



Welsh Assembly Government

Housing Research Summary

Review of the Private Rented Sector in Wales

The private rented sector has an importance that far outweighs its small numerical size. As well as housing a declining group of elderly people, the sector accommodates young people including students living away from the parental home, and people living in tied accommodation. In addition to providing the first home for many newly formed households, the sector also accommodates households who are unable to gain access to social housing. It also eases the operation of the owner occupied sector by allowing movers to sell before having found another dwelling to buy, thus helping to prevent the accumulation of housing chains. An efficient private rented sector can therefore have significant economic benefits by enhancing labour mobility, allowing workers to move swiftly in response to changing labour market conditions.

In recognition of the important roles that private renting performs, but mindful of the problems that characterise much of the sector, recent governments, and now the National Assembly, have sought to modernise and encourage expansion of this part of the housing system. However, the development of effective policy has been hindered by the lack on an adequate evidence base on the Welsh private rented sector.

In view of this the University of Glasgow was commissioned to carry out this review in order to identify specific problems in the Welsh private rented sector and gaps in knowledge which could usefully be the subject of future research.

The key findings were as follows:

→ Scale and distribution of the private rented sector

The Welsh private rented sector was in long term decline until the 1980s and early 1990s when it expanded slightly and it has since stabilised in size.

The proportion of households in the private rented sector is lower in south Wales and in industrial towns than elsewhere in Wales. However, Cardiff and Swansea have around the Welsh average.



→ Dwelling characteristics

Dwellings in the private rented sector are on average smaller than those in other housing tenures.

The private rented sector has a higher proportion of flats than other housing tenures.

Dwellings in the private rented sector are on average considerably older than in other tenures.

Dwellings in the private rented sector have a higher prevalence of unfitness and higher repair costs than other housing tenures.

→ Tenant characteristics

private tenants are substantially younger and have lower incomes on average than the population as a whole,

The private rented sector houses a higher proportion of single people than other housing tenures,

private tenants are more likely to be unemployed and members of ethnic minority groups compared to the population as a whole,

landlords and letting agents generally recognise the following market segments:

- professionals and other mobile workers,
- young single people and couples, including families in rural areas,
- students, and
- 'DSS lets' (i.e. recipients of Housing Benefit), differentiating between long-term and more transient sub-groups.

Landlords' representatives and letting agents reported problems at the bottom end of the 'DSS' market of rent arrears and tenants vacating properties without serving notice to quit.

→ The role of Housing Benefit in supporting the private rented sector

Restrictions on Housing Benefit are reported by some landlords to limit their ability to carry out repairs at the bottom end of the private rental market, although this is sometimes reported to also be the case with market rents in some sub-sectors.

Restrictions on Housing Benefit are resulting in increasing numbers of tenants facing shortfalls between their rent and that which Housing Benefit will cover.

Knowledge of the Housing Benefit system is variable, with some tenants, landlords and letting agents being unsure how it operates.

→ Landlords, housing grants and tenancy types

Buy-to-let mortgages have facilitated an expansion of individual investment landlords throughout the early 1990s in particular.

There has been an increased professionalisation of the PRS in the last decade or so, with reported increasing use of management and letting agents.

There is over supply or market saturation in the private rental markets in some locations.

Few landlords or letting agents see any benefit to them of using Bond Boards.

Although the majority of existing tenants are reported to be happy with

assured shorthold tenancies, to expand the demand for private renting in the future from groups at present under represented in the tenure, greater security of tenure would be required.



Changes to the private rented sector

There is some evidence that the private rented sector is converging with the rest of the Welsh housing stock in terms of dwelling and tenant characteristics.

Levels of unfitness and disrepair in the PRS are improving considerably, but this may be less true at the bottom end of the market. Furthermore, the improvement in the PRS is slower than that in other housing tenures and the condition of PRS properties remains significantly below that found in Welsh housing as a whole.

Rents in Wales are lower than in the rest of Britain and are rising more slowly.

Yields are higher in Wales than the rest of Britain due to lower house prices. Yields in both Wales and Britain are falling.

Although nominal rents are rising in Wales, after taking account of inflation and the fact that larger and better quality properties are entering the PRS, underlying rent in Wales fell in the 1970s, recovered slightly in the 1980s and has been stable throughout the 1990s.

Although the numbers of tenants involved are relatively small, many interviewees noted an increasing trend in people choosing to move from social rented accommodation to the private rented sector.

About the Study

Aims and Objectives

The broad aims of the research were to identify specific problems in the Welsh private rented sector and gaps in knowledge which could usefully be the subject of future research. In addition, the contractor was asked to make recommendations on which aspects of the sector should be regularly monitored and how this might be achieved.

The specific objectives of the research were to assess:

- 1 the scale, spatial distribution and characteristics of privately rented properties,
- 2 the characteristics of tenants,
- 3 the role of Housing Benefit in supporting the private rented sector,
- 4 the characteristics of landlords catering for different segments of the market, their reasons for involvement and views on how investment could be increased,
- 5 the role that housing grants to landlords play in sustaining the sector,
- 6 the relative importance of different types of tenancy agreement,
- 7 how the private rental sector is changing and has changed over recent years.

Method

A number of quantitative data sources were reviewed. The main ones were the 1991 Census of Population; 1992-1999

DSS/DWP Housing Benefit data; 1970-1999 Family Expenditure Survey; 1996-2000 Joseph Rowntree

Foundation/University of York Indices of Private Rents and Yields; and the household interview component of the 1998 Welsh House Condition Survey.

The scale and spatial distribution of the private rented sector was analysed at local authority level, as have data relating to private rents. The characteristics of shared dwellings (broadly equivalent to Houses in Multiple Occupation) were analysed at ward level.

Interviews were carried out across Wales with people in the public and private sectors with a knowledge and interest in the private rented sector. These included Environmental Health Officers, staff working in Housing Advice Centres, Housing Strategy and Policy Officers, landlord representative organisations, letting agents, Rent Officers and University Accommodation Officers. Locally based interviews were also carried out in Anglesey, Merthyr Tydfil, Powys and Swansea. In addition, a limited number of previous studies into particular aspects of the Welsh private rented sector in Wales were identified and reviewed.

Recommendations for future research and monitoring:

- Two general areas for further research were identified:

Tenure choice in Wales: This project would examine the relative role and importance of determinants of tenure choice in Wales and the differences compared with England. Ideally, the analysis would include an examination of the dynamic aspect of tenure choice given

that the factors affecting housing choices vary over a person's life cycle.

The dynamics of the Welsh residential property market. An important element to understanding the development of the housing market in Wales is the movement of dwellings between tenures. In England, for example, it is known that much of the growth of owner occupancy over the past century occurred through the transfer of dwellings from private renting into homeownership. The nature of such movements, and in particular the sensitivity of flows of dwellings to variables that can be manipulated through housing policy, will be an important element in determining the most appropriate way to revive private renting in Wales.

- Specific areas recommended for future research include:

The scale and distribution of the private rented sector: analysis of reasons for migration from the social rented sector to the private rented sector; use the 2001 Census of Population as a benchmark against which to compare houses in multiple occupation databases and registration schemes held by local authorities; use the 2001 Census of Population as a benchmark against which to assess the degree of market penetration achieved by Rent Officers' market evidence databases.

Dwelling characteristics: including an analysis of the impact of Housing Benefit restrictions on repair and maintenance;

Tenant characteristics: qualitative interviews with tenants regarding their housing aspirations in general and their experiences of the private rented sector and Housing Benefit.

The role of Housing Benefit in supporting the private rented sector: particularly the impact of Housing Benefit restrictions on private landlords and tenants.

Landlords, housing grants and tenancy types: review of Bond Boards, including landlord, letting agent and tenant perspectives; assessment of means to increase trust, communication and co-operation between landlords and local authorities, particularly Housing Benefit and Environmental Health departments

Changes to the private rented sector: change in unfitness, repair costs, and dwelling and tenant characteristics from the 1998 Welsh House Condition Survey and the forthcoming Welsh Household and Dwelling Survey; 1991-2001 change in scale and distribution of the private rented sector from the Censuses of Population.


In addition, the report suggests the following for the forthcoming Welsh Household and Dwelling Survey:

Boost of the private rented sector sample.

Introduce a longitudinal element from the 1997/8 surveys.

Ask additional questions regarding a) the level of Housing Benefit received, and b) past and anticipated residential mobility.

The report suggests that the proposed restructuring of the Rent Officer Service in Wales be used as an opportunity to centralise and standardise the data collected both for valuations and market evidence.



The report Review of the Private Rented Sector in Wales and this summary can be obtained from the National Assembly for Wales website www.wales.gov.uk or from:

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