

Rent-Control Measures a Top Priority for Local Lawmakers

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Analysis

Cities across the US are considering caps as low as 2% for yearly increases in home-rental prices.

By **Jack Rogers** | March 15, 2022 at 07:19 AM

Lawmakers across the US are targeting skyrocketing home-rental prices with rent control measures last seen during the inflationary spiral of the 1970s, which also was the last time the annual inflation rate exceeded its current level of 7.9 percent.

Legislation has been proposed at the city or state level in every region that would establish caps for rent increases, with the cap proposals ranging from 2 percent to 10 percent, according to a report this week in *The Wall Street Journal*.

Redfin estimates that home-rental prices have increased an average of 18 percent across the US during the past two years, hitting record levels with some cities reporting rent hikes of 30 percent.

With the inflationary spiral showing no signs of abating, restrictive rent caps are gaining favor. In November, voters in St. Paul, MN **enacted a new rent control law** that limits yearly rent increases to 3 percent and applies the limit to new construction buildings and vacant apartments.

Building owners in St. Paul who opposed the new rent control law said it would worsen the rental market there by causing developers to cancel plans for new housing, *WSJ* reported. Recent data appears to support that argument.

According to RealPage, a property management software firm that tracks permit records, public reports and surveys of local builders and developers in St. Paul have temporarily placed more than a third of planned apartment units on hold since the rent control law was passed.

After intense lobbying by landlord trade groups including the National Multifamily Housing Council, several states in recent years have enacted statewide bans prohibiting municipalities from enacting rent control laws.

In states with rent control bans, the current push for limits on rent increases is pitting state and local governments against each other. Miami and Tampa city officials are considering declaring a housing emergency to sidestep Florida's ban on rent control in order to cap rents that have risen more than 30 percent in the past year.

The national housing crunch is so severe that it's impacting mobile-home occupants as well as tenants in buildings. Colorado is debating a new law that would cap rent increases on space at mobile-home lots, where rents have surged by as much as 50 percent.

Housing costs make up a third of the US consumer price index, which is calculated based on the going rate of home rentals.

However, economists warn that because home-rental prices are a lagging indicator—with a lag of up to a year before inflation driven by rising rents crests in the annual inflation rate—rents will continue to drive the inflationary spiral this year even if a bevy of new rent control laws are enacted.

Home-rental price increases accelerated in the second half of last year as eviction bans enacted during the pandemic began to expire.

In many places, landlords found themselves confronted with a new organized opposition to rent increases that had formed during the pandemic: tenant unions.

According to the Center for Popular Democracy, hundreds of new tenant unions were formed across the US during the pandemic, and not just in expensive cities with large renter populations like New York and San Francisco, but also in Akron OH, Milwaukee and the suburbs of Maryland.

While tenant unions—also known as associations—strive to give apartment dwellers a unified voice in dealing with landlords, they have not been given legal authority to negotiate rents with landlords.

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