Special Topic: Sources of Stress in US and 2nd District Rental Markets

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Overview and Key Takeaways

• After rising sharply through the pandemic, rental prices have begun to stabilize, but remain elevated.

• Low-income, high rent-to-income, and unemployed individuals, are particularly exposed to high rent burden.

• While pandemic-specific trends have contributed to recent increases in rents, longer run pressures remain the strongest determinants of rental prices.

• Some cautious optimism: decelerating rent expectations suggest future cooling.
The Pandemic Rental Boom

Percent Change in Rents Since Feb 2020

Source: Zillow Observed Rent Index.
Rent Increases Within the 2nd District
Percent Change in Rents, Feb 2020 to May 2023

Source: Zillow Observed Rent Index.
Rents Most Burdensome for Lower Income Households

Rent-to-Income Ratio by Household Income Over Previous Year

Source: Survey of Consumer Expectations, February 2023 Housing Module.
Current Renters Are Missing Payments at Record Rates

Missed Payments Continued to Rise Despite Pandemic Rental Assistance and Eviction Moratoria, Which Mostly Expired by Late 2021 / Early 2022

Source: Survey of Consumer Expectations, February 2023 Housing Module.
Eviction Expectations by Income and Employment

Eviction Chances Over Next 12 Months

By Income

- <$30k: 2022 (4%) vs. 2023 (8%)
- $30k-$50k: 2022 (2%) vs. 2023 (6%)
- $50k-$100k: 2022 (12%) vs. 2023 (15%)
- $100k+: 2022 (0%) vs. 2023 (3%)

By Employment Status

- Not in Labor Force: 2022 (2%) vs. 2023 (6%)
- Unemployed: 2022 (6%) vs. 2023 (12%)
- Working: 2022 (3%) vs. 2023 (9%)

Source: Survey of Consumer Expectations, February 2023 Housing Module.
Eviction Expectations by Race/Ethnicity

Eviction Chances Over Next 12 Months

Source: Survey of Consumer Expectations, February 2023 Housing Module.
Renters Are Becoming Pessimistic About Owning

Chance of Ever Owning a Home vs. Housing Affordability

Source: Survey of Consumer Expectations, February 2023 Housing Module and National Association of Realtors/Haver Analytics.
Flat Rental Stock and High Occupancy Rate

Percent Change Since 2000

Source: U.S. Census Bureau retrieved from FRED, Federal Reserve Bank of St. Louis.
Decelerating Rent Expectations Suggest Cooling

SCE Rent Inflation Expectations and CPI Shelter Inflation

Summary

• After rising sharply throughout the pandemic, rental prices have begun to stabilize, but remain at an elevated level. Though several vulnerable populations face very real challenges.

• While remote work and expiring rent support programs have presented new challenges, rental unit shortages remain the main drivers of rising rents.

• However, recent expectations of smaller rent increases point to some cooling on the horizon.
Reference Slides
The Pandemic Housing Boom

Percent Change in Home Prices Since Feb 2020

Source: Zillow Home Value Index.
Regional Rental Prices
Percent Change in Home Rents Since Feb 2020

Rental Prices

Source: Zillow Observed Rent Index.