



NATIONAL
MULTIFAMILY
HOUSING
COUNCIL



RESEARCH NOTES NEWSLETTER

{{system.date}}

Rent Control vs. Rent Stabilization: *A New Name for a Failed Concept*

Nearly all economists agree that rent control is a failed policy. In a 1990 survey of economists of the American Economic Association, fully 93 percent agreed that “a ceiling on rents reduces the quality and quantity of housing available.”¹ And among academics, it appears that this sentiment has not changed over time—a [2012 survey](#) conducted by the IGM Economics Experts Panel similarly found just 2 percent of economists who agreed that rent control “had a positive impact over the past three decades on the amount and quality of broadly affordable rental housing” (2 percent in this instance represented just one economist, who indicated they were not very confident in their response).

There is much-documented literature on the negative impacts of rent control. Some of the major findings of a 2018 literature on existing rent regulations by Dr. Lisa Sturtevant found include:

- Rent control policies can hold rents of controlled units at a lower level but not under all circumstances.
- Rent regulations do a poor job of targeting benefits for those who actually need them.
- Rent regulations reduce the ability of owners to maintain their properties, resulting in blight in certain communities.
- Rent control policies can lead to a reduction in the available supply of rental housing.

Despite this agreement among economists and documented negative consequences, rent regulations that limit rent growth continue to be introduced throughout the country with increasing frequency. These laws vary in terminology when introduced, often characterized as “anti-gouging” laws or “rent stabilization” laws. Contemporary advocates of regulation argue that “rent stabilization” laws are less restrictive than previous rent control policies because they allow for increases related to inflation, thus promoting renter stability and affordability without causing any of the negative side effects associated with an absolute ceiling on rents. Contemporary opponents of these new regulations argue that they simply use different terms to describe the same concept: rent control, a government cap on how much a private owner can charge. Made even more confusing is that these terms are often substituted for one another in the media.

In this *Research Notes*, we examine various “rent stabilization” laws throughout the country, and how they have become more restrictive—highlighting the *purported* difference between these rent regulations and original rent control. We also examine whether some of the established consequences of rent control are present in these rent regulations that purport to have more flexible, data-based ceilings on rents. Specifically, we look at the cases of rent stabilization in New York City, Washington, DC, California and Oregon and whether these laws have deviated from the theoretical rationale for rent stabilization over time.

[1] 1 R.M. Alston, J.R. Kearl, and M.B. Vaughan, "Is There a Consensus Among Economists in the 1990s?" *American Economic Review*, May 1992, 82, 203-9. The criticism of rent control is so universally shared by economists that rent control often is cited by textbook writers as a paradigm of the harm governmental interference can have on the operation of a competitive market. See, for example, P. Samuelson and W. Nordhaus, *Economics* p. 79 (14th edition, 1992).

The History of Rent Regulations in the United States

The original rent control laws were implemented prior to 1950, and effectively froze rents at their pre-regulation levels. New York City’s rent control program is perhaps the most well-known program, and dates to the 1940s. It represents one the most restrictive rent regulations effective in the U.S. today. The law, which applies to apartment units built before 1947 and occupied continuously since 1971, limits rents to a “Maximum Base Rent” that is adjusted every two years to reflect changes in operating costs. The Housing Stability & Tenant Protection Act of 2019 placed even further restrictions on allowable rent increases in controlled units.

These rent controlled units, which today account for less than one percent of all New York City apartments, provide significant discounts to their occupants. In 2017, the median rent-controlled one-bedroom apartment in New York City recorded a gross monthly rent of just \$840, less than a third of that charged by the median market-rate one-bedroom (\$2,555).²

Another iteration of rent regulation is often referred to as “rent stabilization” or “anti-gouging laws”—these laws are less stringent than the original rent control laws but still maintain a level of government control over rents. The stated aim of many newer rent regulations is to promote stability and affordability for lower-income apartment residents without disincentivizing new development and investment in current units. For example, Oregon’s 2019 rent stabilization law limits rent growth in controlled apartment units to inflation plus 7 percent. The law exempts apartments built within the last 14 years (a moving target as each year progresses) and allows for unrestricted rent growth in between tenants (vacancy decontrol).

Some characteristics of these laws can include:

- **Inflation-based limit:** rents in controlled units are allowed to increase in line with inflation plus some additional percentage;
- **Vacancy decontrol:** rents are allowed to increase to market levels when a resident vacates a controlled unit; and
- **Exemptions for newer units:** units built after a certain date are exempt from regulation.

Washington, DC

Take the case of Washington, DC, for instance. The District's most current iteration of rent regulation, which took effect in 2006, caps rent increases by the lesser of inflation (Consumer Price Index) plus 2 percent or 10 percent. This means that if annual inflation reaches 11 percent, the most an owner can raise their rents is 10 percent. The law is not universal—it exempts units in buildings with fewer than five units as well as those buildings built after 1975. DC's original rent regulation also allows for some degree of vacancy decontrol; owners can raise rents by a maximum of 10 percent in between tenants or up to 30 percent if there exists an identical unit in the building renting for that amount.

Earlier this month, however, the DC Council passed legislation that will limit annual rent increases in stabilized units to 6 percent for the next two years (below the 8.9 percent that the rent stabilization law would have allowed this year). In essence, the new legislation has capped the amount of rent that can be charged to CPI only. And if a property owner's expenses were to rise above 6 percent, they would be unable to raise rents by a proportional amount to make up that difference in costs. This is significant since the Consumer Price Index (CPI) does not fully reflect important non-controllable cost of operating rental housing, such as state and local taxes, certain utility costs, and insurance. NMHC's 2023 State of Multifamily Risk Survey, for instance, found a 26% average increase in property insurance costs for respondents in the past year.

The rationale for the new rent cap was that DC rents experienced a spike in mid-2022 in the wake of the COVID pandemic. This legislation comes after a three-year period in which rents have not kept pace with inflation, however. Rents for professionally managed apartments tracked by RealPage rose by an average annual rate of just 2.9 percent between 1Q 2020 and 1Q 2023, while inflation averaged 5.2 percent per year, as measured by CPI. The legislation (like rent control) also makes no effort to distinguish between cost-burdened renter households and non-cost burdened households; a household with an income of \$1,000,000 would be able to utilize one of these units the same as a household with an income of \$50,000.

New York City

New York City's rent stabilization law has been in effect for decades longer than most of the newer rent regulations, enacted in 1969. The law generally applies to apartments built prior to 1974 that are not subject to rent control and that are in buildings with six or more units. New York City's law, unlike Washington DC's, does not provide apartment owners the automatic right to increase rents in line with inflation. Instead, allowable rent increases are determined by the New York City Rent Regulations Board every year.

Furthermore, in 2019, New York's rent stabilization law was made even more restrictive with the passage of the Housing Stability & Tenant Protection Act. Some of the main ways the law was amended include:

- **Elimination of Vacancy Decontrol:** prior to the 2019 law, owners were permitted to raise rents by up to 20% in stabilized units when a tenant vacated their unit.
- **High Rent / High Income Deregulation:** the 2019 law repealed the right of apartment owners to deregulate stabilized units if rents surpassed a certain threshold (when vacated) or when rents surpassed that threshold *and* occupant incomes reached a certain level (when occupied).
- **Restrictions on Major Capital Improvements:** prior to the 2019 law, owners were allowed to enact permanent rent increases for stabilized apartments—capped at 6 percent per year—for building-wide improvements. The 2019 law limited these increases to just 2 percent and made them temporary (they must be removed after 30 years).

On June 21, 2023, the Rent Guidelines Board approved 3 percent rent increases for one-year leases and, for two-year leases, a 2.75 percent increase in the first year and a 3.2 percent increase in the second. These increases were in contrast with data cited by the New York City Rent Guidelines Board consisting of an 8.1 percent rise in operating costs this year for buildings that contain rent stabilized apartments, a 7.7 percent rise in real estate taxes, a 19.9 percent rise in fuel costs and a 12.9 percent rise in the cost of insurance. When rents fail to keep pace with operating expenses, apartment operators become financially constrained and tend to [defer important maintenance](#).

The Rent Guidelines Board’s Chair acknowledged in his remarks announcing the rent increases that owner-operator costs were increasing more than the rent increases but cited the rent burdens of residents when announcing the new rents. Similar to the Washington, DC legislation, none of these changes do anything to impact the ability of a renter to afford a market-rate unit if they are not able to currently—only through income growth would a renter be able to afford a market-rate unit of a certain price.

California and Oregon

In 2019, both California and Oregon passed statewide rent regulations framed as rent stabilization laws. California’s Tenant Protection Act of 2019 (effective January 2020) caps rent growth at the lesser of 5 percent plus inflation or 10 percent. Similar to the issue present in the other jurisdictions, if inflation was 11 percent, the housing provider would not be able to raise market rents by this amount. This is important in a jurisdiction such as California that is facing uncertain property expenses as insurance costs mount due the large number of natural disasters in the state. On the homeownership side, for example, Allstate and State Farm have completely stopped selling policies in California.

Oregon’s law currently caps rent growth for multi-unit properties at 7 percent plus inflation. The maximum rent increase allowed under the current law would be 14.6 percent.

In both cases, the law is not universally applied. California’s law allows for vacancy decontrol and exempts rental units built within the last 15 years as well as some condos, single-family homes and two-unit properties. Oregon’s 2019 law similarly caps rent growth only for multi-unit properties older than 15 years.

After just a few years, there have already been efforts in both states to make these laws more restrictive. In March, California State Senator María Elena Durazo introduced Senate Bill 567, which, among other things, included a provision that would reduce the limit on rent increases to the lesser of just inflation or 5 percent (this provision has since been removed). Some California jurisdictions such as Santa Monica have introduced their own, more stringent caps as well.

Oregon is similarly considering legislation, through Senate Bill 611, that would lower the limit of rent increases in the state to the lesser of inflation plus 7 percent or 10 percent (the bill originally proposed lowering the cap to the lesser of 3 percent plus inflation or 8 percent).

In the cases of both California and Oregon, the existing and new legislation would create no new opportunities for funding for renters; there is no targeting for low-income residents. A household would still need to be able to afford the market-rate unit, and the only way for them to afford that unit beyond their current circumstance would be through income growth, either via subsidy or increased earnings.

Conclusion

Despite claims that “rent stabilization” and “anti-gouging laws” have less of an impact on housing providers, the same basic principles that apply to rent control exist for these regulations. These regulations are, in effect, the same failed policy with a new name. All impose a ceiling on how much rent a housing provider can charge for a rental unit without regard to the actual cost of maintain rental housing and do nothing to get at the root of the problem—the lack of housing supply.

And while some laws may claim to account for changes in expenses for the housing provider, the Oregon example shows that theoretical concepts are overshadowed by political realities. Inflation may be a factor cited in creating a law, but if inflation becomes elevated, policymakers will frequently attempt to institute a cap lower than inflation (if such a cap does not already exist). This will make it more difficult to make needed repairs to their property if rental income is not keeping up with the cost of goods, similar to an established negative result of original rent control.

Rent regulations framed as rent stabilization or anti-gouging laws also depend on a resident’s ability to afford a market rent, just as with the original rent control. If a resident is unable to afford a market-rate unit one year, they will still be unable to afford that unit the next year without some sort of income growth. These rent regulations do nothing to address the needs of the most vulnerable of the population; no new units are added to the housing stock to create market rents to decline (as we are beginning to see in some Sun Belt markets) and no additional subsidy is being given to households to allow them to afford a market-rate unit that would otherwise be unattainable to them.

Finally, these rent regulations also are not universally applied, just as with rent control. In Washington, DC, single-family rental units are exempt from these requirements, as well as some single-family rentals in California. The owners of these rental units do not have a cap on their rents, and in the event of a large increase in expenses, they would be able to capture that increase via an increase in rent.

While newer forms of rent regulation may seem, at first glance, to present a less heavy-handed approach than the original rent control regulations, these examples make clear that there is not really much difference. With any form of rent regulation, the future income stream is even more uncertain, subjective, and likely political, making a property a less attractive investment for prospective buyers as well. In contrast, supply-side solutions that either lower market-rate rents via increased supply (such as those found in [NMHC's Affordability Toolkit](#)) or demand-side solutions that allow more residents access to market-rate units (such as Housing Choice Vouchers) are proven solutions that address the needs of both housing providers and residents.

About Research Notes

Published quarterly, Research Notes offers exclusive, in-depth analysis from NMHC's research team on topics of special interest to apartment industry professionals, from the demographics behind apartment demand to effect of changing economic conditions on the multifamily industry.

Questions

Questions or comments on Research Notes should be directed to **Chris Bruen**, Senior Director of Research, NMHC, at cbruen@nmhc.org.

Tools

[Print-Friendly Version](#)

[Search Back Issues](#)

APARTMENT LEADERSHIP RESIDES HERE™

National Multifamily Housing Council | 1775 Eye St., N.W., Suite 1100. Washington, DC, 20006



[Contact Us](#) | [Send Me Fewer Emails](#) | [Unsubscribe All](#)

You are receiving this email because you subscribed to "Research Notes". Please add 'news@nmhc.org' to your email address book or Safe Sender List.