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

COMPARING JANUARY THROUGH JULY, 2019 TO 2020
Executive Summary

July in North America is the heart of summer. We celebrate Independence Day and Canada Day. There are typically vacations, graduation parties, fireworks, parades and backyard barbecues a plenty. Well, not so much in 2020. This summer, as we all know, is shaping up like no other, and the extraordinary circumstances extend to the multifamily market, where July is traditionally one of the two busiest months of the year. Unfortunately, COVID-19 continues to be a drag on the industry.

This report extends our prior report by adding the month of July to the data-driven analysis of the impacts of the pandemic across multifamily in North America as experienced by the MRI Software client base. All data is aggregated from MRI Software product databases, provides a same store analysis, and is presented for reference purposes.

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. This report compares January through July of 2019 with the same months in 2020. We have largely moved to a monthly view of the data and, in doing so, we can see the fuller impact on whole months that were not as visible in the weekly reporting that was presented in our previous reports.

At a macro level, the metrics of July are like the burgers on the backyard grill. Some are great and some are not part of the ideal Summer experience.

On the positive side, we saw continued strength in traffic and a new high for move ins:

- Traffic dropped a bit from June to July but remains 16% ahead of prior year volumes and remains a positive leading indicator.
- Move-in volumes hit a post pandemic high of 86% of prior year, marking the third consecutive month of improvement, but still lagging 2019’s pace.
- Service request volumes remain closer to prior year volumes, continuing the trend from June and signaling a return to normal for on-site operations.

Unfortunately, we also saw a few of June’s high points retreat:

- New lease pricing gave back the 5% regained in July, and expiration management practices are quite visible with eight- and nine-month terms being 7% off prior year with 14-month terms only 3% off 2019.
- Application volume reached 97% of prior year in June, and with traffic volumes being nicely above 2019 levels, we were bullish for July results. These expectations were not met as July applications came in at 81% of prior year volumes.
- Concessions also jumped to a new high in concession amount, leading to the largest total concession value to date.

We also saw continued growth of card usage for payments. In July, card payments grew to one-third of payment transactions, a further increase from June. While total electronic payments are up 25% this year, card payments are up a disproportional 91% as compared to 6% for ACH. As stated last month, if
residents are struggling with cash flow and turning to credit cards to pay rent, this is a negative sign, as opposed to using a card to collect points as a perk while card fees are waived by landlords.

The collective trends of the three demand factors (traffic, applications and move-ins) are shown below, providing a visualization of the above comments.

![Demand Factors](chart1.png)

On the supply side, the notable trend is a continued slowing of move-outs as compared to 2019.

![Supply Comparison](chart2.png)

The ongoing, collective takeaway from this analysis is that residents are tending to stay in place at a higher rate in 2020 than 2019.
Largely, the positive movement noted in June has slipped in July, and unfortunately, the outlook remains unclear. We continue to battle the virus and the cascading economic impact without certainty of reopening, recovery or governmental assistance for those impacted.

Sincerely,

The MRI Software Market Insights Team

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Detailed Data and Further Analysis

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

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, Platform X
- Application trend data is sourced from MRI Screening Solutions
- Call, bulletin and package data is sourced from MRI’s Callmax Automated Communications Suite
- Portal and payment data is sourced from MRI’s Connect Suite of portal products

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

Traffic dropped a bit from June to July but remains 16% ahead of prior year volumes and remains a positive leading indicator even with a 2% drop from June.

![Traffic Trends](chart)

Leasing

Application volume reached 97% of prior year in June and with traffic volumes being nicely above 2019 levels, we were bullish for July results. These expectations were not met as July applications came in at 81% of prior year volumes and 11% off June’s volumes.

![Applications Trend](chart)
Move Ins

Move-in volumes hit a post pandemic high of 86% of prior year, marking the third consecutive month of improvement but still lagging 2019’s pace.

![Move Ins Trend](image)

Notice to Vacate

Notice to vacate (NTV) volume continues to lag 2019, dropping 10 points from June’s improvement and meaningfully dropping behind prior month levels for the first time since February.

![Notice to Vacate Trend](image)
Notice to Vacate Cancellations

NTV cancellations have also dropped below prior year levels while increasing month to month since February.

![Cancelled NTVs Trend](image)

Move Outs

Move outs, the most direct metric of resident mobility, dropped in July, as compared to June, and remains well off prior year levels.

![Move Outs Trend](image)
Renewals

Renewals volumes declined further from prior year volumes, dropping below 90% of prior year for the first time in 2020 while remaining flat month over month.

Month to Month

Month-to-month leases, while still lagging 2019, continue to increase month over month.
Transfers

Transfers volumes are increasing but continue to lag 2019, while showing continued increases since April.

[Graph showing transfers trend from January to July with YoY and % of Prior Month indicators.]

83%
New Lease Term

After a consistent trend in 12-month lease term popularity, July shows a marked change year-over-year with increased frequency for nine- to 11-month terms, 12-month terms consistent with 2019, and 13-month terms dropping in frequency. These findings indicate continued lease expiration management practices designed to protect the 2021 summer leasing season.

New Lease Term Pricing

New lease term pricing sagged from the June recovery with clear incentivization for shorter term leases.
Changes in Concessions

Concessions also jumped to a new high in concession amount, leading to the largest total concession value to date.
Renewal Term and Price

Similar to new lease terms, we see increased frequency in shorter renewal terms at the expense of longer terms, again a likely sign of good expiration management practices. Pricing for renewals has flipped from last month from longer term incentives to shorter term incentives with longer term disincentives.
Portal User Volume

Residents continue to utilize portals at increased rates, primarily to pay rent. Overall portal usage has increased in 2020 by nearly one third and is holding.

Service Request Volume

Service request volumes remain closer to prior year volumes, continuing the trend from June and signaling normalizing of on-site operations.
Payment Volume and Mix

We also saw continued growth of card usage for payments. In July, card payments grew to one-third of payment transactions, a further increase from June. While total electronic payments are up 25% this year, card payments are up a disproportional 91% as compared to 6% for ACH. As stated last month, if residents are struggling with cash flow and turning to credit cards to pay rent, this is a negative sign, as opposed to using a card to collect points as a perk while card fees are waived by landlords.
Package Handling

Package handling is increasing month over month but remains well off prior year volumes.

![Package Handling Trends](image)

Broadcast Messages

Broadcast message volumes, from the property office to residents, continue to indicate normal operations.

![Broadcast Messaging Trends](image)
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.