The Financial Times
UVPM: 13,313,656
August 10, 2020

Landlords see cracks in August rent as stimulus talks stall

Growing proportion of payments by credit cards points to signs of strain

Apartment rent payments have largely held up in August although several property executives warned that weaknesses were emerging and that a failure to extend federal aid programmes could prove calamitous.

As of August 6, 79.3 per cent of US households made a full or partial rent payment, according to a survey conducted by the National Multifamily Housing Association, a residential developer trade group. That was down 1.9 percentage points from the same period a year earlier.

Many property executives and policymakers had looked with trepidation to August because the $600 in additional weekly unemployment benefits granted under the first coronavirus relief package, known as the Cares Act, expired at the end of July. A federal moratorium on evictions has also expired — as have similar measures at the city and state level.

Even though the headline numbers were generally solid, property executives noted that the proportion of renters who used credit cards to make their payments was increasing, one sign of growing financial strain. They also argued that the federal aid had kept many families afloat as jobless claims have surged due to the pandemic, and should be extended.

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>
> Jeff Adler, vice-president at Yardi Matrix, a real estate research company

"It has worked and it needs to continue working or we will have a problem and people will be out of their homes," said Elizabeth Francisco, president of ResMan, a property management software company.

Talks in Washington between Democrats and Republicans on another round of economic stimulus broke down on Friday, with the two sides trillions of dollars apart. President Donald Trump has sought to provide $400 a week in enhanced employment payments through an executive order. But legislators in both parties have questioned whether he has the constitutional authority to do so.

On Monday, Steven Mnuchin, the Treasury secretary, struck a conciliatory tone, telling CNBC: "We're prepared to put more money on the table." Mr Mnuchin did not say if or when talks with Democrats would resume.

One wrinkle of the rent data is that luxury properties have been worse affected than others thus far, according to the NMHC. That is presumably because the $600 weekly benefit has not been sufficient to cover higher rents.

Meanwhile, suburbs have fared better than cities. Occupancy rates and lease renewals have been falling in downtown segments of big cities, such as New York and Los Angeles. Even in cases where they have managed to hold those figures steady, landlords have been forced to grant other concessions to tenants to do so.

"There is absolutely stress going on in the rental marketplace," said Jeff Adler, vice-president at Yardi Matrix, a real estate research group that contributed to the NMHC study. "It is being expressed at the moment at the upper end of the housing stock but that really is, in my view, a portent of what could happen if there isn't some income support."

The NMHC data include 11.5m professionally-managed apartment units. They exclude smaller properties, which may be suffering greater distress.

RealPage, another data tracker that is widely followed in the industry, reported sharp declines in rental payments in particular regions. One is Las Vegas, where the gaming and hotel industry has been devastated by the pandemic.

Through to August 6, rental payments in Las Vegas and surrounding areas of Nevada dropped to 76.8 per cent, compared with 84.5 per cent during the same period last year.

Payments in Los Angeles and its environs fell 7.5 per percentage points, to 82.9 per cent, during the same period. The area with the worst payment performance was New York and surrounding counties, with only 64.5 per cent of households paying rent through to August 6, according to RealPage.