

Landlords under threat as clamour grows for rent controls

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Scotland and Wales have vowed to bring in rent controls and mayors in England are lobbying for the same power



To Let signs in Edinburgh

An eye-catching report published yesterday by the Public Accounts Committee concluded that 13% of privately rented properties in England currently pose a threat to the health and safety of renters. Tenants face [increasing rents and a rising number of low-earners and families renting long-term](#). Meanwhile, the prevalence of “no-fault” evictions is leaving households at risk of homelessness.

With all this, as well as a backdrop of rapidly rising energy and food costs, calls for intervention to help private renters are multiplying across the UK.

Tomorrow, the Scottish government closes its consultation into nationwide rent controls, which it has pledged to make law by the end of 2025. It’s an idea that is hugely popular among the public: a 2020 YouGov survey found 74% of Britons believed there should be caps on what landlords can charge tenants.

In Wales the two main political parties have pledged to collaborate on a rent controls policy. Meanwhile mayors across England, from [Sadiq Khan in London](#) to Marvin Rees in Bristol, are lobbying the government for the power to impose rent controls.

But the long-term effectiveness of these measures is not proven. Would rent controls improve the quality of rental housing? Would they affect investment into the housing market?

The property world will watch what happens next in Scotland with anticipation, curiosity – and trepidation.

‘A carrot and a stick’

Patrick Harvie is the Scottish minister behind the current government consultation, which is exploring several different policies with the aim of boosting tenants’ rights. He says bringing in rent controls across Scotland would make housing more affordable and protect tenants from unprofessional landlords.

But ‘rent controls’ could encompass everything from more modest checks on rental growth (which are already allowed in some parts of Scotland) to setting rents completely. The government needs to decide what, exactly, it wants.



Patrick Harvie MSP is the architect of the rent control plans

Living Rent, Scotland’s tenants’ union, is campaigning for a ‘points-based system’ of rent controls that links the maximum rent a landlord can charge to

the quality of the flat. “This would act as a carrot for landlords and letting agents to make improvements, and a stick for landlords who refuse to do so,” says Living Rent spokesperson Rufus Bouverie. He says this should be attached to the property, not the lease, meaning that tenants moving out wouldn’t have any impact on the rent.

Has this been tried elsewhere? Living Rent points to Vienna, which has “progressive zoning, massively funds social housing, and maintains rent stabilisation through public or nonprofit ownership of most of its housing stock.” The city used rent control to reduce property prices before buying up apartment buildings. “With so much land in public hands, Vienna has become one of the most affordable cities in the world,” says Bouverie.

The Netherlands has a points-based system of rent controls and over 200 cities in the US have some form of rent regulation. There even used to be rent controls in England until 1988, which gave tenants more security.

Will landlords ‘vote with their feet’?

Critics of Harvie’s proposals worry they could hinder Scotland’s fledgling build-to-rent market and deter investment.

David Melhuish, director of the Scottish Property Federation, agrees that there has been a housing crisis in Scotland for decades and “this system is not working” for everyone, but points out that the system was not set up by the private sector.

Rent controls, he fears, could result in landlords “voting with their feet” and reducing the supply of rental homes, thereby driving rents up further. The Scottish Association of Landlords reported in February that 36,000 homes could leave the private rented sector in the next 10 years due to increased regulation and perceived hostility from government.

Build-to-rent developers faced with dwindling returns could also decide to shut up shop, says Helen Streeton, head of build-to-rent at Forsters law firm.

“It happened with the Buy to Let sector,” she says. “When the government abolished interest relief on mortgage payments, a lot of people just withdrew from that market.”



Critics argue rent controls could clip the wings of Scotland's fledgling build-to-rent market

Rather than bringing in more regulation, Melhuish argues the government should be encouraging choice in the market and helping developers trying to bring “modern, bespoke, professionally managed accommodation” to raise standards for renters.

Streeton suggests the government could provide a rent subsidy to tenants or incentivise developers to build more houses by giving them a tax break. However, she admits there would be “a time lag” between introducing a tax break and tenants seeing reduced rents.

Most heavily regulated sectors are ‘the biggest’

How do rent control campaigners respond to the idea that landlords will leave the sector if regulation is increased? “A quick glance across Europe is enough to dismiss this: the most heavily regulated private rented sectors are consistently the biggest,” says Rufus Bouverie.

Germany has the biggest private rented sector in Europe, mostly owned by small private landlords – but it is also one of the most heavily regulated, and landlords there are “in favour of the rent regulation system,” he says.



Germany has the biggest private rented sector in Europe

What about the charge that rent controls could be bad for supply? Bouverie asks instead: is the current system any better? “The rapid growth in the private rented sector has come at the expense of other tenures,” he says, such as former council or owner-occupied properties being converted to private rented flats – not the result of new builds.

With house prices continuing to spiral, Living Rent says landlords would continue to see their income from capital gains rise with or without rent controls.

It is also worth noting that Scottish local authorities already have the power to regulate rental growth by creating ‘rent pressure zones’ – and investors have continued to come to the market with proposals. (However, no authorities have applied for a rent pressure zone yet.)

‘Intuitively seductive’ but ‘overwhelmingly bad’

“A policy that has failed practically everywhere it has been tried will not suddenly prove effective in Scotland,” says Matthew Lesh, head of public policy at the Institute of Economic Affairs. He points to Stockholm, where people wait an average of nine years for a rent-controlled flat. “This has made life very difficult for new arrivals and led to a black market involving bribes and poorly maintained apartments.”

Meanwhile, Berlin’s recent experiment in rent control resulted in fewer properties available for rent, he says, as landlords took them out of the rental market and charged much higher rents for more recent properties not included

in the system.



In Stockholm people wait an average of nine years for a rent-controlled flat

But if rent controls don't work, why are they such a popular idea with the public? "Rent controls are intuitively seductive for many people rightly frustrated about the cost of housing," Lesh says.

Yet although they could temporarily lower the cost of rent for some people, "the unseen and longer term consequences of rent control are overwhelmingly bad and outweigh any benefits." They would not solve the underlying issue that is causing high prices – a lack of housing. In fact, he says, they would lead to less housebuilding.

Lesh says government should focus on building more homes where people want to live. He suggests using the proceeds of development for investment in infrastructure and local services, and offering cash payments to nearby homeowners, to gain local support for more housebuilding. He also points to creative solutions like street votes that would allow a street to agree collectively to increase density within an appropriate design code.

'It will take time' – but some renters can't afford to wait

On their own, rent controls will not fix a broken system. They would have to be one aspect of a wider programme of policies to address housing affordability and rebalance the relationship between tenants and landlords. As a short-term measure, they may lower the cost of housing, but the real debate is around their long-term impact.

In his introduction to the Scottish government consultation, Patrick Harvie wrote that “it will take time to assemble the evidence we need” to justify nationwide rent controls. With the clamour for rent controls growing across the country, it would seem that the public is on his side – however, the onus is now on him and his colleagues to assemble an empirical case for these measures.

It is undeniable that the current system is not working for some renters, and that it will be years before they feel the benefit of any policies to encourage more housebuilding. For those renting on lower incomes or in poor accommodation, these are years they cannot afford to wait.

Correction: This article was amended on 14 April to correct a line on rent pressure zones in Glasgow and Edinburgh. There are currently no rent pressure zones in Scotland, although authorities are able to apply for them.