What Happens Next?
Taking Care of Renters After the Crisis

New Housing Solutions LIVE
July 16, 2020
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DISCUSSION OUTLINE

Rent payment data & trends
Market deep dive
Policy considerations
Payment innovations
Part 1

Who Is Paying Rent?

Caitlin Walter, Ph.D. & Sarah Yaussi
New Housing Solutions LIVE
July 16, 2020
THE RENTAL MARKET IS BIG AND DIVERSE

Source: U.S. Census Bureau American Housing Survey 2017
NMHC RENT PAYMENT TRACKER

Powered by the five leading property management software providers and covering more than 11 million professionally managed apartment units.
METHODOLOGY

1. Includes occupied professionally managed apartments
2. Doesn’t include subsidized housing, privatized military housing or purpose-built student housing
3. Includes partial or full payments (partial payments only counted once per month)
4. Units are located across the United States
PAYMENT TRENDS DURING COVID-19

Rent Payment Tracker: Full Month Results

*Data collected from between 11.1 - 11.5 million apartment units in April, May, and June

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<th>Month</th>
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<td>June</td>
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LATEST PAYMENT RESULTS

Rent Payment Tracker: Weekly Results

**Data collected from between 11.1 - 11.5 million apartment units in April, May, June and July

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<th>Month</th>
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<th>2020</th>
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<td>June</td>
<td>88.9%</td>
<td>89.0%</td>
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<tr>
<td>July</td>
<td>90.1%</td>
<td>87.6%</td>
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Week Ending: 6th* 13th
# Rent Payment Tracker Comparisons

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<th>July</th>
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<th>May</th>
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<th>April</th>
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<td>91.7%</td>
<td>93.3%</td>
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<td>77.4%</td>
<td>85.6%</td>
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<td>85.5%</td>
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- First Week of Month
- Last Week of Month
WE’RE IN A PANDEMIC AND A FINANCIAL CRISIS. WHY ARE RENT PAYMENT RATES THIS SOLID?
HOUSEHOLD STIMULUS USAGE OR INTENTION
(all households)

- Food: 69.6%
- Clothing
- Household supplies or personal care products: 51.1%
- Household items (TV, furniture)
- Recreational goods
- Rent: 29.6%
- Mortgage
- Utilities and telecommunications: 52.0%
- Vehicle payments: 24.9%
- Paying down credit card, student loans, debts
- Charitable donations or giving to family
- Savings or investments
- Other

Source: U.S. Census Bureau, Household Pulse Survey

*Totals will not add to 100%, respondents could select more than one answer
RENT PAYMENT OPTIONS

1. Flexible payment schedules
   Aligns rent payments with pay schedule

2. Deferred rent payment plans
   Breaks up owed rent into installments to be paid over time

3. Incentivized on-time payments
   Awards renter with a rent discount for paying rent on time and in full

4. Security deposit conversions
   Allows dependable renters to use security deposit for rent

5. Credit card payments
   Diversifies payment options for renter
Select EACH method your tenant(s) use to pay rent.

- Cash: 32.9%
- Check: 46.2%
- Money order: 26.6%
- Bank to bank or ACH transfer: 55.8%
- Housing Choice Vouchers: 8.4%
- Credit or debit card: 8.0%
- Other: 12.7%
TRADITIONAL LEASING IS INFLEXIBLE

- one month’s rent security deposit
- 12-month leases
- rent paid once a month
WILL YOU BE ABLE TO PAY NEXT MONTH’S RENT?

- **Moderate/High Confidence**: 66.5%
- **No or Slight Confidence**: 32.3%
- **Payment is/will be Deferred**: 1.2%

Source: U.S. Census Bureau, Household Pulse Survey
Part 2
What Else Is the Market Telling Us?

Jay Parsons, RealPage
New Housing Solutions LIVE
July 16, 2020
About RealPage

• Leading SAAS provider for rental housing property owners and managers

• Servicing 13.5M rental housing units in the U.S.

• Publicly traded (NASDAQ: RP) since 2010

• Based outside Dallas, TX

• >7,000 employees across the globe

• Leading team of housing economists leveraging actual rent roll data
Rent Collections in Market-Rate Apartments

Percentage of Rent Collected vs. Rent Billed

- April 2019: 96%
- April 2020: 95%
- May 2019: 96%
- May 2020: 95%
- June 2019: 94%
- June 2020: 94%

*Actual rent roll data based on millions of units running on RealPage systems
Rent Collections in Affordable Apartments

Percentage of Rent Collected vs. Rent Billed

*Actual rent roll data based on millions of units running on RealPage systems*
Rent Payment & Collection Trends

- Few signs of distress in professionally managed apartments
- Smaller, mom-and-pop rentals appear to be most challenged
  - Freddie: 75% of properties in forbearance are SBLs (usually mom and pop)
- Big Gateway cities showing relatively larger drops in rent collection
- Payment plans widely offered, but not widely utilized
- Evictions remain very rare – even where legally allowed
  - Princeton Evictions Lab: Evictions trending down even in cities without bans
<table>
<thead>
<tr>
<th>Rank</th>
<th>Metro</th>
<th>% Paid</th>
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<tbody>
<tr>
<td>1</td>
<td>New York, NY</td>
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<tr>
<td>2</td>
<td>Las Vegas, NV</td>
<td>-5.5%</td>
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<td>3</td>
<td>Los Angeles, CA</td>
<td>-4.8%</td>
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<td>4</td>
<td>Seattle, WA</td>
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<td>5</td>
<td>West Palm Beach, FL</td>
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<td>San Jose, CA</td>
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<td>7</td>
<td>Fort Lauderdale, FL</td>
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<td>8</td>
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<tr>
<td>11</td>
<td>Anaheim, CA</td>
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New Lease Signings are Way Up in Market-Rate

Rolling seven-day totals, same-store basis, sourced from RealPage systems
New Lease Signings are Way Up in Market-Rate

Rolling seven-day averages, same-store basis, sourced from RealPage systems
## June Executed New Lease Rent Change by Metro

<table>
<thead>
<tr>
<th>Growth &gt;3%</th>
<th>Growth 1-3%</th>
<th>Flat</th>
<th>Cuts 1-3%</th>
<th>Cuts &gt;3%</th>
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<td>Seattle</td>
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Apartment Retention at All-Time Highs

*Share of renters renewing leases in the same unit, sourced from RealPage systems*
Renters Renewing Leases Getting Favorable Deals

*Rolling seven-day averages, same-store basis, sourced from RealPage systems*
COVID-19 Altered Lease Term Lengths

*Leases signed in June by year, sourced from RealPage systems*
Real Solutions for Real Challenges

1. The looming “Eviction Tsunami” is unlikely to arrive
   ● Housing challenges are very real, but bad data is shifting attention away from lasting solutions
   ● Widely cited study from Aspen Institute forecasting 20M evictions assumes 25-30% unemployment
   ● Widely cited study from Amherst was taken out of context in reports suggesting 28M renters at risk
   ● Rent collections remain healthy; delinquencies close to normal
   ● State and local moratoriums are widespread, particularly in the more challenged big coastal cities
   ● Evictions remain rare even where legally allowed; property managers very reluctant to evict
   ● Congress *should* eventually figure out solution for expiring federal unemployment benefits

2. Rent affordability conversations must be focused on the true problems
   ● Targeted rent subsidies program could be win/win for short term, but doesn’t solve structural problem
   ● Lack of designated affordable housing supply
   ● Lack of government support (local and federal) to increase affordable rental stock
Where Does Policy Fit In?

Kimble Ratliff, NMHC
New Housing Solutions LIVE
July 16, 2020
DOMINO EFFECT: WHEN RENT PAYMENTS STOP, COMMUNITIES SUFFER

1. Rent Payments Stop
2. Property owner and manager companies can’t afford safety & maintenance
3. Tens of thousands of apartment industry jobs lost
4. $58 billion in property taxes dry up and government services like education, police and fire are cut
5. Property owners default on their mortgages, nearly $1 trillion of which is backed by the federal government
6. The financial system begins 2008 Great Recession-style collapse
7. American taxpayers could be on the hook for more bailouts
HOW THE FEDERAL GOVERNMENT HAS SUPPORTED RENTERS

CARES Act: $2 Trillion COVID-19 Relief Package

- Multifamily Mortgage Forbearance
- Increased HUD Program Funding
- Unemployment Assistance
- Recovery Rebates

Some of these assistance measures are set to expire, leaving many without the means to make ends meet.
COST TO SUPPORT RENTERS THROUGH COVID-19 ($ BILLIONS)

- Alleviating Rent Burden, Rental Assistance:
  - With CARES expanded benefits: $11.9 billion
  - With basis UI benefits: $14.0 billion
  - With no benefits: $15.5 billion

- Prior Rent-to-Income Ratio, Rental Assistance:
  - With CARES expanded benefits: $1.8 billion
  - With basis UI benefits: $3.6 billion
  - With no benefits: $5.5 billion

- Prior Rent Burden, Income Supports:
  - With CARES expanded benefits: $4.6 billion
  - With basis UI benefits: $8.7 billion
  - With no benefits: $21.3 billion

Source: Urban Institute
Part 4

Can Innovation Help?

Matt Hoffman, Housing Tech Ventures
New Housing Solutions LIVE
July 16, 2020
3 MASSIVE PROBLEMS FOR AFFORDABILITY

REGULATION, REGULATION, REGULATION!
IT’S A HIGHLY RESTRICTIVE ENVIRONMENT

Supply
Demand
Climate
5 TECHNOLOGIES DRIVING INNOVATION

- Machine learning & AI
- Big data
- Cloud computing
- Internet of Things
- Mobile computing
Develop by-right more densely and enable highest and best use
BIG DATA

Better regulate the bad actors
Enable renters to access fair loans to bridge cashflow issues.
Enable people to rent rooms safely and economically with strangers
MOBILE COMPUTING

Increase value to resident and NOI