

**Joint Center for Housing Studies
Harvard University**

A New Look at the Characteristics of Single-Family Rentals and Their Residents

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Abstract: The recent dramatic increase in the number of single-family detached rental homes, which is due in part to foreclosures of single-family homeowners and constrained lending limiting home buying option for many households, raises some questions about the residents and stock that comprise this part of the housing market. How do the characteristics of single-family renters and rental units differ from those of other housing types? Have these characteristics changed over time, and if so, is the change due to shifts in the supply and demand for single-family rentals specifically? This paper describes current and historical data on single-family rentals that may offer insights into the reasons for the growth in this segment, and indications of its future.

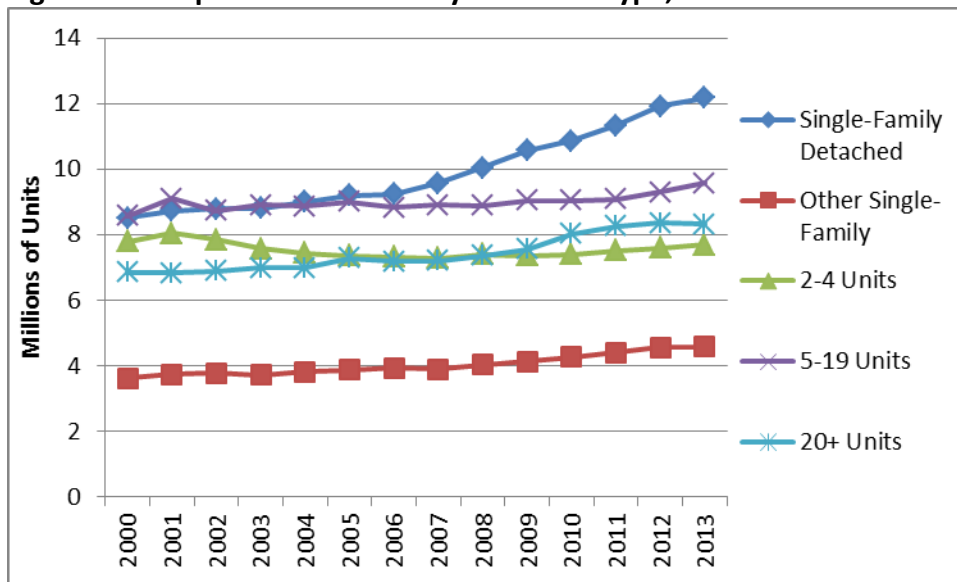
Introduction

Since the end of the housing boom in the mid-2000s, there has been a dramatic shift in the tenure of the nation's housing stock. Rental housing is more in demand than it has been in decades, with millions of households either unable or unwilling to take on the financial commitment required to purchase a home. Lending standards were tightened in response to the high rates of delinquencies that occurred during the downturn, which has made it more difficult for households with marginal credit and low incomes to qualify for a mortgage. Some potential homeowners were also dissuaded from buying homes by concerns about volatile home values and the risks of asset depreciation. These households have instead turned to rental housing, with its generally lower up-front costs, fewer responsibilities, and more flexibility to respond to changing housing and labor markets.

Though new construction of rental housing has increased to help meet this demand, a larger portion of it has been met through the conversion of existing housing from owner-occupied to rented (Eggers and Moumen 2011). The majority of the units converted, moreover, were single-family detached units, which were in excess supply after years of overbuilding. With fewer homebuyers available to absorb this supply, and rising foreclosures adding to the number of vacant units, many owners of these properties opted to rent them out. As a result, the number of single-family detached rentals rose by 35 percent, from 9 million to over 12 million, between

2004 and 2013 (Figure 1). These units now account for 29 percent of all rentals, and 17 percent of all single-family detached structures.

Figure 1: Occupied Rental Units by Structure Type, 2000-2013



Note: Other single-family housing includes attached units and manufactured housing.
 Source: Tabulations of the 2000-2013 American Community Survey.

The recent increase in single-family rentals has brought renewed attention to this segment of the housing market (e.g., Kurth 2012; George 2015). Yet little is known about whether and how the characteristics of single-family rentals and their residents have changed with this increase. Are the homes that make up the single-family rental market today different from those that served this market before the recession? Do the households living in these units look similar to single-family renters during the height of the homeownership boom?

This paper seeks to answer these questions by looking at trends in single-family detached rental housing since 2000 to identify notable changes in characteristics of these units relative both to the past and to other housing types. Annual data from the 2000-2013 American Community Survey (ACS), which covers the period of the housing boom and bust, helps to reveal these trends; additional data from the biennial American Housing Survey (AHS) are also used, as noted. Analyses of these data show that, while the share of detached single-family renters has risen recently among most household types, a few groups have shown a particular affinity for this type of housing – among them, minorities, families with children, and

middle-age households. Reflecting these sources of demand, single-family detached rentals are currently newer, larger, and more likely to be located in suburban communities than they were a decade ago.

These trends can also provide some insight into whether increases in detached single-family rentals will continue going forward. Some of the household types that account for large shares of the detached single-family rental market, such as minority households, are expected to grow at a faster rate than that of all households over the next two decades (Joint Center for Housing Studies 2014). If these households continue to favor detached single-family rentals, they will ensure that this housing type remains a growing and important segment of the housing stock. However, if housing and economic conditions shift such that more households have access to homeownership, interest in renting may wane among these groups, and encourage the current owners of detached single-family rentals to sell their units and remove them from the rental stock.

Characteristics of Single-Family Rental Houses

Before discussing how single-family rental houses and their residents have changed over time, it is useful to first describe how these units fit into the broader context of the U.S. housing stock. As single-family units, they are usually larger than multifamily units, with more bedrooms and living area inside, as well as more open space around the structure. Single-family units are also typically located in low-density areas able to accommodate their larger size; such locations tend to have fewer retail and transportation options, but better schools and less crime than those associated with denser multifamily housing. Finally, because they physically separate residents from their neighbors and the wider world, single-family detached units offer more privacy than other housing options.

While structure type determines many of the physical characteristics of a unit, its housing tenure governs the contractual rights and responsibilities of its residents. For instance, while renters must keep their units in good condition, they are generally not responsible for repairs or routine care of the property. Renters also pay a monthly fee to the owner of their unit, who shoulders the costs of financing and maintaining the property. But renters cannot change the

function or appearance of their units without the owner's approval, and can also be evicted from their units for violating the terms of their rental agreement.

Single-family rentals thus offer an important alternative to the more common tenure-structure pairings of single-family units with owner-occupants and multifamily units with renters. Yet unlike most units at these two ends of the housing spectrum, almost none of the single-family detached rental stock was built specifically to supply this segment of the market. Historically, less than 3 percent of all new single-family construction, including detached and attached units, is built for rental, though this share rose as high as 6 percent in 2012 (Dietz 2015). This is still well below the 17 percent of all single-family detached units that were occupied by renters in 2013, meaning that most of these units were originally built for and occupied by owners.

Because most single-family detached rental units are former owner-occupied units, they tend to be slightly older and smaller than most currently owner-occupied single-family units. As of 2013, one-quarter of all rented detached single-family homes were built before 1950, versus 17 percent of owner-occupied detached single-family housing stock (**Table 1**). Likewise, only 22 percent of detached single-family rentals were built since 1990, compared to nearly a third of owner-occupied detached single-family units. The average size of single-family detached rentals, meanwhile, is 1,400 square feet, versus 1,900 square feet for owner-occupied units. Owner-occupied single-family units also have more bedrooms than rented units: 69 percent of single-family detached rentals have at least three bedrooms, compared to 86 percent of owner-occupied detached single-family homes. Single-family detached rentals are larger, however, than multifamily rentals, which have an average size of only 850 square feet, and only 17 percent of which have at least three bedrooms.

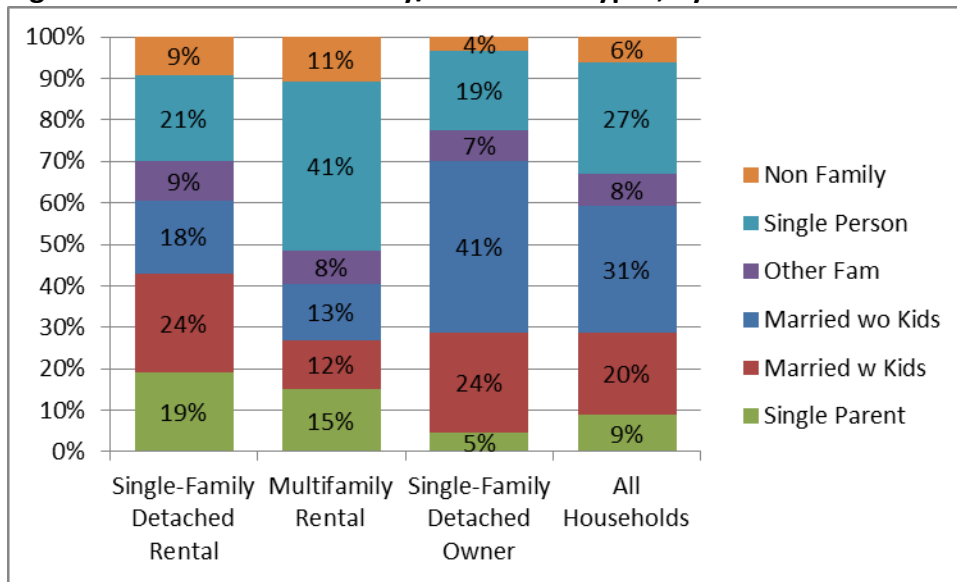
Further reflecting their similarities with owner-occupied units, most single-family rentals are located in areas that have large supplies of single-family homes generally, such as suburban and non-metro areas in the South and West. Indeed, 42 percent of the single-family detached rental stock is in the South, which is greater than the southern share of both detached single-family owner-occupied homes (38 percent) and multifamily rentals (34 percent). The same is true in the West, where a combination of newer and lower-density development and a lower

homeownership rate relative to other regions leads to a higher share of detached single-family rentals. Non-metro areas, where low rentership rates generate little demand for larger multifamily rental structures, also have a larger share of single-family rentals than of other housing types. Indeed, in some non-metro areas, single-family units are the only housing available to households looking to rent instead of own.

In their structural and locational characteristics, detached single-family rental units are more like owner-occupied single-family units than multifamily rental units. However, the opposite is true of the households who occupy single-family detached rentals: they resemble renters of multifamily units more closely than owners who occupy single-family units (**Table 2**). For example, 30 percent of single-family renters are under age 35, compared to 38 percent of multifamily renters in this age group and 10 percent of single-family owner-occupants. This similarity between single-family and multifamily renters reflects the tendency of households to switch from renting to owning as they enter middle age. The racial distribution of households follows a similar pattern: the share of minority households among single-family detached renters (39 percent) is closer to the share among multifamily renters (48 percent) than among single-family detached owner-occupants (21 percent).

Compared to other housing types, single-family detached rental units stand out as having the highest share of families with children: 39 percent are occupied by such families, compared to 29 percent of owner-occupied single-family units and 27 percent of multifamily rentals. Although single parents made up only 9 percent of all households, they accounted for almost one-fifth of all single-family detached renters (**Figure 2**). Married couples with children, who occupy 20 percent of all housing units, also occupied a larger share of single-family detached rentals, equal to their share of detached owner-occupied single-family homes (both 24 percent). Part of this phenomenon is explained by the preponderance in owner-occupied detached single-family homes of childless couples, many of whom are retirees that may have initially bought their homes when they did have children. Single persons, meanwhile, are more prevalent in multifamily than in single-family rentals, given the smaller sizes of the former type of housing.

Figure 2: Distribution of Family/Household Types, by Tenure and Structure Type, 2013



Note: Multifamily rentals include rented single-family attached and manufactured units.
 Source: Tabulations of the 2013 American Community Survey.

Finally, the distribution of household incomes by tenure and structure type shows that single-family renters again fall in between single-family owner-occupants and multifamily renters. For instance, households in the bottom income quartile make up one-third of all detached single-family renters, a larger share than among single-family detached owner-occupants but smaller share than among multifamily renters. The same is true of households in the top income quartile, though the highest share of these is found in owner-occupied single-family detached units. It is also the case that in each ascending income quartile, the proportion of single-family renters decreases, while the opposite is true of owned single-family detached units. This pattern may again reflect this housing type’s position as an alternative to single-family ownership, which is generally less available to households with lower incomes.

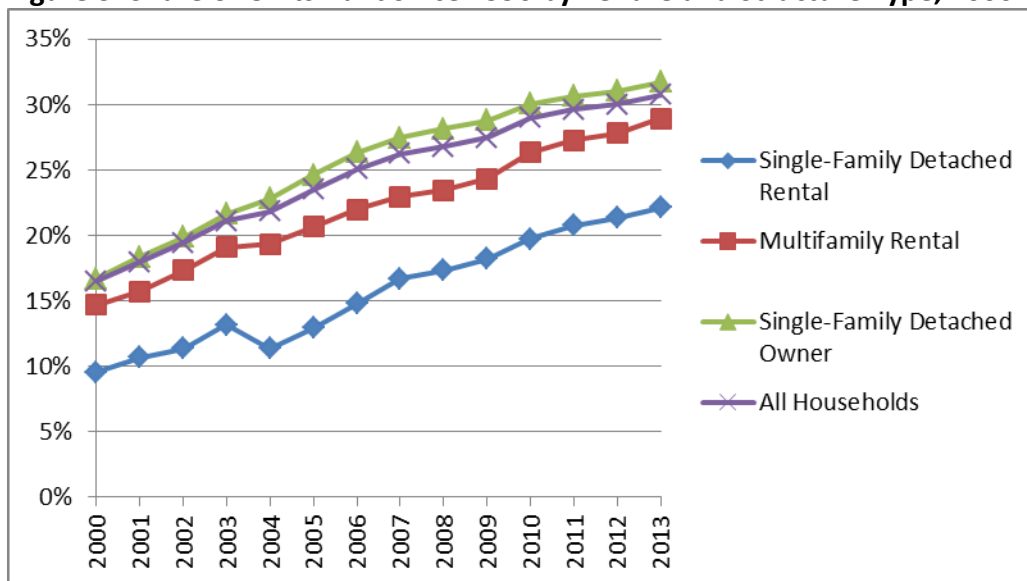
Changes in Single-Family Rentals over Time

The above discussion of the characteristics of single-family detached rental units and their residents gives a sense of how these units compare to other segments of the housing stock. It does not, however, reveal how these characteristics have changed as the number and share of single-family detached rentals has increased over the last decade. Looking at these changes over time may provide some insights into whether the recent surge in single-family detached

rentals is a harbinger of housing demand going forward, or a temporary reaction to the downturn in the housing and home buying markets.

Some changes observed over time among the single-family detached rental stock reflect the evolution of the U.S. housing stock as a whole. For example, the age distribution of single-family rentals has shifted in tandem with that of other housing types, as newer units of all kinds have been added to the stock to replace older units removed from use. Yet while the share of single-family detached rental units built since 1990 has risen over the last decade, it has remained consistently below that of both multifamily rentals and owner-occupied single-family units (**Figure 3**). Indeed, this disparity in housing vintages appears to have been exacerbated by the single-family building boom of the early 2000s. The share of detached single-family rentals built since 1990 dipped in 2004, at the height of the housing boom when record numbers of buyers were purchasing single-family units to live in as owners. This widened the age gap between single-family detached rentals and other housing types, putting the former on a lower trajectory going forward. The recent expansion of multifamily rental construction, meanwhile, has ensured that detached single-family rentals remain older than the rest of the rental market, even as more newly-built single-family units are added to this stock.

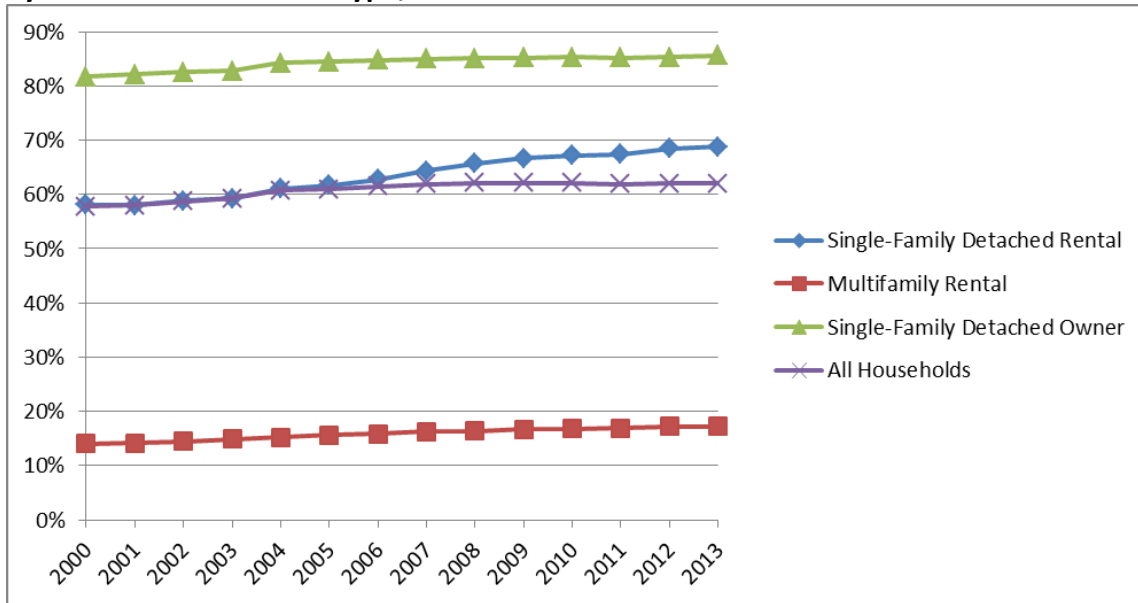
Figure 3: Share of Units Built Since 1990 by Tenure and Structure Type, 2000-2013



Note: Multifamily rentals include rented single-family attached and manufactured units.
 Source: Tabulations of the 2000-2013 American Community Survey.

The size of single-family rentals has also increased over time, though not at the same pace as the rest of the housing stock. Specifically, the share of single-family detached rentals with at least three bedrooms has increased faster than for any other housing type, rising from 58 percent to 69 percent from 2000 to 2013 (**Figure 4**).

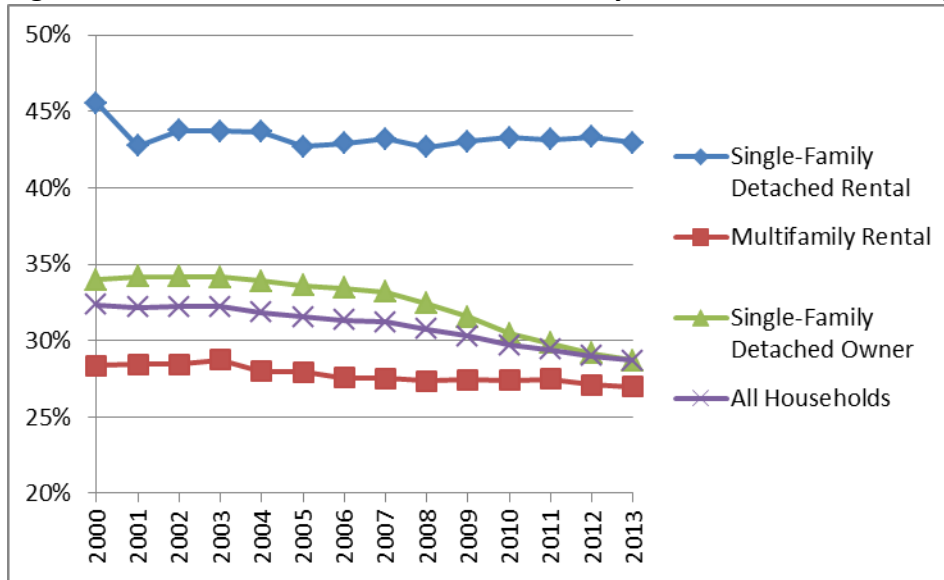
Figure 4: Share of Units with Three or More Bedrooms by Tenure and Structure Type, 2000-2013



Note: Multifamily rentals include rented single-family attached and manufactured units.
 Source: Tabulations of the 2000-2013 American Community Survey.

The rise in units with at least three bedrooms among single-family detached rentals is in part due to the influx of formerly-owned units, which have also been increasing in size, into this segment of the market. As larger units become the norm for the owner-occupied stock, they eventually filter down into the rental market as well. Yet this increase in size also represents a shift in the types of households renting single-family homes. In particular, families with children, which have been declining as a share of all households, have held steady as a share of single-family detached renters since the early 2000s (**Figure 5**). At the same time, the shares of single-family detached rentals occupied by married couples without children and single-person households, who do not generally need larger homes, have declined, even as these groups have increased overall.

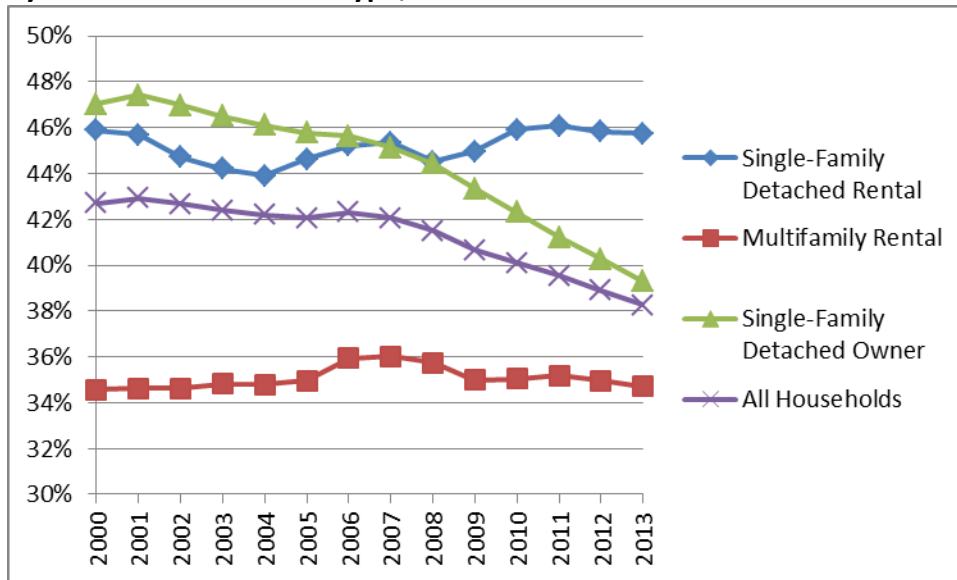
Figure 5: Share of Households with Children by Tenure and Structure Type. 2000-2013



Note: Multifamily rentals include rented single-family attached and manufactured units.
 Source: Tabulations of the 2000-2013 American Community Survey.

Distributions by family type are related to the age profile of households in different segments of the housing stock. Household with heads between 35 and 54 years old, for example, are most likely to be living with their own minor children. It is perhaps not surprising, therefore, that households in this age range occupy a larger share of single-family detached rental units than of owner-occupied single-family detached or multifamily rental units. Indeed, these households represent yet another instance of shares among single-family detached rentals increasing or remaining steady over time, even as their overall share of households has declined (**Figure 6**). This uptick is not just a consequence of declining homeownership rates among this age group either, as their share of multifamily rental units has also declined since the mid-2000s, though much less dramatically.

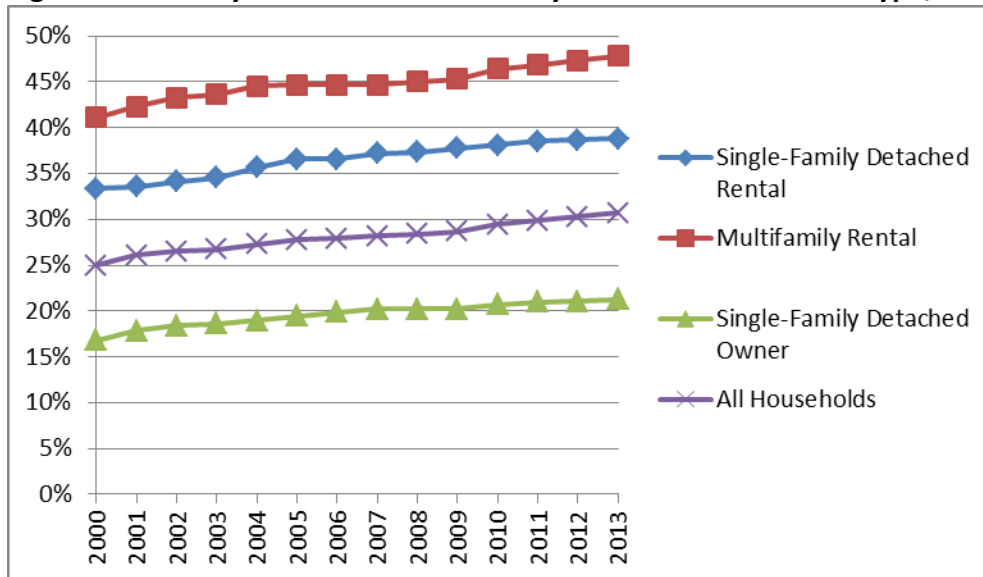
Figure 6: Share of Households with Heads Ages 35 to 54 Years Old by Tenure and Structure Type, 2000-2013



Note: Multifamily rentals include rented single-family attached and manufactured units.
 Source: Tabulations of the 2000-2013 American Community Survey.

While some age and family-type subsets of the population appear to have developed different affinities for detached single-family rentals over time, the same does not appear to be true of households by race and ethnicity. The share of units occupied by minorities has increased at a similar and steady rate across all segments of the housing market since 2000 (Figure 7).

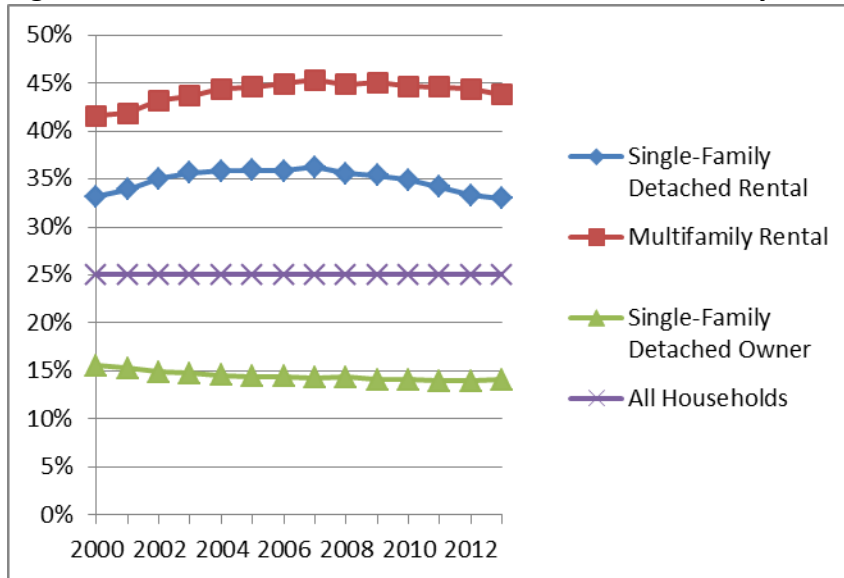
Figure 7: Minority Share of Households by Tenure and Structure Type, 2000-2013



Note: Multifamily rentals include rented single-family attached and manufactured units.
 Source: Tabulations of the 2000-2013 American Community Survey.

The income distribution of detached single-family renters has also changed nearly in parallel with that of multifamily rentals. The shares of single- and multifamily rental units that are occupied by households in the bottom income quartile have declined since the mid-2000s, though the pace has been faster among single-family detached rentals (**Figure 8**). The opposite trend is observed for households in the top income quartile, though in both cases the income disparity between renters and owners of single-family detached units is little changed.

Figure 8: Bottom Income Quartile Share of Households by Tenure and Structure Type



Note: Multifamily rentals include rented single-family attached and manufactured units. Income quartiles are equal fourths of all households sorted by income.

Source: Tabulations of the 2000-2013 American Community Survey.

Discussion

The increase in detached single-family rental properties since the end of the housing boom was a product of changing dynamics in both housing supply and demand. The downturn in the home buying market elevated the demand for rentals so quickly and by so much that it could not be initially served by the existing multifamily stock (most of which was already rental housing) or new construction. At the same time, the supply of vacant single-family homes was rising, due to a combination of foreclosures and owners unable to sell their homes in a down market. The conditions were thus ripe for the conversion of millions of these single-family structures from owner-occupied to rental units.

As these conversions occurred, some characteristics of this segment of the housing stock shifted, along with the profile of the households that came to occupy these units. The supply of single-family detached units available for rent became newer and larger over time, reflecting changes taking place in the overall housing stock. The households that rent single-family detached units, meanwhile, are now more likely to be middle-age families and have higher incomes than before, which is not consistent with trends in other segments of the housing market. These households are also traditionally among the most active participants in the for-

sale housing market; their apparent affinity for detached single-family rentals may therefore be primarily a reaction to the difficult conditions faced by would-be homebuyers, as opposed to a dramatic shift in preferences for the flexibility of renting combined with the amenities of single-family homes.

These dynamics of the single-family rental market do not, unfortunately, bode well for its future growth. Joint Center for Housing Studies projections of household growth suggest that, of the groups with high shares of single-family renters, only minority-headed households are expected to grow faster than all household types over the next twenty years (Joint Center for Housing Studies 2014a). Households with children and those in the 35-54 year old age group, meanwhile, are projected to decline as a share of all households, given long-run demographic trends. These groups are also likely to pursue homeownership as soon as conditions allow, which would divert not only demand but also supply from single-family rentals. Finally, recent high levels of multifamily construction are absorbing much of the demand from groups that have traditionally been renters, such as young adults and high-income urban dwellers, who are less likely to want to live in older single-family suburban homes.

Whether the recent growth in the single-family detached rental stock continues will thus depend greatly on the performance of the housing market. Rising prices on single-family units may encourage owners of these homes to offer them for rent for a while, but that will only last so long as demand from former or would-be homeowners, whose housing preferences align more with single-family detached rentals than with multifamily options, remains strong. Yet the American Dream of homeownership is very much intact, despite the downturn, and will continue to encourage households to own as soon as they can do so. If the economy strengthens, lending standards loosen, and/or policymakers take action to facilitate homeownership, the ability of households to buy homes will improve, and demand for rentals will decrease. A reversal of the recent growth in single-family rentals will then occur, as the households that accounted for much of this growth will be among the first to make the move to owning. Owners of single-family units will in turn find that renting is no longer profitable, and will instead convert their units back to for-sale properties to take advantage of the upward

trend in homeownership. In such an event, detached single-family units will decline as a share of all rentals, though likely only back to their former level of around a quarter of the stock.

Yet regardless of the future growth or decline of single-family detached rentals, these units will continue to provide a valuable option for millions of households who prefer the amenities of single-family homes but cannot or do not want to own. Single-family rentals will thus remain an important alternative to multifamily rentals and single-family homeownership, and a necessary component of the national housing stock.

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Table 1: Characteristics of Occupied Housing Stock by Structure Type and Tenure, 2013

	<i>Thousands</i>					<i>Distribution</i>				
	Rentals		Owner-Occupied		Total	Rentals		Owner-Occupied		Total
	Single-Family Detached	Multi-family	Single-Family Detached	Multi-family		Single-Family Detached	Multi-family	Single-Family Detached	Multi-family	
Total Households	12,173	30,184	60,889	13,045	116,291	100%	100%	100%	100%	100%
Number of Bedrooms										
0-1	721	11,804	848	1,218	14,591	6%	39%	1%	9%	13%
2	3,072	13,199	7,917	5,341	29,528	25%	44%	13%	41%	25%
3+	8,380	5,182	52,124	6,486	72,172	69%	17%	86%	50%	62%
Year Built										
Pre-1950	3,007	5,530	10,605	1,753	20,896	25%	18%	17%	13%	18%
1950-1969	3,540	5,544	14,993	1,443	25,519	29%	18%	25%	11%	22%
1970-1989	2,934	10,385	15,991	4,820	34,130	24%	34%	26%	37%	29%
1990-on	2,692	8,725	19,300	5,029	35,746	22%	29%	32%	39%	31%
Region										
Northeast	1,053	6,941	9,803	3,140	20,937	9%	23%	16%	24%	18%
Midwest	2,574	5,826	15,501	2,261	26,161	21%	19%	25%	17%	22%
South	5,110	10,169	23,050	5,071	43,399	42%	34%	38%	39%	37%
West	3,436	7,249	12,536	2,572	25,793	28%	24%	21%	20%	22%
Metro Status										
Central City	3,584	13,800	13,274	3,531	34,188	31%	48%	21%	27%	29%
Other MSA	4,952	10,900	33,786	6,097	55,735	42%	38%	54%	47%	48%
Non-Metro	3,123	3,963	15,717	3,355	26,158	27%	14%	25%	26%	23%

Note: All data are from tabulations of the 2013 American Community Survey (ACS), with the exception of metro status, which is from the 2013 American Housing Survey (AHS). Multifamily units include single-family attached and manufactured units.

Table 2: Characteristics of Occupied Housing Stock by Structure Type and Tenure, 2013

	<i>Thousands</i>					<i>Distribution</i>				
	Rentals		Owner-Occupied		Total	Rentals		Owner-Occupied		Total
	Single-Family Detached	Multi-family	Single-Family Detached	Multi-family		Single-Family Detached	Multi-family	Single-Family Detached	Multi-family	
Total Households	12,173	30,184	60,889	13,045	116,291	100%	100%	100%	100%	100%
Race of Householder										
White	7,449	15,743	47,935	9,482	80,608	61%	52%	79%	73%	69%
Black	1,972	6,023	4,585	1,275	13,855	16%	20%	8%	10%	12%
Hispanic	2,046	5,749	5,107	1,345	14,246	17%	19%	8%	10%	12%
Other	707	2,670	3,261	943	7,581	6%	9%	5%	7%	7%
Age of Householder										
Under 25	775	3,197	411	171	4,554	6%	11%	1%	1%	4%
25-34	2,981	8,110	5,252	1,381	17,724	24%	27%	9%	11%	15%
35-44	3,147	5,653	10,027	2,006	20,834	26%	19%	16%	15%	18%
45-54	2,423	4,823	13,893	2,531	23,670	20%	16%	23%	19%	20%
55-64	1,599	3,778	14,176	2,743	22,296	13%	13%	23%	21%	19%
65+	1,249	4,623	17,130	4,212	27,213	10%	15%	28%	32%	23%
Family/Household Composition										
Married w/o Kids	2,155	4,067	25,268	4,019	35,509	18%	13%	41%	31%	31%
Married w/ Kids	2,916	3,613	14,626	1,760	22,915	24%	12%	24%	13%	20%
Single Parent	2,312	4,527	2,844	764	10,447	19%	15%	5%	6%	9%
Other Family	1,146	2,410	4,457	1,198	9,211	9%	8%	7%	9%	8%
Single Person	2,525	12,309	11,562	4,585	30,981	21%	41%	19%	35%	27%
Non-Family	1,118	3,257	2,133	720	7,228	9%	11%	4%	6%	6%
Income Quartile										
Bottom	4,015	13,209	8,591	3,258	29,073	33%	44%	14%	25%	25%
Second	3,612	8,685	13,152	3,624	29,073	30%	29%	22%	28%	25%
Third	2,899	5,410	17,474	3,289	29,073	24%	18%	29%	25%	25%
Top	1,647	2,880	21,672	2,873	29,073	14%	10%	36%	22%	25%

Notes: All data are from tabulations of the 2013 American Community Survey (ACS). Multifamily units include single-family attached and manufactured units. Whites, Blacks, and Others are non-Hispanic, while Hispanics may be of any race. Income quartiles are equal fourths of all households sorted by income.