Chartered Institute of Housing
Northern Ireland

Rent regulation in the private rented sector in Northern Ireland

September 2022

Chartered Institute of Housing
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Glossary of abbreviations

ASHE	Annual survey of hours and earnings
BRMA	Broad rental market area
CIH	Chartered Institute of Housing
CPI	Consumer Prices Index
DfC	Department for Communities (Northern Ireland)
DHP	Discretionary housing payment
DWP	Department for Work and Pensions
HB	Housing benefit
JRF	Joseph Rowntree Foundation
LGD	Local government district
LHA	Local housing allowance
MIS	Minimum income standard
NI	Northern Ireland
NIHE	Northern Ireland Housing Executive
NISRA	Northern Ireland Statistics and Research Agency
ONS	Office for National Statistics
PRS	Private rented sector
SMC	Social Metrics Commission
UC	Universal credit

Executive summary

A new system of rent regulation was introduced by the Private Tenancies Act (Northern Ireland) 2022. Section 7 of this Act amends the Private Tenancies (Northern Ireland) Order 2006, by restricting the frequency of rent increases to once every 12 months. Regulations must be made for this new measure to begin.

The same Section inserts Article 5C which allows regulations to be made to freeze rents and/or cut them by up to ten per cent for a period of up to four years. The Department for Communities must consult landlord and tenant representatives plus councils in deciding whether to use this power. The Department must also prepare a report on the consultation and lay it before the Northern Ireland Assembly. These requirements have given rise to this research report from the Chartered Institute of Housing for the Department for Communities, which shows:

- what existing evidence tells us about rent control or regulation
- a baseline of current rent affordability and trends, plus the potential impact of rent control/regulation in Northern Ireland, and
- the consultation feedback from landlords and tenants, their representative groups and the district councils.

The existing evidence

In this report we refer to Professor Richard Arnott's typology of rent control. Within this typology there are three 'generations' of control:

- **first generation** rent regulation measures seek to impose a **control on existing rent levels**; they are typically called 'hard rent controls' or 'rent freezes'
- **second generation** regulation governs rent increases **within and between tenancies**; an example is setting the very first rent at market levels with subsequent increases and rents for new tenancies being controlled, and
- **third generation** measures refer to restricting the increase of rent **within the tenancy** e.g. restricting the amount or frequency of increases for a current tenant.

We explored the history of rent control in the UK and Ireland, and we analysed a selection of rent control case studies from six countries abroad. The broad consensus across the literature we reviewed is that moving further up Arnott's generations of rent control tends to create systems with negligible impact, complicated and unclear outcomes, or at worst undesired effects.

At the top of the Arnott typology, first-generation rent controls in modern markets (similar to what is proposed in Northern Ireland) caused a drop in supply as well as a rent reduction in the places we reviewed. The PRS in the Netherlands represents a relatively small eight per cent of the housing stock, and first-generation control is partly credited with the low supply of private rented properties. A short-lived rent freeze in Berlin caused a substantial decline in rental properties there.

Affordability

In broad terms, the Northern Ireland private rental market remains relatively affordable, certainly compared with pressured housing markets in Britain and Ireland and notwithstanding the high levels of local rent inflation in recent times. However, our analysis of housing affordability for different household types shows that the following people are particularly struggling:

- single people and childless couples on universal credit, who have the highest gross rent to income ratios and lowest residual incomes (but can achieve the minimum income standard at relatively low levels of earnings)
- single earner households with children, who find it very difficult to escape the poverty trap, and
- households with three or more children, who have the worst residual incomes.

It is important to note that much of these affordability issues for low-income households have been driven less by rent inflation, and more through punitive aspects of the social security system, such as freezes in local housing allowance rates and the use of the shared-accommodation rate for younger single people in one-bedroom homes.

Implications of freezing or cutting rents

Improve affordability for some tenants

Intuitively, the greater the cut the easier it becomes for tenants to afford their rent. Our opinion polling asked tenants to score how easy or difficult it is currently to afford their rent, where 0 is very easy and 10 is very difficult. The mean score was 5.18, or 'neither easy nor difficult'. We asked the same question for the various scenarios of rent freeze or cut; the mean score generally fell with each incremental drop in rent, down to 2.80 in the case of a ten per cent reduction.

We used rents for 2022/23 to model the effect on the availability of properties within the current frozen local housing allowance (LHA) rates for the Belfast broad rental market area. The outcomes are very uneven depending on the LHA category. This makes freezing and reducing rents to protect those on the lowest incomes a very unpredictable and inefficient policy tool.

Overall, a rent freeze or reduction would largely benefit existing tenants who remain in their homes and whose landlords do not sell or repurpose their properties. However, because such a freeze or reduction would also reduce the size of the sector as we demonstrate, other tenants would be evicted. Prospective tenants and people looking for new private rented accommodation would be faced with a further shortage of suitable housing options in an already tight housing market.

Between 41 and 60 per cent of landlords would seek to exit the private rental market

Over half of landlord respondents in our survey reported that they would seek to decrease the number of properties they let out across the sector. Analysis illustrates that there is however, an approximate ten percentage point difference in planned sale behaviour and actual sale behaviour in relation to landlords. Even so at these levels, this would account to 41 per cent to 60 per cent of landlords seeking to exit the private rental market.

Some of these properties may be sold to landlords, keeping the property within the sector. However, some landlords may seek to withdraw and provide the property on the short-term holiday let / Airbnb market, where they are able to attract substantially higher rents.

Our analysis indicates that the impact of the regulatory measures would have differing impacts across landlords. Those who own the property outright would have a less negative financial impact on the operation of their investment. However, those with mortgages and specifically those with full repayment mortgages may be more disadvantaged.

Alternative approaches to improve affordability

Welfare support

A simpler and accurately targeted way to improve housing affordability is topping up LHA claimants with a shortfall to the real 30th percentile rent through discretionary housing payments (DHPs) or welfare supplementary payments.

We acknowledge the work already being done to mitigate shortfalls through DHPs. Despite this, there is currently a low uptake on DHPs despite more and more households facing rising housing costs. We acknowledge the communications exercise currently underway around the existence and availability of DHPs for those living in the PRS.

If the provision of DHPs does not achieve the step-change needed to improve housing affordability, it would be worth considering the extension of welfare supplementary payments to LHA claimants with a shortfall, and to top up the shared accommodation rate to the one-bedroom rate.

Enhancing existing rent control

Northern Ireland now has a new system of third-generation rent control that limits the frequency of rent increases to once a year and which has the broad support of stakeholders tested through consultation; it would make sense to monitor and evaluate this new law as part of the normal policy making process.

To support this new rent control, a formal process could be developed where renters can challenge unfair rent increases. The Rent Assessment Committee could be tasked with this work. Such an approach is already in place in England and Scotland.

If greater rent control is desirable, an additional option within the third generation is limiting increases during a tenancy to CPI or a similar indexing measure and allowing rents to reset to market levels at the end of a tenancy. Limiting increases during a tenancy in this way would seek to address the substantially large increases that occur in a minority of the NI market. Allowing rents to reset to market levels at the end of a tenancy would provide landlords with some assurance that increases in costs would be accommodated in rental prices.

Supply

The best way of relieving pressure on prices is by having enough housing supply. There is a shortage of private rented accommodation at present; data from PropertyPal shows that the average stock of properties for rent on the website during June 2022 was 1,647 – a 57 per cent decrease from June 2019. At the same time there is increased demand for it, as the economic consequences of the pandemic and the cost-of-living crisis has made saving for a deposit more difficult, placing home ownership out of reach for more people.

Another long-standing factor driving the demand of private rented accommodation is the shortage of social housing. We acknowledge existing work through the housing supply strategy that aims to boost social housebuilding and address the deep-rooted barriers to increasing supply, including infrastructure, funding, skills and capacity constraints. This is vital, as there is not enough social housing being built to meet people's needs.

Introduction

A new system of rent regulation was introduced by the Private Tenancies Act (Northern Ireland) 2022. Section 7 of this Act amends the Private Tenancies (Northern Ireland) Order 2006, restricting the frequency of rent increases to once every 12 months. Regulations must be made for this new measure to begin. Regulations can also be made to decrease this frequency to once every two years (at most).

The same Section inserts Article 5C which allows regulations to be made to freeze rents and/or cut them by up to ten per cent for a period of up to four years. The Department for Communities must consult landlord and tenant representatives plus councils in deciding whether to use this power.

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- what existing evidence tells us about rent control or regulation
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Research team members conducted a literature review while undertaking new research through data analysis, public polling, online surveys and interviews. The methodology for the new research is outlined at the beginning of each section in part two.

The core of this research deals with the regulation of rent. Nevertheless, there are other concerns connected with rent regulation that will also be touched upon throughout. Such concerns include security of tenure, fiscal and economic contexts, and social security.

Throughout this report we use the terms rent regulation and rent control interchangeably. In some literature the term rent control is used to refer to first generation rent regulation systems i.e. hard rent controls or rent freezes. However, we use rent control to mean any measure that regulates the setting or increases of private rents.

Part one – Rent regulation: the existing evidence

1.1 The approaches to rent regulation

To understand the likely impact of differing types of rent regulation, it is first important to set out the differing approaches to it. Here we specifically focus on the rules that regulate the rent that a landlord can charge, however, as discussed below there is a need to also consider the broader regulatory and welfare reform context.

The regulation of rents typically includes the following three elements (Kholodilin, 2020):

1) rules that regulate the setting of the rent for new rental contracts
2) rules that regulate the setting of rents during existing rental contracts (i.e., rent increases during a tenancy), and
3) exceptions, that provide enhanced regulation or exempt certain elements of the housing market (for example, this could be geographic, age of building, or a type of tenancy such as students).

Building upon this, Arnott (1995, 2003) sets out a typology of "three generations of rent control". Within this typology, the first generation is linked to the control of rent levels, the second is linked to the regulation of rents after the initial tenancy, and the third is linked to the regulation of increases during the tenancy. We explain each generation in more depth below.

First generation of rent regulation measures

This generation of rent regulation measures seeks to impose a control on existing rent levels. They are typically called "hard rent controls" or "rent freezes" (Arnott, 2003; Whitehead and Williams, 2018). This can be across the whole of the private rented sector or defined elements of it. An example of a potential first generation rent regulation mechanism would be the setting of a defined rent level for certain properties, such as limiting a two-bedroom property to a rental value of £500 per month.

These types of rent regulation measures are argued to lead to the following outcomes (Arnott, 1995, 2003; Whitehead and Williams, 2018):

- improve initial affordability of rents
- reduce real rents if rents cannot be adjusted to account for increased landlord costs
- develop incentives for landlords to sell properties and leave the sector, especially at times of high house prices and strong property markets
- reduce incentives for landlords to repair and renovate properties, and
- incentivise "shadow" or illegal rental markets or incentivise renters to stay in the property even if their needs change.

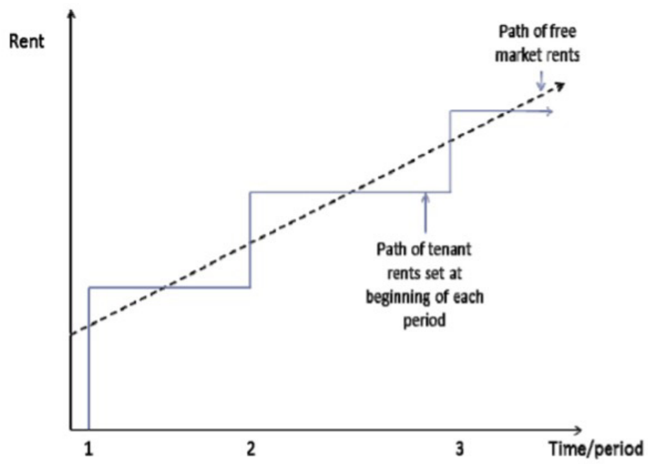
Second generation of rent regulation measures

This generation seeks to govern rent increases within and between tenancies. They are a development of first-generation measures and seek to allow landlords to account for some cost increases in the management of the property. Thus, improving the incentive for continued investment in improvements and repairs above that of the first-generation measures. An example of this type of measure is an automatic rent increase based on inflation (such as CPI at three per cent). This could look favourable at times of low inflation, but when there is rampant inflation it could see rapid rental increases over and above what would have applied at market rates.

Third generation of rent regulation measures

This generation refers to measures that restrict the increase of rent within the tenancy. They are sometimes described as rent stabilisation measures. This form of measure implies that rents set at the start of the tenancy are at 'market' rates, with subsequent increases governed by the set-out regulations. These increases may then be limited by an amount such as an inflation-linked measure or by other means such as property condition/quality. Other forms of this generation of measure, include the regulation of the frequency of rental increases (such as limiting rental increases to once per year, and required notice periods) but not a restriction on the financial level of rent increases. Whitehead and Williams (2018) argue that 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 (depending on the measure used to restrict increases), and provide the landlord with some assurance that increases in costs would be accommodated in rental prices.

Figure 1. The growth of rents under third generation rent regulation measures. (Source: Whitehead and Williams, 2018, p11)



As figure 1 above demonstrates, third generation rent regulation measures can limit increases during the tenancy period, but these could see a shock for households if they then seek to move from their existing tenancy to a new property. These measures therefore may tend to reduce turnover of renters (Whitehead and Williams, 2018), which on one hand could provide greater stability to renters but may also mean that they stay in a property even if it is not suitable to their needs and could lead to deterioration of housing conditions, such as overcrowding. However, there may be a benefit to landlords, as the reduction in turnover reduces their operating costs and provides consistent returns (Turner and Malpezzi, 2003; Whitehead and Williams, 2018).

Considering the broader regulatory context and criteria to evaluate rent regulation measures

The complexity of regulatory systems governing the private rented sector and broader housing systems, means that it is not possible to simply consider the nature of the rent regulation system, rather a holistic approach is required (Whitehead et al., 2012; Whitehead and Williams, 2018). Whitehead and Williams (2018) argue that the following core elements of regulation affect the outcomes of rent regulation measures:

- the determination of rents at the start and during the tenancy
- the scope of security of tenure afforded to renters within the regulatory framework; here security is not just related to length of tenure, but also, the mechanisms for ending and the rights for landlords to sell the property while rented, and
- the enforcement of regulations and the effectiveness of this.

A developing framework for assessing the desirability of rent control policies identifies six core areas of consideration/criteria (Wheatley et al, 2019; Gibb and Marsh, 2022). These are affordability for existing privately renting tenants, security of tenure feasibility, negative risk to the wider housing market and economy, equity, and intersection with broader policy objectives. We now summarise these six criteria (for a full discussion of these criteria see Gibb and Marsh, 2022):

- **Affordability for existing private renters**: While measures may seek to improve affordability, they may have a negative impact on it. Renters may be forced to pay secondary payments, or in non-controlled areas may experience substantial increases as demand for properties change. For example, Breidenbach et al., (2022) identify that the effects of rent control measures in Berlin were short-lived and did not fully benefit lower-income households.
- **Security of tenure**: The effectiveness of rent regulation measures depends on the level of security of tenure experienced by renters. For example, if renters can be forced out of their home easily, this can be used by landlords to bypass some measures.
- **Feasibility of regulation and enforcement**: This is a core element of the rent regulation measures. If the feasibility of the implementation is high and there is effective enforcement, this is more likely to lead to positive policy outcomes. However, if the measures are complicated with little enforcement, it is unlikely that the policy would achieve its objectives.
- **Negative risk to the wider housing market and economy**: Gibb and Marsh (2022, p.9-10) highlight the potential negative risk to the housing market and labour market from the introduction of rent control measures. Issues include lower labour mobility and reduced investment in maintenance of the property. A further issue is the potential impact on the supply of properties within the sector, however, Gibb and Marsh argue there is less clear-cut evidence on the potential impact of measures on supply, and this does depend on the types of landlords operating within the sector.
- **Equity**: This relates to the balance of the measure and broader regulations (such as security of tenure) between landlords and renters. This criterion depends on the broader context of the sector, the regulatory framework, and the current makeup of landlords that operate in the sector. For example, are the landlords large-scale with 1000+ portfolios or small-scale with one or two properties? Small-scale landlords may have

difficulty in affording maintenance under rent regulation measures in comparison to larger-scale landlords.

- **Intersection with broader policy objectives**: How will the measures affect the implementation of broader policy objectives? For example, if the measures reduce investment in maintenance, will landlords be incentivised to improve energy efficiency in their property? If not, this could have negative impacts on renters.

1.2 Rent control in Northern Ireland

Rent control in the 20th century

Traditional rent control for new lettings was largely ended through the Rent (Northern Ireland) Order 1956. Although, rent restriction acts continued to be in force until the Rent (Northern Ireland) Order 1978. Rent control had been introduced during the first world war as a mitigation measure during the housing shortage at the time. This system was extended and varied over the decades that followed and produced "a very complex and complicated scheme which required a detailed knowledge of the history of the dwelling, particularly its rateable value, at key dates"[1]. Gray and McAnulty (2016, p.74) state that "in 1956, the government attempted to introduce new legislation to decontrol wide sections of the market, but it faced stiff opposition and as a result it was forced to radically amend its proposals in the form of the Rent (NI) Order 1956".

The 1978 Order stipulated that tenancies in dwellings subject to rent restriction acts before 1 October 1978 were deemed to be 'protected tenancies' under the new law. While few in number today (900 tenancies in 2017[2]), protected tenancies remain subject to rent control and the Rent Officer sets and increases the rent for them. Protected tenancies can become 'statutory tenancies' in cases where the original tenancy ends or is transferred to a tenant's successor; in practice there is little difference between the two with rent control applying to both types.

Particularly during the second half of the 20th century the PRS experienced significant decline as a proportion of housing stock. At the beginning of the century, it was the leading tenure. By 1961 the PRS was still large, at around 38 per cent of the stock but ten years later this had more than halved to 14 per cent. The size continued to drop, to eight per cent in 1981 before bottoming out at four per cent in 1990.[3] The PRS in the 1990s had become "a minority tenure mainly for students, mobile persons, and some low-income households (often single persons)"[4].

It is notable that the late substantial decline in the Northern Ireland PRS occurred in spite of, and not because of the winding down of rent control measures. Murie (2001) notes that "the decline in private renting is not easily presented as a consequence of government controls. New lettings have been outside of rent control since 1956 and Northern Ireland did not have the rent regulation measures introduced in England and Wales in 1965 and 1974." Gray and McAnulty (2016, p.73) cite rent control as one factor among several including "the growth of owner-occupation and large-scale redevelopment of older housing areas" as the collective cause of decline over the century as a whole.

One reason behind the growth in home-ownership during this period was its relative affordability in Northern Ireland; buyers generally needed a lower multiple of their salaries to secure a mortgage. While house prices began to rise steadily in the 1980s, they did so at a much lower rate than in Britain keeping housing affordable for longer.[5] This slow growth in house prices also likely contributed to the relative unattractiveness of housing as an investment and the continuing decline of the PRS.

It was not until the 1990s that the PRS began to grow again, which Adair et al (2001, p.71) attributed on the demand side to "less job security and the availability of housing benefit". Although on the supply side, new house price growth played a role; investors entered the market particularly in the mid-2000s in the context of rapid price increases. This growth also drove affordability issues, particularly for first-time buyers, thus increasing demand for private renting as well. According to the census the PRS accounted for seven per cent of households in 2001, and 14 per cent in 2011 – a size not seen since 1971.

It cannot be said rent control was the sole or significant cause of the declining size of the Northern Ireland PRS. However, periods of rent control did correlate with poor quality housing. While the NIHE House Condition Survey 1974 found over one-third of the total housing stock in need of significant repair, the issue was particularly acute in the PRS.[6] New tenancies had been uncontrolled for nearly 20 years by this point, but legacy tenancies with controlled rents continued.

[1] Gray and McAnulty (2016), p.74.
[2] Wilson (2017), p.11.
[3] Murie (2001), p.28.
[4] Paris (2001), p.176.
[5] Murie (2001), p.29.
[6] McPeake (2001), p.39.

Rent control in the 21st century

The Private Tenancies (Northern Ireland) Order 2006 expanded rent control to also apply to tenancies beginning after 1 April 2007, where the house was built before 6 November 1956 and does not meet the appropriate standard of fitness. The appropriate standard of fitness is not deemed to be met unless the property has a certificate of fitness or is a 'prescribed dwelling-house'. Prescribed houses included those built after 1 January 1945 (The Prescribed Dwelling-house Regulations [Northern Ireland] 2007), so in practice rent control applies to unfit properties built before 1945.

A third-generation system of rent regulation was introduced by the Private Tenancies Act (Northern Ireland) 2022. Section 7 of this Act amends the 2006 Order, restricting the frequency of rent increases to once every 12 months. Regulations must be made for this new measure to begin. Regulations can also be made to decrease this frequency to once every two years (at most).

The same Section allows regulations to be made to freeze rents or cut them by up to ten per cent for a period of up to four years. The Department for Communities must consult landlord and tenant representatives plus councils in deciding whether to use this power. The Department must also prepare a report on the consultation and lay it before the Northern Ireland Assembly within six months of the Act receiving Royal Assent (i.e. within six months of 27 April 2022). This latter requirement has given rise to this research report.

1.3 Rent control powers in Great Britain

Powers to restrict or delay rent increases in England and Wales

Section 31 of the Landlord and Tenant Act 1985 (LTA 1985) gives the Secretary of State/Welsh ministers a reserve power to limit rents by Order as follows:

31 Reserve power to limit rents

(1) The Secretary of State may by order provide for—

(a) restricting or preventing increases of rent for dwellings which would otherwise take place, or

(b) restricting the amount of rent which would otherwise be payable on new lettings of dwellings; and may provide either generally or in relation to any specified description of dwelling.

To date the only Order that has been made under this power is the Rent Acts (Maximum Fair Rent) Order 1999 (SI 1999 No. 6). The Order sets out a formula for the maximum increase in a registered ('fair') rent to 7.5 per cent of the previous registered rent and to five per cent for any subsequent registrations.

Background to the maximum fair rent Order

Before deregulation of private renting that resulted from the Housing Act 1988, rent officers had the power to register a 'fair rent' which was the legal maximum s/he could charge. The fair rent is the open market rent with an adjustment for scarcity (that is, only in situations where supply and demand are not roughly in balance). However, since virtually all lettings without a resident landlord fell within the Rent Act there was no open market in unregulated privately rented property so existing registered rents became the main basis comparison. Over time – especially during the 1970s and 80s when inflation was high – this had the effect of depressing the rent officers' valuations. By the mid-1990s in some areas of the country registered rents were about half the level of open market rents even in the absence of scarcity. Following the Housing Act 1988, rents for all new lettings were negotiated and agreed between the landlord and tenant and this provided a new basis for comparison. This had the unfortunate side-effect that tenants whose rents had previously been registered at levels well below the true fair rent were exposed to potentially very sharp and unexpected rent increases. The Order ensured that the necessary adjustment would take place at a much more gradual and manageable rate.

Legal challenge to the Order

The Order was challenged on the following grounds:

- its terms exceeded the Secretary of State's powers as set out in the Landlord and Tenant Act 1985, s.31, and
- the landlords' fundamental rights under European Convention had been breached (Articles 13, 14 and Article 1 of Protocol 1).

The Court of Appeal rejected the second ground but accepted the first. The government then appealed to the House of Lords and judgment was given in R (Spath Holme Ltd) v Secretary of State for Environment, Transport, and the Regions [2000] UKHL 61.

At the Court of Appeal counsel for the landlord successfully argued that the power in section 31 was conferred only to enable the Secretary of State 'to restrict rents where such represented a significant cause of general inflation'. The Landlord and Tenant Act 1985 is a consolidating measure, and the original source of the power could be traced back to section 11 of the Counter-inflation Act 1973. This section was repealed and replaced by section 11 of the Housing Rents and Subsidies Act 1975. It was accepted that the power in the 1975 Act could be used to tackle general inflation; the question to be determined was whether it could be used for other purposes. The Lords concluded that the 1975 Act had a wider purpose than its predecessor and that the power could be 'exercised by the minister if he reasonably judged it necessary or desirable to protect tenants from hardship caused by increased or excessive rents'.

At the Court of Appeal counsel for the landlord submitted as alternative grounds that the Order breached their Convention rights under articles 13-14 and article 1 of the first protocol as follows:

- the minister's discretion as to how the power was exercised was so wide that there was no way to challenge (article 13, the right to an effective remedy)
- the Order was a 'control of use' measure that deprived the landlord from receiving the full market rent (article 1 protocol 1, protection of property), and
- in either case above, the interference with those rights was discriminatory in its effect (article 14, prohibition on discrimination).

Article 14 is not a standalone right and can only be pleaded if at least one of the Convention articles is engaged. Article 13 and article 1 protocol 1 are both qualified rights so any interference by the state only breaches the Convention if the state strays outside its 'margin appreciation'. This sets a high bar for a successful challenge. Not surprisingly both the article 13 and the article 1 protocol 1 grounds failed at the Court of Appeal and their reasons for doing so were approved by the Lords in their judgment.

The article 13 ground

Counsel for the landlord argued that the power under section 31 left its use so completely to the discretion of the minister that the conditions for its exercise were not "provided for by law", Sunday Times v. United Kingdom (1979) 2 EHRR 245 and Silver v. United Kingdom (1983) 5 EHRR 347 being cited in support. The Lords swiftly dismissed this: the requirement that the condition of any restriction be provided for by law related to provisions made under the power and not to the power itself, since the power has no effect on an individual's rights unless it is exercised. In this case the landlord's 'complaint [was] not so much that the terms of the Order [were] unclear as that they [were] all too clear'.

The article 1 protocol 1 ground

The Order interfered with the landlord's property rights as a 'control of use' measure buts its terms fell within the margin of appreciation that the Convention allows. Although its terms were clearly disadvantageous to landlords they could not be said to be heavy handed or oppressive. The Convention recognises that its signatory states have between them a diverse range of social, economic, and cultural backgrounds. Article 1 protocol 1 sets out the conditions when 'control of use' falls within the state's margin of appreciation. The state has the right to enact legislation "[…] as it deems necessary to control the use of property in accordance with the general interest […]". What falls within 'the general interest' is wide enough to allow a state to pursue 'a policy calculated to enhance social justice within the community' (James v UK [1986] ECHR 2, para 41). It is for the state to decide where the appropriate balance lies between the interests of the community and the rights of the individual as protected by the Convention. The Court will respect a state legislature's judgment as to what is in the general interest '**unless that judgment is manifestly without reasonable foundation**' (James, para 46, Spadea and Scalabrino v Italy [1995] ECHR 35, para 29).

There have been numerous challenges by landlords to security of tenure and rent control legislation (see Mellacher v Austria [1989] ECHR 25, Spadea and Scalabrino v Italy and Velosa Barreto v Portugal [1995] ECHR 49), all of which failed because they fell within the margin of appreciation despite the fact that the landlord's financial loss was considerable (in each of these more than 50 per cent of the market rent).

Against this background it was hardly surprising that this ground had failed at the Court of Appeal. The Lords firmly agreed that they were right to reject it:

> 'It is an enduring and intractable problem of social policy that those who need relief cannot always be helped without giving relief to those who do not need it. […] The hardship which the Order imposed on landlords was a very relevant consideration, but it was for ministers to judge where the balance between the competing interests of landlords and tenants should be struck. […]'
>
> 'There was no breach of the European Convention: the European Court of Human Rights has recognised the need for a wide measure of discretion in the implementation of policy in this field, as shown by Mellacher v. Austria (1989) 12 EHRR 391. Any actions the ministers took, or any failure by the ministers to take action, were bound to be bitterly resented by those who were disadvantaged as a result. That does not mean that the action which the ministers did take in making the Order was unreasonable, unfair or disproportionate, disadvantageous to landlords though it certainly was.'

Regulation of service charges – England and Wales

The Landlord and Tenant Act 1985 sections 18-30 sets conditions about the payment of variable service charges. The provisions extend to charges for repairs, maintenance, insurance, or the landlord's costs of management as well as charges for services. A variable service charge is one where the whole or part of the payment varies according to the relevant costs (s.18). These provisions do not therefore usually apply to short leases where service charges are generally fixed. However, in cases where they do, the landlord's costs are only recoverable to the extent that they are 'reasonably incurred' and then only if the services or works 'are a reasonable standard' (s.19). The landlord must also provide the tenant with certain information about the charges and costs incurred as set out in regulations (s.21). If the tenant is dissatisfied s/he can apply to a first-tier tribunal to determine whether the charge is payable and if it is, the amount.

Rent setting and rent increases in deregulated (assured) tenancies in England

Generally, rents for assured tenancies under the Housing Act 1988 are not regulated but are negotiated and agreed between the landlord and tenant. The rent for a fixed term tenancy applies throughout the term of the contract unless the agreement has a rent review clause (in which case that binds the parties). Otherwise, the landlord can use the statutory procedure to propose a new rent (section 13) where:

- a statutory periodic tenancy has arisen (because no new contract was agreed when the fixed term expired – including the fixed term of an assured shorthold), or
- a contractual periodic tenancy was created without a rent review clause in the agreement

In this case the landlord serves a notice on the tenant in the form prescribed by regulations (SI 2015 No. 620, Form 5) proposing the new rent. If the tenant wishes to contest the rent s/he must refer the notice to the first-tier tribunal using Form 6 before the date the landlords notice takes effect. The landlord's notice cannot take effect until the later of:

- one month after the notice is served (or the period of the tenancy if this is longer)
- 52 weeks after the tenancy began, or
- 52 weeks (in some years 53 weeks) after the previous increase using this procedure.

Rental agreements in Wales – Renting Homes (Wales) Act 2016

The Renting Homes (Wales) Act 2016 is expected to come into force at the end of 2022 and will apply to all residential letting agreements (social and private). It replaces the various types of residential agreement (tenancies and licensees) that apply to social and private rented lettings with a single scheme comprising of two types of contracts (s.7, 8):

- secure contracts (broadly based on the secure tenancy) which will apply to social landlords or private landlords who opt in, or
- standard contracts (broadly based the assured shorthold tenancy).

Existing agreements (e.g. assured and secure tenancies) are converted into standard or secure contracts (s.239-241 and schedule 12).

The key concept is that every tenant ('contract holder') will be given a full written agreement of the terms of the contract – including any terms implied by the law (such as the landlord's obligation to ensure the dwelling is fit for habitation and keep it in good repair where the lease is less than seven years).

There is a single statutory scheme for increasing the rent – the landlord must give at least two months' notice. The first notice may specify any date and any subsequent notice must specify a date at least one year after the previous increase (s.104, secure contracts; s.123 standard contracts). There are no other rules about how and when the rent can be increased (other than those agreed in the contract) or which otherwise set a legal maximum on what the landlord can charge (e.g. such as the registered rent for Rent Act tenancies).

Standard contracts (like assured shorthold tenancies) can be ended by the landlord with a notice only procedure, but the minimum notice is six months instead of two (s.174). It also contains grounds for possession to end a secure contract or a standard contract before the fixed term has expired. For example, there are grounds for serious rent arrears, anti-social behaviour and damage to the property.

Powers to control rents in Scotland

Part 4 of the Private Housing (Tenancies) (Scotland) Act 2016 regulates how landlords may increase the rent of a private residential tenancy from 1 December 2017. The landlord may only increase the rent once in every 12 months (s.19) and only then if s/he has served the minimum notice in the form prescribed by Scottish ministers (s.22). The tenant can refer the proposed rent to a rent officer who has the power to set the rent (s.24, 25), which either party can appeal to a rent assessment committee (s.28-30). The rent officer determines the open market rent with the power only to disregard any increase in value due to the tenant's improvements or any reduction in the value caused by the tenant's failure to abide by the terms of the tenancy (s.32). Unlike Rent Act tenancies (which continue in existence) the rent officer cannot make a deduction for scarcity.

Chapter 3 of Part 4 (s.35-43) introduces rent pressure zones (RPZs) – a form of limited local rent control. The local authority can apply to the Scottish minister requesting that all or part of the local authority area be designated as an RPZ. Before the minister confirms the designation s/he must consult with the landlords and the tenants affected (s.40). Once the RPZ is approved any future annual rent increase is limited to the current rent multiplied by the consumer prices index plus one per cent until the RPZ expires (s.38). The minister sets the life of the RPZ up to a maximum period of five years (s.39).

RPZs have been criticised as being ineffectual as it can take councils up to five years just to collate the evidence required to satisfy the designation criteria. As a result, no designations have been made since part 4 of the Act came into force.

1.4 Rent stabilisation in Ireland

Summary: Move from a lower level to a medium level of rent regulation. The frequency of rent increases is controlled and initial rents are also regulated in rent pressure zones (RPZs). There is evidence that rent increases have fallen in RPZs relative to other areas. There are concerns around the impact of expanding RPZs on supply and investment but limited evidence to date of adverse outcomes.

Residential Tenancies Act 2004 – third-generation rent control

Ireland was unusual among European countries when they reintroduced rent controls at a time when other countries were relaxing their systems of rent regulation. Traditional rent control had been abolished in 1982, only for rent restrictions to be reintroduced by the Residential Tenancies Act 2004. Whitehead et al (2012, p.161) report that the previous lack of regulation contributed to the sector's negative perception, and tenants "regularly experienced difficulties from rent uncertainty and evictions, and from low quality, unfit and unsafe dwellings". Regulation was therefore "perceived as having a positive impact on the sector".

This new law stipulated that rents could be no higher than market rates. Rent increases were restricted to a once-a-year review (revised to once every two years by the Residential Tenancies [Amendment] Act 2015). Tenants were to be given 28 days' notice of a change in rent (amended to 90 days in 2015), which could be challenged if the rent was thought to exceed the market rate. Disputes can be referred to the Residential Tenancies Board (RTB), which has the power to mediate and adjudicate.

Restrictions in pressure zones – second-generation rent control

Rent pressure zones (RPZs) were introduced by the Planning and Development (Housing) and Residential Tenancies Act 2016. An area is designated as an RPZ for up to three years if local average rents increase annually by more than seven per cent in at least four of the last six quarters.

In RPZs, rent increases are capped – this applies to new tenancies i.e. relets, as well as existing tenancies. Student accommodation is also covered. The cap was initially set at four per cent per year in 2016. This cap was revised in July 2021 to general inflation i.e. the Harmonised Indices of Consumer Prices (HICP) index, by the Residential Tenancies (No. 2) Act that year. However, because of rising inflation this was again amended in December to HICP or two per cent, whichever is lower (Residential Tenancies [Amendment] Act 2021). Rents can be reviewed once every 12 months in RPZs.

There are currently narrow exemptions to the RPZ rules for initial rents, including for properties with no tenancy in the previous two years, and where the property has undergone 'substantial change' e.g. significant increase in floor space or energy performance. A previous exemption around renovations was "closed off" by government after it was "used by landlords to circumvent legislation and set higher rents"[7]. Subsequent rent increases for exempt properties still fall under RPZ rules.

A 2019 study found that "price inflation in RPZs has fallen relative to other areas since the introduction of the legislation … from just over nine per cent for the seven quarters before the regulations to just under 6.4 per cent in the seven quarters since the regulation – a drop of approximately 2.6 percentage points. In the non-RPZ areas, the average rent growth before and after the policy is virtually the same, with only a 0.24 percentage-point decline."[8]

The study also found that while tenants were much less likely to experience increases above the four per cent permitted at the time, this still happened for two in five tenancies. The authors state it was not possible to say if this was due to non-compliance or exemptions.

[7] Whitehead and Williams (2018), p.23.

[8] Ahrens et al (2019), p.ix.

Gibb and Marsh (2022, p.7) state that "by late 2021, three quarters of tenancies were covered by Rent Pressure Zones. In a newspaper article (21/12/21) in the Irish News, Craig Hughes noted that a freedom of information request had shown that the department of finance had concerns about expanding the zones based on economics evidence from abroad and landlord data in Ireland that supply would be curtailed." Whitehead and Williams (2018, p.24) stated previously that landlord numbers had grown.

The RTB published a survey of landlords, tenants and letting agents in 2021. Regarding rent regulation, among tenants "RPZs were perceived positively in that they are seen to have put a stop to the increase in rental property prices. But some in the focus groups view RPZs as a licence to simply increase the rent by four per cent per annum, even though wages had not gone up by the same amount."[9]

Some large landlords owning 100 properties or more have said that "the presence of RPZ rules has put a floor underneath the rental market and argue that rents might have fallen further in the pandemic if the rules had been different. For those with older properties (or conversions) in their portfolio, there is an argument that RPZs have disincentivised investment in refurbishment."[10]

1.5 Rent regulation abroad

Here we explore a selection of rent control case studies from six countries abroad. Cases were chosen to obtain a mix of geographies and low to high regulatory regimes, with an emphasis on analysing recent developments. The literature we studied was mostly from the last 15 years. Germany and France are interesting cases as, like Ireland and Scotland, they have recently strengthened regulations in high-pressure housing markets.

We also include a table at the end of this section summarising the different systems in these six countries plus a wider selection of European, North American and Oceanian counties.

When it comes to assessing the effects of rent regulation in a country or region it is necessary to consider the wider context, including the fiscal framework, the law, tenure structure, the culture of the sector and the motivations of the people involved. We consider some of that here as it arises in the literature. It is therefore generally difficult to compare systems as no two countries are the same, but some principles are transferrable.

This section has been compiled from a variety of sources, some in translation, therefore it should not be relied on as a definitive description of rent regulation in each country. More detail can be found in the sources at the end of this report.

Case study: Germany

Summary: Move from a lower level to a medium level of rent regulation. The impact of the second-generation rent control system since 2015 has been complicated and there are doubts about its effectiveness as a policy. A short-lived first-generation system in Berlin reduced both rents and supply.

Germany is notable in that private renting is accepted by the public as a positive alternative to home ownership, notwithstanding debates on rising rents in recent years. There is a popular view that buying a home is something done later in life – first-time buyers have an average age of 40. More households rent privately than own their own home, and the social housing sector is very small.[11] Most private rented tenancies are indefinite in length. A tenancy may be ended by the tenant with sufficient notice, and by the landlord only in limited circumstances. Tenancies last 11 years on average[12], compared to Northern Ireland where most tenancies end within two years.[13]

Comparable rents system – third-generation rent control

Medium levels of overall regulation have long applied to Germany's private rented sector. Regarding rents, third-generation rent control was the established method of regulating prices after traditional controls were repealed in the early 1970s.[14] This third-generation control was known as Vergleichsmietenregelung (comparable rent regulation) and it primarily restricted the amount and frequency of rent rises for existing tenants. Initial rents were also controlled but not strictly regulated – they could exceed local rents for similar homes by up to 20 per cent – although charging more than this formed a criminal offence.[15]

Under this system, rent increases were allowed for reasons including the rent being below local market levels for similar homes; property modernisation; and an increase in the landlord's operating costs.[16] In addition to this "over a three-year period, rents cannot be increased by more

[9] Amárach Research (2021), p.10.

[10] ibid, p.24.

[11] Martin, Hulse and Pawson (2018), pp.57-58.

[12] Davies et al (2019), p.3.

[13] Perry (2021), p.29.

[14] Whitehead and Williams (2018) pp.22-23.

[15] Fitzsimons (2014), p.17.

[16] Wilson and Barton (2019), p.32-33.

than 20 per cent [amended to 30 per cent in 1982 and extended to all private rented housing in 2001 having previously applied only to pre-1980 stock[17]], and landlords are restricted to maintaining rents at a given level for at least 12 months. Tenants also have a month to decide whether to accept the rent increase and, in the case of rejecting it, two further months' notice before moving out. Tenants can therefore be guaranteed 15 months of renting at a set rental amount".[18]

Whitehead (2012, p.143) observed that this rent regulation system plus the high tenure security meant that "rents for sitting tenants tend to be below market level in areas of high demand. … For many households in this situation, continuing to rent is the most cost-efficient housing option in spite of the declining house-price-to-income ratio and low house-price-to-rent ratio."

For landlords, lower rents mean lower rental yields – while this is normally an investment disincentive, the German experience (until 2010 at least) was that the landlord motive was one of long-term gain. Housing market stability and tax breaks helped to make property investment a lower risk, secure option over time. Landlords tended to invest for capital gain and to build on pensions in older age.[19] Despite this, a short-lived first-generation rent control policy in Berlin recently resulted in many landlords transferring their rental apartments to owner-occupation – this is covered further below.

Rental price brake – second-generation rent control

In 2015, a new second-generation rent control system was introduced that more strictly limited the amount of rent chargeable for new tenancies in previously let homes. Known as Mietpreisbremse (rental price brake), the policy restricts rents in designated angespannten Wohnungsmärkten (tight housing markets) to within ten per cent of the Mietspiegel (rent index) of local comparable rents.[20] The Mietspiegel is an average, based on lease agreements from the previous four years.[21] The allowable rent increase during a tenancy was also reduced to 15 per cent in these tight markets. Some tenancies are exempt from the brake, such as for those in significantly modernised and newly built properties, in an attempt to avoid impact on investment. This new system developed from the 2013 Bundestag election, during which housing was a major issue because of growing pressure on rents as well as problems accessing housing in cities like Munich, Berlin and Düsseldorf. The policy initially applied to those three cities but at the time of writing now applies to around 350 cities and municipalities in Germany.[22]

The impact of Mietpreisbremse has been complicated and there are doubts about its effectiveness as a policy. It has failed to consistently ease rent price growth overall. For example, in central Berlin rents increased by ten per cent from 2015 to 2017; prior to the brake the growth was one to two per cent each year.[23] One study carried out in the months following its introduction found that the "median rent for a new tenancy fell in the months immediately following the introduction of the brake, by up to two per cent" but in the case of Berlin then went on to exceed the previous level by two per cent after just six months. Rents also exceeded the previous level in Düsseldorf by a greater amount; only in Munich did rents fall at the bottom of the market.[24]

Another study found that "the rental brake has, at best, no impact in the short run. At worst, it even accelerates rent increases both in municipalities subject to the rental brake and in neighbouring areas."[25] That said, additional research undertaken by the same institution found that "the rental price brake works in regions where rents have previously risen sharply … in areas where new contract rents for existing apartments had previously climbed by more than 4.8 per cent annually, rents fell on average by around three per cent after the introduction of the rent control".[26]

Breidenbach et al (2022) also finds the rent control to be "much more effective than found in the literature before" but that "the effects vanish in the second year after the implementation". It also observes the policy to be "less effective in those neighbourhoods dominated by lower-income residents" and the "quality of the offered dwellings decreases after the implementation".[27] Mense et al (2019) found that the brake had greater impact on land values than it did on rents.

There are a few issues with this system highlighted in the literature which may explain why rents are not being universally dampened. These issues relate to "the definition of tight housing markets; to what is really a comparator rent; and to whether

[17] Whitehead et al (2012), pp.136-139.

[18] Davies et al (2019), p.19.

[19] Kemp and Kofner (2010).

[20] Clifford Chance (2019), p.2.

[21] German Institute for Economic Research (2018).

[22] ImmoScout24 (2022).

[23] The Economist (2018).

[24] Davies et al (2019), p.20-21.

[25] Kholodilin, Mense and Michelsen (2016).

[26] German Institute for Economic Research (2018).

[27] Breidenbach, Eilers and Fries (2022).

the controls are being followed and enforced."[28] One enforcement concern is that it is incumbent on tenants to take their landlord to court if the rent is too high. Understandably tenants may be reluctant to do this.

Berlin rent freeze – first-generation rent control

Faced with ongoing pressure on prices, a first-generation rent control policy was introduced for the city of Berlin in 2020. This was abolished a mere 13 months later by the German constitutional court, since the "constitutional basis for law-making in the domain of housing markets at the federal state level was shaky".[29] Nevertheless, the policy applied long enough for its effects to be analysed in part.

Known as Mietendeckel (rent freeze), the policy froze existing rents for five years, after which 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 cap could make a claim for it to be lowered.[30] Hahn et al (2022, p.1) explains:

> ***"During its existence, Berlin's rent freeze determined a maximum rent price per square meter. To a certain extent, it was allowed to account for usual price-driving attributes such as location and extraordinary provisions. In such cases, strictly pre-defined mark-ups to the basic rent were permitted. Yet, the result was still an unambiguous maximum price. Undercutting this price was allowed, but exceeding it could have been sanctioned. Due to these features, Berlin's rent freeze can be considered as a first-generation rent control policy as opposed to today's standard stabilising second-generation policies tailored around limiting rent increases for sitting tenants."***

The Hahn et al (2022, pp. 1-3) research goes on to find that, unlike the rental brake which has generally struggled to ease pressure on prices, the rent freeze did result in an "an immediate drop in advertised rent prices". However, the authors also found "a substantial decline in rental properties in Berlin" as well as a "large number of units converted from rental to owner-occupied dwellings":

> ***"Next to price effects, we document a substantial, and likely lasting, sharp decline in available rental units in Berlin. The incentives set by the rent freeze encourage a modernisation of the housing stock, at the expense of more affordable older units, and it also increases the conversion of rental units into owner-occupied properties. We find strong empirical evidence supporting all three channels: increased conversions of rental to owner-occupied units; a reduction in newly built dwellings; and a drop in property advertised for rent."***

The authors note the impact of the reduced supply on both existing renters seeking new properties, and prospective renters including newcomers and young people who now face the double-burden of "a low (initial) income and lower availability of suitable housing options".

Counted among the private landlords withdrawing from the market was institutional investor Blackstone, who "abruptly halted" acquiring residential property in Berlin after several years of purchasing and modernising homes.[31]

Case study: France

Summary: Move from a lower level to a medium level of rent regulation. The impact of the new second-generation rent control system remains to be evaluated. Issues persist around enforcement of the rules.

Unlike Germany, private renting in France is "seen as more expensive and often less desirable than social renting"[32]. Another difference to some other European countries is that rents were decontrolled soon after the second world war and, while strong security of tenure measures were left in place, it was not until the 1980s that rent controls were reintroduced. Whitehead et al (2012, p.126) explains:

"The 1948 Rent Act decontrolled all new buildings and conversions while leaving in place strong security of tenure. This position changed dramatically in 1982 with the enactment of the Quilliot Law. This significantly strengthened tenants' rights and introduced rent controls across the entire stock. However, in the face of very low construction, rent controls were relaxed in 1986 with the adoption of the Mehaignerie Law. This freed the rents of new and vacated units and

[28] Whitehead and Williams (2018) p.23.
[29] Hahn et al (2022), p.7.
[30] Christophers (2022), p.711.
[31] Christophers (2022), p.710.
[32] Whitehead et al (2012), p.126.

allowed them to be revised annually in line with the construction price index. Because rents increased dramatically in some areas following the passage of the 1986 law, the government reintroduced stricter controls under the Mermaz-Malandain Law in 1989, which allowed, in Paris only, the imposition of one-year limitations to rent increases when leases were renewed."

The 1989 measure remained the main law on rent control for over two decades. Under this law, the rent that could be raised during a lease was restricted to a "national index measure" (with exemptions for major renovations and homes with low rents) while the rent was unrestricted for new leases.[33] The control on rent increases remains in force – rent increases must be outlined in the tenancy agreement and the maximum annual increase is determined by the indice de référence de loyers (rent reference index).

New decree and ALUR & ÉLAN laws – second-generation rent control

A new rent restriction was introduced by government decree no. 2012-894 of 20 July 2012.[34] Initially applying to over 1,200 municipalities named in the decree, the measure limited the amount of rent chargeable for re-lets to the 'indexed rent of the previous tenant'. First lettings are still able to be set at market levels. This measure remains in place and has applied since 1 August 2012 as outlined in the decree.

In March 2014, a new law was introduced known as Accès au Logement et un Urbanisme Rénové (access to housing and town planning reform) "ALUR". While the ALUR law applies to all of France, the new rules concerning rent only apply to zones tendues (tight areas). Zones tendues are geographical government areas "where there is a marked imbalance between supply and demand for housing, leading to serious difficulties of access to housing on the whole of the existing residential stock" [35]. These areas are set by decree no. 2013-392 of 10 May 2013 and cover over 1,100 municipalities at the time of writing. They have also superseded the municipalities set out in the 2012 decree and these are the areas in which the re-let restriction now applies.

However, the new substantive measure introduced by ALUR to complement the restrictions on re-letting was that in "pressured cities it was possible to limit rents on new leases to no more than 20 per cent above the median rent for the same type of property in the same type of area"[36]. This additional rent control was only introduced by Paris between 2015 and 2017 and by Lille in 2017. In December 2017, the rule was annulled in both cities by the courts who ruled against it.

At this point there was scant evidence of any impact and issues raised with the system were like those highlighted around the German rent brake, namely the soundness of definitions and data usage, as well as the enforcement of the rules.[37]

Following the court decision to invalidate the controls in Paris and Lille, in 2018 the government introduced the "ÉLAN" law – Évolution du Logement, de l'Aménagement et du Numérique (evolution of housing, development and digital technology). The ÉLAN law reintroduced rent controls on a similar basis to ALUR – rents for new tenants must not be more than 20 per cent above the loyer de référence (reference rent) relating to the type and area of accommodation, while also keeping to the indexed rent of the previous tenant.

Under the ÉLAN system, "each local authority must submit its application to experiment this program in all or part of its territory where rental tension is high"[38]. At the time of writing, the rent control applies in Paris; Lille, Hellemmes and Lomme; "Plaine Commune" and "Est Ensemble" in Greater Paris; and Lyon and Villeurbanne. This list is "expected to grow" and "come into force in Bordeaux and Montpellier" later in 2022. There is also a new obligation on agents to publish certain information on their listings that are subject to rent control.[39]

Of the current system, Gibb and Marsh (2022, p.6) note that "comprehensive evaluation of the broader effects of this policy – on, for example, housing supply – is yet to be undertaken. Industry sources suggest that the post-2019 regime had the effect of suppressing rent increases but that this effect may have been relatively short-term."

[33] Whitehead and Williams (2018), p.21.

[34] Légifrance (2012).

[35] Légifrance (2015).

[36] Whitehead and Williams (2018), p.21.

[37] ibid, p.23.

[38] CMS Law-Now (2022).

[39] ibid.

Case study: Netherlands

Summary: Long-term high level rent regulation, with deregulation of high rent properties. High regulation is partly credited with the decrease in private renting from 17 per cent in 1980 to eight per cent in 2010. The PRS also competes with dominant housing associations offering low rent, high quality homes. The fiscal context is more beneficial for home ownership and social housing.

The PRS represents a relatively low eight per cent of housing in the Netherlands. Most of it is older stock owned by long-standing smaller companies.[40] The country has the highest regulated private rented sector in western Europe.

The maximum rent allowed for a home is determined by a points index that was first introduced in 1971. At the time of writing, points are awarded for things like property size, value, energy performance and other characteristics.[41] This represents a hard rent ceiling, so the system can be said to be a first-generation one. The government determines the allowable rent increase each year, which depends on the tenant/household income[42] now that landlords have been allowed to set larger increases for higher income households from 2013[43] . The date that the rent will be increased must be included in tenancy agreements.[44]

The exception to the above is for the so-called 'free sector' containing homes above a certain rent level, the limit in 2022 being €763.47 per month. Above this, no maximum rent price applies. Neither is there a limit on rent increases in ordinary circumstances. However, between May 2021 and May 2024 the maximum increase has been limited to inflation plus one per cent, as a response to the financial impact of the coronavirus pandemic.

In fact, all rented housing is considered 'social' housing in the Netherlands if it is below the free sector rent threshold, regardless of who owns it. Above the threshold, the free sector is also called the private sector. This means that what we think of as social and private rented tenancies are all subject to the same rent regulations for below-threshold rents.[45]

High regulation is partly credited with the decrease in private renting from 17 per cent in 1980 to eight per cent in 2010. Another factor is competition with dominant housing associations who offer low rent, high quality homes, with the social rented sector accounting for a relatively high 30 per cent of dwellings. The fiscal context is also more beneficial for home ownership and social housing.[46]

Gibb and Marsh (2022, p.5) refer to evidence of the rent control system "making more attractive locations relatively less expensive – benefitting those already living there – and making lower demand areas relatively more expensive". Overall, the rent control system is generally perceived to be beneficial.

Whitehead et al (2012, p.147-148) reported free tenancies representing about four per cent of social renting and about 30 per cent of the PRS. In recent times deregulated tenancies have been seen as a tool to increase supply in tight housing markets. With market rents now chargeable for these properties, "there has been evidence of growth in the sector especially in pressured areas, notably Amsterdam"[47].

Case study: Norway

Summary: Progressive winding down of rent regulation, from a medium level to a low level. The benefits of the second-generation system were questionable. There is no strong desire to return to higher levels of regulation and addressing housing need is considered in a strategic way. The size and culture of the PRS is similar to the UK and Ireland.

Like British and Irish culture, private renting in Norway is generally expected to be a transitional tenure with home ownership as the main aspiration. Tenancies tend to be short-term and younger singles and lower-income groups are over-represented in the sector.[48] There are also similarities in housing demand such as "a dominant capital city, attracting young people who use the private rented sector to meet their living needs. This, again like the UK experience, is at a time when home ownership is increasingly seen as being out-of-reach."[49]

[40] Whitehead and Williams (2018), p.21-22.
[41] Huurcommissie (2022).
[42] Rijksoverheid (2022).
[43] Scanlon and Whitehead (2016), p.21.
[44] Government of the Netherlands (2022).
[45] Gibb and Marsh (2022), p.5.
[46] Whitehead et al (2012), p.146.
[47] Whitehead and Williams (2018), p.22.
[48] Whitehead et al (2012), p.156.
[49] Clay and Smith (2019), p.50.

Rent regulation amendment act – second-generation rent control

In the decades following the second world war Norway replaced traditional rent controls with a more flexible system. The principal law was the 1967 Lov om husleieregulering m.v. for boliger (Rent Regulation etc. Act for Housing). Municipal rent committees were created to determine rents.

In 1982 a process of deregulation began with a law amending the 1967 act.[50] For dwellings that were already let on 30 June 1982, the høyeste lovlige leie (highest legal rent) was deemed to be the rent applying on that day, plus any subsequent increases in certain taxes and charges that the landlord incurred (section 5 'highest legal rent'). For new lettings, the highest legal rent was set by the rent committee at the so-called gjengs leie (group rent) relating to the cost of similar homes in the local area[51] (section 6 'determination of the highest legal rent for new lettings').

The rent committees also determined rent increases, which in most cases "were kept roughly in line with the consumer price index"[52]. Higher increases could be determined for individual tenancies in cases set out under section 9 'cost settlement for special measures', namely:

- the rent was low compared with other local housing
- there was an onerous change in the terms of the lease, and
- there were significant improvements to the home.

In 1999 this second-generation system was reduced in scope to only cover homes built before 8 April 1940 in Oslo and Trondheim. The change was enabled by the Lov om husleieavtaler [husleieloven] (Tenancy Agreements Act [Tenancy Act]) and connected laws.[53]

On 1 January 2010, the Rent Regulation Act was repealed entirely and is now no longer in force in Norway. Oust (2018a) subsequently studied the impact of the controls in Oslo: "We do not find that the removal of the rent control led to an increase in private rents in Oslo. It would appear that landlords' asking rent was equal to the market clearing rent in both the period with rent control (1970–1981) and that without rent control (1982–2011)."

In another study the same author concludes that "it is more costly, in time and money, for a potential tenant to search for and to find a home under rent control. Moreover, our results indicate that rent control increases the probability of and the distance from the ideal dwelling, in size, standard and location, a potential tenant has to settle for."[54]

Rent protection – third-generation rent control

A system of third-generation control is now in place, governed by Chapter 4 of the Tenancy Act which contains measures on leieprisvern (rent protection).[55] Section 4-1, known as the 'general rental price protection' prohibits rents being agreed that are 'unreasonable' in relation to the market rent (or specifically 'what is usually obtained at the time of the agreement when reletting similar premises on similar terms of agreement'). However, the Act does not define 'unreasonable'.

Rents may only be increased one year after the last time the rent was set i.e. one year into the tenancy or one year after the last increase. Increases are limited to CPI and tenants must be given one month's notice of the change (section 4-2 'index adjustment'). The Norwegian statistics bureau Statistisk sentralbyrå hosts a calculator to help determine CPI rent increases.[56] Anyone who has paid a higher rent than is legal can demand repayment of the difference (section 4-4 'repayment of illegal rent').

Landlords can also reset rents to the abovementioned gjengs leie (group rent) after a tenancy has lasted for three years (comprising a 30-month minimum tenancy plus six-month notice period). This measure would be used in cases where local prices have risen higher than CPI. If there is disagreement on what constitutes gjengs leie for a property, the matter may be referred to a court-appointed assessment board for determination (section 4-3 'adaptation to group rent').

Finally, section 4-6 of the Act allows for the setting of rent freezes and maximum rates for certain periods, certain areas or certain rental conditions 'if conditions make it necessary'. However, this power has not been used to date.

Of the current system, Clay and Smith (2019, pp.50-51) note that "there is no particularly strong desire to return to the rent control regime of pre-deregulation – nor even 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 needs."

[50] Lovdata (1982).
[51] Regjeringen (2021).
[52] Whitehead et al (2012, p.156)
[53] Lovdata (1999).
[54] Oust (2018b).
[55] Lovdata (2022).
[56] https://www.ssb.no/kalkulatorer/husleiekalkulator

Case study: United States (New York City and San Francisco)

Summary: Mostly no regulation in the US, but some cities have long-standing control of rent increases including New York and San Francisco. NYC recently restricted rents for re-lets to that of the previous tenant. Rent control in the US has been shown to reduce both rents and supply.

New York City – second-generation rent control

New York City has a long experience of rent regulation, with various controls applying for much of the 20th century and to the present day. From 1969 the system has substantively featured an approach where "the Rent Guidelines Board … determines the maximum allowable rent increase (in percentage terms) for a one or two-year lease. It also sets the maximum increase landlords can charge when there is a change in occupancy. The system also allows landlords to increase rents to cover certain capital improvements."[57]

The maximum rent increase for a change in occupancy was previously 20 per cent, but the recent Housing Stability and Tenant Protection Act of 2019 removed this allowance entirely. This arguably moves a third-generation rent control system to one of second-generation. The Act also decreased the amount that can be recouped from major capital improvements to two per cent of rent (down from six per cent in New York City).[58] There are claims that these changes have disincentivised landlords from replacing tenants when they leave, in cases where cost increases can no longer be recovered through a rise in rents. The Community Housing Improvement Program estimates that 20,000 units are sitting vacant because of the law, increasing pressure in an already heated housing market.[59] Another change in the 2019 law was the abolition of decontrol for high-rent properties and high-income tenants, which had been introduced in 1993.

New York City also has a residual number of homes covered by traditional rent control. This generally applies where homes were built prior to 1 February 1947, and where tenants (or their successors in certain circumstances) have been in continuous occupancy from before 1 July 1971. For rent-controlled apartments, a maximum base rent is set for each unit and adjusted to reflect operating costs every two years.[60]

The long application of traditional rent control has facilitated many years of research of its impacts. Gyourko and Linneman (1989) showed that, like the Berlin rent freeze, historical controls in the City succeeded in reducing housing costs in apartments. However Early (2000) found that "the average benefit to tenants in regulated units is negative" since controls inflated rents in homes that were not subject to rent control. A similar theme was found during the short-lived Berlin rent freeze, where comparable advertised units just outside the rent-control zone demanded "significantly higher rents than their counterparts within Berlin"[61].

Glaeser and Luttmer (2003) showed the contribution of rent control to an inefficient use of housing stock, where the size of apartments was not matched to tenants' needs or were far away from the amenities they required. This was the result of tenants being less likely to move out of a rent-controlled apartment even through life-cycle changes. Longer tenancies contribute to stability and keeping people connected with their local networks and services. However, it is worth noting the impact on allocation here, given the prominence afforded to this issue across the UK in recent years and the challenge of ensuring best use of stock in the context of our ageing population.

San Francisco – third-generation rent control

Most of San Francisco's private rented homes are subject to rent control, which was introduced in 1979 applying to homes in multi-unit dwellings built before that year. Rent control was then expanded through a 1994 law to cover tenancies from before 1996 in single-family housing.

The system can be defined as third-generation rent control since there are no restrictions at the beginning of the tenancy and landlords can set rents at market levels. Rent increases during a tenancy are restricted to an annual amount set by the San Francisco Rent Board, intended to be 60 per cent of local CPI. Tenancies are open ended and can only be brought to a close by the tenant, or by the landlord using a specified ground for eviction to obtain a court order. This means over time real rents fall during a tenancy. Landlords can apply to increase rents in certain circumstances such as to cover an increase in costs or capital investment in the property.[62]

[57] Whitehead and Williams (2018), p.24.
[58] Homes and Community Renewal (2019).
[59] The Real Deal (2022).
[60] Homes and Community Renewal (2020).
[61] Hahn et al (2022), p.32.
[62] Scanlon and Whitehead (2016), p.22.

Diamond et al (2019, p.3365) analyses the effect of the policy. They find that landlords whose properties are subject to rent control "reduce rental housing supplies by 15 per cent by selling to owner-occupants and redeveloping buildings."

Like Northern Ireland, rent control is also used as a tool to enforce property standards; it can be applied to homes not previously subject to rent control for unremedied violations of the housing code.[63]

Case study: New Zealand

This final, short case study was chosen because of recent developments in a country with historically limited controls, where around 27 per cent of households rent their home from a private person, trust or business according to the 2018 census. Previously rents could only be increased every six months, but in 2020 the Residential Tenancies Amendment Act amended this frequency to 12 months while introducing a ban on rental bidding/auctions. The impact of the change remains to be evaluated.

Earlier this year, the then associate minister for housing Poto Williams appeared to suggest that rent control was a possible outcome of further reforms, saying "we've asked the officials to come back with a list next week of things that we can look at. There is nothing off the table. There are a whole lot of proposals that are being floated at the moment, including things like rent control and indexation." She added: "Proposals around rent controls and the like overseas have shown that while it will alleviate issues in one area, it sometimes causes problems in others. So whatever measures we put in place there is a trade-off and a balance that's to be struck."[64] However, a week later prime minister Jacinda Ardern ruled this out stating "we are not considering rent controls".[65]

[63] ibid.

[64] Stuff.co.nz (2022).

[65] Newshub.co.nz (2022).

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Tabular summary – rent regulation in select European, North American and Oceanian countries

Country	Initial rent regulation	Regulation of rent increases	Comments	Generation of rent control	Size of the PRS (%)
United Kingdom	No	Varies by country; limited to once a year in Wales and Northern Ireland (both pending) as well as Scotland; ability to limit increases to CPI + 1% in Scottish rent pressure zones (RPZs)	No designated RPZs in Scotland yet	3rd (Wales, Scotland, Northern Ireland)	20
Ireland	Rents for re-lets limited in RPZs; outside RPZs rents must not exceed market	In RPZs – the lower of general inflation or 2% each year; outside RPZs – rent reviews restricted to once every two years	Narrow exemptions to RPZ rules for initial rents e.g. properties with no tenancy in previous two years or substantially changed properties	2nd	19
Belgium	No	Yes		3rd	23
France	Re-lets limited to indexed rent of previous tenant; rents restricted to 20% of reference rent in pressured areas	Annual rises limited to rent reference index		2nd	23
Netherlands	Determined by points index	Yes, varies by tenant income	High rent properties excluded	1st	8
Switzerland	No	Yes		3rd	52
Germany	Restricted to 10% of local index in pressured areas	Max 20% increase, 15% in pressured areas	Exclusions include significantly modernised and newly built properties	2nd	48

Country	Initial rent regulation	Regulation of rent increases	Comments	Generation of rent control	Size of the PRS (%)
Denmark	Yes	Yes		2nd	24
Norway	Rents must not be 'unreasonable' relative to market rent	Once a year limited to CPI		3rd	22
Spain	No	Rent increases for first 3-5 years		3rd	10
Sweden	Yes, based on collectively bargained utility value	Yes, collective bargaining		2nd	41
Finland	No	No		N/A	16
Canada	No	Varies by province; increases mostly restricted to annual guideline rate		3rd	24
United States	Mostly no; New York City (NYC) re-lets have rent restricted to that of previous tenant	A small number of cities control rent increases; NYC Rent Guidelines Board determines maximum increase; San Francisco (SF) Rent Board sets maximum around 60% of local CPI	2% rent increase allowed for capital improvements (NYC); increases allowed to cover costs or capital investment (SF)	2nd (NYC); 3rd (SF)	N/A
Australia	No	Varies by state; mostly frequency of increases is restricted, ability to dispute increases excessive to market rent		3rd	27
New Zealand	No	Limited to once a year		3rd	27

Source: summary of case studies; Martin et al (2018, p.50); Gibb and Marsh (2022, p.12)

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Part two – New research: rent levels, affordability and implications of rent control in Northern Ireland

2.1 Introduction

This part contains new research on rent levels, affordability and the implications of rent freeze/cuts, including information on:

- the trend since 2015 of rent levels and affordability (tenants' rent as a proportion of their income), and
- assessing the implications of a rent freeze or cut of two per cent, five per cent and ten per cent for a period of up to four years on the below groups, with indication given of rights/equality issues:
    - o different tenant groups, including those in receipt of housing benefit/universal credit, and those living in properties of different type/cost
    - o landlords, including the majority who own one or two properties as well as those owning more, with consideration of whether exceptions are needed for certain tenancies if intervention would be unfair/inequitable
    - o the rental market, with consideration given to impact on supply and quality.

This research was undertaken through a multimethod approach in consideration of what was achievable over the proposed timescales, as well as the lingering impact of covid-19 on face-to-face research. The methods used were:

- new analysis of existing data since 2015 on rent and affordability
- an analysis of the possible statistical implications of rent control
- an online poll hosted by CIH to gather qualitative information from landlords and tenants and identify candidates for interviews
- a representative online opinion survey of private tenants
- group consultations with tenant and landlord representative groups and district councils
- one-on-one, incentivised interviews with landlords and tenants via phone/video call to explore the implications of rent control.

The specific methodology for each area of research is outlined within each section of this part.

2.2 Rent and affordability by local government area

Methodology

The most often used housing affordability measure is the 'rent to income ratio'. The rent owed is divided by the household income and the ratio is expressed as a percentage. In this section we calculate a 'threshold' rent to income ratio, by dividing 25th percentile (first quartile) rents by median gross pay within each local government district (LGD).

There is no agreed benchmark of what percentage determines an affordable rent, but for the purposes of this section we take a ratio of 25 per cent or higher to be unaffordable. Strictly speaking, the rent to income ratio is not a true affordability measure. We explore other concepts of affordability in the next section, but we are limited to this method here by the data that is available to us.

Earnings

The principal earnings measure in the ONS Annual Survey of Hours and Earnings (ASHE) is median gross full-time weekly earnings. The median is used to counter the influence of high earners on the mean; the median simply represents the point at which half the population earn more, and half earn less.

From 2015 to 2021, the median gross full-time weekly earnings increased by around £90, representing an average yearly increase of nearly £13. In 2020, median earnings fell by over one per cent, driven by

Table 2.2.1 **Median gross weekly pay in Northern Ireland**

	Median gross full-time weekly earnings (£)						
	2015	2016	2017	2018	2019	2020	2021
Northern Ireland	484.40	493.70	500.0	518.30	534.70	528.60	575.00

Source: ONS, ASHE.

a fall in earnings in the private sector and reflecting reduced earnings under the furlough scheme.[66] However, earnings recovered in 2021 with a notable rise of almost nine per cent – the highest increase of the period beginning 2002. NISRA cites the cause as the "large reduction in furlough, with the majority of those employees coming off the scheme receiving a 25 per cent increase in pay."[67] Nevertheless, even with earnings volatility in 2020 and 2021, the average yearly increase of £13 since 2015 is comparable to the yearly average from 2002 which is around £12.

The above differs when looking at the earnings of females compared to males. Female earnings rose by 2.6 per cent in 2020 – likely due to the higher proportion of full-time females who work in the public sector – and again by 6.2 per cent in 2021. The average yearly increase for females since 2015 was £14 compared with £13 since 2002. Meanwhile male earnings fell by 3.3 per cent in 2020 and grew by 10.3 per cent in 2021, and the average yearly increase since 2015 was £13 compared with £11 since 2002.

Earnings by local government district (LGD)

Median gross full-time weekly earnings by LGD (by place of residence) is available through NI ASHE data from NISRA.[68] This is useful for first enabling a top level affordability analysis in a variety of geographical areas including rural ones. The data is set out in table 2.2.2 and all figures have coefficient of variation at less than ten per cent so are reasonably precise in terms of quality.

Table 2.2.2 **Median gross weekly pay by LGD / place of residence**

Council	Gross weekly pay - Full-time median wage (£) (place of residence)						
	2015	2016	2017	2018	2019	2020	2021*
Antrim & Newtownabbey	488.80	526.20	533.40	548.60	536.60	534.30	587.40
Ards & North Down	484.70	517.10	517.30	522.20	523.80	523.00	577.60
Armagh Banbridge & Craigavon	460.10	493.20	503.20	518.00	541.50	525.70	574.90
Belfast	504.30	503.70	498.70	504.00	527.60	526.80	586.70
Causeway Coast & Glens	419.00	420.70	421.60	469.60	483.10	461.90	494.60
Derry & Strabane	425.50	423.50	446.20	445.40	488.80	517.50	504.20
Fermanagh & Omagh	474.50	472.80	484.80	517.20	543.60	537.90	572.40
Lisburn & Castlereagh	521.20	556.20	540.10	585.40	590.80	594.00	634.20
Mid & East Antrim	453.40	483.90	517.50	507.60	508.60	484.80	548.30
Mid-Ulster	417.00	445.50	470.00	487.40	483.00	492.50	533.50
Newry Mourne & Down	484.20	477.70	484.10	490.20	525.50	499.50	567.20
ALL	**484.70**	**493.60**	**500.00**	**517.80**	**534.50**	**528.70**	**575.00**

Source: NISRA, NI ASHE. *** Provisional results.**

66 https://www.nisra.gov.uk/system/files/statistics/NI-ASHE-Bulletin-2020.pdf p.3
67 https://www.nisra.gov.uk/system/files/statistics/Employee-earnings-NI-2021.pdf p.3
68 https://www.nisra.gov.uk/publications/ni-geographies-by-place-work-and-place-residence

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Rents and affordability

Average private rents in each LGD are available to us, and these are expressed in table 2.2.3 for each six-monthly period dating back to 2015. 25th percentile (first quartile) rents are also available, but only dating back to the second half of 2017. We use the latter figures for this broad affordability analysis. We use rent figures from the first half of each year since the annual pay figures relate to April.

Table 2.2.4 shows the results of this affordability test. If we take the common assumption that a ratio of 25 per cent or higher is unaffordable, then all LGDs remained affordable for the period 2018-2021. This is intuitive as the Northern Ireland private rental market is known to be relatively affordable, certainly compared with pressured housing markets in Britain and Ireland and notwithstanding the high levels of local rent inflation in recent times. Affordability issues have instead been driven for low-income households through punitive aspects of the social security system, such as freezes in local housing allowance rates and the use of the shared-accommodation rate for younger single people in one-bedroom homes.

We acknowledge the ongoing high rent inflation this year. Average rent data for 2022 to the end of June from PropertyPal (2022) shows a five per cent growth on 2021. Broken down by LGD this ranges from eight per cent in Ards and North Down, to two per cent in Mid Ulster and Derry City and Strabane. If we apply these growth levels to this affordability test, all LGDs would remain affordable in 2022 unless earnings were to fall.

The 2018 NIHE / Ulster University report "Affordability in the private rented sector" used a similar method to show affordability gaps by local authority area for the three years 2015 – 2017. While it similarly found most areas to be affordable, the report differed in finding four councils to be unaffordable for each of the three years – Antrim & Newtownabbey; Armagh, Banbridge & Craigavon; Belfast; and Derry and Strabane.

The discrepancy appears to be due to different assumptions about income. The NIHE report used income data from the House Condition Survey 2011 and scaled it by two per cent annually for inflation; the resulting median incomes in the four councils mentioned above are significantly lower than those in the NI ASHE data.

In any case, while it is useful to explore affordability in broad terms, more insight is gained by analysing affordability for different working age household types against different measures of affordability, which we do next.

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Table 2.2.3 **Average rent by LGD**

Council	Average rent (£)													
	H1 2015	H2 2015	H1 2016	H2 2016	H1 2017	H2 2017	H1 2018	H2 2018	H1 2019	H2 2019	H1 2020	H2 2020	H1 2021	H2 2021
Antrim & Newtownabbey	514	517	537	556	544	557	553	551	562	565	564	606	612	639
Ards & North Down	580	601	602	613	609	618	608	640	627	643	653	669	714	778
Armagh Banbridge & Craigavon	471	490	489	501	511	540	520	528	519	539	536	538	566	614
Belfast	594	612	608	623	662	653	697	690	716	699	730	758	782	776
Causeway Coast & Glens	486	485	434	499	534	517	567	515	526	538	530	537	558	598
Derry & Strabane	493	517	506	505	505	529	525	526	510	533	526	554	543	569
Fermanagh & Omagh	435	458	434	447	452	470	459	478	482	499	484	499	497	536
Lisburn & Castlereagh	578	608	588	604	605	613	634	652	655	651	667	666	691	746
Mid & East Antrim	486	497	490	506	505	518	524	524	525	528	532	545	556	575
Mid-Ulster	493	504	503	513	509	530	549	557	525	548	535	565	577	587
Newry Mourne & Down	500	516	512	515	525	548	542	561	553	560	573	596	597	649
ALL	**553**	**568**	**565**	**579**	**595**	**598**	**612**	**622**	**627**	**625**	**643**	**670**	**703**	**717**

Source: Ulster University (2015-2021), Performance of the Private Rental Market in Northern Ireland. Belfast: NIHE.

Table 2.2.4 **Rental affordability by LGD**

Council	First quartile rent (weekly) (£)				Threshold rent to income ratio				Affordability gap (%)			
	H1 2018	H1 2019	H1 2020	H1 2021	2018	2019	2020	2021	2018	2019	2020	2021
Antrim & Newtownabbey	109.62	109.62	109.62	118.15	19.98%	20.43%	20.52%	20.11%	-5.02%	-4.57%	-4.48%	-4.89%
Ards & North Down	109.85	114.23	115.38	121.15	21.04%	21.81%	22.06%	20.98%	-3.96%	-3.19%	-2.94%	-4.02%
Armagh Banbridge & Craigavon	114.23	104.77	108.92	115.38	22.05%	19.35%	20.72%	20.07%	-2.95%	-5.65%	-4.28%	-4.93%
Belfast	120.23	124.62	126.92	137.31	23.86%	23.62%	24.09%	23.40%	-1.14%	-1.38%	-0.91%	-1.60%
Causeway Coast & Glens	107.31	106.62	105.23	113.31	22.85%	22.07%	22.78%	22.91%	-2.15%	-2.93%	-2.22%	-2.09%
Derry & Strabane	102.92	101.08	104.77	109.62	23.11%	20.68%	20.25%	21.74%	-1.89%	-4.32%	-4.75%	-3.26%
Fermanagh & Omagh	92.31	98.31	96.69	99.92	17.85%	18.08%	17.98%	17.46%	-7.15%	-6.92%	-7.02%	-7.54%
Lisburn & Castlereagh	121.15	126.92	126.92	132.69	20.70%	21.48%	21.37%	20.92%	-4.30%	-3.52%	-3.63%	-4.08%
Mid & East Antrim	103.85	103.85	105.23	109.62	20.46%	20.42%	21.71%	19.99%	-4.54%	-4.58%	-3.29%	-5.01%
Mid-Ulster	114.00	106.38	105.46	120.46	23.39%	22.03%	21.41%	22.58%	-1.61%	-2.97%	-3.59%	-2.42%
Newry Mourne & Down	107.31	109.62	114.46	119.77	21.89%	20.86%	22.92%	21.12%	-3.11%	-4.14%	-2.08%	-3.88%

2.3 Affordability for different household types

We tested six different working age household types against three different measures of affordability.

Household types

- single people aged under 35 (and under 25) in shared accommodation, and single people aged 35 or over in self-contained accommodation
- couple in one-bedroom self-contained accommodation
- lone parent with one child (two-bedroom accommodation)
- lone parent with two children (two-bedroom and three-bedroom accommodation)
- couple with one child (two-bedroom accommodation)
- couple with two children (two-bedroom and three-bedroom accommodation).

Measures of affordability

- residual income – the gross earnings required to meet an acceptable standard of living after having paid the rent; the living standard was based on Joseph Rowntree Foundation (JRF) minimum income standard (MIS), excluding the elements for rent and childcare costs
- poverty trap – the gross earnings required to break free from universal credit for any given rent and at that point an assessment was made of the residual income
- rent to income ratio – expressed as a percentage that the rent comprised of the total household income; this was tested at a number of different earnings points e.g. full time work at the minimum wage, lower quartile earnings for full time work for the appropriate region, and also for the residual income and poverty trap measures.

Measures of affordability

Residual income

This measure is the closest to true affordability, but its use is less widespread than rent to income ratios both in academic policy and in formal administrative systems. It is less well used because there is no single accepted baseline for measuring it and the level at which it is set is often associated with the political perspective of the person or organisation doing the measuring and is therefore (wrongly) sometimes viewed as being less scientific. The less generous baselines are associated with the right who tend to favour absolute definitions of poverty whereas more generous ones are associated with the left who tend to favour relative definitions of poverty. It is also perhaps less frequently used in housing policy circles because:

- the residual income of welfare claimants (people with no independent income of their own – such as earnings and pensions) ultimately depends on UK government welfare policy and the rates of basic elements of welfare they set, and
- in UK subsistence welfare, the whole of the claimant's rent is included – up to the level of the local housing allowance (LHA) – as part of the overall allowance. So, the whole of any rent increase is covered even if the award is less than the claimant's rent (e.g. due to the income taper). The residual income of a private tenant on welfare is only affected by a rent increase to the extent that the revised rent exceeds the LHA. If the revised rent is less than the LHA then they are no better or worse off.

For this reason, residual income measures are sometimes simply based on the basic welfare levels after housing costs, or sometimes a set proportion of those rates (typically 130 or 140 per cent) of the personal allowance/standard allowance after housing costs for people in work. The more scientific approach uses standardised household budgets composed of the typical spending on essential items (food, clothing, fuel etc.) for households on lower incomes. There is general consensus about how standard budgets are adjusted for household size (e.g. most use a couple as the base unit, a single person requiring about two-thirds and a child one fifth to one third of a unit each). But there is less agreement about what items are essential and the appropriate level at which they are set.

The two most common measures are the Social Metrics Commission (SMC) poverty standard (see [Measuring Poverty 2020]) and the Joseph Rowntree Foundation (JRF) minimum income standard (MIS) ([A minimum income standard for the UK]). The MIS is the more generous standard and is therefore seen by some as being aspirational rather than the minimum household need. However, we have used it here because the higher rates will provide a better measure of household resilience to withstand emergencies and income shocks (such as the replacement of large household items) and therefore the ability to avoid homelessness.

Poverty trap

The poverty trap measure is less commonly used (if it all) than the residual income and rent to income ratio measures. It measures the earnings required to break free from universal credit (UC), in other words, the gross earnings at which it tapers away to nil. At that point if the tenant increases their earnings, they receive the full amount subject to only the marginal rate of tax – just over two thirds (66.8 per cent) of the gross amount. Whereas a basic rate taxpayer who receives UC is better off by just 30 per cent of the gross amount. The escape earnings also represent the highest net rent to income ratio the household will experience. At the escape point the household's residual income may be above or below the minimum income standard.

Rent to income ratio

This is the measure most often used by government and by housing organisations even though (unlike residual income) it is not a true affordability measure. It compares the ratio between the rent and the household income and is typically expressed as a percentage. There is no single agreed benchmark that is deemed to be affordable although there is a consensus that the upper limit lies somewhere between 25 to 35 per cent (the latter was used in England to calculate social housing grant for many years).

Rent to income ratios can be calculated either net or gross of any personal housing costs support (UC or HB). For the net measure, the housing costs support is deducted from rent and is ignored as income. For the gross measure, the full rent is used, and the housing costs support is added to the income. Under the net measure the highest ratio is at the income point where UC/HB expires, even though the tenant will have a lower residual income for incomes below this. Under the gross measure the ratio always falls as income rises but a tenant who gets all or nearly all their rent covered by benefit will have a higher ratio than a tenant who has the whole of their rent or nearly all their rent covered by benefit.

The main drawback of this measure is that a person with a relatively high income but choosing to rent at the higher end of the market may have a higher ratio than someone of more modest means but paying a lower rent. Despite this, rent to income ratios probably reflect the tenant's subjective view of what is affordable – a tenant who pays 40 per cent or more of their income on rent is much more likely to say the rent is unaffordable than someone who pays 25 per cent even if they have a lower income.

Methodology

Calculation of income

For each household type tested under the residual income and rent to income ratio measures the tenant's income comprises of their net earnings plus any UC and child benefit (but no other welfare). The tenant's assumed UC is based on their standard allowance, child elements (up to two) and housing costs element only. It does not include childcare costs element or any other elements for disability or caring (but see below for help with childcare costs). The tenant's net earnings are calculated after deducting tax, national insurance, and pension payments under auto enrolment at the minimum employee rate (currently five per cent).

The poverty trap measure is calculated as the gross earnings (before deductions) but the residual income and rent to income ratios at that point are calculated on the net income as previously described. The gross earnings (before tax etc.) are compared with the full-time earnings deciles for Northern Ireland[69] to get an indication of how realistic it might be for a similar household to increase their earnings to escape benefit. For each household type various fixed points along the earnings scale are used to calculate the net income:

- nil earnings (i.e. where the tenant receives maximum UC)
- full time work (35 hours) at the national minimum wage (age 23 rate)
- lower quartile full-time earnings for Northern Ireland
- median full-time earnings for Northern Ireland, and
- the gross earnings required to meet the MIS (taking into account any UC and child benefit).

Basis for rents

Rents used are based on the Northern Ireland Housing Executive (NIHE) data used to calculate the LHA rates for shared, one-, two- and three-bedroom property sizes as appropriate for the household size. Although LHA rates have been frozen since April 2020/21, we have been given access to the data that would have been used had they been uprated in the normal way (i.e. based on the 30th percentile rent that would have applied from April 2022). This means rents notified to the NIHE for the year ending on 30 September 2021. This data has then been resorted to calculate the lower quartile rent and median rent for Belfast broad rental market area (BRMA) (BRMA 8) and to estimate the number of properties currently available at the frozen LHA rate. We use Belfast because of the good availability of rental data and because it is the least affordable area and is therefore useful for testing resilience.

[69] Annual Survey of Hours and Earnings (ASHE), 2021 https://www.nomisweb.co.uk/

Tests for each household type

We did not carry out all the tests for each household type or for the full range of income and rent variables because for some of them the pattern will be obvious. For example, we know that a tenant on nil income has their rent covered up to the LHA rate and nil on any excess. If there is a shortfall at the lower quartile rent, then the residual income at the median rent will be further reduced by the difference between the two. The earnings required to reach the MIS is usually only calculated if it is above the income required to escape UC.

Deterioration in LHA rates

LHA rates have been frozen at their cash value since April 2020 when they were reset at the 30th percentile rent for each category dwelling. The 30th percentile rent is calculated by the NIHE based on private rental data for the preceding 12 months ending in September 2021.[70] The general policy of setting LHA rates at the 30th percentile means that at least 30 per cent of properties within a given BRMA have rents that are within the LHA for the appropriate category of dwelling. However, in the HM Treasury Autumn Statement (2020) LHA rates were frozen at their 2020 cash value and will remain so until such time as they are reviewed by the UK Government.[71]

Between April 2020 and October 2021 average rental growth in England remained at a modest 1.2 to 1.5 per cent. Although it has since risen to 2.5 per cent in April 2022 in Northern Ireland over the same period it has been between 2.3 and 6.8 per cent and has remained between 4.3 and 6.8 per cent in every month since June 2021. Private rent inflation in Northern Ireland has been the highest of the four UK nations for every month since December 2017[72]. Not surprisingly this has resulted in a rapid deterioration in the relative purchasing power of the LHA rates (Table 2.3.1). Table 2.3.2 shows the percentage of properties available within the LHA rate in Belfast for each category of dwelling from April 2022 and those available within the LHA rate plus £5 or £10 per week.

Table 2.3.3 shows the weekly LHA rates for 2022/23, while table 2.3.4 shows the shortfall between the LHA rate and the 30th percentile rent. Table 2.3.5 shows the percentage of properties available within LHA rate.

Table 2.3.1: Belfast BRMA from April 2022: LHA rate for each category of dwelling compared to the real 30th percentile rent

	Shared	1 bed	2 bed	3 bed	4 bed
LHA rate	£53.58	£98.42	£106.48	£120.91	£151.97
30th percentile (2022/23)	£68.08	£109.62	£123.18	£136.48	£177.98

Table 2.3.2: Belfast BRMA from April 2022: percentage of properties with rents at or below a given value (expressed as the LHA rate + £X) for each category of dwelling

Weekly rent	Shared	1 bedroom	2 bedrooms	3 bedrooms	4 bedrooms
LHA rate	9.8%	13.7%	9.9%	12.6%	13.1%
LHA + £5	13.2%	21.2%	14.2%	17.6%	15.3%
LHA + £10	17.9%	27.9%	21.0%	24.8%	19.1%

[70] The Housing Benefit (Executive Determinations) Regulations (Northern Ireland) 2008, NISR 2008 No.100, schedule, para 2

[71] HM Treasury Policy Costings: November 2020, p.22

[72] ONS, Index of Private Rental Housing Prices, May 2022, figure 3

Table 2.3.3 Weekly (£) LHA rates 2022/23

	BRMA	Shared	1 Bed	2 Bed	3 Bed	4 Bed
8	Belfast	53.58	98.42	106.48	120.91	151.57
7	Lough Neagh Upper	60.47	82.10	93.41	102.17	110.52
6	South East	59.46	83.53	101.08	114.93	136.28
5	South West	53.39	67.82	85.00	95.33	107.58
4	North West	70.07	83.64	100.20	107.39	116.37
3	Lough Neagh Lower	60.80	77.72	90.96	102.00	120.28
2	North	38.57	77.40	92.07	100.56	114.43
1	South	55.80	74.22	94.33	102.81	108.94

Table 2.3.4 Weekly shortfall (£) between LHA rate and 30th percentile rent 2022/23

	BRMA	Shared	1 Bed	2 Bed	3 Bed	4 Bed
8	Belfast	14.50	11.20	16.70	15.57	26.41
7	Lough Neagh Upper	3.03	3.35	8.58	8.70	15.42
6	South East	1.16	6.84	13.15	15.74	24.13
5	South West	23.18	10.05	5.09	5.80	-0.01
4	North West	3.78	4.17	4.29	7.67	1.72
3	Lough Neagh Lower	4.23	7.77	12.70	10.65	7.02
2	North	7.70	-2.46	6.85	8.38	-1.28
1	South	4.95	15.50	7.08	10.52	33.31

Table 2.3.5 Percentage of properties available within LHA rate 2022/23

	BRMA	Shared	1 Bed	2 Bed	3 Bed	4 Bed
8	Belfast	9.8	13.7	9.9	12.6	13.1
7	Lough Neagh Upper	25.0	20.4	14.4	11.2	6.9
6	South East	16.3	17.2	7.9	8.9	9.6
5	South West	0.0	11.1	9.4	10.2	33.3
4	North West	11.3	20.3	11.4	11.0	30.0
3	Lough Neagh Lower	18.8	15.6	8.0	6.2	12.2
2	North	5.2	33.3	15.2	14.0	32.0
1	South	18.8	20.0	17.6	13.1	0.0

Effect of rent freeze/cut on properties available within LHA rate

We used the list of rents for 2022/23 to model what the effect would be on the availability of properties within the current (frozen) LHA rates for Belfast BRMA. Importantly, for this analysis we assumed that there would be no behavioural effects – such as landlords withdrawing from the market (and any effect on demand). This report demonstrates the opposite is likely to be true. The assumption of no behavioural effects also covers how landlords might respond when the property becomes vacant and available for re-letting. The results are in table 2.3.6.

Table 2.3.6

Belfast BRMA from April 2022: percentage of properties for each category of dwelling with rents at or below the LHA rate if items in the list of rents were reduced by a given percentage

Weekly rent	Shared	1 bedroom	2 bedrooms	3 bedrooms	4 bedrooms
0.0%	9.8%	4.4%	9.8%	12.6%	13.1%
-2.0%	10.4%	15.0%	11.5%	30.4%	13.1%
-5.0%	10.6%	21.2%	14.4%	43.6%	15.8%
-10.0%	13.7%	29.6%	22.4%	55.6%	24.6%

Uneven outcomes

The most striking feature is that the outcomes are very uneven depending on the LHA category. If one of the policy objectives is to restore LHA rates to their real value (i.e. covering at least 30 per cent of the market) then for three-bedroomed properties even the relatively modest reduction of two per cent would have the desired effect. However, the same reduction would have little or no effect on the number of properties available in the shared accommodation, two- and four-bedroomed categories and in each of these even a five per cent reduction would only have a very modest effect.

A ten per cent reduction would restore the two- and four-bedroom categories to 25 to 30 per cent but would still have only a very modest effect on the shared accommodation rate where the number of properties available within the LHA rate would still be less than half of that of the intended policy. This would leave those entitled to shared rate at risk of homelessness. The risk increases for those aged under 25 who get a standard allowance which is 20 per cent less than the allowance for a person aged 25 or over. For example, if they were paying the real 30th percentile rent for shared accommodation their shortfall would be £14.50 per week – almost one quarter of their (weekly) UC standard allowance. And they would still have a shortfall if they paid for shared accommodation at or above the 15th percentile. Furthermore, this all assumes that they live in shared accommodation and not a one-bedroomed self-contained property, in which case their shortfall is likely to exceed £45 per week or more which is equivalent to 58 per cent of their standard allowance (age 25 to 34) or 73 per cent if aged under 25.

A rent freeze would help UC claimants who currently face a shortfall with their LHA rate in the sense that it would stop the shortfall from increasing – but it would do nothing reduce it. Table 2.3.6 shows a flat rate rent reduction of two, five, or ten per cent would have a very uneven impact. Whether the rent for a property which is within the current 30th percentile would also be within the frozen LHA rate would depend on the amount of the reduction, the property size (i.e. LHA category) and the BRMA it falls within (each percentile curve having its own unique characteristics).

The effect of a flat-rate two, five or ten per cent reduction is likely to look very different in each BRMA. The differential impact between different property sizes for each of the seven BRMAs outside of Belfast may therefore be even more extreme and will not necessarily follow the same pattern (e.g. the one-bedroom category may realign more quickly instead of the three-bedroom). The lack of available rental data outside of Belfast and the small size of the market makes the (hypothetical) LHA rates very volatile and therefore small changes in rent levels each year may have very pronounced effects.

Freezing/cutting rents is an unpredictable and inefficient policy tool

Overall, this makes freezing and reducing rents to protect those on the lowest incomes a very unpredictable and inefficient policy tool. Even if we assume that the effects on LHA rates could be accurately predicted (e.g. little or no behavioural effects) the results would be very mixed, and this is even before the composition of the caseload locally (e.g. single people, couples with children and so on) is mapped onto the local supply of properties that are available within the LHA rate.

A more simple and accurately targeted solution would be to top up claimants with a shortfall to the real 30th percentile rent through discretionary housing payments or welfare supplementary payments. This requires funding through devolved taxation (i.e. the rates). Spending would also increase for each year LHA rates remain frozen (which seems likely for some years since rent inflation in England is much lower).

One other option might be to negotiate a better settlement for the UK Government to offset some of the additional spending. There is a strong argument that the effect of the LHA freeze has had a disproportionate impact on Northern Ireland given that rent inflation has been substantially higher than in the other three nations since before the freeze took effect (see above). In making this case it would be helpful if data were available on welfare spending in Northern Ireland in the same way as it is for the rest of the UK (table 2.3.7). This should at least be possible for UC since claims are made online and the computer system for Northern Ireland has been built based on the system developed for Great Britain. For example, the DWP's Stat-Xplore[73] can identify the proportion of private-renter UC claims in each country where the rent exceeds the LHA rate:

Table 2.3.7: Private Renter Households on Universal Credit in Great Britain: February 2022

	LHA covers rent		LHA does not cover rent	
	Number	%	Number	%
England	576087	44.1%	731012	55.9%
Wales	18945	30.7%	42703	69.3%
Scotland	23845	33.3%	47679	66.7%

Effect of the benefit cap

The benefit cap was lowered in November 2016 to £20,000 per year (£384.61 per week) for claims by couples and lone parents (a lower rate cap applies to single people). The lower rent levels in Northern Ireland mean that it has had less of an impact on private renters than in other parts of the UK where rents are higher (and in Northern Ireland existing claimants are also protected by welfare supplementary payments).

The effect of the cap is to set headroom for help with rent. If the claimants' rent exceeds the headroom their UC is capped by the same amount. The cap has been frozen since the reduced rate was introduced and although rents in Northern Ireland are lower than in Great Britain the amount of headroom has been shrinking more rapidly because rents are rising faster. The amount of headroom also depends on the family size. Most families with one child (lone parents and couples) can rent a home within the available headroom (£174.57 for a couple) and so will not be capped (assuming of course they can find a property within the frozen LHA rate). However, for families with two or more children the available headroom is much tighter.

Tables 2.3.8: Headroom for housing costs (rent) before capping for two child families

(All figures weekly)

(a) Couple

Cap level	**£384.61**
• UC standard allowance	-£121.32
• Child elements (two) @ £56.44	-£112.88
• Child element (eldest child born before 06/04/2017)	-£10.48
• Child benefit (eldest child)	-£21.80
• Child benefit (second child)	-£14.45
Headroom	**£103.68**

(b) Lone parent

Cap level	**£384.61**
• UC standard allowance	-£77.28
• Child elements (two) @ £56.44	-£112.88
• Child element (eldest child born before 06/04/2017)	-£10.48
• Child benefit (eldest child)	-£21.80
• Child benefit (second child)	-£14.45
Headroom	**£147.72**

[73] https://stat-xplore.dwp.gov.uk/

The headroom for a couple with two children (with at least one child born before 6 April 2017) is already above the frozen LHA rate for the two-bedroomed property in Belfast. Just over seven per cent of both two- and three-bedroomed properties are available within the headroom, or 16 and 18 per cent of properties respectively for the higher headroom if the eldest child was born after 5 April 2017 (headroom: £103.68 + £10.48 =£114.16).

The headroom for a lone parent with two children is still within the frozen LHA rate for a three-bedroomed property in Belfast and there would still be around £10 headroom if that rate were reset at the 30th percentile rent (table 2.3.1). However, the headroom would be wiped out in just two years if rents continued to rise at their current rate (i.e. four per cent or more).

The benefit cap and two-child limit – plus exceptions

The general rule is that the maximum number of child elements a couple or lone parent can receive as part of their UC award is two. This means the headroom for the cap for three-child (and larger families) only shrinks by the lower rate of child benefit for each additional child (but it also means families get no further help to take account of their higher outgoings). There are three main exceptions to the two-child limit where the household can receive three (or sometimes more) child elements:

- multiple births – where the third child is a twin of one of the two older children
- 'non-consensual' conception (i.e. due to rape or coercive or controlling behaviour)
- where the youngest child was born before 6 April 2017 (when the two-child policy began).

No account is taken in the cap level in these cases and therefore the amount of headroom for housing costs falls by the same amount.

Affordability assessments

In each case the affordability assessment is carried out for a household living in the Belfast BRMA from April 2022. We use Belfast because of the good availability of rental data and because it is the least affordable area and is therefore useful for testing resilience.

Rent levels (lower quartile and median) have been calculated using the list of rents (i.e. the data that would be used to calculate the LHA rate at the 30th percentile rent if LHA rates were not frozen).

The tax and benefit rates are as from 6 July 2022 (when the national insurance primary threshold was increased). The JRF minimum income standard is based on the year 2020 – the standard has been adjusted to exclude the standard figure allowed for rent. All the figures (including UC) have been converted to weekly amounts. The earnings figures are rounded to the nearest £1.

Single people aged under 35 (and under 25) in shared accommodation

Single people aged under 35 are only entitled to the shared accommodation rate in the housing costs element of their UC. They also receive a lower UC standard allowance. Assuming they do live in shared accommodation – and that they can find something at the (frozen) LHA rate – then the whole of their rent is included in their housing costs element.

If they have no earnings their residual income (the amount left over after paying their housing costs) is just their UC standard allowance:

UC standard allowance		Residual income	
• Aged 25 +	£77.28	• £222.19	-£143.91
• Under 25	£61.23	• £221.19	-£159.96

If they are aged 25 and pay rent at the LHA rate their residual income is £144 below the minimum income standard and their gross rent to income ratio is 40.9 per cent. If they are aged under 25 their residual income is £160 below the minimum income standard and their gross rent to income ratio 40.7 per cent.

If the tenant is paying a rent at the lower quartile their total residual income is reduced by a further £12.33 (the difference between the LHA rate and the actual rents) or by £22.71 if they were paying the median market rent.

Their **net** rent to income ratio (i.e. net of UC housing costs element) is:

	Rent at LHA rate	Rent at lower quartile	Rent at median
Aged 25+	0.00%	16.0%	29.4%
Under 25	0.00%	20.1%	37.0%

If they had full time earnings (35 hours) at the national minimum wage for a person aged 23 or over their gross earnings would be £332.50 and their net income (after tax etc.) would be £291.70 per week. At these earnings and the current frozen LHA rate they do not qualify for UC (and would not even if the LHA rate were restored to the 30th percentile). Their residual income compared to the minimum income standard and rent to income ratio (gross and net) would be:

	Rent at LHA rate	Rent at lower quartile	Rent at median
Residual income	+ £16.93	+ £4.60	-£5.78
Rent to income ratio	18.3%	22.6%	26.1%

The gross earnings required to escape UC is £245 (or about 26 hours at the minimum wage). At these earnings they would still be below the minimum income standard by around £51 per week and their rent to income ratio would be 28.6 per cent. If the LHA rate is restored to the 30th percentile the earnings required to escape UC would rise to £288 (about 30 hours at the minimum wage). At those earnings they would still be below the minimum income standard after paying the rent by around £24 per week. Their rent to income ratio would be 25.8 per cent.

The gross earnings required to meet the minimum income standard paying the lower quartile rent is £325 (34 hours, 23.0 per cent) and paying the median rent is £342 (36 hours, 25.6 per cent).

The lower quartile full time earnings in Northern Ireland in 2021 was £425. A single person paying the median rent for shared accommodation would exceed the minimum income standard by £51 per week and have a rent to income ratio of 23 per cent.

Single people aged 35 or over in self-contained accommodation

Since UC covers a person's housing costs up to the LHA rate the residual income for a person paying rent at the LHA rate for one-bedroomed accommodation would be the same as a single person aged 25 in shared accommodation (although their gross rent to income ratio would be higher due to the higher rent). When paying rent at the LHA rate the gross earnings required to meet the minimum income standard and to escape UC are the same, at £378 with a rent to income ratio of 30.8 per cent.

A single person paying the lower quartile rent (£106.15) with lower quartile earnings would have a residual income of £21 per week above the minimum income standard and a rent to income ratio of 32.1 per cent.

Couple in one-bedroom self-contained accommodation

Single earner

A couple pays the same rent as a single person but has higher outgoings. If their only income is UC and their rent is at the LHA rate their residual income would be £238 below the minimum income standard or £246 below if they were paying the lower quartile rent.

If only one member is working the gross earnings required to escape UC would be £507 – just above the 40th percentile full time earnings for Northern Ireland. If they pay the lower quartile rent their residual income would be £71 below the minimum income standard and their residual income would be 26.6 per cent.

The gross earnings required to meet the minimum income standard paying the lower quartile rent is £623 – between the median full-time earnings and the 60th percentile. At these earnings, the rent to income ratio is 22.5 per cent.

Couple, two earners

The combined earnings required to meet the minimum income standard is lower than that required by a single earner because each member has the same income tax personal allowance (and national insurance primary threshold). Coincidentally if both have earnings at or around the income tax personal allowance (combined £483) and are paying the lower quartile rent then these combined earnings are also where they meet the minimum income standard. This level of earnings can be achieved by each member working around 25.5 hours at the minimum wage (£242.25). Note that the combined earnings required to meet this level increases if either member earns less than this.

Lone parent with one child (two-bedroom accommodation)

LHA rate	£106.48
Lower quartile	£121.15
Median	£136.87

A lone parent with one child on maximum UC paying the LHA rate would have a residual income of £160 below the minimum income standard with a gross rent to income ratio of 39.1 per cent. If the rent is at the lower quartile, the residual income would be £174 below the minimum income standard.

The gross earnings needed to meet the minimum income standard when paying the lower quartile rent is £335 (35 hours at the minimum wage). At these earnings, the tenant would receive £132 UC and £22 child benefit. The total net income of £447 produces a rent to income ratio of 27.1 per cent. If the tenant pays the median rent the gross earnings required to meet the minimum income standard would be £391. Earnings of £391 are between the 10th and 20th percentiles of full-time earnings and the total net income produces a rent to income ratio of 29.6 per cent.

The gross earnings required to escape UC (assuming no childcare costs) is £723, at which point their residual income is £92 above the minimum income standard and their rent to income ratio is 24.7 per cent. Gross full-time earnings at £723 falls between 60th (£647) and 70th (£732) percentile of full-time earnings for Northern Ireland.

Lone parent with two children (two-bedroom and three-bedroom accommodation)

LHA rate	£106.48
Lower quartile	£121.15
Median	£136.87
LHA rate	£120.91
Lower quartile	£131.60
Median	£151.80

Two bedroomed property

A lone parent with one child on maximum UC who is entitled to the two-bedroom rate and paying the LHA rate would have a residual income of £145 below the minimum income standard and a gross rent to income ratio of 31.0 per cent. At the lower quartile rent, the residual income would be £160 below the minimum income standard.

The gross earnings required to meet the minimum income standard when paying a lower quartile rent are £283 (30 hours at the minimum wage). At these earnings, the tenant would receive £206 UC and £36 child benefit. Their net income of £503 produces a rent to income ratio of 24.1 per cent. If the tenant pays the median rent the gross earnings required to meet the minimum income standard is £339. Earnings of £339 are between the first and 10th percentiles of full-time earnings. The rent to income ratio would be £26.4 per cent.

The gross earnings required to escape UC (assuming no childcare costs) is £890. At these earnings, their residual income is £153 above the minimum income standard and their rent to income ratio is 20.4 per cent. Gross full-time earnings at £890 falls between 80th (£839) and 90th (£1020) percentiles of full-time earnings for Northern Ireland.

Three bedroomed property

A lone parent with two children on maximum UC who is entitled to the three-bedroom rate who pays a rent at the LHA rate would have a residual income of £145 below the minimum income standard and a gross rent to income ratio of 33.7 per cent. At the lower quartile rent, the residual income would be £157 below the minimum income standard.

The gross earnings required to meet the minimum income standard when paying the lower quartile rent is £268 (equivalent to 28 hours at the minimum wage). At these earnings, the tenant would receive £225 UC and £36 child benefit. The total net income is £514 and produces rent to income ratio of 25.6 per cent. If the tenant pays the median rent the gross earnings required to meet the minimum income standard is £341. Earnings of £341 are between the first and 10th percentiles of full-time earnings. At earnings of £341 the rent to income ratio is £28.4 per cent.

The gross earnings required to escape UC (assuming no childcare costs) is £932, at which point their residual income is £164 above the minimum income standard and the rent to income ratio is 21.7 per cent. Gross full-time earnings at £932 falls between 80th (£839) and 90th (£1020) percentiles of full-time earnings for Northern Ireland.

Couple with one child (two-bedroom accommodation)

LHA rate	£106.48
Lower quartile	£121.15
Median	£136.87

A couple with one child on maximum UC paying a rent at the LHA rate would have a residual income of £209 below the minimum income standard with a gross rent to income ratio of 33.6 per cent. If they pay the lower quartile rent, their residual income is £223 below the minimum income standard (38.2 per cent).

For a single earner household, the gross pay needed to meet the minimum income standard at the lower quartile rent is £511 which falls between the 40th percentile (£488) and the median (£558) full-time earnings for Northern Ireland. At these earnings, the tenant would receive £116 UC and £22 child benefit giving a total net income of £540 and a rent to income ratio of 23.2 per cent. If the tenant pays the median rent the gross pay needed to meet the minimum income standard is £567 and the rent to income ratio is £25.4 per cent.

For a two-earner household paying the lower quartile rent, the minimum income standard is met with combined earnings as low as £405 – although the combined figure may be higher depending on how the contribution from each is shared. At these earnings, the tenant would get £115 UC and £22 child benefit. The total net income is £541 which produces a rent to income ratio of 23.2 per cent. If the tenant pays the median rent the gross earnings required to meet the minimum income standard is £441 to £450 (again the figure may be higher depending on the contribution of each) and the rent to income ratio is 24.7 per cent.

The gross earnings required to escape UC (assuming no childcare costs) is £713, at which point the tenant's residual income is £79 above the minimum income standard and the rent to income ratio is 21.6 per cent. Gross full-time earnings at £713 fall between 60th (£647) and 70th (£732) percentile of full-time earnings for Northern Ireland.

Couple with two children (two-bedroom and three-bedroom accommodation)

LHA rate	£106.48
Lower quartile	£121.15
Median	£136.87
LHA rate	£120.91
Lower quartile	£131.60
Median	£151.80

Two-bedroomed property

A couple with two children on maximum UC entitled to the two-bedroom rate who are paying a rent at the LHA rate has a residual income of £194 below the minimum income standard and a gross rent to income ratio of 30.3 per cent. At the lower quartile rent, the residual income is £208 below the minimum income standard (34.5 per cent).

For a single earner household, the gross pay needed to meet the minimum income standard at the lower quartile rent is £443 which is between the 30th (£433) and 40th percentile (£488) of full-time earnings. At these earnings, the tenant would receive £210 UC and £36 child benefit. The total net income is £606 producing a rent to income ratio of 21.7 per cent. If the tenant pays the median rent the gross earnings required to meet the minimum income standard is £462 and the rent to income ratio would be 22.4 per cent.

A two-earner household paying the lower quartile rent can meet the minimum income standard with combined earnings as low as £361 (£181 each, circa 19 hours at minimum wage) – although it may require higher combined earnings depending on the how the contribution from each is shared. At these earnings (£361), the tenant would receive £210 UC and £36 child benefit. The total net income is £607 and rent to income ratio of 21.7 per cent. If the tenant pays the median rent the gross pay needed to meet the minimum income standard is £409 (the figure may be higher depending on the contribution of each) and the rent to income ratio is 24.2 per cent.

For a single earner household paying the median rent, the gross earnings required to escape UC (assuming no childcare costs) is £1068, at which point their residual income is £152 above the minimum income standard and the rent to income ratio is 19.5 per cent. Gross full-time earnings at £1068 is above the 90th percentile (£966) of full-time earnings for Northern Ireland.

For a two-earner household, the gross earnings required to escape UC (assuming no childcare costs) if the second earner is a basic rate taxpayer (£242, circa 25.5 hours at the minimum wage), the main earner would need earnings of £679 (combined gross, £921) at which point their residual income is £152 above the minimum income standard and the rent to income ratio is 19.5 per cent. Gross full-time earnings of £679 is between the 60th (£647) and 70th percentile (£732) of full-time earnings for Northern Ireland.

Three bedroomed property

A couple with two children on maximum UC who are entitled to the three-bedroom rate with a rent at the LHA rate has a residual income of £194 below the minimum income standard and a gross rent to income ratio of 30.1 per cent. At the lower quartile rent, the residual income is £204 below the minimum income standard (32.7 per cent).

For a single earner household, the pay needed to meet the minimum income standard at the lower quartile rent is £457 which is between the 30th (£433) and 40th percentile (£488) of full-time earnings. At these earnings, the tenant would receive £191 UC and £36 child benefit giving a total net income of £596 and rent to income ratio of 23.2 per cent. At the median rent the gross earnings required to meet the minimum income standard is £567 and the rent to income ratio is 20.3 per cent.

A two-earner household paying the lower quartile rent can meet the minimum income standard with combined pay as low £370 (£185 each, circa 19.5 hours at minimum wage) – although the combined figure can be higher depending on the how the contribution from each is shared. At £370, the tenant would receive £190 UC and £36 child benefit giving a total net income of £597 and a rent to income ratio of 20.3 per cent. If the tenant pays the median rent the gross pay needed is £408 to £413 and the rent to income ratio is 22.4 per cent.

A single earner household paying the median rent needs pay of £1023 to escape UC at which point their residual income is £140 above the minimum income standard and the rent to income ratio is 18.5 per cent. Gross full-time earnings at £1023 is above the 90th percentile (£966) of full-time earnings for Northern Ireland.

The gross pay needed to escape UC for a two-earner household where the second earner is a basic rate taxpayer (£242, circa 25.5 hours at the minimum wage) is £637 (combined gross, £879). At that pay, their residual income is £140 above the minimum income standard and the rent to income ratio is 18.2 per cent. Gross full-time pay of £637 is approximately the 60th percentile (£638) of full-time earnings for Northern Ireland.

Childcare costs

In the examples above it is assumed that the households with children do not have childcare costs. Childcare is expensive and can be a significant barrier to work for lone parents, and for couples for where both partners to work full time. UC covers 85 per cent of childcare costs – up to the maximum limits (£175 per week for one child, £300 for two or more children). If childcare is incurred, it would affect the calculation as follows:

- if the household is on UC, their disposable income is reduced by 15 per cent of the childcare (or if the maximum rate is exceeded, by 15 per cent of the maximum rate plus the whole of any excess)
- to replace this lost income, for each £10 of childcare per week whilst on UC a basic rate taxpayer would need to earn another £4.99 pw (to cover the 15 per cent) plus a further £33.29 for each £10 of childcare above the maximum limit (or £14.98 once UC has expired)
- the UC upper threshold (the earnings at which you escape UC) would increase by £250 pw / £13,014 pa for each £100 of childcare (up to the maximum allowed).

Summary

This analysis of housing affordability for different household types shows that the following people are particularly struggling:

- single people and childless couples on UC have the highest gross rent to income ratios and lowest residual incomes but can achieve the minimum income standard at relatively low levels of earnings
- single earner households with children find it very difficult to escape the poverty trap, and
- households with three or more children will have the worst residual incomes with very high negative values.

2.4 Opinion research – tenants

Methodology

An opinion survey was commissioned by CIH to be run in Northern Ireland. The 11 polling questions were designed in consultation with officials from the Department for Communities, and with the commissioned online polling agency YouGov. All figures, unless otherwise stated, are from YouGov Plc. The total sample size was 502 adults. Fieldwork was undertaken between 22nd – 29th June 2022. The survey was carried out online. The figures have been weighted and are representative of all NI adults (aged 18+).

The CIH research team has carried out all analysis of the results. Any percentages calculated on bases fewer than 50 respondents will not be reported as they do not represent a wide enough cross-section of the target population to be considered statistically reliable. All rebases and percentages calculated on rebases have been carried out by CIH.

The survey asked questions dedicated to disability and caring responsibilities, and the results produced by YouGov also provide breakdowns by standard social categories. Where this enables analysis according to section 75 groups (i.e. on bases of 50 or more respondents), this will be included where relevant.

Tenure of current home (question 1)

The poll was designed to survey people who currently rent privately. Therefore, respondents were asked about the tenure of their current homes. Only people who stated that they rent from a private landlord were able to continue with the survey from question five and onwards.

The question as drafted originally cited ‘the Housing Executive’ in place of ‘my local authority’, but an existing question in YouGov’s digital library was instead used with options as worded in table 2.4.1; from previous UK-wide opinion polling commissioned by CIH, many NI respondents tend to select local authority even when NIHE is an option (perhaps because some people still think of social homes or NIHE as council housing). In any case the purpose of this question was to identify private renters; social housing is ancillary to the scope of this survey.

Respondents were asked:

Q1. Do you own or rent the home in which you live?

Table 2.4.1 **Tenure of current home**

	N	%
Own – outright	141	28
Own – with a mortgage	166	33
Own (part-own) – through shared ownership scheme (i.e. pay part mortgage, part rent)	1	0
Rent – from a private landlord	77	15
Rent – from my local authority	13	3
Rent – from a housing association	26	5
Neither – I live with my parents, family or friends but pay some rent to them	35	7
Neither – I live rent-free with my parents, family or friends	39	8
Other	4	1
Total	**502**	**100**

Base: All Northern Ireland adults (502 weighted)
Numbers may not tally due to rounding

Since this is a survey of individuals, the tenure percentages will not directly compare to those produced via household-based surveys. Nevertheless, some results are not dissimilar to existing tenure-based data – for example, the 2016 House Condition Survey reported the private rented sector to be 17 per cent with owner occupation at 63 per cent.

Intuitively, poll respondents aged 25-34 were over-represented in renting from a private landlord (25 per cent compared with 15 per cent overall), while those aged 35-54 were more likely to own with a mortgage. People aged 55 and over were most likely to own outright.

People living with health problems and disabilities (question 2)

Respondents were asked about health problems and disabilities. They were asked this question towards the beginning of the survey to secure a larger base, given the question is not dependent upon whether someone rents privately. This enables a comparison of health problems and disabilities between renters and non-renters.

The results have been crossed-referenced against the other questions in the survey, although the low number of private renters has not enabled further analysis according to disability.

Q2. Are your day-to-day activities limited because of a health problem or disability which has lasted, or is expected to last, at least 12 months?

Table 2.4.2 **People with health problems and disabilities**

	N	%
Yes, limited a lot	64	13
Yes, limited a little	110	23
No	310	64
Total	**483**	**100**

Base: All Northern Ireland adults who didn't skip (483 weighted)
Numbers may not tally due to rounding

People who rent (from both social and private landlords) were more likely to say their day-to-day activities were 'limited a lot' because of a health problem or disability. More broadly, people who answered 'yes' to this question were more likely to be older and less likely to be working full time.

People with caring responsibilities (question 3)

Like question 2, respondents were asked about caring responsibilities towards the beginning of the survey. The results have also been crossed-referenced against the other questions. People with caring responsibilities were overrepresented in the 45-54 age group and they were more likely to be working part-time.

Q3. Do you have any caring responsibilities in your personal life (i.e. not for work) in and/or outside of your household and/or family? Caring responsibilities may be short term, e.g. supporting someone with recovery following an accident, or long term, e.g. helping someone with a long-term illness.

Table 2.4.3 **People with caring responsibilities**

	N	%
Yes	102	20
No	382	76
Don't know	6	1
Prefer not to say	10	2
Total	**501**	**100**

Base: All Northern Ireland adults who didn't skip (501 weighted)
Numbers may not tally due to rounding

Household income (question 4)

This report is in part concerned with the affordability of private rents, which can be considered by one method as a proportion of income spent on rent for a given household. Therefore, respondents were asked about their household income to allow for an affordability analysis under question 5.

> **Q4. Total HOUSEHOLD income is the combined income of all those earners in a household from all sources, including wages, salaries, or benefits, and before tax deductions. If you share your property with other households, tell us only about you / your family. What is your current total household income?**

Table 2.4.4 **Total household income**

	N	%
Under £5,000 per year	12	2
£5,000 to £9,999 per year	20	4
£10,000 to £14,999 per year	24	5
£15,000 to £19,999 per year	25	5
£20,000 to £24,999 per year	48	10
£25,000 to £29,999 per year	42	8
£30,000 to £34,999 per year	35	7
£35,000 to £39,999 per year	28	6
£40,000 to £44,999 per year	36	7
£45,000 to £49,999 per year	27	5
£50,000 to £59,999 per year	36	7
£60,000 to £69,999 per year	28	6
£70,000 to £99,999 per year	37	7
£100,000 to £149,999 per year	11	2
£150,000 and over per year	4	1
Don't know	25	5
Prefer not to say	62	12
Total	**502**	**100**

Base: All Northern Ireland adults (502 weighted)
Numbers may not tally due to rounding

Using the midpoint of each income band (and £150,000 for the highest band), the mean total household income in Northern Ireland is estimated to be £41,309. While there is no NI data available covering median household income for comparison, at the UK level the closest comparator is ONS gross household income, which in 2020/21 was £48,723. Northern Ireland income levels are known to be lower than the UK as a whole.

Rent of current home and affordability (question 5)

From this question and onward, only respondents who indicated in question one that they rent from a private landlord were able to answer, since the poll is principally concerned with the private renters. Participants were asked:

> **Q5. For the following question, if you pay your rent more or less frequently than once a month, please give your best guess as to the monthly cost. How much is the current monthly rent of your current home? (If you share your property with other households, tell us only about the rent owed by you / your family)**

Table 2.4.5 **Monthly rent of current home**

	N	%
Less than £300	8	10
£300 up to £399	4	6
£400 up to £499	21	27
£500 up to £599	14	18
£600 up to £699	13	17
£700 up to £799	5	6
£800 up to £899	2	2
£900 up to £999	1	1
£1000 up to £1099	-	-
£1100 or more	2	2
Don't know	4	6
Prefer not to say	3	4
Total	**77**	**100**

Base: All Northern Ireland adults who are currently private renters (77 weighted)
Numbers may not tally due to rounding

The most common option selected was '£400 up to £499', with the number of respondents generally declining with each subsequent band except for a small rise in '£1100 or more'. Using the midpoint of each rental band (and £1,100 for the highest band), we can estimate the mean household rent in Northern Ireland as £523. Due to the small number of respondents, it is not possible to analyse the results in more detail, for example by age or geographical differences.

£523 is much lower than current averages for new lettings – the latest PropertyPal data for 2022 (to end of June) shows average rents for all properties as £716. Household rent and property rent is not the same thing although there will be a close correlation. The lower figure likely reflects a proportion of sitting tenants who are benefitting from below market rents, and who have not yet experienced the recent high levels of rent inflation. This is in part because rent increases are mostly not applied during a tenancy (see results to question eight concerning rent increases in the current home), and not all tenancies will be set at the market clearing rate. The gap is consistent with other research – for example, the NIHE private tenants survey 2016 reported an average private rent of £459. The fieldwork for this research was carried out between September 2016 and March 2017, while market averages for H2 2016 and H1 2017 were £579 and £595 respectively. The difference may also partly reflect sampling variations.

A household with a mean total income of £41,309 (question 4) that pays the average rent of £523 is spending around 15 per cent of its pre-tax income on housing costs. This is indicative of the relative affordability of the Northern Ireland private rental market, in broad terms. Affordability issues arise for households with different compositions and lower income levels, as demonstrated by our affordability analysis in the previous section. A mean income household faced with paying the current property average of £716 would spend around 21 per cent of its income on housing costs, a rise of six percentage points.

Rents covered by benefits and earnings (question 6)

Participants were further surveyed on whether their rent was covered by housing benefit (in full or in part) or through earnings. They were asked:

> **Q6. Which ONE, if any, of the following statements best applies to you?**

Table 2.4.6 **Rents covered by benefits and/or earnings**

	N	%
My rent is covered in full by housing benefit / universal credit	4	5
Some of my rent is covered by housing benefit / universal credit, but not in full	12	15
My rent is covered in full through earnings (e.g. wages, salaries or other income)	51	66
Don't know	8	10
Prefer not to say	3	4
Total	**77**	**100**

Base: All Northern Ireland adults who are currently private renters (77 weighted)
Numbers may not tally due to rounding

20 per cent of respondents indicated that their rent is covered in full or in part by housing benefit / universal credit. Excluding 'don't know' and 'prefer not to say', this rises to 24 per cent. These findings are inconsistent with known levels of housing benefit among private renters and may mean that recipients of help with housing costs are underrepresented in the poll. The NIHE private tenants survey 2016 reported 59 per cent of private renters receiving housing benefit, a similar proportion to 2012. Housing benefit 2015/16 data and the 2016 house condition survey showed around 50 per cent of private tenants receiving housing benefit.

No respondent who was working full-time indicated they received housing benefit.

How people rate their rent – from cheap to expensive (question 7)

Participants were asked how cheap or expensive they rate. They were asked:

> **Q7. On a scale of 0 to 10, where 0 is "very cheap" and 10 is "very expensive", in general how cheap or expensive do you find the amount of rent that your household pays?**

This was an important question for gaining insight into how people feel about the rent that they pay. This enables a comparison with the level of difficulty in paying rent explored in later questions.

Table 2.4.7 **How people rate their rent from cheap to expensive**

	N	%
0 – Very cheap	1	2
1	3	4
2	2	3
3	9	11
4	5	7
5	16	20
6	11	14
7	14	18
8	5	6
9	3	4
10 – Very expensive	4	5
Don't know	4	6
Total	**77**	**100**

Base: All Northern Ireland adults who are currently private renters (77 weighted)
Numbers may not tally due to rounding

26 per cent of respondents said they found their rent to be 'cheap', giving it a rating of zero to four. 20 per cent found it neither cheap nor expensive (rating of five), while almost half (48 per cent) found it expensive (rating of six to ten). However, most people who said it was expensive gave it a rating of six and seven at the lower end of the range. The mean response is 5.5 excluding 'don't know'. Overall, it can be said people find the rent they pay to be somewhat expensive.

Recent rent increases in the current home (question 8)

Respondents were also asked about rent increases in their current homes. They were asked:

> **Q8. For the following question, if you have experienced a rent increase in your current home, how much was the most recent monthly increase? (If you have not experienced a rent increase in your current home, please select the "Not applicable option")**

This question was posed to explore recent affordability pressures. Most private tenancies are relatively short so it can be estimated that an increase in the current home is also a relatively recent one; Perry et. al. (2021) found that two thirds of tenancies had concluded within two years, while over three quarters (78 per cent) had ended within three years.

Table 2.4.8 **Amount of most recent rent increase in the current home**

	N	%
Less than £25	7	9
£25 up to £49	10	12
£50 up to £74	3	3
£75 up to £99	5	7
£100 up to £124	1	2
£125 up to £149	1	2
£150 up to £199	1	1
£200 up to £249	-	-
£250 or more	-	-
Don't know	1	1
Not applicable - I have not experienced a rent increase in my current home	48	63
Prefer not to say	1	1
Total	**77**	**100**

Base: All Northern Ireland adults who are currently private renters (77 weighted)
Numbers may not tally due to rounding

Excluding 'don't know' and 'prefer not to say', almost two thirds of tenants (64 per cent) have not experienced a rent increase in their current home. This is consistent with anecdotal evidence that most landlords in Northern Ireland do not raise rents during a tenancy. Almost one quarter (23 per cent) have had an increase of less than £50 while around 15 per cent faced £50 or more. The latter is notable as most of those rent increases appear to be super-inflationary considering the current rents paid by those respondents.

Ease or difficulty of affording rent (question 9)

It was necessary to establish the ease/difficulty of affording current rent levels as a baseline for comparing how this ease/difficulty might change under various scenarios of rent freeze/cut, which is explored in the final question. Respondents were asked:

> **Q9. On a scale of 0 to 10, where 0 is "very easy" and 10 is "very difficult", generally how difficult or easy is it for you to afford the rent that your household pays?**

Table 2.4.9 **How easy or difficult it is to afford rent**

	N	%
0 – Very easy	7	8
1	1	1
2	6	8
3	6	8
4	6	8
5	10	13
6	7	9
7	13	16
8	7	8
9	2	2
10 – Very difficult	5	7
Don't know	7	9
Prefer not to say	2	2
Total	**77**	**100**

Base: All Northern Ireland adults who are currently private renters (77 weighted)
Numbers may not tally due to rounding

34 per cent of respondents said they found their rent easy to afford, giving it a rating of zero to four. 13 per cent found it neither easy nor difficult (rating of five), while 42 per cent found it difficult to afford (rating of six to ten). This net difficulty is slightly lower than the percentage of respondents who said they found their rent expensive, suggesting that some respondents who say their rent is expensive nevertheless find relative ease in affording it. The mean response is 5.2 excluding 'don't know' and 'prefer not to say'.

Rent arrears in the past 12 months (question 10)

To further explore recent affordability pressures, respondents were asked whether they had fallen into rent arrears over the past 12 months. The specific question was:

> **Q10. For the following question, by 'rent arrears' we mean when you fall behind with your rent payments to your private landlord or letting agent. Have you fallen into rent arrears at any point over the past 12-month period (i.e. since June 2021)?**

Table 2.4.10 **Falling into rent arrears over the past 12 months**

	N	%
Yes, I have	3	4
No, I haven't	72	94
Prefer not to say	2	2
Total	**77**	**100**

Base: All Northern Ireland adults who are currently private renters (77 weighted)
Numbers may not tally due to rounding

Most renters surveyed reported that they had not experienced rent arrears over the past 12 months (94 per cent). Due to the small sample, no further analysis is possible for those reporting rent arrears over the past 12 months.

Ease or difficulty of affording rent in scenarios of rent freeze/cuts (question 11)

With the ease/difficulty of affording current rents established as a baseline by question nine, respondents were then asked to consider the ease/difficulty of affording rent in various scenarios of rent freeze/cuts. Participants were asked:

> **Q11. For the following question, please imagine that your household is in each of the following situations specified below... On a scale of 0 to 10, where 0 is "very easy" and 10 is "very difficult", generally how difficult or easy would it be for your household to afford the rent in these situations? (Please select one option on each row)**

a. The amount of rent your household pays was frozen for a period of up to four years (i.e. the rent does not increase or decrease)

b. The amount of rent your household pays was reduced by 2% for a period of up to four years (e.g. a 2% cut to a monthly rent of £700 is worth £14 per month)

c. The amount of rent your household pays was reduced by 5% for a period of up to four years (e.g. a 5% cut to a monthly rent of £700 is worth £35 per month)

d. The amount of rent your household pays was reduced by 10% for a period of up to four years (e.g. a 10% cut to a monthly rent of £700 is worth £70 per month)

Table 2.4.11 **Ease or difficulty of affording rent if it were frozen or cut**

	Rent freeze		2% cut		5% cut		10% cut	
	N	%	N	%	N	%	N	%
0 – Very easy	11	15	16	21	18	24	17	22
1	8	10	1	2	-	-	4	5
2	7	9	5	6	5	7	9	12
3	6	8	4	5	9	11	7	9
4	4	6	6	7	3	4	10	13
5	13	16	6	7	12	16	10	13
6	5	6	7	9	10	13	2	2
7	5	6	8	10	3	4	1	1
8	1	1	5	6	1	1	2	2
9	1	1	2	3	1	1	-	-
10 – Very difficult	2	2	4	5	1	1	1	1
Don't know	10	13	10	13	9	12	10	13
Prefer not to say	4	6	4	6	4	6	4	6
Total	**77**	**100**	**77**	**100**	**77**	**100**	**77**	**100**

Base: All Northern Ireland adults who are currently private renters (77 weighted)
Numbers may not tally due to rounding

Intuitively, the greater the cut the easier it becomes for tenants to afford their rent. Table 2.4.12 shows the total percentages of respondents who consider their rent easy or difficult to afford, in each of the five scenarios – current rent level, and if it were frozen or cut by two, five or ten per cent for a period of up to four years.

The table also includes the mean response for each scenario excluding 'don't know' and 'prefer not to say', where a score of five is 'neither easy nor difficult' and zero is 'very easy'. The trend is towards moderate ease with each incremental cut, except for the two per cent scenario. This anomaly could be a result of the scenarios being randomised and presented to respondents over two pages, with no ability to compare or amend all answers.

Table 2.4.12 **Ease or difficulty of affording rent currently and if it were frozen or cut for a period of up to four years**

	Net: Easy (%)	Net: Difficult (%)	Mean score
Current rent	34	42	5.18
Rent freeze	48	17	3.45
2% cut	41	33	4.22
5% cut	46	20	3.39
10% cut	61	7	2.80

2.5 Tenant, landlord and council consultation

Methodology

The methodological approach to this aspect of the research was as follows:

1) Two separate online surveys were published; one targeted at landlords and the other targeted at tenants. We reached out to stakeholders asking them to help disseminate both surveys to members/clients/constituents, primarily through email and social media. The surveys reflected the questions asked in the YouGov poll and was also used as a tool to identify participants to take part in an interview for further qualitative research. As a self-selecting survey the results are not representative. The full set of results from the survey are included in the annex. A total of **1154** respondents took part in either survey: **651** respondents completed the tenant survey, and **493** respondents completed the landlord survey.
2) A total of **30** participants took part in additional research: **15** tenants and **15** landlords. Out of 651 tenant survey participants, 371 gave their permission to be contacted for a further 15-30 minute telephone interview to discuss their experiences of living in the private rented sector (PRS) in more detail. In relation to selecting which tenants took part, we aimed to interview a variety of participants, choosing respondents from various income bands, differing monthly rents and varying amounts of shortfall monies they had to cover each month. Similarly, 214 landlords indicated that they would like to be involved in a further discussion about the answers they gave. When selecting landlords for follow-up research, we aimed to ensure that we selected a landlord with properties in each local district council area, as well as seeking to gain a balance of landlords with and without mortgages and landlords who either had one, two or three or more properties. Participation in this further aspect of the research was incentivised with a £50.00 shopping voucher.

The key themes addressed in the **tenant survey** were:

- experiences of living in the PRS
- cost of living in the PRS
- affordability in relation to housing costs, and
- how tenants meet their rental costs.

The key themes addressed in the **landlord survey** were:

- cost associated with being a landlord
- motivation for being a landlord
- future intentions as a landlord, and
- foreseen actions in the scenario of rent regulation being introduced.

Stakeholder involvement was central to marketing both surveys. We would like to thank the following stakeholders for helping us disseminate both surveys to tenants and landlords.

Tenants and representative groups

- Renters' Voice
- Tenancy Deposit Scheme Northern Ireland
- Rural Community Network
- Homeless Connect
- Northern Ireland Housing Executive (NIHE) Housing Benefit team
- Queen's University Students' Union
- MLA constituency offices
- Department for Communities (DfC), and
- Smartmove Housing.

Landlord and representative groups

- Landlords Association for Northern Ireland (LANI)
- Tenancy Deposit Scheme Northern Ireland, and
- Department for Communities (DfC).

In addition to the above, CIH marketing channels, such as our regional newsletter and Housing Matters publication, were utilised to request that members, where appropriate, circulate the surveys to tenants and landlords living and operating in the PRS. We also used Twitter to promote both surveys on seven separate occasions over an eight-week period.

Initially the uptake on the landlord survey was significantly higher than that of the tenant survey. To try and increase tenant participation, NIHE circulated the survey to tenants living in the PRS who receive help with their housing costs through Housing Benefit payments. As a result, tenant participation increased and the final survey completion rate from tenants and landlords was more evenly balanced.

Finally, we facilitated two stakeholder engagement sessions on Wednesday 27 July 2022 to take views from the sector on rent regulation. The first session was catered for organisations who represent tenants and the second was for those who represent landlords. Officials from DfC attended both sessions in an observational capacity. The following organisations were represented.

- NIHE
- Housing Rights
- Unison
- PropertyPal
- MLAs
- Simon Community
- Age NI
- Renters Voice
- COPNI
- Extern
- Queens Student Union
- The Rainbow Project
- Smartmove Housing, and
- LANI.

Tenant survey and interview findings

At the beginning of the survey, we asked participants if their day-to-day activities were limited because of a health problem or disability which has lasted, or is expected to last, at least 12 months. Of the 650 who answered this question, 235 (36 per cent) answered 'yes', that their day-to-day activities were 'limited a lot' because of a health problem or disability, while 124 (19 per cent) said they were 'limited a little' and 291 (48 per cent) answered 'no'. We also asked participants if they had any caring responsibilities in and/or outside of your household or family. To this, 231 (36 per cent) responded saying yes and 381 (59 per cent) responded saying no.

Figure 2.5.1

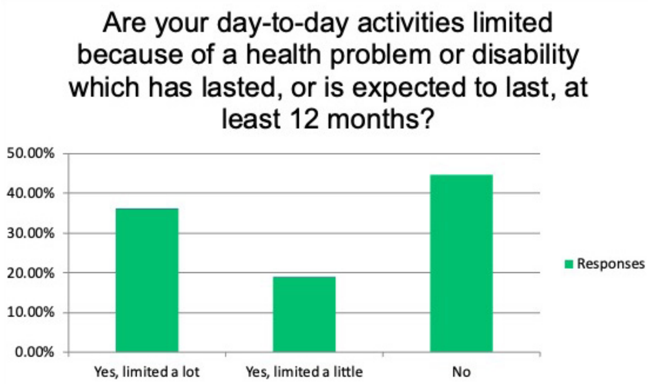
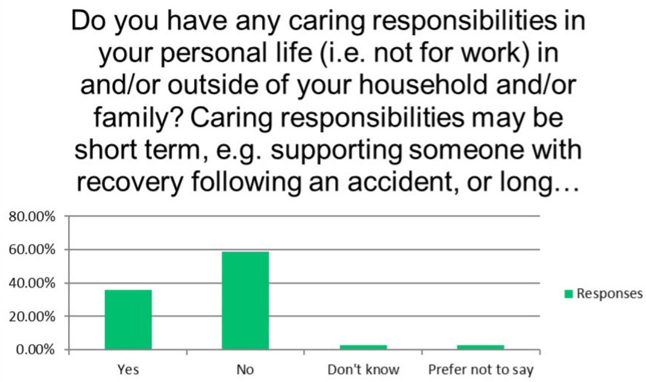


Figure 2.5.2



Gross household income

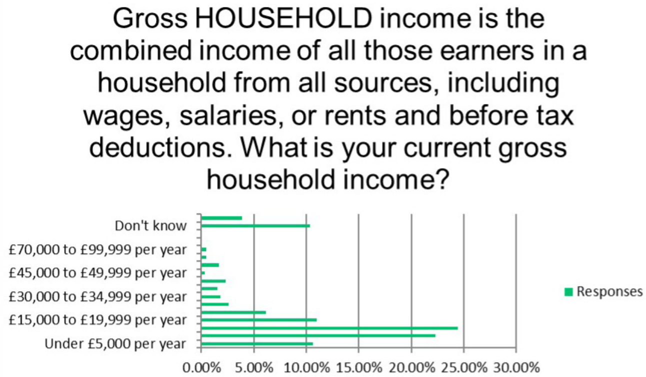
Thinking of the gross household income bands of those tenants who responded to the survey, most respondents, 158 tenants (24 per cent), indicated that their current gross household income was somewhere between £10,000 and £14,999 per year. It is worth noting that this group may be more highly represented in the results due to the uptake of recipients who are in receipt of Housing Benefit because of NIHE circulating the survey to registered claimants who would not have a gross household income greater than this before becoming ineligible for help with housing costs. The most recent data published by DfC show that in 2020/21 the absolute poverty threshold for a couple with no children was an income of £301 per week (before housing costs) (£15,713 per year).[74] Going by this, most respondents are living in absolute poverty based on the inflation adjusted UK median of the 2010/11 year, which allows for comparison over time. In total, 371 respondents stated that their gross household income was less than £14,999 per year.

> ***Quote: "Rent is going up, but Housing Benefit is not."***

[74] Poverty Bulletin: Northern Ireland 2020/21, Department for Communities, 2021 URL: https://www.communities-ni.gov.uk/system/files/publications/communities/ni-poverty-bulletin-202021.pdf

Chartered Institute of Housing
Northern Ireland

Figure 2.5.3



Monthly rents

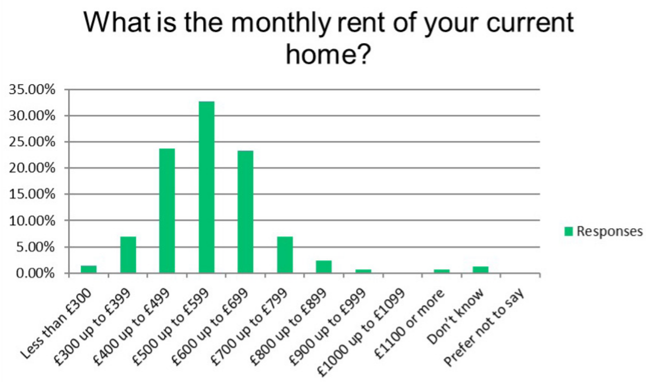
Monthly rents varied from < £300 to £1100 or more per month. It is worth noting that as part of this qualitative research we were unable to capture data that would allow us to compare rents across BRMAs or by property size. 212 respondents (33 per cent) stated that they pay £500 to £599 per month for rent.

Quote: "A rent decrease would take a lot of pressure and stress off me. This is the highest rental cost that I have ever had to meet."

Quote: "Rent is too dear to consider moving anywhere else at the moment."

Quote: "When the rent was raised, we got a letter from the landlord explaining that they were increasing the rent on the basis of what other properties in the surrounding areas where up for rent for. That was a year ago and I worry we will receive another increase again soon."

Figure 2.5.4



Rent shortfalls

Thinking about the tenants who responded and how they meet their rental costs; 522 respondents (80 per cent) stated that they received financial help from the government towards their rent payment. However, only 57 respondents stated that Housing Benefit / Universal Credit covers their rent in full. When asked to indicate how much the rental shortfall is that must be paid each month, respondents were asked to choose from the following monetary bands:

- Less than £25
- £25 up to £49
- £50 up to £74
- £75 up to £99
- £100 up to £124
- £125 up to £149
- £150 up to £199
- £200 up to £249
- £250 up to £299
- £300 or more
- Don't know
- Prefer not to say.

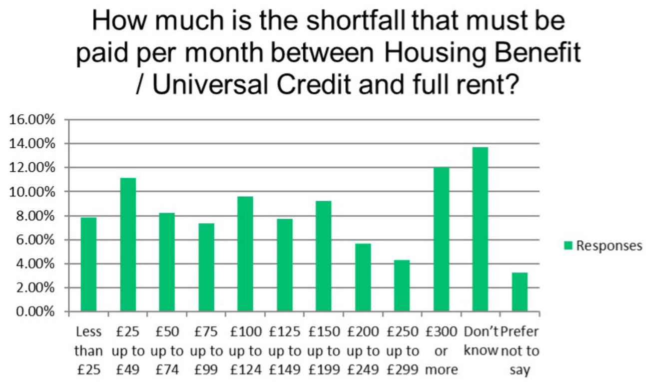
The results show that the shortfall amount varied between respondents; 46 respondents (eight per cent) stated that the shortfall they pay is less than £25.00 per month and 70 respondents (12 per cent) stated that the shortfall amount that they pay is £300.00 or more per month. Aside from the 80 respondents (14 per cent) who did not know what the shortfall was, those indicating that they pay £300.00 or more per month were the largest grouping.

Quote: "With the increase in energy bills, it has got more difficult to have the extra money for rent. I sometimes have to borrow to make up the rent."

Quote: "Currently I am really and truly genuinely struggling with the cost of living. I work part time and both my children are autistic, with one also having uncontrolled epilepsy. My rent is £540 a month, and I pay £330 of that. I earn between £600 & £700 a month. Yes, I get tax credits, but that just about buys shopping and electricity! I am barely surviving."

Quote: "I have been a private tenant in this property for seven years. I have always struggled to make up the shortfall of my rent. The landlord recently increased the rent by £100!"

Figure 2.5.5



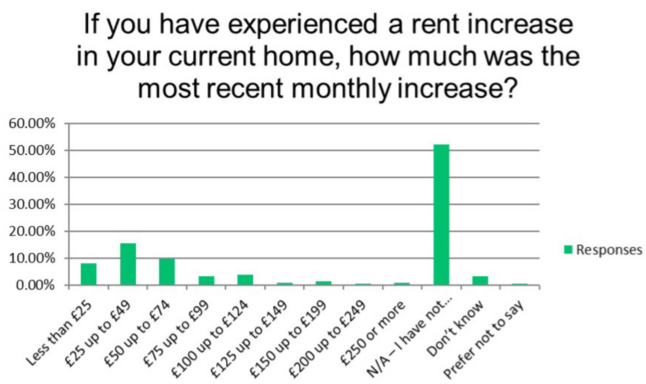
Rent increases

Thinking specifically about households who have experienced a rental increase in their current home, we asked participants "If you have experienced a rent increase in your current home, how much was the most recent monthly increase?" To this question, most respondents, 337 (52 per cent) stated that they had not experienced a rent increase in their current home. Following that, the next most selected category, 100 respondents (16 per cent), stated that they had experienced a rent increase in their current home somewhere between £25 up to £49 per month. During the follow-up interviews, 13 out of 15 interviewees stated that they were worried they may face a rent increase sometime in the future.

> ***Quote: "This is the most I have ever paid in rent, and I worry about an increase, but I don't want to move because the house meets our needs, and I couldn't get cheaper accommodation in this area."***

> ***Quote: "Renters need protection from rent going up year on year."***

Figure 2.5.6

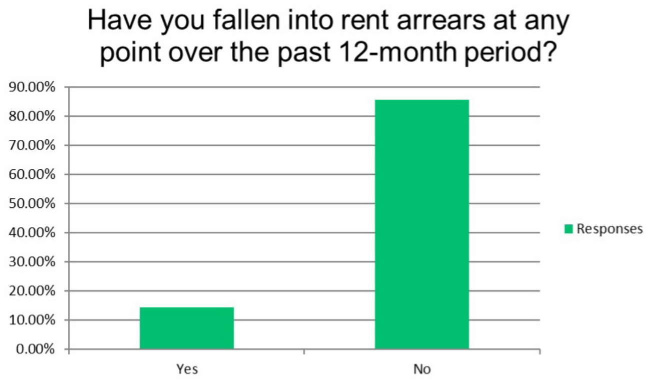


Rent arrears

Most respondents, 553 (86 per cent) stated that they had not fallen into rent arrears at any point over the past 12-month period. However, during the follow-up interviews several respondents felt that falling into rent arrears at some point in the future was a possibility for them due to the rising cost of living, despite never failing to meet a rent payment before.

> ***Quote: "Rent arrears is a possibility for us as we are just about managing. Right now, we have zero disposable income."***

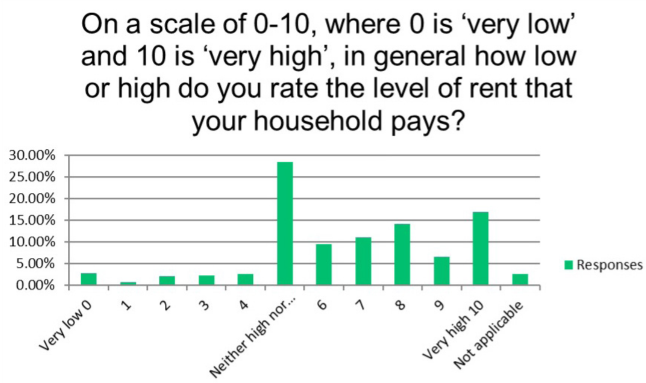
Figure 2.5.7



How people rate their rental costs

Using a rating scale, we asked participants "on a scale of 0-10, where 0 is 'very low' and 10 is 'very high', in general how low or high do you rate the level of rent that your household pays?". It is worth noting that answers are based on respondents' views on how expensive their rent is rather than measurable affordability. The most selected answer chosen by 184 respondents (28 per cent) was 'neither high nor low – 5' followed by the next most selected answer chosen by 109 (17 per cent) respondents, which was 'very high – 10'. Of the 647 participants who responded to this question, only 18 (three per cent) considered the level of rent they pay 'very low – 0'. The weighted average selecting on the rating scale was six.

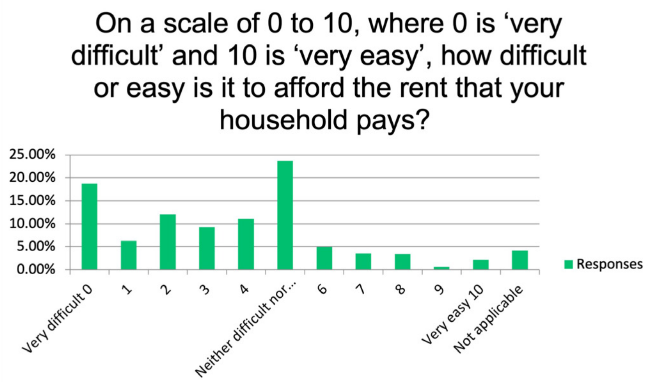
Figure 2.5.8



Ease or difficulty in affording rent

Again, using a rating scale, we asked participants 'on a scale of 0-10, where 0 is 'very difficult' and 10 is 'very easy', how difficult or easy is it to afford the rent that your household pays?' Most responses, 154 (23.7 per cent) selected '5' signifying that it was 'neither difficult nor easy' to afford the rent that the household pays. Only 14 (4.2 per cent) respondents said that their rent was 'very easy – 10) to afford and 122 (18.8 per cent) said that their rent was 'very difficult – 0' to afford. The weighted average selecting on the rating scale was 3.3.

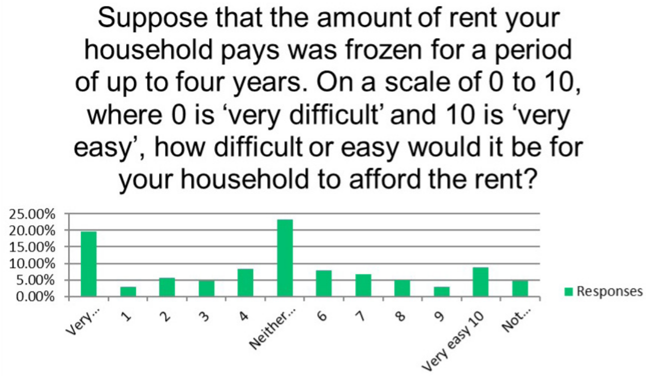
Figure 2.5.9



Rent freeze scenario

Again, using a rating scale, we asked participants 'on a scale of 0 to 10, where 0 is 'very difficult' and 10 is 'very easy', how difficult or easy would it be for your household to afford the rent if it was frozen for a period of up to four years?' Of the 650 participants who responded to this question, the most cited answer, 151 (23 per cent) was that they would find it 'neither easy nor difficult – 5' to afford the rent in this scenario. The next most cited answer by respondents, 127 (20 per cent) was '0', indicating that they would find it 'very difficult' to afford their rent, followed by 57 respondents (nine per cent) who selected '10' indicating that it would be 'very easy' to afford the rent in this scenario. It is worth noting that when participants were asked to respond using a rating scale like the one in question, they tended to choose 0, 5 or 10, as these three numerical values were associated with the following distinct terms, 'very difficult', 'neither easy nor difficult', and 'very easy'.

Figure 2.5.10



Rent cut scenario

As part of the survey, we provided three scenarios for participants in relation to rent cuts and again they were asked to respond using a 0-10 rating scale, with 10 signifying that paying their rent would be 'very easy' and 0 signifying that it would be 'very difficult'. The three scenarios put to participants were a two, five and ten per cent rent decrease. When responding to the scenario where rent would be cut by either two or five per cent, the most cited answer by respondents was '5', signifying that they would find it 'neither easy nor hard' to pay the rent in either of these two scenarios. When asked how a ten per cent rent cut would impact their ability to pay their rent, most respondents, 100 (15 per cent) cited '10', signifying that in this instance they would find it 'very easy' to afford the rent. The second most cited answer by respondents, 96 (15 per cent) was 'neither easy nor difficult' inferring that in this scenario their ability to afford their current rent would remain unchanged. The weighted average answer was 5.6 per cent.

Figure 2.5.11

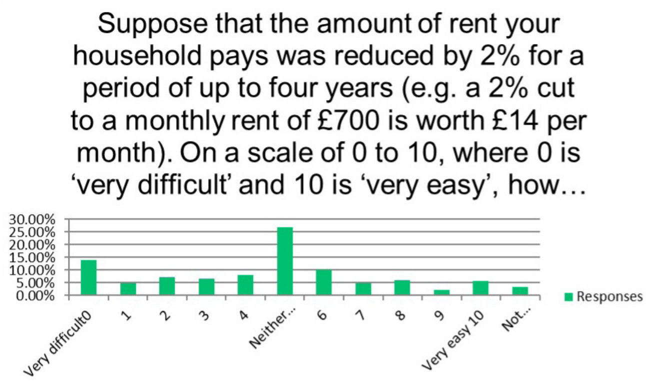


Figure 2.5.12

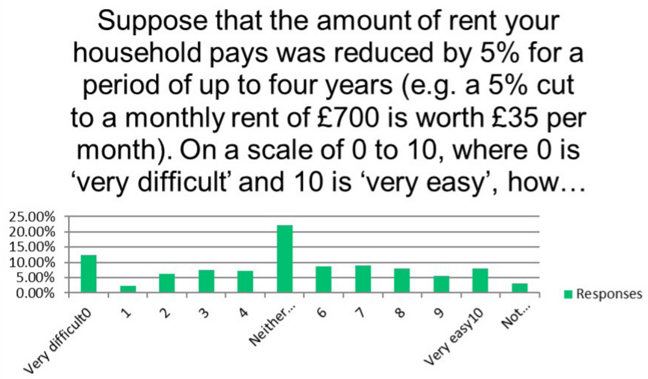
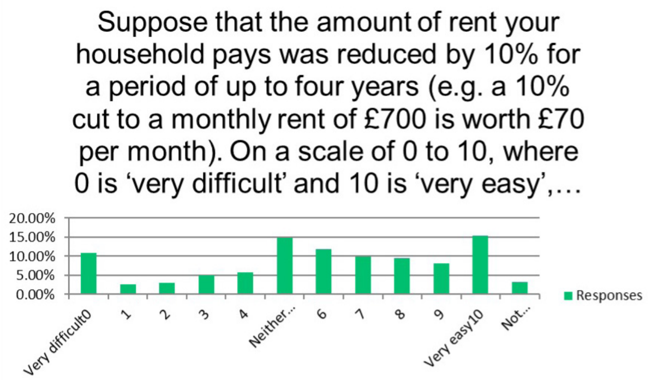


Figure 2.5.13



Additional commentary

During the follow-up interviews, there was a cautionary attitude to rent regulation with consistent concerns raised by tenants that their landlord may sell the property if they were prevented from raising rents or had to decrease them by ten per cent for a period of up to four years. Respondents cited the potential loss of rental income as a push factor and the current housing market as a pull factor for incentivising landlords to exit the rental market and sell off their properties.

PropertyPal, the leading local property website in NI has cited that in the first six months of this year (2022), seven per cent of private landlords who previously advertised on the site have offloaded their properties onto the market for sale.

> ***Quote: "I have no security against the landlord selling or putting the rent up."***

> ***Quote: "If you reduced my rent, they (the landlord) would give me notice to quit the property and look for another tenant."***

> ***Quote: "Rent controls seem like a very complex way of assisting people. It is patronising. As tenants we agreed the initial lease based on what we could afford. If people need help, they need more income."***

Another theme that emerged was the lack of choice when it comes to housing options; many tenants cited that their preference was to live in social housing due do affordability reasons and increased security of tenure. Several tenants in this position said that although they were on the waiting list for social housing, they had yet to receive an offer, many believing that they never will; these tenants felt that they had no option but to enter the PRS in order to secure accommodation.

> ***Quote: "Currently I am getting pension credit only and currently renting from an agency. It's the second year that I've applied for a house from the Housing Executive without hearing anything promising back. I am 68 years old and must climb to my rented flat on the second floor which is not easy and rent is very high. I am sad and worried all the time."***

The cost-of-living crisis was raised by many of the respondents. Although many tenants said that they had avoided rent arrears to date, they believed that falling into rent arrears would become more likely as we reach the winter months with significant rising fuel and energy costs. However, it should be noted that rent arrears may not show the full picture for those struggling to meet rising living costs, as several respondents said that they would prioritise paying their rent over other necessities in fear of falling into homelessness.

> ***Quote: "A ten per cent rent deduction would allow me to more easily afford my utility bills which keep going up. I dread the heating bills in the winter months."***

> ***Quote: "My rent is the first payment that I'll always make sure is paid. It is everything else that will have to suffer."***

There was, however, a consensus that a rent decrease would positively impact tenants' financial situation, particularly in the current economic context. The idea of having additional money to spend on other necessary household items was welcome and most interviewees could see the immediate benefit this would have on their personal finances.

Chartered Institute of Housing
Northern Ireland

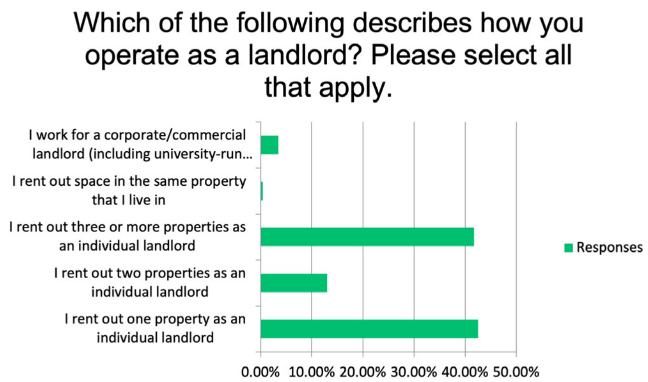
Landlord survey and interview findings

Thinking first about the types of landlords who completed the survey; out of the 493 responses, 209 (43 per cent) rented out one property as an individual landlord, 64 (13 per cent) rented out two properties as an individual landlord and 205 (42 per cent) rented out three or more properties as an individual landlord. In addition to this, for two responses (0.4 per cent) the landlord rented out a space in the property in which they lived, and 17 responses (three per cent) indicated working for a corporate/commercial landlord (including university-run accommodation). Most respondents, 376 (77 per cent) said that being a landlord was not their main occupation. For those landlords who completed the survey, the majority 296 (60 per cent) of responses stated that they became a landlord by buying their property/properties as an investment.

> ***Quote: "I depend on the rental income to supplement my state pension"***

> ***Quote: "I am self-employed, so I would see growing my rental portfolio as a pension equivalent."***

Figure 2.5.14

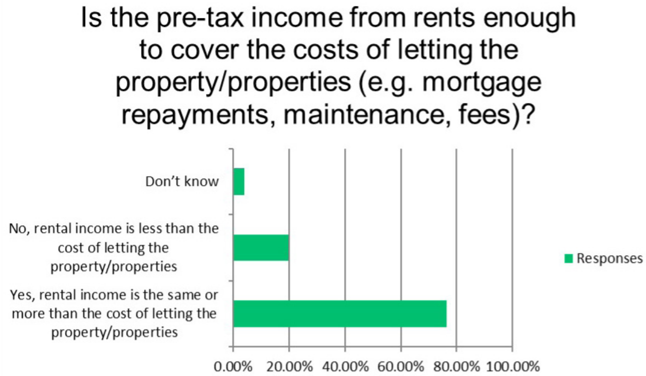


In terms of ascertaining if rents were covering landlords' costs, we asked participants 'is the pre-tax income from rents enough to cover the costs of letting the property/properties (e.g. mortgage repayments, maintenance, fees)?' Of the 484 who responded, 370 (76 per cent) answered 'yes, rental income is the same or more than the cost of letting the property/properties', and 95 (20 per cent) answered 'no, rental income is less than the cost of letting the property/properties'. 19 (four per cent) did not know.

> ***Quote: "This will just lead to a rental shortage as the legislation is already so tight that profit margins hardly make it worth being a landlord on a small scale."***

> ***Quote: "The properties are not self-financing. It is usually years before a landlord will see any profit if they do at all." – estate agent***

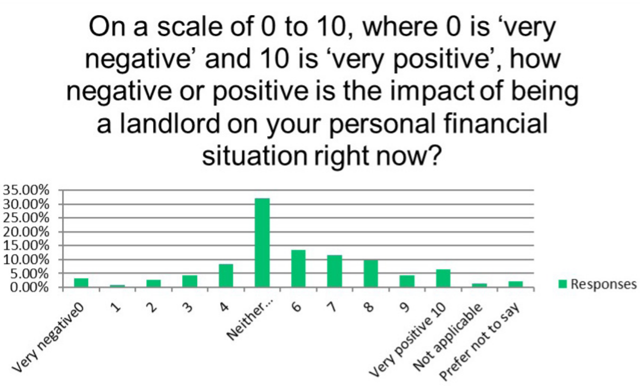
Figure 2.5.15



To gain insight into how being a landlord was impacting the personal finances of respondents, we asked, 'on a scale of 0 to 10, where 0 is 'very negative' and 10 is 'very positive', how negative or positive is the impact of being a landlord on your personal financial situation right now?' The most cited answer by respondents on the rating scale, 156 (32 per cent), was 5, indicating that being a landlord was having a 'neither positive nor negative' impact on their personal financial situation right now. Only 15 (three per cent) selected '0' indicating that being a landlord was having a 'very negative' impact on their personal financial situation right now and at the other end of the scale, 31 (six per cent) of respondents selected '10' indicating that being a landlord was having a 'very positive' impact on their personal financial situation right now. It is worth noting that during the follow-up interviews, almost all interviewees said that the costs associated with being a landlord are higher now than they were before the coronavirus pandemic.

> ***Quote: "With inflation at current levels, repairs and maintenance costs are getting more expensive and lower rental income will make renting non-viable."***

Figure 2.5.16

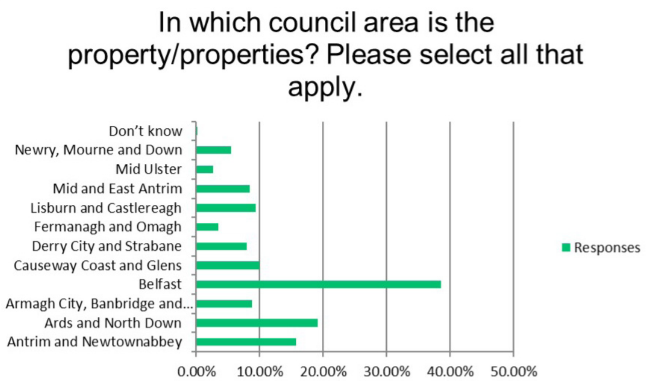


Chartered Institute of Housing
Northern Ireland

Responses by broken down by local council areas

The results show that 189 (39 per cent) of responses involved a property or properties in the Belfast City Council area. Mid Ulster District Council area had the least representation with only 13 (three per cent) of responses where a landlord owned a property or properties in that area. We tried to ensure a geographical balance when presenting landlord experiences by ensuring that when selecting participants for a follow-up interview, that at least one landlord with a property or properties from each council area were selected.

Figure 2.5.17



Property acquisition and current mortgages

When asked how landlords originally acquired their property or properties, the most cited answer gave by respondents, 198 (41 per cent), was that they bought with a buy-to-let mortgage. Following that, 149 (31 per cent) responses involved buying/financing the property outright. 116 (24 per cent) answers stated that they bought with an owner-occupier mortgage and 62 (13 per cent) responses stated that they inherited their property. When asked if there is currently a mortgage on the property or properties, of the 490 who responded to the question, 215 (44 per cent) respondents said that there was no mortgage. The remainder of those who responded to the question either had a mortgage on one, two or three or more properties.

> ***Quote: "Rents in Northern Ireland are very low compared to mortgage repayments and if we were forced to cut the current rent, I think I would sell up and invest elsewhere. It is already tight enough as it is."***

> ***Quote: "I am a reluctant landlord. Re-mortgaged my property to buy a marital home in 2007 with an interest-only mortgage. After the financial crisis in 2008, divorce and other financial issues since then, I am barely surviving financially. Any financial shock like a forced reduction in rent income could prevent me from making my mortgage payments and given that I am still in negative equity could cause me to lose my rental property and home and probably risk bankruptcy."***

Figure 2.5.18

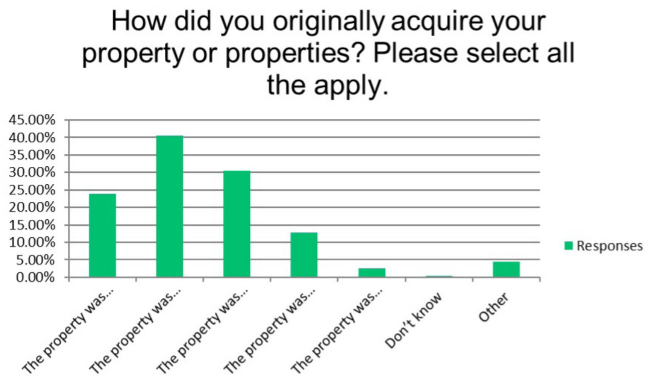
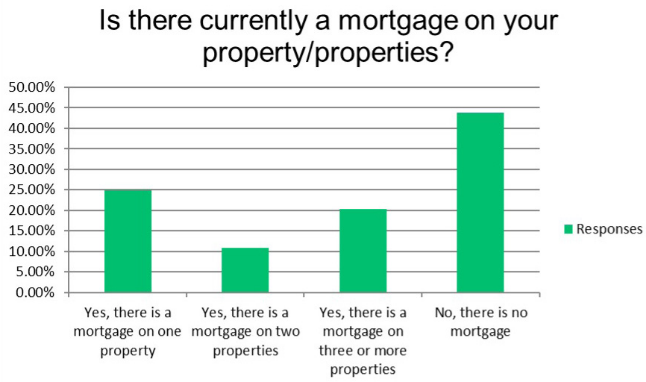


Figure 2.5.19



Rent increase

When asked 'how regularly is the rent level raised for your property/properties?' the most cited answer was 'generally, when the accommodation is let to new tenants' with 150 (31 per cent) respondents. This was followed by 'rarely' (127 respondents or 26 per cent), and 'occasionally' (106 or 22 per cent). Only nine (two per cent) respondents said they raised the rent 'always, every year or more often'. These figures correlate with the results of the tenant survey where 377 (52 per cent) respondents stated that they had not experienced a rent increase in their current home. Overall, the findings from the survey show that rental increases during a tenancy are irregular within the NI market and when they do take place they are usually increases in line with inflation. However, the findings also show that in a small number of cases sharp rent increases are applied.

> ***Quote: "We have a tenant who has lived in one of our properties for over ten years and we have never increased the rent and do not plan to. Therefore, they are already having a decrease in real terms."***

Figure 2.5.20

Types of tenants

As part of the survey, we asked respondents what type of tenants they currently rent out their property or properties to. Like many questions in the survey, landlords could select more than one option, therefore the totals exceed 100 per cent. The results indicated that the types of households living in the PRS in NI varies. Half of answers, 244 (50 per cent) involved landlords renting to families with children. The second highest selected type of tenant, 227 (47 per cent) was young professionals, followed by the third highest, 208 (43 per cent) which was tenants in receipt of benefits e.g., Housing Benefit / Universal Credit. It is worth noting that there is a cross-over between these groups. If there were no landlord behavioural effects in response to a rent freeze or cut, these groups would be the largest beneficiary. However, if landlords exit the market, then similarly these groups may be the most impacted, depending on their representation as a proportion of property sales.

It is also worth noting that when asked what type of tenants respondents would consider renting to in future, 201 responses selected 'non-UK/Irish passport holders'. A high number of respondents, 336, also indicated that they would consider renting to families without children in the future. These results are worth noting; due to the lack of affordable and social housing available, it is often families without children who fail to receive enough points to be allocated a social home. For those types of tenants, if they are locked out of homeownership, a shortage of private rental accommodation may ultimately risk homelessness.

Rent freeze scenario

We asked respondents to consider what actions they would take in the scenario where a rent freeze was introduced and to consider what impact it would have on their personal financial situation at present. The vast majority of respondents did not view the introduction of a rent freeze positively; out of 491 participants who responded to the following question "if the amount of rent you could charge to existing and new tenants was frozen for up to four years, which of the following do you think is most likely to happen?' only two (0.4 per cent) respondents said they would increase the number of their properties to let very soon. When presented with this scenario, the most cited response (28 per cent or 139 of respondents) was "I will decrease the number of my properties for rent very soon" followed by "I will gradually decrease the number of my properties for let in the coming years" at 111 of respondents or 23 per cent.

> ***Quote: "If rent controls were introduced here, I would sell up and look to buy in GB where there are no rent controls or alternatively I would invest into a pension."***

Of the 491, 86 (18 per cent) respondents said when faced with this scenario "I will continue operating as I do now for the foreseeable future, but I may disinvest in maintenance, repair, or refurbishment."

> ***Quote: "My properties are all of a high standard, and I've always felt confident investing in them knowing that I will the return in rent. I won't do this if I cannot set my own rent."***

Figure 2.5.21

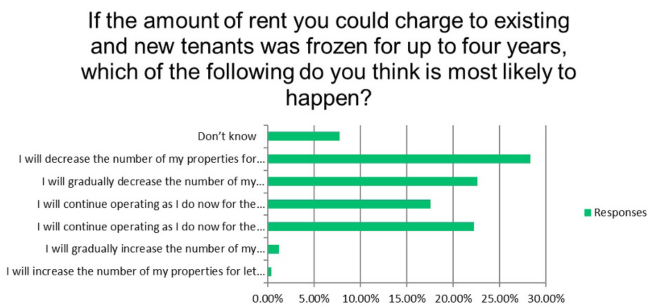
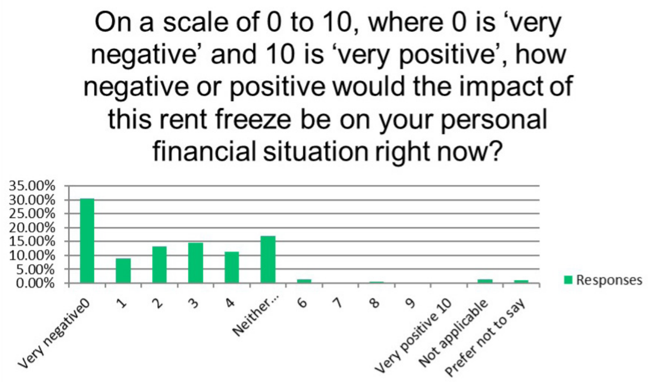


Figure 2.5.22



Rent cut scenario

Similarly, we gave respondents three scenarios asking them if the amount of rent they could charge to existing and new tenants was forced to be reduced by two, five and ten per cent for up to four years, which actions they may take. The most cited answer to all three scenarios was "I will decrease the number of my properties to let very soon." This proposed action was reiterated in the follow-up interviews with landlords who, specifically when talking about a ten per cent decrease as proposed in the amendment inserted into clause 7 of the Private Tenancies Act, felt that they would have to leave the market. Respondents reiterated that the current market house prices would make the decision much easier.

> ***Quote: "I plan to sell a property or two per year. I sold three in the last tax year. Following this proposal in the bill, I have increased all rent to the market rent, to safeguard against any imposed reduction or rent freeze. This was a very unpleasant experience, as most of my rents had not been increased for 5-7 years."***

Figure 2.5.23

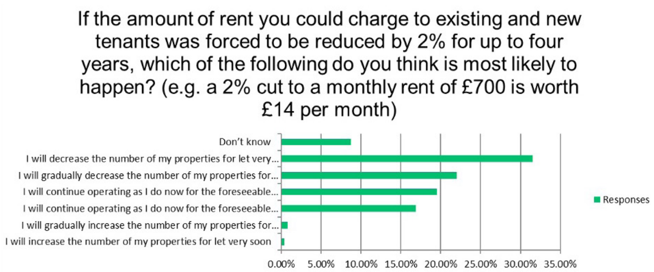


Figure 2.5.24

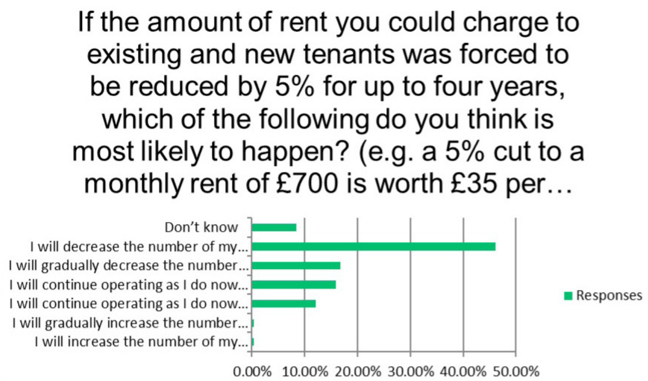
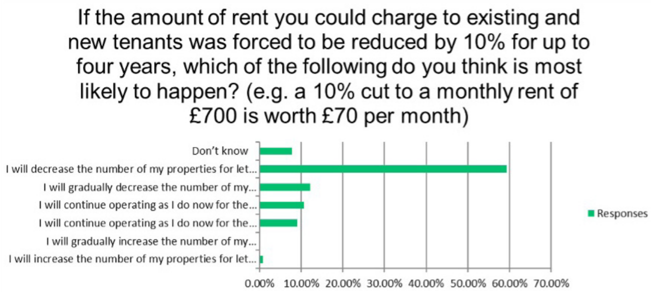


Figure 2.5.25



We also asked respondents how the following three scenarios would impact their personal financial situation right now. To do this we provided a 0-10 rating scale with 0 signifying a 'very negative' impact and 10 signifying a 'very positive' impact. In all three scenarios, most respondents said that a rent cut would have a 'very negative' impact on their personal financial situation right now: 32 per cent said a two per cent cut would have a 'very negative' impact on their finances, 45 per cent when considering a five per cent cut and 62 per cent when considering a ten per cent cut.

> ***Quote: "Why should landlords be expected to accept up to ten per cent reductions when public sector workers and unionised private businesses are seeking inflation-based wage increases. If inflation rises by ten per cent and you cut our rent by ten per cent, we are down 20 per cent, how is that fair?"***

> ***Quote: "I am a responsible landlord. I could get significantly more rent for my property, but I have not increased the rent in ten years. How would it be possible for government to decrease rents by a set percentage when a landlord is already letting the property for below market value?"***

Figure 2.5.26

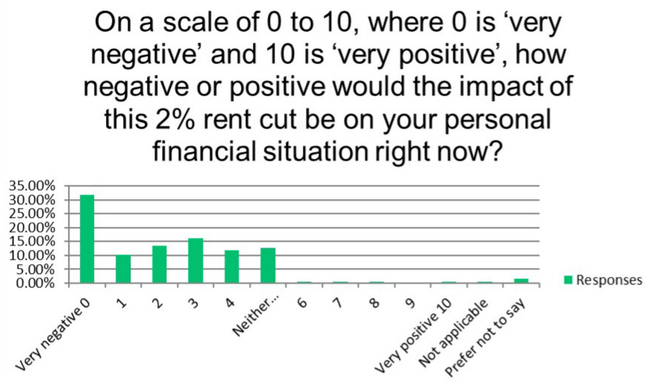


Figure 2.5.27

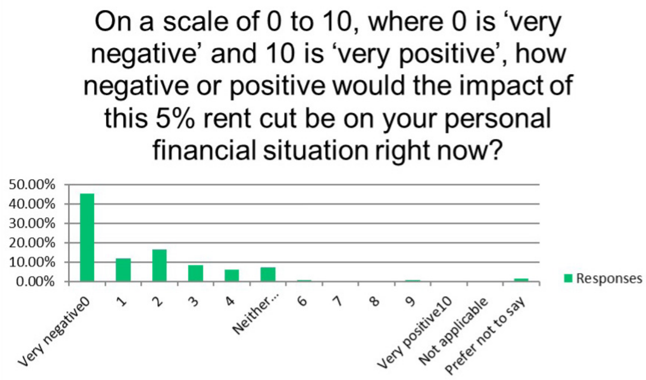
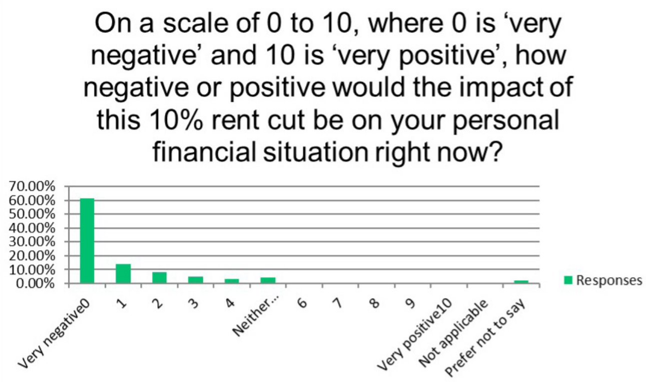


Figure 2.5.28



Additional commentary

The survey results, additional comments from respondents and the follow-up interviews all highlighted a negative view of rent regulation being introduced in NI. Although there was an empathy for rising costs facing tenants, there was a consistent view that landlords will be negatively impacted by this potential change. The results also showed a correlation between tenant experiences and that of landlords' actions. For example, when asked how often they increase the rent, 383 landlords (78 per cent) said that they put the rent up 'occasionally', 'rarely' or 'generally when the accommodation is let to new tenants'. This supports the experience of over half of tenants who responded, 377 (52 per cent), that they had not experienced a rent increase in their current home. Several interviewees also stated that the introduction of rent freezes or cuts would encourage landlords to increase rents prematurely in order to mitigate any potential loss of rental income.

> ***Quote: "There is no other sector where there is legislation to reduce/freeze charges, even the energy companies have been allowed massive increases to maintain profitability. Inflation might be 10-15 per cent for a number of years, it would be inequitable to force landlords to freeze/ discount rents. We would have to increase our initial rent by 15-20 per cent to compensate for the subsequent reductions/freeze."***

Stakeholder engagement session – tenants

Stakeholders representative of private tenants were invited to the first session. Several themes were captured during the session: affordability; cost-of-living crisis; welfare reform; local housing allowance (LHA) shortfall; universal credit; loss of private rental properties for holiday lets and Airbnbs; and homelessness.

There was an agreement from stakeholders that in the absence of building more social and affordable homes, individuals and families were becoming increasingly reliant upon the PRS and that the introduction of rent regulation, which may result in the loss of properties within the sector leading to an increase in homelessness, should be carefully considered. It was agreed that an unintended consequence of such a policy which may lead to the reduction of the amount of rental stock available and therefore reducing the amount of housing options for those in need. As it stands, according to NIHE's Homelessness Strategy 2022-27 'Ending Homelessness Together' the loss of private rental accommodation remains one of the top reasons for homelessness presentations in NI.[75]

> ***Quote: "I think the emotive response [to the introduction of rent controls] immediately would be, "yes, of course, let us freeze or cut", but actually we have to look at what the impact of that might be."***

> ***Quote: "Rent decreases or caps on increases would be really welcome, but I guess it could incentivise landlords to leave the sector. What needs to be done at the same time is the building of more social housing as well as moving forward with the intermediate rent model if that is still on the table."***

[75] Ending Homelessness Together: Homelessness Strategy 2022-27, Northern Ireland Housing Executive, p.10. URL: https://www.nihe.gov.uk/Documents/Homelessness-Strategy-2022-2027/Ending-Homelessness-Together-Homelessness-Strategy.aspx

There was a consensus that private renters needed more help with their housing costs, however, several stakeholders voiced concern that rent cuts may not be the correct policy lever to achieve this. One suggestion to ease pressure on households living in the PRS, without reducing landlord income, was the extension of the welfare mitigation payments covering the bedroom tax, which already assists social housing tenants who over-occupy. This would achieve, at the very least, a parity of tenure at a time of financial uncertainty for many households.

> ***Quote: More and more people in the private rented sector because they are not getting access to the bedroom tax supports, are actually the most impoverished. So, there is an unfairness there. Why should those people living in the private rented sector not also benefit from the bedroom tax? MLA.***

Similarly, several stakeholders raised the point that a policy focus on rent regulation alone would be an insufficient mechanism when trying to take the sharp edge of rising housing costs, which they pointed out are so much more than simply rental costs. Increasing energy and household bills were cited as an area whereby renters needed immediate assistance.

> ***Quote: "I know we are talking about rental increases, but when we talk about housing costs that actually means a lot more than just rent… I think we all know about the rises of fuel costs and electricity bills that are forcing people to make decisions about whether or not they heat their houses, have electricity in their meter or have food on the table." Representative from the homelessness sector in NI***

Security of tenure was also raised as an important issue that needed policy attention. The absence of no-fault evictions was cited as a concern for private tenants who felt they had little protection, especially in comparison to tenants living in the social housing sector. Several stakeholders raised their concern about the standard of accommodation, citing instances where tenants were living in properties of poor quality. The slow pace at which landlords were upgrading properties to achieve a higher energy performance certificate (EPC) rating was raised. It was noted that freezing or cutting rents would make landlords even less likely to invest in these changes if their revenue were limited.

> ***Quote: "Unless there is going to be some sort of funding for private landlords to fund the environmental changes that are required, they [private tenants] will have to then live in a house that's not getting upgraded or being properly maintained."***

> ***Quote: "One of the problems with the housing market is that there is no incentive to retrofit properties or make them more energy efficient, and therefore cheaper for tenants to heat their house. The lack of incentive runs contrary to government policy on decarbonisation."***

Stakeholder engagement session – landlords

Stakeholders representative of landlords were invited to the second session. Again, several themes emerged from attendees: inflationary pressures facing landlords, rise in repair costs, mortgage increases, tax deductions and the cost-of-living crisis.

> ***Quote: "Considering rent control is not something that the government should be doing at this point in time. We are in a financially very turbulent period of time, with inflation running at least ten per cent, which in real terms is a ten per cent reduction in the rent that is available to landlords. Things are tight and tough for landlords and any form of regulation which would hint towards either rent control or a rent freeze will just drive landlords out."***

During this session, stakeholders strongly felt that in the event of rent regulation being introduced, landlords would exit the sector and the level of available private rental accommodation would fall, rendering many households to a situation where they may find themselves homeless with no alternative housing arrangements. There was a tacit agreement that the market should set the rent and that rent control would be problematic for landlords and property agents.

As previously stated, there is evidence to suggest that landlords are already starting to exit the private rental market given the current rise in house prices during the post-pandemic period. Figures from PropertyPal show that approximately seven per cent of rental properties advertised on the site between 2017 and 2020 have moved onto the sales market. There is considerable sub-regional variation regarding these figures with Belfast seeing over ten per cent of rental properties moving to the sales market in the past year.

In addition, according to PropertyPal, the private rental market listings on the site in spring 2022 is down 43 per cent compared to 2019 and the enquiry levels for private listings is 2.6x higher from the same period.[76] This correlates with tenants' experiences of accessing accommodation in the PRS and the level of competition for available properties.

[76] Jordan Buchanan, PropertyPal Housing and Economic Monitor, spring 2022. P. 42. URL: https://insights.propertypal.com/economic-outlook/

Quote: "Since the amendment made to the bill passed, landlords have already started to walk away. If somebody wants to move on and sell their property, letting it go into owner occupation, this would be the perfect time. But it would be regrettable because all it will do is reduce the number of good, safe, quality homes that is available for people who need them."

An additional issue raised at this session was the gap between current LHA rates and the cost of rent, particularly for low-income households. Again, it was raised that this is a policy area that requires more attention. Closing the gap between LHA rates and rental costs by increasing LHA rates to a higher percentile within broad rental market areas (BRMAs) could help assist households meet their rental costs. Unfortunately, powers to raise LHA rates are not devolved and the current work and pensions secretary in a statement to parliament, Thérèse Coffey, has confirmed that they are to stay the same in 2023.[77]

However, to date, NIHE has sought to mitigate this through discretionary housing payments (DHPs), where in most cases awards will be paid to at least the 50th percentile of market rents within the BRMA, and if appropriate and applicable to the 75th percentile; however, DHP awards cannot exceed the shortfall between contractual rent and LHA.[78] There is currently a low uptake on DHPs despite more and more households facing rising housing costs. However, a communications exercise is underway around the existence and availability of DHPs for those living in the PRS which will benefit those struggling to meet their rent shortfall through targeted communications.[79]

Quote: "The LHA rates are frozen and do not get me wrong, there is additional help, where people on both housing benefit and universal credit are assisted through the DHP scheme. But certainly, it has become unaffordable for tenants."

During the session, stakeholders accepted and recognised the adverse impact that the cost-of-living crisis is having on tenants living in the PRS. Stakeholders were keen to affirm that the vast majority landlords will help tenants living in their properties as much as they can, but that it was the role of government, via the Housing Executive, to make these interventions to protect households, as opposed to mitigating the impact by reducing rental income, therefore by default, passing the financial struggle onto landlords; an outcome it was noted which would be particularly problematic for those landlords with mortgages on their property or properties.

Concern was raised about the impact of rent freezes or cuts on intermediate housing options. The expansion of these options is at policy development stage, but in the modelling undertaken to date there are already limited opportunities for viable provision of affordable homes. An existing product in the form of Rent to Own would be affected, which is run by OwnCo Homes Limited (a subsidiary of Co-Ownership).

In the case of Rent to Own, the applicant rents the property for up to three years at a fixed, market rent. When they purchase the home, they receive a rebate of 20 per cent of the rent they have paid up to the point when they buy the home. This is used towards a deposit on the purchase of the home. If rent control were to apply to existing tenancies, then the tenant would be paying less than the market rent and so their 20 per cent rebate would be scaled back accordingly. This would mean that they in effect would have less to contribute towards a deposit when they come to buy the home.

Concern was also expressed that this rent control policy would stifle incentive for institutional investment in the PRS. If a rent freeze or rent control were to come into effect in NI, investors would cease to look for further opportunities to build new homes in Belfast. Viability is incredibly tight. There is a relationship between the quality of housing and money in the system. A view was expressed that build to rent products and economic growth are symbiotic and any move that could curb PRS growth would in effect see the local economy stay stagnant. The tax regime for private landlords was 'debilitating', as well as rates being charged to the landlord. Additional regulation, it was argued, would further drive down the market.

Finally, concern was raised about the impact on buy-to-let mortgages and resulting supply of private rented accommodation. A decrease in rent levels would make more of these mortgages unaffordable for prospective landlords.

[77] EJames Wilmore, 'LHA rates frozen for next year, minister confirms'. Inside Housing, URL: https://www.insidehousing.co.uk/news/news/lha-rates-frozen-for-next-year-minister-confirms-73515

[78] Discretionary Housing Payment Guide. Northern Ireland Housing Executive. 2022. Pg. 9.

[79] Ibid., pg. 13.

Stakeholder engagement session – councils

On 6 July 2022 we held an engagement session with representatives from local councils to take views on the potential introduction of rent regulation and the impact they foresee it having on councils. There was concern that the councils were not equipped to regulate rent control. One council officer stressed that they did not have the necessary experience to implement rent controls. It was anticipated that such regulation would lead to increased complaints and therefore the need to introduce additional complaints handling mechanisms.

There was also a level of apprehension around how local councils would resource this regulatory responsibility if it were introduced. One officer stated that their organisation already struggled to fund the regulatory powers that they do have, and that any additional powers would stretch them beyond capacity.

2.6 Assessment of impact of proposed rent regulations on renters, landlords, and the broader market

This section sets out an assessment of the potential impact of the different rent regulations on landlords and the broader market. This assessment is based on the existing evidence and the evidence collected through the surveys and desktop analysis on rent levels. Gibb and Marsh (2022) set out six criteria for the assessment of outcomes of rent regulation measures, and these are:

- affordability for existing privately renting tenants
- security of tenure
- feasibility
- risks to the wider housing market and economy
- equity, and
- intersection with broader policy objectives.

Due to the paucity of data on the private rented sector in Northern Ireland, the proposed regulatory measures cannot be fully appraised against this framework.

There are four policy options being considered, these are:

- a rent freeze – where rents would be frozen at current rates for four years
- a rent reduction of two per cent - where current rents would be reduced by two per cent
- a rent reduction of five per cent - where current rents would be reduced by five per cent
- a rent reduction of ten per cent - where current rents would be reduced by ten per cent.

The first element to consider is the affordability for existing privately renting tenants. The above desktop analysis and responses from both tenants and landlords has identified that the measures would likely to improve affordability for some renters, but the impact of this would be felt across groups differently. However, it is important to consider the longer-term impacts on rental affordability, which draws upon the potential risk to the wider housing market and economy.

As identified in table 2.6.1 below, over half of landlord respondents reported that they would seek to decrease the number of properties they let out across the sector. Analysis illustrates that there is however, an approximate ten percentage point difference in planned sale behaviour and actual sale behaviour in relation to landlords (Simcock, 2022).

Even so at these levels, this would account to 41 per cent to 60 per cent of landlords seeking to exit the private rental market. Using a ratio of 1.9 properties per landlord calculated from landlord registration scheme figures[80], together with the figure of 138,000 households in the PRS according to the Family Resources Survey, we estimate between 57,000 and 83,000 households could be affected. Properties and households are not the same thing but there will be a close correlation.

[80] https://bit.ly/3pff3YU

Table 2.6.1. **Summary of landlord responses to proposed regulatory measures** (Source: CIH landlord consultation survey**)**

Landlord Response	**Proposed Regulatory Measure**			
	Rent Freeze	Rent Reduction of 2%	Rent Reduction of 5%	Rent Reduction of 10%
I will continue operating as I do now for the foreseeable future	22%	17%	12%	9%
I will continue operating as I do now for the foreseeable future, but I may disinvest in maintenance, repair, or refurbishment	17%	20%	16%	11%
I will gradually decrease the number of my properties for let in the coming years	23%	22%	17%	12%
I will decrease the number of my properties for let very soon	28%	31%	46%	58%
Net loss	51%	53%	63%	70%
I will gradually increase the number of my properties for let in the coming years	1%	0.8%	0.4%	0.2%
I will increase the number of my properties for let very soon	0.4%	0.4%	0.4%	0.8%
Net addition	2%	1%	1%	1%
Don't know	8%	9%	8%	8%

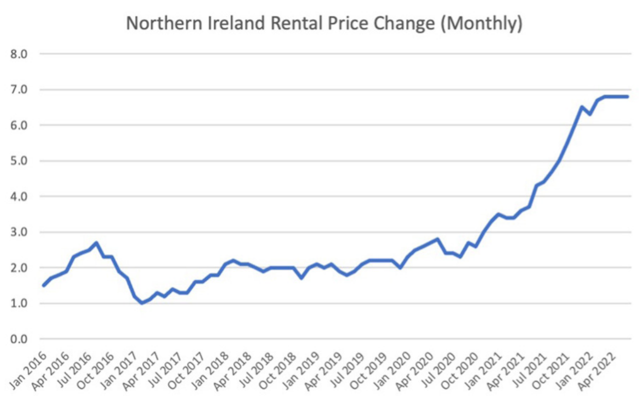
Note: Figures are rounded to the nearest whole number, unless figure is below 0.8%, where decimalisation is provided for clarity.

Some of these properties may be sold to landlords, keeping the property within the sector. However, some landlords may seek to withdraw and provide the property on the short-term holiday let / Airbnb market, where they are able to attract substantially higher rents (Simcock, 2021). Previous research has identified that in England alone, seven per cent of landlords had started to move properties across to the short-term sector, with a key driving factor being recent tax changes (Simcock, 2017). Other routes include sale into owner-occupation or leaving the property empty (with the goal of capital appreciation).

Clarke et al., (2015) undertook research on the potential impact of rent regulation measures in England in 2015. This research identified that a temporary three-year freeze on rents would lead to a small reduction in the size of the sector, but this would likely recover over the ten-year period. The impact of a rent cut however was found to be starker, with a projected decrease of between 30 and 49.7 per cent relative to the size of the sector. The authors warn that this option could pose a substantial shock to house prices and would affect broader housing market activity, including planned investment in new builds.

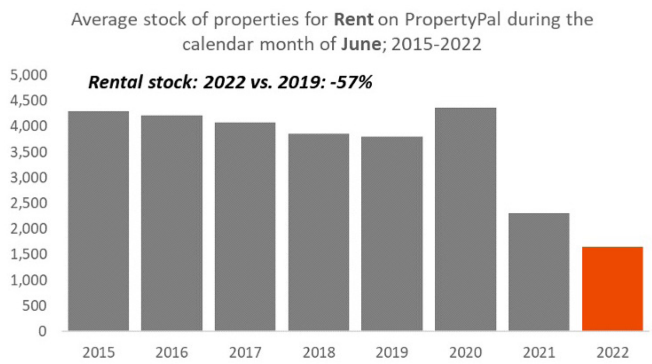
It is important to highlight that this research was conducted on the England private rental market in 2015, and it is not currently possible to undertake the similar analysis for Northern Ireland due to the paucity of data. However, the existing research as identified in the literature review above illustrates that the market conditions can affect outcomes, with 'strong' property markets (with the benefit for sellers) providing greater impetus for landlords to 'cash in' on their investment.

Figure 2.6.1. Northern Ireland rental price change January 2016 to May 2022



The current Northern Ireland property market and private rental market, alongside the responses of landlords and sector representatives, provide cause for concern on the potential outcomes of these policies. Average house prices in Northern Ireland are at the highest level since May 2013 and have increased by 66 per cent to an average of £164,590 (ONS, 2022a), with the ONS reporting a yearly increase of 10.4 per cent in house prices. In addition, current rental growth is now at the highest level since 2016, with rental price growth of 6.4 per cent in May 2022. This growth is higher than England (2.9 per cent), Wales (1.9 per cent) and Scotland (3.5 per cent) (ONS, 2022b). The high rental growth will put pressure on household finances, alongside the current cost-of-living crisis, and would thus be an impetus for some form of action.

Figure 2.6.2



PropertyPal (2022), however, have reported the lowest amount of rental stock available on the market and this has declined by 57 per cent from 2019 to 2022. Furthermore, PropertyPal report that approximately seven per cent of properties they advertised on the rental market (2017-2020) have (since March 2020 to April 2022) moved over to the sales market.

The high rental price growth, reduction in properties available to rent, and strong house price growth will affect household finances for those renting privately and could cause some to move to other properties that are either not suitable (i.e., location or size) or in worse condition (Dewilde, 2021; Simcock et al., 2021). The landlord and sector consultation responses highlight the negative impact the rent control measures would have, with over half of landlord respondents reporting that they would seek to sell properties at some point. If this outcome were realised, over the course of the four years it would be expected that the PRS in Northern Ireland would likely contract substantially.

Table 2.6.2. **Potential impact on landlord returns (before tax) of rent reductions**

	No measure	2% reduction	5% reduction	10% reduction
Average rent (AR)	£716.00	£701.68	£680.20	£644.40
AR compared to monthly costs at full payment (mortgage including both capital and interest)	-£74.03	-£88.35	-£109.83	-£145.63
Annual difference	-£888.33	-£1,060.17	-£1,317.93	-£1,747.53
AR compared to monthly costs with interest only mortgage payment	£166.07	£151.75	£130.27	£94.47
Annual difference	£1,992.87	£1,821.03	£1,563.27	£1,133.67

Notes: Average rent source is from PropertyPal (2022). To calculate the monthly mortgage cost, we estimate this using the standardised average house price in Northern Ireland at £164,590, with a 75% Loan-to-Value mortgage at interest rates of 4%. We estimate a mortgage payment including both capital and interest payments (£651.57), and an interest only mortgage payment (£411.47). We estimate running costs of £138.46 drawing using the figures developed by Ball (2011) and accounting for 10yrs of inflation at rate of 2%.

The indicative analysis in Table 2.6.2 estimates the potential impact on monthly running costs of bringing a new property to the market at current average rents. The analysis identifies that at current levels, a landlord would be making a loss on the property if bought at current property prices and offered at current average rent levels with a repayment mortgage. However, if the landlord would take an interest only payment mortgage where the monthly cost is lower, the landlord would be making a small profit. This analysis is only indicative and to illustrate the potential impact of the regulatory measures.

For the rent reduction measures, with a repayment mortgage, the loss for the landlord increases, and for an interest-only mortgage, the profit decreases. These figures are calculated before tax, and it would be important to note that the reduced income would lead to lower income tax returns. It is important to highlight that 57 per cent of landlords in Northern Ireland reported having no mortgage on their properties, while 19 per cent reported having repayment mortgages and 15 per cent reported having interest-only mortgages (NIHE, 2020). Furthermore, 15 per cent of landlord respondents to the NIHE survey reported that they had a property in negative equity. These findings indicate that the impact of the regulatory measures would have differing impacts across landlords. Those who own the property outright would have a less negative financial impact on the operation of their investment. However, those with mortgages and specifically those with full repayment mortgages may be more disadvantaged.

A further consideration as outlined by Gibb and Marsh (2022) is the feasibility of the rent regulation measures. There are several elements to consider. Firstly, there is the enforcement of the measures, at present, there is an unknown on how these measures would be enforced and the likely punitive measures that would be employed (i.e. fines or criminal prosecution). Effective enforcement would be key to ensuring the implementation of the regulations. Secondly, there is a data and administrative gap for ensuring the effective implementation of the regulation. The regulations would need to be drafted to account for new tenancies or new properties entering the market during the four-year period. To be successful, it may be advisable for the creation of a rent database, like in Ireland, and the development of some sort of 'market rent index' so that properties being rented out for the first time after the introduction of the regulations can have the rent set against the benchmark. Otherwise, there is a risk of creating loopholes to the legislation or further barriers to bringing property into the sector. The final element of feasibility is related to security of tenure, currently renters can be evicted without a reason and provided the landlord has given eight weeks' notice if the tenancy has lasted between one and ten years. If the sector contracts or supply drops, this could put pressure on renters, therefore, it would be advisable that greater security of tenure would need to be introduced if rent control measures were also introduced.

Conclusion

The rent control approach contained under Section 7 of the Private Tenancies Act (Northern Ireland) 2022 gives the Department the power to freeze or cut rents by up to ten per cent for a period of up to four years. This is a 'first generation' rent regulation measure according to Professor Richard Arnott's typology of rent control. Typically called 'hard rent controls' or 'rent freezes', first generation controls are argued to:

- improve initial affordability of rents
- reduce real rents if rents cannot be adjusted to account for increased landlord costs
- develop incentives for landlords to sell properties and leave the sector, especially at times of high house prices and strong property markets
- reduce incentives for landlords to repair and renovate properties, and
- incentivise 'shadow' or illegal rental markets or incentivise renters to stay in the property even if their needs change.

Through our literature review and new research, we find that the rent control powers contained within Section 7 if enacted would achieve the following outcomes.

Improve affordability for some tenants

Intuitively, the greater the cut the easier it becomes for tenants to afford their rent. Our opinion polling asked tenants to score how easy or difficult it is currently to afford their rent, where 0 is very easy and 10 is very difficult. The mean score was 5.18, or 'neither easy nor difficult'. We asked the same question for the various scenarios of rent freeze or cut; the mean score generally fell with each incremental drop in rent, down to 2.80 in the case of a ten per cent reduction. Welfare claimants were likely underrepresented in this poll.

A similar trend was observed in the tenant survey, although starting from a place of more difficulty paying rent. In the survey a score of 0 represented very difficult and 10 was very easy – the weighted average of difficulty/ease with current rent was 3.3, increasing to 5.6 in the case of a ten per cent cut. Welfare claimants were overrepresented in the survey.

In broad terms, the Northern Ireland private rental market remains relatively affordable, certainly compared with pressured housing markets in Britain and Ireland and notwithstanding the high levels of local rent inflation in recent times. However, our analysis of housing affordability for different household types shows that the following people are particularly struggling:

- single people and childless couples on universal credit, who have the highest gross rent to income ratios and lowest residual incomes (but can achieve the minimum income standard at relatively low levels of earnings)
- single earner households with children, who find it very difficult to escape the poverty trap, and
- households with three or more children, who have the worst residual incomes.

It is important to note that much of these affordability issues for low-income households have been driven less by rent inflation, and more through punitive aspects of the social security system, such as freezes in local housing allowance rates and the use of the shared-accommodation rate for younger single people in one-bedroom homes.

We used rents for 2022/23 to model the effect on the availability of properties within the current frozen local housing allowance (LHA) rates for the Belfast broad rental market area. The outcomes are very uneven depending on the LHA category. If one of the policy objectives is to restore LHA rates to their real value (i.e. covering at least 30 per cent of the market) then for three-bedroomed properties even the relatively modest rent reduction of two per cent would have the desired effect. However, the same reduction would have little or no effect on the number of properties available in the shared accommodation, two- and four-bedroomed categories and in each of these even a five per cent reduction would only have a very modest effect.

This makes freezing and reducing rents to protect those on the lowest incomes a very unpredictable and inefficient policy tool. Even if we assume that the effects on LHA rates could be accurately predicted (e.g. little or no behavioural effects) the results would be very mixed, and this is even before the composition of the caseload locally (e.g. single people, couples with children and so on) is mapped onto the local supply of properties that are available within the LHA rate.

Overall, a rent freeze or reduction would largely benefit existing tenants who remain in their homes and whose landlords do not sell or repurpose their properties. However, because such a freeze or reduction would also reduce the size of the sector as we demonstrate below, other tenants would be evicted. Prospective tenants and people looking for new private rented accommodation would be faced with a further shortage of suitable housing options in an already tight housing market.

Between 41 and 60 per cent of landlords would seek to exit the private rental market

Over half of landlord respondents reported that they would seek to decrease the number of properties they let out across the sector. Analysis illustrates that there is however, an approximate ten percentage point difference in planned sale behaviour and actual sale behaviour in relation to landlords. Even so at these levels, this would account to 41 per cent to 60 per cent of landlords seeking to exit the private rental market. Some of these properties may be sold to landlords, keeping the property within the sector. However, some landlords may seek to withdraw and provide the property on the short-term holiday let / Airbnb market, where they are able to attract substantially higher rents.

Concern was raised about the impact of rent cuts on buy-to-let mortgages and the resulting supply of private rented accommodation. A decrease in rent levels would make more of these mortgages unaffordable for prospective landlords. Higher interest rates are already placing pressure on mortgage affordability and high inflation is increasing the cost of property maintenance and upkeep.

Our analysis indicates that the impact of the regulatory measures would have differing impacts across landlords. Those who own the property outright would have a less negative financial impact on the operation of their investment. However, those with mortgages and specifically those with full repayment mortgages may be more disadvantaged.

When it comes to assessing the effects of rent regulation in a country or region it is necessary to consider the wider context, including the fiscal framework, the law, tenure structure, the culture of the sector and the motivations of the people involved. If the sum of all changes to a system makes housing less attractive as an investment, it can be expected to lower supply as individual landlords exit the market and/or seek alternative investment options. It is a question of the point at which adverse change begins to impact on levels of supply.

For example, the third-generation rent control system operating in Germany until 2015 helped to reduce rents for sitting tenants in areas of high demand. For landlords, lower rents mean lower rental yields – while this is normally an investment disincentive, the German experience was that the landlord motive was one of long-term gain. In addition, housing market stability and tax breaks helped to make property investment a lower risk, secure option over time.

In Berlin it was not until disadvantageous changes were made to the tax system and, ultimately, a first-generation rent control was introduced in the city (like the one proposed in Northern Ireland) that the supply of private rented properties significantly dropped in Berlin. This particularly impacted on young people who faced a combination of a low initial wage and a shortage of suitable housing options because of the rent control.

Of course, the German PRS is very different, and it is generally difficult to compare systems as no two countries are the same. That said, the broad consensus across the literature we reviewed is that moving further up Arnott's generations of rent control tends to create systems with negligible impact, complicated and unclear outcomes, or at worst undesired effects. The exception to this out of the places we reviewed was the island of Ireland. The PRS continued to decline after historical rent controls were wound down in Northern Ireland, because of the growth of home-ownership and large scale area redevelopment. In Ireland, the current second-generation model has caused rent increases to fall in rent pressure zones (RPZs) relative to other areas with limited evidence to date of adverse outcomes, although the department of finance has concerns that expanding the zones would begin to curtail supply.

At the top of the Arnott typology, first-generation rent controls in modern markets (like that proposed here) caused a drop in supply as well as a rent reduction in the places we reviewed. The PRS in the Netherlands represents a relatively small eight per cent of the housing stock, and first-generation control is partly credited with the low supply of private rented properties. The short-lived rent freeze in Berlin caused a substantial decline in rental properties there.

Other issues for consideration

For tenants who have their rent covered in full by local housing allowance, a rent cut would not improve the tenant's affordability but would instead result in a reduction in annually managed expenditure on welfare. However, there would be increased public expenditure elsewhere on rising homelessness levels resulting from the change. There is also risk of further adverse impact on homelessness through diminished ability to discharge the homelessness duty into the PRS, in the context of rising levels of unmet need for social housing.

There would also need to be a step-change in resourcing councils for effective enforcement of the policy. At present, there is an unknown on how these measures would be enforced and the likely punitive measures that would be employed (i.e., fines or criminal prosecution). Effective enforcement would be key to ensuring the implementation of the regulations.

There is also a data and administrative gap for ensuring the effective implementation of the regulation. The regulations would need to be drafted to account for new tenancies or new properties entering the market during the four-year period. To be successful, it may be advisable for the creation of a rent database, like in Ireland, and the development of some sort of 'market rent index' so that properties being rented out for the first time after the introduction of the regulations can have the rent set against the benchmark. Otherwise, there is a risk of creating loopholes to the legislation or further barriers to bringing property into the sector.

In relation to security of tenure, currently renters can be evicted without a reason and provided the landlord has given eight weeks' notice if the tenancy has lasted between one and ten years. If the sector contracts or supply drops, this could put pressure on renters, therefore, it would be advisable that greater security of tenure would need to be introduced if rent control measures were also introduced.

Alternative approaches to improve affordability

Welfare support

A simpler and accurately targeted way to improve housing affordability is topping up LHA claimants with a shortfall to the real 30th percentile rent through discretionary housing payments (DHPs) or welfare supplementary payments.

We acknowledge the work already being done to mitigate shortfalls through DHPs, where in most cases awards will be paid to at least the 50th percentile of market rents within the BRMA, and if appropriate and applicable to the 75th percentile. Despite this, there is currently a low uptake on DHPs despite more and more households facing rising housing costs. We acknowledge the communications exercise currently underway around the existence and availability of DHPs for those living in the PRS.

If the provision of DHPs does not achieve the step-change needed to improve housing affordability, it would be worth considering the extension of welfare supplementary payments to LHA claimants with a shortfall, and to top up the shared accommodation rate to the one-bedroom rate.

Some policy tools that would work as a response to rising rents and wider issues in the PRS are reserved for the UK government and have experienced punitive changes in recent years. This includes not just cuts to LHA rates for tenants, but also adverse changes to the tax system for landlords. Fiscal measures are an important tool to incentivise property improvements, which is crucial for progressing housing quality and for de-carbonising the housing stock.

Enhancing existing rent control

However, there are other targeted responses for devolved government which could be considered, in addition to additional social security support. In the first instance, we note that Northern Ireland now has a new system of third-generation rent control that limits the frequency of rent increases to once a year (subject to regulations being laid) which has the broad support of stakeholders tested through consultation; it would make sense to monitor and evaluate this new law as part of the normal policy making process.

To support this new rent control, a formal process could be developed where renters can challenge unfair rent increases. The Rent Assessment Panel could be tasked with this work. Such an approach is already in place in England and Scotland.

If greater rent control is desirable, an additional option within the third generation is limiting increases during a tenancy to CPI or a similar indexing measure and allowing rents to reset to market levels at the end of a tenancy. Limiting increases during a tenancy in this way would seek to address the substantially large increases that occur in a minority of the NI market. Our opinion polling found around 15 per cent of tenants have recently faced an increase of £50 or more. Most of those rent increases appear to be super-inflationary considering the current rents paid by those respondents.

Meanwhile allowing rents to reset to market levels at the end of a tenancy would provide landlords with some assurance that increases in costs would be accommodated in rental prices. This will be important in the context of forthcoming regulations introducing minimum EPC ratings.

The evidence from Ireland is that fair limitations on the frequency and quantity of rent increases provide stakeholders with reassurance. A one-year frequency limit and CPI increases during a tenancy substantively form the model that applies in Norway, a sector with many similar features to the Northern Ireland market.

Such a measure does also carry the risk of standardising increases during a tenancy (note that our opinion polling shows almost two-thirds of tenants have not experienced a rent increase in their current home). Although, this would ameliorate the financial shock for tenants who have not experienced a rent increase for a long time and who seek to move to a new property, only to find that market rents have increased substantially, which may encourage them to stay in a property that no longer meets their needs.

As mentioned above, further tenancy law reform would also be needed to avoid incentivising no fault evictions.

Supply

Finally, the best way of relieving pressure on prices is by having enough housing supply. A variety of housing tenures and products are needed to meet people's diverse requirements. Social housing, co-ownership, intermediate rent, private rent including from institutional investors, and owner-occupation all have a role to play in providing a home that is appropriate for people's needs.

There is a shortage of private rented accommodation at present; data from PropertyPal shows that the average stock of properties for rent on the website during June 2022 was 1,647 – a 57 per cent decrease from June 2019. At the same time there is increased demand for it, as the economic consequences of the pandemic and the cost-of-living crisis has made saving for a deposit more difficult, placing home ownership out of reach for more people.

Another long-standing factor driving the demand of private rented accommodation is the shortage of social housing. We acknowledge existing work through the housing supply strategy that aims to boost social housebuilding and address the deep-rooted barriers to increasing supply, including infrastructure, funding, skills and capacity constraints. This is vital, as there is not enough social housing being built to meet people's needs.

The average amount of social homes completed annually since 2010 is around 1,500. The Housing Executive's net stock model has determined we need 2,000 annually, and the need for them has only increased since the pandemic. The number of households on the waiting list and in housing stress has increased by 5,000 over the three years to March 2022, to a total of more than 31,000.

The social housing shortage creates more problems than affordability for would-be social tenants who rent privately. It also means rapidly rising public expenditure as more personal subsidy is provided for lower income households, to support market rents that have not been reduced through capital subsidy. This expenditure becomes difficult to control and sustain. As part of the landlord survey, we asked respondents what type of tenants they currently rent out their property or properties to. 43 per cent of answers comprised of tenants in receipt of benefits.

If public funds are disproportionately channelled into personal subsidy, it also becomes more difficult to direct wider policy objectives such as the quality of accommodation including improvements like energy efficiency to meet climate change targets. Questions are also raised about the capacity of the PRS as a whole to fulfil the 'social' role that is provided by social housing providers.

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