May Rent Delinquency Survey

Report Prepared for:
Roger Valdez
Seattle For Growth

Prepared by:
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August 26, 2020

COMMERCIAL ANALYTICS

Mr. Roger Valdez
Seattle for Growth
PO Box 2912
Seattle, WA 98111

August 26, 2020

Dear Mr. Valdez,

As per your request, we have evaluated the impact of COVID-19 crisis on the Puget Sound apartment market as of May 2020. The data in this report is original research and is combination of rent roll data and survey data.

The following report summarizes the volume of delinquent rents, the estimated magnitude of lost revenue, and the reasons for non-payment due to the onset of the COVID-19 crisis. These results are presented by submarket, unit type, and age class of the property.

According to our model, shown on page five, we estimate the Seattle, Eastside, Southend, Snohomish, Pierce, and Kitsap submarkets likely experienced more than $22,600,000 in decreased revenue as a result of the COVID-19 crisis and subsequent unemployment in the month of May alone.

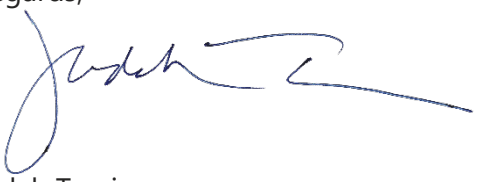
The Seattle submarket was most affected, representing more than $14,500,000 in lost revenue, and we estimate the impact on the Eastside and Southend submarkets at nearly $4,000,000 and $3,473,232, respectively.

While the Southend submarket was affected by a larger percent of delinquent units, average rent in the submarket—$1,590 per unit—is significantly less than the Seattle and Eastside submarkets, at $2,162 and $2,228, respectively.

The Southend submarket demonstrated the most even distribution of delinquency by unit type, while delinquency by age class was centered in inventory built between 1975 to 1986. The Seattle submarket, however, showed one-bedrooms built between 1900 to 1974 were more frequently delinquent.

We have enjoyed working on the study for you, and hope that we can assist you in the future.

Regards,



Judah Travis
Executive Director—Research & Analytics
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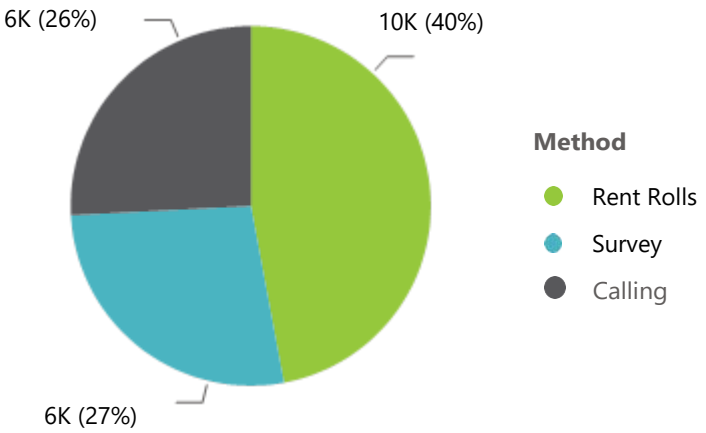
May Rent Non-Payment Study Results —Data Collection Methods

Our research methods comprised of collecting property rent rolls directly from apartment management companies, interviewing on-site leasing or resident managers via telephone, and collecting survey responses in an online form initiated via email.

Units Surveyed by Geography

County	Calling	Rent Rolls	Survey	Total
King County	**3,837**	**4,042**	**3,507**	**11,386**
Eastside	1,326		1,738	3,064
Seattle	1,362	1,193	1,233	3,788
Southend	1,149	2,849	536	4,534
Kitsap County	**198**	**410**	**65**	**673**
Kitsap	198	410	65	673
Pierce County	**1,331**	**5,576**	**1,542**	**8,449**
Pierce	1,331	5,576	1,542	8,449
Snohomish County	**397**	**471**	**940**	**1,808**
Snohomish	397	471	940	1,808
Total	5,763	10,499	6,054	22,316

Units Surveyed by Survey Method



We received the majority of the study data from management companies in the form of rent rolls—almost half, at 47% or 10,449 units.

Email surveys and calling properties garnered roughly the same amount of data, at 27% (6,064 units) and 26% (5,763 units), respectively.

May Rent Non-Payment Study Results —Delinquency Factor

Of the 22,316 units we surveyed in the quad-county area, 876 units had not yet paid full rent as of May 15th, 2020—representing a 3.93% delinquency factor across the quad-county.

To determine non- or partial payment from rent rolls, we analyzed each property's documents for units with unpaid rent, the unit type, and the delinquent rent amount for that month. Then we followed up with property management personnel via email surveys or phone interviews to determine the reason of non- or partial payment.

Delinquent units were not included if we were unable to correlate a unit type, rent amount, and reasons for non-payment.

Non-Payment Units by Submarket

County	Calling	Rent Rolls	Survey	Total
King County	**3,837**	**4,042**	**3,507**	**11,386**
Eastside	1,326		1,738	**3,064**
Seattle	1,362	1,193	1,233	**3,788**
Southend	1,149	2,849	536	**4,534**
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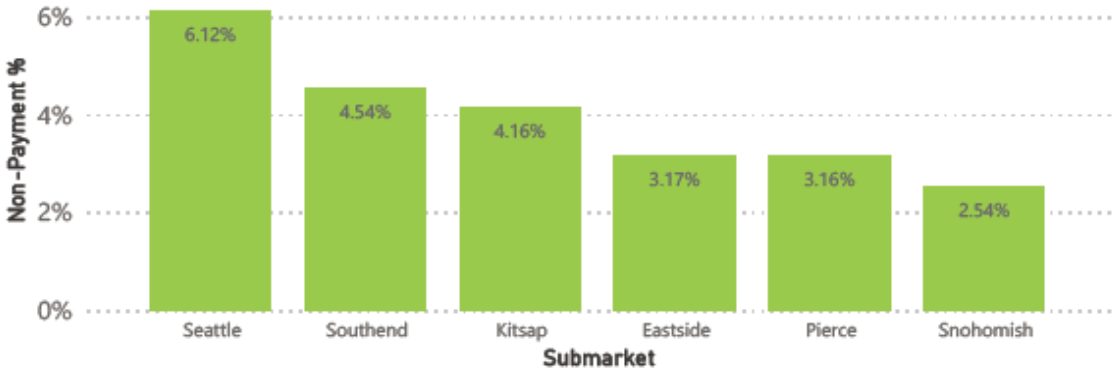
Total	**5,763**	**10,499**	**6,054**	**22,316**

We observed delinquency variation across counties and submarkets: the Seattle submarket showed the most delinquency at 6.1%, followed by the Southend at 4.5%, followed by the Pierce and the Eastside followed, both at 3.2%. The Snohomish submarket showed the least delinquency at 2.5%.

Non-Payment by Submarket



MAY RENT NON-PAYMENT STUDY RESULTS —AVERAGE RENT

To determine the possible impact of rent delinquency, we used two Commercial Analytics datasets: rents, apartment inventory.

In March 2020 Commercial Analytics surveyed 753 buildings, representing 106,868 units, across the quad- county region.

Overall Average Rent by Submarket

Submarket	Buildings	Units	Avg Rent
Eastside	91	18,708	$2,228
Seattle	333	36,726	$2,162
Southend	92	16,962	$1,590
Snohomish	77	13,206	$1,551
Pierce	134	18,997	$1,417
Kitsap	26	2,269	$1,404
Total	**753**	**106,868**	**$1,879**

Using data collected during that survey, we calculated an average rent per unit for each submarket, weighted by the frequency—or appearance—of rents in the sample. Overall rent across the quad- county is $1,879, while the Eastside submarket commands the highest rental rate at $2,228, followed by the Seattle submarket, at $2,162. The remaining submarkets garner rents between the $1,400 to $1,600.

Existing Inventory by Submarket

Submarket	Inventory
Seattle	109,834
Eastside	55,378
Southend	51,816
Pierce	42,159
Snohomish	37,760
Kitsap	9,755
Total	**306,702**

Existing Inventory

We used the Commercial Analytics database of existing market-rate apartment units in King, Snohomish, Kitsap, and Pierce Counties.

The Seattle submarket is, of course, the largest of the submarkets, with 109,834 units. The Eastside and Southend submarkets are roughly equivalent for the number of units, at 55,378 and 51,378 units, respectively.

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MAY RENT NON-PAYMENT STUDY RESULTS – IMPACT OF UNPAID RENT

We multiplied the delinquency factor, previously discussed, to our inventory of multi-family properties to estimate the units possibly delinquent in each submarket.

Possible Delinquent Units by Submarket

Submarket	Non-Payment %	Total Inventory	Possible Impacted Units
Seattle	6.12%	109,834	6,727
Southend	4.54%	51,816	2,354
Kitsap	4.16%	9,755	406
Eastside	3.17%	55,378	1,753
Pierce	3.16%	42,159	1,332
Snohomish	2.54%	37,760	961
Total	**3.93%**	**306,702**	**12,039**

Using this model, we estimate 12,039 unit were possibly delinquent across the quad-county market. The Seattle submarket showed the largest amount of possible delinquency, at 6,727 followed by the Southend, at 2,354 units.

It's noteworthy to point out the differences in observed delinquency between the Eastside and Southend submarkets. Each submarket has similar levels of inventory— Eastside at more than 55,000 and the Southend at 51,000— and the sample size of observed units are roughly similar. However, the Southend submarket showed nearly 1.5% more delinquency than the Eastside submarket.

Comparing Delinquency in the Southend and Eastside Submarkets

Submarket	Inventory	Units	Non-Payment %
Southend	51,816	16,962	4.54%
Eastside	55,378	18,708	3.17%

MAY RENT NON-PAYMENT STUDY RESULTS — FINANCIAL IMPACT

OBSERVED IMPACT OF UNPAID RENT

As of May 15th, 2020, we observed $1,317,391 in unpaid rent. The largest group of delinquency- 236 units—were tenants who experienced a qualified income loss and paid partial rent, representing $393,934 of lost income. The next largest group— 148 units— were tenants who initiated payment plans due to a qualified income loss.

Observed Impact of Unpaid Rent

Eastside	Kitsap	Pierce	Seattle	Snohomish	Southend	**Total**
$213,344	$35,751	$328,792	$379,731	$65,882	$293,891	**$1,317,391**

ESTIMATED IMPACT OF UNPAID RENT

To calculate an estimated financial impact, we multiplied the average rent from our March 2020 rent and vacancy survey to the estimated units affected to determine the financial impact for each submarket and the region.

According to our model, shown below, we estimate the Seattle submarket was most affected, representing more than $14,500,000 in lost revenue, followed distantly by the Eastside submarket, at nearly $4,000,000 in lost revenue.

While the Southend submarket was affected by a larger percent of delinquent units compared to its sample size, average rent for $1,590 average rent is significantly less than the Seattle and Eastside submarkets, at $2,162 and $2,228, respectively, yielding an estimated financial impact of $3,743,232.

The Pierce, Snohomish, and Kitsap submarkets showed the least estimated financial impact, at more than $1,880,000, $1,490,000, and $569,820, respectively.

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Estimated Impact of Unpaid Rent

Submarket	Market Size	Surveyed Units	Non-Payment Units	Non-Payment Factor	Poss Units Affected	March Avg Rent	Financial Impact
Seattle	109,834	3,788	232	6.12%	6,727	$2,162	$14,543,553
Eastside	55,378	3,064	97	3.17%	1,753	$2,228	$3,906,029
Southend	51,816	4,534	206	4.54%	2,354	$1,590	$3,743,232
Pierce	42,159	8,449	267	3.16%	1,332	$1,417	$1,887,844
Snohomish	37,760	1,808	46	2.54%	961	$1,551	$1,490,058
Kitsap	9,755	673	28	4.16%	406	$1,404	$569,820
Total	**306,702**	**22,316**	**876**	**3.93%**	**12,039**	**$1,879**	**$22,620,345**

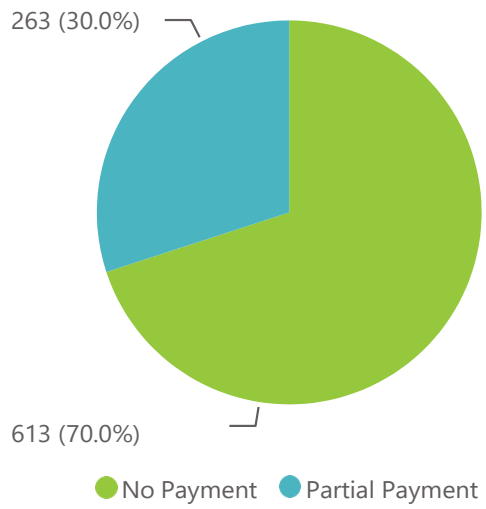
May Rent Non-Payment Study Results — Non-Payment Analysis

Non-Payment VS. Partial Payments

Non- or partial payment data was collected via email surveys or phone interviews. To determine non- or partial payment from rent rolls, we analyzed each property's documents for units with unpaid rent, the unit type, and the delinquent rent amount for that month. Then we followed up with property management personnel via survey or interview to assign determine the reason of non- or partial payment. We included only non-payment data that could be correlated to a leased unit and unit type and rent amount.

Of the more than 22,000 units surveyed, 876 did not pay their full rent amount as of May 15, 2020. From units surveyed, 70% (613 units) did not pay any rent, while 30% (263 units) made partial payment, shown to the right.

Non-Payment vs. Partial Payment



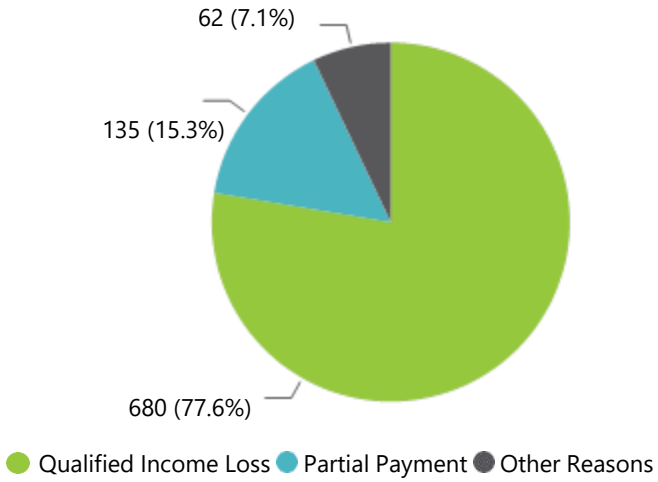
Qualified Income Loss

The most common reason for non-payment was verified income loss due to unemployment because of the COVID-19 crisis, at 77.6% (680 units.)

In order to be considered for a qualified income loss, tenants provided landlords with documentation of layoff, unemployment, etc.

Alternately, 15.3% of tenants did not pay rent and gave no explanation why. The remaining 92 units, or 7.1%, did not pay rent for reasons unrelated to COVID-19; these reasons were consistent with a tenant's typical delinquency patterns, or mental and physical health conditions unrelated to COVID-19.

Qualified Income Loss



May Rent Non-Payment Study Results – Non-Payment Analysis

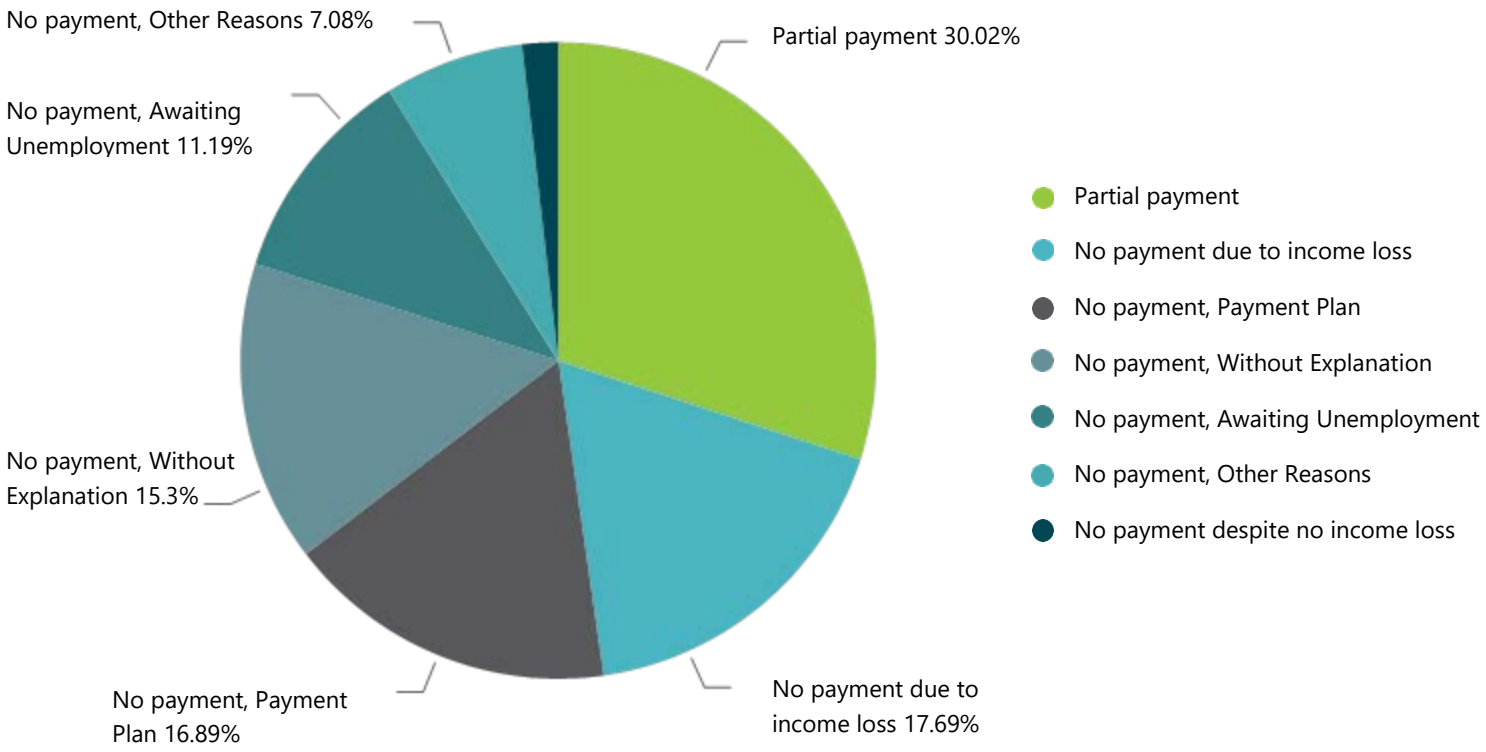
Reasons for Non-Payment

We used emailed surveys or phone interviews to determine the reasons for non-payment. Thirty percent of all units made partial payment as of May 15, 2020.

Nearly 18% of all units made no payment due to a qualified income loss, and an additional 17% did not make a payment due to a qualified income loss but initiated a payment plan.

Notably, 15% of units surveyed made no payment and provided no explanation, and an additional 1.8% made no payment while not experiencing an income loss. Below, is a breakdown of all responses.

Reasons for Non-Payment and Partial Payment by %



May Rent Non-Payment Study Results – Non-Payment Analysis

The below heat map shows delinquency reasons by submarket.

Delinquency Reasons by Submarket

Reason	Eastside	Kitsap	Pierce	Seattle	Snohomish	Southend	Total
Partial Payment due to qualified income loss from COVID-19 crisis, including those on Unemployment	13	6	77	76	6	85	**263**
No payment due to qualified income loss from COVID-19 crisis	12	4	39	50	6	44	**155**
No payment, but on a payment plan, due to qualified income loss from COVID-19 crisis	31	14	36	32	9	26	**148**
No payment without any explanation	13	1	53	34	15	18	**134**
No payment while awaiting unemployment benefits from COVID-19 crisis	1	3	45	23	6	20	**98**
No or partial payment, with other reasons	24		14	14	1	9	**62**
No payment while employed/no loss of income from COVID-19 crisis	3		3	3	3	4	**16**
Total	**97**	**28**	**267**	**232**	**46**	**206**	**876**

May Rent Non-Payment Study Results – Non-Payment Analysis

The below heat map shows delinquency reasons by submarket.

Delinquency Reasons by Unit Type

Reason	1 Bed	2 Bed / 1 Bath	2 Bed / 2 Bath	3+ Bed	Open 1	Studio
Partial Payment due to qualified income loss from COVID-19 crisis, including those on Unemployment	85	75	42	23	7	31
No payment due to qualified income loss from COVID-19 crisis	51	49	20	10	3	22
No payment, but on a payment plan, due to qualified income loss from COVID-19 crisis	65	30	28	7	3	15
No payment without any explanation	34	34	37	7	1	21
No payment while awaiting unemployment benefits from COVID-19 crisis	28	31	10	3	4	22
No or partial payment, with other reasons	30	5	13	1	1	12
No payment while employed/no loss of income from COVID-19 crisis	4	2	4	2	1	3
Total	**297**	**226**	**154**	**53**	**20**	**126**

May Rent Non-Payment Study Results – Non-Payment Analysis

Delinquency by Unit Type and Age Class

The Southend submarket demonstrated the most even distribution of delinquency by unit type, with 65 one-bedrooms, 57 two-bedroom/one-baths, and 35 two-bedroom/two-baths, with remaining unit types appear between 6 and 17 units. Similarly, delinquency was spread across age classes, as well, on the following page.

In the Seattle submarket, studios and one-bedrooms comprised of the bulk of delinquent units, at 90 and 84 units, respectively, while older age classes— 1900-1974— made up 134 of the 230 units observed.

In the Pierce area, 116 2-bedroom/1 bath units were delinquent, while 86 one-bedroom units were. Apartment inventory built between 1975 and 1989 was most affected by delinquency, comprising 163 of the 267 units observed.

Delinquency by Unit Type

Unit Type	Eastside	Kitsap	Pierce	Seattle	Snohomish	Southend	**Total**
1 Bed	42	6	86	84	14	65	**297**
2 Bed / 1 Bath	15	9	116	21	8	57	**226**
2 Bed / 2 Bath	24	9	41	30	15	35	**154**
3+ Bed	1	4	17	1	7	23	**53**
Open 1				6		14	**20**
Studio	15		7	90	2	12	**126**
Total	**97**	**28**	**267**	**232**	**46**	**206**	**876**

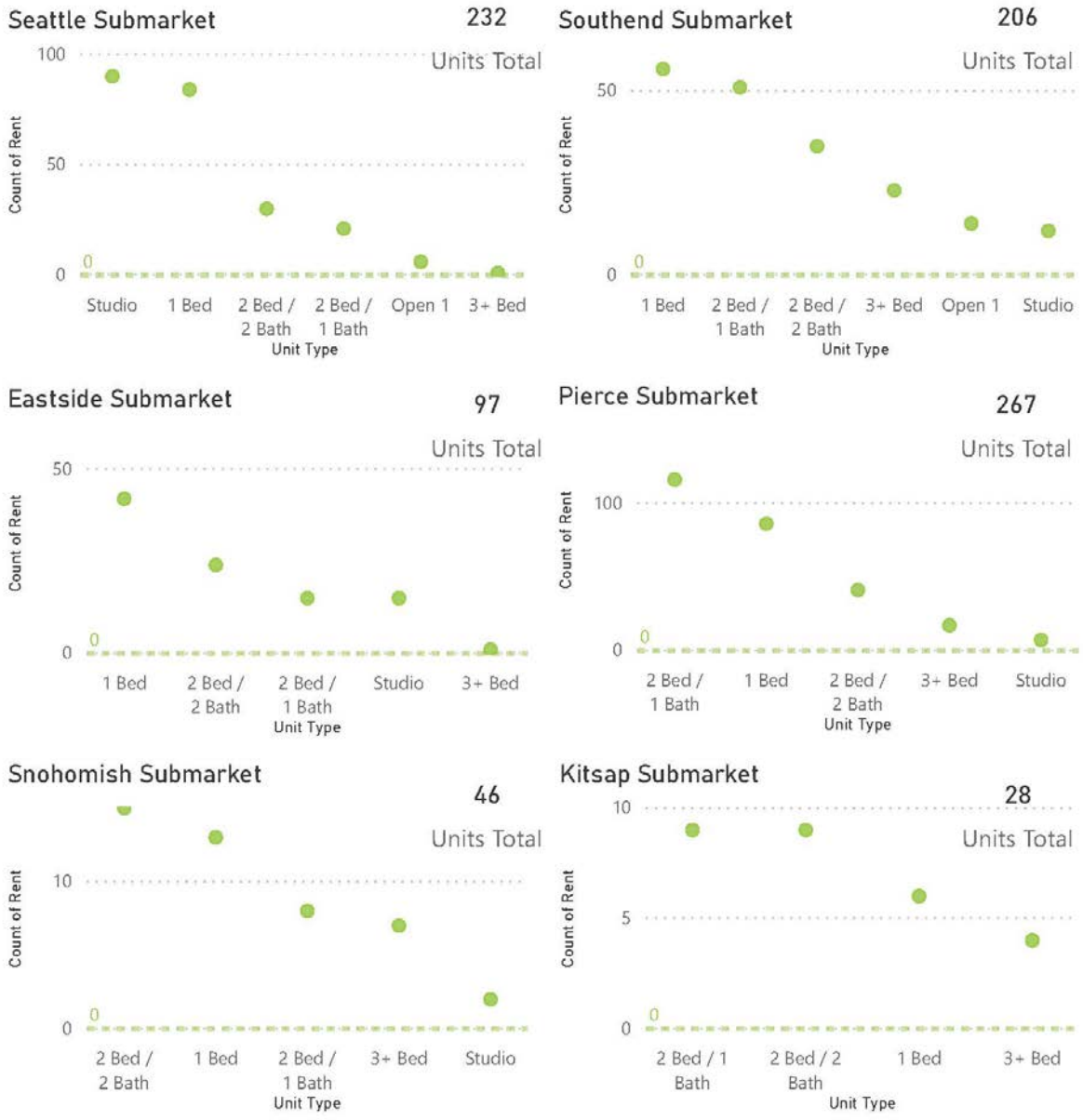
May Rent Non-Payment Study Results – Non-Payment Analysis

Delinquency by Age Class

Age_Class	Eastside	Kitsap	Pierce	Seattle	Snohomish	Southend	**Total**
1900-1944			14	71	1		**86**
1945-1964		4	6	23		12	**45**
1965-1974	29	9	43	40	1	25	**147**
1975-1984	15	8	88	7	16	62	**196**
1985-1989	4	1	75	13	11	10	**114**
1990-1999	2	4	22	11	9	26	**74**
2000-2009			3	15		26	**44**
2010-2019	45	2	16	48	8	45	**164**
2020-2029	2			2			**4**
Total	**97**	**28**	**267**	**230**	**46**	**206**	**874**

May Rent Non-Payment Study Results – Non-Payment Analysis

The below visualizations present which unit types most frequently did not pay, by unit type in each submarket.



May Rent Non-Payment Study Results – Representative Map of Delinquency