



FEDERAL RESERVE BANK *of* NEW YORK

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

Ben Hyman, Research Economist
Presentation for Community Advisory Group – June 21, 2023

The views expressed here are those of the presenter and do not necessarily represent those of the Federal Reserve Bank of New York or the Federal Reserve System.

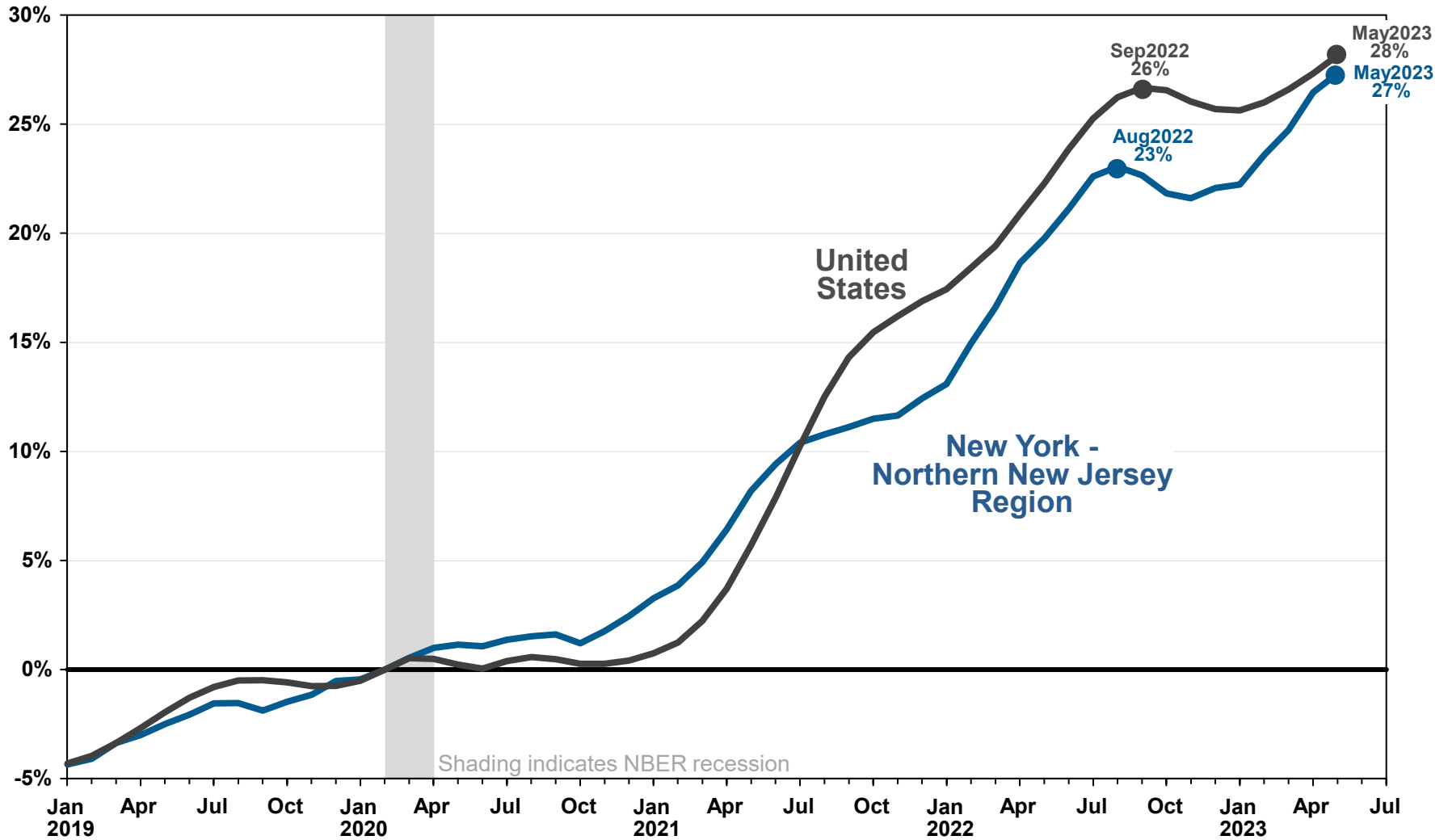
Overview and Key Takeaways

- 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

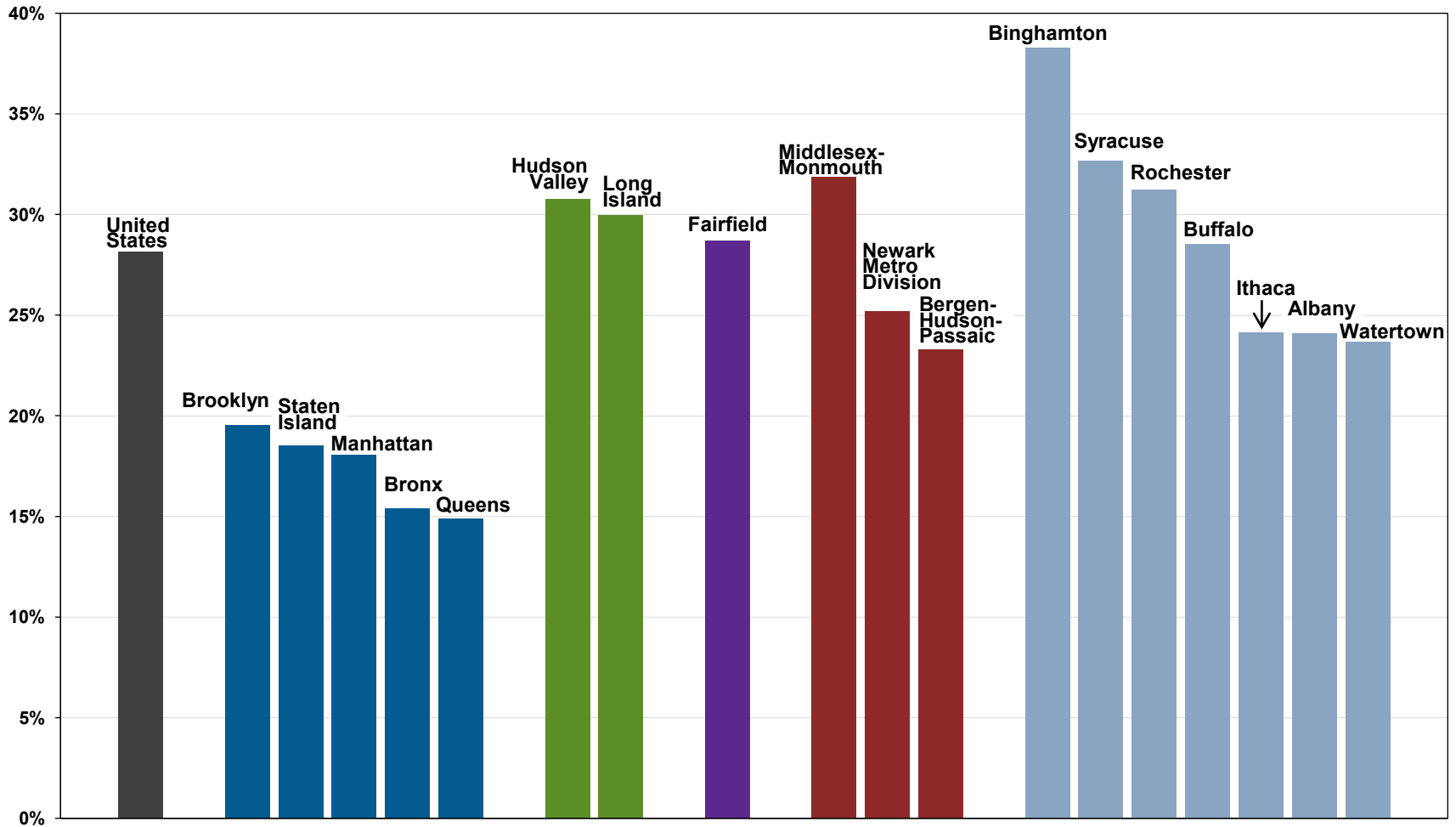
Percent Change in Rents Since Feb 2020



Shading indicates NBER recession

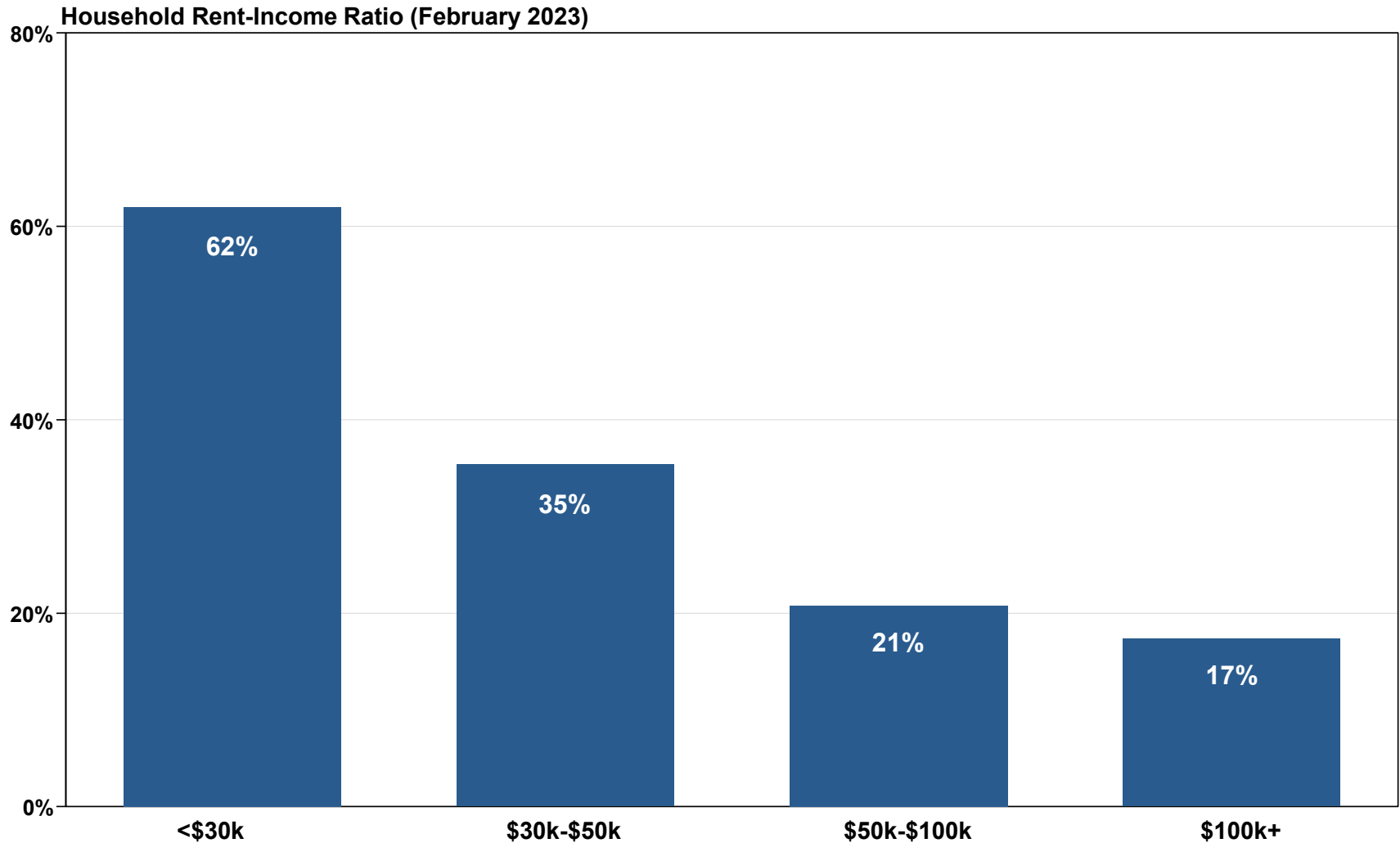
Rent Increases Within the 2nd District

Percent Change in Rents, Feb 2020 to May 2023



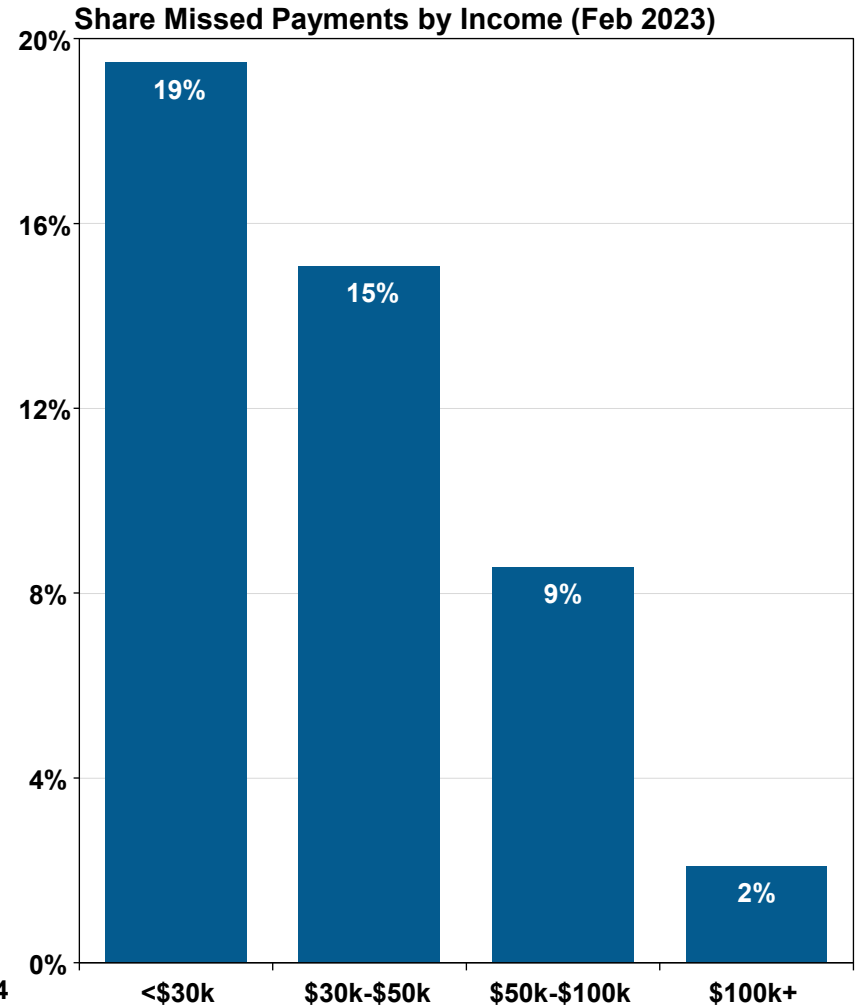
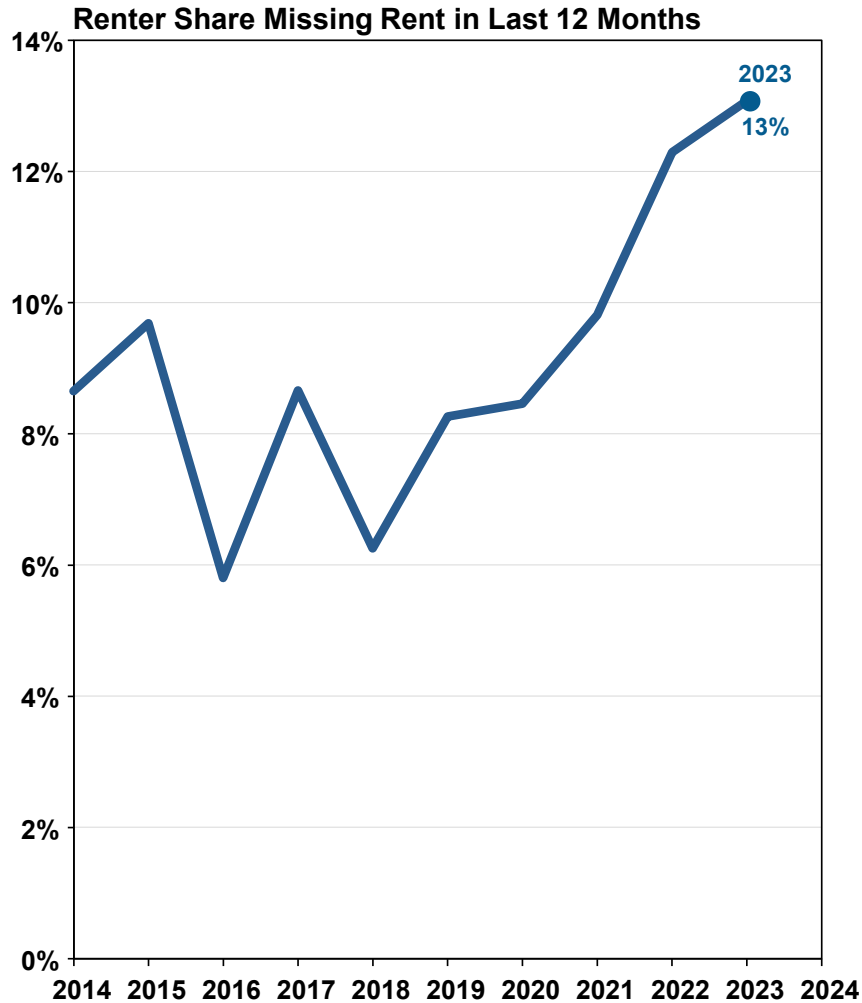
Rents Most Burdensome for Lower Income Households

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



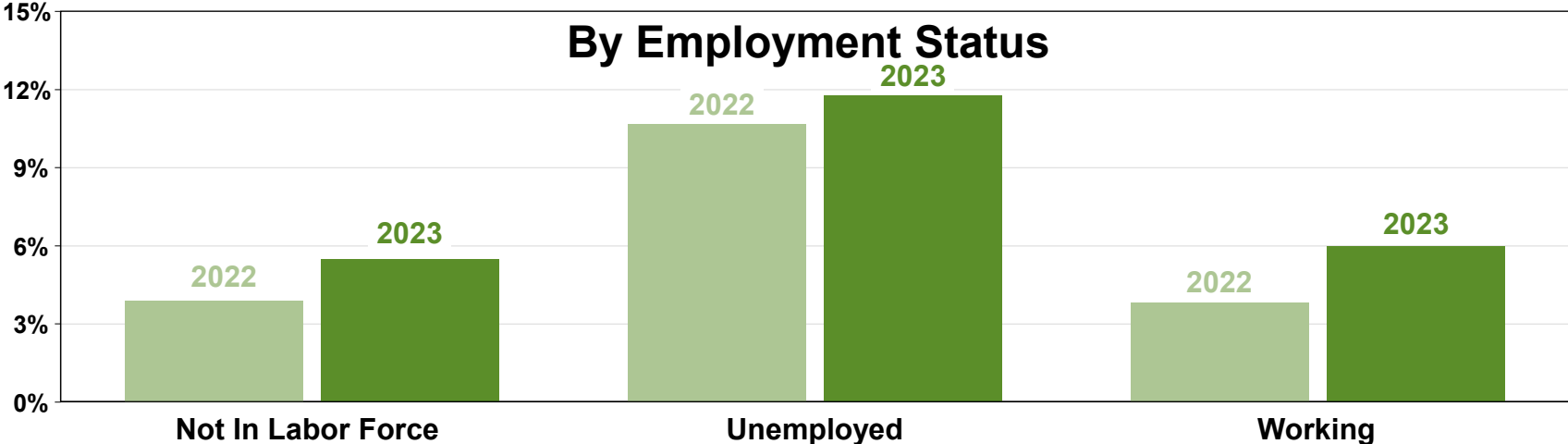
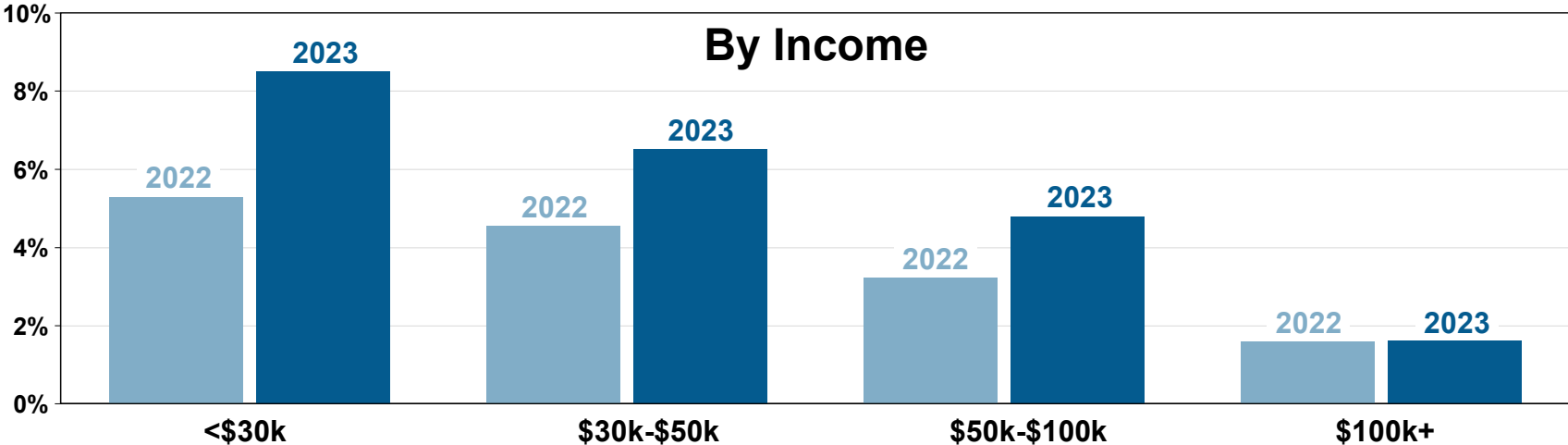
Current Renters Are Missing Payments at Record Rates

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



Eviction Expectations by Income and Employment

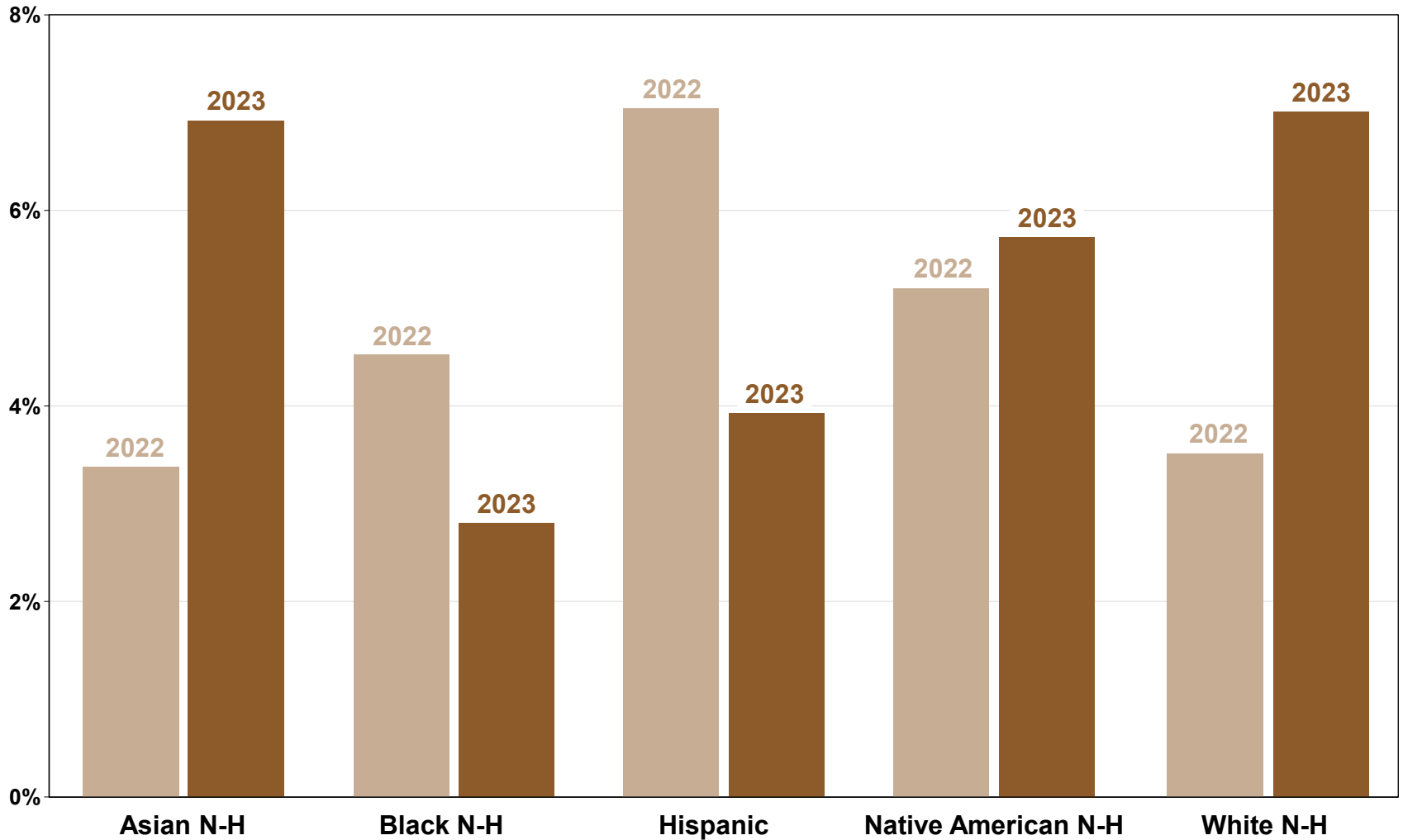
Eviction Chances Over Next 12 Months



Source: Survey of Consumer Expectations, February 2023 Housing Module.

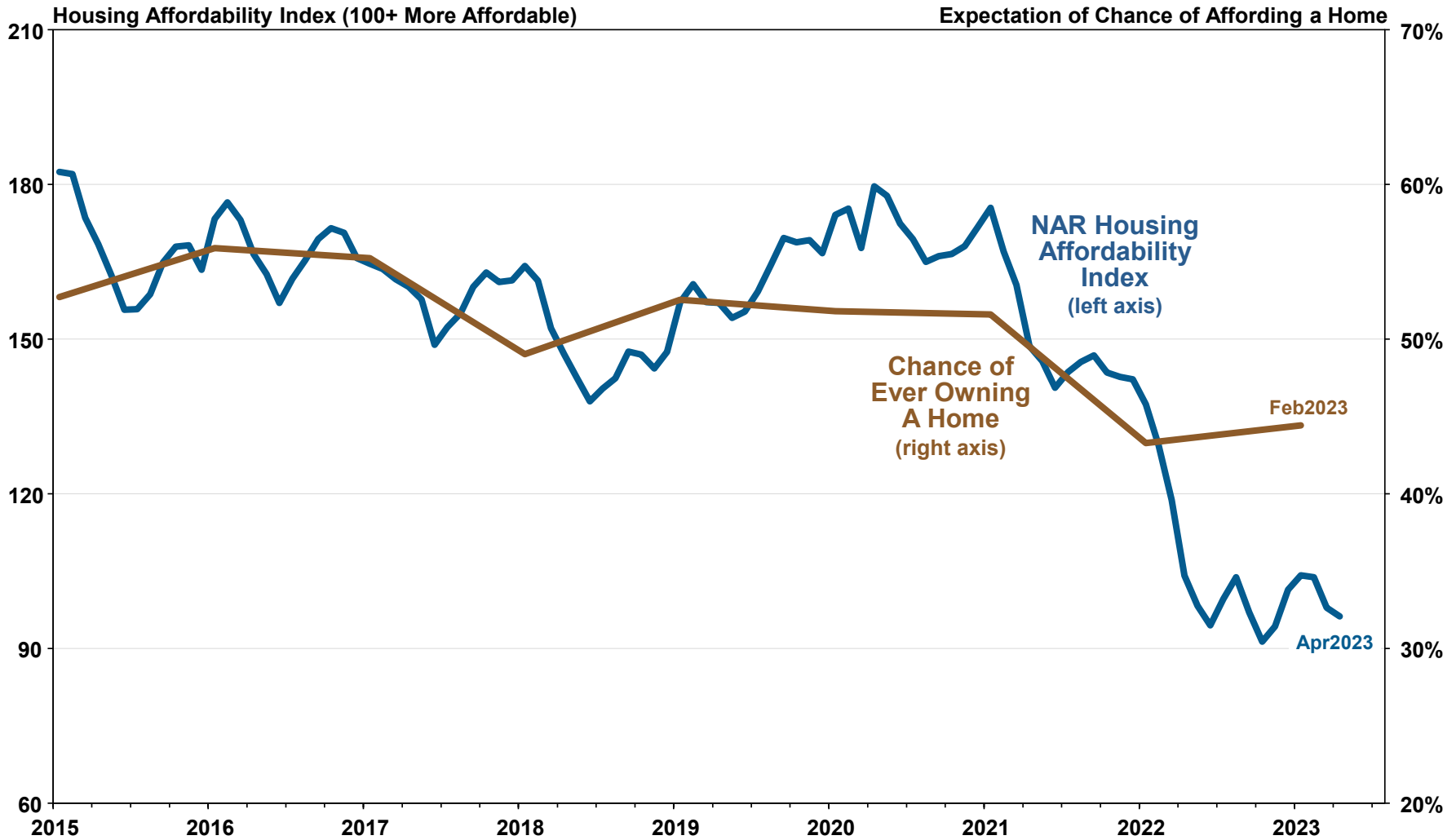
Eviction Expectations by Race/Ethnicity

Eviction Chances Over Next 12 Months



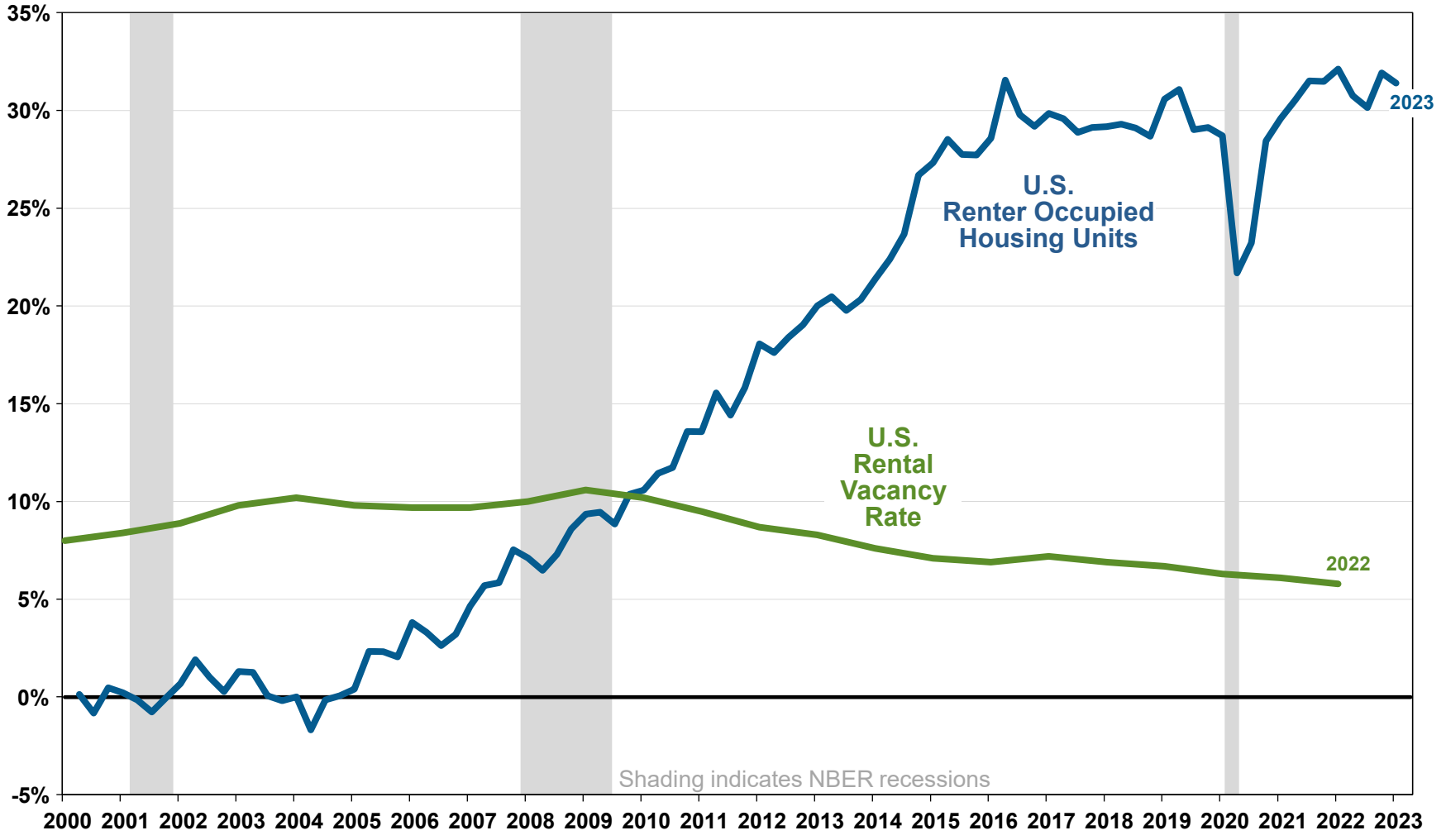
Renters Are Becoming Pessimistic About Owning

Chance of Ever Owning a Home vs. Housing Affordability



Flat Rental Stock and High Occupancy Rate

Percent Change Since 2000

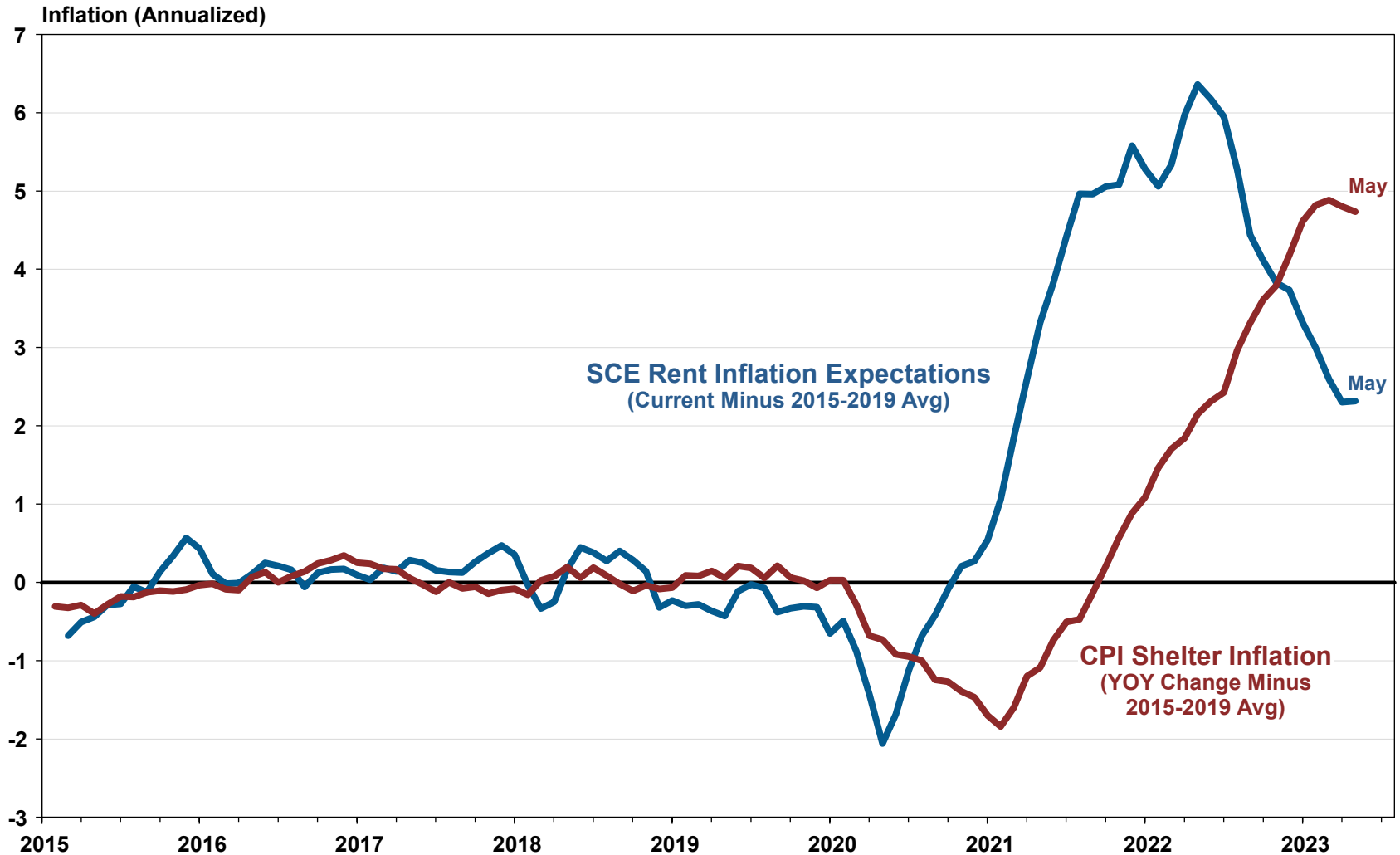


Shading indicates NBER recessions

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



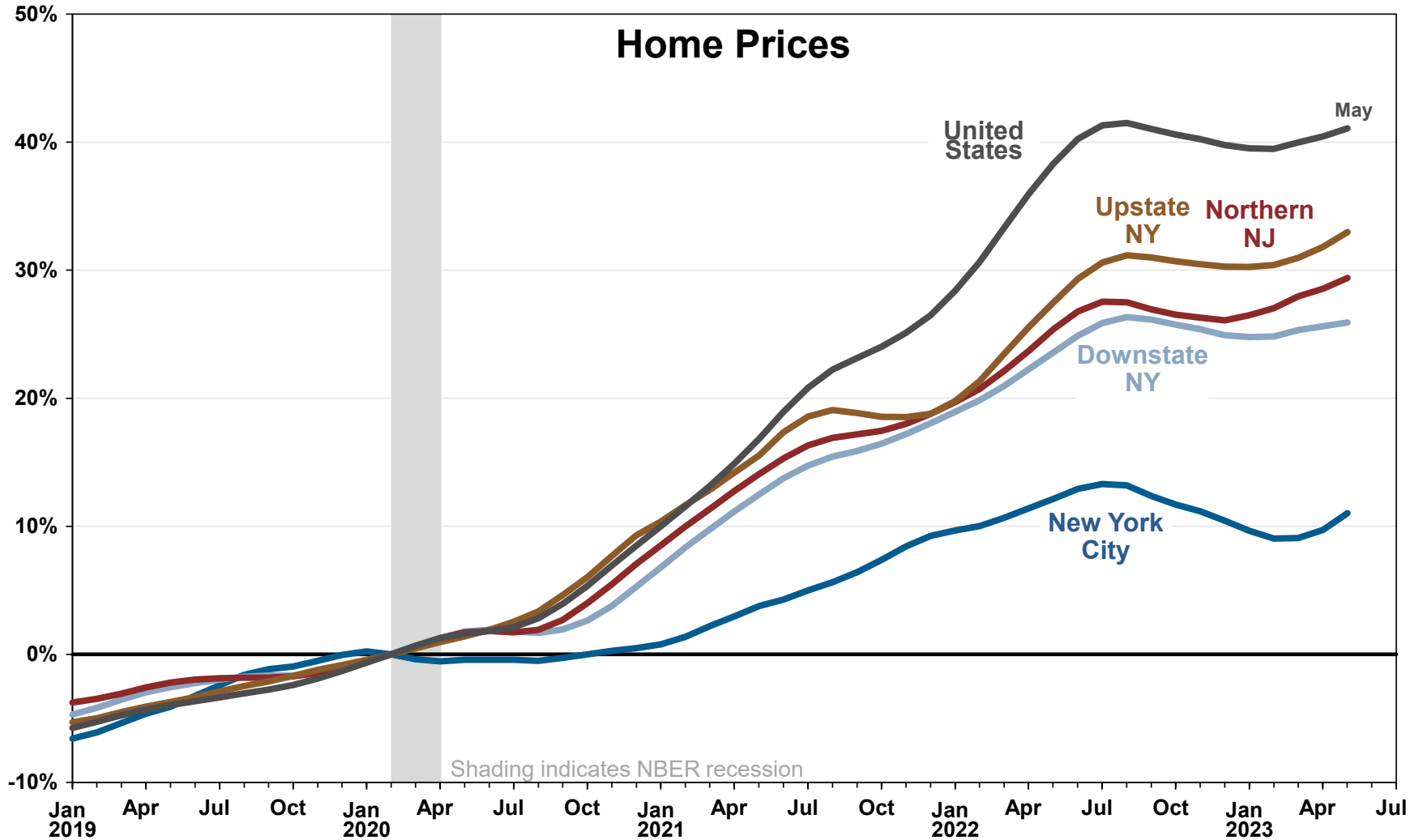
Summary

- 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



Regional Rental Prices

Percent Change in Home Rents Since Feb 2020

