

Study Overview

This study by Andreas Mense, Claus Michelsen, and Konstantin A. Kholodilin explores the unintended effects of rent control policies, using a large-scale intervention in Germany as a case study. The research highlights how rent control influences housing markets, focusing on segmentation, rent spillovers, and resource misallocation.

Key Findings

1. Market Segmentation:

- Rent control divides the housing market into two segments:
 - Controlled Units: Artificially low rents lead to high demand and long wait times.
 - Uncontrolled Units: Increased demand in this sector drives rents higher, amplifying affordability challenges for non-controlled housing.

2. Reduced Tenant Mobility:

- Tenants in rent-controlled units are significantly less likely to move, leading to:
 - Inefficient use of housing stock, as tenants remain in units mismatched to their needs.
 - Limited housing availability for new renters, exacerbating shortages.

3. Rent Spillovers:

- The demand for non-controlled units increases due to limited access to controlled housing, driving up rents in the uncontrolled sector.

4. Overall Misallocation of Resources:

- Rent control policies misallocate housing by discouraging mobility and creating disparities in rental pricing.

Policy Implications

Unintended Negative Effects:

- Rent control policies may worsen affordability for renters outside the controlled sector and reduce market efficiency.

Targeted Solutions Needed:

- Instead of blanket rent control measures, policymakers should consider:
 - Expanding housing supply to alleviate shortages.
 - Providing targeted subsidies for low-income households.
 - Encouraging mobility through incentives and reducing market frictions.

Relevance to Legislators

This study demonstrates that rent control policies, while intended to promote affordability, often produce counterproductive outcomes by distorting market dynamics. It provides evidence that rent control can lead to higher rents in the uncontrolled sector, reduced housing availability, and inefficient use of existing stock, underscoring the need for alternative housing affordability strategies.



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