

Covid Impact on the Multi-Family Market – Is It Time for Professional Property Management?



Reynolds Realty Advisors

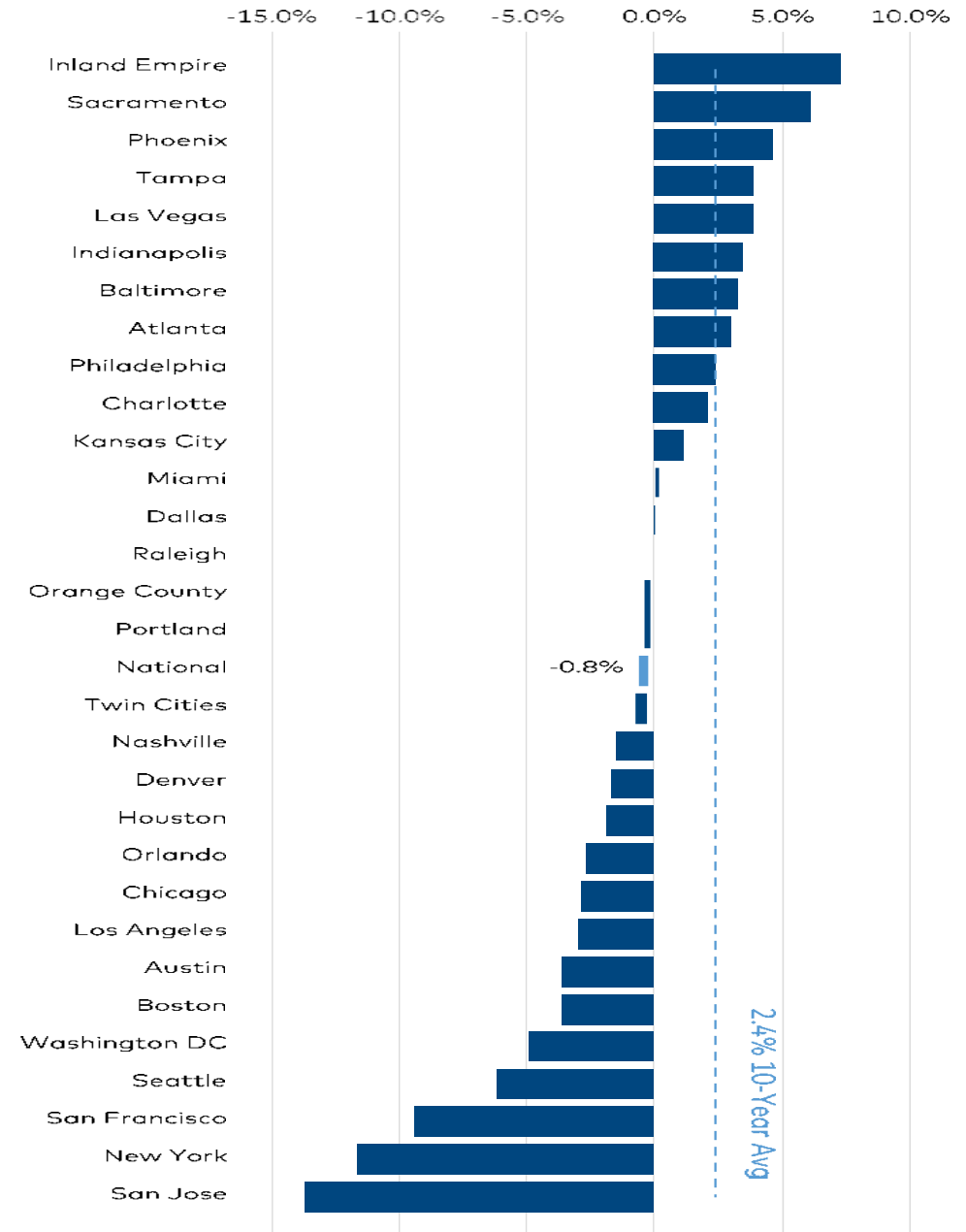
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Market Widens as we End 2020

- Multifamily rents declined by 0.8% in December on a year-over-year basis, a 30-basis-point decline from November
- Overall rents declined by \$4 to \$1,462, the largest one-month decline since the beginning of the pandemic, when overall rents dropped by \$5 in April.
- Extreme difference between gateway markets and lower-cost metropolitan areas continues.
 - Inland Empire - (7.3% year-over-year rent growth)
 - Sacramento (6.1%) both sit atop the list, where they have been for the last four months.
 - San Jose (-13.7%) and New York (-11.7%) fall at the bottom of the list.
- San Jose has been at the bottom of the list for seven consecutive months, with the metro's overall rents falling by 14.1% since March



Employment and Supply Trends: Forecast Rent Growth

- The surge in coronavirus cases ended the seven-month streak of job growth.
- The economy lost 140,000 jobs in December, while the unemployment rate held steady at 6.7%.
- Jobless claims remain elevated, with 787k total claims for the week ending Jan. 2, 2021.
- The pandemic relief bill that was recently passed will provide some much-needed assistance, and more relief is on the way with SB91
- Driving factor for moving out of these markets has been job losses in the tourist-centric industries like restaurants, nightlife and entertainment.
- As coastal markets are some of the most expensive to live and with job losses disproportionately impacting service workers, it became impossible for many to pay rent, so the only choice was to move.

Top 10 Emerging Multi-Family Markets

The markets on this list have consistently outperformed national averages in rent growth, employment and construction activity.

Rank	Market	Price per Unit	Units Completed	Units Under Construction	Unemployment Rate	Score
1	Huntsville	\$118,127	274	3,351	5.1%	22
2	Pensacola	\$175,971	1,249	2,994	4.5%	27
3	Colorado Springs	\$185,019	760	2,911	5.9%	29
4	Omaha	\$99,998	964	3,855	3.9%	34
5	Reno	\$216,575	1,330	4,472	6.7%	35
6	Savannah-Hilton Head	\$125,184	1,205	2,654	6.7%	41
7	Des Moines	\$69,126	–	2,725	4.8%	46
8	New Orleans	\$85,599	1,179	1,410	9.4%	50
9	Birmingham	\$78,612	387	2,598	6.3%	51
10	Knoxville	\$145,818	172	1,522	4.8%	56



Covid-19 Tenant Relief Act SB91: Impact on Tenants and Landlords

- SB91 Extends AB 3088 through June 30, 2021
- Covered Time Period – March 1, 2020 through June 30, 2021
 - Protected Period – March 1, 2020 through August 31, 2020
 - Transition Time Period – September 1, 2020 through June 30, 2021.
 - Tenant must sign the declaration and pay 25% of rent due to receive protection
- Provides \$2.6 Billion dollars in Rental Assistance Funding
- Limits Our ability to;
 - Evict for Non-Payment
 - Terminate Tenancies for No Fault Just Cause
 - Collect Covid-19 Rental debt
- Increases Punitive Damages for certain Acts

Opportunities for Landlords and Tenants under SB91

- SB 91 provided \$2.6 Billion dollars in much needed rental assistance and funds to tenants and housing providers, administered by the Department of Housing and Community Development (HCD)
- 10% Shall be used to administer the program, the balance shall be distributed to the local counties/cities to issue as grants to landlords and tenants by way of direct application, to start on or before March 15,2021
- Provides a “Safe Harbor” protecting landlords who choose to close amenities such as pools, spas, gyms, laundry facilities in response to government or agencies order or guidelines

Property Management given SB91: Serving You Best During the Near/Long Term

- New guidelines must be served by Feb 28, 2021, to all tenants with delinquencies, greater than 1 month, during covered time period 3/1/20 – 6/30/21
- New 15-day notices for rent default (2) for covered period and (2) for transition period, addressing both the rental income and other income due.
- Prohibits using security deposit to cover Covid-19 rental debt or applying rent payment to previous period without written consent of tenant.
- Prohibits using unpaid Covid-19 rental debt as a negative factor when screening.
- Extends penalties for interrupting or disconnecting utilities to terminate tenancy, if the tenant provides the Declaration. Tenants can recover actual and punitive damages.
- Restricts the sale or assignment of Covid-19 Rental Debt.



Property Management During Covid: Evictions Do's and Don'ts given SB91

All other Evictions:

- Tenants' failure to cure a material breach can be served a 3-day covenant
- On the 4th day you can serve the notice to terminate the tenancy.
- Tenants who are engaged in illegal conduct, committing waste or is a nuisance, you may have grounds for service of a 3-day notice to surrender possession based upon conduct
- Residential properties remain under AB1482 Just Cause Eviction terms from now through 7/1/2021

Financial Based Evictions:

- CDC issued an Order on 1/29/2021 extending the nationwide eviction moratorium to 3/31/2021.
- More judges are invoking the order and staying lockouts to occur on or after 4/1/2021.
- The rules and interpretation vary not only by county, but also by judge.

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