A report for the Residential Landlords' Association

**Why governments should not enforce long-term contracts in the UK’s private rented sector**

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October 2013
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About the Residential Landlords’ Association

The Residential Landlords’ Association (RLA) has over 14,500 subscribers representing 20,000 landlords in the private rented sector; who manage over 250,000 properties across the UK, with a total portfolio worth an estimated £40.6 billion.

The RLA seeks to promote and maintain standards in the sector; providing training for its members, promoting the implementation of local landlord accreditation schemes, and driving out those criminal landlords who bring the sector into disrepute. Some members also include letting and managing agents.

Members are required to subscribe to the RLA’s code of conduct setting out their obligations to adhere to ethical standards, and ensure compliance with all relevant legislation.

Amongst its on-going aim for reform in the PRS, the RLA assisted in the establishment of the All-Party Parliamentary Group for the Private Rented Sector (APPG) in 2011, and currently provides the APPG with its secretariat.

For further information about the RLA please visit www.rla.org.uk.
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Disclaimer

This report has been written to inform and stimulate policy debate. While every effort has been made to ensure that the data and information are accurate, some errors may remain. In addition, it should be remembered that information in this field is variable in content and quality. The purpose of the report is to provide information, analysis and background regarding the UK’s housing market and private rented sector. It is neither intended for use in advertising and promotions, nor for market forecasting and investment decision purposes, and no liability is accepted in either regard.

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Executive summary

This report argues that recent proposals to introduced fixed-term contracts and bans on real rent changes within them are poorly thought out. If such tenancy rent control schemes were enforced, they would fatally undermine the huge increase in the private rented sector of the past two decades.

Despite claims to the contrary, landlords would face higher risks and lower returns; while the beneficiaries amongst tenants would be few and the losers many. Accommodation shortages would grow and general rent levels would rise. Some of the most vulnerable groups would be amongst the greatest losers. It is not low income groups that would benefit but a handful of relatively prosperous ‘insiders’; with outsiders left in the cold or to be exploited in informal markets.

…”landlords would face higher risks and lower returns; while the beneficiaries amongst tenants would be few and the losers many. Accommodation shortages would grow and general rent levels would rise.”

Casual reference to practices in Europe, where tenancy rent controls are common, ignores key facts: particularly that in many countries investment is weak and landlords are unable to respond to rises in demand because of caps on rents; that private renting is kept afloat by tax breaks and subsidies on a much greater scale than those in Britain; that large-scale regulatory bureaucracies are generated by controls; that there is frequent discrimination; and, that with controls renting becomes a political football at national and local levels.

Obviously, it is unreasonable to object to long-term rental contracts if they are freely entered into by both parties. The government has recently proposed such a contract and is currently working towards providing a new model tenancy agreement. However, it will not be made compulsory and there must doubt as to how widespread will be its adoption. Of concern is that this approach will become a stepping stone towards compulsion. (Further measures aim to limit the charging of fees at the time of tenancy renewals are to be welcomed and do not form part of the discussion here.)

At present, the minority of tenants who want to stay in their current accommodation for long periods of time often end up with a long-term tenancy and discounts to prevailing market rents, because many landlords like having such tenants. This
behaviour has wrongly been leapt on as justification for the need for the state to make it a universal requirement. Rather the argument here is that such a programme would fatally alter key institutional arrangements that at present enable long-term ‘discounted’ extended tenancies for most of those who want them, alongside large-scale investment. Instead, the heavy hand of the state could easily and rapidly damage the transformation of the private rented sector over the past two decades.

Housing costs are high in the UK and rents are expected to rise at what many would regard as alarming rates in the future, as housing supply persistently fails to keep up with burgeoning demand. Threatening the viability of the only tenure that has housed growing numbers of people in the past decade is an odd response to such a crisis. The UK needs more homes, not regulations that put off investment.

There is no case for governments to intervene to either enforce or incentivise long-term contracts. No market failure exists; rather formal, fair, mutually binding long-term rental contracts are generally unattractive options in the UK housing context.
1. The claim that the housing for rent market is failing

It is universally recognised that the revival of the private rented sector in the UK has only been made possible following reforms in the late 1980s that once again, after almost 75 years of extensive controls, created a broad, free market. Central elements of that freedom involve rent setting and limited enforced security of tenure.

This policy reform kicked-off a supply-side boom, despite a relatively unfavourable tax regime compared to many other countries. Over the course of the past two decades, investors have poured billions of pounds into extra rental properties across the country and demand has soared.

That the market has worked can be seen in the rapid expansion of the number of rental properties and tenancies. By contrast, there is long-term stagnation in the number of owner occupiers in the UK and declines in social tenants (Fig.1). Although the causes of these changes are complex, they could not have occurred - and housing distress would be far worse - without the massive increases that have taken place in the supply of rental accommodation.

“There is no tenant is likely to mind if rents fall, so what is really of concern is an argument on the need to protect existing tenants from rises in rents occurring elsewhere in the market. So, the question is whether sitting tenants should be protected by law against tenancy termination and rent rises. Beneath rhetoric of fairness, doing right...”

There are now over four million households living in the private rented sector in the UK as a whole. The number of dwellings in it has approximately doubled over the past 20 years and that housing now is worth around £1.1 trillion. This scale of increase in rental housing investment and consumption is without parallel internationally.

The very success of the expansion of the private rented sector in the UK has in recent years led to renewed questioning in some quarters of the current free market regime. In particular, there are concerns about a ‘lack of certainty’ in private tenants’ housing arrangements: both in terms of rent levels and security of tenure. The call is for long-term tenancy contracts with no opportunity to alter inflation-adjusted rents within them.

No tenant is likely to mind if rents fall, so what is really of concern is an argument on the need to protect existing tenants from rises in rents occurring elsewhere in the market. So, the question is whether sitting tenants should be protected by law against tenancy termination and rent rises. Beneath rhetoric of fairness, doing right...
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by families, market failure, and nudging behaviour, the policy demand is an old one about enforced security of tenure and rent control.

Some commentators have argued that long-term contracts binding on both parties are necessary to encourage institutional investment into the private rented sector or that long-term contracts are a sign of service quality and investor commitment.¹

Similar, the Coalition Government has recently proposed new model long-term tenancies, with only annual inflation-adjustments within them, but has no intention of making them compulsory.²

So, whether right or wrong, those arguments relate to freely negotiated arrangements. However, others are now demanding state intervention to create a compulsory right of all tenants to have rent-controlled, long-term contracts, from which they can quit but landlords cannot; or, alternatively, for the state to offer tax breaks to encourage such arrangements. Justification for this is done by reference to practices elsewhere in Europe and claims of extensive ‘market failure’ in the UK. There has been debate in the House of Commons over these issues, and other further commentary elsewhere, with calls for the need for policy action of either the stick or carrot varieties. The current Opposition has promised to act if elected.

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² Better tenancies for families in rental homes, DCLG Press release 1.10.13.

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The assertion is that this measure is what can be termed a ‘free lunch with seconds’, because not only is it said to be costless but landlords even gain. The conclusion is not the result of any in-depth analysis but of brief overviews that, it will be argued here, misunderstand the nature of investment in the private rented sector. It is no coincidence that the investment boomed following the late-1980s introduction of ‘assured-shorthold’ tenancy contracts that enable landlords to reclaim properties relatively quickly if need be. This is the case even though forced evictions in practice are rare and landlords generally value long-term good tenants. To dismantle this key part of the institutional framework of the UK’s private rented sector would lead to capital flight out of the sector at a time when far more capital is needed to provide the rental properties, particularly in high housing cost areas. So, rather the lunch being free it is more a case of the ‘you’ve been over-charged’ opposite; with lower investment, higher rents for all, and few net benefits to anyone, as will be shown below.

There are some indications within the market itself that some tenants are opting for long-term contracts and that some landlords are willing to offer them. Moreover, in some sectors of the market, binding leases of one or two years duration have been common for many years, such as for middle to upper market family housing.

However, these sorts of contract are binding on both parties, unlike those proposed ones, which only lock in landlords. Moreover, they represent only a small proportion of the rental market, and are likely to remain so, because short-term contracts are frequently better for tenants as well as landlords.

2. Is ‘stability’ a good justification for policy change?

The widespread use of assured shorthold tenancies (AST) is now firmly entrenched within the UK’s private rented sector. Under these contracts, security of tenure exists for only the initial six months and a required notice period if the landlord wishes to end the tenancy. It is argued by those proposing long-term contracts that many tenants want more stability in their housing arrangements. But the key question is how much are they willing to pay for it? The likely answer is little or nothing. That is why long-term contracts are rare, because such insurance come at a price, as it does in other spheres.

Uncertainty is rife in life. Why should privately rented housing be any different? No-one knows for sure whether they will have a job tomorrow; what the prices on the supermarket shelf or petrol forecourt will be; nor, in the case of owner occupiers, whether they will be able to continue to repay their mortgage. Taking out insurance to cover such uncertainties is expensive so often markets for them do not exist.

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See, for example, ‘Families seek longer-term tenancies’, Financial Times, 9.11.12.
It is also widely-recognised that a degree of uncertainty can stimulate beneficial behaviour and that the state generally can only exercise its power in favour of some at the expense of others. The moral case for market invention in favour of one group over another (some existing over other tenants and most landlords in this case) has to be high and even then may be outweighed by efficiency costs. Enforced long-term rental contracts fail on both the moral and the efficiency counts.

No economic system can provide absolute guarantees and a huge weight of historical evidence highlights that a market-based economy provides efficiencies, incentives, and standards of living that no other economic system is able to. Governments when they try to manage markets invariably fail abysmally, except in the relatively rare conditions of genuine ‘market failure’, when regulation becomes of a necessary but imperfect policy intervention. Think only of the recent experience of regulation in either the financial and the energy markets to know that regulators are as subject to human frailties as anyone else, and that these markets are full of unknowns and unexpected consequences. Moreover, with regulation comes political self-interest, which can be as paramount as economic and social considerations in decision making, if not more so.

3. The need for detailed investigation

Generalities, though true, may seem unconvincing in terms of specific markets. Housing after all has a special place in people’s lives and has become a hot political issue in Britain in view of widespread shortages, rising costs, and a chronic lack of new supply.

"Introduction of extra controls on rental contracts by policy command would erode many of the gains made in private renting in the UK over the past two decades. The losers would be most existing and prospective tenants..."
are generally unattractive options in the UK housing context. The market does already work reasonably well in respect of long-term tenancies, because under current institutional arrangements both landlords and tenants have incentives to encourage them when tenants want them.

However, attempts to enforce long fixed-term contracts would fundamentally alter the structure of the private rented sector, with significant adverse consequences.

European experience shows that enforcement of long-term rental contracts goes hand-in-hand with quite severe rent controls and heavy state intervention; the need for tax breaks to avoid a collapse in investment; and more public expenditure. The benefits for some in those countries also come not only at the expense of investment but also worse housing for others; particularly the mobile and vulnerable, including many families who are screened out of better accommodation. This experience overall is therefore a poor one to wish to import. Furthermore, housing shortages are particularly intense in the UK, which would make the situation even worse here.

Introduction of extra controls on rental contracts by policy command would erode many of the gains made in private renting in the UK over the past two decades. The losers would be most existing and prospective tenants, which the putative reforms claim to be helping, as investment in rental property would once again cut back in the face of excessive regulation and many homes would be reserved by state order for those that need them less than others.

The real cause of rising rents is the relatively general high rate of general price inflation in the UK and a chronic lack of housing supply which pushes up real rents on a trend basis. Only when inflation is tamed and housing supply greatly improved can greater certainty come to rents in the private rented sector.

4. ‘Stabilisation’ is a call for rent controls

Rent controls are old hat; or are they? Just about everyone accepts the folly of traditional rent controls, whereby rents were fixed at the price levels prevailing at a specific date, because that caused a breakdown in investment and growing dilapidation that blighted lives and whole city neighbourhoods. But, in a context of rising rents, suggestions about ‘stabilising’ rents are variations on this old theme.

For example, the Institute for Public Policy, in a recent publication, proposed local rent stabilisation boards (adopted from practice in Sweden, which is highly criticised by academic economists and organisations, such as the IMF and OECD⁴):

“...it might be possible …to include a maximum base rate for rents… possibly equivalent to one-third of the average income of tenants… in combination with the establishment of a local, tripartite rent stabilisation board for the mid-market private rented sector. Such a board would bring together local authorities, local landlords and local tenants to collectively negotiate limits on reasonable rises in rents over time, with these limits perhaps only being invoked when vacancies in the sector fall below 5 per cent of the relevant stock (that is, when steep rent rises are most likely).”

That is rent control in any generally accepted meaning of the term. Moreover, the proposal does not state what is supposed to happen in the likely event of landlords refusing to co-operate: yet, once put on the agenda, compulsion seems a likely proposed consequence. They also list a number of potentially 'useful' policies from other countries which promote long-term leases and limits on rent increases. There is no real analysis to justify these claims, nor of the portability of policies from elsewhere, nor of the merits of them in the countries from which they originate.

“...beliefs about market failure, the universal benefits of long-term contracts, and the current irrationality of landlord behaviour do not hold up to scrutiny.”

Several years ago, the Rugg Report argued that a climate of uncertainty is generated for tenants far out of proportion to actual notices to quit. But, more recently, the push for ‘certainty’ has intensified. Shelter argues that short-term tenancies are the cause of the high number of moves; rather than the usual view reported by the English Housing Survey that the vast majority of moves are voluntary, with people taking advantage of the low cost of moving as a renter. They also claim that there is a ‘market failure’ as most tenants and landlords want long-term tenancies but ‘in-grain practices’ stop them from happening.

The evidence provided to back up these claims is extremely limited, based on the observation that landlords face transaction costs when tenants move and ‘surveys’ of tenants who say they want longer tenancies. Shelter wants the introduction of what they call ‘Stable Rental Contracts’ to last for five years. During the period of the contracts landlords could only end a tenancy due to non-payment, bad behaviour, or if they wanted to sell a property. In contrast, tenants would have much greater flexibility and could quit on two months’ notice. The proposal then adds rent control

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within those contract periods. Rents would be freely set at the beginning of contracts but during them only general inflation increases in rents would be permitted. This proposal is a dual one about controlling rents and enforcing time-limited security of tenure – locking in landlords but not tenants. In the literature, it is frequently referred to as ‘tenancy rent control’ and that is the term that will be used here from now on.

It should be noted that neither of these publications actually argues that landlords are making excessive profits so that rents should be controlled to bring them down. That was the claim typically made for old-fashioned rent control, though the notion of ‘unscrupulous landlords’ abounds in modern rhetoric. Instead, the assertion underlying these policy proposals is that somehow the private rented sector has evolved over the past couple of decades in ways that are against both tenant and landlord interests. Forced change through regulation and subsidy (tax breaks) is required to redress this state of affairs, according to them. For instance, the Labour Party’s document starts off with the headline title ‘A private rented market that isn’t working for renters’ and echoes the sentiments expressed by Shelter.

However, such beliefs about market failure, the universal benefits of long-term contracts, and the current irrationality of landlord behaviour do not hold up to scrutiny. Potential landlord and tenant responses, feedback effects, and unintended consequences have not been thought through in such proposals. Rather than benefitting all tenants, the likely outcome of such policy programmes, it will be argued here, would be to benefit a few tenants, at best, at the expense of most others. There would also be a withdrawal of landlord investment; hikes in market rents; worse housing conditions; and more rogue landlords to operating in a ‘below-the-radar’ illegal manner; with vulnerable tenants hit worst.

5. Asymmetrical contracts

Security within tenancy rent control needs to be distinguished from a typical long-term contract, because it is asymmetrical in its obligations on tenants and landlords. The tenant can costlessly quit at any time by giving notice at short duration but the landlord is tied for the whole contract period. By contrast, typical long-term contracts outside of the housing sphere specify penalty clauses for early termination. For example, in other areas of real estate such as the commercial sector, tenants take out binding leases. In housing, symmetrical contracts are commonplace when private investors rent their properties to local authorities under leasing programmes.

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8 Basu ref
The ability of residential tenants to exit from a contract at any time leaves landlords with vacancy risk as well as reduced rights of property possession, whereas a symmetrically binding long-term contract only contains default risk and so can be priced lower.

6. Longer tenancies currently tend to have lower rents

There are reasons to think that current market mechanisms work to enhance security and give better terms to ‘good’ tenants that stay for a long time. The *English Housing Survey* shows that longer term tenants have lower average rents than recent ones. There are also a variety of cases in the academic literature from the USA where it is shown that longer-term tenancies are associated with lower rents in free rental markets.

“The claim is that if some landlords are happy having long-term tenants while others do not, the latter must be constrained or irrational, so tenancy rent control is essential to overcome that. However, that simply is not the case...”

The reasons for this are that landlords have incentives to value good existing tenants willing to pay somewhere near the going-market rent. The argument is a straightforward combination of transaction and information asymmetry costs. When tenants quit, landlords face the risk of a prolonged vacancy - average vacancy rates frequently extend to a month or more. Landlords have to spend on redecoration, minor maintenance and search items, such as agency fees, in order to attract new tenants. New tenants are unknown quantities for landlords, who have little information about their behaviour to go on. New tenants may fail to pay the rent on a timely basis or generate extra maintenance and administration. Even under current tenancy arrangements, eviction is time-consuming, costly and stressful, so landlords try to avoid it where possible, adding to the attractions of known quantities. In addition, new tenants may themselves be suspicious of landlord motives and, so, be more reluctant to co-operate. Such asymmetrical information between tenant and landlord is diminished over time as each gets to know the other better. To avoid the costs and risks of tenant change, existing tenants may enjoy lower than market rents to encourage them to stay, especially in situations when rents are generally rising.

Market mechanisms then help to match those with preferences for long-term tenancies with those prepared to offer them. Tenants requiring long-term
accommodation will gravitate to landlords that are happy with such arrangements; either through active search or through the fact that reluctant landlords terminate tenancies but not supportive ones.

Paradoxically, proponents of tenancy rent control turned this market experience on its head and bizarrely argue that it shows markets do not work. The claim is that if some landlords are happy having long-term tenants while others do not, the latter must be constrained or irrational, so tenancy rent control is essential to overcome that. However, that simply is not the case. The current situation works as it does precisely because landlords can choose it and are not locked in. They can still negotiate over rent with the tenant; have their property valued as if it were vacant (i.e. at vacant possession); and raise attractive mortgage finance. Moreover, they still have the option to end the tenancy if the relationship turns sour.

7. Mortgage constraints on longer-term contracts

Proponents of tenancy rent control complain that current mortgage arrangements often require landlords to offer only short-term tenancies. So, they are that lenders’ stipulations requiring ASTs, as written into buy-to-let mortgage contracts, hold back offers of long-term tenancies. However, lender acquiescence to long-term rental contracts is not costless.

The ability to gain rapid vacant possession when required is important in risk appraisal. From a lender’s perspective, with long-term contracts the tenant becomes an involved party, so tenant risk factors become material as well as the current landlord default and market condition ones. If long-term tenancies were introduced, a rational lender would tighten loan terms and charge a higher interest rate to compensate for the greater risk. That would obviously raise landlords’ costs and squeeze their returns, putting upward pressure on rents.

It may also reduce the flow of mortgage finance to the sector as lenders may not wish to take on the added risk and the extra capital requirements associated with it. There is a simple test of this financial constraint thesis. A significant portion of rental properties are held unencumbered by a mortgage, so those are obviously unconstrained by lender behaviour. If it could be shown that there was significantly higher proportion of long-term contracts amongst those no debt properties then there might be grounds for concern about financial barriers. However, that is unlikely to be the case.

8. Stamp Duty Land Tax

At present, stamp duty land tax would be chargeable upfront on the net present value of the rent accruing over the life of a five-year lease. So, to offer five-year
leases in the private rented sector would require legislation with regard to exemptions, which might be difficult to enact. This illustrates again that the proponents of tenancy rent control have not thought through the implications of their schemes.

9. Landlords’ costs and risks

Landlords face costs with regard to finding tenants and void periods. Because of this proponents of tenancy rent control claim that long-term tenancies save them money so that they should be happy to have them enforced. But the fact that landlords rarely offer them suggests that the cost savings of compulsory long-term tenancies are probably illusory. In this context, it is worth delving into landlord costs and their responses to them further.

As well as facing voids and transaction costs, landlords’ properties experience physical depreciation (while simultaneously they may experience capital value appreciation or depreciation). Financial costs are incurred through loans or the opportunity cost of their own capital. Property management and maintenance in residential is also intensive, hands-on in nature and costly. Those latter costs escalate considerably with ‘problem’ tenants. Finally, taxes have to be paid.

“...the landlord-tenant relationship is fundamentally a commercial one. Both parties have to have incentives to get on and minimise costs and inconvenience to one another, if that relationship is going to work.”

Running through some of these cost items sequentially raises questions about cost differences under distinct tenancy arrangements. First, it is not the case that all tenants would stay for the full-length of a long-term tenancy; so many landlords would still face tenancy churn costs and would adopt strategies towards that (see later). Second, tenancy lock-in imposes additional costs and risks in a number of property management contexts.

Tenants will vary considerably in terms of their behaviour and reliability. Problem tenants can be costly and disruptive, not only for landlords but also for other tenants living in a property. Longer-term tenancies make the risk of being stuck with a problem tenant for a long-time much higher than under current arrangements. That risk is a cost to landlords.
Proponents of tenancy rent control suggest that a six-month trial period solves that problem but that may weed out only the worst, as there is always the risk that behaviour can change after that grace period. Even long-term tenants have more of an incentive to remain on good terms with the landlord and other tenants when homes are at risk.

The basic point is that the landlord-tenant relationship is fundamentally a commercial one. Both parties have to have incentives to get on and minimise costs and inconvenience to one another, if that relationship is going to work. Having long-term rent contracts biased in favour of tenants - in that they can quit if things go wrong but landlords cannot – inevitably raises the risk perceptions of many landlords. They will want compensation for that higher potential risk or will quit the industry.

These issues are probably of greatest concern for the millions of small landlords that provide a large part of the supply of rental accommodation. Their engagement is often a mixture of capital and labour, with direct management of the properties they own. It is easy to dismiss them tautologically as unprofessional but, beyond the semantics, they generally offer a low cost and flexible rental service and are the backbone of the private rented sector. Some may be lucky and find good long-term tenants; others will not or may have different strategies. But they cannot profitably rely on indirect relationships via specialists to distance themselves from their own properties, nor large numbers to smooth away in their returns any problems with individual properties that may arise with long-term contracts. Again, individual landlord preferences matter but many smaller portfolio landlords may find the risks associated with tenancy rent control too much to bear.

While data do not exist to calibrate the cost differences of different tenancy lengths accurately, there are nonetheless going to be significant differences. Within this context, it is insufficient to play up landlord cost savings associated with lower costs, while ignoring other potentially greater ones. The greatest concern to landlords will be an altered profile of risks.

If tenants fail to pay their rent promptly; make frequent demands; damage property; or disturb neighbour landlord costs rise significantly. With enforced long-term contracts, the probability of such events occurring for any landlord rises notably.

Much depends on the tenant-landlord relationship. Currently, only 12.5 per cent of market renters have been in their accommodation for five years or more.12 Little is specifically known about them or their landlords and it cannot be assumed that they have the same characteristics as the rest of the housing market. For example, they are likely to be above average in terms of limiting management costs (e.g. well-behaved and good payers).

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12 English Housing Survey.
Most landlords currently operate in a context where tenant turnover is substantial. This brings financial gains as well as higher transaction costs. For example, it enables small-scale landlords to manage risk easier. They gain smoothing benefits from having a large turnover of tenants, as they would be extremely unlucky to have a string of ‘problem’ ones.

Knowing that someone is unlikely to be around for some time, in other words, has benefits as well as costs. Another benefit is the ability to raise rents seamlessly when one tenancy ends and another begins, so that they can easily track market rent trends and avoid potentially unpleasant discussions with tenants. Many also try to keep transaction costs down by doing all or much of the lettings process themselves.

So, it is institutionally the case that the majority of landlords have investment strategies and business practices based on relatively fast tenant turnover, driven by the nature of the market place in which they operate. It is therefore very unwise to assume that nothing would be affected by a radical state enforced change to the standard landlord business model. Rational landlords should object to tenancy rent control and have good reasons for doing so.

10. Who are market renters?

It is clear from data on the characteristics of those renting privately that long-term tenancy concerns are currently a minority issue, though how large that minority is unclear. As the Rugg Report\textsuperscript{13} pointed out, there are many different types of private tenant, so that generalisation is often difficult. However, that does not negate the fact that it is possible to add up types of tenant that are unlikely to benefit from tenancy rent control and they are clearly in the majority. So, it becomes clear that if tenancy rent control was introduced the losers would vastly outweigh the winners.

Younger, more mobile, childless adults are the dominant group within the private rented sector as the following data from the \textit{English Housing Survey} show:

- 51 per cent are aged 34 or less, three-quarters aged 44 or less;
- A third have children – 14 per cent are single parents;
- 67 per cent are two or one person households;
- 36 per cent have lived in their accommodation for less than a year;
- 72 per cent have lived in their accommodation for less than three years;

\textsuperscript{13} ibid.
• Only 15 per cent have lived where they are for five years or more;

• 70 per cent work full-time;

• 13 per cent are retired or unemployed; and,

• 17 per cent are ‘other economically inactive’ – including students.

The majority is likely to gain little or nothing from long-term contracts or tenancy rent control, given a high propensity to move. Yet, all of them will bear the costs of tenancy rent control in terms of fewer dwellings on the market and higher rents.

Even within the group with children – a third of tenants – it is by no means clear that a substantial proportion actually want to settle down for a long-time in their current rental homes. The statistics do not suggest that tenants with families are inherently less mobile than those without children. For example, an indicator of mobility is whether a household has been at its current address for less than a year, and a quarter of them were parents with children.

“There are... scant signs of major dissatisfaction at present that would give credence to claims that ‘the private rented sector is failing tenants’... survey evidence suggests only 3.5 per cent of all private tenants are very dissatisfied with their accommodation...”

Moreover, part of that desire for mobility is induced by the fact that the private rented sector is nowadays a stepping stone to home ownership; with two-thirds of first-time buyers previously having rented. For a significant proportion of them, the advent of children is what stimulates a desire to buy. Almost three-quarters (72 per cent) of those leaving the private rented sector for owner occupation have children; as did almost a third (31 per cent) of those moving into social housing. Even though the pathway to owner occupation has been constricted since the financial crisis, over 50,000 people with children still leave the private rented sector for homeownership each year in England alone.14

14 Data for 2010/11: English Housing Survey.
There are also scant signs of major dissatisfaction at present that would give credence to claims that ‘the private rented sector is failing tenants’. In fact, survey evidence suggests only 3.5 per cent of all private tenants are very dissatisfied with their accommodation. In general across all tenures, those with children rarely express dissatisfaction with their accommodation, with only two per cent of couples with children saying they are very dissatisfied; although single parents voice greater concerns (six per cent). The problems in the UK are more about finding a home and the cost of housing, the evidence suggests, rather than with existing accommodation once found.

11. What determines market rents?

Long-term contracts with tenancy rent control are said to be needed because of the instability of rents. So, a stepping-off point in examining this claim is to consider the determinants of market rents.

The key consideration in rent determination is to recognise that there is a clear and simple long-run relationship between rents and the prices of dwellings: prices are the discounted present values of net rent streams. The two influences on the rent-house price relationship are consequently rents (current and expected future ones) and the interest rates used to discount those rent flows to present values. Over the long-run, it is helpful in analysis to assume that interest rates are stationary, so that emphasis is put on rents and rental growth.

A complication is that rental and owner occupied dwellings trade in the same market and, so, house prices in both sectors are determined on a common basis. For owner occupiers, rental values are implicit in the prices purchasers are prepared to pay for their homes; whereas in rental markets rents obviously are explicit as they are what tenants pay to landlords. Taxation and other cost differences complicate the relationship between the two tenures but these factors are best put to one side for the purpose of examining the implications of long-term rental contracts.

11.1. Long-term trends

A key feature of the UK market is that Britain has an enduring housing shortage is caused by a chronic lack of new supply in the face of persistent long-term increases in demand. This has pushed up real house prices on a trend basis by around three per cent annually over the past 30 years and further trend rises can be expected in the future (Fig. 2). Other indices give a somewhat different picture, especially in recent years, but all highlight the strong trend rise.

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15 For reference, that is a lower percentage than in social housing, 6%. 2010/11; EHS.
Moreover, house prices are rising at a faster rate than earnings, so affordability problems have been intensifying across the board, as can be seen in the trend rise in the average UK house price to earnings ratio (Fig.3). Inevitably, given the relationship between rents and house prices, rents are going to rise nationally over the long-run by roughly the same amount as house prices. Such a strong upward pressure on rents is an important feature of the UK rental market.

11.2. The uniqueness of UK price and rent pressures

No other major country has such a strong upward house price trend as the UK and few have such an unresponsive supply-side. For these, if no other, reasons making casual reference to other countries’ housing policies as policy options for the UK is fraught with danger. They simply do not have the same housing problems that the UK has. Germany, for example, has for more modest pressures on housing costs, because it builds far more homes in response to changes in demand than occurs in the UK. In fact, real rents and house prices were falling during many years over the past quarter of a century.\(^\text{17}\) Rent constraints consequently have been by no means as binding as they would be in the UK. However, demand pressures are now growing in major German cities and this is provoking new local rent control measures and national calls for tighter controls but little investment.

\(^{17}\) M. Ball, RICS European Housing Review 2012.
11.3. General inflation further pushes up nominal rents

The UK economy is dogged by chronic general price inflation, which has been running at notably higher levels than in comparable countries in recent years (Fig. 4). Britain has a track record of relatively high inflation and, within bounds, a relatively relaxed policy attitude towards it. This contrasts with some countries, like Germany, that are often used as housing market comparators. If, at present, annual inflation (CPI) rent rises were permitted in four to five-year contracts, as has been proposed, households would experience neither constant nor necessarily predictable housing costs simply because of general inflation.

Paradoxically, tenants in most parts of the country would also be paying notably higher rents than they currently do if tenancy rent control contracts existed that enabled annual CPI rises. This is because many local housing markets have been weak since the 2008/9 recession. With the partial exception of London, rents for new tenancies in general have failed to keep up with general price inflation. Those in existing tenancies have typically lagged even further as landlords have been keen to retain tenants in a weak market.

This illustrates two important points. The flexibility inherent in short-term contracts facilitates negotiation. It also illustrates a general point that much real adjustment in the housing market takes place through general inflation rising faster than or lagging behind house price and rent changes.
Recent experience in rental markets highlights the fact that rents tend to behave differently from house prices over property cycles. Over the past 30 years or so, real house price cycles have been long and variable in duration (as can be seen in Fig. 2). The variability in amplitude and duration is unsurprising as it depends on detailed variations in demand and supply and the long lags that exist in this type of market.

The trough-to-trough time span from the early 1980s to the mid-1990s was around 15 years. Nationally, the current trough-to-trough may not yet be complete but will probably be of the order of 20 years. With such long-cycles, differences in the behaviour of house prices and rents can themselves be long-lasting around their interlinked trend.

Renters' willingness to pay is constrained by their incomes, so there is a linkage between the growth in earnings and the growth in rents. This does not mean that there is a fixed relationship between the two, because people can devote more or less of their income to housing costs and are able to alter the amount of accommodation they consume. For example, renters may respond to higher rents by opting for a less expensive, smaller flat; by sharing; or by moving to a cheaper location. Nonetheless, cyclical variations in rents remain income constrained.

By contrast, house purchasers - be they owner occupiers or investors – are not solely constrained by the incomes as they are able to borrow to partly fund purchase and may also have existing housing and other wealth. The availability of credit, the level of house prices, and expectations of future price changes consequently are key.
factors in influencing how much they are willing to pay for housing. As a result, house prices tend to rise at a much faster rate than rents during housing market booms.

Rent adjustments are also sticky, which helps to smooth out their rate of change in comparison to that of house prices. For example, when demand is rising, existing tenants’ rents may lag behind market trends, as noted earlier. Alternatively, when demand is falling, landlords will be reluctant to cut rents.

An additional effect causing divergences between house price and rent growth is the greater propensity of investors to buy rental properties during housing market booms in the expectation of capital gains. The more they buy, the lower are rent increases likely to be because their investments add to rental supply. This further smooths rent rises in relation to house price changes. Such an investor rent smoothing effect occurred during the ‘buy-to-let’ boom in the years prior to 2007.

During downturns, the opposite dynamic occurs with house prices declining faster than rents; partly due to the stickiness of rents and because more households opt for renting as falling house prices deter them from purchase. In the early stages of a recovery, rents may well rise at a faster rate than prices if potential owners’ price expectations lag market trends, so that they delay purchase for fear of further price falls. Credit conditions may also still be tight making purchase hard and the demand for renting high. Both the opting for renting rather than buying and house purchase credit rationing were observable in the UK market from 2008 to 2012, although early 2013 saw an increase in first-time buyer activity.

The above analysis has argued that there are systematic reasons why rent changes tend to be smoother than house prices ones. The overall outcome is that the rent cycle is far more muted than the house price cycle.

The existence of cycles does not negate the general point about the trend relationship between market rents and house prices but rather indicates that it is a moving target. At times, rents diverge from house prices and other times they converge. While it is easy to deduce such relationships, forecasting them precisely is hard.

This difference is house price and rent adjustment is important with regard to fixed period, controlled rent contracts because the latter impede the process of market adjustment. There will be times when rents rise at a much faster rate than any putative trend and, then, the divergence between market and fixed contract controlled rents will be particularly large. Similarly, as noted earlier, there will be times when rents rise at a slower rate than the inflation-adjustments allowed in the contracts.
Fixed-term contracts could also slow down moves from renting to owner occupation. Most first-time buyers nowadays previously lived in the private rented sector and often make considerable sacrifices during the pre- and post-purchase phases in order to devote funds to their moves into owner occupation. If people contemplating house purchase were aware that their real rent would be constant for several more years under a fixed-term contract, this would act as a disincentive to them making the efforts required to buy a home. This would have impacts on both tenures: lowering the demand for owner occupation and increasing it for renting.

The scale of this disincentive effect is hard to measure but as many thousands of people move out of renting into homeownership each year the aggregate effect could be significant. For example, 68,000 first-time buyers in 2009/10 previously were private tenants.¹⁸ Shortages would be exacerbated in the private rented sector by the heightened demand caused by delayed purchases and that would put upward pressure on rents. This point is an example of how controls tend to create distortions that ripple through markets and housing is no exception to that rule.

12. The impact of long fixed-term contracts on rents and housing availability

If tenancy rent controls were introduced so that no real increases in rents were allowed for a five-year period from an initial tenancy, as Shelter proposes, and real rents rose annually at their trend value of, say, three per cent (the UK trend value for real house prices), then, by the end of the five-year term real rents in those controlled tenancies would typically be almost 16 per cent less than prevailing market rents. If they were frozen for 10 years, the difference would rise to over 30 per cent. Given the existence of cycles, the divergences could be even greater at specific points in time.

Such divergences would encourage tenants to avoid moving until the last possible time in their lease. This would reduce mobility and efficient resource allocation in the private rented sector – two of its key economic and social benefits. The demand for space from existing tenants will be artificially increased for the period of the lease by the freeze in rents.

Furthermore, for sitting tenants rent hikes at the end of the controlled time period would be substantial. This could force many to move; exactly the opposite of what was supposed to be the policy aim. Furthermore, governments could well face agitation for further rent controls to ameliorate these jumps in housing costs, as has happened in other countries.

Tenants with remaining lease terms may also be tempted to illegally sub-let and profit from the difference between their tenancy controlled and actual market rents.

¹⁸ Survey of English Housing, DCLG.
This would create a new breed of undercover ‘landlords’ over which there would be no formal control.

The income loss to landlords over the course of a five-year lease would be considerable on the figures discussed above. So, claims that landlords would welcome enforced five-year contracts again seem hard to justify. Instead, in the face of such income losses, many landlords would inevitably cut back their property investments.

The earlier numerical example can be extended to include an element of general price inflation. If inflation averaged three per cent and CPI increases were permitted annually, existing tenants would still experience significant annual nominal rent rises. If it is assumed that CPI rises by three per cent annually, combining that with the forecast three per cent trend rise in rents means that free market rents would rise by over 30 per cent over a five-year period; the rises would be even greater in high demand areas. This illustrates starkly the scale of the UK housing affordability crisis that currently exists. Concern about rising rents is well-informed. However, it is not solved by attempts to reduce rents for some at the expense of others, though rent controls, but by expanding the supply of housing.

13. Who gains and who loses from tenancy rent control?

The existence of long-term rises in housing demand in the UK highlights a fundamental consequence of rent control. Protecting sitting tenants from rent rises (i.e. so-called stabilisation) condemns others to being unable to find homes and for all those looking for accommodation to higher rents all round.

Landlords do not live in the houses they offer for rent, people in need of accommodation do. Rational landlords may want to maximise their returns but can only charge the rents that someone is willing to pay. The market rent is not some arbitrary ‘unfair’ figure set by landlords but a consequence of what people are willing to pay in the face of prevailing supply conditions.

Fixing rents at below prevailing market levels means the people already living in accommodation and wishing to stay are being privileged at the expense of others willing to pay more. The latter consist of new entrants to a local housing market and those that wish to move within it, which ironically will include a good proportion of those in existing tenancies.

Furthermore, as argued above, tenancy rent control leads in a UK context to reduced investment in the private rented sector. If the supply of rented accommodation falls clearly, market rents will rise but, in addition, the available accommodation to rent will decline substantially. Those wishing to move within the private rented sector will
be hit twice: first, by a reduced supply of properties due to the induced decline in investment and, second, by much of what remains of the rental stock being tied up in long-term tenancies.

“It is hard to see the social justice in the tenancy rent control measure... The situation would probably be made worse for most families. They would be unable to find the accommodation they wanted because the state has decreed that sitting tenants should have significant privileges over others.”

It is hard to see the social justice in the tenancy rent control measure. There is no reason to expect that existing tenants as a group actually mainly consist of deserving cases, such as the sorts of families that the proposals claim to be aimed at. Successive surveys have all shown that a highly diverse array of people live in the private rented sector. All would have to be offered tenancy rent control under the proposals. The situation would probably be made worse for most families. They would be unable to find the accommodation they wanted because the state has decreed that sitting tenants should have significant privileges over others.

How is it possible in the abstract to know whether one or the other person/family is more deserving than the other? Many studies of rent control show that it is not low income groups that benefit the most but relatively prosperous ‘insiders’, with outsiders left in the cold or to be exploited in informal markets.¹⁹ Market-based societies avoid such problems by allocating goods on the basis of willingness to pay. Poverty cannot be solved by fixing prices but by raising incomes.

14. The impact of landlord strategies under tenancy rent control

The impact on rents would be influenced by landlord strategies and by the types of market in which they operate, so it is hard to be precise but the general conclusion is that rents are likely to be higher rather than lower and some types of tenant will find it particularly harder to obtain accommodation.

14.1. Front-load rents

The nature of this strategy can be shown with a simple sequence of argument. Initially, assume that everyone has full information. With perfect foresight about the

time a tenant is going to stay and perfect forecasts of future rents, landlords would ask for, and new tenants would accept, rents over the time of the tenancy that match the discounted flow of the equivalent rents in a free market minus the permitted increases in rents during the tenancy.

In a context of rising rents, initial rents would be higher than market ones because the rent control measure means that landlords front-load rents. At the start of the period, when the rent is negotiated with a new tenant, the rent is higher than the old short tenancy market one and then declines relative to it over the contract period, only to rise above it when rents are negotiated again.

“The potential for undesirable discriminatory practices is... present, because the perceived costs to landlords of non-discriminatory behaviour are greater if they cannot cancel tenancies at short notice.”

In the general real world situation of uncertainty, the impact is less clear than in the world of perfect foresight. But the principle that landlords will try and compensate themselves for any potential loss of return by front-loading the rents agreed with new tenants still prevails. In effect, tenants pay an initial ‘insurance premium’ for having fixed rents during a given period, whether they want the resultant fixed rent or not. For example, research has found that tenants living in second-generation rent control properties in New York initially pay higher rents than those in the free market sector but tend to stay longer and enjoy increasingly lower than market rents as the lengths of their tenancies increase.\(^20\)

Whether landlords will be able to adopt such a policy probably depends on the market segments in which they operate. For example, larger landlords who are able to product differentiate (through branding, etc.) might be interested with these types of contract if it helps them differentiate their offer from that in the general market place.

However, it should be noted that product differentiation typically occurs in markets where demand is price inelastic. So, where the strategy is successful landlords may be able to reap higher than normal returns. There is little prospect of lower rents, nor is there likely to be much impact in the more affordable sectors.

14.2. Accept lower overall rental income

As was noted earlier, rents are linked to earnings levels and this income constraint makes it unlikely that most landlords would be able to front-load rents. In that case, under tenancy rent control they would have to accept low income and lower returns over the course of the tenancy period.

As a corollary, less housing will be supplied on the rental market at those lower returns, as some landlords will quit and others will not invest, and the ensuing greater shortages will push up rents. The aggregate impact will consequently be higher rents all round.

14.3. Select tenants likely to stay for short-time periods only

Tenancy rent control also leads to unfortunate filtering rules. If fixed-term contracts impose losses on landlords, they will prefer to house tenants with a low probability of staying long, or ones with a higher probability of being ‘good’ long-term tenants. This will consequently lead to a filtering out of potential applicants less likely fit those criteria.

Landlords will consequently tend to discriminate against riskier or potentially more costly households. Typically, younger and childless households are likely to stay for shorter times and sub-groups of them will be perceived as good long-term tenants. This group will therefore be treated the most favourably by landlords, whereas other types of household may find it more difficult to find accommodation because of landlord fears that they will stay for the full duration of the tenancy or be higher cost. So, those less financially attractive tenants may be able to move less frequently under tenancy rent control than they would do on average under free market conditions; reinforcing landlord beliefs about their behaviour.

One outcome would be that some of the less financially attractive groups of households would only be able to rent in a higher priced beyond the law ‘informal’ sector, or stay in worse accommodation because of lower market opportunities. This disadvantaged group includes many vulnerable households and families and many of those new to a district, particularly poorer immigrants. Such filtering effects reinforce the insider-outsider housing world of tenancy rent control.

Despite their attempts at broad categorisation of tenant types, landlords will still not know which tenants are actually going to stay longer. There is asymmetrical information, because tenants will have much clearer views of their plans. An adverse selection situation may well occur as a result, with higher equilibrium rents for all and lower supply compared to a free market context.  

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What is more, landlords would not have detailed information on potential tenants and so are likely to use rough-and-ready personal perceptions about particular types of tenant and their behaviour. The potential for undesirable discriminatory practices is thereby present, because the perceived costs to landlords of non-discriminatory behaviour are greater if they cannot cancel tenancies at short notice.

15. The European experience

Much emphasis from those calling for new controls in the private rented sector is the current situation in European countries. However, the picture across the Channel does not look as rosy as it is often painted. Moreover, there is a great deal of variety between countries. Nonetheless, tenancy rent control measures have a number of general features:

i. **Time span**
   Generally, leases last for a stipulated period of time. For example, in France the law requires three years for unfurnished accommodation, with the small furnished sector having one-year terms. In Italy, leases last four years and in Austria they are three years initially. Ireland has four-year terms, after an initial six-month introductory period. However, Germany’s rental agreements have no stipulated time limit, nor do Switzerland’s, and in Austria they are indefinite on renewal.

ii. **Tenants can quit at any time but landlords cannot**
   During leases, tenants can typically move out at any time after giving a short period of notice. By contrast, landlords can only terminate leases before their end when there are severe tenant breaches of their terms, such as non-payment of rent. That ability is weak, however, as eviction process are lengthy.

iii. **Initial rent setting**
   Rents are freely agreed between landlords and tenants at the beginning of the tenancy. However, there are invariably stipulations about ‘excessive rents’ under which rents can be rolled back by tenants on appeal to a designated authority once living in a property.

iv. **Limited rent increases**
   For existing tenants, there are typically strict rules on permitted rent increases during a tenancy. In practice, once general inflation and rising energy costs are stripped out, no or little rent increases are usually allowed. Local rules in Germany often require any rent to match prevailing existing ones in many localities or, alternatively, to be linked to inflation; plus nationally determined caps on annual rent rises. Elsewhere, the general rate of inflation is the usual
stipulated maximum permitted annual rent increase (net of energy costs). France has a variant in the form of an official rent reference index published monthly, which is a mix of estimates of landlords’ costs and inflation.

v. Contract rollover
Some countries stipulate that existing tenants have the right of first offer on a new tenancy agreement once the first has expired, or may require that they be offered further contracts if they want them, bringing the private rented sector close to old-fashioned rent control (with some adjustment for inflation).

vi. Eviction
Eviction in most countries is difficult and costly and tenant biased. Both the law and courts interpretation of it (and case precedents) tend to support tenants, even when lease terms are breached. Court processes are commonly slow, costly, inefficient, and uncertain. Eighteen months or more is typical for evictions in France; even longer in Italy. The process may be somewhat shorter elsewhere but the process is still fraught and uncertain. Legal bills for landlords can be high, acting further as a disincentive to action when tenant problems arise.

This quick survey indicates that across Europe long rental leases are associated with extensive state regulation and rent control. As they are the implication is that they would not generally have been entered into by landlords in the absence of such controls.

With such legislation comes a variety of institutions to administer and observe. There are official institutions to monitor landlord-tenant relations and rents; to measure costs that landlords can pass on to tenants; and to arbitrate in disputes. Both tenants and landlords have incentives once these mechanisms are in place to set up lobbying bodies to influence policy detail and to evaluate and publicise practice. The courts are heavily involved in setting the ground rules, via their legal interpretations and judgements, as well as in eviction processes and general landlord-tenant relations. Heightened state and judicial engagement in the private rented sector comes at a cost, and the burden is borne by a mix of taxpayers, landlords and tenants.

15.1. European rental markets exhibit weak investment

Recent calls for greater regulation of the private rented sector frequently cite one particular recent comparative housing publication, which provides relatively brief country-by-country summary papers by country-based academics, as evidence that change is beneficial. Yet, a careful reading of that report leads to other

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conclusions. Contrary to advocating wholesale reform of the UK’s private rented sector on European lines, the editors are circumspect about the wisdom of superficial policy picking. Its chapters also paint an uncomfortable picture of poor investment in the private rented sector.

For example, despite far more generous tax breaks than exist in the UK, new building in Germany is currently small by historic standards and ‘the low interest rates in the aftermath of the crisis did not significantly spur housing investment in the rental sector.’23 This suggests returns are poor and not expected to improve. ‘In terms of lessons for the UK, the Danish case presents more errors to avoid than of positive examples to follow - as evidenced by the steep and continuing fall in the percentage of private rented dwellings in the overall building stock.’24 With regard to France, ‘…maintaining an adequate supply of rented properties depends so greatly on support from the state...’25 ‘Rented housing is heavily taxed, which makes it economically marginal for many investors.’26

Successive editions of the RICS European Housing Review27 also report highly-regulated and weak rental markets. A long and distinguish academic comparative literature has also singularly failed to advocate the introduction of tenancy rent control to the UK, based on European experience.

Overall, the evidence points to a lack of investment in Europe in the private rented sector; a situation that is in marked contrast to UK experience over the past two decades. There is no better demonstration of the benefits to tenants of the existence of the UK’s relatively free rental market in contrast to the rule bound procedures in most of Europe. Moreover, the tax burden on UK landlords is significantly higher than in the rest of Europe, where depreciation allowances are universal and other tax breaks common.28

Advocating policies which are widely associated with declining investment in the private rented sector does not seem like a wise course of action.

23 Ibid, p.57.
25 Ibid, p. 163.
26 Ibid, p.137.
27 M. Ball, European Housing Review, RICS, passim.
16. Conclusions

This report has argued that recent proposals to introduced fixed-term contracts and bans on real rent changes within them are poorly thought out. If such tenancy rent control schemes were introduced they would fatally undermine the huge increase in the private rented sector of the past two decades.

Despite claims to the contrary, landlords would face higher risks and lower returns; while the beneficiaries amongst tenants would be few and the losers many. Some of the most vulnerable groups are amongst the greatest losers. It is not low income groups that would benefit but a handful of relatively prosperous ‘insiders’; with outsiders left in the cold or to be exploited in informal markets.

“Despite claims to the contrary, landlords would face higher risks and lower returns; while the beneficiaries amongst tenants would be few and the losers many. Some of the most vulnerable groups are amongst the greatest losers...”

Casual reference to practices in Europe ignores key facts: particularly that in many countries investment is weak and landlords are unable to respond to rises in demand because of caps on rents; that private renting is kept afloat by tax breaks and subsidies on a much greater scale than those in Britain; that large-scale regulatory bureaucracies are generated by controls; that there is frequent discrimination; and that renting becomes a political football at national and local levels.

Obviously, it is unreasonable to object to long-term rental contracts if they are freely entered into by both parties. Moreover, the minority of tenants who want to stay in their current accommodation for long periods of time often end up with a long-term tenancy and discounts to prevailing market rents, because many landlords like having such tenants. This behaviour has wrongly been leapt on as justification for the need for the state to make it a universal requirement. Rather the argument here is that such a programme would fatally alter key institutional arrangements that at present enable long-term ‘discounted’ extended tenancies for most of those who want them, alongside large-scale investment. The heavy hand of the state could easily and rapidly damage the transformation of the private rented sector over the past two decades.
Housing costs are high in the UK and are expected to rise at what many would regard as alarming rates in the future as housing supply persistently fails to keep up with burgeoning demand. Threatening the viability of the only tenure that has housed growing numbers of people in the past decade is an odd response to such a crisis. The UK needs more homes, not regulations that put off investment.
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