

# Rent Control

Ronan Ledwidge, Partner and Head of Student Accommodation, and I recently attended the Student Accommodation Conference at The Intercontinental Hotel, where we heard from many interesting and insightful speakers. We heard about the speakers' predictions for the PBSA sector in the next few years, what the current challenges are in the market and how the new building regulations have affected these.

One talk in particular was very topical, about the impact of the recent rental reforms on the student housing sector. Another proposed reform that has been the centre of many political discussions is rent control; but is this likely to impact the student housing market?

In short, there seems to be no real political appetite for introducing rent controls. The Shadow Housing Secretary Lisa Nandy has said that "housebuilding is falling off a cliff" and rent controls will only work to "leave others homeless", meaning it is providing no solutions to the problems in the housing market. It therefore seems very unlikely that rent controls will form any part of a national housing policy.

Rent controls were first proposed because the cost of living crisis means that paying rent is becoming increasingly hard for many, especially when rent prices are inflating. Within the student accommodation sector, the National Union of Students had called for rent controls due to a shortage of quality affordable student housing. But, it seems that this is no longer the answer to the problem raised.



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## So, why have the plans for rent control been dropped?

Investment in new housing stock was of key concern, with there being fears that investors would not want to take on new housing projects if they could not sufficiently recoup their investment. If investors lose interest in the housing market, then less houses will be built and there would be a shortfall in supply against the increasing demand for private rented housing. Within the Purpose Built Student Accommodation sector (PBSA) specifically, if rent controls reduce profitability, then sales of PBSA may decrease and investors may move to a different sector; this would compound the already pressing problem of student accommodation shortages.

Rent control is also an issue for the upkeep of current student accommodation buildings as owners won't have the capital to maintain their stock; this could lead to a worsening in the quality of student accommodation. This

affects both the students living there and the investors who may see a reduction in the value of their assets.

Finally, past experience has shown that rent controls do not help the housing market. When the Housing Act 1988 lifted controls on short term lettings, there was a growth in the rental sector market. So, why would a political party impose rent controls and stifle the market that needs more investment? The takeaway from the student accommodation sector is that investors should not be encouraged to leave a market where an increase in supply is desperately needed.

## What does this mean for investors?

Rent controls do not seem to pose any immediate concerns as the political pressure for rent controls seems to have been dropped for now. So, incentivisation for investors in the PBSA market continue, with rent prices not being an issue regarding the profitability of building and maintaining these assets.