

Submitter: Pete Whitehead

On Behalf Of:

Committee: House Committee On Housing and Homelessness

Measure, Appointment or Topic: HB3054

Oregon's proposal to cap annual rent increases to match the Consumer Price Index (CPI) may seem like a reasonable way to prevent excessive rent hikes, but it could lead to several unintended consequences that harm both landlords and tenants.

First, tying rent increases to the CPI ignores the rising costs landlords face beyond general inflation. Property taxes, insurance premiums, and maintenance costs often increase at rates higher than CPI. If landlords cannot adjust rent accordingly, they may struggle to maintain properties, leading to declining housing quality and disincentivizing long-term investment in rental housing.

Second, this policy could discourage new affordable housing development and reduce the overall supply of rental units. If rental income is artificially capped, developers may see less incentive to build new manufactured home communities, worsening Oregon's existing housing shortage. With fewer available units, competition for non-rent-controlled housing would increase, driving up prices in the unregulated market and making housing less affordable overall.

Additionally, capping rent increases could lead to inefficient tenant behavior. People may hold on to rent-controlled units even when their financial situation improves or their housing needs change, reducing turnover and making it harder for new renters to find available housing. Meanwhile, wealthier or well-connected individuals may secure rent-controlled apartments, leaving those in true need struggling to find affordable housing.

Finally, landlords may seek ways to bypass the cap, such as charging higher move-in fees, reducing maintenance services, or converting rental properties into other more profitable uses, further decreasing the supply of available rentals. Instead of solving affordability issues, this policy risks exacerbating them by discouraging investment, reducing housing quality, and increasing demand-driven price hikes in the open market.

While Oregon's goal is to protect tenants from excessive rent increases, a CPI-based cap could ultimately worsen the housing crisis by discouraging new development, reducing property maintenance, and creating inefficiencies that make it harder for renters to find quality, affordable housing.