



RENT CONTROL

It is difficult to find any issue where economists on both sides of the political spectrum agree, except for rent control. Forbes lists the antiquated idea as one of the 10 worst economic ideas of the 20th century, saying: “Here we have a policy initiative that has done huge damage to cities around the globe. It is very hard today to find an economist supporting rent control.” It’s little surprise that finding supporters for rent control is difficult. A survey by the American Economic Association found that 93 percent of U.S. economists agreed that rent control reduces the quality and quantity of available housing.

Rent control or rent stabilization laws set a ceiling on rents and severely limit or prohibit property owners from raising rents, particularly if vacancy controls are part of the law as well. Most of the nation’s existing rent control laws were first instituted in the post-war era, when America struggled to find enough housing for returning soldiers. Today, rent control is seen as a method to improve affordability in the face of stagnant household incomes. While the goal of rent control is positive, numerous studies demonstrate that rent control creates unintended consequences that harm property owners/managers, their residents and the greater community. Among the findings of these studies:

- Rent control laws lead to a reduction in the available supply of rental housing in a community;
- Rent control policies generally lead to higher rents in the uncontrolled market;
- Rent control and rent stabilization policies do a poor job at targeting benefits, leading to a lottery-like system as to who is able to move into rent-controlled units;
- Rent control can cause renters to continue to live in units that are too small, too large or not in the right locations to best meet their housing needs, when they otherwise likely would have moved to a unit more suitable for their situation;
- There are significant fiscal costs to jurisdictions associated with implementing and maintaining a rent control program;
- Rent-controlled buildings can potentially suffer from deterioration or lack of investment since owners may not collect enough rents to keep up with repairs; and,
- Rent control policies can hold rents of controlled units at lower levels but not under all circumstances.

Rent control can also disincentivize new development or property sales in these jurisdictions in favor of areas without rent control.

NMHC/NAA encourage lawmakers to promote proven alternatives to rent control that address the critical affordable housing shortage, making rents more affordable to lower-income residents and encouraging development of new housing at a variety of rental levels. Voucher-based rental assistance programs, for example, are a more effective way to promote affordable housing in a manner that benefits both the renter and the housing provider.

NMHC/NAA Viewpoint

Rather than improving the availability of affordable housing, rent control laws exacerbate shortages, cause existing buildings to deteriorate and disproportionately benefit higher-income households. NMHC/NAA urge lawmakers to reject price controls and pursue alternatives such as voucher-based rental assistance to better address critical affordable housing shortages.

Recognizing its counterproductive nature, 26 states prohibit local municipalities from implementing rent control laws.