

Let down

Rental regulations, subsidies and tenants' rights across the English-speaking world

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ABOUT THIS REPORT

This report is part of a series on housing by the Social Market Foundation, generously supported by the Nuffield Foundation. Each of them is a comparative study of housing policy internationally, drawing on a combination of over 20 expert interviews and desk research. There is a particular focus on Australia, Canada, Ireland and New Zealand in this study, although other case studies are used when relevant. As English speaking, liberal market democracies, they share many of the same challenges that the UK faces in its housing sector, and so solutions found there are especially instructive.

This series of reports covers the following topics:

- An introduction to housing
- Planning reform
- Affordable housing (social housing and cooperative housing)
- Homeownership policies
- Renting

FOREWORD

Renting used to be what students and young adults new to a city did. For many people over the age of 50, including many of our elected representatives, this is their only experience of renting. Living in a mouldy dump with a cantankerous landlord has long been seen in the public imagination as a rite of passage before you buy somewhere a few years into your career.

But over the past 20 years renting has become a much bigger part of our lives and old attitudes no longer apply. With the decline of council housing, and house prices so high in prosperous cities only people with family wealth can buy, one in five of us now rents from a private landlord. Renting is no longer the domain of the student and graduate – one in three households has dependent children.

Policy has failed to accommodate the new profile of the renter population. In many ways landlords are treated as consumers and retail investors, rather than businesses responsible for the provision of a product that their customers spend half their lives in and pay half their disposable income for. Landlords aren't required to be registered with the authorities except under a patchwork of local schemes covering just 7% of the market, and they are permitted to evict their tenant without needing a reason.

As a result, private rented homes are more likely than other tenures to contain hazards to the tenants' health, and thousands of families face homelessness every month because their landlord wants to sell or re-let the property.

At the same time, NIMBYs have a grip over local politics, which has stifled the housebuilding needed to keep rents affordable. As a result, we are seeing rents rising at their fastest rate since the rise of the sector began.

Generation Rent launched ten years ago in March, to give private renters in the UK a voice in policy debates, and campaign for safe, secure and affordable homes.

In 2014, the extent of the growth of the rental market and the implications of this were only beginning to become apparent to policymakers. Though it was already clear to those of us millennials witnessing the post-crisis house price boom early in our careers and questioning whether working hard really was the path to a comfortable life.

There is no doubt that over the past ten years, housing has become central to political discourse. We've seen genuine progress, including the Tenant Fees Act which saves you an average of £400 every time you move home, but also gimmicky home ownership schemes that failed to help most renters and often, counterproductively, stoked house price inflation.

Since 2019 we've had a government commitment, shared by the opposition, to abolish arbitrary Section 21 evictions, which would rebalance power between landlord and tenant, build trust in the relationship and support longer term tenancies in better quality homes. But the Bill to make this change is crawling through Parliament and could run out of time before the General Election.

Nevertheless, the General Election is a valuable opportunity to take a step back and consider how other countries manage their rental sectors. England is something of an outlier in how it treats renters and if we want to be bolder in our solutions it pays to learn lessons from our neighbours. The authors of this report have made an essential and timely contribution to the debate.

Dan Wilson Craw

Deputy Chief Executive, Generation Rent

EXECUTIVE SUMMARY

The UK's private rental sector has grown since the 1990s, but long term renting is still not an attractive option for many due to high costs and limited renters' rights

- The private rented sector contracted from the 1920s to the early 1990s, but has since grown, doubling from less than one in ten households in 1990 to just under one in five today.
- Most renters would like to move into homeownership, but the age at which people buy their homes, if they do so, has risen, and so people are staying in the private rented sector for longer.
- Rents as a share of renters' income rose sharply in the 1980s and early 1990s, and housing costs as a share of income have gone from approximately 7% in 1980, to over 25% now.
- Acknowledging that long-term renting is here to stay, and that the renter experience needs to improve, the Renters Reform Bill will return to the Commons in mid-April. However, political pressure from some quarters has left the measures watered down, including a failure to abolish no-fault evictions.

The UK can learn from other countries how to improve the experience of renting

- A growing private rented sector, with increased issues of affordability, is common across other English speaking countries, as house prices rise. Given the similarities in culture around housing, lessons from these countries could be particularly applicable to the UK.
- Other countries such as Denmark, the Netherlands and Germany, with greater experience of a large private rented sector can also provide valuable lessons in how renting for the longer term can be done.

Regulations like rent controls can help renters, but are tricky to calibrate to avoid unintended consequences

- Rent regulations and controls can be categorised into three 'generations'
 - First generation rent controls are effectively rent freezes.
 - Second generation rent controls manage rents both between and during tenancies.
 - Third generation rent controls leave the price of new and re-let properties to the market, but place restrictions on how much landlords can increase rents during tenancies.
- Economic orthodoxy suggests that rent controls discourage landlord investment, shrinking supply and reducing the quality of properties. They are nevertheless widespread, especially across Europe.
- A broad analysis of controls in Europe indicates that controls do not hold back the growth of the sector. Places with rent controls do not necessarily have lower rents as a share of income, but changes in this ratio are more stable.

Countries with rent controls also have had a faster growing private rental sector in the decade to 2022, than countries without controls.

- Case study evidence on rent controls is mixed – whilst there are benefits to those tenants in-situ when they are enacted, there may be longer term supply impacts, and landlords are adept at exploiting loopholes. Evidence from first generation controls in Berlin has adhered to economic orthodoxy, and supply has suffered. It is too soon to say if use of second generation controls in Ireland has affected supply, but compliance has been an issue. Third generation controls in San Francisco saw 7.2% of properties redeveloped so that they would no longer be subject to controls.
- It may be possible for rent controls to find a sweet spot, set at a level that prevents onerous hikes in rents but not low enough to discourage supply from the market. This would not, however, significantly bear down on the trajectory of average rent levels.

Housing benefits can be used to support renters, but there are inefficiencies as some is captured by landlords through higher rents

- Studies have differed on the extent to housing benefits are captured by landlords through higher rents. A UK analysis found 90% of the upside goes to tenants, whilst a Finish study found that as little as half did.
- The UK government has frozen housing benefits, which is placing a strain on low income families.

Stronger protections for renters can make long term renting a better experience. In England, fixed term tenancies tend to be short, and no-fault evictions limit their security. Countries with a stronger renting culture have longer, even indefinite, tenancies – a model also adopted by both Ireland and Scotland. Similarly, no-fault evictions are a rarity outside of England.

- While landlords are obliged to meet minimum standards to ensure a home is safe and fit for habitation, enforcement of these standards is patchy and largely relies on tenants coming forward with complaints. Unlike other English-speaking countries, the dispute resolution process in England varies by nature of complaint, and can be long and arduous process.
- Caps on charges at the start of a tenancy have helped protect tenants, and strict rules on how deposits are held have improved their security.

Stronger renter protections do not seem to have a negative effect on supply

- Despite concerns that greater protections for renters, particularly abolishing no-fault evictions, will have a negative effect on supply – there is limited evidence to support such concerns, and where the data does exist, it generally indicates that protections have little effect on supply.

- In Ireland, a gradual move towards indefinite tenancies began in 2004. There were initial concerns that investment in the private rented sector would decrease, however in the years since, the size of the private rented sector has nearly doubled.
- Scotland, which banned no-fault evictions in 2017, has not seen a significant drop off in rental supply, and instead has seen the number of households in the private rented sector increase.
- Meanwhile, research from Australia has shown that the introduction of greater regulation of tenancies, and protections for renters, has not had an impact on total supply levels.
- In general, smaller landlords in particular are more likely to leave the rental market for personal reasons, rather than policy.

Recommendations

- The UK government should use the planned Private Rented Sector Database (PRSD) to understand the rental market better. As well as registering all private sector landlords and their properties, the database should include details of current rent charged for a property and track rent increases. Landlord licensing schemes have been shown to result in better enforcement of minimum rental standards, making renting a better experience.
- Government should also take active steps to ensure that renting is a genuinely affordable option for the long term:
 - Strengthen the rent dispute system so that it is used more, and so that it is fairer to tenants. Using improved data on actual rents, as gathered through the PRSD would allow for fairer comparison on what rent is actually being charged and how this relates to local rents. Tenants should be proactively prompted to ask whether they wish to dispute their rent increase.
 - Monitor the impact of rent controls in Scotland and Ireland on rent levels and supply. If successful, and a stronger rent dispute system proves to be ineffective, then consider similar measures in England and Wales.
 - Update Local Housing Allowance rates annually. Failure to update rates means many families struggle to cover housing costs, which continue to rise, and leave households at greater risk of homelessness.
- Government should strengthen the regulations that protect tenants and improve the renter experience. Stronger regulations do not seem to have a sustained negative impact on rental supply.
 - Abolish section 21, “no fault” evictions, to provide greater security of tenure to private sector tenants. Banning no-fault evictions in other jurisdictions does not seem to have had a negative affect on supply. As abolishing section 21 has been delayed, government should work to improve the security of tenants in the intervening period, by extending the notice period under section 21 from two months to six months.
- Government should reform the dispute resolution services and take an innovative approach to funding it.

- Dispute resolution should be streamlined into a single body that deals with all issues, from standards complaints to deposit disputes. At the moment, the system is fragmented with different bodies handling complaints at different levels, so raising and escalating a dispute can become both time-consuming and expensive. Existing proposals for an ombudsman help to achieve a more streamlined service but, as it stands, will not handle deposit disputes.
- Tenancy deposits in England and Wales in 2023 amounted to over £4.5 billion. They are currently held in bank accounts and used to fund the tenancy deposit schemes, include disputes over deposits. Government should consider investing tenancy deposits into fixed securities, with profits from this going toward the more streamlined and strengthened dispute resolution service, as well as tenant advisory services.

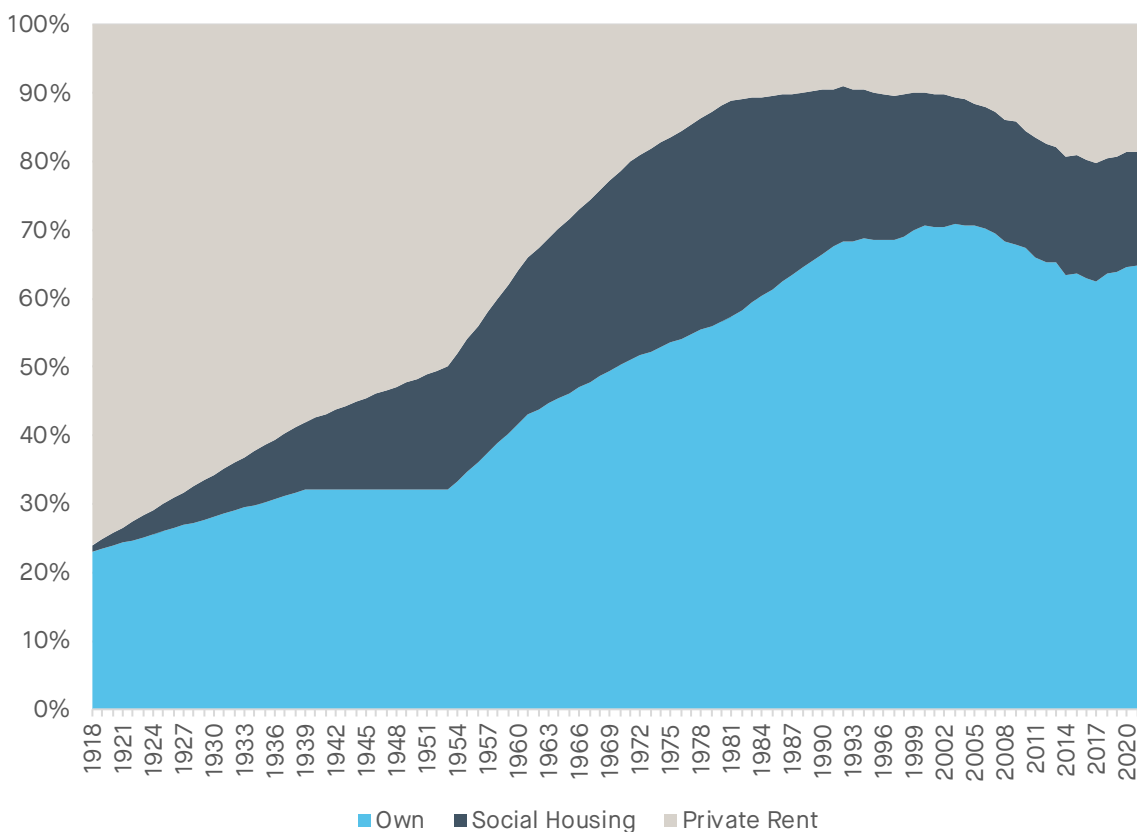
CHAPTER ONE – RENTING IN THE UK

The fall and rise of renting

A century ago, England was a country of renters (see figure 1). As social housing grew, the share renting privately fell from three-quarters of the population to around half. A movement towards greater homeownership through the 1920s and 1930s became a stampede from the mid-50s onwards, such that by the start of the 1990s under 10% of households were privately renting, with 68% owning homes and 23% in state-owned rentals.¹

Those who do end up in the private rented sector are, for the most part, happy, according to SMF research from 2022, but less so than those in other tenures. A clear majority of private renters, 81%, are satisfied with their current property, and 85% are satisfied with their landlord. Although their current circumstances are okay, a third are not happy with the status of ‘being a renter’, with a majority of this group concerned about the long term financial implications (presumably relative to owner-occupiers). Similar research across tenures found that 70% of private renters are satisfied with their tenure, compared to 98% of owners and 80% of those in social housing.²

Figure 1: Long term changes in English housing tenureⁱ



Source: Department for Levelling Up, Housing and Communities

ⁱ Where data for a given year is unavailable, a straight line is drawn between available data points. Data from 2009 onwards is for 2008/09 etc.

These changes were driven by a number of factors. Mortgage availability increased, so some landlords sold their properties to new owner occupiers. Slum-clearance schemes led to reduced stock, and local authorities acquired some properties as council housing.

Changing rent control policies have also been a feature of the housing landscape. In the interwar period, the role of rent controls “should not be overstated” in falling private sector rentals, according to a Parliament research briefing, with high interest rates, building costs, and slow wage growth in the 1920s more important drivers. From World War II, however, with rents frozen from 1939, “landlords took opportunities to sell up and invest elsewhere”. Rental regulations continued to evolve, as Table 1 shows.

Table 1: List of key laws relating to rents from 1939 to 1988

	Effect
Rent Act 1939	Reintroduced full rent control (a rent freeze).
Housing Repairs and Rents Act 1954	Properties that had been rented out prior to September 1939, and that were in good condition, could have small rent increases. Controls lifted for new builds/conversions.
Rent Act 1957	More expensive properties, and rents charged after a property had become vacant, were decontrolled (as with third generation measures).
Rent Act 1965	Long-term, regulated tenancies introduced a regulated rent system, with independent rent officers there to assess the fairness of rents.
Rent Act 1974	Furnished rentals brought within the regulated rent system, and excluded landlord-lodger set ups.
Rent Act 1977	Consolidated rules on PRS rents and tenure
Housing Act 1980	Moved the remaining controlled tenancies (400,000 units) into the regulated rent system.
Housing Act 1988	Stopped the creation of any new regulated tenancies, such that subsequent agreements would either be assured or assured shorthold tenancies.

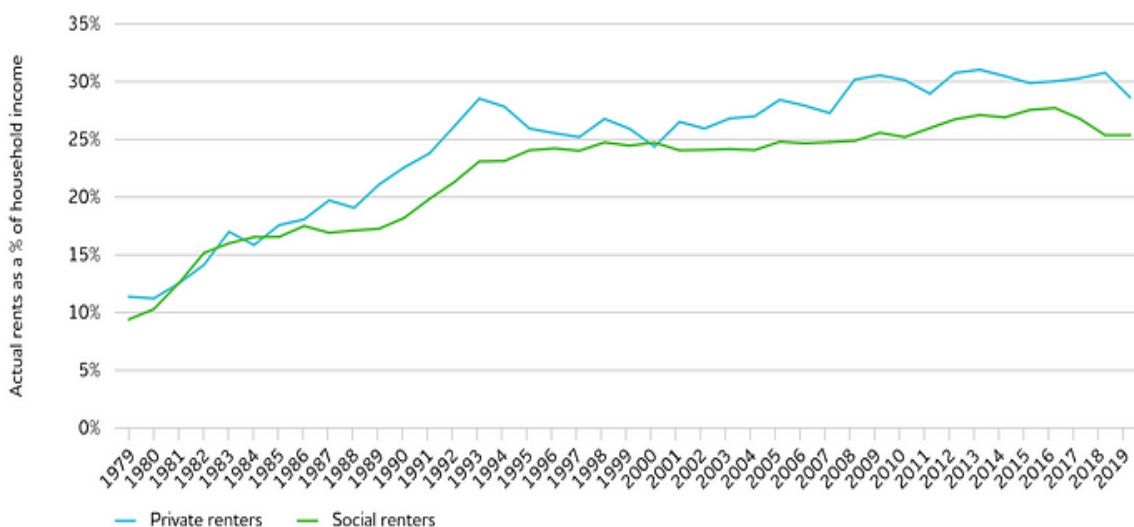
Source: House of Commons Library

Since its 1990s nadir, the private rental sector (PRS) grew through to the mid-2010s. Now, 18-20% of households are renting from private landlords. The Thatcher and Major governments actively pursued that resurgence, aware that house prices and reduced council housing availability meant that alternative housing needed to be found. The Housing Act of 1988 created a new ‘assured shorthold tenancy’, letting people rent out property safe in the knowledge that they could take the property back off tenants if they wished to. In a 1992 speech, then prime minister John Major pledged to take “further steps to improve the availability of housing in the private rented sector”. His government’s “rent-a-room” scheme allowed people to take in lodgers tax free. Perhaps most significantly, in 1996 the Association of Residential Lettings Agents and several lenders launched the buy-to-let mortgage. These products leapt in popularity in the 2000s, with the number of mortgage advances jumping from 48,400 in 2000 to 346,000 by 2007.³

A jump in UK rents?

There is no “right” amount for how much rent should cost, but the widely used benchmark for whether or not rent is affordable is less than 30% of income. Analysis of government data by the Tony Blair Institute (TBI) demonstrates rents plus water bills leapt as a share of income during the Thatcher/Major governments, as regulation was phased out. In 1979, renters spent around 10% of their income on private sector or social rent. By the mid-1990s, social renters were spending around 25% on these costs, and private renters were spending slightly more, reaching around 30% of incomes by the Global Financial Crisis.⁴ Since then it has dipped slightly and stabilised. This is shown in Figure 2.

Figure 2: Actual rents (incl service charges etc) plus water bills as a % of disposable income in the UK, 1979-2019



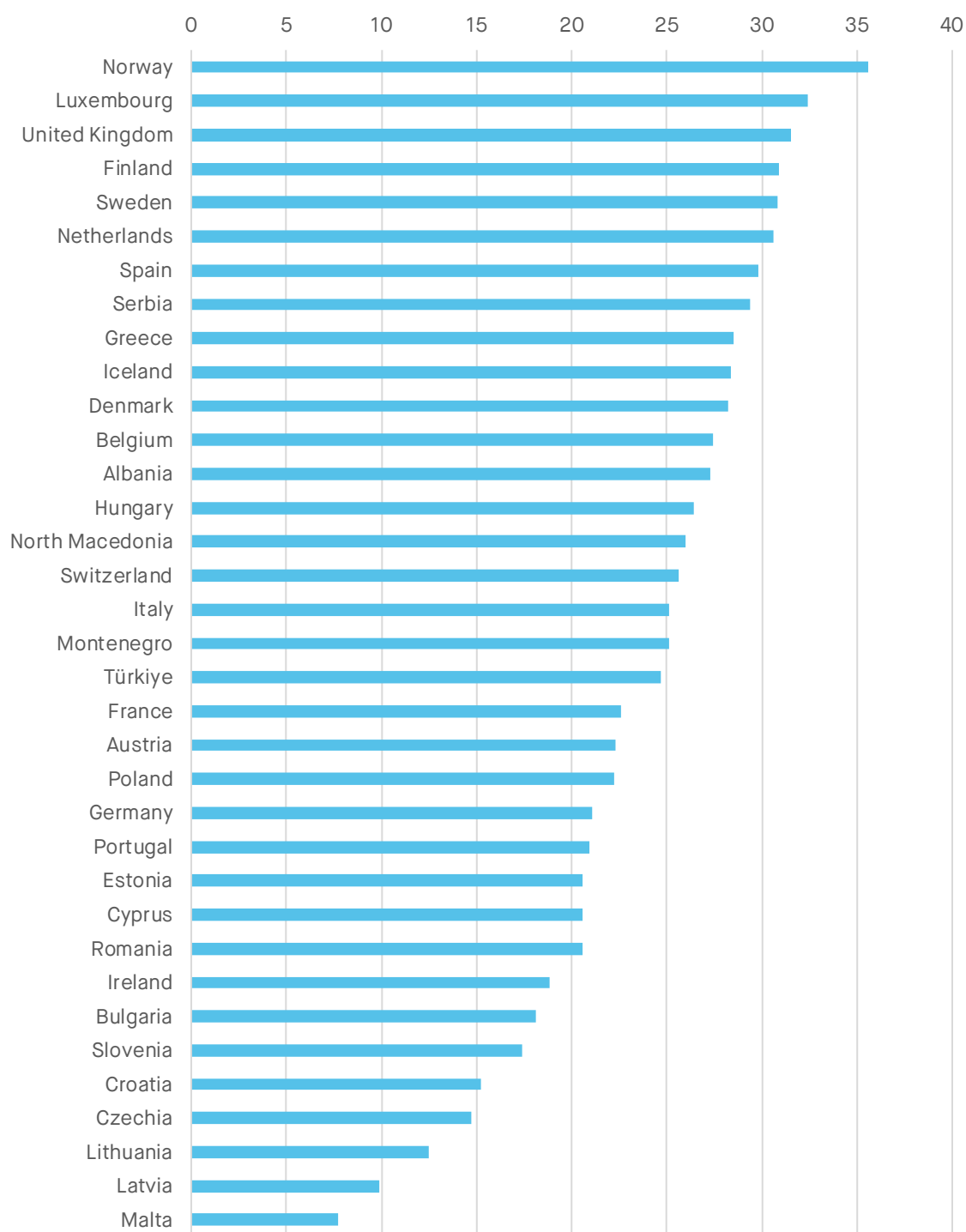
Source: TBI calculations using Households Below Average Income data

The question of what happened here is an important one. The TBI analysis of the change suggests that shrinking of housing subsidies, through rent regulation, social housing, and housing benefits, has been a key factor. Rent controls were effectively dismantled by the end of the 1980s. 'Right to Buy' reduced the size of the social housing stock and so more lower income households entered the private rented sector, supported by housing benefits. The demographics of the sector also changed. Those on higher incomes found it easier to buy, leaving the sector and so average incomes of renters decreased. Collectively, this resulted in a jump in rent as a share of incomes.

Lower income households have suffered the most, with less capacity to pay private sector rents.⁵ In our introductory paper, *Dwelling on it*, we noted that households in the poorest quartile spend a much greater share of their income on rent than the median or top quartile.⁶

The burden of rent also varies geographically. Analysis by The Guardian of median market asking rent as a proportion of median income for two people found it is highest in London and the South-East but is also a growing problem further North. Median rent as a proportion of median income of two people in Newcastle grew from 22% in 2019 to 32% in 2023.⁷

The UK's rent levels are high relative to other countries too. In 2023 The Guardian reported that according to the OECD, 23% of UK private renters spend more than 40% of their income on rent, a higher rate than any other country in the group.⁸ As Figure 3 shows, rents are higher in the UK as a share of disposable income than everywhere in Europe except the relatively wealthier Norway and Luxembourg.

Figure 3: Rent as a share of disposable household income by country, 2018

Source: EUROSTAT

The TBI paper considers housing benefits, social housing and rent controls as the three main forms of housing subsidy, with the first two funded by the state, and the latter effectively funded by landlords. It says that the value of housing subsidies has fallen 16.5% to 11.5% as a share of GDP. If the previous share had been maintained, £46 billion rather than £31 billion would have been spent in 2019/20. The change since the 1980s, then, reflects the weakening of those three forms of rental subsidy.

The size of the rental sector may be stabilising, but its prominence is growing

As mentioned earlier in this chapter, one of the biggest complaints private sector tenants have is with their status of “being a renter”. Many would like to eventually become homeowners, but feel they will never be able to. Even among those who will move into homeownership, rising costs have seen the average age of a first-time buyer in the UK rise to 34.⁹ There is a much greater prospect now of long-term renting, even if that does not mean forever.

For renting to be a desirable long term option it needs to be both affordable and stable. To understand the affordability angle, this report examines rent controls and benefits in detail and asks what lessons can be learned from international peers about their effectiveness. It also looks at how rights of renters could and should be improved more broadly, and what the impact of such measures have been elsewhere. We do not discuss social housing here, which is the subject of a separate report in this series.

Acknowledging the increasing prominence of the private rented sector, in May 2023 the government introduced the Renters Reform Bill. The intention of the bill is to “bring in a better deal for renters”. Key policies in the original draft of the bill included the abolishing of section 21 “no fault” evictions (which we will discuss further in Chapter Four), preventing “economic evictions”, introducing a Private Rented Sector Ombudsman and creating a Privately Rented Property Portal, which would help local councils with enforcing PRS standards.¹⁰ However in the months since the bill was first presented to parliament it has been amended to such a degree that many feel it has been significantly watered down.¹¹ Immediately prior to the 2024 Easter recess, this seemed to be confirmed with a letter from the Minister of Levelling Up Housing and Communities (who introduced the bill), confirming changes including a delay to the introduction of no-fault evictions, until the courts were determined to be able to handle the change.¹² As there is no date given, the delay is effectively indefinite.

Methods

In addition to desk research, this report has made use of over 20 expert interviews with people across housing policy sphere. Interviewees were drawn from the UK, but also from other English-speaking countries. As outlined in our introductory paper, similar cultures toward and current issues with housing means examples from these countries may be particularly instructive. Interviewees included housing researchers, policymakers and activists. There is a particular focus on Australia, Canada, Ireland and New Zealand in this study, although other case studies are used when relevant.

The structure of the rest of the report is as follows:

- **Chapter Two** discusses the regulation of rent itself, and the different iterations of rent stabilisation and rent controls seen across the world.
- **Chapter Three** focuses on the mechanisms used to resolve disputes over rent increases.
- **Chapter Four** explores the rights and protections renters have in England and compares these to the rights and protections afforded to renters in countries which have a greater focus on rent as a long-term form of tenure.

- **Chapter Five** gives recommendations on how private renting in the UK, and in England in particular could be improved, for a better tenant experience.

CHAPTER TWO – RENTAL REGULATIONS

One means of making renting more affordable is stricter regulation on what rent can be charged, through mechanisms like rent control or rent stabilisation. Rent control as an idea is popular with the British public: polling from 2022 found that 72% of Britons would support a rent control that meant private rents could not rise above inflation.¹³ Proposals for rent control raise concerns, however, in particular regarding their impact on supply. This chapter will dig into these arguments, looking to the experiences of other countries that do use rent controls and assessing how impactful they have been.

England and Wales have one of the least regulated rental markets in the Western world

England and Wales have unregulated rental costs, unlike a number of Western countries

Britain was the first place in Europe to introduce significant rental regulations. It was the height of World War I, demand for housing was far exceeding supply and some landlords were profiteering off the situation.¹⁴ To address this situation and tame unaffordable rents, tenants were protected from price increases, except under certain circumstances. To keep landlords afloat, mortgages for such properties were also frozen. These measures, initially intended to expire after the war, hung around for decades, being reformed and generally weakened until they were abolished in 1988 (except for tenancies continued since 1989).

Elsewhere in Europe, and beyond, similar rental regulations were brought in to address similar issues during WWI. Some, like the UK, eventually removed regulation. In many of these countries however, rental regulations remain and have taken on distinct forms.

Strain is once again being felt by renters in the UK market. Rent increases were relatively stable in the run up to the COVID-19 pandemic, usually remaining below 2%, and stayed that way until the easing of lockdown restrictions in 2021. Since then, private rent price percentage change over 12 months has been increasingly sharply, increasing from 1.3% in the 12 months before January 2021, to 6.2% in the 12 months before January 2024.¹⁵

These increases are not uniform either across the UK, or across the English regions. In the 12 months before 2024, prices increased in England by 6.1%, in Scotland by 6.8%, in Wales by 7% and in Northern Ireland by 9.5%.¹⁶ In the English regions, increases in London were higher than any other region at 6.9%, but even in region with the lowest increase, it was still 4.7%.¹⁷

A knock-on effect of the increased rent costs is a heightened risk of evictions. Over the first year of the pandemic, there had been a ban on bailiff enforced evictions. As shown above, this was in place before the acceleration in rents had gathered much steam. A 2021 survey by the Joseph Rowntree Foundation, just before the eviction ban ended in May, found that 400,000 renters were expecting to be evicted. They had either had either been served an eviction notice or had been told they may be evicted. A further 450,000 households were in arrears. Together, these groups represented around one in ten renters.¹⁸ The difficulties have continued. 2023 saw a 49% increase in households evicted by bailiffs and a 28% increase in landlords starting court proceedings, compared to 2022.¹⁹

The strain on renters raises the question of what more can be done, and has led some back to arguments for rent controls. In 2023 several city mayors, council leaders, trade unions, and tenants' unions, were among those who signed an open letter to the Secretary of State for Levelling Up, Housing and Communities, Michael Gove, calling for a rent freeze.²⁰

Scotland has recently reintroduced some rent control measures. Local authorities have had the ability to call on Holyrood to demarcate a 'rent pressure zone' since 2016, although none have been introduced. In the cost-of-living crisis, however, a Scotland-wide rent cap was introduced in September 2022.

There are a number of types of rental price regulations

The terminology describing these models is inconsistent, but those harder measures seen in the wake of World War I and II are often referred to as 'first generation' rent controls or rent freezes. 'Second generation' controls are more about restraining price growth, whilst ensuring a reasonable return for landlords. They combine 'rent stabilisation'ⁱⁱ within a tenancy, with restrictions on the initial rent levels as a tenancy begins. Softer still, 'third generation' measures just deal with what happens to prices during a tenancy and leaves the cost of a newly started rental contract to the market. An alternative to direct price controls can be found in the ombudsman approach the UK took after 1965 (see Table 1), where renters could appeal onerous rent hikes to independent rent officers.

Table 2: Definition of different generations of rent control

1st Generation	Controls that restrict rent levels across the whole of the private rental sector, (or select portion of it). Simply put, rent freezes
2nd Generation	Controls that manage rents both between and during tenancies, perhaps based upon rates of change, or precise rent benchmarks for their type of property
3rd Generation	Controls that leave the price of new and re-let properties to the market, but place restrictions on how much landlords can increase rents during tenancies

ⁱⁱ Rent stabilisation is where initially rent is set by the market, but rent rises are limited. Once the tenant leaves the property, it is once again let at market levels.

These measures are not always national, with housing policy often devolved to states, regions, or metropolitan areas. They may also be limited to certain types of property, such as properties built before a certain period, so as not to discourage construction.

Enforcement of these measures differs. A regulator, armed with a log of rents and how they are changing, may be able to ensure that controls are respected. Often, however, it is down to tenants to appeal to a regulator to highlight where their landlords are trying to bend the rules. The weak position of tenants, who might be afraid to lose a tenancy, or lack understanding of their rights, can mean that policies aren't always actualised.

Table 3: Rental regulations in Europe and English-speaking focus countries

No Controls	1 st Generation	2 nd Generation	3 rd Generation
Australia, (except ACT) Bulgaria, Czechia, Estonia, Finland, Greece, Hungary, Italy, Latvia, Lithuania, Malta, Portugal, Romania, Slovakia, Slovenia, New Zealand, UK	Germany (Berlin),	Austria, Denmark, France, Netherlands, Sweden, Ireland (mild)	Belgium, Canada ⁱⁱⁱ , Croatia, Germany, Norway, Poland, Spain, Switzerland, Cyprus (mild)

Source: SMF analysis of Rent regulation in 21st Century Europe comparative perspectives (Kettunen and Ruonavaara, 2020)

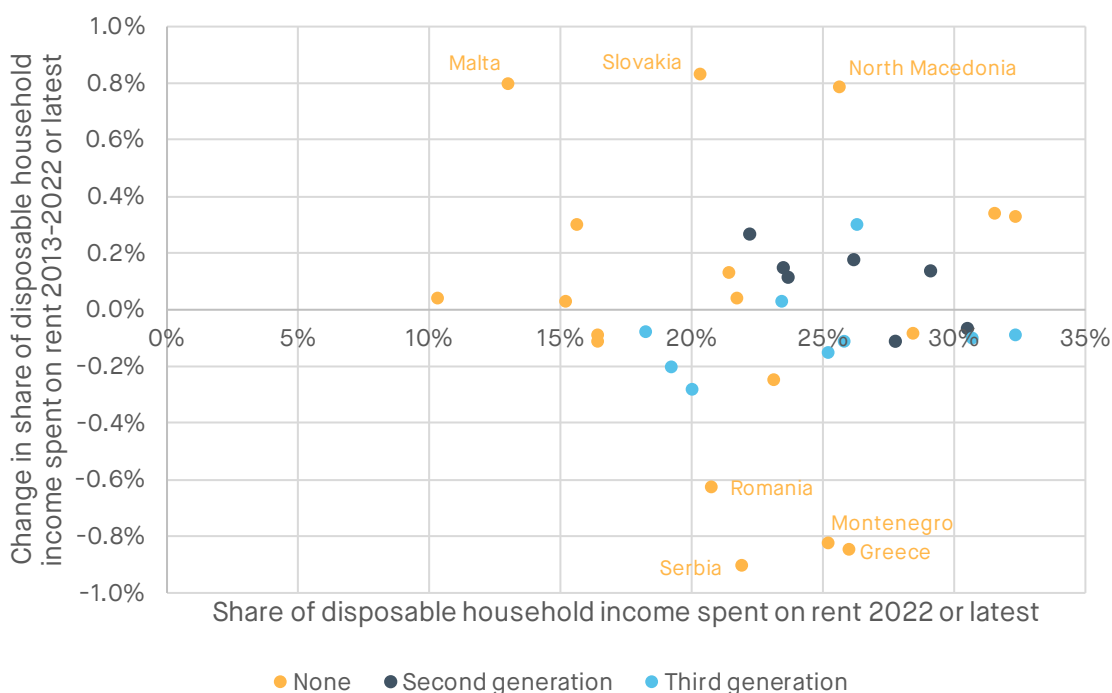
Table 3 shows where different jurisdictions sit across the three generations of rent regulations. Controls are more common in central and northern Europe and can be found in some regions or cities across our countries of focus in English-speaking countries.

The variety of approaches to rent control is helpful to those trying to understand the impact of such measures, and whether they have a place in the UK. Across Europe, there is no correlation between the presence of rent controls and the level of rent as a proportion of income, as Figure 4 shows. Although it's not the case that countries with controls have cheaper rents, this does not necessarily show that rental regulations are ineffective. Rents could have been even higher without controls, and it is possible that those countries with higher rents to begin with are more likely to want to enact these measures to help renters.

ⁱⁱⁱ Rent control policies restricting how much landlords can increase rent every year are currently in place in British Columbia, Manitoba, New Brunswick, Ontario, and Prince Edward Island. In Quebec for rent to be increased both the landlord and tenant must agree that the increase is reasonable, if a tenant rejects the increase the matter can be settled by the Quebec Rental board (Source: Canadian Centre for Housing Rights)

Figure 4 also presents the average annual change in rent’s share of household disposable income from 2013 to 2022, or the longest stretch of available data in that window. Rent levels are much more volatile in countries without rent controls, both in terms of increases and decreases, than countries with them. On average, places with third generation controls saw the largest drop in rents as a share of incomes over the period, of 0.07 percentage points a year, with a decline of 0.02 percentage points a year for places with no controls, and a 0.09 increase on average for places with second generation controls – the strictest. It is important to note, however, that more differentiates these countries than just the level of rent controls, so this should not be taken as a conclusive finding.

Figure 4: Share of and change of share of renting as a share of income by rental regulation type, 2013-22 or latest year available^{iv}



Source: *Rent regulation in 21st Century Europe comparative perspectives* (Kettunen and Ruonavaara, 2020), SMF, EUROSTAT

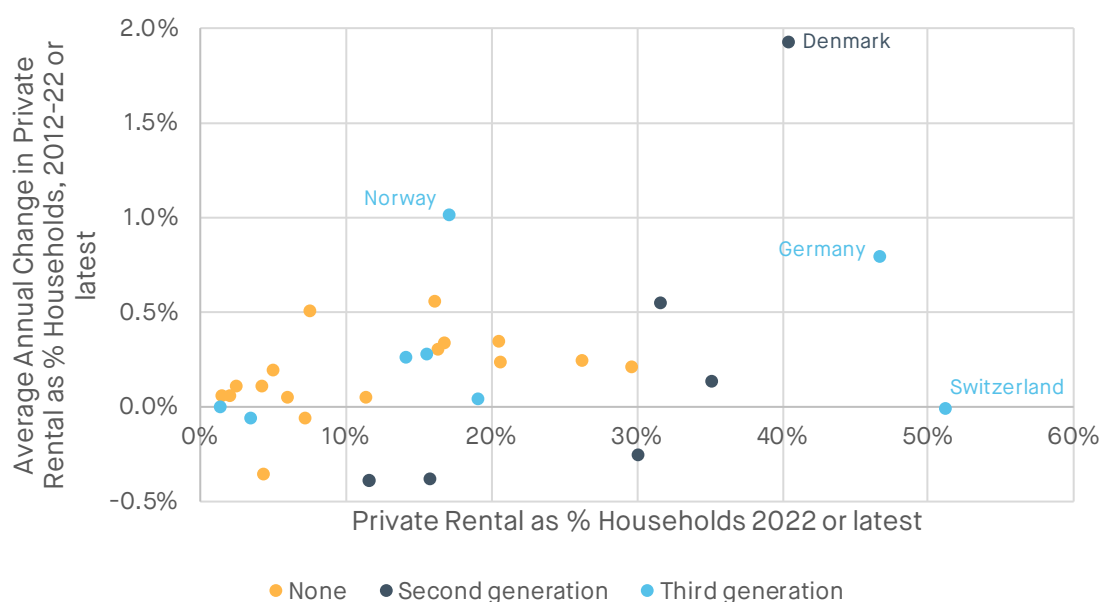
Another way of judging the impact of rent controls is by looking at their impact on levels of renting in the housing market. Economic orthodoxy suggests that rent controls restrain or reduce rental supply. This may then flow through into lower levels of renting, even if demand for rent controlled renting would be higher.

^{iv} 2013-22 except where 2013-18 (UK, Norway) and 2013-20 (North Macedonia)

Countries with higher shares of rentals are more likely to have rent controls in place, as displayed by Figure 5. Again, this could reflect reverse causality, as renters would be expected to have more influence in the public debate in countries where they are more numerous, and thus are more likely to secure protections for themselves. Additionally, there is considerable variation in the range of controls. Figure 5 also shows that there is no strong correlation between type of rent control and whether the private rental sector has grown or shrunk over the last decade, although the three regions with the fastest growth all had some kind of control in place.

Looking at the averages by group, those without rental controls have seen a slower growth in the share renting privately than those with rent controls. These results are presented in Figure 6. This should not be taken as proof that rent controls do not harm supply, although clearly shows that the rental sector can grow with them in place. The following section looks at recent specific case studies of rent controls across the three generations. It considers what impacts they had, intended and otherwise, as summarised in Table 3.

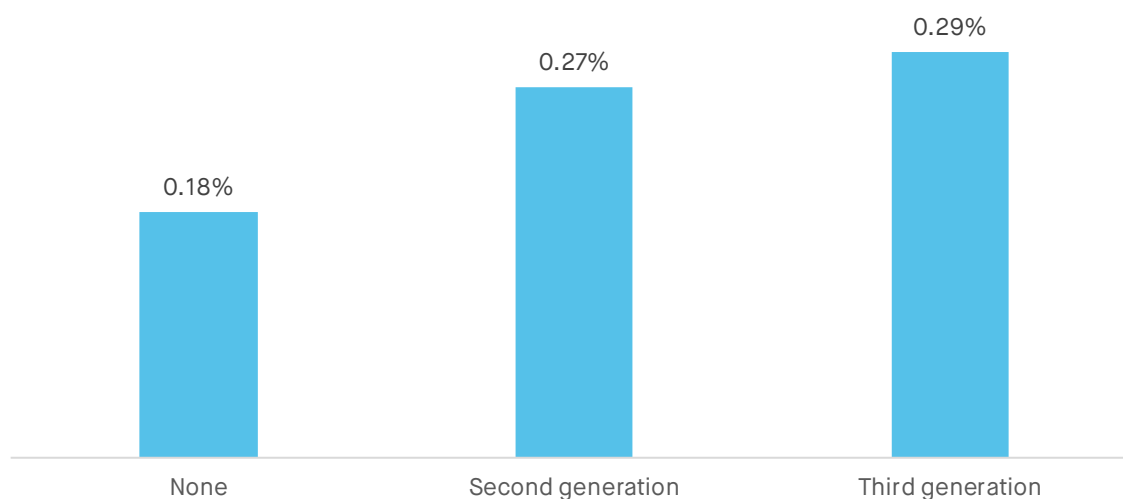
Figure 5: Share of and change of share of private renting by rental regulation type, 2012-22 or latest year available^v



Source: *Rent regulation in 21st Century Europe comparative perspectives* (Kettunen and Ruonavaara, 2020), EUROSTAT, OECD, UK Census data, Stat NZ, StatCan, ABS

^v 2012-22 except where 2012-20 (Netherlands, Norway, Switzerland), 2011-21 (UK, Canada), 2006-18 (New Zealand) or 2009/10-2019/20 (Australia)

Figure 6: Average of change in share of households who are private renting by type of rental regulation, 2012-22



Source: *Rent regulation in 21st Century Europe comparative perspectives* (Kettunen and Ruonavaara, 2020), SMF, EUROSTAT, OECD

Analysis of rent regulation in other countries paints a mixed picture

Beyond the headline findings analysis of specific experiences of rent controls can deliver valuable lessons for the UK, both in how to and how not to do rent controls. As summarised in Table 4, the impact of the various generations of rent controls is mixed in different contexts. Across the different generations of controls, rents themselves do tend to fall. However, the question of whether controls impact supply is inconclusive, varying across control generations.

Table 4: Rent control examples and impacts

		Level of cap	Impact
1 st Generation	Berlin 2020-21	Rent freeze 2020-21	<ul style="list-style-type: none"> - Fall in completions of 14% vs 5% increase country-wide - 1.5 times as many rental to owner-occupier conversions
2 nd Generation	Ireland 2016-Date	4% in 2016-21 2% from 2021	<ul style="list-style-type: none"> - Lack of compliance may be an issue - Inconclusive impact on supply so far
	France Long term	Rent index pre-2012 within tenancies only (3 rd gen controls) 2012-14 Rent Index 2014-17, 2019-date price benchmarks	<ul style="list-style-type: none"> - Reduced rent by 3.2% in Paris since 2019 - Compliance is an issue (30% breaching limit) - Lack of evidence on supply, no apparent big impact - Fewer sales to investors
	Catalonia 2020-22	Reference rents, or last rent adjusted for rent index	<ul style="list-style-type: none"> - 5-7% fall in rents, although some of that driven by the property mix - Differing view on supply impact; fewer housing starts, and sales increased, although no clear impact on rental supply yet
	Massachusetts, USA 1971-95	Maximum rent level, then can grow at multiple of the CPI (0.85)	<ul style="list-style-type: none"> - 6% increase in likelihood of property being a rental when controls were dropped - Rents in non-controlled areas also reduced
Third Generation	San Francisco 1979-date	60% of CPI	<ul style="list-style-type: none"> - 7.2% of properties redeveloped such that they could avoid controls - 8.1% increase in share of owner occupiers - Helped keep incumbent communities in-situ
	Scotland 2023-date	3% increase	<ul style="list-style-type: none"> - Landlords are potentially increasing starting rents to mitigate for the cap during tenancies

First (1st) Generation: Rent freezes made a return in Berlin, after having largely disappeared from the Western world

As the name implies, first generation rent controls were the earliest wave of such measures seen in Europe. In recent decades, rental policies adapted to become more market oriented. There may now be a “third phase in the history of rent control” as countries or sub-regions turn back towards firmer rent freeze style interventions. During the pandemic and recent cost of living crisis, some countries instituted short term rent freezes, such as New Zealand for six months in 2020. Germany has gone furthest, with Berlin implementing (albeit briefly) a freeze, but harder rental regulations are being debated elsewhere in Europe and the US.²¹

Berlin’s rent freeze was brief, but even that seemed to hit supply

Rent prices in the German capital grew faster than other cities in the country in the five years to November 2021. Germany is a country of renters and had some form of rental regulation for decades. Berlin introduced slightly stronger, second-generation style measures in 2015 that kept rental prices within 10% of their neighbourhood’s ‘rent index’, which was set by local government.²²

At the start of 2020, Berlin introduced a full rent freeze. This only applied to properties built before 2014. Properties were benchmarked against an inferred value, based upon when they were built, their location and its standard, to calculate an approved rent level. Rents above the approved level would be cut, and the measures were backdated so that landlords couldn’t jack up prices before the freeze began. The measures were set to run for five years but were thrown out in April 2021 by the German court, following pressure from landlords.

Several academics have looked at the impact of the circa 14 months of rent freeze. One study looked at nearly 75,000 properties advertised in and around Berlin from January 2018 to June 2021. It found that the price level was indeed cut, with prices of regulated units cut 7-11% further relative to unregulated units. Prices in Berlin’s satellite city, Potsdam, where rents were not frozen, shot up faster than other major German cities following the start of the freeze, as did other districts at the edge of Berlin’s administrative area.²³

Supply was also impacted. The number of units converted from rental to owner-occupied apartments rose from 12,700 in 2019, to 19,200 in 2020 – an increase of over 50%. There was a fall too in the number of completions in Berlin of 14% between 2019 and 2020, whilst Germany saw a 5% increase overall.²⁴

There was uncertainty about whether or not the freeze would be overturned, so some landlords held back from advertising vacant properties in case they would be locked in at a lower level even if measures were dropped. The number of properties advertised for rent roughly halved after the freeze came into place – this is true for properties affected by the freeze and those that are not.²⁵

The Berlin experience, therefore, seems to confirm the economic orthodoxy when it comes to rent freezes.

Second (2nd) Generation: Longer term examples seem to have reduced supply, but it is too soon to tell with more recent interventions

Second generation rent controls combine measures to regulate the price of new tenancies as well as mid-tenancy increases. These remain fairly widespread.

Ireland: The 4% cap restrained rent increases, with an unclear effect on supply; the effect of the 2% cap from 2021 remains to be seen

Rent pressures in Ireland have been particularly acute. ‘Rent Pressure Zones’ (RPZ) were introduced in 2016 as a way to curb this. For properties within the RPZ, prices could originally rise by up to 4%, but this was tightened in 2021 such that landlords can only increase the rent by 2% or the Harmonised Index of the Consumer Prices, whichever is lower.²⁶

Analysis by the Economic & Social Research Institute (ESRI) examined whether the RPZs had had the desired effect. Some places had RPZs instituted at the end of Q4 2016, and a second group came in during the middle of 2019. It found that “the trend growth rate in the Group 1 [areas] began to moderate after the introduction of the regulations whereas the growth rate of Group 2 [areas], which were not RPZs at that point in time, did not moderate in a meaningful manner until after they were classified in 2019”.²⁷

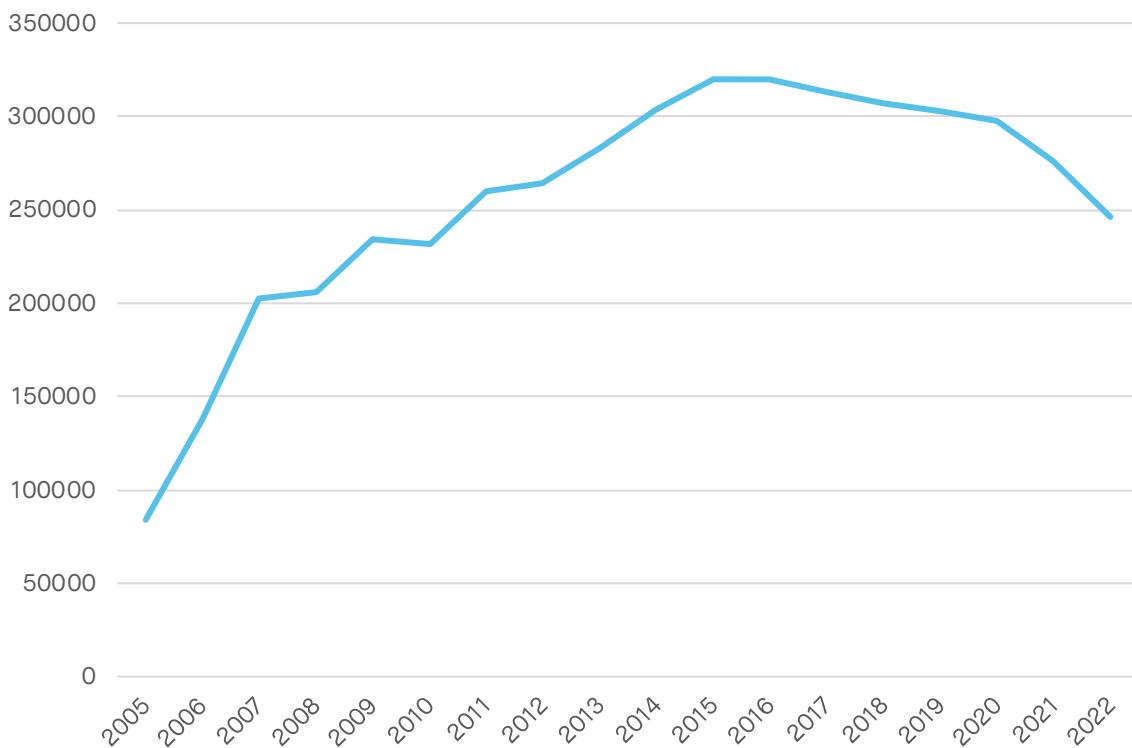
Data published in November 2023 shows that the cost of existing tenancies had grown by 5.3% in the year to Q2 of 2023, well above the 2% limit, but lower than the 11.6% growth in the cost of new tenancies. It is important to note that the 5.3% figure is a national one, and covers properties within and outside of RPZs, so this “is not to be interpreted as a measure of compliance with RPZ legislation”.²⁸ Prices in new tenancies in Dublin rose by 5.8% between 2021Q3 and 2022Q3 – again, well above the 2%, but it may be that at least some of this is driven by newly built or renovated properties coming to market at a high level, rather than non-compliance of existing rentals. Either way, non-compliance is likely an issue, and the Residential Tenancy Board (RTB) contacted over 2,500 landlords suspected of breaches in a 2021 enforcement campaign.²⁹

There has not yet, it seems, been a deep study of the effects of RPZs on rental supply. The ESRI paper made a “high-level, non-causal exploration”, as it itself caveats. The flow of rentals on property website Daft.ie was shown to have been falling from 2010 until 2019, with no acceleration of the trend after RPZs were introduced at the end of 2016 or in 2019, except in Cork. Some fall in the number of new tenancy agreements was seen, although “lower activity could indicate longer duration tenancies, lower turnover and thus fewer new tenancies would be agreed”. It found that new-to-market dwellings tended to be rented out at an average of €2,100, compared to a median of €1,150 across the whole data sample of the market, but it is unclear whether this analysis controlled for property size.³⁰

A paper by economist Jim Power, sponsored by the Irish Property Owners’ Association and the Institute of Professional Auctioneers & Valuers, argues that controls have caused landlords to exit the market.³¹ It points to data on the number of private tenancies, and the number of landlords registered with the RTB, an independent public body. They only publish data on landlord numbers from Q4 of 2017. The level is stable from Q4 2017 until Q2 2019 – if there was a drop after Group 1 of RPZs were launched then that had arrested. There is a clear drop from Q3 2019 onwards, however, which does coincide with the second group of RPZs being instituted. This may not represent rental properties leaving the market, however – it could mean consolidation, as institutional landlords acquiring properties from smaller ones.³²

The private tenancy registration number data is also inconclusive, as ESRI argues. The RPZ policy was announced, and began right at the end of 2016, on the 13th of December in four Dublin council areas, and Cork city. As Figure 7 shows, the rate in 2016 is roughly in line with 2015, and then a decline begins. Quarterly data only begins in Q4 of 2017, so it is not possible to say whether 2016 was already going to mark a plateau before RPZs were announced. Given that only a small amount of the year was remaining, and the measures affected only a subset of the county, it seems likely that growth in tenancies was slowing down regardless of the RPZ policy.

Figure 7: Private tenancy registrations, Ireland, 2005-2022



Source: Residential Tenancy Board

France: Compliance is an issue, with the supply impact unclear

France’s rental regulations have evolved significantly over the last decade. Prior to 2012, they used third generation measures, where prices could increase in line with a national index during tenancies but were unrestricted between tenancies.³³

In 2012, laws were introduced that kept rent increases below the growth in the ‘rent reference index’ (IRL^{vi}) for re-let properties as well. This only applied in 28 zones where the rental market was especially tight.

In 2014, a new law that enabled municipalities with inflating rental markets to set tighter restrictions, based upon rental price benchmarks for combinations of location, property type and other features. These were applied in Paris and Lyon, but a judge overturned the policy in 2017.³⁴ In 2019, the Elan Law gave cities the power to impose these rent controls once more. These cost limits apply to new leases, whether re-lets or new to market. Costs within tenancies are controlled according to the IRL as before.

One study found that the rent control policy had reduced Parisian rents by 3.2% since it was instituted in 2019, especially in smaller apartments.³⁵ Even so, compliance is a real problem. Data from the Observatory of Rents in the Paris Conurbation shows that, in 2021, 30% of new rentals breached their maximum rent level, and this rose to 80% for studio flats.³⁶ Compliance has, however, improved since then.³⁷

There hasn’t been a proper study on the impact of the periods of rent control on rental supply in France. Data on Paris in 2015 showed that there was not an immediate slump in rental supply as “the number of apartments put on the rental market since August 1st [was] substantially similar to last year’s figure”.³⁸

There was, however, a stark impact on investor activity. Sales to investors in Paris fell by 21.9% comparing Q3 2014 with Q3 2015. Meanwhile, in the broader Île-de-France region outside of metropolitan Paris, activity rose by 34.1% and by 12.6% across the country overall.³⁹ It is unclear what the impact of this would be on long term rental prices but does reflect how the control regime influenced investor behaviour.

Catalonia: Short-lived rent controls cut costs by around 5%, but with negative impacts on new building activity and thus long-term market prospects

Rental controls operated in Catalonia from September 2020 until March 2022. They can be described as a strict form of second generation controls, similar to those enacted in France, and only enacted in “stressed” municipalities (defined as having 20% price growth from 2014-19). There were two criteria placed on new rental contracts, such that the rate could not be higher than:

- 1) The reference rent for that kind of property in its area, adjusted for any special features (e.g. lift access, communal facilities, furniture etc)
- 2) The rent in the last lease contract after adjusting for the ‘Competitiveness Guarantee Index’

^{vi} indice de référence des loyers

There have been several studies looking at the impact of this short-lived imposition and removal of second-generation measures. They agree on seeing a fall in rent prices. The study by Monras and Mantalvo, which looked at rental contract data, put this at 5%, half of which is driven by “changes in the composition of units available on the market”. As in France, it found significant non-compliance, or landlords using the loopholes in the regulations, with “almost half of the rental prices are above the corresponding reference price”. It also saw that reference rental prices tempt those charging below the maximum rate to raise their prices towards the ceiling, with the data revealing that “further away is a rent below the reference rent, the faster it increases”.⁴⁰

The same paper found a 1% drop in the average size of units, likely reflecting the withdrawal of some larger properties from the market. They also measure a fall in the number of new rental contracts.⁴¹

A different study drew on data from idealista, the real estate classified ads portal, which has a market share of over 70%. This data enabled the linkage of price to property features, such as square footage, in a way that other microdata, such as from the government, could not. It found a slightly more significant, 6-7% fall in rental costs than the Monras and Mantavlo paper.⁴²

On rental supply, this same paper found no impact on it over the period of study. However, it did find that the number of properties for sale in the regulated areas had “increased substantially” following the introduction of the controls, suggesting a “possible shift in supply from rental to owner-occupied dwellings”. Housing starts were also lower, down 6% in Catalonia, compared to an increase of 12-13% across Spain during the period of controls. It might be that the supply effects on the rental market would be seen in the longer term.⁴³

One study found that this has a marked impact on prices, without a negative impact on supply.⁴⁴

Cambridge, Boston and Brookline, Massachusetts: The dropping of rent controls saw a flow of properties towards the PRS

Cambridge had rent controls from 1971 up to 1995, when they were all but terminated following a tight referendum.⁴⁵ Controls were dropped at the same time in Boston and Brookline, but by that time they were weaker and less widespread than in Cambridge. A board would set the maximum rent level for a unit, which was then allowed to grow according to a multiple (0.85) of the Consumer Price Index (CPI). Rules restricted the ability of landlords to convert condominiums, to protect the rental stock. Tenants were also protected from no-fault evictions, and landlords could be fined for failing to meet minimum service requirements.

A 2007 paper looked at the impact of the repeal of the rent control measures on the market. It found that whilst “in the short term the end of rent control had little effect on the construction of new housing”, there was an impact on whether existing properties were rentals or not. The analysis shows that “the end of rent control is associated with a 6 percentage point increase in the probability of a unit being a rental”, and an 8 percentage point increase on condominiums. The flow between tenures can also be seen, with “units in decontrolled zones...about 7 percentage points more likely to become rental units after the end of rent control than units in zones that were never controlled”.⁴⁶

The effects on rents can be found beyond just rent-controlled properties. Rents were also found to be cut in non-controlled areas, as “having 10-12% rent controlled units” in your area corresponded with a USD \$23-28 a month rent saving. The paper suggests that “a possible explanation for this result might be chronic maintenance problems caused by rent control.”⁴⁷

Interestingly, one study found that the removal of rent controls led to a fall in crime of 16%, or 1,200 crimes a year, in Cambridge. Although other cities also saw a fall in crime in the 1990s, the fall in Cambridge was “distinctive relative to similarly sized US cities over the same time period”, ranking 13th out of 147 cities. It found a “statistically significant, persistent, and economically meaningful relative decrease in crime” in areas which had a greater intensity of rent-controlled properties. It does not provide a mechanism although does note that this happened “all while resident turnover and residential investment surged in formerly rent-controlled housing units”.⁴⁸

Third Generation: as with second generation, there is the potential for negative supply impacts

These are the softest form of rental regulations, and the form most commonly seen in English-speaking countries, where they exist. They place a restriction on how much rents can increase during a tenancy, whilst leaving the price of new tenancies to the market. If these measures are not twinned with protections on the duration of tenancies for renters, then landlords could use no-fault evictions to turnover residents and reset prices to the market rate.

San Francisco, California: helped to prevent community displacement, but the tight restrictions had a negative impact on housing supply

Rent controls came to San Francisco in 1979 for buildings containing more than five apartments. These moderated rent increases during tenancies but placed no restrictions on new ones. New builds, and smaller blocks were exempt as they were believed to be run by ‘mom and pop’ operations. In 1994, this exemption was dropped, but controls still only applied to places from 1979 or earlier. The measures restrict rent increases to 60% of the inflation rate, plus some provisions on costs and hardship to ensure that landlords turn a profit.⁴⁹

One study used this as a quasi-experimental design, comparing people in buildings with fewer than five apartments^{vii} built pre-1980 with those in places built from 1980-1990. The are three key findings to pull out.⁵⁰

The first is that 7.2% of properties that fell under rent control were redeveloped such that they were no longer subject to the measures. They could have been converted into condominiums, which means that each flat could have a separate owner, as opposed to their being a single owner of the building. A number were also knocked down and replaced with new builds that would also escape the rules.

The analysis also found an 8.1% increase in the share of owner-occupiers relative to similar non-controlled properties, as controlled rental stock left the market. Together, these amount to a 15.3% “reduction in the rental supply of small multi-family housing”, which is a figure often quoted. It is not clear if the increase in owner occupiers includes renters leaving the rental market. It is important, however, to reflect on the idiosyncrasies of the rent control measures here, which excluded condos and thus incentivised conversions.

Thirdly, the paper found that rent controls were indeed effective at helping to keep incumbent communities in-situ. Residents were between “10 and 20% more likely to remain at their 1994 address relative to the control group”, and they were also more likely to stay in the city.

Another study used the opening of new free shuttle bus stops by tech companies as proxies for rental price increases in the areas around them. The question was how landlords respond – do they evict their tenants, do they change their property to make it a non-controlled rental, or do they change its tenure? They estimated the cost of the relocation payment from landlords for tenants who have been served no-fault evictions at USD \$20,000. For an average condo valued at USD \$1 million, the jump in value would “easily exceed” the cost of eviction, and “the shuttles provide a large price shock that landlords cannot fully capitalize into rents”. It found that landlords were indeed more likely to withdraw properties from the rental market, and barriers to this “prompted controlled landlords to respond by increasing their at-fault evictions”.⁵¹

Scotland: Landlords may have jacked up new rental prices to mitigate for in-tenancy restrictions

In spring of 2023, Scotland put in place a temporary measure restricting in-tenancy increases to 3%, far below the market rate. With the prices of new tenancies left up to the market, landlords appear to be inflating their starting prices to mitigate restrictions they will now face on increasing costs during the tenancy. However, this could also be the result of a market that has become less liquid. Generation Rent argues that existing tenants may be remaining at their current properties, potentially still enjoying pre-pandemic rent levels, and so fewer empty properties are making their way to market. This increases the competition for what is there, and so too the price of it.⁵²

^{vii} These are referred to by the authors as “multifamily buildings”, where a single building is divided into multiple residential units. When there are five or more units, the building is viewed as commercial property, rather than multifamily.

Data from Zoopla shows that Scotland was the region with the highest growth in the cost of new rentals. Scottish rents were up 12.9% in the year to November 2023, compared to 11.4% by the same time in 2022. Rents in London, meanwhile, were growing at 17% in Nov 2022, and fell to 9% growth through to November 2023. The UK rate fell from 11.9% to 9.7% over that period.⁵³

Rent dispute mechanisms

Blanket rent restrictions are not the only form of regulation that can support renters. An alternative way to keep costs in check is a rent dispute mechanism. Such a mechanism does not place restrictions on normal practices in the rental market. Rather, it is designed to stop ‘rogue landlords’ from making rent increases deemed to be unjust. In theory, faced with such a situation, tenants would be free to move to another property, but constraints of supply, and the strains of uprooting a family from somewhere that has been their home means that they can be victims of unscrupulous price rises.

In England and Wales, the Valuation Office Agency (VOA) has rent officers who produce information on “actual” rents in local areas. They do so by checking on a sample of properties every year and record the rent being charged, irrespective of whether it is a new tenancy or not. There are also tribunals which consider appeals from tenants who feel that their landlord is attempting to impose excessive rent increases. If section 21 is abolished and no-fault evictions are banned in the UK, then section 13, which allows rent increases, could be used more. Large rent increases could then be used to enact ‘economic evictions’.⁵⁴

Whilst a rent dispute mechanism does exist, it is under-used and does not appear to be working in tenants’ favour. Only 341 cases took place between January 2019 and August 2021. These households ended up with average rent increases that were higher than the national average increase, at 5.5% per year. Tenants also face being given a rent increase that was larger than that which the landlord wished to impose on them, if the tribunal finds that it was below the market rate.⁵⁵ This may be in part due to the fact tribunals base their decision making on what similar properties are listed for on the market (i.e. new tenancies), despite the fact that these rents are often higher than those determined by the VOA.⁵⁶

Scotland ended its rent controls in March 2024. It intends on replacing them with a strengthened dispute mechanism. Rent tribunals in Scotland are to set rents based upon the lowest of the open market rate, the rent requested by the landlord, or a comparator based upon the difference between the market and current rents – this takes away the risk of rents ending up higher than that requested by the landlord.

CHAPTER THREE – GOVERNMENT SUBSIDIES

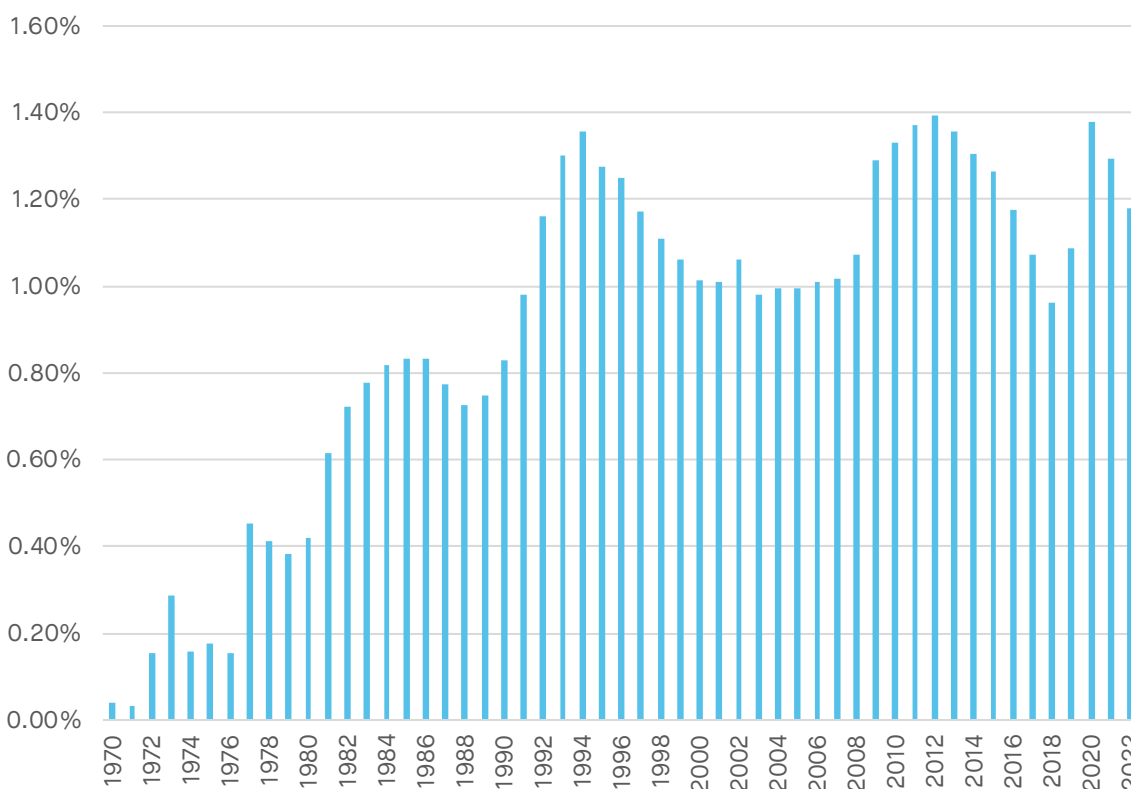
Rent control is not the only affordability measure available to governments. Rather than restricting what rents can be charged, governments can also support low-income households to cover the costs of their rent. There are arguments, however, that much of the value of housing benefit is captured by landlords through higher rents, which means benefits do little to help with affordability.

Housing benefit has been used in the UK to help low income tenants with affordability

As the social rental stock has waned, the government has turned to supporting those on low incomes with their housing by subsidising private sector rents. Housing benefit has grown as a share of the UK’s benefits bill from around 2% in the mid-1970s to 7-8% in the 1980s and over 10% from the 1990s onwards. Today, it represents 13% of social welfare spending, down from a peak of 15% in 2013.⁵⁷

As a share of GDP, housing benefits have risen since the late 1970s. Their importance grew throughout the 1980s, as the social housing stock declined, and the model shifted towards subsidising private renting. Like other benefits, there is a clear counter-cyclical trend, with the need for housing support growing in recessions and falling or stabilising between them.⁵⁸

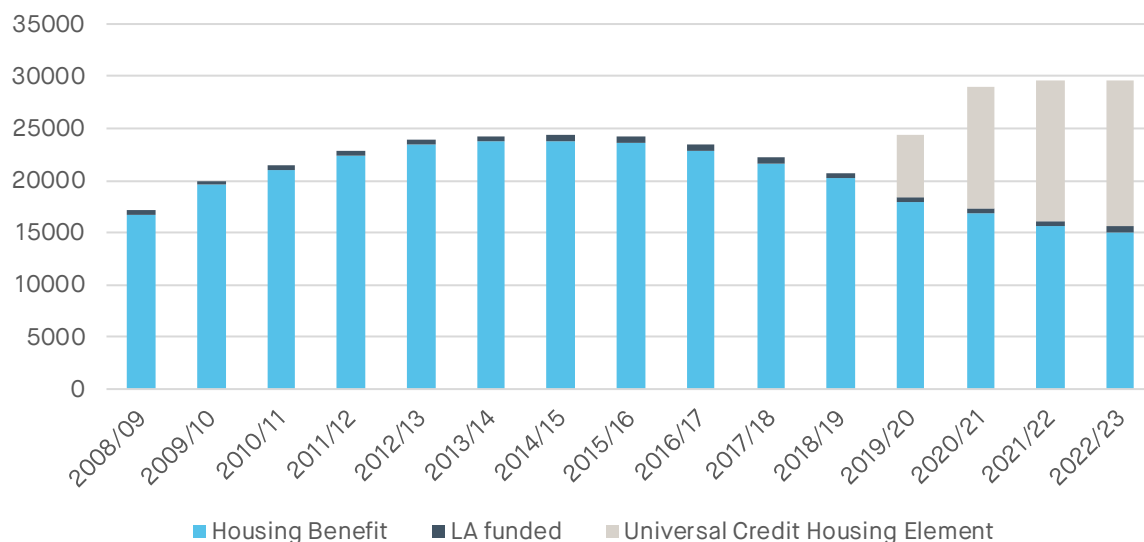
Figure 8: Total housing benefits spending as a share of GDP, 1970-2022



Source: Department of Work and Pensions

Recipients of housing benefit could be renting from the local authority, housing associations or the private sector. Payments are often made directly to the tenant, but can go to the landlord in some circumstances. When Universal Credit was rolled out, housing benefits were folded into that system. People of pensionable age, or who are in supported, sheltered or temporary housing, can still apply for separate housing benefit. Everyone else must get the 'housing uplift' through Universal Credit. This migration started to happen in 2019/20, as shown by Figure 9.⁵⁹

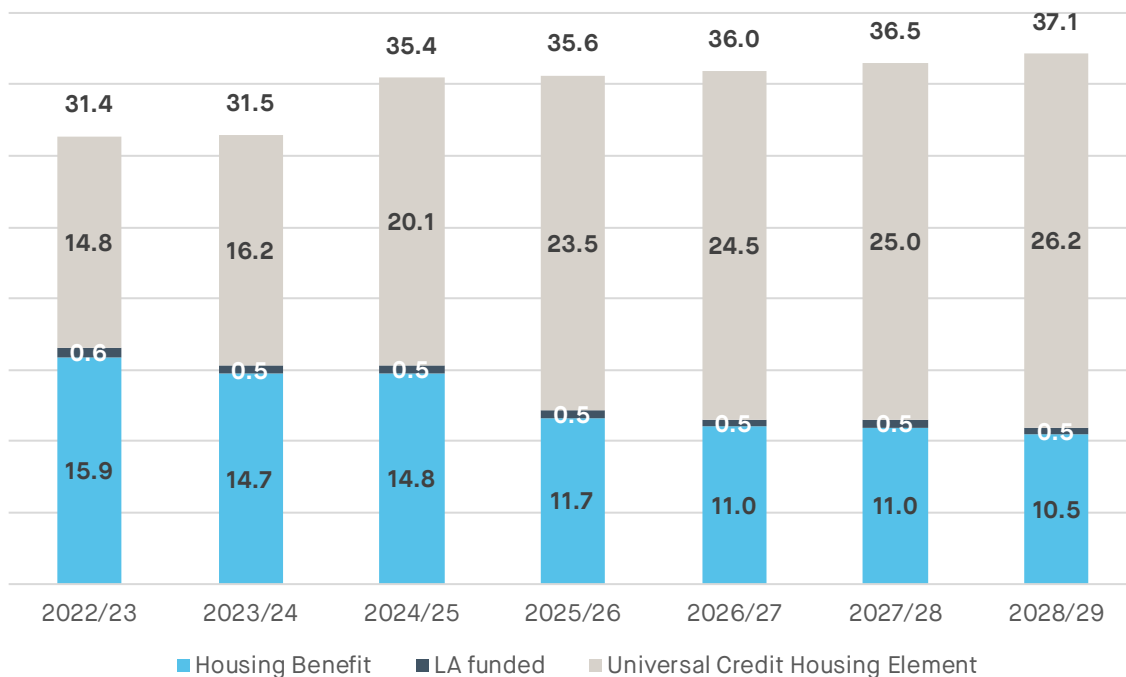
Figure 9: Housing benefit spend by type, £bn nominal terms, 2008/09-2022/23



Source: Department of Work and Pensions

The dip in spending through to 2018/19 has since been reversed. Although spend was roughly flat for 2021/22 and 2022/23 (albeit down in real terms), further growth is expected, with a big jump from 2023/24 to 2024/25 in real terms, according to DWP forecasts released for the 2023 Autumn Statement. There is then steadier real terms growth expected to 2028/29. By that point, total housing benefits would represent 12% of the total benefits bill.

Figure 10: Forecast housing benefit spend by type, £bn nominal terms, 2022/23-2028/29



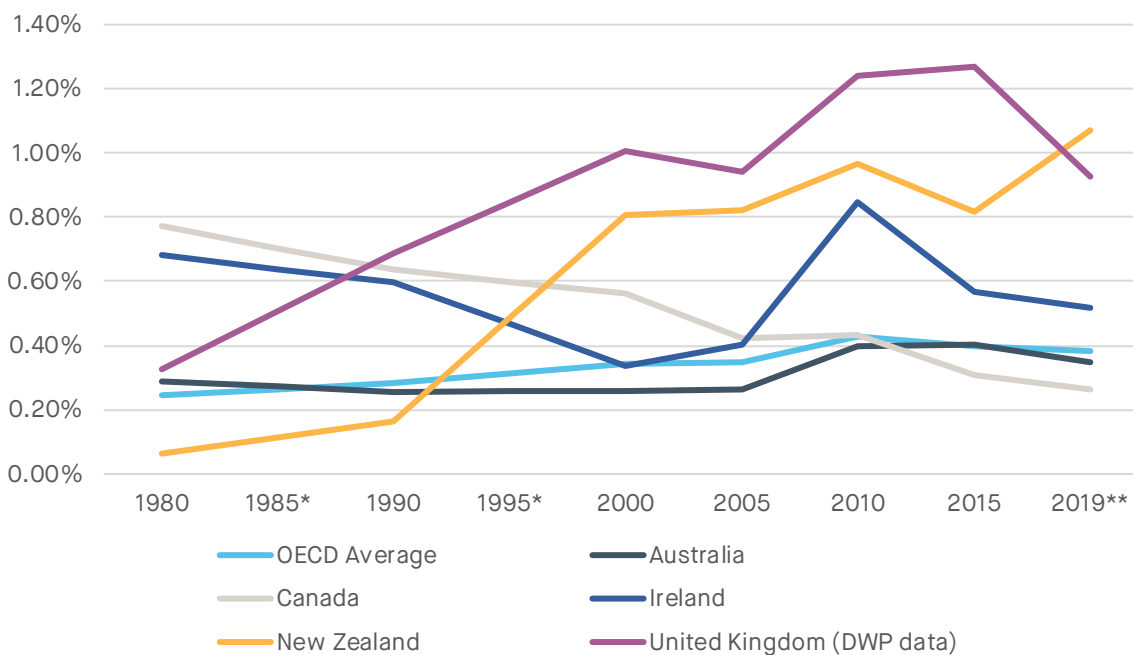
Source: Department of Work and Pensions

Rental subsidies are also commonly used overseas

Many countries offer a similar mix of support across the private, social and community led sectors. Figure 11 presents OECD data on the total amount of housing related social expenditure. This includes rent subsidies, homelessness interventions, social housing subsidies and sometimes incentives used to drive more housebuilding of the social, affordable or market-priced variety. It excludes large scale direct capital expenditure on, for example, building social housing. There are discrepancies between the OECD’s data and that directly published by the DWP, but all countries are presented here based upon the OECD data for comparability.

This data shows that, compared to international peers, the UK spends a large amount on housing benefits and related interventions, peaking as a share of GDP around 2015. New Zealand and Ireland also have relatively high spends. The growth in housing benefit in the UK is also seen in New Zealand, with a big rise as a share of GDP since 1990. For the other English speaking focus countries, housing-related social spending was more stable, or, as in Canada, experienced a fall.

Figure 11: Government social spending on housing allowances and rent subsidies, % of GDP, 1980-2019



Source: SMF analysis of OECD, DWP and World Bank data^{viii}

*1985 and 1995 data points extrapolated by straight line between 1980 & 1990, and 1990 & 2000 data respectively

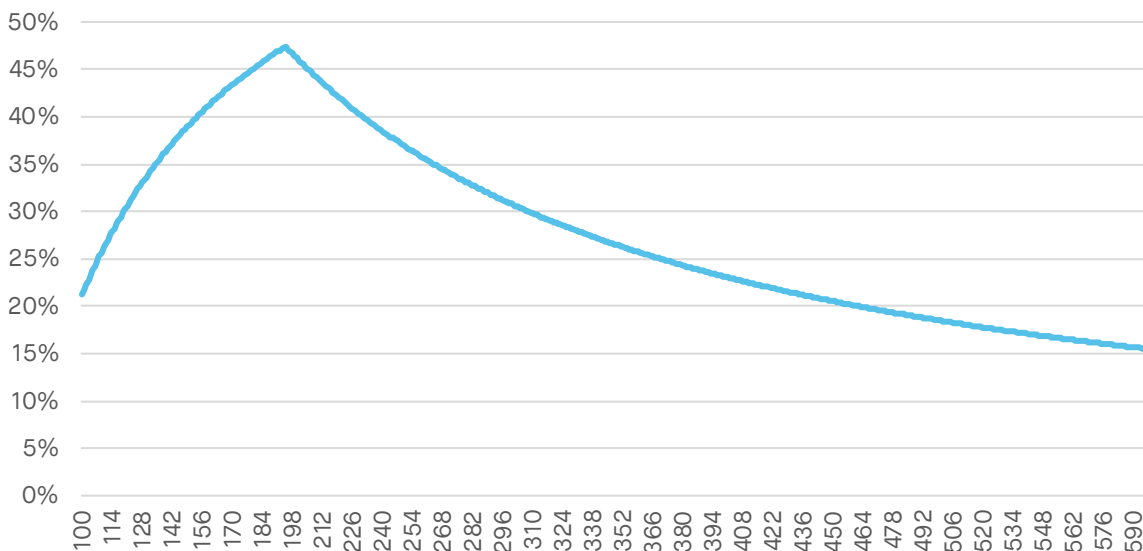
**Note that x axis spacing between 2015 and 2019 is for 4 years, not 5 years as elsewhere on Figure 11

Australia

In Australia, Commonwealth Rent Assistance (CRA) is the primary rental subsidy. Only those on other welfare payments receive it. Payments are calculated based on a fixed share of rent, as the figure below illustrates. Unusually, the same limits and amounts apply across Australia. Typically, it covers around 30–35% of the median rent, and is paid to renters rather than landlords.

^{viii} OECD data used except for the UK, where data is taken from the DWP. The DWP figure for the UK is also used for the purposes of the 'OECD average'

Figure 12: CRA as a proportion of rent (AUD), 2024



Source: Tenants Union NSW

This is criticised by some think tanks and activist groups as being insufficient, according to one interviewee. Analysis by the Australian Housing and Urban Research Institute found that over a third (34%) of those on CRA are still paying more than 30% of their income on rent, even after CRA is taken into account. Around one in five are spending over 40% on rent, with almost one in ten having to spend half of their earnings on rent, even after CRA.⁶⁰

The report looks at reforms that could be made to to the CRA. As not everyone on income benefits pays more than 30% on housing costs, and not everyone paying more than 30% of income on rent is on other benefits, there is, they find a 41% error rate in CRA reaching those in need. It finds that targeting CRA to those on low incomes who are spending more than 30% of their income on housing would actually save the state AUD \$1.2 billion. 246,000 people would start receiving CRA whilst 330,300 would stop receiving it. Other reforms suggested by other reports and commissions include indexing the CRA cap to the rent portion of CPI, blanket uplifts to payment amounts, and additional targeted payments directly to the landlords of “high-needs” tenants.⁶¹

New Zealand

The means-tested Accommodation Supplement (AS) is paid to those on low incomes irrespective of housing tenure. It sets a threshold of around 25-30% of what that household would receive on the main social security rate. Above that, the state pays 70% up to a cap. These caps are set based upon which of four areas of New Zealand the household lives in, and align to roughly the 40th percentile of rent.

Ireland

Ireland has two main housing benefits. The Rent Supplement is designed for more short term needs, such as when someone has just become unemployed. As such, it is not typically available for those who work over 30 hours a week. For those with longer term housing challenges, there is the Housing Assistance Payment.⁶²

What impact do housing subsidies have on rents?

A collaboration between the IFS and University of Essex looked at a natural experiment created in the UK when housing benefit cuts were phased in between 2011 and 2012. The month that the cut to a given household took place depended on which month they started their claim, allowing the researchers to compare the trajectory of rents between those who had faced the cut, and those who had not. It found that “about 90% of the incidence of cuts to subsidies was on the tenants rather than their landlords”.

For those tenants where the level of housing benefit enabled them to “consume an amount of housing that was high relative to their needs”, more of the burden of rent cuts fell on landlords. That is likely because, the paper argues, elasticity of demand is higher for those who may have been overhoused. Families already housed at the right level, when faced with benefit cuts, would be less able to downsize, and so more of the cost would have to be borne by landlords. This would suggest that, as long as housing benefits are well directed and based upon people’s needs, then the effect on the prices in the rental market should be small.⁶³

In Australia, modelling by the Australian Housing and Urban Research Institute saw an ‘insignificant’ impact, with the Commonwealth Rent Assistance (CRA) not flowing through into higher rents. There was an effect, though, when focusing on moderately to severely disadvantaged neighbourhoods. There, it found “some 6.6 per cent of the CRA maximum rate shifts into higher rental prices.”, whilst in severely disadvantaged neighbourhoods alone, almost a third was lost to rent increases. The paper hypothesises that this is because supply is more inelastic at the lower end of the property market. The lower impact in Australia may also be because the subsidies go to tenants, rather than directly to landlords.⁶⁴

However, other studies have found that increases to housing benefits get partially captured by rents rising in response. A study on Finland found that, conservatively, a third, and as much as 50% of rent subsidies were counteracted by increases to rent.⁶⁵

A study on New Zealand exploited a natural experiment, where in 2005 the area around central Auckland received an uplift in the Accommodation Supplement that did not happen elsewhere. It found that around 36% of the uplift was captured in rising rents.⁶⁶

How can housing benefit bills be managed?

Cap benefit levels or restrain eligibility

As part of efforts to restrict housing benefit spend, the UK sets a cap called the Local Housing Allowance (LHA) on what those in the private rental sector can claim through Universal Credit or housing benefit. It is determined relative to local rents, but at a certain point in time. For four years, from 2019 to 2023, the LHA was unchanged, meaning as rents went up, the cap in housing benefits was frozen, causing households to struggle. In the 2023 Autumn Statement, the chancellor increased the level of the LHA to the 30th percentile of local rents in the year up to September 2023.

Ian Mulheirn and Dan Wilson Crow for Generation Rent find that, although that uplift is welcome, the current inflation surge is yet to flow through fully into the rental sector. Their modeling shows that rents have another 8.5% left to grow by the end of 2025, pushing them “14.2% higher than the reference rents used to determine the April 2024 LHA rates”. After that, the problem will worsen if there is another lengthy freeze to the LHA.⁶⁷

The Exchequer clearly benefits from this (at least in the short run), by avoiding having housing benefits growing in line with the market each year. However, the impact on low income renters is severe. Housing benefit could cover just 5% of properties added to Zoopla, prior to the LHA update, with the Joseph Rowntree Foundation pointing the freeze as a driver of both poverty and homelessness.⁶⁸ Additionally, with less properties to choose from, renters can be pushed into poor quality, overcrowded and unsafe homes, negatively impacting both mental and physical health.⁶⁹ What seems like a short term benefit, could turn into a much longer term cost for wider public services. In Australia, the cap on Commonwealth Rent Assistance (CRA) grows annually with the CPI. According to one interviewee, the CPI link “has been criticised as unrelated to rent movements particularly in the larger cities”. In the past year, however, the CRA cap was increased above the CPI, to reflect soaring rents.

Manage rental prices

Rental regulations could be used to stabilise the housing benefit bill. As noted in the section on rent controls, however, the long term effect of such measures may be to constrain supply, so that would have to be mitigated through building.

Alternatively, encouraging the growth of private rental supply could moderate rent increases. A 1% boost to supply is estimated to have a 1.5-2% impact on rents.⁷⁰

Build more social housing

A forthcoming SMF paper *Affordable living* makes the case for greater levels of social housing. It found that the supply of rental accommodation for those on lower incomes was insufficient, and that, therefore, the state has a role to play in ensuring that those options were available.

Another positive is that those households in social housing could otherwise be receiving housing benefit, which typically ends up with for-profit landlords. In social housing, tenants will typically pay some kind of rent, which may come from earned income or benefits. The costs to the state, once the property has been built, is just maintenance and support. An investment in new social housing should, therefore, over time, pay for itself through the rent of tenants, after which point any rent would cover the maintenance cost, perhaps with a surplus available for other needs.

Increase incomes

A return to sustained real income growth in the UK would be the most desirable solution. Fewer people would fall into the thresholds to receive UC or housing benefit, and people would be more readily able to afford their rents.

In this scenario, it can be argued, however, that landlords would respond by simply rising rents to capture that additional headroom. A report published by the New Zealand government found that “nominal wage inflation and the relative supply and demand of swelling are the two key drivers of rent inflation”. Some studies have found that a 1% increase in nominal wages drivers a 1% increase in rents.⁷¹

CHAPTER FOUR – RENTER RIGHTS AND PROTECTIONS

The growth of the private rented sector means that renter protections require greater attention

Renter protections can improve the tenancy experience

Renting is largely still seen a necessary but temporary measure that comes between leaving home and buying a place of your own, associated with younger households, who supposedly want the flexibility of a short-term rental contract. However, this “temporary” period is becoming longer across the English-speaking world. The age and household profile of renters has shifted too, with people renting well beyond their 20s and into retirement fast becoming a fact of life. In England, there has been a 70% increase in people over 55 in the PRS since 2010/11.⁷² A report from the Resolution Foundation in 2018 estimated that a third of millennials would never own their own home, and would be renting for life.⁷³ The attitude towards renting in the English speaking world, as being something transient, means that renters are not as protected as they are in countries where renting for life is the norm, leaving it as a relatively insecure form of tenure.

Even if levels of homeownership rise to previous highs, there needs to be sufficient protections in place to ensure that renting is an attractive and secure option, rather than an unstable, last resort alternative to homeownership.

As discussed in the previous chapters, manageable rent costs are a prerequisite for long term viability. However, affordability is not the only metric for a sustainable rental sector. The quality of rental properties also matters, as does the security, safety, and comfort of tenants. Protections are needed to improve the tenancy experience and make renting a more viable long-term alternative for those who need it.

Tenant protections in the UK could be strengthened

In the UK, there is a raft of legislation that regulates the private rented sector, marking out tenant and landlord rights, protections, and responsibilities. As housing is a devolved matter, the exact legislation and rights differ from nation to nation. Across them, however, there are four main areas of rights and protections, which can be classified as follows:

- Security of tenure (e.g. rights related to minimum contract lengths, notice periods and evictions)
- Costs (e.g. protection from unfair fees, fair rent setting and rent increases)
- Safety (e.g. meeting minimum gas, electrical and fire safety standards)
- Quality and maintenance (minimum standards and requirements to carry out repairs.)

Renter protections do exist in the UK but are weak and still shaped by the idea that renting is temporary rather than long term.⁷⁴ Additionally, while rights are in place, they are not always enforced well. Appropriate protections, which are properly enforced can help to ensure a longer term, more secure and decent tenancy.

Acknowledging that long term renting is becoming more common, in England, the Renters Reform Bill is intended to “create a fairer private rental sector”. However, as the Bill has passed through parliament, amendments have been tabled, which has resulted in some protections that are up for debate or delayed, while other protections do not seem to be under consideration. Improving protections for renters is also on the minds of other English speaking-countries. In late March 2024, Canadian Prime Minister Justin Trudeau announced his intention to bring in a “renters bill of rights”, as part of the upcoming federal budget.⁷⁵

Countries with stronger renting culture have some lessons for the UK private rented sector, as do parts of the English speaking world

Tenant rights in the UK are largely similar to those that exist in other English-speaking countries. Tenancies tend to be shorter, with fixed end dates. No-fault evictions are possible, and as we will discuss further on in the chapter, becoming more common. Protections do not compare as favourably to areas where long term renting is much more common, such as in western and northern Europe.

To understand how the UK, and England specifically, might learn from these countries, in the following sections we will compare just how much the rights differ. Given the first half of this paper looked at rent control, we will not be delving into rent setting and raising practises. We will however be examining contract protections, such as those that cover security of tenure, financial protections aside from rent, such as deposits and fees. Finally, we will look at how minimum safety and quality standards are enforced, and disputes resolved.

We should also note that tenant rights can vary depending on the type of tenancy agreement. However, as an assured shorthold tenancy (AST) is by far the most common tenancy type in the private rented sector in England, it is rights relating to the AST that we predominantly focus on.⁷⁶

Contract protections

Security of tenure is the area where tenant protections are weakest, particularly in England. It is also perhaps the greatest area of difference between England, and countries with a greater renter focus.

In England, shorter tenancies limit renters’ security of tenure

Private renting in England and Wales usually takes the form of an assured shorthold tenancy (AST). An AST gives a tenant the right to live in the property for an agreed duration. It may be for a set amount of time (fixed term) or roll regularly, such as month to month or week to week (periodic). Fixed term ASTs must be a minimum of six months, and while they do not have a maximum length, anything above three years must be in the form of a deed.⁷⁷ Forming a deed is more complex than the contract that is usually associated with an AST, which tends to be simpler.⁷⁸ On average private renters in England tend to live at one address for a little over four years, less time than any other tenure group.⁷⁹ However, the average length of an AST in England is 12 months. As such, tenants may go through the process of renewing or extending their lease three times over the course of their tenancy. There are clearly grounds for longer tenancy agreements to be in place, and there is support from tenants for longer leases:

81% would accept an offer of a tenancy longer than 12 months but only 21% had been offered one.⁸⁰ Longer term tenancies are beneficial to landlords as well as tenants. Longer term tenancies mean that landlords do not incur costs associated with new tenancies such as advertising the property, vacancy periods between tenancies, screening and referencing applicants.

Shorter tenancy periods, whether fixed term or rolling are common across the English-speaking world. None have a maximum allowed period, but like the UK, longer tenancies can require a different type of contract. In Victoria, Australia for example, if a tenancy is for longer than five years, there must be a written agreement.⁸¹ In England, once a fixed term tenancy ends, if it has not been renewed it will convert to a rolling or periodic tenancy, until either party gives notice. This, too, is common in other English-speaking countries, with British Columbia, Canada and New Zealand among those who operate a similar system.⁸²

Longer term or even indefinite tenancies are more common in more renter focused countries, and are even making their way to English-speaking countries

One English-speaking country that operates slightly differently is Ireland. Up until recently, a fixed tenancy in Ireland could be as short as six months. However, unlike most of the UK, once a tenant had lived at a property for six months, they had the right to stay in the property for a further six years.⁸³ In mid-2022, this was changed to a right to stay indefinitely; the tenancy is of unlimited duration. By 2028, all tenancies of more than six months will be of unlimited duration.⁸⁴ Within the UK, Scotland has also introduced indefinite tenancies.

This is more akin to tenancy agreements that are found in more renter focused economies. In Denmark and Germany, for instance, tenancies last indefinitely, unless there is a valid reason for them to be fixed term such as proof of intention to sell at the end of the fixed term.⁸⁵ Spain does not operate on indefinite tenancies as default, however tenants usually have the right to stay in their home for at least four years; once that period is up the lease usually rolls on year by year, if the landlords agrees.⁸⁶

The benefit of these longer leases is the certainty and security that they provide. Security of tenure is, according to the UN, the cornerstone of the right to adequate housing.⁸⁷ Knowing where you are going to live, and how long for is essential in settling into a place, making a house a home, and planning for the future. Security of tenure and not having to look for a new place to live regularly creates a lot less stress for tenants and enables tenants to put down roots. Instability and uncertainty of tenure can have negative effects on schooling, social relationships, and finances.⁸⁸

Proposals in the Renters Reform Bill would effectively give tenants indefinite tenures, as the bill would abolish ASTs, with tenancies becoming periodic assured tenancies without an end date.

In England no-fault evictions inhibit the little security of tenure there is

Security of tenure is further enhanced by being able to remain in rented accommodation, without the risk of that accommodation being removed through, for example, an eviction. Homelessness charity Crisis have attributed evictions from the private rented sector as a leading cause of homelessness.⁸⁹ Evictions are “a widespread phenomenon” not just across English-speaking countries, but across the OECD.⁹⁰ Across the board, evictions are allowed where a tenant is in breach of their tenancy; such as failure to pay rent.⁹¹ However, evictions can also happen without tenants breaching the terms of their agreement. In England this is often referred to as a “no-fault eviction” and is carried out through a section 21 notice, which gives tenants two months’ notice that they will need to leave the property. A landlord does not need to give reason or grounds for possession.⁹²

This type of eviction can happen irrespective of how long the tenant has been at the property (although cannot take place during a fixed term agreement). It also means that a section 21 notice can be issued as a retaliatory or revenge eviction (even though these are not permitted), in instances where a tenant has asked for repairs to be done, or where they have complained to the council about the landlord. A landlord cannot issue a section 21 notice for six months if they have been given an improvement notice or an emergency works notice. However, if these are not issued, tenants have little protection from revenge evictions, a situation where in response to a complaint against them or a request to carry out repairs, the landlord issues the tenant with an eviction notice.⁹³

No-fault evictions are not particularly common in the UK, affecting a fraction of the 4.6 million households in the private rented sector. But incidences are increasing. 2023 saw a 28% rise in landlords starting no-fault eviction court proceedings, and a 39% rise in evictions using bailiffs, from 2022.⁹⁴

Other parts of the English-speaking world once again stand in slight contrast to this. Many still allow landlords to evict tenants who have not been in breach of their tenancy agreement, but they have to give reason for doing so. The reasons they can give are also often limited by legislation. While not wholly different, it does provide the tenant with some greater security.

In New Zealand, fixed term leases cannot be ended early, which provides at least some security. To end a periodic tenancy, landlords need to give a valid reason which must be borne out, i.e. if they want to end the tenancy for themselves or a family member, they must begin living there within 90 days of the tenant moving out, and stay there for at least 90 days afterwards.⁹⁵

In Australia, some states limit when an eviction notice can be served. In New South Wales for example, a Fixed Term Agreement cannot be terminated ahead of its expiration date. In Victoria, there’s a prohibition on evictions for fixed term leases but periodic tenancies can be evicted as long as there is an explanation for why, with notice period of 120 days. In some Canadian cities policies have been introduced to limit “renovictions”, evictions on the grounds of renovation. In British Columbia landlords who evict tenants without notice or the right to take back their apartment at the same rent following renovations, can be subject to a fine of up to AUD \$1000 a day.

In Montréal “the renovation permit is conditional upon the landlord committing to not evict the tenants”.⁹⁶

In Ireland, any tenancies which have lasted over six months, landlords need to give one of the accepted valid reasons for ending it.⁹⁷ Only particular things can be considered a “valid reason” including needing the property for immediate use by a family member or planning to sell in the next nine months.⁹⁸

Even within the UK there is difference in policy. In Wales no-fault evictions are still permitted but now must be given with six months’ notice. In Scotland, no-fault evictions have been banned since 2017.⁹⁹ However, in Scotland there are 18 different reasons that can be given for evictions, which may weaken the protection.

However, English-speaking countries as a whole stand in stark contrast to much of the rest of the world, particularly those with more renter focused policies. In Denmark, Germany and the Netherlands, for example, no-fault evictions are not permitted.¹⁰⁰ Even where there is some space for a no-fault eviction, such as in Spain or France, grounds must be provided and are extremely limited, such as the landlord needing the property for themselves. In France, this eviction cannot take place during the winter, and there are extra protections in place for more vulnerable tenants, such as those on low incomes.¹⁰¹ In Spain, a landlord must prove that they want to move in themselves and if they fail to do so, the tenancy is reinstated, or the tenant receives compensation. In Denmark, cases will go to a housing court who will determine which party is in greater need of the housing, the landlord or the tenant.¹⁰²

Data on evictions is notoriously poor and patchy, which makes understanding and comparing the rate of eviction more difficult.¹⁰³ Australia and New Zealand for instance only report eviction data as it relates to social housing tenants, rather than private sector tenants too. What the data that is there can tell us, is that the number of court eviction orders, and the number of actual physical evictions are closer to the number of initiated eviction proceedings.

During the COVID -19 pandemic, many countries introduced a moratorium on evictions, including England. In the OECD suspending evictions was the most common action taken to support renters.¹⁰⁴ Unsurprisingly, this saw the rate of eviction applications drop significantly.¹⁰⁵ However, this has since largely been reversed, and evictions have seen a notable increase.¹⁰⁶

In England (and Wales), no-fault evictions have become perhaps the most talked about renter protection of the past year. The 2019 Conservative manifesto committed to banning no-fault evictions, and it looked as though this was going to come into effect through the Renters Reform Bill. Landlords would still be able to repossess their properties but would need to provide a reason for doing. However, this abolition has now been delayed, until the courts system can handle the change.¹⁰⁷

Abolishing no-fault evictions would strengthen tenants' security of tenure, assuring them they can stay in a property for the long term. As a result, they can better put down roots in a community and truly feel like where they live is a home. Advocates for abolition also argue that it will prevent retaliatory action from landlords when a tenant complains of an issue. Retaliatory evictions have been banned since 2015, but this does not mean that they do not happen.¹⁰⁸ Abolishing no-fault evictions gives tenants some greater protection here, where landlords would have to at least report their reasons for an eviction. Tenants are then able to deal with landlords in good faith, generating a greater trust in the relationship. As a result, tenants may be more confident in reporting problems as they will not be concerned that they might lose their tenancy, and the quality of their housing may improve.

Financial protections for tenants could go further

The financial costs of renting are not limited to the monthly rent charged. Associated costs, such as the security deposit and holding fees all have an impact. Without adequate protections in place, the process of renting could be much more unaffordable, particularly as costs have risen.

Renters in England are now well protected from unfair fees which makes renting more financially viable

Since the Tenant Fees Act 2019, landlords and letting agents in England have been more limited in what fees they can charge prospective and existing tenants, outside of rent and a deposit. Prior to a tenancy, landlords and letting agents can no longer charge for references, inspections, credit, or immigration checks. Tenants can also no longer be required to pay for the property to be professionally cleaned at the end of the tenancy.¹⁰⁹ During the tenancy, they cannot be charged for a tenancy renewal. Fees can be charged for replacing a key or security device or paying rent late, but these default fees are limited.¹¹⁰

Holding fees, where a prospective tenant can pay to reserve a tenancy are still permitted but are capped at one week's rent, and must either be returned to the tenant, or put towards the deposit, or first rent if the landlord accepts the tenant. If the landlord decides not to rent to the tenant, they must return the deposit. They can however keep the holding deposit if it is the prospective tenant who changes their mind.¹¹¹

The changes to these fees have been a win for renters, who may have previously been charged exorbitant non-refundable fees such as referencing checks, making renting an even more expensive experience, especially when paired with shorter tenancies and frequent moves. England is not unique among English-speaking countries, with limits on fees, although the range in restrictions is notable. In Western Australia, the only additional fee tenants can be charged is a capped holding deposit (called an option fee) while referencing is carried out.¹¹² If the application is unsuccessful, it must be returned in full, or if it is successful, it must be refunded or credited to the first month's rent. In New Zealand, letting fees have recently been banned, but referencing fees remain, and there is no cap on what can be charged.¹¹³ In Alberta, Canada, application fees are permitted. In British Columbia tenants cannot be charged

application fees, and while they can be charged for “unit moves” (moves within multi-tenanted buildings) and late rent fees, these are capped.¹¹⁴

Landlords in England do have a loophole of sorts around some of these fees. Despite restrictions on deposit limits, there is no limit on how many months’ rent can be charged up front. Other English-speaking countries are much stricter on how many months’ rent tenants can be expected to pay for upfront.

Renters’ deposits are now capped at a fairer level, but more could be done to facilitate better use of them

Tenancy deposits are usually required as a form of security for the landlord. If the property is returned to them damaged, they can use the deposit to cover any repairs that may be necessary. We can break protection into three categories; protection of the tenant for gathering the deposit, protection of the deposit itself during the tenancy period, and protections after the tenancy period.

Strict rules on deposit amounts helps low-income renters and makes moving between tenancies more affordable

A deposit is not a mandatory part of a tenancy agreement, but it is common. There are also strict rules and protections for tenants when it comes to the deposit. In England since the Tenant Fees Act, deposits usually cannot exceed the value of more than five weeks rent^{ix}, and this cannot be increased if the tenant has a pet.¹¹⁵ This is marginally higher than what is required in other English-speaking countries. In both Australia and New Zealand, a deposit (bond) must be no more than 4 weeks rent.¹¹⁶ In Ireland a deposit cannot be more than one month’s rent.¹¹⁷ In Canada the deposit limit varies from two weeks to one month rent, depending on the province. Some provinces also allow landlords to charge an additional pet damage deposit. In British Columbia, this is permitted but cannot be more than half the first month’s rent.¹¹⁸

Affording the deposit can be a challenge for many, particularly as often the first month of rent is paid at the same time as a deposit. In England, some councils may operate a rent deposit, bond or guarantee scheme, however this is not universal across English councils.¹¹⁹ Some Australian states help prospective tenants to pay their deposit. In New South Wales, the “Rentstart” scheme helps tenants on low incomes afford deposits, whilst in Queensland those who cannot afford the bond can apply for a specific interest free “bond loan”.¹²⁰

^{ix} Where the rent exceeds £50,000 a year, deposits can be up to six weeks rent

Some jurisdictions also allow a deposit to be transferred between tenancies, which can help with affordability picture. As tenants may move directly from one tenancy to another, they may not receive their first deposit back until after their new tenancy has begun. If for example, a tenant decides to move house, in the month before they move, they may need to pay a month's rent for their current property, a deposit for their new tenancy and their first month's rent in advance and will often not receive their deposit back before they move out. Conditions on transferring deposits vary. In New South Wales, it is permissible as long as all tenants who have paid into the bond are moving to the new address.¹²¹ In Queensland, the bond can be transferred if the bond amount is the same and the tenants are still renting from the same property owner/manager.¹²² In New Zealand the bond can be transferred to a new property, but the new landlord does not have to accept it.¹²³ In some Canadian states it's also possible to transfer the deposit.

Regulation on where the deposit is held helps to keep it safe

In England, deposits for ASTs must be placed in one of three approved tenancy deposit schemes for the duration of a tenancy, and this must be done within 30 days of receiving the deposit.¹²⁴ Tenants must be told which scheme is protecting their deposit and given written information about it.¹²⁵

The use of a third-party holder of the deposit is common practice elsewhere too. New Zealand requires deposits to be lodged with the government agency, Tenancy Services, within 23 days of receiving it. In Australia, any deposits (bonds) taken must be registered with the relevant state authority (e.g. in Queensland they are registered with the Residential Tenancies Authority) and within a set time frame.¹²⁶

However, Australia is also set slightly apart. In many Australian states the boards who hold the bonds during the tenancy then invest them. In New South Wales, for example bonds are held in trust by the Rental Bond Board and primarily invested into fixed interest securities.¹²⁷ By the end of June 2022, the bonds held were valued at AUD \$1.77 billion.¹²⁸ Interest earned is used to fund the Bond Board, and also for subsidising tenancy tribunals and education campaigns in renting. This isn't universal, in some states tenants can receive the interest back on top of their deposit.

Returning the deposit

At the end of the tenancy, the standard procedure is for the deposit to be returned in full unless the landlord has needed to make deductions. Reasonable grounds for deductions tend to be for reasons like damage to the property or items within it, unpaid rent, or significant decorating changes.¹²⁹ On the whole landlords cannot retain the deposit due to things like fair wear and tear in the property. However, there are often disputes on what counts as "fair wear and tear", which we will go into greater detail on in the following section.

In some jurisdictions, however, a tenant may actually receive more than their initial deposit back. In some Canadian provinces, tenancy deposits must be returned with interest, with provinces setting out the minimum interest that deposits must gain.¹³⁰ In Alberta for example, interest must be earned on the deposit for each year of the tenancy, compounded annually.¹³¹

Enforcement of standards and dispute resolution

Minimum standards in homes ensure that there is consistency across the rental sector, with regards to what is acceptable and what is not. Enforcement of these standards is the true difficulty. Ensuring that there is a process to enforce standards and hold non-compliant landlords to account, can help make sure rental properties are decent places to live.

Minimum standards for housing quality are limited

While there is a Decent Homes Standard in place for social housing in England, there is not yet one for the PRS. Government has consulted on introducing a Decent Homes Standard for the PRS but at the time of writing, has yet to publish a response to the consultation.¹³²

Nevertheless, there are minimum requirements of all rental properties in the PRS. Properties for rent must be “safe, healthy and free from things that could cause serious harm”.¹³³ Any rented property should be in a good state of repair and must deal with any issues regarding the supply of water, gas or electricity. As a minimum standard, homes should come with adequate heating, food preparation and cooking and sanitation facilities.¹³⁴ There should be enough natural light and ventilation, and the property should be free from damp.¹³⁵ Repairs should be done in a timely manner. PRS rental properties are also supposed to meet a minimum energy efficiency rating of “E” before they can be leased.^x It is only since 2018 that legislation requires landlords to make sure that the homes they lease are “fit for human habitation”, and that tenants can directly hold their landlords accountable (such as taking them to court) if they are not.¹³⁶

Licensing and registration of landlords can help ensure homes meet the standards, but are only in place in a handful of areas

While renters may have rights and protections, whether they are actually enforced is another story. Properties in England are usually not vetted for being up to standard before being put on the market. Councils are the ones responsible for enforcing standards and tenants’ rights when it comes to the quality of accommodation in England. Councils are increasingly moving towards property and landlord licensing, although consistency between schemes is far from guaranteed. Where they are in place, licensing schemes have broadly been found to be effective.¹³⁷

^x There are additional requirements for properties which are leased on a furnished basis, such as provision of white goods. Houses in multiple occupation have further safety and management regulations.

All houses in multiple occupation^{xi} (HMOs) must be licensed, but some councils have extended this to all properties in the private rented sector, referred to as selective licensing. The application process usually requires documents which ascertain the safety of the building such as a valid gas safety certificate, and electrical safety certificate, and a floor plan of the property.¹³⁸ Some councils will conduct a “fit and proper person” check before issuing the license.¹³⁹ The aim of licensing is to ensure that homes which are rented out are safe and healthy. It can stop unsuitable homes from making it to market and make it easier to root out rogue landlords, who may be in breach of minimum standards. However, not all councils currently use selective licensing. By December 2021, an estimated 65 of 308 local authorities (21% of all local authorities in England) had a licensing scheme of some sort in place, beyond the requirement for HMOs.¹⁴⁰ As a result, the onus of ensuring that properties are up to standard falls to tenants themselves. As we will outline in the following section, tenants have a number of avenues they can take for enforcing standards.

Mandatory registration of landlords is already in place across the rest of the UK, with England being an outlier.¹⁴¹ Previous SMF work on the private rented sector called for increased accountability of landlords including through a National Landlord Register.¹⁴² The Renters Reform Bill contains provision for the creation of a Private Rented Property Portal, which would effectively act as a national register. Analysis from Generation Rent has indicated that that a landlord register would be a positive move for renters.¹⁴³ Its analysis shows that councils with licensing schemes resolve a higher proportion of cases where homes have been identified as being unsafe, than councils who do not have such schemes. A review by the National Audit Office on private renting has also found that councils who have selective licensing schemes, have more enforcement procedures than those that do not, and also record lower levels of anti-social behaviour.¹⁴⁴

Having a register would not only bring England in line with the rest of the UK, but other countries as well. In Ireland, all tenancies must be registered with the RTB.¹⁴⁵ In Victoria, Australia, there is instead a non-compliance register, of landlords who have failed to meet their obligations.¹⁴⁶

Full enforcement of the standard normally falls to councils, although disputes over deposits are often handled by a different body

Licensing helps to ensure that standards are in place at the start of a tenancy, but not necessarily during one, such as necessary repairs not being done or not being done in a timely manner. Disputes also tend to arise at the end of a tenancy where a deposit is not returned or not returned in full. Often this is down to disagreements about how the property was left at the end of the tenancy such as not being sufficiently cleaned or whether there has been excessive wear and tear.

^{xi} An HMO is where five or more people from different households live in the one property.

In England, the dispute resolution process varies on the nature of the complaint

For all issues, the recommendation for tenants is to first discuss the issue with their landlord directly and resolve the dispute internally, if at all possible. If this proves unsuccessful or a landlord is unresponsive things can be escalated. In the English-speaking countries we look at, the process for dispute resolution tends to fall into two types of system. In one, where there are different agencies or bodies that can be used depending on the nature of the dispute. In the other, all dispute resolution and escalation occurs under one agency.

England falls into the first category. Unlike in social housing, private landlords do not need to be a part of a redress scheme. Private landlords can register to a redress scheme voluntarily, such as to the Housing Ombudsman, but there is no compulsion for them to do so.¹⁴⁷ The process for tenant complaints can therefore be quite complicated. For issues with repairs, tenants can complain to their local council. The council can speak to the landlord as well as inspect the property for the issue and force the landlord to do repairs. They do so by issuing a legal notice of what repairs need doing, and within a set timeframe.¹⁴⁸ If the issue remains unresolved the complaint can be further escalated by taking the landlord to court. Court is viewed as a last resort, however, given how time consuming and expensive it can be.¹⁴⁹ Tenants who wish to take their case to court often need to pay a court or tribunal fee, and then may need to pay legal fees on top.¹⁵⁰

This process requires tenants to be very aware of their rights as private renters and relies on their willingness to complain about their landlords. The English Housing Survey has found that over a fifth of tenants have considered complaining about their landlords but have elected not to do so.¹⁵¹ Tenants are often wary of making a complaint about their landlord for fear of retaliatory eviction, despite this practice being prohibited. The process also places the onus of enforcement on local councils, with increasingly tightening budgets. Enforcement activity is therefore constrained by the limited resources of the council, and many have failed to address rogue landlords in recent years.¹⁵²

If the dispute concerns a deposit, it is not handled by the council. Each of the deposit protection schemes has a dispute resolution service, however this can only be used if the landlord agrees to a dispute resolution, and if the deposit is protected in a scheme.¹⁵³ If this isn't viable, the landlord can be taken to court but again, this can be time consuming and expensive.

Dispute resolution in other countries is more streamlined

Ireland is similar, in that complaints about property standards and disputes about deposits are initially handled by different bodies. However, redress is much more straightforward. If disputes cannot be resolved between the tenant and the landlord themselves and the complaint relates to the property itself, tenants can complain to their local authority, who are responsible for enforcing minimum physical standards. Local authorities can then issue improvement notices to landlord. If the issue still isn't resolved (or is related to a deposit), disputes can be escalated to the RTB.¹⁵⁴ The RTB can mediate between the two parties and try to find a resolution, or if the involved parties don't agree to mediation or the RTB thinks it is not the best option, the case

then goes to adjudication. It can be further escalated to a Tenancy Tribunal. Crucially, tenants whose tenancy is not registered with the RTB can still use the dispute resolution service, although landlords must be registered.¹⁵⁵ Additionally, agreements reached by the RTB are legally binding.¹⁵⁶

In Canada, the procedure varies state by state. In Alberta for instance, a single quasi-judicial body, the Residential Tenancy Dispute Resolution Service, can resolve a broad range of tenancy disputes ranging from breaches in the tenancy agreement to the return of the deposit.¹⁵⁷ In Ontario, by contrast, dispute resolution varies depending on whether an issue is considered an offence under the Residential Tenancies Act (2006) or not. If it is, the Rental Housing Enforcement Unit can take action.¹⁵⁸ If the issue is not an offence however, it can be mediated and adjudicated by the Landlord and Tenant Board (LTB).¹⁵⁹

Dispute resolution in Australia and New Zealand operates in the second category, where all enforcement and dispute resolution is done through a single body. In Australian states, a state-level organisation is usually responsible. In New South Wales, this responsibility falls to Fair Trading, the business and consumer care branch of the NSW government. They have a free complaint service, can help to resolve disputes including those relating to repairs and maintenance and deposits. If an agreement is not reached it can refer disputes to the Civil and Administrative Tribunal.¹⁶⁰ In Victoria, if landlords have been in breach of a duty, they can be issued with a breach of duty notice and taken to the Victorian Civil and Administrative Tribunal. If they have not breached a duty but are in violation of obligations under the rental agreement, they can apply to VCAT for a compliance order.¹⁶¹ Since Australian state governments are responsible not just for enforcing tenant rights but also holding tenancy deposits, having a single body to resolve disputes is much easier.

In New Zealand, the national level body, Tenancy Services, facilitates dispute resolution. It has a four-step process: first, self-resolution between landlord and tenant, escalating to a Fastrack resolution service, a mediation service and if necessary a tenancy tribunal service.¹⁶²

While there are some small effects on supply, greater protections for tenants by and large does not deter landlords from the market

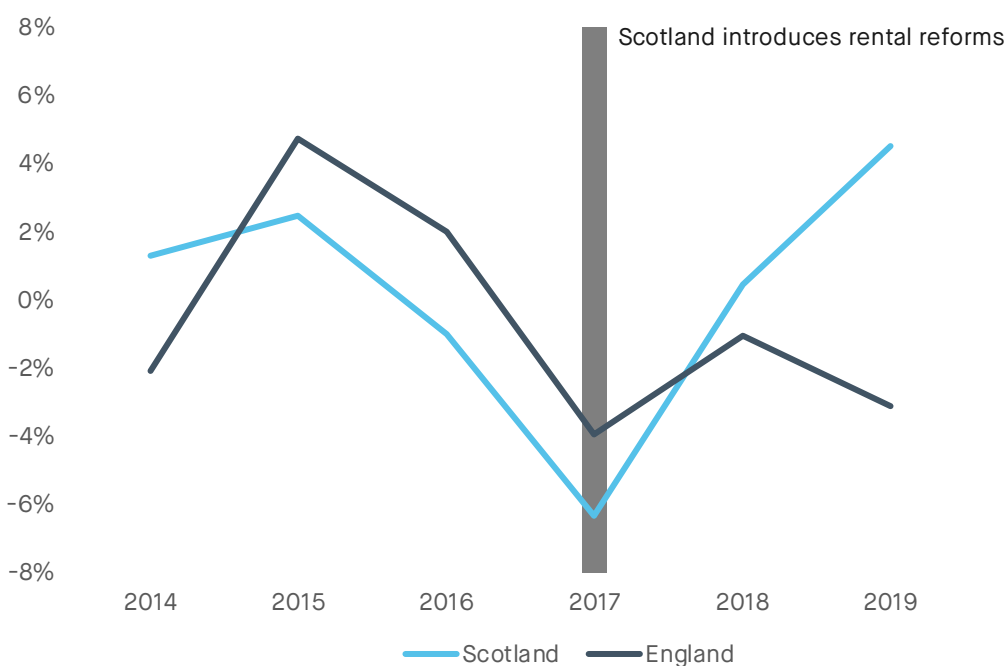
There is concern from some quarters that increasing the rights and protections on renters – and often as a result, increasing the regulation of landlords – will negatively impact supply.¹⁶³ The biggest concern seems to be for smaller scale landlords, who have one or two properties, and make up a large portion of the rental market, rather than corporate landlords. Supply concerns seem to be more heavily concentrated on tenure security, evictions, and rent control rather than on financial protections. However, these concerns may be overstated, with effects on the rental market not as dramatic as feared.

As shown in the earlier chapters of the report, rent control mechanisms have had some impact on supply in the past. The evidence is limited for other forms of tenant protections, but it does not seem to bear out such worries.

In England, this concern over supply has become particularly notable in relation to the proposed banning of no-fault evictions. The Renters Reform Bill is currently making its way through parliament, with the abolition of section 21 delayed, after a portion of government MPs said they would vote against it.¹⁶⁴ Their concern, reportedly, is that landlords would leave the private rental sector if the ban was brought in, squeezing already tight supply even further.¹⁶⁵ This concern seems to be exaggerated. Research from the National Residential Landlords Association found that the majority (78%) of landlords could still see themselves still operating without section 21. This did come with the caveat that other appropriate measures needed to be in place to remove tenants who were in rent arrears, anti-social or criminal in their activities and so on, so they could still protect their properties from misuse.¹⁶⁶ Yet that still leaves a significant minority of 17.5% that said they could not see themselves continuing without section 21.¹⁶⁷

The experience of other countries suggests they are mistaken. Across the OECD, countries where no-fault evictions are not permitted have a much higher share of renters.¹⁶⁸ There is the caveat of course that renting for the long term, and indeed renting in general is and has been a much more common feature of tenancy in these countries than it currently is in England. The impact on supply may not be directly comparable. In this way, Scotland provides a good case study on how banning no-fault evictions may impact supply if adopted in England. Scotland effectively banned no-fault evictions in 2017, but as shown in Figure 13 this has not had a negative effect on supply. The share of households who rent privately has actually increased since rental reforms were introduced, and at a faster rate than England where no-fault evictions are still possible.¹⁶⁹

Figure 13: Percentage increase in the share of household which are rented privately, Scotland and England, 2014-2019



Source: Scottish Household Survey and English Housing Survey

The impact of increased tenant protections more broadly also does not seem to reduce supply. Australia has lighter regulation of residential tenancies than many comparator countries, but studies of improved tenant protections in New South Wales and Victoria have found no evidence of landlords leaving the private rented sector as a result of the changes.^{xii} In Victoria, it had no effect on disinvestment from the private rented sector, and in New South Wales improved regulation it actually resulted in *fewer* exits. Landlords have an average of a five-year turnover in the private rental sector, and decisions to move away from it tend to be driven by personal circumstances rather than regulation. The most important reasons for disinvesting from property was because it was a suitable time to sell the property and realise the capital gains, or because they wanted the money for another investment.¹⁷⁰

Closely tied to evictions are policies to increase security of tenure. The recent change in Ireland to indefinite tenancies will increase the rights of tenants to remain at the properties for the long term. It is perhaps too soon to tell the impact this will have on the rental market, given that it is not due to come into force across the whole sector until 2028. However, there are some clues from past legislation that indicates it will not hit supply. Legislation which lay the grounds for indefinite tenancies in Ireland began in 2004 with the Residential Tenancies Act. This gave tenants who had been in their homes for six months, the right to remain there for a further three and a half years, and, if the tenant had not received a notice of termination by the end of the four-year period, they were entitled to remain for another four years, and so on. At the time the legislation was proposed, landlord groups expressed concern that this would reduce investment in the private rented sector, among other negative effects. However, in the time since, the number of households in the private rented sector and the proportionate tenure share of the Irish housing stock has doubled since 2004.¹⁷¹

^{xii} in New South Wales and Victoria

CHAPTER FIVE – RECOMMENDATIONS

Use the planned Private Rented Sector Database to understand the rental market better

The Renters Reform Bill sets the grounds for establishing a Private Rented Sector Database, which will contain a Privately Rented Property Portal. All landlords will be required to register themselves and their properties.¹⁷² As we can see from landlord licensing schemes, it is helpful for tenants to have such information to allow them to identify rogue landlords. The portal could do this on a much larger scale, easing the burden on councils to find problematic landlords.

As highlighted in our previous work on the private rented sector, policymakers should ensure the information in the database is the most beneficial to users, including local governments and renters. But beyond this core function, the database could be a valuable source of information on the rental market as a whole. It should be used to gather data on what rents are being charged and how they have increased year on year. It would also serve as a good service for understanding the fluctuations in supply in the private rented sector.

The process of introducing the database would also be an opportunity for good and quality landlords to be recognised. Previously, we recommended that any register be accompanied by a Kitemark scheme, which recognises landlords that provide homes which are not merely decent, but good.¹⁷³

To further incentivise landlords, the government should consider rent refunds for tenants whose landlord is not registered. This mechanism is already in place in councils that run landlord licensing schemes. If a property has not been licensed, the landlord has committed an offence, and can be issued with a Rent Repayment Order. This requires them to refund a tenant their rent.¹⁷⁴ Due to the financial implications, we expect this would drive compliance with registration.

Make renting genuinely affordable for the long term

Strengthen the rent dispute system

The rent dispute system is currently underutilised in England and Wales, and when it is used, it comes with the risk of the outcome being worse for tenants than if they hadn't raised the case.

Better data on the rental market, and in-tenancy price rises should be used to proactively flag cases where the landlord is making unfair rent increases. Proposed rent increases should be submitted into the Private Rented Sector Database before coming into effect. Where there is a big discrepancy between the current and the proposed rent, tenants should be automatically asked if they would like to dispute the rent.

Tribunals should then set rates based upon a predictable methodology, like Scotland proposes doing after its rent controls end in March 2024. Rent tribunals will now set rents based upon the lowest of the open market rate, the rent requested by the landlord, or a comparator based upon the difference between the market and current rents – this takes away the risk of rents ending up higher than that requested by the landlord. The threat of this could also moderate landlord behaviour.

If that is ineffective, government should consider exploring soft rent controls

If an enhanced dispute system does not work, government should consider introducing a form of rent control, both to protect tenants from ‘economic eviction’ by unscrupulous landlords and to prevent unreasonable price hikes.

Examples of rent controls from international peers suggest we should be cautious applying these measures. Set rents or rent increases at a level too far below market rates, and landlords may sell up, restricting supply. As a strengthened rent dispute system gets underway, the government should monitor the impact of rent controls in Ireland and Scotland. If these rent controls appear not to negatively impact supply, then government should consider introducing its own measures.

Any decision on rent controls would need to be taken carefully, but some options for the shape controls could take are:

- replicating what has been done in Ireland and Scotland, by deciding on a level rents can increase by and sticking to it.
- Require landlords to give tenants a three year horizon for rent increase ceilings (e.g. in the first three years of the tenancy rents will increase by a maximum of x%).
- cap all rent rises within a tenancy at the level of increase in local wage growth.
- cap all rent rises within a tenancy at the level of increase in the local rental market.

Exceptions would be made where a landlord has significantly upgraded the property, such as with a new kitchen or bathroom. In any event, better data on rent levels and supply should enable a close study of the impact of rental control measures, so that policy can adjust if supply does end up being significantly impacted. Update Local Housing Allowance rates annually

The government’s choice to leave the Local Housing Allowance at 2019 rates left many of the poorest households struggling, with some facing homelessness. As Generation Rent suggests, the LHA should be pegged to the 30th percentile of local rents and updated annually.

Streamline dispute resolution to a single body

While there are steps for dispute resolution with regards to private tenancies, the varied nature is unhelpful, and a single designated dispute resolution service would be more helpful than the current system. The government had indicated their intention to create a new Ombudsman for the Private Rented Sector, which all landlords would be obliged to sign up to, as is the case with social housing providers. This has now been changed to expansion of the responsibilities of the existing Housing Ombudsman (which currently handles dispute resolution in social housing).¹⁷⁵ Registration with the ombudsman would be mandatory for private landlords, as it is for social landlords.

We support the creation of a single dispute resolution service and understand that using the existing Ombudsman service provides a good platform to build towards that goal. However, the powers and remit of the Ombudsman need to be appropriately expanded to handle all relevant disputes in the PRS, which previously would have gone through different schemes. The government's previous outline for a separate ombudsman indicated it would handle issues relating to property standards, repairs, maintenance, and poor landlord behaviour, complementing the work of local councils. It would not handle rent disputes, which as a tribunal process, are a part of the courts system.¹⁷⁶ The Government also did not make clear whether or not it would cover disputes around deposits.

We recommend government truly streamlines dispute resolution and redress services into a single body, which can escalate the issue stage by stage as appropriate. Government should look to how dispute resolution services operate in other countries, and where a single dispute resolution service exists. The use in Ireland for example of the RTB to both register tenancies and handle disputes shows the value in linking the proposed private renter property portal to the housing ombudsman. Doing so would be helpful to landlords, who would automatically be registered with the ombudsman once their properties were registered. The RTB also has a process of escalation that the plan for an Ombudsman currently does not, including a mediation service, and tribunals, within its system.

Invest deposits, with profits going toward dispute resolution services

Deposits from ASTs should be placed in one of the government's authorised tenancy deposit schemes. In March 2022, the combined value of the tenancy deposit schemes in the UK was approximately £4.75 billion, with £4.53 billion coming from England and Wales.¹⁷⁷ With both the growth of the PRS, and the increase in rents (and consequently the increase in deposit amounts), the total value has steadily increased year on year.

The schemes are intended to be self-financing. Deposits are lodged in "bank deposit accounts as permitted by the government". Any interest earned on the deposits helps to fund the activities and maintenance of the schemes, and where applicable interest earned can also be paid to the tenants when their deposit is returned to them. This occurs in two of the three schemes operating in England but is a relatively recent change.¹⁷⁸ As part of ongoing considerations into reforms of the tenancy deposit scheme, the government should consider getting the schemes to adopt a more Australian style model. Rather than investing money into bank deposit accounts, funds

could be invested into fixed securities with a higher rate of return, with the profits contributing to the running of tenancy advisory services and the new and centralised dispute resolution service, recommended above.

Abolish section 21 evictions

Security of tenure is arguably the weakest part of tenant protections in England, and continuing to allow no-fault evictions perpetuates this. Housing charity Shelter has reported that the loss of private tenancy is a leading trigger of homelessness in England. Given the rental market is becoming increasingly tighter, giving tenants security over their housing situation is vital.

The Renters Reform Bill would abolish both assured shorthold tenancies and no-fault evictions. All private rented sector tenancies would instead be monthly periodic assured tenancies and would not have an end date.

However, while ending no-fault evictions was promised in the 2019 Conservative manifesto, and a key part of the Renters Reform Bill, it has now been delayed until there are improvements to the courts system to ensure that justifiable evictions can be made. In late March 2024 it was announced that on the original timeline the abolition would likely not have come into effect until late 2025 or early 2026. This is now inevitably delayed, but it is unclear by how long. There is no timeline for how long improvements to the courts will take.

Abolishing section 21 still leaves section 8 notice evictions as a possibility. Landlords will still be able to take possession of their properties when residents have broken the terms of their tenancy agreements. When it does change, the government should adopt the approach taken by New Zealand and others, where the reason given must be borne out within a reasonable timeframe (e.g. 90 days). So, for example, if the landlord has said the property is needed for them or their family, there should be evidence of them living there. If they need it back for extensive renovations, they should need to provide evidence that they have acted to that effect e.g. contact with relevant contractors or begun renovation work on the property.

While the abolition has been delayed, there are interim steps that could be taken to improve the security of tenure of renters. Firstly, the notice period for a no-fault eviction should be extended substantially. The current notice period for a section 21 notice is two months, irrespective of factors like time of year, or how long the tenant has lived at the property.¹⁷⁹ Changes to the draft of the Renters Reform Bill in late March 2024 included establishing an initial six month period for tenants, effectively creating a minimum tenancy length, doing so creates security for the landlord. In the same vein and in the interest of security for the tenant, notice periods for section 21 evictions should similarly be extended to six months, to provide at least some greater protection for tenants. In Wales, no-fault evictions are still permitted, but the notice period has increased to six months. Secondly, while the delay continues, and as minimum tenancy terms are being proposed, landlords should be encouraged to offer tenants longer fixed term tenancies. This would offer greater security for those tenants who are interested in remaining at the property for a number of years.

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