



# ***Rodney's Take***

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## **Rising Rents Beat Out Rental Assistance...and Drive Inflation**

During the worst of the pandemic, inner-city rents dropped like rocks. According to Apartment List, rents in San Francisco fell more than 25% from the beginning of the pandemic in March of last year to the bottom in January of this year and rents in New York were off more than 20%... but that was then. Through June, rents in San Francisco had recovered to down 14%, while rents in New York were off just 7%.

While the rebound is great for landlords, it doesn't do much to help with unpaid rent. The U.S. Census Bureau estimates that 10 million renters could be behind on their payments, adding up to \$70 billion, which is why the federal government allocated \$47 billion for rental assistance. But so far, only about \$3 billion has been distributed, leaving the Feds and renters blaming cities and states, which are responsible for the cumbersome rules and administering the assistance programs. But it doesn't look like landlords are anxious to take the government cash, and with good reason.

While the rules for rental assistance vary by location, in general landlords must give up any attempt to evict tenants for whom they take assistance money, which can mean allowing them to stay past the end of their leases. There are a number of other issues with assistance, such as the mind-numbing paperwork, but it's likely that cash flow tops the list.

If rents are rising, why allow someone to stay in the unit, especially if they've failed to pay their rent in the past?

While, as I mentioned, rents are rebounding in major cities, that's only part of the story. In secondary cities like Boise, ID, and Spokane, WA, rents have shot higher, up 39% and 31%, respectively. Rents are even rising rapidly in Fresno, CA, up 21%. If you own rental properties in cities with rapidly recovering or rapidly increasing rents, then you'll have to decide whether it's worth it to deal with the government to collect back pay while giving up some control over your units or whether you'd rather forego government cash, get in new tenants at the same or higher prices, and take your chances in court suing for back rent.

With rents moving up so quickly and assistance dollars flowing so slowly, it looks like landlords have made their choices: they'll bank on higher rents from new tenants while retaining their ability to go after previous tenants for back rent. The quicker that landlords can get current tenants out the door, the faster they'll increase their rates, which will help them recoup some of what they lost as well as set the rental bar higher for the next rental cycle. Of course, this also will feed into inflation, as we watch the shelter portion of the Consumer Price Index creep higher in the months ahead.

This isn't to disparage landlords. They were forced to carry the cost of the pandemic because they had to make good on their obligations, such as mortgage payments, taxes, and repairs, while the government gave tenants a legal right to stop paying. It only makes sense that property owners try to find the path that best protects their legal rights to recover what they are owed while also increasing their income. When the eviction moratorium expires, we can expect a number of Americans to be on the move and for posted rents to drive even higher.

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*Got a question or comment? You can contact us at [info@hsdent.com](mailto:info@hsdent.com).*