

TORONTO SUN

Who rent control really helps — politicians, not renters

Rent control claims to help renters but limits new housing, worsens shortages and hurts middle-income landlords

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Rent control is promoted as a fix for rising housing costs, but decades of data show it creates shortages, discourages new construction and hurts renters and small landlords.

Sowell explains that for every good that one person is said to have a “right” to, another person must be compelled to provide it — whether it’s landlords providing housing at below-market rates or health-care professionals offering services without fair compensation. This, he argues, violates the principle of voluntary exchange and individual freedom. In essence, creating a “right” to housing under rent control forces landlords into a position where they must provide services under conditions that do not allow them to cover costs, reinvest or even maintain their properties.

In short, the goals of rent control and its actual consequences are at opposite poles.

How rent control stops new housing

When renting apartments becomes a losing proposition, it drastically reduces the likelihood of anyone building new rental housing, whether to replace aging units or accommodate a growing population. Three-quarters of the rent-controlled housing in San Francisco was built before 1950. Again, this is not peculiar to San Francisco. Nothing brings private building to a halt like rent control. Housing shortages have followed rent control in cities across the United States, as well as in Europe, Asia and Australia.

Places like the Beaches compound the problem by having restrictions on how tall they will allow buildings to be built or by trying to put building to a stop.

Artificially low rents distort housing use

When rents are artificially low, renters will use up more of the available housing than they would in a naturally regulated market. For example, many young adults tend to live with their parents and some even stay after college. However, young adults will seek to find their own housing when rents are controlled. Why wouldn't they? They can afford it now.

Market Urbanism offers an example: Imagine a young married couple, Fred and Wilma. When they married, they moved into a one-bedroom apartment. Then, when they had their son Barney and needed more space, they moved into a three-bedroom apartment. After Barney left for college and became gainfully employed, Fred and Wilma moved back into a one-bedroom apartment. This way they could reallocate rent money, spending it on trips, movies, and fancy dinners.

However, in a city with rent control, Fred and Wilma would behave differently. When they had their son, they would move into the three-bedroom apartment. But when Barney moved away to school, they wouldn't relocate to a smaller one since they were getting the large apartment for far below market value. If they moved, they would have to pay more money for less space. Indeed, there is no motivation for them to relocate. Fred and Wilma wouldn't be the only people to behave this way; it would occur citywide. When new, growing families would start looking for a place to live, they would struggle to find adequate housing. Any housing that they would find would be prohibitively expensive. On the flip side, older couples, who are likely to be more financially stable, would still be living in the inexpensive units that they no longer need.

The wider impact on cities

As an article from the *New York Times* illustrates, there was more residential development taking place in New York during the Great Depression than now, which is a result of rent control.

Rent control results in dilapidating buildings, followed by the people who instituted rent control blaming the landlord.

A policy intended to make housing affordable for the poor has had the net effect of shifting resources toward housing affordable only by the affluent or the rich since luxury housing is often exempt from rent control.

Who rent control really hurts

Sowell argues that rent control is often sold to the public as an effort to quell wealthy people so as to help the poor (who outnumber the rich and thus get the law passed). But the landlords of rent-controlled areas that poorer people own are not always rich and have mortgages of their own or need to spend time maintaining their properties. Thus, these middle-income people are also hurt by rent control since they must split their time and often can't continue maintenance. This leads to worse and worse conditions for those who live in these rent-controlled properties.