



Trends in Applicant Traffic and Quality

At RentGrow we have a bird's-eye view of multi-family industry trends - our customers manage thousands of properties totaling more than half a million units across the nation. In this article we decided to share some interesting data and trends that we have observed in recent months.

Traffic

The trend is clear: Compared to last year, traffic is down in leasing offices around the country. This chart demonstrates the % change in processing rates across RentGrow's client base:

Resident Screening Processing Rate Change – 2009 v. 2008

Month	Jan	Feb	Mar	April	May
Ch%	-20.4%	-15.3%	-4.0%	-15.9%	-13.7%

The theme for the last 12 months has been lower year-over-year traffic by 10-20%, with some clients reporting traffic declines of 25% or more. We are assuming the lower rates will probably persist into 2010.

What does this mean for our clients?

10-20% fewer applications translates into a smaller pool of applicants to choose from. It means that every person calling, visiting or applying to live at your property is at least 20% more valuable than in past years - and the effort and expense required to get them to apply and move in is 20% higher. These days, the need to "give it 120%" is very real!

Applicant Credit Quality

On average, the applicants visiting leasing offices this year have weaker credit profiles than last year, continuing a trend that began in 2007. The U.S. economy has shed 5 million jobs in the past 18 months, and the foreclosure and banking crises have weakened the financial profiles of many individuals.

We conducted a study of applicant credit quality across hundreds of thousands of applicants screened by RentGrow between 2007-2009, and found that applicant credit quality in Q1 2009 was 1.7% lower than Q1 2008 and 3.9% lower than Q1 2007. (As an interesting side note, the negative trend is evident in market rate properties but does not necessarily hold for affordable properties.)

This is consistent with reported trends in the population at large – a recent USA Today article mentioned that from Q3 2008 to Q1 2009, the average Transunion credit score dropped 6 points. California saw a 10-point drop, and Arizona 11.

What does this mean for our clients?

Unless you are in a regional market that's unaffected by these trends, you need to think about the impact on your business and adapt.

Now is a good time to review your rejection rates in the context of your revenue and occupancy goals. It may be time to modify your acceptance criteria, but that doesn't mean simply drop the bar. Use a scalpel, not a sledgehammer; for example, you may want to consider:

- Adjusting deposit levels for marginal credit profiles
- Adjusting the number of years of credit items that you score
- Removing foreclosure items from scoring
- Removing medical debts from scoring
- Adjusting Rent/Income Ratio criteria
- Bolstering your decision process with supplemental/alternative applicant data such as Civil Court Records and/or Rental Payment History records

Conclusion: Now more than ever, it is critical that you get a maximum return on your marketing and sales efforts. For our part, we are encouraging everyone to sharpen their marketing and leasing skills and review decision criteria and rejection rates. A lot of effort and expense go into keeping occupancy rates high and expenses low. The days are getting longer and the seasonal pick-up in leasing activity is upon us. Now is the time to fine-tune your leasing practices.

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