



# ***Harry's Take***

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## **If You Think Home Prices Are Crazy, Look at Rents Lately**

What do you get when you print \$4.6 trillion and rising in less than 2 years in response to the COVID crisis? You get bubbles in everything, and more and greater bubbles than we've been getting since central banks went nuts after the 2008 financial crisis.

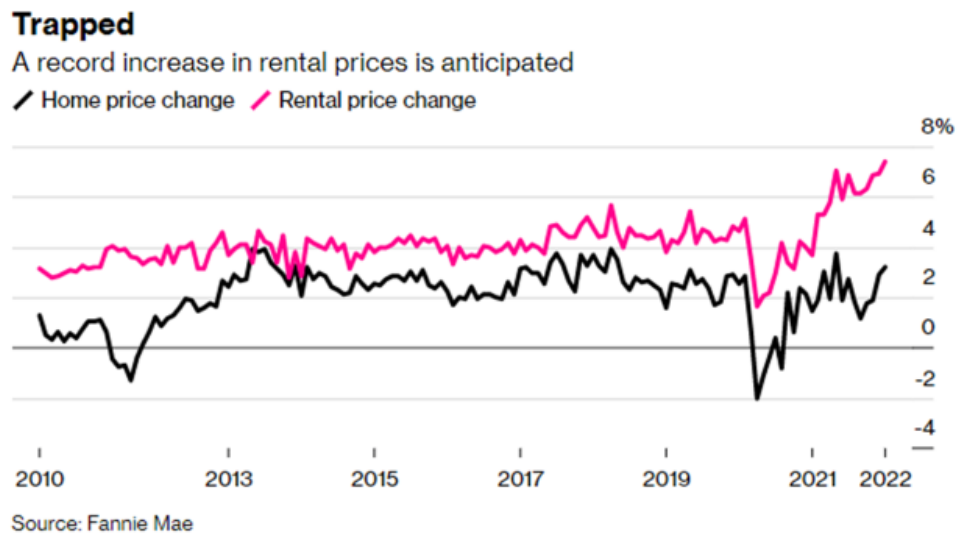
That was the worst downturn since 1930–1933. It was a little worse than the 1981–1982 deep recession. Central banks panicked. Ben Bernanke was the chair of the Fed in the U.S. then. The thesis for his PhD in 1979 from MIT was the Great Depression... and that's what he smelled coming in the 2008 crisis!

The Fed printed about \$1 trillion into 2009 and \$3.5 trillion cumulative into 2014 and kept its balance sheet at a high plateau after that. Then, the Fed tried tapering into 2018, under the assumption that the economy was strong enough after 9 years of stimulus. Wrong! They had to reverse that rapidly when the repo crisis hit.

The error here from the beginning was simple: central banks and politicians thought this was a temporary financial crisis caused by overlending. It was way more than that. It was the end of the Baby Boom spending spree, the greatest generational surge in history, with a long slowdown in spending projected into around 2023 before the economy would turn up strongly again.

So, what do you get when you panic even more and print \$4.6 trillion (and still rising) from 2019 into now? You get bigger bubbles in everything. This will be covered more in the March issue of the *HS Dent Forecast*.

## Home Rental Prices Outstripping Sales Prices More Since COVID



Source: <https://www.bloomberg.com/news/articles/2022-02-07/never-been-a-worse-time-to-buy-a-home-in-poll-of-u-s-households>

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Home prices have been bubbling the most in history since 2000 and are now in their second bubble. That helps the people who own homes, as they feel wealthier and can borrow against the equity if need be. But what about the renters, the most vulnerable people in our economy, typically? This chart shows rental prices are now going up the fastest, as homes are so scarce from so much stimulus and artificially low mortgage rates that the lowest percentage of Americans ever, 25%, now say it's a good time to buy a home.

What happens when renters slow their spending due to rental shock while home buyers face price increases approaching 20% a year?

A recession, that's what!

Harry

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