

A MODERN SYSTEM FOR FAIR RENTS

HOW TO MAKE PRIVATE RENTING AFFORDABLE

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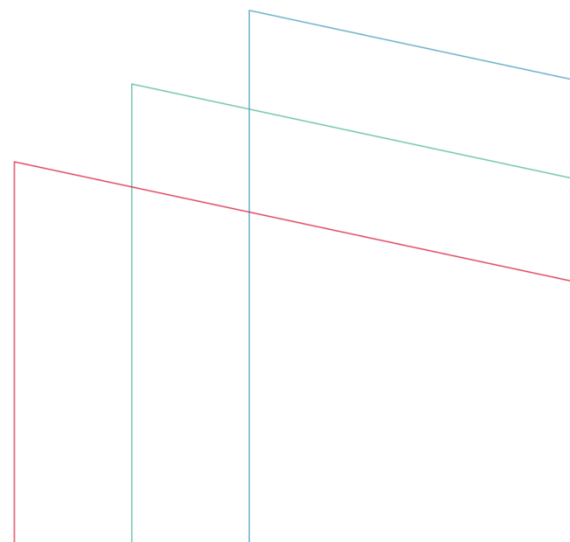
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EXECUTIVE SUMMARY

Private renters want cost relief now: their rent is too high. New housebuilding - particularly of social housing - will help in the long run, but it will not fix affordability challenges overnight. Immediate action is needed.

This NEF working paper analyses today's affordability crisis in the private-rented sector (PRS), and the wide range of factors driving it. Its emphasis is on learning from history and from other countries: affordability crises have happened before, and policymakers have learned how to tackle them successfully. Where policy has gone wrong over the past generation is in going too far in removing security of housing tenure for renters, and in removing all regulations on rent prices – both of which happened in the Housing Act 1988, in its quest to build an investable asset class for landlords. The removal of these regulations achieved its policy aim of creating a profitable landlord business model where it didn't exist before, but at a high cost to the living standards of England's 4.6 million private renting households.^a

Policy changes in the 1980s that raised costs in the PRS were followed in the 1990s by changes in lending policy in the banking sector. Building on credit liberalisation in the 1980s and the Housing Act 1988, this enabled landlords to access the fast-rising pool of bank credit via buy-to-let mortgages, introduced in September 1996. This marked the moment the PRS began to double in size, extending the reach of its low-security, high-cost tenure model from 10% of English households in 2000 to 18% by 2012–13 and then 20.3% by 2016–17. “Generation rent” had been born.

The passage of the landmark Renters' Rights Act in 2025 marked a major step towards reining in the excesses of the era of modern landlordism, abolishing section 21 “no-fault” evictions to restore a measure of security of tenure for renters and bringing in crucial controls like bans on landlords accepting offers of above-advertised rent. But further action is needed if private rents are truly to be made affordable in the 21st century.

We propose a holistic programme of emergency housing affordability measures, in recognition that no single policy will solve the problem of structurally high rents. These measures should sit alongside the government's wider programme to promote

^a Note that this paper focuses primarily on housing policy for England only. Housing policy is fully devolved to Scotland, Wales, and Northern Ireland, and so, although affordability problems exist in those nations too, our focus is on measures that can be legislated from the Westminster parliament.

housebuilding, including through the £39bn social and affordable homes programme (SAHP) and reforms to the national planning policy framework:

1. **Repealing the most damaging parts of the Housing Act 1988**, building on the Renters' Rights Act 2025 that fundamentally improves security of tenure, and starts tackling landlords' monopoly power, which allows them to extract scarcity rents. We propose an "emergency brake" on rent rises, which allows time for new home construction to improve affordability, and to build a longer-term new system for fair rents.
2. **Building a social and community acquisition programme**, supporting an orderly shrinkage of the PRS by granting right of first refusal and scaling up acquisition capacity for local authorities, community organisations, and housing associations. We discuss a range of routes to achieve this.
3. **Investing in the enforcement** of existing regulations in the PRS, particularly to improve the capacity of housing tribunals to swiftly remedy disputes between landlords and tenants. Planning and licensing enforcement capacity will also need to be scaled up to ensure that PRS dwellings are not converted or sold to become short-term holiday lets or second homes or to sit empty.
4. **Instituting tax reforms to reduce distortions that favour residential property investment**, notably around the national insurance treatment of rental income.

The biggest innovation in our programme is a proposal to build a new national system of fair rents, inspired by the name of England's 20th-century rent controls but learning from the best modern examples around Europe to build a wholly new system. Our proposed design combines an emergency brake, which could be implemented quickly, to address widespread experiences of the cost-of-living crisis, with an iterative and evidence-led transition to a long-term system of rent regulation.

To rebuild a system of fair rents, we propose the following:

1. **Immediately implement an emergency brake on annual rent rises for PRS tenants.** Rents can rise by the lower of consumer prices index (CPI) for the previous financial year or a fixed cap (we propose 2%). This would apply to rent increases for all tenancies, including between tenancies, so that rents would not reset to the unregulated market level. For this programme to be successful, it must avoid "vacancy decontrol" where landlords raise rents substantially between tenancies. The policy would not be permanent, but should last until a longer-term fair rents programme is in place: examples from elsewhere (such as Scotland's 2022 rent freeze) show the dangers of time-limited rent freezes causing market instability when they are ended or extended.

2. **Extend the scope of the new PRS database created by the Renters' Rights Act 2025 so it collects a wider range of data on properties.** Collecting appropriate data is the critical foundation for the success of any further rent regulation.¹ Most important would be to capture rental prices each year, but the government could consult on capturing wider data, such as property quality, performance against the decent homes standard energy performance certificate (EPC) rating.
3. **Create and delegate new powers to local leaders to declare fair rents pilots,** the evidence base for which would be based on existing Office for National Statistics (ONS) statistics on private rents, plus data on local labour markets and from the expanded PRS database. We envisage mayoral combined authorities being the appropriate level of government to have this power.
4. **Learning from fair rents pilots, design and implement a national fair rents system** through a long-term, phased process that gradually converges existing rents with rent levels that are genuinely fair for private renters. How this phased process is implemented would be a crucial element of further policy design. It would need to be accompanied by detailed data collection to provide early warning of any adverse effects from the policy. Similarly, certain exemptions could apply, for example, landlords with portfolios under a certain size or with specific mortgage encumbrances.
5. **Exempt new-build properties for a period** from the emergency brake and fair rents systems. After that period, dwellings would phase gradually into the main fair rents system.
6. **Keep the nationwide emergency brake in place until the end of the testing period** and the national implementation of a fair rents system. This is to prevent rent increases in buffer zones bordering pilot areas for fair rents; stabilise pressures in other high-cost areas that have been highlighted in quantitative affordability findings; and provide a crucial backstop to prevent distortions, including mass evictions.

Public opinion is consistently in favour of stronger price regulation for private rents: for example, Ipsos MORI found in 2024 that 71% of the public supported capping annual rent rises at no more than the national inflation rate (versus 8% opposing).² YouGov polling for Common Wealth in 2024 likewise found 75% public support for a rent controls policy that is specifically quality and location linked (versus 15% opposition).³ Rent affordability has become even more salient in the years since the Covid-19 pandemic, after several years of dramatic rent rises, as discussed in this paper. The level of regional variation in growth rate has also narrowed: every region now grows at between 6% and 9% per year, suggesting that rental unaffordability is a *national* phenomenon.

A well-designed and holistic rent controls policy would give policymakers an appropriately powerful tool to redress the acute affordability crisis in the PRS, and to do so over a much shorter timeframe than the usual policy of waiting for new housing supply to bring down rental prices. A well-designed rent controls policy complements the construction of new dwellings and should be implemented alongside accelerated efforts to build new dwellings, particularly for social rent.

1. INTRODUCTION

Private renters want cost relief now: their rent is too high. New housebuilding will help in the long run, particularly when it is social housing, but it will not fix affordability challenges overnight. Immediate action is needed.

The passage of the landmark Renters' Rights Act in 2025 marked a major step towards reining in the excesses of the era of modern landlordism, abolishing section 21 no-fault evictions to restore a measure of security of tenure for renters and bringing in crucial controls like bans on landlords accepting offers of above-advertised rent. But further action is needed if private rents are truly to be made affordable in the 21st century.

This paper outlines the state of affordability in the private rented sector (PRS) today and offers a historical analysis of how the PRS has grown so expensive and so large in recent decades. It proposes a holistic programme of policy reforms that could, over time, help improve the supply of rental homes, and make housing more affordable for England's 4.6 million private renting households.

2. HOW AND WHY THE PRIVATE RENTED SECTOR IS TOO EXPENSIVE

2.1 THE PRIVATE RENTED SECTOR IS TOO EXPENSIVE AND TOO BIG

One in five households in the UK is a private renter. As recently as the year 2000, only one in ten was. They face higher housing costs than social renters or owner-occupiers, as a share of income, and they live in worse-quality and more crowded housing.

To make the costs of renting very concrete, consider the typical (median) private renter household in the lowest-income fifth of UK households by net income quintile, in the latest Department for Work and Pensions (DWP) data for 2024–25: their weekly household net income, after taxes and benefits, was £353.^b Their median housing costs were £171, just below half (48.5%) of their household income. This extraordinary level of housing costs is typical for the 3 million renters in the lowest-income fifth of UK households.

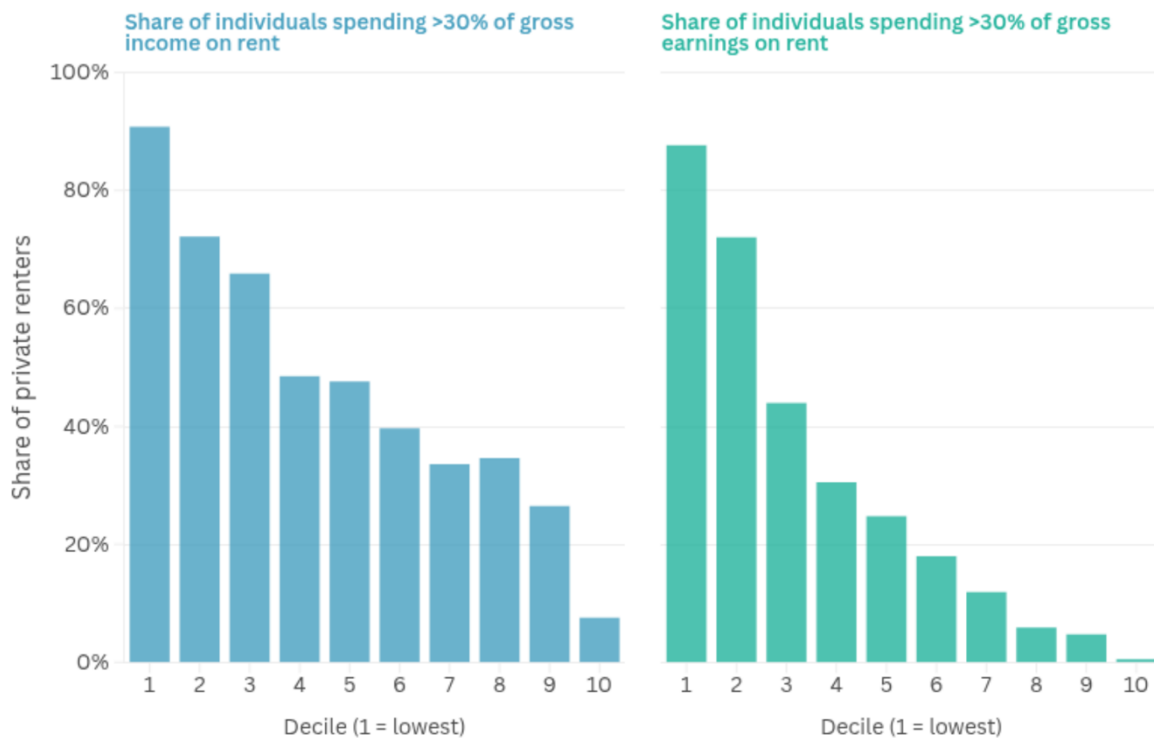
A frequently used definition of “unaffordable housing” is when a household spends more than 30% of gross income on housing costs. Figure 1 shows that a majority of private renters in the bottom three deciles of household income are rent-burdened, paying more than this threshold. Housing cost pressures are particularly acute in big cities like London and Manchester, cities with the tightest shortage of housing stock (across all housing tenures).

Annual rent growth in the years before the pandemic was modest and varied across the country. It ranged from around 1% per year in the north-east to over 3% in the east of England. During the pandemic, most regions in the UK continued to see rent price growth (in the range of 2–4%), with the notable exception of London, where growth fell below due to the collapse of new rental demand during the lockdowns of 2020–21.⁴

^b Source: NEF analysis of DWP Households Below Average Income, 2024–25, using DWP StatXplore. Figures are weighted medians of net household income in nominal prices, expressed weekly and equivalised and SPI-adjusted.

Figure 1: A majority of lower-income private renters are rent-burdened, on the normal metric

Share of rent-burdened private renters by gross income (left) and earnings (right) decile, 2023–24



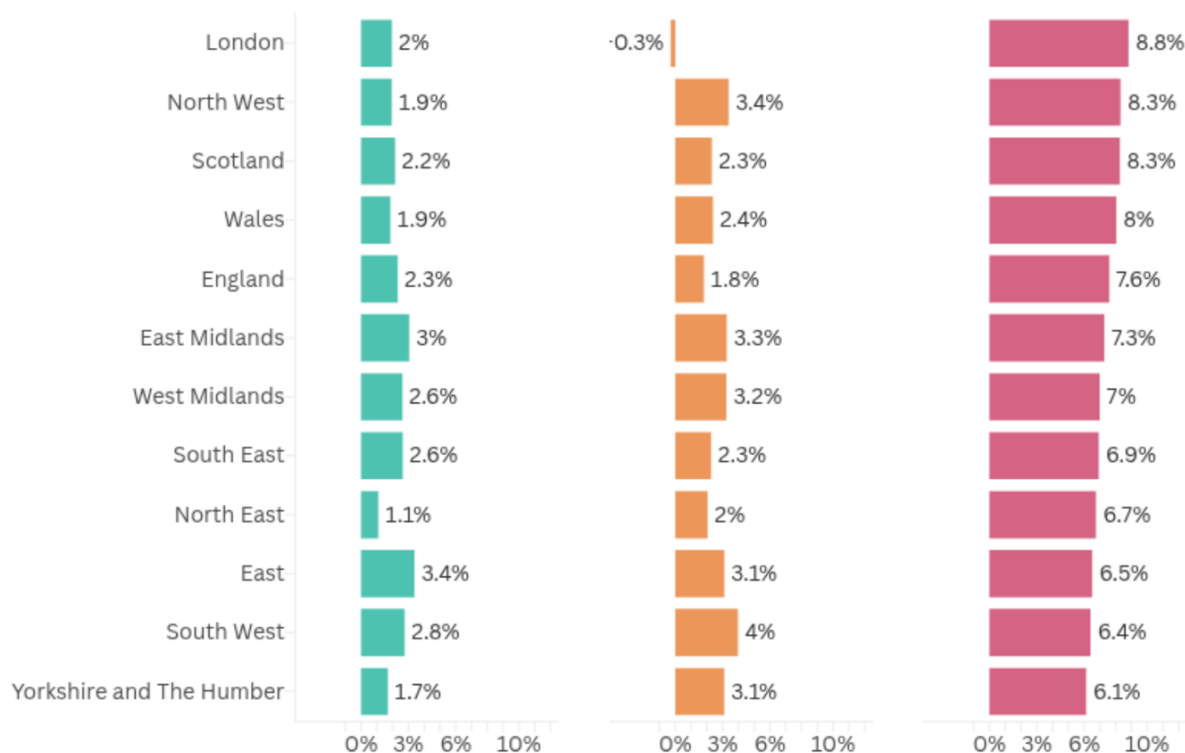
Source: DWP HBAI, FRS for 2023-24 (2023-24 prices). UKDA-5828 End User Licence.

Notes: Variables ERENTBU (rent), EGRINCBU (gross income), EGRERNBU (earnings), GS_INDAD (weight), TENHBAI=3 (private renter), BENUNIT=1, YEARFIN. Rent-burdened = rent_share > 30%. Rent share = ERENTBU/EGRINCBU (left) or ERENTBU/EGRERNBU (right). Shares >100% excluded. Weighted deciles by GS_INDAD.

After the pandemic, private rents rose dramatically for a few years. The level of regional variation in growth rate also narrowed. Every region now grows at between 6% and 9% per year, suggesting that rental affordability pressure has become a more *national* phenomenon. These recent trends have focused public attention on the acute affordability problem in the PRS. Figure 2 summarises recent regional trends and shows the large rises in housing costs for private renters in the years after the pandemic.

Figure 2: Disparities in the level of regional private rent growth have diminished since the pandemic

Regional private rent growth across three periods – annualised PIPR growth by region



Source: ONS PIPR UK Monthly Price Statistics (Table 1).

Notes: Annualised growth = $(\text{end_index} / \text{start_index})^{(1/n_years)} - 1$ across three periods. Regions ranked by growth rate within each period.

Looking at rental price trends at a local authority level reveals even more dramatic changes. Before the pandemic, as Figure 3 shows, the fastest rises in local rents – between 4% and 5% per year – were mainly in boroughs in outer east London, the east, and south-east. The slowest-growing areas were largely post-industrial towns in the north-east, where growth was no more than 1% per year. During the pandemic, inner London boroughs such as Camden, Westminster and Islington saw negative annualised growth as the exodus from the capital took hold, while market towns and areas outside major cities saw growth of 5–6% per year.

Post-pandemic, the geography of rent price growth has shifted again, and the scale of growth is in a different league entirely. The highest annualised growth, around 9–10% per year, is now concentrated in post-industrial towns in the north-west and Yorkshire (Oldham, Rossendale, Tameside) and parts of Wales (Blaenau Gwent, Rhondda Cynon Taf). No London boroughs appear in the top 10 during our post-pandemic observation window.

Figure 3: The geography of private rent growth has changed considerably over the past decade

Local authority private rent growth across three periods – top 10 and bottom 10 English and Welsh local authorities by annualised rent growth



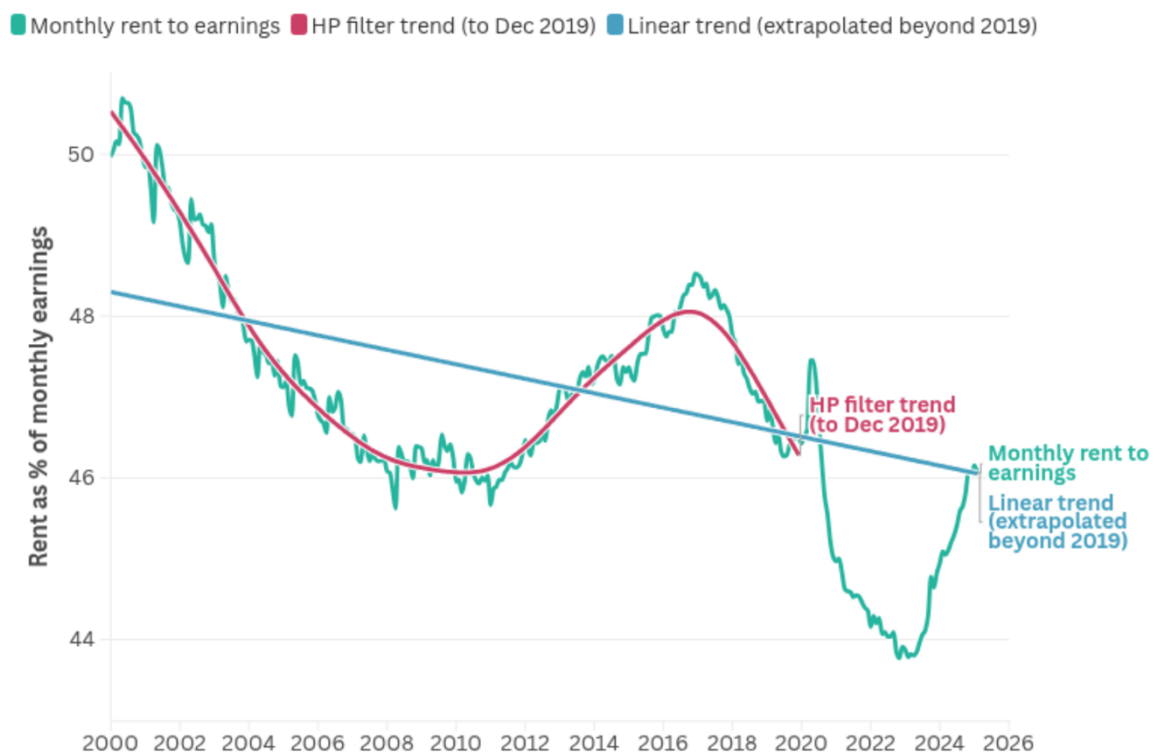
Source: ONS PIPR UK Monthly Price Statistics (Table 1).

Notes: Annualised growth = $(\text{end_index} / \text{start_index})^{1/n_years} - 1$ across three periods. Top 10 and bottom 10 local authorities shown. Covers English and Welsh local authorities.

It is a misconception to think that the dramatic post-pandemic rent rises wrote a new chapter in the PRS unaffordability story, as devastating as they were for some households. They should instead be seen as a reversion to a 30-year average level of housing costs in the PRS. Taking a longer view, as a Tony Blair Institute study (published by the Joseph Rowntree Foundation) did in 2023, shows that the PRS has been consistently unaffordable for more than a generation: the biggest changes in private rent costs as a share of household income took place in the 1980s and 1990s.⁵ Figure 4 shows that PRS costs have been high for decades.^{c,6}

Figure 4: The average cost of private renting has changed relatively little since the turn of the century, as a share of earnings

Average rent-to-earnings ratio, 2000–25. Monthly private rent as a share of regular earnings, Great Britain



Source: NEF analysis of ONS PIPR; CPIH actual rents and AWE regular pay.

Notes: Rent index spliced together from CPIH (pre-2011) and PIPR GB (post-2011). Ratio = rent_index / AWE_monthly. HP filter (lambda=14,400) on pre-Covid data; linear trend extrapolated. This figure does not use HBAI microdata. It uses published ONS indices. Pre-2011 values use CPIH actual rents as a proxy; CPIH and PIPR track similarly in the post-2011 overlap period, supporting the use of CPIH as a backcast, though some divergence exists and pre-2011 values should be interpreted with caution.

^c The analysis in this section builds on Pacitti, C. (2024). *Through the roof: Recent trends in rental price growth*, Resolution Foundation.

Structural unaffordability in the PRS is a story of continuity since the 1990s and not recent change, despite dramatic rises in rents in many local areas since the pandemic that have reshaped the geography of where unaffordability is changing fastest.

Policymakers wanting to seriously improve affordability need to look across all the long-term structural causes of high costs in the PRS over the past 40 years and seek to tackle them. The next section summarises these structural causes, and the initial policy reforms in the Renters' Rights Act 2025 that are starting to reverse them.

2.2 RENT UNAFFORDABILITY IS THE CONSEQUENCE OF LONG-TERM STRUCTURAL CHANGES

The UK's problem of unaffordable housing has a variety of structural causes in the PRS and elsewhere. Other researchers have carried out quantitative decompositions of how different causes combine, pointing in particular to the combined impact over the past 50 years of three major trends: less social housing at below-market rents, falling cash benefit payments, and the removal of price controls on rents. The combined support from these three sources shrank, as a share of housing costs to all households in the national accounts, from 16.5% in 1979 to 11.5% in 2019–20.⁷ Had they persisted at their 1979 levels, the household support from these three sources would have been worth £45bn before the pandemic, rather than the £31bn recorded in the national accounts for 2019–20.

This paper presents a historical analysis of the drivers of unaffordability in the PRS specifically, to show how they have combined to create the structurally high rents of the present day. This builds on extensive previous work, including by NEF, dissecting the emergence of “residential capitalism” in the 1980s due to a combination of changes in housing policy and the deregulation of credit markets.⁸ It is worth noting from the outset that the PRS does not function as one simple homogeneous market: it is better characterised as a network of sub-markets differentiated by location and price.⁹ Some larger landlords will operate in multiple sub-markets, and some tenants may rent in different sub-markets at different times (eg student housing, households of multiple occupancy and build-to-rent).

Constraints on new net housing supply have played a role in rising housing costs in many parts of the country. The extent to which higher supply might have reduced rental costs remains a contentious topic, with debate focused on the fact that national rent-to-income ratios have been broadly stable since the mid-1990s despite a vast increase in

house prices.^{d,10,11} But the drivers of high rents we focus on here would still have pushed up private rents even if a more abundant supply had reduced landlords' ability to charge rents in excess of that equilibrium.

In this paper, we take the need for additional housebuilding in some areas as given and focus on other factors that matter for affordability. We group these drivers of high rents into three broad areas:

- **Tenancy law has evolved** in stages since the 1970s, sweeping away most controls on private rents and reducing tenants' wider rights. Crucially, the Housing Act 1988 removed security of tenure, introduced section 21 no-fault evictions, and removed price controls from new assured shorthold tenancies (ASTs). The Housing Act 1996 made ASTs mandatory for all new tenancies.
- **Social housing stock has diminished**, especially due to the right-to-buy policy transferring 2 million dwellings from social rent to private ownership since the programme took off in 1980. Approximately 41% of these dwellings are now in the PRS.¹²
- **The mortgage market has been deregulated**, enabling easier access to credit, particularly for aspiring private landlords, who were greatly aided by the 1996 introduction of interest-only buy-to-let mortgages.

The remainder of this section walks through these three drivers in more detail.

2.2.1 Tenancy law shifted in favour of landlords in the 1980s, reversing the long-run shrinkage of the PRS

The late 1980s marked a major change in the regulations governing the PRS, which for most of the 20th century had been subject to regulations on tenure security and rent prices.^e At the start of the decade, rents were still regulated by the Rent Act 1977, which built on the Rent Act 1965 to set out a system of regulated rents that continues to the present day, for a small group of around 75,000 households that continue to rent via private tenancies created before 1989.

The 1977 system provided a theoretically elegant framework for regulating rental prices (building on previous legislation), delegating to rent officers at the Valuation Office Agency (VOA) the role of estimating the fair rental price for a dwelling based on its characteristics and location, with the use of prices from local comparables, or similar dwellings, as a reference. Importantly, rent officers had to calculate fair rents prices so

^d For a summary of this debate from participants in it, see Hilber & Mense (2025).

^e 20th-century rent regulations began with the Rent and Mortgage Interest (War Restrictions) Act 1915.

that they excluded the additional profit a landlord could potentially extract due to the *scarcity* of comparable dwellings in the local area.^f Fair rents were to be reasonable prices for dwellings that excluded the profits landlords receive on account of being monopolistic owners of land with local pricing power.

Over time, case law (eg the *Spath Holme* case in the 1990s) altered the mechanism for setting fair rents so that it departed from the original philosophical principle of estimates that excluded any role for market prices, and brought the level of regulated rents closer to unregulated market rents.¹³ Fair rents are now set according to rules which start by estimating the market rent for a dwelling from comparable local AST (ie deregulated) rental prices, then subtract an adjustment for local scarcity of similar dwellings.

The Housing Act 1988 is the most important component of the current legal framework for the PRS, at least until the Renters' Rights Act of 2025. In the 1988 Act, the Thatcher government sought explicitly to increase the number of private landlords and therefore the size of the PRS. Nicholas Ridley, the Secretary of State managing the Bill, explained to the House of Commons in the Second Reading debate that he aimed "to shift the future emphasis of [local authorities'] role from direct provision to securing the provision of housing by other agencies and organisations", and that he wanted "to encourage the growth of other types of independent landlord in the rented sector".¹⁴ The wider approach to the PRS of Thatcher's governments is also encapsulated in Michael Heseltine's Second Reading speech introducing the earlier Housing Act 1980, in which he stated that "this sector has been declining for 60 years. There are many causes, of which the single largest is almost certainly the low net return on letting compared with other avenues for investment. The combination of rent controls and security of tenure has encouraged landlords to sell up on a massive scale as soon as they had the chance."¹⁵ Heseltine and his successors were clear that they wished to reverse the 20th-century trajectory of shrinkage in the PRS, and that they regarded security of tenure and rent controls as the two major drivers of its shrinkage.^{g,16}

The Housing Act 1988 introduced two key changes to tenancy law as part of the new AST (which later became mandatory for all new tenancies in 1996):

^f Details of this system are set out at Rent Act 1977, Section 70: "It shall be assumed that the number of persons seeking to become tenants of similar dwelling-houses in the locality on the terms (other than those relating to rent) of the regulated tenancy is not substantially greater than the number of such dwelling-houses in the locality which are available for letting on such term."

^g The impact of rent controls in particular is highly context-specific and contentious. For a balanced overview, see Marsh et al. (2023).

- The Act greatly **reduced tenure security**, building on reforms in the Housing Act 1980, to enable landlords to evict tenants with two months' notice. Section 21 of the act provided a mechanism for no-fault evictions, whereby landlords could terminate tenancies at will, without needing to present any reasons.
- The Act **removed any price controls** on new ASTs. Rents were to be set in an unregulated market. The Secretary of State argued that fair rents under the 1977 system "are not fair to the landlord in giving [them] a return on [their] investment". He argued that "a key feature" of the new system was "the new scope for rents to rise so as to provide a greater return — whether to attract more private landlords into the field or to provide housing associations with a level of income sufficient to service private loans".¹⁷

Over the intervening four decades, the 1988 Act has led to a dramatic shrinkage in the number of regulated tenancies and a redistribution of power between tenant and landlord, which has helped enable the expansion of the PRS as part of the UK's housing stock.¹⁸ DWP data shows that by 1994–95, five years after the 1988 Act came into force, regulated tenancies made up only 1% of housing stock.¹⁹ Low tenure security and unregulated rental prices have allowed landlords to raise rental prices almost at will, wielding their power to make tenants temporarily homeless to extract ever-higher rents.²⁰ This degree of price-setting power has ensured that nominal rental prices have risen almost continually since 1988, keeping pace with incomes (after rising swiftly relative to incomes in the early 1990s) and attracting an influx of speculative investment as new potential landlords joined the expanding PRS business model.

To see how landlords' price-setting power can operate in practice, consider the example given by the barrister Nick Bano of a family he represented in court, whose landlord learned that their housing benefit was to rise in value, as part of the pandemic-era rises in the local housing allowance. The landlord notified this family that he would raise their rent by the exact same amount that their housing benefit payments had increased, and that if they declined to pay this higher rent, he would serve a section 21 eviction notice requiring them to vacate the premises in two months.²¹ Given the costs to this family of moving and potential risks of distance from friends, schools, and community, they would – without legal assistance – have had little choice but to try to pay if possible.

2.2.2 The stock of social housing has diminished

Social housing provided accommodation for over 5 million households in England in the early 1980s, or about 30% of all households.²² Since then, it has fallen consistently, falling below 4 million in 2000 and reaching a low point of 3.7 million in 2009–10. Over the past decade and a half, the number of social renting households has grown

modestly, and has surpassed 4 million again since 2021–22, totalling just 16% of households, despite growing need.

The overwhelming reason for the reduction in social housing dwellings has been the right-to-buy policy extended to a national mandatory scheme in the Housing Act 1980. Social tenants were able to buy their dwellings at substantial discounts, and local authorities were unable or prevented from using the sales proceeds to fund new social housebuilding. Since then, over 2 million social housing dwellings have been sold through right to Buy, accounting for 90% of all recorded social housing sales over that period.²³ Right to Buy continues, at historically lower levels, with 9,236 dwellings being sold via the scheme in the latest year of data, 2023–24. NEF research in 2024 found that 41% of all dwellings sold via right to Buy – so approximately 800,000 of them – are now being let in the PRS.²⁴

The consequences of the long-run decline in social housing stock have been numerous. For this paper, the most important consequence is that many households who would previously have accessed social housing at below-market rents are now obliged to rent privately instead, at unregulated market rents.

2.2.3 Credit market deregulation made mortgage credit available to a new pool of landlords

The mortgage market of the late 1970s and early 1980s was a radically different one from that of later decades, in ways that have been highly consequential for homeownership and house price trends. Successive waves of deregulation outlined in this section initially boosted credit availability and, therefore, homeownership. House prices rose in turn. The long-run effects have been far-reaching, changing the role of housing in the macroeconomy and, once additional credit became available to landlords via buy-to-let mortgages, enabling a rapid rise in the number of landlords over the past 30 years.

Credit market reforms in the 1980s provided the basis for the rapid growth in the number of landlords from the late 1990s. The reforms followed the removal of foreign exchange controls by the new Thatcher government in autumn 1979, which increased UK integration into international capital markets.²⁵ The two most important changes were:

- The removal in 1980 of the Supplementary Special Deposits regulations (usually known as the “corset”), which had made it unprofitable for banks to lend for mortgages by requiring them to hold non-interest-bearing deposits at the Bank

of England in proportion to any expansion in interest-bearing liabilities. This drove a rapid increase in bank credit creation across the 1980s.

- The Building Societies Act 1986 formalised an already underway relaxation of regulations on mutual building societies. It gave building societies access to wholesale money markets, and let them offer a wider range of financial services previously reserved for retail banks.²⁶ It also laid the legal framework for their demutualisation, which would allow these previously prudent and conservative institutions to convert into publicly listed companies, changing their incentives and exposing them to the pressures of capital markets. Subsequent analysis has identified the strong impacts of financial liberalisation of mortgage markets on house prices and the wider housing market.²⁷

What allowed the credit reforms of the 1980s to impact the PRS directly was the advent of buy-to-let mortgages, which gave more landlords access to the rapidly growing pool of bank mortgage credit. The launch of buy-to-let mortgages is generally dated to 24 September 1996, when the Association of Residential Letting Agents (ARLA; now known as Propertymark) launched the product at the Royal Automobile Club at an event with a small group of lenders – notably Paragon and NatWest.^{28,29} Paragon’s former Mortgages Managing Director John Heron later summarised the financial sector’s aims: “At this time [in the late 1980s], with no financial products tailored to residential landlords, the only legitimate way of financing a property portfolio was through commercial mortgages. ... we designed a product that catered to the needs of landlords.”³⁰

Buy-to-let mortgages proved extremely popular, and continue to be so. UK Finance data on 20 years of buy-to-let lending between 2000 and 2020 shows that £540bn in gross advances were written over this time period.³¹ In the years between 2000 and 2007, buy-to-let mortgages rose from 2% to 10% of the stock of outstanding mortgages. Buy-to-let mortgages expanded the pool of landlords so quickly after their introduction because they substantially lowered the financial threshold required to become a landlord; loans could be issued based on expected future rental income rather than personal income (and mortgages were generally interest-only, with additional favourable tax treatment).³² The introduction of this new financial product also coincided with favourable wider conditions, including falling interest rates, house price inflation, and relatively weak returns from other assets.

To a large extent, the rise of buy-to-let landlordism explains the rapid change in the composition of housing tenures in the UK over the 21st century so far, alongside the rise in house prices (and consequent unaffordability for first-time buyers) that it has helped propel.

The previous section showed that earlier legislative trends in the 1980s and 1990s changed the balance of power between landlord and tenant, enabling a sharp rise in rent-to-income ratios and the extraction of higher rents from tenants (until rents levelled off somewhat, as a share of household incomes, in the 1990s). This section has shown how the rapid rise of buy-to-let mortgages then enabled a rapid spread of the already-unequal landlord-tenant relationship to a much larger proportion of the population, making the PRS's higher housing costs a fact of life for a wider and more diverse part of society.

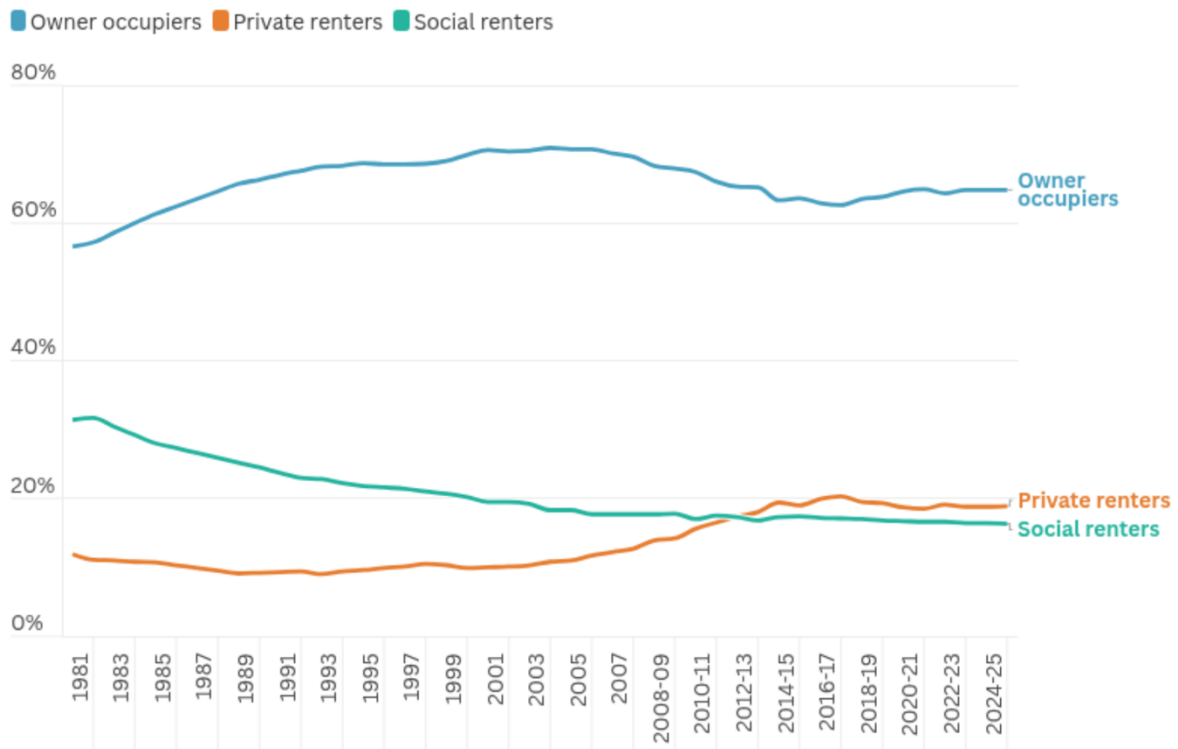
2.2.4 The consequences: falling homeownership and rising PRS

The consequence of these trends in tenancy law, social housing, and credit markets outlined was a rise in homeownership through the 1980s and 1990s, which peaked in 2003, followed by its fall. This was accompanied by a rapid decline in the size of the social rented sector, driven overwhelmingly by right to Buy. Until the late 1990s, the PRS did not change substantially as a share of households in England. Figure 5 summarises these trends, presenting Ministry of Housing, Communities and Local Government (MHCLG) statistics on housing tenure in England since 1980.

Figure 5 also shows the very rapid change in the size of the PRS, which accompanied the peaking of the rate of homeownership in England in 2003, at 70.9%. The size of the PRS, as a share of households, had changed relatively little in the late 1990s, but it then nearly doubled between 2003 and 2013–14 from 10.8% to 19.4% of households in England. The financial year 2012–13 marked the first time in decades that the PRS overtook social rented housing as a share of households in England.

Figure 5: The early 2000s marked a peak in homeownership and the start of a rapid rise in the size of the PRS

Share of households in England in different housing tenures, 1980 to 2024–25



Source: MHCLG analysis of Labour Force Survey (1980-2008) and English Housing Survey (2008-09 onwards).

Our overall story is therefore one of three simultaneous trends – in tenancy law, in social rented housing stock, and in financial markets – pushing the private sector in a common direction. The PRS became less secure and more costly, reducing its residents' power to resist rent rises and facilitating its attractiveness as an investable asset class. Direct regulation of rental prices was largely abolished. And then the shrinking of the social rented sector (SRS) – due to right to buy) and the rise of buy-to-let mortgage lending from 1996 helped increase inflows of households to the PRS and reduce outflows to the SRS and to homeownership. The result has been housing costs for private renters that have risen to unaffordable levels and largely stayed there since. As the first section showed, acute rental price pressure began in the 2000s as a particularly London-focused phenomenon, but it has gradually spread – particularly since the pandemic – to become a more national problem.

2.3 UNAFFORDABLE RENTS ARE A TRANSFER FROM LANDLORDS TO TENANTS

Before we turn to our views on policy responses to the unaffordability crisis in the PRS, it is helpful to consider the wider impacts that high private rents have on the macroeconomy. Apart from concerns about the living standards impact of high costs for renters, there are reasons to care about the wider macroeconomic impact of the current PRS model. Unaffordable rents have wider consequences that impact everyone.

2.3.1 Suppressing demand in a potentially high-spending demographic

High rents suppress aggregate demand across the economy by reducing the spending power of those most likely to spend. This impact is best appreciated by looking at the counterfactual: economies where rents are controlled. Although the impact of rent regulation is different for different people in these economies, in general, it leads to a transfer from landlords to renters.³³

Private renters in England currently spend an average of 34% of their income on rent – nearly double the 19% that mortgage holders spend on repayments.³⁴ More than a quarter of renters reported having no savings in 2023, and half had less than three months' rent in savings.³⁵ Various studies find that lower-income and lower-wealth households have a higher marginal propensity to consume than wealthier households, spending a greater share of any additional income rather than saving it.^{36,37,38} Any income freed from rent payments is therefore more likely to flow rapidly back into local spending on food, services, and essentials, rather than being accumulated as savings or invested in financial assets.

Landlords, by contrast, fall mostly into two groups that both consume relatively little of their income. The first group is older individuals who hold property as wealth-holding assets, and are thus likely to have lower marginal propensities to consume.³⁹ The other is institutional and corporate landlords, where rental income flows to profits and shareholders (the build-to-rent sector is increasingly driven by global institutional investors).⁴⁰ In both groups, rental income that flows to landlords is more likely to be saved, reinvested in property, or held as financial assets than it is to circulate as demand in the real economy.⁴¹

The transfer of income from renters to landlords through above-inflation rent increases, therefore, has impacts at the microeconomic and macroeconomic levels. At the micro level, it is an upward redistribution of income, which can be regarded as distributionally

unfair in itself. Macroeconomically, it is a transfer away from consumption and towards asset accumulation, which, all things equal, will have a contractionary impact on aggregate economic activity.

The current macroeconomic context amplifies the demand-side effects of the redistribution from renters to landlords. The Office for Budget Responsibility's (OBR) March 2026 forecast projects a negative output gap – with spare capacity in the economy expected to persist through 2026 (and close around mid-2029 consistent with the assumption that the economy returns to full potential in the medium term).

Unemployment is expected to rise to a peak of over 5%, and consumer spending growth remain muted despite strong real income growth as the household saving ratio rises well above pre-pandemic levels.⁴² Under these conditions of demand deficiency and spare capacity, the stimulative effect of any additional household spending, if rents were cheaper, would be higher. Additional demand would not simply crowd out other activity or generate inflationary effects, but draw on idle resources. Moreover, the standard assumption that the output gap will close by mid-2029 is itself contestable.⁴³ The “hysteresis” literature suggests that prolonged periods of weak demand can permanently reduce potential output, meaning the gap may be both larger than officially measured and slower to close than the OBR assumes.^{44,45,46}

2.3.2 Stimulating demand while lowering inflation

The evidence presented in this section suggests there is a macroeconomic case, as well as a microeconomic one, for rents to be lower. This case says that the stimulative effects of transfers (or government spending) should be scaled up in periods of economic slack, to reflect the greater potential for demand stimulus to drive real output gains.⁴⁷ Beyond the short-term impacts of increased demand relative to the baseline of higher rent increases, these transfers could also reduce economic leakage especially given a growing proportion of landlords are based abroad.⁴⁸ £73bn has been paid to overseas owners of UK property in rent since 1987 (including commercial rent).⁴⁹ This permanent increase in demand could, in principle, incentivise higher investment to meet that demand, leading to a more sustained impact on potential output.⁵⁰

Lower rents would directly reduce headline CPI, the Bank of England's inflation target measure, as a mechanical consequence of how consumer price indices are constructed. Residential rents have been a notable driver, with their estimated contribution to CPI

peaking at 0.6 percentage points in January 2025.^h Any policy that directly moderated private rent growth would also reduce services inflation, closely monitored by the MPC as a gauge of domestic inflation persistence, though the Bank also tracks a refined measure that excludes rents, indexed and volatile prices to isolate underlying pressures. Lower rents could also reduce the upward pressure on wages that high housing costs generate.⁵¹ This dampening of wage growth expectations could reduce second-round inflationary pressures, lessening the need for monetary tightening.

^h The ONS does not directly publish the contribution of private rents to CPI, though rents are included in the measure. This figure is calculated from ONS detailed reference tables using the annual rate of change (time series D7GQ) and basket weight (CJVC).

3. A HOLISTIC PROGRAMME TO IMPROVE AFFORDABILITY IN THE PRS

How, then, can affordability in the PRS be improved? From the discussion of the historical causes of the rise of the sector since the 1980s, we have seen the central importance of tenancy deregulation and mortgage availability for landlords. These reforms combined to create an investable asset class of private rental dwellings, which began to be exploited in the 1990s with the help of the liberalisation of credit issuance. As a result, the UK's landlord population has risen to over 2.8 million, extracting consistent and profitable returns from rented homes for several decades.⁵² Upcoming research from the Autonomy think tank shows that a large majority of landlords make super-normal returns from their properties. Housing, an essential need, has become a vehicle for landlords' wealth accumulation via asset price appreciation and retained revenue from rental income.

3.1 FIXING UNAFFORDABILITY IN THE PRS

Making the PRS affordable again requires a holistic policy *programme*, because no single policy offers a magic solution to such a longstanding structural policy challenge. While improving affordability in the PRS is partly a matter of increasing the net supply of housing stock, and within that the proportion of social and affordable housing, that cannot be the only approach taken. New supply will take a long time, and its impact on prices will not be sufficient to achieve affordability on its own. Instead, this paper outlines an approach to address the market failure that allows landlords to charge rents in excess of the fair price that would prevail in a more competitive market. If greater affordability in the PRS is the goal, our policy objective is to weaken the ability of landlords to charge monopolistic rents to their tenants.

The PRS market is surprisingly uncompetitive. Landlords can charge such high rents because of the fundamental scarcity of homes in many parts of the country, relative to demand.^{i,53,54} But other factors also limit the extent to which competition between landlords disciplines them into charging competitive prices. In particular, most landlords have small portfolios (45% have only one property) and more than half of all landlords use letting agents.⁵⁵ Agents are generally well informed about local rental markets and,

ⁱ For major analyses of housing supply in the UK see Barker (2004) and Letwin (2018).

because they are often paid on commission, are incentivised to seek higher prices rather than the fastest market-clearing prices.

The remainder of this chapter sets out four key steps that we believe could play a major role in resetting the affordability of the PRS:

1. **Repeal the most damaging parts of the Housing Act 1988**, which make tenancies insecure and deregulate pricing. These give landlords fundamental monopoly power in housing markets and allow them to extract scarcity rents. The landmark Renters' Rights Act 2025 has begun to make tenancies much more secure.
2. **Build a social and community acquisition programme**, supporting an orderly shrinkage of the PRS by granting right of first refusal and scaling up acquisition capacity for local authorities, community organisations, and housing associations.
3. **Invest in the enforcement** of existing regulations in the PRS, particularly to improve the capacity of housing tribunals to swiftly remedy disputes between landlords and tenants. Planning and licensing enforcement capacity will also need to be scaled up to ensure that PRS dwellings are not converted or sold to become short-term holiday lets or second homes or sit empty.
4. **Institute tax reforms to reduce distortions that favour residential property investment**, notably around the national insurance treatment of rental income.

Step 1: Reverse damage to tenure security and affordability from the Housing Act 1988

We have considered the two most damaging parts of the Housing Act 1988, from the point of view of renters' security and affordability: the removal of tenure security and the removal of rent price regulation. The first of these two parts – tenure security – has already been transformed, via the landmark Renters' Rights Act 2025, which came into force in May 2026. This legislation converts all ASTs into assured periodic tenancies (APTs), and removes landlords' rights to evict tenants easily, save for a narrowly drawn list of justifications (sale of the dwelling, major refurbishment, the landlord moving in, or poor tenant behaviour). The Act also tightens the law around rent rises, invalidating rent review clauses in existing contracts, limiting rises to once a year, and stipulating that rent increases cannot exceed open market rent.

Given the major progress enshrined in the Renters' Rights Act 2025, is a return to direct price regulation needed? We argue that it is. While the Act restricts many of the worst excesses of the PRS and greatly weakens landlords' ability to extract monopoly rents, it still permits them to raise rents annually and only prevents rises that are materially higher than open market rent, which is difficult to validate.

The abolition of section 21 no-fault evictions leaves open the possibility of landlords turning to “economic evictions”, or unaffordable rent increases, to displace tenants unable to pay to secure vacant possession. Though the residential property tribunal serves as a backstop to unfair rent increases – with the Act strengthening its protections – the burden of proof that rent rises are unfair still sits with tenants, who occupy an inherently disadvantaged place in the power relationship with landlords. Furthermore, market rents are upheld as the standard against which disputes are heard, rather than affordability. Generation Rent’s view, after the Act’s adoption, is that “the Renters’ Rights Act still leaves a major issue untouched, which is the soaring cost of rent.”⁵⁶

Another way to view the 2025 Act is to say that the greater tenure security it reintroduces unlocks the possibility of further regulations on prices and dwelling quality, which would be difficult to enforce if section 21 no-fault evictions remained legal.

This paper proposes going further than the Renters’ Rights Act 2025, to re-enshrine the principle that landlords should not be able to extract scarcity rents far in excess of what the public regards as fair. Public opinion is consistently in favour of stronger price regulation for private rents: for example, Ipsos MORI found in 2024 that 71% of the public supported capping annual rent rises at no more than the national inflation rate, versus 8% opposing.⁵⁷ YouGov polling for Common Wealth in 2024 likewise found 75% public support for a rent controls policy that is specifically quality and location-linked, versus 15% opposing.⁵⁸

We outline a workable plan for the fair rents part of our affordability programme in the next section, after a short discussion of other steps towards a more affordable PRS.

Step 2: Build a social and community acquisition programme

Some landlords may react to recent and future reforms by choosing to sell their properties. Providing it is managed well, this can be a welfare-enhancing feature of a housing affordability programme, not a problem with it. The main safeguard needed is policies to support the transfer of property ownership from private landlords to social or community landlords or first-time buyers.

Landlords may judge that their lettings will no longer be profitable, after changes to tenure security in the Renters’ Rights Act 2025, changes to tax treatment of mortgage interest introduced by George Osborne in 2015, and potential further moves towards fair rents. In designing affordability policies that go beyond the Renters’ Rights Act, it is important to plan for an orderly shrinkage of the PRS, to ensure that properties continue

to be occupied, and to mitigate harmful impacts on vulnerable renters. Doing so will help ensure that the impact on net housing demand in the PRS will be neutral: one dwelling is removed from the supply side, but one household is also removed from the demand side.

Social rented housing represents the best long-term value-for-money way for the government to deliver affordable housing in the UK. Besides the advantage to the public sector balance sheet of retaining land and dwellings, there are long-term cost savings for the government not to deliver affordable housing in part via the PRS, as it currently does. More than a third (34.5%, or £13.4bn) of the £38.8bn that the DWP expects to spend on housing benefits in 2026–27 will go to private landlords.⁵⁹

The £39bn social and affordable homes programme (SAHP), announced in 2025, is a major step forward in rebuilding the SRS. The grant programme aims to deliver 300,000 social and affordable homes, along with securing a 10-year rent settlement, social rent convergence, and low-interest loans. Its primary aim, however, is to fund the construction of new social homes rather than acquire existing homes.

Currently, no more than 10% of SAHP grants administered by Homes England can be used for the reacquisition of existing homes; the reacquisition cap is 30% for grants administered by the Greater London Authority (GLA). Even with an increase in the cap of grant funding that can be used for reacquisition, as NEF has previously called for, the SAHP is not designed to fund acquisition at scale.⁶⁰

An orderly shrinkage of the PRS requires a suite of interventions to manage who has priority access to acquiring former PRS homes and to ensure there is sufficient, deployable and affordable funding and financing available.

These should include the following:

Right of first refusal for tenants, councils, and community organisations

The sitting tenant would have the first right to purchase at an independently assessed market value. Where the tenant cannot or does not wish to buy, the right would pass to the local authority, a registered housing association, or an eligible community organisation, such as a community land trust (CLT). Only then would the property proceed to open market sale.

This approach builds on NEF's previous proposals as well as international precedent.⁶¹ Portugal introduced a tenant right of first refusal in 2019, subsequently used by Lisbon's municipal housing company to acquire properties where tenants could not exercise the right themselves. San Francisco's Community Opportunity to Purchase Act gives non-

profit housing organisations the right to make an offer before a property is listed, paired with a tax incentive for sellers who sell to a community provider. Giving sitting tenants, councils, and community housing providers priority access to acquire dwellings sold by landlords will help mitigate potential negative effects of market churn, while supporting the expansion of non-PRS tenures.

Build the capacity of community-led housing organisations to acquire former PRS homes

Complementing the delivery and acquisition of new social homes, community ownership offers another route to increasing the supply of non-market housing that meets local need, strengthens security of tenure, and builds community wealth, albeit one that would always make up a relatively small portion of the housing stock.^{62,63} It is also a fiscally attractive option for providing social homes, given that the homes would not sit on the public sector balance sheet.

There is significant learning from both within the UK and internationally on how to support the expansion of community-led housing in response to any landlord exit. A Sunderland charity, Back on the Map, shows the opportunity for community acquisition of disinvested properties.⁶⁴ Giroscope, a long-running co-operative in Hull, has acquired 140 properties housing 350 people, and has successfully expanded during previous contractions in the buy-to-let market.⁶⁵ In Southwark, the Scylla Road Community Land Trust is pioneering community ownership in a high-cost urban context. NEF's 2024 report on community housing in the north-east shows us that while there is an appetite for new and expanded community housing projects, scaling community housing requires sufficient grant and loan funding, as well as support for capacity building.⁶⁶

Releasing public land at below-market rates to community-led housing organisations can help address one of the persistent barriers to scaling the sector – access to land – while expanding access to funding and financing instruments can position community organisations to acquire existing homes.

Increase access to acquisition loans, particularly in lower-cost areas

Unlike grant funding, loan finance is classified as a financial transaction (FT). As a result, it is both a more fiscally neutral and politically viable mechanism for deploying capital at scale. Although the housing crisis is national, the economics are local; loan finance is especially appropriate in lower-cost areas, where rental income can service debt over time. One route to releasing additional capital through grants for acquisition may be by expanding the existing Local Authority Housing Fund (LAHF), which combines grant funding with Housing Revenue Account borrowing at Public Works Loan Board (PWL) rates.

Introduced in 2022 as an emergency response to house refugees, the LAHF was designed as a rapid deployment acquisition fund, structured as 40/60 grant-to-loan. PWLB access is currently restricted to local authorities. For community organisations, such as CLTs and co-operatives, as well as housing associations, debt costs can impact the viability of acquisition. Ensuring PWLB-equivalent rates are available to these organisations, through instruments like the Affordable Homes Guarantee Scheme (AHGS), would help widen the pool of potential purchasers. Loan finance of this kind must, however, be paired with targeted grant funding to close viability gaps in higher cost areas where rental income cannot service debt, regardless of whether it's subsidised.

Scale up capital grant, focused especially on higher-cost areas

The SAHP's current design limits its use for acquisition: no more than 10% of SAHP grants administered by Homes England can be used for the reacquisition of existing homes, rising to 30% for grants administered by the GLA. At a minimum, the national acquisitions cap should be raised to the GLA's current 30% cap.⁶⁷ Increasing the proportion of grant funding available for acquisitions also mitigates the risk of grant underspend. The Affordable Homes Programme, SAHP's predecessor, saw a 60% reduction in housing starts in 2023–24. Largely due to construction cost inflation and rising borrowing costs, £1.3bn went unallocated after the first bidding round of the 2016–21 programme.⁶⁸

Funding for the acquisition of existing homes can be faster to deploy and less exposed to inflationary pressures that impact the supply of new homes. Furthermore, redirecting a greater share of capital grants to acquisition, complementing continued investment in new supply, supports broader climate objectives given the carbon intensity of construction. Finally, expanding grant-funded acquisition will help reduce the fiscal burden of the Housing Benefit bill. Of the £38.8bn that the DWP expects to spend on housing benefits in 2026–27, more than a third flows to private landlords. Increasing acquisition capacity will help combat this significant transfer of public resources to the private sector.

Reform right-to-buy receipts

Right to buy has been one of the most significant drivers of PRS growth since the 1980s, transferring over 2 million council homes into private ownership, 40% of which are now privately rented. Recent and planned government reforms, such as a reduction in maximum discounts, longer eligibility periods, and 100% receipt retention for councils, are welcome steps towards stemming the ongoing loss of social homes through the scheme.⁶⁹ But restrictions remain, limiting how receipts can be used for acquisition. As NEF called for in 2024, removing the cap on the share of receipts that can be used for

acquisition will enable councils to scale up their re-socialisation programmes.⁷⁰ The government should also consider extending first-buyer rights to all homes previously sold under right to Buy, rather than just those sold within the first 10 years of private purchase.

Step 3: Increase enforcement capacity, particularly in the Housing Tribunal

The Renters' Rights Act makes meaningful progress on enforcement, establishing a landlord ombudsman for the PRS to improve dispute resolution between landlords and tenants without recourse to costly court proceedings, and strengthening tenant protections in the first-tier tribunal through which rent increases are challenged. But enforcement capacity across the PRS remains seriously underfunded relative to the scale of the challenge, and the ombudsman and tribunal system will only be as effective as the resourcing behind them. Local authorities remain the primary enforcement body for housing standards and licensing in the PRS, yet many lack the capacity to investigate complaints, pursue bad actors, or bring cases to the tribunal within reasonable timeframes. Sustained investment in local authority enforcement teams (officers, legal capacity, and case management infrastructure) is a precondition for the protections enshrined in the Renters' Rights Act to be felt by tenants in practice.

Enforcement capacity must also extend beyond tenant-landlord disputes to close the routes by which dwellings leaving the PRS end up as short-term lets, second homes, or empty properties rather than returning to long-term residential use. An orderly shrinkage of the PRS is only welfare-enhancing if displaced supply is absorbed into social or owner-occupied tenure rather than lost from the housing stock altogether. The mandatory national short-term lets registration scheme, expected to go live later in 2026, is a necessary first step. But registration alone is insufficient: short-term-let licensing powers should be devolved to mayoral combined authorities, enabling local leaders to cap or restrict conversions in areas where housing pressure is acute. Alongside this, stronger powers and resourcing for councils to bring empty homes back into use – including through compulsory purchase where owners are unresponsive – would help ensure that landlord exit translates into housing gain rather than housing loss.

Step 4: Consider tax reforms to regularise the treatment of rental income

Tax policy gives the opportunity to marginally tweak the incentives for landlords and has already done so over the past decade. George Osborne's summer 2015 budget reduced

the mortgage interest tax relief available on rental income (over time reducing it all to a marginal rate of 20%) and represented one of the first fiscal interventions aimed at weakening the financial incentives underpinning the buy-to-let model since it emerged in the 1990s.

Tax is not our focus in this paper, but as NEF has previously proposed, we broadly support going further with closing the unwarranted tax exemptions given to landlords by extending the national insurance base to include income from rental properties.⁷¹ At present, this income stream to landlords is – inexplicably – entirely free of national insurance contributions (NICs), unlike most other income they receive, and unlike the employment income their tenants use to pay rent. Some economists advocate reinstating the mortgage interest deduction alongside this reform to ensure landlords pay tax only on profits rather than partly on revenues: the combined reform would remain revenue neutral.⁷² Recent work estimated the static revenue from levying NICs on property rental income could reach £3.2bn.^{j,73}

^j This estimate assumes a specific policy design, and would be reduced by behavioural effects, so should be regarded as an upper bound.

4. VIEWPOINTS FROM THE HOUSING MOVEMENT AND FROM OVERSEAS

4.1 REFLECTIONS FROM THE HOUSING MOVEMENT

For the 4.6 million households renting privately in England, the affordability crisis is experienced every day through rapidly rising rents, poor-quality homes and unsafe living conditions, insecurity of tenure, and gentrification and displacement. Renters' unions and tenant groups have organised around these issues for years, working to protect tenants and demanding structural change.

NEF organises the Homes for Us Alliance (HFU), a national coalition of housing justice organisations that work on the frontline of the housing crisis. We interviewed member organisations of the HFU to ensure the proposals in this paper were grounded in the priorities of those with the most direct experience of the affordability crisis.

Interviews revealed that the housing movement is generally aligned on the issue of rent controls, with all organisations interviewed in favour of limiting rent increases. All the groups interviewed understood rent regulation as one component of a broader housing system reform agenda, which included questions of supply, standards, and affordability frameworks.

However, there are differing theories of change as to the purpose of rent controls between the groups in HFU. The national advocacy and campaigning organisation, Generation Rent, understand rent controls as related to security of tenure, with rent controls framed as a technical fix and stabilisation measure. However, for the locally rooted organisations, including London Renters Union, Greater Manchester Tenants Union, and the campaign group Bristol Fair Renting, rent controls are linked to affordability and structural change. The unions see rent controls as a tool to bring rents down, rebalance power between landlords and tenants, and take a step towards the decommodification of housing. All three local groups are in favour of between-tenancy caps, arguing that within-tenancy controls deepen inequality and create perverse incentives for eviction to raise rents.

4.2 INTERNATIONAL CASE STUDIES

Rent controls remain the norm in most other western European countries and across North America, having become near ubiquitous throughout Europe after 1945, with countries including Germany retaining some form of rent stabilisation since at least the 1960s. In the wake of the global financial crisis, countries around the world introduced

new or strengthened existing rent regulation regimes to combat worsening crises of affordability in the PRS. In this section, we provide five rent controls case studies from across the UK and Europe, before pulling out instructive lessons from the implementation of each regime for the post-Renters' Rights Act context in England.

4.2.1 Ireland

Following rapid rental inflation in Ireland, in December 2016, the Irish government introduced rent pressure zones (RPZs). Enacted as a temporary measure, rent increases in RPZs were initially capped at 4%. As the scale and breadth of the affordability crisis deepened, more local areas met the RPZ criteria, and the government further restricted rent increases to the lower of the rate of general inflation or 2%. In 2025, the entirety of Ireland was designated an RPZ. In addition to the creation of RPZs, Ireland has a mandatory landlord register and recently introduced a tenancy register. Together, these collect data on property location, age, size, energy rating, rent and number of tenants.

4.2.2 Spain

Responding to the economic uncertainty caused by the full-scale war in Ukraine in 2022, including rising inflation, the Spanish government approved an emergency cap on rent increases of 2% for existing rental tenancies. Part of the broader national response plan, the rent cap was introduced as a temporary measure. It was, however, used as a transitional provision in Spain's ensuing 2023 Housing Act. The emergency rent cap served as regulatory scaffolding for a longer-term structural framework targeting unaffordability in the PRS. The Housing Act, Spain's first national housing law, extended the emergency rent cap and introduced between-tenancy controls in designated stressed market zones. The emergency measure provided immediate tenant protection and affordability relief while a more comprehensive regulation was designed and legislated. Spain has stricter regulations on large landlords, defined as those with 10+ properties, though this can be reduced to 5 in stressed areas. There are also property tax surcharges of up to 150% for properties left vacant for two years. However, there are incentives for landlords: in stress zones, tax deductions of up to 90% are available for landlords who cut rents by 5%.

Though Catalonia was initially the only regional government to have implemented rent controls, municipalities across the Basque Country, Galicia, Navarre, and Asturias have adopted them in 2025. To declare a stress zone, municipalities must justify that one of the two affordability thresholds is met, gather data on prices and incomes, and develop a plan and timeline for constructing new social or public housing.

Relatedly, Barcelona is phasing out short-term tourist rentals entirely. The city will no longer issue new short-term let licences and will not renew existing ones. This means that by 2028, all STR licences will have expired. The collective impact of STR regulations enacted in Barcelona since 2017 has halved the number of STR listings on Airbnb.

4.2.3 Germany

Germany has one of the highest proportions of tenants in Europe. More than half of the population lives in rented accommodation, rising to around 85% in cities like Berlin. Rent controls were introduced in Germany in 2015, with the “rent break” recently extended until 2029, covering municipalities in 13 of Germany's 16 states. The rent break caps the rent a landlord can charge on new tenancies at no more than 10% above the local reference rent, which is set by city or regional rent indexes based on the previous six years of rents for dwellings of comparable type, size, quality, and condition. A separate provision governs in-tenancy increases: rents can only be raised every 15 months, and the total increase cannot exceed 20% in a three-year period, or 15% in designated tight housing markets.

Some cities have attempted to go further. In 2020, Berlin introduced a five-year rent cap, which froze existing rents at their June 2019 levels. It also capped new tenancies, with rents more than 20% higher than 2013 reference rents requiring a reduction. Fines of up to €500,000 are applied for non-compliance. However, the Federal Constitutional Court annulled this in 2021, ruling that only the federal government can regulate rents. Separately, in September 2021, 59.1% of Berliners voted in a referendum to socialise the holdings of corporate landlords with more than 3,000 units, bringing around 240,000 apartments into the social rental sector. However, the result was non-binding. Although a 2023 expert commission found the proposal constitutionally feasible, and a draft law has been created, the Berlin Senate has not yet acted. A second, legally binding referendum is being prepared for later in 2026.

4.2.4 France

France has dual rent controls regimes, with the first regime introduced in 2014 with the creation of a “stress zone” framework to regulate rent increases. Initially, these stress zones included only around two dozen major cities such as Paris, Montpellier, Bordeaux, and Marseille. They have since been expanded to cover over 1,000 municipalities. In these zones, rents can only be increased once a year within-tenancy and the increase is limited by the Rent Reference Index (RRI). Between-tenancy controls are also in place, with new rents being limited to the previous tenants’ rent and adjusted only by the RRI.

In 2025, the RRI increased rents by just 1.82%. Some exceptions to these between-tenancy controls include major renovations or where the previous rent was demonstrably below market.

From 2019, a further form of rental regulation was adopted in Paris and 70 other cities. This is a five-year pilot scheme in which maximum rent is capped, with caps determined by property size and age. Rent controls in Paris have seen rents decrease by 3.7% to 4.2% on average, with no evidence of negative impacts on rental market supply.⁷⁴

Other elements of French rent controls include a temporary “rent shield” between 2022 and 2024, where rent increases were capped separately to the RRI, to deal with inflation. Similarly, rent controls are tied to retrofit, with properties with an F or G rating on their energy performance certificates being blocked from raising rents. G-rated properties similarly cannot be re-let until they have been upgraded, with F- and E-rated properties becoming unrentable by 2028 and 2034.

4.2.5 Scotland

Local authorities in Scotland were first given the power to establish RPZs in 2017, which would cap annual rent increases on sitting tenants at consumer price index (CPI) +1%. However, the data gathering and evidence requirements were so onerous that no Scottish council has ever implemented an RPZ. In 2022, the Scottish government introduced a rent freeze and eviction moratorium for existing tenancies as part of measures to tackle the cost-of-living crisis. This freeze was extended in April 2023 and changed to a 3% cap before being extended again until March 2024.

The Housing (Scotland) Act 2025 sets a permanent framework for rent controls in Scotland. The Act creates rent control areas (RCAs), replacing RPZs, and, when designated, a rent cap of CPI+1% up to a maximum of +6% applies. This cap applies both within and between tenancies and is expected to be operational by 2027–28.

Scotland provides a useful lesson for implementing rent controls. The changing timelines during the cost-of-living freeze saw reports of rapid and disorderly landlord exit^{k,75}; the difficulty of evidencing RPZs meant they were never adopted; and the within-tenancy caps during the freeze (with no equivalent cap between tenancies) contributed to advertised rent rises significantly above the rest of the UK during 2022–24.

^k See the discussion on the impact of rent freeze on investment and landlord exit in Gibb & Marsh (2024).

4.3 LESSONS FROM OUTSIDE ENGLAND

Two of the most successful new rent regulation examples are from Ireland and Spain, both countries with post-2008 austerity experiences that created distinct housing pressures shaping the political urgency behind their rent regulation reforms. The parallel with the UK is instructive. The acute affordability crisis detailed earlier in this report makes the policy responses developed in Ireland and Spain not merely useful comparators, but directly relevant models for an English housing system under comparable structural strain.

Taken together, these five case studies reveal a set of recurring design principles and pitfalls that inform what an effective and durable rent controls regime in England should look like.

4.3.1 Emergency measures must serve as transitional scaffolding for structural reform

Rather than treating emergency and structural measures as separate, more successful examples of rent controls design them as sequential from the start. Many of the cases detailed expanded rent controls systems sequentially after initial implementation, with emergency caps explicitly used as transitional provisions that lead into longer-term reform.

4.3.2 The design of data infrastructure is as important as the policy itself

All the successful rent controls systems rely on a robust data regime to function. Without the infrastructure to collect this data, rent regulation regimes risk being impossible to administer. The RRA introduces a PRS database providing the infrastructure for property-level data collection, though, as NEF has previously argued, its scope should extend further to capture rent data, compliance documents, and enforcement histories.⁷⁶ While the PRS database does not initially require rent data, it will be administratively smoother to expand the database than to build separate infrastructure. Other existing data sources, including the VOA, HM Revenue & Customs (HMRC), and expanded energy performance certificate (EPC) requirements, provide the foundation for a robust rent index if combined with the PRS database.

4.3.3 Controls on price rises between as well as within tenancies are essential

Scotland's experience during the 2022–24 freeze is a cautionary tale. Because the freeze applied only to sitting tenants with no equivalent cap on new lettings, advertised rents rose significantly above the rest of the UK. Any credible regime needs to address both within- and between-tenancy rents to avoid displacement effects. The RRA strengthens tenant protection against eviction with the abolition of section 21, the end of ASTs, and changes to the first-tier tribunal that will enable steep rent increases to be challenged. However, within-tenancy caps alone increase the incentive for landlords to displace tenants to reset rents to market rate.

4.3.4 Rent controls need to be applied broadly, across all parts of the PRS

Like many areas of policy, several examples around the world show the pitfalls of applying rent controls unevenly across different locations in an area or different categories of housing. Inconsistencies in the treatment of similar dwellings in nearby places are likely to lead to distortions, so a simple national policy, applied to the whole PRS, and/or policies devolved to large geographical areas with relatively self-contained rental markets, is likely to be optimal. A highly cited study of rent controls in San Francisco is often held up by critics as showing that the policy can never work; in fact, a helpful lesson to draw from this policy is that controls applied only to certain categories of dwelling are unwise and give rise to numerous distortions and avoidance activities.⁷⁷

4.3.5 Rent controls are not a panacea and must be paired with complementary reforms

Rent controls are an explicit affordability measure and are not designed to address every issue present in the housing system. As such, additional reforms, including stronger regulation of short-term lets, renewed efforts to scale up social and public housebuilding, and changes to tax regimes, should be treated as part of the same regulatory ecosystem of rent controls. Sweden is sometimes held up by critics of rent controls as an example of why the policy can never work⁷⁸. The better lessons to draw from Sweden include that rent controls must be accompanied by consistent social housebuilding, as is the case in Vienna, a city which combines strict rent controls with public and social housebuilding and is often regarded as the gold standard of affordable, high-quality housing.^{79,80}

Across these cases, a consistent pattern emerges: the most effective regimes are those that pair immediate affordability protections with a longer-term structural framework, a lesson that directly shapes the proposals set out in the next chapter.

5. A BLUEPRINT FOR FAIR RENTS

5.1 POLICY STEPS TOWARDS A SYSTEM OF FAIR RENTS

We propose a multi-step programme to move towards a system of fair rents.^{1,81} As this paper has consistently argued, this should form part of a wider policy programme for PRS affordability. This new system would learn from the successes and shortcomings of the two rent regimes currently in place in England, from the Rent Act 1977 and the Housing Act 1988 system and take seriously the risks and objections that frequently surface in debates around rent controls. It would also learn from other modern rent regimes, in particular the recent debates in Scotland, Ireland, Spain, Germany, and France. The term “rent controls” encompasses a vast range of actual and potential public policy regimes around the world, which offer helpful lessons – both positive and negative – for policymakers looking to use such a policy themselves.

We propose the following:

1. **Immediately implement an emergency brake on annual rent rises for PRS tenants.** Rents can rise by the lower of CPI for the previous financial year or a fixed cap (we propose 2%). This would apply to rent increases for all tenancies, including between tenancies, so that rents would not reset to an unregulated market level. For this programme to be successful, it must avoid “vacancy decontrol” where landlords raise rents substantially between tenancies. The policy would not be permanent, but should last until a longer-term fair rents programme is in place. We take inspiration from Spain’s introduction of national rent regulations in 2022, which acted as regulatory scaffolding for a longer-term structural framework that has been rolled out on a more devolved basis. Examples from elsewhere (such as Scotland’s 2022 rent freeze) show the dangers of time-limited rent freezes that cause market instability when they are ended or extended.
2. **Extend the scope of the new PRS database created by the Renters’ Rights Act 2025 so it collects a wider range of data on properties.** Collecting appropriate data is the critical foundation for the success of any further rent regulation, as NEF has previously detailed.⁸² Most important would be to capture rental prices, each year, but the government could consult on capturing wider data such as property quality, performance against the decent homes standard energy performance certificate (EPC) rating.

¹This work builds on prior NEF work on principles for rent controls in London.

3. **Create and delegate new powers to local leaders to declare fair rents pilots.** Specifically, we envisage mayoral combined authorities being the appropriate level of government to receive new powers to declare local rent pressure, devise a local index of fair rents, and enforce compliance with devolved rent controls. The evidence base for local rent indices would be based on existing ONS statistics on private rents, plus data on local labour markets and from the expanded PRS database. Any local system that required the production of reference rents or property valuations would need to be frequently updated. Devolving powers to mayoral combined authorities will help the new fair rents system respond to local variation in housing cost pressures, and to the longstanding calls for rent controls from some regional mayors.⁸³
4. **Learning from fair rents pilots, design and implement a national fair rents system** through a long-term, phased process that gradually converges existing rents with rent levels that are genuinely fair for private renters. How this phased process is implemented would be a crucial element of further policy design. It would need to be accompanied by detailed data collection to provide early warning of any adverse effects from the policy. Similarly, certain exemptions could apply; for example, landlords with portfolios under a certain size or with specific mortgage encumbrances.
5. **Exempt new-build properties for a period** from the emergency brake and fair rents systems. After that period, dwellings would phase gradually into the main fair rents system. This would help safeguard incentives for net new housing supply.
6. **Keep the nationwide emergency brake in place until the end of the testing period** and the national implementation of a fair rents system. This would help prevent rent increases in buffer zones bordering pilot areas for fair rents; stabilise pressures in other high-cost areas highlighted in quantitative affordability findings; and provide a crucial backstop to prevent distortions, including mass evictions.

This programme for fair rents would represent a gradual return to the 20th-century principle that landlords should not exploit renters to extract excessive monopoly profits due to local housing scarcity. It is designed to combine an emergency brake, which could be implemented quickly to address the wide-reaching effects of the cost-of-living crisis, with a gradual, iterative, and evidence-led transition to a long-term system of rent regulation.

5.1.2 Rationale for the design of the emergency brake

Our rationale for the design of the emergency brake is fundamentally that an emergency policy should be sustainable over a few years (which a rent freeze might not be), and uprates market rents in a way that reflects landlords' rising costs. The CPI, as the official measure of inflation, is a suitable general metric for this. We propose that uprates should be the average monthly CPI across the preceding 12 months, to smooth out volatility in monthly readings that can affect other uprating policies that use single-month CPI (such as for working-age social security). We believe a CPI link is preferable to an earnings link because earnings metrics are in general, more volatile, and there is less agreement about which single index should be used.

In addition to CPI indexation, we propose that the emergency brake should allow rent rises to go no higher than a specified ceiling. For this ceiling, we recommend 2%: the same as used in Ireland's rent controls policy. This level of uprating also matches other widespread assumptions and targets used across the economy, for example, the Bank of England's official target for CPI inflation. We believe a binding ceiling on rent rises is important to prevent an inflation spike leading to high rent rises once more. The exact choice of parameter, however, would be a detail for the government to consider. It might wish to choose a ceiling higher than 2%, for example, if it wanted to improve affordability in the PRS more slowly.

5.2.3 Funding an orderly shrinkage

The reintroduction of a large-scale rent controls policy in England could potentially cause some landlords to choose to sell their properties. This is a desirable result that should lead to a gain in economic welfare, in that transferring a dwelling to other tenures will make it cheaper to occupy. The main concern for the policy should be to ensure homes remain occupied full-time (ie not becoming a short-term holiday let, a second home or an empty home). This is why we propose regulations on how ex-PRS properties can be sold.

Another important set of policies to facilitate the orderly downsizing of the PRS is those allowing the reacquisition of some former PRS properties for social rent. This would help ensure landlord sales do not spark a wave of tenant displacement, which will have particularly acute impacts on more vulnerable renters. To assess the scale of this challenge, we modelled three high-level scenarios (gradual, moderate, accelerated) for the pace and intensity of landlord sell-off over a 15-year initial programme horizon. Our model assumes that the social and community sector acquires between 20% and 60% of

properties sold by landlords, funded through a 40/60 grant-to-loan mix broadly consistent with the LAHF programme. Grants refer to non-repayable funding used to bridge the viability gap between acquisition costs and revenues, while loans are recoverable, generally repaid through rental income over time.

With our assumptions, the gross loan requirement for social housing acquisition of former PRS properties ranges from £1.5–£4.4bn in the gradual scenario, to £3.8–£11.5bn in the accelerated scenario ().^m The grant gap ranges from £1.0bn in the most optimistic gradual scenario to £7.7bn in the most adverse accelerated scenario. Our findings are indicative of the order of magnitude of costs for this programme.

Table 1: Order-of-magnitude cost for acquisition

	Gradual exit	Moderate exit	Accelerated exit
Loan need	£1.5–£4.4bn	£2.5–£7.4bn	£3.8–£11.5bn
Grant gap	£1.0–£2.9bn	£1.6–£4.9bn	£2.6–£7.7bn
<i>Grant, as share of current SAHP</i>	24–73%	41–123%	64–192%

Source: NEF analysis.

Notes: Assumes initial programme period of 15 years (emergency brake for 3 years, fair rents pilots for 4 years, and expanded national programme for the remaining 8 years). Baseline PRS assumption is based on English Housing Survey (2024-25)⁸⁴. Assumes baseline landlord exit rate of 3%, drawing from Savills data on landlord sales in 2024⁸⁵ and Pepper Money's analysis of projected landlord sales by the end of 2026⁸⁶. Assumes net new rates of exit ranging from 0.8-4.0%, depending on the scenario. Modelled additional exit rate are based on reports of landlord contraction in Scotland⁸⁷, Ireland⁸⁸, and San Francisco⁸⁹. Acquisition costs are modelled using ONS average house price data (2026).⁹⁰ The grant-to-loan ratio is based on LAHF programme assumptions.

These preliminary model findings suggest that – depending on the scale of landlord exit – there may be a significant funding gap that will require a dedicated and adequately capitalised acquisition vehicle to manage an orderly shrinkage of the PRS. Translating these high-level estimates into a robust funding proposition will require further analysis, including more granular regional modelling, refined assumptions about fiscal savings, and closer engagement with the financing structures available to different types of acquiring bodies.

5.2.4 Further options for financing social housing

Existing financial instruments provide a varied landscape of financing options for social housing providers, each occupying a different position on fiscal cost, pass-through

^m These figures are illustrative; they do not account for regional variation in acquisition costs (eg London's land values substantially increase the grant required per home) nor do they adjust for inflation or model changes in overall housing supply.

efficiency, and scalability. The National Housing Bank's (NHB) 0.1% loans offer the most direct subsidy currently operational, passing the full interest rate benefit to registered providers. They are, however, fiscally costly, restricted to private registered providers, and time-limited to 2026–29. The Public Works Loan Board offers cheap direct lending, but it is restricted to local authorities. The Affordable Homes Guarantee Scheme (AHGS) represents contingent liabilities with good pass-through, while proposed Social Finance's proposed Affordable Housing Acquisition Scheme offers arguably the most pass-through-efficient structure by design, routing a government guarantee through a non-profit special purpose vehicle with no margin to retain.⁹¹ These instruments together cover much of the landscape.

These schemes are needed because social housing providers face an inherently uncompetitive position relative to private developers and asset managers, operating under social rent caps that limit income, constrain debt serviceability, and cause lenders to price in greater risk than they would for private developers or institutional landlords able to charge market rents and realise capital gains. Housing associations seeking to acquire existing PRS homes, and community-led organisations such as co-operatives and CLTs, fall outside the reach of most existing mechanisms.

An alternative – and more innovative – route towards funding an expanded SRS could be the use of monetary policy instruments. They could play two roles. The first is to lower the cost of debt, where it is worth scrutinising whether any given instrument can reduce borrowing costs meaningfully, relative to what support already exists. The second is about reorienting how private banks allocate credit, making lending to social housing more attractive relative to other uses, particularly mortgage lending against existing assets.

A social housing term funding scheme, modelled on the Bank of England's term funding scheme with additional incentives for small and medium enterprises (TFSME), could primarily address the former role, although would be less targeted than existing schemes and is therefore perhaps not the most effective tool. It would offer discounted central bank lending to commercial banks, conditional on on-lending to registered providers, with the cheaper funding flowing through bank balance sheets to reduce debt costs below what the market would otherwise offer. Practically speaking, social housing is well-suited to this instrument, as it is a well-defined regulatory category that could straightforwardly operationalise eligibility.

A social housing TFS would prompt questions about the degree to which commercial banks would pass on lower borrowing costs, which could be somewhat addressed through policy design. It might also be criticised, given that existing social housing

funding support is extensive. For local authorities, the PWLB already offers borrowing at gilt plus 60 basis points through the Housing Revenue Account discount, whether for new housebuilding or acquisition, and a TFS would need to enable commercial banks to on-lend below that rate after covering their own costs and margin, a high bar that carries no guarantee of full pass-through.

The strongest case for a social housing TFS could therefore be for organisations that fall outside PWLB and NHB altogether, like smaller housing associations, CLTs, and other registered providers, and for local authorities and housing associations that are eligible for existing instruments but are approaching the limits of what they can borrow under them. For both groups, a TFS through existing banking relationships could provide additional financing capacity at costs closer to PWLB levels, complementing rather than duplicating what the NHB and PWLB already deliver. Used alongside an extended NHB, which provides the direct, controlled subsidy for the most acute viability gaps, a TFS providing the broader, scalable funding channel could deliver a step-change that neither instrument could achieve alone. It would have the additional advantage that its cost appears as a reduction in Bank of England profits remitted to HM Treasury rather than as a departmental spending line, though this fiscal advantage is contingent on reform of the HMT-BoE memorandum of understanding (MOU), and how Bank profits and losses are shared.⁹²

A Parliamentary Preferred Asset Taxonomy, as proposed by Leah Downey⁹³ and discussed more recently by Simon Youel,⁹⁴ addresses the second point more directly. Rather than simply cheapening debt, it would change the relative attractiveness of lending to social housing providers versus other uses by directing the Bank of England to apply more favourable collateral terms through lower haircuts to social housing loans within its framework, reducing funding costs for participating banks and making social housing lending more competitive with mortgage lending against existing assets. Social housing fits well within the productive, cash-flow-based investment category. It generates future rental income to repay debt rather than relying on asset price appreciation, and where it finances new construction, it creates new capital stock rather than simply recycling existing assets at higher prices. Together, these monetary policy tools would not substitute for direct public investment but could meaningfully expand the financing available to social housing by aligning private credit creation more closely with public purpose.

A truly fair rents system requires sufficient social housing to absorb displaced demand and prevent landlord exit from further tightening the uncontrolled segment. If expanded social housing supply is the necessary condition for rent stabilisation to function without

perverse effects, then the monetary policy tools that enable that supply expansion have a price-stabilising function. A combined package of rent stabilisation and increased social housing supply would reduce private rent inflation, which, as discussed above, feeds into CPI through the private rents' component. The Bank of England cannot itself deliver rent stabilisation, and the effect on measured inflation would be slow, given that CPI reflects rents across the entire stock rather than just new lets. There is also a macroprudential case to be made. The current allocation of bank credit is heavily skewed towards mortgage lending against existing assets, fuelling mortgage-driven financial fragility that historical evidence links to deeper recessions and slower recoveries.^{95,96} Redirecting credit towards the new social housing construction required, which generates additional future cash flows rather than just increasing existing capital gains, directly addresses this skew, reducing systemic risk while expanding productive capital stock.

APPENDIX: BEYOND AFFORDABILITY – POTENTIAL MACROECONOMIC BENEFITS OF REDUCED SPEND ON HOUSING BENEFITS

This section considers the implications of moving to a system of rent controls for public spending on housing support.

A fair rents system that moderates rents at source would directly reduce the need for government housing support in the PRS, which, as detailed by Worsdale et al., is increasingly struggling to bridge the affordability gap.⁹⁷

Housing benefits include both legacy benefits and the housing cost element of universal credit. The maximum housing support available to private renters is determined by local housing allowance rates, which are set centrally by the government based on local rental market conditions in each broad rental market area. The LHA was originally designed to track the pace of increase of the 50th percentile of local rents (lowered to the 30th percentile in 2011). This aimed to ensure that support kept pace with market conditions. But in 2012, the automatic link to rents was removed as part of a larger drive towards fiscal consolidation, with LHA increases capped at 1% except in especially rent-pressured areas. Since then, the government has frozen LHA rates eight times and relinked to market levels just twice, most recently in April 2024 in line with the 12-month period to September 2023, before freezing it again the following year.

Over time, this has meant three things. First, a relative reduction in the help that welfare claimants have access to, in what has become an increasingly expensive and precarious PRS. Average private rents in England have increased by 16% since September 2023, yet the LHA was frozen before this period.⁹⁸ Worsdale et al. document the scale of the resulting inadequacy: over half of private renters in receipt of universal credit found that LHA did not cover their rent by November 2025; only 2.5% of listed private rentals were affordable at LHA rates despite the April 2024 reset; and an estimated 1.6 million low-income households paying more than 30% of their income on rent receive no support at all. Even if rates were rebased to median local rents, Worsdale et al. estimate that 450,000 high-housing-cost, low-income households would still face a shortfall between their support and their rent.⁹⁹

Second, if the government were to try to address this inadequacy through the housing benefit system alone, it would entail significant fiscal costs. In its fiscal forecasts, the OBR assumes a permanent freeze in the LHA. The Institute for Fiscal Studies notes that

this is implausible given the social and political costs it creates, meaning genuine fiscal headroom is being overstated.¹⁰⁰ The Resolution Foundation estimates that unfreezing the LHA and re-pegging to market rents in April 2026 would cost around £1.7bn in 2026, reaching £2.5bn by 2029–30.¹⁰¹

Third, even if the LHA were to be re-pegged, it is a highly inefficient subsidisation strategy. The DWP is expected to spend £70bn on housing benefits in the PRS in between now and 2029–30, which will go directly to private landlords.¹⁰² As the PRS has grown and the SRS has shrunk, an increasing proportion of the fiscal spend on LHA expenditure is being channelled to private landlords in a way that both entails high fiscal cost and is less productive economically. On the fiscal side, rents are higher in the PRS than in the SRS. In 2023–25, average weekly private rent was £250 compared to £129 social rent.¹⁰³ Cebr analysis for Shelter and the National Housing Federation estimates that building 90,000 social homes and moving benefit-receiving households out of the PRS would generate annual savings of £243.8mⁿ in housing benefit, as lower social rents reduce the support required per household.¹⁰⁴ While low rents in the SRS have struggled to cover the costs of maintenance and repairs in recent years,¹⁰⁵ the uplift in administrated social rents from April 2026 is partly designed to address this problem, while still keeping rents in the SRS affordable.

It could be argued that the savings generated through lower housing benefit costs in a world where the PRS shrinks, and the SRS grows, are dwarfed by the costs of expanding the portion of social homes that are local-authority-owned. However, even though this expansion would push against one fiscal rule, public sector net financial liabilities (PSNFL), it (a) would not push on the current budget rule which excludes capital spending; (b) would improve local authorities' housing revenue accounts and increase public sector net worth through increased non-financial assets on local authority balance sheets; and (c) would be counted as a financial assets and thus not increase PSNFL *if* the acquisition/new build is structured as a loan or equity injection rather than a straight purchase (eg local authorities taking equity stakes in broader housing portfolios).

Moreover, beyond the £248.8mn worth of housing benefits savings from Cebr's modelled scenario of building 90,000 social homes and moving benefit-receiving households out of the PRS, the Cebr analysis also finds that, against an upfront government grant cost of £11.8bn, there would also be direct Exchequer savings of £7bn,

ⁿ All figures in the Cebr report are net present value, 2023 prices.

principally through reduced housing benefit costs and tax revenue from construction activity (£2.5bn over 30 years). There would be a further £16.8bn in indirect Exchequer benefits, including reduced NHS costs, lower homelessness services expenditure by local authorities, reduced universal credit claims, and increased income tax and national insurance receipts from higher employment. In total, the net impact on the Exchequer is projected to be positive £11.9bn over 30 years, with break-even reached 11 years after construction. This is before accounting for the wider socioeconomic benefits, including reduced crime and fewer disruptions to children's education, which add a further £5.8bn in present value but cannot be cleanly attributed to the Exchequer specifically.

As well as being fiscally inefficient, PRS housing benefits are economically inefficient. Unlike social landlords, who are required to reinvest surpluses into maintenance and supply, private landlords face no such obligation. The consequences of this difference in reinvestment behaviour are visible in housing quality data. In 2024, 22% of PRS homes failed to meet the decent homes standard, compared to just 10% in the social rented sector.¹⁰⁶ In the Cebr-modelled scenario, each tenure shift from the PRS to the SRS generates broader economic and social benefits estimated at £11,634 per household per year through improved employment outcomes, reduced NHS usage, lower crime, and fewer disruptions to children's education. These benefits that do not flow from equivalent housing benefit expenditure in the PRS: 51% of private landlords primarily treat property as an investment vehicle, either for capital growth, rental income, or retirement saving – rather than as a business that reinvests in housing quality.¹⁰⁷

In summary, implementing a rent freeze on its own would not necessarily generate immediate, direct savings against the OBR's current fiscal forecast, which already assumes the LHA stays frozen and so mechanically understates the true cost of supporting private renters. Moderating market rents directly, however, would reduce the underlying need for housing support into the future, compressing the gap that the LHA is increasingly failing to bridge. A broader fair rents system that ultimately shrinks the PRS and expands the SRS can actually improve the government's balance sheet in the medium term: pressures on the current spending are reduced due to lower housing benefit costs; capital investment brings assets onto local authority balance sheets, improving the government's overall fiscal stance as computed through the public sector net worth; and second-round impacts effects are likely to be net positive for the exchequer, offsetting up the up-front cost of grants to boost SRS housebuilding.

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