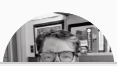
City of Renting: Why Reading's homeownership rate has fallen since 1970

Renters make up the majority of residents in the city.

Juan Zabala, a city-based Realtor and chairman of the Reading Redevelopment Authority: "People who should be buying are renting."



PUBLISHED: May 13, 2019 at 12:23 AM EDT | UPDATED: September 4, 2021 at 1:16 PM EDT

Ask about what defines the American dream and part of the answer will often include “owning a home.” But in Reading that dream has faded over the past half century.

Almost six in 10 occupied homes are renter-occupied. A decade and a half ago, owner-occupied homes were in the majority.

What does it mean for the city that many fewer residents now own homes?

Owner-occupied homeownership has been declining for years. In 1970, according to census data, Reading had more than 18,700 owner-occupied homes: 55.5% of the occupied housing stock.

Fast-forward to 2017: Just over 40% of the city’s homes are owner-occupied. East of Harrisburg, that’s the second-lowest homeownership rate of any midsized city in Pennsylvania. Only York’s, with 38.3%, is lower.

That raises the question: Is it a problem for the city if most of the people who live here are renters?

According to Dr. Scott Ballantyne, yes.

“The homeownership market dictates the success of the city,” Ballantyne, an associate business professor at Alvernia University, said in a recent interview.

He now lives in Rockland Township, but when Ballantyne first moved to Berks County in the 1980s, he bought a house near the 11th and Pike playground. The neighborhood had a strong sense of community then, which Ballantyne attributes to the fact that nearly every home on the block was owner-occupied.

“For a city to be successful,” he said, “it has to feel safe.”

According to statistics, crimes overall in Reading have been falling since 2015. The city had more than 4,100 assaults, robberies and homicides that year. By 2016 the number fell to 2,125 and in 2018 there were 1,893.

However, shootings and homicides have been on the rise since 2015. Those make up a small portion of the total, but command the most news media attention.

The perception remains that Reading as a whole is an unsafe city, Ballantyne said.

He pointed out that even cities like Philadelphia have neighborhoods and destinations that are perceived to be safe, even if some parts are places you wouldn’t want to be after dark.

Falling for decades

Reading was right around the middle of the pack when it came to rates of owner-occupied homes in 1970. Allentown, Bethlehem and Erie had rates above 60%, whereas Lancaster and Scranton were around 52%.

All of these cities saw their homeownership rates fall in the ensuing decades. In Reading, Allentown and Lancaster less than half of all occupied homes are owner-occupied. Reading fell below the midpoint in 2005, according to data from the Princeton, N.J.-based Eviction Lab of Princeton University.

Only Allentown, where 64% of homes were owner-occupied in 1970, had a bigger drop. By 2017, just 43.4% were owner occupied.

Cheaper to buy

That same Eviction Lab data also show that from 2000 to 2016, the most recent year available, median gross rent in Reading rose from $459 to $731 monthly. If you buy a house with the median value of $67,000 and put just 3% down, even with an interest rate of 5% you’ll pay less than Reading’s gross rent.

Angie Gross, 52, chooses to rent because it's easier than having to worry about things like replacing water heaters. Gross returned to Reading four years ago after living New Jersey for more than a decade. She lives in a two-story apartment in the Centre Park neighborhood. Gross loves the tight-knit feel of the area, where the neighbors see one another all the time and clean up the neighborhood on a regular basis.

Juan Zabala is a city-based Realtor and chairman of the Reading Redevelopment Authority. He said the biggest barrier isn't cash; it's know-how about money. Bad credit scores and a lack of financial literacy are what keep many renters out of the housing market.

On top of that, younger couples who should be in a position to buy an inexpensive home in the city are often saddled with student loan debt, Zabala said.

"People who should be buying are renting," he said.

And people who are renting, census numbers show, have lower household income but pay a higher percentage for housing than homeowners.

The median household income in renter-occupied homes was about $21,000 in 2017, according to the 2012-17 American Community Survey. For owner-occupied homes, median household income was about $45,000.

A higher percentage of households that make less than $20,000 are paying more than 30% of their income on housing — that's true of owners and renters. But nearly 7,000 of those households are renters, compared to just over 1,700 who are homeowners.

None of this is to imply that owning a home makes you wealthy, but it does show that more renters are in a lower-income bracket and spend a higher proportion of their income on housing than people who own homes.

Vicki Scheetz, who lives in a rented home near the Buttonwood Street Bridge, said the city should help people become homeowners.

"I would love to buy a home, but I can't," she said.

Who owns the rentals

A long-held perception of Reading is that most rentals are owned by out-of-town landlords. In fact, most rentals are owned by property owners in the city. In total, Reading property owners hold 2,671 properties, totaling 6,029 living units (homes and apartments). Another 2,530 properties are owned by people or companies in Berks County but not in the city. Out-of-county Pennsylvania owners hold 1,602 rental properties.

Among outside-of-Pennsylvania owners, the highest number of landlords hail from New York. And one of those companies, Newport Enterprises (also known as Newport Real Estate Group LLC) owns 46 properties and a total of 93 rental units.

A mystery company

But the biggest single owner of residential rental properties isn't based in New York. It's based in Reading, at least nominally. Using various iterations of the name T.E.H. Realty – TEH Realty 68 LLC, TEH Realty II LLC, etc. – the company owns 88 properties and 270 rental units.

The apartments are locally managed. All the LLCs with TEH in the name share one of two addresses in downtown Reading. One of the original partners whose name appears on at least two of the original certificates of organization, filed in 2011, is Eliram Rabin, who now is named as a partner in T.E.H. Realty in St. Louis.

The current ownership of T.E.H. properties in the city is unclear, but attorney Nicole Plank, who represents the LLCs, said they are all Pennsylvania-based limited liability companies.

Numerous roadblocks

City life has advantages that the suburbs can't match: namely, easy, often walkable access to arts, culture and events, Zabala said.

You don't need to be a homeowner to take advantage of that, but Zabala said the problem is that Reading's renters tend to be transient, moving from one neighborhood to another. This puts a strain on the schools, as shifting student populations mean the district has to adjust its resources more

Worse, Zabala said, the city's political system is set up to favor homeowners over renters. City Council members are elected by district, not at large. Zabala thinks this means that renters, especially those who haven't spent a long time in one place, are less likely to know who their representative is at City Hall.

It's not just a problem for voters.

When Brian Twyman ran for City Council in 2015, he didn't find out until after he won the election that he wasn't in the correct council district. The same thing happened to Manny Guzman, who won the 2018 Democratic primary for District 1, but wasn't able to continue to the general election because he lived in a different district.

John Savant, government liaison for the Reading-Berks Association of Realtors, said Reading is the outlier in Berks County. The suburbs and rural areas have higher rates of home ownership. But the city isn't alone, he said.

"It's a very national phenomenon," Savant said. "It's something you can see in other urban centers as well."

What makes Reading stand out, he said, is that the housing values are so low compared to the rental market.

Savant said that what would really help the city is getting people to move into the roughly 3,500 vacant properties in the city.

"If we could get people moving into them, that would be good for everyone," he said.

How we compiled the data

We relied on census data from 1970 to 2010 for historical owner-occupancy rates in Reading and other Pennsylvania cities. We added the 2017 American Community Survey for an updated estimate of owner-occupied and renter-occupied homes to calculate the most recent rate.

For current Reading data, we relied on tax records of city properties from the Berks County Assessor's Office. To compare the number of owner-

- Narrow the list to properties that had at least one living unit.
- Any property that had an owner mailing address outside Pennsylvania was tagged as “out of state.”
- Any property that had an owner mailing address in Pennsylvania but outside ZIP codes 19601, 19602, 19603, 19604 or 19611 was tagged as “PA outside city.”
- Any property with a mailing address within those ZIP codes was tagged as “in-city.”
- If the mailing address house number and street number matched, and the mailing city was Reading, the record was tagged as “owner-occupied.” Otherwise it was listed as “nonowner occupied.”

Census records can be narrowed to exclude vacant properties, but county tax records don’t make a distinction between occupied and vacant structures. So we used census data to determine owners vs. renters, but tax records to determine ownership of rental properties. In one case — properties owned by a variant of the name TEH Properties LLC — we kept the address in Reading, but its true ownership location is unclear. The management company is based in Reading, and an attorney for the partnerships (of which there are dozens) said the LLCs are all registered in Pennsylvania. But a company called T.E.H. Realty that’s based in St. Louis has a similar logo and one of its partners was an original partner on at least two Reading properties.

Because of this uncertainty, when we counted properties owned by in-city owners vs. out of town, we counted the T.E.H. properties as in-city because of the mailing address.

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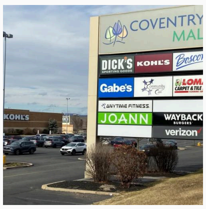
Friday, August 21

Wilson football: Bulldogs loaded with talent in pursuit of championships

Friday, August 21

Shapiro rallies Berks Democrats in Reading

Saturday, August 22



Small-scale data center eyed for Coventry Mall in North Coventry

Friday, August 21

Settlers kill a Palestinian teen in a West Bank clash, and other Middle East developments

Friday, August 21

Police investigate after body found in suburban Berks pool

Wednesday, August 19

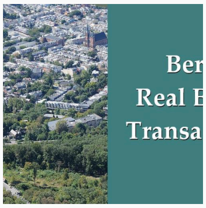
Berks food safety inspections found unclean vents, lacking sanitizer at restaurants

2 bison killed following escape from Cumru Township farm

Saturday, August 15

Berks coroner finds relatives of man, 53 [updated]

Friday, August 21



Berks County real estate transactions for Aug. 23

Sunday, August 23

Weekend lane closure set on Route 422 in Reading

Friday, August 21

Berks woman gets state prison sentence in killing of daughter

Friday, August 21