

An Update on Affordability

Continued affordability challenges raise the risk of rent control policy action going forward, clouding investment outlooks and underscoring the need for creative and collaborative solutions

By **Doug Bibby**

With housing affordability dominating headlines, many jurisdictions across the country are considering policy changes to address the causes and effects. In some cases, the proposed changes are rather dramatic, including things like rent control measures, rent caps and antigouging measures. Understandably, multifamily investors are concerned about what these changes might mean for their investments.

It's difficult to get a gauge of how policy changes might affect asset values or how many deals might be sidelined until there's more clarity in areas where these debates are happening. However, what we can say for certain is the velocity at which these initiatives are hurdling at us is unprecedented. We need a response—a bold, comprehensive housing plan and a toolbox of real, workable solutions that can be adapted to the unique needs of communities everywhere.

What's different this time

NMHC has a long history with issues of affordability. We were formed in 1978 after a small group of prominent apartment builders and owners came together to overturn the destructive aftershocks of rent control. While this story line sounds familiar 40 years later, achieving a similar outcome today is more challenging.

We know what's at the root of today's affordability crisis—surging rental demand, stagnant incomes, punishing regulation, rising construction costs and chronic housing underproduction—but the discussion direction and tone have made a dramatic shift. The focus has moved from housing economics to housing inequality. Tenants' rights groups, social justice advocates and other progressive organizations are forming a national movement, creating momentum for misguided policies like rent control.

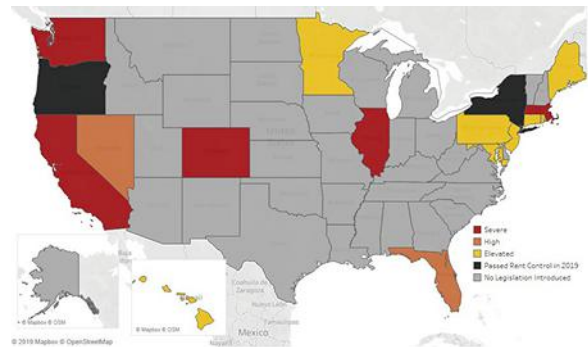
Assessing the threat levels

Since 2017, the number of states that have considered rent control account for more than half of the nation's total apartment stock. However, there varying levels of threats. We are seeing a lot of legislative movement on rent control in states like California, Colorado, Illinois, New York, Oregon and Washington. While we have largely been able to defeat these initiatives, there were losses in Oregon and, most recently, New York.

Legislative action will continue into 2020, and we see these issues being elevated. High-profile politicians like Bernie Sanders, Kamala Harris and Alexandria Ocasio-Cortez have taken up the mantle of rent control. Moreover,

Rent Control Risk

States with elevated, moderate and severe risks of legislative action on rent control policies.



lawmakers such as Elizabeth Warren are also finding ways to work in provisions that explicitly encourage states to remove preemptions on rent control.

While these developments are concerning, the positive is there is political engagement where there largely hasn't been. Policymakers are finally understanding the severity of the problem and approaching it with the correct degree of magnitude. Moreover, there are ideas and legislative initiatives that we can support, albeit with some changes.

We need what amounts to a modern-day Marshall Plan for housing. We need to attack these challenges with solutions that are responsive to the challenges facing communities. Most important, the private sector needs public partners at all levels of government who are willing to be creative and look beyond policies that have been tried and failed in the past.

We encourage all to visit www.growinghomestogether.org, a new online hub to spark discussions and progress around the housing affordability crisis. It highlights creative, successful policy solutions at the state and local levels. ■



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Learn more at www.nmhc.org.

