CPG Housing Working Group Report on Rent Control

Final Draft

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Foreword by the Convenor (Graham Simpson MSP)

The Scottish Government has pledged to introduce a new and effective national system of rent controls in this Parliament. Government is working on their plans, which have recently been consulted on (within the wider New Deal for Tenants, 2021) and responses analysed (Craigforth, 2022). In the context of the cost-of-living crisis, and anticipated, unprecedented increases in fuel poverty, there have been calls from different quarters for a rent freeze. Meanwhile the UK Government is consulting over a cap on housing association rent increases in England, with a preferred figure of 5% being suggested (Inside Housing, August 31, 2022). It is against this backdrop that we should consider rent control options for the private rented sector in Scotland

The Cross-Party Group (CPG) on Housing set up an internal research process in the Spring of 2022, culminating in this report in response to the Scottish Government's pledge. The research was led by Gareth James and Ken Gibb from CaCHE[1] and by Mike Smith from Safe Deposits Scotland. Interested members of the CPG met four times and their deliberations assisted the drafting of this short report about rent control and the challenges of introducing such interventions.

We have worked hard to be inclusive, encourage debate and ventilate different views. Despite underlying, often fundamental differences, we have been pleasantly surprised by the openness of participants to be able to generate informed views about the pros and cons of different potential approaches. While the authors have tried to synthesise the range of views expressed, the report is, inevitably, to an extent, filtered by their thinking. We would not want anyone reading this to think that the report represents the uniform view of the CPG – rather it is a distillation of many different interventions, opinions and the use of evidence.

We hope that this will make a useful contribution to the debate and make an impression on government thinking.

The team drew on different pieces of recent research and investigation on rent control. This included the recent CaCHE evidence review (Gibb et al, 2022), policy briefing (Gibb and Marsh, 2022) and journal article (Marsh, et al, 2022), as well as earlier papers such as Wheatley et al (2019) from the New Economics Foundation, and international evidence synthesised by Kettunen and Ruonavaara (2021). These findings helped direct and inform the findings documented in this report.

Graham Simpson MSP

Convenor, CPG on Housing

[1] UK Collaborative Centre for Housing Evidence

Summary

Background

Set against the backdrop of increasing rental unaffordability, rising inflation, higher interest rates and the wider energy cost crisis, the Scottish Government has pledged to legislate in this Parliament for a national effective system of private sector rent controls (with local variation discretion). This follows both the apparent failure (arguably data-driven) of Rent Pressure Zones introduced in 2017 and the timing out of a private member's bill on a national system of 'fair rents' in 2021. It is also a direct result of the long-term strategy, Housing to 2040 and its focus on a right to adequate housing and the desire it signalled to legislated for stronger tenant rights, including affordability.

The Cross Party Group on Housing in the Scottish Parliament decided to spend time looking at the question of rent controls and to draw the wide and varying views represented by its membership. The full report is the distillation of several group discussions held in the Spring and summer of 2022. The report has tried to explicitly draw on the range of opinion and argument raised from across the CPG reflecting the views of strong proponents, more qualified proponents and opponents to rental market intervention. One of the ways we advanced discussion was 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 such thought experiment was to imagine either a hard rent control and how it might work and what the pros and cons would be. We also did this for a softer rent stabilisation form of control.

Key Takeaways

There are inevitable **trade-offs** when choosing the metrics by which we might limit rent increases, how any proposed exemptions might work and how are they to be defined. This should be explicitly recognised.

There are **wider system consequences,** to different degrees, with all proposals. This is inevitable because of the fundamentally interdependent nature of the PRS and its segments within local housing systems. It was consistently argued through our meetings 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. More concretely, proponents of harder rent controls need a credible commitment from government for these complementary non-PRS policies. The **capacity to enforce compliance** is likely to be critical to policy effectiveness. We note considerable degrees of non-compliance identified in Ireland, Germany and France (Gibb and Marsh, 2022). When policy is formulated in Scotland, non-compliance has to be explicitly addressed.

Rent control is **not cheap public policy**. 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. Commitment to rent control should therefore require due diligence around design, impact and the monitoring and conduct of the policy. Regulation in the last 15 years has accrued in a piecemeal fashion and this should be avoided in the future with rent control. Otherwise, tinkering with the system once established is likely and may obscure purpose. Lessons on this can be learned from the experience of Ireland's Rent Pressure Zones.

Should the rent control be **piloted and evaluated or fully introduced** in a single 'big bang' fashion? Time may be a salient factor if there is concern that a piloted roll out would delay further the full introduction, for instance, of rent stabilisation. A more intensive evaluation of a pilot's implementation and examination of pinch points and practical shortcomings, even if time limited, would, however, be valuable. Realistically, it will take time for the proposed additional data from landlord registers to be populated and analysable, so there may well be a window to undertake such testing and learning from it (there should also be economic and equalities impact assessments – even if the direct public expenditure effects are low, the wider effects should justify such an undertaking).

Overall, there was **more support for softer 3rd generation controls,** but there are questions to address 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 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 properties of the same size and type (France's scheme is not national but rather local and elective: the system requires municipalities to request participating in this model as a result of evident unaffordability).

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. What will happen to the numerically still dominant but slowly shrinking buy to let sector? 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 rental market. Glasgow offers lessons here.

There was also broad support, albeit with minority dissent, for limiting the rent control in terms **of exempting the upper end** of the market and also **treating students differently**. For sub-market identification at the top or the bottom, there is a boundary definition question to be resolved. The student housing problem is compounded by declining landlord willingness to offer them lets, the different rights they have if there are in the PRS or in purpose built student accommodation, and by the fact that in our cities demand is growing strongly. We recognise the difficulty of squaring thus within an equal human rights treatment of all tenants?

Other issues for the authors, on reflection, are also important but were not widely discussed:

- The future of **Local Housing Allowances**, their level and generosity (including shared room assumptions). Devolved and reserved policy powers are important constraints regarding particularly benefits to tenants in the PRS. Grasping the nettle of devolving housing benefits may become an important leverage point for effective reform.
- The fitness for purpose or otherwise of existing **broad rental market area boundaries**. What should be the basis for housing market areas for housing planning purposes and how should these relate to more local variations in rents? Consistency in these questions matters.
- This work is inevitably connected to the debate Scottish Government is launching over the **shared understanding of affordability**. This will speak directly to norms and levels of rent deemed acceptable for specific low income or insecure income households.
- 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. This may also be worth considering for both sides of the market if one goal here is to increase knowledge and awareness (as is the idea of a government landlord portal for landlords to follow plain

language regulations and policies as suggested for England by DLUHC in the recent Queen's Speech).
- We need more research on **tenant, landlord and investor behaviour** in response to different forms of rent control. The authors were very struck by our discussions with the Swedish real estate investor, Heimstadt, who are happy to invest in different rent control regimes across Europe, based on meeting certain risk criteria. It is not the case that investors will necessarily exit when certain rent control regimes are introduced.

1. Introduction

Nearly three-quarters of respondents to a 2020 YouGov poll across Britain supported controls on a landlord's ability to increase rents in the private rented sector (PRS)[2]. Unaffordable rents, concerns about further real rent increases identified recently by CityLets in Glasgow, Edinburgh and Dundee, and the ongoing cost of living crisis, combine to create a public demand for rent market intervention, including proposals for a temporary rent freeze, and wider efforts to shape or influence the Scottish Government's emerging position.[3]

The Scottish Government's promise to bring forward legislation for national rent controls in this Parliament has kick-started a process of policy development, design and implementation, ultimately leading to future Bill preparation.

At the time of writing, the housing sector does not know what kind of rent control is being proposed. Consequently, housing commentators and public policy thinkers are discussing options. The CPG for housing believes that it should contribute to the debate given the importance of this issue. The CPG includes members from a wide variety of backgrounds, including proponents and opponents of rent control.

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 UK), reflecting public demand for action on rising housing costs and consequent unaffordability. But, 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 indeterminant length tenancies).

In 2016, Scotland looked to Ireland when it developed its ultimately ineffective rent pressure zone proposal[4]. Once again, in the present period, Scottish policymakers are looking internationally for ideas and solutions. At one level this is relevant evidence, but it must be cautiously used when applied to the Scottish situation.

The Government parties have a majority that wish to introduce rent control[5]. The fact that this is therefore going to happen has meant that the debate has moved on from binary views about rent

[2] James Riding 'Landlords under threat as clamour grows for new controls', React News, 14 April 2022
[3] The same is true in Wales and Northern Ireland (and to a lesser but still discernible extent in England).
[4] Robertson, D., and Young, G. (2018). An evaluation of rent regulation measures within Scotland's private rented sector. Shelter Scotland, Edinburgh, is a good summary of the challenges facing the Scottish RPZs. Evaluations of the Irish system can be found at: Byrne, M and McArdle, R (2020) Security and Agency in the Irish private rented sector. Threshold, Dublin and Coffey, C et al (2022) Rental Inflation and Stabilisation Policies: International Evidence and the Irish Experience. ESRI: Dublin.
[5] There are also elements of opposition support, at least in principle.

controls to a more complex and thoughtful discussion of options and their credibility, feasibility, fairness, cost, unintended consequences, behavioural responses, and questions of effective implementation and delivery. In this short report, we set out the discussions of the CPG regarding the pros and cons of different approaches across all these criteria.

The aim of the work therefore was to:

- better understand and explore likely alternative methods of delivering rent control for Scotland, going from soft controls such as inflation only rent increases during a tenancy, to more hard controls such as a rent freeze[6]; and,
- reflecting the breadth of initial positions taken by members of the CPG, debate the key issues arising from committing to rent control in Scotland.

The rest of the report is organised as follows:

- Section 2 elaborates on the context in which the pressure for rent controls has come about and the legislative and consultative timeline by which it became established as a clear goal with policy development milestones.
- Section 3 considers new evidence synthesis about rent controls and other examples of rent regulation practice in Europe and consider their implications for Scotland.
- Section 4 begins from the premise that rent control is on the horizon in Scotland and reports on the CPG's deliberations on how the 'best' approach might be pursued. This involved thinking through two approaches - a *maximalist* (hard rent controls) and *minimalist* (soft or later generation) rent control - and trying to derive principles or identify challenges and trade-offs. The section examines the main findings from this comparison structured in terms of the following key questions:
    - how does one set a starting or initial rent;
    - how are rent increases determined; and,
    - what are exceptions and key challenges that might arise?
- Section 5 indicates the key conclusions and lessons generated from this process.

2. The Political and '*political*' Contexts

Drivers for rent control in Scotland are both objectively measurable and often highly political (with both an upper case and lower case '*p*'):

- Affordability pressures building up e.g. real term rent increase accumulating in the cities of Glasgow and Edinburgh, leading to ground-up mobilisation of campaigns aimed at putting downward pressure on rents and improving standards in the private rented sector.
- Lack of sufficient social housing and requirement for low income and insecure households to rent privately[7].
- Labour market in-work poverty and challenges for working age benefits and support to help with housing costs. This has been reinforced by the accelerating cost of living crisis shining a light on high and increasing housing costs[8].
- Local practitioner evidence of widespread student housing demand in the face of landlord withdrawal from the student HMO market, exacerbating shortages and increasing rents.

[6] This is defined in more detail in section 3
[7] Indigo House (2022) Rent Better Wave 2 Final Report April 2022. Nationwide Foundation: London.
[8] Ibid.

- Linking of poor conditions, excessive rents and examples of poor or even illegal landlord behaviour with specific neighbourhood sub-markets – accelerating increasing demands for action.
- A growing recognition that the rental market is the shock absorber or safety valve for the rest of the housing system – the most dynamic part where additional demand can be met quickly but at a cost that may seem to be increasingly unacceptable, particularly to those with little other choice.

There are various pieces of evidence about rental market affordability – all of which have shortcomings (and note that these are recorded generally prior to the additional pressure generated by the accelerating general and specific energy sector inflation of the last year). ONS experimental data[9] shows a modest or similar level of rent increase compared at the Scotland level compared with the other UK nations but evidence in the most recent periods indicates sharper rental growth in Scotland. Still at the Scottish level, City Lets (Q2, 2022) reports annual Scottish rental increases of above 10% year on year in Glasgow, Dundee and Edinburgh.[10]

Scottish government data from 2010 to 2021 for broad rental market areas by property size[11] shows that:

- For one bed properties, real rent increases (i.e. after cumulative CPI growth) matched inflation for Scotland as whole but were considerably larger in the Lothians and Greater Glasgow. While cumulative CPI grew by around 24% over this period, rents rose by 45.2% in Lothians and by 38.2% in Greater Glasgow.
- For two beds, Scotland wide rents grew by 25.1%, and by 41.7% in the Lothians, 41.4% in Greater Glasgow, by 32.8% in Fife and by 30.3% in Forth Valley. Other BRMAs were below cumulative CPI.
- For three beds, Scotland wide rents grew by 25.3% and several BRMAs were above the cumulative CPI figure: Lothian (41.8%), Greater Glasgow (39.9%), Forth Valley (39.9%), Fife (38.2%), East Dunbartonshire (3.6%), Scottish Borders (28.7%), Dundee & Angus (27.9%), and West Lothian (26.9%.).

Alongside real terms rental inflation in three of Scotland's four major conurbations and several other sites as well, the stagnant picture for real earnings and benefits over this period compounds the affordability challenges found in different parts of Scotland (see the second (2022) Rent Better report).

In the more formal political setting, there has been an evolving series of non-price PRS regulatory policies introduced 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.

- 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, which could limit rent

[9] ONS – Index of Private Housing Rental Prices, April 2022, 25,000 sample data from rent officers
[10] Large sample of advertised lets
[11] Private sector rented statistics 2010-21, Scottish Government.

increases spatially should sufficient data warrant their introduction[12]. This mechanism has not been used in practice.

- A 2019-21 'fair rent' private members bill led by Pauline McNeill MSP centred around a national upper limit on rent increases, and a system driven by data produced by a revamped nationally consistent landlord register. The bill was fully consulted on and reached committee stage when it was timed out.
- Housing to 2040's[13] principles and vision statement signalled a desire to pursue the principle 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 (on 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.
- The SNP/Greens governmental 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).
- 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
    - some support for trialling or reforming RPZs; others want them abandoned and replaced
    - concerns noted about rent controls being poorly designed e.g. disincentivising repairs
    - policy designers must take account of adverse impacts and interactions with other non-price regulations
    - don't let rents outstrip inflation
    - affordability and rent data require an evidence-based approach must be effectively evaluated
    - affordability should guarantee the right to adequate housing and if that means a smaller PRS, that is an acceptable trade-off.

At the time of writing (September 2022) the housing sector does not know the specific direction that the government will take with its rent control proposals, so an important function of this CPG research has been to generate debate and consequently offer advice from the perspective that rent regulation is coming, but that the type and design of that regulation is open to debate and discussion.

[12] Local authorities were asked to identify the spatial boundaries of the RPZ and to provide evidence that such a cap in rents was justified – this turned out to be a very high hurdle.
[13] 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/

3. Introducing the Rent Control Debate

At its most basic level, advocates of rent control want to restrict the capacity of landlords to increase rents, or indeed may wish to freeze or even reduce rent levels. These arguments for restricting rent increases are often connected to other issues such as greater security of tenure.

Opponents of rent controls, on the other hand, often on the supply-side of the sector, but also the great majority of mainstream economists[14], argue that binding controls distort the market, dissuade investment, reduce market supply, and, often, impair housing quality. The annex sets out the conventional economics textbook analysis.

It is helpful, however, to recognise that the real world private rental market operates not as a simple, well-functioning, competitive textbook market, but rather is a series of linked, partly independent sub-markets, both on the demand side[15] and supply side[16] - described by one CPG member as inherently 'messy'.

These sub-markets are also often segmented by the dominant type of housing stock they operate within. Segmentation suggests that outcomes, experiences, system linkages to other tenures, and policy interventions, will impact differently across these segments. Rarely, however, does policy on rent control rigorously consider these different market segments when thinking about the proposed intervention[17].

Moreover, the textbook model does not take sufficient account of:

- the details attached to specific rent control interventions;
- the role of market institutions and interaction with non-price regulations;
- how competitive the market really is (and what the market rent would have been in the absence of rent control); or,
- how precisely the design of the rent control impacts on the behaviour of households, their choices and those of suppliers.

There have been quite a few elaborations on these ideas by mainstream economists, but broadly speaking, theoretical innovation somewhat ceased after 2000, to be replaced by considerable empirical innovations[18] working in similar market areas, often in specific parts of North America.

The work of economist Richard Arnott (1995) is one important development which had a broader impact. Arnott divided rent controls into 1st, 2nd and 3rd 'generations', each with significantly different impacts, as follows:

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14 Although positions are often more nuanced among specialist housing economists.

15 (students, new migrants, easy access, tied to work housing, low income unable to access social housing, frustrated would-be mortgagors, short term letting demand, etc.),

16 buy to let, build to rent, larger corporate capitalised landlords, short term let businesses, mid-market affordable landlords, social enterprise, etc.)

17 *The Maze of Urban Housing Markets* (Rotherberg, J et al, Chicago University Press, 1991) adopts quality-based sub markets (high, medium and low quality segments) and traces through knock-on effects from one submarket to another inducing supply change, price change and quality change over time in response to different stimuli, including policy interventions.

18 New or more innovative techniques include researching rent control using treatment and control groups, greater spatial analysis between controlled and neighbouring uncontrolled markets, analysis of misallocation of resources, and trying to capture effects on labour and housing mobility – see Gibb, et al, 2022, chapter 5.

Table 1: Rent Control Typologies

Generation	Spectrum	Features
First generation	Hard	Freeze, often linked to tenure security; textbook model
Second generation	Softer	Focus on rent increases linked to cost of living and exceptions for improvement works, new build, etc..
Third generation	Soft	Focus on rent stabilisation and capping rent increases but linked to decontrol and rent reset when tenancy vacated

Box 1: Contemporary Rent Control Practice in Five European Examples

Sweden (2nd Generation) uses a unique collective bargaining process around rent increases. This occurs between the tenants union and landlords after a rent tribunal establishes the initial rent in the form of a points systems that assesses the utility value of the property to determine a reasonable starting rent. Proponents view this system as a 'third way' of corporatism and collective bargaining but its critics argue that, because of low mobility, open-ended tenancies and the allocation mechanism, there are long queues for housing.

Netherlands (2nd Generation) uses a points calculation to determine a rent level wherein below that rent brings properties into a rent-controlled system and above the cut-off free markets operate without controls. In the controlled sector rent increases can be up to CPI plus 1%.

Ireland (2nd generation 'mild') has a data-rich regulatory system that supports a system of rent pressure zones (established 2016). These have widened in their scope and reach since their introduction. An RPZ is set up if annual standardised rent increases have risen by at least 7 per cent in four of the last six quarters. Restrictions on increases in rents (for a limited period subsequently extended) cap increases at 4% per annum.

Germany (3rd generation plus 'high demand new let initial rents) introduced a 'rent brake' in 2015 for up to 5 years (and can be renewed but only till 2025) wherein local areas facing rental market stress apply for and take up a system where new tenancy initial rents are set within comparable parameters e.g. a maximum of 10% higher or the previous lease rent and then rent increases are limited by no more than 20% over the next three years or 10% above comparable rents .

France (2nd generation) since 2018 also has a localised system where cities under pressure can trigger a system (for up to five years) that set initial rents with comparable parameters e.g. from below 20% to a maximum of 30% above the comparable rent figure, before controlling rent increases via a benchmark index. This now operates in Paris and Lyon.

Source: Gibb and Marsh 2022; rent control 'generation' summary description – see annex table by Kettunen and Ruonavaara (2021)

Box 2: Investing in Different European Rental Market Regulatory Conditions

This case study is based on a meeting with Andreas Steno, Director, Lead Economist and Head of Research at Heimstaden Bostad. Andreas also kindly provided supporting documentation.

Heimstaden Bostad is a 'leading European residential estate company'[19]. They were established in Sweden in 2013 by Heimstaden AB together with Alecta. They have since expanded outside of Sweden to acquire properties in Denmark (2014) and Norway (2017), Germany and the Netherland (2018), the Czech Republic and Poland (2020), and the UK and Finland (2021). Investors includes, e.g. the Sandvik and Ericsson pension funds, the Folksam Group (one of the largest insurance companies in Sweden, which offers insurance and opportunities for long-term savings), the Swedish Pensions Agency, and Försäkringsbranschens Pensionskassa (FPK) (which manages contract insurance for persons who are employed or have been employed in the insurance industry).

Heimstaden invest in European countries with different rent control regulatory regimes. The meeting with Dr Steno discussed three contrasting examples: Sweden, Germany, and Denmark.

Sweden

There are two mechanisms for rent regulation in Sweden. These are:

An annual negotiation with local tenants union. This negotiation take place in every municipality. Inflation is the starting point but there is no direct link between inflation and rental growth. The outcome depends on a "handshake". For 2022, Dr Steno observed that rental growth will likely be 30-50% below inflation. However, as part of the negotiations and subsequent agreement with tenants, there is a mutual understanding that if inflation falls back then rental increases are allowed. It was noted that this requires an ongoing relationship, forward thinking, and mutual understanding.

A scoring system. This system provides guidance on which components you need in an apartment to be able to charge a specific rent e.g. what the kitchen/bathroom should look like etc. Dr Steno noted some regional variations in that the scoring system tends to produce rents below the market rate for large cities (e.g. inner Stockholm) and rents that are much closer to the market rate in other parts of the country. At the aggregate level, rents tend to be close to the market rate. The Netherlands also employs a scoring system.

Germany

In Germany, most of Heimstaden's existing real estate contracts have no link at all to inflation, so it is only in cases where a tenant moves out of a property that refurbishment can take place and rent increased. For some new contracts, there is a direct link to CPI index in Germany, but there are ongoing political disputes in relation to this, especially in Hamburg and Berlin. To date, the Constitutional Court has upheld the national level policy which allows for rent increases to be linked to the CPI index. Andreas noted that Germany has the clearest link between inflation and rents over the past 20+ years. There is some volatility from year-to-year but over time CPI has been very close to the exact indexation of rents, matching almost on a 1:1 basis.

[19] https://www.heimstadenbostad.com/about-us/about-us/default.aspx

Denmark

Denmark is a more mixed case study. Andreas noted that everything built after 1992 is very close to a completely unregulated market, whereas everything built before 1992 is very regulated and resembles the German model. This situation would enable a natural experiment where one part of a real estate portfolio is under regulation and the other part not, within the same country. Dr Steno's observation, based on their own experience, is that the part of their portfolio in Denmark that is regulated is fairly closely tied to actual development in CPI over time; but that the other unregulated part of the portfolio tracks wage growth rather than CPI. It was noted that, as an investor, it does not necessarily follow therefore that the unregulated market would produce the better return or be a safer bet.

Wider Strategy

Holding residential real estate across Europe, and with around 65% of its portfolio in regulated markets, Heimstaden must navigate different regulatory regimes. Dr Steno confirmed that they use data models that rank political risk and draw on both their subjective assessments (drawing on their own experiences as board members, landlords, etc.) and objective indicators (including from the likes of the OECD) to manage risk and make investment decisions. A key issue concern political uncertainty and the risk that this will lead destabilsation of regulatory regimes.

Dr Steno concluded that Heimstaden like operating in regulated markets because of the stability that regulation provides; but they also like regulations to be visible, up front, when they are making investment decisions. So, for example, he stated clearly that if Heimstaden was to invest in Scotland, they would want to see ahead of time, if possible, what the regulations would look like, so that they know what they are buying into. He also noted that Heimstaden see nonprice regulation ensuring stability on longer term contracts and even family succession of tenancies. Affordable rents help maintain stable longer tenancies. Stability is also strengthened in Germany and Sweden by multi-family homes being valued collectively at reletting stages (compared to individual dwellings revaluing on relet one at a time). All of this encourages funds and investors to put funds into rental markets which can provide on average something akin to an index-linked rental return, as an important component of a diversified real estate portfolio.

Different countries across Europe have moved more to 3rd generation controls, but some still seek to impact on initial starting rents (e.g. France and Sweden); whereas others, such as Ireland and Germany, have focused more on 2nd or 3rd generation approaches (Gibb and Marsh, 2022). The appendix to the current report (reprinted from Gibb and Marsh, 2022) shows the degree of variation in rent control across 33 European countries prior to the pandemic. The box below summarises contemporary rent control practice in 5 European countries.

Economists who are more relaxed about rent control interventions will have 2nd or probably 3rd generation controls in mind, and rarely, if at all, would they propose 1st generation controls.

An article of faith among opponents of rent controls is that such interventions reduce investment and that, moreover, investors will stay away from controlled markets. At one level, this cannot be literally true in that, for example, there are rent controls regimes in many European countries but rental markets continue to function and clearly there is investment made and holdings retained – to differing degrees. This is still consistent, however, with decline over time in holdings and supply.

Our colleague and GPG member, John Boyle, suggested that we talk to Andreas Steno at the international real estate investor, Heimstaden. The case study below indicates that Heimstaden follow investment criteria that enables them to successfully put money into rent controlled private renting in different European countries (e.g. Sweden, Netherlands, Germany, etc.) as well as free market systems (recently investing in the UK). In short, and providing key risk criteria are met, a commercial investor can and does operate in different markets with varying degrees of rent regulation, with enduring commercial success.

A key further distinction is raised by the New Economics Foundation (2019), who distinguish analysis of rent control policies between key elements:

- Attitude to the **initial or starting rent** and how it is derived (e.g. market comparable or some external, non-market basis)?
- Attitude to how **rent increases** are organised – which metric and how would it be deployed?
- What **exceptions** would apply (and presumably how would intervention trigger and sunset clauses work, if applicable)?

In February of this year, CaCHE produced an international evidence review of economics and social sciences papers on rent control published since 2000 (Gibb, et al. 2022). The main findings from the review are summarised in the Box below.

These findings imply that policy design needs to be grounded in accurate and consistent data and market monitoring. This conclusion is true for either side of the rent control debate – either whether the rental market is working efficiently and fairly or whether rent control appears to be supported as a form of intervention can only be properly understood by recourse to careful examination of evidence from real local markets. A key challenge is the data coverage and how we interpret rental data in real housing markets. One issue is that new rents reflect the flow in the rental market in the current period but do not tell us anything about the rents in properties where tenancies continue (perhaps 90% of the total stock in any year does not transact). Second, flow data is for advertised or asking rents and we may expect the relationship between asking and contracted rents to vary or differ according to levels of market activity and local market variations. We actually know little about what is going on in the wider marketplace – a fundamental point we return to later.

Box 3: Key takeaways from Gibb et al, 2022, Evidence Review, p.6

The importance of recognizing different models and generations of rent control practice when appraising the evidence. This also includes acknowledging the interconnections of rent regulation with the wide range of actual and possible forms of non-price regulation.

The need for assumptions that are more strongly empirically grounded as the foundation for economic models.

Recognition of the importance of both local politics and ideological trends (and that these are not immutable).

The relative stalling or lack of theoretical development in the relevant economics literature.

There is a gap between practical evidence, data and monitoring of local housing policy advice regarding the design and implementation of rent control (Wheatley, et al, 2019, is an honourable exception).

Specifically, this translates into the absence of grounded understanding of landlord supply structure, how segments of rental markets function and operate within different degrees of interdependence, and the extent to which local markets are volatile and subject to external shocks. Gibb, et al, 2021, also stresses the importance of understanding the context of the local rental market, for example, its exposure to wider external shocks. This is not a theoretical issue – witness the turbulent experience of the volatile Aberdeen rental market in recent times.

While it is genuine progress that the Government is now committed to extending the landlord data register to include rents and property attributes (see the recent consultation), it is critical that it is delivered quickly and it has to then form the basis of a new wave of local housing market modelling and monitoring across the country[20].

We also note that there is a risk here both for rent control proponents liberally borrowing from another national system approach, and for opponents to draw too readily on studies from other national housing circumstances. Both need to be filtered by, and understood in, our Scottish-specific housing system context. We should be cautious when transferring policies or evidence internationally (Soaita, et al. 2021). We have not operated rent control in Scotland for the UK in any meaningful way since the late 1980s – so these questions of legitimate comparisons and fitness of purpose to the Scottish case are not merely academic.

4. Digging Deeper into Alternatives

A key part of our deliberations was to undertake an exercise to debate and explore the challenges associated with different approaches to rent control. To do this, participants were split into two groups, each group representing a range of views, one of which considered a softer, 3rd generation or 'minimalist' approach to rent control, while the other thought through the challenges associated with a harder, 'maximalist' or 1st generation approach. The options discussed are summarised in the Box below. Following the NEF example, each group debated the questions of how to set the initial starting rent, how to increase rents, and what exemptions or other additional rules might apply. [21] We report the results of these discussions under four headings.

Box 4: Range of Alternative Approaches Discussed

- Rent Freezes and Potential Reductions in Starting Rents (First Generation)
- Linking initial rents to quality thresholds and then limiting subsequent rent increases subject to allowable increases tied to investment/improvements/repairs
- Revising the rent pressure zone model
- Rent stabilisation model (Third Generation)
- Rent increases tied to different metrics (national prices, local prices, incomes, other affordability metrics)
- Area intensive enforcement of regulations including rent control
- Exempting the upper end of the market based on a clear metric/boundary metric

[20] O'Sullivan, A et al (2004) *Local Housing Systems Analysis: Good Practice Guide.* Communities Scotland: Edinburgh.

[21] This deliberative exercise produced interesting ideas and challenges that we report below. Interestingly, the maximalist group struggled to arrive at a workable proposition and tended to move back towards a later generation approach. The minimalist group also identified challenges for their type of intervention but suggested interesting ideas about how it might be taken forward.

4.1 Setting the Initial Rent

Rent controls do bring a degree of certainty (if they work as planned and are resourced). However, the tendency was noted of governments to build piecemeal on existing regulation and for the scope of rent control to widen and deepen (as arguably has occurred in Ireland).

Rents could be set as a maximum percentage of income, like policies in Ireland and Australia for social housing. This could still be challenging administratively, as well as recognising long term issues of under-maintenance found in both of the countries noted above.

There was not evident support for a blanket nationwide cap because of significant local variations, and they also observed problems in markets with large numbers of students who can push rents up because of their relatively large impact on the traditional PRS. There was much debate about whether students should be included within the wider rental market rent regulations or not.

There was also contention about whether a rent freeze**,** introduced in the context of affordability pressures and the cost-of-living crisis, would work or be desirable. The Scottish Government was argued to have little real power to improve working age wages and benefits. However, if rents are allowed to fall, as in Aberdeen, it might be more sensible to seek to stabilise the market by limiting rent increases should markets otherwise rise rapidly.

Linking rents to quality could be an incentive for landlords but there may be difficulties with such an approach. For example:

- it may yet push low-income households into the poorest quality property,
- some indicated that there may still be a need for limits to rents in high quality properties (others did not agree, supporting exemptions for higher quality submarkets at the top end)
- the system would need to carefully distinguish between genuine improvements and repairs and more artificial claims (which it was felt should not be allowed to increase rents)
- there was also concern that large scale repairs, etc. may be a cloak to evict tenants by other means, and it was suggested that tenants might have a right to refuse an unnecessary repair, on these grounds.

The 'minimalist' group looked again at rent pressure zones and why they did not work after introduction in Scotland compared to the Irish case. A key point was that data in Ireland is more plentiful. There remained interest from several colleagues around trying to do rent pressure zones 'properly'.

There was a degree of support for a focus on areas where intensive area intervention was needed. What was envisaged was a series of targeted area interventions to improve quality of private renting outcomes. This would include issues of housing quality and conditions but also enforced intensive regulation landlord behaviour, the transfer of some stock to social landlords, and would include the regulation of rent. The point is that rent control could work alongside intensive area interventions underpinned by enforcement actions by local authorities where it was required.

A number of contributors felt this targeted approach to the worst parts of the sector was the most important intervention required for the PRS and that this was the absolute minimum required for rental market reform but, for some, may actually be all that is required from a rent control perspective. There were concerns raised that such a focus might have adverse outcomes on quality and conditions in the lower end of the market (it may unintendedly lead to shortages of housing for the most disadvantaged if landlords move consciously upmarket to escape controls). It is also the case that since these powers have been introduced, they have been rarely used by any council other than in Glasgow. This may be because they were not more widely needed but this is not represented by the evidence found in the recent *2nd Wave Rent Better* report.

Taking an area intervention approach as a more systematic priority could be quite consistent with a more general 3rd generation control or indeed one where properties above a certain quality or value level were exempt.

Sufficient Data (via a full landlord register record on actual rents over time on a property, etc.) and dashboard indicators (e.g. void rates, landlord registrations, etc.) are essential to any local model of rent regulation that seeks to have a robust connection between actual rents and rent regulation.

There was considerable discussion about the resetting to market rent when properties were vacant, which by some was seen to be essential for investors and also would encourage the formalisation of annual rent increases within tenancies in order to limit otherwise infrequent large catch-up jumps in rents. Several colleagues noted how, for many landlords, infrequent rent increases could go on for periods of years, followed by a market reset at vacancy.

From a maximalist or first generation control perspective, there was more interest in using comparable valuations and rent data to establish a range where an expected initial rent might operate (as is practiced in controlled areas of France's PRS). We should recognize, from a practical sense, that the data requirements for these quality-based comparable initial rents are also data-intensive and require a well-functioning and substantial data infrastructure.

4.2 Rules for Rent Increases

Adopting inflation led caps on rent increases may be challenging in a period of rising inflation and accelerating cost of living crisis, and this may logically lead to supporting ideas of temporary freezes. While this may seem extreme, readers should note that temporary freezes are being actively discussed in Northern Ireland (where such action can now be enabled by 2022 legislation). Such a policy was also adopted elsewhere during the Covid-19 pandemic, and the UK coalition Government chose to reduce rents for social tenants in England for 4 years to reduce DWP housing benefit costs. The current Government are proposing a 5% limit on rent increases by English housing association. In the next financial year.

It was recognised that it made more sense to build a more nuanced control based around both incomes and inflation but also reflecting property conditions and quality. Pegging rents to average incomes was also discussed but it was noted that this should both reflect local variations and that the composition of the PRS (and its submarkets) is different from the country as a whole (e.g. age, proportion of new migrants, etc.). More and better local disaggregated income data would be required for such an approach.

The frequency of rent increases was generally agreed to be tied to once every 12 months. Noting the earlier point about many landlords not increasing rents till vacancy, several colleagues felt that efforts should be made to insist on this and to prevent landlords artificially increasing rents either after a period of years or on creation of new tenancies (for instance, the rent reset on the creation of new tenancy could be directly linked to the final rent in the previous tenancy with only an index linked increase allowed). It was noted that small scale buy to let landlords often behave more informally about rent increases compared with more investor landlords. For many, in a more inflationary period, formalising annual rent increase decisions by landlords would appear to be all the more necessary (and likely practice).

Colleagues noted that the rent control should not excessively reduce mobility because this is to the detriment of those outsiders less able to access alternative affordable housing. Against this was a concern that with 3rd generation controls, landlords reset rents when vacant and in so doing artificially raise rents higher than would have been the case.

Members of the CPG suggested amending the Scottish Federation of Housing Association's affordability tool used by social landlords. The tool could be adapted to help the government think about how PRS rent controls might work in practice. However, it was acknowledged that the toll has been amended several times since it was introduced – it does guarantee stability, although it could be a helpful way to identify pressure spots (e.g. within a reformed RPZ system).

4.3 Exceptions, Exemptions and other Rules

The group also discussed the possibility that the upper end of the market[22] (could be exempt from controls (as in the Netherlands) and this might encourage development in build to rent. A key challenge here is to decide what a reasonable cut-off point would be to determine which properties and rent levels would not be facing the rent control. Another issue such an exemption will need to address is how can new affordable housing be targeted to areas where affordability and quality pressures are greatest?

One view about rent control that arose in different discussions concerned its use as a short-term symptomatic response to unaffordability, implying *sunrise* and *sunset* clauses (i.e. when does a measure of the level of local unaffordability trigger rent control and when might more stabilised rents turn the control off)?

This argument was also linked to a more systemic addressing of the causes of wider housing system problems i.e. increasing benefit levels, building more social housing available to low income renters in the PRS, which would in time shrink that lower end sector of the rental market and provide more durable solutions to the causes of unaffordability and not just symptoms. A systemic example concerned the 'short term lets' submarket, and argued that new regulatory legislation is likely to return a proportion of such properties back into the mainstream PRS either directly or indirectly through sales. They also noted that landlord registrations are in decline but property numbers are relatively static implying a process of landlord concentration. More generally, we need routine market intelligence in local markets to better understand imbalances and whether they reflect temporary or structural factors and hence more considered compensating interventions.

From a preventative spend point of view, it was noted that there is already a lot of market intervention in the form of e.g. housing benefit, discretionary housing payments, and indirectly when services such as the NHS pick up the bill for poor quality housing or when councils cover the cost of putting people into emergency accommodation. However, we tend not to think of it as market intervention in the same way as the more visible and explicit rent control. A wider implication here is that the true costs and benefits of *all* such interventions need to be assessed in our policy choice calculations.

Even if small scale landlords are declining, they still nonetheless dominate the market and are highly varied. Some deploy letting agents and others are 'do it yourself'. Their quality varies but in recent studies such as the Rent Better programme it does seem that small landlords are often closer to tenants and more responsive (and their tenants have relatively high satisfaction rates). As elsewhere, it is important that under capitalised landlords who are providing a good service are not

[22] We note that we need a clear and conceptually defensible definition of the upper end, and bottom end of the rental market

excessively penalized by rent regulation. The Scottish Association of Landlords (SAL) reports that exits by landlords could lead to more than a tenth of the current PRS stock exiting. This withdrawal may be because of what is perceived to be a hostile environment (with recent tax changes impacting most on smaller landlords and that is prior to rent regulation). This quality issue is another housing system point around supporting landlord compliance more generally.

Table 2: Summary of Pros and Cons Concerning Different Options Discussed in Section 4

Initial Rents	
(+)	**(-)**
Rent control brings certainty	Local variation suggest not supporting a national model
$2^{nd}/3^{rd}$ generation RCs can provide stability	Doubts that a rent freeze would be workable or desirable
Linking rent increase to quality may be incentive-compatible in theory	Link to quality may be hard to operationalise and push low income tenants into lower quality homes
Focus instead on intensive area compliance and enforcement at 'bottom end' of the market	Rent control should not excessively reduce mobility and worsen insider-outsider problems
Formalising annual rent increases is an important though non-trivial reform to make and could be linked to reforming the rent of vacant rents to an index-linked-only increase	Challenging in an accelerating inflation and energy cost crisis context.
Utility value or benchmarking initial rents with comparators is widely used in Europe and could in principle be attempted in Scotland but requires the valuation infrastructure	High standards of data and practice consistency required
Rent Increases	
(+)	**(-)**
Make rent pressure zones work better by improved design and with more data *available*	A robust comprehensive data system required should be based on contract not advertised rents
Worth exploring an adaptation of the SFHA affordability index to the PRS; could play a role regarding reformed RPZs	Operating inflation indexed caps may be problematic in the new *inflationary* environment
Exemptions and Wider Effects	
(+)	**(-)**
An upper end exemption could allow that part of the market to grow e.g. BTR	How to define 'upper end', the lower end and make more consistent decisions about rental market boundaries?
View that rent control should be a short run symptomatic response to market problems with sunset and triggering clauses but not a long run imposition	How do we define triggering and sunset clauses and how is policy for the rest of the system reducing the problems facing lower income households and unaffordability?
Rent controls have to work in tandem with wider systemwide complementary policies to provide alternative for low income households	We arguably lack government willingness to invest in and sustain monitoring, evaluation and systemwide assessment of policies
We need to assess the costs and benefits of all interventions to make better evaluative decisions about proposal like rent controls	Needs a major planning and intelligence investment in housing planning

4.4 Wider Consequences to Consider

Taking a more holistic or systemic approach to rent control, one that views the sector as interdependent segments, there are likely to be knock-on effects, and feedbacks from new regulations. They will have both anticipated and unintended consequences that are worth exploring further.

Systemwide effects operate across the whole housing system. For instance, if rent control leads to an exit of landlords, is there sufficient flow of additional affordable (mid-market) and social housing to compensate for declining private lets (in addition to other forms of housing need). A whole system approach needs to include compensating measures elsewhere. Thinking about how rent controls targeted at one segment impact neighbouring sub-markets directly above and below the targeted segment of the market may be very instructional e.g. do landlords seek to escape the control by investing and moving upmarket or do they reduce repairs and go down market?

An important question concerns the fit between jurisdictions like Broad Rental Market Areas and local authorities (where rent control and associated benefit assistance apply and vary) and real (or functional) rental markets and sub-markets which may cross these boundaries. Are new rent controls sufficiently well designed to take account of functional as well as administrative boundaries?

Similarly, exempting the upper end of the market (as well as focusing on the bottom end of the market) requires precise and credible metrics to define these boundaries; otherwise, there may well be overlaps, inconsistences over space and spillovers that would create arbitrary unfairness and in the eyes of many, anomalies that undermine the wider policy.

Rent control which advantages existing tenants creates insider–outsider problems. The evidence supports an implied lower mobility for beneficiaries of controls which further excludes and disadvantages current and future outsiders unable to access the benefits from rent controls creating distributional winners and losers and intergenerational unfairness. Generally, proponents of rent control do not give as much weight to the outsider group, or perhaps heroically assume that more social and affordable housing will fill the gap. This is an important challenge to rent control policy designers.

The Scottish Government has only limited control over benefits which may hamper the effectiveness of more modest reforms. This is reinforced by the lessons from the second wave of the Rent Better research concerning the extent of rent pressure for low-income households. A commitment to rent control may obscure the importance of poverty among some private tenants at the root of rental unaffordability. As the recent Rent Better report indicated – these policies will make relatively little material difference to those using 40% or 50% of the income on rent. They need wider changes to the labour market pay norms, benefit increases and access to more social housing.

There are also important *positive* unintended consequences of getting serious about developing the requisite empirical data and market monitoring in providing wider intelligence about the local housing system to deliver rental regulation intervention. For instance, this is immensely helpful data for housing planners to understand how their rental markets are operating and connecting to other parts of the housing system.

There are significant consequences of inadequate compliance and enforcement capacity for the delivery of effective rent controls. Systems thinking points to implementation gaps and searches for key leverage points that can make a significant difference to policy effectiveness. Such leverage points are not always in the most obvious places (it is not just about resource priority and capacity). Learning from good practice and the variety of what works is an important first step.

5. Conclusions

This final section summarises key messages aimed at narrowing down the options and making the trade-offs and consequences of options a little more transparent.

Rent freezes and potential reductions in starting rents, despite growing discussion, are the most extreme option and one most likely to create a disorderly exit from the sector by landlords, potentially creating new case work in its wake, which will stretch the capacity of the First Tier Tribunal system, putting pressure on social housing providers, possibly increasing homelessness and reducing investment in the rental properties themselves. In an inflationary environment it offers the best outcome for eligible tenants in the short run but there are significant negatives in the long term, also for new flows of households who would find it harder to access vacant rental units.

Alternatively, one might wish to see starting rents linked to quality thresholds and rent increases to caps other than where there is a measurable improvement or investment made to the property. This is a more nuanced form of initial rent-setting echoing the models of setting initial rents in Germany, France, Netherlands and Sweden. A band of +/- X% from broadly similar local properties may be more acceptable, less disruptive and feasible than more abstract formulae or modelling. But it is data-intensive. Rent limitation with exemptions or incentives to improve is attractive in principle but has to be implemented in an enforceable way. The European examples suggest that there remain non-trivial issues with large scale non-compliance, concerns about informal black markets and side payments to ease access to controlled housing. Compliance and enforcement remain important issues for rent control design.

Revising the rent pressure zone (RPZ) model. While also data-intensive and requiring effective market monitoring, this may be the simplest way forward provided the data can be utilised and the hurdles are reduced for local authorities. We should be aware of the Irish experience, both of widening the net of RPZs but also non-compliance. This would be more targeted on high demand areas, but would it make sufficient difference to pressured tenants? It depends on the level of the cap set on rent increases. Other issues relate to the spatial definition of RPZs and how trigger and sunset clauses would work.

A *rent stabilisation* model – this is the generic 3rd generation control and key issues with it are like those of the RPZ: data sufficiency, market monitoring (and its geography), whether there is a market rent reset on vacancy, and how triggering and sunset clauses would work.

Rent increases tied to different metrics – we have found that there are advantages and disadvantages with most metrics that might be used regarding incomes, inflation and other options so it may require a more measured judgment annually based on all such indicators perhaps by a body like the Scottish Fiscal Commission. Introducing a rent cap related to some form of indexing is however particularly problematic in an accelerating inflationary environment. A key uncertainty is how long will the new inflation now last and will we return to earlier lower rates comparatively quickly or not?

Area intensive enforcement model including rent control. This is a different approach focusing more on the tackling of the worst spatial manifestations of the lower end rental market (including tenure change and closure of some landlord activities) but such intensive work could also control rents and incentivise behaviour through sunset clauses. This will have little effect on the wider rental market and demand-led affordability pressures but does offer a systemic solution to deep seated problems in specific places that will in time reshape the PRS.

Exempting the upper end of the PRS. This is premised largely on the voluntary choices of better off households and the supply segment delivering higher end market services. Many feel this part of the market works well, provides a relevant niche and should be left alone. Such an approach would benefit the Build to Rent sector. There were some concerns expressed about equity of treatment and of possible spillovers if, for instance, it generated an upward shift in quality to escape controls reducing more affordable supply.

Finally, how can a report based around differing opinions and fundamentals, reach any definite conclusion? We can certainly provide a discussion for further debates. This would include the following points that either did or did reach unanimity or strong majority feeling (and do recall the caveated points made in section 4 regarding almost all of these points!):

- Decide fundamentally on which generation of rent control to pursue but fully recognise the consequences of the different options and the reliance on complementary policies and processes elsewhere in the housing system. There are costs and benefits with all interventions (including doing nothing).
- Do it properly with sufficient time but respect the urgency of the current situation e.g. improving the data; deciding to pilot (worst first – the big 4 cities?) and committing to future evaluation of the proposed intervention.
- It is not a cheap public policy option so focus on design, implementation and distributional effects, as well as wider system consequences
- There was a majority preference within the CPG for 3rd generation approaches (including better design of RPZs) but also interest in German and French models (as well as other ways of establishing benchmark rents as in Sweden and the Netherlands).
- There were several people willing to exempt the top end (if we can reach a consensus on the limit) often on the basis that the controlled lower end would shrink over time and be replaced by social and otherwise affordable housing.
- There was support to return to more functional broad rental market areas.
- Considerable support for the urgent acceleration of the proposed changes to landlord registration to include stock rent data and property attributes (also tenant typology eg students).
- There was unresolved contention and debate regarding the future status of students in the PRS.
- There was a general acceptance that there must be local variation.
- A majority appeared to agree with mandatory annual rent increases but also a recognition that many landlords simply did not do this and would be content to wait till reset on vacancy.
- There was widespread support for an acceleration in scope and take up of enhanced enforcement areas and linking that to local rent controls, perhaps to be piloted?

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Annex Table: Regulation of Rents in 33 European Countries

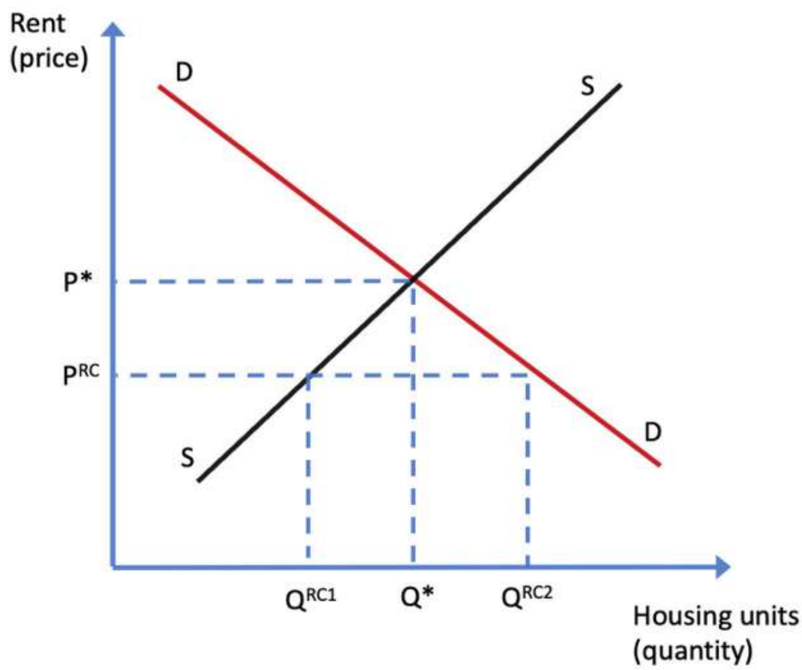
Country	*Is there a rent regulation system?*	*What is regulated: initial rents and/or increases?*	*RC generation*	*Share of PRS (% of total)*
Austria	YES (several models date-based)	Initial rents and/or rent increases	2nd	16.3
Belgium	YES	rent increases	3rd	23
Bulgaria	NO	-	-	1.7
Croatia	YES (open ended rental contracts	rent increases	3rd	2.9
Cyprus	YES (statutory tenancies)	rent increases (max of 14%)	(Mild) 3rd	18.8
Czech Republic	NO	-	-	17.6
Denmark	Yes (multiple forms)	Initial rents and rent increases	2nd	24
England	NO (bar pre-89)	-	-	18
Estonia	NO	-	-	17.3
Finland	NO	-	-	16
France	YES	Initial rents & rent increases in larger cities; elsewhere increases only	2nd	23
Germany	YES	Rent increases (reference rent) and rent brakes on new lets in high demand areas	3rd	48
Greece	NO	-	-	19.8
Hungary	NO	-	-	8
Iceland	NO	-	-	11.1
Ireland	YES (RPZs)	Initial rents and rent increases tied to 4%	(Mild) 2nd	18.5
Italy	NO	-	-	16.3
Latvia	NO	-	-	14.7
Lithuania	NO	-	-	9
Luxembourg	YES (in part)	Rent increases fixed for 3 years	3rd	27.7
Malta	NO	-	-	14.6
Netherlands	YES (excludes high quality property)	Initial rent & rent increases – quality points	2nd	8
Norway	YES	rent increases	3rd	22.2
Poland	YES	rent increases	3rd	4
Portugal	NO (bar pre-90)	-	-	18
Romania	NO	-	-	4.2
Scotland	YES (RPZs)	RPZs, annual increases, unreasonable test	(Mild) 3rd	11.6
Serbia	NO	-	-	5
Slovakia	NO	-	-	2.6
Slovenia	NO	-	-	3
Spain	YES (depends date of contract)	Rent increases for the first 3-5 years	3rd	10.1
Sweden	YES	Initial rents based on utility value & increases in collective bargaining	2nd	41
Switzerland	YES	Rent increases	3rd	52

Source: Kettunen and Ruonavaara (2021) table 1 p.1450 [based on 2017 national reports] and reprinted in Gibb and Marsh, 2022

Annex: Rent Controls in Textbook Analysis

Conventionally-shaped demand and supply curves can demonstrate that, if the control is set below the market clearing rent, then the above adverse outcomes can be predicted (see the textbook approach in figure 1). The market will not clear (i.e. reach equilibrium) institutionalising shortage, reducing supply and perhaps also maintenance, and with embedded market shortage leaving potential tenants unable to rent at the going price.

Figure 4.1: The simple textbook account of the impact of rent control on the private rented housing market



Source: Gibb, et al, (2022), figure 4.1.

This simple market diagram assumes that equilibrium rents (p*) [where demand (D) equals supply (S) are greater than the determined rent control p^{rc}. This leads to a disequilibrium and a shortage because landlords are only willing to supply Q^{rc1} rather than the larger market clearing supply of Q*. This is the case even though demand at the lower rent is much higher (Q^{rc2}), and hence there is shortage in the market at the new controlled rent but also compared to the prior equilibrium position.