

# Scrutiny Inquiry Panel - How do we get a better deal for private sector renters in Southampton?

Thursday, 21st December, 2023  
at 5.30 pm

## Contacts

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## PRESENTATIONS AND ADDITIONAL INFORMATION

### 7 THE AFFORDABILITY OF PRIVATE RENTED HOUSING (Pages 7-88)

Presentation – The Bristol Living Rent Commission.

Presentation – Citizens Advice Southampton.

Presentation – NRLA.

Presentation – iHowz.

Presentation – Dr M Jordan and Professor H Carr.

Presentation – Southampton Tenants Union.

Breakdown of income and expenses of a property let to students in Southampton, iHowz.

Briefing Paper – Affordability of Private Rented Housing, Dr M Jordan and Professor H Carr.

Briefing – National Affordability, NRLA.

Southampton City Council news – Approval of first Affordable Housing Framework sites.

Wednesday, 13 December 2023

Director- Legal and Governance

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# The Bristol Living Rent Commission

**Cllr Tom Renhard, Cabinet Member Housing Delivery & Homelessness**

**Alfie Thomas, Policy, Strategy and Public Affairs Officer**

# The Bristol Context

## Most expensive city to rent outside of London

- 2011-2021 the cost of renting privately grew by 52% while wages grew by 24%.
- Median advertised rent increased by 25% from 2018 to 2020.
- When a property gets re-listed its rent increases by roughly 6%.
- Even after adjusting for flat size, rents for cheaper properties in 2018 grew between two and four times as fast as rents for more expensive properties

## Growing PRS

Over 134,000 people privately rent - almost one-third of population. The national average is 19%. We anticipate the population reaching 550,000 by 2050 – fastest growing out of Core Cities.

## Growing house prices

- Average house price is almost x10 local average earnings – least affordable of English Core Cities.

## Rental supply

- The supply of properties listed to rent declined by nearly two thirds from 2018 to 2020.
- The growth of the Bristol universities has resulted in a significant student population increase – over 3,500 student units have been completed since 2006 but this does not meet demand.
- 20,000 households on social housing waiting list.
- Since pandemic, 25% increase in households approaching BCC because of homelessness related issues.



# Administrations ambition

- The Mayor's 2021 manifesto
- Renters Summit
- Corporate Strategy and Business Plan
- Golden Motions resolved by Full Council
- Consultation on proposals to introduce new property licensing schemes
- Project 1000
- One City - Homes and Communities Board
- Bristol Living Rent Commission

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# LRC Goals:

- To explore how to improve affordability of the Bristol private rental market.
- To understand how introducing rent stabilisation might affect the private rental market in the city, including potential impact on housing quality and maintenance.
- To make recommendations regarding which rent controls would be most appropriate and deliverable.
- To explore what additional powers could improve the experience of renting in Bristol, e.g. Landlords database.
- To examine how we could empower tenants' rights (information, transparency, complaints) to improve affordability and quality.

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# Evidence gathering

- Co-chaired by Cllr Tom Renhard and Professor Alex Marsh from UoB.
- Sector experts, tenants, landlords and academics investigated the issues faced by the city, and heard testimony from other organisations, groups, and individuals with lived experience.
- Multiple evidence sessions held over six months.
- Commissioners attended two preparatory meetings, five evidence sessions and two further wrap up discussions.
- Evidence sessions heard evidence from invited stakeholders and results from analysis of secondary data on rents in the Bristol PRS, carried out by researchers at the School of Geographical Sciences, UoB.
- Two surveys which received around 2,500 responses.



# Key findings – tenant survey(s)

- 4/10 respondents saw rent increase in the last 12 months.
- 50% faced a rent burden which accounted for at least 40% of their income. More than 3/10 faced a burden of over 50%. Half of respondents in the 18-24 category facing rental burdens of 50% or more.
- 2/3 experienced “problems” with landlord/letting agent in last 5 years. Younger people & those with a disability were more likely.
- Mould, damp, and plumbing were the most common property issues faced by tenants renting privately.
- 19% had rent increased twice in 12 months, 16% experienced three or more increases during that period.
- 7/10 respondents were not aware how often their landlord was legally allowed to raise their rent.





# Key findings (continued)

- 84% of respondents had reported problems with the condition of a property to a landlord or agent. In 10% of cases where a property issue was reported, the landlord or letting agent increased the rent after resolving.
- Over 1/4 of those taking on a new tenancy in the last 12 months stated that to secure a property they had to enter a bidding war.
- 48% experienced additional financial burden of paying rent in advance, separate from any deposit, to secure a property.
- Rent control in Bristol should aim to be comprehensive in scope – applied to the whole private rented sector. More than 9/10 private renters favoured this approach.
- Most private tenants; representatives of community and voluntary sector organisations that work with private tenants, considered rent control to be desirable. Landlords and market intermediaries more likely to find rent control undesirable.



# Recommendations

**Within the report, the experiences faced by tenants are broken down into key areas of focus.**

- These are: Rent charges, Rent burdens, Financial pressures and insecurity, Evictions, repairs, and landlord-tenant problems, lack of affordability and inadequate financial resources, poor living conditions, inequalities in access and discrimination, lack of private rental supply, changes in demand, and reduced generosity of the welfare system.

**In total, the final report outlines 29 recommendations – 23 of these were for BCC.**

- Focus on improving standards, tenants' experiences, and the accessibility of private renting.
- Reflect that the powers to regulate the market must come from central government.
- Reflect the need to continue the constructive dialogue with renters and other stakeholders in the PRS to achieve the goal of delivering meaningful and lasting positive change for the sector.



# Rent Control

- LRC concluded that it could be possible to develop a rent control system that has a broad base of support – if power was devolved to pursue further research into a workable method.
- Considering the rent control policies outlined in the survey, capping the absolute levels of rent, or capping the rate of increase, were both policies that were endorsed by a proportion of respondents and could be considered by BCC following a redistribution of power to LAs.
- In conversation with UoB to discuss how they could support further work aimed at developing a feasible rent control policy for the city.

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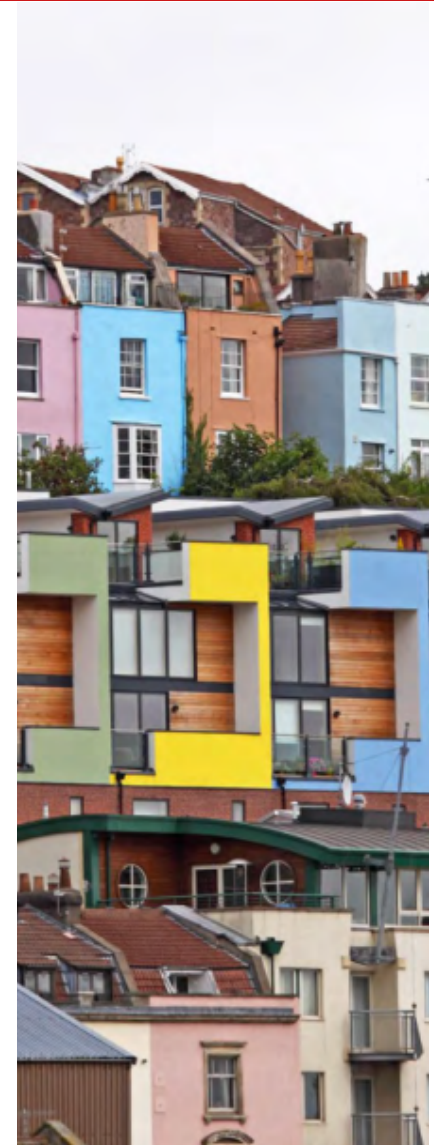
# BCC Response



- Golden Motions
- Selective Licensing Consultation
- Sent letters to over 50 stakeholders
- Received letters from: SoS DLUHC, Deputy Mayor London, Director General for Regeneration at DLUHC, Chair of Levelling Up Committee
- Cabinet member took report to LGA Conference & Labour Party Conference
- Recommendations approved by Cabinet
- Started writing a Private Rented Sector Strategy for the City
- Established a Living Rent Commission task and finish group

# PRS Strategy

- Articulate Bristol's City Council's strategic vision, standards and approach to intervening in the Bristol PRS.
- To capture the opportunities and challenges for PRS and priority areas for action.
- Better support and information for PRS residents and landlords on their rights and responsibilities
- Articulate how BCC are going to take forward LRC recommendations
- Commit to reviewing approach to enforcement



# Lessons learned

- Clear terms of reference
- Tight scope
- Process of approval well set out
- Tight perimeters for academics
- Separate meetings for concerns to be voiced





# Questions?



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# Private Sector Housing in Southampton

Kirsty Rowlinson – Business Manager  
Nicky Sandhu – Social Policy Volunteer

# Citizens Advice Southampton

We are a **local charity**, working as part of the national Citizens Advice network.

We help people **find a way forward** - whoever they are, and whatever their problem is.

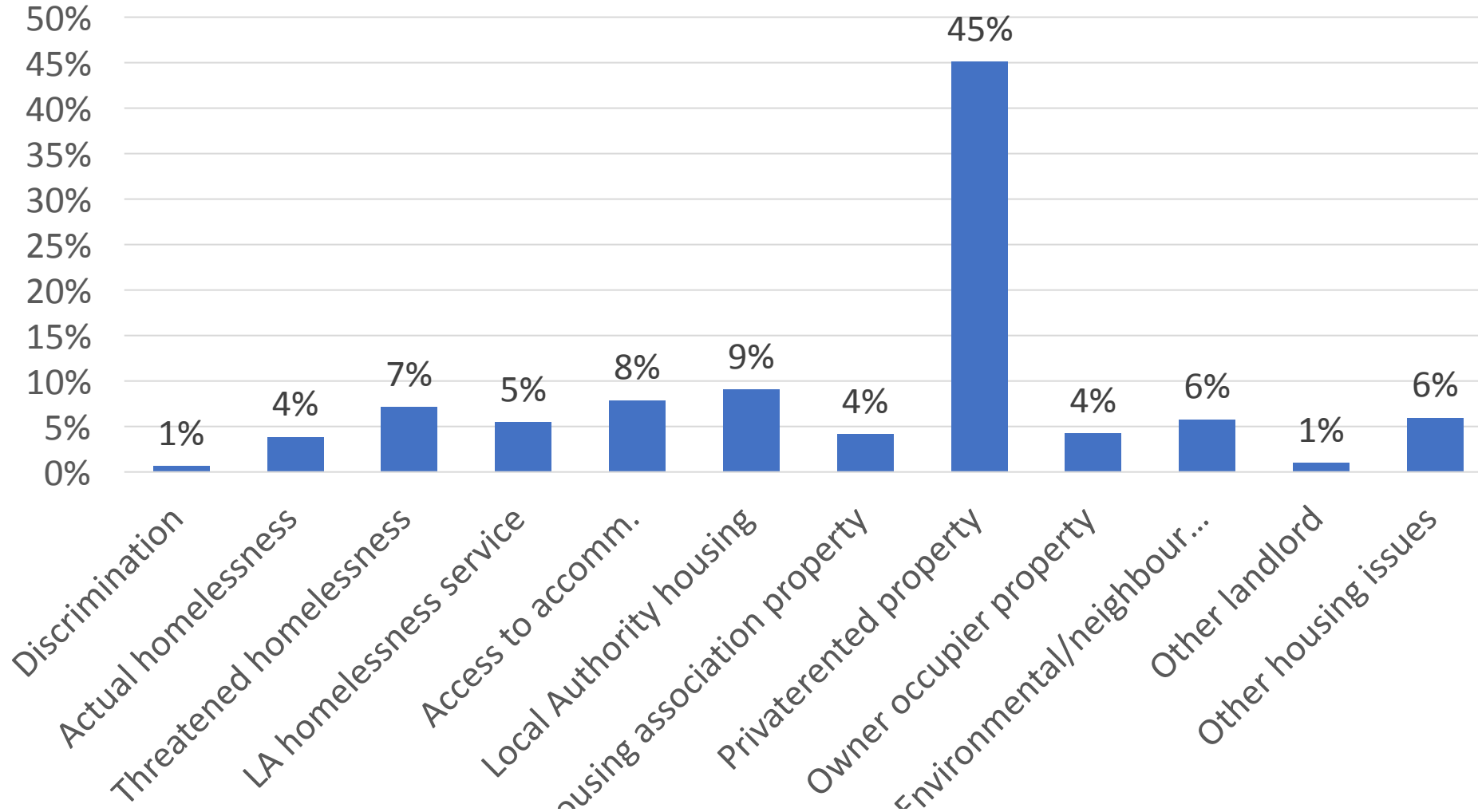
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Our advice is always **free, confidential, impartial and independent**.

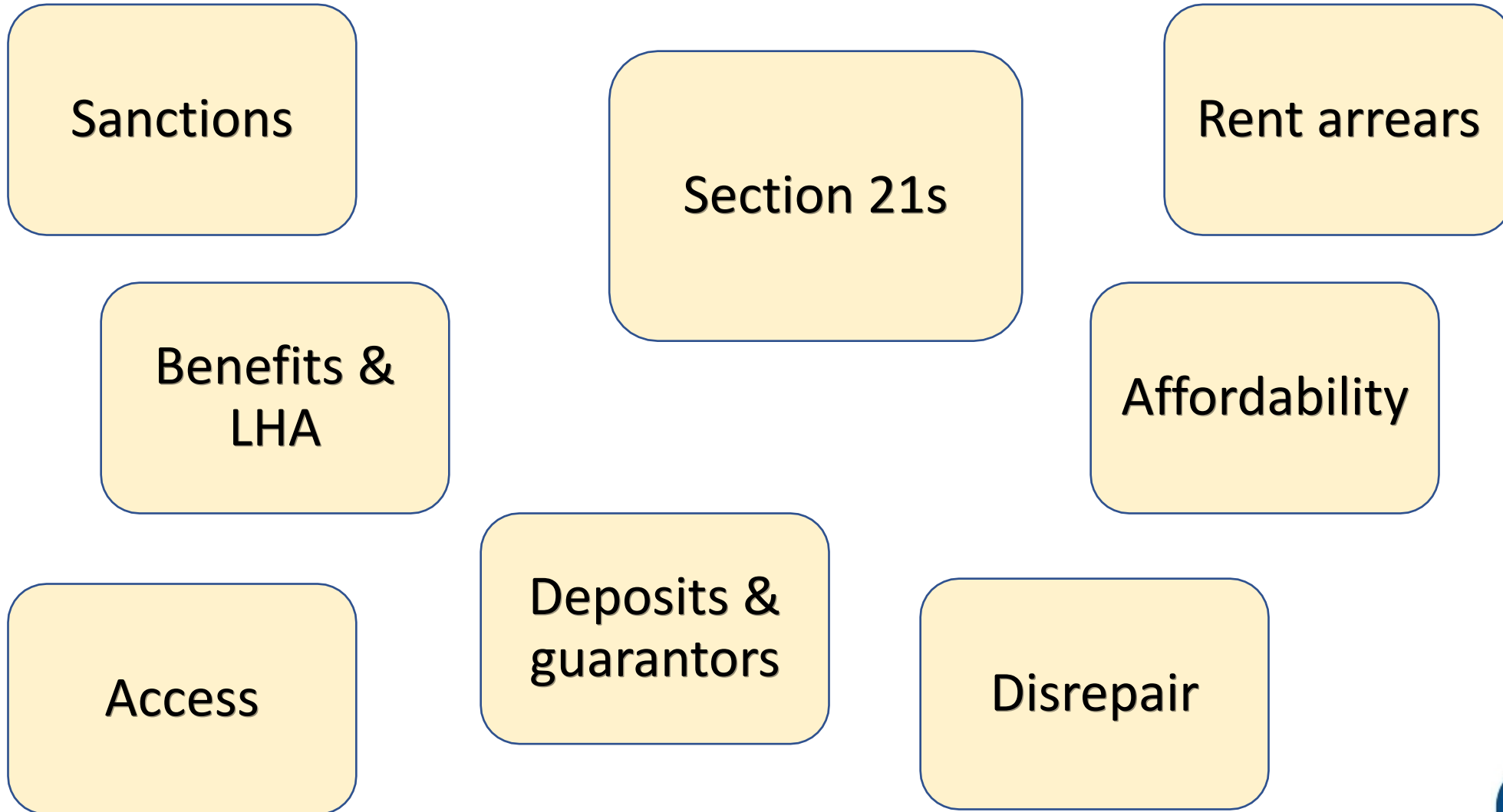
So far this year, we've helped almost **8,000 people** in Southampton with over **24,000 problems**.

We depend entirely on fundraised income to continue our work.

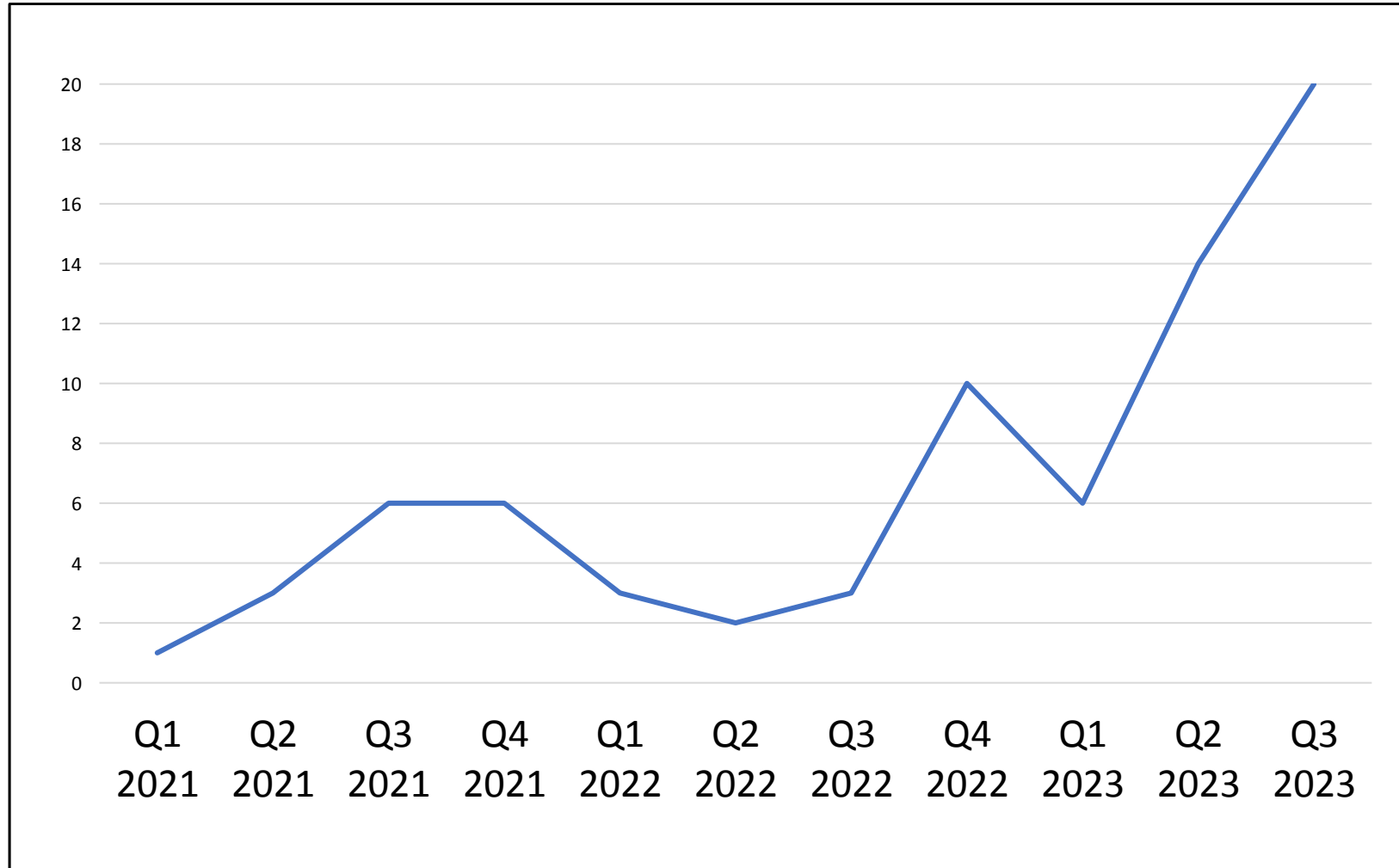
# Housing Issues 2023



# Most common issues we see around private sector housing



# Southampton - Section 21s



**Please note ...**

**In order to protect client identities - case studies are fictionalised.**

**Examples of everyday situations we support people with.**

# Case Study - Paul

**2019 – Paul and his family move in**

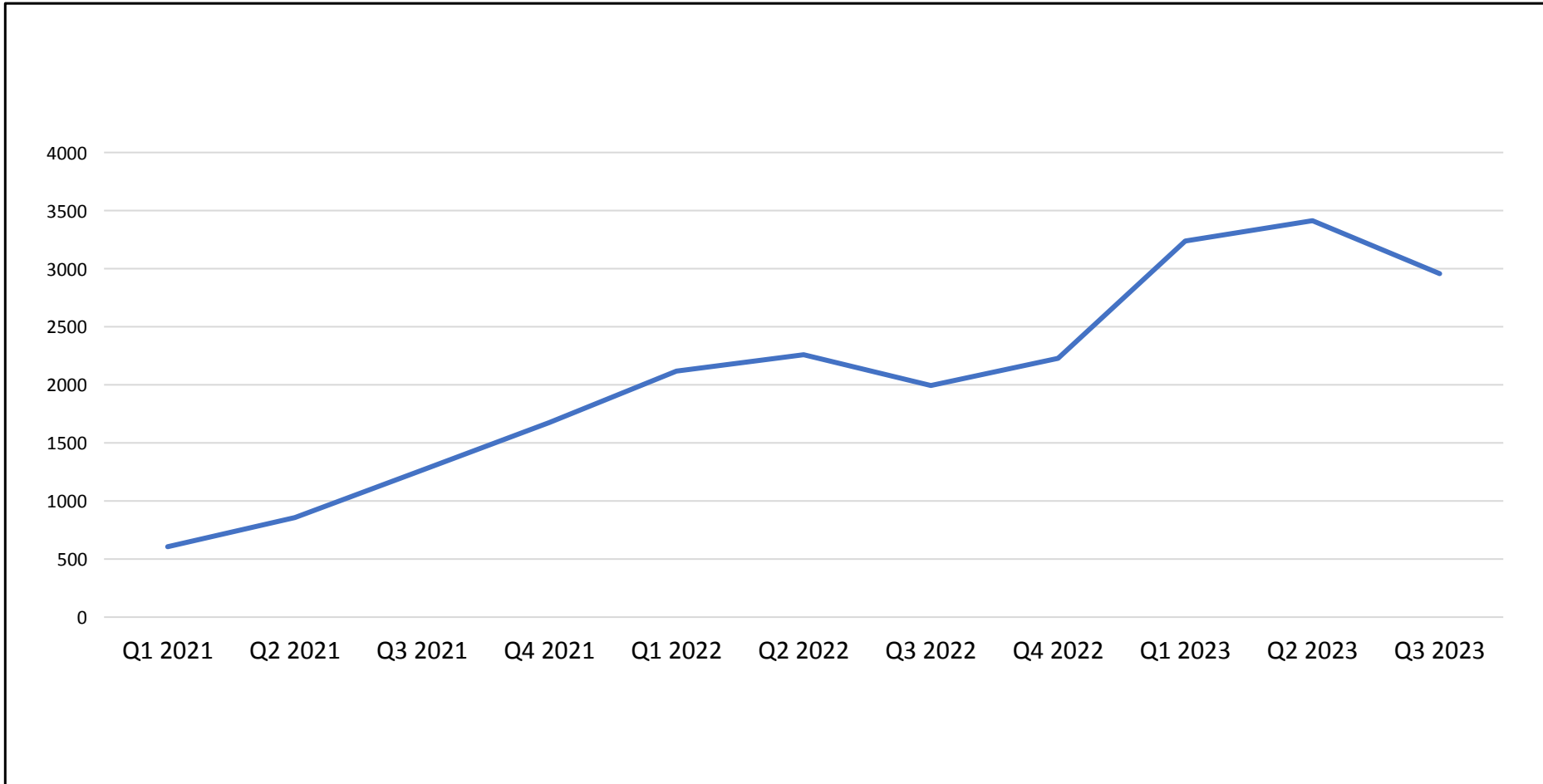
**Paul repeatedly asks for repairs, which landlord refuses**

**Landlord wants to increase the rent to £1,600 – Paul can't afford**

**Council contact landlord about repairs**

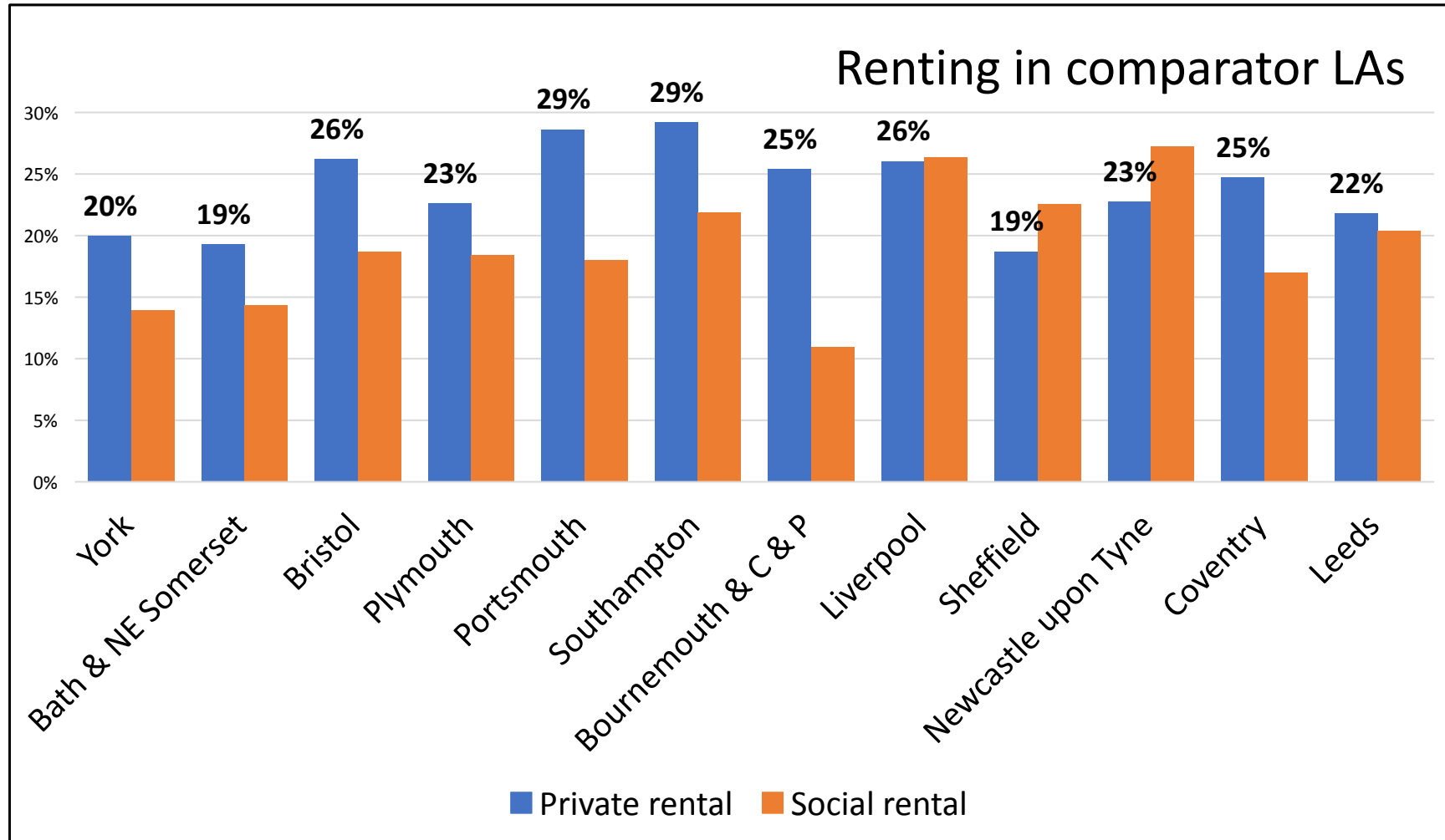
**Landlord threatens to issue a Section 21**

# National level - Section 21s

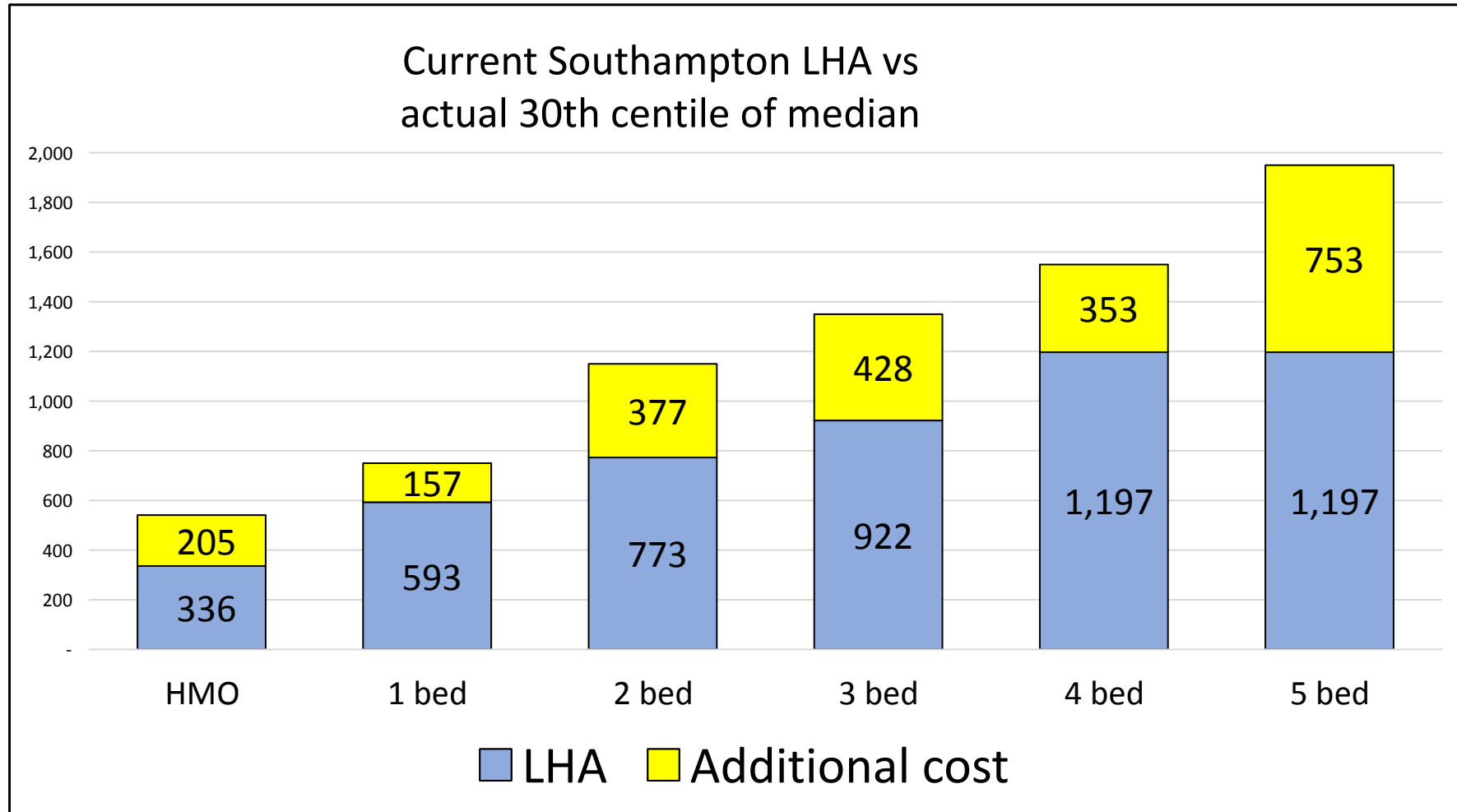




# Affordability and competition



# Affordability



# Case Study - Jade

**Pregnant single mum. Child with special needs**

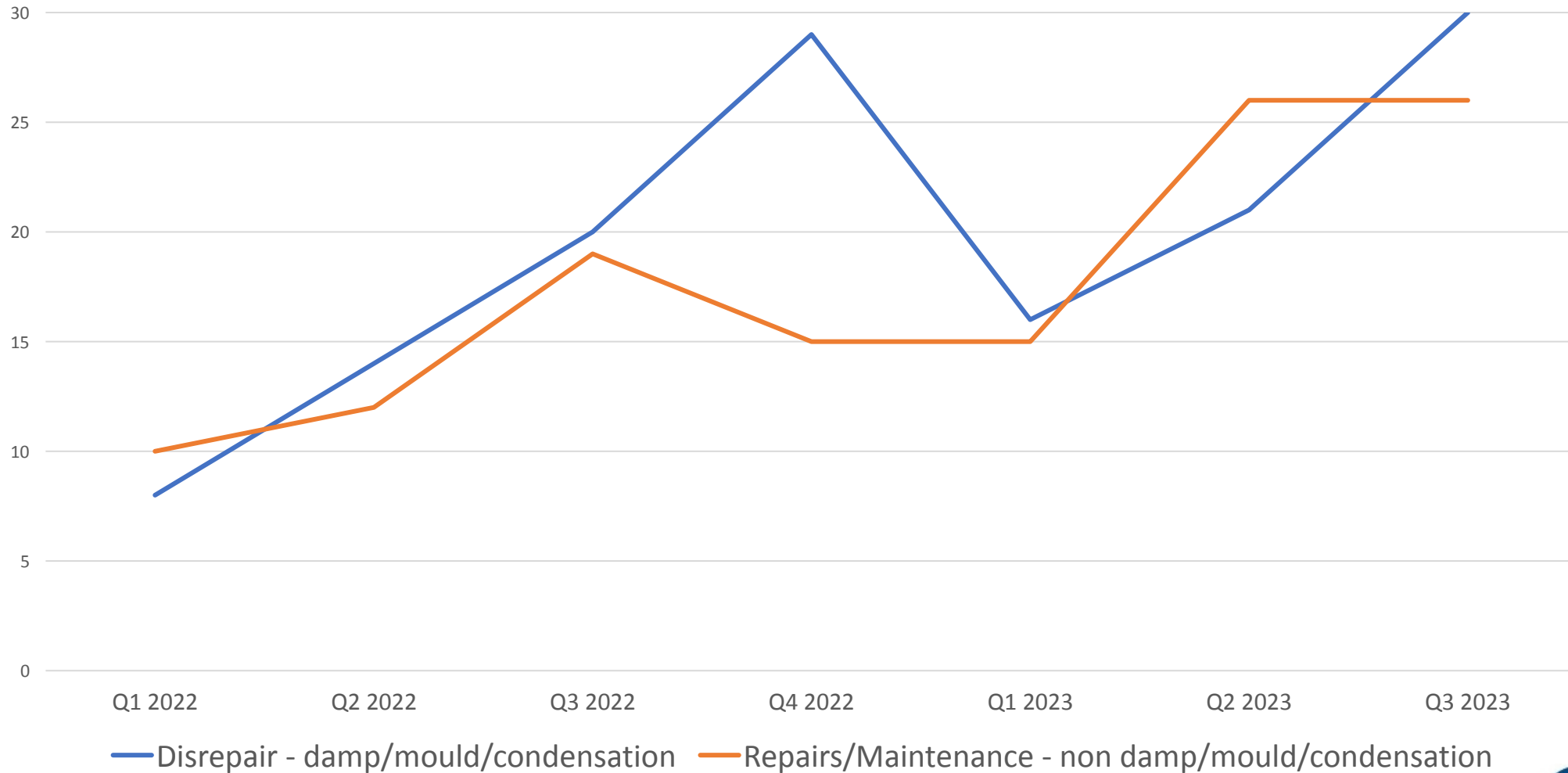
**Struggles to retain a job due to child's needs**

**On UC. Has cheap housing within LHA**

**Bedroom ceiling collapsed – landlord won't repair**

**Jade putting up with situation because flat is cheap**

# Disrepair



# Case study - Nicola

Nicola has serious health issues

Boiler has broken

Landlord refuses to fix it

# Access

Deposits and guarantors – sometimes asking for 6 months rent in advance, or a guarantor.

## **Case study – Tracey**

Letting agents are not choosing people on benefits to get the accommodation.

## **Case study - Joseph**

# Sanctions and Rent Arrears

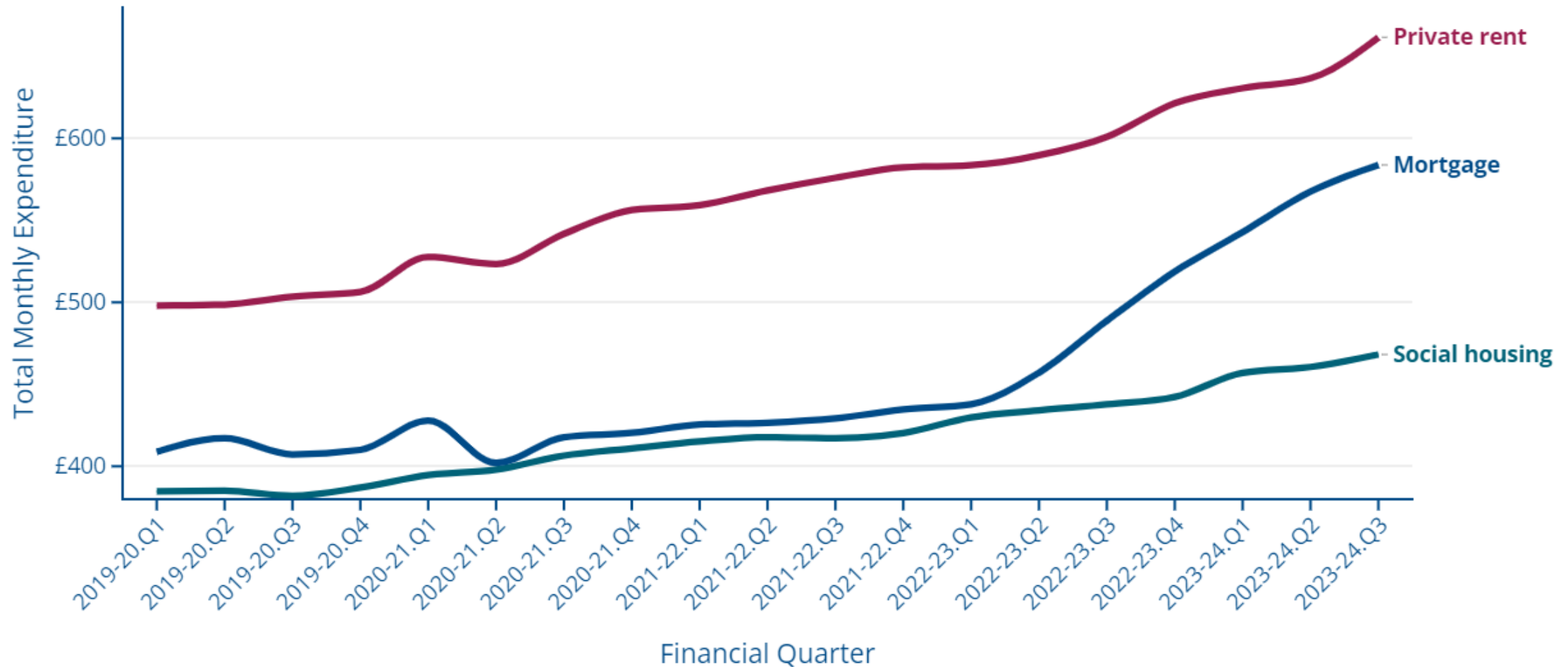
Benefit sanctions often push people into rent arrears or debt.

Page 29 **Case study - Jan**

## Essential costs are driving the people we help into negative budgets

Average monthly expenditure for the people we've helped with debt advice each Financial Quarter.

All essential costs **Housing** Gas and electricity Childcare Groceries





**Thank you for listening**

**Any questions?**

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Liz Mackenzie

Regional Representative for Hampshire and Isle of Wight





Trends with successfully rented properties within Southampton City showing changes in demand , viewings and rents when tenants change

Next slide shows a snapshot of 5 different rental properties to illustrate these changes:



**1) Two Bedroom Apartment, Carlisle Road, SO16 4FG**

- March 2021 £775 and conducted 7 viewings.
- November 2023 £1,100 and conducted 16 viewings (Marketed at £1,100 pcm).

**2) One Bedroom Apartment, Lower Canal Walk, SO14 3JG**

- December 2018 £775 and conducted 4 viewings.
- November 2023 £1,100 and conducted 15 viewings (Marketed at £1,000 pcm).

**3) One Bedroom Apartment, Winchester Road, SO16 6TZ**

- October 2019 £550 and conducted 10 viewings.
- November 2023 £700 and conducted 25 viewings (Marketed at £700 pcm).

**4) Two Bedroom Apartment, Lower Brownhill Road, SO16 9LE**

- August 2021 £750 and conducted 9 viewings.
- November 2023 £1000 and conducted 20 viewings (Marketed at £950 pcm).

**5) Three Bedroom House, Melville Close, SO16 8DE**

- March 2022 £1,150 and conducted 6 viewings.
- October 2023 £1,300 and conducted 11 viewings (Marketed at £1,300 pcm).

Next slide shows stock availability in Southampton (Data extracted from Rightmove Plus for 1<sup>st</sup> to 30<sup>th</sup> September 2020, 2021, 2022 and 2023):

Our analysis shows a 40% drop in availability but 140% increase in demand. For example, in post code SO14 in 2020, there were 1308 properties listed but in September 2023 only 540.



**1)Long Term Rental Properties Available/LET STC/Withdrawn  
in SO14**

- September 2020 – 1308
- September 2021 – 887
- September 2022 – 611
- September 2023 – 540

**2)Long Term Rental Properties Available/LET STC/Withdrawn  
in SO15**

- September 2020 - 1316
- September 2021 - 835
- September 2022 - 637
- September 2023 – 535

**3)Long Term Rental Properties Available/LET STC/Withdrawn  
in SO16**

- September 2020 – 541
- September 2021 – 344
- September 2022 – 281
- September 2023 – 267

**4)Long Term Rental Properties Available/LET STC/Withdrawn  
in SO17**

- September 2020 – 1082
- September 2021 – 717
- September 2022 – 391
- September 2023 – 292

Landlord One – “The continuous interest rate increases has had a knock-on effect to my mortgage repayments which has left me no choice than to increase the monthly rental. I am facing higher buy-to-let remortgage rates which, unfortunately, has to be passed onto the tenant in the form of a rent rise”.

Landlord Two – “Lack of property supply and high tenant demand. Due to increased residential mortgage rates, it has priced a lot of first-time buyers out of the market meaning they are opting to rent instead of buy which has increased demand for rental properties in Southampton. The government’s September 2022 ‘mini’ budget did not help matters either with interest rates increasing meaning buy-to-let mortgage rates soaring. This has made it **nearly impossible for investors to consider expanding their portfolio’s and in some cases forced into selling which has reduced the supply**”.

*Quotations/Comments from Taylor Hill & Bond landlords regarding the reasons why they feel rent levels have risen*



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Finally, a reminder of why landlords are forced to make decisions to mitigate the many challenges they have faced in past few years - by either increasing rents or deciding to sell properties.

££ Landlords with finance costs have been hit by impact of S24 tax (on turnover not profit) plus 14 increases in interest rates.

££ Every landlord has faced increased cost of insurance, higher prices for materials and labour for repairs and maintenance and in some areas the cost of licences.

££ Backlog in the courts has meant that possession is taking up to 8 months so any landlord who has non-paying tenants, tenants who are damaging the property and/or exhibiting anti-social behaviour is hit by a huge financial cost and cash flow crisis.

Remember, most businesses go bust due to lack of cash flow ...

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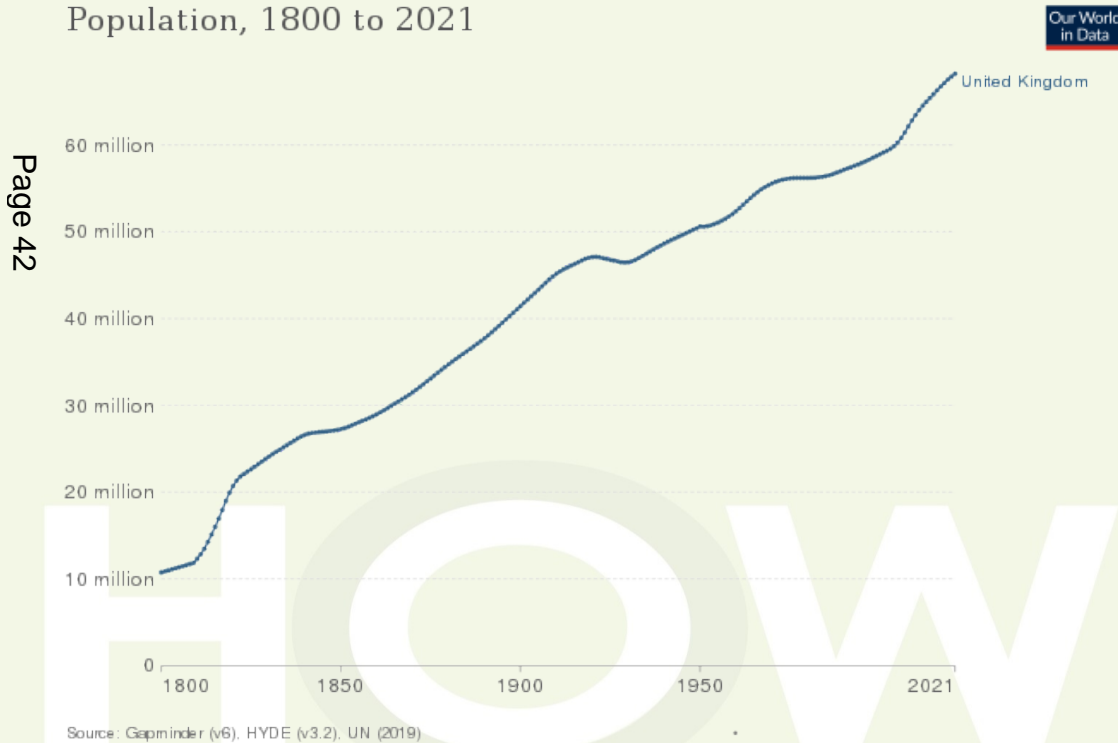
Roger Bell  
Chair Southampton Branch iHowz  
Phil Watmough  
Committee Member

iHowz Landlord Association  
Presentation to Southampton Inquiry  
December 21<sup>st</sup> 2023 – Rent levels.

# Facts

- UK population is growing

Population, 1800 to 2021



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# So'ton Studios to let last 30 days

Showing 59 properties

Search criteria: Enter a location: Southampton, Radius: This area only, Bedrooms: Studios, Price: Any price, Property type: Flats. Filters and Save buttons are visible.

Map view showing 59 properties with price tags: £625, £700, £825, £750, £795, £995, £995, £695, £750, £750, £1000, £850.

Buttons: List view, Search this area, Edit search area, More.

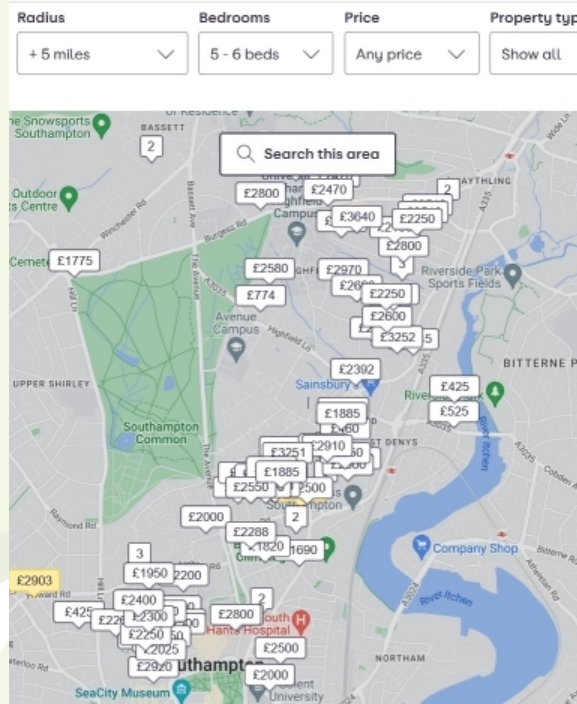
# So'ton Terraced Last 30 days

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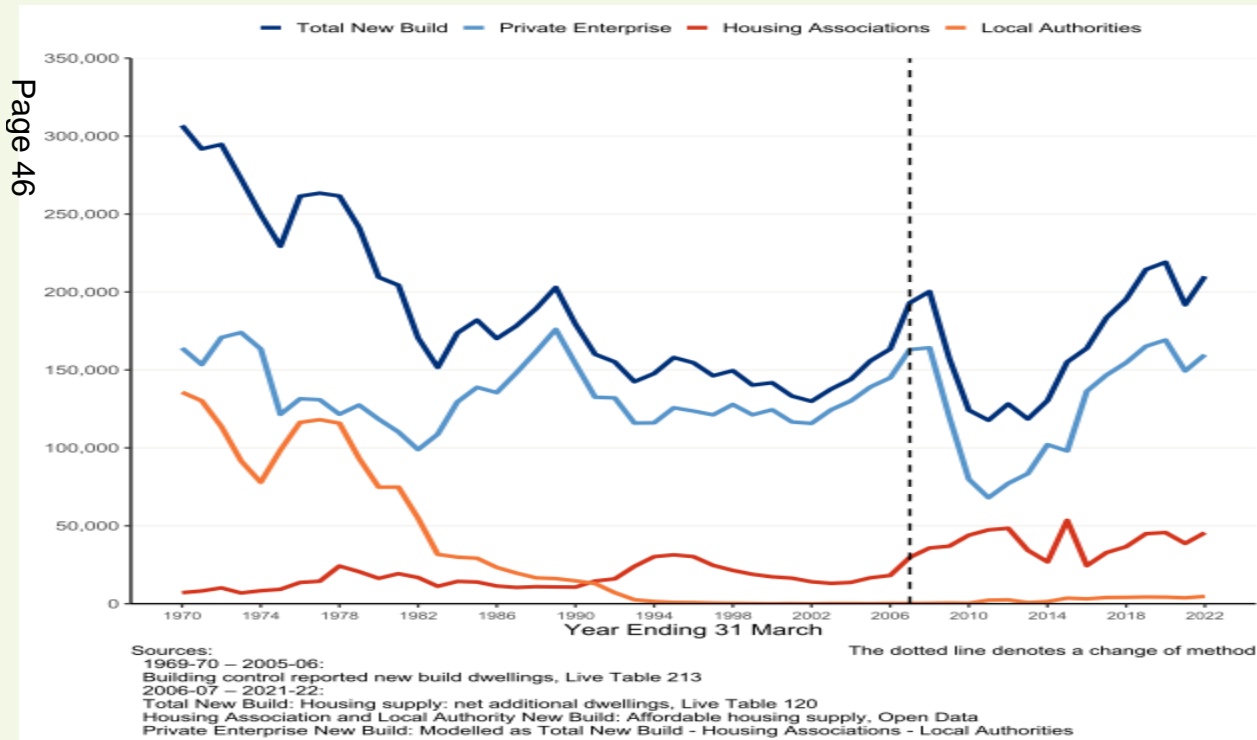
# So'ton 5 / 6 Beds Last 30 Days

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# Facts

- No government has met the recommended 300,00 new properties per year since 1970





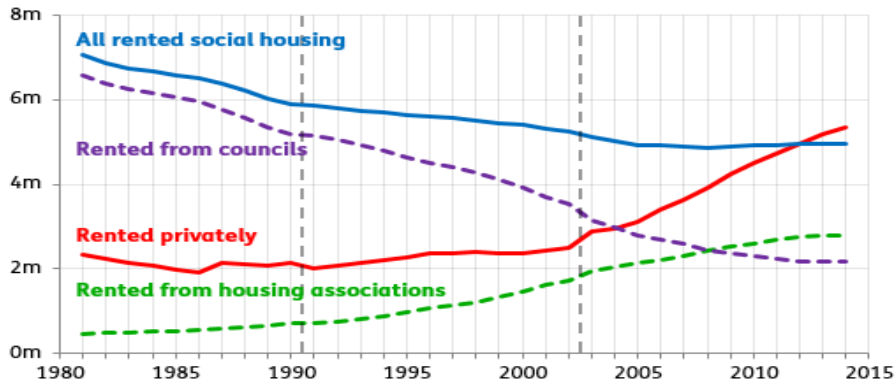
# Facts

- Social and council housing has diminished since 1980.
- The PRS has expanded to meet the shortfall
- Landlord's risk - a few go bankrupt every year

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## The UK rental sector

Rented dwelling stock in the UK by tenure, 1981-2014 \*



\* Data for earlier years is less reliable and definitions may not be consistent throughout the time series

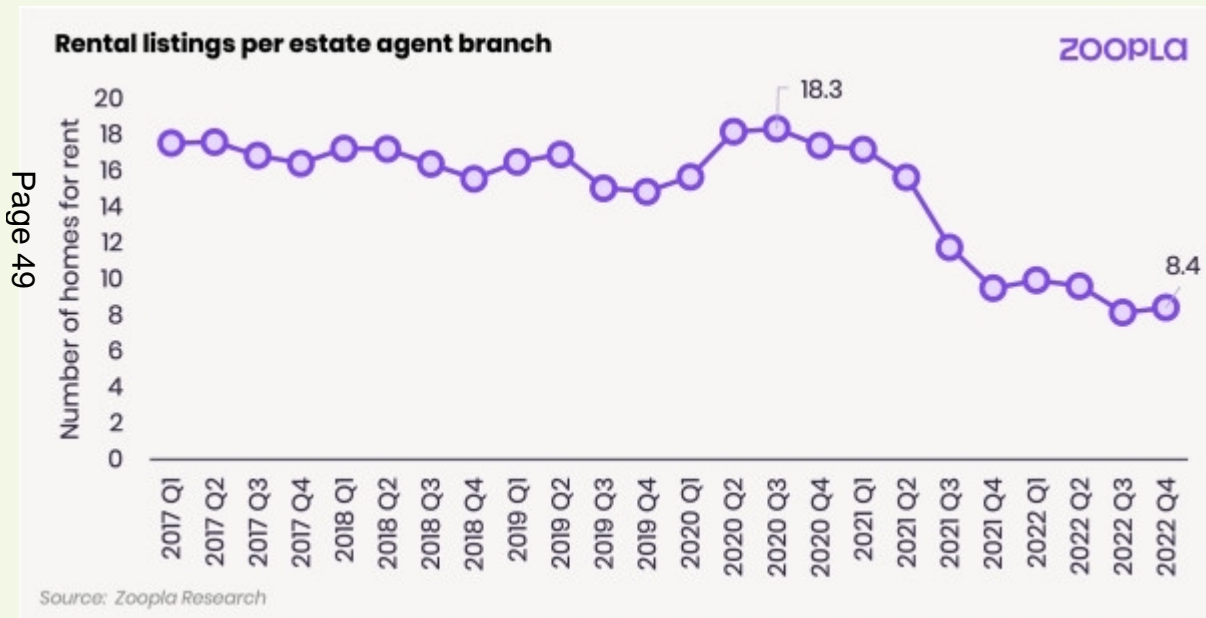
Source: Ministry of Housing, Communities & Local Government; Live tables on dwelling stock (including vacants); Table 101: by tenure, UK (historical series)

# Cause and Effect

- Landlords are losing money
- Some landlords are selling their rental properties
- Those properties are being bought by 1<sup>st</sup> time buyers who typically will not share
- Result is less dense housing
- The effect is shortages are driving up rents
- Supply and demand dictates prices
- NOT the greed of the Supplier / Vendor / Landlord

# Facts

- Zoopla reports less properties to rent



This must lead to an increased demand

# BIG ISSUE

Page 50 Big Issue statement:

*An imbalance between supply and demand is the main driver of record-high prices.*

Oct 2023

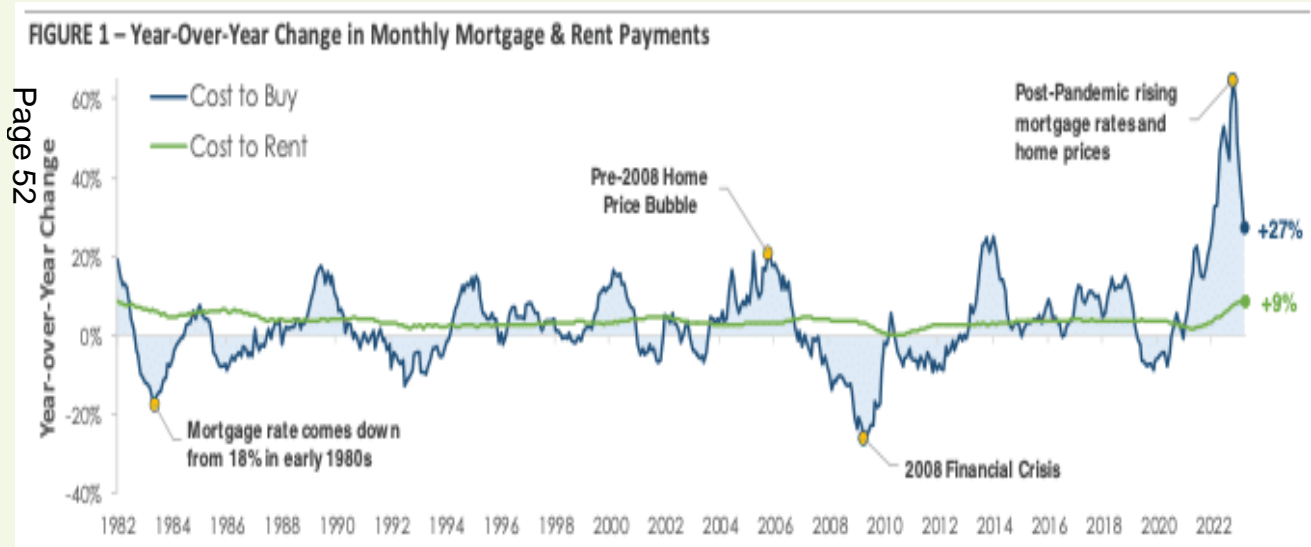
# HOWZ

# Landlords' costs

- Cost of building has nearly doubled since 2018
- Mortgages are at a 15 year high.  
Affecting owner-occupiers and landlords alike.
- English Housing Survey (2021/22) reports 75% have a mortgage

# Rent versus Buying

- Rents have followed increased demand due to population explosion



Source: MarketDesk, NAR, Department of Labor. Data from January 1982 to March 2023. Cost to Buy: Year-over-year change in the Housing Affordability Index Monthly Mortgage Payment, including principal and interest. Cost to Rent: Year-over-year change in Rent of Primary Residence component of Consumer Price Index.

# Rent Caps & Freezing

- Rents have been frozen from time to time it has always led to black marketeering, rent to rent and homelessness - 1917 / 1955 / 1974 and 2022 in Scotland has caused major disruption and unemployment.

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- Christine Whitehead, emeritus professor of housing economics with the London School of Economics and member of the LSE London team, stated in 2020 *“Rent controls are quite good if they can provide stability, but if all you’re providing is stability to people who are already in place, that’s not very helpful.”*

# Firsthand experience of renting in Southampton.

Phil Watmough will briefly outline how many landlords are forced to accept rents on unprofitable properties

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# iHOWZ



# iHowz summary

- Encourage investment by Landlords
  - Build more units in Southampton
- SCC improve local planning procedures
- Cooperation between Landlords and Council
- Bring back training and accreditation to further educate landlords in all matters including rent levels
  - Consider tenant accreditation

# HOWZ

# Renting Is NOT Easy – Free Market is The Best Way Leads to Expansion of Housing and Lower Rents 😊

Ask Our Tenants they like Choice and  
they like to move about for work

December 2023

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# **SOTONIANS DESERVE BETTER**

**iHowz formerly Southern Landlords Association  
7 Shaftesbury Avenue  
Highfield  
Southampton  
SO17 1SB**

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**Tel: 017 3256 5601  
info@iHowz.uk  
www. iHowz.uk**



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# Affordability of private renting


Dr Mark Jordan and Professor Helen Carr

21<sup>st</sup> December 2023

# Outline

- What is affordable housing?
- Affordability - law and policy
- Rent controls
  - Different generations
  - Arguments for and against
  - Recent innovation





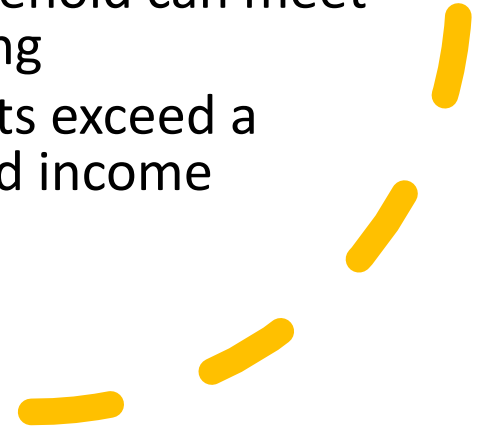
# What is affordable housing?

- The cost of private renting
  - Most expensive tenure and since 2021 high rent inflation
  - Comprises
    - Rents (the lion's share of costs)
    - Indirect housing related costs
    - Increased costs due to condition of property

# Defining affordable housing

- Three different approaches
  - Below market rents
    - Intermediate tenure rents – up to 80% of market rents
    - Definition dependent upon market rents
  - % of household income
    - What is an acceptable proportion of income to be spent on housing costs?
    - Is what is left enough to live on?
  - Residual income approach
    - Affordable Housing Commission
    - Dependent upon whether a household can meet basic need after paying for housing
    - Housing not affordable when rents exceed a third of net equivalised household income

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# Affordability?

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- Private renting unaffordable for a large proportion of households
  - 1.2 million private rented households rely on housing support to pay their rent
  - Rent inflation and freezing of Local Housing Allowance rates has exacerbated these issues
  - ONS – around 40% of adults find it very or somewhat difficult to afford their rent or mortgage payments
  - EHS found private renters spend 33% of household income on rent – rising to 48% when housing subsidies discounted
  - ONS survey showed renters with a dependent child were running out of food and not able to afford more

# Affordable housing – law and policy

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- ‘Regulated deregulation’ and a ‘broken housing market’
  - S.13 Housing Act 1988
    - Can challenge rent rises where above market levels
    - But
      - Limited data on rent levels
      - Not used by those with ASTs
  - Tenancy deposit protection
  - Tenant Fees Act 2019
- Renters (Reform) Bill
  - Making cost of private renting predictable
    - Limits rent increases to once per year
    - Minimum notice of rent increase 2 months
    - Ends use of rent review clauses
    - New ground for persistent rent arrears
    - No rent control



## Rent control – politically and economically contentious

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- Binary divide between landlords and tenants and economists and others
- Rent control a blanket term which obscures more nuanced design of schemes
- Little research on interaction between rent control and rest of housing market particularly in complex local conditions of UK
- Renters Reform Bill potentially will reveal stark reality of housing unaffordability

# Recent innovation in rent control

- Increasing unaffordability of rents and exclusion of many from owner-occupation has led to increased calls for rent control
- 'third generation' rent control/rent stabilisation which controls rents during the course of a tenancy but allows rent rises between tenancies

# Conclusions of UK Collaborative Evidence report 2022

- Alex Marsh and Ken Gibb, [Rent control: A review of the evidence base : CaCHE \(housingevidence.ac.uk\)](https://housingevidence.ac.uk)
- Key considerations include
  - The importance of recognizing different models and generations of rent control practice when appraising the evidence.
  - The importance of acknowledging the interconnectedness 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 recent theoretical development in the relevant economics literature. System design needs to be tailored to local characteristics.
  - Practical evidence gap
    - absence of grounded understanding of landlord supply structure,
    - how segments of rental markets function and operate with different degrees of interdependence, and
    - the extent to which local markets are volatile and subject to external shocks.

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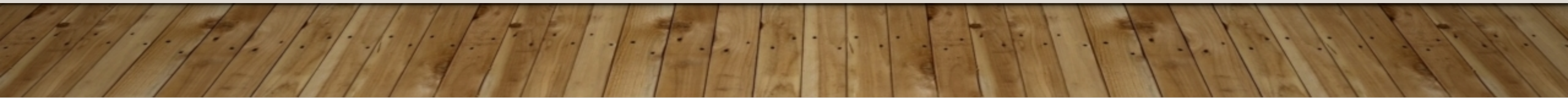
# COST OF RENTING SURVEY

SOUTHAMPTON TENANTS UNION



# Who are our respondents?

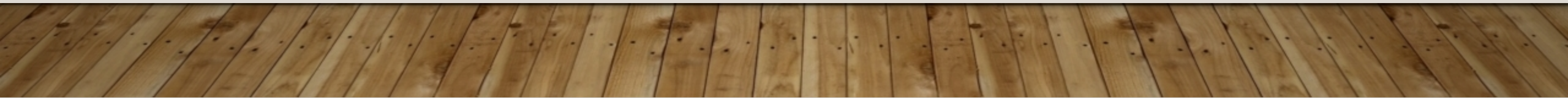
- Overwhelmingly employed, mostly full-time, less than 25% are unemployed or retired.
- Majority are female
- Postcode areas from urban areas of Southampton, SO14, SO15, SO16, SO17, SO18, SO19
- Majority is renting privately (over 80%)
- Out of these are 40% in shared accommodation.
- Those who are not sharing are nearly all renting 2-4 bedroom houses or flats.





# Who are our respondents?

- The majority is renting privately (over 80%)
- Out of these private renters 40% are in shared accommodation.
- Those who are not sharing, are mostly renting 2-4 bedroom houses or flats.
- These households are typically small, 1-2 people, only around 17% are bigger households.



# How do the rent costs change?

- Over 80% reported an increase in their rent in the recent past or has been notified about an imminent rent rise.

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About half of the rent rises stayed at under £100/month, typically £50, those that rose some reported £300-400/month rent rises, the typical being around £200-250/month.

# How affordable rents are?

- We think that no more than 30% of a person's or household's income should be spent on rent alone.
- About 20% reported an affordability of 30% or below. The majority have said between 35-50%, some as much as 60%.
- Interestingly, the majority, about 75% of our respondents still think their rent is affordable, but some of them were forced to move because of their rent rise.

# Comments

*“I think the cost of rent when also factoring the cost of other bills is not proportionate to the wages people are receiving, meaning it is possible to rent and pay bills from your wage, but besides that, there is nothing leftover to help towards any savings/necessities/repairs or other advice costs needed.”*

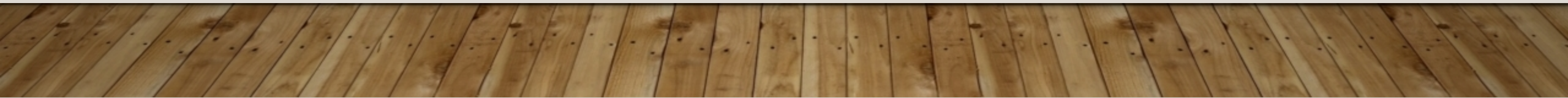
(Private tenant, 3 people share two bedrooms. They didn't give us rent amounts but they spend 46% of their income on rent alone.)

# Comments

*“I am trapped in my situation, unable to save money. My house is in a poor state of repair but I'm worried about being too assertive with my landlord as I wouldn't be able to find another place to live. My wages barely cover my rent so I am dependent on universal credit.”*

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(Family of 6 people living in a 4 bed property, privately rented, £250 rent rise.)



# Comments

*“My rent is going from 875 to 1,170 due to mortgage rate increase my UC will only cover 775 for a 2 bed house I work nearly full time have a son at home at college I can't afford this increase even though I know its the rate for a 2 bed benefits need to go up to help reflect the realistic price of rent.”*

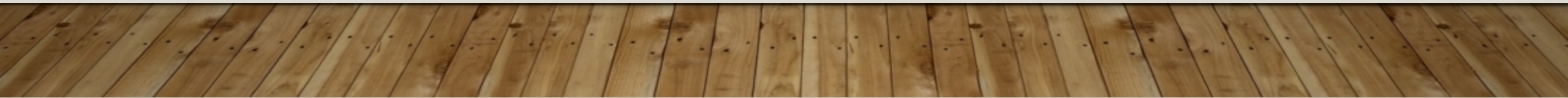
Imminent £300 rent rise in a privately rented 2 bed property, the tenant is forced to move as they can't afford it.

# Comments

*“Landlord tried to increase rent again by another £50 but negotiated no increase due to lack of timely response to repairs. Agreed for 6 months.”*

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(Self-employed respondent, 2 people in 2 bedrooms, spend 37% of their income on rent. )

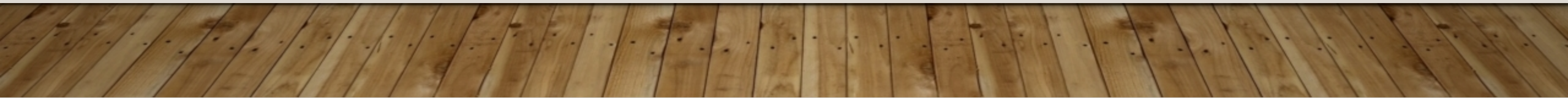


# Comments

*“We were given a section 21 because the rent was not worth the property the landlord decided to sell the property. We were nearly made homeless and ended up with the same size property for £400 more than what we were paying previously. That was the cheapest property that met our needs.*

*Housing element only cover £925 of that, substantially lower than the cost of the £1300 rent. We barely make the shortfall and have no choice but to pay it as other rents are much much higher.”*

(Family of 4 or 5 living in a 3 bed property, they spend 60% of their income on rent.)

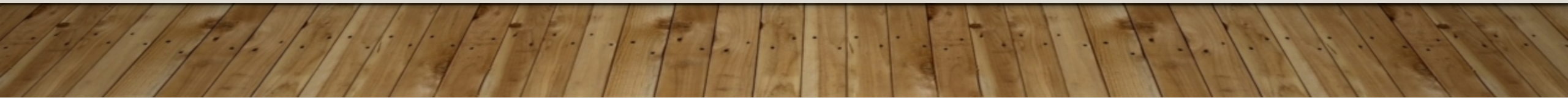




# Comments

*“People should not be paying this much for such basic stuff, such poor conditions are not worth the money. Its like living in slums, run by slumlords, charged through the roof and living hell but somehow it's allowed.”*

(Self-employed respondent, in a 2 persons household, spend 50% of their income on rent. )

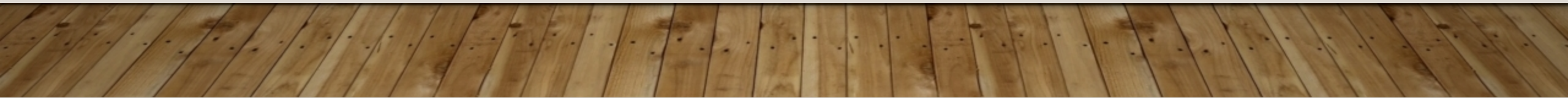


# Comments

*“I am close to not being able to afford my rent. Almost no headroom. Any unexpected cost to render me non-viable.”*

Page 80

(Retired housing association tenant paying 46% of their income on rent. )

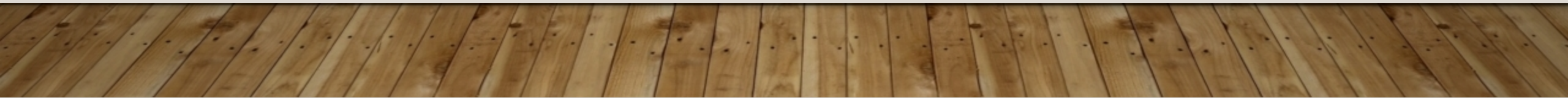


# Comments

*“Southampton Council Rent is excellent value for money & they provide an excellent service for the Rent.”*

Page 81

(Council tenant, one bedroom single, in full-time employment.)

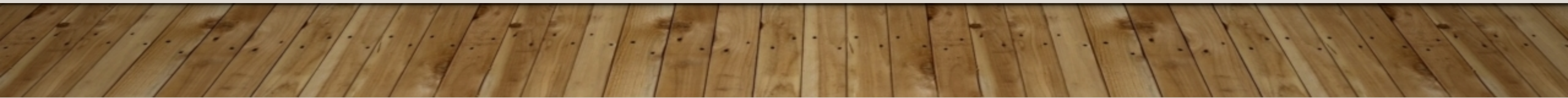


# Comments

*“I should explain that my data is accurate - I'm in full employment but on long term sick at present, income is £680 pcm, rent is £350pcm.”*

Page 82

(Single council tenant.)

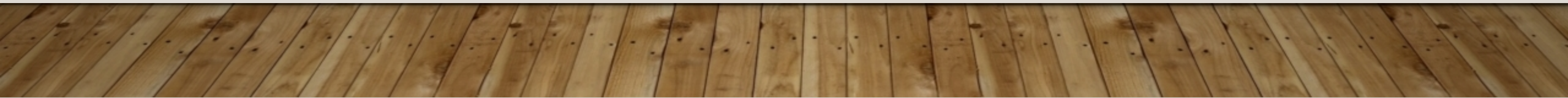


# Comments

*“I have very little headroom in my cash flow. I am managing to pay my rent but could very easily become insolvent.”*

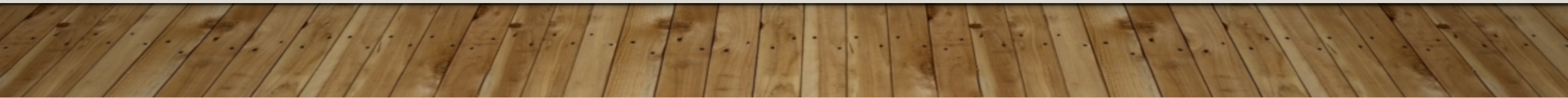
Page 83

(Housing association tenant, single, retired.)



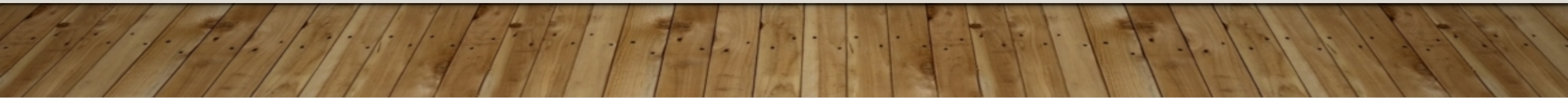
# Statement

> The results of this survey are in line with much of what we hear and see around our city as the leading organisation by-and-for tenants. Rental costs are simply much too high, and the burden is not evenly distributed. While things are bad enough for the average renter, they are significantly worse for those at the bottom end of the rental market, who live in constant fear of being totally squeezed out and becoming homeless, and who literally subsist by working long hours simply to pay rent and bills and have nothing or less than nothing left over at the end of the month.



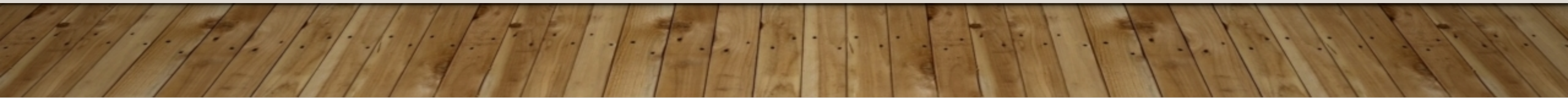
# Statement

> These are not simply numbers on a spreadsheet but real human lives we're talking about. These are mothers and fathers, and their children; they're newly married couples; students trying to attain their education; people being denied an opportunity to live their lives because the cost of housing takes up the vast majority of their income. These people are the lifeblood of our city and they not just deserve, but need better.



# Statement

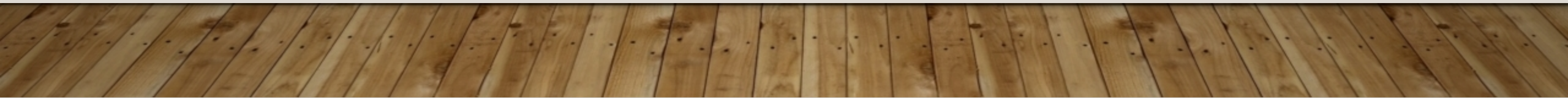
I am saying this not just in the interest of those I represent but also in the interest of the whole city – what kind of city can survive, after all, with a huge proportion of its population unable to make ends meet, and fearing homelessness at the end of every month? What will Southampton look like in five years if rents continue to rise unabated, and more and more people find themselves squeezed into poverty?





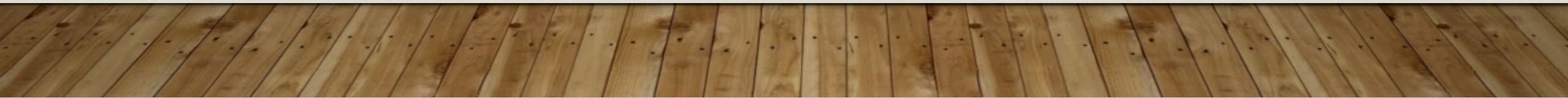
# Statement

> In light of this crisis, the continual failure of the council to ensure that a significant enough proportion of new-build properties are earmarked for social or low-cost housing is particularly concerning. Short-term interventions are necessary to stop the bleeding but the only long-term solution is for the council to ensure that a proper supply of social housing is provided to meet the social need; we cannot continue to surrender control of our city's housing supply to the whims and self-destructive habits of the free market.



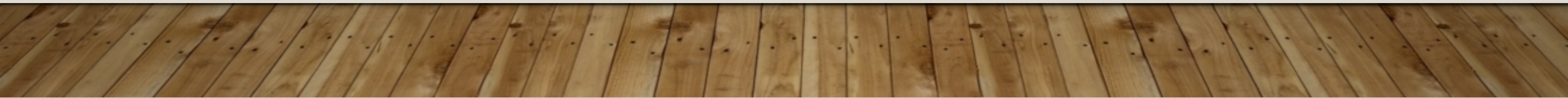
# Statement

In addition to this we need firm but fair controls on rent to rein in the market, we need a public register of rents charged, and we need to talk about whether it's fair for a tenant living in a property they don't even own to pay the council tax on that property. Such a programme of intervention may seem like a big step to take, but these actually constitute the minimum that must be done to prevent an absolute catastrophe in our city. Figures recently released showed that a majority of Southampton's residents are now renters, not owners. All of these people suffer when rents rise.

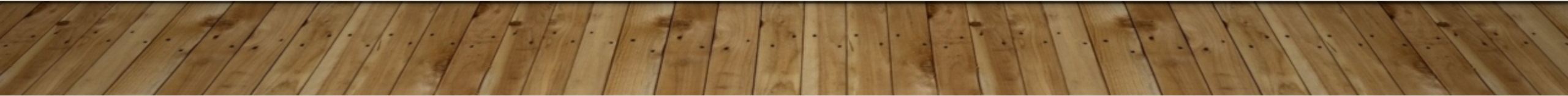


# Statement

More and more of them are being squeezed into poverty every day by rising costs, of which housing is the largest. If nothing is done to arrest this course then we will quickly find ourselves in a situation where a plurality, or even a majority, of our city's residents lurch from paycheque to paycheque and cannot truly live their lives. It is bad enough that so many of us already live this way. We need bold change, now, and this is the council's opportunity to deliver that.



**Thank you!**



### Breakdown of income and expenses of a property let to students in Southampton:

#### Property profile:

3 bed semi, Flowers Estate  
3 students at the university  
Year: 2022 - 2023

Monthly income: £1250

#### Expenditures:

Mortgage: £418 + £200 = £618 Interest only \*

Insurance: £225 / 12 = 225/12 = £18.75

Property repairs/renewals (typically 10%): £1,603 / 12 = £133.58

British Gas Home care contract: £313 / 12 = £26.08

Lettings agency fee (tenant find only): £750 / 12 = £62.50

(monthly agency letting fee: £150)\*\*\*

Tax: £12,109 x 0.45% = £5,499. 20% allowance: £1089. £4410 x 45% = £1984 / 12 = £165 pcm

**Total: £1,174**

£1250 – 1174 = **£76 pcm Profit \*\***

#### £76 per month for:

high quality accommodation  
Professional, attentive and timely customer service (gardening included)

#### Notes

\*interest only on only 75% of the original purchase price & renovation in 2012

Interest payments only attract tax relief at 20%

This amount does not include the one-off mortgage related fees (solicitor, valuation, brokers fee or mortgage arrangement fee)

\*\*Once all the one-off payments are included, this figure is further diminished.

The financial value of the gardening service has not included in the above costs.

High value one-off renewals (flooring, new bathroom, 5 yrly electrical check, re-painting) has not been included in costs calculations as they are ad-hoc expenditures.

After purchasing I renovated it (it was in very poor condition) and let it to students.

I look after the garden (no extra charge)

\*\*\* In my case, in order to generate a minimal profit, I self-manage.

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Briefing paper: Affordability of private rented housing

SCC Scrutiny Inquiry

15/12/2023

Dr Mark Jordan and Professor Helen Carr, Research Centre on People, Property, Community (PPC)  
Southampton Law School, University of Southampton

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## Introduction

In recent years, there has been acute inflation of private rents across the UK. The Office for National Statistics (ONS) estimates that in 2023 average private rents increased by 8% in England and 8.3% in Southampton. This has compounded longstanding unaffordability problems in the private rented sector which continues to be the most expensive housing tenure, relative to household income, in the UK. As the revival of private renting has consolidated, the widespread unaffordability of private rents has generated significant housing precarity for private renters, greater government expenditure on rent subsidies, and it has contributed to a wave of tenant organising and growing campaigns by Acorn and other tenant groups for England to follow the example of Scotland and introduce rent controls. Although both Conservatives and Labour appear hostile to rent control, there is a growing recognition, as reflected in the Renters Reform Bill, that more should be done to make private rents more affordable. In this briefing paper we outline the cost of private renting and then discuss the highly contested concept of housing affordability. We consider and apply three different definitions of affordability to the private rented sector. We then outline some important law and policy relating to housing affordability in the private rented sector, drawing attention to the proposals contained in the Renters (Reform) Bill. We conclude our paper by sketching out the contemporary debates about rent control, some instances of good practice, and drawing attention to the important role of the local authority in this area.

### 1. What is the cost of private renting?

The cost of private renting is often expressed solely in terms of rent levels. While rents typically represent the lion share of the housing costs incurred by the tenant, there is a growing recognition that understanding the cost of private renting requires a broader approach that includes related housing costs. This reveals how tenants may incur a range of direct and indirect housing related costs including rent, tenancy deposits, holding deposits, fees, access to a guarantor, utility costs and council tax. Many of these costs are transactional in nature and so tenants that move more frequently will tend to incur higher costs over time. Furthermore, some housing costs are directly linked to the condition of the dwelling. Tenants living in poor quality and/or overcrowded housing will often incur higher heating and electricity costs.

### 2. What is affordable housing?

There is no universally accepted definition of affordable housing in England. Indeed, 'affordability' is a highly contested term, and it tends to be understood and used in different ways by governments, NGOs, civil society groups and others. At a general level, the term affordable housing is often used 'to describe housing of any tenure that is judged to be affordable to a particular household or group by analysis of housing costs, income levels and other factors'.<sup>1</sup> It is necessary to unpack this general definition because it offers at least three different, but related, ways of understanding housing affordability which each have distinct advantages and disadvantages.

#### Defining affordability based on housing costs

Affordability can be defined in terms of housing costs by reference to the market. This definition is often used in government policy. The 'Intermediate rent' tenure involves social landlords offering tenancies at 'affordable rents' which are defined as rents of up to 80% of market rent levels within the local area. Similarly, the National Planning Policy Framework (NPPF) defines affordable rents by reference to 'below local market rents'. The main advantage of this definition is that it offers an apparently straightforward way of understanding affordability. However, the main criticism of this

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<sup>1</sup> Wendy Wilson and Cassie Barton, 'What is affordable housing?' House of Commons Library Research Briefing CBP07747, 2023.



definition is that it is entirely dependent on market rents. If market rents are not widely affordable, then 80% of that rent is likely to still be unaffordable to large numbers of renters. Indeed, ‘an analysis of affordable rents in England conducted by Inside Housing using data from the Social Housing Regulator for 2022, found ‘affordable’ rents were double the equivalent social rent in some areas and the consequence was higher housing benefit expenditure.

Defining affordability based on household income

Affordability can also be understood by comparing household incomes with the cost of housing. This is sometimes expressed in terms of a ‘housing cost to income ratio’ which aims to capture the proportion of a household’s disposable income spent on housing. This measure is widely used in studies by governments, academics and NGOs and it is often used to make a judgement as to what proportion of household income should be spent on housing. For instance, *‘The UK government has viewed a ratio of 30 per cent of gross income as unaffordable, while Eurostat treats 40 per cent of net income as the appropriate ‘housing over-burden’ level in its cross-national analysis’*.<sup>2</sup> The main advantage of this definition is that it can help to capture the more complex interaction of household income and housing costs. However, there are also some limitations to this definition. First, reliable income data and rental data is often not available for small areas, and this makes it challenging to apply in a local context. Second, it tends to involve an unarticulated, but vitally important assumption, as to what counts as an ‘acceptable’ proportion of household income.<sup>3</sup> Third, it does not account for whether the remaining or residual income after housing costs is enough to live on’ or ‘whether a household is making trade-offs to keep costs low (eg by choosing overcrowded housing)’.<sup>4</sup>

Using a residual income approach to affordability

Another way of understanding housing affordability, that draws on the housing cost to income ratio, is the residual income approach. This defines housing as affordable if *‘a household is able to afford to meet their other basic or essential needs after paying for their housing.’* In this model, *‘the Minimum Income Standard details the income that different households are believed to need to reach a minimum socially acceptable standard of living in the UK.’*<sup>5</sup> This model was proposed by the Affordable Housing Commission in 2020 and their proposal was based on setting an affordability threshold at the point ‘when rents exceed a third of net equivalised household income’.<sup>6</sup> This model has the advantage of taking account of related affordability issues, such as housing quality, overcrowding, adequacy of housing benefit, household size and regional variations. The utility of this model depends upon gathering reliable income data and rental data for small areas.

Are private rents currently affordable in England?

Employing each of the three different concepts of affordability makes clear that private rents are widely unaffordable in England. If understood simply in terms of rental costs, widespread unaffordability is apparent in how one quarter (1.2 million) of private rented households rely on housing support (housing benefit/universal credit) to pay their rent.<sup>7</sup> Recent rent inflation in

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<sup>2</sup> *ibid.*

<sup>3</sup> Resolution Foundation, *The housing headwind: the impact of rising housing costs on UK living standards* (Resolution Foundation, 2016).

<sup>4</sup> Wendy Wilson and Cassie Barton, ‘What is affordable housing?’ House of Commons Library Research Briefing CBP07747, 2023.

<sup>5</sup> Wendy Wilson and Cassie Barton, ‘What is affordable housing?’ House of Commons Library Research Briefing CBP07747, 2023.

<sup>6</sup> *ibid.*

<sup>7</sup> DLUHC, *English Housing Survey 2021 to 2022: headline report* (DLUHC, 2022) para 1.60.

combination with the freezing of Local Housing Allowance rates has exacerbated these issues.<sup>8</sup> A recent (2023) ONS survey revealed that ‘around 4 in 10 (40%) adults reported finding it very or somewhat difficult to afford their rent or mortgage payments’.<sup>9</sup>

A similar picture emerges when affordability is understood in terms of housing costs relative to household income. The English Housing Survey estimates that private rented housing is the most expensive tenure, relative to household incomes, in England: “On average, mortgagors spent 22% of their household income on mortgage payments, whereas rent payments including housing support were 27% for social renters and 33% of household income for private renters. Excluding housing support, the average proportion of income spent on rent was 36% for social renters and 38% for private renters”<sup>10</sup> Of course, this is a national picture and there are sharp regional variations, with higher housing costs concentrated in London and the south of England.<sup>11</sup>

Finally, when a residual income approach is taken the unaffordability of private rented housing, and its social impact, is revealed in more detail. A recent (2023) ONS survey revealed that after paying housing costs, around 1 in 5 (21%) renters, who were parents living with a dependent child, reported running out of food and not being able to afford more.<sup>12</sup> This finding is consistent with studies of private renting from 2016 which showed that ‘...at least one in five households in the private rented sector has unaffordable housing – which means that they have high housing costs and have insufficient income left over to afford a minimum acceptable standard of living after paying their rent’.<sup>13</sup>

### 3. Affordability: Law and policy

For much of the last century, central government have sought to make housing more widely affordable. This has involved a range of law and policy interventions including the mass provision of public rented housing during the post-War era, promotion of more affordable forms of ownership (eg right to buy, shared ownership), measures aimed at controlling the cost of rented housing (ie rent control and rent regulation) and the provision of rent subsidies designed to support tenants meeting the cost of renting (ie housing benefit and universal credit). This section focuses on law and policy measures designed to make rents more affordable in the private rented sector. The section outlines the role of rent controls during the period 1915-1988 and then details how deregulation in 1988 involved a shift away from controlling rents and towards rent subsidies. The section concludes by outlining the proposals contained in the Renters Reform Bill as well as recent reforms addressing other costs associated with renting.

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<sup>8</sup> <https://www.theguardian.com/society/2023/jun/27/just-5-of-private-rentals-affordable-on-housing-benefit>

<sup>9</sup> ONS, Impact of increased cost of living on adults across Great Britain: July to October 2023 (ONS, 2023) available at

<https://www.ons.gov.uk/peoplepopulationandcommunity/personalandhouseholdfinances/expenditure/article/s/impactofincreasedcostoflivingonadultsacrossgreatbritain/julytooctober2023>.

<sup>10</sup> DLUHC, *English Housing Survey 2021 to 2022: headline report* (DLUHC, 2022) para 1.51.

<sup>11</sup> ONS, Redevelopment of private rental prices statistics, impact analysis, UK: December (ONS, 2023) available at

<https://www.ons.gov.uk/peoplepopulationandcommunity/housing/articles/redevelopmentofprivaterentalpricesstatisticsimpactanalysisuk/december2023>.

<sup>12</sup> ONS, Impact of increased cost of living on adults across Great Britain: July to October 2023 (ONS, 2023) available at

<https://www.ons.gov.uk/peoplepopulationandcommunity/personalandhouseholdfinances/expenditure/article/s/impactofincreasedcostoflivingonadultsacrossgreatbritain/julytooctober2023>.

<sup>13</sup> Lydia Marshall, NatCen, Defining and measuring housing affordability in the PRS using the minimum income standard, October 2016

### Rent Regulation (1915-1988)

The Increase of Rent and Mortgage Interest (War Restrictions) Act 1915 was forced upon a reluctant legislature by the Glasgow munition workers rent strike of 1915. It introduced rent control to the United Kingdom in the emergency context of the First World War 1914 - 1918. The Act prevented landlords from profiteering from shortages of 'working class' dwellings during the war years. It also protected landlords by holding mortgage interest rates to August 1914 levels. The provisions were designed to be temporary – there was a sunset clause stating that the provisions would expire six months after the cessation of the war. However, the persistence and intensification of housing shortages during the war could not be quickly resolved once the war was over. The provisions were retained, and their scope was widened in the 1920s. Whilst there was some relaxation of controls during the 1920s and 1930s, rent restriction were fully introduced in 1939.

The post WWII housing shortage was even more acute than that of 1918. To avoid the confrontations of 1915 the Rent Act 1939 reintroduced full rent control. Like the 1915 Act, the measure was intended to last for only six months after the end of the war. However, the legislation remained in place until 1968. Following the end of WWII the private rented sector declined rapidly, reduced by sales to owner occupiers, demolition through slum clearance and local authority acquisition and mass provision of public rented housing.<sup>14</sup> At this time there appears to have been a growing political divide over private renting. In the 1950s Labour considered that private landlordism had failed, and should be replaced by municipal landlordism, whilst for the Conservatives decline was because of rent controls which prevented investment and could be reversed by abolition of controls.

The Conservatives, to phase out rent control, passed the Rent Act 1957 which decontrolled rents after a landlord secured vacant possession. Unfortunately, this provided a major incentive to landlords to remove sitting tenants not necessarily by legal means, which led to the discrediting of the legislation. Labour's victory in the 1964 General Election was related to the response to the 'Rachmanism' that was the consequence of the 1957 legislation. Labour passed the Rent Act 1965 which introduced regulated tenancies with long-term security of tenure and the fair rent system. This system, which was consolidated within the Rent Act 1977, provided for 'fair' rents to be set by independent rent officers according to a statutory scheme that required officers to disregard housing scarcity in determining a 'fair' rent.

It would be foolish to imagine that there was a consensus about rent regulation despite the legislation. Landlords actively avoided the legislation and challenged decisions that tenancies were caught by the Rent Act 1977 in the courts. It was not until the 1985 House of Lords decision in *Street v Mountford* that it became clear that opting out of rent regulation was not available to parties to a tenancy even if the agreement contained an opt out clause.

### Deregulating rents and rent subsidy (1988-present)

The private rented sector was deregulated by the Housing Act 1988. One of its primary tools was the introduction of the market rent for all new tenancies commencing after 15 January 1989. Fair rents were abolished for these new tenancies, and parties could contract out, via rent review clauses, of the very limited rent control that was retained. Section 13 of the Act provided a mechanism for annual rent increases in periodic tenancies where there was no rent review, following service of a notice. For most tenancies only one month's notice of a rent increase is required. Section 14 of the Act gives tenants an opportunity to refer the rent increase to the First Tier Tribunal in circumstances where the rent requested is above the market rent. However, the insecurity of tenants in the private rented sector has proved a major disincentive to challenging rents under this provision ie tenants

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<sup>14</sup> Peter Kemp, *Private Renting in Transition* (London, Chartered Institute of Housing, 2004).

holding with an assured shorthold could be evicted on the ‘no fault’ ground with only two months’ notice.<sup>15</sup> There are also difficulties in proving that a rent is above market levels as there is a lack of data on market rent levels.

At the time, it was understood that removing legal restrictions on rents and promoting market rents would lead to rent inflation. Policy makers promised that rent subsidies, in the form of housing benefit, would “take the strain” of rent increases.<sup>16</sup> Yet the combination of rent increases and the general revival of private renting from the 1990s onwards contributed to dramatic increases in state expenditure on rent subsidies. In 2016, UK state expenditure on housing benefit related to private rents was £9.3 billion – nearly double the amount paid a decade earlier. At the same time, approximately a quarter of private rented households in the UK relied on housing benefit to pay their rent.<sup>17</sup> In 2010 the Coalition Government identified a need to address growth in Housing Benefit (HB) expenditure. UK Governments since 2010 have sought to reduce HB spending by limiting and freezing Local Housing Allowance (LHA) rates. In their 2018 report on ‘The evolving private rented sector’, Rugg and Rhodes point out that the LHA has acted as a ‘stringent mix of both first and second generation rent control.’ The recent autumn statement (November 2023) ended the freeze on housing allowances meaning that Local Housing Allowance will be linked to the lowest 30% of market rents from April 2024 providing an extra £800 per annum support for low income renters. However, there are concerns that rental inflation will rapidly erode the change which appears to be a one-off unfreezing. LHA will once more be frozen from 2025 -26.

The Renters (Reform) Bill

The Renter’s (Reform) Bill maintains market rents as a key feature of private renting thereby continuing with regulated deregulation paradigm. However, the government proposals aim to ensure that rent increases become more predictable. The Bill proposes to:

- Limit rent increases to once a year
- Increase the minimum notice landlords must give of a rent increase to two months
- End the use of rent review clauses in tenancy agreements

Furthermore, the abolition of s.21 of the Housing Act 1988 means that there are likely to be many more challenges to rent levels made to the tribunal. For some commentators this is the equivalent of bringing rent control in by the back door as the tribunal will in effect be deciding what the market rent is. However the tribunal will be required to make the decisions on evidence of comparable rent levels so the suggestion of rent control by the back door is unpersuasive. Moreover evidence of scarcity of supply is so overwhelming at the moment that it is difficult to understand that market rents will be on anything other than an upward trajectory. A consequence of the abolition of s.21 will mean that landlords will be using the grounds of possession relating to rent arrears much more often in future. If there are extensive evictions under these grounds it may well indicate the extent to which the market rent is actually unaffordable for tenants.

The Renters (Reform) Bill increases the grounds for eviction available to a landlord where the tenant is in rent arrears by introducing a new Ground 8A into the Housing Act 1988. This new ground enables the recovery of possession where there are persistent rent arrears over a three year period. It requires that at least two months (or 8 weeks dependent upon when the rent is paid) rent is

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<sup>15</sup> Since 1996, the AST became the default tenancy.

<sup>16</sup> HC Deb 30 January 1991 cc 939-40.

<sup>17</sup> Wendy Wilson, Francis Hobson and Roderick McInnes, *The rent safety net: changes since 2010* House of Commons Library Briefing Paper SN05638, 2021).

unpaid for at least a day on at least three separate occasions. This ground is in addition to the existing grounds for possession. It is fair to say that there has been limited judicial scrutiny of these grounds as landlords are likely to use s.21 where there are rent arrears to avoid costs and uncertainty of litigation.

Control of additional costs of private renting

Whilst administrations since the implementation of the Housing Act 1988 have been reluctant to interfere with the marketisation of rents, there has been a greater willingness to control other costs associated with renting in the private rented sector. Tenancy deposits have been regulated since the Housing Act 2004 and the Tenant Fees Act 2019 constrains the type and amount of fees that can be demanded in connection with a private rented tenancy.

4. The arguments for and against rent control

The increasing unaffordability of private renting combined with the rise of tenant organising across the UK, has led to re-emergence of debates about rent control. They reveal familiar political fault lines between tenant organisations, which tend to be uniformly in favour of controlling rents, and landlord organisations, which are united against control. These political disagreements are also reflected in the sharp disagreements within the academic studies on rent control. This section outlines different rent control systems, critically interrogates claims about rent control, and outlines some arguments for and against rent control.

Generations of rent control

Studies of rent control often talk of different ‘generations’ of rent controls. The first generation is presented as relatively crude ie a rent freeze as in the 1915 legislation. Second generation rent control tends to regulate rents by allowing rent increases for specified reasons such as for inflation or a maximum percentage increase – the UK’s Fair Rent regime in the Rent Act 1977 is a good example of this. Third generation rent controls combine intra-tenancy rent regulation with inter tenancy decontrol. Probably better described as rent stabilisation, third generation rent control allows rents to rise once a tenancy is terminated for the purposes of agreeing rent for a new tenancy. Current developments in Scotland and Ireland, where rents increases are restricted in hot spots, termed ‘rent pressure zones’, are examples of third generation rent control. However, a careful analysis of Scottish controls leads Marsh et al to conclude that the rent pressure zones introduced there have been largely symbolic rather than effective, mainly due to the lack of meaningful data on rent levels at a local level.<sup>18</sup>

### Rent control and the decline and revival of private renting

Rent control is frequently blamed for the decline of the private rented sector following the First World War while deregulation of rents by the Housing Act 1988 is often presented as bringing about the revival of the sector. However, such broad claims about the role of the law must be carefully interrogated because they often tend to ignore wider housing developments. The decline of private during the 20<sup>th</sup> century is inextricably linked to the extensive state promotion of owner occupation and social renting which encouraged the transfer of private rented dwellings, and indeed, private renters to other tenures. For much of this period, landlords could obtain higher returns by selling repossessed or vacated rent-controlled properties for owner occupation and indeed many properties were sold to sitting tenants. The poor reputation of the private rented sector (which preceded rent control) is also argued to have discouraged people becoming private landlords.

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<sup>18</sup> Alex Marsh, Kenneth Gibb and Adriana Mihaela Soaita, ‘Rent regulation: unpacking the debates’ (2023) 34(4) *International Journal of Housing Policy* 734-757.

Similarly, by deregulating rents the Housing Act 1988 helped to create investment conditions that were highly favourable for private landlords. However, the revival of private renting reflects a range of demand and supply factors, that extend beyond deregulation, including the introduction of Buy-to-Let mortgages and the lack of viable and affordable alternatives to private renting - as discussed in our first briefing paper.

Contemporary evidence for rent control.

The UK Collaborative Centre for Housing Evidence produced a review of rent control in 2022.<sup>19</sup> The research team considered an exceptionally wide range of literature on rent control including theoretical and empirical economic research and social sciences literature. The state of the debate might be summarised by observing that many economists consider rent control to be a demonstrably bad idea, but they have largely failed to convince anyone other than committed free-market politicians, hence the continuing popularity of rent control policy as the proposed solution to a range of affordability-related problems. There are some economists who are favourable to rent control. A number of studies of rent control systems in the US have found that rent regulation is effective in limiting rent increases, that there is no evidence that rent regulations reduce the overall supply of housing, and that rent regulations can play an important role in promoting neighbourhood stability and protecting long-term tenants.<sup>20</sup>

Although there is a growing literature on rent control in the US, there is a real lack of UK based research. The empirical study of rent control in the UK is now extremely dated (it is a literature that largely tailed off in the 1980s) and the institutional structures of the UK housing market have subsequently changed substantially. The recent evidence base therefore inevitably comprises studies from cities in other countries. Yet, the current UK housing system differs from both the US system and most European systems in important and relevant ways. Furthermore, housing systems are becoming more diverse within the UK. These characteristics make the discussion of rent control particularly susceptible to analytical over-reach: there is a risk that results generated in quite different contexts are incautiously or uncritically applied to the UK.

The UK Collaborative Centre for Housing Evidence report (2022) indicates some key considerations for policy makers considering rent control:

- A vision of where policymakers wish to take the private rented sector based on an appreciation of how it works now, its multiple internal functions, and its important interactions with the wider housing system;
- Based on this vision, a clear sense of the nature and design of rent regulation proposed; how and in what circumstances it is triggered; and how it is later wound down (the sunset clause); as well as how it would complement existing and proposed non-price regulation;
- In order to achieve this clarity over policy objectives, design and operation, a strong commitment to a comprehensive, operational data strategy is required that will enable policymakers to undertake ongoing monitoring of the PRS within a clear market analysis strategy operating at the agreed market area level.

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<sup>19</sup> Alex Marsh, Kenneth Gibb and Adriana Mihaela Soaita Rent Control: a review of the evidence base 2022 available [Rent control: A review of the evidence base : CaCHE \(housingevidence.ac.uk\)](https://housingevidence.ac.uk/)

<sup>20</sup> J. W. Mason, 'Considerations on Rent Control' (2019) <https://jwmason.org/slackwire/considerations-on-rent-control/>.

- Throughout these three stages there should be a commitment to drawing on the evidence base where it provides direction and also, where there is no conclusive evidence, a suitable degree of caution and reference to the data and evidence generated locally. At the same time, policy development and monitoring should be grounded throughout in deliberative and consultation mechanisms that give effective voice to tenants, as well as other stakeholders.

In summary the review recognised:

- The importance of recognizing different models and generations of rent control practice when appraising the evidence.
- The importance of acknowledging the interconnectedness 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 recent theoretical development in the relevant economics literature. System design needs to be tailored to local characteristics.
- There is a gap between practical evidence, data and monitoring of local housing markets and 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 with different degrees of interdependence, and the extent to which local markets are volatile and subject to external shocks.

#### Conclusion

The longstanding unaffordability of private rented housing for large numbers of households in England is apparent both when affordability is defined based on housing costs and when it is understood in relation to household income. In recent years, acute inflation of rents has exacerbated the unaffordability of private rented housing and is likely to lead to greater rent arrears and evictions in the coming years. This has further undermined the notion that rent subsidies are capable of ‘taking the strain’ of the market rent system which is operating in the context of a severe undersupply of social housing. In this context, it is unsurprising that old debates about rent control have re-emerged in recent years. Given the rise of tenant organising across England and growing campaigns by Acorn and other tenants’ movements, it is likely that these debates will become more prominent in the coming years. Amidst these debates it is important that the role of the local authority is not overlooked. Although local authorities presently have few powers in relation to private rents, historically local authorities played a major role in making housing more widely affordable through the construction and provision of public rented housing. Local authorities are uniquely well placed to gather data on rents at a local level and they have a significant voice in shaping national and local debates around housing affordability. In recent years, there have been calls by the Mayor of London as well as local authorities for the devolution of additional powers in relation to private rents and this has the support of the Labour party. As such, local authorities may yet have a greater role to play in this area in coming years.

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Good afternoon Mark,

I wanted to let you know that I picked up either covid or this winter flu virus that is doing the rounds at the moment and annoyingly won't be well enough to attend the panel meeting tomorrow evening. I had a lengthy chat with Liz yesterday and she has spoken to a few local letting agents in Southampton who have provided some local intelligence about rent levels, viewings and the general supply and demand situation in the area which I believe will prove most useful as part of the discussions. Liz will be attending via online and will be presenting these findings and is happy to answer any questions raised in the meeting.

The general overview of what I was going to present tomorrow evening would be the national perspective when it comes to current trends in supply and demand what in general, the NRLA is calling for solution wise:

- According to findings published by research consultancy BVA-BDRC (research commissioned by the NRLA), over one in ten (12%) of landlords in England and Wales sold properties earlier on this year (Q2 2023). In contrast, only 5% purchases properties during this same period
- 37% of landlords in the same survey plan to cut the number of properties they let over the coming year meaning that the proportion of landlords who plan to downsize their portfolio is at an all-time high
- Only 8% said they plan to increase the number of properties they let in the market
- The loss of rental properties comes despite strong demand from tenants. Two thirds (67%) of landlords polled reported that tenant demand had increased in the second quarter of the year-another all-time high
- Amidst growing mortgage costs and ongoing uncertainty about proposed reforms for the PRS, the NRLA warns that the supply crisis will only deepen without urgent action from the Government
- The NRLA calls for ministers to scrap tax changes which deliberately seek to deter landlords from investing in desperately needed private rented housing. This includes the 3% stamp duty levy on the purchase of homes to rent out, as well as the decision to restrict mortgage interest relief on long term homes to rent.

The NRLA commissioned another survey by BVA-BDRC for Q3 2023, which asked similar questions and expanded on some areas, to assess if these trends would continue as the year progressed. The results from this Q3 survey were as follows:

- 71% of landlords reported increased tenant demand in Q3 2023, a record high. This is up from 65% the same time last year, and 22% in Q3 in 2019 before COVID lockdown measures were introduced by the Government
- Strongest demand was in the West Midlands, where 76% of landlords reported increased demand, followed by 75% saying the same in Wales and 74% in the South East (excluding London)
- Despite record demand, more than one in 10 (12%) landlords said they sold property in Q3 2023. This is more than double the 5% of landlords who confirmed they purchased property in the same period
- Similarly, 28% of respondents said they plan to cut the number of properties they rent out over the next 12 months. This contrasts with the 8% of landlords who plan to increase the number they let over the coming year
- The NRLA warns that the ongoing imbalance between the demand for, and supply of, private rented housing will continue to erode the purchasing power of tenants.

Crucially, this will put any gains which result from the Chancellor's decision to unfreeze housing benefit rates at risk.

- In addition, without measures from the Government to support the supply of private rented housing, tenants will continue to struggle to hold criminal landlords to account given the shortage of alternative accommodation across the sector
- Ben Beadle, the NRLA's Chief Exec, said about these findings: " Would be renters face a desperate situation as ever growing numbers seek to access a dwindling number of available homes. The Government needs to accept the folly of a tax system that makes investment in holiday lets more sustainable than long term homes to rent. We need pro-growth tax measures".
- Research by Capital Economics for the NRLA found that removing the 3% stamp duty levy on the purchase of additional homes would see almost 900,000 new private rented homes made available across the UK over the next ten years. As a result of increases in income and corporation tax receipts, the modelling suggests this would lead to a £10 billion boost to the Treasury revenue over the same period.

Once again, I apologise for not being able to make the meeting, but I hope the above information can help the discussions taking place tomorrow. Have a lovely Christmas and Happy New Year.

Best wishes,

**Samantha Watkin**  
**Senior Policy Officer**  
National Residential Landlords Association



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## Southampton City Council approves first Affordable Housing Framework sites

**Today (Tuesday 20 December) Southampton City Council approved the first set of council-owned sites to be transferred to Affordable Housing Providers as part of the new Affordable Housing Framework which was approved at Cabinet earlier this year**

🕒 20/12/2022

This is one of the tools the council will use to ensure more affordable homes in the city which includes continuing to work towards the direct delivery of council homes.

The framework will allow the council to use its own land to address the significant need for affordable housing in Southampton and will provide the opportunity for development of social rent, affordable rent and shared ownership properties which will help people get onto the housing ladder and own a share in their home.

The first set of council-owned sites are either vacant sites, empty buildings or have an approved decommissioning plan in place meaning that delivery of the much-needed new homes can be achieved quicker. The first set of sites will provide an estimated total of up to 300 homes.

The council anticipates that several providers will be appointed and the framework ready to move forward early in 2023.

As of October 2022, there were a total of 7,508 households on the housing register with wait times ranging from 1 year and 4 months up to over 11 years. The council has set a target to increase the supply of affordable housing by 8,000 homes by 2040 which will help to reduce the wait times for those on the housing register.

**Councillor Lisa Mitchell, Cabinet Member for Housing and the Green Environment, said:**

“We know that poor quality housing has a significant impact on residents’ health and wellbeing, which is why it is so important that we provide good quality affordable housing so our residents can achieve a high-quality life and we enable people to live independently for longer by supporting their mental and physical wellbeing.

“The new affordable housing framework will accelerate the delivery of new homes and help us work towards our commitment to providing at least 8,000 affordable homes by 2040.

“We will work with Affordable Housing Providers to build new homes and work in collaboration with partners to provide more affordable housing and build better, stronger and more resilient neighbourhoods that foster city pride”.



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