Government of JERSEY

Review of social housing rents

Alternative social housing rental models

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Summary

- Five core social housing rental models have been identified across 12 countries: market-based, income-based, cost-based, characteristic-based and formula rent models.
- Most countries use dual or hybrid rental models, combining different rent-setting methods and funding mechanisms to balance affordability, financial sustainability and broader social outcomes.
- Government funding is a consistent feature of all rental models, delivered either through welfare payments to tenants or direct subsidies to social housing providers.
- The assessment indicates that Jersey's rental model reflects a dual approach, combining both market- and income-based elements to support affordability and financial sustainability.

Introduction

In response to P.29/2025, the review examined a range of alternative social housing rental models used in other jurisdictions. The analysis assesses common approaches to rent setting, funding mechanisms and associated policy outcomes. This is intended to support the States Assembly in considering the relevance and adaptability of these models to Jersey, should it decide that changes to the existing rental model are necessary.

Assessment of social housing rental models

The review has assessed social housing rental models from 12 jurisdictions:

- England
- Australia
- Austria (Vienna)
- Canada
- Finland
- France
- Germany
- Ireland
- The Netherlands
- New Zealand
- Scotland
- The United States

These jurisdictions were selected based on the presence of alternative rental models, socio-economic comparability with Jersey and, in the case of Vienna, Austria, the international recognition of its approach.

The assessment identified five distinct rental models, each providing a different framework for setting and adjusting social housing rents. **Figure 1** illustrates the models:

Market-based	Rent set as a percentage (typically 70-80%) of private sector rents.
Income-based	Rents linked to household incomes and what they can afford to pay, usually capped at no more than 25% to 30% of household income.
Cost-based	

	Rents reflect the costs of constructing and maintaining the property to allow long-term cost recovery.
Characteristic-based	Rents determined by taking into account property characteristics such as size, location and amenities, often using a point system.
Formula rent model	A blended approach, where rents are calculated to a set formula, taking into account factors such as property characteristics, market values, and local income levels within an area.

Figure 1 – Approaches to setting social housing rents

A detailed explanation of the models, and their benefits and limitations, is provided in **Appendix A**.

Figure 2 summarises how other jurisdictions approach social housing rents, highlighting the diversity of rental models and funding mechanisms. This comparative overview illustrates the range of policy options available and the different strategies that governments use to balance affordability, financial sustainability and broader social objectives within social housing. A detailed description of each model is provided in **Appendix B**.

Jurisdiction	Types of social housing[1]	Rental model
England	Local authority and housing association	• Formula-based rent in social housing. • Market-based for affordable/intermediate housing; up to 80% of market rent for households not typically eligible for social housing. • Housing benefit available for low-income households. • Capital from government grants and private investment.
Australia	Several, including public housing, and community housing	• Dual – income-based (principle) and market-based. • Rent capped at 25% to 30% of gross income. • Welfare payments meet the difference between the capped rent contribution and the full market rent.
Austria (Vienna)	Public and co-operative housing	• Cost-based model. • Funding of social housing tied to a fixed 1% of income taxation. • Low-income households receive means-tested rent allowances, but welfare assistance is not the core method of social housing funding.

[1] The term *social housing provider* is used to refer to an organisation, whether a housing association, local authority or charitable organisation, that owns and manages homes for people in need, at a defined level of affordability, and which is often funded or regulated by public authorities. The precise structure and service model of these organisations will, nevertheless, vary between different jurisdictions.

Canada	Public and not-for-profit housing	• Dual market-based (principle) and income-based model. • Rents set at 90% to 95% of market. • Low-income households pay no more than 30% of net income towards rent (*rent-geared-to-income*) • Government subsidy covers the gap between RGI and market rent.
Finland	Municipalities and non-for-profit housing associations	• Cost-based model. • Low-income households receive means-tested rent allowances. • Government grants and subsidies for housing development.
France	Mix of public and privately subsidised housing (*Habitations à Loyer Modéré*)	• Cost-based model. • Rent is calculated based on the property's base price, construction and maintenance costs and its surface area. • Rent reduction, called *solidarity rent reduction* available to low-income households.
Germany	Subsidised housing – private investors, non-for-profit, and local authorities	• Cost-based model. • By accepting public subsidies, landlords agree to cost-based rents, which allow for a modest profit. • In return, they must rent to eligible low-income households at reduced rents for a fixed period (typically 15-30 years). • Households receiving welfare support receive a payment covering the whole of their rent
Ireland	Local authority housing and Approved Housing Bodies	• Income-based model in social housing where rent is set according to what households can afford and adjusted as circumstances change. • Government subsidy is provided to social housing providers covering the difference between income-based rents and market rents of properties.
The Netherlands	Non-for-profit housing associations	• Characteristic-based model. • Rent is set using a housing appraisal system that scores properties based on quality indicators.

		• Low-income tenants may receive housing allowances to help cover costs.
New Zealand	Public housing belonging to Housing New Zealand and community housing	• Income-based model. • Rents are set at 25% of household net income, rising to 50% for tenants with higher incomes. • Government covers the gap between tenant payments and market rent through subsidies.
Scotland	Local authority and housing association	• Mixed approach – no national policy or fixed formula for setting rents. • Social housing providers set rents based using local discretion, national guidance, and tenant input. • Rents typically reflect property size, location, management and maintenance costs, and tenant affordability. • Mid-market rents to assist households with modest incomes, set at around 20% above social housing rents or 80% of median private sector rents. • Housing benefit available to help cover rents for low-income households. • Capital is sourced through a blend of government grants and private investment.
United States	Public housing	• Income-based model. • Rents are capped at no more than 30% of a tenant's gross income, with federal government subsidises covering the difference between tenant payments and actual rents or cost benchmarks.

Figure 2 – Summary of cross-jurisdictional assessment of social housing rental models[2]

Findings from cross-jurisdictional assessment

The assessment found that most jurisdictions adopt a mix of approaches to meet the needs of different income groups and ensure housing affordability. These rental models often combine elements of market-based, income-based and cost-based approaches, supported by funding delivered either through welfare payments to tenants or direct subsidies to housing providers.

The key findings are:

- Income-based models (e.g., Australia, New Zealand and the United States) typically cap rents at 25% to 30% of household income.

[2] Key Characteristics of Social Renting, OECD Affordable Housing Database (2022)

- Canada adopts a dual model, where rents are discounted at 90% to 95% of market value, whilst low-income households receive rent-geared-to-income, paying no more than 30% of their net income towards rent.

- Ireland also adopts a dual model. Low-income households pay income-based rents, capped at what they can afford to pay, whilst middle-income households are charged cost-based rents – typically set at around 25% below private sector rents – to cover development and maintenance costs.

- Most European countries apply a single rent level based on either market- or cost-based principles. These models aim to ensure affordability for households with similar characteristics – such as family size or number of dependents – rather than tailoring rent to individual household income.

- Cost-based models are common in Austria, Germany and Finland, where rents reflect the actual cost of housing provision. England and the Netherlands use hybrid models that link rent levels to market conditions, local incomes and property characteristics.

- Government funding plays an important role in ensuring that social housing achieves a certain level of affordability for tenants and maintains the financial viability of social housing providers. Funding is provided either as welfare payments to tenants (directly or indirectly) or as subsidies to social housing providers to bridge the financial gap between tenant rents and actual market rents or costs.

- In Vienna, Austria, citizens make a tax contribution to the cost of social housing provision through a 1% taxation (0.5% employer and 0.5% employee).

- Alternative rental products are offered in some jurisdictions for households who not eligible for social housing, but who are unable to afford private sector rents or homeownership. Examples include *affordable rents* in England, *cost-rental* in Ireland, and *mid-market rent* in Scotland. These rents are higher than social housing but lower than private sector rents and may provide an additional revenue stream for social housing providers.

Overall, the assessment suggests that rental models are designed to balance affordability for tenants, the financial sustainability of social housing providers and broader social objectives. These models are underpinned by various policies, operational structures and funding mechanisms.

Crucially, financial subsidies, whether in the form of welfare payments or capital subsidies, play a central role in supporting both affordability for tenants and in ensuring the financial viability of social housing providers.

It is, therefore, important to consider how Jersey's existing market-based model compares with these international alternatives, and whether it creates any tensions, gaps or opportunities that other models might address more effectively.

Conclusion

The assessment highlights the diversity of social housing rental models internationally and the different ways that governments balance affordability, financial sustainability and broader social objectives through rent-setting and funding mechanisms.

Based on this assessment, Jersey currently operates a **dual rental model**. Tenants pay a rent set by social housing providers derived from a market-based calculation. For low-income

households, these rents are further supplemented, or offset, through an income-based welfare subsidy, ensuring affordability for those eligible.

This model establishes two routes to housing affordability:

- Households receiving Income Support can have their full rent recognised by the housing component. Others may receive partial assistance through Income Support and the disregard policy, with the remaining rent paid from other household income.

- Those not eligible for Income Support must cover the full cost of their housing independently. They still receive a market-derived subsidy where rents are set at up to 80% of market value.

The assessment raises important questions about the conditions under which social housing remains affordable for tenants, particularly for households outside the scope of Income Support, whilst maintaining the financial viability of social housing providers.

These findings highlight the potential value of integrating elements from alternative rental models or making targeted adjustments to address gaps or tensions in Jersey's current model. Areas for consideration include:

- Offering intermediate rental products such as mid-market or affordable rent to provide options for middle-income households and higher earners who experience financial pressure with the cost of private sector rents or in accessing home ownership.

- Exploring alternative funding mechanisms such as targeted subsidies to strengthen the financial sustainability of social housing providers without increasing rents. This would diversify funding sources and reduce reliance on Income Support.

The assessment suggests that Jersey's current model, combining market-based rents with Income Support, underpins affordability for many households but may not fully address the needs of those who are not eligible for financial assistance. Examining alternative rental models and further reviewing the alignment between rents and Income Support could help to inform future policy decisions.

Appendices

Appendix A – Social housing rental models

Rent Model	Definition	Benefits	Limitations
Market-based	Rents are set as a percentage of the market such as 70% to 80% of the value of an equivalent property in the private rented sector.	• Transparent and easy to benchmark against market rents. • Offers social housing providers long-term certainty about rent trajectories and a predictable funding stream.	• May still be unaffordable for tenants without some welfare allowance. • Sensitive to the market and supply and demand in the private rented sector.
Cost-based	Rents are set based on the cost of constructing, managing and maintaining social housing. The aim of the model is to ensure that rent is sufficient to cover the ongoing costs of providing social housing.	• Transparent cost recovery since the model takes account of the actual costs of developing, operating and maintaining housing stock and delivering landlord services. • Seeks to minimise the impact of the market and can send signals as to the real cost of housing development.	• Can lead to inefficiencies if there is no pressure to control costs. • Does not reflect a household's ability to pay for housing. • High land prices may create a large difference between rents in new housing development compared to older ones.
Income-based	Rents are set based on the characteristics of the household occupying a property. Rent is calculated as a fixed percentage of household income such as 25% to 35%.	• Improves housing affordability for tenants and helps to ensure they have sufficient income after housing costs to meet their non-housing needs.	• Complex to administer; potentially intrusive and difficult for tenants to understand; and involves regular income reviews of tenants' circumstances • Unpredictable revenue for social housing providers • Risk that social housing providers may prioritise higher-income tenants to ensure financial viability
Characteristic-based	Rents are determined based on the physical and qualitative features of a property – e.g., property size, location,	• Rent levels are clearly linked to the quality of a property, ensuring that tenants pay a fair rent for the	• Complex to administer. • Rents may not address affordability difficulties facing tenants or reflect

	amenities and local market conditions – usually by using a points-based system.	standard of their property.	cost conditions facing social housing providers.
Formula rent	Rents are calculated based on a combination of factors such as property characteristics, local market conditions, and local income levels.	• Promotes fairness and consistency by linking rent levels to property characteristics, local market conditions, and income levels. • Weightings for earnings helps to align rents with local incomes. • Similar properties in similar areas have similar rents.	• May not adequately reflect actual market or cost conditions, creating financial uncertainty for social housing providers. • Involves multiple variables and historical data, making it difficult for tenants to understand how their rent is determined.

Appendix B – Cross-jurisdictional assessment of social housing rental models

Country	Model	Key features	Subsidy mechanism
1. England	Target rent model[3]	• Properties let at *social rent* are set based on a formula determined by government (based on the relative value of the property, relative local income levels, and the size of the property). • The policy contains flexibility for social housing providers to set rents at up to 5% above formula rent (10% for supported housing). • The weekly formula rent is equal to: - 70% of the national average rent. - Multiplied by relative county earnings. - Multiplied by the bedroom weight. - Plus 30% of the national average rent. - Multiplied by relative property value.	• Low-income tenants are assisted through housing benefit. This is a subsidy up to the value of the property rent and can be paid either to the tenant or directly to the social housing provider. • Capital provided through combination of grant funds from government and private investment. Social housing achieves financial viability provided that rents are set in such a way that rental revenue covers the costs of providing housing.
2. England	Market-based rents ('affordable rent')[4]	• Permits rents to be set at up to 80% of market rent. Applies to 'intermediate' tenures. • The UK Government does not require social landlords to adhere to the policy for tenants with high incomes (an annual income of at least £60,00).	• Same as above; the additional revenue is invested in new housing.
3. Australia	Dual system – market- and income-based rents[5] [6]	• Social housing in Australia is administered at state level, and it comprises a number of sectors, each	• Government rental rebates ensures affordability for low-income tenants in

[3] *Policy statement on rents for social housing*, UK Government (2022): https://www.gov.uk/government/publications/direction-on-the-rent-standard-from-1-april-2020/policy-statement-on-rents-for-social-housing
[4] *What is affordable housing?* House of Commons Research Briefing (2023): https://researchbriefings.files.parliament.uk/documents/CBP-7747/CBP-7747.pdf
[5] *What is the difference between social housing and affordable housing – and why do they matter?* Australian Housing and Urban Research Institute (AHURi) (2023): https://www.ahuri.edu.au/analysis/brief/what-difference-between-social-housing-and-affordable-housing-and-why-do-they-matter
[6] *Housing Assistance in Australia*, Australian Government (2025): https://www.aihw.gov.au/reports/housing-assistance/housing-assistance-in-australia/contents/summary

		responding differently in some way to different social, financial and political imperatives. • *Public housing* – owned and managed by State and Territory Government. • *Community housing* – owned and managed by not-for-profit organisations. • In the largest sector, public housing, State Housing Authorities (SHA) calculate rents at 25% to 30% of household income. If, for larger households, the 25% to 30% rent level exceeds the local market rent for that property, then the local market rent is applied. • SHAs operate a dual rental model where they determine a rent for each property (the *property rent*) and a rent for each household (the *household rent*). • The property rent is a ceiling or maximum rent payable on each property derived usually from a market rent. • Some social housing providers apply different benchmarks for different income groups, with rent based on 30% income for higher income groups.	public housing. Rebates cover the difference between the property rent and the household rent. • Public housing is funded through a combination of federal, state, and territory government contributions, as well as private investment. • Low-income tenants living in community housing are eligible for Commonwealth Rental Assistance. CHOs approaches to CRA vary – some build it into rental calculation; others include it in tenants' income. CRA does not cover full rent, so CHOs may also provide an internal rebate. • Move to *affordable housing* model (e.g., rents set at 75% of market) to cover the costs of private finance.
4. Austria (Vienna)	Cost-based rents[7]	• Social housing provided through city-owned flats (Gemeindewohnungen) and cooperation flats (Genossenschaftswohnung), comprising approximately 60% of Vienna's housing stock.	• Funding of social housing construction is tied to a fixed portion of income tax, which corresponds to 1% of the combined income of both employers and employees in Vienna

[7] *Municipal Housing in Vienna*, City of Vienna: https://socialhousing.wien/tools/municipal-housing-in-vienna

		• Rents are capped at cost rent, taking into the costs of construction, management and planned maintenance. Annual CPI-linked rent adjustments. • Low-income households have additional access to income-based, means-tested housing benefits.	(each group pays 0.5%). This generates around €250 million for housing construction and tenant housing benefits. • The increased demand for housing has required Vienna to source additional, separate budget resources for housing purposes.
5. Canada	Dual system – market- and income-based rents[8]	• Social housing tenants pay either a property or a *rent-geared-to-income* (RGI). • The property rent is a discounted rent. It is determined through a market appraisal of the residential unit and set at roughly 90% to 95% of the market rent. These rents are adjusted annually in line with market trends. • Social housing providers accommodate tenants on a range of incomes but allocate a proportion of their units to tenants eligible for RGI. Tenants who are eligible for RGI pay no more than 30% of their adjusted family net income towards rent.	• Government (either provincial or central) provides a subsidy to housing providers to cover the difference between RGI rent and actual cost or market rent. • The total revenue from rents and subsidies is equivalent to total property rents. Social housing is financially viable insofar as property rents set as discounted market rents or market rents are sufficient to cover operational costs.
6. Finland	Cost-based rents[9]	• Social housing provided by municipalities and non-for-profit housing associations. • Rents calculated based on the costs of the housing provider, considering loan repayments, maintenance and repair costs and	• ARA provides grants and subsidies for housing and construction, as well as guarantees for private financing. • Welfare assistance available for low-income tenants.

[8] *Rent-Geared-to-Income Housing*, City of Toronto: https://www.toronto.ca/community-people/employment-social-support/housing-support/rent-geared-to-income-subsidy/

[9] Centre for State-Subsidised Housing Construction: https://www.varke.fi/en

		property management expenses. • Housing Finance and Development Centre of Finland (ARA) monitors housing providers and recommends moderate rent increases based on cost changes.	
7. France	Cost-based rents[10]	• Rents calculated based on the base price of a property in relation to the costs of construction, management and maintenance, plus the surface area of the property.	• Funded through a multi-layered system involving public subsidies, regulated loans, tax incentives, and local authority contributions. • Rent reduction, called *solidarity rent reduction* available for low-income tenants.
8. Germany	Cost-based rents[11]	• Social housing (*Sozialer Wohnungsbau*) defined as properties in receipt of a public subsidy. • Social housing includes private investors, not-for-profit housing companies and local authorities. By accepting public subsidies, landlords agree to certain conditions: cost rents that allow for a modest profit, and to accept eligible households.	• Tenants pay a cost rent. Those in receipt of social assistance receive a payment covering the whole of their rent. • Other tenants are also eligible for a means-tested housing allowance. • The cost rent covers the cost of (i) interest on borrowed capital, (ii) interest on equity, (iii) depreciation, and (iv) running costs such as maintenance and administration costs. • Federal states able to grant loans, grants or preferential terms

[10] *Rent of social housing*, République Française: https://www.servicepublic.gouv.fr/particuliers/vosdroits/F1317?lang=en
[11] *Social Housing – Building a solid foundation*, Federal Ministry for Housing, Urban Development and Building (2024): https://www.bmwsb.bund.de/SharedDocs/downloads/DE/publikationen/wohnen/swb-2024-en.pdf?__blob=publicationFile&v=3

			to social housing providers.
9. Ireland	Income-based rents[12] [13]	• Local authority rents based on a system called *differential rents*. This means that rents depend on a tenant's total household income. Rent calculations are adjusted based on changes in tenant's circumstances. • Rent levels for Approved Housing Bodies (AHBs) vary depending on the type of housing provided and the funding model used. • *Cost Rental* is a new form of housing targeted at households who are above the social housing income limits. Rents cover the cost of developing, financing, managing and maintaining homes. It also offers long-term security of tenure. Cost Rental typical delivers rents at least 25% below the private rented sector.	• Social housing development funded through combination of state-led capital investment, loan facilities, and leasing schemes. • Payment and Availability Agreement (P&A) is a legal agreement to make a property available for social housing for a set period, negotiable up to 30-years. The Government agrees to pay a percentage of market rent for the property, which is used to service costs.
10. The Netherlands	Characteristic-based[14]	• Social housing sector accounts for 40% of housing stock in the Netherlands. • Rents set using a housing appraisal system based on property quality indicators. • Rent increases (for both social housing and the low rent private sector) regulated by central government and reviewed annually.	• Social housing tenants eligible for a housing allowance (*Huurtoeslag*), which is paid to tenants whose incomes are less than a specified maximum and paying rent within a specified band. Standard amount based on household size, household type and rent band.
11. New Zealand	Income-based rents[15]	• Majority of public housing tenants pay an income-based rent determined by	• Treasury provides subsidy to cover the difference between

[12] *Social Housing Options*, the Housing Agency: https://www.housingagency.ie/housing-information/social-housing-options
[13] *Setting and reviewing Approved Housing Body (AHB) rent*, Residential Tenancies Board: https://rtb.ie/renting/setting-reviewing-rent/setting-and-reviewing-approved-housing-body-ahb-rent/
[14] *Rented Housing*, Government of the Netherlands: https://www.government.nl/topics/housing/rented-housing
[15] *Income-related rent subsidy*, Ministry of Housing and Urban Development: https://www.hud.govt.nz/funding-and-support/income-related-rent-subsidy

		the Ministry of Social Development. Rents generally set at 25% of household net income. • The rate is increased to 50% for tenants with higher incomes.	the household rent and market rent.
12. Scotland	Mixed approach[16]	• Mixed approach – no national policy or fixed formula. Social housing providers determine rent calculation based on a combination of local discretion, national guidance, and tenant consultation. • Rent calculation typically takes into account property size and type, location, cost or management and maintenance, and affordability for tenants. • *Mid-market rents* to assist households of modest incomes, particularly in urban areas. Rent levels range between 20% above social rents or else 80% of local median private rent.	• Housing benefit available for low-income tenants. • Capital generated through combination of government grant funding and private investment.
13. United States	Income-based rent[17]	• Social housing owned and managed by Public Housing Authorities (PHAs) in each State. • PHAs set rents based on a tenant's anticipated gross annual income less any deductions. • In most federally-funded rental assistance programs, a tenant's monthly rent is set at 30% of adjusted income.	• The federal government (via HUD) covers the difference between tenant payments and actual rent or cost benchmarks.

[16] *Rent affordability in the affordable housing sector: literature review*, Scottish Government (2019): https://www.gov.scot/publications/rent-affordability-affordable-housing-sector-literature-review/pages/7/
[17] *HUD's Public Housing Program*, U.S. Department of Housing and Urban Development: https://www.hud.gov/helping-americans/public-housing

		• Each year, tenants also have the option of opting for a market-based flat rent. • Rents recalculated annually or when household income changes. • Rent increases may be phased in over number of years so as not to act as a disincentive for tenants to increase their income through work.	