

# Rents rose in the U.S. for second consecutive month in July, as fewer apartments are built.

Asking rents climbed at their fastest pace in the last 2 and 1/2 years in July, as fewer new apartments are built and existing home values remain at near-record highs.



The price of rent rose an average of 1.7% last month compared with a year earlier to \$1,790, according to a new analysis. July was the second consecutive month of asking rent increases following more than two years of declining or flat rental rates. Rents have gained about \$30 per month since last year across the country.

“Rents have been sluggish for the past two years because the pandemic building boom created a surplus of supply, which left landlords scrambling to fill vacancies and gave renters negotiating power,” Redfin Senior Economist Sheharyar Bokhari said in a statement Thursday. “But now a slowdown in apartment construction may be shifting the balance of power toward landlords.”

Redfin said permits to build apartment buildings have fallen 23.1% since COVID inspired a construction boom. High borrowing costs in recent years have made apartment construction less attractive for builders.

The interest rate for a construction loan currently ranges from 5.7% to 7.8%, according to mortgage provider Fannie Mae.

San Jose, Calif., saw the biggest increase in asking rents in July. They were up 8.8% compared with a year ago to \$3,569. Chicago, Washington, D.C., Pittsburgh and Philadelphia rounded out the top five metropolitan areas that saw the biggest increases in median asking rents.

Redfin noted that San Jose and Philadelphia were among the metropolitan areas that have seen the largest declines in building permits since the pandemic.

Just seven of the country's top 50 metropolitan areas saw asking rents fall. Jacksonville, Fla., saw the largest decline (-3.5%), followed by Austin, Texas (-2.6%); Louisville, Ky. (-2.4%); Cincinnati (-1.7%); and Phoenix (-1.1%).

The analysis said Florida and Texas are permitting more apartment buildings than any other parts of the country.

Rents are falling fastest for apartments with three or more bedrooms (-1.5%). Studio and one-bedroom apartments saw the biggest price increase (+3.4%).

Rents in July were 0.8% more than in June but were lower than their pandemic peak of \$1,860 in July 2022.

One silver lining for renters: wages are growing faster than asking rents. The median wage in July was 4.1% higher than a year ago, according to the Atlanta Fed's Wage Growth Tracker.

Renting is also less expensive than buying in most parts of the country. While median monthly mortgage payments fell to a seven-month low over the four weeks that ended August 10, they are still at \$2,631, Redfin reported Thursday.

Mortgage payments are falling because the market has already priced in an expected Federal Reserve interest rate cut next month. The current rate on a 30-year fixed mortgage is 6.53%, according to MortgageNewsDaily.com.

For its analysis, Redfin looked at asking rent figures for newly listed units in buildings with 25 or more apartments. Asking rent reflects the current cost of a new lease — not what renters ultimately pay.



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