

The Private Rented Sector: A Vehicle for Affordable Housing

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A high-level policy and case study review
from three nations on providing affordable
homes to renters by necessity.

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Introduction

“Private renting is a part of almost every housing biography; and being a private landlord is becoming commonplace amongst households on middle and high incomes. Private renting is by no means a marginal activity.”¹

“In the absence of substantial investment in social housing, there is an expectation that the PRS will continue to meet lower-income household need.”²

The private rented sector (PRS) occupies an uneasy position in the English housing market. Currently, it is the most expensive housing tenure and the one with the worst housing conditions.³ In many countries, a healthy PRS offering quality housing across price points is a vital part of the housing market and valued as a stable, long-term tenure. In England however it is often seen as a less desirable option. Successive governments have prioritised homeownership and social housing over the PRS, even as the sector has grown. Since the early 2000s, the number of people living in the PRS in England has doubled and today, the PRS is the second-largest housing tenure in England, home to 4.6 million people, or 19% of all households.⁴

As the PRS has grown, so too have issues with the availability, affordability and quality of homes in this sector. The need for reform is widely recognised; lack of security of tenure and poor housing quality are the focus of the Renters Rights Bill (RRB) currently making its way through Parliament. The bill does not, however, comprehensively tackle the issue of affordability⁵ despite the fact that many people on low incomes rely on the PRS but struggle to find affordable options.

¹ Rugg, J and Rhodes D 2018 The Evolving Private Rented Sector: Its Contribution and Potential Nationwide Foundation. <https://nationwidefoundation.org.uk/wp-content/uploads/2018/09/Private-Rented-Sector-report.pdf>

² Rugg J and Wallace A 2021. Property supply to the lower end of the English private rented sector. Centre for Housing Policy & University of York. <https://nationwidefoundation.org.uk/wp-content/uploads/2021/06/Sustainable-Private-Rented-Sector-FINAL.pdf>

³ Grayston, R, Hudson, N & Lloyd, T. 2024. Is the Private Rented Sector Shrinking? Joseph Rowntree Foundation. <https://www.jrf.org.uk/housing/is-the-private-rented-sector-shrinking>; Ministry for Housing, Communities and Local Government 2024. English Housing Survey 2022 to 2023: rented sectors <https://www.gov.uk/government/statistics/english-housing-survey-2022-to-2023-rented-sectors/englishhousing-survey-2022-to-2023-rented-sectors>

⁴ Ministry for Housing, Communities and Local Government 2024. English Housing Survey 2022 to 2023: rented sectors <https://www.gov.uk/government/statistics/english-housing-survey-2022-to-2023-rented-sectors/english-housing-survey-2022-to-2023-rented-sectors>

⁵ While not tackling widespread affordability, the RRB does aim to prohibit rental bidding, the practice whereby rents over the asking price are encouraged and accepted. The RRB in its current form will ban this practice.

People rent privately for various reasons. For some, the PRS is a preferred choice; for others, it is a temporary solution or their only available option. This report focuses on the housing needs and options of those who, out of necessity, will remain in the private rented sector for the medium to long term. While these households technically choose to rent, this choice is shaped by limited access to other housing options, leaving the PRS as their only viable tenure. These households share the reality that homeownership, even through products designed to be affordable such as shared ownership, is financially out of reach or unsuitable. Similarly, social housing is unlikely to be an option in the near-term future without a substantial increase in the supply of social rented homes. This report refers to this group as “renters by necessity.”

This report is made up of four sections. Section one reviews the experience of renters by necessity living in England, the policy and market drivers shaping these. Section two compares the English market with two others: Scotland, where housing policy has diverged since housing powers were devolved in 1999, and Germany, a country with a very different cultural approach to renting. Section three consists of case studies of international examples, including World Habitat award winners, of schemes that provide innovative models to support people who need affordable PRS homes. Section four builds on the findings of the report to identify areas for further discussion for those seeking to support and scale up work to improve the options for lower-income renters.

Definitions of key terms

The private rented sector. This report defines the PRS as homes owned by private landlords, letting agents, or institutions. This is based on the definition of the PRS used by the English Housing Survey (EHS), which distinguishes between the PRS and social rented sectors based on ownership of homes and how rents are set.⁶

Affordable private rented sector housing. This report applies the definition used by Rugg & Wallace (2021) of **affordable PRS** as PRS homes at the “lower end” of the market, or “the part of the rental market where the lowest rents are charged; private rentals to households with the lowest incomes; or rentals to households receiving assistance with housing costs.”⁷

Affordable rent. This report defines **affordable rent** as a level where households spend no more than 30% of their gross income on rent.

⁶ Social rented sector homes are owned by housing associations and local authorities who need to be registered with government and are known as registered providers (RPs). Rent levels are regulated to keep them lower than market rates.

⁷ Rugg J and Wallace A 2021. Property supply to the lower end of the English private rented sector. Centre for Housing Policy & University of York. p 29 – 30. <https://nationwidefoundation.org.uk/wpcontent/uploads/2021/06/Sustainable-Private-Rented-Sector-FINAL.pdf>

Renters by necessity

Renters by necessity are households who are likely to rely on PRS accommodation for the medium-to-long-term. There are three broad groups of households who fit into this category.

Low-income households who are ineligible for, or unlikely to be allocated, social and affordable rented homes. Access to social and affordable rented homes managed by local authorities and housing associations is managed by a nominations and lettings process designed to ensure those in greatest need access housing. On 31 March 2023, there were 1.29 million households on local authority waiting lists, 47% of whom had been on the list for over a year.⁸ This likely underestimates the actual need, as waiting lists are a poor proxy for demand. Allocation criteria prioritise households based on residency, financial need, and housing crisis levels and can exclude those with incomes above a certain threshold, rent arrears, or limited local ties, leaving many households either waiting long-term or unable to qualify for social housing. These households must rent privately or, if homeless, may be placed in the PRS by councils.

Households in temporary accommodation. Many local authorities, particularly in London, rely on the private rented sector to provide temporary accommodation (TA) for households deemed statutory homeless. On 31 March 2024, 117,450 households were in TA in England, an increase of 12.3% from the same period last year.⁹ Use of PRS homes for temporary accommodation is increasing, and currently approximately one quarter of households in temporary accommodation in England are housed in the PRS.¹⁰ While most households remain in TA for less than 6 months, a portion, including approximately 33,000 households with children, are there for two years or more. A significant proportion of this group of households are housed in the private rented sector.¹¹

Households in need of support. Many people and households require some form of support, supervision or care. This is provided through a variety of means, including specialist supported housing and housing related support provided through social services and the third sector. Some of these people live in the PRS, though there is no comprehensive data on how many.¹² The National Housing Federation (NHF) estimates that approximately 11% of supported housing units in England are owned by charities and other voluntary organizations, many of which operate within the private rented sector.¹³ Many other households in need of support live in the PRS through arrangements like "exempt accommodation".¹⁴

8 Ministry of Housing, Communities and Local Government, 2024. Social housing lettings in England, tenants: April 2022 to March 2023 <https://www.gov.uk/government/statistics/social-housing-lettings-in-england-april-2022-to-march-2023/social-housing-lettings-in-england-tenants-april-2022-to-march-2023#waiting-lists>

9 Ministry of Housing, Communities and Local Government 2024. Statutory homelessness in England: financial year 2023-24 <https://www.gov.uk/government/statistics/statutory-homelessness-in-englandfinancial-year-2023-24/statutory-homelessness-in-england-financial-year-2023-24#temporaryaccommodation>

10 Wilson, W & Barton, C. 2023. Households in temporary accommodation (England). London: House of Commons Library. <https://researchbriefings.files.parliament.uk/documents/SN02110/SN02110.pdf>

11 Ministry of Housing, Communities and Local Government 2024. Statutory homelessness in England: financial year 2023-24 <https://www.gov.uk/government/statistics/statutory-homelessness-in-englandfinancial-year-2023-24/statutory-homelessness-in-england-financial-year-2023-24#temporaryaccommodation>

12 The Supported Housing (Regulatory Oversight) Act 2023 introduced a requirement for local authorities to gather this information but this has not yet been implemented.

13 Ryder B. et al 2024. Supported housing in England: Estimating need and costs to 2040 <https://prod.housing.org.uk/globalassets/files/supported-housing/report--nhf-need-for-supportedhousing.pdf>

14 Exempt accommodation is exempt from locally set caps on Housing Benefit to meet the additional costs of providing supported housing.

Section 1:

A review of the affordable PRS in England

This section reviews some of the policy and market trends and drivers that influence the shape of the affordable PRS, the experience of low-income renters, and introduces the role of the mediated sector in providing homes for renters by necessity.

Policy environment


The PRS in England is subject to a mix of national and local policies and regulations, including local housing allowance levels and landlord licensing requirements. Most significant housing policy setting is done at the national level. The Greater London Authority is currently the only devolved authority in England with significant housing powers, though others may also get these as work on devolution deals continues.

Government has in recent years increased regulation on the PRS in order to enhance tenant protections, improve affordability, and raise property standards. Key legislation includes the Tenant Fees Act 2019, which restricts most letting fees charged to tenants, and the Renters' Rights Bill, which seeks to remove Section 21 "no-fault" evictions, strengthen security of tenure, and introduce a Decent Homes Standard for rental properties. Government has also introduced changes designed to improve the regulation and oversight of supported housing sector in the Supported Housing (Regulatory Oversight) Act 2023. At a local level, some mayors have called for the introduction of rent controls, however Government has indicated that it will not be devolving this power.¹⁵ Many local authorities have also introduced licensing schemes requiring landlords to register and meet specific conditions for property management and tenant safety.

Government has largely not intervened in the supply of new PRS homes, leaving its operation to the market. An exception was the PRS Guarantee Scheme, launched in 2014, which provided government-backed loans to landlords and developers to enhance the supply of purpose-built, professionally managed rental properties (usually referred to as Build to Rent or BtR). The scheme significantly contributed to the growth of the BtR sector in England, which now constitutes 2% of the PRS but is growing rapidly.¹⁶ Many BtR developments offer discounted or intermediate rent units as a part of their planning agreements with local authorities.

¹⁵ Vickers, N 2024. Government has 'no plans whatsoever' to give Sadiq Khan rent control powers Evening Standard. <https://www.standard.co.uk/news/politics/sadiq-khan-rent-controls-london-labourgovernment-housing-rents-mayor-b1176698.html>

¹⁶ Lambert Smith Hampton 2024, Build to Rent report 2024. <https://www.lsh.co.uk/explore/research-andviews/research/2024/february/build-to-rent-report-2024>



More recently, Government has announced a new long-term public-private partnership, focused on affordable housing delivery. The partnership, named Habiko, will deliver 3,000 low-carbon, low-energy affordable homes for the rental market, with rents set at 20% below the local market rent. The homes provided through most BtR schemes and Habiko are unlikely to be affordable to the households in the renters by necessity group (most of this group will be in receipt of income support, and 80% of market rent will by definition be well above Local Housing Allowance levels – see below). Nevertheless they demonstrate how government intervention can play a positive role in the PRS, in this case by de-risking the private investment needed to increase the overall supply of homes.

For renters by necessity, one of the most significant forms of government intervention in the housing market is the rate of Local Housing Allowance (LHA) they can receive. In England, LHA rates set the maximum housing benefit tenants can claim, based on local rental prices for different property sizes, capped regionally and aligned with the lower end of the rental market. LHA rates significantly impact housing affordability, as nearly a quarter of PRS households rely on universal credit or housing benefits to cover rent.¹⁷ Households on benefits who rent a home that costs more than the LHA rate must cover the rent shortfall themselves. Therefore, low-income renters who currently rely on benefits, or may need to in the future, need to find homes at or below LHA levels in their area.

However, this is a challenge. Since its introduction in 2003, when it covered the 50th percentile of local rents, LHA has steadily declined in value. In 2011, it was reduced to the 30th percentile, and subsequent capped increases, along with a four-year freeze between 2016 and 2020, have caused LHA rates to fall behind actual market rents.

LHA is also a significant cost to the public purse. In 2022-23, 24% of private renters—1.1 million households—received housing support, with an average of £113 per household per week.¹⁸ This represents a substantial government expenditure that exceeds the total annual investment in building new affordable housing.¹⁹

"LHA rates significantly impact housing affordability, as nearly a quarter of PRS households rely on universal credit or housing benefits to cover rent."

¹⁷ Berry, C 2022. Universal Credit Alert Briefing March 2022. Shelter. https://england.shelter.org.uk/professional_resources/policy_and_research/policy_library/alert_briefing_universal_credit_march_2022

¹⁸ Ministry for Housing, Communities and Local Government, 2023. English Housing Survey 2022 to 2023 Headline Report. <https://www.gov.uk/government/statistics/chapters-for-english-housing-survey-2022-to-2023-headline-report>

¹⁹ Fitri, C 2022w. The UK now spends more on housing benefit than on most government departments. New Statesman. <https://www.newstatesman.com/chart-of-the-day/2022/11/uk-spending-housing-benefitgovernment-departments>; Taylor, H. 2024. Private landlords to receive six times more than the government spends on affordable housing in five years. Inside Housing. <https://www.insidehousing.co.uk/news/private-landlords-to-receive-six-times-more-than-the-governmentspends-on-affordable-housing-in-five-years-84990>

Market environment

Private landlords in England face growing challenges. Higher maintenance expenses, interest rates, and reduced mortgage interest tax relief increase financial pressure, while new energy efficiency standards, requiring properties to meet a minimum EPC rating of "C" by 2030, add further costs. These pressures have led to concerns that many landlords will exit the PRS, impacting housing supply. A recent review found that there has not been a large-scale exodus of private landlords but that the sector has consolidated: there are fewer small landlords but a stable overall number of rental homes.²⁰ However, smaller-scale landlords relying on buy-to-let (BTL) mortgages have notably declined.

This is significant because small landlords are particularly concentrated in the more affordable end of the market. Among landlords with two to four properties, 63% had more than half of their tenants on housing support, while among those with five or more properties, only 24% had the same proportion of tenants receiving support.²¹ The landlords more likely to offer affordable PRS homes are leaving the sector, creating an overall loss of PRS homes affordable for low-income renters.

Another feature of the affordable PRS currently is its growing role in the supported accommodation sector. Supply of supported housing is not keeping up with England's increasing population, with very little new development occurring due to issues around costs, commissioning, and funding.²² Supported housing is expensive to manage, and the current system leaves the burden on the landlord, leading many registered providers to exit the sector. The replacement has been a rise in the use of the exempt accommodation model, in which supported accommodation providers rent PRS homes at market rate (not LHA rate). In this environment, PRS landlords who see an opportunity are actively choosing to enter the supported housing market, while charities providing support services actively recruit PRS landlords to help them accommodate their service users.²³

One result of this is that households seeking the most affordable PRS units do not just compete against each other. In many locations they will also be in competition with local authorities placing people in temporary accommodation, and providers working on behalf of the Home Office and Ministry of Justice to house people under their care, such as asylum seekers and ex-offenders. These latter groups can often pay above Local Housing Allowance (LHA) rates and are willing to sign longer-term leases, making them more appealing to landlords than tenants who cannot meet these terms.

20 Greyson et al, 2024 Is the private rented sector shrinking? Joseph Rowntree Foundation. <https://www.jrf.org.uk/housing/is-the-private-rented-sector-shrinking>
21 Ministry for Housing, Communities and Local Government, 2022. English Private Landlord Survey 2021. https://assets.publishing.service.gov.uk/media/66ab81a4ab418ab0555931ac/EPLS_Headline_Report_2021_FINAL.pdf

22 Ryder B. et al 2024 Supported housing in England: Estimating need and costs to 2040. National Housing Federation. <https://www.housing.org.uk/globalassets/files/supported-housing/report--nhf-needfor-supported-housing.pdf>

23 National Residential Landlords Association. Supported Housing: An alternative way to let your property! <https://www.nrla.org.uk/news/supported-housing-an-alternative-way-to-let-your-property>; Nacro: Information for landlords <https://www.nacro.org.uk/nacro-services/our-work-in-housing/information-forlandlords/>

Living in the affordable PRS

This section reviews what is known about the experience of low-income renters. In doing so it begins to identify the issues with this part of the PRS that need to be addressed.

Affordability

Renting in the private sector is significantly more expensive than in the social sector. On average, households in the social sector pay £111 per week in rent, while private renters pay £231 per week.²⁴ Private renters also spend a larger proportion of their household income on rent than social renters or homeowners. 72% of households in the PRS in England who are also in the bottom two income quintiles (totalling approximately 2.1 million households) are spending more than 30% of net income on rent.²⁵ Rental affordability challenges remain most severe in London: a recent study found that only 5% of London private rentals are affordable to low-income households.²⁶ Rising rental rates in regional cities across England indicate a broadening geography affected by rental unaffordability.²⁷

"72% of households in the PRS in England who are also in the bottom two income quintiles are spending more than 30% of net income on rent."

"Affordable": a contested term

This report adopts a definition of affordable rent as a level where households spend no more than 30% of their gross income on rent, a measure which, while contested by some, is reliable, simple and widely used internationally.²⁸

24 Ministry of Housing Communities and Local Government 2024, English Housing Survey 2022 to 2023: rented sectors <https://www.gov.uk/government/statistics/english-housing-survey-2022-to-2023-rentedsectors/english-housing-survey-2022-to-2023-rented-sectors#housing-costs-and-affordability>

25 Ministry of Housing Communities and Local Government 2024, English Housing Survey 2022 to 2023: rented sectors <https://www.gov.uk/government/statistics/english-housing-survey-2022-to-2023-rentedsectors/english-housing-survey-2022-to-2023-rented-sectors#housing-costs-and-affordability>

26 Savills, 2024. Private Rented Housing Supply in London. file:///Users/elizabethrapoport/Downloads/london_prs_report_october_2024.pdf

27 Zoopla, 2024. Rental Market Report September 2024. <https://www.zoopla.co.uk/discover/propertynews/rental-market-report/>

28 Herbert, C, Hermann A and McCuue, D 2018 Measuring Housing Affordability: Assessing the 30-Percent of Income Standard. Joint Center for Housing Studies of Harvard University https://www.jchs.harvard.edu/sites/default/files/Harvard_JCHS_Herbert_Hermann_McCue_measuring_housing_affordability.pdf

Affordable Housing Commission 2019 Defining and measuring housing affordability – an alternative approach <https://nationwidefoundation.org.uk/wpcontent/uploads/2019/06/Definingandmeasuringhousingaffordability.pdf>



There are a number of measures and benchmarks for affordable rent, based on household income, local market rents or a combination of both.

- Market-based definitions define affordable in relation to local market rents. Examples include that used in the English National Planning Policy Framework (NPPF) which defines affordable rent as anything up to 80% of the local market rent.
- Income-based approaches assess what is affordable in reference to a household's income. Examples include the residual income approach, which assesses whether a household has enough income left over to cover other essential costs after paying rent, and the living rent approach, which pegs rent to local median incomes.

Housing quality


Despite their higher cost, PRS homes also tend to be older and of a lower quality compared to those in other housing sectors. The PRS has the highest proportion of non-decent homes (21%) and the highest percentage of serious hazards (12%).²⁹ Damp problems are also more common in private rented properties. Their energy efficiency is lower than social rented homes, with an average EPC rating of D. All of this is a particular concern given that people living in poor quality accommodation are more likely to have poor health, even when other factors are controlled for.³⁰

Renters' rights

The PRS is the least secure tenure due to most private renters being on assured shorthold tenancies, under which "no-fault" evictions are allowed under Section 21 of the tenancy. New regulations proposed in the Renters' Rights Bill, seek to enhance tenant security by limiting landlords' ability to issue no-fault evictions. Lack of security of tenure makes renters less likely to report issues with their properties.

²⁹ Ministry of Housing Communities and Local Government 2024, English Housing Survey 2022 to 2023: rented sectors <https://www.gov.uk/government/statistics/english-housing-survey-2022-to-2023-rented-sectors/english-housing-survey-2022-to-2023-rented-sectors#housing-costs-and-affordability>

³⁰ Try, Lalitha 2023. Trying Times: How people living in poor quality housing have fared during the cost of living crisis. London: Resolution Foundation. <https://www.resolutionfoundation.org/app/uploads/2023/04/Trying-times.pdf>



Although it is illegal to do so, there is still evidence of discrimination against tenants in receipt of benefits. The English Private Landlord Survey found that more than two fifths of respondents (44%) were unwilling to let to tenants on either housing support or universal credit. The most frequently selected reasons for this stance were a perceived greater risk of delays in payment or unpaid rent and a perceived risk that the benefits would not cover all the rent.³¹

The role of the mediated market

Many renters by necessity will rent in the open market, however others, particularly those who have been placed in TA or have identified support needs, may end up in homes in what Rugg & Wallace (2021) and Rugg & Rhodes (2018) have described as the “mediated market.”

The mediated market is a segment of the lower end of the PRS in which intermediaries, either charities or councils, support households that have vulnerabilities or lower incomes with placements in the PRS. Rugg & Wallace estimate that about 10% of the housing benefit market (households in the PRS in receipt of housing support) is mediated’ in some way. Mediation can include anything from support with paying a rental deposit to longer term support to maintain a tenancy. Mediation is done by “mediating agencies:” statutory or third sector schemes that place tenants with landlords and offer varying degrees of support to tenants. Mediation is often involved when households are placed in the PRS by a council or other organization with a statutory duty to house a person or family.

Mediation schemes bring a number of benefits: they can reduce the risks to landlords of accepting tenants who are in receipt of benefits, or require additional support to maintain their tenancies. They can offer landlords and mediators with certainty about the availability of tenants and properties. There appears to be some growth in third sector agencies procuring properties under contract to local authorities. Rugg & Wallace note that there is evidence that this sector is becoming more formalised, with some local authorities for example bundling their PRS procurement into single, large contracts.

³¹ Ministry for Housing, Communities and Local Government, 2022. English Private Landlord Survey. <https://www.gov.uk/government/statistics/english-private-landlord-survey-2021-main-report>

Review of the affordable PRS in England: main findings

Several points stand out from the review of the affordable PRS in England above.

Renting in the PRS is unaffordable for many. Renting in the private sector is significantly more expensive than in the social sector, and private renters spend a larger share of their income on rent. Affordability challenges are most severe in London, where only 5% of private rentals are affordable for low-income households, but rising rents in regional cities are spreading the issue across England.

LHA caps exacerbate affordability pressures. Renters by necessity are highly likely to be in receipt of benefits to help pay their rent, as nearly a quarter of private renters rely on benefits to pay rent. LHA rates have declined since their introduction, now covering only the 30th percentile of local rents. This gap, worsened by capped increases and a freeze between 2016 and 2020, leaves low-income renters struggling to find homes at or below LHA levels and forces many to cover rent shortfalls themselves.

Affordable PRS homes are being lost. Private landlords in England face increasing financial and regulatory challenges. While there has not been a large-scale exodus, the sector has consolidated, with fewer small landlords remaining. This decline is significant, as smaller landlords are more likely to provide affordable rentals. Their departure from the market reduces the availability of affordable private rented homes for low-income renters.

Heavy competition for a limited stock of homes. Households seeking affordable private rentals face competition from local authorities and agencies housing asylum seekers and ex-offenders, who can often pay above LHA rates and offer longer leases, making them more attractive to landlords.

Renters have support needs. Many renters by necessity have support needs of some kind. Some of these renters are in homes with support services attached, however there is likely to be a greater need for support among lower-income PRS tenants than is currently being met.

The mediated market is growing. Some renters, particularly those with support needs or those placed in TA, may enter the PRS via the "mediated market," a segment of the PRS where intermediaries like charities or councils help vulnerable households secure and sustain tenancies. Mediating agencies reduce risks for landlords by providing stability and support, and there is growing formalisation, with local authorities increasingly contracting third-sector agencies to manage PRS procurement.

Issues with quality. PRS homes tend to be lower quality and have low energy efficiency. It is not clear if the situation is worse in the more affordable end of the PRS, however it is likely that this is an issue. Given larger pressures on PRS landlords, resources to improve the quality of the homes are likely to be scarce.

Section 2:

International comparisons: Scotland and Germany

Section three of this report will explore case studies from England, Spain, and Scotland. However, before delving into these examples, this section examines how England's approach to the affordable private rented sector (PRS) compares to one country with significant similarities and another with notable differences.

The first comparison is with Scotland, which shared a legislative and policy framework with England until devolution in 1999. Since then, Scotland has adopted a more interventionist approach, diverging significantly from England's model. The second comparison is with Germany, which presents a contrast due to its federalist governance structure and different cultural views on renting.

Scotland

The devolved Scottish government has complete control over housing policy, and in recent years it has taken a different approach from England, allowing for a useful comparison between countries that were governed by the same policy framework until 1999. The policy environment for the PRS in Scotland in recent years has focused on increasing tenant security, rent affordability, and property standards. Key legislation includes the Private Housing (Tenancies) (Scotland) Act 2016, which introduced the Private Residential Tenancy (PRT) model, ending “no-fault” evictions and allowing rent increases only once per year with three months' notice.

As in England, affordability is a pressing issue in Scotland's PRS. Between 2010 and 2023, average rents for two-bedroom properties increased by 51.9%, surpassing the cumulative UK Consumer Price Index inflation rate of 45.7% over the same period.³² In 2022, in response to affordability concerns, the Scottish government introduced a temporary rent cap which imposed temporary rent controls in both the private and social rental sectors. Initially, rents were frozen until March 2023 after which the cap was adjusted to allow increases of up to 3% for private rents or higher (up to 6%) if landlords could justify increased costs. The Scottish government introduced a bill in 2023 introducing a framework for local councils to designate rent control areas, allowing caps on rent increases to address affordability issues.

³² Scottish Government 2023. Private Sector Rent Statistics, Scotland, 2010 to 2023 <https://www.gov.scot/publications/private-sector-rent-statistics-scotland-2010-to-2023/pages/key-findingsbased-on-2-bedroom-properties/>



An in-depth evaluation of Scotland's PRS reforms since the 2016 Act examined their impacts on rent control, tenant security, and overall tenant experience.³³ The research found that the legislation overall had a positive impact, but that further reforms are needed and legislation alone is not enough to address the challenges of the PRS. While many landlords were concerned about the tenancy changes, most are now satisfied with them and they have not changed landlord perceptions or actions. While the Act aimed to protect tenants from excessive rent increases, rents have continued to rise, especially at tenancy changes. Security of tenure has improved legally, but awareness of rights remains low, with tenants hesitant to exercise these where there is a tight housing market. The supply of PRS housing has decreased, and legislative changes have increased costs and complexity, prompting some landlords to leave the sector and prompting concern among developers and investors about the viability of new rental projects. The report also notes that in addition to legislative change, to improve the experience of renters in the PRS there is a need for wider support for renters and funding to local authorities to enforce regulations.

Germany

With around 50% of its housing stock in the rental sector, Germany has one of the largest rental housing markets in Europe.³⁴ The PRS in Germany shares some characteristics with that in England: tenants find homes on an open market and a large proportion of PRS homes are owned by non-professional landlords. Renters and landlords in Germany and England face similar market pressures, such as rising costs, affordability challenges and rising demand in urban centres. However, Germany offers a distinct contrast to England in a number of ways. Culturally, long-term renting is seen as an acceptable housing choice across income levels, and a much larger proportion of German households rent (approximately 40%). This, along with the existence of strong tenant's associations gives private renters a stronger voice in political and policy conversations than they have in England.

Renters in Germany benefit from a Federal legislative framework that prioritises tenant protections. Rental contracts are governed by the German Civil Code, and renter protection is a priority. German tenants also have much greater security of tenure than those in England. Most tenancies are indefinite and tenants have strong protection from eviction.³⁵

33 Evans, A et al 2024. Rent Better: Wave 3 Final Report. Nationwide Foundation & Indictio House <https://rentbetter.indigohousegroup.com/wp-content/uploads/sites/3/2022/05/Wave3-FINAL-Main-Report-AE090924-publication.pdf>

34 Housing Europe Observatory, 2023. The State of Housing in Europe. https://www.stateofhousing.eu/The_State_of_Housing_in_Europe_2023.pdf

35 Schmidt, C 2021. Strong tenant protections and subsidies support Germany's majority-renter housing market. Brookings Institute. <https://www.brookings.edu/articles/germany-rental-housing-markets/>. Davies et al 2017. Lessons from Germany: Tenant power in the rental market. IPPR. <https://www.ippr.org/articles/lessons-from-germany-tenant-power-in-the-rental-market>

Germany's rent control laws also provide strong security for tenants by restricting arbitrary or excessive rent increases, thus ensuring predictable housing costs. The federal Mietpreisbremse - "Rent Brake" measure, introduced in 2015, limits rent increases for new leases in areas with high demand. Landlords cannot charge more than 10% above the local comparative rent (Mietspiegel). However new or extensively renovated homes are exempt from this measure, to encourage investment in new construction.

The German system strives to balance tenant protections with market stability. However it can present administrative challenges for housing providers. Germany's overall housing policy landscape is complex, shaped by a multi-layered framework involving 16 regional (Länder) policies, a national (Federal) framework, and EU-wide directives. Operators must navigate overlapping regulatory and legislative regimes. For instance, housing providers must comply with the relevant building codes specific to each of the country's 16 regions, in addition to a separate federal code. The PRS in Germany faces many of the same challenges as England which have led to affordability pressures, in particular in urban centres like Berlin. While the German government has set building targets, in urban areas supply has not kept up with demand. Construction costs have risen dramatically, driven by regulatory compliance, material inflation, and labour shortages. Housing companies face high costs for meeting energy efficiency standards, with thermal upgrades and decarbonisation measures often exceeding the economic value of buildings.³⁶ Rising interest rates and tightened credit markets have made accessing investment capital difficult for operators. Some housing providers are exploring alternative funding sources to bridge gaps between regulatory demands and operational income. As in England, rising rents hit poorer households the most.³⁷

³⁶ Housing Europe Observatory, 2023. The State of Housing in Europe. https://www.stateofhousing.eu/The_State_of_Housing_in_Europe_2023.pdf

³⁷ Reuters, October 9 2024. Rising rents hit low-income groups hardest in Germany, study shows. https://www.reuters.com/markets/europe/rising-rents-hit-low-income-groups-hardest-germany-studyshows-2024-10-09/?utm_source=chatgpt.com

International comparisons: main findings

This section has explored what lessons for the affordable PRS in England can be learned from Scotland and Germany.

Scotland, which shares England's lack of historical cultural acceptance of renting, has adopted a more interventionist policy framework. This approach highlights the potential benefits of stronger tenant protections and affordability measures, such as rent caps, while also revealing the challenges these can pose for maintaining supply and attracting investment. While it is too early to evaluate the long-term results of Scotland's policy changes, the evaluation done to date indicates that there is a need to go further both with legislation and other interventions.

The PRS in Germany, by contrast, differs significantly from England. The sector is shaped by a cultural acceptance of renting as a long-term housing solution and a policy framework that promotes renters' rights through tenant protections and rent control. This combination has contributed to greater stability in its PRS and a better experience for renters, despite the affordability pressures in urban centres.

The brief reviews of the German and Scottish affordable PRS market demonstrate the importance of looking systemically when considering how to intervene in the affordable segment of the private rented sector. Legislation to enhance renter's rights and rental controls are an important part of the solution, but so too is resourcing for enforcement, investment to maintain and enhance existing PRS homes and build new ones and supporting private renters both to advocate for themselves and to influence decision makers.

For England, it would be helpful to explore how a more coherent and centralised PRS strategy could address renter instability while balancing tenant protections with supply-side solutions. Similarly, understanding how cultural attitudes toward renting influence housing outcomes in Germany could provide insights into shifting perceptions in England.

Section 3:

International Case Studies

This report began by defining its focus on renters by necessity, households likely to remain in the PRS for the medium- to long-term. The third section now examines domestic and international case studies to gather insights on providing affordable housing for this group. By analysing these models, the aim is to explore how the sector in England can deliver a greater quantity and more suitable types of homes to meet their needs.

Each case study provides a unique perspective on creating affordable housing for low-income renters, with approaches drawn from varying operational contexts. The organisations featured include:

- Giroscope and Canopy, England
- Homes for Good, Scotland
- Hàbitat 3, Spain
- Provivienda, Spain

Each organisation was studied through in-depth desktop research and one-to-one stakeholder interviews. A comparative approach was used to assess the models across the following themes:

- Operating model: Understanding the operating model, alongside broader outcomes generated by each organisation and the additional support services they provide to support tenant stability and wellbeing.
- Financial sustainability: Evaluating income models and financial resilience to understand the financial independence and sustainability of each organisation.
- Conditions for success: Identifying the macro or contextual enablers that have supported the success of each model.
- Key stakeholders: Reviewing the essential network of supporters and contributors that underpin each model.
- Opportunities for scale: Assessing the potential for each model to grow within its current framework, along with barriers to scalability.

The insights drawn from these case studies will inform further discussion on how the PRS in England can be reshaped to better serve the housing needs of renters by necessity. By analysing these examples, the report explores how affordable housing models can succeed across diverse market and policy contexts, highlighting the enabling factors that contribute to their effectiveness. This comparative approach aims to offer actionable insights for policymakers and practitioners working to develop scalable PRS models.



Giroscope & Canopy

Overview of the Models

Giroscope and Canopy both renovate empty properties using volunteer, community-led labour, and rent them at below-market rates. Both organisations focus on providing affordable housing to individuals facing homelessness or housing insecurity. Giroscope was established in 1985 and has a portfolio of 120 properties, and Canopy has been operating since 1996 with a portfolio of 86 properties. Giroscope primarily purchases empty homes in Hull. Canopy shares this approach, and also has a set of homes leased through long-term agreements with the council.

Giroscope and Canopy also provide training and community integration through the renovation process, helping tenants acquire skills while fostering a sense of community.

Financial sustainability

Both Giroscope and Canopy exhibit a broadly sustainable financial model, where rental income generally covers operational and property rental/maintenance costs.

To purchase new properties, the organisations use a mix of debt secured against their asset book from social impact lenders and banks, grant from government and charitable donations.

However, rising interest rates, resource costs, and operational expenses have recently intensified financial pressures. For instance, Giroscope's rental income now primarily covers maintenance and management, excluding broader ancillary costs for additional services such as skills training and computer courses. This shift has necessitated a move towards self-sustainability for the broader services. Similarly, Canopy faces financial strain, as the cost of refurbishing properties has nearly doubled. This financial situation constrains Canopy's capacity for new projects, as they prioritise reinvesting funds into existing properties for essential improvements. Both organisations rely on grant and charitable donations to support property purchase costs and therefore for asset base growth, limiting their ability to scale quickly.



Conditions for Success

Several key factors underpin the success of both organisations:

- Both organisations have been able to access below-market capital costs.
 - Both operate in regions which have had significant numbers of low-cost, empty properties.
 - Both organisations have benefitted from government grants, in particular the Empty Homes Community Fund (2011-2015), which supported growth.
 - Both have grown with motivated volunteers, which has been crucial for keeping renovation costs low. For instance, Canopy's 71 volunteers contributed over 1000 hours in 2023.
- Canopy has established long-term leases with Leeds City Council, ensuring a stable property base.
- Historically, both organisations benefited from low-cost debt, which supported their growth. While such borrowing conditions are no longer as favourable, Giroscope and Canopy maintain strong relationships with lenders, especially those that specialise in charitable and third-sector financing. This relationship allows them to explore flexible debt options, such as restructuring.
- Both organisations have a strong sense of purpose rooted in their local areas. Giroscope, in particular, has deep community ties and a focus on serving local needs rather than expanding beyond its base. Recently, Giroscope has diversified its activities to include built-to-rent homes and modular construction, and it is considering evolving its model to acquire properties with tenants already in residence. Canopy uses advanced sustainable practices, incorporating sustainability into its refurbishment projects.

Key Stakeholders

The success of both models relies on a network of collaborative stakeholders:

1. **Volunteers:** Essential for refurbishment and cost reduction.
2. **Government Entities:** Key providers of funding and policy support.
3. **Grant Funding Bodies:** Support both operational and capital needs.
4. **Local Authorities:** Offer leasing options and create frameworks for affordable housing.

Opportunities for Scale

Significant expansion remains challenging for both organisations. Scaling impact would require either substantial grant funding or access to low-cost borrowing backed by an expanding asset base. Without these, their growth potential is limited, as they cannot easily acquire or refurbish properties at a larger scale.

Both organisations have received interest from other community groups interested in replicating their model. However, they have not tracked whether this has resulted in the creation of new organisations or successful replications. Achieving similar outcomes in new organisations would require the same committed leadership and purpose-led values that underpin Giroscope and Canopy as well as access to voluntary labour and empty homes.



Homes for Good

Overview of the Model

Established in 2013, Homes for Good is a specialist letting agency which focuses on providing homes within the PRS for low-income individuals, particularly those reliant on housing benefit. It purchases and renovates properties, and collaborates with landlords to rent their homes, providing affordable, high-quality accommodation.

Homes for Good combines property provision with support services, including energysaving guidance, assistance with benefits claims, and an interior design programme, all aimed at promoting tenant wellbeing and a sense of belonging. Homes for Good's support programmes address critical social issues, such as fuel poverty and financial exclusion. Partnerships with legal support organisations and charities enhance tenant resilience, reducing vulnerability to homelessness.

Financial Sustainability

Homes for Good achieves financial sustainability through rental income covering property and operational management costs, and social investment for growth and new opportunities. Funding from social impact investors like Big Issue Invest and Charity Bank supports property acquisition and refurbishment. However, rising interest rates have created significant financial challenges, complicating the organisation's ability to break even. To address this challenge, Homes for Good has adopted an asset optimisation strategy, selling higher value properties at the end of their tenancies and reinvesting the profits in day-to-day operations and more affordable properties. This situation highlights the tension in the social investment model: as social investors require market returns, rising interest rates force impact-focused organisations to navigate difficult trade-offs between profitability and their social mission. Financial stability could be found by renting homes at market rates, however, with a strong commitment to original purpose, founder Susan Aktemel describes changing to a focus on market-rate rents as a "red line" Homes for Good is unwilling to cross.

In response to these challenges, Homes for Good has demonstrated its flair for financial innovation by securing a corporate loan from Glasgow Credit Union. This agreement balances social impact with reasonable financial returns, enabling the acquisition and refurbishment of 35 homes in Glasgow and neighbouring areas. It also supports the revitalisation of derelict properties and spaces for community use, highlighting the dual social and economic benefits of such investments.

By co-creating the loan structure with Glasgow Credit Union, Homes for Good has forged a new approach to aligning financial sustainability with social impact amid rising interest rates. This innovative model offers valuable lessons for the broader social impact investment industry, which share similar commitments to community-focused initiatives.



Conditions for Success

Key factors underpinning Homes for Good's success include:

- Deep knowledge of the local property market and renovation expertise within the Homes for Good team ensures a strong ability to identify properties that align with the business model.
- An in-house responsive tenancy support team fosters robust relationships with tenants and delivery partners to sustain tenancies.
- Entrepreneurial creativity and commercial acumen have enabled Homes for Good to raise capital, develop innovative business models, adapt financial models, and negotiate effectively. All of this has been key to helping the organisation navigate the macroeconomic landscape.
- Susan Aktemel, and Homes for Good's, commitment to the needs of their tenants is notable, as is the case with the leaders of each of the organisations in this report. In particular, the success of Homes for Good has been built on the entrepreneurial creativity and drive of the leadership.
- Partnerships with private landlords have significantly expanded the lettable asset base of Homes for Good without requiring additional finance or debt. This approach enables faster scaling, diversifies the asset base, and reduces reliance on securing funding to acquire homes.

Key Stakeholders

1. **Social Investors:** Funders such as Big Society Capital and Social and Sustainable Capital have provided critical substantial investment, supporting property acquisitions and enabling growth. However, recent financial strain due to increased interest rates highlights the need for diversified investment sources that align with the organisation's commitment to affordability. Homes for Good has responded by diversifying and collaborating with the community benefit sector to co-create a loan with Glasgow Credit Union, balancing social impact with financial returns.
2. **Government & Policy Advocates:** Homes for Good engages in policy discussions within the PRS, advocating for tenant rights and the needs of low-income households. The organisation has also shared insights with policymakers, particularly regarding the financial pressures facing social enterprises reliant on investment and the impact of the combination of housing legislation and changes in the economy and taxation, and the consequences for tenants.
3. **Private Landlords:** As above, private landlords are key stakeholders within the Homes for Good offering.



Opportunities for Scale

To facilitate growth, Homes for Good is piloting models in urban and rural settings, including a joint venture with Crisis in London and a new branch in Dumfries.

Previously, the organisation explored expansion with National Lottery funding to replicate its model across England through coaching and webinars, 1:1 coaching support, and an aim to find potential partners or replication projects. Feedback on the replicability included the following: “Many of those interviewed did express a clear interest in developing their own social enterprise lettings projects but felt that this was not the right time, at least in part due to Covid-19. Others felt that their organisation lacked the required capacity or skillsets, while some were concerned about the scale of investment needed or the length of time it would take to make a return.”³⁸

Scaling Homes for Good’s model requires not only access to suitable properties but also financial mechanisms that support growth while preserving affordability. This growth must be underpinned by a strong commitment to the social purpose and the needs of tenants.

Hàbitat 3

Overview of the Model

Hàbitat 3, through projects like De la Vivienda vacía a la Vivienda social and Viviendas para las Entidades Sociales, addresses housing insecurity across Catalonia. They acquire and refurbish vacant homes to provide affordable housing for vulnerable individuals. Hàbitat 3 collaborates closely with local councils and social enterprises, including various empresas de inserción—social enterprises dedicated to providing employment for individuals facing barriers to entering the job market. These enterprises not only renovate the homes but also provide essential training and skills development. Once homes are ready, they are allocated to tenants nominated by local city councils or through partnerships with regional charities and social organisations, who assist in managing tenant needs, including mental health and addiction services.

Hàbitat 3’s housing model encompasses a diverse portfolio sourced from both the public and private sectors, including properties that are rented, purchased, developed, and leased. Currently, the organisation manages around 1,300 properties: 288 homes have been purchased, 65 are under development, 625 are leased (with 100 from the public sector and 525 from private landlords), and 273 are owned by private investors who have bought homes specifically for Hàbitat 3’s use.

Properties are typically offered to Hàbitat 3 at a rate 10–20% below market, providing landlords or governments with a guaranteed income and support for renovation costs. Tenants, in turn, pay a social rent—20–30% of income (potentially less during the first two years), ensuring affordability.

³⁸ Social Value Lab, 2022. Interim Evaluation for Homes for Good and the National Lottery Community Fund.

A photograph of a person in a blue shirt standing on a balcony, leaning over a railing. A bicycle is parked next to them. The balcony has a metal railing and a tiled floor. In the background, there are other balconies and a building structure.

Financial Sustainability

The financial model of Hàbitat 3 combines government support, grants, donations, and rental income.

Long-term contracts with local authorities, such as a recent multi-year agreement with the Barcelona Consortium on Housing, underpin financial security.

Additionally, Hàbitat 3 leverages funding from the public financial institution *Institut Català de Finances* (ICF), which provides long-term, low-interest loans that allow charities to acquire properties with preferential rights over financial institutions. This comes from a framework agreement between the Catalan Government (Catalan Agency of Housing) and ICF. The Catalan Government guarantees and subsidizes the loans.

To enhance financial sustainability, Hàbitat 3 operates a “solidarity fund,” a rent subsidy programme for tenants unable to pay full rent. This subsidy, funded by regional or local governments, covers the gap between what tenants can pay and the cost of the apartment (rent, mortgage, or loan) to Hàbitat 3. Currently, about half of the properties benefit from this support.

Despite these measures, the organisation remains reliant on external grants and donations, which currently account for approximately 40% of the project’s costs. This reliance on outside funding highlights the importance of sustained financial support to ensure long-term stability.

Conditions for Success

Several factors are critical to Hàbitat 3’s effectiveness in delivering affordable housing:

- Collaboration lies at the core of Hàbitat 3’s model, allowing it to leverage the expertise of social enterprises for property renovations, and fostering essential partnerships with government entities and landlords to ensure a steady supply of affordable homes.
- Hàbitat 3’s ability to work with a broad mix of property owners—public authorities, private landlords, and institutional investors—diversifies its housing portfolio and strengthens its capacity to meet demand.
- Hàbitat 3 has been able to secure favourable financial arrangements through local and regional government support. The ICF framework offers affordable financing, and government subsidies cover the gap between rent payments and operating costs, which is essential for maintaining below-market rental rates.
- By working with partner charities, Hàbitat 3 ensures tenants receive ongoing support tailored to their unique needs. This comprehensive approach to tenant welfare is key to maintaining tenancies, although it does add to operational costs.



Key Stakeholders

The success of Hàbitat 3 hinges on strong public-social collaboration and the involvement of diverse stakeholders:

1. **Government and Municipal Authorities:** The Catalan Government and local municipalities provide essential funding, housing stock, and long-term policy support to sustain affordable housing programmes.
2. **Social Enterprises and Charitable Organisations:** These partners provide renovation labour and tenant support services, creating a holistic housing model that addresses both material and social needs.
3. **Financial Institutions:** Public finance bodies like ICF offer affordable financing, enabling Hàbitat 3 to acquire properties through a right of first refusal on certain listings.
4. **Private Landlords:** Private landlords are a key stakeholder for providing rental homes.

Opportunities for Scale

To continue to grow in its ambitions, Hàbitat 3 would require continued access to flexible funding, continued long-term partnerships with local authorities, and continued strong relationships with social service providers.

This would provide the organisation with continued access to sub-market housing, and strong long-term partnerships which have been the bedrock of its model.

Provivienda

Overview of the Model

Provivienda provides affordable rental housing for vulnerable groups in Spain, such as migrants and women affected by gender-based violence. Provivienda supports tenants through three main services:

1. **Rental Mediation** – Provivienda encourages landlords to rent their homes at a discount to the market rate (5-15%) with a stable, guaranteed income. Rental contracts offer a minimum five-year term, with flexible exit options for tenants. A key feature is the rental payment guarantees, either via insurance or Provivienda itself, which addresses landlords' concerns over tenant reliability. This model is of particular interest to landlords with unoccupied homes, in areas where there is a shortage of renters (i.e. supply outstrips demand). In addition, it is attractive to landlords who are attracted by the stability of income. More broadly this programme provides information, legal support, and mediation services that bridge the gap between property owners and tenants.
2. **Residential Inclusion** – Provivienda provides both housing and social support services to vulnerable groups, helping them find stability and build independence.
3. **Technical Assistance** – Drawing from its experience, Provivienda offers technical and legal guidance to support tenants, and support similar housing initiatives elsewhere.

Through these models, and in particular due to its rental mediation programme, Provivienda manages c3,000 homes on an annual basis. Over its lifetime it has managed 68,500 homes to date. It provides its rental mediation programme as a service to municipal authorities, standing the service up against contracts from the government. This has meant Provivienda has been able to fund its central operations through longterm contracts, as well as shape the provision to local need by working with the local government.

To diversify its model, Provivienda launched Lumvra, a social housing arm that combines government funding with private investment to purchase homes to rent at social rent levels. This initiative aims to acquire 100 properties by the end of 2024. Through this new model, Provivienda is working to secure even more affordable housing for low-income tenants.

Provivienda offers training on tenancy rights, property assessments, and conflict mediation services. The organisation also provides employment support to help tenants stabilise their income.

Financial Sustainability

Provivienda operates primarily on contracts with government (municipal, regional and central), which constitutes around 90% of its income. Additional funding comes from social programme grants and internal reserves. The reliance on public funding makes Provivienda sensitive to policy changes, and flexibility allows Provivienda to evolve with the shifting policy landscape, adapting its programmes to meet changing government priorities and funding conditions. Provivienda has diversified its funding by partnering with 25 municipal authorities across ten regions, which provides some protection from shifts in policy or budget cuts.

Conditions for Success

The success of Provivienda's model can be attributed to four main factors:

- By working with landlords who own vacant properties, Provivienda is able to avoid purchasing homes outright, enabling the organisation to operate at a much larger scale than other models compared in this report.
- Close collaboration with local governments provides Provivienda with stable, long-term income streams that support its work and expansion.
- Designing a model which brings benefits to the landlord and the resident keeps landlords committed and has helped scale the proposition.
- Within its mediation work, Provivienda's ability to set its own rental terms and offer payment guarantees helps further set terms that are favourable to both tenants and landlords.

Although Provivienda has achieved notable scale, it faces challenges in high-cost markets like Madrid and Barcelona, where landlords are less inclined to rent their homes through Provivienda as rental demand outstrips supply in those markets. Additionally, increased competition from property investors has made it more difficult to secure rental properties in some areas. However, the model remains effective in some low-income neighborhoods with fewer market pressures, where returns are still attractive for landlords.

Provivienda's socially driven, adaptable approach has made it a valuable model for affordable housing in Spain. Its strong network of stakeholders—including government bodies, NGOs, and insurers—has enabled it to build secure, flexible housing options for vulnerable populations, while its innovative solutions like Lumvra demonstrate its commitment to expanding access despite market challenges.




Key Stakeholders

Provivienda's model relies on a robust network of partnerships:

1. **Government Agencies:** Government entities provide most of Provivienda's funding through municipal contracts. This also enables Provivienda to localise its offering, and align with policy shifts.
2. **NGOs and Social Enterprises:** These organisations deliver essential services, such as legal aid, employment support, and social assistance, helping tenants maintain stable tenancies.
3. **Insurers:** Insurers offer rental guarantees that reassure landlords of reliable income.
4. **Private Landlords:** The involvement of, and appeal to, private landlords underpins the operational feasibility and scalability of the model.

Opportunities for Scale



Provivienda has scaled significantly. Key to this growth has been strong partnerships with both landlords and authorities. By working with landlords, and not requiring an asset base owned by the organisation, Provivienda has achieved significant scale not reliant on borrowing or capital costs. The role of municipal contracts has been crucial, providing both operational funding and partnering to implement the across varying locations.

Future expansion depends on maintaining market traction, with the continued attraction of landlords being critical. In high-demand rental markets like Madrid and Barcelona, this will require the development of innovative market incentives to encourage property owners to rent at below-market rates.

International case studies: main findings

The case studies in this report offer insights into different approaches to providing affordable housing within the PRS, suitable for the needs of renters by necessity. These key points are summarised as follows.

Increasing housing supply: Across the case studies, a common strategy to increase housing supply is the revitalisation of existing housing stock. By repurposing or upgrading empty properties, these initiatives create affordable, high-quality housing options for those most in need. Incentivising landlords to offer affordable rents: Several case studies demonstrate that it is possible to encourage landlords to offer below-market rents by providing financial stability and security, such as long-term leases and rental guarantees. Additionally, these case studies highlight that working with private rented sector landlords is an effective way to increase the supply of affordable homes. This approach comes with administrative complexities and must be commercially viable for landlords. However, it is important to recognise that this approach could have unintended consequences if applied at scale, particularly in altering the supply-demand dynamic. While capturing housing stock for specific purposes can provide more affordable homes in the PRS, it may inadvertently constrain supply in other areas and drive up prices for other user groups. This competition for limited housing stock could especially impact Local Authorities and charitable organisations, who may find themselves competing for the same properties.

Improving the quality of housing: Many of the initiatives place a strong emphasis on refurbishing properties to ensure high living standards, targeting poor-quality and vacant homes. In doing so, these models not only enhance tenant well-being but also improve the overall quality of the PRS.

Increasing access to affordable finance: Across the case studies, access to affordable, long-term financing emerges as a critical enabler of growth for affordable housing. Such financing allows organisations to acquire and refurbish properties while maintaining affordability. Financial returns and social returns must be balanced for this funding model to be sustainable.

Government policy: Notably, all case studies in this report required some form of government involvement—whether through grants, contracts, or funding—highlighting a key difference from the traditional PRS, which has largely operated independently of government support. This suggests that government (central and local) leadership is essential to advancing affordable housing models in the PRS.

Two additional lessons/insights have shone out from the case studies which relate not to the market and financial factors, but the ethos and approach taken by the organisations.

Purpose-led leadership: A true commitment to cause and purpose in leadership is a cornerstone of each of the case studies. These models aren't easy to make work – and running them is not for the faint-hearted. Unwavering commitment to social objectives has ensured that affordable housing remains a non-negotiable aspect of each organisation's mission and deliverables.

Collaboration: Collaboration is a cornerstone of these models, which rely on longterm partnerships with non-profit organisations, local government entities, and community groups. Unlike traditional PRS landlords, who can operate in isolation, these models depend on cooperation and joint effort.

Consideration of Scale

Achieving scale in the models reviewed in this report is exceptionally challenging, particularly in markets like England, where the PRS is highly competitive and demand for homes far outstrips supply. Growth in all the examples included in this report has taken a decade plus – and that growth, in most of the examples, occurred at a time when debt was cheaper than it is today.

While the scale of impact in the PRS is typically measured by numbers, and this report broadly follows that approach, it is important to recognise the value in introducing and testing new models for affordable PRS provision. These models are key to driving system innovation.

System transitions occur when innovations at the grassroots level—such as new affordable housing models—begin to gain momentum, while broader shifts in policy and societal expectations create pressure for the housing system to evolve. These pressures open up opportunities for these innovations to take hold at a larger scale, contributing to meaningful, long-term change in how housing is provided and supported across communities³⁹.

³⁹ Leadbetter and Winhall, 2020. Building Better Systems. Rockwood Foundation. <https://en.rockwoolfonden.dk/publications/building-better-systems/>

Section 4:

Areas for further discussion

The PRS plays an important role in providing homes for low-income renters who do not have other housing options. In the current English housing market, there is a need to increase the supply of affordable PRS homes, so that those who rent by necessity have access to a good quality home that they can afford. This final section sets out a series of questions for further exploration for those wishing to expand and improve the provision of affordable homes in the PRS for renters by necessity and other low-income groups. While this report has focussed on England, these topics are equally applicable to the Scottish context. These questions will guide discussions at the upcoming World Habitat roundtable, which will focus on practical and scalable strategies to improve supply, quality, and affordability in the lower end of the PRS. They can also be used to inform further research on this topic.

It is important to note that the Renters' Reform Bill is already addressing key issues related to tenancy stability, setting standards for housing quality and tenant rights and empowerment. As such, the areas for further discussion in this report do not focus on these aspects, which are expected to be addressed by the Bill once fully implemented. Instead, the questions focus on issues outside these policy changes, with an emphasis on scalable solutions to increase affordable PRS housing.

How can the supply of affordable PRS homes be increased?

England needs a pipeline of new supply of affordable PRS homes, supported by accessible and sustainable sources of finance such as those that enabled the expansion of the BtR sector. The questions below are designed to stimulate discussion on some of the potential solutions to expanding provision of affordable PRS.

- Bringing empty homes back into use. What role can government-backed initiatives, such as underwriting affordable rents, or provision of grant, play in encouraging social enterprises and landlords to refurbish empty or underused homes? Are there scalable funding and partnership models that can incentivise refurbishing substandard or empty properties to a high standard? Could bonds issued by government or social enterprises enable the refurbishment and conversion of existing properties into affordable PRS units?
- Encourage institutional investment in affordable PRS. How can government encourage increased institutional investment in affordable PRS homes at scale? What can be learned from previous interventions in the PRS such as guarantee schemes, and are these applicable to the lower end of the PRS?
- Increase access to affordable finance. Should the charitable and third sectors be encouraged to create a loan scheme below the base rate, or with a balance of social impact and financial returns, balancing social impact with profit? How can this be structured to protect providers from interest rate volatility?

How can private landlords be incentivised to offer affordable PRS homes?

Many PRS homes are at risk of being sold off by landlords. For those that remain in the sector, it is essential that they set rents at or below LHA level, to avoid low-income tenants in receipt of housing support needing to top-up rent payments from their own funds. The following questions suggest ways that could help preserve the supply of affordable PRS homes that exist and incentivise landlords to keep rents low.

- **Mitigate financial risks:** Could government-backed rent insurance paid through local authorities reduce risks for landlords encouraging them to offer stable, affordable rents?
- **Support long-term leasing models:** What leasing models could attract landlords to provide affordable rents? For example, could long-term leasing agreements, guaranteeing landlords 80% of market rent over 10 years, incentivise participation to provide affordable housing?
- **Market-based approach.** If rents in England are to remain market driven, what market adjustments could be made to incentivise landlords to provide affordable rents?

How can the quality and sustainability of the PRS be improved?

PRS landlords currently face a number of requirements including growing pressure to increase quality, decency, upgrade to EPC C, as well as market pressures such as increased interest rates. Amidst these challenges, keeping rents affordable can be challenging. Germany's rising costs demonstrate that addressing systemic pressures on landlords is essential to maintaining affordability.

- **Upgrading homes:** How can PRS landlords offering affordable homes be supported to meet regulations around decency and energy efficiency?

How can the affordable PRS be kept affordable?

Many affordable PRS units are increasingly unaffordable, due to constraints on supply and LHA caps. The questions below examine some of the drivers of this challenge, and what can be done about it.

- **Rebase local housing allowance (LHA).** Regular rebasing of LHA to the 30th percentile of market rents would improve affordability for tenants and reduce pressures on homelessness services. How can the sector best make the case for this change to government?
- **Prevent price inflation in the PRS.** How can local authorities and other public and third sector organisations coordinate to avoid internal competition driving up rents, particularly where PRS stock is needed for temporary accommodation or asylum seekers?

How can the third sector lead systemic change?

The case studies in this report demonstrate the important role the third sector plays internationally in providing good quality affordable homes to renters by necessity. Further discussion is needed on if and how the sector should be more joined up and coordinated, and its role in driving systemic change.

- **Champion affordable PRS housing.** Should the third sector create a body to advocate for affordable PRS housing, to help influence housing policy? Could World Habitat take on this role or partner with another organisation?
- **Collaborate to provide wrap-around services.** How can local authorities and the third sector collaborate to provide additional tenant support services, such as health, employment, and financial literacy, through a sustainable financial model? Who should be responsible for funding these services?

What is the future role of the mediated market?

The mediated market plays an important role in housing renters by necessity, and others in need of affordable PRS accommodation. Further research is needed into the role of this sub-section of the PRS. Some questions to explore are below.

- **Expansion of the mediated sector.** Should the mediated sector, including schemes like those profiled in this report play a bigger role in the affordable PRS? What should the focus be for this sector – delivering long-term leasing models and working in partnership with landlords? Providing support to tenants in need? Acquiring homes and bringing them into the affordable section of the PRS?
- **Unintended consequences.** How can coordination be improved to prevent competition between public and third sector organisations from inadvertently driving up rents?
- **Distinguishing between the “mediated” market and housing related support.** Given recent challenges with exempt accommodation in the supported housing sector, what oversight or regulation needs to be put in place to ensure mediated providers deliver a good service?

Conclusion

This report began by highlighting the uneasy position of the private rented sector (PRS) within the English housing market—a position it is likely to maintain without meaningful intervention. This is concerning, as the PRS provides essential housing for low-income households and is likely to do so for the foreseeable future. While there are successful schemes supporting renters by necessity, significant challenges remain in scaling these efforts and further research should be conducted into the opportunity, alongside the potential for unintended consequences on the broader PRS.

The findings in this report aim to encourage further dialogue among industry experts, fostering collaboration to refine these insights and explore potential paths forward. This process could pave the way for partnerships and knowledge exchange, driving both additional research and practical solutions.

In the absence of a national affordable PRS strategy, grassroots initiatives and third sector-led efforts will likely play an ongoing role in addressing the needs of renters by necessity. By supporting both tenants and landlords, these initiatives have the potential to shape a PRS that delivers stable, affordable housing for those who need it most.

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