

## Rent remains high, but more properties offer incentives

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New construction surge prompts landlords and property managers to provide more perks

SEATTLE, Nov. 20, 2023 /PRNewswire/ -- Rental concessions—offers meant to entice tenants, such as free months of rent or free parking—are at their highest level in more than two years despite strong renter demand, Zillow's latest data shows. That's because property managers are now likely competing for tenants, as new, primarily upscale buildings from the recent construction boom enter the rental market.

About 30% of rental listings on Zillow advertised concessions in October, a surge that signifies a notable shift in the rental market. Within the past five years, concessions reached a peak in February 2021, with 36.7% of rentals offering incentives, coinciding with low renter demand during the pandemic. Those concessions then dropped as far as 19.4% in July 2022. However, the current rise comes as typical rent prices are nearly 30% higher than pre-pandemic levels, and annual rent growth [just ticked back up](#) after nearly two years of slowing down.

"The pandemic era's increase in concessions was a direct response to decreased renter demand. Currently, we're witnessing a different scenario where the demand for rental housing is high, but there's been a notable rise in supply," said Anushna Prakash, an economic research data scientist at Zillow. "To differentiate themselves from newer, potentially more amenity-rich apartment buildings, property managers are stepping up their game, offering more incentives to attract potential renters with a broader range of choices."

### Nationwide increase in concessions

Zillow data shows an astonishing 43 of the nation's largest 50 metropolitan areas have seen a rise in rental concessions compared to last year. The most deal sweeteners are found in Salt Lake City, Utah, and San Jose, California, where more than half the rentals listed on Zillow in October advertised concessions.

## Construction boom and its effects

This trend is especially pronounced in metro areas experiencing a construction boom. According to Fannie Mae's [Mid-2023 Multifamily Construction Update](#), markets such as Washington, D.C., Dallas and Austin are seeing more new developments, with Dallas and Austin having 74,000 and 66,000 new units, respectively, either recently completed or underway .

Zillow's data reveals a similar upswing in concessions in those metros and others, including Phoenix and Atlanta, which are also among the top markets for new multifamily construction. This correlation highlights how the influx of new apartments is likely prompting housing providers to offer incentives to attract renters.

### 10 Metro Areas with the Largest Share of Rental Concessions

Metro	Share of Rentals w/Concessions	Year over Year (YoY) Change in Share of Concessions	Typical Rent in Zillow Observed Rent Index (ZORI)	YoY Change in ZORI
Salt Lake City, UT	54.4 %	26.5 %	\$1,677	0.7 %
San Jose, CA	50.8 %	6.3 %	\$3,260	0.2 %
Washington, DC	49.6 %	-1.2 %	\$2,308	3.9 %
Charlotte, NC	47.6 %	20.5 %	\$1,826	2.4 %
Minneapolis, MN	46.8 %	3.4 %	\$1,647	2.7 %
Dallas, TX	45.9 %	17.4 %	\$1,803	0.6 %
Phoenix, AZ	45.1 %	10.1 %	\$1,902	0.6 %
Austin, TX	44.8 %	13.4 %	\$1,813	-2.8 %
Nashville, TN	43.8 %	8.1 %	\$1,896	0.9 %
Atlanta, GA	43.5 %	15.2 %	\$1,925	0.4 %

Source: Zillow data

## Diverse concession strategies across metros

Conversely, metro areas such as New Orleans (9%), Providence (14%), Miami (14%) and New York (15%) observed the lowest concession rates in October. This varied landscape suggests that property managers across the country are exploring different strategies as they gauge the effectiveness of concessions before potentially adjusting rental prices.

Zillow's [research](#), echoing the sentiments of economists and housing experts, highlights the fact that new construction and zoning reform are pivotal in enhancing housing affordability. The current trend in concessions, likely fueled by the spike in multifamily construction, is an interesting twist in the quest for affordability. It remains to be seen if the rise in concessions will translate to a significant drop in rent growth.

Zillow provides a clear and user-friendly platform for both housing providers and renters. Property managers can easily list concessions for their properties, while renters can find all available offers under the "Special Offers" tab on participating building detail pages, enabling them to make well-informed housing decisions.

## About Zillow Group

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