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THE RENT IS TOO DAMN HIGH

As prices soar across the country, families are feeling the pinch at the grocery store, at the gas pump, and as they look at their monthly rent checks. In this brief, we lay out some of the basics on rent inflation: what it is, why we should care, and what we can do about it.

HIGHER RENTS ARE DRIVING INFLATION, RAISING THE COST OF LIVING, AND CAUSING MORE HARM THAN OTHER PRICE INCREASES.

- Today's Consumer Price Index (CPI) report, the most widely used measure of inflation, showed us that prices went up 8.5% year over year in July, and rents in particular rose 6.3% year over year, the highest rate in over 35 years.
- Rent makes up about ⅓ of the CPI, so increases in rents play a major role in driving inflation. The increase in rent over the past year in June means the median tenant living in one of the 50 largest American cities is paying over $200 more a month now than they were last year. .
- In 2020, housing comprised approximately 35% of family budgets—it's the single biggest line item in family budgets and double the second most expensive line item, transportation. As a result, rent increases have a deep impact on people's economic security.
- While families can cut back on some expenses, cutting back on housing is not an option. With a shortage of truly affordable housing, moving or downsizing are often not viable options. The alternative is homelessness.

THE WAY WE MEASURE RISING RENT PRICES UNDERESTIMATES WHAT FAMILIES ARE ACTUALLY PAYING. RENT INFLATION IS A BIGGER PROBLEM THAN THE DATA SUGGEST, ESPECIALLY WHEN COMPARED TO PRE-PANDEMIC LEVELS.

- The CPI's measure of rental inflation underestimates the rental inflation people are facing day to day because it doesn't factor in rising prices in new rentals and leases. Some privately collected measures have reported that rents rose 12.3% year over year in July.
- The CPI also doesn't fully capture regional variation in rental inflation, or the extent to which rents have risen since the pandemic. Rents are 27.6% higher in the top 50 largest cities than they were in June 2019, with some hikes far exceeding what is reported in the CPI: Miami and Orlando are seeing over 20% rent price increases year over year. And in some cities, rent since the beginning of the pandemic has gone up way more: Boise, ID and Tampa, FL have seen rents rise 45% and 44%, respectively.

CORPORATE LANDLORDS ARE RAISING RENTS HIGHER THAN GENERAL INFLATION, AND ARE USING INFLATION AS AN EXCUSE TO DRIVE UP THE COST OF HOUSING – ALL WHILE BRAGGING ABOUT IT ON THEIR EARNINGS CALLS.

- In New York, landlords lobbied heavily for the highest rent price increases in a decade for approximately 1 million rent stabilized apartments, citing inflation. The majority of rental units are rented by landlords who rent more than 1,000 units and can easily weather higher costs, unlike their tenants.
- On their 2021 Q3 earnings call, corporate landlord Invitation Homes noted it had raised rents by 29% in Las Vegas, 30% in Phoenix, 21% in Tampa, 20% in Atlanta, and 19% in Jacksonville. At the end of last year, they reported a 33%, or $65 million increase in profits from 2020.
- In the 3rd quarter of 2021 American Homes 4 Rent's CEO stated, "We're really excited and optimistic about the ability to push rents next year." Their 2021 profits were 36%, or $55.7 million, higher than in 2020.
- Starwood Capital's CEO boasted on an earnings call this February that "tenants are capable and willing to pay rent increases" and called inflation "an extraordinary gift that keeps on giving." Last year, it boasted about record profits and saw its net income rise by one-third to $492 million.

RENT INFLATION IS LEADING TO EVICTIONS AND HOMELESSNESS, AND WE CAN EXPECT THE SITUATION TO WORSEN AS RENTS CONTINUE TO INCREASE. STABLE HOUSING IS AN ESSENTIAL PART OF FAMILIES' ECONOMIC SECURITY – AND A CRITICAL PART OF A HEALTHY ECONOMY.

- Despite improvements in the labor markets, rents are rising so fast that we're seeing a nationwide increase in evictions. Eviction filings started to rise when the eviction moratorium eexpired in August 2021, and evictions have continued to increase as landlords have raised rents to unsustainable levels. In March 2022, evictions in 31 US cities were 97% higher than their historical averages.
- Beyond formal eviction filings, for most tenants, when their landlord raises the rent, that's tantamount to an eviction, without a day in court.
- Shelters nationwide are reporting a surge in people asking for aid, with wait lists doubling or tripling in recent months. Homelessness was rising before the pandemic, but is being exacerbated by rising rents.
- Stable housing is an essential part of thriving communities and economic security, and an essential component of a healthy economy. We cannot say our economy is strong when millions of people are unhoused or one financial emergency away from losing their homes.

THE FEDERAL RESERVE'S AGGRESSIVE INTEREST RATE HIKES ARE CONTRIBUTING TO HIGHER RENTS AND ARE DISPROPORTIONATELY HARMING BLACK TENANTS.

- The Federal Reserve's aggressive interest rate hikes are designed to make the cost of borrowing more expensive, resulting in higher mortgage rates. As the cost of buying a house becomes more expensive, potential homebuyers shift into the rental market when there are already too few rental units to meet our needs – putting even more upward pressure on rent prices.
- The effects of the Federal Reserve's rate hikes have already begun to show up in the market: housing starts, a metric that captures the start of new residential constructions, dropped 2% from June to July 2022. The long-term lack of housing supply is one important factor driving up the cost of housing – and the Fed's actions are only further tamping down building new units that could meet the demand for housing over the medium-long term.
- In a recent survey, 16% of Black tenants reported being threatened with eviction or evicted compared to 9% of white renters. When considered alongside the fact that Black workers consistently face nearly double tthe white unemployment rate, it is clear that when rent prices increase substantially, Black tenants bear a disproportionate burden.

POLICYMAKERS MUST USE EVERY AVAILABLE AVENUE TO REGULATE RENTS IN THE IMMEDIATE SHORT TERM AS A KEY PART OF A STRATEGY TO CURB INFLATION.

- Policymakers must address the acute crisis that so many families are feeling today by pursuing rent stabilization policies to stop the skyrocketing cost of housing. Rent controls limit the power of landlords to egregiously raise rent to collect excessive profits and have proven to lower housing costs and evictions.
- The President has the authority to take executive action and to direct agency-level action to regulate rent. For example, the President can direct the Federal Housing Finance Agency (FHFA) to impose rent controls on borrowers of federally-backed mortgages, which would apply to approximately 43.8 million rental units – immediately slowing down rental inflation.
- Federal agencies also have a role to play. For example, the Department of Housing and Urban Development can work with municipalities, localities, and nonprofit housing providers across the board to incentivize authorities to increase housing supply, create more mixed-income units, and develop social housing that is kept permanently affordable by its dedicated preservation and capped costs outside of the private market.

THE PRIVATE MARKET HAS ALWAYS FAILED TO MEET THE HOUSING NEEDS OF MILLIONS, AND GOVERNMENT INTERVENTION IS ESSENTIAL TO ENSURE THAT EVERYONE HAS ACCESS TO STABLE SHELTER.

- Over the longer term, policymakers must transform housing from commodity to guaranteed public good, making large-scale investments in the supply of housing that is off of the private market, with a goal of guaranteeing safe, accessible, truly and permanently affordable homes: a Homes Guarantee.
- This means shifting power towards tenants and away from landlords and real estate developers who profit in today's failed housing market.