

## SEARCH RESULTS

### Prospect Traffic and Quality Fall in Apartment Communities

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By Erika Schnitzer, Associate Editor

Waltham, Mass.—The number of applicants a community is processing per apartment decreased dramatically, according to a RentGrow report, entitled “Trends in Applicant Traffic and Quality.”

Consistently over the last 10 to 15 years, processing rates, which measure how many applicants a community is processing per apartment, measured between 0.9 and 1 percent, or application per apartment unit, explains Mike Lapsley, CEO of RentGrow. Over the last 18 months, however, the average has dropped by about 20 percent, according to RentGrow’s data.

Year-over-year, the processing rate change was the greatest between January 2008 and January 2009, with a 20.4 percent decline. Between February 2008 and February 2009, the processing rate declined 15.3 percent. From March 2008 to March 2009, the rate dropped 4.0 percent, and the decline year-over-year to April 2009 was 15.9 percent. The difference between May 2008 and May 2009 was negative 13.7 percent.

Lapsley notes that this measurement is “a very seasonal number, so while November and December have really low numbers, in June, July and August, that number is almost doubled.” Additionally, he notes that March and April are particularly interesting because of the Easter holiday. Last year, the holiday fell in March, making it a weak month, as well as making it appear that March 2009 was much stronger than others.

Furthermore, Lapsley tells *MHN*, the June figures show that the processing rate is down 6 to 7 percent. While this would lead many to believe that the market has hit bottom, he cautions, “we have seen good months and you think it’s the beginning of the end of the cycle, and then you have a bad month.”

With high vacancies partially resulting from an increasing shadow market throughout the nation, apartment managers need to take more risky applicants than they would like. By conducting a study of applicant credit quality across applicants screened by RentGrow between 2007 and 2009, the company found that applicant credit quality in the first quarter of 2009 was 1.7 percent lower than in the first quarter of 2008 and 3.9 percent lower than the first quarter of 2007.

Lapsley recommends that managers “review your criteria and make sure you are balancing the need to fill the apartments with quality people but you’re not being overly strict.” For example, some apartment companies are beginning to ignore such things as medical debts, student loans and foreclosures. Others are adjusting the number of years scored.

“You have to factor in the property type also, but our experience has been that you can do these things fairly successfully. We are studying our bad debt numbers, and our model works in terms of validation,” says Lapsley. “The trick is making sure you get the right criteria” for the property type.

Although it is nearly impossible to predict when the market will bottom out and begin to turn around, Lapsley notes that the thing to watch is the job loss number. “We have figured out a strong correlation between the jobs number and this processing rate, and it seems to be about a two-month lag.

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