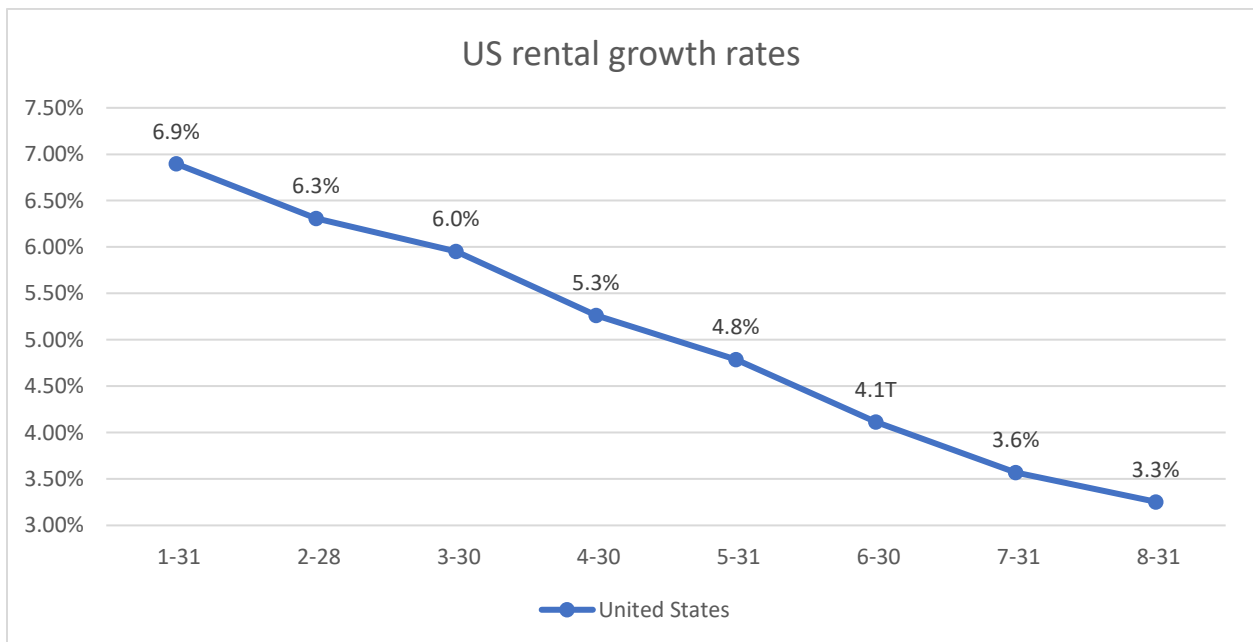


## Rents Remain High in Southeast Despite Nationwide Slowing

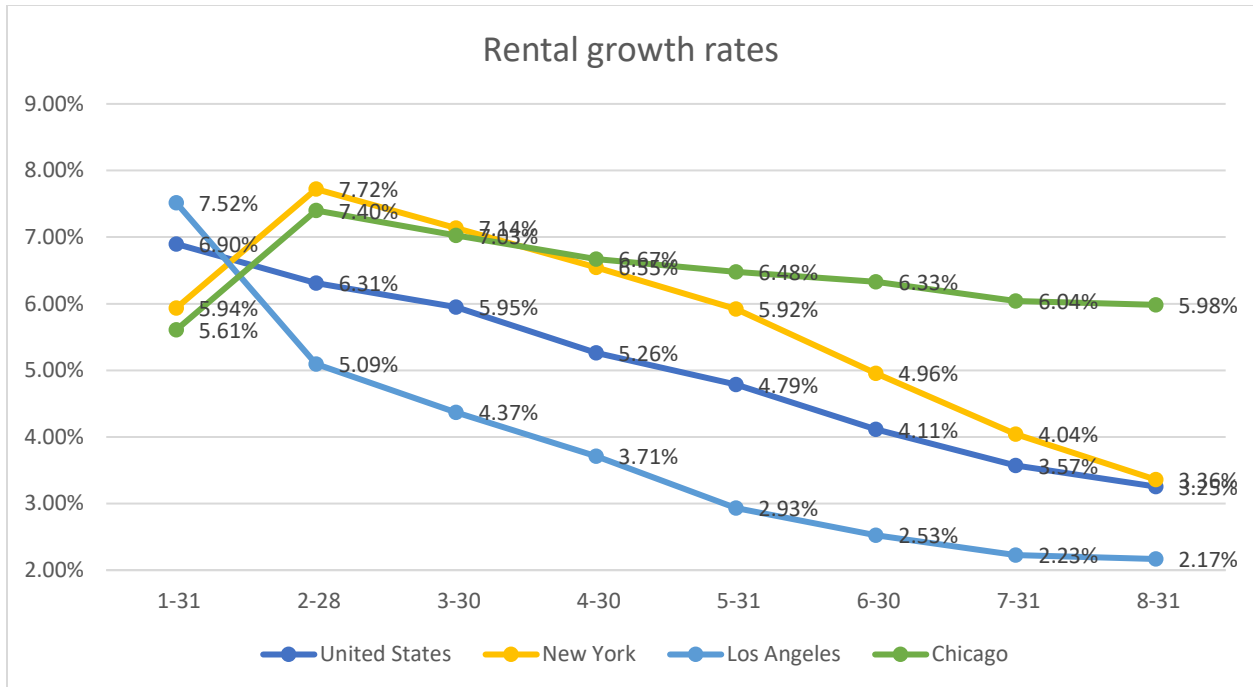
TUSCALOOSA, Ala. – Although rental rates continue to move higher, the rate of growth continues to slow in many parts of the country according to a recent report from researchers at The University of Alabama and two other schools. The [Waller, Weeks and Johnson Rental Index](#), is a monthly index published as a collaborative effort from researchers at the University of Alabama, Florida Gulf Coast University, and Florida Atlantic University. Waller and fellow researchers [Dr. Ken H. Johnson](#), an economist in FAU’s [College of Business](#), and [Dr. Shelton Weeks](#), the Lucas Professor of Real Estate at Florida Gulf Coast, recently added the rent-burdened metric to their monthly analysis of the most overvalued U.S. rental markets. They use leasing data from Zillow’s Observed Rental Index to determine existing rents and statistically model historical trends from 2014. Income information is taken from the [Wisevoter project](#).

Average growth rates in US rents declined from nearly 7% in January to 3.25% ending August 2023, an overall decline of 53% over the period in terms of growth.

“Although this seems like “good” news for renters, rental rates are still increasing, just at a slower pace,” says Waller, Hulse Faculty fellow at the University of Alabama and Research Associate for the Alabama Center for Real Estate (ACRE).



Other large metro areas have seen similar declines. New York, Los Angeles, and Dallas saw declines of 43%, 71% and 90% respectively. Chicago is the only city in the top five metro areas where an increase of almost 7% occurred (see chart below).

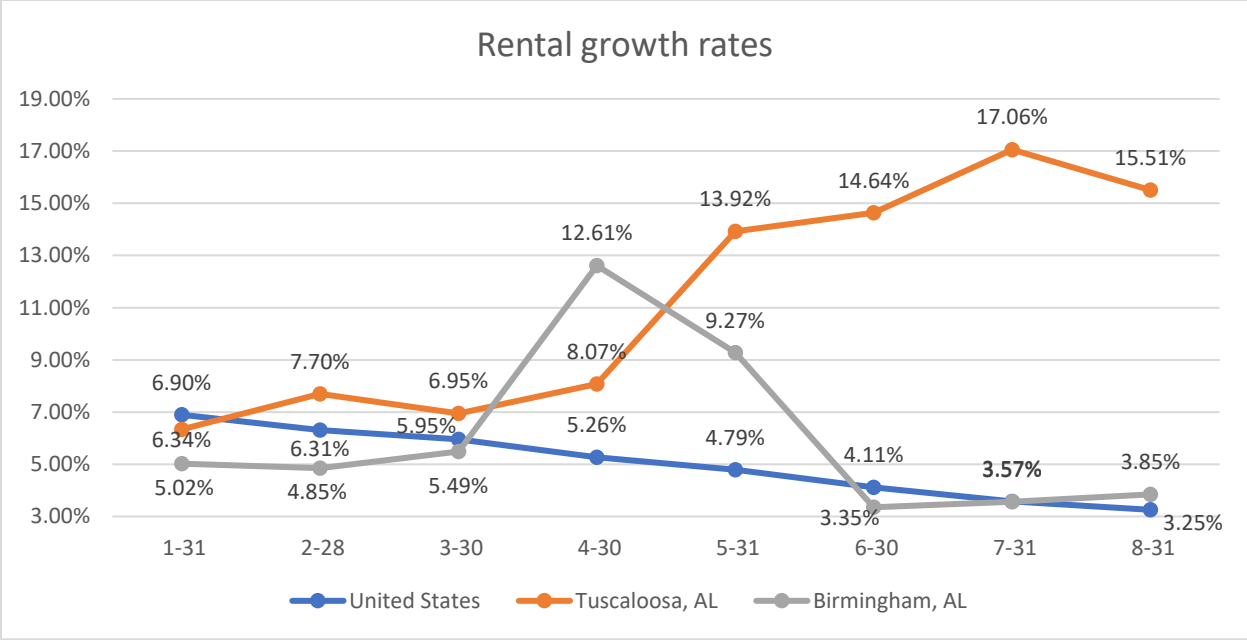


The current amount of average income needed to avoid being rent-burdened nationally, based on the current average U.S. rent of \$2,052 per month is \$82,090 according to the [WWJ index](#). These figures account only for rent and do not include utilities. Needed income has increased \$2,610 since January.

“This amount of housing inflation is amazingly high. I think most will find these figures shocking, especially given that U.S. median income is \$71,500,” said [Dr. Shelton Weeks](#), the Lucas Professor of Real Estate at Florida Gulf Coast.

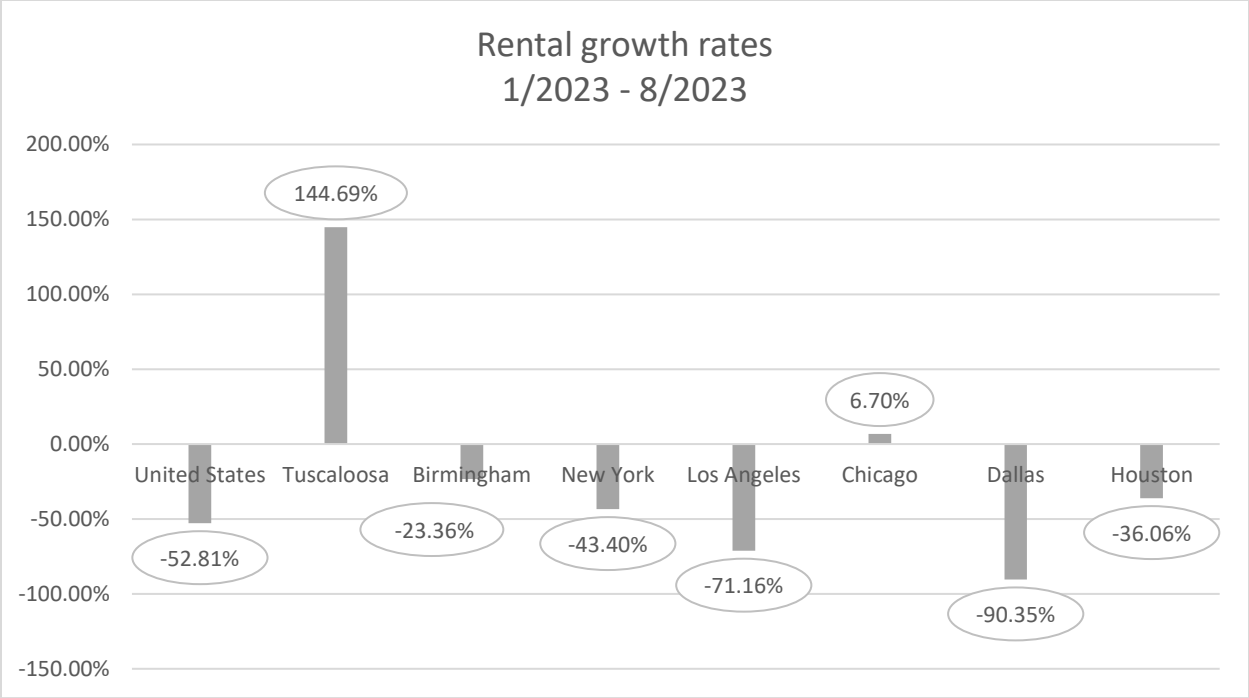
[Dr. Ken H. Johnson](#), an economist in FAU’s [College of Business](#) added: “While the pace of rent growth is slowing around the country, housing affordability is still a serious long-term concern.”

Rents in the South have typically been lower than the U.S. average, however Waller says, “while the growth is “significantly lower” than the nationwide average, the rate of growth is concerning”. Average growth rates in rent have been decreasing over the last months but are still moving higher. In Birmingham, AL rents increased from \$1,355 to \$1,420 over an eight-month period ending in August 2023. This increase reflects a 4.77% increase in rents. As such, renters needed to earn about \$57,800 in August 2023 relative to the \$54,200 needed in January 2023 to avoid being rent-burdened. Said differently, the typical renter would need an additional \$2,583 more in annual salary when renting today versus in January 2023.



Like Birmingham, rents in Tuscaloosa are also falling but at a much slower pace. Rental growth rates ending in August are at 15.5%, almost five times the growth of the national average of 3.25%. As reflected in the above graphic, while average growth in rental rates have been declining in the US, rents in Tuscaloosa have accelerated. Rents ending August 2023 on average were \$1,505 as compared to January rents of \$1,440 according to the [Waller, Weeks and Johnson Rental Index](#).

As reflected in the graph below, growth rates have been declining in much of the US. For example, the average rate of growth in the US is down by almost 53%, down 43% in New York and 23% in Birmingham. However, the growth in rental rates in Tuscaloosa has soared to an overwhelming 145% from 6.34% in January to a current level of 15.5%. Given the median household income for Alabamians of \$56,900, this amount is less than the necessary income of \$60,195 needed for Tuscaloosa residents to avoid being rent-burdened, up from \$57,600 in January. Consumers are considered rent-burdened when they spend 30% or more of their incomes on rent, lessening the ability to pay for other necessities.



“In the past, the nation has dealt with unaffordable housing in the short run by moving in together,” Waller said. “This is what seems most likely once again. “Rent amounts are much higher and household income has yet to catch up. I think we have moved from a rental crisis into a prolonged affordability crisis” says Waller.

“The issue of affordability is probably going to become the big question going forward,” Weeks said. “Until we see significantly more production of new rental inventory and average household annual income increases, we will be talking about affordable housing.”

Complete interactive data for both the US and Alabama can be found [here](#).