INDEPENDENT LANDLORD RENTAL PERFORMANCE REPORT

Chandan ECONOMICS

rentredi

February 2022

Index

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Key Takeaways

1. The on-time payment rate in independently operated rental units dropped 120 bps between January and February, settling at 79.6%.

2. Compared to one year ago, rent collections are in a much healthier place. Measured year-over-year, February 2022's on-time payment rate is up by 396 bps.

3. Single-Family Rentals maintain the highest on-time payment rates for the fifth consecutive month, coming in at 80.5% in February.

4. On-time payment rates in the Sun Belt are outperforming the rest of the country in February for the first time since October 2021.

5. Rental units charging below $1,000 per month have consistently maintained the lowest on-time payment rates of all tracked price points.

National Performance

Current Performance

January's month-end estimate and preliminary trends through mid-February show continued normalization for independent landlords. On-time payment rates dipped by an average of 1.2% across all independently managed rental units, but the decline is consistent with the month-to-month variation experienced in previous Februarys.

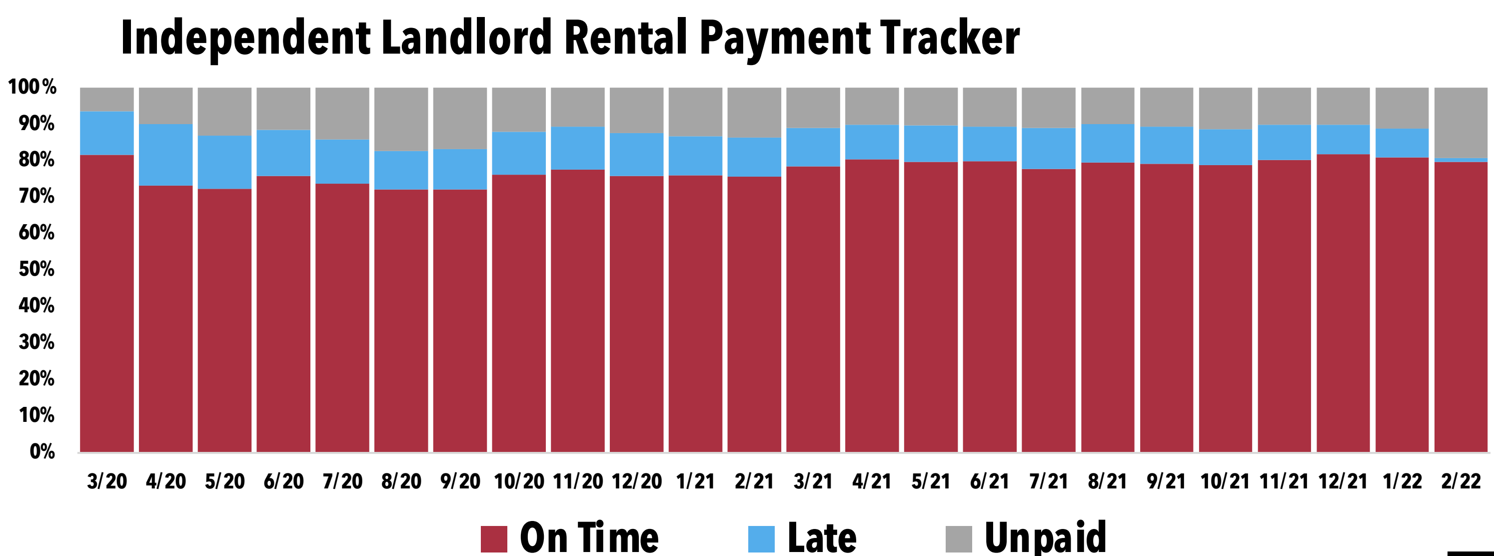
For January, the last full month of data, the on-time collection rate was revised up by 8 basis points (bps), rising to 80.8%. 8.0% of units paid their rent late last month, bringing January's full payment rate up to 88.8%. Further, according to a Chandan Economics forecast, an additional 2.4% of units are likely to shift from unpaid to late in the coming months.

The first estimate for February shows that 79.6% of apartment units in independently operated properties paid their rent on time this month. Compared to February 2021, the current period's on-time payment rate is up 396 bps, reflecting the sector's return to health.

An emerging theme in the preliminary February data is the convergence of on-time payments rates across price points, size categories, and locations.

The considerable narrowing of performance differentials in recent months is a sign that economic outcomes are settling back into less volatile patterns following the pandemic's shock.

	January 2022	February 2022 First Estimate
On-Time Payment Rate	80.8%	79.6%
Month-over-Change	-91 bps	-120 bps
Year-over-Year Change	+478 bps	+396 bps



Performance by Geography

Gateway vs. non-Gateway

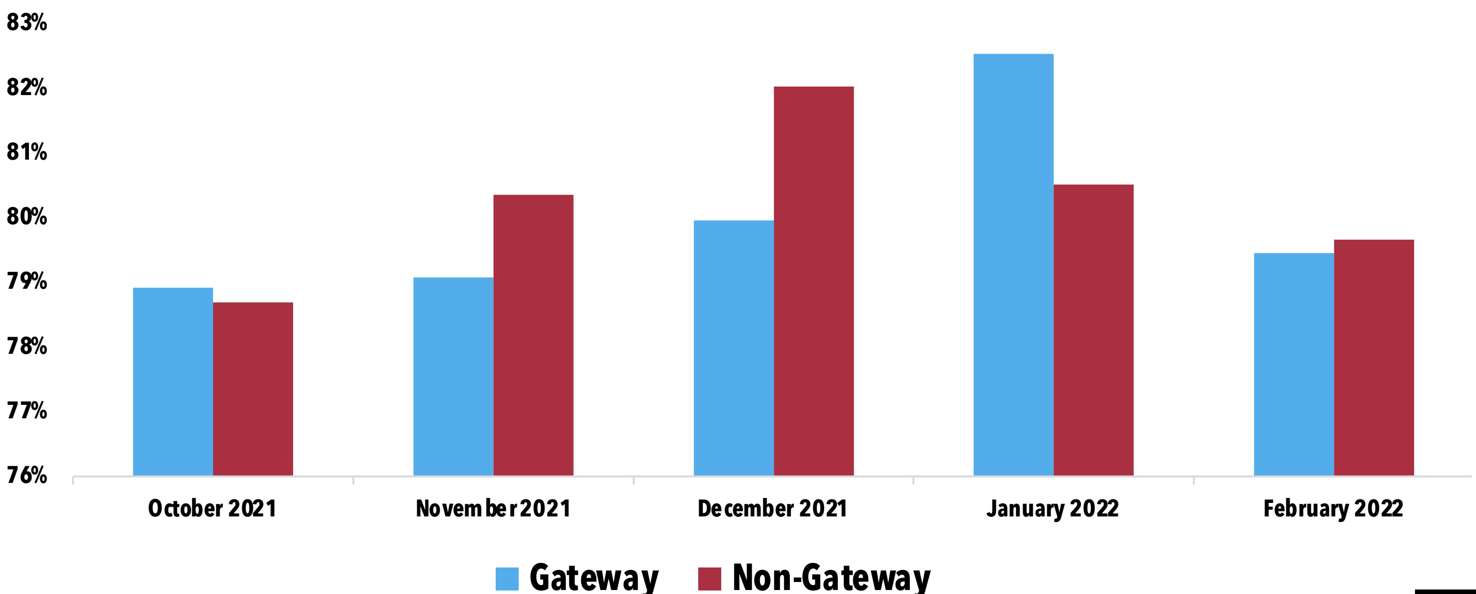
Gateway markets (New York, Los Angeles, San Francisco, Washington, DC, Houston, Dallas, Chicago, and Boston) had on-time collection rates that were consistently 12-16 percentage points below units elsewhere during the early months of the pandemic. However, Gateway markets have come back in line over the last year with their on-time collection rates surpassing non-Gateways in seven of the last twelve months.

As of the February 2022 first estimate, 79.5% of apartment units in Gateway markets paid their rents on time compared to 79.7% in non-Gateway markets. Compared to one year ago, on-time payment rates in Gateway markets are up by a reassuring 474 bps even with a weighty 308 bps month-over-month decline in February.

	Gateway February 2022 First Estimate	Non-Gateway February 2022 First Estimate
On-Time	79.5%	79.7%
Month-over-Change	-308 bps	-84 bps
Year-over-Year Change	+474 bps	+386 bps

Gateway vs. Non-Gateway

On-Time Payment Rates



Sun Belt vs. non-Sun Belt

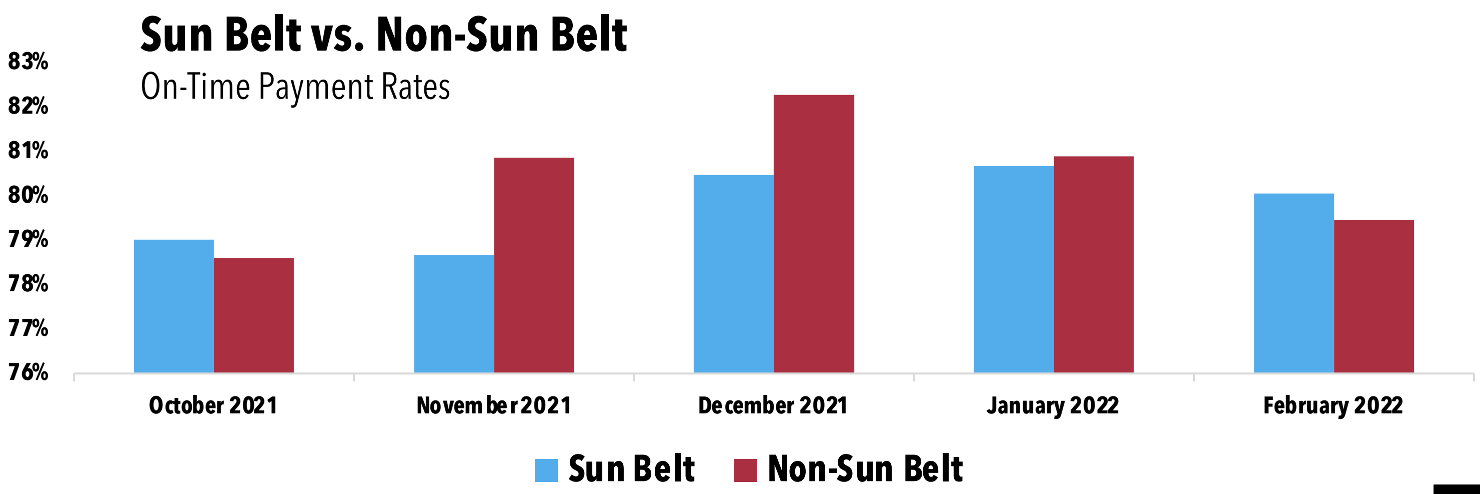
The Sun Belt— an expansive region that hugs the southern portion of the US from coast-to-coast – has continued to see steady inflows of both new residents chasing comparative rental affordability and investment capital. The inflows may be having an impact on affordability for existing residents as inflation and rents are currently growing more quickly in the region than elsewhere across the country.

Between August 2021 and January 2022, on-time payment rates were higher in non-Sun Belt markets in five-of-six months. The performance differential topped out in November 2021, when on-time payment rates were 219 bps higher in non-Sun Belt units. However, since November, this gap has started to narrow. As of the preliminary February 2022 estimate, Sun Belt collection rates are besting units located elsewhere, boasting an 80.1% on-time payment rate compared to 79.5% elsewhere.

Similar to how gentrification negatively impacts existing renters in a micro-urban analysis, the same phenomena may be playing out on a macro-scale in the Sun Belt. 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).

Given both the potential for existing renter de-stabilization and the trend of performance rates measured late last year, incoming data are a welcome sign for both renters and landlords in the Sun Belt alike.

	Sun Belt February 2022 First Estimate	Non-Sun Belt February 2022 First Estimate
On-Time	80.1%	79.5%
Month-over-Change	-63 bps	-144 bps
Year-over-Year Change	+458 bps	+368 bps



Performance by Rent Level

Price Point Analysis

Analyzing performance trends at different rental price points offers both some surprises and some expected trends. Starting with the latter, there is a lower performance rate for rental units at lower price points—a reflection of the lower household incomes that likely make up the tenant mix. For units paying a monthly rent that is less than $1,000, the on-time payment rate in February 2022 currently stands at 78.1%— 1.5 percentage points lower than the national average. However, there are some green shoots of hope for lower-income/lower-price point renters. Measured year-over-year, the on-time payment rate in February for units paying less than $1,000 in rent was up by 379 bps— by far the most significant improvement of any price point.

Units renting for under $1,000 have consistently underperformed other price points over the life of the data set and there remains significant anxiety for low-income renters in their ability to pay rent, according to the US Census Bureau's [Household Pulse Survey](#).

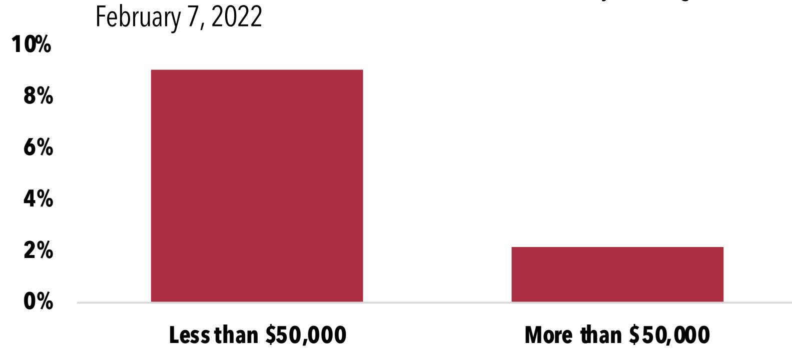
During the survey period spanning January 26th – February 7th, 2022, of households earning less than $50,000 annually, 9.1% reported no confidence in their ability to pay next month's rent.

For renter households earning more than $50,000, this share reporting no-confidence falls to a minuscule 2.2%.

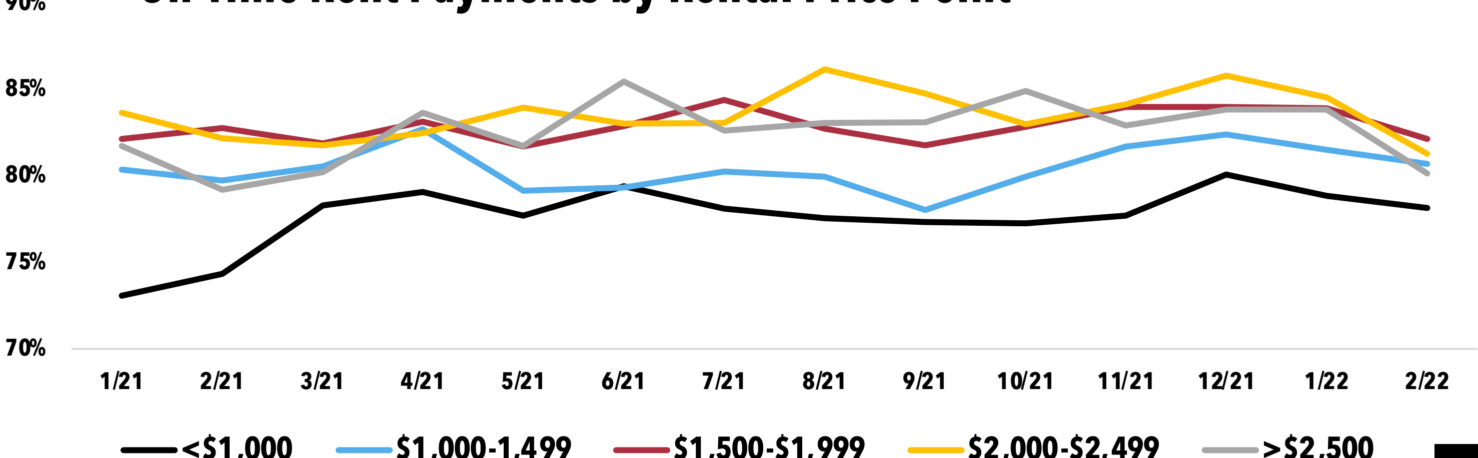
At higher price points, performance is mixed. As of the February 2022 first estimate, units with monthly rents between $1,500 and $1,999 had the highest on-time payment rates coming in at a healthy 82.2%. Somewhat surprisingly, units at the highest tracked price point (>$2,500) had the second lowest on-time payment rate in February at 80.2%.

Percent of Renters Reporting "No Confidence" in Their Ability to Pay Next Month's Rent: By Household Income

Source: US Census Bureau's Household Pulse Survey, Through February 7, 2022



On-Time Rent Payments by Rental Price Point



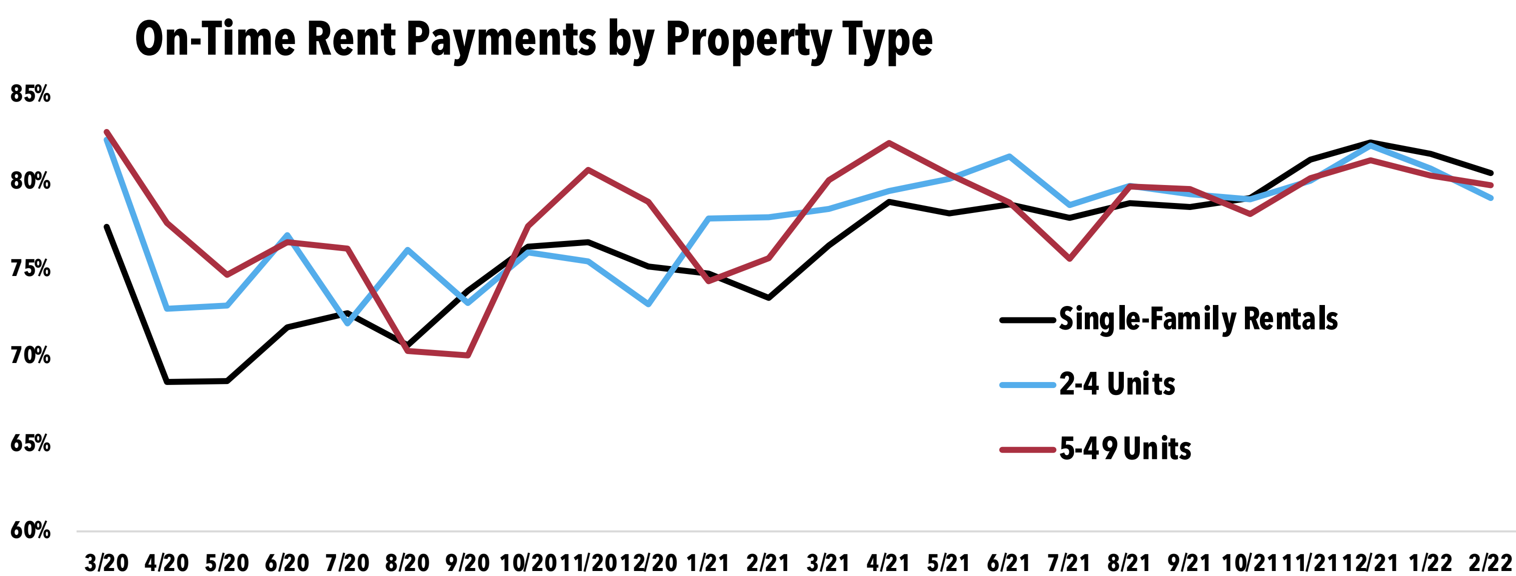
Performance by Property Type

Property Type Overview

Independently managed units across all three tracked sub-property types (single-family rentals, two-to-four units, and 5-49 units) have converged in recent months— a stark difference from the trends observed through most of the pandemic. 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.

Given the volatility experienced and exhibited by households through most of the pandemic, large differentials between on-time payment rates in different property types were common.

Between April 2020 and August 2021, the average on-time payment rate difference between the best and worst-performing property types stood at 419 bps. The performance of independently operated units has started to converge across property types, averaging a differential of just 114 bps over the past six months.

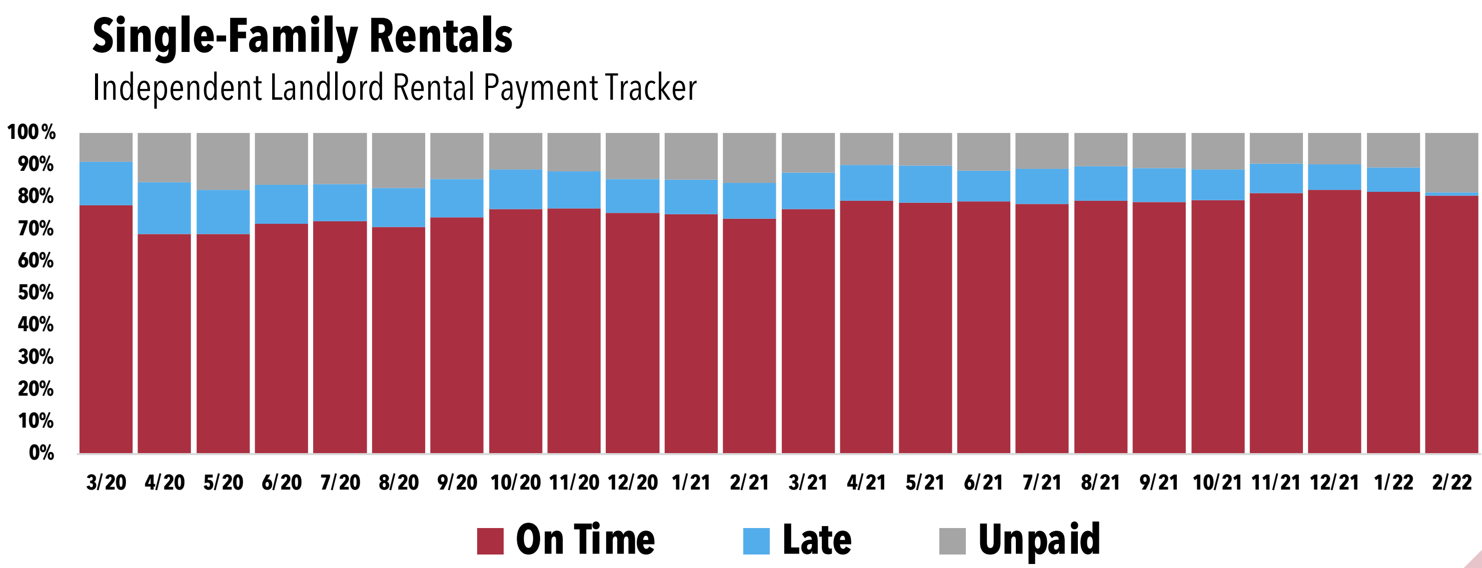


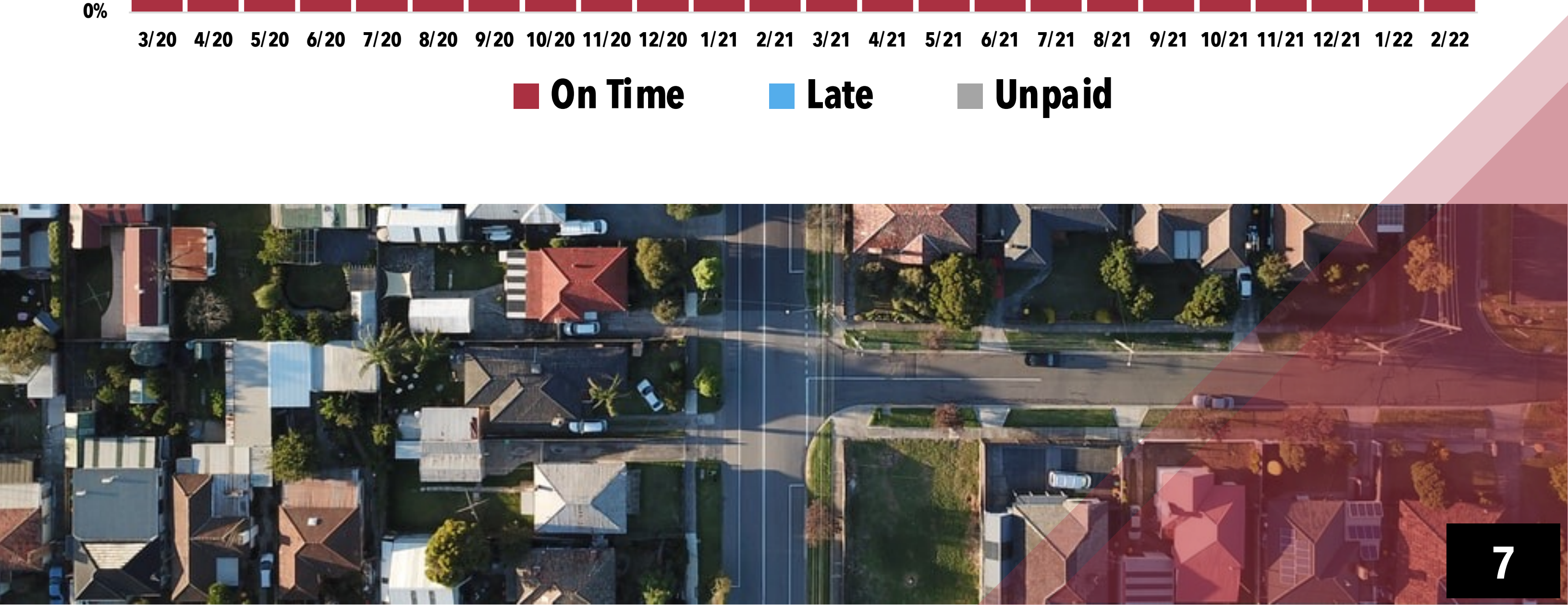
Single-Family Rentals

After the on-time payment rate in January's second estimate was revised up by 130 bps, February 2022 now marks the fifth consecutive month of SFR maintaining the highest levels of performance across the three tracked property types. Moreover, compared to one year ago, on-time payment rates are 716 bps higher, reflecting considerable improvement. For January 2022, the last month of data collection, 89.3% of SFR units paid their rent in full, with 81.6% paying on time and another 7.7% paying late.

On-time payment rates and independently operated Single-Family Rental (SFR) properties averaged 80.5% as of the February 2022 preliminary estimate— 112 bps below the January 2022 observation, the second consecutive month of declines. Monthly declines in on-time payment rates are observable for the sector in the prior two Februarys, suggesting that the decline is more related to seasonal factors than reduced performance. In 2020 and 2021, SFR's on-time payment rate fell 83 bps and 142 bps month-over-month in each February, respectively.

	January 2022	February 2022 First Estimate
On-Time Payment Rate	81.6%	80.5%
Month-over-Change	-64 bps	-112 bps
Year-over-Year Change	+686 bps	+716 bps



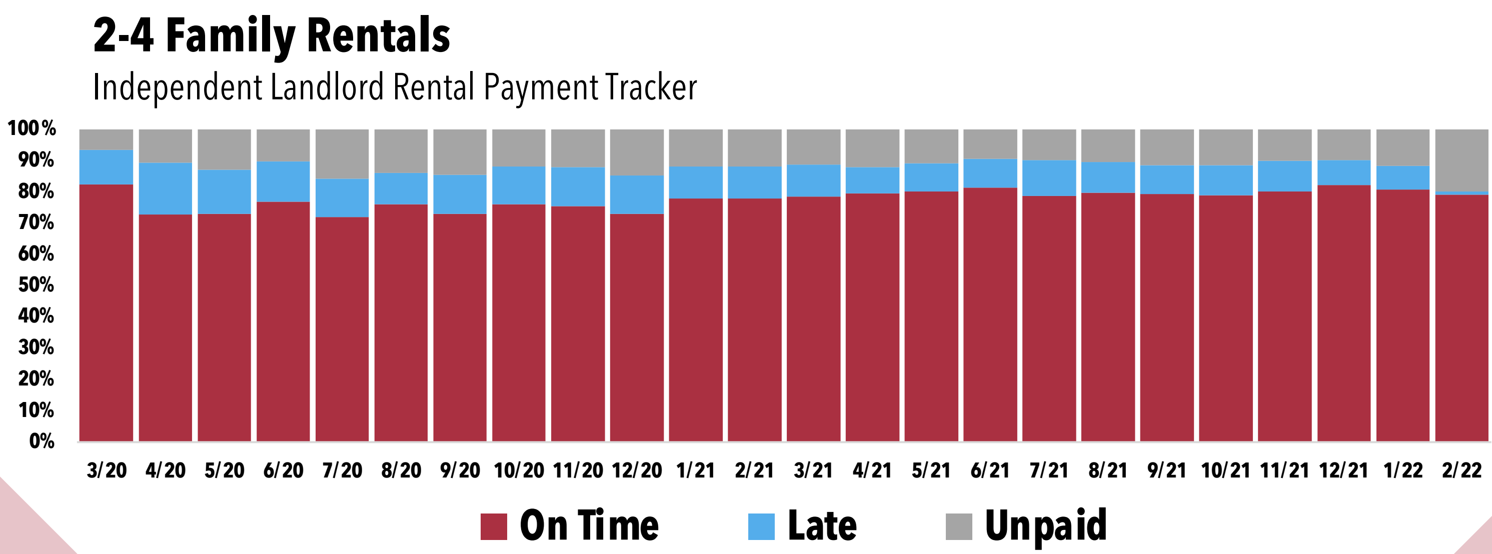


2-4 Family

Independently operated apartments in properties with 2-4 units have seen on-time payment rates average 79.1% in February 2022. February's preliminary estimate indicates a slight drop-off in performance, with on-time payment rates falling 171 bps from January— the largest decline of the three tracked sub-property types. Nevertheless, 2-4 Family units have still enjoyed firming performance over the past year.

Measured year-over-year, on-time payment rates in February are up by 109 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. For January 2022, the last month of full rent collection data, 88.3% of 2-4 Family units paid their bill in full, with 80.8% paying on time and another 7.5% paying late.

	January 2022	February 2022 First Estimate
On-Time Payment Rate	80.8%	79.1%
Month-over-Change	-132 bps	-171 bps
Year-over-Year Change	+286 bps	+109 bps



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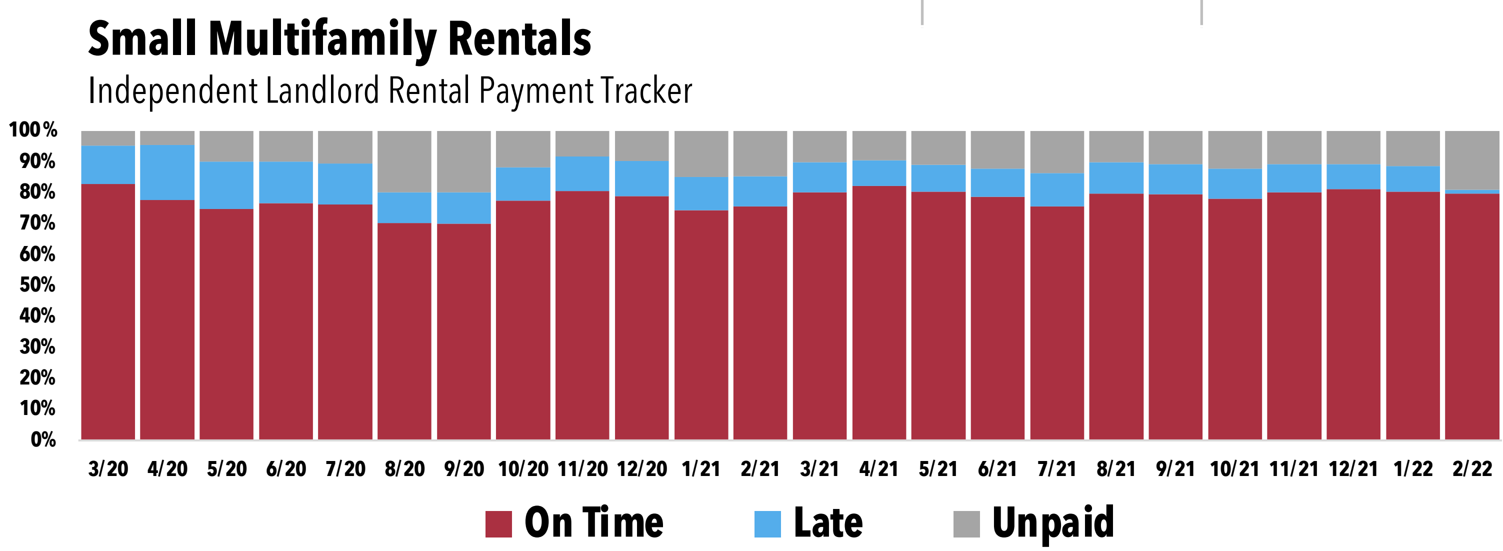
Small Multifamily (5-49 Unit) Rentals

The on-time payment rate for apartments in Small Multifamily properties (5-49 units) averaged 79.8% as of the preliminary February 2022 estimate. The February on-time payment reading represents a drop-off of 56 bps from the month prior— the mildest decline of all three tracked property types. Measured year-over-year, the February 2022 on-time payment rate is up by an encouraging 418 bps. For January 2022, the last month of full rent collection data, 88.7% of Small Multifamily units paid their bill in full, with 80.4% paying on time and another 8.4% paying late.

	January 2022	February 2022 First Estimate
On-Time Payment Rate	80.4%	79.8%
Month-over-Change	-88 bps	-56 bps
Year-over-Year Change	+606 bps	+418 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 56,041 rental units. Data are cleaned (reduced sample size = 27,106 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 forward basis from March 2020 through February 2022 (current reporting period). As of the latest month of data availability, reduced unit sample size totals 27,106. 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 December 16th, would be treated as charge corresponding to January'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. In current month estimates, only rent charges tenants received on or before the 5th of the month are included for analysis, with data reported on the 16th of the month.

On-time rental units are defined as units that have fully paid their monthly rent totals within ten days of the due date. Late units have fully paid rents and are more than ten days late. Unpaid units refer to all units that have yet to fully satisfy their owed rents for a collection period, including units with partial payments.

Units that have not paid any form of rental income (full or partial) in the previous two months are removed from the rent tracking sample. 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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