

May 2020

Small Multifamily Units

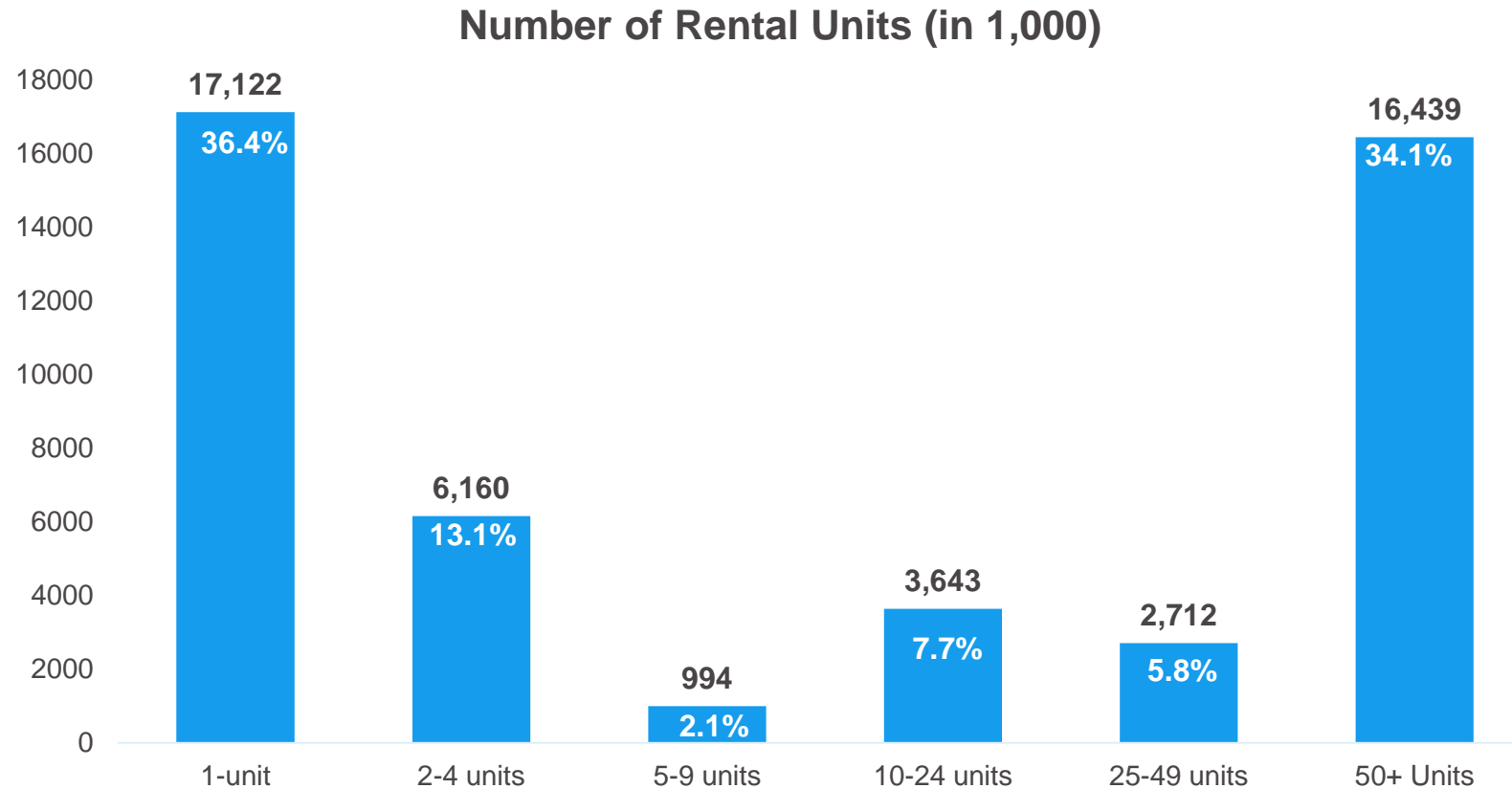
Housing Finance Policy Center

Summary

- Almost 25% of rental units are in 2-24 unit structures, but there is a lot of geographic variation.
- Many of these structures tend to be located in core metro areas, disproportionately in lower income tracts.
- Owner occupied landlords of small multifamily units have lower income than single family homeowners, and they are more likely to be people of color.
- Investors in 1-4 unit properties tend to have higher incomes than their owner-occupied counterparts, but purchase lower priced homes.
- Renters in small multifamily tend to have lower incomes, pay less in rent, be more heavily people of color, and be more in industries exposed to COVID-19.

Housing & Location Characteristics

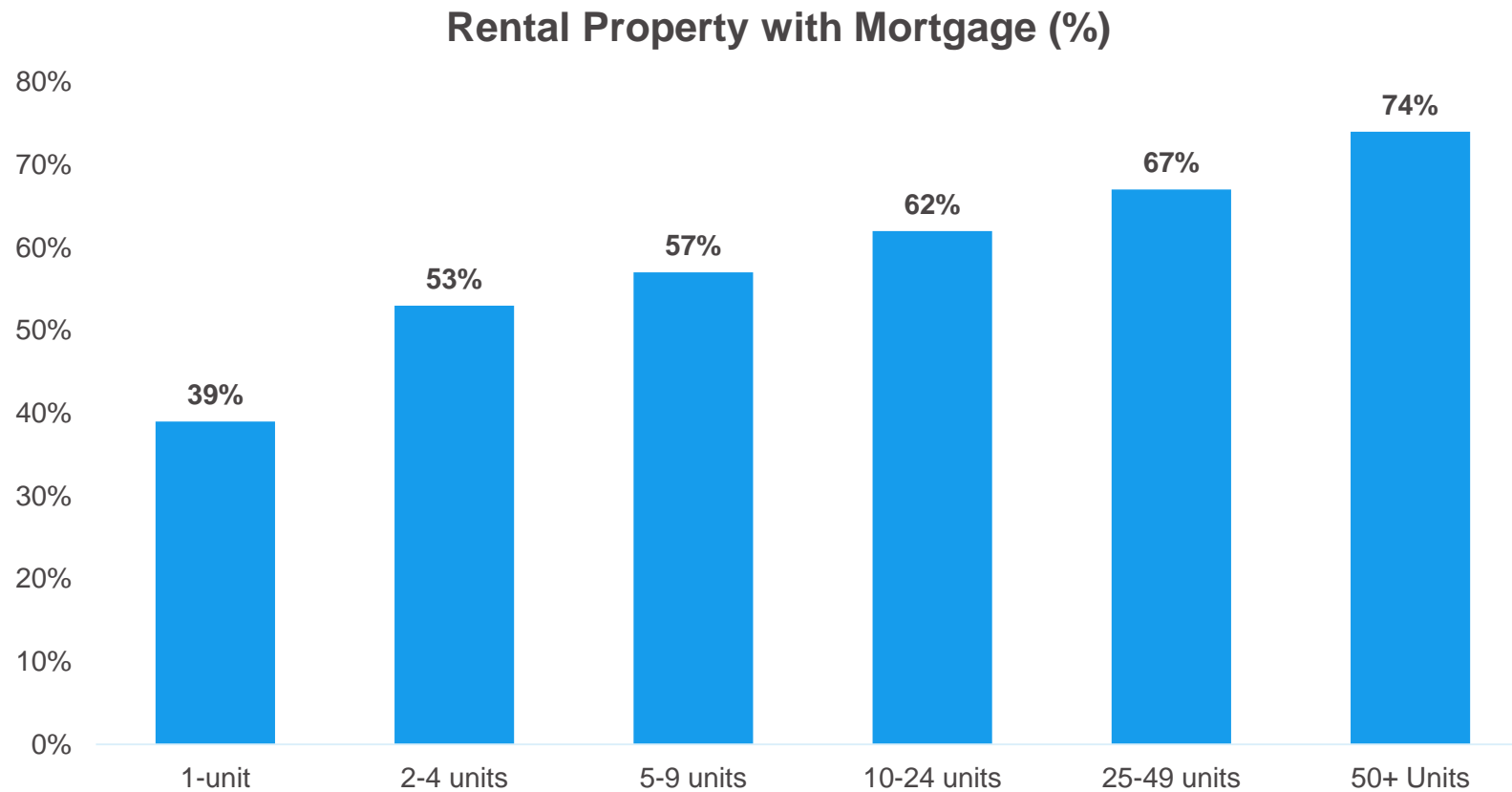
13% of Rental Units are in Structures with 2-4 Units; another 10% in Structures with 5-24 Units



Source: 2018 RHFS

Total: 47.0 million rental units

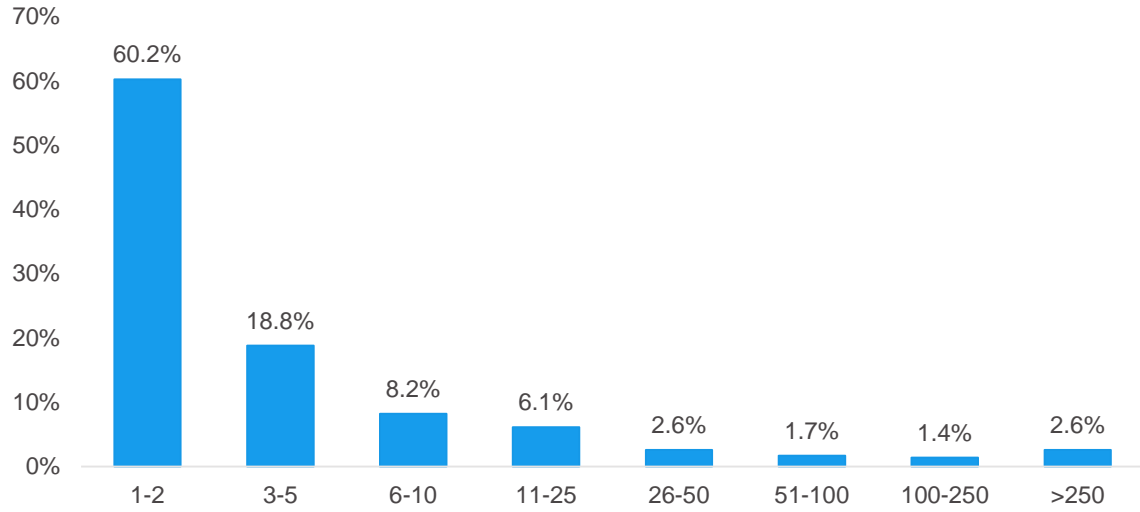
Mortgage Debt Rises with the Number of Units in the Structure



Source: 2018 RHFS

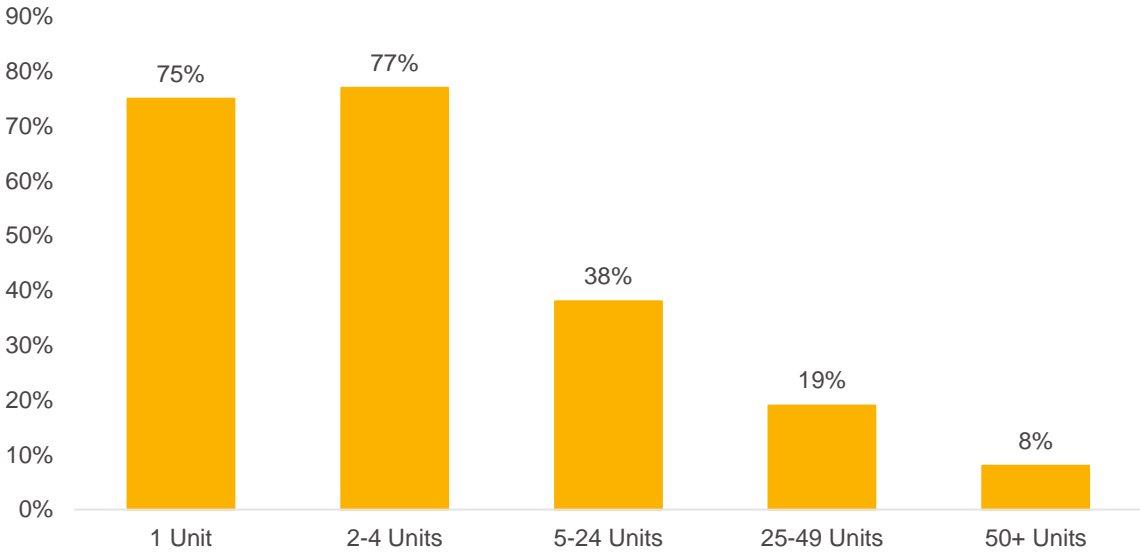
Majority of SF Investors Own Few Properties; Individual Investors are the Most Prevalent in 2-4 Units

**% of Investors in SFR by
Number of Owned Properties**



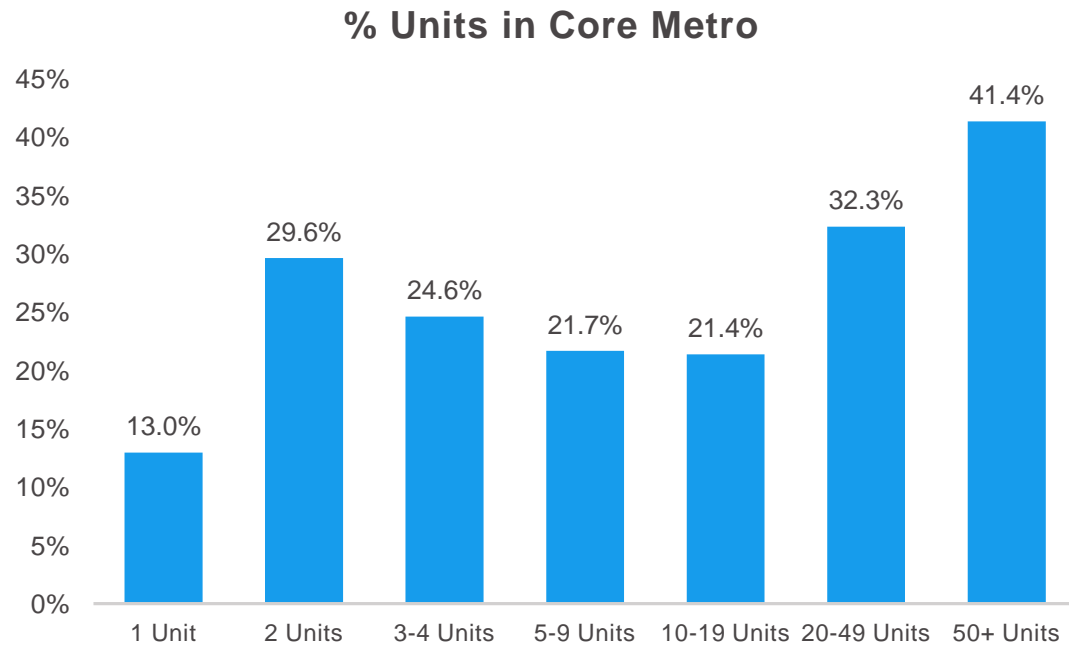
Source: 2017 Investability

% Rental Properties Owned by Individual Investors

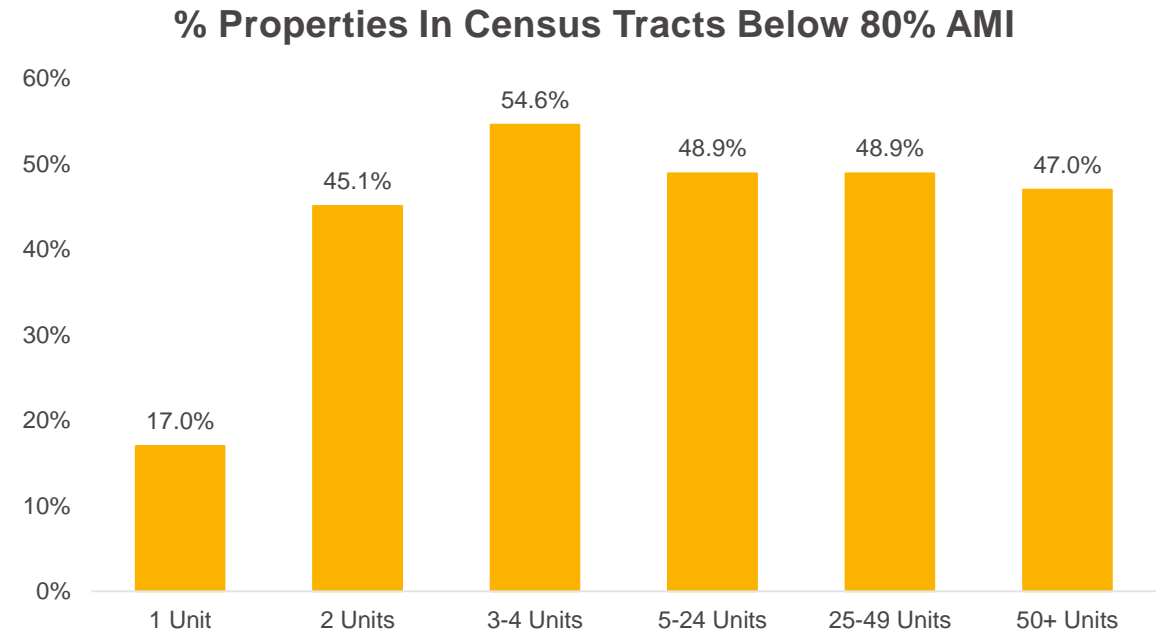


Source: 2015 RHFS

Small Multifamily Structures are more likely to be in Core Metro and Low-Income Neighborhoods than 1-unit structures

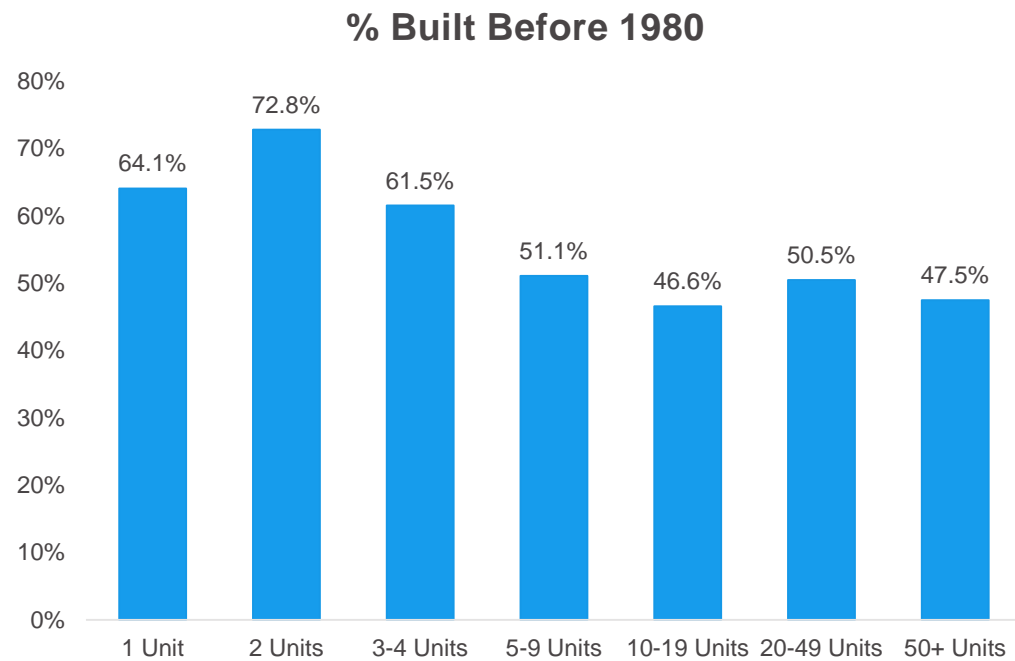


Source: 2018 ACS

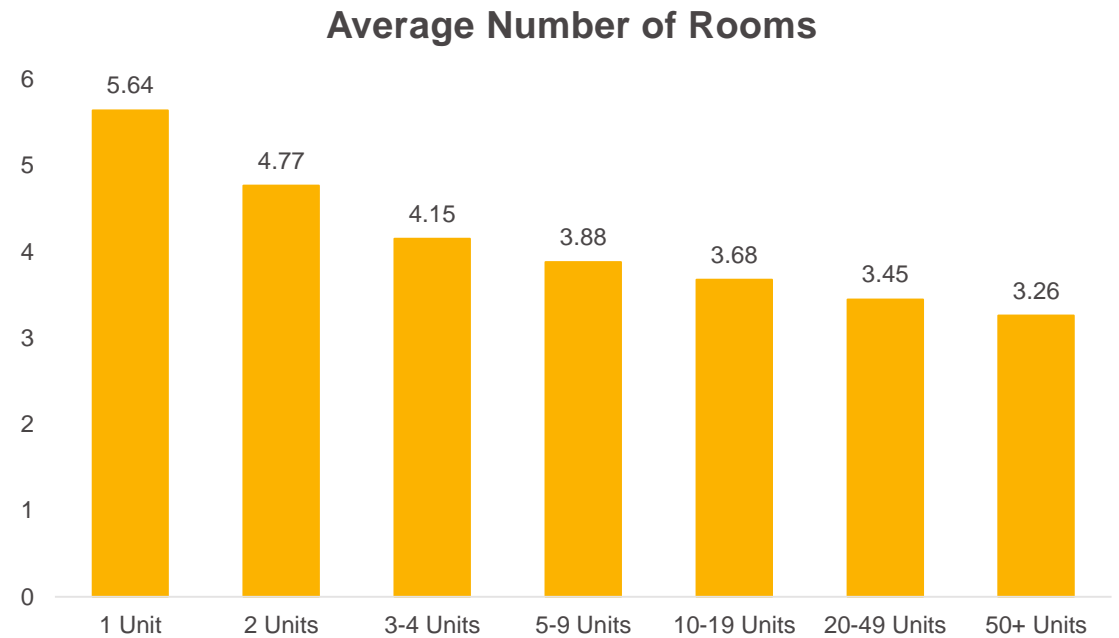


Source: 2018 HMDA

Smaller Structures are Older than Larger Structures; 2-unit structures are the oldest



Source: 2018 ACS



Source: 2018 ACS

Share of 2-19 Rental Units Varies by MSAs (Top 20 Most Populous MSA)

MSA	1 Unit	2 Units	3-4 Units	5-9 Units	10-19 Units	20-49 Units	50+ Units	2-19 units
Boston-Cambridge-Newton, MA-NH	13.8	15.6	20.2	12.1	10.2	11.3	16.8	58.1
Chicago-Naperville-Elgin, IL-IN-WI	22.7	11.0	14.9	16.9	9.2	8.5	16.9	51.9
St. Louis,MO-IL	38.5	8.9	14.8	12.9	10.1	4.8	10.0	46.7
New York-Newark-Jersey City, NY-NJ-PA	10.5	13.4	12.4	9.5	9.1	17.0	28.2	44.3
Dallas-Fort Worth-Arlington, TX	30.6	2.8	7.5	14.9	18.8	10.6	14.9	44.0
San Francisco-Oakland-Hayward	27.9	6.6	12.2	11.7	11.5	12.1	18.0	42.0
Tampa-St. Petersburg-Clearwater, FL	38.2	5.4	8.8	12.0	15.0	8.9	11.7	41.2
Philadelphia-Camden-Wilmington, PA-NJ-DE-MD	37.0	10.5	10.5	9.4	10.3	7.2	15.1	40.7
Houston-The Woodlands-Sugar Land, TX	30.5	2.3	5.9	11.7	20.7	10.5	18.5	40.6
Los Angeles-Long Beach-Anaheim, CA	29.1	4.0	10.4	13.3	12.7	13.8	16.7	40.4
San Diego-Carlsbad, CA	34.2	3.3	9.1	14.3	12.8	10.1	16.2	39.5
Seattle-Tacoma-Bellevue, WA	28.5	4.4	8.2	12.3	14.3	12.6	19.8	39.2
Washington-Arlington-Alexandria, DC-VA-MD-WV	27.5	1.9	4.8	11.1	21.4	6.4	27.0	39.2
Atlanta-Sandy Springs-Roswell, GA	40.8	3.3	6.0	12.9	15.9	9.4	11.8	38.0
Detroit-Warren-Dearborn, MI	43.8	4.5	7.2	14.9	10.4	5.9	13.3	37.0
Miami-Fort Lauderdale-West Palm Beach, FL	29.5	5.0	8.5	10.3	13.3	14.3	19.2	37.0
Phoenix-Mesa-Scottsdale, AZ	43.8	2.4	8.7	11.4	13.4	6.9	13.4	35.9
Denver-Aurora-Lakewood, CO	30.7	2.8	5.8	10.3	16.8	15.9	17.8	35.7
Riverside-San Bernardino-Ontario, CA	51.8	3.6	10.1	11.3	8.9	4.9	9.3	34.0
Minneapolis-St. Paul-Bloomington, MN-WI	25.6	5.6	5.1	5.9	11.0	18.0	28.8	27.6

Landlord & Tenant Characteristics

Owner Occupants of 2-19 Unit Properties have Relatively Lower Income

	1 Unit	2 Units	3-4 Units	5-9 Units	10-19 Units	20-49 Units	50+ Units
% Household with a Mortgage							
	64.4%	60.7%	61.0%	62.0%	58.6%	53.0%	49.0%
Median Household Income (\$)							
All	81000	70000	63900	63100	61000	66000	81600
With Mortgage	94300	83300	75000	74000	72000	81300	100250
% Households with Household Income Below 80% AMI							
All	27.2%	40.1%	42.9%	43.0%	45.2%	42.3%	36.8%
With Mortgage	19.9%	31.9%	34.8%	34.8%	37.4%	33.0%	26.0%

Source: 2018 ACS

But this might not be the case for more recent purchases

	1 Unit		2 Units		3-4 Units	
	Primary	Investor	Primary	Investor	Primary	Investor
Median Income	80000	121000	80000	117000	87000	130000

Source: 2018 HMDA

Investor Properties Have a Lower Market Value than Owner Occupied Properties with Similar Borrower Characteristics

	Freddie Mac & Fannie Mae						Ginnie Mae		
	Owner-Occupied			Investors			Owner-Occupied		
	1 Unit	2 Units	3-4 Units	1 Unit	2 Units	3-4 Units	1 Unit	2 Units	3-4 Units
Num. Loans	7320773	60020	14290	485089	56745	31973	4459193	62143	16431
FICO	753	748	748	765	762	761	676	691	704
DTI	37	41	42	38	38	37	42	46	46
Orig. UPB (\$)	233,000	290,000	365,000	152,000	165,000	251,000	207,000	260,000	297,000
LTV	80	75	72	75	75	71	96.5	96.5	96.5
Implied Property Value (\$)	309,524	451,689	599,468	224,242	246,154	380,000	223,368	279,822	315,030
%LTV>80	35.17%	23.21%	13.21%	3.71%	0.47%	0.41%	88.04%	88.25%	90.18%
Num LTV>80	2574862	13930	1887	17998	268	132	3925759	54843	14817

Source: eMBS January 2018-March 2020 Origination

Note: We have shown the median value for FICO, DTI, Orig. UPB, LTV and Implied Property Value.

In a Greater Share of 2-4 Structures, Landlords are People of Color and Immigrants

	1 Unit	2 Units	3-4 Units	5-9 Units	10-19 Units	20-49 Units	50+ Units
All Homeowners							
<i>Race Ethnicity</i>							
White	76.0%	58.6%	66.1%	72.4%	72.1%	72.6%	68.1%
Black	7.9%	15.5%	9.9%	7.2%	7.3%	5.5%	6.4%
Hispanic	9.6%	16.1%	13.1%	9.4%	9.2%	10.7%	11.1%
Asian	4.6%	7.9%	8.6%	8.5%	9.3%	9.1%	12.4%
Immigrant	15.0%	37.0%	30.3%	24.6%	25.9%	28.5%	33.9%
Homeowners with Mortgage							
<i>Race Ethnicity</i>							
White	74.4%	54.8%	62.7%	70.2%	69.4%	67.7%	63.9%
Black	8.4%	16.5%	11.7%	8.5%	8.4%	6.9%	7.7%
Hispanic	10.4%	18.6%	14.0%	9.7%	10.3%	11.8%	12.1%
Asian	4.8%	7.8%	9.0%	8.3%	9.4%	11.0%	13.8%
Immigrant	15.7%	39.9%	31.4%	23.2%	24.0%	28.5%	33.0%

Source: 2018 ACS

Renters in 2-4 Unit Structures have Relatively Lower Income, Pay a Lower Rent, and are In Industries More Vulnerable to COVID -19

	1 Unit	2 Units	3-4 Units	5-9 Units	10-19 Units	20-49 Units	50+ Units
Median Household Income (\$)	47400	36800	35000	36000	39500	37500	36000
Percent Below 80 AMI	50.3%	63.8%	66.8%	65.2%	64.0%	65.2%	63.6%
Gross Rent (\$)	1090	930	940	970	1030	1070	1180
% In Vulnerable Industries	30.9%	35.3%	33.5%	32.8%	30.7%	31.7%	26.1%

Source: 2018 ACS

Greater Share of 2-19 Unit Renters are People of Color and Immigrants

	1 Unit	2 Units	3-4 Units	5-9 Units	10-19 Units	20-49 Units	50+ Units
<i>Race Ethnicity</i>							
White	55.8%	50.2%	48.1%	47.2%	46.3%	49.3%	51.8%
Black	18.2%	21.6%	21.4%	22.8%	23.3%	18.5%	19.0%
Hispanic	19.0%	20.9%	21.9%	20.4%	19.9%	21.3%	16.3%
Asian	3.7%	4.3%	5.1%	6.1%	7.1%	7.6%	9.8%
Immigrant	24.1%	31.8%	33.3%	34.1%	39.2%	40.1%	36.6%

Source: 2018 ACS