



REAL ESTATE SOFTWARE



MRI Software Market Insights: The impact of COVID-19 on the Multifamily Industry

COMPARING JANUARY THROUGH NOVEMBER 2019 TO 2020

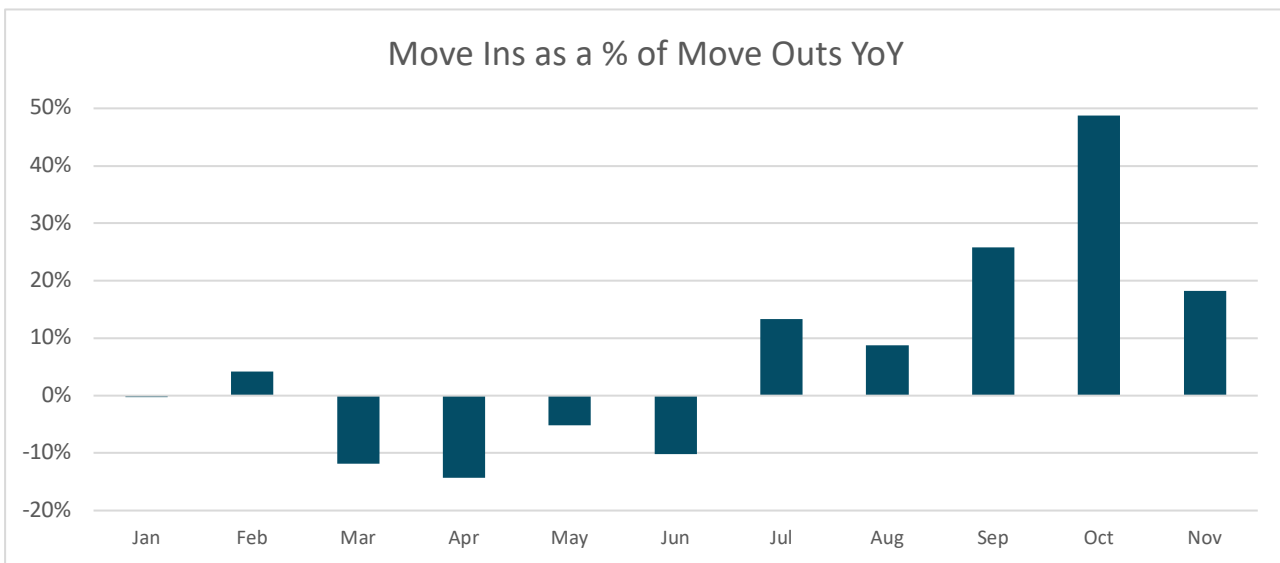
Executive Summary

“Winter is coming.” The motto of House Stark from Game of Thrones rings true for North America to some degree. It feels like we have been in a long, cruel winter with people confined to their homes, and overall activity in the multifamily sector feels more like the traditionally slow winter months.

As we continue to work our way through the ongoing impacts of the pandemic, we continue to track key metrics about prospects, residents and the observable behavior as seen through the lens of our data.

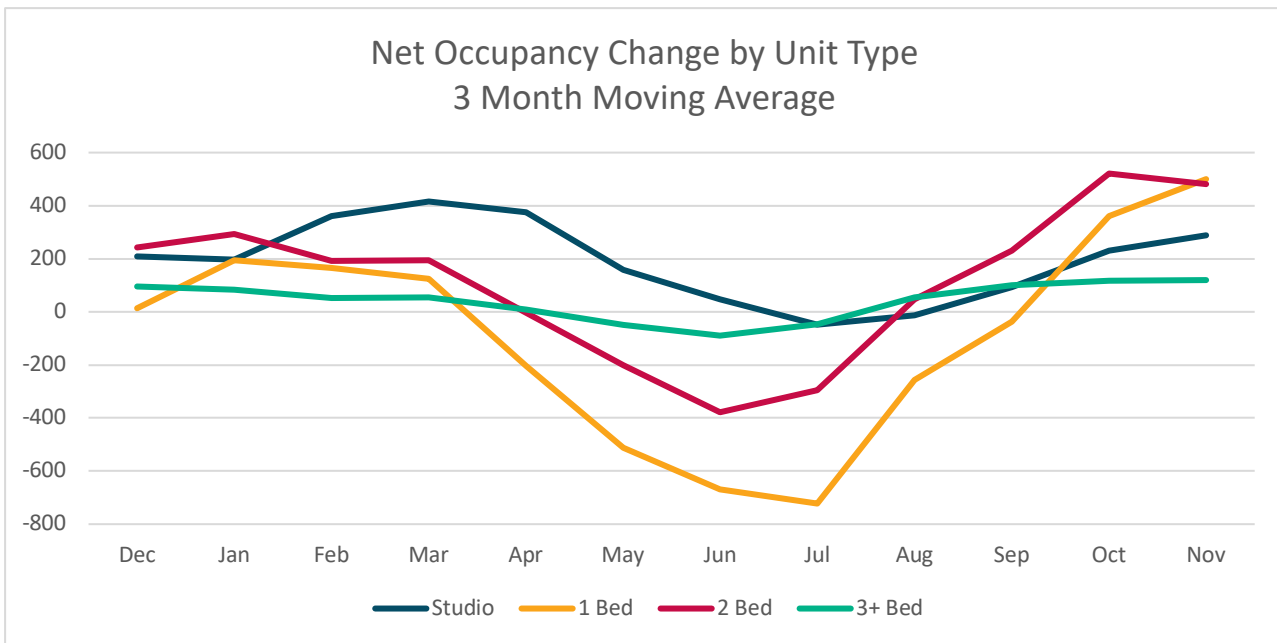
This month, there are a number of notable findings:

Occupancy continues to tighten as move-ins outpaced move-outs for a fifth consecutive month with the difference lessening as we head towards winter.



We dug deeper on this data to get additional insight into the unit types associated with these moves. To get a complete picture by unit type and to uncover trends, we included transfers which are not in the above chart.

The trends shown below, as three month moving averages, indicate that the greatest impact came in one-bedroom units, followed by two-bedroom units. Studio apartments and three or more room apartments were less impacted. Aside from the largest of units, this shows a pandemic-driven change in behavior away from single-bedroom units towards studio units (same household size, less space, less cost) or two-bedroom units (potentially consolidating households to share costs). In recent months, this behavior is normalizing with one- and two-bedroom units being most popular.



This behavioral change may help explain the fairly consistent rent payment performance as reported in the NMHC Rent Payment Tracker. As residents had uncertainty thrust upon them, the patterns suggest that many were proactive with their situation, choosing to move out as opposed to piling up arrears. In the time since the onset of the pandemic, new leases have been executed by applicants with personal financial certainty which allows them to enter into new lease commitments.

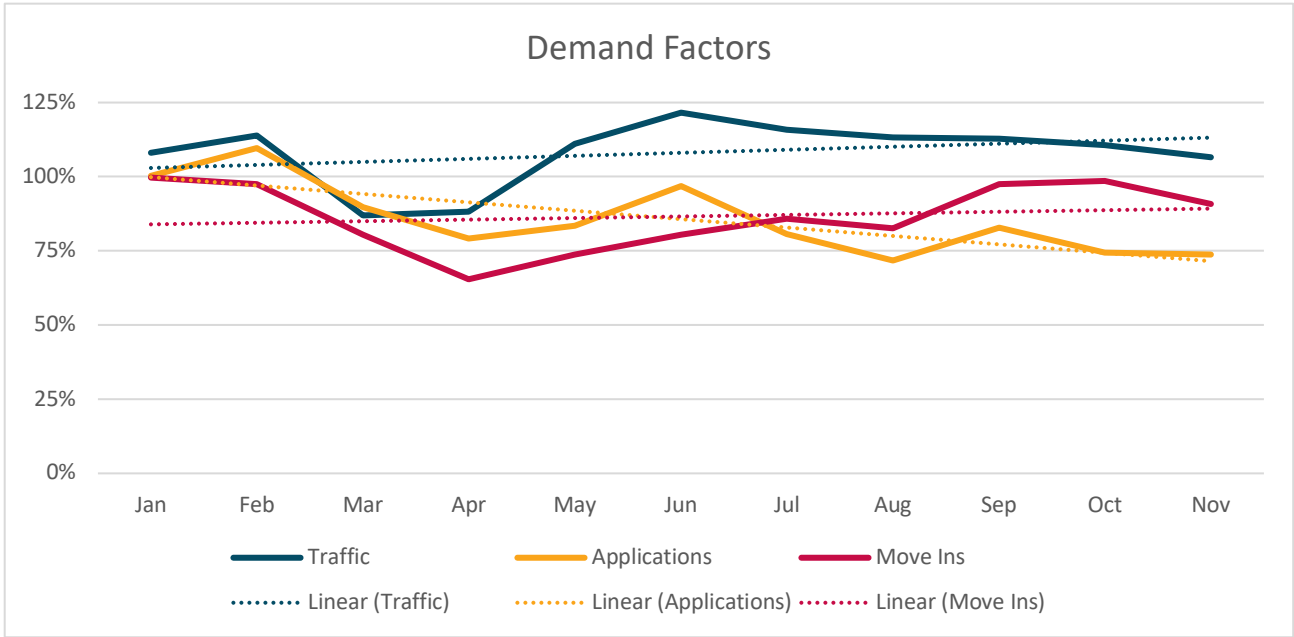
Other notable items:

- New lease pricing has flattened for November, averaging the same as last year.
- Concessions, however, continue to spike in total value while volumes were only slightly higher than prior month.
- New lease terms continue to slightly favor 10-month terms and dissuade 13-month terms specifically, as expiration management tries to hold on to late Summer 2021 opportunities.
- While renewal term pricing continues to encourage longer terms with more favorable pricing than shorter term leases, 12-month terms continue to be most popular, up 3.4% over prior year.

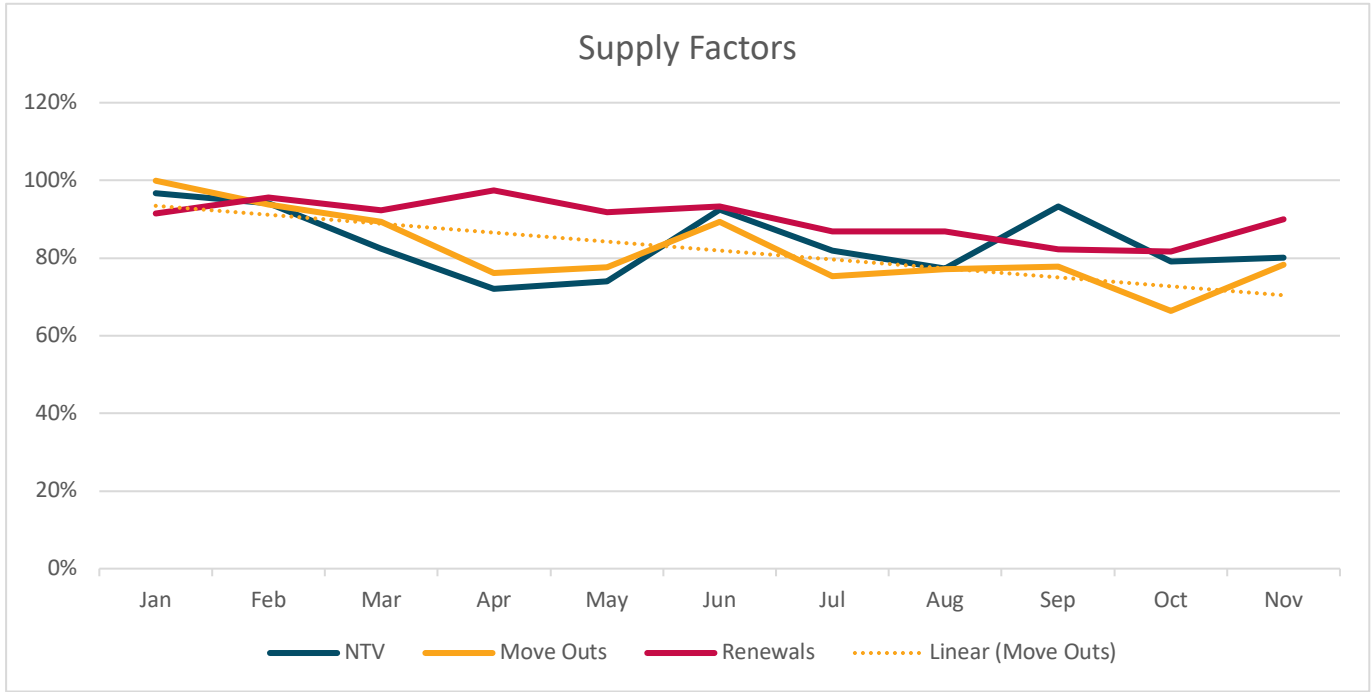
Technology continues to be a useful enabler for prospects and residents as:

- Online applications continue to be popular, up 46% over prior year.
- Electronic payment volumes remain up year over year with November up 19%, inclusive of the second month of reduced card payment volumes, holding at 27% of the total.
- Broadcast messaging is up 16% from prior year, echoing last month's peak volume.

The collective trends of the three main demand factors (traffic, applications and move-ins) are shown below. As noted, move-ins are just below prior year. Traffic continues to outperform while applications underperform.



On the supply side, as mentioned above, the notable trend is the continued decrease in move-out volume.



The ongoing, collective takeaway from this analysis is that residents are tending to stay in place at a higher rate in 2020 than 2019 and that occupancy continues to tighten.

The remaining metrics tracked in our prior Market Insights reports have not materially changed and are summarized below:

- Traffic continues to outpace 2019, up 7%
- Applications continue to trail 2019, down 26% again for November
- Renewal volumes jumped slightly to 90% of prior year
- Month-to-month lease volumes improved to 88% of prior year
- Resident portal usage remains substantially up year over year (34% for October)
- Service request volumes continue near historical norms
- Packages handled remains below 50% of prior year
- Call volumes remain slightly up year over year

Uncertainty remains ahead with COVID case volume at all-time highs and lock downs back as part of broad response discussions. Unemployment continues at near record levels, stimulus talks continue, and a fuller economic recovery remains ahead of us. A vaccine, coming soon, will help with return to normalcy, likely just in time for the start of the Summer 2021 leasing season. Until then, a focus on fundamentals like occupancy and expense management will help multifamily operators weather the storm. It continues to be our sincere hope that this data is of service for planning and decision making.

Sincerely,

The MRI Software Market Insights Team

Detailed Data and Further Analysis

The following pages contain detailed charts in support of the analysis presented.

This report extends our prior report by adding the month of November to the data-driven analysis of the impacts of the pandemic across multifamily in North America as experienced by the MRI Software client base. Like our previous report, we will follow the data through the different phases of the resident lifecycle, exploring a number of metrics with a specific look at year-over-year and recent trend comparisons. As mentioned above, we will highlight metrics of note, saving the whole of the report for a more robust quarterly update.

All data is aggregated from MRI Software product databases, provides a same store analysis, and is presented for reference purposes.

In most cases, year-over-year data is presented by showing 2020 as a percentage of 2019. We have added percent of prior month to depict month-over-month changes as well.

Data Sources:

The data utilized in this report is sourced from MRI Software hosted products and excludes on-premise client instances.

- Unless called out below, data is sourced from MRI's conventional property management suite of products
- Application trend data is sourced from MRI Screening Solutions
- Call, bulletin and package data is sourced from MRI's Callmax Automated Communications Suite

Each data point spans no less than 1 million active units.

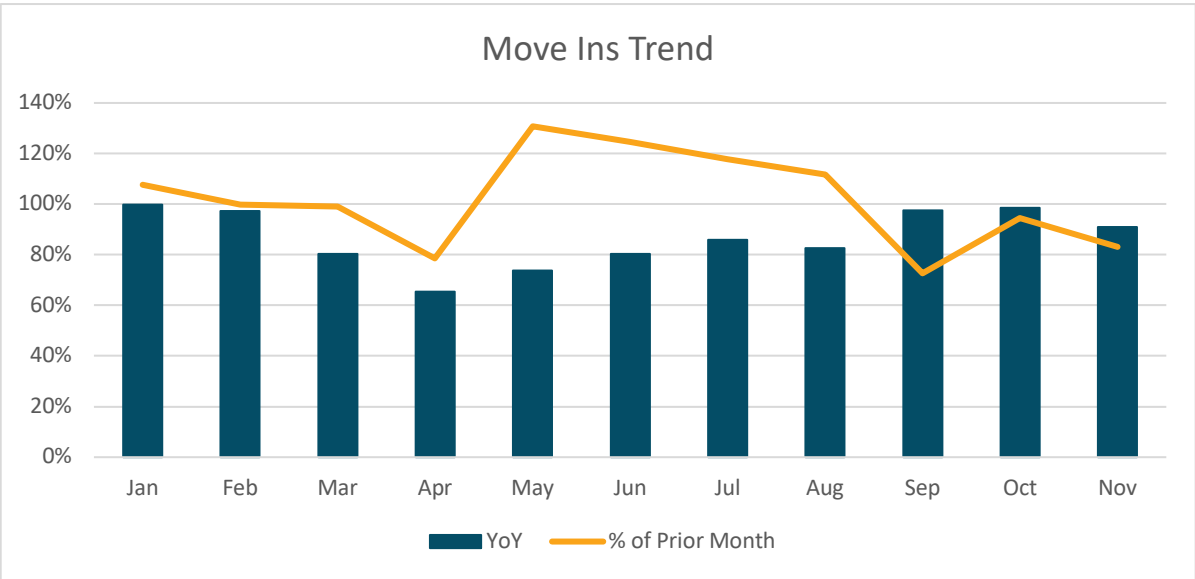


Disclaimer

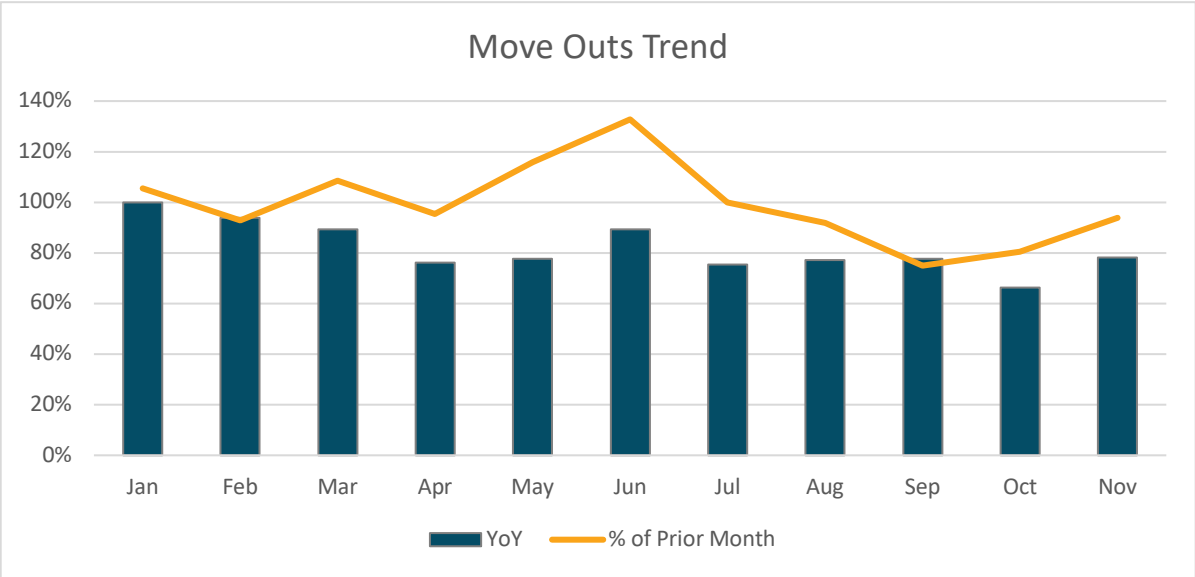
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Move Ins and Move Outs

Move-in volumes in November retreated a bit from a near normal result in October, achieving 91% of prior year volume.



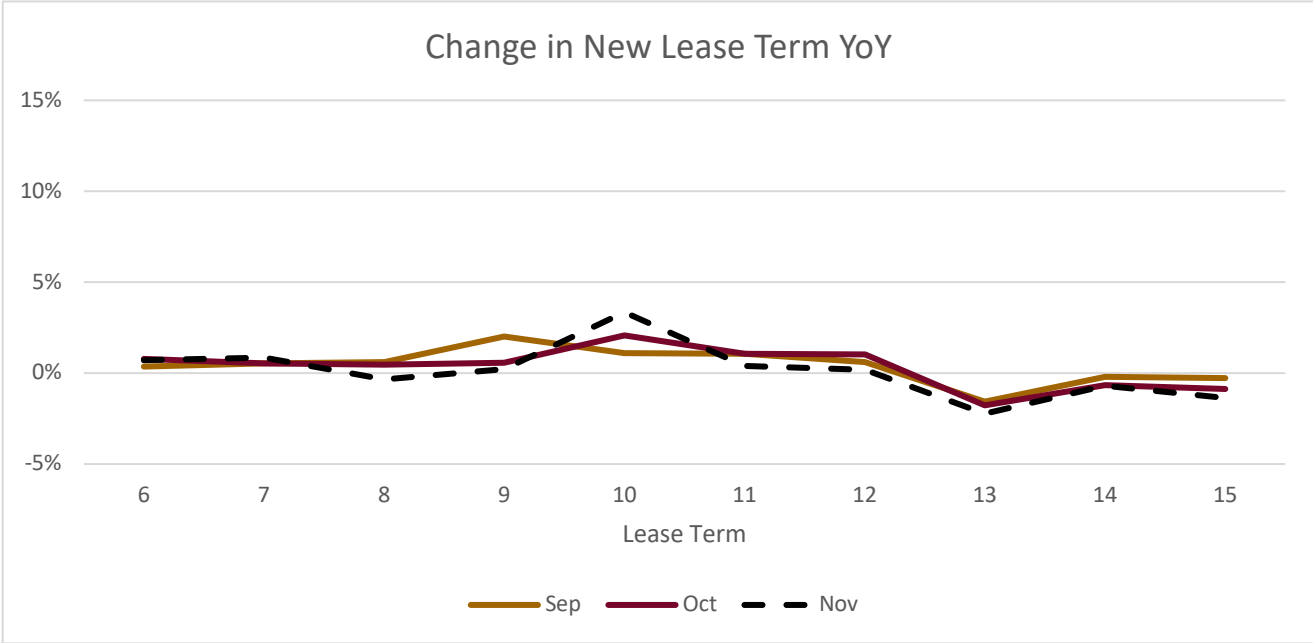
Move outs continue to lag prior year performance.



Taken together, these two metrics indicate a tightening of occupancy as we enter the traditionally slower winter season.

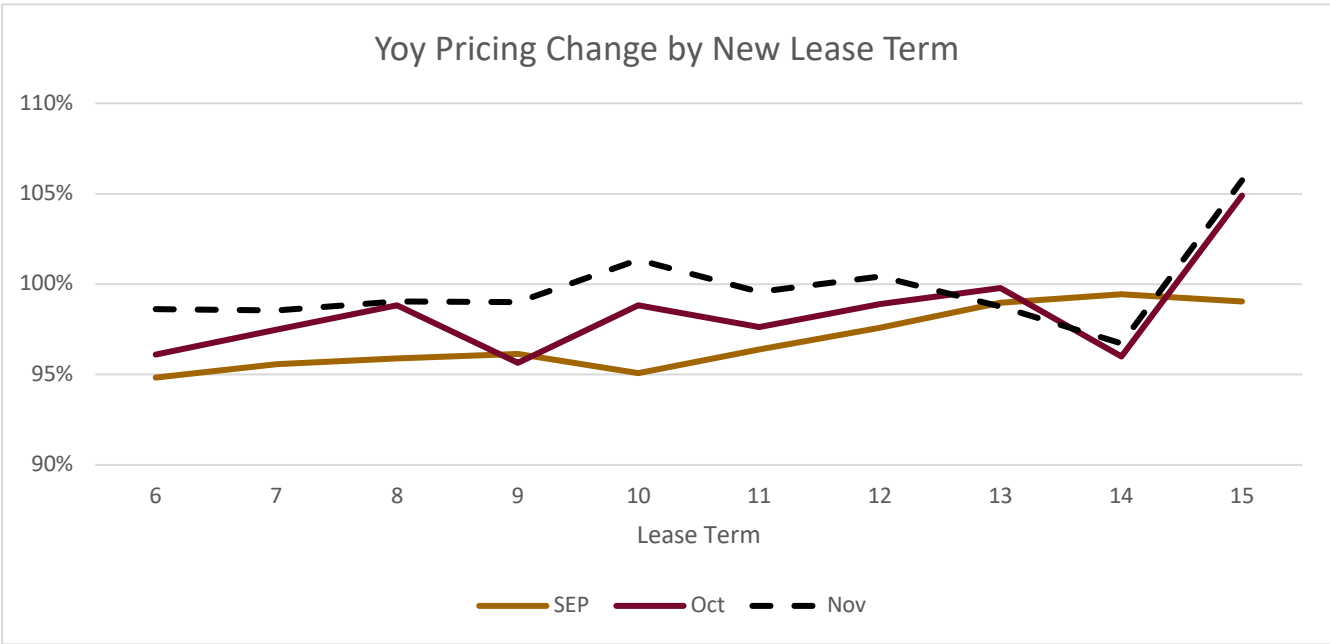
New Lease Term

This month, there is limited difference in lease term popularity as compared to prior years. Continuing but slight favorability for 10-month terms does indicate expiration management practices trying to retain opportunities for the end of Summer 2021.



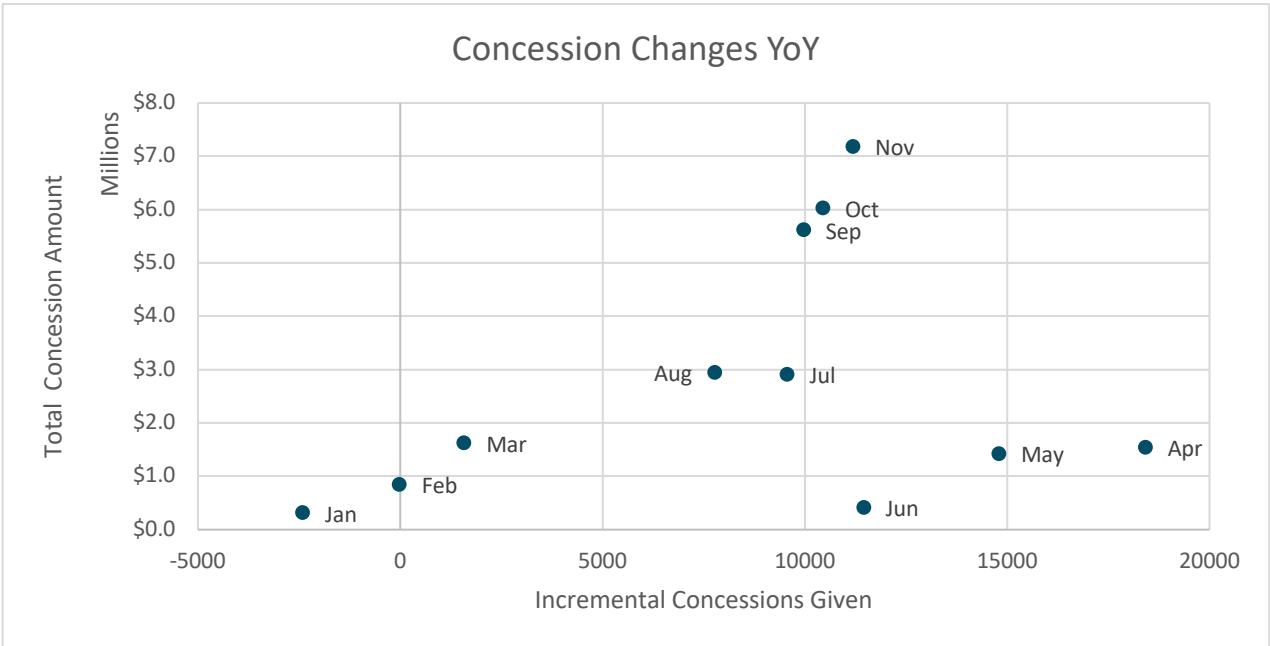
New Lease Term Pricing

New lease term pricing for November came in on par with 2019, plus or minus 1% variance for most lease terms.



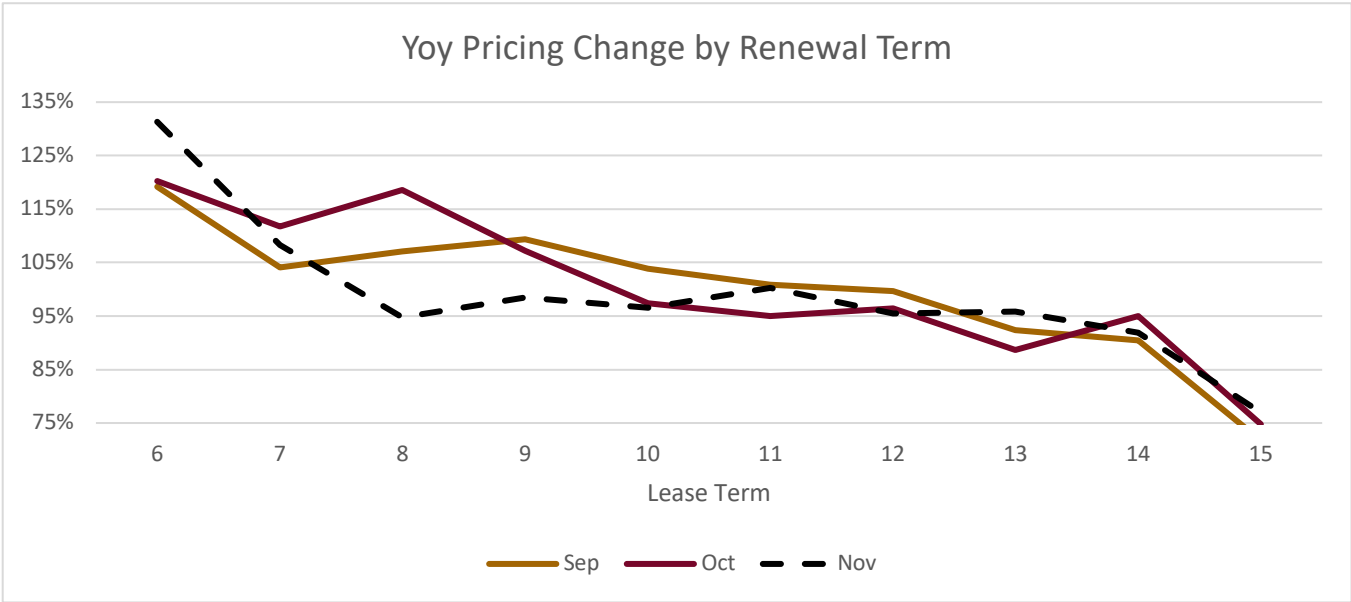
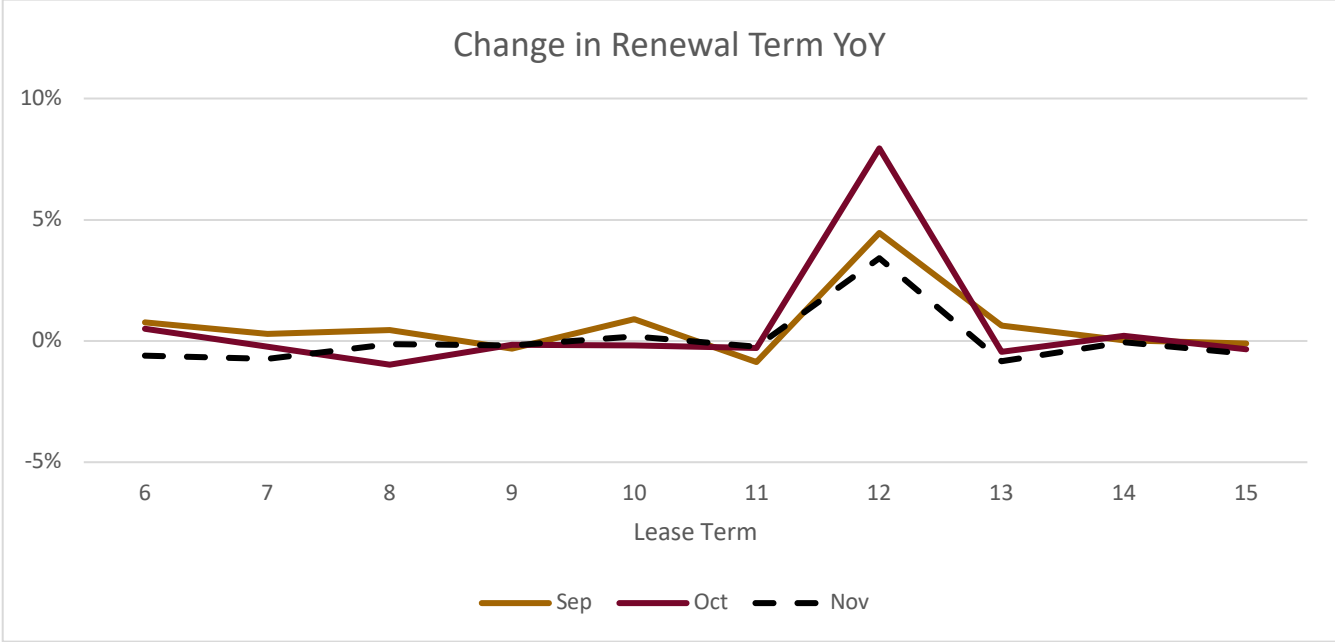
Changes in Concessions

Concessions again climbed to a new high in total concession amount, driving a spike in average concession value.



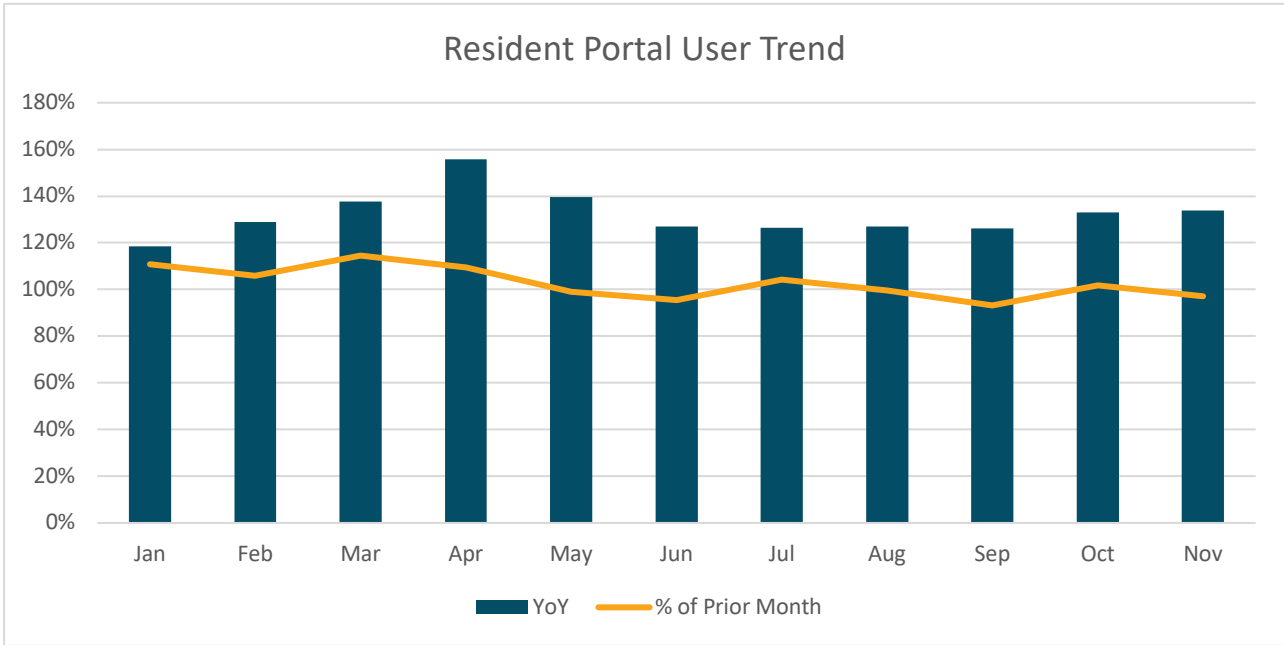
Renewal Term and Price

Renewal term and price are behaving less similar to new leases, and 12-month terms continue as the clear favorite compared to prior year. From a pricing perspective, shorter renewals are more costly than longer terms - a more traditional approach to pricing renewals.



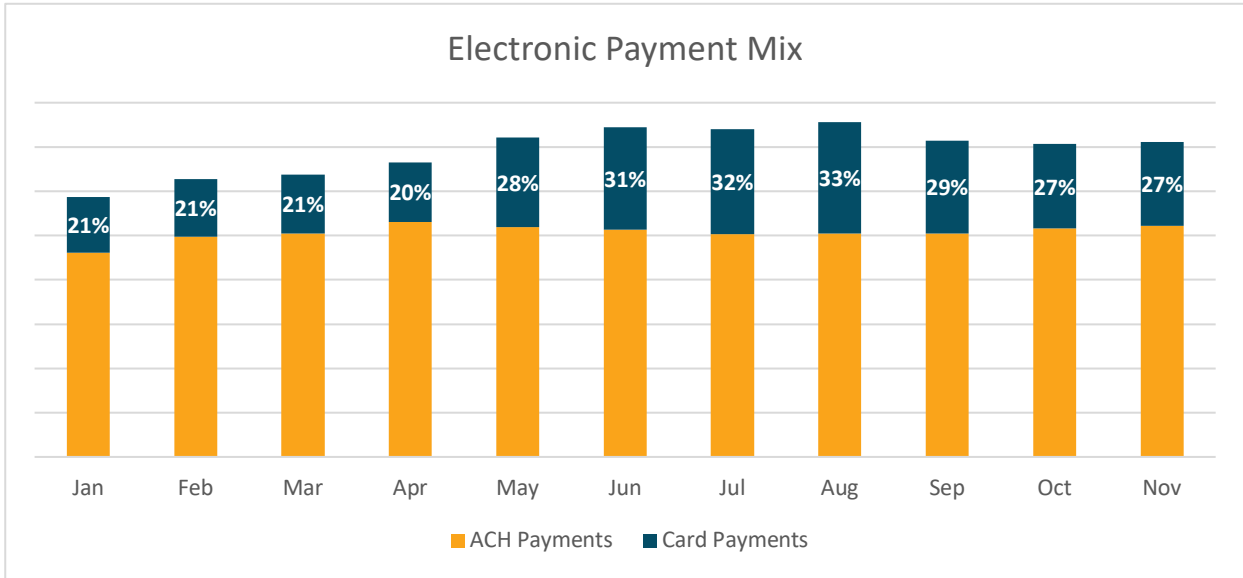
Portal User Volume

Another proof point for technology adoption is that residents continue to use portals above 2019 levels, primarily to pay rent. Overall portal usage has increased in 2020 and is holding.



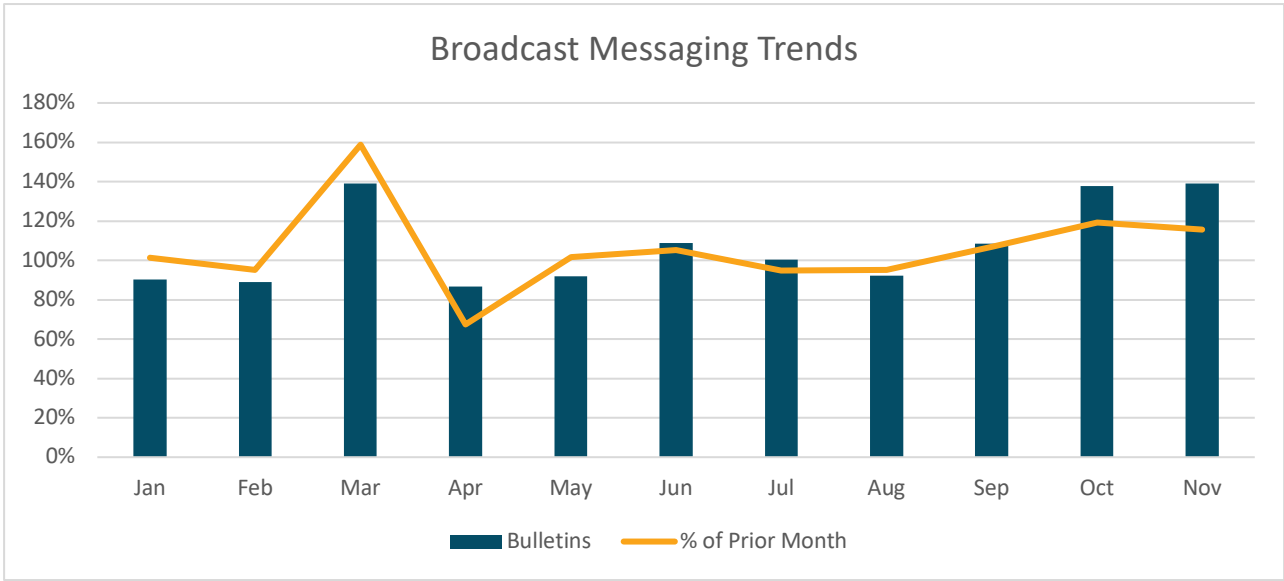
Payment Volume and Mix

Increased payment volumes persist, up 19% year over year, largely driven by card payments. Card payments continue well ahead of pre-pandemic levels, coming in at 27% of total electronic payment volumes.



Broadcast Messages

Broadcast message volumes, from the property office to residents, remained high in November showing a continued increase in communications between property offices and residents.



About MRI Software

MRI Software is a leading provider of innovative real estate software applications and hosted solutions. MRI's comprehensive and flexible technology platform coupled with an open and connected ecosystem meets the unique needs of real estate businesses – from property-level management and accounting to investment modeling and analytics for the global commercial and residential markets. A pioneer of the real estate software industry, MRI develops lasting client relationships based on nearly five decades of expertise and insight. Through leading solutions and a rich partner ecosystem, MRI gives organizations the freedom to transform the way communities live, work and play while elevating their business and gaining a competitive edge. For more information, please visit mrisoftware.com.

