

# **MAKING RENTING MORE AFFORDABLE FOR MORE LONDONERS**

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# EXECUTIVE SUMMARY

A growing number of Londoners struggle with the cost of living in their private rented home. Although this situation has now reached crisis levels, we can turn it around. The mayoral election this May will offer a crucial opportunity for the new Mayor to do this by using their existing powers and their democratic mandate to campaign for change.

Calling this a crisis is no exaggeration. The average London renter spends almost 60% of their income (after benefits, but not after tax) on their rent.<sup>1</sup> That is double the 30% of gross income that is considered a good yardstick of affordability. With almost a third of Londoners now living in the private rented sector, a large and growing slice of the city's population are living in unaffordable housing.

The effect of this for some London renters is desperate. Those who find it difficult to pay their rent are likely to cut back on food for themselves or clothes for their children. Others get deep into debt to avoid going into rent arrears or to cover the high costs of frequently moving home. At worst, a growing number of London renters lose their home and become homeless. The loss of a private rented home is now the most common way people become homeless in London, accounting for almost half of the capital's homelessness cases.<sup>2</sup>

Of course, not every Londoner living in the private rented sector is made homeless or forced to go to extreme lengths to pay their rent. But the high cost of living in the private rented sector makes a widespread impact on the lives of ordinary Londoners, including on their dreams of building a family and owning a home. Almost half of London's 2.7 million private renters

aren't able to save any money towards a deposit every month, and more than 30% don't think that they will ever own.<sup>3</sup> Half of London's renting childless couples under 40 say they are putting off having kids because they rent privately.<sup>4</sup>

Together, the effects of unaffordable renting are also having a negative impact on London's economy and competitiveness. Research by the CBI and CBRE found that well over half of London's employers cite housing costs as negatively affecting their ability to recruit junior staff. Many also reported that their housing costs were having an impact on staff retention and 80% were pessimistic about the affordability of housing in the near future.<sup>5</sup>

In this context, London's renters – indeed, Londoners in general – have reason to be angry. Over recent months there have been a growing number of calls for dramatic and radical action to bring down the cost of renting, such as immediately capping rents at half their current level and requiring landlords to cut their rents to bring them under the cap.<sup>6</sup>

Although the prospect of quickly cutting rents through such measures is undoubtedly attractive for some struggling tenants, research has shown that trying to sharply cut rents with rent caps alone

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1. English Housing Survey Household Report, 2013/14, Department of Communities and Local Government
  2. 44% of households accepted as homeless in London main reason for loss of last settled accommodation was either loss of an assured shorthold tenancy, which is the standard tenancy used in the private sector, or eviction for rent arrears in the private rented sector. Detailed Local Authority Level Homelessness Figures, July to September 2015, Department of Communities and Local Government.
  3. YouGov for Shelter, base: London renters: 739. Survey conducted between 22nd June and 13th July 2015
  4. 48%, YouGov for Shelter, base: London renters: 104. Survey conducted between 22nd June and 13th July 2015
  5. London Business Survey, September 2015, CBI
  6. Taken from Introduce a rent cap in London, petition on the 38 Degrees campaigning website, which proposed capping rents at £145 a week for a two bed home. It had gained more than 70,000 signatures as of 13/01/2015

risks inadvertently increasing evictions and homelessness.<sup>7</sup>

Moderate reforms to London's rental market that bring it more into line with our European neighbours, however, would help ease the financial pressures on the city's renters without these major risks. In line with this, we support the introduction of a Stable Rental Contract for all private renters, which is

- Based on a 5 year tenancy, so that renters can stay for the long term if they want to
- Gives renters the opportunity to exit with 2 months' notice at any time within the tenancy so that they retain the flexibility to move
- And crucially, limit rent increases within each 5 year tenancy to inflation

This reform would give private tenants greater certainty about their future rents and allow them to stay in their home for longer if they want, meaning that they would incur the costs of moving less often. They could also reduce extra costs that renters face, like fees for using letting agents and the broader costs of moving.

But to make renting in London genuinely affordable we need to get to grips with the root cause of the crisis: the city's chronic lack of homes, both market and affordable homes. This shortage has pushed more and more people into competing for too few rented homes. We need to build many more homes of all types to relieve the pressure on private rents by giving more people the opportunity of owning their home or getting a low rent affordable home.

While building more homes will benefit some Londoners quickly, genuinely transforming the affordability of renting in London for all will take many years of sustained housebuilding. Those tenants whose family finances are already pushed to the limit can't afford to wait that long for market rents to come down. So it is absolutely vital that housing benefit for private tenants, called Local Housing Allowance, is sufficient to cover the rents of the people that need it. Local Housing Allowance is currently frozen, and as rents

increase the gap between the support that people receive and the rent they have to pay is growing.

The Londoners who need this support includes those who may need support for the long-term - like low income working households, pensioners and people who are unable to work - and those who have suffered a sudden dip in income, like people who are looking for a job.

Doing all of this – sensibly reforming the rental market, building the homes we need and making sure housing benefit is sufficient – will take coordinated and sustained action by many different parts of the public and private sectors. While the Mayor has many of the powers to do this they can't do it all by themselves. As such it will require the commitment of City Hall, central government and London's local authorities - and of course private builders, investors, housing associations and landlords. Whoever is the next Mayor of London will be uniquely placed to lead this effort, using existing powers and relentlessly pushing others to do what they must. The office has a long history of being able to secure national policy changes and investment from central government that are in Londoners' interest.

But the next Mayor should go further than only seeking policy change from government and should seek greater powers to regulate London's private rented sector directly. City Hall has been at the forefront of the devolution agenda for the last 20 years. The government's commitment to devolving further powers to city regions means that there is an opportunity to seek further direct control over London's housing.

The case for devolving greater powers over regulating the private rented sector to City Hall is clear. With over 1 million private rented dwellings London has the largest concentration of private renters in the country. For example, this is almost three times as many privately rented homes as in all of Scotland, where there are only 375,000. London also has the most pressured market in the country with the highest rents, significant instability and highest level of homelessness.

7. Making Renting Fit for Families: the impact of different forms of rent regulation, Shelter 2016

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Changes to private rented regulation are needed across the country, but these facts mean that regulation is needed in the capital as a matter of the highest urgency. City Hall is best placed not only to understand the particular pressure that London renters are under, but also has the democratic legitimacy to make private rented policy in the capital.

Making private renting more affordable for more Londoners will not happen by accident. Nor will success be immediately or easily won. It will take coordinated action, by a number of bodies and on a number of fronts. But it is critical to London's future as a place for people on ordinary incomes to live, work and build a family – and with the will the next Mayor of London can do it.

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**Recommendation 1:** Build the homes that London needs

The next Mayor of London should get to grips with the root cause of London's unaffordable private rented sector by tackling the city's chronic shortage of affordable homes. They should commit to using their powers to get London building 50,000 homes a year, prioritising new homes that are affordable for Londoners on low and average incomes.

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**Recommendation 2:** Defend housing benefit for private renters

The Mayor should champion the need for low paid Londoners to live in the city and should campaign to ensure that centrally set housing benefit is sufficient to enable this. Specifically, low income renting Londoners cannot bear a four year freeze on Local Housing Allowance rates.

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**Recommendation 3:** Improve the rental market

The Mayor of London should work to ease high rents and moving costs by doing everything they can to improve and reform the city's rental market. This should include:

**A.** Using their existing powers

- Monitoring the impact of the introduction of Right to Rent to assess whether it makes it more difficult for anyone that the landlord thinks could be subject to immigration checks (e.g. BME groups, people whose second language is English)
- Exploring ways of removing the incentives for letting agents to push up rents inside London

**B.** Calling for power to regulate London's private rented sector

- To give London renters greater certainty about their future rents and protection from big rent hikes through longer tenancies with predictable rents through regulatory change
- To relieve moving costs on London renters by banning letting fees for tenants in the capital

**C.** Working with partners

- Working with landlords, housing associations and London's councils to increase the availability of private rented homes offered on longer tenancies with predictable rents
  - Working with local authorities, to establish a social letting agency offer across London to help those who find it particularly difficult to access an affordable private rented home, including housing benefit claimants and families
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# LONDON'S PRIVATE RENTING AFFORDABILITY CRISIS IN NUMBERS



**£17,400**

Average annual rent in London, which is more than the annual earnings of someone working full time on the London Living Wage<sup>8</sup>



**60%**

the average proportion of London renters' gross income, including any benefits, that they spend on rent<sup>9</sup>

**INCOME**

**OUTGOINGS**

**432,000**

the number of renters who say it is a constant struggle to pay their rent or are falling behind<sup>10</sup>



**1 in 3**

the number of private renting Londoners who have gone into debt in the last year to pay the rent<sup>11</sup>



**£44.50**

the median amount that London renters save towards a deposit to buy a home each month. Almost half save nothing at all<sup>11</sup>



**Half**

the proportion of renting couples under 40 without children in London who say they are putting off having a child because they live in the private rented sector<sup>12</sup>



**£1500**

the median amount that renters spend to move home in London<sup>13</sup>



**28%**

the proportion of renters who say that moving home strained their finances<sup>14</sup>



**20%**

the amount that RICS project rents may grow over the next four years, while Local Housing Allowance for private tenants remains frozen<sup>15</sup>

8. Valuation Office Agency, Private rental market statistics, December 2015

9. English Housing Survey Household Report 2013/14, DCLG

10. YouGov for Shelter, base: London renters: 739. Survey conducted between 22nd June and 13th July 2015; estimate of London renters calculated from English Housing Survey, DCLG

11. Ibid

12. 48%, YouGov for Shelter, base: London renters: 104. Survey conducted between 22nd June and 13th July 2015

13. This is the combined median amount that renters spend on moving costs, excluding those who didn't spend anything. YouGov for Shelter, base: London renters: 739. Survey conducted between 22nd June and 13th July 2015

14. Ibid.

15. Rent rises could soon outpace house prices, warn surveyors, BBC News website, accessed on 13/01/2016

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# 1. THE COST OF RENTING

London renters are caught in a catch-22 situation. They are paying the highest rents in the country, with median rent levels across the city more than double national levels. On average, rents hover up more than half their incomes. They also live in inherently unstable accommodation with little protection from eviction or rent increases, and have to move home frequently, at an average expense of £1500 a time.

But despite the short-term nature of their accommodation and the high turnover in the rental market, few renters are able to use moving home as a way of dramatically cutting their rent, by moving to a less expensive area for example.

There are a number of reasons for this. In the first place, private rents are high across the capital, and while rents in outer London are lower than inner London, the difference in most places is modest. In any case, most London renters already live in outer London. Moving further out from centres of employment can also increase other costs that cancel out any saving in rent. Most London renters (57%) actually want to move to a cheaper area but say that commuting costs would mean that this wasn't viable.<sup>16</sup>

Other renters don't have the genuine option of moving out of their current area. This is particularly the case for families who are tied to particular areas because of their child's school or proximity to relatives who may help with childcare. These families may also find it difficult to cut their rents in other ways, such as moving to a smaller home, without becoming overcrowded.

This is the catch-22 that London's renting affordability crisis has created: London renters paying unaffordable rents face unaffordable moving costs to move to homes that are equally unaffordable, with few other options.

## Paying to stay

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**£17,400**

**the average annual rent in London**

London rents are by far-and-away the highest in the country. The median London two bedroom private rented home costs £1,450 a month compared to an England average of £595 a month. A rent of £1,450 a month equates to £17,400 a year, more than the total pre-tax annual earnings of someone working full time on the London Living Wage. While outer London rents are cheaper than those in inner London, at a median of £1,295 they are still almost as much as the total pre-tax annual earnings of someone working full time on the government's new National Living Wage.<sup>17</sup>

Although Londoners' incomes are also above the national average, this doesn't compensate for the far higher rents that they are forced to pay. London renters put more of their income towards rent than anyone else, leaving them little left over to pay other household bills. Government statistics show that the average London renter spends almost 60% of their gross income (before tax, but after benefits) in rent.<sup>18</sup>

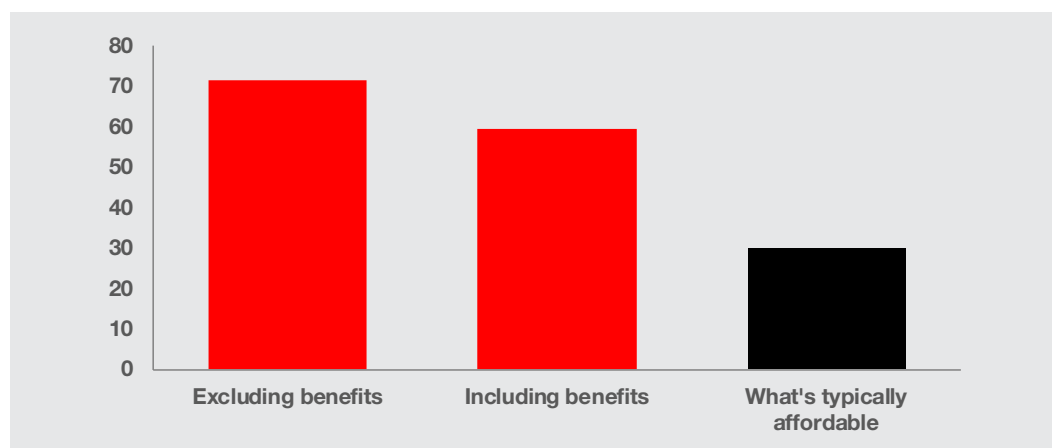
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16. YouGov for Shelter, base: London renters: 739. Survey conducted between 22nd June and 13th July 2015

17. At the time of writing the London Living Wage was £9.40, which at 35 hours a week is equivalent to £17,108 a year. All rent figures from Valuation Office Agency's Private Rental Market Summary Statistics, England, 2014-15, December 2015. At the time of writing the National Living Wage was £7.20, which at 35 hours a week is equivalent to £13,104 a year.

18. English Housing Survey, household report 2013/14, Department of Communities and Local Government

**Figure 1:** the proportion of income that private renting Londoners pay on their rent<sup>19</sup>



The affordability of London rents show no sign of improving either. While wage growth has been sluggish in recent years, rents in London have risen consistently ahead of inflation and have gone up 18% since 2011.<sup>20</sup>

## How much of your income is it affordable to spend on rent?

30% of gross income is typically considered to be a good guide for the maximum that is affordable before a person begins to cut into the money that they might need for food,<sup>21</sup> clothing and utilities. So, on this basis, the average London renter is paying roughly double what is affordable, according to government data.

In reality, no single figure can perfectly pinpoint what each household can afford to pay in rent. This is because different households have different costs and pressures on their budgets so some will find it easier to pay and some will find it harder. Single earners may be able to cohabit, for example, and families with children are likely to have other higher outgoings than households without children.

Therefore, while 30% is a good yardstick of affordability across the market as a whole, it is also important to look at people's actual experience of how easy it is to pay the rent.

Survey data of renters' actual experience backs up the picture presented by comparisons of rents to earnings (see Figure 2 on the following page). They show that a majority of London renters struggle

to pay their rent at least some of the time. 16% of all London renters either find it a constant struggle to pay the rent or are falling behind.

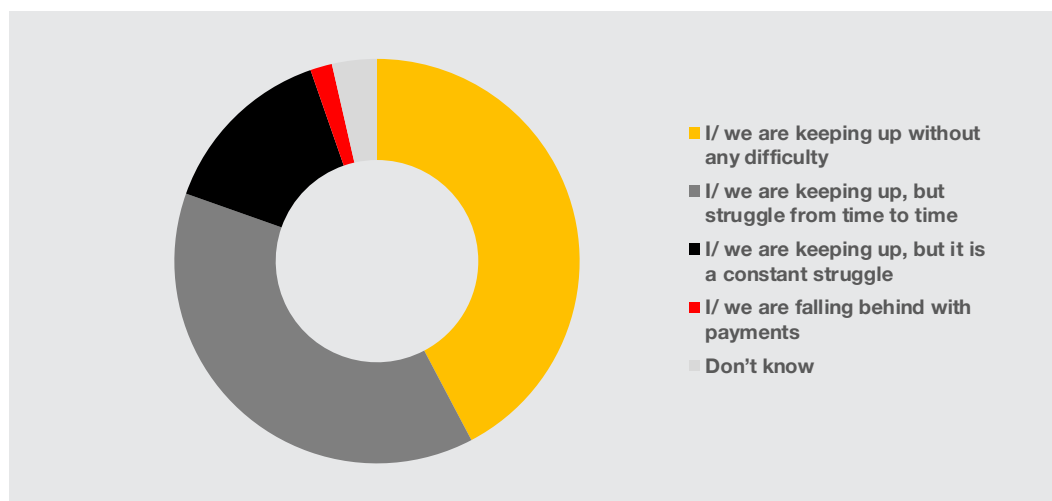
19. Ibid.

20. Office for National Statistics, Index of Private Housing Rental Prices

21. Housing Pinched, Resolution Foundation, 2014



**Figure 2:** the proportion of London renters who are struggling to keep up with the rent<sup>22</sup>



With approximately 2.7 million<sup>23</sup> private renters living in London, over 400,000 Londoners are struggling to keep their heads above water – or have fallen behind. This is having serious impacts on ordinary renters' lives, including forcing them into debt, impacting on their relationships, and making them cut back on other essentials. These effects are discussed in Section 2.

## Renters particularly hit with unaffordable rents

**INCOME** **432,000**  
**OUTGOINGS** **Londoners constantly struggle to pay the rent or falling behind**

Unaffordable rents are a problem across London and for a broad majority of London renters. But it is particularly problematic for some groups and in some parts of London. Renting in London is particularly unaffordable for renters who:

- Live in inner London
- Live on a low to middle income
- Have children
- Receive housing benefit

## Location

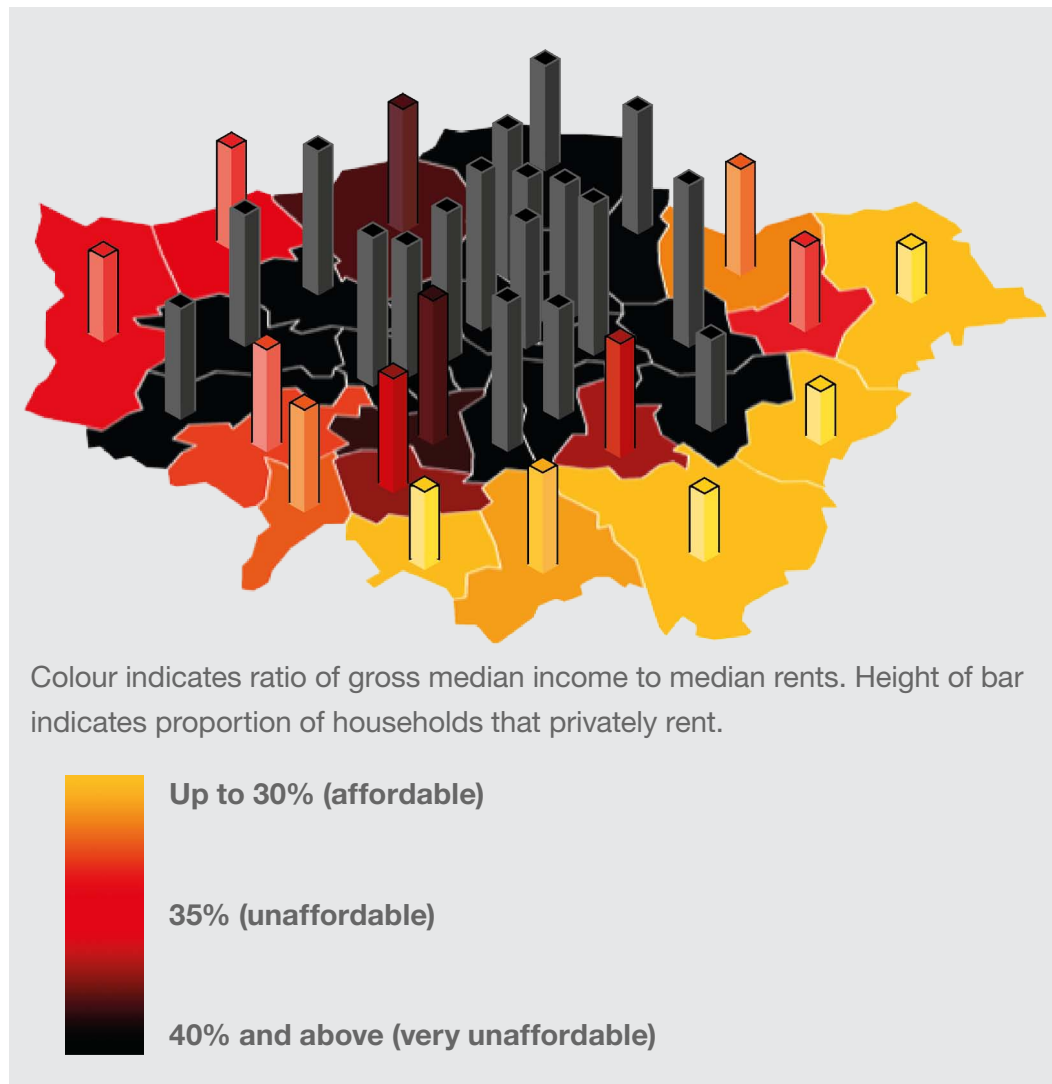
Although an imperfect measure of affordability, comparing median rent levels to local incomes gives a picture of how affordable rents are across the capital. Figure 3 (on the following page) shows how much of the average pay packet of a local full time worker the median rent would take up in each London borough. Although rents dwarf earnings in much of London the gap is a much bigger problem in inner and north London than on the eastern fringe.

This is significant because there are substantially higher concentrations of private renters in inner and north London than in the east, so more renters are being hit with unaffordable rents. There is a strong positive relationship in London at present between unaffordable rents and the proportion of local people renting.

22. Source: YouGov for Shelter, base: London renters: 739. Survey conducted between 22nd June and 13th July 2015

23. Estimated from the English Housing Survey Household Report, 2013/14, which projects 1.014 million renting households in London and an average household size of 2.7 people

**Figure 3:** the proportion of income that gets spent on rent and proportion of households privately renting across London<sup>24</sup>



This is likely to be in part because renters feel that they are unable to access the relatively more affordable rents on the eastern outer edge of London. Research from Shelter's tenants' survey shows that almost 60% of London renters would prefer to move to a cheaper area but say that the cost of travel would make this unviable.<sup>25</sup> However, a range of factors will exert an influence including the affordability of purchase, local economy and the character of the local housing stock.

## Income

It is significantly more difficult to pay the rent for those renters living on low incomes. Survey data shows that two thirds of renters with a household income of less than £25,000 struggle to pay the rent at least some of the time.<sup>26</sup>

Although this might be expected, it also suggests that low income renters have few opportunities to make choices that minimise their housing costs.

24. Sources: Valuation Office Agency, Private Rental Market Summary Statistics, England, 2014-15, December 2015; Office for National Statistics, census data on tenure; GLA, Modelled Household Income Estimates, 2015

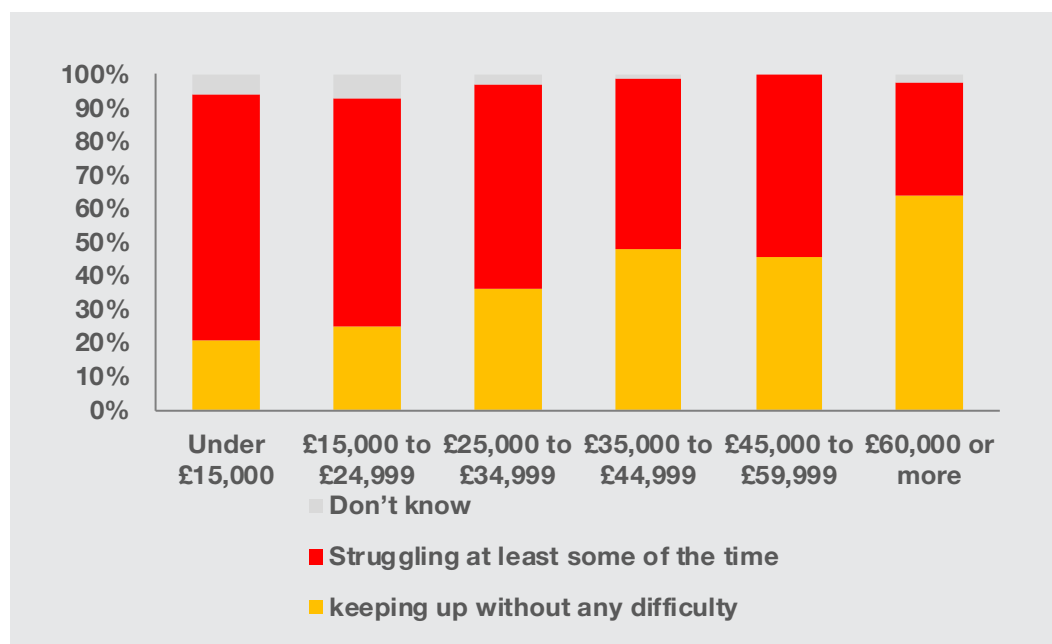
25. YouGov for Shelter, base: London renters: 739. Survey conducted between 22nd June and 13th July 2015

26. YouGov for Shelter, base: London renters: 739. Survey conducted between 22nd June and 13th July 2015

It may be more surprising that renters further up the income scale can struggle too. More than half of renters with an above average household income sometimes struggle to pay the rent, and

even households on high incomes face affordability problems. More than a third of renters with household incomes of over £60,000 struggle at least sometimes.

**Figure 4:** ...how easy or difficult is it for you to pay your rent<sup>27</sup>



## Renting families

Where a household's other costs are higher they are also more likely to find it difficult to pay the rent. This is particularly the case for London's renting families with children, who face costs including childcare, children's clothes and activities. Over 300,000 families in London now rent and an increasing number of families with children are being forced into renting by the housing shortage.<sup>28</sup>

As a result of these extra costs, more than 20% of all renters with children in

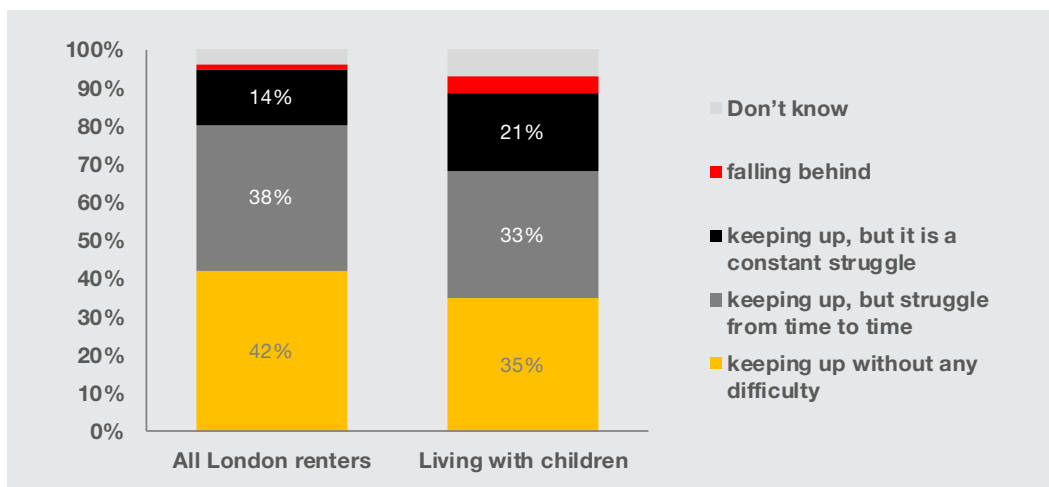
the household constantly struggle to keep up with the rent and 5% are falling behind.<sup>29</sup> The implications of falling behind on the rent are also likely to be more serious for households with children, who face the prospect of disrupting their child's education or friendships if they are forced to move. Some of these implications are discussed in Section 2 on the consequences of unaffordable rented housing.

27. YouGov for Shelter, base: London renters: 739. Survey conducted between 22nd June and 13th July 2015

28. As of the last census, there were almost a quarter of a million private renting families in London (240,803) and this number will have increased by more than a quarter since then, if it has grown in line with national trends (26%).

29. YouGov for Shelter, base: London renters: 739. Survey conducted between 22nd June and 13th July 2015

**Figure 5:** how easy London renters with children find it to keep up with rent compared to all London renters<sup>30</sup>

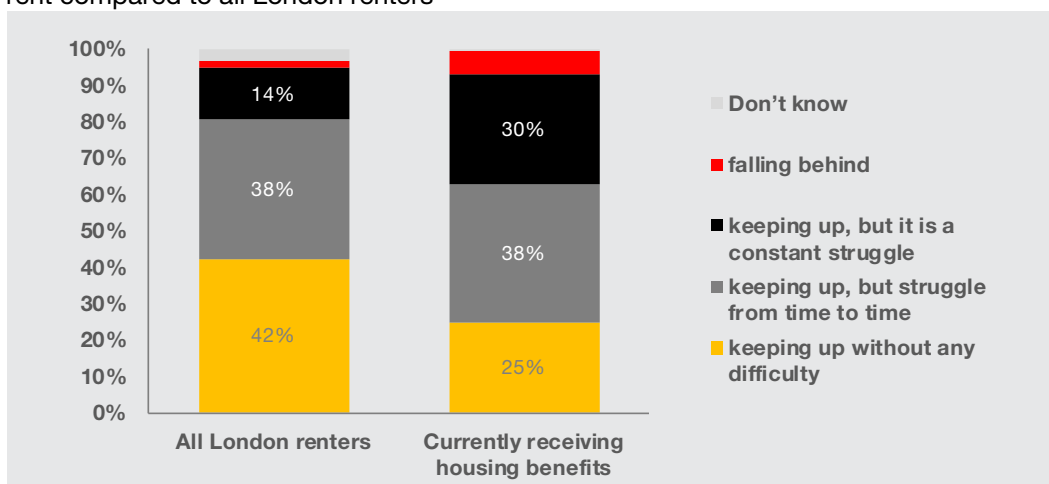


## Housing benefit claimants

Around a quarter of private renters in London (257,830 households) receive housing benefit, which is called Local Housing Allowance for private renters, or LHA. And more than half of this group

(140,197 households) are in work.<sup>31</sup> Londoners in receipt of LHA find it much more difficult to pay the rent and the overwhelming majority of them struggle to pay the rent at least some of the time. More than a third say they struggle constantly or are falling behind.

**Figure 6:** how easy London renters who receive housing benefit find it to keep up with rent compared to all London renters<sup>32</sup>



30. YouGov for Shelter, base: London renting families: 126. Survey conducted between 22nd June and 13th July 2015

31. August 2015, Stat Xplore, Department of Work and Pensions

32. YouGov for Shelter, base: London renters: 739, in receipt of benefits: 131. Survey conducted between 22nd June and 13th July 2015

This is despite the fact that LHA rates are in general supposed to cover the full cost of the rent in the cheapest 30% of rented homes in an area. A significant number of LHA claimants should therefore get enough housing benefit to pay the rent without contributing anything themselves. However, government welfare policy changes have meant that a gap between the amount of LHA that people receive and the levels of rents has been growing wider. These changes have included:

- An absolute cap on LHA rates since April 2011, which has affected renters in some high rent areas and particularly affects inner London
- A freeze or lower than rent inflation increase in LHA rates since 2012. While rents have gone up the benefit has not kept up, reducing the number of homes for which LHA can cover all the rent. In some parts of London, LHA would cover the full cost of the rent in less than 10% of the available private rented homes.<sup>33</sup>
- An increase in the age of claimants to whom the lower shared accommodation rate of LHA applies from the under-25s to the under 35s

The gap between paid rates of housing benefit and actual rents for claimants is likely to get worse in the coming years because of further welfare changes. LHA is set to be frozen for the next four years while the Royal Institute of Chartered Surveyors suggest that rents may rise by 5% a year over the next five years, meaning that the gap between LHA and rents is likely to grow 20% larger.<sup>34</sup> Furthermore, the new lower £23,000 overall household benefit cap in London

will mean that a considerable number of renting families that receive LHA get less money to pay their rent. The lower cap will not only hit large renting families, but smaller renting households too. For example, Shelter's analysis shows that it will affect any couple with two children living in a two bedroom home no matter which part of London they live in (unless they qualify for an exemption).

## Paying to move



**£1500**

**The amount that the median London renter spends to move**

The instability of renting in London means that renters are forced to move much more frequently than people who own their home or rent from a social landlord. The average London renter has moved twice in the last five years and more than a third (37%) have moved at least three times. Survey data shows that one in ten has moved every single year – or more.

As a result, moving costs – things like replacing furniture, paying letting agent fees or hiring a van – should not be seen as a one-off expense so much as a common outgoing. And those costs are high. More than a quarter of renters (28%) say that their last move strained their finances.<sup>35</sup> Given that the median London renter had to find £1500 for their last move, it's easy to understand why. Some renters are forced to pay more than the average. These include those forced to cover double rent, where there was an overlap between the conclusion of one tenancy and the beginning of the next. Particular types of renters also face higher costs,

33. Cuts and changes to housing benefit for private renters (LHA), Shelter 2015

34. Rent rises could soon outpace house prices, warn surveyors, BBC News website, accessed on 13/01/2016

35. YouGov for Shelter, base: London renters: 739. Survey conducted between 22nd June and 13th July 2015

irrespective of whether they're forced to pay double rent. Our survey data shows that older renters and renting families face higher moving costs on average, with the

median renter who is 55 or older paying almost £500 to move and renters with children, over £500.<sup>36</sup>

**Table 1:** the moving bill<sup>37</sup>

Cost	Proportion of renters reporting that they paid this last time they moved	Median cost
Rent in advance	57%	£850
Letting agency fees	45%	£150
A tenancy/damage deposit	43%	£900
Removal van hire	41%	£100
Credit checks	27%	£50
Cleaning costs	24%	£100
Other	20%	£200
Paying double rent	19%	£561.38
Other furniture	18%	£200
A bed or sofa	16%	£300
White goods	9%	£188.70
Replacing furniture	6%	£200
Higher insurance	6%	£50
Interim storage	5%	£154.24
<b>Median total moving expenditure for all renters</b>		<b>£1500</b>

36. The median for enters who are aged 55 or above is £494.12. The median for renters with children in the household was £526.11. Data from YouGov for Shelter, base: London renters: 739. Survey conducted between 22nd June and 13th July 2015

37. YouGov for Shelter, base: London renters: 739. Survey conducted between 22nd June and 13th July 2015

## 2. THE IMPACT OF UNAFFORDABILITY

Renting Londoners who struggle with high rents and moving costs have few options. Some may be able to cut down their housing costs and some may be able to look for a better paid job or more work and thereby make their housing more affordable. But for many people, finding a cheaper place, working longer hours or getting a higher paid job isn't a realistic option.

As a result renters have been forced to find other ways of coping with unaffordable housing costs including cutting back on other household spending or going into debt or arrears on other bills. In addition, a larger number of renters are seeing their dreams of owning a home disappear because they aren't able to save, and many are feeling the pressure on their personal relationships. A worryingly high number of London renters say they are putting off having children because they don't want to have a child in the private rented sector.

### Debt and arrears

**FINAL  
DEMAND**

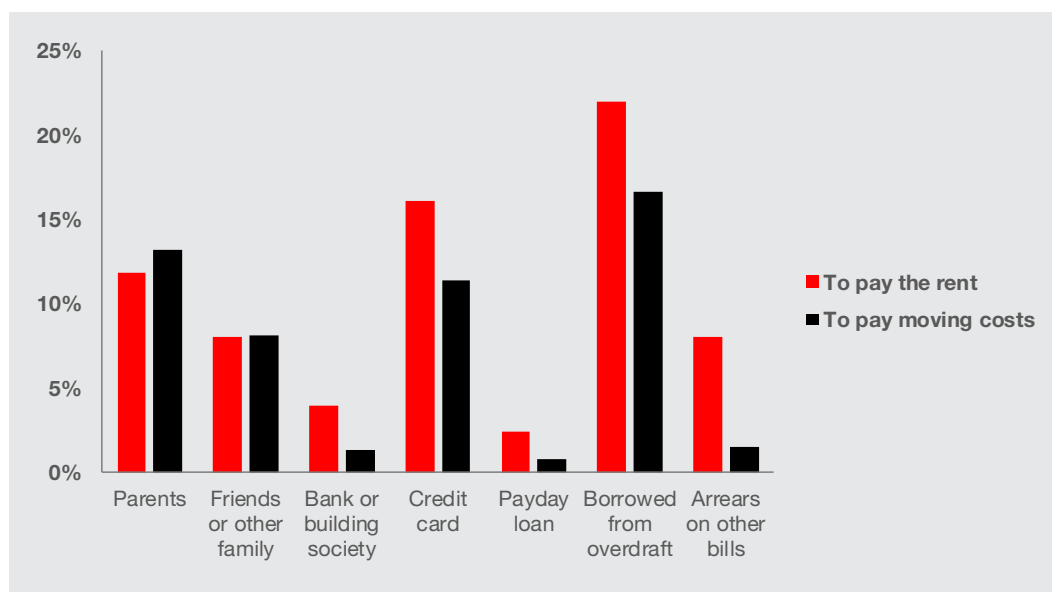
**1 in 3**

**Londoners have gone into debt to pay the rent in the last year**

More than a third of London renters (35%) have gone into some sort of debt to keep up with rental payments in the last year. The median amount they borrowed was over £740.<sup>38</sup> The same proportion of renters went into some sort of debt or arrears to pay for the costs associated with their last move.<sup>39</sup>

While most went into their overdraft or took on credit card debt to cover their rent, almost one in ten (8%) London renters have gone behind on other payments, like council tax, utility bills or the TV license fee. These arrears are particularly serious because non-payment of can risk disconnection from energy or water, or even prosecution.

**Figure 9:** proportion of London renters that have gone into different debts to keep up with the rent in the last year or to pay for their last move<sup>40</sup>



38. £740.30, YouGov for Shelter, base: London renters: 739. Survey conducted between 22nd June and 13th July 2015

39. YouGov for Shelter, base: London renters: 739. Survey conducted between 22nd June and 13th July 2015

40. YouGov for Shelter, base: London renters: 739. Survey conducted between 22nd June and 13th July 2015

In spite of these risks, evidence from StepChange Debt Charity's caseload suggests that renters are more likely to prioritise paying the rent over other essential bills, which may be because of their vulnerability to eviction.<sup>41</sup> London renters who went into debt to pay for their last move took on similar debts to those who borrowed to pay the rent – and tended to borrow from the same sources.

## Dream of home ownership



**£44.50**

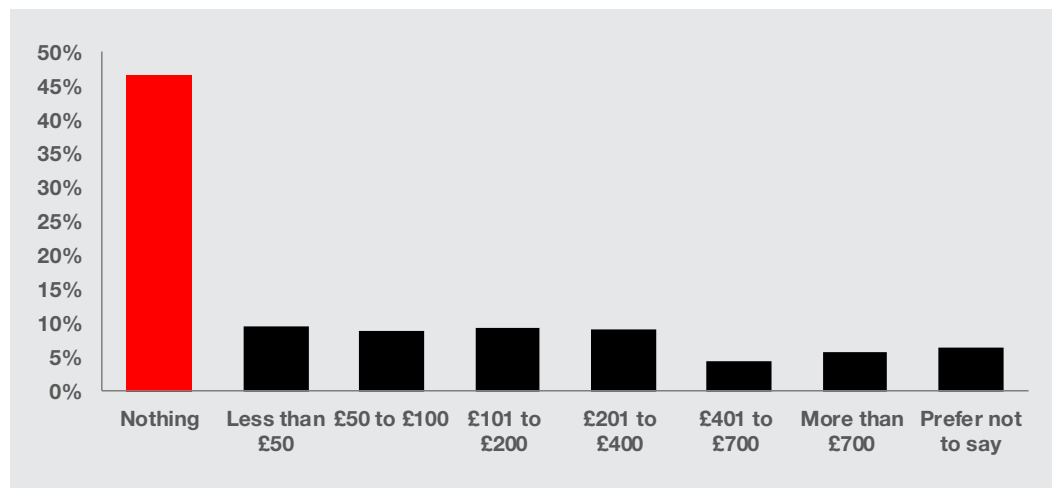
**The median monthly amount renters save towards buying**

Most Londoners want to own their own home, but rising housing prices and the high cost of renting has pushed the aspiration out of reach for many of the city's private renters. The overwhelming

majority of private renters do not believe that they will be able to buy a home in the next five years and almost a third (31%) believe that they will be stuck renting forever.<sup>42</sup>

This is a reflection of the average amount that renters are able to save towards buying a home, which is unsurprisingly low given the number going into debt. Almost half of London's private renters do not save anything towards a deposit each month and only a fifth save more than £200. The median amount London's renters save towards buying a home is just £44.50 a month. By comparison, average house prices in London went up by over £3,000 a month in the year to June 2015.<sup>43</sup> So even those renters who are able to save something towards a deposit are a long way from keeping up with rising house prices.

**Figure 10:** "Approximately how much, if anything, do you \*\*personally\*\* save [towards buying a home] during an average month?"<sup>44</sup>



## Cutting back

In the face of high housing costs, most people will first try to tighten their

household budget. Cutting back on spending will always have some impact on quality of life, but there are some kinds of cutbacks that are harder to cope with than others. Research for Shelter in 2014 found that nationally more than a third

41. Personal debt stats 2014. Response from Shelter., Step Change Debt Charity website, accessed on 13/01/2016

42. YouGov for Shelter, base: London renters: 739. Survey conducted between 22nd June and 13th July 2015

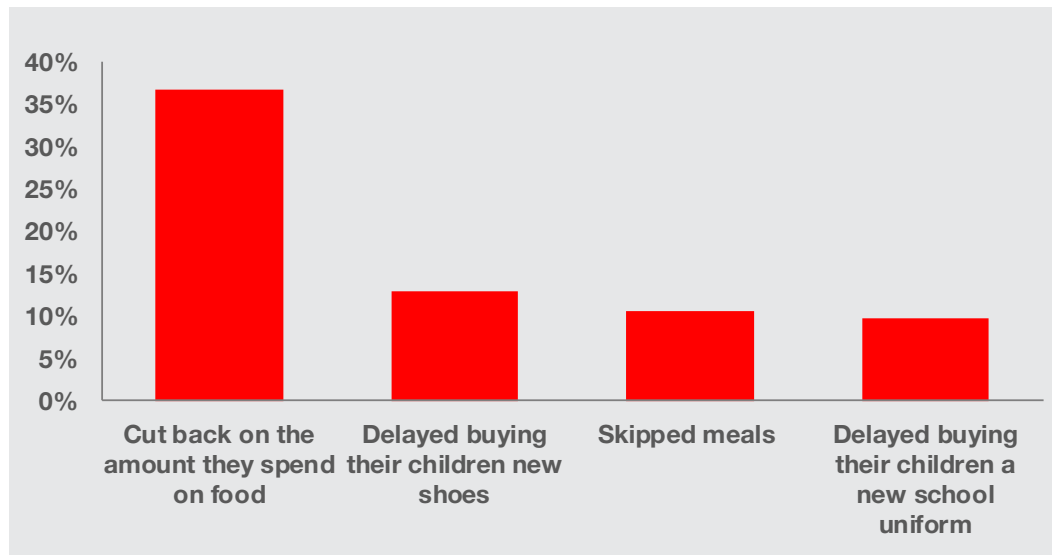
43. Office for National Statistics Price Index December 2015 – average house prices rose £42156.19 in the year to October 2015, equivalent to £3513 a month

44. YouGov for Shelter, base: London renters: 739. Survey conducted between 22nd June and 13th July 2015



of privately renting working parents had cut back on the amount that they spent on food in order to pay the rent and more than 10% had skipped at least one meal. Others had delayed buying their children

a new uniform or new shoes.<sup>45</sup> Although these are national figures it is likely that in London – where renting costs are at their highest – renters will have been forced to make similar tough choices.



## Case study: Mr and Mrs Carter

Mr and Mrs Carter are a married couple with a boy and a girl aged 8 and 9. They rent a 3 bed house and have been in for the past 6 years. Mr Carter works full time as a salesperson and Mrs Carter works part time as a home carer. They have been struggling to make ends meet with high rents and Mrs Carter sums up their situation, as below:

*"We row all the time about money, it's the only thing we row about but it is stressful."*

*"This month my mother in law had to help me out. She helped with the rent payment and even paid for a food shop – it's ridiculous really"*

*"We can't even afford my children's school photos. I don't do anything with them at weekends. I feel that they should be getting things that they aren't. We'd be better off if we didn't work".*

*"I don't have an engagement ring or a wedding ring, my husband doesn't have a wedding ring – we've sold them".*

*"I go clammy just thinking about the bills".*

*"My daughter even offered to sell her teddies to help us out"*

45. All figures from YouGov Plc. Total sample size was 10,174 adults. Fieldwork was undertaken between 17th - 23rd July 2014. The survey was carried out online. The figures have been weighted and are representative of all English adults in work and with dependent children.

## Personal relationships



### Half

**Childless couples under 40 are putting off having children because they rent<sup>46</sup>**

Together, the effect of cutting back to pay high rents, an inability to save and growing debts is putting serious pressure on London renters' personal relationships. One outcome of this is renting couples moving in together before they believe they 'are ready' to do so. Others are continuing to live together even after they have broken up, because they can't afford to move out.

12% of the city's renters – equivalent to 300,000 Londoners – have moved in with a partner before they would have liked to because of high rents and a similar number of London renters have stayed living with an ex-partner after they have broken up.<sup>47</sup>

For an even larger group of London renters, the effect of living in a private rented home is even more serious – it means that they are putting on hold their dream of having a child. Almost 30% of London's renters and almost half of renting couples aged between 18 and 40 without children say that they are putting off having a child because they live in the private rented sector.<sup>48</sup>

### Case study: can't afford to break-up

Sarah, 59, and her 62-year-old husband have been forced to stay living under the same roof for financial reasons despite their relationship coming to an end 15 years ago. Sarah works full time, but her husband has recently been made redundant. They live with their disabled daughter. Sarah slept in the dining room for several years. Initially, they stayed friends, but their relationship gradually deteriorated and now they hardly speak.

Sarah says they are trapped together because of the high cost of housing. She said:

*"I can't afford to rent a flat for myself and my daughter because I would need £700 a month just for rent and there's no way I can manage that. If we sold the house there wouldn't be enough money to buy two flats so we can't do that either. I'm trapped here and there's nothing we can do about it."*

### Case study: waiting to start a family

Sam and Cindy live in a rented studio apartment and after years of putting off having children because of their rented accommodation.

*"We waited. I committed to starting a family in my late 30's, even then delayed by the hope of securing family suitable accommodation. Well we could only stand back and observe in despair as housing kept rising further out of our reach with each passing year. Eventually we decided we could not wait any longer and at 48, and with my partner at 41 we had a child. We still live in a nice, if very impractical, studio apartment. Our child sleeps next to us in the flat's 'bedspace' but at 4 years old I have no idea how we'll be able to ever give her a bedroom of her own."*

46. YouGov for Shelter, base: London renters: 739. Survey conducted between 22nd June and 13th July 2015

47. Ibid.

48. 29% of all London renters. 48% of renting couples between 18 and 40 without children. YouGov for Shelter, base: London renters: 739. Survey conducted between 22nd June and 13th July 2015

### 3. WHY ARE SO MANY LONDONERS STRUGGLING WITH THE COST OF RENTING?

Multiple factors have contributed to the increasing number of Londoners who struggle with the cost of private renting. Underpinning the crisis is a shortage of private and affordable homes, caused by a failure to build enough over the last three decades. This shortage has priced Londoners out of home ownership and closed off the option of a social rented home for all but those on the lowest incomes, funnelling an increasing number of better off and lower income Londoners into private renting.

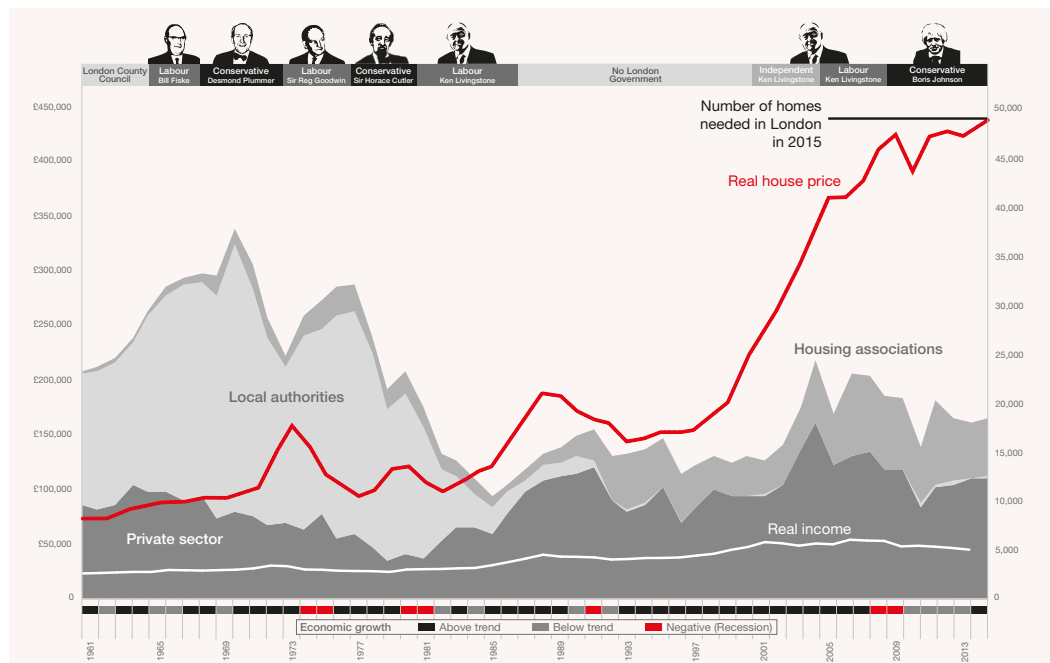
However, features of England's rental market, which are at their worst in London,

have exacerbated the impact of this shortage on renting affordability, by

- making the market fundamentally unstable and increasing the pressure to move;
- giving renters very little protection from rent increases
- charging letting agent fees that incentivise an unstable market and
- discriminating against particular renters and cutting down their buying power

### The housing shortage is funnelling more people into private renting

**Figure 11:** house building and prices in London since 1961



London's population has been growing at 100,000 people a year and City Hall's assessment is that London needs to build 50,000-60,000 homes a year to keep up

with the increasing need.<sup>49</sup> But fewer than 20,000 homes were completed last year.<sup>50</sup> Over the last three decades the failure to build has led to a shortage of homes of all

49. Homes for London: London Housing Strategy 2014, Greater London Authority

50. Live Table 253, Department of Communities and Local Government

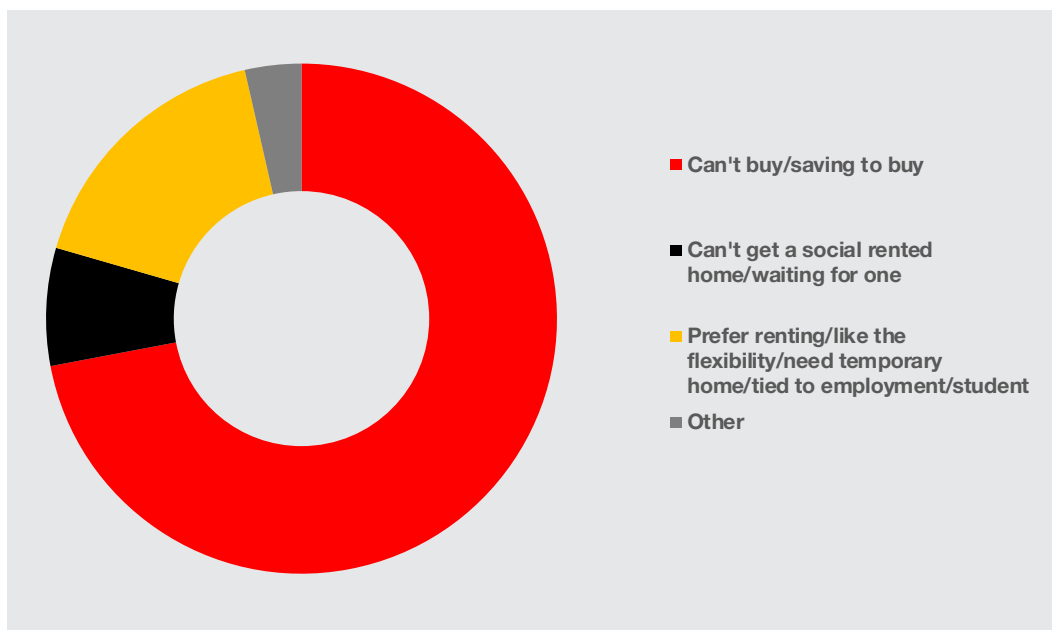
types, including both market homes and subsidised, affordable homes.

This shortage has driven the increase in the number of Londoners struggling with the cost of private renting in three interrelated ways.

First, the general shortage of market homes has pushed up house prices and priced Londoners out of home ownership, leaving even those on high incomes with private renting as their only option. This applies to the overwhelming majority of London private renters, 71% of whom say they are either renting because they can't afford to buy (58%) or are renting while they try to save up to buy (14%).<sup>51</sup> Existing owners and buy-to-let landlords have responded to this growing demand (and

these growing house prices) by converting substantial numbers of previously owner occupied homes into private rented homes for investment purposes. But conversion of existing properties does not add to the total stock of homes and has not relieved the pressure on rents, in part because it simultaneously reduces the homes that are available for purchase by first time buyers. Just as conversion to private renting has responded to demand it has also acted to create new demand from higher income Londoners, by attracting additional investor capital into the purchase market and driving prices further out of reach of would be first time buyers.

**Figure 12:** why do people say they live in the private rented sector?



Second, the shortage of social rented housing and other affordable homes has pushed more people on low incomes into the private rented sector. This has increased demand for private renting and overall pressure on rents at the lower end of the market, but it also creates a more fundamental problem. This is because the private rented sector is unlikely to be able to ever provide a suitable home for some Londoners on low incomes at a price

they can afford, without state support. The problem for these Londoners is not just that private rents are unaffordable under current market conditions, but that renting a suitable private home is likely to always be unaffordable without housing benefit, given their low incomes. While this has been mitigated by giving housing benefit to people on low incomes in the form of Local Housing Allowance (LHA), this support has been whittled away

51. YouGov for Shelter, base: London renters: 739. Survey conducted between 22nd June and 13th July 2015

through a number of cuts and changes. As discussed on page 12 in Section 2, this is making renting particularly unaffordable for those who receive, or have recently received, housing benefit.

Finally, there is the group of renters whose preference is to privately rent. This group, albeit small relative to the 71% of renters who want to own or the 25%<sup>52</sup> of renting households that receive housing benefit, is likely also to have grown as London's population has grown. They have therefore also added pressure on rents and experienced less affordable rents.

Getting to grips with the underlying cause of London's renting affordability crisis therefore means that we must build enough homes, in the right tenure mix, to:

- Stop house prices spiralling further out of reach for those who want to buy
- Open up access to affordable housing to those on lower incomes
- Relieve pressure on private rents for those who want to rent

## **A market that makes the effects of the shortage worse**

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The shortage of homes of all types in London underpins the affordability crisis, but the nature of our renting regulation does little to protect renters from the worst effects of it. In fact, it tends to make them worse and exacerbates renters' fundamentally weak bargaining position.

## **Short, inflexible tenancies and no rent certainty**

England's laws on private renting give London renters some of the worst terms in Northern Europe (see Table 2). If there was no housing shortage and there was an ample supply of available private rented housing then this weak legal position might not necessarily increase their housing costs – although renters would still face insecurity. But in the context of London's overheated housing market, renters' weak position exacerbates the impacts of the housing shortage to worsen affordability, by:

- Making renting unstable and increasing how often London renters must move and pay expensive moving costs
- Giving renters very little flexibility to move exactly when they want to, and increasing the risk they will have to pay double rent
- Giving renters very little certainty about their future housing costs or protection against sudden rent increases

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52. The housing benefit caseload was 257,831 as of August 2015, according to Department of Work and Pensions statistics. This is of 1,014,000 private renting households, according to the English Housing Survey

**Table 2:** Extract from “Aspects of regulation in the private rented sector, 2000s”, taken from The Private Rented Sector in the New Century<sup>53</sup>

	Initial rent setting			Rent increases			Length of lease		
	Market rent	Mirror /comparables	Administratively determined	Market increases	Longer tenancy with formal adjustment/ comparables	Administratively determined	1 year or less	5 years or less	Indefinite
<b>Denmark</b>	•				•				•
<b>England</b>	•			•			•		
<b>Finland</b>	•			•					•
<b>France</b>	•				•			•	
<b>Germany</b>		•			•				•
<b>Netherlands</b>			•			•			•
<b>Norway</b>	•				•			•	
<b>Republic of Ireland</b>	•			•				•	
<b>Spain</b>	•				•			•	
<b>Sweden</b>		•			•				•
<b>Switzerland</b>	•				•				•

Renting in London is unstable because renters are in a very weak position to ask to stay in their home for the long term. In law, the minimum protection from no-fault eviction that renters get is six months and only a small minority of renters have contracts of over 12 months.<sup>54</sup> One in five renters moved from their last home as a result of the short-term nature of London lets, either because their contract had come to an end or because their landlord had asked them to leave.

But the lack of security in the private rented sector has wider impacts than forcing people to move more often than they would like. It defines the unstable

character of the rental market, and provides the context for the decisions that both renters and landlords make.

As well as increasing renters' moving costs, instability in London's private rented sector pushes up rents. Landlords are more likely to keep rents lower when they renew or extend an existing tenant's contract, and to raise them when they get a new tenant.<sup>55</sup> Some landlords say that they are less likely to increase the rent for a sitting tenant – or not increase it by as much – because it is in their interest to keep good tenants and not face the prospect of their property sitting empty.<sup>56</sup>

53. The Private Rented Sector in the New Century: a comparative approach, University of Cambridge, 2012. The Republic of Ireland is currently introducing a change that will mean landlords are only able to increase the rent every two years, which may affect the extent to which they keep track with the market in the intervening period. The following note is given to explain greyed-out spaces: “Initial rents in Norway, Republic of Ireland and Switzerland were market but tenants had the right to query. The shaded cell in Denmark reflects the distinction between dwellings built before and after 1991; those for the Netherlands reflect the regulation that applies to more expensive properties.”

54. YouGov for Shelter, base: London renters: 739. Survey conducted between 22nd June and 13th July 2015

55. 53% of London landlords said that they held rents at their current level when they last extended or renewed a rental contract, compared to only 36% of those who did the same at the beginning of a new contract.

56. See Landlord Help: how to make more money – the right way, The Telegraph, 28th March 2013, accessed on 23/09/2015

Most European cities not only have longer tenancies, but also give renters some degree of certainty about how much rents will increase during tenancies. While this doesn't guarantee that rents won't increase, it typically means that rents can't go up arbitrarily, often by linking increases to an external index, such as inflation. This protects renters from the risk that rents in their local area might suddenly jump and gives them a degree of certainty to plan for the future. By contrast, in London there is no legal limit to the amount that landlords can increase rents by once the initial short contract has come to an end.

Finally, most London renters not only have short term leases with no certainty on future rent levels, they are also locked into inflexible fixed term contracts. These contracts give very little flexibility about when they can end their tenancy, and normally require tenants to pay a penalty if they want to end it early. As a result, renters are forced to try to find a new home within a very tight timeframe at the end of their tenancy, limiting their opportunity to shop around for a good deal. If they try to secure a new home too early, they will be forced to pay double rent, which on average costs over £550.<sup>57</sup> If they don't find a new home in time then they face the prospect of moving more than once or becoming homeless.

### **Letting agent fees and incentives**

If renters have to use a letting agent to rent a home, the agent's fees add an average £150 to their moving costs.<sup>58</sup> These fees also give letting agents an inbuilt incentive to promote and maintain

the short tenancies and high churn rates that characterise London's rental market. Uniquely, letting agents are able to charge fees to both the landlord and the tenant: in a more stable market, letting agents would not get paid these fees as often.

This can incentivise practices that encourage instability, such as advising landlords not to offer longer term tenancies, and to increase the rent for sitting tenants.<sup>59</sup> Agents often also charge significant fees for contract renewals, which undermines the financial incentives for renters to stay in their current home. In line with this, London renters who rent through a letting agent tend to move marginally more often than those who rent directly from a landlord.<sup>60</sup>

### **Discrimination**

Some renters in London are discriminated against because of who they are. This limits the number of homes that they can choose from, makes it more likely that they will find themselves homeless, and makes it harder for them to negotiate a lower rent.

Discrimination is a particular problem for groups particularly at risk of struggling with unaffordable rents: renters on housing benefit, and renting families with children. 42% of London landlords say that it's their policy not to let to renters who are on housing benefit, and a further 25% say that they would prefer not to let to them.<sup>61</sup> A smaller but significant proportion say that they don't rent to families with children as a policy (23%), and 20% that they prefer not to.<sup>62</sup>

57. £561.38. YouGov for Shelter, base: London renters: 131. Survey conducted between 22nd June and 13th July 2015

58. YouGov for Shelter, base: London renters: 293. Survey conducted between 22nd June and 13th July 2015

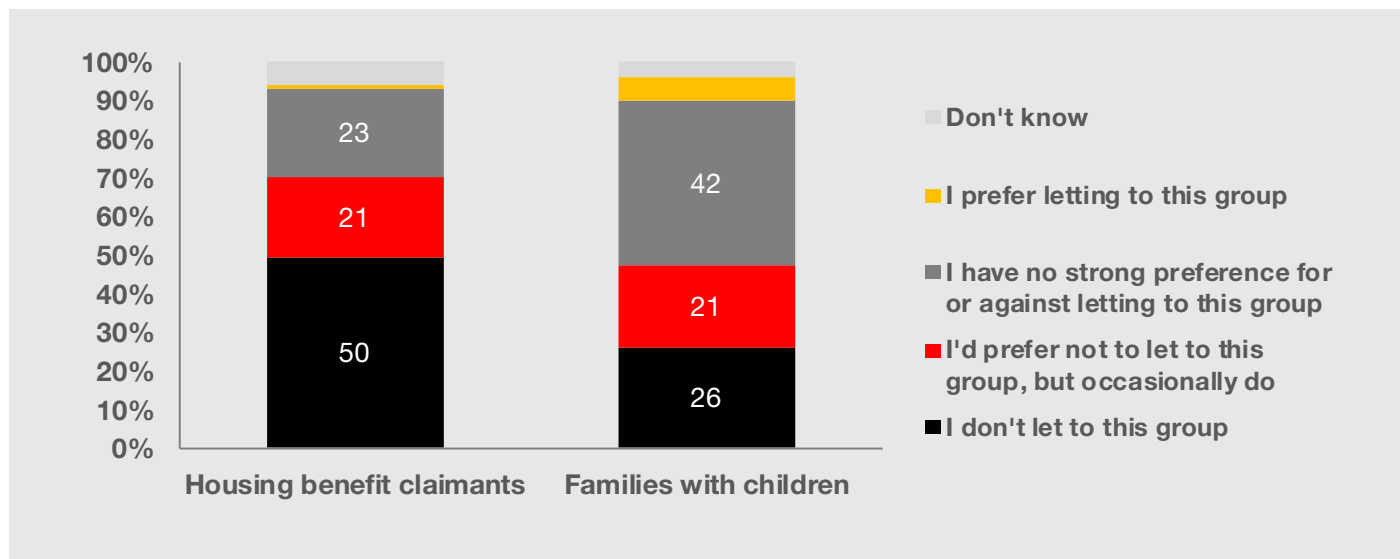
59. 26% of London landlords who increased the rent when they last renewed or extended a tenancy say that advice from a letting agent was the main reason that they pushed the rent up. YouGov for Shelter, base: London landlords: 57. Survey conducted between 24th June and 14th July 2015

60. The proportion of renters who have not moved in the last five years and rent through a landlord is 29% compared to 21% for those who rent through a letting agent. YouGov for Shelter, base: London renters: 574. Survey conducted between 22nd June and 13th July 2015

61. YouGov for Shelter, base: London landlords: 113. Survey conducted between 24th June and 14th July 2015

62. Ibid.

**Figure 13:** “In general, which ONE of following BEST describes your policy on letting to the following group?”<sup>63</sup>



Some of this discrimination appears fairly reasonable. For example, landlords are much more likely to have a policy of not letting out 1 bedroom or studio flats to families with children than landlords with larger properties.<sup>64</sup>

In other cases, however, discrimination appears to be driven by public policy, or the way the benefit system operates. For example, 17% of London landlords who do not rent to housing benefit claimants say that it is because they have previously had

problems with benefit payment delays or other administrative problems. Likewise, 30% of London landlords say that they would be less likely or much less likely to rent to people who they perceive to be immigrants as a result of the government's Right to Rent policy, risking an increase in discrimination based on race or ethnicity.<sup>65</sup>

63. Ibid.

64. Ibid.

65. There are proposals in the Immigration Bill 2015 to make it a duty for all landlords in England to check the immigration status of their tenants or risk five years in prison. Data taken from YouGov for Shelter, base: London landlords: 130. Survey conducted between 24th June and 14th July 2015, question: “Do you think this law will mean that you are MORE or LESS likely to consider letting to each of the following types of people than you are currently, or will it make no difference? - People who appear to be/ I perceive to be immigrants”



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## 4. CONCLUSION – MAKING RENTING MORE AFFORDABLE FOR MORE LONDONERS

The affordability crisis in London's private rented sector is clear. Hundreds of thousands of Londoners find it a constant struggle to keep up with their rent or are falling behind. Hundreds of thousands more say that the last time they moved, the cost strained their finances. Many are forced to cut back on essentials or go into debt to pay the rent, and huge numbers of Londoners have been forced to put their dreams of home ownership and starting a family on hold.

To turn the crisis around the next Mayor of London must get to grips with the shortage of all types of homes that underpins it. But they must also lead the charge for policy changes that will improve things for renters today: ensuring that the safety net is strong enough, housing benefit rates are sufficient, and improving the regulation of the rental market.

### Building more homes

The Mayor of London has a considerable number of existing powers to deliver new homes in London. These include:

- Allocating the Affordable Homes Programme budget in London. While the Homes and Communities Agency awards grants for affordable homes across most of England, in London this is the responsibility of City Hall. Although the national affordable housing budget was significantly cut in 2010 the Affordable Housing Programme in London still currently equates to over £600 million over four years.<sup>66</sup>

- Planning powers. These include writing the London Plan, setting city-wide housing strategy, and the ability to intervene in strategic planning decisions.
- Influence as a land owner. As of April 2012, City Hall directly owned 635 hectares of land and had influence over a significant amount of further land through its functional bodies such as Transport for London.

In spite of these considerable powers, the Mayor alone won't be able to get London building the number of homes that it needs. It will require close collaboration with the city's borough councils, housing associations, developers and builders - and with national government. Nor can the Mayor's focus be purely on the total number of new homes that are built – the mix is vital too. One of the key causes driving the affordability crisis is a lack of affordable homes for people on low and modest incomes, like social rented homes.

The key to making housing costs affordable for some London private renters will be to help them exit the private rented sector altogether by moving into low rent social housing or low cost homeownership. This would also reduce the number of people competing for private rented homes and so should lower the pressure on rents too. So the next Mayor will also need to use their power and influence to ensure that London builds the right mix of homes, including low rent social housing.

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### Recommendation 1: Build the homes that London needs

The next Mayor of London should get to grips with the root cause of London's unaffordable private rented sector by tackling the city's chronic shortage of affordable homes. They should commit to using their powers to get London building 50,000 homes a year, prioritising new homes that are affordable for Londoners on low and average incomes

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66. Funding for affordable housing was cut more than 60% as part of the 2010 Comprehensive Spending Review. The London Affordable Homes Programme is over £627 million 2011-2015 and has been confirmed as extending to 2018 at the same level.

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## The need for housing benefit

There will always be a need for housing benefit to help those renters who experience a short-term drop in income. However, until the housing shortage is tackled, housing benefit has a vital second role to play – providing long-term support to low income Londoners who wouldn't otherwise be able to afford their rent. Getting to grips with London's housing shortage will take time. Even building more than 60,000 homes a year, City Hall estimates that it would take a decade to catch up with the backlog of undersupply.

More than 140,000 privately renting working households in London currently rely on housing benefit for this support.

But the failure of Local Housing Allowance rates to keep up with rising rents means that it is falling short, and housing benefit recipients are now much more likely to be struggling to pay their rent than the average Londoner. What's more, further changes to welfare policy will make this situation even worse, including:

- The freeze on LHA rates
- The lower overall benefit cap

Without significant devolution, the next Mayor will have no direct control over welfare policy in London. However, they should use their position and democratic legitimacy to stand up for low income Londoners by fighting for housing benefit to be sufficient.

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### Recommendation 2: Defend housing benefit for private renters

The Mayor should champion the need for low paid Londoners to live in the city and should campaign to ensure that centrally set housing benefit is sufficient to enable this. Specifically, low income renting Londoners cannot bear a four year freeze on Local Housing Allowance rates.

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## Improving the market

There are no shortcuts to making renting in London affordable over the long term. As the underlying cause of the capital's affordability crisis lies in the shortage of all types of homes, the solution must also be found in increasing the supply of homes. The danger of trying to dramatically cut rents through a regulatory rent cap, for example, without getting to grips with this underlying housing shortage is that may lead to serious negative unintended consequences. Research for Shelter by the University of Cambridge suggests that there is a high risk of increasing evictions and homelessness if crude legal rent controls were used to dramatically cut rents over a short period.<sup>67</sup>

But in addition to these fundamental factors, some market characteristics of our private rented sector do make the effects of the shortage worse. London's market is fundamentally unstable and insecure,

it gives renters very little protection from rent increases, and it discriminates against particular renters, cutting down the number of options they can choose from. The next Mayor should support measures that tackle:

- Unstable renting with unpredictable rents;
- Expensive moving costs and
- Discrimination

**Tackling unstable renting** – Longer tenancies with predictable rents based on Shelter's Stable Rental Contract would give renters the option of staying in their home for up to five years. This would cut how often they paid moving costs. It would also give renters the opportunity to leave their tenancy at any point within that five years, however, with reasonable notice, which would increase flexibility for renters and cut the risk of being forced to pay double rent. Finally, if England's renters

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67. Making Renting Fit for Families: the impact of different forms of rent regulation, Shelter 2015

had predictable rents then they would be able to budget for the long term and have protection from rent spikes.

**Expensive moving costs** – Scotland has recently successfully banned letting agent fees for tenants.<sup>68</sup> This means fees must instead be charged only to landlords, who after all are the customer to whom letting agents must sell their services. Charging fees only to landlords also gives landlords a financial incentive to let their property through a letting agent that looks for long-term tenants. It also removes one of the significant moving costs that renters currently face. Following the example of Scotland, banning letting agents from charging fees to tenants could be trialled in London, where the pressures on renting are at their most serious.

**Discrimination** – Ensuring that housing benefit is sufficient to cover low income renters' rents, will be absolutely necessary to curb discrimination against housing benefit claimants in the future. However, evidence from Shelter's landlord survey shows that some landlords are unlikely to change their discriminatory practices even with this change. 44% of landlords who currently don't let to renters on housing benefit say that no change of policy could convince them to change their current practice. Furthermore, others also risk being discriminated against. This particularly applies to black and minority ethnic renters who may be discriminated against as a result of the introduction of the Right to Rent. While policy change will be necessary to reduce the risk of discrimination against housing benefit claimants and others, it will not be sufficient to ensure that every Londoner is able to choose from a range of affordable homes. The Mayor of London should therefore work with the London boroughs to build on the work that some have already done through social lettings agencies to find homes for those London renters who are at risk of discrimination.

The Mayor currently has few of the regulatory powers that are needed to make

the more substantial of these reforms by themselves. We have previously argued that many of these changes should be made by government for the whole country and that remains our opinion. Anything that the Mayor can do to encourage such reform to take place would be positive.

However, there is a clear case that can be made for devolving greater powers over regulation of the private rented sector to London itself, so that the Mayor has power to make these regulatory changes. This is because

- London has a very large private rented sector. The city both has a higher proportion of private renters than the national average and the largest population of private renters in the country, being - for example - almost three times the size of Scotland's. As such, giving the Mayor power over rental regulation would have appropriate democratic legitimacy
- London's private rented sector is under particular pressure. London has the highest rents in the country, a more unstable rental market and the highest rates of homelessness as a result of loss of an assured shorthold tenancy. It is therefore appropriate to give the power to City Hall to create regulation specifically tailored to the needs of Londoners.

City Hall has been at the forefront of the devolution agenda for the last 20 years and there is currently a great opportunity to seek direct control over aspects of regulating London's private rented sector. In response to the government's continuing desire to devolve greater powers to city regions, a range of individuals and organisations have suggested that City Hall needs greater powers over housing. These include the current Mayor of London and London Councils,<sup>69</sup> the Institute of Public Policy Research<sup>70</sup> and Policy Exchange.<sup>71</sup>

68. Research for Shelter found that the ban on letting fees for tenants in Scotland had no impact on rents or the health of letting agents business and found only small evidence of landlords noticing fees being passed onto them. See End Letting Fees: lessons from the Scottish lettings market, Shelter, 2013

69. On 12th December 2015 the Mayor of London, Boris Johnson, and the Chair of London Councils, Mayor Jules Pipe, wrote a joint letter to the Chancellor of the Exchequer calling for a range of new powers including housing

70. Building a new deal for London: Final report of the London Housing Commission, IPPR, 2016

71. The Home that London Needs: Part 2, Policy Exchange, 2016

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While these calls for powers have mostly focussed on greater devolution to increase housing supply others, including the London Assembly's Housing Committee, have called for City Hall to have more power over regulating the private rented sector as well.<sup>72</sup>

Devolving power to London could happen in a number of ways. Power over regulating letting agents, security of tenure and rent increases could either be given wholesale, or in a limited way. For example, the

Mayor could be given the power to activate particular, specified extraordinary measures across all or part of the capital. This would mirror the recent German example where federal states have been given the power to implement specific new regulation in designated areas where demand is high. Such an approach would mean that City Hall would be given the power to act, while central government would still be able to dictate the maximum scope of reform.<sup>73</sup>

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### **Recommendation 3: Improve the rental market**

The Mayor of London should work to ease high rents and moving costs by doing everything they can to improve and reform the city's rental market. This should include:

#### **A. Using their existing powers**

- Monitoring the impact of the introduction of Right to Rent to assess whether it makes it more difficult for anyone that the landlord thinks could be subject to immigration checks (e.g. BME groups, people whose second language is English)
- Exploring ways of removing the incentives for letting agents to push up rents inside London

#### **B. Calling for power to regulate London's private rented sector**

- To give London renters greater certainty about their future rents and protection from big rent hikes through longer tenancies with predictable rents through regulatory change
- To relieve moving costs on London renters by banning letting fees for tenants in the capital

#### **C. Working with partners**

- Working with landlords, housing associations and London's councils to increase the availability of private rented homes offered on longer tenancies with predictable rents
- Working with local authorities, to establish a social letting agency offer across London to help those who find it particularly difficult to access an affordable private rented home, including housing benefit claimants and families

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In order to make renting more affordable for more Londoners all three of these recommendations will need to be pursued. Tackling the housing shortage is the only way to sustainably resolve the crisis in the long-term. But many London renters are in no position to wait for the underlying problem to be resolved. For those renters, action to improve housing benefit and the rental market is needed today.

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72. At Home with Renting: Improving security for London's private renters, London Assembly 2016

73. Germany's cabinet proposes 'rent brake' law to ease housing market pressures, Outlaw.com, accessed on 09/03/2016

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