RENT PAYMENT
TRACKER

NMHC Rent Payment Tracker Retrospective

Behind the multifamily industry's first big data initiative and critical industry benchmark

NATIONAL MULTIFAMILY HOUSING COUNCIL | FEBRUARY 2022

When the rapid spread of COVID-19 sparked government lockdowns in March 2020, the U.S. economy was floored. Nervousness hit the stock market, and businesses closed up shop in hopes of stemming the pandemic.

However, “essential” businesses such as apartment management had to press on. Onsite staff became part of the front-line defense against a pandemic the likes of which had not been seen in a century, as the nation’s 40.1 million apartment renters sheltered in place.

These unprecedented times called for strong leadership. With 22 million Americans losing their jobs in March and April 2020, an urgent focus was on residents’ ability to pay the rent. Not only did residents need places to stay safe during the pandemic, but apartment owners also needed that revenue to continue operations while meeting their own financial obligations to keep their communities from foreclosure.

In those early days, uncertainty and fear blanketed the apartment industry. Many apartment owners were close to panicking, and investors were nervous. To provide more transparency and a measure of the industry’s health, the National Multifamily Housing Council (NMHC) moved quickly to form a powerful coalition of members and five leading property management software providers to devise a measure of renters’ ability to pay rent on time.

“There was so much anxiety—and even fear—about a drastic drop off in rent collections. And given the significant challenges we all experienced about a decade ago during “The Great Recession,” I would say those fears were well founded,” said ResMan President **Elizabeth Francisco**. “However, fear and anxiety cannot drive business decisions.”

Responding fast to the challenges, the coalition developed and launched the NMHC Rent Payment Tracker in early April 2020. The tracker pulled together data tallies from Entrata, MRI Software, RealPage, ResMan and Yardi for an authoritative measure of rent payments for 11.8 million apartment households; at this scale, the data covered nearly half of the apartment units in the market and the vast majority of investment-grade communities. The collaboration also provided snapshots of rent payments both at the beginning and end of each month, providing real-time data and a level of transparency never before seen.

In addition to a summary press release, NMHC also hosted a series of webinars to discuss the results and also engage apartment leaders on the effects of COVID-19 on community operations. All told, NMHC produced 22 webinars, featuring apartment executives from 23 member companies.

The tracker provided apartment owners and investors with a critical benchmark, while providing an important data point for media. Policymakers also used the tracker to measure our industry’s need for financial support at a time when nearly every business was lining up and asking Uncle Sam for the same.

“The value of the data is in the ability to have drafted intelligent federal and local policies as well as allowing for a better understanding for landlords and tenants about the latest rent payment status,” summed up **Ricardo Rivas**, CEO of Allied Orion Group.

A REVIEW OF RENT PAYMENT TRACKER RESULTS

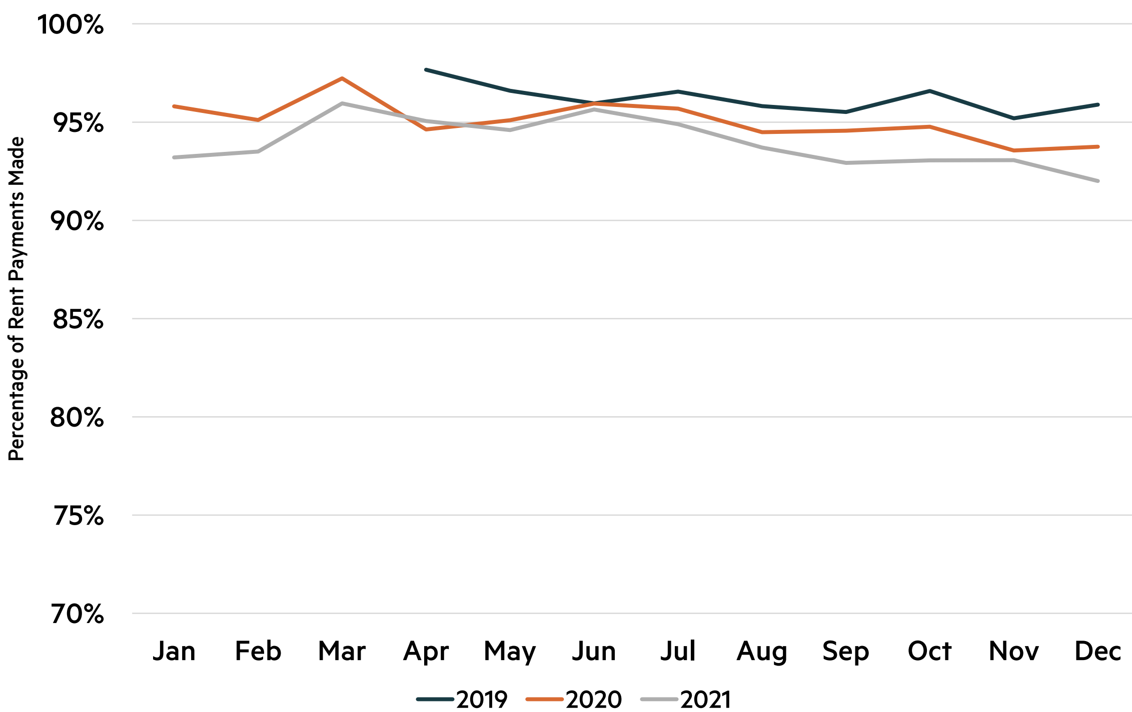
On April 8, 2020, NMHC published the first NMHC Rent Payment Tracker results. Those first results, measured through payments made during the first five days of April, showed 69.2 percent of renters in the dataset had made a full or partial payment. Given how quickly conditions were changing, the coalition produced the data weekly at first, a move that allowed the data tool to also capture late payments. For example, the data then showed that by the end of that first month, the percentage of residents who made a rent payment moved from 69.2 percent to 94.6 percent by the end of the month.

Eventually, the coalition settled into a monthly reporting cadence given the consistency of the data results and made a small tweak to the reporting period, moving it to the sixth day of every month.

The last report from December 2021 found that 92.0 percent of renters made a full or partial payment, based on 11.8 million renters nationwide. This compared with 93.8 percent in 2020 and 95.9 percent in 2019.

FIGURE 1

NMHC Rent Payment Tracker

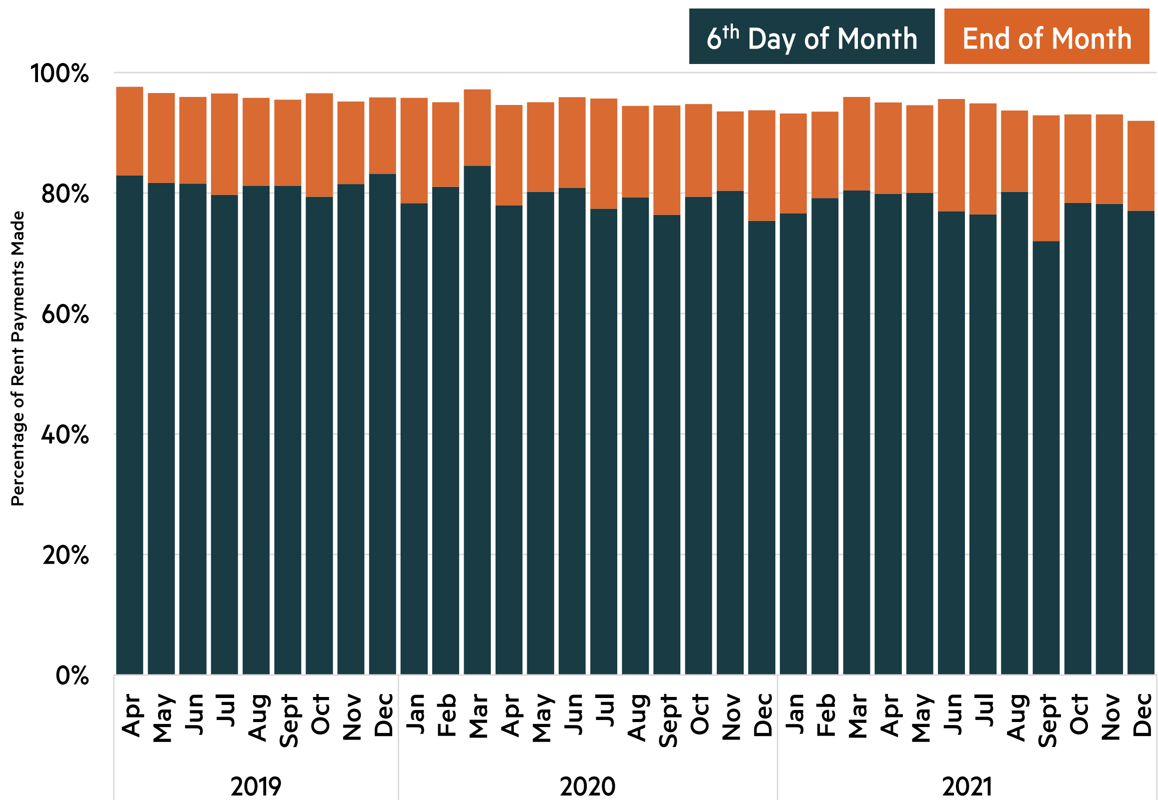


Data collected from between 11.1 – 11.8 million apartment units each month

The NMHC Rent Payment Tracker results showed a mostly incremental pattern of payment improvements over time as economies reopened and began their recoveries. However, the data also identified that there was still a portion of apartment renters that continued to struggle through the pandemic and were dependent on government intervention to help them meet their rent obligations. For example, the tracker showed payment rates dipped in the second half of 2021, when federal assistance waned.

FIGURE 2

NMHC Rent Payment Tracker Results



UNPRECEDENTED COLLABORATION

"Working with NMHC to put this together was certainly one of the highlights of my tenure," said then NMHC Chair **David Schwartz**, CEO and chairman of Waterton. "In March 2020, the NMHC team had the foresight to ask what will happen to our members' collections after these huge spikes in unemployment. The shifts were quick and drastic. This really could have been our Armageddon."

Schwartz said it was rewarding "having such a consortium of supplier partners to produce all of this data, showing that during this immensely important time we were able to come together to fight this kind of industry emergency."

Another former NMHC chair **Sue Ansel**, president and CEO of Gables Residential, agreed. "It was amazing to see our service providers collaborate and aggregate data on nearly 12 million apartment homes, which gave these reports a lot of credibility," Ansel said. "This helped us to have confidence in the data that we presented to the press."

Yardi Matrix Vice President **Jeff Adler** said the entire industry—owners, operators, capital providers and data providers—"really pulled together to provide a public service to fill a critical need when so much fear and uncertainty reigned. We calmed a lot of nerves and allowed the property management industry to shine and demonstrate the value of professional management."

"It was refreshing to be able to engage with our competitors on this, and the group brought diverse perspectives, which was highly beneficial," added **Brian Zrimsek**, industry principal with MRI Software. "For example, I'm not an economist, but RealPage's Greg Willett is. I come from an IT background. [ResMan's Elizabeth Francisco] came from an onsite operations background. This combination of thought leadership was ideal."

RESIDENTS PRIORITIZED RENT

At the outset, a few alarms went off. "The first report was not so great," Schwartz said. "Collection levels were lower than I expected [at 69.2 percent]. It quickly became alarming info that was flashing across the bottom of the CNN telecast. But it turned out to be more of an aberration because the first day of the month that month fell on a Sunday. [NMHC] adjusted how we defined the rent payment due date and what was considered 'late' for renters and the collection percentages improved [to 78.0 percent] from there."

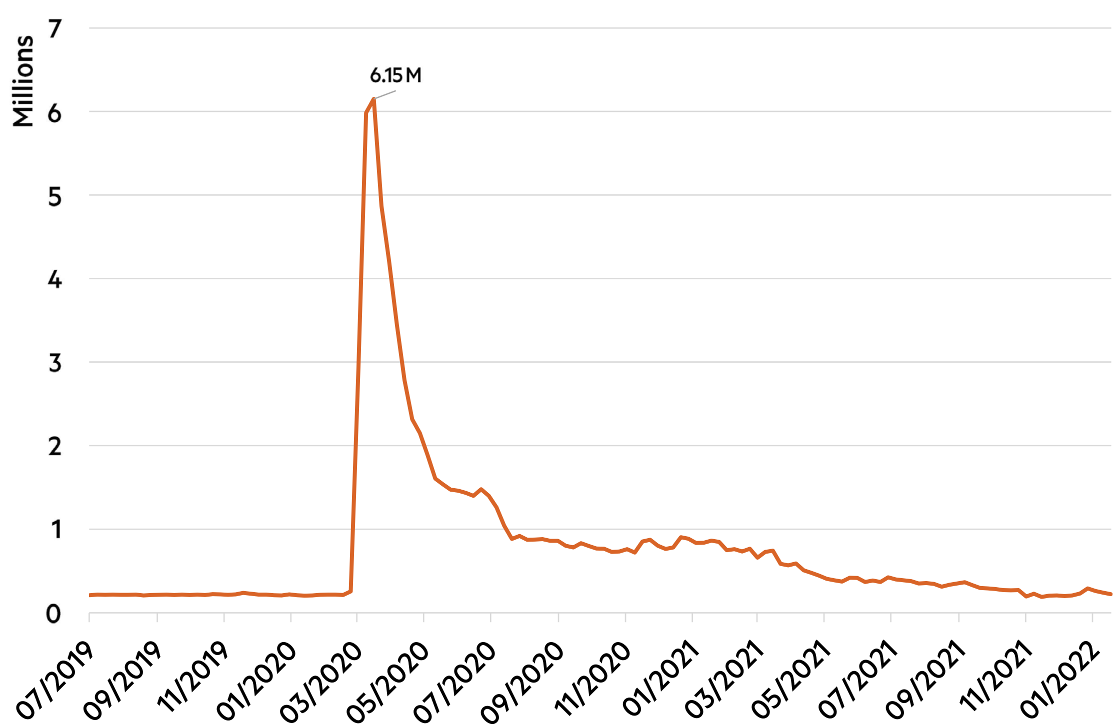
"As we moved along with the survey, the proverbial 'shoe' never dropped," Zrimsek added. "The cliff never came."

For **Jay Parsons**, vice president, head of economics and industry principal at RealPage, the big surprise in the data was "the resilience of apartment renters. While a small share did indeed struggle and that warrants attention, the good news is the vast majority of renters were able and willing to pay the rent."

"Delinquency could have been much worse with the magnitude of job loss early in the pandemic," said **Laurie Baker**, COO at Camden Property Trust.

FIGURE 3

Weekly Initial Unemployment Claims, Seasonally Adjusted



Source: FRED Economic Data, St. Louis Fed

Adler said that most renters "truly valued their relationship with their property managers and wanted to protect their credit score by paying on time or working out a payment plan if they had difficulties."

But beyond demonstrating who was able to continue to make rent despite the economic challenges associated with the pandemic, the tracker also provided a consistent count of who could not, said **Caitlin Walter**, vice president of research for NMHC.

"For me, the NMHC Rent Payment Tracker clearly demonstrated how the vast majority of apartment residents in the professionally managed space were able to meet their obligations, but that there was a smaller, but significant group who deeply needed help," she said. "The Rent Payment Tracker allowed us to follow those groups throughout the pandemic and as federal programs came and went."

PERFORMANCE BENCHMARKING

The industry tracks a ton of data in great detail. Cost per lead conversions, cost per lease, rent growth, occupancy, vacancy, and much more have been studied and measured to the umpteenth degree, said Zrimsek.

"Here, we have a new benchmark—one that has never been tracked," he explained. "And it comes from these unprecedented circumstances in our country, our economy, and in the multifamily housing industry: unemployment going from 5 percent to 20 percent to 5 percent; long shutdowns or shelter-in-place policies; supply chain issues; and now, record levels of inflation.

"We all had to improvise during those initial months of the pandemic. Once the dust settled, it was time for our industry to adapt. We had to keep leasing apartments. We had to focus on self-guided tours, electronic rent payment, performing emergency work orders. The new normal was created because we drove tech adaptation and accelerated it to a larger audience. This will have a lasting effect on operations—a positive one."

Waterton's Executive Vice President of Operations **Stephanie Brock**, then senior vice president of multifamily with Denver-based McWhinney, said the NMHC Rent Payment Tracker "was very valuable as a tool to compare against our performance, we could use it as an affirmation.

"We operate a national portfolio and all of the markets differed. Through it all, we learned how important it was to understand renters' situations. These data more reflected the numbers and not the emotions."

Donald Davidoff, co-founder and CEO of Real Estate Business Analytics, agreed. "The NMHC Rent Payment Tracker was an incredibly useful set of data," he explained. "Especially in the first few months when there was more fear than facts, this early data really helped 'talk folks off the ledge' and prevented overreactions."

Davidoff said he regularly used the data during a series of online roundtables tracking the effects of the pandemic. "The NMHC Rent Payment Tracker was an invaluable source of real data that allowed people to react to the data rather than their fears. It's hard making good decisions in a crisis, and this really helped," he said.

OPERATORS REACH OUT TO RESIDENTS

The NMHC Rent Payment Tracker information was the cornerstone for discussions among operators throughout the first year and more of the recovery. Over the course of the project, NMHC and its tracker partners hosted 23 executives from some of the leading multifamily firms to talk about what they were experiencing at the community level and how they were managing through those challenges.

Owners and operators throughout the country worked closely with residents to find mutually beneficial tactics to help both sides of the industry coexist through the pandemic. These included extended payment deadlines, repayment options, the waiving of a variety of fees, the offering of month-to-month leasing plans and additional resident-centric initiatives. Several property management companies across the country set up renter relief funds, including Camden which distributed $5 million to residents in need, much of which was funded by their employees themselves.

"It was great to see how operators were more tolerant about rent payment, they helped their residents who might have been struggling by providing them resources to help them make their payments," Zrimsek said. "This created a win-win. It used to be that they were mostly nice to residents who were 'current' on rent, but now they see how this can go. It's something I think has carried over today.

"The way professional property managers stepped up to help renters and their communities was admirable. The concessions offered, deferred payments and payment plans were necessary to help residents in their time of need while legislators worked to pass stimulus bills and increased unemployment benefits."

Allied Orion Group's Rivas said his company was committed to working through the situation with their renters and that empathy was key. "Our teams were dedicating time to reach out and keep communication open, however, when people became unresponsive it was not only challenging, it continued to take resources away from the time needed for everything else that needs to be done for the property."

RESHAPING THE PUBLIC NARRATIVE

For **Chase Harrington**, president and COO of Entrata, the tracker data was also a powerful tool to help inform the public and provide a reliable barometer of the industry for media. Without it, the media would have been relying only on anecdotal information and potentially drawing incorrect conclusions about the pandemic's impact on the rental housing industry.

"The willingness of the industry to come together to both track and publicize these key metrics played a critical role in helping provide a transparent look into exactly how the rental-housing industry was faring through the various stages of the pandemic. It also served as a combatant to some of the more sensationalized headlines and media stories that we saw early on," he said.

NMHC Rent Payment Tracker information was published by Bloomberg, CNBC, Financial Times, FiveThirtyEight, The New York Times, The Washington Post, The Wall Street Journal and many other outlets.

Francisco said the data helped to quell another concern: The messaging from renter activist groups or rent strike groups and whether they would influence people not to pay who could and should pay rent."

Camden's Baker explained, "We have to operate by fact. While there was distress in the economy, collections only went down by a few percentage points. Without this data, more misinformation could have led to overreaction by state and local governments. I believe this information painted the right picture and allowed for the proper management of the delinquency situation in many but not all markets."

In 2020, federal mandates forbid owners to evict delinquent tenants for nonpayment of rent. Zrimsek said that "many in the media then had to learn and understand just how rent payment worked. Rent was due on the first of the month, but with weekends and holidays, that wasn't always the 'true' day it was due."

Parsons said another takeaway from the NMHC Rent Payment Tracker was that renters are a very diverse group—in every sense of the word.

"The public narrative often wrongly assumes everyone wants to be a homeowner, and people rent only because they can't afford to buy a house. Because of that misconception, the public narrative cheers home-price appreciation and boos rent appreciation.

"The Rent Payment Tracker highlighted that the renters in market-rate, professionally managed apartments tend to have higher incomes, and that affordability challenges really trace not to market-rate rent growth but to the severe shortage of housing—particularly with affordable housing."

Parsons said there's now more focus than ever on removing red tape and other NIMBY-driven obstacles to new rental housing construction, and more policy focus than ever on increasing affordable housing funding.

Zrimsek said, "In the end, the NMHC Rent Tracker Program showed that there was just enough rent collection happening to prevent operators from panicking while just enough increase in delinquency to help show the government the need for rental assistance."

"First, while it is true that these actions helped the industry navigate the economic impact, more importantly it helped to keep people in their homes," Francisco said. "I don't think the general public understands that when a property falls into negative cash flow it impacts the quality of the housing and community overall.

"Things like the stimulus and increased unemployment benefits help to maintain necessary revenue to manage the assets, assets, which were also simultaneously have to purchase unbudgeted supplies like personal protection equipment, janitorial service and health policy signage."

Schwartz said that as lobbying began for the CARES Act, "this was valuable information to express about the importance of protecting renter households. It led to enhanced unemployment benefits that helped many renters stay in their homes."

The CARES Act also included forbearance language that supported those with GSE-sponsored loans if they needed it. "Fortunately, not many needed it," Schwartz said. "Next came the ERAP, which also helped renters tremendously."

Cindy Chetti, senior vice president of government affairs for NMHC, had a similar opinion. "As we spoke and worked with lawmakers from the onset of the pandemic, the NMHC Rent Payment Tracker gave us a key tool that showed the critical role federal programs like direct assistance, unemployment insurance and, later, rental assistance, were playing in keeping families across the country in the homes," she explained.

NOT ALL MARKETS FARED EQUALLY

During discussions of the data results, the tracker partners would often note how various regions around the country fared differently based on everything from economic diversity, extreme weather events and public policies. "It became clear early in the process that certain geographical regions were being impacted much differently than others," explained Harrington.

"Many of the major coastal gateway cities faced significant rent collection challenges from early on, and were the slowest to recover over time. Other markets, such as many located in the Midwest or parts of the South, experienced smaller disruptions throughout the different waves of the pandemic. These trends persisted for the entirety of the Rent Payment Tracker project."

For example, eviction bans proved to have a significant effect on collections. Such policies were initiated out of good intent, but they also increased the financial strain on property owners unnecessarily, especially as they continued to be extended.

"We heard from our base that some renters took a wait-and-see approach without realizing their debt was increasing as they waited," said Francisco. "Coupled with a renter's lack of understanding or even knowledge of the rent relief assistance available and the inability to get those funds released, some owners ended up with tens of thousands (if not hundreds) of rental collection short falls per property."

Greg Willett, former chief economist with RealPage and currently first vice president, national director of IPA Research, also stressed the varying results across different geographic markets and their relationship to policy. "When you look at markets where the most renters missed rent payments, Seattle and Portland stick out as ones where renters most took advantage of the situation with government relief, etc."

However, for as much as the data demonstrated where there was need and what policies were more efficient in helping those struggling, the tracker results also consistently showed the payment outperformance of the institutional or investment-grade tranche of the market against the broader multifamily family market.

"At the beginning of the pandemic when there was such economic uncertainty, it became eminently clear that the industry, as well as leading policymakers, media outlets and financial institutions, needed a single, trusted indicator," said **Doug Bibby**, president of NMHC. "The NMHC Rent Payment Tracker, with the critical support of our data provider partners, became that indicator. For the better part of two years, it demonstrated the resilience and strength of our industry."

ACKNOWLEDGMENTS

NMHC recognizes that the NMHC Rent Payment Tracker data project would have been impossible without the continued support and cooperation of our five property management systems provider partners. They proved to be amazing partners in this ambitious and significant project.

Jeff Adler
Yardi

Elizabeth Francisco
ResMan

Chase Harrington
Entrata

Greg Willett
RealPage

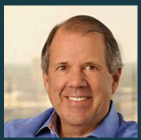
Brian Zrimsek
MRI Software

Special NMHC Rent Payment Tracker Guests

Leading multifamily executives offered tremendous support of the NMHC Rent Payment Tracker project. A total of 23 executives from multifamily firms varying in portfolio size, geographic location and asset type appeared as guests on the NMHC Rent Payment Tracker webinar series that ran from April 2020 through June 2021.

Sue Ansel
Gables Residential

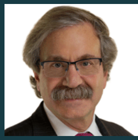
Julie Brawn-Whitesides
ConAm Management Corporation



Ric Campo
Camden Living

Daryl Carter
Avanath Capital Management

Brad Cribbins
Alliance Residential Company



Larry Curtis
WinnDevelopment

Lili Dunn
Bell Partners, Inc

Nancy Goldsmith
Bozzuto Management Company

Robert Grealy
KETTLER

Robert Hart
TruAmerica Multifamily

Margette Hepfner
Lincoln Property Company

Antonio Marquez
Comunidad Partners

Kevin Owens
CF Real Estate Services

Alfred V. Pace
Pacific Urban Residential

Toni Reeves
Greystar

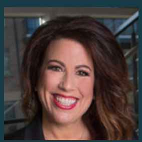
Ricardo Rivas
Allied Orion Group

Brendt D. Rusten
Dominium

James H. Schloemer
Continental Properties

Walt Smith
Avenue5 Residential

Caroline Vary
Jonathan Rose Companies



Marcie Williams
RKW Residential

Meredith Wright
Mission Rock Residential

Joanna Zabriskie
BH Management