

What are the real rents? We doubt you know

Perception of high rents

We often hear it: “Rents are really high.” And everyone seems to agree. But what we know is vague. We only know our own rent or perhaps the rents of a few others -- and the news media trumpet false data of alarmingly high rents.

Across the country, news outlets regularly report *median rents* for an area, which always seem quite high. For example, in October 2020, the Boston Globe reported the following median rents for Boston:

\$2,050 for **one-bedroom** apartments

\$2,500 for a **two-bedroom** apartments (www.zumper.com/blog/rental-price-data, 8/2020)

For most of us, these median rents seem very high. Moreover, with just this one number to work with, we tend to think that all rents cluster around this median rent. Of course, this perception of high rents everywhere supports the No. 1 tenant activist goal: rent control.

Realtors' listings used for median rents

Here's the problem. These Boston median rents came from **Zumper.com**, a nationwide apartment listing service that matches tenants with available apartments for rent. Across the country, Zumper and other rental listing services (Rent Café, Zillow, Boston Pads, Apartments.com, Rentometer, etc.) calculate median rents for their area, based on their listings, and make them available to the media.

These median rents, however, are substantially **incorrect**. The realtors are not cheating, but their listings do not represent the whole rental housing market, for two reasons.

Asking rents Realtors only list *asking rents* for apartments that are vacant or soon to be vacant, when landlords ask for the highest rent they think they can get. What realtors do not know is what rents are **currently being paid by existing tenants** who have been in their apartments for a year or more, sometimes much longer. These older rents will usually be lower. Thus, realtors' listings do not represent all actual rents.

Realtor fees In addition, realtors charge a fee, usually one month's rent, for their listing service. Either the tenant pays the fee or the landlord does. But either way, the tenants can afford the fee and are looking for middle-class apartments (spacious, amenities, middle-class neighborhood). Or the rent is high enough to allow the landlord to pay the fee. For this reason, too, realtors are listing higher-rent, middle-class apartments.

Landlords in lower-income areas find new tenants by word of mouth, by the existing tenant finding their replacement, by posting the apartment on community bulletin boards or listing it on an inexpensive online service such as Craigslist.

Between the asking rents and the realtors' fees, median rents from realtors will be off the mark. In fact, *FAR* off the mark.

U.S. Census Bureau data

Like everyone else, we had only a vague idea of what the real rents are in our area – Boston. Then, we discovered that the U.S. Census Bureau, besides the every-ten-years census, periodically conducts the American Community Survey (ACS), a detailed look at various features of the U.S. population, including housing characteristics, organized by major cities. Moreover, the Bureau's ACS uses *random sampling* as its methodology, with known error rates, usually +/- 3%. Random sampling is the only proper, scientific way to study a topic involving large numbers of people or things.

See the table below.

Boston Rents (U.S. Census ACS data, 2017, latest available data, all apartment sizes)

Gross rents* % of households

Less than \$500 17.9%

\$500 - \$999 12.9% ___ 30.8% total of above ↑

\$1,000 - \$1,499 20.8% 51.6% total of above ↑

\$1,500 - \$1,999 22.7%

\$2,000 - \$2,499 11.9% ___ 86.2% total of above ↑

\$2,500 - \$2,999 6.0%

\$3,000 or more 5.9%

*Includes utilities & fuel. Also, people paying zero rent were not included.

Now we have a clear view. According to this data, Boston rents are much lower than reported in the media – about \$750 to \$1,000 lower!

Let's look at the middle **boldfaced** line of this table. If we total up the top three lines in the table, indicated by the ↑ arrow, we see that slightly over half, **51.6%**, of all Boston rents were **under \$1,500** in 2017. That 51.6% is very close to 50%, which would be the median rent from Census data (a median is the middle number in a stack of numbers).

According to Census data, then, Boston's median rent in 2017 was right around **1,500**. That's \$1,000 lower than the median Boston rent of \$2,500 for all Boston two-bedroom apartments in 2020 according to Zumper.

Two more facts from this table:

30% of all Boston rents are **below \$1,000**, a very substantial amount of low-rent apartments.
86% of all Boston rents are **below \$2,500**, which is the Zumper median rent.

When we realized that **30%** of Boston rents are **below \$1,000**, it shows two things:

1) The actual rents reflect incomes quite strongly. Nevertheless, we do agree that many lower-income households spend over 50% of their income on rent. Considering how low the rents are in these areas, we get an idea of just how low renter household incomes are, too.

2) How on earth do those lower-income Boston landlords and their housing survive with such low rents? Obviously, they are operating on very tight budgets.

Just imagine, now, how any prolonged nonpayment of rent must harm the housing, the landlords, and the landlord's **other** tenants. The latter get no repairs and rent increases to cover the cost of that nonpaying tenant not moving out for so long. The oft-repeated claim of tenant activists – that landlords charge high rents for crappy apartments – has actually been made to happen by pro-tenant laws like rent withholding and the “free rent trick.”

NOTE on data: Correcting for inflation between 2017 (Census Bureau) and 2020 (Zumper), \$1,500 would be \$1,584 in 2020, not a significant difference. We are comparing the Bureau's median rent for **all apartment sizes** to Zumper's median rent for **two-bedroom apartments**. We could do some fancy calculations here, but the bottom line is that all apartment sizes is not that far off from all two-bedroom apartments.

Rents range widely

Another important point. For all of the rents that are under \$2,500, a substantial number of rents occur at each level. Somewhat more rents do occur at the middle levels, but the other levels have a fairly good number of apartments at each level. Only the high rents – \$2,500 up to \$3,000 and higher – have much fewer apartments at those levels.

The bottom line: all the rents do not cluster around the median.

Conclusions

Boston is a high-income area. While actual rent levels do vary in higher-income and lower-income areas, we would expect that rents elsewhere in Massachusetts and even across the nation would have **similar patterns**: much lower than realtors' listings, and well spread out by income levels.

The fundamental premise of rent control needs to be re-evaluated.

The impact on lower-income neighborhoods with rents this low needs to be considered for all future legislation.

Caution, please!