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Summary:

Whatever the causes of rising rents in Portland, Speaker Tina Kotek's rent control proposals not only won't help most people afford housing, but likely will make the situation worse.

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“Our housing crisis may very well be a man-made emergency. If so, the Speaker has misdiagnosed the cause, which has more to do with Oregon’s ‘man-made’ restrictive land use laws than it does greedy landlords.”

“The Rent Is Too Damn High!”* — *Why Rent Control Won't Help*

By Steve Buckstein

Once again, [Portland led the nation](#) this July with its home prices rising 12.4 percent year-over-year versus the national average of just 5.0 percent. [As of April](#), Portland remained the 12th most expensive rental market in the nation. These numbers are not unrelated. Housing prices are often related to what units can be built for, whether they are single-family homes or multifamily apartment houses.

Whatever the causes of rising rents in Portland and elsewhere, the political fix bubbling to the surface not only won't help most people afford housing, it likely will make the situation worse. That political fix goes by the name of rent control.

Last year, *Willamette Week* published an informative and entertaining piece entitled “[The Five Myths About Portland Apartments](#).” In response to Myth 3, which is that rent control is the answer, Jerry Johnson of Portland real-estate consulting firm Johnson Economics noted:

“Rent control is an Econ 101-level policy disaster. If you happen to get one of the rent-controlled units, good for you. But it's basically a lottery of who wins and who loses.”

Apparently unaware of the policy disaster that rent control forebodes, Oregon Speaker of the House [Tina Kotek recently proposed](#) allowing localities to enact their own rent control programs. She also wants to end so-called “no-cause” evictions and to ban rent increases above a “reasonable” percentage “for the foreseeable future.” In [her prepared remarks](#) she said, “Our housing crisis is a man-made emergency that demands bold action,” and, “We have privileged the right to make a profit on property far above the universal human right to safe and stable housing.”

Our housing crisis may very well be a man-made emergency. If so, the Speaker has misdiagnosed the cause, which has more to do with Oregon's “man-made” restrictive land use laws than it does greedy landlords. And, the “bold action” she proposes likely will make the situation worse.

[Economists of virtually every political stripe reject rent control](#) as a viable way to improve housing affordability. They recognize what too few of our political leaders and voters recognize: namely, that controlling the price of a commodity, in this case rental housing, actually harms the very people the policy is designed to help. They know from economic theory and observation over many decades [The High Cost of Rent Control](#).

* Political activist and frequent candidate [Jimmy McMillan](#) memorably used “The Rent Is Too Damn High!” as his main campaign issue, slogan, and the name of his political party during his campaigns, [including the 2010 New York gubernatorial election](#).



They know that it misallocates housing resources, heightens tensions between landlords and tenants, stifles private investment in affordable housing, and leads to deterioration and eventual abandonment of the very housing stock that middle- and lower-income tenants wanted it to protect for them at affordable prices.

Three local economists were quick to respond to Speaker Kotek’s suggestions:

“Rent control just sends us a couple hundred miles closer to San Francisco in terms of housing policy,” said Gerard Mildner, director of the [Center for Real Estate](#) at Portland State University.

“It’s almost textbook that any form of rent control ultimately harms consumers, as well as landlords,” said Eric Fruits, an economist and editor of Portland State University’s Center for Real Estate quarterly reports. “It may benefit some in the short term, but in the longer term, there will be fewer units available to rent, which will only make matters worse.” Instead, Fruits said, the free market should be allowed to work, with higher prices sending signals to developers that more units are needed.

“The demand for urban living is increasing and cities are not increasing the supply nearly fast enough,” Portland economist Joe Cortright said. “The only solution is to build new housing.”

As an [Oregonian editorial](#) then pointed out:

“Among other things, limiting rent growth dampens future investment in housing, inflates rents for unregulated units and discourages residents who secure rent-controlled units from moving, even when it’s in their best interest.”

In a [lively discussion](#) on social media following Speaker Kotek’s pronouncements, one person responded to her call for an end to “no-cause” evictions:

“No cause eviction benefits good tenants. When the bad guys move in, they threaten the good tenants who are afraid to testify about their behavior. The good tenants become prisoners in their apartments while the bad guys run wild. A landlord’s only defense is to become more restrictive on who they will rent to, therefore decreasing options for all renters.”

Even self-proclaimed “progressive” Portland city commissioner, Steve Novick, [notes](#):

“...most economists say rent control has unintended consequences, including a decline in the production of new rental housing.”

While this is true, in “progressive” Portland and in the state Capitol economic laws are often trumped by political laws that make people feel better for a while, until economic reality rears its ugly head. Of course by then those who passed the laws have often moved on.

Accountability is rarely a part of the political process, which may be why it so often leads to unintended consequences that harm the very people the politicians were trying to help. Unfortunately, we may be destined to repeat this process again as rent control lurches onto the 2017 legislative agenda.

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