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

COMPARING FEBRUARY THROUGH MAY 2019 TO 2020
Executive Summary

In the U.S., Memorial Day marks the unofficial start of summer, traditionally ushering in the busy summer leasing season for multifamily properties. However, like many things in 2020, we should expect this summer’s busy season to lag prior years.

This report extends our prior report by adding data from the month of May 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 February, March, April and May of 2019 with the same months in 2020. Where appropriate, we will make weekly comparisons year over year, aligning on calendar weeks (Sunday to Saturday), and starting with February 3, 2019 and February 2, 2020, respectively. While February 29 is just another day, it does create a two-day shift in week start dates for March 2020 and beyond.

Summary Analysis

Our last report covered most every metric in the summary analysis. In this version, we will cover the more notable metrics in the summary while still providing the breadth of the data in the body of the report.

Before digging into the data, it is important to cover one macroeconomic point: unemployment. As May 2020 closed, nearly one in four American workers were unemployed. Historically, job growth has driven growth in all facets of real estate, including multifamily. As we look back over the last decade of expansion, continued job growth is strongly correlated with rental demand, driving pricing and new construction.

Over the course of three short months, 25% of the American workforce became newly unemployed at the end of May - a historic and abrupt change in circumstances. Enhanced unemployment benefits and government stimulus monies provided buoyancy, allowing the unemployed to continue paying their rent at near normal rates (see the NMHC rent tracker data here).

As the economy reopens and enhanced benefits burn off, a clearer picture of the remaining employment situation will emerge. We expect things to remain fluid throughout the summer, but unlike prior years, an understanding of current trends at a macro level is of the utmost importance.

Now, on to the summary analysis.
Most Notable Changes

Traffic – Traffic to communities continues to recover and rise to pre-pandemic levels while also showing signs of continued strength. A year-to-date summary of traffic puts 2020 at 101% of 2019, indicating that the traffic lost from mid-March to mid-April returned to the market.

New Lease Pricing – While April 2020 saw a small decrease from 2019, May of 2020 shows a more dramatic pricing change as compared to 2019. Prices for lease terms of 8-14 months have decreased an average of 5%, signaling price softening as a reaction to softening occupancy.

Card Payments – May 2020 electronic payment volume, as compared to February 2020, increased 14% driven by card payments. Card usage for May 2020, as compared to February 2020, went up 58%. Two likely explanations for increased card usage are: 1) residents struggling with cash flow opted to use a card to pay rent, or 2) if landlords waived card-related fees, residents opted to pay rent via card to collect points as a perk. Our data, unfortunately, does not foretell the “why” behind resident payment choices.

Increasing adoption of electronic payments is a change that will likely stick post-pandemic, as residents have already enabled their accounts and will continue to benefit from the convenience.

Impacts on Inventory

We continue to see signs of a renter population tending to stay in place as compared to 2019. Even with traffic rebounding, applications and move-ins are still lagging 2019.

![Demand Comparison Chart]
At the same time, current residents are also staying put more frequently with move outs and notices to vacate lagging 2019 while renewals are trending at or above 2019 levels.

Note: for illustrative purposes, the final week of May has been excluded as June 1st falls in different weeks, skewing the trend analysis.

Term and Pricing Impacts

Continuing the trend reported in April, we still see a greater prevalence of 12-month terms for both new leases (+12%) and renewals (+7.4%), with reduced volumes in 13-15 month lease terms. Seemingly, this continued organization to a 12-month term indicates good lease expiration management practices designed to protect the 2021 summer leasing season.

Pricing, especially for new leases, also lags 2019. As noted above, new lease terms from 8-14 months are all down an average of 5% from 2019. This reduction drives a roughly 7% decrease from the pace set in February 2020. Concession volumes also continue to be well ahead of 2019.

It is still too soon to tell which letter of the alphabet the recovery will mirror – U, V or W. Continued tracking and analysis of this data will help inform on our collective impact, response and progress.

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.

In many cases, year-over-year data is presented in two forms.

1) Comparing actual volumes between 2019 and 2020 for the impacted time periods

2) Showing 2020 as a % of 2019 with a reference line at 100%

Note that some data points tend to organize around the 1st of the month, which can drive some variance in weekly reporting during this time period. The location of March 1st is in different weeks when comparing 2019 with 2020, while April 1st is in the same comparative week. In other words, March 1st was in week 9 in 2019 and week 10 in 2020, while April 1st was in week 14 for both years. This same issue occurs with June 1st 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 to communities continues to recover and rise to pre-pandemic levels, while also showing signs of continued strength. A year-to-date summary of traffic (through the end of May 2020) puts 2020 at 101% of 2019, indicating that the traffic lost from mid-March to mid-April has returned to the market.
Leasing

New rental applications show continued improvement through May but have not exceeded 2019 volumes.
Move Ins

Move-in volumes continue to lag 2019. Year to date, move ins are down 21%. The last data point of the chart is slightly misleading as June 1st is in a different week in 2020 than 2019, which will bring a visualization similar to March 1st.
Notice to Vacate

Notice to vacate (NTV) volume continues to lag 2019. Year to date, NTVs are down 19%.

![Graph showing notices to vacate (NTVs) in 2019 and 2020 with YoY changes from 2019 to 2020. The graph indicates a decline in NTVs compared to 2019, with YoY changes ranging from 47% to 148% from February 2020 to May 2020.]
Notice to Vacate Cancellations

NTV cancellations, a measure of residents deciding to rescind a prior notice to vacate, continues to run ahead of 2019, averaging a 7% increase. We have excluded the final week as June 1st is in different weeks, skewing the trend data.
Move Outs

Move-out volumes continue to lag 2019, down 17% from mid-March (again excluding the final week).

![Move Outs graph]

![Move Outs YoY graph]
Renewals

The reduction in move outs naturally leads to an increase in renewals from mid-March through the end of May.
Month-to-Month

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

![Month to Month Graph](chart1)

![Month to Month YoY Graph](chart2)
Transfers continue to lag 2019 by an average of 40%.

Transfers happen for many reasons, but do not change overall occupancy. Reductions in transfers also signal more residents staying in place.
New Lease Term

Continuing the trend reported in April, we continue to see a greater prevalence of 12-month terms for new leases, up 12% over 2019 with reduced volumes in 13-15 month lease terms. Seemingly, this continued organization to a 12-month term indicates good lease expiration management practices designed to protect the 2021 summer leasing season.

New Lease Term Pricing

While April 2020 saw a small decrease from 2019, May of 2020 shows a more dramatic pricing change as compared to 2019. Lease terms from 8-14 months are all down an average of 5% signaling price softening as a reaction to softening occupancy. When you consider that February was up 2% year over year, the net impact is closer to a 7% reduction.
Changes in Concessions

Concession volume continues to run at increased levels over 2019 while falling slightly from April 2020. While the average monthly concession value remains more modest as compared to 2019, the total value of monthly concessions granted increased by 15%.
Renewal Pricing

Renewal pricing has bounced around over this time period but is largely consistent with prior year, softening a bit across May.
Renewal Term

Similar to new lease terms, a 12-month renewal term continues to be more prevalent at the expense of longer terms, again a likely sign of good expiration management practices.
Portal user volume

Residents are utilizing portals at increasing rates, primarily to pay rent. Overall portal usage has increased by nearly one third and is holding. The vast majority of that usage can be attributed to electronic payments. Increased portal volume should remain post pandemic.
Payment volume and mix

May 2020 electronic payment volume, as compared to February 2020, increased 14% driven by card payments. Card usage for May 2020, as compared to February 2020, is up 58%. Two likely explanations for increased card usage are: 1) residents struggling with cash flow opted to use a card to pay rent; 2) if landlords waived card-related fees, residents opted to pay rent via card to collect points as a perk. Our data, unfortunately, does not foretell the “why” behind resident payment choices.

On-time payment volume, as reported by the NMHC with MRI Software as a contributor, shows that resident payments are only a few percentage points off historical collection norms for May 2020. Weekly updates are available [here](#).
Service Request Volume

With properties starting to return to more normal operations, we are seeing a small improvement in overall service request volume.
Package Handling

Package handling, a service many properties stopped as a result of the pandemic, is showing slight signs of improvement while continuing to be well below pre-pandemic levels. Data is indexed to the February 2020 average.
Broadcast Messages

Broadcast messages, from the property office to residents, saw a spike in volume as properties worked through the upheaval caused by the pandemic. May indicates more normal operations. Data is indexed to the February 2020 average.
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.