

Research [in] Brief

# Why Doesn't CPI Rent Look Like Alternative Rent Indices?



## Primary issue

Rent costs determine about one-third of the consumer price index (CPI), making accurate calculation of rent crucial for accurate assessment of inflation. But the CPI rent measure tends to differ, sometimes substantially, from other well-known rent indices, raising questions about the causes of the gap and what is lost or gained by using the current CPI rent-measuring methodology.



## Key findings

Why does CPI rent look different from other rent measures? Should the CPI change the way it measures rents? To help answer these questions, researchers looked at sampling, quality adjustments, index design, and scope of data, four possible sources of divergence between the CPI rent measure and three prominent alternatives.

- Most of the discrepancy between CPI rent and the other measures is due to the scope of what's measured: differences in rent increases for all tenants in the CPI metric, versus for just new tenants, as in the alternative indices.
- New-tenant rent indices provide an earlier read on changes in rental-market conditions.



## The bottom line

New-tenant rent indices measure just a subset of the rental market and are thus unsuitable for use in the CPI, a cost-of-living index that assesses the impact of inflation on typical households, including typical renters. Because new-tenant rent indices reflect shifts in market conditions more quickly, their signals are useful for monetary policymakers and others who forecast inflation.



Want to find out more? Read “Disentangling Rent Index Differences: Data, Methods, and Scope” at [clefed.org/wp202238r](https://clefed.org/wp202238r).

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