



**Energy Institute WP 291R**

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for Electric Vehicles**

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July 2018

**Revised version published in  
*Applied Economics Letters*: 26(11),  
September 2018**

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# Evidence of a Homeowner-Renter Gap for Electric Vehicles

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July 2018

## Abstract

This paper provides the first empirical analysis of the homeowner-renter gap for electric vehicles. Using nationally representative data from the U.S. Department of Transportation’s 2017 National Household Travel Survey, I show that homeowners are three times more likely than renters to own an electric vehicle. The gap is highly statistically significant, and remains even after controlling for income. For example, among households with annual income between \$75,000 and \$100,000, 1 in 130 homeowners owns an electric vehicle, compared to 1 in 370 renters. Additional controls do little to narrow the gap. I argue that this is a version of what economists have called the “landlord-tenant” problem, and I briefly discuss this and other possible causes as well as potential policy implications.

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# 1 Introduction

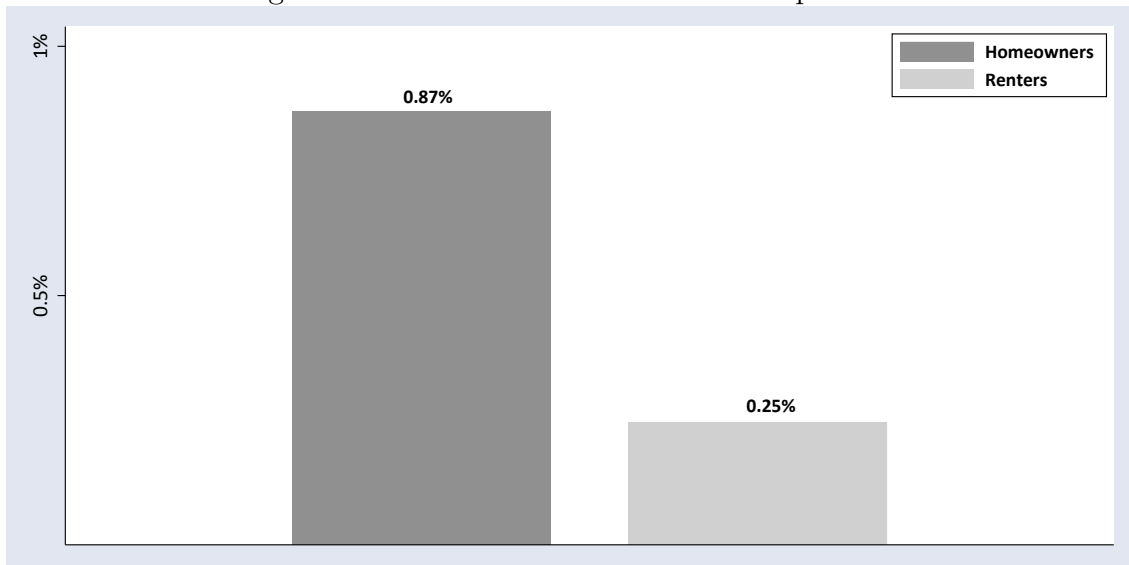
Americans have now purchased more than 800,000 electric vehicles, counting both plug-in hybrids and all-electric models. That may sound like a lot of electric vehicles, and it is a big jump from the less than 5,000 that were on the road in 2010 (Inside EVs, 2018). But this is still less than 1 percent of all U.S. registered vehicles, despite the recent availability of longer-range, more affordable electric vehicle models like the Chevrolet Bolt.

Policymakers nonetheless see electric vehicles as having great potential to reduce carbon dioxide emissions and other forms of pollution, and are supporting tax credits and other policies to encourage people to buy electric vehicles. California, for example, aims to have 5 million electric vehicles on the roads by 2030 (California Office of the Governor, 2018).

But to meet ambitious goals like that, electric vehicles would need to stop being a niche product and appeal to as many drivers as possible. In this paper I use newly-available nationally representative data from the U.S. Department of Transportation's National Household Travel Survey, to provide the first empirical analysis of the homeowner-renter gap for electric vehicles.

Figure 1 plots electric vehicle ownership rates for U.S. homeowners and renters. Nationwide, homeowners are more than three times more likely than renters to

Figure 1: U.S. Electric Vehicle Ownership Rates



Note: Constructed using data from the 2017 National Household Travel Survey. All estimates calculated using sampling weights. Electric vehicles include plug-in hybrids and all-electric vehicles.

own an electric vehicle. In particular, 0.87% (less than 1%) of homeowners own an electric vehicle, compared to 0.25% (one-quarter of 1%) of renters.

The gap is highly statistically significant, and appears both in California and in the rest of the United States. Moreover, I show that the homeowner-renter gap remains economically and statistically significant even after controlling flexibly for income, household characteristics, and other factors.

I suspect that the other big difference between homeowners and renters is access to easy charging. Most importantly, most homeowners have a garage or driveway, or both. This makes charging extremely convenient because they can park in that dedicated spot while charging their electric vehicles at night. In contrast, many renters live in multi-unit buildings. Parking spots may not be assigned, or there may not be parking spots at all. The National Household Travel Survey does not provide any information about parking availability, but it seems very likely that this is part of the explanation.

There is also the related question of charging equipment. For homeowners, it is relatively straightforward to invest in a 240 volt outlet, electric panel upgrades, and other improvements to speed up charging. But for renters these investments are trickier, especially from a financial perspective. Most renters don't want to make expensive investments in a property they don't own, and landlords may be unwilling to make these investments on their behalf.

This is a version of what economists have called the "landlord-tenant" problem (see, e.g. Blumstein et al., 1980; Fisher and Rothkopf, 1989; Jaffe and Stavins, 1994). Several studies have found that landlords tend to underinvest in energy-related investments (Davis, 2011; Gillingham et al., 2012; Myers, 2015; Melvin, 2018). In theory, a landlord could make investments in electric vehicle charging infrastructure, and then increase the rent to recoup the cost. This may not happen in practice, however.

It is not clear whether this is a market failure. The main reason landlords may be hesitant to make electric vehicle-related investments is that even if the current tenant has an electric vehicle, the next tenant may not. While this likely helps explain the homeowner-renter gap, this is not a market failure. In a market in which most renters don't have electric vehicles, it doesn't make sense for landlords to make expensive investments in electric vehicle chargers.

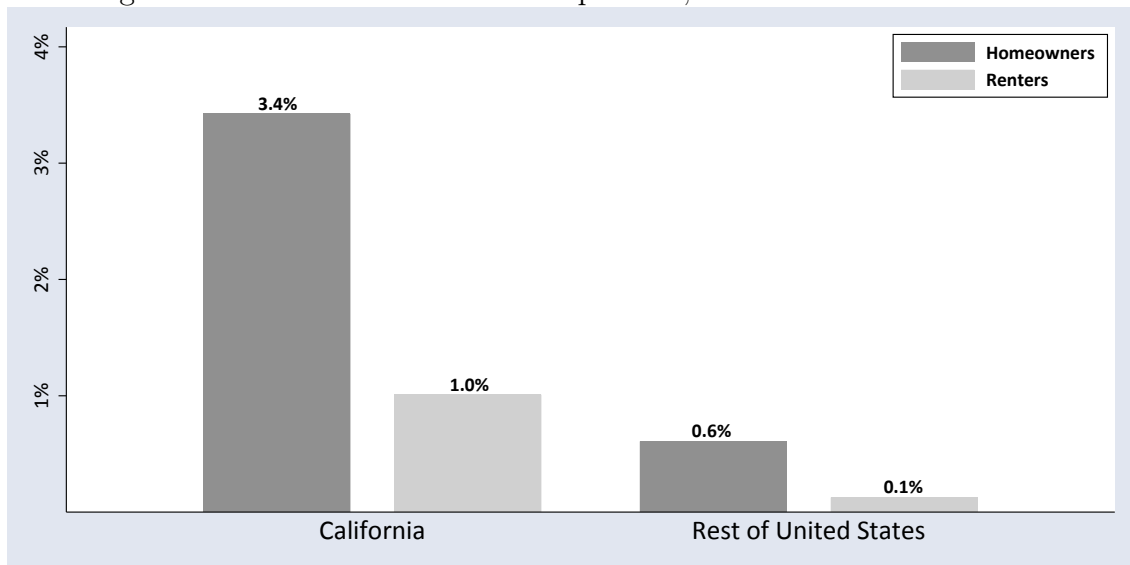
Still, there could be a legitimate market failure contributing to the gap. Probably most importantly, asymmetric information may make it difficult for landlords to

effectively convey information about electric vehicle charging investments. Landlords have an incentive to inform tenants about these investments, but it may be difficult for tenants to evaluate these claims. Even a small asymmetric information problem could have large welfare implications given that so many people rent their homes.

## 2 Preliminary Evidence

Figure 2 reports electric vehicle rates for California and the rest of the United States. In California, homeowners are three times more likely than renters to own an electric vehicle. The gap is even wider for the rest of the United States, where homeowners are six times more likely than renters to own an electric vehicle. Almost half of all U.S. electric vehicles are in California, so it is notable that the homeowner-renter gap is pronounced in both subsamples.

Figure 2: Electric Vehicle Ownership Rates, California vs Rest of U.S.



Note: Constructed using data from the 2017 National Household Travel Survey. All estimates calculated use sampling weights. Electric vehicles include both plug-in hybrids and all-electric vehicles.

Before continuing it is useful to say a few things about the National Household Travel Survey. These data provide rich household-level information about U.S. households' transportation choices. These data are nationally representative and, importantly, they also provide information about household income. The sample for the National Household Travel Survey is selected using stratified sampling, so I use the provided sampling weights in all calculations.

An important advantage of these data is the large sample size – 129,696 households in the 2017 survey. This large sample size is reflected later in the paper when I report standard errors in the regression analysis. Specifically, the large sample size results in small standard errors and highly statistically significant differences between homeowners and renters. Previous waves of the National Household Travel Survey had effectively zero households with electric vehicles.

An important disadvantage with the National Household Travel Survey is the low response rate. This latest 2017 wave has a significantly lower response rate than previous waves, only 15.6% according to the survey documentation. The sample weights provided by the survey designers attempt to correct for non-response by balancing observable household characteristics. Still, it is impossible to rule out lingering concerns about non-response bias. Low response rates are a growing limitation with all survey-based research so I highlight this as an important caveat.

I did confirm, however, that the aggregate electric vehicle ownership rates implied by the survey are consistent with aggregate data about electric vehicle sales. Specifically, the ownership rates in Figure 1 imply that there are about 740,000 electric vehicles in the United States. This is quite similar to cumulative U.S. electric vehicle sales to date (Inside EVs, 2018). While this simple back-of-the-envelope calculation does not eliminate all concerns about the low-response rate, it does provide some reassurance that the data provide a reasonable description of the broader patterns.

### **3 Controlling for Income**

In the ideal experiment, I would randomly assign households to be either homeowners or renters, and then compare electric vehicle ownership rates. This experiment is obviously impossible, however. Clearly, homeowners and renters are very different in many ways. For example, as I show in this section, homeowners tend to have much higher incomes. This and other differences between homeowners and renters makes it difficult to draw strong conclusions on the basis of the electric vehicle ownership rates plotted in Figures 1 and 2.

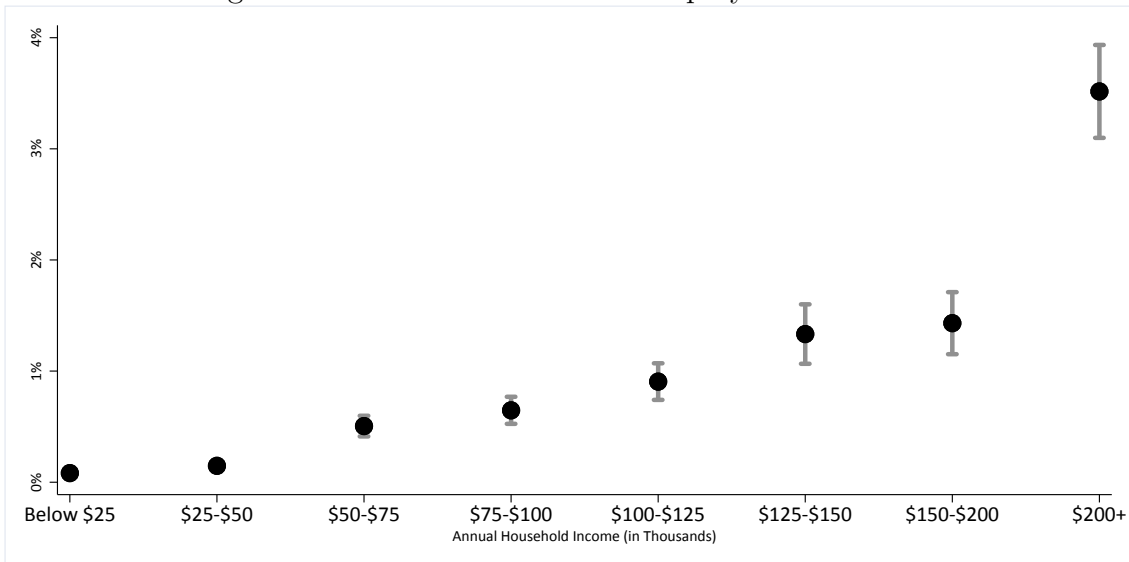
In this section I test whether the homeowner-renter gap can be explained by income. Previous research has shown that electric vehicle ownership is strongly correlated with income. Borenstein and Davis (2015), for example, shows using data from U.S.

income tax returns, that the top income quintile has received 90% of all electric vehicle tax credits. Electric vehicles cost more to buy than comparable gasoline-powered vehicles so it may just be that, for the moment, electric vehicles are only affordable for relatively high-income households.

An electric vehicle entails an intertemporal tradeoff. In particular, electric vehicles cost more to purchase but less to operate. A related literature on gasoline-powered vehicles finds that vehicle buyers are relatively attentive to future fuel costs (Busse et al., 2013; Allcott and Wozny, 2014; Sallee et al., 2016). There could be differences, however, between high-income and low-income households in how they assess this tradeoff. An older literature, for example, finds that low-income households tend to discount the future more when making energy-related investments Hausman (1979); Dubin and McFadden (1984), so this may also be part of the explanation.

Figure 3 plots electric vehicle ownership by income level. There is indeed a strong positive correlation between electric vehicle ownership and annual household income. Among households with income below \$50,000 per year, electric vehicle ownership is below 0.2% (i.e. less than two-tenths of one percent). Electric vehicle ownership increases steadily with income, and then jumps significantly in the highest income category, with 3.5% of households with income above \$200,000 per year owning an electric vehicle.

Figure 3: Electric Vehicle Ownership by Income Level

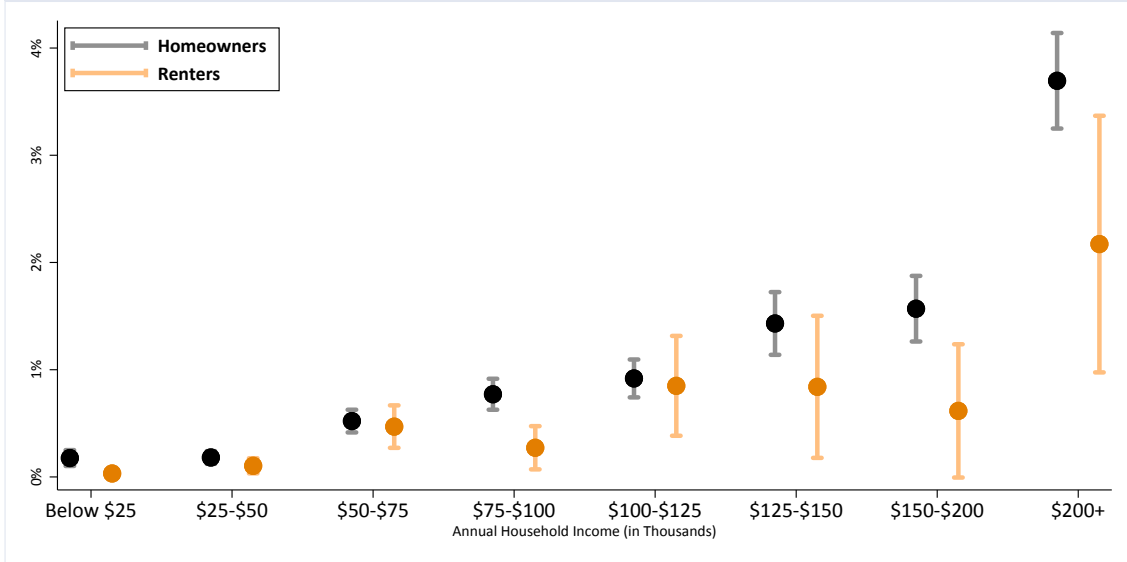


Note: Constructed using data from the 2017 National Household Travel Survey. All estimates calculated using sampling weights. Electric vehicles include both plug-in hybrids and all-electric vehicles. Bars indicate 95% confidence intervals.

I next examine the same relationship, breaking out homeowners and renters. Figure 4 shows that electric vehicle ownership is higher for homeowners than renters in all

eight income categories. For example, among households earning between \$75,000 and \$100,000 per year, 1 in 130 homeowners owns an electric vehicle, compared to 1 in 370 renters.

Figure 4: Electric Vehicle Ownership for Homeowners and Renters, by Income



Note: Constructed using data from the 2017 National Household Travel Survey. All estimates calculated using sampling weights. Electric vehicles include both plug-in hybrids and all-electric vehicles. Bars indicate 95% confidence intervals.

## 4 Regression Results

I next move to a regression framework to include additional control variables and to assess statistical significance. Table 1 presents estimates from a linear probability model of the following form,

$$1(\textit{electricvehicle})_i = \beta_0 + \beta_1 1(\textit{Homeowner})_i + \beta_2 X_i + \epsilon_i.$$

The dependent variable  $1(\textit{electric vehicle})_i$  is an indicator variable equal to one if the household has an electric vehicle. As in the graphical analyses above, electric vehicles include both plug-in hybrid and fully electric vehicles. The regressor of interest is  $1(\textit{Homeowner})_i$ , an indicator variable for homeowners. Thus, the coefficient of interest  $\beta_1$  is the difference in electric vehicle ownership between homeowners and renters with a positive coefficient indicating that homeowners are more likely to have an electric vehicle.

Table 1 reports estimates of  $\beta_1$  from five difference specifications. Panel (A) reports estimates using all households in the 2017 National Household Travel Survey. In



column (1) without controls, homeowners are 0.006 percentage points more likely to have an electric vehicle. This is a large effect; identical to the difference in means between homeowners and renters in Figure 1, and indicating that without any controls, homeowners are three times more likely than renters to own an electric vehicle.

When I control flexibly for income in column (2), the estimate shrinks but remains economically and statistically significant. The estimate is largely unchanged after adding household characteristics in column (3), state fixed effects in column (4), and restricting the sample to include only households with at least one vehicle in column (5). In the richest specification, the homeowner-renter gap is about half as large as the unconditional difference in column (1). In all five columns the estimate of  $\beta_1$  is statistically significant at the 1% level.

Panel (B) restricts the sample to include only California households. Results are qualitatively similar, but larger in magnitude reflecting the higher ownership rate of electric vehicles. In the richest specification in column (5), homeowners are 0.010 percentage points more likely to own an electric vehicle. This is a large effect compared to the ownership rate for renters which is about 1%, implying that even after controlling for these covariates, homeowners are about twice as likely as renters to own an electric vehicle. Again, the estimate of  $\beta_1$  is statistically significant at the 1% level in all five columns.

There could, of course, be additional differences between homeowners and renters. For example, these data do not include a measure of household wealth and it could be that annual household income is an insufficient proxy for household lifetime income. Still, it is striking that even after these controls there remains such a large homeowner-renter gap. The evidence suggests that there is more to the story than lingering omitted variables.

## 5 Policy Implications

As I mentioned in the introduction, I suspect that the other big difference between homeowners and renters is having a convenient place to charge an electric vehicle. Many renters live in multi-unit buildings so parking spots may not be assigned or there may not be parking at all. In addition, renters are understandably resistant to make investments in properties they do not own, and landlords may be hesitant to make investments if they do not think they can raise rents to recoup the cost.

Policymakers are beginning to think about these challenges. For example, California has committed to spending \$2.5 billion to bring 250,000 charging stations statewide by 2025 (California Office of the Governor, 2018). Each of these stations will support several electric vehicles, so this will make charging easier for electric vehicle owners. Much of this funding is aimed at building charging stations in communities with renters. The investor-owned utility Pacific Gas & Electric, for example, is making multifamily residences a high priority as it builds thousands of new charging stations across the state.

As this charging infrastructure grows, the electric vehicle market is bound to expand as well (Li et al., 2017; Li, 2018). Landlords who can receive subsidies to install charging equipment will undoubtedly be more willing to install. Moreover, additional public charging in general will make electric vehicles more attractive to drivers who do not have a place at home where they can charge. While most current electric vehicle owners charge their vehicles at home this is, in part, because public charging stations are still relatively uncommon. It will be interesting to see whether these investments will narrow the homeowner-renter gap.

The harder and probably more interesting question is whether policymakers *should* be aiming policies at renters. In particular, it is not clear whether the homeowner-renter gap is a market failure. Most economists would like to see a higher price on carbon dioxide emissions and/or a higher tax on gasoline, but this would increase electric vehicle ownership among both homeowners and renters. Whether there should be additional policy steps to address renters specifically hinges on whether the gap reflects a market failure, or simply higher costs and lower demand.

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Table 1: The Homeowner-Renter Gap for Electric Vehicles

	(1)	(2)	(3)	(4)	(5)
<b>A. United States</b>					
1(Homeowner)	0.006** (0.002)	0.002** (0.001)	0.002** (0.001)	0.003** (0.001)	0.003** (0.001)
Sample Size	129,696	129,696	129,696	129,696	123,447
R-squared	.00	.01	.01	.02	.02
<b>B. California Only</b>					
1(Homeowner)	0.024** (0.002)	0.011** (0.002)	0.009** (0.002)	0.009** (0.002)	0.010** (0.002)
Sample Size	26,099	26,099	26,099	26,099	24,929
R-squared	.01	.03	.03	.03	.03
Flexible Controls for Income	no	yes	yes	yes	yes
Household Characteristics	no	no	yes	yes	yes
State Fixed Effects	no	no	no	yes	yes
Vehicle Owners Only	no	no	no	no	yes

Note: This table reports coefficient estimates and standard errors from ten separate least squares regressions. The dependent variable in all regressions is an indicator variable equal to one if the household has an electric vehicle. Panel (A) includes all households from the 2017 National Household Travel Survey and Panel (B) restrict the sample to include only California households. Flexible controls for income include separate indicator variables for each of the 14 different discrete categories for household family income in the 2017 National Household Travel Survey. Household characteristics include household size, number of drivers, number of vehicles, population density in the census tract, and an indicator variable for households living in urban areas. State fixed effects are irrelevant for the California regressions so in Panel (B) the estimates in columns (3) and (4) are identical. Column (5) restricts the sample to include only households with at least one vehicle. All regressions are estimated using sampling weights. Robust standard errors are reported. Double asterisks indicate estimates that are statistically significant at the 1% level.