Dallas-Fort Worth on-time rent payments fall slightly

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Dallas-Fort Worth apartment rent payments made on-time has slipped, and some are concerned that payments will fall more sharply after July 31, when expanded federal unemployment benefits are set to expire.

The share of apartment tenants that paid rent in Dallas-Fort Worth is down 2.5 percent year over year, but remains substantially higher than the national rate.

Overall, 87.6 percent of Dallas renters paid rent on time through July 6, according to the National Multifamily Housing Council's Rent Payment Tracker. That compares to 77.4 percent of apartment households nationwide that made a full or partial rent payment by July 6, according to the survey of 11.4 million units of professionally managed apartments across the country.

The nationwide rate is down 2.3 percent from the share who paid rent through July 6 nationwide and compares to 80.8 percent that had paid by June 6.

The collections pace in Dallas-Fort Worth is slightly sluggish compared to the results seen over the past couple of months – especially in June, when the share of households paying rent during the month in its entirety proved virtually unchanged from the year-earlier rate, said Adam Couch, market analyst with RealPage.

Rent payments have fallen nationwide since the COVID-19 pandemic hit. Heavy job losses caused by closures and loss of business due to the pandemic have caused some renters to be unable to pay, Couch wrote in an email to the Dallas Business Journal.

Expanded federal unemployment assistance benefits have served as a lifeline for renters, making it possible for them to pay their rent, but a July 31 deadline looms when that aid ends.

Changes in payments for apartment residents will largely depend on whether Congress extends additional unemployment benefits, Couch said.

"Some households are prepping for harder financial times to come," Couch said in the email. "There's a block of households who right away won't be able to pay rent, if some sort of support isn't provided. The real challenges will register for renters of the lower-end Class C product. Job loss has been greatest among those in lower-paying industries like hospitality and retail trade, and many of those workers live in Class C properties."

Since the start of the pandemic, the National Multifamily Housing Council has called for an extension of the unemployment assistance benefits, Doug Bibby, NMHC president, said in a statement.

Without the extension, "the U.S. could be headed toward historic dislocations of renters and business failures among apartment firms, exacerbating both unemployment and homelessness," Bibby said.

Rent consumes big shares of Class C renters' incomes, so they generally don't have a financial cushion to fall back on when something goes wrong, Couch said.

Class C properties aren't typically owned by big institutions but are held by small companies and mom-and-pop owners. There tends to be significant leverage on the properties, so cash flow is very important, he said.

Day-to-day operations, including maintaining the properties, could get challenging in some instances, and property mortgage defaults could become an issue in this slice of the apartment inventory, Couch added.

Rent payment slowdowns in areas where COVID-19 cases are spreading especially rapidly don't appear to have been impacted, at least not to date, Couch said. The collections rate is roughly 86 percent across Texas and about 85 percent in both Florida and Arizona. Those figures are above the U.S. norm.

While results are down about 3 percentage points year-over-year in each location, that's roughly in line with the decline recorded for the country as a whole, Couch said.

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