



**NATIONAL
ASSOCIATION OF
REALTORS®**

THE HISTORY OF RENT CONTROL IN AMERICA

Lessons and Warnings for Today



RENTAL REGULATION SERIES • PART 1

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EXECUTIVE SUMMARY

1920s

Rent control is often presented as a modern response to today's housing crisis. But in the United States, rent control is an old idea with a revealing history. **It emerged in three different waves. We are now living through the fourth.**

The first wave arrived after World War I, when rent control was conceived as an emergency response to post-war housing shortages. Jurisdictions such as New York experimented with temporary price controls amid rising rents and a slowdown in new construction.

1940s

But the breakout moment came with the second wave. Amid World War II, the Roosevelt administration expanded rent control nationally in response to restricted construction and rapid worker migration. What started as an emergency measure then created constituencies in certain jurisdictions that demanded the controls be made permanent.

From the beginning, rent control carried a fundamental policy flaw: it tried to solve a housing shortage without producing more housing. Instead, it rations a scarce stock of housing and creates market distortions whose costs often appear later, outside the direct view of the households receiving the immediate benefit.

This held true even during wartime. Because rental prices were controlled while home sale prices were not, owners had an incentive to sell rental properties. That shift helped some buyers, but it reduced the availability of rental housing and made a tight market less flexible when flexibility mattered most.

1960s

Despite the negative effects, the idea had taken root. A third wave of rent control policies emerged in major cities in the 1960s and 1970s, driven not by wartime disruption but by urban affordability pressures and local political demands.

Across eras, the pattern became clear: rent control's benefits are concentrated, immediate, and politically visible, while its costs are more dispersed and often hidden. That imbalance helps explain why a policy with substantial long-term costs can become politically durable even when it fails to solve the shortage that made it attractive in the first place.

This paper does not analyze the modern rent-control proposals that make up today's fourth wave, but it does place them in context. It looks to history to understand how rent control developed, why it persisted, and what earlier eras reveal about the path we are on now.

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The lessons are highly relevant today. When housing is scarce, policymakers face a choice: produce more homes or ration the shortage. Rent control chooses rationing. A better path is to expand access by expanding supply, lowering barriers to construction, and creating a more stable market for renters, buyers, and housing providers alike.

1920s

THE FIRST WAVE: NEW YORK AFTER WORLD WAR I

After World War I, several American cities faced a similar mix of pressures: rising rents, limited new construction, eviction fears, and growing public anger at landlords accused of profiteering. The war had disrupted building activity and strained urban housing markets.

In this environment, policymakers argued that extraordinary conditions justified extraordinary measures. That emergency logic would become central to rent control's history.

New York became the most important early example.¹ In 1920, the state adopted emergency laws designed to limit rent increases and restrict evictions. The basic promise was that the controls would end once the housing market stabilized.

1940s

The Original Promise

Early rent control laws were defended as emergency measures, with a promise that government would end them once the housing market recovered. But the history of rent control would repeatedly test that promise. Temporary controls created permanent expectations.

1960s

That promise was key. Early rent laws were controversial from the start, raising questions about property rights, contract freedom, and the power of government to interfere in private markets. Supporters defended the laws by emphasizing their temporary nature.

Even in this early period, the central flaw was visible to many economists, policymakers, and citizens. Rent control addressed the symptom renters felt most immediately: rising rents. But it did not address the underlying condition driving those rents: too few homes relative to demand.

In practice, that meant rent control could only ration scarcity, not relieve it.

NOW

1920s

The market began to recover after policymakers paired the controls with pro-supply measures, including exemptions for new construction and significant property tax abatements for new residential buildings. Those incentives, combined with the economic prosperity of the Roaring Twenties, helped trigger one of New York's great building booms.

Vacancy rates climbed from under 1% in the early 1920s to nearly 8% by 1928, allowing the emergency laws to be phased out by 1929—under the leadership of someone who would be at the core of rent control's next wave: New York Governor Franklin Roosevelt.²

1940s

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Franklin D. Roosevelt Presidential Library & Museum

1920s

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1960s

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THE SECOND WAVE: NATIONALIZATION DURING WORLD WAR II

As the United States mobilized for World War II, millions of Americans moved toward defense jobs, military installations, shipyards, factories, and other production centers. At the same time, residential construction was sharply constrained as labor and materials were redirected toward the war effort.

This created real housing pressure, and President Roosevelt responded by reaching for the precedent established in his home state the decade before. His administration imposed rent ceilings across designated “defense-rental areas,” but the designation was so broadly defined that it affected 80% of the nation’s rental housing stock.

The logic was politically appealing:

- **Wartime workers needed housing**
- **Construction was constrained**
- **Rent increases were unpopular**
- **Price ceilings appeared to offer fast relief**

But rent control did not change the basic math. Demand was still rising and supply was still constrained. Capping rents could make the problem appear more manageable for protected tenants, but it also made the market less responsive, less flexible, and less attractive to housing providers deciding whether to rent or sell.

THE HIDDEN SUPPLY SHOCK

The most important distortion came from a mismatch between rental prices and home sale prices. Rental prices were controlled; sale prices were not. That gave owners a strong incentive to sell rental properties, converting units away from rental use at the very moment workers needed temporary and flexible housing options.

Clear camps of winners and losers emerged. Sitting tenants and prospective buyers benefited from lower controlled prices or new purchase opportunities, while temporary renters and mobile workers confronted a tighter rental market and, in many cases, declining quality.

1920s

RATIONING BY OTHER MEANS

Rent control did not eliminate competition for scarce housing. It simply moved that competition into less efficient channels. In his famous 1946 essay “Roofs or Ceilings,” economist Milton Friedman explains that housing was rationed through:³

- **Long waiting lists**
- **Black market payments**
- **Landlord favoritism and discrimination**
- **Overcrowding of units**

This was especially problematic in wartime, when the country needed workers to move where they were most productive. Rent control made rental housing harder to find.

1940s

MAINTENANCE AND QUALITY

Friedman also explains how rent control weakened incentives to maintain rental housing. When owners could not adjust rents to reflect rising demand, they had less reason—and less capital—to invest in upkeep.

The effects were not always immediate. But over time, they were clear:

- **Lower competition meant less incentive to improve properties**
- **Capital improvements became harder to afford**
- **Rental quality could decline without recourse**

1960s



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1920s

Better Tools Were Available

While the wartime housing shortage did demand action from policymakers, rent control was not the only—or best—response. A more effective approach would have focused on the shortage itself:

- **Building temporary public housing for war workers**
- **Providing targeted assistance to renters facing hardship**
- **Speeding postwar housing production**
- **Preserving incentives for landlords to rent their homes**

1940s

This pattern would reappear in later rent-control systems as well.

THE WARTIME LESSON

World War II is often treated as the most sympathetic case for rent control. The country faced extraordinary conditions as construction was restricted and demand surged in key markets. But even under those circumstances, rent control produced the same basic problems that would define the policy in later decades.

Rent control during World War II:

- **Did not create more housing**
- **Encouraged owners to leave the rental market**
- **Disadvantaged new renters and mobile workers**
- **Reduced mobility**
- **Led to declining quality and maintenance**

1960s

A policy meant to stabilize the home front made the housing market less flexible in response to changing demand. It also created political pressure to keep controls in place after the emergency had passed - pressure that some jurisdictions yielded to in the following years.

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THE “EMERGENCY” THAT NEVER ENDED

1920s

Once the war ended, the emergency rationale should have weakened. In many places, it did. But not everywhere.

In jurisdictions with persistent housing shortages and large numbers of protected tenants, rent control proved difficult to unwind. The longer controls remained in place, the more tenants came to rely on them and the more politically dangerous it became to remove them.

NEW YORK AND THE POLITICS OF PERMANENCE

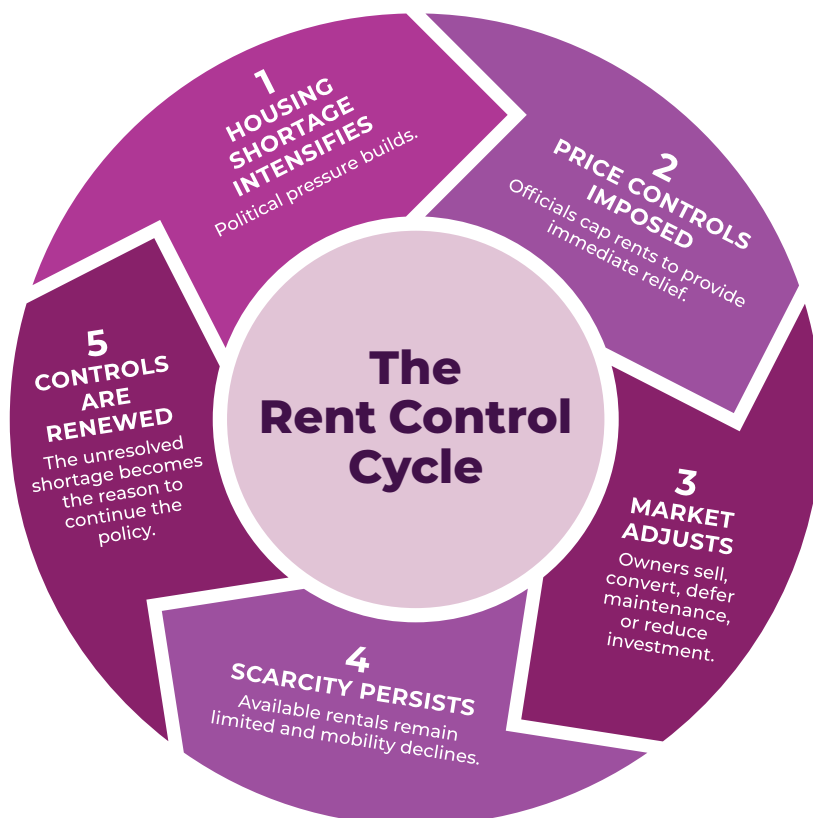
1940s

New York became the clearest example of this dynamic. The state adopted standby legislation in 1946 to preserve rent controls if federal rules expired. It established a new state rent-control apparatus, including new commissions and enforcement bodies, and it limited rent control to older buildings in municipalities that continued to declare a housing emergency.⁴

This incentivized political officials to declare emergencies when voters demanded it. The emergency had changed from a wartime event into an ongoing legal category. And once the policy had a constituency, an administrative system, and a loose definition of ‘emergency,’ it became much harder to unwind.

1960s

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HOW TEMPORARY CONTROLS BECOME PERMANENT

Rent control survives for three primary reasons.

First, it imposes a self-reinforcing cycle: by failing to solve the underlying housing shortage, it allows scarcity to persist, and that continuing scarcity becomes the political justification for keeping or expanding the controls.

Second, rent control survives because of how its benefits and costs are distributed. Its beneficiaries are easier to identify and mobilize than the households, workers, future renters, and potential housing providers who bear the costs over time.

1920s

This is because the benefits are concentrated:

- **Sitting tenants receive lower rents**
- **Protected households become politically engaged**
- **Local officials can claim immediate action**
- **The policy appears to offer relief without direct public spending**

Yet the costs are dispersed:

- **New renters face fewer available units**
- **Mobile workers have a harder time finding housing**
- **Owners face lower returns and weaker incentives to invest**
- **Maintenance and quality can decline over time**
- **Future housing supply becomes less attractive**

1940s

The winners know exactly what they gain, while the losers often do not recognize rent control's role in the limited choices, longer searches, reduced mobility, deferred maintenance, or higher market rents they experience.

Third, rent control persists because it appears, at first glance, to be an easy solution to a difficult problem. When rents rise faster than incomes, when tenants fear displacement, and when new housing feels too slow or too uncertain to help immediately, a cap on rent increases seems to offer a direct answer.

1960s

That political appeal should not be dismissed. Renters experience the housing shortage through monthly bills, renewal notices, relocation costs, and the fear that their community is becoming unaffordable. Policymakers face pressure to act quickly, and rent control gives them a visible tool that appears to deliver relief without requiring a new appropriation, a major land-use fight, or a long construction timeline.

But this is precisely why the history matters. Rent control is attractive because its promise is immediate. Its costs, by contrast, unfold through reduced rental supply, weaker maintenance incentives, lower mobility, less investment, and pressure to expand the system once scarcity remains unresolved. In the long run, it is a policy that hurts the very communities it aims to help.

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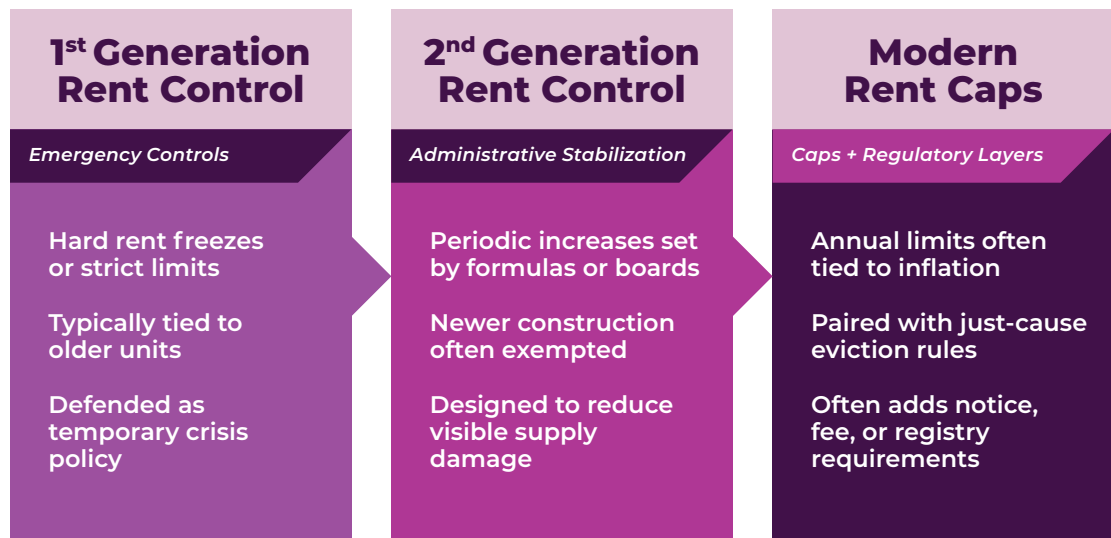
THE THIRD WAVE: RESURGENCE IN THE 1960s AND 1970s

By the 1960s, most of the country had moved past the wartime rent-control experiment. Yet in a handful of high-cost cities, stubbornly low vacancy rates, accelerating inflation, and rising tenant activism revived the policy. This third wave seized on the earlier wartime precedent, along with New York's continued experimentation, to answer to local political pressures.

What emerged was often a rebranded, second-generation version of rent control, frequently called rent stabilization. These systems were sometimes less rigid than first-generation controls, using annual adjustment formulas, administrative boards, or exemptions for newer construction. But the underlying tradeoff remained: government limited price movement in a scarce market without producing the homes needed to relieve the scarcity.

Different Labels, Same Core Tradeoff

Across eras, rent regulation has been redesigned and rebranded — but each form uses price limits as a faster substitute for expanding housing supply.



The form changes. The central policy risk does not.

When affordability pressure rises and supply solutions lag, policymakers repeatedly return to price limits — visible relief that can deepen scarcity over time.

1920s

NEW YORK'S MODEL EXPANDS

New York City, already the longest-running laboratory for rent regulation, extended and adapted the system. In 1962 the city gained primary administrative control from the state. Then, in 1969, under Mayor John Lindsay, the city enacted the Rent Stabilization Law.

This measure brought approximately 325,000 post-1947 units, which had previously been exempt from rent control, under a new regulatory regime. Rather than imposing a hard freeze, it created an unelected 'Rent Guidelines Board' to set annual allowable increases.

1940s

NIXON'S TEMPORARY CONTROLS

The idea received a brief national spotlight in August 1971 when President Nixon imposed a 90-day wage-and-price freeze as part of the Economic Stabilization Program to combat peacetime inflation. Rents were included in the freeze, which was later extended in phases before being lifted in 1973. Although short-lived and national in scope, the episode normalized the notion of rent intervention outside of wartime and gave a boost to renewed local organizing.⁵

CALIFORNIA'S BALLOT-BOX EXPANSION

Tenant activism and inflation fears produced especially visible results in California. Berkeley became the first major California city to enact rent control since World War II when voters approved a measure in 1973.⁶

Throughout California, the 1978 passage of Proposition 13, which sharply limited property-tax increases, intensified tenant demands that landlords "share the savings" with renters.⁷ By the end of the decade, San Francisco, Los Angeles, Santa Monica, and several other cities adopted a patchwork of local rent stabilization measures.⁸

1960s

MASSACHUSETTS AND THE STRICTEST EXPERIMENTS

Massachusetts passed enabling legislation in 1970 that allowed larger cities to adopt controls. Boston, Cambridge, Brookline, Somerville, and Lynn did so. Cambridge's system was among the most stringent, with rents set by a board. These policies remained in place for more than two decades until the costs became difficult to deny. A 1994 statewide referendum then ended them.⁹

After rent control laws were removed, MIT economists documented substantial increases in housing investment and property values in Cambridge. Their research found that the end of rent control contributed meaningfully to the appreciation of Cambridge's housing stock in the decade following repeal, reinforcing the point that rent regulation can suppress investment and distort nearby housing markets as well as controlled units themselves.¹⁰

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SAME DISTORTIONS, NEW CONTEXT

Whether framed as emergency relief or ongoing stabilization, the 1960s–1970s wave reproduced the classic problems seen in earlier eras:

→ **Supply and maintenance effects:**

Lower returns reduced incentives for upkeep and new rental construction. In New York City, estimates of annual abandonment in the 1970s ranged from 20,000 to 50,000 units—more units lost in some years than were built—contributing to visible blight, especially in parts of the Bronx and Brooklyn.¹¹

→ **Rationing and mobility:**

Sitting tenants enjoyed below-market rents and security of tenure, but new entrants faced tighter markets, longer searches, and in some cases side payments or favoritism. Tenant mobility declined as households were locked in to controlled units even when their housing needs changed.

→ **Political entrenchment:**

Once protections were in place, concentrated benefits created vocal constituencies. Repeal or meaningful reform became politically hazardous, even when evidence of broader harm accumulated. Massachusetts was a rare example of a jurisdiction able to overcome these pressures, and it reaped considerable benefits for doing so.



1920s

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CONCLUSION: STOPPING THE FOURTH WAVE

1920s

Across three previous waves, rent control in America has followed a remarkably consistent path. It arises in moments of visible housing stress. It delivers tangible relief to sitting tenants, while imposing broader costs on new renters, mobile households, housing providers, and future supply. It then proves extraordinarily difficult to remove, even after the original emergency passed.

We are now living through a fourth wave. In response to post-pandemic rent spikes and widespread affordability pressures, policymakers have advanced new or expanded rent stabilization measures in multiple states and localities, including statewide rent caps in Oregon, California, and Washington.¹² These proposals often use more moderate language than earlier first-generation rent control, but they follow the familiar pattern: they cap prices without addressing the underlying shortage of homes.

1940s

History does not suggest that policymakers should ignore housing stress when it appears. It suggests they should respond to the true source of the crisis by expanding housing supply. That requires policies that reward investment, accelerate construction and conversion, reduce unnecessary barriers to entry, and preserve incentives for private housing providers to keep homes in the rental market.

Policymakers face a decision today, and REALTORS® have a role in helping them choose wisely. They can either address the shortage by expanding supply, or they can ration it and accept the long-term consequences that history has repeatedly documented. Rent control may promise immediate relief, but history shows that it is a poor substitute for the one solution that actually changes the market: more homes.

1960s

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