INDEPENDENT LANDLORD RENTAL PERFORMANCE REPORT

Chandan ECONOMICS

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April 2022

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Index

Key Takeaways

1. The on-time payment rate in independently operated rental units declined by 232 bps between March and April, falling to 79.4%.

2. Gateway markets have maintained higher on-time payment rates than units located elsewhere for four-consecutive months through April 2022.

3. Sun Belt rentals continue to post lower on-time payment rates than the rest of the country.

4. 2-4 Family rentals maintain the highest on-time payment rate of all sub-property types in April, coming in at 81.4%.

5. Small Multifamily rentals (5-49 units) had the lowest on-time payment rate all of sub-property types in April, coming in at 79.2%.

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National Performance

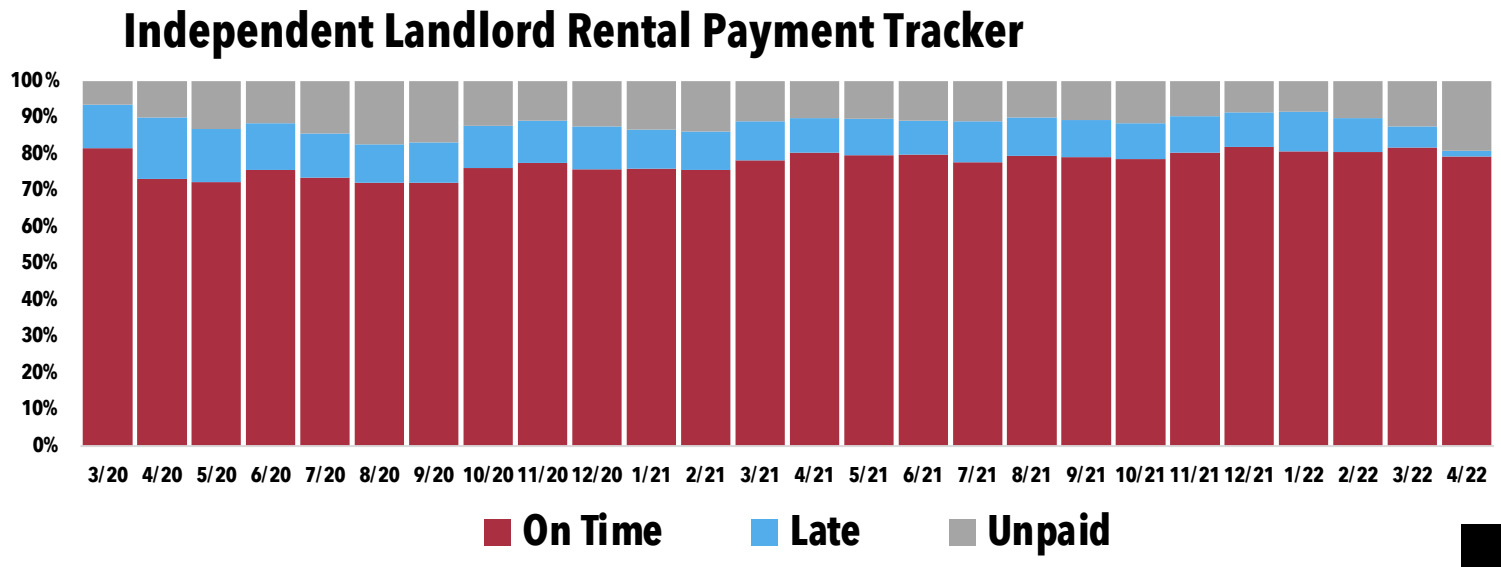
Current Performance

The on-time rental payment rate in units operated by independent landlords has made steady year-over-year gains through March 2022. March's month-end on-time payment rate was revised down slightly from the preliminary estimate but remained at a healthy 81.8%—338 basis points (bps) above the same time last year.

April's first-estimate shows on-time collection rates declining to 79.4%. Though the on-time collection rate fell below 80% for the first time in since October 2021, the rate still sits only 60 basis points (bps) below the average over the last 12-months and 91 bps below where it stood in April 2021. The one-month drop could be related to inflationary pressures on household budgets, including rising rents. However, Chandan Economics notes that April's monthly and annual declines are likely due to seasonal factors such as the timing of tax payments and one-off factors impacting last year's data such as the timing of stimulus payments.

Through April 15th, 1.5% of units have paid rent late, and 19.0% of units have yet to make their full payment. Chandan Economics forecasts that the late-payment rate for March will rise to 9.9% over the next several months, and the unpaid share of units will fall to 10.6%.

	March 2022	April 2022 First Estimate
On-Time Payment Rate	81.8%	79.4%
Month-over-Month Change	+126 bps	-232 bps
Year-over-Year Change	+338 bps	-91 bps



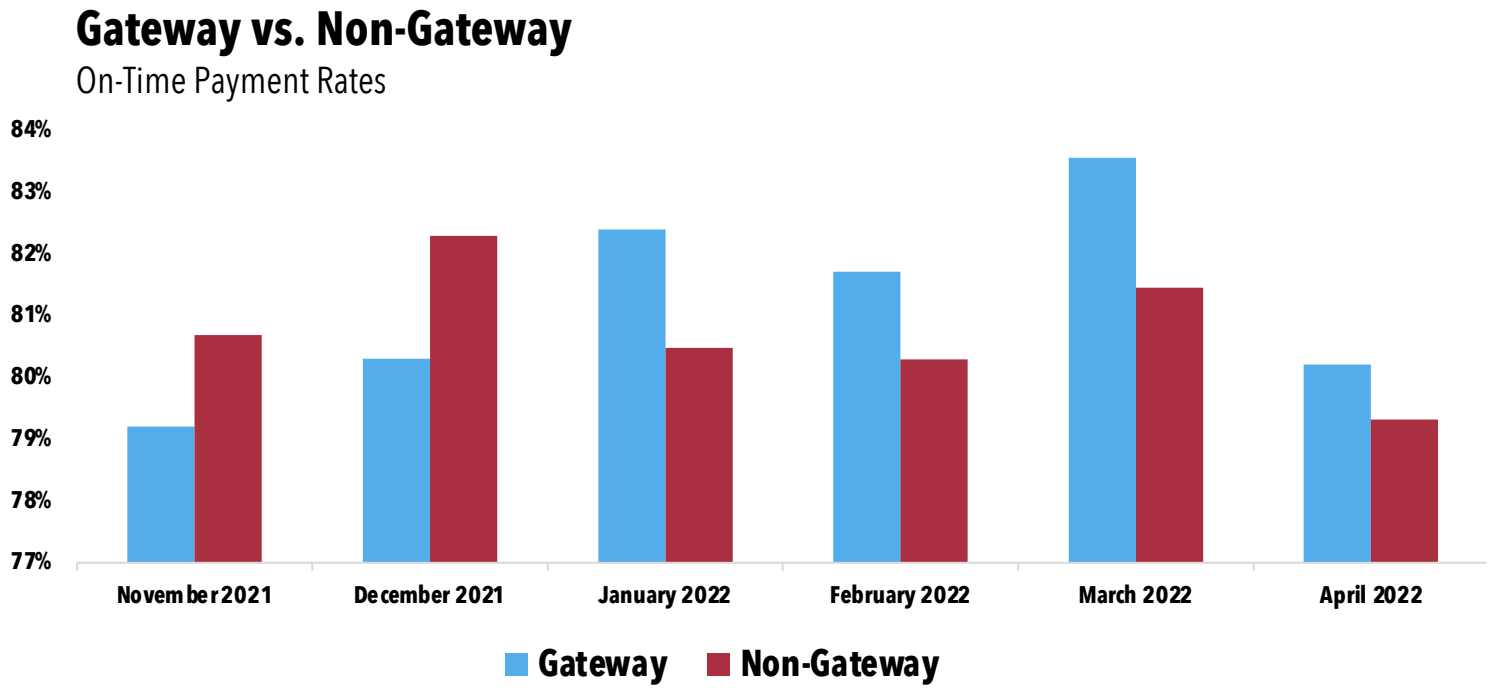
Performance by Geography

Gateway vs. non-Gateway

Gateway markets (New York, Los Angeles, San Francisco, Washington, DC, Houston, Dallas, Chicago, and Boston) had on-time collection rates that were consistently 12-16 percentage points below units elsewhere during the early months of the pandemic. However, once the initial shutdown phase of the pandemic subsided, Gateway markets were quick to swing into recovery. By Summer 2020, the performance spread between Gateway and non-Gateway markets started to narrow, fully closing by Fall 2020.

As of the April 2022 first estimate, independently operated units inside of Gateway markets outperformed units outside of Gateway markets for the fourth-consecutive month. The April on-time payment rate stands at 80.2% in Gateway units and 79.3% in non-Gateway units.

	Gateway April 2022 First Estimate	Non-Gateway April 2022 First Estimate
On-Time	80.2%	79.3%
Month-over-Month Change	-335 bps	-213 bps
Year-over-Year Change	-126 bps	-84 bps



Sun Belt vs. non-Sun Belt

A recent Chandan Economics blog explored the rapid metro-level population increases in the Sun Belt— an expansive region that hugs the southern portion of the US from coast-to-coast. Multifamily expansion and investment capital has followed the region's population growth. Part of the Sun Belt's attraction is its comparative rental affordability; however, the inflows 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.

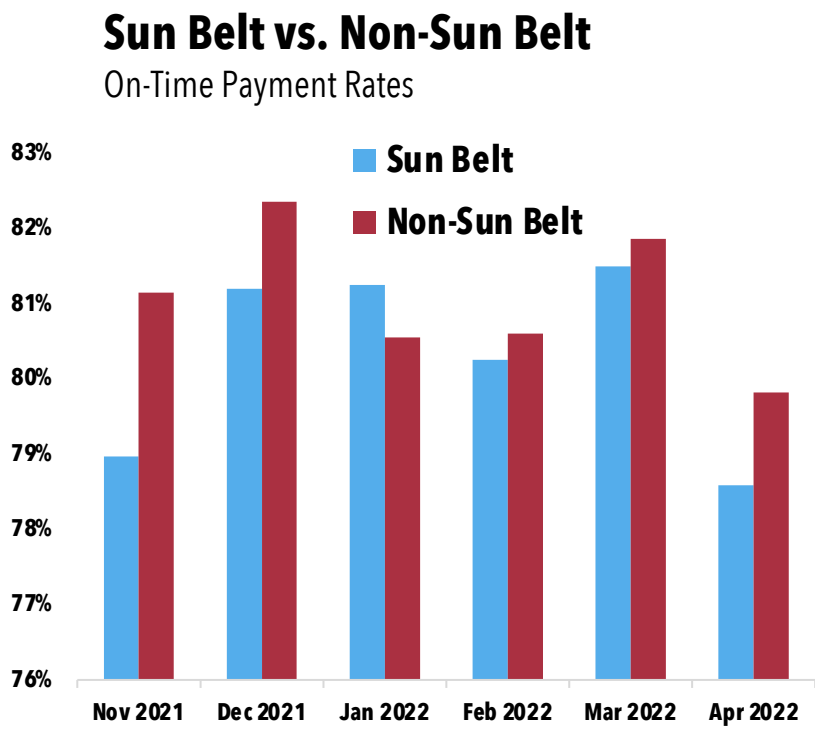
Including the April 2022 preliminary estimate, the on-time collection rate in Sun Belt units has underperformed non-Sun Belt units in eight of the past twelve months. Through mid-April, the on-time collection rate in independently operated Sun Belt rental units has averaged 78.6%— a decrease of 291 bps from March and 17 bps from last year. Meanwhile, the on-time payment rate for non-Sun Belt units in April 2022 has averaged 79.8%— declining 204 bps month-over-month and 131 bps year-over-year.

According to ApartmentList's latest Renter Migration Report, of the top-10 metros seeing the highest share of new rental demand coming from other metro areas, nine-of-ten are in the Sun Belt.

	Sun Belt April 2022 First Estimate	Non-Sun Belt April 2022 First Estimate
On-Time	78.6%	79.8%
Month-over-Month Change	-291 bps	-204 bps
Year-over-Year Change	-17 bps	-131 bps

Further, 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).

The slight underperformance of Sun Belt rentals in recent months of data is a trend to watch as the region continues to attract new residents at an impressive clip. According to the Census Bureau's latest Household Pulse Survey (March 2-March 14, 2022), measured nationally, 12.8% of renters with a household income less than $50,000 express no confidence in their ability to pay next month's rent. Six of the seven Sun Belt metros tracked in the Pulse Survey had a higher "no confidence" share than the national average. Further, the two metro areas in the country with the highest share of low-income households sounding the alarm are Miami and Atlanta, where 21.5% and 20.5% are pessimistic for next month's rent, respectively



Performance by Rent Level

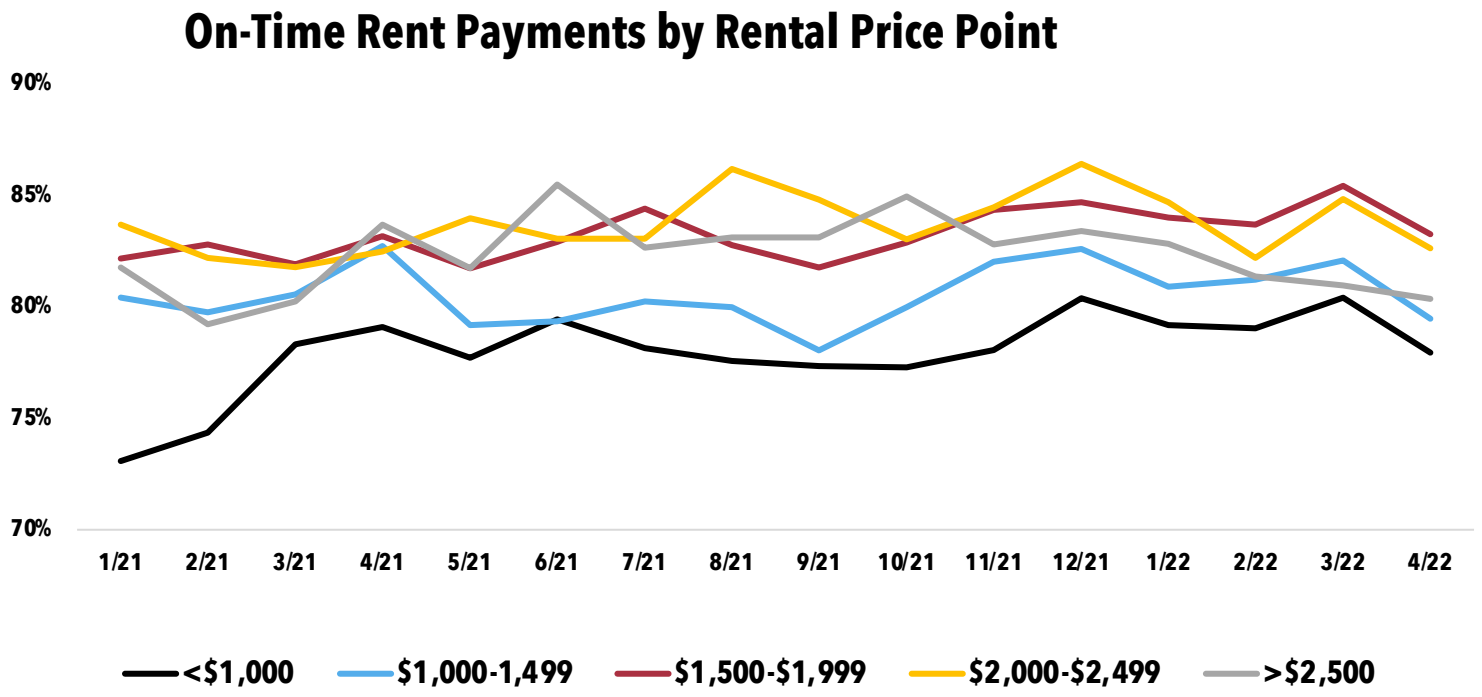
Price Point Analysis

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

Units with monthly rents below the $1,000 maintained the lowest average on-time payment rate as of the April 2022 preliminary estimate, coming in at 77.9%. 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 the US Census Bureau's Household Pulse Survey, there remains significant anxiety for low-income renters in their ability to pay rent.

The best performing price point units for independently operated rental units are those charging $1,500-$1,999. For this price point, the on-time rent payment rate through April 15th currently stands at 83.2%— the highest level of performance of any grouping in the Chandan Economics-RentRedi data set.

For the highest price rental in the data set (>$2,500/month), performance rates trail mid-price rentals. As of the preliminary April 2022 estimate, 80.4% of units with monthly rents above $2,500 paid their rent on time this month— 226 bps and 289 bps lower than units charging month rents of $2,000-$2,499 and $1,500-$1,999, respectively. A possible explanation why higher-priced units may be underperforming other price points may be due to the presence of more roommates. The same logic of lower credit quality and household incomes renting at lower rental price points cannot be so easily applied at higher price points with multiple renters in the same unit.



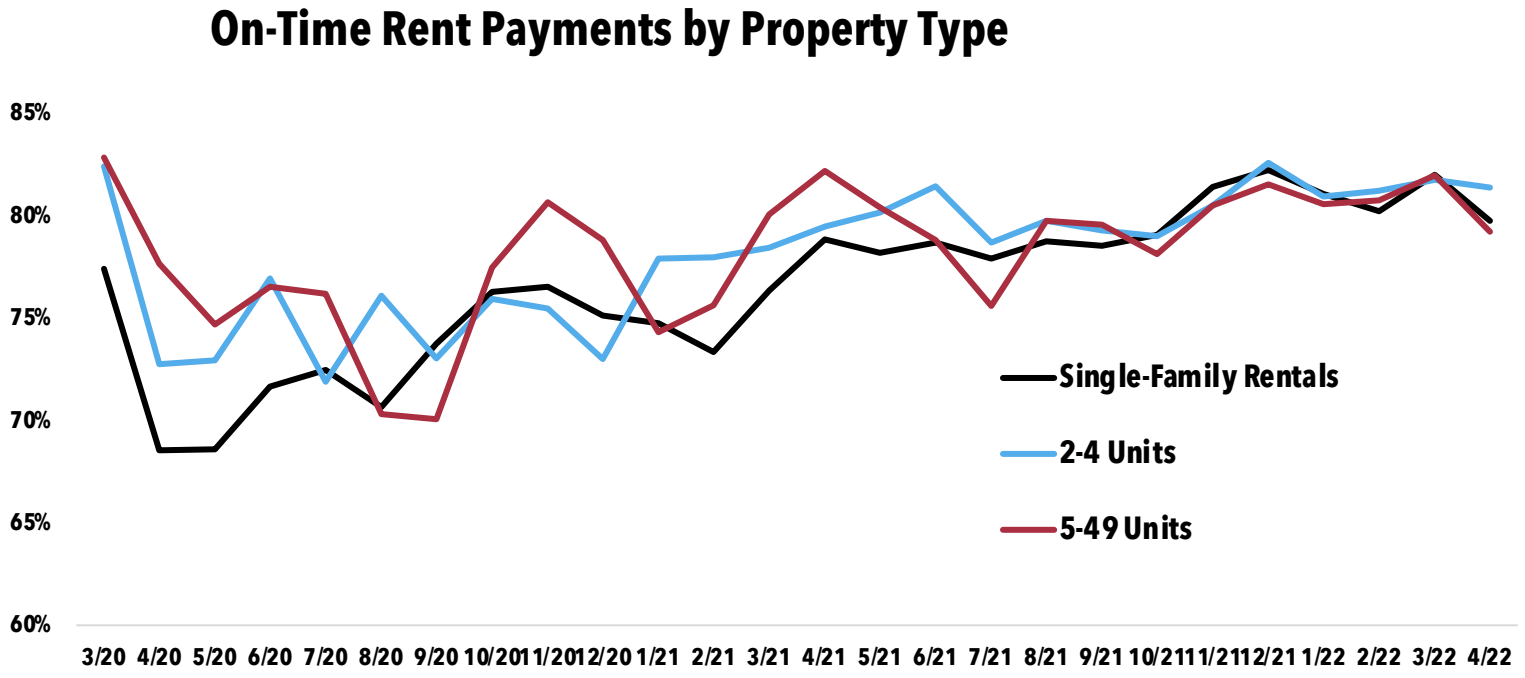
Performance by Property Type

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) had been converging in recent months but widened in the April 2022 preliminary estimate. The gap between the best performing and worst performing sub-property type had been just 98 bps over the past eight months and came in at 216 bps in April.

The data are still 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. The unemployment rate for workers employed in leisure and hospitality or other services reached 39.3% and 23.0% in April 2020, respectively—both considerably higher than the national average of 14.7% at the same time.



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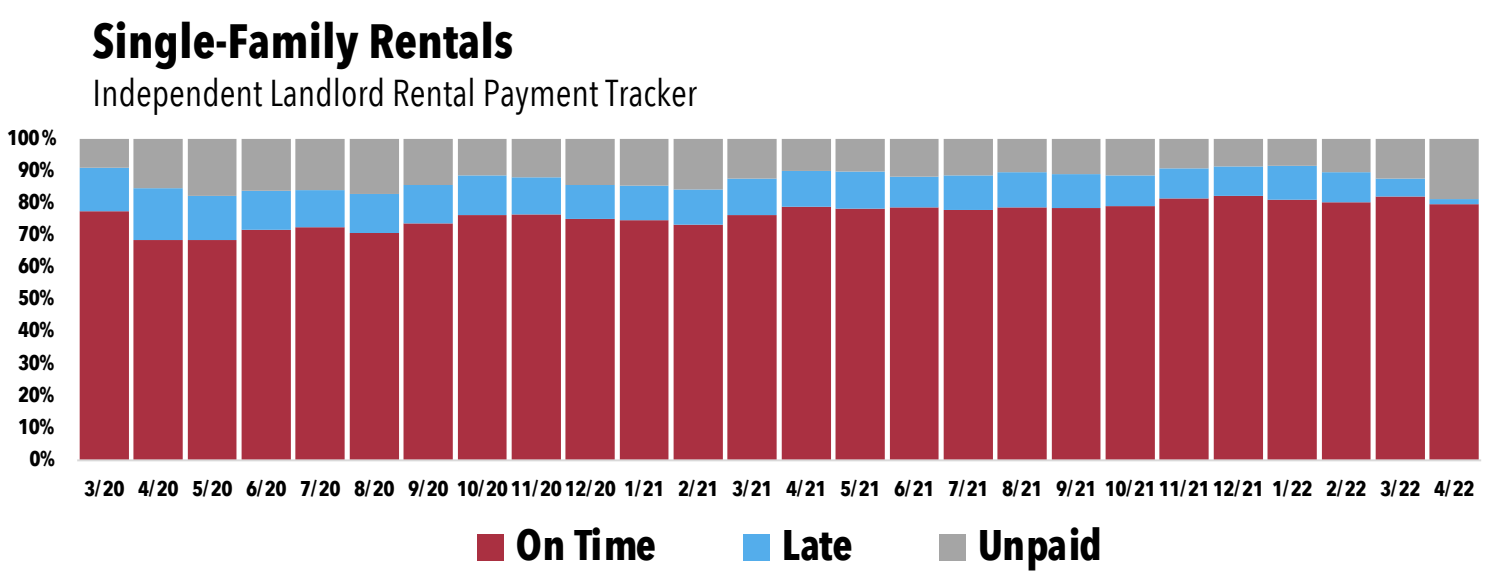
Single-Family Rentals

As of the preliminary April estimate, 79.8% of SFR units have paid their rent on time this month. Month-over-month, the on-time collection rate fell by 223 bps. April's on-time payment rate is the largest month-over-month decline since April 2020. However, compared to the pandemic-era low of 68.6% reached in May 2020, the current month's on-time payment rate is up by 11.2 percentage points.

Through April 15th, 1.5% of SFR units have paid their rent late, while another 18.7% 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 10.5%.

	March 2022	April 2022 First Estimate
On-Time Payment Rate	82.0%	79.8%
Month-over-Month Change	+177 bps	-223 bps
Year-over-Year Change	+565 bps	+91 bps



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2-4 Family

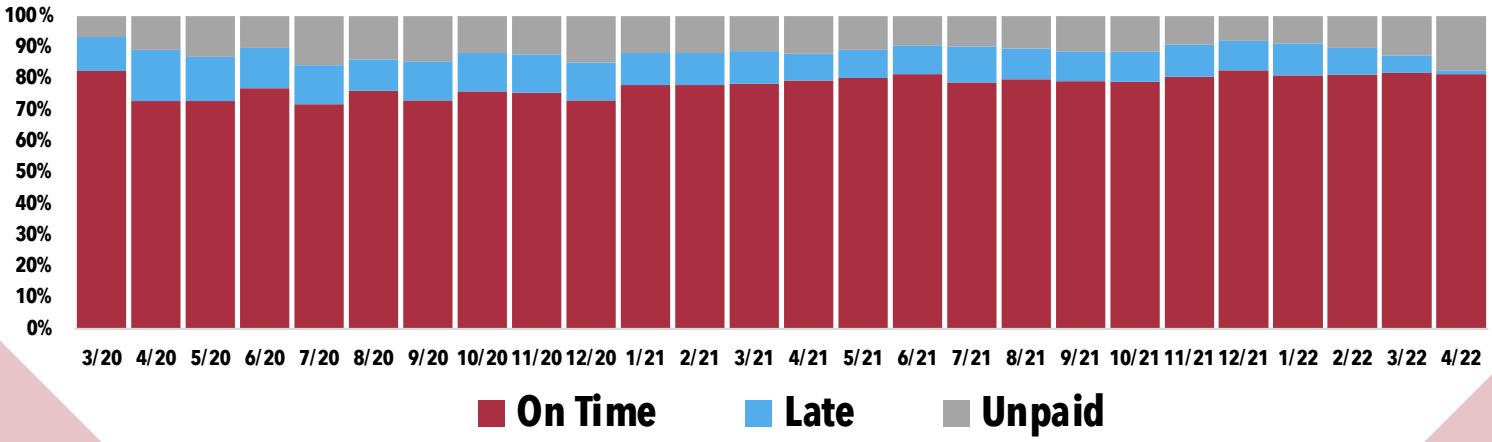
Independently operated apartments in properties with 2-4 units have seen on-time payment rates average 81.4% in April 2022— a slight decrease from March's 81.8%. Measured year-over-year, on-time payment rates in April are up by 191 bps. Throughout the pandemic, 2-4 Family units have held the distinction of being the most consistent rental sub-type and the least likely to experience distress. On-time collection rates in 2-4 Family units never fell below 71.9%— 183 bps and 335 bps better than Small Multifamily and SFR, respectively.

Through April 15th, 1.3% of 2-4 Family units have paid their rent late, while another 17.3% have yet to make their full payment. Chandan Economics forecasts that the late payment rate will rise to 9.4% over the next few months, and the unpaid rate will fall to 9.2%.

	March 2022	April 2022 First Estimate
On-Time Payment Rate	81.8%	81.4%
Month-over-Month Change	+52 bps	-37 bps
Year-over-Year Change	+330 bps	+191 bps

2-4 Family Rentals

Independent Landlord Rental Payment Tracker



Small Multifamily (5-49 Unit) Rentals

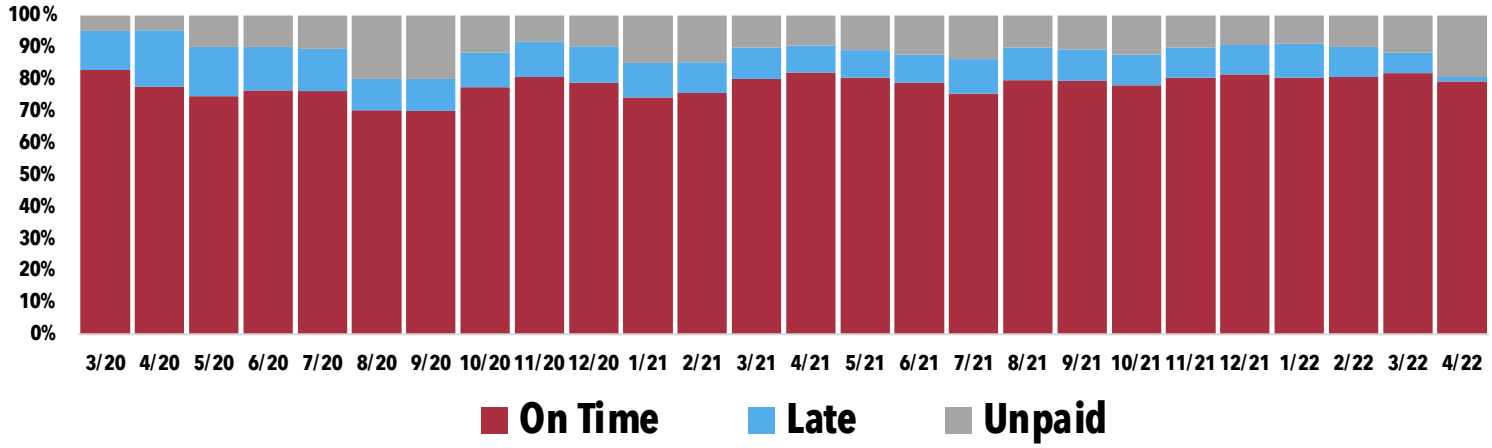
The on-time payment rate for apartments in Small Multifamily properties (5-49 units) averaged 79.2% as of the preliminary April 2022 estimate— the lowest mark of the three tracked sub-types. The April on-time payment reading represents a decrease of 275 bps from the month prior. Measured year-over-year, the April 2022 on-time payment rate is down by 299 bps.

Through April 15th, 1.6% of Small Multifamily units have paid their rent late, while another 19.2% have yet to make their full payment. Chandan Economics forecasts that the late payment rate will rise to 10.0% over the next few months, and the unpaid rate will fall to 10.8%.

	March 2022	April 2022 First Estimate
On-Time Payment Rate	82.0%	79.2%
Month-over-Month Change	+122 bps	-275 bps
Year-over-Year Change	+188 bps	-299 bps

Small Multifamily Rentals

Independent Landlord Rental Payment Tracker



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 70,358 rental units. Data are cleaned (reduced sample size = 31,473 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 April 2022 (current reporting period). As of the latest month of data availability, the reduced unit sample size totals 31,473. 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 November 16th would be treated as a charge corresponding to December'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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