TARGETING MOM-&-POP

small housing providers

RENT CONTROL

- Limits yearly rent and fee increases to **7%** after the first year.
- **No rent increases allowed in the first year** of tenancy.
- Requires **90-day notice** for any rent increases.
- MHC: Caps total move-in fees to **one month's rent** (or two months if pets are present).
- MHC: Implements tiered late fee structure:
  - **2%** (first late month)
  - **3%** (second consecutive month)
  - **5%** (third consecutive month & beyond)
- Attorney General may bring legal action to enforce compliance against housing providers.

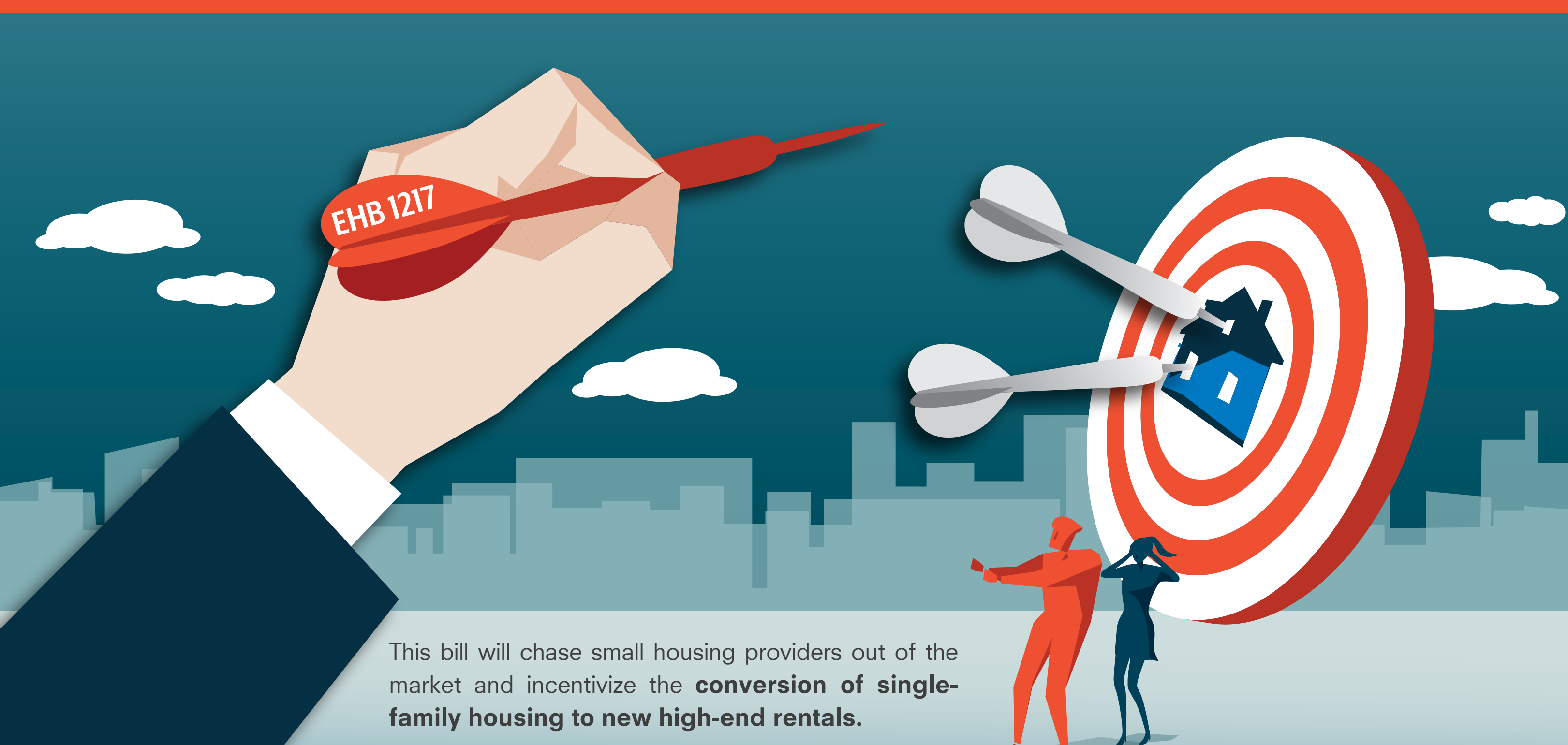
Small housing providers are once again in the crosshairs with

EHB 1217

These bills will harm mom-and-pop housing providers by eliminating their ability to **PROPERLY FUND** and maintain their rental housing units.

[exempts new big builders]

No means to afford **expensive capital investments** in their rental units such as a new roof or furnace.



This bill will chase small housing providers out of the market and incentivize the **conversion of single-family housing to new high-end rentals.**

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EHB 1217

NO MORE HOUSING CAP

- Small housing providers are once again in the cross-hairs with EHB 1217.
- Some politicians do not seem to understand how this bill and other types of rental restrictions are killing single-family and small multi-family rental housing.
- EHB 1217 would impose statewide rent control by capping rent increases at 7% after the first year, requiring a 90-day notice for any rent increase.
- The bill also caps late fees and move-in fees for manufactured housing communities.
- This bill exempts new construction less than 12 years old and housing owned by nonprofits or public housing authorities—but not small housing providers, who provide the most affordable family rental units.
- There is a near-unanimous consensus amongst academics and economists on the negative impacts of rent control.

Targeting Mom and Pop

- This bill severely harms small mom-and-pop affordable housing providers by eliminating their ability to adequately fund and maintain their rental units.
- Without recognizing the need for inflationary adjustments or capital improvements, small providers will struggle to afford essential repairs like new roofs, plumbing, or heating systems.
- EHB 1217 will push small housing providers out of the market and incentivize converting single-family housing into new high-end rentals.

Bill Will Lead to the Continued Elimination of Single-Family Rental Housing

- In our most recent survey, over 80% of RHAWA members expressed concern that rent control would increase housing costs, and over 95% believe it will reduce investment in rental housing, exacerbating Washington's housing crisis.
- Rent control policies have historically driven smaller, affordable housing providers out of markets, as seen from Seattle's own data. Preserving existing affordable housing and reducing entry barriers are essential to resolving housing issues in Washington State.
- Affordable rental units previously sold under such regulations have often been bought by corporate investors who demolish affordable units and replace them with high-end developments.
- Under EHB 1217, these newly constructed units are exempt, while traditional mom-and-pop housing providers must comply with restrictive new regulations.

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NAVIGATING CHALLENGES

RHAWA
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2024 Member Survey Results

SMALL HOUSING PROVIDERS VOICE CONCERNS OVER REGULATORY PRESSURES & RENT CONTROL THREATS

Background of Survey

In November 2024, RHAWA conducted a survey of small housing providers to assess the impact of impending rent control legislation and existing regulatory pressures on the rental housing market.

Key Concerns About Rent Control

- **77%** of respondents identified rent control as their primary concern.
- **92%** fear rent control will hinder their ability to provide affordable housing.
- **98%** believe it will complicate business operations.
- **96%** expect a decrease in investments; 95.36% foresee reduced new housing construction.
- **84.52%** predict that rent control will lead to higher rental rates.

Impact on Investment Decisions

- **87.85%** would withdraw from rental housing investments if rent control passes.
- **84.46%** are contemplating selling their properties.
- **68.26%** have sold or are considering selling properties due to harsh regulations..

Legal and Operational Challenges

- **34%** reported current tenants are behind on rent, often exploiting legal loopholes.
- **62.45%** cited recent legislation as an impediment to maintaining safe living conditions.
- **29.4%** experienced setbacks in eviction processes due to bureaucratic burdens.

Emotional and Economic Toll

- Housing providers reported significant stress from managing problematic tenants and convoluted eviction processes.
- Rising property taxes compel many to consider rent increases, leading to financial strain.

SOLUTIONS: 2025 Legislative Session Priorities

RHAWA remains committed to advocating for small housing providers, promoting better regulations, and ensuring the availability of affordable housing and has proposed key policy initiatives aimed at addressing critical challenges in the rental housing market, focusing on promoting stability and effective management practices.

- **Opposition to Rent Control:** RHAWA remains committed to advocating for small housing providers, promoting better regulations, and ensuring the availability of affordable housing.
- **Support for Tenant Assistance Program (TAP):** RHAWA advocates for robust rental assistance programs supporting low-income individuals and families. TAP provides short-term support for seniors, veterans, and others at risk of eviction, helping to preserve affordable housing and prevent homelessness by covering the gap between what tenants owe and can afford.
- **Addressing Predatory Rent Increases:** The association aims to establish clear guidelines to mitigate sudden and excessive rent hikes, particularly when properties change ownership or require significant rehabilitation, thus stabilizing housing for tenants.
- **Implementation of the Harmonization Act:** RHAWA calls for uniform regulations across Washington cities to streamline compliance and foster a coherent rental market, enhancing certainty for both tenants and housing providers.
- **Tenant Safety Act (TSA):** This proposed act seeks to simplify the eviction process for tenants engaging in dangerous activities, ensuring tenant safety and collaboration with law enforcement for expedited removal while protecting those who report issues from retaliation.

Through these initiatives, RHAWA seeks to create a balanced rental housing ecosystem that prioritizes tenant needs while maintaining the integrity and viability of small housing providers' operations.

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SEATTLE (RRIO) AUDIT

Impact of Seattle's Rental Registration & Inspection Ordinance Audit

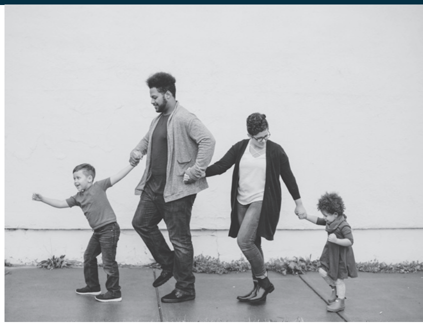

Understanding Seattle's Housing Market Shift from Small to Large Rental Properties: A Rental Registration and Inspection Ordinance Program Audit

December 21, 2023

Miroslava Meza
Nhi Tran

David G. Jones, City Auditor

Seattle Office of City Auditor



RRIO Background

In 2012, the City of Seattle adopted the Rental Registration and Inspection Ordinance (RRIO) to ensure all rental housing in Seattle is safe and meets basic housing maintenance requirements. Managed by the Seattle Department of Construction and Inspections (SDCI), the program began registering properties in 2014 and implemented regular inspections to maintain compliance.

RRIO Audit

This **audit** was conducted by Seattle's Office of City Auditor in response to a request from Seattle City Councilmembers Alex Pedersen and Kshama Sawant to review the City's Rental Registration and Inspection Ordinance program. The review aimed to address the reduction in property registrations under RRIO and propose actionable improvements. Specifically, the audit sought to investigate the decline in properties registered under RRIO and develop recommendations to improve data collection, enforcement measures, and related policies and procedures.

Key Findings

Decline of Small Rental Properties

- **6,859 RRIO-registered properties** sold between 2016-2022, with 87.5% of sales involving properties with 1-5 units.
- **21% of rental housing providers** surveyed converted rental properties into primary residences.
- **768 demolition permits** issued for RRIO properties, with **92% affecting properties with 20 or fewer units**.

Noncompliance in Short-Term Rentals

- **10% of short-term rentals** subject to RRIO lacked active registration, highlighting enforcement gaps.

Shift Toward Large Properties

- In 2022, **94% of rental housing providers** owned single-family or small multi-family properties, yet these accounted for only **34% of rental units**.
- **Large property owners (6%)** controlled **66% of Seattle's rental units**.

Regulatory Challenges for Rental Housing Providers

- **74% of rental housing providers surveyed** found Seattle's rental regulations hard to understand or follow.
- **41% of rental housing providers exiting the Seattle market** invested in rental properties outside the city.

Why This Matters?

The RRIO audit reveals a troubling trend: the loss of small rental properties, which disproportionately impacts affordable housing availability and diversity. Regulatory pressures, as shown by the data, are a primary driver of market exits, taking rental units off the market.

For tenants, these trends mean fewer affordable rental options, increased housing instability, and higher rental costs. Many of the small rental properties lost were rented at below-market rates, providing critical housing for low- and middle-income households. Without intervention, tenants will continue to bear the brunt of these shifts, with fewer choices and escalating rents.

As it pertains to **HB 1217** and **SB 5222**, Washington State needs to build **1 million housing units** to ensure everyone has a home. Small rental housing providers are critical to meeting this goal by offering housing options for tenants across all income levels, and they are available now. Without their continued participation, tenants will face fewer options and higher costs, exacerbating the housing crisis.

Immediate action is needed to preserve housing affordability and prevent displacement by supporting small rental housing providers and removing unnecessary barriers to maintaining rental units.

RECOMMENDATIONS FOR POLICYMAKERS

Preserve Small Rental Properties

- Enact policies supporting the presence of single-family and small multi-family rental housing.
- Engage stakeholders, including small rental housing providers and tenants, to ensure policies are balanced and effective.

Prioritize Input from Housing Providers

- Listen to rental housing providers and organizations like the Rental Housing Association of Washington (RHAWA) when considering significant changes to rental housing policies.

Simplify Compliance

- Provide clear, accessible resources for small rental housing providers.
- Streamline regulations to reduce administrative burdens and support compliance.

Strengthen Enforcement

- Address short-term rental noncompliance to level the playing field for rental property owners.
- Enhance data collection and enforcement mechanisms to prevent further loss of rental properties.

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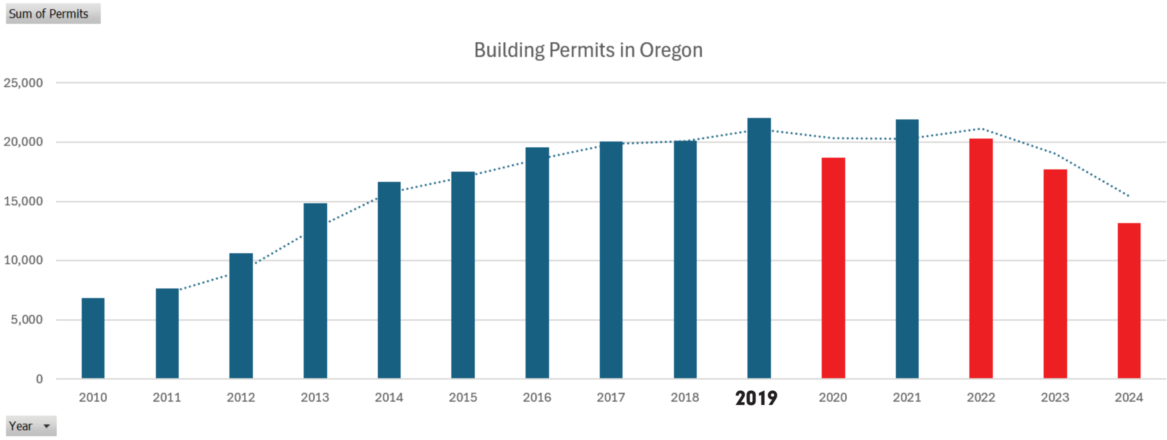
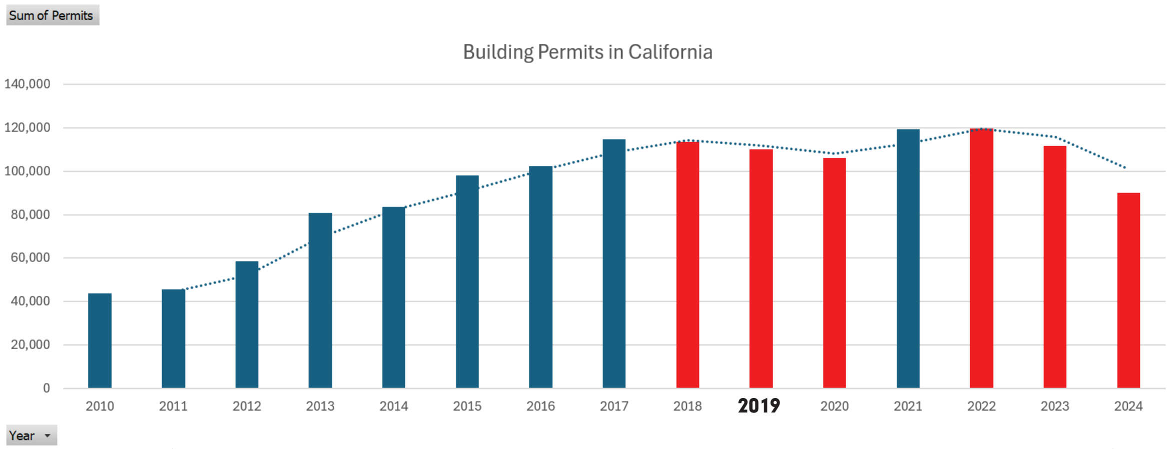
DATA-DRIVEN SOLUTIONS

We need MORE housing, not LESS

Bad actors can sometimes raise rent or collect fees in a way that is sudden, drastic, and is intended to force a tenant out. This often occurs when a low rent building is sold or needs major rehabilitation because it's at the end of its useful life. Establishing rules can help stabilize housing.



(Sourced from HUD Data, https://socds.huduser.gov/permits/)



(Drops in new housing creation are signified by the red bars, The year statewide rent control passed is signified in bold)

Both California and Oregon showed a steady increase in new housing construction year over year since 2010 with only one outlier (2018 in California). Following the passage of rent control in 2019, there is a reversal of this trend where year over year there is a decline in new housing construction with the only outlier being 2021 in both states. This outlier is likely due to delayed construction as a result of COVID-19.

In a time where Washington is in need of 200,000 new units in the next four years as stated by Governor Ferguson, rent control **will make this goal impossible to achieve** as it will further harm new housing construction in our state. Currently, Washington is creating about 40,000 new units per year; we need this average to increase if we hope to have a chance of reaching our Governor's goals and rent control will drive this value even lower.

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America’s Rental Housing 2024

STUDY
#1

Source: Joint Center for Housing Studies, Harvard University (2024)

IMPLICATIONS FOR RENT CONTROL:

As financial pressures mount, rent control policies worsen the situation by capping landlords' ability to cover rising expenses. The result is fewer new developments, delayed maintenance, and a decline in the quality and availability of affordable housing—harming the very tenants these policies claim to protect.

LINK TO STUDY

KEY FINDINGS:

How Rising Costs & Financial Pressures Impact Housing Supply & Quality

1. High Interest Rates Constrain Multifamily Financing

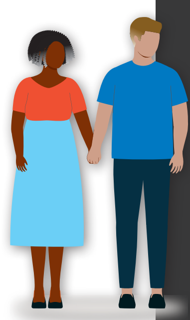
- Rising interest rates have significantly increased the cost of debt for multifamily developers, making new projects less financially feasible.
- Fixed-rate multifamily loans reached an average of **5.5% by mid-2023,** up from historically low levels during the pandemic.
- This higher cost of capital has led to a **48% drop in multifamily mortgage originations year-over-year,** stalling new development.

2. Construction Delays & Costs Are Increasing

- Construction timelines for multifamily buildings have grown longer, with the average time from start to completion rising to **17 months** in 2022, up from 10.8 months a decade ago.
- Material costs have soared since the pandemic, with gypsum (+41%) and plastic products (+35%) driving up expenses, alongside a **14% rise in construction labor costs.**
- Rising costs are steering new developments toward higher-end units, leaving fewer options for low- and moderate-income renters.

3. Risk of Delinquencies Grows

- Slowing rent growth, higher costs, and increased borrowing expenses are leading to rising risks of delinquencies, particularly for properties with recent loans.
- Delinquency rates for multifamily loans backed by commercial mortgage-backed securities (CMBS) climbed to **3.8% in mid-2023,** compared to pre-pandemic lows.



4. Operating Costs Strain Small-Scale Providers

- Increased operating and insurance costs are squeezing small-scale housing providers and subsidized properties the hardest.
- Many landlords are unable to afford critical repairs, further deteriorating an already aging housing stock. This puts low-rent and assisted units at risk of being lost entirely.

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Rent Control Through the Lens of Empirical Research

STUDY #2

Source: Konstantin A. Kholodilin, "Rent Control Effects Through the Lens of Empirical Research: An Almost Complete Review of the Literature," Journal of Housing Economics, 2024

IMPLICATIONS FOR RENT CONTROL:

The findings confirm that rent control policies exacerbate housing shortages and quality declines, particularly in urban areas with already tight markets. Instead of improving affordability, rent control creates a ripple effect of reduced supply, declining housing conditions, and market distortions that harm both tenants and housing providers.

LINK TO STUDY

KEY FINDINGS:

The Impact of Rent Control on Housing Supply and Quality

1. Housing Supply Reduction:

- Rent control policies consistently reduce the availability of rental housing. Landlords often convert rental units into owner-occupied homes or other uses to avoid regulations, shrinking the rental stock.
- Studies highlight that supply constraints are compounded by reduced incentives to build new rental housing.

2. Deteriorating Housing Quality:

- Rent control leads to deferred maintenance, as landlords face restricted revenues and rising operational costs. This results in aging and deteriorating housing stock.
- Tenants in rent-controlled units often experience lower housing standards compared to tenants in market-rate housing.

3. Limited Market Mobility:

- Rent control discourages tenants from moving, even when their housing needs change, resulting in inefficient allocation of housing.
- This stagnation contributes to housing shortages for new renters and larger households in need of space.

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The Effects of Rent Control Expansion on Tenants, Landlords, and Inequality: Evidence from San Francisco

STUDY **#3**

Source: Rebecca Diamond, Tim McQuade, and Franklin Qian, "The Effects of Rent Control Expansion on Tenants, Landlords, and Inequality: Evidence from San Francisco," National Bureau of Economic Research (2019)

IMPLICATIONS FOR RENT CONTROL:

The NBER study underscores that rent control policies fail to create long-term affordability. Instead, they disincentivize rental housing, reduce supply, and increase rents citywide, leaving future renters worse off. Welfare losses highlight how rent control shifts costs to landlords and future tenants, amplifying inequality and gentrification rather than solving it.

LINK TO STUDY

KEY FINDINGS:

Rent Control's Ripple Effects on Supply, Prices, and Inequality

1. Rental Housing Supply Declines:

- Rent control led to a **15% reduction in rental housing supply** as landlords converted rental properties into owner-occupied housing or higher-end units to avoid regulations.
- The number of renters living in rent-controlled units dropped by **30%** due to landlords redeveloping buildings to exempt them from rent control.

2. Citywide Rent Increases:

- The reduction in rental supply caused a **5.1% increase in citywide rents,** further exacerbating affordability challenges for non-controlled units.

3. Landlord Responses Exacerbate Inequality:

- Landlords responded to rent control by converting units, demolishing buildings, or incentivizing tenants to leave through buyouts.
- These actions contributed to gentrification and increased income inequality, as new developments catered to higher-income residents.

4. Welfare Losses Disproportionately Hurt Future Renters:

- Welfare losses represent the reduction in economic well-being due to inefficiencies created by rent control.
- While current tenants in rent-controlled units benefited from lower rents, future renters bore **42% of the welfare losses,** experiencing higher market rents, reduced housing options, and fewer affordable choices.
- This imbalance worsened housing inequality, as future tenants paid the price for policies that prioritized incumbent renters.

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Rent Control: Does It Work?

Source: Institute of Economic Affairs (2024)

STUDY
#4

IMPLICATIONS FOR RENT CONTROL:

The evidence presented across 196 studies reveals that while rent control achieves lower rents in regulated units, it exacerbates broader housing crises by shrinking supply, deteriorating quality, and creating market distortions. Policymakers are urged to conduct comprehensive cost-benefit analyses before introducing such policies to avoid unintended negative consequences.

LINK TO STUDY

KEY FINDINGS:

Broad Impacts of Rent Control Across Supply, Mobility, and Quality

1. Significant Reduction in Housing Supply:

- Out of 16 studies reviewed on the impact of rent control on supply, **12 found a negative effect,** showing that rent control discourages the development of new rental housing and reduces the availability of existing rental units.

2. Deterioration in Housing Quality:

- Out of 20 studies focused on housing quality, **15 found negative effects,** as rent control discourages landlords from maintaining and upgrading properties due to reduced revenue.

3. Reduced Mobility and Increased Inefficiencies:

- Rent control policies reduce tenant mobility, as residents remain in controlled units even when their housing needs change.
- This stagnation leads to misallocation, where tenants occupy units that are too large or too small while others struggle to find suitable housing.

4. Discriminatory Market Dynamics:

- Market distortions caused by rent control can lead to black-market activities (e.g., key money) and increased discrimination against marginalized groups seeking housing.

5. Increased Rents in Unregulated Units:

- Out of 17 studies on uncontrolled rents, **14 found a positive effect,** meaning rents outside of controlled markets increased due to reduced supply and competition.

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ECONOMIC ANALYSIS of Rent Control

Source: Portland State University (2024)

STUDY #5

IMPLICATIONS FOR RENT CONTROL:

The Portland State University analysis reinforces that rent control policies fail to achieve their intended goals. Instead, they reduce housing supply, deteriorate neighborhood quality, and increase costs for unregulated units. This creates a counterproductive cycle where affordability worsens for many, especially low-income renters.

LINK TO STUDY

KEY FINDINGS:

Impacts of Rent Control on Housing Supply, Quality, and Costs

1. Reduction in Housing Supply:

- Rent control decreases the incentive for property owners to maintain rental properties as rentals.
- Landlords frequently convert rental units into for-sale condos, tenancy-in-common (TIC) units, or other uses to sidestep regulations.
- A Stanford study referenced in this report found that rent control in San Francisco led to a 15% **reduction in rental housing supply,** resulting in a **5.1% citywide rent increase.**

2. Deferred Maintenance and Declining Quality:

- Rent control increases financial risk for property owners, leading to deferred maintenance and less investment in property upkeep.
- Over time, neighborhoods experience a decline in property values, which reduces local government tax revenue.
- The MIT study of Cambridge, MA, highlighted a **$2 billion loss in taxable property value** over 10 years due to rent control.

3. Unintended Economic and Social Effects:

- Rent control disproportionately benefits long-term tenants, often at the expense of low-income households who are unable to access regulated units.
- By reducing housing mobility, rent control creates inefficiencies, leaving families in units that do not meet their needs while others struggle to find housing.

4. Increased Pressure on Unregulated Housing Markets:

- Restricting rents on certain units increases demand for unregulated apartments, driving up prices in those markets.
- This ripple effect exacerbates housing affordability issues, particularly in cities with already tight housing markets.

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Rent Control & the Supply of Affordable Housing

STUDY #6

Source: Urban Institute, Oakland University, Colorado State University, and Federal Housing Finance Agency (2023)

IMPLICATIONS FOR RENT CONTROL:

This study confirms that rent control is a harmful policy. It reduces housing supply, worsens affordability for most renters, and creates inequities in who benefits. By discouraging development and investment, rent control exacerbates the housing crisis rather than solving it.

LINK TO STUDY

KEY FINDINGS:

Rent Control Harms Housing Supply and Affordability

1. Reduction in Overall Rental Supply:

- Rent control reforms cause a **significant decrease in the total number of rental units,** particularly for households earning more than 120% of Area Median Income (AMI). This reduction shrinks housing availability for a wide range of renters.

2. Erodes Affordability for Most Income Groups:

- While rent control increases units affordable to extremely low-income households (below 30% of AMI), it sharply reduces the availability of units for moderate- and higher-income renters.
- This policy creates a **net loss in affordable housing,** disproportionately affecting middle-income renters.

3. Discourages New Construction and Maintenance:

- Rent control deters developers from building new housing and incentivizes landlords to neglect property maintenance, leading to **deteriorating housing quality.**
- These policies prevent much-needed investments in both new and existing rental stock, worsening housing conditions over time.

4. Distributes Benefits Inequitably:

- Rent control benefits higher-income tenants as much as, if not more than, low-income renters. Studies show **tenants in the top 50% of income distribution occupy 30% of rent-controlled units,** limiting availability for those in genuine need.

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Rent Regulation Policy in the United States: An Update with Assessment

STUDY #7

Source: Arthur C. Nelson, University of Arizona and University of Utah (2024)

IMPLICATIONS FOR RENT CONTROL:

This study confirms that rent regulation policies fail to achieve their intended outcomes and instead exacerbate housing shortages, reduce quality, and harm local economies. By discouraging new construction and incentivizing disinvestment, rent control policies actively undermine housing affordability and availability.

LINK TO STUDY

KEY FINDINGS:

How Rent Control Undermines Housing Supply, Quality, and Affordability

1. Reduces Housing Supply:

- Rent regulation consistently decreases the number of available rental units by disincentivizing investment and encouraging conversions to owner-occupied housing or alternative uses.
- Landlords often remove units from the market through condominium conversions or by repurposing properties due to revenue caps imposed by rent regulations.

2. Deteriorates Housing Quality:

- Rent control discourages landlords from maintaining or upgrading properties, leading to **aging and deteriorating housing stock.**
- Buildings subject to rent regulation experience higher rates of deferred maintenance, compromising tenant safety and housing conditions.

3. Hinders New Construction:

- Even when rent control excludes new construction, investors anticipate future regulatory risks, lowering the value of new projects and reducing long-term supply.
- Increased regulations lead to a decrease in financial feasibility for developers, particularly for affordable multifamily housing.

4. Misallocates Housing Resources:

- Rent-controlled units are often occupied by higher-income tenants, as there is no income testing for eligibility.
- This disproportionately benefits wealthier households, leaving fewer affordable units for those in need and worsening housing inequality.

5. Harms Local Economies:

- Rent control reduces the property values of both regulated and neighboring properties, leading to declines in **local tax revenues** used to fund schools, infrastructure, and public services.

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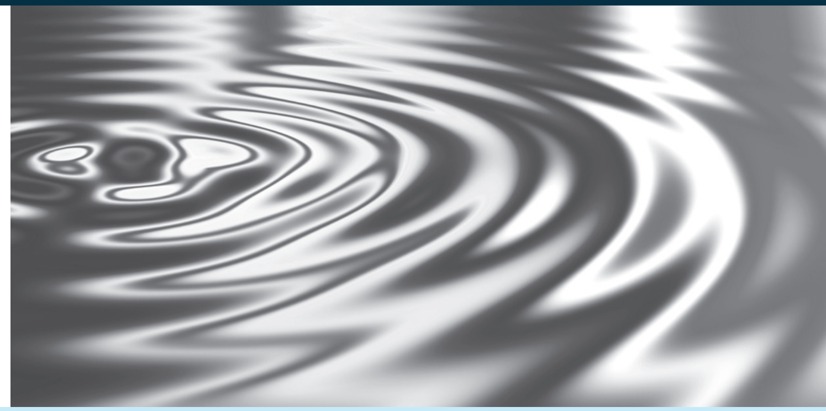
Examining the Unintended Consequences of Rent Control Policies in Cities Across America

Source: Mary Donovan and Nam Pham, Ph.D., ndp analytics, commissioned by the National Apartment Association (March 2023)

STUDY **#8**

IMPLICATIONS FOR RENT CONTROL:

This study demonstrates that rent control policies create a ripple effect of reduced housing investment, diminished quality, and worsened affordability. By driving away housing providers and discouraging development, rent control exacerbates housing crises rather than solving them.



LINK TO STUDY

KEY FINDINGS:

How Rent Control Harms Investment, Supply, and Affordability

1. Reduces Investment and Development:

- Over **70% of housing providers** report that rent control negatively impacts their investment and development plans.
- Actions include reducing investments, shifting to markets with fewer regulations, and canceling planned projects altogether.

2. Restricts Maintenance and Deteriorates Quality:

- Rising operating costs, including insurance, utilities, and taxes, force providers to defer nonessential maintenance and reduce property improvements.
- **61% of housing providers** have deferred maintenance or expect to do so due to rent control, compromising the quality and safety of housing stock.

3. Disincentivizes Market Participation:

- Over **54% of housing providers** indicate they would consider selling their assets in rent-controlled markets, reducing long-term rental supply.
- Small-scale landlords are disproportionately affected, as they lack resources to manage rising costs and regulatory complexity.

4. Subsidizes Higher-Income Residents:

- **58% of housing providers** report higher-income residents benefiting from rent control policies, reducing availability for low- and moderate-income households.

5. Stalls Local Economic Growth:

- Rent control discourages development and limits tax revenue for public services, such as schools, parks, and infrastructure.
- Policies that deter housing investment reduce economic vitality and weaken local job markets.

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An Analysis of the Impact of Rent Control on New York City Housing

STUDY #9

Source: Benjamin W. Schweitzer, Robert Garrett, Lydia Carter, Alison Tuiyott,

IMPLICATIONS FOR RENT CONTROL:

This study demonstrates that rent control policies contribute to a decline in housing quality. By fixing rents and capping income, these policies remove the financial incentive for landlords to maintain and improve properties. Although rent control creates affordability, it fails to ensure quality housing, leaving tenants in substandard conditions.

LINK TO STUDY

KEY FINDINGS:

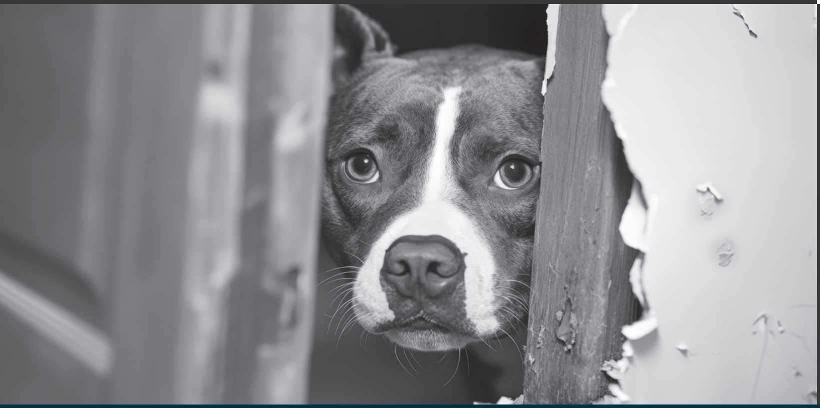
Rent Control's Effect on Housing Quality and Maintenance

1. Deteriorating Housing Quality:

- Homes under rent control were more likely to experience external damage (e.g., broken windows, cracked stairwells), utility damage (e.g., faulty plumbing or electrical systems), and pest issues compared to non-rent-controlled homes.
- The analysis revealed a statistically significant positive correlation between rent control and higher rates of all three damage types.

2. Disincentivized Maintenance:

- Landlords of rent-controlled units are less incentivized to invest in upkeep or improvements due to fixed rental income.
- The reduced revenue stream discourages property owners from addressing damages or upgrading their units, worsening conditions for tenants.



3. Borough and Time Variations:

- The Bronx, Brooklyn, and Manhattan had higher rates of damage in rent-controlled units compared to Queens and Staten Island.
- While damage rates have generally decreased over time across New York City, rent-controlled units consistently show higher damage rates than their non-controlled counterparts.

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The State of the Nation's Housing 2024

STUDY #10

Source: Joint Center for Housing Studies of Harvard University (2024)

IMPLICATIONS FOR RENT CONTROL:

This comprehensive analysis highlights systemic challenges in the rental housing market. Rent control policies exacerbate these issues by discouraging investment in new development and undermining the financial sustainability of existing rental stock. The result is a cycle of declining quality, reduced availability, and worsening affordability for renters.

LINK TO STUDY

KEY FINDINGS:

Broader Housing Market Trends and the Role of Rent Control

1. Rising Rental Costs and Affordability Challenges:

- National rents increased **26% since early 2020,** outpacing income growth and leaving half of all renters cost-burdened.
- Severe cost burdens (spending more than 50% of income on rent) reached a record **12.1 million households** in 2022, up 14% since 2019.

2. Erosion of Low-Cost Rental Stock:

- Between 2012 and 2022, 2.1 million units priced below $600/month were lost, leaving just 7.2 million affordable units nationwide.
- Rising operating costs, demolitions, and conversions contributed to the loss of **6.1 million units priced below $1,000/month.**

3. Financial Strain on Housing Providers:

- Operating costs for multifamily properties rose by **7.1% year-over-year,** led by surging insurance premiums (+27.7%) and maintenance costs (+8.8%).
- High expenses paired with slower rent growth led to declining net operating income and diminished resources for property upkeep.

4. Declining Multifamily Construction:

- Multifamily housing starts dropped **46% in 2023,** reflecting high borrowing costs and reduced developer confidence due to economic uncertainty.
- With fewer new units in development, long-term housing supply constraints will worsen.

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The Impact of Rent Control in St. Paul: Economic Consequences & Policy Implications

STUDY #11

Source: Ahern, Kenneth R., & Marco Giacoletti (2023) The Redistribution of Housing Wealth Caused by Rent Control

LINK TO STUDY

Study Overview

A study by Kenneth R. Ahern and Marco Giacoletti (2023) analyzed the economic impact of St. Paul's 2021 rent control ordinance, which capped rent increases at 3% annually with no exemptions for new construction. Using parcel-level transaction data, the study measured the ordinance's effects over the nine months following its enactment, highlighting unintended consequences for renters, landlords, and the broader housing market.

Key Findings

Property Value Declines

- Real estate values fell by 4.4% to 5.8%, with larger declines for rental properties.
- Apartment buildings (8+ units) lost over 13% in value, discouraging investment in multi-family housing.
- Owner-occupied homes also saw losses due to negative spillover effects from rental market instability and deferred maintenance.

Unequal Benefits and Landlord Incentives

- Higher-income renters benefited more than low-income renters, contradicting the policy's affordability goals.
- Small and large landlords suffered equal losses, disproving the assumption that rent control primarily affects corporate landlords.
- Declining property values reduced landlord incentives to invest in maintenance and property improvements, accelerating property deterioration.

Housing Market Consequences

- New housing construction dropped significantly, signaling disincentives for development.
- Rental housing stock shrank as landlords converted rental units into owner-occupied properties to avoid restrictions.
- Investment in rental housing declined, worsening long-term housing shortages and affordability issues.

Implications for Legislators

Housing Affordability vs. Supply

While rent control aims to stabilize affordability, the study finds that it reduces housing availability, discourages investment, and exacerbates long-term affordability challenges.

Regressive Wealth Redistribution

- Higher-income renters disproportionately benefited, while low-income households saw minimal relief.
- Homeowners and landlords absorbed the financial burden, reducing overall market stability.

Spillover Effects on Local Economy

- Declining property values reduced tax revenues, limiting funding for public services.
- Neighborhood quality suffered as rental property investment and upkeep declined.

Policy Recommendations

1. Shift from rent control to expanding housing supply through zoning reform and financial incentives for developers.
2. Implement targeted rental assistance for low-income households instead of broad, inefficient price caps.
3. Encourage mixed-income developments to promote economic diversity and long-term affordability.
4. Introduce property maintenance incentives to ensure rental housing quality without discouraging investment.

Relevance

This study underscores how rent control policies often backfire, failing to protect low-income renters while reducing supply and investment in housing. Policymakers should consider market-based, supply-side strategies over restrictive price controls to achieve sustainable affordability.

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Backfiring in Bad Times:
When Rent Control Keeps Rent Too High

Source: Michael Boutros and Genevi`eve Vall´e (2024)

STUDY #12

LINK TO STUDY

Study Overview

This study explores the unintended consequences of rent control policies, particularly during economic downturns. While these policies aim to ensure affordability, they often lead to market distortions, reduced housing supply, and higher rents in uncontrolled sectors. The research highlights how rent control exacerbates affordability challenges instead of alleviating them, particularly in periods of economic stress.

Key Findings

1. Reduced Housing Supply:

Rent control discourages investment in new housing developments and maintenance of existing units, worsening housing shortages, especially during increased demand.

2. Distorted Rent Levels:

Rent control policies can keep rents artificially high by limiting the availability of controlled units and increasing demand for uncontrolled or luxury housing markets.

3. Market Inefficiencies:

Rent control leads to misallocation of housing resources, with tenants occupying units mismatched to their needs, leaving others homeless or facing housing barriers.

4. Economic Downturn Effects:

During recessions, landlords face financial strain due to limited revenue, resulting in deferred maintenance or conversions to other uses, leading to a decline in housing quality.

5. Long-Term Consequences:

Prolonged rent control policies reduce tenant mobility and create disparities, with newer tenants paying significantly higher rents than long-term tenants.

Implications for Legislators

1. Harm to Housing Affordability:

Rent control fails to address affordability during economic crises and worsens disparities between long-term and new tenants.

2. Decline in Housing Quality:

Financial pressure on landlords leads to deferred maintenance and deteriorating living conditions in rent-controlled units.

3. Barriers to New Housing Supply:

Rent control policies discourage new construction and investment in existing housing, perpetuating long-term housing shortages.

Policy Recommendations

- Focus on expanding housing supply through zoning reforms and financial incentives for developers.
- Consider targeted rental assistance for low-income families instead of broad rent control measures.
- Promote mobility by designing policies that encourage better housing allocation based on need.

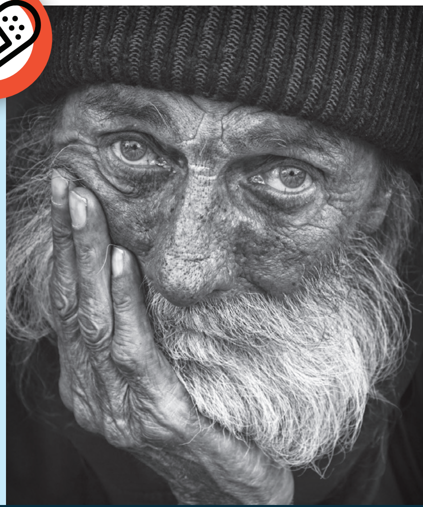
Relevance

This study highlights the counterproductive outcomes of rent control policies, emphasizing their role in deepening housing crises during economic downturns. For policymakers, a shift toward supply-side strategies and targeted subsidies is crucial to address affordability sustainably.

Table 1: Summary Statistics for Key Variables (2004Q1 – 2019Q4)

	Occupancy Year	Total Units	Rent	Rent (psf.)	Size (sf.)
Mean	2008.7	348.0	2,250.44	3.00	781.34
Standard Deviation	8.4	155.1	787.98	0.74	273.82
Minimum	1970	8	1,098	.86	298
25th Percentile	2006	234	1,789	2.48	601
Median	2011	335	2,100	2.95	720
75th Percentile	2015	440	2,500	3.47	902
Maximum	2020	994	30,000	12.46	7,010
Observations	54,263	54,263	54,263	54,251	54,262

Notes: Rent (psf.) is rent per square foot and size is in square feet.



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Effects of Financing Constraints on Maintenance Investments in Rent-Stabilized Apartments

STUDY #13

Source: Lee Seltzer (2024) Journal of Financial Intermediation

LINK TO STUDY

Study Overview

This study by Lee Seltzer (2024) analyzes how rent stabilization policies impact landlords' ability to maintain properties, using data from New York City and 45 other U.S. cities. The findings reveal that rent stabilization policies impose financial constraints on landlords, leading to deferred maintenance and declines in housing quality.

Key Findings

1. Reduced Maintenance and Increased Code Violations:

- Rent stabilization policies that limit rent increases reduce landlords' cash flow, leading to deferred maintenance and higher rates of housing code violations.

2. Impact of High Loan-to-Value (LTV) Ratios:

- Properties with high LTV ratio mortgages are particularly vulnerable, as landlords cannot generate sufficient income to cover both debt obligations and property upkeep.

3. Broader Evidence Across U.S. Cities:

- Data from 45 U.S. cities confirms that rent stabilization policies consistently result in reduced property maintenance and higher rates of code violations, impacting housing quality nationwide.

Implications for Legislators

1. Housing Quality Declines:

- Rent stabilization undermines housing quality by creating financial disincentives for landlords to invest in maintenance and repairs.

2. Economic Burden on Landlords:

- Financially constrained landlords face untenable economic pressure, which can lead to property abandonment or conversion to non-rental uses, further reducing housing supply.

3. Harm to Tenants:

- While intended to protect tenants, rent stabilization results in deteriorating housing conditions, disproportionately harming those it aims to help.

Policy Recommendations

- Do Not Enact Rent Stabilization: Evidence shows that rent stabilization creates long-term harm by reducing housing quality and supply.
- Focus on policies that expand housing supply, such as zoning reforms and incentives for new construction.
- Provide targeted rental assistance directly to low-income tenants instead of implementing blanket rent controls that harm the broader rental market.

Relevance

This study demonstrates the negative consequences of rent stabilization policies and offers strong evidence that such measures exacerbate housing crises rather than solving them. Legislators should reject rent control and stabilization in favor of policies that protect tenants while preserving housing quality and encouraging investment.

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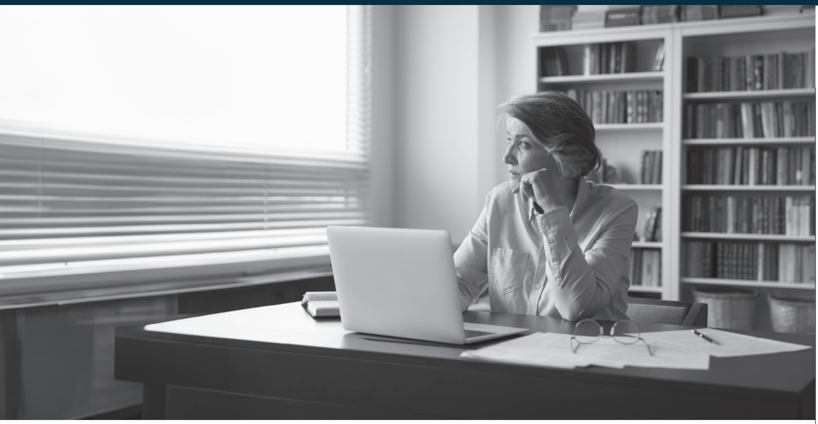
Social Policy or Crowding-Out?

Tenant Protection in Comparative Long-Run Perspective

Source: Kholodilin, Konstantin A., & Sebastian Kohl (2023) Housing Studies

STUDY
#14



LINK TO STUDY

Study Overview

This study examines the long-term impacts of tenant protection policies, including rent control, across various countries. It evaluates whether these measures effectively serve as social policy tools or inadvertently suppress private market activity, leading to reduced housing availability and quality. The findings highlight the trade-offs associated with robust tenant protections and their broader economic implications.

Key Findings

1. Impact on Housing Supply:

- Extensive tenant protection policies reduce private rental market activity by discouraging new construction and deterring landlords from maintaining rental properties.
- Countries with strict rent control measures often see reduced private investment in rental housing.

2. Historical Trends:

- Nations adopting strong tenant protections typically experience a long-term decline in their private rental sectors.
- Countries with more flexible frameworks, such as rent adjustments or subsidies, achieve better housing market outcomes.

3. Unintended Consequences:

- Strict policies shift the burden of affordable housing provision to the public sector, straining government budgets.
- Housing quality declines as landlords face financial constraints on property upkeep in tightly regulated markets.

4. Comparative Insights:

- Countries with flexible policies, such as subsidies or incentives for landlords, demonstrate higher housing availability and better tenant outcomes compared to those relying on restrictive rent control.

Policy Implications

Balance is Essential:

- Tenant protection policies must safeguard tenants while maintaining incentives for private market participation to ensure a healthy rental supply.

Alternative Solutions:

- Subsidies, tax incentives for landlords, and targeted rental assistance programs can address affordability without negative supply-side effects.

Sustainable Long-Term Strategies:

- Avoid overly restrictive measures that lead to private market withdrawal and focus on collaborative public-private housing strategies to promote availability and quality.

Relevance to Legislators

This study emphasizes that overly restrictive tenant protections can backfire, reducing housing supply and quality while creating financial strains on governments. Policymakers should consider more balanced approaches that combine tenant protections with incentives for private investment to achieve sustainable housing solutions.

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The Mirage of Housing Affordability:
An Analysis of Affordable Housing Plans in New York City

Source: Elmedni, Bakry (2018) SAGE

STUDY #15

LINK TO STUDY

Study Overview

This study critically examines the effectiveness of New York City's affordable housing initiatives, focusing on how these programs interact with rent control and rent stabilization policies. It highlights the gap between the intended outcomes—affordability and housing equity—and the actual results. Despite significant investments and policy efforts, many affordable housing initiatives fail to meet the needs of the city's most vulnerable residents.

Key Findings

1. Illusory Affordability:

- Affordable housing programs often target households earning 80–120% of the Area Median Income (AMI), leaving out low-income families earning below 50% AMI who are most in need of assistance.
- Rent control and stabilization policies inadvertently create disparities, as wealthier tenants in controlled units benefit disproportionately compared to lower-income renters.

2. Supply Constraints:

- Rent stabilization disincentivizes new construction and the maintenance of existing units, reducing the overall housing supply and worsening affordability challenges.
- Developers face regulatory barriers and lack incentives to build truly affordable housing.

3. Market Inefficiencies:

- Rent stabilization policies lead to underutilization of housing stock. For instance, tenants in stabilized units often remain in apartments larger or smaller than their needs, further distorting the rental market.
- Landlords reduce investment in property upkeep, causing long-term declines in housing quality.

4. Unintended Consequences:

- The study identifies how rent stabilization programs shift demand toward uncontrolled units, inflating rents in the private rental market.
- These policies contribute to racial and economic segregation, as tenants in stabilized units are more likely to live in gentrified neighborhoods, leaving lower-income families concentrated in less desirable areas.

Implications for Legislators

1. Harm to Low-Income Families:

- Rent control and stabilization fail to adequately address the housing needs of the city's lowest-income residents, exacerbating inequalities in housing access.

2. Decline in Housing Quality:

- Stabilization policies encourage deferred maintenance and disrepair in rent-controlled properties, negatively impacting tenant living conditions.

3. Barriers to New Construction:

- Strict regulations discourage developers from building new units, particularly those affordable to low- and moderate-income households.

Policy Recommendations

- Shift focus from rent stabilization to expanding housing supply through zoning reforms and financial incentives for developers.
- Reallocate subsidies to directly target low-income families rather than using AMI as a baseline.
- Consider mixed-income development incentives to promote socioeconomic diversity in neighborhoods.

Relevance

This study underscores the negative effects of rent control and stabilization policies, emphasizing their role in perpetuating housing crises rather than resolving them. For policymakers seeking sustainable housing solutions, a shift toward supply-side strategies and targeted subsidies is essential.

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Robbing Peter to Pay Paul?

The Redistribution of Wealth Caused by Rent Control

Source: Ahern, Kenneth R., & Marco Giacoletti (2022) NBER Working Paper No. 30083

STUDY #16

LINK TO STUDY

Study Overview

This study, conducted by Kenneth R. Ahern and Marco Giacoletti (2022), examines the economic and social effects of rent control policies, using the 2021 enactment of rent control in St. Paul, Minnesota, as a case study. The research investigates how rent control impacts property values and redistributes wealth across income and racial groups.

Key Findings

1. Property Value Decline:

- Rent control in St. Paul resulted in a **6-7% decrease in property values,** amounting to an estimated **$1.6 billion aggregate loss.**
- Rental properties experienced an additional 6% decline compared to owner-occupied properties, totaling approximately 12% loss for rental properties.

2. Wealth Redistribution:

Wealth was not redistributed as intended:

- Higher-income, predominantly white tenants benefited most.
- Lower-income and minority property owners suffered the greatest losses.

In cases where higher-income landlords rented to lower-income tenants, the net wealth transfer was negligible.

3. Tax Revenue Shortfall:

The decline in property values led to a **4% shortfall in property tax revenue,** jeopardizing funding for public services and schools.

Policy Implications

Misaligned Outcomes:

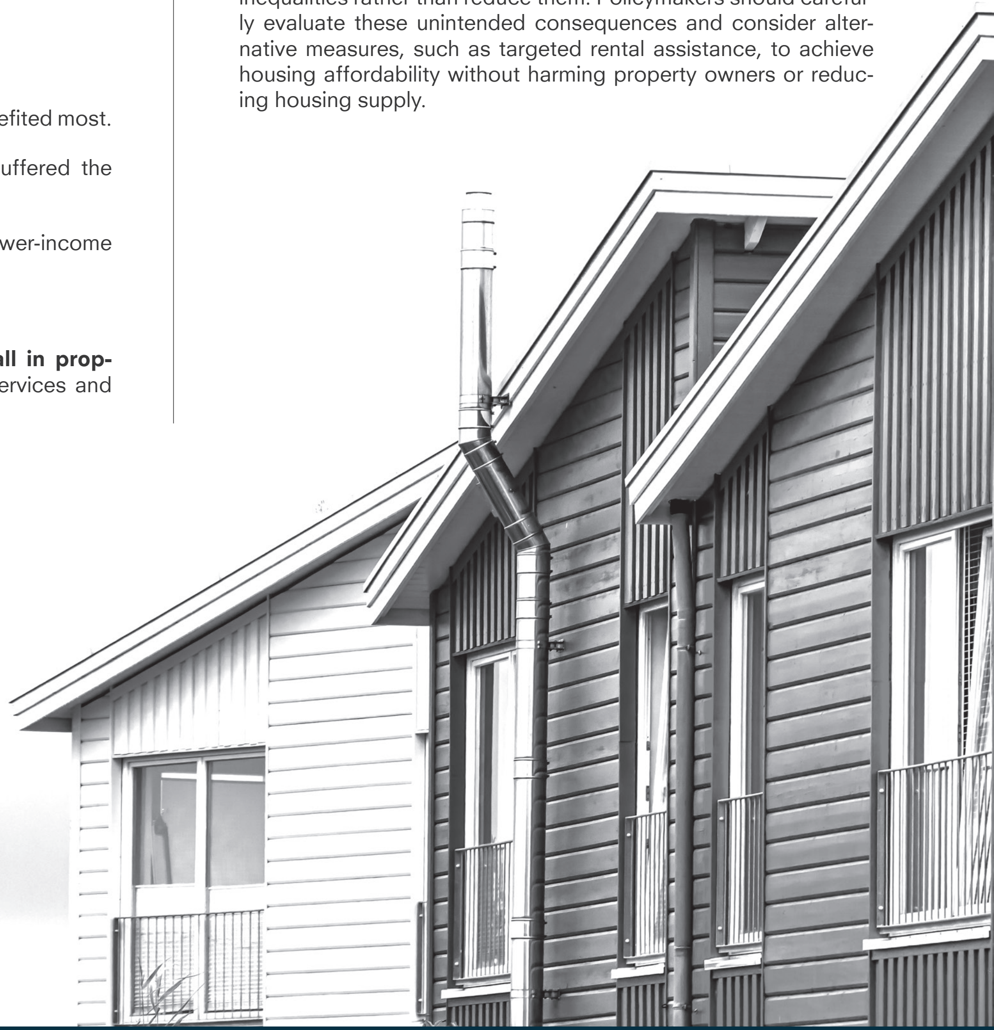
- The study highlights the unintended consequences of rent control, which disproportionately harm small landlords, especially those from lower-income or minority backgrounds.
- Higher-income tenants gain disproportionately, contradicting the policy's intent to assist lower-income households.

Economic Ripple Effects:

- Declining property values and tax revenue can weaken local economies and public services, amplifying the negative effects of rent control.

Relevance to Legislators

This study underscores that rent control policies may exacerbate inequalities rather than reduce them. Policymakers should carefully evaluate these unintended consequences and consider alternative measures, such as targeted rental assistance, to achieve housing affordability without harming property owners or reducing housing supply.



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Rent Control & Housing Investment: Evidence from Deregulation in Cambridge, Massachusetts

STUDY #17

Source: Pollakowski, H. O. (2003) Manhattan Institute for Policy Research, Center for Civic Innovation

LINK TO STUDY

Study Overview

This 2003 study by Henry O. Pollakowski, published by the Manhattan Institute's Center for Civic Innovation, examines the effects of rent control repeal in Cambridge, Massachusetts. Cambridge's rent control policies, in place from 1971 to 1994, were among the most restrictive in the country. The study evaluates how deregulation impacted housing investment, property values, and housing quality in the city.

Key Findings

1. Increased Housing Investment:

- Housing investment **rose by 20%** after the repeal of rent control.
- New housing construction **increased by 50%,** and tax revenues from construction permits tripled within four years.

2. Enhanced Property Values:

- The end of rent control contributed to a **$7.8 billion increase in property values** over a decade.
- Approximately $1.8 billion of the increase was directly attributable to deregulation.

3. Improved Housing Quality:

- Landlords invested in property maintenance and improvements, leading to better housing conditions and a more attractive housing stock.

4. Economic Growth Across Income Levels:

- Investment benefits were seen in both affluent and modest-income neighborhoods, illustrating the broad impact of deregulation.

Policy Implications

Negative Effects of Rent Control:

- Rent control suppresses property investment, limits housing supply, and leads to the deterioration of rental properties.
- Over time, this reduces tax revenues and hurts the local economy.

Positive Impact of Deregulation:

- Deregulation fosters private investment, improving housing quality and increasing supply.
- Enhanced property values and tax revenues provide funding for public services and infrastructure.

Balanced Approaches to Affordability:

- Instead of rent control, policymakers should consider alternatives like targeted rental assistance, incentivizing new construction, and increasing housing supply.

Relevance to Legislators

This study provides empirical evidence that rent control policies can have unintended consequences, including reduced housing investment and declining property quality. Deregulation in Cambridge illustrates the economic and social benefits of policies that encourage market-driven solutions while maintaining protections for vulnerable tenants.

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Rent Control, Market Segmentation, & Misallocation: Causal Evidence from a Large-Scale Policy Intervention

STUDY #18

Source: Mense, Andreas, Claus Michelsen, & Konstantin Arkadievich Kholodilin (2023) Journal of Urban Economics

LINK TO STUDY

Study Overview

This study by Andreas Mense, Claus Michelsen, and Konstantin A. Kholodilin explores the unintended effects of rent control policies, using a large-scale intervention in Germany as a case study. The research highlights how rent control influences housing markets, focusing on segmentation, rent spillovers, and resource misallocation.

Key Findings

1. Market Segmentation:

- Rent control divides the housing market into two segments:

  - Controlled Units: Artificially low rents lead to high demand and long wait times.

  - Uncontrolled Units: Increased demand in this sector drives rents higher, amplifying affordability challenges for non-controlled housing.

2. Reduced Tenant Mobility:

- Tenants in rent-controlled units are significantly less likely to move, leading to:

  - Inefficient use of housing stock, as tenants remain in units mismatched to their needs.

  - Limited housing availability for new renters, exacerbating shortages.

3. Rent Spillovers:

- The demand for non-controlled units increases due to limited access to controlled housing, driving up rents in the uncontrolled sector.

4. Overall Misallocation of Resources:

- Rent control policies misallocate housing by discouraging mobility and creating disparities in rental pricing.

Policy Implications

Unintended Negative Effects:

- Rent control policies may worsen affordability for renters outside the controlled sector and reduce market efficiency.

Targeted Solutions Needed:

- Instead of blanket rent control measures, policymakers should consider:

  - Expanding housing supply to alleviate shortages.

  - Providing targeted subsidies for low-income households.

  - Encouraging mobility through incentives and reducing market frictions.

Relevance to Legislators

This study demonstrates that rent control policies, while intended to promote affordability, often produce counterproductive outcomes by distorting market dynamics. It provides evidence that rent control can lead to higher rents in the uncontrolled sector, reduced housing availability, and inefficient use of existing stock, underscoring the need for alternative housing affordability strategies.

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Investment Incentives of Rent Controls & Gentrification: Evidence from German Micro Data

STUDY #19

Source: Baye, Vera, & Valeriya Dinger (2021) NBP Working Paper No. 342

LINK TO STUDY

Study Overview

In their 2021 working paper, Vera Baye and Valeriya Dinger analyze the effects of Germany's 2015 rent control policy on housing investment returns and gentrification. The study utilizes micro-level data to assess how the regulation influences rental yields and the allocation of housing investments.

Key Findings

1. Limited Impact on Housing Affordability:

- The rent control policy did not achieve its primary goal of enhancing housing affordability. Instead, the proportion of household income spent on rent increased in regulated areas post-implementation.

2. Altered Investment Yields:

- For regulated properties, rental yields decreased by approximately 6.5 percentage points, driven by sale prices rising faster than rental prices.
- In contrast, unregulated properties in regulated areas saw an increase in yields by about 14.7 percentage points, primarily due to significant rent hikes while sale prices remained stable.

3. Shift Toward High-End Developments:

- The policy inadvertently incentivized investments in new constructions and extensive renovations, which are exempt from rent control. This shift led to an increased supply of high-priced housing units, contributing to gentrification and reducing the availability of moderately priced living spaces.

Policy Implications

Unintended Consequences:

- The rent control measure may have exacerbated housing affordability issues by encouraging a market shift toward upscale housing developments, thereby diminishing the stock of affordable units.

Need for Comprehensive Strategies:

- Policymakers should consider the broader market dynamics and potential spillover effects when designing rent control regulations. Complementary measures, such as promoting the construction of affordable housing and providing targeted subsidies, may be necessary to achieve desired affordability outcomes.

Relevance to Legislators

This study provides empirical evidence that rent control policies can have counterproductive effects, including reduced affordability and increased gentrification. Legislators should carefully evaluate these potential outcomes and consider integrated policy approaches to effectively address housing affordability challenges.

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Ending Rent Control
Reduced Crime in Cambridge

STUDY **#20**

Source: Autor, David H., Christopher J. Palmer, & Parag A. Pathak (2019) AEA Papers & Proceedings

Study Overview

In their 2019 paper published in AEA Papers and Proceedings, David H. Autor, Christopher J. Palmer, and Parag A. Pathak analyze the impact of the sudden elimination of rent control in Cambridge, Massachusetts, in 1995. The study utilizes detailed, location-specific criminal incident data to assess changes in crime rates following the policy change.

Key Findings

1. Significant Reduction in Crime Rates:

- The removal of rent control led to a **16% decrease in overall crime**, equating to approximately **1,200 fewer crimes** annually in Cambridge.

2. Economic Benefits:

- The reduction in crime provided an estimated annual direct benefit of **$10 million** (in 2008 dollars) to Cambridge residents.
- This benefit accounts for about 10% of the growth in residential property values attributed to the end of rent control.

LINK TO STUDY

Policy Implications

Reevaluation of Rent Control Policies:

- The findings suggest that rent control may have unintended consequences, such as higher crime rates, which can negatively affect community well-being and property values.
- Policymakers should consider these potential adverse effects when designing or maintaining rent control regulations.

Comprehensive Urban Policy Approach:

- The study highlights the importance of a holistic approach to urban policy that balances housing affordability with other factors influencing residents' quality of life, including safety and property values.

Relevance to Legislators

This research provides empirical evidence that the elimination of rent control can lead to significant social benefits, such as reduced crime rates and increased property values. Legislators should weigh the potential trade-offs associated with rent control policies, considering both their intended goals and possible unintended consequences on community safety and economic health.

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The Supply Side Effects of Rent Controls: Evidence from Ireland

STUDY #21

Source: Gillespie, T., Kren, J., Lyons, R. C., & O'Toole, C. (2024) Trinity College Dublin TEP Working Paper No. 0624

LINK TO STUDY

Study Overview

This 2024 study by Tom Gillespie, Janez Kren, Ronan C. Lyons, and Conor O'Toole investigates how Ireland's rent control policies, introduced after 2016 and further tightened in 2021, affected the rental housing supply. Using district-level data from 2010 to 2023, the study explores whether these policies led landlords to exit the market and reduced available rental housing stock.

Key Findings

1. Landlords Exiting the Market:

- The introduction and tightening of rent controls led to a significant rise in property sales, as landlords chose to sell rather than continue renting under stricter regulations.

- Individual landlords were the most likely to leave the market, compared to corporate landlords.

2. Reduced Rental Listings:

- Both rental listings and tenancy registrations decreased after rent control implementation, indicating a contraction in available rental housing stock.

3. Broader Market Effects:

- Even room rentals, technically exempt from rent controls, saw significant reductions in listings, suggesting spillover effects into unregulated sectors of the market.

4. Impact of 2021 Policy Tightening:

- The effects of rent controls were more pronounced after 2021, when annual rent increases were capped at even lower rates, exacerbating the supply-side issues.

Policy Implications

Market Distortion:

- Rent control policies can discourage landlords from participating in the rental market, reducing housing supply and creating tighter markets for tenants.

Support for Landlords:

- Providing financial or regulatory incentives to landlords could mitigate the risk of market exit and sustain a healthier rental supply.

Balanced Policy Design:

- Policymakers should consider complementary solutions, such as increasing housing supply and targeted rental assistance, to address affordability without disrupting market stability.

Relevance to Legislators

This study highlights that rent control policies, while intended to provide tenant protections, can lead to significant unintended consequences by reducing the overall rental housing supply. It demonstrates the importance of balancing tenant protections with incentives for landlords to maintain and expand rental units.

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Behind the High Cost of Rent:
How Local Rules and Regulations are Increasing Expenses for Multifamily Operators

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Rental Housing Association of WA

STUDY #22

Source: Summary of Research by Daniel Shoag, Ph.D., & Issi Romem, Ph.D. (February 2025) | Published by the National Apartment Association (NAA) & National Multifamily Housing Council (NMHC)

LINK TO STUDY

Study Overview

Housing affordability challenges have expanded nationwide, with rising regulatory burdens contributing to higher operating costs and suppressed new multifamily development. This research examines the financial impact of rental regulations from 2004 to 2019, using proprietary data from the NAA to assess four key categories of laws.

Key Findings

Source-of-Income Laws (e.g., mandatory acceptance of Section 8 vouchers)

- Increased vacancies by 10.4%
- Raised utility expenses by 9.4%
- Increased collection losses by 12.5%

Eviction Laws (e.g., just-cause requirements, right-to-counsel)

- Increased legal fees and eviction timelines
- Raised marketing, salary, and utility expenses
- Increased collection losses by 37.5%

Resident Screening Laws (e.g., restrictions on criminal & credit history checks)

- Increased repair and maintenance expenses by 12.8%
- Led to higher capital expenditures (+17.2%)
- Reduced property owners' ability to assess financial reliability

State Preemption Laws (laws preventing local regulations from exceeding state standards)

- Increased total revenues and capital reinvestment (+19.2%)
- Reduced compliance and administrative costs
- Created a more stable investment environment for multifamily housing

Policy Implications

- **Unintended Consequences:** While well-intentioned, tenant protection laws increase operational costs, reducing housing supply and driving rent hikes.
- **Preemption as a Solution:** Standardizing regulations at the state level encourages reinvestment, protects housing supply, and stabilizes costs.
- **Balanced Approach Needed:** Effective policy must consider both resident protections and the economic realities of housing providers to maintain affordability.

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Domino Effect of Rent Caps:

How Falling Property Values Strain Housing Supply

Source: Report by ECOnorthwest for the Partnership for Affordable Housing | January 2025

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Rent Caps: Short-Term Relief, Long-Term Consequences

While rent control policies aim to stabilize rents, decades of research and real-world evidence show they **ultimately reduce housing supply, lower property values, and discourage new development.** This report by ECOnorthwest examines the impact of rent caps in California and provides insights for Washington's policymakers.

How Rent Caps Impact Property Valuations

- **Lower Property Values** – Rent control policies in San Francisco, Oakland, and San Jose led to property value declines of up to 9%.
- **Higher Risk Perception** – Investors apply higher capitalization rates (cap rates) to rent-controlled properties, reflecting greater risk and reduced income potential.
- **Reduced Investment** – Strict rent caps erode investor confidence, discouraging the purchase, improvement, and maintenance of rental properties.
- **Deferred Maintenance** – With constrained revenue, landlords often cut back on repairs and upgrades, leading to long-term declines in housing quality.

The Effect on Housing Development

- **Fewer New Rentals** – Lower property valuations make it harder for developers to secure financing, leading to fewer multifamily projects.
- **Shift to For-Sale Housing** – Developers pivot toward luxury condos or single-family homes, reducing rental stock.
- **Land Cost Pressure** – Rent caps reduce expected returns, forcing developers to pay less for land or abandon rental housing projects altogether.
- **Missed Housing Growth** – The biggest impact is unseen: units that never get built, worsening long-term housing shortages.

Policy Solutions: What Works Instead?

Instead of rent caps, policymakers should focus on pro-housing solutions to increase supply and affordability:

- **Short-Term Rental Assistance** – Direct financial aid to low-income renters without market distortion.
- **Pro-Housing Supply Reforms** – Streamlined permitting, zoning changes, and incentives for development.
- **Preservation of Affordable Units** – Programs to protect and maintain existing affordable housing.

Study Overview

Rent control reduces property values, discourages investment, and slows new construction—ultimately worsening affordability. Sustainable solutions should focus on increasing housing supply and market-driven reforms.

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