Fact Sheet: HUD Releases FY 2023 Fair Market Rents

Today, HUD released its Fair Market Rents (FMRs) for Fiscal Year ("FY") 2023. HUD is required by law to set fair market rents every year, which go into effect on October 1st. FMRs are an estimate of the amount of money that would cover gross rents (rent and utility expenses) on 40 percent of the rental housing units in an area. FMRs are used in several HUD programs, including to determine the maximum amount that a Housing Choice Voucher will cover. For FY23, HUD is using private sector data to estimate changes in FMRs to address a temporary data availability challenge and to align with market conditions. The basic methodology that HUD uses to estimate FMRs remains the same.

Nationally, FMRs will increase by an average of approximately 10 percent, but metros with recent large rent spikes will see corresponding increases to FMRs. For example, FMRs will increase by 33 percent in Phoenix, 23 percent in Tampa, and 15 percent in Miami, three of the metros that have seen the fastest rent growth since March 2020. To explore new FMRs in your community, click here.

Because rents have risen so quickly recently, voucher holders are increasingly unable to find units available to rent within HUD payment standards. The new FMR levels announced today will enable the voucher program to keep up with rent increases in the private market. These new FMRs will allow voucher holders to access and secure leases in more units so that they can benefit from the housing affordability and stability that vouchers provide.

Since taking office, Biden-Harris Administration has repeatedly acted to help vulnerable renter households attain quality and stable housing. The American Rescue Plan and FY22 budget collectively provided nearly 100,000 new housing choice vouchers, and the President's FY23 budget proposes 200,000 additional housing vouchers. This includes about 20,000 new flexible incremental housing choice vouchers that HUD expects to allocate in the coming weeks via formula to most communities across the country. In June, HUD announced $43 million in FY21 funding to fund approximately 4,000 new incremental housing choice vouchers, or "Stability Vouchers," focused on people experiencing unsheltered homelessness, including in rural areas. The American Rescue Plan also included $5 billion to create housing and services for people experiencing or at risk of homelessness, and provided tens-of-billions of dollars for Emergency Rental Assistance, which improved housing stability for over 6 million unique households, including 700,000 HUD-assisted households. Today's action on FMRs will improve the utilization of both the baseline vouchers and the supplemental vouchers created under this Administration.

The COVID-19 pandemic caused significant interruptions in the public data sources that HUD has traditionally used to set FMRs. To address these issues, HUD supplemented public data with data from private sources to ensure the accuracy of the FY 2023 FMRs. Incorporating private sector data is responsive to feedback HUD received, both informally and through a notice of proposed changes, from tenant advocates, public housing authorities, and other key housing stakeholders. This methodological change is only applicable to FY 2023.

HUD will continue to work with public housing authorities, landlords, tenants, and other stakeholders to improve landlord participation and tenant experience within our assisted housing programs, including through the Department's Moving to Work cohorts.

Frequently Asked Questions

How much will FMRs increase by nationally? How much are FMRs increasing in places, like in the Sun Belt, that have seen the highest rent growth recently?

- The national mean increase in FMRs is 10.4 percent.
- Metros with large rent increases recently will have large increases to FMRs. For example, 33 percent in Phoenix; 23 percent in Tampa; 20 percent in Atlanta; 15 percent in Charlotte; 15 percent in Miami.

Why is HUD issuing new FMRs now?

- HUD is required to update FMRs at least once each year, and FY 2023 FMRs must go into effect on October 1, 2022.

Will this cause inflation to increase?

- No, this change will not affect rental prices or increase inflation.
- Voucher holders account for roughly 5 percent of the nation's rental market (2.3 million households out of approximately 44 million renter households). Any marginal effect on rents would be concentrated on a narrow swath of the rental market and distributed in sub-geographies across the country.

When will these go into effect?

- The FY2023 FMRs will go into effect on October 1, 2022.
- Once posted, public housing authorities have up to 90 days to incorporate new FMRs into their payment standards.

Why did HUD change the methodology?

- HUD usually uses data from the Census Bureau's 1-year American Community Survey (ACS) as the source to estimate recent mover rents. FMRs are determined based on the 40th percentile of rent in a local market, meaning that 40 percent of the units in a market should fall below the level of the fair market rent. Last year, the Census Bureau announced it would not release 1-year estimates from the 2020 ACS due to the impacts of COVID-19 on data collection.
- The local Consumer Price Index (CPI) data HUD uses to adjust ACS rent estimates to current rent levels is only available for a small number of the largest metropolitan areas, while rents measured by private data sources in many smaller metropolitan areas without local CPI data have risen unusually fast in the wake of the pandemic.
- Because of these exceptional circumstances, HUD is supplementing its usual data sources for estimating Fair Market Rents for Fiscal Year 2023.
- HUD's changes narrowly introduce private sector rental data from multiple sources into the FMR calculation process in limited and statistically valid situations where private sector rental data have demonstrated that they more accurately estimate changes in rental markets.

Is this methodological change permanent?

- No. This methodological change is only applicable to FY 2023. HUD would need to issue another notice to continue including private sector data in the future.

Which private data sources are used? How are they used?

- For FY 2023 FMRs, HUD is using up to 6 private sector rent data sources:
    - RealPage (formerly Axiometrics) average effective rent per unit,
    - Moody's Analytics REIS average gross revenue per unit,
    - CoStar Group average effective rent,
    - CoreLogic, Inc. single-family combined 3-bedroom rent index,
    - ApartmentList Rent Estimates, and
    - Zillow Observed Rent Index.
- HUD is using private sector rent data sources only where there are at least 3 sources covering the FMR area.

What is HUD's current voucher utilization rate?

- Eligible households are using about 86 percent of the housing vouchers that PHAs are authorized to administer. This is a decrease of 2 percentage points from pre-pandemic levels, affecting nearly 45,000 families.
- While many factors affect the voucher utilization rate, declining vacancy rates and sharply rising rents have made it more difficult for low-income households to use vouchers.
- Calculating the FY23 FMRs with the methodological change ensures that FMRs accurately reflect recent, steep rent increases in many communities and will make it easier for households in those communities to use their vouchers to rent affordable homes.