Virginia Housing Commission

Bill Study & Policy Analysis

HB278 & SB355 Local Rent Regulation

June 2026

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Introduction

Rent regulation (sometimes referred to as rent control or rent stabilization) is a government policy intended to ensure tenants maintain a reasonable rental burden[1]. Rent regulation primarily impacts prices in controlled units in the private housing market, distinguishing it from publicly subsidized affordable housing which relies on direct public investment.

The Code of Virginia does not limit how much a landlord can raise rents when a lease expires or renews. Landlords may raise rents to match current market rates at the end of a lease term without statutory maximums.

Private real estate developers and housing providers historically oppose price interventions. Industry representatives, such as the National Multifamily Housing Council (NMHC), assert that artificial rent limits exacerbate housing shortages by suppressing capital investment in new residential development and altering long-term asset valuations. The academic literature presents mixed findings on the scale of these impacts (Pastor et al., 2018).

Despite the potential costs, many localities across the country support rent regulation. Some Virginia localities are not waiting for General Assembly action on this. The City of Alexandria, for instance, published its own voluntary rent stabilization guidelines in 2019 asking landlords to cap rent increases at 5% per year[2]. About 200 localities across the country utilize some form of rent regulation. However, these local regulations are limited to seven states[3] while rent control is preempted or prohibited in most states.

This analysis will examine rent regulation in the context of anti-rent gouging legislation introduced during this year's General Assembly.

Scope and Methodology

This study analyzes identical bills HB278 and SB355 alongside existing rent stabilization systems in different states and localities in the United States. VHC analysis includes:

- **Macroeconomic Outlook:** Evaluation of U.S. Census Bureau American Community Survey (ACS) 5-year estimates and inflation data from the U.S. Bureau of Labor Statistics (BLS), and third-party economic analysis of this data.
- **State and Locality Legislative Review:** A comparative analysis of rent regulation systems as well as analysis of Virginia's own anti-rent gouging legislation.
- **Policy Analysis**: An examination of the overall policy implications of rent regulation and specific examination of the provisions of HB 278 and SB 355 using empirical data, economic analysis, studies of regional impacts, and other methods of analysis.
- **Case Study on Montgomery County, Maryland's Rent Stabilization Effort:** Analysis of HUD State of the Cities Data Systems (SOCDS) preliminary permitting data for 2001-2026 for the County and the broader region.
- **Literature Review:** Examines research from organizations that study housing, the economy, and rent regulation systems such as the Urban Institute and Harvard's Joint Center for Housing Studies (JCHS) as well as the work of U.S. and International academics.

[1] Rental burden is defined as rental cost's share in total household income; it is considered reasonable if it does not exceed 30% of a household's income (Larrimore & Schuetz, 2017).

[2] https://www.alexandriava.gov/sites/default/files/2022-05/2019VoluntaryRentGuidelinesResolution.pdf

[3] California, New York, New Jersey, Maryland, Maine, Oregon, and Minnesota

Executive Summary

U.S. renter households are becoming increasingly cost burdened. Virginia mirrors this national trend with nearly half of all Virginia renters considered cost burdened. Recent data suggest that rental unaffordability in the Commonwealth has reached a peak.

VHC analysis, existing literature, and state outcomes show rent control policies effectively reduce the rent growth and displacement risks for tenants within units subject to regulation and moderate price appreciation. However, there is disagreement regarding the size of this impact. Additionally, there are several systemic trade-offs that can adversely affect the statewide housing market and future renters, that must be weighed against the potential benefits of these policies.

Isolating the direct impact of rent regulation on housing production is inherently difficult due to the macroeconomic environment (e.g., inflation in construction costs) and local factors (e.g., zoning; California and New York-specific factors) that cloud rent regulation's effects on multifamily residential development more broadly and in Virginia's region.

A major question the Virginia Housing Commission sought to answer was whether rent control, where implemented, meaningfully impacts multifamily housing development. Analysts examined Montgomery County's experience with rent regulation in more detail given its prominence in testimony during this year's General Assembly session. It is difficult to directly attribute declines in Montgomery County, Maryland multifamily permitting to rent stabilization. Across the region permitting in 2025 was sharply lower than pandemic-era highs[4]. Nationally, the residential construction industry faces strong economic headwinds that likely have a greater impact on housing development in Maryland and throughout the country than the rent stabilization initiative.

VHC analysts performed a discounted cash flow analysis of the value of a real estate investment under rent regulation in Fairfax County. Assuming inflation continues for a few years at elevated 3% levels before tapering off to the Federal Reserve's 2% goal, VHC's financial model indicates that smaller landlords may be unable to operate in rent controlled environments with the suggested 3% cap. Regardless of the number of units in operation, multifamily property owners may face financial challenges complying with rent control. Based on VHC's model, if inflation rises higher than three percent[5] both large and small landlords will find the rent increase cap burdensome.

Supporters of rent regulation policies often recognize the need for exceptions to private market rent control to alleviate housing supply concerns. For example, in Montgomery County, Maryland, there is a 23-year waiting period before a new unit becomes rent stabilized, and even then, there are many ways property owners can meet other exceptions in the County's rent stabilization system. Other types of exemptions and rent increase guidelines exist within different rent regulation systems throughout the United States.

A review of the literature suggests that moderate, second generation[6] rent control policies have no

[4] Delaware, Georgia, Maryland, North Carolina, South Carolina, Tennessee, and Washington, D.C. all saw multifamily permitting decrease in 2025, while Virginia and Pennsylvania were the only states in the region to see an increase last year.

[5] Inflation has risen higher than 3% often in the past several years.

[6] See Appendix's Rent Control Regulatory Models and Formulas

significant impacts on rental quality or construction when additional socioeconomic factors were controlled[7]. However, other studies have shown that rent decontrol, meaning repealing rent control policies, generated substantial price appreciation of decontrolled units and nearby units that were not subject to regulation[8]. Although other areas of study in this policy area are mixed, the research consistently finds significant market disinvestment in more rigid systems. When policies are more restrictive, it can lead to supply contraction and other market changes that negatively impact the surrounding housing market, as documented in San Francisco, California[9]. St. Paul, Minnesota rolled back relatively strict aspects of their rent control framework after seeing development freezes[10]. VHC staff analysis suggests that the provisions of the proposed Virginia legislation classify as more rigid when compared to other introduced and enacted rent regulation policies. Additionally, the proposed bills require localities to define a Fair Return on Investment formula individually. This could create mismatched regulatory compliance for landlords operating in multiple localities.

Since analysis suggests that rigid rent control policies may lead to unintended market consequences, the following VHC staff recommendations are designed to mitigate the potential risks should the Commission choose to advance HB278 or SB355.

These recommendations do not serve as an endorsement for rent regulation as a solution for housing affordability. VHC proposes legislative considerations aimed at preserving supply and lessening negative economic impact if a rent control framework is implemented.

A comprehensive analysis of the empirical data, regional housing impacts, comparative legislative assessments, and the economic rationale supporting these conclusions is available in the Policy Analysis section of this document.

Staff Recommendations:

- **Increase fixed 3% per year allowable rent increase** - Consider an increase or moving from a fixed cap to a floating cap tied to Consumer Price Index (CPI) so property owners can maintain a sustainable net operating income during periods of elevated inflation. Raising the cap would also help to mitigate potential considerations like declining property tax revenue.
- **Expand Exemptions**
    - **Publicly-funded housing** - Exempt units already subject to rent restrictions to avoid conflicting regulatory mandates.
    - **Small landlords** - Exempt small-scale housing providers from disproportionate financial and administrative burdens.
- **Extend the New Construction Exemption** - Consider extending the new construction exemption to older developments (>10 years in age) - A 10-year exemption may be insufficient for localities with predominantly older housing stock, where it could lead to an accelerated erosion of the property tax base. There is a tradeoff between the preservation of existing naturally occurring affordable housing and a potential long-term, even if small, reduction in property tax revenue.
- **Consider implementing a rental registry for proactive enforcement** - A lack of reporting

[7] Ambrosius, J. D., Gilderbloom, J. I., Steele, W. J., Meares, W. L., & Keating, D. (2015). Forty years of rent control: Reexamining New Jersey's moderate local policies after the great recession.
[8] Autor, D. H., Palmer, C. J., & Pathak, P. A. (2014). Housing market spillovers: Evidence from the end of rent control in Cambridge, Massachusetts. Journal of Political Economy, 122, 661–717.
[9] Diamond, R., McQuade, T., & Qian, F. (2019). The effects of rent control expansion on tenants, landlords, and inequality: Evidence from San Francisco. *American Economic Review*, *109*(9), 3365–3394. https://doi.org/10.1257/aer.20181289
[10] More information on page 39 of this document

requirements and data may make ensuring compliance administratively burdensome on localities.
- **Evaluate Vacancy Decontrol vs. Control** - Weigh the long-term market impacts of regulating the physical unit (vacancy control) vs. regulating the tenancy (vacancy decontrol).

Considerations for Localities

- **Direct and Indirect Costs -** In addition to direct administrative costs to localities of operating a new anti-rent gouging board, localities lose future real estate tax potential of regulated units by choosing to set up a rent regulation system. This loss in revenue may be small, but it is permanent and should be considered.
- **Compounding Policies** - Programs like Affordable Dwelling Unit ordinances and Tax Incremental Financing may compound with rent regulation, creating a system that unintentionally suppresses housing supply. This was seen in Portland Oregon, where inclusionary zoning policies paired with statewide rent regulation contributed to a decline in multifamily housing production. Localities wishing to implement multiple housing affordability policies should consider their combined impact on future supply.

Literature Review Summary

Rent control and stabilization policies benefit occupants of price-restricted units while they occupy those units. However, much of the existing research indicates that the economic costs of these policy approaches may offset their benefits.

Most empirical studies of rent regulation rely on non-random observational data in unique housing markets such as West Coast cities in Southern California and the Bay Area, and Northeastern metropolises like New York City and Boston. Rent control laws also frequently change, and some systems are much more restrictive than others which makes it difficult for researchers to isolate the impacts of rent control over time. These confounding factors must be considered when applying outside studies to Virginia's proposed anti-rent gouging measures.

Studies comparing construction rates before and after the implementation of rent control found the policy did not significantly affect short-term construction rates. However, other studies show that rent control policies have led to a decrease in housing stock. These findings may suggest that the reduction in rental units found in other studies is potentially driven by condominium conversions rather than by reduced construction, although this question requires more research, especially on long-term construction impacts.

However, the research clearly demonstrates that the proportion of Americans and Virginians who are considered rent-burdened and severely rent burdened has risen over the last few decades. Pandemic-era inflation has also disproportionately impacted the residential construction sector, exacerbating an ever-widening supply gap of affordable rental housing needed to meet growing demand.

Macroeconomic Outlook

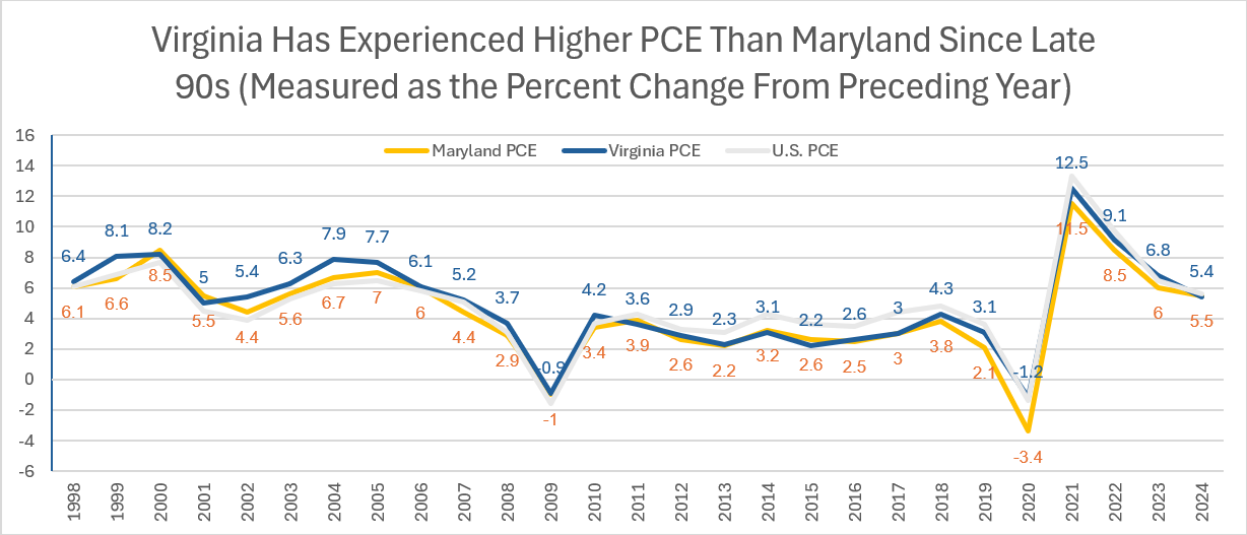
Headline economic measurements like inflation and unemployment contextualize Virginia's housing costs relative to other goods and services, and how housing developers make regional investments.

According to the U.S. Bureau of Economic Analysis (BEA), Personal Consumption Expenditures (PCE), a standard measure of inflation, in Virginia has been slightly but consistently higher than in Maryland since 1998. Post-pandemic PCE levels in Virginia, Maryland, and the broader U.S. are at their highest

since the 2008 financial crisis.

Figure 1

1998 – 2024 Virginia, Maryland, and U.S. Personal Consumption Expenditure Levels



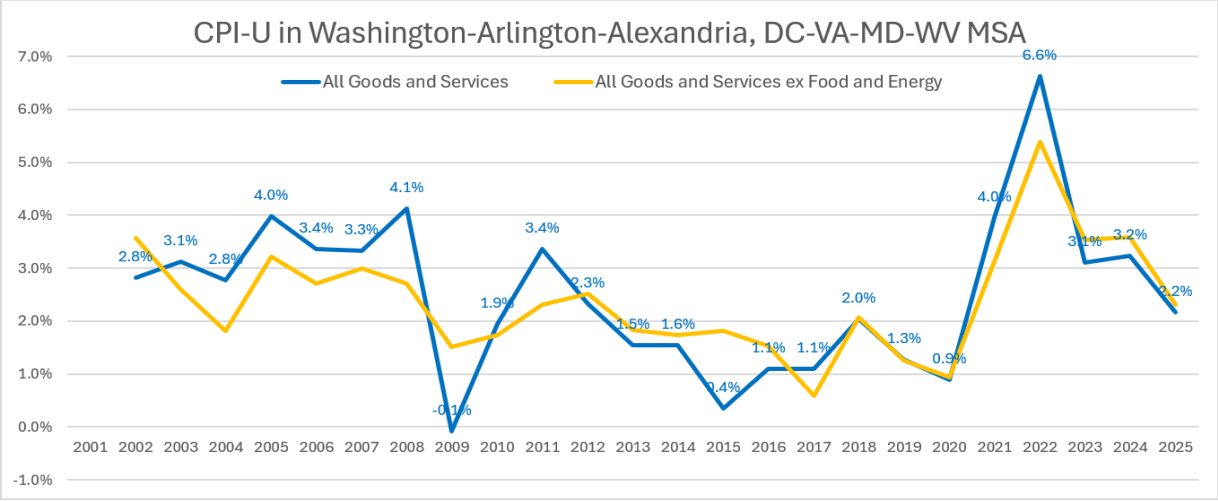
Note. Sourced from the most recently available data from BEA

A U.S. Bureau of Labor Statistics' alternate inflation metric, the Consumer Price Index for Urban Consumers (CPI-U), was meaningfully lower than PCE during most years in the Washington-Arlington-Alexandria Metropolitan Statistical Area (MSA), even when including volatile energy and food prices.

The following chart provides context to the following sections of this report on Montgomery County's rent stabilization system.

Figure 2

2001 – 2025 CPI-U in the Washington-Arlington-Alexandria, DC-VA-MD-WV MSA.



Note. Sourced from the most recently available data from the U.S. Census Bureau

Notwithstanding the difference in magnitude between the metrics, inflation in the U.S. and the Mid-Atlantic region has remained at consistently elevated levels relative to the Federal Reserve's 2% target since the pandemic.

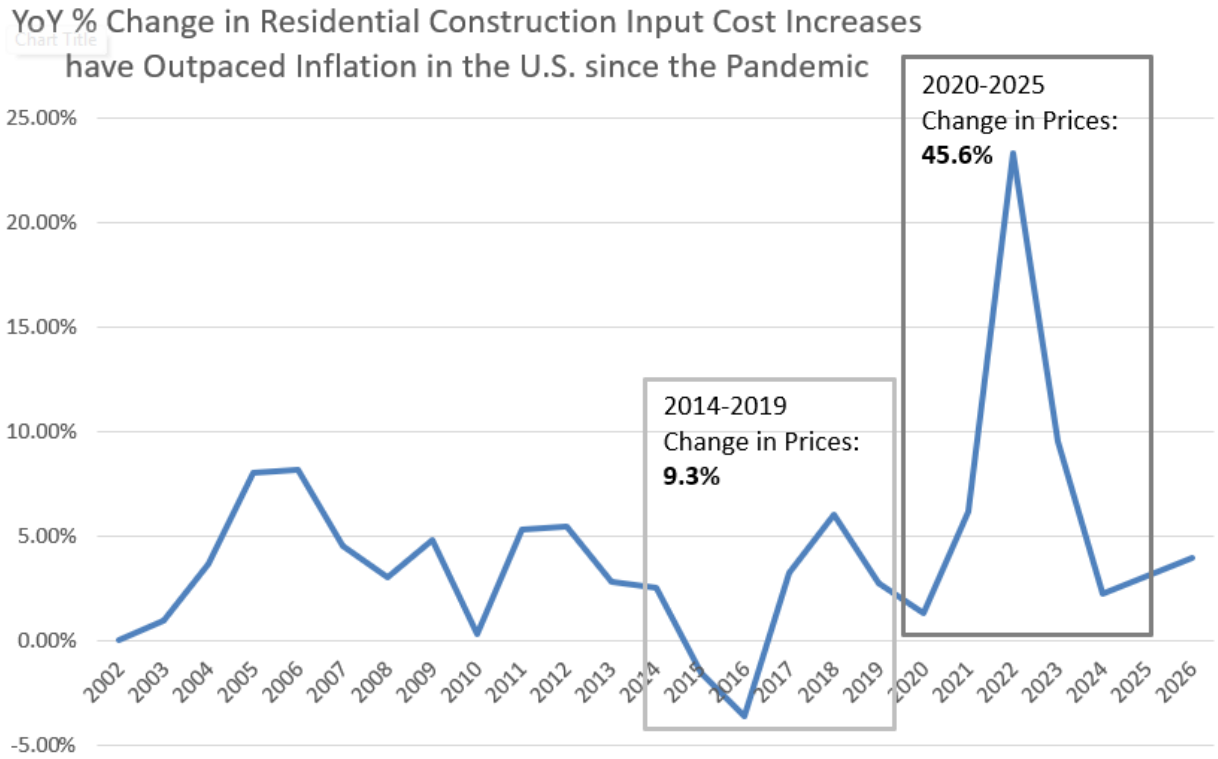
Housing Trends

Nationally, input costs for construction materials like lumber and concrete have risen sharply. According to the U.S. Bureau of Labor statistics, between January 2020 and December 2025, the prices of material inputs for new residential construction rose 42%, while employment costs for construction workers climbed 24% (JCHS, 2026).

Additionally, land values have appreciated significantly since 2012, dwarfing inflation estimates. VHC expects these rising costs to continue slowing single-family and multifamily construction in the near term compared to historic trends. Land and construction prices are disproportionately impacting multifamily construction costs (Eriksen & Orlando, 2024).

Figure 3

Analysis of Construction Input Price changes from 2015 – 2019 and 2020 – 2025



Note. Based on BLS-published monthly Producer Price Index for Net Residential Construction Inputs. January YoY percent changes are visualized.

Housing Affordability and Income Definitions

To accurately assess the impact of rent control and housing costs, HUD categorizes households into income bands using Area Median Income (AMI). These bands determine the eligibility for federal housing assistance and help researchers track localized affordability trends.

Table 1

HUD Income Level Definitions

Income Bands	Definition
Extremely Low Income (ELI)	Households earning 0% to 30% of the AMI
Very Low Income (VLI)	Households earning 30% to 50% of the AMI
Low Income	Households earning 50% to 80% of the AMI
Moderate Income	Households earning 80% to 120% of the AMI

Note. As an example, if the AMI is $50,000, 80% of AMI would be $40,000 and 120% of AMI would be $60,000. Housing affordable to those with moderate incomes is sometimes referred to as "workforce housing."

HUD's standard affordability definition assumes that households should spend no more than 30% of their gross income on housing costs (rent and utilities). Those spending more than 30% are considered cost-burdened, while those spending over 50% are severely cost-burdened.

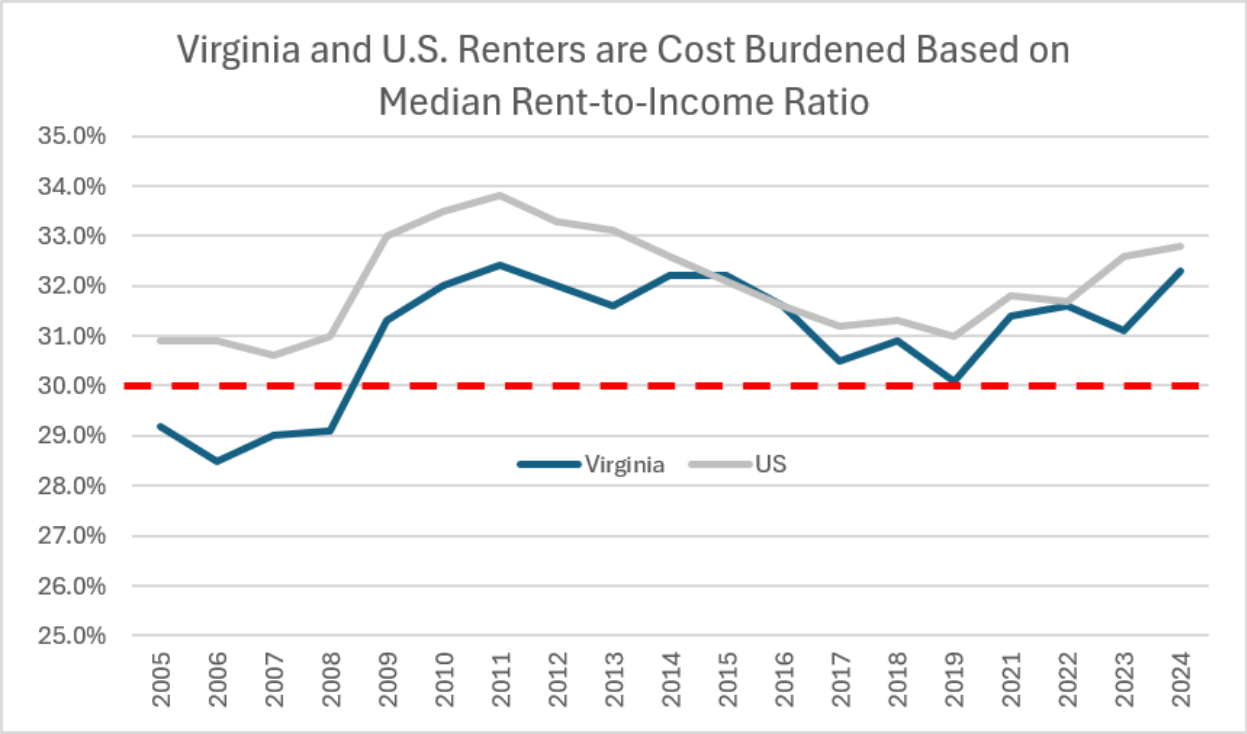
Nationally, the affordability crisis escalated following the COVID-19 pandemic. The Harvard Joint Center for Housing Studies report indicates that in 2024, 22.7 million households, representing nearly half of all U.S. renters, were moderately cost-burdened, spending more than 30% of their income on rent and utilities. In that same year 12.1 million households were severely cost burdened, spending more than 50% of their pre-tax income strictly on housing. Affordability issues are most acute among lower income households with 83% of households earning less than $30,000 annually considered cost burdened and 67% severely burdened. The JCHS report also notes that cost burdens are increasingly impacting middle-income renters as well.

Virginia Rent and Renter Trends

Rents continue to rise across Virginia. Consequently, the median gross rent to median renter household income ratios in Virginia (and the U.S. more broadly) indicate that the average household is cost-burdened, spending more than 30% of their monthly income on rent.

Figure 4

Average Ratio of Median Gross Rent to Median Renter Household Income in Virginia and the U.S.

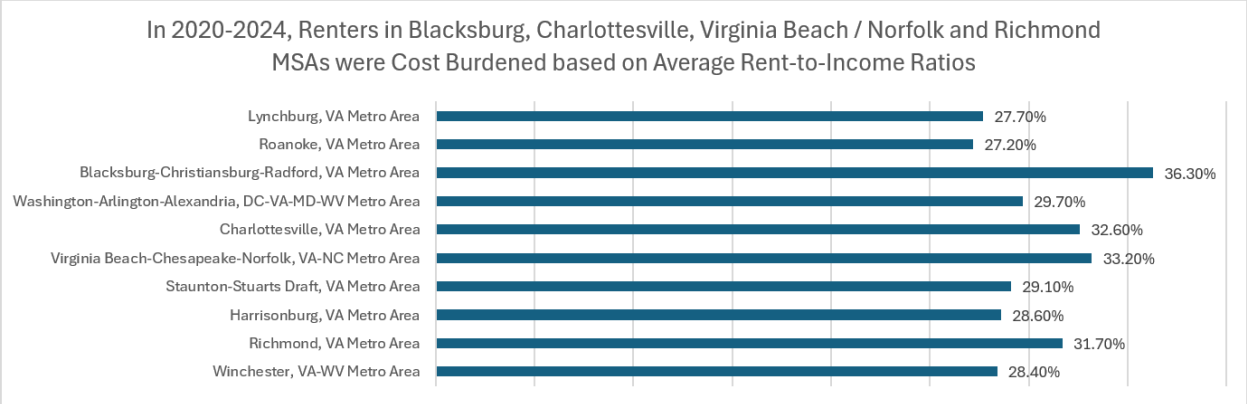


Note. Reproduced from USAFacts analysis of U.S. Census American Communities Survey data.

Examining Virginia's Metropolitan Statistical Areas (MSAs) reveals regional pressures. Residents are disproportionately cost burdened in the Blacksburg-Christiansburg-Radford, Virginia Beach-Chesapeake-Norfolk, Charlottesville, and Richmond MSAs.

Figure 5

2020-2024 Average Rent-to-Income Ratios in Metropolitan Statistical Areas in Virginia

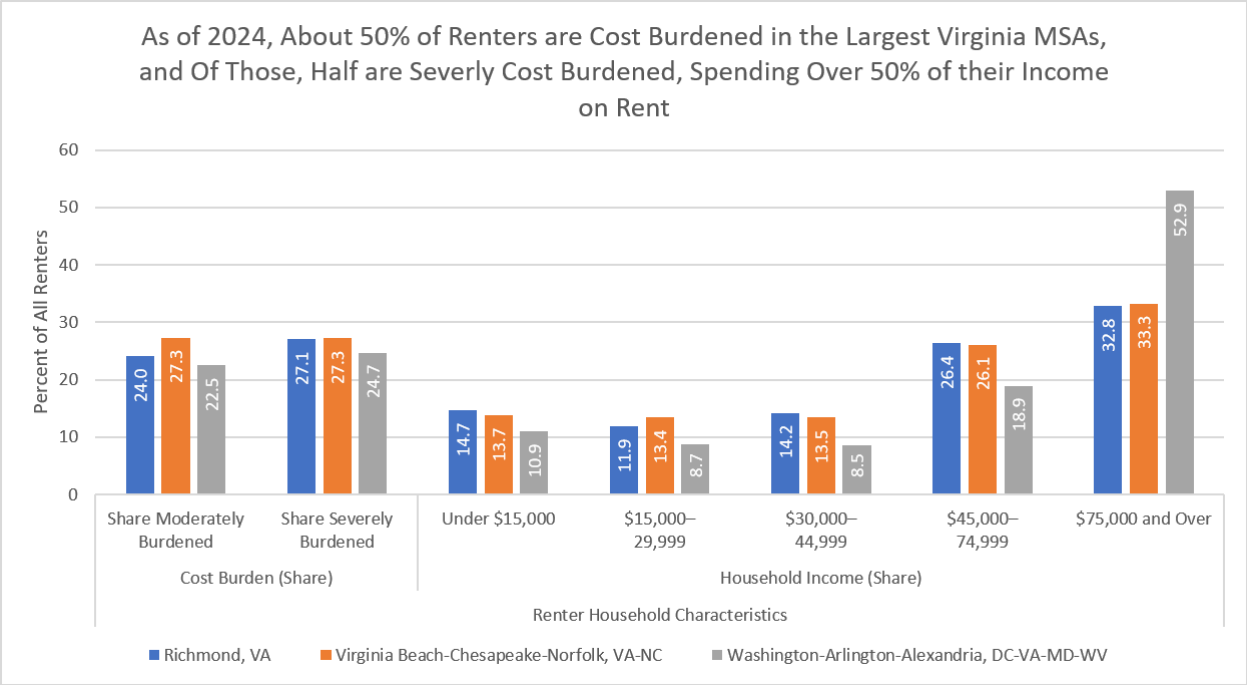


Note. Reproduced from USAFacts analysis of U.S. Census American Communities Survey data.

In Virginia's largest MSAs (Richmond, Virginia Beach-Chesapeake-Norfolk, and Washington-Arlington-Alexandria), about half of all renters are cost-burdened with a significant portion being severely cost-burdened.

Figure 6

2024 Renter Cost Burden and Income as a Percent Share of All Renters in Virginia's Largest Metropolitan Statistical Areas

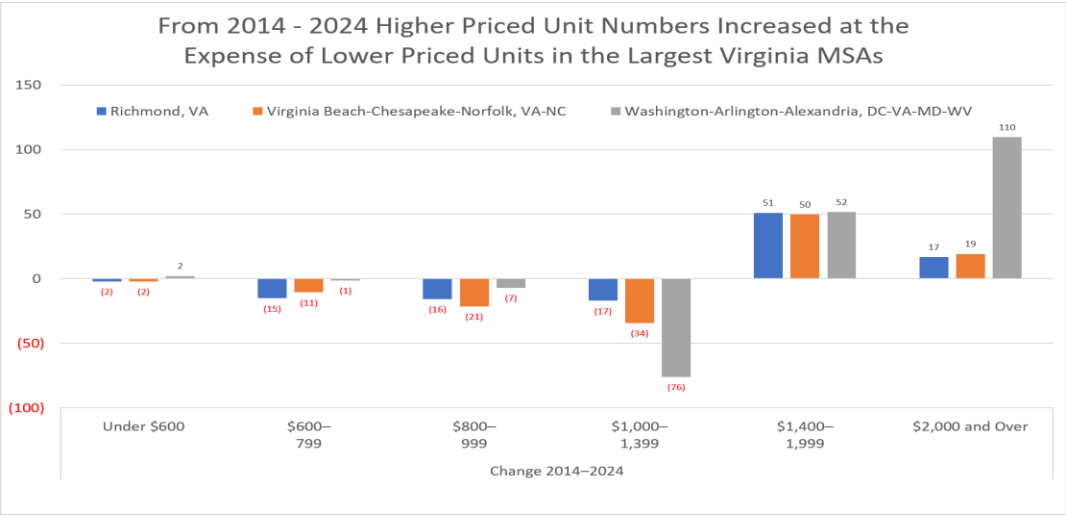


Note. Sourced from U.S. Census American Communities Survey data.

Rising rents across the largest Virginia MSAs and the depletion of affordable rental housing over 2014–2024 (the latest available data) are increasing the proportion of cost burdened renters.

Figure 7

2014-2024 Change in the Number of Units (in Thousands) by Monthly Rent in Virginia's Largest Metropolitan Statistical Areas



Note. Sourced from U.S. Census American Communities Survey data.

Evictions

Note: For more information on evictions in the Commonwealth, please refer to the Virginia Housing Commission December 2025 eviction report.

The following charts depict eviction filings for selected localities in the Commonwealth[11]. Filings do not equate to executed writs of eviction. The Virginia Housing Commission's 2025 analysis of eviction numbers in Virginia showed around 16-17% of filings resulted in executed writs of eviction and a 3.7% increase in executed writs of eviction from July 2023 to June 2025[12].

Generally, Virginia localities report fewer eviction filings currently than before the pandemic. However, filings in 2025 experienced an increase, rising to around 89% of pre-pandemic levels. Rates of filings differ by locality. For instance, filings in Danville have recently surpassed their pre-pandemic levels.

Figure 8

Yearly Eviction Filings for Northern Virginia Localities from 2016 to 2025

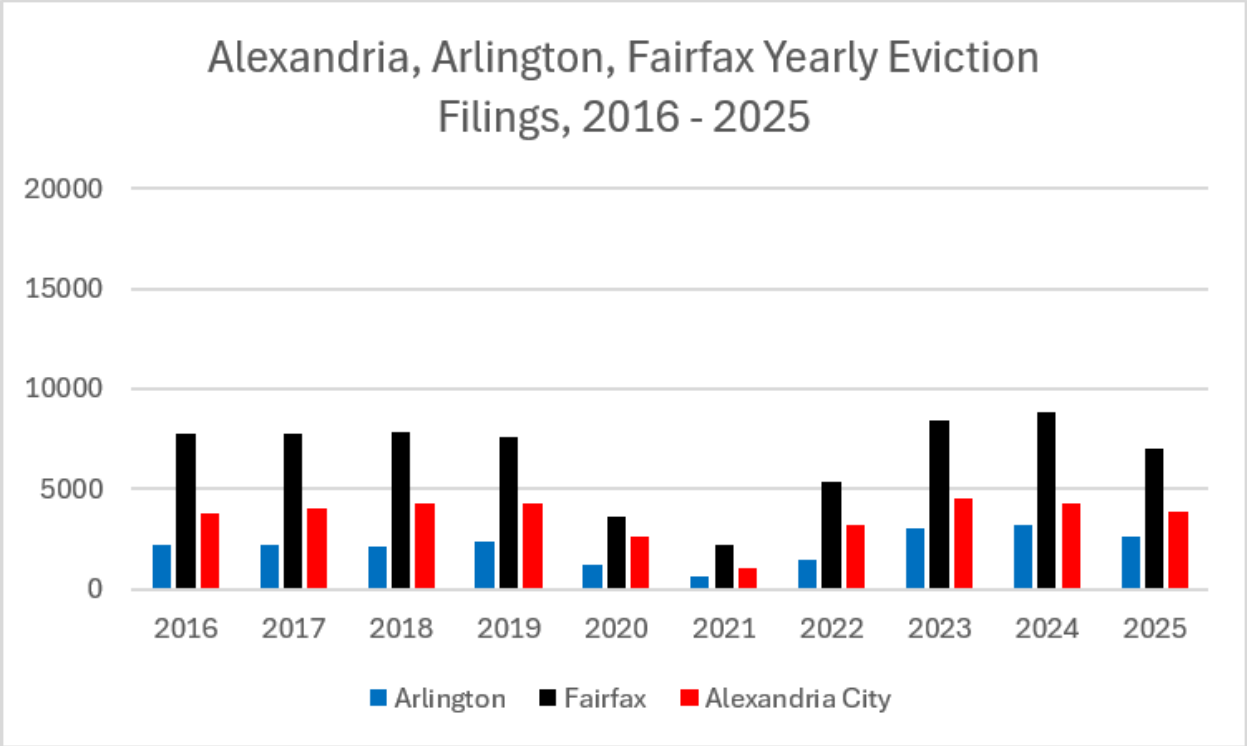


Figure 9

Yearly Eviction Filings for Central Virginia Localities from 2016 to 2025

[11] The data was retrieved from the Legal Services Corporation (LSC) Eviction Tracker which provides access to multi-year trend data on eviction filings for 1,250 counties and municipalities in 30 states and territories across the United States.

[12] See presentation: https://vhc.virginia.gov/FINALEviction%20Update%20December%202025.pdf

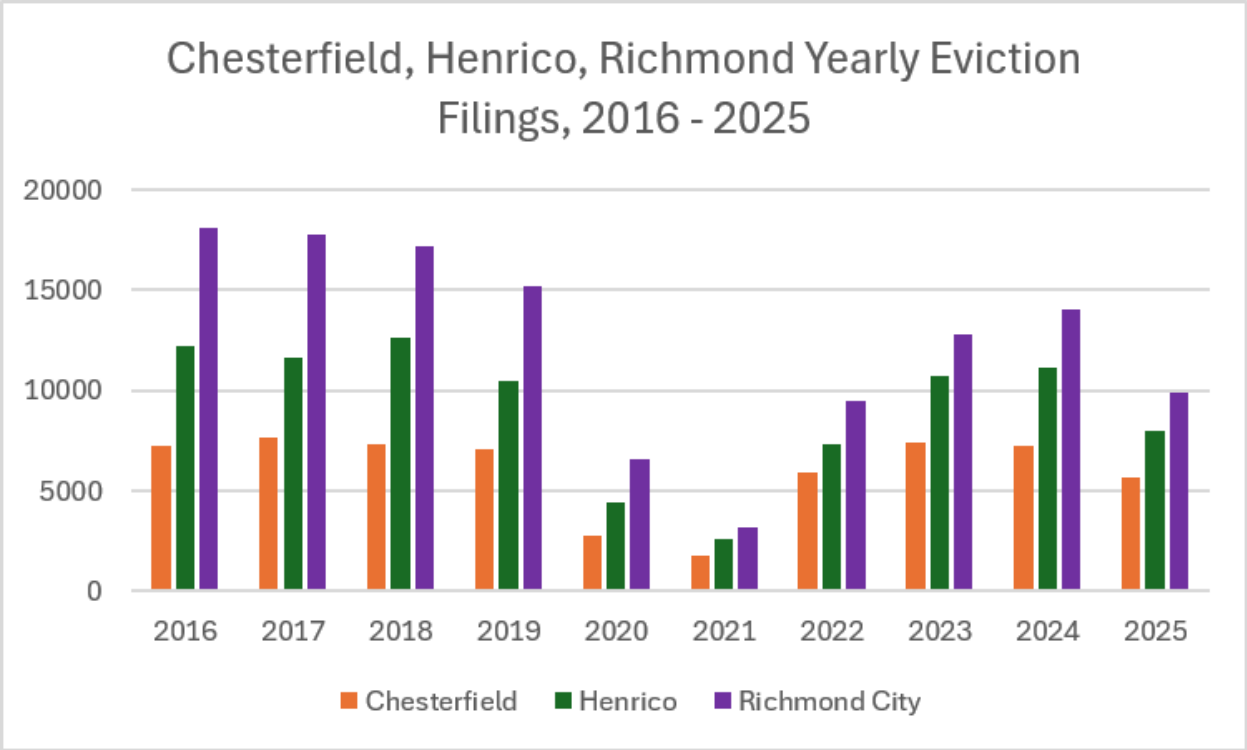
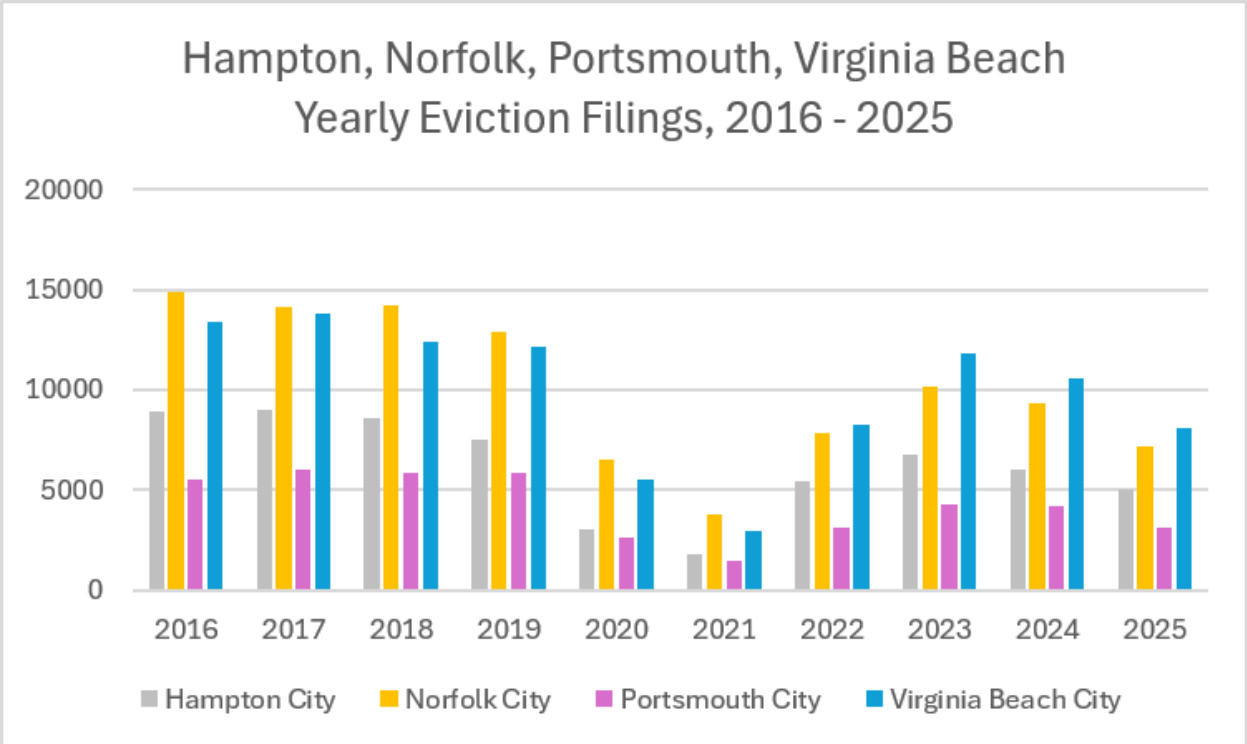


Figure 10

Yearly Eviction Filings for Eastern Virginia Localities from 2016 to 2025



Locality Trends

Several localities publish reports on their rental housing stock which allowed VHC analysts to present localized views of rental pricing trends across the Commonwealth:

Table 2

Average Monthly rents by year in Fairfax County, 2010 to 2024

Year	Average Monthly Rent	Percent Change from Previous Year
2010	$1,383	0.6%
2011	$1,433	3.6%
2012	$1,546	7.9%
2013	$1,590	2.8%
2014	$1,640	3.1%
2015	$1,687	2.9%
2016	$1,750	3.7%
2017	$1,788	2.2%
2018	$1,798	0.6%
2019	$1,877	4.4%
2020	$1,787	-4.8%
2021	$1,914	7.1%
2022	$1,958	2.3%
2023	$2,020	3.2%
2024	$2,092	3.6%

Note. Reproduced from the Fairfax County Department of Management and Budget's 2024 Rental Housing Complex Analysis.

Table 3

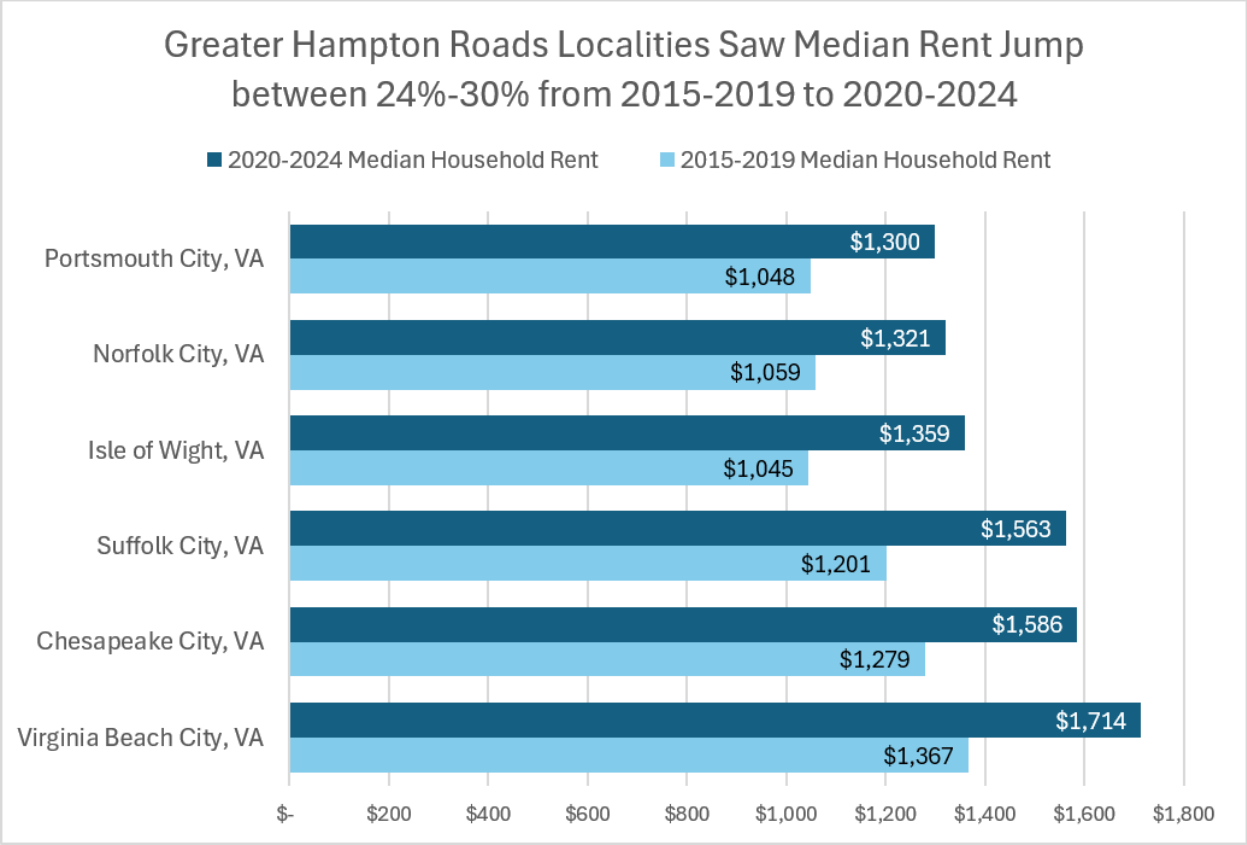
Arlington County average rent 2019-2025

Profile Year	Efficiency	One Bedroom	Two Bedroom	Three Bedroom	Total Average Rent	% Change in Total Average Rent
2019	$1,632	$1,918	$2,498	$3,041	$2,148	
2020	$1,677	$2,024	$2,627	$3,367	$2,262	5.3%
2021	$1,563	$1,908	$2,490	$3,304	$2,147	-5.1%
2022	$1,618	$1,977	$2,637	$3,465	$2,275	6.0%
2023	$1,804	$2,051	$2,614	$3,435	$2,290	0.7%
2024	$1,895	$2,162	$2,774	$3,603	$2,413	5.4%
2025	$1,992	$2,293	$2,948	$3,733	$2,549	5.6%

Note. Sourced from Arlington County's Profile Open Data resource: https://data.arlingtonva.us/dataset/262

Figure 11

Median rent change from 2015-2019 to 2020-2024 for Hampton Roads-area localities



Note. Reproduced from Greater Hampton Roads Connects analysis of 5-year ACS data.

Richmond
In 2022, the Department of Housing and Urban Development conducted a Comprehensive Housing Market Analysis for the Richmond region (including Henrico and Chesterfield Counties)[13]. HUD's analysis was based on CoStar data. HUD found that starting in 2022, Richmond's rental vacancy rate fell below 6% for the first time in ten years (it was near 8% in 2012), while the average monthly rent rose above $1,300. Average rent was close to $900 per month in 2012.

Current Trends in the Mid-Atlantic and South (VA, MD, NC)

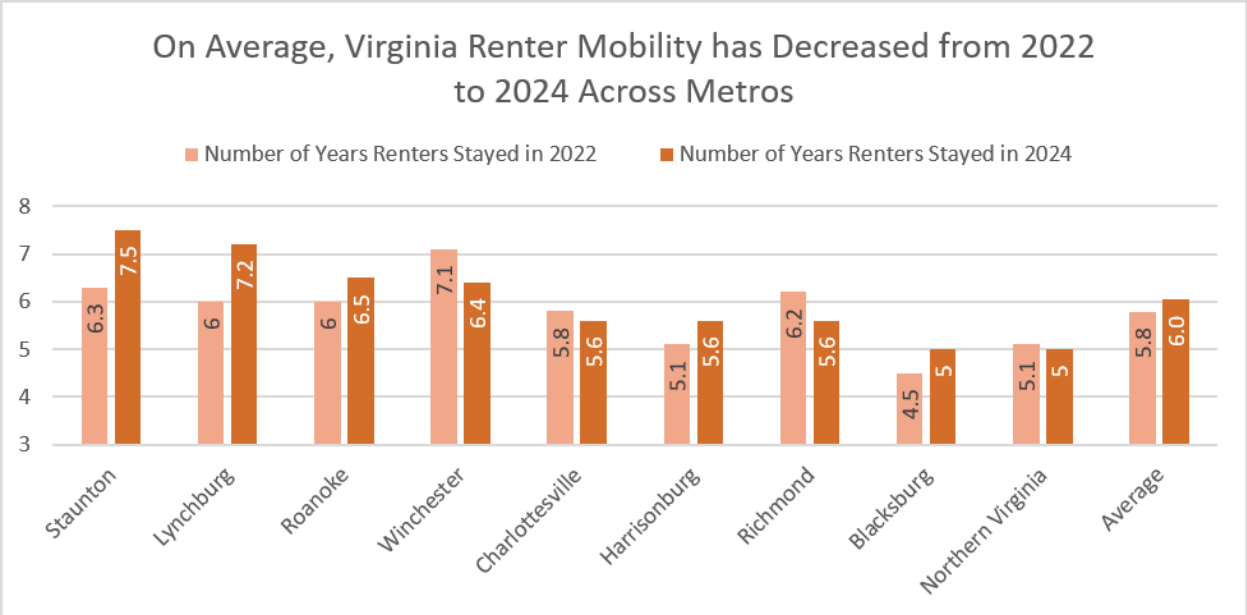
At the regional level, the Mid-Atlantic and neighboring Southern states reflect the broader national trends. Historically, states in the South offered lower housing prices and greater inventory. However, population influxes and increased demand have lessened that affordability advantage.

Renters and potential first-time homebuyers will continue to be cost burdened while mortgage rates remain elevated and home prices continue to rise, albeit at lower levels than during the COVID-19 pandemic (Virginia Association of Realtors, 2026).

Virginia

According to the Virginia Association of Realtors, median statewide rent has increased 26% over the last four years. Based on 2024 American Community Survey data, 69% of severely cost-burdened rental households are extremely low income, 24% are very low income and 5% are low income in Virginia. The Virginia Association of Realtors also reports that renters are staying longer in their homes, nationally, even while the difference between Virginia metros from 2022 to 2024 is mixed (Fair, 2026).

Figure 12
Number of years renters stayed in units in Virginia MSAs in 2022 vs. 2024



Note. Sourced from Virginia Association of Realtors' analysis of U.S. Census ACS data.

[13] https://www.huduser.gov/portal/publications/pdf/RichmondVA-CHMA-22.pdf

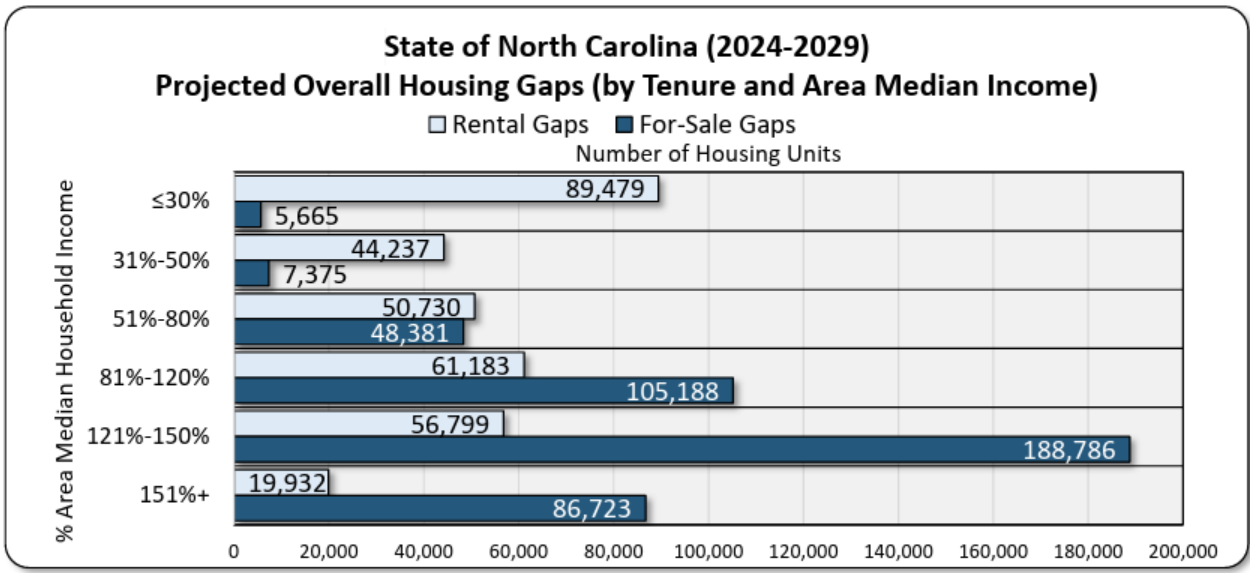
Maryland

A 2025 update to the Maryland Housing Needs Assessment highlights that 47% of Maryland's renter households are cost-burdened[14]. The state is currently facing a deficit of 275,000 affordable units required to meet the demand for households earning below 80% of the AMI. While base rents are highest in the D.C.-adjacent suburbs, the Eastern Shore contains the highest percentage of cost-burdened renters, highlighting the disconnect between local wages and regional housing costs.

North Carolina

A late-2024 housing gap analysis conducted by Bowen National Research (on behalf of the NC Chamber) demonstrated that North Carolina is short approximately 130,000 rental units to accommodate extremely low, and low-income households[15]. Bowen concluded that preservation and an increase in overall supply with local and state government support was necessary to bridge the gap. The North Carolina Housing Finance Agency confirms that as of 2024, over half of renters in the state are considered cost-burdened[16].

Figure 13
Bowen National Research's Estimated Housing Gaps for North Carolina from 2024 - 2029



Policy Analysis: Policy Implications and Examination of the Provisions of HB278 and SB355

Rent-capping policies, such as those proposed in HB278 / SB355, aim to stabilize housing for low-to-moderate-income renters and preserve Naturally Occurring Affordable Housing (NOAH). However, these policies may introduce economic and administrative challenges. Finding the balance between securing housing stability for existing tenants and allowing market flexibility to encourage long-term housing development is a critical policy challenge.

[14] https://dhcd.maryland.gov/Documents/Research/Compiled-Report-SHNA-2025.pdf
[15] https://ncchamber.com/wp-content/uploads/Housing_Supply_Gap_Analysis.pdf
[16] https://www.nchfa.com/about-us/research-reporting-and-policy/nc-housing-snapshot

As a Dillon Rule state, Virginia localities only possess powers expressly granted by the General Assembly. Consequently, without specific enabling legislation, Virginia localities lack the legal authority to enact rent stabilization ordinances. Delegate Clark and Senator Boysko have introduced similar legislation over the past several years. Senator Boysko first brought a version of rent regulation legislation at the request of Loudoun County. Anti-rent gouging legislation introduced during the 2026 General Assembly session sought to provide localities with a legal framework to implement rent regulation systems, if they so choose.

Overview of provisions: HB278 / SB355: Local anti-rent gouging authority; civil penalty.

The proposed legislation allows any locality may, by ordinance, adopt anti-rent gouging provisions. The bill requires notice and a public hearing prior to the adoption of such ordinance and specifies that all landlords who are under the ordinance may be required to give at least 90 days' written notice of a rent increase. Landlords cannot increase the rent by more than the locality's calculated allowance, not to exceed three percent, and states that such allowance is effective for a 12-month period beginning July 1 each year. The bill requires the locality to publish such allowance on its website by June 1 of each year. Certain facilities, as outlined in the bill, are exempt from such ordinance.

The bill requires localities adopting anti-rent gouging ordinances to establish an anti-rent gouging board to create rules and procedures by which landlords may apply for and be granted exemptions from the rent increase limits set by the ordinance or delegate such duties and functions to an existing local board, department, or agency. The bill requires the anti-rent gouging board to establish a fair return on investment rent increase exemption to the annual anti-rent gouging allowance where necessary to offset increased operating expenses. Finally, the bill provides that a locality shall establish a civil penalty for failure to comply with the requirements set out in its ordinance.

Note: This legislation seeks to authorize local governments to prohibit annual rent increases exceeding three percent for certain residential properties. It mandates the creation of "anti-rent gouging boards" to:

- Review exemption applications
- Hear tenant challenges to rent increases
- Certify landlord eligibility for exemptions
- Establish procedural rules
- Grant fair return on investment (ROI) exemptions when justified

To mitigate potential negative impacts on housing supply, the proposed bills include several exemptions:

- New construction which is defined as units with certificates of occupancy issued within the last 10 years
- Medical and therapeutic facilities
- Nonprofit temporary shelters
- Owner-occupied group homes
- Religious facilities
- Transient lodging (hotels/motels, excepting long-term tenancies)
- Dormitories
- Licensed assisted living and behavioral health facilities

This board structure shifts dispute resolution from courts to an administrative housing body, mirroring models used in California, Oregon, and New Jersey stabilization regimes.

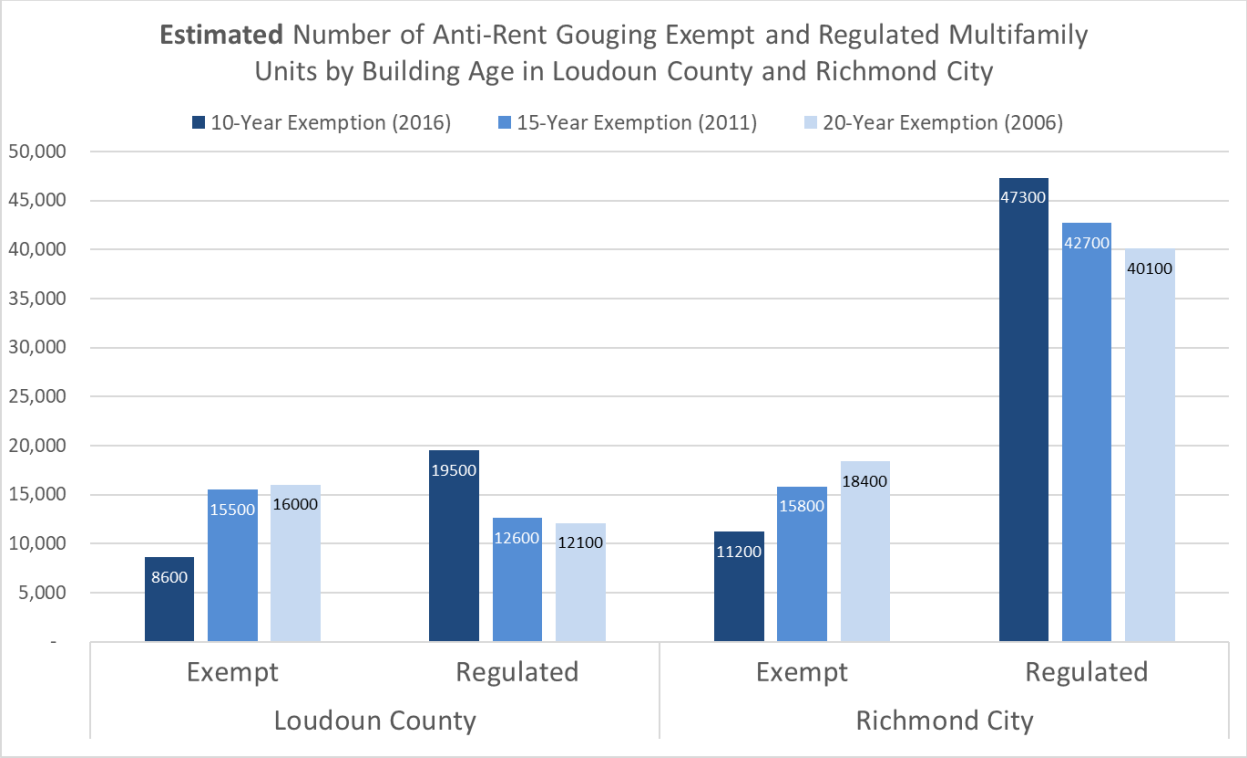
In the following sections VHC will analyze different aspects of the bill and other policy implications.

Exempting New Construction

HB 278 includes a 10-year rolling exemption that exempts buildings less than 10 years old from the proposed 3% rent cap. Many rent regulation systems exempt properties older than 10 years (Horowitz and Starling, 2022). A comparison of other rent-control frameworks in other states and localities shows that the 10-year rolling exemption contained in HB278 and SB355 is relatively short, with most other systems enacting longer exemption periods to mitigate potentially negative impacts on housing construction.

Extending the exemption to 15 or 20 years would more closely align with typical debt-service cycles. Additionally, VHC analysts conclude that since the last decade has been partially characterized by historically low construction, a 10 year exemption may place the majority of units in localities under rent regulations. This would result in a sudden regulatory shift for Virginia's landlords. VHC analysts recommend lawmakers consider lengthening the exception timeframe after examining the potential economic tradeoffs.

To illustrate how many properties anti-rent gouging legislation could affect in different Virginia localities, VHC analysts created rough estimates based on Census ACS and multifamily permitting data for Loudoun County and Richmond, Virginia.



Note. These are rough estimates and actual numbers may vary.

The age of housing stock varies widely across Virginia's localities, meaning this provision will impact localities differently.

Richmond

Richmond has an older housing profile than Loudoun County. Richmond's older housing stock ensures the vast majority of its rental units would be subject to regulation regardless of the length of exemption. Extending the exemption to 15 or 20 years would have a much smaller relative impact on the number of regulated units than it does in Loudoun. If rent regulation was adopted by Richmond, over 80 percent of its rental housing would be regulated. For context, as of 2015 only 49 percent of San Francisco's rental housing was rent controlled (Goetz et al., 2021).

Loudoun

A 10-year exemption would exclude roughly 30% of rental units in Loudoun from rent caps. The number of units affected in Loudoun County would fall significantly after the 10-year exemption, more so than in Richmond.

A shorter exemption period places more units under rent regulation and may allow for increased affordable housing preservation and tenant stability.

Potential Impact on Real Estate Property Taxes

Virginia counties, cities, and towns rely heavily on revenue generated by real property taxation. According to available FY25 data from the Virginia Auditor of Public Accounts, real estate taxes account for an average of 51.75% of independent city revenue, 63.2% of county revenue, and 27.9% of town revenue (APA, 2025). Real estate taxes accounted for 68% of county revenues in Arlington, over 79% of county revenues in Loudoun, and 56% of city revenues in Richmond[17].

Assessed values of homes directly impact locality revenues derived from real estate taxation, which Richmond residents learned as home values exploded in the region over the course of the pandemic. Real estate assessments, and the associated tax hikes on homeowners, are a frequent topic of advocacy.

Local tax assessors in Virginia value multifamily buildings using the income approach[18]. If rent increases are legally capped at three percent per year, the income potential and thus the market value of rental housing, (especially multifamily buildings) may decline (Ahern & Giacoletti, 2026).

Recent economic models support this projection. A Massachusetts study found that capping rent increases at 5% or CPI-U, whichever is lower, would curb real estate valuations in the short and long term by 7% to 11% of revenue for most localities, eroding this critical revenue source for municipalities (Greater Boston Real Estate Board & Tufts University, 2026)[19].

Even if the devaluation in Virginia were to mirror the more conservative 4% decline observed following St. Paul's recent rent stabilization measure, a corresponding drop in real estate tax revenue could significantly impact locality budgets over time.

[17] These figures do not include personal property (car) taxes.

[18] Delegate Callsen patroned a bill during the 2025 session to require assessors to use this method on affordable housing starting in 2026. Affordable housing is a form of public assistance that requires rents to be affordable to low-income households. The income approach would lower the value of their buildings and therefore their tax burden.

[19] Their arguments were based on differences in locality tax assessor valuations after Cambridge, MA decontrol in 1994 (Autor et al., 2014) and St. Paul's recent rent stabilization measure (Ahern & Giacoletti, 2026).

Real Estate Valuation

Findings are mixed on whether rent regulation leads to lower real estate market values overall (Pastor et al., 2018). However, Fannie Mae's guidance[20] for rent controlled properties implies a lower valuation based on potential rent, and Richmond's Real Estate Assessor's office confirmed that rent potential is a factor in valuing multifamily buildings. Additionally, more recent studies find compelling evidence that stricter rent control does affect the value of controlled units as well as nearby uncontrolled units (Ahern & Giacoletti, 2026). Potential reductions in net operating income for controlled properties can lead to lower assessed valuations, impacting local real estate tax revenue.

Caps on Rent Increases

HB278 and SB355 offer localities the option to create a maximum three percent cap on rent increases per year, with a "fair return on investment" exemption for landlords who make improvements to their property in any given year.

The fixed three percent cap on rent increases defined in HB278 and SB355 is relatively low compared to other states and localities who have implemented rent regulation systems. Many rent regulatory systems base the cap on some percentage of the local Consumer Price Index (CPI), and may allow for a fixed percentage increase on top of CPI (e.g., California, Montgomery County, MD, Oregon, Washington).

The VHC financial analysis suggests that under normal inflation, large landlords and institutional multifamily investors are better positioned to adapt to the fixed cap than smaller landlords. Large landlords would also find it difficult to operate in a rent regulated locality when inflation rises above the rent increase cap. A detailed explanation of this analysis can be found in the appendix. Small landlords would need much more time than a large landlord to realize any income from renting out their properties if rent regulation is in effect, especially if elevated inflation continues. The most rational economic decision for a small landlord to make under rent regulation is to flip the property after several years, assuming home price growth continues at an aggressive rate (5.7% per year on average since FY2020 in Fairfax County[21]).

A larger list of local and statewide allowed increase levels can be found, below.

The Fixed Cap Proposed in HB278 / SB355

A fixed cap, such as the one proposed in HB278 and SB355 provides maximum predictability for tenants. Tenants know their highest potential rent increase regardless of broader macroeconomic inflation. However, a fixed cap lacks an inflation buffer for property owners. Operational costs can outpace a 3% threshold. For example, recent data shows property taxes on single-family homes increasing by about 3.7% from 2024 to 2025, compared to a 2.7% rise in CPI. Without a mechanism to absorb these costs, landlords may experience an unsustainable erosion of profit.

[20] https://mfguide.fanniemae.com/node/6346?section=6426

[21] See page 180 of https://www.fairfaxcounty.gov/budget/sites/budget/files/Assets/Documents/fy2026/advertised/overview/Trends%20and%20Demographics.pdf

The Floating (CPI) Cap

A floating cap tied to the CPI creates an economic mechanism that automatically scales with the cost of living. Notably, a previous version of this legislation, HB2175 introduced in 2025, included a CPI-tied allowance capping yearly rent increases to a maximum of 7%. HB278 appears to remove this inflation buffer and may result in the erosion of profit in an unsustainable way[22].

Impacts on Different Types of Housing Providers

These distinct cap models also produce different impacts across different types of housing providers. VHC financial modeling suggests that under normal inflation, large institutional multifamily investors are better positioned to adapt to the fixed cap than smaller landlords. Small landlords require more time to realize positive cash flows under rent regulation. If elevated inflation continues without a CPI buffer, economic modeling indicates that small landlords may be financially incentivized to sell their properties rather than maintain them as active rental units. This is particularly likely in high-appreciation markets such as Fairfax County where home prices have growth at an aggressive rate of 5.7% per year since FY2020[23], making divestment a rational economic decision for small landlords facing capped rental income.

Conversely, an unfixed cap on rent, like one tied to CPI, makes rent increases more unpredictable for tenants. A fixed 3% cap is predictable because it does not vary year-to-year based on CPI. However, this might mean greater anti-rent gouging board staff capacity will be needed to review a higher number of landlord exceptions. VHC analysts also assessed that if anti-rent gouging board staff makes decisions that unintentionally violate fair return on investment provisions, landlords could argue the locality is unintentionally violating the Fifth Amendment, which is discussed below.

Income Formulas: Net Operating Income and Fair Return on Investment Provisions

HB278 includes a fair return on investment (FROI) provision to ensure landlords can maintain a reasonable profit and to prevent constitutional takings claims. The bill defines FROI as "an amount sufficient to maintain a stable net operating income". This is a subjective standard that leaves discretion to the local anti-rent gouging board.

Some type of FROI provision is included in nearly every rent stabilization initiative due to the fundamental need for portfolio-wide rent increases to fulfill the constitutional obligation[24] to allow private owners to receive reasonable rates of return on their investments (Willis & Murphy, 2019). VHC analysis highlights a potential concern with this provision, especially for smaller landlords.

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[22] https://www.cbsnews.com/news/property-taxes-inflation-see-what-homeowners-pay-across-us/

[23] See page 180 of https://www.fairfaxcounty.gov/budget/sites/budget/files/Assets/Documents/fy2026/advertised/overview/Trends%20and%20Demographics.pdf

[24] The following is excerpted from Willis & Murphy's 2019 paper concerning New York City rent control: "The Takings Clause of the Fifth Amendment, made applicable to the states and local governments through the Fourteenth Amendment, provides that private property shall not 'be taken for public use. without just compensation." U.S. Const. amend. V. In some instances, government regulation of private property may be so onerous that its effect is tantamount to a direct appropriation or ouster—and that such 'regulatory takings' may be compensable under the Fifth Amendment." Harmon v. Markus, 412 Fed. Appx. 420, 422 (2d Cir. 2011) (quoting Lingle v. Chevron U.S.A. Inc., 544 U.S. 528, 537 (2005)) (upholding New York City Rent Stabilization Law against a takings challenge)."

The Maintenance of Net Operating Income Standard

By using net operating income (NOI), rather than gross rent, the bill follows the Maintenance of Net Operating Income (MNOI) standard. This is a common legal framework in many localities that have enacted rent control ordinances, including localities in California and Maryland. This provision allows for profit to be adjusted for inflation and operating expenses, effectively placing a ceiling on profit growth. It permits landlords to maintain a stable income, but not an increased income based on market-value appreciation. Landlords who serve lower-income households may struggle to make up shortfalls during years when operating expense increases exceed the allowable rent growth under the local ordinance.

Formula Challenges and Implications of The Proposed Legislation

Standard NOI formulas typically take the total revenue from a property and subtract operating costs, such as property taxes, insurance, maintenance, and management fees[25]. However, these formulas do not account for debt service (mortgage payments), capital improvements, or income taxes. There may be occasions where landlords are still not receiving a fair return on investment. To maintain a Fair Rate of Return under this standard, a landlord's current-year NOI must be equal to or greater than the NOI of a set base year, factoring in CPI increases. This standard that allows landlords to "maintain a stable net operating income," rather than an increased income, may create different financial consequences for small landlords compared to large landlords or institutional investors.

Debt Structures: Smaller landlords are more likely to carry higher-interest secondary mortgages, whereas institutional investors can secure lower-interest financing or operate without debt. Because the FROI provision protects NOI (covering insurance and taxes) but not debt obligations, increased mortgage or balloon payments are not covered by the exemption.

Administrative Burden: While the MNOI provision is standard in other rent regulation systems, it may create a disproportionate administrative burden for smaller investors. For an institutional investor, navigating an MNOI exemption request may be easier considering the typical level of staff and resources. For a small landlord, however, the process requires a level of financial analysis and institutional knowledge that is more likely to be out of reach.

Discretionary Application: The bill allows the anti-rent gouging board to "adopt rules or regulations to ensure that the fair return on investment is reasonable." Since this is a subjective standard and lacks a standardized fair rate of return formula, it is the delegated authority of the board to make these decisions on a case-by-case basis. Landlords operating in different localities may face different financial outcomes based on the differing local housing market (see Richmond vs. Loudoun). Large landlords and institutional investors are more likely to own or manage multiple properties across different localities. This provision could be burdensome for many landlords who operate in different localities due to the discretionary nature of the board decision-making process. Conversely, allowing for localized decision-making may better reflect the unique housing needs of each locality.

The FROI provision in HB278 is a preservation mechanism that does not allow for growth based on market changes. VHC analysis concludes that this may inadvertently make property divestment a more financially viable path for small landlords. This could lead to a loss in the stock of NOAH (Terner Center, 2020).

[25] See https://www.kapre.com/resources/real-estate/noi-real-estate?srsltid=AfmBOopKoOwhSHE4BotgRVRTHmJtDnxIxMCwsJwogSQzLrgL9k1je7fG for an example.

Exemptions For Certain Housing Providers

Unlike established rent stabilization laws in other states such as Oregon, Washington, and California, HB278 lacks an explicit exemption for affordable housing providers, like nonprofit providers of subsidized housing. VHC staff recommend expanding the exemptions to include affordable housing providers and small landlords according to the "four or fewer" units provisions found in the VRLTA.

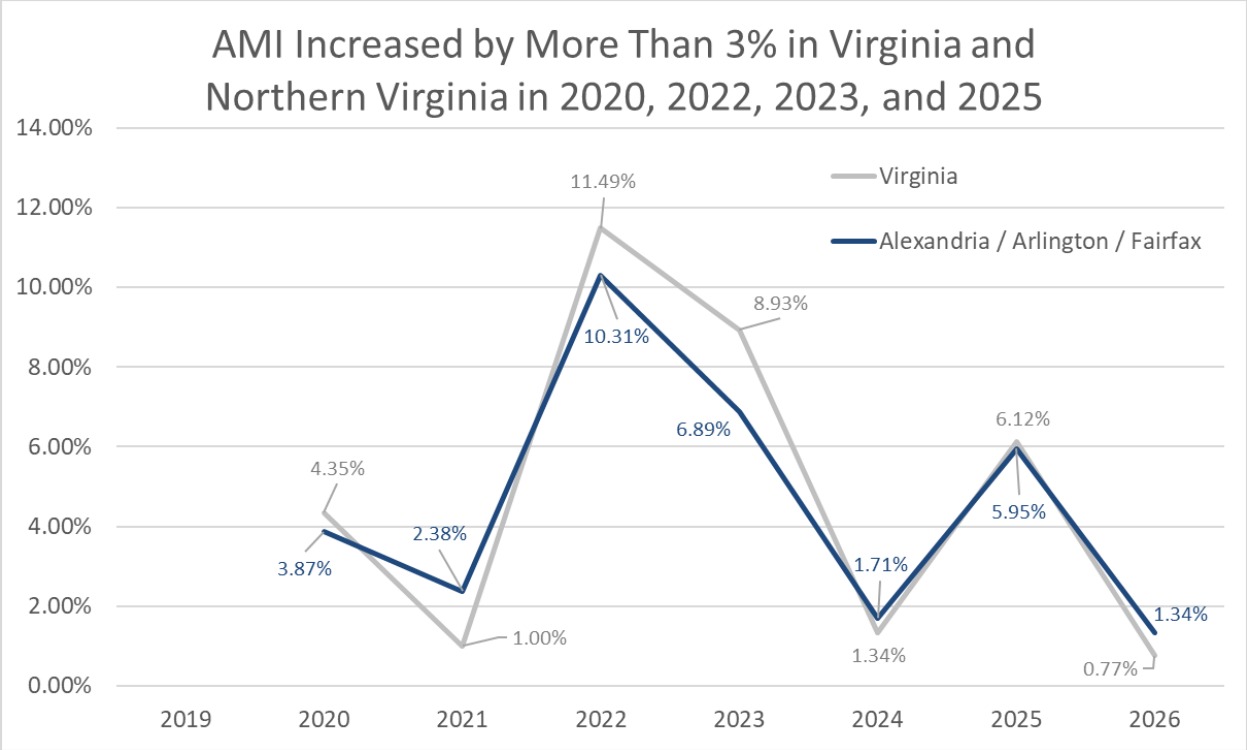
HB278 and HB355 exempts, "*Any unit in a facility owned or leased by an organization exempt from federal income taxes pursuant to § 501(c)(3) of the Internal Revenue Code, the primary purpose of which is to provide temporary sanctuary or shelter for qualified residents, provided that the organization has notified the clients residing in the facility of the temporary nature of their housing at the inception of their residence [emphasis added]*".

Publicly Subsidized Housing Impacts

The proposed legislation does not exempt units that receive public assistance. Units funded by Low Income Housing Tax Credit (LIHTC) or Virginia's Housing Opportunity Tax Credits (HOTC) artificially keep their rents affordable to households that make 60% of AMI or less[26]. HOTC credits stack on top of LIHTC credits to make Affordable Housing creation possible in Virginia. If AMI increases by more than 3% in a given year, which has occurred four times since the pandemic, Affordable Housing owners may be forced to absorb that cost without raising rents to match the federal threshold.

Figure 15

Average AMI % Differences from Previous Fiscal Years in Virginia and Northern Virginia Localities



Note. Data Sourced from HUD Section 8 Income Limits

[26] https://taxpolicycenter.org/briefing-book/what-low-income-housing-tax-credit-and-how-does-it-work

Exempting Small Landlords

Delegate Clark introduced HB1275 in the 2025 session which carved out small landlords by exempting "any rental complex with 10 or fewer units" from anti-rent gouging board regulation.

Recognizing that small landlords may face greater difficulty realizing operational income under fixed rent caps, several other jurisdictions exempt them.

Several other localities recognize the need to exempt small landlords from rent increase caps, including Washington, D.C.[27], Montgomery County, MD[28], and New York City, NY[29]. VHC recommends that Virginia also consider including a small landlord exemption for landlords that own 4 or fewer units to closer align its anti-rent gouging framework with other rent regulation systems.

Cost to Locality to Enforce Rent Regulation

Estimating Administrative Burden: Full Time Employee (FTE) Requirements Model

To estimate the municipal burden, VHC analysts tested a hypothesis on the yearly number of Full-Time Employees (FTEs) required to perform these functions. Analysts hypothesized significant time required for investigations; the legislation requires that anti-rent gouging boards conduct a quasi-judicial review process that might evaluate building code violations, tenants rights, and previous civil court cases while coordinating with other locality officials to come to a resolution based on the available evidence.

A recent Prince George's County study outlined some specific responsibilities required to manage a rent stabilization policy:

- Updating program regulations and standard operating protocols
- Managing a rental unit registry
- Reviewing complaints and mediating landlord-tenant conflicts
- Staffing administrative hearings and reviewing appeals
- Managing program staff, budget and public education
- Producing reports and evaluating the policy periodically
- Coordinating with legal, communications, IT, and building code enforcement staff
- Processing requests for exceptions

[27] Exempts landlords owning four or fewer units: https://dhcd.dc.gov/sites/default/files/dc/sites/dhcd/service_content/attachments/Rent%20Control%20Fact%20Sheet%20-%20August%202024.pdf

[28] Exempts landlords who own two or fewer rental units in the County: https://www.montgomerycountymd.gov/department-housing-community-affairs/rent-stabilization

[29] Generally, buildings with fewer than six units are not rent stabilized: https://rentguidelinesboard.cityofnewyork.us/resources/rent-stabilized-building-lists/

The results from that initial model indicate that it would take around four or five FTEs to perform the annual work required under this legislation for a smaller locality regulating 10,000 units, with the majority of time spent working on investigations and audits.

Table 4
Initial Model of Yearly Administrative Burden for a Locality Implementing Anti-Rent Gouging Provisions Under HB278 / SB355

Function	Role Type	FTE (per Year)	Key Responsibilities
Policy & Leadership	Director / Board	0.7	Allowance calculation, defining penalties, court liaison.
Legal & Judicial	Counsel	0.7	Drafting ROI rules, handling appeals, court communications.
Compliance & Data	Database Admin / Business Analyst	0.625	Landlord registry, cross-referencing codes.
Investigations	Auditors / Investigators / Clerks	2	Investigating petitions and ROI claims. Coordinate with building code enforcement staff.
Public Info and Admin Tasks	Public Information Officer	0.625	Website updates and public contact.
Total FTE / Year Required		**4.65**	*(2,000 hrs = 1 FTE)*

FTE Case Study: Montgomery County

To validate this initial hypothesis, analysts applied the model to Montgomery County, Maryland, which regulates approximately 66,000 units[30]. The initial model overestimated the required staffing compared to Montgomery County's actual Office of Rent Stabilization, which currently operates with 8 FTEs (Bruton, 2026). Adjusting the administrative factor to 4.5 minutes per unit per year and the dispute rate to 0.4%, VHC analysts recalibrated the model.

[30] as of December, 2025

Table 5

Model Assumptions After Montgomery County ORS Validation for Yearly Administrative Burden to a Smaller Locality Implementing Anti-Rent Gouging Provisions Under HB278 / SB355

Assumptions	Value	Description
Covered Units (U)	10,000	Total units subject to regulation
Administrative Factor	*0.075*	(4.5 min) Admin time required per unit per year
Dispute Rate (D)	*0.4%*	(4 / 1,000 units) Expected audit / petition rate
Investigation Processing Time (P)	*30*	Staff hours per dispute resolution
Total Estimated Yearly Hours	***3,840 (~2 FTE)***	*Formula: 1500 + 0.2 * [(U * Admin Factor) + (P*D*U)] + (U * Admin Factor) + (P*D*U)*

Note. 2,000 hours equals 1 FTE-year. Formula can be described as leadership initial setup time (baseline is 1500 FTE-hours [minimum time required to setup] + 20% * anticipated yearly operational FTE-hours) + data administration and public information officer hours/year, and P*D*U represents the most time consuming portion of the process: investigations, auditing and quasi-judicial functions (e.g., appeals).

This validated model indicates that less than half of the effort initially hypothesized is required if a smaller Virginia locality adopts a model of rent regulation similar to Montgomery County. The small number of investigations and audits still drives much of the annual work under this model. For instance, the FROI provision requires staff with financial or real estate investment experience to evaluate income statements. Additionally, conducting a quasi-judicial review process for tenant petitions and landlord appeals may require legal consultation and extensive intra-governmental coordination at a minimum.

The output for the Montgomery County ORS staffing model can be found in the appendix.

Vacancy Controls

A structural component of any rent regulation system is how it handles vacant units:

- **Vacancy Control**: The rent cap stays attached to the *unit*, even when a tenant leaves.
- **Vacancy Decontrol**: The rent cap is attached to the *tenant*. Under pure decontrol, when tenants leave, the landlord can raise the rent to whatever the current market will bear before capping it again for the next renter.

Frameworks Found in Other States

HB278 and SB355 utilize vacancy control, and define rental units to include both occupied and vacant structures. This means landlords cannot reset a unit to market rate when a tenant vacates. This provision differs from the statewide rent control frameworks in California and Oregon, which utilize vacancy decontrol. California and Oregon's approach is less strict than HB278's vacancy control and the recent permanent stabilization model[31] enacted in New York, which ties rent control to the regulated units indefinitely. However, both Oregon and California prevent a landlord from terminating tenancy with "no

[31] New York restructured its rent regulation framework in 2019 through the Housing Stability and Tenant Protection Act. Previously, rent controlled apartments could transition to market rate.

cause," ensuring an additional layer of protection against eviction.

Other jurisdictions offer varying degrees of control:

St. Paul, Minnesota: Offers partial vacancy decontrol. Landlords are permitted to increase the rent by 8% plus CPI following a "just cause" vacancy. If the vacancy is not for just cause, the landlord is limited to the ordinance's standard 3% increase.

New Jersey: Many municipalities practice conditional decontrol, allowing landlords to increase rents to market rates upon vacancy if they prove a unit has been substantially upgraded or submit habitability certifications. This policy is regarded as protecting housing quality while maintaining tenant stability.

New York City: Prior to 2019 reforms, landlords were entitled to raise rent on a unit up to 20% upon vacancy. The 2019 law abolished this bonus to ensure that the legal rent for a new tenant is the same as the rent for the departing tenant, with increases approved by the Rent Guidelines Board[32]. This framework represents a stricter approach and more closely aligns with what is proposed in Virginia's HB278.

Potential Consequences of Strict Vacancy Control

Economists argue that under stricter rent control there could be less turnover in the rental market, exacerbating supply shortages. One City Journal investigative reporter saw evidence of this in New York City[33].

Apartment Warehousing: In New York City, landlords argue that capped rent is insufficient to cover the heavy renovations[34] required when a decades-long tenant vacates (Lehodey, 2025). Consequently, property owners have begun to "warehouse" (hold vacant) units rather than rent them at a loss. According to a 2023 Housing Supply report, the city's net rental vacancy rate was 1.41%. This is well below the 5% vacancy rate threshold to be considered a NYS Code-defined housing emergency, connoting a tight market for rental housing (Gaumer, E., 2023). Vacancy decontrol allows landlords to reset rents to reflect economic changes, and offers financial incentive for landlords to invest in and rent out their units.

Conversions Under Vacancy Control

A common critique of vacancy control is that to bypass rent caps, landlords are financially incentivized to remove properties from the rental market. San Francisco's experience following its 1994 rent control regulations highlights this concern. To bypass the rent caps, property owners in San Francisco removed their properties from the rental market and converted the units into condominiums and redeveloped buildings to exempt them as new construction (Diamond, McQuade, & Qian, 2019). This resulted in a 15% decline in available rental housing. If owners cannot adjust the rent when a tenant leaves (as in HB278's vacancy control), the financial return may not justify finding a new renter. St. Paul, Minnesota addresses this by offering partial vacancy decontrol. By allowing for rate changes after a just cause vacancy, St. Paul's system removes the incentive to sell off rental housing and encourages landlords to preserve rental stock.

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[32] See the following for more information on NYC's Rent Guidelines Board approval process https://www.furmancenter.org/publication/the-challenges-of-balancing-rent-stability-fair-return-and-predictability-u/

[33] The writer cites 50,000 vacant units

[34] See https://rentguidelinesboard.cityofnewyork.us/research/#2026 for more information

Prior to the Costa-Hawkins Act of 1992, California localities could implement vacancy controls[35]. A study from California analyzed the impact of vacancy control policies on median rent levels and found that cities with controls on average had lower rent levels than cities with vacancy decontrol (Heskin et al., 2000).

A 2022 analysis of California's Tenant Protection Act found that around 60% of new rental listings had annual prices that exceeded the established cap[36], which means market resets may continue to drive up the cost of living for new tenants while long-term tenants remain protected (Casey & Gordon, 2022). The study did not differentiate between rent increases for those households under rent cap protections and households that are not subject to regulation. Additionally, the 2022 analysis reveals that during the initial implementation period in 2019, only about 20% of rental units experienced price increases exceeding the rent cap threshold. This suggests that the increase observed in 2022, where the majority of units surpassed the limit, may have been driven by post-pandemic macroeconomic factors like higher inflationary pressures and supply trends.

Legal Penalties and Enforcement

The enforcement provisions in HB278 offer both an administrative enforcement mechanism and a remedy through the court system. Localities require anti-rent gouging boards to adjudicate tenant petitions, certify landlord exemptions, and ensure that fair return increases are granted only to building code-compliant properties. The bill requires the imposition of civil penalties payable to the local treasury. HB278 also makes compliance a prerequisite for obtaining an order of possession in the eviction process.

Virginia's model pairs administrative arbitration with a newly established defensive right in the court system. California and Oregon do not have administrative boards to set rents. Their enforcement mechanisms grant tenants a private right of action where tenants can sue for damages. The proposed Virginia system may be considered more accessible for low-income tenants because they provide an administrative alternative to the court system.

Table 6

Enforcement Options Under Different Rent Regulation Systems

Jurisdiction	Enforcement
Virginia (HB278)	Administrative Determination/Civil penalty/Court Defense
Oregon	Private Action/Treble Damages
California	Private Action/Treble Damages
New York	Administrative Determination/DHCR Overcharge Claims
St. Paul, Minnesota	Administrative Determination

Note. Additional state comparison can be found in the State and Locality Legislative Comparison section of this document.

[35] More information on page 43 of this document

[36] Terner Center for Housing Innovation, *"California's Tenant Protection Act (AB 1482): September 2022"* https://ternercenter.berkeley.edu/wp-content/uploads/2022/09/AB1482-Brief-Final.pdf

Virginia's proposed legislation does not establish a centralized reporting structure or rent registry. Montgomery County, Maryland uses mandatory rent registries as the framework for proactive enforcement, preventing landlords from raising rates or filing for evictions if their properties are unregistered. New York's registration framework allows participating localities to charge property owners a fee of $20 per unit annually to fund the cost of administrative enforcement. Registries allow the collection of real-time data and may reduce the administrative and fact-finding burden on local officials.

Required Maintenance and Capital Improvements

Rent regulation studies suggest that landlords may cut back on property maintenance to maintain profits under rent caps (Sims, 2007). Faced with artificially high demand and capped revenue, landlords may delay repairs or reduce maintenance quality to boost profits (Sims, 2007; Picciotto, 2025). Organizations representing multifamily landlords confirmed during public hearings that maintenance delays are a likely outcome of anti-rent gouging measures.

HB278 attempts to address this by linking ROI exemptions to building code compliance; landlords with outstanding code violations cannot receive rent-increase cap exemptions. While this gives localities a financial tool to enforce habitability, it requires more frequent inspections and may be administratively burdensome. Montgomery County, Maryland, also uses this model of code enforcement.

Virginia's proposed HB278 allows a local anti-rent gouging board to grant exemptions for capital improvements as part of the FROI calculation, offering more flexibility than stricter models found in New York.

Compounding Local Affordability Programs with Rent Stabilization

Additional affordable housing or financing tools, like Affordable Dwelling Unit ordinances, may compound with rent regulation policies and create a restrictive system that can suppress housing supply. This type of regulatory accumulation was observed in Portland, Oregon after the passage of their 2016 inclusionary zoning mandate (Bertolet, 2024).

To illustrate how this might work in Virginia, consider SB74[37]. SB74 allows for the creation of affordable dwelling unit ordinances and passed in Virginia's 2026 Session. SB74 allows all localities to provide incentives to encourage construction by expanding localities' authority to establish affordable dwelling units and inclusionary zoning programs.

Assuming a locality adopts HB278-style rent regulation, and a developer is required under SB74 to set aside a portion of new buildings for affordable housing, all of which are subject to a 3% rent cap after 10 years, the economic feasibility of multifamily development may be negatively impacted. If market-rate units are restricted by a 3% (or less) local rent cap, this negates the ability of developers to charge higher market rents on unregulated units to subsidize affordable units. Construction relies on private developers' ability to secure financing based on the expectation of profit. Enforcement of a fixed 3% rent cap may be a significant financial disincentive for lenders (Brooks, 2026; Seltzer, 2024). This happened in Portland, Oregon, where a drop in multifamily permits was linked to the combined impact of an inclusionary zoning mandate and rent restrictions (Pacific Research Institute, 2023).

The Code of Virginia gives localities the power to finance development project costs by using real estate

[37] https://lis.blob.core.windows.net/files/1217853.PDF

tax increments to encourage private investment in development project areas[38]. The intersection of rent control policies with Tax Increment Financing (TIF) may also present economic challenges. TIF districts freeze property tax revenues at a baseline level and issue municipal bonds to fund initial development or local infrastructure. The public debt is repaid using the tax increment generated by the appreciation of property values. Rent control may disrupt this financial tool in properties that use the income approach to valuation, covering most residential rental properties.[39]

Additional Policy Considerations

Rent Regulation as Affordable Housing Preservation

Filtering is the market-based process where aging housing units naturally become more affordable over time. However, recent American Housing Survey data indicates that filtering efficacy varies by region and can even reverse in tightening housing markets, with units increasingly filtering upward to higher-income brackets (Spader, 2025). Under these conditions, moderate rent stabilization can function as an intervention to preserve the affordability of older housing stock rather than relying on stalled filtering mechanisms.

Rent Control in Expiring LIHTC Properties

Over 485,000 LIHTC units nationally are projected to reach their 30-year expiration mark between 2020 and 2029 (Urban Institute, 2023). To mitigate this potential displacement crisis, a growing number of jurisdictions are evaluating targeted rent stabilization measures to preserve affordability. In Massachusetts, legislators enacted temporary rent control measures targeting government assisted properties. The model used in Massachusetts implemented a rolling three-year rent cap following the expiration of federal affordability requirements (M.G.L. c. 40T, § 7)[40] (Spectrum Compliance 2025). During this three year period, rent can only increase once annually in accordance with annual CPI increases. Opponents of this method argue that it undermines original underwriting agreements and may discourage developers from participating in future LIHTC rounds and preserving affordable housing in expiring LIHTC properties.

Oregon requires LIHTC property owners to provide a one-year notification to the state housing agency and all tenants before terminating affordability covenants. During this twelve-month window, the landlord is blocked from raising rents or altering lease terms.

Unit Conversion into Condominiums

In response to rent control regulation, housing providers may withdraw their units from the rental market. A review of existing studies shows that rent control policies have led to an overall reduction in rental units through condominium conversions and building sales. In San Francisco, rent control was associated with mass condominium conversions and an increase in market rate rents across the city (Diamond, McQuade, and Qian, 2018). The implementation of rent stabilization in Washington, D.C. was followed by a 14% decline in the total number of rent-controlled units over a multi-decade period, suggesting that units previously under rent control were taken off the rental market (D.C. Policy Center, 2025).

[38] For more information see: § 58.1-3245.2. Tax increment financing.
[39] For more information see: § 58.1-3295.1. Assessment of real property; residential rental apartments.
[40] https://malegislature.gov/Laws/GeneralLaws/PartI/TitleVII/Chapter40T/Section7

Examples: State Regulation of Conversion Practices

States and localities have introduced legislation to combat the conversion of regulated units into condominiums, but these interventions often triggered legal battles.

New Jersey: Local jurisdictions are preempted from regulating condominium conversions. However, state law also requires landlords to give a three-year notice before pursuing a conversion-related eviction, and tenants are entitled to up to five one-year stay-of-eviction actions[41]. To bypass this potential eight-year delay (three year notice plus five years of court stays of eviction), after the first stay action, a landlord may financially compensate the tenant (equal to five months' rent) and legally obtain possession of the unit. If the landlord provides this compensation, the court is legally blocked from granting further one-year stays[42].

New York: The state updated its condominium conversion regulations as part of the previously mentioned 2019 rent control expansion.

Virginia: The proposed legislation contains no provision restricting a property owner's right to withdraw a building from the rental market. Currently, the Code of Virginia regulates condominium conversions by requiring a 120-day notice period and a right of first refusal for tenants[43].

Case Study in Conversion Policies: California

In 1986, California passed the Ellis Act, a state preemption law that prevents localities from compelling property owners to remain in the rental market. This allows California landlords to circumvent local rent caps by converting apartments into ownership structures, like condominiums, regardless of local ordinance requirements. In response, many California municipalities established conversion processes that make condominium conversions financially prohibitive. Cities may mandate landlords pay tenant relocation assistance fees that can reach tens of thousands of dollars per unit. Additionally, tenants are frequently offered a Right of First Refusal (ROFR) at the previously restricted rent level (Upjohn Institute, 2021) and many cities have strict annual quotas on how many apartments can be converted into condominiums. Los Angeles prevents condo conversions when local vacancy rates fall below 5%[44], and many other cities also only allow for conversions above a certain vacancy threshold. In summary, while California landlords can invoke the Ellis Act to convert rent-controlled units, municipal hurdles make the process complex and expensive.

Permitting Disparities and Construction Pauses

A Comparative Analysis of St. Paul and Minneapolis

Comparing rent regulation in St. Paul (3% annual cap on rent increases) and Minneapolis (no cap) suggests that market-rate housing permits may increase by larger margins in unregulated markets even though this may not help lower- and middle-income residents (Piccioto, 2025).

In 2021, St. Paul voters approved strict rent control ordinances, capping annual rent increases at a flat 3%

[41] N.J.AC. 5:24-1.12
[42] N.J.S.A. 2A:18-61.11
[43] § 55.1-1982. Conversion condominiums; special provisions.
[44] Los Angeles, Cal., Ordinance No. 153,024 § 4(0(6) (Oct. 4, 1979)].

with no initial exemptions for inflation, new construction, or tenant vacancies[45]. A 2025 St. Paul city map[46] showed that market-rate rental unit construction shrank from 821 units in 2023 to 112 in 2024. This reduction in unit construction is likely due in part to macroeconomic conditions like interest rates. Macroeconomic factors causing building costs to rise paired with a fixed 3% cap on revenues may have discouraged development.

In 2022, a large multifamily development in St. Paul was halted, with developers and others citing St. Paul's 2022 to 2025 rent control regulations as a significant contributing factor in the construction pause (Halter, 2025; Mattera, 2025). The project resumed in 2025 only after the city removed certain rent control provisions, reduced density requirements, and amended tax incentive financing agreements to offset the heightened risk (Halter, 2025). Conversely, Minneapolis, which elected not to enact rent regulation, saw a 68% increase in multifamily permitting over the same period.

Reducing Inequality

Because tenants generally have lower-incomes than landlords, rent control can reduce economic inequality by transferring costs from renters to landlords (Kholodilin, 2024). Additionally, Montgomery County's Office of Rent Stabilization (ORS) found that rent-stabilized units are significantly more likely to be located in communities with higher rates of Black, Latino, and immigrant residents, arguing the policy mitigates displacement risks for these communities (Bruton, 2026).

Affordability Shifts

Studies indicate that while rent control may increase housing stock for extremely low-income households, this is sometimes offset by a decline in units available to higher-income brackets (Stacy et al., 2024).

Incentive Mismatches

Artificially constrained prices may lead to "misallocation," where tenants remain in units that no longer suit their household size (e.g., "empty nesters"), resulting in an inefficient distribution of housing resources (Kholodilin, 2024).

Notice Requirements

The proposed bills require a minimum of 90 days' written notice for any rent increases. This aligns with legislation passed in 2026, HB678, that requires a landlord to provide the tenant with written notice of a rent increase at least 90 days prior to the end of the rental agreement term. The 90 day notice period mirrors requirements in rent control legislation enacted in other states and jurisdictions.

State and Locality Legislative Comparison

Trends of Explicit Preemption and the Dillon Rule

In response to the widespread housing crisis and increase in cost burdened households, lawmakers are increasingly considering policy interventions, such as local rent caps. The National Apartment

[45] In 2022 and 2025 this ordinance was amended to include construction exemptions and allow an 8% increase when an apartment is vacated with just cause.
[46] https://stpaul.maps.arcgis.com/apps/dashboards/5aae888c73004b17adef51e0bbab7464

Association tracked 191 state rent control-related bills in 2026, alongside 25 local rent control ordinances (Harrold & Ehrbeck-Malhotra, 2026)

The national landscape of rent control is highly fragmented. While at least 25 states actively preempt local governments from regulating rent, several have either adopted statewide stabilization frameworks or granted municipalities the authority to opt in. Legal preemption is achieved through two primary mechanisms: explicit statutory preemption or implicit preemption via the Dillon Rule.

Explicit Statutory Preemption: A state legislature passes a law specifically banning counties, cities or municipalities from regulating private rental rates. Recently there has been a wave of legislative actions reaffirming or establishing these bans.

Implicit Preemption (The Dillon Rule): Unlike states that require proactive legislation to ban rent control, several states prohibit it by default under the Dillon Rule where local governments only possess the powers expressly granted to them by the state legislature. Without specific enabling legislation, localities cannot legally enact rent control laws.

Table 7

State Comparisons of Rent Regulation Preemption in Selected States

State	Preemption Type	Code section
Alabama	Explicit	AL Code § 11-80-8.1 (2025)
Alaska	Implicit	Dillon Rule
Arizona	Explicit	AZ Rev Stat § 33-1329 (2025)
Arkansas	Explicit Statutory	AR Code § 14-16-601 (2019)
Colorado	Explicit Statutory	C.R.S. § 38-12-301
Florida	Explicit Statutory	Fla. Stat. § 125.0103 (counties) & § 166.043 (municipalities)
Georgia	Explicit Statutory	GA Code § 44-7-19 (2024)
Idaho	Explicit Statutory	ID Code § 55-306 (2025)
Illinois	Explicit Statutory	50 ILCS 825/1
Indiana	Explicit Statutory	IC § 32-31-1-20
Iowa	Explicit Statutory	IA Code § 364.3 (2025)
Kansas	Explicit Statutory	KS Stat § 12-16,120 (2024)
Kentucky	Explicit Statutory	KRS 67.712, 67.083, 82.082, and 83.420,
Massachusetts	Explicit Statutory *(with voluntary/compensated exception)*	MA Gen L ch 40P (2025)
Michigan	Explicit Statutory (*with government-owned/voluntary exceptions)*	MCL § 123.411
Mississippi	Explicit Statutory	Miss. Code Ann. § 21-17-5(2)(h)
Missouri	Explicit Statutory	RSMo § 441.043
Montana	Explicit Statutory	MT Code § 7-1-111 (2025)
Nebraska	Explicit	Neb. Rev. Stat. § 13-331

Nevada	Implicit	Dillon Rule
New Mexico	Explicit Statutory	NM Stat § 47-8A-1 (2025)
North Carolina	Explicit Statutory	NC Gen Stat § 42-14.1 (2024)
North Dakota	Explicit Statutory	N.D.C.C. § 47-16-02.1 (2025)
Ohio	Explicit Statutory	O.R.C. § 5321.19
Pennsylvania	Implicit	Dillon Rule
South Carolina	Explicit preemption	SC Code § 27-39-60 (2025)
South Dakota	Explicit Statutory	SD Codified L § 6-1-13 (2025)
Tennessee	Explicit preemption	TN Code § 66-35-102 (2024)
Texas	Explicit Statutory *(with governor-approved disaster exception)*	TX Loc Govt Code § 214.902 (2025)
Utah	Explicit Statutory	Utah Code § 57-20-1
Vermont	Implicit	Dillon Rule
Virginia	Implicit	Dillon Rule
Wisconsin	Explicit Statutory	Wisconsin State Statute 66.1015

Enacted Stabilization Programs

Summary

States that have enacted pro-rent legislation generally focus on second-generation “anti-rent gouging” mechanisms rather than first-generation absolute rent freezes. The policies often pair floating percentage-based caps with rolling exemptions for newly constructed properties. This section also examines many, but not all, locally enacted rent regulation programs and provides a brief overview. More comparison points can be found in the “Policy Analysis” section of this document.

Construction Exemptions and Rent Caps

Compared to existing frameworks, HB278 and SB355’s proposed 10-year construction exemption is shorter than other statewide rent regulation systems. Additionally, HB278 and SB355 mandate that any locality adopting an ordinance must calculate an annual allowance that does not exceed 3%. This fixed cap differs from the inflation-linked models found in other states, but matches the 3% cap allowed by default in St. Paul, Minnesota.

Table 8

Selected State and Locality Comparisons of Rent Increase Limit and New Construction Exemption Timeframes

Jurisdiction	General Cap Mechanism	New Construction Exemption Limit	Code Section
Washington State	7% + CPI (Max 10%)	12 years	RCW 59.18.700 (2025)
California	5% + CPI (Max 10%)	15 years	CA Civ Code § 1947.12 (2025)
Oregon	7% + CPI (Max 10%)	15 years	ORS 90.323
New York (local option)	Varied	Built post-1974	Emergency Tenant Protection Act (ETPA): Chapter 576 Laws of 1974 as Last Amended
Portland, Maine	70% of the change in the CPI-U for the Greater Boston Metro Area	Subject to board approval	Portland City Code § 6-234
Montgomery County, Maryland	3% + CPI-U (Max 6%)	23 years	Montgomery County Code Chapter 29 Sec. 58-62
Prince George County, Maryland	3% + CPI-U (Max 6%)*	Built on /after January 1, 2000	Prince George's County Code Subtitle 13, § 13-144 & § 13-147
St. Paul, Minnesota	3% (just cause vacancy increase exception CPI + 8%)	20 years	Title XIX - CONSUMER PROTECTION - Chapter 193A. Residential Rent Stabilization
Washington, D.C.	2% + CPI-W (Max 10%)	Built after 1975	Code of the District of Columbia § 42–3502

Note. *For Prince George's County: While standard regulated units are capped at CPI-U + 3% (Max 6%), age-restricted senior housing is capped lower, at the lesser of CPI-U or 4.5%.

Local Option or Statewide Mandate

Like New York, Virginia's proposed legislation is a local option allowing municipalities to implement rent control if they so choose. Conversely, California and Oregon opted to enact statewide mandates for their localities. Unlike Virginia's proposed bills, only certain localities in New York have the option to enact rent control measures. Supply-constrained localities in New York must declare a housing emergency after conducting a vacancy study that finds a rental vacancy rate of 5% or less to enact the

optional rent regulations[47].

Enforcement

Virginia's proposed enforcement system is most similar to those in New York and St. Paul, Minnesota, where administrative boards arbitrate and make determinations. To aid enforcement, California and Montgomery County, Maryland require landlords to register their units annually, providing data on current rents and prior increases. In many California cities, a landlord is prohibited from issuing a rent increase if the unit is not properly registered. The treble damages (triple the amount of actual or compensatory damages awarded to a prevailing plaintiff), and payment of attorneys' fees provisions in California and Oregon encourage landlords to adhere to rent-control provisions to avoid costly court fees.

Required Maintenance

HB 278's strategy of using rent increases as habitability enforcement is similar to the framework in Montgomery County, Maryland, where landlords are legally prohibited from increasing rent until the property returns to compliant status. Similarly, St. Paul, Minnesota, includes property deterioration and safety code violations as primary factors when making determinations in rent increase applications above its 3% cap. New York also restricts building-wide rent increases if hazardous violations exist. The proposed law in Virginia adds a unique judicial component by barring a landlord from obtaining an order for possession in eviction court if properties do not meet building code standards.

Housing Provider Exemptions

Unlike Virginia's HB278 and SB355, all other studied statewide rent control laws exempt subsidized properties from rent-regulation provisions because their rents are already established by state or federal program guidelines. Additionally, California and Oregon exempt small landlords from established rent caps and localities in New York and New Jersey frequently exempt small multifamily buildings.

Vacancy Controls

In Oregon and California, rent control regulation does not apply to rent increases on vacant apartments if the prior tenant vacated by choice or by for-cause eviction. Some localities make similar partial decontrol stipulations in their systems, as in Washington, D.C.'s 10% market rate allowable increase. HB278 does not make distinctions between vacant and nonvacant apartments. Vacancy decontrol, as seen in California and Oregon, serves as a safeguard against the supply shortages and disinvestment seen in San Francisco and New York City. Conversely, vacancy controls prevent units from resetting to market rates. Many localities in New Jersey utilize conditional decontrol, meaning a landlord can raise the rent upon vacancy if they invest a specific amount of money into renovating a unit. The majority of New Jersey municipalities with local rent regulations[48] utilize some form of vacancy control (Goetz et al. 2021).

Income Formulas

The majority of other states with rent regulation systems use a fair return on investment formula similar to Virginia's HB278 and follow established economic standards. New York does not use a single fair return on investment definition but instead uses a unique history-based maximum.

[47] https://hcr.ny.gov/system/files/documents/2024/11/fact-sheet-08-11-2024.pdf

[48] New Jersey has over 120 municipalities with some form of rent regulation legislation in place.

Washington State (HB1217, 2025)

This legislation caps annual rent increases at 7% plus regional CPI, or a maximum of 10%, whichever is lower. This law exempts new residential construction for 12 years following the issuance of the first certificate of occupancy and is scheduled to sunset on July 1, 2040.

Additional exemptions in the law include tenancy in a dwelling unit owned by a:

1. Public housing authority;
2. Public development authority;
3. Nonprofit organization, where maximum rents are regulated by other laws or local, state, or federal affordable housing program requirements; or
4. Nonprofit entity, as defined in RCW 84.36.560, where a nonprofit organization, housing authority, or public development authority has the majority decision-making power on behalf of the general partner, and where maximum rents are regulated by other laws or local, state, or federal affordable housing program requirements.

California (Tenant Protection Act of 2019)

Since the 1970s, many larger cities in California have had some form of rent control. The 1995 Costa-Hawkins Act placed limitations on how much local governments can regulate rent. The Costa-Hawkins Act does not prohibit the adoption of local rent control ordinances but ensures that the right to control rents on housing units financed by the state are not subject to rent control imposed by any other agency. It also established categories of rent control, either "strict" or "moderate," with the goal of preempting local laws on vacancy control and strict controls.

In 2019, California enacted statewide rent caps in the Tenant Protection Act of 2019.
This Act limits annual rent increases to 5% plus the local CPI or a hard cap of 10% total. It applies a rolling 15-year exemption for new construction and includes mandatory "just cause" eviction protections after 12 months of tenancy. There are no limitations to landlords resetting rent once a tenant moves out. California localities can enact more restrictive rent caps than those outlined in the Act. The Act establishes a baseline meant to cover properties not already subject to rent regulations.

California's statewide law exempts single-family homes and condominiums from rent regulations if:

- Not owned by a corporation
- Not owned by a real estate investment trust (REIT)
- Not owned by an LLC with at least one corporate member

Oregon (ORS 90.323)

Oregon's 2019 SB608 was the first statewide rent stabilization law in the country. While Virginia's HB278 provides a local option, Oregon's law is a mandatory statewide framework. Oregon law caps the annual increases at 7% plus the West Coast CPI or a hard maximum of 10%. It exempts units built within the last 15 years on a rolling basis as well as federally subsidized affordable housing. Oregon exempts landlords who own two single-family homes from rent caps.

New York

New York's 2019 Emergency Tenant Protection Act (ETPA) enables municipalities in New York State to opt-in to rent stabilization. Prior to June 14, 2019 rent stabilization only applied to New York City and its surrounding counties. Local governments who wish to opt-in must declare a state of housing emergency

and meet ETPA. The ETPA requires a vacancy rate under 5% and applies to properties with six or more units built before 1974. The ETPA shifted the established rent control model from a model that allowed for the gradual deregulation of apartments to more permanent stabilization guidelines.

Portland, Maine

With no statewide ban in effect, the city of Portland enacted an ordinance that caps base rent increase to 70% of the local CPI. Landlords cannot raise rent beyond this indexed rate without applying to a local rent board for specific exemptions.

Prince George's County, Maryland

Prince George's County enacted rent control late in 2024[49]. Similar to Montgomery County, Prince George's limits yearly rent increases to 3% + CPI-U (Max 6%) with lower increase caps for senior housing. Its exemptions include (among other standard exemptions):

- A unit whose construction was completed on or after January 1, 2000
- Accessory dwelling units
- Units subject to a regulatory agreement with a governmental agency or an agreement with a third-party entity that restricts occupancy of the unit to low- and moderate-income tenants

St. Paul, Minnesota

When the St. Paul ordinance passed in 2021, it was considered the strictest rent control model in the country due to its 3% cap and no exemptions for new construction. The law has been heavily amended in recent years. St. Paul amended its ordinance to include a 20-year exemption for new builds and created a "just cause" vacancy provision. Under the vacancy provision, if a unit becomes vacant for just cause (outlined in the ordinance), the landlord can increase rent by 8% plus CPI. If the vacancy is not for just cause, the landlord is limited to the 3% cap.

Washington, D.C.

The nation's capital has a long history of regulating rents. Washington, D.C. uses CPI-W + 2%, but not more than 10% as the yearly rent increase cap. For tenants who are elderly or disabled, the maximum increase in rent charged is the CPI percentage only, but not more than 5%. The city practices vacancy decontrol, and allows for a rent increase to a similar market rate rental once a tenant leaves (but not more than 30%), or 10% more than the previous tenant's rent. The system also allows for landlord exemptions in the case of capital improvements or hardship. The hardship exemption says that "housing providers are allowed to raise rents enough to earn a 12% rate of return on the housing provider's rental property investment"[50].

Montgomery County, Maryland

Montgomery County is in at least its third iteration of enacting a rent control system. For instance, after President Nixon's federal cap on rents ended in 1973, the County enacted its own legislation to continue

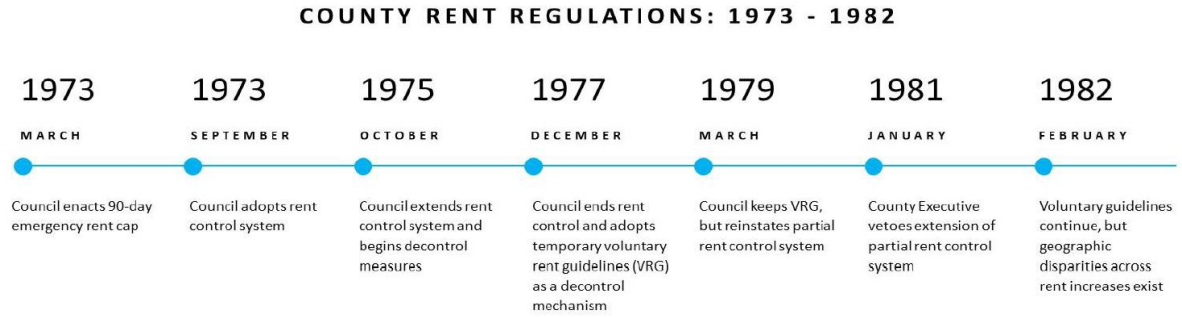
[49] See the following for a breakdown of Prince George's County's rent stabilization system: https://www.princegeorgescountymd.gov/departments-offices/permitting-inspections-and-enforcement/about-dpie/code-enforcement/permanent-rent-stabilization-and-protection-act-prsa

[50] https://dhcd.dc.gov/sites/default/files/dc/sites/dhcd/publication/attachments/RentControlFactSheet.pdf

the policy according to an extensive study conducted by the county's Office of Legislative Oversight (OLO; Bryant et al., 2023):

Figure 16

1973 – 1982 Montgomery County Rent Regulation Timeline Excerpted from the OLO Report



Montgomery County, Maryland's newest "Rent Stabilization" law (16-23) received 7 votes in support and 4 votes against in a March 28, 2023 hearing[51], was enacted on July 20, 2023, and took effect on July 23, 2024 (Montgomery County Council, 2023). This law requires the County's Department of Housing and Community Affairs to set the annual rent increase allowance for rent-stabilized units based on the Consumer Price Index for All Urban Consumers for the Washington-Arlington-Alexandria Area (CPI-U). The allowable rent increase is calculated as either:

- CPI-U +3%, or
- A flat 6%, whichever is lower. (Bruton, 2026)

Over 60,000 units in Montgomery County are rent stabilized, representing around 57% of rentals in the county. In the following section VHC will analyze the Rent Stabilization law's observed effect on rental prices, rental fees, and multifamily construction permitting.

Case Study: Montgomery County, Maryland Rent Stabilization Analysis

Rental Prices

According to the most recent US Census American Communities Survey data, some areas, like Washington, D.C., had a cluster of nearby counties (Arlington and Fairfax in Virginia and Montgomery in Maryland) where median rents dropped from 2015-2019 to 2020-2024 (Brassell, 2026). Notably, this is before rent stabilization took effect in Montgomery County.

Figure 18

U.S. Census Bureau Analysis of Largest Rent Decreases from 2015 – 2019 to 2020 – 2024

[51] Full hearing available on YouTube: https://www.youtube.com/watch?v=RoyI4Mqgi1Y

U.S. Counties With Among Largest Monthly Rent Decreases: 2015–2019 to 2020–2024

(In inflation-adjusted U.S. dollars)

Counties	Gross rent (2015–2019)	Margin of error (±)[1]	Gross rent (2020–2024)	Margin of error (±)[1]
With Fewer Than 50,000 Renters				
Dukes, MA	1,795	228	1,277	413
Elliott, KY	806	128	432	64
Greene, AL	753	76	432	146
Chowan, NC	981	73	681	40
Calhoun, WV	752	151	473	127
With More Than 50,000 Renters				
Montgomery, MD	2,176	11	2,068	20
Arlington, VA	2,425	23	2,322	26
Honolulu, HI	2,148	23	2,083	30
Fairfax, VA	2,314	14	2,276	15
Bronx, NY	1,491	9	1,458	16

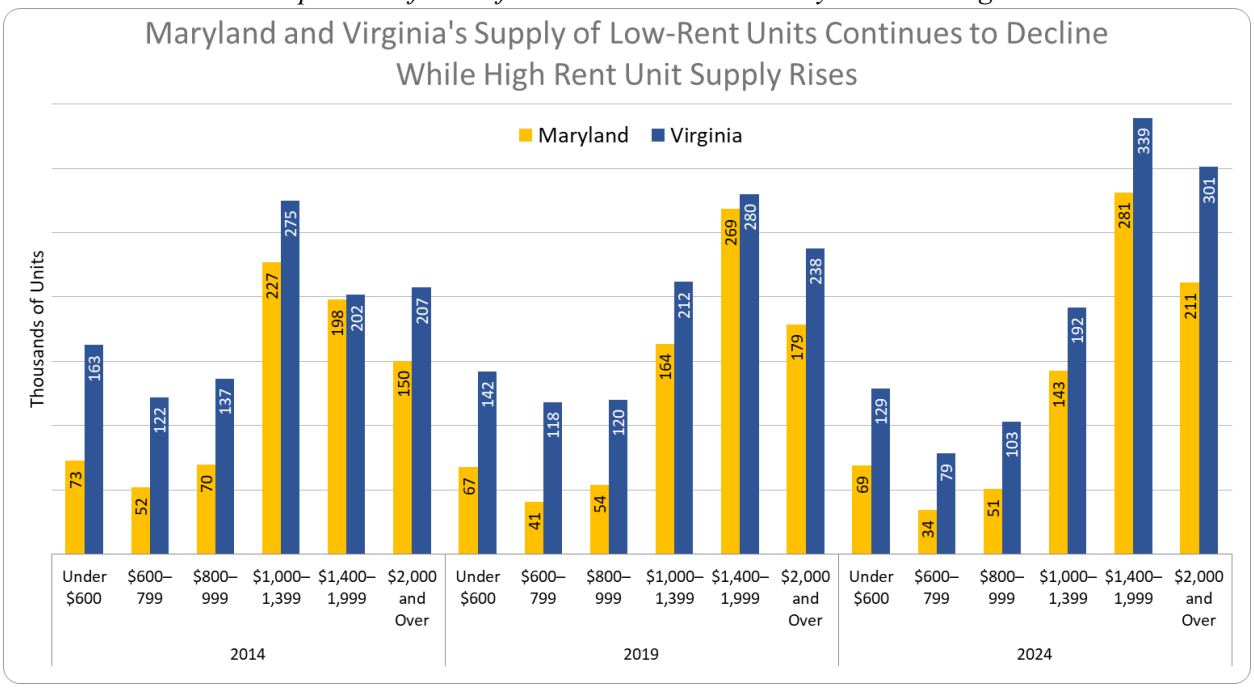
[1] A margin of error (MOE) is a measure of an estimate's variability. The larger the MOE in relation to the size of the estimate, the less reliable the estimate. This number, when added to and subtracted from the estimate, forms the 90% confidence interval.

Source: U.S. Census Bureau, 2019 and 2024 American Community Survey 5-year estimates. For more information on the ACS, visit <www.census.gov/programs-surveys/acs.html>.

While the median rent is dropping in these counties, the number of units affordable to extremely low income households has dropped in Maryland, Virginia, and nationwide over the last ten years, according to a recent analysis of rental housing by Harvard's Joint Center for Housing Studies (2026):

Figure 19

2014 – 2019 – 2024 Comparison of Rents for All Rental Units in Maryland and Virginia



Note. Data sourced from JCHS analysis of U.S. Census ACS.

More recent data for rental changes is not yet available.

Rental Fees

Under Montgomery County's Rent Stabilization law, there are new requirements surrounding rental fee increases and notices. For example, please see Montgomery County's most recent "Fee Schedule for

Regulated Rental Units July 1, 2026 – June 30, 2027":

Table 9

Montgomery County Office of Rent Stabilization Fee Schedule

Type of Fee	Maximum Fee
Application Fee	$25 or the actual documented cost of credit check and other screening costs.
Pet Fee	Up to $314.88 refundable pet deposit. Up to $26.23/pet/month.
Lost Key Fee	The actual cost to the landlord, plus $25.
Lock Out Fee	$26.23 per lockout*. If a third party is used, the actual charge for the service. The two fees cannot be combined.
Secure Storage	No fee for storage located within, attached to, or associated with a unit.
Internet or Cable Television	The actual cost to the landlord divided by the number of rental units voluntarily opting in.
Motor Vehicle/Motorcycle Parking Fee	An increase of 2.2% from the current fee. No new Parking Fee is allowed without DHCA approval.
Bicycle Fees	Cannot exceed the following fraction of any motor parking fee (Section 29-35A): (1) one-sixth, for a secure, fully enclosed bicycle locker; or (2) one-tenth of any other bicycle parking space.

Additionally, in Montgomery County's recently released report on Office of Rent Stabilization (ORS) activity since the law's enactment until December 31, 2025, ORS claims to have reduced fees by $22.28 per regulated unit, representing a 34% reduction in monthly fees, and issued a total of $23,243.63 in fee refunds across 207 units through its enforcement efforts (Bruton, 2026).

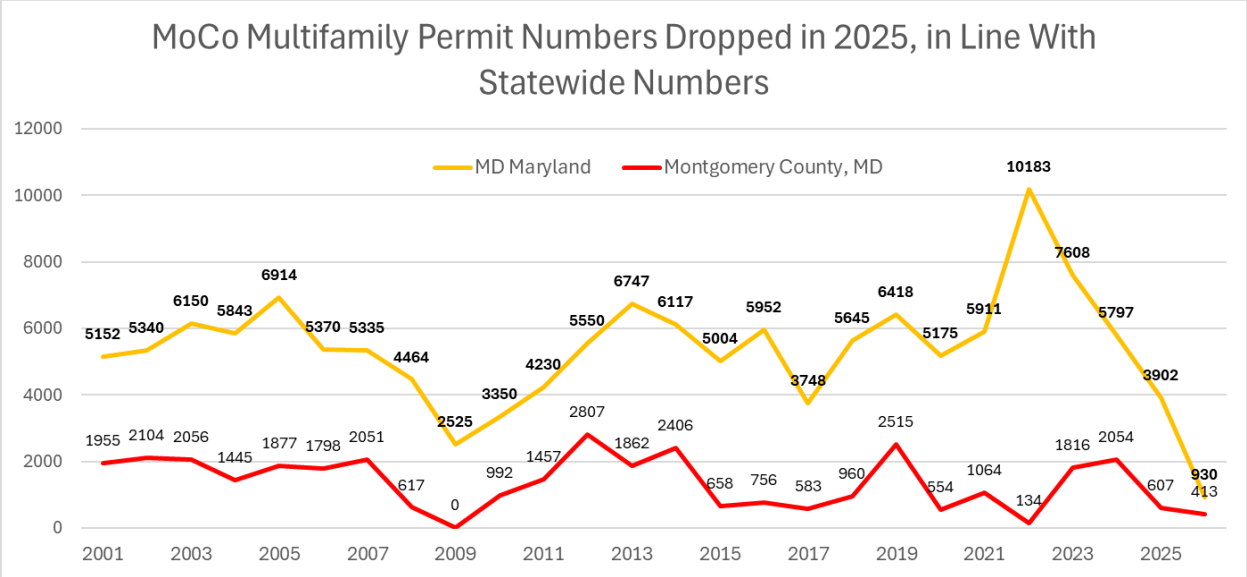
Residential Multifamily Construction Permitting

Since Montgomery County's rent stabilization law took effect, 1,160 new multifamily residential units have been permitted according to HUD SOCDS preliminary data. HUD does not have final data available for calendar year 2025 or 2026 for VHC to review.

Below is an analysis of residential multifamily (2+) unit permits in Montgomery County, Maryland and the entire state of Maryland since 2001 based on the preliminary HUD data.

Figure 20

2001 – 2026 Preliminary HUD Data comparison of Montgomery County and Maryland, statewide multifamily permits



Note. The following three figures were all created using preliminary data from HUD SOCDS

There appears to be a correlation between the number of residential multifamily unit permits issued in the County and statewide. Montgomery County's 2024 permits were up slightly over 2023 permit numbers despite steep declines in Maryland, statewide. In 2025 Maryland's statewide multifamily residential permit numbers were at nearly their lowest level since the 2008 housing crisis.

Table 10

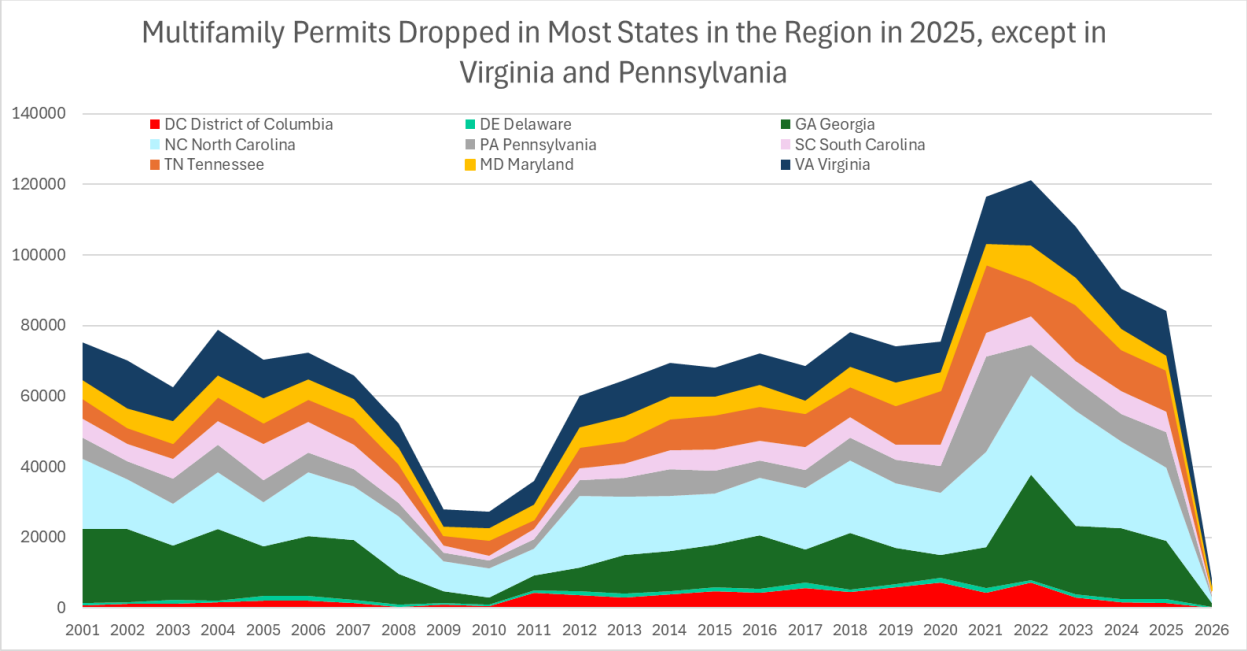
Montgomery County, Maryland Selected Permit Statistics

Montgomery County, Maryland Selected Permit Statistics	Value
Average # of Multifamily Residential Unit Permits Issued in MoCo since 2001	1,367
Median # of Multifamily Residential Unit Permits Issued in MoCo since 2001	1,451
MoCo Permits as a % of All MD Permitting in 2024	35%
MoCo Permits as a % of All MD Permitting in 2025	16%
MoCo Permits as a % of All MD Permitting in 2026	44%

While Montgomery County's 2025 permit numbers are lower than their historical average and median, it is difficult to determine if the law is directly responsible for the decline in new permits in Montgomery County. The County is following Maryland's statewide trend of lower permit numbers for residential multifamily construction in the last several years. Regionally, multifamily construction permitting mirrors Maryland's downward trend in the last several years, excepting Pennsylvania and Virginia.

Figure 21

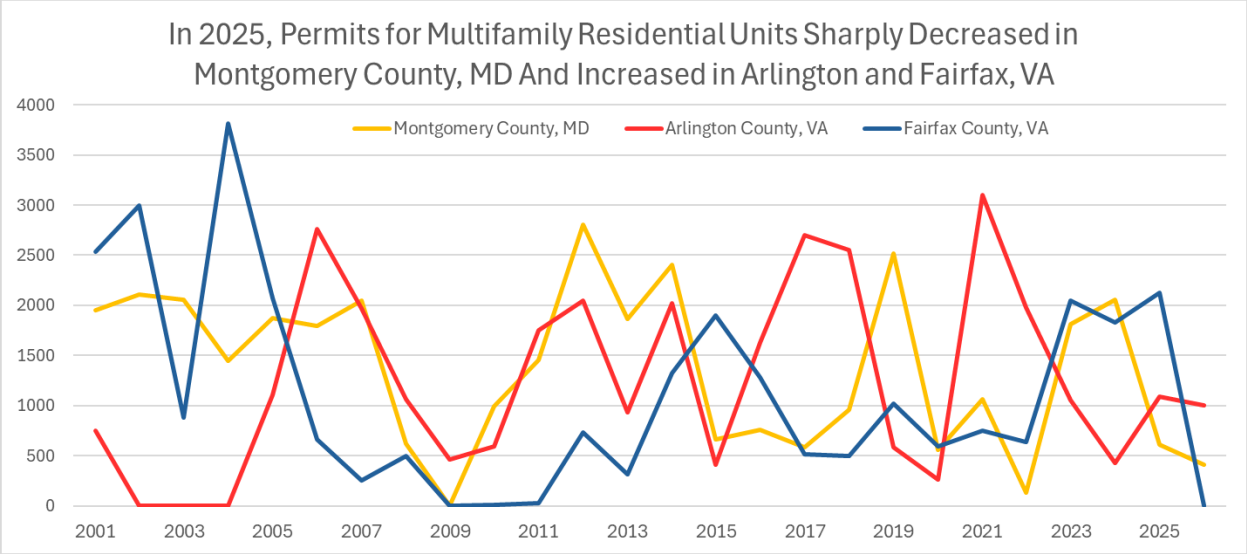
2001 – 2026 Preliminary HUD Data comparisons of Delaware, Georgia, Maryland, North Carolina, Pennsylvania, South Carolina, Tennessee, Virginia, and Washington, D.C. statewide multifamily permits



The Commission also examined Montgomery County, Maryland in comparison to two of its Virginia neighbors, Arlington County and Fairfax County, Virginia. Both Virginia localities have issued a similar number of multifamily residential permits (as opposed to Alexandria, Falls Church, and Prince William County which had much lower overall permit numbers in the past few decades).

Figure 22

2001 – 2026 Preliminary HUD Data comparisons of Montgomery County, MD, Arlington County, VA, and Fairfax County, VA multifamily permits

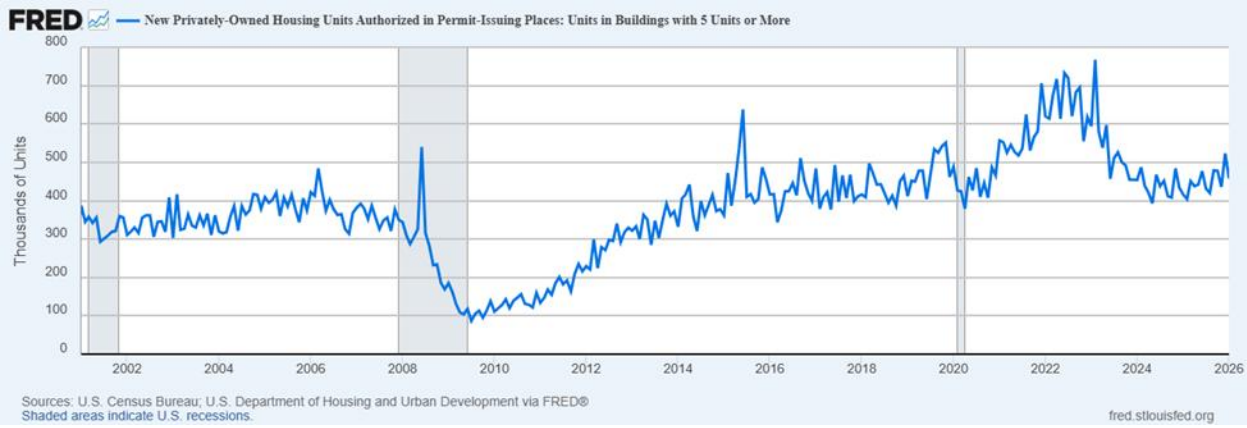


Both Virginia counties saw larger numbers of multifamily residential permits in 2025 compared with 2024, as opposed to the decline seen in Montgomery County, Maryland.

Nationally, U.S. Census data suggests macro-level factors at play in multifamily residential unit construction and permitting with declines in the hundreds of thousands of units permitted and under construction since late 2023.

Figure 23

2001 – 2026 St. Louis Federal Reserve (FRED) analysis of unit permits for buildings with 5+ units.

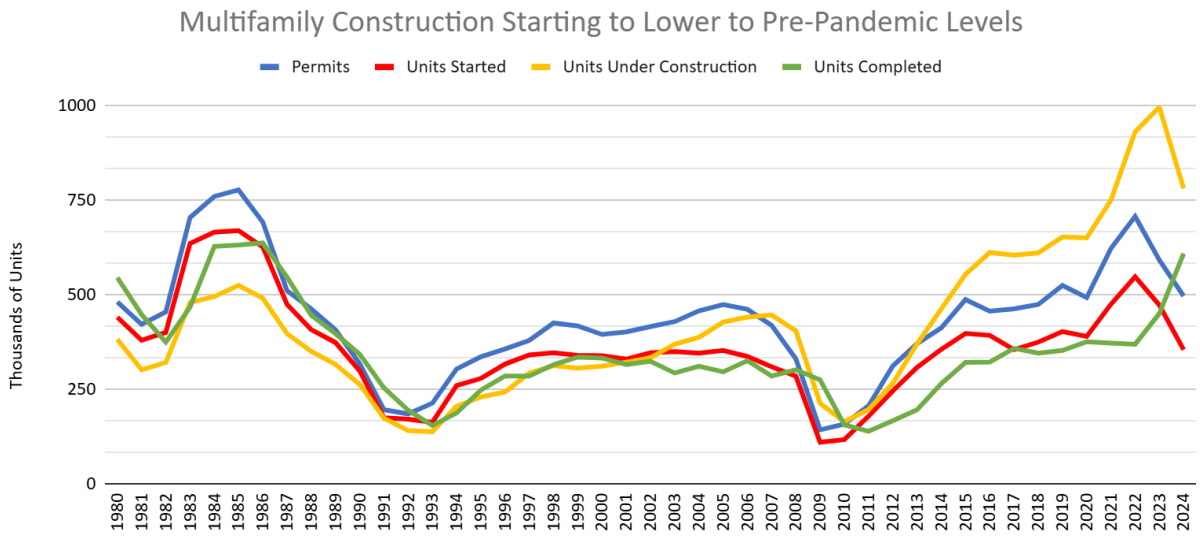


Residential Multifamily Construction

Nationally, multifamily construction numbers have also seen a similar decline since 2023.

Figure 24

1980 – 2024 analysis of U.S. multifamily construction starts



Note. Data sourced from JCHS 2026 Analysis of U.S. Census Construction Data

Conclusion and Policy Implications

The Commission's analysts pose several considerations for enacting a rent regulation system, all found in the body of this document. The economic environment is uncertain; however, VHC staff concludes that the proposed Virginia policy examined in this study will disproportionately impact small landlords while also presenting challenges for larger landlords.

Based on the existing research and available data, it is difficult to say whether this policy, where implemented, directly impacts multifamily development. The complexity of the housing market makes it difficult to isolate rent control as a singular variable driving multifamily residential development decisions. Significant national and regional economic factors cloud the outlook, as we examined. Although, developers have cited rent control regulation paired with rising building costs as potentially detrimental to future multifamily project development. While construction factors are difficult to isolate, studies have demonstrated a loss in rental housing units in municipalities with rent control ordinances as landlords often respond to these policies by removing affected units from the rental market.

Rent control regulations have been proven to reduce displacement for tenants in units subject to regulation. However, rent regulation is not a means-tested policy. It's based on characteristics of the unit, rather than the person living in it no matter their income-level. Rent control will not necessarily help extremely low-income households who may qualify for direct housing assistance, like HCV, if it were available to them.

Examining rent regulation requires considering trade offs and what Virginia and its local governments want to incentivize. If the goal of a locality is to help low-to-moderate-income renters in the private market stay in their homes and spend a reasonable portion of their monthly income on rent, second generation rent regulation can help localities work toward that goal. If, however, the goal is to address the rising cost of housing for all renters in the locality, or statewide, then exploring interventions whose primary aim is to build more housing units would likely be more effective.

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Appendix

Rent Control Regulatory Models and Formulas

The following are common regulatory models in rent control or stabilization regimes (Tranjan and Vargatoth, 2024).

First-Generation Rent Control

- **Rent freeze:** Governments in the early 20th century enacted rent freezes, typically in reaction to housing supply shocks created by wartime production, economic turmoil and tenant protests (Pastor et al., 2018). Governments set prices landlords could charge for all units. Outside of the COVID-19 pandemic, this tool has seen little recent use.

Second-Generation Rent Control

- **Rent increase guideline:** This regulation cites a fixed or variable percentage which is the highest increase in rent allowed in a year. Guidelines can be linked to inflation rates, as in Ontario, Canada and Montgomery County, Maryland.

- **Vacancy regulation or vacancy control:** Rent for a unit follows the increase guideline even after tenants move out. Vacancy **de**control means landlords are allowed to reset the rent after tenants move out, and partial decontrol is allowed in places like New York City and St. Paul, Minnesota.

- **Cost pass-through provision:** In some systems, landlords can apply for the right to impose higher increases to cover expenses related to renovations, property taxes, and other costs. Rules vary from place to place, including eligible costs and the share of costs that can be passed on to tenants.

- **New unit exemption:** New units come on the market at whatever price landlords decide and may be exempted from rent controls for a set number of years.

- **Mom-and-pop exemption:** Some rent control regimes only subject larger landlords to rent control and exempt “mom-and-pop” landlords whose renters are subject to uncontrolled rents (Kholodilin, 2024). This was true in San Francisco in the 1980s (Diamond et. Al, 2018).

- **Date-based exemption:** A government decides that new units built or first occupied after a certain date are not covered by rent control.

- **Dispute settlement body:** Tribunals or quasi-judicial/legislative bodies can be part of enforcing rent control rules and disputes.

Virginia Locality Real Estate Tax Revenue Breakdown

Appendix Figure 1
FY25 APA Analysis of Real Estate Tax Revenue as a Percent of All Locality Revenues, broken down by Virginia City, County, or Town.

Cities and Towns

City	Average of Percent of Revenue	Town	Average of Percent of Revenue
Alexandria	69.51	Abingdon	19.92
Bristol	31.81	Ashland	17.45
Buena Vista	57.73	Bedford	31.36
Charlottesville	49.90	Berryville	53.04
Chesapeake	60.95	Bluefield	15.87
Covington	51.71	Christiansburg	15.91
Danville	30.39	Colonial Beach	60.65
Fairfax	60.13	Culpeper	19.83
Falls Church	64.49	Dumfries	18.31
Fredericksburg	43.27	Farmville	10.07
Galax	27.02	Front Royal	17.49
Hampton	53.57	Herndon	32.03
Harrisonburg	50.16	Leesburg	43.93
Lexington	36.78	Luray	29.96
Lynchburg	44.75	Marion	16.37

Manassas	64.18	Orange	19.27
Newport News	58.63	Pulaski	40.51
Norfolk	56.29	Purcellville	38.00
Petersburg	52.15	Rocky Mount	15.45
Poquoson	71.04	Smithfield	36.36
Richmond	56.98	South Boston	26.63
Salem	50.95	South Hill	26.10
Staunton	50.22	Strasburg	37.58
Suffolk	59.44	Tazewell	20.23
Total	57.09	Total	29.30
Virginia Beach	58.22	Vienna	45.95
Waynesboro	44.85	Warrenton	11.19
Williamsburg	41.23	West Point	62.93
Winchester	47.20	Wise	18.29
		Woodstock	20.58
		Wytheville	14.40

Counties

County	Average of Percent of Revenue
Accomack	55.70

Albemarle	70.66
Alleghany	61.25
Amelia	56.79
Appomattox	62.49
Arlington	68.42
Augusta	64.41
Bath	61.54
Bedford	65.10
Bland	31.20
Botetourt	72.10
Buchanan	41.66
Campbell	55.71
Carroll	44.78
Charles City	53.13
Charlotte	54.57
Chesterfield	67.59
Clarke	76.57
Craig	72.76
Culpeper	67.79
Cumberland	59.05
Dickenson	47.38
Dinwiddie	70.47
Essex	70.07
Fairfax	72.63
Fauquier	75.52
Fluvanna	78.35
Franklin	67.11

Frederick	61.95
Giles	61.19
Gloucester	61.02
Goochland	68.95
Grayson	62.31
Greene	62.25
Greensville	59.45
Hanover	70.57
Henrico	64.75
Henry	39.66
Highland	63.45
James City	70.39
King George	58.32
Lancaster	78.59
Loudoun	79.69
Louisa	55.50
Lunenburg	48.12
Madison	67.45
Mathews	72.25
Mecklenburg	72.47
Middlesex	76.85
Montgomery	69.24
Nelson	64.01
New Kent	56.95
Northampton	64.77
Nottoway	46.80
Orange	65.80

Page	61.50
Patrick	58.16
Pittsylvania	58.37
Powhatan	77.23
Prince Edward	53.39
Prince George	68.05
Prince William	73.38
Rappahannock	65.09
Roanoke	66.81
Rockbridge	54.53
Rockingham	67.94
Scott	59.77
Shenandoah	72.22
Smyth	36.45
Southampton	75.59
Spotsylvania	62.14
Stafford	70.16
Surry	84.21
Tazewell	46.02
Washington	50.73
Westmoreland	76.89
Wise	60.55
Wythe	58.31
York	62.38
Grand Total	**63.22**

Note. Sourced from the Auditor of Public Accounts Comparative Data Tables for FY25

Modeling Anti-Rent Gouging Board Yearly FTEs

The legislation requires the following from localities to operationalize rent regulation if they choose to enact it via local ordinance. The text of HB278 / SB355 is quoted in blue, and analyst notes are in red:

D. A locality that adopts an ordinance pursuant to this section shall:

1. Calculate an annual residential anti-rent gouging allowance that is no more than three percent. Notice of the anti-rent gouging allowance shall be published on the locality's website by June 1 of each year. Such allowance shall remain in effect for a 12-month period beginning July 1.

Locality leadership, a relevant department or agency, or the anti-rent gouging board must perform economic analysis to calculate and approve the rent regulation allowance annually.

2. Prohibit any rent increase for rental units subject to the ordinance above the locality's annual anti-rent gouging allowance in effect at the time the rent amount is determined. Only one rent increase pursuant to this section shall be permitted within a 12-month period.

The locality must establish penalties for violating the ordinance.

3. Require any landlord to provide written notice of a rent increase, any applicable exemptions, and the contact information of the anti-rent gouging board or its equivalent described in subdivision 4 a minimum of 90 days prior to the effective date of the proposed rent increase.

Locality must enforce rent increase notices when landlords do not comply.

4. Establish an anti-rent gouging board or delegate the duties and functions described in this subdivision to an existing local board, department, or agency. The anti-rent gouging board shall:

a. Establish rules and procedures by which landlords may apply for and be granted exemptions from the annual anti-rent gouging allowance, which may include any other exemptions deemed appropriate and necessary.

Create standard procedures and rules surrounding landlord compliance. Maintain and amend them as needed.

b. Establish rules and procedures for challenges to exemptions and rent increases.

Create standard procedures for tenants or other challengers to rent increases and/or other exemptions.

c. Require any landlord who is covered by an exemption pursuant to subsection C to certify his eligibility. Upon a petition initiated by an adversely affected tenant or prospective tenant, or a group representing 10 or more adversely affected tenants, such certification may be subject to review by the anti-rent gouging board. Any party to a challenge filed with the anti-rent gouging board shall have the right to appeal the board's decision to the circuit court in the jurisdiction in which the board sits.

Create and maintain a database of landlords. Create procedures for and conduct investigations of petitions. Create and run a quasi-judicial process including landlord appeals.

5. Require the anti-rent gouging board to establish a fair return on investment rent increase exemption to the annual anti-rent gouging allowance where necessary to offset increased operating expenses, in addition to any exemptions established pursuant to subsection C.

Create ROI exemption procedures that include evaluating appropriate exemptions during inflationary periods or capital investments by landlords into their property.

a. The anti-rent gouging board may adopt rules or regulations to ensure that the fair return on investment is reasonable and fairly and consistently applied.

b. The anti-rent gouging board shall not grant a fair return on investment rent increase exemption for any rental unit where the landlord has failed to bring the rental unit into compliance with the applicable building or housing code.

Requires that localities keep a list of landlords who have non-compliant rentals, and consult building code enforcement officials about what is and is not a

violation. Also implies that locality staff have financial expertise or experience with operational costs of owning rental housing.

6. Be empowered to take any other action that is necessary and proper to effectuate the purposes of its local anti-rent gouging ordinance.

Define the boundaries of the anti-rent gouging board or other city leadership in enforcing rent regulation.

E. The locality shall establish a civil penalty and may adopt any other remedies for failure to comply with the requirements in the local anti-rent gouging ordinance. Such civil penalty shall not exceed the amount set out in the ordinance and shall be payable to the treasury of the locality. In addition to any other remedies in this section, any adversely affected tenant may initiate an action through the local anti-rent gouging board or a court of appropriate jurisdiction to enforce the provisions of this section. In an unlawful detainer action brought under § 8.01-126 for nonpayment of rent, no landlord may obtain an order for possession if they have failed to comply with the requirements set out in the local anti-rent gouging ordinance.

Create civil penalties in the ordinance. Anti-rent gouging board to set up a line of communication with the courts to cooperate with unlawful detainers.

F. A locality's authority under this section shall be liberally construed to effectuate the purpose of its antirent gouging ordinance. Adoption of an ordinance pursuant to this section shall not be construed to otherwise limit a locality's authority under any other statute or ordinance.

Assumptions	Value	Description
Number of Covered Units (U)	66,000	units (66,000 for MoCo, 10,000 for smaller VA locality)
Administrative Factor	0.075	hours per unit per year
Dispute Rate (D)	0.4%	in a normal economic environment, 4 of every 1000 units triggers an audit, a petition, or some other time-consuming work
Investigation Processing Time (P)	30	hours spent processing / investigating a dispute from inception to resolution
Model	16,944	1500 hrs (.75 FTE) + 0.2(+ [(U * Admin Factor) + (P*D*U)]) + (U * Admin Factor) + (P*D*U) where .75 FTE corresponds to base leadership time and initial setup time per year, scaled by size of program, admin factor calculation for data admin and public info officer, and P*D*U to represent the time consuming portion of the process: investigations and auditing

Possible Organization

Function	Role Type	Est. Hours (Setup)	Est. Annual Hours (Ops)	Est. Annual FTE (Ops)	Key Responsibilities
Policy & Leadership	Director / Board	1466.64	2,037	1.0	Annual allowance calculation (June 1), setting civil penalties, court liaison.
Legal & Quasi-Judicial	Counsel / Hearing Officer	1466.64	2,037	1.0	Drafting ROI rules, presiding over appeals/petitions, court coordination.

Compliance & Data	Database / Business Analyst	733.32	2,475	1.2	Landlord registry, exemption certification, coding.
Investigations	Field Investigators / Auditors	0	7,920	4.0	Investigating tenant petitions (HB278, 4c), verifying ROI claims (HB278, 5).
Public Info & Admin	Public Information Officer	407.4	2,475	1.2	Website updates, general public contact.
TOTAL		**4,074**	**16,944**	**8.5**	

Financial Analysis

VHC analysts created a discounted cash flow (DCF) analysis based on two example properties in Fairfax County, Virginia: 1) for a small landlord evaluating an investment in a single-family home and 2) for an investor considering an acquisition of a 200-unit, $50M multifamily building. To create each, VHC analysts estimated what regular rent streams would be based on recent real estate assessments, budget forecasts, and other real estate reports published by Fairfax County, in addition to Zillow data. The St. Louis Federal Reserve (FRED) supplied current estimates of average U.S. mortgage rates and the 10-year Treasury yield. The National Apartment Association provides estimates of maintenance and management costs as a percent of revenue for multifamily buildings in the Washington, DC market. Freddie Mac shared a current typical multifamily loan rate. Analysts used BLS-published CPI-U for the Washington MSA to estimate current and forecasted inflation over twenty years (2027–2046).

The formula used to evaluate the expected value of the investment in scenarios 1) and 2) was the Discounted Present Value of the sum of Cash Flows from Operations (Net Operating Income - Mortgage Payments) and Equity from Sale (the current year's Building Price - the Mortgage Loan Balance - Estimated Closing Costs), discounted by $SPY approximate average annual return (10%/year).

Based on this analysis, large landlords only needed a few years, even under 3% rent increase limits, to create positive cash flows from their rented units. The smaller landlord scenario failed to realize positive cash flows under rent stabilization and conservative inflation estimates, even after decades of owning a unit. Selected assumptions for each scenario can be found, below:

1) Fairfax Single Family Home

Appendix Table 1
Selected Assumptions for Fairfax Single Family Home DCF Analysis

Assumption Description	Value	Notes
Buy Date	1-Jan-27	
Number of Units	1	
Avg Monthly Rent Per Unit	$3,500	Includes utilities and parking
Avg Yearly Rent Per Unit	$41,100	Subtracting Vacancy %
10 yr Treasury Yield	4.30%	http://fred.stlouisfed.org/series/DGS10
Mortgage Rate (implied)	6.3%	2% plus the 10-year yield
Mortgage Rate (actual avg 4/27/26)	6.23%	https://fred.stlouisfed.org/series/MORTGAGE30US

Inflation Rate (projected / terminal avg)	2.29%	
Inflation Rate (actual 4/27/26)	3.0%	https://www.bls.gov/regions/mid-atlantic/news-release/consumerpriceindex_washingtondc.htm
Rent Growth Ceiling	**3.0%**	HB278 / HB355
Assessed Value Rate Increase per year	5.7%	https://www.fairfaxcounty.gov/budget/sites/budget/files/Assets/Documents/fy2026/advertised/overview/Trends%20and%20Demographics.pdf
Money Down	$120,000	20% of $600K. 30-yr Mortgage
Cap Rate (yr 1)	3.5%	
Discount Rate	10%	S&P 500 ETF Avg Annual return

2) Fairfax Multifamily Building

Appendix Table 2
Selected Assumptions for Fairfax Multifamily Building DCF Analysis

Assumption Description	**Value**	**Notes**
Buy Date	1-Jan-27	
Number of Units	200	Multifamily building unit counts and layouts are unique. 200 seems close to median.
Avg Monthly Rent Per Unit	$2,455	Includes utility costs + parking + laundry
Avg Yearly Rent Per Unit	$1,465,800	Accounts for vacancy
10 yr Treasury Yield	4.30%	http://fred.stlouisfed.org/series/DGS10
Mortgage Rate (implied)	6.3%	

Mortgage Rate (estimate)	5.8%	Mortgage rate is slightly lower due to more money down (30%) and 10-yr repayment period (amortized over 20 years) despite increased risk due to loan size. Assumption based on private loan originator data for agency loans (Fannie & Freddie) above $10M.
Inflation Rate (projected / terminal avg)	2.29%	
Inflation Rate (actual 4/27/26)	3.0%	https://www.bls.gov/regions/mid-atlantic/news-release/consumerpriceindex_washingtondc.htm
Rent Growth Ceiling	**3.0%**	HB278 / HB355
Assessed Value Rate Increase per year	1.0%	recent declines, but values still up 8% over 2019 valuations https://www.nahb.org/news-and-economics/press-releases/2026/02/multifamily-market-expected-to-cool-in-2026-as-vacancies-rise
Money Down	$15,000,000	30% of $50M purchase price. 10-Yr balloon
Cap Rate (yr 1)	6.3%	avg is 5.7% as of q1 2026 https://mf.freddiemac.com/docs/2025_multifamily_outlook.pdf
Discount Rate	10%	S&P 500 ETF Avg Annual return
Avg Rent in 2024 (Sourced from Fairfax, VA 2024 report)	$2,092	https://www.fairfaxcounty.gov/demographics/sites/demographics/files/Assets/rentalhousingreports/rent2024.pdf

Literature Review

Autor, D. H., Palmer, C. J., & Pathak, P. A. (2014). Housing Market Spillovers: Evidence from the End of Rent Control in Cambridge, Massachusetts. *Journal of Political Economy*, *122*(3), 661–717. https://doi.org/10.1086/675536

This econometric analysis was used as evidence for the Greater Boston Real Estate Board's white paper described below. In this article, Autor, Palmer, and Pathak (2014) use a natural experiment in the unanticipated elimination of rent control in Cambridge, MA, in 1994 to quantify the capitalization of housing market events. The authors combine panel data on assessed values and transaction prices for residential properties between 1988 and 2005.

They demonstrate that rent decontrol generated substantial price appreciation for both formerly controlled units and nearby never-controlled units. The removal of rent control added an estimated $2.0 billion to the $7.7 billion in overall Cambridge residential property appreciation during the decade following decontrol.They argue that the majority of this induced appreciation ($1.1 billion) occurred in never-controlled properties. Separately, the authors conclude that more than half of the capitalized cost of rent control was previously borne by owners of never-controlled properties. While decontrol spurred increased residential investment and maintenance, the study finds that permitted developments account for only a small fraction of the total property value increases. Instead, the primary driver of appreciation was the indirect effect of improved neighborhood amenities and changing resident demographics resulting from the removal of price controls.

Ahern, K. R., & Giacoletti, M. (2026). The redistribution of housing wealth caused by rent control. *Journal of Urban Economics*, *152*, 103845. https://doi.org/10.1016/j.jue.2026.103845

Ahern and Giacoletti (2026) evaluate the wealth effects of rent control on renters, landlords, and homeowners utilizing an event study of a 2021 ordinance in St. Paul, Minnesota. St. Paul's electorate narrowly passed a rent control ordinance that capped rental increases at a fixed 3% per year with few exemptions. Later in 2022, St. Paul's Council made changes to the ordinance to provide exemptions common in other rent regulation systems (e.g., for new construction less than 20 years old). The paper also includes a table detailing recent rent control laws enacted or proposed across various U.S. localities.

The authors note that estimating the causal effects of rent regulation is historically challenging because: 1) Landlords respond to rent control by evading the law, neglecting maintenance, or removing properties from the rental market. 2) The effects of rent controls occur gradually over many years and rent control laws evolve slowly over time. 3) Data on rents and housing quality are scarce and imprecise.

Utilizing a difference-in-differences framework on a sample of nearly 170,000 real estate transactions, including single-family owner-occupied houses, duplexes, triplexes, and large apartment buildings, over the period January 2018 to July 2022, the authors demonstrate that St. Paul's rent control law caused average property values to decline by 4.0% to 5.5%. Rental properties experienced an additional 7% to 9% value decline compared to owner-occupied units. Apartment buildings with at least eight units experienced losses of more than 13% in value. The analysis reveals a regressive distribution of benefits among tenants, with high-income renters capturing substantially larger financial gains than low-income renters. Conversely, the financial burden remained flat across property owners, as small landlords experienced similar value losses to large institutional landlords. Furthermore, owner-occupants suffered significant wealth reductions driven by direct capitalization effects and negative neighborhood externalities.

Beales, H., & Zywicki, T. J. (2023). *Junkyard Dogs: The Law and Economics of "Junk" Fees*

(SSRN Scholarly Paper No. 4446501). CPI Antitrust Chronicle, April 2023, George Mason Law & Economics Research Paper No. 23-10. Social Science Research Network. https://papers.ssrn.com/abstract=4446501

Beales and Zywicki (2023) evaluate the law and economics surrounding the regulation of ancillary charges. The authors argue that complex pricing structures result from market competition rather than market failure. They assert that many fees labeled as "junk" are efficient charges designed to allocate costs directly to the consumers who generate them. The report examines past regulatory interventions in real estate settlements and credit card markets. The authors conclude that regulating specific components of a pricing structure often leads to unintended adverse consequences.

Specifically, capping one fee typically causes sellers to increase other unregulated fees to recover fixed costs. This creates a scenario where consumers who do not utilize specific services end up subsidizing those who do. The authors maintain that mandatory disclosure policies often fail because consumers face high information costs and rationally choose which price components to evaluate. The analysis concludes that marketplace competition is much more effective at satisfying consumer preferences than broad regulatory mandates dictating pricing structures.

Bertolet, D. (2024, October 28). *To fix inclusionary zoning, fund it*. Sightline Institute. https://www.sightline.org/2024/10/28/to-fix-inclusionary-zoning-fund-it/

Bertolet (2024) evaluates the economic and political viability of funded inclusionary zoning compared to conventional unfunded mandates. The analysis notes that unfunded affordability requirements frequently suppress housing production by rendering apartment development financially unfeasible. As a remedy, funded inclusionary zoning utilizes public subsidies, primarily property tax abatements, to offset the forgone rent revenue of below-market units. The report examines specific programmatic implementations across the United States.

Portland, Oregon, recently expanded a citywide 10-year property tax exemption, which yields an estimated 300 rent-restricted homes annually at a public cost of $275,000 per unit. Alternatively, Baltimore, Maryland, issues annual tax credits that match the actual forgone rent, allowing the subsidy to dynamically adjust to local market fluctuations. The author evaluates the applicability of these frameworks in Washington state, noting that its property tax structure permits new construction to bypass the municipal one percent annual revenue cap. This structure theoretically enables tax-shifted abatements without reducing existing municipal revenue, although adjustable abatements like Baltimore's could violate the state's constitutional uniformity clause.

Brassell, E. (2026, January 29). *Renters in 20% of U.S. Counties Paid More in 2020-2024 Than in Previous Five Years*. US Census Bureau. Census.Gov. https://www.census.gov/library/stories/2026/01/housing-costs.html

Brassell (2026) analyzes shifts in rental housing costs across United States counties using U.S. Census American Community Survey five-year estimates. The report compares inflation-adjusted median gross rent from the 2015 to 2019 period against the 2020 to 2024 period. Brassell's findings reveal widespread rent increases nationally. Median gross rent increased in 626 counties and decreased in 330 counties (of ~2,800 counties with CP tables available). This equates to renters in 20% of United States counties paying more during the 2020 to 2024 five-year period than in the preceding five years.

The report identifies a few notable regional exceptions to these national rent increases. Jurisdictions in the Washington metropolitan area experienced decreases in median rents. This specific cluster of localities experiencing rent decreases includes Arlington County and Fairfax County in Virginia alongside

Montgomery County in Maryland. The analysis concludes that local rental affordability varies significantly by region despite upward national trends.

Brooks, B. (2026). *Testimony before the House Financial Services Committee*. U.S. House of Representatives. https://democrats-financialservices.house.gov/uploadedfiles/hhrg-119-ba00-wstate-brooksb-20260210.pdf

Brooks (2026) outlines the structural and regulatory drivers of the United States housing affordability crisis in testimony before the House Committee on Financial Services. Presented data highlights a severe macroeconomic divergence, with home prices increasing 330% between 1991 and 2025, more than double the broader consumer price index inflation rate. The author attributes the estimated five million unit housing shortage to restrictive state and local policies, explicitly identifying rent control ordinances and environmental mandates as barriers to new supply. Concurrently, federal banking regulations stemming from the Dodd-Frank Act and aggressive supervisory frameworks have severely constrained private mortgage lending, transferring 90 percent of mortgage credit risk to government and nonbank entities. To address these compounded supply and credit constraints, Brooks recommends that the Department of Housing and Urban Development leverage federal funding conditions to preempt local rent control and anti-housing zoning laws. The testimony concludes with advocacy for the privatization of Fannie Mae and Freddie Mac to restore market discipline and mitigate the political risks currently embedded within housing finance.

Bruton, S. (2026). *Montgomery County Office of Rent Stabilization – Activities July 23, 2024 – December 31, 2025* [Memorandum]. Montgomery County, Maryland. https://www.montgomerycountymd.gov/DHCA/Tenants/Reports.html

The Montgomery County Department of Housing and Community Affairs (2026) issued a report detailing the initial operations and enforcement activities of the newly established Office of Rent Stabilization (ORS) between July 2024 and December 2025. Montgomery County's rent stabilization law limits annual rent increases to the lower of the CPI-U plus 3% or a flat 6%.

ORS estimates that 57% of the county's licensed rental units are subject to rent stabilization policies. ORS responded to 1,390 service requests, with the majority (56.3%) concerning rent increases from July 2024 to December 2025. Through its enforcement actions and dispute conciliations, the ORS secured average monthly rent reductions of $455.82 for month-to-month leases and issued a total of $68,515.84 in rent refunds across 195 units. Additionally, the ORS secured an average reduction of $22.28 per unit in monthly fees.

The report notes improved landlord compliance following implementation of the law. The number of units in properties designated as "Troubled" decreased by 69%, and the number of units in "At-Risk" properties decreased by 57%. The Department of Housing and Community Affairs attributes these decreases to property owners increasing compliance efforts to avoid limitations on rent increases tied to those designations.

ORS also confirms that rent-stabilized units are significantly more likely to be located in communities with higher rates of Black, Latino, immigrant, and low-income households. The report argues that rent stabilization mitigates displacement risks for these populations who are disproportionately affected by housing cost burdens. Specifically, 59% of Latino and 55% of Black renters in the county are housing cost-burdened, compared to 42.4% of white, non-Hispanic/Latino renters.

Bryant, S., Carrizosa, N., & Rubin, L. (2023). *Rent Regulations and the Montgomery County Rental Housing Market* (Nos. 2023–05). Montgomery County, Maryland Office of Legislative

Oversight. https://www.montgomerycountymd.gov/office-legislative-oversight/reports

Bryant, Carrizosa, and Rubin (2023) wrote an in-depth report for the Montgomery County, Maryland, Office of Legislative Oversight (OLO) detailing the history, mechanics, and socio-economic impacts of rent regulations, both nationally and within the local housing market. The report distinguishes between World War II-era "first-generation" rent freezes and more moderate "second-generation" rent stabilization policies that have emerged since the 1970s. Second-generation systems typically allow for annual rent increases, ensure a fair return for landlords, and permit the pass-through of maintenance costs.

In analyzing the literature, the authors note that second-generation systems yield two primary benefits: they keep rents lower in regulated units compared to unregulated units, and they increase housing stability by reducing tenant turnover. Increased stability is linked to improved health, educational, and economic outcomes for renters. The report emphasizes that rent regulation benefits are not limited to low-income households, as these policies are not means-tested.

However, the authors also highlight potential negative economic impacts. They note that rent regulations can incentivize landlords to remove properties from the rental market by converting them to condominiums or owner-occupied units, potentially decreasing the overall rental supply. The research is mixed on whether regulations impact rents in uncontrolled units or deter new construction, observing that most systems exempt new construction to mitigate supply suppression. The authors also note findings suggesting that regulated units may experience a higher incidence of aesthetic maintenance issues.

The OLO report details Montgomery County's history with rent control, noting periods of regulation from 1973–1981 and temporary caps implemented during the COVID-19 pandemic (2020–2022). An analysis of the county's annual rental surveys (2014–2022) reveals that while median rent increases for existing tenants generally stayed below the county's voluntary guidelines, a significant portion of units (17% in 2021 and 26% in 2022) experienced rent increases exceeding the mandatory pandemic-era caps. The report concludes with recommendations for the County Council, including the need for robust data collection, enforcement authority, and careful consideration of policy exemptions (like new construction) if a permanent rent regulation system is established. The OLO also provides a nice breakdown of how laws have changed in various jurisdictions over time.

Casey, A., & Gordon, S. (2022, September 27). Rising Rents, Not Enough Data: How a Lack of Transparency Threatens to Undermine California's Rent Cap. *Terner Center*. https://ternercenter.berkeley.edu/blog/rising-rents-not-enough-data-rent-cap/

Casey and Gordon (2022) evaluate the market pressures challenging California's Tenant Protection Act of 2019 (AB 1482), which restricts annual rent increases to 5% plus inflation or a maximum of 10%. Utilizing repeat rental listing data from Zillow between 2018 and 2022, the authors assess asking rent appreciation across the state. The findings indicate that 60% of rental units relisted in the spring of 2022 advertised price increases exceeding the AB 1482 rent cap. This represents a severe escalation compared to 2019, when only 20% of listings exceeded the equivalent threshold. Furthermore, 46% of the 2022 listings increased by at least 40% beyond the legal maximum allowed for sitting tenants. While this methodology captures market turnover rather than lease renewals, the authors argue that these extreme inflationary pressures strongly incentivize landlords to evict existing tenants or illegally bypass the cap. The report concludes that the absence of a centralized, dynamic statewide rental registry prevents officials from enforcing the legislation and monitoring actual compliance rates among covered rental properties.

Diamond, R., McQuade, T., & Qian, F. (2019). The Effects of Rent Control Expansion on Tenants, Landlords, and Inequality: Evidence from San Francisco. *American Economic Review*, *109*(9), 3365–3394. https://doi.org/10.1257/aer.20181289

Diamond, McQuade, and Qian (2019) illustrate the impacts of a 1994 San Francisco ballot initiative that unexpectedly expanded rent control to small multi-family buildings built before 1980. Utilizing quasi-experimental variation and Census panel microdata, the authors assess the policy's effects on tenant mobility and landlord behavior. Their findings demonstrate that rent control limits displacement for incumbent renters. Renters are 19.4% more likely to remain at their address, with racial minorities experiencing the strongest anti-displacement effects.

However, the study reveals significant unintended consequences driven by landlords. To bypass rent control regulations, landlords reduced the affected rental housing supply by 15% by converting properties to owner-occupied condominiums or redeveloping them. This supply reduction caused a 25% decline in the number of renters living in rent-controlled units. The authors conclude that while the policy provided short-term housing stability for initial tenants, the resulting supply contraction likely increased long-term market rents and fueled gentrification by shifting the housing stock toward higher-income residents.

This paper is controversial according to a newer meta-study of rent control because Diamond et al. claims within that "rent regulations 'fueled the gentrification of San Francisco' by incentivizing landlords to evict tenants and convert rental units into condominiums" (Pastor et al., 2018)

Ehrbeck-Malhotra, R., & Harrold, B. (2026, February 25). *State Legislatures Return, Rent Control Follows*. National Apartment Association. https://naahq.org/news/state-legislatures-return-rent-control-follows

Ehrbeck-Malhotra and Harrold (2026) review state and local rent control legislative trends across the United States during 2026's state legislative sessions. The authors report that the National Apartment Association is tracking 191 state-level rent control bills, including 71 newly introduced measures, alongside 25 local ordinances. The analysis highlights that lawmakers are simultaneously pursuing statewide rent caps while attempting to repeal local preemption laws.

Currently, 36 states preempt local municipalities from enacting rent stabilization frameworks. The report documents defeated preemption repeal efforts in Virginia (e.g. HB278 and HB1177) and active repeal legislation in states such as Florida, New Mexico, and Illinois. Furthermore, the authors track new statewide rent control proposals in New Jersey, Hawaii, Rhode Island, Missouri, Oklahoma, and Massachusetts. At the municipal level, the data indicates a surge in stringent ordinances, including a 4% cap implemented in Los Angeles and temporary rent freezes enacted in California municipalities like Santa Barbara. The authors conclude that rent control regulations consistently yield adverse economic outcomes, specifically citing degraded housing supply, reduced affordability, and restricted tenant mobility as consequences.

Eriksen, M. D., & Orlando, A. W. (2024). A cost decomposition of break-even rents for new multifamily housing development. *Journal of Housing Economics*, *66*, 102012. https://doi.org/10.1016/j.jhe.2024.102012

Eriksen and Orlando (2024) decompose the break-even rents of new multifamily housing developments across fifty major United States cities from 2012 to 2020. The authors calculate local construction costs for three-story wood-framed and twelve-story steel-framed buildings and combine these estimates with historical land prices and income capitalization rates (a common metric for multifamily building income). They demonstrate that construction costs significantly drive multifamily rent appreciation. For three-story structures, construction cost increases pushed break-even rents up by 16.6%, while land price increases drove an 18.3% rent increase. For twelve-story buildings, construction costs drove a 12.2% rent increase, significantly outpacing the 3.8% increase attributed to land values. This is true, although they also

illustrate that land costs exploded by comparison to inflation during the same time period.

Their analysis notes that declining capitalization rates mediated these rising development costs during the study period, meaning landlords absorbed a portion of the cost increases instead of passing them entirely to tenants. The authors conclude that construction costs and financial capital play much larger roles in multifamily housing affordability than typically observed in single-family housing markets.

Fair, D. (2026, May 19). Understanding the Renter Lock-In Effect. *Virginia Association of REALTORS*. https://virginiarealtors.org/2026/05/19/understanding-the-renter-lock-in-effect/

Fair (2026) examines the "renter lock-in effect" driven by rising housing costs and interest rates, utilizing data from the National Association of Realtors and the Census Bureau. Fair demonstrates that national renter mobility is declining, with average renter tenure increasing from 5.9 years in 2019 to 6.5 years in 2024. In Virginia, renter tenure spans between 5.0 and 7.5 years, with specific metropolitan areas like Staunton experiencing large tenure extensions between 2022 and 2024. The author attributes this stagnation to severe affordability constraints in both the rental and for-sale markets. National rent prices surged 35% since 2020. Consequently, the author argues, the proportion of cost-burdened renters in Virginia expanded from 42.9% in 2019 to 46% in 2024, peaking at 53.3% in the Hampton Roads region. Additionally, 46% of prospective homebuyers report that high rental costs directly impede their ability to save for a down payment. The analysis concludes that this lock-in effect severely restricts rental market supply while simultaneously pricing tenants out of homeownership, requiring an estimated $140,000 household income to afford a median-priced home in Virginia.

Gaumer, E. The 2023 New York City Housing and Vacancy Survey: Selected Initial Findings. New York, NY: New York City Department of Housing Preservation and Development; 2024.

Gaumer (2024) presents the initial findings of the 2023 New York City Housing and Vacancy Survey, evaluating the supply, condition, and affordability of the city's housing stock. The report highlights a severe contraction in the availability of rental housing. While the total number of renter-occupied units increased to 2,324,000, the citywide net rental vacancy rate plummeted to a historically low 1.41% in 2023, down sharply from 4.54% in 2021.

The data demonstrate a shortage of affordable accommodations. The vacancy rate for units renting below $1,100 per month was just 0.39%, whereas units renting for $2,400 or more exhibited a 3.39% vacancy rate. Within specific regulatory classes, rent-stabilized units recorded a 0.98% vacancy rate, compared to 1.84% for market-rate rentals. The citywide median monthly contract rent reached $1,641. Consequently, 86% of households earning less than $50,000 without means-tested assistance faced rent burdens exceeding 30% of their income. The author concludes that intense demand has significantly tightened the rental market, leaving low-income residents with critically limited housing availability and persistent financial insecurity.

Gilderbloom, J. I., & Ye, L. (2007). Thirty Years of Rent Control: A Survey of New Jersey Cities. *Journal of Urban Affairs*, *29*(2), 207–220. https://doi.org/10.1111/j.1467-9906.2007.00334.x

Gilderbloom and Ye (2007) evaluate the impacts of "moderate" rent control policies using year 2000 Census data. After thirty years of regulation, rents in New Jersey's rent-controlled cities remain essentially the same as rents in neighboring unregulated cities. The researchers found this through analyzing housing market outcomes across 76 rent-controlled cities and 85 non-rent-controlled cities in New Jersey. The study finds that moderate rent control has almost no significant impact on median monthly contract rent. The research also shows these policies do not significantly affect the quantity of rental housing measured by new construction rates between 1990 and 2000. Furthermore, rent control

does not significantly impact housing quality, as measured by plumbing deficiencies.

The analysis identifies one notable exception regarding housing size. Rent-controlled cities experienced a significant decrease in the median number of rooms per rental unit. The authors suggest landlords might subdivide units to maximize rental income. Ultimately, the study concludes that moderate rent control avoids the negative consequences typically associated with strict price ceilings. The inclusion of flexible policy mechanisms allows landlords to maintain profitability. Specifically, 85% of the analyzed rent-controlled cities utilize vacancy decontrol.

Goetz, E. G., Damiano, A., Brown, P. H., Alcorn, P., & Matson, J. (2021). *Minneapolis rent stabilization study*. Center for Urban and Regional Affairs, University of Minnesota. https://www.cura.umn.edu/sites/cura.umn.edu/files/2021-08/Minneapolis-Rent-Stabilization-Study-web.pdf

Goetz, Damiano, Brown, Alcorn, and Matson (2021) evaluate the economic dynamics of the Minneapolis rental market and model the prospective impacts of local rent stabilization policies. Utilizing CoStar and American Community Survey panel data from 2000 to 2019, alongside qualitative interviews with 30 industry stakeholders, the authors assess rent trajectories and financial returns. Their findings show severe affordability contractions for low-income populations; from 2006 to 2019, bottom-quartile renters experienced a 44.1% rent increase while their incomes grew by only 2.9%. Applying retrospective scenario modeling to a typical naturally occurring affordable housing unit, the analysis reveals that strict rent caps tied to 75% or 100% of the Consumer Price Index would have constrained median rent appreciation while still allowing investors to achieve minimum acceptable cash-on-cash returns between 7.5% and 8%. Conversely, less restrictive caps of the Consumer Price Index plus 7% would only limit extreme, 90th-percentile rent hikes. The authors conclude that despite widespread industry concerns regarding capital flight and deferred maintenance, moderate rent stabilization policies would constrain the market's most aggressive rent increases without severely impeding baseline property profitability.

Greater Boston Real Estate Board, Tufts University, & The Center for State Policy Analysis. (2026). *Untold Threat—Rent Control Ballot Initiative Will Threaten Municipal Budgets*. Rent Control - Mass Housing Solutions. https://mahousingsolutions.com/rent-control/

Tufts University, the Greater Boston Real Estate Board, and the Center for State Policy Analysis (2026) use this white paper to model the municipal fiscal impacts of a proposed 2026 Massachusetts rent control ballot question. The proposed policy caps annual rent increases at inflation with a five percent maximum. The mandate applies statewide without municipal opt-out options and would cover roughly 70% of all rental units. The researchers forecast property value reductions by analyzing historical rent control implementations in St. Paul, MN, and Cambridge, MA.

Their findings project severe contractions in local tax bases: The policy would shrink the statewide residential property tax base by 7.5% in the short term. Urban municipalities, gateway cities, and college towns would face the most acute fiscal challenges. Over a ten-year period, property values would decrease by nearly 14% statewide and almost 19% in urban areas. This long-term decline represents a $300 billion loss in Massachusetts real estate valuations. The authors argue that municipalities would subsequently face a choice between reducing essential public services or implementing property tax increases in the 7-9% range in the short term, and higher in the long term.

Halter, Nick. 2025. "After “Gut-Wrenching Pause,” Highland Bridge Gains Steam." *Axios Twin Cities*, June 4, 2025. https://www.axios.com/local/twin-cities/2025/06/04/highland-bridge-saint-paul-development-jumpstarted.

Halter (2025) writes about the resumption of construction at the Highland Bridge development in St. Paul following a nearly three-year pause triggered by rent control disputes. Master developer Ryan Companies previously halted the project due to disagreements with the mayoral administration about inadequate rollbacks of rent control provisions. To restart development, the city and the developer negotiated a compromise that amended tax incentive agreements and reduced project density and height requirements. Consequently, the total planned housing yield was reduced from the original 3,800 units down to 3,100 units. Builders have completed roughly 1,000 housing units to date. Following the revised agreement, developers broke ground on a new phase featuring 97 market-rate apartments and 35,000 square feet of retail space, scheduled for completion in the fall of 2026. St. Paul's concessions allow for a separate 170-unit market-rate apartment building slated to begin construction next year.

Heskin, C., Levine, N., Garrett, M. (2000). "The Effects of Vacancy Decontrol: A Spatial Analysis of Four California Cities." Journal of the American Planning Association 66 (2): 162-176.

Hogan, M., & Owyang, M. (2024, February 12). What Are the Long-run Trade-offs of Rent-Control Policies? *St. Louis Fed On The Economy*. https://www.stlouisfed.org/on-the-economy/2024/feb/what-are-long-run-trade-offs-rent-control-policies

Hogan and Owyang (2024) evaluate the long-term economic trade-offs associated with rent control policies. The authors distinguish between first-generation price freezes and second-generation controls that offer price flexibility and eviction protections. While these regulations successfully protect existing tenants from displacement and ensure housing affordability, they introduce significant long-run costs.

Suppressing the return on rental property investments disincentivizes developers and landlords from increasing housing supply and maintaining unit quality. The authors note that rental stock typically declines following the implementation of rent controls. Landlords often convert rental units to owner-occupied housing or undertake major renovations to remove units from regulatory control. This supply response permanently shifts the housing mix and can inadvertently make renting less affordable over time. Furthermore, rent-controlled areas experience higher rates of dilapidated units because landlords lack financial incentives to properly maintain them. The authors conclude that policymakers must weigh the benefits of neighborhood stability for sitting tenants against the exacerbation of housing shortages for prospective renters.

Horowitz, B., & Starling, L. (2022). *An overview of rent stabilization from national housing experts | Federal Reserve Bank of Minneapolis*. https://www.minneapolisfed.org/article/2022/an-overview-of-rent-stabilization-from-national-housing-experts

Horowitz and Starling (2022) synthesize insights from a Federal Reserve Bank of Minneapolis webinar series on rent stabilization policies. The authors emphasize that rent regulation frameworks vary significantly across jurisdictions regarding covered buildings, rent caps, and administrative enforcement. Local governments frequently implement exemptions based on building age to mitigate potential negative impacts on new housing production. The report notes that policies feature different approaches to vacancy (de)control and capital improvement allowances to ensure landlords receive a reasonable rate of return.

Studying these policies is methodologically challenging because jurisdictions adopt them in non-random ways. The authors highlight evidence of a significant trade-off in rent regulation. While price controls effectively prevent the direct displacement of incumbent low-income tenants, they can reduce the overall supply of rental housing through condominium conversions or redevelopment. This reduction in supply can foster exclusionary displacement: disallowing low-income households to move into regulated cities. Ultimately, the authors and the researchers interviewed as part of this series conclude that while rent stabilization provides housing security for existing tenants, it does not solve underlying housing

shortages.

During their discussion on the fundamentals of multifamily development financing, Horowitz and Starling noted that debt typically accounts for two-thirds of the funding for multifamily acquisitions.

Hussein, N. (2024). *Rent Stabilization in Local Jurisdictions: Two Case Studies* (State and Local Innovation (SLI) Project). National Low Income Housing Coalition. https://nlihc.org/resource/nlihcs-sli-project-releases-case-studies-exploring-rent-stabilization-measures-prince

Hussein (2024) explains the implementation of rent stabilization policies in Prince George's County, Maryland, and Portland, Oregon. These policies emerged as direct responses to the national affordable housing shortage. The report notes that national rents increased 23.9% between early 2020 and 2023. This rapid inflation severely exacerbated housing instability for low-income renters.

In Prince George's County, 52% of renters are cost-burdened. Local tenant advocacy led to a temporary 3% rent cap in 2023. The county subsequently enacted permanent legislation capping annual rent increases at the lower of the Consumer Price Index plus 3% or a flat 6% (similar to Montgomery County's later implementation). The permanent law exempts new construction built after 2000 and landlords owning five or fewer units.

In Portland, rent increases averaged 30% between 2012 and 2016. This prompted the city to mandate tenant relocation assistance. Landlords must pay relocation fees to tenants facing no-cause evictions or substantial rent increases. The analysis concludes that these localized anti-displacement policies mitigate immediate financial shocks for renters. Furthermore, local ordinances can catalyze broader legislation, such as the statewide rent caps subsequently enacted in Oregon.

Larrimore, J., & Schuetz, J. (2017). Assessing the Severity of Rent Burden on Low-Income Families. *FEDS Notes*, *2017.0*(2111). https://doi.org/10.17016/2380-7172.2111

Larrimore and Schuetz (2017), writing for the Federal Reserve, analyze renters' housing spending using American Community Survey microdata to assess the severity of rent burdens on low-income families. The authors define severe rent burden as spending more than 50% of income on housing. Their findings show that the median renter in the bottom income quintile spends 56% of their monthly income on rent. This leaves these households with less than $500 in residual income to cover other basic needs. This residual income amounts to only one third of the non-housing poverty threshold established by the Supplemental Poverty Measure.

The authors also illustrate that rent burdens for low-income households increased substantially over time. From 2000 to 2015, the median rent burden for the bottom quintile rose by 11%. The analysis attributes two thirds of the overall decline in residual income to falling renter incomes and one third to rising rental costs. Severe rent burdens persist across metropolitan and rural areas alike. Furthermore, low-income renters with children face exceptionally high burdens, spending a median of 60% of their income on rent.

Lehodey, A. (2025, December 17). Why Are 50,000 New York City Apartments Vacant? *City Journal*. https://www.city-journal.org/article/vacant-new-york-city-apartments-rent-control-housing

Adam Lehodey (2025) investigates why 50,000 "ghost apartments" currently sit vacant across New York City. Through site visits and an economic analysis of building operations, the author observes that these units remain empty because rigid rent stabilization laws prevent property owners from recovering

essential renovation and operational costs.

Specifically, the data demonstrates that restoring a dilapidated unit to habitability requires between $100,000 and $200,000 in capital investments. Simultaneously, baseline operating costs for each unit in small buildings exceeded $1,000 per month in 2023, on average, according to the NYC Rent Guidelines Board. However, 2019 state legislation eliminated the ability of landlords to reset rents to market rates upon a unit's vacancy. Consequently, maximum allowable rent increases are capped too low to cover the debt service required for necessary capital improvements. The author concludes that strict rent control frameworks destroy the fundamental economic incentives required to maintain rental housing stock. The analysis recommends amending state law to restore vacancy rent resets, or even eliminating rent stabilization entirely in favor of housing vouchers, to catalyze private investment and return vacant units to the active rental market.

Joint Center for Housing Studies (JCHS) of Harvard University (2026). *America's Rental Housing 2026*. https://www.jchs.harvard.edu/americas-rental-housing-2026

Harvard University's Joint Center for Housing Studies (2026) offers a comprehensive analysis of the national rental housing market, highlighting acute affordability challenges and shifting supply dynamics. Despite a recent slowdown in rent growth attributed to rising vacancy rates (5.2% in late 2025) and a surge in multifamily completions, the report documents a persistent and severe affordability crisis. In 2024, a record 22.7 million renter households (49%) were cost-burdened, spending more than 30% of their income on housing and utilities.

The supply of low-rent units continues to contract significantly; between 2014 and 2024, the market lost 7.3 million units renting for under $1,000. Concurrently, the rental stock is aging, with a median age of 45 years, requiring substantial investment for repairs and climate resiliency. The report notes that while federal rental assistance remains chronically underfunded (serving just over one in four eligible households), state and local governments are increasingly implementing zoning reforms and tenant protections (including rent increase caps in states like Washington) to address the growing disparities and stabilize the housing market.

Kholodilin, K. A. (2024). Rent control effects through the lens of empirical research: An almost complete review of the literature. *Journal of Housing Economics*, *63*, 101983. https://doi.org/10.1016/j.jhe.2024.101983

Kholodilin (2024) presents an "almost complete" review of the literature on rent control. To do this, Kholodilin analyzed the empirical evidence on the economic consequences of rent control and categorized them based on the country the data comes from, the main topic (e.g., mobility, homeownership, supply), and the effect rent control has on the topic. The author finds that while regulation successfully lowers rents for controlled units, it often induces price increases in unregulated units. Regarding construction the literature is mixed: two thirds of relevant studies report a negative impact on new construction, while several studies find no impacts on construction at all. Kholodilin finds that rent control does contribute to a decline in housing quality as landlords reduce maintenance expenditures.

The analysis identifies a consistent reduction in residential mobility. This decrease can facilitate housing misallocation, where household size and unit capacity are mismatched, and creates potential market frictions. While there are mixed findings regarding externalities like homelessness and segregation, Kholodilin concludes that distributional benefits are primarily captured by incumbent tenants. Conversely, the associated economic costs are typically borne by landlords and prospective tenants. This study underscores the complex and often countervailing market responses prompted by price

interventions.

Moomaw, G. (2025, May 11). *What's coming with Richmond real estate tax bills? More growth, then a freeze*. The Richmonder. https://www.richmonder.org/whats-coming-with-richmond-real-estate-tax-bills-more-growth-then-a-freeze/

Moomaw (2025) outlines the fiscal and administrative impacts of an impending real estate assessment freeze in Richmond, Virginia. The writer for the Richmonder details a projected six percent growth in municipal real estate tax assessments for September 2025, driven by explosive housing market appreciation during the pandemic. Following this increase, city officials will freeze the property assessment process until May 2027. The author notes that this temporary suspension aims to synchronize the city's budgeting and assessment timelines. Historically, the asynchronous schedule forced municipal officials to estimate tax revenues during the budget creation process. By aligning these cycles, the local government intends to rely on finalized assessment data to project revenues accurately. Consequently, property owners will experience flat tax obligations for two consecutive budget years. However, the author cautions that the subsequent 2027 reassessment will capture two years of aggregated property value appreciation. This temporal lag will likely result in a substantial, compounded tax liability increase for residents once the freeze expires. The report concludes that synchronizing the timelines will ultimately improve administrative transparency by allowing simultaneous legislative votes on both the municipal budget and the corresponding property tax rate.

NAHREP and Terner Center Survey Highlights the Impact of COVID-19 Pandemic on Small Landlords. (2020, July). *UC Berkeley Terner Center for Housing Innovation*. https://ternercenter.berkeley.edu/research-and-policy/nahrep-and-terner-center-survey-highlights-the-impact-of-covid-19-pandemic-on-small-landlords/

This factsheet details the findings of a June–July 2020 survey conducted by the National Association of Hispanic Real Estate Professionals (NAHREP) and the Terner Center for Housing Innovation to assess the impact of the COVID-19 pandemic on smaller landlords. Analyzing 380 responses from property owners and managers, the researchers observe that 80% of these respondents manage fewer than 20 units, and 67% expect these rental properties to provide at least one-quarter of their anticipated retirement income.

Empirical findings indicate significant financial distress among this demographic. Fifty-two percent of surveyed landlords reported at least one tenant missed rent in the preceding month, while 57% observed a decline in overall rent collections compared to the first quarter. Consequently, 25% of respondents have borrowed funds to cover operational shortfalls, a burden concentrated predominantly among those managing fewer than 20 units. Looking forward, only 61% expressed confidence in meeting upcoming operating costs, driving strong interest (83%) in potential government loan assistance programs.

Nelson, A. (2024). *NMHC Report: Rent Regulation Policy in the United States*. https://www.nmhc.org/research-insight/research-report/nmhc-report-rent-regulation-policy-in-the-united-states/

Nelson (2024) reviews recent literature on the economic impacts of rent regulation policies in the United States. The report finds that rent regulation consistently reduces the overall supply of rental housing and decreases the value of both regulated and nearby unregulated properties. This reduction in property values causes a corresponding loss of local real estate tax revenue. The author observes that rent regulations lack means-testing requirements. Consequently, higher-income and white households disproportionately capture the financial benefits of rent stabilization. New or lower-income renters face reduced housing access and mobility as a result.

The National Multifamily Housing Council (NMHC) report highlights the builder and developer perspective regarding the national housing shortage. Nelson argues that rent control policies fail to address the root causes of housing underproduction. Builders face significant land use barriers such as insufficient land zoned for high-density apartments and restrictive height limits. Regulatory compliance adds an average of 40.6% to the total development cost of multifamily projects. According to Nelson, developers also face property tax inequities: localities frequently assess rental properties at higher commercial tax rates and exclude them from homeowner tax exemptions. The author concludes that rent control exacerbates the existing housing shortage by disincentivizing private investment in new construction instead of removing these underlying regulatory and tax barriers.

Picciotto, R. (2025, December 5). What the Twin Cities Tell Us About Fixing the Housing Crisis. *The Wall Street Journal*. https://www.wsj.com/real-estate/minnesota-rent-control-regulation-prices-34221bd4?gaa_at=eafs&gaa_n=AWEtsqc_yIgs1DccVJsYQfb3dMBd12yaYymGPxSJj8cuijAz87EgAaaexPWF&gaa_ts=6945888f&gaa_sig=ENV8uTRWVzUPgQE9X8B-AnJ9-fR55E11lA9y2pjIo6xlTrwLC6KBJct7XTkMxpGR39eMl_YbFl4AlIHMMCAm1A%3D%3D

Picciotto's Wall Street Journal article contrasts the housing policy outcomes of St. Paul and Minneapolis. St. Paul enacted a strict rent control ordinance in 2022 that capped annual rent increases at three percent without inflation adjustments. Following implementation in early 2022, apartment unit permits in St. Paul dropped by 79%. Real estate investment "nearly froze" as developers halted projects and lenders withdrew financing. Furthermore, a National Bureau of Economic Research study found that St. Paul property values declined by at least six percent after the rent control policy was enacted. Landlords reacted to rent stabilization by consistently raising rents by the maximum three percent annually or by selling their properties and exiting the market. In 2025, St. Paul officials amended the ordinance to exempt new construction and properties built after 2004.

Conversely, Minneapolis avoided rent control and revised land-use policies in 2020 to facilitate apartment construction. Housing permits in Minneapolis surged nearly fourfold in early 2022. From 2022 through 2024, rent growth in Minneapolis averaged 0.7%. This growth rate was slower than both the 1.8% average in St. Paul and the 3.3% national average. The author concedes that increased market rate development in Minneapolis "did less" for lower- and middle-income residents. Eviction filings increased significantly in both cities, indicating ongoing affordability challenges for lower-income renters despite the varying policy approaches.

PricewaterhouseCoopers. (2026~~n. d.~~). *Multifamily housing outlook and real estate trends 2026*. PwC. Retrieved April 30, 2026, from https://www.pwc.com/us/en/industries/financial-services/asset-wealth-management/real-estate/emerging-trends-in-real-estate-pwc-uli/property-type-outlook/multifamily-housing.html

PwC and the Urban Land Institute (2025) characterize the 2026 multifamily housing sector as entering a period of "low growth but stability". The report notes that overall multifamily demand is moderating due to slower job growth, weakening consumer financial health, and the end of the recent immigration boom. However, demand is partially sustained because high barriers to homeownership are keeping renters in apartments longer than past generations.

On the supply side, the report highlights that multifamily construction starts dropped by more than 40% between 2023 and 2025. Despite this sharp decline in new starts, certain high-supply Sun Belt markets such as Orlando, Austin, and Miami will still see their housing stock increase by 4% to 5% in 2026 and 2027 due to the heavy pipeline of properties already under construction. This regional supply-and-demand mismatch has caused asking rents to decrease in high-supply Sun Belt and Western markets, while rents

could modestly increase in low-supply Northeastern and Midwestern markets.

From a capital markets perspective, investors maintain long-term confidence in the asset class. However, transaction deal flow is currently limited by thin yield premiums. Capitalization rates for stable multifamily assets generally sit between 4.5% and 5.0%, while value-add properties average about 6.0%.

Spader, J. (2025). Has Housing Filtering Stalled? Heterogeneous Outcomes in the American Housing Survey, 1985–2021. *Housing Policy Debate*, *35*(1), 3–25. https://doi.org/10.1080/10511482.2023.2298256

Spader (2023) evaluates the viability of housing filtering as a source of affordable housing supply in the United States. The study utilizes American Housing Survey longitudinal panel data from 1985 to 2013 and 2015 to 2021 to track repeat income measures across housing unit turnovers. Spader's findings demonstrate heterogeneity in filtering outcomes across time periods, price points, and geographic locations. His analysis reveals that the traditional downward filtering process stalled and reversed trajectory during the 2015 to 2021 period when the entire U.S. housing market experienced tightening. During this specific timeframe, units filtered upward to higher-income households on average. The research also identifies geographic variations in filtering outcomes. Metropolitan areas with high home price appreciation, especially on the West Coast, experienced highly volatile filtering rates compared to areas with lower appreciation. These high appreciation markets saw significantly slower filtering speeds during the recent 2015 to 2021 period. Furthermore, the data indicates that downward filtering is significantly slower among the lowest cost housing tiers. The author concludes that policymakers cannot rely on the passive filtering of market-rate units as a consistent source of affordable housing in constrained markets.

Stacy, C. P., Hodge, T., Komarek, T. M., Davis, C., Stern, A., Noble, O., Morales-Burnett, J., & Rogin, A. (2024). *Rent Control and the Supply of Affordable Housing*. https://doi.org/10.2139/ssrn.4904928

Stacy et al. (2024) introduce a novel cross-city panel dataset to evaluate the impact of rent control reforms on rental housing supply across varying affordability levels. Utilizing machine learning algorithms to analyze over 76,000 newspaper articles, the researchers tracked policy shifts across 27 metropolitan areas between 2000 and 2021. This policy data was subsequently merged with restricted Census microdata categorizing rental units by their affordability relative to Area Median Income (AMI).

Their empirical findings confirm theoretical expectations that rent control implementation correlates with a reduction in the aggregate number of rental units. However, the researchers observe heterogeneous effects when stratifying by affordability. Rent control restricts overall supply primarily by decreasing the availability of units affordable to higher-income brackets (above 120% of AMI). Conversely, the policy is associated with a statistically significant increase in the supply of rental units affordable to extremely low-income households earning less than 30% of AMI. Ultimately, the authors emphasize the nuanced trade-offs of rent stabilization, noting that overall supply constraints could yield long-term detrimental effects despite short-term benefits for the lowest-income renters.

Tranjan, R., & Vargatoth, R. T., Paulina. (2024, April 11). *Resources for tenants to learn about rent control in Ontario—CCPA*. https://www.policyalternatives.ca/news-research/resources-for-tenants-to-learn-about-rent-control-in-ontario/

Tranjan and Vargatoth (2024) analyze Ontario, Canada's rent control system and identify regulatory loopholes driving rapid rent inflation. This report is written from a perspective biased towards rent control. The researchers explain that from 2014 to 2023, average rents in Ontario increased by 54.5%

despite official rent increase guidelines allowing only a 16.5% increase. The authors attribute this disparity to vacancy decontrol, new unit exemptions, and above-guideline rent increases.

Vacancy decontrol permits landlords to raise rents to market rates between tenancies and creates a financial incentive for landlords to displace sitting tenants. In 2023, the average rent increase in turnover units was 35.6%. New unit exemptions allow landlords to bypass price ceilings for newly constructed buildings, which pushes up average rental prices. Above-guideline rent increases allow landlords to pass capital expenses onto tenants using a flawed calculation formula that ignores compounding rent increases and generates additional profit. The report reviews Canadian and U.S. national and provincial empirical studies demonstrating that present-day rent regulations do not negatively impact the supply or quality of rental housing. The authors conclude by recommending policy fixes including reenacting vacancy control and ending date-based exemptions.