

Housing Rent Control

Studying the Unintended Consequences

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What about Rent Control?

- Government imposes price control on rental housing
- No one likes landlords
- Huge emotional appeal e.g. no one wants to see families kicked out of housing because they cannot pay rent
- Politically appealing; no organized landlord groups; voters think they benefit from it

But does rent control really work?

Does it lower or raise housing cost?

Does it increase the building of more affordable rental housing?

Does it provide quality rental housing?

What do empirical studies say?

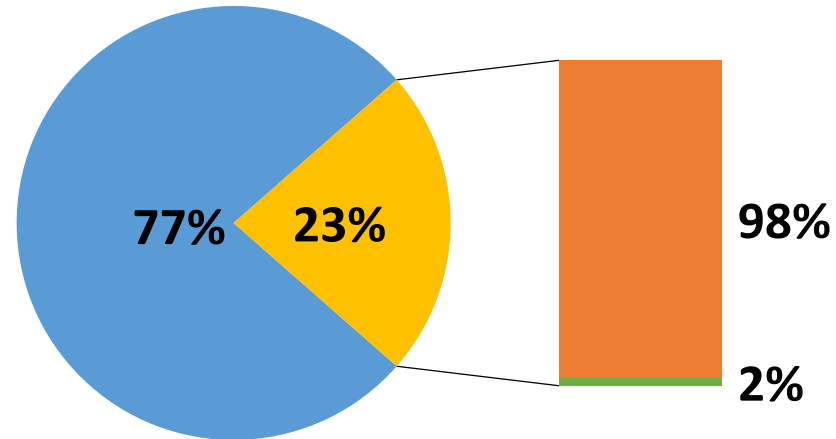
Nearly all economists from the right or from the left agree that rent control is hurting renters

Of the survey of 464 economist, 93% agree that ceilings on rent reduces the quantity and quality of rental housing; a conclusion based on empirical and theoretical works (American Economic Review May 1992);

Metro Manila Rent Facts

Residential types of households in Metro Manila

■ Non-rental ■ Rental-controlled ■ Rental-uncontrolled



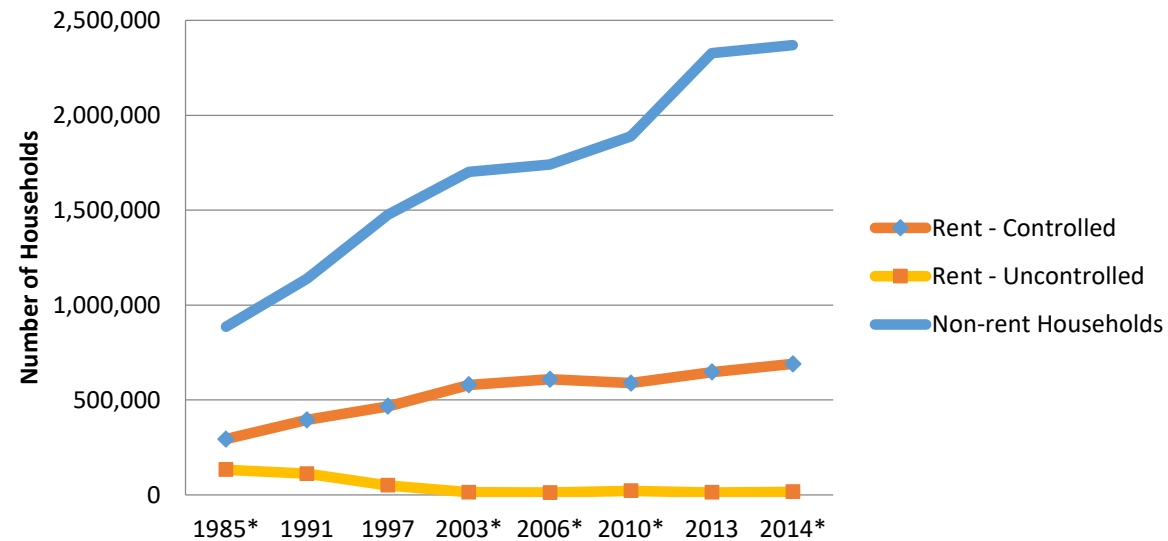
MM has the biggest proportion of renter-households

*APIS was used since it provides more information about the dwelling characteristic of units occupied by the sample families/households

Metro Manila Rent Facts

Growth of renter families in the controlled and uncontrolled sector, selected years

*Why will you ever leave
a rent-controlled unit?*



Basic Data Source: Philippine Statistics Authority. Family Income and Expenditure Survey (1985 to 2006) and Annual Poverty Income Survey (2004, 2007, 2008, 2010, 2011, 2013, 2014).

* Years when a new (or revised) rent control law was implemented

Metro Manila Rent Facts

Profile of renter families in the controlled and uncontrolled sector

Characteristics	Controlled			All Controlled	No Rent Control
	x<=2,000	2000<x<=4000	4000<x<=10000		
% Distribution	40	32	28	100	
Mean Monthly Rent	1,490	3,107	6,118	3,299	14,518
Mean Monthly Family Income	17,015	23,700	38,482	25,141	68,114
Mean Monthly Family Expenditure	15,662	22,748	38,917	24,414	45,853
% Rent to income	8.7	13.1	15.9	13.1	21.3
Family Size	4	4	4	4	3
Did work or had a job or business anytime from January 1 to June 30, 2014					
% Employed	95	80	76	85	100
% Unemployed	5	20	24	15	0
Basic Data Source: Philippine Statistics Authority. 2014 Annual Poverty Indicators Survey.					
Note. APIS 2014 used covers January to June 2014					

Metro Manila Rent Facts

Dwelling characteristics of rent units in controlled sector (in %)

Dwelling Characteristics	Monthly Rent =x			
	Controlled			NHA 5-storey MRBs
	x<=2000	2000<x<=4000	4000<x<=10000	X =2,641 a/
Total number of renting families	274,954	223,282	191,583	600
Main Source of Water Supply				
<i>Community water system piped into:</i>				
Dwelling	74	91	100	100
Yard/Plot/Public Tap	8	5	0	0
<i>Point Source:</i>				
Protected Well/Unprotected (Open Dug Well)/ Developed Spring/Undeveloped Spring/River/Stream/Pond/Lake/Dam/ Rainwater/Tanker Truck/Peddler/Neighbor	18	3	0	0

Basic Data Source: Philippine Statistics Authority. 2014 Annual Poverty Indicators Survey.

Note. APIS 2014 used covers January to June 2014

Metro Manila Rent Facts

Dwelling characteristics of rent units in controlled sector (in %)

Dwelling Characteristics	Monthly Rent =x			
	Controlled			NHA 5-storey MRBs
	x<=2000	2000<x<=4000	4000<x<=10000	X =2,641 a/
Total number of renting families	274,954	223,282	191,583	600
Kind of Toilet Facility Used				
<i>Flush Toilet</i>				
Own Toilet	63	89	94	100
Shared Toilet	35	11	6	
<i>Pit Toilet/Latrine</i>				
Closed Pit/Open Pit/Drop/Overhang/Pail System/ None (No Toilet/Field/Bush)	2	0	0	0
Type of Construction Materials of the Roof				
Strong Materials (galvanized iron, aluminum, tile, concrete, brick, stone, etc.)/ Mixed but Predominantly Strong Materials	93	100	99	100
Light Materials (cogon, nipa, anahaw)/ Mixed but Predominantly Light Materials	7	0	1	0
Salvaged/Makeshift Materials/ Mixed but Predominantly Salvaged Materials	0	0	0	0

Metro Manila Rent Facts

Dwelling characteristics of rent units in controlled sector (in %)

Dwelling Characteristics	Monthly Rent =x			
	Controlled			Uncontrolled (NHA 5-storey MRBs) a/
	x<=2000	2000<x<=4000	4000<x<=10000	X =2,641 a/
Total number of renting families	274,954	223,282	191,583	600
Floor Area Per Person				
5 sqm or less	21	13	6	0
From 5sqm to 11 sqm	44	45	33	0
More than 11 sqm	34	42	60	100
Type of structure of rent units				
Single House	53	47	54	
Duplex/ Apartment/ Accessoria/ Condominium/ Townhouse	47	53	46	100
Commercial/Industrial/Agricultural Building/House	0	0	0	

Note: APS 2014 used covers January to June 2014

Metro Manila Rent Facts

Estimated net benefits by decile group

National Per Capita Income Groups	Range of Monthly Net Benefit (P)	Average Monthly Net Benefit (P)
1st to 3rd National Per Capita Income Deciles	-1905.61 to 5015.74	746.18
4th to 6th National Per Capita Income Deciles	-3552.19 to 6652.84	1,847.72
7th to 10th National Per Capita Income Deciles	-3534.45 to 26044.05	1,742.87
Total		

Basic Data Source: Philippine Statistics Authority. 2014 Annual Poverty Indicators Survey.

*Column on National Per Capita Income Groups combines National Per Capita Income Deciles families generated from APIS 2014

*Net Benefit = Predicted Controlled Rent - Actual Controlled Rent

Unintended consequence

- In rent regulated rental housing, the law provides an allowable increase of 7% yearly estimated based on CPI of construction cost not on demand and supply
- The longer you stay, the greater the benefit (sitting tenant) from low rental that since you are paying less than the market price.
- But savings on savings on rent are used for improvements. Landlords can only keep their profit by keeping the improvements at the minimum. Little incentive to make improvements. No fear that renters will move out. If they do, there is a long line of people waiting to move in

Unintended consequence

- The vast maturity of residential construction is geared to the wealthy; who rents above the rent control units or buys the units outright as condos/townhomes
- These new developments are above the affordability levels of low income group

What if rent control is lifted?

- It will not lead to exorbitant increase in rent prices of low cost rental
- It will eliminate the uncertainty caused by repeated extensions of the rent control law
- It will not lead to increase in eviction
- There are better policy alternatives to rent control

Thank you