



Date: April 21, 2017
To: Patrick H. West, City Manager *PW*
From: *fj* Amy J. Bodek, Director of Development Services *AB*
For: Mayor and Members of the City Council
Subject: **Draft Report on Citywide Rental Rates**

On February 21, 2017, the City Council held a Study Session on a draft affordable housing report entitled "Revenue Tools and Incentives for the Production of Affordable and Workforce Housing" (Housing Report). The Housing Report contained, among other things, data on current and historical rental rates in Long Beach. Specifically, the Housing Report contained rental data obtained through the online real estate and rental marketplace Zillow. During the Study Session, concern was expressed over the accuracy of this data. Staff was asked to conduct additional research on rental rates, to be included in the final Housing Report scheduled to be presented to the City Council on May 2, 2017.

Staff reviewed several rental data sources, including REIS Real Estate Data Base; American Community Survey; Apartments.com; and, Craigslist.org. All of these sources provide data in a different format with varying rental rates, and the data from American Community Survey is not current. Using the data from these sources, staff compiled the attached Draft Report on City Rental Rates (Rent Report). To address the City Council's concern on the accuracy of rental rates, staff will contract with a firm that provides professional real estate data to provide current and accurate rental rates. The Rent Report will be updated and forwarded to the City Council at a later date.

If you have any questions regarding this matter, please contact Patrick Ure, Housing Development Officer, at (562) 570-6026 or patrick.ure@longbeach.gov.

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ATTACHMENT: Draft Report on Citywide Rental Rates

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DRAFT



REPORT ON CITYWIDE RENTAL RATES

Department of Development Services
Housing and Neighborhood Services Bureau

April 21, 2017

DRAFT

Background

On February 21, 2017, the City Council held a Study Session on a draft affordable housing report entitled “Revenue Tools and Incentives for the Production of Affordable and Workforce Housing” (Housing Report). The background research in the draft report contained data from online real estate and rental marketplace Zillow.com. However, concerns were expressed over the accuracy and reliability of the data provided by Zillow. The City Council requested that staff conduct additional research on rental rates to paint a more comprehensive picture of the state of the rental market in Long Beach. In addition, the City Council also requested that staff investigate data on rental rates for units that are not on the market.

There is no single, comprehensive source of rental data that provides a thorough and exact overview of the housing market in Long Beach up to present day. In order to present a more thorough picture of the rental market, staff reviewed a number of data sources to more fully understand the growth and trends in the rental market. These sources include commercial real estate data firm REIS, Inc., the American Community Survey, and two common rental-listing websites, Apartments.com and Craigslist.org. These sources represent data used by developers, demographers, and consumers. Commercial real estate databases provide some insight into rental rates for properties with units not on the market, but no data source was found that provides details on units that may be occupied by long-term renters.

Commercial Real Estate Databases

A number of companies collect and provide comprehensive, proprietary real estate data and analytics for use by the commercial real estate (CRE) industry. Staff obtained submarket and ZIP code-level rent reports from CRE information company REIS, Inc. (REIS). This data was provided by the study group through Century Housing, which holds an account with REIS and is able to request data to inform business planning and project development.

REIS obtains estimates of median asking rents in the market by conducting surveys of comparable rental properties to calculate median asking rents. Each submarket rental comparison group represents a population of up to 30 properties, with published data for that particular submarket. REIS identified three submarkets (West Long Beach, East Long Beach, and North Long Beach) and calculated median asking rents, as well as one-year, three-year, and five-year growth rates for the submarkets.

The REIS reports place the median asking rent citywide at \$1,576¹, which represents a 6.40 percent growth from December 2015 to December 2016. In addition to the rising rent, vacancy rates remain very low at 4.4 percent in 2015². Though some areas of Long Beach remain relatively affordable, when compared to many other cities

¹ REIS, Inc.

² 2011-2015 American Community Survey

throughout the metropolitan region and other coastal cities in the state, rising rents continue to place a growing burden on households in the City.

Long Beach Rent Analysis – By Submarket				
Submarket	Median Asking Rent	1 Year Growth	3 Year Growth	5 Year Growth
West Long Beach Comparable Group	\$1,692	4.60%	4.90%	4.00%
East Long Beach Comparable Group	\$1,598	5.30%	6.00%	5.20%
North Long Beach Comparable Group	\$1,438	9.30%	6.70%	5.10%
Submarket Average	\$1,576	6.40%	5.87%	4.77%

Source: REIS Inc., research for period ending 12/31/16

Figures 1 through 3 show locations of properties in each submarket comparison group for which REIS has detailed data, including vacancy rate, asking rents, and effective rents. The submarkets defined by REIS do not perfectly align with Long Beach city borders and established neighborhood boundaries, and may include neighborhoods in bordering jurisdictions. This data source should be used for area-wide analysis only.

REIS does, however, provide ZIP code-level data for median asking rents for most zip codes within the city, which provides a finer-grained analysis of the asking rents. Since rental comparisons generated by REIS require at least five verified properties to create a rental comparison group, REIS was unable to create a comparison group to analyze rental trends in 90807 or 90808 as fewer than five properties were found for each ZIP code within their database. Additionally, some REIS-defined submarkets wholly encompass entire zip codes, such as the North Long Beach submarket, which includes ZIP code 90805, where REIS calculates median rents to be \$1,283³.

Long Beach Rent Analysis - By ZIP Code				
ZIP	Median Asking Rent	1 Year Growth	3 Year Growth	5 Year Growth
90802	\$1,926	11.1%	9.4%	6.3%
90803	\$1,504	9.2%	5.0%	5.3%
90804	\$1,571	5.2%	7.8%	5.6%
90805	\$1,283	7.4%	7.0%	4.2%
90807 [^]	--	--	--	--
90808 [^]	--	--	--	--
90813	\$979	7.2%	6.5%	4.3%
90815	\$1,651	11.4%	8.8%	6.4%
Average	\$1,486	8.6%	7.4%	5.4%

Source: REIS, Inc., Research for period ending 12/31/16

[^] Due to a lack of properties within its database, REIS was unable to create a comparable group to analyze rent trends for ZIP codes 90807 and 90808.

³ REIS, Inc.



Figure 1. REIS, Inc. West Long Beach Submarket Comp Group

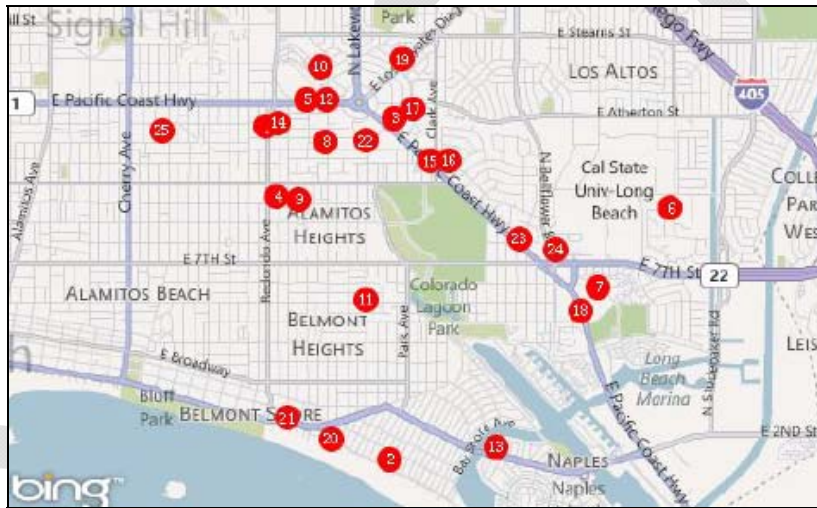


Figure 2. REIS, Inc., East Long Beach Submarket Comp Group

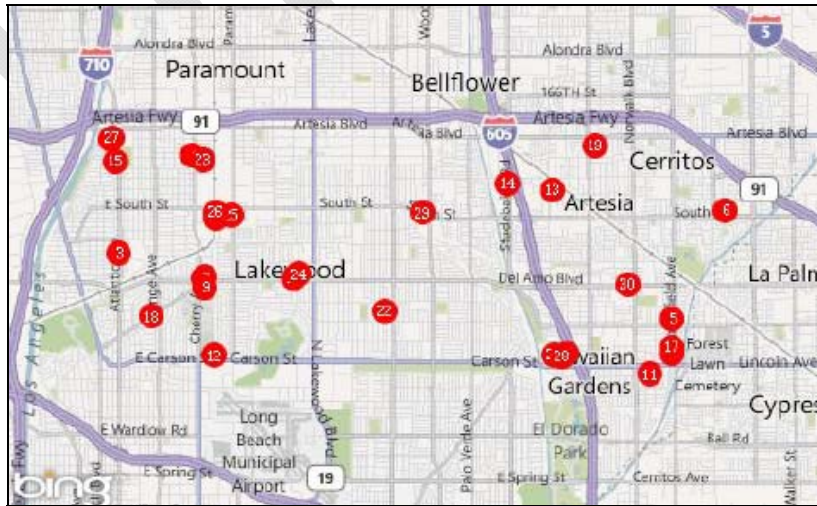


Figure 3. REIS, Inc., North Long Beach Submarket Comp Group

American Community Survey

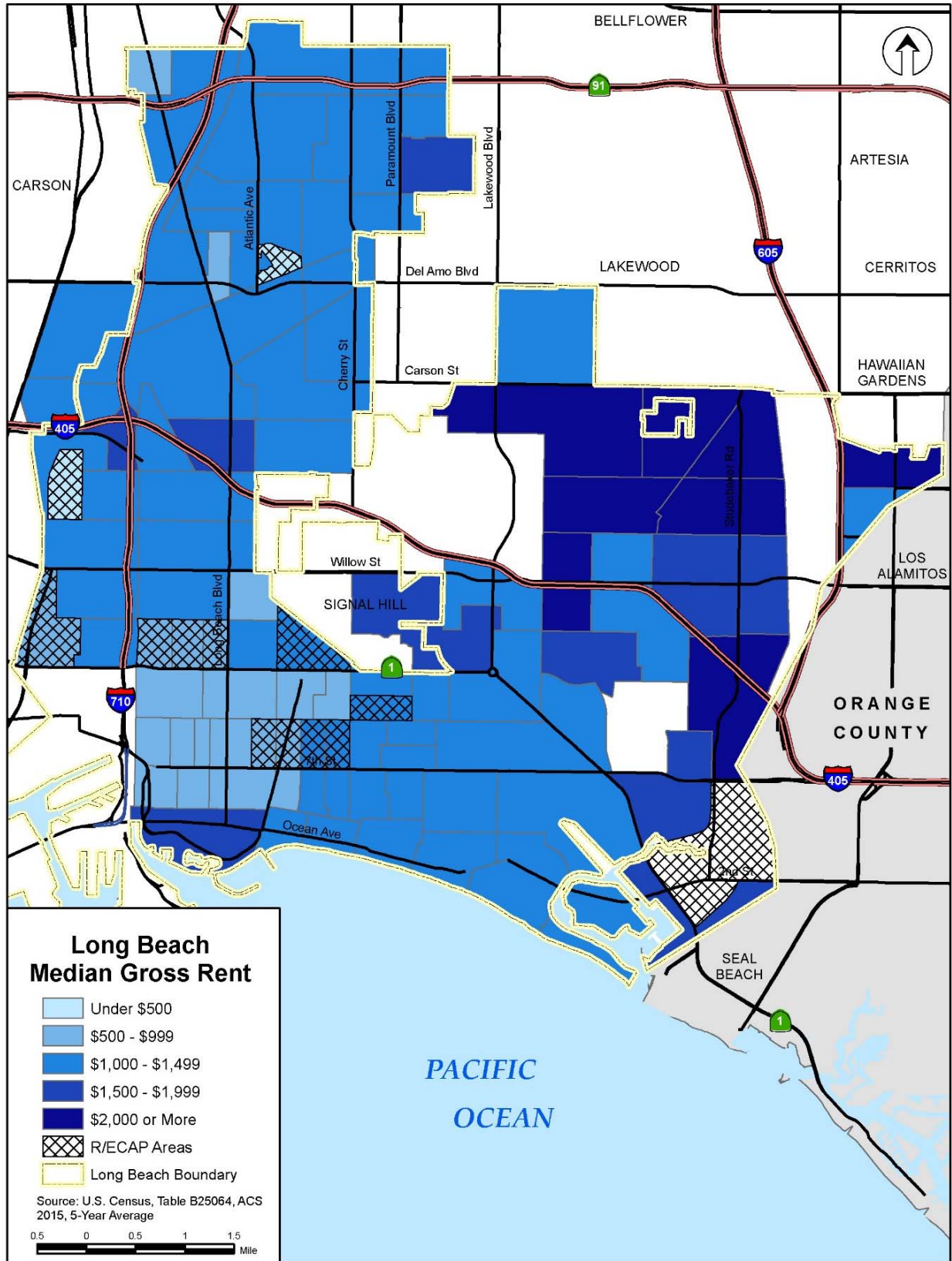
In addition to the decennial Census, the U.S. Census Bureau conducts the American Community Survey (ACS) on a yearly basis. The ACS is a nationwide, continuous survey designed to provide communities with reliable demographic, housing, social, and economic data every year. The results of each year's survey are released the following year. The most current data from the 2015 ACS was released in 2016. According to five-year estimates from the 2015 ACS, the median gross rent in Long Beach was \$1,122⁴. Estimated median gross rents for Long Beach ZIP codes are shown in the table below. Over this time period, the ACS reports an estimated 4.4 percent growth in median gross rents citywide.

Estimated Median Gross Rent						
Location/ZIP Code	2011	2012	2013	2014	2015	% Growth, 2011-2015
90802	\$994	\$1,032	\$1,032	\$1,048	\$1,057	6.34%
90803	\$1,274	\$1,315	\$1,344	\$1,357	\$1,377	8.08%
90804	\$1,092	\$1,111	\$1,114	\$1,117	\$1,122	2.75%
90805	\$1,003	\$1,018	\$1,031	\$1,059	\$1,062	5.88%
90806	\$994	\$1,016	\$1,037	\$1,037	\$1,035	4.12%
90807	\$1,167	\$1,174	\$1,204	\$1,204	\$1,216	4.20%
90808	\$1,443	\$1,397	\$1,438	\$1,427	\$1,455	0.83%
90810	\$968	\$985	\$1,014	\$1,051	\$1,043	7.75%
90813	\$932	\$936	\$951	\$959	\$947	1.61%
90814	\$1,151	\$1,162	\$1,186	\$1,184	\$1,193	3.65%
90815	\$1,498	\$1,564	\$1,527	\$1,569	\$1,548	3.34%
Long Beach City	\$1,075	\$1,093	\$1,106	\$1,118	\$1,122	4.37%

Source: 2007-2011 to 2011-2015 American Community Survey, 5-Year Estimates

In addition to the ZIP code-level breakdown, the Census Bureau provides additional levels of geographic specificity. In 2011-2015, median rents by census block group in east side neighborhoods were significantly higher than those in the City's west side. Median rents in eastside neighborhoods are typically above \$2,000, while median rents in the west side ranged between \$500 and \$999. The map below shows estimated median gross rents by census block group, which provides an additional level of detail not present in the ZIP code-level medians.

⁴ 2011-2015 American Community Survey, 5-Year Estimates



Apartments.com

The City's Housing Element consultant, Veronica Tam and Associates, conducted a survey of available units in March 2017 from real estate aggregator website Apartments.com, which provides a snapshot of available units in the rental market. It is important to note that the median asking rents provided by this source, as well as other online rental listing aggregators such as ApartmentList.com and Zillow.com, may be skewed based on a number of factors, including out-of-date rental listings or a glut of new vacant units.

Of the 694 available housing units for rent, the majority were apartments (629 units) and only 65 were single-family homes. Overall, available rental housing ranged from single-room studios to four-bedroom units. The majority of available units in the City were one- and two-bedroom apartment units and single-family homes with three or more bedrooms. The table below summarizes average rents by unit size. Overall, units of varying sizes and types were listed as available for rent in February and March 2017, with a median rent of \$1,495.

Rent by Unit Size (Apartments.com)						
	Studio	1 BR	2 BR	3 BR	4 BR	Total
Apartment						
Median Rent	\$1,150	\$1,300	\$1,695	\$2,500	\$2,098	\$1,450
Average Rent	\$1,199	\$1,365	\$1,806	\$2,509	\$2,121	\$1,603
Subtotal Units	80	260	236	49	4	629
Single-Family Home						
Median Rent	--	\$1,250	\$2,195	\$3,398	\$5,250	\$3,200
Average Rent	--	\$1,250	\$2,292	\$3,450	\$4,904	\$3,308
Subtotal Units	--	2	18	34	11	65
All Units						
Median Rent	\$1,150	\$1,300	\$1,695	\$2,800	\$4,795	\$1,495
Average Rent	\$1,199	\$1,364	\$1,841	\$2,894	\$4,162	\$1,763
Total Units	80	262	254	83	15	694

Source: Apartments.com, accessed March 7, 2017

Craigslist.org

A second review of rental units was conducted on Craigslist.org, another common resource for people looking for rental units. In Long Beach, a total of 758 units were listed. The majority of housing units posted to the site were apartments (690 units) while only 68 were single-family homes. The majority of units posted were one- and two-bedroom apartments. The next table summarizes average rents by unit size. Overall, units of varying sizes and types were listed as available for rent in February and March 2017, with a median rent of \$1,863.

Rent by Unit Size (Craigslist.org)						
	Studio	1 BR	2 BR	3 BR	4 BR	Total
Apartment						
Median Rent	\$1,200	\$1,750	\$2,047	\$2,600	\$2,648	\$1,800
Average Rent	\$1,395	\$1,782	\$2,256	\$2,710	\$2,886	\$1,960
Subtotal Units	69	353	220	44	4	690
Single-Family Home						
Median Rent	--	\$1,598	\$2,025	\$2,895	\$3,400	\$2,525
Average Rent	--	\$1,558	\$2,185	\$3,075	\$3,585	\$2,855
Subtotal Units	--	6	14	35	13	68
All Units						
Median Rent	\$1,200	\$1,740	\$2,047	\$2,795	\$3,000	\$1,863
Average Rent	\$1,395	\$1,778	\$2,252	\$2,872	\$3,420	\$2,040
Total Units	69	359	234	79	17	758

Source: Craigslist.com, accessed March 9, 2017

Rent Burdens

According to a recent report by Beacon Economics, household incomes in Long Beach grew 6.0 percent from 2010 to 2014, which matches or exceeds the growth of rents over the same time period as reported by the data sources surveyed. This means that households in Long Beach have generally been able to keep the overall cost burden fairly stable over the last few years.

While the overall rate of housing cost burden has remained steady, there still remains a disparity in the rate of cost burdening between owner households and renter households. According to data from HUD, renter households were more likely to be cost burdened (53.2 percent⁵, compared to 47.2 percent for all households), a point of concern considering that 59 percent of households in Long Beach rented their homes in 2015⁶. In addition, the rate of severely cost-burdened renter households has risen from 27.9 percent in 2010 to 29.5 percent as of 2013, which can be generally attributed to a lack of housing affordable to households making less than 80 percent of the area median income (AMI).

The following tables provide the number of cost burdened households in Long Beach from 2010 to 2013, for all households (both renter and owner), as well as for renter households only.

⁵ U.S. Department of Housing and Urban Development

⁶ 2011-2015 American Community Survey, 5-year Estimates

Cost Burden, All Households							
Data Year	Total Households	Cost Burdened (30%-50% AMI)		Severely Cost Burdened (>50% AMI)		Total Cost Burdened (>30% AMI)	
		Households	%	Households	%	Households	%
2006-2010	161,895	37,935	23.4%	39,405	24.3%	77,340	47.8%
2007-2011	161,930	37,230	23.0%	39,670	24.5%	76,900	47.5%
2008-2012	161,590	37,555	23.2%	39,540	24.5%	77,095	47.7%
2009-2013	163,865	37,475	22.9%	39,755	24.3%	77,230	47.1%

Source: 2006-2013 HUD Comprehensive Housing Affordability Strategy Data

Cost Burden, Renter Households							
Data Year	Renter Households	Cost Burdened (30%-50% AMI)		Severely Cost Burdened (>50% AMI)		Total Cost Burdened (>30% AMI)	
		Households	%	Households	%	Households	%
2006-2010	93,455	22,190	23.7%	26,120	27.9%	48,310	51.7%
2007-2011	94,920	22,150	23.3%	26,880	28.3%	49,030	51.7%
2008-2012	95,625	22,410	23.4%	27,735	29.0%	50,145	52.4%
2009-2013	96,900	22,925	23.7%	28,620	29.5%	51,545	53.2%

Source: 2006-2013 HUD Comprehensive Housing Affordability Strategy Data

Conclusion

The data collected by staff shows that there is a wide disparity in rental rates throughout the City, which is attributable to a number of factors including location, unit type, unit size, and amenities. It is, therefore, difficult to support blanket conclusions about rent in Long Beach as a whole without taking these disparate influences into consideration.

This survey shows median rent for units citywide to be as low as \$1,122 in 2015, according to ACS, and as high as \$1,863 according to the most recent survey of Craigslist.org data. The data provided by REIS, as well as the Apartments.com survey, shows median rent of approximately \$1,500. Further investigation into each data set would be necessary to better understand the bias within each sampling. For example, the ACS may be under-estimating due to its use of a five-year rolling average to calculate its median, while the median rent from user-driven listing sites such as Craigslist.org or Apartments.com could be inflated due to the presence of listing for new luxury properties.

In order to provide a consistent source of verifiable data, City staff is investigating a subscription service with CoStar real estate data as part of the DataLB and BizPort initiatives. CoStar is another widely-used industry standard real estate database and the City is working to provide and display this real estate information, including rental data, to meet a wide variety of objectives. This report will be completed once staff has access to CRE information. When completed, the report will be provided to the City Council.