Impacts of COVID-19 on Low- and Moderate-Income Housing Providers

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Residential housing providers generate important social and economic contributions to the United States. First and foremost, they serve over 44 million American households across all economic and demographic groups, including more than 5.3 million households that receive federal government rental assistance for affordable housing. Additionally, the industry invests in new and improved properties which, in turn, have positive impacts on local communities. The industry is made up of small "mom-and-pop" businesses and large companies who employ hundreds of workers and manage thousands of units.

The COVID-19 pandemic has had a devastating impact on renters and housing providers alike. Americans faced and continue facing high unemployment and economic hardship. When households cannot afford to pay rent, housing providers forgo expected rental income which is used to cover property and operations expenses. The negative economic impacts on housing providers affect individuals and families who rent, homeowners, service providers, and the surrounding communities. This report analyzes the economic and business impact of COVID-19 on housing providers and the subsequent impact on renters and surrounding communities in the short and long term.

Rental Landscape Before COVID-19

In 2019, nearly 36% of American households rented (44.1 million). The share of renters is greater in the West and the Northeast (39.9% and 38.4%, respectively) compared to the South and Midwest (34.6% and 32.0%, respectively). Prior to the COVID-19 pandemic, nearly half of American households spent at least 30% of their income on rent. The share was highest in the West (50.8%), followed by the Northeast (49.0%), South (48.7%), and Midwest (44.3%). These figures demonstrate the financial vulnerability of many American households, even before COVID-19. While federal housing assistance programs provide aid to over 5.3 million households in need via Section 8, Public Housing, and USDA rental assistance programs, the number of eligible households is much greater.[2] (Table 1)

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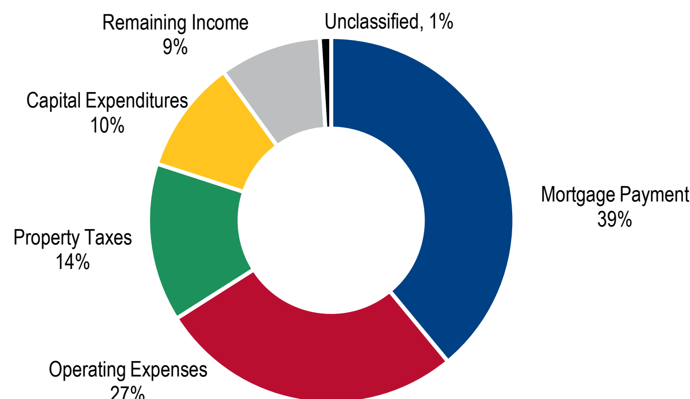
[2] U.S. Census. American Community Survey: Selected Household Characteristics, 2019; U.S. Dept. of Housing and Urban Development (HUD). Picture of Subsidized Households, 2019; U.S. Dept. of Agriculture (USDA). Rural Development Multifamily Housing Rentals.

Table 1.
44.1 million American households rent and nearly half spend at least 30% of income on housing[3]

	Renter-Occupied Housing Units	As % Total Occupied Housing Units	% Spending At Least 30% of Income on Rent
United States	44,077,990	35.9%	48.4%
West	11,037,558	39.9%	50.8%
South	16,061,394	34.6%	48.7%
Midwest	8,662,074	32.0%	44.3%
Northeast	8,316,964	38.4%	49.0%

Housing providers typically operate on small margins and rely on monthly rental payments to cover expenses to maintain rental properties. The average breakdown of rental income is: 39% for the property's mortgage payment, 27% for personnel wages and salaries, maintenance, and other operational expenses, 14% for property taxes, 10% for capital expenditures, and 9% in income for property owners. Many property owners are small businesses and individuals who are using their retirement funds for rental properties. (Figure 1)

Figure 1.
Housing providers spend 90% of rental income on property-related expenses[4]



As a result of the COVID-19 economic and health crisis, many households lost the income needed to pay rent. At the same time, housing providers had to increase operating expenses to address health and safety issues related to the pandemic. The combination of lower rental income and higher expenditures put significant financial strain on housing providers which, in turn, negatively impacts renters, service providers, and communities.

[3] U.S. Census. American Community Survey: Selected Household Characteristics, 2019. Regions defined by Census: Northeast (CT, MA, ME, NH, NJ, NY, PA, RI, VT); Midwest (IN, IL, IA, KS, MI, MN, MO, NE, ND, OH, SD, WI); South (AL, AR, DE, DC, FL, GA, MD, KY, LA, MS, NC, OK, TN, TX, SC, VA, WV); and West (AK, AZ, CA, CO, HI, ID, NM, MT, OR, UT, NV, WA, WY).
[4] National Apartment Association. 2020. "Breaking Down $1 of Rent."

COVID-19 Impact on Housing Providers

COVID-19 has increased costs and reduced revenue for housing providers, making it harder for them to operate and invest in future housing projects. In August 2020, ndp | analytics and the National Leased Housing Association conducted an online survey of low- and moderate-income housing providers to assess the impact of COVID-19 on operations, revenue, and future investments. 88.0% of respondents had at least some subsidized housing units as part of their portfolio, of which 69.8% had portfolios where most units were subsidized. This section describes the outcomes of this survey. Detailed methodology and survey data description are included in the appendix.

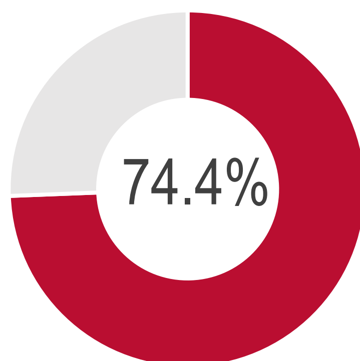
Operating Expenses

Since the COVID-19 outbreak, housing providers have had to adapt to protect the health and safety of workers and residents. In addition to normal operating expenses (payroll, maintenance, utilities), housing providers are spending money on air filtration, extra cleaning costs, personal protective equipment (PPE), and other health-related expenses to keep properties and personnel safe. Like all other housing providers, these additional activities have increased costs for low- and moderate-income housing providers.

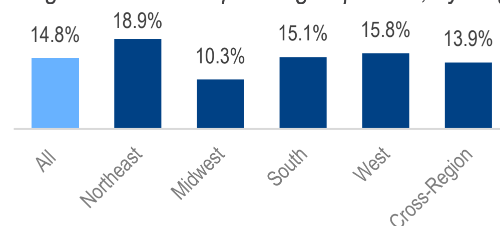
Nearly three-quarters of housing providers have increased their operating expenses due to COVID-19. For these housing providers, operating expenses have increased by an average of 14.8%. The increase was greatest for housing providers with 1,000 units or less, whose operating expenses increased nearly 16.7% compared to 14.3% for those with 1,000 to 5,000 units and 11.7% for housing providers with 5,000 units or more. Additionally, housing providers in the Northeast reported the highest increase in expenses (18.9%) followed by the West (15.8%), South (15.1%), and Midwest (10.3%). Housing providers with units in more than one region ("cross-region") reported an average increase in operating expenses of 13.9%. (Figure 2)

Figure 2.
Nearly three-quarters of housing providers have increased operating expenses due to COVID-19

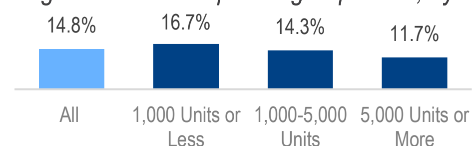
Share of Housing Providers Reporting Increased Operating Expenses due to COVID-19



Average Increase in Operating Expenses, by Region

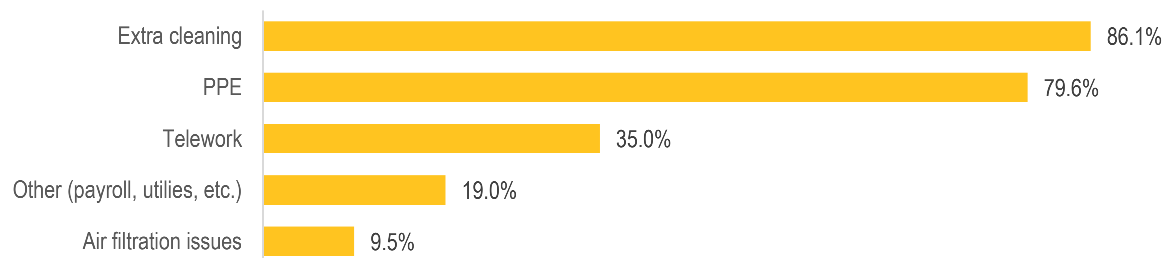


Average Increase in Operating Expenses, by Size



The additional operating costs were largely attributed to extra cleaning and personal protective equipment (PPE). 86.1% of low- and moderate-income housing providers identified extra cleaning as a primary driver of increased expenses and 79.6% identified PPE as such. Significantly fewer housing providers identified costs related to telework, payroll, utilities, and air filtration as primary drivers of increased operating expenses. (Figure 3)

Figure 3.
Extra cleaning and PPE costs were primary drivers of increased operating expenses



Rental Income

Due to the nature of the COVID-19 economic crisis, many Americans who routinely paid rent on time were unable to make monthly payments because of furloughs, jobs loss, and other economic hardships. Overall, renters have been disproportionately affected by the pandemic; workers in the primary industries impacted by COVID-19 (food and accommodation, entertainment, retail, and transportation) are more likely to rent than own.[5] Additionally, about 43% of households likely impacted by COVID-19 were already struggling with rent cost burdens before the crisis.[6] In an effort to accommodate these households, 77.2% of housing providers implemented flexible payment policies for renters negatively impacted by the pandemic.

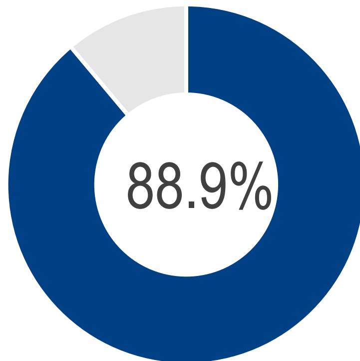
77.2%
of housing providers implemented flexible payment plans for renters negatively impacted by COVID-19

Still, housing providers rely on rental income as a primary source revenue. The vast majority (88.9%) of low- and moderate-income housing providers saw declines in revenue because of the pandemic. On average, revenue for these housing providers declined by 11.8%. Average declines in revenue were greatest for smaller housing providers with fewer than 1,000 units and 1,000 to 5,000 units (12.8% and 12.2%, respectively). Comparing across regions, housing providers in the Midwest reported the most significant revenue losses (15.9%), followed by the Northeast (12.1%), South and Cross-Region (11.1%), and the West (10.3%). (Figure 4)

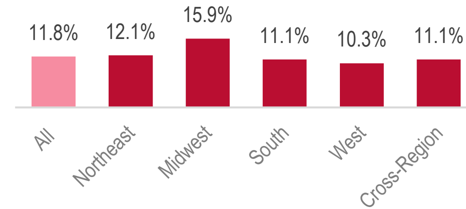
[5] Goodwin, Laura and Dan Magder. 2020. "Avoiding a COVID-19 Disaster for Renters and the Housing Market." Urban Institute. April.
[6] Kneebone, Elizabeth and Cecile Murray. 2020. "Estimating COVID-19's Near Team Impact on Renters." UC Berkley Terner Center for Housing innovation. April 24.

Figure 4.
Rental income has declined for nearly nine in every ten housing providers due to COVID-19

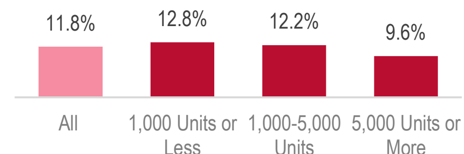
Share of Housing Providers Reporting Declines in Revenue due to COVID-19



Average Decline in Rental Revenue, by Region

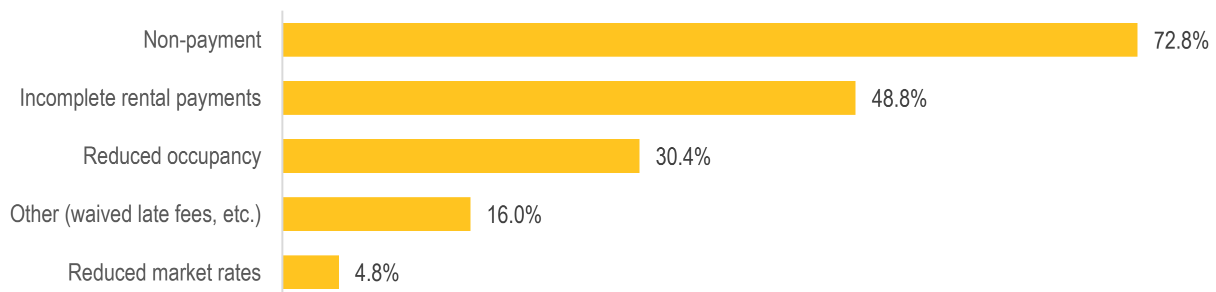


Average Decline in Rental Revenue, by Size



Nearly 73% of low- and moderate-income housing providers reported that non-payment is the main cause of the decline in revenue. Indeed, ongoing research by the Urban Institute found the share of households with non-payment has been rising over the last few months; over 20% of households did not pay their rent or deferred payment in July 2020.[7] In addition to non-payment, nearly 49% of housing providers identified incomplete payments as a significant factor in revenue decline. Reduced occupancy, waived late fees, and reduced market rates are other contributing factors to revenue declines. (Figure 5)

Figure 5.
Non-payment and incomplete payments were the largest drivers of revenue declines



[7] Urban Institute. 2020. Tracking COVID-19's Effects by Race and Ethnicity: Share of adults in households that did not pay their rent last month or deferred payment and the Share of adults in households that have no or slight confidence they can pay their rent next month or have deferred payment. Accessed September 20, 2020.

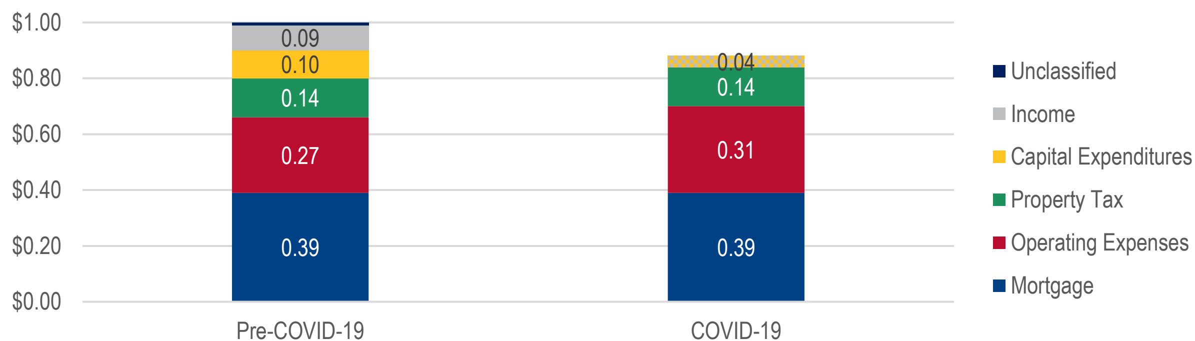
Despite non-payment driving revenue declines, few renters have been evicted for missing payments. From March to July 2020 (and reinstated in September) a moratorium prohibited many housing providers from evicting residents due rent non-payment and some states and municipalities have created similar rules. In August 2020, less than 18% of housing providers reported evictions for renters with missed payments. Among those housing providers that reported evictions, about 13% of renters with missed payments had been evicted.

Less than 18% of housing providers have evicted any residents for non-payment during the pandemic

Financial Losses & Future Investment

Due to the pandemic, low- and moderate-income housing providers experienced, on average, an 11.8% decline in revenue and a 14.8% increase in operating expenses, resulting in significant financial strain. Before the pandemic, for every dollar of rent received, 39 cents went towards the property mortgage, 27 cents went towards operating expenses, 14 cents covered property taxes, and 10 cents went towards capital expenditures, leaving 9 cents in income. With an 11.8% decline in rental income, housing providers now receive 88 cents in rent instead of $1. Additionally, a 14.8% increase in operational costs raises those expenses from 27 to 31 cents, while the mortgage and property tax contributions remain the same. With the reduced income and increased costs, housing providers are left with only 4 cents for capital expenditures and income combined. (Figure 6)

Figure 6.
Impact of COVID-19 on $1 of rent received before the pandemic[8]

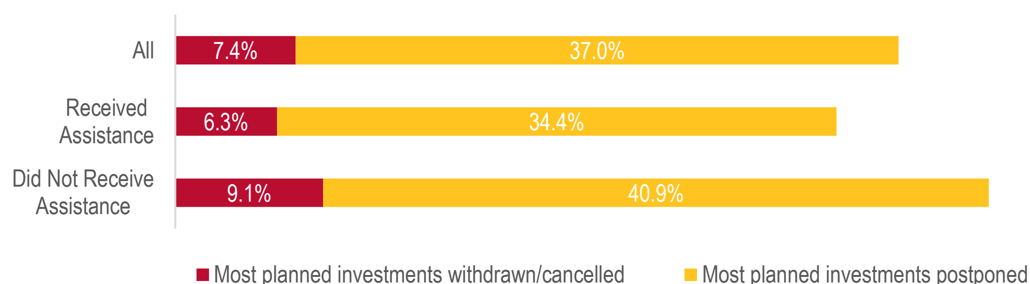


To offset financial losses, 56.4% of housing providers applied for and received aid from government relief programs. On average, housing providers received about $282,841 in COVID-19 related assistance. However, the share of housing providers that received assistance and the amount received varied by size. Only 41.5% of housing providers with under 1,000 units received assistance ($44,288 on average), compared to 76.2% of housing providers with 1,000 to 5,000 units ($310,017 on average) and 60.6% for larger housing providers with over 5,000 units ($730,679 on average).

[8] Author's estimates; National Apartment Association. 2020. "Breaking Down $1 of Rent."

The financial strain resulting from COVID-19 impacts investments in future housing projects. About 36% of housing providers had planned to invest in housing projects before the onset of the pandemic. However, 44.4% of housing providers had to postpone or even cancel plans to invest because of COVID-19. The impact was greatest for housing providers who did not receive any government assistance to offset financial losses: 50.0% have cancelled or postponed plans compared to 40.6% of those who received assistance. (Figure 7)

Figure 7.
44% of housing providers have canceled or postponed future housing investments



Effect of COVID-19 Housing Provider Impact on Renters and their Communities

The negative impact of COVID-19 on housing providers subsequently affects renters and their communities. In the short-term, renters who rely on temporary government aid face ongoing uncertainty of the duration of these programs and communities suffer from financial hardship and reduced investment in planned housing projects. The long-term impacts are more severe and include reduced housing supply, lower renter mobility, and forgone benefits of new residential construction, especially for affordable housing. (Table 2)

Table 2.
Short- and long-term impacts of financially strained housing providers on renters and their communities

	Short-Term	Long-Term
Renters: Individuals and Families	• Uncertainty of government protections (reduced economic/financial resilience)	• Declined in housing supply (increased housing insecurity) • Lower renter mobility and, subsequently, labor mobility
Communities	• Financial hardship and reduced spending by housing provider households • Reduced investment in planned residential construction projects	• Forgone benefits of planned residential construction • Lower profitability of housing/Reduced investment in future housing

Impact on Renters

In the short run, renters have largely been removed from the impact of the financial hardships faced by housing providers. Government aid and protections implemented in response to the COVID-19 crisis, such as expanded unemployment benefits and eviction moratoria, have provided important assistance to renters. However, these government policies are in constant expire-extend cycles, leaving renters uncertain of the future. Moreover, these policies have negative impacts on financial and economic resilience of renters, as rent payments accrue even though evictions are restricted.[9]

In the long run, eviction moratoria and increased regulation on housing provider-renter relationships negatively impact housing supply and renter mobility.[10] If housing providers are unable to cover the costs of property expenses and operations due to the lack of rental income, they may not be able to maintain their supply of rental housing. This is especially true for smaller low- and moderate-income housing providers.[11] Restrictive policies, such as eviction moratoria, negatively impact renter mobility and, subsequently labor mobility. According to OECD: "Overly restrictive regulation of landlord-tenant contractual relationships is linked with lower residential mobility. To the extent that residential mobility is linked with labor mobility, this can be particularly undesirable during the post-COVID-19 recovery, which will require reallocation of labor and capital towards activities with more promising economic prospects."[12]

Eviction moratoria and increased regulation related to housing provider-renter relationships creates negative long-term impacts on renter mobility and housing supply

Importantly, job and income losses caused by the pandemic put many people, particularly Black and Latino adults, at increased risk of housing instability.[13] As a result, the long run impact on renter mobility and housing supply is likely to have a disproportionate impact on these communities and exacerbate existing racial and economic disparities accessing safe and affordable housing.[14]

Impact on Communities

Housing providers are part of the community. In fact, many are small mom-and-pop businesses. These housing provider households rely on rental income not only to cover property expenses but also to supplement their ordinary income. Small housing providers were expected to experience a significant income shock due to the loss of rental payments under the eviction moratorium.[15] Importantly, household income has an economic multiplying effect. The rental income received by housing provider households is used for goods

[9] OECD. 2020. "Housing Amid Covid-19: Policy Responses and Challenges." July 22.
[10] OECD. 2020. "Housing Amid Covid-19: Policy Responses and Challenges." July 22.
[11] Broady, Kristen E., Wendy Edelberg, and Emily Moss. 2020. "An eviction moratorium without rental assistance hurts smaller landlords, too." Brookings Institute. September 21.
[12] OECD. 2020. "Housing Amid Covid-19: Policy Responses and Challenges." July 22., pg. 3.
[13] Urban Institute. 2020. Tracking COVID-19's Effects by Race and Ethnicity.
[14] Solomon Greene. 2020. "New Data Suggest COVID-19 is Widening Housing Disparities by Race and Income." Urban Institute. June 2.
[15] Broady, Kristen E., Wendy Edelberg, and Emily Moss. 2020. "An eviction moratorium without rental assistance hurts smaller landlords, too." Brookings Institute. September 21.

and services, a portion of which is spent at locally operated businesses such as gas stations and grocery stores.[16] This spending generates additional economic activities which helps communities grow.

Due to the pandemic, over 44% of housing providers canceled or postponed investments in future housing projects. The reduced investment results in forgone economic benefits in communities. New housing projects create jobs, generate sales, and increase home values and property tax revenues.[17] In the short term, the investment creates jobs in construction and supporting industries. Once the development is finished; jobs are created to operate and maintain the property. Since housing providers and investors have had to cancel or put off these projects, communities miss out on the immediate economic benefits of these investments.

Canceled and postponed housing investments negatively impact economic development

Cancelled investments also have potential long run impacts. New housing developments, including affordable housing, benefit the communities where they are located. For example, large affordable housing developments have resulted in positive price impact for nearby homes.[18] Additionally, investments in affordable housing boost purchasing power by one-third, contributing to the retail vitality of neighborhoods.[19] If the planned housing projects are never built or moved elsewhere, communities forgo these benefits.

Finally, housing providers and investors may become weary of investing in future housing projects due to the reduced rental income and predictions of a slow economic recovery. Without an adequate return on investment, housing providers will not spend on new properties or will opt to invest elsewhere. Low- and moderate-income communities that are positioned to benefit most from this type of investment are also most at-risk of economic hardship due to COVID-19. Without new investments, there will be reduced supply of affordable housing which, in turn, undermines a swift economic recovery, economic competitiveness, and productivity especially in metropolitan areas.[20]

Final Remarks

The impact on low-and moderate-income housing providers, renters, service providers, and communities, is inevitability linked. The severe financial strain caused by the inability of individuals and families to pay rent directly impacts housing providers ability to cover property expenses, invest in new housing projects, and generate income. In the long run, the negative impacts on housing providers, if not addressed, will result in lower housing supply, reduced renter mobility, and foregone benefits to low- and moderate-income communities. However, if housing providers can recover financially and restore investments in new housing developments, including affordable housing, the industry can play an important role in the economic recovery from COVID-19.

[16] Broady, Kristen E., Wendy Edelberg, and Emily Moss. 2020. "An eviction moratorium without rental assistance hurts smaller landlords, too." Brookings Institute. September 21.
[17] Enterprise Community Partners. 2014. Impact of Affordable Housing on Families and Communities."
[18] Housing Research Synthesis Project. 2008. "How does affordable housing affect surrounding property values?" August.
[19] Enterprise Community Partners. 2014. Impact of Affordable Housing on Families and Communities."
[20] Zonta, Michela. 2020. "Expanding the Supply of Affordable Housing for Low-Wage Workers." Center for American Progress. August 10.

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Appendix: Survey Methodology and Demographics

ndp | analytics and the National Leased Housing Association (NLHA) jointly conducted an online survey low- and moderate-income housing providers in August 2020 to quantify the economic and business impact of COVID-19. The survey received 164 responses. Survey respondents had a total of 908,017 occupied rental units including 612,996 subsidized units and 295,021 units with no subsidy. (Table A.1)

Table A.1.
Total Housing Units by Type

	Total Units	Share of Total Units
Subsidized Housing Units	612,996	67.5%
Public Housing/Section 8 Project Based Housing	356,483	39.3%
Section 8 Vouchers (Project-Based and Tenant-Based)	216,839	23.9%
USDA Rural Rental Assistance	39,674	4.4%
Nonsubsidized Housing Units	295,021	32.5%
Tax Credit (No Rental Subsidy)	197,677	21.8%
Conventional Market Rate	97,344	10.7%
All Units	908,017	100.0%

A summary of respondents' housing portfolios, including type, geography, size, and residents is below.

Type of Housing

Nearly 63% survey respondents had mixed housing portfolios with both subsidized and nonsubsidized housing units. 88% of respondents had portfolios with at least some subsidized housing units (62.7% mixed portfolios and 25.3% with only subsidized units). (Table A.2)

Table A.2.
Respondents' Housing Portfolios by Type

	Share of Respondents
Only Subsidized Housing Units	25.3%
Only Nonsubsidized Housing Units	12.0%
Mixed Subsidized and Unsubsidized Housing Units	62.7%
Majority Subsidized	36.1%
Majority Nonsubsidized	26.6%
Total	100.0%

Geography

70.1% of respondents' housing units were concentrated in one region of the United States and the remaining 29.9% had portfolios with units more than one region ("cross-region").[21] (Table A.3)

Table A.3.
Respondents' Housing Portfolios by Location of Housing Units

	Share of Respondents
One Region	70.1%
Northeast (CT, MA, ME, NH, NJ, NY, PA, RI, VT)	15.2%
Midwest (IN, IL, IA, KS, MI, MN, MO, NE, ND, OH, SD, WI)	11.6%
South (AL, AR, DE, DC, FL, GA, MD, KY, LA, MS, NC, OK, TN, TX, SC, VA, WV)	31.7%
West (AK, AZ, CA, CO, HI, ID, NM, MT, OR, UT, NV, WA, WY)	11.6%
Cross-Region	29.9%
Total	100.0%

Number of Units

45.6% of respondents had portfolios with fewer than 1,000 units, 28.5% of respondents had 1,00-5,000 units, and 25,9% had over 5,000 units. (Table A.4)

Table A.4.
Respondents' Housing Portfolios by Size

	Share of Respondents
1,000 units or less	45.6%
1,000 – 5,000 units	28.5%
Over 5,000 units	25.9%
Total	100.0%

Primary Residents

56.6% of respondents' housing units primarily serve both elderly/disabled individuals and families and nearly all serve at least one of these demographics; only 6.9% have portfolios where the primary residents are not elderly/disabled and or families. (Table A.5)

[21] Regions based on U.S. Census definitions. https://www2.census.gov/geo/pdfs/maps-data/maps/reference/us_regdiv.pdf

Table A.5
Respondents' Housing Portfolios by Primary Resident Type

	Share of Respondents
Elderly/Disabled	23.3%
Families	13.2%
Mixed Elderly/Disabled and Families (Both)	56.6%
Neither	6.9%
Total	100.0%