

# More Charlotte renters pay on time in May — but future is uncertain for tenants, landlords

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The United States has reached a grim milestone: the national unemployment rate was 14.7% in April, a massive jump from the record-low 3.5% seen just two months earlier.

The Covid-19 pandemic, which has killed more than 270,000 worldwide as of Friday, has shuttered businesses and entire industries across the nation, resulting in a very sudden economic recession. And while those currently out of a job have been buoyed temporarily with stimulus checks and enhanced unemployment benefits, it's only a matter of time before those measures run out.

In Charlotte, 84.4% of apartment tenants paid rent between May 1 and 6, a 2.8% drop from the same time last year, according to rent payment tracker data developed by the National Multifamily Housing Council, Real Page and others.

That's actually a significant increase from survey results a month prior, when about 75% of Charlotteans paid rent on time. Nationally, 80.2% paid rent on time in May, compared to 69% in April.

The data includes rent paid in full as well as partial payments, said Adam Couch, market analyst at RealPage.

"One big influencing factor is unemployment benefits are helping those who have lost their job to continue to meet their rent obligations," Couch said.

And while small business owners have struggled to secure financing from the Paycheck Protection Program, a cornerstone of the Covid-19 federal stimulus program, more than 4 million loans have been approved so far. Wages are expected to cover 75% of a business' PPP loan in order for it to qualify for forgiveness, meaning some workers have been brought back on the payroll, at least for the next eight weeks.

Apartment owners and property managers locally and nationally have negotiated agreements with tenants, such as using a security deposit to cover a month of rent or extending a lease and dividing out what's owed over the remaining term.

Despite short-term federal and state relief and agreements struck between landlords and tenants, it seems inevitable that once enhanced unemployment benefits — set to be reduced starting July 31 — end or when PPP money runs out or there's no job to return to, paying rent will become more difficult in the months ahead.

"... we are in uncharted waters and will be watching this closely over the course of the month as millions of households will not be able to access unemployment benefits, and those who have may find that they are not enough to cover rent plus all the other financial pressures caused by this crisis," said Doug Bibby, president of the NMHC, in a statement. "Those benefits will also likely fall short in high-cost areas."

The NMHC and other trade associations have lobbied Congress for up to \$100 billion in renter assistance to be included in the next pandemic relief package.

Several local officials and those in the apartment industry have expressed fear that too many delays on rent payments may result in an insurmountable bill a few months from now. Even though businesses are slowly reopening, there remains great uncertainty over when — or if — employees can get back to their pre-pandemic schedules and pay.

Courts are closed for the time being, but some fear there will be a wave of evictions filed once they reopen and moratoriums on evictions are lifted.

### **'They struggle even when we're not in a pandemic'**

European Investment Management Corp. owns eight apartment properties across the Southeast, including in east Charlotte.

The company's portfolio generally includes older, non-subsidized units that rent well below top-of-market rents seen in the Class A buildings being delivered in trendy neighborhoods like NoDa and South End today. It's the type of naturally occurring affordable housing that the city and others have deemed essential to addressing the city's affordability crisis.

Antonio Delgado, president at EIMC, said he foresees a tough May and June and a "stabilizing" July for rent payments, although he said the rest of 2020 and 2021 will likely be very difficult.

Even before stay-at-home issues were ordered by Mecklenburg County and the state of North Carolina, EIMC leadership developed rent payment and incentive plans, said Lisa England, regional manager.

"A lot of our residents are normal, everyday, working people — they don't have huge savings accounts," England said. "They struggle even when we're not in a pandemic."

EIMC has told tenants if they pay rent three months in advance, they can receive a \$300 discount on rent. It also created what England called a pandemic settlement application. England operates a hotline for all eight communities EIMC manages and works with individual tenants on their specific situation.

The company requests proof of an individual's current situation, such as whether they have applied for unemployment benefits or been laid off from a job. Terms of the agreement typically requires balances to be settled within 90 days.

But, England said, EIMC is encouraging tenants to pay what they can — even if it's only a partial payment — now rather than putting it off until later.

"That's where we're going to be affected in the future — people getting back on their feet," England said.

## **Not all properties impacted equally**

There's a notable dichotomy between the apartment properties seeing the greatest number of on-time payments, underscoring which industries and jobs have been most impacted by the pandemic.

RealPage's data found that, nationally, Class A and Class B communities — typically the newest properties with amenities and upgrades — saw about 83% to 85% of on-time payments this month while Class C properties were markedly lower, at 73.6%.

"Those renters typically live paycheck to paycheck and don't have a lot of cash reserves," Couch said.

Emily Ethridge, a spokeswoman for Grubb said, to date, the company has collected 92% of May rents. Grubb offered a 2% donation to local crisis charities from all prepaid May rents, and more than 50% of its residents across its portfolio participated in the program.

Residents unable to prepay April rent received a 10% credit toward their May rent. More than 1,500 renters, or about 28%, across Grubb's portfolio participated in that program, Ethridge said.

Also for May, Grubb provided a 20% rent discount for residents who could demonstrate a loss of income of 25% or greater in April. Ethridge said she didn't have numbers on participation for that program as of Friday afternoon.

Steve McClure, chief operating officer at The Spectrum Cos., which owns market-rate apartment properties in Charlotte and elsewhere, said in an email that the company has "surprisingly" seen good rent collections so far in April and May. He said the company has worked with individual tenants who have lost their jobs but the "overwhelming majority" have continued to pay on-time.

"The biggest thing for us in the apartments has been to do everything we can to make sure tenants are safe, and to limit the spread of the virus," McClure said.

Most landlords have closed amenities and increased sanitization of public spaces to keep apartment buildings — many of which are highly dense — clean. Rules around swimming pools are unclear, even when they are allowed to reopen, and EIMC has decided not to open any pools for the foreseeable future because of the liability, England said.

EIMC has tightened its belt on extra expenses, including renovations to units unless necessary and moving some contracted services like painting in-house. EIMC has saved about \$10,000 per month per property as a result, England said.

Several employees have seen their hours reduced and maintenance crews are working across the portfolio rather than on an individual property. All EIMC properties are carrying mortgages that continue to be paid.

There are a handful of tenants — about 3% across EIMC's portfolio, England said — that haven't responded to phone calls or emails and are simply not paying rent.

It's imperative that apartment management companies be mindful of individual tenant's situations and try to develop a plan to keep rent payments going and not build a backlog, she continued.