



# COVID-19 Tenant & Rental Property Impacts

*Monthly Survey of Rent Paid as of June 15th*

**July 24, 2020**

## Overview of COVID-19 Impacts on Housing Stability

With more than 300,000 Minnesotans unemployed as of May, the COVID-19 pandemic has left thousands of households at risk of losing their housing. If not for expanded government support through the CARES Act and emergency orders barring landlords and lenders from eviction and foreclosure actions, the situation would be dire, with meteoric spikes in homelessness and housing instability resulting from the pandemic's toll on the economy. Even with the protective measures that have helped the majority of those who lost income due to COVID, some households have fallen through the cracks and their stories make clear how devastating it would be if these measures are allowed to expire.

The Minneapolis nonprofit HousingLink surveyed 926 renters in June to ask what they anticipate after the federal government benefit ends in July. If additional assistance is not provided, 26% of respondents said they will not be able to continue paying rent and that staying current on rent has fallen from 91% to 72% due to loss of wages since the pandemic. Only 20% of those with lost wages expected to resume working at full capacity by July 31st. These include households living in NOAH housing where they may be at even greater risk of a post-moratorium eviction by landlords with smaller portfolios and fewer resources to weather extended periods of unpaid rent.

As reported in the Minnesota [press](#), unsheltered homelessness in Minnesota is on the rise as evidenced by growing demand for shelter space and increases in homeless encampments. St Louis County has experienced an 18% rise in homelessness in the past year. Homelessness could increase nationally by between 40 to 45 percent in 2020 compared to 2019, [according](#) to a recent Columbia University study.<sup>1</sup>

On July 14, 2020, Governor Walz issued a new executive order which leaves in place some of the limitations on evictions but permitting them in additional circumstances. Governor Walz also announced approval of \$100 million in state-funded rental assistance using CARES Act resources which will mitigate evictions and loss of rent receipts by property owners, from August through December when all CARES funds must be expended.

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<sup>1</sup> Dr. Brendan O'Flaherty, a professor of economics at Columbia University estimate [\(see link\)](#) that for every 1% increase in the unemployment rate, homelessness per 10,000 people increased by 0.65, and Based on this model, the analysis estimated a 40-45% increase in homelessness by the end of 2020. The model was developed by Dr. Kevin Corinth in "[The impact of permanent supportive housing on homeless populations](#)," published in the *Journal of Housing Economics* in 2017

National research and local reports on COVID impacts offers some telling statistics:

- The US Census reports that during the two weeks from June 11 to June 23, 18.2% of renters and 12.4% of homeowners with a mortgage didn't pay their rent or mortgage or deferred those payments.
- Only 40% of the renters who were unable to pay their rent had a regular source income, compared to 65.6% of renters who paid their rent
- 29.6% of renters who did not pay their rent or deferred it in mid-June, used stimulus money to pay their bills and 20.2% relied on unemployment insurance benefits.<sup>2</sup>
- 1 in 5 of the 110 million Americans who live in renter households are at risk of eviction by the end of September 2020. Over 277,000 Minnesotans are at risk (19% of renter households).<sup>3</sup>

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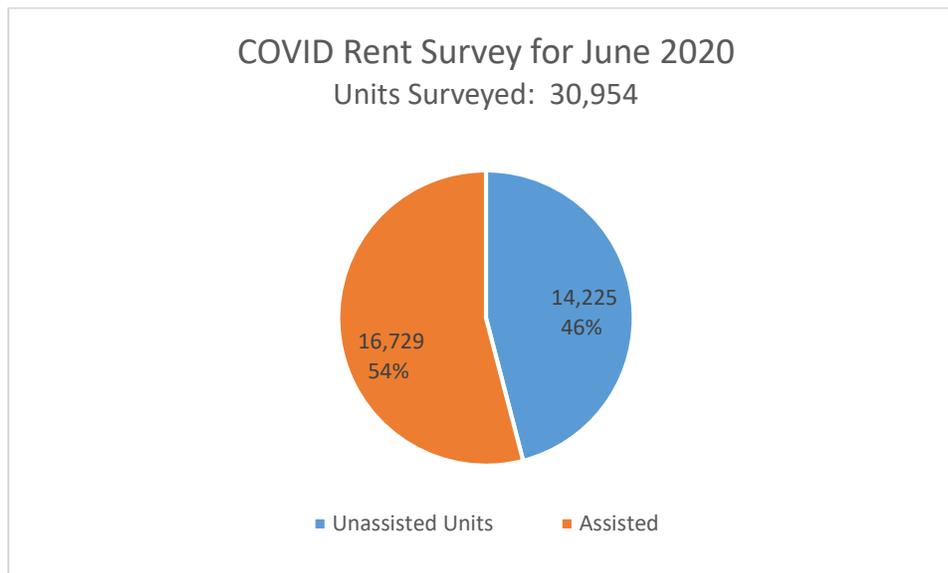
<sup>2</sup> Weller, Christian. "The Coming Housing Crisis is Already Here", Forbes, July 10, 2020.

<sup>3</sup> Lucas McKay, Katherine; Neumann, Zach; and Gimán, Sam. "20 Million Renters Are at Risk of Eviction; Policymakers Must Act Now to Mitigate Widespread Hardship", Aspen Institute, June 19, 2020.

## Rent Survey Results for June 2020

To gauge the effect of the pandemic's economic impact on affordable housing residents and providers, Greater Minnesota Housing Fund (GMHF) has been conducting a monthly survey since April 2020 of Minnesota's affordable rental housing owners to assess the degree to which tenants are having difficulty paying rent and to determine impacts on property operating income and expenses. This data informs key stakeholders and policymakers in their efforts to design and fund targeted housing stabilization and homeless prevention strategies in response to the urgent housing support needs arising from the economic impacts of this pandemic.

The rental market survey for June 2020 gathered data for 30,954 units in the market statewide. This sample is equal to 5% of the total rental housing market of 610,000 units. Rental property owner operators and their property managers provided the data for this survey. Of the units reported in the survey, about 54% were rent-assisted while 46% had no rental assistance.

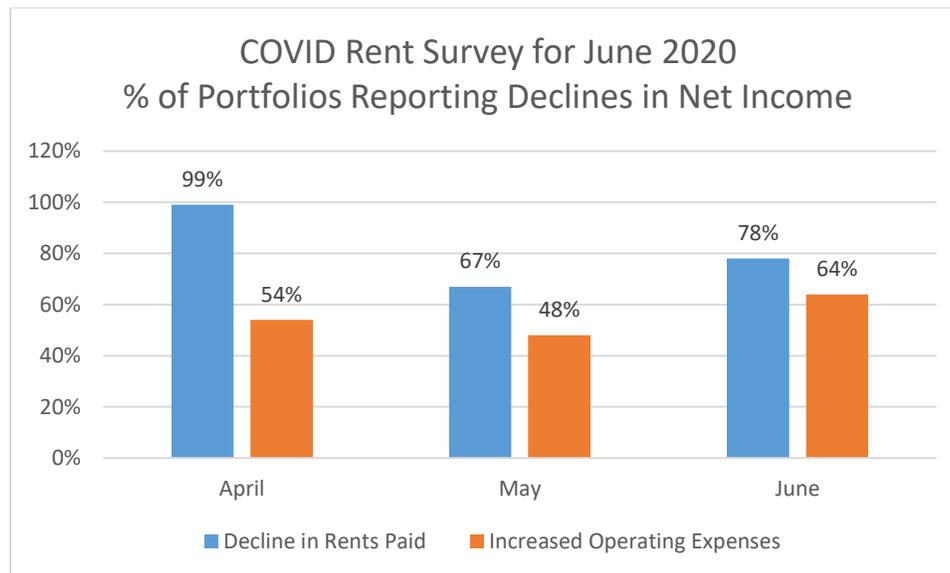


The monthly survey has gathered data on the percentage of rent paid each month starting as of March month-end through mid-June 2020. March 2020 is considered the baseline comparison month since the COVID-19 pandemic economic impacts had not taken effect at that point. The data is gathered once at the middle of each month to capture the rent paid as of the 15<sup>th</sup> of the current month and as of month-end for the prior month.

### Key Findings

- 1. A solid majority of portfolios report a decline in net income between March and June due to drops in rent paid (78% of those surveyed) combined with an increase in operating expense (64% of those surveyed).**

Emergency income support via the federal CARES Act has helped the majority of unemployed COVID-impacted households maintain stable housing so far; however, even with this federal income support, a solid majority of rental housing portfolios experienced declines in net income since March 2020 due to the combination of slightly lower rents paid and increased operating expenses. The chart below shows the dual impacts reported in each month.

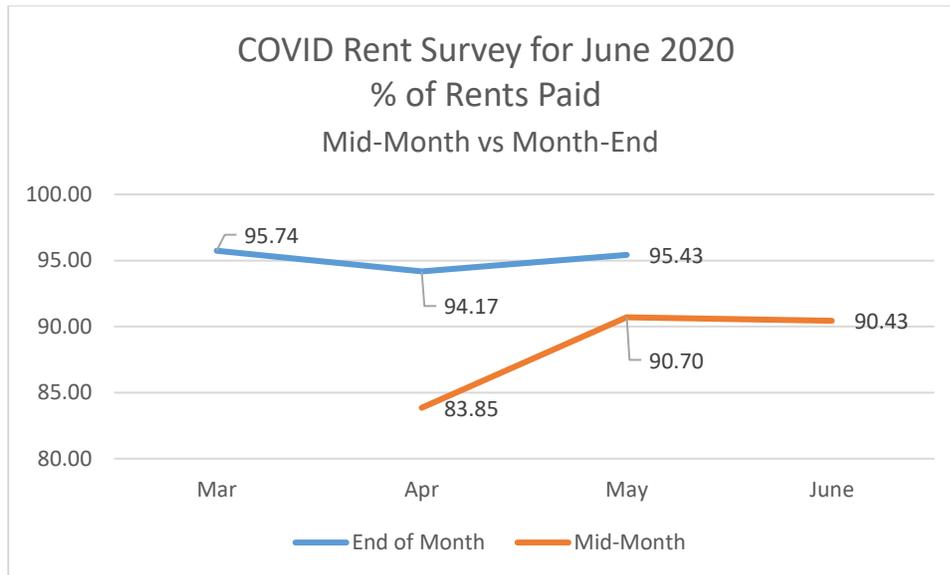


**2. Rent paid percentages as of May month-end shows little change from March 2020.**

The line graph below shows rent paid as of month-end from March through May 2020 (blue line) and rent paid as of mid-month (April through June 2020). While rent paid by month-end has been stable, rent paid as of mid-month (orange line) shows that April was a low point with only 83.4% of rent paid as illustrated by the orange line. The mid-month rent receipts rebounded in May and June to about 5% below the month-end rent collections.

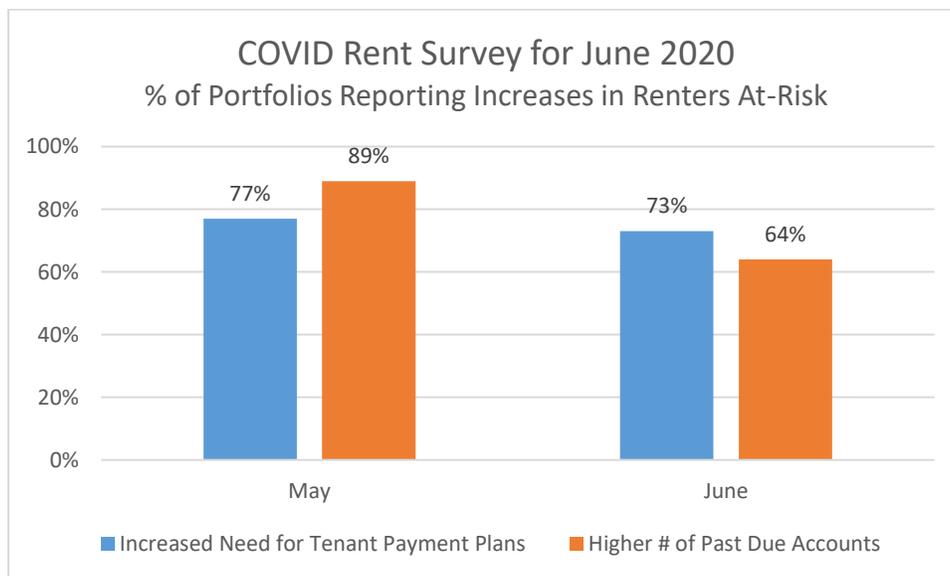
The lagging rent paid as of mid-April likely reflects the impact of the sudden economic shut down and job losses in the latter part of March. The sudden loss of income meant that 16% of renters were unable to pay their rent when it was due the on the 1st of April. The blue line for April indicates that most renters caught up by month-end as expanded unemployment and stimulus checks started flowing, helping to replace lost wages. This shows how critical the CARES Act has been in maintaining housing stability to this point.

The decline in net rental income during June is still modest, however, the sunset of federal CARES Act unemployment benefits at the end of July 2020 is expected to cause a precipitous drop in ability to pay rent unless replaced with other income supports such as a new federal stimulus bill. The approval earlier this month by Governor Walz of \$100M of housing subsidies administered by Minnesota Housing as the COVID-19 Housing Assistance Program (CHAP) provides a much-needed source of emergency assistance to prevent housing instability.



**3. Renter households at-risk of imminent housing instability remains elevated from pre-pandemic levels.**

The chart below shows a majority of portfolios reporting higher instances of tenants requesting payment plans and higher numbers of past due renter accounts. It is worth noting that the number of households at-risk given the current levels of unpaid rent suggest an estimated 20,000 to 28,000 households. If we were to see a drop similar to early April, when 16% of renter households there would be an estimated 78,400 households at risk.



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