

## MYTHBUSTER: **RENT CONTROLS**

Rolling out rent controls would be a populist move which would hurt renters by distorting the rental housing market. In whatever form rent controls come in, this approach has consistently resulted in fewer, lower quality homes for rent and actually led to rent increases in some cases.

In January 2019, Sadiq Khan announced that he would campaign for rent controls as a central part of his platform for the 2020 mayoral election. **GLA Conservatives** believe Sadiq Khan is using this policy to distract from his poor housing record.

If the Mayor wanted to help renters in London he should focus on building new affordable homes, bring back the family homes target and end his ban on building on industrial brownfield land.

- The Mayor was granted £4.82 billion in 2016 to build 116,000 affordable homes by 2022. Now halfway through the housing programme, City Hall has only started 34,515 homes in the past three years, which is just under 30% of his target.
- Sadiq Khan abandoned the target for family homes (three or more bedrooms) in his Housing Strategy. This target helped to ensure there was affordable accommodation for young families in London.
- The Mayor has also restricted house building many areas of brownfield industrial land in London which has severely restricted the land available for housing developments.
- In Sadiq Khan's manifesto, he promised to build 10,000 homes on TfL land by 2020. The latest figures show the Mayor will miss this target with only 4,500 homes started by 2020.



### **1) MYTH: THE LONDON MAYOR HAS THE POWER TO INTRODUCE RENT CONTROLS**

The Mayor has no power to introduce rent controls so any scheme would require government approval. The government has a clear position of opposing rent control. At his first Mayor's Question Time in May 2016, Sadiq Khan said: "I have no plans to introduce rent controls, nor the powers to do so."

### **2) MYTH: RENT CONTROLS CAN LIMIT INCREASES IN RENT**

Some advocates of rent controls propose caps to limit increases in rent (known as rent caps or rent stabilisation). However, there is evidence this would not work.

**EVIDENCE:** Experts told the London Assembly Housing Committee in 2015 that this could actually lead to higher and more frequent increases in rent. Most landlords do not increase rent on a regular basis, especially for good tenants, but may start doing so if rent caps meant that they would need to protect themselves against unexpected increases in costs.

 **In Berlin**, the introduction of rent controls saw rents shoot up for tenants as landlords used loopholes to compensate for having next to no flexibility over rent charges.

### **3) MYTH: RENT CONTROLS WILL NOT IMPACT PROPERTY STANDARDS**

The UK had rent controls from the First World War until they were abandoned in 1988. In that time the quality of rented accommodation in the UK became significantly worse as landlords lost money and stopped investing in rental stock.

**EVIDENCE:** “The impact of pre-1988 rent controls was that little new private rental sector stock entered the market, with long-run rates of return being depressed. What stock remained tended to be older than in other tenures, and of lower quality, as the use value of higher quality stock was considerably higher in the owner-occupied sector, resulting in tenure switch. Those who remained often lacked funds (or incentives) for the adequate repair and improvement of properties. Many consider rent control to have been a major factor to the subsequent delay of much of the inner city housing stock.” ([HM Treasury, Investment in the UK private rented sector, February 2010, p.21](#))

### **4) MYTH: THIS POLICY HAS WORKED ELSEWHERE**

International experience of rent control demonstrates this policy does not work.

**EVIDENCE:**

 **In Stockholm**, rent control measures have led to a chronic shortage of housing and an average wait of 21 years for a new home in some parts of the city.

 **In San Francisco**, research at Stanford University has shown that older renters have benefited from rent controls at the expense of young people renting new-builds.

 **In Venezuela**, the number of properties available for rent fell by 72% between 2010 and 2012 following the introduction of rent controls.

### **5) MYTH: RENT CONTROLS WILL NOT REDUCE RENTAL STOCK**

Rent controls would reduce the availability of new homes to rent by deterring current and future investors from investing in the private rented market.

**EVIDENCE:** [Research in 2015 by Cambridge University](#), commissioned by the London Assembly Housing Committee, found that any form of rent control would reduce the number of homes available to rent in London, in some cases by up to 62% by 2025.

### **6) MYTH: RENT CONTROLS WORKED IN THE UK BEFORE**

**HISTORY:** Rent controls were introduced in the First World War, and these became more extensive over time. These continued until the 1988 Housing Act removed them and introduced shorthold tenancies.

**WHAT HAPPENED:** According to a [HM Treasury Report](#) during the last Labour government: “A key factor behind the decline in the private rented sector was the introduction of rent controls during the First World War. Artificially low rents reduced investment in the sector, contributing to a tenure shift to owner-occupation and lower maintenance standards in the stock that remained. The low quality of stock that had resulted from rent controls also deterred many potential tenants.” ([HM Treasury, Investment in the UK private rented sector, February 2010, p.11](#))

“Rent controls had a particularly negative effect impact on both supply and quality of UK rental accommodation over the period to 1988” (p.17)