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RENT CONTROL EXPLAINER

RENT CONTROL IMPLICATIONS AND POLICY ALTERNATIVES

WHAT IS RENT CONTROL?

Rent control, including variations such as rent stabilization, is a government-imposed price control (usually a limit) on what private properties may charge for rent. Seven states currently have rent control laws, and 20 states introduced bills related to rent control in 2024.

How Rent Control Harms Housing

❖ Reduced housing supply and upkeep

- In San Francisco, rent control led to a **15%** reduction in the number of available rental units between 1979 and 1994 as landlords converted properties to condos or sold them.¹ Nationwide, **61%** of housing providers have deferred or expect to defer maintenance and improvements due to rent control limiting revenue to cover rising repair and upkeep costs.²

❖ Suppressed property value and investment

- In Cambridge, Mass., deregulated property values increased by **45%** after rent control was lifted. After deregulation, properties in Cambridge that neighbored rent-controlled homes saw a **25%** rise in value.³ In New York City, rent-controlled buildings dropped in value by **34%** between 2019 and 2023, while non-controlled units increased in value by **23%** during the same period.⁴

❖ Reduced mobility and diversity

- In San Francisco, tenant mobility fell by **19%**, with empty-nesters staying in larger units, pushing young families out of the city.⁵ In New York City, long-term tenants benefit from low rents, but newcomers face skyrocketing prices in uncontrolled units.

Policy Alternatives

- ❖ **Housing vouchers.** Housing vouchers could provide rent subsidies for low-income individuals in the private market. Removing price limits and simplifying the inspection and eviction processes will enhance accessibility, enabling tenants to secure stable housing while allowing landlords flexibility.
- ❖ **Less restrictive zoning and building regulations.** Zoning and building regulations raise development costs, limiting the construction of affordable rental units. Reducing these regulatory barriers and simplifying approval processes will encourage new construction and increase housing supply.

¹ Diamond E., T. McQuade, F. Qian, "The Effects of Rent Control Expansion on Tenants, Landlords, and Inequality: Evidence from San Francisco", American Economic Review (2019), <https://pubs.aeaweb.org/doi/pdfplus/10.1257/aer.20181289>

² Cuffy, L., "Examining the Unintended Consequences of Rent Control Policies in Cities Across America", National Apartment Association, 2023, <https://www.naahq.org/examining-unintended-consequences-rent-control-policies-cities-across-america>

³ Autor D., C. Palmer, P. Pathak, "Housing Market Spillovers: Evidence from the End of Rent Control in Cambridge, MA", <https://www.journals.uchicago.edu/doi/full/10.1086/675536>

⁴ Clark P., P. Gopal, "Why NYC apartment buildings are on sale now for 50% off", Bloomberg, <https://www.bloomberg.com/news/features/2024-02-05/nyc-apartments-go-on-sale-for-50-off-due-to-tougher-rent-control>

⁵ Diamond R., "What does economic evidence tell us about the effects of rent control?", Brookings Institution Report, <https://www.brookings.edu/articles/what-does-economic-evidence-tell-us-about-the-effects-of-rent-control/>

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