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by Jacky Lee Roberts



King's Policy Journal

KCL Policy Research Centre

Centre for Business & Economics

Word Count: 2679

Summer 2026

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Executive Summary

The Private Rented Sector (PRS) differs considerably between the UK and Germany. Most notably, the sector can be described as an established institution in Germany, owing to the exceptionally high proportion of households that rent privately, approximately 52.8% (Statistisches Bundesamt, 2026), and its long history as a viable alternative to social housing and homeownership. In contrast, private renting in the UK is a less well-established form of housing, due partly to its decline in the 20th century, and remains less common, accounting for approximately 19% of households (Office for National Statistics, 2025). Germany's PRS also thrives despite heavy state regulation and tenant protections, which in the UK are seen as factors which stifle economic activity in the PRS. However, as the UK's PRS continues to grow, its limited professional standing has become increasingly difficult to ignore. Germany's PRS is therefore a useful comparator, as it shows that a large PRS can coexist with stronger regulation.

Subsequently, this essay discusses what the UK's PRS could learn from Germany's more professionalised and institutionalised PRS and recommends three policies aimed at addressing two major areas for improvement: the longevity of tenure and the financialisation of housing.

Introduction

The Renter's Rights Act (RRA) marks one of the most ambitious attempts by any government in the last four decades to reform the UK housing system. This is because, aside from the ever-present need for more housing supply, the quality of life and well-being of tenants in the UK's Private Rented Sector (PRS) is becoming increasingly politically salient as the sector continues to expand. To be specific, the UK's PRS accounted for 19% of households in 2024, up from 11% in 2004 (Office for National Statistics, 2025). Consequently, a large and growing share of the population is reliant on a sector that receives approximately 44% of complaints about mould and damp, and in which tenants report low satisfaction with landlords and agents (MHCLG, 2025a). These are among several factors that highlight the unprofessional nature of the UK's PRS. The RRA attempts to fix the growing dissatisfaction among the UK's population with private renting with a package of regulations and improvements, including granting tenants greater protections (MHCLG, 2025b). However, the RRA could go further to balance tenant-landlord relations and professionalise standards in private renting by including more elements modelled on Germany's PRS.

The housing system in Germany is very different to the UK's majority owner-occupier system, with approximately 52.8% of the population living in rented accommodation in 2024 (Statistisches Bundesamt, 2026). To maintain both tenant satisfaction and profitability, Germany's PRS has a mix of heavy regulations and tax incentives. However, key to Germany's successful PRS is also the predominance of long-term tenancies. A system consisting mainly of long-term rentals has less churn, giving tenant-landlord relations more time to stabilise and making renting a more secure form of tenure (Kemp & Kofner, 2010). By contrast, the UK's PRS is designed to encourage short-term rentals for maximal returns-on-investment (Fernandez & Aalbers, 2016). Therefore, any serious PRS should not allow housing to become hyper commodified. Subsequently, the package of policies proposed in this essay attempts to further elevate UK tenants' political standing relative to their German counterparts, improve price transparency and stability to de-marketize rentals, and incentivise long-term tenancies through tax incentives for landlords.

This essay will begin with an analysis of the global trend of rising house prices, which has affected Germany and the UK. The purpose of this section is to examine the imperfections of the German system by identifying structural issues common in both countries, while highlighting that housing financialisation has developed into a particularly acute problem in the UK. The section that follows discusses the PRS in Germany and the UK, providing a separate detailed account of the history and current formation of private renting in each country. The final section then outlines three policy recommendations, inspired by the German system, which aim to build on the RRA and further professionalise and modernise the UK's PRS. Lastly, this essay will finish with concluding remarks.

The Context of Rising House Prices

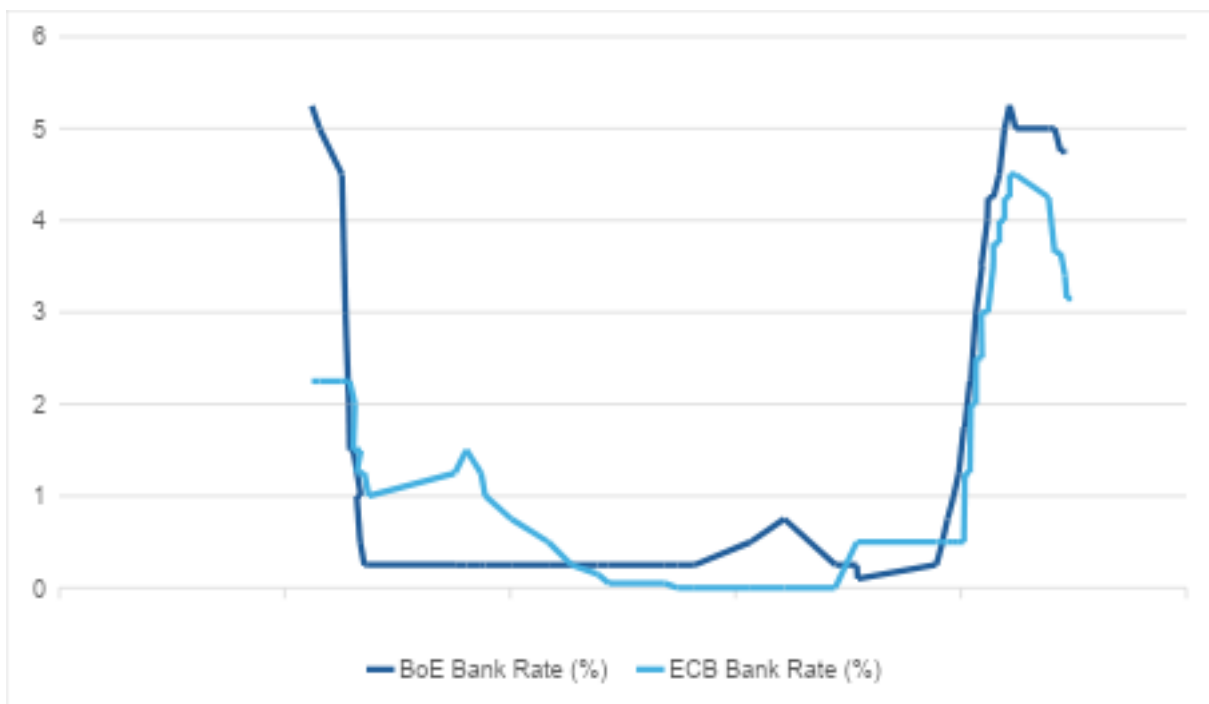
Though this essay identifies Germany's PRS as an ideal model for comparison with the UK's, given that both countries are advanced European economies but Germany has a more institutionalised and regulated PRS, the country has not managed to avoid the global wave of rising house prices. In 2025, Germany's rent prices stood at 17.5 index points above its 2015 benchmark in the OECD housing prices index, which tracks changes in rent prices over time using 2015 as the base year, set at 100 (OECD, 2025). This indicates rents had risen by 17.5% since 2015.

The global housing crisis is partly explained by demand-pull inflation, owing to ever increasing urban populations. For example, in roughly the same period covered in the OECD housing prices index, Germany's urban population grew by approximately 2,582,260, or 3.92%, from 2015 to 2024, while the UK's urban population grew by approximately 4,367,920, or 8.20%, in the same period (World Bank, 2024). It should be mentioned, however, that the UK severely lags behind Europe in housebuilding. The Centre for Cities think tank estimates that the UK requires "442,000 new homes a year" over 25 years to match the housing capacity of the average European country

(Watling & Breach, 2023, p. 4). It is therefore unsurprising that, in 2025, UK rent prices were higher than those in the Euro area, relative to their respective 2015 benchmarks, by 13.5 points, or 13.5%, (OECD, 2025).

Furthermore, since the trend of capital account liberalisation began in the 1980s, housing has gradually financialised. This is largely due to the credit and debt boom, which transformed housing into an asset class via its capacity to “absorb the global pool of excess liquidity”, which subsequently pushed-up prices (Fernandez & Aalbers, 2016, p. 75). The historically low-interest rate environment following the 2008 financial crisis, shown in Figure 1, and the policy of quantitative easing, further inflated house prices by making mortgage borrowing cheaper and yields in real estate more attractive than those of traditionally safe assets like government bonds (Fernandez & Aalbers, 2016).

Fig. 1. Bank of England (BoE) and European Central Bank (ECB) rates, 2008-2024.



Sources: BoE data (Bank of England, 2026.), ECB data (European Central Bank, 2025).

Much of the wealth in many advanced economies is consequently locked-up in housing (Fernandez & Aalbers, 2016). This transfer of wealth to homeowners and the mass privatisation of housing has led to widespread discontent in the UK’s PRS. However, though the decline of social housing relative to privatisation in Germany can be seen as a sign of “recommodification” (Debrunner et al, 2025, p. 154), tenant-landlord relations in Germany’s PRS have remained comparably stable (Booth, 2023; Davies et al, 2017). This is down to Germany’s strong tenancy laws and regulated rent increases (Tpas, 2025), which the UK is only just beginning to develop through the RRA.

Comparing Private Rented Sectors

Germany's PRS

One of the main reasons why Germany's PRS is less financialised than the UK's, is cultural. Unlike in the UK, there is no substantial conception of the housing ladder among Germans, who instead typically remain in the first house they buy or rent (Scanlon, 2011). This leaves private renting less exposed to commodification whereas in the UK, buying one's way out of the rental market, often with the aspiration of becoming an amateur landlord, is a standard practice that reinforces the treatment of housing as an investment vehicle (Kemp & Kofner, 2010).

Germany's PRS is also incredibly institutionalised, owing to its long and consistent history. While post-war Germany had a core emphasis of building social housing, incentives, such as tax-free capital gains "from the sale of residential rental buildings" privately held for more than two years (Kemp & Kofner, 2010, p. 387), maintained private renting as an alternative. The result is a PRS that has been consistently regulated over a long period, largely out of necessity, to match tenants' living conditions with those in state-subsidised housing. This partly explains why Germany imposes much tighter restrictions on mortgage lending than the UK does, since this functions as an initial barrier-to-entry for opportunistic landlords who would otherwise find it far easier to obtain such funding in the UK. Subsequently, Germany has a lower mortgage-debt-to-GDP level than the UK, exemplifying how its economy is less reliant on housing-wealth (Fernandez & Aalbers, 2016).

Longevity of tenure is one of the key differences between Germany's and the UK's PRS. German tenants typically remain in rentals for much longer periods than their UK counterparts and landlords often plan for extended returns-on-investment (Scanlon, 2011; Kemp & Kofner, 2010). This is both an outcome of Germany's regulatory environment, which prevents the commodification of private rentals, and a characteristic that reinforces tenants' rights, stable tenant-landlord relations and limited financialisation. Thus, the aim of any serious PRS should be longevity since long tenancies allow positive regulatory changes, such as greater tenant protections or stricter barriers-to-entry into landlordism, to become embedded as cultural norms.

The UK's PRS

The defining characteristic of the UK's PRS is that it is seemingly in its nascent stages, in contrast to Germany's. Private renting declined following the two world wars due to a mixture of rent controls, competition from government subsidised social housing and a general social stigma around being a landlord during a period notorious for large state-sponsored public works and social programmes (Kemp & Kofner, 2010). Subsequently, the PRS did not remain an established institution in the UK in the same way it did in Germany and, therefore, the one that exists today has not been conditioned by much legislation or normative and cultural precedent.

The piece of legislation that is most associated with the resurgence of private renting to its current form, the *Housing Act 1988*, coincided with mass market-deregulation and as mentioned in the previous section, financialisation. “Weakened security of tenure” was prioritised to make the PRS “financially viable” (pp. 379-380), and the *Housing Act 1996* made Assured Shorthold Tenancies (ASTs) the default whereby most tenancies had fixed terms. The short-term nature of private renting in the UK, alongside the lack of tenant protections, led the PRS to become a profit maximising enterprise rather than a professionally administered and legislated public good.

The RRA is the first piece of major legislation that attempts to inject longevity into the UK’s PRS. Importantly, the default rental agreement will be “rolling” and not an AST, preventing landlords from issuing Section 21 eviction notices after 6-12 months (MHCLG, 2025b). Tenants will subsequently have the option to remain in rentals much longer. A handful of other policies, including the termination of rental bidding, 12-months of tenant protection from eviction at the start of rentals and a general increase in eviction notice periods, aim to make the system fairer and more stable. However, the RRA could go further to usher in a more sophisticated German-style PRS.

Policy Recommendations

Establish a Tenants Guidance Council

The UK currently has a range of organisations that provide advisory and legal services for tenants, including tenant’s unions, Shelter and Citizens Advice. ACORN, the largest tenant’s union, represents “over 20,000 people across England and Wales” (ACORN, 2024). By contrast, Germany has a centralised organisation, the German Tenants’ Association (DMB), that coordinates 300 local associations throughout the country, with a representative body of approximately “3 million tenants” (Deutscher Mieterbund, n.d.).

The benefit of such a vast organisation is not only in improving accessibility to vital services but also in fostering a homogenous identity for tenants. A more centralised approach to tenant engagement could lead to individuals feeling better represented at the national level, thereby embedding engagement as a “norm” and not just a “right” (Tpas, 2025). The DMB also provides its members with a package of advice comparable to that currently offered separately by organisations in the UK, allowing for streamlined access to information. A similar Tenants Guidance Council could complement the Private Rented Sector Database proposed in the RRA (MHCLG, 2025b), as it could distil complex information from the database for tenants.

The DMB is a private organisation that also serves as a lobby for tenants. To avoid inflaming undue conflict between tenants and landlords, the Tenants Guidance Council should be an arms-length

body overseen by MHCLG, with the aim of providing impartial expert advice for tenants, as well as landlords wishing to be better informed.

Peg rent increases to a local reference

Under the new rules in the RRA, landlords in the private rented sector can request a rent increase once a year to the “market rate” by serving a section 13 notice to their tenant (MHCLG, 2025b). In England, the market rate of a rent increase is a synthetic figure based on what the property would achieve if newly let on the open market. While local data on surrounding properties is often gathered to make such assessments, increases are not anchored by a local-reference index.

The RRA further empowers tenants to challenge rent increases at the First-tier Tribunal, however, this could increase pressure on the UK’s stretched judiciary (Justice Committee, 2025). Rent increases could be less combative and more professionalised if there was a reference rent laid out by local councils. In Germany, under section 558 of the *German Civil Code*, local authorities must produce “lists of representative rents” (Federal Ministry of Justice and Consumer Protection, n.d.) which are used as a comparative benchmark for rent increases. Local councils in the UK should have the statutory duty to produce such lists and update them every two years, as is the case in Germany.

This would clarify appropriate rent increases and could thereby shift the burden of rent disputes off the judiciary. An added benefit could be more predictable rent increases, as such a system would naturally constrain upward revisions of rent.

Introduce negative gearing for private landlords

With the main goal of the policies thus far being to professionalise the PRS by direct tenant representation in government and greater price transparency and stability, introducing negative gearing would push this package of policies towards the goal of making the typical rental in the UK longer term.

As mentioned in the previous section, the government’s termination of ASTs in the RRA is a step in the right direction. However, long-term tenancies can be less profitable than short-term contracts because landlords may have fewer opportunities to reset rents to the current market level. Therefore, property deterioration and rising maintenance costs over time tend to outweigh the monetary benefits (Kemp & Kofner, 2010). Indeed, under the RRA landlords can request a rent increase once a year, but new regulations should be designed to prevent financial harm to landlords who choose not to do so.

In Germany, the process of negative gearing allows landlords to offset net losses on long-term rental income against other taxable income, to lower the tax burden on that income stream (Scanlon, 2011; Kemp & Kofner, 2010). In the context of the UK’s current cost-of-living crisis, extending tax

advantages to landlords may appear unfair and difficult to justify politically. However, this policy does not reward landlords. Instead, it incentivises landlords to begin to consider trading rent increases with better relations with tenants, and it futureproofs any potential rise in long-term tenancies.

Conclusion

It is clear that the UK's PRS is generally underdeveloped when compared with Germany's. This essay has attempted to explain why this is the case and, in-turn, recommend a package of German-style policies to modernise private renting in the UK. Importantly, de-financialising renting and encouraging longer-term tenancies are not mutually exclusive ends. Instead, these characteristics influence each other. The German PRS is more institutionalised and professionalised because its regulatory environment prevents the treatment of housing as an investment vehicle, which enables long-term tenancies to flourish. Simultaneously, tax incentives and greater tenant protections encourage long-term rentals, which makes profiteering from renting more difficult.

This essay calls for greater ambition from the UK government. The RRA attempts to foster these characteristics in the PRS, however it could go further by providing more political visibility for tenants, greater controls on rent increases, and monetary incentives for landlords renting long-term.

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