



 **Zillow**[®] GROUP

CONSUMER HOUSING TRENDS REPORT 2016



TODAY'S RENTER

Today's renter is aware of the dynamic housing market—and nearly six out of 10 renters consider both renting and buying. Nearly half of all renters consider living in a single-family home, but less than one-third actually do, a factor that may contribute to renters' interest in homeownership.

Finding a new rental takes an average of 10.4 weeks—and up to 12 weeks for those with lower household incomes. Eight out of 10 renters use online resources in their home search, and most reach out to at least four landlords or property managers in the process of searching for their new place. More than 20 percent of renters will give up on a property if they don't receive a response to their inquiry in what they consider to be a timely manner, which for most is within 24 hours.

Renters typically sign leases with a length of 12 months. They prioritize finding a place that fits within their budget, is in a safe neighborhood, and takes their pets, sacrificing other features such as square footage, a yard, garage or view in favor of a home they can afford in their desired location.



RENTER CHARACTERISTICS & CONSIDERATIONS

MOST EARN LESS THAN \$50,000

Renters are defined as people who moved to a home that they rent within the last year, which includes the main decision-makers and other household members who had a say in the decision.

Today's typical renter is most often female (57 percent), Caucasian (52 percent) and part of a household earning below \$50,000 annually (58 percent). Eighty-four percent of renters are below age 50, making them Millennials (56 percent) or members of Generation X (28 percent).

Among generations:

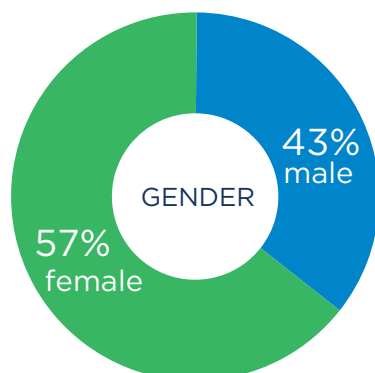
- **Millennial renters represent more than half of all renters (56 percent)**, and they are often women (59 percent), more likely than older generations to be Latino/Hispanic (23 percent), and include adults across all income levels.
- **Generation X** renters represent approximately one out of three renters (29 percent). This generation is balanced by gender (47 percent male versus 53 percent female) and more likely to be black/African-American (21 percent) than other generations. **Nearly a third (29 percent) earn above \$75,000 a year, representing the highest proportion of wealthier renters among the generations.**
- **Sixty-one percent of Baby Boomers who rent are women**, most bring in below \$50,000 (61 percent), and most are Caucasian (66 percent).
- **Silent Generation renters** are balanced by gender (49 percent male/51 percent female) and are most often Caucasian (72 percent) or black/African-American (17 percent). **Nearly three out of four (72 percent) are living on household incomes below \$50,000**, suggesting they are drawing on Social Security or a fixed retirement income.

In terms of household composition, six in 10 (59 percent) are living with a spouse/partner, and four in 10 have children under the age of 18. One in three renters has at least one pet (35 percent), comprised primarily of cats (16 percent), small dogs (15 percent) and medium/large dogs (12 percent).

R-1: TODAY'S AVERAGE RENTER

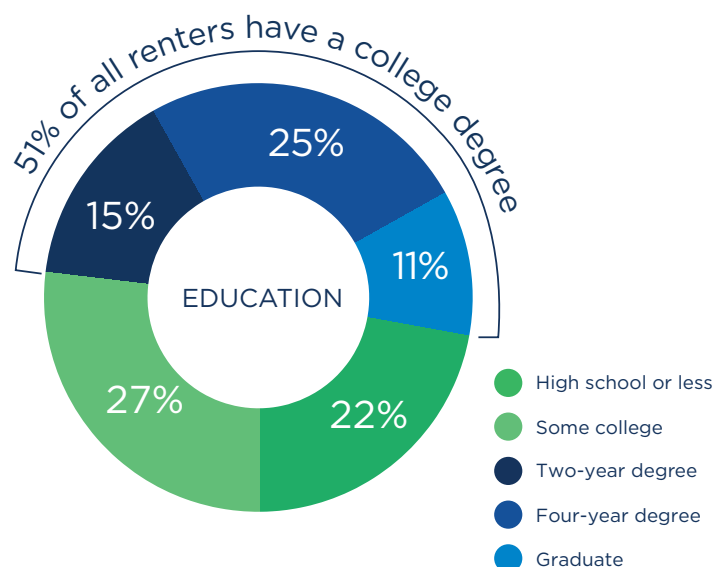
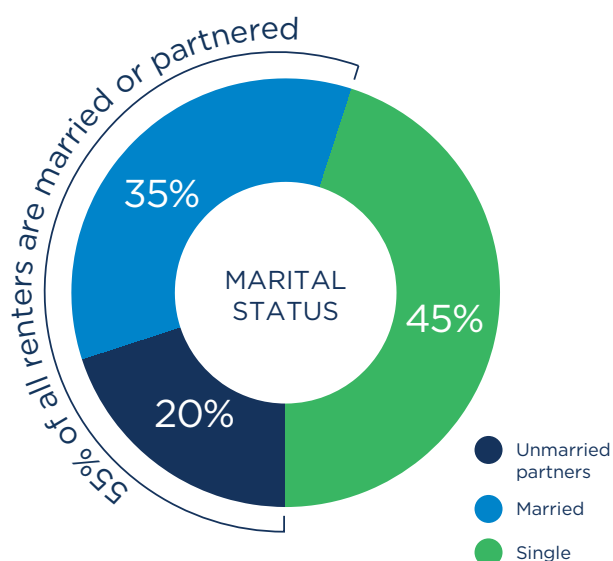
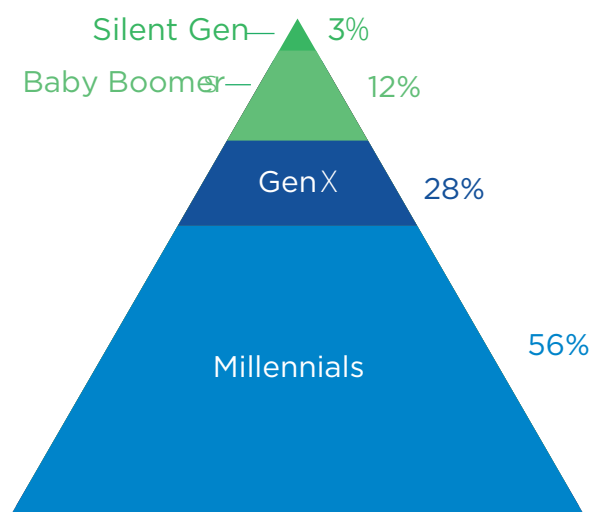
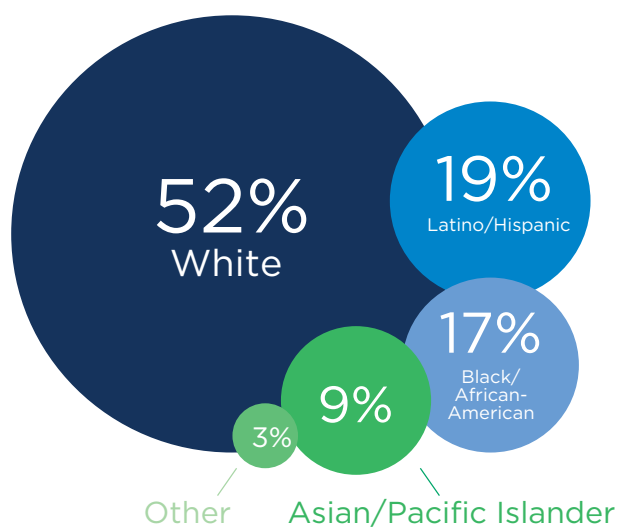
Median age is

32



Median income is

\$37.5K



HOME SHOPPING A SHARED EFFORT

More than four out of five renters (82 percent) are co-shopping for a home with either a romantic partner (53 percent) or roommate-to-be (20 percent). Most (88 percent) of renters age 24 or younger are searching for a home they intend to share.

TYPICAL HOME SEARCH TAKES TWO TO THREE MONTHS

The average renter spends 10.4 weeks searching for a home. Generally speaking, the higher a renter's income, the faster they tend to find a new home. Renters earning over \$75,000 secure a place in fewer than 10 weeks on average, while those earning under \$25,000 need nearly 12 weeks on average to find a new home.

RENTERS SEEK SINGLE-FAMILY HOMES

Like buyers, renters' first choice is a single-family home (48 percent). However, renters' consideration of stand-alone houses is less pronounced than that of buyers (83 percent). More than half (51 percent) of renters are looking at units in small or mid-sized buildings, and about one-third (32 percent) consider townhouses.

Renters also consider larger buildings with more than 50 units (30 percent), duplex/triplex units (24 percent) or a condo/co-op (17 percent). Just 7 percent are considering applying to live in income-restricted rental housing.

Many generational trends exist when considering types of rental homes:

- **Millennials are most willing to move into apartment buildings** of any type—large, medium-sized, small—or into townhouses.
- **Generation X renters are most interested in single-family home rentals** (54 percent) but are also open to living in apartment buildings.
- **Baby Boomers are the population most likely to consider living in a duplex or triplex** (26 percent).
- **Silent Generation renters are more likely to consider “other” housing** (19 percent), possibly because some senior housing doesn't fit conventional rental parameters, or to rent income-restricted properties (12 percent) as many live on fixed incomes in retirement.

"The average renter spends 10.4 weeks searching for a home. The higher a renter's income, the faster they tend to find a new home."

R-2: TYPES OF HOMES CONSIDERED



51%

of renters are looking for apartments
in small-to medium-size buildings



48%

for single-family
houses



32%

for townhouses



24%

for duplexes
or triplexes



17%

for condos or
co-op housing



7%

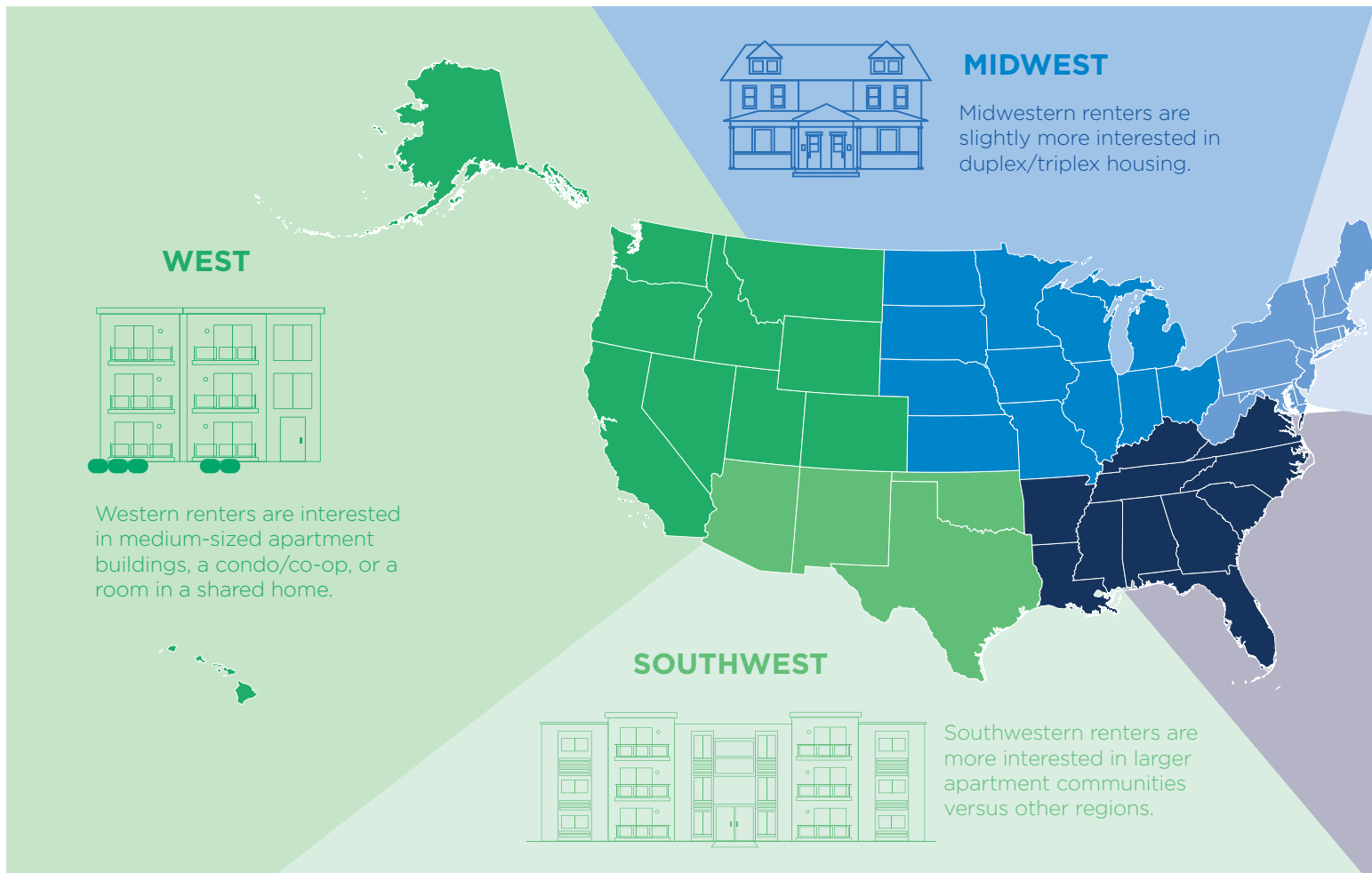
for room in
shared housing



7%

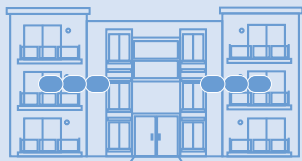
for income-restricted
home

R-3: RENTING BY REGION



	MIDWEST	NORTHEAST	SOUTHWEST
SMALL-MEDIUM APARTMENT	53%	58%	50%
SINGLE-FAMILY HOMES	50%	38%	44%
TOWNHOUSE	30%	26%	32%
LARGE APARTMENT	27%	27%	35%
DUPLEX/TRIPLEX	29%	18%	24%
CONDOS/CO-OP	18%	15%	20%
ROOM IN SHARED HOUSING	6%	10%	2%
INCOME-RESTRICTED HOME	6%	6%	7%

NORTHEAST



Northeastern renters are more likely to seek out smaller apartment buildings.

SOUTHEAST



Southeastern renters are most interested in single-family homes.

Regionally, renters in the Southeast and Midwest seek the space afforded by single-family homes, while renters in the expensive and dense Northeast and West look to smaller buildings, sharing a home, or income-restricted options to make the rent more affordable. Those in the Southwest appear to seek the amenities of larger rental communities.

- **Northeast renters** are among those most likely to seek out **small apartment buildings** (58 percent) or to rent a room in a shared home (10 percent).
- **Southeast renters seek space**, and are among the most interested in **single-family homes** (53 percent) or townhouses (35 percent).
- **Midwest renters** show the most interest in **duplex/triplex housing** (29 percent). They are also among the most interested in single-family homes (50 percent) and smaller apartment buildings (41 percent).
- **Southwest renters** are the most interested in **larger apartment communities** (35 percent) or renting a condo or co-op (20 percent).
- **Western renters** express considerable interest in small- to medium-sized apartment buildings (53 percent), a condo or co-op (20 percent), or **economizing** by living in a room in a shared home (10 percent) or in an income-restricted property (9 percent).

SOUTHEAST

WEST

45%

53%

53%

47%

35%

33%

30%

31%

21%

27%

16%

20%

6%

10%

6%

9%

MORE THAN HALF CONSIDER BUYING INSTEAD

More than half (58 percent) of all renters in the market for a new rental home are also considering buying a place—with 19 percent seriously looking to buy and 39 percent casually considering it. This is particularly true for Millennials and members of Generation X (63 percent and 59 percent, respectively).

Among adults over 50 who rent, the majority (57 percent of Boomers, 68 percent of the Silent Generation) do not consider buying at all.



SEARCHING & SHOPPING RESOURCES

"Four out of five renters use online resources to assist in their home searches."

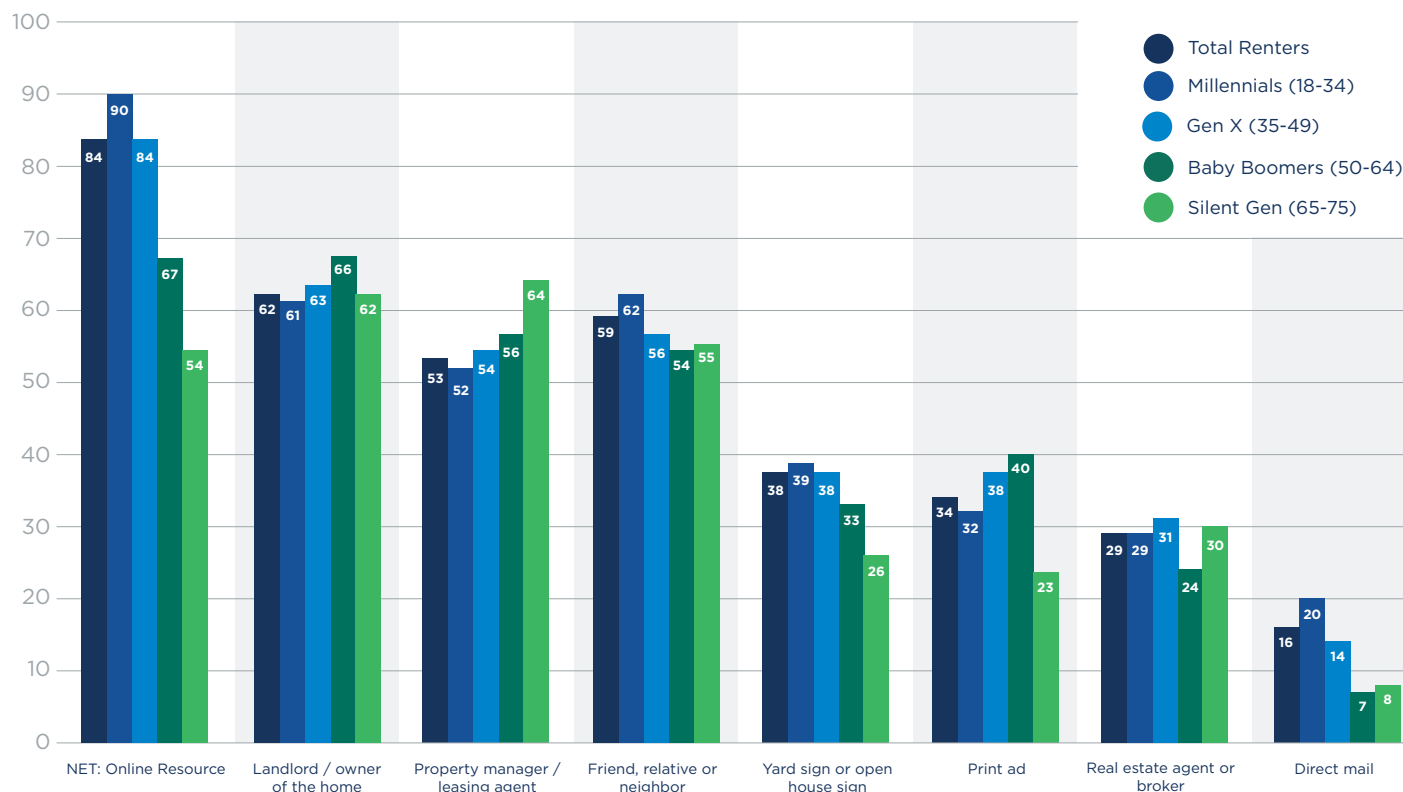
ONLINE RESOURCES AND RENTAL PROFESSIONALS MOST COMMON

Finding a rental home can be challenging, as inventory fluctuates along with national and regional economic trends. Any renter hitting the market during a local industry's hiring boom, shopping for a home in a college town near the launch of the academic year, or seeking a house in a popular school district or trendy neighborhood will face steep competition.

Four out of five renters use online resources to assist in their home search (84 percent), which is the most commonly used resource. This is followed by direct contact with the property owners/landlords (62 percent), and referrals by friends, relatives or neighbors (59 percent). Over half (53 percent) also consider property managers or leasing agents to be resources during their search.

R-4: RESOURCES USED TO SEARCH & SHOP

Online resources are most used by those under age 65, whereas the Silent Generation favors rental professionals.



ONLINE RESOURCES ACCESSED IN A VARIETY OF WAYS

When it comes to technology's role in connecting renters with new homes, most renters are using their desktop computers (74 percent) to search for homes, followed by mobile sites (59 percent) and apps (43 percent). **Millennials are the most bullish on mobile search**, with three out of four turning to mobile (76 percent), versus just 61 percent of Generation X renters, over a third of Baby Boomers (35 percent) and one in four Silent Generation renters (24 percent).

Here's how renters approach their home search, by generation:

- **Millennial renters turn first to technology.** They are the generation most likely to use online resources (90 percent), particularly via mobile access (76 percent), and are more likely than those age 35 or older to reach out to their friends, relatives and neighbors for advice (62 percent).
- **Generation X turns to the internet and landlords.** They rely most on online tools (84 percent) and direct landlord or owner contact (63 percent). Additionally, four in 10 pay attention to yard or open house signs (38 percent), which is on par with Millennials and higher than those 50 and over (33 percent for Baby Boomers, 26 percent for Silent Generation).
- **Baby Boomers mix internet research and human contact.** They use the internet (67 percent), talk to landlords (66 percent) and reach out to property managers (56 percent). They are the generation most likely to notice print ads (40 percent).
- **Silent Generation renters rely on people first, technology second.** They predominantly turn to property managers/leasing agents (64 percent) and landlords/owners (62 percent), with half (54 percent) also using online tools and one in four using mobile (24 percent).

THE ROLE OF PROPERTY MANAGERS AND LANDLORDS

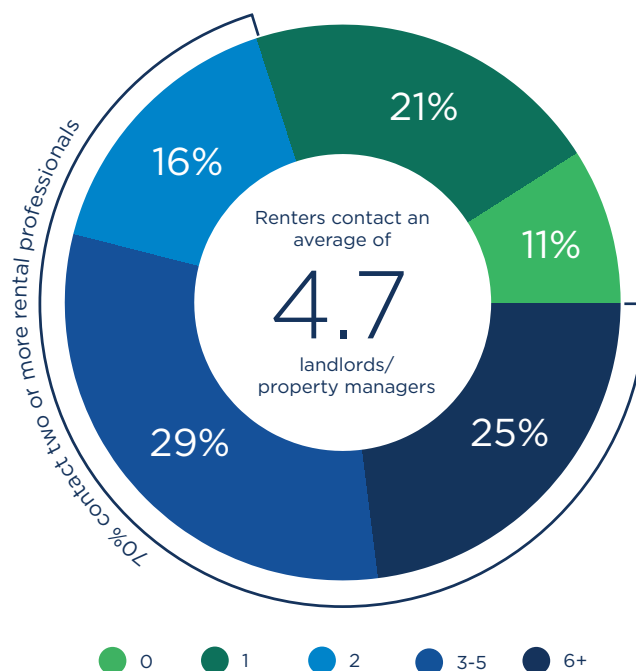
Rental properties are typically managed by two types of individuals—the property owner/landlord or a hired property manager.

Bigger properties are more likely to be institutionally owned and to employ a management company or on-site property manager. Smaller buildings, single-family homes and stand-alone units (condos, townhouses) are often owned by individuals or landlords who rent out these properties as a livelihood or as a side business; these properties may be marketed and rented by their owners or by a management company or agent the owner has hired.

Half of all renters wind up living in a space that is not managed by a property manager. When they do, most often this manager lives on-site (62 percent). The larger the building, the more likely it will feature an on-site property manager, with more than two-thirds (79 percent) of renters in these buildings indicating their manager lives on-site.

Just under half (46 percent) of all renters wind up renting from a landlord, although more than six in 10 use landlords as a resource when searching for a property. Renters of single-family homes, however, deal with landlords 70 percent of the time.

R-5: NUMBER OF CONTACTS MADE WITH RENTAL PROFESSIONALS



R-6: HOW RENTALS ARE MANAGED



70%

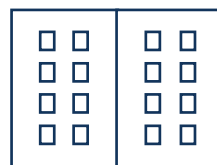
Managed by landlord/
owner



SMALL BUILDINGS

50%

Managed by landlord/
owner



MEDIUM BUILDINGS

52%

On-site property
manager/property
management company



LARGE BUILDINGS

67%

Off-site property manager/
property management
company

FAST RESPONSE TIMES ARE CRITICAL

Today's renters have to cast a wide net to find a new place, contacting a variety of property managers and landlords and crossing their fingers for a fast response. **The average renter contacts 4.7 landlords or property managers.** Older Millennial renters reach out to the most rental professionals, contacting an average of 5.3 landlords or property managers.

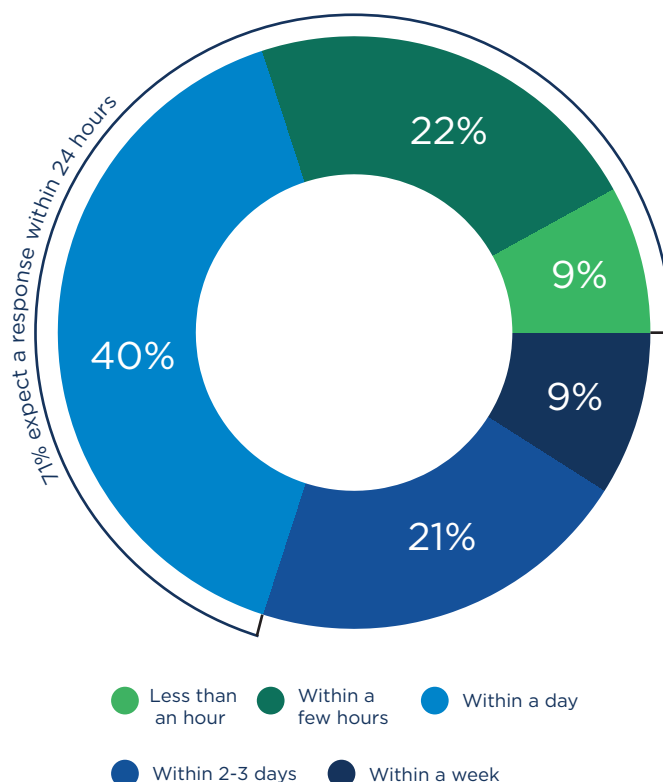
Since most renters are working on a short timeline—about two to three months—to locate and move into a property, **response time is critical to renters.**

Following an initial query by a renter, nearly one in three (31 percent) expect to hear back from the property manager or landlord within hours, and the majority (71 percent) expect to hear back within one day.

If a renter does not receive a response from a rental professional within their expected timeframe, the most common next step is to contact them again via a phone call (45 percent). However, **one in five (22 percent) choose to immediately move on to another rental property they've set in their sights.**

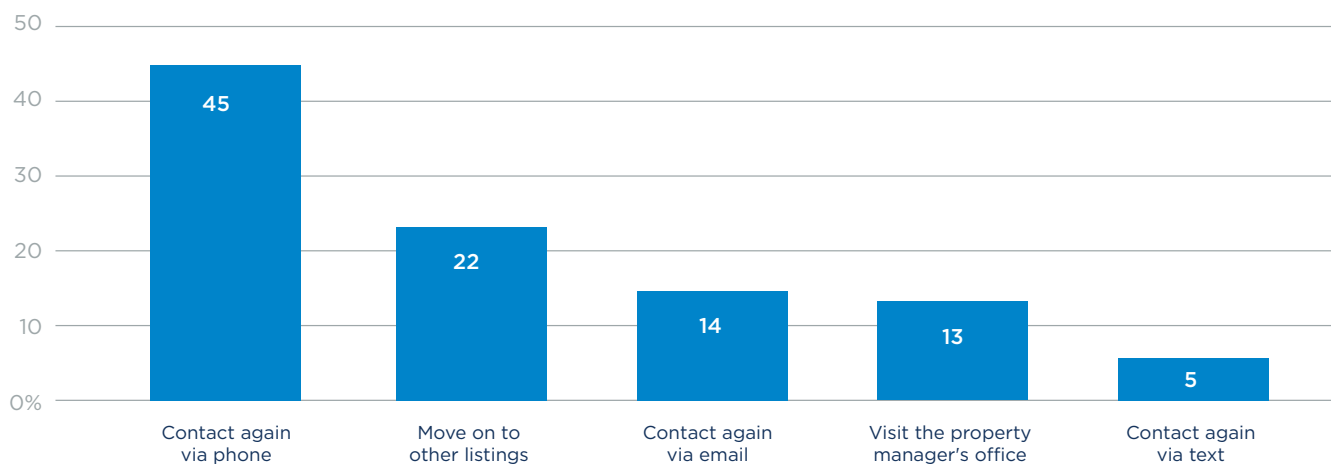
Additional next steps by the prospective renter include emailing the rental professional (14 percent), making an in-person visit to the property or manager's office (13 percent), or sending a text message (5 percent).

R-7: EXPECTED RESPONSE TIME—INITIAL INQUIRY



R-8: NEXT STEPS IF NO RESPONSE WITHIN EXPECTED TIME FRAME

If no response is received in expected time frame, almost a quarter of renters simply move on.



SNAPSHOT

LONG-TERM RENTERS

The homeownership rate has steadily declined to generational lows over the past decade, keeping a broad swath of renters—from all social and economic backgrounds—in the rental market for more than a year.

FINANCIAL HURDLES

There are a number of factors driving this shift, including tight home inventory. When faced with hurdles of high prices and a limited number of less expensive homes on the market, many renters aren't financially qualified to buy. Almost 70 percent of long-term Millennial renters and 62 percent of long-term Generation X renters earn less than \$50,000 per year, likely making homeownership unaffordable.

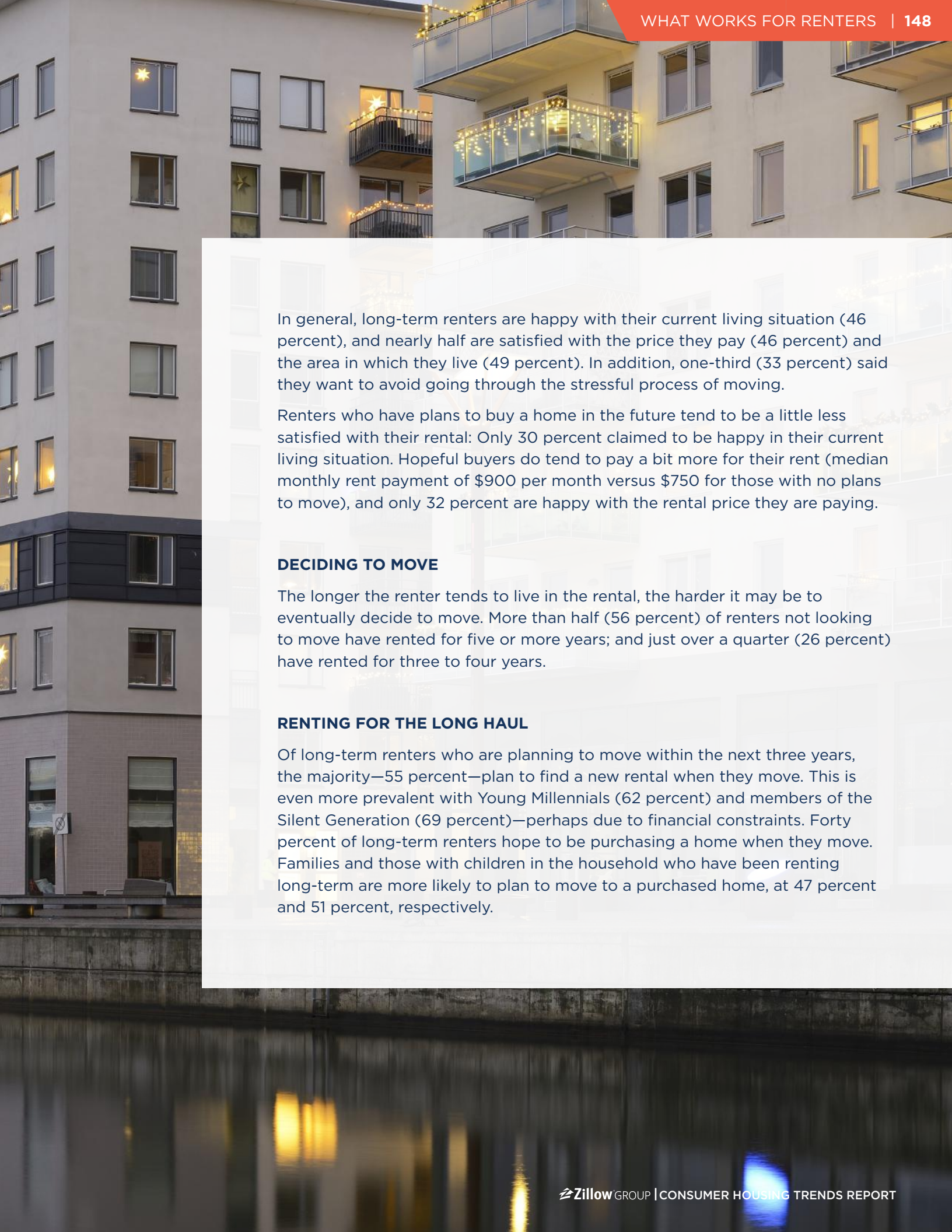
That said, many renters who could likely afford to purchase a home in their market are opting to stay in a rental instead of buying: 15 percent of Millennials renting long-term and 22 percent of Generation X long-term renters earn \$75,000 or more per year.

An evolving economy is also having an impact. Some locally booming labor markets—driven by tech or, until recently, energy—have attracted affluent newcomers who tend to rent before deciding whether to settle permanently. The highest percentage of long-term renters are in the Southeast (28 percent) and West (25 percent). The Southwest has the lowest percentage at 10 percent.

DEMOGRAPHIC TRENDS

There are also long-term demographic trends at play. Young adults are waiting longer to buy homes as they put off many of the decisions and events that typically accompany homeownership, including getting married and starting families—and many are content where they are renting^{iv}.

Forty percent of long-term renters have no plans to move within the next three years. Millennials are the most likely to have plans to move in the next year, while one-third of Gen X renters (33 percent), nearly one-half of Boomer renters (45 percent) and more than half of renters in the Silent Generation (60 percent) are not planning to move to a new home within the next three years.



In general, long-term renters are happy with their current living situation (46 percent), and nearly half are satisfied with the price they pay (46 percent) and the area in which they live (49 percent). In addition, one-third (33 percent) said they want to avoid going through the stressful process of moving.

Renters who have plans to buy a home in the future tend to be a little less satisfied with their rental: Only 30 percent claimed to be happy in their current living situation. Hopeful buyers do tend to pay a bit more for their rent (median monthly rent payment of \$900 per month versus \$750 for those with no plans to move), and only 32 percent are happy with the rental price they are paying.

DECIDING TO MOVE

The longer the renter tends to live in the rental, the harder it may be to eventually decide to move. More than half (56 percent) of renters not looking to move have rented for five or more years; and just over a quarter (26 percent) have rented for three to four years.

RENTING FOR THE LONG HAUL

Of long-term renters who are planning to move within the next three years, the majority—55 percent—plan to find a new rental when they move. This is even more prevalent with Young Millennials (62 percent) and members of the Silent Generation (69 percent)—perhaps due to financial constraints. Forty percent of long-term renters hope to be purchasing a home when they move. Families and those with children in the household who have been renting long-term are more likely to plan to move to a purchased home, at 47 percent and 51 percent, respectively.



RENTAL SELECTION & LEASING FACTORS

"As with buyers, renters don't often seal the deal on their first attempt."

EVALUATING PROSPECTIVE RENTALS

Like buyers, renters take in-person tours of properties. They also must reach out to property owners or managers and submit their application (with credit score, income and employment status) while working against the clock.

As with buyers, renters don't often seal the deal on their first attempt. **The typical renter contacts five property managers or landlords, takes three home tours and submits three applications for a rental.**

The younger the renter, the more effort is typically expended, with Millennial renters contacting more property managers (around five). Silent Generation renters reach out to fewer property representatives, take fewer home tours (typically one) and submit fewer rental applications (one to two, on average).

R-9: TYPICAL ACTIVITIES OF RENTERS



CONTACTED
PROPERTY
MANAGERS/
LANDLORDS

AVERAGE #

4.7



TOURED A
RENTAL HOME
IN PERSON

AVERAGE #

3.2



SUBMITTED
APPLICATION IN
PERSON/ON PAPER

AVERAGE #

1.7



SUBMITTED
APPLICATION
ONLINE

AVERAGE #

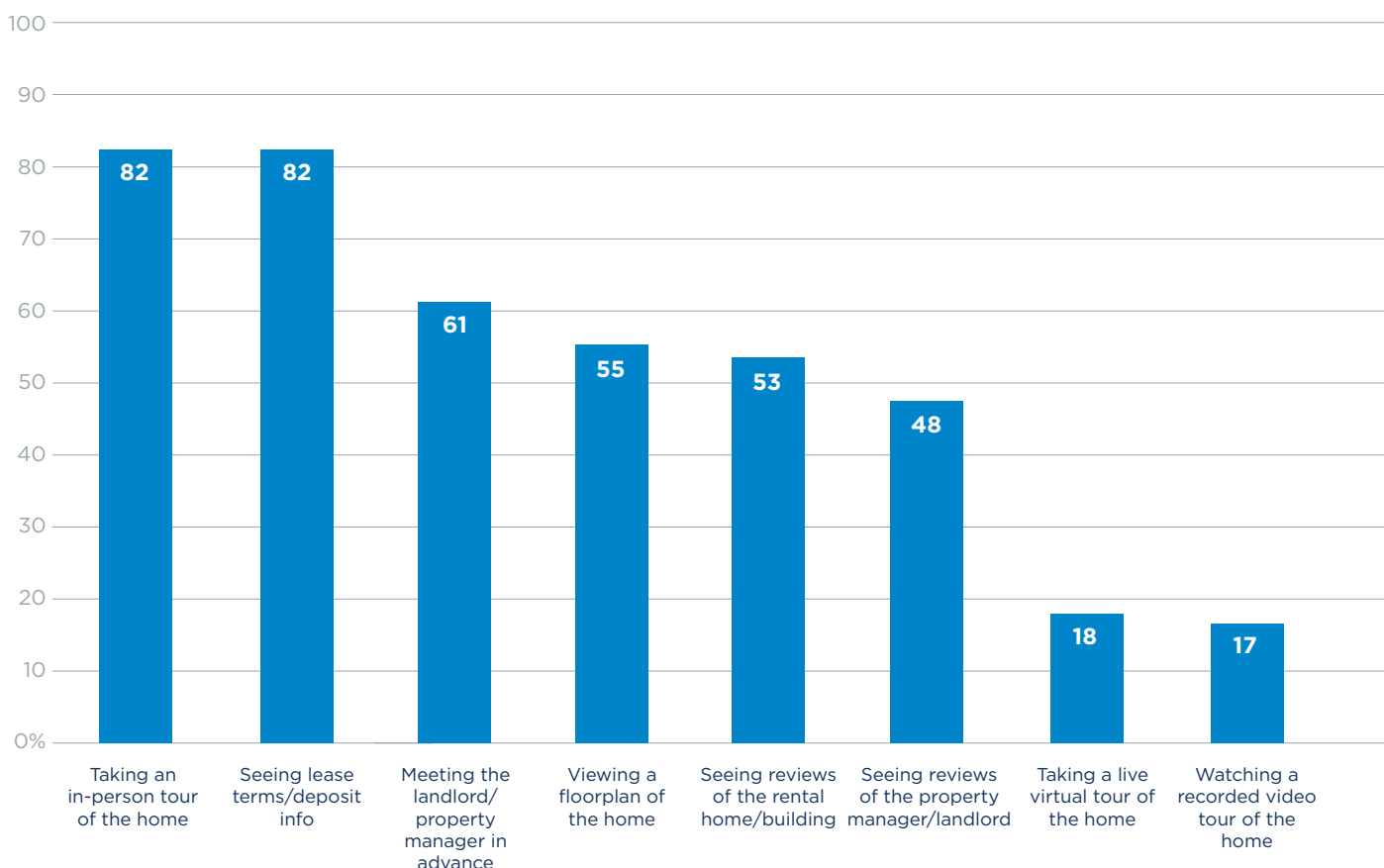
1.1

To evaluate prospective properties, **four out of five renters (82 percent)** place importance on taking in-person home tours to get a sense of the space—this is especially important for those with children (86 percent). The majority (82 percent) also want to know lease terms and rules before committing, and many want to meet rental management—especially if renting a single-family home from a landlord (64 percent).

Renters also place importance on management company reviews (48 percent), especially those living in larger buildings (62 percent). Large-building renters are also more interested in floor plans (68 percent) and consumer reviews of a building (69 percent).

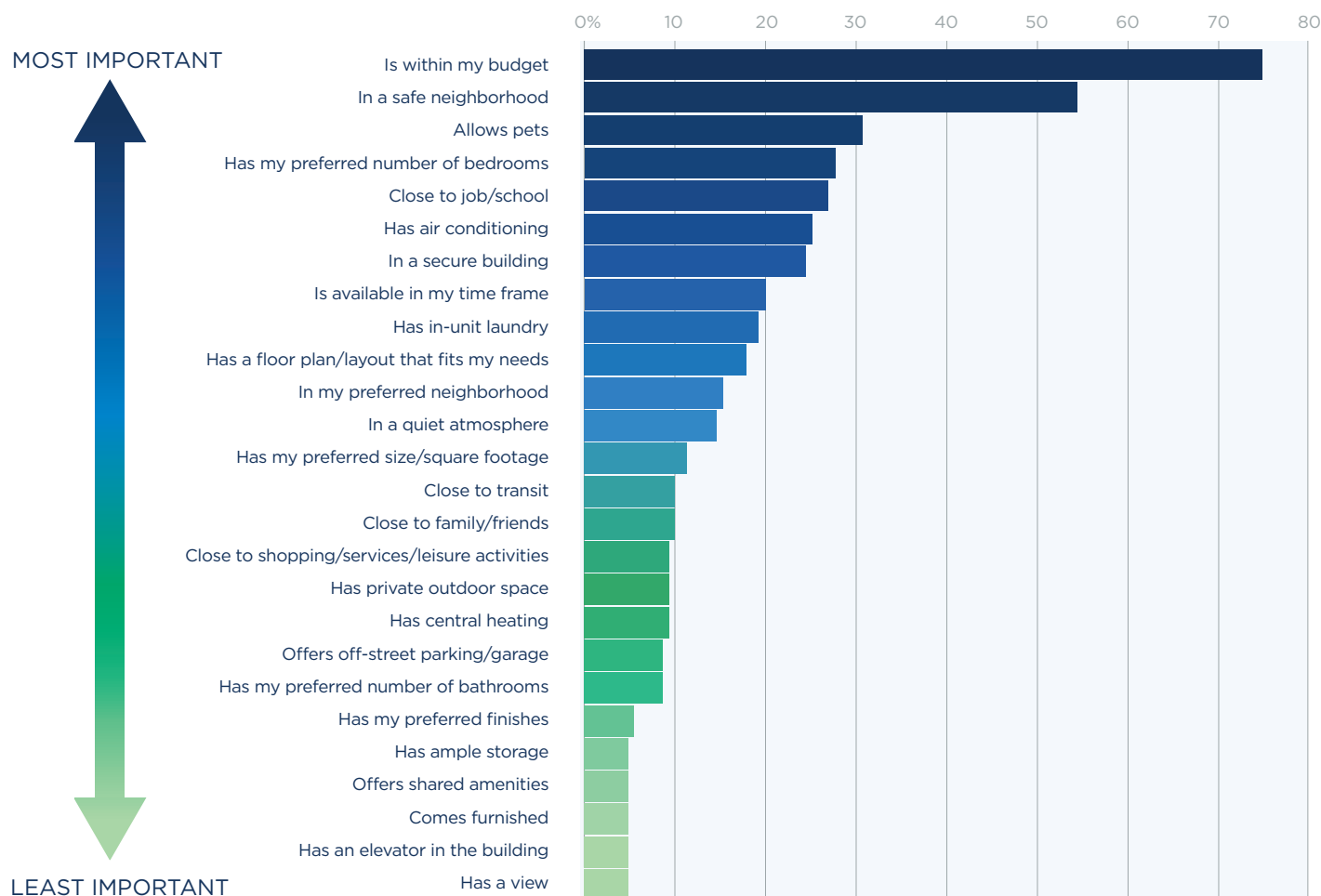
R-10: IMPORTANCE IN MAKING DECISION ON RENTAL PROPERTY

Taking tours of the home and seeing the lease terms are most important when deciding if a home is right.



R-11: AMENITIES OF A RENTAL HOME—WHAT DRIVES SELECTION

Renters prioritize being within budget, being in a safe neighborhood and allowing their pets above other factors.



AFFORDABILITY AND SAFETY ARE MOST IMPORTANT

Renters value some but not all of the same property traits that buyers do. Their top priority when seeking a home is finding a place that fits their budget (95 percent), with neighborhood safety a close second concern (90 percent), mirroring buyers' priorities. Also important: finding a place that accepts pets (45 percent). For renters, these three traits are more important than size or a location near the renter's workplace or in a preferred neighborhood.

Renters appreciate but don't always require air conditioning, in-unit laundry and finding a place with their desired square footage—since their top priority is finding a rental that's within budget, these may be amenities they'd sacrifice to get into an affordable home.

Knowing that they may not be in this home forever, renters don't place as much weight on whether their home has outdoor space, or if it is located near their family or friends, particular services, or transit. Only a minority of renters say finishes, views, in-building storage or parking are priorities.

R-12: TYPE OF RENTAL HOME CHOSEN



32%

of renters move to apartments
in small to medium-size buildings

28%

choose single-family houses



15%

choose apartments in
large size buildings

9%

choose townhouses



6%

choose duplexes
or triplexes

4%

choose condos



3%

choose room in
shared housing

1%

choose income-restricted home

WHERE RENTERS LAND

Renters live in a wide variety of housing types. While single-family homes are considered by nearly half of renters, fewer than three in 10 renters end up in this type of home. **More than half of all renters live in multiunit dwellings with fewer than 50 residences**, a housing category which includes smaller apartment buildings, townhouses, condominiums or a unit within a duplex/triplex property. A small portion of the renting population shares a space with roommates or lives in income-restricted housing.

Renters with different ethnic backgrounds gravitate toward different types of properties. Caucasian renters are more likely to rent a single-family home, with one in three (33 percent) living in this type of rental, compared to one in four blacks/African-Americans and Latinos/Hispanics (24 percent for both). Asian/Pacific Islander renters show the highest preference for larger apartment buildings, with nearly one in four (24 percent) choosing this type of housing.

Among generations, Generation X renters show a higher incidence of living in single-family houses, with one in three (33 percent) leasing such homes. Millennial renters, meanwhile, are the generation most likely to rent in a larger or medium-sized apartment. Baby Boomer renters show a higher incidence of renting in a duplex/triplex unit or living in income-restricted properties.

CHARACTERISTICS OF HOMES RENTED

Interestingly, **single-family homes are sometimes cheaper to rent than apartments**. Here's a look at the average home among multiple types commonly chosen by renters:

- **Single-family homes have the biggest footprint (1,400 square feet)**, median rent of \$875 per month, and have three bedrooms, two baths, and occasionally a partial bathroom.
- **Apartments in small buildings (under 10 units) have the highest bedroom count among apartment building types.** These units have a median of 1,000 square feet, median rent of \$850 per month, and have two bedrooms, one bathroom, and sometimes a partial bath.
- **Apartments in medium-sized buildings (10-49 units) cost a median of \$850 per month**, are typically 900 square feet, and have two bedrooms, one bathroom, and occasionally a partial bathroom.
- **Apartments in large buildings (50+ units) have a median of 950 square feet**, median rent of \$1,000 per month, and feature two bedrooms, two bathrooms, and sometimes a partial bathroom.

Renters in Western states pay the most (\$1,100 median rent), followed by those in the Northeast (\$1,000 median rent), Southwest (\$875), Southeast (\$800) and Midwest (\$714).

SINGLE-FAMILY HOMES

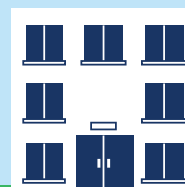


2.9 bedrooms 1.7 bathrooms

Median sq. ft. = 1,400

Median rent = \$875/month

SMALL APARTMENTS



2.1 bedrooms 1.4 bathrooms

Median sq. ft. = 1,000

Median rent = \$850/month

MEDIUM APARTMENTS



1.8 bedrooms 1.4 bathrooms

Median sq. ft. = 900

Median rent = \$850/month

LARGE APARTMENTS



1.8 bedrooms 1.5 bathrooms

Median sq. ft. = 950

Median rent = \$1,000/month

MOST RENTERS STAY LOCAL

Renters aren't often moving far. The majority of renters (86 percent), like their buyer peers (90 percent), are moving within the state, with more than half (57 percent) staying in their current city. Only one in 10 renters (13 percent) is leaving their home state, but among those interstate movers are many from the Silent Generation (24 percent).

Renters are less likely than buyers to wind up living where they initiated their search. While some 85 percent of buyers ended their home search where they started it, that's less often the case for renters (74 percent wind up where they first looked). **Silent Generation renters, in particular, have a higher incidence of moving to a location that wasn't on their initial consideration list** (37 percent, versus 26 percent for renters in general).

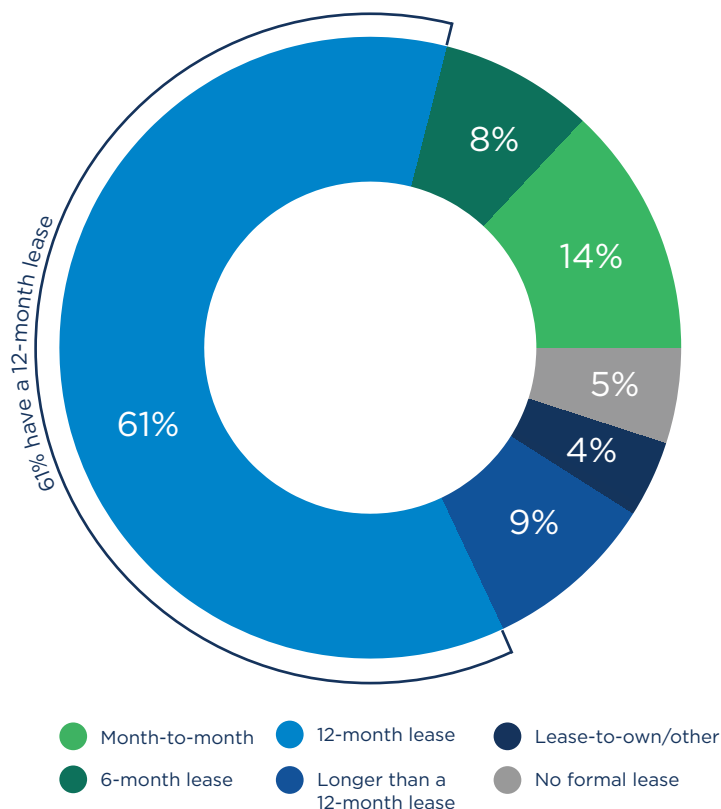
YEARLY LEASES TYPICAL

Six out of 10 (61 percent) renters sign a 12-month lease, with a minority (14 percent) signing a month-to-month lease or no lease at all (5 percent). **Fewer than one in 10 renters (nine percent) commits to a lease term longer than 12 months.**

Most renters sign their leases in person (85 percent) versus electronically (15 percent), with about 20 percent of both Millennial renters and those in larger buildings completing the contract electronically. Most renters (56 percent) also pay their rent in person, especially among the Silent Generation (66 percent).

One in four renters (24 percent) pays rent online, and Millennials (27 percent) and renters in medium-to-large buildings (32 percent and 38 percent respectively) are more likely to do so. **Of those paying online, six out of 10 (59 percent) pay via a property manager's website**—and 83 percent pay this way in large buildings. Others pay rent via their bank or a peer-to-peer pay platform. Just 15 percent of renters pay via postal mail.

R-13: TYPES OF LEASES



R-14: HOW RENT IS PAID

