

The Housing (Scotland) Bill - Consultation Response

24 June 2025

Exemptions - properties let below market rent - mid-market rent properties

In this section, we ask you to consider that:

- **Mid-Market Rent properties (MMR) could be exempted from the application of rent controls under the Bill**
- **a definition for MMR could incorporate some or all of the following criteria:**
 - **properties provided at mid-market levels, which have binding restrictions on rent levels**
 - **including those provided by**
 - **subsidiaries of registered social landlords**
 - **local authority arms-length external organisations**
 - **other organisations in receipt of Scottish Government financial support to deliver MMR**
- **exemptions for BTR properties could end when the properties no longer meet these specified criteria**

1. Should MMR properties be exempted from the application of rent controls under the Bill?

Answer: Yes

Response:

Mid-Market Rent (MMR) properties should be exempted from the application of rent controls under the Bill.

MMR is a targeted form of affordable housing for households who don't qualify for social housing but can't afford market rents. Rents are already discounted and set within affordability frameworks from the outset. Imposing further rent controls risks undermining financial viability, deterring investment, and stalling future delivery.

MMR supports working households, plays a key role in mixed-tenure developments, and aligns with *Housing to 2040* ambitions. Additional regulation where affordability is already built in is unnecessary and could reduce supply at a time of acute housing need.

Exemption would protect this vital tenure, support continued delivery across Scotland, and allow rent controls to focus where they are most needed—without disrupting one of the few scalable and sustainable affordable housing models.

2. We have set out some possible criteria which could be incorporated into a definition of MMR for the purpose of a possible exemption. Do you agree with these criteria?

The criteria that we have set out are:

- **properties provided at mid-market levels, which have binding restrictions on rent levels**
- **including those provided by:**
 - **subsidiaries of registered social landlords**
 - **local authority arms-length external organisations**
 - **other organisations in receipt of Scottish Government financial support to deliver MMR**

Answer: No

Response:

The proposed criteria are too narrow and risk excluding emerging models of MMR delivery that align with the policy intent but fall outside the listed categories.

While the current definition reflects how most MMR homes have historically been delivered — typically by housing associations, local authority arms-length bodies, or other recipients of public subsidy — it does not account for the potential role of private capital in this space.

There is a growing recognition that private investors may choose to deliver homes at mid-market levels on a voluntary or strategic basis, without the need for subsidy or direct public support. These models can still meet affordability tests and deliver social value, particularly in suburban and rural areas where rental choices are limited.

If the exemption is restricted only to subsidised or supported models we risk closing the door to innovative approaches and unintendedly deterring private investment in this important part of the housing mix. A broader definition - centred on the outcome (i.e. homes provided at verifiably discounted-market rent levels, with appropriate rent-setting controls) rather than the origin (who delivers them or how they are funded) - would better support the policy intent.

Scotland needs to remain open to new forms of tenure and delivery if we are to meet housing need at scale. A more inclusive approach to defining MMR would give confidence to investors and developers seeking to align with affordability objectives, while retaining appropriate safeguards for tenants.

3. If there is an exemption for MMR properties, should this include specific requirements on the level of rent charged, such as a link to local housing allowance rates or to a specified percentile of market rates?

Answer: no

Response:

If there is to be an exemption for MMR properties, it is reasonable to include specific requirements on rent levels, but these must be flexible enough to reflect local market conditions and delivery models.

Linking MMR rents to benchmarks — such as Local Housing Allowance (LHA) or a defined percentile of local market rents — can help ensure that the exemption is clearly targeted at genuinely affordable homes. However, any such benchmark must be calibrated carefully. For example, LHA rates can be a useful guide but are often out of step with actual housing costs, particularly in pressured markets. A rigid link to LHA risks setting rent thresholds so low that development becomes unviable.

A better approach may be to allow a range — for example, rents set at between 60% and 90% of local market rent — with room for variation depending on location, property type, and whether the scheme is publicly or privately funded.

There could be different tiers of Mid Market Rents, tailored to suit the specific circumstances of the challenges in that location

Alternatively, rents could be set at levels relevant to local affordability.

Crucially, any requirement should be outcome-based, focusing on affordability for target households, rather than prescriptive about how the rent is calculated.

Embedding this level of clarity into the exemption will support transparency, give comfort to tenants, and provide a workable framework for both subsidised and unsubsidised MMR delivery — helping to sustain investment while protecting affordability.

4. Should MMR properties only be exempted from rent control areas for the duration of time that they meet the specified criteria?

The criteria that we have set out are:

- **properties provided at mid-market levels, which have binding restrictions on rent levels**
- **including those provided by:**
 - **subsidiaries of registered social landlords**
 - **local authority arms-length external organisations**
 - **other organisations in receipt of Scottish Government financial support to deliver MMR**

Answer: Yes

Response:

It's right that exemption applies only while MMR homes meet defined affordability standards but only if the criteria are broadened. The current criteria could exclude private investment models that can deliver mid-market rent without subsidy. A conditional exemption is sensible, but it must be built on an inclusive, future-proof definition of MMR.

5. Are there any other types of housing provision which should also be considered as part of an exemption for MMR property?

In this question we ask you to consider only housing provision let below market rents, with binding restrictions on the level of rent that can be charged, or with restrictions on the types of tenants than can be granted a tenancy.

Answer: Yes

Response:

Other forms of sub-market housing with binding rent or occupancy restrictions should also be considered.

This could include housing delivered where units are let at discounted rents for defined tenant groups, as well as private developments offering “rent to buy” or discounted rent schemes with formal eligibility criteria.

"Key worker" housing - however defined - should also be considered.

These models deliver affordability outcomes similar to MMR and should be eligible for exemption, provided the restrictions are transparent, enforceable, and sustained over time. Other forms of sub-market housing with binding rent or occupancy restrictions should also be considered.

Exemptions - purpose-built rental housing - build to rent

In this section, we ask you to consider that:

- *purpose-built private rented accommodation (build to rent (BTR)) could be exempted from the application of rent controls under the Bill*
- *BTR could be defined to incorporate some of the following criteria:*
 - *new homes built at scale and offered exclusively for rent (apartments and/or houses)*
 - *new homes provided at scale through conversion of non-residential properties*
 - *on a single site or related sites*
 - *in single ownership*
 - *with management services provided by a single legal entity via a management regime and a single site wide building insurance structure*
- *exemptions for BTR properties could end when the properties no longer meet these specified criteria*

6. Should build to rent properties be exempted from the application of rent controls under the Bill?

Answer: Yes

Response:

For the purpose of this response, we assume that the definition of Build to Rent (BTR) as housing for long-term rental - including both Multi-Family Rental (MFR) apartments typically in urban centres and Single-Family Rental (SFR) homes typically in suburban or rural areas - delivered at scale, under unified ownership and with professional management regardless of location or unit type.

Build to Rent (BTR) properties should be exempted from the application of rent controls under the Bill.

According to Scotland's 2022 Census, 293,000 households (12.4% of all households) live in private rented accommodation. This rises significantly in our major conurbations and our cities: 19% of all households in Dundee, 20% of all households in Glasgow, and 25% of all households in Edinburgh. While many of these homes are provided by responsible private landlords, there remains a clear opportunity to improve quality, consistency, and consumer confidence across the sector.

Large scale investment in BTR offers a route to do that. It brings long-term, institutional capital into the housing market and aligns the interests of investors and residents through a professional, customer-focused management model. The ability to attract this type of investment at scale is essential if Scotland is to modernise and expand its private rented sector (PRS) in line with the ambitions of Housing to 2040 and the broader policy goal of raising housing standards.

To succeed, however, Scotland must be able to compete for capital on a UK and European basis. Rent controls are already a feature in many European countries, however the uncertainty around the proposed legislation in Scotland has stalled investment and stunted the emerging market. Scotland risks falling further behind unless we send a similarly clear signal to investors that well-managed, purpose-designed BTR is welcome and viable.

An exemption does not mean deregulation. BTR schemes are already subject to significant scrutiny and reputational oversight, and operate under conditions that foster transparency, accountability, and service standards — often exceeding statutory minimums. Investors in BTR seek long-term occupancy and stable returns, not opportunistic rent hikes. Their model depends on resident satisfaction, not short-term profit.

Introducing a conditional exemption — based on meeting specific criteria around ownership, scale, and management — would provide the policy clarity and investor certainty required, while protecting the public interest. It would also support the emergence of Single Family Rental models that can bring new housing supply to suburban and rural markets where rental options are limited.

In summary, BTR should be exempted from rent control because:

- It enables large-scale investment into high-quality, professionally managed rental homes;
- It improves consumer choice and standards in the PRS;
- It supports housing supply across tenures;
- It relies on long-term rent predictability to be financially viable;
- And it aligns with wider housing and economic policy aims.

Without this exemption, Scotland risks deterring the very investment needed to transform the rental market. With it, we send a clear message that Scotland is open to responsible investment, improved housing outcomes, and a professionally run rental sector that works better for everyone.

7. Do you agree with the criteria we have set out which could be incorporated into a definition of build to rent for the purpose of a possible exemption?

The criteria that we have set out are:

- ***new homes built at scale and offered exclusively for rent (apartments and/or houses)***
- ***new homes provided at scale through conversion of non-residential properties***
- ***on a single site or related sites***
- ***in single ownership***
- ***with management services provided by a single legal entity via a management regime and a single site wide building insurance structure.***

Answer: No

We broadly agree with the intention behind the proposed criteria, which seek to distinguish Build to Rent (BTR) from other types of rental housing based on its scale, unified ownership, and professional management. These are the right principles — but the definition must remain flexible enough to reflect how BTR has already been delivered, how it will be delivered in practice, and to avoid deterring much-needed investment.

In particular, we would caution against a definition that is so prescriptive that it excludes high-quality rental schemes that meet the spirit of BTR but not every element of the current wording.

For example, there will be many developments where homes were originally intended to be built for sale have been subsequently acquired and let under a multi-family or single-family rental model, with unified ownership and professional management. These schemes offer the same long-term stability, customer focus, and institutional oversight as purpose-built BTR and should be included.

The key policy objective here is not simply to define BTR, but to encourage large-scale investment into good-quality, professionally managed rental homes. That means promoting models that align investor and operator incentives with long-term resident satisfaction, service standards, and transparent management — regardless of the original intended market for the homes. We should avoid inadvertently disincentivising innovative or adaptive reuse schemes that meet these goals.

With that in mind, we propose the following working definition for BTR:

Build to Rent (BTR) refers to residential developments comprising:

- homes that are held in either single ownership or a co-ordinated ownership

- made available for private rent with a long-term investment horizon
- Such developments may include new-build schemes, large-scale conversions, or homes originally intended for sale but subsequently acquired under single ownership and made available for rent.

In terms of a specific definition, BTR schemes are characterised by:

- Delivery at scale, typically on a single site or a group of related sites;
- Unified effective ownership (either as outright ownership, or in a long-leasehold structure which may be permitted in future legislative changes) of the residential units and any associated common areas (except external areas on housing developments serving other plots);
- A professional management regime delivered by a single legal entity or its agent;
- A focus on customer service, including on-site or dedicated management, responsive repairs, and transparent communication;
- A site-wide building insurance structure and centralised governance.

To remain eligible for exemption from rent control, BTR schemes must continue to meet these criteria. If ownership is fragmented or the management regime no longer meets the required standard, the exemption would no longer apply.

That said, if the ownership is later fragmented as a result of future Government policy (eg a right to buy approach to private rented homes) the landlord should be permitted continuance of the exemption.

This approach balances clarity and safeguards with the flexibility required to support investment, particularly in a Scottish context where scale and delivery models can vary. The aim should be to promote long-term stewardship, not to limit BTR to only one narrow delivery route.

8. Are there any other criteria that should be considered as part of a definition of build to rent for the purpose of a possible exemption?

Answer: yes

Response:

Yes — the definition of Build to Rent (BTR) for the purposes of exemption should also include reference to:

Long-term investment intent and resident stability:

BTR schemes should demonstrate a long-term ownership and management horizon, with alignment between investor, operator, and resident interests. This distinguishes BTR from short-term or speculative rental models.

Professional management and service standards:

A defining feature of BTR is the delivery of high-quality, consistent property management, including responsive repairs, transparent communication, and a customer-focused service ethos. These operational standards should form part of the qualifying criteria.

Flexibility on origin of stock:

The definition should explicitly allow for schemes that were originally intended for sale but are subsequently acquired and operated as BTR, provided they meet core ownership, scale, and management criteria. This reflects how BTR is often delivered in practice.

Eligibility for both multi-family and single-family housing:

BTR should cover a range of unit types, including suburban single-family homes, not just city-centre apartment blocks. This ensures the definition reflects the full range of investable models emerging across Scotland.

Including these elements will ensure that the exemption supports genuine, high-quality BTR delivery — without inadvertently excluding viable schemes that meet the policy intent but fall outside a rigid or overly narrow definition.

9. Should build to rent properties only be exempted from rent controls for the time-frame that they meet the specified criteria?

Answer: Yes

Response:

Yes — any exemption from rent controls should apply only for as long as a development continues to meet the specified Build to Rent (BTR) criteria. This is essential to maintain the integrity of the exemption and to ensure it is targeted at developments that genuinely deliver the intended policy benefits: professional management, long-term ownership, and enhanced service standards.

Making the exemption conditional ensures:

Policy alignment: It links regulatory flexibility to delivery of defined outcomes — such as scale, unified ownership, and quality management — rather than simply to the history or origin of a development.

Accountability: It creates a clear and enforceable mechanism for removing the exemption if a scheme is sold piecemeal, falls below the minimum scale threshold, or no longer provides professional management.

Investor clarity: It offers certainty to responsible investors and operators who are committed to maintaining high standards, while preventing abuse by those seeking to exploit the exemption for short-term advantage.

However, it is important that the criteria and compliance process are clear, proportionate, and administratively workable. If a BTR scheme transitions out of eligibility — for example, through the sale of units or changes in management — there should be a defined transition period before rent controls are re-applied, allowing for orderly adjustment and communication with residents.

In short, a conditional exemption supports both market confidence and public interest. It rewards those who meet and maintain the standards expected of BTR, while preserving the Scottish Government's ability to regulate effectively if circumstances change

10. Are there any other types of new rental housing provision which should be considered as part of this category of exemption?

Answer: Yes

Response:

Yes — in addition to traditional Build to Rent (BTR) apartments, there are other forms of professionally managed, large-scale rental housing that share the same core characteristics and public benefits. These models should also be considered for exemption from rent controls, provided they meet the relevant criteria. Specifically:

Co-living and Managed Shared Living

Co-living schemes combine private living space (usually studios or en-suite rooms) with shared kitchens, lounges, and amenities, all under one roof and one management entity. They typically offer:

- Fully furnished, all-inclusive rental packages;
- Shorter stays with flexible tenancy structures;
- A service-led environment, often with on-site teams and events.

While still emerging in Scotland, co-living responds to demand from younger renters and mobile professionals, particularly in city centres. Provided these developments meet quality and transparency standards, they should be eligible for the same exemption, as their financial and operational models require the same predictability as BtR.

Later Living, Senior Living, and Assisted Living

Scotland's changing demographics demand a greater focus on purpose-built rental housing for older people, including Later Living and Assisted Living schemes. These developments offer self-contained homes designed to support ageing in place, often with on-site support services, communal facilities, and a strong emphasis on accessibility, wellbeing, and social connection.

Later Living rental models share many characteristics with BtR, including:

- Professional, service-led management;
- Long-term institutional ownership and operation;
- Communal amenities and shared spaces to support resident wellbeing;
- Predictable, stable rent levels structured to support long-term tenancies.

Assisted Living schemes may also offer additional care services, either directly or via third-party providers, supporting residents with increasing needs while avoiding early entry into residential care.

These forms of provision serve a critical and growing segment of the population, helping to ease pressure on health and social care systems, freeing up under-occupied housing, and delivering high-quality, age-appropriate homes. Their viability depends on stable investment conditions, long-term rent modelling, and regulatory certainty — all of which would be undermined by blanket rent control measures.

Exempting these models — where they meet agreed criteria on affordability, management standards, and resident outcomes — would ensure that Scotland remains responsive to its ageing population while continuing to attract investment into this socially and economically vital sector.

Purpose-Built Student Accommodation (PBSA)

We understand that PBSA was never intended to be included however following the Local Government, Housing and Planning Committee of 6 May this sector has been brought into the realms of rent control. It should not be. PBSA is a distinct and well-established housing model that provides dedicated, full-time accommodation for students. It is typically:

- Delivered at scale, often in campus-adjacent or city-centre locations;
- Retained in single ownership;
- Operated by professional providers or university partnerships;
- Structured around academic terms, with fixed leases aligned with the academic calendar.

PBSA plays a vital role in supporting Scotland's globally recognised university sector. It relieves pressure on the general rental market, ensures student housing is safe and appropriately managed, and supports international competitiveness.

Because of its term-time structure, fixed-cycle leasing, and intensive management model, PBSA does not operate like the wider PRS and cannot easily conform to standard rent control frameworks without undermining viability. Supporting this model through exemption — as is common in other UK nations — is both pragmatic and economically important.

Summary

All of these models — Co-living, Later Living and PBSA — share common features that justify their exemption:

- Long-term or cyclical institutional ownership;
- Delivery at scale;

- Transparent and professional management;
- A focus on service, safety, and consumer confidence;
- Unique operational and financial models that depend on predictability and viability.

A policy framework that recognises these shared features — and is flexible enough to include evolving models — will help Scotland deliver more, better rental homes across diverse needs and tenures, without compromising on tenant protections or regulatory intent.

It is important too that the rural residential sector is properly considered and allowance are made for the provision for new rental homes in our rural communities.

Other circumstances where exemptions would be appropriate

We have already asked questions about possible exemptions for mid-market rent (MMR) and build to rent (BTR) properties. In this section, we ask you to consider if any other category of property should be exempted from rent controls.

11. Excluding mid-market rent and build to rent/purpose built private rented accommodation, are there other categories of housing provision that should be exempted from rent controls?

Answer: yes

Response:

Rental housing in our rural communities needs to be appropriately considered.

Demonstrating eligibility for an exemption

In this section, we ask you to consider:

- *what information landlords could use to determine that their property is eligible for an exemption and the steps they can take to verify this*
- *what information could be provided to a tenant relating to any relevant exemptions*

12. What information would you consider to be acceptable to demonstrate that a property is eligible for the types of exemptions referred to in the previous sections in this chapter?

Properties let below market rent, purpose-built rental housing, other circumstances where exemptions would be appropriate.

Please give us your views:

Exemptions, particularly for new-build Build to Rent (BTR) housing, must be underpinned by a system that provides investment certainty without imposing an additional certification or consent process.

Operators should be able to secure exemption by meeting clearly defined eligibility criteria — and, if required, be able to evidence that those criteria have been satisfied. There should be no requirement to seek approval or confirmation prior to operation. A self-assessment model, based on transparent rules and retrospective validation, offers a more efficient and proportionate framework.

Any exemption mechanism should avoid introducing procedural barriers that risk delaying or derailing development. In particular, the ability for schemes to proceed must not be contingent on advance approval, nor should any future challenge to exemption status interrupt ongoing operations unless there is a legal determination to the contrary.

To support this approach, the following types of information may be appropriate as evidence that exemption criteria have been met:

1. Purpose-Built Rental Housing (e.g. Build to Rent)

Evidence may include:

- Planning consent documents identifying the scheme as Build to Rent, including references to long-term rental tenure and unified ownership
- Planning or design statements outlining the rental model
- Agreements with institutional investors or management partners
- Funding or investment documents demonstrating reliance on rental income rather than sales

2. Below Market Rent Housing (e.g. Mid-Market Rent)

As above, with additional evidence such as:

- Allocation or eligibility policies demonstrating affordability
- Participation in public funding programmes (e.g. AHSP, charitable bonds)
- Agreements with local authorities or Registered Social Landlords

3. Other Exceptional Circumstances

Where a property type does not fit the above:

- **Student Accommodation:** Term-based tenancy structures, affiliation with academic institutions, block management arrangements
- **Supported / Specialist Housing:** Licensing models, service-level agreements, housing support documentation
- **Rural or Community-led Housing:** Evidence of delivery via community bodies, rural housing funds, or similar

This approach maintains rigour through clearly defined criteria and evidence requirements, but avoids unnecessary administrative burdens. A central register could be considered to improve transparency, but registration should not be a precondition to exemption, nor should it imply a need for prior approval.

13. What steps should a landlord need to take to confirm that their property is eligible for such an exemption?

Please give us your views:

As above.

14. Should a landlord of an exempt property be required to communicate to tenants and prospective tenants about the exemption?

Answer: Yes

Response:

Yes, it is reasonable for landlords of exempt properties to make tenants and prospective tenants aware that an exemption applies. This can be done simply and clearly, for example through a short statement in the tenancy agreement or letting materials. Any communication requirement should be proportionate, standardised, and not place an undue burden on landlords. A consistent template issued by the Scottish Government would help ensure clarity and reduce any risk of confusion.

15. What could the process be for tenants to verify that a property is exempt?

Please give us your views:

Tenants should be able to verify an exemption through a simple, transparent process. This could include a landlord declaration at the start of the tenancy and access to a central register of exempt properties maintained by the local authority / Scottish Government. Any additional checks or queries could be

handled by Rent Service Scotland or the local authority, ensuring clarity without placing unnecessary burdens on landlords.

Modified rent control area restrictions - landlords who charge rent significantly below advertised rates

In this section, we ask you to consider:

- *where the previous tenancy for a property was let significantly below market levels, the landlord could be allowed to return to advertised rents for similar properties at the beginning of a new tenancy*
- *the previous rent could be required to be a certain amount behind advertised rents for similar properties for this exemption to apply*
- *the landlord could be required to demonstrate eligibility for such an increase by providing certain information*

16. Should landlords be able to increase their rent by more than the level of the rent cap at the beginning of a new tenancy, where the previous tenancy was let significantly below market rates?

Answer: Yes

Response:

Yes, landlords should be able to set a new rent at the beginning of a tenancy that reflects current market conditions, particularly where the previous rent was significantly below market levels. This is a reasonable and necessary approach that supports a healthy, functioning rental sector.

Many landlords have maintained rents below market value for extended periods—often to support long-term tenants or in response to broader affordability concerns. However, locking in these historically low rents indefinitely, even across tenancies, creates a disincentive to invest, reduces confidence in the viability of the sector, and risks further contraction in supply.

Allowing a reset to market rent at the point of re-let enables landlords to properly reinvest in their properties, ensuring homes remain safe, energy-efficient, and well-maintained. It also provides the financial headroom needed to comply with rising regulatory and improvement standards, such as energy performance upgrades or new safety requirements.

Importantly, this flexibility supports the ongoing provision of private rented homes. Without it, landlords may choose to exit the sector, reducing availability at a time of growing demand. A balanced system that permits reasonable rent realignment between tenancies—while maintaining protections for tenants during their occupancy—helps ensure continued supply, improved quality, and long-term sector stability.

17. Should the rent be a certain amount below advertised rents for similar properties for this allowance to apply?

Answer: Yes

If no, please explain your answer. If yes, what amount or percentage below the advertised rent for similar properties should a rent be before this should be allowed, and why:

Where an allowance is made for a rent to be reset at the start of a new tenancy, it is reasonable to expect that this would apply only where the previous rent was demonstrably below typical market levels.

10% would be an appropriate figure.

A 10% discount is far enough from market level to be considered significant, noticeable, and impactful, while still maintaining financial viability for well-meaning landlords. Anything above this risks unintended consequences, including financial strain and market distortion. Ten percent also has the advantage of being easily measurable and widely understood without the need for complex calculations.

Modified rent control area restrictions - landlords who make improvements to their property

In this section, we ask you to consider:

- *that landlords could be able to increase rents by more than the level of the rent cap in circumstances where they have made certain improvements which enhance the rental value of the property or bring additional benefit to the tenant*
- *the categories of improvements that could be considered as part of this could include energy efficiency improvements, such as installing an upgraded heating system, installing improved windows or doors, or making other improvements such as significant upgrades to a fitted kitchen or bathroom*
- *how these improvements might be distinguished from those that would be expected as part of routine property maintenance*
- *different ways a rent increase above the cap might be calculated in cases where a landlord has made improvements to the property*
- *different ways that costs for improvements could be split between landlord and tenant.*

18. Should landlords be able to increase rents by more than the level of the rent cap to recover costs, where they have undertaken certain improvements which may enhance the rental value or bring additional benefit to the tenant?

Answer: Yes

Response:

Yes, landlords should be able to apply for a rent increase above the cap where they have undertaken improvements that materially enhance the property and provide a clear benefit to the tenant. This is a fair and proportionate approach that recognises responsible investment and encourages continued upgrades across the private rented sector.

Examples might include significant energy efficiency works, refurbishments, or the addition of new amenities or space - all of which improve the quality, comfort, and long-term value of the home for tenants. Allowing a rent adjustment in such cases helps landlords offset costs while maintaining affordability for tenants.

To ensure balance, this could be subject to clear criteria and a light-touch application or notification process - avoiding unnecessary bureaucracy but providing transparency. Supporting such investment through a reasonable and predictable framework will help deliver better quality homes, support compliance with evolving standards, and contribute to long-term sector sustainability.

19. Should landlords who make improvements to a property which improve energy efficiency be allowed to raise the rent above the level of the rent cap?

For example by making specific improvements which improve the EPC rating of the property, or by installing an upgraded heating system.

Answer: Yes

Response:

Yes, where a landlord has undertaken improvements to a property - particularly those that enhance energy efficiency - it is reasonable that the rent should be allowed to revert to the open market level, or another figure mutually agreed between landlord and tenant, subject to a maximum of market rent.

This reflects the principle that improvements add tangible value to the property and directly benefit the tenant through better comfort, lower energy bills, or enhanced living standards. Allowing rent to adjust accordingly ensures that landlords are not penalised for making responsible investments and helps support continued upgrades across the sector.

In cases where a tenant has specifically requested additional or higher-specification works that go beyond typical improvements, and is willing to pay a higher rent in return, there should be scope for a bespoke agreement to reflect that arrangement. This recognises tenant choice and landlord flexibility within a fair, transparent framework.

Such an approach encourages collaborative decision-making, supports investment in quality and energy performance, and maintains affordability by linking any rent uplift to the value delivered and market benchmarks.

20. Are there any other types of improvements that should potentially qualify for this kind of increase above the level of the cap?

Answer: Yes

Response:

Yes, landlords should be able to apply for a rent increase above the cap where there have been improvements that materially enhance the property and provide a clear benefit to the tenant. This is a fair and proportionate approach that recognises responsible investment and encourages continued upgrades across the private rented sector.

Examples might include energy efficiency works, refurbishments, or the addition of new amenities or space - all of which improve the quality, comfort, and long-term value of the home for tenants. Allowing a rent adjustment in such cases helps landlords offset costs while maintaining affordability for tenants.

To ensure balance, this could be subject to clear criteria and a light-touch application or notification process - avoiding unnecessary bureaucracy but providing transparency. Supporting such investment through a reasonable and predictable framework will help deliver better quality homes, support compliance with evolving standards, and contribute to long-term sector sustainability.

21. How do you think improvements that might qualify for this increase above the level of the cap should be distinguished from work that would be expected as part of routine property maintenance?

Please give us your views

Improvements that justify a rent increase above the level of the cap should be distinguished from routine maintenance based on their scale, cost, and the added value they bring to the property and tenant. Landlords should be able to recover the cost of meaningful upgrades that go beyond standard upkeep, particularly where those works enhance the property's utility, efficiency, or overall appeal.

Routine maintenance refers to work required to keep the property in good working order—such as repairs, servicing, or replacing items that have naturally worn out over time. These are part of a landlord’s ongoing responsibilities and should not justify an increase above the rent cap.

In contrast, qualifying improvements are typically discretionary investments—often capital-intensive—that improve the property beyond its original condition. Examples include installing new energy-efficient heating systems, upgrading insulation, fitting new kitchens or bathrooms, or undertaking structural enhancements. These works not only benefit the tenant directly, but also improve long-term value and help meet higher standards expected across the sector.

Landlords should have a clear and reasonable route to apply for rent to revert to market levels where such investment has been made, or to agree a new rent with the tenant, up to a market rent threshold. Where the tenant has requested additional or higher-spec improvements and is willing to pay more in return, this should be reflected in the agreed rent.

Encouraging this kind of investment helps improve housing quality, reduce energy costs for tenants, and supports the long-term viability of private renting. A fair distinction between maintenance and improvements is key to delivering better homes without discouraging responsible landlords from upgrading their properties.

22. Do you think that a rent increase above the cap should be calculated by:

improved rental value basis

cost recovery basis

other

Please give us your views

A rent increase above the cap should be permitted on a flexible basis, allowing for either improved rental value or cost recovery, depending on the nature of the improvements and the agreement between landlord and tenant.

1. Improved Rental Value Basis

This is the most practical and market-aligned method, allowing rent to reflect the new market value of the property after improvements. It recognises that upgrades (e.g. energy efficiency measures, refurbishments, or added amenities) enhance tenant benefit and the overall rental value. This method is clear, fair, and aligns with how rent is typically assessed.

2. Cost Recovery Basis

In some cases, particularly for upgrades that do not significantly change the market rental value but are nonetheless capital-intensive (such as compliance-related works or insulation upgrades), a cost recovery mechanism may be more appropriate. This could allow for modest increases based on a proportion of the capital outlay, perhaps amortised over time, within reasonable limits.

3. Other / Hybrid Approach

A combined or discretionary approach may be appropriate in some cases. For example:

- Rent may revert to market level (where supported by valuation evidence), or
- Tenant and landlord may agree a bespoke figure reflecting both cost and value,
- Subject to a maximum of market rent.

This flexible framework ensures that landlords are incentivised to invest, tenants receive clear benefits, and affordability is maintained. It avoids a one-size-fits-all model and supports a balanced, investable rental market.

23. If a cost-recovery basis was used, what kind of factors should be taken into consideration when deciding how it should be applied?

Please give us your views

In the event that a cost recovery method is used, it should be balanced to reflect the cost of the outlay by the landlord and the value to the tenant. It may exceed market rent if both parties are in agreement, but it should be fair and proportionate.

Cost recovery should focus on genuine capital improvements—such as energy upgrades or property enhancements—that go beyond normal maintenance. Landlords should be able to recover their actual costs (including the time value of money), ideally spread over the useful life of the improvement, with a clear, simple process that avoids unnecessary red tape.

Where tenants directly benefit, especially if they've requested or agreed to the works, a stronger case exists for recovery. Market rent should act as a general cap, but where parties are in agreement - and where the improvements move ahead of the general comparative condition of the rest of the market - some upward flexibility beyond market rent should be permitted to reflect enhanced quality and value.

Modified rent control area restrictions - other costs a landlord may face

In this section, we ask you to consider:

- *any other circumstances where you think that rent increases above the level of the cap should be permitted.*
- *how these measures could apply in settings where there are additional services included in the agreement with the tenant, such as in rural settings or in supported accommodation.*

24. Are there any other cost increases for rental properties that would justify raising the rent above the level of the rent cap?

Answer: Yes

Please explain your answer:

Yes, there are several other cost increases that could reasonably justify a rent increase above the level of the cap. Landlords operate in a rising cost environment, and many of these pressures are outside their control. A fair and sustainable system should allow for recovery of material cost increases that affect the viability of letting a property.

Examples include:

1. **Sharp rises in insurance premiums** – Especially in areas affected by flood risk, cladding issues, or changes in underwriting practices. These increases can be significant and unavoidable.
2. **Substantial increases in service charges or factoring fees** – In flats or multi-unit buildings, service charges can rise due to maintenance of shared areas, building safety compliance, or inflationary pressures from suppliers.
3. **Compliance-related costs** – New regulatory requirements (e.g. minimum energy standards, electrical safety, or building safety) often carry financial implications. Where these go beyond ordinary maintenance, landlords should have a route to recover associated costs.

4. **Financing costs** – For landlords operating with mortgage finance, sustained interest rate increases can have a significant impact on viability. While rent control must retain a tenant protection focus, it should not ignore the financial reality for landlords operating professionally and at scale.
5. **Major refurbishment required by external events** – Such as remediation works imposed by local authorities, environmental upgrades, or essential retrofitting to meet changing standards.

Where these costs are genuine, substantial, and impact the ongoing provision or quality of the property, landlords should be able to apply for a reasonable rent adjustment, ideally up to market rent. This is essential to ensure continued investment, prevent disinvestment from the sector, and protect the long-term availability of good-quality rental homes. A rigid cap without scope for cost recovery risks discouraging responsible landlords and undermining the supply of much-needed homes.

25. Are there any other circumstances under which landlords should be allowed to raise rents above the level of the rent cap?

Answer: Yes

Please explain your answer:

Yes, there are several other circumstances where it would be reasonable for landlords to raise rents above the level of the cap. A fair and balanced system should account for situations where rigid controls could otherwise discourage investment, reduce flexibility, or make continued letting unviable. Circumstances could include:

Exceptional Local Market Conditions

In areas where demand has surged due to significant economic, infrastructure, or population changes, a capped rent may become wholly disconnected from local rental values. A mechanism for review or adjustment in such cases is important to maintain supply.

Portfolio-Level Investment Requirements

For professional landlords or institutional investors, the ability to rebase rents across a portfolio (subject to market limits) may be necessary to meet lender covenants or reinvestment strategies, particularly where large-scale improvement programmes are being delivered.

Allowing for these circumstances would ensure the rent cap system remains proportionate and does not unintentionally constrain supply, investment, or quality. It provides landlords with the flexibility needed to manage properties responsibly while still protecting tenants from arbitrary or excessive increases.

Demonstrating eligibility for an increase above the level of the cap

In this section, we ask you to consider:

- ***that landlords could be required to demonstrate the reasons for any rent increases above the level of the cap by providing certain information***
- ***how this process might work.***

26. What should the process be if a landlord seeks to make a rent increase above the level of the rent cap for any of the reasons referred to in the previous sections in this chapter?

These reasons include: landlords who charge rent significantly below advertised rates, landlords who make improvements to their property, other costs a landlord may face

landlords should be required to seek approval before raising the rent above the rent cap

landlords should be allowed to raise rents above the cap without a requirement to apply to an external decision maker

Please explain your answer:

Landlords should be allowed to raise rents above the cap without a requirement to apply to an external decision maker, provided the increase falls within clearly defined exemption categories and remains below the prevailing market rent.

A streamlined, self-certification model would strike the right balance between protecting tenants and allowing landlords to operate sustainably. Requiring formal approval for each exemption risks creating unnecessary delays, administrative burden, and uncertainty—particularly where the rationale for the increase is straightforward, such as aligning rent with local market levels after a long tenancy.

Instead, landlords could be required to:

- Notify tenants in writing with a standardised declaration explaining the grounds for the increase.
- Provide supporting information, such as evidence of the improvement works, market comparisons, or documentation of below-market historic rents.
- Retain records for inspection or audit if challenged.

In cases where a tenant disputes the increase, a clear and efficient route for review—via Rent Service Scotland or the First-tier Tribunal—should be available. This ensures fairness while avoiding an overly bureaucratic system that could discourage investment and reduce supply.

A proportionate, light-touch process would support ongoing property upgrades, protect tenant rights, and maintain investor confidence in the rental sector.

27. If landlords were required to seek approval before raising the rent above the rent cap, what kind of information should landlords have to provide to tenants after the rent increase has been approved, and when?

Please give us your views:

If landlords are required to seek approval before raising the rent above the cap, any process should be clear, proportionate, and designed to minimise disruption to both landlords and tenants.

Once an increase has been approved, landlords should provide tenants with the following information in writing:

Information to Provide:

Notice of Rent Increase Approval

Confirmation that the rent increase has been approved by the relevant authority (e.g. Rent Service Scotland or First-tier Tribunal).

The new rent amount and the date it will take effect.

Reason for the Increase

A short statement outlining the grounds for the increase (e.g. investment in energy efficiency improvements, cost recovery, alignment with market rent after long-term tenancy).

Reference to the exemption category under which the increase was approved.

Supporting Summary (Optional but Helpful)

A brief summary of the work carried out or cost incurred (e.g. insulation installed, new kitchen fitted).

Any relevant comparison with local market rents, if this was part of the approval.

Timing:

This information should be provided **at least one full rent payment period before the increase takes effect**, in line with existing rent increase notice requirements (typically 3 months for Private Residential Tenancies).

It should accompany or follow the formal rent increase notice, ensuring tenants understand why the increase is happening and that it has been lawfully approved.

This approach ensures transparency and gives tenants confidence in the process, while keeping it manageable for landlords who have followed the required steps to justify the increase.

28. If landlords were required to seek approval before raising the rent above the rent cap, what should be considered when designing a process for landlords to apply?

Please give us your views:

If landlords are required to seek approval before raising rent above the cap, the process should be as short and simple as possible to ensure it does not discourage investment or lead to unnecessary delays. Key considerations should include:

- **Straightforward application form** with tick-box categories for the reason (e.g. below-market rent, improvements, cost increases).
- **Minimal evidence requirements**, such as proof of previous rent, a short description of works, or local market comparisons.
- **Quick decision timeline**—a target of no more than 14 days, with automatic approval if no decision is made within that period.
- **No or low cost** to apply, to avoid penalising responsible landlords.
- **Simple tenant notification** once approved, using a standard format.
- **Optional fast-track route** where the tenant agrees to the increase.

The process should be light-touch, efficient, and designed to support continued supply and quality in the rental sector.

29. If landlords were allowed to raise rents above the rent cap without seeking approval, should they still need to produce evidence to prove that they qualify?

Answer: Yes/No

Please explain your answer:

If landlords are allowed to raise rents above the cap without seeking formal approval, it would be fair to provide evidence to demonstrate that the increase meets the criteria - for example, that the previous rent was significantly below market level, that qualifying improvements were made, or that there were substantial cost increases.

This strikes the right balance: it avoids the need for a burdensome approval process, but ensures transparency and accountability if the increase is challenged. The evidence could be submitted when notice of any rent increase is served and should also be held by the landlord and made available to the relevant authority (e.g. Rent Service Scotland or Tribunal) if a dispute arises.

Acceptable evidence might include:

- Previous and new rent levels
- Local rent comparisons
- Invoices or descriptions of improvement works
- Documentation of increased costs

This light-touch, self-certification approach keeps the process efficient while maintaining safeguards for tenants. It aligns with the principles in the previous answers—minimising red tape while supporting investment and ensuring fair treatment.

30. If landlords were allowed to raise rents above the rent cap without seeking approval, who should they need to provide evidence/information to and when?

Please give us your views:

If landlords are allowed to raise rents above the cap without seeking prior approval, they should provide a brief explanation and supporting evidence to the tenant at the point the rent increase notice is issued. This ensures transparency while keeping the process simple and efficient.

Who should receive the information:

- **The tenant**, as part of the rent increase notice.
- **The relevant authority** (e.g. Rent Service Scotland or the First-tier Tribunal) **only if the increase is challenged**.

When it should be provided:

- **At the time of issuing the rent notice**, landlords should include:
 - A short statement explaining why the rent is increasing above the cap (e.g. recent improvements, below-market rent, or cost recovery).
 - Basic supporting information—such as previous rent level, examples of local rents, or a summary of improvement works.

This light-touch approach maintains tenant protections and clarity, while avoiding unnecessary delays or bureaucracy for landlords. It supports fair practice and continued investment without requiring a formal approval process.

31. If landlords were allowed to raise rents above the rent cap without seeking approval, what should be considered when designing a process for tenants to verify or challenge the increase?

Please give us your views:

If landlords are allowed to raise rents above the cap without seeking prior approval, the process for tenants to verify or challenge the increase should be clear, proportionate, and easy to access—without creating unnecessary complexity or conflict.

Key considerations for designing the process:

1. Transparency at the Point of Notice

- Landlords should be required to provide a short written explanation and basic evidence with the rent increase notice (e.g. details of improvements, cost increases, or market comparisons).
- This ensures tenants understand the reason for the increase from the outset.

2. Simple Verification Process

- Tenants should be able to request further clarification or supporting documentation from the landlord if needed.
- Landlords should be expected to respond within a reasonable timeframe (e.g. 14 days).

3. Access to Independent Review

- If a tenant believes the increase does not meet the stated criteria, they should have the right to refer the matter to Rent Service Scotland or the First-tier Tribunal.
- The review process should be straightforward, free or low-cost, and time-limited to avoid prolonged uncertainty.

4. Presumption of Good Faith

- The system should operate on the basis that most landlords will act reasonably and in line with the rules.
- Formal intervention should only be needed in cases of dispute, ensuring the process is light-touch by default.

5. Clarity on Outcomes

- If the authority finds the increase is not justified, it should be capped or rolled back.
- If the increase is upheld, no further action is needed and the new rent applies as proposed.

This approach gives tenants a clear route to challenge unfair increases while keeping the process proportionate, efficient, and aligned with the self-certifying model that supports responsible landlord behaviour and ongoing investment.

Ending joint tenancies - requirement for a pre-notice

32. What additional information do you think should be included in a 2-month pre-notice?

For example information on the process, signposting to advice and support available.

Please give us your views:

The pre-notice should include:

- The name of the joint tenant giving notice
- The date the notice is issued

- A clear statement of intent to end the tenancy
- The proposed date for serving the 28-day notice
- Basic signposting to independent advice services (e.g. Citizens Advice, Shelter)

This should remain a simple and factual document. The onus should be on the initiating tenant to inform and manage communications with other joint tenants. The landlord's role should be passive unless a dispute arises.

33. Do you think a legal form (sometimes known as a prescribed form) should be created that a joint tenant must use for issuing the pre-notice?

Answer: Yes

Please explain your answer:

A prescribed form ensures clarity, avoids disputes, and reduces the risk of procedural errors. It also ensures that landlords are not required to interpret varying formats or levels of detail. It protects all parties and provides a clear paper trail.

34. Do you think that the pre-notice should be sent by the tenant initiating the end of the tenancy in a specific way to the other joint tenants, for example recorded delivery or by Sheriff Officer?

Answer: Yes

If yes, what method do you think should be required?

A verifiable traceable means (e.g. recorded delivery or tracked email).

This provides certainty and protects all parties. It should be the sole responsibility of the initiating tenant to manage this step.

Requirements for serving the final notice to leave on the landlord

35. Do you think the tenant initiating the ending of the tenancy should be required to provide evidence that the pre-notice has been sent alongside the notice to landlord?

For example, proof of email, postage, or information that shows it has been served by a Sheriff Officer.

Answer: Yes

If yes, what method(s) should be required?

Proof of delivery (postal receipt, email confirmation, or declaration of service).

This ensures that landlords can accept the notice in good faith and reduces the risk of being drawn into disputes between tenants.

36. Do you think that the copy of the 28 day notice to the landlord should be sent by the tenant initiating the ending of the tenancy in a specific way to the other joint tenants, for example recorded delivery or by Sheriff Officer?

Yes / No: yes

If yes, what method(s) should be required?

Recorded delivery or another verifiable method of communication.

Again, the responsibility should lie with the initiating tenant to ensure that all relevant parties are notified, not the landlord.

37. Do you think the tenant ending the tenancy should be required to give evidence to the landlord that a copy of the 28 day notice has been sent to all other joint tenants? For example, proof of email, postage or by served by Sheriff officer.

Answer: Yes

If yes, what method(s) should be required?

A simple written statement from the initiating tenant confirming service, with supporting proof if available (e.g. delivery receipt or email confirmation).

This creates a clean, auditable process for landlords, avoiding the need for further involvement unless challenged.

Ending joint tenancies - summary of process

Altogether these changes mean that, for a joint tenant to bring a tenancy to an end without the agreement of the other joint tenants, they must have:

- (i) served a pre-notice on the remaining joint tenants between 2 to 3 months before serving the 28-day notice to leave on the landlord***
- (ii) given a copy of the 28-day notice to leave to every other joint tenant***
- (iii) ensured that the 28-day notice to leave served on the landlord is accompanied by a statement that a pre-notice and a copy of the 28-day notice has been given to every other joint tenant***
- (iv) met any other requirements as prescribed through regulations by Scottish Ministers***

38. What particular information or advice should the guidance cover?

We will be developing guidance to accompany these measures that would support both landlords and tenants understand and make use of the new process. We want to provide information and support in certain circumstances such as domestic abuse where further guidance would be helpful, for example where a non-contact order is in place.

Please give us your views:

Guidance should:

- Clearly set out the responsibilities of the initiating tenant.
- Include a copy of the prescribed pre-notice form.

- Explain acceptable methods of serving notice.
- Provide a clear step-by-step process for tenants to follow, including timelines.
- Confirm that the landlord is not expected to mediate disputes between joint tenants.
- Include tailored advice for exceptional circumstances (e.g. domestic abuse), with reference to how notice requirements may be adjusted where a non-contact order is in place.

The guidance should reinforce that landlords are facilitators, not arbitrators, and that any dispute should be referred to the First-tier Tribunal for resolution.

Further Information

If you have any comments, questions, or would like to discuss further:

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