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Economy

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Americans Escaping Pricey Cities Bring Higher Housing Costs, Inflation With Them; Inflation in some warm-weather metro areas is more than 2 percentage points higher than national rate

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The Tampa area has one of the highest inflation rates in the nation. PHOTO: Octavio Jones for The Wall Street Journal

Tampa, Fla., residents face some of the [hottest inflation in the country](#), but when excluding sizzling housing costs, price increases are nearly as cool as in Minneapolis.

The disparity shows regional inflation is heavily influenced by [home prices](#) and rent costs. The Tampa area has one of the [highest inflation rates](#) in the nation, 7.7% in March, according to the Labor Department. But when shelter costs are removed from the index, the Florida metro's rate was 3.8%—putting it in line with the Minneapolis area, where inflation excluding housing was 3.6%.

Rising housing costs and elevated inflation in growing, warm-weather metros such as Tampa, Phoenix and Atlanta reflect people migrating out of the Northeast and Midwest [to the Sunbelt](#), said Rajeev Dhawan, director of the Economic Forecasting Center at Georgia State University.

"People follow jobs and people follow opportunities and people follow weather," he said.

Rising Mercury, Rising Home Prices

The Tampa metro area, which includes cities such as Clearwater and St. Petersburg, had overall inflation well above the [national rate of 5%](#) and the highest of any region the Labor Department measured in March. It trailed only Phoenix among places that the [department regularly surveys](#). The largest Arizona metro registered a whopping 8.9% increase in prices in February over the prior year.

By comparison, the Twin Cities area's overall inflation rate was a more subdued 3.4% in March.

The Labor Department produces a consumer-price index for 20 metropolitan areas every other month, while the three biggest—New York, Los Angeles and Chicago—are measured each month. Miami-area data is currently unavailable, the department said.

[Southbound migration](#) in search of jobs, sunshine and less expensive housing isn't new, but was turbocharged during the pandemic. That increased pressure on housing markets, pushing up rents and home prices. But when housing is removed from the index, inflation in those areas is near the national average.

[In Phoenix](#), the median rent payment rose by 26% over the prior year in February on a six-month moving average, and in Tampa the median rent payment jumped 23%, according to an analysis of financial data by the Bank of America Institute. Northern cities such as Chicago, Boston and New York saw equivalent rent payment increases of under 10%.

But removing housing prices can provide a more illuminating picture of inflation, especially since housing costs often show up in inflation data [with a significant lag](#). Excluding housing costs, national inflation was 3.4% in March. It is a better reflection of price pressures facing consumers day-to-day, and for those who have stable housing costs, either via a locked-in mortgage rate or long-term rental contract. In some cities, cool housing prices can mask otherwise-high inflation.

Moderately Expensive

Areas with recent above-average inflation, however, remain relatively affordable compared with some of the most expensive places to live. Indeed, a leading reason for migration is pursuit of housing affordability, especially if it is paired with a growing economy.

Those population outflows are keeping inflation in some of the [cities with the highest cost of living](#) at or below average. The New York area's inflation rate was 4.6% in March, and when removing housing from the index, the rate was 3.8%, implying that housing isn't the only driver of recent price pressures.

Overall, food prices are outpacing other categories and falling energy prices are having a cooling effect, according to the Labor Department's New York-New Jersey regional office.

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"Rent is increasing in expensive cities such as New York, Los Angeles and Washington," said David Tinsley, senior economist at the Bank of America Institute. "But it is a good deal less than the double-digit increases we're seeing in the South."

San Francisco stands out among highest-cost metros with its weak housing price pressures. Overall inflation in February stood at 5.3%, below the national rate of 6% that month. But excluding housing, San Francisco-area February inflation was 6%, showing that housing costs were actually providing some relief.

California Dreamin'

The three metro areas with the lowest inflation rates, when excluding housing, are all in Southern California: Los Angeles, San Diego and Riverside. They have some of the highest costs of living in the country, but have seen population outflows ease pressure on the residential real-estate market.

When excluding shelter costs, they have inflation rates of 2.5% and below, just above the Federal Reserve's target of 2%.

The Southern California migration pattern, heightened by migratory and economic forces unleashed by the pandemic, has existed to some extent for decades.

The economic forecaster Dr. Dhawan left Los Angeles 23 years ago after feeling priced out.

"I proudly say, I'm a real-estate refugee from Los Angeles," Dr. Dhawan said.

He moved to Atlanta.

Danny Dougherty contributed to this article.

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