



January 1999

How Recent Movers Find Apartments in New York City

This statistical brief provides an overview of how renters who recently moved in New York City found their apartments. The brief also examines how the methods recent movers use to find their apartments vary by apartment location, rent level, building size and type, regulation status, as well as tenant origin.

Data for this brief comes from the *1998 Recent Movers Survey*, which surveyed tenants who moved in New York City between June 15, 1997 and March 31, 1998. Tenants in almost 2,300 newly-occupied housing units responded to the survey and provided detailed information about their lease terms, dwelling units, origin, finding methods and fees.

Most Recent Movers Use Brokers or Word of Mouth

Almost two-thirds of newly-leased apartments in New York City were found by two primary methods: real estate brokers (36%), and word of mouth (29%) (see chart page 2). The remaining units (35%) were found by a variety of other methods including reading classified ads, seeing a "For Rent" sign, using a housing office through the tenant's employer or school, using apartment referral services, accessing www/email listing services, living in the building where a unit is vacated, walking directly into the building, knowing the owner, managing agent or another tenant in the building, obtaining government or community group assistance, or using a book or guide.

Different Methods are used to Find Different Apartments

Whether recent movers used brokers or word of mouth was dependent on the type of apartment they were looking for. Use of a real estate broker to locate rental housing is structured, formal, often employs a contract, and can involve a moderate to substantial fee. Recent movers used brokers most often to find units in select locations which rent for over \$1,000 per month.

Word of mouth, in contrast, is informal, unstructured, and generally free of charge. Recent movers used this method most often to obtain moderately-priced units outside of Manhattan's "Core."¹ Movers used the other, less common methods, such as seeing a "For Rent" sign or using a referral service, at about the same rate to find all types of apartments. Contrary to expectations, the internet and email list services are not yet widely used by recent movers. Only 1% of tenants reported using the world wide web to find their apartments.

A Strong Economy Bolster Broker Use

In the context of New York City's robust economy and tight rental market, it is not surprising that recent movers used brokers more often than any other method to find apartments. While 35% of all recent movers reported using a broker, still more (39%) reported paying a broker's fee to find rental housing. The citywide median broker fee was

\$1,390, or on average, 11% of the annual rent of those using brokers. Median broker's fees varied depending on location, ranging from a high of \$2,300 in Core Manhattan to \$800 for the rest of the City. The economy may also signal to owners that they can advertise units effectively through a broker at a time when many tenants are willing to pay fees for their services.

Brokers Dominate the Search for Select Units

Another reason brokers are predominant is that, in New York City's tight real estate market, brokers provide a much-needed service to both tenant and landlord. Brokers can help selective tenants find units in specific locations with specific requirements, at certain rent levels. In turn, landlords use brokers to screen for tenants who will reliably pay rent and uphold the provisions of the lease. Many movers who seek rental housing in New York City do pay a fairly heavy premium for using broker's services, however. A comparison to national data (see final section) shows that through choice or necessity, many tenants in New York City face high costs to find rental housing through a broker. In contrast, owners across the country advertise units via methods that impose little or no cost on tenants.

The use of brokers by recent movers is also closely correlated with location and demand. Almost two-thirds of the units found through a broker are in areas of the City where there is intense

competition for rental housing. Nearly half of broker-secured units are located in Core Manhattan, and an additional 12% are located in the “outer borough” neighborhoods of Brooklyn Heights, Bay Ridge, Park Slope and Flatbush in Brooklyn, and Forest Hills and Astoria in Queens.

Low to Moderately Priced Apartments are Found Most Often by Word of Mouth

Recent movers looking for a low or moderately priced apartment often seek the most economical method to find one. New movers found 42% of the apartments with rents under \$600 by word of mouth. The word of mouth method is also strongly correlated with location. More than 70% of the units found by recent movers using this method are located outside of Manhattan’s Core, where median rents range from \$600 to \$750.

Word of mouth is not solely used to find apartments with moderate rents in the outer boroughs, however. Word of mouth is a popular method to find rental housing no matter what type of apartment or where a tenant moves from. In nearly every category examined, at least one-fifth of the units rented by recent movers were found using this method—even a fifth of units rented in Core Manhattan with rents \$1,000 and over were found using word of mouth. The survey of recent movers shows that word of mouth is a viable method for finding almost any type of rental apartment.

Stabilized Units found Using Same Methods as Non-Regulated Units

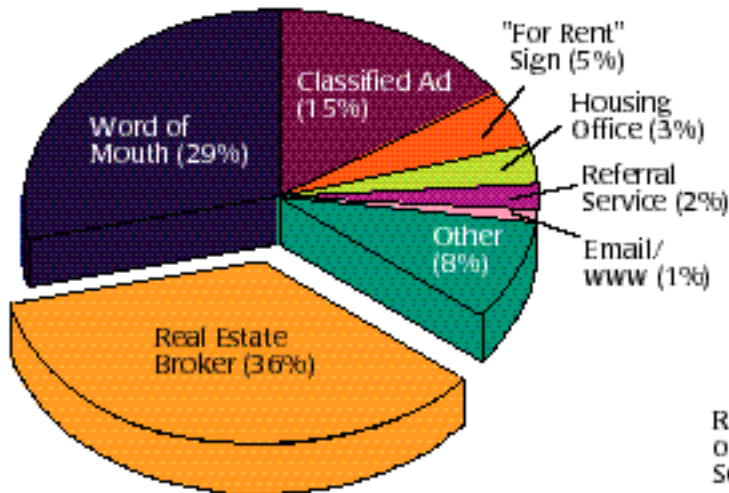
Perhaps the most surprising finding is that stabilized units are found via word of mouth only slightly more often than non-stabilized units. It

seems logical to assume that rent-stabilized properties, which provide protections for tenants such as the right of lease renewal and regulated rent increases, would be “passed down” to a tenant’s personal contacts at a greater rate than unregulated units would. In contrast, the survey of rent movers shows that stabilized units are not typically found by any different methods than non-regulated units are.

Point of Origin Determines Which Apartment-Finding Method Movers Use

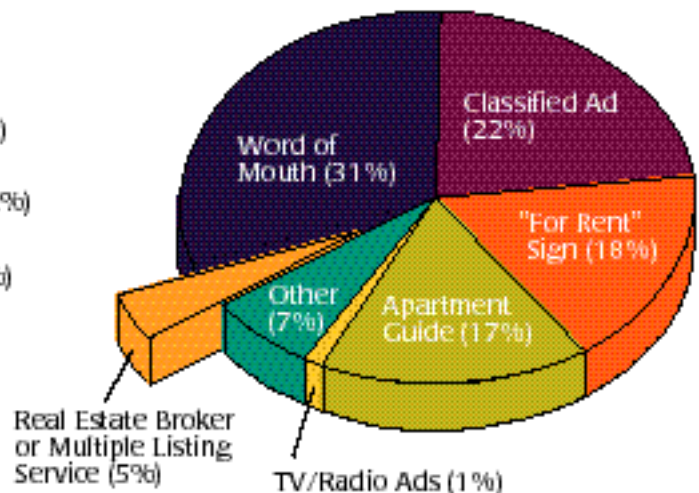
The farther outside of New York City tenants originate from, the more movers rely on brokers and the less on word of mouth. For recent movers who relocated from another apartment within New York City, the two most common methods are used equally. Recent movers relocating from the Tri-State area² to the City, however, used a broker 42%

How Recent Movers Find Apartments in New York City



Source: 1998 Recent Mover Survey.

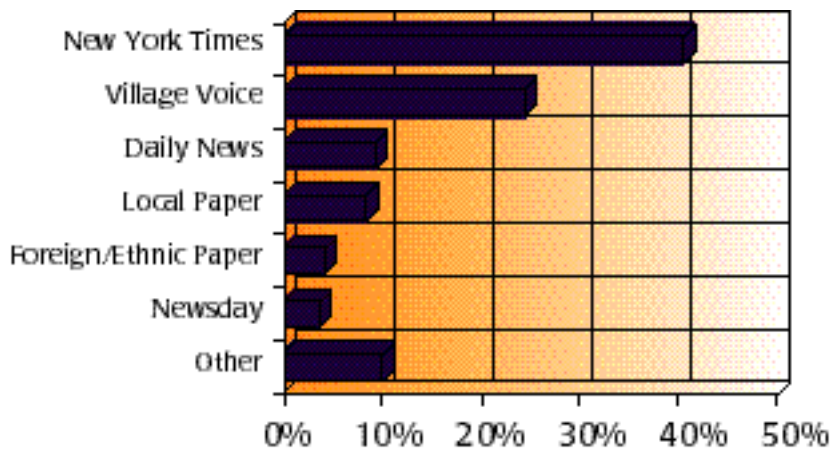
How Owners/Managers Advertise Units to Rent in Central Cities Nationally*



Source: 1996 Property Owners and Managers Survey, U.S. Bureau of the Census.

*The Property Owners and Managers Survey (POMS), U.S. Bureau of the Census, 1996, asked owners and managers of multi-family properties the methods they use to advertise vacant units to tenants. Respondents could check multiple responses. This chart was produced by summing the total responses in each method category and calculating how often each method was cited in percentage terms. For example, owners cited using classified ads 22% of the time to advertise vacant units. Data for this chart is derived from central cities inside metropolitan areas.

Recent Movers Used Classified Ads in The New York Times Most Often



Source:1998 Recent Mover Survey.

of the time, and word of mouth 29% of the time. New movers coming from another state outside of the Tri-State region used a broker twice as often, and those arriving from another country used a broker three times as often as word of mouth.

Classified Ad Use Consistent for Recent Movers

Classified ads, while used fairly consistently by recent movers to find apartments, seem to be used more as a reflection of a building owner or manager's choice rather than mover preference. The smaller the building, the more likely it is that classified ads will be used to rent a unit. Many smaller buildings do not have enough units to attract brokers, or a critical mass of tenants large enough to rely on word of mouth when there is a vacancy to fill. Additionally, the more improvements a unit has, the more often it was found through a classified ad, implying that managers would choose to advertise renovated units more often than those with few or no improvements.

As might be expected with the medium of printed classified ads, the origin of the mover has an impact on the use of ads. Movers relocating within New York City used classified

ads slightly more than average, while movers from the Tri-State area or other states used ads somewhat less than average. Just 10% of movers relocating from other countries reported finding their apartment through a classified ad. Of the publications reported by recent movers, *The New York Times* was used most often to locate rental housing. The accompanying chart shows the breakdown of classified ads used by recent movers by publication.

Do Recent Movers Find Apartments Differently in New York City?

The Property Owners and Managers Survey (POMS)³, a survey of managers and owners conducted by the U.S. Census Bureau, offers an interesting comparison to the Recent Mover Study. The POMS asked the owners and managers of multi-family properties who were seeking new tenants, what method of advertising they used to lease units. While the POMS is not exactly comparable to the Recent Mover Survey, each survey addresses different sides of the same issue: how tenants and owners find each other with a shared goal of renting a vacant unit. The two pie charts illustrate the

different methods tenants and owners employ to lease apartments.

The major contrast between how owners advertise and tenants find units, is in the use of brokers or multiple listing services. Owners and managers in central cities nationwide cited using multiple listing services (non-exclusive real estate agents and brokers) to advertise rental units just 5% of the time. Nine times that amount of recent movers in New York City (36%) used brokers to find rental units. This may be explained by the higher rates of home ownership nationally compared to New York City (in New York City, 70% of units are renter-occupied and 30% owner-occupied⁴; in the United States, 34% of units are renter-occupied and 65% are owner-occupied⁵). With the higher prevalence towards home ownership nationally, it seems logical to assume that there is less competition for rental housing, and therefore, less call for brokers' services. In contrast, brokers are widely used in New York City to negotiate a rental market in which demand often exceeds supply.

Another stark contrast between the surveys is the use of print mediums. Nationally, owners and managers cite using apartment guides and newspaper ads to advertise units about 40% of the time. Recent movers only report using ads to find apartments about 16% of the time. "For Rent" signs were used more than three times as often nationally as compared to New York City and word of mouth was cited at about the same level in both surveys.

Endnotes:

1. Core Manhattan refers to the area of the borough of Manhattan south of 96th Street on the East side and 110th Street on the West side.
2. The Tri-state area refers to the states of Connecticut, New Jersey, and New York outside of New York City.
3. Property Owners and Managers Survey, U.S. Bureau of the Census, 1996.
4. Source: 1996 Housing and Vacancy Survey, U.S. Bureau of the Census.
5. Source: Current Population Survey/Housing Vacancy Survey, Series H-111, Estimates of the Total Housing Inventory for the United States, 1997, U.S. Bureau of the Census.

How Recent Movers Found Apartments: distribution of apartments found by category and method

	<u>Classified Ad</u>	<u>Real Estate Broker</u>	<u>Word of Mouth</u>	<u>Email or WWW</u>	<u>Apt.Referral Service</u>	<u>Housing Office</u>	<u>Saw "For Rent" Sign</u>	<u>Other</u>	<u>TOTAL</u>
<u>Borough/Area</u>									
Bronx	11%	29%	34%		3%	2%	9%	13%	100%
Brooklyn	16%	32%	36%	1%	3%	1%	5%	8%	100%
Manhattan	16%	41%	22%	2%	3%	6%	3%	7%	100%
Queens	16%	34%	31%	1%	1%	1%	7%	9%	100%
Upper Manhattan	14%	24%	29%	1%	4%	13%	3%	12%	100%
Core Manhattan	16%	44%	21%	2%	3%	4%	3%	6%	100%
Rest of City	15%	31%	33%	1%	2%	3%	7%	10%	100%
<u>Tenant Origin</u>									
Other NYC Apt.	17%	31%	31%	1%	3%	2%	6%	10%	100%
Tri-State Area	12%	42%	29%	3%	3%	4%	2%	7%	100%
Other State	14%	44%	21%	4%	3%	6%	4%	5%	100%
Other Country	10%	55%	20%			8%	1%	5%	100%
<u>Number of Bedrooms</u>									
Studio	21%	38%	24%	1%	2%	4%	5%	7%	100%
1 Bedroom	14%	35%	30%	1%	2%	4%	5%	9%	100%
2 Bedroom	14%	34%	32%	2%	2%	2%	5%	9%	100%
3 or More Bedrooms	16%	39%	26%		6%	2%	7%	6%	100%
<u>Rent Level</u>									
Under \$400	10%	12%	43%		6%	5%	5%	19%	100%
\$400 to \$599	13%	19%	42%		3%	3%	6%	14%	100%
\$600 to \$999	17%	31%	31%	1%	2%	5%	6%	8%	100%
\$1000 to \$1499	19%	47%	21%	2%	3%	3%	2%	4%	100%
\$1500 to \$1999	12%	48%	17%	4%	3%	2%	6%	9%	100%
\$2000	11%	54%	20%	2%	3%		5%	6%	100%
<u>Regulation Status</u>									
Stabilized Units	16%	35%	31%	1%	2%	1%	6%	8%	100%
Non Stabilized Units	15%	36%	27%	1%	2%	6%	4%	9%	100%
<u>Number of Improvements</u>									
No improvements	14%	37%	33%	1%	2%	2%	5%	7%	100%
One improvement	13%	32%	36%	1%	2%	4%	7%	6%	100%
Two improvements	17%	30%	32%	2%	4%	3%	4%	9%	100%
Three improvements	20%	30%	30%	1%	2%	3%	6%	9%	100%
Four or More	24%	41%	13%	3%	3%	3%	3%	12%	100%
<u>Building Size</u>									
One or two units	23%	23%	33%		10%		7%	3%	100%
3 to 5	20%	32%	30%		4%	1%	7%	7%	100%
6 to 12	20%	38%	28%	2%	3%	2%	3%	5%	100%
13 to 49	17%	34%	31%	2%	2%	3%	5%	7%	100%
50 to 100	13%	37%	27%	1%	2%	4%	5%	11%	100%
More than 100	9%	39%	24%	1%	2%	5%	7%	12%	100%
<u>Building Type</u>									
Multi-family rental	16%	35%	29%	2%	2%	3%	6%	8%	100%
One or two family house	13%	34%	28%	2%	2%	6%	9%	6%	100%
Co-op or condo	16%	48%	23%	1%	1%	2%	3%	7%	100%
All Cases	15%	36%	29%	1%	2%	3%	5%	8%	100%

= Not enough cases in category for evaluation
 Rest of City refers to all areas of New York City excluding Core Manhattan
 Source:1998 Recent Movers Study
 Totals may not add to 100% due to rounding.