



FIREPAW



THE FOUNDATION FOR INTERDISCIPLINARY RESEARCH AND EDUCATION PROMOTING
ANIMAL WELFARE

**Companion Animal Renters Study:
The Market for Rental Housing for People with Pets**

Summary Report

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Companion Animal Renters Study: The Market for Rental Housing for People with Pets

Overview

FIREPAW, Inc. conducted a nationwide empirical research study to determine the factors influencing the availability of pet-friendly rental units. One key hypothesis was that the current shortage of pet-friendly rentals is based on a misperception by rental property owners that renting to tenants with animals is too costly and problem-ridden to justify. The results of this research study statistically demonstrated that for the majority of landlords, offering pet-friendly rentals is not only economically viable, but can actually increase their bottom-line profits.

Background

Millions of healthy dogs and cats are killed every year for lack of a home. A recent estimate of companion animal killing at shelters indicates that 4.2 million dogs and cats or 14.8 animals per 1,000 Americans are put to death a year (Animal People, 2003). Although a few of these animals have untreatable health or behavioral issues, the majority of these animals could be adopted if there was a home available. Therefore, the solution must lie in either reducing the number of animals coming into shelters or increasing the number adopted out.

Research indicates that one common reason for companion animals to be relinquished to shelters is housing issues. For example, though not all necessarily due to rental housing restrictions, Salman, New, Scarlett, Kass, Ruch-Gallie & Hetts (1998) found that 29% of relinquishments were for “housing issues”. In cases where guardians would prefer to keep their animals, housing is seen as the largest cause of involuntary human-animal separation by those working in the animal welfare arena-- FIREPAW frequently

works with animal guardians with rental issues, and anecdotal evidence also indicates that there are significant barriers to renters who want to obtain housing and who have companion animals.

According to economic theory, if markets are efficient, rental housing should be available for renters with animals if those renters are willing to pay a premium to cover the extra cost of permitting animals (if there is any) to landlords (Carlisle-Frank & Frank, 2003). Yet, anecdotally, there is evidence that some renters with animals have trouble finding housing at any price. If housing is scarce despite a willingness on the part of tenants with animals to pay a higher price, then landlords may be overlooking opportunities to increase profitability by adding to the pool of pet-friendly housing.

Research Methodology

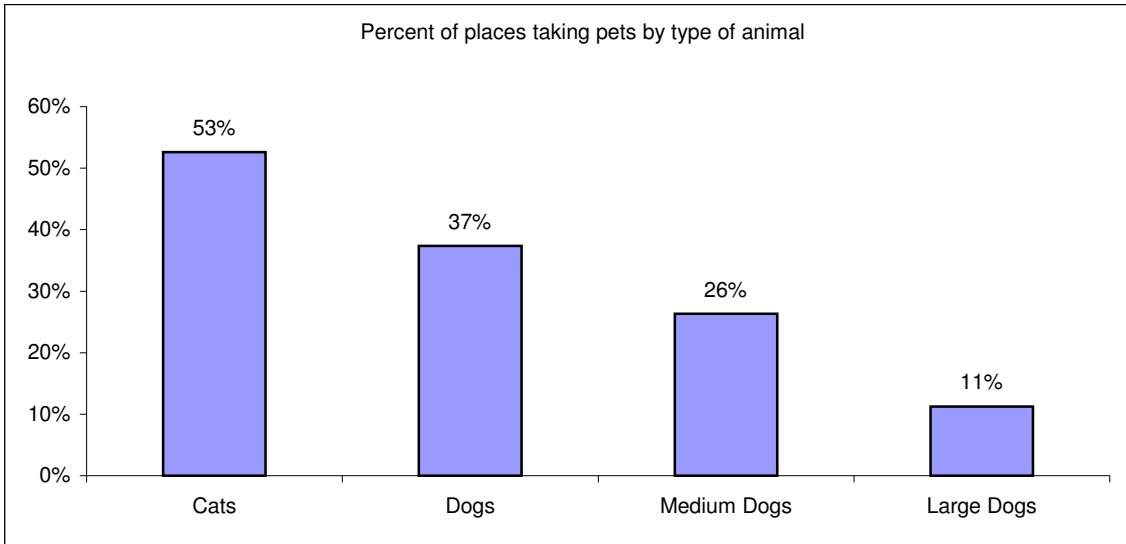
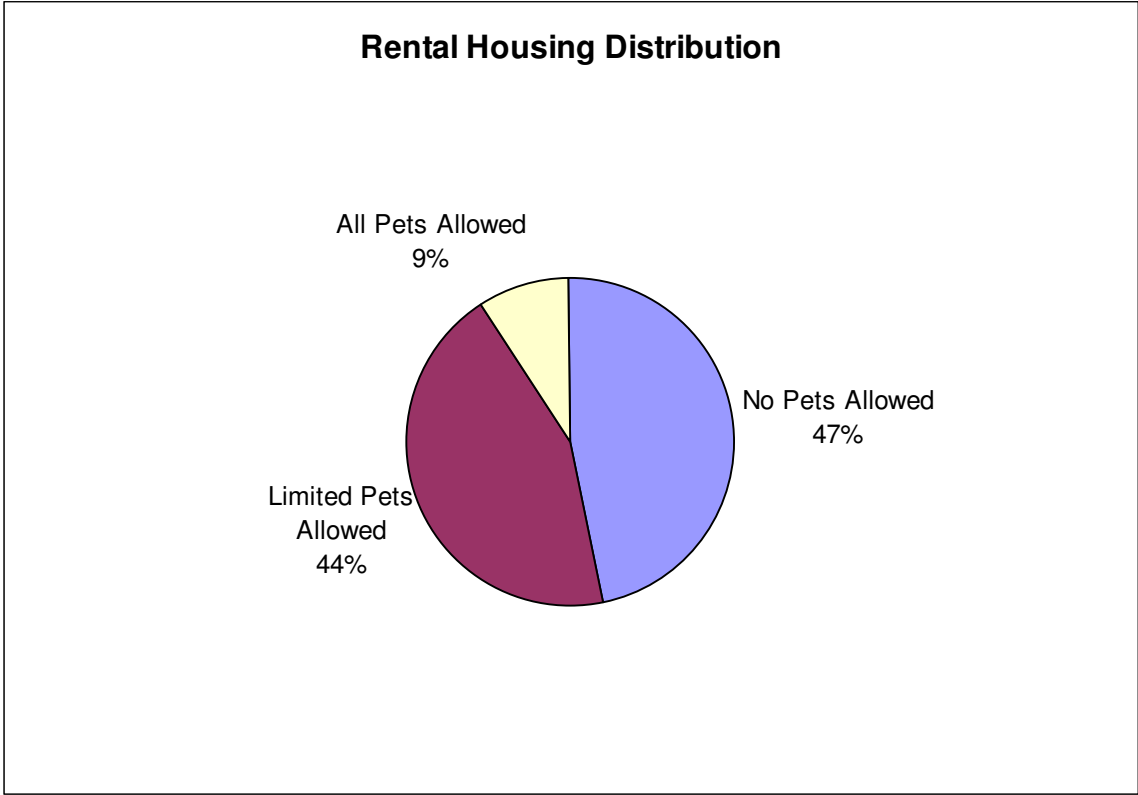
Data collection for the research study was comprised of two levels: Level I consisted of a collection of various norms for "pet-friendly" and "no-pets allowed" rentals across the U.S. Level II was comprised of data derived from assessment tools sampling responses from both randomly selected landlords and tenants across the country. Among other things, surveys included inquiries as to pets/no-pets -allowed status, a variety of financial and economic factors, rental, deposit, turnover and damage histories, rental tendencies and trends, and personal beliefs and attitudes about allowing companion animal renters. Data was collected nationwide for both phases of research with a wide range of cities chosen to give a geographic and demographic cross-section of the nation.

Research Results

Availability of Pet-Friendly Housing

According to the information reported in the landlords' surveys, approximately one-half of the housing is pet-friendly. However, most of the pet-friendly housing had some limitations regarding animal size or type. Only 9% of housing allowed companion animals without any significant limitations on size or type. Approximately one-half of rental housing allowed cats, which were the easiest type of animal to get housing for. Large dogs were the most difficult, with only 11% of housing allowing these animals. Most tenants (82%) with animals reported having trouble finding a rental unit that would take their pet(s). This number was even higher for tenants with dogs, with 100% of tenants with multiple dogs reporting having trouble.

Large complexes were found to more commonly allow pets than landlords with only a few units or a single rental unit. However, large complexes were also more likely to require conditions in terms of size or type of pet, with very few large complexes allowing any type of pet.



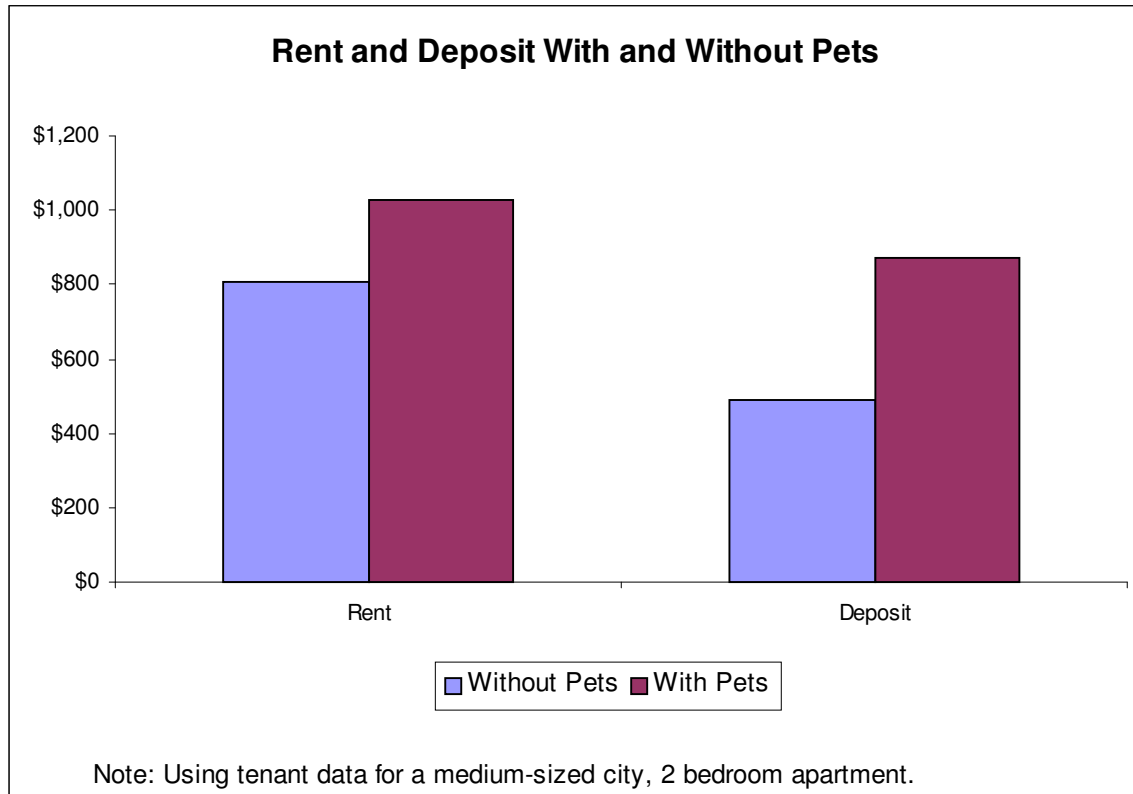
Pet Deposits & Rent Differentials

Most pet-friendly housing was found to charge a separate pet deposit. Using Level I data, 62% of housing that was pet-friendly required a pet deposit. Using landlord survey data, 73% of pet-friendly housing required a pet deposit. The average pet deposit was

between 40% and 85% of the rent, depending on what data is used. In general, it should be noted that in addition to a separate pet deposit the average total deposit was larger for pet-friendly housing. The prevalence of pet deposits varied by location. The spread in deposit usage between locations was sizeable, suggesting that the concept of what constitutes acceptable pet deposits may be an institution that evolves according to the region.

The data indicates there was a clear rent differential between housing that allowed pets and housing that did not, with pet-friendly housing charging more in rent. This difference was found consistently using three different sets of data (Level I data, Level II landlord data, and Level II tenant data), with the rent premium being statistically significant in all cases. A variety of different regression equations were also tested, with a rent premium consistently being found. Factors such as housing size and location were controlled for in the analysis (economists sometimes refer to this as a “hedonic pricing” model). The rent premium found was between 20% and 30% of the average rent. For example, using tenant data, housing that was pet-friendly charged \$222 *more* on average than housing that was not pet-friendly. (The average rent overall for tenants in the study group was \$1,070.)

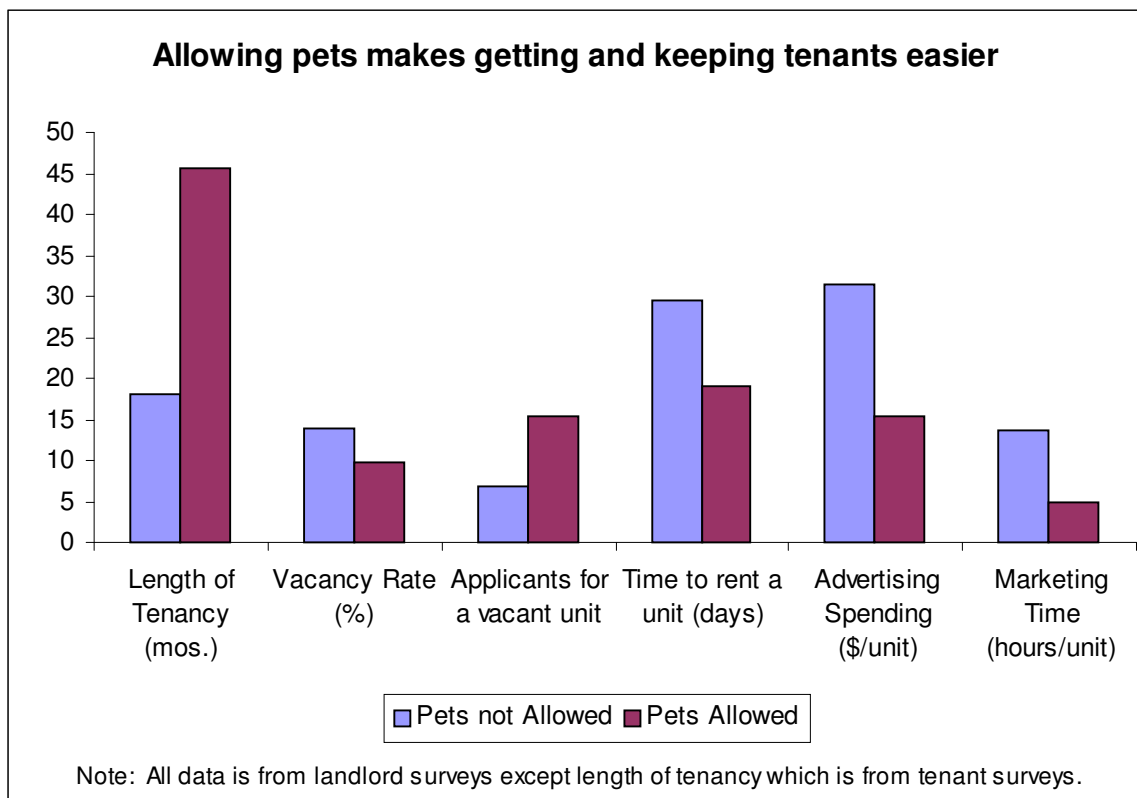
Housing with limitations on the type and/or size of pets permitted (such as allowing cats only, limiting the animal size, etc) was also found to be slightly cheaper (by an average of \$100) than other pet-friendly housing. This finding was also significant using Level I data.



Length of Tenancy

Besides getting a significant premium in rent, several other major benefits for landlords who allow pets were also found. Tenants with pets were found to stay significantly longer, by an average of 23 months compared to 15 months using landlord surveys. This difference was found to be even greater using tenant surveys, with tenants with pets permitted staying an average of 46 months compared to 18 months for tenants residing in rentals prohibiting pets. Both differences were statistically significant. In general, the tenant data is believed to be more reliable for this particular variable, since landlords were expected to make a judgment as to an average across tenants based on memory, while tenants were thought to more reliably and precisely remember their own personal experience.

It should be noted that the increased length of tenancy did not occur for tenants who illegally keep pets (that is, tenants who keep animals in rental units that prohibit animals). Tenants who illegally kept pets were closer in their length of tenancy to people who do not keep pets at all. In short, tenants who keep pets illegally stayed significantly less long in their rental unit than tenants who legally kept pets. Thus, the increased tenancy for people who keep legal pets appears to be out of loyalty or a desire not to have to search again for pet-friendly housing, rather than due to any physical hardship of moving with animals.



Vacancy Rates

The vacancy rate for pet-friendly housing was also significantly lower than “no pets allowed” rentals at 10% for pet-friendly housing compared to 14% for other housing. The amount landlords had to spend on advertising their units was lower for pet-friendly housing at \$15 per unit compared to \$32 per unit for other housing. Landlords also needed to spend less than half the amount of time marketing pet-friendly housing. Pet-friendly housing also received about twice as many applicants for a vacant unit as other housing. The average time it took to rent out a pet-friendly unit was 19 days compared to 29 days for non-pet-friendly units. Approximately 25% of applicants inquiring about rentals of non-pet-friendly housing were specifically seeking pet-friendly rentals. This also suggests that a significant market segment is being lost by not allowing pets.

Common Concerns Regarding Permitting Pets

Among the landlords who did not allow pets, damage was the greatest concern by far, with approximately two-thirds of landlords citing damage as a major concern. Noise was the second largest concern, followed by complaints and insurance issues. Concerns about people leaving their pet behind or not cleaning common areas were rarely cited as reasons for not allowing pets.

Pet-friendly housing did have some costs for landlords. For example, landlords reported an average annual insurance premium of \$150 more for pet-friendly housing. However, this annual cost is less than the premium received in rent from pet friendly housing in just one month. Of the potential problems pets could cause to housing, damage was the most commonly reported. However, even this was not that common,

with approximately one-half of landlords allowing pets stating that they have never experienced damage from companion animals allowed in their units. Slightly less than half of landlords have ever experienced complaints from tenants or neighbors regarding animals, about one-third of landlords have ever had noise problems, and only about 15% have ever experienced any other potential problems from allowing pets.

Although 85% of landlords reported having some amount of damage at some time, the worst damage reported by each landlord averaged \$430--far less than the average rent or the average pet deposit. In most cases, landlords could simply subtract the damage from a required pet deposit and experience no real loss. In fact, for half of landlords who allow pets, the worst case of pet-related damage they ever had was still fully covered by the deposit. The findings demonstrated that landlords do not experience any substantive loss. In fact, the majority of the time the damage does not even cut into the rent premium landlords receive from renting pet-friendly units. The worst-case scenario due to pets found in the survey was a loss of roughly 2.5 months rent (this was the worst loss experienced for the particular landlord, not the average loss for that landlord). Although this is a significant loss, FIREPAW's simulations of various rental scenarios suggests that even for this unusual type of situation, when all costs and benefits (rent premiums, higher deposit, longer tenancy, less marketing and advertising costs, reduced chance of loss from an illegal pet with no pet deposit to compensate), are taken into consideration, in the long run the benefit of taking animals will compensate for the loss. In addition, FIREPAW's results suggest that the proper use of screening and control tools can significantly minimize the chance of suffering a loss that would ever exceed the deposit.

Not surprisingly, tenants surveyed reported less damage than landlords, with the average damage from the tenant's perspective being \$200 and the worst pet-related damage being only 115% of one month's rent, or not any more than a typical deposit plus pet deposit.

While landlords reported some damage from pets, a more important issue is whether overall damage is different for tenants with pets than without pets. Even if pets cause some damage to units, tenants with pets may cause less damage in other ways for a number of reasons. First, as described above, there are twice as many applicants for units, so landlords have ample choices of potential tenants for whom to carefully screen. Second, there is reason to believe that tenants with pets are more loyal and have a harder time finding alternate housing, therefore they may be more careful to avoid causing problems.

The data suggests there is little if any difference in damage between tenants with and without pets. Several different statistical analyses were performed with landlord data. The biggest difference between damage from tenants with pets and those without was under \$40, with an average of \$323 in damage for tenants without pets and an average of \$362 for tenants with pets. This was not a statistically significant difference (meaning that the difference is quite possibly due to random variation in the data rather than any real difference). Therefore, the data suggest there is no difference in damage--at worst tenants with pets cause 10%-15% more damage or about \$40 worth of extra damage. This amount is very small of course, when compared to the extra deposit, rent, and other benefits received from renting pet-friendly housing.

Interestingly the \$40 (at most) difference in damages for tenants with pets was much smaller than the difference found for tenants with children. Tenants with children on average had \$150 more damage than tenants without children. In addition, this difference was statistically significant while the difference for pets was not statistically significant. If housing is divided into four categories based on whether children and/or pets are present, then for housing with children the people with pets caused on average \$4 *less* damage. For housing with no children, the people with pets caused on average \$25 *less* damage. In other words, when having children is accounted for, people with pets did not cause any more damage whatsoever on average than people without pets.

Pet issues did require some extra time for landlords. However, the reported time only amounted to slightly less than one hour per year. In addition, this amount of time was less than the amount managers and landlords had to spend for child-related or other issues. It should also be noted that as discussed above, property managers/landlords spent less time marketing units when renting pet-friendly housing, and this time savings was greater than the time cost of resolving pet issues.

Use of Screening Tools

Potentially useful tools for screening tenants with animals or limiting landlord exposure to problems were rarely used. Only 3.7% of landlords required pet references, and only 7.4% required a “pet resume”. No landlords surveyed required training certificates, only 11.0% required health certificates (such as proof of rabies vaccinations or proof the animal had been spayed/neutered—a procedure which has been shown to dramatically reduce aggression, biting, spraying and other unwanted, potentially

problematic behaviors for landlords to deal with), and only 18.5% required a pet agreement/policy. Tenants gave some of these items more frequently than they were required—18% of tenants offered a pet resume, 22% offered pet references, and 4% gave certification of training.

Keeping Pets Illegally

When landlords were surveyed, respondents who do not allow pets estimated that 7% of their tenants keep pets in their rental units anyway. However, the tenant data (which is probably more reliable in this particular case) suggests a much higher number. Over 20% of tenants surveyed reported that they are keeping pets illegally. This is quite a significant finding since landlords with tenants holding illegal pets receive none of the benefits yet suffer all of the potential costs of having animals. If 20% of tenants keep pets anyway, it makes the case for allowing pets and therefore giving the landlord more control over the outcomes (controlling the screening and requiring a pet agreement/contract and separate pet deposit, etc.) all the more compelling.

ANNUAL COSTS AND BENEFITS PER UNIT FROM ALLOWING PETS	
Total Costs	
Insurance	-\$150
Damage/Unit*	-\$39
Time Spent on Pet Issues (@ \$30/hr)	-\$29
Total Costs	-\$218
Total Benefits	
Increased Rent	\$2,294
Decrease in lost rent from vacant units	\$398
Decrease in Time Spent Marketing (@ \$30/hr)	\$235
Decrease in Advertising Spending	\$24
Total Benefits	\$2,949
Net Benefit per Unit Annually from Allowing Pets	\$2,731
*Note: When all factors are taken into account, there may actually be benefit rather than a cost in terms of average damage due to reduced turnover and increased deposit. However, the figures used here are intended to be conservative. All calculations are estimated averages that will vary by the specific situation.	

What This Means for Animals

The results of the present study indicate that it is in the best interest of rental property owners to permit companion animal renters. This is also good news for animals--not only could dog and cat relinquishment to shelters be reduced by making more pet-friendly housing available, but adoptions would also likely increase. Of the renters who did not have pets in the present study, over half reported they would probably have one or more pets if they were allowed to do so in their current rental house or apartment.

Conclusions

There appears to be an overlooked opportunity for many landlords to gain income revenue in rent and increase tenant pools/market size by allowing pets. From a landlord's perspective, while there were some costs to allowing pets, the benefits appear to be even

greater. Rents are dramatically higher, an extra deposit can be charged, and tenants tend to stay longer. In addition, when tenants do leave, it takes less effort and money to get a new tenant, the unit stays vacant for less time, and there are more applicants in the pool giving the landlord/manager more options. It is important to note that this increased pool of applicants for open units occurred simultaneously to the rent for pet-friendly units being higher. In other words, it was easier to rent out pet-friendly units even with a significantly higher price. Although individual landlord situations will vary, pet-friendly housing appears to be a “win-win-win” situation for landlords, tenants, and companion animals.

Applications

FIREPAW’s work with companion animals in rental housing is intended to go beyond the above results to actually helping landlords and property manager optimize their profit opportunities and minimize potential losses from allowing animals. To achieve this goal, FIREPAW has created the **Companion Animal Renters Program [CARP]**: An applied three-prong program to assist rental property owners to:

- Identify *responsible* pet-owning tenants
- Screen and detect potential “problem” tenants with pets
- Gain methods for reducing pet problems and enhancing tenant loyalty through connecting landlords with a variety of relevant (no cost) community services
- Learn the best methods for holding residents accountable for their pets’ actions
- Develop and establish strong, effective pet policies and pet agreements
- Increase revenue through additional security deposits and rental rates that more than compensate for any potential risks of pets
- Teach tenants how to be responsible pet guardians
- Evaluate tenants’ pet

resumes • Increase tenant pool dramatically through a widely publicized no-cost animal-friendly referral list • Work in tandem with tenant groups • Gain support from the animal care community • Foster good will and receive good publicity from (free) marketing and advertising of pet-friendly rentals • Create a pet-friendly community • Establish pet zones on the property • Perform target marketing of the most attractive pet-owning tenants • Increase bottom-line profits while minimizing potential problems

For landlords CARP includes an Economic Assessment; Needs Assessment; Tailor-made programs; Screening & Assessment Tools for screening potentially problematic tenants; Training on interview and screening techniques; problem-solving techniques and tools; Customized Pet Policy and Pet Agreement; Tenant Guidelines Booklet; Custom-made Pet Perks Package; Free advertising and registration on Pet-Friendly Referral Listings. For tenants CARP offers a detailed Tenant Information Booklet [How to Find, Keep & Enjoy a Pet-Friendly Rental] replete with a customized Resource Listings Section for animal-related sources in their region.

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