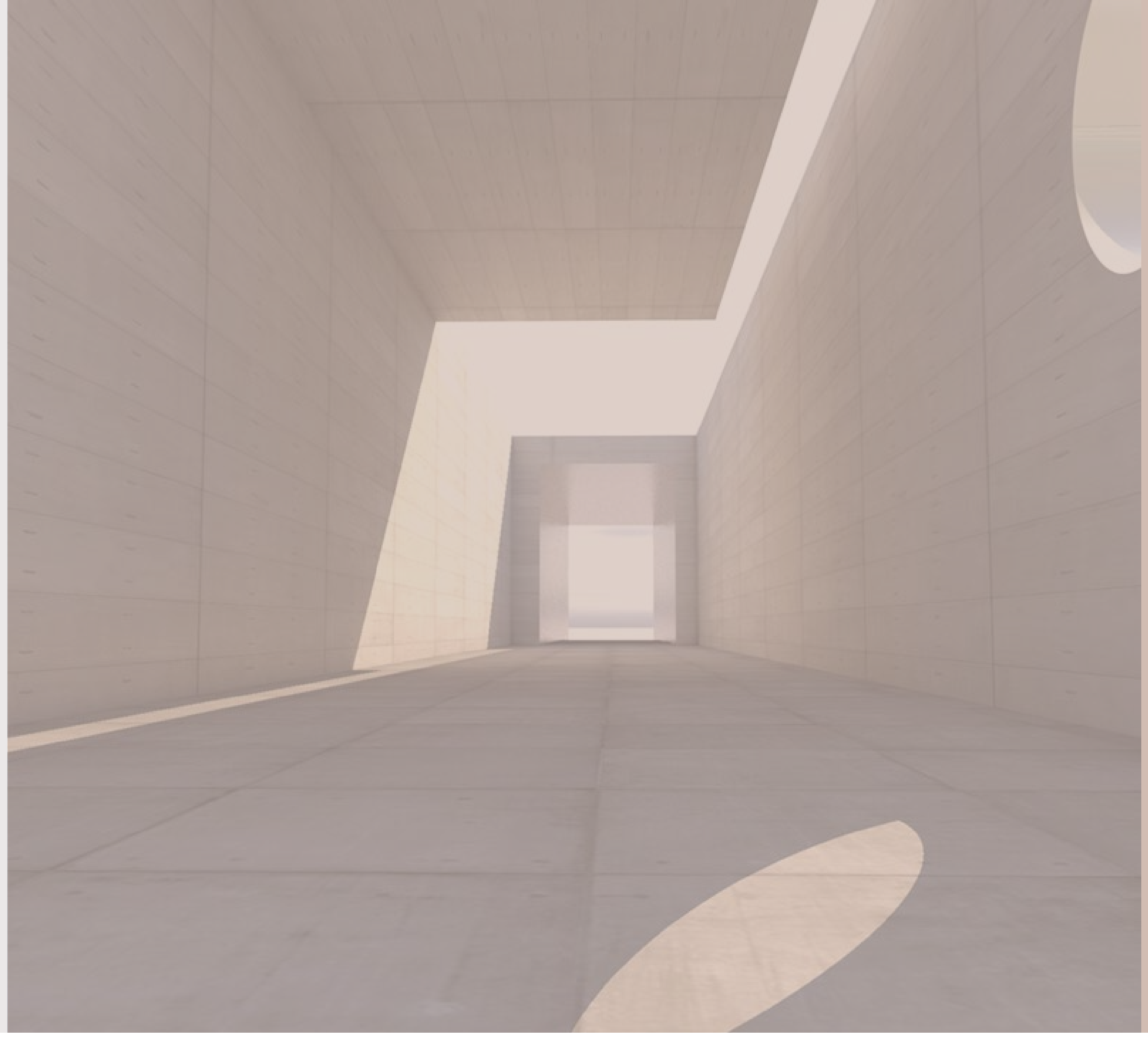
COVID-19 Impact on Rental Housing in Virginia

Presentation to the Virginia Housing Commission

July 8, 2020

Data Sources

- NMHC Rent Tracker
- NMHC Construction Survey
- U.S. Census Household Pulse Survey
- AOBA Member Survey



- Initial reports showed extremely high rates of nonpayment of rent with projections to increase over the duration of the pandemic
- Actual numbers less dramatic when put into context
- Metrics showing improvement over course of month and month-to-month
- Virginia Numbers Better than National Numbers

ECONOMY The New York Times

31% Can't Pay the Rent: 'It's Only Going to Get Worse'

As the economic shutdown pares tenants' incomes, April payments have been reduced, deferred or withheld. Some landlords see their property at risk.

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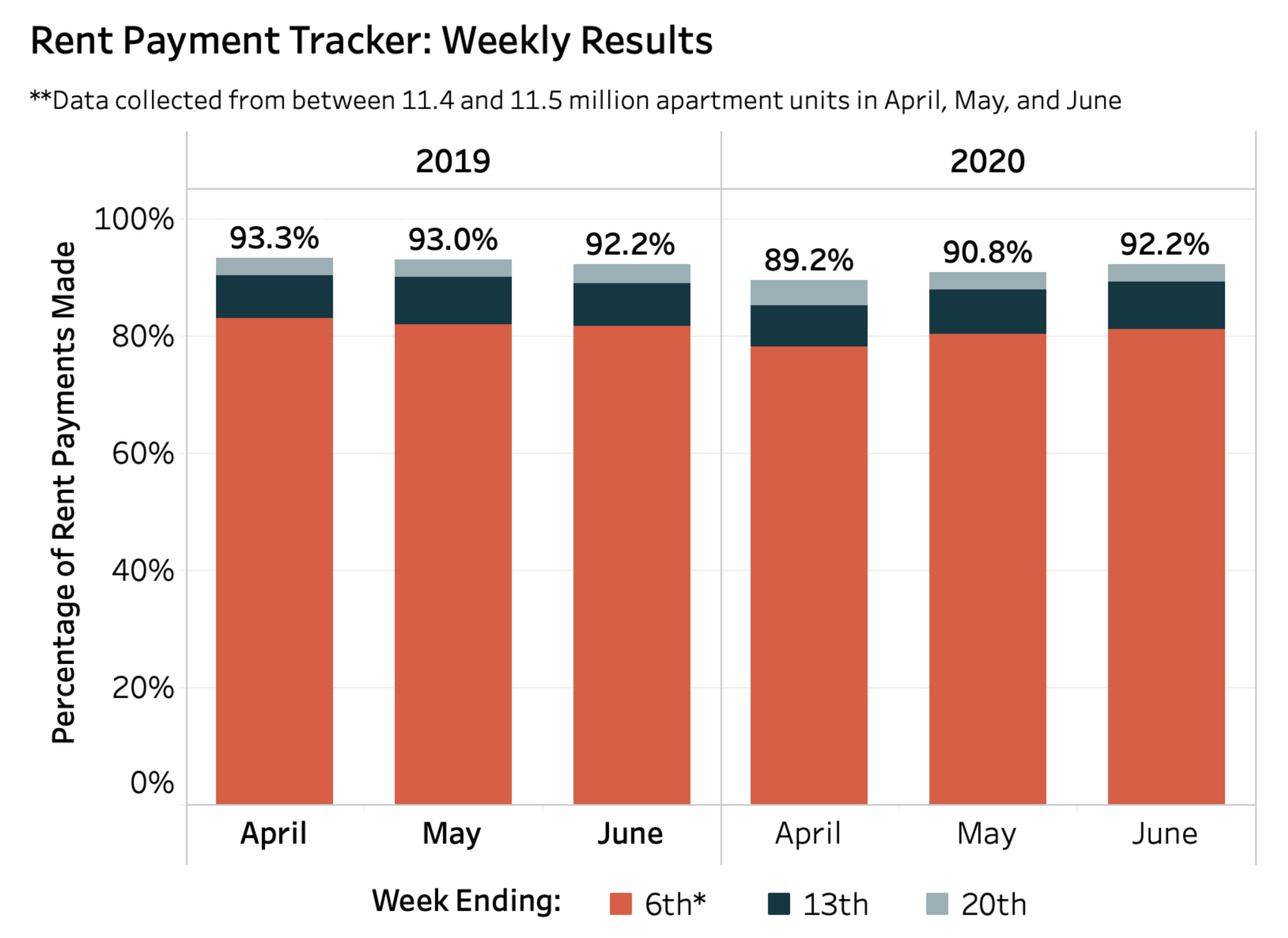
National Data
Rent Collection



- Rent Collections Show Improvement Over Course of Month
- Attributable to housing provider efforts, expanded unemployment benefits, stimulus funds, other government/non-profit assistance, tenants prioritizing rent

National Data
Multifamily Residential Construction

- 56% experiencing construction delays
- 77% experiencing permitting delays
- 70% experiencing delays in construction starts
- Only 24% impacted by a lack of materials/supply chain
- Only 5% reported increase in price of materials
- 41% impacted by availability of labor

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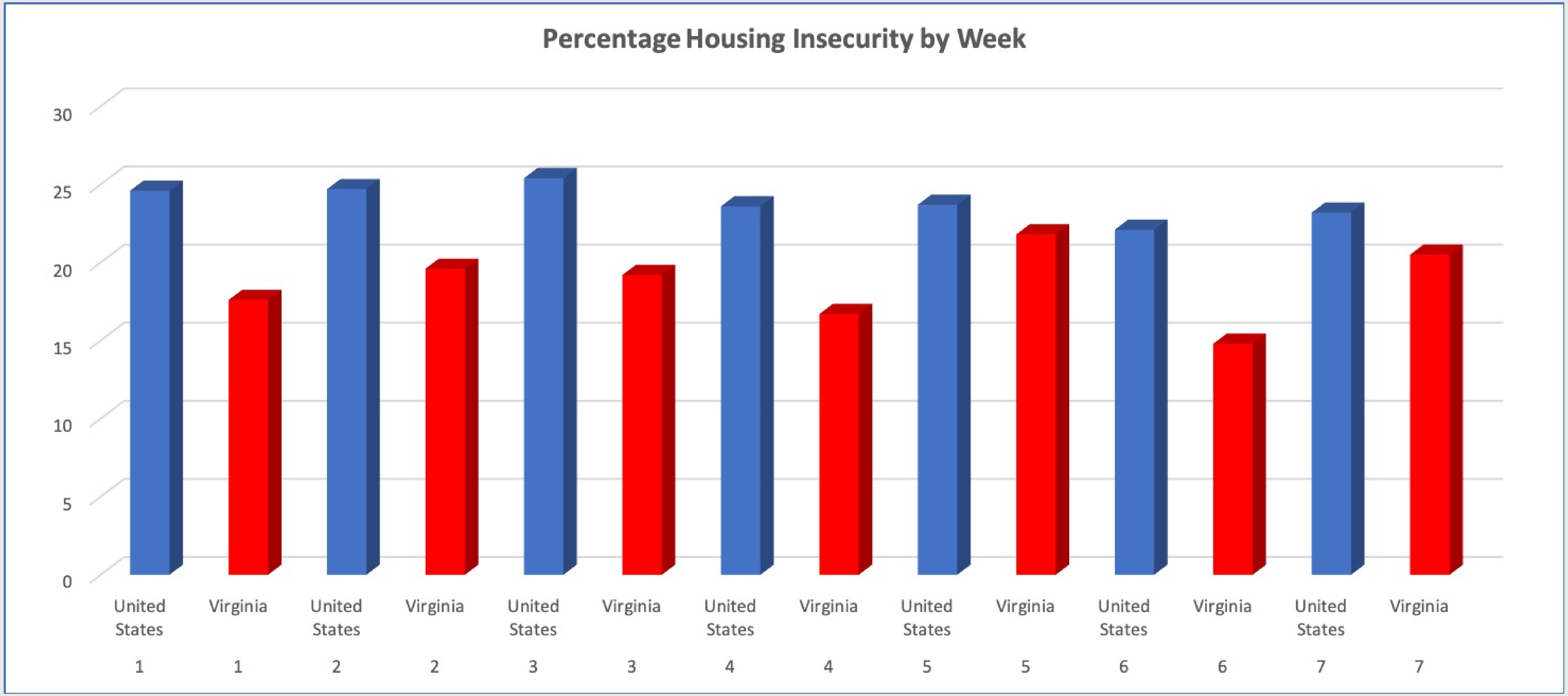
Virginia
Housing Insecurity



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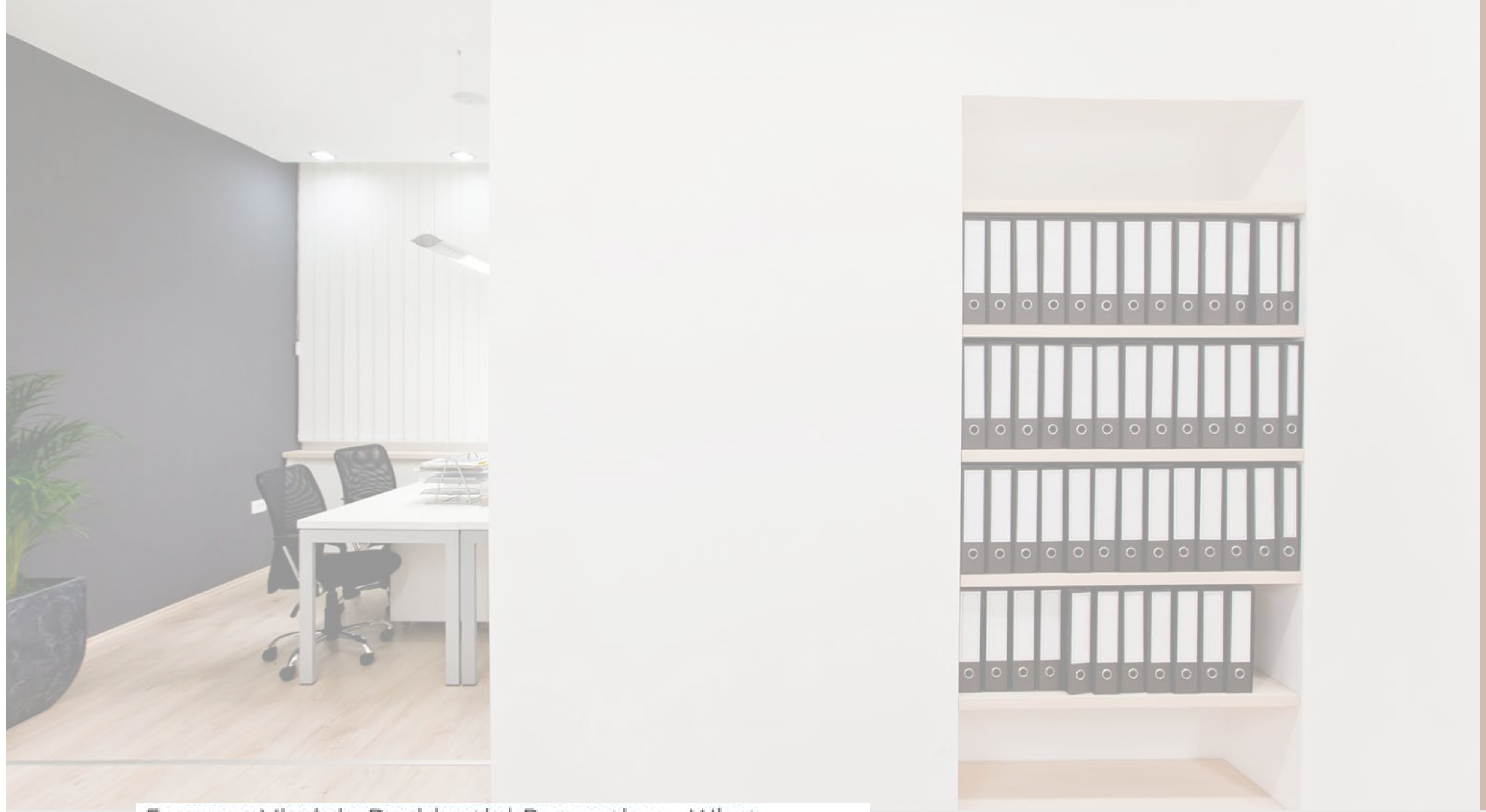
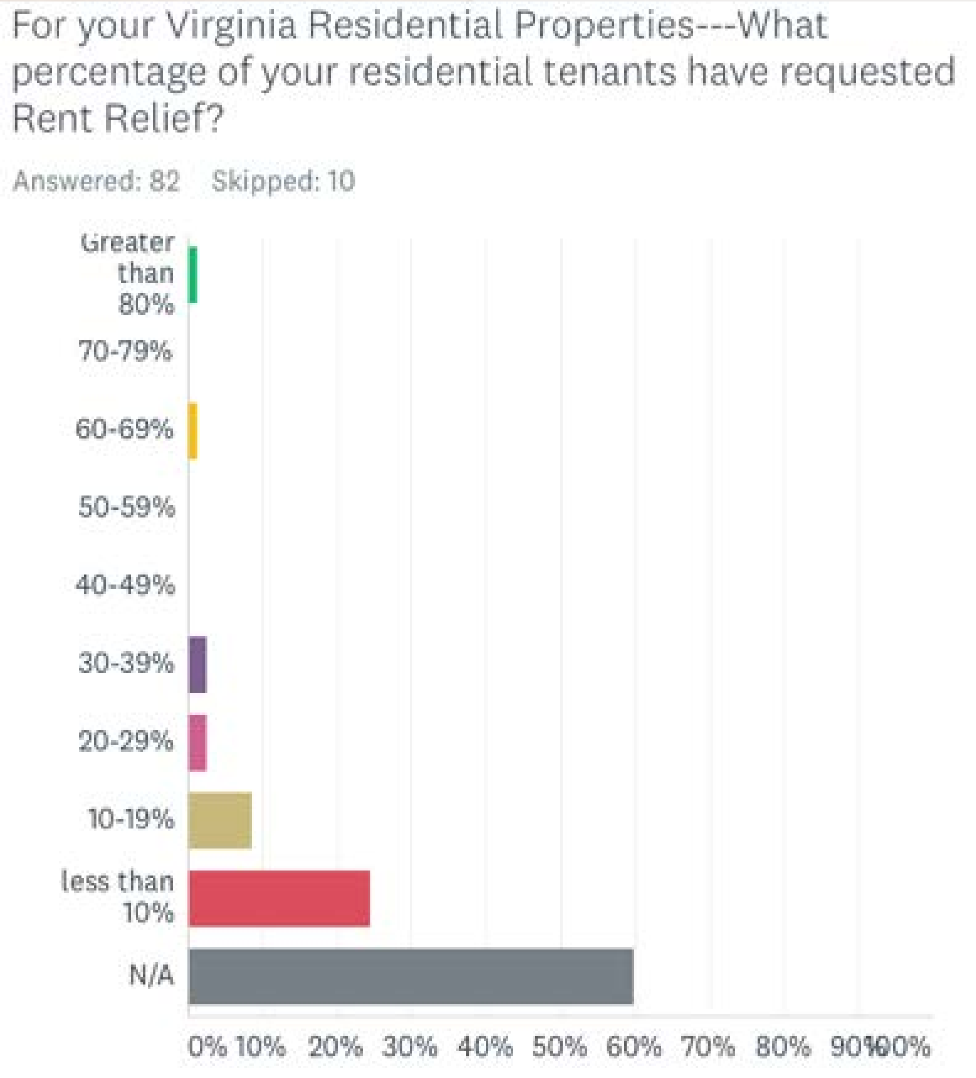
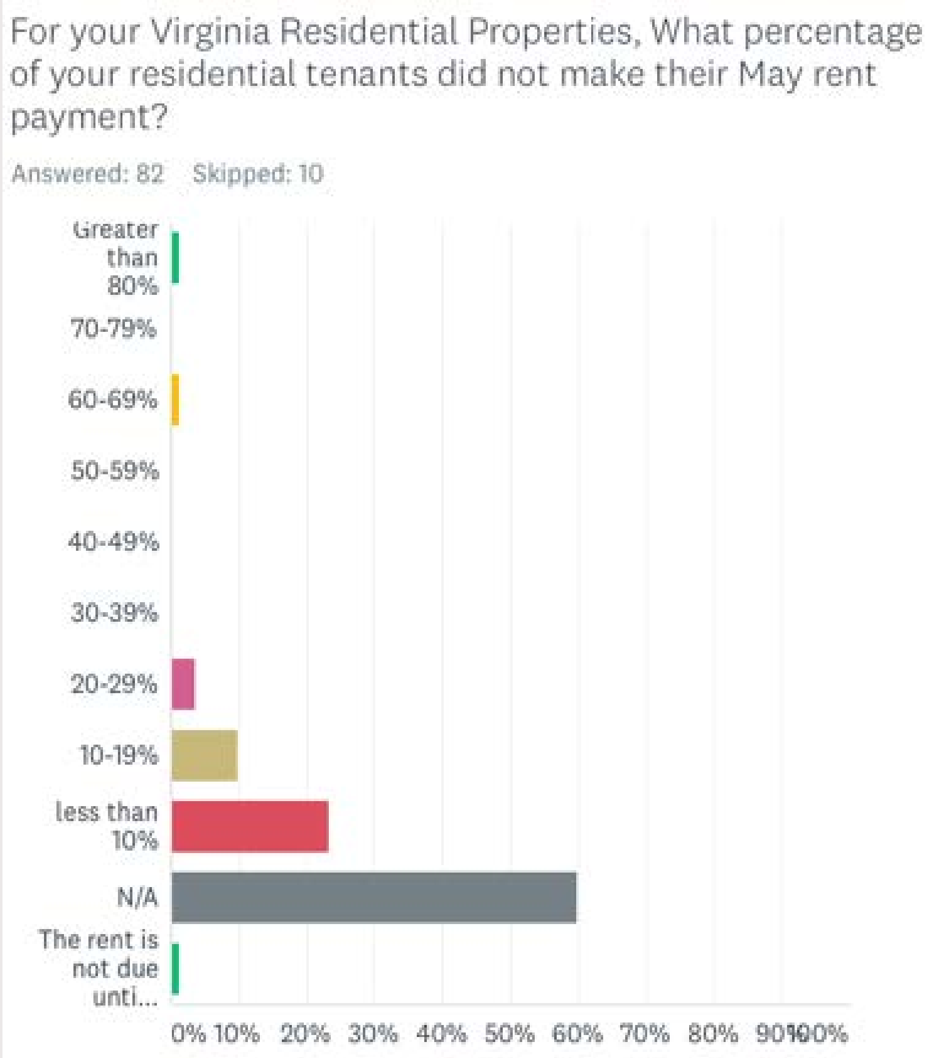
Northern Virginia AOBA Member Survey

- Wide variation in experience among different properties
- Lower income properties and tenants seeing higher rates of nonpayment







Takeaways

- Nonpayment and housing security not nearly as drastic as anticipated, but still a significant problem in need of attention
- What happens when benefits and assistance stop?

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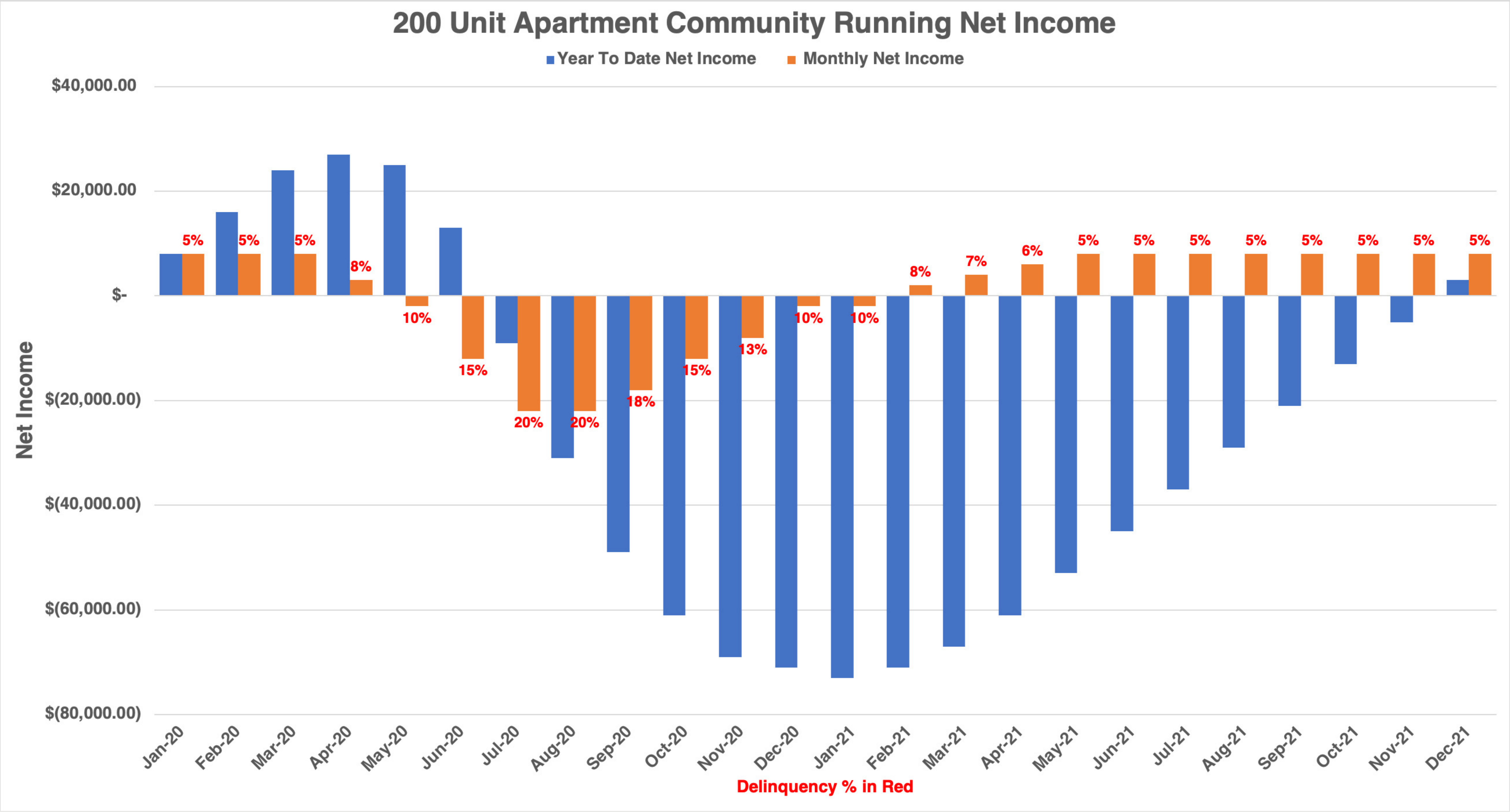
Takeaways
Evictions



Takeaways

Housing Providers Are Doing Their Part

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Takeaways

- Housing providers, like other business are taking a substantial hit as a result of the pandemic
- This trickles down in the form of employee layoffs and furloughs, delayed capital investments, reduced ability to work with tenants on extended payment plans, etc.

NAA NATIONAL APARTMENT ASSOCIATION

BREAKING DOWN $1 DOLLAR OF RENT

There exists a misconception that rental housing owners enjoy large margins and can continue operating in the absence of rent payments.

With so much discussion around rent payments during COVID-19, the rental housing industry would like to explain the breakdown of $1 dollar of rent.

Only **9 cents of every $1** are returned to owners, including the many apartment owners who are themselves small businesses and rely on this revenue to make ends meet, and investors, which include public pensions and 401ks, on which many Americans rely—whether or not they reside in rental housing.

Approximately **39 cents of every $1** pays for the mortgage on the property. Roughly two-thirds of the apartment industry has private lenders and are ineligible for federal mortgage forbearance via the CARES Act. This is a critical expense, as mortgage foreclosures put all residents at risk of losing their housing.

10 cents of every $1 is spent on capital expenditures, including roof and HVAC replacement and other important repairs that help ensure quality housing for America's 40 million rental housing residents.

27 cents of every $1 covers payroll expenses, including paying employees who operate and maintain the property, ongoing maintenance, utilities, insurance and the like.

14 cents of every $1 goes to property taxes, which in turn supports the community through financing for schools, teachers, emergency services and other important local needs.

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Takeaways

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