

Breaking News

Apartment Industry Nears 'Breaking Point' on Rents, Executives Say

First-Week Collection Rate Drops to Lowest Since April, According to NMHC Data



Apartment rent collection has been challenging in cities such as Las Vegas, one industry executive said. (iStock)

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The lowest percentage of apartment dwellers paid rent in the first week of the month since April, another sign of what industry executives say is a slow deterioration of the financial strength of the rental market.

The data from the nation's biggest tracker of rent payments portends a further crumbling in the ability of apartment dwellers to make rent as [demand has dropped for high-priced units in U.S. urban centers](#). A lack of rent payments means reduced cash flow for owners to pay mortgages, which could result in less money flowing to lenders.

About 76.4% of the 11.4 million renters tracked by the National Multifamily Housing Council paid up in September, fully or partially, through Sunday. That's more than 552,000 fewer renters that paid the same time last year, and it's the lowest percentage of renters to pay the first week of any month since April.

The rate is a 4.8% drop from the same time last year and 2.9% less than the first week of August. Only the 60% rate recorded in the first week of April has been worse since NMHC, an industry lobbying group based in Washington, D.C., began tracking the rate in March.

For months, NMHC released relatively high payment figures. The data tends to reflect the biggest apartment owners in the country, which can give a distorted picture because it captures properties that often can have high numbers of white-collar workers who are able to keep their jobs by working at home.

Brian Zrimsek, a principal at MRI Software who helps collect the rent payment data for NMHC's survey, said his take is that the good luck is reaching its end.

"I don't think any of us can take our foot off the accelerator," he said Wednesday during an NMHC webinar. "A large portion of our residents do have some savings, but I think that's reaching its breaking point."

The sense of steady deterioration in apartment rental payments has gotten stronger ever since the \$600 a week enhanced federal unemployment insurance benefits ran out at the end of July.

But first-week collections have inched up throughout every month since the pandemic started, with most months ending with over 94% of residents paying up. And landlords have reported the number of tenants asking to make partial payments or enter payment plans has remained low.

In part, that may be NMHC's methodology. The group collects data from five property management software companies: Yardi, ResMan, MRI, Entrata and RealPage. Those companies collect their own data from the largest U.S. landlords, such as Aimco, AvalonBay Communities and UDR, not the smaller and midsized players across the country that executives say have been hit hardest by the pandemic and unemployment.

James Schloemer, NMHC's treasurer and CEO of Continental Properties of Menomonee, Wisconsin, said collection rates vary region by region and property type by property type.

“We own only properties we develop ourselves,” he said on the webinar. Those properties are largely workforce housing assets, where residents are paying only 20% of their income on rent, or about half of what tenants pay in some markets.

He said that in some markets hurt by high unemployment, collection rates are down.

“In markets in Florida, like Orlando, or in Las Vegas, rent collection has been much more challenging.”

NMHC has been lobbying Congress for another round of aid for renters and landlords similar to the Coronavirus Aid, Relief, and Economic Security Act that included the extra \$600 a week unemployment benefit. But the group has also been opposed to federal eviction moratoriums like one issued by the Centers for Disease Control and Prevention last week that it says prevent landlords from effectively running their properties while allowing tenants to fall hopelessly behind in rent.

“The enactment of a nationwide eviction moratorium last week did nothing to help renters or alleviate the financial distress they are facing. Instead, it only is a stopgap measure that puts the entire housing finance system at jeopardy and saddles apartment residents with untenable levels of debt. Federal policymakers would have been better advised to continue to provide support as they successfully did through the CARES Act,” NMHC President Doug Bibby said in a statement.