



## **MRI Software Market Insights:**

The impact of COVID-19 on  
the Multifamily Industry

**COMPARING JANUARY THROUGH AUGUST, 2019 TO 2020**

# Executive Summary

Labor Day, the first Monday in September, marks the unofficial end of summer in North America. School is back in session, albeit in a not-so-normal manner this year. Professional sports teams are playing without fans in the stands and college and high school sports are cautiously moving forward, in a disjointed fashion, hoping to avoid a COVID-19 shutdown.

While multifamily did not experience a shutdown per se, it closed some offices and leveraged more technology to aid with social distancing. The industry also experienced substantial challenges to operating budgets with residents staying in place more frequently and with rents falling counter to traditional summer trends.

Expiration management practices were on full display for both new and renewed leases, improving our posture for the summer of 2021, but we have a long way to go between now and then. Much uncertainty remains in the wake of historic levels of unemployment and far-reaching eviction moratoriums.

As budget season approaches, for the first time in more than a decade we cannot simply take prior year actuals and cast them forward with annual increases. Detailed analysis for both revenue and expense will be required, creating a need for more data and additional analysis to set fiscal and operating plans for 2021. Creating visibility to a wide array of data is the motivation behind the MRI Software Market Insights reports.

This report extends our prior report by adding the month of August 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. This report compares January through August of 2019 with the same months in 2020.

The August data shows very similar results compared to July, with an added bit of seasonality-induced decline. Highlights include:

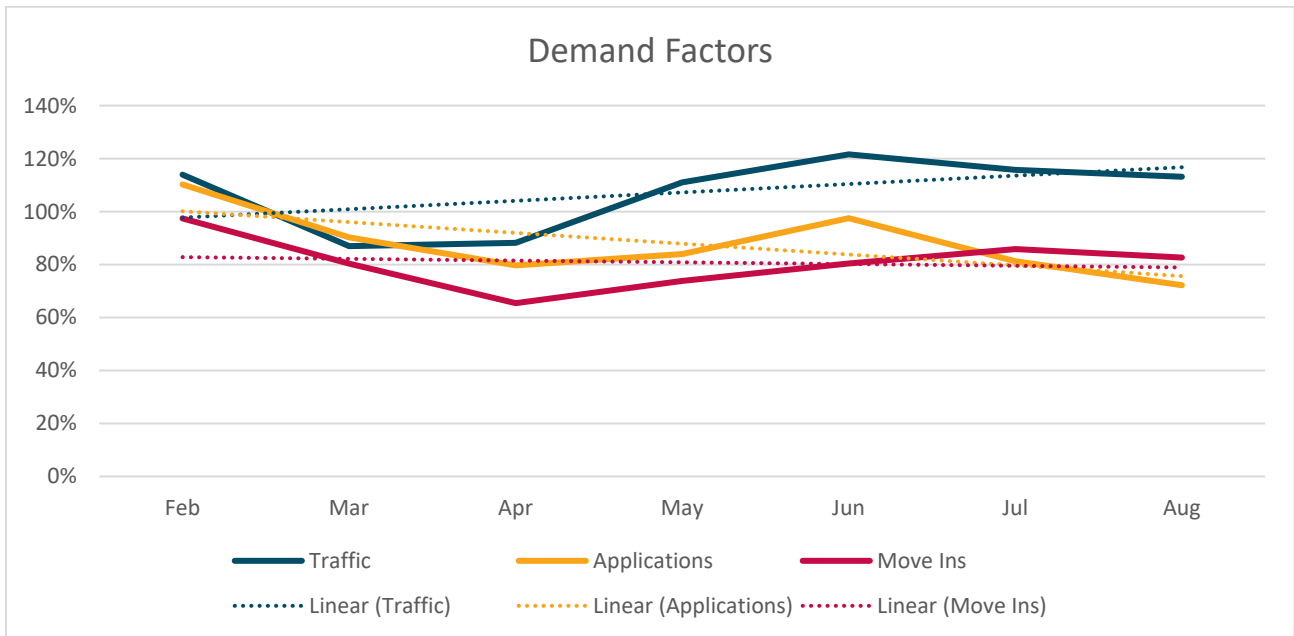
- New lease pricing remains off 5% from prior year, continuing the trend from July.
- New and renewal lease pricing is exhibiting good expiration management practices incentivizing shorter-term leases in order to protect summer 2021 and avoid late-year expirations.
- Concessions again jumped to a new high, increasing average concession value by 17%.
- Traffic, while continuing a slow decline from a June high, remained 13% ahead of prior year.
- Move-in volume outpaced move-out volume for the second consecutive month.

We also see continued technology adoption:

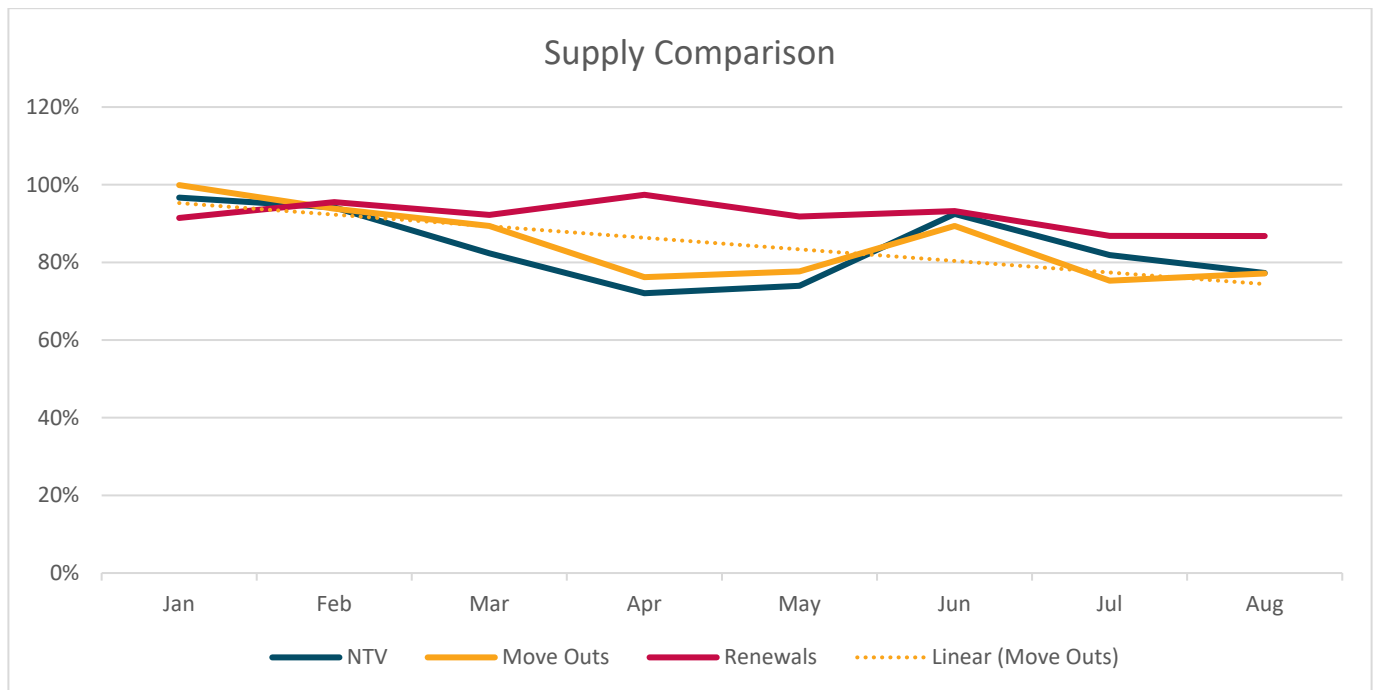
- There has been a clear and consistent increase in online applications, +50% over prior year.
- Residents are using portals at a 30% greater rate.
- Portal usage is largely driven by increased electronic payment volumes, highlighted by card payments maintaining a 33% share of electronic payments (21% in January) and representing a 92% increase this year.



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

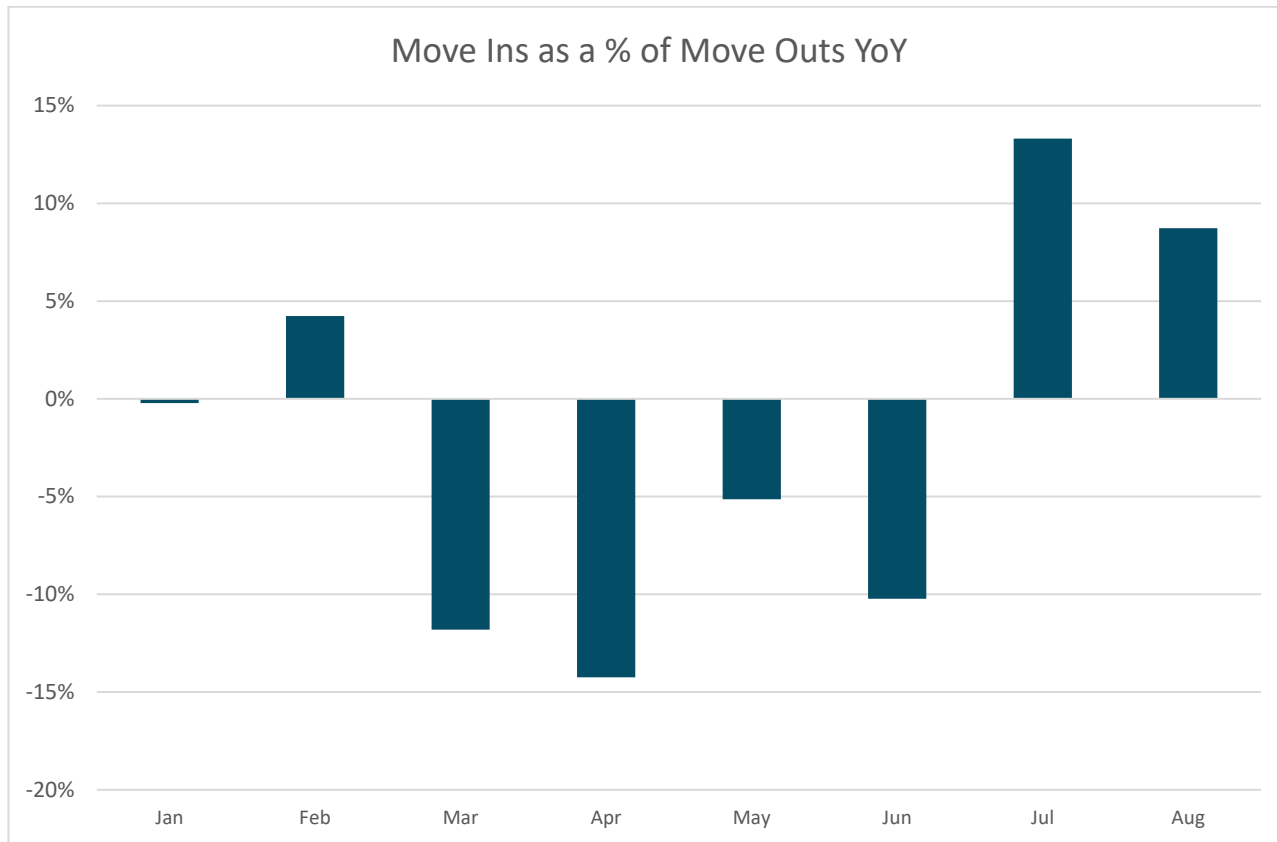


On the supply side, the notable trend is a continued slowing of move-outs as compared to 2019.



The ongoing, collective takeaway from this analysis is that residents are tending to stay in place at a higher rate in 2020 than 2019. There is, however, some improvement in the relative rate of change.

Adding a bit more detail, a comparison of move ins as a percent of move outs shows that for the first time since the start of the pandemic, we see improvements in occupancy, a trend started in July and continuing in August.



Summer has come and gone, taking with it the grand plans many had for 2020. Unfortunately, the outlook remains unclear as we turn to the annual budgeting season. While we crave certainty, we have mostly uncertainty. Fortunately, one thing is certain - unlike other segments of commercial real estate, people always need a place to live.

Sincerely,

The MRI Software Market Insights Team

**Disclaimer**

This information has been provided as a discussion mechanism. It is not intended to be used or relied upon for decision making or investment purposes. MRI assumes no warranties and takes no responsibility for the accuracy, legality, or reliability of the information.

## Detailed Data and Further Analysis

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

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.

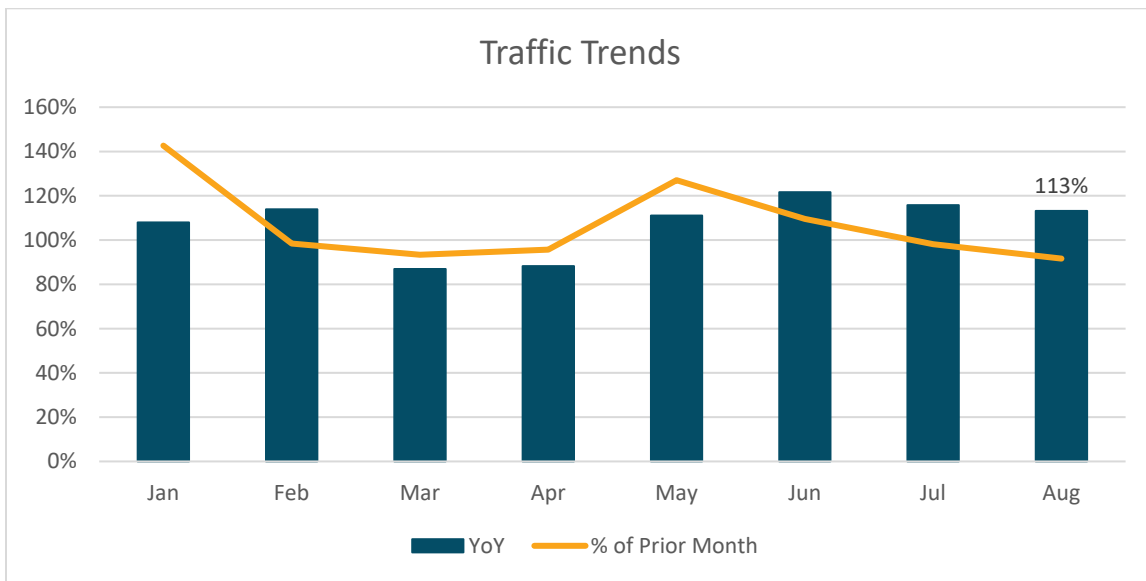
- Unless called out below, data is sourced from MRI's conventional property management suite of products
- Application trend data is sourced from MRI Screening Solutions
- Call, bulletin and package data is sourced from MRI's Callmax Automated Communications Suite

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



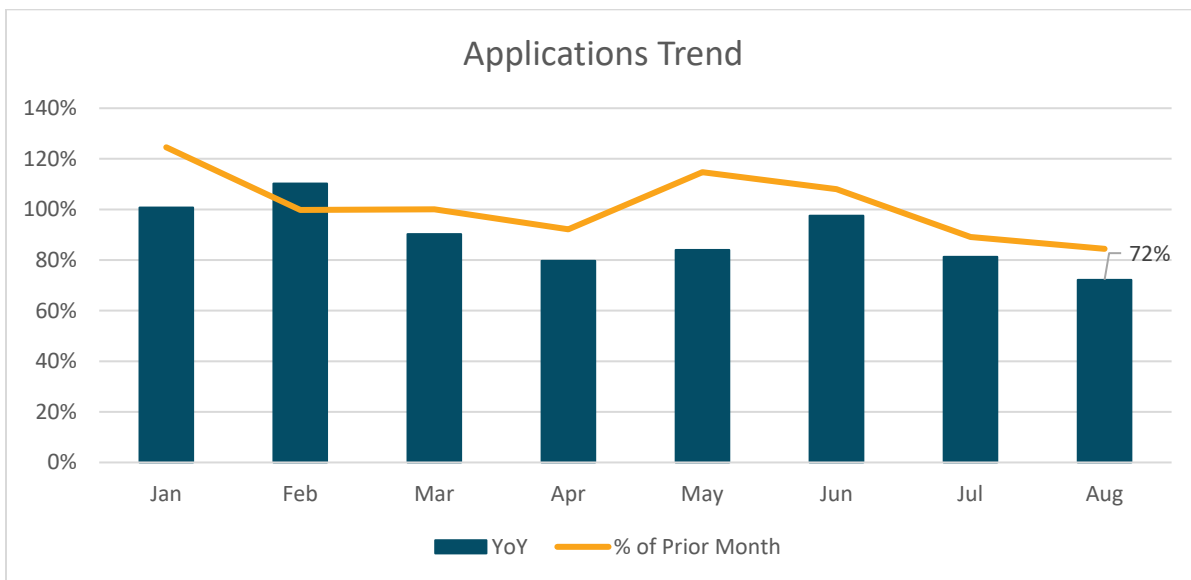
## Traffic

Traffic remains ahead of prior year, extending a three-month run of outperformance, while also slowing in volume as compared to July.

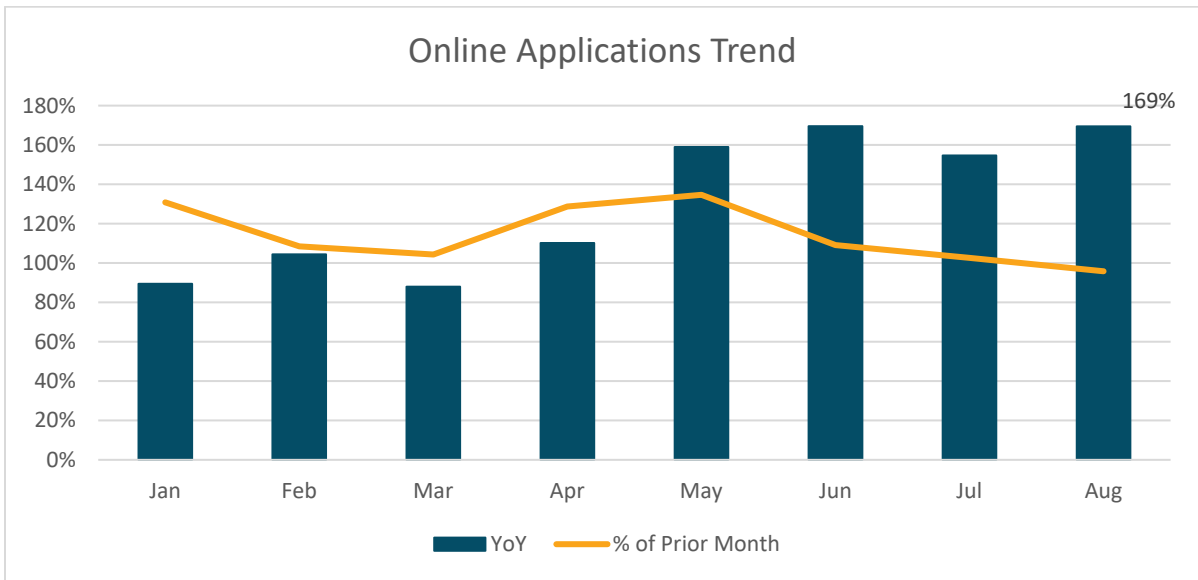


## Leasing

Application volumes continue to lag 2019, also trending downward from July 2020, in spite of traffic trends that are outperforming prior year.

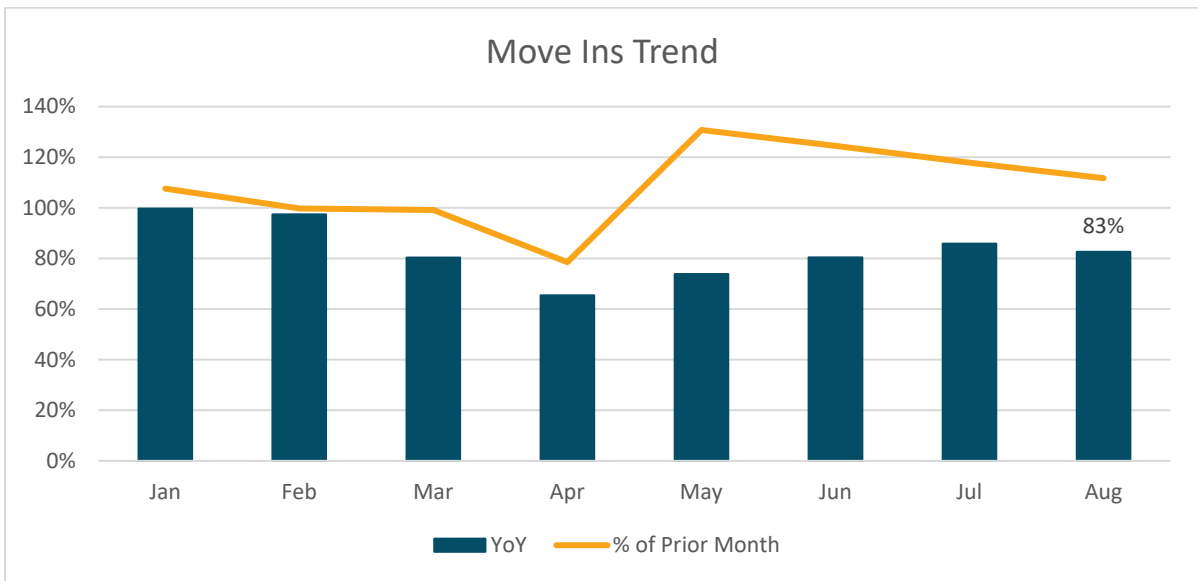


We are adding a new metric in the leasing area to better understand how technology is assisting the leasing process, specifically by looking at the volume of online applications as compared to prior year and prior months. As shown below, there has been a clear and consistent increase in online applications, +50% over prior year, highlighting how the pandemic has driven increased adoption of technology.



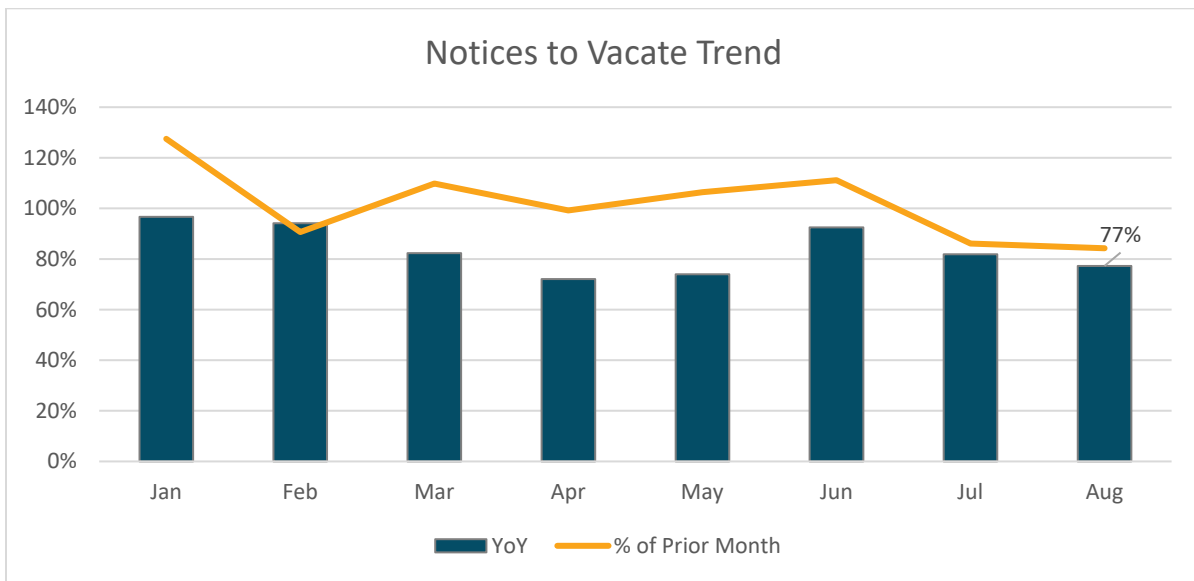
## Move Ins

Move-in volumes dropped 3% from July’s post pandemic high of 86% of prior year, flattening anticipated improvement and still lagging 2019’s pace.



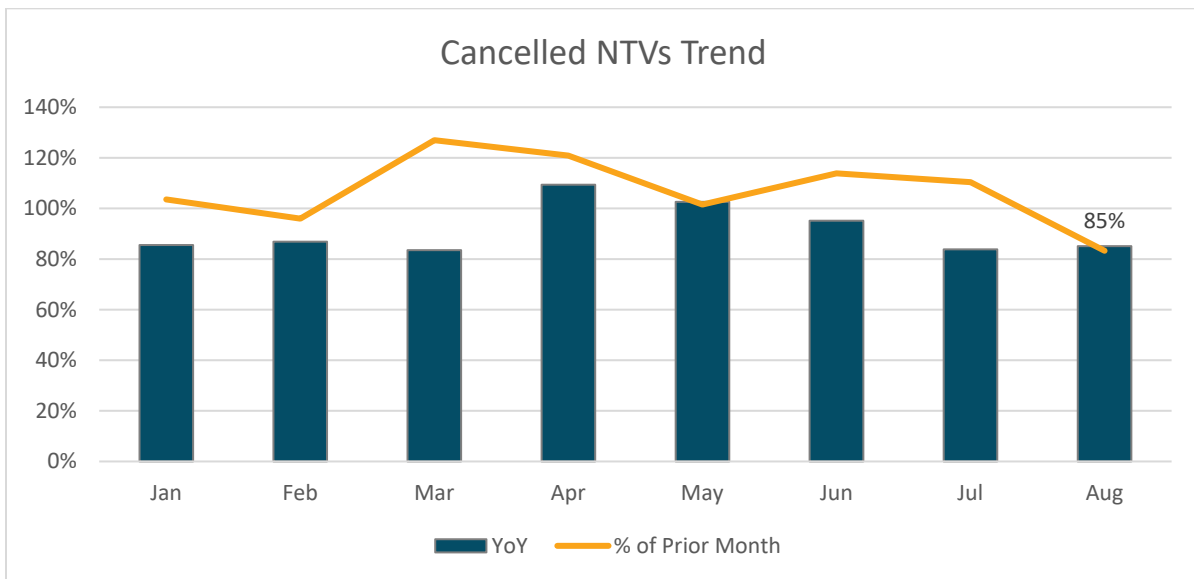
## Notice to Vacate

Notice to vacate (NTV) volume continues to lag 2019, dropping 5 points from July and continuing to lag prior month levels for the second consecutive month.



## Notice to Vacate Cancellations

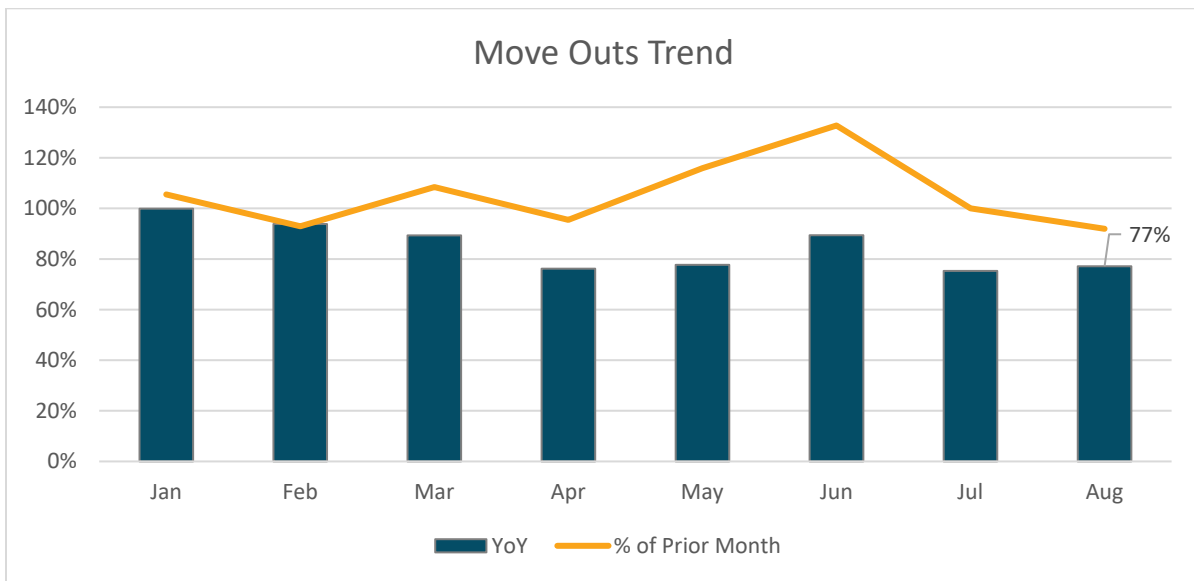
NTV cancellations remain below prior year levels and have also dropped from prior month volumes.





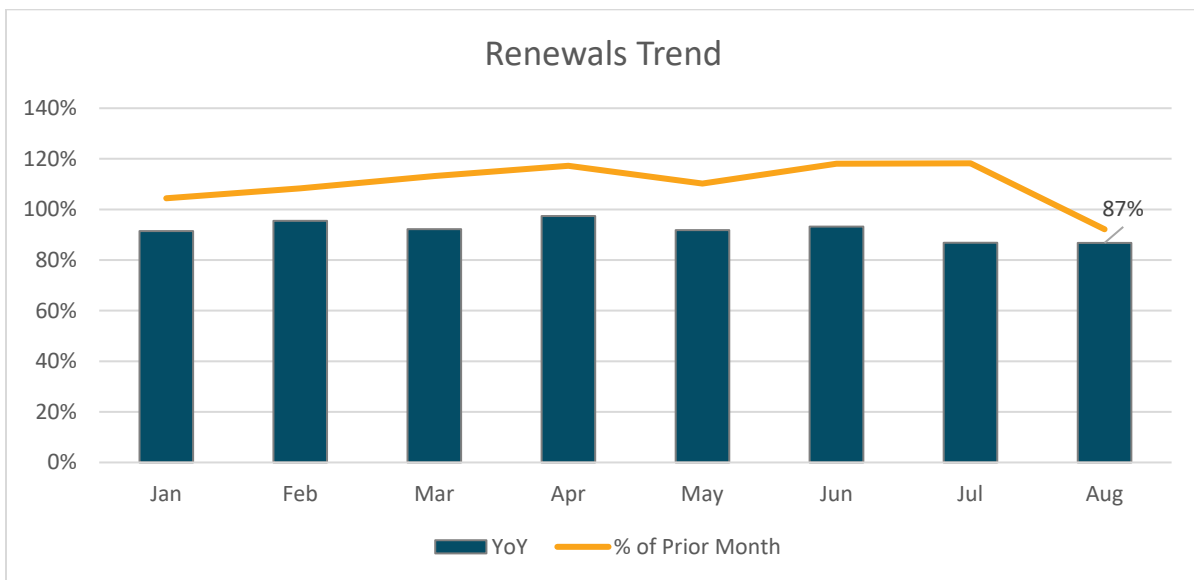
## Move Outs

Move outs, the most direct metric of resident mobility, remained basically flat year over year and also dropped in August, as compared to July, remaining well off prior year levels.



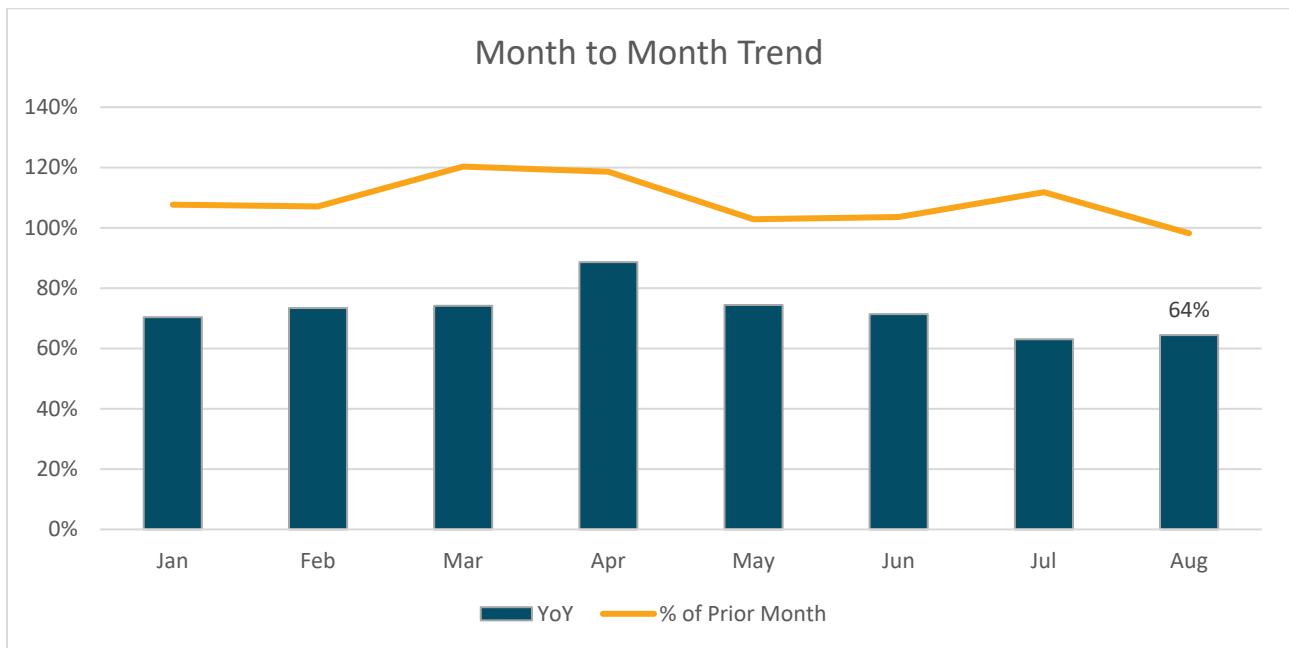
## Renewals

Renewals volumes remain below 90% of prior year and month to month volume dropped below 100% for the first time this year, likely a function of seasonality.



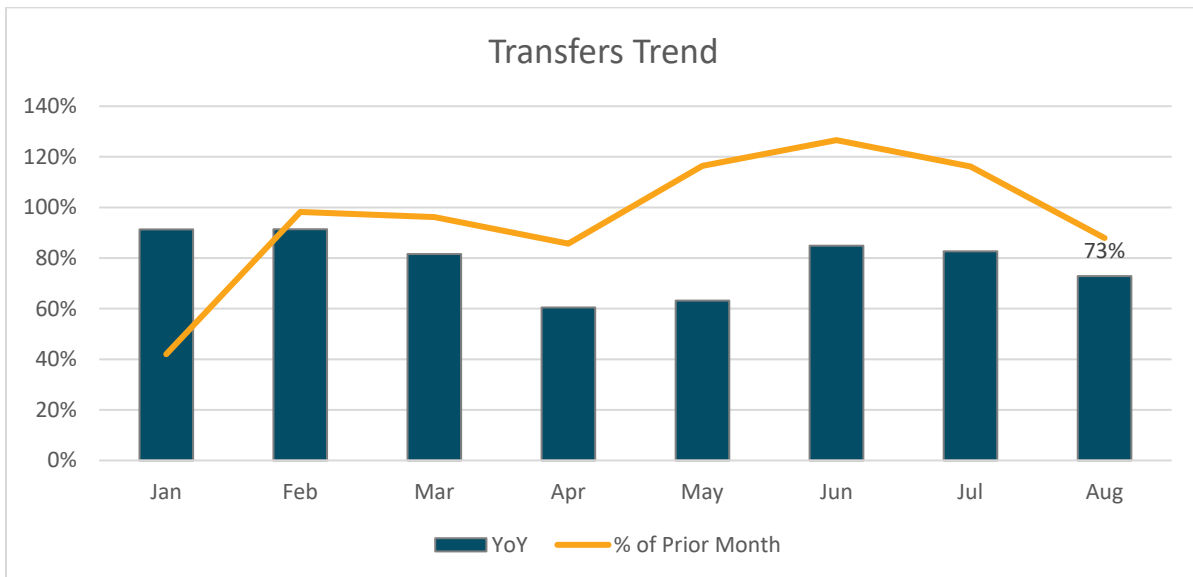
## Month to Month

Month-to-month leases, while still lagging 2019, also show a month-to-month dip in August, likely as a result of seasonality.



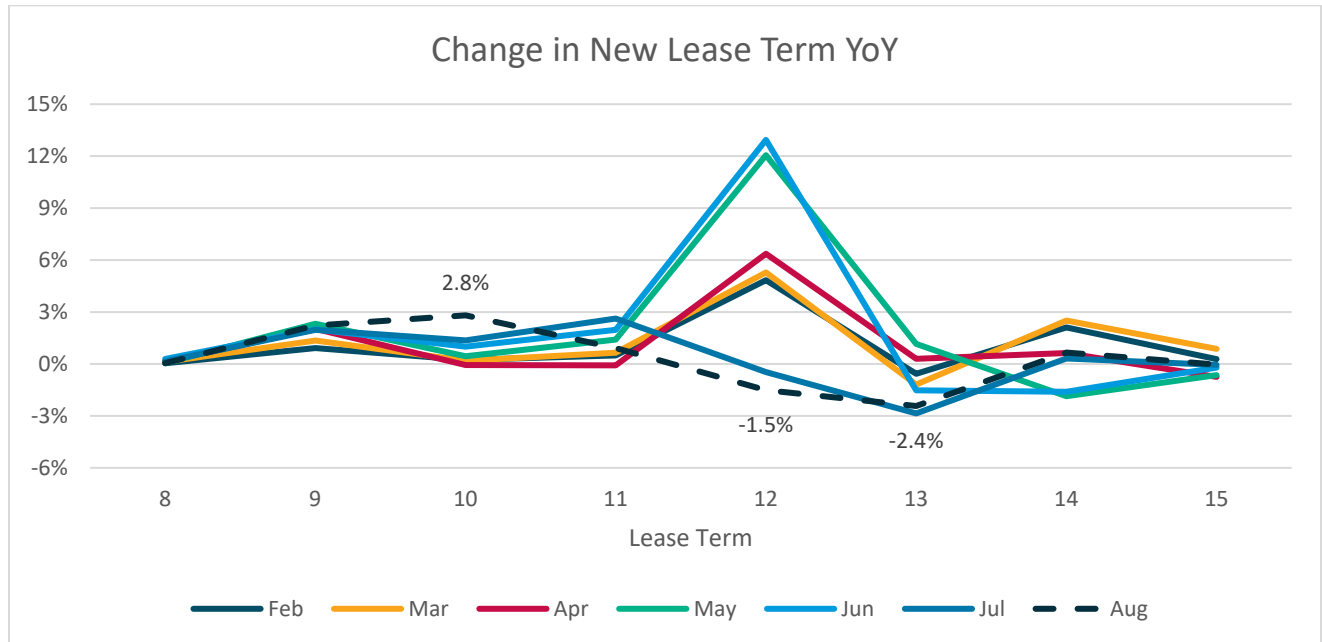
## Transfers

Transfers volumes are also following a seasonality curve as compared to prior months while remaining well off prior year volumes.



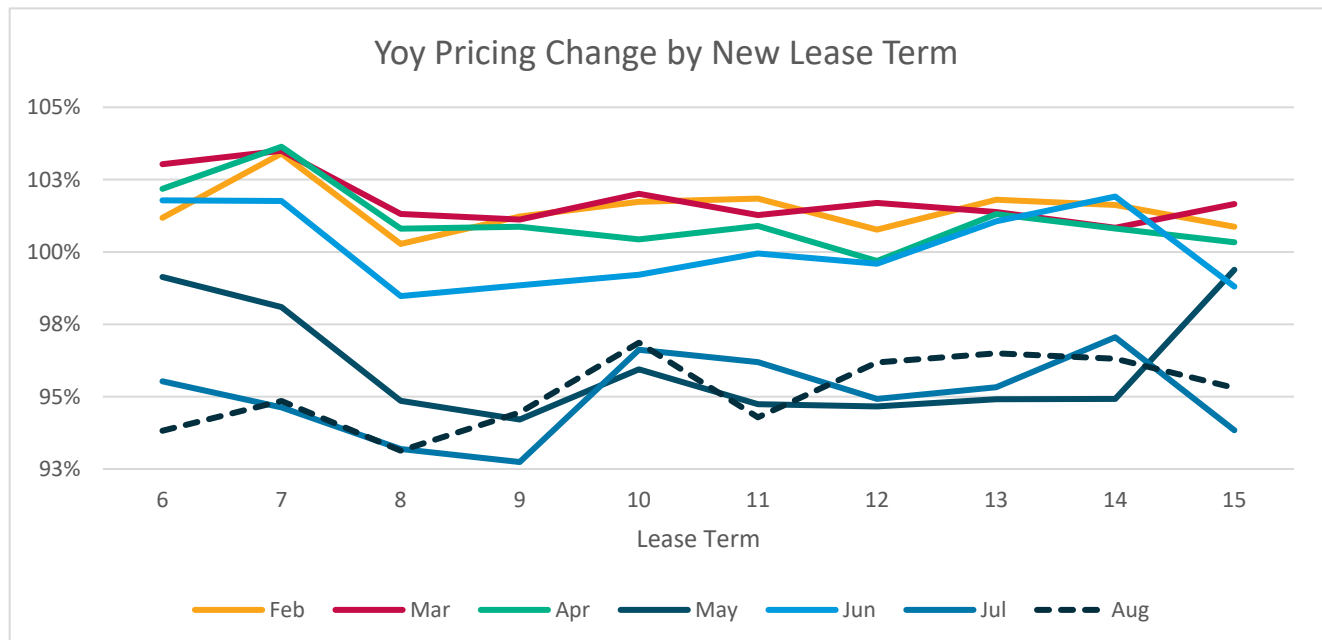
## New Lease Term

After a consistent trend in 12-month lease term popularity, August continued a new trend from July whereby 12-month leases have dropped in comparative volume, giving way to lease terms of 9, 10 and 11 months. 13-month leases also continue to be less frequent. Taken together, we see continued lease expiration management practices designed to protect the 2021 summer leasing season.



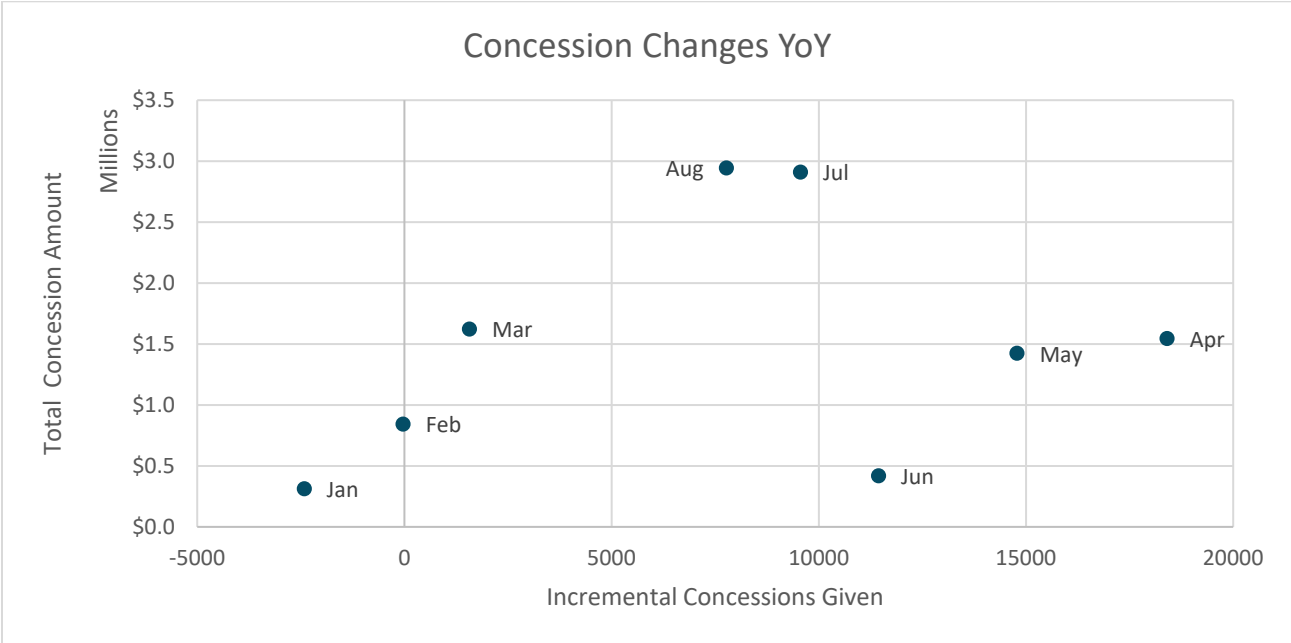
## New Lease Term Pricing

New lease term pricing remained depressed, continuing the trend started in July, off 2019 by an average of 5% with clear and continued incentivization for shorter term leases in line with solid expiration management practices.



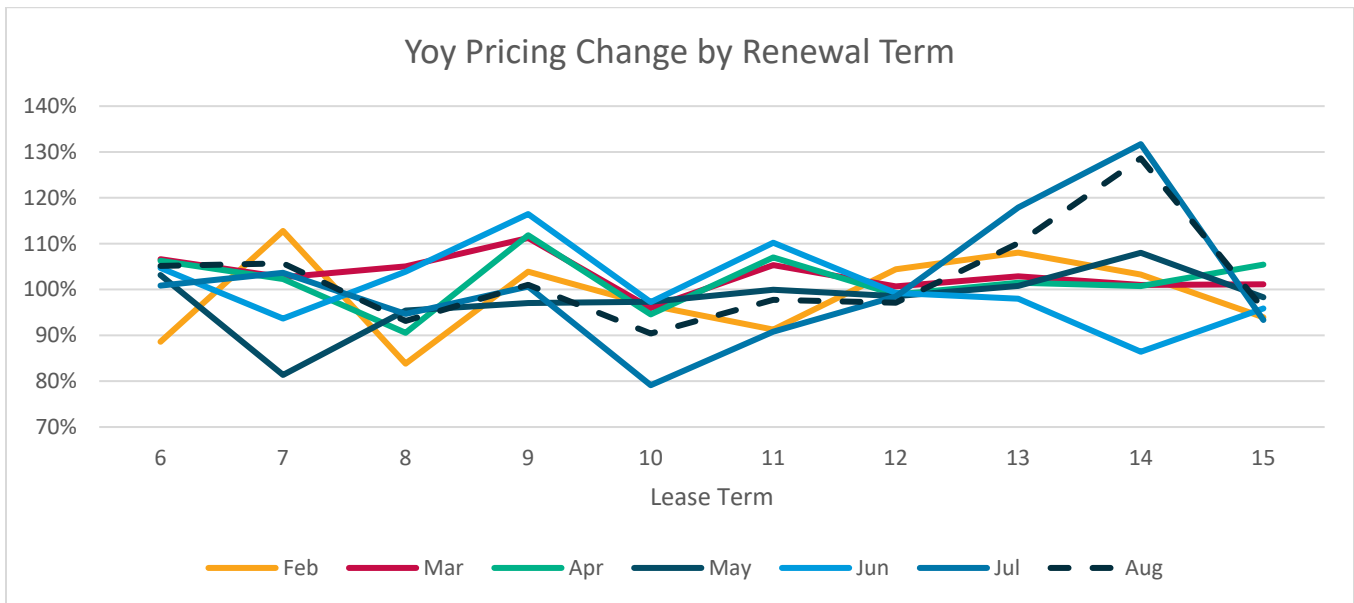
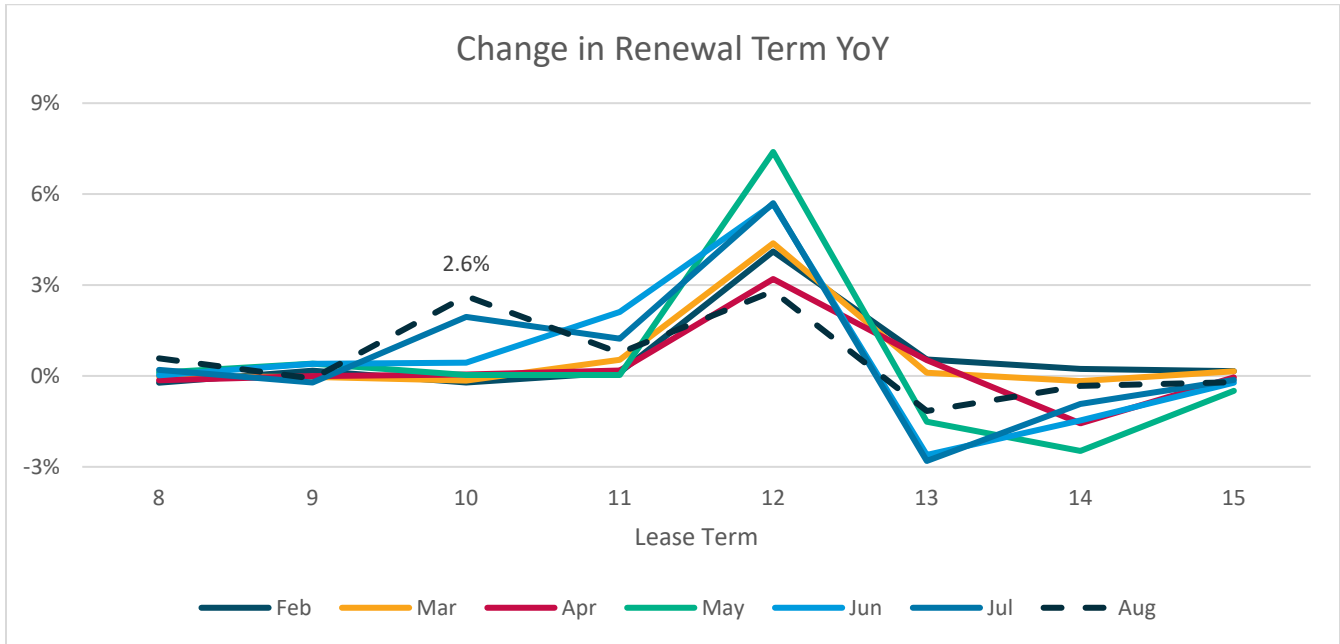
# Changes in Concessions

Concessions again jumped to a new high in total concession amount while concession volumes decreased, driving average concession value up 17% from July to August.



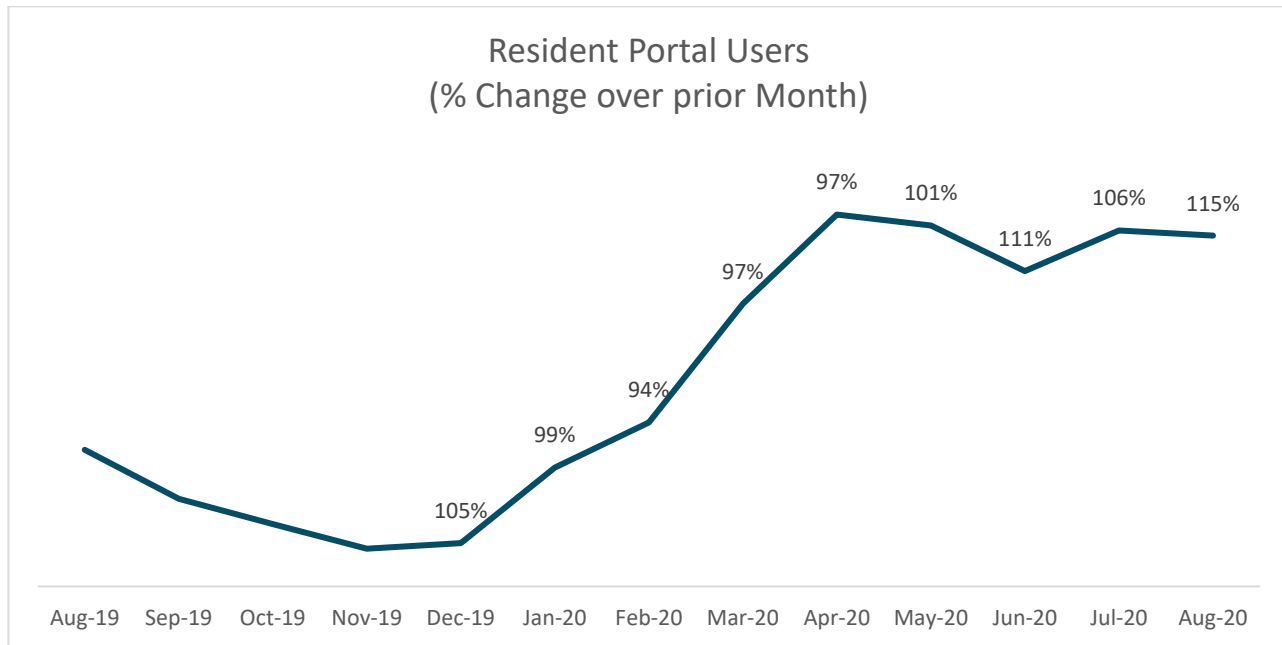
# Renewal Term and Price

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. 12-month renewals terms also remain popular. Pricing for renewals again shows signs of shorter-term incentives and longer-term disincentives albeit with less amplitude in August as compared to July.



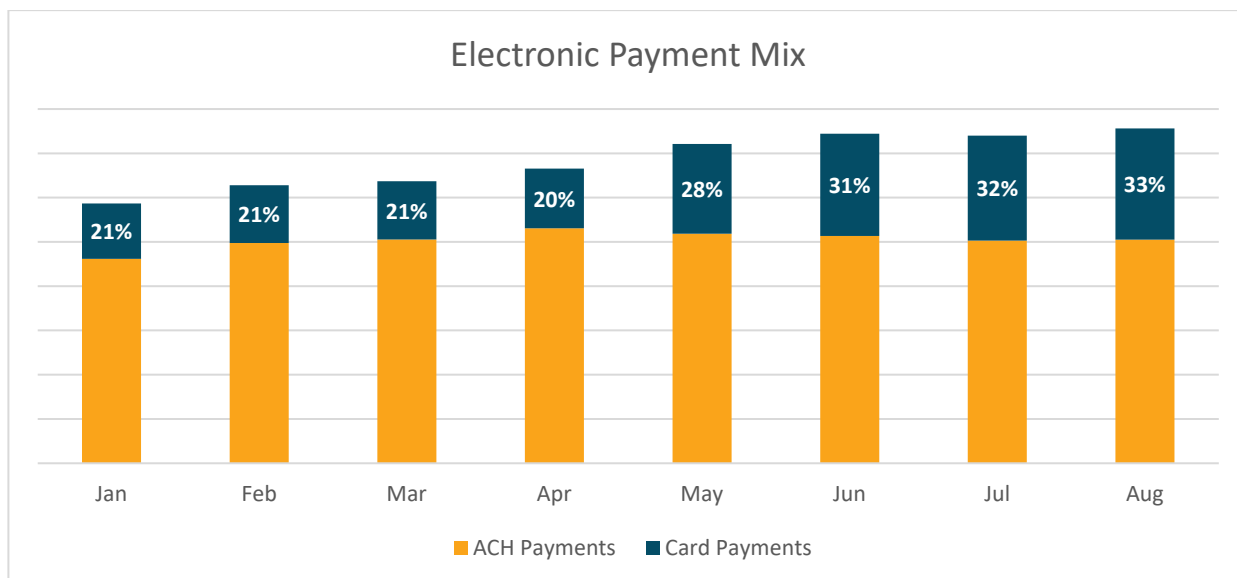
## Portal User Volume

Another proof point for technology adoption is that residents continue to increase their utilization of portals, primarily to pay rent. Overall portal usage has increased in 2020 by 30% and is holding.



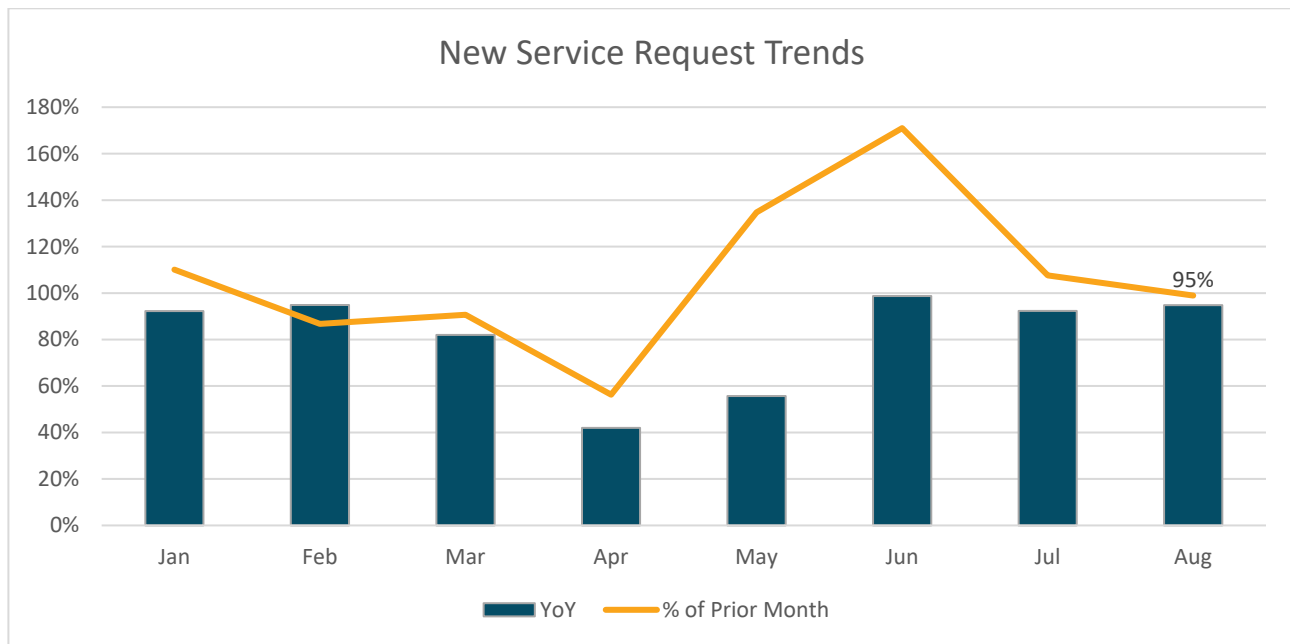
## Payment Volume and Mix

We continue to see growth on electronic payment volumes, driven by card usage. As compared to January, total electronic payment volume has increased by 19% with card payments driving a disproportionate volume of the growth. While ACH has grown 2%, card payments have grown by 92%, comparing August to January. As stated in prior reports, 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.



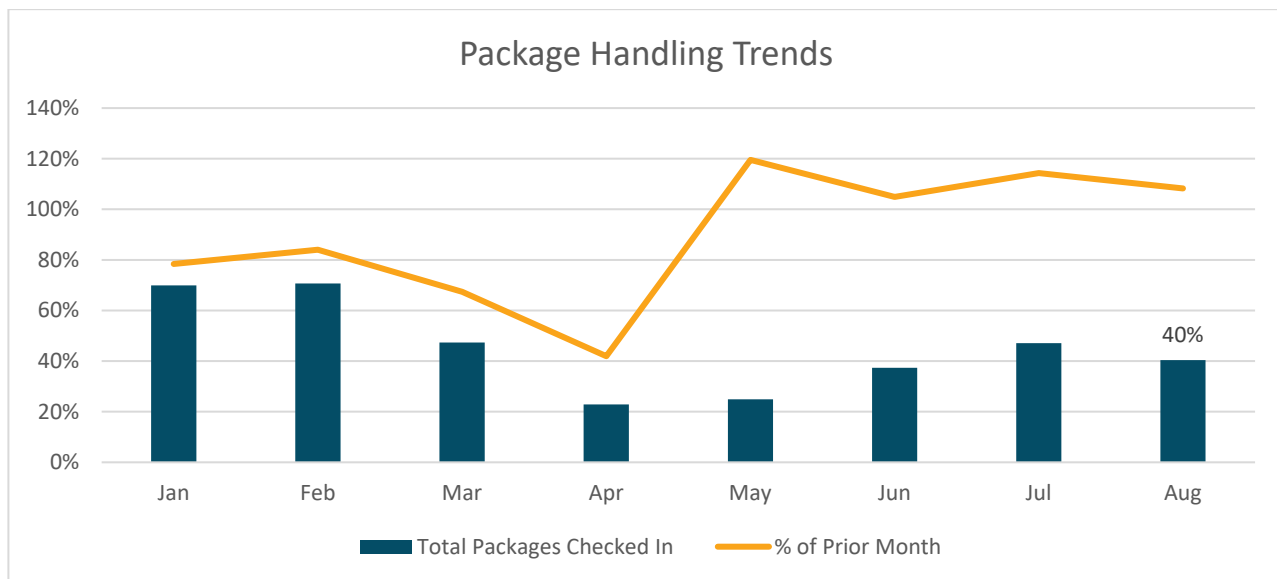
## Service Request Volume

Service request volumes continued to close in on prior year volumes, continuing the trend from June, as properties regain normalcy in maintenance operations.



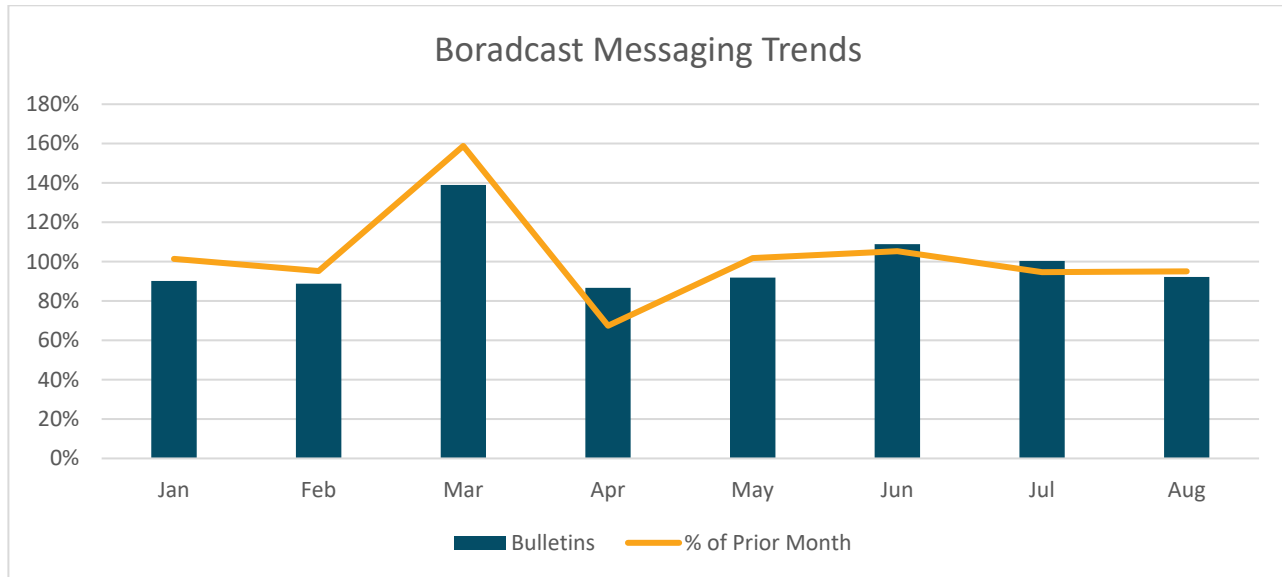
## Package Handling

Package handling remains well off prior year volumes as offices are still not accepting deliveries on behalf of residents.



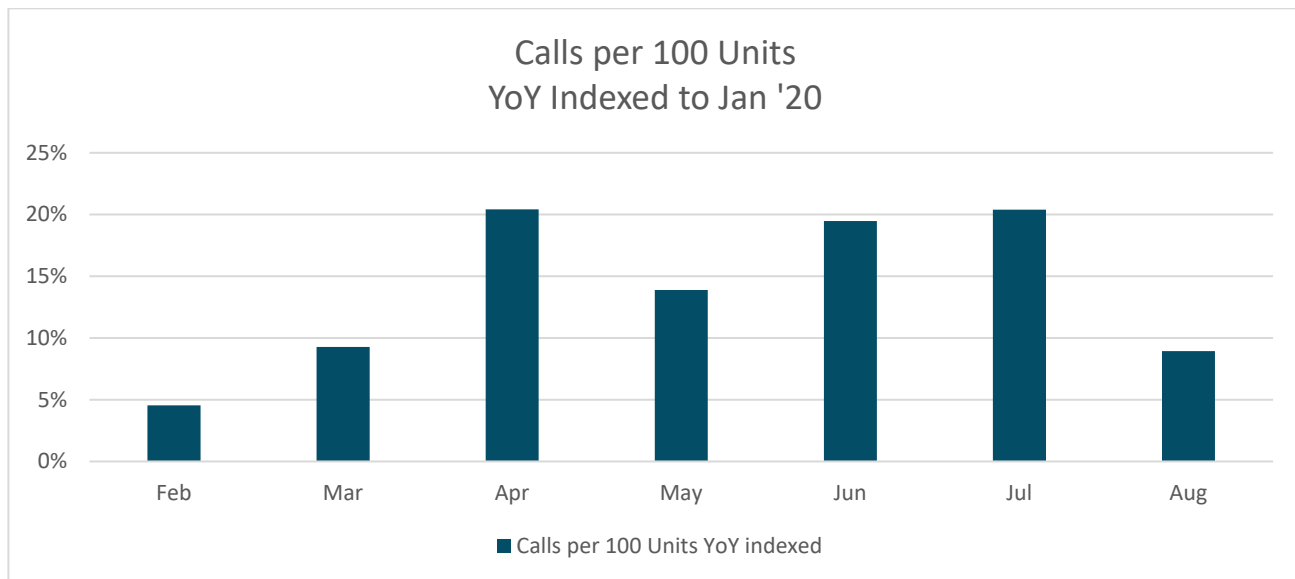
## Broadcast Messages

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



## Inbound Call Volumes

Inbound calls to the property office that were answered by MRI's automated communications system have increased substantially since the start of the pandemic, only getting back to pre-pandemic levels in August.





## 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](https://mrisoftware.com).

