INDEPENDENT LANDLORD RENTAL PERFORMANCE
REPORT

Chandan
ECONOMICS

rentredi

January 2023

Index

Key Takeaways

1. The on-time payment rate in independently operated rental units improved by 6 bps between December and January, coming in at 81.5%.

2. National on-time payment rates have now held above 81% in four consecutive months — a first in the life of the Chandan Economics-RentRedi tracking.

3. January's full payment rate is forecast to land at 90.8%.

4. The on-time payment rate remained higher for units in the Sun Belt compared to units located elsewhere for the second consecutive month, reaching 82.4%

5. 2–4-unit rental properties held the highest on-time payment rates of all sub-property types in January, coming in at 82.4%.

National Performance

Current Performance

On-time rental payments in units operated by independent landlords remained consistent between December and January — performing below post-pandemic highs, though still holding at healthy levels that should provide confidence in the vitality of the US rental housing market.

December's month-end on-time payment rate was revised up by 30 basis points (bps) from the preliminary estimate, coming in at 81.5%. Still, December's on-time payment rate fell by 155 bps from the month prior and by 55 bps from the same point last year.

January's first estimate reflects almost no change in performance from December. The January on-time payment rate currently sits at 81.5% — gaining 6 bps month-over-month. From a year earlier, January 2023's on-time payment rate sits 75 bps higher. Encouragingly, on-time payment rates have now eclipsed 80% in 16 consecutive months. Moreover, between the onset of the pandemic and September 2022, on-time payment rates never came in above 81% in back-to-back months — a feat now accomplished in each of the past four months.

Through January 15th, 1.7% of units have paid rent late, and 17.3% have yet to complete full payments. Chandan Economics forecasts that the national late-payment rate in January will rise to 10.2% over time, with the full-payment rate settling at 90.8%.

	December 2022	January 2023 First Estimate
On-Time Payment Rate	81.5%	81.5%
Month-over-Month Change	-155 bps	+6 bps
Year-over-Year Change	-55 bps	+76 bps

Independent Landlord Rental Payment Tracker

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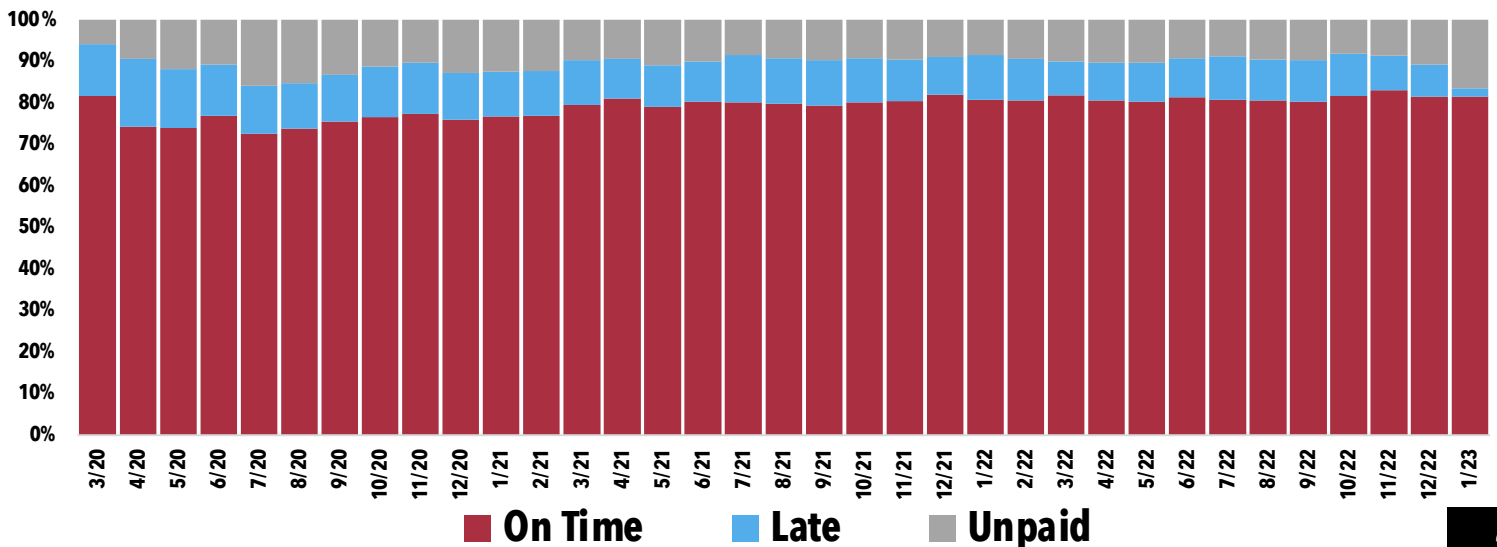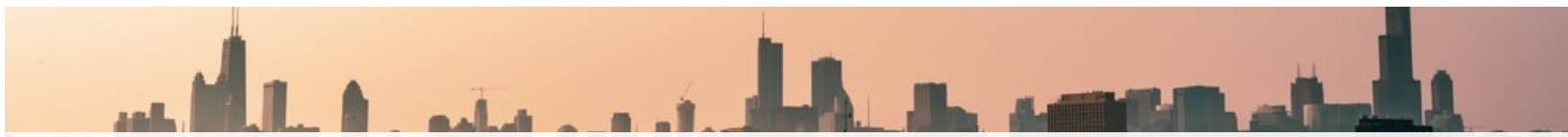
Performance by Geography

Gateway vs. non-Gateway

As of the January 2023 first estimate, independently operated units inside Gateway markets (New York, Los Angeles, San Francisco, Washington, DC, Houston, Dallas, Chicago, and Boston) continued to outperform units outside of Gateway markets — a trend that has held in place for thirteen consecutive months. January's on-time payment rate stands at 84.2% in Gateway units and 81.0% in non-Gateway units. The performance spread between Gateway and non-Gateway units (316 bps) is currently at its widest since August 2021.

Measured month-over-month, on-time payments surged in Gateway markets by 149 bps. Compared to this time last year, on-time payment rates in Gateway markets are up by a healthy 178 bps.

Through January 15th, 1.7% of Gateway units have paid rent late, and 14.1% of units have yet to make full payments. Chandan Economics forecasts that the late-payment rate for Gateway units in January will rise to 8.9% over time, bringing the full-payment rate to 93.1%.

Through January 15th for non-Gateway units, 2.0% of apartments have made full payments past their due

dates, while 16.9% remain unpaid. Chandan Economics forecasts that the late-payment rate for non-Gateway units in January will rise to 10.5% over time, with the full-payment rate settling at 91.5%.

	Gateway January 2023 First Estimate	Non-Gateway January 2023 First Estimate
On-Time	**84.2%**	**81.0%**
Month-over-Month Change	**+149 bps**	**-19 bps**
Year-over-Year Change	**+175 bps**	**+79 bps**

Gateway vs. Non-Gateway

On-Time Payment Rates
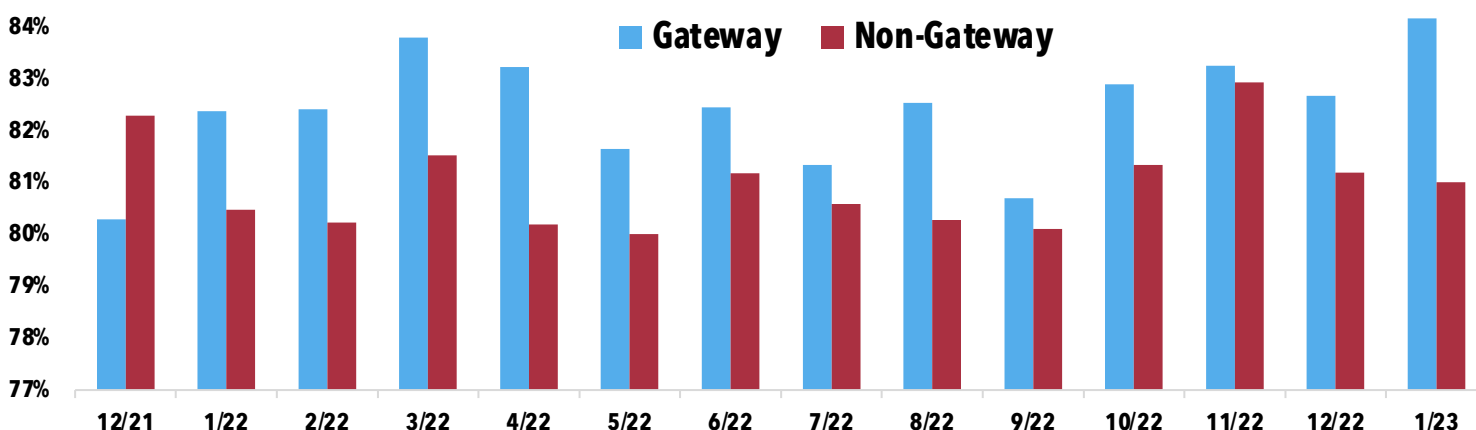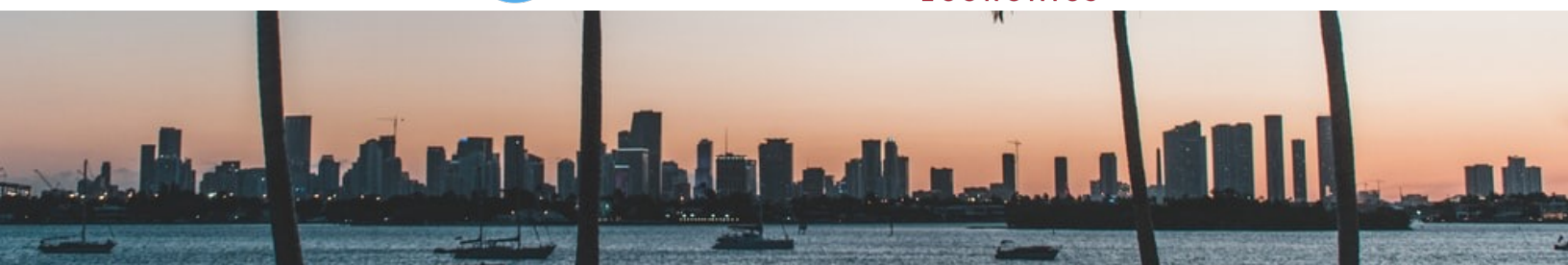
Sun Belt vs. non-Sun Belt

The Sun Belt— an expansive region that hugs the southern portion of the US from coast-to-coast— was among the big winners of the post-shutdown housing demand reshuffle. A heavy inflow of relatively high-earning renters, driven partly by work-from-home adoption, caused many Sun Belt metros to post some of the country's highest annual rent growth totals. However, with rapid re-pricing came heightened affordability and questions over sustainability.

As we enter 2023, market rent pricing has reached a clear inflection — especially in the Sun Belt. According to Yardi Matrix's December 2022 Multifamily report, all Sun Belt markets (sans Houston) are seeing negative monthly rent growth. While the resumption of seasonal patterns was expected, the report notes that weakening demand and the onboarding of new supply are impacting fundamentals.

While landlords will not celebrate declining price pressures, it may positively impact renter performance. Between April and November 2022, on-time collections in Sun Belt rentals underperformed non-Sun Belt rentals in seven-of-eight months.

Now, the Sun Belt has outperformed the rest of the country for consecutive months. In total, 82.4% of Sun Belt units paid their rent on time in January, rising 84 bps from a month earlier and 113 bps year-over-year. In non-Sun Belt units, on-time collections fell slightly, declining 28 bps month-over-month, landing at 81.1%.

	Sun Belt January 2023 First Estimate	Non-Sun Belt January 2023 First Estimate
On-Time	82.4%	81.1%
Month-over-Month Change	+84 bps	-28 bps
Year-over-Year Change	+113 bps	+59 bps

Sun Belt vs. Non-Sun Belt
On-Time Payment Rates

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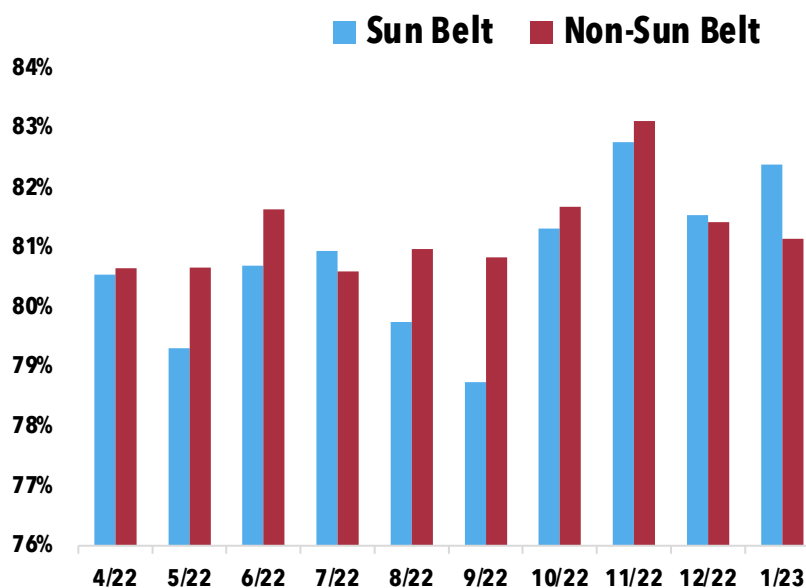
Performance by Rent Level

Price Point Analysis

Analyzing performance trends at different rental price points, it is mid and high-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 January 2023 preliminary estimate, coming in at 79.8%. 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.

As has become a recent trend, the best-performing price points for independently operated rental units are either units charging $2,000-$2,499 or more than $2,500. The $2,000-$2,499 price bucket held the highest on-time rent payment rates through January 15th, coming in at an impressive 85.6%. Rentals charging more than $2,500 followed closely behind at 85.5%.

	<$1,000	$1,000-$1,499	$1,500-$1,999	$2,000-$2,499	>$2,500
On-Time Payment Rate January 2022 First Estimate	79.8%	80.9%	83.7%	85.6%	85.5%

On-Time Rent Payments by Rental Price Point

Legend: <$1,000 | $1,000-1,499 | $1,500-1,999 | $2,000-2,499 | >$2,500
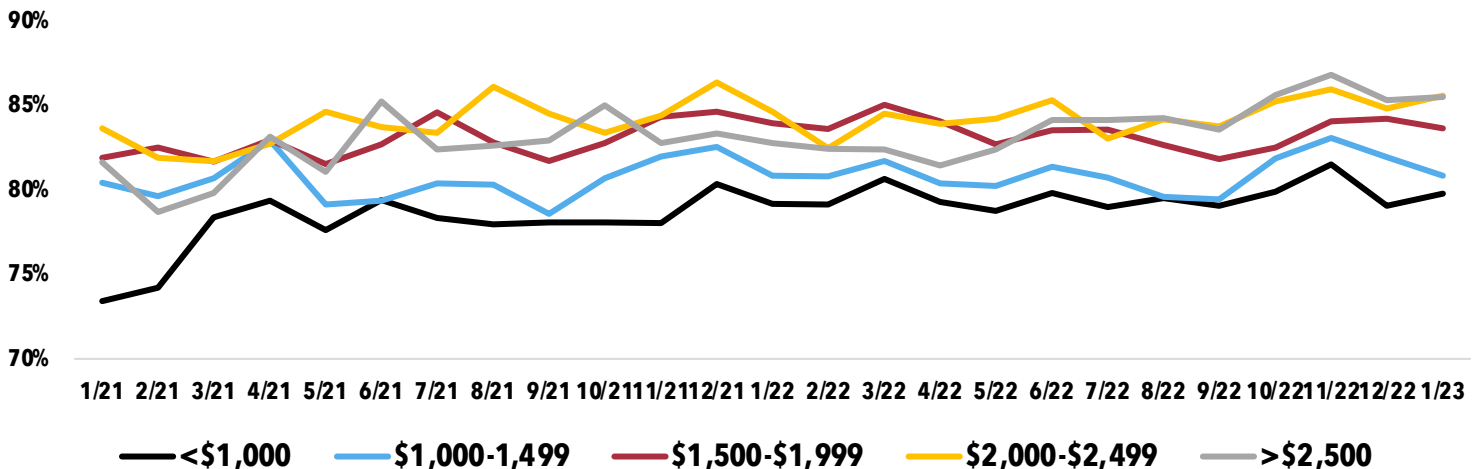
Performance by Property Type

Single-Family Rentals

As of the preliminary January estimate, 81.8% of SFR units have paid their rent on time this month, declining marginally from December. Measured month-over-month, SFR's on-time payment rate declined by 55 bps. SFR was the only tracked property type to see marginally declining on-time payment rates this month. However, the on-time payment rate has improved by 69 bps compared to one year ago.

Through January 15th, 2.2% of SFR units have paid their rent late, while another 16.0% have yet to make their full payment. Chandan Economics forecasts that the late-payment rate for SFR units in December will rise to 10.5% over time, with the full-payment rate settling at 92.3% — the second-highest mark since the onset of the pandemic.

	December 2022	January 2023 First Estimate
On-Time Payment Rate	82.3%	81.8%
Month-over-Month Change	-21 bps	-55 bps
Year-over-Year Change	+6 bps	+69 bps

Single-Family Rentals
Independent Landlord Rental Payment Tracker


On Time — Late — Unpaid
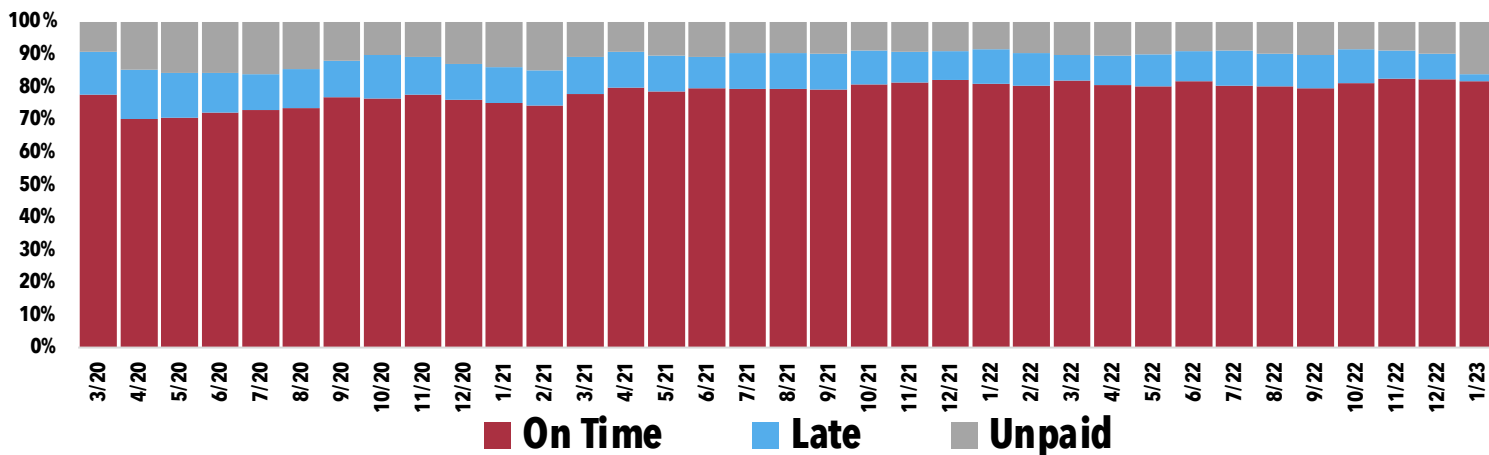
2-4-Unit

Independently operated apartments in properties with 2-4 units had an average on-time payment rate of 82.4% as of the preliminary January 2023 estimate— increasing by a minuscule 4 bps from December's mark. January marks the ninth time in the past ten months that 2–4-unit properties maintained the highest on-time payment rate of the three tracked sub-property types. Measured year-over-year, on-time payment rates in January are up by 144 bps.

Through January 15th, 1.9% of 2-4 Family units have paid their rent late, while another 15.7% have yet to make their full payment. Chandan Economics forecasts that the 2-4 unit late-payment rate in January will rise to 8.7% over time, with the full-payment rate settling at 91.9%.

	December 2022	January 2023 First Estimate
On-Time Payment Rate	82.4%	82.4%
Month-over-Month Change	-173 bps	+4 bps
Year-over-Year Change	-24 bps	+144 bps

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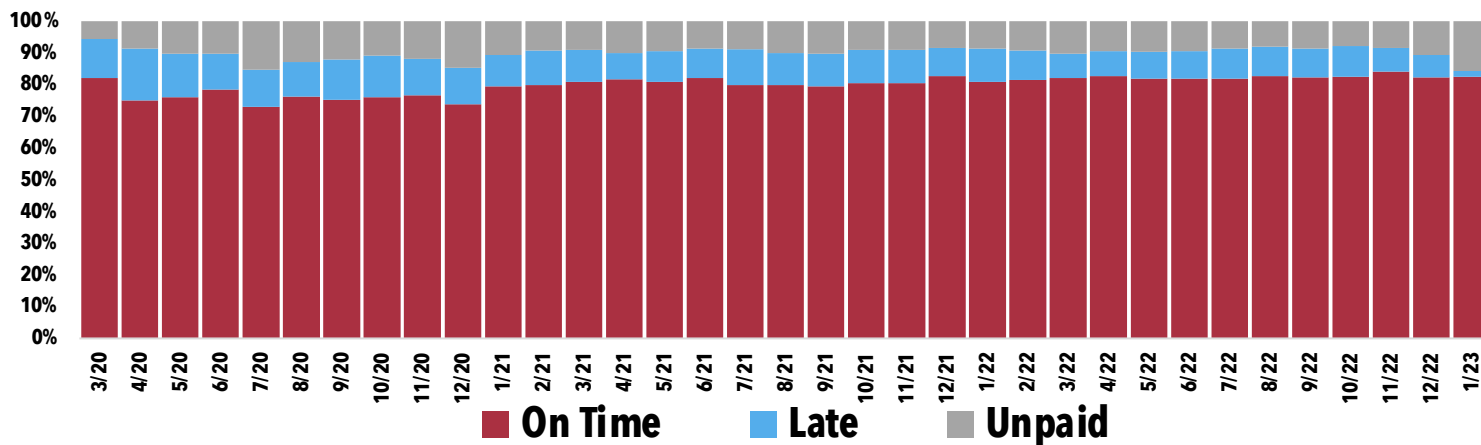
Small Multifamily (5-49 Unit) Rentals

The on-time payment rate for apartments in Small Multifamily properties (5-49 units) averaged 81.0% as of the preliminary January 2023 estimate. As it currently stands, January marks the seventh time in the past eight months that on-time payment rates have come in above 81% for Small Multifamily. Compared to December, the January estimate improved by 89 bps — the most of any tracked property type. Measured year-over-year, the January 2023 on-time payment rate is down up 43 bps.

Through January 15th, 1.7% of units in Small Multifamily properties have paid their rent late, while another 17.3% have yet to make their full payment. Chandan Economics forecasts that the late-payment rate for Small Multifamily units in January will rise to 10.1% over time, with the full-payment rate settling at 91.1%.

	December 2022	January 2023 First Estimate
On-Time Payment Rate	80.2%	81.0%
Month-over-Month Change	-335 bps	+89 bps
Year-over-Year Change	-145 bps	+43 bps

Small Multifamily Rentals
Independent Landlord Rental Payment Tracker

Legend: On Time, Late, Unpaid
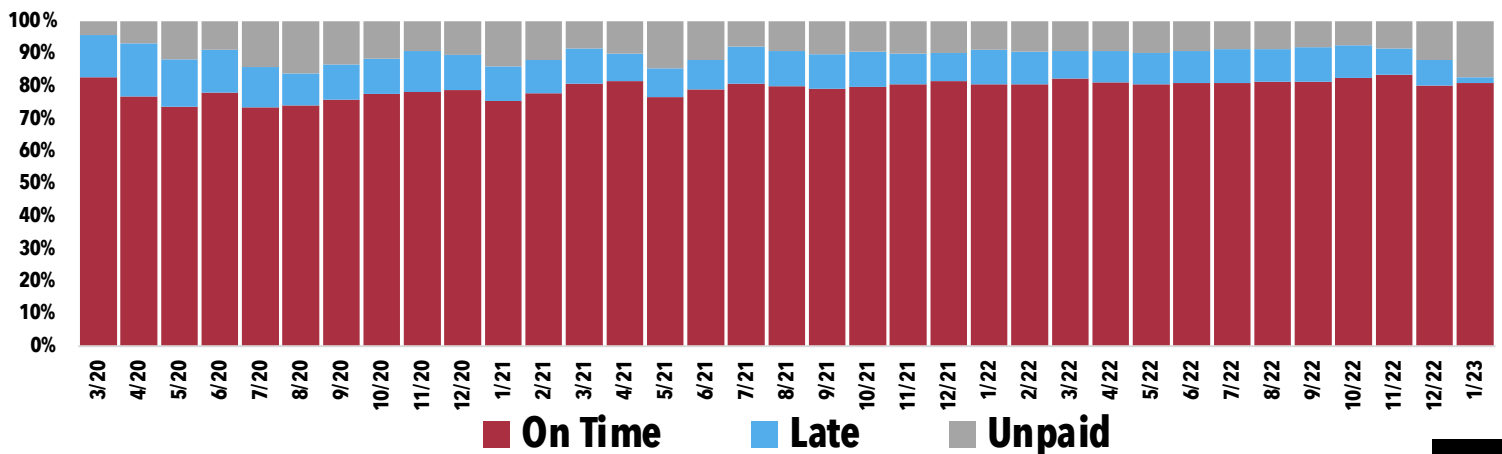
About This Report

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 49,745 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 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.

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 January 2023 (current reporting period). As of the latest month of data availability, the reduced unit sample size totals 49,745. 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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