

BARKER REVIEW OF HOUSING SUPPLY

I am writing in response to your request for views on the issues and questions raised in the paper, specifically focussing on the private rented sector.

My involvement in this subject is on both a personal and a professional level. I have been a private tenant on and off since 1987 and have enjoyed both good and bad experiences at the hand of landlords. I enjoy the flexibility and choice that renting gives me, but I resent the lack of control I have over my home and the short-term nature of renting in the private sector.

In my professional life, I have worked in housing in both the statutory and voluntary sector since 1989. My current post requires me to co-ordinate the implementation of forthcoming homelessness strategies for nine of the ten local housing authorities (LHAs) in Devon, in partnership with other statutory and voluntary agencies. From this work, it is apparent that in order to provide better temporary accommodation and longer-term solutions for homeless households, LHAs will need to access the private rented sector. This is, in part, due to the current economic and social climate and in order to comply with government regulations relating to rough sleeping and use of bed and breakfast accommodation for homeless families.

Renting v home ownership

To answer the question, 'Is the private rental sector an unattractive investment option, if so why', one needs to bear in mind the pressure to become a homeowner from government, lenders, estate agents and lifestyle magazines/television programmes. Even in these days of rising house prices, home ownership is still promoted as the ideal tenure regardless of whether the entry level is realistic. I fear that we may see a return to the high number of repossessions and properties affected by negative equity that was rife in the early 1990s, which affected many low and average income families. In the meantime, prospective owner-occupiers are purchasing property far and above what they can reasonably afford because the alternatives are less attractive.

While home ownership is endorsed, becoming a tenant in the private rental sector is not, but for many people it is their only option. Landlords would therefore appear to be in a stronger position so why is the sector not expanding?

In my experience, owners become landlords for a number of reasons. They may:

- inherit a property
- need to move for work for a short period, but intend returning to their home
- purchase a property for their children on commencement of higher education
- purchase a property as a long term investment
- be a property developer
- run a letting business

Buy to let

The current trend to purchase property on a buy to let basis appears to be in response to poor returns on investments via the stock market. This may be a temporary situation and may reverse should the markets improve. In some areas, buy to let has saturated the rental market with a ready supply of accommodation. This places tenants in a stronger bargaining position in terms of choosing the better properties and negotiating rents down. Landlords face longer void periods and have to carry out improvements to make their property more attractive. In some cases, they are struggling and even failing to meet mortgage payments.

Buy to let is a phenomenon in more populated areas and has not benefited prospective tenants in smaller towns and rural areas, where there is not an active rental sector. Such areas are characterised by few properties becoming available, as tenants tend to stay put. Landlords are therefore able to pick and chose to whom they rent their property, there is less pressure to achieve decent standards and the rent is not negotiable.

The landlords' perspective

Having dealt with many landlords and letting agents on both a personal and a professional level, I would make the following observations as to why there is not an expansion of the private rental sector:

- landlords believe that if they are to be encouraged to rent out property, there ought to be financial incentives and tax breaks to encourage them to do so
- many landlords feel daunted by the legislative requirements of renting and in some cases are not aware of their obligations until faced with a problem
- landlords perceive the court process as long and complicated when forced to seek repossession. Many feel the courts are biased in the tenant's favour
- one bad experience is enough to deter many landlords from renting again
- keeping a property empty may be a more attractive proposition than renting it out
- landlords feel unsupported by the relevant agencies when faced with a difficult tenant or a tenant with support needs
- there is no guaranteed return on the investment, especially if rent is unpaid or the property is vacant
- if the tenant is in receipt of benefits or on a low income, housing benefit (HB) regulation and administration can cause delays in rent payments and rent officer determinations often mean there is a shortfall between the rent due and benefit payable. The proposed changes in HB currently being introduced in a number of pathfinder areas are a deterrent to accepting any tenant in receipt of HB
- landlords are reluctant to be registered and/or regulated and see it as an intrusion

The tenants' perspective

Having advised tenants on their rights and obligations and having rented myself, I would make the following comments:

- the majority of tenancies offered are now six month assured shorthold tenancies, which does little to encourage stability or responsibility: a landlord can seek possession of an assured shorthold tenancy after six months, even if the tenant has acted impeccably

- landlords want the maximum return for the minimum investment and if a tenant complains about the condition of a property, the landlord retaliates with a Notice to Quit rather than carry out necessary repairs
- landlords withhold some or all of the deposit for spurious reasons
- accessing the private rented sector is extremely difficult for many socially excluded people either because of landlord prejudice or the large amount of money required up front
- landlords see the property as their own home and fail to respect the tenant's right to exclusive occupation
- paying rent is 'dead' money

How to revive the private rented sector

I believe that to revive the private rented sector, it must be made more attractive to both landlords and tenants alike. This should involve ongoing awareness raising to ensure that landlords and tenants have a clear understanding of the legislative and contractual requirements governing each party. It would appear inevitable however that landlords and tenants will always have different agendas, especially when dealing with such an emotive issue, namely a person's home.

The legislation relating to letting a property is very complex. The various statutes need to be brought together and rationalised to make the law less complex for both landlord and tenant.

I support abolition of the assured shorthold tenancy and the introduction of the European model whereby properties are let for a longer period. This would encourage occupiers to stay put and to take on responsibility for some repairing obligations from the landlord. Assistance would need to be made available for certain classes of people who would be physically or financially unable to carry out repairs themselves, e.g. disabled, elderly, and people on benefits or on a low income.

Where it is alleged that a tenant is in serious breach of their contract, the court process should be expedited. It is imperative however that a fair hearing takes place and a possession order is only made where it is reasonable to do so.

Regulation of the sector is necessary to ensure decent homes standards are achieved and maintained, and that landlords are effectively managing the properties in their ownership. Local authorities should have stronger powers to act against landlords who fail to observe their repairing obligations, who adopt a policy of retaliatory eviction when they receive a request for a repair and who harass and/or illegally evict their tenants. Local authorities should be obliged to act and the penalties for bad landlords should be harsher.

Financial incentives and tax breaks could encourage larger investors/companies to enter the sector. The housing benefit system should be overhauled to make it less complicated and to ensure that determinations reflect the true market rent.

An insurance scheme could be established to ensure that when rent is unpaid, through no fault of the landlord, payments continue to be made for a period of time until the situation is resolved, i.e. until the property is relet, arrears repaid, or the tenant evicted.

Conclusion

The private rented sector is not going to expand if the government continues to adopt a laissez faire attitude and allows it to be governed by market forces. A firmer approach must be taken, even at risk of alienating some private landlords, to ensure that the sector becomes more professional, accountable and responsible. When dealing with people's homes, it is essential that specific measures are introduced to guarantee that any individual or company entering the market focuses on the tenant's interests and not necessarily their own. In other words, encouraging landlords to develop a social conscience.

Jo Agnew

Homelessness strategy research officer
Devon Strategic Housing Partnership

These comments are the writer's own and do not reflect the point of view of Plymouth City Council or the Devon Strategic Housing Partnership