



Landlord Concentration in Philadelphia

Kevin C. Gillen Ph.D., December 2022

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This analysis aims to answer and inform the following two questions:

- 1) What is the degree of ownership concentration of Philadelphia's rental properties?**
- 2) What are the implications of the rental market's concentration for proposed policies to provide more affordable rental housing?**

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Motivation for this Analysis

In recent years, there has been growing concern over the practices of landlords in Philadelphia.

- A joint study by Harvard and Penn reported that: *“More Philly Landlords are Selling Properties and Deferring Maintenance, Which Threatens the Supply of Affordable Housing”**
- From WHYY: *“Why doesn’t Philadelphia have rent control like many other big cities?”***
- From the Philadelphia Inquirer: *“Rent control and homeowner protections urged for Philadelphia amid gentrification”****
- From the Pew Charitable Trusts: *“Who Are Philadelphia’s Landlords?”*****
- After months of evictions being on hold due to COVID, evictions resumed in Philadelphia in July 2021.

*Source: <https://www.inquirer.com/real-estate/housing/philadelphia-rental-assistance-phl-landlord-sell-maintenance-20210907.html>

**Source: <https://whyy.org/articles/why-doesnt-philadelphia-have-rent-control-like-many-other-big-cities/>

***Source: <https://www.inquirer.com/news/rent-control-philadelphia-homeowner-gentrification-tax-kendra-brooks-20200220.html>

****Source: <https://www.pewtrusts.org/en/research-and-analysis/articles/2021/02/24/who-are-philadelphias-landlords>

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The data used for this analysis is from the City's own Office of Property Assessment (OPA), which is freely available from [OpenDataPhilly.com](https://opendata.philly.com).

Renter-occupied properties were identified by whether they were classified/zoned as “multifamily” (e.g. apartment buildings) or—in the case of single-family properties, by whether the owner's mailing address was different than the property's address—or whether the owner of the property was a business rather than an individual*.

*See the appendix for details.

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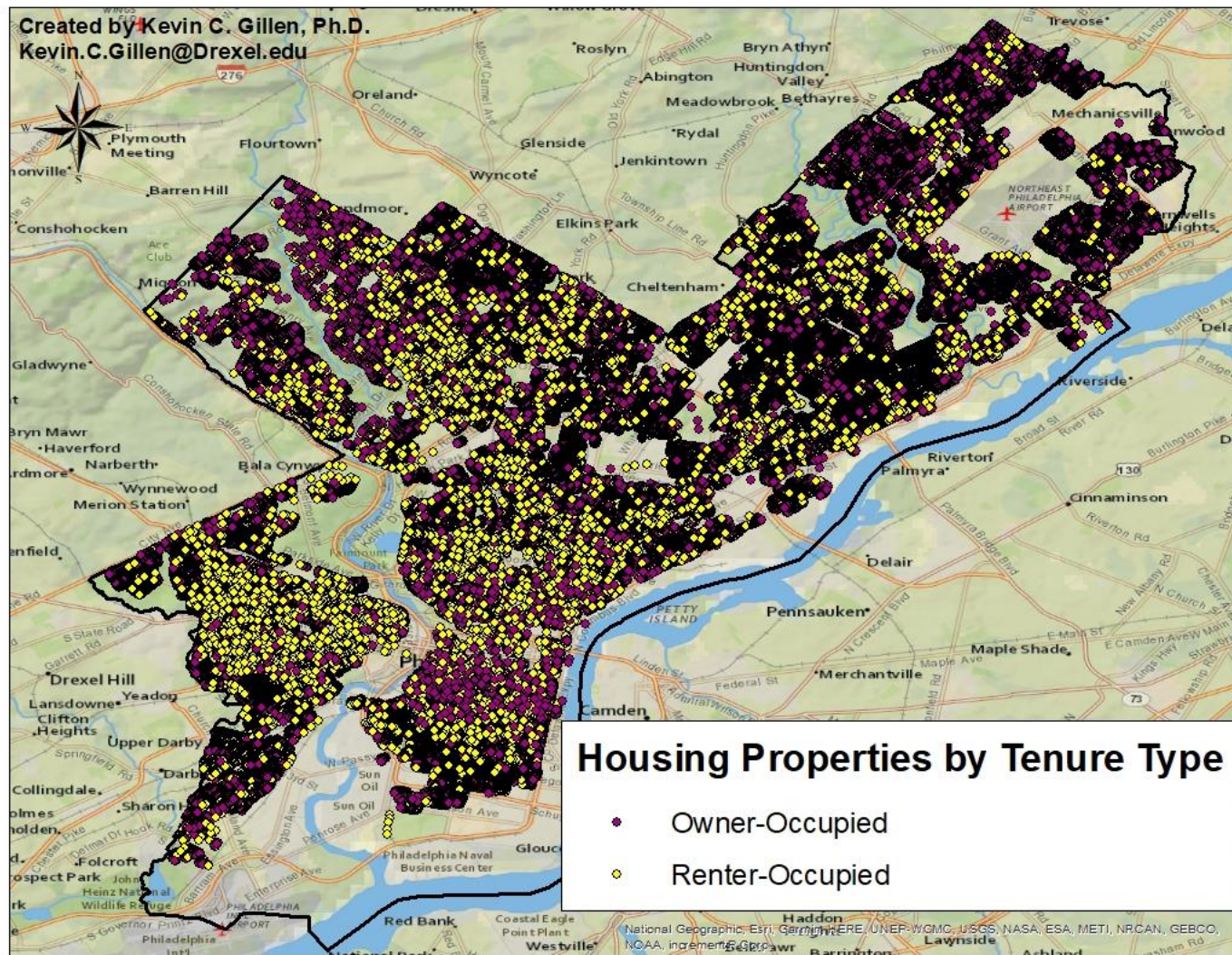
Residential Properties by Tenure Type in 2022

Source: Philadelphia OPA

This map color-codes every residential property in Philadelphia by whether it is owner-occupied or renter-occupied.

According to OPA, nearly 54% of residential properties are owner-occupied. This is very close to the 55.8% homeownership rates reported by the U.S. Census, as well as the 53% homeownership rate reported by the Economy League of Greater Philadelphia. The slight differences can likely be attributed to the fact that all three numbers were recorded at different periods in time.

Sources:
<https://fred.stlouisfed.org/series/HOWNRATEACS042101>
<https://economyleague.org/providing-insight/leadingindicators/2021/09/08/homeowners2021>



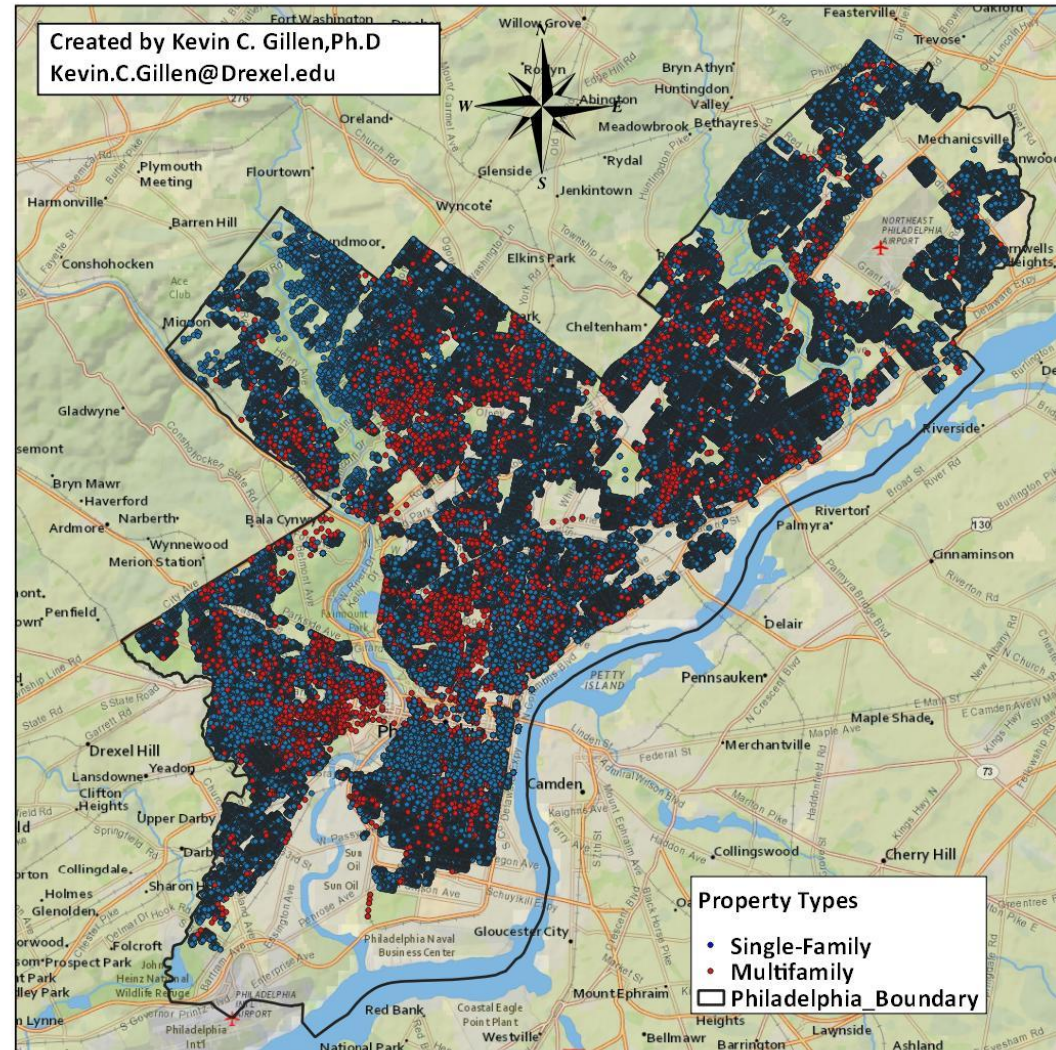
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Location of Rental Properties by Property Type in 2022

Source: Philadelphia OPA

This map shows the location of all rental properties in Philadelphia, color-coded by whether they are single-family properties (i.e. houses or condo units) or multifamily properties (i.e. apartment buildings).

*Note: condos are coded as “single-family”, since each condo unit is classified by the city as a single taxable dwelling.



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The Density of Rental Housing Properties in 2022

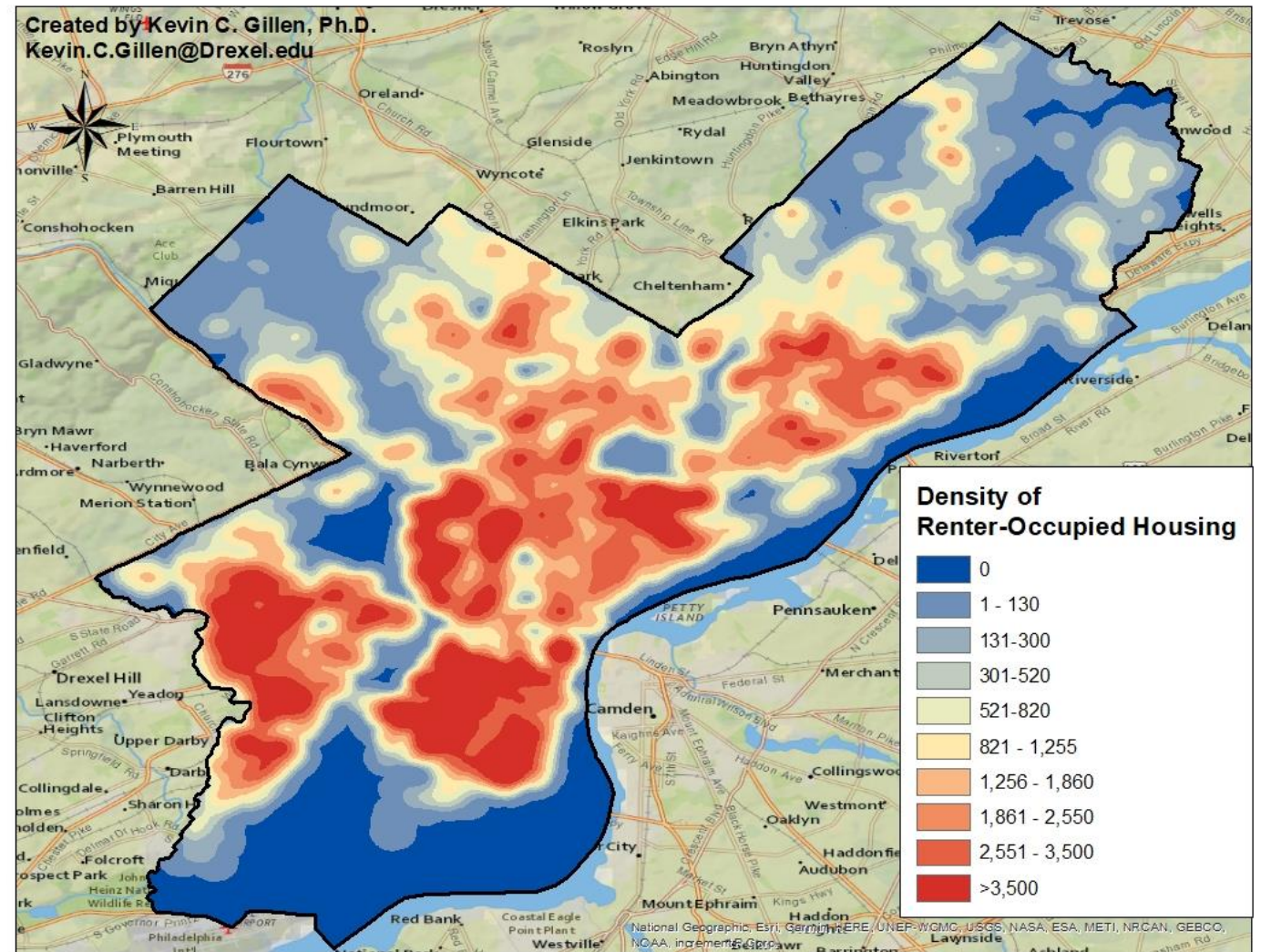
Source: Philadelphia OPA

This map shows the spatial concentration* of renter-occupied housing units in Philadelphia.

*"Spatial Concentration" is measured as the number of rental units per square mile.

A temperature color ramp was used to scale each area of the city by its relative concentration of rental housing units. Cool colors (e.g. blue) equal a low concentration, while warm colors (e.g. red) equal a high concentration.

The scaling of the color ramp is set to deciles: 10% of the distribution of rental units falls into each category. So, for example, the bottom 10% of neighborhoods in Philadelphia have 0 rental units per square mile (these are overwhelmingly industrial areas and parks), the next 10% of neighborhoods have between 1 and 130 rental units per square mile, ..., and the top 10% have more than 3,500 rental units per square mile.

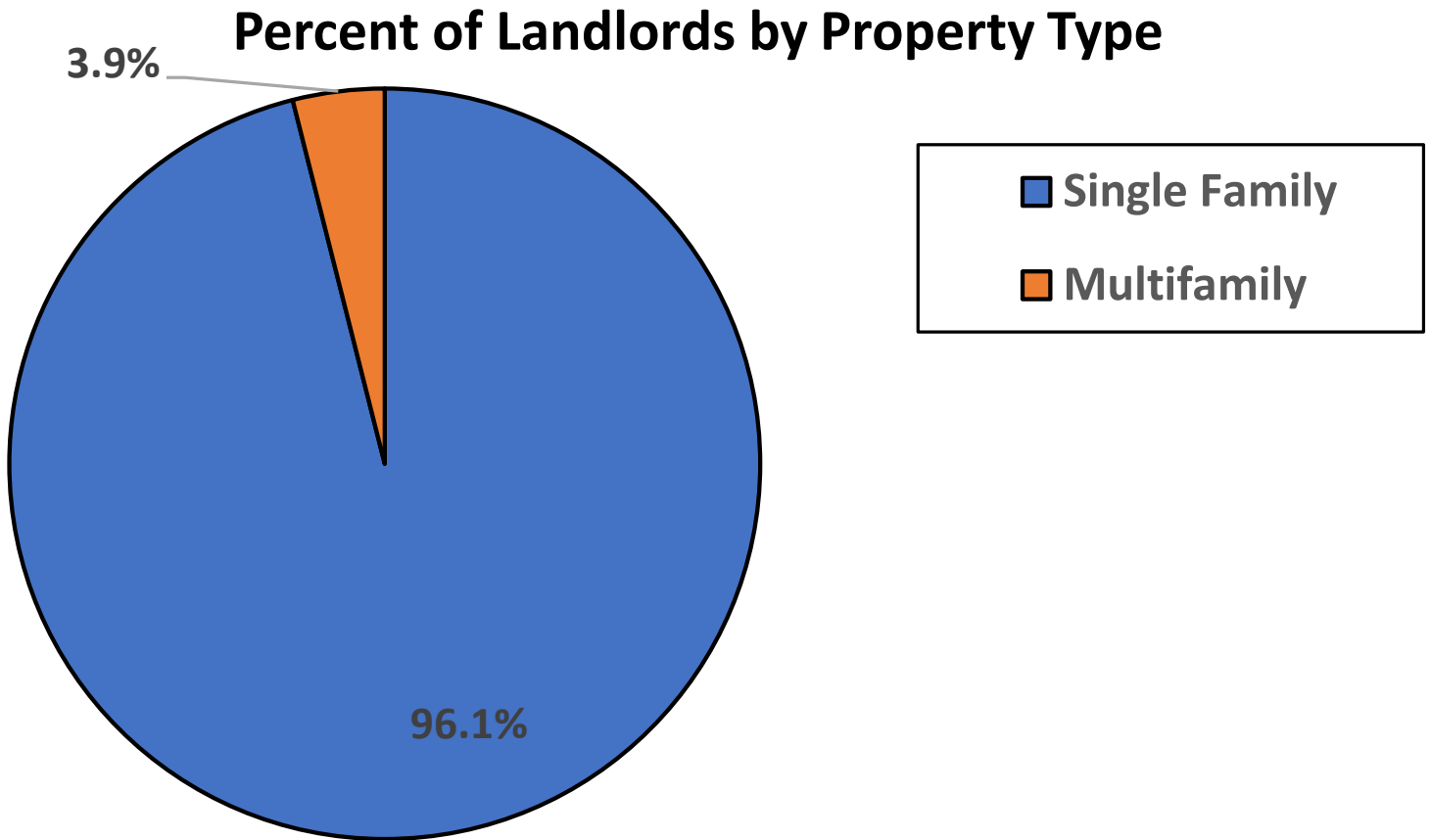


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Percent of Landlords by Property Type in 2022

Source: Philadelphia OPA

The overwhelming number of Philadelphia landlords (96.1%) manage single-family properties*.



Property Type	Number	Percent
Single Family	84,746	96.1%
Multifamily	3,481	3.9%
Total	88,227	100.0%

*Note: units in condo properties are counted as single-family properties, since each unit is counted as a separately taxed property by the city. By contrast, apartment buildings are counted as multifamily properties, since each apartment property is counted as a single taxable property by the city.

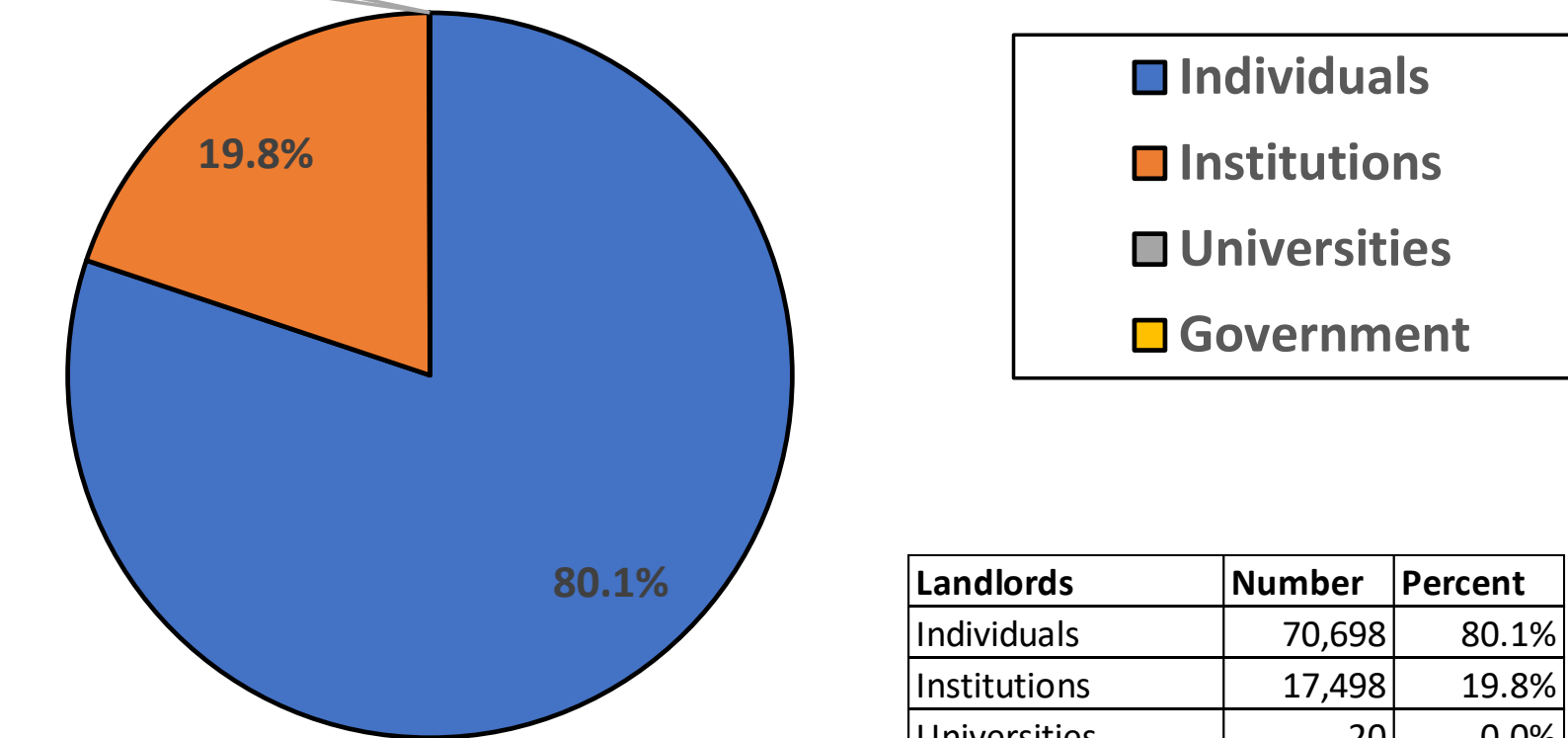
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Percent of All Landlords by Landlord Type in 2022

Source: Philadelphia OPA

80.1% of Philadelphia landlords are individuals—as opposed to businesses, universities or government agencies*.

Percent of Landlords by Landlord Type



*"Institutions" are mostly businesses. However, they also include non-business private sector entities, such as houses of worship and nonprofits. Hence, the name "Institutions". See the appendix to this document for details on how these different categories of owners were identified and classified.

Landlords	Number	Percent
Individuals	70,698	80.1%
Institutions	17,498	19.8%
Universities	20	0.0%
Government	11	0.0%
Total	88,227	100.0%

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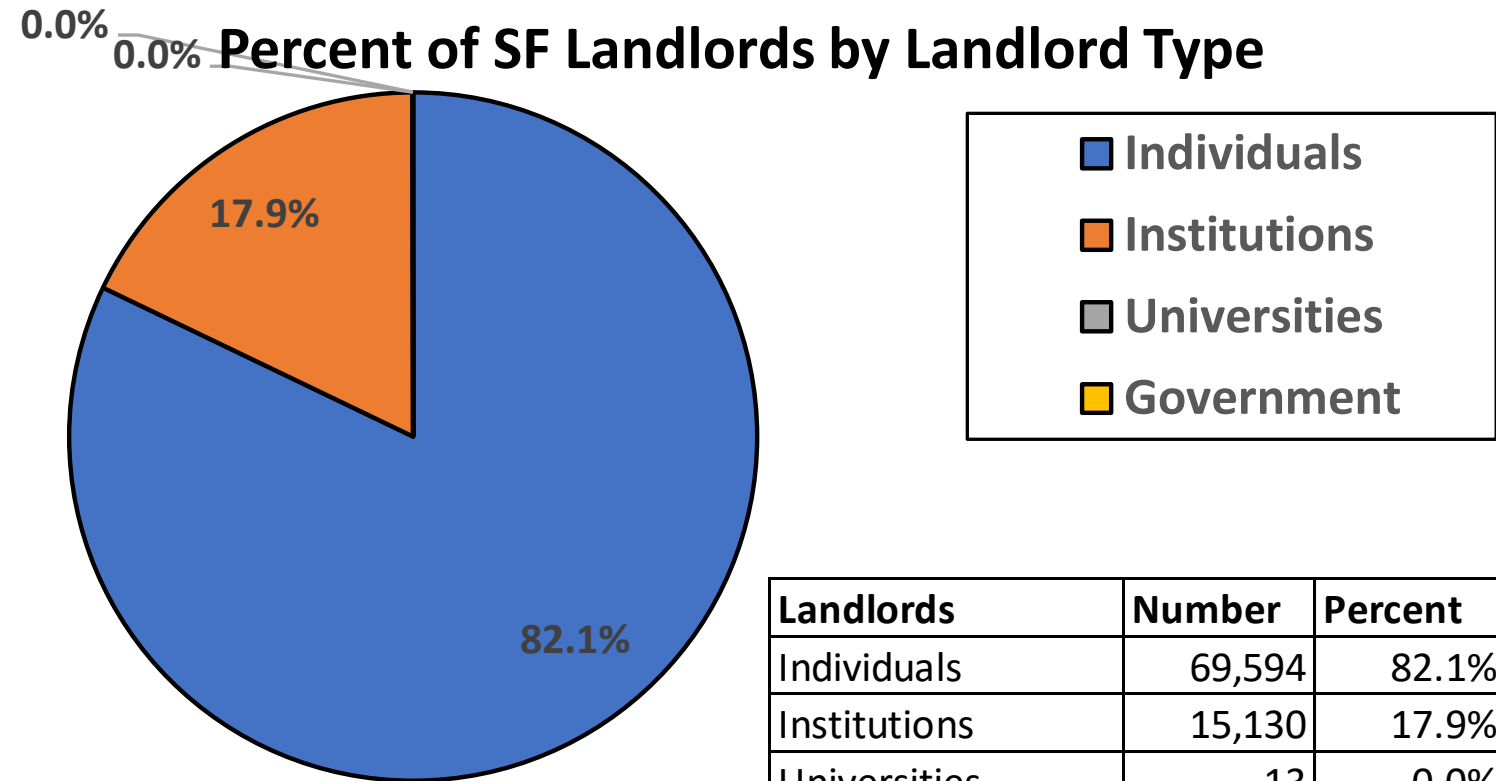
Percent of Single-Family Property Landlords by Landlord Type in 2022

Source: Philadelphia OPA

82.1% of landlords of single-family properties* in Philadelphia are individuals—as opposed to businesses, universities or government agencies.

*Mostly houses, but also condo units.

Percent of SF Landlords by Landlord Type



Landlords	Number	Percent
Individuals	69,594	82.1%
Institutions	15,130	17.9%
Universities	13	0.0%
Government	9	0.0%
Total	84,746	100.0%

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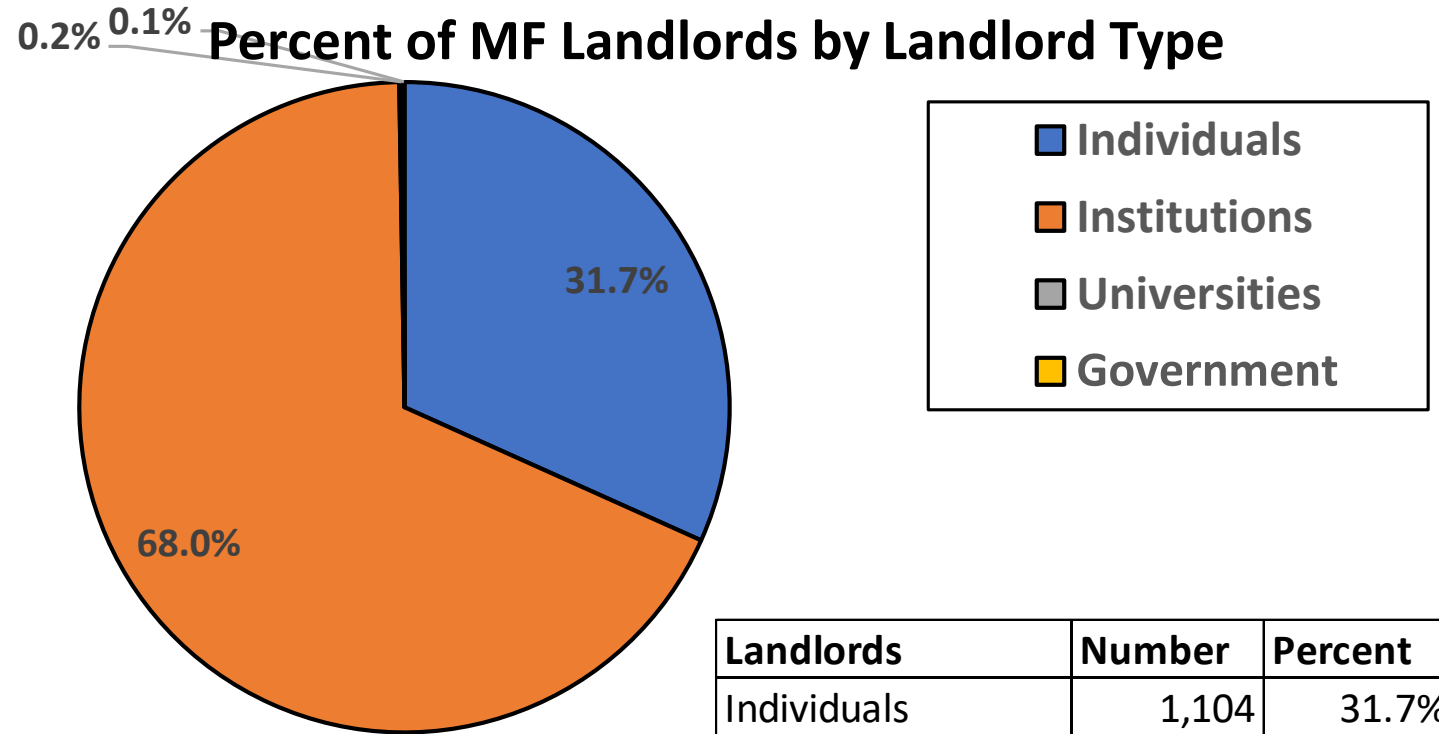
Percent of Multifamily Property Landlords by Landlord Type in 2022

Source: Philadelphia OPA

68% of landlords of multifamily properties* in Philadelphia are institutions: mostly businesses, but also nonprofits; e.g. community groups, houses of worship, large trusts, etc.

*Overwhelmingly, these are apartment buildings. But there are also subdivided large single-family houses and converted mixed-use properties; e.g. stores or offices with apartments above them.

Percent of MF Landlords by Landlord Type



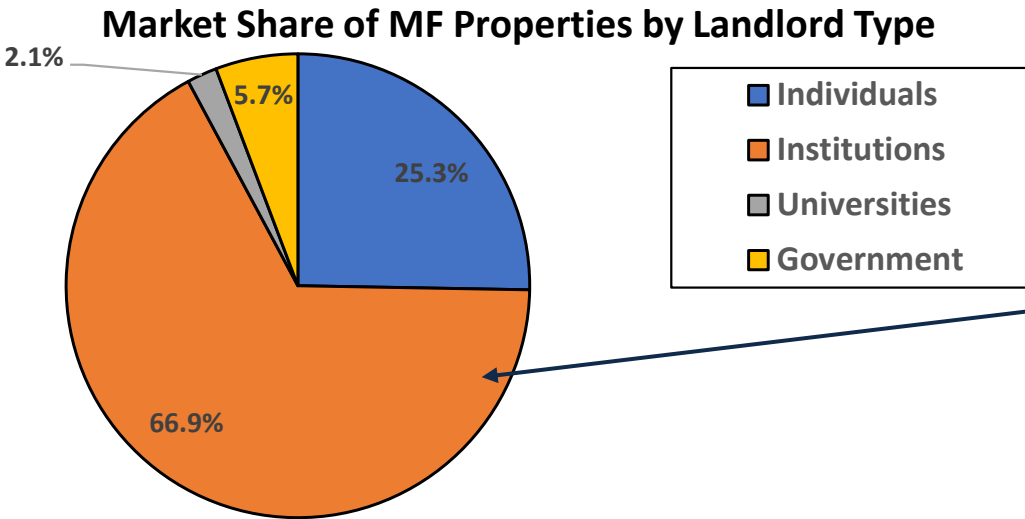
Landlords	Number	Percent
Individuals	1,104	31.7%
Institutions	2,368	68.0%
Universities	7	0.2%
Government	2	0.1%
Total	3,481	100.0%

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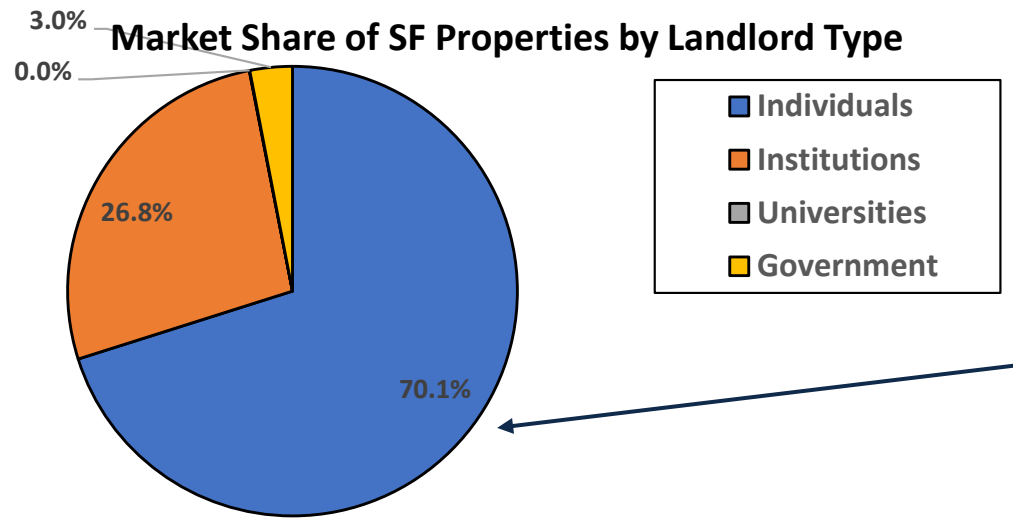
Market Share of Rental Properties by Landlord Type in 2022

Source: Philadelphia OPA

A similar difference in concentration emerges when you look at the concentration of properties, as opposed to the concentration of landlords.



Institutions own nearly 67% of all multifamily rental properties...



But individuals own more than 70% of all single-family rental properties.

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Measuring the Degree of Market Concentration (1)

Source: <https://www.investopedia.com/terms/c/concentrationratio.asp>

One of the most widely accepted measures in economics that is used to measure the degree of a market's competitiveness is the **Concentration Ratio**.

It is computed as the ratio of the total market share of an industry's largest firms to the size of the market as a whole.

For example, suppose you want to measure how much the n th largest firms dominate a market. The concentration ratio is calculated as follows: $CR_n = C_1 + C_2 + \dots + C_n$

Where:

C_n defines the market share of the n^{th} largest firm in an industry as a percentage of total industry market share

n defines the number of firms included in the Concentration Ratio calculation

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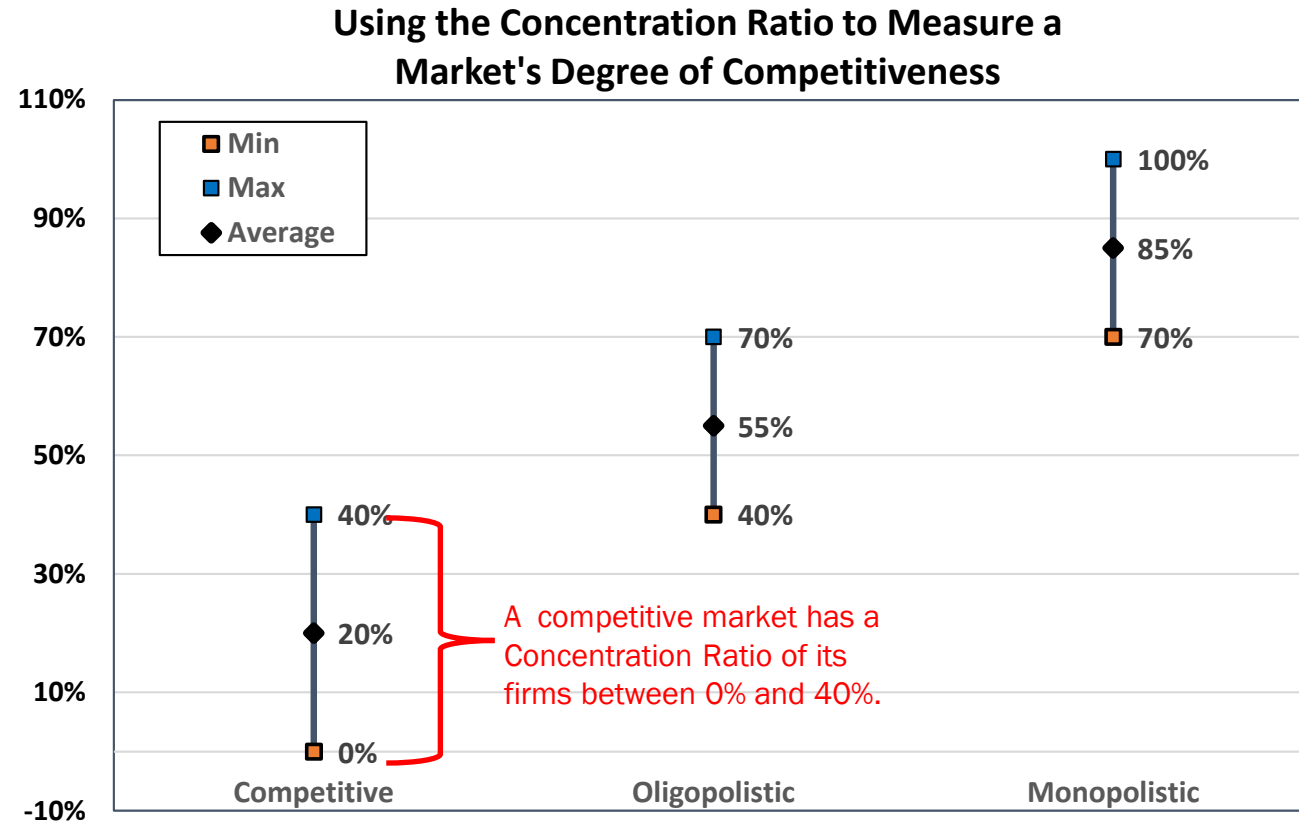
Measuring the Degree of Market Concentration (1)

Source: <https://www.investopedia.com/terms/c/concentrationratio.asp>

The profession's guidelines* suggest that:

- A CR of 0-40% indicates a competitive market (one in which there are many firms)
- A CR of 40-70% indicates an oligopolistic market (one which is dominated by just a few firms)
- A CR of 70-100% indicates a monopolistic market (one which is dominated by a single large firm)

*Source: https://en.wikipedia.org/wiki/Concentration_ratio



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Measuring the Degree of Market Concentration (1)

Source: <https://www.investopedia.com/terms/c/concentrationratio.asp>

A simple example:

- Suppose the top 4 largest landlords (ABC Corp., DEF Inc., GHI Partners and JKL Associates) each own 30%, 20%, 15% and 5%, respectively, of all rental properties in Philadelphia.
- The Concentration Ratio for this market is computed as:
$$CR_n = 30\% + 20\% + 15\% + 5\% = 70\%$$
- This indicates that the top 4 largest landlords collectively own/control 70% of all rental properties in Philadelphia.

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Measuring the Degree of Market Concentration (1)

Source: <https://www.investopedia.com/terms/c/concentrationratio.asp>

In this simple example, the Concentration Ratio of 70% indicates an oligopolistic market, because it is within the 40-70% range (although, it is on the edge of being monopolistic).

In general:

- Low values of the CR are generally considered GOOD, because it implies that firms must compete with each other in order to attract customers and thereby increase their market share.
- High values of the CR are generally considered BAD, because it implies that firms can either restrict supply (in order to obtain a higher price for their product) and/or deliver an inferior product to the market (because they have little or no competition).

In the specific case of residential real estate: a high degree of competition is good, because it implies that landlords must competitively set affordable rents and deliver a fairly high degree of service in maintaining their properties for their tenants...or else both prospective and existing tenants will take their business elsewhere.

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Now let's compute the Concentration Ratio for Philadelphia's rental housing market.

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Top 20 Largest Rental Property Owners in Philadelphia

Source: Philadelphia OPA

The 20 largest owners of rental properties in Philadelphia have a CR of 5.6%: that is, they collectively own/control 5.6% of all rental properties in the city.

Owners highlighted in blue are government owners. Owners highlighted in orange are institutional (i.e. mostly business) owners.

Rank	Owner	# of Properties	Market Share
1	PHILADELPHIA HOUSING AUTHORITY	3,701	2.7%
2	NEIGHBORHOOD RESTORATIONS	549	0.4%
3	DEMARCO DREW	486	0.3%
4	BENJAMIN FRANKLIN HOUSE	414	0.3%
5	MARINE CLUB ASSOCIATES LP	313	0.2%
6	DOMB ALLAN	238	0.2%
7	J&M OLD CITY PARK LLC	213	0.2%
8	WALSH JAMES	201	0.1%
9	CITY OF PHILADELPHIA	173	0.1%
10	GULLE JEAN PAUL	173	0.1%
11	ROWELL WILLIAM A	161	0.1%
12	PHILADELPHIA REDEVELOPMENT AUTH	131	0.1%
13	VENICE LOFTS PROPERTY OWN	128	0.1%
14	GILLER REALTY LLC	125	0.1%
15	ULATOWSKI WALTER	123	0.1%
16	JAMISON ROAD ASSOCIATES L	109	0.1%
17	IVY LOGAN PROPERTY LLC	108	0.1%
18	PHILADELPHIA LAND BANK	102	0.1%
19	FANNIE MAE	100	0.1%
20	WORKFORCE HOMES 3 LP	99	0.1%
	Total	7,647	5.6%

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Top 20 Largest Rental Property Owners in Philadelphia—Minus Government and Universities

Source: Philadelphia OPA

After subtracting government and university property owners, the 20 largest owners of all residential rental properties in Philadelphia have a CR of 3.1%: that is, they collectively own 3.1% of all residential rental properties in the city.

Owners highlighted in orange are institutional (i.e. mostly business) owners.

Rank	Owner	# of Properties	Market Share
1	NEIGHBORHOOD RESTORATIONS	549	0.4%
2	DEMARCO DREW	486	0.4%
3	BENJAMIN FRANKLIN HOUSE	414	0.3%
4	MARINE CLUB ASSOCIATES LP	313	0.2%
5	DOMB ALLAN	238	0.2%
6	J&M OLD CITY PARK LLC	213	0.2%
7	GULLE JEAN PAUL	173	0.1%
8	ROWELL WILLIAM A	161	0.1%
9	VENICE LOFTS PROPERTY OWN	128	0.1%
10	GILLER REALTY LLC	125	0.1%
11	ULATOWSKI WALTER	123	0.1%
12	JAMISON ROAD ASSOCIATES L	109	0.1%
13	IVY LOGAN PROPERTY LLC	108	0.1%
14	CHOICE RENTALS LLC	80	0.1%
15	AML INVESTMENTS LLC	76	0.1%
16	GEORGE WOODWARD INC	76	0.1%
17	KELLEY INVESTMENT GROUP L	76	0.1%
18	BH HOMES LLC	69	0.1%
19	SPECTOR MARK	69	0.1%
20	THE LOFTS AT THE WINSTON	69	0.1%
	Total	3,655	3.1%

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Top 20 Largest Multifamily Rental Property Owners in Philadelphia—Minus Government and Universities

Source: Philadelphia OPA

After subtracting government and university property owners, the 20 largest owners of all *multifamily* rental properties in Philadelphia have a CR of 9.1%: they collectively own 9.1% of all *multifamily* rental properties in the city.

Owners highlighted in orange are institutional (i.e. business) owners.

Rank	Owner	# of Properties	Market Share
1	NEIGHBORHOOD RESTORATIONS	113	2.3%
2	BELMONT AFFORDABLE HOUSIN	41	0.8%
3	DIAMOND ST HOUSING PA	37	0.8%
4	SIMON ASSOCIATES_LIMITED	28	0.6%
5	ARCH V-TEMPLE 16TH STREET	19	0.4%
6	CENTRA ASSOCIATES LP	21	0.4%
7	UNI-PENN HOUSING	20	0.4%
8	BELMONT AFFORDABLE	15	0.3%
9	LEGACY PRESERVATION I ASS	14	0.3%
10	MF PARKSIDE PRESERVATION	13	0.3%
11	NEIGHBORHOOD PRESERVATION	15	0.3%
12	NPCH ASSOCIATES	14	0.3%
13	PARTNERSHIP PRESERVATION	13	0.3%
14	UNIVERSITY CITY	14	0.3%
15	WASHINGTON SQUARE WEST PR	17	0.3%
16	1260 HOUSING DEVELOPMENT	11	0.2%
17	AMCD WALNUT STREET ASSOCI	12	0.2%
18	ARCH VI - TEMPLE N GRATZ	11	0.2%
19	CAMINO VERDE LP	8	0.2%
20	CLOISTERS III HOUSING	11	0.2%
	Total	447	9.1%

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Top 20 Largest Single-Family Rental Property Owners in Philadelphia—Minus Government and Universities

Source: Philadelphia OPA

After subtracting government and university property owners, the 20 largest owners of all single-family rental properties in Philadelphia have a CR of 3.1%: that is, they collectively own 3.1% of all single-family rental properties in the city.

Owners highlighted in orange are institutional (i.e. mostly business) owners.

Rank	Owner	# of Properties	Market Share
1	DEMARCO DREW	486	0.4%
2	NEIGHBORHOOD RESTORATIONS	436	0.3%
3	BENJAMIN FRANKLIN HOUSE	414	0.3%
4	MARINE CLUB ASSOCIATES LP	313	0.2%
5	DOMB ALLAN	234	0.2%
6	J&M OLD CITY PARK LLC	213	0.2%
7	WALSH JAMES	199	0.2%
8	GULLE JEAN PAUL	173	0.1%
9	ROWELL WILLIAM A	161	0.1%
10	GILLER REALTY LLC	123	0.1%
11	JAMISON ROAD ASSOCIATES L	109	0.1%
12	IVY LOGAN PROPERTY LLC	108	0.1%
13	CHOICE RENTALS LLC	79	0.1%
14	AML INVESTMENTS LLC	76	0.1%
15	GEORGE WOODWARD INC	76	0.1%
16	KELLEY INVESTMENT GROUP L	76	0.1%
17	BH HOMES LLC	69	0.1%
18	SPECTOR MARK	69	0.1%
19	THE LOFTS AT THE WINSTON	69	0.1%
20	STEAMBOAT SCM FUND B LLC	68	0.1%
	Total	3,551	3.1%

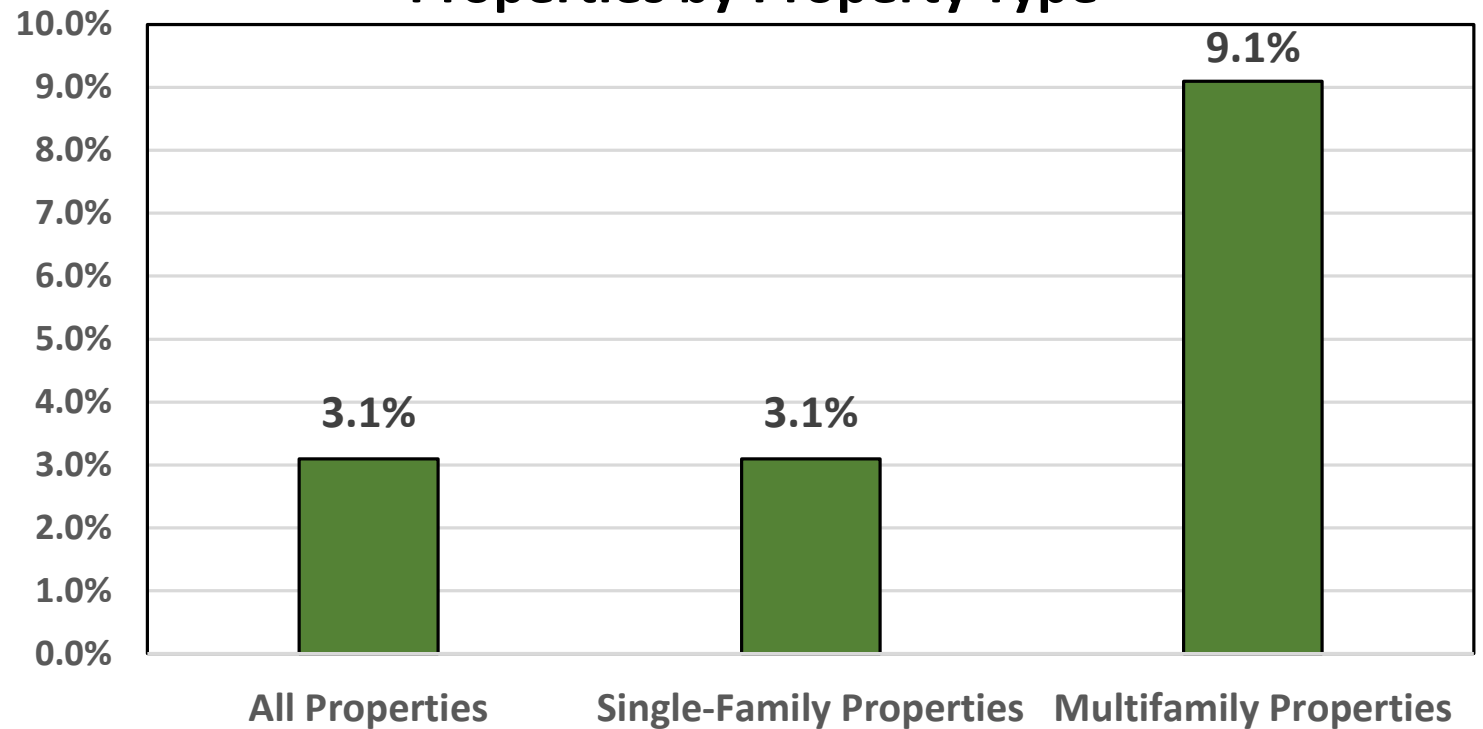
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The CRs of Philadelphia Landlords

Source: Kevin C. Gillen, Ph.D.

The following chart summarizes the CR metrics (after subtracting government and university property owners*) for all rental properties, all single-family rental properties and all multifamily rental properties.

Concentration Ratio of Philadelphia Rental Properties by Property Type



*Government and university landlords are omitted because they either have different motivations than private landlords, and/or also generally offer an atypical product; i.e. very low-income housing or student housing.

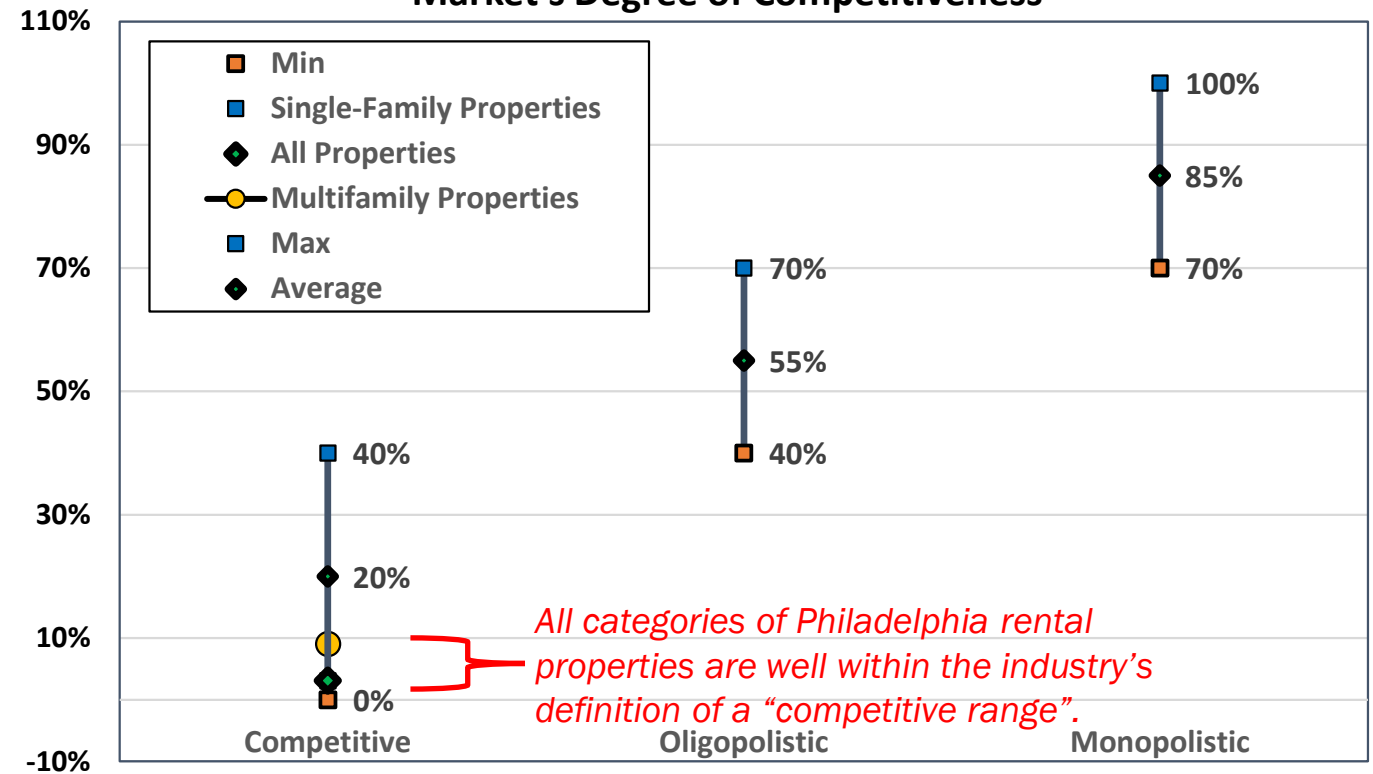
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The CRs of Philadelphia Landlords

Source: Source: Kevin C. Gillen, Ph.D.

The City's data strongly indicates that the ownership of residential properties in Philadelphia is highly diffuse...and by implication, quite competitive.

Using the Concentration Ratio to Measure a Market's Degree of Competitiveness



Source: https://en.wikipedia.org/wiki/Concentration_ratio

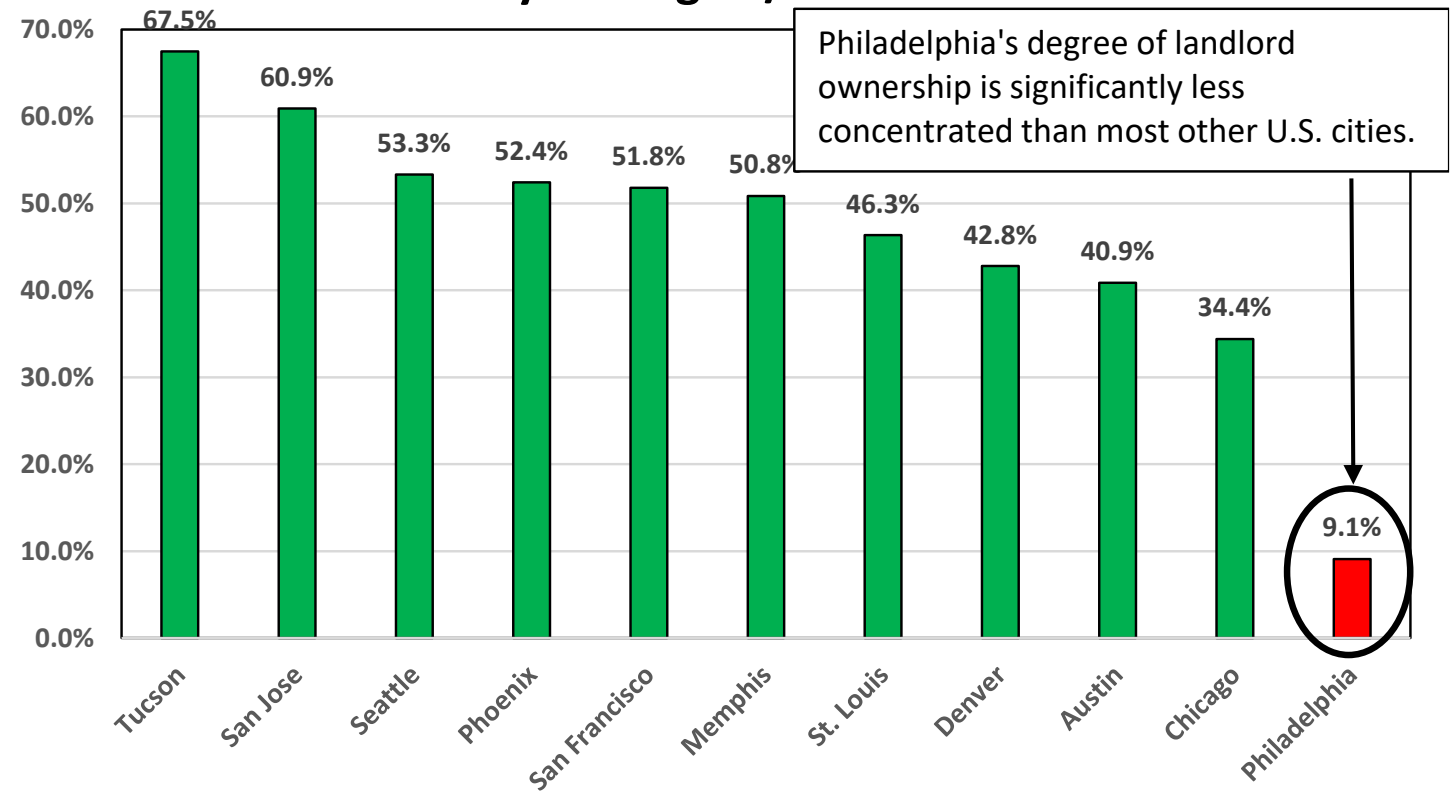
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Concentration Ratios: Philadelphia v. Other U.S. Cities

Source: ALN Apartment Data, Kevin C. Gillen, Ph.D.

Even compared to other major U.S. cities with a significant stock of rental housing, Philadelphia's Concentration Ratio is relatively low.

Concentration Ratio of Multifamily Rental Properties by Managers/Owners



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Measuring the Degree of Market Concentration (2)

Source: <https://www.investopedia.com/terms/h/hhi.asp>

Another widely accepted measures in economics that is used to measure the degree of a market's competitiveness is the **Herfindahl-Hirschman Index (HHI)**. This is considered to be somewhat more sophisticated than the CR, as it controls for a firm's market share rather than the number of firms in a market.

The HHI is computed as the sum of squares of the market shares of an industry's largest firms to the size of the market as a whole. Typically, just the 50 largest firms in a given market are used in this calculation.

For example, suppose you want to measure how much the n th largest firms dominate a market. The HHI is calculated as follows: $HHI = C_1^2 + C_2^2 + \dots + C_n^2$

Where:

C_n defines the market share of the n^{th} largest firm in an industry as a percentage of total industry market share, but expressed as a whole number (not percent).

n defines the number of firms included in the HHI calculation ($n=50$ is the standard default practice).

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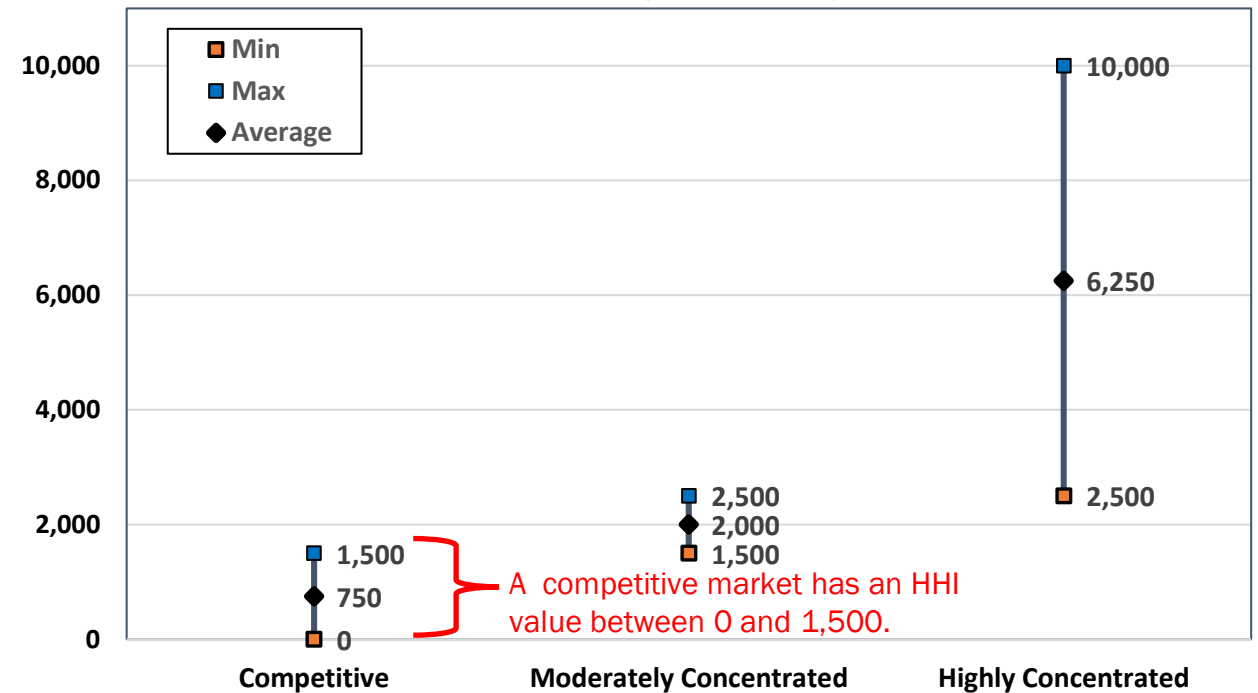
Measuring the Degree of Market Concentration (2)

Source: <https://www.investopedia.com/terms/h/hhi.asp>

The U.S. Department of Justice uses the following guidelines to determine the degree of an industry's competitiveness.

- An HHI of less than 1,500 indicates a competitive market (one in which there are many firms).
- An HHI between 1,500 and 2,500 indicates a moderately concentrated market (one which has less competition than a competitive market).
- An HHI greater than 2,500 indicates a highly concentrated market (one which is dominated by just a few large firms).

Using the Herfindahl-Hirschman Index to Measure a Market's Degree of Competitiveness



Note: The U.S. DOJ commonly uses the HHI in determining the legality of mergers and acquisitions. Typically, an increase in the HHI of more than 200 points in a highly concentrated market raises antitrust concerns. The maximum value of the HHI is 10,000, which indicates that one single firm controls 100% of a market's share; i.e. it is a monopoly.

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Measuring the Degree of Market Concentration (2)

Source: <https://www.investopedia.com/terms/h/hhi.asp>

As can be observed, the computation of the HHI is very similar to the CR, but the squares of the market shares are used. Here is an example, using the same firms as in the previous example for the CR:

- Suppose the top 4 largest landlords (ABC Corp., DEF Inc., GHI Partners and JKL Associates) each own 30%, 20%, 15% and 5%, respectively, of all rental properties in Philadelphia.
- The HHI for this market is computed as:
$$HHI_n = (30^2) + (20^2) + (15^2) + (5^2) = 1,550$$
- The higher the value of the index, the more concentrated (i.e. less competitive) the market for this particular industry is.

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Measuring the Degree of Market Concentration (2)

Source: <https://www.investopedia.com/terms/h/hhi.asp>

In this simple example, the Herfindahl-Hirschman Index of 1,550 indicates a “*moderately concentrated*” market, because it is within the 1,500-2,500 range.

Much like the CR, low values of HHI are typically considered **GOOD** (less market concentration and more competition) and high values are typically considered **BAD** (more market concentration and less competition).

However, the HHI is generally considered a superior measure to the CR because the CR is more heavily weighted to the **number** of firms, whereas the HHI is more heavily weighted towards the **market share** of the largest firms. By way of example, suppose that the four largest firms each has a 15% market share:

$$CR_n = 15\% + 15\% + 15\% + 15\% = 60\% \text{ but } HHI_n = 225 + 225 + 225 + 225 = 900$$

The CR metric indicates an oligopolistic market (because just 4 firms control 60% of all properties), but the HHI indicates a competitive market (because market share is distributed evenly across the largest firms).

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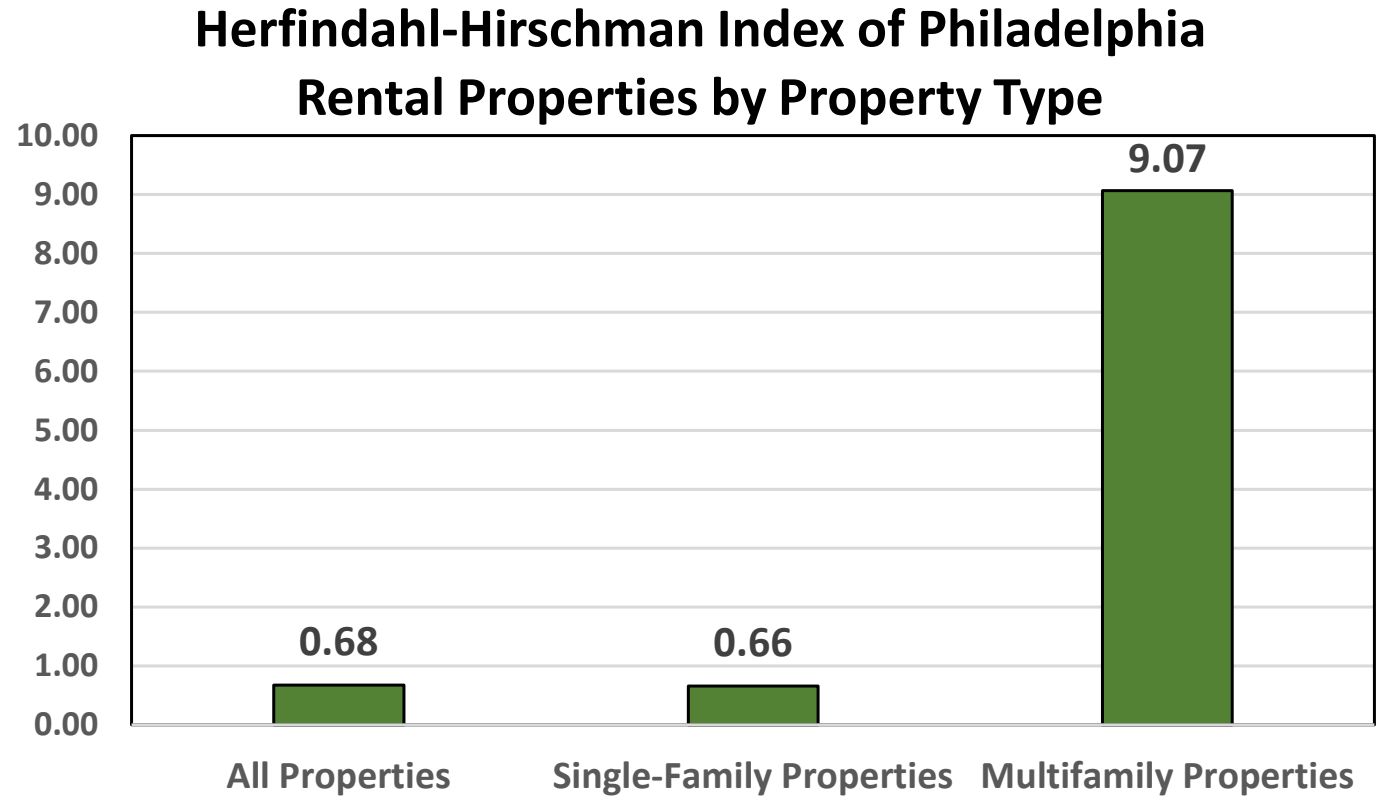
Now let's compute the Herfindahl-Hirschman Index for Philadelphia's rental housing market.

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The HHIs of Philadelphia Landlords

Source: Kevin C. Gillen, Ph.D.

The following table shows the HHI metrics (after subtracting government and university property owners) for all rental properties, all single-family rental properties and all multifamily rental properties*.



*Unlike for the CR, I omitted the tables showing the individual market share of the 50 largest landlords because 50 records are too many to fit into one table and still be readable. However, I am happy to provide them to any interested readers upon request. Contact: Kevin.C.Gillen@Drexel.edu

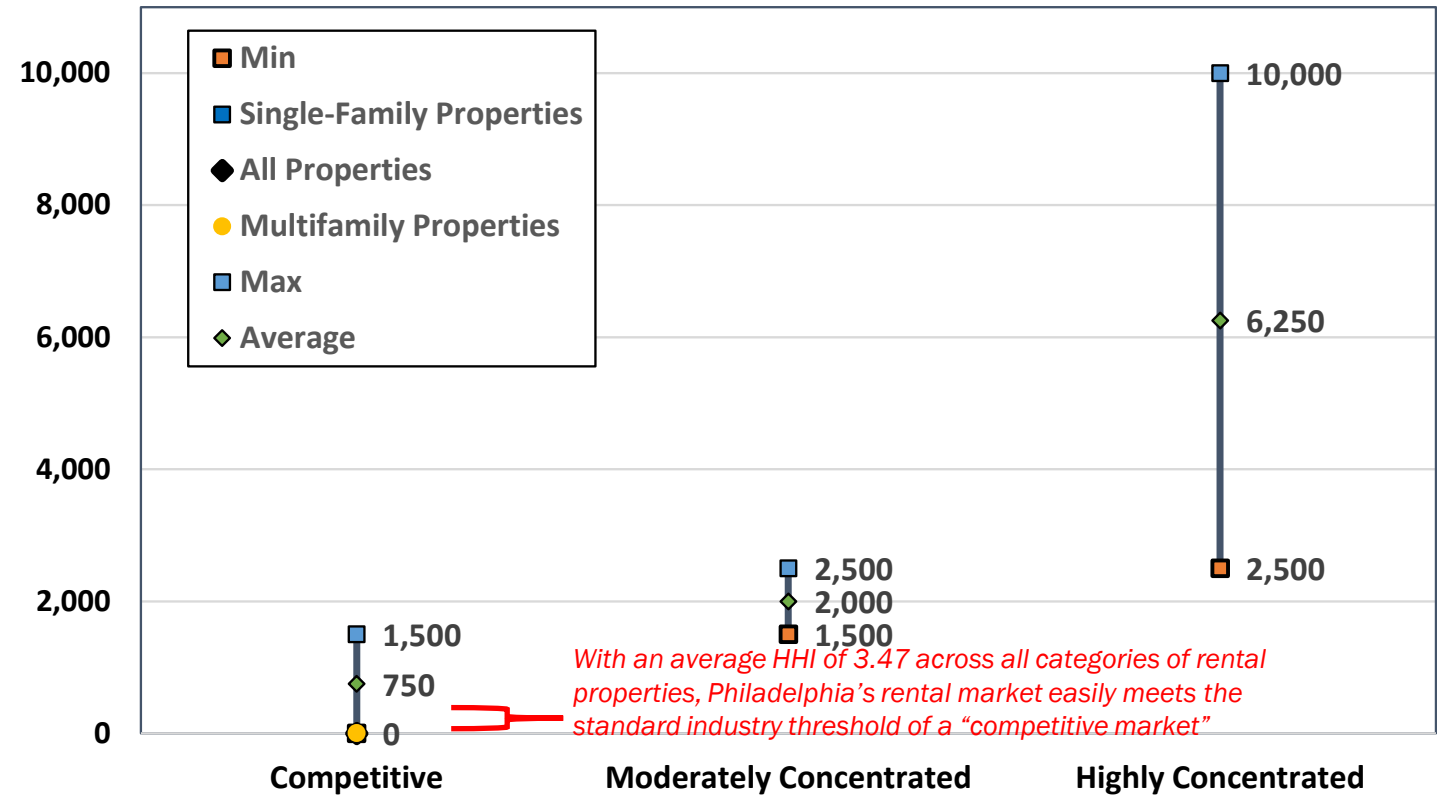
PHILADELPHIA'S RENTAL MARKET

The HHIs of Philadelphia Landlords

Source: Kevin C. Gillen, Ph.D.

Even by an alternative—and more stringent—measure, the city's own data strongly indicates that the ownership of residential properties in Philadelphia is still very competitive.

Using the Herfindahl-Hirschman Index to Measure a Market's Degree of Competitiveness



*Source: https://en.wikipedia.org/wiki/Concentration_ratio

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The HHIs of Philadelphia Landlords

Source: Kevin C. Gillen, Ph.D.

Re-scaling the Y-axis does provide some additional insights. Namely, that the multifamily rental market is relatively more concentrated than the single-family market.

Note: the HHI values for single-family rental properties and all rental properties are so low, that they do not show up on this chart, even when it is re-scaled to a significantly smaller range.

*Source: https://en.wikipedia.org/wiki/Concentration_ratio

Using the Herfindahl-Hirschman Index to Measure a Market's Degree of Competitiveness



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So, what do these numbers indicate about the degree of landlord concentration in Philadelphia's rental market, and what are their implications for public policy?

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Result #1: By any reasonable measure, the ownership of rental properties in Philadelphia is quite diffuse:

- The overwhelming number of all Philadelphia landlords (96.1%) own single-family properties (e.g. houses).
- Only 3.9% of all Philadelphia landlords own multifamily properties (e.g. apartment buildings).

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Result #2: The ownership of rental properties in Philadelphia is also quite spatially diffuse:

- Significant numbers—and percentages—of rental properties exist in almost every Philadelphia neighborhood.
- Although, there is some notable geographic variation:
 - The highest concentrations of rental properties are either in relatively low-income neighborhoods (North Philadelphia, West Philadelphia) or in neighborhoods with relatively higher concentrations of young people (University City, Manayunk, Fishtown). No surprise: these types of households disproportionately rent.
 - The lowest concentrations are either in relatively high-income areas (Center City, Chestnut Hill, Mount Airy, Overbrook) or in historically working-/middle-class neighborhoods with a long legacy of homeownership (the Far Northeast, Eastwick, and in certain pockets of South Philadelphia and the Lower Northeast).

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Result #3: Ownership of just single-family rental properties is also very unconcentrated:

- The overwhelming number of landlords who own single-family properties in Philadelphia are individuals (82.1%).
- A significantly smaller share of all landlords who own single-family properties in Philadelphia are institutional landlords (17.9%)
- Only a very tiny sliver of landlords of single-family properties are government agencies or universities (close to 0%).

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Result #4: However, ownership of multifamily rental properties is indeed relatively more concentrated than that of single-family properties:

- 68% of landlords who own multifamily properties in Philadelphia are institutions (mostly business entities, but some nonprofit organizations).
- Only 31.7% of all landlords who own multifamily properties in Philadelphia are individuals.
- The remaining 0.3% of landlords are government agencies or universities.

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Result #5: Similar results hold when the analysis examines the number of properties, rather than the number of landlords:

- 70.1% of all single-family rental properties in Philadelphia are owned by individuals (compared to 82.1% of all owners of single-family properties being individuals).
- 67% of all multifamily rental properties in Philadelphia are owned by institutions (compared to 68% of all landlords of multifamily properties being institutions).
- In other words: whether you measure ownership concentration by the number of landlords per property type, or the number of properties per landlord type, the results remain the same: **market concentration is less concentrated in the single-family segment than in the multifamily segment...but not by very much.**

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Result #6: By any widely accepted professional measure, Philadelphia's rental market would be considered highly diffused—and therefore—quite competitive:

- The Concentration Ratio ranges from 3.1% to 9.1% across different types of Philadelphia's rental properties. This easily meets the 40% threshold at which the city's rental market could be considered "competitive".
- The Herfindahl-Hirschman Index ranges from 0.66 to 9.07. This is also well below the 1,500 threshold that a market needs to meet in order to be considered "competitive".
- **Although the multifamily segment is relatively more concentrated than the single-family segment, both segments easily meet the standard industry and professional definition of being classified as "competitive".**

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So, what's the summary of this?

- 1) Philadelphia's market for rental housing is highly diffuse—and by implication—quite competitive.
- 2) This result stands up to any measure of market concentration.
- 3) This implies that—in general—Philadelphia landlords have very little ability to set higher rents and/or under-maintain their properties without suffering the dual consequences of either higher tenant turnover and/or increased vacancy.
- 4) While multifamily properties are relatively more highly concentrated among fewer owners than single-family properties, it should be remembered that these owners are disproportionately institutional—and thus generally have a greater degree of capitalization (i.e. deeper pockets) than individual owners of single-family properties.

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**So, What Are the Implications of All This
For Housing Policy in Philadelphia?**

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First: Be very careful and judicious in devising any policies intended to benefit renters at the expense of landlords. The high degree of competition among Philadelphia landlords implies that they are very limited in their ability to shift additional costs onto renters and/or absorb these additional costs themselves.

In a competitive market, many firms must compete for consumer dollars. That not only helps keep prices low, but also helps keep the choice and quality of products high. These are all good things!



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Second: Any further city-imposed costs on landlords will disproportionately—and regressively—fall on small “mom-and-pop” landlords.

They typically operate on thin margins, and therefore are much less able to absorb additional costs than larger, more well-capitalized landlords.

This is not your typical rental property in Philadelphia.



These are your typical rental properties in Philadelphia.



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Third: Imposing additional costs on all landlords—without differentiating between individual v. institutional landlords—will likely result in some serious unintended, undesirable and unlikable consequences.

Let's take each of these possible consequences in order.



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Potential Outcome #1:

Individual landlords will upgrade their properties to attract higher-income renters—thereby increasing gentrification while simultaneously decreasing the quantity of affordable housing in Philadelphia.



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Potential Outcome #2:

Since they can neither pass higher costs onto tenants nor absorb higher costs, individual landlords will try to maintain their profit margins by decreasing the maintenance of their properties—thereby reducing the quality of affordable rental housing in Philadelphia.



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Potential Outcome #3:

Landlords will ignore these additional requirements altogether, in the hopes that enforcement will be light—thereby causing any well-intentioned policies to under-achieve their objectives



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Potential Outcome #4:

Larger, well-capitalized landlords will snap up properties “on the cheap” from individual landlords who can no longer afford to carry their properties. They will then proceed to either take these properties “up-market” by making modest improvements to them, or redeveloping these sites altogether, and then renting to higher-income households.

This has three very undesirable outcomes: *further consolidation of the rental market (making it less competitive), reducing Philadelphia’s supply of low-income rental housing, and accelerating gentrification.*



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Potential Outcome #5:

In the most extreme case, when small landlords can neither carry their properties nor sell them, they will abandon their properties altogether—thereby increasing blight while also reducing both neighborhood quality-of-life and Philadelphia's tax base.

Although this may seem implausible in today's market, this was quite common in the decades from the 1950s-1990s.



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The Bottom Line:

One-size-fits all policies designed with a progressive intent could have a very regressive outcome!!!

Thank You!!

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Appendix

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Identifying Rental Properties

From the Office of Property Assessment's latest property file, the following logic filters in our code were used to identify rental properties:

```
off_prop=" ";
  if (mailing_street^="" and mailing_street^=loc) then off_prop="0";
  if (mailing_street="" and mailing_address_1^="") then off_prop="0";
  if (mailing_city_state^="" and
substr(mailing_city_state,1,12) ^="PHILADELPHIA") then off_prop="0";
  if scan(bldg_cd_desc,1, ' ') in
  ("", "AIR", "PRIV", "AMUSE", "HOTEL", "MOTEL", "PKG", "VACANT") then delete;
  if scan(bldg_cd_desc,2, ' ')="DORMITORY" then delete;
```

Basically, properties where the owner had a different mailing address than the subject property (where the property tax bill would normally be sent), and/or where the owner's mailing address was a city other than Philadelphia were classified as "rental" properties. Also, non-traditional multifamily rental properties (hotels, motels, dormitories, air rights, etc.) were also dropped from the analysis.

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Defining Institutional Landlord Types

From the Office of Property Assessment's latest property file, the following logic filters were used to identify institutional owners of rental properties, based upon keywords in the recorded owner's name. These are mostly businesses.

```
("LLC" , "LLP" , "INC" , "LP" , "LC" , "LL" , "LTD" , "INC" , "GP" , "INVESTOR" , "INVESTORS" ,  
"PROPERTY" , "ASSOCIATES" , "ASSOCIATE" , "LIMITED" , "PROPERTIES" , "MANAGEMENT" , "MGMT" ,  
"EQUITIES" , "CAPITAL" , "STREET" , "ROAD" , "BLVD" , "ST" , "BOULEVARD" , "ARCHDIOCESE" , "LIABILITY"  
"ARCHBISHOP" , "CHURCH" , "ENTERPRISE" , "ENTERPRISES" , "GROUP" , "INVESTMENT" , "LIMITED" ,  
"RENTAL" , "RENTED" , "HOMES" , "HOME" , "APARTMENTS" , "ENTITY" , "INVESTMENTS" , "MGMT" , "HOLDINGS" , "ESTATE" , "  
CORP" , "CORPORATION" , "REALTY" , "PARTNERS" , "PHILLY" , "CONSTRUCTION" ,  
"NEIGHBORHOOD" , "EQUITABLE" , "INITIATIVE" , "UNIT" , "DEVELOPMENT" , "MANAGEMENT" , "COMPANY" ,  
"CO" , "REAL" , "BANK" , "COMMUNITY" , "INVESTMEN" , "GROUP" , "BUSINESS" , "PENN" , "PENNSYLVANIA" ,  
"ASSOC" , "MANAGEME" , "ASSN" , "AFFORDABLE" , "SOLUTIONS" , "ENTERPRISES" , "MORTGAGE" , "CAPITAL" ,  
"BUILDING" , "VENTURES" , "GROWTH" , "HOME" , "HOUSES" , "EQUITY" , "CONSULTANTS" , "FUNDING" ,  
"DEVELOPMENT" , "DEVELOPMEN" , "ASSOCIATES" , "ENTERPRISE" , "ENTERPRISES" , "VENTURES" ,  
"COMMERCIAL" , "PROPERTY" , "EQUITY" , "INDUSTRIAL" , "INDUSTRIES" , "LIVING" , "RENTALS" ,  
"HERITAGE" , "PHILADELPHIA" , "PENNSYLVANIA" , "ACQUISTION" , "ACQUISITIONS" , "ACQ" ,  
"ASSOCIATION" , "PROPER" , "FIRST" , "AMERICAN" , "SECOND" , "THIRD" , "DEVELOPER" , "DEVEL" , "DEV" ,  
"BROTHERS" , "SISTERS" , "BAPTIST" , "METHODIST" , "AME" , "FRIENDS")
```

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Some Caveats

Lastly, in the interest of intellectual honesty, it should be acknowledged that this analysis can rightfully be subjected to three significant—and entirely legitimate—criticisms:

- It uses properties, and not units to compute the measure of market share. But, this shouldn't matter for the analysis of single-family properties since they are typically just one unit. (OPA's data only report the number of units for multifamily properties in very broad categories; e.g. 5-50 units, 51-100 units, etc.)
- Although this analysis finds that landlord concentration may not be high citywide, this doesn't mean that specific neighborhoods can't be subject to monopolistic or oligopolistic control. For example, University City has several large landlords specializing in student housing.
- Short-term v. long-term: This analysis implicitly assumes a long-term horizon in deriving its results. Landlords may be able to absorb additional costs or shift additional costs on to renters in the short term, but they are typically much less able to do so in the long-term as both tenant turnover and vacancy increase due to additional costs. So, the consequences of policies imposed today may not be felt until years later.