



Affordability of private renting


Dr Mark Jordan and Professor Helen Carr

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Outline

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





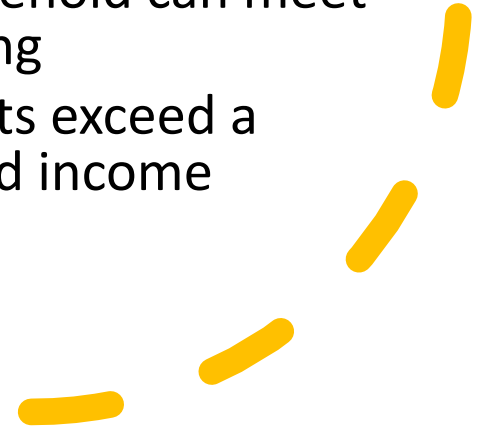
What is affordable housing?

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

Defining affordable housing

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

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Affordability?

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

Affordable housing – law and policy

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



Rent control – politically and economically contentious

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

Recent innovation in rent control

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

Conclusions of UK Collaborative Evidence report 2022

- Alex Marsh and Ken Gibb, [Rent control: A review of the evidence base : CaCHE \(housingevidence.ac.uk\)](https://housingevidence.ac.uk)
- Key considerations include
 - The importance of recognizing different models and generations of rent control practice when appraising the evidence.
 - The importance of acknowledging the interconnectedness of rent regulation with the wide range of actual and possible forms of non-price regulation.
 - The need for assumptions that are more strongly empirically grounded as the foundation for economic models.
 - Recognition of the importance of both local politics and ideological trends (and that these are not immutable). The relative stalling or lack of recent theoretical development in the relevant economics literature. System design needs to be tailored to local characteristics.
 - Practical evidence gap
 - absence of grounded understanding of landlord supply structure,
 - how segments of rental markets function and operate with different degrees of interdependence, and
 - the extent to which local markets are volatile and subject to external shocks.