

Consumer Morsel

On the move: Consumers bent on lower rent

30 October 2024

Key takeaways

- According to Bank of America internal data and continuing a trend that started at the beginning of the pandemic, people are moving from higher priced areas in the West and the Northeast, to relatively less expensive cities in the South and Midwest. Indianapolis, Columbus, Cleveland, and Austin top of our list of top domestic migration destinations.
- However, Bank of America data also suggests that people moving within the same metropolitan statistical area (MSA) are making up a larger share of movers each year. In our view, this may reflect some slowdown in hiring and consumers' increased labor market-induced anxiety in making large cross-city moves.
- Our internal deposits data shows that median rent payments are up 3.7% year-over-year in September 2024, a full percentage point lower than the official rate of rent inflation. This is likely due to people "downgrading" within the same city. In fact, higher-income customers in the Northeast have seen the biggest decrease in "new" rents, likely as they trade down amidst higher rental inflation rates.

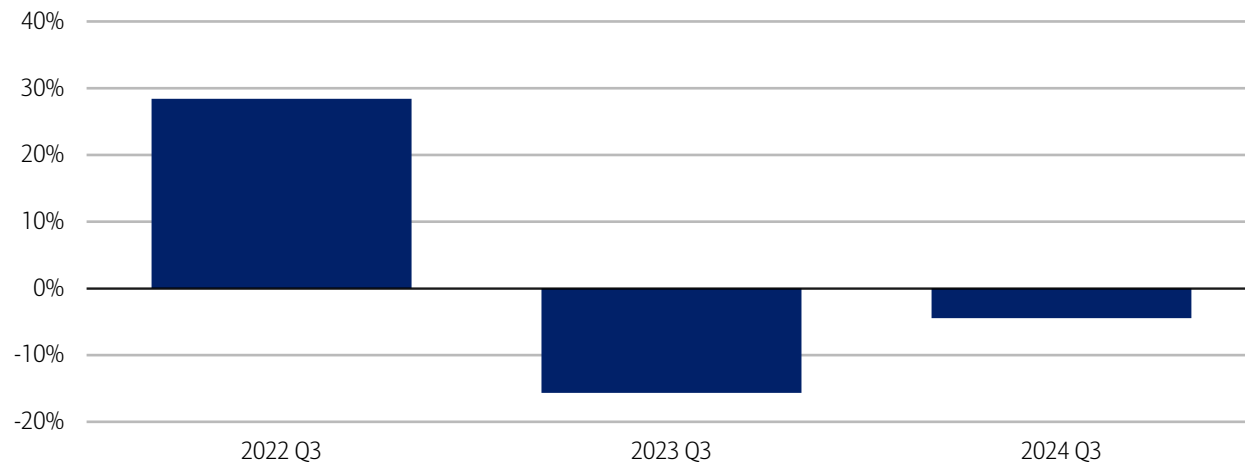
Wagons (Mid)west

In our quarterly ["On the move" publications](#), we track the number of people that are moving around the US and dig into what is driving these relocations. We do this by using a fixed sample of Bank of America customers who have had an open consumer checking, savings, credit and/or other investment accounts for every quarter since the third quarter (Q3) of 2020.

Exhibit 1 shows the number of customers that moved in Q3 2024 fell 4% year-over-year (YoY). While that is an improvement from the 16% YoY decline in Q3 2023, it is down significantly from the third quarter of 2022, when moves surged almost 28% YoY as employees, after largely working from home, migrated back to be closer to their offices.

Exhibit 1: Fewer customers moved in the third quarter (Q3) of 2024, down 4% year-over-year (YoY), but the rate of growth is up compared to the 16% YoY decline in Q3 last year

The year-over-year (YoY) percentage change in the number of customers that moved to another MSA (quarterly, %)



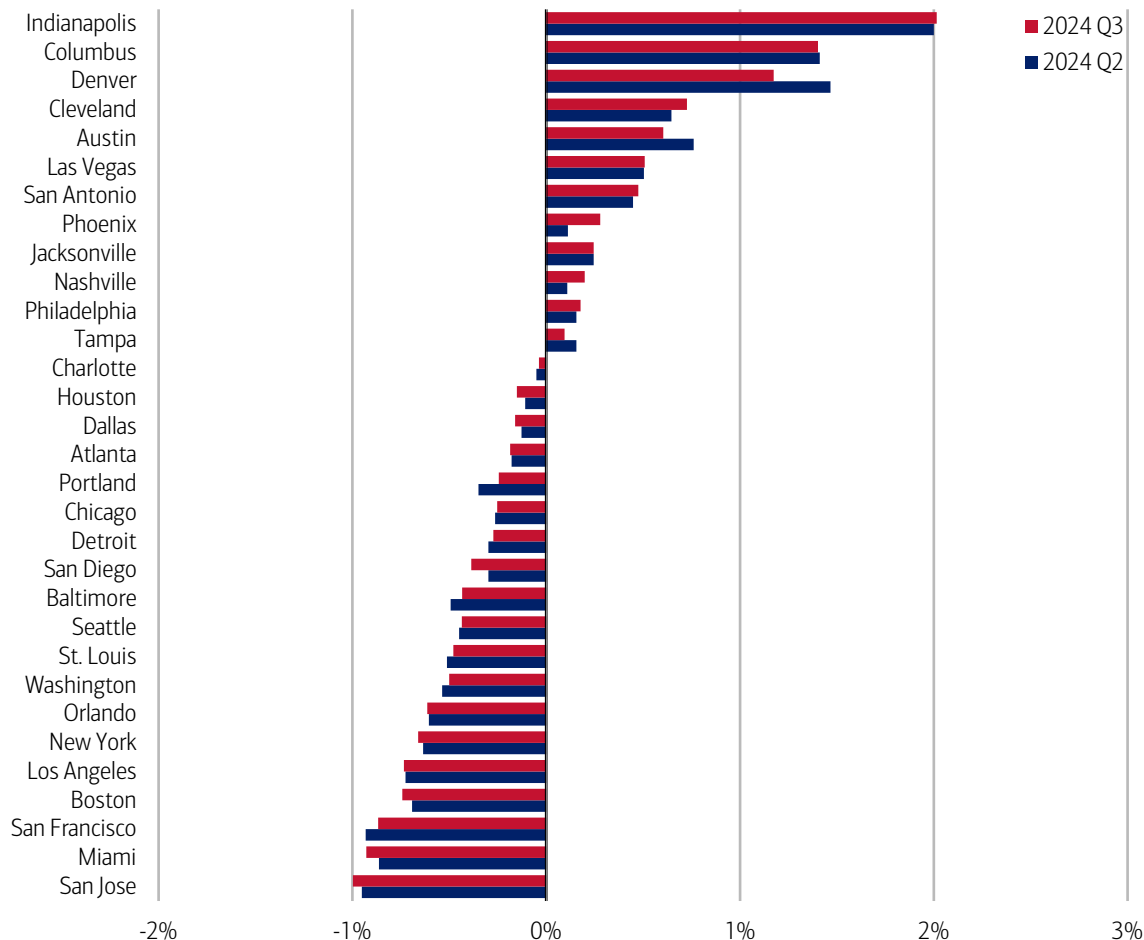
Source: Bank of America internal data

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Looking across MSAs (metropolitan statistical areas), Bank of America internal data for the third quarter of 2024 suggests a continuation of the trend that began at the start of the pandemic in which people are moving away from areas with less affordable housing (Exhibit 2).

Exhibit 2: Northeastern MSAs are continuing to see a net population outflow in Q3 2024, with New York and Boston experiencing a slightly faster decline compared to last quarter. But the picture in the West, Midwest, and South is more mixed with Indianapolis, Columbus, and Denver all experiencing over 1% growth

Net population change in major MSAs, according to Bank of America internal data (YoY % change, positive means net inflow, negative means net outflow)



Source: Bank of America internal data

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In the Northeast, Boston and New York are experiencing a slightly faster decline in population growth compared to last quarter, while in the West, Midwest and South, the data remain more mixed.

Out west, San Francisco, San Jose, and Los Angeles all saw YoY declines, while Las Vegas and Phoenix experienced gains – the latter of which are all likely to offer relatively more affordable housing in the region. Notably, Denver experienced a population increase in Q3 2024, but is growing much slower compared to the previous quarter. Meanwhile, southern cities such as Miami and Orlando experienced some of the largest declines, while Austin, San Antonio, Jacksonville, and Nashville grew.

In the Midwest, Indianapolis, Columbus, and Cleveland top the list of net population inflows according to Bank of America internal data, while Chicago and Detroit saw small declines.

Brand new home, same city taste?

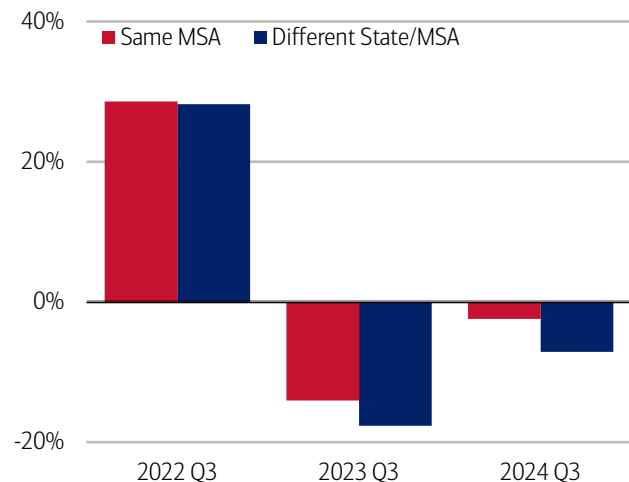
When changing cities, there are additional moving and transportation costs as well as other expenses including new supplies, furniture, and appliances (see: [Q2 2024 On the move](#)). There’s also the ‘risk’ of moving to a new city, given people are often taking on a new job, as well as a new area, and leaving behind their previous familiar location.

Alongside using Bank of America internal data to track customers switching MSAs, it is also possible to analyze those making moves within the same MSA or city. When we do this, we find a larger decrease in people moving to a different state or city, down 7% YoY in the third quarter of 2024, compared to the 2% YoY decrease in people moving within the same MSA (Exhibit 3).

Furthermore, people relocating within the same MSA are making up a higher share of total movers, up from the pandemic low seen in Q3 2021 (Exhibit 4).

Exhibit 3: The number of people moving to different states or MSAs has decreased 7% YoY, far lower than the 2% decline for people moving within the same MSA

The YoY% change in the number of people moving by location (quarterly, %)

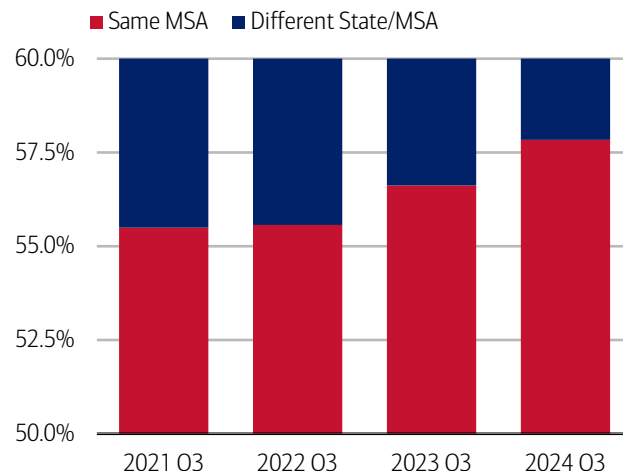


Source: Bank of America internal data

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Exhibit 4: The Q3 2024 share of people moving within the same MSA has increased to 58% since the pandemic low of 55% in Q3 2021

Percentage share of people moving by location (quarterly, %)



Source: Bank of America internal data

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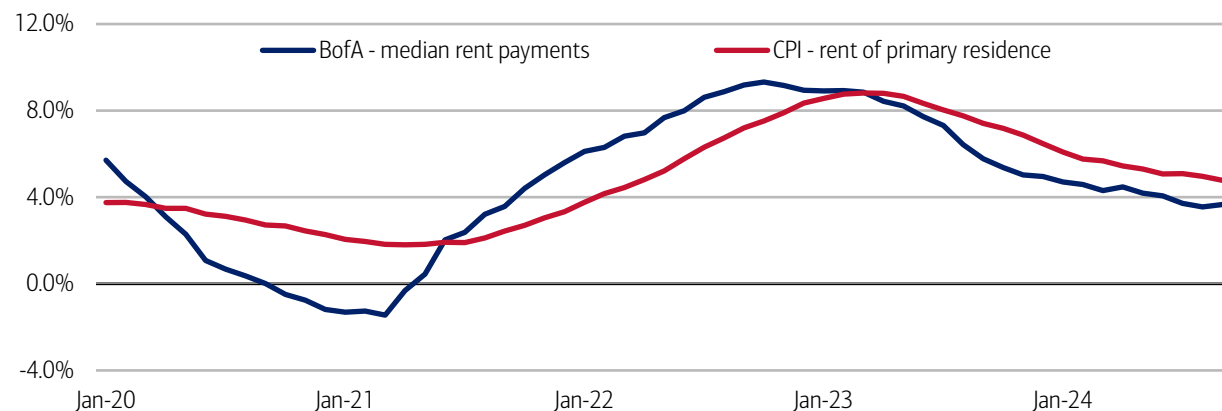
In our view, the larger decline in moves between MSAs makes some sense given labor market developments. While September was a particularly strong month for jobs growth (see: [October Consumer Checkpoint](#)), hiring has been relatively weaker over the past year. Additionally, a recent survey from Fannie Mae found that 21% of respondents were concerned about losing their job in the next 12 months, an increase of six percentage points over the last three years. So, it could be that job-related relocations have cooled.

Rents are high, and consumers would rather move than pay them

Renters make up a small but significant portion of movers (about 34% of US households rent according to the US Census Bureau) and tend to skew towards younger and lower income consumers. Looking at our data for September 2024, we find that renters appear to be downgrading to comparatively more affordable, including potentially smaller (e.g., two bedrooms to one bedroom) properties, as they seek less expensive rents.

Exhibit 5: September 2024 Bank of America median rental payment growth is slowing YoY, up 3.7% compared to the 9.3% YoY peak in October 2022. It's also not keeping pace with inflation, with CPI up nearly 5% YoY

Median rent payment YoY growth compared to rent of primary residence CPI (three-month moving average, %)



Source: Bank of America internal data; Bureau of Labor Statistics

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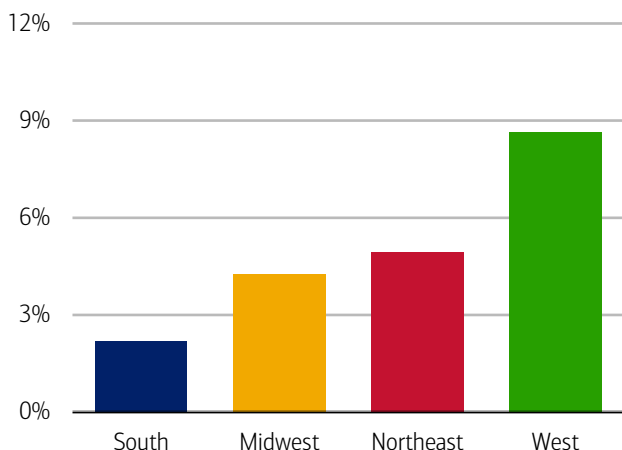
Bank of America internal deposits data suggests that median rent payments increased a little over 3.5% YoY in September 2024, while consumer price index (CPI) inflation data from the Bureau of Labor Statistics (BLS) indicates that rents (rent of primary residence) have risen nearly 5% YoY (Exhibit 5).

However, an important distinction is that BLS is a 'like for like' comparison (same apartment, same city), while Bank of America data shows what consumers are actually paying. The fact that actual rent payments growth is lower than the like-for-like measure suggests to us that as consumers move, they are favoring *relatively* more affordable options than their current apartment or house.

Part of the story here is that people are also changing MSAs in favor of comparatively less expensive regions, such as the South. Using Bank of America internal data, we can analyze "new" rents by comparing the rental payments before and after a move (see methodology). Looking across different US Census regions, we can see where these new rents are lower than the rate of overall rent inflation. On average, people moving to the South are paying only 2% more in new rents, significantly lower than the rate of inflation, while those moving to the Northeast are seeing a slightly larger increase in rents (Exhibit 6). Notably, the West saw the highest "new" rents, but this is likely due to the high concentration of the US's most expensive MSAs (see: [Homebuyer insights and the housing challenge](#)).

Exhibit 6: "New" rent payment increases for people moving to a different region are smaller in the South, but remain modest in the Midwest and Northeast

Average rent payments after a move in Q2 of 2024 compared to the average rent before the move (Q3 2024, %)

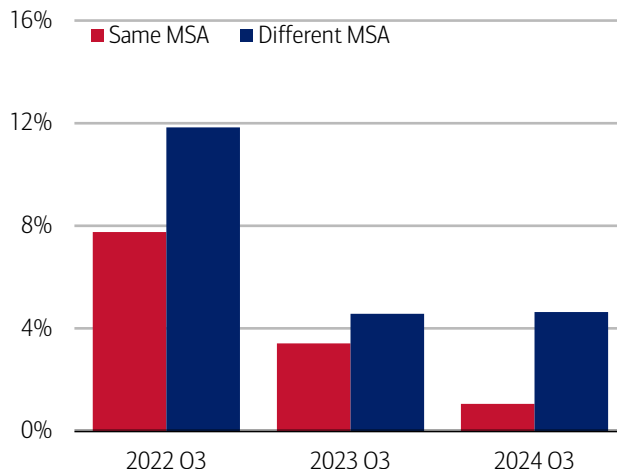


Source: Bank of America internal data

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Exhibit 7: New rents payments for moves within the same MSA have increased slower than new rents for moves to different MSAs

Average rent payments after a move in Q2 of 2024 compared to the average rent before the move by location of the move (Q3 2024, %)



Source: Bank of America internal data

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However, we also find that people moving within the same MSA experienced an average increase in rental payments of just 1% in Q3 2024, significantly lower than average rise of 5% seen by people moving to different MSAs (Exhibit 7). So, in our view, as well as putting downward pressure on rents by moving cities, some consumers are also likely downgrading within the same city, either to cheaper areas or less expensive rental properties.

In the Northeast, higher income consumers give expensive rents the cold shoulder

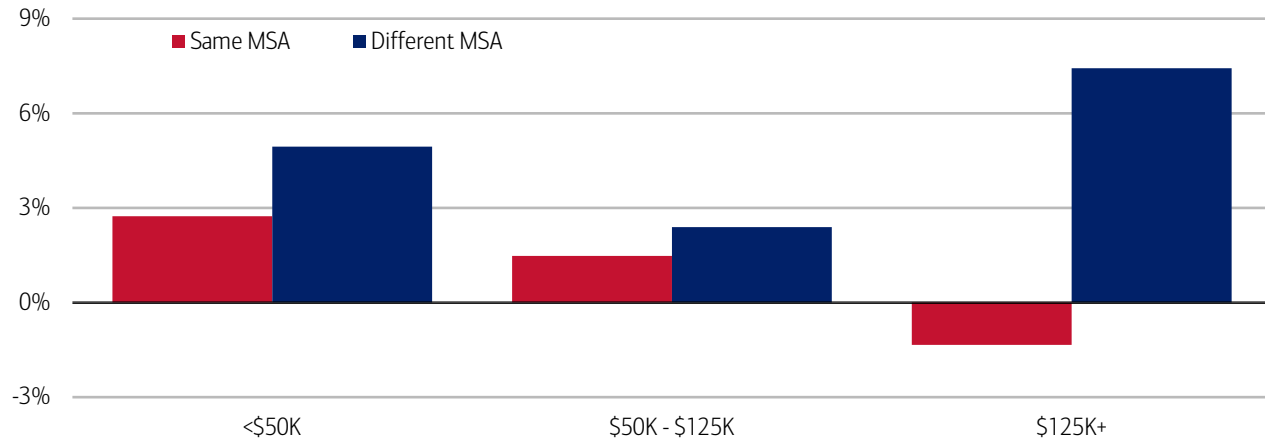
It appears that the 'trading down' in rental units has been most prevalent for higher income consumers (>\$125K) who stayed in the same MSA. Their average new rents in Q3 of 2024 were 1% lower than their previous rental payment, compared to a 7% increase for those who changed MSAs (Exhibit 8). Perhaps, those with higher incomes find it easier to downgrade rental units as they are more likely able to afford larger units in the first place, while those with lower incomes may already be in more affordable properties.

And nowhere is this experience more obvious than in the Northeast, where customers with higher incomes who stayed in the same MSA paid 6% less for their new rents in the third quarter of 2024, according to Bank of America internal data (Exhibit 9). In our view, this is also due, in part, to consumers seeking value in their living spaces, as rents accelerate faster in the Northeast according to CPI data from the BLS (Exhibit 10). Although some of this decrease could be due to deals on new rents for recent residential development.

Overall, in our view, the data suggests that consumers are increasingly pushing back against higher rents, particularly at the top end of the rental market. If the labor market were to deteriorate sharply, we would expect these trends to increase further.

Exhibit 8: In Q3 2024, new rents for higher income customers who moved within the same MSA have decreased 2%, while those who moved to different MSAs saw a 7% increase

Average rent payments after a move in Q2 of 2024 compared to the average rent before the move by income cohort (Q3 2024, %)

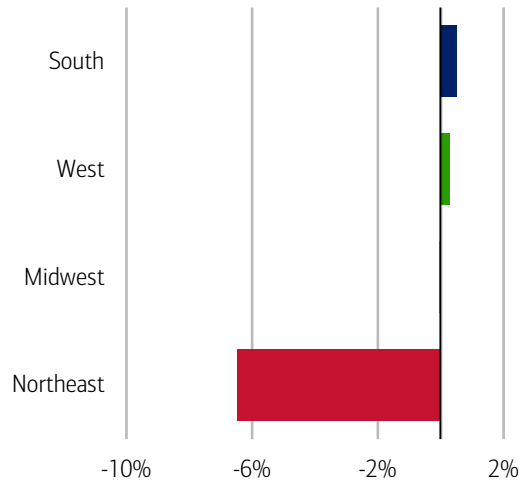


Source: Bank of America internal data

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Exhibit 9: New rents for higher income customers who moved within the same MSA have decreased the most for those living in the Northeast in the third quarter of 2024

Average rent payments after a move in Q2 of 2024 compared to the average rent before the move by US Census region (Q3 2024, %)

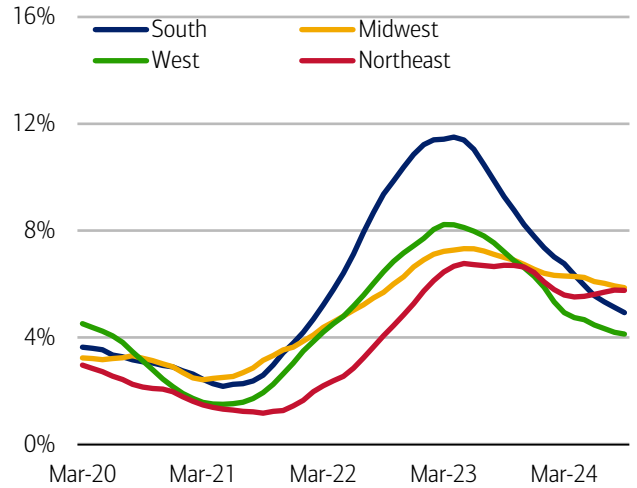


Source: Bank of America internal data

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Exhibit 10: Rent of primary residence inflation has accelerated faster in the Northeast than other regions over the past year

Rent of primary residence CPI by region (three-month moving average, %)



Source: Bureau of Labor Statistics

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Methodology

Selected Bank of America transaction data is used to inform the macroeconomic views expressed in this report and should be considered in the context of other economic indicators and publicly available information. In certain instances, the data may provide directional and/or predictive value. The data used is not comprehensive; it is based on aggregated and anonymized selections of Bank of America data and may reflect a degree of selection bias and limitations on the data available.

Our analysis for migration pattern is based on the group of Bank of America customers who had an open consumer checking, savings, credit and/or other investment accounts for every quarter between 4Q 2020 and 3Q 2024. Migration pattern is then extracted based on customer home addresses. This methodology yields a fixed sample size of roughly 45 million customers.

Because our data is based on a fixed sample of customers it will not capture the impact of international migration. Instead, our analysis is designed to look at how internal migration in the United States is changing. Accordingly, the overall population movements in the official Census Bureau data, which also accounts for international migration, will not necessarily align with our data in some MSAs, though our data should give similar directional signals.

These changes in address are also used to identify households that have moved in order to capture the spending on moving-related categories for the six-month period before and after a move. To look at this, we use Bank of America internal credit and debit card spending data for households that moved in June over the period 2021-2024. We then determine the average household spending for the 6 months leading up to the move, denoted as "6-" through "1-", the month of the move, denoted as "0," and for the 6 months after the move.

Median mortgage payments for customers who have not moved as also based on this data and include only customers who have not had a change in address.

Any payments data represents aggregated spend from US Retail, Preferred, Small Business and Wealth Management clients with a deposit account or credit card. Aggregated spend include total credit card, debit card, ACH, wires, bill pay, business/peer-to-peer, cash, and checks. This includes rent payments, although wires, cash, and some (mostly paper) checks intended for rent payments may be excluded.

New rents were derived by comparing the rental payment for all movers during the period before and after a move that occurred in April, May and June. Movers were identified based on changes in customers' home addresses. Rent payments during January, February or March were taken as "before", while July, August or September served as the "after." If multiple rent payments existed in the two months before or after, the "highest" rent was chosen. Then, the percentage change was computed using the average "highest" rent for all movers in the same MSA before a move, compared to the average "highest" rent for these same customers after the move.

Any **Small Business** payments data represents aggregate spend from Small Business clients with a deposit account or a Small Business credit card. Payroll payments data include channels such as ACH (automated clearing house), bill pay, checks and wire. Bank of America per Small Business client data represents activity spending from active Small Business clients with a deposit account or a Small Business credit card and at least one transaction in each month. Small businesses in this report include business clients within Bank of America and generally defined as under \$5mm in annual sales revenue.

Unless otherwise stated, data is not adjusted for seasonality, processing days or portfolio changes, and may be subject to periodic revisions.

The differences between the total and per household card spending growth rate can be explained by the following reasons:

1. Overall total card spending growth is partially boosted by the growth in the number of active cardholders in our sample. This could be due to an increasing customer base or inactive customers using their cards more frequently.
2. Per household card spending growth only looks at households that complete at least five transactions with Bank of America cards in the month. Per household spending growth isolates impacts from a changing sample size, which could be unrelated to underlying economic momentum, and potential spending volatility from less active users.
3. Overall total card spending includes small business card spending while per household card spending does not.
4. Differences due to using processing dates (total card spending) versus transaction date (per household card spending).
5. Other differences including household formations due to young adults moving in and out of their parent's houses during COVID.

Any household consumer deposit data based on Bank of America internal data is derived by anonymizing and aggregating data from Bank of America consumer deposit accounts in the US and analyzing that data at a highly aggregated level. Whenever

median household savings and checking balances are quoted, the data is based on a fixed cohort of households that had a consumer deposit account (checking and/or savings account) for all months from January 2019 through the most current month of data shown.

Bank of America aggregated credit/debit card spending per household includes spending from active US households only. Only consumer card holders making a minimum of five transactions a month are included in the dataset. Spending from corporate cards are excluded. Data regarding merchants who receive payments are identified and classified by the Merchant Categorization Code (MCC) defined by financial services companies. The data are mapped using proprietary methods from the MCCs to the North American Industry Classification System (NAICS), which is also used by the Census Bureau, in order to classify spending data by subsector. Spending data may also be classified by other proprietary methods not using MCCs.

Generations, if discussed, are defined as follows:

1. Gen Z, born after 1996;
2. Millennials: born between 1978-1995;
3. Gen Xers: born between 1965-1977;
4. Baby Boomer: 1946-1964

Additional information about the methodology used to aggregate the data is available upon request.

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