

Rental Properties Not Exempt From Price Gouging Laws

Minding Your Business Blog on **March 8, 2021**

While PPE, toilet paper, and groceries make price gouging headlines, consumer goods are not the only goods covered by price gouging laws in many states. Less publicized, but equally important, lodging or housing may be found on lists of products covered by many price gouging statutes.

A recent case in California offers a glimpse. In California, the statute prohibits selling, or offering for sale, a lengthy list of goods and services “for a price of more than 10% greater than the price charged by that person for those goods or services immediately prior to the proclamation or declaration of emergency.” Among other things, California’s price gouging statute covers “housing.”

In February, the City of Santa Monica filed suit against a property owner alleging a violation of the state’s price gouging law. The City alleged the owners of a multi-unit apartment building in Santa Monica had raised tenants’ rent by more than the allowable 10%. On December 23, 2019, the California Governor extended a state of emergency declaration in relation to the California wildfires. The Governor also declared a state of emergency in response to the spread of COVID-19 beginning March 4, 2020.

The City’s complaint alleges that a tenant at the apartment building had been paying \$865 per month in rent in December 2019 and January 2020. According to the City, that price increased to \$2,336 in February 2020. The City also alleges that the property owners raised the rent prices again in March 2020, from \$2,336 to \$3,000. The property owners deny wrong-doing, and stated that the City’s suit is in retaliation for the property owners’ filing suit against the City on another issue. The case is scheduled for a hearing on March 24, 2021.

California is not alone in prohibiting price increases on housing during an emergency. Arkansas, Kentucky, Tennessee, and West Virginia also explicitly list “housing” in their price gouging statutes. Similarly, Kansas and Vermont include both “housing” and “lodging.” Texas is the lone state to mention only “lodging.”

While most of these states simply include “housing” or “lodging” in the longer list of covered items, others, like South Carolina include a specific provision for housing. South Carolina prohibits “impos[ing] unconscionable prices for the rental or lease of a dwelling unit, including a motel or hotel unit, or other temporary lodging, or self-storage facility within the area for which the state of disaster is declared.”

In light of the restrictions in place and the ongoing enforcement, property owners, landlords, and hoteliers should consider how their prices have changed or may change in response to the COVID-19 pandemic. These business should use best practices, [conduct a price gouging audit](#), and assess the risk of price gouging claims when managing their compliance efforts and measures.

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