
Making homes affordable for London's renters

Rent Controls: what London renters think



Introduction

London is one of the most expensive cities in the world rent.

Average rents in some boroughs are up to 80% of average local incomes¹, and tenants spend on average over 40% of their income on housing.²

High house prices and a lack of social housing means many tenants are living in the PRS for longer, yet nearly half (48%) of London private tenants would rather not be renting, and one in five is not happy with their accommodation.³

In this context, it is perhaps not surprising that a majority of Londoners (68%) are in favour of rent controls.⁴ Multiple candidates for London Mayor have pledged to introduce rent controls in London, or campaign for the powers to, if they are elected in May this year. But while extensive polling has been conducted on the popularity of rent controls as a whole, less work has been done on how private renters view different systems of rent control.

The term 'rent control' is used widely by policymakers and commentators to mean anything from rent stabilisation measures to more interventionist measures to set maximums landlords can charge or bring down rents. As a result, less is known about private renters' assessments of different aspects of rent controls.

Our research

Using our Renters Panel, Generation Rent set out to establish in more detail what renters wanted to see from a system of rent control in London.

A group of 96 private renters currently living in London were asked to review 4 different models of rent control in use across Europe:

1. Rent caps
2. Rent stabilisation
3. A points-based model
4. A 'running costs' model

After reading some background information on each model in turn, the renters were asked to provide answers to what they liked about the model, what concerned them, and whether they thought a similar model would work in London.

Our emphasis was on collecting qualitative data rather than quantitative, with the aim of understanding in more depth what elements of a rent control system private renters wanted to see.

Using this renter insight, we have made several recommendations for the next Mayor. We have not made a full assessment of the potential impact of these interventions – merely what our panel of renters identified about different models.

We recognise Generation Rent's Renters Panel is a group of volunteers, and therefore not a representative sample of Londoners. However, these renters are more engaged with issues around private rented housing, and more likely to have experienced a housing issue (related to affordability, standards, or security) than private tenants in London as a whole.

1. https://www.generationrent.org/london_affordability_2021
 2. <https://www.gov.uk/government/statistics/english-housing-survey-2018-to-2019-headline-report>
 3. <https://www.trustforlondon.org.uk/issues/housing/private-rented-sector/>
 4. <https://www.theweek.co.uk/98400/the-pros-and-cons-of-rent-controls-in-london>

Our recommendations

The next Mayor must play a key role in building the evidence base for reform, developing the case for measures that will ensure rents are affordable, and leading the campaign for the Government to devolve the powers the GLA needs to implement them.

Currently the Mayor is not able to introduce measures to directly reduce rents. However, from our research with renters we recommend these areas should be prioritised for further research and action:

1. Restrictions on rent rises within tenancies are essential to ensure tenant security

Renters spoke positively of the models which restricted rent rises within tenancies. Currently, landlords in London are able to raise the rent outside of a fixed term, or if the tenancy agreement permits it, meaning that tenants can be forced to leave their home if rents are rising faster than incomes, or if their landlord raises the rent in retaliation for a complaint.

When commenting on models which actively restricted landlords from raising the rent for a certain number of years, renters described how this would reduce their worry over being hit with a rent rise, and how restrictions on rent rises would enable them to feel more secure in their homes as well as relieving financial pressures.

2. Further measures to actively reduce rents are necessary to ensure housing is affordable

While restrictions on rent rises are a necessary step to improve affordability for tenants, renters felt that controls on rent increases alone would not make housing affordable in London. This is perhaps unsurprising given that almost half of respondents reported already paying upwards of half their income on rent.

Those who lived in unaffordable housing reported struggling to afford other essentials and worrying about further increases. Measures that would actively bring rents down were supported by the majority of the renters we engaged. The next Mayor should build a case for doing so sustainably and without adverse effects on supply.

3. Clear links to quality of accommodation should be considered in a rent setting model

Renters identified poor quality accommodation as a significant issue alongside unaffordable housing. A rent control system in London must not encourage landlords to let out substandard, dangerous accommodation as a result.

The renters felt that models which linked the rent to the overall quality of accommodation may encourage landlords to make improvements where needed. They also expressed the need to avoid a two-tier system developing. Rent controls should be linked to quality of accommodation, and developed in line with reforms to enforcement to ensure those at lower rents are decent and safe.

4. Tough penalties for landlords, including Rent Repayment Orders who fail to follow new regulations should be introduced

Renters were concerned about the possibility of a shadow sector developing without strong enforcement and were positive about models with strong deterrents for landlords who do not follow the rent regulations. Rent Repayment Orders should be applied to landlords who break the rules, and the Mayor should introduce a city-wide Rent Control Board to oversee and enforce this.

The results in full

Executive Summary

There is clear support amongst our Renters Panel for measures which would bring rents down.

Respondents felt that a system needed to go further than simply capping rent increases, which would not be enough to ensure affordable housing for the majority of Londoners.

Rent control should be introduced alongside increased enforcement to ensure that a two-tier system does not develop.

Reforms to security of tenure are also necessary, to ensure renters are able to utilise new enforcement avenues and challenge landlords.

Renters and affordability

Of our renter panellists:

45% reported paying more than 50% of their income on rent, with a further 39% reporting spending between 30 and 50%

Two thirds said they considered their home unaffordable, just a third said they viewed their home as affordable

Only 10% of respondents reported spending less than 30% of their income on rent, the level which most affordability measures consider affordable.

The consequences of unaffordability for London's renters



Shared living arrangements

"I have to house share at the age of 45 with 3 other people. I should be able to live by myself at this age, but average wages and high rents make it impossible"



Homeownership seems out of reach

"I can't save, and I am house sharing at 40 with no prospect of ever even renting a place of my own, let alone buying one day."



Struggling to afford essentials after paying rent and bills

"Too much income goes towards the rent (council tax and bills) very little is left towards food and other expenses such as clothes and travel."

"It's not currently affordable because it's a small property and it's the 'most affordable home' I could find to suit my family, but it means we need to spend very carefully on other life's essentials."

"After rent, I really just have enough to buy food and basics. I end up having to put some basic things on credit card or getting further into my overdraft"



Anxiety and stress

"I cannot afford to save or move. I am worried my rent will go up when my tenancy renews in a few months."

"I still can pay the rent, but I need to be very strict on other expenses. I also do overtime, and it's tiring. If the rent goes up, I don't think I could cope."

"So much of my income goes on rent and bills. We can just about afford to pay, but have little to no savings, meaning that even one bad month of employment or an expensive unforeseen life event would leave us unable to afford our home and bills."



Poor value relative to the quality of accommodation

"Currently it's affordable, but overpriced for what it is. There was more strain on stretching my income before lockdown, when I could actually go out, but luckily I never feel like I have to go without essentials in order to live comfortably"

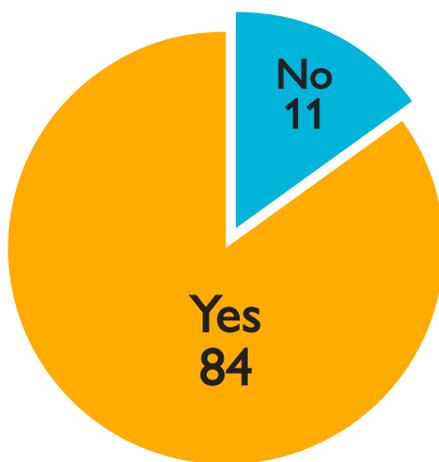
"I can currently afford it, but it is a big chunk of my outgoings."

London renters' views on each model of rent control

Model 1: Berlin: Rent caps as set by Government

Renters were asked to consider the system of rent control in Berlin.

Would you support?



In February 2020, Berlin introduced rent caps, which set the maximum rent a landlord can charge, based on location and quality of flat. Landlords were forbidden from increasing the rent on existing tenants for 5 years. Rents that exceeded the acceptable rent cap by more than 20% had to be reduced. Tenants in these properties received a rent reduction. Landlords who ignore the cap can face fines of up to €500,000.

This model was most popular of the four— with 84 respondents saying they would support the introduction of a similar model in London.

Clear and fair

Renters felt that having outright caps were clear and easy to understand, and many described the scheme as 'reasonable' or 'fair' for renters. "it is simple and clear and helps cap rents and bring them down."

"I think it's really progressive and a much fairer deal for renters."

"The rent caps sound like they will prevent landlord from charging extortionate, unreasonable rents and prevent inequalities in the cost and quality of housing in the same area."

Based on quality

The fact that the cap was partially set in line with the quality of the accommodation was viewed positively by renters, who felt this would incentivise landlords to make improvements and improve the value for money tenants can expect.

"I like this model. It would prevent landlords charging extortionate rent on small, poor quality housing simply because it's in London."

I think that it provides an incentive for landlords to make their properties more modern and fit for living.

Rent is more clearly correlated to quality or size of home, something measured or recognisable not pure speculation"

Renters were more comfortable with the idea of rents being pegged to quality rather than location, as many expressed concern that this may lead to high prices or poor value for money in areas that had recently become popular, but still remained affected by poverty.

"I am concerned that the cap is not only based on quality of property, but location. If a similar model was applied in London, I feel that rent would still be extortionate in areas affected by poverty, e.g. Tower Hamlets, due to the desirable location of Zone 2."

"Rents [could] be too high in certain areas, increases gentrification and alienates people from places they grew up."

Long length

Security was mentioned frequently by respondents, who felt that the 5-year protection from any rent increases would ensure they were able to stay in their home for longer.

"I like that the rent is capped for 5 years, meaning tenants can stay in a property for longer knowing how much their rent will be."

"It gives protections to tenants who know what their housing costs will be for the next five years, which I imagine lets renters plan and settle in the community."

Renter concerns

When asked what concerns they had about this model, renters were concerned that without effective enforcement, many landlords might resort to unlawful activity, and some may leave the market altogether. Others were concerned that landlords may not make repairs if the rent increase was not seen as worth it.

"I don't know how much they actually enforce it - how difficult is it to testify and fine a landlord up to 500k?"

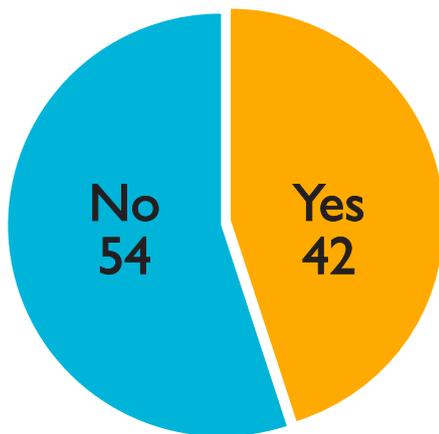
"A 'black market' may develop where landlords simply blackmail desperate tenants. It would need robust enforcement, which would cost cash-strapped local councils unless another London-wide body was set up to enforce everywhere."

"Who would enforce it? Would it encourage un-declared renting?"

Model 2: Scotland: Rent Pressure Zones

Renters were next asked to consider the 'rent pressure zones' system in operation in Scotland.

Would you support?



In Scotland local councils can apply to the Government to have an area designated as a 'rent pressure zone' (RPZ) if they can prove that rents in the area are rising to a point that causes problems for tenants and local councils. In a rent pressure zone, rent increases are set to a cap and renters can challenge increases at a tribunal.

An unpopular option

This model proved the least popular, and the only one of the four models which had a net negative approval rating amongst our respondents. Just 42 respondents would support it, with 54 not supporting it.

Many respondents described the model as a positive first step but expressed concern that it alone would not ensure rents were affordable.

"I think this could be a good first step for rent control."

"It's better than nothing (and obviously better than England) but it's not really anywhere near good enough."

Renters identified that the system did not offer any guarantees as councils' applications for rent pressure zones can be turned down. Even within a zone, tenants would not be certain that their application against a rent increase would be successful.

They also expressed concern that the system would not prevent landlords from setting high rents at the outset of a tenancy, as the limits only applied to increases.

"The council can be refused permission to do it. Only existing tenants can apply so the rents can still go up and put existing tenants in a precarious position."

"It doesn't take account of what the landlord can charge new tenants."

Renters were quick to note that in a rent pressure zone, the onus is on a tenant to report an increase, and that some tenants may not feel comfortable doing so or have adequate information. This reluctance perhaps reflects the lack of security of tenure London's renters experience.

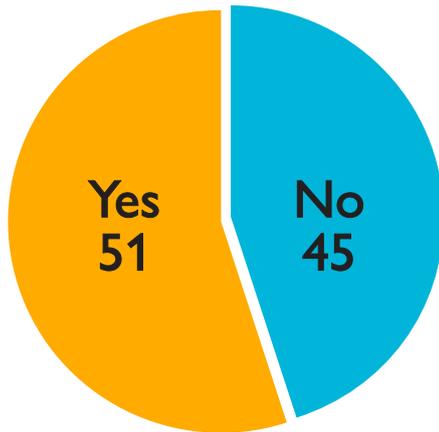
"I'm concerned by the onus placed on the tenant rather than the landlord. If the tenant raises issues with the increase and nothing is done by the officer, the landlord could make life difficult for the tenant and force them to move out."

"It is up to the private tenant to report these rent increases- they might not do so or feel comfortable to do so."

Model 3: Denmark: Running costs model

Renters were then asked to consider the Danish 'running costs' model.

Would you support?



In Denmark, rent is calculated based on the cost of running and maintaining a property. This method lets a landlord gather all the costs they have of operating and maintaining the home and add a 7% rate of return on their investment on top.

Renters were fairly split on whether they were in favour of the model. 51 approved, against 45 who did not.

Clear criteria for rent setting

Renters were positive about the fact that the rent was based on a clear and tangible set of criteria, and that the model provided an incentive to maintain the property.

"I like that rent is based on costs of maintaining the property rather than arbitrary criteria."

"It's fairer and more realistic and has something concrete to base things on. With rent caps you're still pulling figures out of the air."

"It creates some transparency about landlords' outgoings."

The Rent Control Board

Denmark's Rent Control Board, which settles disputes between renters and landlords was identified as a positive step by multiple (10+) respondents. Tenants felt that rent refunds of 36 months, which can be awarded to renters if their landlord has charged above the legal amount, were a strong and effective deterrent. However, they also felt that the fee involved in bringing a case to the Rent Control Board would be prohibitive to tenants on low incomes.

"Rent refunds of 36 months also sound like enough of a penalty to incentivise landlords into operating fairly."

"I like the fact that if a landlord is proven to overcharge the tenants can get up to 36 months back- that is better than the RRO [Rent Repayment Order] of 12 months in the UK."

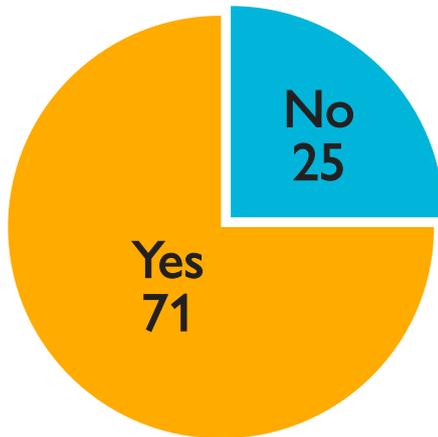
"This [the fee] is inherently prohibitive to those already paying a large proportion of their income towards rent, those most likely to need to challenge rent rates."

"The fee needs to be waived for people on low incomes."

Concerns raised included the fact that the system did not apply to all properties, just those from before 1992.

Model 4: Holland: points-based system

Would you support?



Finally, we asked renters to consider the points-based system in operation in Holland.

A majority (71) approved of this model, against 25 who did not.

In Holland, the maximum rent is calculated based on quality of housing, using a points system.

The more points a property gets, the higher the maximum rent can be.

Housing worth can be up to 144 points, which gives a maximum rent of just under €720 a month. Some cities are able to impose further controls.

In the Hague, houses worth fewer points in the system have been limited to people earning no more than €57,000. A majority of the respondents (72%) supported this system.

A positive response

When asked what they liked about the system, panellists identified the allocation of lower priced housing to those on modest incomes and keyworkers.

"I like that it takes things like location, size and condition of the property into account. It also enables key workers/lower income people to find affordable housing."

"This sounds a lot cheaper and fairer for many, and ensures rents match earnings."

"I like the extra scheme in the Hague but I'd include disabled people as well as essential workers."

However, panellists had reservations that a points system based on quality could incentivise landlords to let out poor quality housing or could create a two-tier system.

"The renters who are unable to afford better quality housing get bad quality housing."

It does not go far enough to secure decent, affordable housing for people on low incomes.

Landlords could potentially still let substandard properties, they just couldn't charge as much."

Generation Rent's mission is that every home in the private rented sector is safe, secure and affordable.

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