

Finding 2: The Housing Market Tightened under Rent Control

Regulated, below-market rents produced a significant tightening of the local housing market. Several market impact measures were employed in reaching this finding:

- the total number of rental apartments available
- the average number of persons in each apartment (housing utilization)
- the number of vacant apartments.

With respect to all these measures, both Cambridge and Brookline showed a significant tightening of their housing markets, while all the other 19 largest communities in Massachusetts either remained stable or showed an easing of their markets during the same period.

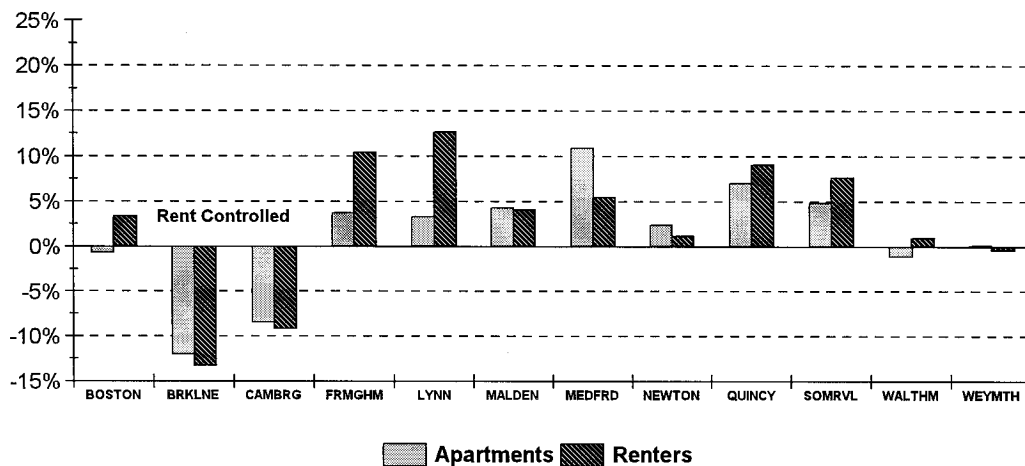
• Rent-Controlled Communities Lost Many Rental Apartments

In Brookline, the total number of rental apartments declined by 12 percent during the 1980s; in Cambridge, the decline was over 8 percent. (see Figure 4), despite the fact that both Brookline and Cambridge encouraged the development of subsidized housing and both imposed regulations restricting owners' ability to stop renting out their apartments. In Boston, which had a less restrictive form of rent control throughout the 1980s, the rental housing stock declined by just 2 percent. But in virtually all other Boston area communities without rent control, as well as throughout Massachusetts, the rental housing stock increased. The average increase among the other 10 largest communities in metro Boston was a gain of 1.3 percent.

Figure 4: Change in Rental Apartments and Tenant Population in Metro Boston, 1980 - 1990

(censtemp2:rentchg) (1.1a)

All communities over 50,000 in the Boston metro area



Source: U.S. Census, 1980 and 1990

RENT CONTROL: AFFORDABLE HOUSING FOR THE PRIVILEGED, NOT THE POOR

The tenant population throughout the Boston area communities shifted accordingly, declining by 9 % and 13% in Cambridge and Brookline respectively, while growing significantly in virtually all other communities -- by an average of over 5 percent.⁸

Driven largely by the laws of supply and demand, the imposition of below-market rents led to a net loss in rental apartments and an exodus of tenants from Cambridge and Brookline. This trend apparently reflected one or more specific market responses which were much less prevalent in nearby communities not having rent control:⁹

- developers not building new apartments.
- landlords going out of business, and
- landlords converting apartments to other more profitable uses,

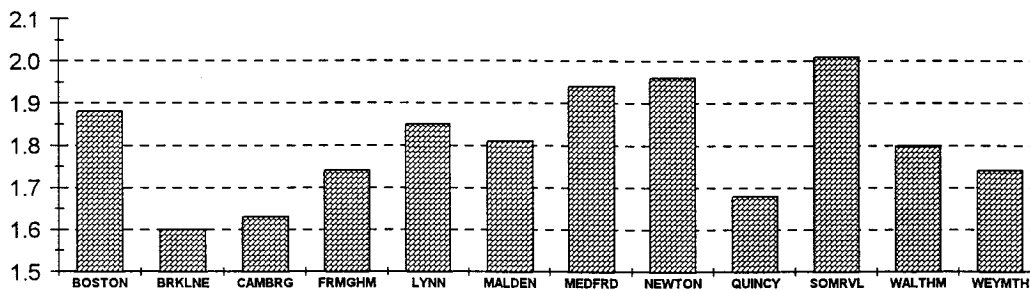
• Rent-Controlled Communities Had Fewer Tenants per Apartment

With fewer available apartments, one might expect crowding -- in other words, more tenants occupying each apartment. But that has not been the case. In fact, the opposite occurred, i.e. a trend toward fewer tenants in each apartment, a phenomenon called "underutilization."

Figure 5 shows that in 1990, after 10 to 20 years of rent control, both Brookline and Cambridge had the lowest number of persons per apartment among all the 12 metropolitan Boston communities. With a median of only 1.60 and 1.63 persons per apartment respectively in 1990, Brookline and Cambridge appear to be the most sparsely housed rental communities in the Boston area.

Figure 5: **Median Number of Persons per Apartment, 1990.**

All communities over 50,000 in the Boston metro area (t18tmp2:mtspdu90)(1.4)



Source: U.S. Census, 1980 and 1990

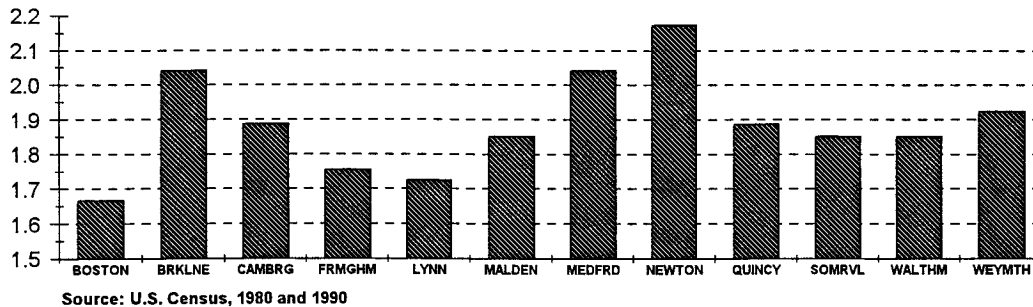
⁸ See Part 2, Section 1, Table 2.1.1a.

⁹ The argument that Cambridge and Brookline cannot add new rental stock because they are fully developed and without available land does not explain their losses of rental stock. Moreover, other communities, including Boston and Somerville, are arguably just as urbanized yet did not experience losses in their rental housing stock.

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Smaller apartments in Cambridge and Brookline did not explain the low number of renters per apartment. To correct for apartment size, Figure 6 shows the average number of rooms per renter occupant. Spacious occupancies and underutilization are again revealed.

Figure 6: Average Number of Rooms per Renter Occupant, 1990
All communities over 50,000 in the Boston metro area (t18tmp2:rooms/per) (1.3)



Brookline averaged over two rooms per renter, a rate exceeded only in affluent Newton. Medford matched Brookline in renter spaciousness, but Medford had several new high-rise complexes built during the 1980s and so experienced an increase in available rental apartments while Brookline and Cambridge lost rental units. With nearly 1.9 rooms per person, Cambridge was also well above average in renter spaciousness, matched only by Weymouth and Quincy which had much higher vacancy rates. All the other Boston area communities had fewer rooms per renter or, in other words, more crowding.

Below-market rents, therefore, not only decreased the available number of apartments, but lower rents apparently also induced tenants to "buy more space". People decided to live alone or rent a larger unit, which they would not have done in the absence of rent control. Fewer apartments combined with underutilization displaced many tenants from Brookline and Cambridge. The resulting decline in renter population shown in Figure 4 refutes the idea that these two communities have always exhibited low housing utilization, even prior to rent control.¹⁰

¹⁰ See Part 2, Section 1, Table 2.1.1a.

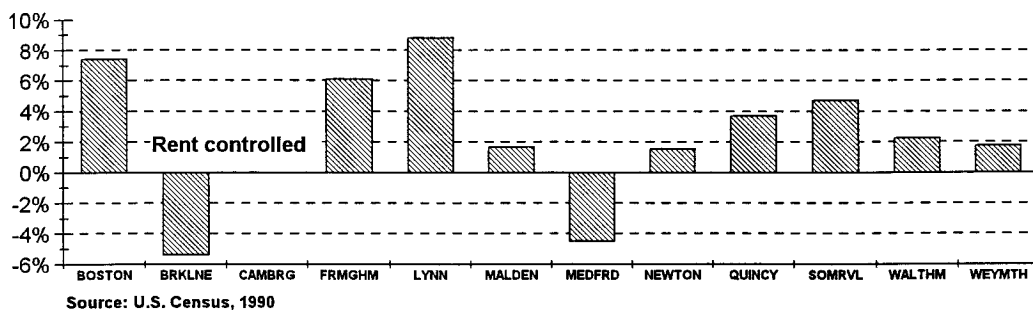
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Data showing a decline in the number of persons per apartment corroborates this trend toward underutilization of rent-controlled apartments. Figure 7 shows that while in nine metro Boston communities the average number of persons per rental apartment increased during the decade from 1980 to 1990, only Cambridge remained unchanged, while Brookline declined sharply. Medford's decline is explained by the addition of new, small unit high-rises.

Figure 7: Change in Median Number of Persons Per Apartment, 1980-1990

All communities over 50,000 in the Boston metro area

(t18tmp2:rintspduchg) (1.5)



Since the rest of the Boston area rental housing gained in persons per unit during the 1980s (except where there was marked development of new apartments), it appears that holding rents below market induced noticeable underutilization of rental units in Cambridge and Brookline, as well as inducing a decline in the total rental housing stock in these two rent-controlled communities.¹¹

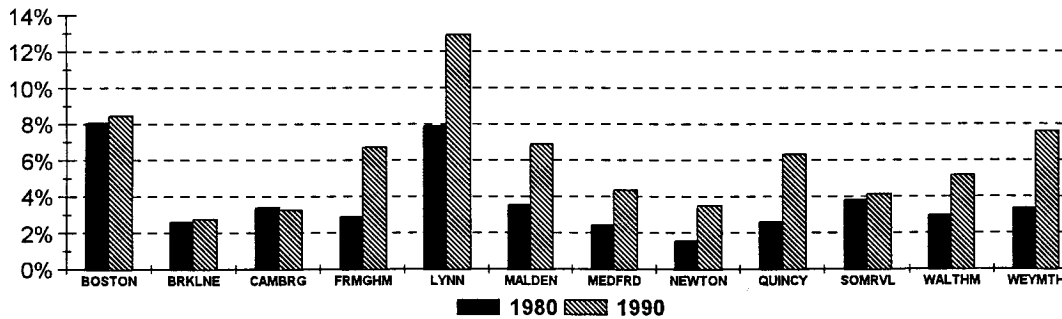
¹¹ Supporting these conclusions are the findings of prior studies of rent control elsewhere. See Report to Congress, op. cit. and the Rent Control Debate, Paul L. Niebanck, editor, Chapel Hill, 1983.

- **Rent-Controlled Communities Had Low Vacancy Rates**

Lowered rents, in and of themselves, would naturally stimulate greater demand for rent-controlled apartments. But when compounded by fewer apartments and fewer persons per apartment, the number of persons who are denied access to affordable housing despite the lower prevailing rents increases. One telling result: low vacancy rates. Indeed, Figure 8 shows that low vacancy rates in 1990 were associated with rent control.

By 1990, Brookline and Cambridge had the lowest vacancy rates in units available for rent among all comparison communities in the Boston metropolitan area -- 2.7 and 3.2 percent, respectively. The 1990 average vacancy rate in the other 10 largest metro Boston communities was 6.6 percent. Moreover, during the period from 1980 to 1990, vacancy rates in Brookline and Cambridge basically held stable, while most communities in the Boston area experienced sharp increases in vacancy rates.

Figure 8: Rental Vacancy Rates, 1980 - 1990 (t18tmp2:rentvac1) (1.2r)
All communities over 50,000 in the Boston metro area



Source: U.S. Census, 1980 and 1990

The same overall pattern -- fewer available apartments, underutilization and low vacancy rates -- also appears when Cambridge and Brookline are compared not just to the Boston area but to the 21 largest communities in the entire Commonwealth.¹² Data again show consistently that rent control induced tight housing market conditions, i.e.:

- Lower rents reduced the total number of available apartments, thereby pushing tenants out of these communities.
- Lower rents encouraged tenants to occupy more space, displacing additional tenants.
- Increased scarcity combined with lower rents increased demand and reduced vacancy rates.

¹² See Part 2, Section 1, Tables 2.1.1a and 1b.