



Impact of rent stabilisation in Scotland

INTRODUCTION

Between October 2022 and April 2024, Scotland introduced a number of rent stabilisation measures in succession, responding to the overlapping crises: the Covid-19 pandemic, its impact on private renting, and the cost-of-living crisis.

Some commentators, within Parliament and the in the media, have judged Scotland's experience with rent stabilisation a failure, citing increasing rents and continued evictions in Scotland.¹ These outcomes have been referenced extensively as part of the Renters' Rights Bill debates, when it comes to tackling rising rents, during both the Commons and Lords stages.

However, the only comprehensive research available on the rent stabilisation measures in Scotland finds positive impacts for sitting tenants. There is also no strong evidence linking rent stabilisation in Scotland with the claimed negative effects for private renters.

This is because:

1. The data available does not establish clear causal links between Scotland's rent stabilisation policy and market outcomes – such as increased rents or reduced supply.
2. The data mobilised ignores the policy's core aims.
3. The wider context in which the policy was implemented is not fully accounted for.

Shelter, along with the Renters Reform Coalition, is calling for limits to annual rent increases (by the lowest of inflation or wage growth) within tenancies to be included as part of the Renters' Rights Bill.

While this policy is different to the set of policies implemented in Scotland in 2022 and 2023, this briefing discusses how lessons can be learned from Scotland's experience with caps on in-tenancy rent increases in policy design.

1: RENT INCREASE CAP POLICIES IN SCOTLAND

In October 2022, Scotland implemented a temporary 0% rent increase cap (termed elsewhere as a 'rent freeze') *within tenancies*, to prevent 'economic evictions' during the Covid-19 pandemic. This was intended to prevent landlords from increasing the rent.

Following the conclusion of the 0% rent increase cap, the Scottish government opted to retain a rent increase cap of some form, in response to the cost-of-living crisis. In March 2023, *within tenancy* rent increases were capped at 3% for 12 months. Landlords could apply for a higher

¹ BBC, *My landlord wanted to put the rent up 35% despite cap*, October 2023: <https://www.bbc.co.uk/news/uk-scotland-67018446>



(6%) increase, if they could prove extenuating circumstances. It is important to note that, throughout this period, rent increases between tenancies were not limited.

For context, since 2017, Scotland has had a rent pressure zones policy in place. Local authority areas have powers to implement local time limited rent caps of no lower than CPI +1%, subject to proving the severity of local rent increases, challenges in meeting need through housing subsidies and the impacts on tenants. There have been no Rent Pressure Zone designations to date, largely due to the high evidence bar required for utilising the power – therefore this policy is not covered by this short briefing.

2: DID RENT STABILISATION POLICIES IN SCOTLAND FAIL?

Impacts on rental affordability

Critics of Scotland's rent stabilisation policy claim it caused rents to rise rapidly – and faster in Scotland than in other regions of the UK. **However, the fact that Scotland has seen record rent rises is not evidence of the unintended consequences of rent stabilisation.**

- Rents have been increasing significantly in all four nations in the UK since 2022. England and Wales have also seen record rent rises and have no rent regulation policies in place.
- While there is some evidence of divergence in rent increases, Indigo House, the agency who carried out the most detailed research (with Nationwide Foundation) on Scotland's reforms, did not conclude rent stabilisation was the cause of higher rent rises in Scotland.
- Indigo House found, based on comparison with experiences before the introduction of the policy, that 'the rent increase cap is likely to have had the effect of dampening rent increases for this significant minority of tenants who experience in-tenancy rent increases'²
- In fact, rent data in Scotland overestimates average rents as there is a lack of data on sitting tenant rent increases. Instead, rent increase data is mainly for new lets which are not subject to Scotland's rent stabilisation policy.³
- Comparing rent inflation data in Scotland to rent inflation data in England and Wales is likely to overestimate Scottish rents and specifically excludes the rents (in-tenancy rents in Scotland) that were controlled during this time.

Looking solely at market rent rises as an indicator of success or failure, fails to understand the policy's purpose. While it is of course important to mitigate unintended consequences, the data that matters most is whether the policy protected renters from eviction and instability during crises.

Impacts on overall supply

² A. Evans et al., [Rent Better Wave 3 Final Report](#), Indigo House and Nationwide Foundation, September 2024.

³ See the note on comparing rents in the UK nations in section 4 of ONS, [Private rent and house prices, UK](#), January 2025.



It has also been argued that housing supply and investment were curtailed by the policy. **There is no conclusive evidence of this relationship, as discussed by Anna Evans (Indigo House) during oral evidence in House of Commons Committee Stage of the Renters' Rights Bill.**⁴

- Scotland's policy was introduced at a time of unusual pressure following the pandemic, as renters moved back into cities causing high demand for new lets, a phenomenon seen across the UK. Scotland's rent regulation policies have not been shown to affect the number of advertised new lets or total supply of private rented homes.
- Build to Rent landlords, such as Grainger, have previously argued that rent stabilisation would fit within the business model of Build to Rent and have proposed similar models to the model put forward by Shelter and the Renters Reform Coalition.
- Further, it is widely accepted that supply of new homes, in particular social homes, is far below the required level. Overall housing supply in Scotland did increase in the period in question, though not at the required level.

The Government has committed to increasing the supply of homes for social rent after decades of failure to invest in social housing. Social rent homes are truly affordable, because they have rents linked to local incomes – millions of people are renting privately now who in previous decades would have been able to access a social home. Evidence from countries with stricter regulation of private rents such as Denmark and Sweden shows that it works best when coupled with increased supply of social housing.⁵

3: EVIDENCE OF SUCCESSES

The aim of rent stabilisation is to prevent tenants from being pushed out of their homes by unaffordable rent rises, thus preventing economic evictions and homelessness for renters. This effect is particularly important during periods of rapidly growing market rents such as have been experienced in all nations of the UK in recent years.

The research conducted by Indigo House **found that overall tenants feel more secure in their homes due to Scotland's rent regulations, and the policies contributed to lower rent rises and protection from economic eviction for sitting tenants.**⁶

Shelter have also discussed the policy with Living Rent, the foremost organisation in Scotland advocating for rent regulation. Despite some pitfalls in policy design, Living Rent feel that

⁴ When asked whether rent controls led to an increase in rents, Ms Evans concluded: "I do not think it is possible to absolutely isolate this out, but on advertised rents—new advertised rents—there was an increase post 2022 when that legislation came in. But you must remember that that does not include evidence of in-tenancy rents, which would be lower. So we cannot say that all average rents have increased as a result of that—we cannot say that at all."

⁵ P. Norberg and J. Juul-Sandberg, 'Rent control and other aspects of tenancy law in Sweden, Denmark and Finland – how can a balance be struck between protection of tenants' rights and landlords' ownership rights in welfare states?', in C. U. Schmidt (ed.), *Tenancy law and housing policy in Europe: towards regulatory equilibrium* (Edward Elgar Publishing, London, 2018)

⁶ A. Evans et al., [Rent Better Wave 3 Final Report](#), Indigo House and Nationwide Foundation, September 2024.



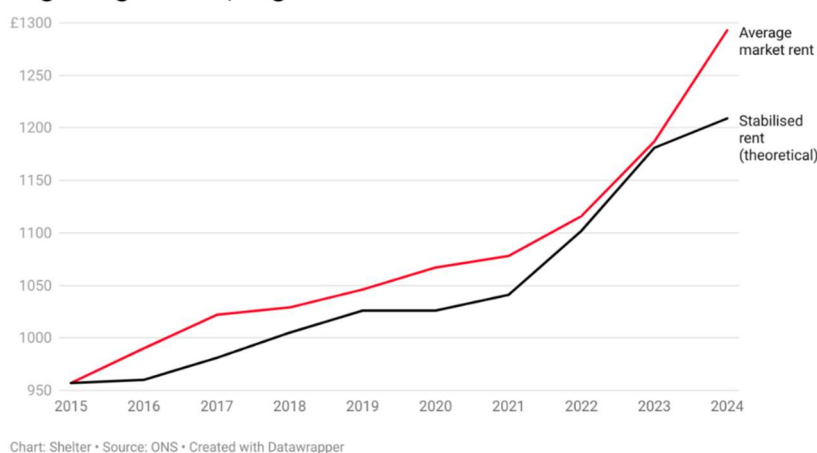
overall many tenants were protected from economic evictions (pushed out by rent increase) while the policies were in place – the core aim of the policy.

4: DOING RENT STABILISATION BETTER

Evidence from Scotland does highlight lessons for policy design that should be considered. Many of the supposed unintended consequences come from policy design, rather than inherent shortcomings of rent stabilisation policies broadly.

1. **Clarity in implementation** – the policies regarding rent increases in Scotland were implemented as emergency measures, changed multiple times and followed reform to tenancy law in 2017. This was also set against a backdrop of economic and social instability during the pandemic, its aftermath and the cost-of-living crisis. Not only does this make isolating the effects of the policy impossible, but it limits the policy's efficacy – landlords are more likely to raise rents between tenancies in response to the policy where there is such significant uncertainty about the future direction of in-tenancy rent caps and the external environment. This, combined with the existence of a 'cliff edge' end to the policy, is reported to have influenced landlord behaviour, with many tenants facing large increases at the end of the cap period.⁷ Implementing a long term rent stabilisation policy, within the Renters Rights Bill, and ensuring it is effectively communicated would prevent repetition of the challenges faced in Scotland.
2. **A more responsive policy** – Scotland's rent increase caps employed hard, fixed percentages. This is much more blunt than the policy Shelter is proposing, in which the annual limit to rent increases would be more closely reflect changes in landlords costs and tenants' incomes. In fact, comparing our proposed index (the lowest of inflation or wage growth) with rent data in England from 2015, shows that the maximum permitted increases under the policy would largely track changes in market rents (whilst protecting renters from large individual increases). See below graph.

Average market rent and theoretical stabilised rent for a tenancy beginning in 2015, England



⁷ <https://www.scottishhousingnews.com/articles/failure-to-plan-for-post-rent-control-period-caused-20-jump-in-rents-says-labour>



- 3. Better safeguards against abuse** – Living Rent report the use of loopholes to evict tenants unfairly and exploit the ending of joint tenancies, to increase rents between tenancies. Indigo House found that 1 in 5 landlord sale grounds in Scotland did not result in a sale. The current Renters Rights Bill goes further than Scotland's tenancy system in its safeguards against abuse, in particular with a 12 month no reletting period. This could be improved by increasing evidential thresholds for landlord sale and moving in possession grounds, and making these grounds discretionary. Better safeguards would improve the performance of the policy and ensure that increased stability of rental contracts effectively feeds into lower rents.

Rent stabilisation is a vital measure to protect renters from being forced out of their homes by unaffordable rent hikes. Evidence from Scotland does not show significant unintended consequences from introducing the policy, but provides lessons in how the policy could be better implemented.

If you would like to discuss the Renters' Rights Bill with Shelter, please feel free to contact us at public_affairs@shelter.org.uk.