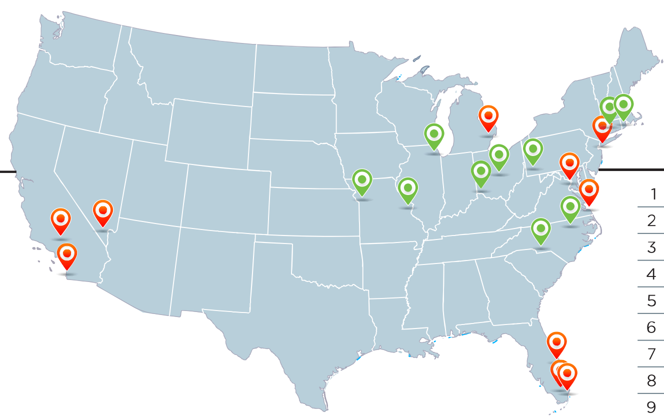
Separating

Apartment Affordability

Facts from Fiction

Lowest Median Rent-to-Income Ratios

1	Raleigh/Durham, NC	20.4%
2	Pittsburgh, PA	20.5%
3	St Louis. MO-IL	20.6%
4	Cincinnati, OH-KY-IN	20.9%
5	Chicago, IL	20.9%
6	Charlotte, NC-SC	21.0%
7	Columbus, OH	21.2%
8	Providence, RI-MA	21.2%
9	Kansas City, MO-KS	21.3%
10	Hartford, CT	21.4%



Highest Median Rent-to-Income Ratios

1	Miami, FL	28.8%
2	Fort Lauderdale, FL	26.9%
3	Washington, DC-VA-MD	26.0%
4	Virginia Beach/Norfolk, VA-NC	25.9%
5	West Palm Beach, FL	25.9%
6	Riverside/San Bernardino, CA	25.9%
7	San Diego, CA	25.7%
8	NewYork, NY	25.5%
9	Las Vegas, NV	25.3%
10	Detroit, MI	25.2%

BY GREG WILLETT

New residents of market-rate apartments are typically spending about 23 percent of their incomes on rent, according to millions of individual lease transactions recorded in RealPage's technology systems.

The median rent-to-income ratio for households living in market-rate properties has held remarkably steady throughout this economic cycle. While rents have climbed sharply in recent years, so have the income standards for residents of this market-rate apartment segment. In 2017, median income among households signing new leases for market-rate properties reached $61,000.

Affordability levels obviously vary by apartment product quality. Residents of Class A properties tend to move into units where rents equal 21 to 22 percent of their incomes. In the Class B product sector, the typical rent-to-income ratio is a little higher at 22 to 24 percent. Residents of Class C and D projects have a much tougher time covering housing costs, with rents tending to command 25 percent to 31 percent of income.

Digging into affordability differences across the nation's 50 largest metropolitan areas, residents of Raleigh-Durham are in the best shape. The median rent-to-income ratio there registers just 20.4 percent. Influencing the low rent-to-income ratio, Raleigh's well-educated workers are comparatively affluent. Nearby Charlotte also posts a low rent-to-income ratio that reflects very solid renter earnings.

Other metros where market-rate apartments are most affordable for the local populace are heavy on Midwest and Rust Belt metros that generally have lower costs of living. Furthermore, because these spots are not big construction centers, they have inventories heavy on bread-and-butter, middle-tier product. Included on the list of low rent-to-income markets are Pittsburgh, St. Louis, Cincinnati, Chicago, Columbus and Kansas City.

Miami is the metro where market-rate apartment renters struggle the most to cover housing costs, as the median rent-to-income ratio reaches 28.8 percent. Affordability is a challenge across South Florida: Fort Lauderdale and West Palm Beach also are high rent-to-income markets.

High-priced gateway cities like Washington, D.C., San Diego and New York also are high rent-to-income metros. Additional spots where housing affordability can be a stretch include Riverside-San Bernardino, Las Vegas and Detroit, all locations where comparatively low incomes – rather than comparatively high rents – shape the statistics.

The notable spread in rent-to-income ratios throughout apartment product niches and locations illustrates the need for pricing strategies to reflect individual portfolio or even individual property characteristics. Rents that have climbed faster than incomes during this economic cycle have led to housing affordability challenges for some. However, rent-to-income considerations certainly do not cap pricing power across the board.

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