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## REAL ESTATE

# We're Headed Toward a Landlord-Friendly Era. Expect Higher Rent Prices.

Prospect of rising apartment rents could further stoke inflation and give the Fed another reason to pause

By [Rebecca Picciotto](#) [Follow](#)

Feb. 14, 2025 5:30 am ET



Housing complexes in Phoenix, one of the cities where apartment construction boomed in the past couple years. PHOTO: MARK LIPCZYNSKI FOR WSJ

The era of falling apartment rents looks to be nearly over.

A spike in rents during the early years of the pandemic sparked a historic apartment [construction boom](#) in 2023 and 2024. That crush of new inventory, especially in hot Sunbelt markets like Austin and Phoenix, led to oversupply and [caused rents to fall](#) in much of the country.

But more people now are renting longer, as [mortgage rates stay high](#) and the [costs of homeownership remain unaffordable](#) for many Americans. Landlords say that the

new construction pipeline should be mostly drained by year-end, setting the stage for rents to rise nationwide later this year.

“The relationship is going to very quickly flip from a renter-friendly environment to a landlord-friendly environment,” said Lee Everett, the head of research and strategy at multifamily giant Cortland.



Construction work at an apartment building in Austin, Texas, where a crush of new inventory led to oversupply. PHOTO: BRANDON BELL/GETTY IMAGES

Rising rents would complicate the inflation picture and likely give the Federal Reserve [another reason to pause](#) on future rate cuts. Shelter costs account for roughly a third of the consumer-price index, which means that a significant portion of the overall inflation measure is attributed to housing costs.

“It will be very hard for the headline inflation number to reach the Fed’s 2% goal without a slowdown in housing costs,” said Lisa Sturtevant, chief economist at Bright MLS.

Shelter costs increased 4.4% in January from last year. That was the smallest annual uptick since January 2022, and well below the peak period of 2023, according to the Bureau of Labor Statistics.

Now, the looming prospect of higher rents could reverse that progress. Rents have already been on a steady climb in [certain parts of the country](#) where new supply has been more muted, such as the Midwest, Northeast and parts of the West Coast.

By the end of this year, every major metropolitan market is expected to see positive rent growth, said Jay Lybik, national director of multifamily analytics at [CoStar](#).



President [Trump](#)'s policy mix, meanwhile, might slow the pace of new construction even further. Migrant deportations and threats to hit Canada and Mexico with tariffs would likely boost the cost of construction labor and materials as well as delay building timelines.

The U.S. depends on Canada and Mexico for roughly 25% of its building material imports, according to the National Association of Home Builders. And [undocumented workers](#) make up about 13% of the construction workforce.

In a January letter, the NAHB asked Trump to “consider the effects of tariffs on Americans struggling to afford housing” and to “exempt critical construction materials from such actions.”

New apartment construction is already starting to taper off. The number of multifamily building permits issued in the South over the past year is 4 percentage points below its prepandemic 2019 average, according to [Bank of America's](#) analysis of Census Bureau data.

And demand for rentals is rising steadily. The multifamily vacancy rate is now below its long-term average for the first time in about two years.

More tenants are in heated battles for vacant space. Last year, an average of nine prospective renters were competing for every open apartment unit on the market, according to RentCafe.

Amber Melhouse, a longtime Brooklyn renter, looked for a New York apartment last March after her landlord raised the rent on her two-bedroom unit to \$5,600 from \$4,250.

The 50-year-old small-business owner submitted roughly 60 inquiries to open apartment listings. Often, she found herself waiting behind a dozen other prospective renters. The longer she searched, the higher rent prices rose.

In December, she settled for renting out a spare room, done with the endless search for her own apartment. “It’s just a sport I don’t have an appetite for anymore,” she said.



Cranes dot the skyline in Miami in 2023. New apartment construction in the South has begun to taper off. PHOTO: JOE RAEDLE/GETTY IMAGES

Multifamily asking rents are still trending relatively flat nationally, but they are headed upward. On average, apartments were three dollars more expensive nationwide in January, the first increase in six months, according to property data firm Yardi Matrix.

Apartment absorption, a metric of rental demand that measures the change in how many units are leased, was higher last quarter than any other fourth quarter since at least 1985, according to real-estate firm [CBRE](#).

Apartment investors are placing bets on the Sunbelt’s 2025 rebound. [Equity Residential](#), a publicly traded multifamily landlord, paid more than \$274 million in the fourth quarter for three properties in Atlanta and Denver.

While both cities experienced negative annual rent growth in the fourth quarter, Equity Residential said it intends to invest even more in those regions. CBRE projects

that both cities will be back to positive rent growth this year.

Some investors that previously exited the Sunbelt market are returning. After selling all of its Sunbelt properties three years ago, [Gaia](#) Real Estate, a national real-estate investment and management firm, told The Wall Street Journal that it launched a new Sunbelt-specific acquisition arm with Raymond James as its investment bank. The new REIT has already bought three Sunbelt properties.



Rents have been climbing steadily in some regions including the Northeast. PHOTO: SPENCER PLATT/GETTY IMAGES

“We assume that the second half of 2025 [into] 2026 will be back to rent growth,” said Gaia CEO Danny Fishman. “We are playing the wave.”

Higher rents could increase pressure on government officials who campaigned on pledges to lower housing costs.

“This is chaos on steroids,” said Virginia Democratic Sen. Mark Warner. “The problem is that from the rental market side, I fear those folks are going to bear the biggest burden.”

In November, Rep. Robert Garcia (D., Calif.) led the launch of the bipartisan “Yes In My Back Yard (YIMBY) Caucus” specifically aimed at shaping congressional legislation to boost housing supply.

“I’m not sure there’s going to be any sort of movement yet on some of these priorities, but we’re going to try,” said Garcia.

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*Appeared in the February 15, 2025, print edition as 'Rents Are Poised to Rise, Muddling Inflation Fight'.*

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