



The National Housing Trust Fund Campaign
c/o National Low Income Housing Coalition
727 15th Street NW, 6th Floor
Washington, DC 20005
Ph: 202-662-1530 | Fx: 202-393-1973
www.nhtf.org

A home is the
foundation.

RENTAL COSTS AND A NATIONAL HOUSING TRUST FUND

Are Rental Costs Really Growing?

In recent years, as home prices and participation in the homeownership market have boomed there has been plenty of talk about a “softer” rental sector in which demand is dropping and prices are falling. As a result, even though rents are clearly rising, advocates are likely to face questions about whether rental housing is getting more expensive relative to the price of other goods and services. The short answer is that the costs of renting have exceeded inflation consistently in recent years and, with growing uncertainty in the homeownership market, the problem is likely to get worse in 2007.

Rents Continue to Exceed Inflation

In the United States, inflation is measured by the Bureau of Labor Statistics Consumer Price Index or CPI. Current market prices for a large basket of housing, food and beverages, apparel, transportation, medical care, education and communication, energy and other goods and services make up the components of the index.

Comparing changes within the housing and utilities components of the index to changes in the CPI is a simple way to show that nationwide, the costs of renting are rising faster than general inflation.

As show in Figure 1, despite the perceived slow down in the rental market, the rental cost component of the CPI continued to grow faster than the CPI for all items in each of the last five years. And in 2007, the cost of rental units

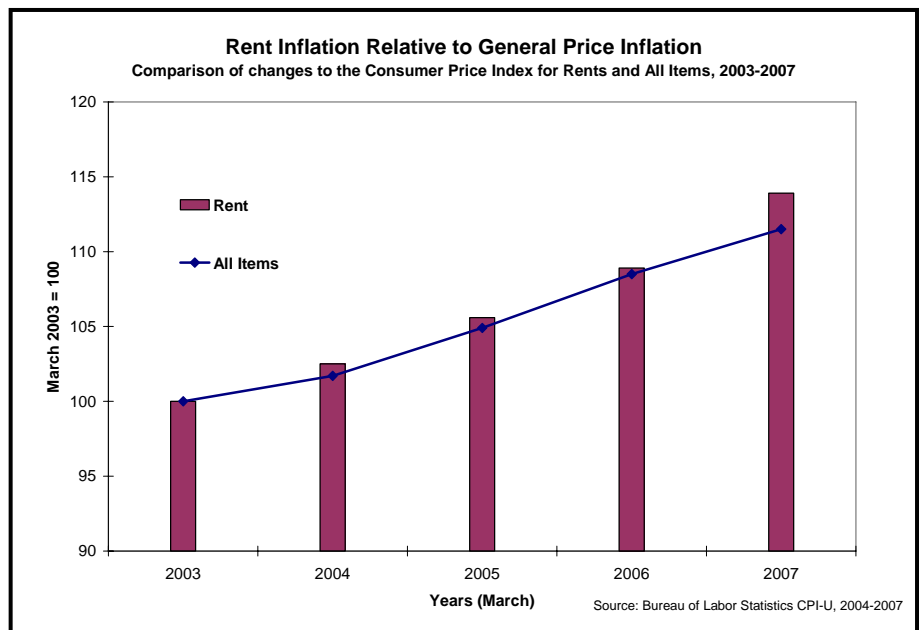


Figure 1. In 2007 rents increased considerably, but even in previous years of a "soft market," rents grew faster than inflation.

increased at a rate far ahead of inflation.

Cost Problems Exacerbated by Recent Utility Cost Inflation

As indicated by Figure 2, in the last two years, the total cost of rental housing has been greatly increased by the skyrocketing cost of utilities. Stable, secure, new or rehabilitated affordable and more energy efficient homes help to shelter American families from rising costs and economic uncertainty.

Local Markets

Increasingly, the local costs of fuels, energy and other goods follow national trends, though the level of demand and costs is often determined by local factors. Still, while the national rate of inflation and rental cost growth is likely to be different than the local experience, in general, areas with higher price inflation also experience faster rates of rent inflation, and in areas with lower demand for rental housing, general price inflation is also expected to be lower.

In most instances, metropolitan area data reflect the overall national trend that growth in rent and utility costs is outpacing general inflation, with the pattern most pronounced in “booming” markets such as Los Angeles. Even in economically depressed areas such as Detroit, where rent has not increased as quickly as inflation, skyrocketing utility costs suggest that the real costs of rental housing have exceeded the general inflation rate in recent years.¹

Conclusion

Congress should create a National Housing Trust Fund to provide America’s families with greater opportunities to find and keep a stable, secure, new or rehabilitated affordable home that will shelter them from housing cost inflation and other economic uncertainty. A National Housing Trust Fund would create a dedicated source of revenue to produce, rehabilitate and preserve 1.5 million affordable rental units for the lowest income people over 10 years.

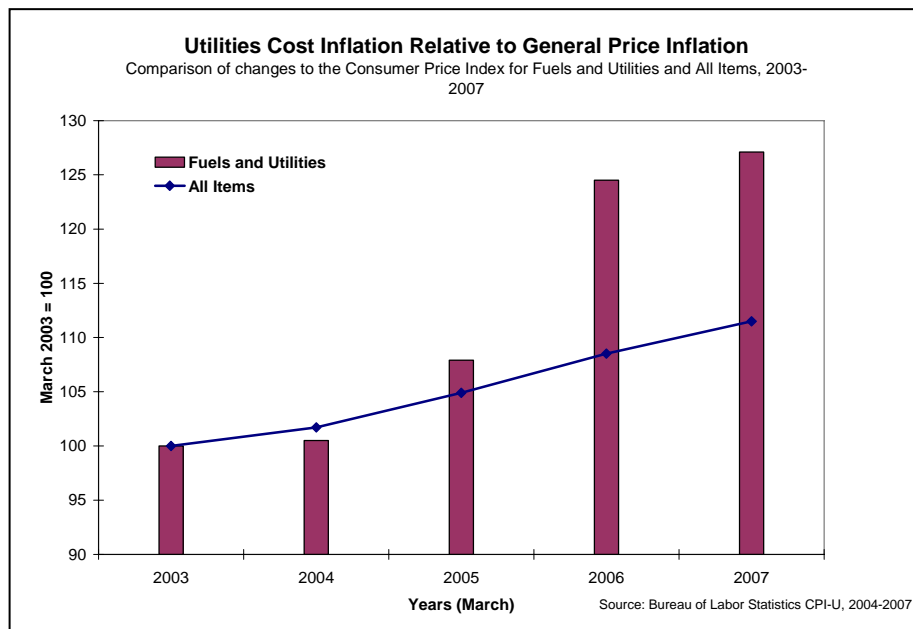


Figure 2. In the past two years fuels and utilities costs have grown considerably faster than inflation in general.

¹ U.S. Department of Labor Bureau of Labor Statistics. *Consumer Price Indexes*. Available from www.bls.gov/cpi/home.htm.