

LEGAL REGULATION OF RENTAL RELATIONS AND ITS IMPACT ON REAL ESTATE INVESTMENT ATTRACTIVENESS IN THE UNITED STATES

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Annotation. The purpose of this study is to examine the legal regulation of rental relations in the United States and to determine its influence on the investment attractiveness of the real estate market. The study focuses on the institutional features of the American legal system, including the federal structure of regulation, the distribution of powers between federal, state and local authorities, and the role of judicial practice in shaping landlord–tenant relations.

The methodological basis of the study is formed by a combination of general scientific and special legal research methods. The research is based on doctrinal legal analysis, comparative legal analysis and elements of the law and economics approach. The study also involves the analysis of academic literature, judicial doctrines, federal legislative acts and analytical reports concerning housing policy and the functioning of the rental housing market in the United States.

Results. The research demonstrates that legal regulation of rental relations constitutes an important institutional factor influencing the investment attractiveness of real estate. The federal nature of the U.S. legal system leads to substantial differentiation of regulatory regimes among states and municipalities, which creates varying investment conditions across regional markets. Judicial doctrines, particularly the implied warranty of habitability, play a significant role in shaping the balance between landlords' obligations and tenants' rights, affecting the operational costs and legal risks associated with property ownership. At the same time, regulatory mechanisms such as rent control, eviction procedures and tenant protection standards influence investors' behavior and the structural development of the housing market.

Conclusions. The study concludes that the predictability of the legal environment, effective protection of property rights and stability of regulatory policy represent key determinants of investment attractiveness in the rental real estate sector. The interaction between legal regulation and economic conditions forms a complex institutional framework that significantly influences the development and long-term stability of the rental housing market in the United States.

Key words: legal regulation, rental relations, real estate market, investment attractiveness, housing policy, United States.

1. Introduction.

The regulation of rental relations is an important element of the legal framework governing the real estate market and plays a significant role in shaping investment attractiveness. Investors in the real estate sector interact not only with physical assets but also with the legal environment that determines the stability of income, the level of regulatory risks, and the predictability of contractual relations. Legal rules governing rental relations influence the protection of property rights, the balance between landlords and tenants, and the overall functioning of the housing market.

The United States provides an illustrative example for examining the relationship between rental regulation and investment attractiveness. Due to the federal structure of the state, the regulation of rental relations is characterized by significant diversity, since key rules are established at the federal, state, and local levels. Differences in eviction procedures, rent control mechanisms, housing standards, and other legal requirements create varying conditions for investment activity in different jurisdictions. Therefore, the analysis of the legal regulation of rental relations in the United States makes it possible to better understand how legal factors influence the investment attractiveness and development of the real estate market.

2. Analysis of scientific publications.

The issues of legal regulation of rental relations and the functioning of the real estate market have been widely studied in modern legal and economic literature. A significant number of scientific works are devoted to the influence of regulatory policy on the housing market, the development of rental housing, and the investment attractiveness of real estate. In particular, research by A. Saiz demonstrates that the supply of housing is significantly influenced by a combination of geographical and regulatory constraints, including zoning rules and land use regulations, which may limit the development of housing construction and affect rental prices. Other scholars, such as E. Glaeser and J. Gyourko, emphasize the role of regulatory restrictions and zoning policies in shaping housing affordability and the structure of the housing market.

A separate group of studies focuses on the impact of tenant protection mechanisms and rent control policies on market dynamics. In particular, R. Diamond, T. McQuade and F. Qian analyze how the expansion of rent control regulations affects tenants, landlords, and investment incentives in the housing market. At the same time, legal scholars such as M. Glendon and P. Franzese examine the evolution of landlord-tenant law and the role of judicial doctrines, including the implied warranty of habitability, in shaping modern rental relations. Despite the considerable number of studies devoted to housing policy and rental regulation, the comprehensive analysis of the relationship between legal regulation of rental relations and the investment attractiveness of the real estate market in the United States remains insufficiently explored in legal scholarship.

3. The aim of the work.

The legal regulation of rental relations in the United States represents an important institutional factor influencing the investment attractiveness of residential and commercial real estate. The aim of the work is to analyze the legal regulation of rental relations in the United States and to determine its impact on the investment attractiveness of the real estate market. Particular attention is paid to the institutional features of the American legal system, including the federal structure of regulation, the role of state and local legislation, and the influence of judicial doctrines on landlord-tenant relations. The study also seeks to identify the key legal mechanisms that shape the balance between landlords' and tenants' rights and influence the behavior of investors in the rental housing market.

4. Review and discussion.

In this area, an investor operates not only with the physical asset itself but also with the predictability of cash flow, compliance costs, the duration of enforcement procedures, and the level of legal risk within a particular jurisdiction. In this sense, rental relations constitute the core operational framework of an investment, since they determine the speed at which the asset generates income, the effectiveness of legal protection available to the owner, and the costs arising from housing quality requirements, anti-discrimination standards, and lease termination procedures.

A distinctive feature of the United States is the multi-level nature of its legal regime, which follows from its federal structure. The absence of a single federal code governing rental relations means that the principal parameters of leasing are defined by state law and, in some cases, further specified by municipal or county regulations. As a result, an investor must assess not an abstract «U.S. market,» but rather the specific

legal profile of a particular state, including lease rules, eviction procedures, security deposit regulation, habitability standards, and the practical trajectory of court disputes. From an investment perspective, this differentiation is significant because housing supply depends not only on market demand but also on legal and structural constraints.

Empirical studies show that housing supply is largely shaped by a combination of physical and regulatory limitations, which means that the legal environment affects not only the rules of tenancy but also the broader conditions of investment, including market scarcity and the long-term dynamics of rents [1, p. 1255–1256].

For this reason, the regulation of rental relations in the United States functions as a systemic determinant of investment attractiveness, as it sets the parameters of income predictability and risk management. This issue is particularly visible in jurisdictions where regulation directly affects owners' incentives and market behavior. Empirical research on rent control demonstrates that stronger tenant protection may simultaneously benefit incumbent tenants while influencing the supply of rental housing, thereby creating a specific profile of risks and incentives for landlords and investors [2, p. 3365; 10, p. 129–130]. Accordingly, the investment value of rental real estate cannot be reduced to nominal ownership rights alone; it also depends on the regulatory burden imposed on the management and monetization of the asset.

The federal nature of the U.S. legal system determines the overall architecture of rental regulation. Most rules governing the conclusion of lease agreements, the parties' obligations, rent adjustments, deposit requirements, and termination procedures are established at the state level. Federal law intervenes primarily in matters of nationwide importance, including anti-discrimination, access to housing, and federal rental assistance policies. In practical terms, this means that the legal regime of tenancy may differ substantially from one state to another. Such differences are reflected in notice periods, the maximum amount of security deposits, repair obligations, and restrictions on rent increases. From the standpoint of investment strategy, this makes a prior legal assessment of the relevant jurisdiction an indispensable stage of due diligence. Studies in the economics of real estate confirm that regulatory differences between states and cities are among the key factors shaping the spatial distribution of investment and the affordability of housing [3, p. 3].

A certain degree of partial unification nevertheless exists in U.S. rental law through the use of model legislative acts. The best known of these is the Uniform Residential Landlord and Tenant Act, which was designed as guidance for state legislatures and contributed to the formation of baseline standards governing the rights and obligations of landlords and tenants [4]. Although this Act is not binding at the federal level, its provisions have been adopted or adapted in a considerable number of states, thereby creating a degree of consistency within the legal framework. The significance of such model legislation lies not only in normative harmonization but also in the reduction of transaction costs. Investors operating in several regional markets gain the possibility of using comparable contractual models and standardized approaches to asset management. In economic terms, such hidden standardization improves the operational efficiency of investment portfolios and reduces legal uncertainty.

Another fundamental feature of U.S. rental regulation is the decisive role of judicial practice. Case law does not merely interpret statutes; it also shapes a substantial part of the behavioural standards applicable to lease relations. Scholarly research has demonstrated that modern landlord-tenant law emerged through the gradual development of judicial doctrines that transformed the traditional conception of leaseholds as purely property-based arrangements into a more complex system of reciprocal obligations [5, p. 504]. One of the most important examples is the doctrine of the implied warranty of habitability. This doctrine requires the landlord to provide premises fit for human habitation even where such an obligation is not expressly stated in the lease. Legal scholarship rightly regards this doctrine as one of the central instruments of tenant protection, although its practical implementation may be complicated by procedural barriers and the limited awareness of tenants regarding their rights [6, pp. 20–21].

The introduction of the implied warranty of habitability substantially changed the economic model of rental relations. Owners are required to internalize the costs of maintaining the premises in proper condition, carrying out repairs, and modernizing infrastructure. Although this increases operational expenditures, it

also contributes to a more stable and predictable housing market. From an investment perspective, legally enforceable quality standards strengthen tenant confidence and, over the long term, enhance the liquidity and resilience of rental assets. This development reflects the broader transformation of American lease law, where the lease agreement is no longer treated as a mere transfer of possession but rather as a complex obligatory relationship structured by both contractual autonomy and mandatory statutory standards [5, pp. 503–505].

The lease contract remains the central legal mechanism through which rental relations operate in the United States. Through the contract, the parties determine the conditions of use, payment obligations, liability for damage, maintenance duties, and grounds for termination. At the same time, freedom of contract in residential leasing is limited by mandatory legal requirements that cannot be waived by agreement, particularly with regard to minimum housing conditions, the return of deposits, and eviction procedures. Such limitations are intended to preserve a reasonable balance between landlords' and tenants' interests and to ensure the stable functioning of the housing market. In this regard, U.S. law treats housing not only as an object of private circulation but also as a socially significant good, which justifies the existence of anti-discrimination guarantees and minimum standards of habitability. The Fair Housing Act is a key federal instrument in this sphere, prohibiting discrimination in housing on grounds such as race, colour, religion, sex, familial status, and national origin.

At the same time, tenant protection mechanisms inevitably affect the incentives of market participants. Excessive regulatory rigidity may reduce investment activity, whereas a balanced model can preserve social stability without destroying market incentives. Empirical studies of rent control confirm that tighter rent regulation may alter the structure of the housing stock and influence owners' decisions to retain, convert, or sell rental property [2, p. 3365; 8, p. 3]. Conversely, the removal of rent control has also been shown to reshape market behaviour and property values, which indicates that rent regulation remains one of the most sensitive legal variables for investors in the housing sector [10, pp. 129–131]. Thus, long-term investment attractiveness depends not on the absolute predominance of either landlord or tenant interests, but on the existence of a legal framework that is stable, intelligible, and economically sustainable.

Procedural regulation of lease termination is of particular importance for the investment attractiveness of rental real estate in the United States. For a landlord, it is not sufficient merely to possess a formal right to terminate the lease; what is decisive is the practical ability to recover possession of the property within a reasonable period and in compliance with due process requirements. U.S. law generally subjects eviction to strict procedural rules, and even minor defects in notice or timing may lead a court to dismiss the landlord's claim [7, p. 24]. From an investor's standpoint, the importance of eviction procedures lies not only in the legal possibility of reclaiming the premises, but also in the time required to enforce that right. Lengthy proceedings may result in lost rental income, increased maintenance costs, and reduced liquidity of the asset. For this reason, institutional investors attach great importance to the procedural legislation and judicial practice of a particular jurisdiction before entering a regional market.

Procedural predictability is therefore one of the most important determinants of investment attractiveness in the rental housing sector. An investor may adapt to relatively high taxes or strict maintenance standards, but uncertainty as to the duration of litigation and the risk of prolonged inability to repossess the premises creates much more serious threats to investment planning. Research in housing policy likewise shows that long-term investment in rental housing depends substantially on the clarity of regulatory rules, the availability of judicial protection, and the predictability of public housing policy [9, p. 12]. Where legal rules remain stable and their judicial application is reasonably consistent, investors are better able to forecast future cash flows, evaluate project payback periods, and secure long-term financing. This partly explains why institutional actors, including pension funds and real estate investment vehicles, remain active in the U.S. rental market.

The protection of property rights forms another fundamental condition for the functioning of the real estate market and for the attractiveness of investment in rental assets. In the United States, this principle has a constitutional foundation and is reinforced by developed judicial remedies. Effective legal protection significantly reduces legal risk, since the investor may rely on judicial redress in the event of unlawful interference with ownership or use rights. Legal scholarship has repeatedly emphasized that U.S. real

estate regulation traditionally seeks to preserve a balance between public interests and the rights of owners, thereby preventing excessive interference with economic activity [8, p. 3]. This balance is especially relevant in the context of rent regulation, because measures presented as social regulation may, under certain conditions, generate effects comparable to regulatory takings. For investors, the significance of such doctrines lies in the fact that legal certainty regarding the limits of state intervention directly influences confidence in long-term investment strategies.

Tax regulation also affects investment decisions in the real estate sector. In the United States, the taxation of rental income is structured in a way that often allows owners to deduct maintenance costs, depreciation, interest payments, and other operational expenses. Such mechanisms reduce the effective tax burden and improve the profitability of investment in rental housing. Economic analysis demonstrates that tax subsidies and related fiscal instruments may substantially influence investment structures and redirect capital toward particular segments of the housing market [11, p. 729]. At the same time, not only the level of taxation but also the stability of tax rules matters. Investors in rental real estate typically operate with long time horizons, and abrupt changes in tax policy may significantly alter the financial profile of investment projects. Conversely, a predictable tax regime facilitates long-term market development and supports broader access to financing.

An additional element of investment attractiveness is risk management. Investors in the U.S. real estate market commonly rely on insurance products covering property damage, third-party liability, and business interruption. Together with legal due diligence, such instruments reduce exposure to both operational and regulatory risk. A careful pre-acquisition review of title, existing lease agreements, technical conditions, and the relevant local regulatory framework remains standard practice in the American market. This allows investors to identify legal and financial risks at an early stage and to make more informed decisions. In broader terms, the combination of legal predictability, financial safeguards, and professional asset management forms the basis for relatively stable returns at an acceptable level of risk, which is precisely what makes rental real estate an attractive investment class.

A characteristic feature of the U.S. rental market is the substantial differentiation of legal regulation between states and even municipalities. States retain broad powers in housing policy and land-use regulation, and as a result, investors face divergent requirements concerning lease terms, eviction procedures, housing maintenance standards, and rent regulation. Research in real estate economics confirms that regulatory constraints, especially zoning and land-use controls, materially affect housing supply and market structure [1, p. 1254; 3, p. 3]. Restrictions on construction and burdensome approval procedures may limit the expansion of the housing stock and increase rental prices, thereby altering investor behaviour and redirecting capital toward other regions. Conversely, more liberal jurisdictions may stimulate development and attract investment by allowing faster project implementation and greater flexibility in rent setting. This is why geographic diversification has become a common strategy among large investors operating in the U.S. housing sector.

In this respect, regional variation in legal regulation should not be viewed solely as a problem. It also reflects a form of regulatory competition among states and municipalities, allowing investors to select jurisdictions with the most favourable balance between risk and return. At the same time, such diversity reinforces the importance of precise legal analysis, because the investment attractiveness of rental real estate in the United States depends not on a uniform national model, but on the concrete interaction between local legal rules, judicial practice, fiscal policy, and market conditions. Accordingly, the U.S. experience demonstrates that rental regulation influences investment attractiveness not only through direct legal constraints, but also through its effect on market structure, transaction costs, and the predictability of asset management over time.

5. Conclusions.

This study demonstrates that the legal regulation of rental relations constitutes a fundamental institutional factor shaping the investment attractiveness of real estate in the United States. Unlike purely economic determinants, legal regulation directly affects the stability of rental income, the distribution of risks between

market participants, and the predictability of asset management over the long term. Consequently, investors in the real estate sector must evaluate not only market indicators but also the legal environment governing rental relations within a particular jurisdiction.

One of the defining characteristics of the U.S. regulatory framework is its federal structure, under which the principal rules governing lease agreements, eviction procedures, deposit requirements, and housing standards are established primarily at the state level and often supplemented by local regulations. This multi-level system produces substantial variation in regulatory regimes between states and municipalities, thereby creating different investment conditions across regional markets. As a result, legal analysis of the relevant jurisdiction becomes an essential component of investment decision-making in the rental housing sector.

The study also confirms the significant role of judicial doctrines and case law in shaping the modern structure of landlord–tenant relations. Doctrines such as the implied warranty of habitability have transformed the traditional conception of leaseholds from a purely property-based arrangement into a more complex system of reciprocal obligations. While such doctrines increase the operational responsibilities of property owners, they simultaneously contribute to the formation of minimum housing standards and greater trust in the rental market, which may strengthen its long-term stability.

At the same time, regulatory instruments such as rent control, eviction procedures, tenant protection standards, and zoning policies exert a substantial influence on the behaviour of investors and the structural development of the housing market. Empirical research indicates that changes in these regulatory mechanisms can alter the incentives of property owners, affect housing supply, and reshape the structure of rental markets. Therefore, the investment attractiveness of rental real estate depends not only on property rights protection but also on the overall balance between regulatory restrictions and economic incentives.

The findings of this study indicate that the predictability and consistency of the legal environment play a decisive role in maintaining investment activity in the rental housing sector. Stable legal rules, coherent judicial practice, and transparent regulatory policies reduce legal uncertainty and allow investors to plan long-term projects, attract financing, and manage assets more efficiently. Conversely, excessive regulatory volatility or procedural uncertainty may significantly increase investment risks and weaken market development.

The U.S. experience demonstrates that the interaction between legal regulation and economic conditions forms a complex institutional framework that determines the functioning and long-term stability of the rental real estate market. Effective protection of property rights, balanced tenant protection mechanisms, and a predictable regulatory environment together create the legal foundations necessary for sustainable investment in rental housing.

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