

Rent Control

Rarely do economists from across the political spectrum agree on public policy; however, rent control is one of the few subjects that bridges this divide. Economists ranging from Milton Friedman to Paul Krugman are opposed to the regulation of rents. According to a poll of economists by the American Economic Review, a resounding 93% agree that “a ceiling on rents reduces the quantity and quality of housing available.”¹

Rent control measures are price controls that constrain a property owner’s ability to set rental rates. Limits on rent were first promulgated during, and after the Second World War to address a wartime housing shortage. While the intent of the policy was to ensure an adequate supply of affordable housing existed, it has been shown in both academic research and practice to have the opposite effect.

These price controls on rents merely exacerbate the issue by making apartment housing unaffordable.² It negatively impacts the housing market by discouraging the construction of new housing,³ expediting the deterioration and loss of existing housing,⁴ and diminishing the value and investment in properties.⁵ When this decrease in rental housing stock coincides with increased demand, it leads to increased costs for consumers.

Rent control does not only adversely impact consumers, it’s effects also place heavy burdens on state and local governments. The reduction in property values that results from rent control leads to a decline in property tax revenue.⁶ The revenue decrease occurs while government expenditures increase⁷ as large bureaucracies administer and enforce the new regulations. The creation of a new regulatory body would necessitate the reallocation of budgetary funding and could put a strain on core government services.⁸

State legislators understand that rent control is counterproductive to achieving affordable housing, which is why 37 states prohibit municipalities from imposing ceilings on rents.

¹ R.M. Alston, J.R. Kearl, and M.B. Vaughan, American Economic Review, *Is There a Consensus Among Economists in the 1990s?*

² Rebecca Diamond, Stanford University, *The Effects of Rent Control Expansion on Tenants, Landlords, and Inequality: Evidence from San Francisco*

³ Peter D. Salins, The Manhattan Institute, *Rent Control’s Last Gasp*: <https://www.city-journal.org/html/rent-control%E2%80%99s-last-gasp-11951.html>

⁴ Rolf Goetze, Geodata Analytics, *Rent Control: Affordable Housing For The Privileged, Not The Poor*

⁵ Henry O. Pollakowski, The Manhattan Institute, *Rent Control and Housing Investment: Evidence from Deregulation in Cambridge, Massachusetts*

⁶ Econosult Solutions Inc., *The Statewide Economic Impacts of Rent Control in New Jersey Municipalities*

⁷ 2017 Budget for San Francisco, CA allocated more than \$7 million to fund the rent control board and administer the ordinance for 170,00 units

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Since rent controlled apartments are not distributed by “need,” it’s effects do not help the intended beneficiaries. A better solution to aid low-income renters is to provide rental assistance directly to the consumer, which would allow prospective residents to choose housing that fits their needs.

Rent control distorts the housing market by acting as a deterrent and disincentive to develop rental housing, and expedites the deterioration of existing housing stock. While done under the guise of preserving affordable housing, the policy hurts the very community it purports to help by limiting accessibility, as well as affordability. Instead, policymakers should consider alternative approaches that have proven to be effective means to tackle shortages of affordable housing, such as providing direct rental assistance to low-income consumers, and enacting policies that streamline, incentivize, and reduce impediments to development. Where prohibitions on local rent control do not already exist, state legislators should enact preemption measures to prevent municipalities from implementing rent control ordinances.

NAA Viewpoint NAA encourages elected officials to reject rent control measures. Alternatively, policymakers should preempt local governments from imposing rent control and implement programs that provide rental housing subsidies directly to low-income consumers, remove impediments and incentivize the development of housing.