



Rental Burden by Metro

Numerous groups, including housing agencies and private institutions, are focused on bringing the issue of housing affordability to the forefront, and across their studies there are many ways to measure rent burden. The Freddie Mac Multifamily research team is also very active in examining this topic. For purposes of this paper, we approach this topic by looking at how other organizations measure affordability and assess the rent-burden issue. In this report, we take a look at four of the most widely cited affordability studies across the 50 largest metros:

- The National Low Income Housing Coalition’s (NLIHC) Gap report for 2018
- The 2018 Out of Reach report
- The New York University Furman Center’s 2018 National Rental Housing Landscape report
- Harvard University’s Joint Center for Housing Studies (JCHS) 2017 Rental Housing report

Exhibit 1: Most Rent-Burdened Metro Areas

#	MSA	Metro Area Ranking			
		NLIHC - The Gap	NLIHC - Out of Reach	Furman Center - National Housing Landscape	JCHS- America's Rental Housing
1	Miami	2	8	1	1
2	San Diego	3	7	3	5
3	Los Angeles	1	15	2	2
4	New York	10	3	6	8
5	Orlando	4	23	3	6
6	New Orleans	15	22	8	4
7	Tampa	6	27	7	12
8	San Jose	14	2	8	29
9	Riverside	5	41	5	3
10	Virginia Beach	24	9	8	16
11	Denver	11	19	16	14
12	Las Vegas	13	29	8	11
13	San Francisco	12	1	14	35
14	Philadelphia	22	5	23	13
15	Portland (OR)	8	26	13	17
16	Chicago	18	16	18	19
17	Atlanta	17	13	18	24
17	Sacramento	7	43	15	7
19	Austin	30	4	18	22
20	Richmond	28	11	24	15

Sources: NLIHC, Furman Center, JCHS and FreddieMac

Other organizations are also looking at new ways to assess rent affordability. A paper released in September of 2018 by the Population Dynamics Research Group, part of the Sol Price School of Public Policy at USC, measures affordability by breaking renter income and gross rent into segments. They then compare movement between the segments from 2000 through 2016. They focused their study on Los Angeles and the Bay Area, so we did not include the results in the analysis. In brief, the report concluded that in Los Angeles the top renter income segment expanded slightly from 25 percent to 30 percent while the top gross rent segment grew

dramatically from 25 percent to 55 percent, showing how rent growth has far exceeded renter income growth since 2000. This paper is an example of new ways to look at the problem of rent burden beyond paying a certain percentage of rent toward income.¹

Exhibit 1 identifies the top 20 most rent-burdened Metropolitan Statistical Areas (MSAs) across the four studies and conveys how the results of these four studies differ. A ranking of “1” represents the least affordable metro area. The combined ranking is equally weighted across all four categories. Some cities are recognized as consistently rent burdened across the different methodologies. As the table shows, Miami and San Diego are the two most rent-burdened MSAs in the country, followed by Los Angeles, then New York and Orlando as the fourth and fifth least affordable metro areas. The top four least affordable metros are consistently ranked among the four reports, with no individual MSA ranking them above 15 in any of the studies. However, there is considerably less agreement for the cities that are ranked five through 20. See Appendix Chart A for details on how each city ranks by the different measures of affordability.

Differences in rankings across the four reports are due to the way each study assesses rental burden. The NLIHC Gap report measures the percentage of households with severe cost burden (defined as paying more than 50 percent of income toward rent) broken out by area median income (AMI), and the number of units that are both affordable and available at various AMI levels. The Furman Center report looks at the percentage of households that are burdened (defined as paying more than 30 percent of income toward rent) and severely burdened overall and at 50 percent AMI, as well as the number of units that are affordable and available at 50 percent and 100 percent of AMI. The JCHS report focuses solely on the percentage of renters that are rent burdened and severely rent burdened at different income levels. By comparison, the Out of Reach report focuses on the affordability of units at the minimum wage for each jurisdiction.

There is neither a perfect data set nor a perfect definition that defines affordability. A limiting factor of the reports is the assumption that anything above 30 percent of income being allocated to rent is considered rent burdened. While this is generally considered a good rule of thumb, a single renter in a high-income area paying 40 percent of their income toward rent may still be much less rent burdened than a renter supporting a family in a lower income area who is paying 30 percent toward rent.

San Jose in Focus

San Jose, California, is ranked inconsistently by the different reports. It is ranked as the second least affordable metro area by NLIHC’s Out of Reach report, as the eighth by Furman, 14th by the NLIHC Gap report and 29th least affordable by JCHS. So why is there such a large discrepancy between these reports?

	Median Renter Income	Median Rent	Share of Households <50% AMI that Rent	% of Renter Households Rent Burdened	% of Renter Households <50% AMI Rent Burdened	% of Households Severely Rent Burdened
	\$75,000	\$1,840	62%	45.1%	83%	23.1%
Rank	1	1	26	32	9	23

Sources: Furman Center, Freddie Mac

The differences can be attributed to the different ways the reports assess affordability as well as how the data is analyzed. Some reports calculate rent burden across all renter types, including high- and low-income renters. Areas such as San Jose, where the average income is one of the highest in the nation, can be expected to have a large concentration of higher-income renters, lessening the overall number of burdened renter households.

¹ We also examined data from the 2017 Worst Case Needs report released by the Department of Housing and Urban Development, however the data was rather limited in scope and the results that were comparable showed significantly different conclusions than the other data sets. Due to these limiting factors we did not include that report in this analysis.

Reports that break out renter burden among lower-income households show a more severe problem with affordability, and especially for those households that earn the minimum wage. Some reports also factor in the number of available units at different affordability levels, which further highlights the disparity among lower-income renters in areas where there is a shortage of available units.

NLIHC Out of Reach – This report ranks San Jose as the second most rent-burdened market in the country and examines the number of hours needed to work at minimum wage to afford various unit types across the 50 metro areas. In San Jose, across all unit types, the minimum wage worker would need to work 170 hours per week to be able to afford a unit, assuming that no more than 30 percent of income goes toward rent.

Furman – The Furman Center ranks San Jose as the eighth most rent-burdened market. Their report looks at the percentage of renter households that are rent burdened and severely rent burdened, as well as units which are available and affordable at 50 and 100 percent AMI. San Jose has less of a problem with rent burden but has a relative lack of units that are both affordable and available.

NLIHC The Gap – This report ranks San Jose as the 14th most rent burdened and examines the percentage of households paying more than 50 percent of income (severely rent burdened) and earning between 0 to 100 percent of AMI. According to the NLIHC report, extremely low-income renters (those earning less than 30 percent of AMI) are relatively less burdened than many other areas of the country, likely because the income of these households in this category is higher than in other metro areas.

JCHS – This study examines burdened and severely burdened rental households. By their calculations 46.3 percent of renter households in San Jose are either burdened or severely burdened, which ranks it as the 29th most rent burdened MSA in the country.

San Jose is a place where rents are high – regardless of the methodology to measure burden – and the high rent levels are burdensome for households. In comparing all four reports, we see that the differences can be attributed to how they assess affordability of the metros as well as how the data is analyzed.

Florida

Miami has long been considered one of the least affordable cities in the country due to its high rental costs and relatively modest income levels. However, the other major cities in Florida are generally thought of as affordable. But is this actually true? The results of these four reports indicate that this is not the case - the aggregate rankings actually place Orlando as No. 5, Tampa as No. 7 and Jacksonville as No. 25. All three of these cities are in the top half of the most rent-burdened metro areas studied.

Digging deeper into the data behind the reports, the lack of affordability in Florida is due largely to the lack of affordability at 50 percent AMI and the lack of available and affordable units at 50 and 100 percent AMI, as seen in Appendix Chart A. This likely boils down to the relatively modest median incomes in these cities, which average just over \$50,000 per year overall, and \$35,500 for renter households, both of which are over 10 percent less than the median income of the top 50 metro areas, according to Furman Center data. Despite significantly lower than average income, the average median rent in the four cities in Florida is only about 2 percent lower than the median rent in the top 50 metros. The relative lack of affordability in the large cities of Florida does not appear to be due to the high number of retired seniors, as one might suspect. The actual percentage of Florida households with senior renters is 20.7 percent whereas the national average is 24.9 percent, according to data from the Census Bureau.

When compared with San Jose, this highlights the other end of the spectrum of factors that cause rent burden. Rents in Florida are near the average for the top 50 metro areas. However because renter household income in these markets is significantly lower than the national average, many households are considered rent burdened.

The Surprising Cities

We also found that some of the cities generally thought to be the most expensive and cost burdened do not top our compiled list. For example, Manhattan is known as one of the most expensive rental markets in the country, however this analysis focuses on the broader New York City MSA. While still expensive, the New York City MSA is not among the top three most cost-burdened metros in the country. According to data from the Furman Center, the median rent in this MSA is \$1,290 a month and median renter income is \$43,400, meaning that about 36 percent of income is devoted to rent. This is above the generally accepted level of affordability of 30 percent, but not as high as some areas, as shown in Exhibit 2. The reported New York City MSA rent level of \$1,290 exposes a shortcoming in the underlying data as it is extremely low compared with many parts of the city. By comparison, as of December 2017, the average rent for a Class B/C unit in Queens is \$1,937 per month, according to Yardi - fully 50 percent higher than the rent utilized by the Furman Center for the MSA, which comes from Census.

Similarly, the Furman Center data for the Bay Area MSAs of San Jose and San Francisco have the highest median rents in the country at \$1,840 and \$1,580 respectively. So why are they not higher on the list of most rent-burdened cities? The reason is simple: high income. The median renter income in the two MSAs is \$75,000 in San Jose and \$61,000 in San Francisco. At those income levels, the median renter is paying less than 30 percent of their income toward rent in San Jose and just above 30 percent in San Francisco. Again, for comparison, looking at Yardi Class B/C rents as of December 2017, the Milpitas submarket of San Jose has an average unit cost of \$2,265 per month, while in the Millbrae submarket of San Francisco, the average unit rents for \$2,543 per month.

Boston and Washington, D.C. also share a similar story. They are thought of as high-cost areas to rent a home; however, incomes are also comparably higher. A renter is paying 31 percent and 34 percent of their income to rent a median-priced unit in the District and Boston, respectively. Boston has the 22nd highest percentage of renters that pay more than 30 percent of their income toward rent, while the District is the 32nd highest. Those earning 50 percent of AMI in Boston have among the lowest rates of rent-burdened households of the 50 metro areas studied, while those in the District are in the middle of the pack.

What tends to be lost in the analysis of markets like the Bay Area, where rents and incomes are both relatively high, is the impact on the renters who earn far less than the median renter income. Those renters can include vital members of the community such as firefighters, police officers and teachers. While these professions generally earn modestly more than their suburban and rural counterparts, in most cases they do not earn enough to comfortably live within the high-cost cities they serve.

Exhibit 2: The MSAs with the Highest Median Rent

#	MSA	Median Rent	Average Yardi Class B Rent 2017	Income Required @ Median Rent ¹	Median Renter Income
1	San Jose	\$1,840	\$2,767	\$73,600	\$75,000
2	San Francisco	\$1,580	\$2,865	\$63,200	\$61,000
3	Washington, D.C.	\$1,500	\$1,647	\$60,000	\$58,600
4	San Diego	\$1,410	\$1,806	\$56,400	\$50,000
5	Los Angeles	\$1,340	\$2,293	\$53,600	\$44,000
6	Boston	\$1,290	\$1,962	\$51,600	\$45,000
7	New York	\$1,290	\$2,196	\$51,600	\$43,400
8	Seattle	\$1,250	\$1,648	\$50,000	\$50,000
9	Miami	\$1,183	\$1,534	\$47,320	\$35,000
10	Denver	\$1,150	\$1,371	\$46,000	\$44,000
11	Baltimore	\$1,140	\$1,327	\$45,600	\$43,600
12	Riverside	\$1,140	\$1,380	\$45,600	\$37,000
13	Austin	\$1,090	\$1,203	\$43,600	\$44,600
14	Sacramento	\$1,070	\$1,382	\$42,800	\$37,400
15	Orlando	\$1,040	\$1,171	\$41,600	\$36,000
16	Philadelphia	\$1,040	\$1,433	\$41,600	\$37,500
17	Virginia Beach	\$1,030	\$1,051	\$41,200	\$37,000
18	Hartford	\$1,020	\$1,302	\$40,800	\$36,600
19	Portland (OR)	\$1,020	\$1,330	\$40,800	\$40,000
20	Chicago	\$990	\$1,324	\$39,600	\$37,000

^{1/} Assumes 30 percent of income goes toward rent
Sources: Furman Center and FreddieMac

Exhibit 3 shows the rent affordable at minimum wage and the number of hours required to work to afford a one-bedroom unit at fair market rent. This chart conveys that the cities that require the greatest number of hours worked to afford a one-bedroom unit are San Francisco, San Jose, New York and Philadelphia. In each of these cities, a single worker would need to work more than 100 hours per week at the minimum wage to afford a one-bedroom unit at fair market rent, assuming no more than 30 percent of income is allocated to rent. In San Francisco, a single worker earning the minimum wage of \$11 per hour would need to work 175 hours per week to afford a one-bedroom unit – and keep in mind that there are only 168 hours in a week. Obviously, this is not possible, but it is an illustration of the challenges facing workers that earn the minimum wage, even in areas where the minimum wage is relatively high, like in California.

Exhibit 3: MSA Minimum Wage, Rent Affordable at Minimum Wage and Number of Weekly Hours Required at Minimum Wage to Afford Various Sized Rental Units

Rank	MSA	Minimum Wage	Rent Affordable @ Min. Wage	1BR Fair Market Rent	Work Hours Per Week to Afford 1BR @ FMR
1	San Francisco	\$11.00	\$572	\$2,499	175
2	San Jose	\$11.00	\$572	\$2,031	142
3	New York	\$10.40	\$541	\$1,558	115
4	Philadelphia	\$7.25	\$377	\$1,047	111
5	Austin	\$7.25	\$377	\$1,023	109
6	Seattle	\$11.50	\$598	\$1,529	102
7	Boston	\$11.00	\$572	\$1,421	99
8	Miami	\$8.25	\$429	\$1,066	99
9	San Diego	\$11.00	\$572	\$1,400	98
10	Virginia Beach	\$7.25	\$377	\$912	97
11	Richmond	\$7.25	\$377	\$907	96
12	Atlanta	\$7.25	\$377	\$898	95
13	Chicago	\$8.25	\$429	\$1,014	95
14	Raleigh	\$7.25	\$377	\$893	95
15	Dallas	\$7.25	\$377	\$878	93
16	Houston	\$7.25	\$377	\$871	92
17	Washington, D.C.	\$13.25	\$689	\$1,561	91
18	Los Angeles	\$11.00	\$572	\$1,284	90
19	Charlotte	\$7.25	\$377	\$838	89
20	New Orleans	\$7.25	\$377	\$827	88

Sources: NLIHC - Out of Reach and FreddieMac

Washington, D.C., has the third most expensive one-bedroom fair market rent at \$1,561 per month but is ranked as the 17th least affordable metro area based on the number of hours required to work at minimum wage to afford that rent. However, the fair market rent shown is for the entire metro area which also includes portions of Maryland and Virginia, where the minimum wage is \$10.10 and \$7.25 per hour respectively. At those rates to afford a one-bedroom unit, a minimum wage worker would need to work 119 hours in Maryland a week and 166 hours per week in Virginia, which would rank as the second least affordable on the list above.

Conclusion

After examining the many ways in which the four reports evaluate rental cost burden, some clear patterns emerged. This report finds that the most rent-burdened areas to live in the country are Southern California, New York City and Florida. The commonality in the top five most rent-burdened cities are relatively high median rental costs combined with low renter AMIs. While the areas that are traditionally thought of as extremely high cost such as San Jose, San Francisco, Boston and Washington D.C. do not rank highly on the list, for lower income renters and those that serve these communities the numbers may not tell the whole the story, and these areas still create rent burden for many.

Appendix Chart A: MSAs Ranked by Various Measures of Rent Burden Across All Studies

MSA	Overall % Burdened	Overall % Severe Burdened	% Burdened @ 50% AMI	% Severe Burdened @ 50% AMI	Available Units Affordable @ 50% AMI	Available Units Affordable @ 100% AMI
Atlanta	25	29	9	10	23	26
Austin	23	43	6	27	19	43
Baltimore	27	20	41	33	31	32
Boston	22	23	48	46	32	8
Buffalo	30	13	37	28	47	25
Charlotte	40	42	16	22	26	31
Chicago	16	14	23	25	28	14
Cincinnati	45	36	44	40	50	45
Cleveland	34	22	47	48	43	38
Columbus	44	38	16	32	41	43
Dallas	39	44	12	30	29	34
Denver	15	31	15	26	13	15
Detroit	19	15	42	30	32	28
Hartford	20	11	39	38	36	42
Houston	29	27	19	24	27	34
Indianapolis	26	25	22	34	36	39
Jacksonville	21	28	23	13	15	30
Kansas City	49	48	38	45	48	46
Las Vegas	11	17	3	6	7	34
Los Angeles	2	2	5	3	3	1
Louisville	46	47	46	50	49	49
Memphis	14	12	39	20	16	26
Miami	1	1	13	1	4	1
Milwaukee	24	21	33	36	36	19
Minneapolis	38	39	20	42	44	28
Nashville	43	46	43	43	34	18
New Orleans	5	4	28	8	9	16
New York	10	5	30	12	11	4
Oklahoma City	47	50	45	49	36	49
Orlando	6	10	1	2	1	10
Philadelphia	12	8	34	17	29	21
Phoenix	33	34	26	17	20	17
Pittsburgh	48	40	49	46	45	34
Portland (OR)	18	24	6	16	13	11
Providence	37	26	50	44	35	20
Raleigh	50	49	16	41	41	46

Richmond	17	16	35	14	25	40
Riverside	3	3	3	5	5	6
Rochester	8	9	20	21	36	48
Sacramento	7	7	10	15	17	13
San Antonio	42	45	28	39	18	32
San Diego	4	6	2	4	2	3
San Francisco	31	30	31	17	12	4
San Jose	28	32	8	11	8	6
Seattle	36	41	23	22	22	12
St. Louis	41	37	36	37	45	41
Tampa	13	19	14	7	5	9
Tucson	35	35	26	35	24	24
Virginia Beach	9	18	11	9	10	23
Washington, D.C.	32	33	32	29	21	21

Sources: NLIHC, Furman Center, JCHS and FreddieMac