Rents now top list of fastest-rising prices

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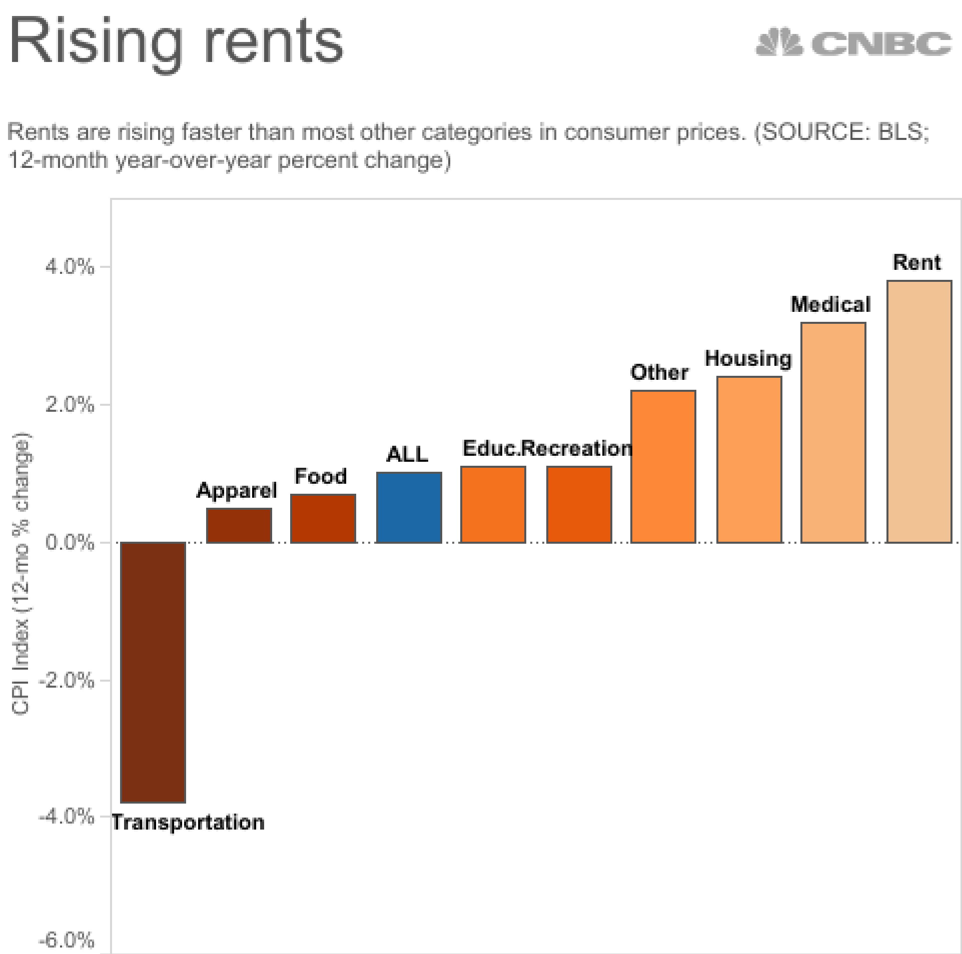
The cost of food, clothing and transportation has only been inching up slowly in the last year, helping American households make ends meet.

But for renters, the pressure on their paychecks keeps rising.

The latest sign came from the government's monthly report on the consumer price index, which breaks out the change in cost of major spending categories. Last month, for the second month in a row, the annual rise in rental income approached 4 percent, nearly four times the overall inflation rate of just 1 percent for the last 12 months.



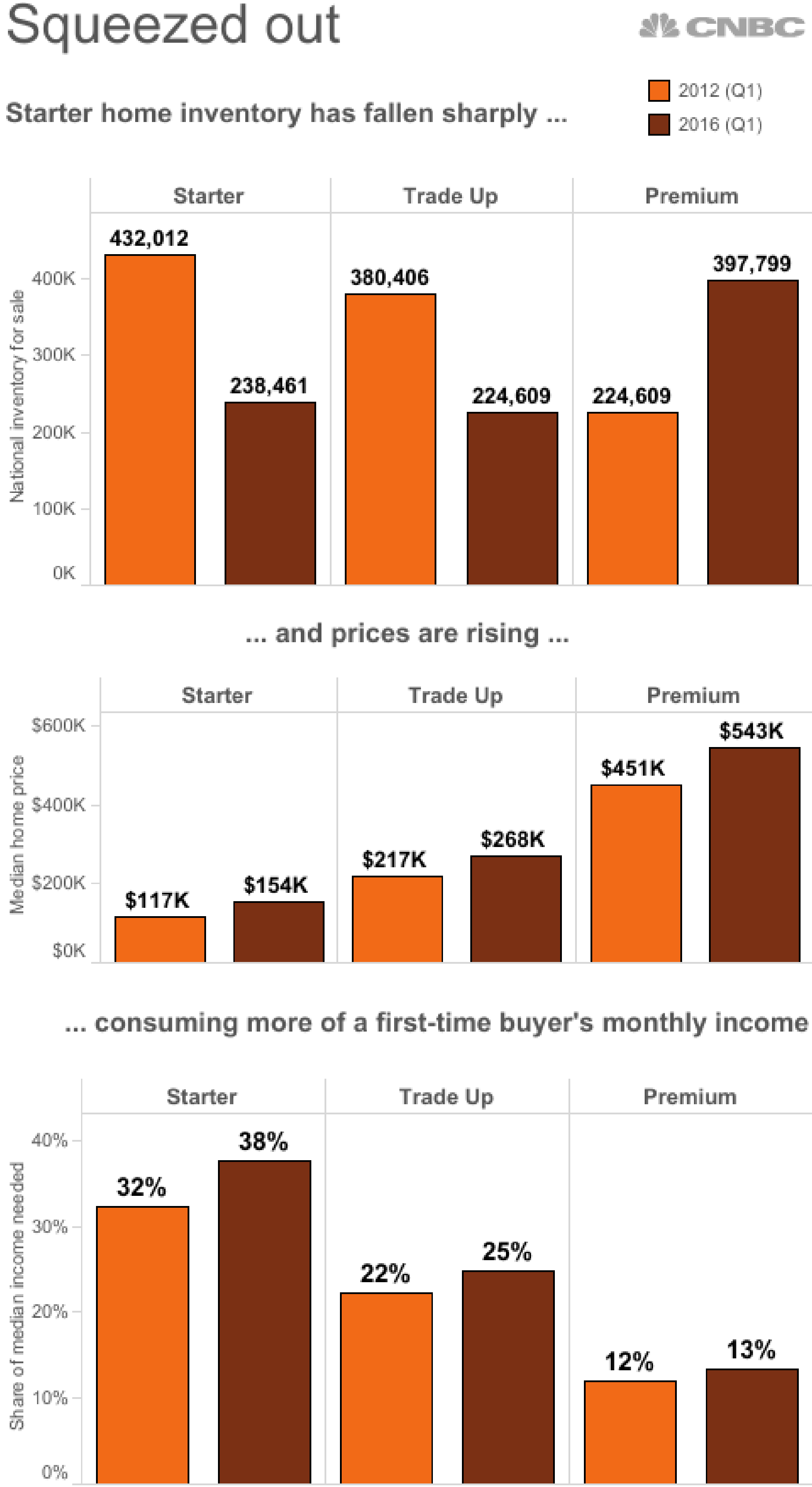
The surge in rental prices has eased a bit in recent months, but the forces driving rents higher remain in place, according to a recent analysis by real-estate-market researchers at Trulia.

Simply put: It's gotten harder in the last four years for many renters to buy a house, even though homeownership turns out to be a better deal in many markets around the country.

Over the last four years, while the supply of pricier homes has increased, the number of starter homes on the market dropped by 44 percent, Trulia said in its last quarterly inventory report. During the same period, the number of midrange "trade-up" homes on the market fell by 41 percent.

"Consumers are increasingly worried about tight inventory when finding a home, and rightly so," said Ralph McLaughlin, chief economist at Trulia. "Low inventory has been, and will continue to be, a strong headwind for househunters."

Squeezed out



With inventory shrinking, home prices are rising — up more than 30 percent since 2012 in the starter-home price range. That's made homebuying even less affordable for first timers; the median starter house consumes about 38 percent of the typical first-time homebuyer's income, up from 32 percent four years ago, Trulia estimates.

Toughest markets

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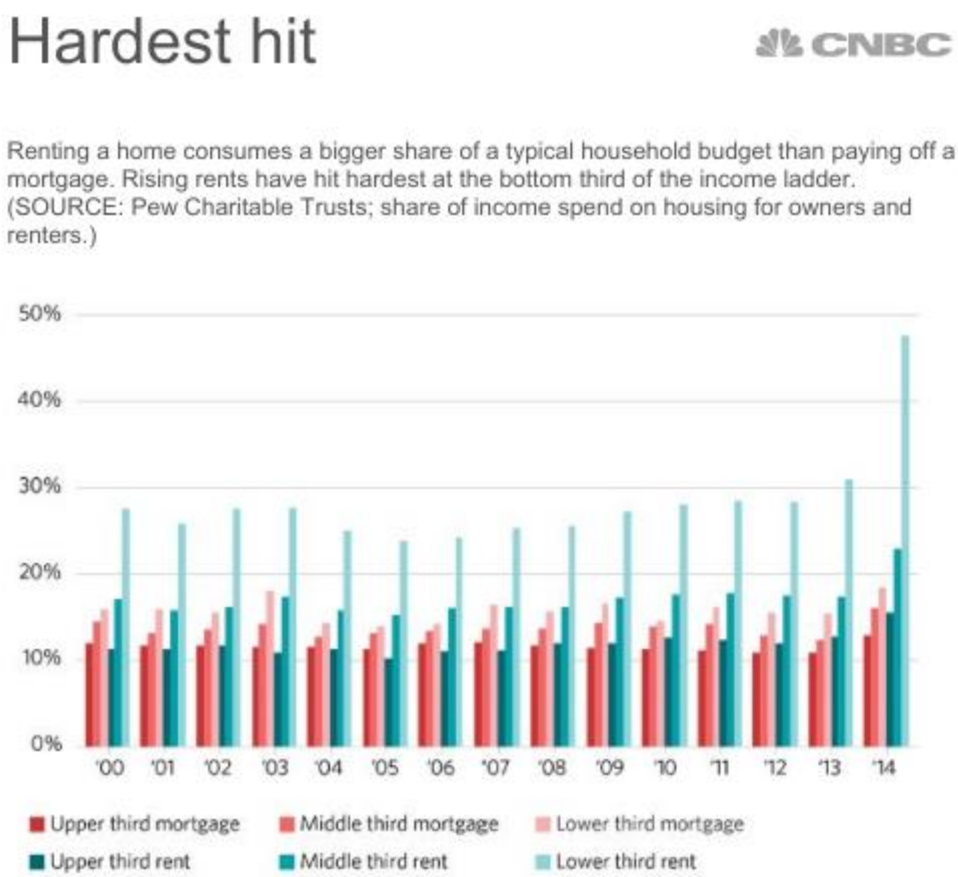
Here are the toughest markets to find a starter home in the top 100 largest metro areas. ..

Metro	Starter Home Inventory	Median Starter Home Price	Additiona Income Share Needed
Salt Lake City, UT	-88%	26%	2%
San Antonio, TX	-86%	3%	-2%
Austin, TX	-83%	32%	7%
San Diego, CA	-80%	65%	18%
Nashville, TN	-79%	35%	3%
Orange County, CA	-79%	52%	23%
Denver, CO	-77%	78%	14%
Houston, TX	-74%	16%	0%
San Francisco, CA	-74%	79%	25%
Portland, OR	-71%	50%	13%
Los Angeles, CA	-71%	65%	28%
Dallas, TX	-70%	41%	5%
Ventura County, CA	-69%	60%	20%
Oakland, CA	-69%	104%	29%
Seattle, WA	-68%	58%	15%
Sacramento, CA	-68%	89%	23%
Colorado Springs, CO	-66%	23%	5%
Charlotte, NC	-65%	11%	0%
Tacoma, WA	-65%	36%	7%
Raleigh, NC	-63%	7%	2%
San Jose, CA	-62%	82%	27%
Fort Worth, TX	-61%	29%	8%
Cambridge, MA	-61%	25%	5%
Daytona Beach, FL	-60%	54%	7%
Phoenix, AZ	-59%	93%	15%

That's a big reason the homeownership rate, which peaked in the second quarter of 2004 at 69.2 percent, has been falling since the housing market collapsed in 2007 and currently stands at just 63.5 percent.

The inventory squeeze for first-time buyers is playing out unevenly around the country. Eight of the 25 tightest markets among the 100 largest metro areas are in California. In Denver, Colo., starter-home inventories have fallen by 77 percent in the last four years, while the median price for that range of home jumped 78 percent, according to Trulia's analysis.



Rising rents are hitting lower-income households hardest, according to a recent analysis by the Pew Charitable Trusts.

Over the last 20 years, housing has consumed a bigger share of the typical American household's budget at all income levels. But while those in the lower third spend less in dollar terms than those higher on the income ladder, they spent a much bigger share of their income than other households that rented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