Talking Points – Rent Control

The primary reason rent control doesn't work is that artificially depressed rents discourage private investors from constructing new rental units or investing in and improving their existing properties. It also encourages owners to convert buildings from residential to non-residential use. Without profitability as an incentive, investment capital is directed to other markets and maintenance on existing properties is deferred.

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.

Rent control is destructive and counterproductive in many ways, is very complicated to administer and would have many unintended consequences. Arguments against rent control include the following economic and social factors:

- **Reduces the quantity of available housing** – Most economists assert that setting a price ceiling on housing reduces the housing supply in a market. With maximum prices set, there is less incentive in repairing and renting spaces in homes or to build new rental property.

- **Reduces the quality of available housing** – Because rent control reduces the return on rental housing investments, it can lead to a decline in the existing rental quality as property managers faced with decreasing revenues may be forced to reduce the amount they invest in maintaining and repairing existing property.

- **Reduces New Construction** – By forcing rents below the market price, rent control reduces the profitability of rental housing, directing investment capital out of the rental market and into other more profitable markets. Construction declines and existing rental housing is converted to other uses.

- **Reduces Property Tax Revenues** – Reduces the market value of controlled rental property, both in absolute terms and relative to the increase in property values in unregulated markets. The tax implications of this reduction can be significant, as taxable assessed rental property values decline relative to unregulated property.

- **Reduces a property manager's incentive to maintain controlled property** – Rent control discourages property managers from maintaining their property. When rent ceilings limit supply and turnover, property managers are less motivated to maintain properties in order to attract new tenants.

- **Reduces a Property Managers Ability to Meet Expenses** – Because rent control force rents below the market price, it reduces potential profitability of rental housing. This loss of revenue may make it difficult for a property manager to meet routine expenses.