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THE RENT IS (STILL) TOO DAMN HIGH

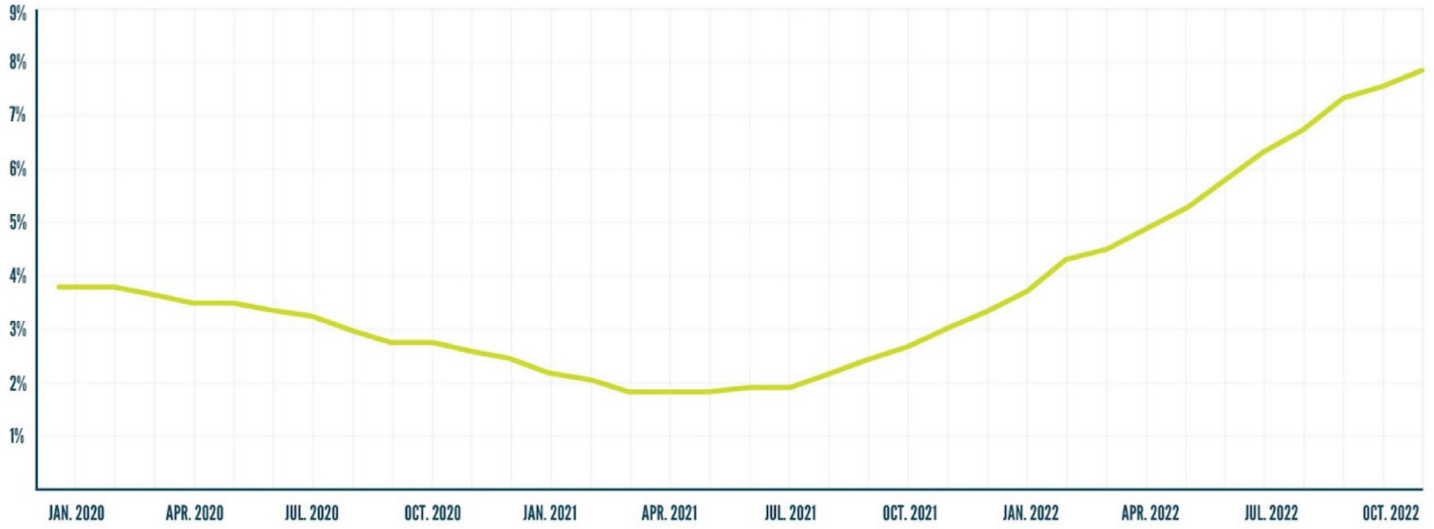
As prices soar across the country, families are feeling the pinch at the grocery store, at restaurants, and as they look at their monthly rent checks. In this brief, we lay out some of the basics of rent inflation: what it is, why we should care, and what we can do about it.

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 [7.1%](#) year-over-year in November, and rents, in particular, rose [7.9%](#), the largest annual jump in over [40 years](#).
- While private rental data on leases may show prices have fallen in recent months, rents are still well above pre-pandemic levels. The national median rent for a one bedroom is now [21.4 percent](#) higher than it was just prior to the pandemic in February of 2020. Meaning the median renter is paying \$205 more per month.
- Shelter makes up about a [third of the CPI](#), and last month – the rising cost of shelter accounted for 63.9 percent of the total increase in inflation. Addressing inflation will mean addressing the sky-high price of housing and rent.
- In 2020, housing comprised approximately [35%](#) of family budgets — it's the single biggest line item for households and double the second most expensive budget item, transportation. 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.

ACCORDING TO CPI, RENTS ARE STILL RISING ACROSS THE COUNTRY

YEAR OVER YEAR PERCENT CHANGE IN RENT INFLATION (CPI), JANUARY 2020 TO NOVEMBER 2022



SOURCE ON CPI: [HTTPS://FRED.STLOUISFED.ORG/GRAPH/?G=VYXH](https://fred.stlouisfed.org/graph/?g=VYXH)

NATIONAL DATA GROSSLY UNDERESTIMATES HOW FAMILIES ACROSS DIFFERENT REGIONS AND COMMUNITIES ARE IMPACTED BY RAPIDLY RISING RENT. RENT INFLATION IS LEADING TO EVICTIONS AND HOMELESSNESS, AND IS DISPROPORTIONATELY HARMING BLACK TENANTS.

- The CPI doesn't fully capture regional variation in rental inflation or the extent to which rents have risen since the pandemic. Rents are [23.5%](#) higher in the 50 largest cities than two years ago, with some hikes far exceeding what is reported in the CPI. Chicago is 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. Miami, FL and Tucson, AZ have both seen rents risen [over 35%](#).
- The pain of rising rents is felt particularly by Black, and Latino households who are reporting higher levels of difficulty in meeting monthly rent payments as compared to white renters due to discrimination in the labor and [housing markets](#). Nearly [22%](#) of Black renters and [15%](#) of Hispanic renters recently reported that their households were behind on rent payments. By comparison, 7% of white renters were behind on their payments (a number which is still too high itself). And in a recent survey conducted by Harvard, [16% of Black tenants](#) reported being threatened with eviction or evicted compared to 9% of white renters.

THE PRESSURE ON RENTERS WILL CONTINUE TO RISE IF THE FEDERAL RESERVE CONTINUES ITS AGGRESSIVE INTEREST RATE HIKE CAMPAIGN WHICH RISKS A DEVASTATING RECESSION AND EVEN HIGHER HOUSING COSTS.

- The Federal Reserve's aggressive interest rate hikes are designed to make the cost of borrowing more expensive. Thus far in 2022, the Federal Reserve has raised interest rates [6 times](#), with indications that more are on their way. Experts across the ideological spectrum have raised concerns about the Fed's current policy, as progressive Nobel laureates [Joseph Stiglitz](#) and [Paul Krugman](#) and corporate business leaders such as [Ray Dalio](#) have called for the Fed to stop raising interest rates.
- Overly aggressive rate hikes by the Federal Reserve haven't addressed the underlying drivers of runaway rent: profiteering by corporate landlords and long-term underinvestment in affordable housing. In fact, the Federal Reserve's aggressive interest rate hikes have made affording a home more costly. The average 30-year fixed rate mortgage interest rate across the US is at [6.3 percent](#), more than double what it was last November. 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.
- Housing starts, a metric that captures the start of new residential constructions, dropped [10.1 percent](#) in October year over year. The long-term lack of housing supply is one important factor driving up the cost of housing as we are nearly 4 million units short of meeting current housing demand. 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.

CORPORATE LANDLORDS ARE RAISING RENTS HIGHER THAN OVERALL INFLATION AND SHAMELESSLY BOASTING ABOUT DRIVING UP HOUSING COSTS AT A TIME WHEN FAMILIES AND WORKERS ARE STRUGGLING WITH RISING PRICES. AND THEY ARE MORE EAGER THAN EVER TO EVICT RENTERS AND BOOST PROFITS.

- Corporate landlords have seen record profits while raising rents on struggling families and workers. The ten largest publicly traded apartment companies saw their profits soar by [57% to nearly \\$5 billion](#) in 2021.
- Equity Residential's COO [boasted](#) about his company's pricing power as it raised rents on struggling families. He said rental companies such as his "clearly benefited" from rising rents and enjoyed "more robust pricing power" than what they saw before the pandemic.
- AvalonBay's COO talked up the end of eviction moratoriums, [saying](#) "as eviction moratoria has expired and the courts are continuing to make progress processing new cases" they expect to see higher profits. Corporate landlords such as AvalonBay see people being evicted as a business opportunity first.

TO ADDRESS RISING RENT PRICES, POLICYMAKERS MUST SHIFT POWER TOWARDS TENANTS AND AWAY FROM LANDLORDS AND REAL ESTATE DEVELOPERS WHO PROFIT IN TODAY'S FAILED HOUSING MARKET. LAWMAKERS MUST USE EVERY AVAILABLE AVENUE TO REGULATE RENTS IN THE IMMEDIATE TERM AND, IN THE LONG-TERM, MAKE SORELY NEEDED INVESTMENTS IN EXPANDING THE HOUSING SUPPLY.

- 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 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.
- 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.