Multifamily Real Estate Markets Update (April 2020)

The multifamily industry has seen some minor effects of the COVID-19 pandemic, but the performance was better than expected after rent collections. Class C properties will be hit the hardest, as well as those markets that are travel and tourism-dependent.

Below are key takeaways from the following reports:

Through Week 2 in April, Apartment Rent Payments Register Above Expectations – *RealPage* – Link

Matrix National Multifamily Report – February 2020 – *Yardi Matrix* – Link

Through Week 2 in April, Apartment Rent Payments Register Above Expectations

RealPage

- Through April 12, 84% of apartment households made a rent payment
  - Compared to this time last year, collections are down only 6 percentage points
  - Initial reporting showed that only two-thirds of apartment renters paid rent through April 5th
    - This is partially due to April 5th falling on a Sunday, so rent payments we're not processed until the 6th or 7th
- Collections are the weakest in Class C properties, with only 79.7% of renters making payments as of April 12
  - These renters are those most exposed to layoffs in the hospitality, retail and restaurant sectors
  - By comparison, 84.1% of Class B renters and 84.8% of Class A renters made payments
- Online rent payments are trending upwards as renters and property managers try to avoid in-person contact
  - As of April 12, 61% of payments were made electronically, compared to 51% this time last year

Matrix National Multifamily Report – February 2020

Yardi Matrix

- Coronavirus will likely cause a recession
  - Due to the spread of COVID-19, we have seen the end of an 11-year bull market
    - Travel ban against all European citizens entering the U.S.
    - Treasury rates to historic lows
  - Travel, hotel, restaurant and trade industries will likely be hurt the worst
    - Business and leisure travel has drastically slowed
  - The multifamily industry will suffer from rent collection issues
    - These will likely come from tenants who have either fallen ill or have lost their jobs
- Rents increased 3.2% in February which matches January's growth rate
  - Phoenix led all major markets with 7.6% growth, followed by Seattle's growth of 5.5%
  - Washington, D.C. is the only primary market that did not fall below the national average for rent growth
  - Western markets are continuing to grow strongly, although San Francisco and Los Angeles are slowing due to increased rent control