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Landlords Leasing During COVID-19

What does managing and leasing rental units look like in a city of renters during a health and economic crisis?



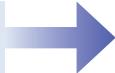
Context

In the face of the uncertainty and tensions of the pandemic, talking to tenants was only one side of the coin. The other side was talking to landlords. To design impactful policy and programs, we needed to know the plight of landlords too — how were they dealing with tenants? How were they keeping up with their income and expenses in the face of dwindling rent payments? What type of landlord needed support and what type of landlord was getting by? What were their most pressing needs and limitations?

Method

Conversations With Several Landlords in A Week

Four 45-Minute Focus Groups with 15 Landlords



All in English

A Wide Variety of Experiences

- Owned 1–2 single-family homes
- Owned fewer than 10 units (mix of multi-family buildings and single-family homes)
- Owned more than 10 units (mix of multi-family buildings and single-family homes)
- Private property owners
- Property managers

Geographic Representation

From all over the Greater Houston Area

Why We Did Focus Groups

We did focus groups instead of interviews, because we wanted to talk to many landlords. We didn't have a lot of hypotheses going in. Focus groups allowed us to see how different people responded to the same question and see how they interacted with each other.

Given this was an explorative study, we spoke to as many landlords as we could in a week. While we were focused on the number of the landlords we could talk to, we were mindful of ensuring a wide variety of experiences.

Let's Meet the Landlords



The Small Landlord

These are owner-operated property landlords. These are your smaller, independent, mom-and-pop, multi-or single-family unit owners, with 2–74 properties that they more or less manage themselves.

Owner-operated property landlords are more likely to be flexible with rent payments for selfish or empathetic reasons.



The Large Landlord

These are fee-operated property managers. These are your larger, corporate, multi-unit property managers.

These landlords are more likely to be “all business.” They work with tenants but would evict them if they feel it’s necessary and would rather have an empty unit than a non-paying unit.

The Small Landlord



Perceived market demand for rental units

Small landlords with single-family units seemed most stressed, even compared to small landlords with multi-family units.

- “ Vacancy is my enemy right now. Typically we do not have a lot of vacancies. Our tenants stay. But not right now.
- “ Renting homes is more difficult now. Rents are being lowered, but very few are showing interest in available properties. There is a huge reduction in traffic at open houses due to people being nervous about catching the virus. The market is down and people are not looking to rent.

The Large Landlord



These landlords were much more confident about a strong demand for properties.

- “ I’m not worried about the demand right now. I am at 95% occupancy. We are showing properties. And even if we don’t, we can make up the money from our other properties around Houston and Texas.

INSIGHT 5

Small landlords and large landlords have a different perception of market demand for rental units. Small landlords with single-family units seem most stressed about demand, even compared to small landlords with multi-family units. On the other hand, large landlords were much more confident about their ability to keep their properties full.

Keep an existing tenant who’s behind on rent or have an empty unit in prospects of a future tenant

Most in this group said they would allow renters to stay with no rent rather than having an empty unit. This is because of the cost of moving people out coupled with the uncertainty of finding a reliable future tenant.

- “ There are expenses associated with moving people out and in. I would rather have people in units without rent for two months. Turnover is risky. At least with the current tenant, you know their behavior, unless they’re obviously bad. In that case, you’d rather have it vacant. You’re losing the rent in any case. Just cleaning the unit will cost money.

Caveat: If there’s a tenant who causes damage to the property, they’d rather have the unit sitting empty.

Landlords in this group unanimously said that they would much rather “have an empty unit in prospects of a future tenant.” Part of it is confidence in market demand; the other part is having a consistent corporate policy towards all tenants.

- “ I have to keep all my tenants in mind and be fair. I would rather have an empty unit than a non-paying unit.

The Small Landlord



The Large Landlord



Making ends meet

“ Insurance, mortgage and property tax are real. I’m willing to work with tenants even if it’s at a loss. But my expenses are real and I’m worried if I will be able to pay the note on my properties.

“ I’m not worried. We are seeing plenty of income come through our rentals. And we have large properties throughout Texas so our balance sheets are healthy.

Concessions

Across the board, they were aligned on 2 types of concessions: flexibility in timing of payment and eliminating late fees. Landlords felt that it’s a slippery slope to offer too many concessions. There’s a worry that tenants will take advantage of this and continue to be delinquent into the future. These concessions weren’t contractual, e.g., if there was a flexible payment plan, it was communicated verbally or via text.

Eviction

Most landlords hesitate to evict their tenants. Most saw it as a hassle and tried to prevent the situation from escalating to eviction.

“ It’s a hassle. I would much rather talk to them and ask them to leave. I would most likely not pursue eviction unless they are damaging my property.

“ If they were not communicative and not being honest, I would evict. But eviction can cost a lot of money and legal stuff can be a barrier. Taking them to court to evict? Maybe. Taking them to court for being behind on rent? Not worth it.

Section 8

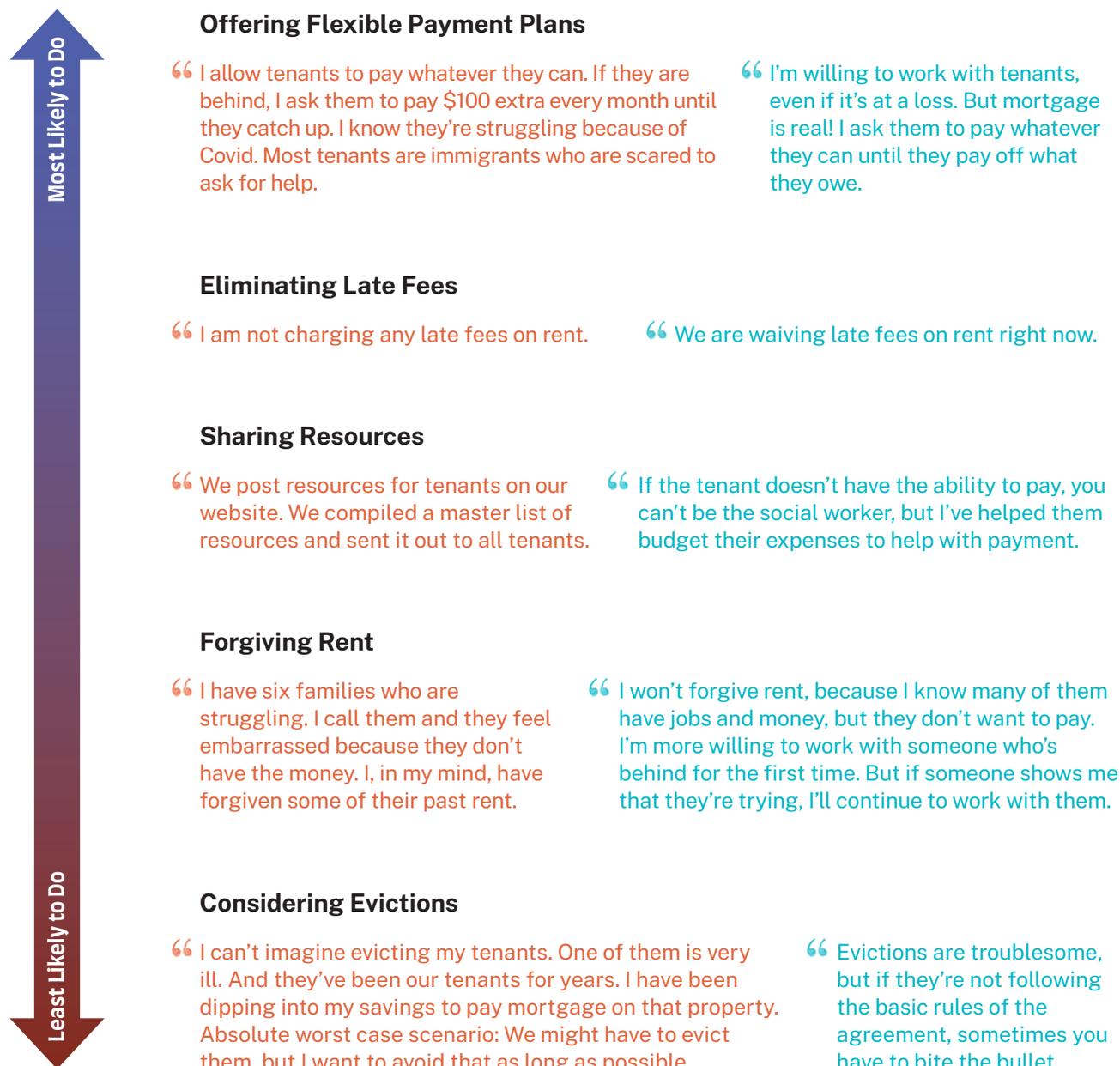
Tend to be more open to taking Section 8 tenants

Usually have strict corporate policies against Section 8 tenants

“ I’m very open to people on vouchers. However, if they are previously evicted, I’m not sure. That’s a red flag.

“ No. We don’t take them. It’s our corporate policy.

For Better or Worse, 'Til Eviction Do Us Part: What Landlords Are Doing During COVID-19



INSIGHT
6 Across the board, landlords’ most frequent concessions were: flexibility in timing of payments and eliminating late fees. And we saw that these concessions weren’t contractual; e.g., if there was a flexible payment plan, it was communicated verbally.

More Is More: Advice for Tenants

1. Be Proactive

Those who don't proactively reach out are likely to be viewed as problematic and may not receive the same flexibility. Landlords generally encourage tenants to be upfront about inability to pay rent, but they don't seem to understand why tenants would hesitate to have or initiate these conversations.

“ The proactive ones are easier to deal with — for example, the ones who tell you when they lose their job. The ones who don't tell you, those are the ones you have to worry about.

“ I appreciate it when a tenant contacts me instead of me having to chase my money. Sometimes it's really personal, and I don't want to ask about job search and family finances, so it's nice when the tenant offers up that information.

2. Build Transparency

Communication from tenants is key to securing some flexibility from landlords with rent payments.

“ If they tell you what's going on and are doing the best they can to take care of your property you feel like you can trust them. Landlords are compassionate, too.

“ They have to communicate. We don't know what their situation is unless they tell us. If they want assistance, they need to be in contact with their landlord.

“ I encourage them to keep communication open with me so I can relay the situation back to corporate.

3. Maintain Property

Tenants should strive to keep the property clean, especially if they're late on rent. Maintenance and cleaning issues cost landlords money, and this is the last thing they want to have to pay for if the tenant can't pay rent.

“ HOA violations are frustrating, especially when tenants owe rent.

“ Tenants don't understand that landlords operate with very thin margins. If a tenant is 1–2 months behind, you won't make anything for the year. Media portrays landlords as the bad guys, but it's difficult for them, as well, given the way their loans and expenses are set up.

Questions to Solve For:

- ? How might we build stronger partnerships between landlords and our social service ecosystem in support of cost-burdened renters?
- ? How might we build feedback loops that support information dissemination to renters through landlords?
- ? How might we simplify processes so more landlords can participate in Section 8 and other subsidized housing programs?
- ? How might we design emergency policies that mirror the concessions that landlords are willing to make during crises in support of housing stability?



Finding Common Ground

Shared Insights Between Landlords and Tenants



Landlords and apartment management companies are a source of information for tenants.

Landlords are interested in, willing to, and, in some cases, actively seeking to share resources with their tenants. And we know that many tenants have problems accessing and navigating social services.

How might we collaborate with landlords and landlord associations to advertise and further push out social services we offer?

If we do so, we have to equip landlords and make it easy for them to do.



Direct, frequent, and improved communication between landlords and tenants would benefit both.

Landlords and tenants are sympathetic to each other's situations. Landlords understand that tenants are in a tough spot, and tenants understand that landlords are in a tough spot.

While many landlords expressed that they want tenants to be proactive in communicating with them, many tenants are hesitant. Some are in this situation for the first time and don't know how to navigate it. Some are anxious individuals worried about potential repercussions.

Both groups see bringing in third party legal counsel as a last resort. How might we provide acceptable external support to improve communication between the two parties?

While many tenants are afraid to ask for concessions beyond payment plans, we saw landlords being open to more generous concessions as long as they made financial sense. **How might we help landlords and tenants collaboratively come up with sustainable, creative solutions for their unique situations?**

