

INDEPENDENT LANDLORD RENTAL PERFORMANCE REPORT

Chandan
ECONOMICS



**June
2022**

Index

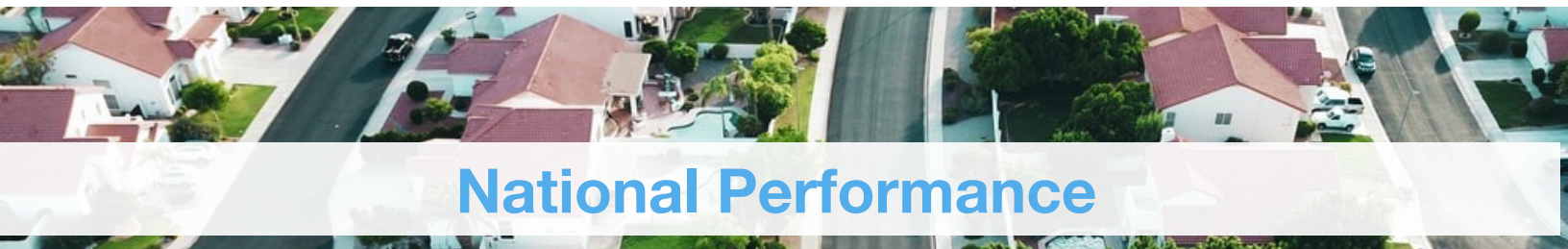
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Key Takeaways

- 1. The on-time payment rate in independently operated rental units improved by 129 bps between May and June, rising to 78.1%.**
- 2. Gateway markets have maintained higher on-time payment rates than units located elsewhere for six consecutive months through June 2022.**
- 3. Sun Belt rentals underperformed the rest of the US for three consecutive months, including by 65 bps in June 2022.**
- 4. 2-4 Family rentals maintain the highest on-time payment rate of all sub-property types in June, coming in at 82.0%.**
- 5. Mid-priced rentals (\$1,500-\$2,499) continue to outperform all other price points.**

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National Performance

Current Performance

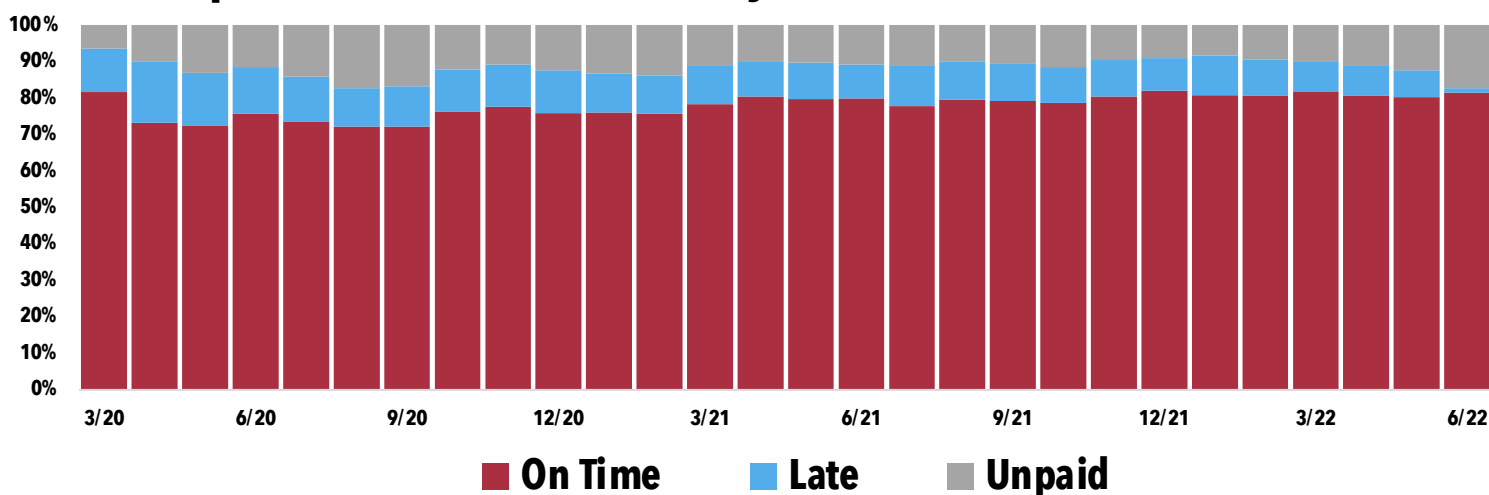
On-time rental payments in units operated by independent landlords are showing signs of improvement in June, reversing declines from April and May, and offering hope that high levels of rental inflation will not lead to a deterioration in tenant performance.

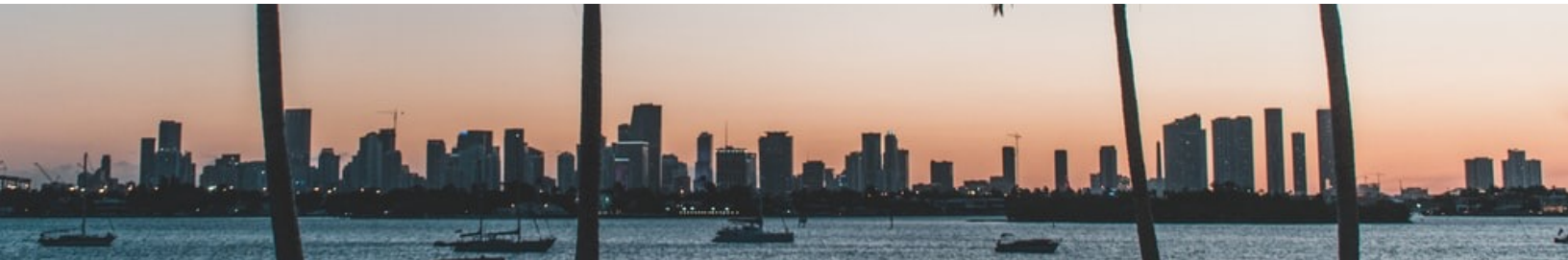
May's month-end on-time payment rate was revised up 214 basis points (bps) from the preliminary estimate, coming in at 80.2%. May's on-time payment rate dropped off 26 bps from the month prior, though it remained up 45 bps year-over-year. However, June's first-estimate shows on-time collection rates are improving, coming in at 81.5% — a 129 bps increase from the prior month and the highest level since March. Moreover, the June first-estimate is still 173 bps above the same time last year.

Through June 15th, 1.7% of units have paid rent late, and 20.2% of units have yet to make their full payment. Chandan Economics forecasts that the late-payment rate for June will rise to 10.0% over the next several months, and the unpaid share of units will fall to 10.3%.

	May 2022	June 2022 First Estimate
On-Time Payment Rate	80.2%	81.5%
Month-over-Month Change	-26 bps	+129 bps
Year-over-Year Change	+61 bps	+173 bps

Independent Landlord Rental Payment Tracker





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. A recent Chandan Economics-Arbor Realty Trust analysis demonstrates that multifamily permitting activity remains most robust in the Sun Belt as well, with Austin, Nashville, and Raleigh seeing the most activity per capita for large metro areas.

However, with the Sun Belt’s growing success, there is some concern that markets are re-pricing more quickly than some existing local resident 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

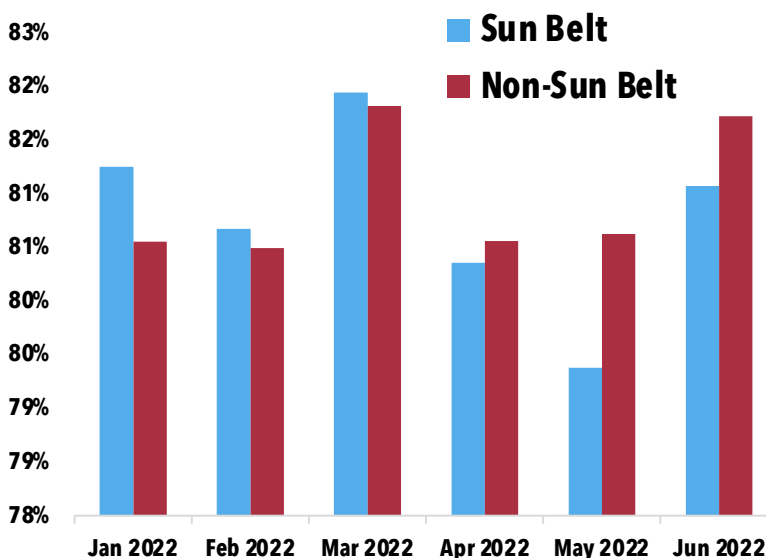
income of renters moving into the Sun Belt (\$72,094) stood 20.3% higher than the average across the region’s existing renter population (\$59,937).

Including the June 2022 preliminary estimate, the on-time collection rate in Sun Belt units has underperformed non-Sun Belt units in three consecutive months. However, in the latest month of data, Sun Belt rentals saw a partial reversal of recent performance declines, similar to the national trend. Through June 15th, the on-time collection rate in independently operated Sun Belt rental units averaged 81.1% — an increase of 170 bps from May, though down by 68 bps from last year. Meanwhile, the on-time payment rate for non-Sun Belt units in June 2022 has averaged 81.7% — improving 110 bps month-over-month and 287 bps year-over-year.

These do not suggest a trend of widespread renter distress. However, they do illustrate that the region is marginally underperforming the rest of the country for on-time rent collections. In total, Sun Belt rentals are currently seeing on-time payments rates 65 bps below units located elsewhere.

Sun Belt vs. Non-Sun Belt

On-Time Payment Rates



	Sun Belt June 2022 First Estimate	Non-Sun Belt June 2022 First Estimate
On-Time	81.1%	81.7%
Month-over-Month Change	-170 bps	-110 bps
Year-over-Year Change	-68 bps	+287 bps



Performance by Geography

Gateway vs. non-Gateway

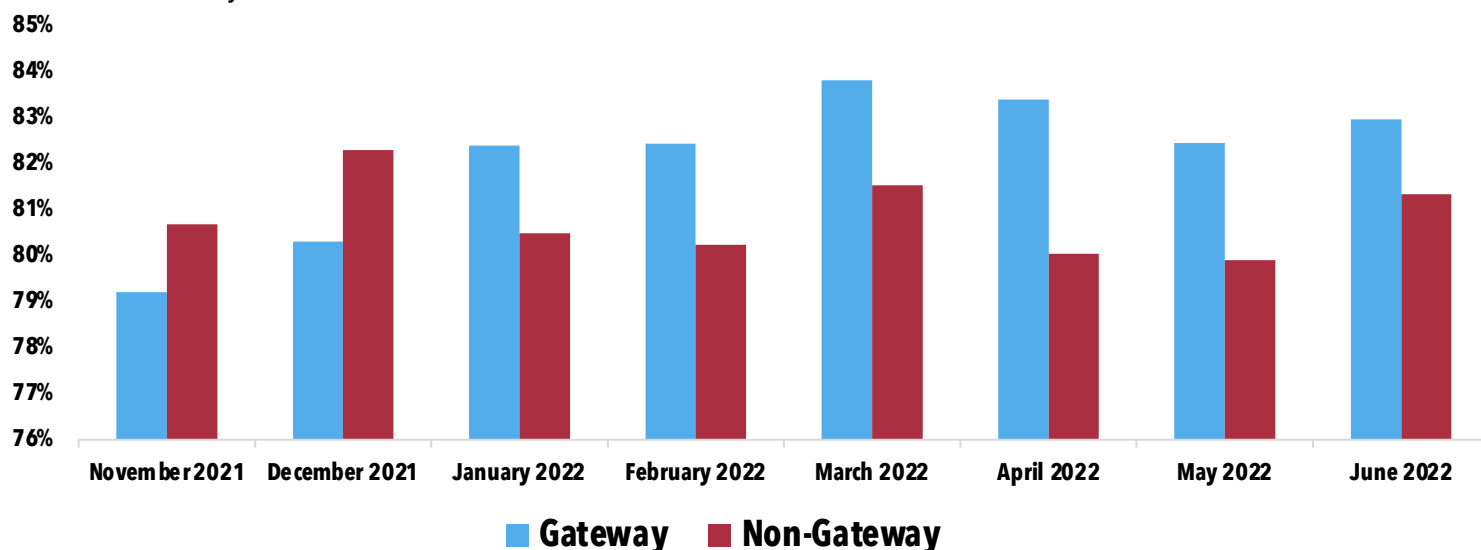
As of the June 2022 first estimate, independently operated units inside Gateway markets (New York, Los Angeles, San Francisco, Washington, DC, Houston, Dallas, Chicago, and Boston) outperformed units outside of Gateway markets for the sixth consecutive month. June’s on-time payment rate stands at 83.0% in Gateway units and 81.3% in non-Gateway units.

Gateway markets 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.

	Gateway June 2022 First Estimate	Non-Gateway June 2022 First Estimate
On-Time	83.0%	81.3%
Month-over-Month Change	+51 bps	+144 bps
Year-over-Year Change	+778 bps	+77 bps

Gateway vs. Non-Gateway

On-Time Payment Rates





Performance by Rent Level

Price Point Analysis

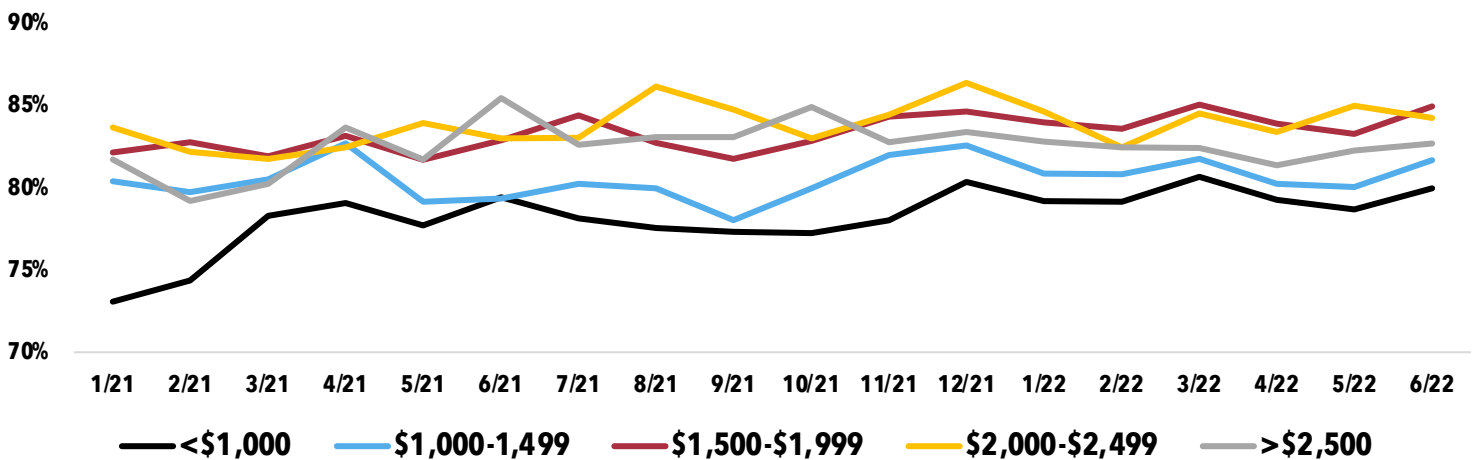
Analyzing performance trends at different rental price points, it is mid-priced rental units that have shown the strongest performance in recent months.

Units with monthly rents below the \$1,000 maintained the lowest average on-time payment rate as of the June 2022 preliminary estimate, coming in at 80.0%. 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. 15.3% of renter households earning an annual income less than \$50k expressed "no confidence" in their ability to pay rent next month—almost three times as high as all renter households earning above \$50k (5.2%).

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 85.0% and 84.3% through June 15th, respectively.

For the highest price rental in the data set (>\$2,500/month), performance rates trail mid-price rentals. As of the preliminary June 2022 estimate, 82.7% of units with monthly rents above \$2,500 paid their rent on time this month— 156 bps and 227 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

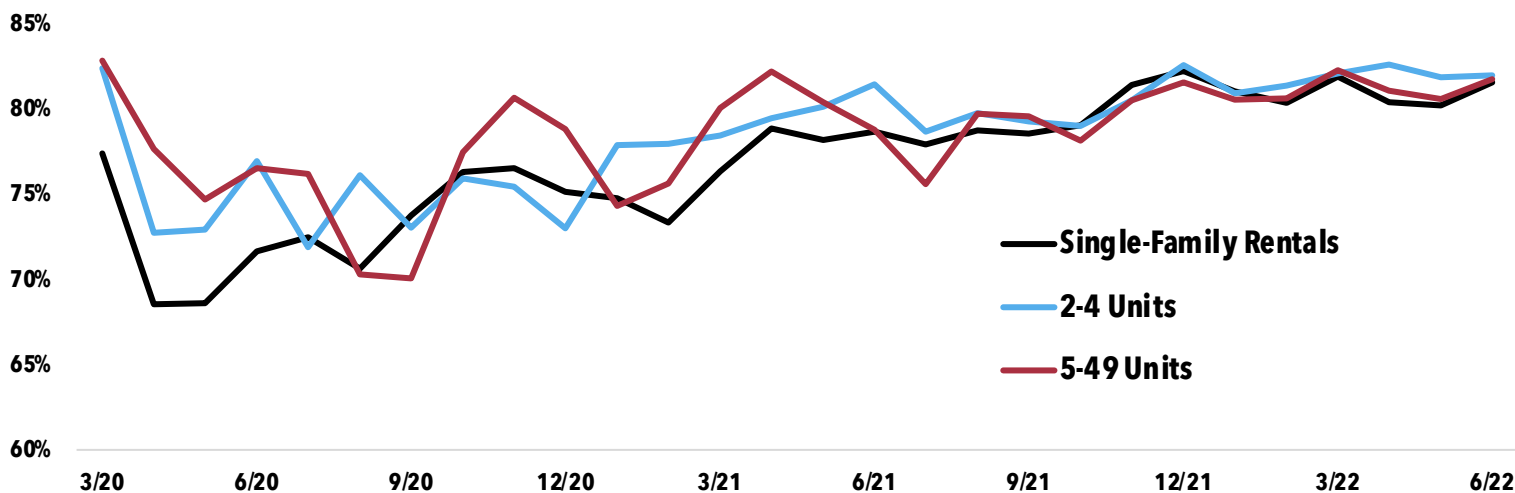
Property Type Overview

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 June, improving between 9 and 136 bps.

The gap between the best performing and worst performing sub-property types narrowed to just 40 bps, well below the average set over the past 12 months. (132 bps) 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

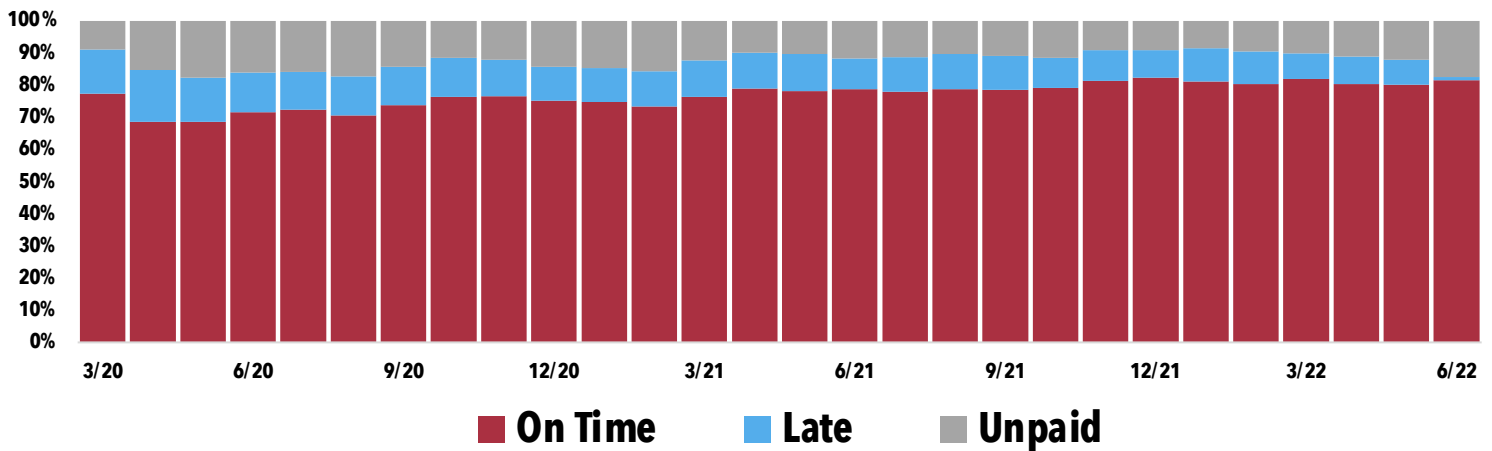
As of the preliminary June estimate, 81.6% of SFR units have paid their rent on time this month— the lowest mark of the three tracked sub-types. However, it is the highest on-time payment rate for the sector since March. Month-over-month, the on-time collection rate increased by 136 bps. From this time last year, SFR on-time payment rates are up by an encouraging 289 bps.

Through June 15th, 1.0% of SFR units have paid their rent late, while another 17.4% have yet to make their full payment. Chandan Economics forecasts that the late payment rate will rise to 9.1% over the next few months, and the unpaid rate will fall to 9.3%.

	May 2022	June 2022 First Estimate
On-Time Payment Rate	80.2%	81.6%
Month-over-Month Change	-20 bps	+136 bps
Year-over-Year Change	+203 bps	+289 bps

Single-Family Rentals

Independent Landlord Rental Payment Tracker



2-4 Family

Independently operated apartments in properties with 2-4 units have seen average on-time payment rates of 82.0% in June 2022 — an increase of just 9 bps from May’s 81.9%. While the monthly level of improvement was the lowest for 2-4 Family, it retained the highest on-time payment rate of the three tracked sub-property types. Measured year-over-year, on-time payment rates in May are up by 53 bps.

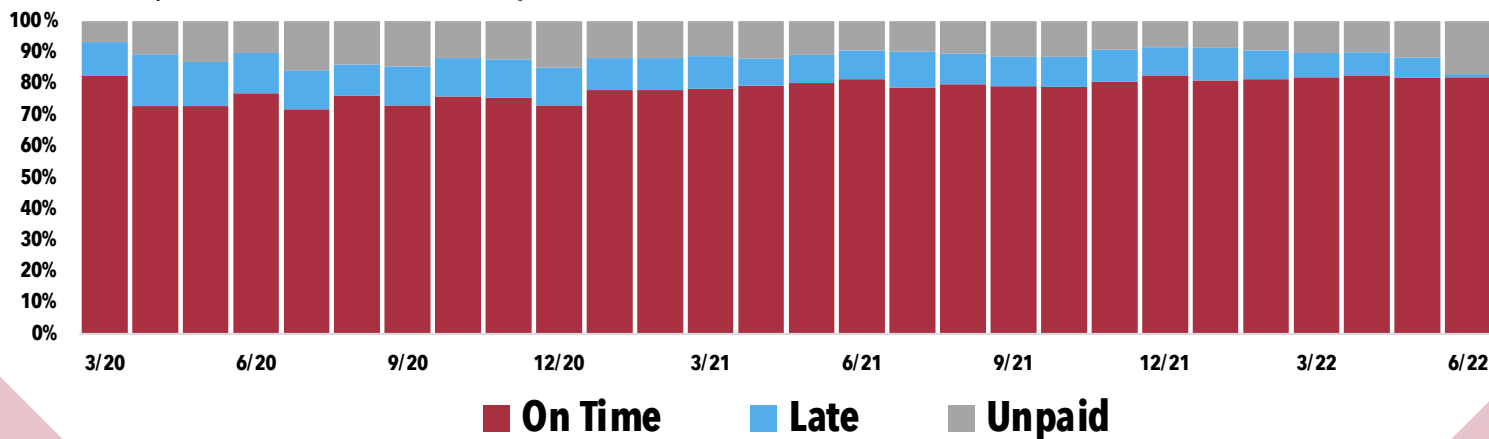
Throughout the pandemic, 2-4 Family properties have held the distinction of being the most consistent rental sub-type and the least likely to experience distress. On-time collection rates in 2-4 Family properties never fell below 71.9% — 183 bps and 335 bps better than Small Multifamily and SFR, respectively. This month, 2-4 Family properties held up the highest on-time payment rates, outperforming the next closest property type (Small Multifamily) by 20 bps.

Through June 15th, 1.0% of 2-4 Family units have paid their rent late, while another 17.0% have yet to make their full payment. Chandan Economics forecasts that the late payment rate will rise to 8.6% over the next few months, and the unpaid rate will fall to 9.4%.

	May 2022	June 2022 First Estimate
On-Time Payment Rate	81.9%	82.0%
Month-over-Month Change	-73 bps	+9 bps
Year-over-Year Change	+173 bps	+53 bps

2-4 Family Rentals

Independent Landlord Rental Payment Tracker





Small Multifamily (5-49 Unit) Rentals

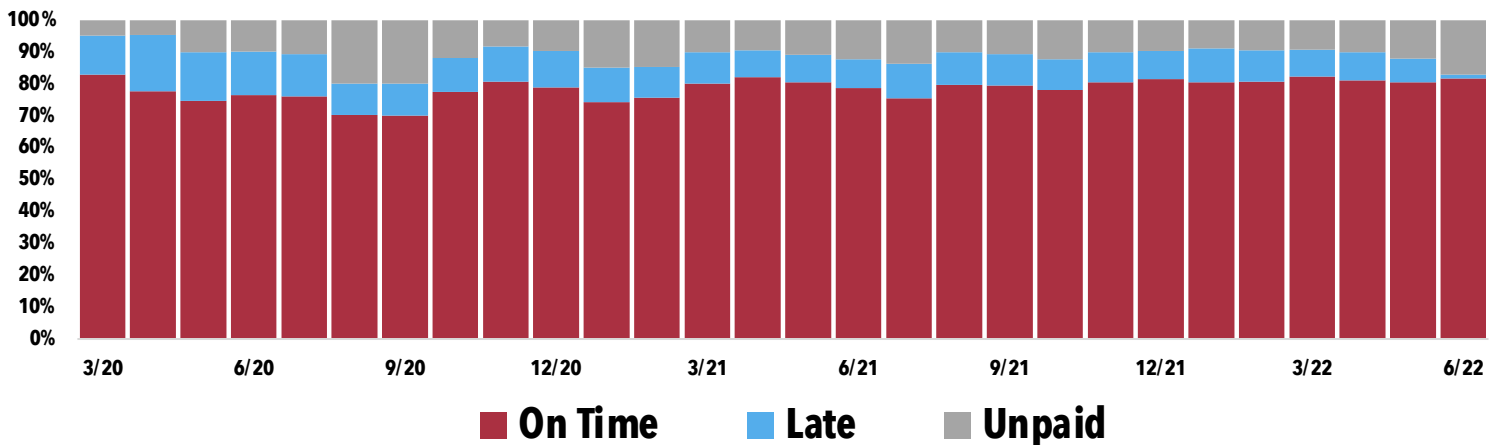
The on-time payment rate for apartments in Small Multifamily properties (5-49 units) averaged 81.8% as of the preliminary June 2022 estimate. The June on-time payment reading represents a decrease of 118 bps from the month prior. Measured year-over-year, the June 2022 on-time payment rate is up by a healthy 297 bps.

Through June 15th, 1.2% of units in Small Multifamily properties have paid their rent late, while another 17.0% 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 8.8%.

	May 2022	June 2022 First Estimate
On-Time Payment Rate	80.6%	81.8%
Month-over-Month Change	-47 bps	+118 bps
Year-over-Year Change	+17 bps	+297 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 78,720 rental units. Data are cleaned (reduced sample size = 33,876 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 June 2022 (current reporting period). As of the latest month of data availability, the reduced unit sample size totals 33,876. 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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