

BEYOND AFFORDABILITY

What tenants want from rent controls

*By Olivia Bailey and Ben Cooper
September 2019*

METHODOLOGY

This report reviews historical and international examples of rent controls, sets out a framework for understanding the possible options for future rent control policy in England and presents new Fabian Society research on what private sector tenants think about rent control.

The Fabian Society carried out six focus groups during this research. These took place in April 2019 with private renters in three locations: Reading, Manchester, and London. We selected these three locations because they all have a high proportion of private renters.

One focus group in each location was representative of the general population of private renters, while the other group in each location was specifically targeted towards a population group of interest. In Reading, it was young professionals aged 25 to 34; in Manchester, it was long-term renters with no intention to buy in the immediate future; in London, it was parents with dependent children.

The Fabian Society also interviewed a number of key stakeholders during the course of this project: John Healey MP, Shadow Secretary of State for Housing; Karen Buck MP, who has developed rent control proposals for the Mayor of London; Luke Murphy, associate director for energy, climate, housing and infrastructure at IPPR; Steve Fyfe, head of housing strategy, and John Wrathmell, assistant director, strategy and policy, at Greater Manchester Combined Authority.

Terminology in the debate over rent policy can be confusing. The terms 'rent control', 'rent regulation', and 'rent caps' are often used interchangeably in the public debate. While rent caps refer to a specific fixed cap on rents, both rent control and rent regulation can be used to describe the set of policies that governs what a landlord may charge when letting a residential property. For the purposes of this report, we will use the phrase rent control throughout.

The remit for this report is England only. Housing policy is a devolved matter.



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Executive summary



There is growing public and political support for the introduction of some form of rent controls. Calls for intervention come amidst a growing sense of insecurity and powerlessness for England's millions of private renters.

The phrase 'rent control' encapsulates a very wide range of policy possibilities and there is significant ambiguity about what the public want to see from the reform they say they support. This report aims to provide some clarity. It sets out a framework for understanding the policy choices and explores renters' priorities for reform.

The findings are surprising. It is perhaps natural to assume that support for rent control is simply about the cost of rent. Indeed, recent reports on rent control make affordability a key measure of success.¹

But our research with private sector renters reveals that renters' support is mainly motivated by feelings of unfairness and worries about insecurity. Support for change is also accompanied by significant scepticism, including concern about negative consequences.

There are serious challenges in the private rented sector

Tenants told us that they feel insecure and powerless and that high rent has become a fact of life. These experiences of the private rented sector drive renters' instinctive support for rent controls.

- **Insecurity:** Tenants struggle with the uncertainty associated with renting, caused by unpredictable rent increases and the potential for eviction.
- **Powerlessness:** Landlords are perceived to have too much power over tenants, with the threat of eviction used to keep renters in check. Renters have very little say over the level of their rent, and very few participants had attempted to challenge rent rises.
- **High rent:** Tenants dislike the act of paying rent, seeing it as 'dead money' that pays off someone else's mortgage. They are also fatalistic about high rents, instinctively believing them to be a fact of life that cannot be challenged. With private rents outpacing wages, increasing numbers of private renters are unable to make ends meet.

Rent controls can be a sensible and credible policy option

Rent controls can be a sensible and credible policy option for politicians who are keen to tackle the problems of the private rented sector. While it is important to understand that past rent control policies in England had mixed effects, we should not feel trapped by history. We should look internationally where rent controls have had some positive impact.

- **Rent controls in England:** Economists have argued that historic rent controls in England caused a decline in the size of the private rented sector over many decades. But most modern applications of rent control differ substantially from the model once used in England and circumstances in the housing market have also changed.
- **Rent control internationally:** Rent control policies are experiencing a resurgence, growing in popularity with activists and being implemented across Europe and North America. These overseas examples should give confidence to policymakers that rent controls, when sensibly designed, can have a beneficial

impact for private tenants. But there are also lessons to learn, particularly with regard to successful implementation.

But we need to be clear about the options for change

There are many policy levers available to politicians considering some form of rent control. We categorise choices about the level of rent into three groups: 'restrict', 'rationalise' or 'reduce'. There are also important questions about how controls should be designed to take account of different geographical areas, enforcement issues and property improvements.

- **Restrict:** Public bodies could restrict how much or how often rent can rise, while allowing the initial rent at the start of a new tenancy to be agreed like it is now. This is the least radical option for reform and is unlikely to have any detrimental impact on the market.
- **Rationalise:** A public body could 'rationalise' the market by limiting how much landlords can charge for new and existing rents, to ensure they are set at a level that is fair to both landlords and tenants and potentially make rents more affordable for some. This would make a greater difference for renters and is likely to only have a limited impact on the housing market, as landlords would still be able to make a fair profit.
- **Reduce:** A public body could require all private landlords to charge significantly lower rents. This is the most radical option for reform and goes further than any international example. Significant cuts to rent levels may lead to a decline in the size of the private rented sector.

Cross-cutting questions: There are also a number of overarching questions that policy makers must answer: where controls should apply; how controls should be



implemented; and whether there should be any exemptions for modernisation. International experiences of rent controls indicate that the answers to these questions are as important as the overall policy option politicians choose. In Germany, for example, modernisation exemptions have served as a loophole for landlords to charge higher rents.

There is strong tenant support for rent controls, but significant caution about implementation

Nearly all of the renters we spoke to support rent controls and have no desire to maintain what they see as a failing status quo. Their support is driven by a desire to reduce unfairness and insecurity. But support for change is tempered by caution and a desire to guard against unintended consequences.

Tenants have three key priorities for the implementation of any rent control policy:

- **Pragmatism prevails:** The tenants we spoke to recognised that change is necessary and want new policies to be sufficiently radical to address the problem. This pragmatism was motivated by a recognition of the potential risks – in particular worries that any reform could

lead to landlords selling up and tenants becoming homeless. This was particularly pronounced during discussions of the more radical 'reduce' option. Most tenants in our focus groups preferred either the 'restrict' or 'rationalise' policy options (which are less radical than significantly reducing rents).

- **Scepticism about implementation:** There is strong scepticism about how any reform would work in practice and whether it would make a noticeable difference. There was a common view that a new official body would be needed to enforce change, but that government is not trusted to deliver this well. Tenants doubt the motivations of politicians supporting rent control, with some opposition to the idea of using rent control as a way of reducing the housing benefit bill.
- **Insufficient on its own:** Participants felt that rent controls had to be part of a much wider package of reform to the housing market. They would also like to see action on the lack of affordable housing, especially social housing, and the deposits needed for rented properties.

The most persuasive arguments for reform in tenants' eyes are fairness, security and being able to live in a location of choice. Interestingly, affordability is not their main priority.

- **Fairness:** The most persuasive argument for rent controls for tenants is one of fairness. Rent controls can stop landlords getting away with unfair treatment of their tenants and prevent them securing large profits without much input, for example in maintaining their property. But fairness should cut both ways and landlords should still be able to make a living.
- **Security:** There was a strong belief that rent controls could give people more security in their home. They could protect tenants from unexpected rent increases, providing greater opportunity to plan their future.
- **Location:** Participants also see rent controls as a way of ensuring renters could live in the area that they want, where they have family, schools and networks. There was strong opposition to the argument that renters should move to new locations if they want cheaper rents.
- **Affordability isn't a priority:** It is often assumed that support for rent controls is simply about tenants' desire to reduce the cost of their rent. The focus groups revealed that this is not the case, with tenants very unlikely to prioritise arguments about affordability. As one participant argued: "It's not just about the low rent. It's about it being a fair rent."

How should politicians respond?

Well-designed rent controls are a sensible way to tackle rising costs and falling standards in the private rented sector. But when politicians are deciding which version to adopt, the best people to listen to are renters themselves. They want a policy that enhances their security, gives them a voice and makes the system fairer. They also want reform that is deliverable and proportionate. Any policy that meets these tests is likely to prove popular at the ballot box and will give millions of private renters the comfort and security of an affordable, decent home.



There are six key lessons for politicians:

1. **There is permission to be heard:** Politicians can be confident that they will find a receptive audience when talking about rent controls but they must put renters' views at the heart of their plans.
2. **Take concerns seriously:** Concerns about renting are widespread and well-justified.
3. **See rent controls as a credible policy solution:** Rent controls have been successfully implemented by governments across the world.
4. **Heed renters' pragmatism:** There is strong public support for the principle of rent controls, but serious concern about unintended consequences. To win support for rent controls, politicians must have a coherent plan for implementation and clear proof that the reform will not inadvertently harm private renters themselves.
5. **Recognise support for controls is based on fairness not affordability:** Tenants' support for rent controls isn't just about the cost of rent. Instead, renters focus on the importance of fairness and security. They want rents rationalised and stabilised, not rapidly cut.
6. **Make rent controls part of a wider package:** Politicians must be honest that rent controls will not solve every issue experienced by private tenants, especially affordability. Additional measures will be required to help those who are genuinely struggling to pay their rent now. Rent controls must be part of a wider package of reform including more social housing and support for rental deposits.

The most persuasive arguments for reform in tenants' eyes are fairness, security and being able to live in a location of choice. Interestingly, affordability is not their main priority

Introduction



There is growing public and political support for the introduction of some form of rent controls. Calls for regulation have come at a time when rents in the private sector are increasing and the sense of insecurity and powerlessness for England's millions of private renters is growing. But there has been very little research into what motivates support for change and which policy choices renters want politicians to make.

This report aims to change that. It sets out a framework for understanding the policy choices and explores renters' priorities for reform. The findings are surprising. It is often assumed that support for rent control is simply about the cost of renting. Instead, focus groups with private sector renters across England reveal that renters' support for reform is motivated by a sense of unfairness and worries about insecurity. Support for rent controls in principle is also accompanied by significant scepticism about design and implementation in practice, including concerns about potential negative consequences.

Rent control policies are being considered by politicians from a wide range of political backgrounds. As they form their policies for future elections, they need to listen to the voice of renters themselves. Not only will this enable them to win support for their plans, it will also ensure that reforms are rooted in the reality of renting in England today.

Growing support for change

Rent controls in England were abandoned by Margaret Thatcher in the 1980s but there is evidence that the public support the reintroduction of some form of rent controls. A 2015 YouGov poll found that 60 per cent agreed "the government should introduce rent controls, limiting the amount that landlords can charge people renting their properties".² This survey found significant cross-party agreement, with a majority of Labour and Liberal Democrat voters, as well as more than 40 per cent of Conservatives, supporting the policy. A different Survation poll also found private tenants were more likely than the general public to support rent control (77 per cent compared to 59 per cent).³

60%

of the public agreed that "the government should introduce rent controls, limiting the amount that landlords can charge people renting their properties"

Rent controls are also back on the political agenda. In London, Sadiq Khan

has made rent regulation a core part of his campaign for re-election in 2020. In July 2019, he released *Reforming Private Renting: the Mayor of London's Blueprint* which called for a London Private Rent Commission that would set out how rents can be reduced over time to "an agreed, more affordable level, and how rents should be maintained at that more affordable level on an ongoing basis".⁴ It also called for immediate, interim measures to stabilise rents while the long-term solution was being designed by the London Private Rent Commission. However, the mayor of London currently lacks the power to introduce rent controls and any change would require national legislation.

Nationally, the Labour party has also voiced its supports for controls on rents. Ed Miliband proposed a cap on rent increases during three-year tenancies when he was leader of the party, and the 2017 manifesto reaffirmed this approach. There are indications that Labour is now preparing to go further than this, with Jeremy Corbyn's 2017 party conference speech declaring:

"We will control rents – when the younger generation's housing costs are three times more than those of their grandparents, that is not sustainable. Rent controls exist in many cities across the world and I want our cities to have those powers too and tenants to have those protections."

While Labour party has not yet provided more detail, the clear implication of Corbyn's announcement was that the party would consider reforms to control how initial rent is set, not just the way it is increased. The Liberal Democrats and the Green party have also indicated support for different forms of rent control.

Changes in the sector

There have been significant changes in the private rented sector in the last few decades which have contributed to the growth in public and political support for rent controls.

The size of the private rented sector in England has more than doubled in the last 20 years, rising from just over two million households in 1997 to more than four and a half million households in 2017-18.⁵ This accounts for 19 per cent of households in England and makes private renting the second largest tenure after owner occupation.⁶ Renting is much more common in London than in the rest of the country and renters make up 29 per cent of households in the capital.⁷

The composition of the private rented sector has also changed significantly, suggesting that private renting is increasingly becoming the long-term default for millions of families. There are now three times as many 35 to 44-year-olds and three times as many 45 to 64-year-olds renting privately as there were 15 years ago.⁸ In 2017-18, over 1.5 million families with children lived in the private rented sector, an increase of a million since 2002-03.⁹ There is also evidence that fewer private renters see buying a home as a short-term possibility. Just 26.5 per cent expected to buy within two years in 2017-18, compared to 34 per cent in 2006-07.¹⁰

Stagnant wages have contributed to a squeeze on living standards for many private renters in England and poverty is now also widespread within the tenure.

According to analysis by the National Housing Federation, around a third of households in the private rented sector live in poverty, after their housing costs are taken into account, compared to just 9 per cent of owner-occupiers. The same analysis also shows that more than 40 per cent of private rented sector (PRS) households with children live in poverty, with a quarter (26 per cent) of PRS households in poverty as a direct result of their housing costs.¹¹

The rapid increases in demand within the private rented sector have made renting unaffordable for many. An average private renter in England pays around 40 per cent of their income in rent, with the average renter in London paying almost 60 per cent.¹² Market rents are unaffordable to a family with one person working full-time, and another working part-time, on the national living wage in almost 80 per cent of local authorities.¹³ Local housing allowance is failing to provide people on low incomes with enough to afford private rents after being frozen since 2016. According to Shelter, local housing allowance is not enough to cover the bottom third of rents in 97 per cent of areas in England.¹⁴

There are also significant concerns around the quality of rented accommodation. In 2017, a quarter (25 per cent) of homes in the private rented sector failed to meet the decent homes standard. This is significantly higher than the proportion of social rented homes (13 per cent) and owner occupied homes (19 per cent) in poor condition.¹⁵



The research

To gather a fuller understanding of private renters' experiences of renting and views on rent controls, this report sets out insights from six focus groups of private renters. These groups were conducted in Reading, Manchester and London, during April 2019. One group in each location was representative of the general population of private renters, and the other three groups were targeted. In Reading we spoke to a group of young professionals aged 25 to 34, in London to parents with dependent children and in Manchester to long-term renters who are not intending to buy in the future. Using a series of exercises, each group explored reasons for support for rent controls, initial perceptions of rent controls, views on different types of rent controls and ways that politicians should talk about rent controls.

The groups revealed a strong instinctive support for change: renters are fed up with paying unfair rents and want to be able to plan for their future. But there was also a note of caution. There was a high level of scepticism that politicians would be able to deliver something that would make a difference, and there was real concern about taking radical action in case it had a negative impact on the market overall. Participants highlighted bad practice by landlords but there was no desire to punish them collectively – fairness, for renters, is about being fair to both sides.

The groups revealed a strong instinctive support for change: renters are fed up with paying unfair rents and want to be able to plan for their future

Chapter one: Challenges in the private rented sector



Three factors drive tenants' support for rent controls: they feel insecure, they feel powerless and they see high rents as a fact of life.

In our focus groups, we opened the conversations by asking what tenants like and dislike about renting. In the context of a focus group, it is no surprise that negatives dominated the conversation, and this chapter outlines renters' concerns, as well as presenting wider research and data on the challenges of renting.

But it is also important to note that people mentioned lots of positive features of renting. The participants focused on the freedom renting gives, as well as the ability to live in the place that suits them.

They liked the idea that they are not tied down by a mortgage and felt that renting was cheaper than buying in the areas they wanted to live. As one participant in the Manchester group of long-term renters told us:

"It's cheaper than buying... I can't get a deposit together...for where I live, it's very expensive."

Participants also had positive stories to tell about their own accommodation. Many have good relationships with their landlords and were glad that repairs were seen to quickly and without costing them money.

Insecurity

Tenants were concerned about the uncertainty associated with renting. Worries centred on not knowing when rent will rise, how much it might rise, having unexpected visits from the landlord and the potential for the landlord to sell up. These combine to mean that renters do not feel secure in their own home and feel 'pretty much in [hock to] the power of the landlord'.

We see this lack of security reflected in wider polling data and research. Shelter research has shown that 44 per cent of parents in the private rented sector are concerned they will lose their current home and be forced to move.¹⁶ Over the

“In this country, the landlords have got more power than the tenant”

last five years, 20 per cent of all families renting privately have moved at least three times.¹⁷ Each year private renters are six times more likely to move than owner-occupiers and three times more likely than social renters.¹⁸ One cause of this insecurity has been section 21 notices, which gave landlords the ability to evict tenants with no reason on only two months’ notice.

A number of focus group participants had experienced eviction, with some not even getting this legally required notice period. One participant in Manchester explained:

“[The landlord] just gave me a week’s notice to get out, which is illegal, and I got advice. I didn’t know which way to turn... I hung on and hung on and eventually they did get me out, they gave me a section 21.”

The government’s recent decision to consult on abolishing section 21 notices is welcome and if they are scrapped it will help renters in situations like this. But renters were also clear that rent rises are a significant cause of their insecurity, because they could never be certain if or when rent will increase. Many tenants live in fear of an unaffordable rent increase that will force them to move out or face financial stress.¹⁹ In our focus groups, one parent described rent increases as ‘pretty arbitrary’ while a long-term renter in Manchester said:

“We never know what’s coming. We never know what they’re going to be.”

If a tenant cannot – and does not – pay the increased rent, then the landlord has the power to evict and seek a new tenant.

Powerlessness

Powerlessness was another dominant theme in our discussions with participants. One renter in London summed this up by arguing:

“In this country, the landlord’s got more power than the tenant.”

In London, one participant told us:

“We had a problem with the flat; there was water coming in through the ceiling in one of the rooms. It took nearly 12 weeks to get sorted.”

The tenants complained to the estate agent about poor conditions and service. In response, the estate agent:

“emailed the Monday after we went ... and said I’m shocked and appalled you felt the need to complain; if you are not happy with the property, then I’ll discuss with the landlord [about] terminating the tenancy.”

The participant said:

“[You] are like, oh, my God, I don’t want to be kicked out of my house ... you are made to feel like if you kick up a fuss, they’ll just kick you out.”

This fear of ‘rocking the boat’ was commonplace in all the groups.

The experiences and fears of the focus group participants are repeated across the country. IPPR polling shows a majority of people (54 per cent) believe that landlords have too much power over tenants, while 57 per cent say that current regulations to protect tenants from bad landlords are insufficient.²⁰ There is evidence of extreme bad practice towards tenants from some landlords. Research by Shelter has found that 10 per cent of renting families say a private landlord or letting agent has changed the locks and thrown out their belongings.²¹

Tenants are reliant on the goodwill of landlords, either to ensure that their rent



is set at a fair level or that the property they live in meets a decent standard. Tenants lack power to protect themselves against landlords because, as the London Assembly's housing committee has argued, "demand for rented properties so greatly outstrips supply and the enforcement of existing regulation is weak."²²

In theory, the current 'free negotiation' model for the setting of rent places landlords and tenants on a level playing field. In reality, it significantly favours landlords and leaves tenants in a poor bargaining position. Tenants have little ability to negotiate better rent at the start of a tenancy or challenge rent increases while living in a property. Tenants feel they have little choice over the rent they are paying. When asked, very few participants in our focus groups had attempted to challenge their landlord over a rent rise (and those who had tried had only limited success).

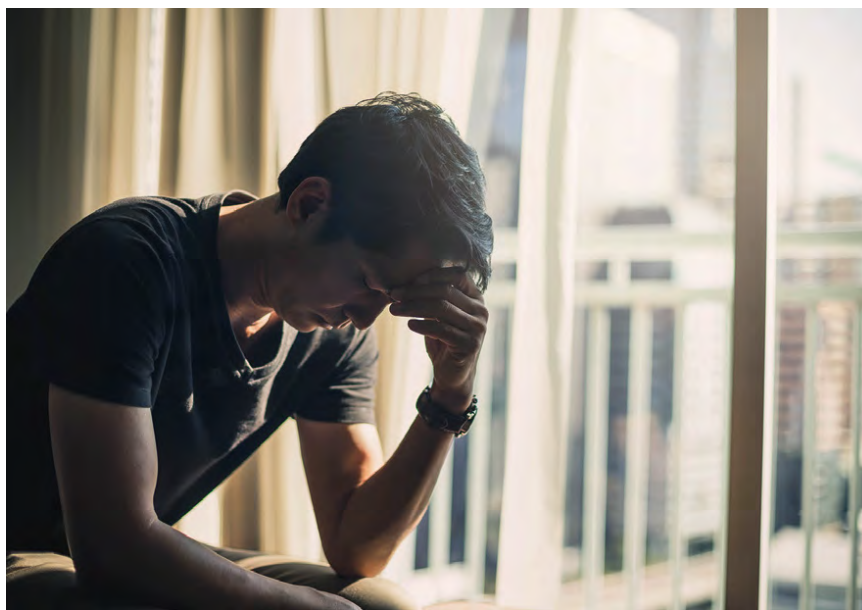
High rent

The level and cost of rent was also a significant concern for participants, although it was less likely to be raised as an issue unprompted. For renters, high rent is a fact of life and something that cannot be changed. As one young professional in Reading said:

"It just costs a lot of money. That is the case... I've accepted that. It's just life. That's what it is. That's how much it costs."

Participants also focused on their dislike of the act of paying rent, seeing it as 'dead money' that pays off 'someone else's mortgage'. They also argued that paying high rents put renters 'further and further away from [their] chance at putting a deposit down on [their] own house'. Recent research from the Resolution Foundation has also suggested that high rents are preventing young people from moving to bigger cities for jobs that would boost their earnings potential.²³

Research shows that high rents are a



The cost of rent has a particularly negative impact on low-income private renters, with Shelter identifying a growing army of low-income private renters in work but struggling to make ends meet

63%

of private renters have no savings at all, according to the English Housing Survey

problem across the private rented sector, with growth in demand pushing rents higher and higher. The cost of rent has a particularly negative impact on low-income private renters, with Shelter identifying a "growing army of low-income private renters in work but struggling to make ends meet".²⁴ Shelter estimates this group to be 1.3 million households, with a third borrowing money to pay rent and 60 per cent unable to save at least £10 a month.²⁵ According to the English Hous-

ing Survey, 63 per cent of private renters have no savings at all.²⁶

It is often suggested that renters can move properties in order to reduce their rent, but this is impractical and ineffective as well as being disruptive for communities.²⁷

In London, private rents are high across the capital and the differences between neighbourhoods are quite modest. An estimated 57 per cent of London renters want to move to a cheaper area but say that increased commuting costs would make it unviable.²⁸

There are also high costs associated with moving property, including paying deposits and removal costs. "You can't always afford to move on" one participant in Reading told us. There are also non-financial considerations, including needing to stay near family or a child's school.

Chapter two: Understanding rent controls



Rent controls are a sensible and credible policy option for politicians who are keen to tackle the problems of the private rented sector. It is important to understand the past impact of rent controls in England. But policy makers also need to recognise that most modern applications of rent control differ substantially from the model once used in England and that circumstances in the housing market have also changed. Our understanding should be rooted in the modern context of England's private rented sector, and the relative success of versions of rent control in Europe and North America.

This chapter sets out the history of rent controls in England. It also considers rent controls in other countries, where policies to control rent are commonplace and are

having some success. Politicians should engage with these examples and learn from the experience in other countries.

Rent controls in England

Rent controls have a chequered history in England. But if they were introduced today, both the controls themselves and the housing market they would operate in would differ substantially from the past.

Rent controls were first applied to the private sector during the First World War. Rents on small, unfurnished and 'working class' homes were restricted to their 1914 levels. These controls, originally designed to be temporary, remained intact in one form or another until the implementation of the Housing Act 1988.²⁹ 'Fair rents', assessed by independent rent officers, were

introduced in 1965. Private rents were set by the market and assessed only where landlords and tenants disagreed.³⁰

Today, tenants have very limited ability to challenge their rent. In theory, they can take their landlord to a tribunal if they think their rent exceeds the thresholds set by the Housing Act 1998, but this right is almost never used. There are two ways to make a challenge: either tenants with a 'rolling tenancy' can appeal a rent increase, if the rent is above the market level; or tenants can refer 'excessive rent' to a tribunal if it "significantly higher than the rent which the landlord might reasonably be expected to be able to obtain".³¹ But these provisions have not acted as a brake on rent rises because they are very rarely used. They are also very

hard to enforce due to a lack of robust and appropriate data.³²

Economists have argued that rent controls caused a decades-long decline in the size of the private rented sector. In 1910, around 90 per cent of households were rented from private landlords; by 1992, that figure was less than 10 per cent.³³ Part of the reason for this decline is that landlords had a financial incentive to sell their properties as private rents fell in real terms between 1915 and 1988. This experience underpins the argument of opponents of rent control, leading to the claim that, as Lord Best suggests:

*“lifting of the controls on rent ... in the Housing Act 1988 ... [led] directly to the growth – after decades of decline – in the sector”.*³⁴

Michael Ball, Professor of Urban and Property Economics, further claims if

*“rent control schemes were enforced, they would fatally undermine the huge increase in the private rented sector of the past two decades.”*³⁵

Opponents of rent control tend to base their opposition on this past experience. But most modern understandings of rent control differ substantially from England’s historical model. Today, there is a greater emphasis on determining allowable rental increases, rather than strictly fixing the price.³⁶ Many rent control policies also provide scope for landlords’ incomes to be protected in real terms, rather than cutting into them as England’s past controls did.³⁷ Significant flexibility can also be built into controls, allowing landlords to increase rent above prescribed limits in certain circumstances. These may include when a landlord is facing financial hardship or has improved their property and wishes to pass the costs on to the tenant.

It is also important to understand that rent controls were only one of a complex set of factors which resulted in the decline

of the private rented sector.³⁸ In particular, there was a strong shift in social attitudes towards owner-occupation. Demand for properties in the private sector shrank as tenants took up opportunities to own the property they rented. It has been estimated that a quarter of the transfers of properties between 1914 and 1975 from the private rented sector to owner-occupation were due to purchases by sitting tenants.³⁹ As owner-occupation grew, the private sector reduced. This rapid increase in owner-occupation, as first-time buyers could afford to own for the first time, was supported by an “increased availability of mortgage finance, rising real terms wages, job security and low interest rates.”⁴⁰ In addition to shifting social attitudes, the UK government was also less supportive of private renting than other European countries, failing to provide subsidies or tax incentives to support new building for private rent.⁴¹

Today, however, we see a potential collapse in homeownership across England. Between 1995-96 and 2017-18, homeownership amongst those aged 25 to 34, dropped in every region of England, with the biggest falls in the south east, London, and Yorkshire and Humber. With wages remaining stagnant and many struggling to secure sufficient deposits, homeownership today is not the easily accessible alternative it was in the decade before

the abolition of rent control.⁴² Simply put, even if new rent control policies are introduced, there won’t be a significant structural decline in the size of the private rented sector until homeownership becomes more affordable and much more social housing is available.

Rent control internationally

To understand rent control policies that work, England should look globally. Rent controls are experiencing a resurgence. They are growing in popularity with activists and politicians – and they are being implemented in many countries across Europe and North America (see figure 1). These examples show that rent controls – sensibly designed – are a credible solution to the current challenges experienced by private tenants.

Like England, many countries had previously allowed rent controls to ‘die on the vine’ and replaced them with a free market.⁴³ Unlike England, however, many countries reintroduced some form of rent control after the 2008 global financial crisis. The crisis resulted in a collapse in their housing markets, as people shifted away from homeownership to private renting, resulting in rapidly rising rents.⁴⁴ For example in Berlin, which has recently proposed freezing rents for five years, monthly rents more than doubled between 2008 and 2018.⁴⁵



FIGURE 1: RENTERS AND RENT CONTROLS AROUND THE WORLD

65%



SAN FRANCISCO

The rented sector encompasses around 65 per cent of households.⁴⁶

Rent control affecting allowable increases was first introduced in 1979. Rent increases are limited to a set amount each year, which is tied to inflation. Most tenants are covered by rent controls but there are a few exemptions, for example a home with a single family.

28%



ONTARIO

The private rented sector makes up around 28 per cent of households, according to data from 2011.⁴⁷ Rent controls affecting allowable increases was first introduced in 2017.

Rent increases are limited by the government to 1.8 per cent during 2019. In 2019, rent control was expanded to all properties, including those previously exempt for being built after 1991.

56%



NEW YORK CITY

The rented sector encompasses around 56 per cent of dwellings.⁴⁸ There are two types of controls: stabilisation and a points-based system. Rent control was first introduced in 1943, as part of a national regulatory system.

In 1950, controls affecting New York City alone were introduced.⁴⁹ In rent-stabilised properties, the Rent Guidelines Board sets permitted rent increases during tenancies. Between tenancies, rent increases are limited to 20 per cent plus a fraction of any upgrade costs. This affects just under a million apartments. The points-based system controls rent for lets beginning prior to 1971, affecting just over 20,000 apartments.

In 2019, lawmakers repealed both the provision that allowed landlords to increase rent by 20 per cent when a tenant left a previously rent-controlled apartment, and the provision that removed controls from apartments when their monthly rent rose above \$2,775.

21%



NORTHERN IRELAND

The private rented sector encompasses around 21 per cent of households.⁵⁰ Partial controls on the what a landlord can charge were first introduced in 2007.

For tenancies starting after 1st April 2007 in dwellings built before 1945, there must be a fitness inspection organised by the landlord. Failure to meet the statutory fitness standard results in the rent being determined by the Rent Officer for Northern Ireland. Until the property is made fit, and has been certified as so, the rent for the property remains controlled.

19%



IRELAND

The private rented sector encompasses around 19 per cent of households.⁵¹ Controls on rent increases in certain areas were first introduced in 2016.

Rent control only applies to properties in high-pressure areas. In these areas, landlords cannot increase rents by more than 4 per cent annually, nor charge rents higher than the local median rent plus 10 per cent. Until recently, the Residential Tenancies Board relied on tenants reporting illegal rent increases to enforce controls. But in May 2019, the board was given the power to initiate an investigation without the need for a complaint.

15%



SCOTLAND

The private rented sector encompasses around 15 per cent of households.⁵⁷ Powers to control rent were first introduced in 2017 as part of a wider package of tenancy reform.

Tenants are able to report a proposed rent increase for formal review by a rent officer if they believe it is out of step with the market. Additionally, rent increases are limited to a government-set cap (of at least the consumer price index plus 1 per cent) in designated rent pressure zones. No rent pressure zones have currently been implemented.

19%



FRANCE

The private rented sector encompasses around 19 per cent of households.⁵² Controls on rent increases were first introduced in 2012, and additional legislation controlling initial rents was passed in 2015 and 2019. Rent increases cannot exceed a local rent reference measure if the property previously had tenants.

Additional legislation allowed high-pressured regions to limit initial rents on new leases to no more than 20 per cent above the median rent for a similar property in the area. This was introduced for Paris in 2015 and Lille in 2017. The courts overturned the measure in 2017, but the French government has now permitted Paris to reintroduce controls.

30%



THE NETHERLANDS

The private rented sector encompasses around 30 per cent of households.⁵³ Controls on what landlords can charge and by how much they can increase rent were first introduced during the second world war, but the current model was adopted in 1971.⁵⁴

Rents are determined on the basis of points awarded to a property. Points can be awarded on the basis of size, facilities, the condition of the property, and the local environment. There has been some movement away from rent controls with new builds and properties at the higher end of the market becoming deregulated and rents being freely set.⁵⁵

40%



GERMANY

The private rented sector makes up around 40 per cent of households.⁵⁶ Rent control limiting rent increases were first introduced in 2013, and additional legislation on initial rents was passed in 2015.

Landlords are prohibited from increasing rents by more than 20 per cent over three years, and 15 per cent in certain areas of high-pressure such as Berlin. These areas can also introduce a 'rent brake' that caps local rents and prohibits landlords from charging more than 10 per cent above the local average for similar properties. Berlin has recently announced its plans to freeze the rents of 1.4 million properties for the next five years, subject to legislative approval.

38%



DENMARK

The private rented sector encompasses around 38 per cent of households.⁵⁸ Controls on initial rents were first introduced during the second world war.⁵⁹

Four different rent control systems exist, which can be adopted by localities. The 'running-costs' model is the most common. Rent is based on the cost of running the property, an allowance for exterior maintenance, and a fixed yield. Tenants can bring cases before rent control boards if they believe their rent has been wrongly set. Recent changes to the law have led to the deregulation of rents for new builds and properties at the top end of the market.

The diversity in private rented sectors across Europe and North America is matched by a diversity in rent control policies. While Denmark and the Netherlands have controls on both the initial rent asked for by landlords and any subsequent increase during a tenancy, many countries have focused on controlling rent rises within a tenancy but not the initial rent.⁶⁰ Countries such as France and Germany have combined national controls with additional local arrangements to address rent ‘hotspots’ such as Berlin or Paris. They have provided local policymakers some flexibility in designing rent control policies that English politicians, like the mayor of London, currently lack. Both Ireland and Scotland have rent control policies that apply only to certain areas, or rent pressure zones, but not to the entire housing market. Ireland has designated 42 local authorities or local electoral areas as rent pressure zones, covering an estimated 65 per cent of rented accommodation in the country.⁶¹

There is some evidence from European countries that countrywide controls can stabilise tenants’ rents. The Paris Area Rent Observatory, which gathers data on the rental market, found that rents for unfurnished dwellings in the city had increased by just 0.1 per cent following the introduction of rent control and a local rent pressure zone.⁶² They also found that 30 per cent of Paris’ new private rental contracts signed in the year following the introduction of the local rent pressure zone were cheaper than the previous rental price for the same property.⁶³ In Germany, rent price changes ‘tend to be gradual, clearly signalled and therefore manageable’ according to Andrew Allen, a contributor to the Financial Times.⁶⁴

In general, rent controls are having a stabilising and largely non-disruptive impact. But they are not always successful in their aims. Analysis shows that low and middle income households are still being forced out of good quality housing and



There is some evidence from European countries that countrywide controls can stabilise tenants’ rents

forced to leave their local community, despite the existence of rent controls.⁶⁵ This is especially true in ‘hotspots’ such as Dublin where, despite the implementation of a local rent pressure zone that limits rent increases to 4 per cent, prices increased by more than 8 per cent in 2018.⁶⁶ According to Sam Couldrick, researcher at the Intergenerational Foundation, the existence of an exemption that allows the rental price of a renovated property to be increased by more than the cap, the fact that the initial rents of new properties entering the market are not capped and the inability to monitor the system for breaches of the cap are all reasons that Ireland’s rent controls are not as successful as expected.⁶⁷

In Ireland, but also in Germany and France, an inability to properly monitor the system has enabled some landlords to ignore the law and increase rent above the legal limit. Across the three countries, tenants are expected to hold their landlord to account if they face unlawful

rent rises, either by reporting them to the responsible regulatory body or through the courts. But tenants may be willing to ignore unlawful rent rises to safeguard a home. As Alex Maudet, a representative from France’s La Confédération Nationale du Logement (National Housing Federation), puts it:

“Given the imbalance between supply and demand ... selected tenants feel privileged, as if they had won a contest. They are therefore unlikely to turn against their owner.”⁶⁸

Tenants may also be fearful of landlord retribution if they report unlawful rent.

Ireland has recently taken steps to try and address these problems. In May 2019, the country passed legislation to strengthen its rent controls, promote enforcement, and increase their overall effectiveness. It provided the Residential Tenancies Board, the regulatory body, with new powers to investigate and sanction landlords who engage in improper conduct, including not complying with rent increase restrictions in rental pressure zones. The Residential Tenancies Board will now be able to actively monitor the system for breaches of the cap and initiate an investigation without the need for a complaint to be made.⁶⁹

Chapter three: Options for reform



The term ‘rent control’ covers a diverse array of different policy options. We have grouped these different potential reforms to the current system into three broad and easily understood options: restrict, rationalise, or reduce.

‘Restrict’ covers rent rises within a tenancy, ‘rationalise’ standardises the level of initial rents as well as rent rises, and ‘reduce’ would see a significant cut in levels of rent. There are also a number of cross-cutting questions for policymakers, including where controls apply, how controls are implemented and whether there are any exemptions for modernisation and property improvements.

Our groupings simplify a wide array of options and help us to understand that rent control exists on a ‘spectrum’ of radicalism, with the ‘restrict’ option being the least radical and ‘reduce’ being the most radical. European and North American countries have largely stuck to implementing the restrict option. A few countries, such as France and Germany, have introduced the rationalise option, usually for areas where rents are rising the fastest. No country has

attempted to use controls to forcibly and immediately reduce rents.

These descriptions were developed in advance of our focus groups, but it was clear from the groups that they successfully encapsulate how renters perceive rent controls. When asked what they thought rent controls were, participants had a good understanding of the basic concept, recognised the diversity of policy options and mentioned unprompted all three of the groupings. One participant succinctly described rent control as:

“Just making it harder for the landlord to change the price, and... making it easier for people that are renting.”

Another described it as

“a limit to how much you would pay for certain types of property”.

Other participants referred to international examples they’d read about or Britain’s own history of rent controls. As one participant in Manchester put it:

“My grandfather told me about them ... I just remember there were controlled rents, and the landlords could not put the rents up to just an arbitrary big figure.”

Following a discussion on initial reflections on rent controls, the 3 ‘Rs’ were presented to our focus groups, along with some of the most common arguments for and against each option, which we had identified through a literature review. We asked our focus groups to discuss both the options and the arguments to understand how they would react to a public debate on each one of them. We also prompted discussion on a series of cross-cutting questions for policymakers, including views on possible exemptions for modernisation and enforcement. This chapter describes each of the three options, presents the arguments that were presented to our focus group participants, before discussing the three cross-cutting questions policymakers must answer when implementing rent control. Chapter 4 details participants’ responses.

OPTION 1: RESTRICT

The government could restrict how much or how often rent can rise, while allowing the initial rent at the start of a new tenancy to be agreed like it is now.

In practice

This option is often termed as ‘soft’ rent control, whereby the government attempts to influence how much or how often landlords increase their rent within a tenancy or at a set number of years but not what they charge at the start of a tenancy.⁷⁰ The frequency of rent increases can be fixed over a period of a time, usually once a year, and it can be set out transparently in the contract. Restricting how much rent can rise means fixing it to inflation, wages, or some other government determined figure. Scotland is planning to link yearly rent increases to inflation in rent pressure zones, while Germany has fixed rent increases to a maximum of 15 per cent over three years in high-pressure areas and 20 per cent for the rest of the country.⁷¹ Restrictions can also be determined by organisations like the Rent Guidelines Board in New York City which have tenant, landlord, and general public representatives.⁷² Rent restrictions could span a year, a tenancy (if it is a fixed number of years), or over a much longer rolling period (even if new tenants move in).

Arguments for and against

Proponents of this option suggest that tenants would no longer be at risk of an unforeseen rent hike at any time, especially if the date of potential rent increases were set transparently within a tenancy. As a result, there would be some measure of predictability and security during a tenancy, allowing tenants to plan for the future. Landlords would no longer be able to secure an eviction by dramatically increasing the rent to levels a tenant could not afford to pay. This argument moti-



vated Scottish policymakers to introduce rent controls to prevent landlords circumventing new security of tenure provisions, following the abolition of assured and short assured tenancies. This option could also be introduced with little risk of unintended consequences: some landlords would threaten to sell up, but few would actually do so as it would have little immediate impact on their incomes.⁷³

Opponents claim that there is a risk that only controlling increases would lead to landlords charging a higher rent at the start of a tenancy. This would enable them to make up for future rent increases being constrained. As Kristian Niemietz puts it: “Rents would still be extortionate – the extortion would just become more predictable.”⁷⁴ There is also the possibility that landlords might respond to even the mildest rent controls by refusing to do basic maintenance or invest in improvements to their properties.⁷⁵ This could lead to more properties failing to meet the decent homes standard.

OPTION 2: RATIONALISE

The government could ‘rationalise’ the market by limiting how much landlords can charge for all rents, setting them at a level that is fair to both landlords and tenants and potentially making rents more affordable for some. This would include limiting rents at the start of a tenancy, not just limiting rises during it.

In practice

Rather than just controlling increases, rent controls can also determine how the initial rent is set at the start of a tenancy. This would allow controls to influence rental prices as a whole and not just their increases. Politicians can adopt different ways to determine how the initial rent is set. To rationalise as well as stabilise rents and set them at a level that is fair to landlords and tenants, politicians could use a market average approach where landlords are required to ensure their rents reflect the average for a similar property in the same area. In theory, landlords in England currently must ensure that their rents reflect the local market but there is very little that tenants can do to enforce such regulation. Another option is to apply a ‘running costs’ model where the rent is based on the cost of operating the property, plus an allowance to enable the landlord to secure an appropriate level of profit. This is the most common model adopted by municipalities across Denmark. Or a points-based system can be used where rents are decided by the number of points awarded to a property. The Netherlands has adopted this system. Points can be awarded on the basis of size of the property, the facilities available, the condition of the property, and the local neighbourhood. Some places allow landlords to charge up to 10 or 20 per cent above a benchmark set by rent controls. The previous form of rent control in Paris, which was annulled by the courts in 2017, allowed landlords to set initial rents by

no more than 20 per cent above the local median rent. Depending on the policy options chosen, the ‘rationalise’ approach could lead to more affordable rents for some in the future but is unlikely to make any immediate difference for most.

Arguments for and against

Supporters of ‘rationalise’ option argue that landlords would no longer be able to use their significant powers in the free market to set the rent at whatever they wanted. Extortionate rents, set simply because tenants will pay, would come to an end. Tenants would be protected, and they could trust that the rent they were paying was a fair and justified one as well as being transparently set. Both the initial rent at the start of a tenancy and the rent increases that follow would be more predictable and stabilised, reducing the pressures that currently force rents ever higher. They could even be more affordable, although this is not guaranteed and would depend on the choices made by policymakers (by freezing future rents at today’s prices, for example).

Opponents claim that this system risks being slow, bureaucratic and expensive. It may be difficult to make a good judgement on what landlords should charge considering the size and diversity of the market. It could lead to landlords selling up or refusing to do basic maintenance. The system might not make rents more affordable, especially for tenants renting cheaper homes in the bottom half of the property market (in those systems which cap rent levels only when they are in excess of the average for a locality).

In theory, landlords in England currently must ensure that their rents reflect the local market but there is very little that tenants can do to enforce such regulation

OPTION 3: REDUCE

The government could require all private landlords to reduce their rents and set rules on rent increases afterwards.

In practice

The government could go beyond what any other country in Europe or North America has done and require all private landlords to reduce their rents significantly – either with a one-off price cut or a gradual decrease in real prices over time. To prevent rents simply increasing back to their previous levels, the government would also be required to implement restrictions on future increases.

Arguments for and against

This option is the most radical and contentious. In theory, it could make renting truly cheaper and more affordable, providing relief to hard-pressed renters. It could enable more renters to afford housing that suits their needs in an area they wish to live in. Tenants would no longer be forced to move out of their own community.

If renting was more affordable for greater numbers, the government would also be able to reduce the amount spent on housing benefit, saving revenue that could be devoted elsewhere.

However, some researchers have argued that relief for renters might not transpire. This is also the position of the landlord lobby. The Cambridge Centre for Housing and Planning Research argues that cutting rents to two-thirds of current market rates and then linking increases to average earnings or inflation would lead to the PRS stabilising or shrinking in size over the following decade (against an expectation of rapid continued growth without a change in policy). If a major shock to prices led to a dramatic increase in demand without a similar increase in supply, then it might make it more difficult for prospective tenants to find accommodation. Without effective enforcement, an ‘informal’ economy could emerge as a result as landlords try to find ways to charge more to those willing to pay.⁷⁶



OVERARCHING QUESTIONS FOR POLICYMAKERS

Regardless of which option policymakers choose, there are a number of overarching questions to answer about rent controls: where they apply, how landlords are held accountable and whether there should be any exemptions to encourage property modernisation. The answers will influence the effectiveness of rent controls – and the extent to which policies tackle the problems of the private rented sector in practice. Current domestic and international experiences of rent controls indicate that these matters are as important for success as the policy options politicians choose. In Germany, for example, modernisation exemptions have served as a loophole for landlords to charge higher rents and in Ireland tenants have been expected to report breaches but lack the data they need to do this successfully.



QUESTION 1: WHERE SHOULD CONTROLS APPLY?

Where rent controls apply is as important a question as what form rent control takes. Politicians may introduce rent controls that affect all properties across a whole country, or a particular locality. These smaller areas are typically high-pressured markets, such as cities or even neighbourhoods, where rents are rising rapidly. Looking at examples around the world, it is usually the national government that determines if rent control applies to certain smaller areas. In Scotland, local authorities can apply to be a rent pressure zone – and be able to apply rent controls – but Scottish ministers and the Scottish parliament must approve it.⁷⁷ In Ireland, the threshold for a local area to be declared as a rent pressure zone is national determined as is the rent increase restrictions.⁷⁸ In France, however, legislation passed in 2018 gives cities the ability to introduce rent control; it does

not determine what form the controls must take. Local policymakers may be best able to judge what rent controls are needed to tackle the issues in their area and may wish to tailor a policy to suit the needs of tenants there.

While problems in the PRS differ between localities, there are nationwide concerns regarding affordability, insecurity, and instability. Different local rent controls, differing across the country, could form a complicated patchwork that is difficult for landlords and tenants to navigate. In Denmark, tenants struggle to know which type of rent control applies to them, partly because councils can opt for different controls, making it difficult for tenants to work out if they are being overcharged.⁷⁹ If policymakers in England were required to prove there was a need for different local controls from the national picture (like local authorities are in Scotland), it would be impossible to do so without good quality comparable data on rent prices, which England

currently lacks. The Scottish example shows the problems created by inadequate data, with local authorities asked to prove rents increases are unaffordable without a comprehensive and regularly updated private rental database.⁸⁰

QUESTION 2: HOW CAN LANDLORDS BE HELD ACCOUNTABLE?

International experiences of rent control show the question of how rent levels are reported and landlords held to account is vitally important for the effectiveness of policies. Politicians can choose either for landlords to routinely report their rent levels or increases, or for tenants to challenge rent that is non-compliant with regulations. Many countries have adopted the latter position. But the experiences of tenants in Germany and France show that tenants may be unwilling to report illegal practices because they are either relieved they found a property or in fear of landlord retribution.

On the other hand, a public body charged with overseeing rents might be unable to actively scrutinise all landlord submissions, due to a lack of capacity and resources. This could undermine tenant protection and might allow landlords to get away with breaching the controls. A new body would also be expensive to establish and could be bureaucratic and slow.

There are also ways to promote transparency which could indirectly lead to landlords being held accountable. Landlords could be required to provide data on the rents they are charging which would be published centrally and available to all. There would be no single, government-led body that actively challenges landlords, but transparency could encourage others to hold landlords to account on behalf of tenants. Similar transparency models have been successful at making large amounts of data accessible for campaigners to use, both in the UK and around the world. For example, the Land Registry records all (more than 850,000 in 2018) residential property sales in England and Wales.⁸¹ In future it might be possible to use open data from rent deposit schemes in similar ways.

QUESTION 3: HOW TO PROMOTE PROPERTY IMPROVEMENTS?

There are concerns regarding the impact of rent control on property maintenance. Incentivising landlords to increase the amount they invest in their properties – rather than cutting back – is very important because of the prevalence of non-decent homes in the private rented sector.

An exemption for modernisation would allow a landlord to increase rents above a prescribed limit. In theory, this would incentivise landlords to improve their property, support investment into the private rented sector, and reduce the risk that rent control might lead to lower quality accommodation.

One risk of a widely defined exemption would be less predictability for tenants, who might risk being forced out by a rent increase they cannot afford to pay for an improvement they did not want. If used widely, it could lead to gentrification of communities and lower income tenants being forced out. In Germany, an increase in rent due to improvements can be imposed without the approval of tenants.⁸²

Incentivising landlords to increase the amount they invest in their properties is very important because of the prevalence of non-decent homes in the private rented sector

Fitzsimons has suggested that investors in Germany will use modernisation as a reason to increase the rent, knowing that their tenant cannot afford the new price, allowing the landlord to get new tenants.⁸³ His research has found that the modernisation exemption is an ‘extremely important business strategy’ for landlords to secure higher profits.⁸⁴ Activists in New York City have called for eliminating the ‘major capital improvements’ exemption which allows for landlords who make major renovations to increase rent by 6 per cent. They argued that it encouraged landlords to neglect their building before making necessary repairs, or to make unnecessary repairs that tenants do not want. Recent reforms to rent controls in New York City have reduced, but not eliminated, this loophole by restricting the potential increase after major renovations to just 2 per cent. Ireland has recently amended its rent control law to clarify when ‘substantial change in the nature of accommodation provided under tenancy’ has occurred so that an exemption applies.⁸⁵

While exemptions for modernisation are common, not every country has adopted the same approach. Northern Ireland demonstrates an alternative model. Instead of using exemptions from rent controls, Northern Ireland uses rent controls themselves to support modernisation. If a property which was built before 1945 fails to meet the statutory fitness standard then the rent charged is controlled by the Rent Officer for Northern Ireland until the property is made fit.



FIGURE 2: QUESTIONS POLICYMAKERS MUST ANSWER WHEN PLANNING RENT CONTROLS

Q1

Where should rent controls apply?

- Nationally
- The local authority
- A rent pressure zone

Q2

How should the initial rent at the start of a tenancy be decided?

- Freely by the landlord
- At a rate set by government or a public body
 - Reflecting the market average
 - At a level that allows landlord to meet running costs
 - Through a system where properties are awarded 'points' for factors such as location
 - Set at a different government-determined level

Q3

By how much should landlords be allowed to increase rent?

- Inflation
- Wage increases
- A different government-determined percentage

Q4

How should landlords be held accountable for the rent they charge?

- Landlords are required to report rent levels and implemented increases
- Tenants are required to report rent levels and increases that are not compliant

Q5

How to promote property improvements and maintenance?

- Modernisation exemption
- No provision
- A different government-determined scheme

Chapter four: What renters think about rent control



Renters support rent controls and have no desire to maintain what they see as a failing status quo. Their support is driven by a desire to reduce unfairness and insecurity. But support for change is tempered by caution and a desire to guard against unintended negative consequences.

After an opening discussion to introduce the topic of rent controls we presented the groups with the three policy options – restrict, rationalise or reduce – as well as the option to retain the status quo. We asked people for their initial views on each option, before showing them a selection of arguments for and against each one to explore whether exposure to two sides of the debate changed their initial view. To track whether participants changed their

minds over the course of the conversation, we asked people to vote for and against the different options at various points. The record of how their stances changed over the course of the conversation can be found in the appendix.

In addition to discussing the three options for reform, we also prompted discussion on the cross cutting questions

Renters instinctively supported the idea of rent control, and this sense was strengthened as they considered the detailed policy options

for policy makers: where controls apply, how they are enforced and whether there should be any exemptions.

In all of the groups there was strong support for reform to rent policies and this was the most important finding from this exercise. Renters instinctively supported the idea of rent control, and this sense was strengthened as they considered the detailed policy options. Despite all the arguments against reform, there was barely any support for doing nothing. As one participant in London told us:

“I don’t [support] the status quo ... it’s obviously not a great situation for a lot of people ... something needs to give.”

PRIORITIES FOR REFORM

The focus groups revealed three core insights that help us understand the public's priorities for reform. First is the need for caution and pragmatism. Participants were concerned about the impact rent control policies might have on the size of the housing stock and on investment in properties. Second, there was concern about feasibility, due to low levels of faith in the government's ability to deliver any reform that makes a difference and scepticism about the motives of politicians. Third, there was a strong sense that rent controls on their own are not enough to address the scale of the challenges in the private rented sector.

Pragmatism prevails

Focus group participants were very pragmatic about the different options for rent control. They believed that change was necessary and wanted reform to be sufficiently bold to address the problem. But they also recognised the risks to the housing market and were worried that any reform could lead to landlords selling up and tenants becoming homeless.

With pragmatism in mind, the most popular reform for tenants was to 'rationalise' rents. Participants believed this option would provide greater certainty, knowledge and transparency about the property market in a local area and help tenants judge whether they were getting a good or fair deal. It would also prevent bidding wars between tenants which raise initial rents. The 'restrict' option was also very popular across all the groups, because participants felt it would give tenants a degree of stability and security within tenancies without damaging the market. One participant in Reading commented:

"I think it doesn't make such a huge impact on the market as a whole... it's good in the sense that the landlords can still increase the rent but it's marginalising how much they do so much by."

Overall, there was a clear preference for the 'restrict' and 'rationalise' options that would stabilise rents over the 'reduce' option. For many, arguments about avoiding an excessive impact on the housing market were attractive. While all groups were concerned about the potential negative impacts of change, there was a stronger feeling of caution amongst the two groups who might feel more at risk: parents with dependent children and long-term renters. One parent in London summarised concerns with cutting rents by saying:

"How can rent go down, especially in London and around London? It just would be bad for the economy... it would lead to people selling off, it would lead to, possibly, tenants being evicted, and that would be disastrous."

Participants in all groups were concerned about the impact rent control policies might have on the size of the private rented sector and on investment in properties. These concerns were most pronounced during discussions of the more radical 'reduce' option.

There was a clear belief that landlords might react to rent controls by selling properties. Participants were keen to avoid this outcome as they believed that not everyone would be able to benefit from house sales, especially those on the lowest incomes. This was a personal concern, as many participants worried that a reduction in the size of the housing stock might make it harder for them to have a stable home. One long-term renter in Manchester argued:

"I worry ... because a private landlord ... can do what he wants with it and if there is nothing put in place to stop landlords from selling what's going to stop them? I'm too old to get a mortgage now. I can't afford to buy and if they sell that house and the person buying the house doesn't want to rent it out or move into it where the hell do I go? And everybody is selling and there's nowhere to rent what am I going to do? Live in my bloody car? That's not happening."

To mitigate this risk, one participant in the Manchester group of long-term renters suggested providing a 'safety net'



FIGURE 3: WHAT DO TENANTS THINK ABOUT RENT CONTROL?



to landlords during the implementation of any rent control policy to prevent sell-offs. Other participants suggested that only the irresponsible landlords would sell, arguing it could have a positive impact on the quality of landlords in the sector. Others, particularly in the Reading young professionals' group, suggested that landlords selling up could help them buy their own property because the sales would drive down prices.

There was also a worry that landlords could react to rent controls by cutting investment in their properties or by taking longer to respond to tenants' requests for maintenance (if at all). One renter from Manchester argued that:

"They're either going to sell the property ... or they're going to cut back on the services they give. So, next time your boiler breaks they will say 'put a jumper on' rather than repair the boiler. Next time there's a leak in the roof 'put a bucket under it'. Next time one of the walls falls in 'put a bit of tarpaulin up'. They'll just cut what they do"

Some challenged this view by arguing that landlords do not currently spend enough on improvements, so a reduction in their revenues probably wouldn't make things much worse. When we asked about possible exemptions to allow landlords to invest more in properties, there was cautious support in some groups but a strong sense that it must not be allowed to be used as a loophole. Participants were concerned that superficial or undesirable 'improvements' would be implemented by landlords to increase the rent charged. Discussing a possible exemption, one Reading participant argued:

"It just sounds like a loophole that landlords could easily jump on and say, 'Oh yes, we're going to put in a new kitchen', and then just [change it] to something worse. Then say they've just modernised it so they can charge more. Where there's a will there's a way."

Scepticism about implementation

Across all groups, concerns about reform centred on the question of implementation. While many participants were supportive of changes in theory, they were sceptical how any reform would work in practice and seemed unsure whether any new system could make a difference. This was largely focused on the practicalities of setting rent levels and enforcing rules with landlords, but there was also some doubt about whether rationalising or restricting rents would make a noticeable difference.

There was a consistent view that a rent control policy might be introduced by politicians as a way to make it look like action was being taken, but without any real results. This view was most pronounced amongst the group of young professionals in Reading. They were initially supportive of restricting rent increases, but after discussion realised they thought it would not make much difference and the group moved to being opposed to this option. One participant argued:

"I think it would help some people, but a really tiny sliver of the population"

Another concurred:

"For me, if they brought that out now, it would be for the sake of looking like they're doing something, to be seen to doing something but it wouldn't actually have any effect."



There was also significant concern about how any new policy would be implemented. This centred on questions about how the level of rent would be set under the 'rationalise' and 'reduce' options – and who would enforce the policy. One parent in London argued:

"I'm not quite sure what [it] would be based on, the type of property, where it is in the country ... I mean, it sounds great on the surface, of course, anything that keeps the rents down can only be a good thing, but I'm not quite sure how that would work in practice."

To address these concerns, there was a common feeling that there was a need for an institution to regulate the industry, to hold landlords to account and to represent or look after tenants. Participants thought that such a body could ensure that investment was made in homes, prevent landlord bad practice and play a part in the setting of rents. One London parent argued:

"I think that there definitely needs to be a governing body for rent, full stop, and I think all ... scenarios [of rent control] should have a governing body for landlords."

There was very little confidence in the government acting as this body and there was a clear sense that it should be independent of government. This hostility was driven by a sense that the government was motivated by its own financial interests. Across all groups, there was a strong reaction against one of the arguments we presented for the 'reduce' option – that the government could 'save money on the housing benefit bill'. This seemed to confirm the idea that politicians are self-interested. It was also pointed out during several groups that a lot of politicians are themselves landlords, so might not be in the best position to judge on reform. One renter in Manchester summarised the view across the groups by saying:

“Everyone has clearly worried about implementation and the how, how, how ... [this] just shows a lack of confidence in the government or whoever to do that and deal with it. Maybe if people had a lot more faith that they wouldn't bungle it up we'd be all for all these changes. But everyone's concerns are just 'well how are they going to do that?'"

Insufficient on its own

Across all our focus groups, there was a view that rent controls alone will not solve the problem. Participants felt that rent controls had to be part of a much wider package of reform and regulation to the housing market. There was a sense that framing rent controls as the first step of ‘a longer journey to get to a place where everyone has a secure way of living’ could limit scepticism that politicians were implementing reforms just so they could be seen to be doing something. As a young professional in Reading told us when discussing the ‘restrict’ option:

“If it was like, well, we know there's a problem with renting in this country ... but for now we're going to introduce this and this is the first stage in trying to sort out accommodation, then I'd be like, cool, OK, great.”

During our discussions, focus group participants identified two areas that politicians should tackle at the same time as introducing rent controls: the lack of affordable housing, especially social housing, and the deposits needed for rented properties.

There was a strong view across the focus groups that the government should build more genuinely affordable homes. Participants believed that building more properties for affordable and social rent could act as a cap on rents as it would prevent landlords from getting away with extortionate initial rents and within-tenancy increases by giving tenants the option of going somewhere cheaper. There was also a view that the government should not in-



sist the private rented sector goes through reform if it is not prepared to act itself. As one participant in Manchester said:

“They've [the government] spent the last so many decades trying to get rid of social housing, so you can't force the private market to bear the weight of giving people cheap affordable housing if you're not prepared to do it yourself.”

Participants also raised the challenge of finding the money to afford deposits for rented properties. They suggested the large sums, and the long wait to get deposits returned, meant that it was too hard to move between rented properties. One participant in Reading described deposits as

“the biggest upset when a landlord says they're moving, or you've got to move or you have to move for work ... it's thinking, how am I going to pull together the deposit?”

THE MOST PERSUASIVE ARGUMENTS FOR REFORM

Politicians can make the case for rent controls and win public support, despite clear scepticism. Many participants began by seeing high rents and unpredictable increases as a fact of life. Once they had discussed the options in detail, they were more likely to support change and believe that reforms could be implemented. This was most pronounced in the group of young professionals in Reading, with one participant saying:

“I didn't realise how much I was annoyed by it all until I discussed it, and now I think if someone, a politician, spoke about it now, I think I'd pay a lot more attention to it, whereas before, I probably would have done but not so much.”

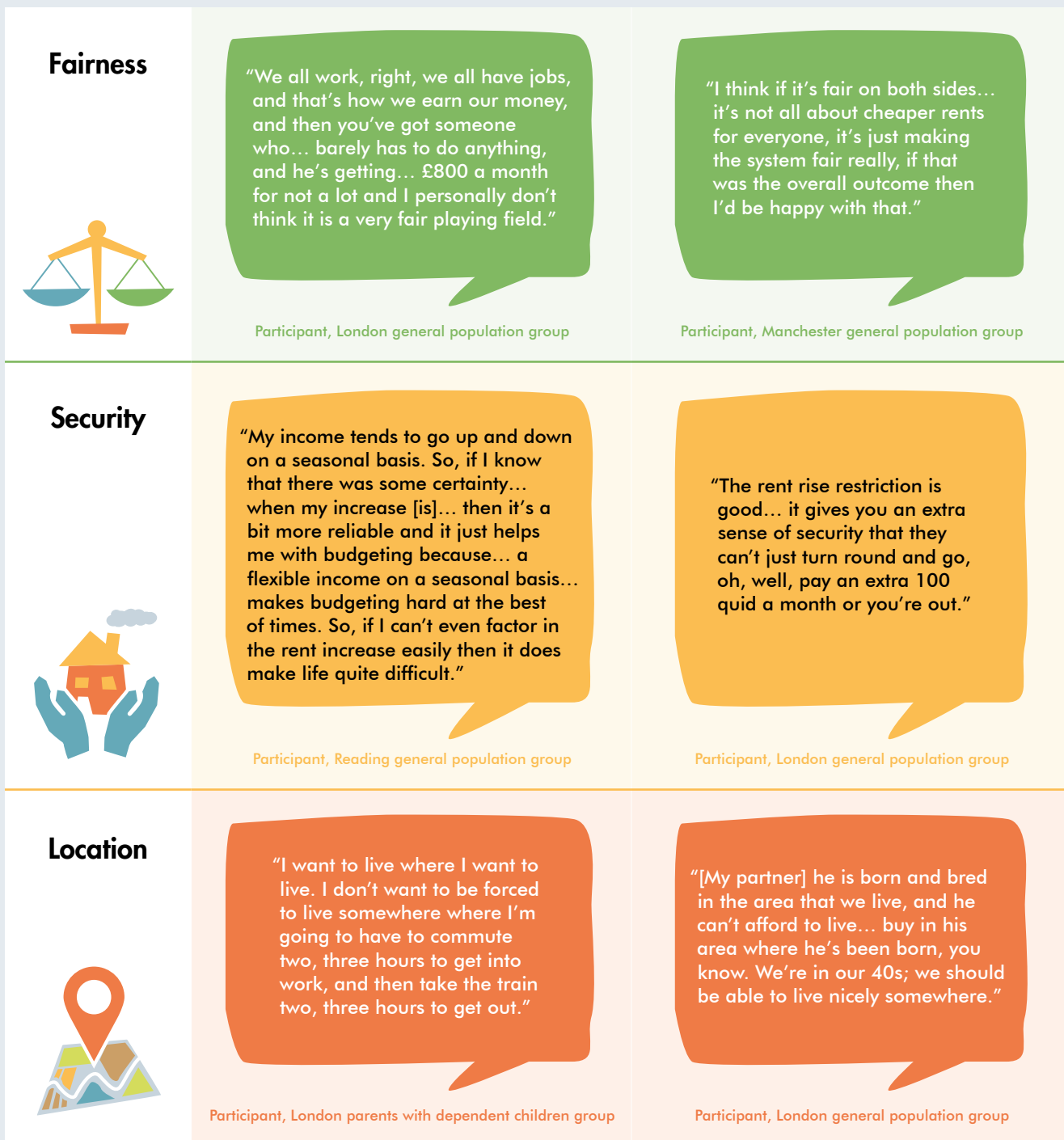
The focus groups also revealed the most persuasive arguments for rent controls – fairness, security and the flexibility to live where people want. Moral arguments relating to fairness or landlord greed were more prominent in discussions than economic arguments about affordability.

Fairness

There was widespread support for the ‘rationalise’ and ‘restrict’ options, with tenants articulating a number of strong reasons for reform. One of the most powerful was the need for fairness, which featured prominently in our discussions. This was a deeply moral argument and took on a number of different forms.

Participants believed that some landlords ‘get a bit greedy ... sometimes [especially] the ones that aren't very nice’. They often charged rent far above what the property or room was really worth or above what they were themselves paying in costs including their mortgage. It was considered unfair that a landlord can charge £1,000 a month in London, according to one tenant, for ‘basically a corridor ... a bed at one end,

FIGURE 4: THE MOST PERSUASIVE ARGUMENTS FOR REFORM



kitchen at the other end; it's all one thing. There's a little tiny toilet off the side'.

Others suggested that it was unfair that their rent had been increasing, while their incomes had not. As one participant said:

"When we're told, oh, your rent's going up ... like, my partner hasn't had a pay rise in three years, so where's he getting that extra money?"

Participants also suggested that some landlords often increased rents despite not doing anything to justify such an increase. As one participant in London argued:

"We all work, right, we all have jobs, and that's how we earn our money, and then you've got someone who ... barely has to do anything, and he's getting... £800 a month for not a lot and I personally don't think it is a very fair playing field"

There was also a sense that tenants face unfair treatment from landlords. Unprompted, many participants mentioned the significant disparity in rents for similar properties. They considered this to be unfair, with one participant arguing:

"Everyone can charge what they feel like charging. And it's the same size, and I think that's ridiculous."

A long-term renter in Manchester concurred saying:

"What I don't get is where you might have someone who is renting a council house on an estate for £495 and the house next door, privately owned, and that's £800 per month for the same house side by side."

But there was also a desire for fairness to cut both ways. For participants, it was less important that rent controls made renting more affordable but instead that they made the system fairer for all. As one participant in Manchester told us they would support rent control:

"if it's fair on both sides ... it's not about cheaper rents for everyone, it's about making the system fair really, if that was the overall outcome then I'd be happy with that".

Participants frequently called for rent controls that protected tenants from 'greedy' landlords and unpredictability, while also ensuring the landlord could make a living. There was a recognition that landlords do provide a service for many people, especially with few socially rented properties available and that landlords should be able to make some profit. There was no real appetite to punish landlords or force unfair outcomes on them. A young professional in Reading described the purpose of rent controls as ending the 'money tycoon game'.

Security

Promoting greater security was another important driver of support for rent controls. They were seen by our focus group participants as a means of protecting tenants from unexpected rent increases, providing greater freedom to plan their future. As one participant in Reading said:

"If landlords ... are capped or controlled for a certain period of time, at least you're safe, kind of for a certain period of time."

Another participant agreed, suggesting:

"The rent rise restriction is good for that purpose; it gives you an extra sense of security that they can't just turn around and go 'oh well, pay an extra 100 quid a month or you're out'."

For many participants, the predictability of rent increases was a more important reason to support rent controls than their impact on the amount itself. One participant in Reading told us rent controls would help with budgeting, making life easier:

"My income tends to go up and down on a seasonal basis. So, if I know that there was some certainty ... when my increase [is] ... then it's a bit more reliable and it just helps me with budgeting because ... a flexible income on a seasonal basis ... makes budgeting hard at the best of times. So, if I can't even factor in the rent increase easily then it does make life quite difficult."



BOX 1: FOCUS ON FAIRNESS, SECURITY AND POWER

To sum up everything we discussed about rent controls in our focus groups, we asked participants to draw a political poster that would win their attention and support. We wanted to see what messages renters would prioritise when thinking about their support for rent controls. The posters reflected the themes that had dominated the discussion: fairness, security, and power.



Participant poster, Manchester general population group



Participant poster, Reading young professionals group



Participant poster, London general population group

This need for security was especially important for parents and long-term renters. Many participants didn't want to be forced out of their home and were concerned about the impact it could have on themselves or their children. But rent controls, one parent suggested, give you a 'sense of reassurance' about future rent.

Not all of our focus group participants (especially in the group of young professionals) were as concerned about security in their current property, either because they had a good relationship with their landlord or could move if necessary. However, there was still strong agreement that rent controls would provide greater security and that this was important especially for people who had been living in a property for a long time:

Young professional 1:

"It just means that people feel that they're not going to suddenly unexpectedly, like a couple of years down the line ... be like 'oh I'm going to have to move out because I can't pay the rent any more for this place' which obviously sucks even worse because you've been living there for a certain amount of time, you've got accustomed to living there, and suddenly you have to move out because you can't afford it."

Young professional 2:

"It's that security isn't it?"

Some tenants specifically framed security as protecting them from landlord bad behaviour. One long-term renter in Manchester described rent controls as a means of ensuring landlords 'can't take advantage. They're being looked at. They're not free to do whatever they want'.

There was strong opposition to suggestions that renters could just move if they wanted cheaper rent

Location

Participants also saw rent controls as a way to ensure that renters, especially those with low incomes, are not forced out of the area they currently live in by high and rapidly rising rents, a phenomenon described by some participants as 'social cleansing'. There was strong opposition to suggestions that renters could just move if they wanted cheaper rent. As one London parent argued:

"I want to live where I want to live. I don't want to be forced to live somewhere where I'm going to have to commute two, three hours to get into work, and then take the train two, three hours to get out".

Many other participants agreed, believing they should be able to live in the area they want to live or have connections to. One participant said:

"We're in our 40s. We should be able to live nicely somewhere".

Some even designated this as a 'right'.

Affordability isn't a priority

It is often assumed that support for rent controls is simply about tenants' desire to reduce the cost of their rent. The focus groups revealed that this isn't the case, with tenants very unlikely to prioritise arguments about affordability. As one participant argued:

"It's not just about the low rent. It's about it being a fair rent."

In part, this is because renters see high rent as a fact of life, if they talk about the specific issue at all. There was also a belief among some tenants that people choose to pay a higher rent to live in a nicer area. Affordability of renting was often seen as personal choice, rather than something to be determined by policy.

When they did think about the possibility of reduced rent, participants believed it was unrealistic. As one parent in London said:

"It's never going to happen. It'd be great and wonderful, but... I don't know why we're even, no offence, I don't know why we're even discussing it."



Conclusion: Making the case for rent control



Politicians are right to see rent controls as a solution to tackle soaring rents and growing insecurity in the private rented sector. Rent control policies are growing in popularity across Europe and North America, and evidence shows that if they are implemented carefully they can make a

difference to the lives of renters.

Politicians can also be confident that they can win public support for reform. Across all our focus groups, there was an instinctively positive reaction to the idea. Renters recognise that rent controls could improve their security and address unfair-

ness in the private rented sector. There was almost no desire to maintain the status quo.

But renters' support is qualified by uncertainty and scepticism. Concerns about feasibility and the potential detrimental impact on the rental market are common. The opinion of one parent in London –

“Yes I think in theory it... sounds good but in practice I just don’t think is manageable” – is something that politicians will have to tackle head-on if they want to win over the public to their alternative. This requires clarity from politicians about the details of what they propose, and the impact it will have. Despite scepticism, the strength of the support for change means that politicians can build a coalition of support for reform. But this support can only be built and sustained by building confidence and trust in the government’s ability to deliver lasting results. This means adopting the public’s approach to rent control: pragmatism and balance. Renters want to see a policy that combines fairness for both tenants and landlords, with boldness in addressing the lack of security and control that private renters often feel. Any reform must meet the twin challenge of delivering real results whilst not unsettling the market or landlords, which could lead to unintended consequences.

Our research found the most positivity towards a ‘rationalise’ option that would deliver stable rents at the start of tenancies as well as controls on rent increases. Average rents would not fall, but there would be greater certainty, knowledge and transparency about rents in a local area, making it easier to secure fair rents that work for all.

There was a belief amongst our focus groups that this option could also help tenants hold their landlords to account and provide incentives for landlords to improve their properties. Landlords would no longer be able to get away with providing sub-standard accommodation while charging high rents. When it comes to ‘some really poor-quality properties’, the rationalise option would mean they would no longer ‘be able to charge some of what they currently charge, that they would be knocked down the pecking order and perhaps have to manage themselves into a better position’.



Despite scepticism, the strength of the support for change means that politicians can build a coalition of support for reform. But this support can only be built and sustained by building confidence and trust in the government’s ability to deliver lasting results

Well-designed rent controls are a sensible way to tackle rising costs and falling standards in the private rented sector. But when politicians are deciding which permutations to adopt, the best people to listen to are renters themselves. They want a policy that enhances their security, gives them a voice and makes the system fairer. They also want reform that is deliverable and proportionate. Any policy that meets these tests will command support at the ballot box and give millions of people the comfort and security of an affordable, decent home.

BOX 2: SIX KEY LESSONS FOR POLITICIANS

This report has highlighted six key lessons for politicians to heed as they consider challenges in the private rented sector:

1. THERE IS PERMISSION TO BE HEARD

Tenants have a good basic understanding of rent controls and most instinctively support some form of control. Politicians can be confident that they will find a receptive audience when talking about rent controls but must put renters' views at the heart of their plans.



2. TAKE PROBLEMS IN THE PRIVATE RENTED SECTOR SERIOUSLY

Concerns about rent are widespread and well-justified. A large private rented sector is here to stay and it is likely to expand in the future, meaning that these anxieties about rent will continue to rise up the political agenda. Tenants are not satisfied with the status quo and want change to how private rents are set.



3. SEE RENT CONTROLS AS A CREDIBLE POLICY SOLUTION

Rent controls have been implemented by governments and city authorities across the world, and there is evidence that they can have a positive impact. Modern rent controls are vastly different from England's historic experience.



4. HEED RENTERS' PRAGMATISM

There is strong public support for the principle of rent controls, but genuine concern about unintended consequences. To win support for rent controls, politicians must show a coherent plan for implementation and enforcement, and clear proof that the reform won't inadvertently have a negative impact on the private rented sector.



5. RECOGNISE IT IS ABOUT FAIRNESS NOT AFFORDABILITY

Tenants' support for rent controls is not just about the cost of rent. Instead, renters focus on the importance of fairness and security. These messages should be at the heart of any communication with renters but should also drive the policy approach. Renters are not asking for rents to be slashed across the board – they want a system that is fair for both tenants and landlords and the chance to have long term security in their home. They want rents rationalised and stabilised not rapidly cut.



6. MAKE RENT CONTROLS PART OF A WIDER PACKAGE

Politicians must be honest that rent controls will not solve every issue experienced by private tenants. Rent controls must be part of a wider package of reform that will increase affordable housing, tackle powerlessness and promote stability in the housing market. This would include building more social and affordable homes for renting and buying, and providing support to tenants struggling to afford a rental deposit.



APPENDIX

Group	Initial vote on rent control		Initial vote on rent control options		Vote on rent control options after discussion		Forced choice on rent control option	
	In favour	Against	Option 1	Option 3	Option 1	Option 3	Option 1	Option 3
London: general population	8	0	Option 1: 8	Option 3: 5	Option 1: 8	Option 3: 3	Option 1: 4	Option 3: 0
			Option 2: 8	Option 4: 0	Option 2: 8	Option 4: 0	Option 2: 4	Option 4: 0
London: parents with dependent children	6	2	Option 1: 5	Option 3: 4	Option 1: 6	Option 3: 2	Option 1: 3	Option 3: 0
			Option 2: 6	Option 4: 2	Option 2: 6	Option 4: 2	Option 2: 5	Option 4: 0
Reading: general population	8	0	Option 1: 8	Option 3: 1	Option 1: 8	Option 3: 1	Option 1: 7	Option 3: 0
			Option 2: 2	Option 4: 0	Option 2: 2	Option 4: 0	Option 2: 1	Option 4: 0
Reading: young professionals	7	0	Option 1: 8	Option 3: 3	Option 1: 8	Option 3: 4	Option 1: 0	Option 3: 4
			Option 2: 5	Option 4: 0	Option 2: 5	Option 4: 0	Option 2: 3	Option 4: 0
Manchester: general population	8	0	Option 1: 3	Option 3: 5	Option 1: 4	Option 3: 2	Option 1: 2	Option 3: 0
			Option 2: 4	Option 4: 0	Option 2: 4	Option 4: 0	Option 2: 4	Option 4: 2
Manchester: long-term renters	7	0	Option 1: 3	Option 3: 5	Option 1: 3	Option 3: 5	Option 1: 0	Option 3: 2
			Option 2: 5	Option 4: 0	Option 2: 5	Option 4: 0	Option 2: 5	Option 4: 0

Option 1: restrictions on annual rent increases during a tenancy

Option 3: restrictions that lead to rents being cut

Option 2: restrictions that stabilise all rents

Option 4: no change

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