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# THE RENT IS (STILL) 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 of rent inflation: what it is, why we should care, and what we can do about it.

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

- The Consumer Price Index (CPI) report, the most widely used measure of inflation, showed us that shelter prices went up 6.6% year-over-year in September, and rents, in particular, rose 7.2% year over year, the highest rate in 40 years. After a brief lull in July and August, the rate of rent increases is once again on an upward trajectory.
- Rent makes up about a third of the CPI, so rent increases play a major role in driving inflation. The national median rent is 7.5% higher than it was this time last year. The increase in rent over the past year means the median tenant is paying over $97 more a month now than last year and $274 more a month than two years ago.
- 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 deeply impact 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 doesn't factor in rising prices in new rentals and leases, and therefore underestimates the rental inflation people face day to day. Some privately collected measures have reported that rents rose 7.5% year-over-year in September. Though this is much lower than the nearly 18% increase we saw in the beginning of 2022, rent growth continues to outpace the pre-pandemic trend.
- 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 22.8% higher in the 50 largest cities than two years ago, with some hikes far exceeding what is reported in the CPI. Chicago and Boston are seeing over 20% rent price increases year-over-year. And in some cities, rent since the beginning of the pandemic has gone up even more. Rochester, NY and Tampa, FL have both seen rents rise 43%.

## THE FEDERAL RESERVE'S AGGRESSIVE INTEREST RATE HIKES ARE CONTRIBUTING TO HIGHER RENTS BY PUSHING WOULD-BE HOMEBUYERS INTO THE RENTAL MARKET. THE FEDERAL RESERVE'S ACTIONS RISK TIPPING THE ECONOMY INTO A RECESSION THAT WILL ONLY PUT ADDITIONAL PRESSURE ON RENTERS ALREADY FACING UNSUSTAINABLY HIGH HOUSING COSTS.

- Overly aggressive rate hikes by the Federal Reserve haven't addressed the underlying cause of unaffordable housing: profiteering by corporate landlords and long-term underinvestment in affordable housing.
- The Federal Reserve's aggressive interest rate hikes are designed to make the cost of borrowing more expensive, resulting in higher mortgage rates and fewer new houses being built. 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. Thus far in 2022, the Federal Reserve has raised interest rates 5 times, with indications that more are on their way.
- The effects of the Federal Reserve's rate hikes have already begun to show up in the housing market. The average 30-year fixed rate mortgage interest rate across the US is currently 7.1% – the highest it's been since 2001. Housing starts, a metric that captures the start of new residential constructions, dropped 10% from July to August 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 to long term.
- The Federal Reserve seems intent on making housing increasingly unaffordable, forcing prospective homebuyers into the rental market, and making people even less able to pay their rent by putting millions out of work. The Fed needs to stop its aggressive rate hikes before it causes a Fed-manufactured recession.

## CORPORATE LANDLORDS ARE RAISING RENTS HIGHER THAN OVERALL 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 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.
- Corporate landlords have seen record profits while raising rents on struggling families and workers. The 10 largest publicly traded apartment companies saw their profits soar by 57% to nearly $5 billion in 2021.
- 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.
- The CEO of American Homes 4 Rent's CEO stated last year, "We're really excited and optimistic about the ability to push rents next year." And sure enough, in June 2022 they saw a 96% increase in their profits compared to the previous quarter.

## RENT INFLATION IS LEADING TO EVICTIONS AND HOMELESSNESS, AND IS DISPROPORTIONATELY HARMING BLACK TENANTS. STABLE HOUSING IS AN ESSENTIAL PART OF FAMILIES' ECONOMIC SECURITY – AND A CRITICAL PART OF A HEALTHY ECONOMY.

- Despite a relatively strong labor market, rent hikes are driving a nationwide increase in evictions. Eviction filings started to rise when the eviction moratorium expired in August 2021, and evictions have continued to increase as landlords have raised rents to unsustainable levels. After seeing eviction rates fall during the pandemic, they returned to their pre-pandemic levels in August.
- But the scale of evictions is likely broader than what is recorded in the data. When landlords aggressively raise the rent, that is tantamount to an eviction without a day in court for most tenants.
- 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 double the white unemployment rate, it is clear that when rent prices increase substantially, Black tenants bear a disproportionate burden.
- 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, economic security, and 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.

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

- Policymakers must address the acute crisis that too 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 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 to incentivize authorities to increase the 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 a commodity to a 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.