



Number: WG 47689

Welsh Government Green Paper

A Call for Evidence on securing a path towards Adequate Housing
– including Fair Rents and Affordability

Date of Issue: 6th June 2023

Responses By: 15th September 2023

Overview

This Green Paper consultation is seeking your views and evidence in respect of understanding rents, tenant and landlord behaviour, affordability, and high-level approaches for how we could look to further improve the supply and adequacy of housing overtime.

We are also keen to hear your views on achieving housing adequacy, the different ways in which it could be delivered in Wales, and the potential benefits and/or implications of these approaches.

Your responses to this consultation will help inform the development of a White Paper consultation next year, which will include proposals to achieve housing adequacy, including fair rents and affordability. The commitment to 'publish a White Paper to include proposals for a right to adequate housing including fair rents and new approaches to making home affordable for those on local incomes' is part of the Co-operation Agreement with Plaid Cymru.

How to Respond

Please respond to this consultation by using the response form. Responses can be submitted in a number of ways:

Online: <https://www.gov.wales/securing-path-towards-adequate-housing-including-fair-rents-and-affordability>

E-mail: privatesectorhousing@gov.wales

Post:

Adequate Housing Green Paper,
Private Sector Housing Policy Branch,
Welsh Government,
Cathays Park,
Cardiff CF10 3NQ

When responding please state whether you are responding in a personal capacity or are representing the views of an organisation.

This consultation will close on 15th September 2023.

Further Information and Related Documents

Large print, Braille and alternative language versions of this document are available on request.

The research that has been commissioned from the UK Collaborative Centre for Housing Evidence (CaCHE) and Alma Economics (Data Mapping and Visualisation) referenced in this Green Paper is available as an appendix to this document or on the Welsh Government [statistics and research webpages](#).

Contact Details

For further information:

Private Sector Housing Policy Branch
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Welsh Government
Cathays Park
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Email: privatesectorhousing@gov.wales

This document is also available in Welsh:

<https://www.llyw.cymru/creu-llwybr-tuag-dai-digonol-gan-gynnwys-rhenti-teg-fforddiadwyedd>

UK General Data Protection Regulation (UK GDPR)

The Welsh Government will be data controller for any personal data you provide as part of your response to the consultation. Welsh Ministers have statutory powers they will rely on to process this personal data which will enable them to make informed decisions about how they exercise their public functions. Any response you send us will be seen in full by Welsh Government staff dealing with the issues which this consultation is about or planning future consultations. Where the Welsh Government undertakes further analysis of consultation responses then this work may be commissioned to be carried

out by an accredited third party (e.g., a research organisation or a consultancy company). Any such work will only be undertaken under contract. Welsh Government's standard terms and conditions for such contracts set out strict requirements for the processing and safekeeping of personal data.

In order to show that the consultation was carried out properly, the Welsh Government intends to publish a summary of the responses to this document. We may also publish responses in full. Normally, the name and address (or part of the address) of the person or organisation who sent the response are published with the response. If you do not want your name or address published, please tell us this in writing when you send your response. We will then redact them before publishing.

You should also be aware of our responsibilities under Freedom of Information legislation.

If your details are published as part of the consultation response, then these published reports will be retained indefinitely. Any of your data held otherwise by Welsh Government will be kept for no more than three years.

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Under the data protection legislation, you have the right:

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Data Protection Officer:

Welsh Government
Cathays Park
CARDIFF
CF10 3NQ
e-mail: DataProtectionOfficer@gov.wales

The contact details for the Information Commissioner's Office are:

Wycliffe House
 Water Lane
 Wilmslow
 Cheshire SK9 5AF
 Tel: 01625 545 745 or
 0303 123 1113
 Website: [Information Commissioner's Office](#)

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Ministerial Foreword

The Private Rented Sector in Wales has grown over the last 20 years, with over 200,000 properties and over 100,000 landlords registered with Rent Smart Wales.

The sector accounts for approximately a fifth of the housing stock in Wales and plays a vital role in offering accommodation to many households.

This government is absolutely committed to helping tenants - supporting them to remain in their homes. Last year we introduced the Renting Homes Act to give greater certainty to both landlords and tenants of their rights and responsibilities; to ensure everyone has a contract setting out what is expected in terms of rents, notices, and period of tenure. We have also made inroads in seeking to improve the adequacy of accommodation through the introduction of the Fitness for Human Habitation Regulations.

I am keenly aware that the high demand for rental property has seen the rental costs for new lettings increase over the last 12 months by more than 16% in some places, whilst in-tenancy rent increases have gone up by just over 4%, all at a time when the cost of energy bills and food have also dramatically increased.

In the grips of a cost of living crisis I know there is more we can do.

Our Programme for Government set out our commitment together with Plaid Cymru, to publish a White Paper to include proposals for a right to adequate housing including fair rents and new approaches to making homes affordable for those on local incomes.

I am committed to using all the levers we have to ensure we maintain a viable private rented sector here in Wales, offering high quality and choice of accommodation, where landlords have confidence to invest in making improvements and tenants have greater certainty that longer term costs of moving into or staying in a rental property will be affordable. For those on low incomes we want to explore opportunities to use the levers available to us to secure greater support that will make renting a home more affordable.

We want the private rented sector to work more in synergy with both the social rented and owner occupancy sectors to ensure that people in Wales can secure the right home, at the right time, in the right place to meet their needs, thereby helping with some of the supply and demand challenges facing people today.

We will put in place a robust and long-term solution that will ensure a sustainable rental sector in Wales. To do this we need to understand fully, through evidence, what the issues are in different parts of the country, and what implications various options might have when introduced.

Ahead of developing any proposals for policy interventions or legislative change in a White Paper we need to gather evidence to understand in more detail the Private Rented Sector in Wales both in terms of the drivers for tenants and landlords, and also

the longer-term changes that the sector may need to accommodate in the future, so that impacts or consequences can be understood.

We are grateful for your consideration of this consultation and very much welcome your views.



Julie James MS

Minister for Climate Change

Executive Summary

Whilst there are international examples and academic work on the concept of housing adequacy and fair rent measures, this is not directly transferable to Wales and the Welsh housing sector.

In order to gain an understanding of the potential evidence gaps in a Welsh context, the Welsh Government commissioned research from both the UK Collaborative Centre for Housing Evidence, to look at the rental sector and rent control, and Alma Economics, to undertake a data mapping exercise reviewing over 130 data sources. Both pieces of research concluded there is a distinct absence of evidence to understand tenant and landlord behaviour, rental data, local incomes, and affordability in Wales.

This Green Paper is therefore seeking further evidence and views on the different approaches for achieving housing adequacy and range of related issues regarding rent, affordability, and tenant and landlord behaviours. The Green Paper is also seeking views and evidence to support the development of an approach for defining a “local income” and “fair rent”.

This Green Paper consultation is a Call for Evidence to inform the development of a White Paper. This document does not offer policy suggestions or options, it is focussed on considering the relevant data and evidence we already have to inform policy development and seeks respondent’s help in augmenting that evidence and data.

This Green Paper consultation will run until 15th September, and your responses will be used to develop policy and the integrated impact assessment to support the White Paper. As part of responding to the questions set out in this consultation, we are keen to obtain information on the potential costs (both financial and in terms of resources) to organisations and stakeholders (tenants and landlords). A full summary of the questions can be found on page 66.

Context

As well as proposals for housing adequacy, the forthcoming White Paper will also set out proposals for fair rents and affordability. Therefore, a large focus of this Green Paper call for evidence is on the data and evidence in respect to what ‘fair’ and “affordability” might mean in Wales.

We have drawn on the work of the Collaborative Centre for Housing Evidence (CaCHE) and Alma Economics to identify a number of areas that we need to look to address in respect of evidence and understanding the Welsh context of housing adequacy. We have also drawn on the advice of our external Stakeholder Advisory Group who represent tenants, landlords, letting agents, housing policy development and research, and local government.

Section 1 of this consultation paper sets out the high-level position around housing adequacy, the Welsh Government’s vision for housing in Wales, background information on the current housing sector in Wales, and information on possible means for defining fair rents, rent control, and local/low incomes. In particular, the rent control section (and the subsequent questions in Section 4 on rent control) have been informed by the work and recommendations of the CaCHE briefing paper on rent control that is provided as an Annex to this Green Paper.

Section 2 draws on the work that has been undertaken by Alma Economics in their data mapping and visualisation work focusing on existing data on incomes and affordability (the demand side of housing).

Section 3 (again drawing on Alma Economics work) focuses on the supply and availability of housing in Wales.

Section 4 looks at known data gaps.

1.0 Introduction

Vision for Homes in Wales

- 1.1. Every person in Wales should be able to obtain a safe, and affordable home that meets their needs for the different stages in their lives. This could be traditional bricks and mortar houses in the social, private, or owner-occupied sector, or alternative accommodation such as a park home or houseboat. The ability to call somewhere home provides security, identity, and a sense of community belonging.
- 1.2. Having this security allows people to put down roots, if they wish to do so, whether that be in terms of jobs, education, raising families, or re-locating following retirement. Therefore, as people's needs change over time, then so will the supply, type, and location of homes. The ability to secure the right balance between the supply and nature of demand for homes across Wales is one goal to strive for as part of ensuring that every person in Wales can secure an adequate home. Other goals that need to be achieved include ensuring that homes are affordable, decent quality, safe from hazards, and located in places which provide access to health, education, jobs, transportation, and social and community services.
- 1.3. Welsh Government has introduced measures which seek to increase the supply of social housing, the quality of rented property (Welsh Housing Quality Standards, Rent Smart Wales, The Renting Homes (Wales) Act 2016, and The Renting Homes (Fitness for Human Habitation) (Wales) Regulations 2022) and to ensure homes reflect local needs and are located in the right place (Local Housing Market Assessments, Future Wales 2040).

Good quality affordable homes are the bedrock of communities and form the basis for individuals and families to flourish in all aspects of their lives. Future Wales provides evidence of the need for housing across Wales at both a national and regional level. This evidence demonstrates the need for a focus on increasing the delivery of social and affordable homes. The Welsh Government is targeting its housing and planning interventions towards achieving this aim within the broader context of increasing supply and responding to different needs, including our ageing society and climate change.

Future Wales: The National Plan 2040

Adequate Housing

1.4. Views on what constitutes adequacy of housing will vary from person to person and area to area depending on many factors. There is no UK wide agreed definition. In Wales, we have a range of policy mechanisms and legislation which define aspects of what might be considered factors of adequate housing in a Welsh context. For example, The Renting Homes (Fitness for Human Habitation) (Wales) Regulations 2020 set out what landlords must do to ensure their property is in good repair and fit for human habitation. Part 2 of the Housing (Wales) Act 2014 sets out duties on local authorities to help people who are homeless or threatened with homelessness. These are just two examples of a range of legislation and wider policy measures in Wales which already define and set expectations around potential aspects of housing adequacy.

1.5. Whilst there is no agreed definition in the UK, the United Nations identifies seven criteria which it considers should be met for accommodation to be considered as 'adequate housing'. They are:

- *Security of tenure*: housing is not adequate if its occupants do not have a degree of tenure security which guarantees legal protection against forced evictions, harassment, and other threats.

- *Availability of services, materials, facilities, and infrastructure*: housing is not adequate if its occupants do not have safe drinking water, adequate sanitation, energy for cooking, heating, lighting, food storage or refuse disposal.
- *Affordability*: housing is not adequate if its cost threatens or compromises the occupants' enjoyment of other human rights (e.g., food).
- *Habitability*: housing is not adequate if it does not guarantee physical safety or provide adequate space, as well as protection against the cold, damp, heat, rain, wind, other threats to health and structural hazards.
- *Accessibility*: housing is not adequate if the specific needs of disadvantaged and marginalized groups are not taken into account.
- *Location*: housing is not adequate if it is cut off from employment opportunities, health-care services, schools, childcare centres, and other social facilities, or if located in polluted or dangerous areas.
- *Cultural inadequacy*: housing is not adequate if it does not respect and take into account the expression of cultural identity.

1.6. The UN Committee on Economic, Social and Cultural Rights (CESCR) identifies a concept of identifying a 'minimum core' or minimum essential levels of adequacy. This means that effective monitoring of the housing situation, to ascertain the full extent of homelessness and inadequate housing is an important step towards ensuring the delivery of housing adequacy. In order to identify where targeted action is required, and to be able to demonstrate progress over time, there is a need for robust measures and indicators of housing adequacy to be identified or instituted. This Green Paper considers some of the areas where a fuller understanding of the housing situation is required and sets out how this might be achieved.

1.7. There is no defined and commonly accepted set of standards for what constitutes the minimum core for housing, but it may be a useful concept to aid reflection on where in Wales we are meeting what we might consider to be a good minimum standard across the seven criteria which make up housing adequacy, and where action may be needed

immediately where this is not the case. The UN CESCR also recognises that it may take time to fully ensure housing adequacy for everyone. Therefore, some components are deemed '*subject to progressive realisation*' as adequacy will not be possible immediately.

1.8. Across all its housing related activities, the Welsh Government is taking steps towards improving all the criteria which the UN considers compose housing adequacy. A brief overview of some of the measures, initiatives, and policies in place which align to each of the seven criteria is outlined below.

Criteria	Measures in place which align to the criteria
<i>Security of tenure</i>	<p>The Renting homes (Wales) Act 2016 extended no fault eviction notice periods to 6 months and requires the issuing of either standard or secure occupation contracts.</p> <p>Social housing providers follow a policy of no evictions into homelessness and no evictions due to financial hardship where tenants are engaged with their landlords.</p> <p>Local authority homelessness services are funded to help prevent homelessness.</p> <p>Tenancy information and advice – funding Shelter Cymru, Citizens Advice (through single advice fund).</p>
<i>Availability of services, materials, facilities, and infrastructure</i>	<p>Building regulations require certain minimum standards for design, construction, and alterations.</p> <p>Welsh Design Quality Requirements (WDQR) set standards for new and refurbished social housing.</p> <p>Welsh Housing Quality Standards set a minimum standard for social housing to be met by December 2020. A consultation on proposals to update WHQS has been undertaken.</p>
<i>Affordability</i>	<p>There are measures in place to help ensure people can afford their accommodation, including housing elements of UK administered welfare benefits, discretionary housing payments, as well as provision for income and debt advice.</p> <p>Annual increases to social rents are set by Welsh Ministers.</p> <p>Leasing Scheme Wales offers a means to secure private rented property over the medium to long term to be offered at Local Housing Allowance rates.</p>

<i>Habitability</i>	<p>The Renting Homes (Wales) Act 2016 places an obligation on landlords to ensure that a dwelling is in good repair and fit for human habitation.</p> <p>Housing Health and Safety Rating System is a risk-based evaluation tool to help local authorities identify and protect against potential risks and hazards to health and safety from any deficiencies identified in dwellings.</p>
<i>Accessibility</i>	<p>Welsh Government provides funding for adaptations for disabled or older people via various different funding programmes depending on factors such as scale of works and tenure (including ENABLE, disabled facilities grants, physical adaptations grants, and rapid response adaptations)</p>
<i>Location</i>	<p>Planning policy, informed by Future Wales: the National Plan 2040, strategic and local development plans, requires consideration of the location where homes will be required in future, and to work towards providing it, as well as the infrastructure and connections which communities need to flourish.</p> <p>Local Housing Market Assessments (LHMAs) are a crucial part of the evidence base for preparing Development Plans and local authorities' Local Housing Strategies. They are vital in understanding the additional local housing need of the diverse communities within each local authority to ensure homes built are able to meet these needs, now and in the future.</p>
<i>Cultural inadequacy</i>	<p>The Wellbeing of Future Generations (Wales) Act 2015 requires consideration of the future consequences of current policy, as well as work towards a number of goals, such as a More Equal Wales, a Wales of Cohesive Communities and a Wales of Vibrant Culture and Thriving Welsh Language.</p> <p>Local Housing Market Assessments which inform Local Development Plans now require consideration of the local needs of ethnic minority people.</p> <p>The Anti Racist Wales Action Plan outlines a number of actions to improve how housing policies and bodies respond to the needs of Black, Asian, and Minority Ethnic people.</p>

1.9. Although supply is not specifically referenced here, the interrelation of supply of housing and the ability to achieve housing adequacy is discussed later in this Green Paper.

1.10. The extent to which these existing measures address the criteria, and to which they effectively drive progress towards adequacy over time, is an issue to be considered alongside that of effective monitoring and data collection.

1.11. Another consideration is what is the most effective mechanism or mechanisms to ensure delivery of housing adequacy against agreed measures and monitoring arrangements - be that through funding, policy programmes, strategies, or legislative measures – or through a combination of all.

1.12. The United Nations identifies the importance of adopting a national housing policy or strategy, linked to work plans and budgets, by which progress towards delivering housing adequacy may be monitored and challenged.

1.13. An underpinning enabler for progress towards housing adequacy, which would also contribute towards effectively setting out and periodically reviewing a strategy, is adequate data collection on the various contributing factors for housing adequacy. The UN particularly highlights the need to determine the extent of homelessness, but in considering progress towards achievement of housing adequacy a means of measuring affordability, accessibility, and other measures of suitability will also be required.

Q1. Do you think that the 7 factors of adequacy identified by the UN are something to aspire to achieving in Wales? If so, what mechanism or combination of

mechanisms do you think are required to achieve the 7 factors of housing adequacy in Wales? (Please explain your reasons)

Q2. What considerations should be taken into account if we were to establish a minimum core for the 7 factors of housing adequacy?

Q3. What type of monitoring arrangements and/or enforcement measures should be available to ensure the delivery of housing adequacy? (Please explain your reasons)

Q4. Are there any other considerations or potential implications of working towards delivering the 7 factors of housing adequacy you wish to highlight?

Affordability

1.14. As well as overarching views on achieving housing adequacy, this Green Paper is seeking to gather evidence in particular on the ‘affordability’ aspect of housing adequacy, and on potential consequences that could arise should certain approaches to making rented property more affordable be put in place. Welsh Government is keen to look at all levers available both immediate and longer term that will help support people in rental properties, particularly people on lower incomes, sustainably afford to rent. In examining potential approaches, we need to gather evidence to ensure all potential consequences are understood, both intended and unintended.

1.15. Affordability is a key aspect for an individual to both obtain and sustain a home. Consequently, the Programme for Government commitment specifically references fair rents and new approaches to making homes affordable for those on local incomes.

1.16. Within the social housing sector, there are already provisions in place to set and control social rent increases in Wales. However, for people renting in the private sector who are in receipt of housing related benefits,

the setting of Local Housing Allowance rates is not devolved, this can mean large disparity in 'real rent' and housing related benefits. In respect of the owner-occupied market the Welsh Government does not have devolved powers over mortgages. Therefore, a large focus of this Green Paper is seeking views (and evidence) in respect of how to achieve fairer rents in the private rented sector, particularly measures that could provide greater affordable choice for those on local (or lower) incomes.

Challenges in Private Rental Sector

- 1.17. Wales is a growing but ageing nation. According to the [ONS 2021 Census](#) the population has increased by 44,000 people (equivalent to another Merthyr Tydfil) since the last census in 2011. However, over 21% of the population are now aged over 65 (compared to 18.3% in 2011), and whilst 38% of households in Wales own outright a similar number (33.6%) are renting (which has increased by 3% since 2011) (however this figure includes those who live rent free). This indicates that in the future there will be a growing number of people who will probably need to continue to rent properties beyond retirement age and will be dependent on a pension to pay rent. This means that affordability is likely to become more of an issue over the longer term than it is today.
- 1.18. There will also be an increased reliance on the private rented sector, if earnings fail to keep pace with inflation in the housing market, meaning more people will be unable to achieve the income ratios required to secure a mortgage.

The Private Rental Market in Wales – Facts and Figures

Table 1: 2021 Census Data on Tenure in Wales

Tenure

	Households	
	Wales Region	
	count	%
All households	1,347,117	100.0
Owned: Owns outright	512,089	38.0
Owns with a mortgage or loan or shared ownership	382,110	28.4
Social rented	222,093	16.5
Private rented or lives rent free	230,825	17.1

Source: ONS 2021 Census (TS054)

Table 2: 2021 Census Data on Type of Accommodation in Wales

Accommodation type

	Households	
	Wales Region	
	count	%
All households	1,347,113	100.0
Detached	384,395	28.5
Semi-detached	431,871	32.1
Terraced	358,035	26.6
In a purpose-built block of flats or tenement	126,662	9.4
Part of a converted or shared house, including bedsits	24,451	1.8
Part of another converted building, for example, former school, church or warehouse	6,842	0.5
In a commercial building, for example, in an office building, hotel or over a shop	10,489	0.8
A caravan or other mobile or temporary structure	4,368	0.3

Source: ONS 2021 Census (TS062)

Table 3: The Private Rental Market in Wales

Number of Registered Properties ¹	209,318
Number of properties Advertised for Rent ²	2638 (February 2023)
Average Rent ³	£614 per month
% Annual Rent Increase ⁴	4.4%
Number of Landlords ⁵	100,941
Number of Licensed Agents	4,547
Landlord/Property Ratio	70% of landlords own only 1 property, which accounts for 33% of registered properties.

Source: Data compiled by the Welsh Government – see footnotes.

1.19. While table 3 above highlights the average increase in rent for untenanted properties over the 12-month period March 2022 to March 2023 (4.4%), the increase in rents for new rental lettings has increased across Wales by an average of 8.93% between January 2022 and January 2023 according to data from Zoopla⁶. Their data indicates the highest increase was in Neath Port Talbot at 16%, whilst the lowest increase was in Flintshire at 3.5%. Whilst this data is already likely to be out of date, it does highlight the nature of rent increases is variable across Wales, indicating there are likely to be distinct local rental markets operating at, and within local authority areas.

¹ Taken from RSW Core Data Report – Feb 23

² Taken from [Bevan Foundation Report](#) – Wales Housing Crisis Winter 2023

³ Alma Economics calculations using rental market data from Rent Officers Wales (February 2023)

⁴ ONS [Index of Private Housing Rental Prices](#), UK. March 2023

⁵ Taken from RSW Core Data Report – Feb 23

⁶ [Rent prices: How much have they gone up in your area? - BBC News](#)

Defining “Fair Rents”

- 1.20. There is no one universally accepted definition of a “fair rent”. We therefore want to use this call for evidence to help identify a shared understanding and accepted definition of affordability in the Welsh context. In doing so, we need to be aware of the economic challenges of the housing market, the financial sustainability of the rented sector and the real costs of living in a home in a specific place in Wales.
- 1.21. Historically in housing legislation the term “fair rent” has been used in the context of regulated tenancies that were issued prior to 15th January 1989. If a tenancy started before 15th January 1989, a landlord or a tenant of a regulated or secure tenancy could make an application to have a fair rent registered and it is usually set below market rent. Under these historic provisions “fair rent” has been a way of controlling rent, as any increase is limited to a set inflationary uplift.
- 1.22. In looking at “fair rent” in the context of this Green Paper we propose that the definition should be broader and be taken to mean “fair” in the wider context of “equitable”, in that it needs to be fair and affordable to all parties involved (in this case both tenants and landlords). This is in order to ensure supply and quality are not compromised, as this would undermine two of the other factors necessary to realise housing adequacy.
- 1.23. It also needs to be “fair” in respect of it being reasonable and proportional to the specific circumstances of the locality (as highlighted later in this document, the rental landscape in one part of Wales may be very different to another). It also needs to be “fair” in understanding the impact on not just the locality it may apply to, but also neighbouring localities. The circumstances for when any proposed measures should or should not apply will also need to be clearly identified and understood. Any potential measures of “fairness” will also need to be tested against how they interact and impact on the other factors of “adequacy”, to ensure

a comprehensive set of measures which work together to support the delivery of housing adequacy.

Q5. Do you agree with the proposal to define “fair” in its broader context? (Yes/No – Please explain why)

Q6. What considerations do you think should be taken into account when defining what is meant by fair rents – and how might we avoid unintended consequences?

Defining “Local Income” and “Low Income”

1.24. There is currently no agreed definition of a “local income”, and average income levels will differ depending on the spatial boundary that is applied. For example, average income levels across a Lower Super Output Area will be different compared to average income levels across a Local Authority Boundary area. This variation has been explored by Alma Economics in work undertaken to support the development of the evidence base and is highlighted and discussed further in Sections 2 and 3.

1.25. It is also important to define what is meant by “low income”. The Office for National Statistics (ONS)⁷ defines households as being in low income if they live on less than 60% of the average (median) net disposable equivalised UK household income. Household income is the total income of the household before tax, National Insurance, and other deductions. It includes the value of free school meals, free TV licences and other income-based entitlements.

1.26. According to the [Average Gross Weekly Earnings \(Welsh Government, 2022\)](#) by local areas, the average (median) full-time weekly earnings in Wales was £598.10 in 2022, which equates to a gross salary of £31,101

⁷ [Income and earnings: glossary of terms - Office for National Statistics \(ons.gov.uk\)](#)

per year. Therefore, if a household income is less than £18,660 (60%) then the household would be defined as “low income”.

1.27. The lower a household income, the greater proportion of their income will be taken up towards meeting housing costs, such as rent, mortgage repayments, insurance, water and sewerage rates, and council tax. The Office for National Statistics (ONS) deem a property as being “affordable” if a household spends 30% or less of its income on rent (including any other service charges). The Welsh Government⁸ has adopted this figure in respect to undertaking local housing market assessments. This is known as the rent-to-income measure of affordability.

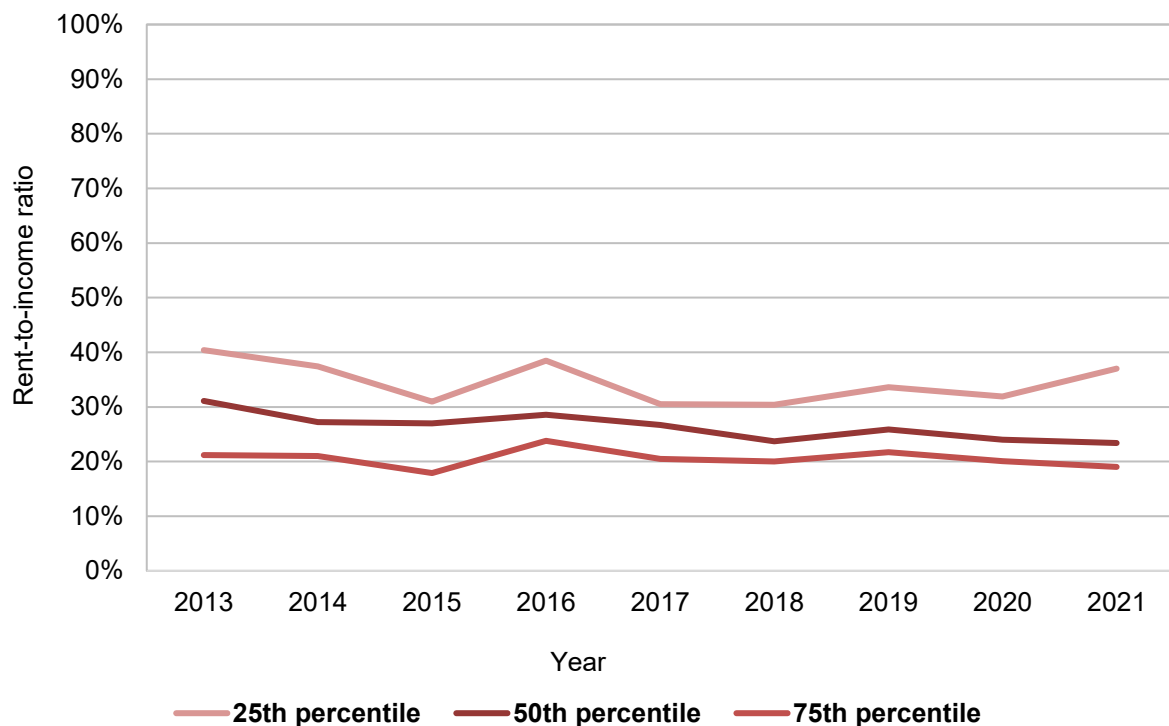
1.28. [Indicator 49](#) of the Wellbeing of Wales National Indicators, shows that overall (based on data from 2017-2020) 19.4% of households across all tenures spend 30% or more of their income on housing costs. For private rented tenants this figure was 37.1% of households, and in the social rented sector it was 47.2% of households.

1.29. If the 30% rule were to be applied to the low-income household threshold of £18,660 then the maximum affordable monthly housing cost in the private rented sector would be £466.5, which would need to cover rent, insurance, water rates, and council tax. As highlighted above, the average monthly private sector rent in Wales is £550. It is also important to reflect that just because a rent may be affordable in an area it may not be suitable accommodation to meet a household’s needs, for example £550 in one area may secure a 3-bedroom house, but may only secure a one bed flat or house share in another area.

1.30. In looking at affordability, which is discussed further in later chapters, it is also necessary to set this in the context of market rental costs and the level of support available through Local Housing Allowance support.

⁸ [WG43846 \(gov.wales\)](#)

Figure 1. Affordability Ratio for Private Renters in Wales



Source: Private rental affordability. Office for National Statistics (2022).

Note: This chart shows the affordability ratio for each income quartile at its correspondent rental price quartile (i.e., the lowest rent quartile over the lowest rent quartile, the median rent over the median income, and the upper rent quartile over the upper income quartile).

[Produced by Alma Economics: “Data Mapping and Visualisation” for Welsh Government 2023]

1.31. Figure 1 above illustrates that since 2020 affordability for the lowest quartile of earners has been getting worse, with rents accounting for over 35% of income in 2021, although in 2013 this quartile were spending more than 40% of their income on rent. Conversely over the same period, those in the 50th and 75th percentile of earners have actually found affordability marginally improving. However, whilst this data provides a picture of the high-level trend as to what is happening over time at a Wales level, it does not provide the level of granularity to understand where affordability is an issue at the local or community scale, and therefore does not offer the ability to define a “local income”.

Q7. What considerations do you think should be taken into account when defining “local incomes” – and how should it be defined?

Q8a. What measures should be used to assess affordability, and why?

Q8b. Do you agree that 30% of a household's income is an appropriate indicator of affordability? Yes/No – If no, please explain why and what alternative value could be used).

Rent Control Measures

1.32. Rent control can refer to different interventions focusing on various aspects of the housing market and can be non-price interventions and/or price interventions.

1.33. Examples of non-price interventions on the rental market may include:

- landlord registration schemes;
- regulation of letting agents;
- controls around evictions;
- dispute resolution mechanisms; and
- deposit schemes.

1.34. In looking at examples of price interventions there have been a number of approaches taken in various countries around the world, which are categorised as either first, second, or third generation rent control measures. Examples of rent control measures in other countries are set out in detail in CaCHE's report '[Rent control: principles, practicalities and international experience](#)' which has been referenced by CaCHE in their briefing paper, which is an Annex to this Green Paper. However, in summary:

First Generation: Strict price ceiling or rent freeze.

- One example of this is in Scotland, which last Autumn introduced The Cost of Living (Tenant Protection) (Scotland) Act 2022. This Act introduced a mechanism that allows the Scottish Government to set a percentage rate to set rents in the private and social rented sector. At the point of introduction this was set at zero percent with a requirement to review it before the 31st March 2023. Therefore creating at the outset a rent freeze.

On the 1st April 2023 the Scottish Government⁹ set the percentage rate to 3%, which will be in place until at least the 30th September 2023 and has capped the extent to which landlords can increase rents.

Second Generation: Moderated rent increases are allowed.

- An example of this is Germany, which in 2015 introduced a ‘rent brake’ measure, which allows states to decree that they are facing a ‘tense’ housing situation. Where such a decree has been made then the initial rent for a new lease must not exceed the higher of (i) 10% above the comparable rent or (ii) subject to specific conditions, the level of rent in the previous lease. In addition, the rent must not increase by more than 20% over a period of three years and, in any event, must not be more than 10% higher than the comparable rent for that given year. Under the German model certain exemptions apply, for example the measures would not apply to student accommodation, or housing that has been built, or substantially modified since 2014.

Another example is in certain designated populated areas in France the rent for a new tenancy, or upon renewal, may not exceed the previous rent except within limits set by an agreed rent reference index. Since 2018 additional measures have been introduced that allow stricter rent control measures on initial rents. The initial rent may now be capped at an amount between 30% below and 20% above a *predetermined reference median rent* (subject to certain exemptions).

Third Generation: Rents are ‘reset’ at or around market levels between tenancies.

- An example of this is Ireland, where initial rents must not be set more than market rent, and the Residential Tenancies Board publishes a quarterly rental bulletin which posts the relevant data for new letting agreed rents.

⁹ [Rent cap - Cost of living: rent and eviction - gov.scot \(www.gov.scot\)](https://www.gov.scot/cost-of-living-rent-and-eviction/)

First Generation Rent Models (Rent Caps)

Yield Based Model

1.35. This type of model would set a maximum rent level based on a % yield based on the property value, either at the time of purchase or on an agreed valuation date. This could either be a gross yield or net yield model, which would allow future costs of investment in improving the property to be taken into account. So, for example if we said that rents would be capped at a 10% annual yield then in a scenario where a property had been purchased for £100,000 then the maximum monthly rent would be £833 per month. Under the gross yield model, no allowance is made for costs such as interest charges on a buy to let mortgage, or any capital improvements that have been made to the property.

Under a Net Yield model these expenses could be included in the calculation as follows:

$$\text{Monthly Rent} = \frac{\text{Capital Purchase Price} + \text{Annual Interest Charges}}{12} \times \frac{10}{100}$$

So, if a landlord pays £4,500 a year in interest on a £100,000 property, then the calculation would be:

$$\text{Monthly Rent} = \frac{£100,000 + £4,500}{12} \times \frac{10}{100} = £870.83$$

Cost Based Model

1.36. A cost-based model, which would allow a landlord to demonstrate that the costs incurred on maintenance and improvements to a property in the previous 12 months, which benefit a tenant through providing improved quality of accommodation, are used to determine the rent that is charged.

Under this model expenses could be included in the calculation as follows:

$$Rent = \frac{Annual\ Mortgage\ Payments + Annual\ Costs\ on\ Maintenance\ and\ Repairs + 3\%}{12}$$

NB: 3% is to reflect that an element of profit is necessary in the private sector.

$$Rent = \frac{(\pounds4,5000 + \pounds2,500) \times 1.03}{12} = \frac{\pounds7,210}{12} = \pounds600$$

Affordable Supply Model

1.37. Under this model a certain proportion of new build units would be secured for “affordable rent” through the use of Section 106 planning obligations.

Quasi Social Rent Model

- Under this approach the “affordable rent” would be set at the Local Housing allowance rate (and could where in operation be put onto Leasing Scheme Wales) for a minimum of 25 years with:
 - i) option for RSL purchase (if meets Welsh Housing Quality Standards) at end (based on Acceptable Cost Guidelines at time of construction) OR
 - ii) if unit is to revert to private sector rental, a financial payment based on agreed formula that would be able to be recycled into securing more affordable housing.

Intermediate Rent Model

- Under this approach an agreed number of units would be retained for rent and the “affordable rent” would be set at 20% discount from Market Rent for the area and type of property. There could also be a financial mechanism to ensure that funding can be recycled back into securing more affordable housing.

Second Generation Rent Model (Moderated Rent Increases)

Energy/Quality Based Model

1.38. This type of model would link rents to the Energy Performance ratings of properties based on rent bands.

1.39. As an example, and purely for illustrative purposes, a banding system could operate along these lines.

EPC BAND	RENT CAP LIMIT
A	8%
B	7%
C	5%
D	2%
E	1%

Third Generation Rent Model (Market Rent Data)

1.40. This model would use the Rent Officer Data based on Broad Rental Market Areas and property type to determine an index of market rents that landlords would need to use to set the rent for a property.

Income Based Indices to determine Rent Pressure Zones

1.41. An income-based index would identify areas where the average household spends a certain percentage of income on rent, thus indicating that affordability was an issue. Such a model would result in rent pressure zones, which would allow for targeted intervention of rent control measures in a specific geographical location, over a defined period.

History of Rent Control in the UK

1.42. The UK Parliament website sets out a briefing paper charting the history of rent control in the UK¹⁰. A summary of the key elements of the briefing paper is outlined below:

1.43. *“Increase of Rent and Mortgage Interest (War Restrictions) Act 1915* introduced restrictions on rents of smaller, unfurnished, “working class” dwellings and held landlord’s mortgage interest rates to the August 1914 levels. Originally a 6-month measure, it was extended in 1919 and 1920 as housing shortage worsened.

1.44. The 1918 Hunter Committee found that these measures had positive support from both landlords and tenants. It issued recommendations to allow certain increases in rent and interest rates and that restrictions would not apply to new dwellings.

1.45. The *Increase of Rent and Mortgage Interest (Restrictions) Act 1920* extended rent control in duration and increased the value limit, meaning that almost all dwellings came within its scope.

1.46. In 1922, a committee recommended phasing out rent control in three stages by 1925, but the government decided to introduce changes more gradually. The *Rent and Mortgage Interest Restrictions Act 1923* extended rent control until 1933 but reduced controls on vacant properties.

¹⁰ [A short history of rent control \(parliament.uk\)](https://www.parliament.uk/briefing-papers/SN00001)

- 1.47. In the pre-War period, rent control did not apply to new dwellings. The impact of rent control on building new dwellings is contested, but there is some evidence to say rent control did devalue tenanted properties.¹¹
- 1.48. Rent control was gradually relaxed in the 1920s and 1930s. The *Rent and Mortgage Interest Restriction Act 1939* reintroduced full rent control, freezing rents at the September 1939 level. Intended to be in place until six months after the end of the war, the legislation remained in place until 1968.
- 1.49. In 1945, the Ridley Committee recommended exempting new builds from rent control and allowing rent tribunals to determine 'fair rents' on unfurnished dwelling in the PRS. However, these recommendations were rejected by the Government.
- 1.50. The rate of owner occupation in the UK increased from 19% in 1931 to 30% in 1951. In 1951 the PRS made up 45% of the housing stock, reducing to 25% in 1961. This was partly caused by the increase in owner occupation, but also a result of demolition through slum clearances and acquisition by local authorities.
- 1.51. The *House Repairs and Rents Act 1954* lifted the control on rent of newly built and converted properties. The Act also allowed rent increases on properties let before September 1939 that had been kept in a good state of repair.
- 1.52. The *Rent Act 1957* exempted more valuable dwellings from rent control and introduced a formula based on rateable value to fix maximum rent.

¹¹ Kemp, P., *Private Renting in Transition*, 2004, p.26

- 1.53. The *Rent Act 1965* introduced rent regulation, with independent rent officers assessing what would be a fair rent, with the market setting the rent and any dispute between landlord and tenant referred to the rent officer. The *Rent Act 1974* extended this regulation to furnished properties and excluded tenancies with a resident landlord.
- 1.54. The *Housing Act 1988* meant that no new regulated tenancies could be introduced from 15th January 1989. This ended rent control for any new properties and created a gradual end of rent control across the whole sector.
- 1.55. In Northern Ireland, rent control was removed from the private rented sector in 1978, with the exception of protected and statutory tenancies. In April 2007, rent control was brought in for 'all tenancies which commenced after this date and where the property was built before 1945 and does not meet the statutory fitness standard, the rent is determined by the Rent Officer for Northern Ireland.'

Experience in Other UK Nations

Scotland

1.56. The Scottish Government introduced first generational rent controls through the introduction of a rent freeze and a moratorium on evictions with The Cost of Living (Tenant Protection) (Scotland) Act 2022. However, these protections only apply to in-tenancy rent increases and do not prevent rental property that is vacant and being marketed from increases in rental prices. It is of note that according to ONS data¹², the greatest increase in all of the UK administrations of in-tenancy rent prices has occurred in Scotland, which has seen an increase of 5.1% in the 12 months to March 2023, which is 0.2% more than the UK average, and 0.7% higher than Wales.

1.57. Letting agents are regulated through Part 4 of the Housing (Scotland) Act 2014:

- mandatory registration of letting agents.¹³
- a statutory letting agent code of practice.
- a means of redress to the First-tier Tribunal for Scotland (Housing and Property Chamber), for where there has been a breach of the code of practice.
- powers for Scottish Ministers to obtain information and of inspection, to monitor compliance and support enforcement.

1.58. Landlords are required to register with their local authority and ensure they meet the legal requirements for letting houses.¹⁴ Local authorities are responsible for enforcing landlord registration.

1.59. The landlord registration scheme:

¹² [Index of Private Housing Rental Prices, UK - Office for National Statistics \(ons.gov.uk\)](https://ons.gov.uk/housing/rental-prices)

¹³ [Letting agent registration - mygov.scot](https://mygov.scot/letting-agent-registration)

¹⁴ [Landlord register home - Scottish Landlord Register \(landlordregistrationscotland.gov.uk\)](https://landlordregistrationscotland.gov.uk)

- provides a register of all private landlords for public inspection (with the added assurance that the council has conducted a 'fit and proper person' test).
- provides a regularly updated register that can be used to help communication between councils and landlords.
- ensures that landlord registration enforcement action is focused on tackling the worst landlords in the sector, including those who fail to act to minimise their tenants' anti-social behaviour.

Northern Ireland

1.60. Northern Ireland introduced a system of rent regulation with the Private Tenancies Act (Northern Ireland) 2022.¹⁵ The Act limits rent increases to once every 12 months and allows regulations to be made to freeze rents and/or cut them by up to 10% for a period of up to four years, subject to consultation with landlords, tenant representatives, and councils.

1.61. The Chartered Institute of Housing (CIH) were commissioned to produce a report on behalf of the Northern Ireland Department of Communities on existing evidence regarding rent control or regulation, specifically looking at rent affordability and the potential impact in Northern Ireland.¹⁶

1.62. The report found that affordability issues for low-income households had been driven less by rent inflation, and more through punitive aspects of the social security system, such as freezes in local housing allowance rates and the use of the shared-accommodation rate for younger single people in one-bedroom homes.

1.63. The report found that the primary benefit of a rent freeze or reduction would be felt by in-situ tenants. Since a freeze or reduction would reduce

¹⁵ [The Private Tenancies Act \(Northern Ireland\) 2022 - A Guide to Sections 1-6 for Tenants and Landlords | Department for Communities \(communities-ni.gov.uk\)](#)

¹⁶ [Rent Regulation in the Private Sector in Northern Ireland | Department for Communities \(communities-ni.gov.uk\)](#)

the size of the sector, some tenants could be evicted and prospective tenants would face difficulty finding suitable housing.

England

1.64. The UK Government has stated it does not support rent controls in England¹⁷. However, it has recently laid a Bill before Parliament to legislate to ensure more predictable rent increases by:

- Only allowing rent increases once per year.
- Increasing the minimum notice landlords must give of a rent increase to two months.
- Ending the use of rent review clauses in tenancy agreements.
- Preventing First-Tier Tribunals increasing the rent beyond that asked for by the landlord.

¹⁷ [Private rented housing: the rent control debate - House of Commons Library \(parliament.uk\)](https://www.parliament.uk/libraries/commons/private-rented-housing-the-rent-control-debate)

Research commissioned to inform this Green Paper

CaCHE Briefing Paper for Welsh Government

1.65. The Welsh Government commissioned the UK Collaborative Centre for Housing Evidence (CaCHE) to produce a briefing paper collating evidence around international examples of rent control and considered those in the context of Wales. The purpose of this desk-based research was to provide an understanding of both the potential implications that could arise should rent control policies be introduced and also to identify the gaps where the current evidence or data would need to be enhanced. The conclusions set out in the briefing paper have helped to inform the potential policy interventions set out later in this consultation. A full copy of the report is provided as an Annex to the Green Paper.

1.66. In summary the main conclusions in the CaCHE briefing paper were:

- Evidence suggests sub national and regional variations in housing markets means that it may not be appropriate to introduce a uniform, nationwide rent control scheme for Wales.
- Context matters and it is important that care is exercised when drawing lessons from different countries, institutions, and market settings: Wales is neither Scotland nor England and Ceredigion and Conwy are not Cardiff.
- Raised question of whether fixing other policy weaknesses (e.g., the supply and cost) of social rented housing would reduce the need for interventions in the private rented sector.
- The private rented sector does not exist in a vacuum and it is a critical part of the housing system in Wales.
- It is important to invest in enhancing local housing market analysis and improving the quality of data in relation to the private rented sector in Wales.

- There is limited data in respect of the stock, the profile of landlords and tenants, information on current rent levels and data at the local geographical scale.
- There is a strong case to be made for new research which examines the motivations and behaviours of both landlords and tenants in the private rented sector in Wales.
- Any policy interventions which are introduced need to work with the evidence base and be accompanied by a commitment to ongoing monitoring and evaluation.
- It will be important to consider potential problems of implementation and enforcement, and to consider how policy compliance might be achieved.

Data Mapping

1.67. The Welsh Government commissioned a data mapping project to identify and map current and historical data to explore rents and affordability in Wales, informing policy development and research on 'fair rents' or 'rent control' in line with the conclusions highlighted by the CaCHE review.

1.68. Alma Economics conducted the data mapping project from November 2020 which involved:

1.69. reviewing 138 results across different types of indicators: socio-demographic conditions, housing quality, housing stock and construction, housing prices in the sales market, housing rents, homelessness, landlord possession actions and evictions, taxes, housing tenure, utility expenses, housing benefits, dwelling types, and landlord characteristics – as well as spatial data on geographical boundaries to produce geographical representations. This data was then used to provide insight into the market by illustrating key trends and patterns, as well as using spatial maps to capture variation across Wales.

1.70. The project identified several data gaps and limitations, such as:

- A lack of robust data on tenant characteristics to build a profile of tenants across Wales.
- Limited information on landlord characteristics. Rent Smart Wales collects information through a non-obligatory questionnaire to registered landlords. There is also no information on how many landlords exit the rental market and the reasons behind this.
- Geographically granular data (for Lower layer Super Output Areas) is not available for several indicators, including homelessness, energy, and utility expenses. This restricts understanding of geographical variations between local areas and communities.
- Income estimates at a geographical level below the Local Authority level are not up to date, impacting the robustness of the analysis on housing affordability.

1.71. The report identified several conclusions that reflect the rental market in Wales:

- In 2021, households in the bottom 25% of the income distribution, living in private rental housing at the correspondent rental price quartile, **spent more than 35% of their income on rent.**
- Available data suggests that **more deprived areas face higher affordability pressures** than less deprived ones.
- The number of households threatened with homelessness increased from 7,000 in 2016 to more than 9,000 in 2022. **67 households in every 10,000 were threatened with homelessness** in Wales in 2022. In Cardiff and Newport, more than 100 households in every 10,000 were threatened with homelessness.
- The percentage of poor-quality housing was relatively similar across the three Welsh regions¹⁸ (20%). However, **there was a wide variation across LSOA¹⁹s even within the same city**, ranging from

¹⁸ South Wales, Mid and West Wales, and North Wales

¹⁹ LSOA- stands for Lower Super Output Area – it is a geographical area used for statistical analysis and have been generated to be as consistent in population size as possible.

less than 10% to more than 25% across different LSOAs. For example, in Cardiff, poor quality housing was more concentrated in the city centre, and in Newport, the area around the river Usk displayed a much higher proportion of poor-quality dwellings.

- In Wales, more than **50% of the stock in the housing rental market was privately rented**, and private providers were also responsible for the majority of new construction.
- The private rental market was relatively concentrated. While most landlords (70%) owned only one property, **owners with more than 10 properties** (2% of all landlords in Wales) owned 21% of the housing stock. In Cardiff and Swansea, they owned 30% and 25% of the housing stock, respectively.

Supply and Demand

1.72. There is a link between the availability of property and peoples' ability to secure adequate housing. The Committee on Economic, Social and Cultural Rights identifies that delivering housing adequacy must be about more than 'merely having a roof over one's head', but where the priority is to get any accommodation in a competitive market with limited supply, it is likely people will have to sacrifice many other measures of adequacy along the way.

1.73. There are many sources of evidence that demonstrate an imbalance between housing supply and demand as an issue in Wales:

- The Bevan foundation published a report on the availability of accommodation at Local Housing Allowance rates for those reliant on housing related benefits.²⁰ Local Housing Allowance is set at the 30th percentile of rents in a Broad Rental Market Area (BRMA) and has been frozen since April 2020. During the 2-week period of the Bevan

²⁰ [Wales-Housing-Crisis-Winter-2023.pdf \(bevanfoundation.org\)](https://bevanfoundation.org/Wales-Housing-Crisis-Winter-2023.pdf)

Foundation's research in February 2023, 32 properties across the whole of Wales were found to be available at LHA rates, equating to 1.2% of the market; 16 local authorities did not have any property affordable within LHA.

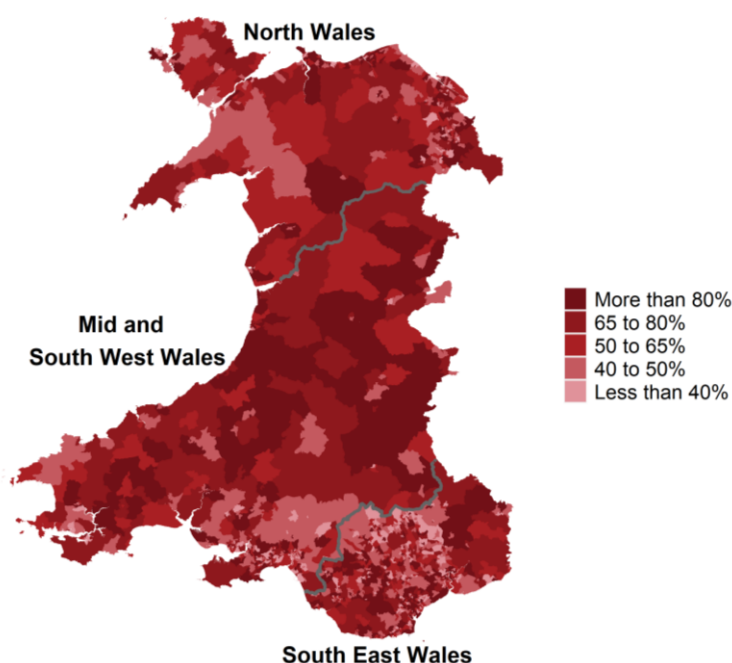
- Data held by Welsh Government for the year to the end of September 2022 indicates a shortfall between LHA rates and current rents being charged on an all-Wales basis of just under 9% (8.99%). However, this masks significant regional variations, with Newport and Monmouth showing the greatest differences of 20.20% and 17.55% respectively.
- Anecdotal evidence from lettings agents suggests there is fierce competition for properties new to the rental market, especially in 'hot spot' areas which are in demand. Intense demand may also increase the price of accommodation.²¹
- [ONS 2021 Census data](#) analysed by Alma Economics (illustrated below) shows that in inner city areas the proportion of households privately renting can be as high as 78% to 90% of the homes in an area, illustrating areas of high demand, and correspondingly high rental prices as additional supply is constrained.
- The ongoing impact of the pandemic, the cost of living crisis, affordability of the Private Rented Sector (PRS) and the humanitarian crisis arising from the war in Ukraine, and the impact of other refugee responses, have all placed considerable pressures on housing services and wider partners, and have necessitated an increased reliance on temporary accommodation in the short term. At 31st December 2022, 9,247 individuals were in temporary accommodation, of which 2,739 were dependent children aged under 16.
- A number of Annual Monitoring Reports for Local Planning Authorities' Local Development Plans (LDPs) shows that in many cases the numbers of properties built to date over the period of the LDPs falls significantly short of the expected numbers. There are many reasons why this might be, including effects of the pandemic, escalating materials prices, and impact of other policies such as phosphates restrictions. In drafting LDPs

²¹ [Welsh rents seeing record rises in busy letting market | Peter Alan Estate and Letting Agent](#)

planning authorities take into account the expected future housing needs of the local population. If those targets are not met, it is likely to mean supply is not meeting local needs, and prospective residents will find it more difficult to satisfy their housing needs adequately.

1.74. Clearly where people are unable to access accommodation at all or are limited in their choices of the accommodation available to them because of affordability or competition, this will lead to people having to accept accommodation which does not meet all of their needs.

Figure 2. Households in the private rental market across LSOAs



Source: Alma Economics calculation using data from Office for National Statistics (Census 2021).

Note: Households in the private rental market as a percentage of the total social and private rental market.

[Produced by Alma Economics: "Data Mapping and Visualisation" for Welsh Government 2023]

1.75. As can be seen in Figure 2 above, understanding the local context is important. Whilst overall 24.6% of households privately rent in Cardiff in certain Lower Super Output Areas, such as Cathays, and parts of Roath, the number of households renting can be as high as 78% of all

households in that area, indicating an area of higher demand for rental properties than elsewhere in the city. Understanding the particular demand is also important, so in an area like Cathays, we know there is a large student population and therefore a high demand for shared student rentals.

1.76. However, it is not just in large urban towns where there is a high concentration of households reliant on the rented sector. As illustrated above parts of Monmouthshire, Powys, Gwynedd, and Ceredigion all have more than 80% of households renting.

Q9. Can you provide any additional data or evidence which has not been considered? (Please provide details)

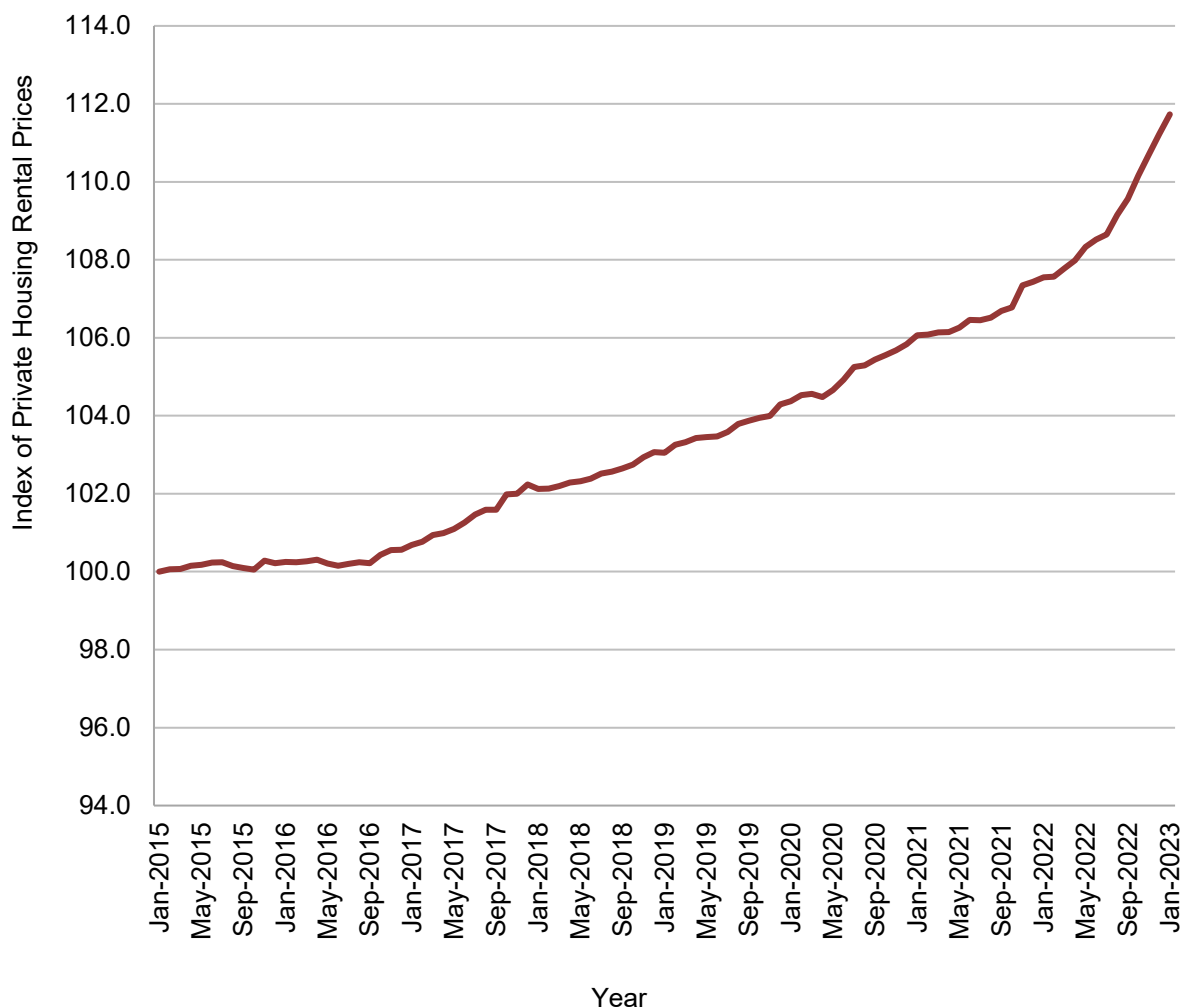
2.0 Local Incomes and Affordability Data

Housing Rental Prices

2.1. The Index of Private Housing Rental Prices published by ONS has shown (see below) that over the last 8 years private rental prices in Wales have risen by approximately 12% (e.g., the difference between the 2015 baseline of 100, and 111.7 in 2023). However, over a third of that growth (4.2%) has occurred in the last 12 months from January 2022 to January 2023 (Welsh Government, 2023) (e.g., the difference in the indices between 107.5 and 111.7. The Index uses rental prices provided by Valuation Office Agency, Scottish Government, Welsh Government and Northern Ireland Housing Executive.

2.2. Data from Rents Officers Wales for February 2023 provides average rent for each local authority, showing a large range between the lowest average rent in Blaenau Gwent (£425) and the highest average rent in Cardiff (£770) (Welsh Government, 2023).

Figure 3. Index of Private Housing Rental Prices for Wales



Source 1. Index of private housing rental prices. Office for National Statistics (2023).

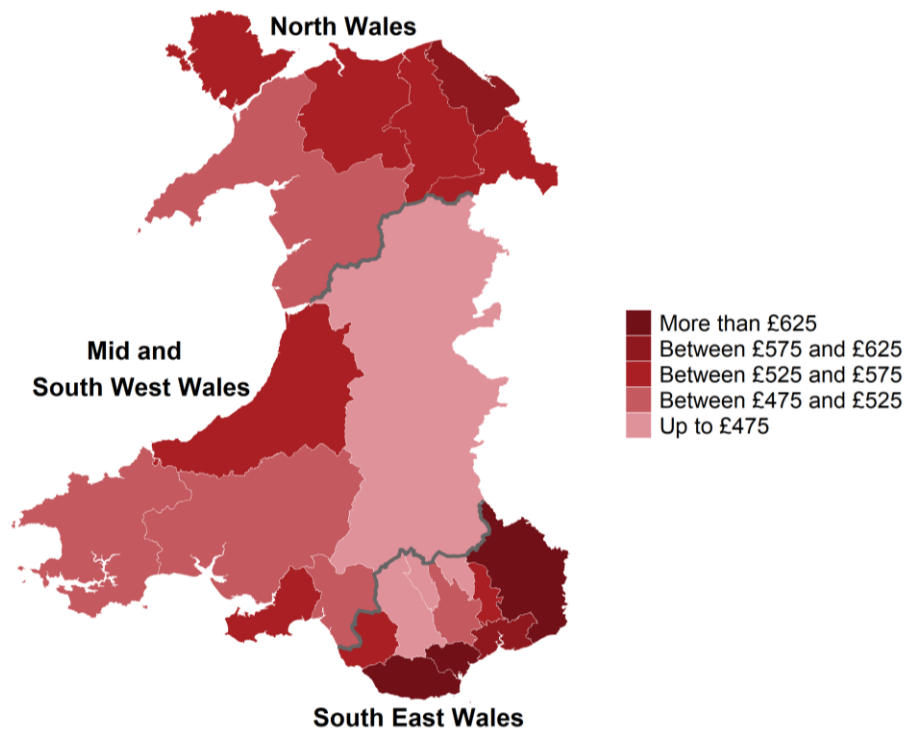
[Produced by Alma Economics: "Data Mapping and Visualisation" for Welsh Government 2023]

2.3. It is important to consider that the average (mean) price can be influenced by a few rental units with very high rental prices, particularly in smaller Broad Rental Market Areas (the area that Rent Officers use to look at rental values in order to determine the 30th percentile which is used to set Local Housing Allowance Rates). Using median rent will exclude some of these high rental prices in order to obtain a more accurate picture of the market as set out in Figure 4.

2.4. As Figure 4 below shows there is still a significant variation of median monthly rent across Wales with Monmouthshire, Conwy, Cardiff, and Vale

of Glamorgan showing the highest rents, and Powys, Merthyr, Blaenau Gwent, and Rhondda Cynon Taf the lowest.

Figure 4. Median monthly rent in the private rental market across Local Authorities



Source: Rent Officer Wales (2023).

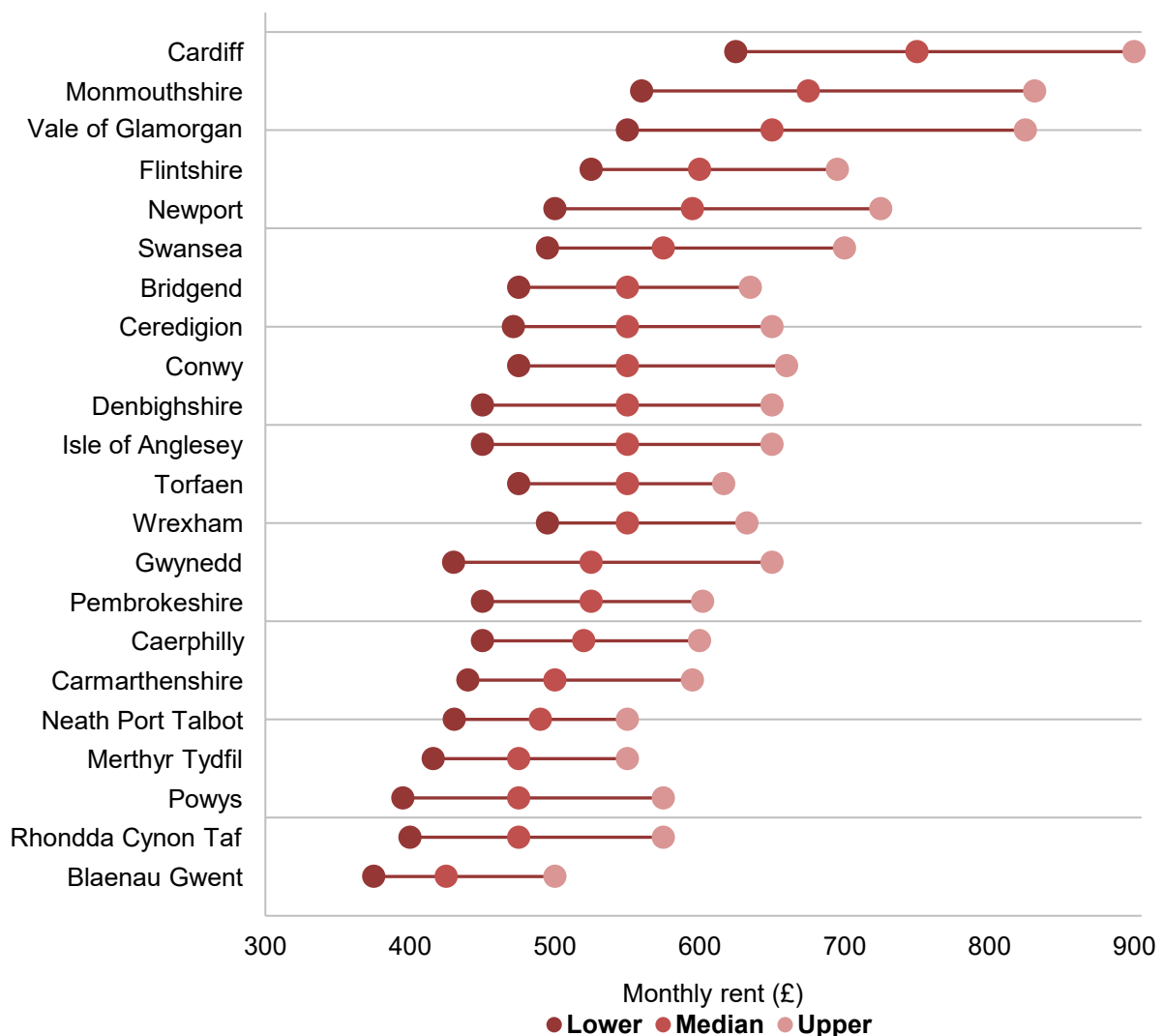
[Produced by Alma Economics: "Data Mapping and Visualisation" for Welsh Government 2023]

2.5. Using quartiles data (as shown in Figure 5 below) highlights that:

- Local authorities such as Cardiff, Monmouthshire, Swansea, and Ynys Mon have a larger range of rental prices than Blaenau Gwent or Neath Port Talbot.
- The lower quartile for Cardiff, Monmouthshire, and Vale of Glamorgan is equal to or higher than the median for all other local authorities apart from Flintshire.
- The upper quartile for Blaenau Gwent is only slightly higher than the median for all other local authorities.

2.6. This data indicates that percentage changes in rent levels will impact very differently in one area compared to another. For example, if we take the average rents in Cardiff and Blaenau Gwent a 5% increase would see an additional £38.50 per month in Cardiff and £21.25 per month in Blaenau Gwent. This is important context when considering local affordability, as whilst 5% may appear to have a bigger impact in Cardiff, an additional £21.25 may impact more if the income of renters in Blaenau Gwent is lower.

Figure 5. Lower, median, and upper quartile of private rental prices across Local Authorities



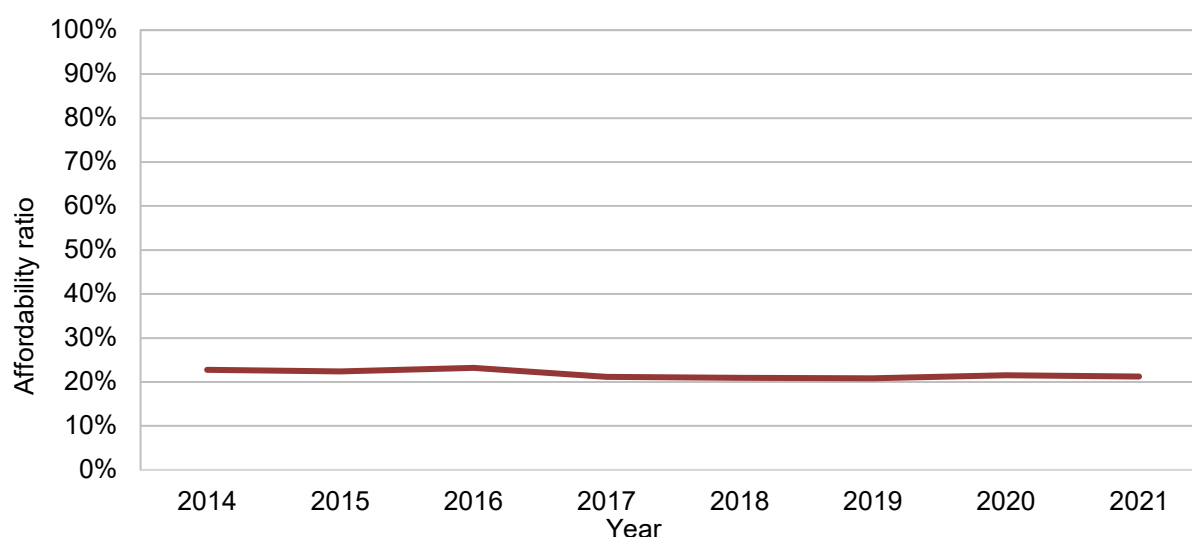
Source: Alma Economics calculations using rental market data from Rent Officers Wales (2023).

[Produced by Alma Economics: "Data Mapping and Visualisation" for Welsh Government 2023]

Affordability

2.7. Affordability of private rental tenancies based on the median price over the median income in Wales has remained between 21% and 23% in each of the last 9 years (Welsh Government, 2023).

Figure 6. Affordability ratio in Wales



Source: Private rental affordability. Office for National Statistics (2022).

[Produced by Alma Economics: "Data Mapping and Visualisation" for Welsh Government 2023]

2.8. Under this approach it would appear that Wales does not have an affordability issue in the private rented sector as the ratio is below 30%. However, the affordability ratio uses median monthly income among the general population. Based on the Family Resources Survey²² (2021), the median monthly income among the general population (£2,595) is 10% above that of private renters (£2,345). In the lowest quartile of income (25th percentile), private renters earn £1,215 per month, while the lowest quartile of the overall population makes £1,811 per month.

	Monthly Income	
	25th Percentile	Median
Overall Population	£1,811	£2,595
Private Renters	£1,215	£2,345

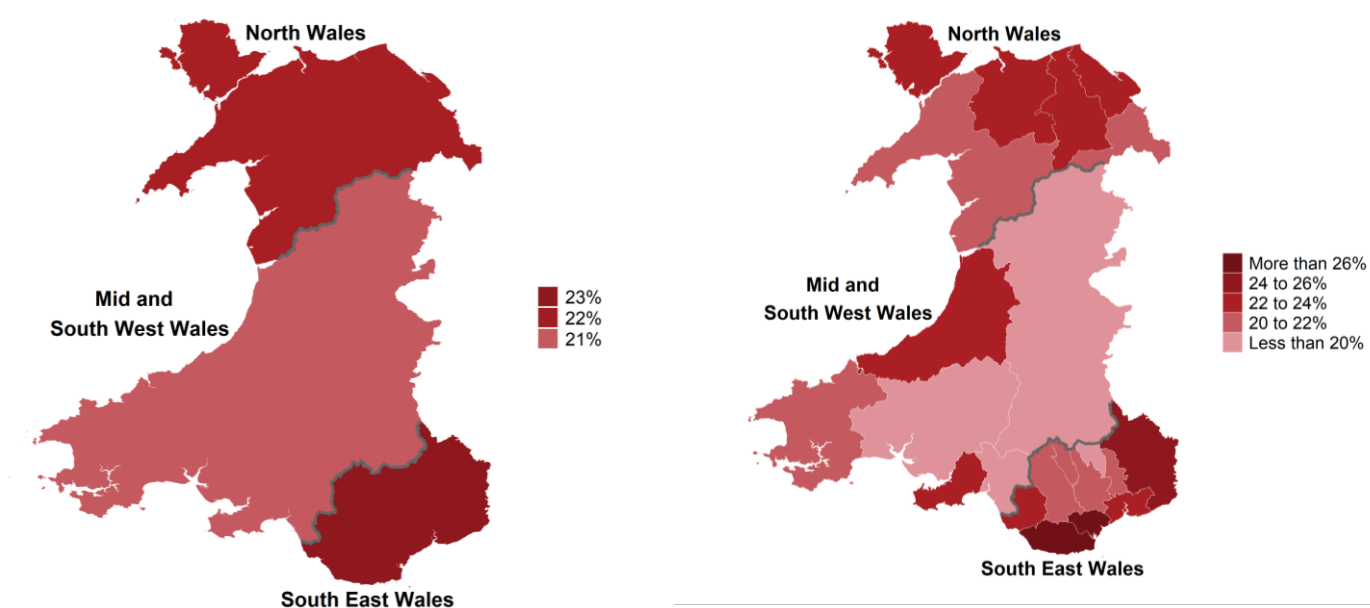
*Based on Family Resources Survey (2021)

²² [Family Resources Survey: financial year 2021 to 2022 - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/statistics/family-resources-survey-2021)

2.9. In this situation using the 30% rule of affordability under the median income of private renters, an affordable rent would be £703 per month. However, if we look at the lowest quartile of earnings for private renters an affordable rent would only be £364 per month. This indicates that there are clearly areas of Wales where affordability could be an issue but does not show precisely where they are located.

2.10. Unfortunately, up to date data on income for households in the private rental sector is not held at a local authority or lower super output area scale, which makes it difficult to compare rental prices and income on a local basis to better understand affordability. Alma Economics have looked to plot the affordability ratio at a regional level and local authority level using estimates of income based on the general population. Therefore, they should be considered indicative rather than definitive.

Figure 7. Affordability ratio across Welsh regions and Local Authorities



Source: Alma Economics calculations based on rental market data from Rent Officers Wales (February 2023) and gross earnings by local areas in Wales (2022).

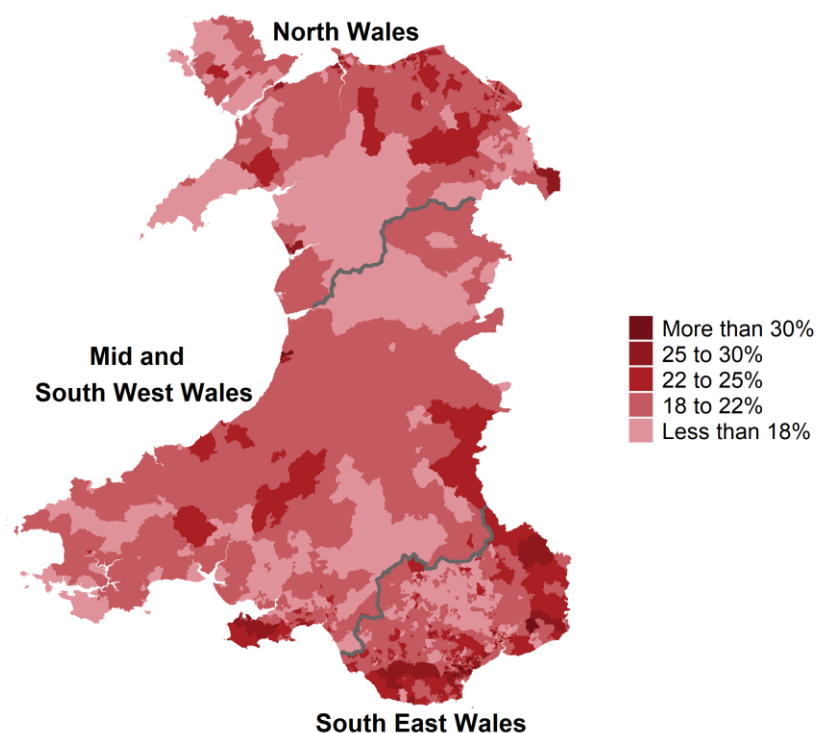
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2.11. At a regional level, rental prices in the private market range from 20% to 22.1% of median earnings (Welsh Government, 2023). At the local authority level, they range from below 20% to more than 26% of median earnings (Welsh Government, 2023). Again, under this data scenario it would appear that no area is above the 30% affordability ratio.

2.12. In order to illustrate a more local granularity in the affordability ratio at the Lower layer Super Output Area (LSOA), Alma Economics looked at the 2023 Rent Officer Data and were able to utilise admin-based income data for occupied addresses in Wales (which are currently experimental statistics produced by ONS). It is relevant to note that the income data was collected in 2018, and therefore is likely to have changed since then. However, the LSOA map below does provide a useful indicator to show that as you get to a more local level it does appear that some rents are making up more than 30% of median earnings, which would be above the threshold for affordability.

2.13.

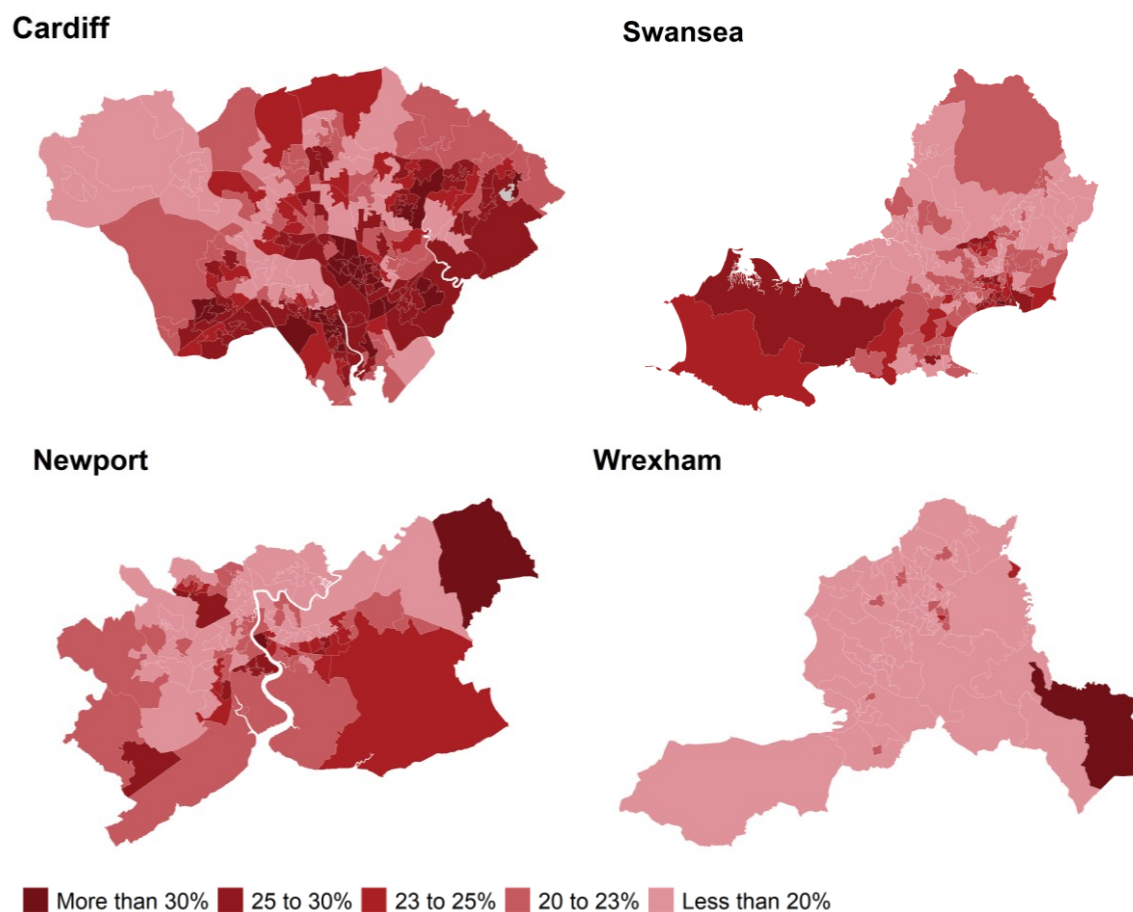
Figure 8. Affordability ratio across Lower layer Super Output Areas (LSOA)



Source: Alma Economics calculations using rental market data from Rent Officers Wales (2023) and admin-based income statistics, data for occupied addresses in Wales (2018). According to ONS, these admin-based income statistics are experimental (experimental statistics are official statistics in the testing phase and are not yet fully developed). The affordability ratio was calculated as the median rent over the median income. To estimate the income values of LSOAs in 2022, our team used the data on the admin-based income of LSOAs in 2018 adjusted by the average percentage increase in gross earnings of the corresponding Local Authorities between 2018-2022.

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Figure 9. Affordability ratio across cities (LSOA level)



Source: Alma Economics calculations using rental market data from Rent Officers Wales (2023) and admin-based income statistics, data for occupied addresses in Wales (2018). According to ONS, these admin-based income statistics are experimental (experimental statistics are official statistics in the testing phase and are not yet fully developed). The affordability ratio was calculated as the median rent over the median income. To estimate the income values of LSOAs in 2022, our team used the data on the admin-based income of LSOAs in 2018 adjusted by the average percentage increase in gross earnings of the corresponding Local Authorities between 2018-2022.

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2.14. The LSOA heat map at Figure 9 below shows that the affordability ratio in cities, clusters in specific urban areas.

2.15. Current data sets do not collect information on tenants in these specific areas. Further data collection could help identify what factors are increasing the affordability ratio.

2.16. This affordability mapping raises a number of important considerations. Firstly, the need to be able to collect timely data on income at the Lower Super Output and local authority level to have an accurate picture of affordability, and changes to affordability over time, in order to clearly know when and where any policy intervention may be appropriate. Secondly, that affordability is unlikely to be an issue in every part of Wales, and that affordability will change over time. Therefore, in following up on the points made in the CaCHE report, it is the local context that will be important, and a one size fits all policy solution may not be appropriate.

Q10. Do you agree that better data on incomes and affordability is necessary to inform policy interventions – and how could this data be obtained?

Collection of Rent Data

2.17. There are several data sets being collated across Wales on rent. However, there are distinct differences in terms of the data being captured. Rent Officers collect data on in-tenanted rental property (of those properties let to those people not receiving benefits) using a sampling framework across defined Broad Rental Market Areas (BRMA's) which broadly (but not exactly) reflect local authority boundaries. In contrast Zoopla and Rightmove produce statistical data on the asking rent (e.g., the rental price included on adverts for properties available to rent). This data generally reflects about 1.5% of the overall PRS market in Wales at any one time and is not necessarily the rent that ends up being charged for the property.

Rent Officers

2.18. The Welsh Government Rent Officer team has a range of legal duties that include:

- Undertaking market research within the private rented sector to assist the Department of Work and Pensions in the setting of Local Housing Allowance rates in Wales.
- Registering Fair Rents for Regulated Assured Tenancies.
- Undertaking reviews of BRMA boundaries.

2.19. The rate of Local Housing Allowance depends on the 30th percentile level of rent paid by private tenants in the same area.

2.20. There is a statutory obligation²³ to collect data on rents in Wales. However, there are no statutory powers to require that information, or a duty to respond to requests for information. This does mean that in some areas Rent Officers may struggle to obtain a sufficient sample of rents.

2.21. The Rent Officers primarily rely on letting agents to provide them with data on a range of property sizes in their area. However, not all properties in Wales are managed by letting agents, and therefore this can create challenges in obtaining a suitable sample size of data, particularly in the smaller BRMA boundaries.

Zoopla/Rightmove

2.22. Rightmove²⁴ and Zoopla²⁵ publish quarterly datasets of UK rental activity. This data is broken down by region, with Wales as the relevant subset. The report details average **asking rent** per calendar month, giving potential discrepancies with other data that use actual rent paid. The tracker also

²³ The Rent Officer (Housing Benefit Functions) Order 1997 (as amended)

²⁴ [Rental Price Tracker | Property blog \(rightmove.co.uk\)](#)

²⁵ [Zoopla UK Rental Market Report | Zoopla Advantage \(zpg.co.uk\)](#)

highlights rental price hotspots that have shown a significant annual change, as well as giving landlord yields.

ONS Data

2.23. The Office for National Statistics provide several data publications regarding the Private Rented Sector.

2.24. An Index of Private Housing Rent Prices provides a time series of historical private housing rental prices (index values and annual percentage change) by month between January 2005 and February 2023 for England, with data for Wales beginning in January 2009. The sources of private rental prices are the Valuation Office Agency (VOA), the Scottish Government, the Welsh Government, and the Northern Ireland Housing Executive (NIHE). Data for Northern Ireland also include data provided by Propertynews.com. The sources of the annually updated Index of Private Housing Rental Prices, UK: annual weights analysis dataset includes the Department for Levelling Up, Housing and Communities (DLUHC), the Scottish Government, the Welsh Government, the NIHE and the VOA.

2.25. An analysis of the dataset is published each year.²⁶ The main points from the most recent publication (February 2023):

- Latest release shows private rental prices paid by tenants in the UK rose by 4.7% in the 12 months to February 2023, up from 4.4% in the 12 months to January 2023.
- Annual private rental prices increased by 4.5% in England, 4.2% in Wales and 4.9% in Scotland in the 12 months to February 2023.

2.26. Given there are various sources of data on rents that are collated over different time periods and geographical periods there is a need to consider

²⁶ [Index of Private Housing Rental Prices, UK - Office for National Statistics \(ons.gov.uk\)](https://ons.gov.uk/housing/articles/index-of-private-housing-rental-prices-uk/2023-02-01)

how we look to bring this together into a more comprehensive data set for Wales so that we are able to compare like for like.

Q11. What data do you consider needs to be captured on rents and relevant affordability factors, at what scale, and how often?

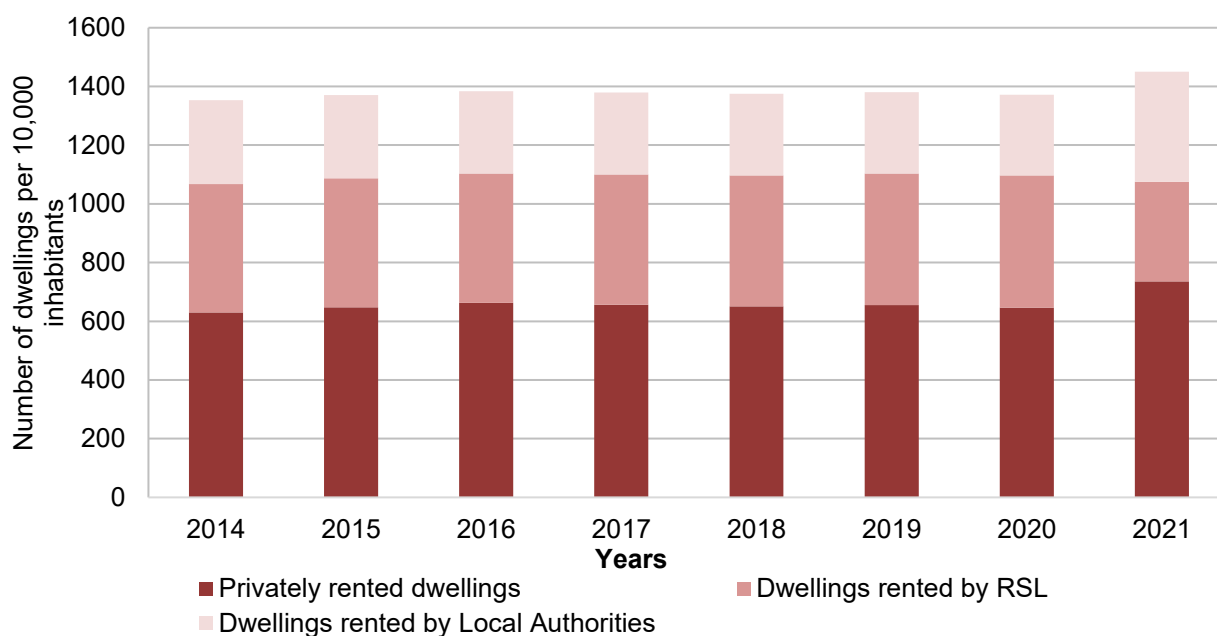
3.0 Adequate Housing (Supply and Availability)

Alma Economics Data Mapping

Current Stock

3.1. The number of dwellings in the rental market has increased less than 8% in the last 6 years, from 418,000 to 450,000. According to ONS Data 228,000 dwellings were privately rented²⁷, and 222,000 were socially rented at the time of the Census in 2021. Privately rented housing in Wales represents around 50% of all the properties in the rental market, and this share has remained stable, to a great extent, since 2014 – see Figure 10 below.

Figure 10. Dwelling stock per 10,000 inhabitants by tenure in Wales



Source: Alma Economics calculations using data from Office for National Statistics (Census 2021)

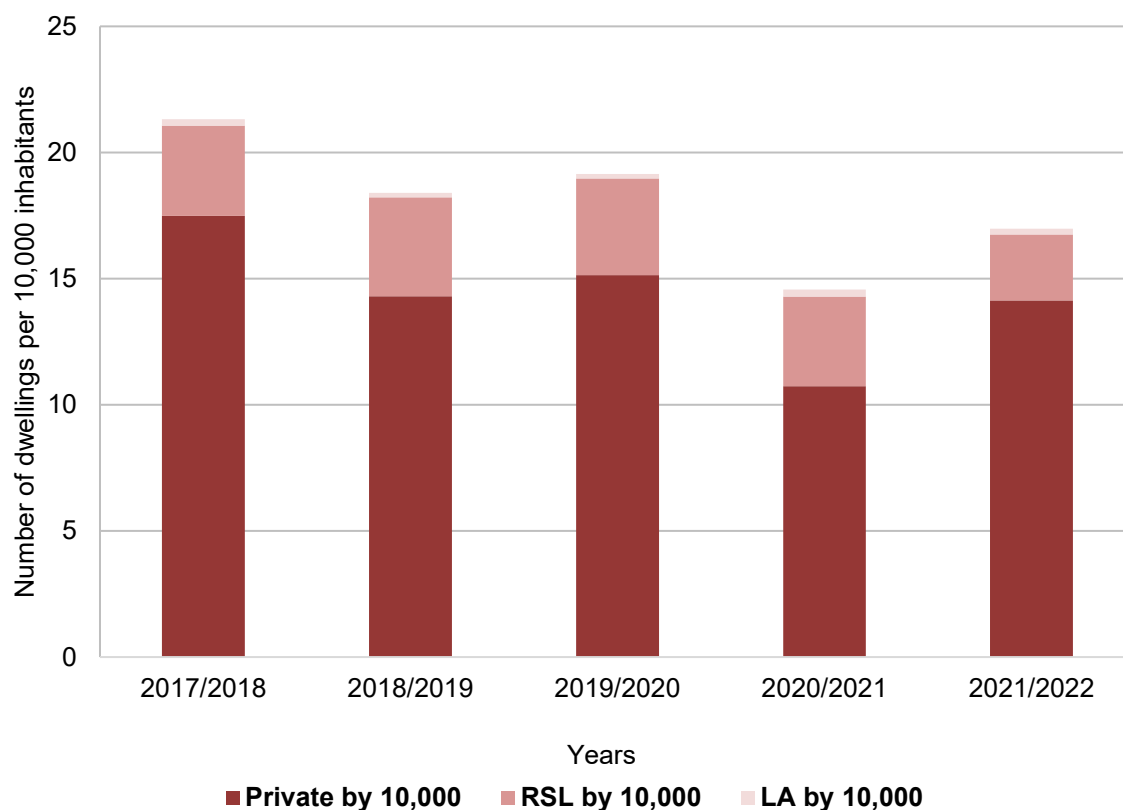
[Produced by Alma Economics: "Data Mapping and Visualisation" for Welsh Government 2023]

²⁷ The ONS data category is Private Rented or lives rent free and therefore this figure is higher than the number of PRS properties registered with Rent Smart Wales.

New housing

3.2. Since 2018, an average of 18 new dwellings per 10,000 inhabitants have been built annually in Wales, with the majority (14 out of 18) by private sector developers.

Figure 11. New dwellings completed by provider per 10,000 inhabitants in Wales

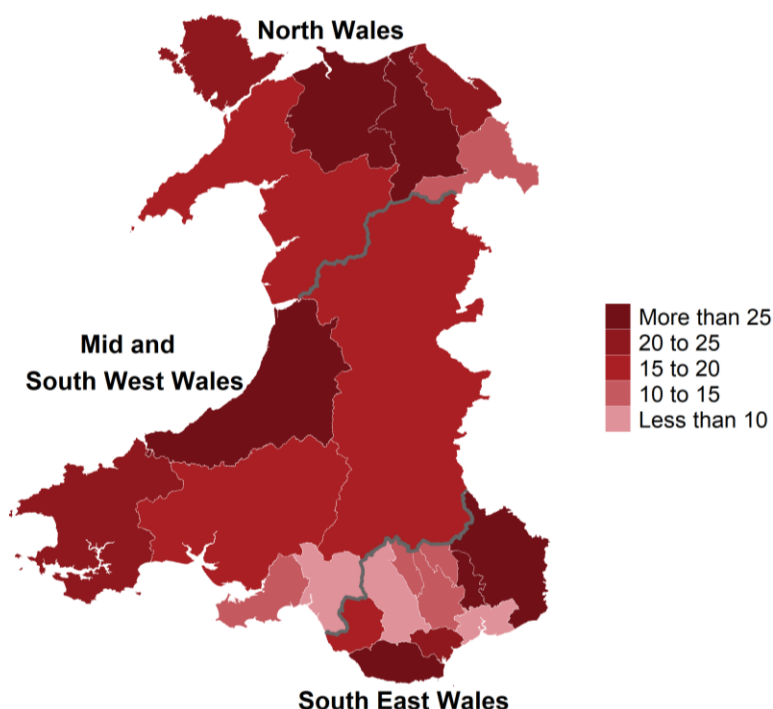


Source: Stats Wales (2022)

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3.3. There is variability in constructing new dwellings by local authority. In a few local authorities, Newport, Rhondda Cynon Taf, and Neath Port Talbot, new construction buildings in 2022 were below 10 dwellings per 10,000 inhabitants (Welsh Government, 2023). In Wrexham, Swansea, Merthyr Tydfil, Caerphilly, and Blaenau Gwent, all providers built less than 15 new dwellings per 10,000 inhabitants (Welsh Government, 2023).

Figure 12. New housing dwellings completed per 10,000 inhabitants across Local Authorities

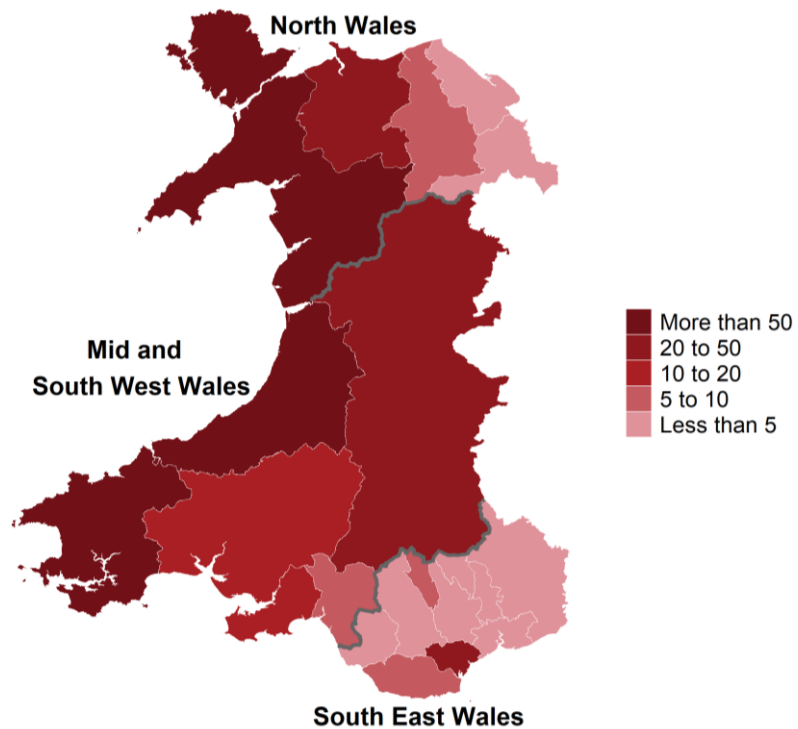


Source: Alma Economics calculations using data from StatsWales (2022) and Office for National Statistics (Census 2021).

[Produced by Alma Economics: "Data Mapping and Visualisation" for Welsh Government 2023]

3.4. The supply of properties has also been impacted in some communities in Wales due to the number of second homes. As Figure 13 below shows this has been more prevalent in the coastal areas of North, and Mid and South West Wales (Welsh Government, 2023) . Measures have been put in place that will allow local authorities to require planning permission for a change of use from a private home, or rented property to a second home, or short-term holiday let. However, there are and will remain areas where until the supply of new homes increases the available supply of property to rent may not meet the demand.

Figure 13. Number of second homes per 1,000 properties across Local Authorities



Source: Council Tax Dwellings Collection. StatsWales (2023).

[Produced by Alma Economics: “Data Mapping and Visualisation” for Welsh Government 2023]

3.5. The Welsh Government has committed to deliver 20,000 additional homes for social rent in this government term. We have also launched our £30m Leasing Scheme Wales programme that provides funding to private landlords to sign over properties to participating local authorities for a lease period of between 5 and 20 years, these properties can then be let to those in housing need. However, we are keen to explore further opportunities to increase the supply of affordable rental properties, which is discussed further in the next section.

Landlord Characteristics – possible implications on long term supply

3.6. Rent Smart Wales (the designated Licencing Authority run by Cardiff Council) collects information on landlord characteristics, with 210,000 properties across Wales registered to 101,000 unique landlords. Around 70,000 of these are

individual landlords (69.5%), joint landlords represent 24.3% of the sample, and corporate bodies an additional 5.3%.²⁸

Table 3. Type of landlords in Wales

Landlord type	Frequency	Percentage
Individual	70,307	69.5%
Joint	24,555	24.3%
Corporate Body	5,387	5.3%
Trust	630	0.6%
Charity	251	0.2%
Total	101,130	100%

Source: Alma Economics calculations using data from Rent Smart Wales (2023).

[Produced by Alma Economics: “Data Mapping and Visualisation” for Welsh Government 2023]

3.7. As shown below a large majority of these landlords (almost 70%) own only one property. Around 20% own two or three properties and around 10% have four or more properties in the rental market.

Table 4. Number of landlords in Wales by portfolio size

Portfolio size	Number of landlords	Percentage
One property	70,754	70.0%
Two or 3 properties	20,022	19.8%
4 to 10 properties	8,576	8.5%
More than 10 properties	1,778	1.8%
Total	101,130	100%

Source: Alma Economics calculations using data from Rent Smart Wales (2023).

[Produced by Alma Economics: “Data Mapping and Visualisation” for Welsh Government 2023]

²⁸ Individual landlords are unique people who own a rented property, whereas joint landlords are two or more people who own a rented property jointly. In joint landlord arrangements, individuals are registered through a unique registration.

3.8. As table 6 below demonstrates, the age demographic of landlords is reflective of the aging population of Wales, with over 50% (52.8%) of landlords registered with Rent Smart Wales being over 55 years of age (however these are non-obligatory questions so these results are based on a self-selecting sample of landlords rather than the total population). Over a quarter of landlords are over 65. Therefore, it is to be expected that there will be a turnover of landlords in the sector due to retirement or mortality in the future. The question over the longer term will be whether this will lead to a reduction in the supply of rental properties or a concentration in the sector with fewer landlords owning bigger portfolios of properties.

Table 5. Percentage of landlords in Wales by different demographic characteristics

Age range	
16-24	0.5%
25-34	6.7%
35-44	16.8%
45-54	23.2%
55-64	27.2%
+65	25.6%
Ethnic background*	
Asian	4.8%
Black	0.45%
Mixed/Multiple Ethnic group	1.0%
White	92.7%
Other	1.1%

Source: Rent Smart Wales (2023).

[Produced by Alma Economics: "Data Mapping and Visualisation" for Welsh Government 2023]

*Total does not equal 100 due to rounding.

3.9 Since Covid there has been significant anecdotal evidence and press articles regarding landlords exiting the market across the UK, including in Wales. It is difficult to ascertain with any certainty the exact numbers (although landlords are required to notify Rent Smart Wales if they leave the sector). It is a complex picture as for some landlords the impact of increased interest rates may be a driver, for others it may be a desire to

release the equity from a property to secure an annuity for retirement, or the recent changes to the tax rules, or regulatory reform may be the reason. Whatever the reasons for leaving the sector this will increase pressure on supply if this stock is sold on and not retained in private rental supply. Data from Rent Smart Wales does show that month on month the number of landlords registering and re-registering, and the number of properties overall registered are increasing. However, they still remain below the peak level seen in Summer 2021.

Q12. Are there other considerations and potential impacts (including other data sources) you wish to highlight in regard to the current and future private rental market?

4.0 Data Gaps

Rent Data

- 4.1. As highlighted in Section 2, there is currently no requirement to provide rent information, and there is currently limited data on local rents in Wales.
- 4.2. The better the quality of data on rent levels in an area the greater the confidence on what is the genuine market rent.
- 4.3. It is notable that in Ireland, where rent control measures are in place landlords are obliged to provide information on rents via the Residential Tenancies Board. Data on rent increases are collated quarterly and tenants can access average rent for their type of property in their local area.

Q13. What other sources of data on rent might we draw on to inform policy development and future monitoring and evaluation?

Q14. Do you think there should be a requirement to provide rent information to Rent Officers? (Yes/No – If no, please explain why)

Q15. How do you think such a requirement could be enacted and enforced?

Q16. Should such a requirement apply to all landlords or only some, perhaps larger, landlords? Why?

Rent Control

4.4. We outlined different approaches to rent control and the history of it in section 1 of the Green Paper. We are keen to understand more about the possible mechanisms that could be used under the various generations of control, and also the potential impacts and consequences if certain options were to be taken forward.

Q17. What do you consider to be the advantages and/or disadvantages of first, second, and third generation rent control measures?

Q18. What factors should apply to determine if a rent control measure is required?

Q19. Who should be responsible for determining if a rent control measure is to be introduced?

Q20. How could compliance with a rent control measure be monitored and enforced?

Q21. Do you have any views on the models for rent control measures?

Other Observations

4.5. As set out, this Green Paper is a Call for Evidence, so please provide any further observations regarding housing adequacy, fair rents, or affordability if it has not already been covered in the sections above.

Q22. Do you have any further evidence or observations that you wish to provide?

Summary of Questions

Q1. Do you think that the 7 factors of adequacy are something to aspire to achieving in Wales? If so, what mechanism or combination of mechanisms do you think are required to achieve the 7 factors of housing adequacy in Wales? (Please explain your reasons)

Q2. What considerations should be taken into account when establishing a minimum core for Wales against the 7 factors of housing adequacy?

Q3. What type of monitoring arrangements and/or enforcement measures should be available to ensure the delivery of housing adequacy? (Please explain your reasons)

Q4. Are there any other considerations or potential implications of working towards delivering the 7 factors of housing adequacy you wish to highlight?

Q5. Do you agree with the proposal to define “fair” in its broader context? (Yes/No – Please explain why)

Q6. What considerations do you think should be taken into account when defining what is meant by fair rents – and how might we avoid unintended consequences?

Q7. What considerations do you think should be taken into account when defining “local incomes” – and how should it be defined?

Q8a. What measures should be used to assess affordability, and why?

Q8b. Do you agree that 30% of a household’s income is an appropriate indicator of affordability? (Yes/No – If no, please explain why and what alternative value could be used).

Q9. Can you provide any additional data or evidence which has not been considered? (Please provide details)

Q10. Do you agree that better data on incomes and affordability is necessary to inform policy interventions – and how could this data be obtained?

Q11. What data do you consider needs to be captured on rents and relevant affordability factors, at what scale, and how often?

Q12. Are there other considerations and potential impacts (including other data sources) you wish to highlight in regard to the current and future private rental market?

Q13. What other sources of data on rent might we draw on to inform policy development and future monitoring and evaluation?

Q.14. Do you think there should be a requirement to provide rent information to Rent Officers? (Yes/No – If no, please explain why)

Q15. How do you think such a requirement could be enacted and enforced?

Q16. Should such a requirement apply to all landlords or only some, perhaps larger, landlords? Why?

Q17. What do you consider to be the advantages and/or disadvantages of first, second, and third generation rent control measures?

Q18. What factors should apply to determine if a rent control measure is required?

Q19. Who should be responsible for determining if a rent control measure is to be introduced?

Q20. How could compliance with a rent control measure be monitored and enforced?

Q21. Do you have any views on the models for rent control measures?

Q22. Do you have any further evidence or observations that you wish to provide?

Glossary

BRMA – Broad Rental Market Area

CaCHE – Collaborative Centre for Housing Evidence

CESCR – Committee on Economic, Social and Cultural Rights

CIH Cymru – Chartered Institute for Housing Cymru

ICESCR – International Covenant on Economic, Social, and Cultural Rights

JRF – Joseph Rowntree Foundation

LHMA – Local Housing Market Analysis

LSW – Leasing Scheme Wales

NIHE – Northern Ireland Housing Executive

ONS – Office for National Statistics

RHA – Renting Homes (Wales) Act (2016)

RSW – Rent Smart Wales

VOA – Valuation Office Agency

WHQS – Welsh Housing Quality Standards