Breaking Down $1 Dollar of Rent

There exists a misconception that rental housing owners enjoy large margins and can continue operating in the absence of rent payments. With so much discussion around rent payments during COVID-19, the rental housing industry would like to explain the breakdown of $1 dollar of rent.

Only 9 cents of every $1 are returned to owners, including the many apartment owners who are themselves small businesses and rely on this revenue to make ends meet, and investors, which include public pensions and 401ks, on which many Americans rely—whether or not they reside in rental housing.

Approximately 39 cents of every $1 pays for the mortgage on the property. Roughly two-thirds of the apartment industry has private lenders and are ineligible for federal mortgage forbearance via the CARES Act. This is a critical expense, as mortgage foreclosures put all residents at risk of losing their housing.

10 cents of every $1 is spent on capital expenditures, including roof and HVAC replacement and other important repairs that help ensure quality housing for America’s 40 million rental housing residents.

27 cents of every $1 covers payroll expenses, including paying employees who operate and maintain the property, ongoing maintenance, utilities, insurance and the like.

14 cents of every $1 goes to property taxes, which in turn supports the community through financing for schools, teachers, emergency services and other important local needs.

Between mortgage payments and investor returns, which help support many Americans’ retirement plans, and dollars put back into the apartment community to ensure quality living for residents, a rent payment is much more important than one might otherwise realize.

Source: National Apartment Association 2019 Survey of Operating Income & Expenses in Rental Apartment Communities; U.S. Census Bureau 2015 Rental Housing Finance Survey; Redstone Residential