

Impacts of Rent Control: Massachusetts

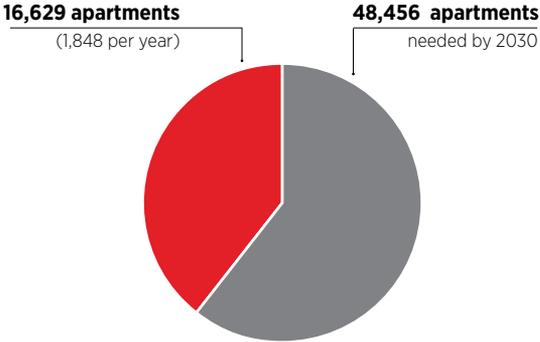
**What happens when a
3 percent annual cap is put
on apartment rents?**

38.4%

of Massachusetts' future apartment housing
stock needs may be **INFEASIBLE**.

Result of rent cap by 2030

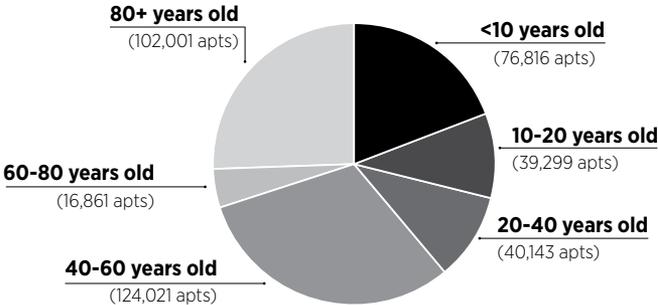
Decreased New Apartment Supply



16,629 units may not be built
by 2030.

Result of rent cap by 2030

Decreased Spending on Maintenance & Repairs



1,995 units at risk through 2030
because of decreased maintenance



48,456 units needed through 2030
18,624 units at risk through 2030

Unintended Consequences

- With decreased opportunity to earn a profit on their investment, developers are incentivized to take their dollars to other non-rent controlled communities.
- Over time, the lack of investment speeds up the deterioration of properties and eventually leads to the loss of critically needed rental housing.
- Housing development, rehabilitation and property maintenance generate significant economic benefits in terms of job creation and wage growth, and overall economic value to the State economy. Rent control policies eliminates some of this benefit as development, renovation and rehabilitation of rental housing activity is significantly reduced or eliminated.

Additional Impacts of Rent Control in Massachusetts

Result of 3.0% rent cap

Decreased
Apartment Property Values



\$822.6

million loss in values
because of decreased
income

Decreased
Property Tax Revenue



\$7.4

million loss each year

Decreased
Apartment Rental Income



\$34.7

million loss each year

**All of these impacts make Massachusetts
a less desirable place to do business for apartment property investors,
developers, owners and operators.**

Massachusetts apartments and their residents
contribute \$61.4 billion
to the state economy every year and
support 268,200 jobs.

Sources

1. NAA model based on "Modeling the Impact of Rent Growth Caps on Metropolitan Apartment Markets" Capital Policy Analytics for the National Apartment Association, April 2019. Sources in the aforementioned report include Lincoln Institute of Land Policy "50-State Property Tax Comparison Study for Taxes Paid in 2020"
2. "U.S. Apartment Demand – A Forward Look," Hoyt Advisory Services for NAA and NMHC, May 2017
3. CoStar
4. Fred.stlouisfed.org
5. weareapartments.org

Notes

- Impact model results for estimated rent reduction based on CoStar Massachusetts median rent data for 5+ unit apartment buildings and CoStar submarket data for multifamily apartment buildings.
- Estimated decrease in maintenance spending based CoStar data on the number of apartment units in buildings with 50 or more units and average 2-year maintenance spending per unit in the 15 largest metropolitan areas from the NAA Income and Expense Survey 2020 & 2021.
- Estimated property value decreases utilize the rate of return on a 30-year Treasury Bill.
- Property tax loss estimates based on apartment property tax rates for each city reported in the Lincoln Institute of Land Policy "50-State Property Tax Comparison Study for Taxes Paid in 2020", Appendix Table 5A. Property tax loss estimate based on Boston city tax rate. The estimates of revenue loss reflect assessed value fully following market value changes.
- All source, impact and forecast data cover the state of Massachusetts.