RE:UK Briefing: Rent Controls Risk Worsening the Housing Crisis

Demand for private renting has grown significantly over the past two decades, yet supply has consistently struggled to keep pace. A challenging development backdrop has made new homes increasingly difficult to deliver, while an accelerating rate of private landlords leaving the Private Rented Sector (PRS) has further eroded the stock of homes available to rent – leaving renters competing for fewer and fewer properties. For local authorities dealing with the consequences of this undersupply, including higher rents and pressure on local authority housing, there is a understandable desire to take meaningful action.

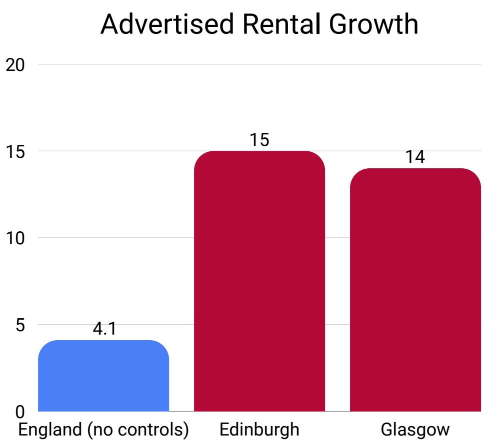
Rent controls are often presented as a simple solution to rising rents, but evidence consistently shows they reduce investment, worsen supply shortages, and can lead to higher average rents – harming the tenants they are intended to support. Institutional investment, particularly through the Build-to-Rent (BTR) sector, has an important role to play in delivering new, high-quality homes specifically for renters, alleviating supply pressures, and supporting local authorities' housing delivery and regeneration ambitions. Rent controls would undermine this role.

4.7	+52%	19%	60%
million PRS households	PRS growth since 2008	of landlords are considering exiting	of landlords would exit if rent controls were introduced

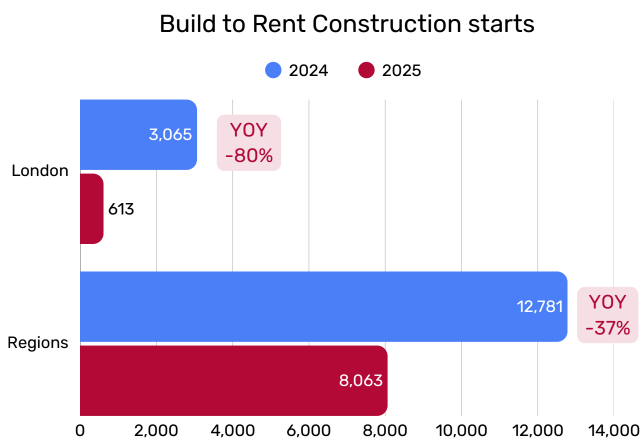
A lesson from Scotland

Scotland introduced emergency rent controls in September 2022 - first a 0% freeze, then a 3% cap. The results were the opposite of those intended;

- Landlords priced in future uncertainty, causing advertised rents for new lets in Edinburgh and Glasgow to rise by **15%** and **14%** respectively, far above England's at 4.1%.
- Within months, around **£700m** of BTR investment was paused or withdrawn. The BPF identified **£2.5bn** of BtR investment at risk of leaving Scotland entirely.



The chilling effect on investment



At the heart of the issue is political risk. At a time when local authorities urgently need to deliver more housing for their communities and delivery of new homes has all but stalled, policy stability is critical. Institutional investors, including pension funds who invest in new housing supply, rely on stable and predictable returns to meet long-term liabilities. When governments intervene unpredictably in rental income, the market becomes less attractive to the capital needed to deliver new housing supply.

As our paper *Boosting Development Viability* highlights, regulatory instability deters investment. Housing delivery is already seriously challenged by planning delays and high build costs - further interference in investor income will worsen this.

About RE:UK

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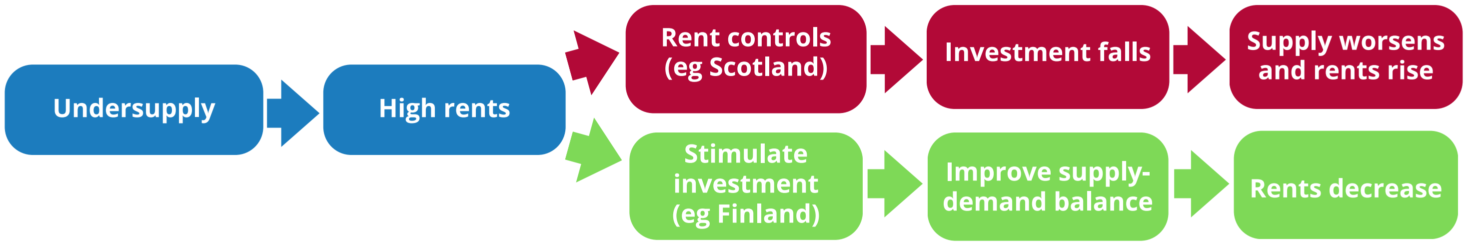
Worsening the supply-demand balance

Rent controls address the symptom (high rents) not the cause (insufficient supply). By discouraging investment and accelerating landlord exits, they deepen the supply shortage and push rents even higher over time. The diagram below illustrates the two paths available to policymakers:



An example of the more effective approach can be seen in Finland. Anticipating population growth in Helsinki, policymakers maintained a strong pipeline of new housing, helping keep supply ahead of demand. Vacancy rates in the Helsinki region have reached around 8–10% in recent years, creating genuine competition between landlords. As a result, rents have remained broadly stable - growing at around 1% annually, below inflation, meaning **real rents have declined**. This has strengthened tenants' negotiating power, with landlords increasingly offering discounts and incentives to secure tenants.

Collateral damage: quality, structural repairs, and Net Zero

When rental income is constrained while costs rise, landlords reduce spending on repairs and energy efficiency. This is particularly relevant in a long-term investment sector where returns are typically recycled into maintaining and upgrading homes, raising housing quality for tenants. Evidence from the UK social housing sector shows the **1% rent reduction** policy introduced in 2016 led to a **7.3% fall in spending on major repairs**, illustrating how price caps can drive deterioration in housing stock and leave tenants with worse living standards.

This pressure will intensify as all rental properties must reach EPC C by 2030; with around half are currently below this. Landlords are highly likely to exit the sector than continue reinvesting where returns are constrained and upgrade costs are rising- further reducing supply when it is already under pressure and in turn, inflating rents.

A better solution

Rent controls do not address the root cause of housing pressures. By reducing investment and limiting new supply, they risk worsening the supply-demand imbalance and pushing rents higher over time. This is particularly true for the BtR sector, which relies on stable, predictable returns to deliver new homes at scale. The most effective way to support renters is to increase supply, improve standards, and maintain a stable environment that attracts the investment needed to deliver new homes.

To increase supply, stabilise rent and help the delivery of 1.5 million homes, local authorities can join us in calling on the Government to:

- **Prioritise tax and regulatory stability.**
- **Speed up the planning and development process.**
- **Support innovation to boost productivity and construction times.**
- **Remove council tax and business rates on empty units in new developments.**
- **Reintroduce SDLT support for high-density housing and a carve out for low value sites.**
- **Stop adding new up-front costs and avoid any more developer contributions.**

Find Out More

If you would like to discuss this paper and the issue of rent controls further, please contact: Jordan McCay (jmccay@realestateuk.org).

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