

# COSTA-HAWKINS

## 5 Reasons Why Economists and Housing Experts Say Rent Control Doesn't Work

#1



### Reduced housing supply

While the intent of rent control may be to make housing more available, economic studies indicate it discourages investors from constructing, rehabilitating, and converting housing into rental residences. Some owners may be forced to sell their properties due to rising costs, further depressing supply.

#2



### Causes more harm than good

According to the Manhattan Institute's [Rent Control Does Not Make Housing More Affordable](#), regulating rent is not a solution to poverty, inequality, or segregation. Instead, it harms disadvantaged groups and acts to restrict the supply of housing by transferring wealth to current tenants at the expense of future tenants. Also, "Many of rent control's benefits typically flow to higher-income households even as rent control drives up rents for everyone else."

#3



### State & local revenue loss

The Legislative Analyst estimates that the 2024 rent control initiative (22-0008) could result in a loss in the **"high tens of millions of dollars per year"** due to lower property tax collection from declining rental housing values. Rent caps reduce rental income, which also lowers personal income and business taxes paid to the State.

#4



### Less funding for public services

Lower State and local revenues mean less funding for critical public services, such as health care, education, public safety, and transportation. Services provided by local governments would be hit hardest because the largest revenue impact will be on property taxes, which are paid to local governments.

#5



### Undermines State housing policies

Rent control initiatives, like the one submitted in December of 2022, either limit or outright bar the State from enacting laws that affect local rent control. The end result would be a hand-off of cohesive statewide housing policies to a patchwork of 539 local rent boards to do as they please WITHOUT a vote of the people.

#### Sources:

1. LAO Fiscal Estimate of Proposed Initiative No. 22-0008
2. "Modeling the Impact of Rent Growth Caps on Metropolitan Apartment Markets" Capital Policy Analytics for the National Apartment Association, April 2019.
3. [weareapartments.org](http://weareapartments.org)
4. "The High Cost of Rent Control" National Multifamily Housing Council <https://www.nmhc.org/news/articles/the-high-cost-of-rent-control/>
5. "Rent Control Does Not Make Housing More Affordable, Manhattan Institute <https://www.manhattan-institute.org/issues-2020-rent-control-does-not-make-housing-more-affordable>

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## Economists & Housing Experts Speak Out on Rent Control

"Rent control appears to help affordability in the short run for current tenants, but in the long-run **decreases affordability**, fuels gentrification, and creates negative externalities on the surrounding neighborhood. These results highlight that forcing landlords to provide insurance to tenants against rent increases can ultimately be counterproductive. If society desires to provide social insurance against rent increases, it may be less distortionary to offer this subsidy in the form of a government subsidy or tax credit."

—*Rebecca Diamond, Professor of Economics, Stanford University*

Several empirical studies have found that rent control has not been successful at targeting benefits to lower-income residents or families. (Pastor, Carter, and Abood 2018; Sturtevant 2018).

"Rent control and rent stabilization policies do a **poor job at targeting benefits**. While some low-income families do benefit from rent control, so, too, do higher-income households. **There are more efficient and effective ways to provide assistance** to lower-income individuals and families who have trouble finding housing they can afford."

—*Dr. Lisa Sturtevant, Economist, former Director of Center for Housing Policy*

"[I]n every country examined, the introduction and continuance of rent control/restriction/regulation has done much **more harm than good in rental housing markets**—let alone the economy at large—by perpetuating shortages, encouraging immobility, swamping consumer preferences, fostering dilapidation of housing stocks and eroding production incentives, distorting land-use patterns and the allocation of scarce resources—and all in the name of the distributive justice it has manifestly failed to achieve."

—*Milton Friedman, Economist and Nobel Laureate, author et al. of Verdict on Rent Control*

"[R]ental assistance lowers the likelihood that tenants default in the first place, **as opposed to making it harder to evict** them once they have already defaulted. My estimates also suggest that rental assistance more than pays for itself: the drop in homelessness translates to **large savings on homeless services** which outweigh the cost of subsidizing rent."

—*Dr. Boaz Abramson, Professor of Finance, Columbia University*