

Rent Control-Investor Talking Points

- There is overwhelming consensus among economists that price controls on rents are inefficient, counterproductive and lead to serious negative impacts for housing markets.
- Rent control causes property owners to curtail upkeep to ensure they continue to get a return on investment.
- The reduced maintenance and delayed timeline for improvements leads to significant depreciation as the assessed value of rent controlled properties decline and with it the property taxes they generate.
- Over time, this lack of investment expedites the deterioration of these buildings and eventually leads to the loss of critically-needed rental housing as owners attempt to ensure a return on investment.
- Local governments will attempt to minimize the impact on rental housing markets by exempting new construction; however, housing providers will increase prices for these developments as they fear rent control will be applied to those units in the future.
- Not only are the value of properties subject to rent control impacted, but it also has a spillover effect on those that are exempted.
- To make up for this forgone revenue, jurisdictions with rent control will often raise taxes on other forms of property to help offset the lost property tax revenue of the price-controlled apartments.
- The decline in value causes the sales prices for apartment buildings to fall substantially, therefore buildings may need to be sold at a loss to investors.
- When price controls on rental housing are repealed, significant new investment in maintenance and rehabilitation takes place.
- To preserve the quality and value of their properties, owners may also convert rent-restricted units to condominiums, housing not subject to rent control or commercial property.
- Housing development, rehabilitation and maintenance generate significant economic benefits in terms of job creation, wages and overall economic output. Rent control eliminates most of this benefit as rental housing activity is significantly reduced or eliminated.

References

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