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# CONSUMER INFLATION SENTIMENT

FEBRUARY 2023 ■

**RIISING HOUSING  
COSTS DEFLATE  
ECONOMIC  
OPTIMISM**



# INTRODUCTION

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## CONSUMER INFLATION SENTIMENT

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**F**or many Americans, owning a home or renting an apartment signifies financial stability and maturity, with Americans traditionally leaving home early and never looking back. Some people even see not owning a home as a valid reason to reject a potential mate, with “owning property” ranked 18th among the top 20 traits singles look for in a romantic partner in a recent survey.<sup>1</sup>

But home ownership — or even renting an apartment — is too expensive for an increasing number of American consumers, especially younger generations. The number of Americans we surveyed who believe homeownership is possible for them dropped by approximately one-quarter this year. PYMNTS’ data finds that 30% of Generation Z respondents report living in an arrangement where they do not own the home or pay rent — such as with parents, relatives or friends. Those who do pay rent or make mortgage payments are likely to deprioritize other wants and needs as a result, preventing spending that could help the economy. Consumers currently predict that inflation will continue above average levels through August 2024, creating further anxiety around increased expenses.

**Consumer Inflation Sentiment: Rising Housing Costs Deflate Economic Optimism** is the seventh installment of this series, which explores consumers’ outlook on the American economy. We surveyed 2,017 United States consumers between Jan. 6 and Jan. 8 to better understand how inflation and increased housing costs affect their daily lives and their concerns about the future.

### This is what we learned.

<sup>1</sup> Anderer, J. Relationship upgrade: 6 in 10 singles are looking to ‘date up’. Study Finds. April 2022. <https://studyfinds.org/singles-date-up/>. Accessed February 2023.

## Homeownership — the cornerstone of the American Dream — is increasingly out of reach, as 18 million people have given up on buying a home since the inflation spike began in January 2021.

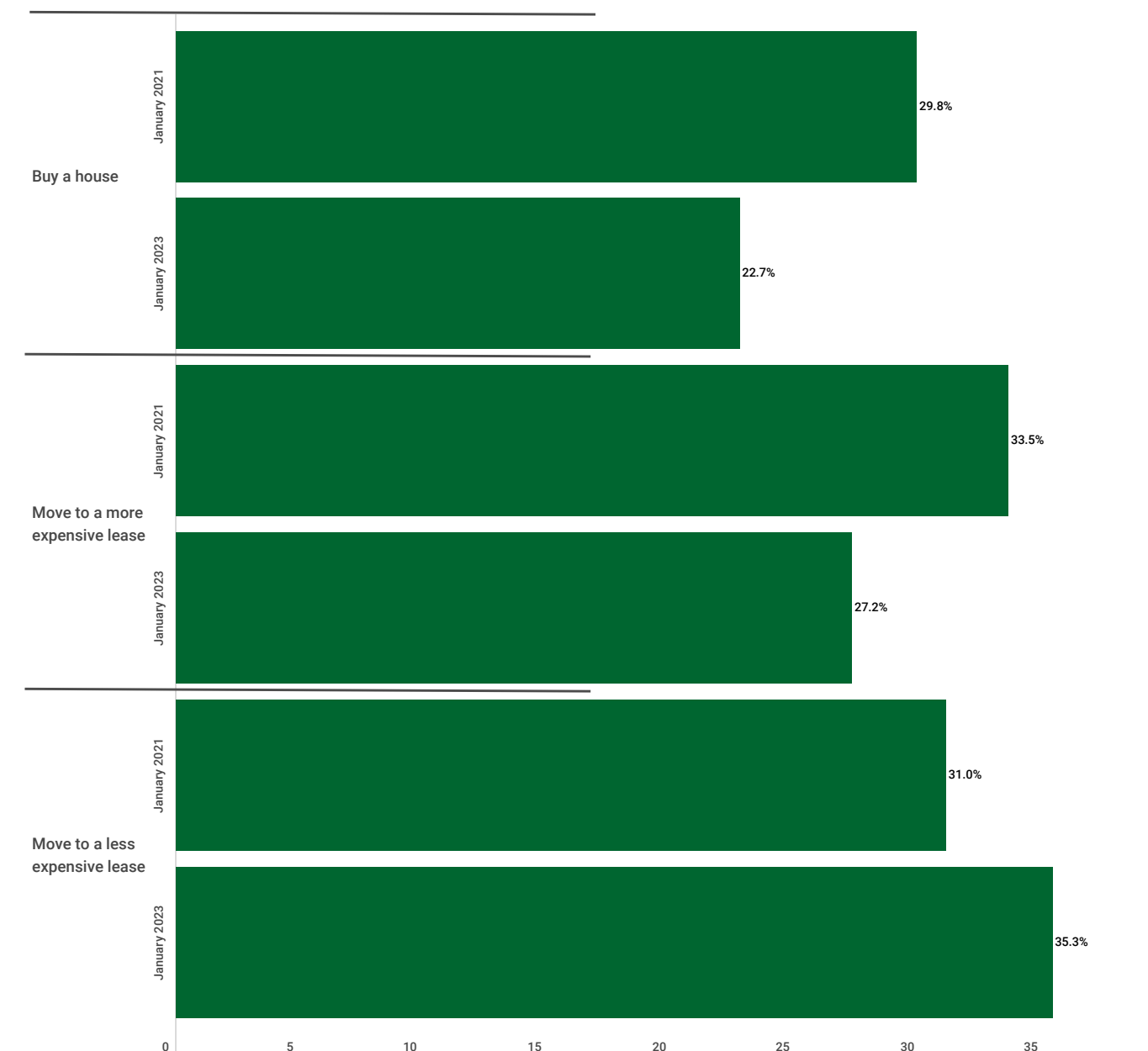
The number of consumers who believe homeownership is possible for them has dropped by 24% in just two years. Currently, 23% of non-owners think buying a house is within reach, yet 30% believed the same in January 2021. Thirty-five percent of Gen Z consumers believed purchasing a home for themselves was within reach in 2021, while just 29% do now.

Improving one’s living situation is even an issue for those who do not seek homeownership — PYMNTS’ data reveals that upgrading to a better rental property also seems less possible than it did in 2021, with just 27% of renters now saying they think it is at least somewhat possible for them to upgrade to a more expensive place. This reflects a drop from 34% two years ago. More than one-third of renters say they are considering moving to a less expensive rental property to help save money — 35% in total.

Figure 1A

### Consumers give up on home ownership

Share of consumers who believe select situations are at least somewhat possible for them, over time



Source: PYMNTS

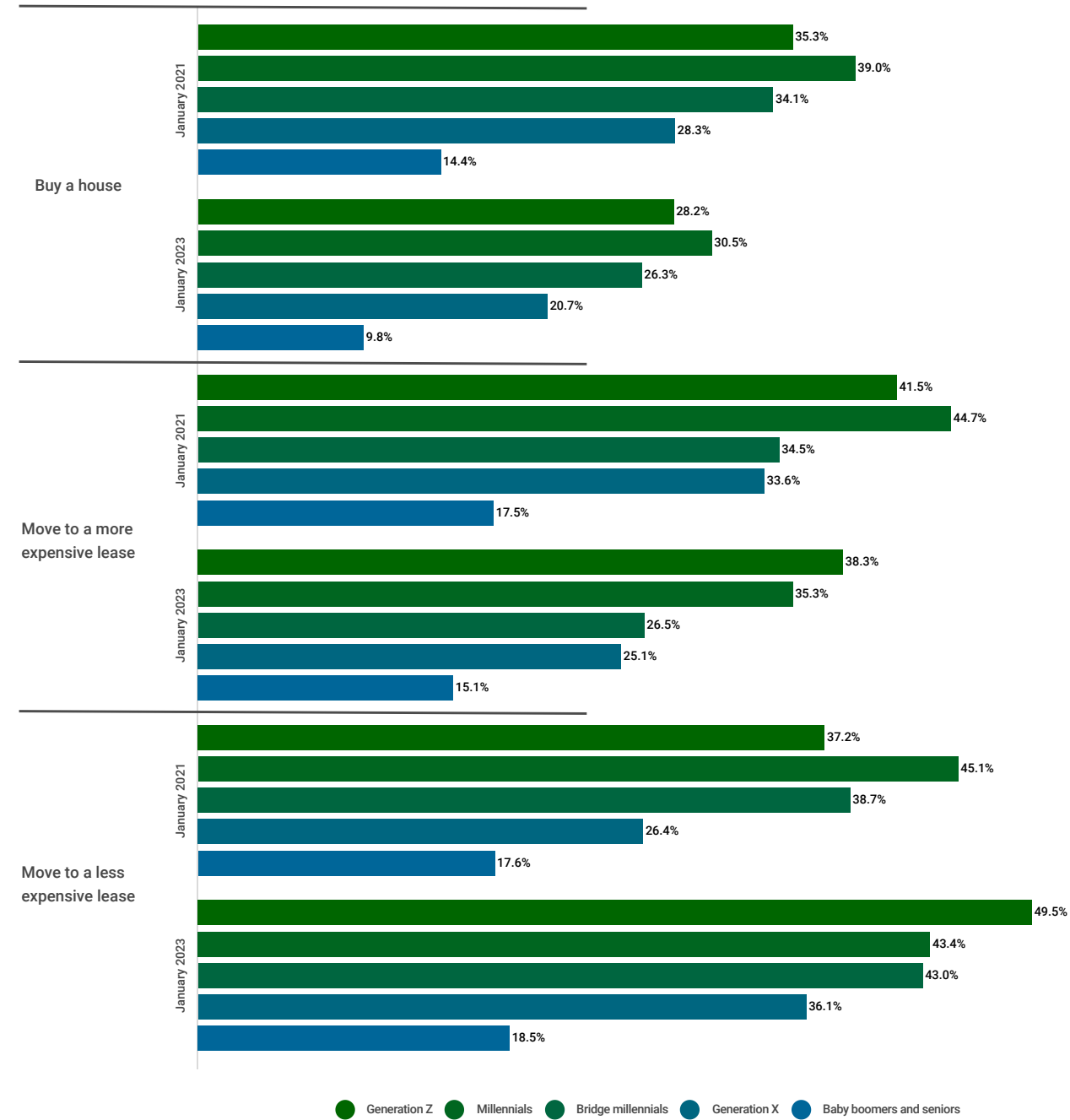
Rising Housing Costs Deflate Economic Optimism, February 2023

N = 756: Respondents who do not own a home; N = 554: Respondents who pay rent, fielded Jan. 6, 2023 – Jan. 8, 2023



**Figure 1B**  
**Consumers give up on home ownership**

Share of consumers who believe select situations are at least somewhat possible for them, by generation



Source: PYMNTS  
 Rising Housing Costs Deflate Economic Optimism, February 2023  
 N = 756: Respondents who do not own a home, N = 554: Respondents who pay rent, fielded Jan. 6, 2023 – Jan. 8, 2023



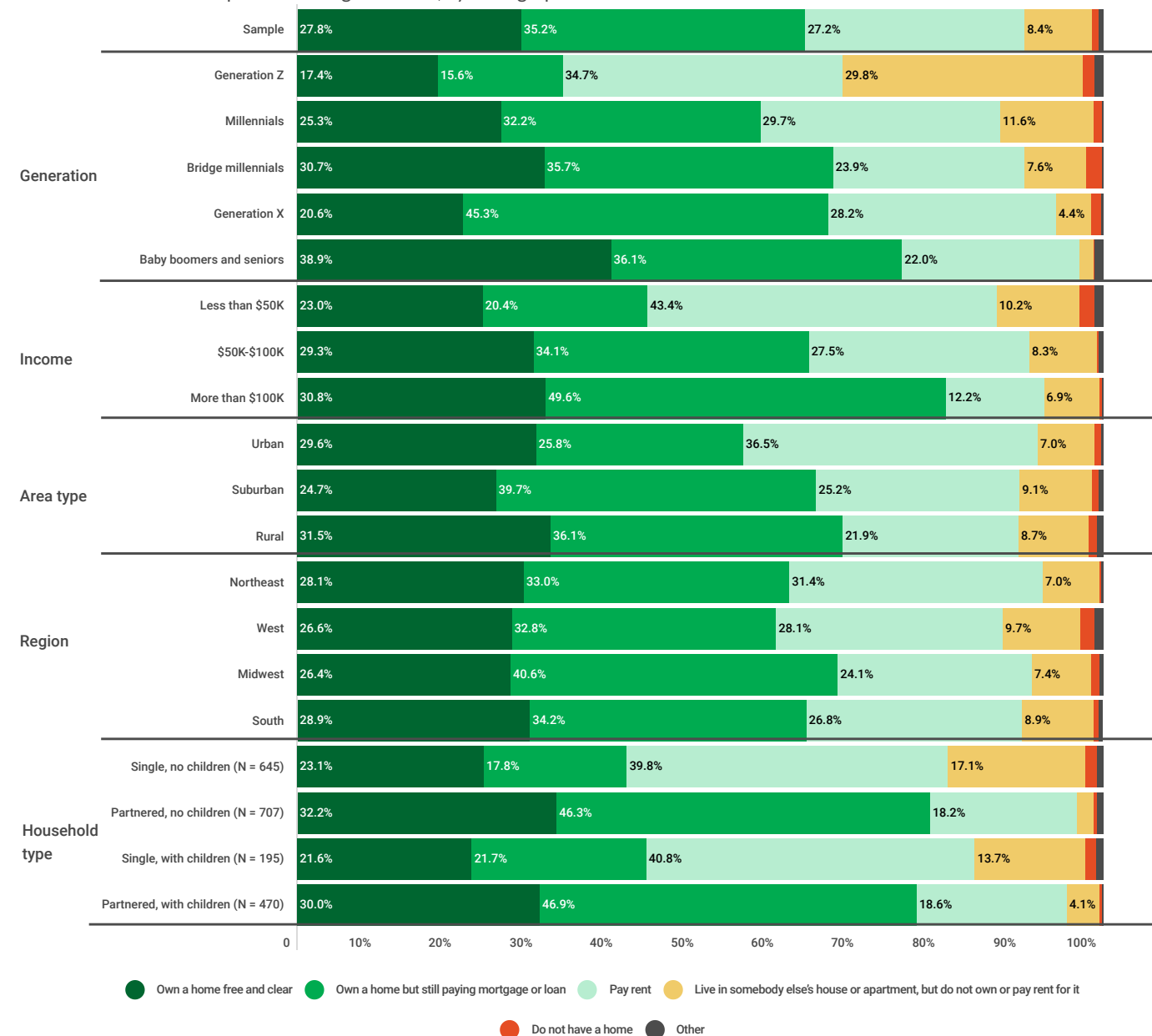
## Housing costs have been consistently accelerating since the start of the year, a rise that is currently outpacing the overall inflation rate.

The pace of year-over-year rent increases accelerated quarterly throughout 2022, reaching 7.5% in December 2022. Rent prices grew 2.3% in Q4 alone, contrasting with an inflation rate that has been stabilizing in the second half of 2022. The annual change in overall prices decreased to 6.5% in December 2022 and is now below its December 2021 mark.

Just more than one-quarter of consumers own a home free and clear, meaning nearly three-quarters are exposed to the effects of increasing interest rates and housing cost inflation. Thirty-five percent of surveyed consumers are paying a mortgage or loan, while 27% pay rent. Nearly 30% of Gen Z respondents say that they live in somebody else's house or apartment (such as with family or friends) and do not pay rent or contribute to mortgage payments. The same is true of approximately 12% of millennials.

Rent prices increased 8.3% throughout 2022, while mortgages and property tax costs rose 7.5%. The increase in housing costs is almost certain to prompt consumers to avoid spending in other areas, crowding out discretionary expenses like restau-

**Figure 2**  
How consumers are living  
Share of consumers in specific housing situations, by demographic



Source: PYMNTS  
Rising Housing Costs Deflate Economic Optimism, February 2023  
N = 2,107: Whole sample, fielded Jan. 6, 2023 – Jan. 8, 2023

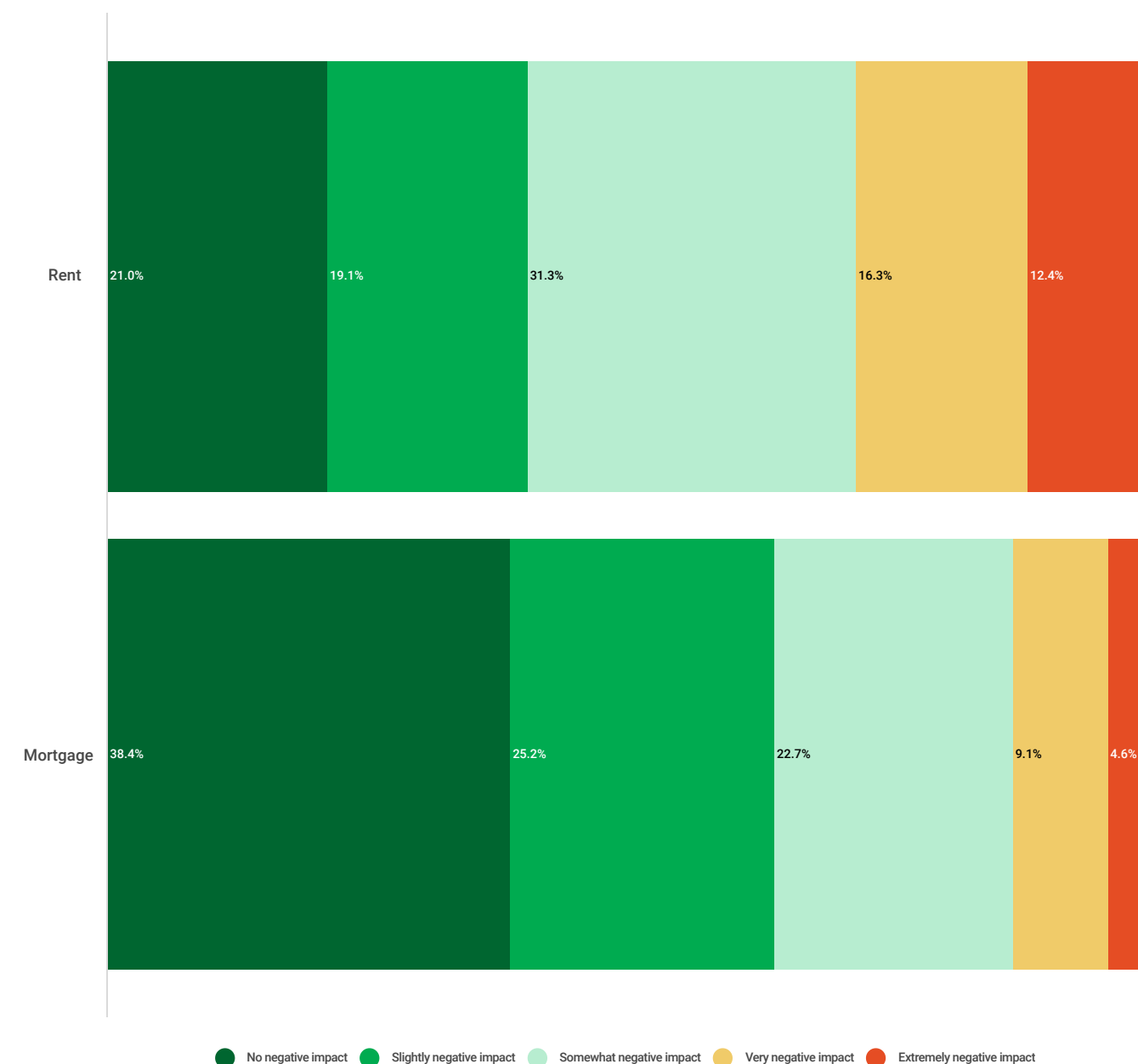
rant dinners, vacations or new clothes. While renters may feel the heightened cost of living more than mortgage-paying homeowners, most consumers feel the impact.

## Nearly one in three renters say housing costs have become highly detrimental to their financial health.

The impact of increasing housing prices is not felt evenly among consumers — data shows that homeowners and the wealthy are less likely to feel the pinch than those who rent or are less affluent. Renters are twice as likely to say housing costs are very or extremely detrimental to their financial lifestyle than homeowners who pay mortgages. Sixty percent of renters say these payments negatively influence their financial health, with 29% of renters saying this influence is very or extremely negative. Lower-income consumers are the most likely to report that housing costs are making very or extremely negative impacts on their financial health, with 34% of these consumers saying this has been the case.

Conversely, 63% of mortgage holders say these payments impact their financial grounding only slightly or not at all — a sentiment with which just 40% of renters would agree. Just 11% of high-income mortgagors say housing costs' impact on their financial well-being is highly detrimental.

**Figure 3A**  
**Housing costs' impact on consumers' financial well-being**  
 Share of consumers reporting the level of impact monthly shelter payments have on their financial health, by payment type

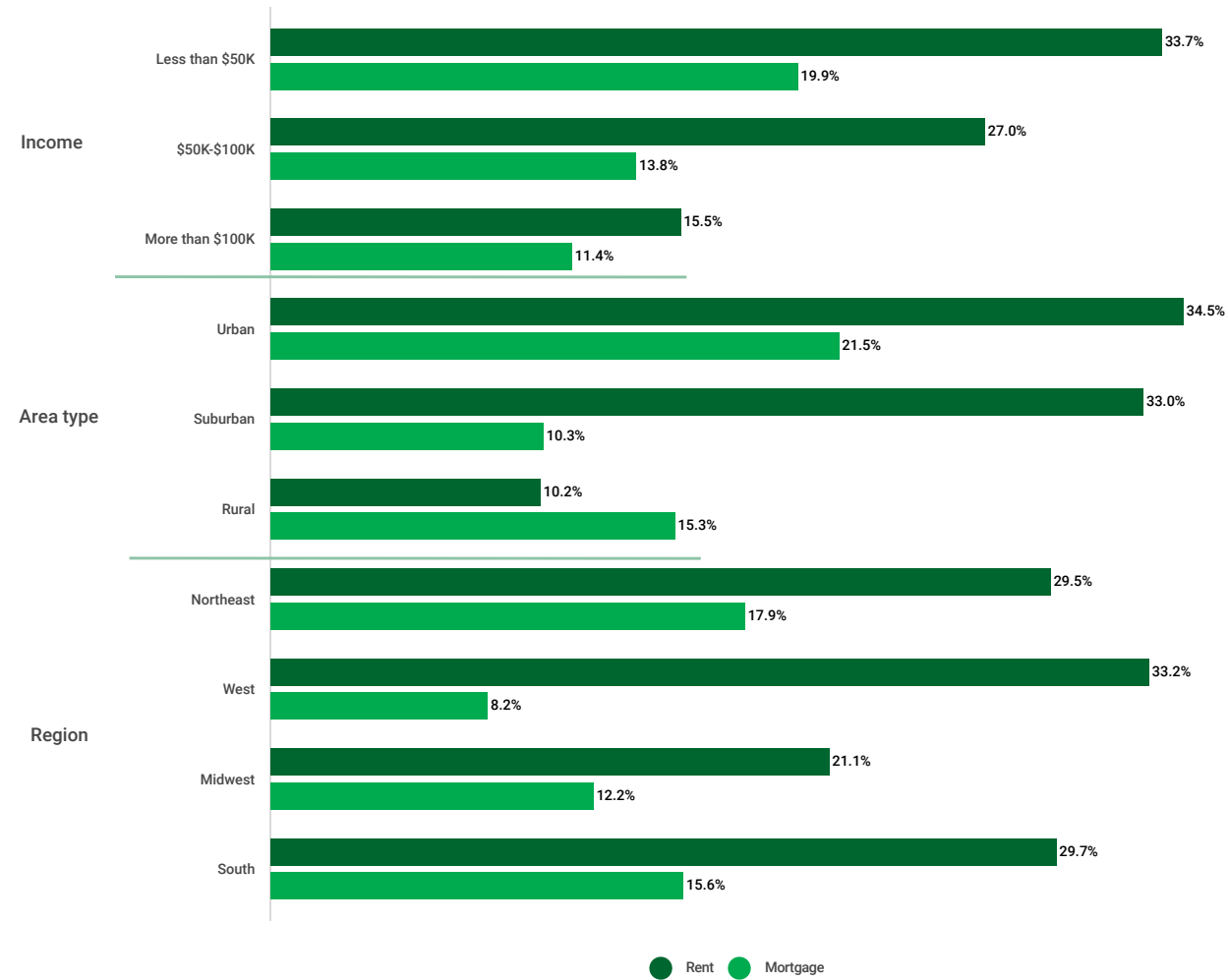


Source: PYMNTS  
 Rising Housing Costs Deflate Economic Optimism, February 2023  
 N = 2,107: Whole sample, fielded Jan. 6, 2023 – Jan. 8, 2023



**Figure 3B**  
**Housing costs' impact on consumers' financial well-being**

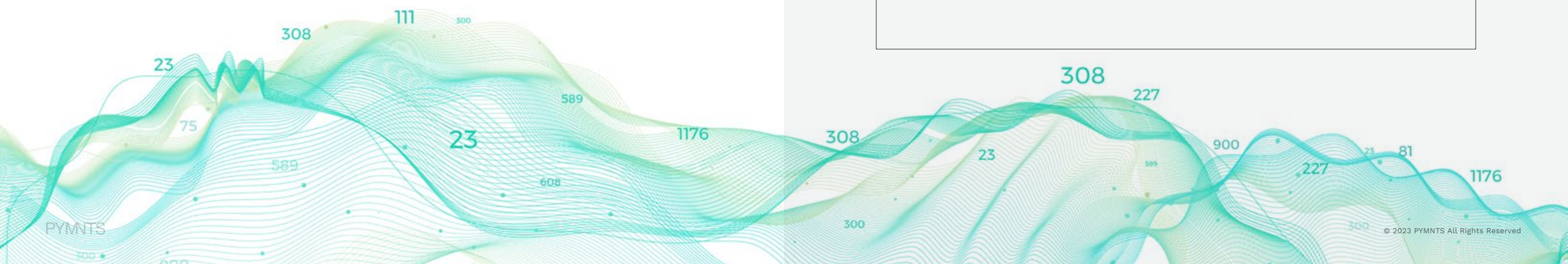
Share of consumers reporting that monthly shelter payments have a very or extremely negative impact on their finances



Source: PYMNTS  
 Rising Housing Costs Deflate Economic Optimism, February 2023  
 N = 2,107: Whole sample, fielded Jan. 6, 2023 – Jan. 8, 2023

# CONCLUSION

**P**YMNTS' research finds that more and more consumers are coming to believe that homeownership is becoming unlikely or completely out of reach. Even the more modest aspiration of renting one's own apartment is no longer a given for many consumers. Given consumers' current anxiety around inflation, rising housing costs may cause American consumers to feel further squeezed for their hard-earned dollars and divert money that could help keep other areas of the economy, such as retail or leisure, afloat. In doing so, these increasingly onerous costs may further push consumers toward a potential recession.



# CONSUMER INFLATION SENTIMENT

## METHODOLOGY

**Consumer Inflation Sentiment: Rising Housing Costs Deflate Economic Optimism**, produced independently by PYMNTS, examines and analyzes inflation's impact on consumers. We surveyed 2,017 U.S. consumers between Jan. 6 and Jan. 8 about their experiences and perceptions. The sample was balanced to match the U.S. adult population in a set of key demographic variables. Our respondents' average age was 48, 52% were female and 36% earned more than \$100,000 annually.

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