

# Backfiring in Bad Times: When Rent Control Keeps Rent Too High

STUDY  
**#12**

Source: Michael Boutros and Genevieve Vall'e (2024)

[LINK TO STUDY](#)

## Study Overview

This study explores the unintended consequences of rent control policies, particularly during economic downturns. While these policies aim to ensure affordability, they often lead to market distortions, reduced housing supply, and higher rents in uncontrolled sectors. The research highlights how rent control exacerbates affordability challenges instead of alleviating them, particularly in periods of economic stress.

## Key Findings

### 1. Reduced Housing Supply:

Rent control discourages investment in new housing developments and maintenance of existing units, worsening housing shortages, especially during increased demand.

### 2. Distorted Rent Levels:

Rent control policies can keep rents artificially high by limiting the availability of controlled units and increasing demand for uncontrolled or luxury housing markets.

### 3. Market Inefficiencies:

Rent control leads to misallocation of housing resources, with tenants occupying units mismatched to their needs, leaving others homeless or facing housing barriers.

### 4. Economic Downturn Effects:

During recessions, landlords face financial strain due to limited revenue, resulting in deferred maintenance or conversions to other uses, leading to a decline in housing quality.

### 5. Long-Term Consequences:

Prolonged rent control policies reduce tenant mobility and create disparities, with newer tenants paying significantly higher rents than long-term tenants.

## Implications for Legislators

### 1. Harm to Housing Affordability:

Rent control fails to address affordability during economic crises and worsens disparities between long-term and new tenants.

### 2. Decline in Housing Quality:

Financial pressure on landlords leads to deferred maintenance and deteriorating living conditions in rent-controlled units.

### 3. Barriers to New Housing Supply:

Rent control policies discourage new construction and investment in existing housing, perpetuating long-term housing shortages.

## Policy Recommendations

- Focus on expanding housing supply through zoning reforms and financial incentives for developers.
- Consider targeted rental assistance for low-income families instead of broad rent control measures.
- Promote mobility by designing policies that encourage better housing allocation based on need.

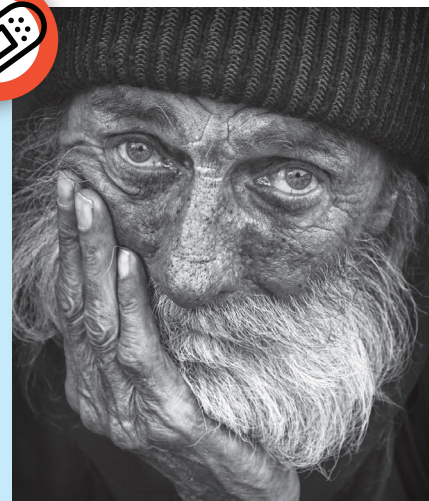
## Relevance

This study highlights the counterproductive outcomes of rent control policies, emphasizing their role in deepening housing crises during economic downturns. For policymakers, a shift toward supply-side strategies and targeted subsidies is crucial to address affordability sustainably.

Table 1: Summary Statistics for Key Variables (2004Q1 – 2019Q4)

	Occupancy Year	Total Units	Rent	Rent (psf.)	Size (sf.)
Mean	2008.7	348.0	2,250.44	3.00	781.34
Standard Deviation	8.4	155.1	787.98	0.74	273.82
Minimum	1970	8	1,098	.86	298
25 <sup>th</sup> Percentile	2006	234	1,789	2.48	601
Median	2011	335	2,100	2.95	720
75 <sup>th</sup> Percentile	2015	440	2,500	3.47	902
Maximum	2020	994	30,000	12.46	7,010
Observations	54,263	54,263	54,263	54,251	54,262

Notes: Rent (psf.) is rent per square foot and size is in square feet.



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