Draft Residential Tenancy (Jersey) Amendment Law 202-

Rent Stabilisation: Decision-making process for rent stabilisation metric

Introduction

This paper is intended to explain the decision-making process for proposed rent stabilisation measures, which are included as part of a package of amendments to the Residential Tenancy (Jersey) Law 2011 ("2011 Law") in the Draft Residential Tenancy (Jersey) Amendment Law 202- ("Draft Amendment Law").

The paper provides background and context to the proposed measures, explaining the policy development process, with a specific focus on metrics for annual rent increases within tenancies, and why the preferred rent stabilisation metric (RPI capped at 5%) was chosen (the "statutory limit").

Proposed measures

The Draft Amendment Law provides an opportunity to introduce a statutory safety-net to protect tenants from incidences of excessive, unreasonable, or unexpected rent increases that will enhance security of tenure and improve the experience of renters in Jersey, whilst allowing landlords to continue to realise a fair return on their investment.

The Draft Amendment Law contains rent stabilisation measures that will apply to rent increases within tenancies, and therefore rent-setting practice between tenancies will remain unaffected. The proposed measures will:

- limit rent increases to once per year.
- require a minimum 2 months' notice for a rent increase.
- cap the amount by which rent can increase in one go – Jersey Retail Prices Index ("RPI")[1] capped at 5%, which will be subject to exceptions and exemptions.

There will also be a provision to ensure that during rare periods of deflation, rents will not be expected to decrease and will instead remain at the rent level before the review period (i.e., if RPI was -1%, the rent increase will be 0%).

There will be a regulation-making power to enable the States Assembly to change the 5% statutory limit, should it be decided there is good reason to do so.

Exemptions from rent stabilisation measures will be possible for certain groups of landlords as follows:

- Social housing providers, if they have alternative rent stabilising measures agreed with the Minister for Housing ("the Minister").

[1] This index uses the most recently published All Items RPI percentage difference from the previous year, which is published on a quarterly basis. E.g., from March 2024 to March 2025, All Items RPI increased by 2.3%: Jersey Retail Prices Index December 2024

- Landlord-employers, if they deduct rent from tenant-employees' wages and the rent per week is increased to no more than the maximum amount specified in Article 3A(3) of the Employment (Minimum Wage) (Jersey) Order 2007.

Exceptions to the statutory limit (RPI capped at 5%) will be possible if:

- The landlord has invested in the property to the tenant's benefit, or
- The level of rent charged has fallen significantly below the market value.

Landlords will have the freedom to choose to set the rent above the statutory limit due to one of the above reasons but will need to give the tenant notice in writing of the rent increase 2 months before it is due, and with an explanation as to why the rent is being increased above the statutory limit.

Tenants will be able to dispute the legitimacy of rent increases at an independent Rent Tribunal within 2 months and 2 weeks[2] of a rent increase notification.

Jersey's rent stabilisation history

Rent stabilisation is not new to Jersey. The Dwelling-Houses (Rent Control) (Jersey) Law 1946 ("1946 Law") introduced a Rent Control Tribunal to adjudicate on rent increases of certain rented properties. The 1946 Law allowed either the Minister for Housing, or the respective tenant or landlord to apply to the Rent Control Tribunal to allow it to *"approve the rent payable under the contract or reduce or increase it to such a sum as the tribunal may, in all the circumstances think reasonable"*[3].

In 1993, Dwelling-Houses (Rent Control) (Standard Tenancy Agreement) (Jersey) Regulations 1993 (the "1993 regulations") were introduced that exempts parties to contracts that fall under the 1946 Law from applying to the Rent Control Tribunal if their contract conforms to a standard tenancy agreement[4]. This standard tenancy agreement specified the most recent quarterly RPI statistics as the annual rent increase metric, and this is now a widely adopted metric for rent increases in Jersey.

However, the Rent Control Tribunal has not sat since 2008. A previous attempt to re-appoint the Rent Control Tribunal in 2022/23, under the Dwelling-Houses (Rent Control) (Jersey) Law (1946), failed to progress through the States Assembly due to concerns with the dated legislation. Tribunals in Jersey have been modernised in recent years and the 1946 Law is misaligned with the 2011 Law (and Draft Amendment Law), which risks creating operational challenges if the Rent Control Tribunal were reintroduced.

Therefore, the 1946 Law and its secondary legislation will be repealed on commencement of the Draft Amendment Law. The Draft Amendment Law is considered the most effective legislative means through which to reintroduce rent stabilisation to Jersey.

[2] Rent increase notifications should begin 2 months before a rent increase is due to start, and a further 2 weeks is provided to allow for instances where the rent increase takes effect, and the tenant had not realised. Only in exceptional circumstances approved by the Rent tribunal chair may a later deadline be accepted. This is to prevent tenants from contesting historic rent increases.
[3] Dwelling-Houses (Rent Control) (Jersey) Law 1946 Article 4(2)
[4] Dwelling-Houses (Rent Control) (Standard Tenancy Agreement) (Jersey) Regulations 1993

Policy context

The proposed measures to stabilise rent increases support the Council of Minister's Common Strategic Policy (2024-2026) priority to 'provide more affordable homes for Islanders and more confidence in the rented sector'[5].

The Fiscal Policy Panel's Housing Market Review (2024) shows that housing affordability is most challenging in the private rented sector, with qualified renters spending 37% of their net median income on rent. Over recent years, rents have risen faster than inflation and earnings[6]. Indeed, from 2015 to 2022 the Average Earnings Index ("AEI") grew by 23%, whilst the Private Rental Sector Index ("PRSI") grew 43%.

The public consultation on reforms to the 2011 Law – conducted in 2023 – indicated that tenant respondents were concerned by the high cost of rents and by the extent of unjustified rent increases for properties in poor condition, along with limited notice for rent increases[7]. The Jersey Opinion and Lifestyle Survey Report (2024) reported that half of adults living in rented properties felt they had a significant rent increase in the last three years, and of those adults, 64% reported finding it difficult to meet the cost of their housing.

It is clear from this data that rents are challenging for tenants to meet. Whilst the rent stabilisation measures may only have a modest impact on rent levels, they will provide tenants with certainty and assurance as to how their rents will increase, promoting forward planning and enhancing security of tenure. Having a means to contest a rent increase via the Rent Tribunal will also provide tenants with further certainty that they will be protected from unlawful rent increases.

In April 2023, the former Minister for Housing and Communities Deputy David Warr published a White Paper which set out proposals for improving residential tenancies in Jersey. The proposals included introducing controls on in-tenancy rent increases.

The paper articulated three types of rent control:

- First Generation:
    - Places restrictions on the level of rents across the whole rental sector through setting a pre-determined rent ceiling that rents cannot exceed.
- Second Generation:
    - Allows for some restricted increase in rents to allow for factors such as investment and inflation.
- Third Generation:
    - Places restrictions on the change in rents within tenancy agreements, but not between them.

The White Paper proposed a 'third generation' style of rent control as being most appropriate for Jersey, which would still afford landlords and tenants full autonomy to agree on an initial rent at the outset of a tenancy agreement. This third generation of rent control is often called rent stabilisation.

[5] *p.21-2024.pdf (gov.je) p.8
[6] Jersey's Fiscal Policy Panel Housing Market Review.pdf See figure 3.3, p.22.
[7] Findings Report on Improving Residential Tenancies in Jersey - Residential Tenancy Law Reform proposals.pdf

Rent stabilisation policy development process

Policy development was led by the Strategic Housing and Regeneration (SHR) team, with the support of the Economics Unit, both in developing an appropriate approach to options assessment and evaluation, and the provision of economic advice.

Approach to policy development

Policy development for rent stabilisation was undertaken in three stages:

- Stage 1: Evaluating long list of options
- Stage 2: Evaluating shortlisted options
- Stage 3: Law drafting instructions for rent stabilisation developed; stakeholder engagement on revised proposals and Draft Amendment Law finalised and lodged.

Table 1 gives a high-level overview of the timeline of policy development at its key stages.

This paper will focus on explaining the stage one and stage two assessments from Q1 2024 to Q3 2024, which focused on deciding the rent increase metric used within the rent stabilisation measures (i.e., the statutory limit).

Between stages one and two, the Minister shortlisted three options and the Economics Unit offered advice as to which of these options would be preferable from an economic perspective.

During the stakeholder consultation on revised proposals in stage 3, various internal and external expert stakeholder groups were briefed on the proposals and offered the opportunity to give feedback. As a result, there were some minor changes to the rent stabilisation proposals before they were finalised.

Timeline	Stage
Q1 2023	Research and development
Q2 2023	White paper published; Public consultation
Q3 2023 to Q1 2024	Review of consultation responses
Q1 2024 to Q2 2024	Stage one: evaluating long list of options
Q3 2024	Stage two: evaluating shortlisted options
Q3 2024 to Q4 2024	Stage three: Law drafting instructions for rent stabilisation developed
Q4 2024 to Q1 2025	Stakeholder consultation on revised proposals
Q1 2025	Draft Amendment Law finalised and lodged

Table 1: Timeline of rent stabilisation measures policy development stages.

Stage one assessments: Evaluating long list of options

Cross-jurisdiction review

The stage one assessment began with a cross-jurisdiction review of rent stabilisation measures (see Appendix 2 for summary table).

The cross-jurisdiction review included all four UK jurisdictions (despite not all having rent stabilisation measures) and a number of OECD European jurisdictions, which were selected due to the presence of second or third generation rent stabilisation measures in their legislation and their geopolitical and sociocultural comparability to Jersey:

- Norway
- Belgium
- Germany
- Luxembourg
- Ireland
- Poland
- Spain
- Switzerland

The review compared the severity (or, "generation") of rent control, the index/regulatory measure used, the minimum time required after the previous rent review, minimum notice required and whether there was alternative dispute resolution (ADR) available (such as a Tribunal).

Indices for rent stabilisation vary across jurisdictions. The majority make use of an inflation-based index in their calculations (CPI, HICP, RPI). At least 30% used multiple indexing measures depending on contract types and other variables. Scotland and Spain's caps at 2 to 3% of the rental value were put in place as short-term measures in response to the cost-of-living crisis. Basing rent increases on comparable properties in the market was used in two jurisdictions, and it is recognised such approach requires monitoring market rates and establishing a method of determining comparability. Some jurisdictions had specific measures for high-rent/high-demand areas.

Most jurisdictions set the minimum time after the previous fixing of rent at one year. Minimum notice generally varies between one to three months, with most requiring three months' notice. This offers tenants security and time to establish whether they can meet the rental increase, or whether they need to dispute the rent increase, or seek an alternative and more affordable property.

Most jurisdictions offered ADR for rental disputes, usually in the form of a dedicated tribunal, or similar.

Initial risk assessment

An initial assessment of the potential risks surrounding rent stabilisation was undertaken and included consideration of potential ways to mitigate such risks (see Table 2). A key purpose of this exercise was to ensure that the consideration and management of unintended consequences remained at the forefront of policy development.

Potential Risk	Risk Mitigation
Landlords may see rent stabilisation measures as the 'last straw' following mounting regulatory and financial pressures, causing them to leave the market and a subsequent shortage or mismatch of properties in the PRS.	Rent stabilisation options should be accompanied by flexibility – landlords should be able to raise rents above the statutory limit, when reasonable and justified.
If landlords feel permitted rent increase ceilings are too low, they may pre-emptively set their initial rents higher, driving up rent levels in the PRS.	Rent stabilisation should be proportionate and reflective of common best practices in the current PRS market.
The introduction of rent stabilisation measures may cause landlords to prefer fixed term tenancies as an easy way to reset to market value regularly[8].	Any rent stabilisation option chosen should include the ability for landlords to reset rent to market value after a certain period. Proposals for tenancy types should permit a landlord to reset rents that have fallen behind the market.
If a rent increase cap is introduced, there is a behavioural risk that previously reasonable landlords may increase rents to the maximum allowed due to a perceived shift in the regulatory environment[9].	Landlords can still choose not to increase rents or offer smaller increases, below RPI / the statutory ceiling. Good communication to ensure landlords understand that they can reset to the market (e.g., as described above) might also offer reassurance and reduce this risk. This risk promotes the need for careful consideration of rent stabilisation options that would allow for rent increases significantly above average rates of inflation (e.g. 10%). Industry engagement is necessary to ensure stakeholders are aware of and understand possible measures.

Table 2: potential risks of introducing rent stabilisation and possible mitigation measures. See the Residential Tenancy Law Findings Report (2024) for potential risks highlighted during the consultation[10].

Critical Success Factors: RAG analysis

During Stage 1 assessments, policy critical success factors (CSFs) were identified to help assess options, and options were RAG-rated based on these CSFs.

The stage one assessments were grouped into 4 parts, which signify the development of policy thinking throughout the process:

- Part A: Not putting rent stabilisation measures into legislation?
- Part B: Legislating for annual rent increases limited to RPI?
- Part C: Using other indexing limits?
- Part D: Introducing a "whichever is lower" clause?

It was initially considered whether it was necessary to put rent stabilisation measures into legislation – a "do nothing" approach was explored, as was managing disputes via a tribunal in a similar way to the 1946 Law. RPI was then considered as a rent increase limit option, given its known prevalence in tenancy agreements and the historic precedent from the 1993

[8] https://statesassembly.gov.je/assemblyreports/2015/r.87-2015.pdf p.26
[9] However, it is noted that landlords are typically more reluctant to increase rents on sitting tenants due to the risk of losing good tenants.
[10] RTL Findings report (Final) 22 April 2024.pdf (gov.je) C2. Rent Controls pp.49-54.

regulations for a standard tenancy agreement (and it being a feature in the Government of Jersey model tenancy agreement[11]). Other indexing limits and using the lower of RPI or another metric were also evaluated.

In total, nine options were presented for ministerial consideration:

- **Option "Zero"**: Do nothing (counterfactual[12])
- **Option "0.5"**: Annual rent increases not set out in primary legislation, but disputes are deferred to the Rent Tribunal
- **Option 1**: Annual rent increase limit set at RPI
- **Option 2**: Annual rent increase limit set at RPI(X)
- **Option 3**: Annual rent increase limit set at AEI
- **Option 4**: Annual rent increase limit set at RPI 3-year average
- **Option 5**: Annual rent increase limit set at RPI or AEI, whichever is lower
- **Option 6**: Annual rent increase limit set at RPI or RPI 3-year average, whichever is lower
- **Option 7**: Annual rent increase limit set at RPI capped at 5%

Analysis of options 1 to 7 involved the production of graphs containing historic data of indexing percentages from 2000 to 2023, to provide an indication of the potential impact of the options (if only a retrospective view). This analysis has been provided at **Appendix 1**. This supported option analysis in terms of longevity and ability to meet the critical success factors. It was decided that 20+ years of quarterly historic data was more robust than two to five years of future projections[13].

The following CSFs were used to support the assessment of the options:

1. How well the option sits in the current market (e.g., common rent increase practices)
2. How well the option balances the wants and needs of stakeholders
3. How well the option protects tenants from extreme or unmanageable rent increases
4. How well the option is likely to minimise unintended consequences
5. How well the option is likely to perform over time (e.g., stability/longevity factors)
6. How well the option fits with proposed tenancy types

Table 3 presents a high-level 'RAG' analysis of the options, based on performance against CSFs, to summarise the potential benefits and possible drawbacks of each option, as a visual comparator.[14].

In the analysis, 'green' indicates that it was considered 'highly likely' for the option to meet the CSF; 'amber' means the likelihood of meeting the CSF is 'mixed/ambiguous'; 'red'

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[11] See clause 5.4.
[12] This counterfactual is useful to explore what would happen if we did not introduce rent stabilisation measures and allowed current practices in the market to continue as they are without Government intervention.
[13] FPP economic assumptions spring 2024: The Fiscal Policy Panel reports quarterly year-on-year forecasts for RPI and RPI(X) for two years in advance (see Annex 2 of spring 2024 report) and annual forecasts of various indices including RPI and average earnings up to 5 years in advance (see Annex 1 of spring 2024 report). These assumptions are based on the current economic context, which influences how each index is projected to trend – therefore, historic data was considered a more balanced depiction of each index.
[14] It is noted that, by their nature, CSF ratings are often based on subjective judgement rather than objective or definitive understanding, and it is therefore possible that the CSFs and scores can carry different sentiment depending on the individual assessing them.

means that it is 'highly unlikely' that the option would meet the CSF; 'grey' identifies the CSF as 'inapplicable' to the option.

The colours represent a rating (red=-1, amber=0, grey=0, green=1), and the options were given a score based on this tally.

As shown in Table 3, option 7 (RPI capped at 5%) performed the best out of the options with a score of 5, followed by option 1 (RPI), option 2 (RPI(X)) and option 4 (RPI 3-year average) with a score of 3.

Option	CSF 1	CSF 2	CSF 3	CSF 4	CSF 5	CSF 6	Score
Zero	1	0	-1	1	0	0	1
0.5	1	0	0	0	0	0	1
1	1	1	0	0	0	1	3
2	0	0	1	0	1	1	3
3	0	0	0	0	0	1	1
4	0	1	0	0	1	1	3
5	0	0	1	0	0	1	2
6	0	0	1	0	0	1	2
7	1	1	1	0	1	1	5

Table 3: CSFs red, amber, and green analysis (RAG), where red = -1, amber=0, green=1, grey=0

It is noted that RPI had been recommended as a preferrable rent stabilisation option by the Chief Economic Advisor during early stages of policy development, who also noted an interest in including a percentage cap (such as 5%) on RPI to protect tenants in times of high inflation.

Policy officers recommended the Minister pursue either **option 7** (RPI capped at 5%), due to its promising ability to meet 5 out of 6 CSFs, or **option 1** (RPI), which was favoured over options 2 and 4 which also scored 3 as it is more likely to sit well within the current market (i.e., is known to be a commonly used rent increase method in tenancy agreements in Jersey).

At the end of this stage, the Minister decided to shortlist:

- **Option 4**: 3-year average of RPI
- **Option 5**: RPI or AEI, whichever is lower
- **Option 7**: RPI capped at 5%

The Minister maintained interest in **option 1** (RPI) as a potential option for further consideration in light of the performance of his initial shortlisted options upon their further analysis.

Stage two assessments: evaluating shortlisted options

Economic advice

Between stages one and two, the Economics Unit offered formal advice as to which shortlisted option should be progressed from an economic perspective. Key points raised by the Economics Unit included:

- Due to an absence of data on rental prices, it isn't possible for the Economics Unit to produce an economic impact assessment or to produce meaningful modelling or quantitative assessment. Instead, the Economics Unit has drawn from existing and relevant analysis and evidence to produce a qualitative assessment.

- Rent stabilisation needs to be fair to both landlords and tenants and minimise unintended consequences. This means it would be best to use an existing and relevant index for the cap, and an index produced by a well-regarded and independent body such as Statistics Jersey. This removes any suggestion of bias and also any administrative burden associated with creating and maintaining a new index/cap.
- Fairness to tenants suggests rent increases could be limited by average price rises (inflation) and/or average earnings (which could be a proxy for affordability).
- Fairness to landlords means that landlords should get a fair return for their investment in providing a decent home for rent (noting that the register of rental properties will ensure homes to rent are of a decent standard). A fair return implies that annual increases should reflect the change in costs of servicing any loan against the property and any change in the costs associated with maintaining the property in a good condition. RPI is a measure of both.
- Third generation rent controls pegged to the lower of average earnings and RPI are recommended (**option 5**) from an economic perspective.

Approach

To further analyse the shortlisted options, a second RAG analysis was undertaken of revised CSFs. Additionally, historic data and model scenarios of the options were evaluated, and further consideration was given to how the options would work in practice. This was reviewed by Statistics Jersey.

Revised CSFs: RAG analysis

In revisiting a RAG analysis specifically for the shortlisted options (Table 4), the CSFs from stage one were revised following further considerations and to include assessment of each option's alignment with economic advice, ease of implementation, and law drafting.

The amended CSFs were as follows:

1. How well the option aligns with common rent increase practices in the market
2. How well the option balances the wants and needs of stakeholders[15]
3. How well the option protects tenants from extreme or unmanageable rent increases
4. How well the option is likely to minimise unintended consequences
5. How well the option aligns with economic advice
6. How easily the option is likely to be drafted into Law
7. How easily the option is likely to be implemented

This second stage of assessment allowed officers to be more assertive in the evaluation of options, resulting in some change to the analysis, for example, leading to a less positive evaluation where there was a lack of certainty.

[15] It is recognised that an option's ability to balance the wants and needs of stakeholders is highly subjective – therefore this CSF was based on the assessment of whether the option is likely to meet the policy intent of protecting tenants from unmanageable rent increases whilst allowing landlords to continue to realise a stable return.

It is again emphasised that it is recognised there is subjectivity in the CSF RAG rating and hence it was used to help narrow options and provide some summary of performance but was not solely relied upon for decision-making.

Option	CSF 1	CSF 2	CSF 3	CSF 4	CSF 5	CSF 6	CSF 7	Score
4: RPI 3-year average	-1	1	-1	-1	-1	1	0	-2
5: Lower of RPI/AEI	-1	1	0	0	1	0	-1	0
7: RPI capped at 5%	0	1	1	0	-1	0	1	2

Table 4: revised RAG analysis, where red=-1, amber=0, green=1

Historic data comparison

Historic data was used to comparatively demonstrate the retrospective performance of the shortlisted options, which was presented against the historic RPI trend (see figure 1). This helped to visualise how closely the indexing options would have aligned to inflation over time.

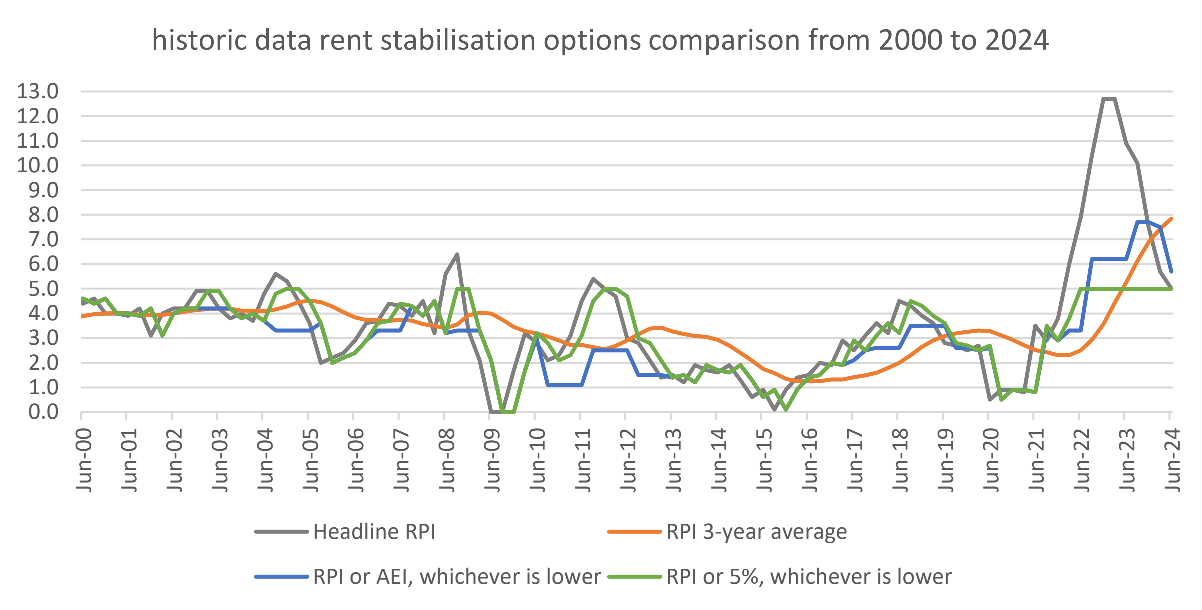

Figure 1: Line graph showing a comparison of historic data representative of the shortlisted rent increase index options[16] (Source: Open Data records from June 1997 to June 2024[17])

In the historic data comparison, **option 4 (RPI 3-year average)** presents as most consistent, with less volatile changes in rent increases. Although this option would 'mellow out' spikes in inflation, it would include above inflation increases some years following periods of higher

[16] The historic data comparison used the previous quarter's RPI statistic and the previous June's AEI statistic, as actual quarterly RPI data is collected in the two weeks up to and including the 15th of the month at quarter end (e.g., June), and figures are typically published five weeks later, and AEI data is collected in June, with figures published annually at the end of the third week of August. It was also noted that due to the statutory requirement for there to be 2 months' notice, it would make sense to use the previous quarter's RPI statistic.

[17] RPI: [Inflation (RPI, RPIX, RPI pensioners, RPI low income) - Jersey RPI and RPIX percentage change and index numbers - Government of Jersey Open Data]; AEI: [Average Earnings Index - Real terms index of average earnings - Government of Jersey Open Data]

RPI, which may not be received well by tenants, nor support the policy intent of protecting tenants from unmanageable rent increases. Whilst landlords' earnings could be compromised during periods of higher inflation, landlords would be able to account for this during years that rent increase limits exceed inflation.

Option 5 (lowest of RPI/AEI) does not exceed RPI at any point, although in periods of higher inflation, it would allow rent increases to rise fairly significantly to a point that may be unmanageable for some tenants (up to 7.7% in September and December 2023, and 7.5% in March 2024, as shown in Figure 1). It could be argued that as this follows average earnings, it should not be challenging for tenants to meet. Practically however, this may not be the case as average earnings are not necessarily reflective of individual circumstances, although Statistics Jersey colleagues have noted that no index used will be equitable for all people.

Option 7 (RPI capped at 5%) presents rent increases as closely following RPI, rarely and briefly dipping below RPI when it exceeds 5%, with the particular exception of the recent period of high inflation from March 2022 to June 2024, where it caps rent increases at 5% consistently, which would meet the policy intent of protecting tenants from unmanageable rent increases.

Model scenarios

Model scenarios for rent increases were provided to help visualise how the options could work in practice, using the Fiscal Policy Panel's economic assumptions as to how the indices may trend in future years when applied as an annual rent increase. The scenarios were for illustrative purposes only and are not to be treated as an official projection for rent increases. It is noted that the outcomes of these scenarios depend on the percentage by which the rent increases each year, which is highly context specific, i.e., the scenarios presented in table 5 and figure 2 respond to the period of high inflation preceding 2024, with inflation projected to be low for the following four years[18].

These model scenarios are based on a tenancy agreement beginning in August 2023 with an initial rent of £1800 per month, assuming rent increases occur annually based on data available from June of each year (as 2 months' notice is required). The annual rent increases use the maximum amount that would be allowed in law based on the formula for each option. The scenarios do not consider exceptions to the statutory limit, or rents being reset in between tenancies, which would be impossible to model due to being entirely unique to individual circumstances.

Year	2024	2025	2026	2027	2028
Option 4: RPI 3-year average	7.8%	7.6%	4.6%	2.3%	1.8%
Option 5: RPI or AEI, whichever is lower	5.7%	1.7%	1.7%	2.0%	2.2%
Option 7: RPI or 5%, whichever is lower	5.0%	1.7%	1.7%	2.0%	2.2%

Table 5: This table shows the annual rent increase (%) for each option, based on Statistics Jersey data[19], and FPP projections to 2028[20].

[18] See Rent stabilisation options scenarios .xlsx for the data used for this modelling.
[19] RPI: R Latest RPI 20180518 SJ.pdf (gov.je) ; AEI: R Average Earnings June 2023 20230825 SJ.pdf (gov.je) p.12.
[20] Economic assumptions (gov.je) Annex 1: Spring 2024 Forecast, p.5

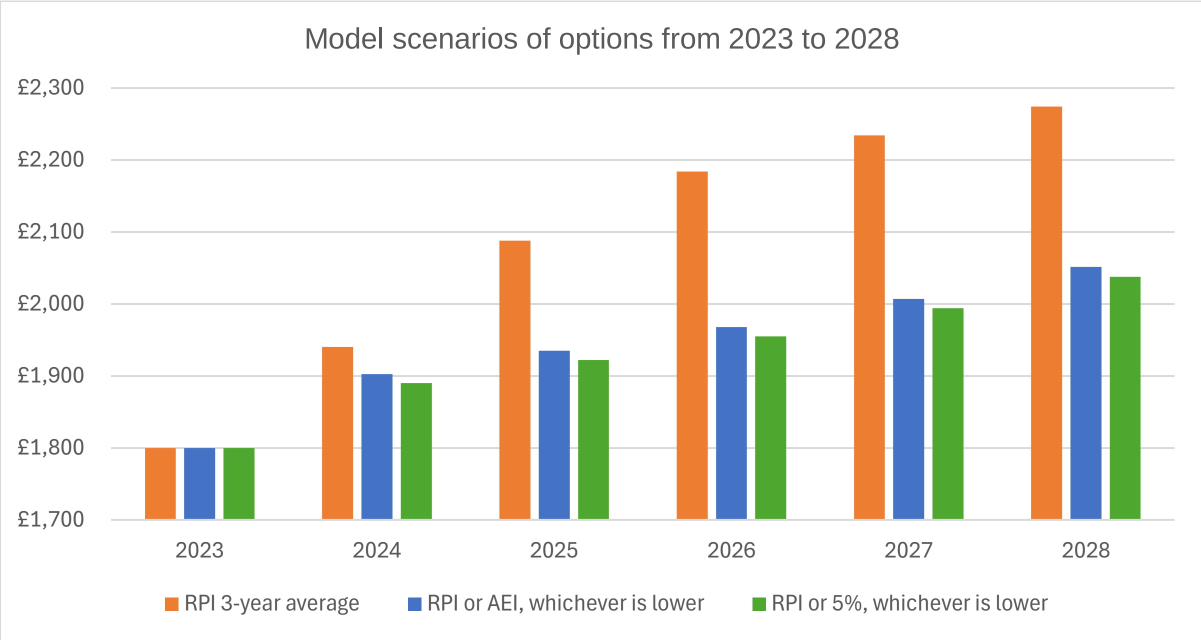

Figure 2: Clustered bar graph showing scenarios of maximum annual rent increase options as projected from 2023 to 2028, with a starting rent of £1800/pm.

The model scenarios show how a period of high inflation can be felt for some time following the formula of **option 4**. Indeed, it shows the rent increase limit for 2024 and 2025 as 7.8% and 7.6% respectively, which would likely be challenging for tenants to meet, and be at odds with current inflation levels. If tenants are unable to appeal a high rent increase that is lawful due to being a result of the statutory limit, they may feel they have no choice but to give notice or face financial hardship, which undermines tenants' security of tenure - a key policy objective of the proposed legislative changes.

Option 5 would likely produce manageable maximum rent increases between 2024 and 2028, producing marginally higher rent increases overall than **option 7**.

The model scenarios show the benefits of **option 7**: landlords are offered more certainty about their future income and tenants can have certainty that rent increases will not be more than 5% (unless due to exceptional circumstances set out in law, which tenants will be able to dispute at the Rent Tribunal), allowing them to plan for whether they are willing/able to pay for a rent increase of up to this amount. In the projected scenarios, **option 7** results in the lowest rents of the three options, whilst still producing consistent annual rent increases, which would allow landlords to realise a stable return.

Practical analysis of shortlisted options

The stage two assessments placed an emphasis on practical considerations, to help understand how the measure might be realistically implemented. These practical considerations included:

- Rent Tribunal demand
- Stakeholder responses
- Likelihood of indices to fit current rent increase practices
- Advice on drafting options into Law

- Implementation

Rent Tribunal demand

It was noted that decisions on the indexing limit should have regard for potential caseload generated to the Rent Tribunal. This will impact the business case for the Rent Tribunal and the Rent Tribunal's capacity. The following issues were considered likely to generate an increased caseload:

- An indexing limit that the industry considers to be a significant departure from current practices.
- An indexing limit that sets the allowed rent increase limit for a long period of time (i.e., whilst inflation rises or falls significantly in the meantime)[21].
- An indexing limit that does not allow landlords to realise a stable return investment (noting that landlords will have the ability to raise rents above the indexing limits if they have fallen significantly behind market rates or if the property has been improved to the tenant's benefit).

Stakeholder responses

The RTL Consultation Findings Report[22] section on Rent Controls provides insight as to the different indices that stakeholders were currently making use of or had referred to in their responses.

The White Paper had identified RPI as a proposed index, noting that further consideration was intended to be given to adopting a more nuanced approach – such as averaging annual RPI changes and/or using additional index measures – to specifically help during times of high inflation. The use of Average Earnings was stated as an option under consideration, whilst a 'cap' on RPI was suggested, but an amount not indicated.

Generally, RPI was the most cited rent increase amount by respondents. This was likely influenced by the White Paper's focus on RPI as an option and existing market practice. Average earnings were also referenced in the White Paper and noted as an index that could be used by a small number of respondents.

Some respondents were interested in rent increases at a percentage of rental value (mainly cited at 5%), despite not having been primed to consider this. This indicates some natural appetite for this across some stakeholders, or experience of this index in their own tenancy agreements.

In March 2024, the Jersey Estate Agents Association (JEAA) were asked to disseminate a small number of questions to their member-base to gain a greater understanding of common terms in tenancy agreements in Jersey. The JEAA were approached because estate agencies represent multiple landlords. The question asked in relation to rent increases was: *What are the most common forms of in-tenancy rent increases set out in tenancy agreements?*

[21] Indexes that are produced annually (rather than quarterly) are specifically at risk of this.
[22] Findings Report on Improving Residential Tenancies in Jersey - Residential Tenancy Law Reform proposals.pdf (gov.je) pp.49-54

Representatives of four estate agencies responded directly to SHR officers, offering qualitative data reflective of the lease agreements of hundreds of properties collectively. All respondents stated that RPI factored into their in-tenancy rent increases, with some noting that many of their landlords have chosen to be sympathetic to tenants and raise rents much lower than RPI since the Covid-19 pandemic and cost-of-living crisis.

Likelihood of indices to fit current rent increase practices

As previously highlighted, RPI is considered the most common rent increase limit currently used in tenancy agreements, with legislative precedent in the 1993 regulations and non-statutory precedent in the Government of Jersey's model tenancy agreement.

Whilst RPI is known to be the most common rent increase limit used in tenancy agreements, there is evidence that some landlords raise rents below RPI during periods of high inflation.

As part of the Government of Jersey's Mini-Budget in 2022, private sector landlords and estate agents were encouraged to avoid inflationary rental increases in the short-term[23]. The White Paper notes that in the year preceding its publication, calculations contained within RPI indicate a rental cost increase of 1.4%, substantially below headline rates of inflation (12.7% in December 2022 and March 2023). Conversely, advertised rental prices showed a potential increase in rental prices of 10% (closer to the above-mentioned headline rates of inflation). The paper summarised that 'given that RPI measures true cost rather than advertised price, it is reasonable to suggest that, in general, landlords appear to have shown restraint in increasing rents.'

Anecdotal evidence supports the assumption that some landlords have shown restraint when increasing rents during periods of high inflation, with responses to the RTL Consultation indicating this. As explained above, engagement with the JEAA and through engagement with the Jersey Landlords Association, it has been indicated that some landlords raise rents below RPI during times of high inflation despite it being a common feature of tenancy agreements. SHR officers understand that other estate agencies use the lower of RPI or 5% in their tenancy agreements, which also caps rent increases in times of high inflation and would be consistent with **option 7**.

Advice on drafting options into Law

Following advice from the Economics Unit that if the decision to introduce a cap on RPI was progressed, the law should include flexibility for the cap to be reviewed to futureproof in case of periods of high inflation, it has been assessed through engagement with the Law Drafting Office (LDO)that including a fixed percentage is not a barrier to law drafting[24]. This flexibility added to the attractiveness of **option 7**.

Drafting **option 4** or **option 5** into law was considered viable, but the options are restricted in their scope for change/futureproofing, save from drafting for the ability to introduce a 'cap' by regulations or order to protect tenants during periods of high inflation, which would be a

[23] R Tenant and Landlord Rights Law Reform.pdf (gov.je) p.33
[24] This recommendation has been taken forward as the regulation-making power for the States Assembly to revise the 5% cap on RPI.

version of the "triple lock" approach to rent stabilisation that has been denounced as 'too complicated' by economist Professor Christine Whitehead[25].

LDO also expressed some concern around drafting **option 5** into legislation. Whilst AEI exists in legislation in the Social Security (Jersey) Law 1974[26] ("1974 Law"), the 1974 Law assesses whether RPI or AEI is lower at the same time every year (in October). As rents can be increased any time of the year, greater discrepancies can arise between the most recent RPI and AEI figures.

Implementation

Three possible ways of implementing **option 4** (RPI 3-year average) were explored:

> 4.a. Statistics Jersey to release the previous three-year average RPI with each quarterly RPI report published [27]. Estate agencies and private landlords would need to view this to determine the appropriate rent increase within that quarter.
>
> 4.b. Government to publish a quarterly rent increase announcement, revised every quarter when new RPI statistics are published. Estate agencies and private landlords would refer to this figure before implementing rent increases. This would be easily accessible for all stakeholders, including tenants.
>
> 4.c. Estate agencies and landlords work out the previous three-year average RPI themselves. This variation could be more prone to inaccuracies or different interpretations, which could result in (unintentional) breaches of law. This would be a higher risk to vulnerable tenants and landlords. This variation was not recommended.

It was also noted that this option is highly misaligned with current rental practices, and its introduction was considered less likely to be well received by stakeholders. Unintended consequences are an important consideration of the smoothness of practical implementation. Therefore, progressing this option was not recommended.

Option 5 (RPI or AEI, whichever is lower) was considered more challenging from a practical perspective, as RPI is published quarterly, and AEI is published annually[28]. In recommending this option, the Economics Unit recognised scope for disagreement and potential for confusion around this.

To avoid this, they suggested using latest June data, noting that this is not published until July (RPI) and August (AEI). It is noted that Jersey's annual pension uprating is also taken from RPI and AEI. As this recalculation takes place on 1 October annually, it was considered sensible to align to this. Therefore, the following possible implementation method would be proposed for this option:

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[25] Independent-Review-of-the-UKs-Private-Rented-Housing-Sector.pdf (labourhousing.org) p.50
[26] Schedule 1, Part 1A- Rates of Old Age Pension, Paragraphs 1 and 2.
[27] Statistics Jersey colleagues have suggested that if this option was pursued and a law implemented, they would be able to publish the figure within the quarterly RPI publication.
[28] Statistics Jersey have an ambition to introduce quarterly average earnings reports, however due to budget reductions, a timescale on the introduction of this is not possible, therefore considerations in the paper reflect the current publication routine. Note that if quarterly AEI reports were introduced, it is likely that there would be a 4-month difference between the figures being recorded and published (i.e., June figures would be published in October).

5.a. Government of Jersey publishes a rent increase limit announcement annually in the first week of October, using the lower of the most recent RPI and AEI statistics**.** Estate agents and private landlords would then use this figure for rent increase caps across all tenancies until the next rent increase announcement in the following year.

As the RPI and AEI statistics would already have been published for a number of months, it was noted that some stakeholders may 'forward plan'. This could have mixed implications, e.g., resulting in tenants pre-emptively serving notice before the next annual rent increase cap is published (despite estate agencies and landlords potentially raising rents below this ceiling).

Producing a rent increase limit annually would also reduce flexibility as rents are otherwise increased according to the date of the individual tenancy agreement with two months advance notice. Two months' notice works well with a quarterly index and landlords currently enjoy an ability to tactically delay a rent increase until the next quarterly index is published, enhancing their autonomy. An annual rent increase announcement would reduce this autonomy.

Indeed, as the annual rent increase limit becomes outdated in anticipation of the next release (especially once relevant statistics are published), this could result in more demand placed on the Rent Tribunal.

It was noted that if the Minister decided to progress this option, further policy work would be required to ensure unintended consequences were managed as far as possible.

In considering **option 7** (RPI capped at 5%) two possible ways of implementing this metric were explored:

7.a. Estate agencies and private landlords review the quarterly RPI statistic most recently published by Statistics Jersey to determine whether it is lower than 5%. This is not dissimilar from current practices and would not incur further administrative burden for some landlords.

7.b. Government publishes a rent increase limit announcement (the lower of RPI or 5%) to be revised every quarter once RPI statistics are published. Estate agencies and private landlords would refer to this policy to implement rent increases. This would be easily accessible for all stakeholders.

Both implementation routes 7.a. and 7.b. align with current practices and are not overly burdensome on Government officers or stakeholders.

This option was therefore considered likely to be the easiest option to implement.

Arriving at RPI capped at 5%

Option 7 (RPI capped at 5%) was recommended as it performed consistently well across the evaluative process. The Minister confirmed that this option was his preference.

RPI capped at 5% ensures affordability for tenants. The 5% cap protects tenants from unmanageable rent increases, which no other option was able to do in periods of high inflation. It avoids above-inflation increases, which other options – such as an average of RPI (**option 4**) – would not do.

The exceptions to the statutory limit allow landlords to be recompensed fairly if they invest in their properties to the tenant's benefit, or if their property's rent is significantly below its market value, which will mitigate the possibility of landlords underinvesting in their properties, which is a risk that rent stabilisation measures without this additional flexibility can carry.

Figure 3 shows that over the recorded period of quarterly RPI data in Jersey (36 years to date), RPI has rarely and briefly exceeded 5%, averaging 4.1% overall. There was a period of high inflation between March 1989 and March 1993 where RPI averaged 7.8%, and Jersey recently experienced a period of high inflation between March 2022 and March 2024, where RPI averaged 9.3%. Aside from those two high inflationary periods, RPI has never exceeded 5% for more than two quarters at a time, three times in total (averaging no more than 6% during those times).

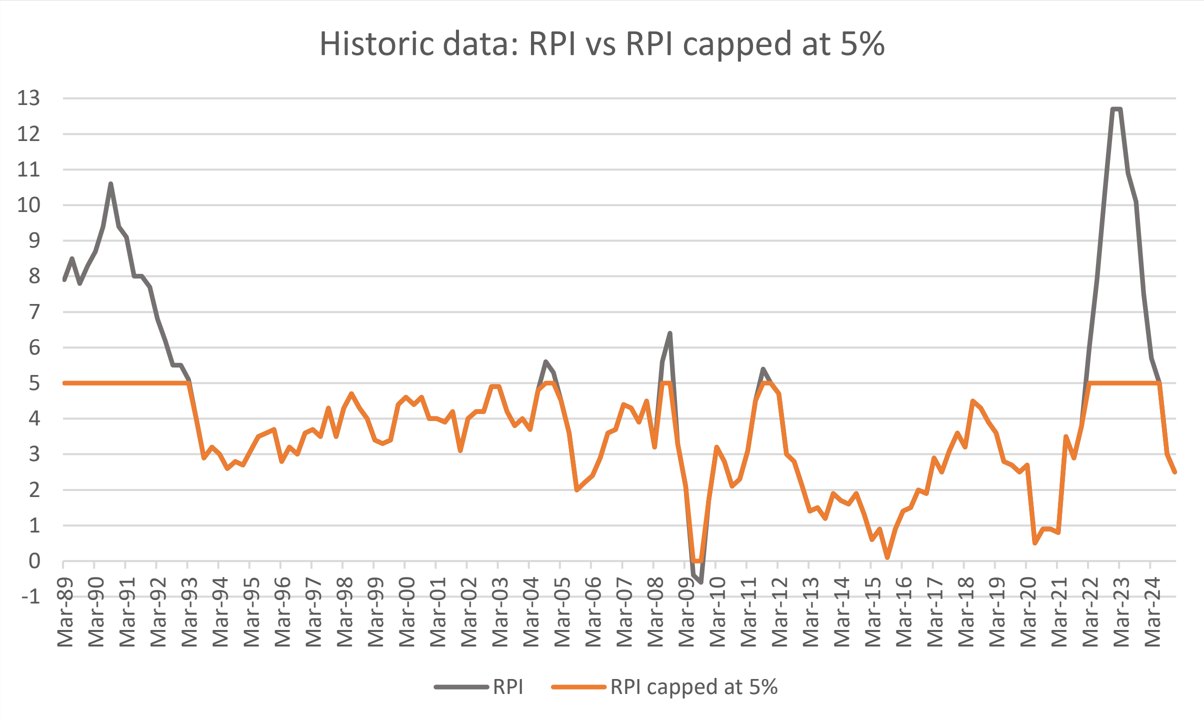

Figure 3: This line graph shows the quarterly year-on-year percentage increases of RPI versus RPI capped at 5% from March 1989[29] to December 2024 (source: Open Data[30])

It is known that RPI is a widely used rent increase metric in tenancy agreements in Jersey, but a statutory limit at RPI alone does not protect tenants from unmanageable rent increases, which is one of the core policy objectives of the rent stabilisation provisions in the Draft Amendment Law. There is also some evidence that RPI capped at 5% features in some tenancy agreements in Jersey, and anecdotal accounts of rents that would normally increase by RPI on an annual basis being capped at a lower figure during periods of high inflation. Therefore, it is deduced that there is some natural appetite for this indexing measure in Jersey, and the implementation of this measure should have very little impact on existing best practice. However, it will serve the purpose of bringing all tenancy agreements in line with best practice.

The regulation-making power will future-proof the rent stabilisation provisions, accounting for the possibility for a fixed cap to have negative unintended consequences without the possibility

[29] March 1989 was when quarterly RPI records began.
[30] [Inflation (RPI, RPIX, RPI pensioners, RPI low income) - Jersey RPI and RPIX percentage change and index numbers - Government of Jersey Open Data]

of amendment. Any regulation brought to the States Assembly to amend the cap on RPI will be voted on by all States Members democratically, ensuring that the interests of all Islanders are represented.

Appendix 1: Stage one assessments historic data comparison

This appendix sets out the historic data comparison undertaken during assessments in stage one of the policy development process.

Option 1: Annual rent increase limit set at RPI

This option would mean introducing a statutory requirement for in-tenancy rent increases to occur at a maximum frequency of annually and to be no more than the most recent RPI statistic published.

This option would sit well within the current market as it follows common rent increase practices (CSF 1). As it sits well in the current market, this option is less likely to have unintended consequences (CSF 4), such as those expressed in Table 2. Inflation is an index that affects everyone, so it is an equitable index to use in that respect (CSF 2).

However, it was raised in the consultation with stakeholders that rent increases by RPI can be challenging for some tenants to meet (CSF 3). It must be assumed that some landlords will always choose to raise rents by the maximum allowed annually, regardless of encouragement against this. Further, the perceived regulatory pressures of introducing rent stabilisation measures may have the unintended consequence of causing previously lenient landlords to default to the maximum indexing amount (CSF 4).

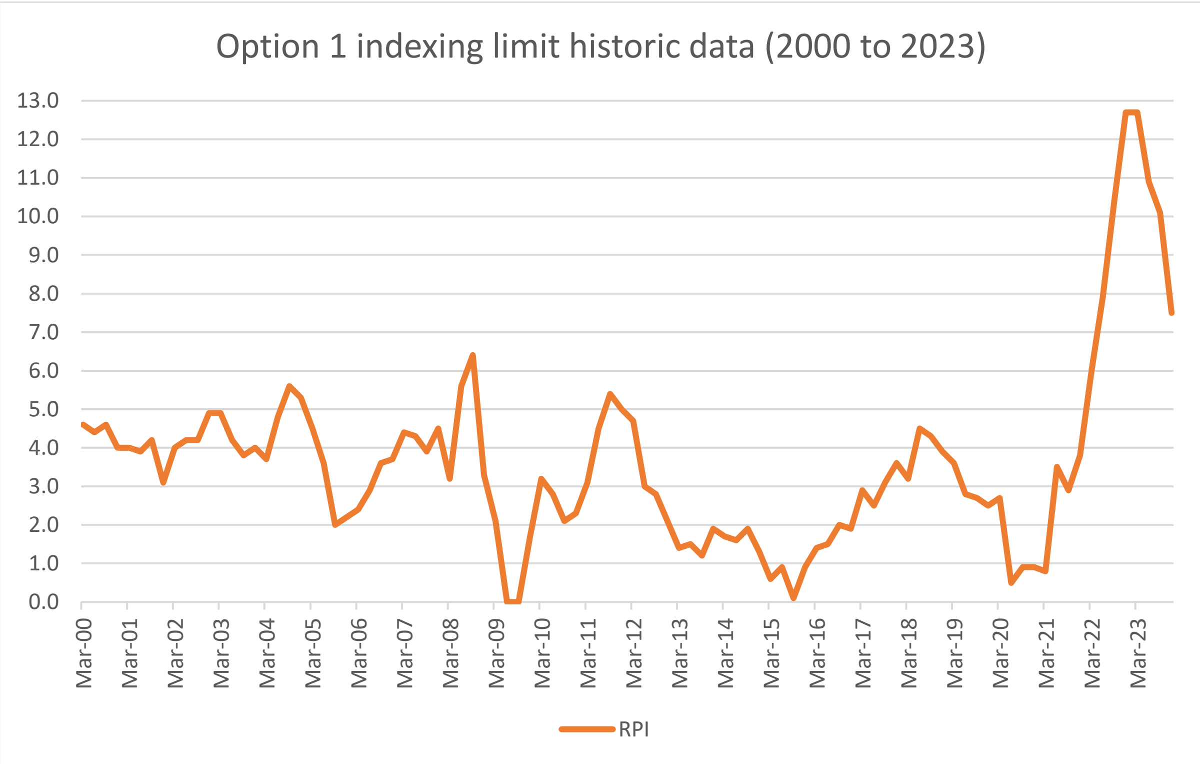

Figure 4: historic data of quarterly RPI statistics from March 2000 to December 2023. The vertical axis represents annual percentage changes. Minus figures have been set to '0.0' as rents would not reduce year on year.

As Figure 4 shows, quarterly RPI statistics have ranged from -0.6% (September 2009, shown as '0.0' in the graph) to 12.7% in December 2022 and March 2023. Whilst it is recognised that landlords are also affected by inflation in myriad ways, a rent increase limit that is allowed by Government to reach such levels as 12.7% may have the unintended consequence of causing tenant households to fall into 'rental stress' (CSF 4). As evidenced in Figure 4, RPI is inconsistent and highly variable, which reduces its attractiveness, because it does not always protect tenants from extreme or unmanageable rent increases (CSF 3; CSF 4; CSF 5).

Option 2: Annual rent increase limit set at RPI(X)

This option would mean introducing a statutory requirement for in-tenancy rent increases to occur at a maximum frequency of annually and to be no more than the most recent RPI(X) statistic published. RPI(X) is defined as all items RPI excluding the cost of mortgage interest payments, so it is the most comparable index to the Consumer Price Index (CPI), which is used commonly in European jurisdictions as an index for rent increases (see cross-jurisdiction review section).

Alignment with practices in other jurisdictions may be useful for reducing unintended consequences (CSF 4) and measuring the success of rent stabilisation, which an indexing limit of RPI(X) would support, due to comparability with CPI.

Comparatively to RPI (Option 1), RPI(X) (Option 2) is historically less 'volatile' (CSF 5), with quarterly figures ranging from 0.1% (September 2015) to 8.0% (March 2023). This would be more likely to meet CSF 3: protecting tenants from extreme or unmanageable rent increases.

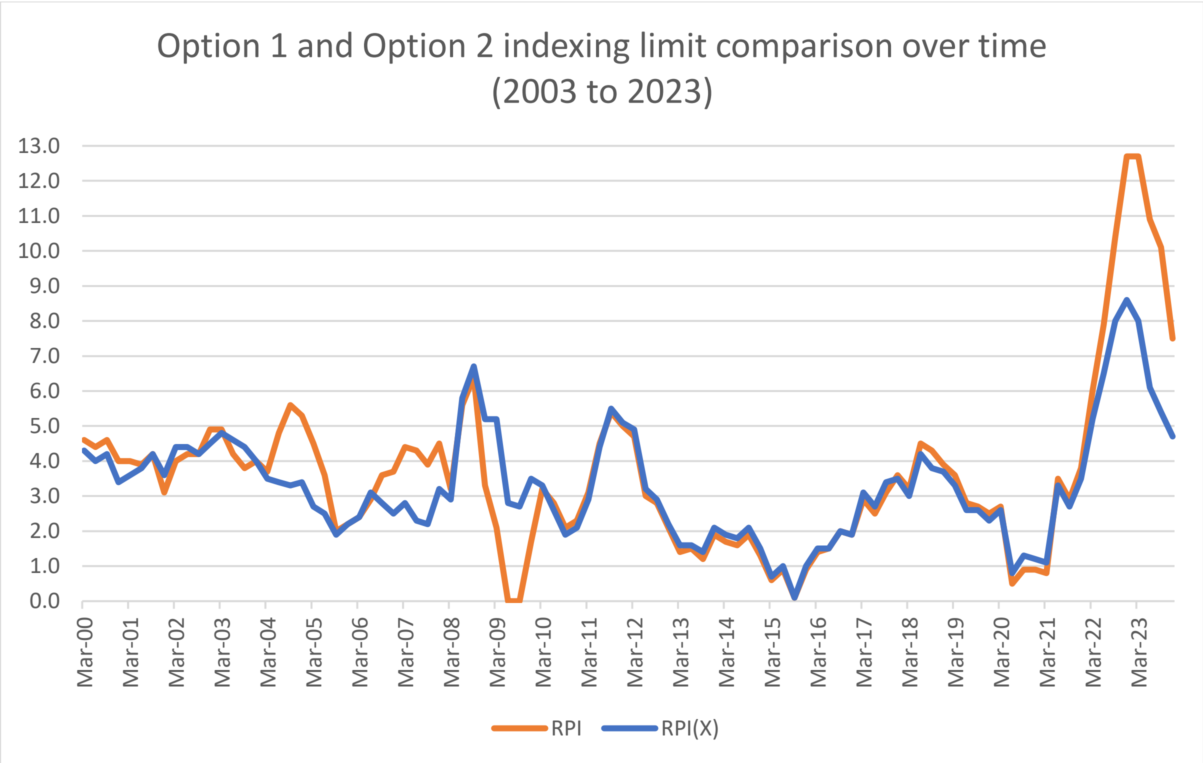

Figure 5: historic data of quarterly RPI and RPI(X) statistics from March 2000 to December 2023. The vertical axis represents annual percentage changes. Minus figures have been set to '0.0' as rents would not reduce year on year.

However, as Figure 5 shows, it is possible for RPI(X) to rise above RPI. Between March 2000 and December 2023, RPI(X) was higher than RPI around 39% of the time. Whilst this is mainly only by a marginal amount, the probability of this occurring in future could have repercussions as it may be perceived as indicating the Government's support of above-inflation rent increases. This could receive negative responses from tenants, particularly given this legislation is intended to protect tenants (CSF 4).

Additionally, landlords have been concerned by high mortgage interest payments in recent years. RPI(X) excludes mortgage interest rates from its sum, so may be perceived as discriminatory against landlords and deleterious to their ability to realise a stable income against business costs (CSF 2). This could be compounded by the potential abolition of income tax relief from 2026[31]. This could have the added consequence of putting undue pressure on the Rent Tribunal as it may cause more landlords to regularly appeal the annual rent increase limit (CSF 4).

Option 3: Annual rent increase limit set at AEI

This option would mean introducing a statutory requirement for in-tenancy rent increases to occur at a maximum frequency of annually and to be no more than the Average Earnings Index (AEI). The Average Earnings Index (AEI) is calculated based on changes in gross wages and salaries paid to employees. It includes overtime payments, but excludes bonuses, employers' insurance contributions, holiday pay and benefits in kind (e.g., free accommodation)[32]. It is separate to the real terms index of average earnings, which adjusts for inflation.

Historic AEI data does not offer a complete picture of average earnings over time. 2023 was the first year that it was compulsory for businesses to disclose employees' salaries under the provisions contained within the Statistics and Census (Jersey) Law 2018[33]. Therefore, historic data is not necessarily representative of all businesses or employed persons, although the quality of the data has improved since 2023.

AEI excludes pensioners and other non-working demographics within the private rental sector. This index might benefit high earners and disadvantage low earners because an average will hide extremes at either end of the income scale, negatively impacting CSFs 2 and 3. Equally, it could be biased towards well performing sectors versus poor performing sectors. See, for example Figure 6, which shows that typically 'lower-skilled' sectors have lower earnings. Tenants who work in these sectors are more likely to be vulnerable to excessive rent increases and potentially less likely to be aware of their rights or be willing to confront landlords. When coupled with the knowledge that lower-paid sectors have higher rates of non-qualified employees, this could exacerbate socioeconomic inequalities that already exist in Jersey (CSF 4).

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[31] P.72-2023-Amd.(22).pdf, lodged *au Greffe* by Deputy Mézec in November 2023; P.72-2023-Amd.(22).Amd.pdf, lodged *au Greffe* by Council of Ministers in December 2023.
[32] Earnings and income statistics (gov.je)
[33] R Average Earnings June 2023 20230825 SJ.pdf (gov.je) p.1

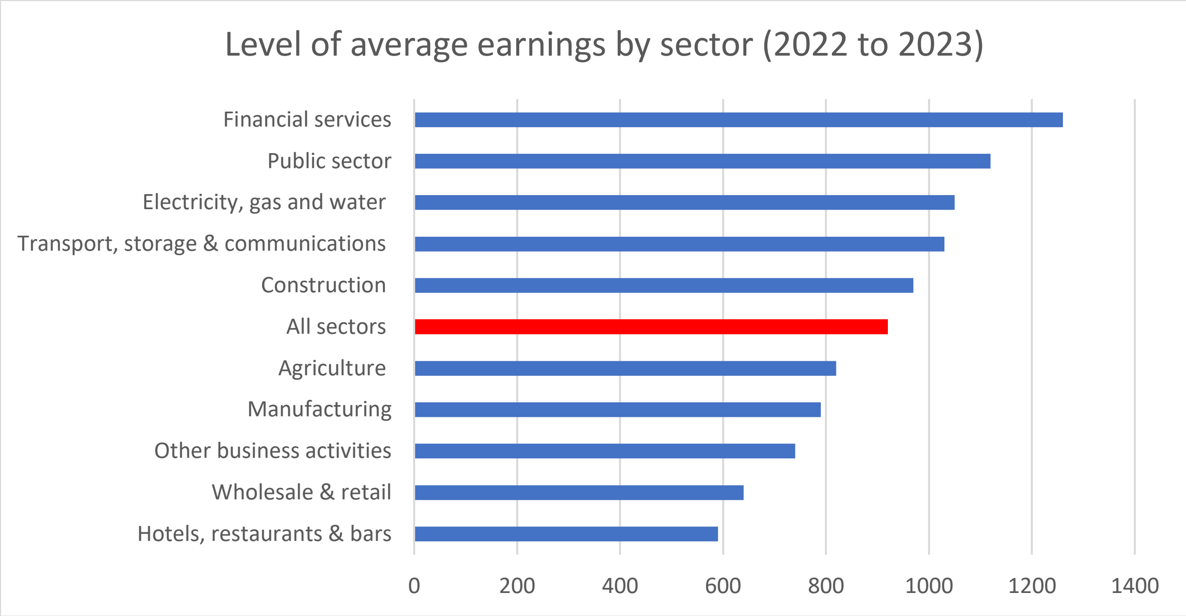

Figure 6: level of average earnings by sector, 2022-2023 (data source: Open Data, Statistics Jersey, June 2023[34]). X axis figures are in £ per week.

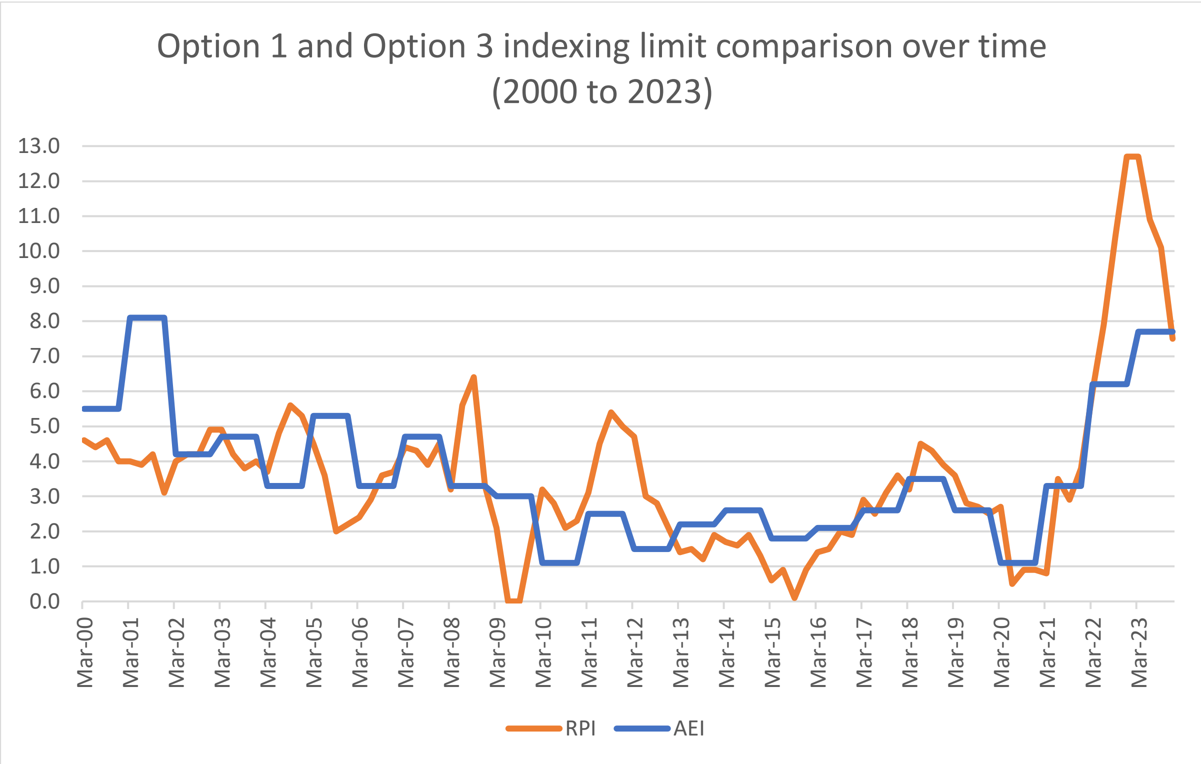

Figure 7: historic data of quarterly RPI and annual AEI statistics from March 2000 to December 2023. The vertical axis represents annual percentage changes. Minus figures have been set to '0.0' as rents would not reduce year on year.

AEI is only captured annually rather than quarterly, which could lead to more rent increase review requests for tenancy agreements that renew closer to the next AEI release, which

[34] Average Earnings Index - Level of average earnings by sector - Government of Jersey Open Data

would put added pressure on the Tribunal (CSF 4). Historically, AEI has occasionally been higher than RPI, which would again raise the problem of above inflation rent increases (CSF 3; CSF 5).

However, AEI rather than RPI would allow for rent increases to reflect average earnings, which many tenants could be pleased by as one of the issues raised in the consultation[35] was rent going up but earnings not, although it comes with the caveat that it is generalised and not necessarily reflective of all personal circumstances (CSF 3).

Given the index most commonly used in tenancy agreements is currently RPI, government intervention to change this to AEI would be a substantive departure from the common practice of estate agencies and landlords, which could result in adverse reactions from the industry, and be unsettling and confusing for stakeholders (CSF 4). The greatest and most unquantifiable risk of this option is the potential inequality that individuals would experience due to income differences (CSF 4).

Option 4: Annual rent increase limit set at RPI 3-year average

This option would mean introducing a statutory requirement for in-tenancy rent increases to occur at a maximum frequency of annually and to be no more than the previous three-year average of RPI**.** Statistics Jersey would be required to release the previous three-year RPI average every quarter within their quarterly RPI report, and landlords and estate agencies would need to keep up to date with this.

A three-year average was selected for this option as opposed to an average of five-years or more, for instance. With longer averages, the after-effects of periods of high inflation are more long-lasting, which could be difficult for tenants (CSF 3). It should be noted that a three-year-average of RPI will still cause high levels of inflation to be felt for longer, albeit at a lesser degree than real-terms inflation.

This option may be considered preferable to rent increases by RPI (Option 1), as it averages out RPI statistics every year, resulting in less volatile changes (CSF 5; as shown in Figure 5). Whilst it would include above-inflation increases some years, these would be balanced by capping increases during periods of high inflation, resulting in more stable and generally more manageable rent increases (CSF 2; CSF 3).

The ability to mitigate the loss during years of high inflation with above-inflation increases during years of low inflation would possibly appeal to landlords as they would continue to realise a stable profit either way, reducing the risk of unintended consequences of landlords leaving the market (CSF 2; CSF 4).

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[35] RTL Findings report (Final) 22 April 2024.pdf (gov.je)

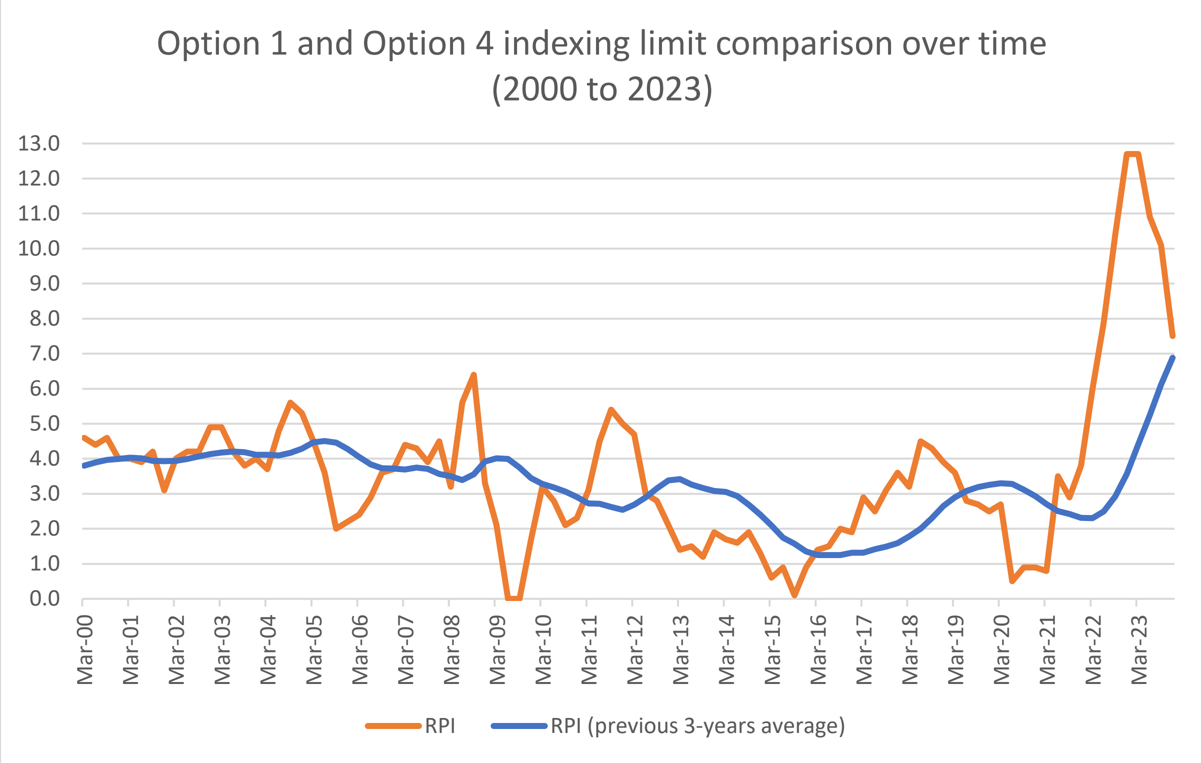

Figure 8: historic data of quarterly RPI and previous 3-year RPI average statistics from March 2000 to December 2023. The vertical axis represents annual percentage changes. Minus figures have been set to '0.0' as rents would not reduce year on year.

Despite this possible reduction of unintended consequences, introducing this into legislation would still require substantive change in practice for landlords and estate agencies, possibly generating a sentiment of fear and uncertainty in the industry, which again could cause disruption and lead to landlords withdrawing from the PRS (CSF 4).

Option 5: Annual rent increase limit set at RPI or AEI, whichever is lower

This option would mean introducing a statutory requirement for in-tenancy rent increases to occur at a maximum frequency of annually and to be no more than RPI or AEI, whichever is lower.

By introducing a 'whichever is lower' clause, this would mean that rent increases never exceed RPI, contributing to CSF 3. As illustrated in Figure 6, this option maintains lower rent increases when RPI levels are higher than AEI, also meaning that rent increases never exceed average earnings, again contributing to CSF 3.

However, this does not escape the possible issues of using AEI as an indexing element, as set out in Option 3, although combining it with RPI may mitigate some of these issues (CSF 4). Setting annual rent increase limits at RPI or AEI, whichever is lower, would more accurately respond to real terms average earnings (AEI adjusted for inflation), but still present issues of equality across sectors (CSF 2; CSF 4).

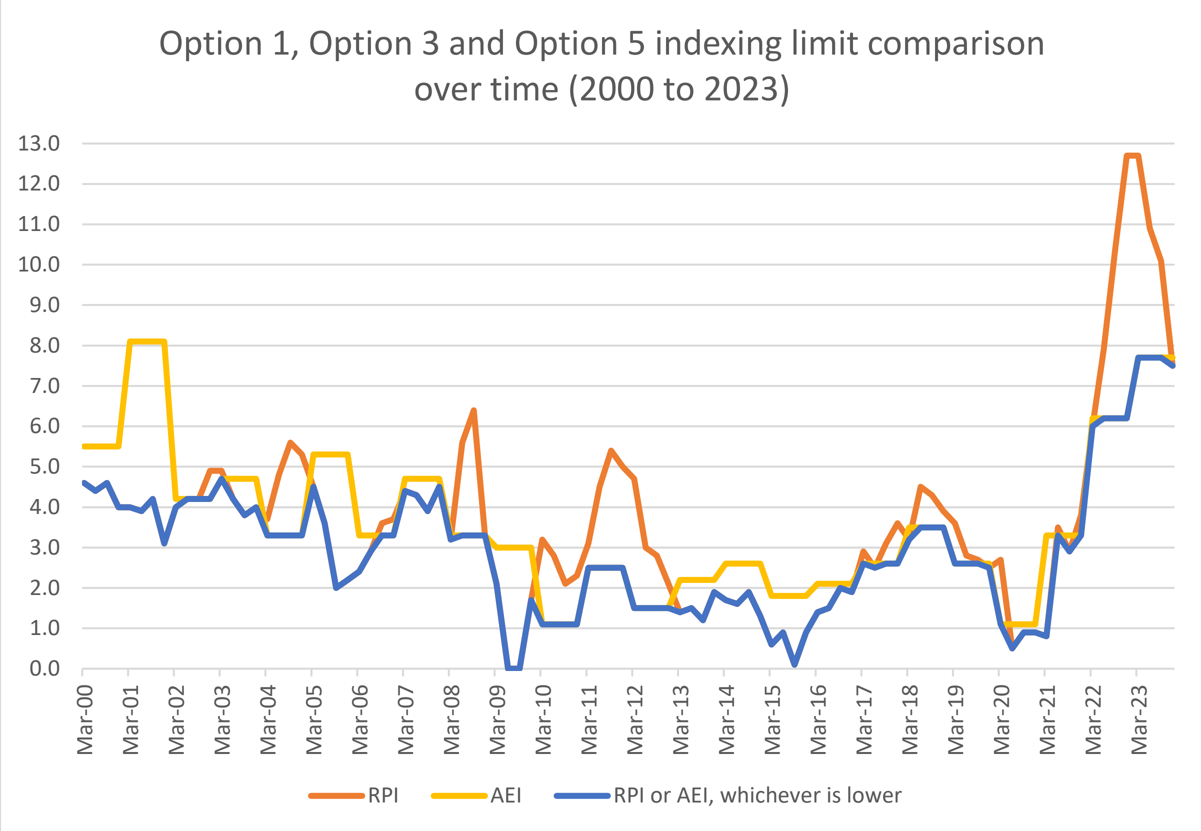

Figure 9: historic data of quarterly RPI and annual AEI statistics from March 2000 to December 2023, including an index using the lower of the two for each quarter. The vertical axis represents annual percentage changes. Minus figures have been set to '0.0' as rents would not reduce year on year.

Given that many estate agency representatives noted that rent increases are often set below inflation, this could sit well in the current market (CSF 1; CSF 5), although the principle of a regulatory environment that puts restrictions on increases by RPI could be polemic, as it would benefit tenants but restrict landlords' sense of autonomy (CSF 2). It should be made clear to landlords that with the tenancy types introduced in the RTL, landlords will always have the option to request rents to be reset to market value (CSF 6).

This could, however, have further unintended consequences, including increased pressure on the Tribunal to deal with appeals, or even drive landlords from the market (CSF 4).

Option 6: Annual rent increase limit set at RPI or RPI 3-year average, whichever is lower

This option would mean introducing a statutory requirement for in-tenancy rent increases to occur at a maximum frequency of annually and to be no more than RPI or the previous three-year RPI average, whichever is lower.

As presented in Figure 10, this option would be the best option for preventing extreme rent increases and protecting tenants (CSF 3). Similar to Option 5, it would prevent rent increases occurring above RPI (which Option 4 would allow for) and mitigate against periods of high inflation when increases by RPI are challenging for tenants to meet. As established in the analysis of Option 5, the option may sit better in the current market than some stakeholders might perceive, but perception of regulatory impacts may be as important as the regulatory impacts themselves, as the negative attitude of stakeholders towards any rent stabilisation measures may have unintended consequences (CSF 4).

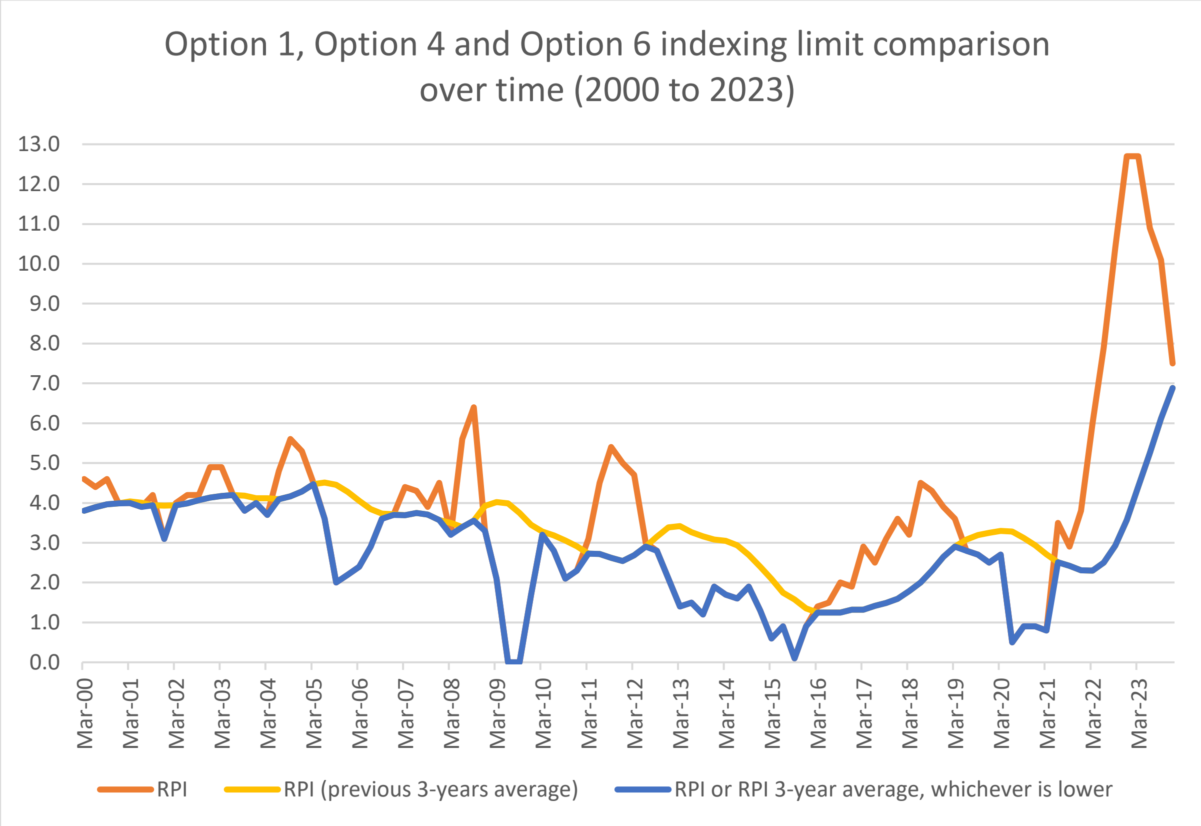

Figure 10: historic data of quarterly RPI and average previous 3-years RPI statistics from March 2000 to December 2023, including an index using the lower of the two for each quarter. The vertical axis represents annual percentage changes. Minus figures have been set to '0.0' as rents would not reduce year on year.

It is important to be alive to the point that one of the potential benefits of option 4 was that RPI statistics are averaged-out to balance the needs of both landlords and tenants (CSF 2), which means that the possible benefits of allowing for rent increases above inflation some years (as explained in option 4) are not felt for this option.

Option 7: Annual rent increase limit set at RPI or 5% of rental value, whichever is lower

Through anecdotal evidence, officers have seen that a 5% of rental value cap on annual rent increases by RPI is used by some landlords and estate agencies. It was therefore relevant to consider as an option. This option would mean introducing a statutory requirement for in-tenancy rent increases to occur at a maximum frequency of annually and to be no more than RPI or 5% of rental value, whichever is lower.

As shown in Figure 11, this option allows for rent increases to follow RPI the majority of the time, which positively contributes to the option sitting well in the current market (CSF 1). RPI has rarely exceeded 5% since 2000 and has only done so for an extended period since

March 2022[36]. This contributes to the performance of this option overtime (CSF 5) by evidencing longevity and stability. This stability is important, as whilst Option 1 falls short on protecting tenants from extreme rent increases (CSF 3), this option would achieve this CSF.

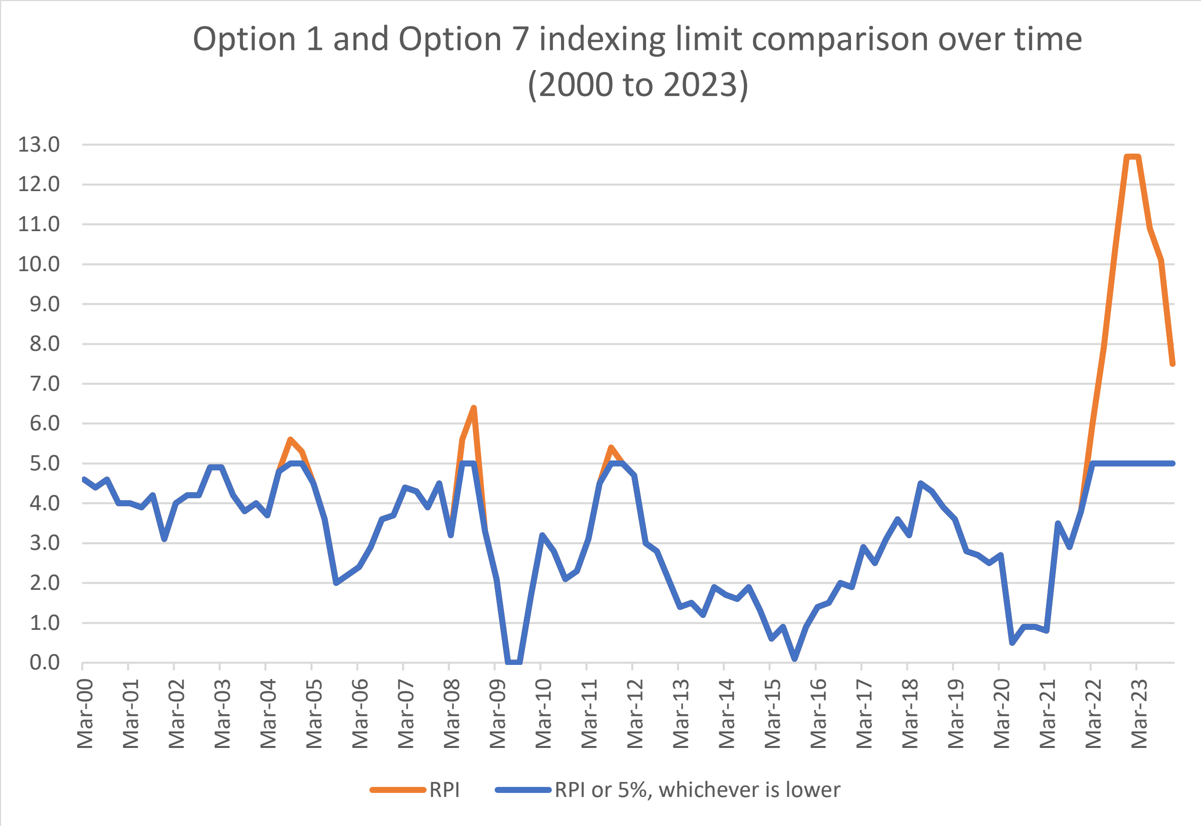

Figure 11: historic data of quarterly RPI statistics from March 2000 to December 2023, including an option for RPI or a cap at 5% of rental value, whichever is lower. The vertical axis represents annual percentage changes. Minus figures have been set to '0.0' as rents would not reduce year on year.

The option balances the wants and needs of stakeholders by mainly following rent increases by RPI but offering a limit to protect tenants (CSF 2). However, this option is not immune to the risk that landlords will not perceive this as such, given some landlords' responses to the RTL consultation, where the proposal of introducing rent stabilisation measures was highlighted as a concern. As with other options, perceived imbalances or regulatory impacts may have unintended consequences (CSF 4).

[36] This was an unprecedented spike following the after-effects of the Covid-19 pandemic.

Appendix 2: Cross-jurisdiction review summary table

Jurisdiction	Rent Control Generation	Index Regulation	Minimum time after previous rent fixing	Minimum notice	ADR for rent increases?
UK (England)	Not applicable				Yes (from 2025)
UK (Wales)	Not applicable (consultation in process)				
UK (Scotland)	3rd (mild: cost-of-living response)	3% rental value	1 year		Yes
UK (Northern Ireland)	2nd (specific tenancies)				
Norway	3rd	RPI difference from previous year	1 year, ability to set to market value after 2.5 years	1 month	Yes
Belgium	3rd	“health” index (CPI minus tobacco, alcohol, and fuel)	1 year		No
Germany	3rd	Comparable rent + 10%	1 year	2 months	
Luxembourg	3rd	“fair”, 5% of total amount invested in property	First 6 months and then 2 years		Yes
Ireland	2nd (mild: Rent Pressure Zones)	2% pro rata or HICP, whichever lower	1 year	90 days	Yes
Poland	3rd	CPI; HICP; comparable rent	6 months/ 1 year	3 months	No
Spain	3rd	2% 2023; 3% 2024; undecided but below CPI 2025	1 year	1 month	
Switzerland	3rd	3%; for 0.25% of mortgage rate; rental value; 40% of CPI; CPI; or landlord’s costs	Any time after contract termination date	3 months and 10 days	Yes

Table 6: this table shows high-level rent stabilisation measures across selected OECD European jurisdictions.