



# ARE LANDLORDS THE LORDS OF OUR LAND? - INSIDE SOURCES

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In a historic democracy like the United States, the term landlord is interesting. From the Old English meaning “master of a household, ruler, feudal lord, superior” to the Middle Ages, when feudal lords owned the land on which tenant farmers worked, “landlord” meant the power to dominate.

When you buy a product, there is an equal relationship between the buyer and seller. If one doesn’t like the price, he or she can go elsewhere. There are always new competitors coming into the marketplace. The strong flourish, and the weak are weeded out. When I buy a product, I am not relying on the retailer for my sustenance.

But renting is a totally different circumstance. Shelter is a necessity. Without it, you are subject to the ravages of the elements, and there is no stability. So, if the landlord is the lord over the tenant and can charge whatever, the tenant’s life can be turned upside down on short notice. People on fixed or limited incomes must climb down the housing ladder and may end up on the street. There is no safety net without rent regulation.

Society regulates most necessities, including access to healthcare, mandatory education, public transportation, and the quality of air, water and public utilities. Shelter is one of the few necessities mostly left up to the whims of the market.

Protecting the absolute right of the “lords” (landlords) to make whatever decision they choose about someone’s shelter makes the tenant a modern-day serf. How can one have any control over life when the “lord” is in control?

It is true that when someone invests their hard-earned dollars to purchase and maintain a rental property, we shouldn’t confiscate their investment by forcing them to lose money. On the other hand, whatever the traffic will bear is what got us into the housing affordability nightmare Americans face today.

Finding the right balance between property rights and the human right to housing is an existential necessity. It is not so hard to imagine what our cities and towns will look like if this crisis continues unabated: A hellscape.

If landlords have invested wisely, they need to get a fair rate of return. If they overpay in a speculative market, they do so at their own risk. Even if they are not profiting in the early years of ownership, their property nonetheless appreciates in value. Every time they make a mortgage payment, their equity increases. They are investing in the future. If an owner is so undercapitalized that they cannot handle routine maintenance and repairs, they don’t belong in the market.

When we use the lens of the small landlord, we see a completely different picture than the major corporate landlords. They don't provide housing; they are financiers. Their stock in trade is asset allocation and maximum profit. The consequences don't matter. These oligarchs have no relationship with their tenants or the communities in which they live. Their responsibility to stockholders is to squeeze all they can out of their properties and, most important, to maximize the value of that asset.

Keeping units vacant can be the most profitable, even when it hurts cash flow. If the average rent goes down, the property's value is downgraded long-term. However, the benefits of losses from tax write-offs significantly blunt the short-term pain.

Addressing the affordable housing crisis requires rent regulation, incentives to invest at the low end, and preservation and rehabilitation of our existing housing stock to make a dent in the problem. Relying exclusively on the market has gotten America to its sorry place today.