

July 2026

Rent Regulation as Financial Regulation

By Anisha Steephen

Rent Regulation as Financial Regulation

JULY 1, 2026

By Anisha Steephen

Share [f](#) [X](#) [b](#) [✉](#)



Executive Summary

The US housing affordability crisis is routinely framed as a supply problem. This brief argues it is also a financial regulation problem and that rent regulation is one of the most powerful macroprudential tools available to state and local governments.

Contemporary rental housing is not priced by a simple, competitive consumer market. It is a financial asset class, financed through commercial mortgage-backed securities valued on projections of future rent growth rather than on what tenants can afford. The same underwriting market sets the terms across the full spectrum of rental property ownership, from large private equity funds to regional banks to individual landlords.

In this system, speculative finance does not directly cause landlords to charge higher rents. What it does is create a business environment where investors who project greater rent growth are systemically advantaged over those who do not. Many of those projections can only succeed if tenants churn at greater frequency.

This dynamic operates in two forms. In rent-stabilized markets with vacancy decontrol pathways, the projected income growth that justifies high acquisition prices can only be realized through tenant displacement and unit deregulation. If these legal pathways close, lender exposure lands directly on bank balance sheets. In unregulated markets, lenders accept pro formas, the projected income statements that justify a loan, projecting rent growth above what local wages can sustain. The fragility lands first on tenant balance sheets in the form of cost burden and forced moves, and only surfaces on lender balance sheets when interest rates rise. In both forms, underwriting practices are the underlying source of the synchronized risk-taking and financial fragility across the market. When buyers purchase buildings at prices that can only be financed by removing current tenants or pursuing aggressive rent growth, they have committed to a plan of churn and eviction even before they own the building. Rent regulation precludes that plan and the upward pressure on acquisition prices it imposes on every rental-housing buyer.

Against this backdrop, rent regulation serves two functions. The first is redistribution, capturing for tenants some portion of the windfall that would otherwise flow to landlords and their lenders. The second function, less understood and more consequential, is financial stability, and it is the focus of this brief.

When buyers purchase buildings at prices that can only be financed by removing current tenants or pursuing aggressive rent growth, they have committed to a plan of churn and eviction even before they own the building.

Economist Hyman Minsky showed that financial systems generate fragility endogenously—from within their own dynamics rather than from external shocks—as competitive pressure pushes lenders from conservative underwriting through speculative financing and eventually into Ponzi dynamics, where deals only work if appreciation continues indefinitely. Rental housing has followed this path. A decade of near-zero interest rates allowed lenders to accept pro formas built on aggressive rent growth assumptions, producing a wave of overleveraged acquisitions that could only be serviced through continued tenant displacement (in regulated markets) or rent paths above what local wages could sustain (in unregulated ones). When interest rates rose sharply in 2022, those assumptions collapsed. The result was a balance sheet problem, and it is now playing out across the market.

The 2023 collapse of Signature Bank made this problem visible in New York. The bank's \$11 billion portfolio of loans to rent-stabilized buildings had been underwritten on the assumption that landlords would displace tenants and convert units to market rate. When New York's 2019 reforms closed that pathway, values collapsed across the entire rent-stabilized lending market. New York Community Bank refused the distressed loans even at steep discounts. The city government ultimately intervened with \$60 million in pension funds to preserve 35,000 units. This was the predictable endpoint of a market that had moved, in Minsky's terms, to full Ponzi financing.

The same dynamic operates nationally. In Sunbelt markets where tenant protections remain minimal, overleveraged properties now face acute refinancing crises as interest rates rise even where new construction has been robust. Recent research on six high-growth metro areas found that even where new units made up more than 20 percent of total housing stock, the share serving lower-income renters stagnated or even decreased.¹ Speculative financing structures produce housing at price points that service debt and return targets, not at price points that reach lower-income households.

With federal regulators actively dismantling the post-2008 supervisory framework, states and cities must act with the tools they control. Multifamily delinquencies hit a 10-year high in late 2025, overleveraged Sunbelt portfolios remain on extend-and-pretend, and more than half of the roughly \$100 billion in securitized commercial mortgages coming due in 2026 are projected to fail to pay off at maturity.² Rent regulation is not merely a response to past crises. It is a tool for preventing the next one.

Introduction

The dominant story about the current US housing crisis has a seductive simplicity and has captured much of the policy conversation across the political spectrum. According to many policymakers, we don't build enough, so prices rise. If we only cut regulations, accelerated permitting, and let supply meet demand, then affordability would follow. This frame has united market urbanists and some progressives around a deregulatory agenda that treats tenant protections as obstacles to the housing production that would ultimately help everyone.

The story is not wrong about scarcity, and this brief does not argue otherwise. But the standard supply narrative misidentifies a crucial part of the problem. It treats housing as a consumption good in a competitive market, where atomistic landlords respond to price signals and rents reflect construction costs plus reasonable margins. In that world, rent regulation looks like a textbook price ceiling that distorts efficient allocation, discourages investment, and ultimately harms the tenants it aims to protect.

But contemporary urban housing markets bear little resemblance to this picture. Real estate valuations are set not by construction costs and local wages but by global capital flows, leverage ratios, and speculative positioning on future appreciation. As a result, housing in the United States today is organized as a financial asset class. Apartment portfolios are sliced and securitized, and the resulting debt is pooled into commercial mortgage-backed securities (CMBS). The people who live in these buildings are treated as merely underwriting assumptions in pro formas designed to hit yield targets for distant investors.

Even a landlord who wants stable tenants and reasonable rents, or simply to be a good neighbor, finds that to pencil out, the debt structure their lender approved requires displacement—removing current tenants to free units for re-rental at higher rates.

The financial incentives embedded in this system operate across the full spectrum of rental housing ownership: From large private equity funds to regional banks to individual landlords, the underwriting market sets the terms for everyone. Even a landlord who wants stable tenants and reasonable rents, or simply to be a good neighbor, finds that to pencil out, the debt structure their lender approved requires displacement—removing current tenants to free units for re-rental at higher rates. The problem is not always bad actors but a financial architecture that makes displacement the path of least resistance.

In rental housing, this dynamic produces two distinct fragility patterns depending on the legal architecture of the market. The mechanism in both cases runs through acquisition financing. When a multifamily building goes up for sale, buyers compete by going to lenders with pro formas that project the building's future income. The lender sizes the loan based on that projection. The buyer with the most aggressive projection can secure the largest loan and offer the highest purchase price. The building is therefore purchased by the buyer whose pro forma assumes the most aggressive future income. That buyer must now deliver on the projection to service the debt. The pattern then bifurcates by legal architecture:

- **In rent-stabilized markets with vacancy decontrol pathways**, the only legal way to achieve rent growth above the cap is through tenant turnover and unit deregulation. The winning pro forma is a displacement projection, and the landlord must actually displace tenants in order to justify the price paid for the building. The plan of churn and turnover or eviction is built into the debt structure at acquisition. Fragility lands on lender balance sheets directly because the legal pathway that justified the purchase price can be closed by policy. This is exactly what the 2019 reforms did in New York.
- **In unregulated markets**, lenders accept pro formas that project rent growth above what local wages can sustain, regardless of any specific displacement plan. The winning buyer pays a price that requires rent paths that current tenants will not be able to support over time. Fragility lands first on tenant balance sheets as tenants experience cost burden, forced moves, and evictions for nonpayment. Fragility lands only later on lender balance sheets, when interest rates rise or rent does not grow and buyers can't realize their projected returns.

These two patterns share the same underlying cause: speculative acquisition financing. Rent regulation addresses both by forcing lenders to underwrite to stabilized income rather than to projected growth or displacement.³

In this housing system, rent regulation serves two distinct functions that are often conflated. First, it improves affordability by redistributing the substantial wedge (economic rents) between operating costs and market rents. In housing markets characterized by scarcity, this wedge represents a windfall to property owners that reflects neighborhood desirability and locational advantage rather than anything the landlord has done. By capping what landlords can charge, rent regulation keeps some of that windfall for tenants as increased purchasing power—without preventing landlords from covering costs or earning reasonable returns.

Second, rent regulation promotes financial stability by disciplining the speculative underwriting that produces displacement and overleverage. The mechanism is precise: Speculative finance does not directly cause landlords to charge higher rents, but it leads them to create business plans that can only succeed if rents rise faster than current tenants can sustain. This is done through displacement and unit deregulation in regulated markets, or through rent paths above local wages in unregulated ones. Rent regulation precludes both. It prevents speculative investors

from purchasing buildings at prices that can only be justified by aggressive rent growth. By capping rent increases and strengthening eviction protections, rent regulation compresses speculative premia, raises capitalization rates, and forces lenders to underwrite based on actual income rather than projected displacement.

In this sense, rent regulation functions as macroprudential policy—specifically, as a tool for constraining the buildup of excess leverage during the dangerous phase of the credit cycle when competitive pressure pushes lenders into financial fragility (which eventually produces crises, often requiring public bailouts). Rent regulation can serve as a robust backstop to formal financial regulations and internal corporate risk management tools because it has a broad constituency that is better able to defend the public interest against weakening standards promoted by corporate policy or powerful interest-group lobbying.

This brief develops both arguments but focuses on the second, which has received far less attention and has implications for how we think about housing as a financial system. Understanding rent regulation as financial regulation requires a reorientation. This means, first, treating housing as essential infrastructure for human life rather than as a vehicle for wealth accumulation. Second, it means recognizing that lower property valuations are not a policy failure but a correction of capitalized extraction that should never have been priced into assets in the first place. The reframing matters beyond housing policy, and it should matter to anyone concerned with inflation, financial stability, or racial economic justice regardless of whether housing is their primary focus.

Because shelter constitutes roughly one-third of the Consumer Price Index, a housing system organized around leveraged commitments to rent growth produces stubborn, structural inflation that monetary policy struggles to address.⁴ Rents rose 28 percent between January 2021 and January 2026, a pace that tightening demand cannot reverse when the underlying cause is a financial structure that requires rent growth to service its debt loads.⁵ When the Federal Reserve tightens to cool demand, it cannot fix a supply shortage financed on terms that require perpetual displacement or aggressive rent growth—in fact, rising interest rates are a source of instability in highly leveraged rental markets. The economy absorbs the pain of higher interest rates without resolving the underlying affordability crisis. Stabilizing rent paths is more than tenant protection; it is a precondition for effective macroeconomic management and a foundation for the stable, productive local economies that benefit everyone.

When Mayor Zohran Mamdani took office in New York on January 1, 2026, pledging to strengthen rent protections, the response followed a familiar script: warnings of housing shortages and claims that rent regulation “defies economics.” But New York offers the paradigmatic case for understanding rent regulation as financial regulation: It has the nation’s largest rent-stabilized housing stock, the most deeply financialized rental market, and a recent major bank collapse driven in part by speculative multifamily lending that demonstrates the mechanism with unusual clarity.

The underlying driver of speculative lending is common across markets: Lenders compete to extend credit against projected income growth rather than current stabilized income. In rent-stabilized markets, that growth requires displacement; in unregulated markets, it requires rent paths above what local wages can sustain. The result is the same speculative overleveraging, whether the city is New York or Dallas or Atlanta. The implications differ—dense, built-out cities like New York face severe supply constraints, while Sunbelt metros have built robustly but failed to deliver affordability at the bottom—but the financial logic is identical.

This brief develops the theoretical framework, examines the evidence, and considers what a financial regulation approach to rent policy would require.

Defining “Rent Regulations”

Opponents often use “rent controls” as a catchall term that lumps very different policies together. We need to distinguish among them.

- **First-generation rent control** refers to hard caps that freeze or severely restrict nominal rents without clear adjustment mechanisms. These were mainly imposed in wartime or immediately postwar. A small number of legacy units in cities like New York still fall into this category, but they are a tiny share of the market.
- **Second-generation rent stabilization** limits annual rent increases and provides strong protections against eviction without good cause. It often ties rent increases to inflation or verified cost changes. This category includes modern statewide measures in Oregon and California, New York City's system since 1969, and systems in many New Jersey municipalities. It allows limited, predictable rent increases and often exempts new construction for a period of years, as well as very small owner-occupied buildings. Whether such systems also close vacancy decontrol pathways is a critical design variable, discussed below.
- **Good Cause eviction protection**, New York state law since April 2024, extends similar logic to units that are not rent stabilized. Good Cause requires landlords to have a legitimate reason to refuse lease renewal and defines a presumptively reasonable range for annual rent increases. Above that threshold, tenants can challenge landlord increases as unreasonable.

This brief defends second-generation rent stabilization and Good Cause—style protections. It does not argue for permanent freezes on all rents or for crude caps that ignore operating costs. This brief claims that these contemporary forms can function as targeted financial regulations that stabilize rent paths and limit speculative business models.

One design variable is critical to whether rent stabilization actually interrupts the displacement business model: vacancy decontrol. Some systems allow rents to reset to market rate on unit turnover. This preserves the financial logic of displacement even when nominal caps are in place, because the speculative premium remains realizable through tenant churn. Modern second-generation systems have largely closed this pathway. This brief's defense of rent regulation as financial regulation applies to systems designed without that loophole. New York's 2019 Housing Stability and Tenant Protection Act (HSTPA) eliminated vacancy decontrol, capped rent increases for major capital improvements, and closed other pathways landlords had used to remove units from stabilization. The HSTPA, the state's most significant overhaul of rent regulation in decades, functions in this brief as an inadvertent stress test of speculative multifamily finance.

One feature of contemporary rent stabilization systems deserves emphasis because it is so routinely ignored in debates dominated by decades-old assumptions: Virtually all modern regimes exempt new construction for a substantial period after completion—typically 15 to 30 years from certificate of occupancy. New York, California, and Oregon all follow this design. Given the discount rates that real estate investors actually apply, whether a building's rents will be regulated 20 years out plays essentially no role in the decision to build it today. The claim that rent regulation suppresses new housing supply applies, if at all, only to systems that

cover new buildings immediately, which current systems generally do not. This means the standard economic objection to rent regulation applies to a policy design that no serious advocate is defending.

The Affordability Argument: Redistribution, Not Distortion

The conventional argument for rent regulation is straightforward: In housing markets characterized by scarcity, rent regulation redistributes income from landlords to tenants without necessarily affecting housing supply. The standard economic objection is that this redistribution should not be necessary, because high returns on rental property should pull in enough new construction to compete rents back down. The supply response is real but partial. Valuable land is the canonical example of Ricardian rents—income derived solely from capital ownership that markets cannot compete away. In dense, built-out cities, zoning, parcel availability, and construction costs constrain how much new supply rising rents can call forth. In less constrained markets, as discussed earlier, supply does respond, but at the price points that financialized underwriting rewards rather than the price points cost-burdened households need. Even optimistic supply trajectories take decades to deliver relief that rent-burdened tenants need now. The redistributive case for rent regulation is therefore valid even if new supply eventually materializes.

The standard economic critique also assumes that rents reflect the cost of providing housing plus a competitive return. In that world, capping rents below cost would discourage investment and reduce supply. But in many urban housing markets, a large wedge exists between what it costs to operate a building and what landlords charge in rent. This wedge reflects neighborhood desirability, locational advantages, and housing scarcity and not anything the landlord has done to improve the property. The median age of the rental housing stock in the US was 45 years in 2023, which means most buildings are well past the amortization term of their original construction financing and landlords are earning rising rents long after the cost of building has been paid off.⁶ Rising property values in sought-after neighborhoods are largely windfalls. When market rents substantially exceed operating costs, rent regulation does not prevent landlords from covering expenses or earning reasonable returns. It only limits their ability to capture the full scarcity premium.

The distinction between operating costs and financial costs is essential to evaluating claims of landlord distress. The great majority of mortgage debt carried by multifamily rental buildings reflects not the cost of constructing or improving buildings but the cost of acquiring them at prices set by speculative expectations about future rent growth. Cash-out refinancing, a standard practice among real estate investors who borrow against existing properties to finance new acquisitions, means that even buildings that have not changed hands in years often carry mortgages close to the maximum debt-service ratio that lenders will accept. When landlords cite financial distress, they are typically describing the gap between what their speculative debt loads require and what rents deliver, not the gap between operating costs and rental income. In other words, the phenomenon of markets competing away profits and squeezing landlords, where it exists, represents finance and leveraged property owners competing to divide profits—not rental owners competing on construction and operating efficiency.

Rent regulation does not prevent landlords from covering costs; it prevents them from using cost increases as justification for rent trajectories that primarily service speculative debt loads rather than actual operations.

The 2023 Housing and Vacancy Survey documented the scale of scarcity in New York: a rental vacancy rate of 1.41 percent, the lowest since 1968, with virtually no apartments available for less than \$1,650 per month and vacancy rates below 1 percent for units renting under \$2,400.⁷ Nationally, the Harvard Joint Center for Housing Studies found that by 2022 about half of renters were cost burdened, spending more than 30 percent of their income on housing, and more than 12 million people spent at least half of their pay on rent. In Los Angeles, about 57 percent of renters spent more than 30 percent of their income on housing as of 2021, and more than half of those households spent over 50 percent.⁸

In this context, the “efficiency” that rent regulation supposedly disrupts is the efficient extraction of the full scarcity premium from tenants. In practice in these markets, efficient allocation often means replacing existing tenants with wealthier ones who can pay more. This is not a more productive use of housing but rather a transfer of housing from lower-income to higher-income households driven by purchasing power rather than need. The main allocative problem in these markets is that market rents have become untethered from what working households can afford, producing extreme instability and cost burdens at the bottom while preserving high returns at the top.

The affordability case for rent regulation is straightforward redistribution. Landlords can still cover operating costs and earn returns; they simply cannot capture the full windfall. That windfall reflects housing scarcity and locational value the landlord did not produce, not anything the owner built or improved. This argument does not depend on any claims about speculation, financial fragility, or private equity. It is sufficient on its own terms.

A second argument regarding financial stability goes further. Understanding it requires moving beyond the standard economic case against rent regulation and examining how contemporary housing markets actually function.

The Minsky Framework: Housing as Speculative Finance

The standard economic case against rent regulation rests on a partial equilibrium analysis where price ceilings below the market-clearing level generate excess demand and reduce the quantity supplied. The model is simple, even elegant, but incomplete. The textbook framework treats housing as a consumption good in a competitive market. It assumes that many suppliers respond to price signals, and it ignores the temporal dynamics of asset markets and the structural power of financial capital. Larry Summers channeled that logic when he denounced Mamdani’s proposals, echoing Assar Lindbeck’s claim that rent control is the most efficient way to destroy a city short of bombing.⁹ The underlying picture is a textbook model where rents reflect construction costs plus a competitive return, landlords respond to price signals like any other competitive supplier, and the primary lever for affordability is expanding the volume of housing supply.

But rental housing in major American cities increasingly functions as a financial asset operating on expected appreciation rather than rental yields, with valuations driven by global capital flows and speculative positioning rather than local incomes or construction costs. In that system, the relevant question is not simply whether enough units exist but what kinds of deals are necessary based on the financial structure of ownership. Understanding how rent regulation operates in this environment requires a different theoretical starting point than competitive market analysis provides.

Economist Hyman Minsky argued that financial systems are inherently unstable because they endogenously generate fragility during boom periods. In Minsky's framework, extended periods of economic growth lead lenders and borrowers to take on progressively more risk. Early in a boom, lending is conservative: Borrowers have substantial equity, debt service is well covered by current income, and loans can be repaid from operating cash flows. Minsky called this "hedge financing." As the boom continues, competition for returns pushes lenders toward "speculative financing," where borrowers can service interest payments but must roll over principal by refinancing. Eventually, the system slides into "Ponzi financing," where borrowers cannot even cover interest from current income and must rely on asset price appreciation to avoid default. At this stage, the financial structure has become fragile. Any shock, such as rising interest rates, falling asset prices, or an economic slowdown, can trigger cascading defaults. In an inflationary environment where interest-rate declines can no longer be relied upon to bail out refinancing assumptions, the speculative and Ponzi stages of the cycle carry even greater risk than in prior decades.

Minsky developed this framework to explain banking crises, but the underlying logic applies to any asset class where leverage, expected cash flows, and price appreciation interact. Real estate markets are particularly susceptible because property serves simultaneously as a consumption good, an investment vehicle, and collateral for debt. When rental housing becomes organized as a financial asset class, financed through securitized debt, and valued based on yield targets rather than use value, it inherits all the instability dynamics that Minsky identified in other credit markets.

As described earlier, this dynamic produces two distinct fragility patterns depending on whether vacancy decontrol pathways exist in the legal architecture. But in both cases, the mechanism runs through acquisition financing built on projections that lenders are individually rational to finance in a competitive market but that collectively create risks that cannot accumulate indefinitely.

The 2008 financial crisis demonstrated these dynamics in owner-occupied housing. Mortgage lending that began conservatively in the early 2000s shifted toward speculative financing as the boom accelerated, with stated-income loans, interest-only mortgages, and adjustable-rate products that depended on refinancing at higher home values. By 2005 to 2007, the system had reached Ponzi financing, with loans extended to borrowers who could not cover even initial interest payments from earnings. When home prices stopped rising, defaults surged and mortgage-backed securities collapsed. The government's policy response recognized housing finance as a source of systemic risk. The Dodd-Frank Act imposed stricter lending standards, created the Consumer Financial Protection Bureau to police mortgage markets, mandated stress tests for major banks, and established the ability-to-repay rule requiring lenders to verify that borrowers could actually afford their mortgages. These were macroprudential regulations designed to prevent the financial system from sliding back into Ponzi dynamics.

Rent regulation is one of the few macroprudential tools that local and state governments actually control. It stabilizes tenants directly while feeding back into the credit system by making aggressive pro formas untenable.

The reforms were incomplete. They regulated bank balance sheets and mortgage underwriting for owner-occupied housing, but they did not touch the underlying dynamic that turns housing into a speculative asset. They imposed rules on residential mortgage lending but did not extend similar discipline to multifamily and rental housing finance. The rental market was allowed to replicate the same patterns that had just devastated the owner-occupied sector: Loans were underwritten on aggressive growth assumptions rather than operational income, buildings were valued on speculative turnover scenarios rather than fundamentals, and debt loads could only be serviced through continued tenant churn.

And now even those incomplete reforms face dismantling. The Donald Trump administration has halted Basel III capital requirements indefinitely and moved to effectively defund the Consumer Financial Protection Bureau. Acting Director Russell Vought has refused to request funding from the Federal Reserve, arguing the agency can only draw on the Fed's profits, which do not exist while the Fed operates at a loss. In December 2025, 22 state attorneys general sued to preserve the agency, warning it would run out of funds by early 2026.¹⁰ Meanwhile, Treasury Secretary Scott Bessent has reoriented the Financial Stability Oversight Council away from its original mandate: In a December 2025 letter, Bessent announced the council would now focus on evaluating regulations deemed undue burdens on growth, departing from its post-2008 focus on identifying emerging financial risks.

With the federal supervisory architecture in retreat, the tools that remain are state and local, and rent regulation is among the most powerful of them. Critics might respond that if the problem is speculative lending, the solution should be stricter multifamily underwriting standards and capital requirements rather than rent regulation. But those tools are complementary rather than competing. Bank regulators should impose tighter standards on multifamily lending, just as they did for residential mortgages after 2008. But those levers sit largely with Congress and federal agencies, not with city and state governments facing immediate housing crises. Rent regulation is one of the few macroprudential tools that local and state governments actually control. It stabilizes tenants directly while feeding back into the credit system by making aggressive pro formas untenable. Rent regulation forces the lending system to recognize what households can sustainably pay now, rather than waiting for prudential rules written in Washington that may never come or may be rolled back by hostile administrations.

The standard rent regulation debate misses this financial-stability dimension entirely. Critics treat rent regulation as an intervention into a naturally stable market. But it isn't. Housing finance follows Minsky's pattern: Lending standards deteriorate during booms, valuations become untethered from fundamentals, and debt structures require continued tenant displacement to remain solvent. In that system, rent regulation functions not as a blunt price control but as a targeted macroprudential instrument, acting as a headwind against the accumulation of excess leverage at precisely the phase of the credit cycle when competitive pressure

pushes lenders into accepting pro formas they know they should reject. The next section examines how this dynamic actually operates in contemporary multifamily lending, where commercial mortgage-backed securities and a decade of low interest rates produced exactly the speculative overleveraging Minsky described.

Housing as a Financial Asset Class

The Minsky framework describes a general pattern of credit cycles. The specific institutional architecture that produced the current rental housing version of that pattern is the expansion of commercial mortgage-backed securities (CMBS) markets and the decade of near-zero interest rates that followed the 2008 crisis. Since the expansion of CMBS markets in the late 1990s, rental housing finance has shifted toward capital market instruments and speculative underwriting. Rental properties are now heavily financed through CMBS and other securitized debt. Securitization allows financial markets to sever the connection between the lender and the building. When a loan is pooled into a security and sold to distant investors, the originating lender's incentive shifts from ensuring the loan can be repaid from building income to ensuring the loan can be sold. Underwriting standards that would matter to a lender holding a loan to maturity become less constraining when the loan will be packaged and sold within months. The result is a market where pro formas projecting aggressive turnover and rent growth get accepted not because they are realistic but because they are sellable.

The overleveraging that produced the current market distress did not happen overnight. It is the result of a decade-plus low-interest-rate environment stretching from the post-2008 recovery through the pandemic era. When the Federal Reserve held rates near zero, debt-service costs stayed artificially low even as property prices and leverage ratios climbed steadily higher. Deals that would have been unfeasible at normal interest rates penciled out because cheap debt compressed the gap between current income and debt-service requirements. Lenders competed to extend credit on increasingly aggressive terms, accepting pro formas that projected continued rent growth and eventual refinancing at rates that were assumed to stay low indefinitely. When the Fed began raising rates aggressively in 2022 to combat inflation, that assumption collapsed. Buildings acquired at speculative prices with floating-rate debt suddenly faced debt-service costs that their actual rental income could not cover. The result is a balance sheet problem now playing out across the market.

The consequences of that shift are visible in the current delinquency data. Multifamily CMBS delinquencies stood at roughly 1.9 percent in early 2024. By October 2025 they had climbed above 7 percent for the first time in a decade, before settling back to 6.85 percent as of February 2026. The year-over-year rise in multifamily delinquencies is the largest of any commercial property type tracked by Trepp. The special servicing rate, which is a leading indicator of further stress, reached 8.3 percent in early 2026.¹¹

Some of the distress is concentrated in a specific cohort: floating-rate bridge loans that originated in 2021 and 2022, when rates were at pandemic lows, that have since reset into a fundamentally different interest rate environment. Occupancy remains high and rent collections relatively stable across most markets. The distress is entirely a function of debt structure, not demand. Buildings carrying loan loads that could only be serviced on the assumption of continued rent growth and eventual refinancing at lower rates are now exposed. Rather than forcing foreclosures, many lenders have continued to extend credit to distressed borrowers, a dynamic analysts call extend-and-pretend that delays the reckoning without

resolving the underlying fragility.¹²

Research documents the business model that produced this overleveraging: Increase net operating income by displacing existing tenants and raising rents on turnover, defer maintenance to boost short-term cash flow, refinance at higher valuations based on that net operating income growth, extract equity through cash-out refinancing, and repeat.¹³ The model depends on turnover, not on extracting higher rents from sitting tenants, because pushing rents higher produces only nonpayment or departure rather than higher collected rent. In regulated buildings, turnover is also the legal pathway to decontrol, which is why rent-stabilized markets with vacancy decontrol concentrated the speculative dynamic so intensely. In unregulated markets, turnover is simply the moment the unit can be repriced to what the next tenant will pay. Higher interest rates broke this cycle, leaving overleveraged landlords unable to refinance on the terms their business plans assumed. Freddie Mac and Fannie Mae, which together backstop roughly half of all multifamily lending, responded in 2024 by implementing stricter verification requirements for projected cash flows. This is an implicit acknowledgment that speculative underwriting had become the market norm.¹⁴

How Rent Regulation Works as Financial Regulation

In practice, rent regulation in a financialized housing market functions as macroprudential policy by changing the distribution of risk and the trajectory of expected cash flows. Understanding how this works requires unpacking several mechanisms.

Capitalization Rates and Speculative Premia

The capitalization rate (cap rate) equals net operating income divided by property value. Investors evaluate buildings by calculating expected returns. A building that generates \$1 million in net operating income and sells for \$20 million has a 5 percent cap rate. Lower cap rates mean investors are willing to accept lower current yields; they are paying more for each dollar of current income. In real estate, unlike bonds, lower cap rates signal more speculation, not less—investors are paying premium prices based on expected future rent growth and property appreciation rather than current income.

Why would investors accept low current yields? Because the price of any income-producing asset reflects not just what it earns today but also what buyers expect it to earn in the future. In a market where landlords can easily replace existing tenants and re-rent vacated units at much higher rates, an investor can rationally pay a high multiple of current income because the expected future cash flows, particularly once displacement occurs in stabilized properties, will be substantially larger. The speculative premium is the portion of the purchase price that reflects expectations of future tenant turnover and rent increases on vacated units rather than income from current tenants at current rents.

This creates a dysfunctional cycle. When investors expect to displace current tenants and achieve higher rents on turnover, they bid up property prices and accept lower cap rates. High purchase prices do not enable landlords to charge more than the market will bear, but they often require displacement to occur for returns to materialize. If an investor buys a building at a 4 percent cap rate using 70 percent leverage, current rents may barely cover debt service. The deal is viable only if the landlord successfully executes a turnover strategy: rapidly raising rents on

vacated units in unregulated markets, or displacing tenants to deregulate units in stabilized markets. This is a speculative financing structure where the investment depends on displacement to remain solvent. As more investors chase yield and accept lower cap rates, property prices rise further. Buildings that trade at higher multiples of current income require more turnover to pencil out, so the business plans that lenders receive become more aggressive. Lenders, observing successful recent rent growth on turnover, accept overly optimistic pro formas and lend against projected rather than current income. The system slides toward fragility.

Rent regulation interferes with this logic. By capping rent increases and limiting no-cause evictions, rent regulation compresses speculative premia. It makes it harder to justify high purchase prices based on future displacement. Under strong rent stabilization, with vacancy decontrol eliminated and eviction protections in place, an investor has no financial basis for paying a speculative premium, and underwriters have no reason to compete away standards to finance them. The displacement strategy that would justify a high purchase price is no longer available, so the premium cannot be realized. Valuations must adjust downward to reflect actual stabilized income, meaning what the building currently earns from existing tenants at current rents.

New York City offers the clearest available evidence of this mechanism in action. Before the 2019 HSTPA reforms, the rent-stabilized market operated under vacancy decontrol: When a tenant left, landlords could apply a vacancy bonus and pass through renovation costs as individual apartment improvements, raising the legal rent enough that once it crossed a statutory threshold (most recently \$2,774), the unit exited stabilization and could be re-rented at market rate. Stabilized buildings, especially those with units near this threshold, were therefore valued not on their current stabilized income but on their deregulation potential—the projected rents achievable once existing tenants were displaced. Speculative investors paid premiums accordingly, and lenders underwrote against those projections.

If housing portfolios are priced on the expectation that current tenants can be replaced with higher-paying tenants, then lower valuations are not a bug. They are a correction. The speculative premium was capitalized extraction that never should have been priced into assets in the first place.

When the HSTPA closed vacancy decontrol pathways, the financial logic underpinning those valuations collapsed. Cap rates, the ratio of net operating income to purchase price, rose sharply across all boroughs, reflecting the repricing of buildings from speculative to stabilized-income value. According to analysis by Ariel Property Advisors, Queens cap rates jumped from 3.95 percent in 2018 to 5.03 percent by 2019, an increase of 108 basis points. Northern Manhattan rose from 3.90 percent to 4.60 percent, Manhattan from 3.7 percent to 3.9 percent, and Brooklyn from 4.54 percent to 4.71 percent.¹⁵ By 2024, some heavily rent-stabilized properties were trading at cap rates approaching 9 percent, compared to typical pre-reform cap rates in the 3.5 to 4.5 percent range.¹⁶ Rising cap rates mean falling prices relative to income, which is precisely what happens when the speculative premium is removed.

This is why financial-sector actors panic when rent regulation is on the table. During Mamdani's campaign, analysts and commentators warned that strengthened rent protections would spook lenders and depress real estate values in New York. They were right that valuations would fall, but wrong to see this as a problem. If housing portfolios are priced on the expectation that current tenants can be replaced with higher-paying tenants, then lower valuations are not a bug. They are a correction. The speculative premium was capitalized extraction that never should have been priced into assets in the first place. Moreover, because new construction is exempt from rent control for a substantial period, these falling premia on existing buildings raise the relative return of investments in new supply.

It is important to be precise about causality here. High purchase prices and low cap rates do not, by themselves, cause higher rents. A landlord who acquired a building cheaply is just as eager to charge the highest possible rent as a landlord who paid a premium. What speculative finance does is something different and more specific: It creates a business plan that only works if displacement occurs. When a buyer pays a speculative price based on the assumption that many units will be vacated and re-rented at much higher levels, the deal only pencils out if that displacement actually happens. Speculative valuations therefore embed a business plan of churn and eviction and generate a strong incentive to carry that plan out. Rent regulation does not magically make landlords altruistic; it removes the legal and financial channels that made those speculative business plans workable.

Disciplining Underwriting Standards

Rent regulation also disciplines underwriting standards by acting as a macroprudential brake on the competitive dynamic that pushes lenders toward accepting pro formas they know are aggressive. When displacement is unconstrained, lenders have an incentive to accept optimistic projections because the lender who insists on conservative income-based underwriting loses business to the one who does not. This competitive pressure drove aggressive multifamily lending in the 2010s and early 2020s, especially in Sunbelt metros where rent growth on turnover was strong. As property prices rose, lenders accepted higher loan-to-value ratios and thinner debt-service coverage. By mid-2023 in Dallas and Houston, the Sunbelt markets where the overleveraging had been most aggressive, Trepp data showed that roughly 9 percent of multifamily CMBS loans had already fallen below a debt-service coverage ratio of 1.0, meaning operating income no longer covered debt payments at all, before any further rate increases materialized.¹⁷ The implicit assumption was that landlords would achieve enough turnover to raise rents and improve coverage, allowing profitable refinancing. In Minsky's terms, the system moved from hedge financing toward speculative and Ponzi structures, where deals depended entirely on continued displacement and rent growth on turnover.

Rent stabilization and Good Cause laws act as a macroprudential headwind. If lenders know that rent increases will be limited and that tenants have stronger protections against eviction, they cannot rely on future displacement to bail out weak deals. Optimistic turnover projections become harder to justify. Lenders must either demand more equity, insist on lower purchase prices, or underwrite loans based on more conservative assumptions about cash flows. In Minsky's terms, rent regulation forces a return from speculative and Ponzi financing back toward hedge financing, where loans can be serviced from current stabilized income rather than projected displacement.

Dodd-Frank's ability-to-repay rule operates on exactly this logic. It prevents lenders from extending mortgages to borrowers who cannot afford them based on current income, eliminating Ponzi financing structures that depend entirely on refinancing or appreciation. Those assumptions were at least partially credible during a decades-long secular decline in interest rates but carry far greater risk in an environment where that decline can no longer be relied upon. The rule exists not because regulators want to reduce homeownership but because loans that cannot be serviced from borrower income create fragility that threatens the entire financial system (and, in the example of the Great Recession, can set back housing production for years). Rent regulation performs the same function for multifamily lending, requiring lenders and investors to bear more of the risk they created rather than pass it on to tenants.

Critics argue that rent regulation prevents landlords from covering legitimate rising costs, including insurance, property taxes, and maintenance, especially in markets facing climate-related insurance spikes. This concern is real, but it conflates two distinct issues. First, well-designed rent stabilization systems explicitly allow for verified cost increases. New York's system, for example, permits landlords to pass through major capital improvements and increased operating costs, subject to documentation and caps. The question when designing a rent regulation system is not whether landlords will be able to recover costs but how quickly, and whether they can pass through increases immediately or must phase them in over time in ways that prevent shock rent increases and displacement of tenants.

Second, the cost-coverage argument typically assumes that current rent levels reflect only operating costs plus reasonable returns. But in fact rents in financialized markets include substantial speculative premia. When a building purchased at a compressed cap rate faces rising insurance costs, the shortfall often reflects the gap between what overleveraged financing requires and what the building's operations can sustainably support. Rent regulation does not prevent landlords from covering costs; it prevents them from using cost increases as justification for rent trajectories that primarily service speculative debt loads rather than actual operations. Buildings financed conservatively, where loans are underwritten on current rather than projected income, can typically absorb moderate cost increases through rent adjustments within stabilization caps, reserves, or modest reductions in returns. Buildings that cannot should not have been financed at their purchase prices in the first place.

Reducing Displacement Risk

The most immediate effect of rent regulation is to reduce eviction and displacement risk by creating a buffer between what tenants pay and what the market can extract. In an unregulated market, competitive capital structures require landlords to charge the maximum tenants can pay, which by definition eliminates any margin between housing costs and household budgets. When incomes fall through job loss, illness, or economic downturn, there is no buffer. Tenants who could absorb a shock if they were paying 25 percent of their income cannot absorb it if they are already paying 45 percent. Rent regulation creates that buffer by keeping rents below the maximum the market could bear, which means households retain some capacity to weather income disruptions without losing their housing. Rent regulation also creates slack on the producer side, relieving some of the capital market pressure that forces even well-intentioned landlords toward maximally extractive strategies. The implications for what kinds of housing production become viable warrant fuller treatment elsewhere.

From a macroprudential perspective, this buffer matters at the system level because forced displacement amplifies economic shocks. When a recession or local downturn hits, displacement becomes a primary mechanism of adjustment. Tenants cut consumption; take on high-cost debt to bridge expenses, including rent; move frequently; and lose employment and community stability. Meanwhile, overleveraged landlords facing distress may intensify eviction pressure, defer maintenance to preserve cash, and strip buildings of reinvestment in ways that degrade the housing stock. Frequent moves, lost employment, and reduced consumer spending feed back into labor markets and local economies.

Evictions also put tremendous strain on public budgets. A 2020 study on national public costs of evictions resulting from the expiration of eviction moratoria and rental assistance programs estimated costs between \$62 and \$129 billion in emergency shelter, inpatient medical care, foster care, and juvenile delinquency services.¹⁸ A system that stabilizes rents and reduces forced displacement also stabilizes local demand and reduces the social cost of downturns. Rent regulation internalizes some of that risk back into the financial structure where it originated.

Racialized Extraction

Displacement pressure, eviction, and the cost burden produced by speculative overleveraging fall heaviest on Black and brown renters through mechanisms both historical and ongoing. Speculative extraction has been concentrated by race. Speculative instability has been systematically offloaded onto communities with the least political power to resist it and the least accumulated wealth to absorb it, creating a feedback loop between financial fragility and racial inequality that has now repeated across multiple asset classes. Speculative capital is heavily concentrated in Sunbelt metros including Tampa, Atlanta, Phoenix, and Dallas, with particular concentration in historically Black and brown neighborhoods that were systematically excluded from homeownership and wealth-building opportunities in earlier eras. Private equity ownership is the most visible expression of this concentration.¹⁹

But the underwriting architecture that drives speculative acquisition extends across the full spectrum of multifamily lending—institutional, regional bank, and individual landlord alike. What is concentrated in these communities is not a particular ownership form but the demand side of a credit market that prices displacement into building values. Speculative investors have targeted communities that were redlined in an earlier era, designating them for “value-add” strategies once public disinvestment creates low acquisition costs.

Nationally, Black renters are far more likely to be cost burdened than white renters, and they face eviction rates roughly double those of white tenants. Research by the Eviction Lab at Princeton University shows that eviction filings are concentrated in majority-Black neighborhoods even after controlling for income and rent levels. Despite making up only 18.6 percent of renters nationally, Black Americans account for 51.1 percent of those facing eviction filings.²⁰ In cities like Richmond, Virginia; North Charleston, South Carolina; and Jackson, Mississippi, majority-Black neighborhoods experience eviction filing rates many times higher than majority-white neighborhoods. While the underwriting logic itself is not specific to corporate ownership, corporate landlords execute it most aggressively: They file evictions more readily than small landlords and concentrate their holdings in these same communities, intensifying the pattern rather than creating it.

A Federal Reserve Bank of Atlanta study found that corporate landlords were about 8 percent more likely to file evictions than smaller owners, and some firms sought to evict nearly a third of their tenants in a year.²¹ The disparity reflects the operational structure of corporate ownership: Corporate landlords have legal departments and treat eviction filing as a standard rent-collection tool, while smaller landlords typically negotiate directly with tenants over missed payments. Low-income Black and brown renters in these communities are the households that displacement-based business models are designed to extract value from—and whose stability rent regulation is designed to protect. In New York, rent-regulated units, which account for roughly 41 percent of the city's rental units, are occupied by households with a median income of approximately \$60,000, well below the citywide median.²² Rent burdens approach or exceed affordability thresholds for hundreds of thousands of families—illustrating both the scale of the need and the stakes of getting regulation right.

The same households that were excluded from homeownership through redlining, subjected to predatory lending in the 2000s, and stripped of hundreds of billions of dollars in wealth through foreclosures in the 2008 crisis now face landlords who see their neighborhoods as yield opportunities. The replacement of pensions with home equity and 401(k) accounts since the 1970s systematically excluded communities of color, then targeted them for predatory inclusion through subprime lending. Financial engineering in rental housing migrated to the same communities that bore the greatest harm from previous cycles. Understanding rental housing instability as a macroeconomic problem, rather than simply a housing problem, is one of the most effective ways to build a broad constituency for reform. It draws in everyone with a stake in financial stability and inflation, not only tenants and housing advocates. It also makes visible how financial-system design and racial wealth extraction are connected, linking housing reform to the broader project of racial economic justice. With rent regulation, some of the financial risk moves back to lenders and investors, where it originated and can be mitigated.

Case Study: Signature Bank and the Stress Test

In March 2023, Signature Bank collapsed in the fourth-largest bank failure in American history.²³ The immediate trigger was cryptocurrency exposure and deposit flight following Silicon Valley Bank's failure. But the underlying structural problem was its \$11 billion portfolio of loans to rent-stabilized buildings, nearly half of the bank's New York City commercial real estate book. Signature's collapse reveals not the recklessness of one institution but the predictable endpoint of a lending market that had moved, in Minsky's terms, from speculative to Ponzi financing across the entire NYC multifamily sector.

By 2023, Signature Bank had become one of the most aggressive lenders to rent-stabilized buildings in New York. It was the largest lender among regional banks and the dominant lender to middle-market borrowers, with higher loan-to-value ratios and higher debt per square foot than its closest competitors. But it operated within a market-wide dynamic that rewarded aggressive underwriting.

Across New York's regional and local banking system, lenders did not simply share bad assumptions—they were responding to competitive pressure. Underwriting on deregulation potential allowed lenders to offer larger loans on terms that seemed viable as long as the displacement strategy worked. Lenders that insisted on conservative income-based underwriting lost business to those that did not. Loans were underwritten on projections that landlords would push out rent-regulated

tenants, renovate units, and convert them to market rate. This became the market-driven standard across the NYC multifamily market. The concentration of rent-stabilized assets among a handful of specialized lenders, all growing market share by operating on the same speculative premises, created systemic exposure that remained invisible as long as deregulation remained legally feasible.

Signature exemplified this pattern. The bank lent to approximately one-third of the building owners on the NYC Public Advocate's "worst landlords" list, including landlords who faced criminal charges for tenant harassment.²⁴ Housing analysts who examined the portfolio observed that the revenue generated by rent-stabilized buildings could not cover the debt service and maintenance costs that Signature had extended, creating a fundamental mismatch between operational income and debt obligations. The 2019 Housing Stability and Tenant Protection Act eliminated vacancy decontrol, capped major capital improvement rent increases, and closed other pathways to deregulation. Then NYC Comptroller Brad Lander, who reviewed the loans during the city's bailout intervention, confirmed they "were predicated on plans for displacing rent-regulated tenants and raising rents much higher than the HSTPA allows."²⁵

Consider a concrete example:

A landlord buys a 100-unit rent-stabilized building for \$20 million. The pro forma underlying that price assumes the landlord will displace roughly 30 percent of tenants currently paying \$1,200 per month, spend approximately \$500,000 on unit renovations, and re-rent the vacated apartments at \$2,500. Combined with permitted rent increases on remaining stabilized tenants and major capital improvement passthroughs over a five-year hold, the projected net operating income rises from \$1 million to \$1.8 million annually. The bank sizes the interest-only acquisition loan at \$14 million against that projected income.

At acquisition, the building generates \$1 million in current rent-stabilized income against \$700,000 in annual interest at 5 percent. Debt service is workable on current income, but the borrower paid a price that only makes sense if displacement actually occurs. But when the displacement plan fails, the building's value reverts to its current income capitalized at a stabilized cap rate, closer to \$14 million than \$20 million, and the borrower's \$6 million equity position evaporates. This is a textbook speculative financing structure in Minsky's terms, where the deal pencils only if the landlord manufactures the future that the pro forma assumes.

When those deregulation pathways closed, the financial logic underpinning these speculative valuations collapsed. Landlords who had borrowed against buildings valued at \$20 million, based on deregulation potential, suddenly owned buildings worth \$12 million, based on actual stabilized income. Analysis by Maverick Real Estate Partners found that rent-stabilized building values collapsed between 20 and 65 percent, with a median decline of 38 percent, depending on the gap between regulated rents and the market rents landlords had planned to charge.²⁶ The bigger the speculation premium, the worse the correction.

These declining values represent the removal of a speculative premium that had never been grounded in what the buildings actually earned. They are not the destruction of the housing services that constitute value in the real economy. The buildings did not become worth less because rent stabilization made them less productive. They became worth less because the legal pathway that investors had priced in, the future ability to displace tenants and deregulate units, was no longer inflating asset values. The lenders and investors who underwrote against that pathway bore the loss because they had created it. Critically, this was not one bank's

portfolio problem but a repricing of assets across the entire NYC rent-stabilized market, revealing how many buildings across the lending ecosystem had been valued on speculative assumptions rather than actual stabilized income.

Signature's portfolio became severely distressed and effectively unsalable.²⁷ When the Federal Deposit Insurance Corporation (FDIC) marketed the loans after Signature's collapse, even New York Community Bank, a \$116 billion commercial bank²⁸ that was also Signature's primary competitor and the city's other major rent-stabilized lender, refused to purchase the multifamily portfolio despite acquiring \$12.9 billion in other Signature assets.²⁹ New York Community Bank understood the rent-stabilized market better than any outside buyer and had operated on the same aggressive underwriting assumptions for its own portfolio. This refusal is itself the clearest evidence of systemic failure: The bank recognized that the entire market's underwriting premises had been invalidated, not just Signature's.

The city government then had to step in to manage the crisis. Then NYC Comptroller Brad Lander, working with city pension trustees, committed \$60 million for the pension system's stake in a nonprofit-led venture that partnered with the FDIC to take on Signature's rent-stabilized portfolio, roughly \$5.8 billion in face-value loans covering 35,000 units, acquired at 59 cents on the dollar, a 41 percent discount from stated value.³⁰ Private lenders had created a speculative balloon, and when it burst, it threatened mass displacement and building neglect as overleveraged landlords squeezed tenants harder to service unsustainable debt loads.

Signature reveals the predictable endpoint of a lending market that has moved through Minsky's stages to full Ponzi financing: credit extended at a scale that could only be serviced through displacement and deregulation, treated not as a risk but as a standard business model. The 2019 HSTPA reforms did not cause this fragility. They made it visible. They functioned as an inadvertent stress test where a change in the legal environment exposed how much of the system's apparent stability had rested on assumptions that were always going to be invalidated, whether by a policy reform or by some other shock. Without those reforms, speculation would have continued, more buildings would have been leveraged higher by more lenders, and more tenants would have been displaced or converted to market rate before an even larger collapse.

Just as the 2008 crisis demonstrated that unregulated mortgage markets produce systemic risk requiring public bailouts, Signature and the broader NYC multifamily crisis show that speculative housing finance generates crises that private markets cannot fix on their own.

The city's response also demonstrates that localities and housing finance agencies should prepare for both the challenges and the opportunities that follow rent regulation reforms. This includes acquiring distressed portfolios at significant discounts for conversion into permanently affordable housing.

Ultimately, critics who blame rent regulation for destroying building values have the causation backward. The debt was real, but the values were not. They reflected capitalized future extraction priced into assets by entire lending markets operating on shared speculative assumptions. Regulation did not destroy value; it prevented the conversion of occupied homes into financial instruments and exposed the fiction on which that conversion was premised. Some who speculated aggressively on further deregulation lost. That is what financial regulation is supposed to do.

The National Crisis

If New York shows what happens when speculative multifamily lending collides with tenant protection reform, Sunbelt and other growth markets show what happens when the same speculative dynamic operates in markets without tenant protections. Rental affordability is an increasingly national crisis driven by the same underwriting failure, concentrated in precisely the markets that the deregulatory framework predicts should be healthy.

In Sunbelt markets like Dallas and Atlanta, where private capital concentrated apartment acquisitions during the low-interest-rate period from roughly 2010 to 2022 and tenant protections remain minimal, overleveraged properties face acute refinancing crises as interest rates rise. Institutional lenders show this dynamic most visibly, but the underlying speculative underwriting extends across the full spectrum of ownership. The same competitive lending pressure that filled private-equity pro formas with aggressive rent growth assumptions also shaped how regional banks and individual landlords acquired and refinanced during this period. Private equity firms own over 2.2 million apartment units nationally, roughly one-tenth of all US apartments, with ownership heavily concentrated in metro areas like Dallas, Atlanta, Houston, Denver, Austin, Phoenix, and Tampa, where in several neighborhoods they make up more than a quarter of the rental stock.³¹ These markets share weak tenant protections, little or no rent regulation, and landlord-friendly eviction laws. They also share a pattern of rapid rent increases, high tenant cost burdens, and rising financial stress that persists even where construction has been robust.

A January 2026 study of six high-growth metro areas, including Dallas, Atlanta, Houston, and Phoenix, found that even where new construction made up more than 20 percent of the total housing stock, the share of units serving lower-income renters stagnated or even decreased between 2015 and 2023. In Phoenix, average rents for extremely low-income households rose 26.7 percent over that period while rents for higher-income households actually fell 5.3 percent.³² These Sunbelt metro areas built aggressively—adding housing supply at among the fastest rates in the country—precisely the conditions that the supply-only framework predicts should produce affordability gains. The fact that they did not suggests that the financial structure under which housing is produced, owned, and financed, rather than unit count alone, is crucial for ensuring affordability. Speculative financing structures produce construction at price points that service debt and return targets, rather than at price points that reach lower-income households. Speculative financing can also prevent older units from filtering into naturally occurring affordable housing, which a supply-only framework relies upon to deliver affordability. Between 2015 and 2021 filtering either stalled or reversed, with higher-income households displacing lower-income ones in high-appreciation markets.³³

The fragility shows up first on tenant balance sheets. In unregulated markets, the legal pathway that exposed Signature's portfolio in 2019 has no equivalent. There is no policy that invalidates speculative underwriting simultaneously across an entire portfolio, so the speculative premium does not evaporate at once. Instead, it leaks out gradually as overleveraged landlords pursue extend-and-pretend strategies, raise rents faster than wages, defer maintenance, and lobby to restore conditions favorable to speculation. In the absence of household financial data with the granularity of bank balance sheets, rent burdens are a key signal of where the leverage is going. In the metros where speculative acquisitions are concentrated, that distress is the byproduct not only of a tight market but also of the direct passthrough of debt loads that current rents cannot support.

The lender side of that fragility is also visible, just on a different timeline and through different institutions. This is illustrated by Arbor Realty Trust, the Long Island–based real estate investment trust (REIT) that became the dominant lender to Sunbelt multifamily syndicators during the low-interest-rate period. Throughout 2021 and 2022, Arbor specialized in floating-rate bridge loans to value-add investors acquiring older apartment properties for renovation and rent increases.³⁴ This is the same business model that drove the Signature portfolio, applied in markets where the rent increases came from market repricing rather than legal deregulation.³⁵ By the end of 2025, Arbor reported \$570 million in delinquent loans and roughly \$500 million in real-estate-owned (REO) assets, nearly triple the \$177 million on its books a year earlier. The company foreclosed on 21 loans in 2025, up from 6 in 2024. The repossessed properties were concentrated in Houston, San Antonio, Dallas, Atlanta, and Florida.³⁶

Apartment buildings that Arbor has taken back through foreclosure are on average only 45 percent occupied, indicating sustained operational distress rather than a temporary refinancing problem.³⁷ Arbor became one of the most heavily shorted real estate stock in the United States as institutional investors bet on continued portfolio deterioration.³⁸ The mechanism is the same as Signature: Arbor was a specialized lender concentrated in one segment of multifamily, with portfolio-wide underwriting that depended on aggressive rent growth and broke when rates rose. The difference is that Arbor is a nonbank REIT funded through collateralized loan obligations rather than insured deposits, so there is no run risk and no FDIC resolution. The losses surface as foreclosures, REO accumulation, and equity-side distress rather than as a banking event.

The structural difference between New York and the Sunbelt is not whether speculative underwriting is exposed, but where the exposure lands. New York's rent-stabilized lending market was concentrated in a handful of specialty banks, all underwriting the same buildings on the same displacement-dependent assumptions. When the legal pathway closed in 2019, the speculative premium evaporated simultaneously across the entire portfolio, and the losses landed directly on those banks' balance sheets because there was nowhere else for them to go.

But Sunbelt multifamily lending is structured differently: It is geographically dispersed across many institutions rather than concentrated in a handful. A substantial share is backstopped by Fannie Mae and Freddie Mac, which means the eventual credit losses are absorbed by the agencies and ultimately by the federal backstop rather than by individual lenders. Most of the rest is securitized through CMBS and distributed to investors, who hold small slices of geographically diverse pools rather than concentrated exposure to any single market. The risk has not been eliminated. It has been diffused across a system that spreads losses widely enough that typically, no single institution fails visibly when the underlying assumptions prove wrong. Multifamily CMBS delinquencies have already climbed to a 10-year high, the largest year-over-year increase of any commercial property type, signaling that the latent lender exposure is beginning to surface.³⁹

The financial distress in New York's rent-stabilized sector and the affordability distress in Dallas's unregulated market share a common cause: widespread underwriting that assumed continued aggressive rent growth that could not survive a change in interest rates or wage trajectories. The two patterns differ in where the fragility lands first: Regulated markets expose lender balance sheets directly when the legal pathway closes, and unregulated markets route the fragility

through tenant balance sheets and nonbank lender portfolios until rates rise enough to break the debt structure. Critics of rent regulation point to it as the distortion that prevents markets from functioning. But the distortion that actually produced this crisis is a financial system that prices housing as if tenant stability is an obstacle to speculative returns rather than a precondition for stable ones.

What Rent Regulation Enables and Requires

Suppressing speculation opens space for other forms of housing ownership, including public housing, social housing, and cooperative ownership models. These cannot compete when housing functions primarily as an investment vehicle. By stabilizing rents and compressing speculative premia, rent regulation lowers acquisition costs for social housing providers and cooperatives and makes their business plans viable where they would otherwise be outbid by investors chasing yields underwritten by speculative appreciation. It also makes mixed-income buildings financially feasible without relying on cross-subsidies from luxury units.

However, this reorientation confronts a hard political reality: Municipal governments depend on property appreciation for tax revenue. For example, New York's budget model assumes rising property values for tax receipts. Suppressing housing's role as a speculative asset requires rethinking public finance through land-value taxation, progressive income and wealth taxes, and dedicated revenue streams that do not depend on asset bubbles. This fiscal capacity exists. Addressing that dependence warrants fuller treatment elsewhere. Most states have already substantially reduced their dependence on property tax appreciation through tax limitations and other revenue diversification, suggesting that this transition is manageable. The political choice is whether to organize public revenue around speculative dynamics that have already created multiple crises, or around stable housing provision.

Rent regulation does not produce new housing units, and the supply debate is often framed as if rent regulation and supply were mutually exclusive. That framing obscures both the real questions—what kind of supply, financed how, under what rules, and at what price points—and the fact that the supply implications of rent regulation differ meaningfully across market types. In dense, built-out cities like New York, the gap between expanding supply and pushing up acquisition costs is severe: Existing multifamily stock rarely pencils for redevelopment, and adding density requires stranding significant existing rental income during construction. Rent regulation in these markets primarily functions to stabilize the existing stock while creating space for mission-driven acquisition.

In lower-density Sunbelt cities, by contrast, there is a genuine construction-density margin where reducing leverage pressure can increase both supply and affordability simultaneously. This is because compressing speculative premia lowers the cost basis at which new development must pencil out. The common thread across both market types is the underwriting ratchet: Competitive lending on aggressive growth assumptions creates financial fragility that rent regulation is designed to interrupt, even if the supply-side implications differ. A city with severe housing scarcity and no construction will not solve its problem through rent regulation alone, but rent regulation changes the baseline conditions under which new production occurs, and it determines what kind of housing gets built and for whom.

Rent regulation creates conditions under which nonspeculative housing can compete. Stabilizing rents and compressing speculative premia lower acquisition costs for public housing authorities, nonprofit developers, community land trusts,

and tenant cooperatives. Rent regulation makes their business models viable where they would otherwise be outbid by investors chasing yields underwritten by speculative appreciation. It also makes mixed-income buildings financially feasible without relying on cross-subsidies from luxury units.

At the same time, rent regulation buys families time for public investment and new production to slow rent inflation. In markets where vacancy is already near zero and cost burdens are extreme, simply building more luxury or market-rate units will not meaningfully solve the problem quickly enough for rent-burdened families. An ownership strategy focused on social and public housing, cooperative ownership, and public developers needs space to take root. Rent regulation creates that space by preventing further displacement and limiting the upward pressure on prices that speculative building often generates. Recent empirical simulation confirms that even a dramatic, deregulation-driven supply expansion would take decades to generate affordability gains for cost-burdened households, and that trickle-down benefits are insufficient in the time horizon that matters for families facing displacement today.⁴⁰

The real choice is not between rent regulation and supply. It is between a housing system organized around speculative finance, which generates returns through displacement and churn rather than stable tenancy, and one organized around public and social benefits, which can actually deliver adequate supply because it is not hostage to yield targets.

Empirical Record on Rent Regulation

The empirical record on rent regulation is more complicated than either its critics or defenders typically acknowledge, but the financial regulation framing asks a fundamentally different question than the one most studies answer. The existing literature examines how landlords adjust tenure and pricing decisions when rent caps apply to some units and not others, and when the broader financial environment remains constant. Those are useful findings about the design pitfalls of partial regimes. They are not tests of what comprehensive rent regulation does to the structure of financing itself: what kinds of buyers enter the market, how much leverage they carry, what pro formas lenders will accept, or how much of property values reflects speculative premia versus actual stabilized income. Once you ask that question, the empirical debate looks different.

The stabilizing benefits of rent regulation are documented consistently in the literature and are worth stating plainly before engaging the contested evidence. Studies consistently find that tenants in rent-stabilized units experience lower displacement rates, longer tenures, and more predictable housing costs than comparable tenants in unregulated stock. Those outcomes are not incidental; they are the point of regulation. When mainstream commentators treat reduced turnover or slower rent growth as distortions, they implicitly treat churn and rent shocks as healthy market signals rather than as sources of household insecurity and macroeconomic volatility. The financial regulation perspective adds a further dimension: Reduced turnover also means reduced pressure on the speculative business models that drive systemic overleveraging.

The most heavily cited modern study of rent regulation examines a 1994 expansion of San Francisco's rent stabilization system to cover small multifamily buildings that had previously been exempt.⁴¹ The authors found that over time, landlords responded to the extension of rent regulation by converting some covered units to condominiums or redeveloping them into new construction not subject to caps. They estimated that the policy reduced the supply of rental housing in the covered

segment of the market and contributed to upward pressure on rents elsewhere in the city. It is worth noting that condo conversions do not reduce total housing supply; they shift tenure from rental to ownership, leaving the number of units unchanged. The study documents a reduction in regulated rental supply, not a net disappearance of housing. The standard takeaway that rent regulation shrinks supply and raises prices conflates these two distinct effects. It is also at odds with the incentives produced in modern rent regulation policies, which exempt new construction for 15 years or more.

This was a partial equilibrium study examining landlord tenure decisions, not a test of rent regulation as macroprudential financial regulation. It examines a relatively narrow intervention in a deeply financialized market, measuring how landlords adjust when rent caps apply to a subset of buildings while the broader financial environment stays constant. The paper's core finding—that some landlords exit the regulated rental sector when caps apply only to some buildings—tells us about the design flaws of partial regimes riddled with exit pathways. It does not test what happens when regulation simultaneously disciplines leverage across the lending system, constrains speculative financing models, and builds public alternatives. The lesson is not that rent regulation fails but that well-designed rent regulation must close arbitrage pathways, particularly ones that do not increase supply. A regime that caps rents but allows easy conversion to condominiums or redevelopment into exempt new construction invites exactly the kind of evasion the study documents.

Evidence from Boston and Cambridge follows a similar pattern. When Massachusetts voters eliminated rent control in the mid-1990s, subsequent research found that deregulated buildings saw substantial rent and price increases, along with higher rates of renovation and investment.⁴² Those findings are routinely cited as proof that rent regulation suppresses quality and that lifting regulations unleashes beneficial upgrading. Yet the same data show that the financial gains from deregulation were capitalized into property values, delivering windfalls to owners while increasing cost burdens and displacement risks for tenants. Measured purely as a financial asset, housing clearly benefited from deregulation. Measured as a system for providing stable shelter, the verdict is less clear.

Addressing genuine supply shortages requires expanding public, social, and cooperative housing production operating outside speculative finance.

More fundamentally, this literature is a partial equilibrium analysis that holds the financial environment constant. It does not test how rent regulation alters the structure of financing itself: what kinds of buyers enter the market, how much leverage they take on, what pro formas lenders accept, or how the lending system's exposure to Ponzi financing changes. If rent caps in a highly financialized market lead some owners to exit, the question is not simply whether total unit counts fall. It is who buys the buildings, on what terms, with what business plans. When buildings change hands to more leveraged buyers, total supply on paper may be unchanged, but the financial structure of ownership incentivizes higher leverage and more aggressive extraction. Conversely, when regulated buildings are acquired by nonprofit organizations, community land trusts, or public authorities, the effect

on financial fragility and tenant stability is entirely different. Unit counts by themselves tell us little about these transitions.

Not every rent-regulation regime is well designed. Poorly structured caps that ignore operating costs, apply only to narrow slices of the stock, or are riddled with vacancy-decontrol loopholes can indeed create perverse incentives. The main lesson of the literature is not that regulation is inherently self-defeating. It is that partial, easily arbitrated regimes create opportunities for financial engineering and tenure arbitrage. A macroprudential approach learns from these experiences by designing rent regulation to be broad, predictable, and embedded in a larger institutional framework that includes enforcement capacity, public and social housing development, and constraints on speculative lending.

Once we shift from “Does rent control ever reduce supply?” to “How does rent regulation reshape the interaction of finance, ownership, and production?” the empirical debate looks different. Some investments that rely on high rent growth and rapid tenant churn will become less attractive under strong rent regulation. Addressing genuine supply shortages requires expanding public, social, and cooperative housing production operating outside speculative finance. That is precisely the kind of supply that rent regulation creates conditions for by compressing the speculative premia that currently price mission-driven providers out of the market.

Building the Enforcement Infrastructure

Treating rent regulation as financial regulation has institutional implications. Macroprudential rules in banking work because they are backed by regulators with information, staffing, and enforcement powers. The Federal Reserve, the Office of the Comptroller of the Currency, the FDIC, and the Consumer Financial Protection Bureau do not rely on individual depositors to police capital requirements or stress-test scenarios. The same logic applies to housing regulation: Rights that exist on paper cannot be functional macroprudential tools when they depend on individual tenants' capacity to navigate bureaucracy and sustain disputes against landlords with legal departments.

For example, the New York State Homes and Community Renewal (HCR) oversees approximately 1 million rent-stabilized units in New York City alone yet operates with chronic underfunding and insufficient staff to conduct proactive inspections or audit building compliance.⁴³ Enforcement relies heavily on tenant-initiated complaints, placing the burden on the least-resourced party. Los Angeles's Rent Stabilization Ordinance, funded through mandatory landlord registration fees, illustrates how cities can build self-sustaining enforcement infrastructure rather than depend on appropriations that fluctuate with political winds. The public cost of enforcement must be weighed against the cost of nonenforcement: The Signature Bank collapse cost New York City's pension funds \$60 million to prevent tenant displacement and building deterioration.⁴⁴ Adequate enforcement funding represents insurance against far larger downstream costs.

A national rent regulation agenda requires building a housing regulatory state that treats rent and eviction rules as macroprudential tools, creating economy-wide financial stability gains that are, by design, invisible when working well. That means strengthening city and state housing agencies to conduct proactive building- and portfolio-level audits of rent histories, ownership structures, and code violations. It means integrating rent regulation into federal financial supervision by directing bank regulators and housing finance agencies to treat

compliance with tenant protections as a condition of access to insured deposits, discount window lending, and federal mortgage programs. Fannie Mae and Freddie Mac, which together backstop roughly half of all multifamily lending, have already begun this work, and the model could be extended to require documentation of tenant protection compliance as a condition of lending backed by government-sponsored enterprises. It also means giving attorneys general and financial regulators explicit authority to treat systemic violations of rent laws and eviction protections as unfair and deceptive practices, enabling them to pursue corporate landlords and lenders at a portfolio level rather than unit by unit.

In December 2025, New York Attorney General (AG) Letitia James and HCR Commissioner RuthAnne Visnauskas demonstrated this model by suing Peak Capital Advisors, a developer that had illegally deregulated at least 159 rent-stabilized apartments across 31 buildings in Brooklyn and Queens. Peak's business plan was to acquire buildings in gentrifying neighborhoods, falsely claim qualification for a "substantial rehabilitation" deregulation exemption, and remarket units to higher-paying tenants. The company reassigned apartment numbers to obscure rent histories, submitted fraudulent affidavits to regulators, and provided misleading rent roll projections to investors and lenders. The joint AG-HCR investigation and lawsuit seeks treble damages, reregulation of all units, and appointment of an independent administrator to audit the portfolio. This illustrates what proactive enforcement looks like when housing agencies treat rent law violations as systemic fraud rather than individual tenant disputes.⁴⁵

The same logic that justifies capital requirements and stress tests in banking justifies robust enforcement of rent regulation in housing. The stakes are similar: systemic stability, distribution of risk, and the basic conditions of economic security for households. Mamdani's administration must now focus on the unglamorous but essential work of administrative capacity. Regulation without enforcement is aspiration without power.

Conclusion

Rent regulation serves two functions in a financialized housing market. In its more widely understood redistribution role, it captures for tenants some portion of the windfall that would otherwise flow to landlords from housing scarcity they did not create. In its under-explored financial regulation role, it disciplines speculative credit by removing the financial viability of business models that fuel speculation on aggressive rent growth, including displacement-based ones in regulated markets. Both functions matter, but the second has received far less attention and may be more consequential because it addresses not just who pays how much rent but also the architecture of the financial system that determines how housing is valued, financed, and owned.

The 2008 financial crisis taught policymakers that owner-occupied housing finance produces systemic risk. They responded with Dodd-Frank, ability-to-repay rules, stress tests, and capital requirements. But those lessons were not applied to the rental housing market, which was allowed to replicate similar dynamics: loans underwritten on aggressive growth assumptions rather than operational income, buildings valued on speculative scenarios rather than fundamentals, and debt loads that could only be serviced through rent paths above what tenants could sustain. Now, even these owner-occupied regulations are facing rollback.

Rent regulation is not merely a response to past crises; it is a tool for preventing the next one.

With federal regulators in retreat, states and cities must act with the tools they have, and must do so knowing that the next crisis is already forming. Multifamily delinquencies hit a 10-year high in late 2025, overleveraged Sunbelt portfolios remain on extend-and-pretend, and more than half of the roughly \$100 billion in securitized commercial mortgages coming due in 2026 are projected to fail to pay off at maturity.⁴⁶ A political environment actively dismantling the post-2008 supervisory framework is accelerating the risk rather than managing it. Rent regulation is not merely a response to past crises; it is a tool for preventing the next one.

The distributional stakes have a racial dimension that cannot be ignored. Those who lose under a rent regulation agenda are highly leveraged financial funds whose business model depends on tenant displacement; regional and specialty banks that extended speculative multifamily credit, especially on the assumption of weakened tenant protection; and landlords whose profits hinge on churn and eviction. Those who gain are tenants, who will experience fewer shocks and evictions, disproportionately Black and brown renters who currently bear the brunt of financial extraction; public and mission-driven housing providers that do not rely on speculative returns; and local economies, which benefit from more stable household budgets and lower volatility.

Capital requirements prevent banks from overleveraging their balance sheets. Rent regulation prevents landlords from overleveraging buildings against speculative displacement. Ability-to-repay rules force mortgage lenders to underwrite based on borrower income. Rent regulation forces multifamily lenders to underwrite based on what tenants can actually pay. Housing markets should require rent regulation for the same reason banks require capital requirements; repeated crises prove the alternative is catastrophic.

Footnotes



1. Zachary McRae, Shamaal Sheppard, and Adit Roy, "Abundance for Who?: Housing Access and Affordability in High-Growth Metropolitan Areas," Georgetown Center on Poverty and Inequality, January 2026, <https://georgetownpoverty.org/wp-content/uploads/2026/01/AbundanceforWho.pdf>. ↩
2. Eric Weilbacher, "CMBS Delinquencies Hit Record with \$25B Past Maturity," *The Real Deal*, February 17, 2026, <https://therealdeal.com/national/2026/02/17/cmbs-delinquencies-hit-record-with-25b-past-maturity>. ↩
3. The rare exception of displacing tenants to redevelop and increase density is economically marginal in existing multifamily stock, where the cost of stranding current rental income during construction typically makes redevelopment unviable at scale. This brief will not discuss that business model. ↩
4. US Bureau of Labor Statistics, "Measuring Changes in Shelter Prices in the Consumer Price Index," BLS blog, June 2022, <https://bls.gov/blog/2022/measuring-changes-in-shelter-prices-in-the-consumer-price-index.htm>. See also Alexander Conner et al., "How Does the

- Consumer Price Index Account for the Cost of Housing?," Brookings Institution, January 2024, <https://brookings.edu/articles/how-does-the-consumer-price-index-account-for-the-cost-of-housing>. ↩
5. US Bureau of Labor Statistics, "Consumer Price Index for All Urban Consumers: Rent of Primary Residence in U.S. City Average," retrieved from FRED, Federal Reserve Bank of St. Louis, last accessed March 2026, <https://fred.stlouisfed.org/series/CUSR0000SEHA>. ↩
 6. Joint Center for Housing Studies, *America's Rental Housing 2026* (Harvard University, 2026), <https://jchs.harvard.edu/americas-rental-housing-2026>. ↩
 7. NYC Department of Housing Preservation and Development and US Census Bureau, "2023 New York City Housing and Vacancy Survey: Selected Initial Findings," February 2024. ↩
 8. California Housing Partnership, "Los Angeles County 2023 Affordable Housing Needs Report," June 2023, https://chpc.net/wp-content/uploads/2024/03/2023-LA-County-AH-Outcomes-Report_.pdf. ↩
 9. Larry Summers, "Rent control is the second-best way to destroy a city, after bombing," X, January 27, 2025, quoted in Brian Callaci and Osman Keshawar, "Rent Controls Work — but They Aren't a Silver Bullet," *Jacobin*, July 9, 2025, <https://jacobin.com/2025/07/rent-controls-affordable-housing-economics>. ↩
 10. Coalition of State Attorneys General v. Consumer Financial Protection Bureau, US District Court for the District of Oregon, filed December 22, 2025; Rafael Nam, "Nearly 2 Dozen States Sue the Trump Administration Over Funding for CFPB," NPR Illinois, December 22, 2025. ↩
 11. Leslie Shaver, "Multifamily CMBS Delinquency Rate Fell in February," *Multifamily Dive*, March 11, 2026. For the cross-property-type comparison, see Michael Rudy, "Multifamily CMBS Delinquency Rate Lower in February," Yield PRO, March 3, 2026, and Michael Rudy, "Multifamily CMBS Delinquency Rate Hits 10-Year High," Yield PRO, November 3, 2025. ↩
 12. Shaver, "Multifamily CMBS Delinquency Rate Fell in February"; Leslie Shaver, "Multifamily Delinquencies Fall for Second Straight Month," *Multifamily Dive*, January 12, 2026. ↩
 13. Jacob Udell and Ruthy Gourevitch, "Financial Distress in the Multifamily Rental Market, and What It Means for Tenants," Climate and Community Institute, November 2025, <https://climateandcommunity.org/research/financial-distress-multifamily>. ↩
 14. LightBox Real Estate, "Fannie Mae and Freddie Mac Set to Tighten Lending Regulations: What It Means for Commercial Real Estate Lenders," August 29, 2024. ↩
 15. Greystone, "Regional Spotlight: 3 Trends for NYC Multifamily in 2020," June 2020, citing data from Ariel Property Advisors, archived at <http://web.archive.org/web/20201112041901/https://greystone.com/insights/regional-spotlight-3-trends-for-nyc-multifamily-in-2020>. ↩
 16. Josh Lipton, "Are Double Digit Cap Rates on the Horizon in NYC for Rent Stabilized Owners Choosing to Sell?" *Lipton's Tea*, February 29, 2024, <https://joshlipton.com/are-double-digit-cap-rates-on-the-horizon-in-nyc-for-rent-stabilized-owners-choosing-to-sell>. ↩
 17. "Multifamily Distress: Will We See Pain in 2023-2024?," Swiftlane, July 2023, <https://swiftlane.com/newsletter-archive/multifamily-distress-2023>. The Trepp data cited shows mid-2023 figures for markets where the overleveraging had been most acute. ↩
 18. Dan Threot et al., "Costs of COVID-19 Evictions," National Low Income Housing Coalition and the University of Arizona Innovation for Justice Program, November 2020, <https://nlihc.org/sites/default/files/costs-of-covid19-evictions.pdf>. ↩

19. Jordan Ash, "Private Equity Multi-Family Housing Tracker," Private Equity Stakeholder Project, April 2025 (updated May 2026), <https://pestakeholder.org/reports/private-equity-multi-family-housing-tracker>; Americans for Financial Reform, "Research Memo: New AFR Research Estimating Minimum Number of Private Equity-Owned Housing Units," June 28, 2022, <https://ourfinancialsecurity.org/resources/letters-to-congress-new-afr-research-estimating-minimum-number-of-private-equity-owned-housing-units>. ↩
20. Peter Hepburn, Renee Louis, and Matthew Desmond, "Racial and Gender Disparities among Evicted Americans," *Sociological Science* 7 (2020): 649–662, <https://sociologicalscience.com/articles-v7-27-649>; Nick Graetz et al., "A Comprehensive Demographic Profile of the US Evicted Population," *Proceedings of the National Academy of Sciences* 120, no. 41 (2023), <https://pnas.org/doi/10.1073/pnas.2305860120>. ↩
21. Americans for Financial Reform, "New AFR Research Estimating Minimum Number of Private Equity-Owned Housing Units"; Elora Raymond et al., "Corporate Landlords, Institutional Investors, and Displacement: Eviction Rates in Single-Family Rentals," Community and Economic Development Discussion Paper No. 04-16 (Federal Reserve Bank of Atlanta, December 2016). ↩
22. NYC Department of Housing Preservation and Development and US Census Bureau, "2023 New York City Housing and Vacancy Survey." ↩
23. Federal Deposit Insurance Corporation, "Failed Bank Information for Signature Bank," March 2023; Federal Deposit Insurance Corporation Office of Inspector General, *Material Loss Review of Signature Bank of New York*, EVAL-24-02, October 2023, <https://fdicoig.gov/sites/default/files/reports/2023-10/EVAL-24-02.pdf>. ↩
24. Rosalind Adams and Bianca Pallaro, "How the Sale of Signature Bank's Mortgages Could Affect NYC Tenants," *City Reporter*, May 3, 2023, <https://thecity.nyc/2023/05/03/signature-bank-mortgages-tenants-rent-stabilized-worst-landlords>; Roshan Abraham, "Collapsed Signature Bank Made Risky Loans to Predatory Landlords," *Vice*, March 14, 2023. ↩
25. Office of New York City Comptroller Brad Lander, "Letter to Federal and State Regulators About Signature Bank's Rent-Stabilized Housing Portfolio," March 30, 2023, <https://comptroller.nyc.gov/reports/letter-to-federal-and-state-regulators-about-signature-banks-rent-stabilized-housing-portfolio/>. See also Sasha Jones, "First Foreclosures Filed by Buyers of Signature Bank's Rent-Stabilized Loans," *Bisnow*, March 4, 2025, <https://www.bisnow.com/new-york/news/affordable-housing/foreclosures-start-on-signature-banks-rent-stabilized-portfolio-128336>. ↩
26. Maverick Real Estate Partners, "Signature Bank Is Stabilized . . . Rent Stabilized," March 16, 2023 (updated March 27, 2023), <https://insights.maverickrep.com/signature-bank>; The Real Deal, "Signature Bank's Real Estate Loans Under Scrutiny," March 17, 2023, <https://therealdeal.com/national/2023/03/17/signature-banks-real-estate-loans-under-scrutiny>; The Real Deal, "What's Next for Signature's Loans?," April 7, 2023, <https://therealdeal.com/new-york/2023/04/07/whats-next-for-signatures-loans>. ↩
27. Miriam Hall, "'Toxic Waste' Signature Loans Add to Volatility Facing NYC Multifamily," *Bisnow*, March 24, 2023, <https://bisnow.com/new-york/news/multifamily/signature-bank-fdic-commercial-real-estate-loans-118184>. ↩
28. New York Community Bancorp, Inc., "Fourth Quarter and Full Year 2023 Earnings Release," January 31, 2024, <https://prnewswire.com/news-releases/new-york-community-bancorp-inc-reports-record-results-for-2023->

[302048711.html](#). ↩

29. The Real Deal, "New York Community Bank Snubs Signature Bank's CRE Loans," March 20, 2023. ↩
30. Office of the New York City Mayor, "Mayor Adams, Comptroller Lander, Public Advocate Williams, Pension Trustees, Partners Celebrate \$60 Million Investment in Loan Portfolio That Will Preserve 35,000 Rental Units," press release, May 21, 2024; Bianca Pallaro, "Signature Bank Portfolio Sold in Two Deals That Could Preserve Affordable Housing," *City Reporter*, December 20, 2023. ↩
31. Jordan Ash, "Private Equity Multi-Family Housing Tracker," Private Equity Stakeholder Project, April 2025 (updated May 2026), <https://pestakeholder.org/reports/private-equity-multi-family-housing-tracker>. ↩
32. Zachary McRae, Shamaal Sheppard, and Adit Roy, "Abundance for Who?: Housing Access and Affordability in High-Growth Metropolitan Areas," Georgetown Center on Poverty and Inequality, January 2026, <https://georgetownpoverty.org/wp-content/uploads/2026/01/AbundanceforWho.pdf>. ↩
33. Jonathan Spader, "Has Housing Filtering Stalled? Heterogeneous Outcomes in the American Housing Survey, 1985–2021," *Housing Policy Debate*, 2024, described in National Low Income Housing Coalition, "New Study Examines Filtering Dynamics in U.S. Housing Supply," press release, February 2024, <https://nlihc.org/resource/new-study-examines-filtering-dynamics-us-housing-supply>. ↩
34. Andrew Coen, "Multifamily Distress Weighs on Arbor Realty Trust's Loan Portfolio," *Commercial Observer*, February 2024, <https://commercialobserver.com/2024/02/multifamily-distress-weighs-on-arbor-realty-trusts-loan-portfolio>. ↩
35. Suzannah Cavanaugh, "'Worst of the Worst': Arbor Realty in Trouble Over Multifamily Lending," *The Real Deal*, February 20, 2024, <https://therealdeal.com/national/2024/02/20/arbor-realty-trust-faces-a-looming-crisis-in-multifamily-lending>. ↩
36. Arbor Realty Trust, Inc., "Arbor Realty Trust Reports Fourth Quarter and Full Year 2025 Results," SEC Form 8-K, February 2026, <https://sec.gov/Archives/edgar/data/0001253986/000125398626000018/abr-12312025xearningsrelea.htm>. See also *The Real Deal*, "ICE Raids, Rising Delinquencies Batter Arbor Realty Trust's Apartment Portfolio," March 3, 2026, <https://therealdeal.com/texas/2026/03/03/ice-raids-rising-delinquencies-batter-arbor-realty-trust>. ↩
37. *The Real Deal*, "ICE Raids, Rising Delinquencies Batter Arbor Realty Trust's Apartment Portfolio." ↩
38. CRE Daily, "Arbor Realty Trust's Big Short Struggles to Deliver," November 2024, <https://credaily.com/newsletters/arbor-realty-trusts-big-short-struggles-deliver>. The article cites MarketWatch data showing approximately 40 percent of Arbor's shares on loan. ↩
39. Michael Rudy, "Multifamily CMBS Delinquency Rate Hits 10-Year High," *Yield PRO*, November 3, 2025, <https://yieldpro.com/2025/11/multifamily-cmbs-delinquency-rate-hits-10-year-high>. ↩
40. Maximilian Buchholz et al., "Inequality, Not Regulation, Drives America's Housing Affordability Crisis," preprint, SocArXiv, January 2026, https://osf.io/preprints/socarxiv/95trz_v1. ↩
41. Rebecca Diamond, Tim McQuade, and Franklin Qian, "The Effects of Rent Control Expansion on Tenants, Landlords, and Inequality: Evidence from San Francisco," *American Economic Review* 109, no. 9 (2019): 3365–94. ↩
42. David H. Autor, Christopher J. Palmer, and Parag A. Pathak, "Housing Market

- Spillovers: Evidence from the End of Rent Control in Cambridge, Massachusetts," *Journal of Political Economy* 122, no. 3 (2014): 661–717. See also Henry O. Pollakowski, "Rent Regulation and Housing Maintenance: An Empirical Analysis," *Journal of Urban Economics* 53, no. 3 (2003): 489–511. ↩
43. Jarrett Murphy, "Passing Rent Reform Was One Thing. Now It Has to Be Enforced," *City Limits*, June 19, 2019, <https://citylimits.org/dhcr-rent-regs-staffing>. The article reports that HCR had only 597 active employees against a budgeted headcount of 776, and only 10 inspectors covering the entire eight-county rent stabilization region. ↩
44. Office of the New York City Mayor, "Mayor Adams, Comptroller Lander, Public Advocate Williams, Pension Trustees, Partners Celebrate \$60 Million Investment." ↩
45. New York State Attorney General Letitia James, "Attorney General James and HCR Commissioner Visnauskas Sue New York City Real Estate Developer for Illegally Deregulating Rent Stabilized Apartments," press release, December 1, 2025, <https://ag.ny.gov/press-release/2025/attorney-general-james-and-hcr-commissioner-visnauskas-sue-new-york-city-real>. ↩
46. Weilbacher, "CMBS Delinquencies Hit Record With \$25B Past Maturity." The \$100 billion figure is Morningstar DBRS's estimate of the CMBS-only securitized subset maturing in 2026, not the broader universe of all commercial mortgages. The brief's framing of "securitized commercial mortgages" is accurate to this source. ↩

Acknowledgments

Anisha Steephen would like to thank Michael Madowitz, Rakeen Mabud, Chastity Murphy, J. W. Mason, John McLaughlin, and Brian Callaci for their feedback, insights, and contributions to this paper. Any errors, omissions, or other inaccuracies are the author's alone.

Suggested Citation

Steephen, Anisha. 2026. "Rent Regulation as Financial Regulation." Roosevelt Institute. July 1.

RELATED RESOURCES

BLOG

What Is "Financialization" and What Is It Doing to Our Country?

APRIL 22, 2026
By Brad Lipton

BRIEFS

No Room for Rent: Addressing Rising Rent Prices through Public Investment and Public Power

NOVEMBER 9, 2021
By Sammi Aibinder, Lindsay Owens

BLOG

Detroit's Fight Against Housing Greed

NOVEMBER 14, 2025
By Brad Lipton

BRIEFS

Lessons from YIMBYism: Taking "Abundance" Back to Its Fundamentals

JANUARY 21, 2026
By Ned Resnikoff

FACT SHEETS

The Good Life Agenda: Making Life's Essentials Affordable

JUNE 2, 2026

BRIEFS

The Persistence of Post-pandemic Shelter Inflation and the Housing Affordability Crisis

MARCH 13, 2025
By Ira Regmi

TAGS: [Economic Security](#), [Monetary Policy](#), [Neoliberalism and Its Failures](#)

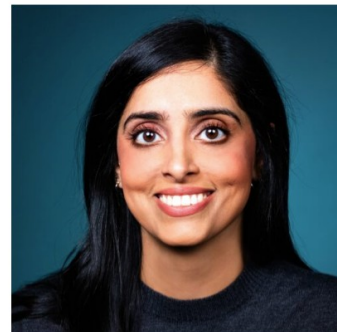
AUTHOR

Anisha Steephen

FELLOW, MACROECONOMICS

As a fellow at the Roosevelt Institute, Anisha Steephen researches and writes about rent stabilization and housing tax policy.

[READ MORE](#) ►



◀ PREVIOUS

[The Four Pillars of Green State Capacity](#)



**Roosevelt
Institute**

rooseveltinstitute.org