



# COVID-19 Tenant & Rental Property Impacts

*Monthly Survey of Rent Paid through July 31st*

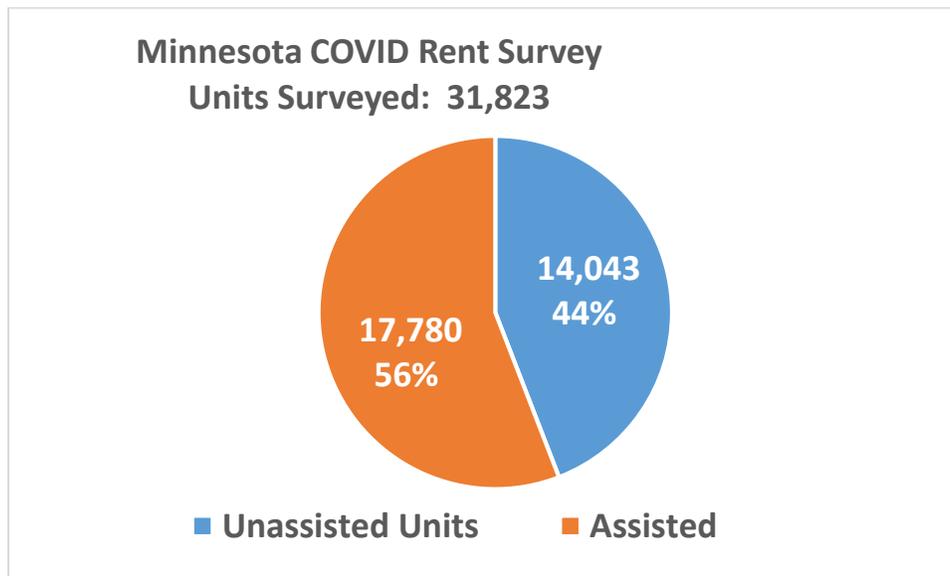
**August 31, 2020**

## Survey Overview

Greater Minnesota Housing Fund (GMHF) has been conducting a monthly survey of Minnesota’s rental housing owners to assess the impact of COVID-19 on rental housing residents and properties. The survey provides data indicating the degree to which tenants are having difficulty paying rent and measures financial impacts on rental properties. The purpose of the survey is to help inform key stakeholders and policymakers in their efforts to design and implement targeted strategies in response to the urgent needs arising from the economic impacts of the pandemic.

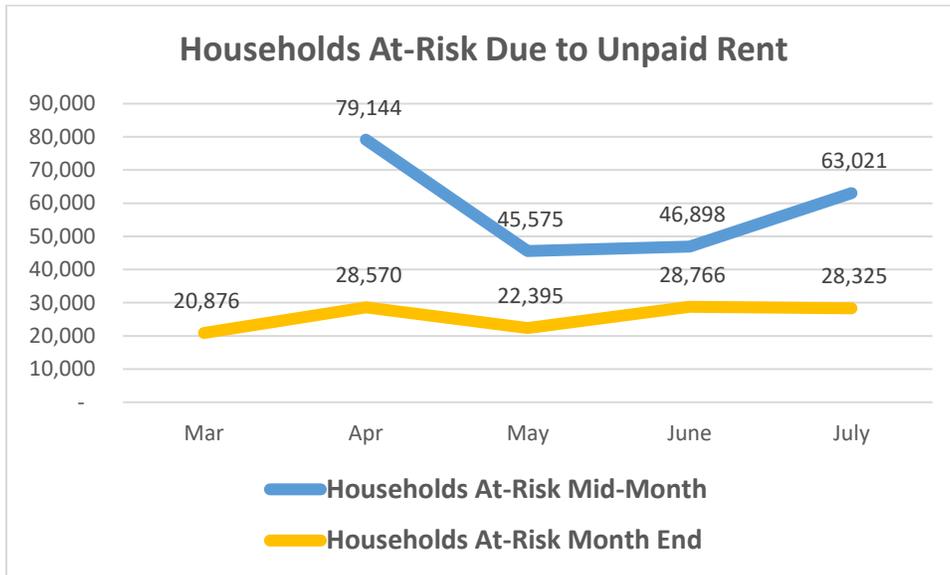
The survey includes data for 31,823 units. This sample is equal to 5% of the statewide rental housing market of roughly 610,000 units. Rental property owner operators and their property managers provided the data for this survey.

Of the units reported in the survey, about 56% were rent-assisted while 44% had no rental assistance.

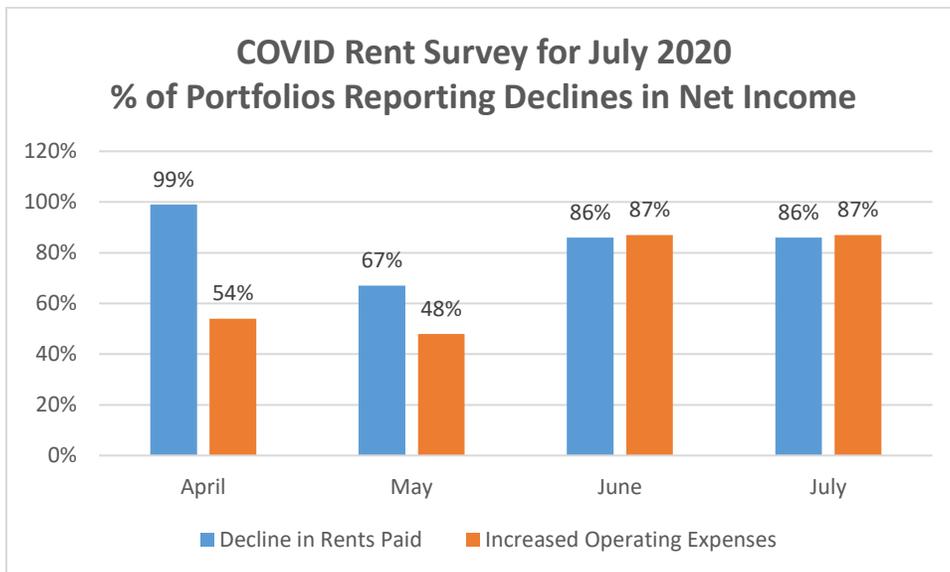


1. The number of households struggling to pay rent remains elevated at an estimated 28,325 households as of the end of July with an increasing number of households delaying payment of rent until after mid-month.

The survey captured data on the percentage of rent paid as of mid-month and month-end for each month starting as of the end of March. As shown on the line graph below, the estimated number of households with unpaid rent has grown by roughly 7,500 households between March month-end and July month-end, from 20,876 in March to 28,325 in July as indicated by the yellow line below. These estimates are derived by applying the percentage of unpaid rent to the number of units in the market.

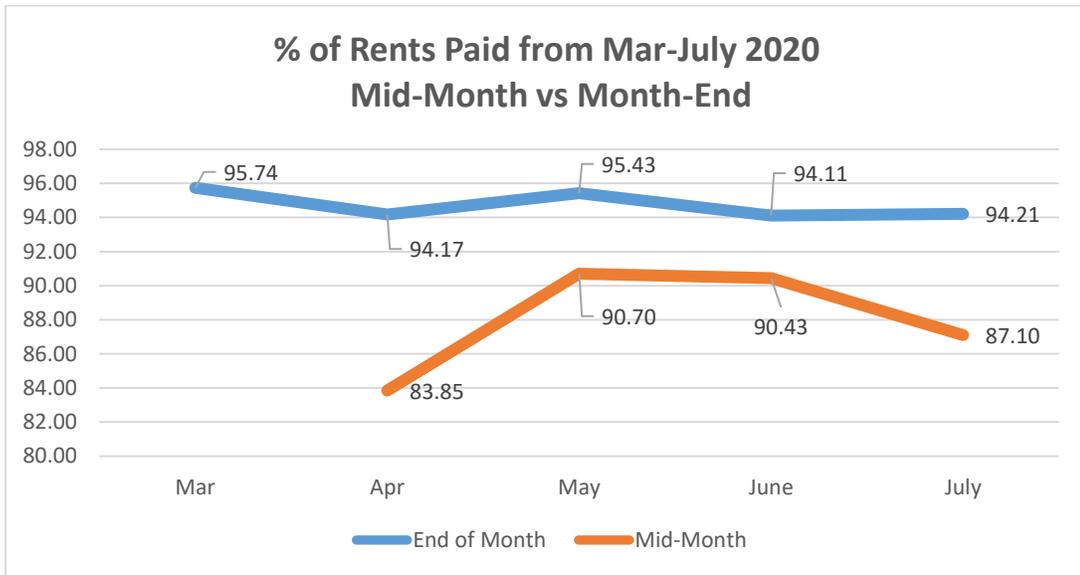


2. A solid majority of portfolios report a decline in net income due to modest drops in rent paid combined with an increase in operating expenses.



**3. Rent paid as of the end of July is down 1.5% from March 2020**

The monthly survey captured data for the percentage of rent paid as of mid-month and month-end for each month starting as of the end of March as illustrated on the line graph below. March 2020 is considered the baseline since the COVID-19 pandemic economic impacts had not taken effect at that point. The percent of rent paid as of mid-month allows us to track changes in the number of renters making late payments, likely due to changes in income or other household changes.



**4. The cumulative increase in unpaid rent due to the pandemic statewide is estimated at over \$33 million through the end of July.**

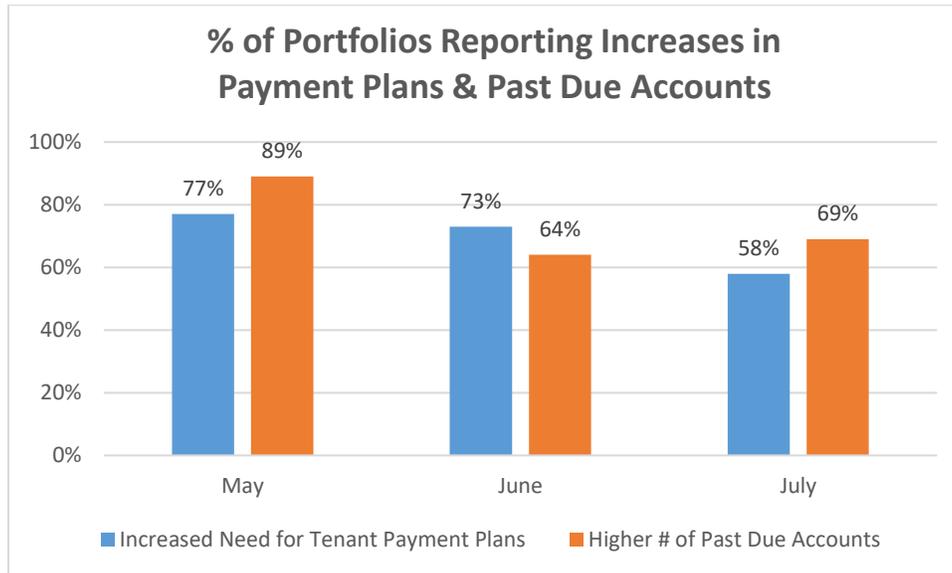
Based on the percentages of rent paid reported in this survey as illustrated above, the cumulative amount of additional unpaid rent due to the pandemic is estimated at over \$33 million through the end of July. This assumes an average rent of \$829 for 37,995 affordable units and \$1,314 for 490,054 market rate units. In the absence of expanded the unemployment benefits through the CARES Act, which expired in July, it is likely the percentages of rent paid will decline further in the remaining months of the year. If the percentage of rent paid declined by another 1.5% in September through December, it would result in estimated rent losses totaling \$125 million due to the pandemic in 2020.<sup>1</sup> The scale of these impacts affirms the critical need for the Coronavirus Housing Assistance Program to help alleviate financial stress for renter households and to ensure operating stability of housing developments throughout the rental market during this crisis.

**5. Renter households requesting payment plans and the number of past due rent accounts 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. These factors are leading indicators of housing instability as they reflect growing stress on

<sup>1</sup> These rent loss estimates exclude the 120,153 units with project-based or tenant-based subsidies.

household budgets. The Coronavirus Housing Assistance Program will provide relief to some of these households through the end of the year. However, unless additional income supports are provided throughout the economic recovery period, the currently heightened risk of housing instability will continue.



### COVID Impacts & Responses

The economic impact of the COVID-19 pandemic has brought increased risks of housing instability at a time when Minnesota was already struggling to respond to alarming increases in the number of unsheltered homeless persons. COVID-19 has exacerbated efforts to meet the needs of a growing homeless population as existing shelter capacity is diminished by implementation of physical distancing while thousands of new households are at risk of housing instability due to loss of employment, childcare and related impacts of the pandemic.

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 40% to 45% in 2020 compared to 2019, according to a recent Columbia University study.<sup>2</sup>

The loss of wages since the pandemic has generated considerable angst about future housing stability for many impacted households. National and local research on COVID impacts on renters offers some telling statistics:

<sup>2</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

- According to a survey of renter households conducted by the Minneapolis non-profit HousingLink, 26% of respondents said they will not be able to continue paying rent without continuation of the expanded unemployment benefits under the CARES Act and 72% had already fallen behind on rent due to loss of wages since the pandemic. Only 20% of those with lost wages expected to resume working at full capacity in the near term.
- 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>
- 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>4</sup>

The CARES Act has provided critical income support to mitigate the economic toll of the coronavirus but these benefits are already phasing out. The \$600 per week expanded unemployment benefit --a lifeline for many lower income households-- ended as of July 31<sup>st</sup> and a new aid package is currently stalled in Congress. Although the job market started to improve in May, Minnesota has only recovered about 40% of the jobs it lost in March and April<sup>5</sup> and the rate of recovery has slowed in July and over 236,000 Minnesotans remain unemployed<sup>6</sup>. People of color have lost their jobs at greater rates during the pandemic further increasing racial inequity. In July, the Black unemployment rate in Minnesota was 15.3%, for Latinos it was 8.6%, and it was 6.3% for white Minnesotans according to the state's Department of Employment and Economic Development (DEED).

On July 14, 2020, the Governor authorized \$100 million from the CARES Act for assistance to households at risk of housing instability as a result of COVID-19. These funds have been allocated to Minnesota Housing which has launched its Coronavirus Housing Assistance Program (CHAP) to provide rent and mortgage assistance for eligible households. Households may initiate the application process by calling 211 (Toll Free: 1.800.543.7709; Local: 651.291.0211), visiting [211unitedway.org](http://211unitedway.org), or texting "MNRENT" or "MNHOME" to 898-211. The 211 helpline has dedicated multilingual staff available to answer questions about the COVID-19 Housing Assistance Program, 8:00 a.m. – 8:00 p.m. Monday through Friday.

Prepared by: Greater Minnesota Housing Fund

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<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.

<sup>4</sup> Weller, Christian. "The Coming Housing Crisis is Already Here", Forbes, July 10, 2020.

<sup>5</sup> Kumar, Kavita. "Minnesota's Job Growth Slows in July as Unemployment Rate Falls to 7.7%", Star Tribune; August 20, 2020.

<sup>6</sup> Bureau of Labor Statistics, Current Population Survey.