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Redfin Reports Asking Rents Flattened in April as Landlords Faced Rising Vacancies

A rise in new rentals hitting the market coincided with a slowdown in tenant demand, causing rent growth to cool for the 11th-straight month

SEATTLE--(BUSINESS WIRE)-- (NASDAQ: RDFN) — The median U.S. asking rent rose 0.3% year over year to $1,967 in April—the 11th-consecutive month of slowing growth, according to a new report from Redfin (redfin.com), the technology-powered real estate brokerage. That compares to a revised increase of 1.4% one month earlier and a 16% increase one year earlier.

On a month-over-month basis, the median asking rent fell 0.2%, which is notable because rents typically rise at this time of year.

An expanding pool of rentals to choose from is a major contributor to the slowdown in rent growth. The homebuilding boom over the last decade-and-a-half has increased the number of new rentals on the market, and landlords are now grappling with rising vacancies. Completed residential projects in buildings with five or more units jumped 60% year over year on a seasonally-adjusted basis to 484,000 in March—the most recent month for which data is available. There are only three other instances since the 1980s when completions were higher. The rental vacancy rate ticked up to 6.4% in the first quarter—the highest level in two years.

“The balance of power in the rental market is tipping back in tenants’ favor as supply catches up with demand. That’s easing affordability challenges and giving renters a little wiggle room to negotiate in some areas,” said Redfin Deputy Chief Economist Taylor Marr. “The market has become more balanced, but the scales could tip back in favor of landlords if homebuilders pump the brakes on new construction in response to slowing rent growth.”

Rent growth is also decelerating because many people are opting to stay put. Fewer people are moving due to economic uncertainty, slowing household formation, still-high rental costs in many markets, and the rising cost of other goods and services due to inflation.

Rents Fell Across the Sun Belt in April

In Austin, TX, the median asking rent fell 14.3% year over year in April—the largest decrease among the major U.S. metropolitan areas Redfin analyzed. Next came Phoenix (-9.6%), Las Vegas (-7.1%), Oklahoma City, OK (-6.4%) and Chicago (-6%). All but two of the 10 metros with the largest declines are in Sun Belt states.

1. Austin, TX (-14.3%)
2. Phoenix, AZ (-9.6%)
3. Las Vegas, NV (-7.1%)

4. Oklahoma City, OK (-6.4%)
5. Chicago, IL (-6%)
6. Birmingham, AL (-4.5%)
7. Sacramento, CA (-4%)
8. Memphis, TN (-3.6%)
9. Seattle, WA (-3.2%)
10. Dallas, TX (-2.8%)

The Sun Belt exploded in popularity during the pandemic as scores of remote workers moved there in search of relatively affordable housing and warm weather. Rents surged and are now coming back down to earth as supply catches up to demand. Much of the nation's homebuilding in recent years has taken place in the Sun Belt. Phoenix and Austin both ranked in the top five metros with the highest number of multifamily building permits in March.

"A lot of renters took on roommates or moved in with family when rents increased dramatically during the pandemic, which left more rentals and fewer renters needing places," said Van Welborn, a Redfin Premier real estate agent in Phoenix. "Landlords who increased prices too quickly are now feeling the impact as the market calms and rents decrease to more reasonable levels."

Welborn said the short-term rental market is also cooling due to an oversaturation of Airbnbs and new restrictions on hosts. The silver lining for landlords in Phoenix is that seasonal renters will still pay a premium in the winter, and the local job market is holding up—especially with a large new semiconductor plant moving in.

Rents Continued Climbing in the Midwest

In Providence, RI, the median asking rent rose 16% year over year in April—the biggest jump among the major metros Redfin analyzed. Next came Raleigh, NC (12.4%), Indianapolis (10.9%), Charlotte, NC (10.5%) and Cleveland, OH (9.7%). Five of the 10 metros that experienced the largest rent increases are in the Midwest.

Many midwestern housing markets have held up relatively well because they remain affordable compared to pandemic boomtowns like Austin and Phoenix. That's in part because they haven't seen large waves of people moving in and out, which is what drove the booms and busts in many southern and western markets, Marr said.

1. Providence, RI (16%)
2. Raleigh, NC (12.4%)
3. Indianapolis, IN (10.9%)
4. Charlotte, NC (10.5%)
5. Cleveland, OH (9.7%)
6. Columbus, OH (8.3%)
7. Kansas City, MO (8%)
8. Milwaukee, WI (8%)
9. Pittsburgh, PA (7.9%)
10. Nashville, TN (7%)

To view the full report, including charts, full metro-level breakouts and methodology, please visit: https://www.redfin.com/news/redfin-rental-report-april-2023

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