



COVID-19 Tenant & Rental Property Impacts

Survey of Rent Paid: Mar-May 2020 in Multifamily Rental Properties

June 3, 2020

Survey Overview

The COVID-19 pandemic has taken an economic toll on Minnesota as businesses were shuttered to comply with social distancing restrictions leaving an estimated 20% of Minnesotans unemployed.

To gauge the effect of the pandemic's economic impact on affordable housing residents and providers, Greater Minnesota Housing Fund (GMHF) has conducted a monthly survey of Minnesota's affordable rental housing owners to assess the degree to which tenants are continuing to pay rent and to determine impacts on property operating income and expenses.

The rental market survey for May 2020 gathered data for 29,984 units in the market statewide. This sample is equal to 5% of the total rental housing market of 610,000 units.

Of the units reported in the survey, about 54% were rent-assisted while 46% had no rental assistance. Due to income targeting in key federal subsidy programs, over 75% of the rent-assisted units are presumed to be households with incomes at or below 30% of median income, about \$25,000 per year for a household of three in Minnesota.

The rental property survey gathered data on the percentage of rent paid in March, April, and May 2020, with March 2020 providing the baseline comparison month since the COVID-19 pandemic economic impacts had not taken effect at that point.

The data for March and April was reported as of month-end, and the data for May was reported as of May 15th due to the timing of the May survey. Data was provided directly by owner operators and their property managers.

May 2020 Rent Paid / Rent Loss Survey Findings

1. The majority of rental housing portfolios (67%) reported declines in rental income since March 2020 while 33% of portfolios reported no decline in rental income.
2. The percentage of rent paid as of April month-end and May mid-month was lower than March month-end but the decline was less than initially feared.
 - The percentage of rent paid dropped from an average of 95.7% for March month-end to 94.1% for April¹ month-end. The percentage of rent paid for May as of mid-month averaged 90.7%. Month-end data for May will be collected in June.

¹ GMHF's previous month's survey of rent paid conducted in mid-April found rent paid was down 16% through April 13. The May rent paid survey updated April rent paid data through April 30th, showing rent declined just 1.56% between March 2020 and April 2020 as of month-end.

- Rent collections for May 2020 are expected to increase through month-end and are on pace to end similar to April's month-end numbers.
 - The modest change in the percentage of rent paid is consistent with findings in a May 2020 report by the Metropolitan Council finding that emergency income support to households through the CARES Act has temporarily lowered rent burdens in the Twin Cities area from 47.7% pre-COVID to 45% in May.
3. Though most housing providers report limited cost and revenue impacts from the COVID-19 pandemic on the financial performance of their properties through mid-May 2020, there are indications of growing financial stress among residents and properties.
- Increased rent delinquencies were reported for 89% of portfolios.
 - Increased reliance on tenant payment plans was reported for 77% of portfolios.
 - Increased operating expenses were reported for 48% of portfolios.
 - The dramatic rise in unemployment puts many households at high risk of displacement without continued income supports through federal and state programs.
 - Minnesota's unemployment rate reached nearly 20% as of May 2020. The expiration of expanded unemployment benefits at the end of July combined with a lifting of the current eviction moratorium would likely result in displacement of current renter households later in the year.
 - The public is concerned about these and related stressors as indicated in a recent national opinion poll: <https://www.opportunityhome.org/wp-content/uploads/2020/05/FINAL-COVID19-Poll-Fact-Sheet-002.pdf>.
4. The modest changes in rent paid since March 2020 would result in a loss of rental income estimated at \$95 million in Minnesota projected through December 2020. This projection is based on average rents of \$829 for affordable units and \$1,314 for market rate units with rent collections at a rate 1.56% less than in the pre-pandemic baseline month of March 2020.
- Unpaid rents eventually may lead to displacement of renter households, either through evictions once the moratorium is lifted or voluntary move outs. Such displacement would likely cause an increase in homelessness and other forms of housing instability.
 - The loss of rental revenue due to unpaid rent and the potential for higher vacancies poses risks to the financial stability of affordable housing projects and providers, many of whom operate with low margins in order to keep rents as affordable as possible.

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