

Rent Control

Background

Rent control and rent regulation laws remain a concern for the industry. At this time, there are no active federal proposals for national rent control. While some progressives may espouse such a thing, it is not a proposal that could make it through the Senate. However, some states and a number of local jurisdictions have turned to rent control in a desire to improve access to affordable housing. 27 states have laws prohibiting localities from implementing rent control.

Nationwide in 2021, rent growth went from minimal to double-digit pace. With the rental vacancy rate continuing near its historic lows during the pandemic, in which just 5.7% to 6.8% of rental housing units are vacant at any point in time compared to seven percent or more, historically, renters are also contending with limited supply and excess demand that leads to upward pressure on rents. According to REALTOR.com, in 2022, they expect this supply trend will continue and fuel rent growth. At a national level, they forecast rent growth of 7.1% in the next 12 months, somewhat ahead of home price growth. This will exacerbate calls for rent control.

Talking Points

- Rent Control has a Negative Impact on Housing Supply and Availability:
 - Rent control disincentivizes new development or property sales in these jurisdictions in favor of areas without rent control;
 - 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;
 - Buildings subject to rent control can potentially suffer from deterioration or lack of investment since owners may not collect enough rents to keep up with repairs; and
 - There are significant financial costs to jurisdictions associated with implementing and maintaining a rent control program.
- Rent control measures will severely limit the ability of manufactured home community owners to pay for improvements to infrastructure and make other capital investments in their communities.
- Manufactured home communities include expenses that other forms of affordable housing may not incur. These include:
 - Water systems – Replacement or major repairs can cost hundreds of thousands of dollars.
 - Road Paving – Maintenance alone is in the tens of thousands for roads; replacement is far in excess of that.
 - Septic systems – Aging systems that need to be upgraded can cost more than \$1 million.
 - Snow Removal systems.
 - Community properties such as clubhouse, playground, pool, etc.
- A study in the Journal of Economic Perspectives found that more than 93 percent of U.S. economists agreed that “A ceiling on rents reduces the quantity and quality of housing available.”¹

¹ <https://pubs.aeaweb.org/doi/pdfplus/10.1257/jep.9.1.99>

- The American Legislative Exchange Council (ALEC) has published language for a model state law preempting localities from passing rent control:
<https://alec.org/model-policy/rent-control-preemption-act/>
- Economics teaches us that in a free market, demand and supply will balance. In an unregulated housing market, shortages are addressed first by higher rents (responding to scarcity and higher demand), and then by an increase in supply. That self-regulates the market. But when rents are restricted, there is no attraction to new investment in housing. Supply will stagnate, and the problem will worsen.
- Especially when combined with supply chain, labor, and lumber issues; rent regulations will greatly hamper the development of affordable rental housing.

Research

National Multifamily Housing Council Study

<https://www.nmhc.org/globalassets/knowledge-library/rent-control-literature-review-final2.pdf>

Brookings Institute

<https://www.brookings.edu/research/what-does-economic-evidence-tell-us-about-the-effects-of-rent-control/>

Urban Institute

https://www.urban.org/sites/default/files/publication/99646/rent_control._what_does_the_research_tell_us_about_the_effectiveness_of_local_action_1.pdf