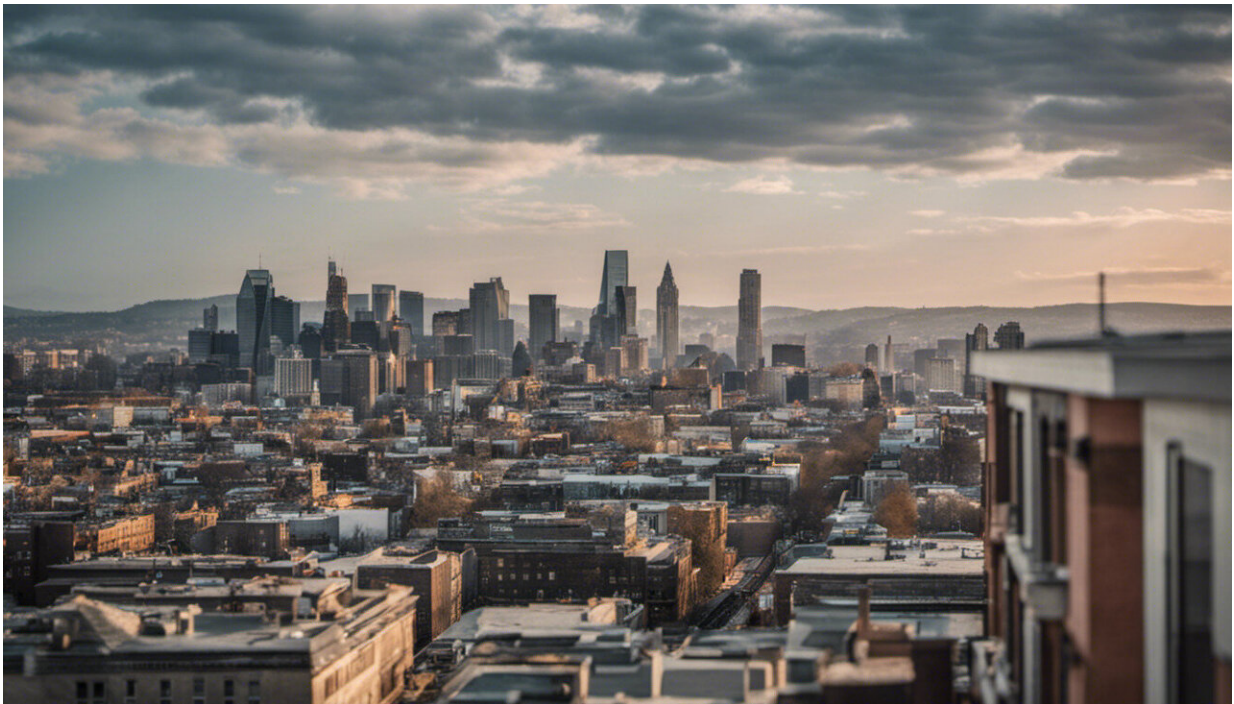


Opinion: Rent control on its own won't solve the UK housing crisis

July 25 2023, by Alex Marsh and Kenneth Gibb



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Rent control is frequently [proposed](#) as a solution to the housing crisis. Advocates might not always be precise about what they mean by the term, but the idea of regulating, capping or stabilizing rents tends to attract [popular support](#).

In 2020–2021 in England, [more than two-thirds \(71%\)](#) of private renters in the lowest two-fifths of the income distribution spent more than 30% of their income on rent—[a widely used measure](#) of affordability or [housing](#) stress. The private rental sector in England has also doubled in size [over the last 20 years](#). In other words, many more people are now affected by high rents.

The impact of rising rents is significant. In [November 2022](#) 44% of households reported struggling with their housing costs; 6% had fallen behind with their payments. Among private renters this increased to 53% who were struggling but managing to keep up with their rent and 8% who had fallen behind.

Proponents of rent control either see it as an urgent short-term crisis response or a long-term measure to manage [market](#) excesses. Both views are [evident](#) in the [Scottish](#) government's commitment to introducing rent control during the current parliamentary term (2021–26). In response to the cost of living crisis, Holyrood has also introduced a temporary rent freeze and capped rent increases for existing private tenancies.

[Research shows](#), however, that rent control on its own cannot fix things. It must go hand in hand with additional social housing and further measures to address housing affordability.

Negative side effects of rent control

Some housing scholars [argue](#) that a carefully designed rent control system could contribute to addressing affordability problems. Few, however, see rent control as the key to achieving rental affordability. Some economists reject the idea entirely.

The most common objection is that because rent control [restricts](#) landlords' financial returns, it risks them leaving the market and

discourages new landlords. This in turn would see a reduction in the supply of rental properties, making access to housing even more difficult.

The more aggressively rents are suppressed, the bigger the disincentive to landlords. However, whether a landlord leaving the [private sector](#) means the loss of a rental property [depends](#) on who buys the property.

The second common objection is that capping rental income could encourage landlords to cut back on maintenance expenditure, effectively reducing the quality of their properties. Quality in the private rental sector is already comparatively poor in the UK. Our [analysis of recent evidence](#) suggests that this objection is justified.

Third, unless it covers the whole private rented sector, rent control can freeze households in place. It increases incentives for existing tenants to stay put, creating "insiders" and "outsiders"—those who have access to regulated rents and those who don't. [Our review of the evidence](#) suggests that this can lead to a net loss in societal well-being.

The fourth common objection is that price caps would prevent properties from being allocated through normal market means—demand and supply cannot adjust to price signals. Other allocation mechanisms could arise instead. For example, households might [queue](#) for many years for a rent-controlled property. Landlords might expect additional informal payments to make up for lost rental income. People desperate for somewhere to live might feel forced to pay more than the regulated rent in order to access a property.

Rent control [advocates argue](#) that these [negative side effects](#) could be managed through better policy design and stronger regulation (on property quality and security of tenure, as well as stricter policing of unlawfully high rents). Opponents, meanwhile, argue that rather than

construct a complex and costly regulatory regime to try to make rent control work, it is better not to start down the rent control route in the first place.

Different housing markets

[We show](#) that a key point when discussing the effectiveness of rent control policy is that the concerns set out above don't apply equally in all housing market contexts.

The most negative assessments of rent control typically refer to so-called "first generation" rent controls. These freeze rents at their level when the policy is introduced.

"Second generation" rent controls, meanwhile, regulate rents within and between tenancies. They typically focus not on rent levels but on moderating rent increases. And "third generation" rent controls simply control rent increases for existing tenants. Here, landlords can reset rents at market levels when they re-let the property.

Whether rent control causes landlords to leave the market depends on what the rent control regulations allow and on landlords' characteristics. If landlords can make an acceptable return from regulated rents then they wouldn't have such a strong incentive to exit.

Differences in policy design and housing context mean that while there is plenty of research on rent control, there is [debate](#) on how the findings apply. Both advocates and critics can find evidence to buttress their position. There are no simple or unambiguous conclusions on key issues.

We have shown that there is also [political risk](#). Free market proponents, opposed to the view that even mild second- or third-generation rent control could help the housing market, argue that introducing any rent

control increases landlords' perceptions of political risk. Landlords will react to the possibility of more aggressively interventionist policy in future and leave the market while they can. There is not much evidence on this effect, however.

Further, arguments about key side effects do not carry much force with firm advocates of rent control, whose aim may be [to disrupt the system](#) more fundamentally. To their minds, housing is a necessity, private landlords leaving the market is not a problem and rental housing should be provided by social landlords on a not-for-profit basis.

The question remains then about how to meet housing needs if private landlordism shrinks. Simply arguing that more affordable social housing is necessary doesn't get any built.

Housing affordability is a complex problem. It demands a suitably subtle combination of policies, rather than the single dramatic intervention of [rent](#) control.

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