Rental Caps Lower Resale Values

Here is a comprehensive, sourced breakdown of our argument. Again, supported by facts.

Academic Sources

In 2023, Florida Atlantic University real estate economist Ken H. Johnson, Ph.D., concluded that HOA **boards that relax or eliminate rental restrictions will increase property values for their residents, because restrictions reduce the pool of available units and suppress demand.** *A narrower buyer pool is rarely good for resale values in a community like Laurel Bay. We cite numerous published studies on this point. You, as an owner, have to ask* ***yourself "how does restricting the types of buyers who will eventually want to buy my property raise its value?"***
The chair of the rental cap committee has asked you in events to **"take a leap of faith"** and advocate for a cap. We remain **baffled** that astute homeowners will follow that advice.

Source: Ken H. Johnson, Ph.D., Real Estate Economist and Associate Dean of Graduate Programs, Florida Atlantic University College of Business. Research published and commented on January 9–11, 2023.

A study published by the **Appraisal Institute of Canada** titled "*Do Restrictions on Renting Increase Condominium Values?*" This is the most rigorous academic work specifically on this question.

Its key finding: rental restrictions are associated with a *decline* in condominium prices, and units in restricted buildings show a higher probability of being sold — a pattern more consistent with owners fleeing declining values than with genuine increased liquidity.
This comes from a professional appraisal body, not an advocacy group, and it directly inverts the rental cap committee's core claim.

https://www.aicanada.ca/article/do-restrictions-on-renting-increase-condominium-values/

Quote: "We find that capping rentals in a building lowers the price owners receive when they sell by between 2.7% and 3.3%. This result is robust and consistent across the different types of statistical analysis conducted."

At current prices in Laurel Bay your sale would be lower by $16,000 to $30,000

A 2025 Journal of Housing Research study of South Florida HOA communities found that prohibiting seasonal and medium-term leases **signals overly restrictive, overreaching governance** to the market — **buyers will then shy away from situations where they believe the governance is more about restricting rentals**. **This deters prospective buyers and depresses home prices**.

What would you want from governance at Laurel Bay? Reasonableness or over-

regulation? Think about the rental cap committee's stance. Which direction do you think it tends?

Source: Nur-tegin, Kanybek. "The Effect of Homeowner Association Lease Restrictions on Property Values: Evidence from South Florida." *Journal of Housing Research*, Vol. 35, No. 1, pp. 37–50. Published online October 14, 2025.

The Buyer Pool and Resale Value

From **FirstService Residential** — one of the largest HOA management companies in North America — published September 2025:
Rental restrictions can limit the pool of prospective buyers, especially investors or buyers who want flexibility. This may affect resale value and lead to longer listing times, particularly in markets where rental income is a common consideration.

This comes from an HOA industry insider, not a critic of restrictions.

A Pennsylvania real estate broker's analysis adds a concrete case study angle: when HOAs introduce rental restrictions, they may unintentionally reduce liquidity — how easily a property can be sold at market value — and owners who relocate for work may face unexpected financial strain when leasing restrictions prevent them from renting immediately.

https://www.fsresidential.com/corporate/news-and-articles/articles/hoa-rental-restrictions/

Quotes:

- **Reduced buyer interest:** Rental restrictions can limit the pool of prospective buyers, especially investors or buyers who want flexibility. This may affect resale value and lead to longer listing times, particularly in markets where rental income is a common consideration.
- **Legal and enforcement challenges:** Poorly written or improperly adopted rental restrictions can lead to legal disputes. Boards may face lawsuits from owners claiming the rules are unreasonable or improperly enforced, which can be costly, time-consuming, and divert focus from other priorities.
- **Administrative burden:** Tracking leases, exemptions, and compliance adds ongoing work for board members or management. Some communities may need to invest in software or staff time to handle the additional oversight, which increases costs and operational complexity.
- **Inconsistent grandfathering:** When rental caps are introduced, communities often "grandfather" current landlords, creating different rules for different owners. This inconsistency can lead to confusion and resentment, especially for new buyers who are subject to stricter limitations.

The Financing Eligibility Argument

This is a no-brainer. We cite these same facts in another deep dive but let's do it again here:

The rental cap committee cites **no access to FHA loans** as a major drawback to a rental percentage greater than 50%. **Yes! That's a fact.** That percentage of rentals would hinder access under FHA lending. But what else is true?

FHA Lending Is Declining Rapidly

Only 17.4% of the mortgage market was FHA-financed in 2024. Source: FHA

FHA Loans are designed for first-time and lower-income buyers

83% of FHA Loans go to first-time buyers. Source: Scotsman Guide, November 2024

Sellers Don't Want to Accept FHA Financing

These loans take longer to close and have strict property requirements. (Like the rental %)
The average FHA borrower's credit score is approximately **680**, compared to about **750** for the average conventional borrower — a 70-point gap that reflects FHA's more lenient standards. 80% of FHA borrowers have a credit score of **600 or higher**, while about 13% fall in the 550–599 range. Mortgage Bankers Association, 2024.

Laurel Bay is Too Expensive for These Buyers

A household income of $160,000 is needed to qualify for a $600,000 purchase. At the very bottom of LB pricing.
A typical FHA buyer has a median household income of $91,000. And a FICO score of 680. Polygon Research, 2025. Laurel Bay sellers will not accept these offers.

Conventional Financing is the Main Source for Laurel Bay Buyers

In fact, conventional financing now accounts for nearly 90% of US home loans.
Conventional financing has discarded any consideration of rental percentage as of 2025. As a recent Laurel Bay purchaser found the primary factor in condo HOA financing is the financial strength of the HOA (see below).
Conventional lenders evaluate HOA delinquency rate, reserve funding, and deferred maintenance — not rental percentage. **Fannie Mae Lender Letter LL-2026-03 and the March 2026 Freddie Mac Bulletin permanently retired the 50% investor concentration limit. Not a single Laurel Bay buyer has ever been denied a loan due to rental %.**

FHA loans are not a resource for Laurel Bay buyers.

The Reduced Buyer Pool Argument — Specific Buyer Categories

From askdoss.com's 2026 investor guide: rental caps may prevent owners from renting at all, leaving them with a vacant property and ongoing costs, while minimum lease terms eliminate higher-yielding strategies and tenant approval requirements add vacancy days and administrative friction.

https://askdoss.com/hoa-rental-restrictions-what-investors-need-to-know/

These are real costs borne by individual unit owners — not abstractions.

`An Honest Caveat

Some sources argue rental restrictions *protect* values by maintaining owner-occupancy ratios and preserving financing eligibility. Fannie Mae guidelines are designed to ensure project integrity, and if a condo project exceeds the allowable percentage of investor ownership, it could result in disqualification for favorable financing options. We acknowledge this argument exists — but we also point out that California Civil Code §4741 already sets a floor of 25% rentals that the HOA cannot go below, meaning the community will *always* have a significant rental population regardless. The restriction doesn't solve the financing concern; it just punishes individual owners.

Our bottom-line argument: the evidence from professional appraisers shows price *declines*, the reduction in eligible buyers is real and documented, and the financing risk argument cuts both ways — making the restriction both harmful *and* ineffective at its stated goal.