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**A call for evidence on securing a path
towards Adequate Housing - including Fair Rents and
Affordability.**

CIH Cymru inquiry response

This document provides a detailed response and further evidence to inform Welsh Governments work on securing a path towards Adequate Housing - including Fair Rents and Affordability.

Introduction

CIH Cymru is a founding partner, along with Tai Pawb and Shelter Cymru, of the #BacktheBill coalition which has been campaigning since 2019 for the full incorporation into Welsh law of the Right to Adequate Housing, as defined in the International Covenant of Economic, Social and Cultural Rights (ICESCR).

We believe it is legislation that will shift the paradigm through which we make housing policy and allocate resource, embedding into law the journey that the Welsh Government has already embarked on in terms of implementing a progressive response to ending the systemic and structural housing crisis that we currently face in Wales. We believe it is the mechanism that will not only deliver on the promise of a safe, affordable and sustainable home for everyone in Wales, but will also safeguard housing policy gains against changing priorities from incoming governments.



The campaign has provided a wealth of evidence highlighting the benefits¹ of introducing such a right in Wales, including the economic benefits and [savings to the public purse of around £11.5bn²](#). Therefore, CIH Cymru, along with our campaign partners, believe we have made the moral, social, and financial case for full incorporation in Wales and call on the Welsh Government, as a matter of urgency, to bring forward legislation to fully incorporate a right to adequate housing into Welsh law.

Our detailed position on the RTAH elements of the Green Paper are outlined in the joint submission that you will have received from the #BacktheBill partners - ourselves, Tai Pawb and Shelter Cymru - which are underpinned by the analysis of Professor Simon Hoffman of Swansea University.

But on behalf of CIH members we will briefly outline our concerns with the way the Right to Adequate element of the Green paper has been framed:

- The absence from The Green Paper of Progressive Realisation and its importance to minimum core.
- While the Green paper pays regard to the 7 factors of adequacy, underpinned by General Comment No 4, it pays less regard to the wider aspects (i.e., freedoms and entitlements) of the Right to Adequate housing which are referenced under article 11 of the International Covenant on Economic, Social and cultural rights (ICESCR).
- The paper lacks consideration of how the right to adequate housing could be incorporated into devolved law, an important factor of the right to adequate housing.
- Incorporation of the right to adequate housing could be relied on as a bedrock from which individuals and organisations could advocate for policies and practices to be given effect through implementation. The Green Paper does not refer to the value of incorporation in holding duty bearers to account.

¹ The right to adequate housing in Wales: the evidence base. An independent research report by Alma Economics. Commissioned by Tai Pawb, the Chartered Institute of Housing Cymru and Shelter Cymru.
<https://sheltercymru.org.uk/wp-content/uploads/2022/01/Alma-Economics-Back-the-Bill-Phase-1-Full-Report.pdf>

² The right to adequate housing in Wales: cost-benefit analysis.
<https://www.cih.org/publications/the-right-to-adequate-housing-in-wales-cost-benefit-analysis>



- The Green Paper fails to acknowledge the benefits of incorporation as a legislative mechanism to ensure progressive housing policies are implemented, rather than through discretionary policy decisions.
- The Green paper presents the 7 factors of adequacy as aspirations; however, they should be seen as non-negotiable legal factors, all of which must be taken into account. Failure to do so means they may be downgraded to discretionary policy decisions. [UN Committee](#) Guidance Comment No.4 [also](#) clarifies that the 7 factors cannot be divorced from the right to adequate housing.
- Furthermore, the 7 factors referred to are already obligations in international law that the UK has signed up to, and therefore the Welsh Government should be recognising these obligations through devolved legislation.
- There is a disconnect between this paper and other areas of work by the Welsh Government in relation to human rights, notably research on 'Strengthening and advancing equality and human rights'. This is particularly important as the recommendation of further incorporation of human rights has been accepted by Ministers.
- The selective use of UN Guidance, including the 7 factors to assess adequacy while ignoring for example:
 - [General Comment No.3](#) which asserts these rights should be justiciable and therefore incorporated into law.
 - [General Comment No.20](#) on Non-discrimination
 - [General Comment No. 7](#) - Forced Evictions
 - [General Comment No. 5](#) Persons with Disabilities
 - [Special Rapporteur Reports](#) e.g. Guidelines on the implementation of the Right To Housing, Access to Justice, Human Rights Based National Housing Strategies

Recommendation - Welsh Government engages with experts to reflect on their approach to human rights and the right to adequate housing, to inform its framing of the forthcoming White Paper.

***N.B.** Our detailed response to the questions relating to the Right To Adequate Housing contained within the Green Paper (question 1-4) are outlined in our joint submission with our #BacktheBill campaign partners Tai Pawb and Shelter Cymru.*

The remainder of our submission contained within this paper relates to the specific questions around affordability and fair rent.

Q5. Do you agree with the proposal to define "fair" in its broader context?

Yes, we agree with the proposed definition of fair i.e. fair needs to mean equitable for everyone.



Social landlords in Wales already provide housing at an affordable rent and are committed to ensuring that the rents they charge are fair and affordable for their tenants as part of their business model. When we consider what fair looks like in the private sector, we also need to be mindful of any possible impact on landlords ensuring that landlords can be encouraged to remain in the market and be part of the solution to solve the rent crisis.

Whilst a rent cap would seem fair to a tenant it may not be evaluated as being fair for a landlord. Our research into rent regulation in Northern Ireland found that between 41 per cent and 60 per cent of landlords would look to leave the rental market if a rent freeze was brought in. This was due to regulation impacting those landlords with mortgages. A decrease in rental income could make some of these unaffordable resulting in the landlords leaving the market³. So, whilst rent control may be seen as being a fair solution to solve affordability issues it is not always seen as fair by private landlords and could result in a significant shrinking of the private rental market.

Q6. What considerations do you think should be taken into account when defining what is meant by fair rents - and how might we avoid unintended consequences?

We need to have a clearer picture of the rental market here in Wales as part of developing our understanding of fair rents. Currently the rent officer collects data on rents in Wales, but it is not mandatory for landlords to provide this data. We propose that collection of data on rents becomes mandatory as part of a private landlord's licence. The data would be collected on an annual basis and at a change of tenancy. This data would need to be publicly available at local authority area, broad rental market areas and lower super output areas to accurately assess

³ Rent regulation in the private rented sector in Northern Ireland.

<https://www.cih.org/media/n50no3ps/dfc-rent-regulation-in-the-private-sector-in-northern-ireland.pdf>



current rental prices and to then define what a fair rent looks like. Due to distinct housing markets in Wales, we will need to consider locality as part of defining a fair rent as a fair rent in Cardiff will not be the same as a fair rent in Conwy.

As part of basic market economics, a lack of supply is part of the reason for rental costs in the private rented sector rising at the rate they are. As the supply continues to reduce, demand continues to rise resulting in the price rises we are currently seeing. The impact of these higher rents is not uniform, Households on a low income are seeing the biggest impact⁴. What is needed is an increase in housing supply which will reduce demand and according to economic theory start to bring rental costs down.

We welcome Welsh Government's commitment to develop an additional 20,000 affordable homes coupled with their commitment to bring empty homes back into use. Yet we have concerns around the pace and scale of current development in Wales. Welsh Government's latest figures for housing need show that we should be providing between 6,154 and 8,336 additional homes annually split almost evenly between affordable and market homes⁵. Yet in the latest annual data shows that in 2021/22 just 2,676 additional affordable homes delivered in Wales. This figure includes new build, purchases and conversion of larger affordable housing units⁶. What cannot be ignored is the fact that the number of additional affordable housing units delivered is below the number that is currently needed.

⁴ UK Rental Market Report. June 2023. <https://advantage.zoopla.co.uk/research-and-insights/rental-market-report-june-2023/>

⁵ Average Annual Estimates of Housing Need in Wales (2019-based) by Variant, Tenure and Region. <https://statswales.gov.wales/Catalogue/Housing/Housing-Need/2019-based/annualaverageestimatesofhousingneed2019based-by-variant-tenure-region>

⁶ Additional affordable housing provision by provider and housing type.

<https://statswales.gov.wales/Catalogue/Housing/Affordable-Housing/Provision/additionalaffordablehousingprovision-by-provider-housingtype>



Whilst we appreciate the constraints on the development sector due to rising inflation, supply chain issues and phosphate issues, unless we increase the pace and scale of developing new affordable homes in Wales, we will continue to see rising rental costs in the private rented sector. In effect, we need to rebalance the tenure make-up of our housing provision in Wales

When considering what a fair rent is we also need to consider how this will affect the realisation of housing adequacy for Wales as a whole and on the local area. Yes, we do need to build more homes as part of this but in some areas the type of home is also having an impact on affordability and the realisation of securing a home - the core minimum. As highlighted in the Senedd's Local Government and Housing Committee's report on homelessness there is a mismatch between the types of home that are required and the types of homes that are available. The report highlighted that over the last decade just 10 percent of the homes developed have been one-bed properties, yet we have around 8,000 single person households in temporary accommodation - there is just not enough one-bed properties to meet this demand⁷.

There is also an issue around larger family homes in some areas of Wales. With some households having to reside in overcrowded homes while they wait for a property that fully meets their needs.

Though whilst these issues are large, we must not let the perfect be the enemy of the good. We all want to solve these issues but the best way to do this is to enshrine the right to adequate housing into Welsh law. This means that all measures around fair rent and increasing development need to be done as part of the wider holistic policy framework of progressively realising the right to adequate

⁷ Welsh Parliament Local Government and Housing Committee: Homelessness.

<https://senedd.wales/media/zs0jkb4g/cr-ld15717-e.pdf>



housing as a whole system change. This will result in not only fair rents but a housing system that is equitable for every person here in Wales.

Q7. What considerations do you think should be taken into account when defining “local incomes” - and how should it be defined?

The office of national statistics already produces data on an annual basis collected as part of the annual survey of hours and earnings. This data is available at a national and local authority level. It also provides the median, average and specific quartiles of income⁸. The affordability assessments used in the Green Paper are based on an individual’s average (median) income. The median is often used in statistical analysis as it ensures that extreme lows and extreme highs are excluded. CIH Cymru believes that it would be more equitable to use the 25th quartile of earnings as set out in the annual survey of hours and earnings. The 25th quartile of income is the gross weekly pay for an employee in full time employment earning the minimum wage. If a rent is affordable for these individuals, it will be affordable for the majority of households in Wales.

Defining a local income as the 25th quartile of earnings in a local authority area would result in a more equitable starting point for affordability assessments. It is also data that is already collected, and statistically sound so does it not make sense to use this data as local income?

Q8. Do you agree that 30% of a household’s income is an appropriate indicator of affordability? (Yes/No - If no, please explain why and what alternative measure could be used)

Agree that 30% is an appropriate indicator of affordability. Though, if we are to use 30% of income as an indicator or affordability, the income used should be the 25th quartile of earnings. As mentioned in the previous question if the rent is

⁸ Earnings and hours worked, place of residence by local authority: ASHE Table 8.

<https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/earningsandworkinghours/datasets/placeofresidencebylocalauthorityashetable8>



affordable for these earners, it will be affordable for the vast majority of people in Wales.

Q9. Can you provide any additional data or evidence which has not been considered? (Please provide details)

To provide additional data and evidence we have split this section into broad subject areas. These include affordability and other considerations when looking at housing adequacy in Wales.

Living Rents Model

As mentioned in the last two questions a more equitable way to assess affordability or to define a local income is to use the 25th quartile of earnings. It is this income that is used as part of Joseph Rowntree Foundation's living rent model⁹ that is used by several RSL's in Wales as part of their rent setting. The 25th quartile income is adjusted using the OECD equivalence ratings (which are also used by the Office of National Statistics when they use equivalent income in their analyses). The equivalence ratings enable the 25th quartile income to be adjusted to allow for benefits received by families. The equivalence ratings also enables property size to be accounted for. The equivalence ratings used are:

Bedroom size	Household size	Equivalence rating
One bedroom	Single adult	1
Two bedrooms	Multi adult and one child	1.3
Three bedrooms	Multi adult and two children	1.6

When setting the proportion of the equivalised income that should be used for rent, the Joseph Rowntree Foundation used 33 per cent as a starting point in their report on monitoring poverty and social exclusion which found that low income renters spend 33 per cent of their income on rent. Yet the equivalised income provides a gross income rather than a net income. To ensure net income was used in affordability calculations the gap between net and gross incomes was explored,

⁹ Living Rents - a new development framework for Affordable Housing.

<http://pdf.savills.com/documents/Living%20Rents%20Final%20Report%20June%202015%20-%20with%20links%20-%2019%2006%202015.pdf>



which showed a 5 per cent gap between the net and gross incomes. The final living rent is therefore set at 28 per cent of the equivalised income¹⁰.

The resulting formula is split into two parts:

$$\text{Equivalised income} = \text{Gross 25th Quartile income} \times \text{Equivalence rating}$$

$$\text{Monthly Living rent} = \text{Equivalised income} \times 0.28$$

Using an example of a two-bed property with an equivalence rating of 1.3 and the 25th quartile income for Wales the actual monthly rent would be calculated as:

$$\text{Monthly Equivalised income} = \text{£2,006} \times 1.3 = \text{£2,608}$$

$$\text{Monthly Living rent} = \text{£2,608} \times 0.28 = \text{£730}$$

When we repeat this for some local authority areas, we see the monthly living rents for a two-bed property would be different reflecting the different income levels:

Local Authority	Monthly living rent for a two-bed property (£)
Cardiff	757
Swansea	712
Blaenau Gwent	687
Conwy	709
Flintshire	739
Pembrokeshire	749
Powys	693
Wrexham	726
Newport	753

This model would not only provide an equitable rent setting based on income it would also enable the rent setting to be undertaken on a locality basis reflecting the different housing markets across Wales.

¹⁰ Living rent methodology.

http://pdf.savills.com/documents/Living_Rent_Methodology.pdf?_ga=1.123272841.345168137.1430233577



Decarbonisation of the private housing sector.

Looking at how we decarbonise the private housing sector needs to include consideration of the owner occupiers as this is the largest tenure in Wales¹¹ so must be included in any decarbonisation strategy. Decarbonisation is also a vital part of ensuring housing adequacy as inadequate homes tend not to be energy efficient. This results in fuel poverty, greater emissions of greenhouse gases and lower levels of thermal comfort¹².

Our Tyfu Tai Cymru research on decarbonising the private rented sector in Wales found that the private rented sector is the worst performing tenure when it comes to energy efficiency. The total cost to bring up the private rented sector to the target EPC “C” would be £846 million but there is currently an 85 percent funding shortfall. To reach the 2050 funding target of net zero there is a 95 per cent shortfall. Most of the funding to raise the EPC rating will need to come from private finance and private landlords¹³. As part of this we need to consider ways in which we can also overcome the perceived split incentive where landlords fund the work needed but it is the tenants that receive the cost and comfort benefits from energy efficient investment.

There needs to be an equitable way forward to ensure landlords are supported to bring their properties up to the mandated EPC rating whilst improving the energy efficiency of the homes they provide which tenants benefit from. The Senedd’s

¹¹ Housing, England and Wales: Census 2021.

<https://www.ons.gov.uk/peoplepopulationandcommunity/housing/bulletins/housingenglandandwales/census2021>

¹² The right to adequate housing in Wales: the evidence base. An independent research report by Alma Economics. Commissioned by Tai Pawb, the Chartered Institute of Housing Cymru and Shelter Cymru. <https://sheltercymru.org.uk/wp-content/uploads/2022/01/Alma-Economics-Back-the-Bill-Phase-1-Full-Report.pdf>.

¹³ Decarbonising Wales’ Private Rented Sector. Tackling the energy crisis to meet net-zero. <https://www.cih.org/publications/tyfu-tai-cymru-decarbonising-wales-private-rented-sector>



Climate Change, Environment, and Infrastructure Committee report on decarbonising the private housing sector heard of two financial options to assist the private housing sector to retrofit homes as part of meeting net zero. One was the costs are paid for up front with a charge placed on the property, the other was low interest loans for undertaking work to decarbonise and improve energy efficiency of a property. There is also a need for the Housing Net Zero Carbon performance Hwb to be available to all tenures so that everyone can access advice on how to decarbonise their home and improve energy efficiency¹⁴.

Decarbonisation of our housing stock, no matter the tenure, must be a key part of the progressive realisation of the right to adequate housing.

Rent caps or welfare reform.

The UK Government has implemented several welfare reform initiatives. Alongside this it provided discretionary housing payments to help mitigate the impact of these reforms. Research published by the Bevan Foundation found that in 2021/22 nearly 60 per cent of discretionary housing payment spending in Wales was to offset the effects of changes to the welfare system. Whilst these payments have been vital in ensuring households are not made homeless there are concerns about their long-term sustainability within a housing system under extreme pressure¹⁵.

Our research into rent regulation in Northern Ireland found that overall, a rent freeze or reduction would benefit tenants who remain in their homes and would reduce the annual expenditure on welfare. Yet between 41 and 60 percent of

¹⁴ Welsh Parliament Climate Change, Environment, and Infrastructure Committee. Decarbonising the private housing sector. <https://senedd.wales/media/q3vcgmmp/cr-ld15695-e.pdf>

¹⁵ Wales' Housing Crisis: Discretionary Housing Payments and the Welsh Housing Market. <https://www.bevanfoundation.org/wp-content/uploads/2023/06/Discretionary-Housing-Payments-and-the-Welsh-Housing-Market-June-2023-2.pdf>.



landlords would seek to exit the market if rent regulation was brought in. This would further reduce the supply of available homes resulting in rising homelessness with savings from welfare expenditure in one area being used to mitigate and manage the resulting rising levels of homelessness. Yet these savings to welfare expenditure are unlikely to be realised in Wales as this is not devolved. So Wales would in effect likely see an increase in homelessness but have to bear the full cost of this increase. In conclusion the report outlined that a simpler and more targeted way to improve housing affordability would be to restore local housing allowance levels to the true 30th percentile within broad rental market areas¹⁶.

We also need to consider who are we looking to make existing private rented accommodation affordable for? Is it for everyone or is it just low-income households using the levers we already have. Ultimately what is the role and purpose of the private rented sector in meeting housing need? This needs to include a consideration of the current levels of universal credit payable as recent research by Joseph Rowntree Foundation shows this income is not enough to cover essentials for many households. The research went on to call for an essentials guarantee (CIH Cymru also endorses this) to ensure that the basic rate of universal credit covers the essentials and cannot be brought below this level by deductions¹⁷. We acknowledge that the decisions on the amount of welfare provided to help pay for housing costs are for Westminster to take but it is a vital policy intervention as part of tackling the unaffordability of the private rented sector.

¹⁶ Rent regulation in the private rented sector in Northern Ireland.

<https://www.cih.org/media/n50no3ps/dfc-rent-regulation-in-the-private-sector-in-northern-ireland.pdf>.

¹⁷ Unable to escape persistent hardship: JRF's cost of living tracker, Summer 2023.

<https://www.jrf.org.uk/report/unable-escape-persistent-hardship-jrfs-cost-living-tracker-summer-2023>



When we have spoken to our members, they would prefer to see significant welfare reform to ensure that rents in the private sector are affordable. They have raised concerns that introducing a rent cap could further shrink the private rented sector resulting in an increase of homelessness due to increasing unaffordability of the tenure as prices may rise further due to a lack of adequate supply. Our members would rather see that the current benefits provided to help meet housing costs can do this rather than further intervention into the market that could further shrink supply and raise costs impacting other areas of spending such as homelessness and the provision of temporary accommodation. Echoing the findings of our research into rent controls in Northern Ireland¹⁸.

However, the medium to long-term solution to this particular problem is obviously to have a sufficient supply of homes at social rent to meet demand, thus negating the need to house those on benefits in the PRS .

Single People

As previously stated, Local Housing Allowance (LHA) rates have been frozen since 2020 and according to the latest research from the Bevan Foundation, just 32 properties for rent in Wales in February 2023 would be covered by current LHA levels¹⁹ . Yet there are further structural impacts faced by young people and single person households.

¹⁸ Rent regulation in the private rented sector in Northern Ireland.

<https://www.cih.org/media/n50no3ps/dfc-rent-regulation-in-the-private-sector-in-northern-ireland.pdf>.

¹⁹ Wales' Housing Crisis: Local Housing Allowance and the private rental market in Wales Winter 2023. <https://www.bevanfoundation.org/wp-content/uploads/2023/03/Wales-Housing-Crisis-Winter-2023.pdf>



Many single people under the age of 35 are only able to access a shared room rate of LHA. This is often significantly lower than the LHA rate paid for couples and those over the age of 35. For some single people shared accommodation is not a suitable housing option. We also have a significant shortage of one bed social housing in Wales. This was highlighted in the Senedd's Local Government and Housing Committee report on homelessness which outlined that there has been a chronic undersupply of social housing generally²⁰. This issue is especially acute when we look at the supply of one-bed accommodation which is needed for single person households and couples without children. As a result, many single people are faced with long stays in temporary accommodation due to the unaffordability of the private rented sector and undersupply of one bed social homes. This is having a knock-on effect on temporary accommodation use in Wales with costs of this provision up 7000 per cent for some Local Authorities as highlighted by Inside Housing in March 2023²¹

We welcome Welsh Government's commitment to build 20,000 homes at social rent here in Wales but the pace of this needs to increase. We also need to consider the type and size of property we are developing. Our Tyfu Tai Cymru report, "Right place, Right home, Right size", recommended that where there is a clear need for a certain size or type of home that local authorities should make these a strategic priority as part of their development planning. There also needs to be greater ownership at Welsh Government level to ensure new homes that are built have a meaningful impact on people's ability to move and have housing options available to them²².

²⁰ Homelessness (March 2023) <https://senedd.wales/media/zs0jkb4g/cr-ld15717-e.pdf>

²¹ Welsh council sees more than 7,000% rise in temporary accommodation costs as total spending doubles. <https://www.insidehousing.co.uk/news/welsh-council-sees-more-than-7000-rise-in-temporary-accommodation-costs-as-total-spending-doubles-80599>.

²² Right place, right home, right size? Increasing housing mobility for social housing tenants in North Wales. <https://www.cih.org/publications/right-place-right-home-right-sizeeur>



Lack of data on discharge of homelessness duties

Prior to the Covid-19 pandemic Welsh Government asked local authorities as part of their WHO 12 returns to provide data on how many households had their homelessness prevented or relieved through the provision of a private rented tenancy. This part of the WHO 12 data collection was put on hold during the Covid-19 pandemic and has not restarted.

This data on preventing or relieving homelessness through the provision of a private rented tenancy is vital to provide quantitative evidence on the impact that rising rent levels are having on a local authorities' ability to prevent or relieve homelessness. Due to the current housing crisis in Wales, initially this data needs to be provided monthly, as part of the temporary accommodation data publication broken down into the numbers moving into private rent or social rent. Going forward the full collection of the WHO12 data needs to be restarted with all data collected as part of this provided on a quarterly basis.

Q10. Do you agree that better data on incomes and affordability is necessary to inform policy interventions - and how could this data be obtained?

We agree that better data on incomes and affordability is necessary to inform policy interventions. Ideally any additional data provision should be available at the national, local authority and in some cases at the lower super output area level. Whilst broad market areas are useful, in some areas they are across two local authority areas with different policy priorities. As such they are not always the most effective measure for assessing affordability.

So that we can effectively assess affordability, we need to have robust up to date data on the rents charged. Currently the rent officer collects data on current rent levels in Wales. Yet the provision of this data is voluntary. It should be compulsory for landlords to provide their rental data. This data should be provided at the point of any change to the tenancy and when an increase is applied during the



tenancy. This data could also assess the impact of any wider economic impacts such as rising mortgage rates and whether there is a direct correlation to increased rental levels. It should be published every quarter to ensure ongoing effective monitoring of the affordability of the private rented sector in Wales.

When we look at income data this is already being provided via the annual survey of hours and earnings. This is available at the national and local authority level. It also provides data to assess any gender pay gap. Full time and part time wages are also provided²³. It may not be appropriate to replicate or develop our own data collection of income levels as the annual survey of hours of earnings is already being used widely by data analysts and policy makers.

Q11. What data do you consider needs to be captured on rents and relevant affordability factors, at what scale, and how often?

As previously stated, energy efficiency of homes is a vital part of housing adequacy. It is also a vital part of ensuring that a home is affordable as the more energy inefficient a home is the more it costs to adequately heat. CIH Cymru echo the NRLA's call to re-establish an annual Welsh Housing survey in Wales mirroring the English Housing survey²⁴. Not only will this give us a good overview of the size of the private rented sector it will also provide data on housing standards and energy efficiency.

At the time of writing interest rates in the UK were rising rapidly leading to rising mortgage rates from lenders. This has impacted the buy-to-let market. Zoopla in its March 2023 report on the UK rental market highlighted the changing

²³ Earnings and hours worked, place of residence by local authority: ASHE Table 8.

<https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/earningsandworkinghours/datasets/placeofresidencebylocalauthorityashtable8>

²⁴ English Housing Survey 2021 to 2022: headline report.

<https://www.gov.uk/government/statistics/english-housing-survey-2021-to-2022-headline-report/english-housing-survey-2021-to-2022-headline-report#section-2-housing-stock>



economics of being a private landlord. The report outlined that a higher tax earner in Wales will now need a deposit of around £60,000 in January 2023 compared to £40,000 in January 2022. The report also highlights that higher taxpayers will need a 60 per cent to 70 per cent loan to value mortgage²⁵. These financial pressures may further reduce investment in the private rented sector and could further increase rental prices for those wanting to rent a new property. We need to ensure that any measures we bring in to address rental affordability does not impact a landlord's ability to pay their mortgage ensuring that regulations to improve affordability are equitable for both tenants and landlords.

Q12. Are there other considerations and potential impacts (including other data sources) you wish to highlight in regard to the current and future private rental market?

We at CIH Cymru have several further considerations and potential impacts regarding the current and future private rental market. We have outlined these in broad subject areas.

Deposits and credit checks to secure a private rent.

Even if a household can afford the monthly rent another barrier faced by households wanting to access a private rent is the deposit levels currently seen. Most households will need to pay a deposit and at least a month's rent in advance often the deposit is worth a month and a half rent. So, for a property that is £500 a month to rent a household will need to pay £1250 up front to secure the tenancy. This deposit is then protected, and the household cannot access it quickly if they need to move home meaning they may need to borrow money to pay a new deposit whilst they wait for their old deposit to be repaid. There is a need to reevaluate private rent deposits that allow tenants to move as needed whilst ensuring landlords can recoup costs of any property damage or rent arrears.

²⁵ UK Rental Market Report <https://zpgcommercial.wpenginepowered.com/wp-content/uploads/2023/03/UK-rental-market-report-Final-March-2023.pdf>



One alternative is to make landlord insurance a mandatory requirement of renting out a property in Wales. Many landlords will already take out this insurance, so it is likely to have a minimal impact on existing market. Currently the average annual cost for this is £170 which could be spread over the duration of the tenancy as insurance will protect both landlord and tenant. The effectiveness and swift resolution of disputes relating to property condition would be dependent on a robust inventory prior to tenants moving in. This would then remove the significant financial burden of the current deposit scheme to secure a private rented property and ensure people can move to a more suitable home quickly.

Another issue facing some potential tenants is credit checks as part of tenant vetting processes. Some tenants will have a poor credit rating due to previous financial issues some of which caused their homelessness, others have numerous addresses in a short period of time that can also negatively affect their credit rating. Whilst lettings agents see these as a necessity as part of affordability checks they can inadvertently exclude people who are able to afford the monthly rent yet have a poor credit history.

Role of no-fault notices

Currently in Wales a landlord cannot serve a no-fault notice during the first six months of a tenancy and any no fault notice served must be for a minimum of six months. Whilst this does provide greater security of tenure for private rented tenants it does not go far enough. Scotland has already abolished no fault evictions and In England there are proposals to end no fault notices. We at CIH welcome this change and would ask that this is replicated in Wales to further increase the security of tenure in the private rented sector.

The age of current landlords

The green paper has outlined that nearly 53 per cent of landlords are over the age of 55 and nearly 26 percent are over the age of 65. This has raised concerns that



we may see more landlords leaving the sector in the coming years as they retire and sell their portfolios. This will further reduce supply which could result in further rise in rental prices. Whilst this is concerning, we have an opportunity to work with these landlords and look at ways that existing grant funding can be used to enable RSL's and local authorities to buy some of these properties. This will help increase the affordable housing stock and minimise any risk of increased homelessness for those sitting tenants of properties being sold.

Impact on landlords with one property

The data in the green paper outlined that in Wales 70 percent of landlords own just one property. Any changes to rent control or measures to improve affordability will have a different impact on these landlords who may be less likely to absorb cost implications. This may result in more landlords leaving the market.

Landlord and tenant characteristics

Rent smart Wales could be the organisation that collects information on landlord and tenant characteristics. The information needed for landlords could be collected as part of the registration and renewal of licences and include:

- Number of properties
- Ethnicity of landlords
- Landlord income
- Where the landlord resides

This could give a good picture of the rental landscape in Wales and help focus policy solutions that support both landlords and tenants.

Information on tenant characteristics would need to be collected at the start or end of a tenants and include:

- Ethnicity
- Household type
- Income
- Disabilities

This data should be available at local authority level and by lower super output area so that data can be analysed to establish impact on the population because



of quality issues, rising rent levels or overcrowding. This will better inform policy decisions being made about the private rented sector here in Wales.

The role of the private rented sector in Wales.

The size of the private rented sector in Wales has changed significantly over the last thirty years. The following table shows how the private rented sector has more than doubled in thirty years while the social rent sector has shrunk, though in the last decade the size of the social rented sector has remained stagnant. Surprising against a backdrop of increased social housing development suggesting that new homes are just keeping pace with demolition of unsuitable and poor-quality homes within the sector.

Census year	Social Rent	Private Rent
1991 ²⁶	21 per cent	8 per cent
2001 ²⁶	19 per cent	7 per cent
2011 ²⁷	16.4 per cent	14.2 per cent
2021 ²⁷	16.5 per cent	17 per cent

It is now undeniable that the private rented sector is playing a significant and important role in addressing Wales' housing crisis and should receive recognition for that. Local authorities are now ever-more reliant on PRS to find homes for those presenting as homeless almost 4,000 households having their homelessness duty discharged through securing a private rented tenancy in 2018/19^{28 29}

²⁶ Table 17b Dwellings by tenure in England, Wales, Scotland, Northern Ireland, and the United Kingdom. <https://www.cih.org/publications/uk-housing-review-2023>

²⁷ Housing in Wales (Census 2021). <https://www.gov.wales/housing-wales-census-2021-html#112926>

²⁸ All cases where positive action succeeded in preventing/relieving homelessness. <https://stats.wales.gov.wales/Catalogue/Housing/Homelessness/Statutory-Homelessness-Prevention-and-Relief/all-cases-where-positive-action-succeeded-in-preventing-relieving-homelessness>.

²⁹ Reasons for discharge of duty under section 75 during the year. <https://stats.wales.gov.wales/Catalogue/Housing/Homelessness/Statutory-Homelessness-Prevention-and-Relief/reasons-for-discharge-of-duty-under-section-75-during-the-year>



So, with little social/affordable housing available local authorities are looking more and more the private rent sector to provide a home to those in need contributing to the rising demand for private rented properties. Simple market economics tell us that increased demand, with finite supply, mean rents go up. Zoopla in its June 2023 UK rental market report highlighted that the level of homes for rent are 20-40 per cent below pre-pandemic levels. There is unlikely to be a situation where rental supply is likely to increase to a level where rental inflation starts to decrease³⁰. Unaffordability in the PRS is, in effect, a symptom of the systemic undersupply of social and affordable housing. So, are we looking at measures to prop up a market led housing solution further enabling the commodification of housing in Wales or, do we see the Private rented sector as part of the longer-term solution to supplying more affordable homes in Wales? Do we need to focus on rebalancing the housing system back to where it used to be in terms of tenure mix?

Our view is that first and foremost it is social and affordable housing that should command the lion's share of public investment to address the housing crisis. That's a view shared by the Minister, with record levels of Social Housing Grant committed to help develop 20,000 new homes in this Senedd term, including £65m to support empty homes back into use. Developing new affordable homes will take a while and research into the right to adequate housing outlined that we need an additional 20,000 homes, on top of the existing 20,000 target, to fully realise the right³¹.

³⁰ UK Rental Market Report. June 2023. <https://advantage.zoopla.co.uk/research-and-insights/rental-market-report-june-2023/>

³¹ The right to adequate housing in Wales: cost-benefit analysis. An independent research report by Alma Economics. Commissioned by Tai Pawb, the Chartered Institute of Housing Cymru and Shelter Cymru. <https://sheltercymru.org.uk/wp-content/uploads/2022/09/Alma-Economics-Back-the-Bill-Final-Phase-2-report.pdf>



This will take time meaning that the PRS will remain an important partner in our battle to end the housing crisis and we need to ensure that any measures to regulate rents to make them affordable are fair and equitable for everyone including private landlords. This includes being careful that any measures we may take do not result in propping up a market that is not meeting current housing need due to the high levels of commodification. Are we by trying to make the private rent sector affordable propping up a housing market that is clearly not working for the majority of the population here in Wales.

Q13. What other sources of data on rent might we draw on to inform policy development and future monitoring and evaluation?

Whilst we have data on the number of registered landlords there are concerns from our members about an inbuilt lag to the data. All landlords had to register by the 23rd of November 2016 when the legislation around registration came into force. This registration lasts for five years. A landlord could leave the market at any point in their five-year registration, but it is not recorded until they need to renew. It is not mandatory to inform rent smart Wales prior to re-registration.

Concerns have been raised by members that the five-year registration may be resulting in data that shows significant dips in registration followed by a period of increasing registration. Yet this is not truly reflective of the market as some of the landlords recorded as leaving the market in November 2021 (the first five-year anniversary) may have left at any point between November 2016 and November 2021. This is concerning as often the data is showing a growing private rented market, but anecdotal evidence from members is that significant numbers of private rent landlords are leaving the sector.

A centralised database not linked to registration cycles would be a statistically robust way to monitor the growth or reduction of the private rented sector in Wales which could be analysed at a national, local authority, or lower super output area level.



We would also like to see a comprehensive Welsh Housing Survey mirroring the English housing survey. This will enable policy makers to evaluate national changes to tenure make up, the size of each tenure, the standard of housing and the energy efficiency of homes in Wales. This will ensure a whole system approach to policy development a vital part of the progressive realisation of right to adequate housing.

Q.14. Do you think there should be a requirement to provide rent information to Rent Officers? (Yes/No - If no, please explain why)

The provision of rent data to the rent officer is currently voluntary. There is a need for this requirement to become mandatory as part of a landlords licensing obligations. This data will then enable accurate assessment of the affordability of the private rented sector, including the ongoing impact of the Local Housing Allowance freeze. This data could also assess the impact of any wider economic impacts such as rising mortgage rates and whether there is a direct correlation to increased rental levels.

Q15. How do you think such a requirement could be enacted and enforced?

The requirement to provide rent information to rent officers should be mandatory as part of the licencing conditions. It should be provided at the start of the tenancy, then annually. If a landlord does not provide this data, it would be considered a breach in their licence requirements. There will need to be a mechanism to suspend their licence preventing them from serving notice until the data is provided.

Q16. Should such a requirement apply to all landlords or only some, perhaps larger, landlords? Why?

It should apply to all landlords as this will give a clear picture of the rents charged in Wales and ensure effective ongoing monitoring of affordability. It will also help identify rent pressure zones resulting in targeted rental controls.



Q17. What do you consider to be the advantages and/or disadvantages of first, second, and third generation rent control measures?

Our response utilises the findings of our report Rent regulation in the private rented sector in Northern Ireland. This report provides an evaluation of first, second and third generation rent control measures. And how they have applied in different countries³².

First generation rent control measures.

This type of rent control could lead to the following outcomes.

- Improves initial affordability of rents.
- Reduction in real rents if rents cannot be adjusted to account for increased landlord costs.
- Develops incentives for landlord to sell properties and leave the sector, especially at times of high house prices and strong property markets.
- Incentivise “shadow” or illegal rental markets or incentivise renters to stay in the property even if their needs change.

Berlin introduced a first generation rent control policy in 2020. The policy froze existing rents for five years, after which rent rises were to be limited to inflation. It also created a cap on rents for new leases. Existing tenants whose rent was more than 20 per cent above the rent cap for new leases could make a claim for their rent to be lowered to within 20 per cent of the rental cap for new leases.³³. The rent freeze did result in an immediate drop in advertised rental prices. However, there was also a substantial decline in rental properties in Berlin as well as many units converted to owner-occupied dwellings. This reduction in supply affected existing renters seeking new properties and prospective renters³⁴. The policy was abolished 13 months after its inception.

³² Rent regulation in the private rented sector in Northern Ireland.

<https://www.cih.org/media/n50no3ps/dfc-rent-regulation-in-the-private-sector-in-northern-ireland.pdf>.

³³ Christophers, B. (2022) Mind the rent gap: Blackstone, housing investment and the reordering of urban rent surfaces. *Urban Studies* 59(4), pp. 698-716.

³⁴ Hahn, A. et al (2022) Forward to the past: short-term effects of the rent freeze in Berlin. Berlin: German Institute for Economic Research.



The Netherlands has long-standing first generation rent controls where the maximum rent allowed for a home is determined by a points index first introduced in 1971. Points are awarded for property size, value, and energy performance³⁵. The government determines the allowable annual rent rise which depends on the tenant's income³⁶. The private rent sector accounts for just eight per cent of housing in the Netherlands and competes with dominant housing associations offering low rent high quality homes. High regulation is partly credited with the decrease in private renting from 17 per cent in 1980 to eight per cent in 2010. Social landlords are also able to purchase and sell dwellings to and from other landlords. Yet when a tenanted property is for sale, it must be offered to tenants who wish to continue to rent. There are also favourable subsidies and tax treatment for social housing and owner occupation which has also contributed to the reduction in size of the private rented market in The Netherlands³⁷. The biggest advantage of first generation rent controls would be a reduction in the rent payable for existing tenants. Yet as seen in both Berlin and The Netherlands this comes at the cost of a reduction in the number of rental properties available. Whilst this is not such an issue in The Netherlands due to its large social housing sector it was an issue in Berlin where there was a sharp decline in available rental units. A significant disadvantage of the first generation rent control model.

Second generation rent control measures.

These measures seek to govern rent increases within and between tenancies. They also seek to allow landlords to account for some cost increases in the

³⁵ Huurcommissie (2022) Huurprijnscheck en puntentelling. Retrieved 1 August 2022 from: <https://bit.ly/3OLxZbP>

³⁶ Rijksoverheid (2022) Welke regels gelden er voor een huurverhoging? Retrieved 1 August 2022 from: <https://bit.ly/3d08w1n>

³⁷ Whitehead, C et al (2012) The private rented sector in the new century. Copenhagen: Boligøkonomisk Videncenter.

management of the property whilst retaining some limits on the level of rent increases.



New York utilises second generation rent control. The rent guidelines board determines the maximum allowable percentage rent increase for a one- or two-year lease. It also sets the maximum increase landlords can charge when there is a change in occupancy. Landlords can increase the rent to cover certain capital improvements. The rent control has succeeded in reducing rental costs³⁸ but the average benefit is negative as the rent controls resulted in inflated rents for homes not subject to rent control³⁹ There was also an inefficient use of housing stock where the needs of the tenants were not matched to the size of the apartment. This was the result of tenants being less likely to move out of a rent controlled apartment⁴⁰.

Sweden also has second generation rent control. Tenancies are open ended and initial rents at the beginning of the tenancy are set by a Rent and Tenancy Tribunal based on their reasonableness compared to the value of the property. This value is determined by the area, property size, state of repair and modernity. There is considerable criticism of rent control in Sweden as it has resulted in large waiting lists for those seeking to access housing. This has been attributed to the indefinite nature of tenancies⁴¹.

One advantage of second generation rent control is that they reduce the rental cost for households with existing tenancies. Yet, some significant issues arise from

³⁸ Gyourko, J., Linneman, P. (1989) Equity and efficiency aspects of rent control: an empirical study of New York City. *Journal of Urban Economics* 26(1), pp. 54-74.

³⁹ Early, D. W. (2000) Rent control, rental housing supply, and the distribution of tenant benefits. *Journal of Urban Economics* 48(2), pp. 185-204.

⁴⁰ Glaeser, E. L., Luttmer, E. F. P., (2003) The misallocation of housing under rent control. *The American Economic Review* 93(4), pp. 1027-1046.

⁴¹ Gibb, K., Marsh, A. (2022) Rent control: principles, practicalities, and international experience. Glasgow: UK Collaborative Centre for Housing Evidence.



the reluctance of households to move to alternative accommodation where a higher rent may be charged. This could lead to households living in housing that does not meet their needs. Also, there is a risk of supply being reduced through tenants remaining in their property to ensure they can keep the benefits of paying a lower rent in a rent-controlled property. We also need to be mindful that if rent control is only in one area it could result in increases in other areas as seen in New York.

Third generation rent control measures.

This measure implies that the rents set at the start of the tenancy are set at market rates with regulations governing subsequent rises. Other forms of this measure are regulation of the frequency of rent rises and required notice of the rise but no restriction in the financial level of rent increases. In principle this generation of measures would be seen to allow rents to reset to market levels at the end of a tenancy, protect renters from substantially large rent increases and, provide the landlord with some assurance that increase in costs would be accommodated in rental prices.

Norway has repealed its legislation around second generation rent control and has now introduced third generation rent control. The new legislation prohibits rents being agreed that are unreasonable in relation to the market rent. Rents can only be increased one year after the rent was set usually at the start of the tenancy or one year after the last increase. Increases are limited to CPI and tenants must be given one months' notice of the change⁴². There is no strong desire to return to a rent control regime or to formulate a new model of rent control. Instead measures such as planning deregulation, recognition of the evolving mix of housing tenures necessary in key locations, tax and subsidy systems and more imaginative use of public housing are all seen as part of a strategic response to housing needs⁴³.

⁴² Lovdata (2022) Lov om husleieavtaler (husleieloven). Retrieved 29 July 2022 from: <https://bit.ly/3QmlFjJ>

⁴³ Clay, N., Smith, D., (2019) Rent control and the private rented sector: an analysis. Sale: RLA Pearl.



San Francisco also utilises third generation rent control. There are no restrictions at the start of the tenancy and landlords can set rents at market levels. Rent increases within the tenancy are restricted to an annual amount intended to be 60 per cent of CPI. Tenancies are open ended and can only be ended by the tenant or the landlord using a specified ground for eviction. Landlords can also apply to increase rents in certain circumstances such as to cover an increase in costs or capital investment in the property⁴⁴.

Third generation rent control measures are seen as the lightest form of rent control. Whilst they limit how often a rent increase can take place within a tenancy this is usually limited to the CPI. This is a positive in times of low inflation but in times of high inflation this would result in rent increases that are unaffordable to the tenant increasing the risk of homelessness. Rent setting at the start of the tenancy is limited to market rents which again could be prohibitive to a prospective tenant in times of high inflation and increasing prices.

Norway's whole housing system approach to strategically solve housing need mirrors the progressive realisation of the right to adequate housing. Several European countries have had unintended consequences from their introduction of rent regulation such as reduced supply or increased rents outside of rent regulation areas. Our members are also cautious about rent regulation and have concerns that its introduction could shrink the market reducing supply further and increasing rents further.

Ultimately, we need to increase the supply of affordable housing in Wales as this will balance the market and is likely to reduce the rental costs. Rent regulation may look like a solution on paper but we need to have a fuller understanding of what the private rented sector looks like in Wales and its role as a housing tenure so

⁴⁴ Scanlon, K., Whitehead, C. (2016) Proposals for regulation of the private rented sector: an analysis. London: LSE



that we can accurately evaluate any potential benefits or unintended consequences of rent regulation measures here in Wales.

We also need to look at our existing levers to help low-income households pay their housing costs. Whilst these levers are devolved we need to keep Westminster accountable and ensure that local housing allowance is unfrozen and ensure it can cover at least the 30th percentile of rental people in a broad market area. We also need an essential guarantee so that the weekly universal credit payment for a single person can cover the essentials and cannot be brought below this level by deductions. Our benefit system should provide a safety net, but it cannot do this if it cannot even cover all the essentials. We call on Welsh Government to lobby the UK Government so that we can use all the levers available to us to ensure the people of Wales can access an affordable home in the private rented sector.

Q18. What factors should apply to determine if a rent control measure is required?

There are several factors that should apply to determine if a rent control measure is required these are:

- **Welfare Levels**

The current rates of Local Housing Allowance have been frozen since 2020. The LHA rate should be set at the 30th percentile rent in a broad rental market area. Research carried out by the Bevan Foundation showed that in February 2023 just 32 properties available for rent in Wales would have their rent covered by current LHA rates⁴⁵. In addition, research published by Joseph Rowntree Foundation in June 2023 outlined that the current levels of universal credit do not cover the essentials for many low income households⁴⁶

- **Affordability of newly available properties**

⁴⁵ Wales' Housing Crisis: Local Housing Allowance and the private rental market in Wales Winter 2023. <https://www.bevanfoundation.org/wp-content/uploads/2023/03/Wales-Housing-Crisis-Winter-2023.pdf>

⁴⁶ Unable to escape persistent hardship: JRF's cost of living tracker, Summer 2023. <https://www.jrf.org.uk/report/unable-escape-persistent-hardship-jrfs-cost-living-tracker-summer-2023>



The ONS affordability assessment of private rents is based on the median rent. This will include rents for existing tenancies and for those newly available to rent. Yet, this is not the full picture. Data from Zoopla shows that on average rents for newly available rental properties have increased by 10.4% between April 2022 and April 2023. With households in Wales currently paying on average 25 percent of their income on rent⁴⁷. Whilst the overall rent may be assessed as affordable it is the rises seen for newly available properties to rent that is impacting a person's ability to secure a new private rent tenancy.

- **The numbers in temporary accommodation**

The latest data from Welsh Government shows that on 30 April 2023 there were 10,444 individuals in temporary accommodation including 3,214 dependent children. The data also shows that more people are moving into temporary accommodation than are moving out into long term accommodation⁴⁸

- **Numbers having duties discharged with a private rent.**

This data has not been collected since 2018/19 it showed that almost 4,000 households' homeless duties were discharged through the provision of a private rented tenancy^{49,50}

Some of this data is available nationally and some is available at a local authority area. We need to ensure that all the data mentioned is available at both a local authority level and a lower super output area. This data will provide a good indication of whether there are any difficulties in accessing a private rent property and where there are specific rent pressure zones resulting in the need for rent control. Thought this needs to be considered carefully to ensure it does not impact the rental market in neighbouring areas and that the new rent proposed is set is equitable considering current mortgage rates. If the rent set does not cover

⁴⁷ UK Rental Market Report. June 2023. <https://advantage.zoopla.co.uk/research-and-insights/rental-market-report-june-2023/>

⁴⁸ Homelessness accommodation provision and rough sleeping: April 2023
<https://www.gov.wales/homelessness-accommodation-provision-and-rough-sleeping-april-2023>

⁴⁹ All cases where positive action succeeded in preventing/relieving homelessness.
<https://statswales.gov.wales/Catalogue/Housing/Homelessness/Statutory-Homelessness-Prevention-and-Relief/all-cases-where-positive-action-succeeded-in-preventing-relieving-homelessness>.

⁵⁰ Reasons for discharge of duty under section 75 during the year.
<https://statswales.gov.wales/Catalogue/Housing/Homelessness/Statutory-Homelessness-Prevention-and-Relief/reasons-for-discharge-of-duty-under-section-75-during-the-year>



landlords mortgage liability this could increase the risk of a household becoming homeless as the landlord looks to sell or move into the holiday market where they can charge higher rents.

Q19. Who should be responsible for determining if a rent control measure is to be introduced?

The countries used as international examples of first, second and third generation rent control models all have legislation in place to enable rent control to be implemented. In the US this is done at the state level. The rent control measures are then implemented by independent bodies who will determine the amount of rent that is to be charged. These bodies are:

- **Norway** - Historically municipal rent committees were created to determine rents.
- **New York** - A rent guidelines board determines the maximum allowable rent increase and rent to be charged at the start of a tenancy.
- **San Francisco** - Has a rent board which sets the amount of any annual rent increase.
- **Sweden** - Rent and tenancy tribunal set the rents based on reasonableness.

Rent control in Wales would need to be legislated for with subsequent rent setting undertaken by an independent rent regulatory board who would also be responsible for determining if a rent pressure zone would be appropriate for some areas. Any rent setting would need to be done using local incomes considering the local housing market. A one size fits all approach will not be appropriate. Rent Smart Wales would also need to be included in any independent rent regulatory board as the licencing body for the private rented sector.

Q20. How could compliance with a rent control measure be monitored and enforced?

If we make it a part of licencing conditions that landlord report on the rents being charged every twelve months and at the start and end of a tenancy it would be clear when a landlord is not adhering to rent control measures. The rents officer would then need to report these breaches to a rent regulator who would be responsible for enforcing rent control measures. It would also need to be



considered whether noncompliance with rent control would be a breach of licence requirements and whether a suspension of the licence or removal appropriate depending on the level of non-compliance.

Q21. Do you have any views on the models for rent control measures?

First generation models.

The yield-based model uses property value as part of their calculations. Whilst this will solve the issue of different housing markets across Wales it is unlikely to be the most equitable option as house prices tend to rise on a year-by-year basis. The equity issues are further compounded in both the yield-based model and the cost-based model as both include the annual interest charges. This may not have a large impact at times of low interest rates however, the current economic climate sees interest rates changing on a month-to-month basis.

To establish what the rents could look like for the yield-based model or the cost-based model we have used the median property price⁵¹. We have replicated the yield of 10 percent and used a mortgage rate of 6.75 per cent the average rate for a two year fixed rate and a loan to value of 95 per cent as at July 2023⁵². This calculation for the yield-based model and the cost-based model was done for the same local authorities used to discuss living rents. These figures are below. We have included the living rent levels to aid our evaluation.

Local Authority	Yield based monthly rent (£)	Cost based monthly rent (£)	Monthly living rent (£)
Cardiff	2224	1663	757
Swansea	1601	1257	712
Blaenau Gwent	1112	939	687
Conwy	1779	1373	709
Flintshire	1690	1315	739
Pembrokeshire	1913	1460	749

⁵¹ Median house prices for administrative geographies: HPSSA dataset 9.

<https://www.ons.gov.uk/peoplepopulationandcommunity/housing/datasets/medianhousepricefor-nationalandsubnationalgeographiesquarterlyrollingyearhpssadataset09>

⁵² What are the current UK mortgage rates? <https://www.rightmove.co.uk/news/articles/property-news/current-uk-mortgage-rates/>



Powys	2046	1547	693
Wrexham	1601	1257	726
Newport	1788	1379	753

This table shows that the yield-based model gives a very high rent as it is accounting for the property prices seen within an area. The cost-based model prices are lower, but still significantly higher than the monthly living rent.

It does not seem equitable to base rent caps on property prices as rent caps are designed to improve the affordability of rent which should be linked to income so it would be more equitable to base rent caps on a determined local income ensuring that more households are able to afford the rent levels set. The JRF living rent model is linked to income and is an equitable way of calculating the level rents should be set to within an area.

The quasi-social rent model provided sees the affordable rent set at the LHA. Yet the current LHA rates are not sufficient to cover rent with just 32 properties in February 2023 being available at LHA rates in Wales⁵³ The current LHA freeze could significantly impact the effectiveness of this model.

The intermediate rent model is already available to local authorities and RSL's as part of existing grant funding mechanisms and provides an option to provide affordable rented accommodation. We would like to see a comprehensive evaluation of the current arrangements to provide intermediate rents as the current system may be effective and not need amending.

⁵³ Wales' Housing Crisis: Local Housing Allowance and the private rental market in Wales Winter 2023. <https://www.bevanfoundation.org/wp-content/uploads/2023/03/Wales-Housing-Crisis-Winter-2023.pdf>



Second generation rent model.

The model proposed looks at implementing a banding system for rent caps according to the energy efficiency of the property. Whilst this makes sense and could incentivise some landlords to undertake work to improve energy efficiency there is also a need to be cautious. Are we going to produce a two-tier rental system in Wales whereby those on low incomes can only access properties with a lower energy efficiency and lower rent? This would not be an equitable outcome so we need to be very cautious with this model to ensure everyone can access good quality and energy efficient homes.

Third generation rent model.

This model will base rents on rent officer data to identify rent pressure zones. Before this can be done, we would need to ensure that it is mandatory for landlords to provide their rent data on an annual basis or at any change in the tenancy. We also need to ensure that by implementing a rent pressure zone in one area it does not impact rent prices in neighbouring areas and that supply is not compromised as landlords decide to leave the market. Our research into rent regulation in Northern Ireland found that up to 60 per cent of landlords would leave the market if rent regulation was brought in⁵⁴

Q22. Do you have any further evidence or observations that you wish to provide?

we believe that legislation to incorporate the right to adequate housing into Welsh law is the starting point that provides the paradigm shift in the way we view housing and the investment and prominence it is given in the wider public policy debate in Wales to deliver the long-lasting change that we, as housing professionals, all aspire to delivering.

⁵⁴Rent regulation in the private rented sector in Northern Ireland.

<https://www.cih.org/media/n50no3ps/dfc-rent-regulation-in-the-private-sector-in-northern-ireland.pdf>.



The legislation will incorporate the right through a progressively realised approach. It would compel statutory authorities to bring forward plans about how we deliver the right over the timeframe of progressive realisation. The plans would identify monitoring arrangements and enforcement measures, as well as the investment needed to meet the scope of the legislation. CIH Cymru believes that legislation to incorporate the right is the starting point on a journey that will address other issues raised in this Green Paper around affordability and the delivery of adequate housing. For us, it's clear that the time to act and bring about positive, long-lasting change is now. Wales has radical and transformational roots in social justice - Nye Bevan and the creation of the NHS shows this. Housing is the 21st Century equivalent of the NHS - our predecessors did not wait for enough hospitals, doctors, and nurses to form the NHS - they recognised legislation would drive it and got on with it. And that's the approach we should take now and incorporate a right to adequate housing in Wales.

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