



## **Did that just happen? Rent regulations in New York City - by Baruch Edelkopf and Evan Kaminer**

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As the June 15th deadline loomed, the real estate industry awoke June 12th to an early surprise—more anti-business regulations in New York. Tenant groups are declaring victory over the industry, though these laws will prove to be inherently anti-tenant. The spectacle that surrounded the state democrats' tirade to bring New York's real estate market back to affordability brought some

major issues to light and overlooked many. In the end, the regulations passed are more than shortsighted.

It's no debate New York is an expensive place to live. We're amid an affordability crisis. With more regulations, taxes, and scrutiny, it's a more expensive place to own real estate and do business. However, to place regulated units under more scrutiny, the quality of life within those walls will continue to plummet as landlords large and small will not be able to continue to maintain units and recoup costs. Everybody deserves a decent place to live, though the stricter rent regulations will prove ineffective as older properties will continue to deteriorate. Soon we'll hear of landlords not maintaining their buildings, not because they don't want to, but because they can't afford to.

Who will be the biggest victim? Here not the landlords—many of them have already pulled out their initial investment. Not the banks, as we saw in the last recession, they resold the repossessed properties at losses and got bailed out by the government. The biggest victim here is the tenants that these very laws were created to protect. As the landlords stop making a profit and are no longer able to cover the costs of ownership, we are going to have the same issues we have seen in the New York City Housing Authority (NYCHA) occurring in privately-owned buildings. While yes, the industry needed reform, it needed to address issues on both sides of the coin. By passing everything in favor for the tenants and not incentivizing landlords, we have a one-sided relationship that will not last in the long term.

New Yorkers deserve better. Instead of regulating the real estate industry into submission, New York could have provided a tax credit or other benefit for those that chose to keep units regulated; after all, the buildings in question are all privately owned. It's the old quip of the carrot and the stick. By supporting landlords who keep units regulated and maintained through a decrease in taxes, the quality of housing would remain. However, in punishing all landlords through these regulations, there will be a significant change in New York multifamily investment and a decrease in the quality of the housing stock.

We have already seen some of the most active investors leaving the New York City market exploring new opportunities on Long Island and the surrounding markets. We in New York City should continue embracing business and investments in our backyard, not consistently work against them. By embracing investments and working together, we can create affordable housing, jobs, and a better city to call home. Overall, tenants groups and politicians rejoiced, while tenants and real estate owners throughout the city, lost.

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