# Rent Regulation

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Rent regulation refers to policies that either limit the maximum rent or the rate of rent increases for privately owned rental homes. While such policies will not solve the housing affordability crisis on their own, research suggests they can dampen price appreciation, slow displacement, and improve housing stability for some lower-income renters.

## TYPES OF RENT REGULATION

Rent regulation policies come in many forms. While historically some policies imposed a ceiling on rents, most forms of rent regulation today instead regulate the speed and size of rent increases, referred to as rent stabilization. Some rent stabilization policies sharply restrict increases, while others merely prohibit large and sudden spikes or price gouging. Rent regulation policies also vary in the proportion of the private-market rental stock they cover. While some cover all rental homes in an area, most policies target older rental homes to avoid discouraging new construction. Some rent regulations exempt smaller buildings, and some allow homes to be brought up to market rate when they are vacated.

Recently, support for rent regulation measures in some states and cities has increased, though most jurisdictions with rent regulation are still found in New York, New Jersey, and California. In 2019, for example, Oregon limited annual rent increases on many rental homes more than 15 years old to 7% plus the consumer price index (CPI) measure of inflation, prohibiting large increases far greater than general inflation. At the other end of the spectrum, in 2021, St. Paul, Minnesota voters passed stringent rent stabilization that limited annual rent increase to 3% for most rental housing. However, the city established a process for landlords to request an exemption to the rent-increase cap. The city also approved additional amendments to the rent control policy that took effect January 1, 2023, including a 20-year exception for newly constructed rental buildings and the allowance of a rent increase of as much as the CPI plus 8% after a just cause eviction. In 2022, voters in Pasadena, CA passed a ballot initiative, Measure H, which created a board to limit rent increases to 75% of the percentage increase in the CPI annually for multifamily rental units built before February 1, 1995.

Rent regulation remains overwhelmingly an issue for state and local politics, rather than a federal issue—partly because a permanent national policy would face greater legal challenges and partly because a uniform set of regulations would not serve high- and low-cost markets equally. NLIHC and 351 other organizations have called on the Biden Administration and the Federal Housing Finance Agency (FHFA) to use rent stabilization as an anti-rent gouging measure and prevent landlords with federally backed mortgages from imposing exorbitant rent increases that put tenants at greater risk of unjust treatment, housing instability, and evictions.

## RENT REGULATION AS AN ANTI-DISPLACEMENT TOOL

In some jurisdictions, rent regulation may be a useful means of preventing the displacement of renters in rapidly gentrifying areas. Proponents argue that regulation can correct power imbalances between landlords and renters and give due recognition to long-term tenants' interest in staying in their homes. Because rent regulation lowers the rent burden for existing tenants and protects them from sudden increases, renters in controlled rental homes tend to remain in their homes longer than those in uncontrolled homes. Longer tenures may reflect greater housing stability and better access to neighborhood opportunities. On the other hand, longer tenures may also reflect restricted mobility, if renters stay in regulated homes of the wrong size or far from work to keep lower rents.

Rent regulation benefits renters who happen to occupy regulated homes, not necessarily the renters who have the greatest need. While some higher-income renters will benefit, renters in regulated homes are much less likely than renters in unregulated homes to be wealthy. In New York City, the median income of renters in rent-stabilized homes is considerably lower than the median income of renters in unregulated homes. All the same, critics argue that insensitivity to need makes rent regulation inefficient, wasting resources on higher-income tenants.

Lower-income renters may be disadvantaged by poorly designed regulations. Low-income households are more likely to need to move for work, health, or family, so they may not be able to stay in regulated homes. Higher-income renters may be willing to initially pay above-market rents for stabilized units, confident that they will eventually benefit from slower increases, which lower-income renters are less likely to be able to do. Some have argued that regulations give landlords incentives to apply stricter screening criteria, which could make housing searches harder for younger tenants and tenants with children.

## BROADER EFFECTS OF RENT REGULATION

The benefits and risks of rent regulation for low-income renters not yet living in the area or not living in rent-regulated homes are less well understood. Research provides mixed evidence of how rent regulation affects overall housing supply, rent levels in uncontrolled homes, and housing quality. There is little evidence that rent regulation increases economic or racial integration or reduces homelessness.

### HOUSING SUPPLY

Conventional wisdom holds that strict rent control will diminish the supply of available rental homes by discouraging new construction and encouraging landlords to pull homes out of the market, but empirical evidence is mixed. Several studies found that rent regulation does not dampen new construction, though that likely depends on how much the policy restricts increases and how long new construction is exempted from regulation. Rent regulation can increase the likelihood that owners convert rental homes to condos or redevelop them for other purposes. What effect rent regulation has on housing supply may depend on related regulations, like whether landlords are prevented from taking homes off the market or are guaranteed a certain rate of return.

### RENT LEVELS IN UNREGULATED HOMES

If rent regulation limits housing supply, then it might raise rents in unregulated homes, but the empirical evidence is also mixed on this point. Some studies show rising housing costs for uncontrolled homes in cities with rent regulations, while other research has found no impact or even a decrease in the rents of nearby uncontrolled rental homes. Given this uncertainty, it may be best to consider this an unresolved worry about the side effects of rent regulation—low income renters who do not secure a regulated home may have to spend more on rent than they would in a city without regulation. Of course, the design of rent regulation affects the size of the unregulated market.

### HOUSING QUALITY

It is unclear what effect rent regulation has on housing quality. Some economists argue that regulation discourages landlords from investing in their buildings. While some research has found a modest decline in the quality of regulated buildings, which could point to decreased investment, others argue that factors like the state of economy matter more. A study of rent control in the District of Columbia found that unregulated homes had more maintenance issues than regulated homes. A recent review of studies from the University of Minnesota found some evidence that major capital improvements may not be impacted by rent regulation, especially if the costs can be passed through to rent, but more general upkeep may suffer.

### OTHER EFFECTS

No consistent relationship has been observed between rent regulation and rates of homelessness. Likewise, existing research does not find any consistent effect on rates of overcrowding. While some proponents of rent regulation tout mixed-income neighborhoods as a goal of rent control policies, there is little evidence that rent control consistently increases economic integration in the long term. However, to the extent that rent regulation slows displacement, it could allow lower-income renters to stay in a neighborhood longer. Finally, there is mixed evidence whether people of color access rent-controlled homes in proportion to their share of the population. While people of color were overrepresented in regulated homes in New Jersey, they were underrepresented in Boston.

Proponents readily admit that rent regulation needs to be paired with other measures to create more affordable housing, since it does not increase the supply, benefit all lower-income renters, or ensure economic and racial integration. One common argument for rent regulation is that it is fast, scalable, and cheap, since it does not require a direct subsidy. It may allow many lower-income renters to remain in place in cities with rising housing prices. Opportunity costs are still involved, since rent regulation requires administrative oversight and enforcement, and lower rents can affect property values and tax revenue that could be used for other purposes. Given the uncertainties about how rent regulation affects housing supply, unregulated rent levels, and housing quality, any rent regulation policy needs to be carefully designed and paired with supplementary regulation to protect low-income renters.

## FOR MORE INFORMATION


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