

## **Apartment Owners – The Unsung Heroes** **by Fred Schnaubelt**

If you think about it for 15 seconds you'll recognize that people who own apartments are today's unsung heroes. If not for those who build and buy rental units, up to 40% of the people in San Diego could not afford a place to live without doubling up with relatives, friends or strangers. We would have two and three generations living under the same roof as found in much of the rest of the world. (Your 15 seconds are up).

Landlords and tenants are allies, not adversaries, although the ill-informed believe otherwise. Apartments offer a place to live for young adults, married couples just starting out, people of limited financial means, those saving up to buy their own home, and for many seniors living out their retirement years. They all voluntarily enter mutually beneficial relationships with landlords. They need each other!

What's the alternative to renting? Owning a home or the stigma of government housing with its seven year waiting list. Today's median priced home is \$400,000. Average home mortgage payments with 3% down, 6% interest rate, including taxes and insurance exceed \$2,700 per month.

The average apartment rent, however, is only \$1,300 per month, or half the cost of owning a home. The average security deposit of \$1,000 is not even in the same ballpark with the \$12,000 to \$40,000 down payments (3% to 20%) required to buy a home. How apartment owners can pay \$100,000 to \$200,000 per unit and rent them so cheap is a marvel of free enterprise. You'd think apartment owners would be lauded, applauded and praised by the media rather than sought out to find a few aberrations about which to write sob stories.

Compared to government, private property ownership is a blessing for taxpayers. Recently approved government low-income apartments will cost **\$393,000 per apartment** (1050 B St.) to build, yes, apartments not homes. This is well over double the cost of "brand new" privately built apartments. Government housing is so expensive only poor people can afford to live in it. Private investors provide twice the number of brand new apartments as government for the same amount of money and somehow are accused of gouging.

Even more cost effective half of existing apartments in San Diego sell for under \$124,000 per unit. These units may not be brand new, but then what morality requires poor people to live in new apartments better than the majority of self-supporting renters occupy. Rental owners should always feel proud of making safe, clean, housing available for people climbing the economic ladder. And never be ashamed of making a profit. It is only through profits that savings can be increased and reinvesting in more apartments increases the supply and quality. The greater the profits, the greater the number of dwellings per capita that can be built, resulting in a continuing higher standard of living.

Rent control as evidenced by numerous studies in different countries results in fewer apartments per capita and fewer opportunities for minorities and households with children. Thomas Sowell of the Hoover Institute cites a study of the rent control San Francisco implemented -- supposedly to help the poor -- found that 26% of those benefiting earn \$100,000 or more, three-quarters of the households have no children and the black population of San Francisco declined 23% in just one decade. (just a few of the unintended consequences of rent control). Given California's official poverty rate of 13.1% it's undeniable that rent control is not justified for most tenants. And there are dozens of government programs already targeted for those honestly needing help. Inasmuch as economists overwhelmingly reject rent control -- demonstrating that it is counterproductive -- why do some cities adopt it? For two reasons:

1. Politicians love rent control. They can count. They know that for every landlord, there are 100 or more renters who vote.
2. Politicians can impose the cost of rent control on property owners, and not pay for it out of their own budgets.

In fairness, if politicians feel people they solicit to vote for them should have rents controlled in the "public interest" than the public should pay for it and not shift the burden to the few who invest in apartments. Rent Control is morally wrong. After all, politicians don't love renters, they just love their votes.

Private rental owners not only provided most affordable housing in San Diego but Census data shows they provide even more low-income housing than the government. While undeniably private providers of housing should be showered with plaudits and awards -- apparently these are reserved by the media and politicians for government housing projects that cost twice as much while serving half as many people.

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