



March 24, 2023

Oregon Senate Housing and Development Committee
900 Court St. NE
Salem, OR 97301

Economists Agree: Rent Control Hurts Housing

Chair Jama, members of the committee,

In our discussions around further implementing rent control in Oregon, it should be helpful to consider the data. Sound public policy is developed with facts, and economists from around the country have thoroughly evaluated proposed and existing rent control policies -- and a clear consensus has been made. A recent IMG survey found only 2% of economists believe rent control has had a positive impact on affordable housing.

- While rent control is indisputably harmful for housing providers, the unintended consequences of this policy will also impact renters as well in the form of higher rents when moving, deferred maintenance, and other effects. The below references are intended to shine a light on these impacts, and we have linked to the full reports should you need more data.
- Economists at the American Economic Review point to San Francisco, hardly an affordable city by any stretch of the imagination. In their 2019 report titled “The Effects of Rent Control Expansion on Tenants, Landlords, and Inequality: Evidence from San Francisco,” the authors state the following: “Landlords treated by rent control reduce rental housing supplies by 15 percent by selling to owner-occupants and redeveloping buildings. Thus, while rent control prevents displacement of incumbent renters in the short run, the lost rental housing supply likely drove up market rents in the long run, ultimately undermining the goals of the law.”
- Portland State University’s Tim Lawler authored a report on the unintended consequences of the state’s 2019 rent control law. In his 2020 report, titled “Economic Analysis of Rent Control,” in addition to other rent control impacts like incentivizing immobility and subsidizing higher-income Oregonians, Lawler references another study which shows “...rent controlled areas typically have high cases of deferred maintenance (Weiner, 2014) ... The long-term effect of deferred maintenance is that the value of the neighborhood begins to decline.”
- In a 2021 report from several economists at UCLA, titled The Effect of Market-Rate Development on Neighborhood Rents, the authors analyzed the impacts of market rate development on the vitality and affordability of neighborhoods. Broadly, the report found that new market rate homes helped to stabilize “higher-resource communities” that also had tenant protections and direct public investments in place. Encouraging market rate development is one component of a successful housing production strategy. The economists concluded, “The neighborhood-level benefits of market-rate development are promising and indicate an important role for both market and non-market solutions to the housing crisis.”

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- Finally, in a 2018 report from Stanford Graduate School of Business Associate Professor of Economics Rebecca Diamond, the long-term negative impacts of rent control are evaluated. Her study, called What does economic evidence tell us about the effects of rent control? acknowledges the immediate benefits for renters but calls out better, more effective alternatives. She states, “Rent control appears to help affordability in the short run for current tenants, but in the long-run decreases affordability, fuels gentrification, and creates negative externalities on the surrounding neighborhood... If society desires to provide social insurance against rent increases, it may be less distortionary to offer this subsidy in the form of a government subsidy or tax credit.”

In summary, the facts show that rent control is at best a thin band-aid that will not ultimately benefit Oregonians. It is imperative that we refocus on the root causes of housing instability.

Thank you again for your continued focus on this issue. Multifamily NW is eager to move beyond this well-intended but highly impractical proposal and continue to work with this committee to improve rental housing outcomes across the state.

Sincerely,

Gary Fisher
Deputy Executive Director
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