



Rental Rates Soar With Prices



**Will Falling Rates
Doom Housing?**



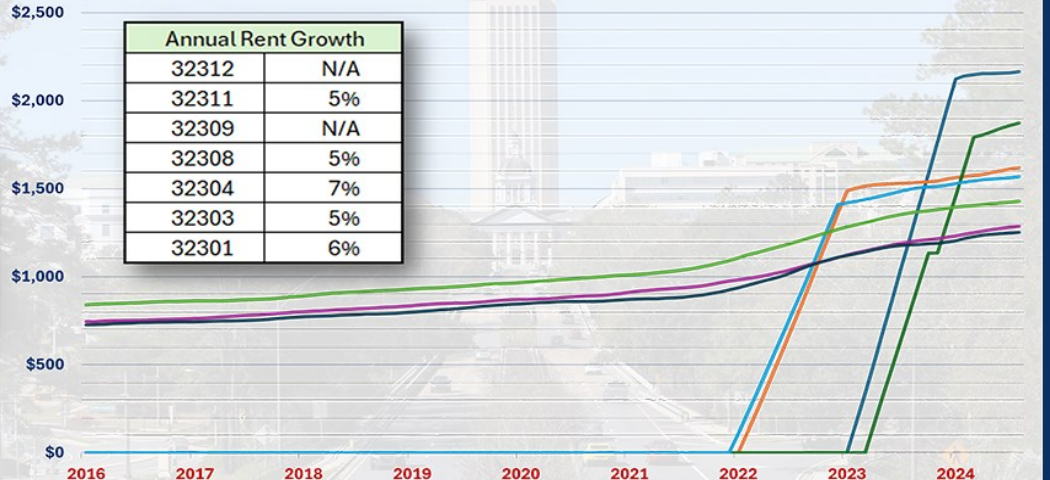
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TALLAHASSEE RENTS BY ZIP CODE



Source: Zillow Observed Rent Index (ZORI): A smoothed measure of the typical observed market rate rent across a given region. ZORI is a repeat-rent index that is weighted to the rental housing stock to ensure representativeness across the entire market, not just those homes currently listed for-rent. The index is dollar-denominated by computing the mean of listed rents that fall into the 35th to 65th percentile range for all homes and apartments in a given region, which is weighted to reflect the rental housing stock. As seen on manausa.com

Last year, Tallahassee reported the highest number of permits for multi-family construction since 1974.

With home affordability posing a significant financial challenge across the U.S., communities like Tallahassee will likely experience a shift toward shared living spaces.

The graph above displays the Zillow Observed Rent Index, which represents the mean of listed rents within the 35th to 65th percentile range for all homes and apartments in a specific region.

Zillow has tracked local rents by zip code for years, but they only began monitoring northside Tallahassee zip codes in the last 10 to 24 months. Therefore, I remain skeptical about these results until Zillow collects more data. However, for zip codes 32301, 32303, and 32304, Zillow has nearly a decade of rental data, allowing me to create a

trend line for each area. Over the past twelve months, 32301, 32303, and 32304 have reported rent increases of 6%, 5%, and 7%, respectively. This rapid growth indicates that we have yet to see the effects of new units expected to enter the rental market from this year through 2026. If rents begin to decline, we could anticipate an increase in inventory on the for-sale side of the market.

The Shelter Market Dynamics

Many housing market analysts mistakenly view the for-sale and for-rent markets as separate entities. This misconception overlooks the reality that occupants often transition between the two based on perceived value and affordability. A positive outcome from building more apartments is that we'll (hopefully) build enough to reduce the inventory shortage that has caused prices and rents to soar.

