INDEPENDENT LANDLORD RENTAL PERFORMANCE
REPORT

Chandan ECONOMICS
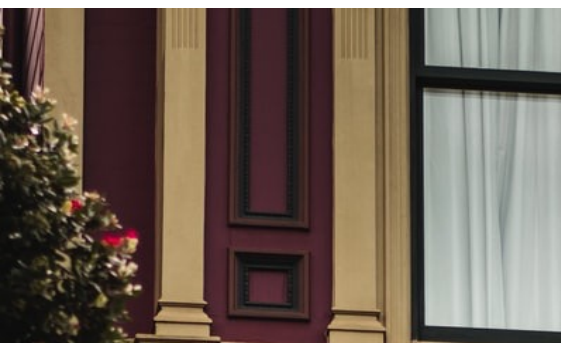
rentredi

May 2023

Index

Key Takeaways

1. **The on-time payment rate in independently operated rental units declined again in May, falling to 82.1%**

2. **The May 2023 forecast full payment rate is 91.6% — its lowest mark since September 2022.**

3. **Washington continues to hold the highest on-time payment rate of any state in the country, coming in at 90.1% in May.**

4. **On-time payment rates dropped across all price points in May except for the highest-priced units, representing a potential performance divergence.**

5. **2–4-unit rental properties held the highest on-time payment rates of all sub-property types in May, coming in at 83.4%.**
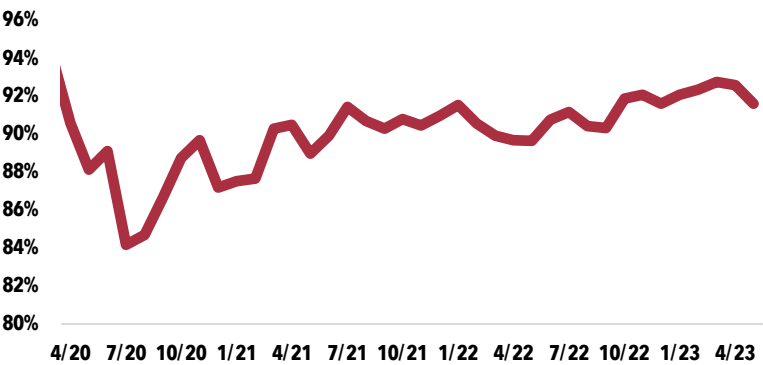
Current Performance

On-time rental payments in units operated by independent landlords dipped slightly in May 2023, though they continue to hold up at healthy levels. In recent months, the rental housing sector has had to contend with a growing number of headwinds. Financing terms are more stringent and expensive, while rent growth is slowing and expenses are accelerating. Resilient renter performance has been a saving grace for the sector to date. So long as the labor market maintains its strength and tenants retain the ability to pay their rent, the scope of distress is limited.
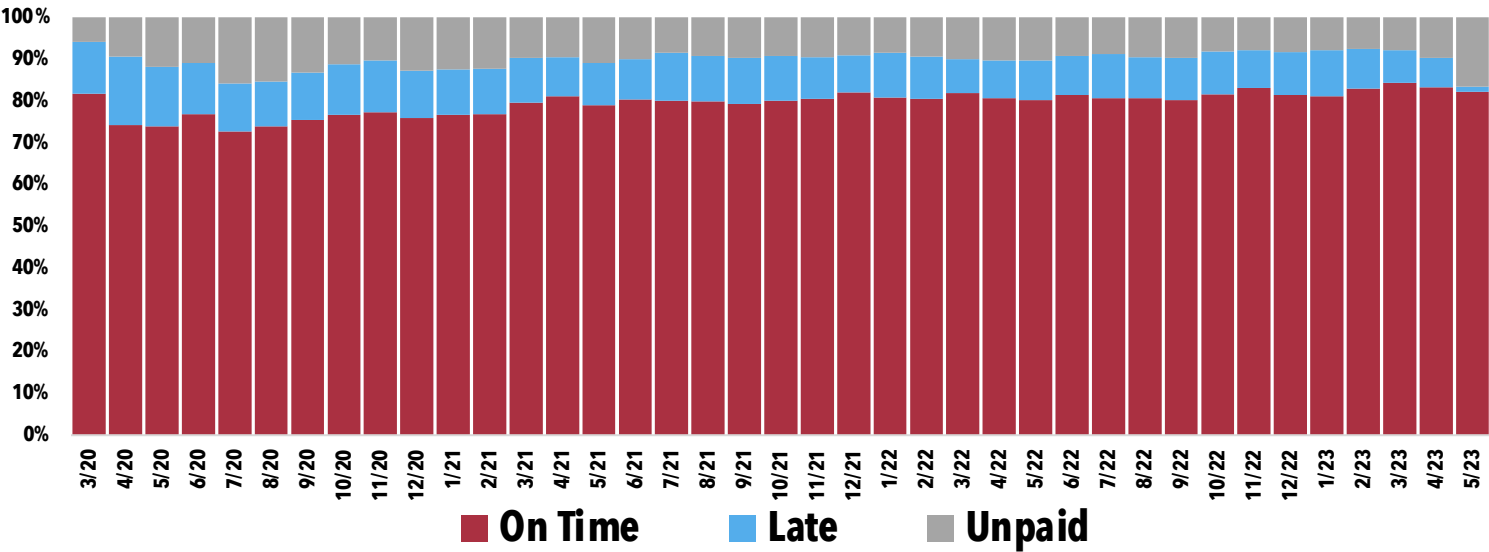
May's on-time payment rate (first estimate) ticked down 108 bps from a month earlier, landing at 82.1%. In isolation, May's on-time payment rate remains at a robust high. Post-pandemic, on-time payment rates broke past 82% for the first time in February 2023. Moreover, compared to a year ago, the national on-time payment rate is up by 190 bps. However, at the same time, the on-time rate has now fallen by more than 100 bps in consecutive months — a pattern that would quickly ignite distress if it were to continue in upcoming months.

Moreover, the forecast full-payment rate for May, which includes received on-time and late payments plus anticipated late payments in upcoming months, fell to 91.6% in May — the lowest mark in eight (8) months. May's forecast full payment rate is down 101 bps from the prior month. Through May 15th, 1.2% of units have paid rent late, and 16.6% have yet to complete full payments. However, Chandan Economics forecasts that the late-payment rate will rise to 9.5% over the next few months, and the unpaid rate will fall to 8.4%.

Forecast Full Payment Rate

Independent Landlord Rental Payment Tracker

Performance by State

	On-Time Payment Rate May 2023 First Estimate	One-Month Change
WA	90.1%	-0.91%
MA	88.9%	-0.91%
CO	88.2%	1.71%
CA	87.2%	2.00%
VA	86.9%	-0.13%
KS	86.8%	3.14%
WI	86.2%	-0.59%
OK	85.4%	-0.28%
MO	85.2%	1.26%
KY	85.1%	2.99%
NC	83.0%	0.66%
AR	82.7%	0.83%
AZ	82.6%	-1.11%
OH	82.5%	-1.55%
TX	81.6%	-0.97%
NJ	81.4%	0.27%
NY	80.6%	-0.53%
FL	80.2%	-3.88%
GA	80.1%	-2.00%
TN	79.7%	-2.16%
LA	79.6%	-1.28%
PA	79.4%	-1.82%
MI	79.3%	-1.59%
AL	79.2%	0.62%
IN	79.0%	-0.74%
IL	78.9%	-1.87%
SC	77.8%	-2.14%
IA	76.5%	-6.13%
CT	76.5%	0.35%
MN	74.1%	-7.50%
MS	71.9%	-4.09%
MD	71.1%	-7.86%

State-Level Analysis

Across the country, there is a wide gradient of rental performance measured across state lines. Of the states with at least 500 tracked units in the RentRedi-Chandan Economics sample, Washington continues to hold the highest payment rate in the country (90.1%), despite declining 91 bps between April and May. The top five states for on-time rent collections are all relatively high-income. Moreover, four of the five are coastal, with Colorado standing as the lone exception.

California sits at fourth in the country, boasting an on-time payment rate in May of 87.2% — 510 bps better than the national average. Meanwhile, Florida and Texas continue to perform near the middle of the pack, holding May on-time payment rates of 80.2% and 81.6%, respectively.

Beyond the Sunshine State, the best-performing state in the Southeast — a region that has seen a surge of rental demand in recent years — was North Carolina, where 83.0% of units paid rent on time. Meanwhile, nearby Georgia (80.1%), Tennessee (79.7%), Alabama (79.2%), and South Carolina (77.8%) all performed below the national average.

Turning up the I-95 interstate and heading toward the Northeast, 80.6% of units have paid their rent on time in New York this month, slightly worse than neighboring New Jersey (81.4%). Pennsylvania (79.4%) and Connecticut (76.5%) perform near the bottom of the pack. Meanwhile, the only standout performer in the region is Massachusetts, which had an 88.9% on-time payment rate — the second highest in the country.

3

Performance by Rent Level

Price Point Analysis

Analyzing performance trends at different rental price points, high-priced hold the best on-time payment rates in recent months, while low-priced rentals are on the other side of the spectrum.
Units charging more than $2,500 for monthly rent had an on-time payment rate of 86.1% in May 2023. The mid-price point units all had on-time payment rates between 81.8% and 84.7% this month.

With limited exceptions, units with monthly rents below $1,000 have consistently held lower on-time payment rates than the rest of the independently operated rental housing market. These low-priced units tend to have lower household incomes and credit scores in their tenant mix. As of the May 2023 preliminary estimate, 80.3% of these lower-priced units paid rent on time.

Notably, on-time payment rates dropped across all price points in May, except for high-priced rentals charging more than $2,500 per month. On-time payment rates in high-priced rentals ticked up by two (2) bps. Meanwhile, for every other price category, on-time payment rates declined between 91 bps and 142 bps month-over-month. If recent trends continue into upcoming months, it could represent a more substantial performance divergence between lifestyle renters and renters-by-necessity.

	<$1,000	$1,000-$1,499	$1,500-$1,999	$2,000-$2,499	>$2,500
On-Time Payment Rate May 2023 First Estimate	80.3%	81.8%	84.3%	84.7%	86.1%

On-Time Rent Payments by Rental Price Point
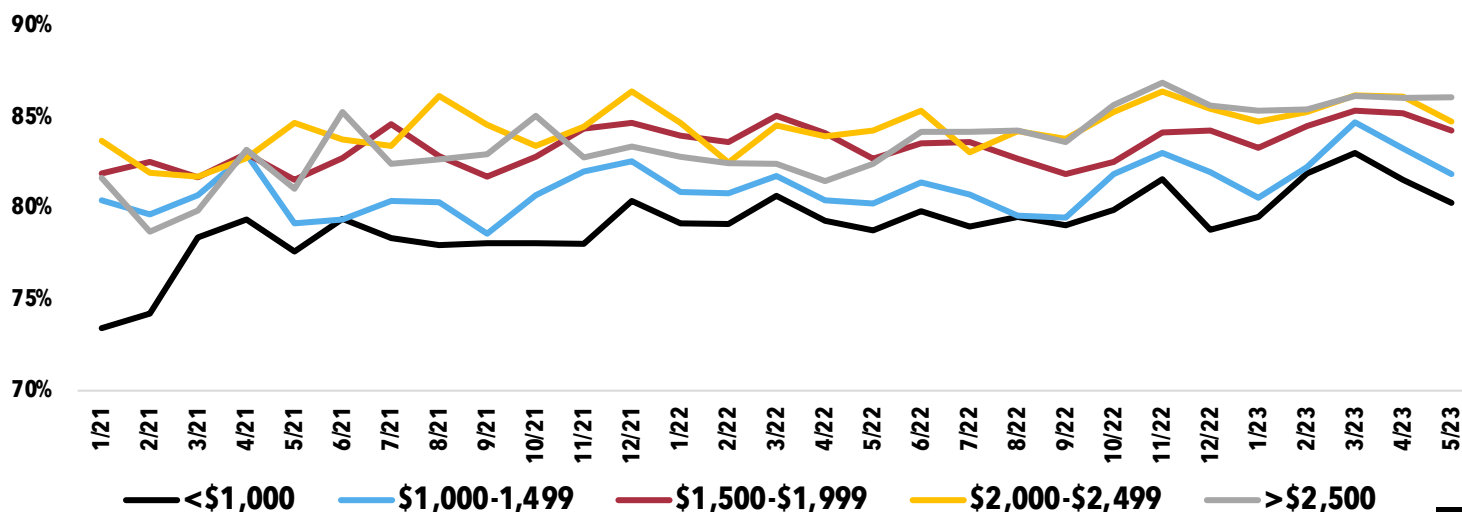
Performance by Property Type

Single-Family Rentals

As of the preliminary May estimate, 82.5% of SFR units have paid their rent on time this month, declining from April's 82.8% by 29 bps. Still, compared to one year ago, SFR on-time payment rates are up by an encouraging 218 bps.

Mirroring the national all-property-type trend, with month-over-month on-time payment rates declining for SFR units in May, so too did the forecast full payment rate. Currently, Chandan Economics forecasts that the May 2023 SFR full payment rate will land at 92.2% — its lowest level since November 2022.

Through May 15th, 1.3% of SFR units have paid their rent late, while another 16.1% have yet to make full payments. Chandan Economics forecasts that the late-payment rate for SFR units in May will rise to 9.7% over time.

	April 2023	May 2023 First Estimate
On-Time Payment Rate	82.8%	82.5%
Month-over-Month Change	-148 bps	-29 bps
Year-over-Year Change	+219 bps	+218 bps

Single-Family Rentals
Independent Landlord Rental Payment Tracker

**On Time** **Late** **Unpaid**

5
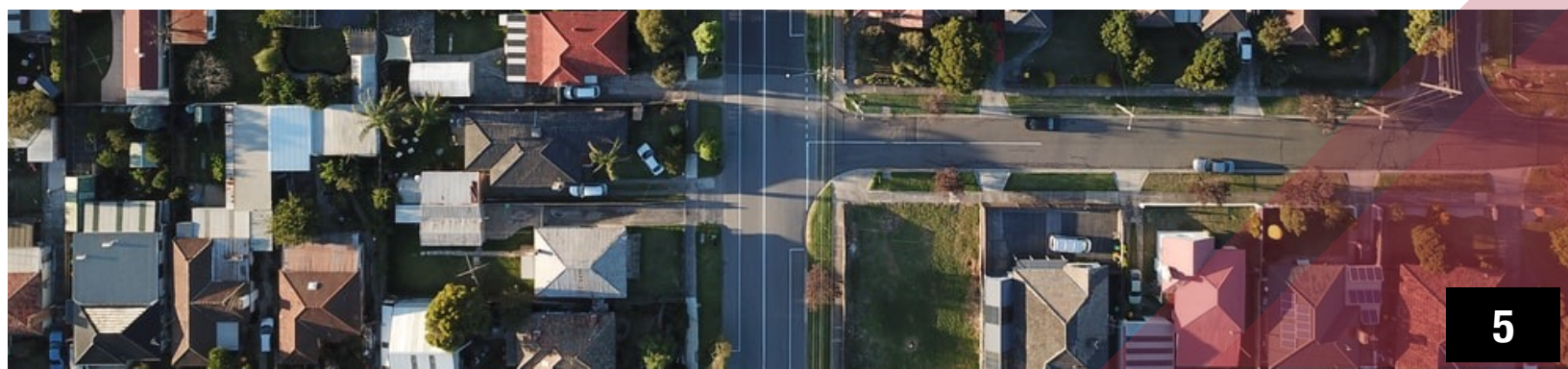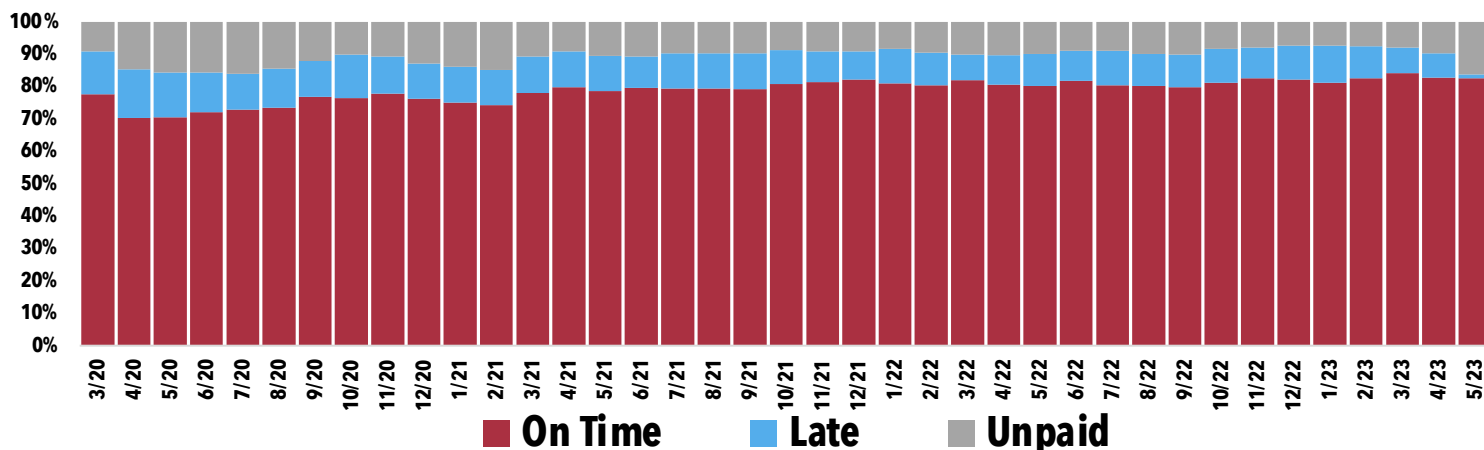
2-4-Unit

Independently operated apartments in properties with 2-4 units had an average on-time payment rate of 83.5% as of the preliminary May 2023 estimate. On-time payment rates dropped off by 119 bps between April and May. Still, on-time payment rates remain up by 164 bps year-over-year.

Through May 15th, 1.2% of 2-4 Family units have paid their rent late, while another 15.4% have yet to make their full payment. Chandan Economics forecasts that the 2-4 unit late-payment rate in May will rise to 8.7% over time, with the full-payment rate settling at 92.2%.

	April 2023	May 2023 First Estimate
On-Time Payment Rate	84.7%	83.5%
Month-over-Month Change	-65 bps	-119 bps
Year-over-Year Change	+196 bps	+164 bps

2-4 Family Rentals
Independent Landlord Rental Payment Tracker
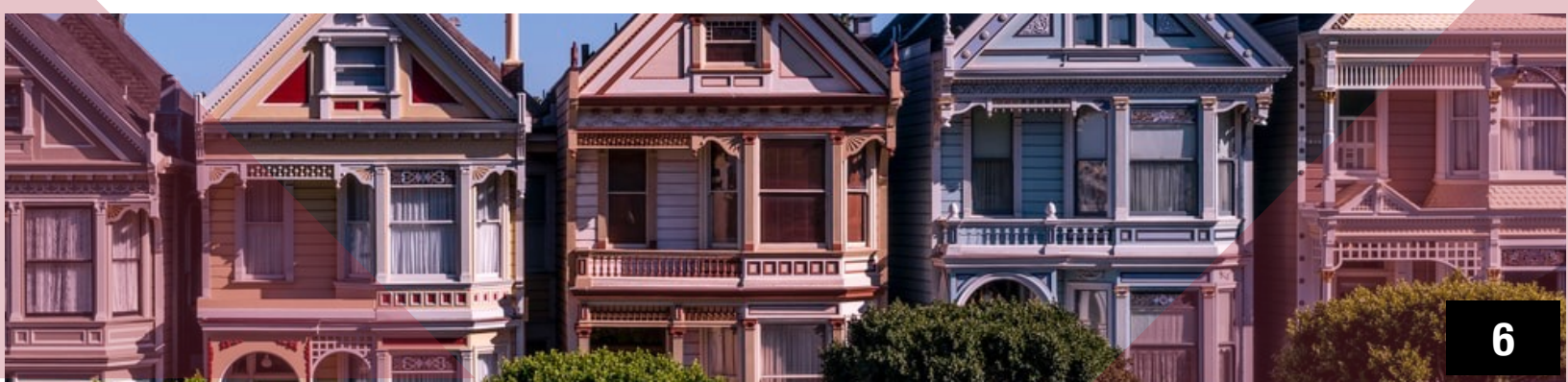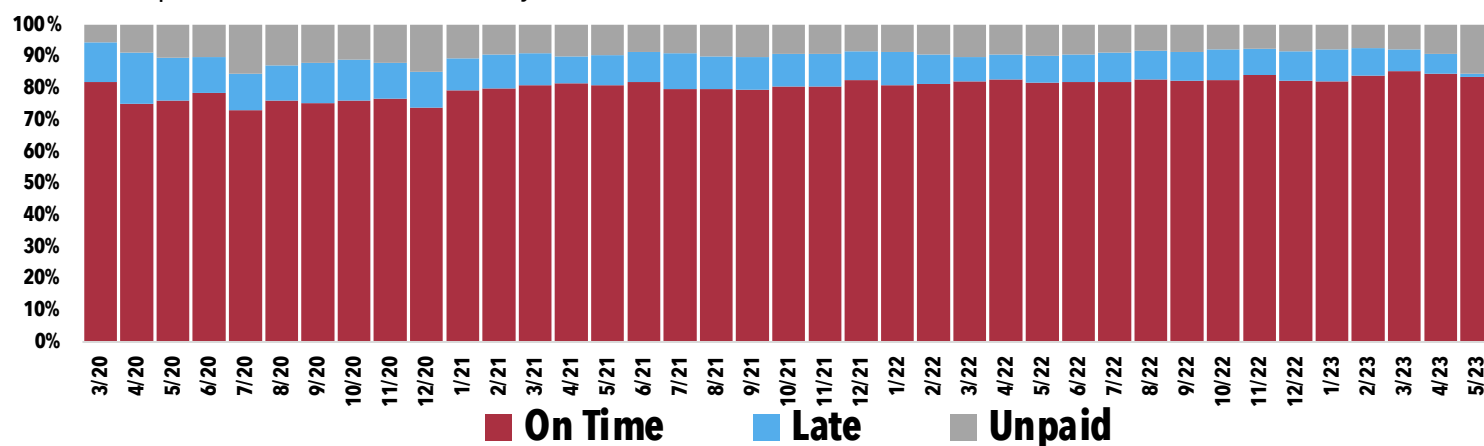
Small Multifamily (5-49 Unit) Rentals

The on-time payment rate for apartments in Small Multifamily properties (5-49 units) averaged 82.0% as of the preliminary May 2023 estimate. Compared to April, the May estimate fell off by 164 bps. However, from a year earlier, the May 2023 on-time payment rate is up 147 bps.

Through May 15th, 1.1% of units in Small Multifamily properties have paid their rent late, while another 16.9% have yet to make their full payment. Chandan Economics forecasts that the late-payment rate for Small Multifamily units in May will rise to 9.5% over time, with the full-payment rate settling at 91.4%.

	April 2023	May 2023 First Estimate
On-Time Payment Rate	83.6%	82.0%
Month-over-Month Change	-101 bps	-164 bps
Year-over-Year Change	+235 bps	+147 bps

Small Multifamily Rentals
Independent Landlord Rental Payment Tracker

■ On Time ■ Late ■ Unpaid

7
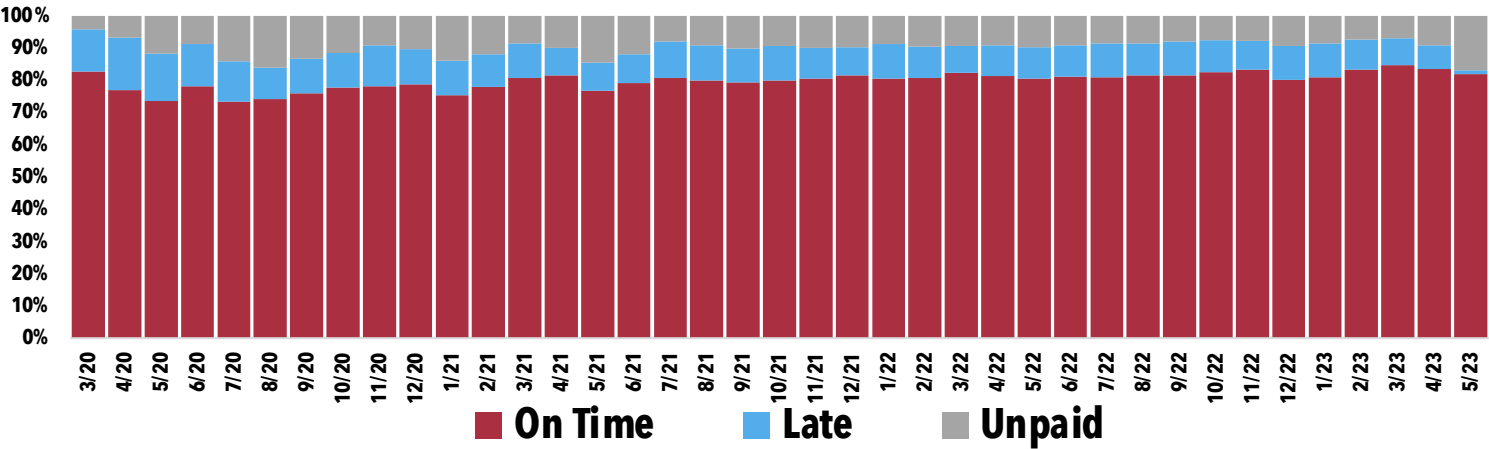
About This Report

The Independent Landlord Rental Performance report is a real-time look at how well non-institutional operators are collecting owed monthly rental payments. Utilizing data provided by property management software RentRedi, these findings have a reduced sample size of 60,110 units, which are analyzed and reported by Chandan Economics. Where sample size quality meets sufficient reporting standards, data are offered from March 2020 forward, and new trends and analyses are reported monthly. Performance trends are discussed nationally, as well as along the lines of residential property type and geography.

Notably, these data track a segment of landlords that are underrepresented in leading market samples. For example, while the previously reported National Multifamily Housing Council's (NMHC) Rent Tracker held an unmatched sample size (11+ million), it represented exclusively the professionally managed segment of the rental housing sector. Data contained within this report offer a contrasting set of statistics that may allow investors, brokers, academic researchers, and policymakers a benchmark to track the performance and health of independent landlords.

Note: Please cite these results as the Chandan Economics-RentRedi Independent Landlord Rental Performance Report.

About: Chandan ECONOMICS

Chandan Economics is an economic advisory and data science firm serving the commercial real estate industry. The firm's primary businesses include real estate data science (REDS), economic & market research, and litigation consulting.

About: rentredi

RentRedi is a property management software that saves landlords time & money by empowering them with tech to manage their rentals—all from the palm of their hand.

For landlords, RentRedi provides all-in-one web and mobile apps to collect rent, list & market vacancies, find & screen tenants, sign leases, and manage maintenance & accounting. RentRedi has partnered with platforms including Plaid, REI Hub, Latchel, TransUnion, TSYS, Sure Insurance, and Realtor.com, and Doorsteps to create the best experience possible.

For tenants, RentRedi's easy-to-use mobile app allows them to pay rent, set up auto-pay, report rent payments to credit bureaus, prequalify & sign leases, and submit maintenance requests

Methodology

Data are reported on a forward basis from March 2020 through April 2023 (current reporting period). As of the latest month of data availability, the reduced unit sample size totals 57,769. Rent charges are measured on a 15th-to-15th-of-the-month basis. Rent charges that are issued after the 15th of the current month are treated as a rent charge for the following rent-tracking period. (E.g., a rent charge sent on May 16th would be treated as a charge corresponding to June's owed rental payment.)

Only charges designated as "rental income" are included for analysis. Rent charges below $500 and above $10,000 are excluded from this analysis.

Units that have not paid any form of rental income (full or partial) in the previous 60 days at the time a new rental charge is issued are removed from the sample tracking sample. Unpaid units refer to all units that have yet to fully satisfy their owed rents for a collection period. These unpaid units include units that have only partially paid their rent. As a means of reporting standardization, units with more than one monthly rent charge (E.g., rent paid weekly) are removed from the rent tracking sample.

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