Zillow Rentals

Consumer Housing Trends Report

2021

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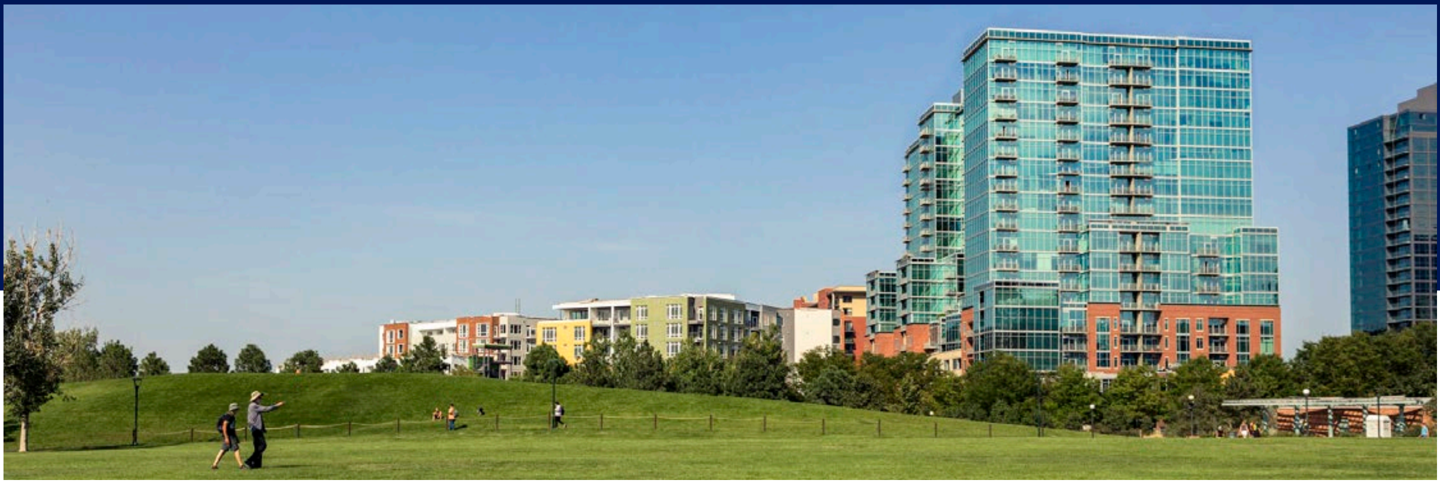
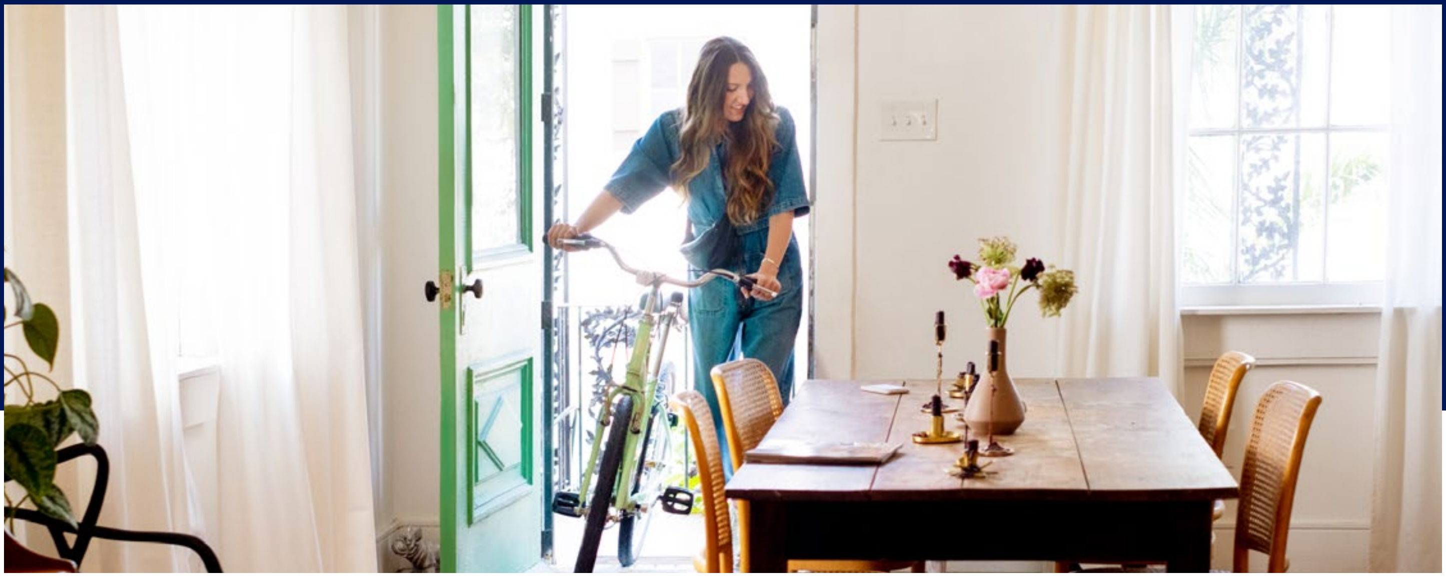


Foreword



When 2021 began, U.S. rent prices were in a slump. Many young renters had moved back in with parents, and others were uprooting to more affordable homes to work remotely. In some of the most expensive rental markets and neighborhoods, these shifts led to softening rents and even drops.

Fast-forward to the summer, and rent growth nationally rivaled the supercharged housing market, with many metros logging more than 15% year-over-year increases in typical rent.

The rental picture, however, is far from uniform, said Zillow economist Alexandra Lee.

"Some markets are still on the rebound. Some markets never really experienced a slowdown. Some markets are well above their pre-pandemic levels or even more expensive than they were projected to be before the pandemic," Lee said.

As the year comes to a close, the conversation has shifted to affordability: Can renters keep up or save enough to make the transition from renting to owning that typically happens around age 36? And could rent growth push renters to spend an even greater share of their income on housing?

The Zillow Rentals Consumer Housing Trends Report 2021 provides insights into the financial stressors facing renters, and the challenges facing landlords and property managers as they seek to recoup losses, grow their businesses and invest.

The report also provides insights into what renters want, what they pay, and the growing use of technology in all aspects of the rental process.

Landlords and property managers face different challenges as market recovers unevenly

"Nationally, rents are rising faster and are more expensive than they were projected to be even before the pandemic," Lee said, "but in many local markets, landlords are likely still seeing prices rebound."

Those rebounding markets include the nation's most expensive zip codes — such as San Jose, San Francisco and New York City, where prices are still below where they would have been based on pre-pandemic trends, Lee said. Hardest hit in those cities: the most expensive rentals, especially high-rise luxury condos.

Meanwhile, rent increases in smaller metros could turn what had been some of the nation's more affordable locales into some of the least affordable by year's end, as renters in those markets spend a greater share of their income on rent.

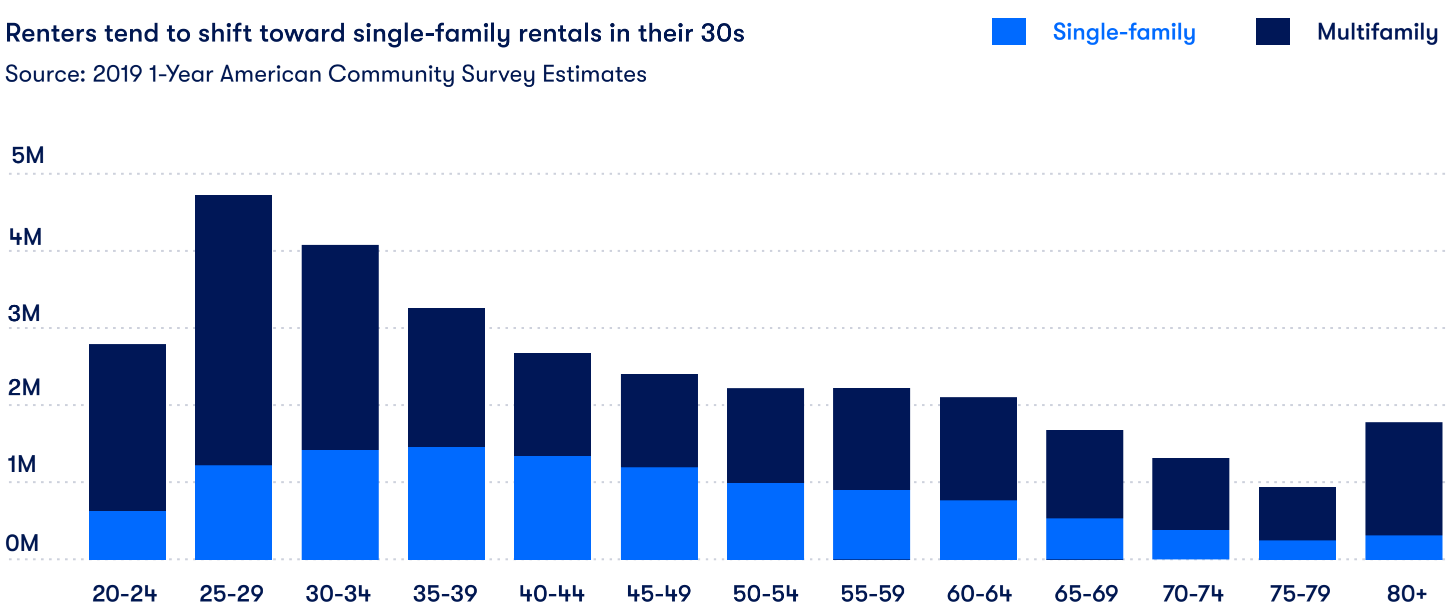
For landlords and property managers, this could create a significant shift in market demand. The combination of growing home values and increasing rents could mean that renters will continue to rent for longer than they might have otherwise — and they may be driving demand for larger multifamily and single-family rentals.

"With home value growth in overdrive right now, and rent high as well, we are seeing the most difficult situation on record for prospective home buyers — people who are trying to move from renting to buying," Lee said.

Zillow research shows that households generally tend to shift into single-family detached homes when they reach their late 30s.

Renters tend to shift toward single-family rentals in their 30s

Source: 2019 1-Year American Community Survey Estimates



“As older millennials become increasingly likely to have partners, spouses, and children but for-sale home prices remain too high and out of reach, we’ll likely see demand increase for larger multifamily or single-family rentals,” Lee said.

“And, as millennials face difficulties making the jump into homeownership, that bottleneck will likely increase demand for rentals across the board. The pool of renters will continue to grow, with younger generations aging into the rental market as well,” she said.

Regardless of life stage, affordability is a growing issue for renters. In 19 of the largest 50 U.S. metros, the typical renter household is paying more than 30% of their monthly income for a typical rental, Lee said. A home is considered affordable if it consumes no more than 30% of a household’s income.

That percentage also affects landlords and property managers making decisions around rent. The trends report shows that among renters who experienced a rent hike, 85% say the increase impacted their decision to move.

And 81% of renters say finding a rental within their initial budget was highly important when choosing a place to live — higher than all other home characteristics.

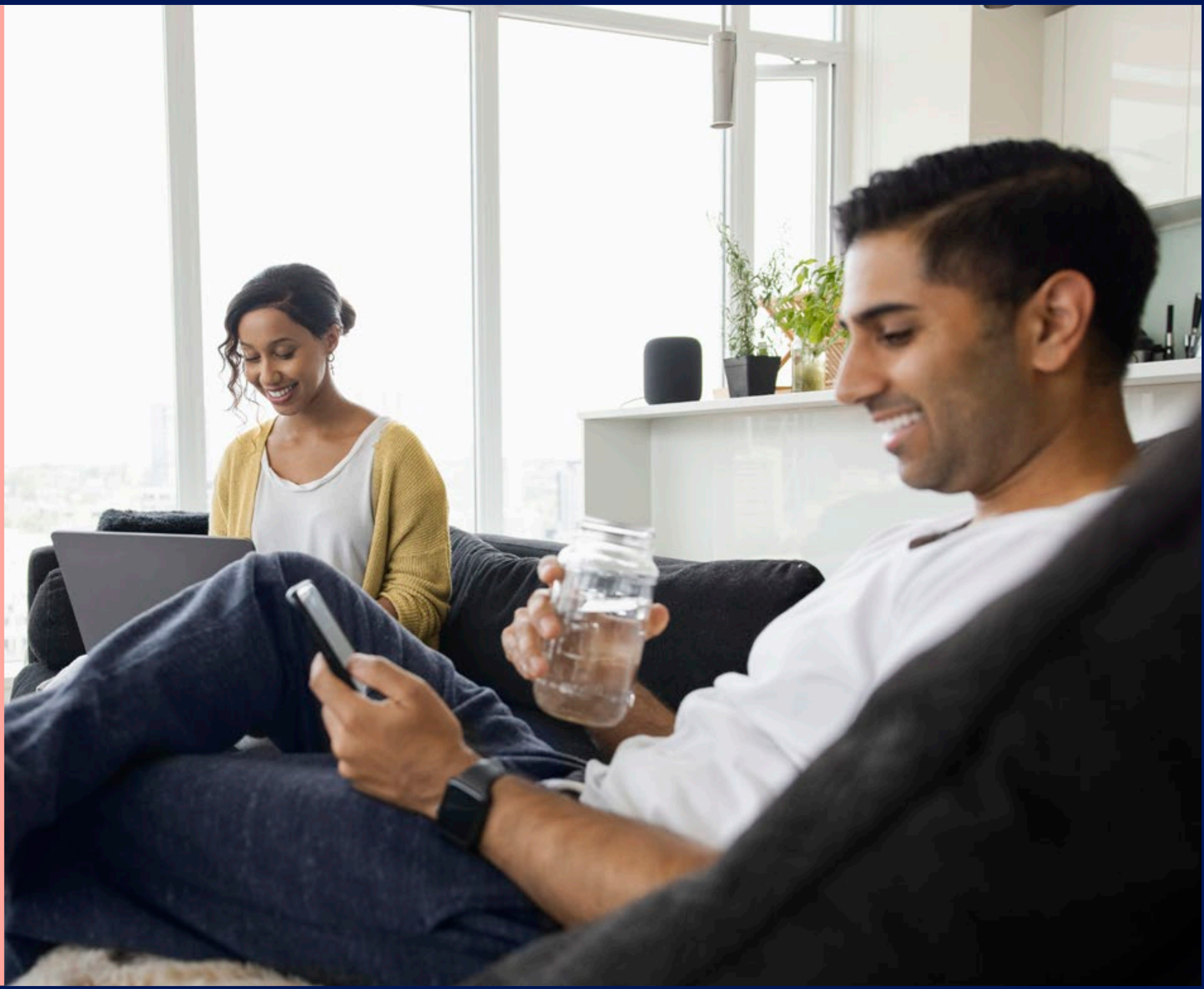
With millions of renters now able to work remotely, landlords and property managers have to be especially attuned to affordability and renter mobility.

One of the encouraging findings of the 2021 trends report is the extent to which landlords and property managers have worked to close the digital gap in the rental process, allowing renters to use the digital tools they’ve been asking for. There’s every reason to believe that kind of responsiveness will continue, leading to partnerships that, at their best, create thriving businesses and happy renters.

“Nationally, rents are rising faster and are more expensive than they were projected to be even before the pandemic, but in many local markets, landlords are likely still seeing prices rebound.”

Alexandra Lee, Zillow Economist

Closing the digital gap



Renters are increasingly drawn to digital tools, but they still want real-world experiences. Delivering on both will put landlords and property managers on the road to success.

The digital divide between what renters want to do online and what they can do has narrowed in 2021, continuing a shift toward the digital tools most favored by younger generations of renters and increasingly preferred and used by renters of all ages.

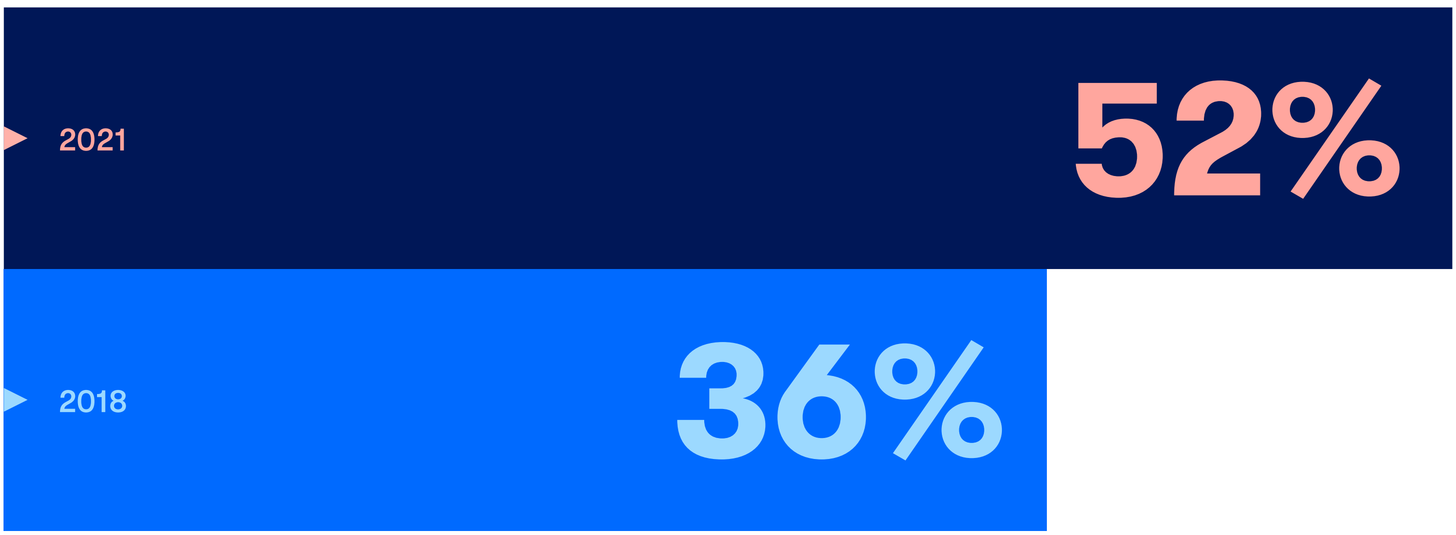
Online tools are increasingly important to renters for nearly every aspect of their home journey, including finding and touring their prospective home, signing the lease and paying rent.

Yet the report also underscores the importance of in-person experiences for renters of all ages. For instance, the majority say they want to meet the landlord or property manager and experience their future home in person — a trend that continues from last year despite COVID-19.

What is especially clear in 2021: Renters want a blend of technology and real-world experiences. Delivering on both can help pull you ahead of other landlords and property managers and provide a strong foundation for serving current and future customers, especially as demand for digital tools continues to grow.

Online rent payments made significant gains

Percentage of renters who pay rent online



In just three years, landlords and property managers have made meaningful progress in accommodating renter preferences around rental payments.

In 2018, 36% of renters typically paid their rent online. In 2021, it's 52%, a 16-point jump.

The youngest renters appear to be driving the trend the most. Gen Z — ages 18 to 26 — leads the way in online rent payments, with 64% reporting that they typically pay that way. About half (51%) of millennials, ages 27 to 41, say they pay that way too. That makes 2021 the first year where a majority of both Gen Z and millennial renters report paying their rent online.

Older renters have been slower to transition to digital payments, possibly because of a preference for in-person methods or because they haven't been given the option to pay electronically.

Only 41% of Gen X (ages 42 to 56) and 38% of baby boomer and silent generation renters (age 57 and up) say they typically pay online. Roughly half (47% of Gen X and 50% of baby boomer/silent generation renters) say they pay in person.

COVID-19 likely played a hand in helping shrink the digital gap. Zillow data covering the period from spring 2018 to summer 2021 shows that the largest share of renters who expressed a preference for online payments did so in the fall of 2020, when 69% of renters surveyed said electronic payments were ideal. That's also a period when COVID-19 had become widespread in the United States.

52% of renters typically pay their rent online

65% of renters say that paying electronically would be ideal

The share declined slightly in the spring and summer of 2021, when 65% of renters said electronic payments were ideal. But the year-to-year trend shows a growing preference for online payments.

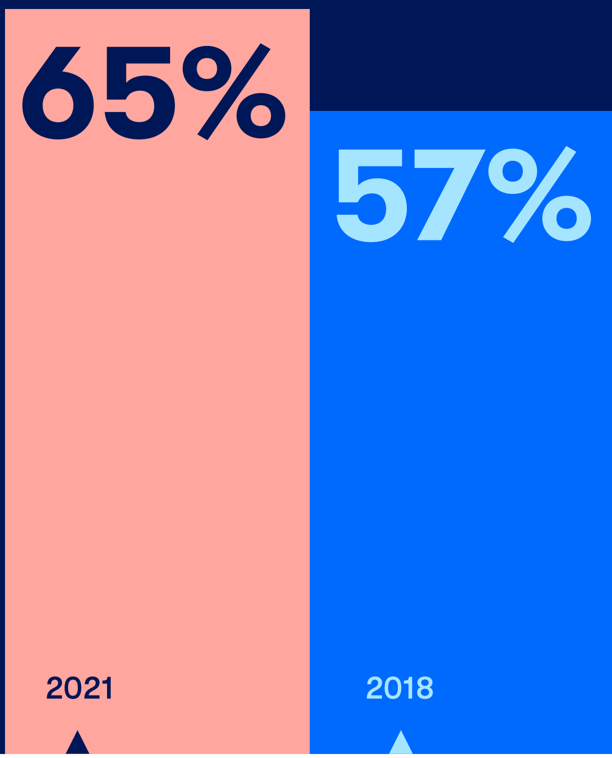
How renters pay their rent, by generation

How they *typically* pay

How they would *ideally* pay

	In person	Online	Through the mail	Other
Gen Z (Ages 18-26)	28% / 22%	64% / 73%	5% / 3%	3% / 2%
Millennial (Ages 27-41)	39% / 27%	51% / 67%	8% / 4%	2% / 2%
Generation X (Ages 42-56)	47% / 33%	41% / 58%	7% / 7%	4% / 1%
Boomers + Silent Gen (Ages 57+)	50% / 38%	38% / 52%	7% / 6%	6% / 4%

Percentage of renters who say they would ideally pay rent digitally



A disconnect between what renters want around rental payments and what they're actually able to do remains, however, likely due in part to greater numbers of renters who say they want the ability to pay online.

In 2018, 57% of renters said they would ideally pay rent digitally. In 2021, 65% say they would — an 8 point increase.

If you're not yet offering the ability to pay online, you might consider adding it to your existing payment options to better meet this increasing demand.

More renters are signing leases electronically

Renters' use of digital tools to sign leases has also seen substantial gains in 2021.

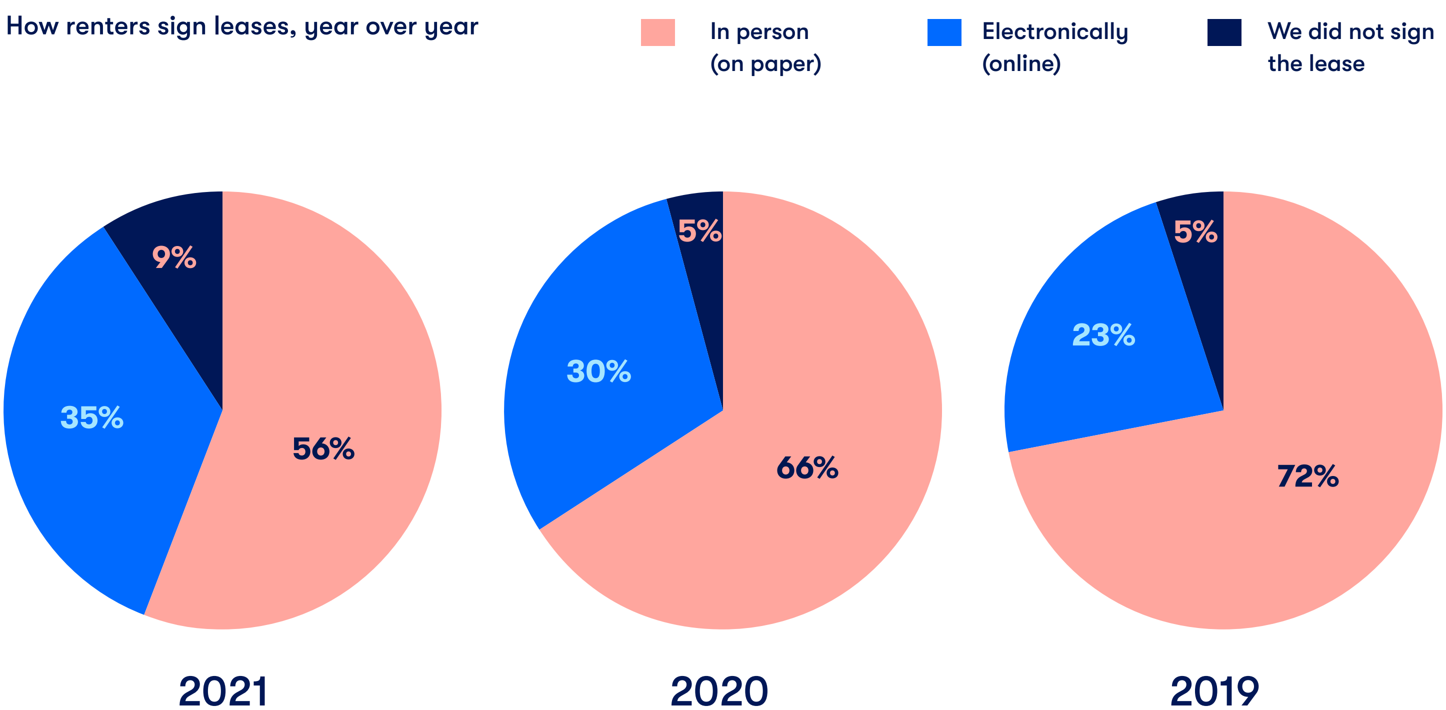
In fact, 35% of renters sign their leases online — a 5-point increase from 2020 and a 14-point jump over 2018, when 21% of renters signed remotely.

Although the trend has climbed steadily, a majority of renters (56%) still sign paper leases in person. That's not to say they prefer it that way. In fact, more renters would sign electronically if given the option.

Among renters who signed a lease in person, 35% say they would ideally prefer to sign online. Among all renters, 45% would prefer to sign remotely, but only 35% do.

Having a digital option for signing leases could make life easier for you and your renters, and provide a useful option during periods when the public health picture around COVID-19 is uncertain.

How renters sign leases, year over year



Digital tools are increasingly important, but in-person experiences still matter

Renters of all ages say they want digital tools for nearly every aspect of renting — but not at the expense of real-world experiences.

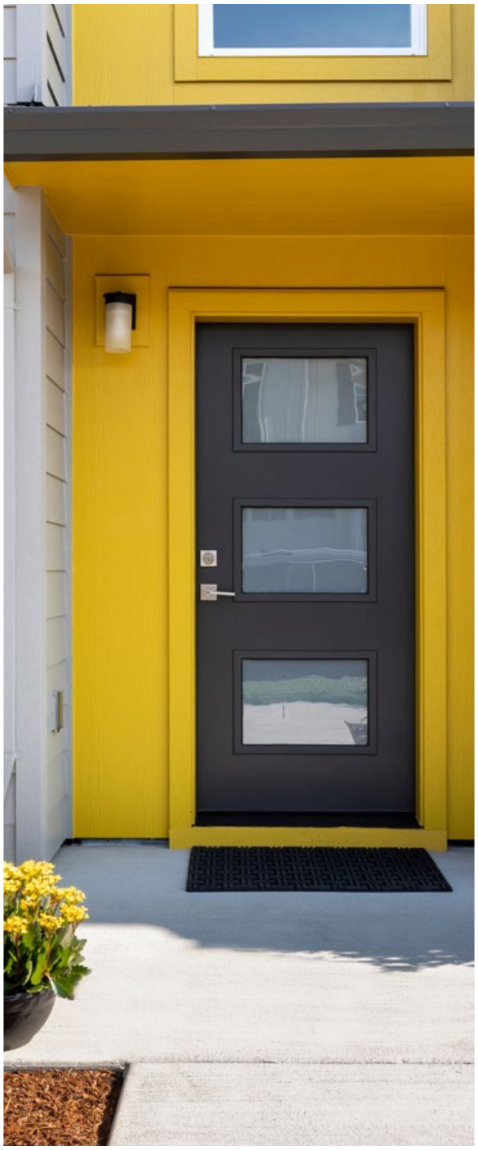
Few things highlight the importance of offering renters both tech and in-person experiences more than the report's findings on renter preferences for digital tools and in-person experiences.

More than 7 in 10 renters (71%) agree somewhat or completely that they're more likely to view a home if the listing includes a floor plan they like — a 4-point increase over 2020. The same percentage of renters also agree that the only way to really understand the layout of a home is to see it in person.

The results could speak to renters' desire to get a full lay of the land, including neighbors and — if the unit is multifamily — common spaces and amenities. The findings also could reflect a lack of floor plans on listings, creating a need to experience a rental in person.

It's also possible that some renters place high importance on in-person tours because listings either don't include a floor plan, or some renters can't understand or interpret the floor plans as posted: 43% of renters agree they wasted time during their home search on properties they would have skipped had they understood the floor plan before visiting the home.

Still, renters appear to have a growing appetite for dynamic floor plans, which allow them to visually experience a home by navigating through the floor plan. Last year, 58% of renters agreed that a dynamic floor plan would help them determine if a home is right for them. This year, 63% of renters agree with that statement, a 5-point increase.



28%

consider viewing an interactive 3D tour very important or extremely important

▲ *5 points from 2020*

63%

agree that having a dynamic floor plan would help determine if a home is right

▲ *5 points from 2020*

71%

agree that they're more likely to view a home if the listing includes a floor plan they like

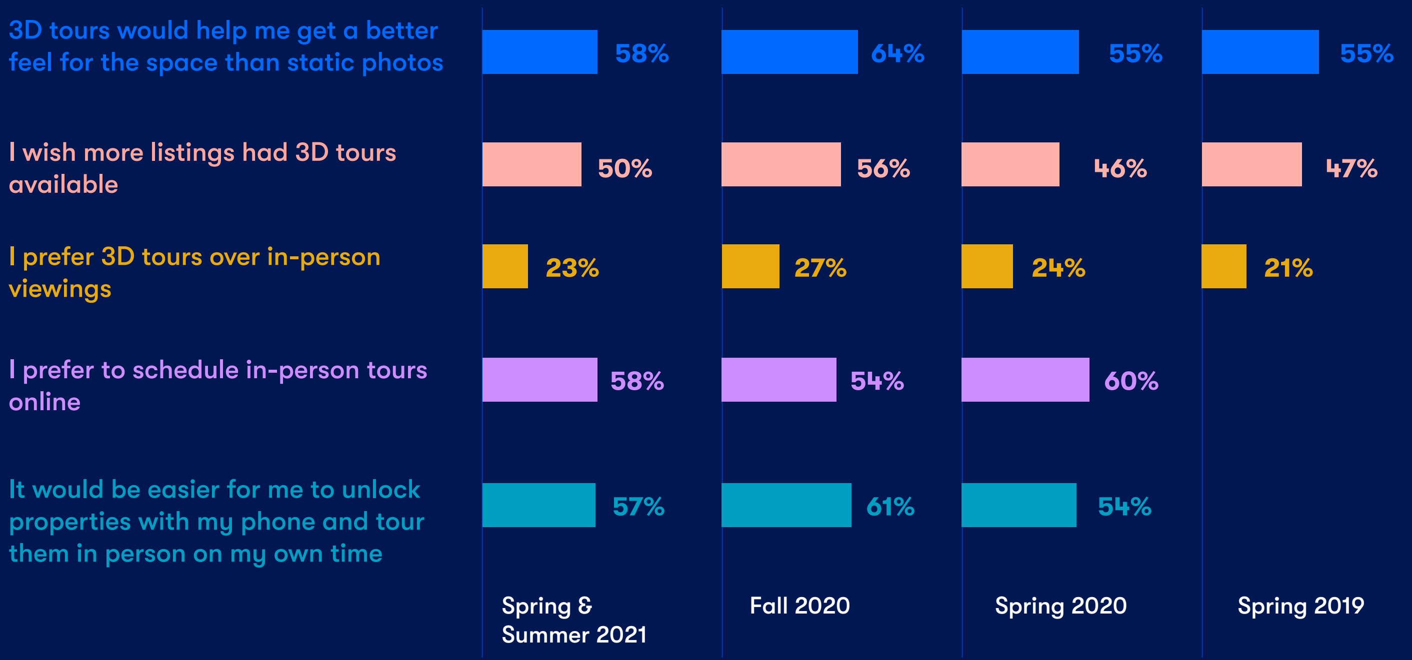
▲ *4 points from 2020*

As you can see from the rankings below, renters are seeking the most complete picture every step of the way.

Share of renters who consider each very / extremely important	2021	2020	2019	2018
Seeing lease terms / deposit info	72%	69%	75%	73%
Viewing pictures of the home	63%	60%	60%	60%
Taking a private tour of the home	61%	66%	64%	60%
Meeting or speaking with the landlord / property manager in advance	57%	58%	60%	60%
Viewing a floor plan of the home	55%	52%	54%	49%
Viewing a display unit / home	52%	49%	51%	50%
Taking a live virtual tour of the home	29%	28%	26%	25%
Viewing an interactive 3D tour of the property	28%	23%		

Create a comprehensive listing with multiple ways to explore your rental to give renters the best, most immersive experience for evaluating the property as their future home.

The desire for virtual tours remains high



Virtual media such as 3D tours, recorded video and live virtual tours have held growing appeal for renters since at least 2018, but they became particularly appealing by the fall of 2020. That's when COVID-19 cases were growing exponentially and mass distribution of vaccines to the general public had not yet begun.

At that time, 64% of renters agreed somewhat or completely that 3D tours would help give them a better feel for the space than static photos, 56% expressed a wish that more listings would have 3D tours, and 61% agreed that it would be easier for them to unlock properties with their phone for touring on their own time.

Each of those sentiments has slightly declined since but still remains higher than it was in the spring of 2019 and 2020. It may be that health concerns in 2020 made remote experiences especially important to renters.

Most renters still tour in person, but visit fewer properties

The percentage of renters who say they tour homes in person dropped off in 2021, with 23% of renters reporting that they took zero in-person tours. That's right — nearly 1 in 4 renters found a new rental home without stepping foot in it. The previous year, 18% of renters said they took no tours.

The finding could have something to do with the timing of the survey, which is conducted each spring. Since the survey defines renters as households that have moved in the past year, it's likely the 2020 survey included people who moved before the pandemic took off in the U.S. Meanwhile, the 2021 survey included people who had moved during COVID-19's initial spread in the U.S. and may have been more likely to avoid contact.

It's also possible that remote tools helped renters determine the suitability of the homes under consideration to a degree that they felt comfortable signing a lease without touring it personally.

The typical renter in 2021 goes on two in-person tours, and 68% of all renters say they toured one to four homes in the flesh. Only 10% of renters toured five or more homes, a 5-point drop from 2020.

Nearly 1 in 4 — renters say they found a new home without stepping foot inside

2 — Number of in-person tours the typical renter reports taking in 2021

More than ever, renters prefer multiple ways to experience your rental property. Giving them the options they find important and useful may help them find you faster.

Renters over age 60 are the most likely to forgo touring in person, with 34% reporting taking no tours. Those renters also are the least likely to say they value tech tools such as virtual tours or videos, so perhaps they rely on personal connections or accept more uncertainty around their new home.

Although some parts of the picture are unclear, renters' interest in using digital tools persists.

Share of renters who reported taking in-person tours

	0 in-person tours	1-4 in-person tours	5+ in-person tours
By year			
2021	23%	68%	10%
2020	18%	67%	15%
2019	19%	63%	17%
2018	21%	62%	16%
By generation			
Gen Z (Ages 18-26)	20%	70%	10%
Millennial (Ages 27-41)	21%	67%	11%
Generation X (Ages 42-56)	24%	67%	9%
Boomers + Silent Gen (Ages 57+)	32%	64%	5%

01

Closing the digital gap

Takeaways:

Embrace digital tools, but don't lose sight of human connection.

A large share of renters want the bureaucracy of renting to be easier — think online applications, payments and lease signing. But human experiences remain hugely important in their decision to rent. Make your human connections as special and as useful as your tech.

Stay open to new forms of rental payments.

Younger generations of renters continue to be the biggest drivers of change in the digital spaces around renting. Consider adopting systems and processes that can help solve other problems for renters.

Create listings that provide maximum information.

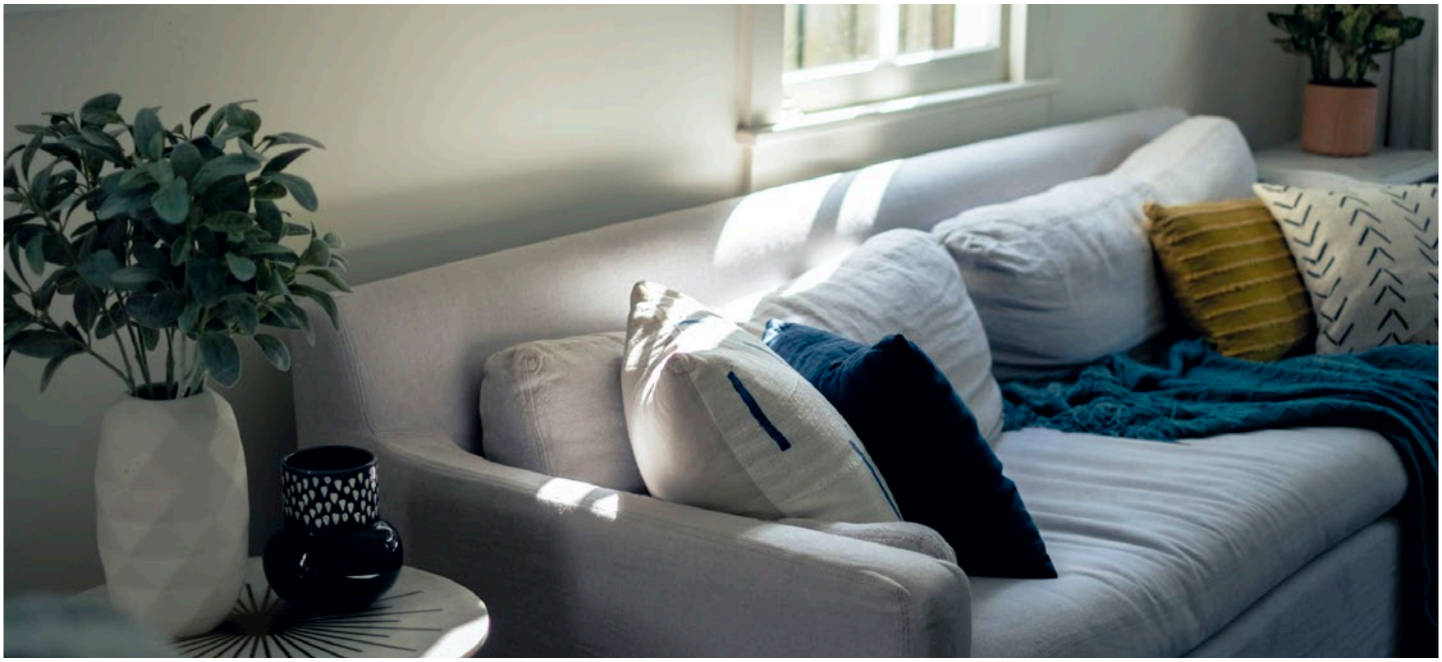
Nearly a quarter of renters took no tours in 2021. That means many likely made the decision based on personal connections, online reviews and the information in the listing. Provide full details about the home, as well as the surrounding area and amenities. Don't assume renters will seek that information out on their own.

Renter preferences

2

Renters' priorities and location considerations changed little during the pandemic. Neighborhood amenities and affordability remain top priorities.

The COVID-19 pandemic hasn't changed as many things as we thought it would



A global pandemic and the resulting historic economic and social changes have continued to affect the rental market in 2021, but the changes haven't been as sweeping as some had believed they would be.

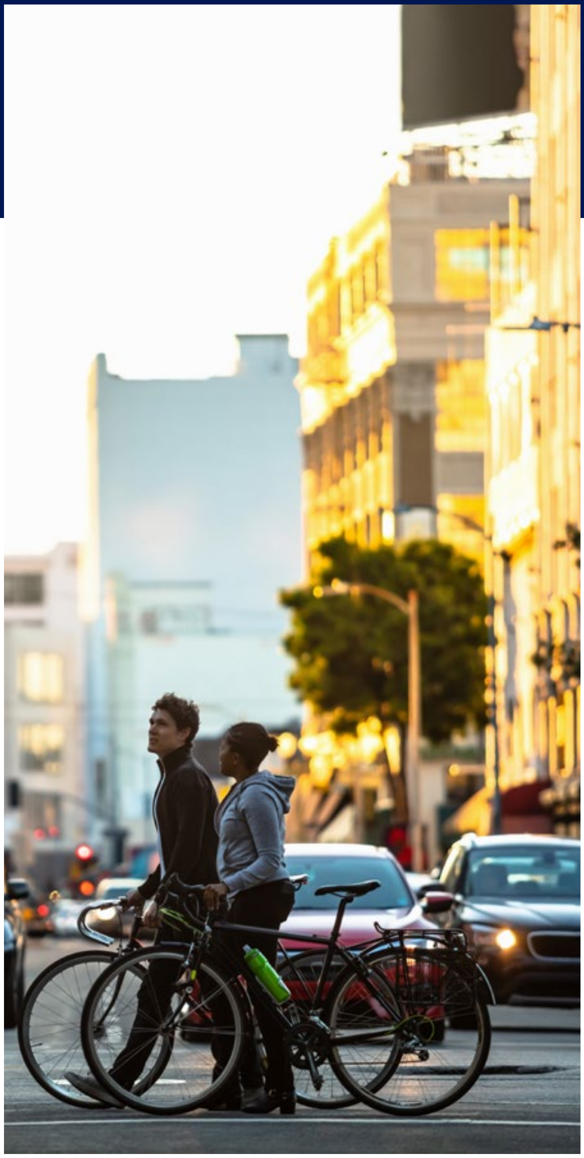
The need for social distancing due to COVID-19 may have halted a prior increase in renter interest in shared common spaces like gyms, rec rooms and pet areas. And the rise in remote work has some renters a little less concerned about living close to their office and public transit. But through it all, renters have stayed in suburbs or cities. There's been no mass exodus to little towns far from the nation's big metropolises.

The rise in remote work has not dramatically changed the type of neighborhood renters are looking for. While commute time and proximity to public transit are slightly less of a priority, the neighborhood features renters want have held steady: walkability, nearby shopping, and proximity to family and friends.

Here are the highlights of this year's findings.

Reports of the death of cities are greatly exaggerated

Data suggests that the mass exodus of renters from cities that was predicted in the wake of the COVID-19 pandemic never quite came to pass.

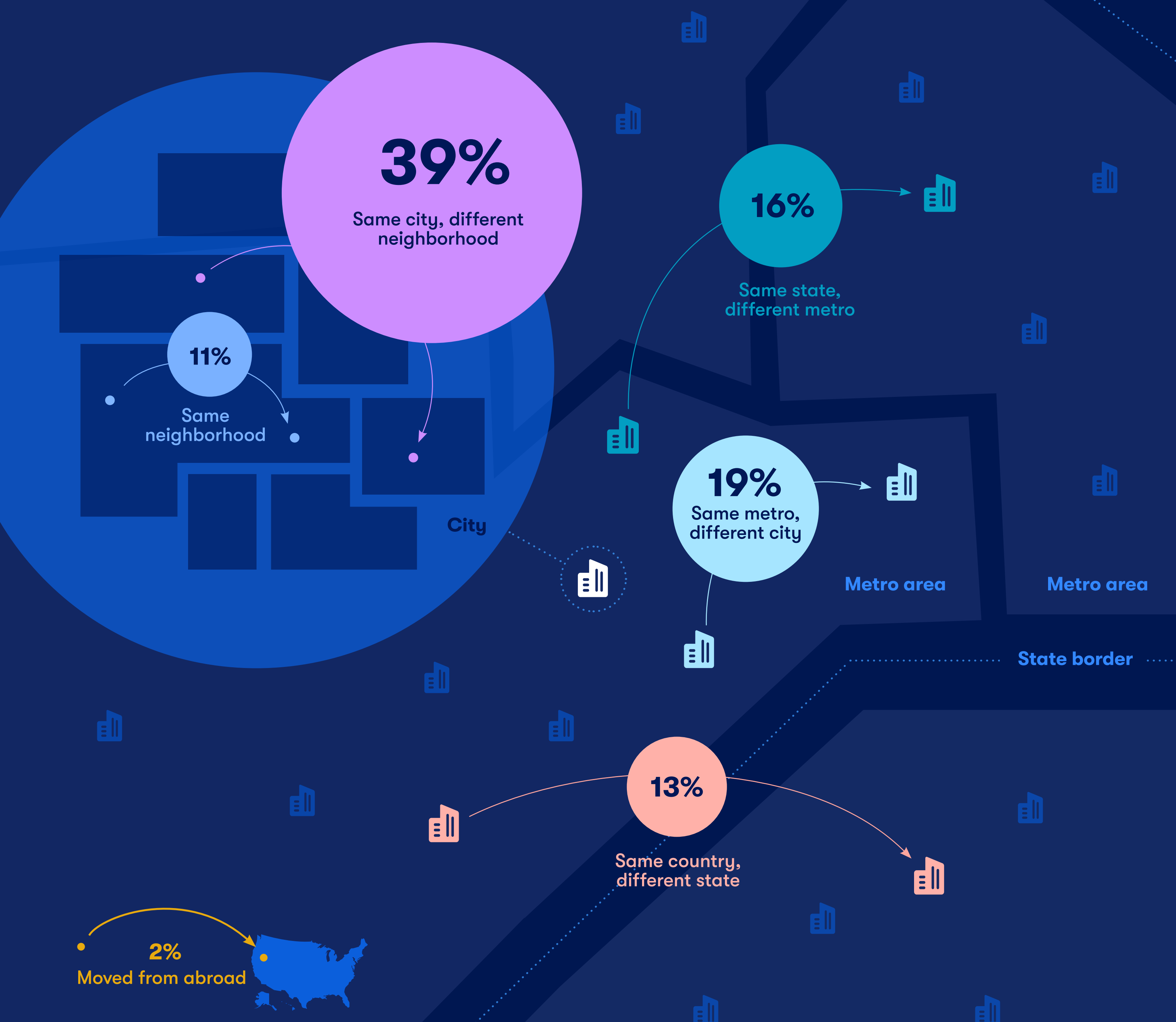


Trend watchers forecasted that once people could work remotely, waves of them would leave high-priced, high-density cities in favor of more affordable suburbs and towns. But half of renters (50%) surveyed stayed in the exact same city.

About one in 10 who moved (11%) stayed in the same neighborhood, 39% moved to a different neighborhood in the same city, and 19% moved to a different city in the same metro area — a stat largely unchanged from before the pandemic, in 2019.

In spite of the pandemic and the resulting economic upheaval, many renters have kept their urban lifestyles. But while at least half of renters may not have gone through a major move, there has still been some shuffling in 2021 compared to the year before. Fewer renters stayed in the same neighborhood (down three percentage points from 2020 and five from 2019) and more renters moved to a different metro area in the same state (16%, compared to 12% in 2020).

Where renters moved in 2021



Gyms have moved down the priority list

Having an on-site place to work out has become less important to renters in 2021, likely due to the COVID-19 pandemic. Concerns for social distancing and the sharp rise of at-home fitness options appear to have cooled the demand for on-site gyms in apartment buildings.

After three years of steady increases, the share of renters who said gyms are a very or extremely important amenity when choosing a rental fell from 23% in 2020 to 17% in 2021.

They also cooled on other common areas like rooftop decks, game rooms, pet parks and business centers, with the percentage of renters calling them important falling one or two percentage points for each amenity.[1] Shared common spaces weren't such a hot draw when staying away from other people was an imperative — and when many such spaces were closed because of it.

Share of renters who consider each very / extremely important	2021	2020	2019	2018
Community recreation space (e.g., game room, movie theater)	16%	18%	15%	15%
Rooftop deck or garden	16%	18%	14%	13%
Fitness center or gym	17%	23%	20%	17%
Other shared amenities (e.g., pet area, business center, conference room)	19%	20%	17%	14%

[1]Many of these 1-2 point shifts are not statistically significant, but represent a pause on the trend from previous years whereby renters increasingly considered each shared amenity as very or extremely important.

Budget remains renters' primary concern

Money talks, and it talks loudest. Most renters (81%) say finding a rental that's within their initial budget is highly important when choosing a place to live — higher than all other home characteristics. Getting the number of bedrooms they desire is the runner-up, with 64% saying that is at least very important.

81% of renters say budget is highly important

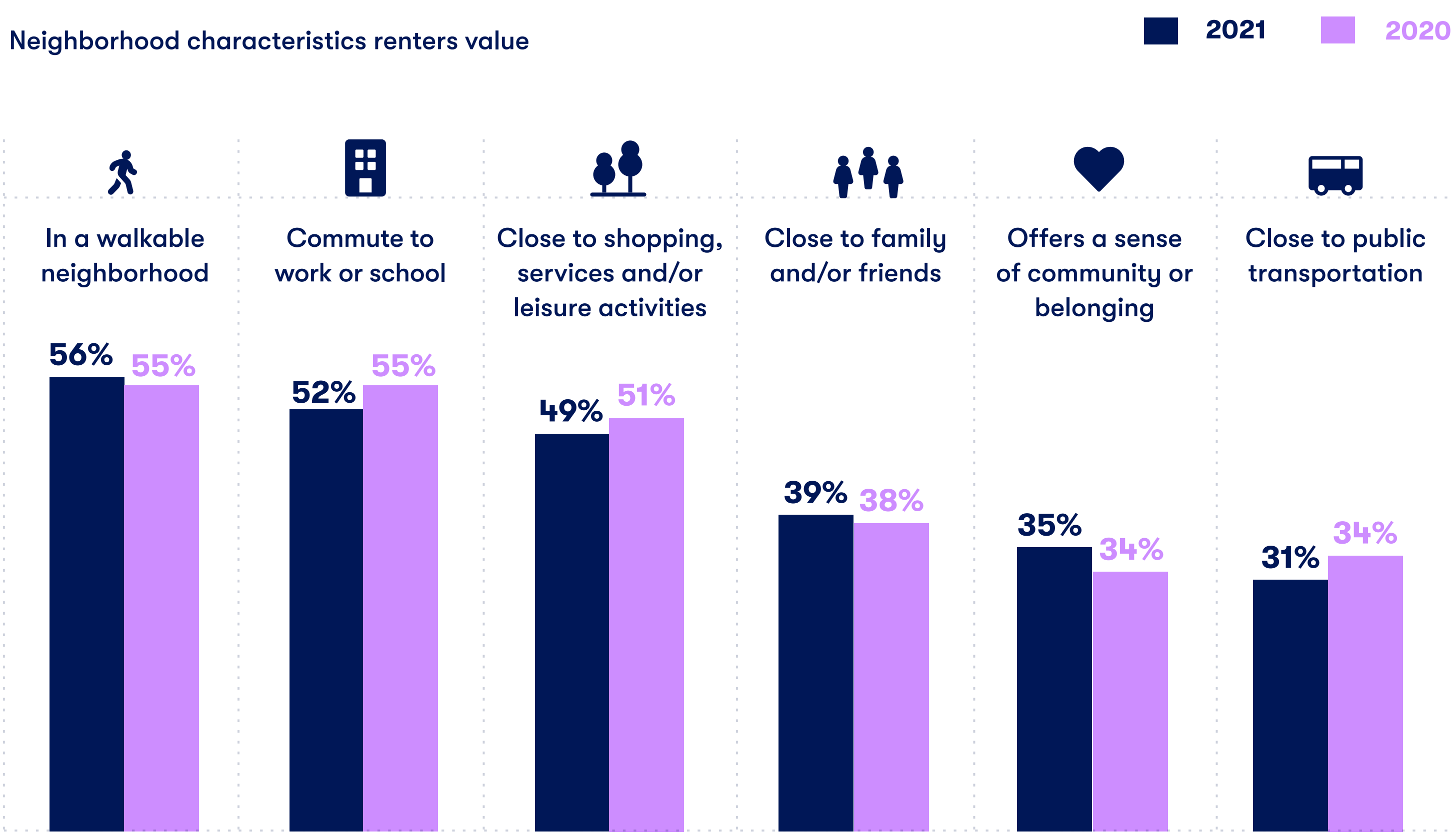
64% of renters say number of bedrooms is at least very important

Remote work hasn't dramatically affected where renters want to live

Even though more people are working from home due to the pandemic, renters are still looking for many of the same features in a neighborhood as they were in pre-pandemic times. More than half say a walkable neighborhood is very or extremely important; 49% say the same about being close to shopping, 39% highly value being close to family and friends, and 35% feel that way about being in a neighborhood where there's a sense of community. These numbers are largely unchanged from 2020.

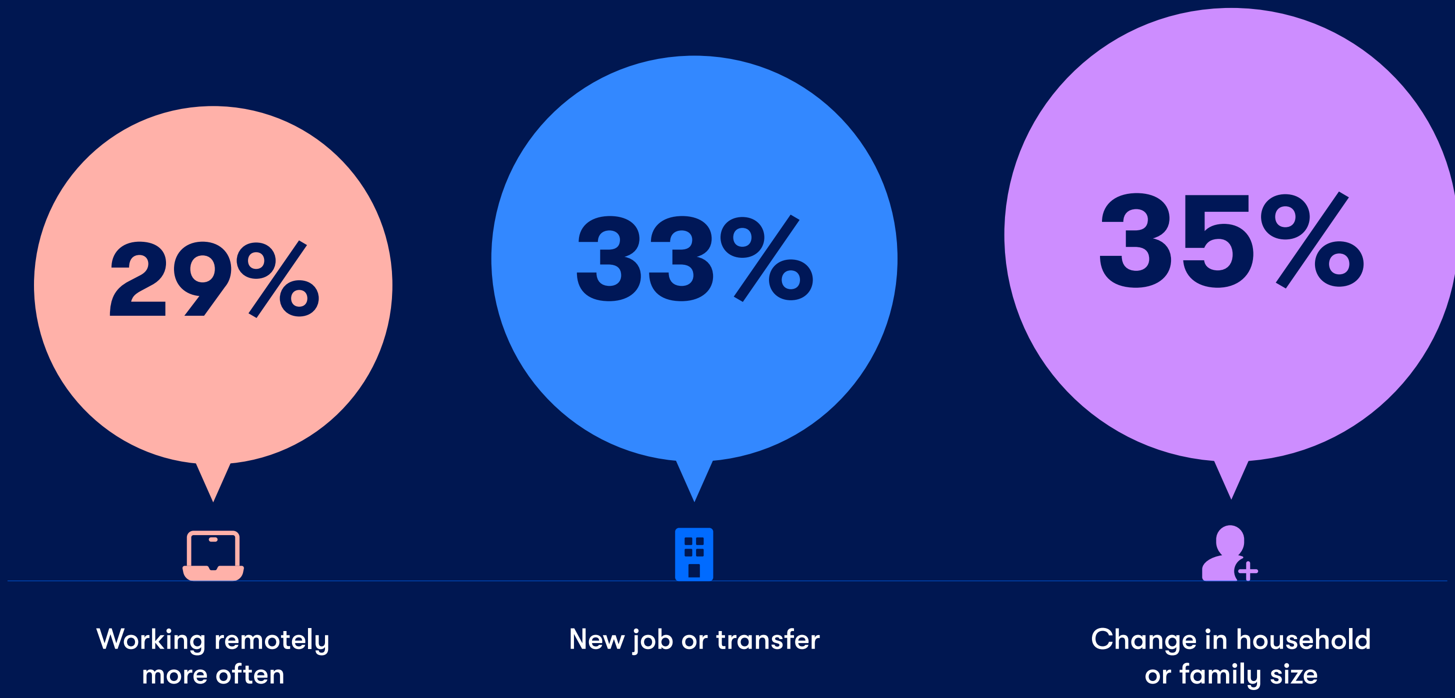
The pandemic has mildly impacted two areas of neighborhood choice: Proximity to public transportation fell from 34% in 2020 to 31% in 2021. And just 52% of renters say a short commute time is a highly important factor in choosing where they live, down from 55% in 2020.

Neighborhood characteristics renters value



Why renters move

The number one reason renters of all ages move: a life event changes their housing needs. Those life events range from a new baby to a new job. About a third (35%) cite a change in their household or family size as a reason for relocating. A similar 33% cite a new job or job transfer, and 29% say working remotely more often influenced their decision to move.



Just as rent affects a renter's decision to move into a place, rent costs contribute to the decision to move out, too.

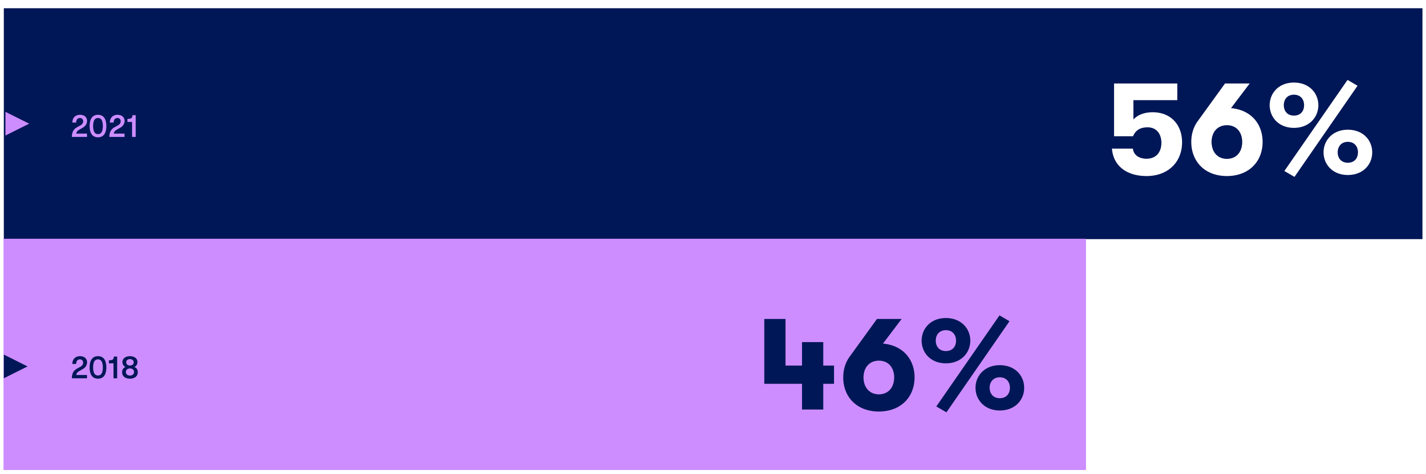
4 in 10

renters say rent increases contributed to their decision to move — typically $200 for renters impacted.

More renters say they considered buying

The pandemic coincided with more renters thinking about settling down and buying a home. Historically low interest rates, as well as stimulus money helping some renters save up more for a down payment, may have played a role as well.

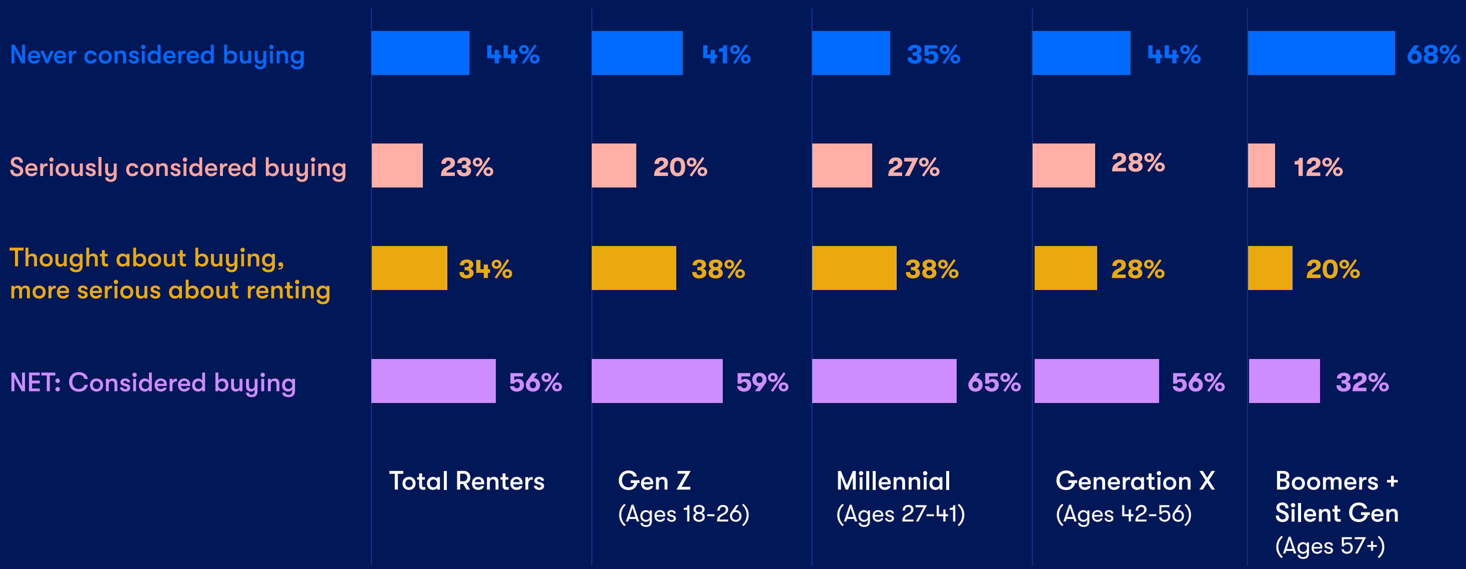
Percentage of renters who considered buying a home



More than half (56%) say they considered buying when they were looking for a home to rent. That's up 10 points from 2018, when just 46% said the same.

The median renter who considered buying a home was 31 years old and had a household income between $50,000 and $54,999. But first-time homebuyers have a median age of 36 and a median household income of $80,000 to $84,999. The gap between the two groups in both income and age (which correlates with time to save up) suggests that many of these renters who may have aspired to buy don't have the money to turn their aspiration into a reality.

When broken down by generation, millennial renters were most likely to say they considered buying, with 65% saying so. More than half (56%) of Generation X renters at least thought about buying, while less than a third of baby boomer and silent generation renters considered buying.



Renter preferences

Takeaways:

Cities are alive and well.

Renters are not leaving cities, despite the pandemic and the accompanying rise of remote work. Consider showing clients rental properties in different neighborhoods in the same city or other cities in the same metro area.

The pandemic didn't permanently alter the rental market.

Renters' priorities and location considerations have not drastically changed during the pandemic, in spite of predictions from trend forecasters that they would. But keep in mind that rental selling points like being close to public transportation may be slightly less important to your prospective renters now than in years past. Instead, it may help to emphasize neighborhood features that have held steady, such as walkability and proximity to shops, services and activities.

More renters are thinking about buying a home.

Millennial renters are particularly interested in trading a lease for a home they own. Consider offering them flexible lease terms that fit their changing lifestyle, whether that's a longer-term lease to provide stability, a month-to-month option in case they decide to start house hunting, or other features that make renting appealing for as long as possible.

Consider marketing outdoor amenities.

The pandemic appears to have halted the rising priority of indoor common spaces where social distancing may not be possible. Highlight neighborhood amenities that allow renters to exercise and socialize outdoors, like nearby greenways, walking trails and bike lanes.

Budget is always on renters' minds.

Whether it's deciding where to live or a contributing factor in when they move out, high rent and rent increases can deter some renters. While the pandemic has been financially tough for property managers and landlords, too, keep in mind that renters are looking hard at their bottom line.

Money matters

3

U.S. rent prices are higher than they were projected to be before the pandemic, and continue to rise. Meanwhile, renters report being financially stressed and short on savings.

Moving into a new rental home is a costly undertaking that has gotten slightly more expensive for a majority of renters in 2021.

While the typical rental application fee of $50 remains the same as in 2020, renters in 2021 are more likely to apply to a greater number of properties than last year and typically pay slightly higher security deposits.

Single-family home renters tend to pay especially high deposits, compared to renters in other types of homes.

The higher costs come at a time when a significant number of renters report being in a financially precarious position: 38% of renters surveyed say they couldn't cover an unexpected expense of $1,000.

Higher costs also coincide with rising rent burdens that have made the typical rental unaffordable for the typical renter household in 19 of the 50 largest U.S. metros as of August 2021, according to Zillow economist Alexandra Lee. (A rental home is considered unaffordable if it consumes more than 30% of household income.)

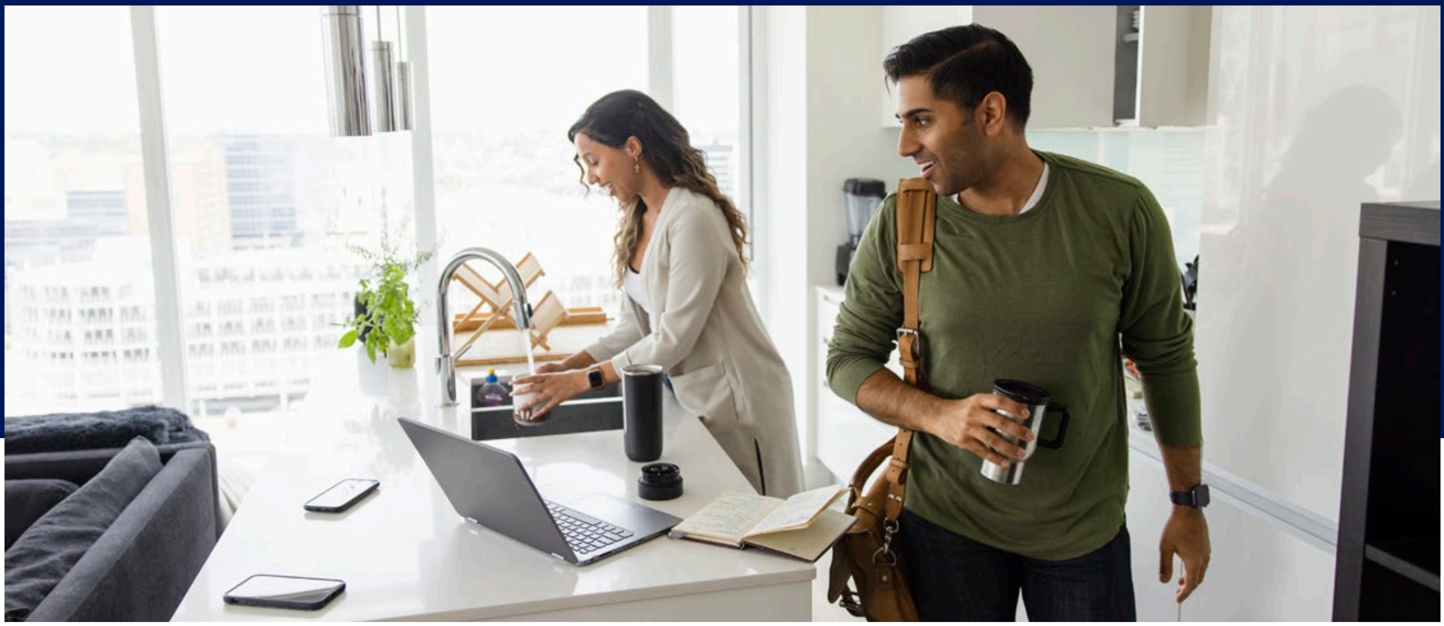
As in previous years, rent increases can drive tenants to move. Among renters who experienced a rent hike, a whopping 85% say the increase impacted their decision to move, with 41% saying it greatly impacted their decision and 44% saying it had a more limited impact on their moving decision. Only 15% say the rent increase had no impact on whether they moved.

Landlords and property managers have been adapting to changing realities over the last year, evidenced by a 4-point increase in the percentage of renters who report receiving at least one concession as part of their rental agreement.

As landlords and property managers continue to recover income lost to the pandemic, finding a balance between what they need and want to charge for rent and fees — and what renters in any given market can and will pay — is likely to require flexibility, regular communication with renters and current information on the economic forces affecting local markets.

What follows is the state of renter finances — what they pay, what they've saved (or haven't) and what they experience in the marketplace. We hope the information will help you continue to build strong, sustainable partnerships with your tenants.

The financial picture for renters in 2021



Renters nationally have a limited financial cushion. An unexpected expense of $1,000 would likely put 38% of renters surveyed in 2021 into a financial hole.

Even for the typical renter, unplanned events like a job loss could place them in a precarious financial situation. A typical renter's net worth held in savings, checking, retirement and investment accounts adds up to $3,400, while the median 2021 rent reported by renters is $1,045. A loss of income in this circumstance would leave a typical renter with barely enough to cover three months of rent payments, leaving almost nothing for food, child care, health care, electricity and other expenses.

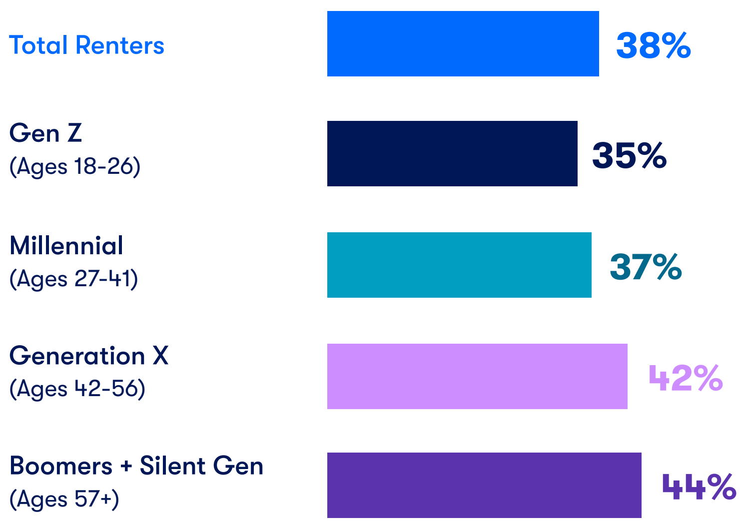
Older generations of renters tend to be most vulnerable: 44% of baby boomer and silent generation renters say they could not afford an unexpected $1,000 expense, compared to 35% of Gen Z renters.

The oldest renters also are the least likely among the generations to have their own retirement account.[2] Only 28% of baby boomer and silent gen renters say they have a retirement account. Millennial renters are the most likely to say they have one (49% do).

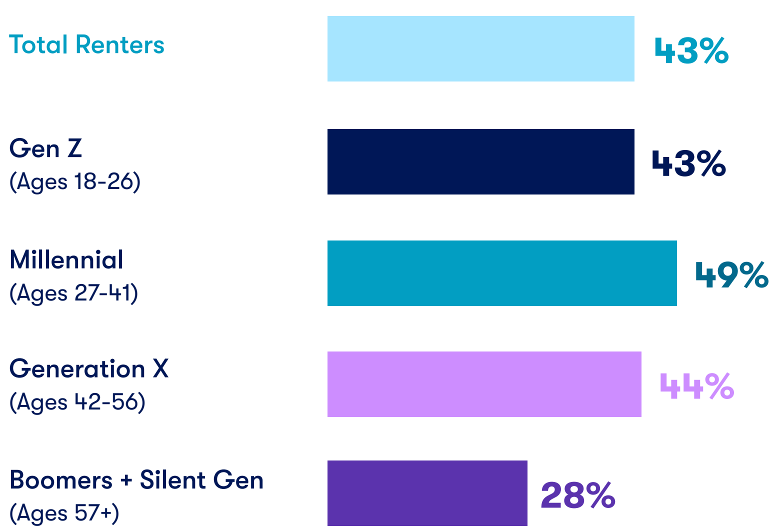
[2]"Retirement account" refers to individual accounts like a Roth IRA. It does not necessarily include social security, pensions, or other retirement plans managed by other parties.

In terms of savings, the oldest renters typically have the least of all the generations, possibly because many have retired and are tapping into savings for living expenses or to help their children financially. The typical baby boomer and silent generation renter pays $990 a month for rent and reports having saved only $2,000 — enough to cover about two months of rent.

Renters who cannot afford an unexpected $1,000 expense



Renters who have a retirement account



Nearly half of renters report a rent hike

Nationally, rents have pushed past pre-pandemic projections and continue to rise after a brief period of softening that ended in spring 2021.

Nearly half of all renters who moved from a previous rental say rent increases affected them: 46% say they experienced some sort of rent increase at their previous rental, albeit one that was typically lower than in the two prior years.

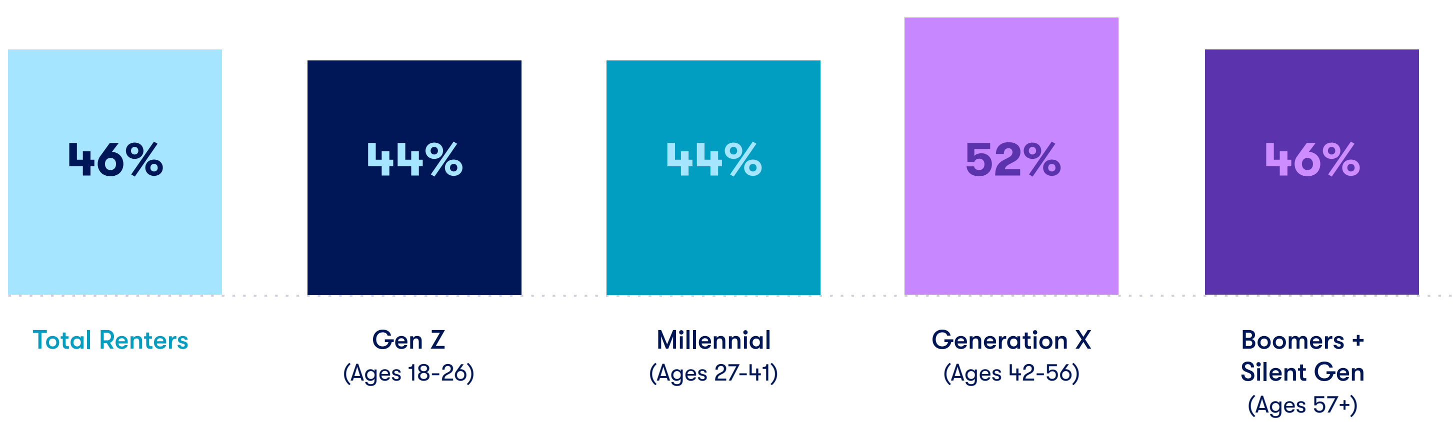
Among renters who report an increase, the typical amount is $150 — down slightly from the $200 rent hike in 2020 and the $196 hike reported in 2019.

Rent increases tend to trigger tenant moves, and 2021 is no exception. Among renters who experienced a rent hike, 85% report that the increase impacted their decision to move.

Older renters are more likely to report that their rent increase had no influence on their decision to move.

Last year, renters in multifamily buildings were twice as likely to say they experienced a rent hike at their previous home than renters in single-family detached homes. This year, the percentage of renters in the two groups who report receiving a rent increase at their previous home is the same — 47% — suggesting that many multifamily buildings may have held off on increasing rents to retain tenants.

Renters who experienced a rent increase at their previous rental



Upfront costs of renting nudge upward in 2021

The process of securing a rental home has become slightly more expensive for renters, who applied for more properties and paid higher security deposits.

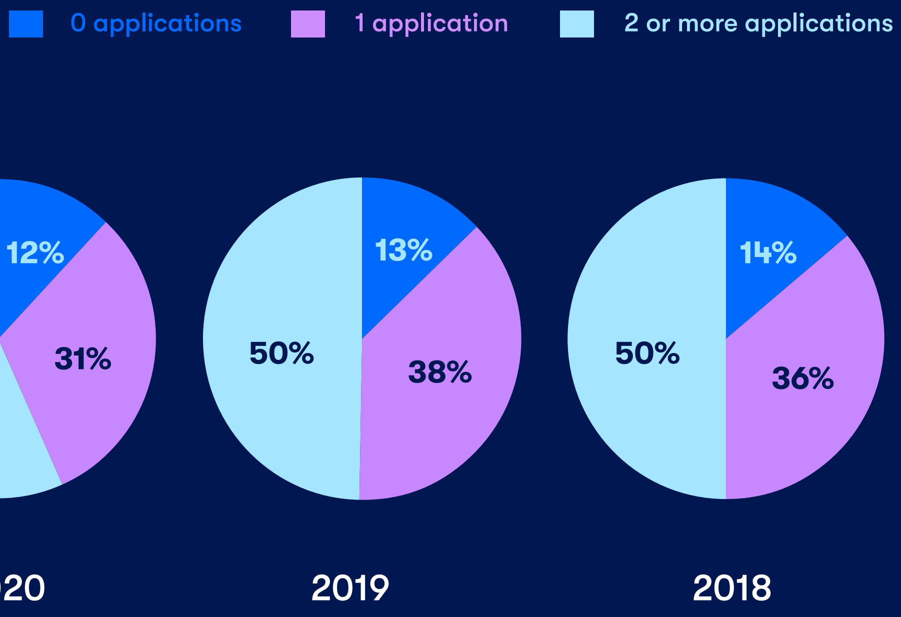
More renters are applying for multiple properties

Application fees are increasingly becoming the industry norm. Landlords appear to want certainty that tenants can reliably pay rent. And they seem inclined to offer qualified renters concessions such as free parking or a month of free rent during periods of lower demand rather than forgo application fees and the corresponding background checks.

The typical renter in 2021 submits two applications before finding a home: one online, and one in person/on paper.

While the overwhelming majority of renters (86%) submit at least one application, 61% apply for two or more properties — an 11-point increase from 2019 and 5 points higher than in 2020. Only 14% of renters submit no applications.

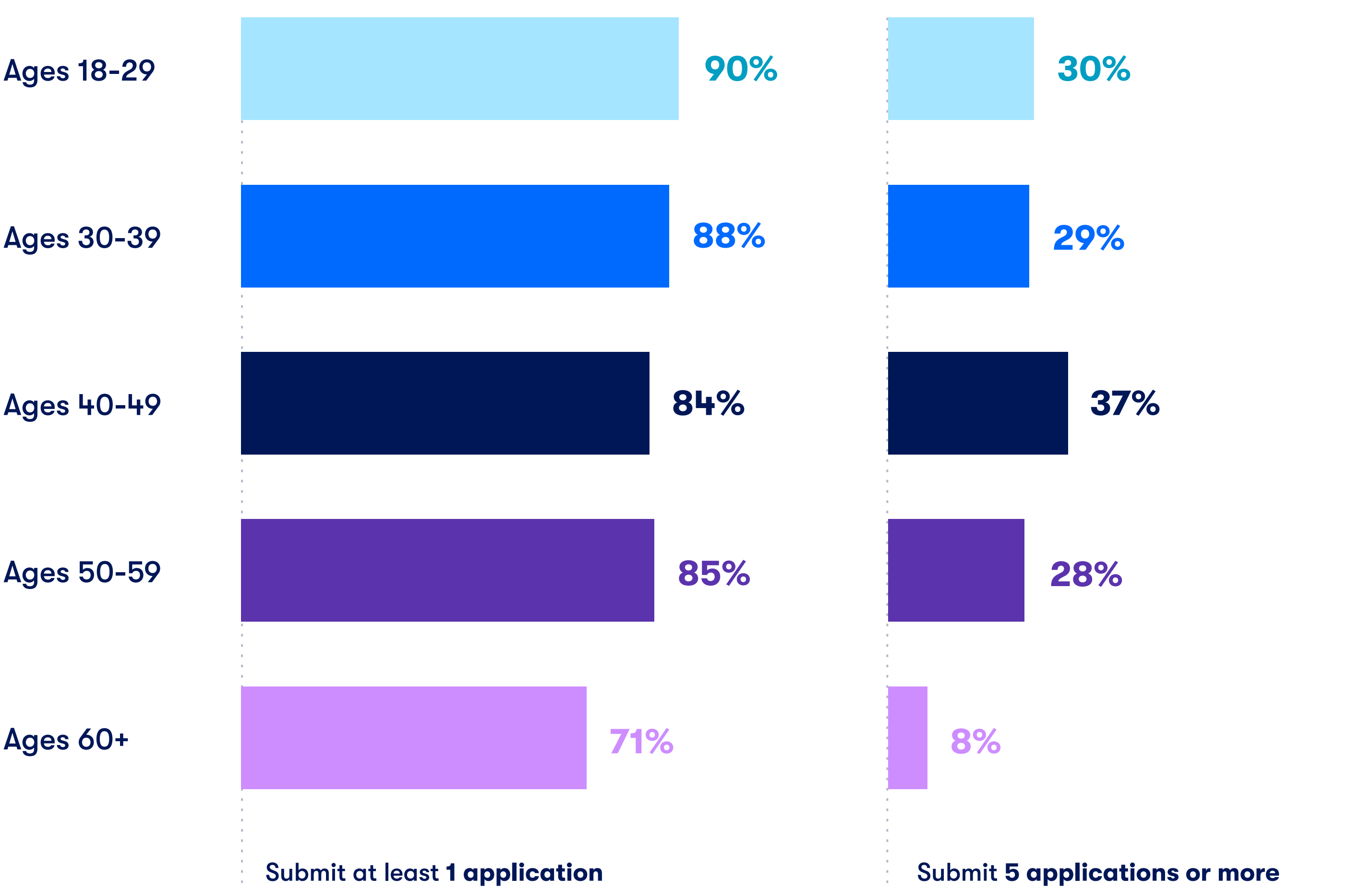
The number of applications that renters submit



Renters 60 and older are the most likely to forgo applications — 29% say they found their home without filling out a single application. Those renters, who are more likely to live in rural areas than renters in other age groups, tend to rely more heavily on personal networks of friends, neighbors, relatives and colleagues to find their home (27% of renters ages 60 and above say they found their homes that way).

The application picture appears to be the most intense for renters in their 40s: 37% of renters between the ages of 40 and 49 submit five or more applications, more than any other age group. The intensity of their search may be due to competition for homes that check all the boxes for a family that may now include children (50% of renters in their 40s share their homes with children, higher than any other age group) and pets (60% of renters in their 40s have at least one pet).

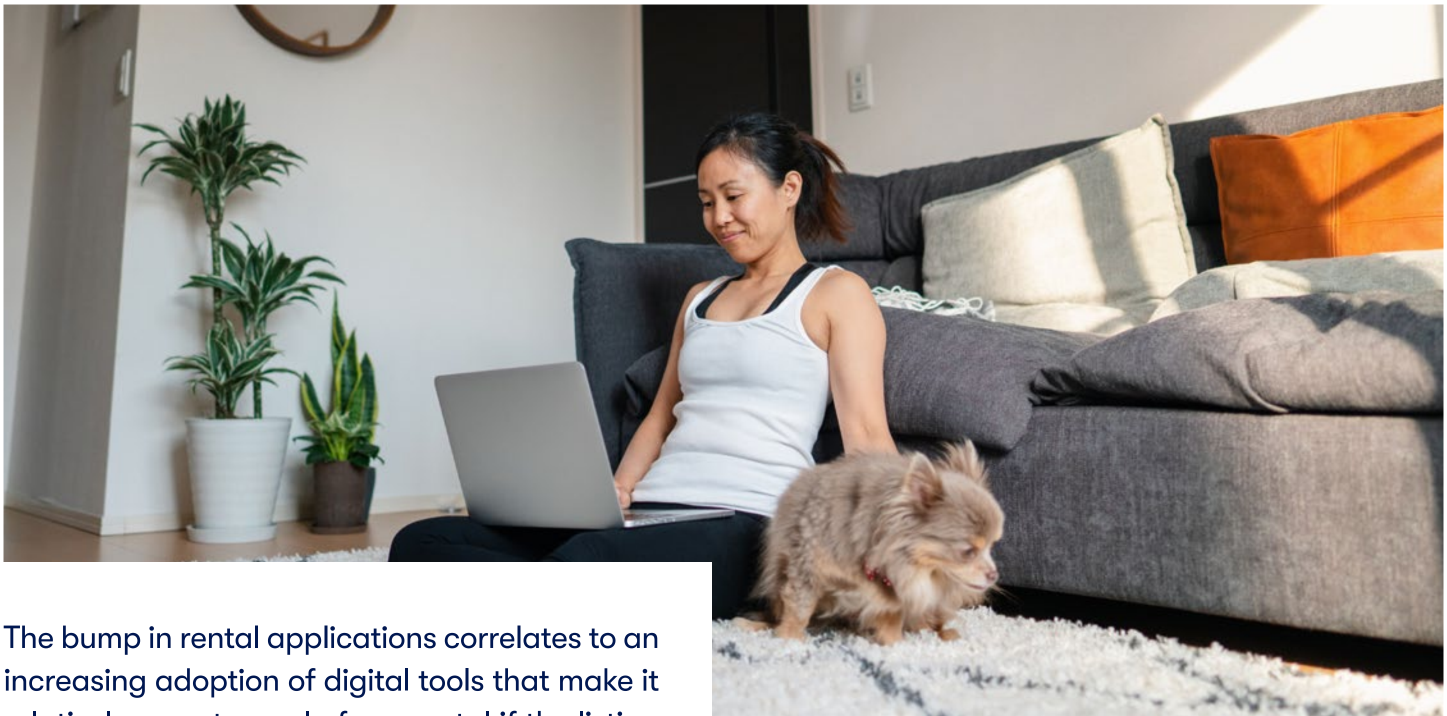
Middle-age renters are more likely to submit 5 or more applications for a rental home



If a renter applies for five rentals and spends $50 each time — the typical application fee — the search will cost them $250 just to see if they qualify for a place to live. About one in every five renters (22%) reports paying an application fee of more than $100 to secure their rental. The high fee is more common for renters in multifamily buildings (33%).

Renters tend to pay higher application fees for multifamily rentals	Total renters	Multifamily (50+ units)	Single-family detached	Other
Share who submit at least 1 application	86%	93%	82%	85%
Median application fee	$50	$50	$25	$49
Median application fee among renters who pay one	$50	$75	$76	$50
Share who pay an application fee over $100	22%	33%	17%	21%

Renters are mostly confident they can qualify when they apply



The bump in rental applications correlates to an increasing adoption of digital tools that make it relatively easy to apply for a rental if the listing catches a renter's eye — but tech is not the only likely reason for the rise. Renters who apply for more properties also may lack confidence in their ability to qualify for a rental, especially in competitive urban markets where desirable homes can get snapped up quickly.

Given the economic fallout from the pandemic, a surprising number of renters — 79% — say they are at least somewhat certain they will qualify for a rental when they apply.

Still, only 42% say they are completely certain, and 21% — nearly a quarter of all renters — say they're less than certain they'll qualify when they apply.

79% of renters say they are at least somewhat certain they will qualify for a rental when they apply

Oddly, only about half (52%) of the highest-income group of renters — those with household incomes of at least $100,000 — are completely certain of qualifying. It may be they are applying for more expensive places, have poor credit scores despite their higher incomes or can't meet all the requirements in the listing.

Security deposits are still the norm

Most renters still pay security deposits in 2021, and they pay slightly more than they did last year.

The share of renters who pay a security deposit dipped slightly year over year, going from 90% in 2020 to 88% this year. Those renters now typically pay $700 as security, a $50 increase (or $22 adjusted for inflation) over 2020.

Renters in rural areas typically pay much lower security deposits than renters in urban areas and the suburbs, possibly because the rents are less expensive as well.

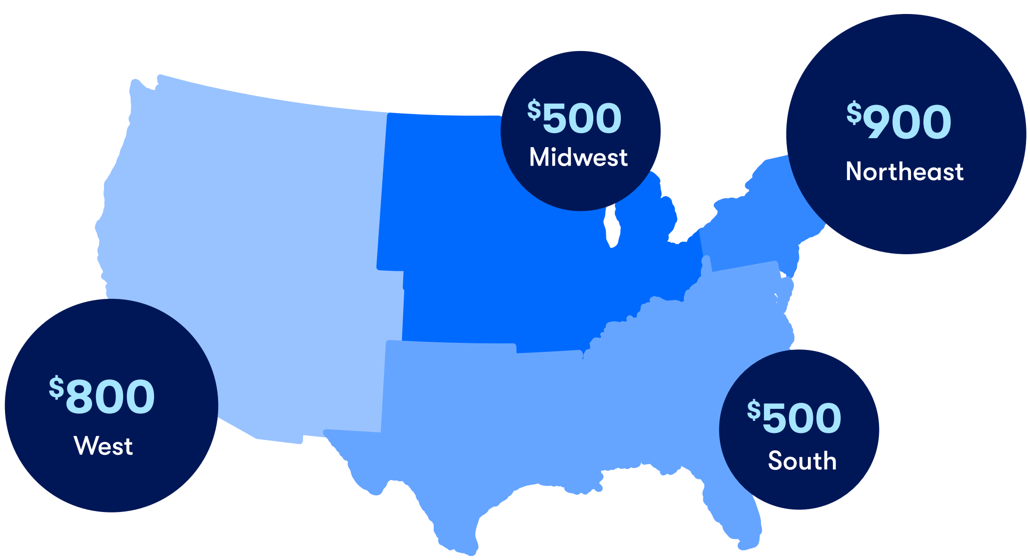
The typical security deposit for rural renters who pay one is $550. For urban and suburban renters, it's $700 and $730, respectively.

Living in the Northeast and West also carries a premium when it comes to security deposits, especially in expensive metros. The typical renter in the Northeast reports paying a $900 security deposit, while renters in the West pay $800, and those in the Midwest and South each report paying $500.

Share of renters who paid a security deposit

Median security deposit among renters who paid one, adjusted for inflation

Median security deposit varies widely according to region



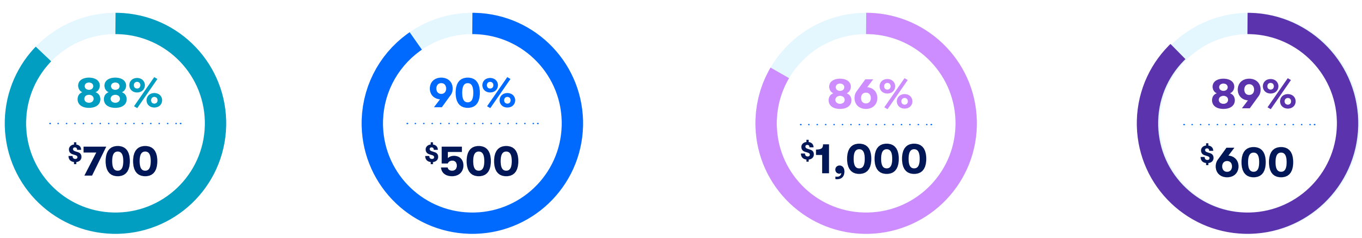
Security deposits for single-family homes are typically twice those of multifamily properties

Security deposits are the norm for the vast majority of renters, regardless of the type of home they lease.

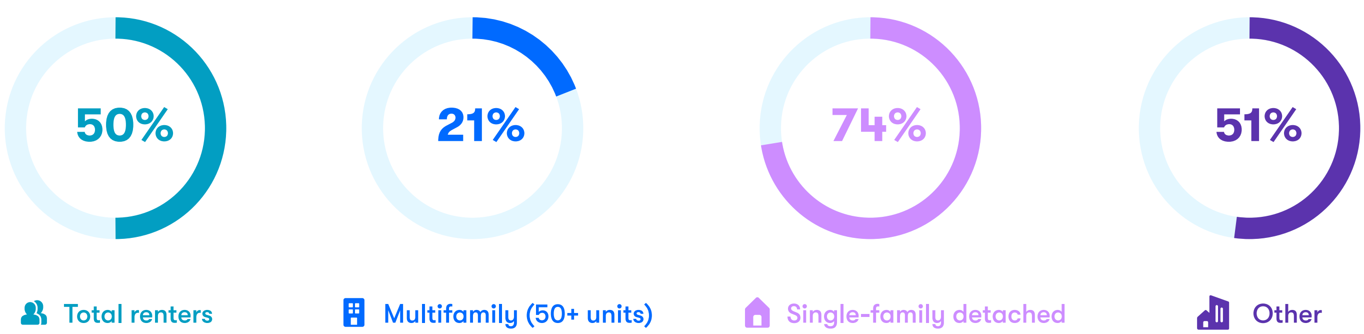
Past research has suggested that renters in single-family detached houses are slightly less likely to pay a security deposit. But when they do have to pay one — as 86% of them do — the amount they pay is typically twice as high as the deposit paid by renters in multifamily buildings.

A single-family renter who pays a deposit typically puts down $1,000, while multifamily renters pay $500. The higher deposit may reflect a different move-in reality for each: single-family renters are less likely to pay an application fee, which often includes a credit check, and they are more likely to rent from a private owner who may not be able to absorb as much risk as a management company.

Share of renters who pay a security deposit and median security deposit among renters who pay one



Share of renters who rent from a private owner (rather than a professional management company)



Renters generally prefer a refundable deposit over a nonrefundable fee

Security deposits can be a major pain point for renters, who are often required to pay hundreds of dollars toward a new security deposit while waiting for hundreds of dollars to be returned from the security deposit they paid on their previous rental.

The financial strain from that arrangement becomes more clear when you consider that renters tend to have lower incomes than the U.S. population overall. The annual median household income for renters is about $42,500, compared to the national median of $65,700, according to the most current federal research on household income.

Still, most renters seem to accept the current norms and don’t seem eager to replace the refundable security deposit with a relatively small nonrefundable monthly fee.

A majority of renters surveyed (54%) say they prefer to pay a one-time refundable deposit equal to a month’s rent over a nonrefundable monthly fee of $30, an idea preferred by 24% of those surveyed. The remaining 22% say they have no preference.

Renters under age 50 are slightly more likely to say they prefer the monthly fee. But half of renters across all age groups and income levels say they prefer the refundable security deposit.

	Prefer nonrefundable $30 per month with no upfront costs	Prefer one-time refundable deposit equal to 1 month’s rent	No preference
By age			
18-29	26%	54%	20%
30-39	26%	56%	18%
40-49	28%	51%	21%
50-59	19%	50%	30%
60+	15%	58%	27%
By income			
<$50K	21%	54%	25%
$50K - <$100K	26%	55%	19%
$100K+	31%	54%	15%

Upfront cost of renting trends higher for people of color

While upfront costs take a bite out of every renter's budget, the cost is especially high for renters of color. They typically pay a higher median application fee and a higher security deposit.

While the typical white renter who pays an application fee on their rental reports paying $35 in application fees, typical Black, Latinx and Asian renters report spending $50 on application fees.[3]

Median application fee among renters who pay one

[3]The higher fees and number of applications that renters of color disproportionately experience may be partially attributable to their age, income and geography: The typical renter of color is two years younger than the median white renter. And white renters are more likely to rent in rural markets and the Midwest, both of which are generally less expensive than the markets where renters of color are more likely to live. Asian and Latinx renters in particular are more likely to rent in the West, which includes many of the country's most expensive and competitive rental markets.

The survey also shows that 92% of renters of color say they pay a security deposit, compared to 85% of white renters — a 7-point difference. Those deposits also tend to be higher. The typical renter of color who pays a deposit reports paying $750 — $150 more than their white counterparts.

Black and Latinx renters also typically report submitting more applications than white and Asian renters: The typical white or Asian renter submits two applications, while Black and Latinx renters typically report submitting three.

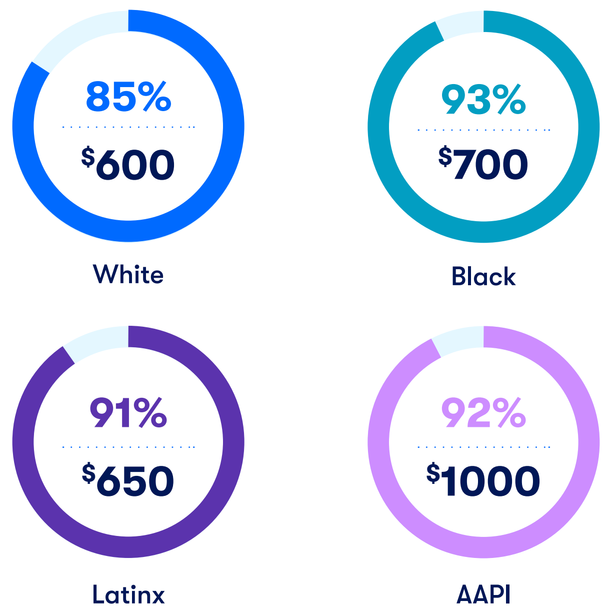
Black and Latinx renters also are nearly twice as likely to report submitting 5 applications or more (38% of Black and Latinx renters report submitting 5 or more, compared to 21% of white renters).

The higher number of applications by renters of color may be because they tend to be less certain about qualifying for a rental. Nearly half of white renters (46%) said they were completely certain they would qualify, compared to 38% of Latinx renters and 34% of Black renters.

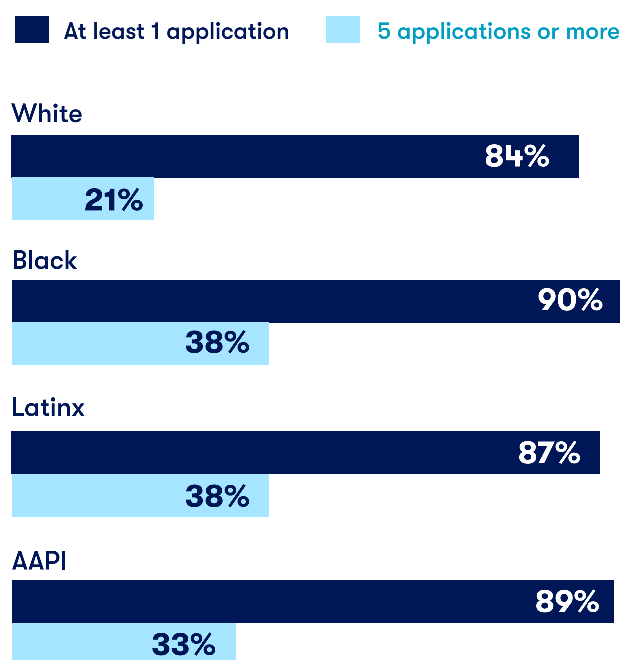
Other groups with lower levels of certainty around qualifying include:

- LGBTQ+ renters — only 34% were certain they'd qualify versus 45% of cisgender heterosexual renters
- Renters with children at home — 35% versus 42% of renters with no children
- Those who rent from a private landlord — 39% versus 45% of those renting from professional management companies

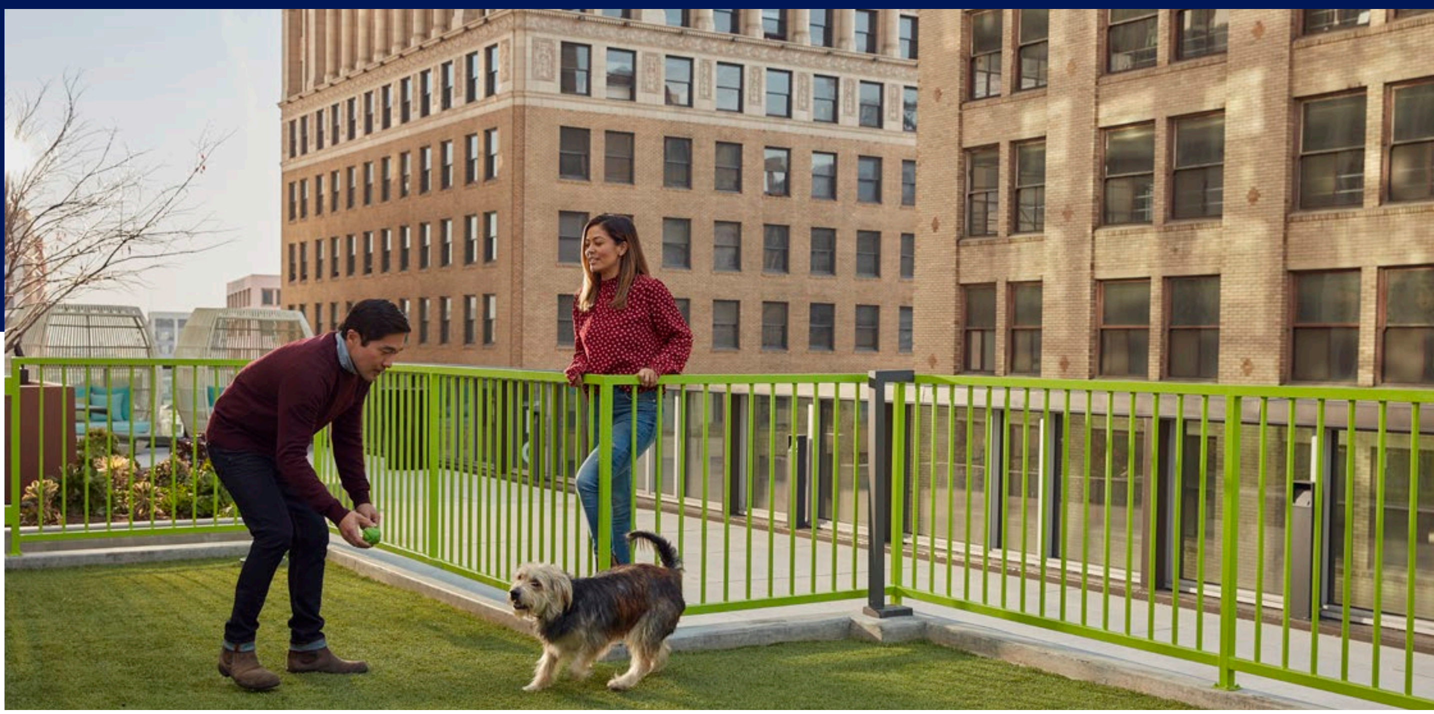
Share of renters who pay a security deposit and median security deposit among renters who pay one



Renters of color typically submit more applications than white renters



Majority of renters get at least one perk or concession



Although renters pay higher security deposits compared to 2020, those surveyed are slightly more likely to report getting at least one perk or concession as part of their rental agreement.

In 2021, 59% of renters who recall receiving a concession or perk say they got at least one — an increase of 4 points from 2020.

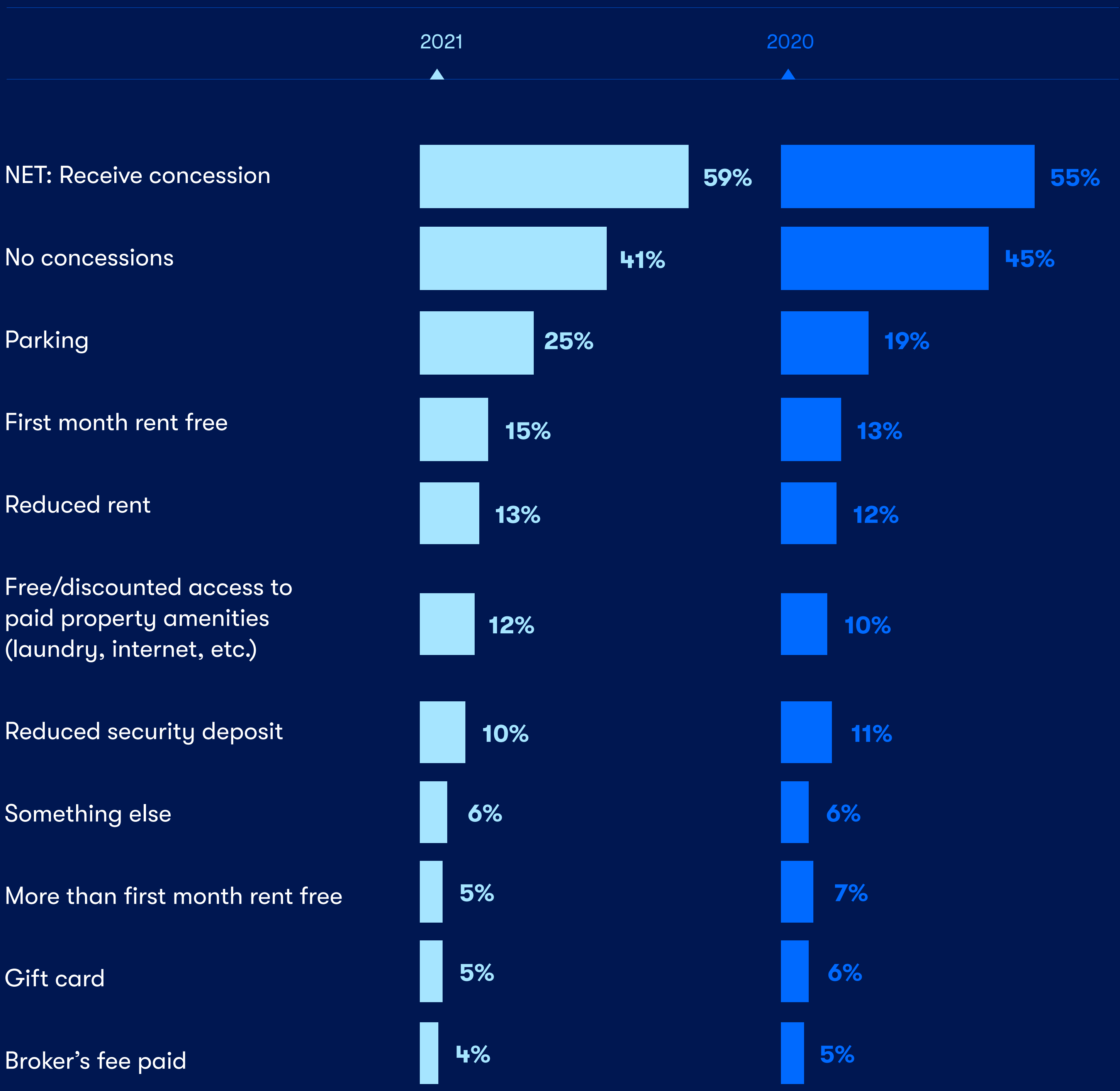
A quarter (25%) of renters cite parking as a deal sweetener — a 6-point increase over 2020. Other perks remain about the same as last year.

The share who didn't receive a perk dropped slightly, from 45% in 2020 to 41% in 2021.

An analysis of Zillow rental listings shows the share of listings that advertised at least one concession peaked in February, when 37% of listings mentioned one. Four months later, the share dropped to 28%.

Not surprisingly, young, higher-income, urban and multifamily renters were more likely to receive at least one perk. That's likely because the pandemic had the greatest impact on rental demand for higher-cost apartments in urban areas favored by younger generations.

Share of renters who receive concessions



03

Money matters

Takeaways:

Keep current on local market trends.

Nationally, rental prices, as measured by the Zillow Observed Rental Index (ZORI), softened early in the pandemic but have since recovered and now exceed their pre-pandemic trend. However, wide variations among local markets can affect pricing and what your prospective tenants can and will pay.

Consider greater flexibility around security deposits.

Although a majority of renters (59%) favor the traditional one-time deposit, 24% of those surveyed prefer a small nonrefundable fee. Offering the fee as an option — or offering a mix-and-match plan that allows installments — could make your rental more attractive to prospects and help ease the pain of move-in costs for your tenants.

Be explicit about your qualifying criteria.

Nearly a quarter of renters say they're less than certain whether they'll qualify when they apply for a rental. Save time and attract qualified applicants by spelling out what it will take to rent your property.

Consider perks when you can.

This may be particularly welcome in markets that are still lagging behind where they were pre-pandemic. Free parking is the most common perk this year, but there are many ways to engage with renters in ways that are important to them.

Survey Methodology

Research Approach

In order to gain a comprehensive understanding of U.S. renters, Zillow Group Population Science conducted a nationally representative survey of more than 2,000 renters. The study was fielded between March and July 2021. Wherever possible, survey questions from previous years were asked in the same manner this year to allow for the measurement of year-to-year trends in key areas of interest. This year was the first year that ZG Population Science designed, fielded and analyzed the survey entirely in-house.

For the purpose of this study, "renters" refers to household decision makers 18 years of age or older who rent their primary residence and have moved there within the past year.

Sampling & Weighting

Results from this survey are nationally representative of renters. To achieve representativeness, ZG Population Science used a two-prong approach. First, the initial recruitment to the sample was balanced to all renters from the U.S. Census Bureau, 2019 American Community Survey (ACS) on the basis of age, relationship status, income, ethnicity/race, education, region and sex. Additional targeted subgroups were sampled based on all key household demographic characteristics. Second, statistical ranking was used to create calibration weights to ensure that the distribution of survey respondents matched the U.S. population with respect to a number of key demographic characteristics. Percentages may not add to 100% due to rounding.

Quality Control

To reduce response bias, survey respondents did not know that Zillow Group was conducting the survey. Several additional quality control measures were also taken to ensure data accuracy:

- We identified and terminated any professional respondents, robots or those taking the survey on multiple devices
- Completion times were recorded to ensure that surveys submitted by the fastest respondents, who may have rushed through the survey, did not provide poor quality data. If necessary, these respondents were removed from the sample
- In-survey quality control checks identified illogical or unrealistic responses

Additional Data Sources

Unless otherwise specified, estimates in this report come from the Consumer Housing Trends Report (CHTR) 2021, and year-over-year comparisons also use data from CHTR 2018, CHTR 2019 and CHTR 2020. To provide a fuller picture of the state of home rentals and renters' characteristics, preferences and behaviors, we also analyzed data from other sources:

U.S. Census Bureau, 2019 American Community Survey - The most recently available dataset from the U.S. Census Bureau's survey of the U.S. population. The ACS is the nation's largest survey and is based on a probability sample; as such, it is considered one of the leading sources of information on U.S. population and housing.

Zillow.com website metrics - To provide additional context for survey results, ZG Population Science also examined internal Zillow data on rental listing information, rental applications, and page view/app use metrics.

Zillow Group Population Science Fall 2020 Survey of Renters - Because many young renters moved out of the rental market at the start of the COVID-19 pandemic, this survey supplemented previous ZG Population Science research on both shifting and stable sentiment among renters while capturing an age demographic that was atypically absent from the rental market earlier that year. Topics included renter preference on location, virtual home searching tools, and reasons for moving.

Zillow Rentals