

REAL ESTATE | PROPERTY REPORT

Apartment Owners ‘Golden Age’ Primed to Continue in 2022

Rents are rising at record rates, and investors are spending more to snap up apartment buildings



Memphis, Tenn., is among the metro areas with the highest rent increases in 2021.

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By [Will Parker](#) [Follow](#)

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After apartment rents shot through the roof this year, landlords look poised to reap record profits in the next.

Rental building owners have benefited from unusually strong apartment demand during the pandemic. New household formation, delayed during early lockdowns, led to a surge in new leases. Meanwhile, the priciest housing market in history forced many would-be buyers to keep renting.

These developments shored up building occupancy rates, which reached records of more than 97% for market-rate apartments, and enabled landlords to boost rents. Asking rents were up nearly 20% for the 12-month period ended in November, according to a report from real-estate website Realtor.com.

Real-estate owners have been investing more money into apartment buildings than ever, according to data from [CoStar Group](#). A report from real-estate firm [Walker & Dunlop](#) calls it “the ‘golden age’ for multifamily.”

Analysts expect these many months of [supercharged rent increases](#) will really start to make the difference on landlord balance sheets in 2022. Green Street, a commercial real-estate analytics provider, projects record profit growth next year for publicly traded landlords. That estimated 13.5% increase in net operating income is expected to outpace the office, retail, lodging and student housing sectors, Green Street said.

Wall Street has been expecting as much. The NAREIT Equity Apartments Index, which tracks the performance of publicly traded apartment companies, is up about 60% this year, more than double the rise of the S&P 500 stock index. Shares of both [Camden Property Trust](#) and [Mid-America Apartment Communities](#) are up about 80%.

Still, some analysts question whether this accelerated rent growth is sustainable and whether tenants are willing to put up with it. As renters face higher payments, more might choose [to move back in with roommates or family](#), instead of renewing their leases. But most landlords have yet to see evidence of that.

“We see people staying put,” said Thomas Grimes Jr., chief operating officer of Mid-America, during an October earnings call. The company, which specializes in middle-income buildings in Sunbelt markets, reported it was raising rents by 13% for its renewal tenants.

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Nationally, Realtor.com forecasts that asking rents will continue to rise in 2022 at a rate of just over 7%, a lower rate of growth than this year. ([News Corp](#), owner of The Wall Street Journal, also operates Realtor.com under license from the National Association of Realtors.)

Cities with the highest rent gains in 2021 [include marquee destinations for the upwardly mobile](#), such as Austin, Texas, and Miami. They also include far less-

expensive metro areas, where both consumer and investor demand have risen, including Memphis, Tenn., and Jacksonville, Fla.

Concerns about worsening affordability in these cities next year are mounting. A federal eviction moratorium ended in late August, and as evictions rise, more low-income tenants face a rental market in which prices are much higher than they were just a few months ago.

“In a lot of these places, minimum wages have been rising, but not enough to keep pace with the rent growth,” said Danielle Hale, chief economist at Realtor.com. Nationally, the 12-month moving average of median wage growth was 3.7% in November, according to an analysis by the Federal Reserve Bank of Atlanta.

Housing analysts say new apartment supply would ease the climb in rents, but supply-chain issues have delayed some construction projects.

Even so, there are signs that more apartments will come on line in the next couple of years. Multifamily permitting increased this year, according to U.S. Census figures. Green Street forecasts that building completions will run relatively flat in 2022 before reaching record levels the year after.

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