



Mary Davis

Division Director, Housing & Community Development Division

TO: Councilor Duson, Chair
Members of the Housing Committee

FROM: Mary Davis, Division Director
Housing and Community Development Division

DATE: April 20, 2018

SUBJECT: Rental Housing Survey

As a follow-up to the 2017 Housing Report, the Housing and Community Development (HCD) Division contracted with a consultant, 45 North Research, to conduct a comprehensive survey of rental property owners in the city. The purpose of the survey was to gather a more accurate estimate of rent levels across the city.

Victoria Volent of the HCD Division oversaw this effort. In January, the consultant sent out a survey to all property owners of residential rental units registered with the city as of December 18th, 2017. The results of the survey are reported in the attached Rental Market Survey.

Michael LeVert of Stepwise Data Research, formerly of 45 North Research will present the Rental Market Survey Report to the Housing Committee.

RENTAL MARKET SURVEY

Portland, Maine 2018

WORKING DRAFT

APRIL 1, 2018

MICHAEL LEVERT, STEPWISE DATA RESEARCH
With assistance from Catherine Reilly deLutio

Contents

Summary of Findings1

Introduction to the Data.....2

Rents3

 City-wide.....3

 Utilities.....9

 Neighborhoods11

WORKING DRAFT

Summary of Findings

The median monthly rent for all rental units in Portland, regardless of size, is \$1,200, and the average rent is \$1,225. The middle 50% of rents fall between \$935 and \$1,400. There are very few units renting for less than \$500/month or greater than \$2,000/month.

Two-bedroom units, representing about 40% of the City's rental units, have a median rent of \$1,380 and an average rent of \$1,360, with the middle 50% of rents between \$1,200 and \$1,465. Rents for other size units range from a median rent of \$850 for a studio apartment to a median rent of \$1,980 for a four-bedroom unit.

Compared to last year, rents are flat, with a median price change of \$0 across all unit sizes, and an average change of +\$26.

Across the City, almost two-thirds of rental units include heat, either by itself or with electricity. Fifteen percent of rental units include both heat and electricity, and about one-third of units don't include any utilities. Utilities are significantly more likely to be included in the rent for smaller size units.

For two-bedroom units, the East End and West End neighborhoods have the highest average rents. Rents in the Oakdale, Parkside, and Bayside neighborhoods are about average, although that masks considerable variation within the neighborhood. North Deering, Downtown, Deering Center, East Deering, Riverton, and Valley Street had rents below the city-wide average.

Summary of Portland Rents

	Studio	1BD	2BD	3BD	4BD	All
Median Rent	\$850	\$1,050	\$1,380	\$1,500	\$1,980	\$1,200
Average Rent	\$865	\$1,050	\$1,360	\$1,565	\$1,875	\$1,225
25th Percentile	\$730	\$850	\$1,200	\$1,220	\$1,600	\$935
75th Percentile	\$925	\$1,200	\$1,465	\$1,800	\$2,000	\$1,400
\$/Square Foot (median)	\$2.30	\$1.80	\$1.50	\$1.20	\$1.10	\$1.64
Median Y/Y Change	\$0	\$0	\$0	\$0	\$0	\$0
Average Y/Y Change	\$27	\$19	\$24	\$37	\$15	\$26
# of Occupants (average)	1.1	1.5	2.3	3.0	3.7	2.1
Heat Only Included	50%	57%	47%	43%	33%	50%
Heat and Electric Included	30%	17%	7%	8%	18%	14%
No Utilities Included	20%	25%	45%	49%	48%	35%

Introduction to the Data

In January 2018, the City of Portland conducted a comprehensive survey of rental property owners in the City. The primary objective of the survey was to estimate the rent levels across the city and by neighborhood. Information was gathered from two primary sources:

1. An online survey was sent to all property owners of residential rental units registered with the city of Portland as of December 18th, 2017. Through the City’s rental housing registration, 3,771 properties representing 12,425 units were identified as residential rental units appropriate for the study. These units included all rental properties classified as single-family, multi-family, or residential condominiums.ⁱ A property owner or manager for each property was emailed a survey.
2. Approximately twenty landlords and property managers who owned or managed a large number of buildings and units in the City were asked to directly provide access to their “rent rolls”, including the rent and other rental information for each of their units.

Together, these sources provided data on 5,906 units (herein called, the “sample”), representing almost half of the residential rental units in Portland’s registryⁱⁱ and just under a third of rental buildings.

Table 1: Survey Sample

	Properties	Units
Registered Rental Properties	3,771	12,425
Total Responses	1,145	5,906
Response Rate	30%	48%

Results from the survey indicate that the most common rental units in Portland are one- and two-bedroom units, together representing almost three-quarters of all rental properties. Studio apartments and three-bedroom units are less common, at 14% and 13%, respectively, and very few of the City’s rental units contain four bedrooms (2%). The distribution of rental units by bedroom count in the survey closely aligns with the latest information from the U.S. Census.ⁱⁱⁱ

Table 2: Distribution of Properties by Bedroom Count

	Studio	1BD	2BD	3BD	4BD	TOTAL
Units in Sample	801	2,059	2,175	743	128	5,906
Percentage of Sample	14%	35%	37%	13%	2%	100%
Census Benchmark	11%	35%	35%	17%	2%	100%

Roughly 80% of respondents owned or managed a one- to four-family building, similar to the 87% of one to four-family buildings in the City’s registry.^{iv} Because of the way the data was collected, through both an online survey and rent rolls directly from large landlords, one- to four-family properties represented a relatively lower percentage of the overall units in the survey (29%) compared to the City’s registry (46%).

Table 3: Distribution of Properties by Structure

	% of Properties		% of Units	
	<i>Registry</i>	<i>Survey</i>	<i>Registry</i>	<i>Survey</i>
One-Four Family	87%	79%	46%	29%
Five-Ten Family	9%	12%	18%	16%
Eleven-Twenty Family	2%	5%	8%	15%
Twenty-Plus Family	2%	4%	28%	41%

The rents collected in the survey reflect the market value of the unit; that is, the actual rent collected for the unit unadjusted by any governmental rental subsidies that may contribute to the rent like Section 8 housing voucher program. The survey includes both high-end properties and income-regulated units. In this way, the results reflect the full spectrum of Portland’s rental market. The online survey asked respondents to list the rent for the “most recent unit you rented of each size.” This question allowed for respondents with numerous rental units to efficiently complete the survey. The subsequent analysis assumed this “most recent rent” was the same for all units of the same bedroom count within the building.^v

Rents

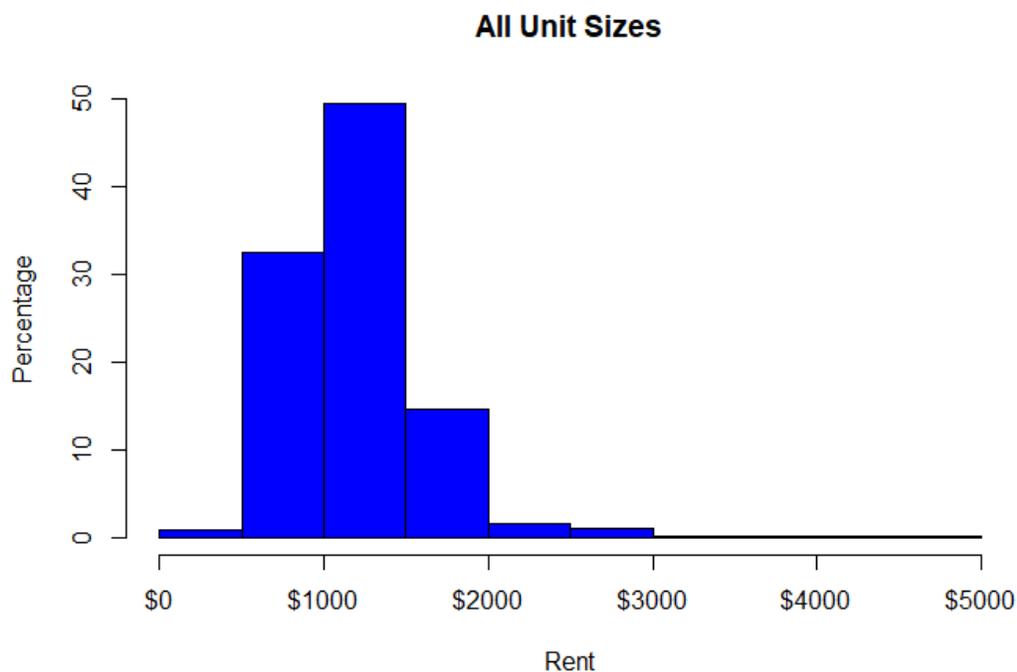
City-wide

The high response rate and representative distribution of properties allows for a number of robust estimates of the Portland rental market to be made, including estimates of current rent levels, the change in rents levels from a year ago, the average number of occupants living in a rental unit, and the prevalence of including utilities in the rent.

The median monthly rent for all rental units in Portland, regardless of size, is \$1,200, and the average rent is \$1,225. This includes both units with landlord-paid utilities and tenant-paid utilities. Compared to last year, rents are flat, with a median price change of \$0 across all unit sizes, and an average change of +\$26. In general, rents increase as the number of bedrooms increase, ranging from a median rent of \$850 for a studio apartment to a median rent of \$1,980

for a four-bedroom unit. The median rent-per-square-foot is \$1.64. Rents also vary by the quality of the unit. The median rent for the highest quality units in Portland is \$1,600. These properties were self-identified by respondents as “Class A” properties and represent roughly 7% of the units in the survey. The median rent for the remaining 93% of properties is \$1,158.^{vi}

The chart below illustrates the distribution of rents by price point for all unit sizes. The height of each bar represents the percentage of total units (vertical axis) at each rent level (horizontal axis). The higher the bar, the more units there are at that rent level. The middle 50% of rents fall between \$935 and \$1,400. There are very few units renting for less than \$500/month or greater than \$2,000/month.



The summary table below and the charts that follow provide information for units by bedroom count. For example, a two-bedroom unit, the most common rental unit in Portland and the usual proxy for the overall rental market, has a median rent of \$1,380 and an average rent of \$1,360. The middle 50% of rents for two-bedroom units fall between \$1,200 and \$1,465, and the median price per square foot for a two-bedroom unit is \$1.50.^{vii} The median rent for the highest-quality two-bedroom units is \$1,800 (7% of two-bedroom units) while the median rent for the remaining 93% of units is \$1,375. The median change in rent compared to last year is \$0 and the average price change is +\$24. The average number of occupants is 2.3.

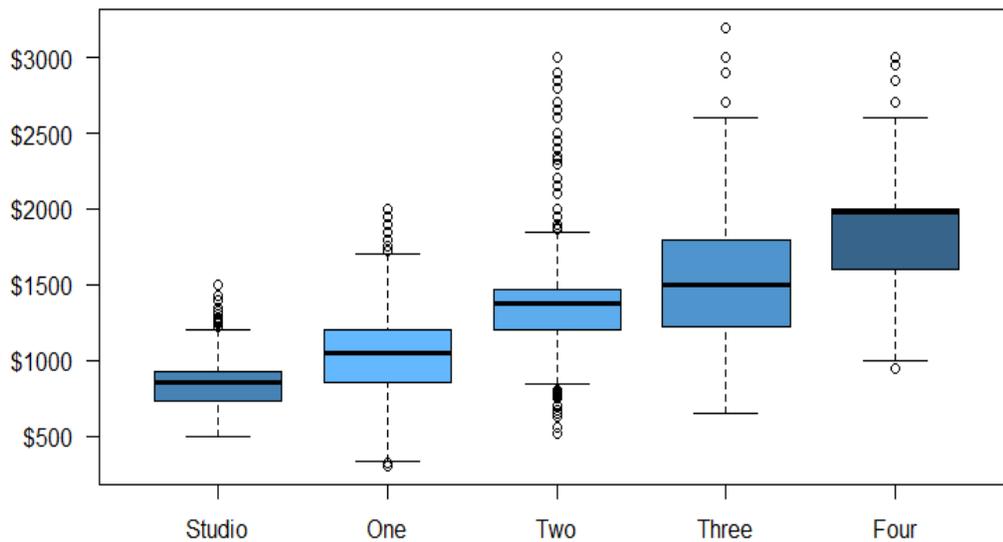
Table 4: Summary of Rents

	Studio	1BD	2BD	3BD	4BD	All
Median Rent	\$850	\$1,050	\$1,380	\$1,500	\$1,980	\$1,200
Average Rent	\$865	\$1,050	\$1,360	\$1,565	\$1,875	\$1,225
25th Percentile	\$730	\$850	\$1,200	\$1,220	\$1,600	\$935
75th Percentile	\$925	\$1,200	\$1,465	\$1,800	\$2,000	\$1,400
Square Feet (median)	365	600	906	1,200	1,450	749
\$/Square Foot (median)	\$2.30	\$1.80	\$1.50	\$1.20	\$1.10	\$1.64
Median Y/Y Change	\$0	\$0	\$0	\$0	\$0	\$0
Average Y/Y Change	\$27	\$19	\$24	\$37	\$15	\$26
# of Occupants (average)	1.1	1.5	2.3	3.0	3.7	2.1
Median Rent for Class A^{viii}	\$1,150	\$1,550	\$1,800	\$2,700	n/a	\$1,600
Median Rent for Non-Class A	\$836	\$1,025	\$1,375	\$1,500	\$1,980	\$1,158

The chart below graphically depicts the median and range of rents for each unit by bedroom count. For a given number of bedrooms, the shaded box depicts the range of values between the 25th and 75th percentiles; that is, for the middle 50% of rents. The heavy horizontal black line within the box represents the median rent. The dotted lines that stretch above and below the box represent the range of rents observed in the sample. The outliers are shown as circles that extend beyond the dotted lines.^{ix}

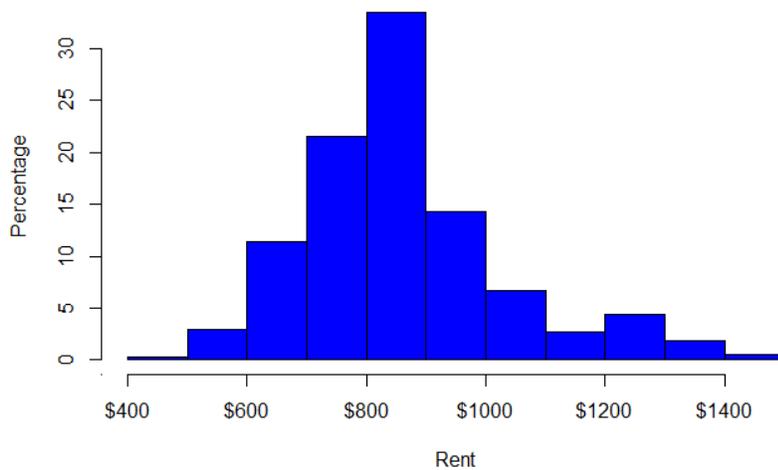
The largest range of rents occurs with three-bedroom units. We hypothesize this may be because of the wide variety of structures that encompass three-bedrooms, including relatively small three-bedroom apartments within larger buildings and stand-alone houses for rent. Each unit size has several rents well above or below the typical range of rents. These outliers are interesting to observe because they show clearly the large variation in rents across the city; however, because of the large sample size they have little on the median rents reported.

Median Rent by Bedroom

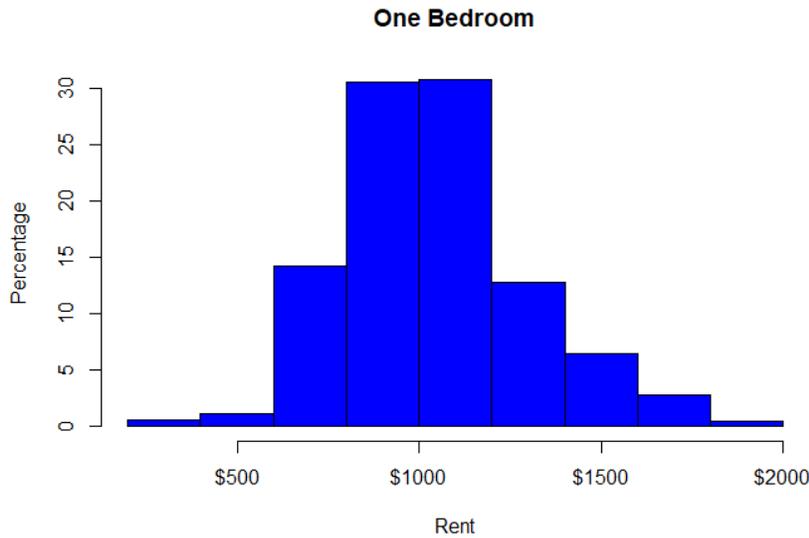


Studio apartments: Studio apartments make up a little more than 10% of rental units in Portland. The median rent for a Studio is \$850, with the middle 50% of rents falling between \$730 and \$925. The median price per square foot is \$2.30, and the median change in rent compared to last year is \$0. The average number of occupants is 1.1.

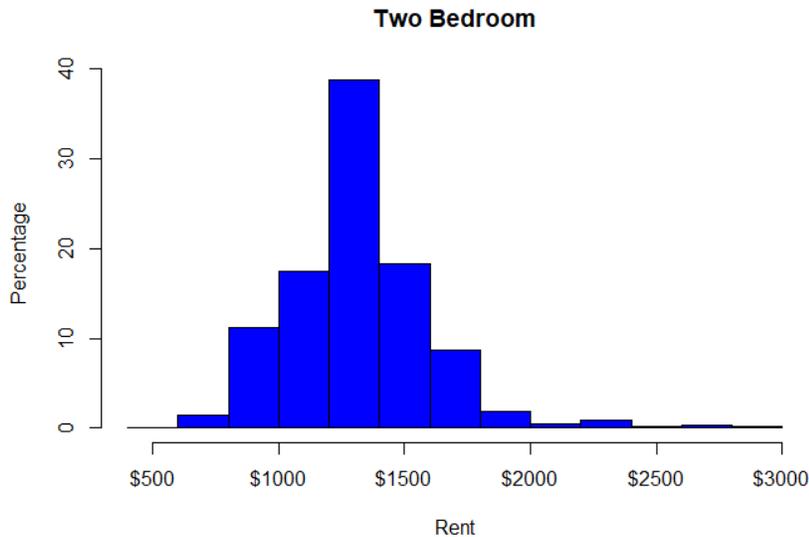
Studio



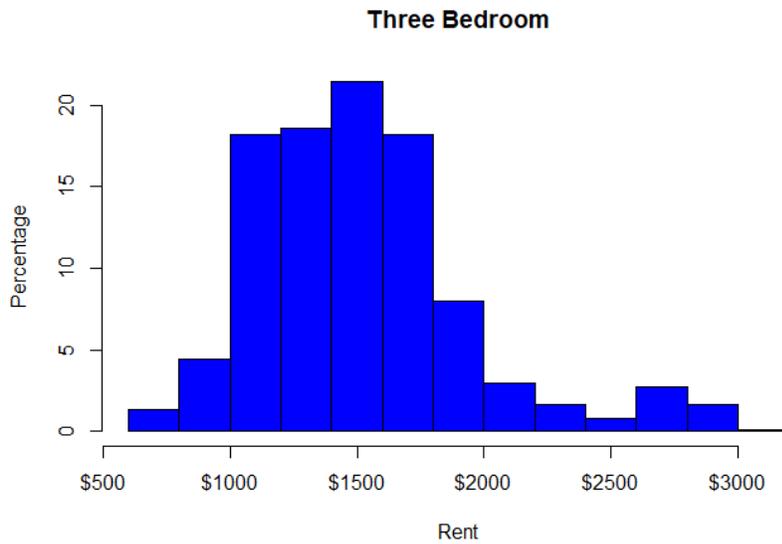
One-bedroom units: Roughly one-third of Portland rental units have one-bedroom. The median rent for a one-bedroom unit is \$1,050, with the middle 50% of rents falling between \$850 and \$1,200. The median price per square foot is \$1.80, and the median change in rent compared to last year is \$0. The average number of occupants is 1.5.



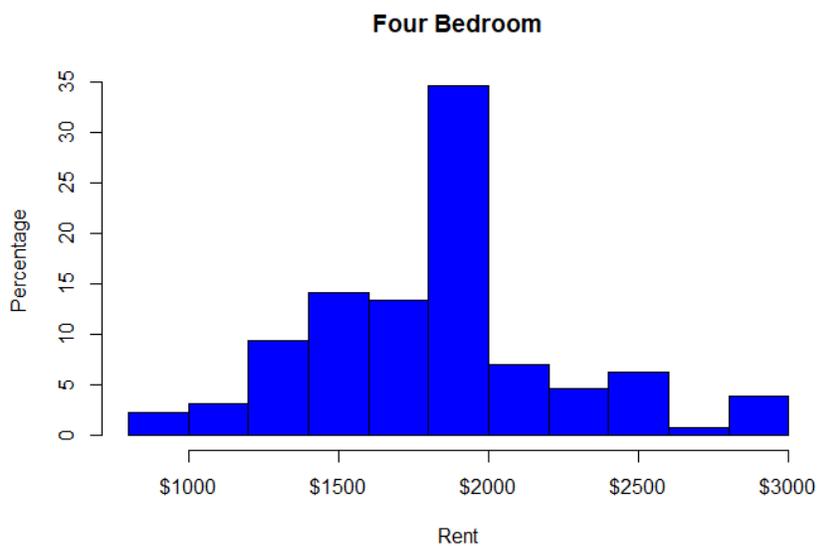
Two-bedroom units: Two-bedroom units are the most common in the city, representing about 40% of rental units. As mentioned above, the median rent for a two-bedroom is \$1,380, with the middle 50% of rents between \$1,200 and \$1,465. The median price per square foot is \$1.50, and the median change in rent compared to last year is \$0. The average number of occupants is 2.3.



Three-bedroom units: Roughly 17% of units have three bedrooms. The median rent for a three-bedroom is \$1,500, with the middle 50% of rents falling between \$1,220 and \$1,800. The median price per square foot is \$1.20, and the median change in rent compared to last year is \$0. The average number of occupants is 3.0.



Four-bedroom units: Very few rental units in Portland are four-bedrooms (2%). The median rent for a four-bedroom is \$1,980, with the middle 50% of rents falling between \$1,600 and \$2,000. The median price per square foot is \$1.10, and the median change in rent compared to last year is \$0. The average number of occupants is 3.7.



Utilities

Across the City, almost two-thirds of rental units include heat, either by itself or with electricity. Fifteen percent of rental units include both heat and electricity, and about one-third of units don't include any utilities.^x Including just electricity in the rent is rare. Utilities are significantly more likely to be included in the rent for smaller size units: for example, thirty-percent of studio apartments include both heat and electricity, compared to 7% and 8% of two- and three-bedroom units, respectively.

Prevalence of Including Utilities, All Units

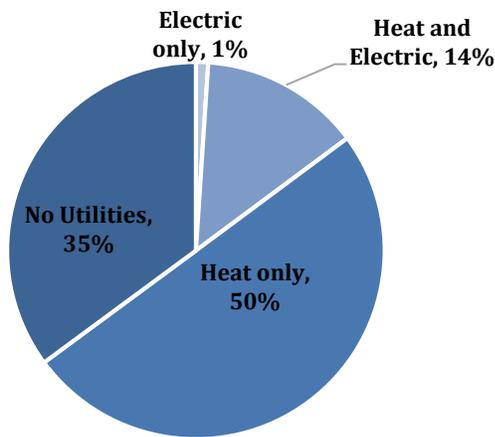


Table 5: Prevalence of Including Utilities in Rent by Bedroom Count

	Studio	1BD	2BD	3BD	4BD	All
Electric only	0%	1%	1%	1%	1%	1%
Heat only	50%	57%	47%	43%	33%	50%
Heat and Electric	30%	17%	7%	8%	18%	14%
Neither	20%	25%	45%	49%	48%	35%

Comparing the rent for properties with landlord-paid utilities to properties with tenant-paid utilities is complex and often misunderstood. Common sense indicates that including utilities in the rent increases the rent, and all other things being equal, this is the case. However, who pays for utilities is often correlated with other factors that also affect the rent, including the quality of the unit and the characteristics of the property. Many older properties include utilities because of structural issues that preclude their tenants from paying for the utility themselves; for example,

heat may be included in older buildings that have not been renovated with separate heating zones for each unit; electricity may be included if older wiring is interconnected between units or with a common laundry room. On the other hand, the opposite case may occur where the highest quality units include utilities but also offer many other amenities (like a gym or off-street parking) that are also reflected in the increased rent. In addition, landlords may include utilities in the rent because it leads to fewer vacancies or shorter time on the rental market. In these cases, including utilities provides a financial benefit to the landlord but will not be reflected directly in market rent levels. These dynamics – particularly the correlation between utilities and quality – means comparisons of median or average rents by the inclusion of utilities can be misleading and, in some cases, will understate or overstate the premium for including utilities in the rent.

While a full analysis of rents with and without utilities is outside the scope of this project, below we provide some “ballpark” estimates of adjusted average rents with no utilities included. Conversations with several larger landlords indicate that, on average and all other things being equal, including utilities increases the monthly rent by roughly \$125 for a one-bedroom unit to \$225 for a four-bedroom unit. This includes a monthly cost of \$25-\$50 for electricity and \$100-\$175 for heat. Combining these rough estimates with the information above on the prevalence of utilities included in the rent, the following inferences can be made:

- Fourteen percent of rents will pay nothing additional for utilities.
- Half of renters will pay an additional \$25-\$50 per month for electricity, but nothing additional for heat.
- Roughly one-third of renters will pay an additional \$125 - \$225 per month for heat and electricity, on top of their rent.

If one assumes that the costs of utilities are fully reflected in the rents for those units that include them, these costs can be removed to estimate a new average rent. Table 6 shows the calculation for a two-bedroom unit: the number of units in each category (no utilities included, heat only, electricity only, both utilities included) are multiplied by the assumed monthly cost of the included utilities, if any; these costs are aggregated and then divided by the total number of units to arrive at an adjusted average rent. The adjusted rent reflects the average rent *without utilities* and results in an average rent for a two-bedroom unit without utilities that is \$70 less than the unadjusted average. Table 7 lists the adjusted average rents for all unit sizes, without utilities.

Table 6: Calculation for Adjusting Average Rent for Included Utilities for a Two-Bedroom Unit

	# of units (A)	Estimated Cost of Included Utilities (B)	Aggregate Monthly Cost of Included	Premium (=C/A)
Electric only	21	\$30	\$630	
Heat only	1,017	\$125	\$127,125	
Heat and Electric	154	\$155	\$23,870	
No Utilities	983	\$0	\$0	
All	2,175		\$151,625	\$70

Table 7: Adjusted Average Rents Including Utilities

	Studio	1BD	2BD	3BD	4BD
Unadjusted Average Rent	\$865	\$1,050	\$1,360	\$1,565	\$1,875
Adjustment for Utilities	-\$85	-\$80	-\$70	-\$80	-\$100
Adjusted Average Rent – No Utilities	\$780	\$970	\$1,290	\$1,485	\$1,775

Neighborhoods

To get a better sense of the variation of rents across the city, rents for two-bedroom units were analyzed for twelve neighborhoods (as defined by the City). ***Care should be taken with these results as the lower sample size for each of the neighborhoods introduces more variation in the data and a higher risk that a small set of responses could sway the results.*** For example, a single large apartment building with premium rental units or income-regulated rents may heavily influence the average for a neighborhood. Shifting the neighborhood boundaries by several streets may also significantly change the results; this is particularly important if a large apartment building is near a neighborhood border. Often a neighborhood may be *perceived* as a “high” or “low” rental market overall, but there may be a large apartment complex within the neighborhood that is small in terms of space (and therefore, perception) but influential in terms of average rent. Rents may also vary across neighborhoods for a variety of reasons, with the quality of the unit still often a primary driver of higher or lower rent, and not a neighborhood’s location, per se. This is observed when units on the same street rent for very different rents.

The table below shows the number of buildings and units in the City’s registry (as of December 18, 2017) and the survey sample. All neighborhoods except two had over 25% of the buildings in the registry represented in the sample.^{xi}

Table 8: Sample Counts by Neighborhood

Neighborhood	Registry		Sample		Percent of Registry	
	Properties	Units	Properties	Units	Properties	Units
Bayside	240	957	81	719	34%	75%
Deering Center	511	1,101	141	346	28%	31%
Downtown	146	796	50	650	34%	82%
East Deering	207	394	64	185	31%	47%
East End	509	1,448	150	567	29%	39%
North Deering	294	943	72	270	24%	29%
Oakdale	298	1,350	97	483	33%	36%
Parkside	264	1,366	101	709	38%	52%
Riverton	176	662	33	254	19%	38%
Valley Street	131	613	53	438	40%	71%
West End	462	1,667	176	911	38%	55%
Other / Combined	430	1,000	117	362	27%	36%
N/A	34	54	10	12		
Grand Total	3,771	12,425	1,145	5,906	30%	48%

Due to low sample sizes, the “Other / Combined” neighborhood includes Rosemont, Stroudwater, Libbytown, and Nason’s Corner; “N/A” refers to properties with addresses that did not match a neighborhood; information from the Registry as of December 18, 2017.

Table 9 shows the median and average rents for two-bedroom units^{xii} for each of twelve neighborhoods.^{xiii} The chart that follows compares each neighborhood’s average rent (or adjusted rent) to the city average. For the samples of five neighborhoods, one large building heavily influenced the average rents for the neighborhood. Because this is the first time the survey has been done, it is not possible to know whether this building is representative of the neighborhood. To be conservative, we adjusted each neighborhood’s sample so that no single building exerted an influence greater than 33% on the neighborhood’s average rent (as measured by the contribution of the weighted average of each building to the total average). This resulted in adjusted average rents for five neighborhoods, as shown in the table.

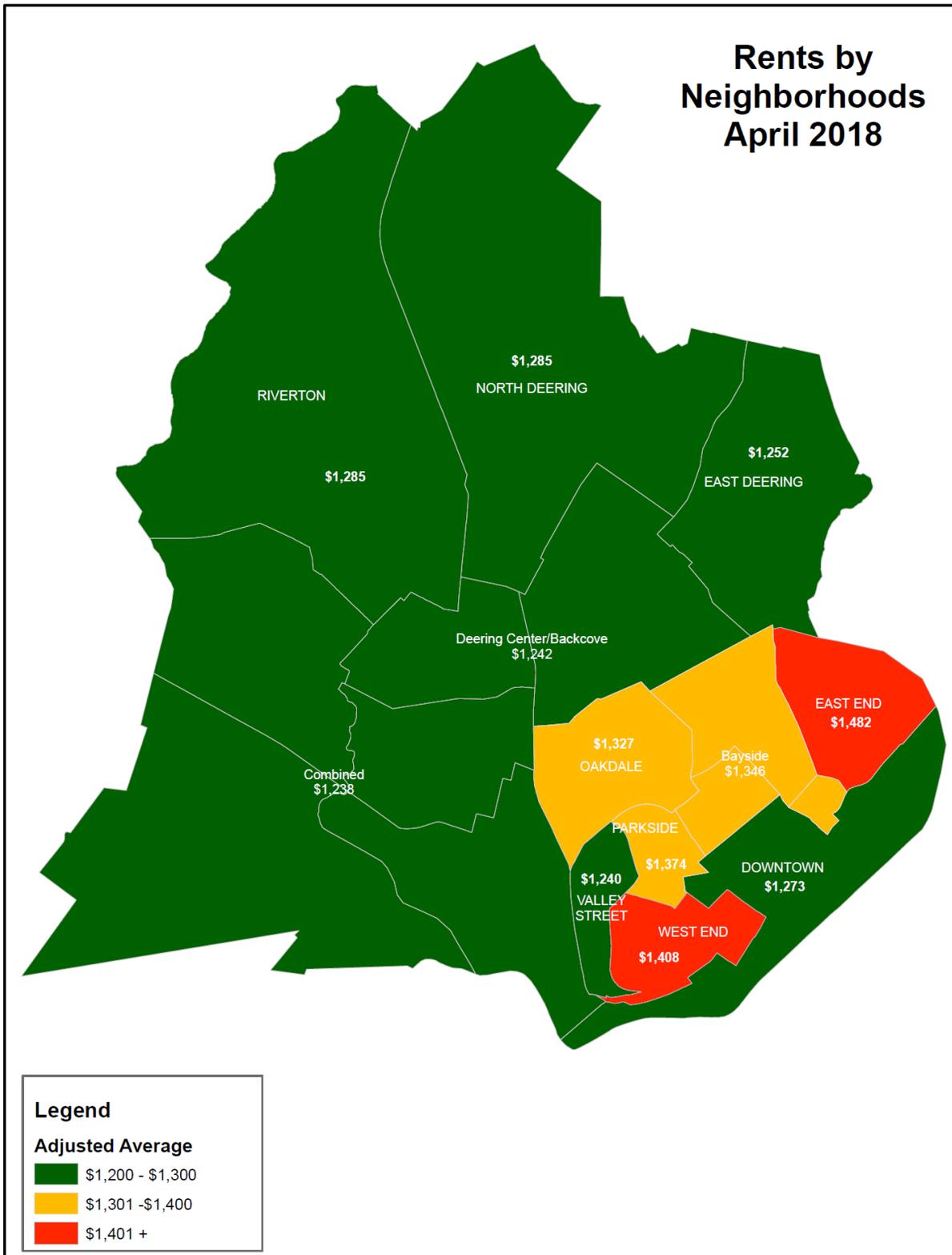
For two-bedroom units, the East End and West End neighborhoods have the highest average rents. Rents in the Oakdale, Parkside, and Bayside neighborhoods are about average, although that masks considerable variation within the neighborhood. North Deering, Downtown, Deering Center, East Deering, Riverton, and Valley Street had rents below the overall average.

Table 9: Rents by Neighborhood

Neighborhood	Bldngs	Units	25 th %	Median	75 th %	Average	Adjusted Average
Bayside	47	234	\$963	\$1,350	\$1,800	\$1,423	\$1,346
Deering Center/Back Cove	84	143	\$1,100	\$1,225	\$1,350	\$1,242	\$1,242
Downtown	24	103	\$995	\$1,135	\$1,500	\$1,257	\$1,273
East Deering	48	139	\$1,200	\$1,225	\$1,350	\$1,252	\$1,252
East End	95	249	\$1,185	\$1,400	\$1,640	\$1,482	\$1,482
North Deering	33	150	\$1,390	\$1,465	\$1,465	\$1,397	\$1,285
Oakdale	58	257	\$1,395	\$1,400	\$1,400	\$1,359	\$1,327
Parkside	64	167	\$1,165	\$1,325	\$1,500	\$1,374	\$1,374
Riverton	12	138	\$1,400	\$1,400	\$1,450	\$1,406	\$1,285
Valley Street	35	138	\$1,150	\$1,200	\$1,300	\$1,240	\$1,240
West End	104	355	\$1,250	\$1,378	\$1,406	\$1,408	\$1,408
Other / Combined	57	99	\$1,100	\$1,200	\$1,400	\$1,238	\$1,238
TOTAL	661	2,172	\$1,200	\$1,380	\$1,465	\$1,360	

The "Other / Combined" neighborhood includes Rosemont, Stroudwater, Libbytown, and Nason's Corner

Adjusted Average Rents by Neighborhood



Credit to Nasir Shir, GIS Manager, IT, City of Portland for creating the map

Endnotes

ⁱ Approximately 3,600 units registered with the City were excluded from the survey. These units were classified under a variety of uses, including most commonly “Governmental,” “Multi-use Commercial”, and “Benevolent and Charitable.” All single and multi-family units and residential condominiums were included in the survey.

ⁱⁱ All references to the City’s Registry refer to the Registry as of December 18, 2017

ⁱⁱⁱ U.S. Census Bureau American Community Survey 2016 1-Year Estimates

^{iv} Residential condominiums are included in the one-four family statistics.

^v This assumption was made because the vast majority of rental units of the same bedroom count within the same building are rented for the same amount. When rents of the same size within a building vary it is most likely due to different lease schedules, and rents converge as leases renew. In rare instances, units with the same number of bedrooms will rent for different amounts within the same building; for example if a two-bedroom unit has significantly more square feet than another two-bedroom unit.

^{vi} The highest quality units were self-identified by respondents. They represent roughly 6.5% of units in the sample.

^{vii} Note that rent per square foot declines as the number of bedrooms increase. This reflects the fact that smaller units have fewer square feet to allocate the cost of kitchens and bathrooms.

^{viii} Class A includes furnished units and units self-identified as “One of the newest and highest quality rental properties in Portland. It is well-located and professionally managed. It serves primarily high-income tenants. (Sometimes called “Class A” property.)”

^{ix} Outliers that fall beyond one and a half times the range for the middle 50% of values are excluded.

^x According to the U.S. Census American Community Survey 1-Year Estimates, 24% of renter households paid nothing for utilities. This is higher than our estimate of 14%, possibly because our universe of residential rental units is more restrictive than the Census.

^{xi} Several neighborhoods had large apartment buildings in the sample that were not included in the City’s registry as of December 18, 2017. This caused the percent of units to be higher than it would have been if the units had been part of the registry.

^{xii} Rents by neighborhood for units other than two-bedroom units are not presented due to small sample sizes and confidentiality restrictions.