

Current Housing Reports

Housing and Household Economic Statistics

Property Owners and Managers Survey

What We Have Learned About Properties, Owners, and Tenants from the 1995 Property Owners and Managers Survey

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C E N S U S B U R E A U

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The Property Owners and Managers Survey (POMS), conducted in 1995, collected information from the owners and managers of privately held rental properties on their rental and maintenance policies, and the reasons for these policies. Publicly held (governmentally owned) rental properties were not included in the survey. This was the first known national survey of property owners and managers in the United States. The data allow researchers to analyze characteristics by the number of rental units or the number of properties. In properties of more than one housing unit, the survey found 2,236,024 properties with less than five units, 459,263 with five to 49 units, and 59,577 with 50 or more units in the property. Detailed tabulations using the number of rental units as the unit of analysis can be found on the housing statistics section of the Census Bureau web site at <http://www.census.gov/hhes/www/poms.html>. This report is the first using the number of properties as the unit of analysis. POMS was sponsored by the Department of Housing and Urban Development.

For this report, we group multifamily properties into three categories: Small multifamily properties have fewer than five units in the property; medium-size multifamily properties have five to 49 units in the property; and large multifamily properties have 50 or more units in the property.

PART 1: Multifamily properties

Why do investors acquire rental properties?

For the owners of all three categories of multifamily properties, the primary reason for acquiring rental property was for income from the rents. This ranged from a low of 32 percent for small properties¹ to a high of 42 percent for medium-size and large properties.

The second most common reason for acquiring rental property varied by the size of the property. For small properties, use as a residence, meaning the owner either lives at the property or lived there when the owner bought the property was equally as popular a reason for acquiring rental property as was income from rents. For medium-size and large properties, the second most common reason for acquiring rental property was for long-term capital gains.

Is operating a multifamily property profitable?

Overall, 58 percent of multifamily properties made a profit or broke even. About 27 percent had a loss, and for 16 percent the owners did not know whether they made or lost money. About 58 percent of small and medium-size properties had a profit or broke even, compared with 51 percent of large properties.

What is the financial profile of rental properties?

The yearly median operating costs per unit for multifamily rental properties vary between \$2,300 per unit

for small properties and \$3,300 per unit for large properties. Operating costs include everything from advertising to utilities.

The median percentage of rental income spent on maintenance ranged from a low of 13 percent for small properties to a high of about 17 percent for medium-size and large properties. The percentage of rental income spent on maintenance usually reflects the amount of owner commitment to the future viability of the rental property.

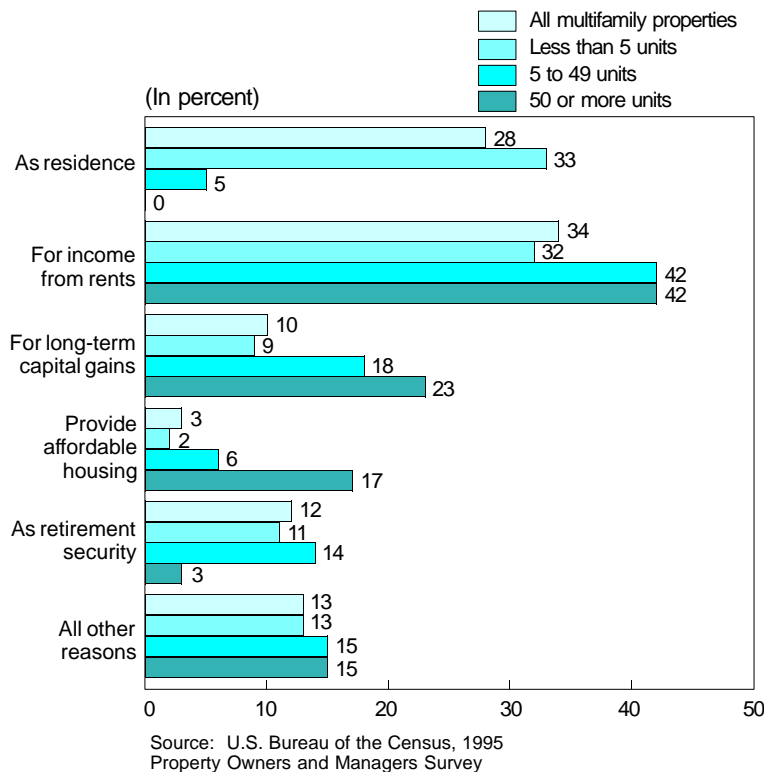
What are the three most frequent complaints which make it most difficult for owners and managers to operate?

Far and away, the most frequent complaint from owners of multifamily properties was local property taxes. Their second most frequent complaint was parking restrictions associated with their properties. These two complaints were most frequent for all sizes of properties.

For small properties, the third most frequent regulation which makes it difficult to operate was lead-based paint requirements. For medium-size properties, controls placed on the rents they could charge was the third most frequent complaint by owners. For large properties, the Americans with Disabilities Act was equally as troublesome as rent control and waste disposal requirements.

¹Statistically the same as "for use as a residence" by the owner as the primary reason for acquisition.

Figure 1.
Primary Reason for Acquisition of Multifamily Property by Number of Units in Property: 1995



How much are rent subsidies being used?

Overall, about 7 percent of multifamily properties had tenants using the Federal Section 8 certificate or voucher program, and 4 percent had tenants using other Federal, state, or local housing subsidy programs. For small properties, about 6 percent used Section 8, compared with 8 percent for medium-size properties and 13 percent for large properties.

Small properties had the lowest usage of other subsidy programs. For all subsidies other than Section 8, such as state or local subsidies, small properties had 4 percent usage, compared with 6 percent for medium-size properties and 8 percent for large properties.

The owners of about half (52 percent) of small properties stated they were not familiar with the Section 8 rent subsidy program,

compared with 36 percent for owners of medium-size properties and 22 percent for owners of large-size properties.

What is the main reason for continuing to own this particular property?

One might think the reasons for holding onto rental property would be the same reasons for buying the property, which was partially true. Regardless of size of property, all multifamily owners stated their primary reason for continuing to own property was the income they received from rents, the same reason they originally bought the property. The second most popular reason for owners of small properties was to use the property as a residence for themselves or their family. For owners of medium-size properties, the second reason was for retirement security, and for owners of large properties, it was for long-term capital gains.

How does property management maintain the property?

Respondents for about 4 in 5 of multifamily properties reported handling all maintenance immediately and practicing preventive maintenance. Even more (92 percent) of respondents for the large properties reported handling all maintenance immediately and practicing preventive maintenance. About 1 in 8 multifamily properties postponed handling minor problems, and 6 percent postponed most maintenance, while handling major problems immediately.

What are property owners doing to physically improve their properties?

Over half (52 percent) of all multifamily properties underwent capital improvements in the last 5 years. (Capital improvements are additions or substantial improvements in the property, beyond repairs or replacing the existing facilities.) The three capital improvements reported most often in the last 5 years for all multifamily properties were renovation of bathroom facilities, replacement of kitchen facilities, and upgrading heating systems.

About 93 percent of respondents for all multifamily properties reported doing work to specific rental units in the last 5 years. This activity involves repairing or replacing existing facilities but not improving their quality. Of those doing work, about 82 percent of the multifamily properties had units painted, and 44 percent had some or all of the kitchen appliances replaced. About 2 in 5 repaired their building roof. About 36 percent replaced some or all of their bathroom fixtures or repaired heating or air conditioning.

About 10 percent of multifamily properties were changing or planned to change the property in a major way. Of those properties with current or planned changes, 85 percent were planning renovations or replacing features, 13 percent were

working to change the tenant population, 4 percent were converting to condominium or cooperative status, 4 percent were converting some or all units to nonresidential use, and 3 percent were combining units to make larger units.

PART 2: Multifamily property owners

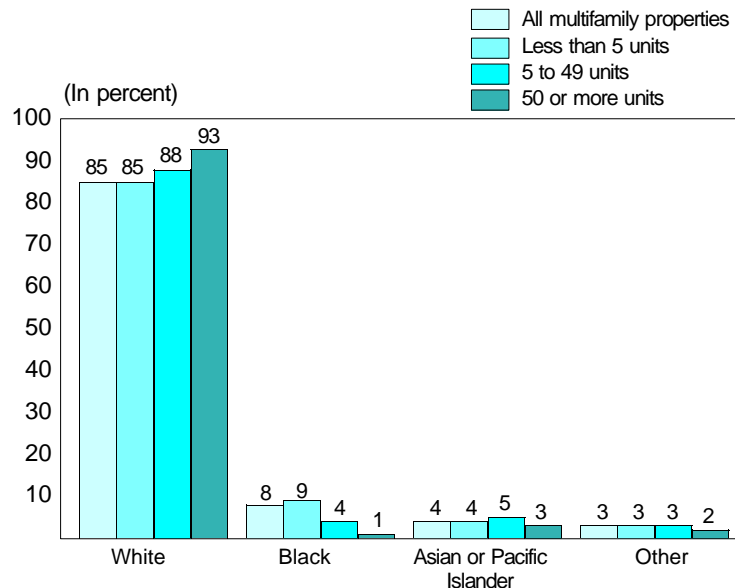
Who is the typical property owner?

Most properties, regardless of size, were owned by individual or partnership owners. Individual owners include single persons, husbands and wives, and trustees for estates of deceased persons. Partnerships include limited partnerships and general partnerships. Almost all small properties, 96 percent, were owned by these two groups, compared with 88 percent of medium-size properties and 70 percent of large properties. For small properties, 92 percent were owned by individual owners, compared with 77 percent for medium-size properties and 32 percent for large properties. Only about 4 percent of small properties were owned by partnerships, compared with 11 percent of medium-size properties and 38 percent of large properties. No other type of owner owned more than 2 percent of small properties. However, when large properties are examined, real estate corporations owned 11 percent, while nonprofit organizations and other corporations each owned 6 percent.

About half of the multifamily properties owned by individuals or partnerships had owners between 45 and 64 years of age. Most rental property owners were White (85 percent). Black or African American individuals owned 8 percent of multifamily properties and Asian or Pacific Islanders owned 4 percent. Hispanic individuals (who may be of any race) owned 6 percent of multifamily properties. This disparity in ownership between

Figure 2.

Race of Multifamily Property Owners by Number of Units in Property: 1995



Source: U.S. Bureau of the Census, 1995 Property Owners and Managers Survey

whites and minorities grew larger as the property size increased. Whites owned 93 percent of large multifamily properties, while Blacks and Hispanics owned only 1 and 2 percent respectively.

How much personal involvement do owners have with their property?

About 1 in 4 multifamily properties had owners living on the premises, but this varied by property size. For small properties, about 29 percent had live-in owners, while 10 percent of medium-size properties and 3 percent of large properties had the owner living on the property.

At about 1 in 3 multifamily properties, owners were at the property less than 1 hour a week doing maintenance or management. Similarly, at about 45 percent of properties, owners were at the property up to 1 day a week doing these activities. At about 1 in 5 properties, owners spent more than 1 day a week at the property. At large properties, 47 percent have owners who spent less than

1 hour a week at the property; 21 percent have owners who spent up to 1 day a week; and 33 percent have owners who were at the property more than 1 day a week.

Owners of large properties seem happier with their properties. About one-third of small and medium-size properties had owners who would not buy this property again. Only 13 percent of large properties had owners who would not buy the property again.

What are the owners' other commitments?

For small properties, 15 percent of the owners reported they were also executives or managers in areas unrelated to owning rental property, compared with 35 percent of the owners of large properties.

About half of the individual and partnership owners owned only one property. Half of small property owners, about 30 percent of medium-size properties, and 15 percent of large property owners owned no other properties.

PART 3: Multifamily property tenants

Because the sample for POMS was drawn from the American Housing Survey (AHS), we already know a lot about the tenants of these properties. Using POMS data, we can also learn about the characteristics of the tenants of a particular property.

The American Housing Survey (AHS) is conducted nationally every 2 years. Results can be generalized to total housing units, owner occupied units, and rental units. This provides information about housing markets and characteristics of housing units in the United States.

What is the income mix of tenants in multifamily properties?

Tenants at multifamily properties were primarily low or middle income.² About 38 percent of all multifamily properties had mostly

low income tenants, while a similar percentage were mostly middle income. Only 2 percent had mostly upper income tenants.

About 9 percent of all multifamily properties reported a change in income mix in the last 2 years. For large properties, about 19 percent reported a change in income mix.

Are multifamily properties handicap accessible?

From the AHS, we know how many tenants are handicapped and how many units are handicap accessible, but POMS tells us how many properties have units which are handicap accessible. One in eight (13 percent) multifamily properties indicated they had some handicap accessible units. About 91 percent of them said the owner paid for the changes that made the unit accessible, while 4 percent said the costs were shared by the tenant.

²Low, middle, and upper income was based on the judgment of the owner or manager of the property. There were no income guidelines given or suggested in the questionnaire.

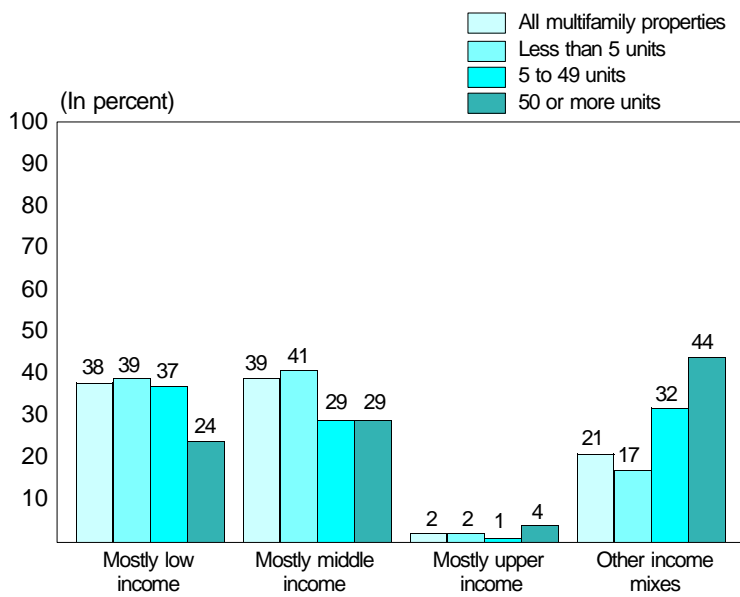
When asked who would pay future costs for creating handicap accessible units in their properties, the owners of about 15 percent of multifamily properties said they would share costs with the tenant; about 41 percent said they would pay all conversion costs; and about 45 percent said they did not know who would pay conversion costs.

How do multifamily properties seek and screen new tenants?

About 21 percent of respondents for multifamily properties reported seeking new tenants at the time of the survey. About 15 percent of small properties, 42 percent of medium-size properties, and 81 percent of large properties were seeking new tenants. The method of advertising most used when seeking new tenants was word-of-mouth referrals, and the second most used method was newspaper ads, regardless of the size of property. For small and medium-size properties, the third most used method of advertising was a for rent sign at the property. For large multifamily properties, the third most used method was a tie between advertising in apartment property guides and for rent signs. Recruiting new tenants by word-of-mouth from current tenants sometimes results in a reward or slight discount in the next month's rent for the current tenant, depending on the policy of the owner or manager of the property.

The top five methods of screening tenants at all multifamily properties were through personal interviews, followed by credit checks, personal references, employment check, references from a previous residence and responses on the application form (all four were tied for second place). For medium-sized properties, the most used method of screening tenants was personal interviews, followed by references from a previous residence, responses on the application form, employment checks, and credit checks (all four were tied for second place). For large properties,

Figure 3.
Tenants Income Mix at This Multifamily Property by Number of Units in Property: 1995



Source: U.S. Bureau of the Census, 1995 Property Owners and Managers Survey

the top four most used methods of screening tenants were credit references or checks, references from sources at their previous residence, responses on the application form and personal references.

The top three reasons why tenants' applications at multifamily properties were rejected were poor credit or poor credit references, insufficient income to meet the requirements for tenancy at the property, and unfavorable references from a previous residence. In addition, about 40 percent of all properties (but not in the top three reasons) rejected applicants because the unit was too small for the number of people applying to live there. About 1 in 4 small properties, 51 percent of medium-size properties, and 85 percent of large properties reported rejecting tenants in the last 2 years.

How do multifamily properties retain their tenants?

More than half (55 percent) of all multifamily properties were actively trying to minimize tenant turnover. The top three techniques used to minimize tenant turnover in multifamily properties were redecorating or upgrading units, making other improvements to the property, and increasing the level of overall maintenance at the property. About 27

percent of properties offered rent concessions or reductions to retain tenants. For large properties, improving services to tenants was the primary method used to minimize turnover.

About 52 percent of small properties, 68 percent of medium-size properties, and 80 percent of large properties actively tried to minimize tenant turnover. The top three reasons for trying to minimize tenant turnover were to retain desirable tenants, maintain a stable tenant population, and to minimize turnover costs.

Trying to replace tenants was a far less popular activity. Only about 1 percent of multifamily properties were actively trying to increase tenant turnover.

Source and Accuracy of the Estimates.

This report presents information of current policy interest, using data from multifamily residential property owners and managers. All statistics are subject to sampling variability, as well as survey design flaws, respondent classification errors, and data processing mistakes. The Census Bureau has taken steps to minimize errors, and analytical statements have been tested and meet statistical standards. However, because of methodological differences, use caution when comparing these data with data from other sources.

For information on the source of data and the accuracy of estimates, including the use and computation of standard errors, see the "1995 Property Owners and Managers Survey (POMS) Source and Accuracy Statement for Property-Level Estimates."

Note: Further information on the source and accuracy of these data are found in the Internet site for this report.

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Detailed tabulations can be found on the Property Owners and Managers Survey (POMS) section of the Bureau of the Census web site at <http://www.census.gov/hhes/www/poms.html>.

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