June 2021

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The Relationship Between Pandemic Rent Growth and Educational Attainment

Rental rate growth during the pandemic has been widely divergent. Expensive, coastal urban markets have seen sharp rent declines, while more affordable suburban markets located in the Sun Belt, West and Midwest have recorded modest and sometimes robust year-over-year (YoY) rent growth. However, not every market fits this narrative. February data showed flat to declining YoY rents in Western and Sun Belt markets such as North Dallas (0.7%), Denver (0.3%), Nashville (-0.2%) and Austin (-2.1%). Is something besides an aversion to dense and largely deactivated urban environments driving the behavior of rental rates during the coronavirus pandemic?

The analysis examines one possible explanation for bifurcated multifamily rent growth: educational attainment. More specifically, the proportion of employed persons that have a bachelor's or post-graduate degree at an individual property. Data from the 2019 U.S. Census Bureau American Communities Survey and the Yardi Matrix Rent Survey is used to create a simple and straightforward ordinary least squares (OLS) regression model that estimates changes in YoY rent as a function of educational attainment.

Results suggest that a negative, sizeable and statistically significant relationship exists between levels of higher education and YoY rent growth during the pandemic. Multifamily properties where a large proportion of tenants held a bachelor's or post-graduate degree exhibited much weaker rent growth during the pandemic compared to properties with a less highly educated tenant base.

The effect is estimated to be as large as a 10.06 to 17.12 percentage point reduction in YoY rent growth for properties where 100% of the over-25 age population held a bachelor's or post-graduate degree, compared to properties where the over-25 age population contained no college graduates.