The State of the

U.S. Rental Housing Market Report

2024

experian

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The 2024 U.S. rental market reflects the transitional state of the U.S. economy. Influenced in recent years by shifting market forces and economic uncertainties, there are signs of steadier times on the horizon.

Today's landlords and property managers must navigate the complexities of an evolving rental landscape to succeed in finding and retaining quality tenants. Understanding shifts in renter demographics, financial behaviors and lifestyle preferences is essential. Additionally, staying informed about vacancy rates and the supply and demand for affordable rentals can provide crucial insights into market dynamics. By delving deeper into these trends, landlords can better identify and attract renters who are more likely to maintain long-term leases, thereby ensuring stable and consistent occupancy.

This report details the current forces transforming the rental market and reveals three major takeaways:

- **Today's renter profile:** Renters in every age group are facing increasing financial pressures and potential affordability issues. The broadening of renter demographics and income ranges, along with increasing debt burdens and higher-cost rentals, is affecting different renter profiles in unique ways.
- **Rental market fluctuations:** Vacancy rates remain relatively low but are expected to face a slight increase this year. While rents have risen, there are signs of flattening. In addition, across the U.S., rent-to-income ratios continue to trend upward.
- **Trends in housing development:** Amidst the prevailing interest rates, shortages in houses for sale and a focus on high-end multifamily construction, affordability challenges persist. These factors may impact overall rental prices and strategies for property managers and landlords.

About this report

In this report, Experian® housing data scientists and analysts offer key insights into the U.S. housing market's impact on renters. It breaks down recent trends and how the trends reflect the current state of residents, rent obligations and the economic climate of the rental market. The report also explores how incorporating rental payment history into the screening process can provide property owners and managers with a clearer picture of a lease applicant's risk profile.

The analysis in this report is derived from synthesizing various data samples and sources, including Experian credit attributes and models, the U.S. Census Bureau data and Experian® RentBureau®. RentBureau is the largest rental payment database that contains more than 36 million renter profiles.

A note about data sources

While RentBureau doesn't represent the total U.S. rental market population, internal studies reveal RentBureau data aligns closely to historical U.S. Census data studies, which provides confidence in the deeper understandings aggregated in the report. Projections are based on data released before May 2024.

This report provides a comprehensive overview of key developments in the U.S. rental market over the past year. Pairing unique rental data with modeled credit attributes and economic insights provides comprehensive insights into the current rental housing market. Whether a renter, landlord or real estate professional, understanding these dynamics is essential for making informed decisions in this rapidly changing environment.

Who is today's renter?

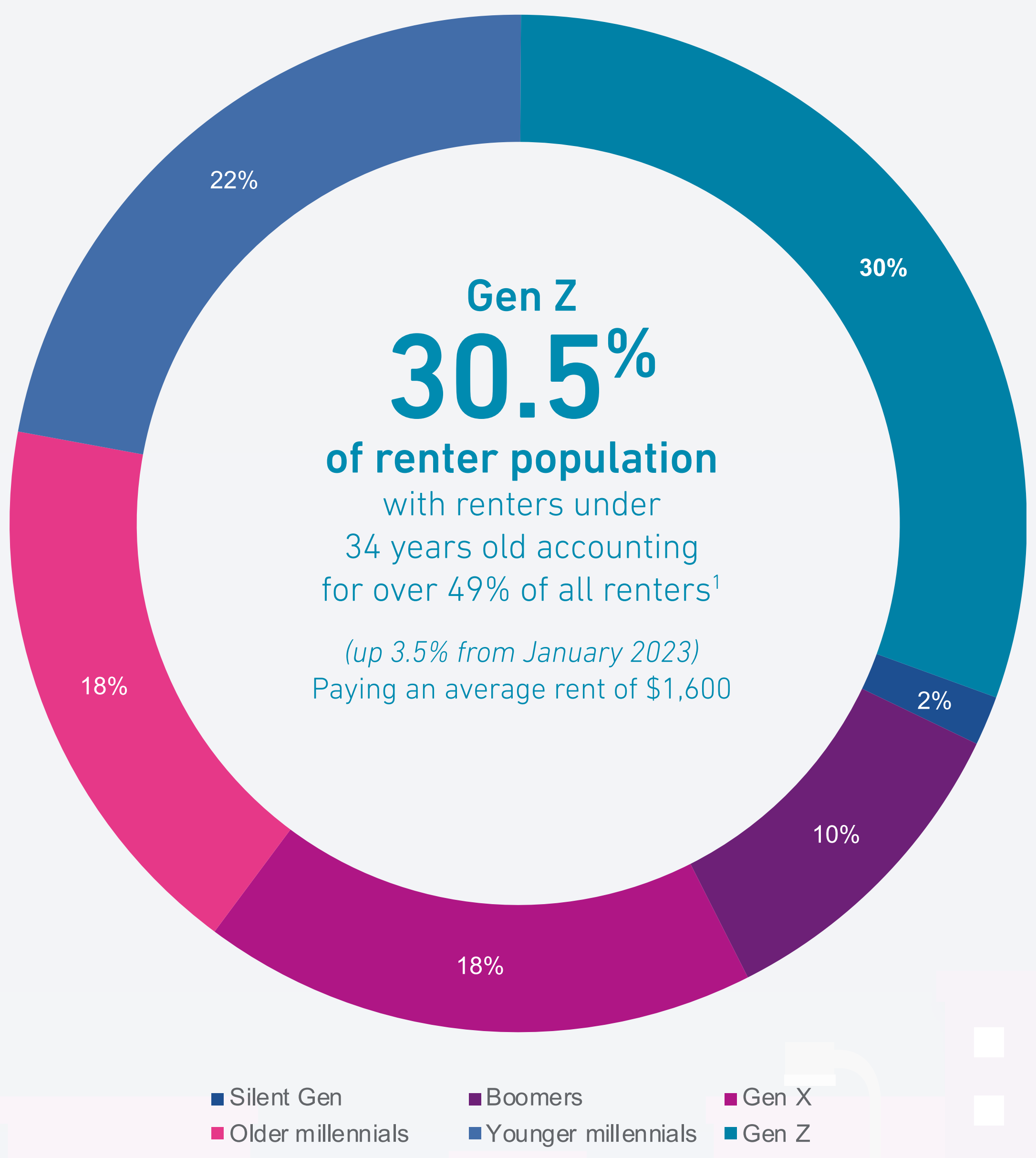
The U.S. rental market is undergoing major shifts resulting from elevated interest rates, changing demographics of the average rental household and the persistent concern with housing affordability. Affordability concerns loom large over renters as they continue to navigate higher costs of living and the challenges of balancing housing costs with income.

Profile of today's renter

Experian's latest data profiles important changes in renter demographics. The average annual income of RentBureau renters is $52,600, down from $53,100, last year at the same time. Gen Z represents 30.5% of the renter population, an increase of 3.5% from January 2023. Adding younger millennials to the mix, renters under 34 years old account for over 50% of all renters. As renters age, their representation in the rental pool declines: older millennials (17.7%), Gen X (17.6%), boomers (10.4%) and the Silent Generation (1.6%).

Knowing renters are younger and lower average-income consumers sets the backdrop for a more considered look at the 2024 U.S. renter.

Percentage of total renters by generation



Experian RentBureau® consumer landscape[2]

<35 majority age group of RentBureau consumers *(49.12% of renter population)*

22% renters reported negative rental payment events *(late payments, outstanding balances)*

92.5% renters maintained 1 lease in 24-month period *(only 8% of renters having >1 lease)*

$1,713 average nationwide rent *(53.2% of renters spent $1,500 or more on rent per month in 2024)*

$52.6K average income across U.S. renters in RentBureau

44.1% average rent-to-income ratio for overall population *(low-to-moderate income homes is 52.5%)*

[1]Experian RentBureau calculations
[2]Experian RentBureau calculations

Rent-to-income ratios

A large portion of a renter's income goes to monthly housing payments, according to RentBureau data. Looking at rent-to-income ratios (RTIs) makes this abundantly clear.

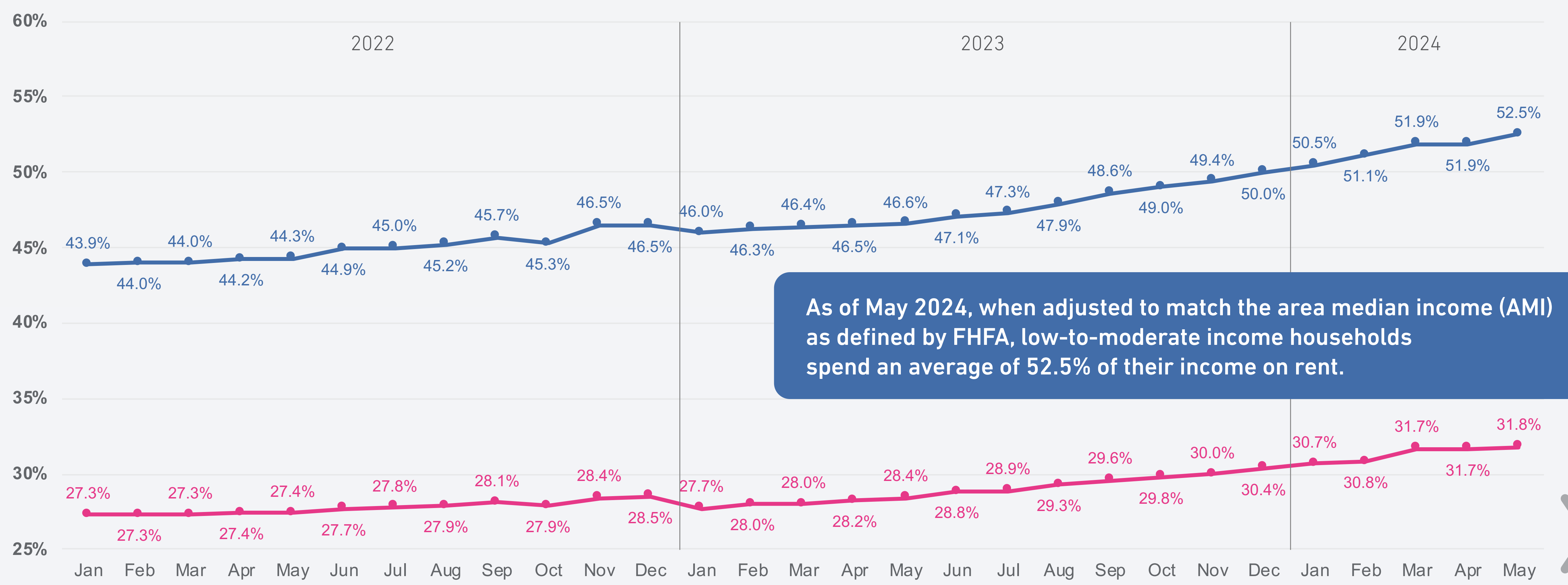
The RTI provides insight into affordability, the key issue faced in the rental housing market. The RTI determines what percentage of an individual's monthly income goes to rent.

The general industry guidance states not more than 30% of this income should go to rent when considering financial stability. This guidance is a standard bearer for landlords and property managers in the application decision-making process.

RTIs continue to increase, with U.S. renters spending an average of 44.1% of their income on rent, up 4.8% since 2023.[3] These numbers become more pronounced for low-to-moderate income consumers who are putting 52.5% of their income to rent, nearly 20.7% higher than non-low-to-moderate income renters.[4] The higher rate for low-to-moderate income renters signals greater affordability concerns with more monthly income used to cover rent costs.

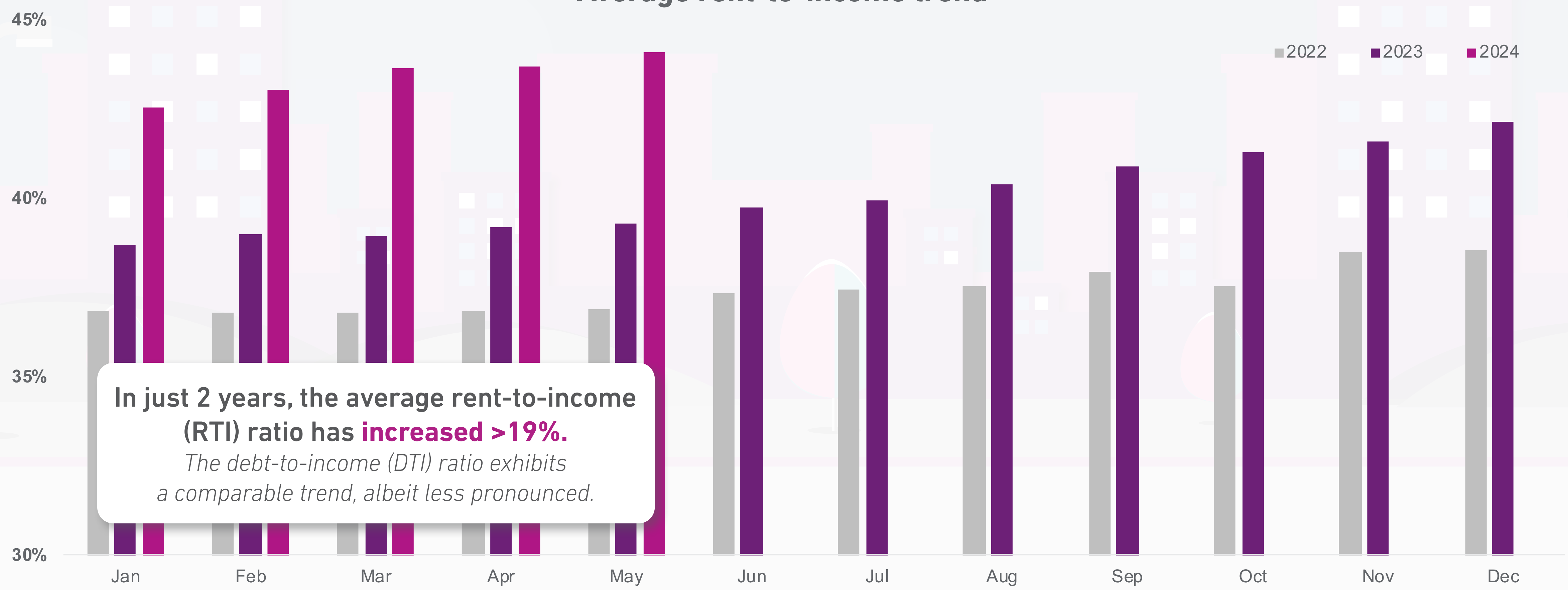
Note: Consumers whose household income is less than 80% area median income, as defined by Federal Housing Finance Agency (FHFA), are classified as low-to-moderate income renters.

Share of rent-to-income



As of May 2024, when adjusted to match the area median income (AMI) as defined by FHFA, low-to-moderate income households spend an average of 52.5% of their income on rent.

Average rent-to-income trend[5]

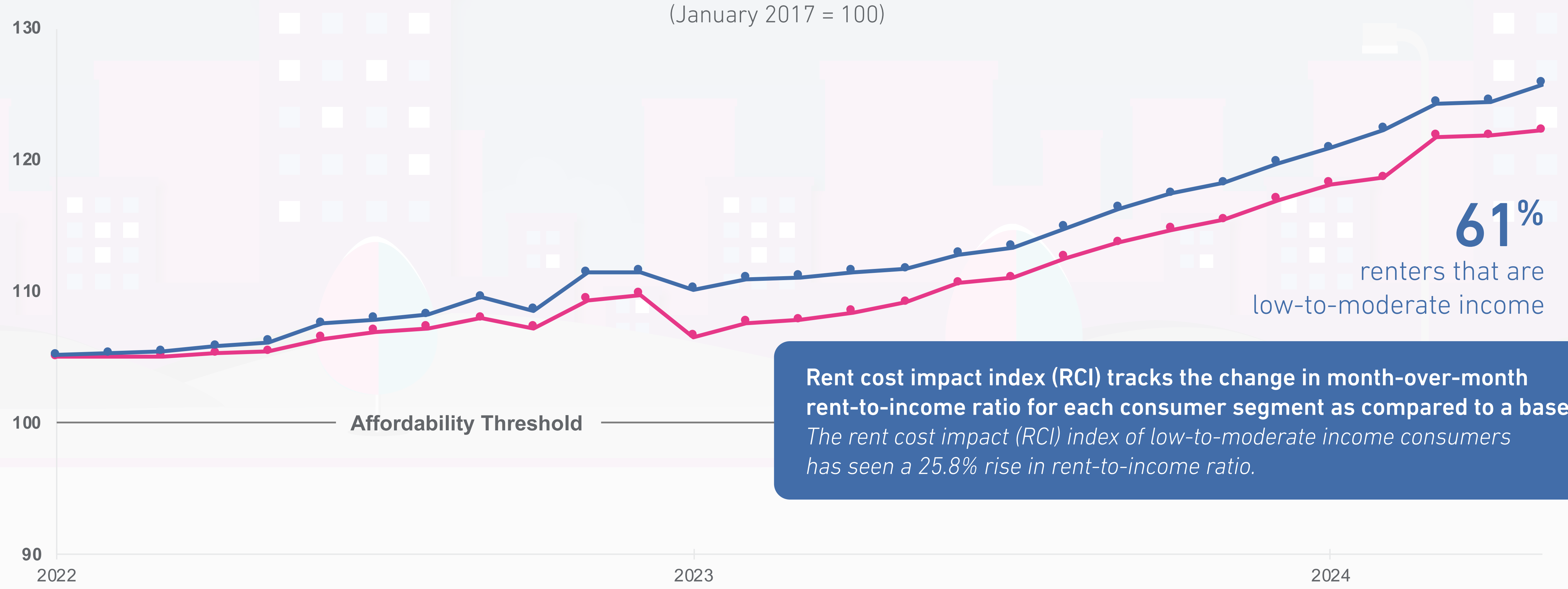


In just 2 years, the average rent-to-income (RTI) ratio has **increased >19%.**

The debt-to-income (DTI) ratio exhibits a comparable trend, albeit less pronounced.

Rent cost impact index

(January 2017 = 100)



61% renters that are low-to-moderate income

Rent cost impact index (RCI) tracks the change in month-over-month rent-to-income ratio for each consumer segment as compared to a baseline. *The rent cost impact (RCI) index of low-to-moderate income consumers has seen a 25.8% rise in rent-to-income ratio.*

[3] Experian RentBureau and FHFA
[4] Experian RentBureau and FHFA
[5] Experian RentBureau

Other signs of renter financial health

In addition to rental burden, trends in negative payment history and credit quality help complete the profile of today's average renter.

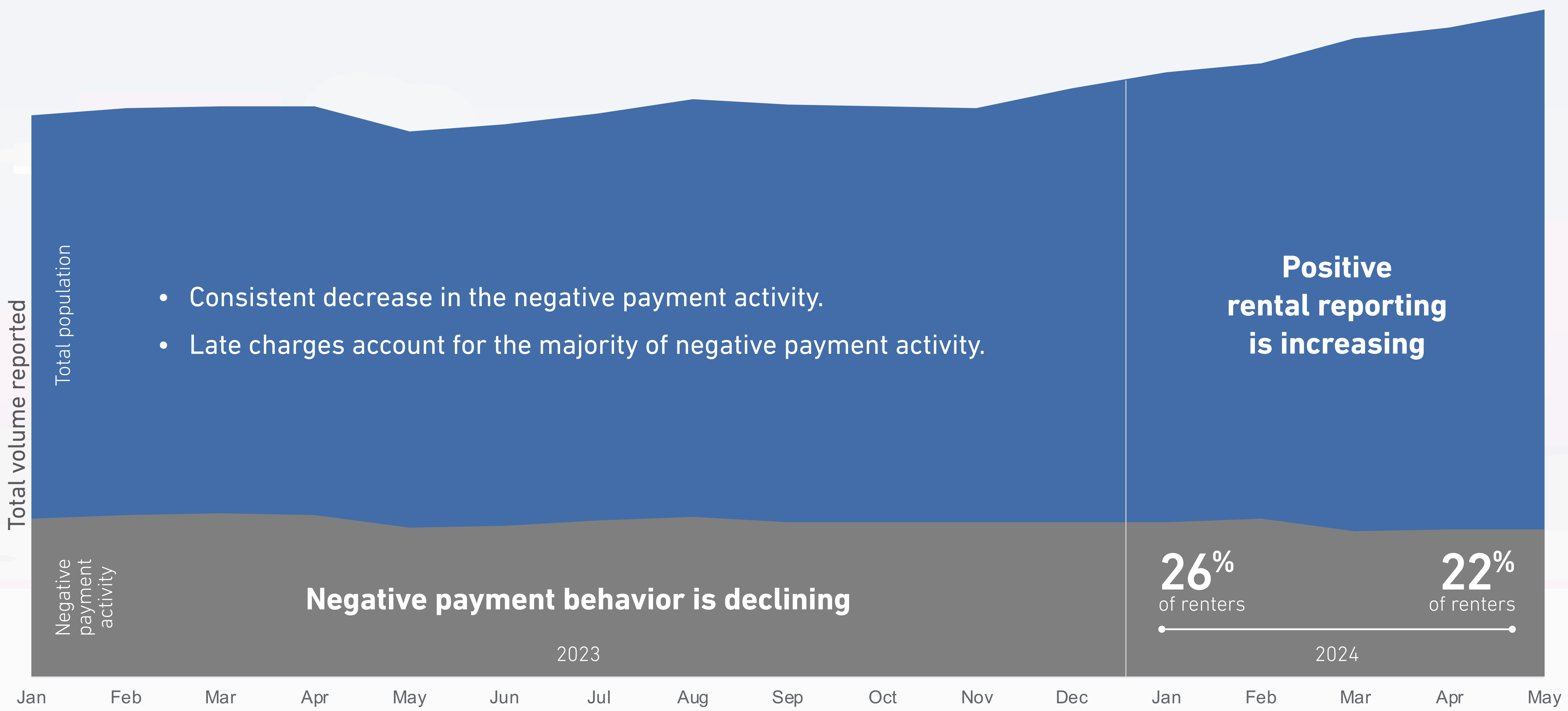
In May 2024, 22% of renters showed a negative payment history, 3.7% fewer than in January 2024. Late charges account for most of the negative payment history. As the pool of renters whose data gets reported to RentBureau increases, the data becomes more representative of overall trends. Furthermore, in addition to the increase in rental furnishers, there's a growing number of furnishers who report positive rental history to empower renters to build their credit. For this reason, an absolute view of the negative activity trend provides further insight.

When looking at all rental payment history reported in the last 24 months, we can see there's been an increase in furnishers reporting positive data. With that increase, an upward trend in negative payments relative to the reporting volume is expected. However, independent of the increase in furnishers, the data shows a slight decrease in negative payment activity starting in March 2024, which is beginning to tick up again. Looking over the past two years, this may be explained by seasonality, as dips are observed in spring months in prior years. If seasonality is at play, this likely indicates that the negative payment activity is flat or minimally declining this year. Taking both these views into consideration, this may be a good sign that negative payment activity may continue to decline in the latter half of this year.

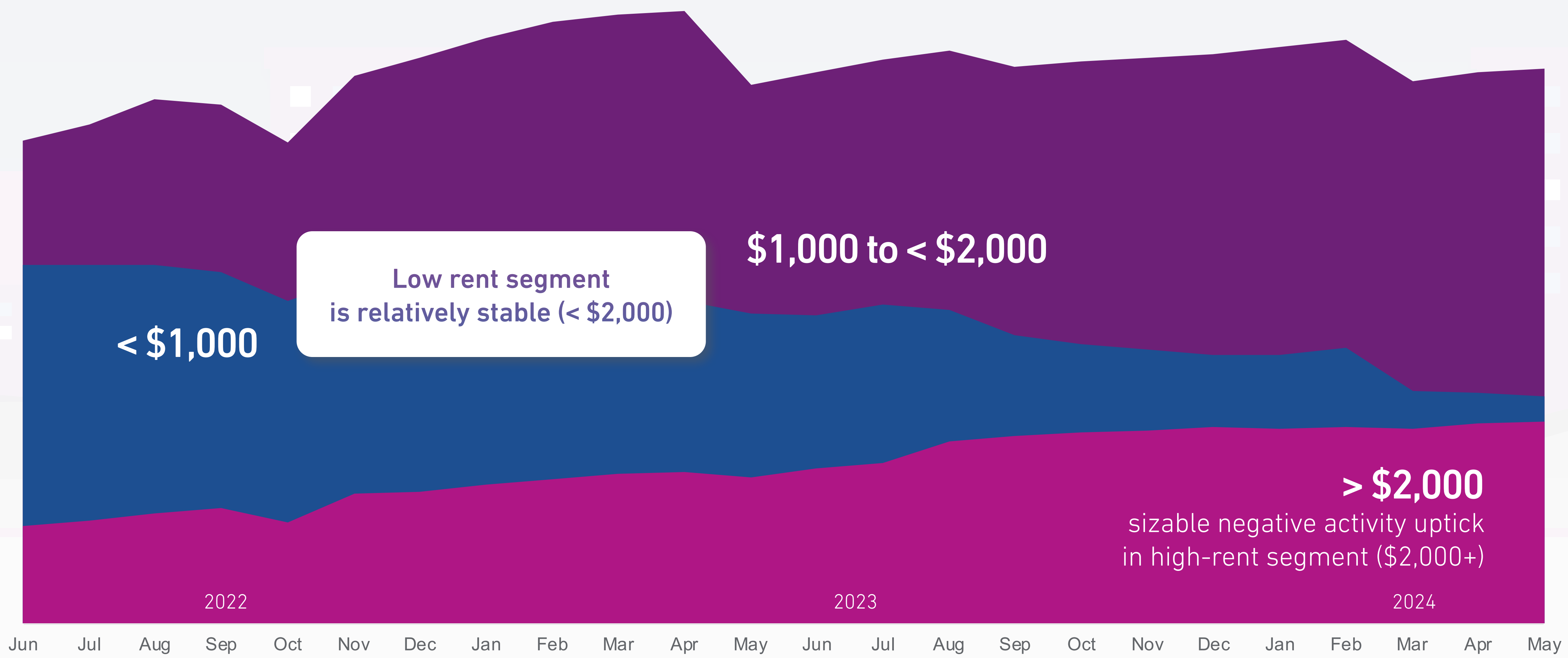
There has been an uptick in negative activity in the high-rent segment ($2,000 or more), while low- and median-rent segments are relatively stable (less than $2,000). This seems to be a result of the increased RTI burden.

As Experian housing experts continue to examine the data, it becomes clear that for rent amounts less than $2,000 a month, negative payment activity is staying flat or declining. The increase is happening across rental payments of greater than $2,000 a month. Combined with the RTI data, low-to-moderate-income renters with higher-than-average rent payments may be the cohort most impacted by affordability in the current economic environment.

Negative payment activity trend by volume

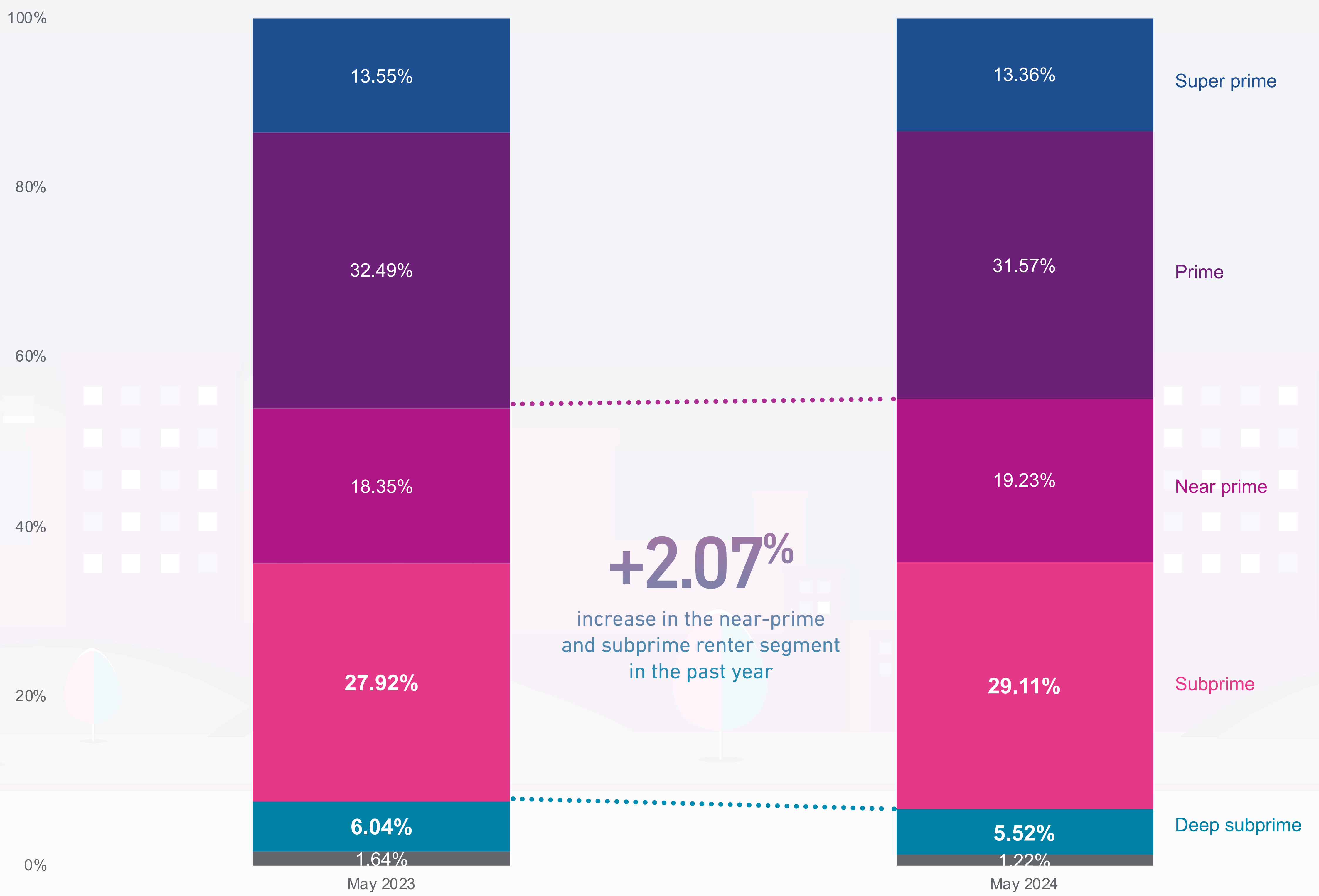


Negative payment activity by rent amount



While negative payment activity is trending down in some areas, we're seeing a shift in credit behavior. Credit scores continue to improve for the overall U.S. population, but the situation for renters is a notable increase of over 2%, moving toward the near-prime and subprime segments in just a year. Paired with market observations showing rising delinquencies, this may be an early sign that changes in renter financial health may be coming in the future.

Distribution of population by VantageScore® Band



KEY TAKEAWAY

In 2024, change characterizes the average U.S. renter profile. Renters in all age cohorts are facing affordability issues. The prevalence of lower-income consumers, increasing debt burdens and higher cost rentals highlight the challenges and complicated lifestyle decisions facing today's renters.

What is happening in the rental market?

Along with the transforming face of today's renter, the U.S. rental market is changing, and shifting trends are a theme in early 2024. Factors such as vacancy rates, rent price growth and generational mobility patterns are shaping the rental landscape.

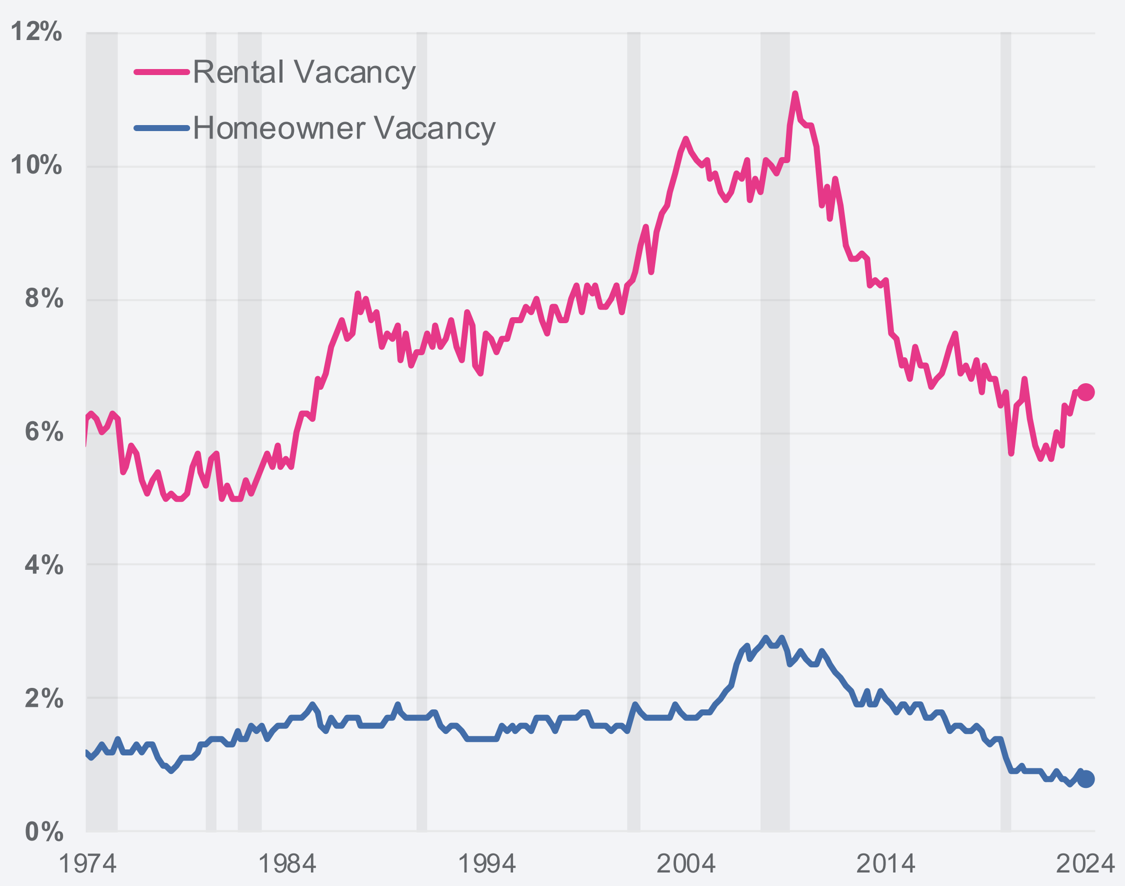
Vacancy rates and rent price growth

For homeowners and renters alike, vacancy rates will likely increase throughout 2024. This shift reflects an ongoing effort to balance supply and demand within the market. As prices continue to rise, there's a corresponding strain on consumers, with rents also likely to keep increasing. Due to escalating home prices, the affordability of purchasing a home becomes more challenging for renters.

An important factor to consider is the construction of homes specifically designed for first-time buyers. Unfortunately, there has been a decrease in the number of starter homes being built across North America. However, today, that number of starter homes has been cut in half, standing at about 7%[6] (see the monthly supply of new homes graph in next section), which reduces the number of homes available to renters trying to purchase a home for the first time.

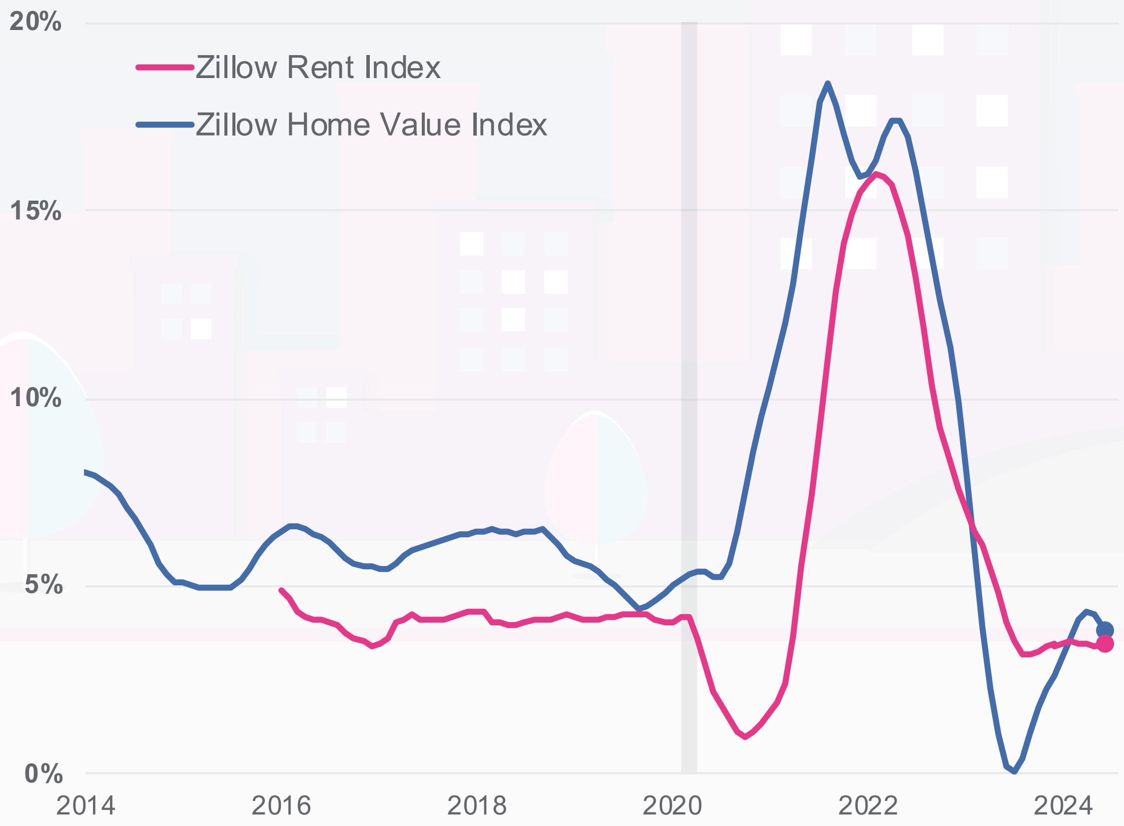
This decrease in the availability of housing options may impact the demand for rental properties as renters remain in place longer without an affordable path to homeownership available.

Vacancy Rates: Homeowner vs Rental[7]



Zillow Home Value Index and Rental Index[8]

(12-month % change)



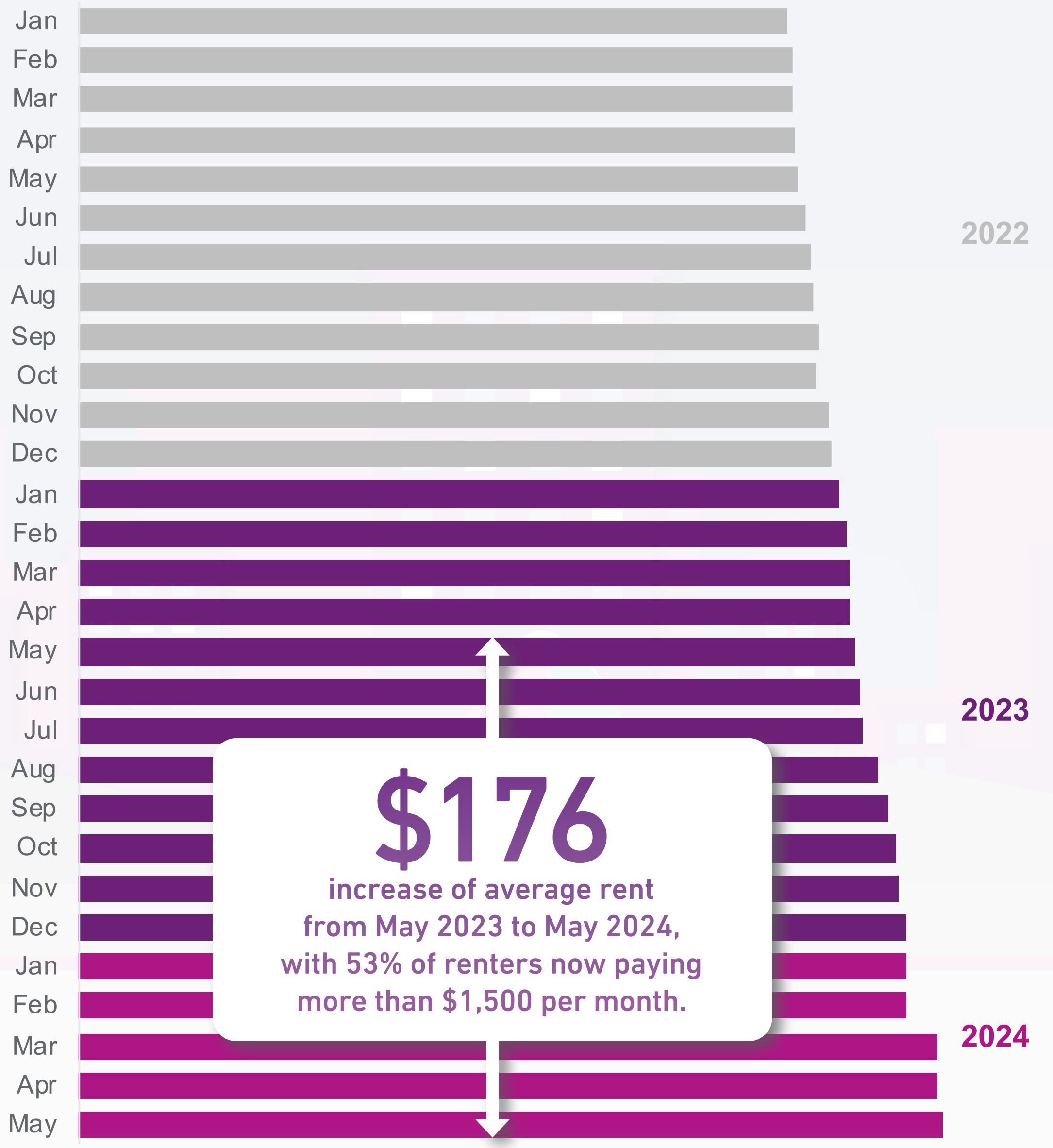
Average rent cost distribution

The distribution of average rent costs as of May 2024 shows that consumers are paying about $1,713. Currently, 53% of renters pay $1,500 or more per month, representing a 10% renter increase since May 2023. The average rent has increased by $176 May 2023-May 2024. The research shows these rent hikes outpace economic growth, putting further stress on the financial stability of the renter population.

Only one state, North Dakota, saw a year-over-year decrease in rent prices this year.

Average rent trends

Rent growth has slowed in the past six months

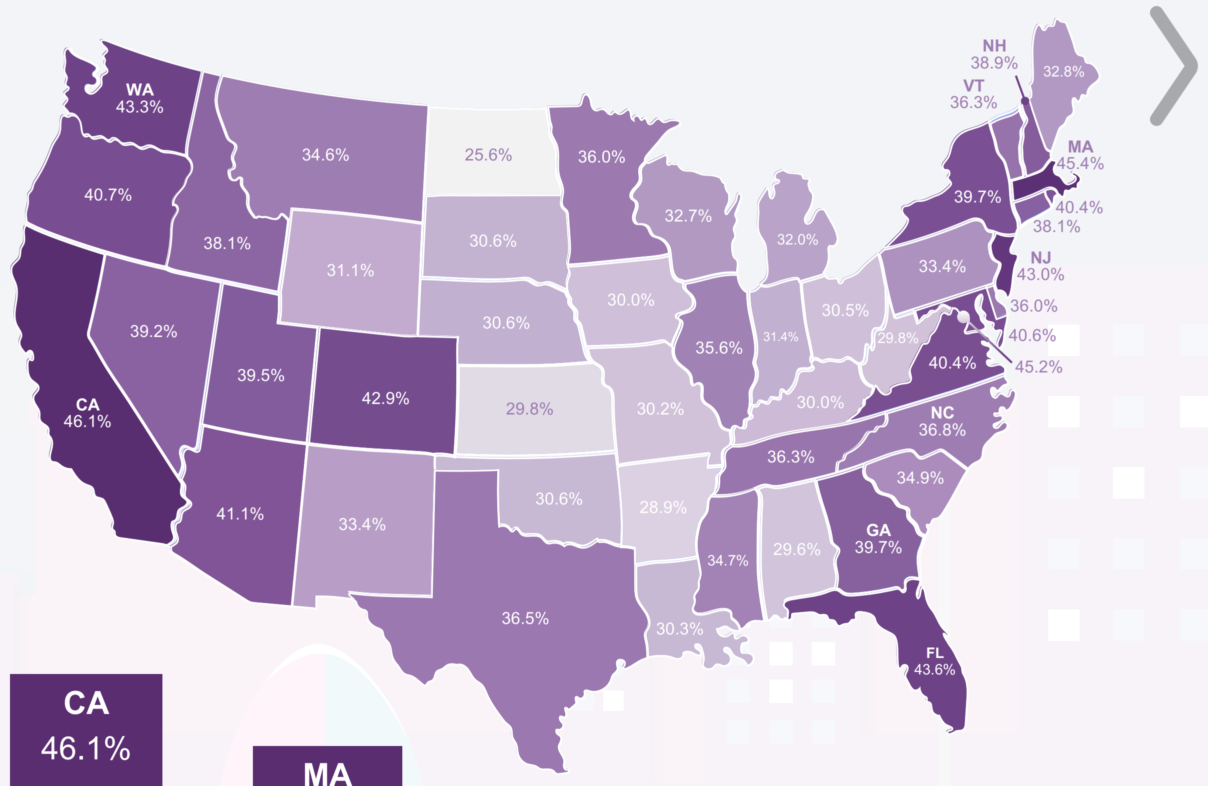


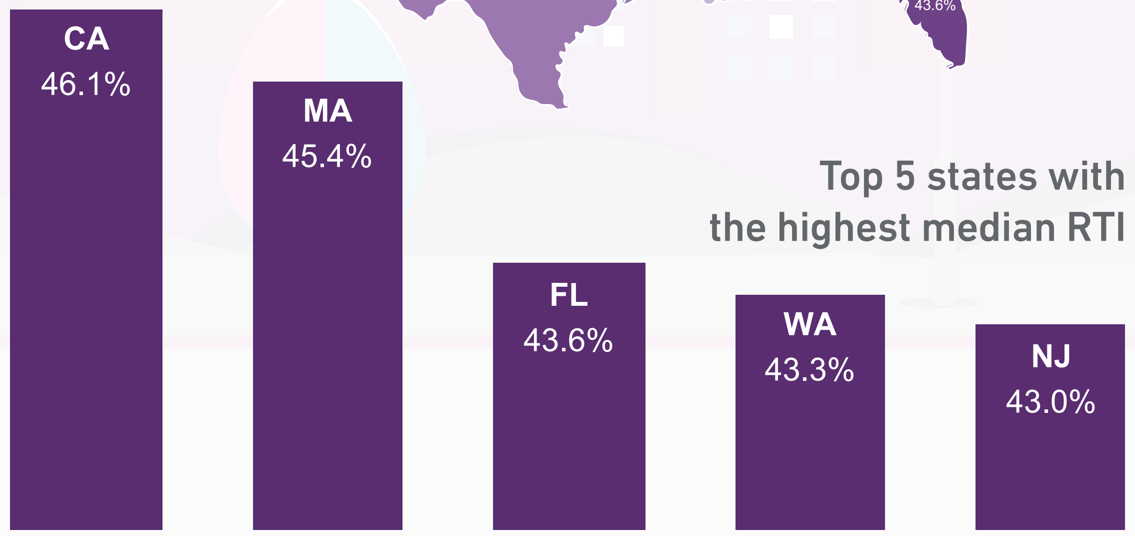
Regional differences

When understanding the market dynamics, it's important to consider variations across regions. The Sun Belt states such as Florida, Georgia, North Carolina, Arizona, Colorado, Texas and Nevada have seen an increase in RTI ratios. In 2024, these states now rank alongside California, Massachusetts, New Jersey and Washington among the states with high RTIs.

Remarkably, 43 out of the 50 states have reached a point where their RTIs surpass 30%, indicating a nationwide challenge with housing affordability.[9]

Regional growth of rental market: 2024



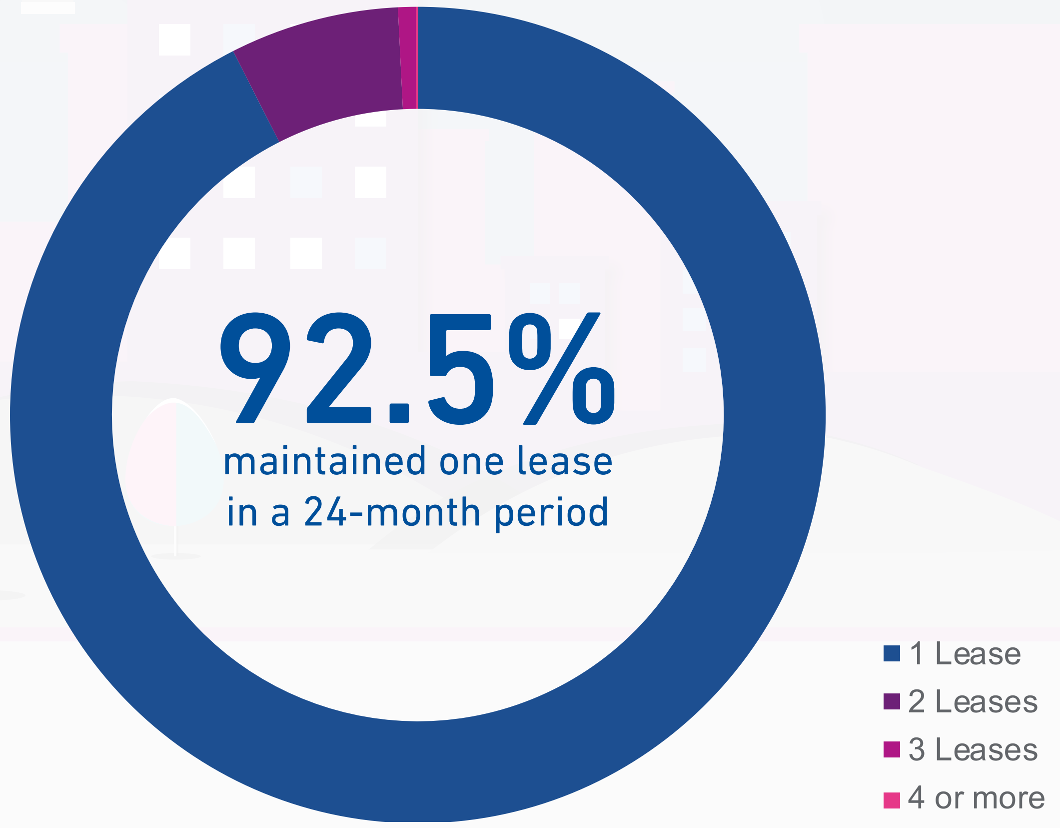


[6]Census Bureau
[7]Census Bureau
[8]Zillow
[9]RentBureau calculations

Renters' propensity to move

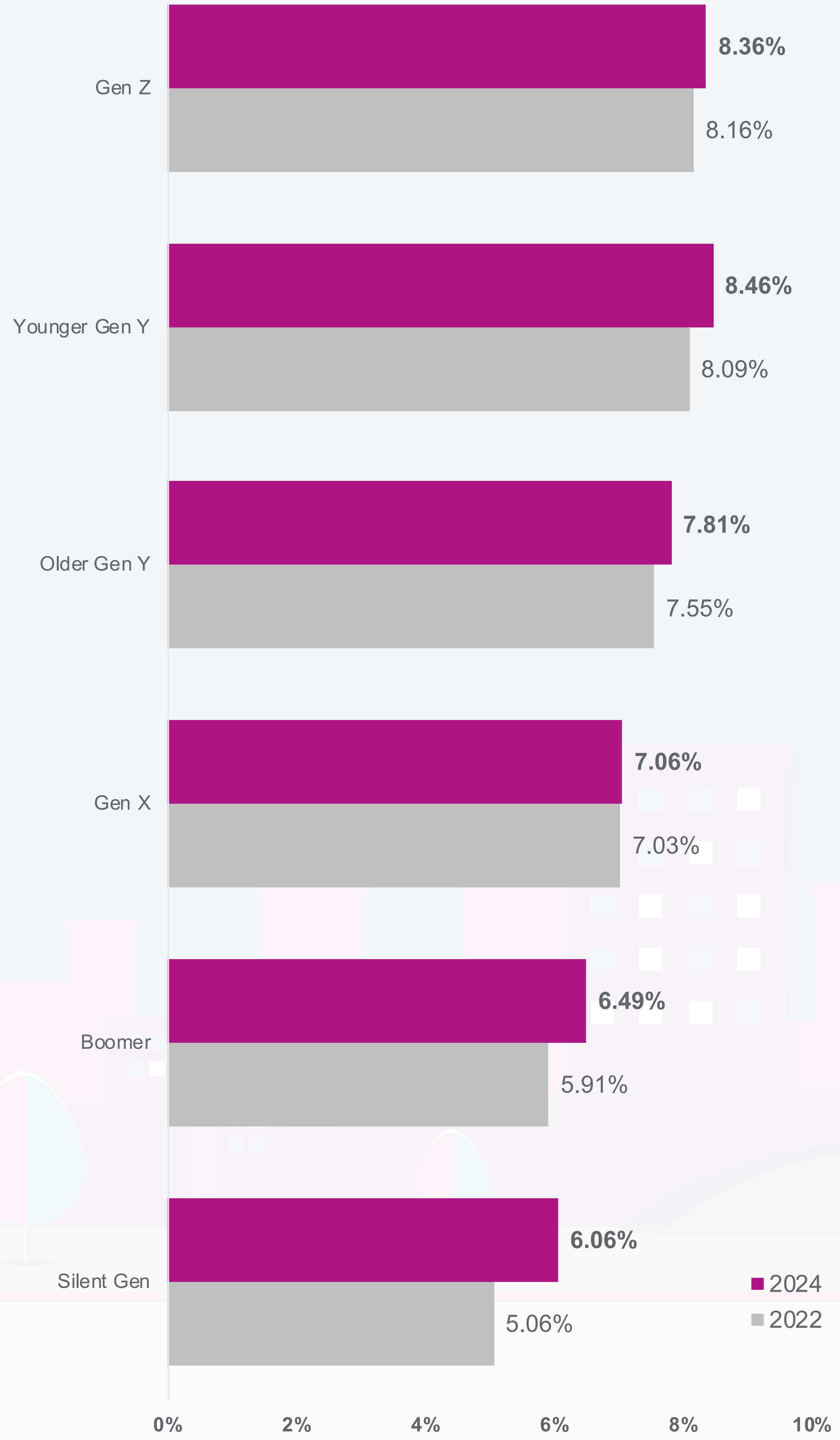
The distribution of leases in the market provides insights into renters' behavior. Currently, there are 92.5% of renters who have one lease, 6.7% renters with two leases, 0.7% renters with three leases, and less than 0.1% renters with four or more leases over a period of 24 months. This data highlights that many renters are staying put, while some are mobile and moving multiple times in two years.

When it comes to mobility trends across generations, different age groups have a propensity to move. Surprisingly, both baby boomers and members of the Silent Generation are moving now more than they have in years. This increase in mobility among older generations contrasts with the lease rates among younger generations. With regard to older generations moving, one could consider whether they're doing so to stay within their budgets. It would also be valuable to explore if this trend is more prominent in different geographical regions.



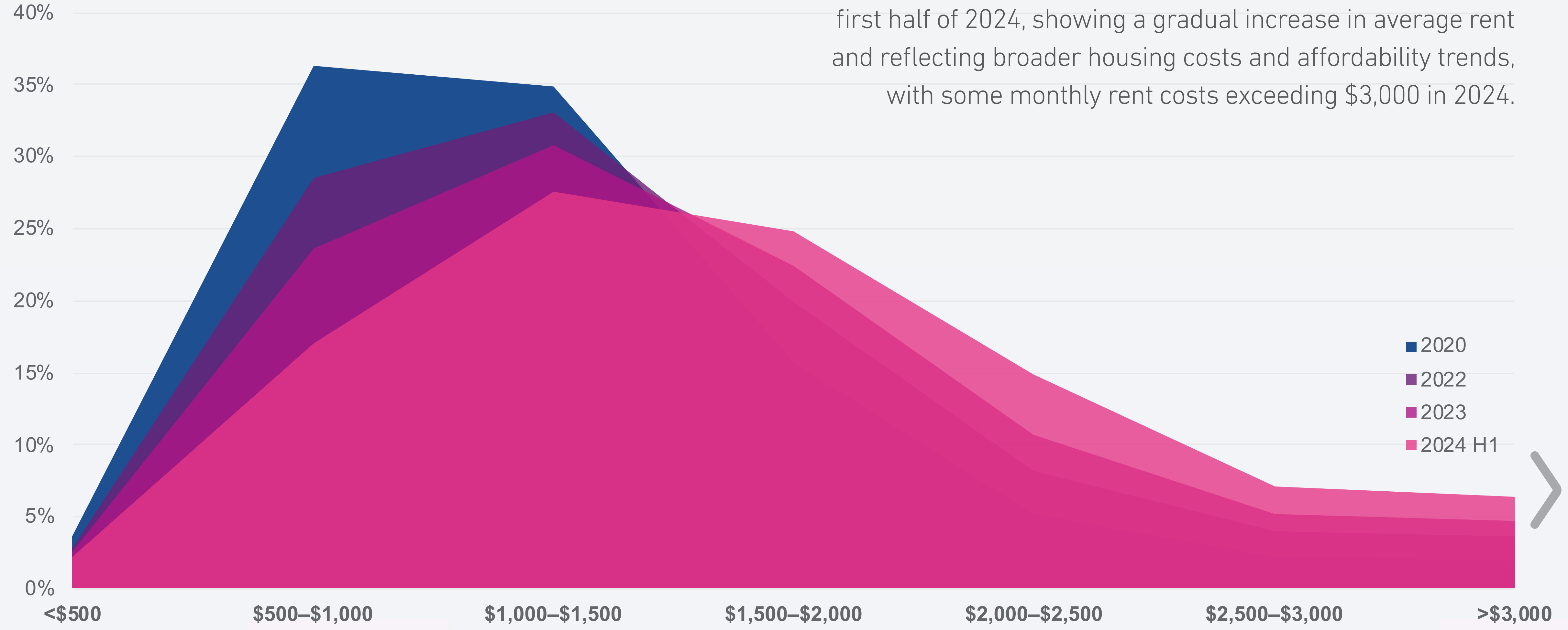
Leases in a 24-month period

Propensity to move by generation



Distribution of average rent paid 2020 versus 2024

Average rent-cost distribution by population



Trends in rent payments

The distribution of rent payments has changed from 2020 to the first half of 2024, showing a gradual increase in average rent and reflecting broader housing costs and affordability trends, with some monthly rent costs exceeding $3,000 in 2024.

KEY TAKEAWAY

In 2024, the current state of the rental market shows that vacancy rates are still relatively low, driving growth in rent prices. While there has been a slowdown in the pace of rent price increases, with the average monthly payment now at $1,713. It's worth noting again that an increasing number of renters (>50%) are paying over $1,500 per month.

When considering variations across the country, it's evident that the Sun Belt states such as Florida, Arizona, Colorado, Texas, and Nevada are experiencing jumps in RTI ratios compared to other states. Additionally, 43 out of 50 states having a median RTI above 30%.

Analysis of lease distribution data reveals that 2.8 million renters hold one lease, while a smaller number have multiple leases. Patterns of mobility across generations show that older generations are moving more frequently than before, while younger generations have maintained stable rates of having multiple leases.

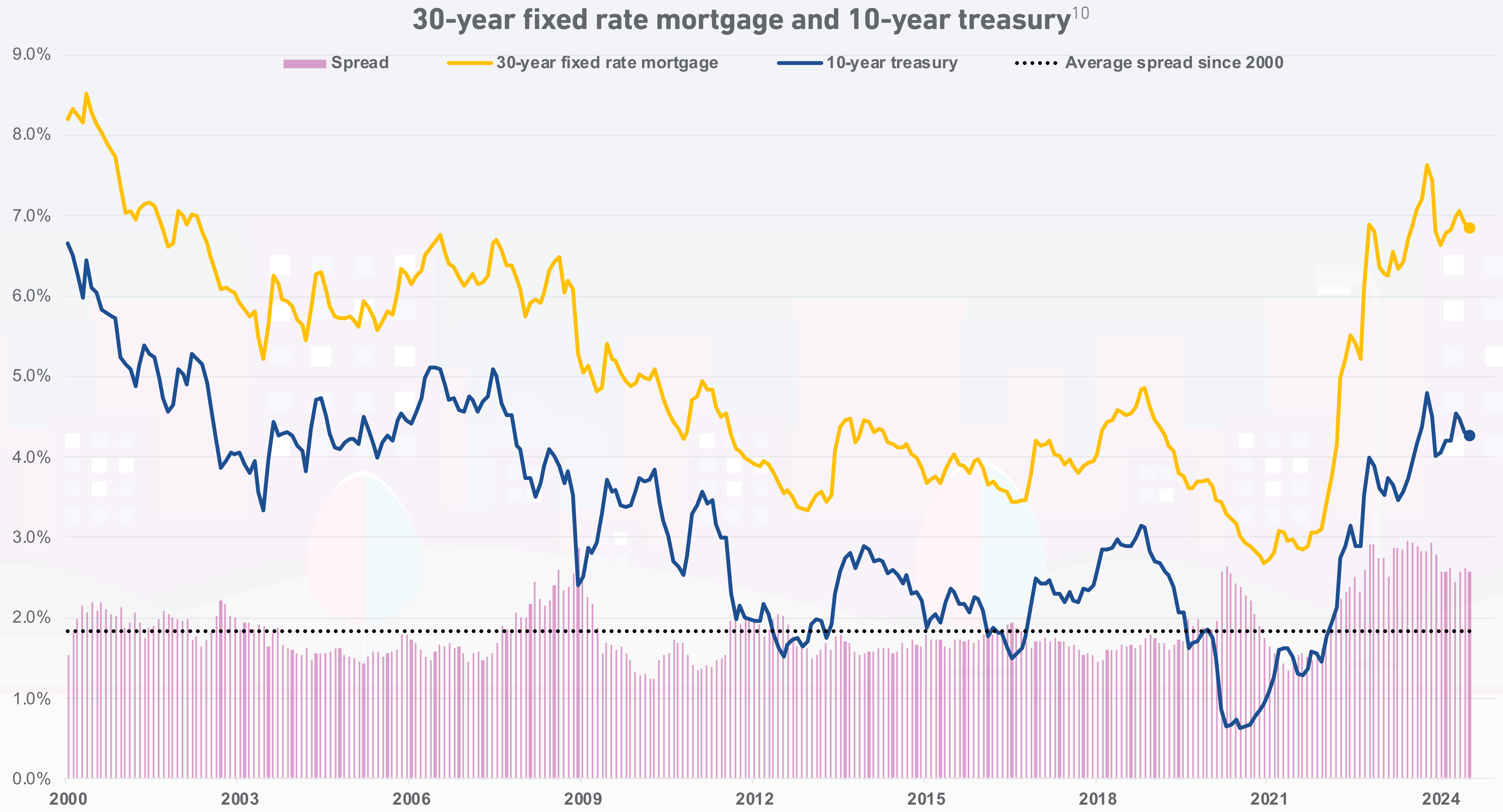
RETURN TO MENU

Where does U.S. housing development stand?

A complete picture of the state of the U.S. rental market requires a look at housing development. Construction, supply and demand, the economy, and other market forces all have a ripple effect down to the rental market. Housing development trends inform the state of the rental market. A variety of issues hindered construction recently ranging from high interest rates and rising inflation to the cost and availability of labor and supplies to lot shortages.

Mortgage rates continue to constrain housing market

A further drop in rates should help demand, but ~80% of mortgages are at or below 5%



[10]Federal Reserve and Freddie Mac

Mortgage rates impact on housing development

Supply and demand strongly influence real estate prices in the homebuying and rental segments. Historic housing supply shortages, including a lack of entry-level housing and affordable rent construction, have characterized the post-pandemic U.S. marketplace.

While the Federal Reserve (Fed) doesn't control mortgage rates, actions by the Fed regarding the federal funds rate impact mortgage rates. This year, mortgage rates have seen some downward movement with expectations of a Fed rate-cut in the latter part of 2024 and slowing inflation.

Approximately 80% of mortgages remain at or below the 5% threshold.[11] Mortgage originations hit a 3-year low in 2024, an 80% drop since peaking in 2021.[12] The rates, coupled with a notable scarcity of available housing inventory, pose challenges for prospective buyers. These realities strongly influence the state of the rental segment and renter behavior.

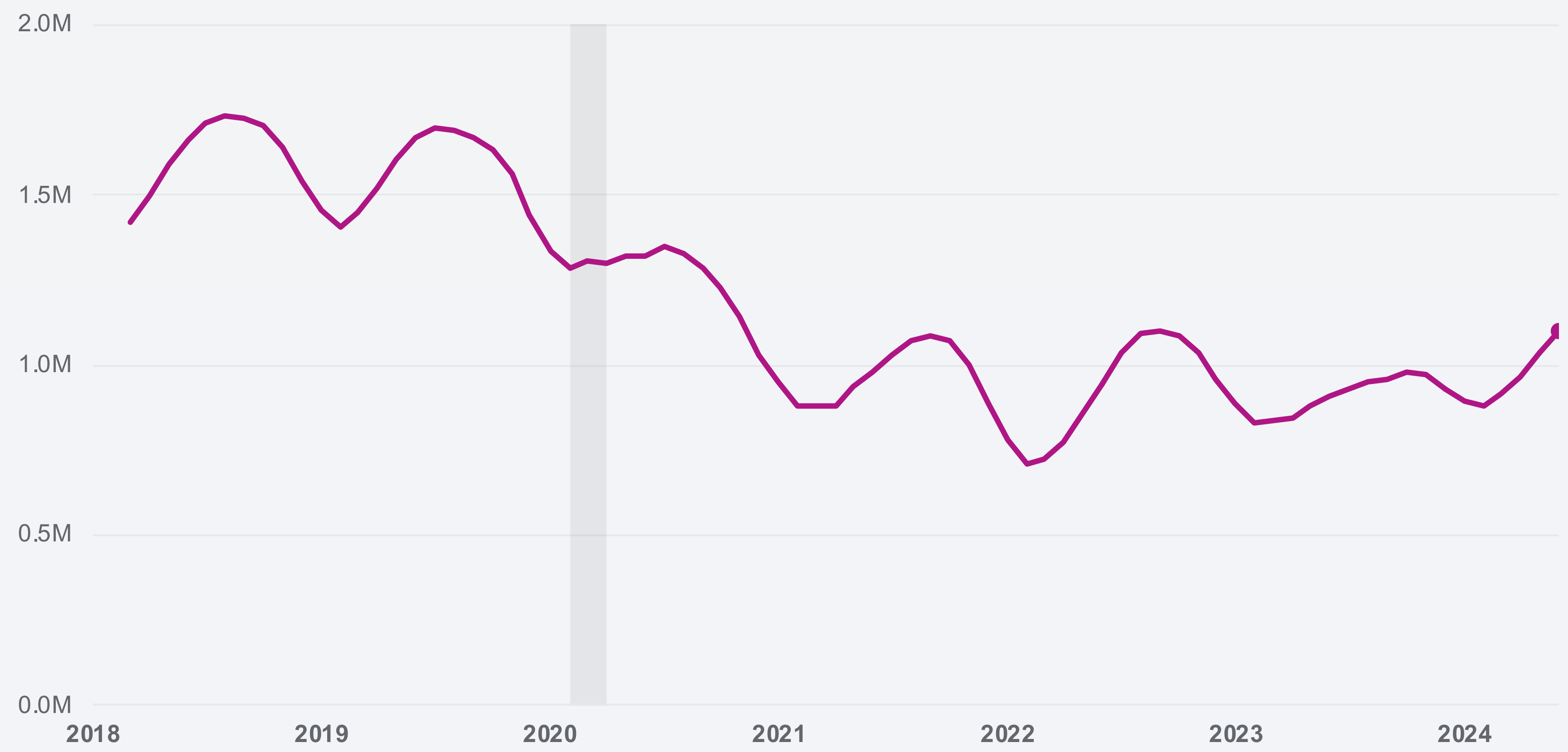
Higher mortgage rates cause current homeowners who "locked in" lower mortgage rates to hang tight. This exacerbates the housing inventory supply problem presented with new construction and disproportionately impacts the entry level and affordable homes segments, which keeps rental demands higher.

A modest increase in new home construction since July 2023 offers promise.[13] However, the persistent imbalance between supply and demand continues to exert upward pressure on prices, underscoring the urgent need to address affordability.

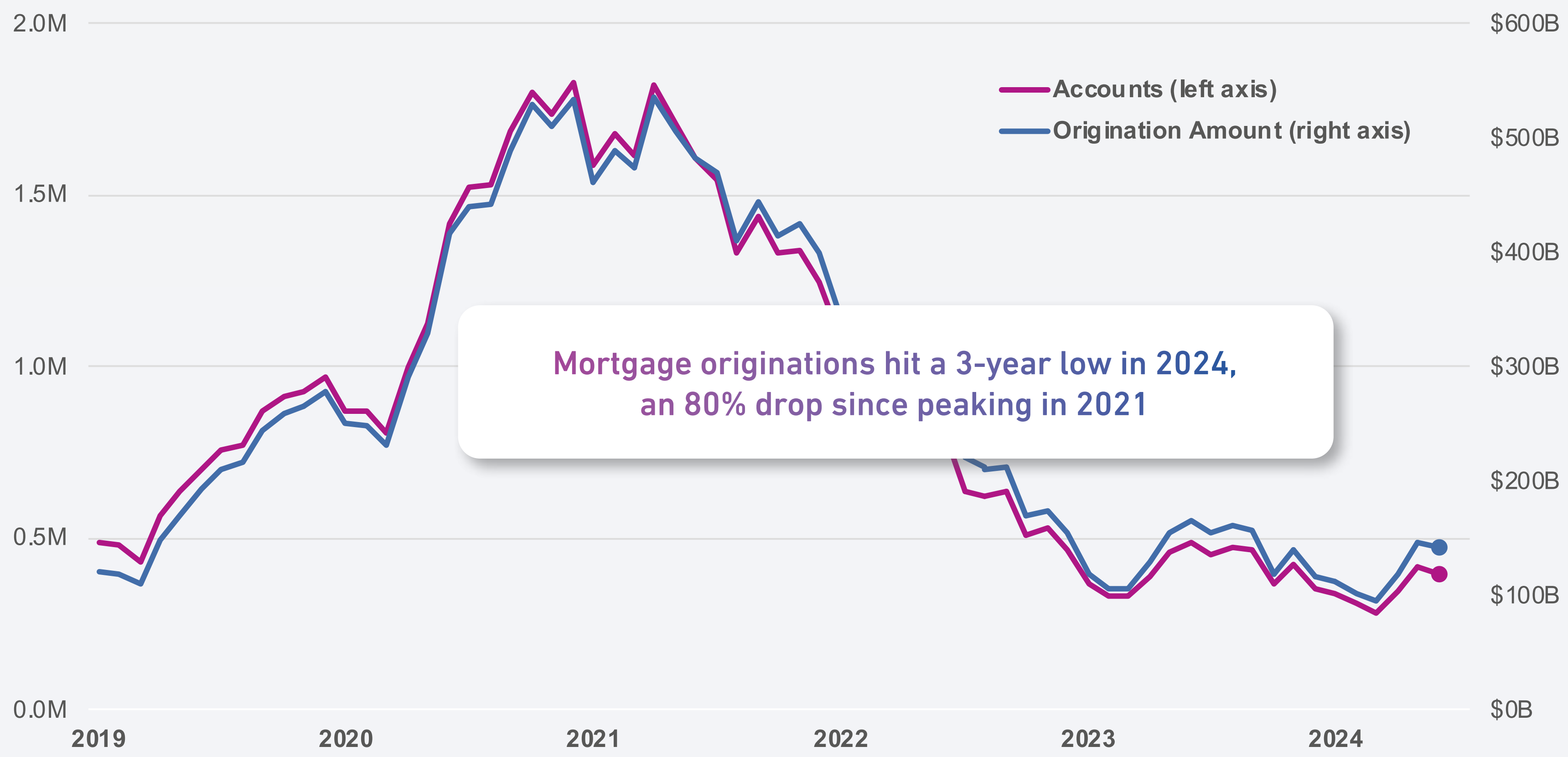
The "lock-in" effect continues in the higher-rate environment

Supply has improved for new homes, but affordability is a problem for would-be buyers

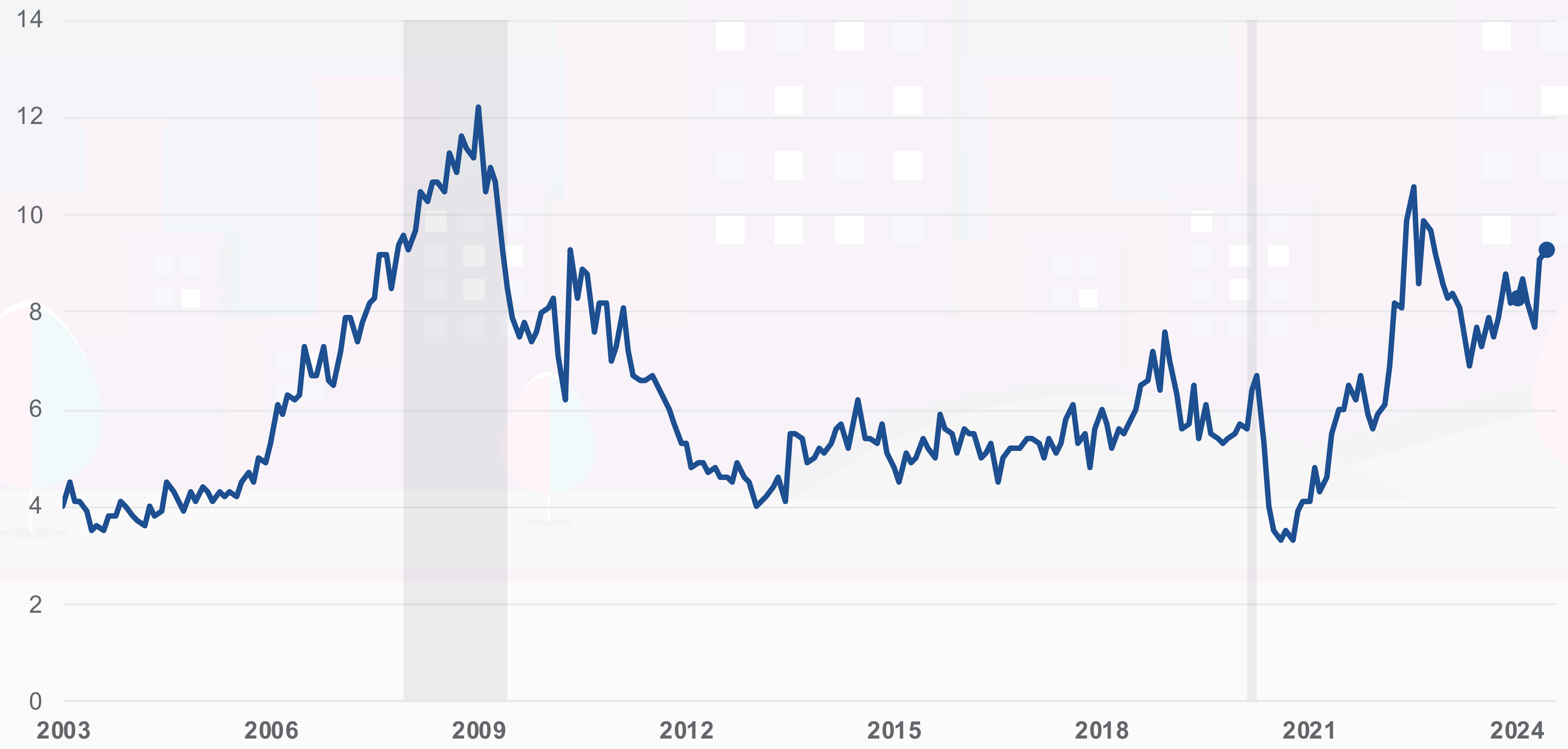
For-Sale Inventory[14]



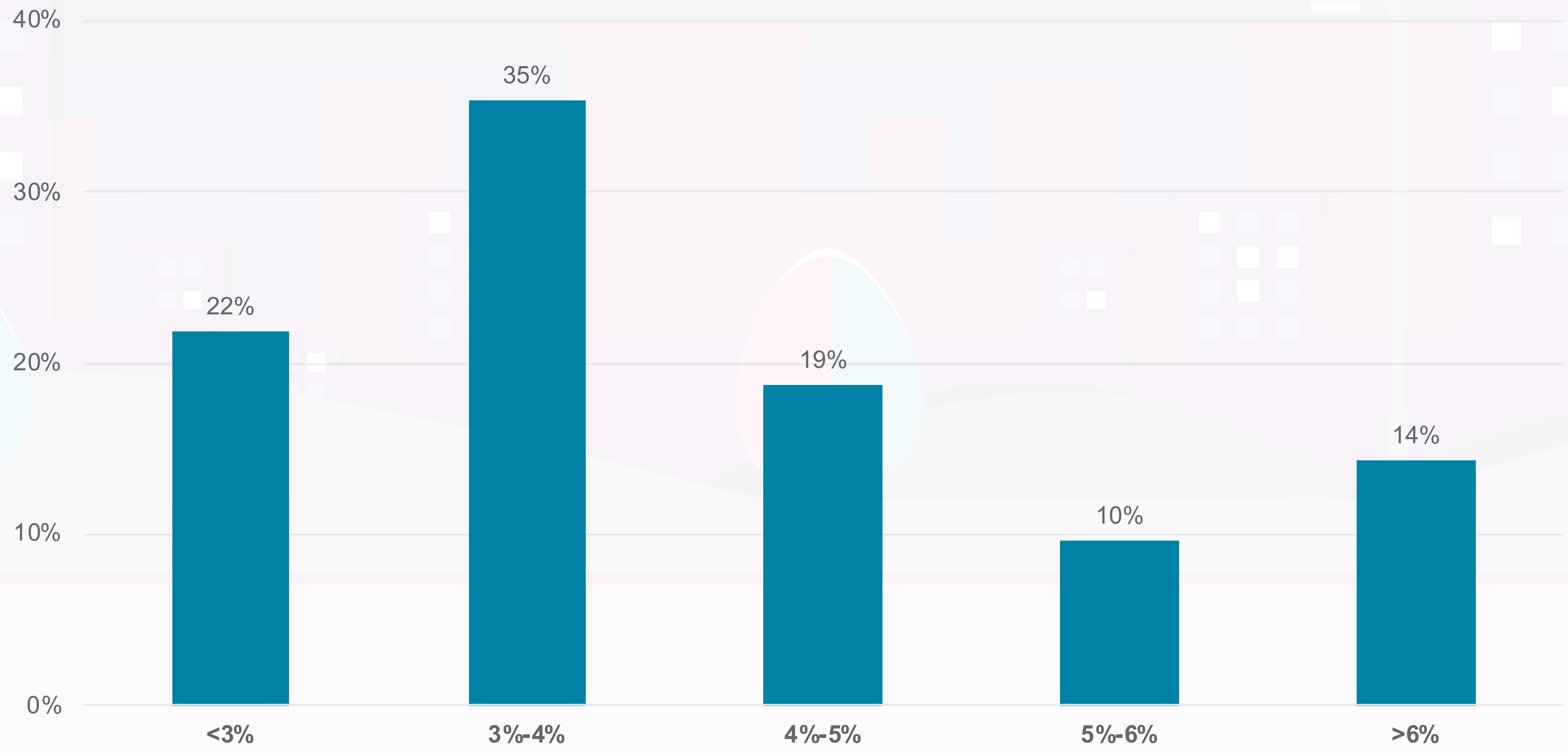
Mortgage Originations



Monthly Supply of New Homes



Percent of outstanding mortgage loans by rate



[11] FHFA National Mortgage Database
[12] Experian Ascend Market Insights Dashboard
[13] Census Bureau
[14] Zillow

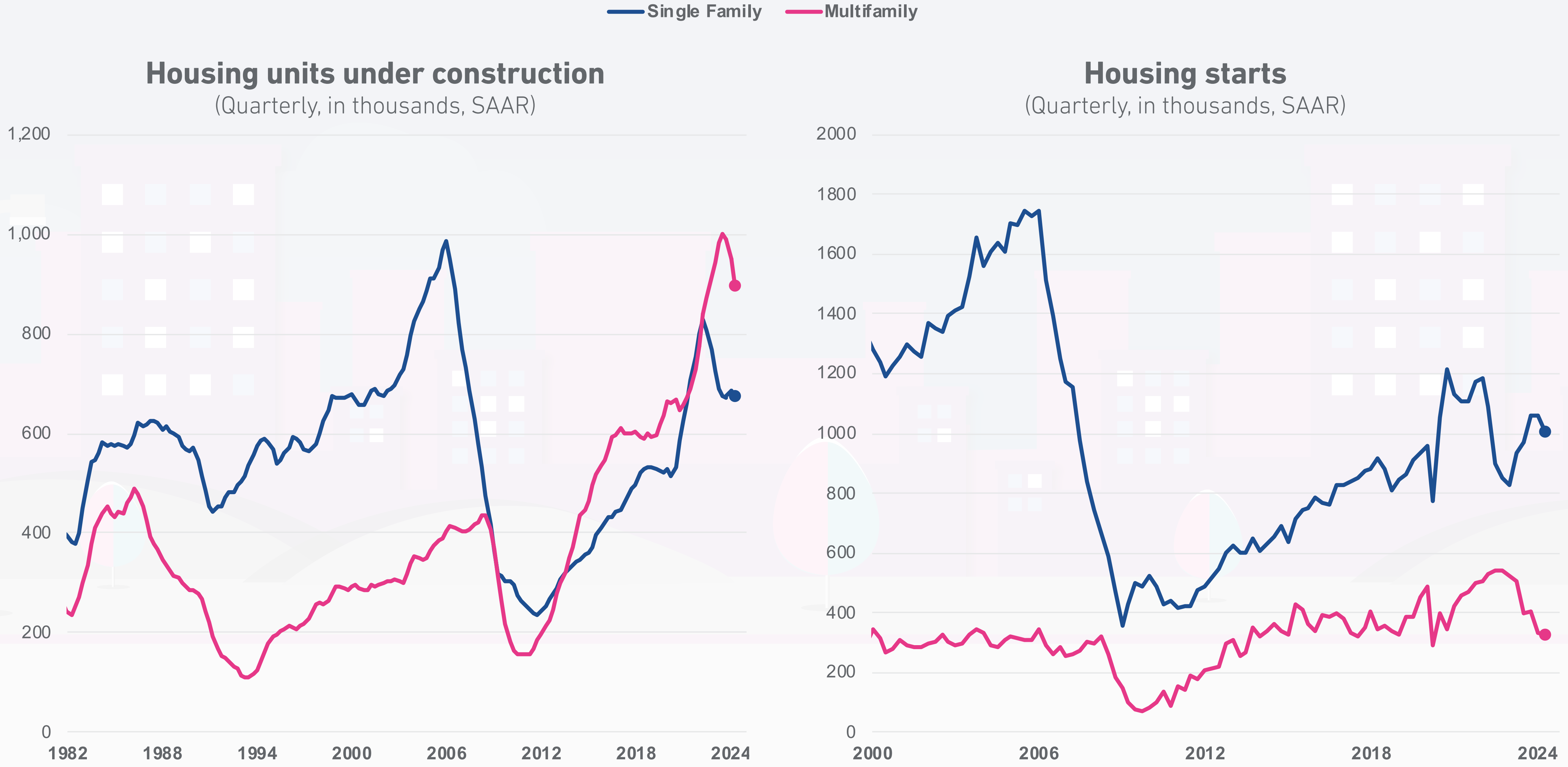
Multifamily housing units coming to market

Even with a continued decline in multifamily unit new construction due to high interest rates and other concerns, the high volume of units nearing completion in the pipeline means a substantial influx of units coming to market in 2024. This marks a noteworthy reversal since 2022 when new multifamily starts were peaking.

The bulk of these multifamily units are higher-end rental units.[15] The costs of every aspect of construction, including features and conveniences commanded by millennials and Gen Z renters, contribute to the ultimately higher rental prices. Locality costs play a factor as well with most being built in more expensive metropolitan areas.

Large supply of multifamily units coming to market in 2024

However, the higher rate environment and softening in the rental market have slowed multifamily starts



[15]Joint Center for Housing Studies of Harvard University

KEY TAKEAWAY

In housing development, amidst the prevailing interest rates, for-sale supply shortages and high-end multifamily construction focus, affordability challenges persist. These factors may impact overall rental prices and strategies for property managers and landlords.

How does the future look?

In 2024 and 2025, a stable economic environment can position renters for an optimistic future

How renters fare in 2024 and 2025 will in many ways be driven by the health of the economy and the strength of the labor market. While the US economy remains on solid footing, the ongoing normalization of pandemic-era dynamics will bring both challenges and benefits for households in the year ahead. On one hand, the jobs boom that supported robust hiring, historically-low unemployment, easy job hoping, and outsized wage gains – especially among lower income workers – has ended. On the other hand, consumers should benefit from easing inflation and interest rate cuts by the Federal Reserve.

According to Experian's July 2024 Macroeconomic Scenarios Report, the U.S. economy is forecasted to expand by 2.2% in 2024 and 1.7% in 2025. While this represents a modest slowdown, it suggests a stable economic backdrop. The unemployment rate is also forecasted to rise slightly to 4.2% by the end of 2024, and ease back to 4.1% by the end of 2025.

The impact of rental housing on credit profiles

When consumers report on-time rent payments, it benefits them, enhancing their credit profiles and financial stability

According to a study by Experian housing analysts on the effects of reporting rent payments to RentBureau, individuals benefit in terms of building and enhancing their credit profiles. The data, collected from an sample of 2.1 million consumers with rental payments as of June 2024, indicates that 4 out of 5 consumers positively impacted their credit scores. On average, those who reported their rent payments experienced an increase of 3.9% in their credit scores. Furthermore, 8.7% of individuals who were previously unable to be scored became scoreable, while 20% of consumers moved into the next conventional credit score tier.

These findings highlight how reporting rent payments can help individuals establish and improve their credit profiles, ultimately leading to better financial well-being and increased access to credit opportunities. As more consumers become aware of the financial benefits of rent reporting, many consumers are adopting services which allow for self-reporting rent like Experian Boost®*, or seeking properties which offer rent reporting as an amenity to position their finances more favorably and improve their ability to monitor their credit scores and manage their finances.

By reporting on-time rent payments to Experian® RentBureau®, consumers experience multiple benefits

4 out of 5
consumers saw positive score impact

8.7%
unscorable consumers become scoreable

3.9%
average score increase for consumers who reported to RentBureau®

20%
consumers who moved into next conventional score tier

The above statistics are pulled from an Experian data study on 2.1 million consumers with open/current rental trades on Experian core credit file as of June 2024.

*Results will vary. Not all payments are boost eligible. Some users may not receive an improved score or approval odds. Not all lenders use Experian credit files, and not all lenders use scores impacted by Experian Boost®. Learn more.

Tips to optimize the leasing process

The demand for rental housing remains strong in 2024. However, if inflation remains high and budgets become tighter, economic conditions might pose challenges for renters. Considering these trends, how can rental housing owners and managers ensure their screening processes give them the best chance of finding quality renters who are likely to pay their rent on time and in full?

- **Enhance rental application user experience:** One key strategy to implement this year is leveraging technologies that allow potential renters to verify their screening reports before submitting their applications. By putting the power in the renter's hands to review their data, property owners can ensure higher-quality candidates and reduce friction in the application process. This approach not only improves the screening process but also enhances the renter's overall user experience, making it more transparent and user-friendly.
- **Leverage positive and negative rental payment history:** Integrating an applicant's rental payment history into the screening process remains crucial. This provides a comprehensive understanding of the applicant's risk profile and likelihood of paying rent on time. Housing owners and managers should use every relevant data point, particularly related to rental payment history, to make informed leasing decisions. Additionally, reporting rental payment histories to the credit bureaus helps residents build their credit histories, which can be a valuable amenity for attracting and retaining tenants.
- **Reduce fraud with authentication and verification tools:** As the application process becomes increasingly digital, it's critical to verify the identity of prospective tenants accurately. Incorporating fraud prevention tools, such as identity verification and digital authentication, ensures that you're interacting with the correct prospects while mitigating the risk of fraud.

In 2024, and approaching 2025, rental housing owners and managers can continue to optimize their risk assessment procedures and technologies. This approach helps minimize risk, which is beneficial regardless of the rental housing market's condition. With economic pressures and potential softening in rent growth, prioritizing these improvements is more important than ever.

About Experian

Experian is a global data and technology company, powering opportunities for people and businesses around the world. We help to redefine lending practices, uncover and prevent fraud, simplify healthcare, deliver digital marketing solutions, and gain deeper insights into the automotive market, all using our unique combination of data, analytics and software. We also assist millions of people to realize their financial goals and help them to save time and money.

We operate across a range of markets, from financial services to healthcare, automotive, agrifinance, insurance, and many more industry segments.

We invest in talented people and new advanced technologies to unlock the power of data and innovate. As a FTSE 100 Index company listed on the London Stock Exchange (EXPN), we have a team of 22,500 people across 32 countries. Our corporate headquarters are in Dublin, Ireland.

Learn more at **www.experianplc.com**

About Experian RentBureau

RentBureau is the largest and most widely used database of rental payment information and currently includes information on more than 36 million residents nationwide. Property management companies and third-party rent reporters send rental payment data directly and automatically to RentBureau daily or monthly. This detailed information enables organizations to make better-informed decisions. Property management companies use this data to review new rental applicants' payment history.

Experian is the first major credit reporting agency to incorporate the positive rental payment data reported to RentBureau in consumer credit reports, enabling residents to build credit history by paying rent responsibly.

Learn more at **www.experian.com/rental**

Experian
475 Anton Blvd.
Costa Mesa, CA 92626
www.experian.com