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Despite Challenges for Multifamily, Spring Leasing Activity Is Strong

After years of almost flawless market conditions, the COVID-19 pandemic abruptly created unprecedented operational and financial hurdles for the multifamily industry. Little more than a month into the shutdown, 33 million U.S. workers have been furloughed or laid off, second-quarter GDP is expected to drop upwards of 25% and many potential tenants are either unable or unwilling to venture into public places.

On a dime, the conversation in multifamily changed from how to deal with soaring rents and supply growth to questions about construction moratoriums and whether tenants would pay rent, sign new leases or even be able to visit properties. Suddenly, the industry faces declining demand, lower rents and increased concessions, uncertainty about rent payments and a slowdown in development activity, all amid an imperative to refocus operations on cleanliness and the need to socially distance.

The consensus rose-colored forecast has been downgraded, but by how much? Will the economy and necessary social changes be a short-lived phenomenon or is the industry headed for a long downturn? The chance of a quick V-shaped recovery seems less likely as the infection count rises, but preliminary data on metrics such as rent payments, apartment searches and visits, and approved tenant applications indicates that the impact of the pandemic might not be as severe as feared.