



Written by [Michael Tennant](#) on February 21, 2019

Oregon Poised to Exacerbate Housing Shortage With Statewide Rent Controls

Faced with a shortage of housing and skyrocketing rents, Oregon lawmakers are poised to try — and fail — to do what politicians have tried and failed to do for centuries: overturn the law of supply and demand, in this case by passing statewide rent controls.

Last week, the Oregon Senate passed a bill that would impose the first mandatory statewide rent controls in the nation. On Wednesday, the House Committee on Human Services and Housing sent the legislation to the full chamber for a vote, which could occur as soon as next week and is likely to result in the bill's passage given that Democrats have a supermajority. Governor Kate Brown, also a Democrat, said, "I look forward to signing the bill."



According to the [Associated Press](#):

Oregon's measure prohibits landlords from terminating month-to-month leases without cause after 12 months of occupancy and limits rent hikes to once per year. Those increases are limited to 7 percent above the annual change in the consumer price index.

Landlords can terminate tenancies only with 90 days' written notice and payment of one month's rent, with exemptions in some cases. A landlord can refuse to renew a fixed-term lease if the tenant receives three lease violation warnings within 12 months and the landlord gives 90 days' notice.

No one denies that Oregon suffers from a severe housing shortage. Things are so bad that the city of Medford recently authorized churches to offer their parking lots as car campgrounds for the homeless. But anyone with even the most rudimentary understanding of economics can see that forcing rents below market rates will only exacerbate the problem.

"You'd be hard-pressed to find any economist who comes out in favor of rent control as a means to help improve whatever failure you are experiencing," Mike Wilkerson of economics consulting firm ECONorthwest told *Reason's* [Christian Britschgi](#).

Oregon's high rents exist for a number of reasons, including an influx of people, local zoning regulations, and urban-sprawl restrictions. Increased demand coupled with restricted supply naturally makes prices rise. Mandating lower rents will both encourage people to remain in apartments longer than they otherwise would, shutting out others who may need them more, and discourage landlords from erecting or improving apartment buildings. What good is low rent if there are no vacant apartments to be found?



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Lawmakers are trying to blunt some of these negative consequences by providing for relatively generous rent hikes and exempting buildings from rent controls for their first 15 years of existence. That may work for “the minority of developers who plan on constructing rental units and then operating them in perpetuity,” wrote Britschgi. However,

The policy would have a greater impact on the majority of developers who construct buildings with the intention of selling them off to investors. The longer-term caps on rent increases reduce how much those investors are willing to pay for a project. That lowers returns for developers looking to sell, thus dissuading many of them from going through with the projects in the first place.

There’s also the risk that rent control would give the owners of existing rental properties an incentive to take the properties off the market entirely.

In addition, the bill allows landlords to evict tenants if they plan on renovating a unit, giving them the opportunity to do that and then to rent the unit out as a condominium, office, or other property not subject to rent control. Indeed, noted Britschgi, “A 2018 Stanford study of rent control in San Francisco found that the city’s supply of rental housing fell by 15 percent as owners converted their rent-controlled properties into pricier condos. Citywide rents went up, not down.”

Oregon’s real problem is a lack of supply, and that can only be solved by slashing regulations and taxes that deter developers, who would surely like to take advantage of the present high rents, from building new apartments.

Try as they might, governments cannot repeal the law of supply and demand. Rent controls, far from solving Oregon’s housing crisis, will only make it worse — and when they do, supposedly greedy landlords, not economically ignorant politicians, are likely to take the blame.

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