

Study Overview

This 2003 study by Henry O. Pollakowski, published by the Manhattan Institute's Center for Civic Innovation, examines the effects of rent control repeal in Cambridge, Massachusetts. Cambridge's rent control policies, in place from 1971 to 1994, were among the most restrictive in the country. The study evaluates how deregulation impacted housing investment, property values, and housing quality in the city.

Key Findings

1. Increased Housing Investment:

- Housing investment **rose by 20%** after the repeal of rent control.
- New housing construction **increased by 50%**, and tax revenues from construction permits tripled within four years.

2. Enhanced Property Values:

- The end of rent control contributed to a **\$7.8 billion increase in property values** over a decade.
- Approximately \$1.8 billion of the increase was directly attributable to deregulation.

3. Improved Housing Quality:

- Landlords invested in property maintenance and improvements, leading to better housing conditions and a more attractive housing stock.

4. Economic Growth Across Income Levels:

- Investment benefits were seen in both affluent and modest-income neighborhoods, illustrating the broad impact of deregulation.

Policy Implications

Negative Effects of Rent Control:

- Rent control suppresses property investment, limits housing supply, and leads to the deterioration of rental properties.
- Over time, this reduces tax revenues and hurts the local economy.

Positive Impact of Deregulation:

- Deregulation fosters private investment, improving housing quality and increasing supply.
- Enhanced property values and tax revenues provide funding for public services and infrastructure.

Balanced Approaches to Affordability:

- Instead of rent control, policymakers should consider alternatives like targeted rental assistance, incentivizing new construction, and increasing housing supply.

Relevance to Legislators

This study provides empirical evidence that rent control policies can have unintended consequences, including reduced housing investment and declining property quality. Deregulation in Cambridge illustrates the economic and social benefits of policies that encourage market-driven solutions while maintaining protections for vulnerable tenants.

CONTACT INFO: