

# Urban Apts. Lag the Suburbs in Rent Growth

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Gudell says that while suburban rents are still cheaper, “that’s likely to change” if demand keeps growing.

SEATTLE—Suburban apartments, and single-family homes, are outpacing their urban counterparts in rent growth for the first time in four years, Zillow said Friday. The acceleration in suburban rents stems from renters’ search for cheaper options outside the downtown core.

The trend has evolved over the past year, according to Zillow figures. Across the US, the median monthly cost of a suburban rental is up 2.5% year over year, while for urban areas the growth was 2.3% during the same time period. Twelve months ago, urban rentals were decisively outpacing the suburbs in Y-O-Y rent growth: 5% in cities compared to 3% for suburban properties, says Zillow.

Zillow’s hometown of Seattle is one of the poster children for a trend the firm identifies: a wider gap between suburban and urban rent growth in housing markets where rent affordability is worsening. Zillow cites Nashville and San Francisco, as well as Seattle, as examples, noting that the share of income needed for the median rent payment in the San Francisco metro area has increased from 34% to 44%.

In the Seattle metro area, the share has increased from 26% to 32%. In Nashville, where the median price of suburban rentals is about \$500 less than in the city proper, Y-O-Y rent growth for the suburbs is nearly three times as fast as in Nashville’s urban core.

The generally slower pace of rent growth this year is due to an increase in multifamily construction, mainly in urban areas. Meanwhile, suburban apartments tend to be roomier, and there’s also the option of single-family rentals. Zillow notes that 19% of all single-family homes are in the rental pool, compared to 13% in 2005.

“Because walkable urban centers close to amenities are typically a big draw for renters, you’d expect rents to rise faster in the city than in the suburbs, which is exactly what we’ve been seeing until very recently,” says Svenja Gudell, Zillow’s chief economist. “But a handful of factors are helping turn the tables and beginning to push suburban rents up at a higher clip,” including include deteriorating rental affordability in expensive urban cores; new apartments, albeit high-end ones, opening downtown compared to relatively few in outlying areas; and preferences among some renters toward the space offered by single-family homes in the suburbs.

“Rents themselves are still lower in the suburbs, but if demand keeps growing for suburban rentals and supply continues to lag, that will also start to change,” Gudell says. “As more formerly urban renters move to the suburbs in coming years, we’ll likely start seeing more apartment buildings and walkable amenities popping up in those communities.”