



Institute for Public Policy Research

HIGH HOUSING COSTS IN THE PRIVATE RENTAL SECTOR

THE CASE FOR ACTION

**Maya Singer Hobbs,
Henry Parkes and Tazu Walden**

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IPPR
8 Storey's Gate
London
SW1P 3AY
E: info@ippr.org
www.ippr.org
Registered charity no: 800065 (England and Wales),
SC046557 (Scotland)

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ABOUT THE AUTHOR

Maya Singer Hobbs is a senior research fellow at IPPR.

Henry Parkes is principal economist and head of quantitative research at IPPR.

Tazu Walden is a researcher at IPPR.

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SUMMARY

In the UK today, 2.4 million households renting privately have unaffordable rents, an additional 250,000 since 2023. This is 45 per cent of all privately renting households in the UK. This is not just limited to those at the very bottom of the income distribution or to those receiving state support a significant proportion of households struggling to pay rent currently get *no* government help for their housing.

Without further intervention, affordability will continue to deteriorate. By the end of this decade, an additional 340,000 households will be spending more than 30 per cent of their income on rent compared to 2023/24.

Traditional economic models suggest that the market will correct itself. But the rental market is very far from the 'perfect market' described in the simplest economic models, leaving those with the least power – renters – exposed to the most risk.

Given this picture, it is time to consider the need for carefully designed price intervention on rents. The history of rent controls is littered with cases – New York, Berlin, Massachusetts, Stockholm – where poorly designed controls have had negative consequences that have shaped the discourse and understanding of rent controls for years. In these examples, even if rents stabilised for tenants in rent-controlled properties, the wider market saw a reduction in the number of rental properties available, a deterioration in the quality of properties, and difficulty for new tenants looking for a rental property.

But this narrative, that all rent controls are an unmitigated disaster, ignores the milder rent controls adopted across Europe, some of which have been in place for decades. France, Spain, Ireland, and Scotland's revised scheme demonstrate how careful design can minimise loss of supply, promote mobility, protect quality standards, and incorporate flexibility for landlords.

This paper attempts to tackle these cases head-on and demonstrate how a system designed with past failings in mind can significantly mitigate these consequences. Our case for action does not rest on claiming that rent controls are cost free, or without trade-offs, but on careful policy design and the government demonstrating its willingness to put affordability first.

The government should act to limit rent increases in line with inflation and wage growth, for existing and new tenancies, providing certainty for renters that rents will not exceed income growth, and reassuring landlords that, for the most part, nominal rents will continue to rise; where wages keep pace with inflation, real rental income would be broadly protected. But where wages lag inflation, the policy would share the cost rather than pass it to tenants in full.

RENTERS ARE UNIQUELY EXPOSED TO GLOBAL SHOCKS

Rising rents are a direct consequence of the global instability and financial mismanagement of the past five years. The inflationary shock that the Russian invasion of Ukraine caused eroded the real value of landlord profit. And for the 60 per cent of UK landlords with debt in 2024 (MHCLG 2024), Liz Truss's mini budget during her short reign as prime minister raised mortgage rates.

While it is tempting to blame landlords for profiteering, this should be more correctly identified as a problem caused by a lack of regulation, leading to a

power imbalance. Landlords behave in economically rational ways, protecting their profits where they can.

This crisis of affordability facing renters will not resolve itself on its own. The conflict in Iran is causing further economic disruption and inflation in the UK, and renters remain painfully exposed to the risk of interest rate rises. While the government's focus on new housebuilding should increase competition and put downward pressure on rents, the price point of new housing means that this is not guaranteed to help those struggling to pay current market rates.

There is currently nothing to protect tenants from landlords passing on these costs. When faced with a rent rise, the broader housing shortage means that tenants are often powerless to move. These conditions have given unfair market power to landlords and during recent crises we have seen the consequences: tenants exposed to the risk that landlords should shoulder.

THE CASE FOR RENT CONTROLS

Across Europe, rent controls are seeing a resurgence in the face of rising unaffordability. These controls are generally effective at reducing rents and slowing rent growth in covered units, with spillover benefits for health and education. And, unlike most cost-of-living interventions, rent controls have limited direct fiscal cost. However, if not well designed and not complemented by targeted policies they can involve economic costs such as reduced mobility, misallocation, or changes to supply.

Rent control policy is also popular across the political spectrum. For disenfranchised progressive voters, where cost-of-living policies are a deciding factor, action on rents is among the most popular interventions the government could take (Akehurst 2026).

However, despite being commonplace, rent controls are often seen as more controversial than price interventions in other essential sectors such as energy, water or rail. This reflects past experiences where policies were poorly designed and trade-offs were left unaddressed.

OUR RECOMMENDATION FOR DOUBLE-LOCKED RENTS

We recommend that the government implements rent stabilisation to deliver fairer rents that better reflect what people are able to pay, and protect renters from global instability.

Recommendation: Rents should be 'double-locked', linked to wages and the Consumer Price Index (CPI), applied nationally, both within and between tenancies.

Rents should be linked to a rolling monthly index of the consumer price index (CPI) or wages, whichever was lower, on average, over the previous 12 months. This will act to smooth the spikes seen over the year. Linking rent increases to an inflation and wage index rather than implementing a strict freeze provides greater security for tenants while retaining some flexibility for landlords to manage increased costs.

This proposal should apply both within and between tenancies.

- In tenancy limits how much a landlord can raise the rent for sitting tenants, protecting against displacement and shocks.
- Between tenancy limits increases in rent chargeable at the start of a new tenancy. This ensures that new tenants are not disadvantaged by steep rent rises.

Applying controls both within- and between-tenancy provides more consistent protection for tenants and lessens the risk of controls dampening mobility. However, it is a more significant intervention that just limiting rises during tenancies, with correspondingly greater risks in avoidance behaviour and – where landlords have viable exit routes – supply effects. However, we argue that well-designed accompanying policies can mitigate the risks.

Rental contracts should state when rent increases will happen. The double-lock should apply within and between tenancies and be administered through the new Private Rented Sector Database, which is being set up under the Renters’ Rights Act 2025 and on which all PRS landlords will be required to register themselves and their properties.

This will limit the size of allowed rent increases and, over time, will reconnect rent levels with people’s ability to pay – benefitting all 8 million private renters in the UK, not just those with unaffordable rents. Had the government implemented this proposal and intervened to limit rent increases from 2020, rents would have been at least 7 per cent lower by 2030 based on current forecasts, equivalent in 2030 to £850 cheaper rents a year in England and £1,700 in London. The savings would be greater still if we see another inflationary shock arising from the Iran conflict.

As well as double-locked rents, we recommend several policy measures that should be implemented alongside them. These measures, summarised in Table S1, would act to mitigate any potential side-effects from the rent stabilisation measure.

TABLE S1: POLICY MEASURES TO ADDRESS CONCERNS ABOUT IMPLEMENTING RENT CONTROLS IN THE PRIVATE RENTED SECTOR (PRS)

Concern	Evidence regarding the concern	Our proposals
Controls distort the market	Significant distortions already shape the rental market, including chronic supply shortages, landlord market power and exposure to global economic shocks.	No strict freeze on rents, which will allow rents to increase in line with inflation unless people’s ability to pay has not kept track.
Landlords will exit the market en masse	Evidence from European stabilisation schemes suggests no large-scale exit from the market where accompanying policies are well designed. The consolidation and professionalisation of landlord portfolios should be expected. It is important to expand social housing to support those at the sharp end who are impacted by landlord exit.	Stronger regulation of short-term lets, which will limit shifts out of the long-term rental market. An annual cap on the number of nights a property can be let for. Restoration of local housing allowance (LHA) to the 30th percentile of market rents.
The quality of rental housing will deteriorate	Building on the Decent Homes Standard and Minimum Energy Efficiency Standards in the new Renters’ Rights Act 2025, rent controls will prevent landlords from passing on the cost of meeting minimum legal standards to vulnerable tenants.	Limited exemptions for major refurbishments. To avoid creating underinvestment incentives, however, this needs to be paired with strong enforcement of the Decent Homes Standard and tightly defined exemptions for genuine improvements above basic legal compliance.
New housing supply will fall	The constraints on housebuilding in the UK long pre-date rent controls and should not be attributed to them. The government has taken action to boost housebuilding through its planning reforms.	Time-limited exemptions for new-build properties, which would help maintain incentives to build

Source: Authors’ analysis

1. WHY DO WE CARE ABOUT HOUSING COSTS?

Housing costs are the single largest household expenditure for the majority of people, and housing affordability is a key priority for the British public, second only to reducing energy bills (Alvis et al 2025). Housing costs represent a chronic, long-term issue, where house prices have outstripped wages for decades, and an acute issue in the short term, with significant numbers of people facing unaffordable rents.

The government has made several interventions on housing, including strengthening renters' rights and making a significant commitment to social housing through the Social and Affordable Homes Programme. Its main lever on affordability is to increase new housebuilding – bringing prices down by increasing supply. Unlike with energy bills, where the government is both increasing energy supply and helping lower bills in the short term, it has not taken action to reduce housing costs in the short term.

New housing supply is essential for tackling the UK's acute housing shortage and new homes – especially social homes – have been shown to act positively on affordability (Mense 2025; Mast 2019; Generation Rent 2024). The government have estimated that a 1 per cent increase in the housing stock leads to a 2 per cent reduction in rents *if nothing else changes* (GLA 2023). But even if the government delivers 1.5 million new houses, affordability benefits risk being eaten away by demand pressures and inflationary shocks.

In addition, increased supply cannot tackle affordability in the short term. Most new housebuilding serves the higher end of the market, and the “filtering” down of vacant properties occurs over a longer period, meaning that for low-income tenants affected by the affordability crisis, supply-side interventions will not bear fruit quickly enough (GLA 2023). Further, delivery of supply is highly dependent on a well-functioning construction market, and the current landscape in the UK seems unlikely to deliver on the necessary timescale.

There are lessons for the government from other countries that have taken a dual strategy: delivering long-term supply-side measures, alongside interventions on affordability that make an impact on people's household budgets now. Spain's president, Pedro Sánchez, has made housing a key pillar of his platform, allocating billions of euros to deliver affordable housing alongside temporarily freezing rents in response to the war in the Middle East (AFP 2026; Grace 2026). In Ireland, where new apartments built in 2025 were only affordable for the top 20 per cent of earners (Curran and Sloane 2025), the government has introduced rent controls. This intervention has specific exemptions for new tenancies to stimulate investment in new housing, while also acting to curb rents for tenants (DHLGH 2025).

In the UK, delivering long-term and short-term measures together will help show that the government is taking meaningful action. Rents, unlike energy bills, are ‘sticky upwards’, meaning they are unlikely to fall, or they will fall more slowly, if inflation goes down (Albuquerque et al 2025). Historically, wages have broadly kept pace with rents, but they diverged in 2023, with rents increasing above wages, and they are not projected to fall in the coming years. A short-term approach would help protect the longer-term measures on affordability, which tend to be more politically vulnerable. But it will take a long time for benefits to materialise, and people do not have faith they will – most people across the UK do not think that housebuilding will reduce the price of either rents or new homes.

DEFINING AFFORDABILITY

The government classifies housing as ‘affordable’ if the household spends less than 30 per cent of pre-tax earnings plus benefits on housing costs. But, in understanding affordability, it is how much of household take-home pay¹ people have to spend on their housing costs that is relevant. In this paper we therefore focus on spending as a ratio of post-tax income rather than pre-tax income. This is in line with the Affordable Housing Commission (2020)² and implies a higher level of unaffordable housing than if using a pre-tax measure of income.

We also consider housing costs for mortgagors differently from the poverty statistics that the Department for Work and Pensions produces. We include both the principal and interest components of mortgage payments as ‘housing costs’,³ alongside other unavoidable costs associated with housing.⁴ Since we are interested in how much take-home income people have, we include the principal payment since although it contributes to wealth generation, not including it does not give an accurate representation of the impact of the cost-of-living crisis on household finances.

WHO HAS HIGH HOUSING COSTS?

Rising homelessness is the most visible end of the affordability crisis, but it permeates through the system, impacting all tenures. In 2023/24, there were 4.5 million households in the UK with high housing costs by our definition, of which almost 80 per cent were renters, the majority of whom were private renters (see figure 1.1).

In the same year, younger households, minority ethnic households and those in receipt of social security benefits all had much higher exposure to high housing costs. The much higher prevalence of private renters among these groups largely drives these differences.

1 Take-home pay refers to post-tax and benefits income.

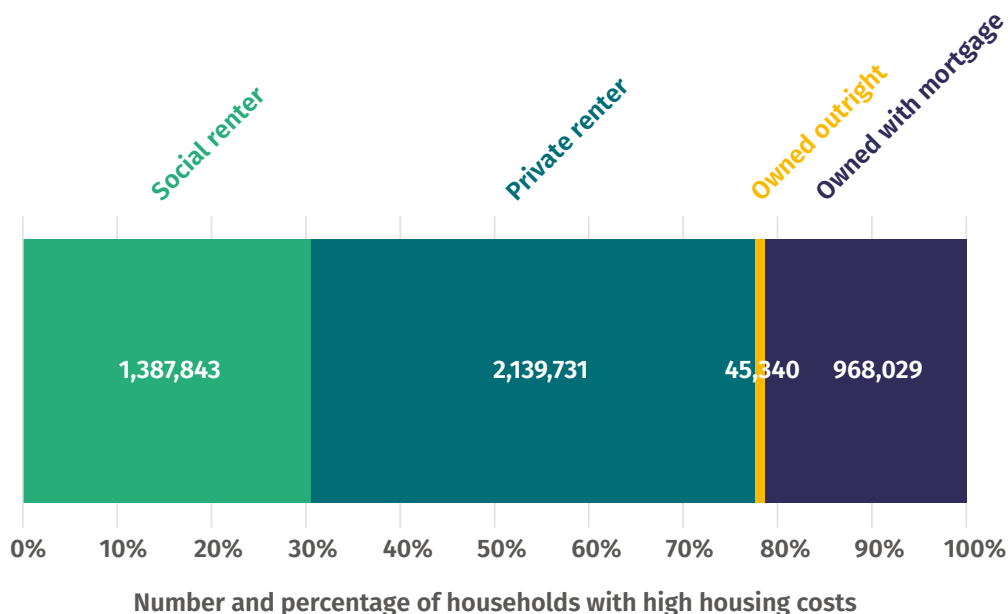
2 The Affordable Housing Commission uses one-third, though, rather than 30 per cent.

3 We estimate the principal component of mortgage payments based on available data on underlying mortgage debt and prevailing interest rates at the point of data collection.

4 Such as ground rents and structural insurance premiums.

FIGURE 1.1: THERE WERE 4.5 MILLION HOUSEHOLDS WITH HIGH HOUSING COSTS IN THE UK IN 2023/24, OF WHICH MORE THAN THREE-QUARTERS WERE RENTERS

Number and percentage of households with high housing costs, by housing tenure, 2023/24



Source: IPPR analysis of Department for Work and Pensions, 'Family Resources Survey 2023/24' (DWP 2025)

SOCIAL RENTERS AND MORTGAGERS HAVE HIGH HOUSING COSTS, BUT PRIVATE RENTERS ARE THE MOST EXPOSED

Social renters

Social rents are highly protective for renters. Previous IPPR research has highlighted the protective aspect of the social rented sector in keeping costs manageable alongside wider benefits such as more secure tenure (Parkes et al 2025). In 2024/25, private sector rents were double social rents on average (£250 a week vs £129 a week) (MHCLG 2025a) - with the largest impact for those families currently experiencing larger shortfalls in their Local Housing Allowances (affecting 55 per cent of households claiming universal credit) or those outside the benefit system altogether. It is worth noting that lowering social rents will not materially improve conditions for some of those households, since the housing element of universal credit scales to match social rents. Lowering rents might reduce the social security bill but would not leave these households with more disposable income, and would cause financial difficulties for the social housing sector.

As such, 'high housing costs' in the social rented sector are more a reflection of low incomes than high housing costs *per se*, and the focus for this group should be about increasing incomes through work and social security rather than reducing housing costs further.

Mortgagers

The number of mortgagers with high housing costs rose by 4 per cent between 2019/20 and 2023/24. It is likely that this will have increased further as interest rates have remained high. Coupled with higher borrowing to chase higher house prices, this has caused monthly mortgage payments to balloon. The vast majority of mortgagers with high housing costs are not in receipt of means-tested benefits

and so are ineligible for government support, despite the majority (58 per cent) of them being in the bottom four income deciles.

A full discussion of support for mortgagers is beyond the scope of this paper, but we suggest that the government's 'support for mortgage interest' scheme is:

- expanded beyond those on means-tested benefits
- made more generous to reflect the actual costs that mortgagers face
- coupled with a concerted effort to increase take-up.

Private renters

Even with an expanded social rented sector and a more robust infrastructure to support mortgagers, millions will continue to live in the PRS with high housing costs, which is the focus of this paper.

Beyond the implications for the cost of living, a lack of affordability in the PRS has knock-on impacts for renters. There is evidence that unaffordable housing leads to poor health outcomes through people making trade-offs, for example by accepting poor-quality housing, or overcrowding (Stephens et al 2026). Other research suggests that living in the PRS increases the rate at which people age (ibid), and further evidence points to a link between a lack of affordability and poor mental health (Harris and McKee 2021). There are also labour market impacts, with research suggesting that high housing costs in the sector result in lower job mobility, particularly among younger people (Judge 2019).

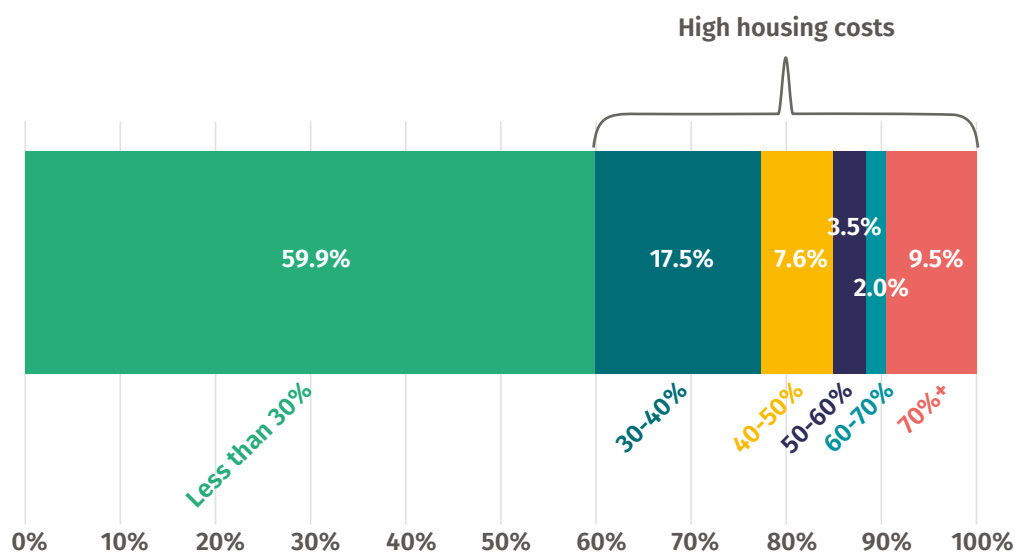
2. HOUSING COSTS IN THE PRS

HIGH HOUSING COSTS ARE VERY PREVALENT AND WILL LIKELY GET WORSE

The growth of private rents over recent decades means that more than 2 million renter households in the UK are exposed to high housing costs, with a significant minority spending as much as 70 per cent of their take-home income on housing costs (see figure 2.1).

FIGURE 2.1: MORE THAN 40 PER CENT OF ALL HOUSEHOLDS IN THE PRS HAVE HIGH HOUSING COSTS, WITH ALMOST 10 PER CENT SPENDING MORE THAN 70 PER CENT OF THEIR POST-TAX INCOME ON THEM

Housing costs as a proportion of take-home income for private renters, 2023/24 (%)



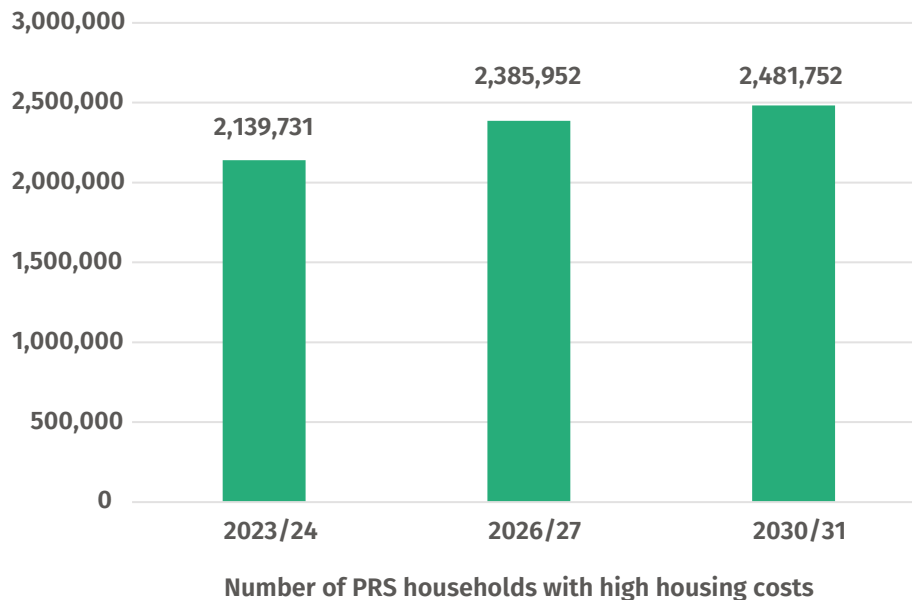
Source: IPPR analysis of Department for Work and Pensions, 'Family Resources Survey 2023/24' (DWP 2025)

Households across the UK experience these high costs, although the issue is most prevalent in London (61 per cent) and the rest of southern England (43 per cent), while it is lowest in the North East (18 per cent) and Northern Ireland (23 per cent).

Our modelling suggests that the problem is likely to get worse. Using the most recent forecasts from the Office for Budget Responsibility, which pre-date likely disruption from the Iran war, high housing costs will grow to 2.5 million households by the end of this decade (see figure 2.2).

FIGURE 2.2: THE NUMBER OF HOUSEHOLDS IN THE PRS WITH HIGH HOUSING COSTS IS PROJECTED TO INCREASE BY THE END OF THIS DECADE

Actual and projected number of private renter households with high housing costs



Source: IPPR analysis of Department for Work and Pensions, 'Family Resources Survey 2023/24' (DWP 2025) using the IPPR Tax-Benefit Model

Note: The Tax-Benefit Model is used to estimate the growth in the numbers of households with high housing costs over time. This is then applied to the 2023/24 data to produce estimates in later years.

HIGH HOUSING COSTS AFFECT A BROAD GROUP OF PEOPLE WITH DIFFERENT CIRCUMSTANCES

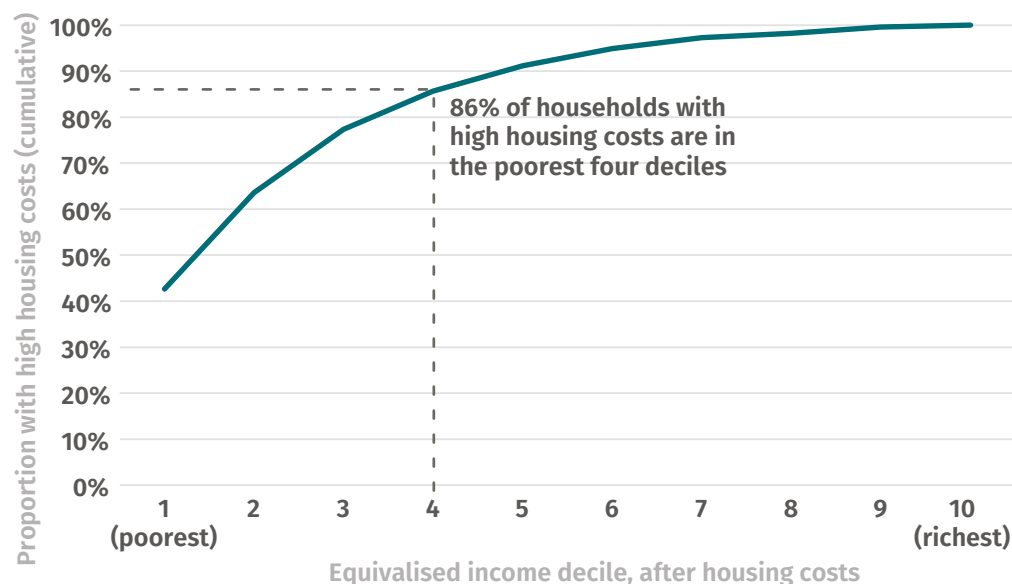
Problems of affordability in the PRS are often framed as an issue with the benefits system, in particular local housing allowance (LHA). While this is certainly part of the problem – with more than 55 per cent of households on universal credit experiencing a shortfall between their housing costs and housing support (DWP 2026) – it is worth noting that a significant proportion, around half, are not in receipt of housing support.⁵ Restoring or unfreezing LHA would provide vital relief to many low-income renters but it would do little for the significant proportion of private renters with affordability problems who are outside of the benefits system. This is not just a problem among households where people are out of work. Three-quarters of working age renters with high housing costs are in households where one or more adults are in work, and even in households with two workers, more than one in five experience high housing costs.

We have found that households with high housing costs sit squarely in the bottom four income deciles (see figure 2.3).

5 This includes people in receipt of housing benefit or the housing element of universal credit.

FIGURE 2.3: OF RENTERS WITH HIGH HOUSING COSTS, 85 PER CENT ARE IN THE POOREST FOUR DECILES

Percentage of renters with high housing costs by equivalised household income decile (cumulative), 2023/24



Source: IPPR analysis of Department for Work and Pensions, 'Family Resources Survey 2023/24' (DWP 2025)

High housing costs for renters are overwhelmingly not a 'choice' they are making, nor a preference for more expensive housing. And what is left over after rent will be insufficient in many cases. Over one-fifth of households with high housing costs in the private rented sector report low food security, skipping meals or reducing food portions just to make ends meet (IPPR analysis of DWP 2025).

WHAT CAN BE DONE FOR THESE HOUSEHOLDS?

The government has three main levers available to address high housing costs:

- supply-side measures
- changes to the benefits system
- interventions on price.

Of these, the government has taken action on supply, with significant reforms to the planning system and investment in social housing. Some of those in the PRS with high housing costs will be eligible for social housing and should benefit from interventions to increase the numbers of social housing sector homes. But while increasing the supply of social housing remains essential, it will not provide relief quickly enough for the millions of renters already facing acute affordability pressures.

High housing costs in the PRS are widespread, heavily concentrated among low- and middle-income households, and existing social security policies can only ever partially address them. They are far from a marginal issue affecting a small subset of people, and expanding the benefits system to encompass everyone with high housing costs would considerably increase the social security bill.

In that context, it is right to consider whether some form of intervention on price in the form of rent regulation could play a role in constraining rent increases and reduce housing costs in the PRS. The remainder of this paper explores the case for rent controls, and the policy options available to the government. While this problem applies across the UK as a whole, housing is a devolved power. We consider the impact of high housing cost across the UK, but our recommendations focus on England.

3.

ADDRESSING COSTS IN THE PRS: THE CASE FOR INTERVENING ON RENTS

WHAT ARE RENT CONTROLS?

Rent controls tackle the frequency and extent to which landlords can increase rents. If we look internationally, rent controls are not an unusual policy tool. A 2024 OECD study found that 14 countries regulate initial rent levels, and 24 regulate rent increases in-tenancy (OECD 2024).

The UK has a long history of rent control, from strict rent freezes after the first world war, to a more moderate system in place until 1988 when the Thatcher government introduced the Housing Act. Technically, even the system since 1988 has not been a completely unregulated private rental sector – up until the Renters' Rights Act 2025 (see below), rent increases were limited to market rates. However, the vulnerability of tenants to no-fault (section 21) evictions undermined the ability of renters to challenge unfair rent increases.

The Renters' Rights Act 2025, which took effect from 1 May 2026, clarifies that rents must be linked to market rates and empowers renters through the abolition of section 21 evictions. The Act also reintroduces a form of mild rent controls to the UK by limiting rent increases to once a year and moving to periodic tenancies rather than fixed-term ones (MHCLG 2025b). However, while these measures are a clear start in improving tenants' rights, they do not go far enough to tackle housing affordability (Cullum 2025).

Under the Renters' Rights Act, tenants are still only protected from rent increases that a rent tribunal determines to be 'above the market rate'. In a poll that the campaign organisation Generation Rent conducted, 70 per cent of renters had never heard of, or knew very little about, this tribunal process (Jones 2025). Further, the burden of proof for demonstrating an above-market rent rise sits with the tenant and can be hard to evidence.

Crucially, there remains no protection for sharp market-driven rent rises such as the record annual rise of 9.1 per cent to March 2024 (ONS 2024a). A more ambitious programme of rent control, which moves beyond regulating the *frequency* of increases, to regulating their *size*, is necessary.

When it comes to designing rent controls, policymakers have a wide variety of options, but most involve a combination of the following considerations.

- **Flexibility:** how often landlords are allowed to increase rents and by how much. This can vary from strict freezes to more moderate measures, known as 'second generation' controls, which are based on an inflation or wage index, often combined with a maximum cap, to prevent tenants from being exposed to high levels of inflation.
- **Geography:** whether rent controls apply at a national or a local scale. Locally implemented schemes can allow for growth in less mature or 'undervalued' markets. However, they can also drive prices up outside the boundary of

application, resulting in inequalities between rent-controlled and non-rent-controlled housing units.

- **Eligibility:** whether rent controls apply to sitting tenants or new tenants. The literature and international practice distinguish three broad types, which differ materially in their economic effects and risks.
 - **In-tenancy stabilisation** limits how much a landlord can raise the rent during an existing tenancy. Its primary rationale is protection from displacement, hold-up power and sudden affordability shocks, preserving a tenant's right to stay without directly setting the overall level of rents (Molano-Avilan 2025). The academic literature generally favours in-tenancy controls because landlord's ability to recoup costs between tenancies means that the supply risks are more contained than for stronger forms of regulation.
 - **Between-tenancy regulation** additionally limits the rent chargeable when a new tenancy begins, either directly or by reference to the previous registered rent. It aims to constrain the rent path of the dwelling, not only protect the sitting tenant. In-tenancy controls alone can create an insider-outsider problem: tenants may be discouraged from moving because doing so exposes them to a full market rent reset, which can worsen mobility and allocation. Also applying stabilisation *between* tenancies is thus important to reduce this mobility penalty and ensures that new renters, movers and existing tenants face more consistent conditions. However, this also makes the policy more economically significant by permanently restricting landlord profits. Between tenancy as a piece of policy design protects against problems with mobility and allocation but requires stronger safeguards to prevent conversion, and impacts on supply.
 - **Reference-rent systems** represent a third approach: rents are set by reference to a local benchmark or register rather than a simple inflation index, as in Berlin's mietpreisbremse or the systems in Paris and Catalonia. These can be more responsive to local conditions and help prevent large disparities between rental properties entering the market and existing properties, but require robust data infrastructure and are more legislatively complex to implement in the UK.

ADDRESSING THE TRADE-OFFS OF RENT CONTROL

Rent controls are generally effective at reducing the rents of controlled units. The most comprehensive overview of studies on rent control saw that in 88 per cent of studies, rent controls reduced rents, by an average of -9.4 per cent (Kholodilin 2024). In Paris, where rents are limited to an inflation index and a benchmark, rents were 5.2 per cent lower under this regulation than without between 2019 and 2024, and up to 8 per cent lower in more recent years (Apar 2025). This corresponds to an estimated saving of 1,700 euros for each Parisian in a controlled unit (Chocron 2025).

Rent controls are highly popular among the public. Polling in 2024 found that 75 per cent of UK adults supported controls and 44 per cent of landlords were also in favour of them (Hilhorst 2025). Zooming in, rent controls are particularly popular among voters defecting further to the left of the government, and are not a dealbreaker for defectors to the right (Akehurst 2026).

Yet despite rent controls' effectiveness, international precedent and popularity, they are still often framed as radical and politically contentious. Price intervention on housing is often seen as a greater departure from market-led policy than in other sectors such as energy or water.

The central argument against rent controls is that costs paid elsewhere in the market outweigh the benefits they bring to tenants within the system. The empirical literature identifies recurrent risks: reduced mobility, misallocation, lower maintenance, reduced supply, and sometimes even rent increases in non-controlled properties (Kholodilin 2024). These effects are not automatic and vary substantially by design, coverage and enforcement. The following subsections consider common critiques of rent control and outline how the government can use policy design to mitigate against negative effects and support those affected by them.

‘Controls distort the market’ – yet the private rental market is already distorted and intervention will improve outcomes

Direct intervention on price is often criticised on the grounds that perfectly competitive markets function best without interference, and that price controls, however well intentioned, result in an overall worsening of wellbeing, even if they provide a small improvement for people directly impacted. But the rental market departs so sharply from this textbook model that the conventional argument does not straightforwardly apply, as outlined in table 3.1.

TABLE 3.1: COMPARISON BETWEEN A PERFECTLY COMPETITIVE MARKET AND THE CURRENT RENTAL MARKET

Perfectly competitive market	Current rental market
Buyers can choose from a wide range of alternatives.	Tenants are faced with limited choice because of supply constraints and they cannot easily substitute across different housing options as they are connected to access to jobs, schools, care networks and transport.
Switching between suppliers is easy and low-cost.	Moving is costly. It can involve a new deposit, rent in advance, removal costs, time off work, administrative hassle and significant stress. These frictions make it much harder for tenants to respond to price increases by simply moving elsewhere.
No individual actor has significant power over price and terms.	The relationship between landlord and tenant is rarely one between equals. Landlords control access to a scarce and essential good. Tenants often approach the market under pressure: a tenancy may be ending, a rent rise may be unaffordable or a family may need to move quickly. In those circumstances, the side with the stronger bargaining position is usually clear.
Consumers have full information about price and quality.	Tenants often make decisions with incomplete information. A property advert can give someone information on the rent, the number of bedrooms and the location. It cannot fully reveal whether the home will be cold in winter, whether there is damp, how responsive the landlord will be to repairs, whether neighbours are noisy or how sustainable the rent will feel six months later. Much of the true quality of a tenancy only becomes clear after someone has moved in.
Market transactions do not generate large wider social effects beyond the immediate exchange.	A home is not just another service consumed one month at a time. It is also the basis for everyday stability. Secure housing helps children stay settled at school. It helps parents hold down jobs and organise childcare, and it supports mental health, family routines and social ties. Repeated moves, or the constant fear of unaffordable rent increases, can damage all of the above.

Source: Authors’ analysis

The rental market is therefore a long way from the idealised conditions under which economists typically argue against price controls. This does not mean that limiting the size of rent increases does not come with trade-offs. But economic first principles suggest that intervention can be optimal in a distorted market. Arnott

(1995) made precisely this point: economists' hostility to rent control rested largely on comparisons with hard post-war freezes in perfectly competitive markets – a framework that does not describe modern soft stabilisation systems operating under search frictions and imperfect competition.

This does not mean that allocation costs can be ignored. Prices still perform an allocation function: rent regulation can generate genuine welfare costs if it reduces mobility, worsens matching between households and homes, or discourages supply. Willingness to pay is, however, an imperfect measure of social welfare in housing markets, because it reflects income as much as need, and because displacement creates external costs not captured in market transactions. The economic case for stabilisation rests on the judgement that well-designed controls can limit these allocation costs, and that the gains from affordability, security and reduced displacement outweigh them.

There are useful parallels here with the debate on the minimum wage. Economists once warned with great confidence that wage floors would lead to large-scale job losses. In many cases, those fears proved overstated, because the underlying model assumed a degree of labour market competition that did not exist in reality. Low-wage employers often had more power over pay than the textbook account allowed.

Housing has distinct supply dynamics, capital-market links and asset-conversion risks that differ from labour markets. The relevance of this for housing is not that rent caps are equivalent to minimum wages, but that simple price theory can mislead when applied to markets marked by friction, scarcity and unequal bargaining power.

Price control is not uncommon elsewhere across the UK economy. Regulated industries, such as energy and water, have controlled revenues, linked to an inflation index. The 'energy price cap' protects consumers from sudden price shocks and prevents run-away profits for providers.

'Landlords will not exit the market *en masse*' – but tenure conversion and lower end supply loss are real risks that need to be managed

Any discussion of regulation within the rental market leads to dire warnings of a 'landlord exodus'. When the renters' rights bill was introduced to parliament, various sources suggested that landlords were selling up in advance of the introduction of the law. However, this has been disputed, and listings from Rightmove suggest that there are currently more properties available to rent than there were a year ago (Linley & Simpson 2024; Jones 2026).

While the scale of this risk is overblown, and should not prevent the government from ensuring existing renters have a secure and affordable home, careful implementation will be necessary to avoid a significant contraction of rental supply through landlords exiting the market when rental regulation is introduced. France has had rents linked to a national index for almost two decades and has a healthy rental market (Acolin 2021), and a study conducted on the implications for the UK market found that it would have similar effect, depending on the design (Clarke et al 2015).

San Francisco is commonly cited as a key reference point in this debate, and its evidence cuts both ways. Diamond et al (2019) – one of the most rigorous causal studies in this literature – found that rent control increased covered tenants' probability of remaining at their address by around 20 per cent. Yet, landlords reduced rental supply by 15 per cent through conversion to owner-occupation, raising rents by around 5 per cent in uncontrolled units. The lesson is not that stabilisation does not work, but that anti-conversion rules, broad coverage

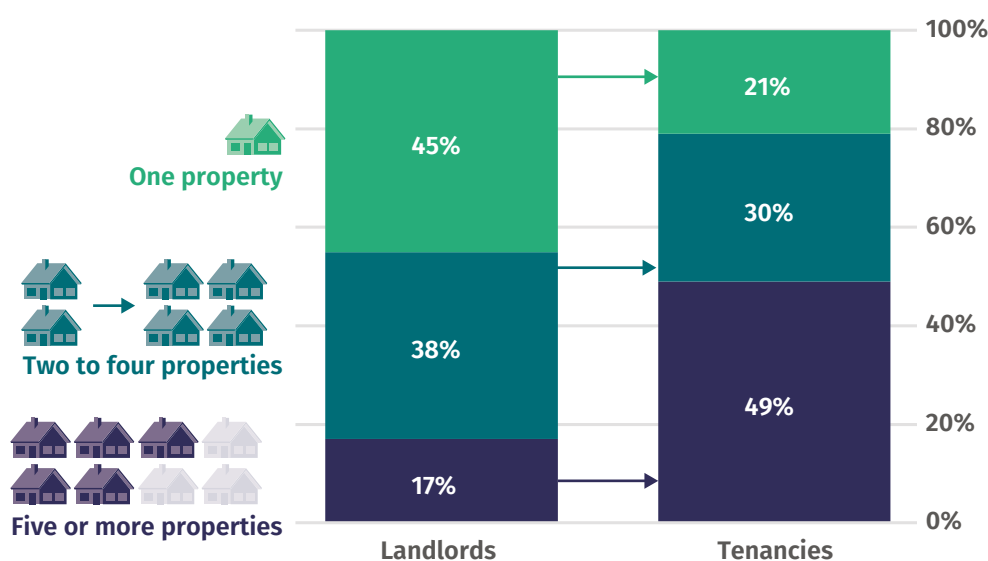
and short-term-let regulation are central design requirements. More recently introduced regimes have acted on these lessons (Morin et al 2025).

It is to be expected that the introduction of some form of rent stabilisation will result in the reconfiguration of the rental market, towards more professionalisation. In Scotland, the introduction of rent controls in 2022 resulted in a consolidation of the rental market into fewer, larger, landlords (Welsh 2026). While the overall number of landlords decreased, the number of rental properties remained constant. This will be particularly true for landlords whose profit margins are small. In this scenario, where landlords sell their properties to other landlords, sitting tenants have continuous rights, meaning their rental contract is passed on unchanged.

It is likely that a similar process would occur in England, where the rental market is highly fragmented. In 2024, among landlords, 45 per cent owned one rental property, but this was equivalent to just 21 per cent of all tenancies (see figure 3.1). Only 17 per cent of landlords owned five or more properties, although this accounted for 49 per cent of all tenancies (MHCLG 2024).

FIGURE 3.1: WHILE NEARLY HALF THE LANDLORDS IN ENGLAND (45 PER CENT) HAVE ONE PROPERTY, THIS ACCOUNTS FOR ONLY ONE IN FIVE TENANCIES

Landlords and their property portfolio compared to the number of tenancies in England, 2024



Source: Reproduced from Ministry of Housing, Communities and Local Government, 'English Private Landlord Survey 2024: main report' (MHCLG 2024)

Internationally, there are many countries where the rental sector is predominately made up of 'amateur' landlords with small portfolios (LSE 2011), but some consolidation of the PRS in England will make interventions and regulation of the sector more straightforward. Consolidation of the landlord market has already been a trend in England following the then Conservative government's removal of mortgage interest tax deductibility in 2014, but the number of people living in the PRS has remained relatively consistent (MHCLG 2024).

The consolidation and professionalisation of landlords and the PRS more widely should make it easier to enforce standards across the sector. A majority of landlords view their role as an investment, rather than as a business (MHCLG

2024). Good investment principles require investors to be exposed to some risk, and being a landlord should be no different.

The impact of rent stabilisation on landlords will vary according to their circumstances. In high-demand areas with limited exit routes, part of the cost is likely to fall on landlord returns. Where landlords are highly leveraged, have low margins or can convert to more profitable uses, the risk of exit or reduced maintenance is greater. Evidence from Ireland suggests that institutional or larger landlords are more likely to set rents at the highest rate, but are less likely to apply large increases at the beginning of a new tenancy (Kren and Slaymaker 2025).

‘Landlords will convert their properties’ – but the government can mitigate this

As the experience in San Francisco (noted above) illustrates, of greater concern than the consolidation of the market is the conversion of properties in the PRS to short-term lets (accommodation that is let out to the same person for fewer than 90 consecutive nights, commonly booked online via websites such as Airbnb).

The conversion of properties to short-term lets removes them from the long-term rental market, which has impacts on the supply of housing. Concern about the increase in short-term lets across England has grown in recent years (Generation Rent 2022). A survey in 2022 suggested that legislative changes and a less favourable tax regime for private landlords had resulted in an increase in short-term lets and nightly paid temporary accommodation (Propertymark 2022; Lloyd et al 2023).

However, evidence has also shown that conversion can be limited with proper policy mitigation (Pastor et al 2018). London remains the only place in England with a specific planning classification for short-term lets and a time limit on the number of days a property can be rented out for (Cromarty 2024). Both Scotland and Wales have introduced licensing for short-term lets, and such approaches are common overseas. The Levelling-up and Regeneration Act 2023 introduced a framework for short-term lets, which the government consulted on in 2024 (DCMS 2024).

A similar form of legislative change, as required to limit conversions to short-term lets, could facilitate the prevention of the conversion of homes to temporary accommodation. Councils could play an important role by offering up-front incentives to landlords for long-term lets than for landlords offering temporary accommodation (Lloyd et al 2023).

‘Landlords serving the lower end of the market will exit’ – the government must protect tenants facing eviction

While the contraction of the rental market as a result of rent stabilisation is likely to be small, the government should ensure that those impacted are supported. This is particularly necessary since it is most likely to be renters at the lower end of the income distribution who face disruption.

The rent stabilisation introduced in Catalonia used a reference price for each rental unit based on the nearest 25 buildings, to clamp down on “excessive” pricing. This successfully brought down average rents in the region, but caused a sell-off at the top end of the market and created greater demand pressure on the lower end (Monras and García-Montalvo 2025).

An existing market trend, which shows the PRS shrinking across the UK, amplifies the need to consider this (Grayston et al 2024). The Greater London Authority has suggested that this effect is even more pronounced in London where, between 2021 and 2023, 45,000 rental properties were sold without replacement (Savills 2024). Crucially, many of these were on the cheaper end of the market, with stock

reduction in the lowest 30 per cent of the market at 3.3 per cent a month in 2023, compared to 2.2 across the rest of London (ibid).

While the government cannot prevent landlords selling, ensuring renters on lower incomes are protected will be important. In the long term, the commitment to expanding social housing through the significant settlement for the Social and Affordable Homes Programme will help. In the short term, meanwhile, local housing allowance (LHA) should be returned to the 30th percentile of market rents to help ensure that lower-income households facing eviction have the support they need (Parkes et al 2025).

‘The quality of rental housing will deteriorate’ – yet the Renters’ Rights Act and upgrade-linked exemptions will provide protection

Traditional economic theory argues that rent controls weaken landlords’ incentives to invest in rental properties, leading to a decline in housing quality (Arnott and Shevyakhova 2014; Kholodilin 2024). The argument goes that if landlords’ ability to raise rents freely is limited, they will not invest because they cannot recoup the costs of upgrades or maintenance. The Renters’ Rights Act 2025 takes significant steps that mitigate this risk. Further, the extension of the new Decent Homes Standard to private rentals will introduce more ambitious requirements for repair, core facilities and meeting minimum energy efficiency standards (MHCLG 2026), and the application of Awaab’s Law will set legally binding deadlines for landlords to investigate and make safe hazardous conditions.

Policy design can further mitigate risks. Evidence suggests that tying rent increases to upgrades mitigates landlord underinvestment (Lind 2015). Rent controls in Paris have incorporated such measures, with exceptions for major refurbishment upon lease renewal. This is only possible under strict conditions, including that improvements must be equal to at least six months of rent and rent increases are capped at 15 per cent of the cost of the work (République Française 2025). Ireland has implemented a similar policy, where landlords are able to claim an exemption from rent control rules if they have carried out “substantial changes” to their property (RTB 2026).

As alluded to above, it is also argued that rent controls accelerate exit from the rental market because landlords cannot recoup the cost of the investment to bring their properties up to new minimum legal standards. Capping rent increases would ensure that landlords cannot pass through the total cost of providing a home that meets the minimum legal standard of liveability. This will protect tenants at the lower end of the rental market where most of the poor-quality homes are concentrated.

Rent controls and the Decent Homes Standard are therefore complementary and could prevent a squeeze on the poorest renters. Research by Generation Rent did not find a single international example of minimum energy efficiency standards being implemented without some form of rent control in place (Zand 2025). In addition, the Warm Homes Plan already includes provision for landlords who rent to low-income tenants to upgrade their homes (DESNZ 2026) which could be expanded to support more landlords.

‘New housing supply will fall’ – but the government has already taken action to counter faltering housebuilding and can use exemptions and investment

A prevailing criticism of rent controls is that they reduce the incentives for new construction, in particular of new rental properties. This is a concern not only because it could impact new rental supply, but because it might also impact the knock-on effects on affordability that any new housebuilding is expected to have.

The argument goes that because rent controls limit revenue, they reduce the overall attractiveness of potential returns and increase the financial risk to developers of potential unexpected costs. However, only a small proportion of new-build homes contribute directly to private rental supply,⁶ meaning incentives for the rest of the market should remain intact. In addition, a carefully designed rent policy that allows rents to follow prices and wages should provide certainty on returns for developers.

There are concerns that any form of regulation will place a dampener on the housebuilding market, and in places around England where housebuilding is already faltering, rent controls are likely to face particularly strong pushback from housebuilders. In this context, it is necessary to disentangle wider issues in the housing market from interventions such as social housing targets or rent controls. Nationally, rising interest rates and house prices, coupled with uncertainty in the market, have contributed to a market slowdown. This, in turn, has resulted in lower numbers of housing completions, as developers tailor build-out rates to reflect market conditions (Singer Hobbs and Grayston 2026).

In London, this is further compounded by the need for construction to be cleared by the building safety regulator (itself beset by delays) and the higher costs of building on brownfield land. Despite having more than 100,000 homes in the planning pipeline, starts in London plummeted in 2025, down 93 per cent compared to 2022 (Whittaker et al 2026). Blame is already being placed on the high thresholds for social and affordable housing set by the mayor of London (House of Commons 2025), but such criticisms ignore the wider economic context.

The academic evidence on the impact of rent controls on new housing supply is inconclusive, particularly for milder forms of rent control (Rajasekaran et al 2019; Kholodilin and Kohl 2023). The evidence highlights several important policy design features which limit the impact on new construction. These include specific exemptions for some new builds and a wider supportive policy environment (Rajasekaran et al 2019; Kholodilin and Kohl 2023).

Exemptions for some new builds

The success of carefully designed exemptions for new builds is clear. Studies of ‘second generation’ controls with exemptions for new builds in Catalonia, New Jersey, Palo Alto and California found that new housebuilding did not impact the construction of new units (Ambrosius et al 2015; Mense et al 2019; Sims 2007). Conversely, where a negative effect was seen, it was often attributed to policy design, for example where more extreme forms of rent control were implemented or where differential treatment of new builds was not carried out, such as in Sweden (Kholodilin and Kohl 2023; Stacy et al 2025).

This has informed more recent implementation of rent regulation policies. In Ireland, rents are limited to 2 per cent, or the CPI if lower, and there are limitations on whether rents can be reset to market rents. For new properties, the 2 per cent cap does not apply, and the rent is allowed to be reset to market rates more regularly (RTB 2026). Last year saw a large-scale acceleration of residential construction activity in Ireland, up 25 per cent from 2024 (EY 2026).

Supporting construction through wider policy interventions

In cases where rent measures are accompanied by housing policies seeking to stimulate new building activity, such as the construction of social homes or the encouragement of private investment, rent regulation has had a far weaker impact on the build rate (Kholodilin and Kohl 2023). The UK government has

6 Barratt-Redrow (2026) estimate that only five per cent of their new stock is sold to PRS providers, and Taylor Wimpey (2026) reported only 3 per cent of their sales in 2025 were to investors (we assume build-to-rent). This does not capture buy-to-let landlords.

already made housebuilding a key pillar of its policy programme, and pushing ahead with supporting supply expansion will be a crucial complement to effective rent controls.

There may be concern over the impact of rent regulation on the build-to-rent market, which is likely to play a role in meeting the government's housebuilding targets, particularly in urban centres such as London, Manchester and Birmingham. In the context of housing costs, it is worth noting that build-to-rent properties tend to cater to the higher-income end of the rental market. In 2023, rents were 11.9 per cent higher in build-to-rent properties than other new-build rents (Lambert Smith Hampton 2024). In London, the average monthly rent for a build-to-rent property was £2,900 in 2024 (ibid) – £600 a month more expensive than the average rent in London (ONS 2026). Within the build-to-rent sector, returns on investment are generally projected over a 30-year timeframe, meaning that although some pushback against rent regulation is to be expected, rental regulation does provide certainty over rents, which can be factored into forecasting.

Clearly, wider interventions are needed in the English housing market to deliver housebuilding at the scale required. This is likely to involve greater state-level interventions, particularly around the delivery of social housing, which can be built without some of the wider market constraints that impact the speculative housebuilding market. The introduction of some form of rent control should be seen as complementary to a shift in strategy on delivering housebuilding targets, rather than being in opposition to them.

WE CAN LEARN FROM SUCCESSES (AND FAILURES) ELSEWHERE

A small number of high-profile case studies have strongly influenced public debate around rent controls, and these are frequently cited as evidence that rent controls reduce housing supply and drive landlords out of the market. The reality is more complex, and a closer examination of successful and less successful regimes demonstrates important lessons regarding policy design and the danger of conflating macroeconomic trends with the impacts of rent controls.

CASE STUDY: BERLIN

The *mietpreisbremse* (rent brake), 2015–29

Germany's federal government introduced the *mietpreisbremse* (rent break) in 2015 across high-pressure housing markets, and the policy was recently extended to 2029. It limits rents to 10 per cent above a locally defined reference rent. The policy has been criticised for its extensive exemptions for new builds, furnished properties and substantial renovation, which have created a widening gap between regulated and unregulated properties. This has reduced market mobility and resulted in accusations of a two-tier system. In addition, the absence of a firm indexation mechanism allows rents to continue rising above inflation or incomes, which is compounded by weak enforcement. This puts the onus on tenants to challenge above-limit rents (White 2025).

Despite these flaws, the *mietpreisbremse* does not appear to have had negative consequences on rental supply. Rental listings increased from 2024 to 2025 with these controls in operation, and the *mietpreisbremse* has not had a dampening effect on construction activity (BNP Paribas Real Estate 2024). Rather than a clear demonstration of rent control failure, the *mietpreisbremse* shows how poor design of rent control policy can lead to 'winners and losers', with knock-on impacts, such as poor market mobility.

The *mietendeckel* (rent freeze), 2020–21

In 2020, Berlin's state government judged the rent brake to be insufficient and introduced the *mietendeckel* – a strict five-year rent freeze. This policy was subject to legal uncertainty from the outset and was struck down within a year as unconstitutional. During this period, there were clear signs of market disruption. Building permit issuance fell from around 2,000 a month in mid-2019 to approximately 1,180 a month following its announcement, new rental listings declined and rents rose in exempt segments such as new builds (Möbert 2020).

While the strength of the measure did create some market disruption, the contraction coincided with legal uncertainty, and this type of 'wait and see' response is well documented in contexts of regulatory risk. As the freeze was overturned rapidly and the Covid-19 pandemic downturn followed soon after, it is difficult to say what the impacts might have been over the five years.

Impact on new construction in Berlin and the role of state financing

Landlord associations have criticised both types of control used in Berlin as weakening incentives to build. However, a closer look suggests that the relationship between the introduction of rent controls and new construction is less clear cut. From 2022, Berlin faced a construction downturn, but this aligns closely with wider macroeconomic shocks. Following Russia's invasion of Ukraine, rising interest rates, inflation and supply-chain disruptions led to the only real-terms fall in residential construction rates in Germany since 2015 (Danne et al 2025). Given typical development timelines, it is likely that the macroeconomic factors, rather than rent regulation, were the primary drivers of falling completions between 2022 and 2024.

More recent data reinforces this interpretation. Even with the *mietpreisbremse* in place, construction permits in Germany began to recover in 2025, rising by around 10 per cent compared to 2024, and Berlin continues to account for the majority of national construction activity in Germany (Berlin Hyp 2025). The state has played a crucial role in this turnaround, with Berlin having multiple state-owned companies providing project development financing (ibid).

Overall, Berlin illustrates a more complex picture than is often presented. Short-term disruptions did occur, particularly in response to legal uncertainty. But there is little to no evidence that rent stabilisation itself caused sustained reductions in housing supply – in fact, the 2022 interest-rate shock caused the wider slump in construction and the counter-cyclical actions of the state have slowly turned the slump around.

The Berlin experience highlights some key lessons for England, including the following.

- Any intervention should avoid a 'winners and losers' scenario, as this leads to a lack of market mobility. While some exemptions on new-build properties might be necessary, these should be time limited.
- The government should intervene to support the counter-cyclical supply of housing that is not market-led, to counter the wider trends in housebuilding and mitigate any market response to the introduction of rent controls.
- Certainty is key. The legal uncertainty that Berlin faced had a significant impact on housebuilding.

CASE STUDY: SPAIN

In March 2022, the Spanish government introduced a temporary emergency cap on annual rent increases of 2 per cent. Before this, Spanish rental contracts were tied to the CPI. However, the inflationary spike the Russian invasion of Ukraine meant that even with this anchor, prices were rising dramatically.

Ley de vivienda (housing law), 2023

Ley de vivienda was introduced a year later as a major piece of housing law implementing rent controls. This granted autonomous regional governments the power to identify stressed zones (*tensionada*) where price limitations would apply. These rent controls are nationally determined but regional administrations are not obliged to implement measures, and therefore due to the political leanings of these governments, only Catalonia (the home of Barcelona) has taken up the controls.

In addition, *ley de vivienda* extended the 2 per cent cap into 2023 and announced a 3 per cent cap for 2024, while the government created a new permanent rent index to replace the CPI, which would be more stable, avoid sharp spikes and ensure rent growth was systematically below top-line inflation.

This new index, known as the *Índice de Referencia de Arrendamientos de Vivienda* (IRAV), has been in place since the beginning of 2025 and applies to contracts starting after May 2023. The IRAV is made up of the lowest of three metrics: the CPI, core inflation (which removes some spikier inputs such as energy and food) and a smoothed third inflation metric. Currently, the 2 per cent cap, which applies to 2027, covers tenancies beginning before 2023 to prevent large inequalities. The IRAV in March 2026 was 2.16 per cent.

It is still too early to assess the full impact of Spain's interventions, but the policy has delivered on its main aim: keeping rents more affordable during a period of pressure. Official data shows that rents in Spain rose by 2.7 and 2.6 per cent in 2022 and 2023, respectively, compared to 4.4 and 9 per cent in the UK (INE 2024, 2025; ONS 2023, 2024b). Evidence from Catalonia's rent regulation, which has been in place since 2020, points in the same direction, with average rent reductions of 4–6 per cent across the region (Jofre-Monseny et al 2023).

Just as important, the design of Spain's rent control policy has avoided some of the risks often raised in debates about rent regulation. There is no clear sign of landlords leaving the market in large numbers, and no evidence of a lasting hit to housebuilding. New housebuilding slumped in Spain during the Covid-19 pandemic and following the Russian invasion of Ukraine (Banco de España 2023). But rates have now bounced back with rent controls in place, and in 2025 the government confirmed the highest rate of new-build housing in 12 years, with a strong development pipeline for 2026 (BBVA 2025; MiVAU 2025).

The detail of the policy helps explain these outcomes.

- As in Germany, the Spanish government is actively boosting supply, with a public and private fund to construct 15,000 homes a year and a headline target of 2.4 million new homes (La Moncloa 2026).
- Landlords of new builds and substantially renovated properties are free to set rents at market rates, although the rates become subject to the IRAV immediately.
- Although Spain's rent controls only apply in-tenancy, the government is offering mortgage tax relief for a rent freeze between tenancies, going up

to 90 per cent for a rent reduction between tenancies, as well as breaks for renting to younger tenants and for providing affordable rents in areas with particularly fast-growing rents.

- In some cities, rent controls now apply to short-term lets as well. And the Catalan regional administration recently took even more significant action, banning tourist apartment licences, which is expected to return 10,000 units to the market (Kassam 2024).

4.

DESIGNING RENT CONTROLS FOR ENGLAND

In this chapter we:

- make the case for the introduction of a double-locked rent stabilisation measure in England, linked to the Consumer Prices Index (CPI) and wage growth, to be introduced quickly in response to global insecurity
- model the impact of such a measure on rents in the future, and what an impact it would have had, had it been introduced historically
- outline the measures necessary for successful implementation, including the enforcement and legislative framework, and the supportive policy framework required to mitigate any potential side-effects.

England had widespread rent controls until the late 1980s in the form of ‘regulated tenancies’. These kept housing costs for those in the PRS broadly in line with people in other tenures (Cribb et al 2023). But the Thatcher government abolished rent-controlled housing through the Housing Act 1988, and almost immediately a disparity opened up between the amount that private renters spent on housing costs and the amount that people in other tenures spent (ibid).

There are some remaining regulated tenancies – a legacy from pre-1988 – but they represent a very small proportion of the rental market, accounting for only around 28,000 properties across England (Wilson 2017; VOA 2023). The lack of existing regulation puts England in a strong position to implement rent controls, avoiding issues of overlapping legacy systems that have emerged in other countries.

Global insecurity such as the war in Iran adds urgency to the need for the government to act to support renters already struggling in the context of an ongoing cost-of-living crisis and high housing costs. The war in Iran is likely to drive up inflation, which has several potential impacts for landlords.

- Landlords’ income may be reduced in real terms.
- Maintenance costs may go up.
- The Bank of England may raise interest rates in an attempt to control inflation – increasing mortgage repayments for some landlords.⁷

These are all economically rational reasons to increase rents from a landlord’s perspective, but under current conditions, tenants will be the ones to bear the cost. Given the cost will have to be borne somewhere, the government should ensure it is distributed fairly between tenants and landlords, and act to protect tenants from the actions of opportunistic landlords (Booth 2023).

Stabilising rents is a logical continuation of the Renters’ Rights Act 2025, providing certainty and stability for tenants, and further professionalising the landlord sector. Linking rents to the CPI alone would provide certainty for landlords, but would not provide protection for tenants in times where the CPI rises significantly

⁷ Mortgage rates are already increasing due to uncertainty that the war in Iran has caused and concerns about rising inflation (Crew et al 2026).

above wages, worsening affordability. Introducing a link to wage growth would prevent future divergences between rents and wages.

There are no regions in England where rents are affordable for everyone. For example, in the North East, which has the lowest rates of renters with high housing costs, 18 per cent of private renters have high housing costs (IPPR analysis of DWP 2025).

In addition to the need to act quickly to protect renters from potential rent increases caused by global insecurity, the government should also learn from the implementation of the Renters' Rights Act. The flurry of evictions of tenants using section 21 before it was abolished on 1 May 2026 suggests that implementing the regulation quickly would protect tenants from landlords behaving unscrupulously in anticipation of new rules (Da Silva 2026). There is a risk that some landlords would raise rents before the introduction of the measure, although the risk would be somewhat mitigated as the Renters' Rights Act limits rent increases to yearly.

Recommendation: Rents should be 'double-locked', linked to wages and the Consumer Price Index (CPI), applied nationally, both within and between tenancies.

Rents should be linked to the lowest of a rolling monthly index of the CPI or wages, using an average over the previous 12 months. This will act to smooth spikes over the year. Rental contracts should state when rent increases will happen. The double-lock should be administered through the new Private Rental Sector Database, which is being set up under the Renters' Rights Act. Rents for new tenancies would be based on the property's previously registered rent, updated by the double-lock.

Applying the policy nationally would prevent a 'winners and losers' scenario, and market distortions where rents change significantly over administrative boundaries. Wage growth differs nationally, and rents increase unevenly across England. A national index is a blunt tool, but using the lower of the CPI or wage growth, rents would be limited in such a way that significant anomalies should not be exacerbated. The government should monitor the impact of such policy design and could consider regionally specific indexes in the future.

Applying the policy in- and between-tenancies reduces the mobility penalty created by in-tenancy-only controls, where moving exposes tenants to a full market rent reset. Because the cap applies between tenancies as well as within them, historical rent data will be needed. If government wanted to strengthen proposal further, reference rents could be used to ensure more comparability between similar properties.

EXEMPTIONS AND DESIGN

Exemptions should be limited to prevent a 'two tier' system forming, where some properties are subject to rent stabilisation and others are not. Such a system can impact rental market mobility and limit the effectiveness of the policy in terms of managing rents. However, there are several cases where exemptions will be necessary, as set out below.

Recommendation: Landlords who carry out significant work on their properties, particularly improvements to energy efficiency (where it is likely the improvements will translate to lower running costs for tenants), should be eligible for exemptions.

Landlords in these instances would be able to raise rents above the set level, up to a certain amount. They would inform tenants that the rent control does not

apply due to improvements. If the tenants felt that was unfair, the onus would be on them to challenge this by taking the case to the housing tribunal, which would assess the evidence and pass judgement. This system works well in Paris and is well suited to the remit of the housing tribunal.

Learning from the experience of other countries that have implemented some form of rental regulation, new-build properties should be exempt from the rent control regime for 10 years. This should reduce the disincentive to build new homes.

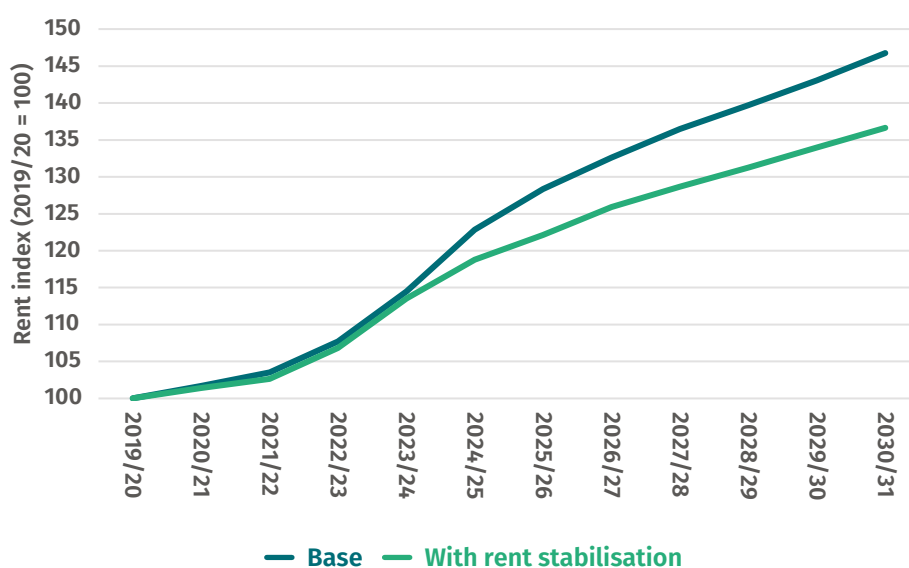
Recommendation: New-build properties should be exempt from the rent control for a period of 10 years, after which the rent control should be applied.

MODELLING THE IMPACTS

In normal times, applying the double-lock rent stabilisation measure would mean that the landlord's rent would be protected in real terms. But if wages decline in real terms (that is, where wages fail to grow faster than inflation, as was seen around the global financial crisis), landlords should be expected to shoulder some of the burden through being forced to accept a lower return.

FIGURE 4.1: HAD OUR PROPOSED STABILISATION POLICY BEEN APPLIED FROM 2019/20, RENTS WOULD HAVE BEEN 6.9 PER CENT LOWER BY THE END OF THIS DECADE BASED ON CURRENT FORECASTS

Forecast growth in rents, had rent controls been in place from 2019/20, vs no intervention (%)



Source: IPPR analysis of Office for Budget Responsibility, 'March 2026 economic and fiscal outlook – detailed forecast tables: economy' (OBR 2026)

Had such controls been in place from 2019/20 and using forecasts from the Office for Budget Responsibility, we model that private sector rents would have been 7 per cent lower by the end of this decade on average (see figure 4.1) – saving an average rental household around £850 a year in England and £1,700 a year in London (IPPR analysis of OBR 2026; ONS 2026). This would have meant approximately 140,000 fewer households in the PRS with high housing costs by 2030/31 compared to the baseline (no intervention) (analysis using the IPPR Tax-Benefit Model).

This is a simplified model that assumes landlords adopt rent maximising behaviour in the face of rent controls and raise rents to the maximum amount each year. This diverges from current landlord behaviour and rent increases, which are driven by a combination of significant increases between tenancies, and a relatively small group of landlords increasing rents significantly within tenancies. Our model is therefore likely to underestimate the overall savings from such a policy.

Modelling the introduction of the double lock between now and 2030/31 based on prevailing economic forecasts suggests very moderate effects from a CPI-linked policy, with rents just 2.2 per cent lower than the baseline by the end of this decade, equivalent to over £400 annually (IPPR analysis of OBR 2026). But such modelling fails to capture the protective aspects of such a policy, which is about protection from the unknown. The sharp increases in rents seen in the past few years were not foreseen and future shocks are hard to predict.

These estimates should be interpreted as mechanical impacts on the rent path, not as a full equilibrium model of the PRS. They do not incorporate behavioural responses by landlords, developers or tenants – including potential effects on quality, tenure conversion, mobility or new supply. The figures therefore illustrate the affordability protection that the index rule would provide, rather than predicting the total market effect of the policy.

IMPLEMENTATION OF RENT STABILISATION

Implementing our proposed form of rent control would require:

- primary legislation
- the government to publish and maintain the proposed index of the CPI and wages, to be used as a benchmark
- the Private Rental Sector Database, introduced in the Renters' Rights Act 2025, to be updated to include current and past rents.

This could be done rapidly, if required. The Energy Prices Act 2022, introduced to control energy prices for consumers, was introduced to parliament and passed within two weeks.

There is precedence for the introduction of rent controls as an emergency measure in response to market failure and rising costs for tenants, for example in Scotland and Spain.

Enforcement

The introduction of the new national Private Rental Sector Database under the Renters' Rights Act, due to be implemented from late 2026, will make regulating rents easier (MHCLG 2025c). This addresses an issue that Scotland faced, where a lack of robust data systems was identified as a key factor in the now-abandoned rent control system in which local authorities had to demonstrate high rates of local rent growth pressure to implement controls (Generation Rent 2025).

Recommendation: The national Private Rental Sector Database should include historical and current rent data.

The Private Rental Sector Database should include historical as well as current rent data and flag where rents have increased above permitted amounts. This would enable tenants to access important rental data.

Legislation

The Housing Act 1988 retained a form of rent regulation, linking rents to market rates. The Renters' Rights Act clarifies this and limits rent increases to one a year (MHCLG 2025b). Introducing our 'double-locked' rents could be done through

further amendments to section 14 of the Housing Act. This should include reference to the new index of the CPI and wages, and be amended to include reference to historical rents for a property, to deliver between-tenancy rent stabilisation.⁸

ENABLING POLICY FRAMEWORK

As outlined in chapter 3, several interventions are required alongside rent controls to ensure implementation of the controls is successful.

Recommendation: Return local housing allowance (LHA) to the 30th percentile.

While rent controls are highly unlikely to lead to a mass exodus of landlords, landlord exits are more likely to occur at the lower end of the income distribution. Therefore, uprating local housing allowance (LHA) will mean renters who could face eviction from landlord exit are supported.

Previous IPPR research has demonstrated the significant wider benefits of uprating LHA in supporting low-income private renters (Parkes et al 2025). The cost of increasing LHA back to the 30th percentile in 2026 is estimated to cost an additional £600 million (Kumar 2024). High rents in the PRS result in higher costs for the government, driven by LHA. Reducing the rate at which rents increase in the PRS would translate into a reduction in the rate of increase of LHA, making it more feasible to keep it permanently linked to the 30th percentile.

Recommendation: Introduce a licensing framework for short-term lets.

A licensing process for short-term lets should be introduced. This should limit conversions from the PRS to the short-term lettings market, but should ensure that moving from that market back to the PRS is less onerous on landlords.

The government already consulted on a framework for licensing short-term lets in 2024 (DCMS 2024), and implementing this, in conjunction with the proposal below, would make it less appealing for landlords to convert their properties out of the private rental sector and into short-term lets. A similar scheme is already in place in Scotland, which local authorities administer (Scottish government 2024).

Recommendation: Introduce an annual cap on the number of nights a property can be let for.

The government should introduce an annual cap on the number of nights a property can be let for, consulting on what this cap should be. The cap would:

- reduce the profitability of short-term letting as a business model
- reduce conversions to short-term lets
- encourage landlords to return properties to the long-term rental sector.

A similar scheme already exists in London, which limits short-term lets to 90 days in a calendar year; however, it faces problems with enforcement (GLA, no date; Cecil 2026).

Recommendation: The government should continue to prioritise social housing through the Social and Affordable Homes Programme.

Social housing that provides counter-cyclical supply should be explicitly prioritised through Social and Affordable Homes Programme allocations.

⁸ Amendments would be required to the Housing Act 1988, sections 14A and 14B, to change 'open-market rents' to an indexed rent. The Renters' Rights Act 2025 means tenants are already able to apply to the tribunal within the first six months of a tenancy if they think the property was let above open-market rents (section 7 of the Act), meaning the legislative framework for between-tenancy regulation already exists, and would need to be amended to reference the proposed indexed rent, rather than open-market rents.

CONCLUSION

Private renters with high housing costs represent one part of a broken housing system. Issues in the wider housing market – including house prices that put home-ownership out of reach for many, low levels of construction and growing social housing waiting lists – all contribute to what can feel like an intractable problem.

When Thatcher initially introduced the Housing Act 1988, the housing tribunal was intended to act to allow renters to challenge rent increases that were in excess of market rates. But section 21 of the Act undermined the spirit of the law since it made tenants vulnerable to retaliatory no-fault evictions. The current government has taken a promising first step in making the rental market fairer through introducing the Renters' Rights Act 2025, which:

- abolishes section 21 evictions
- limits rent increases to one a year
- clarifies market rates.

Introducing rent stabilisation is the key next step in making renting fairer and supporting millions of people with the cost-of-living crisis.

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The image features a minimalist design with a light green background. A large, dark blue shape, resembling a stylized letter 'L' or a bracket, is positioned on the right side. The top edge of this shape is curved, and it extends downwards and then horizontally to the left. The overall composition is clean and modern.

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