

LET'S TALK ABOUT CASH FLOW

TOP 100 REAL ESTATE MARKETS
FOR CASH FLOW IN 2022



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INTRODUCTION

The vast majority of real estate investors get into the industry to pursue passive cash flow. Unfortunately, over the last several years, finding deals with strong cash flow has become a challenge. However, there are still plenty of markets in the U.S. that continue to offer cash flow potential.

Below, I provide what I believe to be the top 10 markets in the United States for cash flow as well as a full list at the end that has key cashflow metrics for the largest 100 markets in the nation.



CASHFLOW TRENDS

There's been a lot of anecdotal chatter about how difficult cash flow is to find these days, so I looked at the data to see if this is true. One of the most common metrics used to estimate cash flow potential and the one I will use for the remainder of this article, is known as the rent-to-price ratio (RTP). The higher the RTP, the better potential for cash flow.

RTP is a simple calculation—you divide median monthly rent by median sales price. According to an analysis I did in 2020, there is a correlation of .85 (1 being the strongest correlation) between RTP and cash flow. It's not perfect, but it's pretty good for the broad analysis that we're doing here.



← RENT-TO-PRICE RATIO (2005-2019)

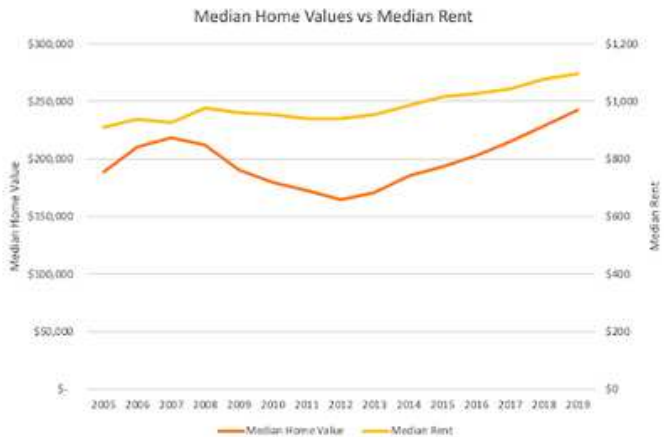
As you can see, according to U.S. Census data, RTP has been on the decline since 2012. The chatter about cash flow becoming harder to find is accurate!

Note: Data is from US Census, which is not the most current, but it provides a consistent methodology over a long period and is therefore preferred for looking at historical data like this. For my analysis of what markets currently offer the best cash flow, I use BiggerPockets' proprietary data, which is updated weekly.

This graph tells a very important story about the Great Recession's impact and its subsequent fallout when housing prices dropped significantly more than rent prices.

Generally speaking, during recessions, rent values don't fall very much. Demand from renters does not fluctuate much based on economic cycles. People will always need a place to live. In fact, home prices don't usually dip too much during recessions either – with the Great Recession being a notable exception.

MEDIAN HOME
VALUES VS MEDIAN
RENT (2005-2019)



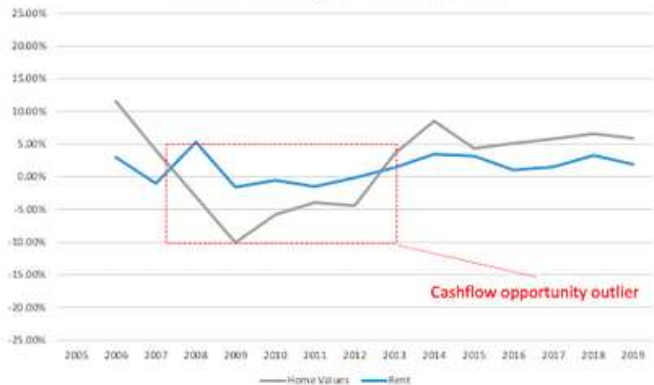
From 2008-2012, home prices declined more dramatically and for longer than rent. You can see this very clearly if you look at the compounded growth rates for the years 2008-2012. Home values averaged a decline of nearly 5% per year for four years while rent was negative, but barely.

This created the ideal situation for the cash flow we saw in the aftermath of the Great Recession. Homes became cheaper, and expenses declined, but incomes stayed relatively flat. Since 2012, home values started growing faster than rent, and RTP started to decrease.

So, while it's true that cash flow has been, on a national level, increasingly difficult to find, it's important to remember that the Great Recession and its aftermath was a uniquely positive opportunity to find cash flow. It's not the norm.

Year-Over-Year Change | Home Values & Rent

YEAR-OVER-YEAR
CHANGE FOR HOME
VALUES AND RENT
(2006-2019)



That said, there are still good opportunities to find cash flow! Certain markets still offer excellent cash flow prospects across the board, and most markets can still produce cashflow if you pursue value-add strategies, short-term rental, or other creative strategies. For this analysis, I looked at which markets offer strong cashflow potential regardless of strategy, as measured by the rent-to-price ratio.

TOP 10 MARKET FOR CASHFLOW IN 2022

Broadly speaking, the best cashflow opportunities in the United States are concentrated in the Midwest and Southeast. That doesn't mean you can't find cash flow in other cities. But generally speaking, the western half of the country has less cash flow opportunity than the eastern half. Here's the data for the top 10 cashflow markets:

City/State	Median Home Value	YoY Home Value Growth	Rent	YoY Rent Growth	RTP
DETROIT, MI	\$63,000	29%	\$1,400	7.69%	2.22%
SHREVEPORT, LA	\$93,565	-5%	\$0,950	3.32%	1.02%
CLEVELAND, OH	\$130,117	9%	\$1,272	12%	0.98%
SCRANTON, PA	\$142,733	20%	\$1,394	16%	0.98%
AKRON, OH	\$113,333	28%	\$0,990	16%	0.87%
MEMPHIS, TN	\$163,167	23%	\$1,370	12%	0.84%
PHILADELPHIA, PA	\$233,983	8%	\$1,795	9%	0.77%
ROCHESTER, NY	\$177,500	7%	\$1,347	12%	0.76%
MILWAUKEE, WI	\$199,417	11%	\$1,395	8%	0.70%
MIAMI BEACH, FL	\$514,500	-20%	\$3,595	65%	0.70%

As you can see, Detroit stands on its own in terms of cash flow, with an RTP more than double the next highest city on our lists. Regardless, all of the cities on this list offer strong cash flow potential.

You should note that I didn't just pick the 10 cities with the highest RTP. I didn't want to concentrate on all the interesting markets near each other, so I tried to create some geographic and economic diversity amongst the cities (I still couldn't find anything in the west). I also only chose cities that have enough data for analysis and large enough economies to warrant investing consideration.

HOW TO INTERPRET THIS DATA

If you're looking at this list thinking, "what is a good RTP?" That's a great question! That is a personal choice for investors, but I'll share my thoughts. For many years a lot of investors subscribed to something known as the 1% rule. It basically stated that any deal you pursue should have an RTP above 1%. Furthermore, some people only want to invest in markets where the average RTP is 1%. Personally, I don't subscribe to this rule for a few reasons.

1. It was developed over a decade ago during the cashflow outlier period I mentioned above. It was realistic back then to find plenty of deals with an RTP over 1%. Now, it's no longer a useful rule of thumb. You need to adjust to current-day market conditions, and religiously following the 1% rule is going to prevent you from getting in on deals that are very strong by today's standards. Some of my best deals, even my highest cash-flowing deals, didn't meet the 1% rule at the time of purchase.
2. RTP is just a proxy for cash flow—not a precise measurement. You shouldn't decide to pursue or abandon any deal until you've fully run the numbers. RTP alone should not be used to make investing decisions. You need to account for taxes, insurance, and other expenses. Additionally, you need to factor in rent growth. If rent grows in your market, the RTP will improve over time.
3. I love using RTP to screen markets for cashflow potential but remember the data above is just the average. That means, by rule, there are deals with better RTPs than the city's average and deals with worse RTPs than the city's average. For example, in Milwaukee, the average RTP is 0.7%, but I guarantee committed investors can find deals with a much higher RTP than 0.7%, and likely even above the 1% rule. Generally speaking, any market with an RTP above .6% has the potential for cashflow deals.

CONCLUSION

Although cash flow potential, as measured by RTP, has declined over the last several years, many markets in the U.S. still offer strong cash flow potential across the board. As my analysis shows, they are largely concentrated in the Midwest and Southeast. But that being said, plenty of other markets offer cash flow potential.

And remember, this data is just averages! It doesn't reflect the best possible deal in each city, it doesn't factor in rent growth or value add either. These are broad metrics meant to help you narrow down cities for investment consideration. They are not meant to evaluate the potential of any individual deal or sub-market. Looking for an agent to help you find deals? Visit biggerpockets.com/agent/match.



1-25 CASH FLOW MARKETS

City/State	Median Home Value	YoY Home Value Growth	Rent	YoY Rent Growth	RTP
DETROIT, MI	\$63,000	29%	\$1,400	7.69%	2.22%
SHREVEPORT, LA	\$93,565	-5%	\$0,950	3.32%	1.02%
CLEVELAND, OH	\$130,117	9%	\$1,272	12%	0.98%
SCRANTON, PA	\$142,733	20%	\$1,394	16%	0.98%
AKRON, OH	\$113,333	28%	\$0,990	16%	0.87%
MEMPHIS, TN	\$163,167	23%	\$1,370	12%	0.84%
PHILADELPHIA, PA	\$233,983	8%	\$1,795	9%	0.77%
ROCHESTER, NY	\$177,500	7%	\$1,347	12%	0.76%
MILWAUKEE, WI	\$199,417	11%	\$1,395	8%	0.70%
MIAMI BEACH, FL	\$514,500	-20%	\$3,595	65%	0.70%
PITTSBURGH, PA	\$228,875	5%	\$1,595	14%	0.70%
PORT SAINT LUCIE, FL	\$380,333	26%	\$2,650	33%	0.70%
PENSACOLA, FL	\$241,975	21%	\$1,673	29%	0.69%
NAPLES, FL	\$560,833	37%	\$3,800	-3%	0.68%
MYRTLE BEACH, SC	\$268,375	10%	\$1,810	14%	0.67%
BALTIMORE, MD	\$259,483	22%	\$1,750	13%	0.67%
OCALA, FL	\$253,000	26%	\$1,700	19%	0.67%
FORT LAUDERDALE, FL	\$457,300	15%	\$3,033	35%	0.66%
MIAMI, FL	\$462,500	24%	\$3,039	29%	0.66%
MOBILE, AL	\$173,433	9%	\$1,100	10%	0.63%
OKLAHOMA CITY, OK	\$188,833	13%	\$1,195	18%	0.63%
CHICAGO, IL	\$328,500	2%	\$2,063	18%	0.63%
JACKSONVILLE, FL	\$278,667	19%	\$1,742	16%	0.63%
WINSTON SALEM, NC	\$243,167	18%	\$1,491	24%	0.61%
TULSA, OK	\$179,167	10%	\$1,095	21%	0.61%

26-50 CASH FLOW MARKETS

City/State	Median Home Value	YoY Home Value Growth	Rent	YoY Rent Growth	RTP
BOCA RATON, FL	\$508,750	25%	\$3,100	26%	0.61%
KISSIMMEE, FL	\$345,667	30%	\$2,104	24%	0.61%
BRADENTON, FL	\$367,667	30%	\$2,231	16%	0.61%
CAPE CORAL, FL	\$416,667	42%	\$2,520	26%	0.60%
CINCINNATI, OH	\$230,667	15%	\$1,395	13%	0.60%
COLUMBIA, SC	\$210,833	13%	\$1,274	11%	0.60%
FORT MYERS, FL	\$347,333	29%	\$2,085	23%	0.60%
LOUISVILLE, KY	\$219,340	1%	\$1,316	15%	0.60%
LAKELAND, FL	\$310,333	22%	\$1,836	22%	0.59%
BOYNTON BEACH, FL	\$425,000	46%	\$2,500	32%	0.59%
ORLANDO, FL	\$349,000	17%	\$2,049	21%	0.59%
GREENSBORO, NC	\$239,000	15%	\$1,400	25%	0.59%
NORFOLK, VA	\$267,083	4%	\$1,543	13%	0.58%
SAINT LOUIS, MO	\$237,521	23%	\$1,370	12%	0.58%
SAINT AUGUSTINE, FL	\$432,658	23%	\$2,485	42%	0.57%
SAVANNAH, GA	\$294,000	13%	\$1,680	18%	0.57%
HUNTSVILLE, AL	\$248,967	19%	\$1,420	17%	0.57%
COLUMBUS, OH	\$248,167	16%	\$1,399	12%	0.56%
GRAND RAPIDS, MI	\$275,000	13%	\$1,550	16%	0.56%
SARASOTA, FL	\$457,500	18%	\$2,547	6%	0.56%
TAMPA, FL	\$383,667	24%	\$2,130	18%	0.56%
EDMOND, OK	\$306,833	18%	\$1,695	19%	0.55%
KNOXVILLE, TN	\$300,333	12%	\$1,630	29%	0.54%
TALLAHASSEE, FL	\$248,917	9%	\$1,350	23%	0.54%
KANSAS CITY, MO	\$246,754	4%	\$1,325	9%	0.54%

51-75 CASH FLOW MARKETS

City/State	Median Home Value	YoY Home Value Growth	Rent	YoY Rent Growth	RTP
CHATTANOOGA, TN	\$273,000	14%	\$1,408	13%	0.52%
BAKERSFIELD, CA	\$320,833	15%	\$1,650	32%	0.51%
EL PASO, TX	\$233,820	14%	\$1,186	15%	0.51%
FRESNO, CA	\$345,000	17%	\$1,733	23%	0.50%
NORTH LAS VEGAS, NV	\$428,360	27%	\$2,145	19%	0.50%
MINNEAPOLIS, MN	\$337,917	5%	\$1,620	1%	0.48%
LUBBOCK, TX	\$246,459	16%	\$1,174	22%	0.48%
HOUSTON, TX	\$335,089	8%	\$1,585	8%	0.47%
SAN ANTONIO, TX	\$318,261	22%	\$1,478	13%	0.46%
KATY, TX	\$395,143	24%	\$1,835	11%	0.46%
CHARLOTTE, NC	\$386,667	16%	\$1,795	13%	0.46%
SAINT PAUL, MN	\$321,633	3%	\$1,465	-1%	0.46%
ATLANTA, GA	\$441,667	15%	\$2,010	9%	0.46%
CLARKSVILLE, TN	\$288,567	23%	\$1,300	24%	0.45%
ALBUQUERQUE, NM	\$313,930	23%	\$1,414	11%	0.45%
SPRING, TX	\$376,390	21%	\$1,692	10%	0.45%
CHESAPEAKE, VA	\$370,667	5%	\$1,665	1%	0.45%
FORT WORTH, TX	\$373,583	25%	\$1,665	11%	0.45%
RICHMOND, VA	\$351,667	14%	\$1,553	7%	0.44%
LEXINGTON, KY	\$277,500	12%	\$1,215	13%	0.44%
TUCSON, AZ	\$333,950	24%	\$1,460	22%	0.44%
DURHAM, NC	\$400,667	26%	\$1,750	14%	0.44%
SACRAMENTO, CA	\$487,000	15%	\$2,064	8%	0.42%
HENDERSON, NV	\$465,000	18%	\$1,945	11%	0.42%
LAS VEGAS, NV	\$428,333	22%	\$1,790	12%	0.42%

76-100 CASH FLOW MARKETS

City/State	Median Home Value	YoY Home Value Growth	Rent	YoY Rent Growth	RTP
RALEIGH, NC	\$413,000	18%	\$1,725	15%	0.42%
PHOENIX, AZ	\$420,900	27%	\$1,756	8%	0.42%
COLORADO SPRINGS, CO	\$464,667	13%	\$1,895	8%	0.41%
GLENDALE, AZ	\$442,000	29%	\$1,800	15%	0.41%
NASHVILLE, TN	\$507,000	21%	\$1,974	14%	0.39%
DALLAS, TX	\$467,376	13%	\$1,788	10%	0.38%
ALEXANDRIA, VA	\$577,492	5%	\$2,209	12%	0.38%
SAN DIEGO, CA	\$831,667	18%	\$3,175	18%	0.38%
AURORA, CO	\$489,167	15%	\$1,866	12%	0.38%
GILBERT, AZ	\$568,500	27%	\$2,150	9%	0.38%
SPOKANE, WA	\$396,883	23%	\$1,495	8%	0.38%
TACOMA, WA	\$486,833	13%	\$1,815	6%	0.37%
CHANDLER, AZ	\$538,317	20%	\$1,999	8%	0.37%
WICHITA, KS	\$231,517	14%	\$0,850	6%	0.37%
VANCOUVER, WA	\$486,833	13%	\$1,780	9%	0.37%
WASHINGTON, DC	\$719,667	10%	\$2,617	11%	0.36%
MESA, AZ	\$480,083	29%	\$1,745	6%	0.36%
HONOLULU, HI	\$654,089	15%	\$2,300	15%	0.35%
DENVER, CO	\$586,667	13%	\$2,037	10%	0.35%
NEW YORK, NY	\$1,237,500	14%	\$4,295	25%	0.35%
PORTLAND, OR	\$553,567	2%	\$1,806	7%	0.33%
RENO, NV	\$580,000	19%	\$1,795	3%	0.31%
SCOTTSDALE, AZ	\$791,235	19%	\$2,331	9%	0.29%
AUSTIN, TX	\$680,871	26%	\$1,883	14%	0.28%
SEATTLE, WA	\$855,000	11%	\$2,348	16%	0.27%



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