INDEPENDENT LANDLORD RENTAL PERFORMANCE REPORT

July 2022

Index

Key Takeaways

1. The on-time payment rate in independently operated rental units declined by 114 bps between June and July, falling to 80.1%.

2. Gateway markets, while maintaining higher on-time payment rates than units located elsewhere for seven consecutive months, saw a significant 240 bps decline in July.

3. Sun Belt rentals underperformed the rest of the US for their fourth consecutive month.

4. 2-4 Family rentals maintain the highest on-time payment rate of all sub-property types in July, coming in at 81.3%.

5. Single-Family Rentals hold the lowest on-time payment rates, averaging 79.1%.

National Performance

Current Performance

On-time rental payments in units operated by independent landlords declined marginally between June and July, though they remain at healthy levels, standing several percentage points above this time last year.

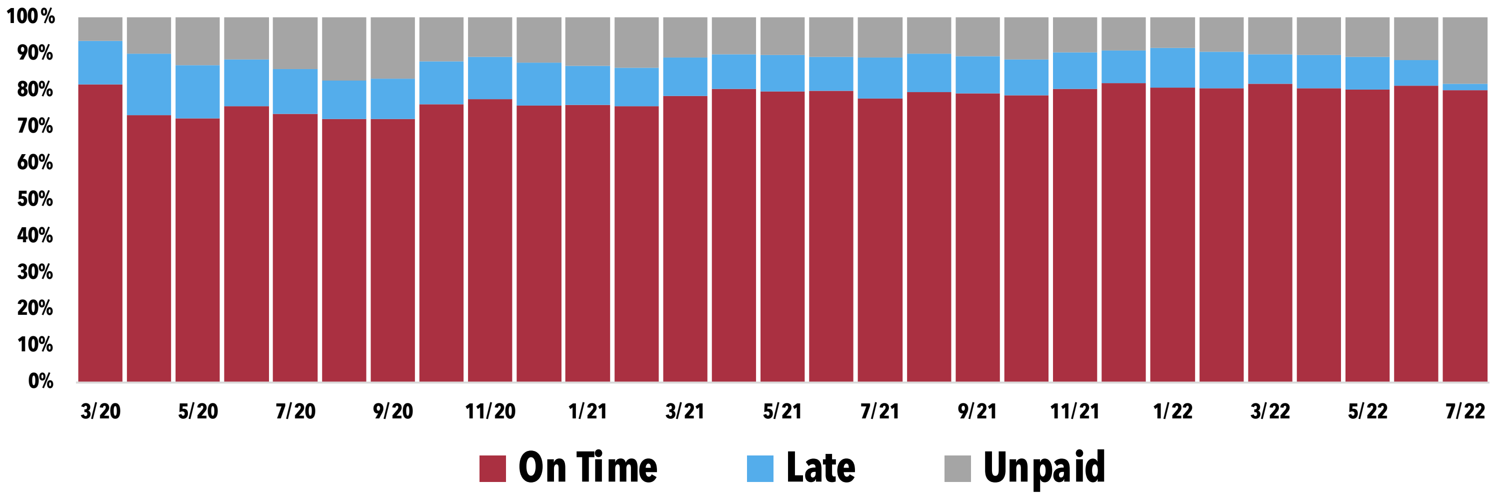
June's month-end on-time payment rate was revised down 34 basis points (bps) from the preliminary estimate, coming in at 81.2%. June's on-time payment rate improved 96 bps from the month prior and came in 140 bps higher than at the same point last year.

July's first estimate indicates a moderation from the early-Summer improvement as the on-time collection rate settled at 80.1%. The preliminary July estimates show a drop-off of 114 bps from June, though it still stands 227 bps higher than July 2021.

Through July 15th, 1.7% of units have paid rent late, and 18.3% of units have yet to make their full payment. Chandan Economics forecasts that the late-payment rate for July will rise to 9.8% over the next several months, and the of units missing full payments will fall to 10.2%.

	June 2022	July 2022 First Estimate
On-Time Payment Rate	81.2%	80.2%
Month-over-Month Change	+96 bps	-114 bps
Year-over-Year Change	+140 bps	+227 bps

Independent Landlord Rental Payment Tracker



Performance by Geography

Gateway vs. non-Gateway

As of the July 2022 first estimate, independently operated units inside Gateway markets (New York, Los Angeles, San Francisco, Washington, DC, Houston, Dallas, Chicago, and Boston) outperformed units outside of Gateway markets for the seventh consecutive month. June's on-time payment rate stands at 80.4% in Gateway units and 80.0% in non-Gateway units.

Measured month-over-month, on-time payments declined more severely in Gateway units, shaving off 240 bps. Non-Gateway units saw on-time payments decline by a milder 93 bps.

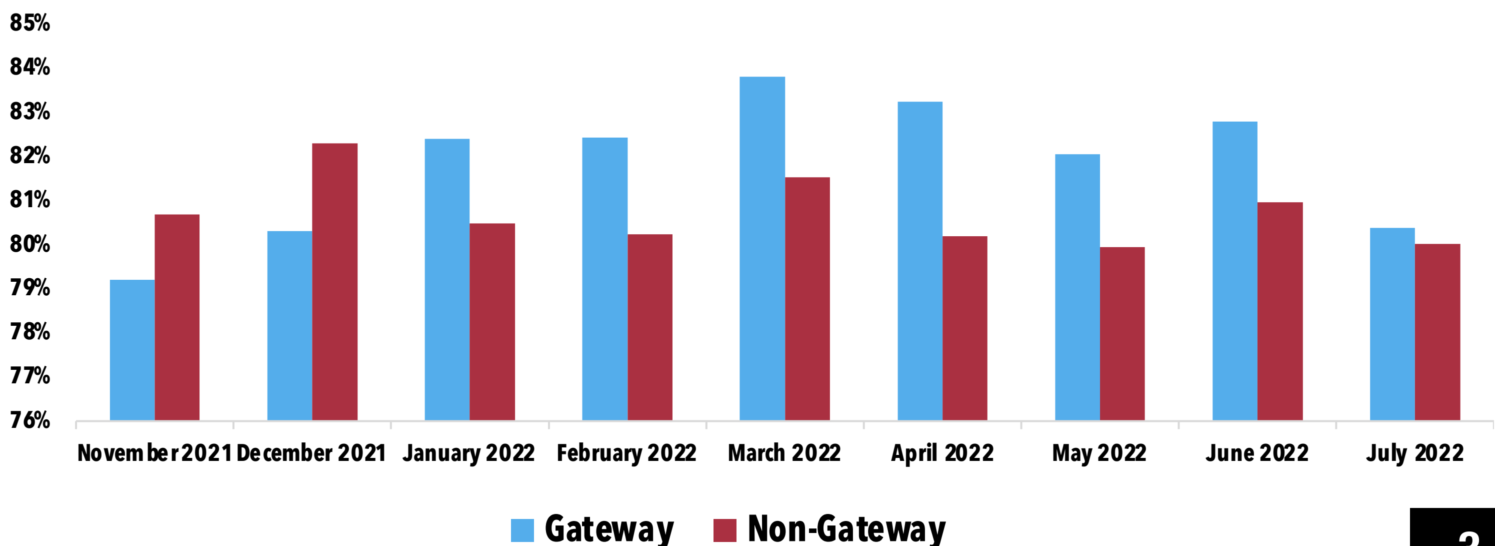
While Gateway markets continue to maintain higher average on-time payment rates, the performance spread has narrowed considerably in recent months. After the performance spread topped out at 304 bps in April, it has gradually lessened, falling to just 36 bps in July. These data come amid reports of acute rental price increases in Gateway markets over recent months.

According to a [Bloomberg analysis of Rent.com](#) data, rental prices for one-bedroom apartments were up 41% year-over-year through June in New York City. Notably, NYC saw a steep drop-off in on-time payment rates over the past month, falling by a weighty 382 bps.

	Gateway July 2022 First Estimate	Non-Gateway July 2022 First Estimate
On-Time	80.4%	80.0%
Month-over-Month Change	-240 bps	-93 bps
Year-over-Year Change	+469 bps	+188 bps

Gateway vs. Non-Gateway

On-Time Payment Rates



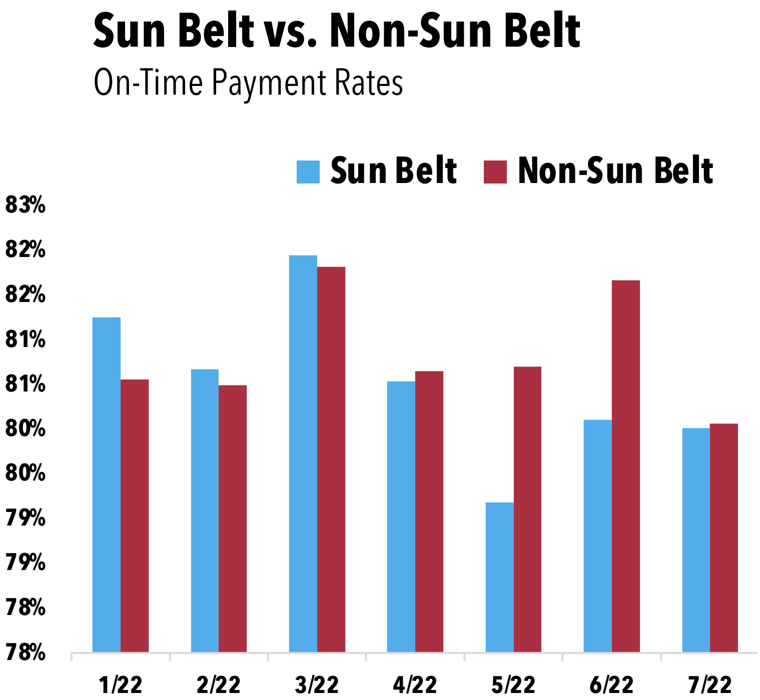
Sun Belt vs. non-Sun Belt

The Sun Belt— an expansive region that hugs the southern portion of the US from coast-to-coast—continues to be a major engine of economic growth as it attracts residents from coastal markets, especially in the northeast. The South was the fastest-growing census region in the US in 2021. Moreover, of the 15 fastest-growing cities in the US over the past decade, 13 are in the Sun Belt.

However, with the Sun Belt's growing success, there is some concern that markets are re-pricing more quickly than some existing local residents can handle, especially low-income renters. The inflows of relatively high-earning renters—a trend aided by increased work-from-home adoption—may be having an impact on affordability for existing residents as inflation and rents are currently growing more quickly in the region than elsewhere across the country. According to a Chandan Economics analysis of the US Census Bureau's 2020 American Community Survey, the average household income of renters moving into the Sun Belt ($72,094) stood 20.3% higher than the average across the region's existing renter population ($59,937).

Including the July 2022 preliminary estimate, the on-time collection rate in Sun Belt units has underperformed non-Sun Belt units in four consecutive months. However, in the latest month of data, Sun Belt rentals saw a less severe drop in on-time rates than the rest of the country. Through July 15th, the on-time collection rate in independently operated Sun Belt rental units averaged 80.0%— sliding by just 10 bps from June. Meanwhile, the on-time payment rate for non-Sun Belt units in July 2022 has averaged 80.1%—falling by a more significant 160 bps. The performance spread between the two geographies currently stands at a minuscule 6 bps.

These data, while suggesting a marginal underperformance of the Sun Belt in recent months, do not signal a trend of widespread renter distress that is unique to the region.



	Sun Belt July 2022 First Estimate	Non-Sun Belt July 2022 First Estimate
On-Time	80.0%	80.1%
Month-over-Month Change	-9 bps	-160 bps
Year-over-Year Change	+81 bps	+294 bps

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Performance by Rent Level

Price Point Analysis

Analyzing performance trends at different rental price points, it is mid-priced rental units that have shown the strongest performance in recent months.

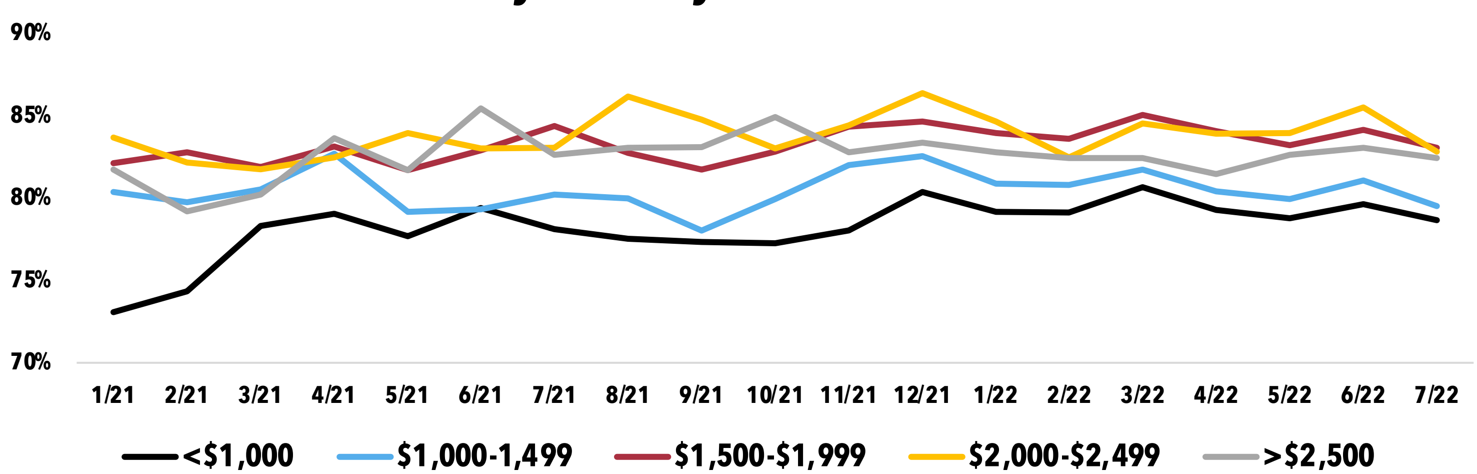
Units with monthly rents below $1,000 maintained the lowest average on-time payment rate as of the July 2022 preliminary estimate, coming in at 78.7%. With limited exceptions, these lowest-price rental units have consistently held lower on-time payment rates than the rest of the independently operated rental housing market. These sub-$1,000 monthly rent units tend to have lower household incomes and lower credit scores in their tenant mix.

According to a Chandan Economics analysis of the US Census Bureau's Household Pulse Survey, renter households earning less than $50,000 per year are 67% more likely to rate the likelihood of a near-term eviction as somewhat or very likely.

As has become a recent trend, the best performing price point units for independently operated rental units are those charging $1,500-$1,999 and $2,000-$2,499, which recorded on-time rent payment rates of 83.1% and 82.8% through July 15th, respectively.

For the highest price rental in the data set (>$2,500/month), performance rates trail mid-price rentals. As of the preliminary July 2022 estimate, 82.5% of units with monthly rents above $2,500 paid their rent on time this month— 36 bps and 61 bps lower than units charging month rents of $2,000-$2,499 and $1,500-$1,999, respectively.

On-Time Rent Payments by Rental Price Point



Performance by Property Type

Property Type Overview

On-time performance in independently managed units across all three tracked sub-property types (single-family rentals, two-to-four units, and 5-49 units) all trended together in July, dropping between 30 and 216 bps.

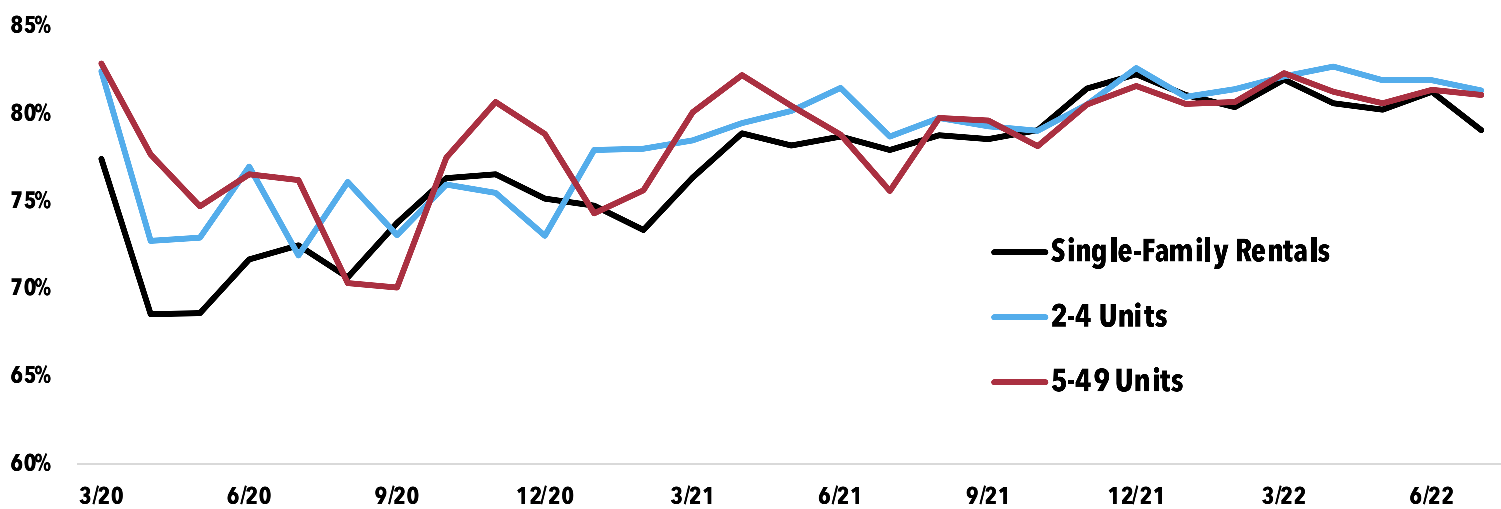
The gap between the best performing and worst performing sub-property types widened to 225 bps, well above the average set over the past 12 months (112 bps). Moreover, the July performance spread is at its widest point since July 2021, when the gap stood at 309 bps.

While growing performance differences suggested by the July data offer some mild cause for concern, these data remain a refreshing contrast from the early days of the shutdown in 2020.

Between April 2020 and August 2021, the on-time payment rate difference between the best and worst-performing property types averaged 419 bps.

The pandemic's asymmetric impact on urban amenities proved to be a significant factor in household location preferences. According to research by the [Cleveland Federal Reserve](), the so-called urban exodus was more about potential residents opting against moving to large metros rather than the popular narrative of existing urban residents leaving cities. Moreover, urban residents that lacked the ability to transition into remote working setups, especially those in the service sector, disproportionately felt the impact of 2020's economic shutdown.

On-Time Rent Payments by Property Type

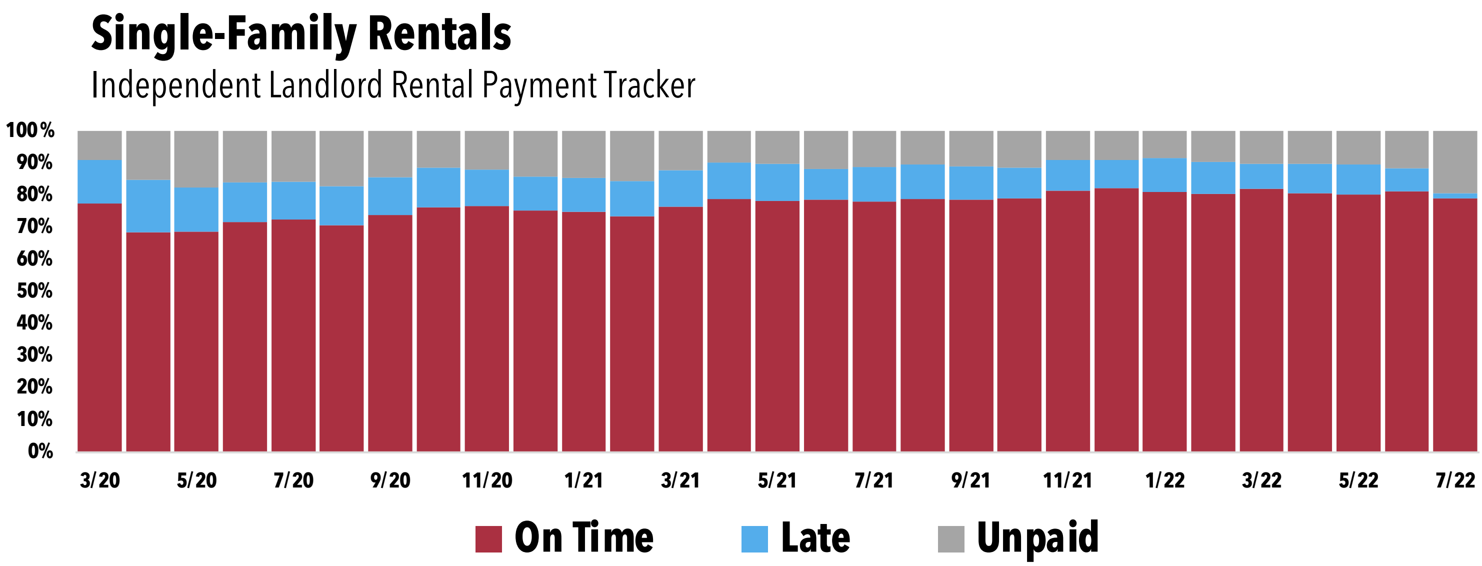


Single-Family Rentals

As of the preliminary July estimate, 79.1% of SFR units have paid their rent on time this month— the lowest mark of the three tracked sub-types and the lowest level for the sector since October 2021. While all property types saw a month-over-month decline in on-time payments, the drop for SFR was the most severe, shaving off 216 bps.

Through July 15th, 1.6% of SFR units have paid their rent late, while another 19.3% have yet to make their full payment. Chandan Economics forecasts that the late payment rate will rise to 9.7% over the next few months, and the unpaid rate will fall to 11.2%.

	June 2022	July 2022 First Estimate
On-Time Payment Rate	81.2%	79.1%
Month-over-Month Change	+101 bps	-216 bps
Year-over-Year Change	+254 bps	+115 bps



2-4 Family

Independently operated apartments in properties with 2-4 units had an average on-time payment rate of 81.3% as of the preliminary July 2022— a decrease of 59 bps from June's 81.9%. July marks the fourth consecutive month in a row where 2-4 Family maintained the highest on-time payment rate of the three tracked sub-property types. Measured year-over-year, on-time payment rates in July are up by 263 bps.

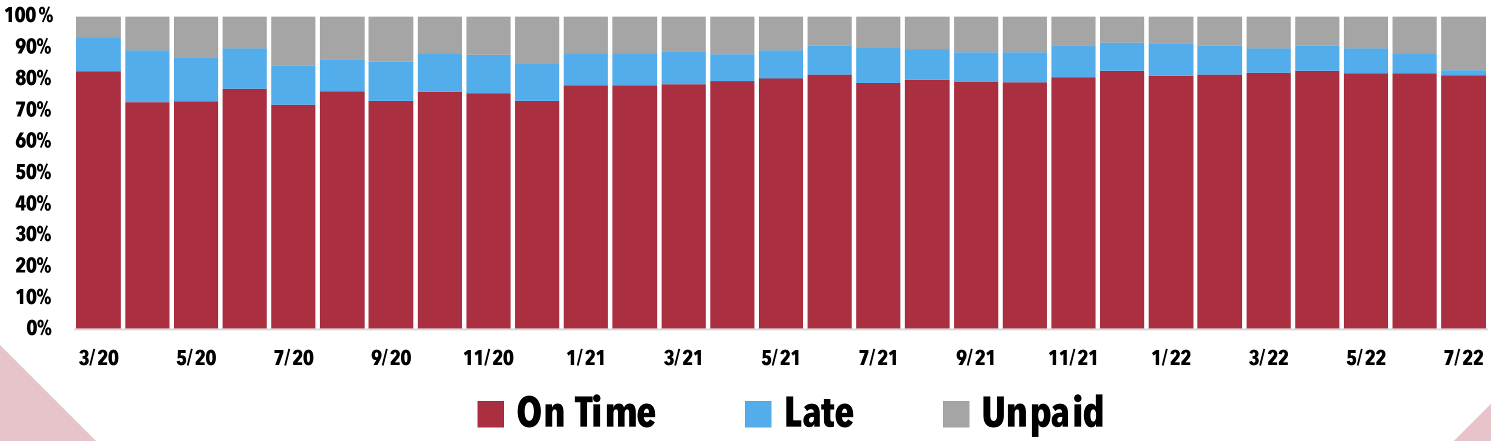
Throughout the pandemic, 2-4 Family properties have held the distinction of being the most consistent rental sub-type and the least likely to experience distress. On-time collection rates in 2-4 Family properties never fell below 71.9%— 183 bps and 335 bps better than Small Multifamily and SFR, respectively.

Through July 15th, 1.5% of 2-4 Family units have paid their rent late, while another 17.2% have yet to make their full payment. Chandan Economics forecasts that the late payment rate will rise to 9.0% over the next few months, and the unpaid rate will fall to 9.7%.

	June 2022	July 2022 First Estimate
On-Time Payment Rate	81.9%	81.3%
Month-over-Month Change	-1 bp	-58 bps
Year-over-Year Change	+44 bps	+264 bps

2-4 Family Rentals

Independent Landlord Rental Payment Tracker

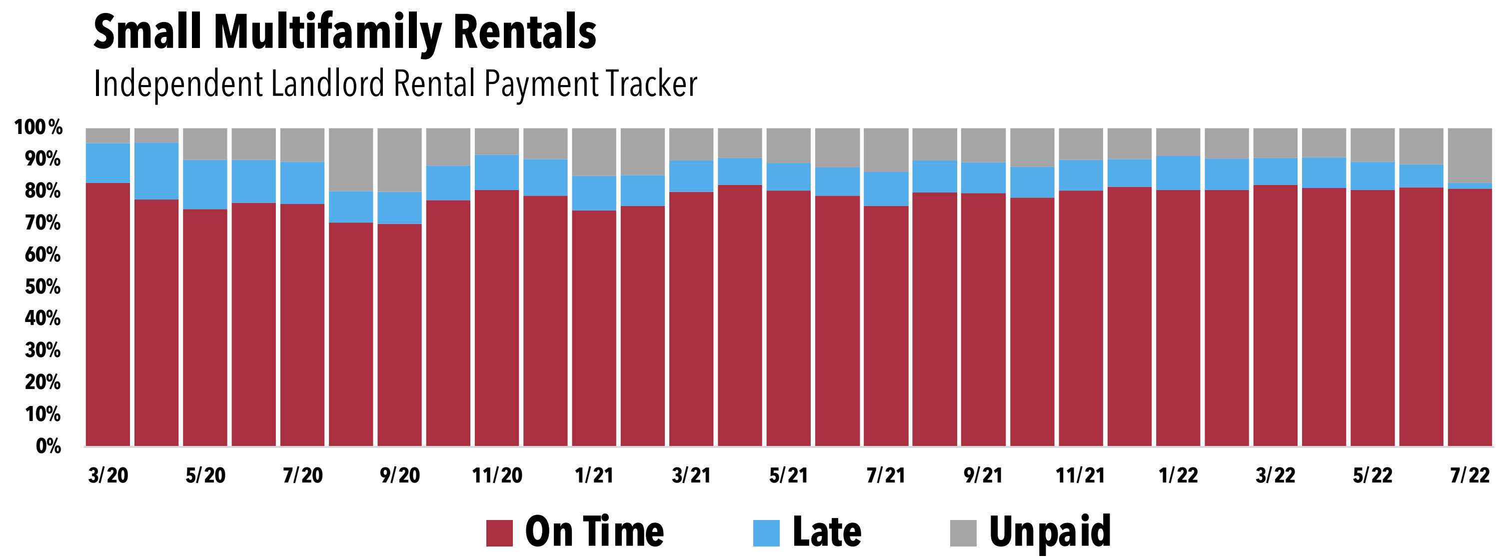


Small Multifamily (5-49 Unit) Rentals

The on-time payment rate for apartments in Small Multifamily properties (5-49 units) averaged 81.1% as of the preliminary July 2022 estimate. The July on-time payment reading represents a decrease of 30 bps from the month prior. Measured year-over-year, the July 2022 on-time payment rate is up by a healthy 546 bps.

Through July 15th, 1.8% of units in Small Multifamily properties have paid their rent late, while another 17.1% have yet to make their full payment. Chandan Economics forecasts that the late payment rate will rise to 10.1% over the next few months, and the unpaid rate will fall to 8.9%.

	June 2022	July 2022 First Estimate
On-Time Payment Rate	81.4%	81.1%
Month-over-Month Change	+77 bps	-30 bps
Year-over-Year Change	+254 bps	+546 bps



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 track the performance of 58,544 rental units. Data are cleaned (reduced sample size = 35,868 units), 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 National Multifamily Housing Council's (NMHC) Rent Tracker holds an unmatched sample size (11+ million), it represents 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 compare the performance and health of independent landlords against institutional operators tracked by NMHC.

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 July 2022 (current reporting period). As of the latest month of data availability, the reduced unit sample size totals 35,868. 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 rents. 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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