

BUILDER

MULTIFAMILY SECTOR BATTLES AGAINST RISING RENT CONTROL MOVEMENT

Here's why it matters for housing across the board.

By [Doug Bibby](#)



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For too long housing affordability has been falsely seen as an industry problem. But in recent years, it's taken on such an epic scale that local communities and governments are taking more aggressive steps than ever before.

Nearly one-third (31.5%) of all U.S. households are housing cost burdened, spending more than 30% of their income on housing, according to Harvard's Joint Center for Housing Studies. That's 37.8 million households who are spending more than they should on housing.

The situation is particularly bad for the rental side of the housing market. While 22.5% of homeowners are cost burdened, 47.4% of renter households are. That renter share rises to almost 60% for those households considered severely cost burdened, paying more than half of their income on housing. And it's not just the poorest who are struggling; the crisis has spread to the middle class as well.

The Real Effects of Rent Control

How we got here is a perfect storm of stagnant incomes, rising costs, and years of chronic underbuilding. To meet demand, the apartment industry needs to build roughly 328,000 new apartments annually; we've hit that mark only twice since 1989.

At the same time, it's become more onerous and expensive to bring new units to market. Construction prices have risen 57% and the cost of land has doubled since 2000, as noted in the Housing Affordability Toolkit from the National Multifamily Housing Council (NMHC). Regulatory costs are also adding up. According to a joint study from the NMHC and NAHB, regulations make up more than 30% of the costs of multifamily development.

The inability to deliver adequate affordable housing is hurting communities everywhere, holding back local economies, and exacerbating a whole host of other issues from health care to homelessness. But faced with these social and economic pressures, states and localities are sadly turning to seemingly quick-fix solutions like rent control that ultimately make the situation worse by stifling housing development of all types.

New York, Oregon, and [California](#) have already significantly expanded rent control, with Oregon and California making it a statewide policy. It's also under serious consideration in [Colorado](#), [Massachusetts](#), and [Washington](#) state—even [Utah](#) and [Nevada](#) are starting the debate. Individual municipalities are also looking to enact similar rent caps. Yet, cities that have had rent control the longest—San Francisco and [New York](#) come to mind—continue to experience some of the greatest struggles with affordability.

These policies suffocate development. According to NMHC's October 2019 quarterly survey, of those respondents who operated in markets that have imposed or considered rent control, 34% said the discussion has led them to cut back on investment or development in those markets. An additional 46% said that, while they had made no changes yet, they are considering doing so.

Rent control also disincentivizes people from moving. This means they don't move out to a market-rate apartment or buy a home even when they can afford to do so, creating a bottleneck in the housing chain.

Policies to Create More Supply

What we need are policies that encourage more housing development of all types, so people are able to find homes that suit their budgetary and lifestyle needs. We need to find ways to create opportunities for additional housing, putting supply more in balance with the growing demand.

This means reducing regulations like setback restrictions, mandatory parking spaces, and maximum height requirements, but it also means putting forth proactive policies to support development. Allowing for higher-density building, letting more accessory dwelling units to be built, and encouraging more built-to-rent communities all can help. New shared housing solutions like co-living—whether it's a Common or Ollie-type community for multifamily or a PadSplit and Bungalow situation for single-family—are also part of the solution.

We're also seeing some momentum behind upzoning movements. Cities like Minneapolis and states like [Oregon](#) are looking at single-use zoning—especially single-family zoning—as a significant impediment to affordable housing, so they are eliminating it in favor of a more inclusive housing market.

We need a more diverse universe of housing to begin to reverse the worsening affordability crisis. And while we are encouraged by some of the new ideas emerging to support more housing development, we are deeply troubled by the momentum behind rent control. It remains the most ineffective solution for addressing an affordability challenge, hindering the housing industry's ability to produce more homes and hurting our local communities.