

# New Grads Learn Tough Rent Lessons

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## FULL TEXT

Recent graduates are in high demand, commanding higher pay and improved benefits. They are also entering what may be the toughest-ever market for renters.

The National Association of Colleges and Employers says employers plan to raise pay for many 2022 graduates, though it doesn't yet have firm figures for the entire class. In the most recent complete data, the group said 2020 grads made average starting salaries of about \$55,000, up more than 14% over the average about a decade before. Rents are rising even faster. Median apartment rents are up more than 16% in the past year and up 28% since January 2017, according to rental website Apartment List.

In the greater Nashville metro area, the increase has pushed renters right up against the rule of thumb cited by many financial advisers that people shouldn't spend more than 30% of their monthly income on rent. In Music City, the median rental price for a one-bedroom apartment is now \$1,264. On a \$55,000 salary, such rent would be about 28% of pretax earnings.

Recent college graduates heading to New York City and San Francisco have long needed to find roommates or tiny apartments to afford a place to live. This is now also the case in many other cities. Thousands of graduates who had expected to find an affordable one-bedroom on their own are making new plans.

There are 20 large metro areas more expensive than Nashville on Apartment List's price list.

"That's pretty astronomical rent growth," said Chris Salviati, a housing economist at Apartment List. "When we're talking about recent grads entering the market right now, in many cases these are folks who are going to be struggling more than those who graduated just a couple years ago."

The rent burden on young workers has been building for some time. A 2019 analysis by apartment website HotPads, part of Zillow, found that because rents outpaced early career income growth for an entire decade, a median-priced apartment was unaffordable to the typical recent graduate in the top 50 housing markets.

Many former students are pivoting to a familiar reality: living with roommates. The upside of sharing an apartment or house is that it will get you a foothold in a new city where you find a job, while leaving you with just enough cash to occasionally enjoy it.

John Shriber co-founded housemate-finding platform Roomster with a friend from the friend's studio apartment nearly 20 years ago. Searches on his site dropped during the pandemic, he said, when many people sought to live alone, or put off plans to move out from their parents' home.

Roommate queries this year have risen about 40% year over year in cities like Nashville, Austin and Atlanta, and supply doesn't meet demand, he said.

As of late April, 338 rooms were available in Austin on Roomster, and 1,756 people were looking at them. The average asking price for a room in Austin is up 33% this year, reaching \$948. The average searcher's budget there is \$917, according to Roomster.

"I don't think living has ever been cheap, but things are very different now," Mr. Shriber said.

In the past, Mr. Shriber said, his platform relied more heavily on a series of filters to help users match up with perfect roommates, with options for everything from bedtimes to astrological signs. Those mostly have fallen by the wayside, he said, with price rising above all other factors.

Waleed Huwio is a Michigan State University graduate moving to Charlotte, N.C., to start a job in banking. Mr.

Huwio will pay about \$1,250 for a bedroom in a luxury apartment he is splitting with other recent grads.

"I've got two roommates because the apartment is a little pricier," he said.

The building is walking distance from Mr. Huwio's job. It has perks such as a swimming pool and a rooftop lounge. Even when the price is right, renters must demonstrate to landlords that they can afford a place. Landlords tend to want to see cash savings, a long work history or previous renting experiences. Renters who don't have much to show are sometimes asked to provide a guarantor, or a person who will agree to take responsibility for lease obligations in case the renter can't pay.

Asking someone to be a guarantor is tough, even the people closest to you, as it usually requires them to provide sensitive personal information like tax returns. As an alternative, a number of companies, including the property-technology startup Rhino, now let renters pay them a fee to act as guarantors, charging as much as one month's rent for the service.

But most graduates see the value in not stretching beyond what they can easily afford for their first apartment after school."I'm really keen on saving," Mr. Huwio said.

Credit: By Will Parker

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