

Robbing Peter to Pay Paul?

The Redistribution of Wealth Caused by Rent Control

STUDY
#16

Source: Ahern, Kenneth R., & Marco Giacoletti (2022) NBER Working Paper No. 30083

[LINK TO STUDY](#)

Study Overview

This study, conducted by Kenneth R. Ahern and Marco Giacoletti (2022), examines the economic and social effects of rent control policies, using the 2021 enactment of rent control in St. Paul, Minnesota, as a case study. The research investigates how rent control impacts property values and redistributes wealth across income and racial groups.

Key Findings

1. Property Value Decline:

- Rent control in St. Paul resulted in a **6-7% decrease in property values**, amounting to an estimated **\$1.6 billion aggregate loss**.
- Rental properties experienced an additional 6% decline compared to owner-occupied properties, totaling approximately 12% loss for rental properties.

2. Wealth Redistribution:

Wealth was not redistributed as intended:

- Higher-income, predominantly white tenants benefited most.
- Lower-income and minority property owners suffered the greatest losses.

In cases where higher-income landlords rented to lower-income tenants, the net wealth transfer was negligible.

3. Tax Revenue Shortfall:

The decline in property values led to a **4% shortfall in property tax revenue**, jeopardizing funding for public services and schools.

Policy Implications

Misaligned Outcomes:

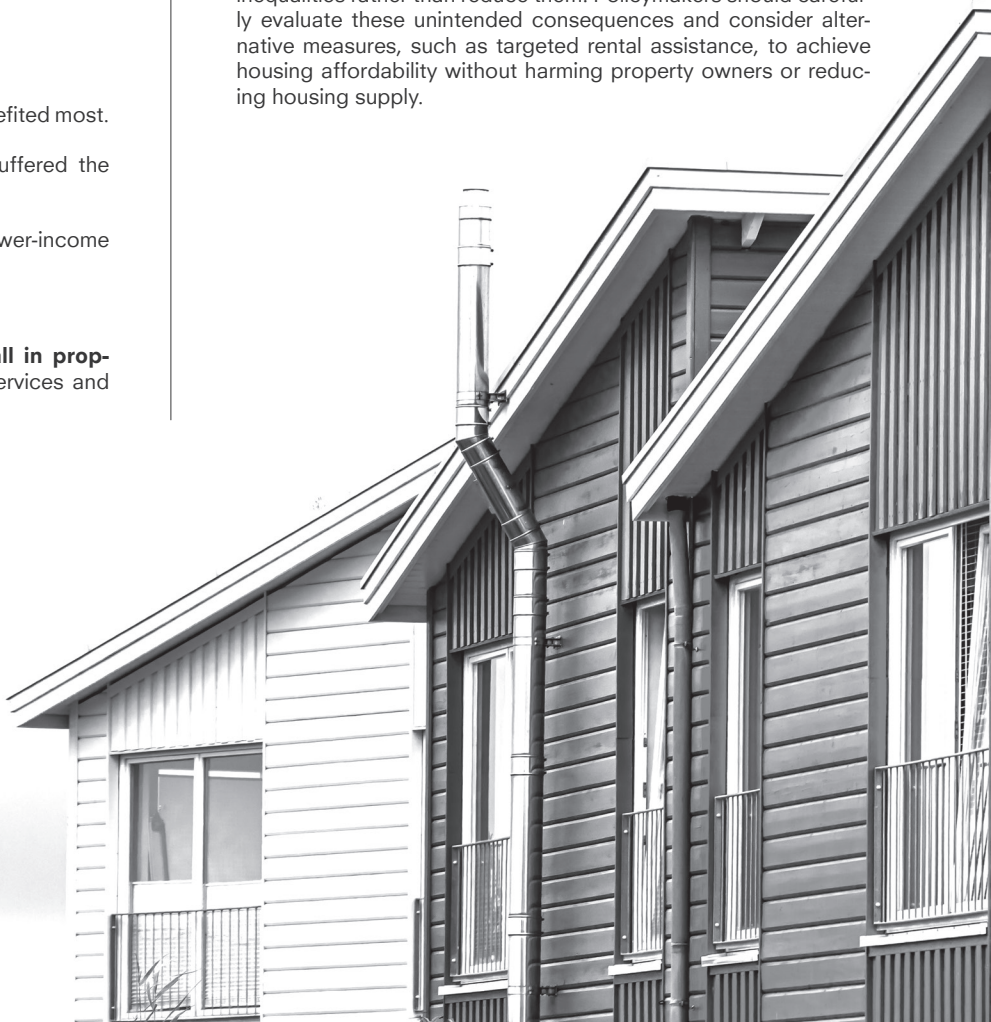
- The study highlights the unintended consequences of rent control, which disproportionately harm small landlords, especially those from lower-income or minority backgrounds.
- Higher-income tenants gain disproportionately, contradicting the policy's intent to assist lower-income households.

Economic Ripple Effects:

- Declining property values and tax revenue can weaken local economies and public services, amplifying the negative effects of rent control.

Relevance to Legislators

This study underscores that rent control policies may exacerbate inequalities rather than reduce them. Policymakers should carefully evaluate these unintended consequences and consider alternative measures, such as targeted rental assistance, to achieve housing affordability without harming property owners or reducing housing supply.



CONTACT INFO:

Sean Flynn, RHAWA President & Executive Director, president@RHAWa.org | Melissa Canfield, RHAWA Deputy Director, mcanfield@RHAWa.org | Chester Baldwin, RHAWA Lobbyist, chet@lobbywa.com