association](#), “nearly nine in 10 American travelers have plans to travel in the next six months – a new pandemic high.” Additionally, signs indicate that corporate travel, which comprises 12% of passenger traffic volume, but 20% to 30% of airline revenue, has also started to gain momentum, according to the CAPA Center for Aviation. According to [Airlines Reporting Corporation \(ARC\)](#), corporate air travel fell by 72% year-over-year in 2020. Business travel is down 60.57% so far in 2021 versus the same period in 2019. With the success of the vaccine roll-out, the pace of improvement is expected to quicken as demand accelerates. In a recent poll, members of the [Global Business Travel Association](#) reports that 74% of their employees are willing to travel for business in the current environment, the most positive result for the GBTA poll to-date. And although this large portion of employees expressed willingness to travel, corporate executives still remain split on the extent of the rebound to corporate travel as virtual meetings have proven to be successful for some portion of meetings that would have required travel in the past.

### Leisure Hospitality Employees as a % of Total Employees



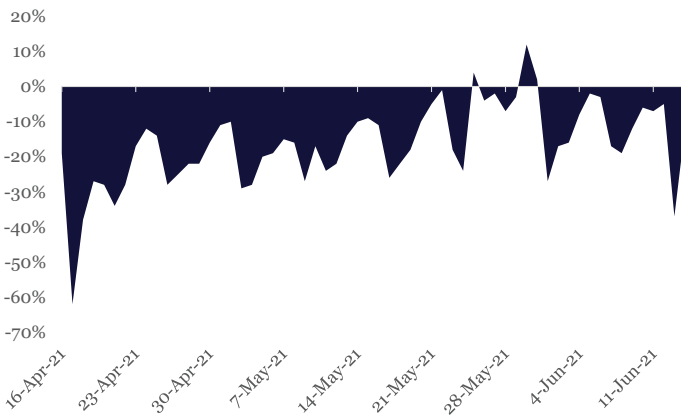
Source: [Bureau of Labor Statistics](#)

### Annual Retail Sales Food and Drinking Places



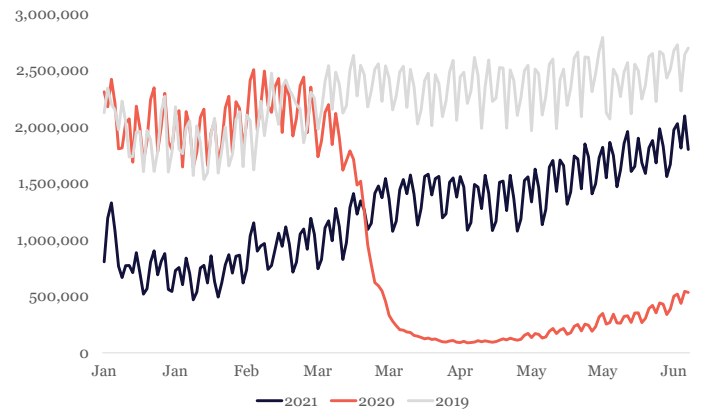
Source: [U.S. Census Bureau](#)

### OpenTable Seated Diners from Online, Phone, and Walk-In Reservations - % Change 2021 Versus 2019



Source: [OpenTable](#)

### Air Travel Resumes: Compared to 2019 Travel is Down 33% in June 2021 Versus Down 70% in January

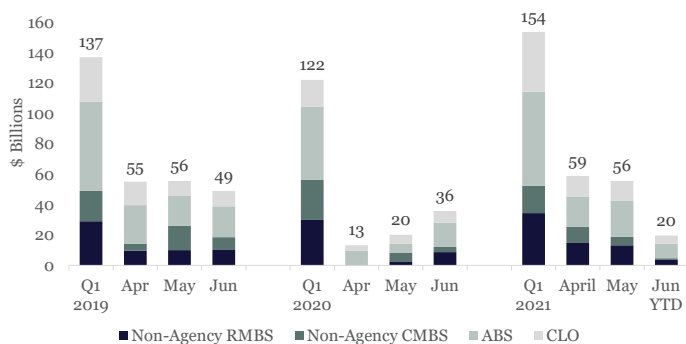


Source: [TSA Travel Checkpoint](#)

## MARKET SUMMARY

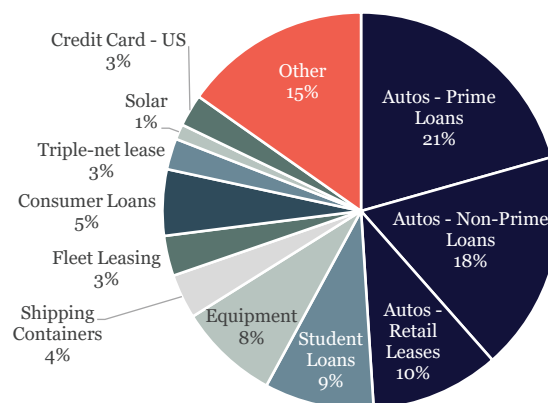
The final tally for May issuance across Non-Agency RMBS, CMBS, ABS and CLOs was \$56 billion, flat to May 2019 and 55% greater than May 2020. June issuance is shaping up to be equally robust, with \$20 billion recorded so far. We expect June activity to remain brisk as several deals currently being marketed have been upsized due to stronger than expected investor interest. Some notable examples-- Antares CLO increased from \$704 million to \$806 million, Wendy's Whole Business ABS 2021-1 was upsized from \$900 million to \$1.1 billion, and Santander Auto Retail Lease Trust 2021-B grew from \$1.4 billion to \$1.7 billion, according to Bloomberg. Demand for securitized products in the secondary market has not wavered in the surge of new-issue supply. Bond prices and bid-ask spreads, which are at or near historical tights, have held firm.

### Issuance for Non-Agency RMBS and CMBS, ABS, and CLO 2021 YTD (\$288 Billion) Versus 2019, 2020



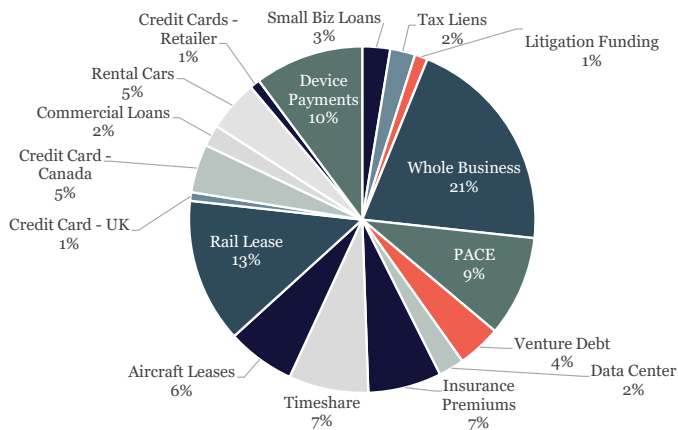
Source: Market Compilation

### ABS Only - 2021 YTD: \$110 Billion



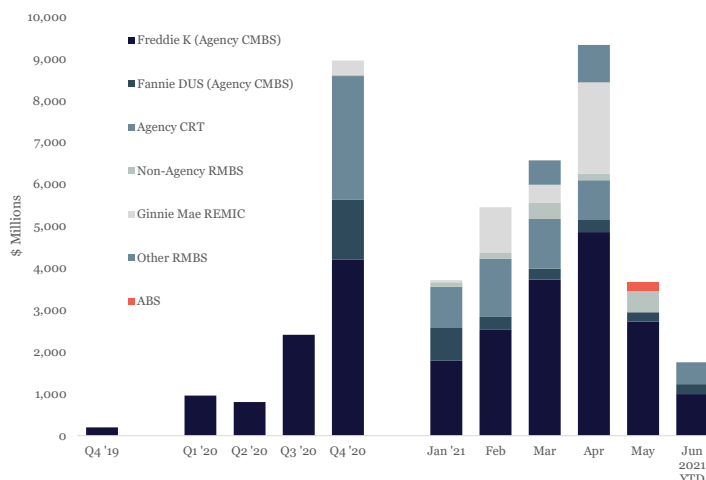
Source: Market Compilation

### Other ABS Only - 2021 YTD: \$16.7 Billion



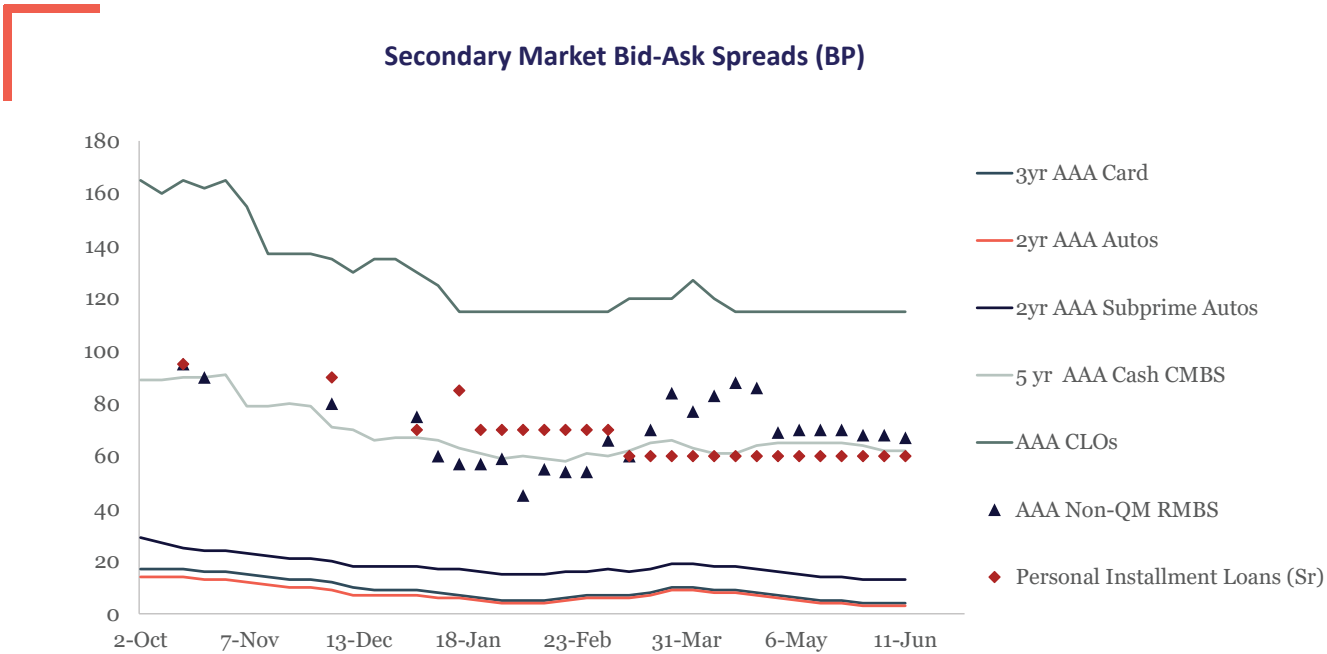
Source: Market Compilation

### SOFR (30 Day Average) Securitizations 2019 to 2021 YTD: \$43.8 Billion



Other RMBS includes mortgage insurance-linked securities.  
Data begins Q3 2019.

Source: Market Compilation



Secondary Market Bid-Ask Spreads		
(bps)	11-Jun	4-Jun
3yr AAA Card	4	4
2yr AAA Prime Autos	3	3
2yr AAA Subprime Autos	13	13
5yr AAA Cash CMBS	62	62
AAA CLOs	115	115