

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

COMPARING JANUARY THROUGH SEPTEMBER, 2019 TO 2020

Executive Summary

As the pandemic wears on, we are settling in for Autumn with pumpkin spice leading us into the holiday season.

Many multifamily industry metrics are showing signs of stabilization while others show sustained impact, both positive and negative, from the pandemic.

The most notable improvement in September is move-in volume, which nearly returned to prior year levels. After lagging 2019 by roughly 20% since March, September 2020 was only 3% off prior year volume, a substantial improvement. Work order volumes and new lease term distribution are also very close to prior year volumes.

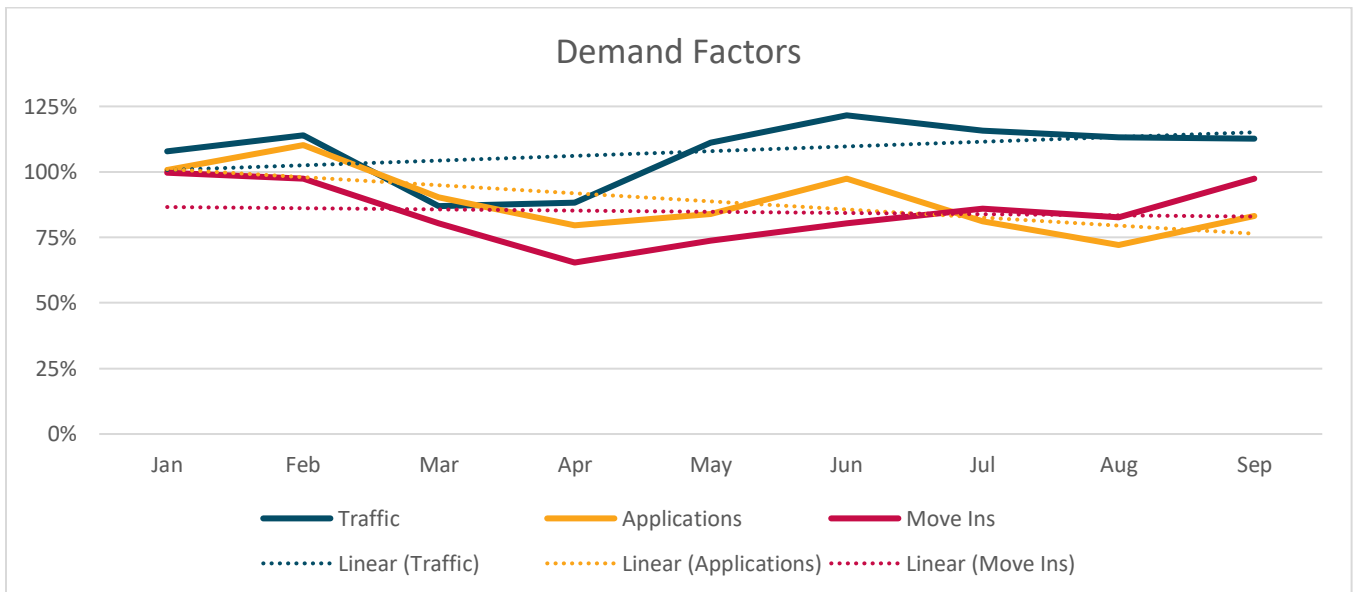
The most notable change with a negative impact is concession volumes, reaching a new peak in September. Concession volume is up 21% with average concession value up 13% as compared to last year. When compared to April 2020, average value has increased 82%, indicating landlords are offering more incentives to gain occupancy before the slower leasing season approaches. New lease pricing was also down 3% as compared to prior year and package handling continues to be dampened.

The clear signs of expiration management practices that we observed during the summer months have dwindled, especially as it relates to renewals, where we find 12-month terms again becoming the most popular choice.

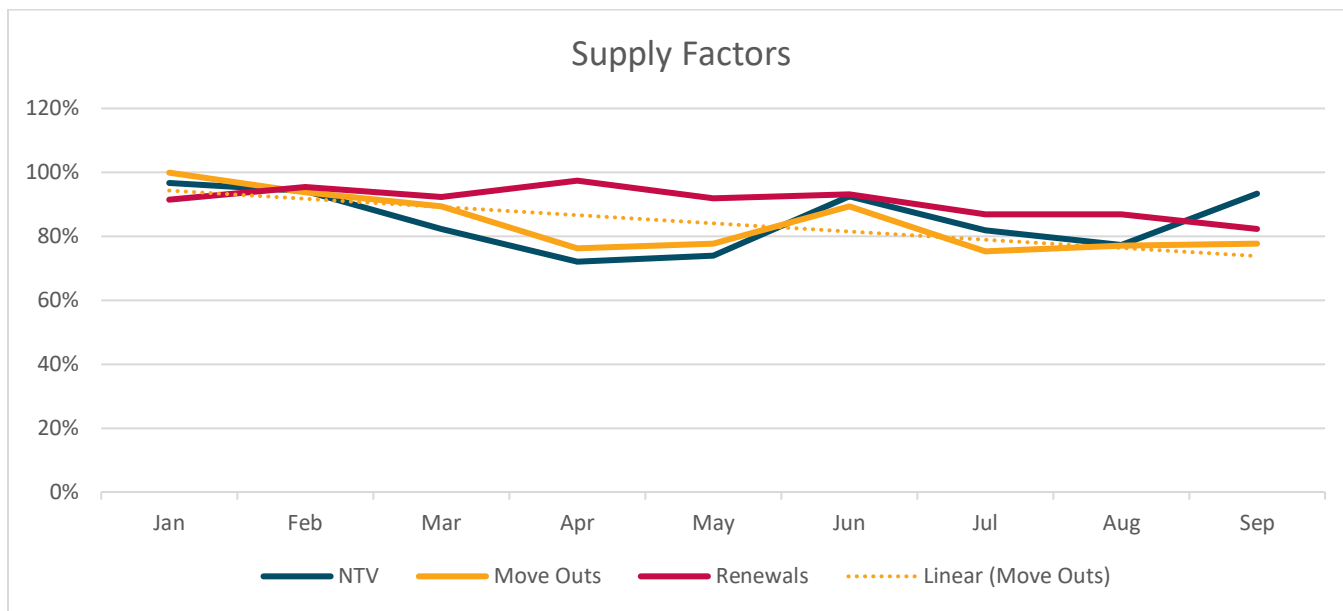
Traffic remains stable, above prior year volumes, while application volumes and move outs continue at a consistent yet diminished pace relative to 2019.

Evidence of technology adoption continues, with increases in online applications, resident portal use, electronic payments, digital service request submittal and resident call volume handling.

The collective trends of the three demand factors (traffic, applications and move ins) are shown below, providing a relative performance.

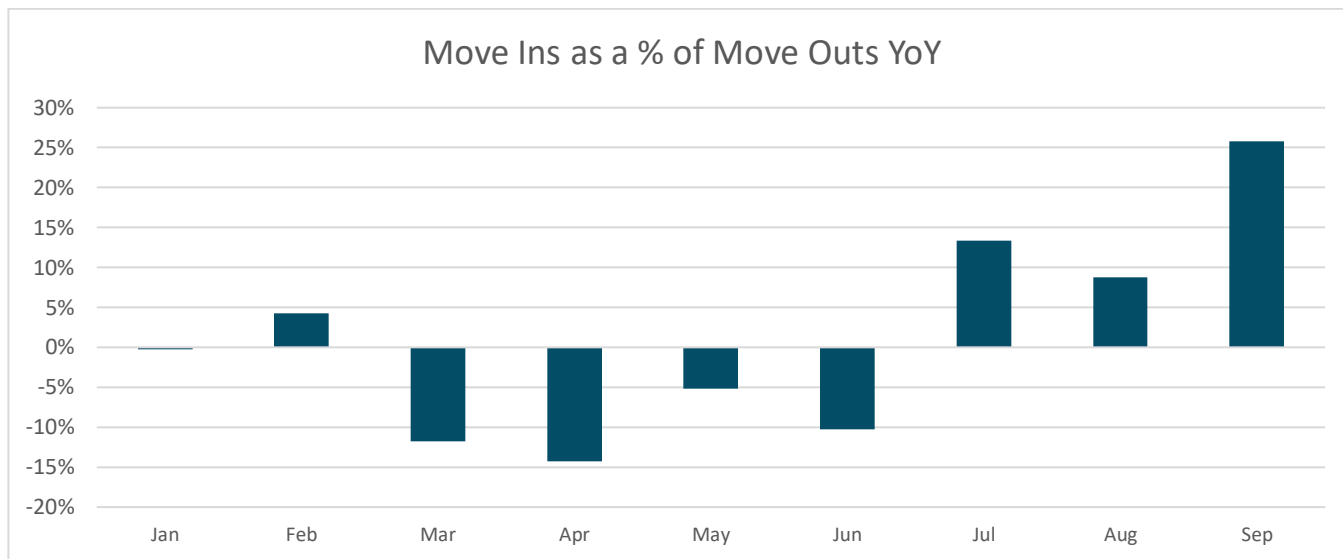


On the supply side, the notable trend is an increase in Notice to Vacate (NTV) activity as opposed to prior year.



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 occupancy continues to tighten as move ins again outpace move outs with September posting a new high for 2020.



Uncertainties regarding unemployment, stimulus, economic recovery and the election remain ahead of us. Budgets must be carefully constructed and multiple scenarios considered before settling on a plan of record. It is our sincere hope that this data continues to be of service.

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 September 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.

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.

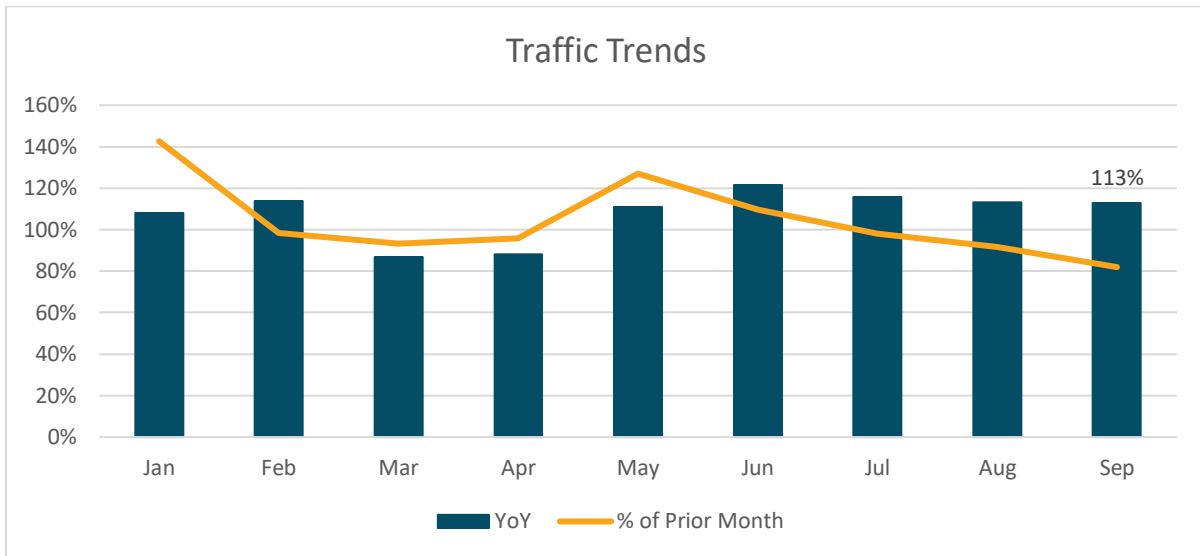


Disclaimer

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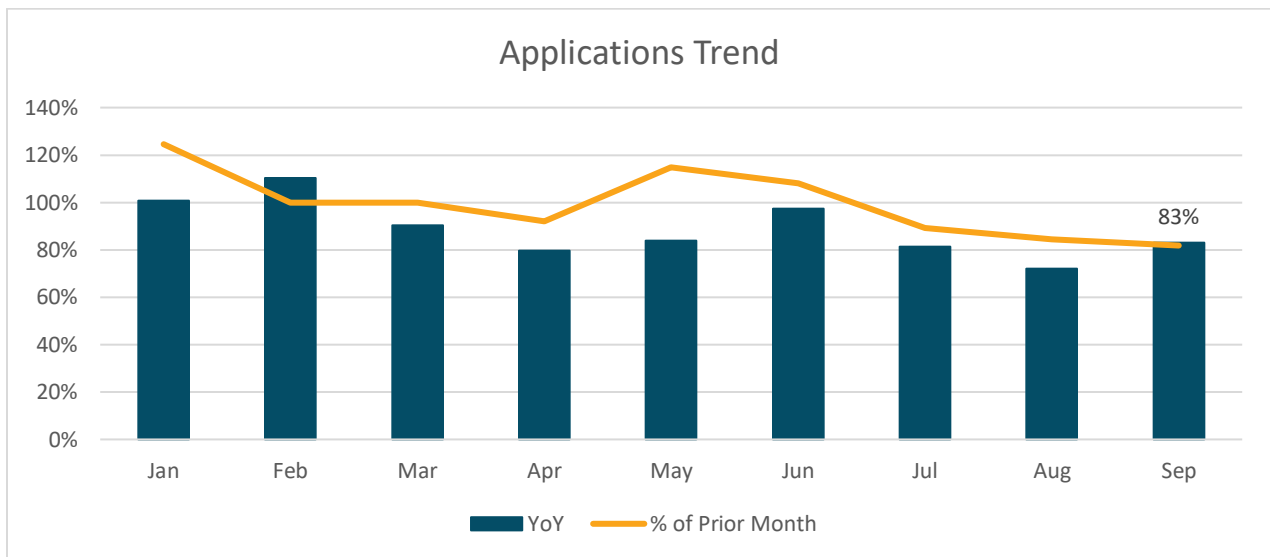
Traffic

Traffic remains ahead of prior year, extending a run of outperformance, while also showing expected seasonal declines.

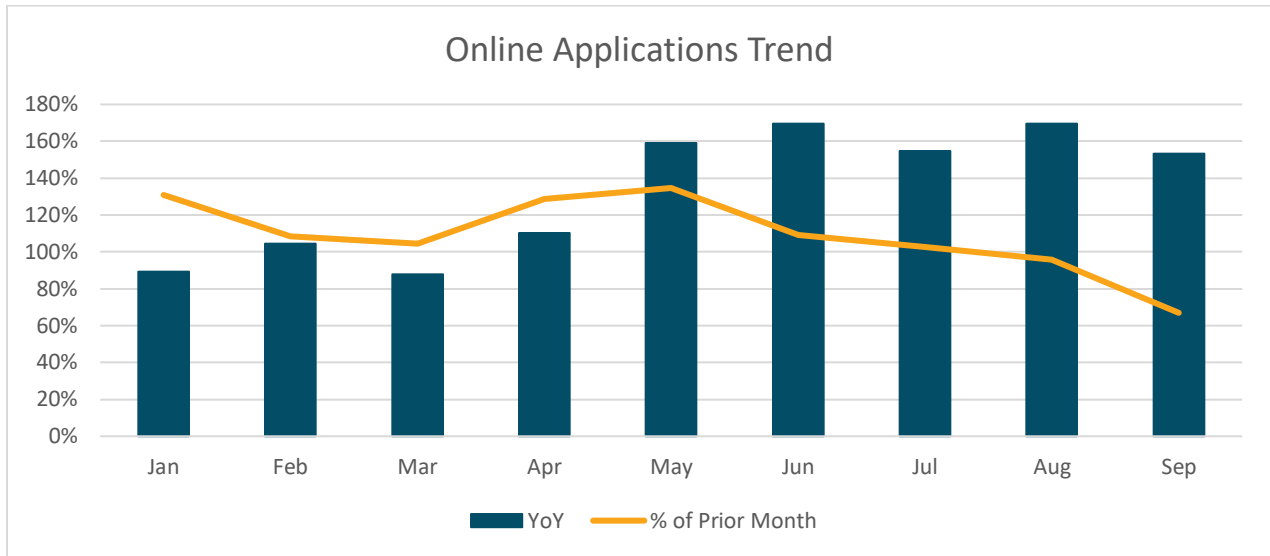


Leasing

Application volumes continue to lag 2019 in spite of traffic trends that are outperforming prior year.

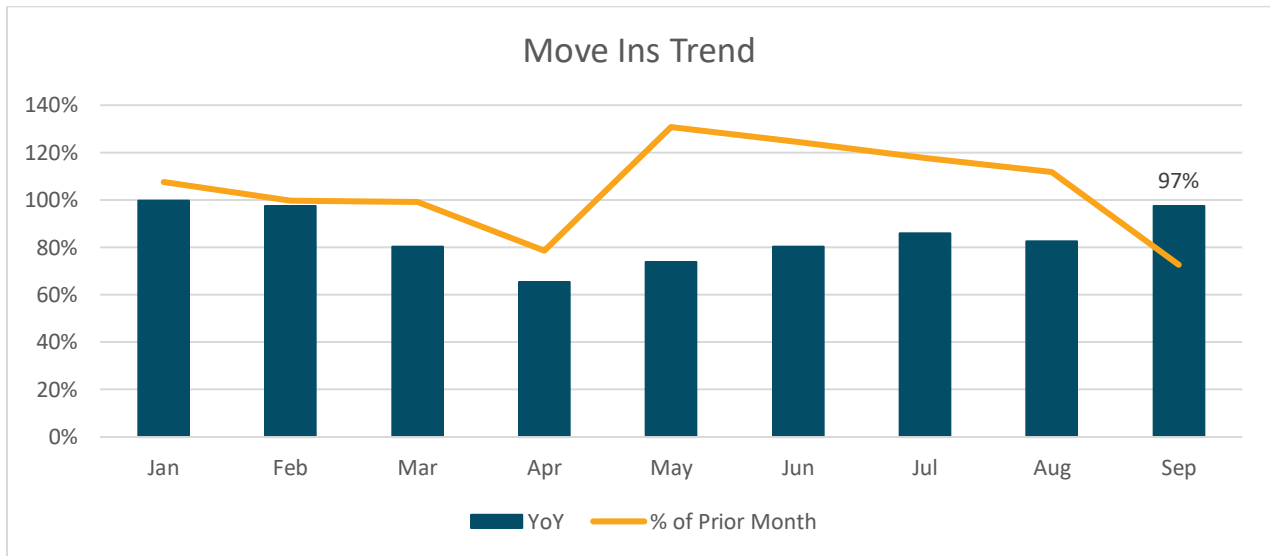


We continue to see a clear and consistent increase in online applications, +50% over prior year, highlighting how the pandemic has driven increased adoption of technology.



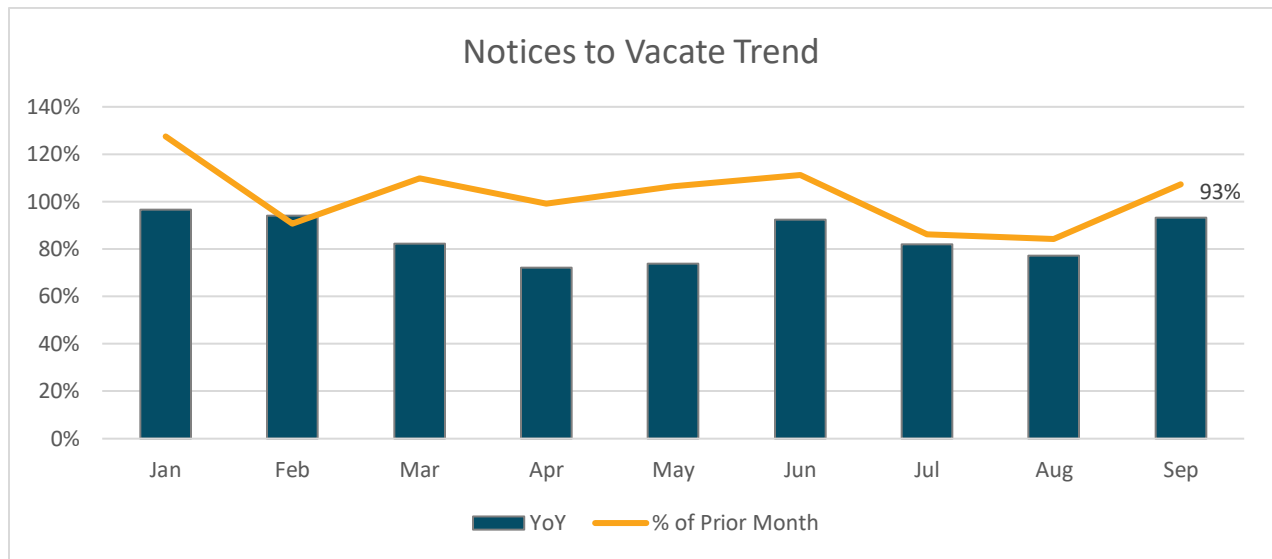
Move Ins

Move-in volumes in September nearly achieved prior year volumes, a substantial improvement in year-over-year volumes.



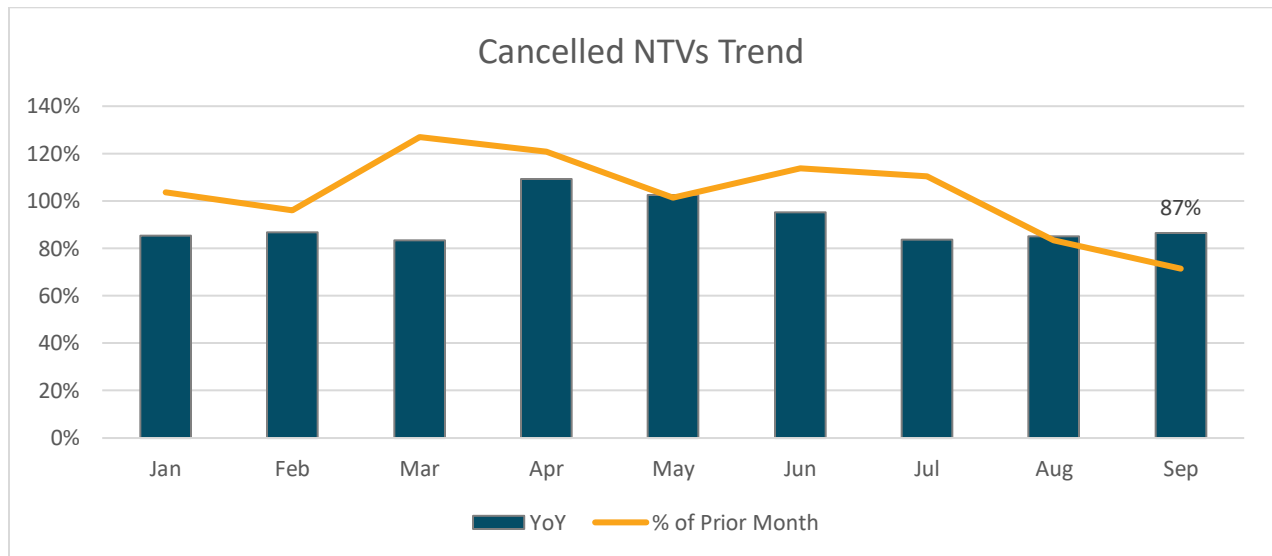
Notice to Vacate

Notice to vacate (NTV) volume also showed market improvement relative to prior year.



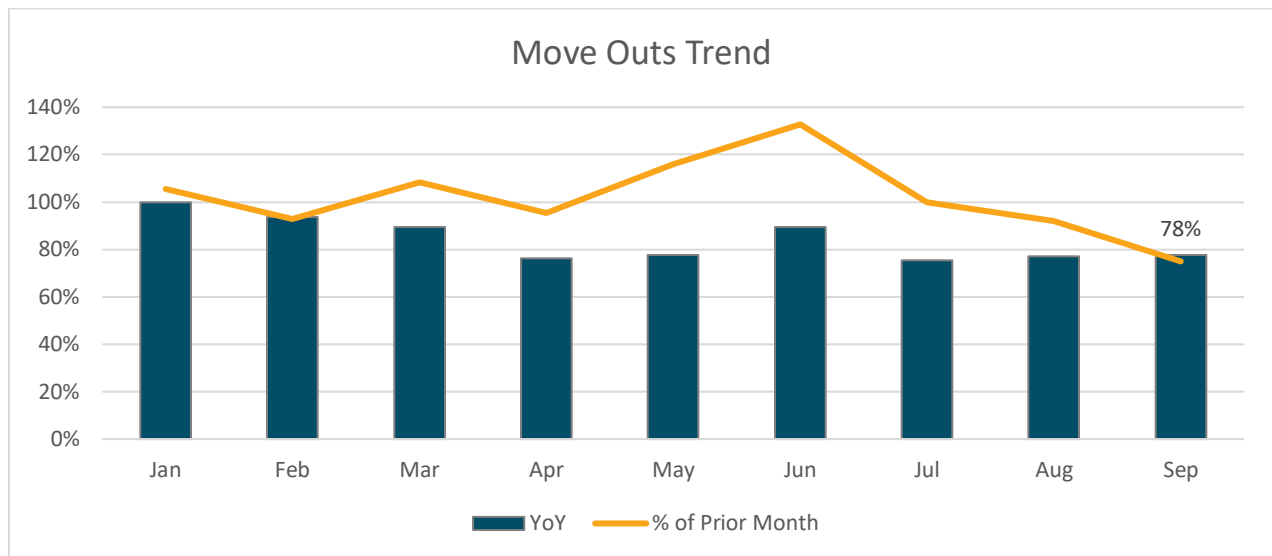
Notice to Vacate Cancellations

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



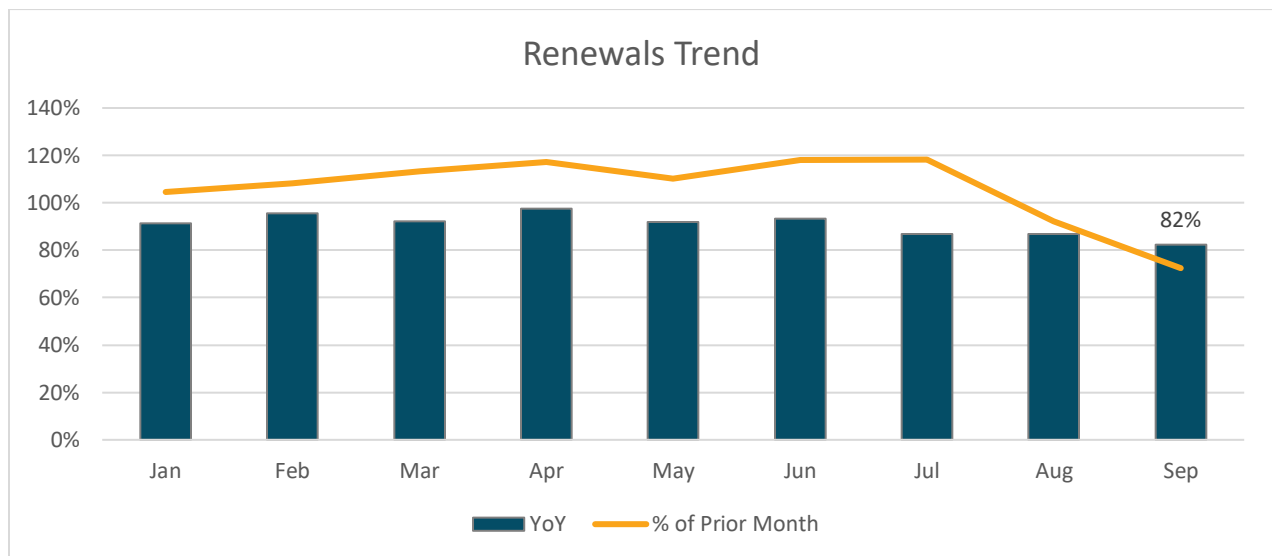
Move Outs

Move outs, the most direct metric of resident mobility, remained basically flat year over year, remaining well off prior year levels.



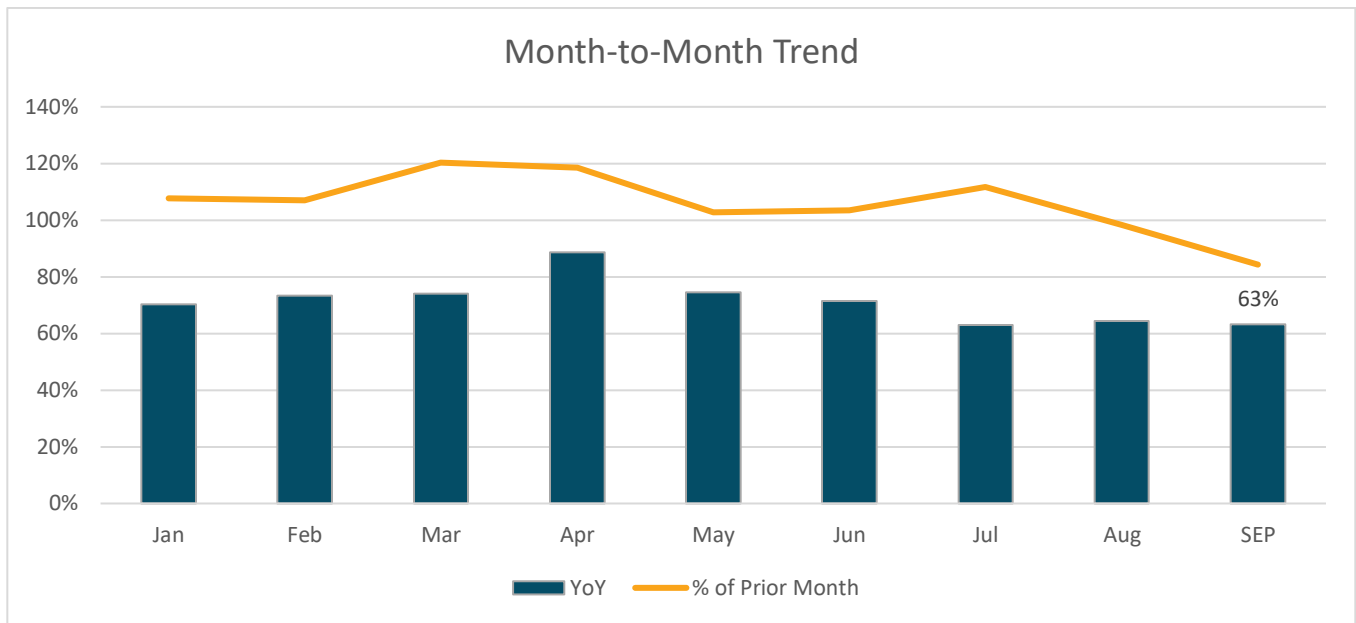
Renewals

Renewals volumes remain below 90% of prior year and monthly trends continues to decline in alignment with seasonal expectations.



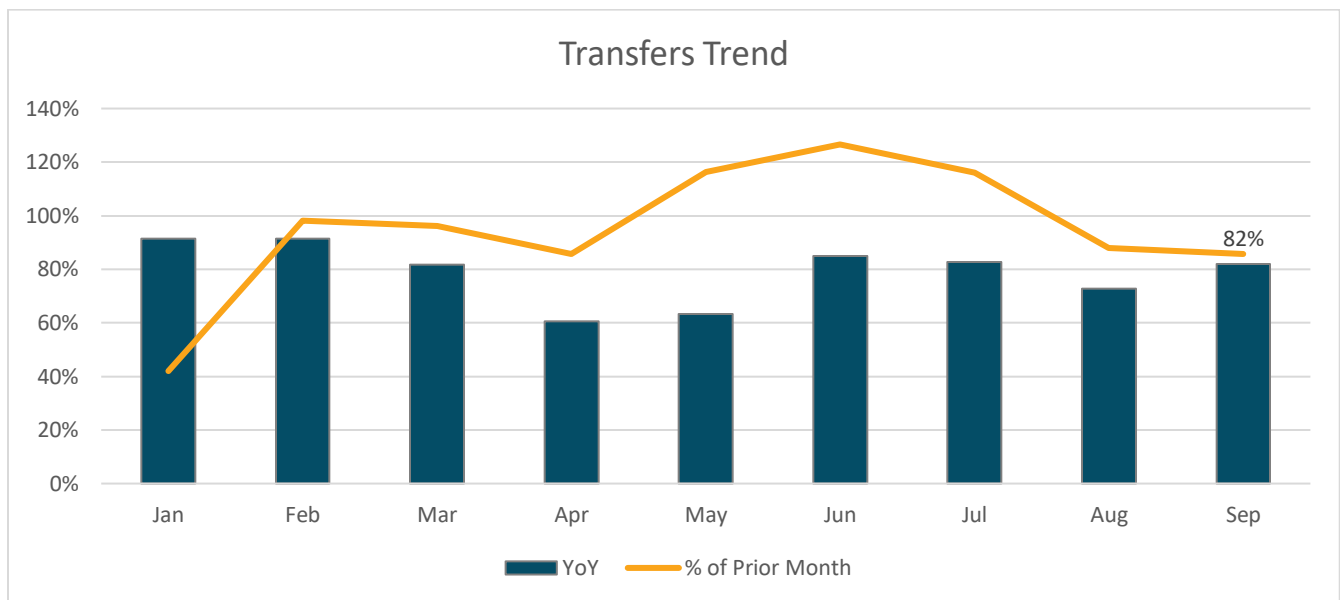
Month to Month

Month-to-month leases continue to lag 2019 with monthly trends following seasonal expectations.



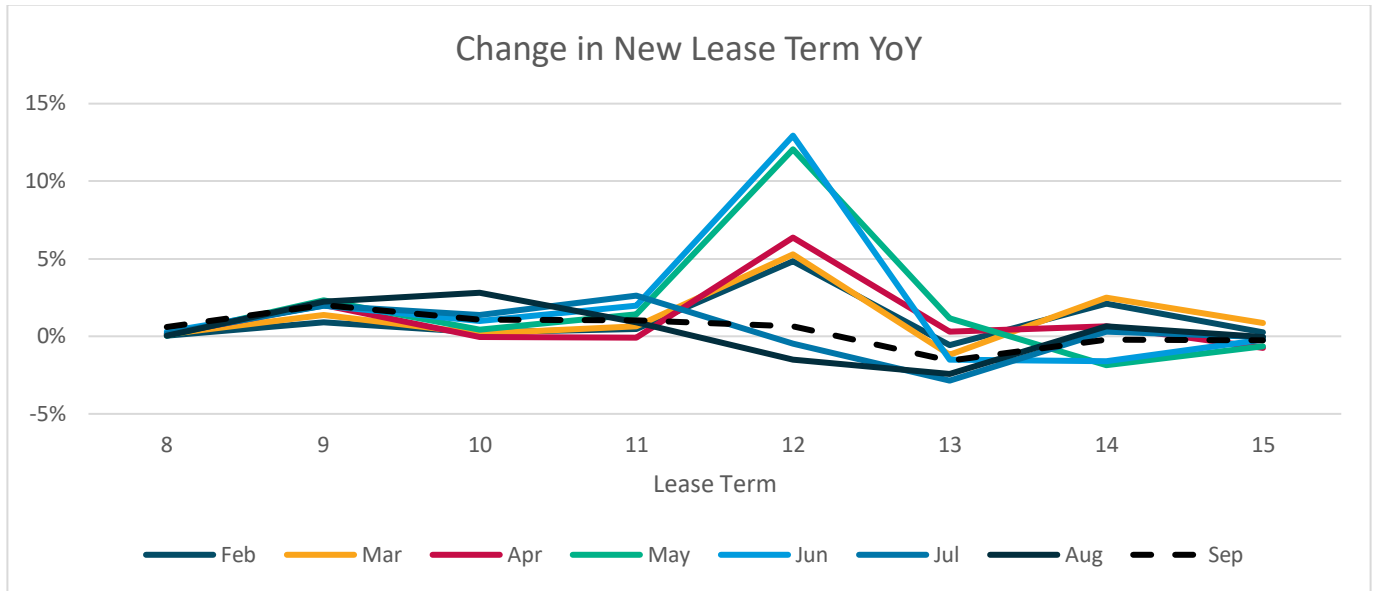
Transfers

Transfers volumes are also following a seasonality curve while remaining well off prior year volumes.



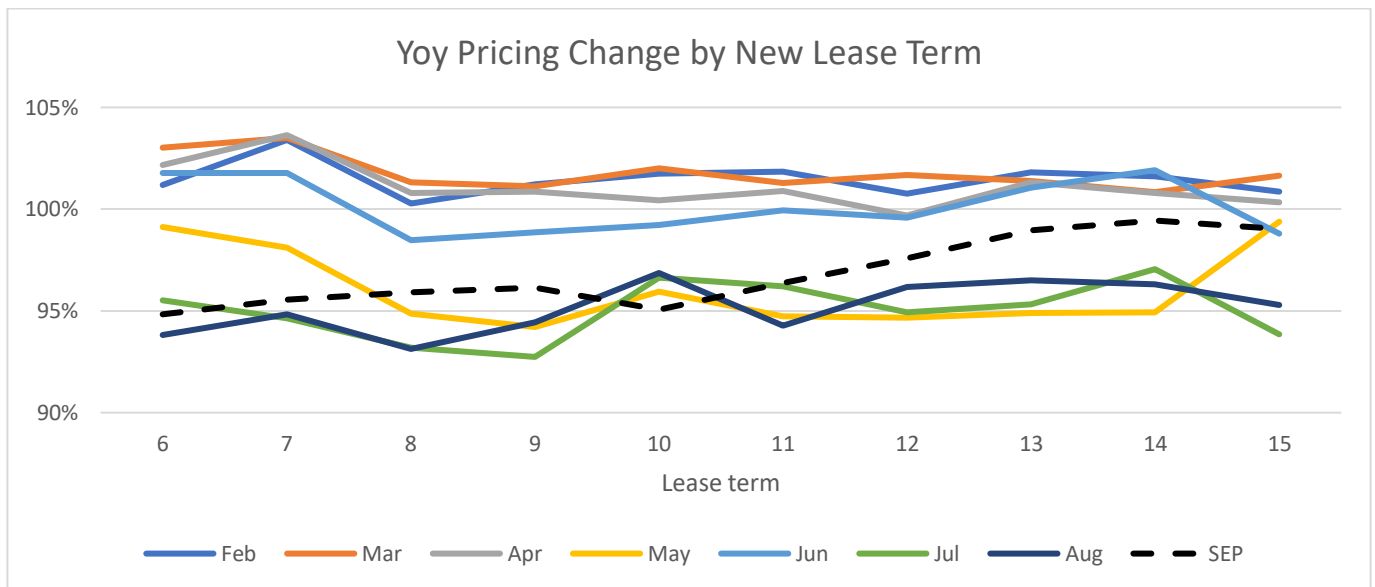
New Lease Term

For the first time since the onset of the pandemic, there is limited difference in lease term popularity as compared to prior years. Expiration management practices that were clear in prior months have greatly diminished, with slight favorability toward nine-month lease terms at the expense of 13-month terms.



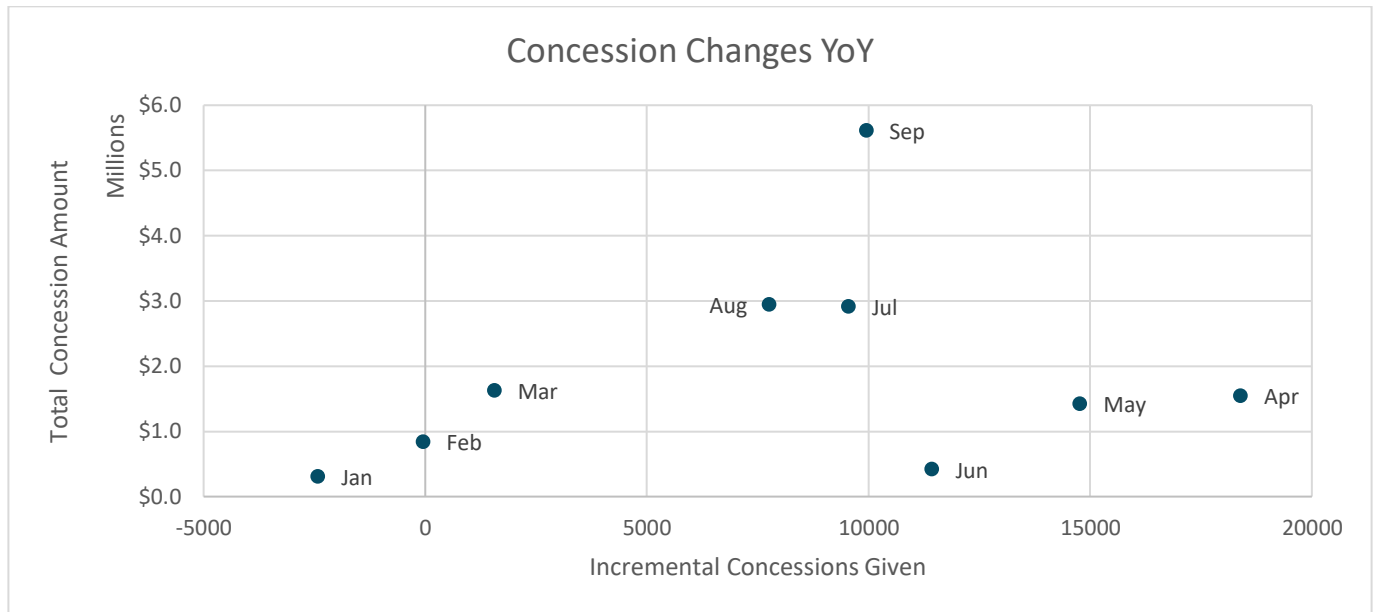
New Lease Term Pricing

New lease term pricing remained depressed, continuing the trend started in July, off 2019 by an average of 3% with some incentivization for shorter leases.



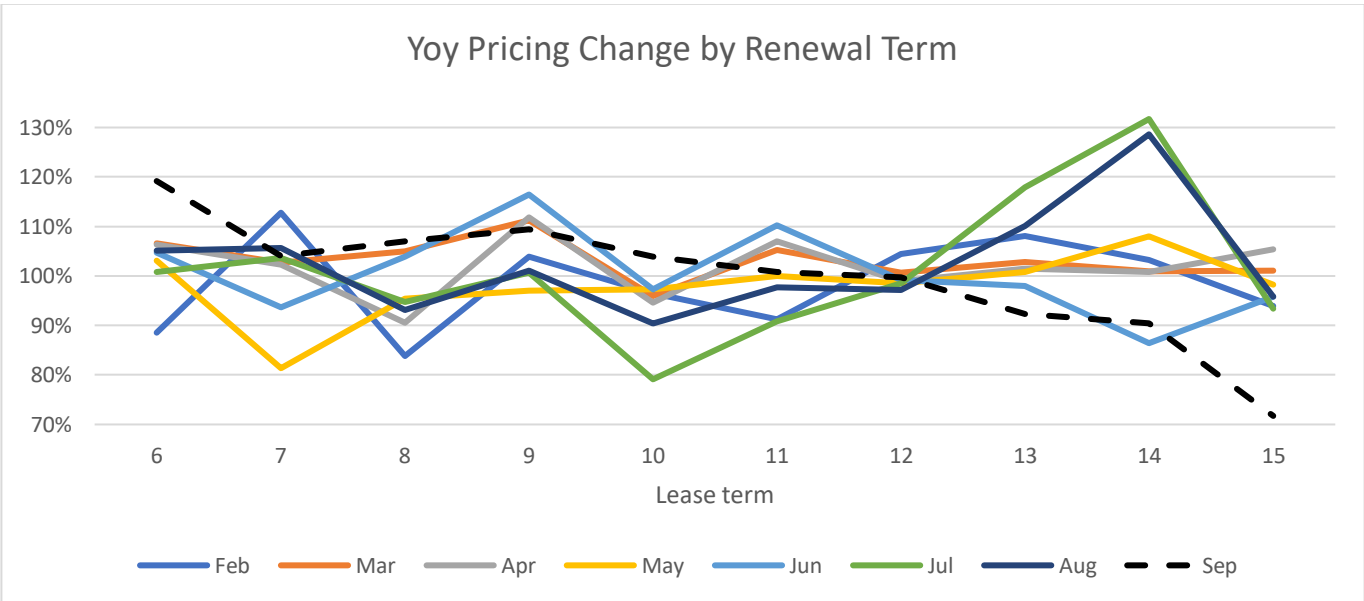
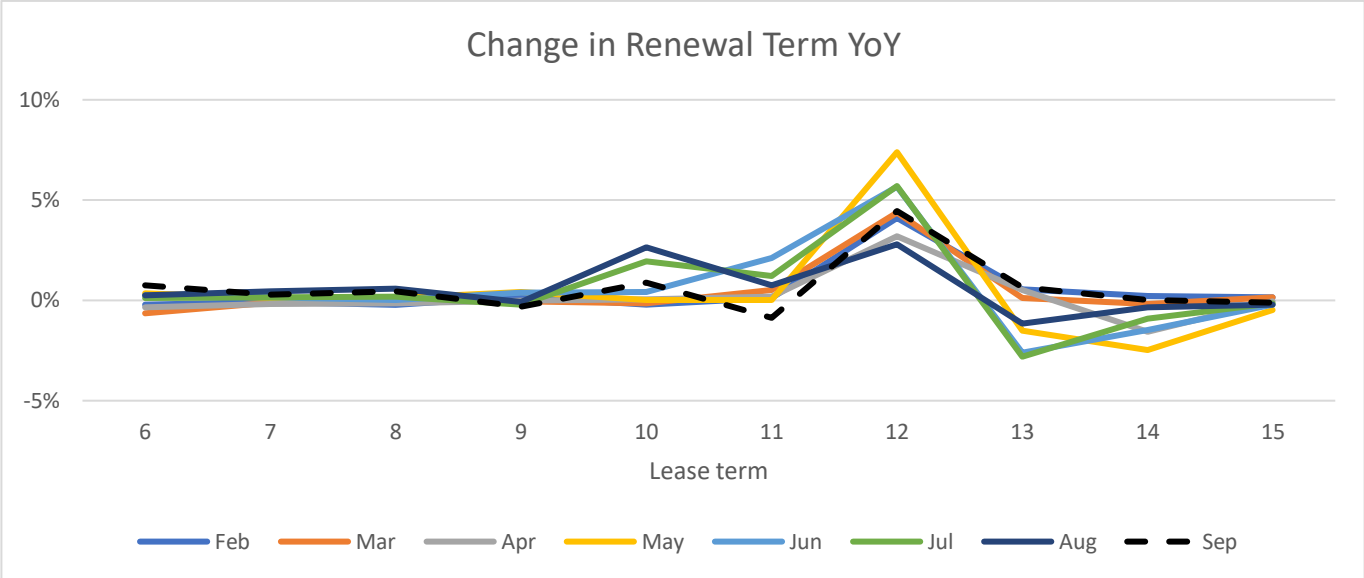
Changes in Concessions

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



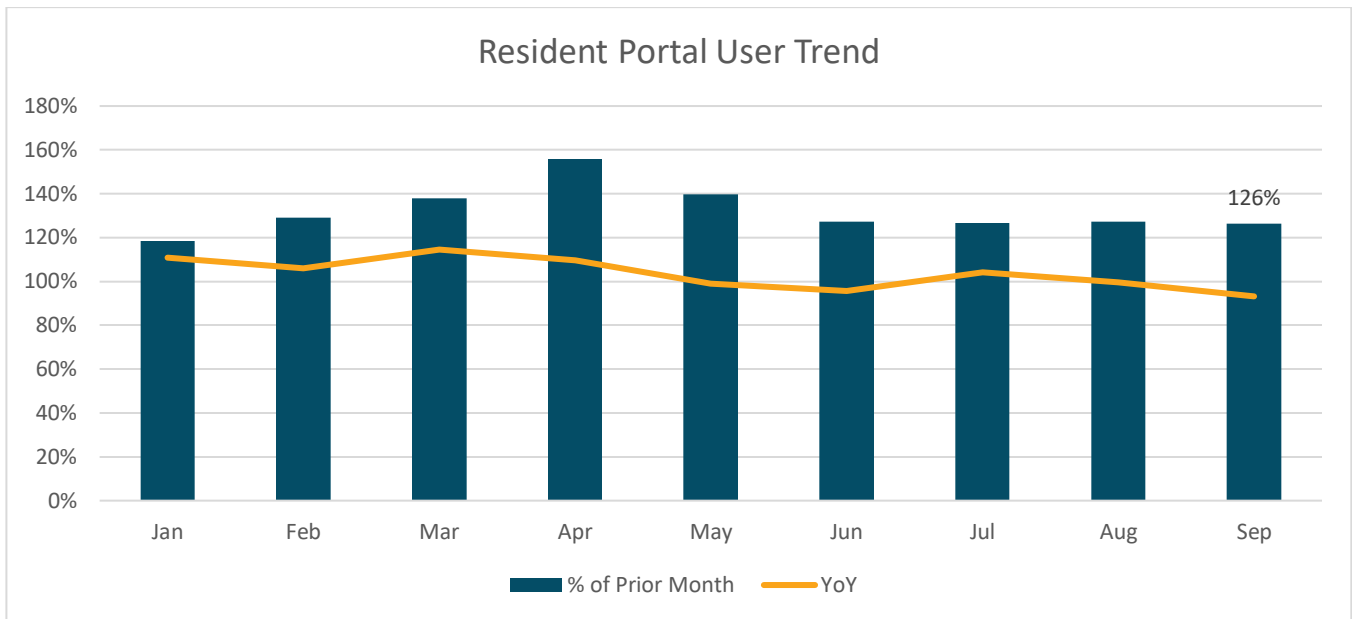
Renewal Term and Price

Renewal term and price are behaving a bit differently than new leases, as 12-month terms are clearly more popular and shorter renewals are more costly than longer ones – indicating a more traditional approach to pricing renewals.



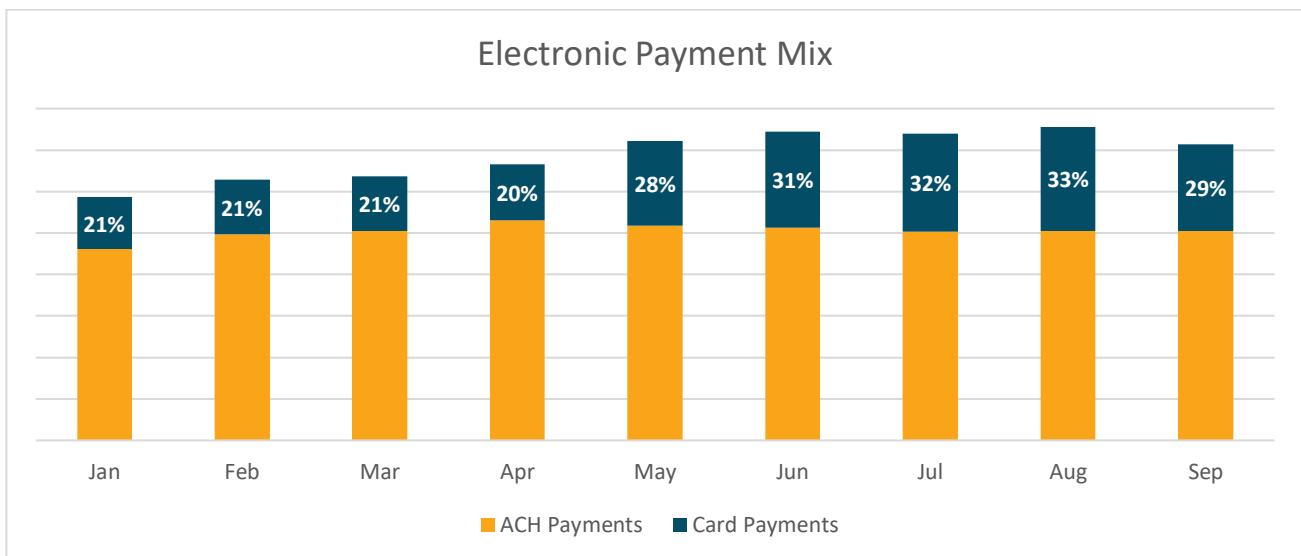
Portal User Volume

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



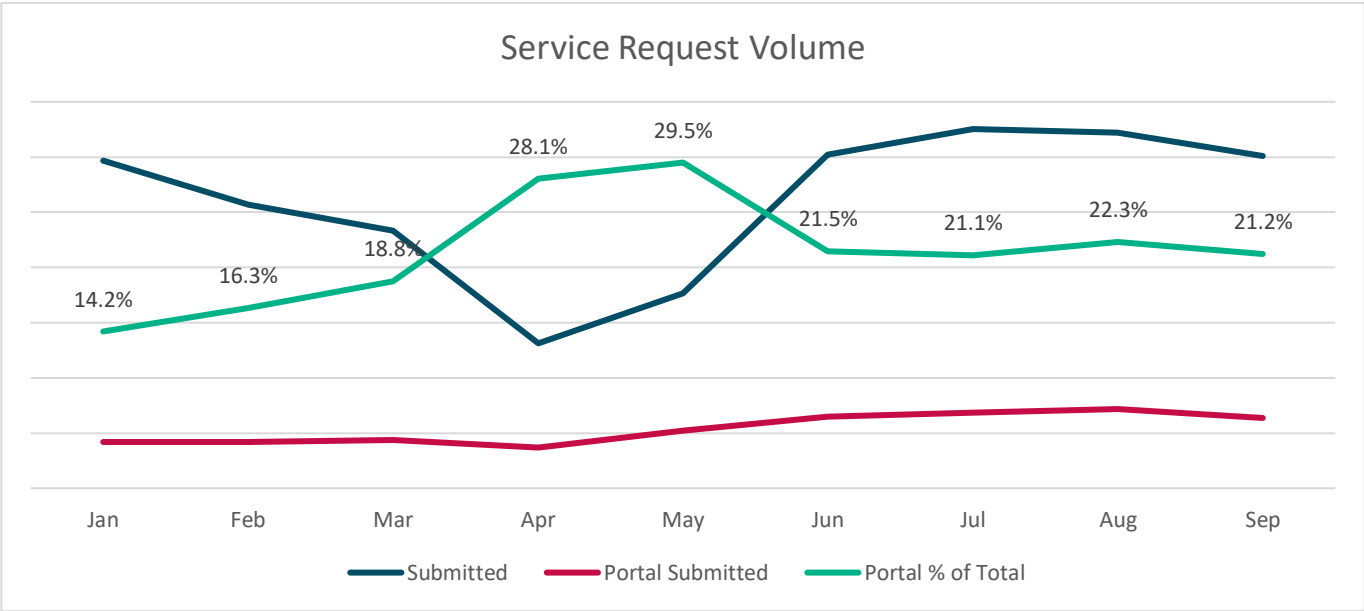
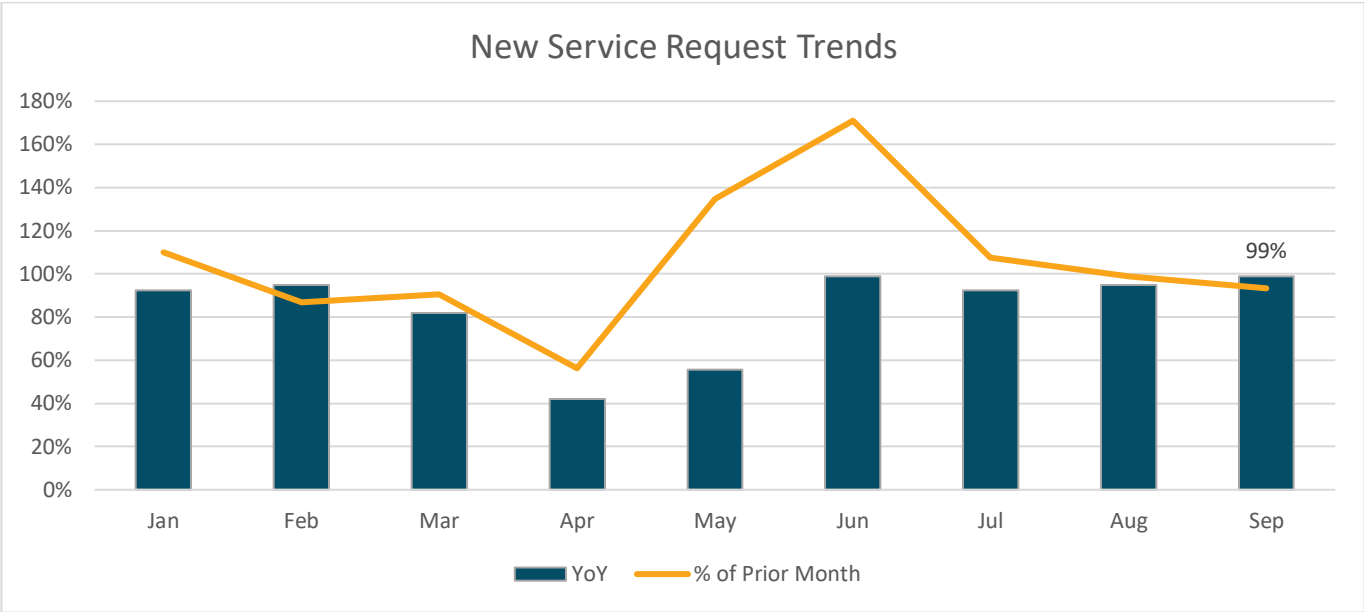
Payment Volume and Mix

We continue to see growth of electronic payment volumes, driven by card usage. As compared to January, total electronic payment volume has increased by 21% with card payments driving a disproportionate volume of the growth. While ACH has grown slightly, card payments have grown by 60%, comparing September to January, retreating from a peak of 92% in August. 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. The reduction in card volume may be attributable to some landlords reintroducing card fees.



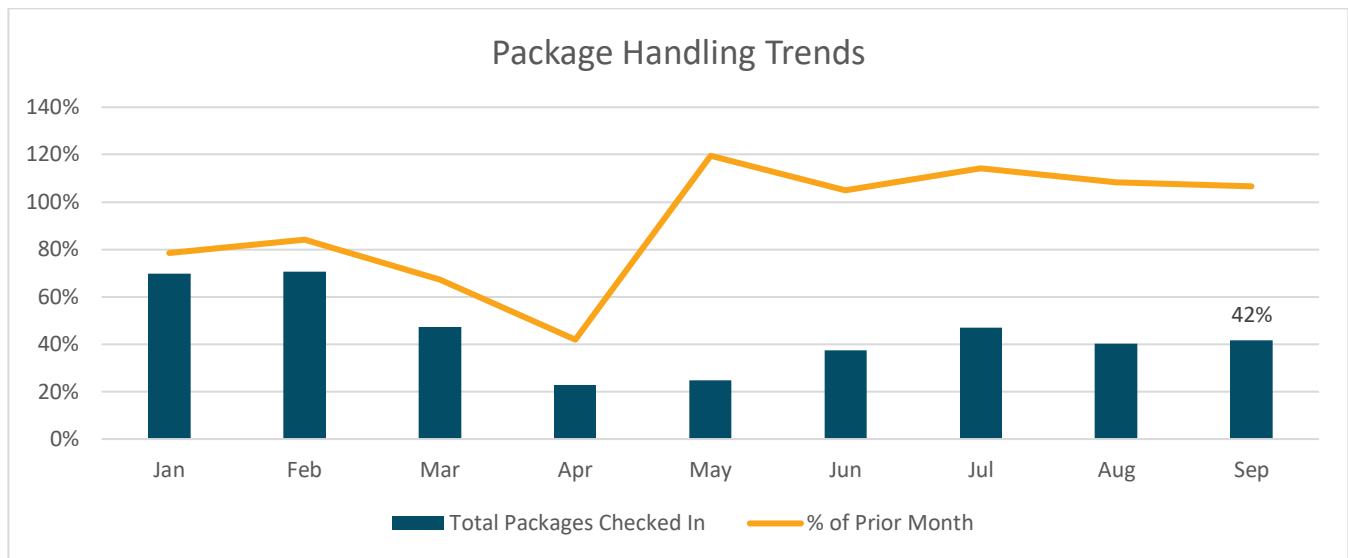
Service Request Volume

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



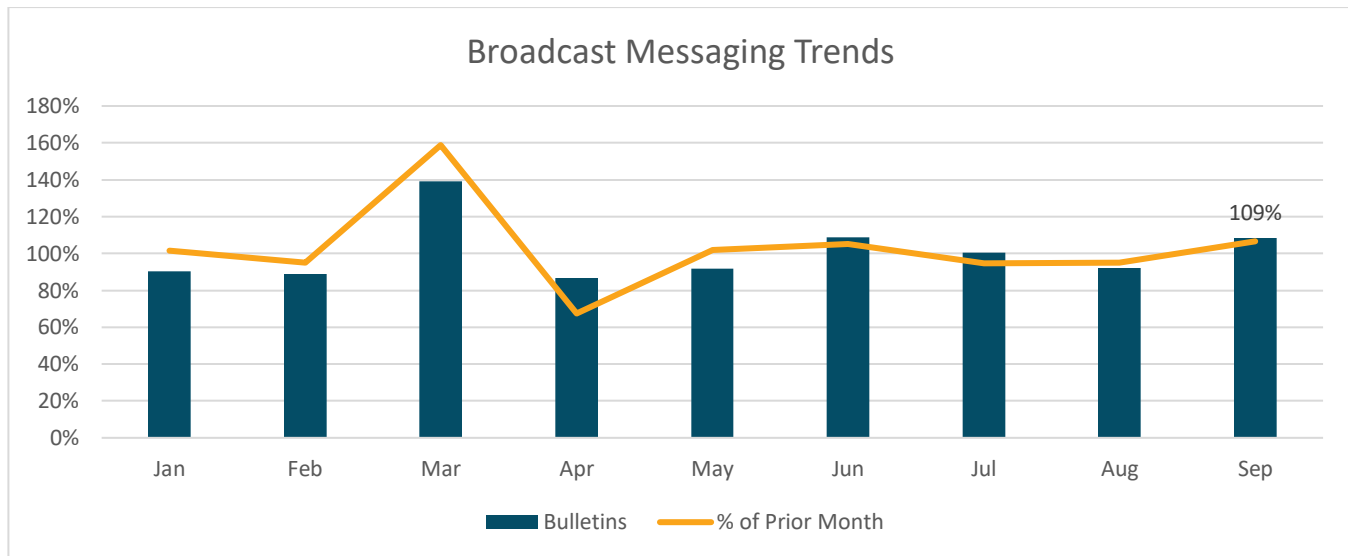
Package Handling

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



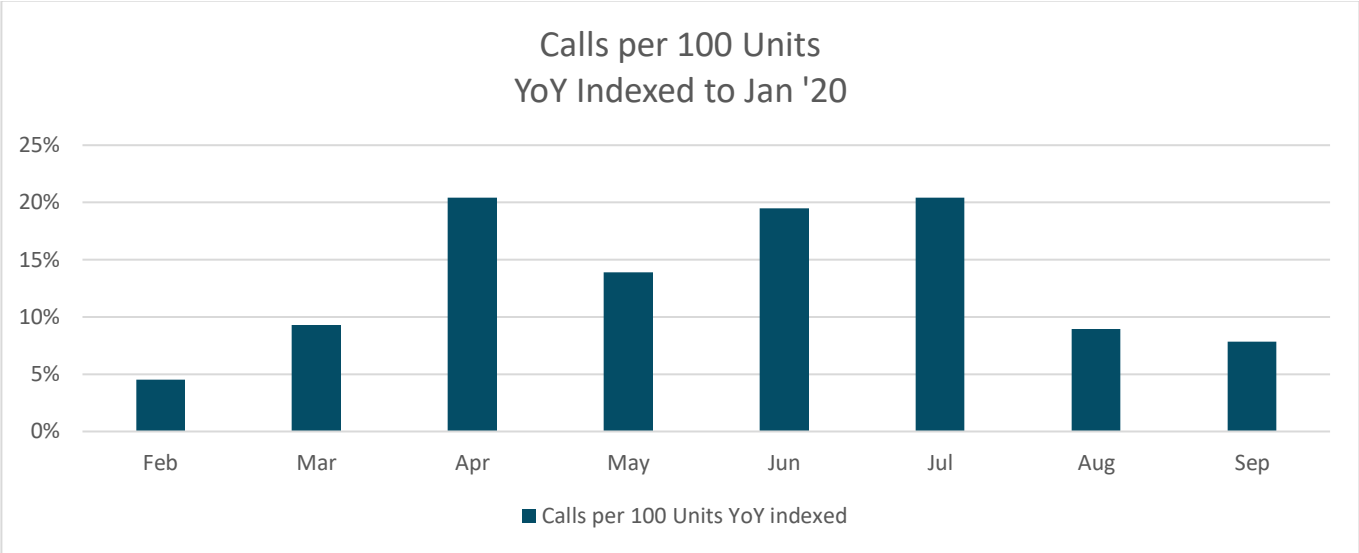
Broadcast Messages

The volume of broadcast messages from the property office to residents continues 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.

