

Welsh Government

Briefing Paper on Rent Control: Context, Issues and Options

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[Executive Summary](#)

The Welsh Government has committed in its Programme for Government and as part of the Co-operation Agreement with Plaid Cymru, to publishing a White Paper on Fair Rent (including consideration of rent control) and the Right to Adequate Housing in making the private rental market affordable for local people on local incomes and new approaches to making homes affordable. Critically, the Welsh Government is seeking to understand the evidence about rent control (described as “fair rents” – though this is a term that still applies to a small number of lettings in the private rented sector) across the spectrum from hard to soft rental interventions. This paper summarises and synthesises published research carried out by the UK Collaborative Centre for Housing Evidence (CaCHE) in relation to the ongoing preparations for rent control legislation in Scotland (Gibb, Soaita and Marsh, 2022; Gibb and Marsh, 2022; Marsh, Gibb and Soaita, 2022; and Gibb, James and Smith, 2022).

[Welsh Context](#)

As in other parts of the UK the scale of the private renting in Wales has grown considerably over the last two decades. In March 2001 there were an estimated 90,445 dwellings in this sector (7.1% of the dwelling stock) By March 2020 the estimated number of dwellings in the private rented sector in Wales stood at almost 205,000 (14.3% of the stock, Stats Wales). Of course, the number and proportion of dwellings in the private rented sector varies across Wales.

Many households over the last two decades and more have experienced problems in accessing both the owner-occupied and social rented sectors. Over this period there has also been a significant growth in housing requirements in Wales, fuelled by increasing population, falling average household size and net in-migration. On the supply side, the growth of the sector has been prompted by a number of factors encouraging new investment in the sector, including the growth of buy-to-let mortgages. However, there are signs that the scale of private renting in Wales may have plateaued, although further changes should be monitored closely.

The Housing (Wales) Act 2014 introduced specific measures for the regulation of private rented housing in Wales and in November 2015 Rent Smart Wales (RSW) was established, with a responsibility for registering private landlords and licensing managing agents across Wales (there was already a voluntary landlord accreditation scheme in place in Wales; the 2014 legislation provided for mandatory registration and accreditation). Wales has also legislated, under the Renting Homes (Fees etc.) (Wales) Act 2019 to limit the fees which can be charged to tenants.

There are further changes in the pipeline for major reforms of the entire rented sector in Wales. The Renting Homes (Wales) Act was given Royal Assent in January 2016 and substantially reforms the ways in which properties in both the social and private sectors are let. The Act (as subsequently amended) is the biggest change to housing law in Wales for decades. Significant changes in existing legal and court processes have been necessary before many of the provisions of the legislation can be implemented, but the proposed changes are due to come in force from December 2022.

The intention is the new legislation will simplify the current position in Wales and address several existing anomalies. In summary, the main changes include:

- **Changes to types of tenancy.** Most current tenancies and licenses will be replaced with either a secure occupation contract or a standard occupation contract.
- **Changes to types of landlords.** Landlords will be placed into one of two groups: community landlords (local authorities and housing associations) and private landlords (private landlords). The latter operate standard occupation contracts.
- **Introduction of standard terms within occupation contracts.** Landlords will be required to use written terms to tenants (contract holders) with a statement of the rights and responsibilities of both landlord and contract holder.
- **Changes to the way occupation contracts end.** This will include a minimum 6 month notice period on “no fault grounds”. Landlords will not be able to serve such notices until at least six months after the contract starts.
- **Introduction of a new fitness standard for rented homes in Wales.** This is based on the Housing Health and Safety Rating System).
- **New rules about joint contracts, successions, and security for contract holders.** The includes increasing the number of possible successions from one to two.
- **Changes to the way abandoned properties are dealt with,** making it simpler and quicker for landlords to recover possession when contract holders leave.

Following the Senedd elections, in December 2021 the Labour-led Welsh Government and Plaid Cymru published a Co-operation Agreement designed for the two parties to work together on a series of agreed policies over a three-year term designed to address some of the key challenges facing Wales (Welsh Government, 2021d). In May 2021 the Welsh Government published its Programme for Government 2021-2026 (Welsh Government, 2021b). This was updated in December 2021 to reflect commitments in the Co-operation Agreement (Welsh Government, 2021c). The revised Programme included a promise to publish a White Paper to include proposals for a Right to Adequate Housing, including provision for fair rents and new approaches to making homes affordable for those on low incomes.

Scottish Context

The PRS in Scotland grew in an unplanned fashion, largely due to buy to let investment and the growing demand for the sector, as a result of reduced access to the owner-occupied sector and unmet housing need more generally. The proportion of dwellings on the PRs stood at 5.9% in 1991 and grew to 7.8% in 2001, 12.8% in 2011 and peaked at 16.1% in 2016, before a slight fall back to 14.7% in 2020 (Stephens et.al.,2022, Table 17.b). This medium-term trend is not as dramatic as the growth in Wales.

Policy for the PRS has evolved in Scotland since the 2000s (e.g., see Gibb, et al, 2019). The last six years has witnessed several important developments relevant to the current rent control debate.

- The Private Tenancies (Scotland) Act 2016 led to the new more open-ended private rental tenancy. There was an enhancement to the work of the First Tier Tribunal dispute resolution mechanism, including powers to consider unreasonable rent increases. The Act also created the possibility of local rent pressure zones (RPZs), which could limit rent increases spatially should sufficient data warrant their introduction. This mechanism has not been used.

- A 2019-21 'fair rent' private members bill proposed a national upper limit or cap on rent increases, and a system driven by data produced by a revamped landlord register. The bill was fully consulted reaching committee stage when it was timed out by the 2021 election.
- Housing to 2040 signalled a desire that landlords should operate in an environment that is focused on income returns and not capital gains. The accompanying Route Map also indicated commitment to reviewing local rent pressure zones and making the level of data available to make this possible, noting (p.36) the need to protect against high rents, while not generating adverse outcomes such as deterring investment or impacting on wider markets. This work would also draw on evidence i.e., lived experience.
- The SNP/Greens 2021 governmental partnership committed the Government to legislate by the end of the current Parliamentary term for an *effective national system of rent controls* (which would allow an element of local variation).
- The 2021-22 A New Deal for Tenants consultation outlined a positive vision for the private rented sector, committed government to something closely akin to the 'fair rents' proposal for a landlord register data, including rents and property attributes (size, type, etc.) across all properties, and recommitted to rent control within the Parliament.
- Finally, in Autumn 2022, the new programme for government announced legislation (now enacted) for a rent freeze and winter eviction ban until the new financial year (with scope to be extended). A further rent cap for social housing in 2023-24 (for the first time in Scotland) is planned but the details remain uncertain for both private and social renters at time of writing - but it all has implications for wider long term rent control debate.

[The CaCHE Rent Control Research](#)

[Rent control: a review of the evidence base](#) was published in February 2022. This systematic evidence review looked at academic and grey literature from the period 2000 to 2020. The review incorporates a range of both economics analysis and wider social science evidence. The international dimension is essential because there is no contemporary UK evidence on the impacts of rent control. The literature also demonstrates that we need to be cautious with international comparisons.

The review included a set of policy conclusions that seek to generate practical lessons for Governments currently investigating new rent control measures:

- A **vision** is required of where policymakers wish to take the private rented sector based on an appreciation of how it works now, its multiple internal functions, and its interactions with the wider housing system.
- Based on this vision, there needs to be a **clear sense of the nature and design of rent regulation** proposed; how and in what circumstances it is triggered; and how it is later wound down (the sunset clause); as well as how it would complement existing and proposed non-price regulation.
- In order to achieve this clarity over policy objectives, design and operation, there needs to be a **strong commitment to a comprehensive, operational data strategy** is required that will enable policymakers to undertake ongoing monitoring of the PRS within a clear market analysis strategy operating at the agreed market area level.
- There should be a **commitment to drawing on the evidence base** where it provides direction and also, where there is no conclusive evidence, a suitable degree of caution and reference to the data and evidence generated locally. Equally, policy development and monitoring should be grounded throughout in mechanisms that give effective voice to tenants, as well as other stakeholders.

[Rent control: principles, practicalities and international experience](#) was published in May 2022. It provides examples of the range of contemporary international rent control or rent regulation practice as operated in the private rented sector (PRS), highlighting a small number of European

examples in a little more detail (Sweden, Netherlands, France, Germany, and Ireland). It then goes on to consider and reflect on the evaluative criteria used to assess and appraise these policies and reflect on what this means for the Scottish debate on an effective national rent control policy. The paper's main conclusions are:

- The national housing policy context and history matter. That is not to say that contexts do not change, or paths evolve – but it is no small feat to drive that process consciously, rather than it be the consequences of opportunities created by profound shocks like Covid.
- The Fair Deal for Tenants consultation makes it clear that the Scottish Government seeks to work from a positive vision for the private rented sector and that there is an evident long-term commitment to ramping up the government's approach to PRS data and evidence.
- There is no avoiding the need for the infrastructure and support required to implement and enforce the system. There will need to be a serious effort to cost the running of this system, as well as understand its market and distributional outcomes. And there needs to be robust and appropriately resourced operations put in place.
- There would be value in developing a more detailed on the ground understanding of policies of interest with local experts and practitioners e.g., in France, Germany, Netherlands, Sweden and Ireland. The briefing note is a start, but local expertise is necessary to understand fully the nuances of systems operating elsewhere.

The third output, an academic paper for the International Journal of Housing Policy: '[Rent regulation: unpacking the debates](#)', was published in August 2022. The paper covers three questions related to rent regulation and the role of evidence. What are the drivers of policy change regarding rent regulation and what role does evidence play in shaping policy change? What is the nature of the rent regulation evidence (i.e., drawn from the earlier evidence review)? How is this evidence base transmitted into policy debate?

The paper concludes that research on the dynamics of policy change indicates that in practice evidence rarely plays a significant role in policy decisions; other factors have weighed more heavily. The literature is clear that rent regulation policy, and policy change, are better understood as a product of the institutional complex of different housing/welfare regimes and of political negotiation. Overall, the research evidence is better thought of as a *device for sensitizing to complexity and contingency* than for providing simple general conclusions. Nonetheless, the policy process in Scotland has been both cognitively open to evidence and has actively sought to engage with it. The paper concludes finally that 'the evidence base may not have played a substantial role in deciding the broad direction – the 'what' - of policy, but once that is determined the 'how' can be highly sensitive to lessons from the evidence, including the wisdom of proceeding with caution'.

The Scottish Parliament Cross Party Group (CPG) on Housing's [rent control report](#) was published in November 2022. The CPG decided to spend time looking at the wide and varying views on rent control represented by its membership. Discussion recognised that rent control is coming and that the debate should be about good policy design, minimising unwanted outcomes and thinking hard about the rental market's place in the wider housing system. What were the main takeaways?

- There will be trade-offs when choosing how to define key policy intervention elements. There are also wider system consequences with all proposals. It was argued that dealing with wider problems e.g., resourcing enforcement and compliance, greater supply of additional affordable and social housing, investment in repair and improvement policy for the private sector – all could take pressure off the rental market and, in time, reduce the need for rent control. However, and more concretely, proponents of harder rent controls need a credible commitment from government for these sorts of complementary policies.
- The capacity to enforce compliance is likely to be critical to policy effectiveness. Considerable non-compliance was identified in Ireland, Germany and France (Gibb and

Marsh, 2022). Rent control is not public policy on the cheap. It needs to be monitored and enforced, and the infrastructure for that implementation role must be in place.

- There was more support for softer 3rd generation controls. There was interest in exploring further, more interventionist models such as the French model which uses comparable rents to assess whether a new tenancy or initial rent falls within a 10%+/- zone compared to typical other local similar properties (France's scheme is not national but rather local and elective).
- The group recognised the critical importance of good data and local market analysis. They also recognised the importance of a clear steer about where the government wants to see private renting in the medium to long term.
- Rent control could be used alongside area enforcement powers to tackle the worst concentrations of bad practice and failing markets at the bottom end of the market. There was also support, albeit with dissent, for limiting the rent control in terms of exempting the upper end of the market and also treating students differently.
- Information could be more publicly available to help market functioning. More research is needed on tenant, landlord and investor behaviour in response to rent control. Discussions with the Swedish real estate investor, Heimstadt, indicated that they were content to invest in different rent control regimes across Europe, if risk criteria were met.

Conclusions

The evidence suggests sub national and regional variations in housing markets means that it may not be appropriate to introduce a uniform, nationwide scheme for Wales. Context matters and it is important that care is exercised when drawing lessons from different institutional and market settings: Wales is neither Scotland nor England and Ceredigion and Conwy are not Cardiff.

There is a need to distinguish between the causes of affordability problems in parts of the private rental sector and the long-run complementary roles of different housing policies. It is appropriate to ask to what extent the call for private sector rent control is a response to the failure of other housing policies over time. To what extent would fixing other policy weaknesses (e.g., the supply and cost) of social rented housing reduce the need for interventions in the private rented sector? There is need to recognise that the private rented sector does not exist in a vacuum. It is a critical part of the housing system in Wales, but whatever the approach to rent control in this sector (itself part of a wider regulation of private renting), there will be a continuing requirement for complementary policies towards the provision of affordable housing in other tenures. However, it is recognised that increasing the supply of additional social housing will take time and may impact upon decisions to introduce any form of rent control.

There will also be trade-offs between how rent controls might be introduced (and how they might be sustained or subsequently relaxed), and how any exemptions (e.g., for particular groups or parts of the market) might operate. Unintended consequences, wherever possible, should be avoided.

Whatever decisions are taken in terms of policy interventions in the private rented housing market, we think it is important to invest in enhancing local housing market analysis and (critically) improving the quality of data in relation to the private rented sector in Wales. We have made the point that rent control is not public policy on the cheap. This paper has highlighted the limitations and weaknesses of data in relation to the private rented sector in Wales, in terms of the stock, the profile of landlords and tenants, information on current rent levels and data at the local geographical scale and these need to be addressed.

In terms of improving the understanding of the operation of the private rented sector in Wales in our view 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 to inform further policy review. In addition to well-designed policies, it will be important to consider potential problems of implementation and enforcement, and to consider how policy compliance might be achieved.

1. Introduction

1.1 We have been commissioned by Welsh Government to undertake a small piece of desk-based research on the evidence around rent control measures in the private rented sector and the implications of introducing such measures within a Welsh context. The Welsh Government has committed in its Programme for Government and as part of the Co-operation Agreement with Plaid Cymru, to publishing a White Paper on Fair Rent (including consideration of rent control) and the Right to Adequate Housing in making the private rental market affordable for local people on local incomes and new approaches to making homes affordable.

1.2 We believe the work we have undertaken is timely and relevant because of the Welsh Government commitments to publish a private rental sector White Paper (and before that a Green Paper for wider consultation) in the current Government term. Critically, the Welsh Government is seeking to understand the evidence about rent control (as part of their wider consideration of “fair rents” – though this is a term that still applies to a small number of lettings in the private rented sector) across the spectrum from hard to soft rental interventions.

1.3 Rent control in various guises is used to intervene in the private rented sector in many parts of Europe. In North America, where academic and business opposition is strong, there are also, nonetheless, pockets of rent control in many cities and regions. Political support for the idea of rent control is strong in many places (including the devolved nations within the UK), reflecting public demand for action on rising housing costs and consequent unaffordability, although there are competing views, as well as a recognition of the need to consider the evidence of possible impacts. Even since the publication of the CaCHE reports there has been research published in Northern Ireland (CIH Northern Ireland, 2022). In October this year the House of Commons Library published an updated research briefing on the rent control debate, including an overview of current provisions for rent setting and policy developments in different parts of the UK, although there is only passing reference to Wales (Wilson, 2022). However, in most places, rent controls are of the softer variety, limiting rent increases and often resetting to market rents when properties are vacated, and tenancies ended (though controls are also frequently linked to longer or indeterminate length tenancies).

1.4 The research has sought to do several things: a consideration of the position in Wales in respect of which type(s) of rent control interventions could be introduced; a reflection in a Welsh context of a new evidence review and other research CaCHE carried out and published in 2022 on rent controls and the public policy challenges of introducing possible rent regulations; a consideration of the needs and form of further primary research that the Welsh Government might undertake to support the form of policy intervention they might take; an online workshop with Welsh Government officials on these elements (held on 20th

November 2022); and this final report in the form of a focused and accessible briefing paper.

1.5 We have sought in section 5 of the paper to synthesise the key messages and findings from four pieces of work published this year. These are:

- Gibb, K, Marsh, A and Soaita, A (2022) Rent Control: A Review of the Evidence Base. CaCHE: Glasgow. <https://housingevidence.ac.uk/publications/rent-control-a-review-of-the-evidence-base/>
- Gibb, K and Marsh, A (2022) Rent Control: Principles, Practicalities and International Experience. CaCHE: Glasgow. <https://housingevidence.ac.uk/publications/rent-control-principles-practicalities-and-international-experience/>
- Marsh, A, Gibb, K and Soaita, A (2022) 'Rent Regulation: Unpacking the Debates', *International Journal of Housing Policy*, DOI: 10.1080/19491247.2022.2089079 **To link to this article:** <https://doi.org/10.1080/19491247.2022.2089079>
- Gibb, K, James, G and Smith, M (2022) Scottish Parliament Cross Party Group on Housing Working Group Report on Rent Control. CaCHE: Glasgow. <https://housingevidence.ac.uk/publications/cross-party-group-on-housing-report-on-rent-control/>

1.6 The international evidence review (Gibb, et al, 2022a) examines more than 80 documents published since 2000. The report includes an examination of the economics literatures, both conceptual and empirical, as well as non-economic analysis and a selection of more policy oriented grey literature. The paper draws together key findings, gaps in our knowledge and generates some advice based on our reading of the evidence for policymakers considering introducing rent regulations. A key point is that context does matter, and we need to be careful inferring the results from one market and institutional setting to our own, and that is just as true for Wales as it is for Scotland or England.

1.7 The briefing paper (Gibb and Marsh, 2022) was initially asked for by the Scottish Government. Moving on from the evidence review, they requested more detail on different existing rent control systems operating across Europe. The briefing paper looks at synthetic overviews of European practice before looking more closely at experience in Ireland, France, Germany, Sweden and the Netherlands. The briefing also looks further into practical implementation and design questions distinguishing between hard (first generation) and softer (third generation) controls and what challenges need to be overcome.

1.8 The journal article (Marsh, et al, 2022) asks what role evidence plays in housing policy formulation drawing precisely on the aforementioned evidence review above. It also conducts a policy ethnography of the way rent control policy has evolved in Scotland over the last 10-12 years alongside other forms of non-price regulation. The paper concludes that the influence of evidence is often overstated but rigorous evidence and synthesis of what

we know may help to sensitise the decisions that policy makers are likely to take, perhaps softening or adjusting interventions to high level decisions already taken.

1.9 The cross-party group (CPG) report (Gibb, et al, 2022b) is a report of the activities of a working group from the CPG reflecting very different perspectives on the spectrum of rent intervention (from free markets to harder controls). The working group set itself the task of, in recognition that some form of controls was coming from the Scottish Government, asking what advice it could give on the shape and form of such a policy. The working group took a systemwide approach that exposed the lack of clarity on policy and significant diversity of opinion within the housing sector but nonetheless identified key challenges that will need to be overcome. The report is under final revision and will be published in November 2022.

1.10 In the next section of the paper, we have presented a brief summary of the current state of play of the private rented sector in Wales (and considered some of the key policy developments). We have then examined in section 3 the recent debates around rent control in Wales before looking at similar debates and developments in Scotland (section 4). The paper then examines and synthesises recent evidence from CaCHE research on rent control and the implications of these findings for Wales. We also consider the different options and possible approaches to rent control, their strengths and limitations and what their introduction might mean for Wales.

2. The Private Rented Sector in Wales

The changing private rented sector in Wales

2.1 CaCHE published an overview of the private rented sector in the UK in July 2019, highlighting how it has grown and evolved over the last 20 years or so (Marsh and Gibb, 2019). As a consequence, the sector is now playing a more central role in housing policy across the different UK nations, and issues of standards, regulation and rents have become more important concerns for policy makers. Many of the broad arguments made in this report are applicable in a Welsh context, but in this section, we have sought to examine some of the key characteristics of the private rented sector in Wales.

2.2 As in other parts of the UK the scale of the private renting in Wales has grown considerably over the last two decades. In March 2001 there were an estimated 90,445 dwellings in this sector (7.1% of the dwelling stock) By March 2020 the estimated number of dwellings in the private rented sector in Wales stood at almost 205,000 (14.3% of the stock); a more than doubling of the size of the sector (Stats Wales). Of course, the number and proportion of dwellings in the private rented sector varies across Wales, ranging from a low of 9% in Torfaen in 2020 up to 20% in Cardiff, which also had the highest absolute number of properties in the private rented sector (over 31,000 dwellings). In due course we will have a clearer picture of those households living in the private rented sector across Wales when the results of the 2021 Census of Population are published, although this will be a moment-in-time snapshot.

2.3 The growth of the private rented sector reverses a long-term decline of the tenure dating back to before the First World War and can be explained by several factors. Many

households over the last two decades and more have experienced problems in accessing both the owner-occupied and social rented sectors. Over this period there has also been a significant growth in housing requirements in Wales, fuelled by increasing population, falling average household size and net in-migration. On the supply side, the growth of the sector has been prompted by a number of factors encouraging new investment in the sector, including the growth of buy-to-let mortgages. However, the private rented sector is dynamic and there are signs that the scale of private renting in Wales is fluctuating. Recent research from the Bevan Foundation has revealed that, in parts of Wales, the number of properties used for holiday lets is having a detrimental effect on the availability of property for rent in the private sector in Wales (Bevan Foundation, 2022a). Welsh Government have also been taking action to tackle the problems of “second homes” which are significant in some parts of Wales. Other factors, including a rise in interest rates, may also explain why the growth in private renting has slowed or even reversed in the recent past.

2.4 The sector has also become progressively more diverse. In terms of those living in the sector demand comes from newly forming and relatively mobile households, young professionals, students, long-term private renters, and those seeking short-term accommodation and households who are unable to obtain housing in the other main tenures. On the supply side the private rented sector includes institutions, buy-to-let investors, social housing organisations providing mid-market and leased properties and other individual landlords, some of whom may be relatively short-term and even somewhat reluctant landlords. The sector remains dominated by small landlords owning just a few properties each. Information provided recently by Rent Smart Wales (RSW) to Welsh Government indicates 70% of registered private landlords own just one property, though this accounts for only a third of registered properties.

2.5 In 2015 the then Welsh Minister for Communities and Tackling Poverty asked the Public Policy Institute for Wales (now the Wales Centre for Public Policy) to analyse the growth of the private rented sector in Wales and consider the implications of its expansion. Their report (Whitehead and Scanlon, 2015) concluded that the growth of the private rented sector was the largest structural change observed in the Welsh housing market for at least two generations. The authors argued that this had considerable significance for government policies in terms of new housing provision, the allocation of subsidies, the role of social and intermediate housing (the other part of the rental market) and rent determination. The report also noted that, although diverse in terms of its profile of both tenants and landlords, initial analysis of those living in the sector suggested areas where there were concentrations of unemployment, low incomes, and poor-quality housing. It argued further data collection and analysis was required. In 2020 CaCHE identified and commentated on the main data sources available across the UK (and for the individual nations) in relation to the private rented sector (Orford and Harris, 2020). In recognising the heterogeneity of the sector (and the different experiences of those living in private rented accommodation) it noted that gaps in the evidence base, an absence of information on landlord behaviour and the lack or poor quality of low-level geographic data made regulating the sector very difficult. Such weaknesses also undermine the development and implementation of policies, particularly at the local level, often leading to unintended consequences or outcomes. In the next section

we look at approaches to regulating the private rented sector in Wales, but it is perhaps worth concluding this section by noting not only the challenges posed by the lack of a robust evidence base in relation to the private rented sector in Wales but also the absence of a clear vision for the sector and how it fits within the overall Welsh housing system.

Regulating the private rented sector in Wales

2.6 Research has highlighted that the quality of accommodation and management standards in the private rented sector varies considerably across the UK (Rugg and Rhodes, 2008) The National Assembly for Wales (now Senedd Cymru), through its then Communities and Culture Committee, conducted an inquiry into standards in the sector in 2010-11. Its report (NAW, 2011) made several recommendations to improve the regulation of the sector in Wales. The Housing (Wales) Act 2014 introduced specific measures for the regulation of private rented housing in Wales and in November 2015 Rent Smart Wales (RSW) was established, with a responsibility for registering private landlords and licensing managing agents across Wales (there was already a voluntary landlord accreditation scheme in place in Wales; the 2014 legislation provided for mandatory registration and accreditation). Wales has also legislated, under the Renting Homes (Fees etc.) (Wales) Act 2019 to limit the fees which can be charged to tenants.

2.7 An initial evaluation of Rent Smart Wales, conducted by independent consultants for Welsh Government, identified several successes (Welsh Government, 2018). These included improving awareness and understanding of the legislative requirements (amongst landlords and tenants), initial increases in the numbers of registrations and licenses and the value of training. However, it also identified a number of weaknesses, not least in the capacity at local level both to identify non-compliant landlords and to enforce the requirements of the legislation.

2.8 The final paragraph of the evaluation report (Welsh Government, 2018) argued:

“The Welsh Government and Rent Smart Wales should consider how the data being collected on the Rent Smart Wales database can be maximised to provide an accessible source of information on the private rented sector in Wales. There is currently a dearth on information on the sector and it is critical that the Rent Smart Wales data can be used to provide evidence on how the sector is changing, who it is housing etc. and how it works in relation to other tenures” (Welsh Government, 2018, p69).

2.9 The RSW website (rentsmart.gov.wales) publishes a limited amount of statistics each month on the total numbers of registrations/licenses in Wales. As of 30th September 2022, it reported.

- 208,236 properties registered
- 100,274 landlords registered (plus 8,796 incomplete registrations)
- 46,470 landlords licensed (plus 905 being assessed)
- 4,651 agents licensed (plus 106 being assessed)

However, it is unclear whether there is any month-on-month analysis of the changes in these numbers, although the September 2022 figures for number of properties, landlords and agents are all a little lower than those reported in early 2021 (Jones, 2021). There is some anecdotal reporting of recent withdrawal of private landlords from the market in Wales.

Private sector rents and affordability

2.10 Affordability is an important issue facing households in all tenures, not least parts of the private rented sector. The Office for National Statistics (ONS) provides an analysis of private rental affordability in England (examining private rentals as a percentage of gross monthly rental incomes). In October 2021 it reported that private renters on median incomes could expect to spend 23% of their income on a median priced rented home in England, although with significant regional variations (ONS, 2021). Looking at the period 2013-2020 the ONS data suggests that private rental affordability has remained relatively stable over this period. At the moment this analysis is for England (and its regions), although our understanding is there are ongoing discussions about the possibility of extending the coverage to include Wales.

2.11 Stats Wales have analysed data on private sector rents on an annual basis since 2010, based on transactional lettings data (excluding lettings where housing benefit was known to be being paid). The annual analysis is broken down by type/size of property (number of bedrooms) and for average/median rents and rents at the lower and upper quartiles. The latest published data, disaggregated to local authority level, is for 2019. This rental information is collected by Rent Officers Wales (part of Welsh Government and with a statutory function) and is used to set the level of Local Housing Allowance (LHA) and determine the level of Local Reference Rents for housing benefit purposes. It is also being used to develop Local Housing Market Assessments (LHMAs) in Wales.

2.12 The Local Housing Allowance (LHA) is the mechanism used to calculate the amount of housing Benefit or the housing element of Universal Credit that those on low incomes in the private rented sector may be entitled to claim. It is designed to allow people to rent property which falls in the cheapest 30% of rents in an individual market area. Wales is split into 23 Broad Rental Market Areas (BRMAs) and the LHA is set by reference to the rents of properties in each BRMA. However, LHA rates are set by the Westminster Government and have been frozen since 2020 and not updated to reflect increases in rents since then. Research in Wales has shown that many households are struggling to find a home and pay their rent because of shortfalls in LHAs. The Bevan Foundation (2022b) have reported that between May and December 2021 the LHA rate only covered 3.8% of properties across 10 Welsh local authorities, pushing low-income renters into poor quality accommodation and financial hardship.

2.13 Last year Welsh Government developed its Leasing Scheme Wales (LSW), which provides incentives to private landlords to lease their properties for a minimum of 5 years to local authorities. These are then let to tenants on rents limited to local housing allowance (LHA) rates, to ensure security and a degree of rent affordability for those in receipt of benefits and/or on low incomes. An independent evaluation of the pilot schemes was published last year (Welsh Government, 2021a). We understand 15 Welsh local authorities have currently signed up for the scheme and have been advised by Welsh Government officials each has been set an incremental target based on achieving 1% of the private rented stock. In year one several local authorities have been able to exceed their initial

targets. We understand around three quarters of properties brought back into use under the scheme were previously empty more over 6 months.

2.14 In terms of rent data, Welsh Government published its analysis of private sector rents for 2019 in May 2020 (Welsh Government, 2020) This paper provides an analysis of average private sector rents across Wales (for each local authority), by property type (number of bedrooms). It also provides information on the spread of rents within individual authorities (including upper and lower quartile averages). However, the paper makes clear that private rented properties in Wales are by no means evenly spread, being concentrated in the more urban areas and scattered unevenly in more rural localities. There is also a bias towards the main university/college cities and towns in Wales. In some local authorities the sample size is limited, given the number of lettings made annually and the voluntary response rates of individual landlords and agents. Whilst the data on actual private sector rents is still being collected, we understand there are no plans to publish an update of the 2019 analysis.

2.15 The Office for National Statistics (ONS) publishes its Index of Private Housing Rental Prices on a monthly basis, which allows for a comparison of the annual growth rate in private rents across the UK, providing national and regional (England) data. The latest data (ONS, 2022a) shows private rents paid by tenants in the UK rose by 3.8% in the 12 months to October 2022. Private rents in England rose on average by 3.7% in this period, compared with 4.2% in Scotland and 3.2% in Wales. The Welsh figure was up from 2.7% in September 2022 and the highest recorded increase since this data series commenced in 2010. ONS also reference the evidence of the Association of Residential Lettings Agents (ARLA) that demand for private rental housing is increasing (but not supply), as are rents, but that supply and demand pressures take time to feed through to higher rental prices.

Other policy reforms

2.16 There are further changes in the pipeline for major reforms of the entire rented sector in Wales. The Renting Homes (Wales) Act was given Royal Assent in January 2016 and substantially reforms the ways in which properties in both the social and private sectors are let. The Act (as subsequently amended) is the biggest change to housing law in Wales for decades. Significant changes in existing legal and court processes have been necessary before many of the provisions of the legislation can be implemented, but the proposed changes are due to come into force from December 2022.

2.17 The intention is the new legislation will simplify the current position in Wales and address a number of existing anomalies. In summary, the main changes include:

- **Changes to types of tenancy.** Most current tenancies and licenses, including assured, assured shorthold and secure tenancies will be replaced with either a secure occupation contract or a standard occupation contract.
- **Changes to types of landlords.** Landlords will be placed into one of two groups: community landlords (local authorities and housing associations) and private landlords (any landlord not a community landlord). Community landlords will, in general, provide secure occupation contracts, private landlords standard occupation contracts.

- **Introduction of standard terms within occupation contracts.** Landlords will be required to written terms to tenants (contract holders) with a statement of the rights and responsibilities of both landlord and contract holder.
- **Changes to the way occupation contracts end.** There are several changes here, including a minimum 6 month notice period on “no fault grounds” (commonly referred to as “section 21 notice”). In addition, landlords will not be able to serve such a notice until at least six months after the contract starts.
- **Introduction of a new fitness standard for rented homes in Wales.** This is based on the Housing Health and Safety Rating System.
- **New rules about joint contracts, successions, and security for contract holders.** The includes increasing the number of possible successions from one to two.
- **Changes to the way abandoned properties are dealt with.** These are designed to make it simpler and quicker for landlords to recover possession when contact holders leave.

2.18 These changes for the rented sector are substantial. They are designed to give greater clarity to both landlords and tenants and to enhance the rights and security of tenants so as to minimise the risk of household being evicted from their homes through no fault of their own. This will also reduce the threat of homelessness. However, it also means that tenants and landlords will need to be aware of the changes and to know their rights and responsibilities. This raises big issues about the availability of information, advice, and support (and the resources to provide these), particularly in the early stages of implementation. We note in the next section that there are concerns that further changes to the private rented sector could increase the burdens on private landlords and exacerbate withdrawals from the sector (though it may be difficult to disentangle the specific reasons for landlords disinvesting).

2.19 We close this section with some brief thoughts of other key housing policy changes in the pipeline in Wales, and how they might impact upon the private rented sector. The Welsh Government has made a number of housing commitments in its Programme for Government 2021-2026 (Welsh Government, 2021b, 2021c) and in the Co-operation Agreement it has made with Plaid Cymru (Welsh Government, 2021d). These are considered in a little more detail in the next section, specifically in relation to proposals to consult on the potential for rent controls as part of wider considerations for “fair rents”. However, clearly the future of the private rented sector cannot be entirely separated from developments in other tenures, and in particular support for the continued growth of the social housing sector in Wales.

2.20 Since 2019 there has been a campaign in Wales, led by Tai Pawb, Chartered Institute of Housing Cymru and Shelter Cymru to legislate for a Right to Adequate Housing in Wales. Introducing such a right is seen as addressing key issues such as homelessness, security, and affordability, although it is acknowledged that such a right would not happen overnight. Following a feasibility study in 2019 (Hoffman, 2019) the three organisations have commissioned two further independent reports from consultants Alma Economics. The first of these provided an evidence base to support the case (Alma Economics, 2021) and the

second has developed a cost benefit analysis of the costs and savings which might result from the introduction of such a right (Alma Economics, 2022). All three reports, and draft legislation are available on the Tai Pawb website (taipawb.org). Scotland has also been taking steps to include such a right in national legislation, with research examining what (in a Scottish context) is meant by adequate housing, how it might be applied in practice and how progress might be made to full realisation (ALACHO and Newhaven Research, 2021).

2.21 The Welsh Government have committed, as part of its Co-operation Agreement (Welsh Government, 2021d) to introduce proposals in a White Paper to consult on a right to adequate housing in Wales, alongside a consideration of a systems of “fair rents” (including consideration of rent control) in the private sector in order to make private rental market housing in Wales more affordable. This is the focus of the next section of this paper, looking at recent debates around rent control in Wales.

3.The Rent Control Debate in Wales

3.1 There are a series of issues underpinning debates around rent controls, many of which are contested and often highly political. There are concerns about affordability (and the consequences of real term rent increases), the lack of sufficient affordable social housing (particularly social rented housing), leading to some households who might be better served in the social housing sector having to be housed in private rented accommodation. Whilst most homes in the private rented sector may be of a decent standard and well managed, there may be instances of poor conditions, excessive rents and poor or even illegal landlord behaviour. In some localities there may be particular demand pressures, for example from students, which may force up rents and exclude others in significant housing need. Changes in the availability and levels of rental subsidies and income benefits to help with housing costs are also factors driving the case for controlling rents, particularly for those on relatively low or fixed incomes. Of course, introducing additional controls (and greater regulation of standards), whilst offering benefits for tenants may have adverse consequences in terms of reducing landlords’ confidence, discouraging investment and reducing the supply of accommodation. In addition, we are currently experiencing a cost-of-living crisis, impacting not only upon tenants but also some landlords.

3.2 The debates around the introduction of rent controls in Wales have come to the fore only fairly recently. In May 2018 Jenny Rathbone (Lab AM/MS) introduced a short debate on rent stability in the private sector, arguing the case for rent controls. She argued that “fair rents” offered a sustainable means of preventing rents spiralling further out of reach and that there were two different ways of introducing rent controls; giving households the option to challenge unreasonable rent through an independent tribunal system or alternatively giving local councils the opportunity to apply to Welsh Government to create designated rent pressure zones (with caps on rent increases). As a Cardiff AM she highlighted the unaffordability of many private rents in parts of the Wales capital and referred to developments in Scotland (under the Private Housing (Tenancies) (Scotland) Act, 2016), Germany, New York and the Netherlands as offering examples of rent control policies from which Wales might learn. The Conservative response (from David Melding AM), although not agreeing with all the arguments put forward, did accept that housing markets

in some localities were dysfunctional. The reply from the then Minister for Housing and Regeneration (Rebecca Evans) at the end of the debate acknowledged the growing role that the private rented sector was playing in the delivery of the Welsh Government's housing agenda, and that for many private renters' issues of affordability, quality and security of tenure were very significant. She referred to research published by the Cambridge Centre for Housing and Planning Research (Clarke et. al, 2015) into the effects of rent control on housing supply (and local housing markets), and the potential for unintended consequences, in terms of landlord responses. The Government response acknowledged that reducing rental returns could incentivise landlords to sell rather than rent as well as discouraging investment in improvement and modernisation of their properties. The Minister also argued that (at that time) the index of private rents was lower than in England and that the Welsh market was not stretching private sector rents beyond inflation. As we noted above (paragraph 2.15), the evidence is that average annual increases in private sector rents are (nationally) lower in Wales than in either England or Scotland, though there may be considerable local rent pressures. At the same time, we are seeing significant increases in the overall level of inflation, rises in mortgage rates impacting on some landlords and a growing cost of living crisis for many households, and that it takes time for some of these to feed through into increased rents.

Political commitments to rent control in Wales

3.3 Rent control, in one form or another, was included in the Labour and Plaid Cymru manifestos for the 2021 Senedd election. Welsh Labour proposed a national scheme that would restrict rents to Local Housing Allowance levels for families, young people and the homeless and those at risk of homelessness, and who are priced out of private renting (Welsh Labour, 2021). Plaid Cymru committed to legislate to require that all private sector rents are assessed as "fair", with a cap on rent increases (Plaid Cymru, 2021).

3.4 Following the Senedd elections, in December 2021 the Labour-led Welsh Government and Plaid Cymru published a Co-operation Agreement designed for the two parties to work together on a series of agreed policies over a three-year term designed to address some of the key challenges facing Wales (Welsh Government, 2021d). As part of a policy programme the Co-operation Agreement made it clear that Welsh Government would publish a White Paper to include proposals for a Right to Adequate Housing (RAH), the exploration of new ways to make homes more affordable and consideration of the role that a system of fair rents (rent control) could have in making the private rental market affordable for local people on local incomes.

3.5 In May 2021 the Welsh Government published its Programme for Government 2021-2026 (Welsh Government, 2021b), which included a commitment to building 20,000 new low carbon social homes for rent, a fundamental reform of homelessness services (with a focus on prevention and rapid rehousing), support for co-operative and community-led housing initiatives and increasing approaches to the decarbonisation of more of the existing Welsh Housing stock through enhanced programmes of retrofit. This was updated in December 2021 to reflect commitments in the Co-operation Agreement (Welsh Government, 2021c). The revised Programme includes a commitment to publish a White

Paper to include proposals for a Right to Adequate Housing, including provision for fair rents and new approaches to making homes affordable for those on low incomes.

A view from the NRLA

3.6 Earlier this year the National Residential Landlords Association (NRLA) published its own shadow White Paper on The Future of Private Renting in Wales (NRLA, 2022), ahead of a formal White Paper from Welsh Government. As well as addressing the issue of rent control, the NRLA argued that the Welsh Government should use a White Paper to:

- Improve the enforcement of the regulation of the private rented sector (making changes to the operation of RSW).
- Improve access to the sector (which they argue can only happen if there is sufficient supply to meet demand, and thus they argue against rent control and in favour of making the case, in partnership with others, to restore the link between LHA rates and the 30th percentile of private rents in any given local area).
- Develop a better understanding of the market.
- Improve the energy efficiency of the private rented sector.

3.7 The NRLA also argue that sufficient time should be allowed for the Renting Homes (Wales) Act, 2016 to be properly and fully implemented, before embarking on further changes to the sector. The report also made the case for developing a bespoke Welsh Housing Survey, exempt the purchase of properties designed for long term renting from the 4% Land transaction Levy and continue to lobby the UK Government to reverse its decision to freeze the Local Housing Allowance (LHA).

3.8 Specifically in relation to the issue of rent control the NRLA report reiterated the Association's long held view that rent controls don't work and do not have the intended effect of addressing affordability in the private rented sector. The NRLA argue that the sector needs to be both affordable and accessible for all households, but that this can only be achieved when there is sufficient supply to meet demand. In making this argument they cite the work of the Resolution Foundation and their analysis of housing commitments set out in 2019 General Election manifestos. The Resolution Foundation noted: "holding down the true market price of private housing via enduring rent controls rather than increasing housing supply and reducing demand is unlikely to succeed" (Resolution Foundation, 2019, p7). However, perhaps the key word here is "enduring" and the Resolution Foundation do suggest that there may be a case for "rent smoothing" (perhaps over a 3 year period) to protect tenants from arbitrary spikes in rents.

3.9 The NRLA point to a considerable body of independent evidence that demonstrates that rent controls do not work. Their report cites international evidence (from USA, Germany and Sweden) that rent controls impact negatively on residential mobility, the quality of private rented housing and reinforces the scarcity of accommodation. Later in this paper we highlight the findings from CaCHE's own evidence review (Gibb et. al, 2022a). The NRLA report also highlights the dearth of good quality data on the private rented sector in Wales

(which as we have noted others have also drawn attention to), and that as such a policy on rent control would be a leap into the unknown.

Perspectives from the Senedd

3.10 In February 2022 Mabon ap Gwynfor (Plaid Cymru AM/MS) introduced a legislative proposal for a Bill on rent control in Wales. He argued that this would mitigate against significant future rent increases, combat some of the most severe effects of Wales's housing emergency and introduce a system restricting rents (and increases in rents) to affordable levels, closing the gap between wage growth and the cost of living. The proposer sought support to enable Welsh Government to start the preparatory work to lay the foundations for the introduction of a system of rent controls. This could be undertaken alongside wider work to ensure everyone in Wales has a right to a home.

3.11 In this debate the Conservative Housing spokesperson opposed this legislative proposal, arguing that private sector rent controls had large negative effects (for landlords and tenants, and in terms of investment in the stock). She also referred to evidence she had received from Rent Smart Wales suggesting that from 2018/19 to 2020/21 over 4, 500 private landlords had left the sector, and that rent controls would hasten this decline. She concluded: "this legislation will be the final straw and will see the very people you think you are trying to help worse off".

3.12 During the debate other Senedd Members pointed to the potential benefits of rent control (affordability, neighbourhood stability) as well as highlighting that the growth of the private rented sector had, in some localities, driven out potential first-time buyers. There were also arguments that, as well as rent controls, there was a need for large scale building of new social housing. Others highlighted that private sector rent increases were leading to rising debt, increasing numbers of evictions and homelessness and that alongside increase in energy costs and the cost of everyday essentials were fuelling poverty and contributing to the broader cost of living crisis. THE ONS have suggested that the current cost of living crisis is making it difficult for some households to afford their rent and mortgage payments (ONS, 2022b) Arguments have also been made that if rent controls were introduced some landlords might struggle to repay their mortgages and maintain their properties, and that more properties might be transferred into Airbnb.

3.13 In her response to the debate the Minister reinforced the Welsh Government's commitment to publish a White Paper on rent controls. She acknowledged that rent control had a somewhat chequered history, but also argued that there were examples from around the world of "rent control working in the right way for the right purpose". She also highlighted the need for a closer review of the evidence on the impacts of rent controls, the forthcoming implementation of the Renting Homes (Wales) Act 2016, expected to transform the rented sector in Wales, and the Government's intention for further reform of homelessness legislation in Wales.

3.14 These early debates in the Senedd have highlighted different political views about the potential benefits and costs of introducing rent control. However, the views expressed have not always been supported by clear evidence (which as we have noted is not always robust

or publicly available) and there has been a tendency to see rent control as a single policy response to be applied nationally, rather than a potential suite of different measures which could be applied in different circumstances and geographical locations for different periods of time.

3.15 An oral question was raised in the Senedd on 7th September 2022 by Carolyn Thomas (Labour MS) asking “will the Welsh Government commit to freezing rents and suspending evictions to help tenants through the cost-of-living crisis”. She argued that Wales had seen the highest increase in the cost of renting outside of London, with rents up by 13.95% on average (alongside rising fuel, energy, and food prices) She also cited the decision made by the Scottish Government to freeze rents and suspend evictions in Scotland. However, another Senedd member argued that rent controls could lead to increased homelessness and landlords leaving the sector. In responding on behalf of Welsh Government the Minister for Rural affairs and North Wales acknowledged the need to avoid unintended consequences and indicated that research was being undertaken to strengthen the evidence base before considering bringing in new legislation. At the time of writing, we are not aware of any decisions taken by Welsh Government to freeze rents, although a decision has been made to set the maximum rent increase (6.5%) for social tenancies in 2023/24.

3.16 Towards the end of 2022 (October 12th), Plaid Cymru introduced a further debate on the private rented sector in the Senedd. This was a broader debate than those considered earlier in this section and involved more Senedd members. Plaid’s motion again included calls on Welsh Government to implement emergency measures to freeze rents in the private rented sector and place a moratorium on evictions. The debate illustrated some of the differences of Welsh political opinion in relation to the private rented sector in general and the issue of rent control in particular. The debate highlighted rising rents adding to the cost-of-living pressures for housing in Wales, the increasing numbers on social housing waiting lists (not in itself always a good indicator of need for social housing), the lack of social housing supply and the call to impose a rent freeze and a moratorium on evictions. Arguments were also put that private landlords were “voting with their feet”, citing evidence from the NRLA of low levels of confidence amongst landlords in Wales, and that imposing a rent freeze was seen as an additional burden on landlords, just at a time when the changes set out in the renting Homes (Wales) Act 2016 are due to be implemented. The opposition housing spokesperson also referred to the “nightmare of rent controls”, in terms of further disincentivising landlord investment. At the end of the debate, following a series of amendments, the proposal calling on Welsh Government to freeze rents and place a moratorium on evictions was defeated and replaced with a recognition of the spiralling cost of temporary accommodation spend for local authorities. However, other parts of the motion were agreed.

3.17 In responding to the debate, the Minister for Climate Change – responsible for housing policy in Welsh Government (Ms Julie James) argued:

“We need to develop 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 rent control options may

have, if introduced. That is why we have committed, under the co-operation agreement with Plaid Cymru, to developing a White Paper during this Government term. We've commissioned research, which is now under way, to develop the evidence base to support the right kind of rent controls for the right kind of property in the right place. However, given the escalating prices, I am keen to gather as many views as possible on potential interventions to inform the development of the White Paper, so today, I will confirm that we will be publishing and engaging on a Green Paper ahead of, and in order to inform, the White Paper”.

3.18 Whilst as this section makes clear there have been a number of recent Senedd debates around the private rented sector in Wales and the issue of rent controls, these have not allowed for detailed scrutiny of the available evidence and have rarely gone beyond the pros and cons of blanket rent controls across the private rented sector. In the remainder of this paper, we draw upon the work which CaCHE has done to explore the evidence in greater depth, the different options available and how they might impact the sector in Wales. However, by way of comparison with the situation in Wales we begin by looking at the current position in Scotland.

4. Scotland and Rent Controls: Policy and Evidence

The Private Rented Sector in Scotland

4.1 The PRS in Scotland grew dramatically and in an unexpected, unplanned fashion, largely due to buy to let investment and the growing demand for the sector, as a result of reduced access to the owner-occupied sector and unmet housing need more generally. The proportion of dwellings on the PRs stood at 5.9% in 1991 and grew to 7.8% in 2001, 12.8% in 2011 and peaked at 16.1% in 2016, before a slight fall back to 14.7% in 2020 (Stephens et.al.,2022, Table 17.b). This is not as dramatic as the growth in Wales.

Policy Development

4.2 Policy for the PRS has been evolving in Scotland over the last two decades (e.g., see Gibb, et al, 2019). The last six years has witnessed several important developments relevant to the current rent control debate.

4.3 First, The Private Tenancies (Scotland) Act 2016 led to the new more open-ended private rental tenancy. There was an enhancement to, and expansion of, the work of the First Tier Tribunal dispute resolution mechanism, including powers to consider unreasonable rent increases. The Act also created the possibility of local rent pressure zones (RPZs), which could limit rent increases spatially should sufficient data warrant their introduction. This mechanism has not been used in practice.

4.4 Second, a 2019-21 ‘fair rent’ private members bill led by Pauline McNeill MSP centred around a national upper limit or cap on rent increases, and a system driven by data

produced by a revamped landlord register. The bill was fully consulted on and reached committee stage when it was timed out by the 2021 election.

4.5 Third, Housing to 2040's¹ principles and vision statement signalled a desire that landlords should operate in an environment that is focused on income returns and not capital gains. The accompanying Route Map also indicated continued commitment to reviewing local rent pressure zones and making the level of data available to make this possible, noting (p.36) the need to protect against high rents, while not generating adverse outcomes such as deterring investment or impacting on wider markets. This work would also draw on evidence and lived experience.

4.6 Fourth, the SNP/Greens 2021 governmental partnership statement committed the Government to legislate by the end of the current Parliamentary term for an *effective national system of rent controls* (which would allow an element of local variation).

4.7 Fifth, the 2021-22 A New Deal for Tenants consultation outlined a positive vision for the private rented sector, committed government to something closely akin to the 'fair rents' proposal for a landlord register data, including rents and property attributes (size, type, etc.) across all properties, and recommitted to rent control within the Parliament. Craigforth (2022) undertook the analysis of the 8,000 plus responses to the consultation, including the discussion of rent controls. They found that:

- data collection proposals were well received and several suggested further data attributes
- there was some support for trialling or reforming RPZs; others want them abandoned and replaced
- concerns were noted about rent controls being poorly designed e.g. disincentivising repairs
- it was also argued that policy designers must take account of adverse impacts and interactions with other non-price regulations
- there were arguments expressed that rent increases should not outstrip inflation
- focusing on affordability and rent data requires more of an evidence-based approach
- any new policy must be effectively evaluated
- one line of argument was that affordability should guarantee the right to adequate housing, and if that means a smaller PRS, that is an acceptable trade-off.

4.8 Finally, in the Autumn of 2022, the new programme for government announced legislation (now enacted) for a rent freeze and winter eviction ban until the new financial year. A further rent cap for social housing in 2023-24 (for the first time in Scotland) is

¹ Housing to 2040 is the Scottish Government's long-term vision for housing in Scotland to 2040 and includes a road map on how to get there. <https://www.gov.scot/publications/housing-2040-2/>

planned but the details remain uncertain for both private and social renters at time of writing - but it all has implications for wider long term rent control debate.

5. CaCHE Evidence

5.1 This year has seen four linked papers by CaCHE on rent control. Here, we focus on key messages only. Full papers can be found at the CaCHE website and through hyperlinks in this document.

Evidence Review of the Rent Control Evidence Base (Gibb, Marsh and Soaita, 2022)

5.2 [Rent control: a review of the evidence base](#) was published in February 2022. This systematic evidence review looked at academic and grey literature from the period 2000 to 2020. The review incorporates a range of both economics analysis and wider social science evidence. The international dimension is essential because there is no contemporary UK evidence on the impacts of rent control. The literature demonstrates that we need to be cautious regarding the appropriateness of international comparisons (even within welfare regime clusters) and the relevance of contemporary evidence for the UK.

5.3 In terms of the evidence review search process, 402 unique records were retrieved by searching in two large databases (SCOPUS and Web of Science) for literature published since 1990. After checking for country, methodological and thematic fit, we decided to further scope the review to research published since 2000. After including some additional studies, 82 publications were included for review.

5.4 The report begins by examining recent *grey literature*.

- The contributions adopt different starting positions and opposing perspectives, including a variable level of interest in international experience. Authors adopt different stances on the virtues of rent control, running from explicit rejection to cautious advocacy of appropriately designed and implemented interventions.
- It is not possible, however, to separate rent regulation from other components of the private rented sector regulatory architecture e.g., tenancy length and security. Enforcement shapes the impact of regulatory intervention but the need for, and challenges regarding, effective enforcement in the private rented sector is not always given prominence.
- A key feature of the debate is the weight given to context, history and institutions and the way in which they interact with any given mechanism for rent regulation.

5.5 Many peer-reviewed papers were concerned with the *economic theory* of rent control. The following two key points from this theoretical literature were made. First, there is a rich theoretical literature on rent control stretching back to the 1960s. It continued to develop into our review period but, arguably, lost momentum after the mid-2000s. There are a

variety of models exploring the impacts of rent controls of different designs on a range of variables (e.g., property quality, new supply, prices in related markets) in housing markets with different assumed characteristics.

5.6 Second, most models start from the assumption that housing markets can be characterised as perfectly competitive, while some rest on the assumption that landlords face imperfect or monopolistic competition or possess monopoly power. Once these assumptions about market structure are coupled with a specification for the rent regulation instrument conclusions are derived. Substantially different conclusions can follow from different sets of assumptions. Indeed, the literature demonstrates that rent control can have a negative, positive or neutral effect on one or more aspect of housing and related markets, depending on your modelling assumptions.

5.7 The review also analysed the international *econometric evidence* on rent control. The empirical study of rent control in the UK is now extremely dated (it is a literature that largely tailed off in the 1980s) and the institutional structures of the UK housing market have subsequently changed substantially. The recent evidence base therefore inevitably comprises studies from cities in other countries. Furthermore, housing systems are becoming more diverse *within* the UK. These characteristics make the discussion of rent control particularly susceptible to analytical over-reach: there is a risk that results generated in quite different contexts are incautiously or uncritically applied to the UK.

5.8 A number of recurring or common themes within the econometric papers were found:

- North American econometric studies predominate. We also report on studies in Europe. Generally, the American studies come to different conclusions than those from Europe (though this is, at a more detailed level, a more nuanced and complex story). This serves to reinforce the importance of considering local markets trajectories, institutions and regulatory detail.
- Attempting to build robust indices of rent regulation (perhaps also taking account of non-price regulation) is an interesting idea to debate and develop.
- There is tension between increasingly sophisticated econometric modelling that seeks to overcome the limitations of data, bias and testing of interventions, on the one hand, and the continued use of quite strong modelling assumptions (e.g. imputed rather than market rents; specific behavioural responses such as landlord substantive rationality; or indeed assumptions about the competitiveness of the market), on the other.
- Econometric tests have been applied to an increasingly wide range of questions relevant to rent control in the last 20 years: there is now more focus on welfare effects, resource misallocation, impacts on decontrolled (or never controlled) adjacent markets and tenures, mobility and labour market effects and

neighbourhood impacts, such as segregation. These are important developments that need to be considered carefully in a second-best world analytically.

- A feature of the work has been much closer concern with second-generation rent controls and rent stabilisation alongside changes in tenancy conditions. This has led econometric models to be more nuanced and context specific.

5.9 The review also considered the *wider social sciences* literature on rent control:

- It is useful to understand the importance of the broader institutional context for the private rental sector in relation to the role and nature of a housing system.
- However, institutional arrangements, including those related to rent regulation, are neither deterministic nor unchangeable.
- Analysis have evidenced that changes towards (de)regulation have always been political. These studies argue that the issue of rent control should not be cast primarily as a matter of expert knowledge but as one of direct and reflective democracy.
- Finally, the reviewed literature demonstrates directly and sometimes indirectly that it is ideology - understood broadly as dominant beliefs endorsed by political parties, policymakers, economists or society - that casts a private tenancy as either a home (for a tenant) *or* asset (for a for-profit landlord).

5.10 The review's concluding discussion included a set of policy conclusions that seek to generate practical lessons for Governments currently investigating new rent control measures. The conclusions can be reduced to four compound points.

- A **vision** of where policymakers wish to take the private rented sector based on an appreciation of how it works now, its multiple internal functions, and its interactions with the wider housing system.
- Based on this vision, a **clear sense of the nature and design of rent regulation** proposed; how and in what circumstances it is triggered; and how it is later wound down (the sunset clause); as well as how it would complement existing and proposed non-price regulation.
- In order to achieve this clarity over policy objectives, design and operation, a **strong commitment to a comprehensive, operational data strategy** is required that will enable policymakers to undertake ongoing monitoring of the PRS within a clear market analysis strategy operating at the agreed market area level.
- Throughout, there should be a **commitment to drawing on the evidence base** where it provides direction and also, where there is no conclusive evidence, a suitable degree of caution and reference to the data and evidence generated locally. Equally, policy development and monitoring should be grounded throughout in mechanisms that give effective voice to tenants, as well as other stakeholders.

International Briefing Paper (Gibb and Marsh, 2022)

5.11 [Rent control: principles, practicalities and international experience](#) was published in May 2022. This is a briefing paper that seeks to complement the earlier evidence review. It provides examples of the range of contemporary international rent control or rent regulation practice as operated in the private rented sector (PRS), highlighting a small number of European examples in a little more detail (Sweden, Netherlands, France, Germany, and Ireland). It then goes on to consider and reflect on the evaluative criteria used to assess and appraise these policies and reflect on what this means for the Scottish debate on an effective national rent control policy.

What does the paper conclude?

5.12 First, the national housing policy context and history matter. Sweden's unitary housing system is longstanding. A Scottish aspiration to move to something similar (reducing housing's role as a site for holding wealth, de-commodifying housing and focusing on housing as shelter and not an asset, equal rights across tenure, de-speculating the housing market, etc.) is recognisable in the *Housing to 2040* long term vision and principles. This is a highly ambitious aspiration and there is a significant job to do to build in Scotland the institutions and infrastructure that makes up the Swedish system, not least the collective bargaining system. That is not to say that contexts do not change, or paths evolve – but it is no small feat to drive that process consciously, rather than it be the consequences of opportunities created by profound shocks like Covid. The importance of context also does not imply that there are not any international lessons to build on and carefully customise for domestic consumption.

5.13 Second, The Fair Deal for Tenants consultation makes it clear that the Scottish Government seeks to work from a positive vision for the private rented sector and that there is an evident long-term commitment to ramping up the government's approach to PRS data and evidence. The international evidence suggests both issues are important for the credibility, durability and, for operational policy development.

5.14 Third, there is no avoiding the need for the infrastructure and support required to implement and enforce the system. There will need to be a serious effort to cost the running of this system, as well as understand its market and distributional outcomes. And there needs to be robust and appropriately resourced operations put in place. There may be lessons on regular monitoring to learn from Ireland in this regard.

5.15 Finally, there would be value in developing a more detailed on the ground understanding of policies of interest with local experts and practitioners e.g., in France, Germany, Netherlands, Sweden and Ireland. The briefing note is a start, but local expertise is necessary to understand fully the nuances of systems operating elsewhere.

Academic Paper (Marsh, Gibb and Soaita, 2022)

5.16 The paper for the International Journal of Housing Policy: '[Rent regulation: unpacking the debates](#)', was published in August 2022.

5.17 To paraphrase the paper's abstract: the paper covers three questions related to rent regulation and the role of evidence. First, what are the drivers of policy change regarding rent regulation and what role does evidence play in shaping policy change? Second, what is the nature of the rent regulation evidence (i.e., drawn from the earlier evidence review)? Third, how is this evidence base transmitted into policy debate? The paper also discusses policy development in Scotland to reflect upon policy drivers and the role of evidence combining insights from evidence review and a decade-long policy ethnography.

5.18 To paraphrase the paper's conclusions, research on the dynamics of policy change indicates that in practice evidence rarely plays a significant role in policy decisions; other factors have weighed more heavily. The social sciences literature is clear that rent regulation policy, and policy change, are better understood as a product of the institutional complex of different housing regimes and of political contestation. The paper also concludes that the research evidence is better thought of as a *device for sensitizing to complexity and contingency* than for providing simple general conclusions.

5.19 The discussion around rent policy in contemporary Scotland says that the policy agenda is being strongly influenced by questions of political economy and political negotiation. Yet, the policy process in Scotland has been both cognitively open to evidence and has actively sought to engage with it. The evidence base has been interrogated for the assistance it can give in effective policy design. In this respect, the process displays characteristics of Cairney's (2019): *policy-based evidence* - decisionmakers value evidence, but the policy process faces imperatives to act that mean the purity of "evidence-based policy" cannot be realised.

5.20 The paper concludes finally that: 'the evidence base may not have played a substantial role in deciding the broad direction – the 'what' - of policy, but once that is determined the 'how' can be highly sensitive to lessons from the evidence, including the wisdom of proceeding with caution'.

Scottish Parliament CPG on Housing (Gibb, James, and Smith, 2022)

5.21 The Scottish Parliament Cross Party Group on Housing's [rent control report](#) was published on November 1, 2022. The Cross-Party Group decided to spend time looking at

the question of rent controls and to draw on the wide and varying views represented by its membership. Discussion was advanced by recognising that rent control is coming and that the debate should be about good policy design, minimising unwanted outcomes and thinking hard about the rental market's place in the wider housing system. One thought experiment was to imagine a hard rent control and how it might work and what the pros and cons would be. This was also done for a softer rent stabilisation model.

5.22 What were the main takeaways?

1. There will be trade-offs when choosing how one might limit rent increases, how any proposed exemptions might work and how are they to be defined.
2. There are wider system consequences with all proposals. It was argued that dealing with wider problems e.g., resourcing enforcement and compliance, greater supply of additional affordable and social housing, investment in repair and improvement policy for the private sector – all could take pressure off the rental market and, in time, reduce the need for rent control. However, and more concretely, proponents of harder rent controls need a credible commitment from government for these sorts of complementary policies.
3. The capacity to enforce compliance is likely to be critical to policy effectiveness. Considerable degrees of non-compliance were identified in Ireland, Germany and France (Gibb and Marsh, 2022). Non-compliance has to be explicitly addressed.
4. Rent control is not public policy on the cheap. It needs to be monitored and enforced, and the infrastructure for that implementation role must be in place. Evidence suggests it has costs (as well as benefits) to stakeholders and other parties in wider society.
5. There was more support for softer 3rd generation controls, but there are questions regarding annual rent increases (should they be mandatory as a way of limiting more occasional larger rent increases that seek to catch up?). There may still be mileage in exploring further, more interventionist models such as the French model which uses comparable rents to assess whether a new tenancy or initial rent falls with a 10%+/- zone compared to typical other local similar properties (France's scheme is not national but rather local and elective).
6. The group recognised the critical importance of good data and local market analysis. They also recognised the importance of a clear steer about where the government wants to see private renting in the medium to long term. Perhaps, this vision would involve the sector shrinking into a smaller role where the lower end is effectively transferred into affordable and social housing, and where investment is focused on the higher end of the market, such as build to rent.
7. Rent control could be used alongside area enforcement powers to tackle the worst concentrations of bad practice and failing markets at the bottom end of the market.

8. There was also broad support, albeit with dissent, for limiting the rent control in terms of exempting the upper end of the market and also treating students differently. The student housing problem is compounded by the different rights they have if there are in the PRS or in purpose-built student accommodation
9. Information could be more publicly available to help market functioning. Gibb and Marsh (2022) note the use in Germany of legislation that requires landlords to advertise properties with both the proposed rent offer and the relevant rent control ceiling (also noted was the government landlord portal for landlords to follow plain language regulations and policies as suggested for England by DLUHC recently).
10. More research is needed on tenant, landlord and investor behaviour in response to different forms of rent control. The authors were struck, for instance, by discussions with the Swedish real estate investor, Heimstadt, who were happy to invest in different rent control regimes across Europe, if certain risk criteria were met.

6. Overall Conclusions

6.1 We understand that Welsh Government are committed in their 2021-26 Programme for Government and their Co-operation Agreement with Plaid Cymru to consult on a White paper on proposals for a Right to Adequate Housing including “fair rents” and new approaches to making homes affordable for those on low incomes. In their 2021 manifestos both Welsh Labour and Plaid Cymru included proposals to restrict rents in the private sector. We are certainly not saying do not pursue such policies. However, the evidence suggests sub national and regional variations in housing markets and systems means that it may not be appropriate to introduce a uniform, nationwide scheme for Wales. Context matters and it is important that care is exercised when drawing lessons from different institutional and market situations: Wales is neither Scotland nor England and Ceredigion and Conwy are not Cardiff.

6.2 We believe there is a need to distinguish between the causes of affordability problems in parts of the private rental sector and the long-run complementary roles of different housing policies. It is appropriate to ask to what extent the call for private sector rent control is a response to the failure of other housing policies over time. To what extent would fixing other policy weaknesses (e.g., the supply and cost) of social rented housing over time reduce the need for interventions in the private rented sector?

6.3 There is need to recognise that the private rented sector does not exist in a vacuum. It is a critical part of the housing system in Wales, but whatever the approach to rent control in this sector (itself part of a wider regulation of private renting) there will be a continuing requirement for complementary policies towards the provision of affordable housing in other tenures.

6.4 There would be trade-offs between how rent controls might be introduced (and how they might be sustained or subsequently relaxed), and how any exemptions (e.g., for

particular groups or parts of the market) might be defined and operate. Unintended consequences, wherever possible, should be avoided.

6.5 Whatever decisions are taken in terms of policy interventions in the private rented housing market, we think it is important to invest in enhancing local housing market analysis and (critically) improving the quality of data in relation to the private rented sector in Wales. We have made the point that rent control is not public policy on the cheap. This paper has highlighted the limitations and weaknesses of data in relation to the private rented sector in Wales, in terms of the stock, the profile of landlords and tenants, information on current rent levels and data at the local geographical scale and these need to be addressed.

6.6. In terms of improving the understanding of the operation of the private rented sector in Wales in our view 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.

6.7 Any policy interventions which are introduced need to work with the evidence base and be accompanied by a commitment to ongoing monitoring and evaluation to inform further policy review. In addition to well-designed policies, it will be important to consider potential problems of implementation and to consider how policy compliance might be achieved.

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