



East Midlands

Private Rented Sector

Landlord Research

April 2009

Prepared by Decent & Safe Homes (DASH) East Midlands
on behalf of Government Office for the East Midlands

Summary

This research set out to establish a broad picture of the Private Rented Sector in the East Midlands, to provide further data to accompany the initial DASH report on the introduction of LHA and to assess the impact of the economic downturn.

The results of the survey are both positive and negative. On the positive side, landlords reported relatively low re-let times, some degree of satisfaction with Broad Market Rental Area (BRMA) levels and a healthy student market. 88% of respondents had an occupancy rate of 90% or higher. The outlook for the next 12 months was reasonable, with a widespread expectation of stagnating rental levels, but no suggestion of any imminent collapse in demand or achievable rent. 56% of respondents had no tenants in rental arrears by two months or more.

Less than 10% of respondents were considering withdrawal from Local Housing Allowance (LHA) tenancies within the next 12 months, providing a more positive outlook for LHA than was apparent in earlier DASH research. Added to this, the fall in interest rates has more than offset any stagnation in achievable rent levels for many landlords.

However, there are several concerns. If the economic downturn continues, the number of respondents who have at least one tenant in arrears by two months or more can only be expected to increase. Anecdotal evidence suggests that re-let times are increasing and landlords are asking for a larger deposit or guarantor, particularly for LHA claimant tenants, reducing the amount of choice for some LHA recipients. There is concern that the serving of Section 8 notices will increase markedly in the next 12 months. LHA still remains unpopular, with direct payments to tenants receiving criticism, and many respondents stating that they are only continuing with LHA until the economy recovers, as they are concerned about their properties standing empty if they opt out of LHA tenancies in the short term. Nearly a quarter of respondents had previously offered properties to LHA or Housing Benefit claimants and no longer did so.

Landlords' dissatisfaction with their local authority is also highlighted. The main issue appears to be the perceived tenant bias of local authorities and apparent lack of concern or assistance for the landlord. This raises questions over the future of the relationship between local authorities and the private rented sector.

80% of respondents who currently offer property to LHA tenants were not aware of the Rent Service and what role they play in setting BRMA levels, highlighting communication issues between Government and landlords.

Practical solutions to these issues are suggested within this report.

1. Introduction

Following the February 2009 publication of research by Decent & Safe Homes East Midlands (DASH) detailing landlord responses to the Local Housing Allowance (LHA) and the perceived impact of the economic downturn upon the Private Rented Sector (PRS), further research was requested by Government Office for the East Midlands (GOEM).

The briefing for this research was to more closely assess the impact of the economic downturn, highlight what landlords feel are the most important priorities for Government within the PRS, assess the rates of tenant arrears and to ascertain the level of landlord awareness of their local housing options centre and the Rent Service. Within this framework, landlords were also asked about re-let times, the number of empty properties in their portfolio and their views of possible market changes over the next 12 months.

2. Scope of Research

DASH was established in 2005 as a regional support base for landlords and private rented sector housing staff across all 40 East Midlands local authorities. DASH is supported by the Government Office for the East Midlands and funded by the Regional Housing Group.

DASH has compiled contact lists of landlords, letting agents, local authorities, landlord associations and other relevant parties in the private rented sector over the past four years. This process remains ongoing, and these diverse and randomised contact lists were utilised for this research.

Special thanks are due to East Midlands Property Owners (EMPO) and the Residential Landlords Association (RLA) who have supported the work of DASH and kindly agreed to assist in the evidence gathering and publicising of this document.

2.1 Methodology of Research

A questionnaire was compiled containing 19 questions for landlords/agents to answer. The questions were, in many cases, similar to questions that Communities and Local Government (CLG) are currently asking Registered Social Landlords (RSL's). This allows the results to be compared by Government for both public and private sector accommodation in the region. This research is based on responses received up to and including 13th April 2009. The total number of questionnaires received by email, post or conducted by telephone was 72.

As with any survey of this type it is fair to assume that many individuals or companies that took the time to respond did so because they have particularly strong opinions on some or all of the subjects covered. Further canvassing of opinion at landlord forums or events is recommended to continue to build an up to date picture of the Private Rented Sector and to ensure as many views as possible, both positive and negative, can be expressed.

Tables contained in this report with percentage figures may not total 100% due to rounding up/down of statistics.

3. Analysis of Responses

➤ 1. Are you a letting agent or a landlord?

In this survey, 72% of respondents identified themselves solely as landlords, while 23% of respondents identified themselves as solely letting agents. 5% of respondents were both letting agents and landlords.

➤ 2. How many properties do you currently let?

This survey encompasses both landlords and letting agents, and a wide range of portfolio sizes. The number of properties held in portfolio per respondent is as follows:

Number of Properties	Percentage of Respondents
1-5	38
6-10	20
11-20	10
21-30	10
31-40	4
41-50	1
50+	16

➤ 3. How many of your properties are currently empty?

The number of empty properties within the PRS is one of the barometers of market conditions. With recent publicity regarding a flooded rental market due to the poor performance of the residential sales market, it would be logical to conclude that the number of empty properties in the PRS would be rising. However, 62% of respondents did not have any empty properties at the time of sampling. Bearing in mind that the survey respondents include letting agents and some large portfolio landlords, this statistic does indicate that the PRS is coping well with the additional properties that have entered the market in the recent past.

In addition to the headline figure of 62% having no empty properties, a further 26% of respondents had less than 10% of their portfolio currently empty. Added together, 88% of respondents to this survey had portfolios with an occupancy rate of 90% or higher.

While the statistic does not allow for void rooms in HMO's and the like, it may still cause some degree of surprise. One important factor should be borne in mind – the respondents to this survey are either members/associates of EMPO, the RLA, are DASH/East Midlands Landlord Accreditation Scheme (EMLAS) contacts or a combination of all three. The respondents have also taken the time and trouble to respond to the initial questionnaire. From this, we can infer that these landlords/agents are more likely to be professional in their approach and dealings with tenants, local authorities etc. It is fair to assume that these landlords and agents would find it easier than some to let their properties due to their working practices and resulting property and management standards.

➤ **4. What is the average re-let time of your property/ies?**

As with question three above, the results for this question are somewhat surprising. The same mitigating factor should be borne in mind - the respondents to this survey could be seen as being more likely to be able to re-let their properties quickly due to a commitment to being good quality landlords or agents. The results are reproduced below:

Average Property Re-let time	Percentage of respondents
Less than one Week	6
One to Three Weeks	33
Three to Six Weeks	40
Six to Ten Weeks	14
Ten to 15 Weeks	1
15 Weeks +	6

From the table above, it is apparent that 79% of landlords/agents who responded to the survey achieved average re-let times of six weeks or less. Anecdotally, re-let times do appear to be rising, but not at such a rapid rate as may have been expected.

It is therefore reasonable to conclude that if re-let times are increasing, they are still, in the majority of cases, relatively low. Regular monitoring of re-let times is recommended to create medium and long term trends for further analysis.

➤ **5. Are any of your tenants at least two months in arrears? If so, to what percentage of your tenants does this apply to?**

There has been a great deal of publicity recently in regard to the percentage of landlords who have experienced rent arrears in the last 12 months. For the purposes of this survey it was decided that differentiation should be made between arrears that can be seen as possibly short term and recoverable, and arrears that risk serious consequences for both tenant and landlord, a point where the landlord should be considering their position in regard to continuation of the tenancy, and the tenant should be seeking some form of debt counselling. The questionnaire therefore asked landlords to only declare arrears that are two months or greater— i.e. the tenant has missed two or more rental payments consecutively. For the purposes of this report, this is defined as ‘serious arrears’.

The author acknowledges that this can be misleading, for example a landlord with a single property in his portfolio who rents it to an LHA claimant who is currently more than two months in arrears, would have 100% of his tenants in ‘serious arrears’. However, the figures are useful as it is landlords’ income that is affected by arrears, this is of great importance to landlords and their financial security.

It is useful to be aware that 75% of respondents identified that they were letting to at least one tenant who is in receipt of LHA. In conjunction with the figures below, this shows that many LHA tenancies are working well and direct payment to the landlord is not required to maintain regular payments in all circumstances. While there are numerous examples of LHA not

working, it should be remembered that there are also many LHA tenancies that appear to be mutually beneficial to the landlord and tenant.

Percentage of tenants in arrears	Percentage of respondents
0	56
1-5	20
6-10	12
11-20	7
21 +	2

While there are several positives that can be taken from the table above, not least the 56% of landlords who currently have no tenants in what is defined for the purposes of this questionnaire as ‘serious arrears’, there are also negatives; For example, 41% of respondents have at least one tenant who is in rental arrears by at least two months. This statistic must be a cause for concern as this may increase due to the economic downturn and is a significant barometer of emerging issues within the PRS. Once again, quarterly canvassing of landlords and agents will produce medium to long term trends that can be analysed further.

➤ 6. If you do not currently have any LHA/Housing Benefit (HB) tenants, have you let to this client group in the past? If so, why do you no longer let to this group?

24% of respondents had previously let to LHA/HB tenants and no longer did so or had decided against accepting any new LHA tenancies after the current agreements had come to an end. Of this 24%, 40% had not offered any properties to benefit claimants for several years.

The cost and time involved with eviction, combined with the possibility of lost rental income, high repair bills, a perceived lack of local authority support and a cumbersome administration system were the most common concerns. Landlords commented that while they could let to people whom they perceived to be ‘decent young people in work’, and while the system remained ‘anti landlord’, they would not return to offering LHA tenancies.

The responses to this question also highlight the issue of the image of a property and the landlord themselves. One respondent commented that a ‘bad’ tenant could become well known in the local area, potentially making the property less desirable, a target for reprisal or a hub for anti social behaviour.

The conclusion that can be drawn here is that this issue is about more than direct payment of LHA to tenants, though admittedly this is a very large part of it. This issue is about the local authority, how it engages with landlords, how quickly it responds to problems and also landlords perceptions of benefit claimants.

➤ 7. What percentage of your tenants are in receipt of LHA?

75% of respondents offered at least some part of their portfolio to LHA clients. Of this 75%, 45% offered less than one in ten of their properties to LHA tenants, while 30% made more than two thirds of their portfolio available.

The figures above show that, relatively speaking, few landlords offer the majority of their portfolio to LHA claimants. How landlords decide whether or not a particular property should be offered to LHA claimants should be investigated further.

This also links to concerns regarding long term voids and loss of income if landlords cease to offer LHA tenancies. Those respondents who have a large degree of their portfolio let to LHA tenants are reluctant to completely move away from LHA as their income would suffer if the properties were not re-let quickly. As the PRS recovers from the economic downturn, these landlords may gradually move away from LHA.

If research of this nature is repeated, these statistics can be used as a base line to determine whether landlords are offering more or less properties to LHA claimants relative to the size of their portfolios. This would highlight when and if landlords gradually reduce their LHA portfolio in favour of private tenants.

➤ 8. How long have you been offering properties to HB/LHA claimants

There was a relatively even spread between those who have been offering properties to tenants in receipt of HB/LHA for several years, and those who were relatively new to the market. What should be noted however is that only one respondent had begun letting to LHA tenants within the past six months. The long term trend appears to be that more landlords are leaving the benefits system than are joining it, and this has implications for future policy. This trend should be monitored and explored further through additional research of this type.

➤ 9. Do you plan to cease offering accommodation to LHA tenants within the next 12 months? If so, please provide reasons why

Further to the analysis of Q6 above, less than 10% of respondents who currently offer accommodation to LHA recipients stated that they intended to completely cease this practice within the next 12 months. A further 5% were considering a substantial reduction in the number of LHA tenancies they offer, but these figures are in stark contrast to the initial LHA report produced by DASH in March 2009. Several respondents to the initial DASH report had already stopped offering properties to LHA claimants, or at least knew colleagues who had done so.

It may be the case that the initial revolt against LHA is now over, and those that felt most strongly opposed to it have decided to offer their properties solely to non-LHA claimants. The analysis of Q6 would support this view.

However, it may also be the case that landlords are concerned about the ongoing increase in the number of private rented properties available to tenants and are mindful of the possibility of a void property in the medium to long term. Indeed, one respondent stated that despite damage a previous LHA tenant had caused to their property, they would still be offering the dwelling to another LHA tenant once repairs had been completed. The sole reason for this was concern that the property would not be let quickly if LHA claimants were excluded, and existing financial pressures made this prospect too great a risk to take.

Another factor to consider is the number of landlords who currently have long standing tenants in receipt of LHA. If the long standing tenant leaves, landlords may decide not to offer a new LHA tenancy.

From a policy makers' point of view, this aspect will have to be taken into account, as when the PRS and the residential sales market do begin to recover, and with the passage of time

and the conclusion of long standing tenancies, there may be another wave of landlords who decide against offering properties to LHA claimants.

Despite these factors, the survey results are clear in that more than 80% of respondents who currently offer at least one property to LHA recipients do not intend to cease this practice over the next 12 months. Of these 80% there are seemingly many who have accepted direct payment as a fact of life, or as anecdotal evidence would suggest, have begun to ensure that any new tenant signs a request to have rent paid direct to the landlord.

Another interesting observation is that landlords seem keen to judge whether or not they will continue to offer LHA on the basis of how their local authority deals with their tenants arrears, if and when the situation arises. Some respondents stated that they understood that there could be problems, and they were willing to accept them, as long as the local authority was seen to be dealing with the problems quickly and efficiently.

Of those who have decided to cease renting to LHA claimants, a perceived lack of action or tenant bias by their local authority was the main reason given for the decision. Other reasons included being opposed to the principal of direct tenant payment and property damage by previous occupants.

10. Are you aware of your local Housing Options Centre?

Very few respondents were aware of their local Housing Options centre, and when the wider issue of working with their local authority was highlighted, in most cases landlords and agents did not feel that they had received a particularly good service. The most common issue raised by landlords was the perceived bias of Housing Options centres, and local authorities as a whole, towards the tenant rather than the landlord.

Respondents to the survey did not appear to be aware of the duty of care that local authorities have to tenants in receipt of LHA, but the local authority must also do whatever is possible to engage with landlords and ensure that issues are addressed quickly and efficiently.

The possibility of a protocol between landlord, tenant and local authority should be investigated. This protocol could emphasise service standards that the landlord should receive and place a burden of responsibility on the tenant to notify the local authority of any rental arrears. In return, the landlord should agree to allow reasonable time and make reasonable efforts to work with both the tenant and the local authority to resolve any issues. Further recommendations on this subject are contained in the 'Suggestions for Further Research' section of this document.

11. Do you have properties let across more than one Broad Market Rental Area (BRMA)?

15% of respondents currently let properties across more than one BRMA.

12. Please comment on any differences in BRMA rates that you have noted and your view of the current BRMA rental levels

There was a relatively even spread of responses to this question, with several respondents believing their local BRMA levels were fair, and several highlighting particular areas where this did not appear to be the case. Landlords with properties close to two or more BRMA borders seemed to be most concerned about differences in rates, sometimes these were in excess of

£10 per week for the same type of property in neighbouring areas. Respondents who highlighted these differences claimed that they were often unjustified.

One respondent commented that BRMA rates had recently been lowered in their area and as a result, his tenants would no longer be able to afford to continue the tenancy, while another stated that seemingly low rates were being paid, and despite the fact that the tenants are long standing and free from arrears, he believes his rental income was being kept artificially low as a result and was considering whether or not to continue with the agreement.

There is a need for analysis at a local level to identify which properties in which areas are affordable to LHA claimants. Following such an analysis, a local, regional and national picture can be analysed, and would highlight areas where BRMA boundaries may need to be revised or further research undertaken. LHA is designed to give claimants a greater degree of choice, only detailed analysis will identify to what degree this is the case in each BRMA. Landlords and letting agents have local knowledge that can be utilised for research of this type.

13. Are you aware of the Rent Service and how landlords can contribute to the setting of BRMA rental levels?

Responses from landlords who do not currently let to LHA tenants have not been included in the analysis of this question as they are less likely to be aware of the Rent Service and would distort results.

The Rent Service is very keen to engage with landlords and encourage them to contribute to the rental level data that sets BRMA rates. The more landlords contribute to this, the more accurate BRMA levels should be.

It would seem that there is still much work to be done, as only 20% of respondents were aware of the Rent Service and the fact that they as landlords can contribute to BRMA rates. This means that 80% of landlords and agents in this sample, all of whom have tenants in receipt of LHA, were not aware of the Rent Service or their role in setting rental levels within each BRMA.

This statistic highlights a wider issue for policy makers and housing professionals – how to access landlords to consult with them or pass on valuable information. While marketing campaigns can reach some groups, they will never reach everyone and can be extremely expensive.

At the request of the Rent Service, DASH recently sent information to landlord and agent contacts and accredited landlords to help raise the level of Rent Service awareness, and this has hopefully improved the situation in the East Midlands to some degree. This does highlight how quickly and easily a body such as DASH, EMLAS or landlord associations etc can reach landlords and pass information on to them.

14. Have you noticed any changes in your client base over the last 12 months?

Several respondents noted no significant change to their client base over the last 12 months. Some landlords who expressed this opinion also volunteered that most if not all of their tenancies are long term, so they would be unlikely to see any real changes over such a relatively short timeframe, but it is clear that for some landlords at least, their client base remains the same as in previous years.

Of those who do note change in their client base, trends do appear. Firstly, landlords and agents are receiving a greater number of enquiries from clients in receipt of LHA. Respondents believe this is due to the economic downturn, with the increase in unemployment resulting in more tenants being eligible for LHA and other benefits. This could also be caused by a reduction in the number of properties available to LHA tenants as opposed to this time last year. A frequently updated mapping of the number of properties available to LHA tenants would be useful to support or disprove this hypothesis.

Secondly, there has been an increase in the number of young professionals who are looking to rent rather than to buy. The extent to which this is due to a lack of confidence in the residential market by the tenant or difficulty in obtaining a mortgage cannot be ascertained through the results of this questionnaire.

Thirdly, the number of potential tenants who have guarantors is increasing, and landlords are asking for larger deposits and rent in advance, particularly from LHA tenants, but also from professionals. Landlords are looking to minimise their risks in uncertain times, but as one respondent commented, 'many good LHA tenants cannot afford deposits and rent in advance'.

Finally, the practice of tenants negotiating rents downward appears to have increased significantly across all sections of the PRS. One respondent in particular, with a portfolio of properties ranging from £200pcm to £2000pcm stated that this practice was becoming more widespread across their portfolio.

15. What (if any) issues resulting from the economic downturn are you observing on rented housing in your local area?

Some 10% of respondents had not noted any changes to the PRS in their area since the economic downturn, but others have noted several impacts on rented housing in their area in the recent past.

The main issue is the increased number of properties being offered for rent that may have been offered for sale instead if the residential market was stronger. Many respondents point to inexperienced, almost accidental landlords, who may be less aware of their obligations and indeed their rights, under law. The presence of these extra properties is causing a stagnation or even reduction of rental income in some areas, particularly in relation to town centre flats. Balancing this is the reduction in mortgage rates for variable rate customers that has more than offset any decrease in rental levels for some respondents.

This is also giving tenants the confidence to negotiate rents downwards and to demand a higher standard of property as they know there is greater choice available to them than has previously been the case. The implication here is that landlords of poor quality properties may find their re-let times increasing at a greater rate than landlords with higher standard properties, potentially driving them out of the market or forcing them to raise standards. Whether this actually occurs to any tangible degree would need to be the subject of further research.

Local authorities need to be aware of the influx of new landlords into the system, as these landlords may need guidance or even enforcement action to reduce hazards within their dwellings and to comply with current legal minimum standards in relation to amenities, fire safety etc.

There also seems to be a trend towards dual income couples who are biding their time before purchasing a property, or have been unable to obtain a mortgage due to the paucity of credit.

Landlords with portfolios consisting of predominantly student properties did not seem to notice any real change since the economic downturn. With latest reports claiming that student numbers and achievable student rents have both increased in the last 12 months, it would appear that, currently at least, the student market is least affected by the current financial situation.

➤ **16. Looking ahead over the medium term (e.g. over the next six months) what impacts and pressures (if any) do you expect to see from the economic downturn?**

Overall, respondents do not appear to believe that the PRS will be particularly badly affected by the economic downturn. A stagnation or slight reduction in rental income is widely expected, but respondents did not see market rates falling by more than 10%. An increase in the number of enquiries from prospective tenants in receipt of LHA was also predicted, as was a rise in currently employed tenants being forced to apply for LHA due to unemployment. This in turn, respondents believe, will lead to an increase in rent arrears and possession action.

Respondents also predicted a continuation of the recently noted increase in the number of young professionals and joint earners entering the PRS where they may have previously bought properties, as well as an increase in the number of new properties entering the PRS due to the weakness of the residential market.

It would appear that to offset the perceived risk of arrears and possession action, many more landlords will ask for larger deposits and/or guarantors than has been the case in the recent past.

➤ **17. Are you aware of any work or initiative being undertaken in your local area that is helping to address pressures resulting from the economic downturn? If so, what are they and how effective are they?**

No respondent was able to identify any initiative that was being undertaken in their local area that is helping to address the economic downturn. This raises questions surrounding local and central Government engagement with the general population, research in to what the public would like to see from the Government at this time and wider issues of Government policy that are far beyond the scope of this research. The recommendation is that this issue is investigated further by an appointed individual or group with suitable qualifications and experience in this field.

➤ **18. What are the most important priorities you feel Government should be focusing on to help address issues within the private rented sector?**

Respondents had several suggestions for policy makers to consider when considering issues within the PRS.

1. Landlords would like to have more Government and local authority support when tenants fall in to arrears. Landlords pointed to the costs involved in removing bad tenants, loss of rent and repairs to properties etc, and the time taken to remove them. Several respondents highlighted the seemingly stark contrast between what many perceive as over regulation of the landlord, and a lack of accountability for the tenant. The current situation where an LHA tenant can default on two months rent, then while possession proceedings are taking place, live for a further three to four months within a property legally and without paying any rent was seen as untenable. It was suggested that

Government policy does not currently reflect that both landlords *and* tenants have responsibilities.

2. 'Professional' non-payers were also highlighted – those LHA tenants that move in to a property, pay no rent to the landlord, then move on to the next property. The respondent that highlighted this issue does not believe that effective monitoring across all local authorities exists to deal with this problem, and it is ultimately the landlord who pays the price. Calls for greater landlord access to LHA tenant payment records and/or a system of tenant referencing between landlords and local authorities was called for as an example of partnership working.
3. As expected with 81% of respondents housing at least one tenant in receipt of LHA, there was a call for direct payment of LHA to be repealed. The crux of one argument is that if a tenant does not pay their rent to the landlord, it becomes far more difficult for a landlord to afford repairs, property improvements or to meet mortgage payments. This may encourage some landlords to cut corners with legal requirements. Tax breaks for landlords were highlighted as an example of how this could be offset.
4. There was a call for direct payment to be a tenant choice, rather than an assumption, or a reward that is earned and not an automatic right. This would, respondents believe, encourage tenants who want to be paid directly to be good tenants. A further deterrent may be if the option of direct payment was to be permanently removed if tenants were found to have engaged in anti social behaviour or had fallen behind on rent. Some respondents also called for the Government to act as full guarantor for LHA tenants if the policy of direct payment was to continue, thereby sharing the risks that landlords believe they are taking.
5. The issue of local authority cooperation with landlords was raised once again. Landlords feel they are unfairly treated by local authorities, and highlight what was seen as excessive red tape and bureaucracy that protected the tenant while exposing the landlord to further financial loss and additional work.
6. Respondents called for a wider availability of Government grants to improve their properties. While the financial situation at the current time effectively precludes greater resources being available, consideration should be given to linking available grant aid to accreditation, thereby encouraging the landlord to commit to continued good standards of property and management in return for financial assistance in achieving this. These grants could also be linked to derelict buildings or regeneration areas.
7. Several respondents called for more widespread accreditation of landlords and regulation of letting agents, so that those who are competent, with good property and management standards can distinguish themselves from the less reputable landlords. Landlords who called for this believe that rogue landlords lead to an overall impression that landlords are not to be trusted, and see this process as a way to prove their credentials and to have them recognised.
8. Respondents called for greater Government action to force banks to lend money and at reasonable rates, so that landlords can continue to invest and contribute to the stimulation of the economy.
9. Local authority house building targets were criticised, as many new builds are currently unfinished or unoccupied. Respondents noted this was a particular problem with town centre flats. A perceived lack of investment in infrastructure during the economic downturn was seen as a concern.

Overall, many respondents felt that landlords were not appreciated for the role they, through the PRS, play in reducing demand on social housing. As one respondent stated 'when will anyone realise that without private landlords ...there would be hundreds of homeless people.' This sense of alienation was very noticeable in a number of responses.

19. Are there any other issues you would like to comment on at this time?

Respondents took this opportunity to raise several concerns about the introduction of the Energy Performance Certificates (EPC). This is in part due to the cost, but also appears to be due to tenants ignoring it when they look to rent property. Respondents who commented on this issue stated that none of their recent tenants had expressed any interests in the EPC or were aware of exactly what it was designed to show.

Some respondents also noted what was termed legislation 'overkill' of the PRS. The differences in essential criteria when compared to public sector housing and the fact that direct tenant payment does not apply to public sector tenants were highlighted as examples of perceived double standards.

Other concerns raised in this section, focusing on direct payment of LHA, a desire for tenant accreditation and concerns over service levels from the local authority have been reported in other sections of this document.

4. Conclusion

The influence of the economic downturn has not escaped the PRS. There are more properties being offered within the sector, with a resultant downward pressure on rents, and tenants are now much more likely to negotiate rental rates than would have been the case in even the recent past. In some cases, landlords are finding it difficult to secure credit to expand their portfolios or improve their current properties. There is concern amongst landlords that re-let times, tenant arrears and the service of Notices will increase, and rental levels will stagnate or fall slightly in the next 12 months. This comes at a time when respondents feel that too much legislation and additional cost has been introduced to the PRS in the form of Licensing, Tenancy Deposit Schemes and Energy Performance Certificates. There is widespread belief that LHA applications and enquiries will increase over the next 12 months.

Currently, 41% of respondents have at least one tenant in arrears by two months or more. This statistic will require careful monitoring, because any further deterioration in the economy could well exacerbate this issue further. Coupled with this, no respondents could identify a beneficial local initiative that has been introduced to try to offset the impact of the economic downturn in their area.

This outlook can be countered by the following conclusions however. Despite the fact that more properties have entered the rental market as a result of the poor state of the residential sales market, re-let times are currently reasonably low, with the majority of properties remaining empty for less than six weeks between lets, and at the time of sampling, 88% of respondents had 10% or less of their portfolio standing empty. This is in part due to the added number of would-be house buyers who are now looking to rent due to a paucity of credit or lack of confidence in the residential market.

The downward pressure on rents has been more than offset in some cases, though admittedly not all, by the steep decline in mortgage interest rates over the recent past. The student market seems least affected by the current financial downturn, with respondents reporting healthy rental levels and good levels of demand.

While 41% of landlords do have at least one tenant in serious arrears, and acknowledging that this is quite a startling statistic, in the majority of cases it was one or two tenants at most who were in arrears, rather than the majority. It should also be borne in mind that 56% of landlords had no tenants in 'serious arrears' at the time of sampling.

Very few landlords intend to cease offering accommodation to LHA recipients within the next 12 months. This is in direct contrast to views expressed by landlords in earlier DASH research. There is still a great deal of dislike for LHA, and it is a fact that some landlords are only continuing to offer accommodation to LHA claimants because they are concerned about a deepening recession, increased re-let times and reduced rental income.

Further to the conclusions above, the extent to which landlords decide whether or not to continue with LHA based on their experiences with their local authorities should not be underestimated. While the author acknowledges that this research is based on only one side of the argument, further research and consultation should be undertaken to determine how these relationships can be improved without compromising the local authorities' duty of care to LHA recipients.

The fact that 80% of respondents were unaware of the rent service and the role it plays in setting BRMA rates highlights the need for cost effective communication with landlords to be improved. The best way to achieve this is through accreditation schemes, landlord associations and organisations such as DASH that maintain and actively inform landlords of

relevant issues within the PRS. The possibility of a mutually beneficial, compulsory accreditation scheme for landlords offering LHA tenancies should be investigated. Further comment on this issue and suggestions for how all parties, landlord, local authority and tenant can benefit, is contained in the 'Suggestions for further research' section below.

This document provides a baseline for future research of this type. The statistics contained herein can assist policy makers in assessing the current state of the PRS and once the sampling has been repeated a number of times, medium term and long term trends can be identified, analysed and assessed. Several respondents to this research also took part in the initial DASH research into LHA. The landlords that take the time and effort to reply to questionnaires such as this, as well as the local authorities, landlord associations and housing associations that have supported this work and encouraged member contribution, should be utilised as key stakeholders for ongoing research and policy development.

5. Suggestions for further research

5.1 The possibility of accreditation for landlords who offer properties to LHA claimants should be investigated. Landlords are concerned about increased cost due to new legislation (EPC's, tenancy deposit schemes etc). An accreditation scheme can negotiate on landlords' behalf to obtain better value on products such as these, and possibly non-housing related products too, as well as providing information and events for landlords to ensure they are aware of the latest information and developments within the PRS. The example of 80% of respondents with LHA tenancies not being aware of the Rent Service highlights the need for contact and relationships with landlords to be improved.

Accreditation should be free of charge to the landlord and not be seen as 'another tax'. Property standards requested should therefore be the legal minimum only, with a 'stepped' accreditation programme introduced for those landlords who already have, or wish to offer, a higher standard of property.

In return, local authorities sign a protocol with the landlord highlighting minimum service targets, agreeing to inform the landlord within a reasonable timescale if there is an issue with any of their tenants and to work with landlords to resolve these issues as quickly as possible, and without financial penalty to the landlord.

Housing Options centres are concerned that some landlords who offer LHA properties may not be aware of management standards and have properties within their portfolio that are below legal minimum standards. An accreditation scheme can randomly inspect properties and provide landlords with improvement plans so that their properties can be brought up to minimum standards. This will give local authorities and central Government confidence that vulnerable occupants are less likely to be housed in non-decent homes, as well as relieving pressure on local authority Housing Standards departments.

Further investigation into the possibility of such a system is required, with current best practice to be identified and evaluated. Landlords and local authorities should be involved as key stakeholders from the outset to ensure that any resulting scheme is fair and beneficial to all parties.

5.2 Anecdotal evidence suggests some local authorities are awarding direct LHA payment to landlords without much investigation, while others are reluctant to do so, even in some cases refusing direct payment when a tenant is eight weeks in arrears. Research should be undertaken to identify the differences in how local authorities decide whether or not to accept an application for direct payment, how long the decision takes and the relative simplicity/difficulty for all parties. A best practice document should be circulated and adopted to provide consistency in approach.

5.3 What we do not currently know is how much, if any, extra work LHA has created for Housing Options and Housing Benefit staff since its introduction. A survey of frontline staff is required to ascertain if, and by how much, their workload has increased or decreased under LHA, and how efficient they believe the current system to be.

5.4 While very few landlords or agents who responded to this survey stated that they were considering refusing to accept LHA tenants over the next 12 months, further research is warranted. Anecdotally, it seems that landlords are reluctant to switch from LHA claimants as they are concerned their properties will stand empty for the medium to long term. Speculative research should be undertaken to ascertain the number of landlords who would switch from LHA if they perceived the PRS to be stronger.

- 5.5 A further report on LHA recipients' views of direct payment needs to be undertaken. The Joseph Rowntree Foundation (JRF) undertook research on direct payment in 2007 ('Paying Housing Benefits to Claimants' by Annie Irvine, Peter A. Kemp and Katharine Nice, published May 2007) and found that most claimants who received direct payment wanted to continue to do so. A further report into the impact of direct payment to tenants on arrears levels over the medium to long term, their relationship with their landlord etc. would be useful to form a more rounded picture and help to influence policy so that any decisions are beneficial to the majority.
- 5.6 The fact that no respondent identified any work or initiatives being undertaken in the local area to help to address pressures following the economic downturn is cause for concern, not just for this survey, but on the wider level of Government engagement with the populous at a local level. Further research is recommended
- 5.7 Very few landlords, even those who had tenants in receipt of LHA, were aware of their local Housing Options centre and its main functions. This may be in part due to some confusion regarding local branding, but it does reinforce the one-sided, tenant-biased views that many landlords hold in regards to local authorities and highlights work that needs to be done to strengthen these relationships. In conjunction with the proposed protocol mentioned above, further research into landlord awareness of the services offered by not only Housing Options centres, but also Empty Property Departments, Grants, Licensing, Housing Standards Departments etc may prove informative.
- 5.8 Anecdotal evidence suggests more landlords are requiring tenants to complete a request to pay the landlord directly when they sign up for the property. The extent of this practice, and local authority and tenant responses to it, should be investigated further.

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