



Bill No: HB 970—Real Property - Residential Leases - Rent Increase Prohibition

Committee: Environment and Transportation

Date: 2/27/2024

Position: Unfavorable

The Apartment and Office Building Association of Metropolitan Washington (AOBA) represents members that own or manage more than 23 million square feet of commercial office space and 133,000 apartment rental units in Montgomery and Prince George’s Counties.

House Bill 970 prohibits a landlord from increasing a tenant's rent if the landlord does not provide the required notification of a rent increase. The bill also precludes a landlord from taking retaliatory actions against the tenant due to the inability to increase the tenant's rent.

It is common practice for AOBA members to ensure residents are provided ample notice for rent increases and believe violators of the law should be penalized. However, members have concerns about this bill as it sets an arbitrary prohibition on rent increases for anyone found to fail to provide notice and essentially establishes a state-wide rent control.

In the rental housing business, rent is the sole source of revenue. When costs increase to this extent, the only way to offset them is through rent increases, reducing services to residents, or deferring capital improvements. [The National Apartment Association \(NAA\) analyzed](#) the 2022 operating statements for rental properties in Maryland with 5 or more units securing loans in Freddie Mac Commercial Mortgage-Backed Securities (CMBS). NAA found that for every dollar of rent:

- \$0.47 go directly to cover the property’s mortgage payments;

- \$0.27 cover operating expenses, including utilities, insurance, and ongoing maintenance;
- \$0.10 go towards property taxes, which help fund the County programs such as schools, emergency services, and more;
- \$0.09 fund employee payroll, including property management and maintenance teams;
- \$0.02 are set aside for future upgrades and repairs; and
- Only \$0.05 cents of every dollar of rent are returned to the housing provider, and only a small portion of this actually ends up in the owner's pocket. Investors gain primarily from the value growth of their assets. Thus, the bulk of this sum is generally reinvested into the property or leveraged to produce new housing.

Only some businesses can absorb such increases without raising prices. Housing providers thus face an uncertain future and need help to keep their employees and maintain and operate their communities.

For these reasons, AOBA requests an unfavorable report on HB 970. For further information, contact Ryan Washington, AOBA's Government Affairs Manager, at 202-770-7713 or email rwashington@aoba-metro.org.