# Investment in Scotland’s student housing stalled as rent control uncertainty deepens



Investment in Scotland's student accommodation sector faces significant challenges as uncertainty around new rent control measures continues to arise. This situation comes amid a wider housing crisis, with concerns mounting over student homelessness and the affordability of living accommodations for those pursuing higher education.

Recent indications show a marked pause in investment, with over £80 million of planned purpose-built student accommodation (PBSA) funding reportedly on hold following the Scottish Parliament’s latest vote on the Housing (Scotland) Bill. This move has raised alarms among stakeholders, including David Melhuish from the Scottish Property Federation, who warned that the highly cyclical nature of the student housing market makes it unsuitable for blanket rent control measures. Melhuish expressed that applying such measures could "stymy investment," thereby hampering the industry’s growth and its ability to support the higher education sector.

In Edinburgh, existing student accommodation has already become a point of contention. The nature of the PBSA market, characterised by short-term tenancies, requires a different approach compared to the broader private rental market. Melhuish highlighted the urgency for clarity in regulations to provide assurance to current and prospective investors. "If Scotland wishes to continue to see major investment delivered," he stated, "we need to ensure the rental market remains attractive."

The need for effective rent controls aimed specifically at students has received backing from advocacy groups such as Living Rent, a tenants’ union fighting against high living costs. Aditi Jehangir, its chair, made a poignant case for the introduction of stronger protection for tenants, especially in the wake of increasing reports of student homelessness. As rental prices soar, many students find themselves forced into untenable living situations, juggling multiple jobs just to afford rent. Jehangir noted the urgent need for policies that tackle high rents which "keep students in poverty," emphasizing that without significant change, access to higher education for those from low-income backgrounds will be severely compromised.

Moreover, recent statistics revealing that 12% of students have faced homelessness starkly illustrate the dire circumstances many are enduring. This figure climbs to 25% among those with care experience. Advocates argue that the high costs associated with PBSA are contributing to this escalation in homelessness and that comprehensive rent controls are necessary to ensure that students have a safe, affordable place to live.

Complicating the landscape further, Scotland has seen a 26% decline in new construction for rental homes over the past year. Industry reports suggest that policies introduced in 2022 have made the investment climate increasingly hostile, with many potential developments either on hold or reconsidered due to fears of protracted rent control regulations. Critics have pointed to the Scottish government’s plans for future rental caps as being overly cautious—capping rent increases at inflation plus one percent—but they warn this might not suffice to encourage renewed investment into the housing sector.

Beyond the immediate implications for housing development, there’s concern that rent controls could lead landlords to withdraw properties from the rental market altogether, thereby exacerbating the current supply issues. This precarious balance has induced calls for the government to take bold actions that might not only maintain but also enhance the attractiveness of the rental market, aiding both investors and tenants.

As discussions about housing policies continue, the focus is increasingly squarely on ensuring that vulnerable populations, particularly students, are given the support they need—not just through protections against soaring rents but through an overall commitment to improving the availability of affordable housing options across Scotland.

In a landscape rife with competing needs, effective policymaking will require an approach that balances tenant protections with the imperative to attract investment into the housing market, aiming ultimately to alleviate the pressures felt by Scotland's student population.

### Reference Map

1. Paragraphs 1, 2, 3, 4, 5, 7, 8, 9 - Source 1
2. Paragraph 6 - Source 2
3. Paragraph 10 - Source 4
4. Paragraph 11 - Source 5
5. Paragraph 12 - Source 3
6. Paragraphs 13, 14 - Source 6
7. Paragraph 15 - Source 7

Source: [Noah Wire Services](https://www.noahwire.com)

## Bibliography

* <https://www.heraldscotland.com/news/25152101.80m-student-housing-halted-rent-caps-nervousness/?ref=rss> - Please view link - unable to able to access data
* <https://www.ft.com/content/348245a9-bba6-4460-bd55-7be65a291dbe> - A recent report highlights a 26% decline in new-build rental construction in Scotland over the past year, with only 1,896 build-to-rent units under construction in Q1 2025 compared to 2,545 a year earlier. This sharp fall contrasts with a more stable decline in England and a 6% rise in planning applications there, deepening the divergence between the UK nations. Industry experts attribute Scotland's decline to investor uncertainty driven by policy shifts, particularly rent controls introduced in 2022. While temporary rent caps expired in March 2024, the government aims to implement long-term rent control legislation by 2027. Critics, including the Scottish Property Federation, argue these policies have discouraged £3 billion in investment. The Scottish government is considering exemptions for build-to-rent and mid-market rental homes, alongside raising future rent caps to inflation plus 1%. These proposed changes, however, have drawn criticism from the Scottish Greens. With over 6,800 consented build-to-rent homes yet to be constructed, developers are cautiously optimistic that regulatory changes could reignite investment. First Minister John Swinney and Deputy First Minister Kate Forbes have acknowledged the need to support housing investment to spur economic growth ahead of the 2026 Holyrood elections.
* <https://www.ft.com/content/1ede67c4-3d48-4394-8908-3e325500f48a> - The Scottish government is modifying rent control proposals amid a housing crisis, prompting debate. The new housing bill suggests capping rent increases at inflation plus 1%, catering to tenants while trying to stimulate housing development. Previous measures included a rent freeze, which lapsed in April 2023. Investors argue that such controls deter capital investment and cause landlords to withdraw properties, worsening supply issues. Some landlords have preemptively raised rents significantly. Revisions to the bill have been welcomed but seen as insufficient by the Scottish Association of Landlords. Developers request more clarity to secure investor confidence. The government is also establishing a housing planning hub to expedite new home deliveries. Housing insecurity is noted as a potential political emergency, influencing broader populist movements. Despite Scotland's strict rent controls, rental rates have surged. Opposing views exist, with the Greens criticizing above-inflation rent increases and advocating for affordable housing and land acquisition reforms. The Scottish budget's allocation for affordable housing next year will be crucial in addressing the crisis.
* <https://www.scottishhousingnews.com/articles/tenants-and-trade-unions-call-for-rent-controls-commitment> - Tenants and trade unions in Scotland are calling for stronger rent controls to protect tenants. Research indicates that 12% of students have experienced homelessness, a rate higher than the general population, with the figure rising to 25% for students with experience in the care system. These groups argue that high rents are contributing to student homelessness and that rent controls are necessary to address affordability issues. They urge the Scottish Government to strengthen planned rent controls and expand them to include student accommodation, emphasizing the need for effective measures to protect vulnerable tenants.
* <https://sturents.com/student-accommodation-news/en/2024/01/30/scottish-government-rent-control-attempts-have-backfired-for-the-student-market/3241> - Scotland's rent control measures, including a rent freeze and a 3% increase cap, have led to a significant decline in new private rental stock. Investors are now choosing to fund development projects elsewhere, resulting in some build-to-rent developments being paused due to uncertainty over rent control policies. This has created a significant gap in the market, likely increasing upward pressure on rents. Additionally, the supply of purpose-built student accommodation (PBSA) in Scotland is limited by the planning environment, with regulations potentially limiting future supply and increasing rents in existing buildings due to rising construction costs and debt expenses.
* <https://www.livingrent.org/living_rent_calls_for_proper_rent_controls_to_protect_scotland_s_tenants> - Living Rent, a tenants' union in Scotland, is advocating for stronger rent controls to protect tenants. They argue that current rent control models, which limit increases within tenancies, disincentivize tenants from moving and may lead to higher rents for those who move regularly. The union emphasizes the need for effective rent controls that reduce rents and limit future increases to improve the quality of life for private tenants across Scotland. They also highlight the disproportionate impact of high rents on women and BAME individuals, advocating for rent controls as a step towards greater equality.
* <https://www.architectsjournal.co.uk/news/scottish-rent-controls-torpedoing-new-homes-supply-report-claims> - A report by the Scottish Property Federation (SPF) and Rettie & Co indicates that rent controls and political uncertainty in Scotland are likely to limit the supply of new build-to-rent homes. The report highlights that the system of rent control introduced under the Cost of Living (Tenant Protection) Act is deterring investors and developers, potentially disrupting the future delivery of new homes for rent in the country. The findings echo concerns that Scotland's rent control laws are compounding the housing crisis and accelerating tensions in the market.