



NATIONAL
MULTIFAMILY
HOUSING
COUNCIL



NMHC/NAA Viewpoint

Rather than improving the availability of affordable housing, rent control laws exacerbate shortages, cause existing buildings to deteriorate and disproportionately benefit higher-income households. NMHC/NAA urge lawmakers to reject price controls and pursue alternatives such as voucher-based rental assistance to better address critical affordable housing shortages.

Recognizing its counterproductive nature, 32 states prohibit local municipalities from implementing rent control laws.

RENT CONTROL

It is difficult to find any issue where economists on both sides of the political spectrum agree. Except for rent control, which Forbes magazine lists as one of the 10 worst economic ideas of the 20th century, saying: “Here we have a policy initiative that has done huge damage to cities around the globe. It is very hard today to find an economist supporting rent control.”

Rent control laws set a ceiling on rents and severely limit or prohibit property owners from raising rents. Most of the nation’s existing rent control laws were first instituted in the post-war era, when America struggled to find enough housing for returning soldiers. While the laws’ intent is positive, numerous studies have shown that rent control fails to improve the availability of affordable housing. In fact, the majority of states now have laws in place that prohibit local municipalities from implementing rent control laws.

The primary reason rent control doesn’t work is that artificially depressed rents discourage private investors from constructing new rental units or investing in and improving their existing properties. It also encourages owners to convert buildings from residential to non-residential use. Without profitability as an incentive, investment capital is directed to other markets and maintenance on existing properties is deferred. Subsequently, the affordable housing shortage is exacerbated.

Moreover, the policy also fails on a fairness scale because its benefits are poorly targeted. Since rent controlled apartments are allocated by “luck” and not “need,” they typically benefit well-to-do renters rather than the lower-income renters they are intended to help.

To truly benefit lower-income consumers, rental assistance should be provided directly to the renter rather than tied to the rental unit, allowing residents to better choose the housing that fits their needs.

NMHC/NAA encourage lawmakers to promote proven alternatives to rent control that address the critical affordable housing shortage and make rents more affordable to lower-income residents. Voucher-based rental assistance programs, for example, are a more effective way to promote affordable housing in a manner that benefits both the renter and the housing provider.