Rent Controls - Not A Solution to Our Housing Crisis. 

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Given our unending march, month after month, to record housing prices, several mayoral candidates and some elected officials recently mentioned rent controls as an option they would consider. Our housing shortage of all types and the higher interest rates on home mortgages drive even more demand for rental housing, causing rents to skyrocket. At first, rent control may sound like a good idea. A rent control law can help make prices affordable if the rent is too high. As impressive as rent control may sound, it is actually a bad idea. What is rent control, and why does it fail to help those renters it is designed to help?

**What is Rent Control?** According to Investopedia, “Rent control refers to an apartment whose rent has a limit on the amount a landlord can charge. A government program sets the limit, and rent control laws are put into place by local municipalities. When rent is “controlled” in such a way, a landlord cannot unfairly raise the rent price year-over-year.” Only the District of Columbia and four states have laws that regulate rent—California, Maryland, New Jersey, and New York, while 32 states prohibit rent control. Assar Lindbeck, the famous economist, said: “Short of bombing, I know of no way to destroy a city that was more effective than rent control.”

**Why Rent Control or Rent Stabilization does not work.** If more people are looking for apartments than there are apartments in an area, the demand for apartments is greater than the supply. When an area has a shortage of apartments, no amount of rent control can provide enough housing for those that need it. Brookings Institution argued “that although rent regulations help tenants in the short term, they ultimately have ill effects in the long term, including the loss of housing affordability, the creation of gentrification, and spillover from the rent-regulated location into the surrounding neighborhoods.” Here are a few other reasons rent control fails.1

1. Rent control reduces landlords’ incentives or ability to rent out apartments. So, rent controls make it very **difficult to find an apartment.**
2. **Developers stop building new apartments.** In an unregulated market, there is a potential to make a solid return on real estate. However, it becomes very difficult to make a profit with rent control.
3. When rents are artificially low, rente*rs use up more available housing* than they would in an unregulated market. For example, if available, young adults who may otherwise live with their parents could choose to use a rent-controlled housing unit.
4. Landlords end up paying more to maintain the apartments than they can collect in rent, so **apartments stay in disrepair** for the duration of the rent-controlled tenancy.
5. **Rent-controlled apartments cause stagnation.** When tenants pay below-market prices for apartments, they are unlikely to move, even after they no longer need the subsidy. Therefore, fewer units are available for tenants that genuinely need the lower rates.
6. **Restriction begets more restrictions.** If rent increases are only allowed between leases, rational landlords will not hesitate to evict bad tenants as soon as possible. This translates to a demand for further government rules and regulations to protect the tenants.

In summary, politicians often market rent control as a way to help the working class. They paint the landlord as a miser out to get the poor and believe that rent control will stop this. On the surface, rent control sounds great. Yet, the effects are rather tragic, as both liberal and conservative economists agree. On the one hand, tenants find extremely limited housing, and the housing they do find is run down or very expensive. On the other hand, landlords can no longer profit from their investments. Rent Control also reduces the construction of new developments while adversely impacting the quality of existing housing. Let’s stop talking about rent control and just build more housing!
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Brookings.edu. “What Does Economic Evidence Tell Us About the Effects of Rent Control?”

1. Rent Control: Why Is It So Bad? BLOG Kathryn Ciano • 10/20/2010 Competitive Enterprise Institute