NAR Issue Summaries

State and Local Issues / Rent Control

NAR Committee:

State and Local Issues Policy Committee

What is the fundamental issue?

Although the term “rent control” is often used loosely, it is actually only one method of regulating rent. The two most common rent-regulation schemes include rent control and rent stabilization. In markets such as **New York City** that have both types of regulatory 8 schemes, rent control and rent stabilization are governed by entirely different sets of regulations. With rent control, the rent charged to a tenant who lives in qualified housing is strictly regulated, with a maximum placed on the amount the landlord may charge the tenant. Therefore, rent control is effectively a price ceiling imposed by the governing entity.

Rent control and/or rent stabilization measures have regained interest by local governments because the cost of housing in some markets have surged. There can be several unintended consequences with rent control measures: reducing quantity and quality of available housing, increasing rent for tenants not under rent control, reducing landlord incentive to maintain property, decreasing landlord’s ability to meet expenses, and generating significant administrative costs to local government, just to name a few.

Read more about rent control in NAR's *Rent Controls, a White Paper Report*.

I am a real estate professional. What does this mean for my business?

Selling real estate under rent control may be more difficult and may reduce the value of that property. Properties that have been under rent control for many years may also have deteriorated at a faster pace than properties not under rent control because maintaining or improving the property was not feasible. Ultimately this may bring down the market rate of rent controlled properties and possibility properties adjacent to rent controlled properties.

NAR Policy:

The National Association of REALTORS® (NAR) recognizes the need in this nation to produce rental housing and preserve the current rental housing stock.

NAR encourages states and municipalities to adopt zoning laws and building codes, or other legislation that encourage the construction of rental dwellings. NAR opposes moratoria on zoning or approvals for apartments and mobile home parks.

Rent control and rent stabilization are infringements upon private property rights. NAR opposes current and future rent control and rent stabilization laws on both residential and commercial properties. NAR encourages local and state REALTOR® associations to oppose any legislative measure allowing for rent control or rent stabilization efforts.

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NAR opposes rent control for the following reasons:

- Property owners have the right to set rents at market rate.
- Property owners have the right to own property free of unreasonable controls.
- Rent control and rent stabilization put unreasonable costs and burdens upon property owners without compensation.
- Rent control and rent stabilization create market distortions and allocate housing inefficiently.
- The social responsibility of providing affordable housing should not be disproportionately borne by private property owners.
- Rent control has been shown to be extremely difficult and costly to administer by local governments.
- Lost revenue under rent control measures reduces the ability for the property owner to maintain and improve the property.
- As residential rentals lose value due to the restriction on rents, property tax assessments decrease along with the property tax base. Therefore, other property owners would eventually pay more in taxes or fees as a result.
- Rent control discourages the production of new rental dwellings in the private sector.

In jurisdictions that have rent control, protections should be put in place for property owners, such as:

- Rent controlled or rent stabilized units should be for the exclusive use of those requiring housing assistance. Therefore, tenant finances under the original lease terms shall be verified on an annual basis.
- Rent control shall not apply to new buildings.
- In addition to permitted annual rent increases, rent control laws shall permit the property owner to pass-through increased expenses of maintenance, operation, and taxes to the tenant.
- Rent control shall permit vacancy decontrol with any change of tenancy. Vacancy decontrol allows a property owner to raise rents to market rate when a new tenant signs a lease.
- There shall be no requirement to roll back rent to previous years' rent rates.
- There shall be an alternative to lease disputes going to court (such as non-binding arbitration).
- Rent control regulatory boards or advisory boards overseeing rent control decisions have an equal representation of owner and tenant members.

Adopted, 2017. Reaffirmed, 2019.

Check out NAR'S Summary of State & Local Issues Policy Statements.

Opposition Arguments:

The increased housing costs can be hurtful to members of the community, particularly workers in the service industry. The political pressure to control housing costs is increased when long-term residents are displaced or become homeless. Rent control or rent stabilization measures are the only sources of protecting the integrity of communities.

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Legislative/Regulatory Status/Outlook

Statewide laws regarding rent regulation vary significantly, ranging from local control being explicitly prohibited to being expressly permitted, with a number of states not addressing the issue at all.

Current Legislation/Regulation (bill number or regulation)

As of 2019, five states (California, New York, New Jersey, Maryland and Oregon)and the District of Columbia have localities in which some form of residential rent control is in effect (for normal structures, excluding mobile homes).

Check out the legislative proposals (enacted and pending) on rent control by state.

Please note that this information is current as of February 2023.

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