

# State of the PRS (Q1 2019)

## A survey of private landlords and the impact of welfare reforms

Dr Tom Simcock and Dr Axel Kaehne  
July 2019



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Policy Analysis



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This report has been commissioned by the Residential Landlords Association. The views expressed in this report are of those of the authors and do not necessarily reflect those of the Residential Landlords Association. While every effort has been made to ensure that the data and other information are accurate, some errors may remain.

## About the Authors

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## Executive Summary

The private rented sector has become increasingly important in providing a home to renters. Private landlords now play a prominent role in providing a home to many low-income households who claim housing benefit. At the same time there have been significant welfare reforms introduced by successive governments.

To further develop the understanding of the issues surrounding welfare reform and the private rented sector, the Residential Landlords Association commissioned Edge Hill University to conduct an independent study as part of their 'State of the PRS' quarterly surveys. The main aims and objectives of this study were to examine the effect of welfare reforms on private landlords, and, to monitor and analyse key trends across the sector in line with previous quarterly surveys. This project was undertaken between March 2019 and May 2019 and included an online survey to which 2,229 private landlords responded.

## Universal Credit

### Key findings

- The findings of this report identify that the roll-out of Universal Credit is still causing problems for landlords and tenants in the private rented sector.
- Over half of landlords (54%) with Universal Credit claiming tenants had experienced their Universal Credit tenants going into rent arrears in the past 12 months. In the most recent case of rent arrears these landlords reported they were owed on average £2,187. The majority of these landlords (82%) reported that the rent arrears began after either a new claim for or migration onto Universal Credit.
- Just under one third of landlords (32%) made an Alternative Payment Arrangement (APA) application in the past 12 months. On average these landlords reported the process took nearly 8 and a half weeks for direct payment to be arranged.
- This study explored the reasons why landlords currently do not let to Universal Credit tenants. The main reasons identified in this research were due to concerns of financial risk (61% of landlords) and perceptions of being a higher risk for rent arrears (58%).

### Key recommendations

- We recommend that the Government ensures the new online APA process is fast and efficient. This would help to sustain tenancies and increase landlord confidence in the system.
- Addressing the negative perceptions of financial risk is fundamental to boosting landlord confidence and ensuring they are willing to let to benefit claimants.

## Reform to Local Housing Allowance (LHA) rates

### Key findings

- The study found that affordability for low-income private renters was a significant barrier to accessing housing in the private rented sector. We found that there are gaps between the rent and what is covered by LHA rates. A clear majority of landlords (88%) reported a gap, with 65% of landlords reporting this gap was over £50 a month.
- The majority of landlords (57%) reported that they would not be willing to rent to benefit claiming tenants where they know there is a short-fall between the amount covered by benefits and the rent charged.

### Key recommendations

- We recommend that policy-makers restore LHA rates to a minimum 30<sup>th</sup> percentile rates to ensure low-income households can find an affordable home in the private rented sector.

## Welfare reforms and the private rented sector

### Key findings

- Our findings indicate that welfare reforms are acting as a barrier for low-income and benefit claiming households from finding a home in the PRS. Over half of all landlord respondents reported that they were unwilling to let to people who claim Universal Credit (57%). Over half of landlords reported that the cap and 4-year freeze to LHA rates (52%) and increasing regulation of the PRS (51%) had made them less likely to let to benefit claimants.
- Landlords with tenants on legacy housing benefit were concerned about their tenants migrating over to Universal Credit and being able to manage financially.
- The findings also identify there are structural issues preventing benefit claimants from renting from a private landlord. Over a third of landlords (36%) reported that they had mortgage conditions that prevented them from letting to benefit claimants.
- Landlords are becoming more risk adverse due to welfare reforms over concerns of financial risk and rent arrears. The development of a Payment Voucher Guarantee Scheme, where the Local Authority guarantees the rent paid by the benefit claimant, would encourage a majority of landlords (67%) to let to benefit claiming tenants.

### Key recommendations

- The DWP need to ensure that migration onto Universal Credit is seamless, does not negatively affect housing payments, and that all current direct payment arrangements are maintained to ensure landlord confidence.

- We recommend that further work is undertaken to address barriers that landlords face when letting to benefit claimants, including mortgage conditions imposed by lenders.
- To encourage landlords to be more willing to let to benefit claimants, we recommend policy-makers and stakeholders develop Payment Voucher Guarantee Schemes.

## **Landlord portfolios and future decisions**

### **Key findings**

- Over the past 12 months, the proportion of landlords who plan to keep their portfolios the same has remained relatively stable. However, since Q2 2018 more landlords have sold properties than landlord have bought properties. This is likely to have some effect on supply in the private rented sector, with the majority of landlords (69%) reporting that the properties they had sold had moved into the owner-occupier tenure.
- The proportion of landlords who plan to sell properties has continued to increase since Q1 2018 and is now at its highest level (31% of landlords).
- The main reasons behind this decision are related to the recent tax changes (59% of landlords), and changes in regulation (55%).
- Landlords are reporting strong demand for their properties, with nearly three quarters of landlords (72%) reporting that their typical void period was 4 week or less over the past 12 months.

### **Key recommendations**

- We recommend that policy-makers and stakeholders consider the impact of recent changes on professional landlords, and the impact this has on practice and supply of properties throughout the sector.

# 1. Introduction

## 1.1 Background

The last thirty years have seen a significant transformation in housing provision across the UK. Between 1987 and 2017-18, the number of households in the private rented sector increased from 1.75 million to just over 4.5 million households<sup>1</sup>. The private rented sector is becoming more diverse and is now playing a prominent role in providing homes to lower-income households, including those on housing benefit<sup>2</sup>. The need to develop an understanding of the impact of welfare reforms on the sector is becoming more imperative.

To further develop the understanding of the issues surrounding welfare reform and the private rented sector, the Residential Landlords Association (RLA) commissioned Edge Hill University to undertake an independent study as part of their 'State of the PRS' quarterly surveys<sup>3</sup>. This project was undertaken between March 2019 and May 2019 and included a brief scoping exercise of the extant issues and an online survey of private landlords.

## 1.2 Overview of policy and regulatory reforms

The different policy and regulatory reforms that interact with the provision of housing for low-income households in the private rented sector include:

- The introduction of the Local Housing Allowance (LHA) rates in 2008, and the subsequent capping and then 4-year freeze of these rates until 2020;
- The roll-out of Universal Credit, and the migration of the administration of housing benefits from Local Authorities to the Department for Work and Pensions;
- The introduction of the Shared Accommodation Rate for the Under 35's; and
- Reforms to the taxation of private landlords, including the restriction of finance cost relief (more commonly known as Mortgage Interest Relief) and the introduction of the 3% levy to Stamp Duty Land Tax (SDLT).

<sup>1</sup> MHCLG. (2019). *English Housing Survey 2017 to 2018: Headline Report*. London, UK.: Ministry of Housing, Communities, and Local Government. Retrieved from <https://www.gov.uk/government/statistics/english-housing-survey-2017-to-2018-headline-report>

<sup>2</sup> Rugg, J., & Rhodes, D. (2018). *The Evolving Private Rented Sector: Its Contribution and potential*. York, UK: Centre for Housing Policy, University of York. Retrieved from <http://www.nationwidefoundation.org.uk/wp-content/uploads/2018/09/Private-Rented-Sector-report.pdf>

<sup>3</sup> For full findings of the previous RLA Quarterly Survey on Welfare Reforms, please refer to: Simcock, T. (2018). *Investigating the effect of Welfare Reform on Private Renting*. Manchester, UK: Residential Landlords Association. Retrieved from <https://research.rla.org.uk/wp-content/uploads/investigating-effect-welfare-reform-private-renting.pdf>

### 1.2.1 Introduction and the freeze of Local Housing Allowance Rates

The administration and calculation of housing benefit have undergone significant reforms in the past twenty years, including the introduction of Local Housing Allowance (LHA) rate in 2008.

- The LHA rates system determines how much housing benefit is payable to eligible households based on private market rents in the claimant's local area.
- This rate is set by rent officers at the VOA and is based on a fixed percentile of local rental housing prices, formerly at the 50<sup>th</sup> percentile rate, and then moved to the 30<sup>th</sup> percentile rate in 2011<sup>4</sup>.
- The Local Housing Allowance system also introduced direct payment of housing benefit to tenants as standard. Local Authorities had substantial flexibility in determining whether to pay the landlord housing benefit directly.
- Since the election of the coalition government and the subsequent Conservative governments, there have been further changes to the calculation of LHA rates. These changes included:
  - The coalition government in 2013 capped the rate to which LHA rates could rise by inflation, and then capped the increase to LHA rates to 1% per year.
  - Then in 2016, the government froze LHA rates for four years.

### 1.2.2 Introduction of Universal Credit

The roll-out of Universal Credit has been one of the most significant welfare reforms in the last twenty years.

- All benefits have merged under Universal Credit into one monthly payment, and this has meant significant structural changes have occurred for private landlords in how they operate.
- The Department for Work and Pensions now administers the housing benefit element under Universal Credit rather than the Local Authority.
- The government and the Department for Work and Pensions (DWP) have recently introduced further changes to how Universal Credit works for the private rented sector. They also launched a media and information campaign to boost landlord confidence in the system and announced an online portal for landlords to make Alternative Payment Arrangements (APA) applications.
- If the tenant is struggling with the monthly payment of benefits or if there is a financial risk to the household, the DWP can put in place an Alternative Payment Arrangement (APA). APAs can include Managed Payments, where the housing benefit element under Universal Credit is paid directly to the

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<sup>4</sup> For more information see: CIH. (2018). *Missing the target? Is targeted affordability funding doing its job?* London, UK: Chartered Institute of Housing. Retrieved from <http://www.cih.org/resources/PDF/Policy%20free%20download%20pdfs/Missing%20the%20target%20final.pdf>

landlord, or this could include more frequent payments to the claimant, such as weekly/fortnightly payments.

### 1.2.3 Shared Accommodation Rate for the Under-35's

- Introduced in 1996, the Shared Accommodation Rate (SAR) (previously known as the Shared Room Rate) limited the claimable amount of Housing Benefit payable to a single person under the age of 25<sup>5</sup>.
- The amount claimable was limited to the average rent level for a room in a shared house, and in 2012 the government increased the age to cover claimants up to the age of 35.

### 1.2.4 Taxation Reforms and the private rented sector

- The taxation of private landlords has changed in the last five years, with the two main changes being:
  - The introduction of the 3% levy for Stamp Duty Land Tax for additional properties, and,
  - The restriction of finance cost relief or the more commonly known as the restriction of Mortgage Interest Relief.

## 1.3 Aims and objectives

Based on the above, the aims and objectives of this project were to examine the effect of welfare reforms on the private rented sector, including the impact of the roll-out of universal credit on private landlords. A further aim of this research was to monitor and analyse key trends across the private rented sector in line with previous RLA quarterly surveys.

## 1.4 Methods and data-collection

- A cross-sectional survey design was employed. An online survey was facilitated<sup>6</sup> and distributed by email by the Residential Landlords Association (RLA) to approximately 70,000 individuals on their database in April 2019. Further advertising of the survey occurred online and on social media to reach a wider audience.
- The survey included both open and closed questions on the experiences of letting to tenants who claim Universal Credit, 'legacy' housing benefit, and questions on broader welfare reforms and policy changes.
- The survey also collected information on the demographics of the respondent, details of their portfolio, and issues they may have had with their tenants.

<sup>5</sup> See: Wilson, W. (2014). *Housing Benefit: Shared Accommodation Rate*. London, UK: House of Commons Library. Retrieved from <https://researchbriefings.parliament.uk/ResearchBriefing/Summary/SN05889>

<sup>6</sup> The Residential Landlords Association hosted the survey on their own OnlineSurvey.ac.uk system. Full online access to the survey was provided to the researchers.

- Also, the survey collected data in line with the RLA's previous quarterly surveys to continue to examine certain landlord behaviours, confidence and intentions in a longitudinal fashion.
- Throughout the survey, specific questions were used to act as a filter for certain sections, determining the number of questions answered by respondents. This filtering of respondents produced different total sample sizes for a variety of questions; we report the sample sizes with each question.

#### 1.4.1 Sampling and survey sample

- An opportunity sampling approach was employed to ensure that as many landlords as possible could take part in the survey.
- There are several known limitations to employing this sampling approach. There is likely some self-selecting bias, non-response bias, and selection bias in the sample.
  - The majority of landlords are anticipated to be from landlords who are known to the RLA. Therefore, this sample may not be representative of all landlords.
  - Certain types of landlords may be more likely to join the RLA as a trade association, or due to the primary service advertised as the helpline, and consequently, there could be an over-representation of landlords who have experienced issues.
- A total of 2,229 responses were collected and analysed.
- Previous research has identified that there is currently no adequate baseline for the production of survey weights nor the assessment of true representation of the landlord population in the UK<sup>7</sup>; however, we can examine the demographics in comparison to previous surveys to assess the likelihood of representativeness.
  - In comparison to other major landlord surveys<sup>8</sup>, the demographics of the landlords appear to be relatively similar.
  - However, when examining landlord portfolio size, the profile of the landlords sampled for this research appears to be more established, professional and more likely to have more extensive portfolios.
  - In comparison to the recently published English Private Landlord Survey 2018<sup>9</sup>, the sample in this study appears to over-represent larger portfolio landlords and under-represent single property landlords.

<sup>7</sup> Pattison, B., & Reeve, K. (2017). *Access to Homes for Under-35's: The impact of Welfare Reform on Private Renting*. Sheffield, UK: Sheffield Hallam University. Retrieved from <https://research.rla.org.uk/wp-content/uploads/SHU-Access-to-homes-for-under35s.pdf>

<sup>8</sup> See: MHCLG. (2019). *English Private Landlord Survey 2018: Main Report*. London, UK: Ministry for Housing, Communities & Local Government. Retrieved from <https://www.gov.uk/government/publications/english-private-landlord-survey-2018-main-report> ; Scanlon, K., & Whitehead, C. (2016). *The profile of private landlords*. London, UK: Council for Mortgage Lenders. Shelter. (2016). *Survey of Private Landlords*. London, UK: Shelter. Retrieved from [https://england.shelter.org.uk/\\_data/assets/pdf\\_file/0004/1236820/Landlord\\_survey\\_18\\_Feb\\_publish.pdf](https://england.shelter.org.uk/_data/assets/pdf_file/0004/1236820/Landlord_survey_18_Feb_publish.pdf)

<sup>9</sup> It is important to note that this survey only covers 56% to 71% of households in the private rented sector, through sampling landlords who take and protect the deposit through one of the three government-backed schemes.

- We provide full findings on landlord demographics and portfolios in Chapter five. For reasons of brevity and as a non-gender specific term, we refer to 'landlords' when meaning 'landlords sampled'.

## **1.5 Structure of the report**

The remaining chapters of this report are structured as follows:

- In chapter two, we detail our findings relating to the experiences of landlords letting to tenants that claim Universal Credit, and the reasons why landlords do not engage with this segment of the sector.
- Chapter three examines the experiences of landlords that still let to or in the past 12 months have let to tenants that claim 'legacy' housing benefits.
- Chapter four then examines the experiences and attitudes of private landlords concerning welfare reforms and policy changes and attempts to map out the impact of changes on landlord letting behaviour.
- Chapter five examines landlord demographics, their portfolios, and decision-making about the rents they set and the size of their portfolio.
- The final chapter of this report provides a summary of the key findings, conclusions and recommendations.

## 2. Universal Credit and private landlords

This chapter firstly examines the experiences of landlords who have in the past 12 months or who currently let to tenants who claim Universal Credit. We also provide a comparison with previous surveys of landlords to examine any potential change in experiences over time.

In the final section of this chapter, we then explore the experiences of those landlords who do not currently let to tenants who claim Universal Credit and the reasons why they do not.

### 2.1 Landlord experiences of letting to tenants on Universal Credit

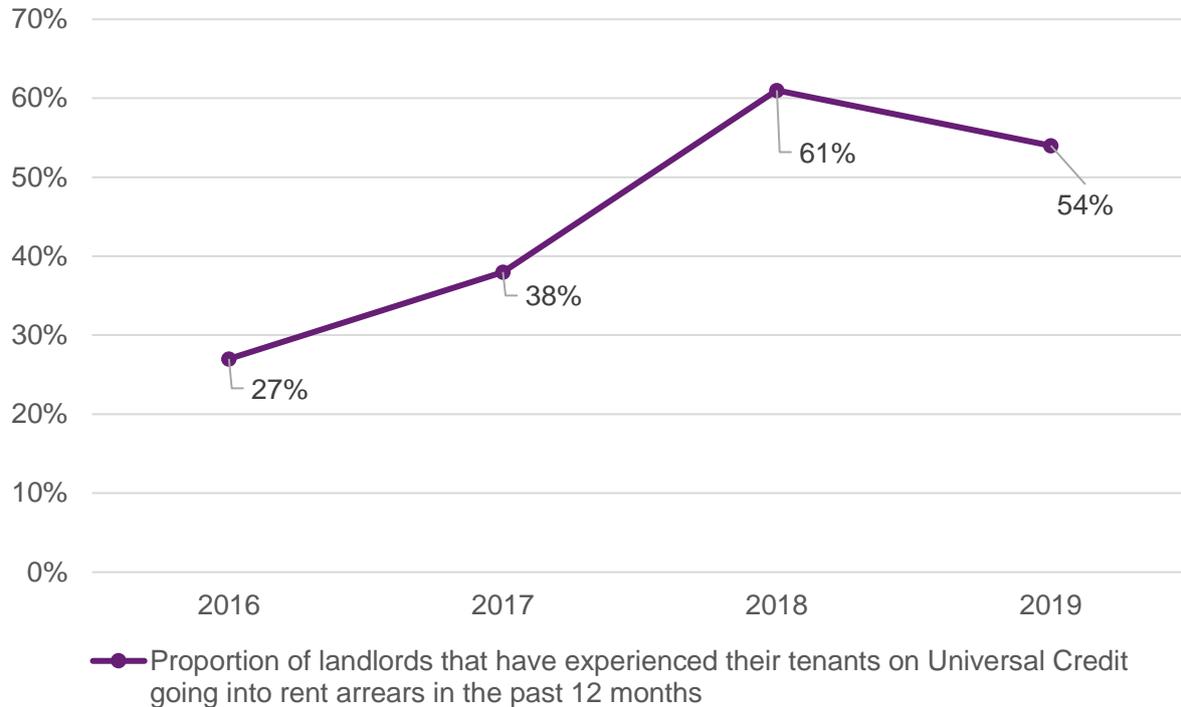
Landlords were asked whether they currently let to or have let to tenants who claim Universal Credit in the past 12 months.

- Twenty-three percent of landlords reported either they currently or they have let to tenants on Universal Credit in the past 12 months, 7% of landlords were not sure, and 70% of landlords reported that they did not knowingly let to tenants who claimed Universal Credit ( $N=2,229$ ).

This question acted as a filter question. Those who responded 'no' were asked why they did not (or have not) let to Universal Credit claimants. Section 2.2 of this chapter provides more details on this group. The remainder of Section 2.1 focuses on those landlords who do or have let to Universal Credit claimants in the past 12 months.

### 2.1.1 Rent Arrears

**Figure 2.1. Annual comparison of the proportion of landlords experiencing their tenants on Universal Credit going into rent arrears**



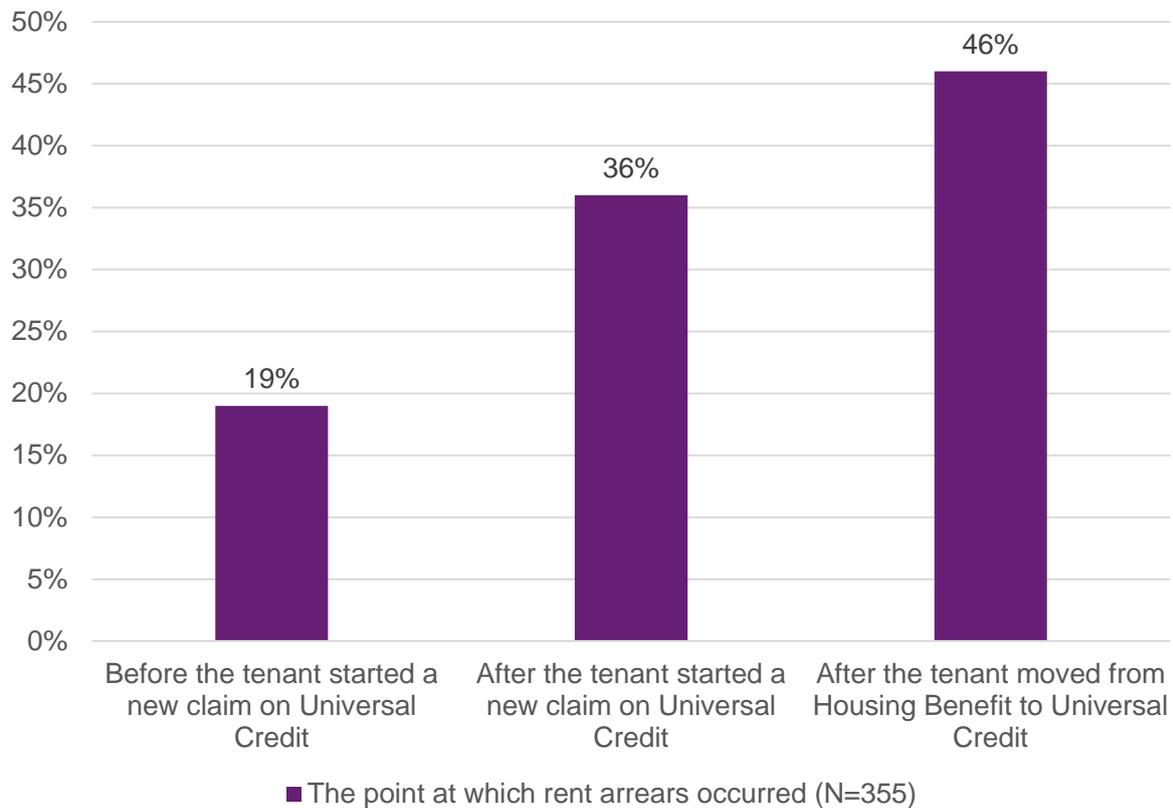
- Over half of landlords (54%,  $N=673$ ) reported that in the past 12 months they had experienced their Universal Credit tenants going into rent arrears.
- In comparison to previous years, this has decreased from 61% of landlords to 54%.

Those landlords who reported that their tenant who claimed Universal Credit were in rent arrears were then asked to provide the total amount owed in the most recent case of rent arrears.

- On average, landlords reported they were owed £2,187 (Median = £1,357.50,  $N=358$ ) in the most recent case of rent arrears by a Universal Credit tenant.

Those landlords who reported that their Universal Credit claiming tenants had gone into arrears were then asked for information on when the rent arrears occurred.

**Figure 2.2. The point at which rent arrears for Universal Credit tenants occurred**



- The majority of landlords (82%) reported that the rent arrears began either after a new claim for Universal Credit or if the tenant had moved to Universal Credit from housing benefit.
- Less than one fifth of landlords (19%) reported that the rent arrears began before a new claim for Universal Credit.

### Key finding

The findings indicate the private rented sector is still struggling with the roll-out of Universal Credit. Over half of landlords (54%) with Universal Credit claiming tenants reported their Universal Credit tenants going into rent arrears in the past 12 months. In the most recent case of rent arrears landlords reported they were owed on average £2,187. The majority of landlords (82%) reported that the rent arrears began either after a new claim for Universal Credit or if the tenant had moved to Universal Credit from housing benefit.

### 2.1.2 Alternative Payment Arrangements

This section examines private landlords' experiences of applying for an Alternative Payment Arrangement (APA) in the past 12 months.

- Just under one third of landlords (32%) reported they had requested an APA in the past 12 months, and 68% of landlords reported they had not requested an APA ( $N=673$ ).

Those landlords who reported they had requested an APA in the past 12 months were asked a series of questions on their experiences of this application.

**Table 2.1. Proportion of landlords reporting their APA request was successful or unsuccessful**

	Yes	No
Was the request for an APA successful? ( $N=212$ )	71%	29%

- A majority of landlords (71%) reported that the request for an APA in the past 12 months was successful.
- Twenty-nine percent of landlords reported that their request for an APA was not successful.

Those landlords who reported that their APA application was unsuccessful were asked whether they had found out why their application was rejected.

**Table 2.2. The proportion of landlords finding out the reason for the rejection of their APA application**

	Yes	No
Did you find out why the application was rejected? ( $N=59$ )	20%	80%

- The majority of landlords (80%) reported that they did not find out why the APA was rejected.
- It is important to note the small number of responses for this question. This highlights the small number of landlords who have made APA applications and had these applications rejected in the past 12 months.

Landlords who had made an APA application in the past 12 months were then asked whether they had made a claim for repayment of rent arrears as part of their request.

**Table 2.3. Landlord claims for repayment of rent arrears in APA requests**

	Yes	No
In your request for an APA, did you include a claim for repayment of rent arrears? (N=208)	71%	29%

- The majority of landlords (71%) reported that they include a claim for repayment of rent arrears in their request for an Alternative Payment Arrangement.

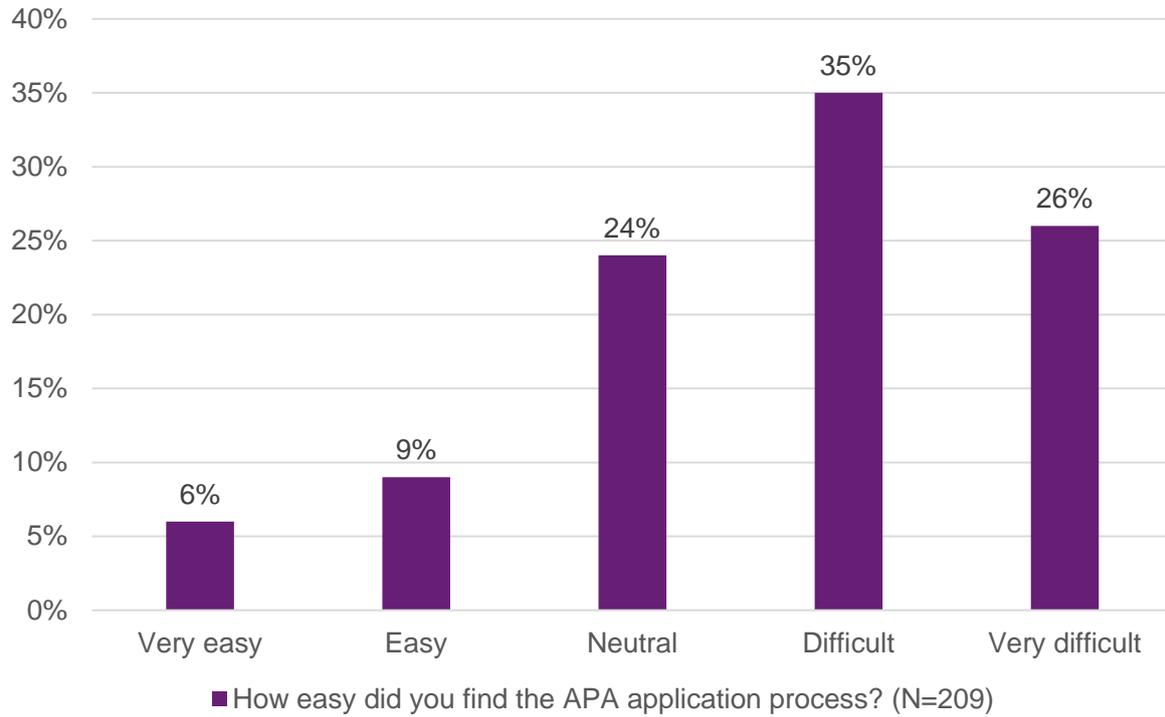
Respondents were then asked to provide how many weeks it took for the APA for direct payment to be arranged.

- On average, landlords reported it took nearly 8 and a half weeks for direct payment under the APA to be arranged (Median = 8, N=179). This is down by nearly 10% from the 9.3 weeks as reported in 2018.
- Private landlords are in general only able to make an APA application for direct payment when their tenant is two months in rent arrears. This means on average tenants could be nearly four months in rent arrears before the APA is fully arranged.
- As rent arrears of two or more months is a mandatory ground for repossession under Section 8, landlords would be able to regain possession of the property in these circumstances. Therefore, this process needs to be faster to prevent future breakdowns of tenancies in the private rented sector.

### Key finding

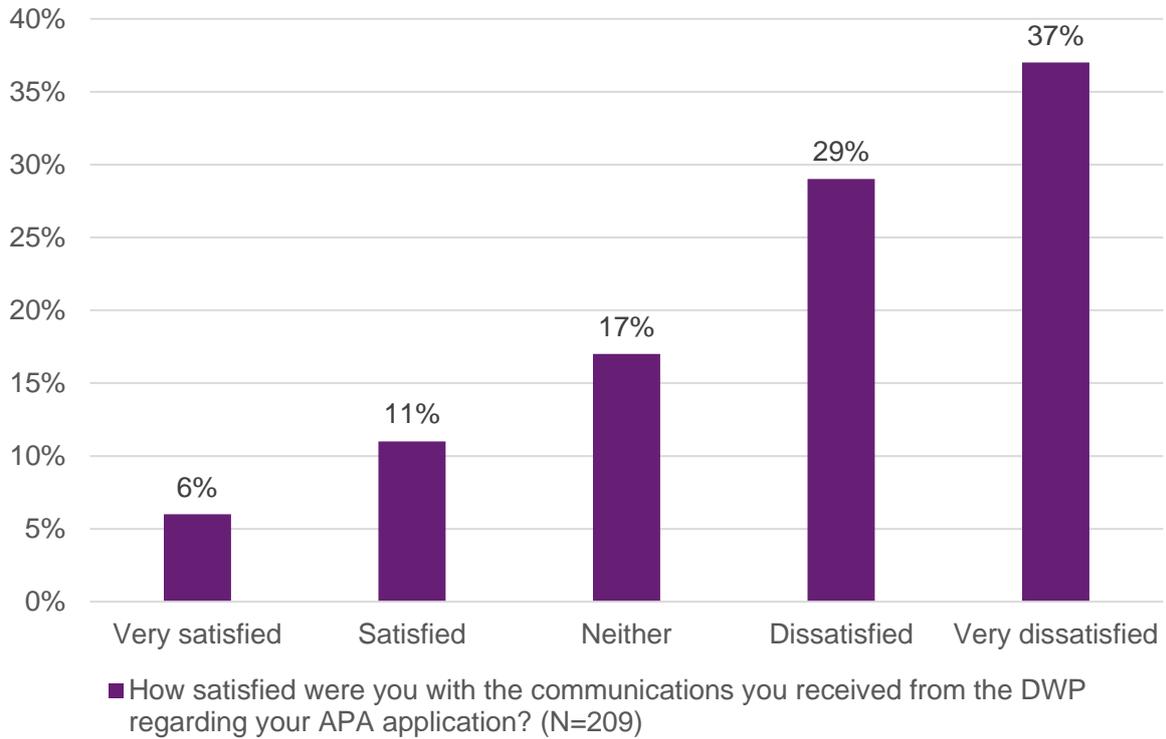
Just under one third of landlords (32%) made an APA application in the past 12 months. On average these landlords reported it took 8.4 weeks for direct payment to be arranged. While this is down by nearly 10% on the previous year, this still could mean that a tenant is nearly four months in rent arrears before the APA is fully arranged.

**Figure 2.3. Landlord experiences of the ease of applying for an Alternative Payment Arrangement**



- Over half of landlords (61%) reported that they had found the APA application process difficult or very difficult.
- Only 15% of landlords reported that they had found the APA application process easy or very easy.

**Figure 2.4. Landlord satisfaction with communication from the DWP regarding their APA application**



- About two-thirds of respondents (66%) reported that they were dissatisfied or very dissatisfied with the communications they had received from the DWP regarding the APA application.
- This is contrast to the 17% of landlords who reported they were satisfied or very satisfied.

### 2.1.3 Tenancy Breakdown

This section examines landlord experiences of tenancy breakdown for Universal Credit claiming tenants.

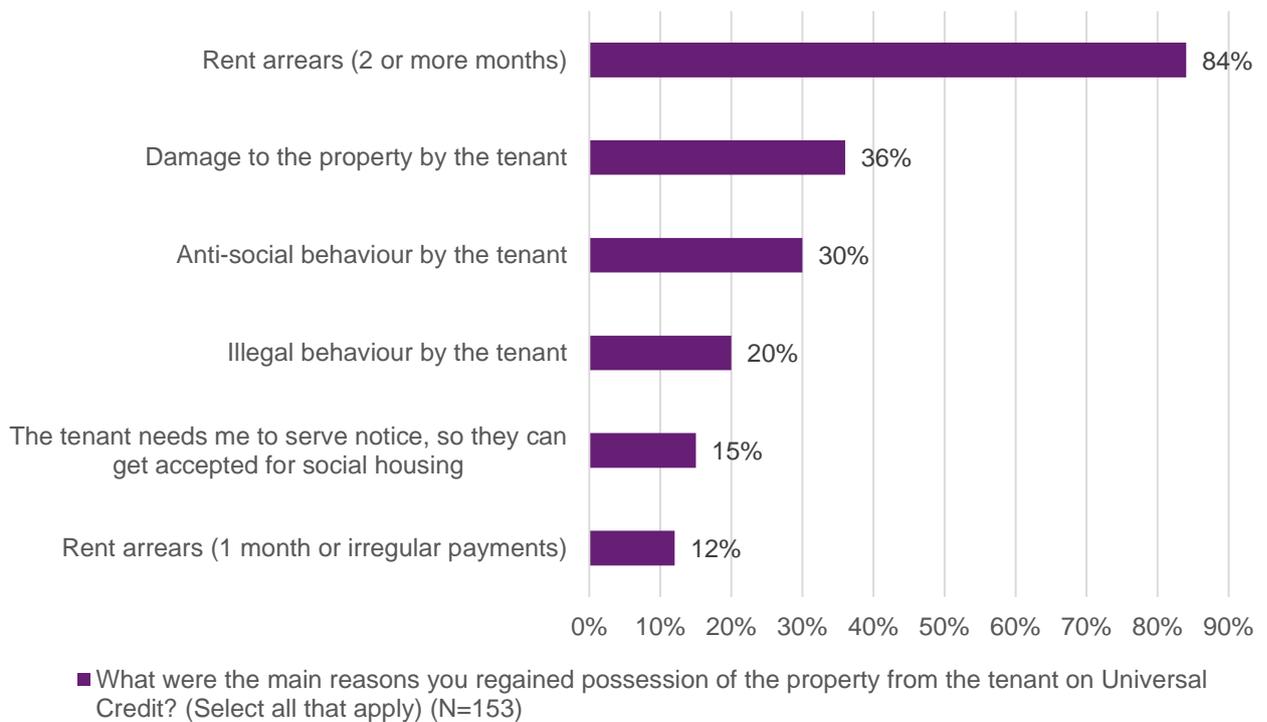
**Table 2.4. Proportion of landlords reporting they have regained possession from a tenant in receipt of Universal Credit**

	Yes	No
In the past 12 months, have you regained possession from a tenant who is in receipt of Universal Credit? (N=673)	23%	77%

- Less than a quarter (23%) of respondents reported that they had regained possession of a property from a tenant in receipt of Universal Credit in the past 12 months.

Those landlords who reported they had regained possession of a property from a tenant in receipt of Universal Credit were then asked for their main reasons for doing so.

**Figure 2.5. The main reported reasons for a landlord to regain possession from their tenant in receipt of Universal Credit (Multiple responses)<sup>10</sup>**

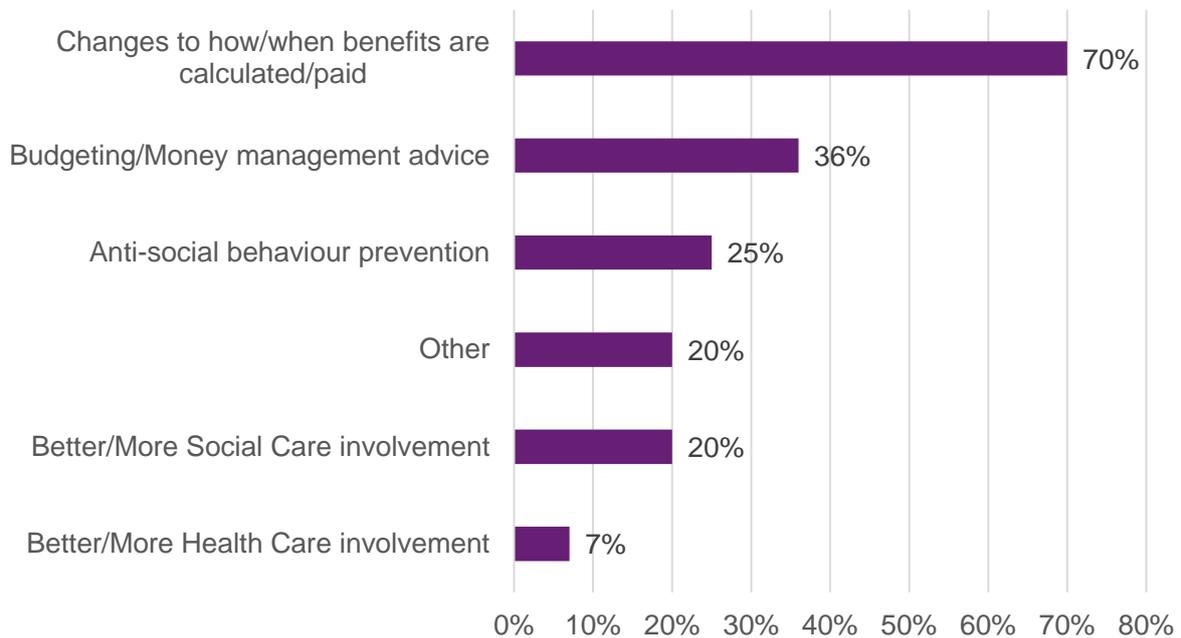


- The most common reason reported by landlords for why they had needed to regain possession of their property from a Universal Credit tenant was due to 2 or more months of rent arrears (84% of landlords).
- Only a minority of landlords (12%) reported that regaining possession was necessary because of rent arrears equivalent to 1 months' rent or irregular payments.
- Other notable reasons for regaining possession were damage to the property (36% of landlords), and anti-social behaviour by the tenant (30% of landlords).
- Fifteen percent of landlords reported that the tenant required them to serve notice for them to be accepted for social housing.

Those landlords who had reported they had regained possession of a property from a Universal Credit tenant were asked in a multiple-choice question the types of support or services that could have helped to sustain the tenancies.

<sup>10</sup> Whilst not shown in the above figure due to low response rates, other responses included: I wanted to make substantial renovations to the property (5%); I am selling the property – due to tax changes (4%); I am selling the property – other reasons (3%); I wanted to increase the rent and the tenants refused to pay a higher rate (2%); I am moving the property onto the short-term rental market such as Airbnb (1%); and, the tenant asked me to make repairs (1%).

**Figure 2.6. Reported services or support which in the landlord's opinion could have helped to sustain the tenancy (Multiple responses)**



■ In your view, what support or services may have helped to prevent these tenancies from coming to an end? (Select all that apply) (N= 149)

- The majority of respondents (70%) reported that changes to how/when benefits are calculated/paid would have helped to sustain the tenancy.
- This is followed by 36% reporting that budgeting/money management advice would have helped to prevent the tenancy from ending.
- Approximately a fifth of landlords (20%) reported that better/more social care involvement would have helped to sustain the tenancy.
- Responses to the other category identified a range of other measures including paying the rent directly to the landlord, and, better information and cooperation from the Local Authority and DWP.

### Key finding

Fewer than a quarter (23%) of landlords reported that they had needed to regain possession of a property from a tenant who claims Universal Credit. The main reported reason for regaining possession was two or more months of rent arrears (84% of landlords). The majority of landlords (70%) who had regained possession from a Universal Credit tenant reported that changes to how/when benefits are calculated/paid would have helped to sustain the tenancy of those claiming Universal Credit.

## 2.1.4 Wider experiences of letting to those who claim Universal Credit

This section examines landlord experiences of tenants migrating from Housing Benefit to Universal Credit, safeguards landlords have introduced when letting to Universal Credit claiming tenants, and, shortfalls between rent and Universal Credit.

**Table 2.5. Proportion of landlords who have had tenants move from Housing Benefit to Universal Credit in the past 12 months**

	Yes	No
Has your tenant moved from Housing Benefit to Universal Credit in the past 12 months (N=613)	50%	50%

- Half of landlords (50%) reported that their tenant had moved from Housing Benefit as administered by their local authority to Universal Credit in the past 12 months.

Those landlords who had reported their tenant had moved from Housing Benefit to Universal Credit in the past 12 months were asked whether they had direct payment of rent in place with the Local Authority.

**Table 2.6. The proportion of landlords who previously had direct payment of rent in place with their Local Authority**

	Yes	No
Did you previously have direct payment in place with the Local Authority? (N=306)	65%	35%

- The majority of landlords (65%) reported that they had previously had direct payment of rent in place with the Local Authority.

Those landlords who previously had direct payment of rent set up with the Local Authority were then asked if they had now managed to arrange direct payment under Universal Credit.

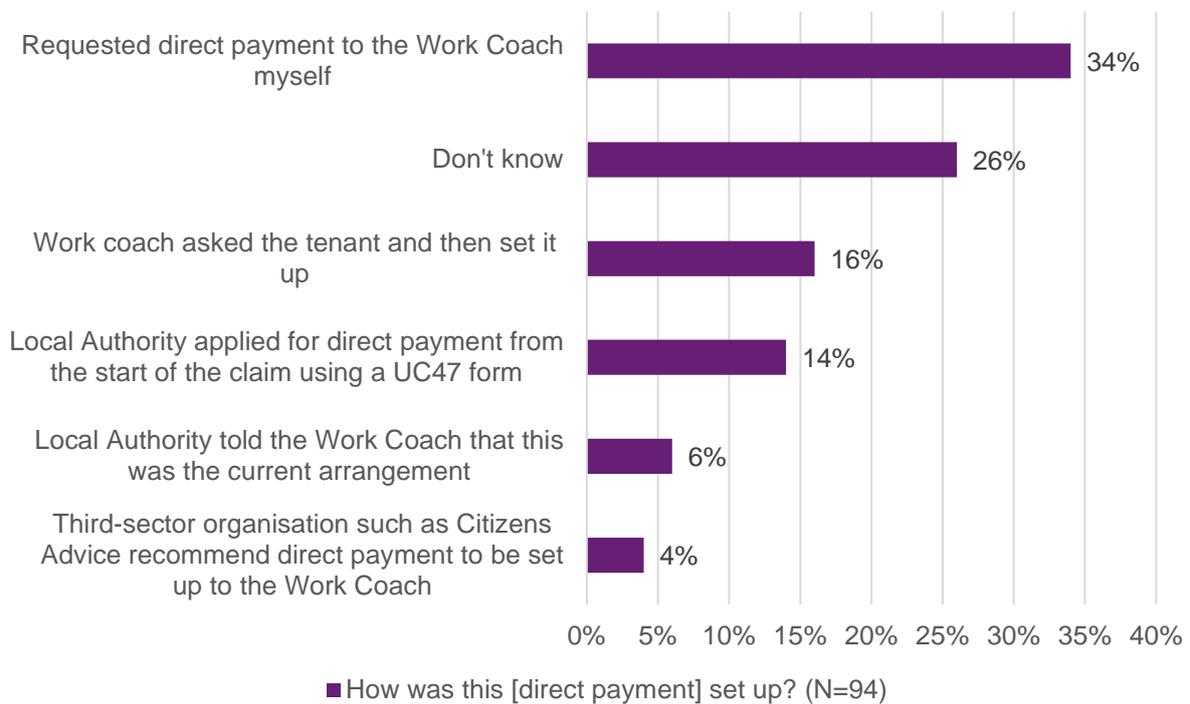
**Table 2.7. Proportion of landlords who have successfully managed to secure direct payment under Universal Credit**

	Yes	No
Have you successfully managed to secure direct payment with Universal Credit (N=198)	48%	53%

- Of those landlords who previously had direct payment of rent set up with their Local Authority, only 48% of landlords reported that they had successfully managed to arrange this under Universal Credit.

The landlords who reported they had managed to successfully set up direct payment were asked how direct payment under Universal Credit had been organised.

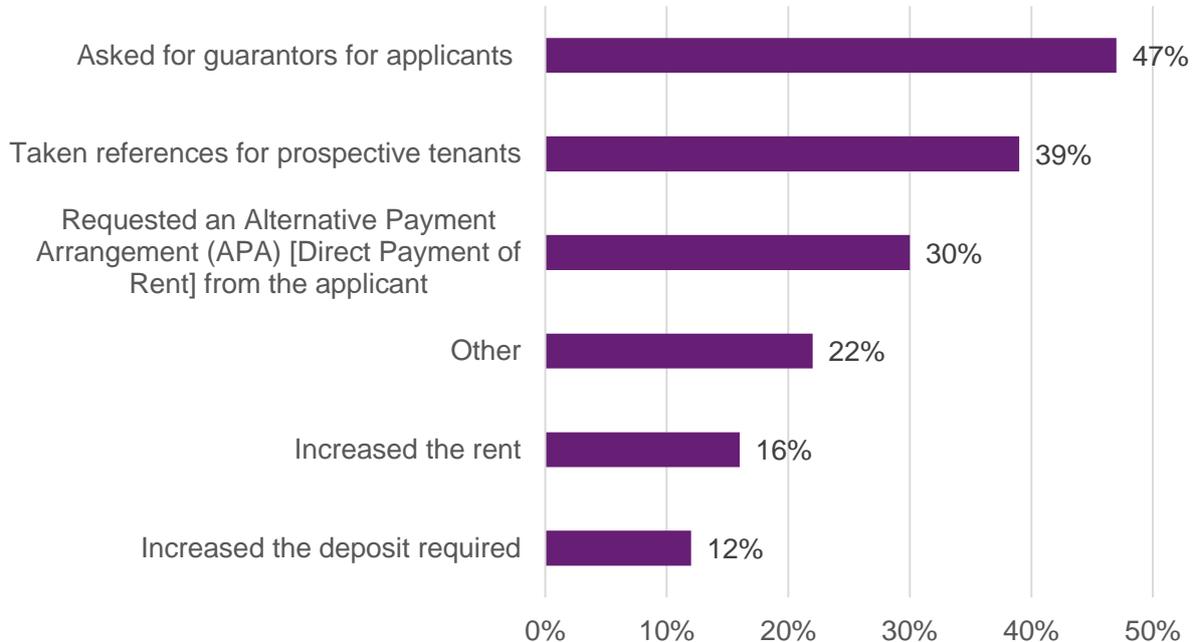
**Figure 2.7. Reported methods to establishing direct payment on migration from Housing Benefit to Universal Credit**



- Thirty-four percent of respondents reported that they had requested that the Work Coach set up direct payment for them.
- Just over a quarter of respondents did not know how direct payment had been set up with their tenant’s migration from housing benefit to Universal Credit.

- Sixteen percent of landlords reported that the work coach had set up direct payment at the tenant's own request.

**Figure 2.8. Measures landlords have introduced as safeguards when letting to tenant who claim Universal Credit (Multiple responses)**



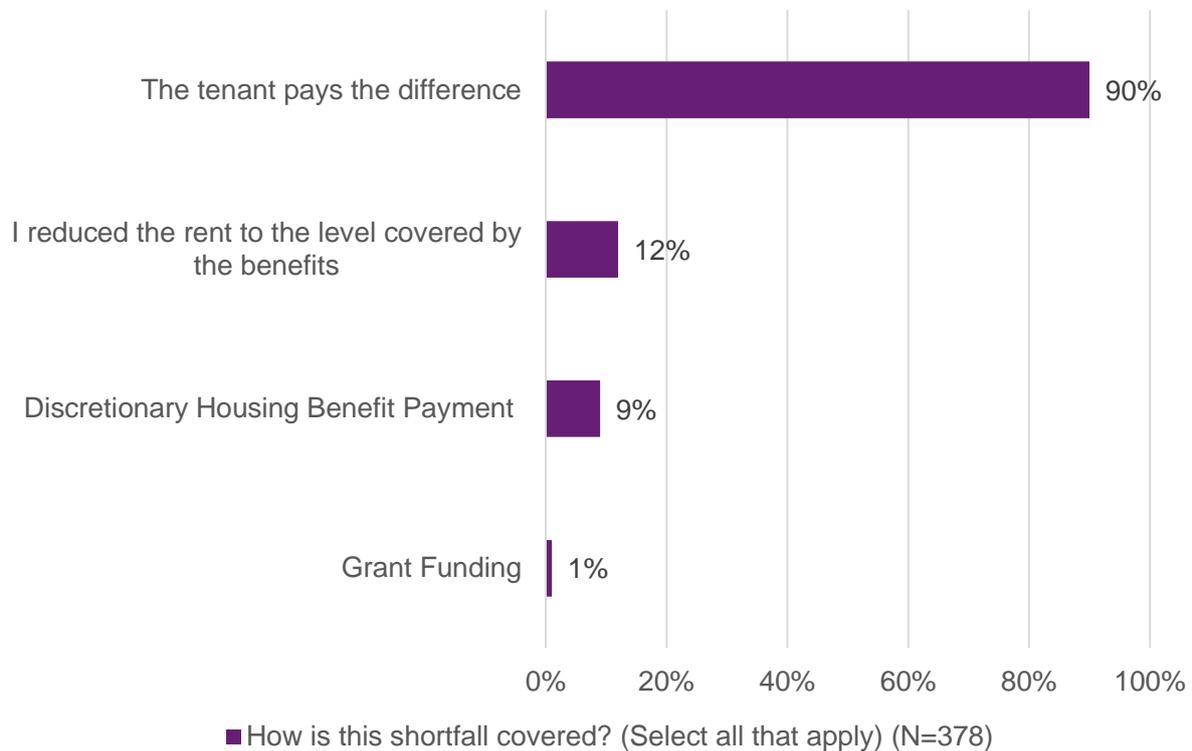
■ Have you put in place any of the following measures in the past year as additional safeguards when letting your properties to those receiving Universal Credit? (Select all that apply) (N=424)

- The most common safeguard landlords have introduced when letting to Universal Credit claiming tenants was asking for guarantors (47% of landlords).
- This is followed by taking references for prospective tenants (39%), and then requesting the tenant sets up direct payment of rent under Universal Credit (30%).
- Responses to the 'other' category identified a range of other safeguards, including the use of rent guarantee insurance products, engaging with Local Authority housing support schemes, and setting up rent arrears payment plans.

The survey asked landlords whether there was a shortfall between the rents they charge, and the amount covered by Universal Credit. A majority of landlords reported that there was a shortfall (68% of landlords,  $N=570$ ).

Of those that responded yes there was a shortfall, these landlords were then asked how the shortfall was covered in a multiple-choice question.

**Figure 2.9. Methods in how shortfall between rent and benefits claimed by Universal Credit is met (Multiple responses)**



- The most common reported method was for the tenant to pay the difference (90% of landlords).
- The second most common reported method was for the landlord to reduce the rent level to what would be covered by housing benefits (12%).

### 2.1.5 Introduction of Universal Credit and changing landlord practices

The final set of questions examined whether landlords have changed their letting practices and offer different forms of support in order to help support their Universal Credit tenants.

- The majority (72%,  $N=585$ ) of landlords reported they had not changed their letting practices to support their tenants.

Of those that reported that they had changed their letting practices, these landlords were provided the opportunity to explain how their practices had changed in an

open-ended comment box. Examination of these responses show a diverse range of changes made by landlords; the most common changes included:

- Making allowances for late payments of rent;
- Requesting guarantors;
- Providing the tenants time to ‘stabilise the rent arrears’; and
- Engaging with local authority private rented sector support schemes.

Landlords were then provided the opportunity to explain in an open-ended comment box if they were offering different forms of support to their Universal Credit claiming tenants. Analysis of the responses identified several recurring themes, these include:

- The landlord acting like a ‘social worker’ or ‘support worker’ for their tenant;
- Giving the tenant additional time to pay their rent arrears;
- Being more flexible with the rent payment schedule; and
- Providing help with the online forms through provision of technology or helping them to understand the forms.

### **Key finding**

Landlords’ roles and practice when letting to Universal Credit tenants is changing. Landlords are offering a diverse range of support, with some landlords feeling as if they were acting as a ‘support worker’ for their tenants. Further research would be useful to understand in more depth how these practices and support are changing, and how private landlords could be better supported.

## 2.2 Exploring the reasons why landlords are not letting to tenants claiming Universal Credit

This section of the report examines the reasons why landlords are not currently letting to tenants who claim Universal Credit. In this section, data was collected from only those landlords who reported they currently do not let to those who claim Universal Credit.

**Figure 2.10. Reasons provided by landlords for why they do not let to tenants who claim Universal Credit (Multiple responses)**



■ What are the main reasons why you do not let to tenants that claim Universal Credit?  
(Please select all that apply) (N=1,461)

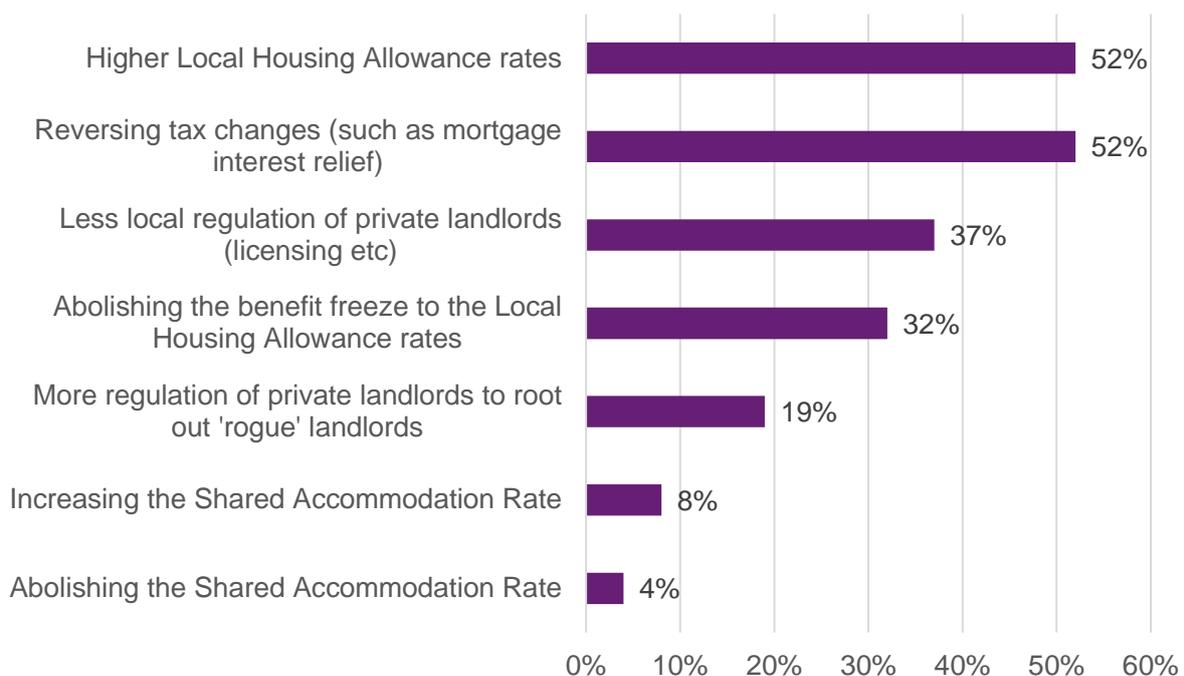
- The most common reasons to why landlords do not currently let to Universal Credit tenants are around concerns and perceptions of financial risk.
- Sixty-one percent of landlords reported that they had concerns about financial risk and the payment of rent on time and 58% reported that they thought there was a higher risk of rent arrears.
- There are twice as many landlords who are not willing to let to Universal Credit claimants due to perceptions of problems with the administration of benefits (50%) in comparison to those who have experienced issues with the administration of benefits (25%).

### Key finding

The main reasons why landlords do not let to tenants on Universal Credit are due to concerns of financial risk (61%) and perceptions of being a higher risk for rent arrears (58%). Twice as many landlords are not willing to let to Universal Credit claimants due to perceptions of problems with the system (50%) in comparison to those who have experienced issues (25%). Addressing these perceptions could then help to reduce barriers for those who claim Universal Credit in finding a home in the sector.

Landlords were asked in a multiple-choice question whether any policy/regulatory changes would make them more willing to let to tenants who claim Universal Credit.

**Figure 2.11. Policy/regulatory changes that would make landlords more willing to let to tenants who claim Universal Credit (Multiple responses)**



■ Would any of the following regulatory/policy changes make you more willing to let to tenants that claim Universal Credit? (Please select all that apply) (N=1,347)

- The two most common answers were for higher Local Housing Allowance (LHA) rates (52% of landlords) and for recent tax changes to be reversed (52%).
- Thirty-seven percent of landlords reported that less local regulation of private landlords (such as licensing) would make them more willing, and 19% of landlords reported that more regulation to help 'root out' 'rogue' landlords would be beneficial.

### Key finding

The two main policy/regulatory changes that would make landlords more willing to let to tenants who claim Universal Credit were:

- 1) Higher Local Housing Allowance (LHA) rates (52% of landlords)
- 2) Reversal of recent tax changes (52% of landlords)

Landlords were then asked what types of scheme/initiative would make them more willing to let to those who claim Universal Credit.

**Figure 2.12. Types of scheme/initiative that would make landlords more willing to let to those who claim Universal Credit (Multiple responses)**



■ Would any of the following types of initiative/scheme make you more willing to rent to those that claim Universal Credit? (Select all that apply) (N=1,427)

- Of those landlords asked this question, just over half (53%) reported that bond/rent deposit schemes would be beneficial, while 47% of landlords reported that support with the management of their properties could be beneficial.
- Just over a third of landlords (34%) reported that social letting agency/leasing arrangements would make them more willing to let to Universal Credit claimants.

Finally, landlords were provided with an open-text comment box to provide any further or other comments on why they didn't let to tenants who claim Universal Credit. An examination of the responses identified themes relating to:

- Previous bad experiences with tenants on Universal Credit;
- These tenant groups being higher risk;
- Issues with local authorities;
- Properties or letting strategy being focussed on alternative segments such as the student market; and
- Issues around Universal Credit administration specifically the difficulties in setting up direct payment of rent from the start of the claim.

### 3. Letting to Housing Benefit tenants

This chapter examines the experiences of landlords who either currently let to, or who in the last twelve months have let to housing benefit claiming tenants but not those who are on Universal Credit. This was to enable a comparison of the experiences between those landlords who let to tenants claiming benefits through the new system of Universal Credit, with the experiences of those claiming through 'legacy' systems administered by the Local Authority.

- Twenty-nine percent of landlords (29%) reported that they had or currently let to tenants who claim housing benefit, and a further 8% were not sure ( $N=2,229$ ).
- Those who reported that they did not let to tenants who claim housing benefit (64%) were directed to the next set of questions reported in Chapter 4.

#### 3.1 Rent Arrears

This section examines private landlords' experiences of housing benefit claiming tenants going into rent arrears in the past 12 months.

- The majority of respondents reported that they had not experienced their housing benefit claiming tenants going into rent arrears (64%,  $N=810$ ).
- Thirty-six percent of landlords (36%) with housing benefit claiming tenants reported they had experienced their tenants on 'legacy' housing benefit going into rent arrears, this is in comparison to the 54% of landlords who had experienced their Universal Credit tenants going into rent arrears.

Those landlords who reported that their housing benefit claiming tenants were in rent arrears were then asked to provide the total amount owed in the most recent case of rent arrears.

- The analysis of this data identified that landlords on average were owed £1,792.49 by housing benefit tenants (Median = £1,000,  $N=273$ ).

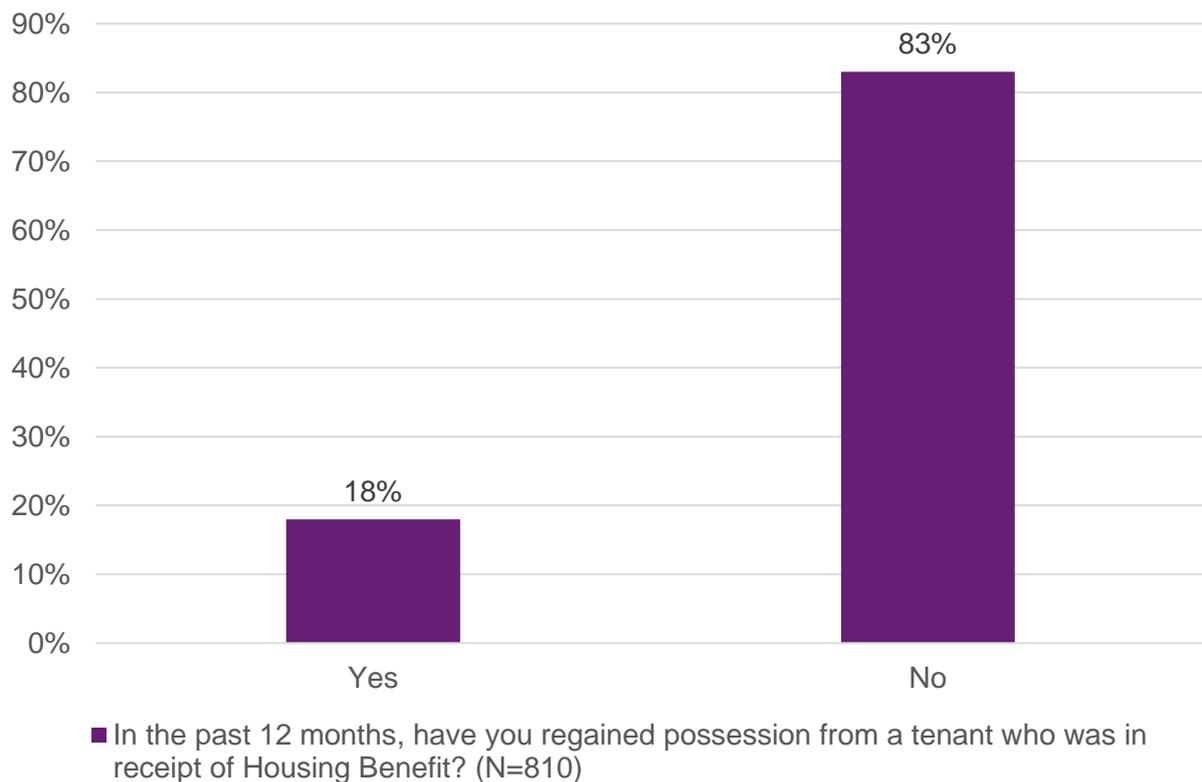
#### Key finding

Thirty-six percent of landlords reported they had experienced their tenant on legacy housing benefit going into rent arrears in the past 12 months, and these landlords were owed on average £1,792.49 in the most recent case of rent arrears. This is lower in comparison to the 54% of landlords that have experienced their Universal Credit tenants going into rent arrears.

### 3.2 Tenancy Breakdown

This next section examines the breakdown of tenancies for those tenants who claim housing benefit and the reported reasons behind why landlords regained possession of the property.

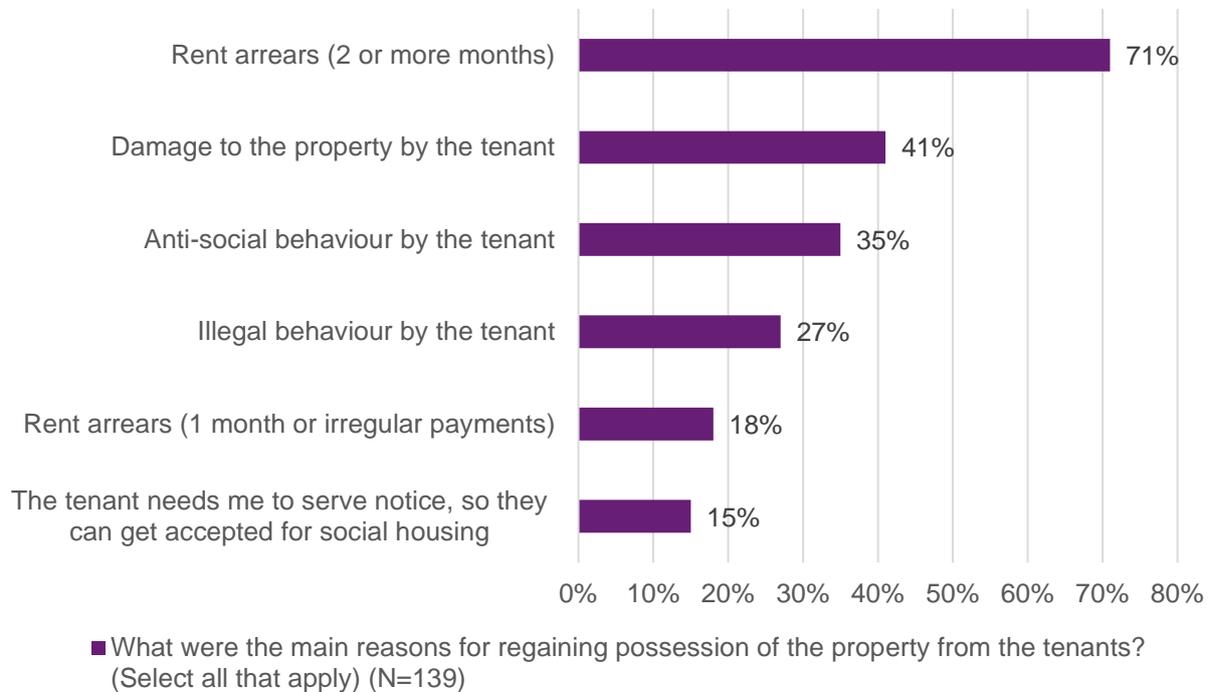
**Figure 3.1. Proportion of landlords who have needed to regain possession from a tenant in receipt of housing benefit**



- The majority of landlords with housing benefit claiming tenants (83%) reported they had not needed to regain possession from their tenant who claimed housing benefit.
- Only 18% of landlords reported that they did need to regain possession from a tenant in receipt of housing benefit.
- This is in comparison to 23% of landlords who let to Universal Credit tenants who had regained possession from their tenant on Universal Credit.

Those landlords who reported regaining possession from a tenant in receipt of housing benefit were asked about the main reasons for needing to do so.

**Figure 3.2. The main reported reasons for a landlord to regain possession from their tenant in receipt of Housing Benefit (Multiple responses)<sup>11</sup>**



- The most common reason for regaining possession from their Housing Benefit tenants provided by the landlords who responded to this survey was 2 or more months of rent arrears (71%).
- This was followed by 41% reporting damage to the property and then 35% reporting anti-social behaviour by the tenant.
- 15% of landlords reported they had served notice to help their tenant get accepted for social housing.

### 3.3 Shortfall in rent and Universal Credit fears

Those landlords who let to housing benefit claiming tenants were asked if they had requested direct payment of the rent from their Local Authority in the past 12 months for their housing benefit tenants.

- Around a third of the respondents (33%) reported they had requested direct payment of the rent (N=785).

<sup>11</sup> Whilst not shown in the above figure due to low response rates, other responses included: I am selling the property – tax changes (11%); I wanted to make substantial renovations to the property (6%); I am selling the property – other reasons (6%); I wanted to increase the rent and the tenant couldn't afford a higher rent due to the benefit freeze (3%); I wanted to increase the rent and the tenants refused to pay a higher rate (1%); The tenant asked me to make repairs (1%); and, I am moving the property onto the short-term rental market such as Airbnb (1%).

These landlords were then asked how long in weeks it took for direct payment to be organised.

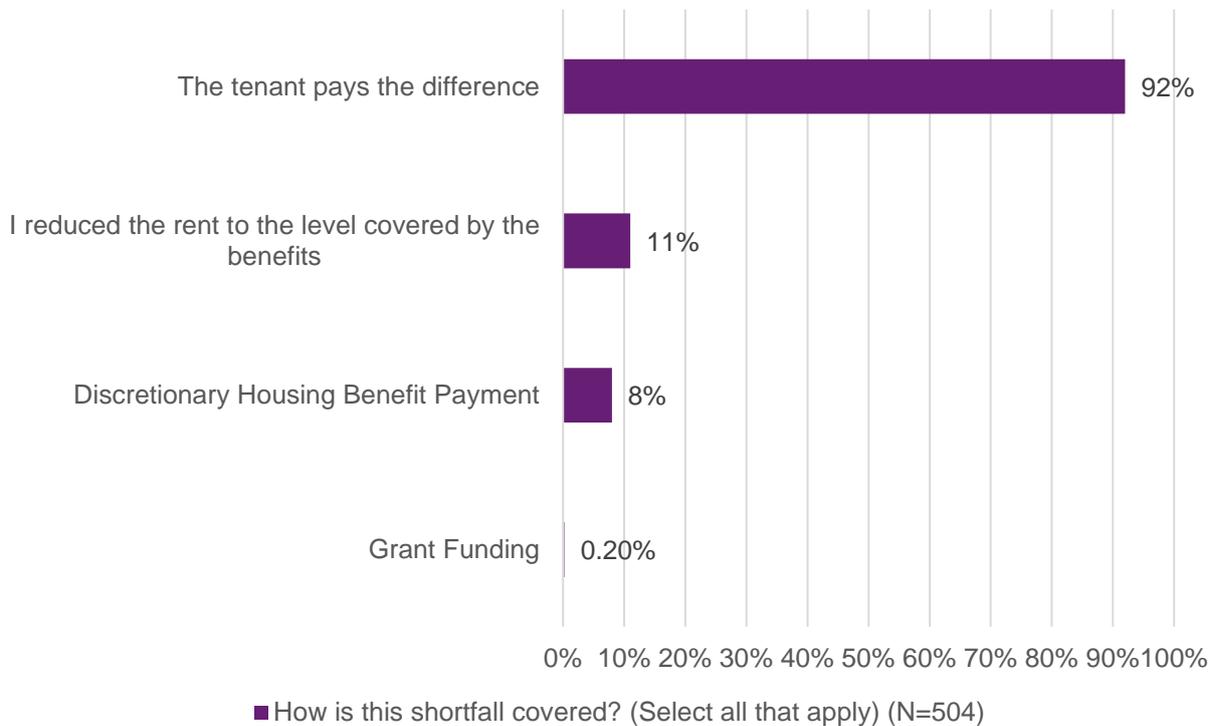
- On average, landlords reported that it took 5.4 weeks for direct payment to be set up with their local authority (Median = 4 weeks, N=242).

These landlords were also asked if there was a shortfall between the rent they charge, and the amount covered by Housing Benefit.

- Seventy-one percent (71%) of respondents reported that there was a shortfall (N=727).

Those landlords who reported that there was a shortfall between the rent and the amount covered by benefits were asked how this shortfall was covered.

**Figure 3.3. The methods for how the shortfall between the rent and the amount covered by housing benefit is covered**



- A majority of landlords (92%) reported that their tenants paid the shortfall between the rent and the amount provided in housing benefit themselves.
- Eleven percent of landlords reported that they reduced the rent to a level covered by the benefits.

Landlords who let to tenants who claim housing benefit were asked whether they were worried about their tenants migrating to Universal Credit in the future.

**Table 3.1. The proportion of landlords who are worried about their tenants migrating to Universal Credit**

	Agree or strongly agree (%)
I am worried about my tenant moving from Housing Benefit to Universal Credit (N=764)	61%
I am worried that my tenant will not be able to afford the rent when they are moved onto Universal Credit (N=760)	62%
I am worried that my tenant will struggle financially when they are moved onto Universal Credit (N=759)	66%

- A majority of landlords (61%) reported that they were worried about their tenant moving from housing benefit to Universal Credit.
- A majority of landlords (62%) also reported that they were worried that their tenants might not be able to afford to pay their rent when they are migrated over to Universal Credit.
- In addition, 66% of landlords reported that they were worried that their tenants will struggle financially when they are moved onto Universal Credit.

### Key finding

A majority of landlords who currently let to housing benefit claimants are concerned about their tenants migrating onto Universal Credit from legacy housing benefit (61%), specifically that their tenants might struggle financially when they are migrated (66% of landlords).

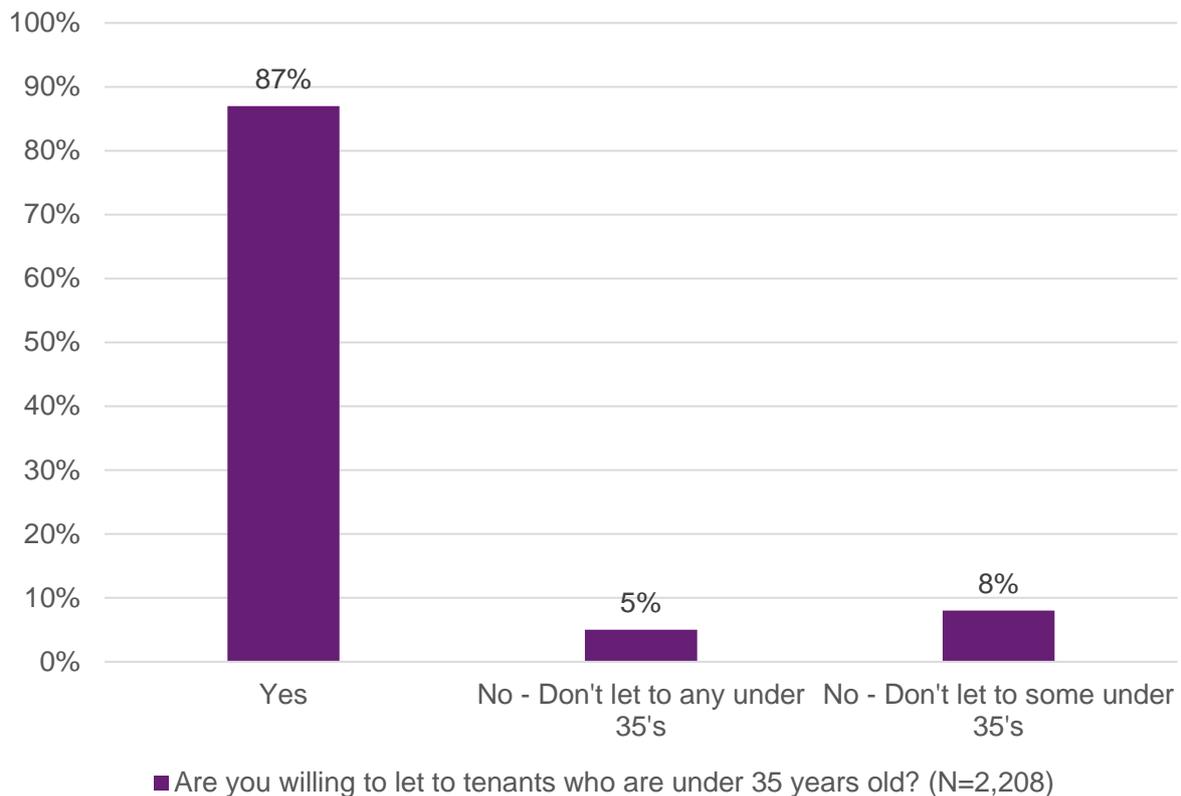
## 4. Welfare Reforms and Policy Changes

This chapter explores the impact of different welfare reforms on the attitudes of private landlords in letting to benefit claimants. This chapter also examines the willingness of landlords to let to tenants who claim other benefits that are not housing benefit and investigates the impact of the freeze to the Local Housing Allowance rates on private landlords.

### 4.1 The Shared Accommodation Rate and Letting to Under 35's

This section examines the introduction of the Shared Accommodation Rate, and, landlord attitudes and strategies to renting to under-35s.

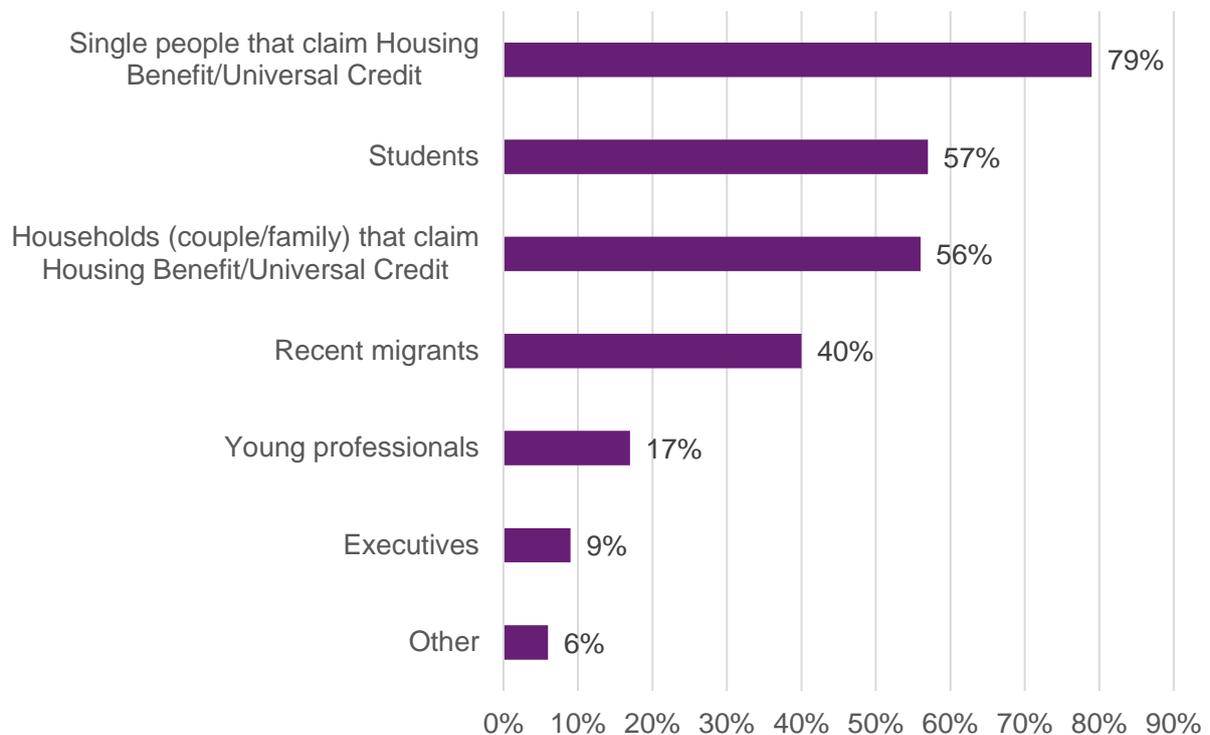
**Figure 4.1. Proportion of landlords who reported they are willing to let to tenants who are under 35yrs old**



- The majority of landlords (87%) reported that they were willing to rent to tenants who were under the age of 35.
- A minority of landlords (5%) reported they were not willing to let to any under 35's, and 8% of landlords were not willing to let to some groups of under 35's.

Those landlords (13%) who reported they were not willing to let to under-35s were then asked a series of questions relating to the types of groups of under-35's they do not let to and the reasons why.

**Figure 4.2. Groups of under-35's landlords are not willing to let to (Multiple responses)**



■ Which of the following groups of under-35s are you not willing to let to? (Tick all that apply) (N=261)

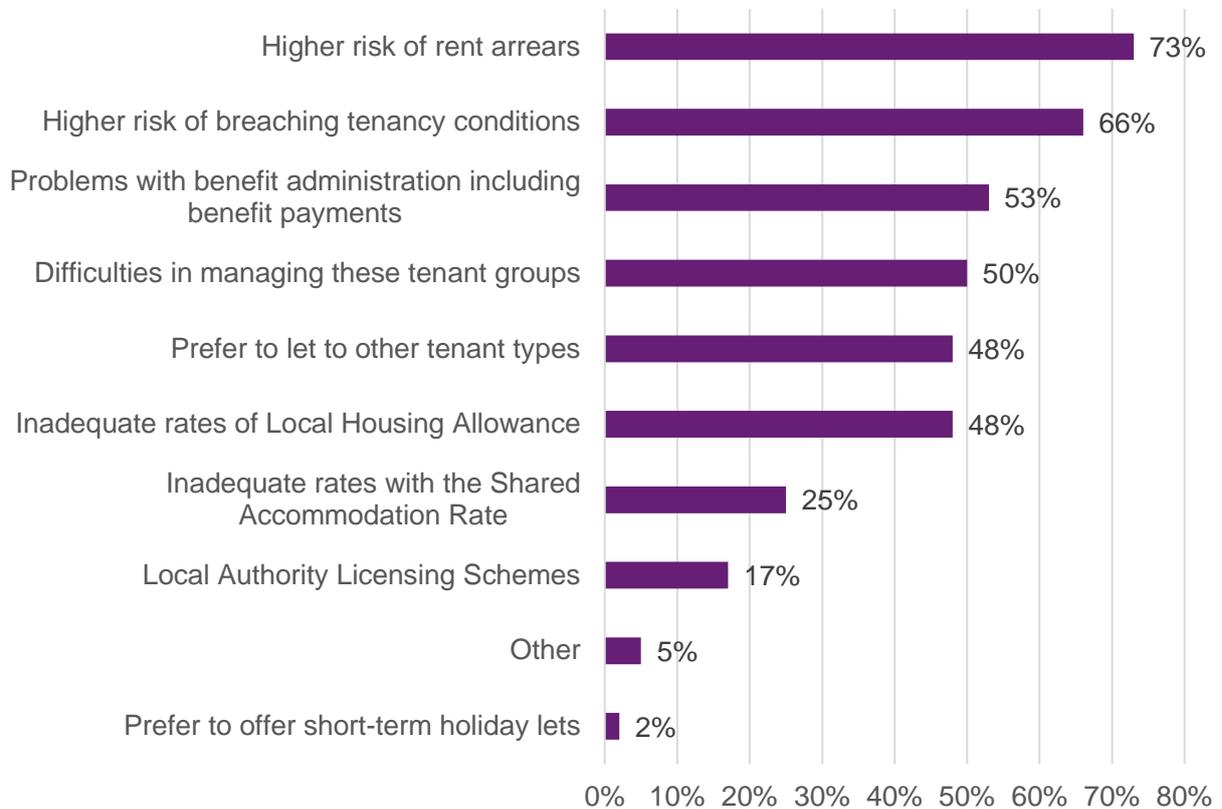
- The largest group of under 35's who landlords reported they were not willing to let to were single people that claim housing benefit/universal credit (79% of landlords).
- This was followed by students (57%) and households that claim housing benefit/universal credit (56%).

### Key finding

The majority of landlords are willing to let to tenants who are under 35 (87%). Of those who are not, the largest group of under-35's who landlords are not willing to let to are single people who claim housing benefit/universal credit (79% of landlords).

Those landlords were reported they were not willing to let to some or all groups of under-35s were then asked for the reasons for this.

**Figure 4.3. Reasons why landlords are not willing to let to groups of under-35's (Multiple responses)**



■ Why are you not willing to let to some/all groups of under-35s? (Select all that apply) (N=270)

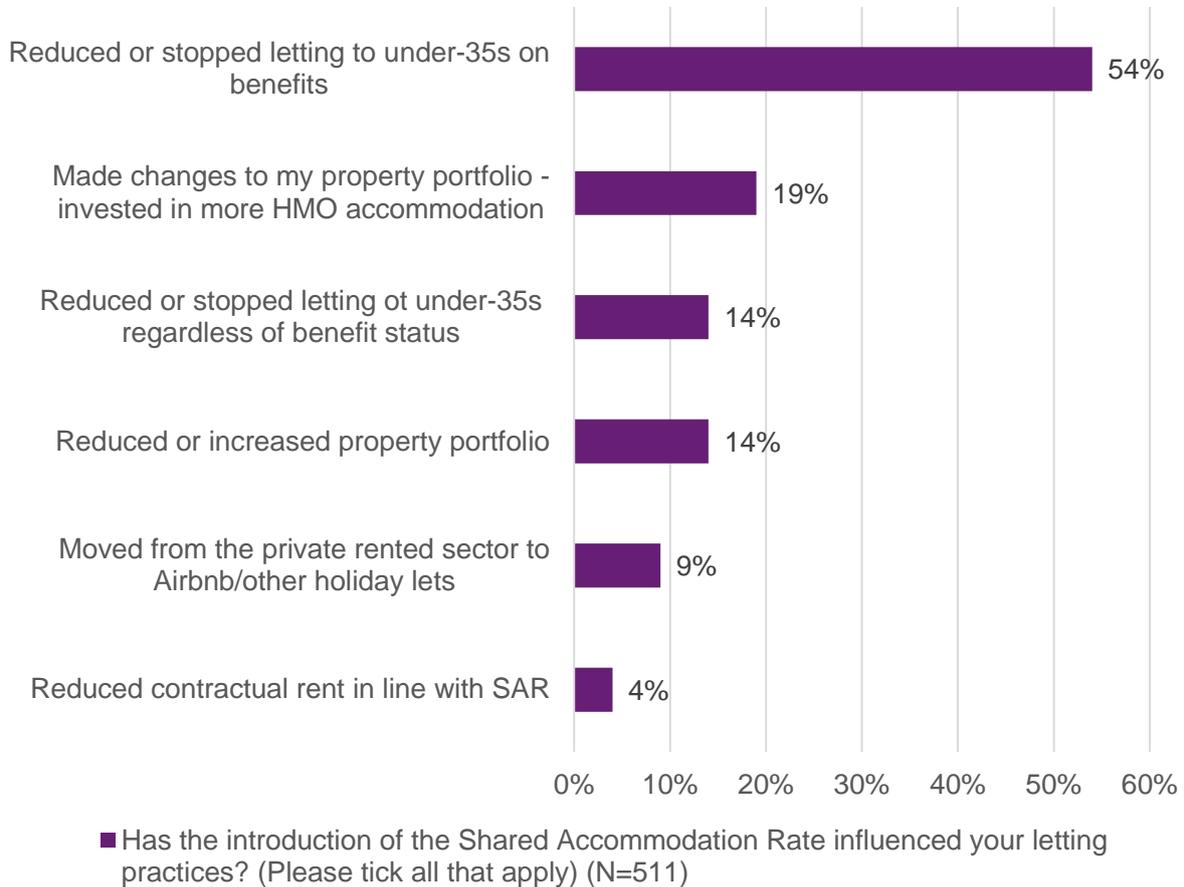
- The most commonly selected reason was a higher risk of rent arrears (73% of landlords), followed by a higher risk of breaching tenancy conditions (66% of landlords).
- Other notable reasons were problems with benefit administration including benefit payments (53%) and inadequate rates of Local Housing Allowance (48%).

### Key finding

The most common reasons why landlords were not willing to let to some/all groups of under-35's was due to a perception of these groups posing a higher risk of rent arrears (73%) or a higher risk of breaching tenancy conditions (66%).

Figure 4.4 highlights the changes landlords have made to their letting practices since the introduction of the Shared Accommodation Rate (SAR).

**Figure 4.4. Impact of the introduction of the Shared Accommodation Rate on landlord letting practices (Multiple responses)**



- The most commonly reported change was landlords reducing or stopping letting to under-35s on benefits (54% of landlords).
- Just under one fifth of landlords (19%) reported that the introduction of the Shared Accommodation Rate had meant they had invested in more Houses of Multiple Occupation (HMO) accommodation.

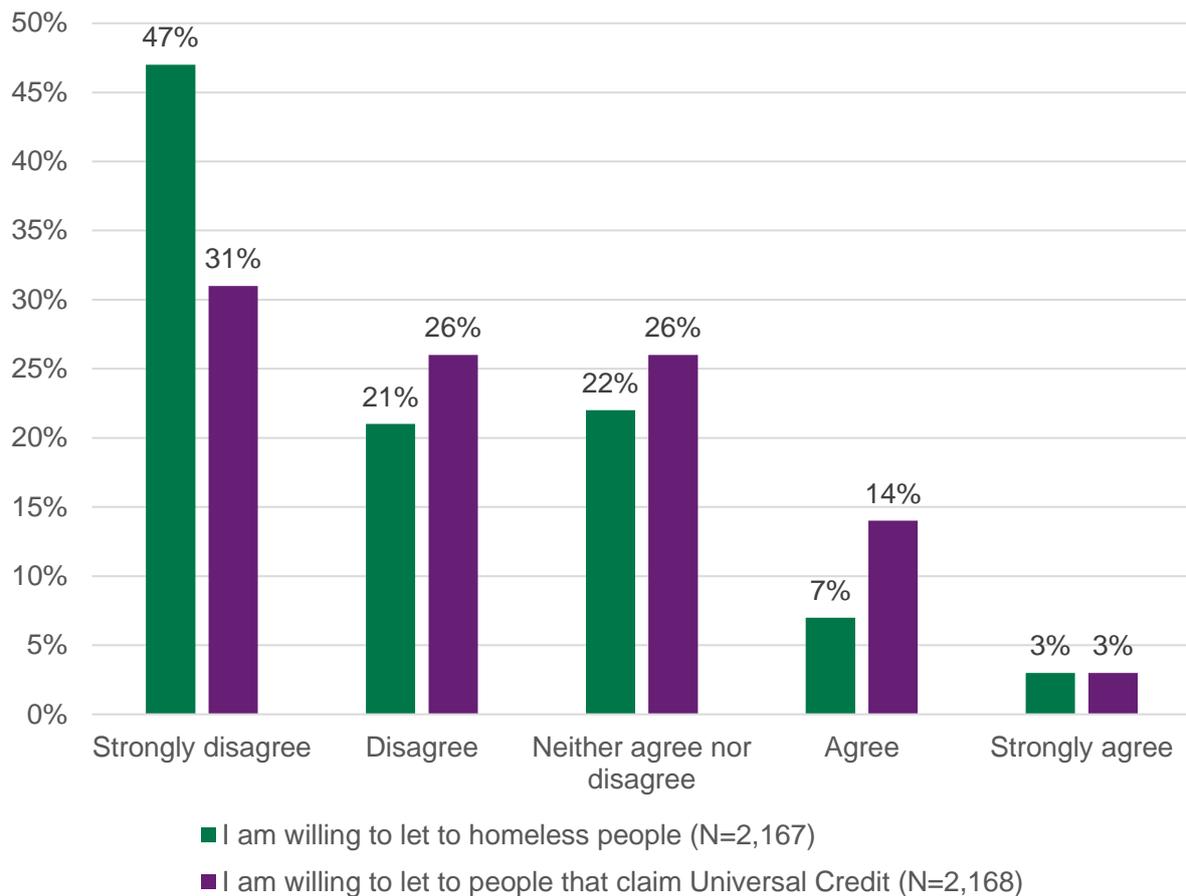
### Key finding

The main impact of the introduction of the Shared Accommodation rate was found to be landlords reducing or stopping letting to under-35s who claim benefits (54%).

## 4.2 Landlord willingness to let to tenants who claim benefits

This section examines landlord willingness to let to tenants who claim benefits, the impact of policy changes on landlord willingness, and assesses the potential for two policy proposals to change landlord willingness.

**Figure 4.5. Proportion of landlords who are willing to let to people who are homeless or claim Universal Credit.**



- A majority of landlords (68%) reported they were not willing to let to homeless people, and 57% of landlords were not willing to let to people who claim Universal Credit.

### Key finding

More landlords reported they were unwilling to let to homeless people (68%) over those who reported they were unwilling to let to people who claim Universal Credit (57%).

Successive governments have introduced a number of changes that affect the private rented sector over the last decade. Landlords were asked which policy or regulator changes would make them more or less likely to let to benefit claimants.

**Table 4.1. The impact of policy and regulatory changes on landlord likelihood to let to people who claim benefits**

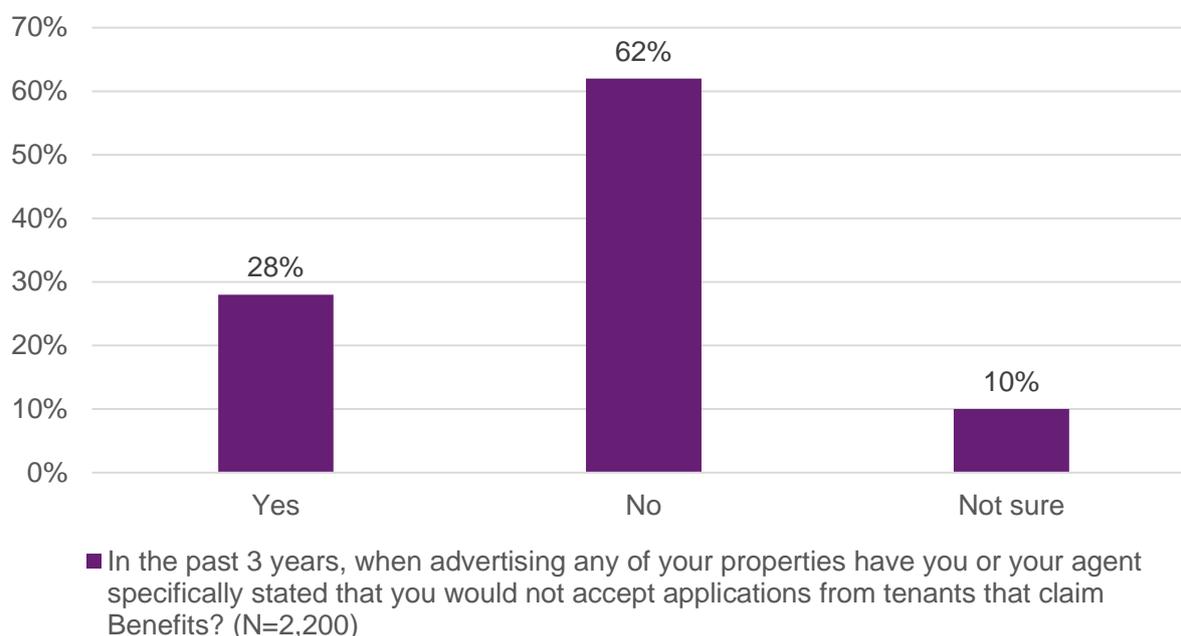
Policy/Regulatory Change	Proportion of landlords who <b>were less likely</b> to let to people who claim benefits due to policy and regulatory changes (%)
The cap and 4-year freeze to Local Housing Allowance (LHA) rates (N=2,002)	52%
Increased regulation of the private rented sector (Right to Rent checks, Licensing, Tenant Fee ban) (N=2,020)	51%
Taxation changes (Removal of Mortgage Interest Relief) (N=2,009)	47%
The Shared Accommodation Rate (N=1,918)	40%

- Over 50% of landlords reported that both the cap and four-year freeze to the Local Housing Allowance (LHA) rates and the increasing regulation of the private rented sector made them less likely to let to those who claim benefits.
- Just under half of landlords (47%) reported that recent tax changes were also deterring them from letting to tenants who claim benefits. It is anticipated that these landlords (with now potentially lower rental profit) could be seeking to mitigate potential financial risks they associate with letting to tenants who claim benefits.

### Key finding

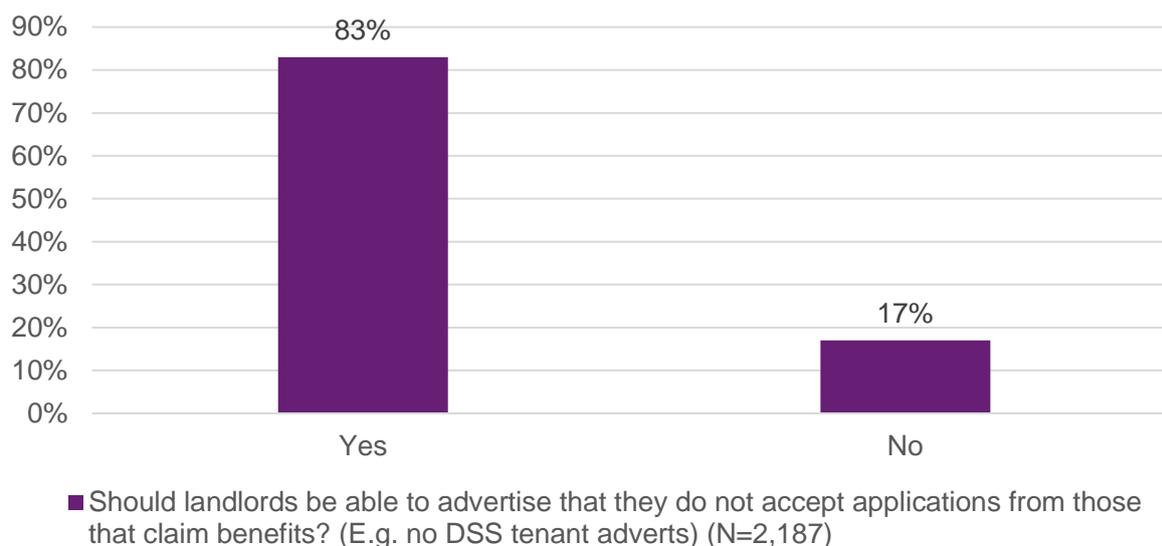
The two main policy/regulatory changes that have made landlords less likely to let to people who claim benefits were the cap and 4-year freeze to Local Housing Allowance (LHA) rates (52% of landlords), and, increased regulation of the private rented sector (Right to Rent checks, Licensing, Tenant fee ban) (51% of landlords).

**Figure 4.7. Proportion of landlords who have stated in their property advertisements that they would not accept applications from tenants who claim benefits**



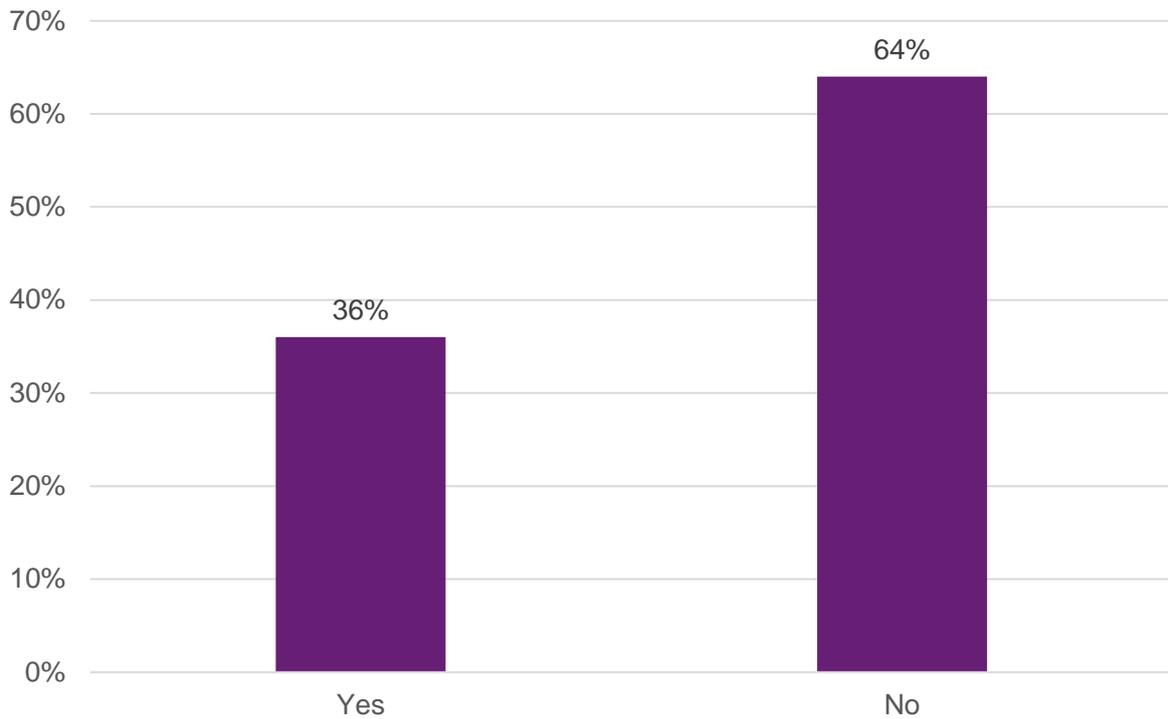
- The majority of landlords (62%) reported that in the past 3 years that they or their agent did not specifically state that they would not accept applications from tenants who claim benefits.

**Figure 4.8. Proportion of landlords who believe they should be able to advertise that they do not accept applications from those who claim benefits**



- However, 83% of landlords reported that they believed that landlords should be able to advertise that they do not accept applications from those who claim benefits. The reasons behind this were not explored as part of this research and would benefit from further study.

**Figure 4.9. Proportion of landlords with mortgage conditions that prevent them from renting out to tenants who claim benefits**



■ Do mortgage conditions prevent you from renting out to tenants who claim benefits?  
(N=2,140)

- The majority of landlords reported that they did not have mortgage conditions that prevented them from letting out to tenants who claim benefits (64%).
- However, this does indicate that over one third of landlords (36%) do have these conditions in place.

### Key finding

While the majority of landlords reported that they did not have mortgage conditions that prevented them from letting to tenants who claim benefits (64%), over a third of landlords (36%) reported that they did. This suggest that further work is needed to encourage lenders to remove these conditions, which would be a further step in removing structural barriers for those that claim benefits from finding a home in the PRS.

Landlords were asked if they would be willing to let to tenants who claim different types of benefits other than housing benefit.

**Table 4.2. Landlord willingness to let to tenants who claim benefits other than housing benefits**

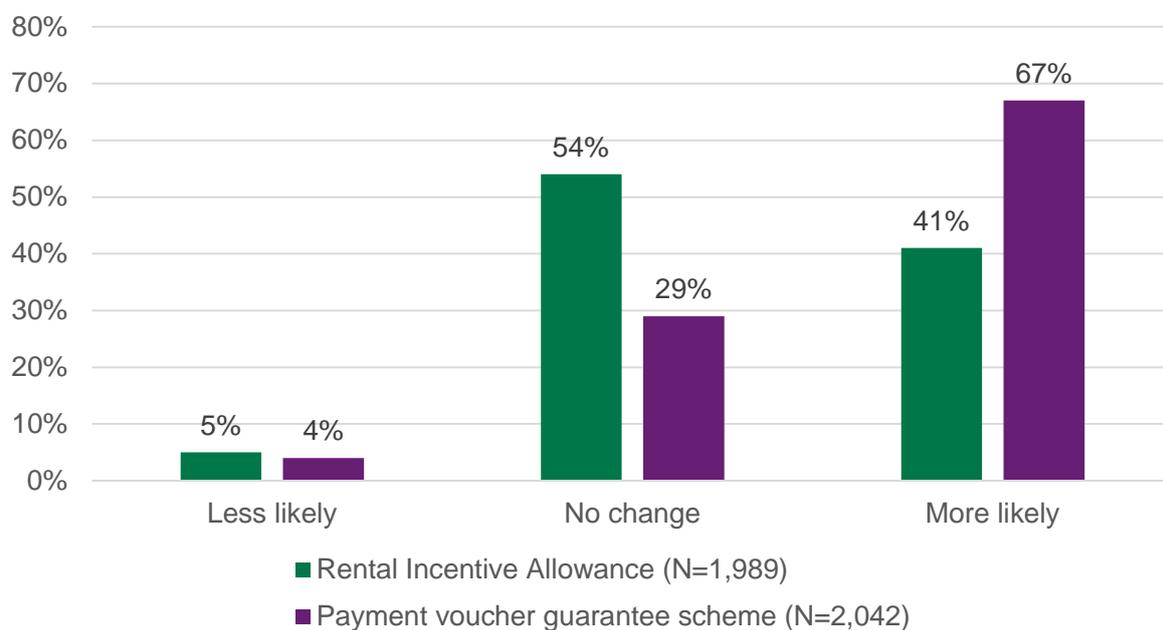
Type of benefit	Proportion of landlords willing to let to claimant (%)
Child Tax Credit (N=2,003)	79%
Income Support (N=1,923)	54%
Income-based Jobseekers Allowance (JSA) (N=1,880)	36%
Income-related Employment and Support Allowance (ESA) (N=1,875)	50%
Working Tax Credit (N=1,970)	74%

- Most landlords reported they would be willing to let to tenants who claim Child Tax Credits (79%) and Working Tax Credit (74%). However, willingness to let to tenants for the other three types of benefit was lower.
- Just over half of respondents reported that they would be willing to let to tenants who claim Income Support, while 50% reported that they would be willing to let to someone who claimed income-related Employment and Support Allowance (ESA), but, the majority of landlords (64%) reported that they would be unwilling to let to tenants who claim income-based Jobseekers Allowance (JSA).

### 4.2.1 Assessing policy proposals to improve access to the private rented sector for low-income households

In a report for the Joseph Rowntree Foundation (JRF) a number of policy proposals that could improve access to and conditions in the private rented sector for vulnerable/low-income households were costed<sup>12</sup>. The first proposal was a Rental Incentive Allowance, which would enable landlords to offset their mortgage/finance costs against their tax if they let to tenants who claimed benefits and set the rent to LHA rates. The second proposal was a Payment Voucher Guarantee Scheme, where the Local Authority would guarantee the rent paid by the benefit claimant.

**Figure 4.11. Two policy proposals and landlord willingness to let to tenants who claim benefits if these were implemented**



- Forty-one percent of landlords reported that the first policy proposal would make them more likely to let to tenants who claimed benefits.
- However, 67% of landlords reported that the second proposal of a guarantee scheme would make them more likely to let to tenants who claimed benefits.

#### Key finding

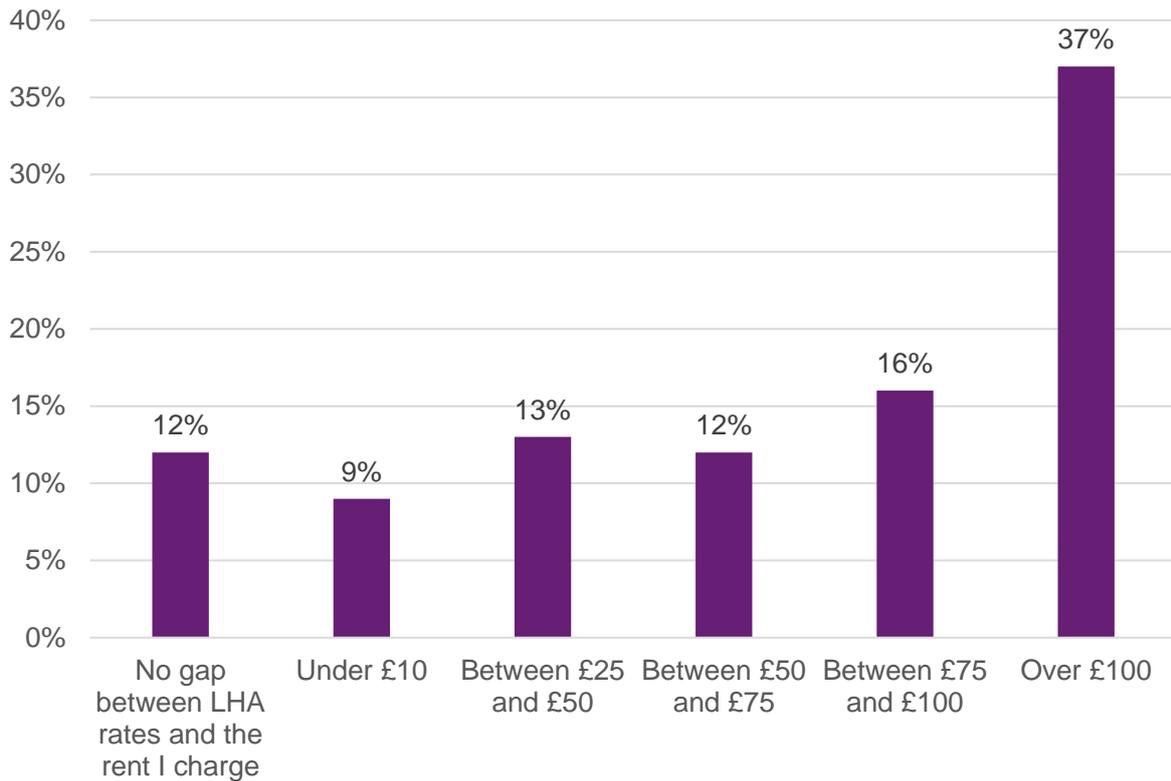
The majority of landlords (67%) reported a Payment Voucher Guarantee Scheme, where the Local Authority guarantees the rent paid by the benefit claimant, would make them more willing to let to tenants who claim benefits.

<sup>12</sup> See: Clarke, A., & Oxley, M. (2018). *Using incentives to improve the private rented sector: three costed proposals*. York, UK: Joseph Rowntree Foundation. Retrieved from <https://www.jrf.org.uk/report/using-incentives-improve-private-rented-sector-three-costed-proposals>

### 4.3 Local Housing Allowance rates

This section of the report examines the impact of the Local Housing Allowance cap and freeze on the private rented sector and specifically the attitudes of private landlords.

**Figure 4.12. Reported monthly gap between Local Housing Allowance and what the landlord could charge in rent**

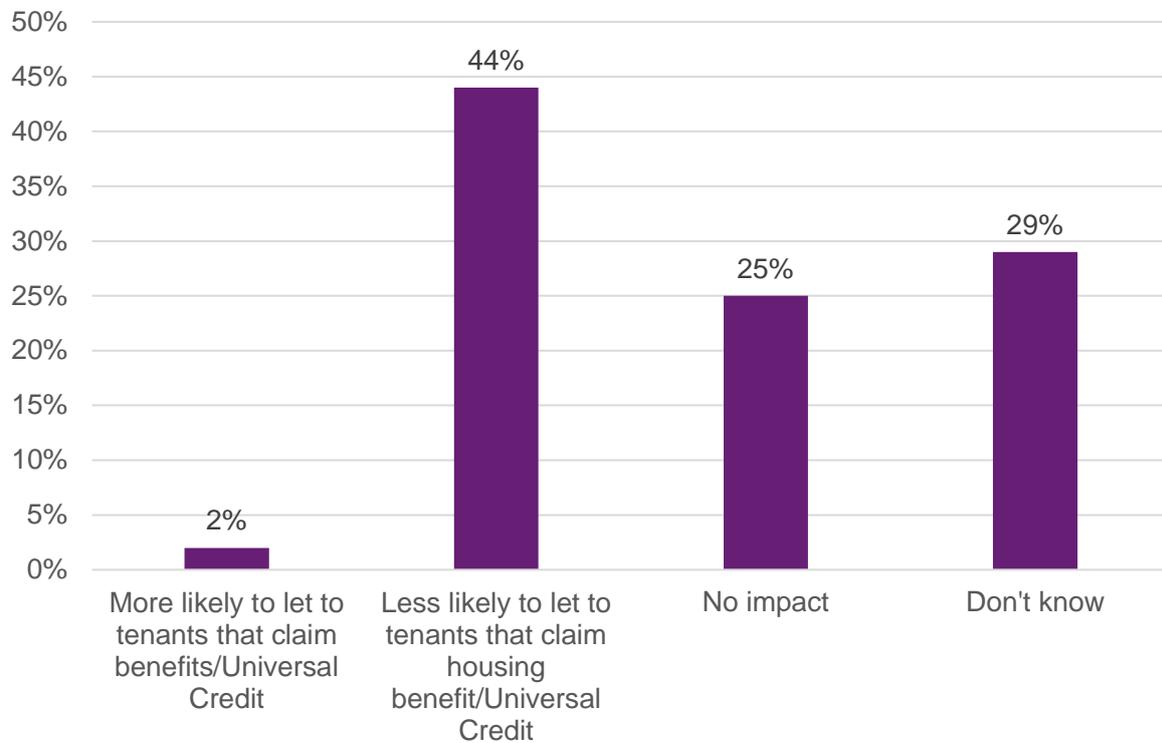


■ In the area where you let the majority of your properties, what is the monthly gap between LHA rates and what you could charge in rent? (N=1,391)

- A majority of landlords (88%) reported that there was a gap between the Local Housing Allowance rates and what they could charge in rent, with 65% of landlords reporting that the gap was over £50 a month, and 37% of landlords reporting that the gap was over £100.

Landlords were asked if the gap between LHA rates and the rent had any impact on their likelihood to let to tenants who claim benefits.

**Figure 4.13. Landlord reported impact of the gap between LHA rates and rents on their letting decisions**

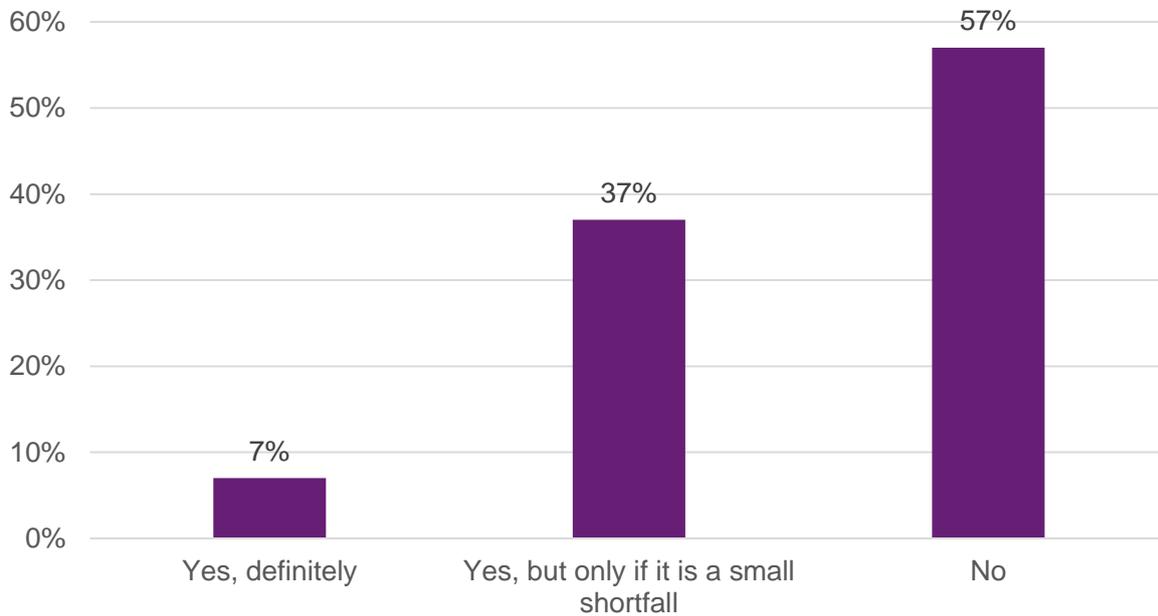


■ Does the gap between LHA rates and the rents you charge influence your letting decisions? (N=1,867)

- Under half of landlords (44%) reported they were less likely to let to tenants who claim benefits due to the gap between LHA rates and the rent.
- A small minority of landlords (2%) reported that this gap made them more likely to let to tenants who claim benefits.

Landlords were also asked whether they would be willing to let to a tenant if they know there was a shortfall between their housing benefit payments and the rent.

**Figure 4.14. Landlord willingness to let to tenants when there is a known shortfall between their housing benefit payment and the rent**



■ Are you willing to let to tenants where you know there is a shortfall between their housing benefit/universal credit payment and the rent? (N=1,959)

- The majority of landlords (57% of landlords) reported that they would not be willing to tenants where they know there is a shortfall between the amount covered by benefits and the rent.

### Key finding

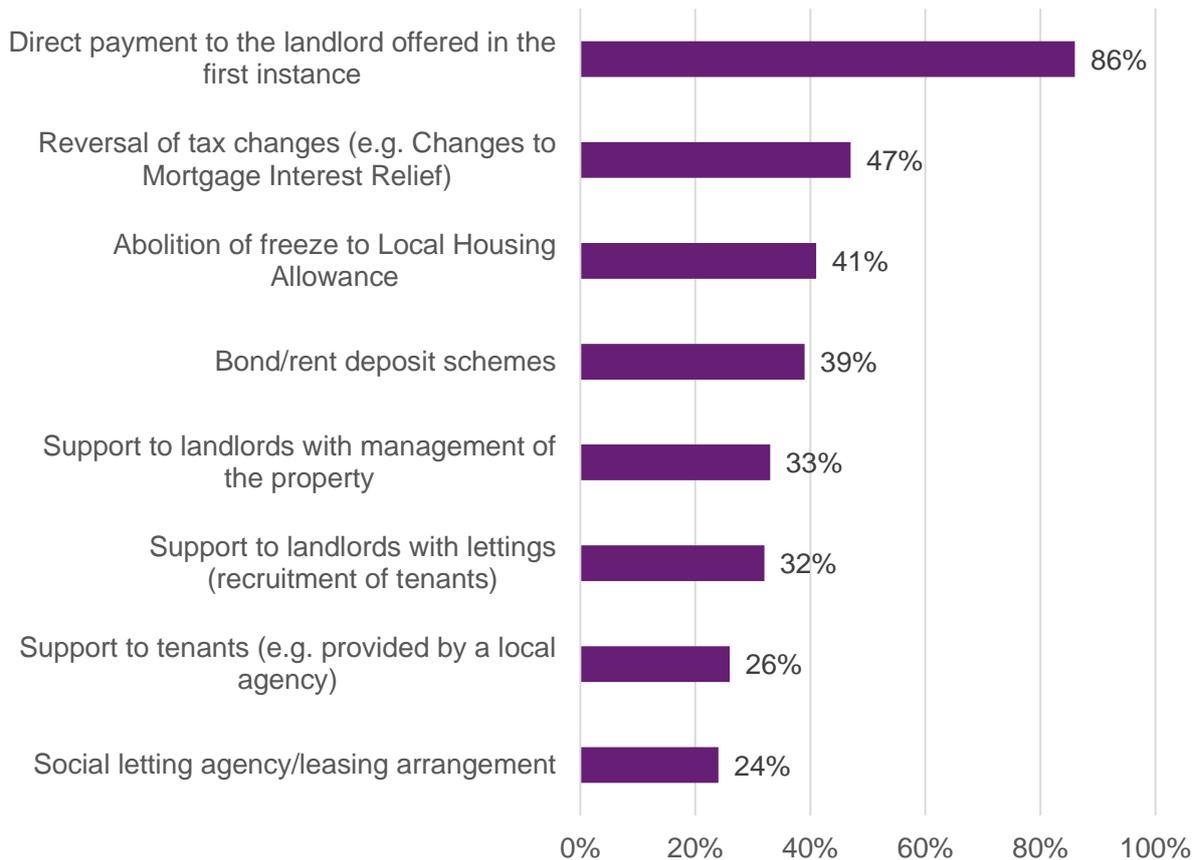
The overwhelming majority of landlords (88%) reported that there was a gap between the Local Housing Allowance rates and what they could charge in rents, with 65% of landlords reporting this gap was over £50 per month.

The majority of landlords (57%) reported that they would not be willing to let to tenants where they know there is a shortfall between the amount covered by benefits and the rent.

## 4.4 Recent policy changes to Universal Credit

This section of the report examines recently announced changes to Universal Credit and potential service/policy developments on the attitudes of private landlords.

**Figure 4.15. Impact of proposed/potential schemes or policy changes on landlord preparedness to rent to those who claim Universal Credit**



■ Would any of the following types of scheme or policy change make you more prepared to rent to those that claim Universal Credit? (Select all that apply) (N=1,683)

- The majority of landlords (86%) reported that the introduction of direct payment to the landlord offered in the first instance would make them more prepared to let to tenants who claim Universal Credit.
- Other notable factors include the abolition of the freeze to the Local Housing Allowance rate (41%), increasing support for landlords with lettings and management of the property, and bond/rent deposit schemes (39%).

### Key finding

An overwhelming majority of landlords (86%) reported that the introduction of direct payment to the landlord being offered in the first instance would make them more prepared to rent to those who claim Universal Credit.

Landlords were whether recently announced/introduced changes to Universal Credit would increase the likelihood of them letting to Universal Credit claimants.

**Table 4.3. Impact of proposed/potential schemes or policy changes on landlord preparedness to rent to those who claim Universal Credit**

Announced/introduced changes to Universal Credit brought in by the DWP	Proportion of landlords <i>more likely</i> to let to people who claim Universal Credit due to recent change or announcement (%)
The development of an online portal for landlords to make Alternative Payment Arrangement applications (direct payment to landlords) (N=1,923)	47%
Removal of the need for explicit consent when a tenant is in 2 months of rent arrears in order to lodge an Alternative Payment Arrangement application (N=1,912)	45%
Attempts by DWP to improve communications to help landlords understand the Universal Credit process (N=1,912)	31%
The removal of the 7-day eligibility waiting period (N=1,888)	27%
18-21yr olds will be able to claim Housing Benefit through Universal Credit (N=1,886)	15%
The pause of managed migration until after the pilot for 10,000 claimants (N=1,870)	5%

- Just under half of landlords (47%) reported improvements to the Alternative Payment Arrangement system through the development of an online portal would make them more likely to let to Universal Credit tenants.
- Forty-five percent of landlords reported the removal of the need for explicit consent when the tenant is in arrears would make them more likely to let to Universal Credit tenants.

### Key finding

Forty-seven percent of landlords reported that the proposed introduction of an online system to make Alternative Payment Arrangement applications would make them more willing to let to people who claim Universal Credit.

## 4.5 Landlord experiences of Local Authority leasing arrangements

This section of the report examines the extent to which landlords reported being contacted by Local Authorities to lease their properties for tenants who are at risk of being homeless or are currently homeless, and the incentives being offered by the Local Authority.

- Nine percent of respondents (91% reported no,  $N=2,149$ ) reported that they had been approached by their Local Authority about leasing their properties for tenants who have been previously homeless.
- Landlords were provided an open-text comment box to explain the incentives being offered by Councils. On examination of the responses recurring themes included:
  - Deposit and first month's rent paid for by the council;
  - Rent guarantee schemes at market rents;
  - Direct payment of rent to the landlord;
  - Support for the tenants; and
  - Maintenance of the property.

Landlords were asked whether their Local Authority had approached them about leasing their property for people who are at risk of homeless.

- Only 6% of respondents reported they had been approached (94% reported no,  $N=2,141$ ).
- Landlords were again provided with an open-text comment box to explain the incentives being offered by Councils for this scheme.
- Recurring themes included similar incentives to the above question, including:
  - Rent guarantees;
  - Direct payment of benefit;
  - Deposit bonds;
  - Additional rent;
  - First months' rent being paid upfront;
  - Higher rents than LHA rates;
  - Support for tenants; and
  - The management of the property by the Local Authority.

### Key finding

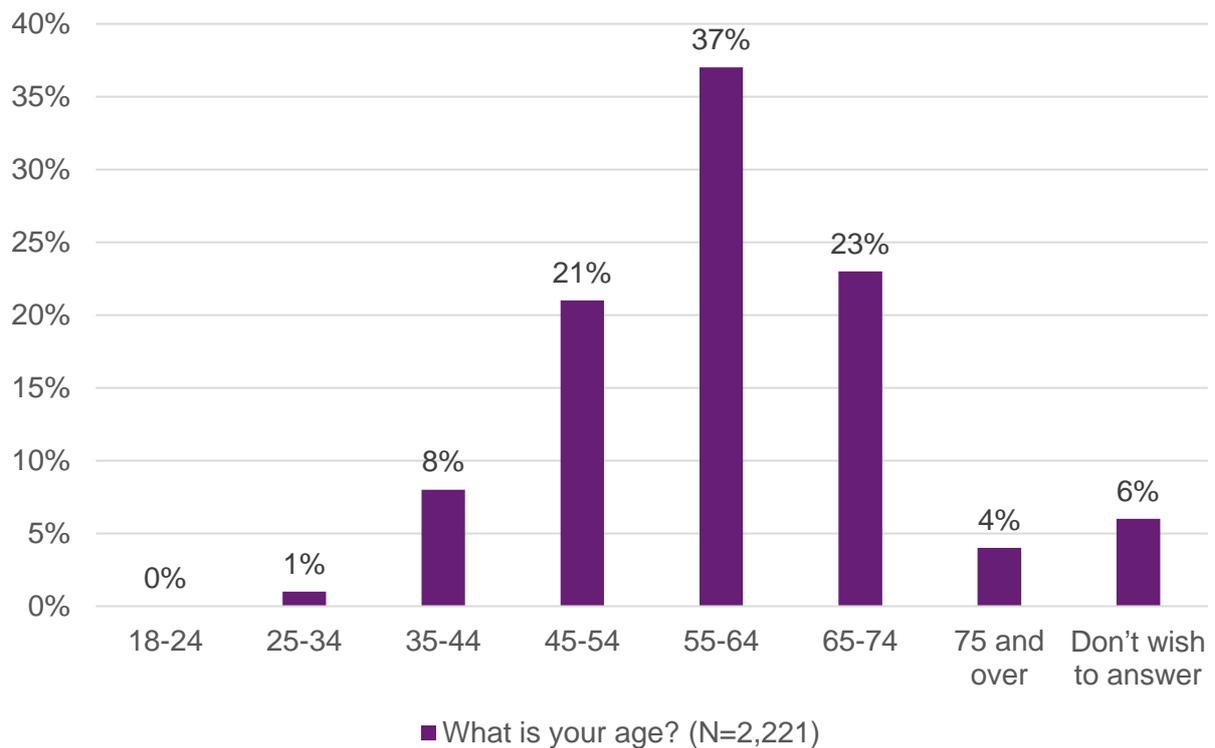
Only a minority of landlords have been approached by Local Authorities to lease their property for homeless people or people at risk of homelessness. The majority of incentives being offered to these landlords were identified to be around reducing risk for landlords in managing their investment.

## 5. Landlords, their Portfolios, and future decisions

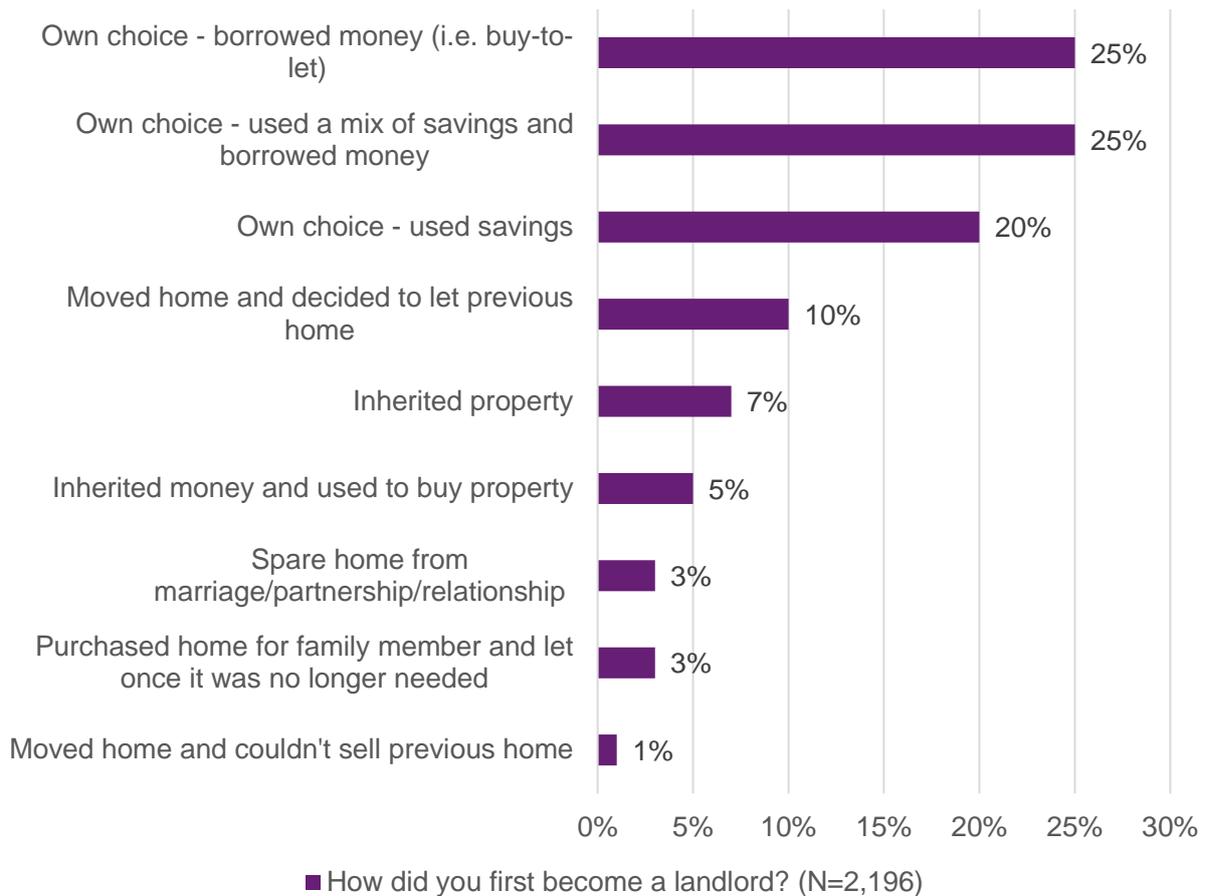
This chapter provides insights into the demographics of the landlords who responded to the survey, their portfolios, and the responses to longer-term trend questions that form part of the RLA's 'State of the PRS' quarterly survey.

### 5.1 Landlord Demographics

**Figure 5.1. Landlord respondent's age**

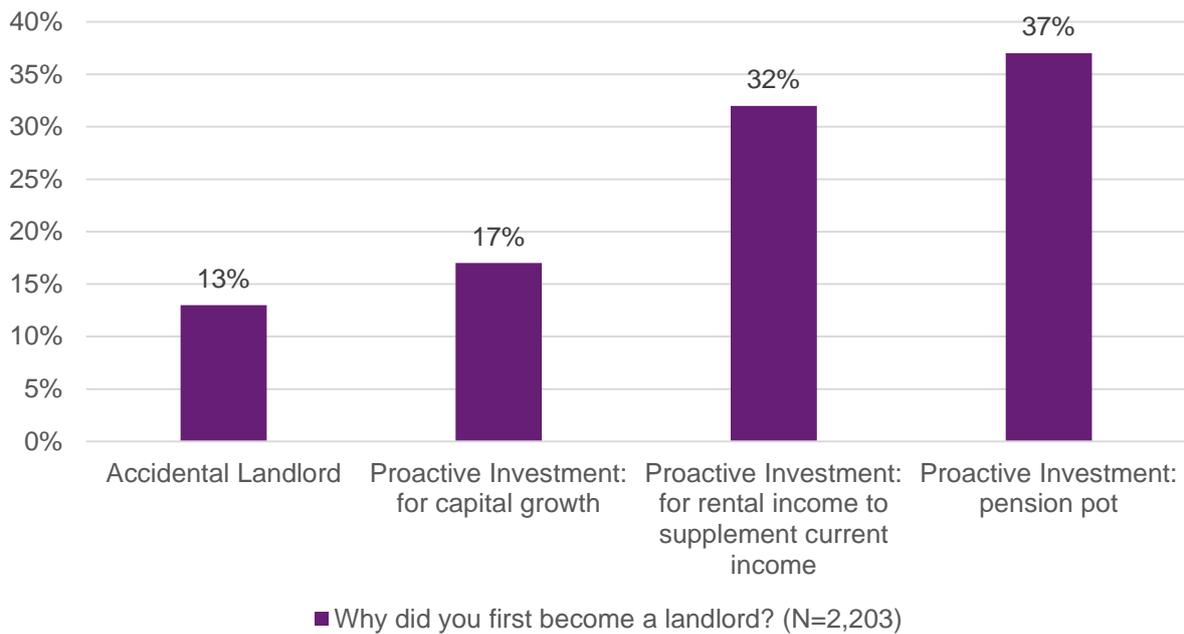


- The age profile of the respondents show that the majority of landlords were aged over 55 (64% of respondents).
- The largest age group of landlords were the 55 to 64 group with 37% of respondents.
- Though not shown, when asked about their gender, the majority of respondents to the survey were male (54%), while 39% reported they were female, a further 7% didn't wish to answer (N=2,209).

**Figure 5.2. Reported reasons for how the respondent first became a landlord**

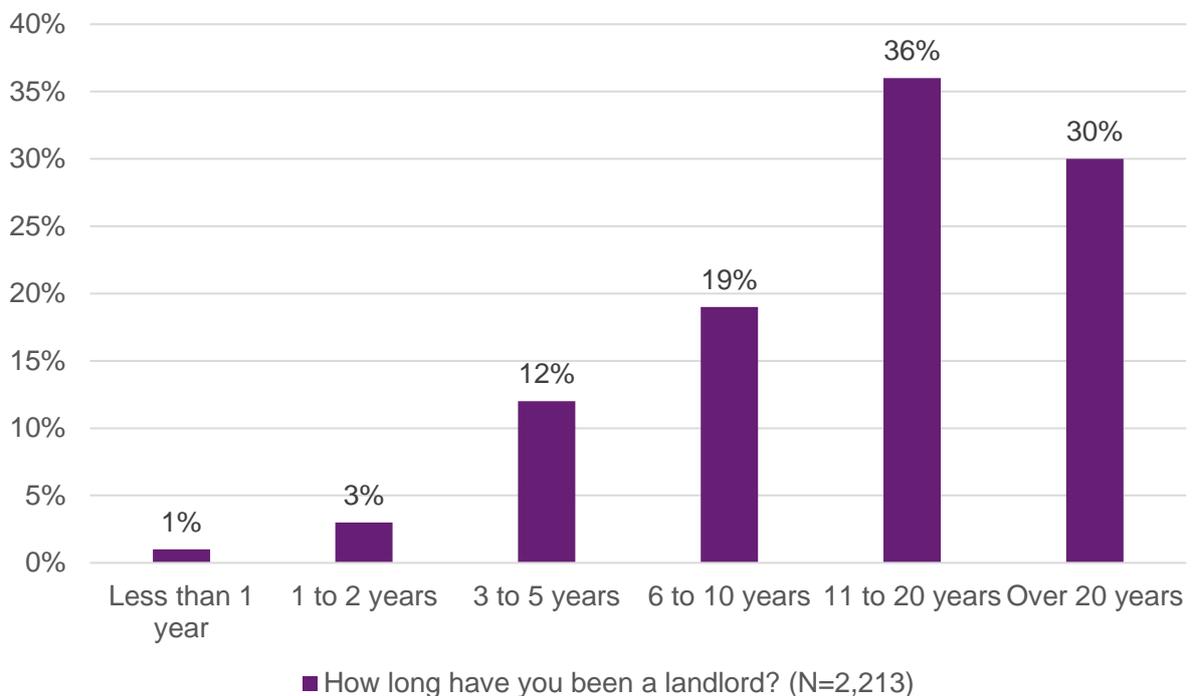
- The main reasons for becoming a landlord were through their own choice through either using savings, borrowings, or a mix of both (70% of respondents).
- Other reasons included moving home and deciding to let the previous home (10%), inheriting property (7%), or, inherited money and used to buy property (5%).

**Figure 5.3. The reported reasons on why the respondent became a landlord**



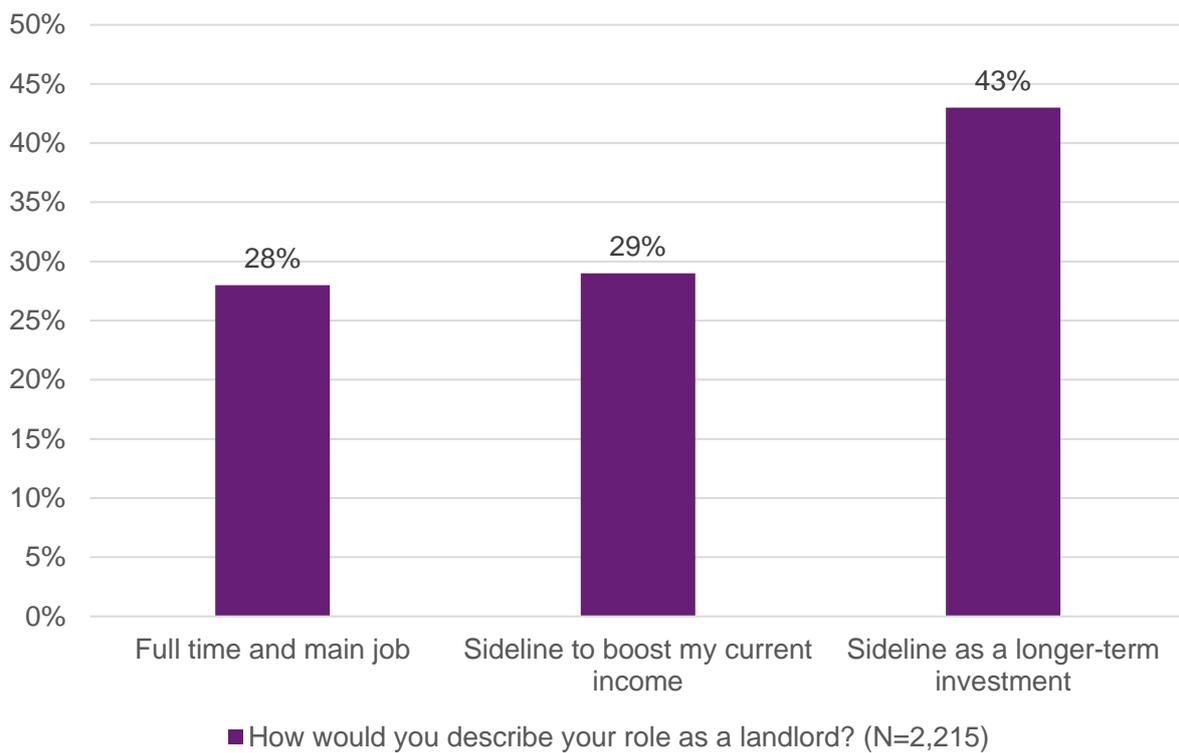
- Landlords were asked the type of reason for becoming a landlord, 86% reported that their decision was a proactive decision, and only 13% reported that they were an 'accidental landlord'.

**Figure 5.4. Length of time reported being a landlord**



- The majority of respondents identified as being established landlords and had been a landlord for a long period of time, with 66% reporting they had been landlords for 11 years or more.

**Figure 5.5. Respondents perceived role as a landlord**



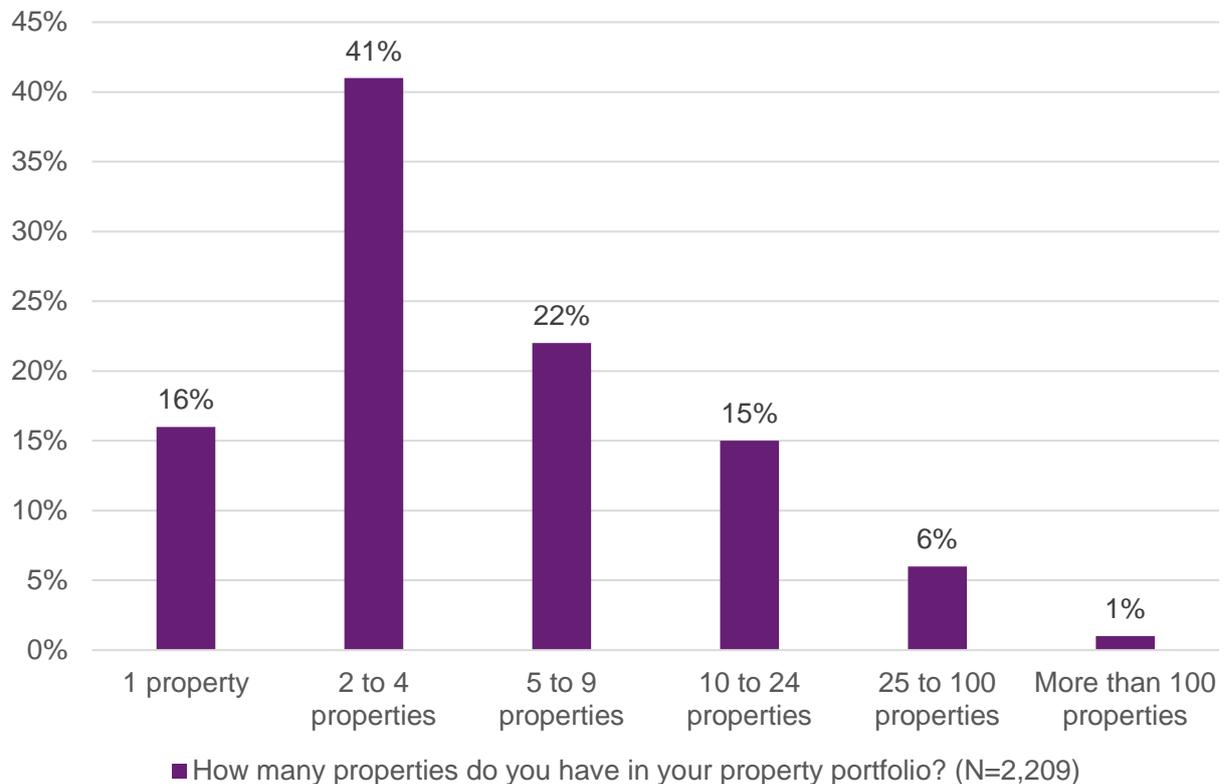
- The majority of landlords were not full-time landlords, with the majority (72%) reporting it as a 'side-line' to either boost income or as a longer-term investment.

### Key finding

The majority of respondents to this survey are well established as landlords, with 66% being a landlord for over 10 years. The majority of landlords made a proactive decision to invest in the sector, and the majority (72%) see this as a side-line to either boost income or as a longer-term investment.

This section of the report examines landlord property portfolios, including the size of portfolios, areas where respondents let, the type of markets that respondents are engaged with, and their gross monthly rental income.

**Figure 5.6. Number of properties in landlord portfolios**



- The majority of landlords sampled for this survey reported having 2 or more properties as part of their portfolio (85% of landlords).
- The largest group were those who had 2 to 4 properties in as part of their portfolio (41% of landlords)<sup>13</sup>.

### Key finding

The majority of respondents (84%) reported that they had 2 or more properties in their portfolio. With landlords with 2 to 4 properties being the largest group (41% of landlords).

<sup>13</sup> In comparison to the recently published English Private Landlord Survey 2018, the sample in this study appears to over-represent larger portfolio landlords and under-represent single property landlords. See: MHCLG. (2019). *English Private Landlord Survey 2018: Main Report*. London, UK: Ministry for Housing, Communities & Local Government. Retrieved from <https://www.gov.uk/government/publications/english-private-landlord-survey-2018-main-report>.

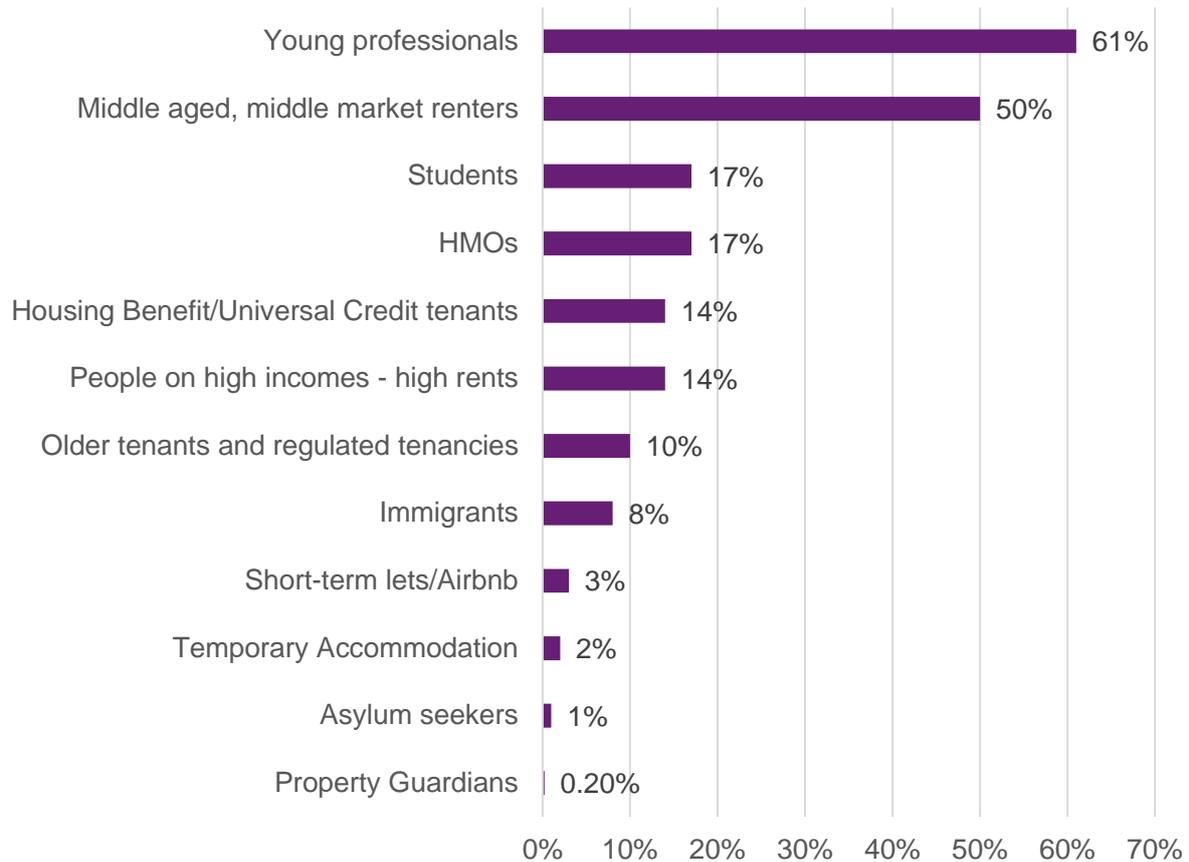
**Figure 5.7. Region where most of landlord properties are located**



- The RLA as an organisation focuses on England and Wales, and the responses reflect the cohort of the RLA.
- The South East, London, and the North West were particularly strong areas where landlords reported being the main region where they let properties.

Landlords were asked if they saw themselves as specialising in providing accommodation in a number of different private rented sector segments<sup>14</sup>.

**Figure 5.8. Landlord property/business specialisms and market segments (Multiple responses)**

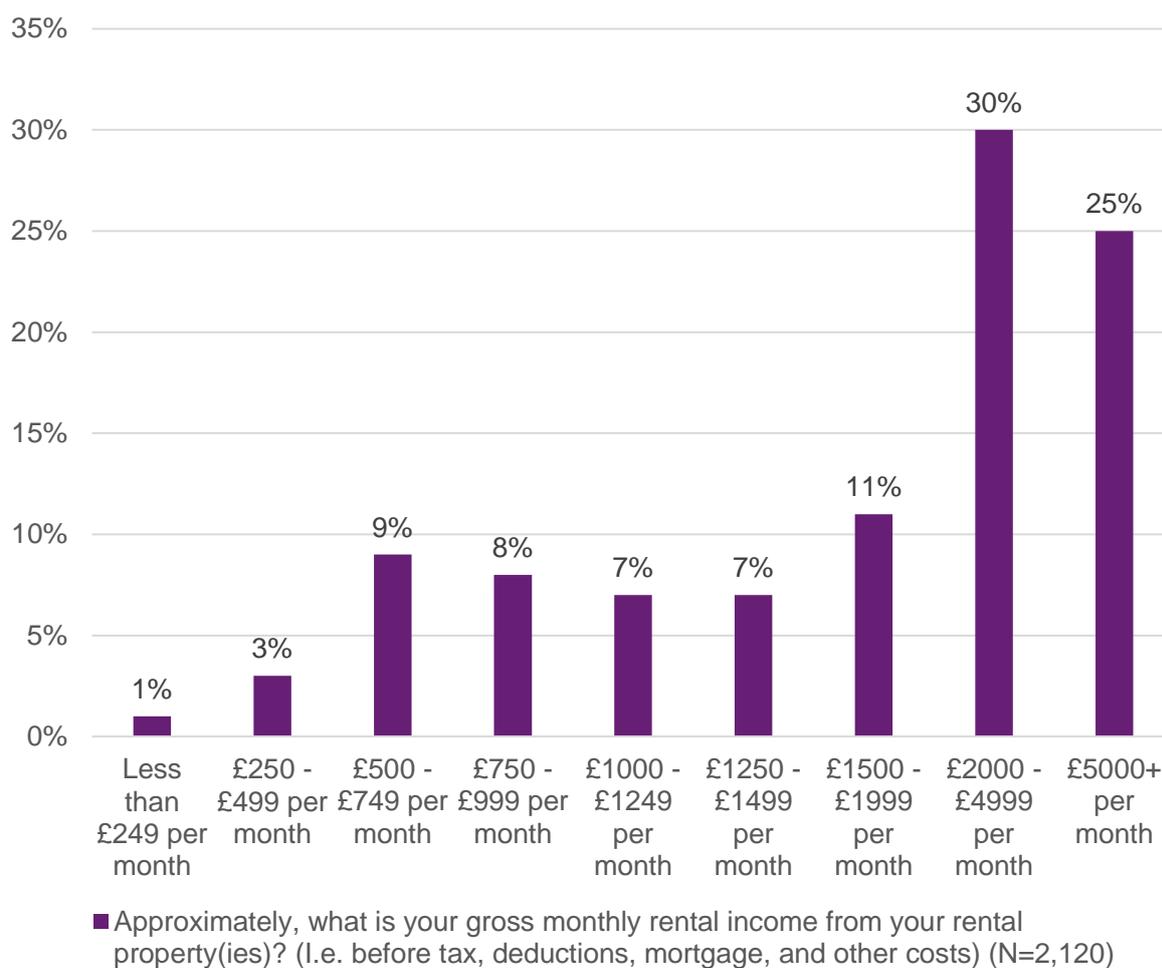


■ Would you describe yourself or your business as specialising in any of the following? (Please tick all that apply) (N=1,682)

- Two of the largest segments that landlords aligned themselves with were Young Professionals (61%) and Middle aged, middle market renters (50%).
- Other segments as landlord specialities were less represented in the sample.

<sup>14</sup> These response options were adapted from: Rugg, J., & Rhodes, D. (2018). *The Evolving Private Rented Sector: Its Contribution and potential*. York, UK: Centre for Housing Policy, University of York. Retrieved from <http://www.nationwidefoundation.org.uk/wp-content/uploads/2018/09/Private-Rented-Sector-report.pdf>

**Figure 5.9. Approximate gross monthly rental income for private landlords**



- Figure 5.9 above displays the approximate gross monthly rental income for landlords from their property portfolios.
- Over half of landlords (55%) reported that they received over £2000 per month in gross rental income, with 25% of landlords reporting they received over £5000 per month.
- Under half of landlords (45%) reported that they receive less than £2000 per month in gross rental income, with 21% of landlords reporting they receive less than £1000 per month.

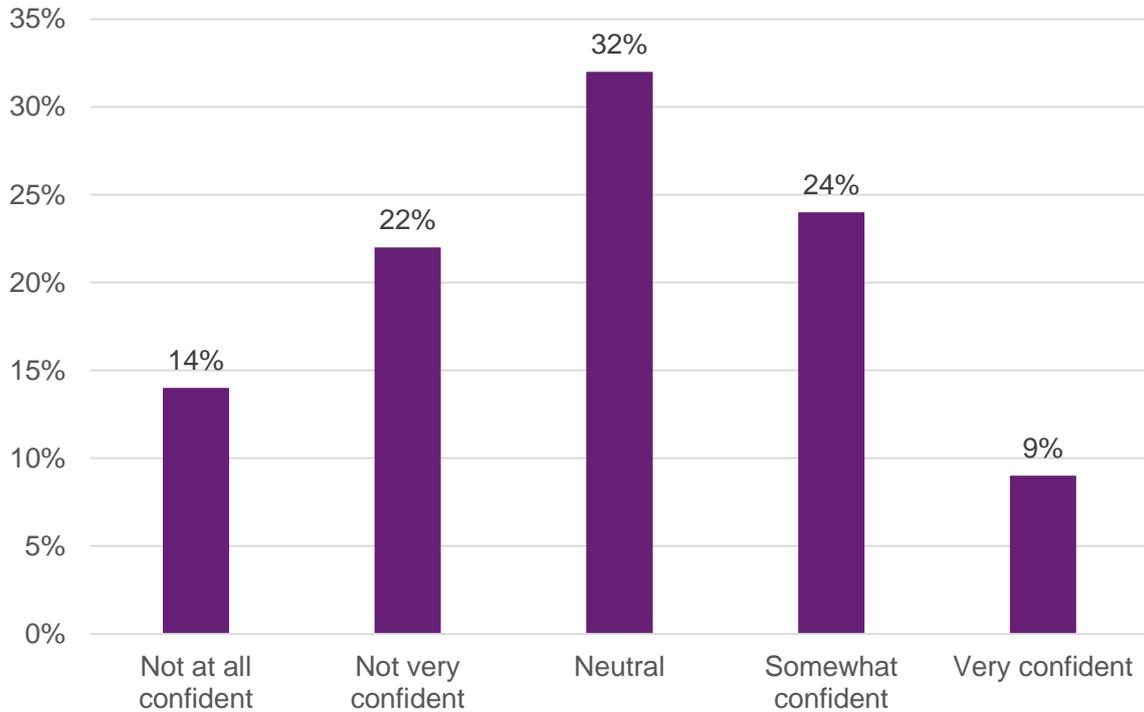
### Key finding

Under half of landlords (45%) reported that they receive less than £2000 per month in gross rental income, with 21% of landlords reporting they receive less than £1000 per month.

### 5.3 Landlord Confidence

This section of the chapter examines landlord reported confidence in the private rented sector.

**Figure 5.10. Landlord self-reported confidence in the private rented sector for the next 12 months**



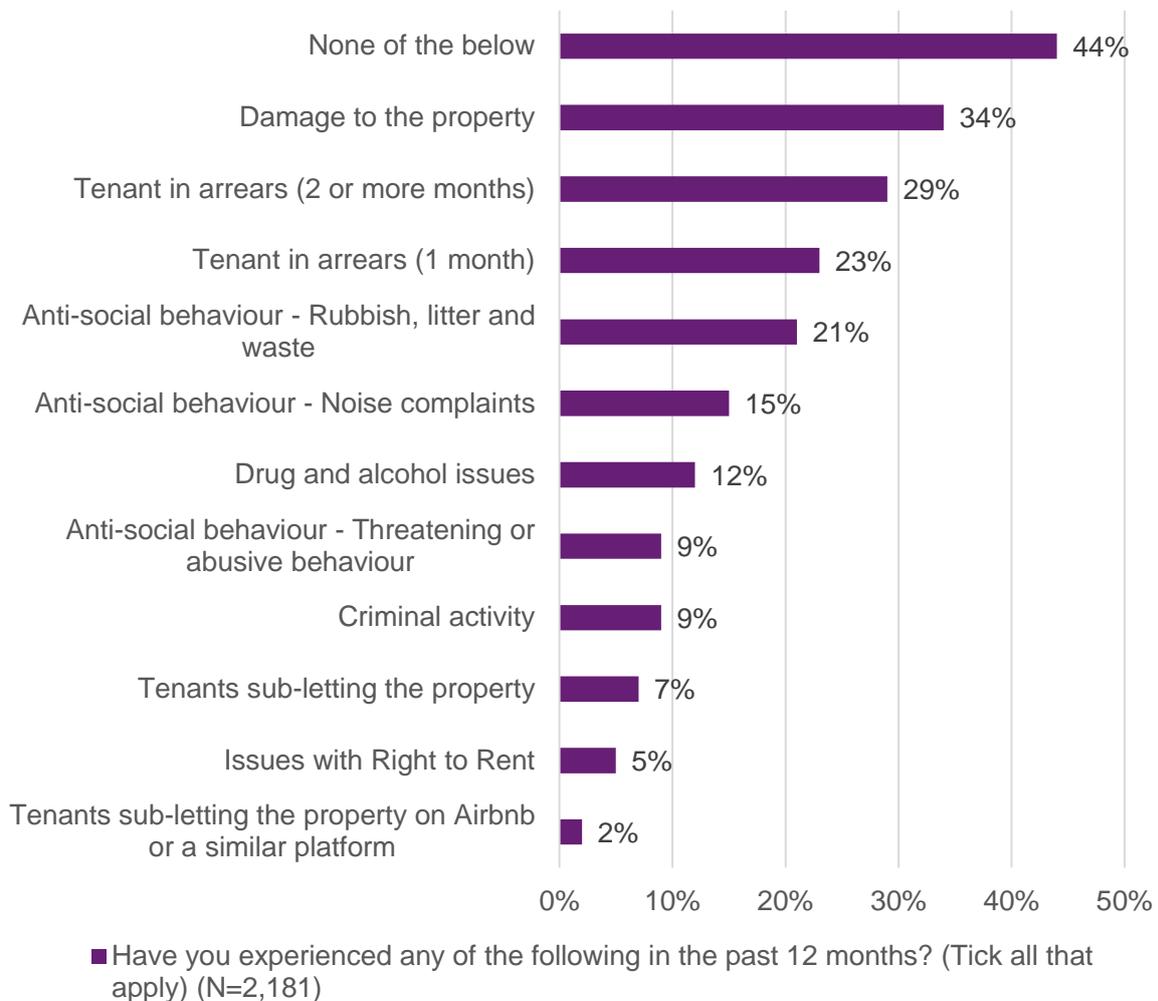
■ How would you describe your confidence in the private rented sector for the next 12 months? (N=2,226)

- More landlords reported that they were not confident (36%) in the private rented sector than those who reported they were confident in the sector (33%).

## 5.4 Tenancy Issues

This section of the chapter examines issues landlords reported they had with their tenant (regardless of type of tenant), the number of landlords regaining possession and the reasons for this.

**Figure 5.11. Landlord reported issues with tenants in the past 12 months (Multiple responses)**



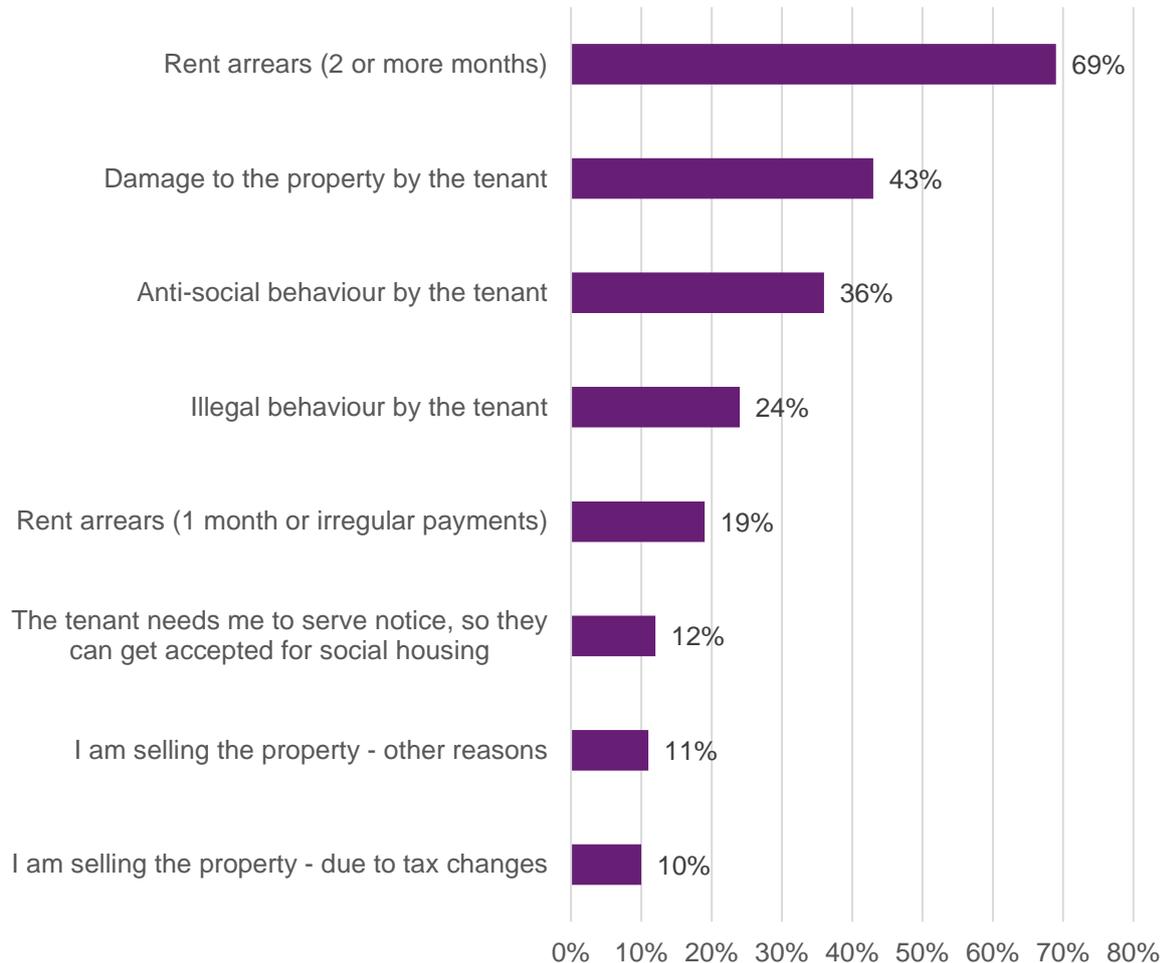
- Forty-four percent of landlords reported they had not experienced any issues.
- However, the main issues reported by landlords were damage to the property (34%), rent arrears (2 or more months) (29%), and tenant in arrears (1 month) (23%).
- Less frequently reported issues included tenants sub-letting on Airbnb or similar platform (2%), or issues around right-to-rent (5% of landlords).

Landlords were asked if they had needed to regain possession of a property from a tenant in the past 12 months.

- A majority of landlords (76%) reported they had not regained possession of a property from a tenant, while 25% reported they had (N=2,229).

Those landlords that reported they had needed to regain possession were asked the reasons for this and the route to regaining possession taken.

**Figure 5.12. Landlord self-reported reasons behind the need to regain possession (Multiple responses)<sup>15</sup>**



■ If you have needed to regain possession of a property in the past 12 months, what were the reasons for this? (Please select all that apply) (N=532)

- Of those landlords who had sought to regain possession of their property in the past 12 months, the majority (69% of landlords) reported that rent arrears (2 or more months) was the most likely reason for doing so.
- Tenants damaging the property (43% of landlords) and anti-social behaviour (36%) were other common factors.
- Twelve percent of landlords reported they were asked to serve notice by their tenant so that their tenant could get accepted for social housing. This illustrates the difficult situation low-income households are experiencing in securing housing in the social rented sector.

<sup>15</sup> Whilst not shown in the above figure due to low response rates, other responses included: I wanted to make substantial renovations to the property (7%); I wanted to increase the rent and the tenants refused to pay a higher rate (2%); I wanted to increase the rent and the tenant couldn't afford a higher rent due to the benefit freeze (2%); The tenant asked me to make repairs (1%); and; I am moving the property onto the short-term rental market such as Airbnb (0.4%).

### Key finding

Of the 25% of landlords who reported they had needed to regain possession of their property in the past 12 months, the main reasons for doing so were:

- 1) Rent arrears (2 or more months) (69% of this group of landlords)
- 2) Damage to the property (43%)
- 3) Anti-social behaviour by the tenant (36%)

Twelve percent of landlords reported they were asked to serve notice by their tenant so that their tenant could get accepted for social housing. This illustrates the difficult situation low-income households are experiencing in securing housing in the social rented sector. This needs to be considered in light of the proposed reforms to how landlords can regain possession of their properties.

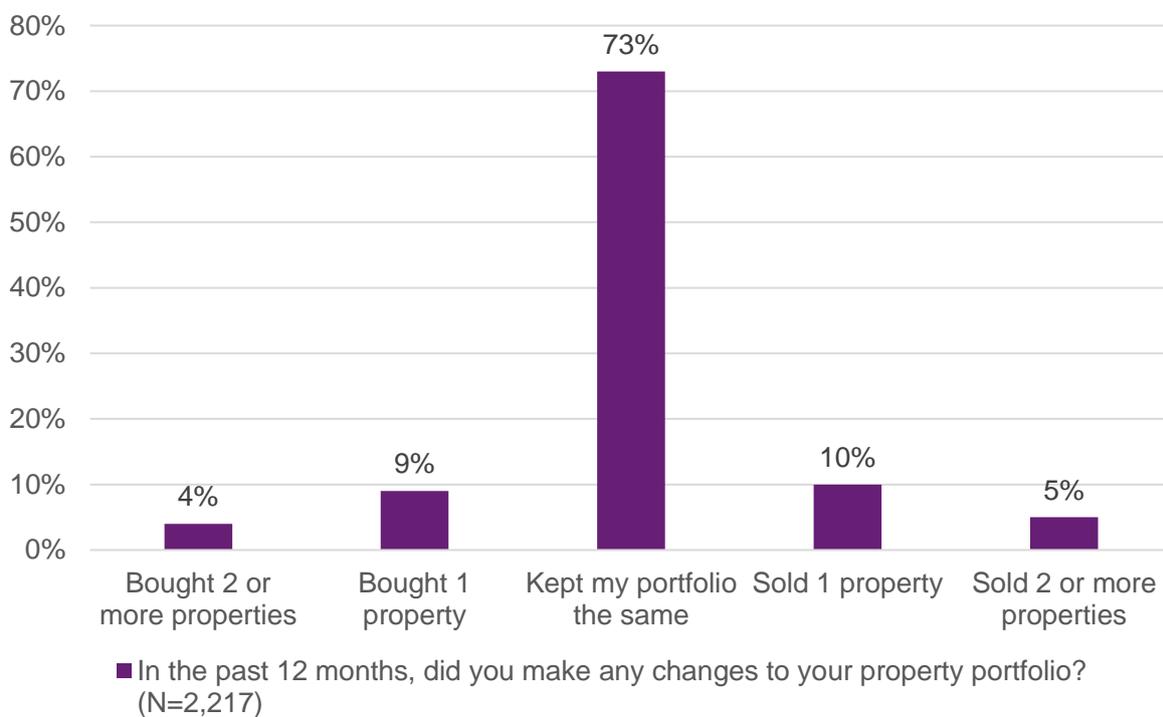
## 5.5 Portfolio Management

This final section of the report examines aspects of the management of landlord property portfolios, including:

- Changes and planned changes to portfolios, and the reasons for planning to make changes;
- Rent setting behaviours by landlords and planned approaches to rents over the next 12 months; and
- Void periods and landlord reported tenant demand for properties.

### 5.5.1 Changes and planned changes to portfolios

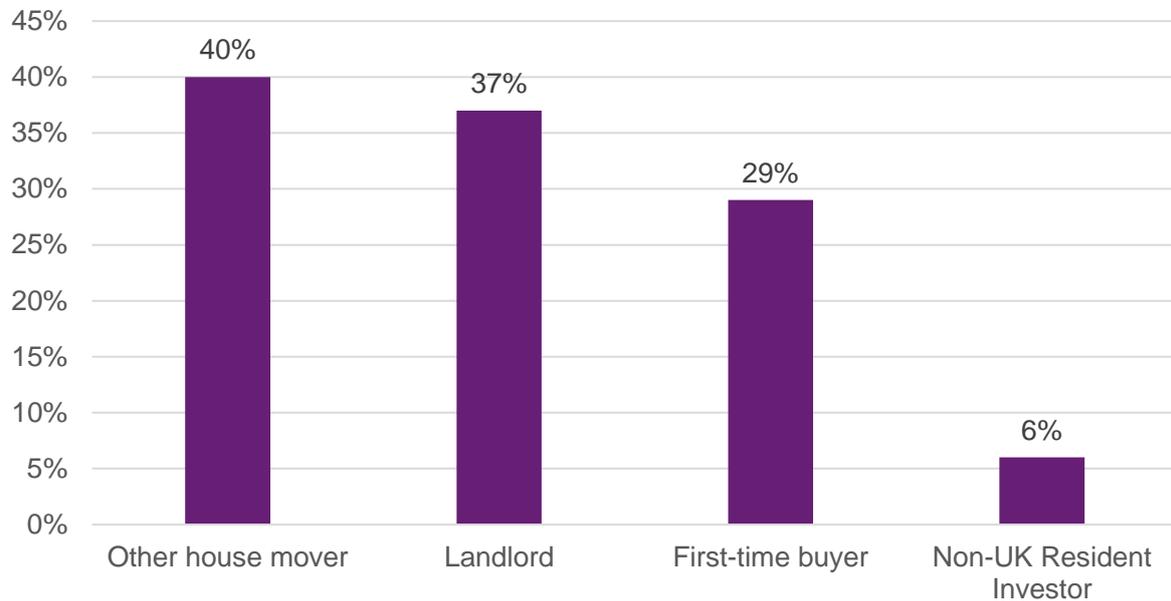
**Figure 5.14. Changes made to landlord portfolios in the past 12 months**



- The majority of landlords reported that in the past 12 months they did not make any changes to their portfolio (73%).
- With slightly more landlords reporting they had sold properties in the past 12 months (15%) in comparison to those who reported buying properties (13%).

Figure 5.15 below illustrates of those landlords who sold, who these landlords had sold properties to.

**Figure 5.15. Who landlords have sold properties to in the past 12 months (Multiple responses)**



■ If you have sold properties in the past 12 months, who did you sell the properties to? (Select all that apply) (N=317)

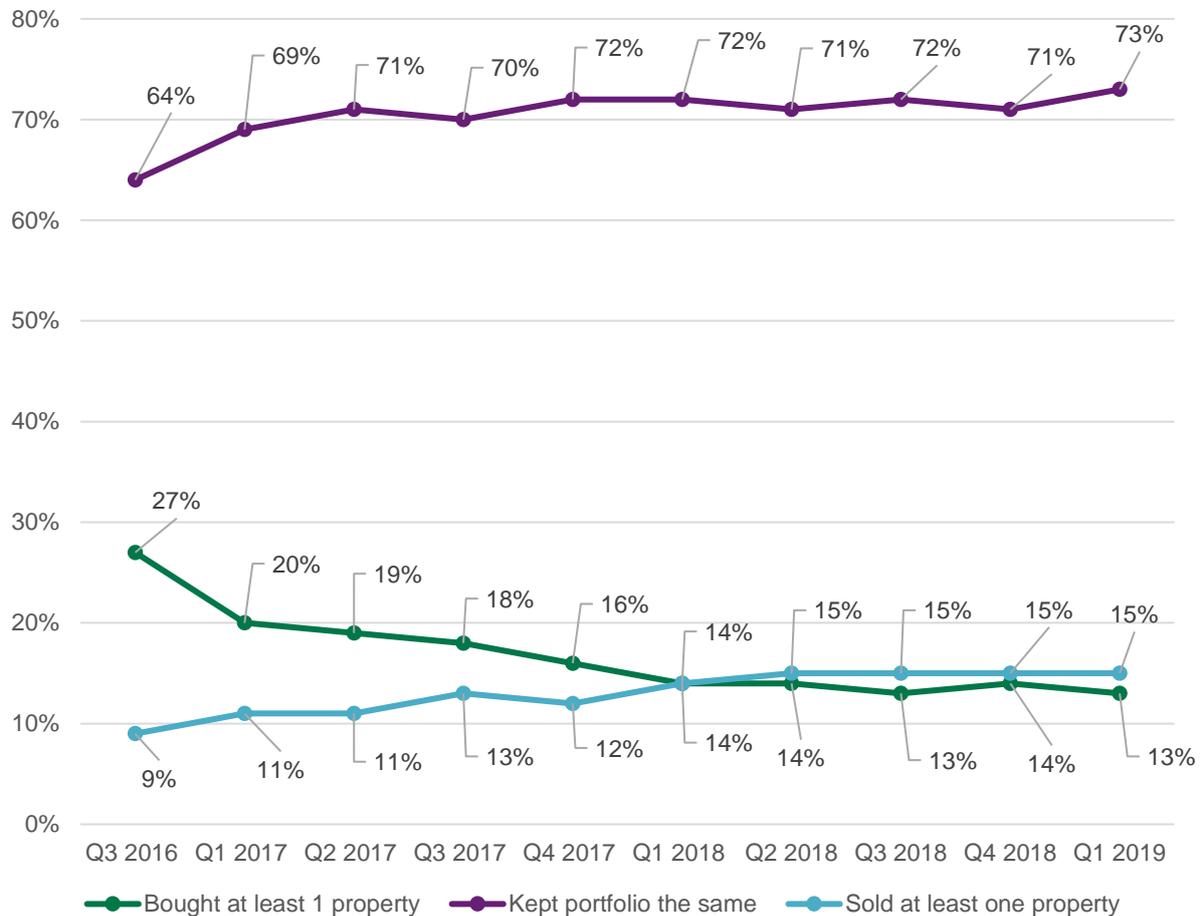
- The findings indicate that the majority of landlords have sold their properties to the owner-occupier sector (69% of landlords), with 37% of landlords reporting they had sold to other landlords.
- Only a minority of landlords (6%) reported they had sold their properties to Non-UK Resident Investors.

### Key finding

The majority of landlords who had sold properties in the past 12 months reported their property moved into the owner-occupier tenure (69%), however, 37% of landlords reported they had sold to other landlords. This indicates that a proportion of properties being sold are potentially remaining in the private rented sector.

These findings were then compared over time in comparison to the previous RLA quarterly surveys<sup>16</sup>.

**Figure 5.16. Quarterly reported changes to landlords' portfolios**



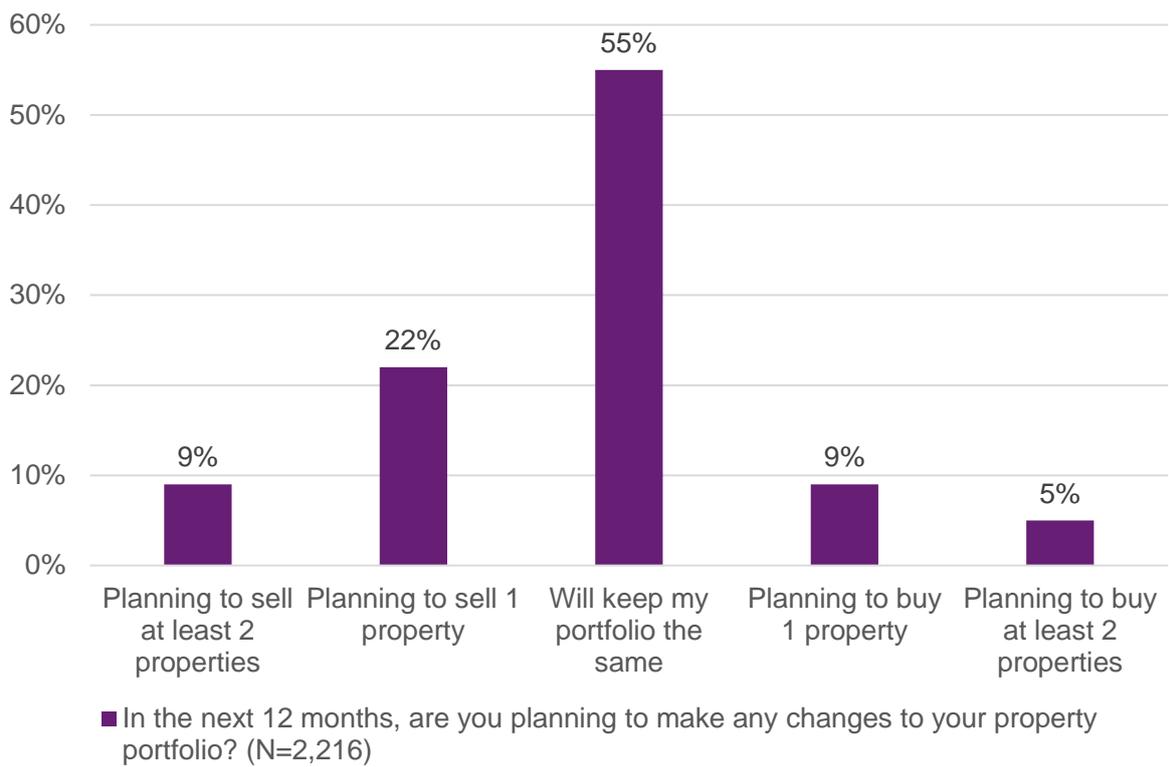
- The proportion of landlords that have bought properties has declined from 27% in Q3 2016 to 13% in Q1 2019.
- At the same time, the proportion of landlords that have kept their portfolio the same has remained relatively consistent over the past two years fluctuating between 69% to 73% of landlords.

### Key finding

While the proportion of landlords who have kept their portfolio the same has remained relatively consistent over the past 12 months, since Q2 2018 more landlords have sold properties than landlords have bought properties.

<sup>16</sup> For Q3 2016 to Q1 2018 see: Simcock, T. (2017). *Welfare Reform and Universal Credit: The impact on the private rented sector*. Manchester, UK: Residential Landlords Association. Retrieved from <https://research.rla.org.uk/wp-content/uploads/Welfare-Reform-and-Universal-Credit-The-impact-on-the-private-rented-sector-2017.pdf>. For Q2 2018 & Q3 2018 See: Simcock, T. (2018c). *The Landlord Perspective: Evidence from the RLA*. Presentation at the LSE Seminar on longer term tenancies and rent stabilization, 13 December 2018, cited in Williams, P. (2019). Private Housing. In M. Stephens, J. Perry, P. Williams, & G. Young (Eds.), *UK Housing Review* (pp. 50-54): Chartered Institute of Housing. In Q4 2016, data was not collected on landlord portfolio decision making. Q4 2018 data provided by the RLA directly.

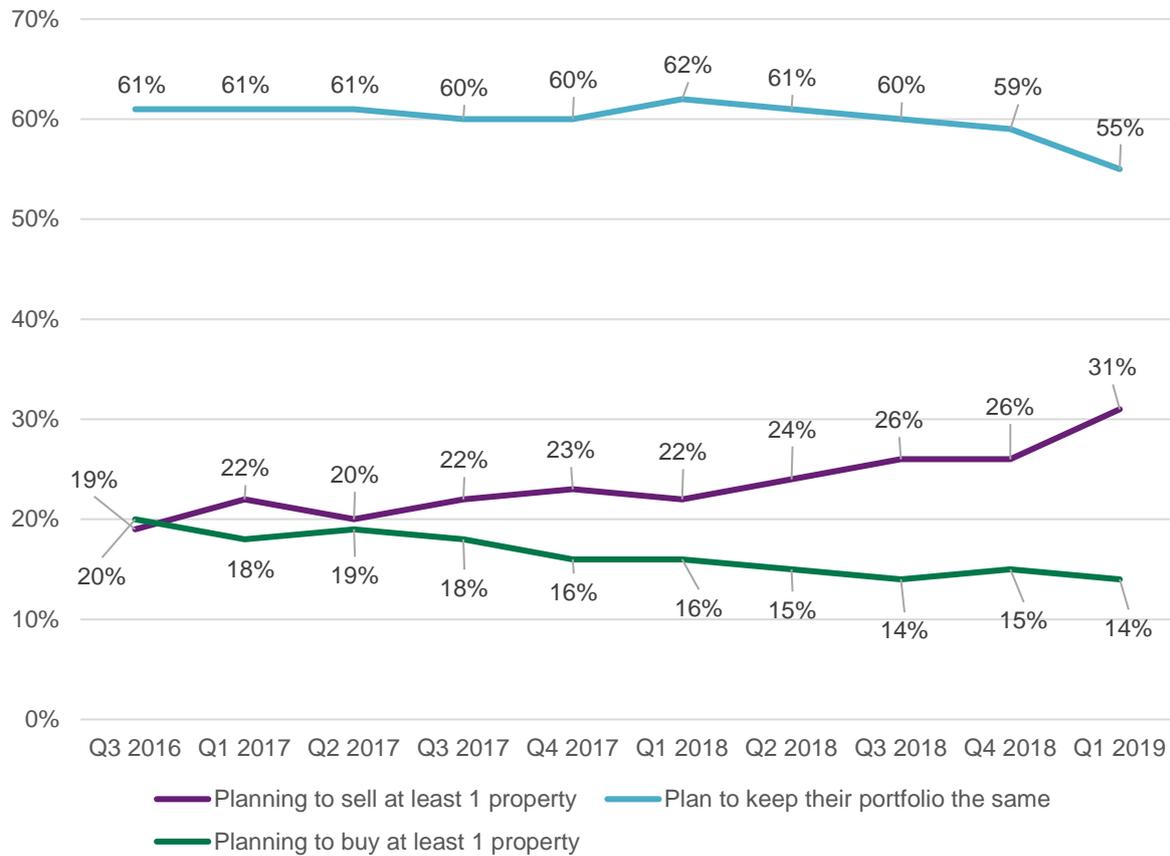
**Figure 5.17. Planned changes to portfolios by landlords in the next 12 months**



- The majority of landlords (55%) reported that they planned to keep their portfolio the same over the next 12 months.
- But more landlords (31%) reported that they would sell properties in comparison to those that would add to their portfolio (14%).

Figure 5.18 below provides a comparison of the proportion of landlords who have said they would make changes or keep their portfolio the same in the next 12 months across with the findings of previous quarterly surveys conducted for the RLA.

**Figure 5.18. Annual comparison of planned changes to portfolios by landlords**



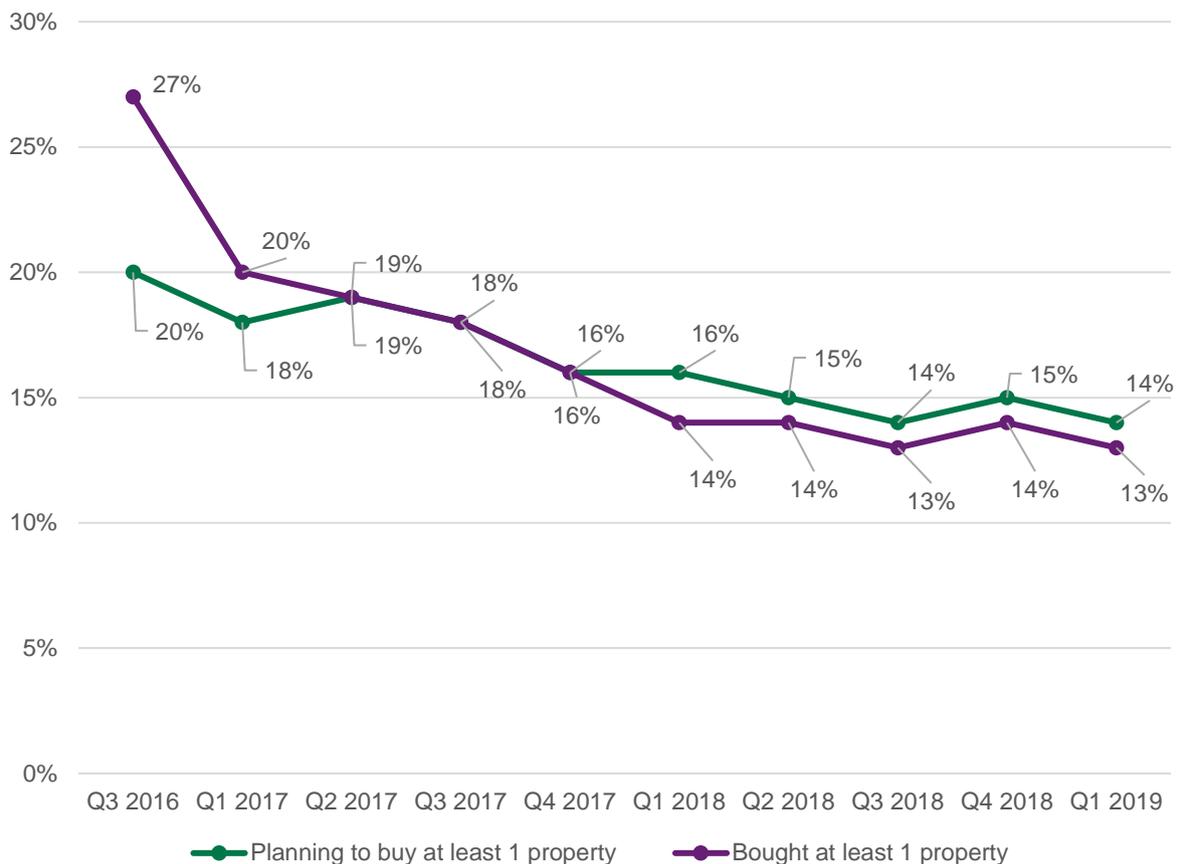
- The findings illustrate that the proportion of landlords who plan to sell properties at 31% of landlords is at the highest level since this data was started to be collected.

### Key finding

The proportion of landlords who plan to sell properties has continued to increase since Q1 2018, this proportion is now at its highest level with 31% of landlords reporting they plan to sell at least one property in the next 12 months. This is more than twice the number of landlords who are planning to buy properties in the next 12 months (14%).

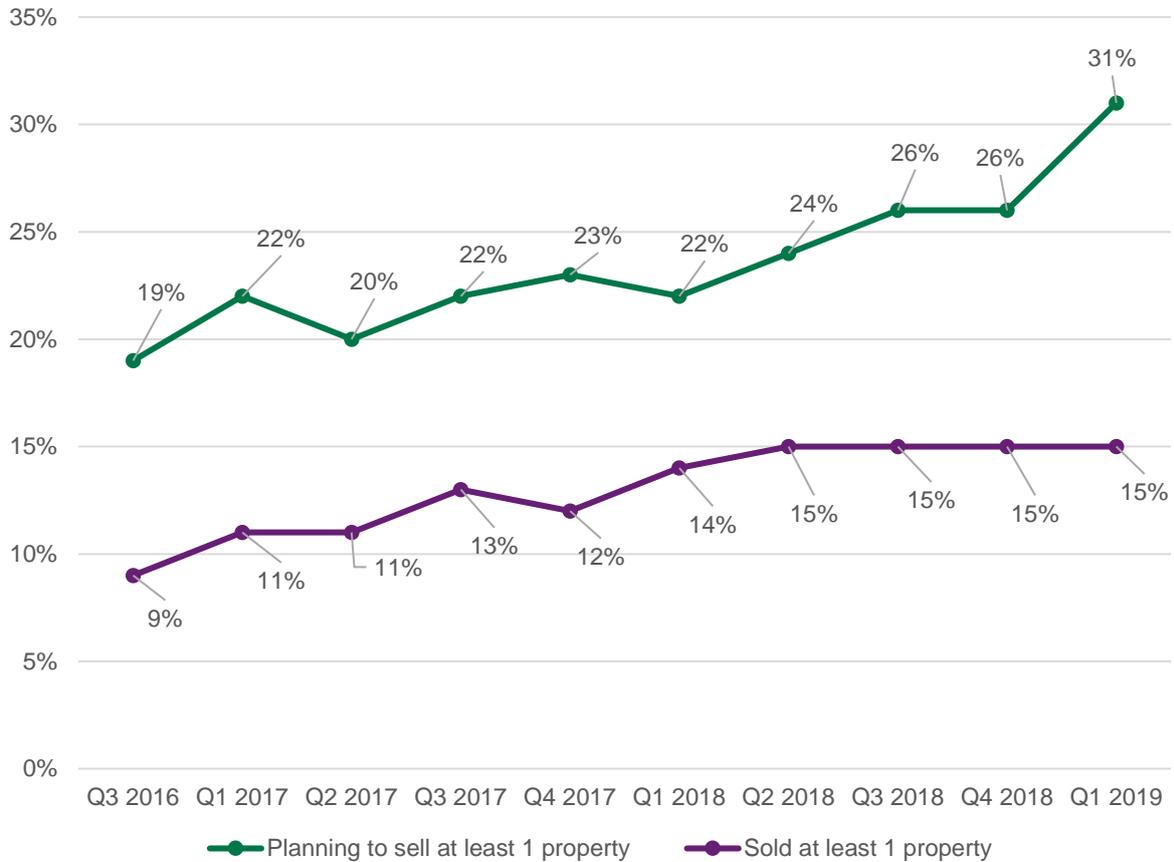
Over the next two pages, we compare landlord buying/selling behaviour and landlord planning to buy/sell behaviour by quarter. A further analysis then identifies the median difference between the proportion of landlords who reported they planned to buy/sell property in comparison to the proportion of landlords who reported they had bought/sold property 12 months later.

**Figure 5.19. Comparison of landlord buying behaviour with landlord planning to buy behaviour by quarter**



- In Q3 2016, 20% reported that they were looking to buy, and a year later in Q3 2017 18% of landlords had reported buying property.
- And in Q1 2018 16% reported they planned to buy and one year later in Q1 2019 13% reported they had bought property.
- An additional comparison identified a median difference of four percentage points between planned buying behaviour proportions and reported buying behaviour one year later.

**Figure 5.20. Comparison of landlord selling behaviour with landlord planning to sell behaviour by quarter**



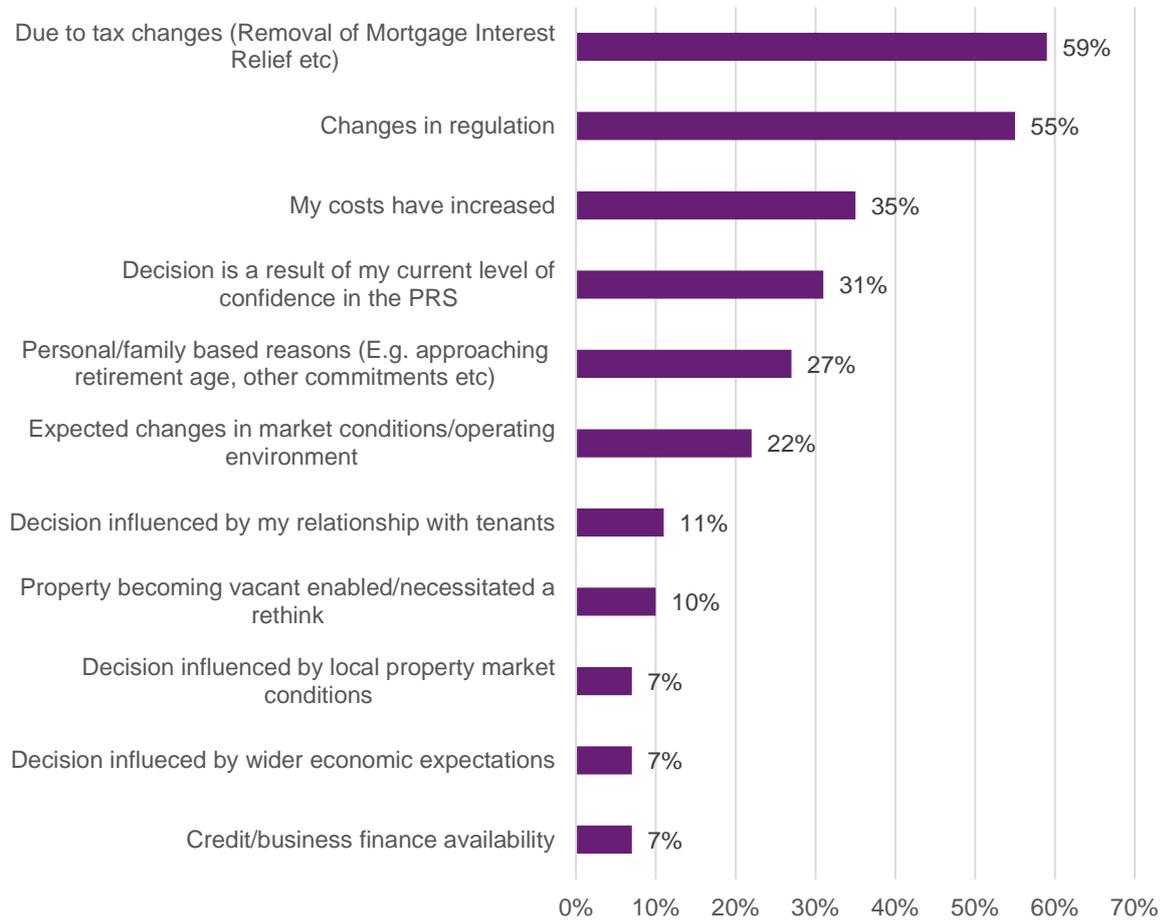
- In Q1 2017 22% reported planning to sell property, while in Q1 2018 only 14% reported they had sold property.
- In Q1 2018, 22% of landlords reported they plan to sell property, while in Q1 2019 only 15% of landlords reported they had sold at least one property.
- An additional analysis identified a median difference of seven percentage points between the proportion of landlords planned selling behaviour and reported selling behaviour one year later.

### Key finding

There is closer synergy between planned buying behaviour and reported buying behaviour one year later, than between planned selling behaviour and reported selling behaviour one year later. Additional analysis identified a median difference of four percentage points for buying behaviour but seven percentage points for selling behaviour.

Those landlords (31%) who reported they had planned to sell at least one property in the next 12 months were asked for the reasons behind this.

**Figure 5.21. The main reported reasons behind landlords planning to sell properties in the next 12 months (Multiple responses)<sup>17</sup>**



■ What are the main reasons behind your decisions to make changes to your portfolio in the next 12 months? (Select all that apply) (N=682)

- The two main factors reported by landlords to be influential in their decision to sell in the next 12 months were tax changes (59%) and changes in regulation (55%).
- Other notable factors include increasing costs (35%), current level of confidence in the PRS (31%), and personal/family-based reasons (27%).

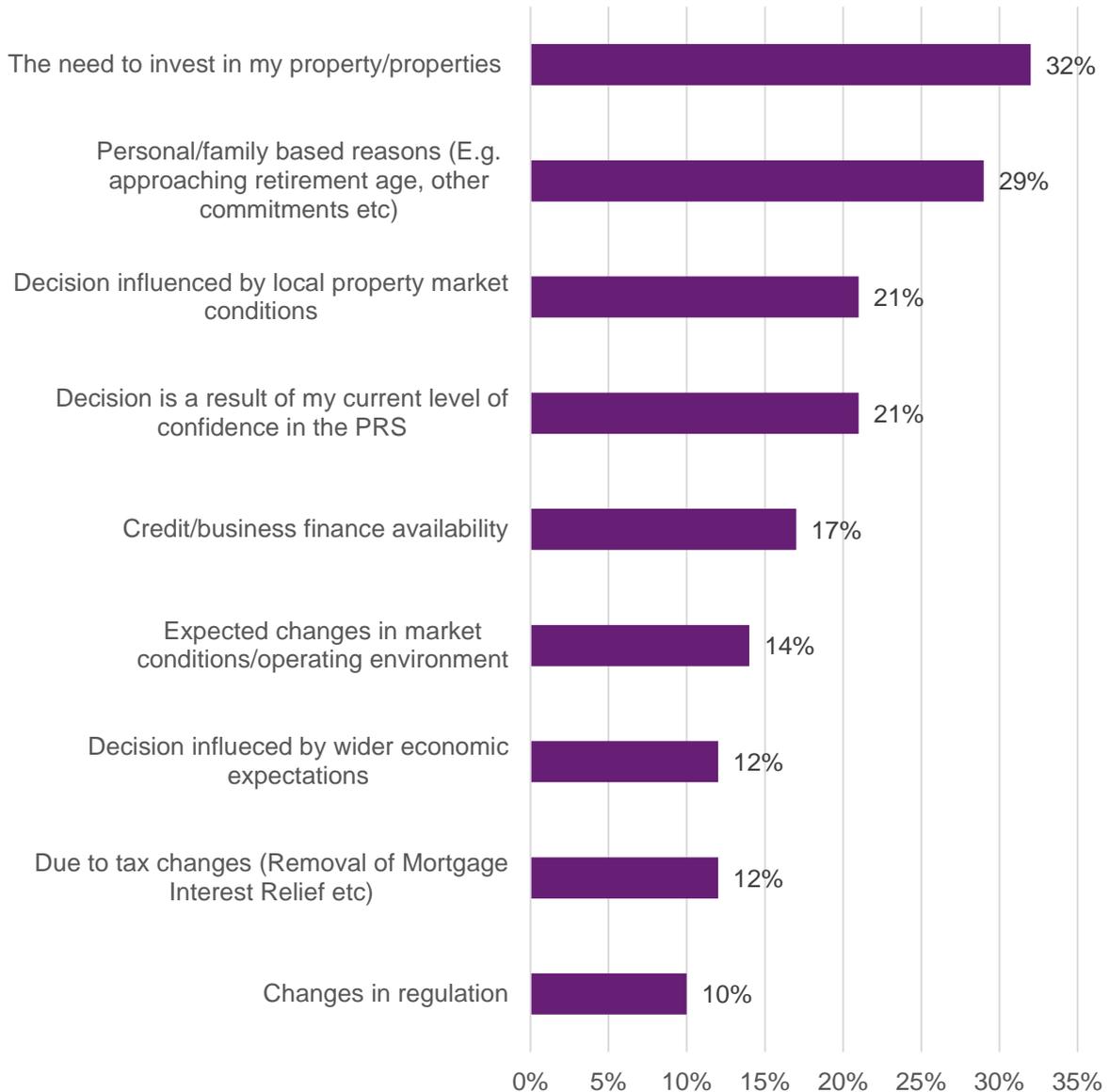
**Key finding**

Less than a third of landlords (31%) reported they were planning to sell properties in the next 12 months. Of these landlords, the main reported reasons behind this decision were tax changes (59%) and changes in regulation (55%).

<sup>17</sup> Whilst not shown in the above figure due to low response rates, other responses included: The need to invest in my properties (3%); External advice to make changes (2%); and; There is no reason to make changes (1%).

Those landlords (14%) who reported they were planning to buy at least one property in the next 12 months were then asked for the main reasons behind this decision.

**Figure 5.22. The main reported reasons behind landlords planning to buy properties in the next 12 months (Multiple responses)<sup>18</sup>**



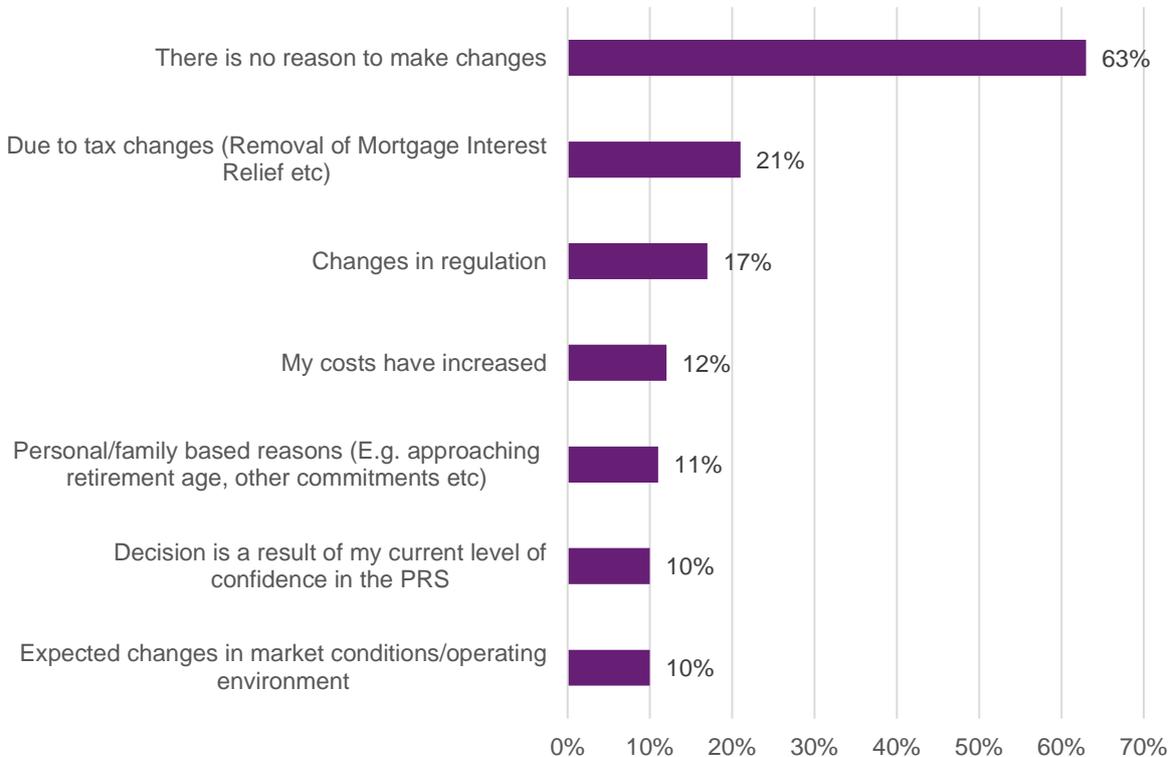
■ What are the main reasons behind your decision to make changes to your portfolio in the next 12 months? (Select all that apply) (N=303)

- In relation to the main reasons why landlords were planning on buying properties, personal/family reasons (29%) and the need to invest in their properties (32%) were key factors.

<sup>18</sup> Whilst not shown in the above figure due to low response rates, other responses included: My costs have increased (8%); There is no reason to make changes (7%); Decision influenced by my relationship with tenants (6%); External advice to make changes (4%); and, Property becoming vacant enabled/necessitated a rethink (3%).

Those landlords (55%) who reported they were planning to keep their portfolio the same in the next 12 months were asked for the main reasons behind this decision.

**Figure 5.23. The main reported reasons behind landlords planning to keep their portfolio the same (Multiple responses)<sup>19</sup>**



■ What are the main reasons behind your decisions to make changes to your portfolio in the next 12 months? (Select all that apply) (N=1,085)

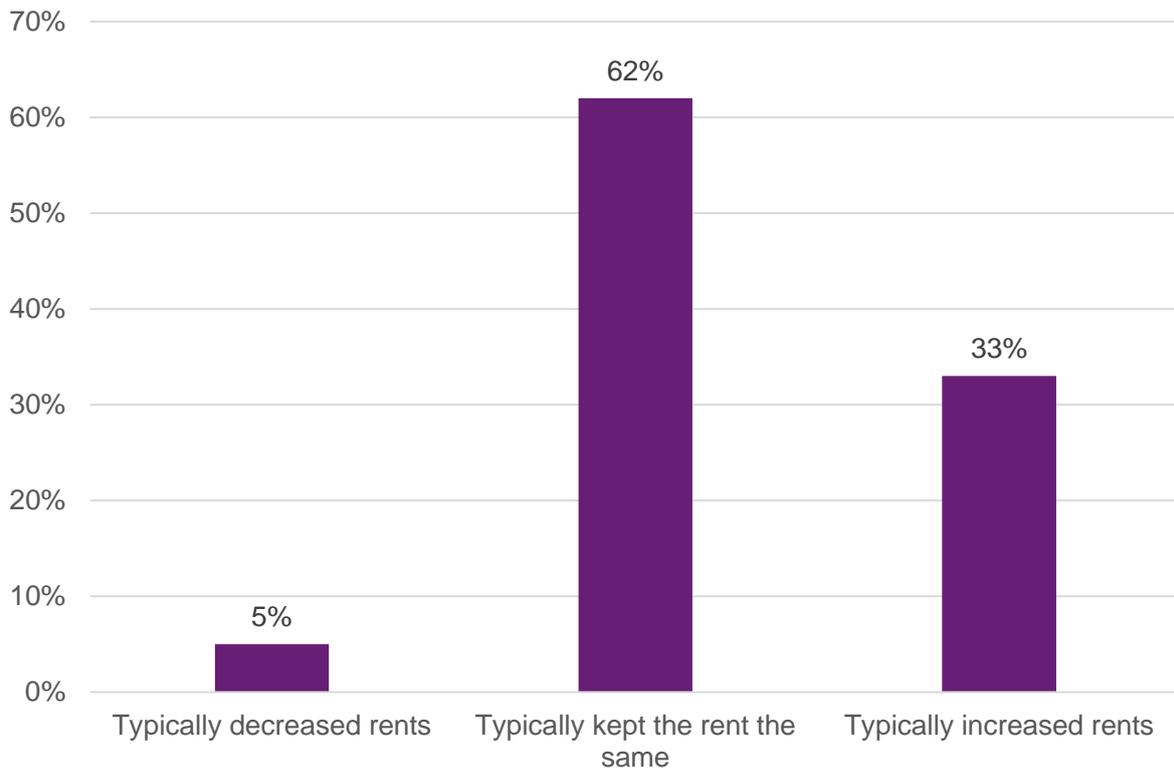
- The majority of landlords reported that they were planning to keep their portfolio the same as there was no reason to make changes (63%).
- Just over one-in-five landlords (21%) reported that they were not planning on making changes to their portfolio due to the tax changes. This indicates the additional 3% levy on stamp duty may have dissuaded some landlords from further investing in property and expanding their portfolios.

<sup>19</sup> Whilst not shown in the above figure due to low response rates, other responses included: Decision influenced by wider economic expectations (7%); Decision influenced by local property market conditions (5%); Credit/business finance availability (5%); The need to invest in my property/properties (4%); Decision influenced by my relationship with tenants (4%); Property becoming vacant enabled/necessitated a rethink (3%); and; External advice to make changes (1%).

### 5.5.2 Approach to setting rents

This section of this chapter examines landlords reported approach to the rents across their portfolio in the past 12 months and for the next 12 months, with the reasons behind these changes.

**Figure 5.24. Landlord approach to the rents they charge over the past 12 months**

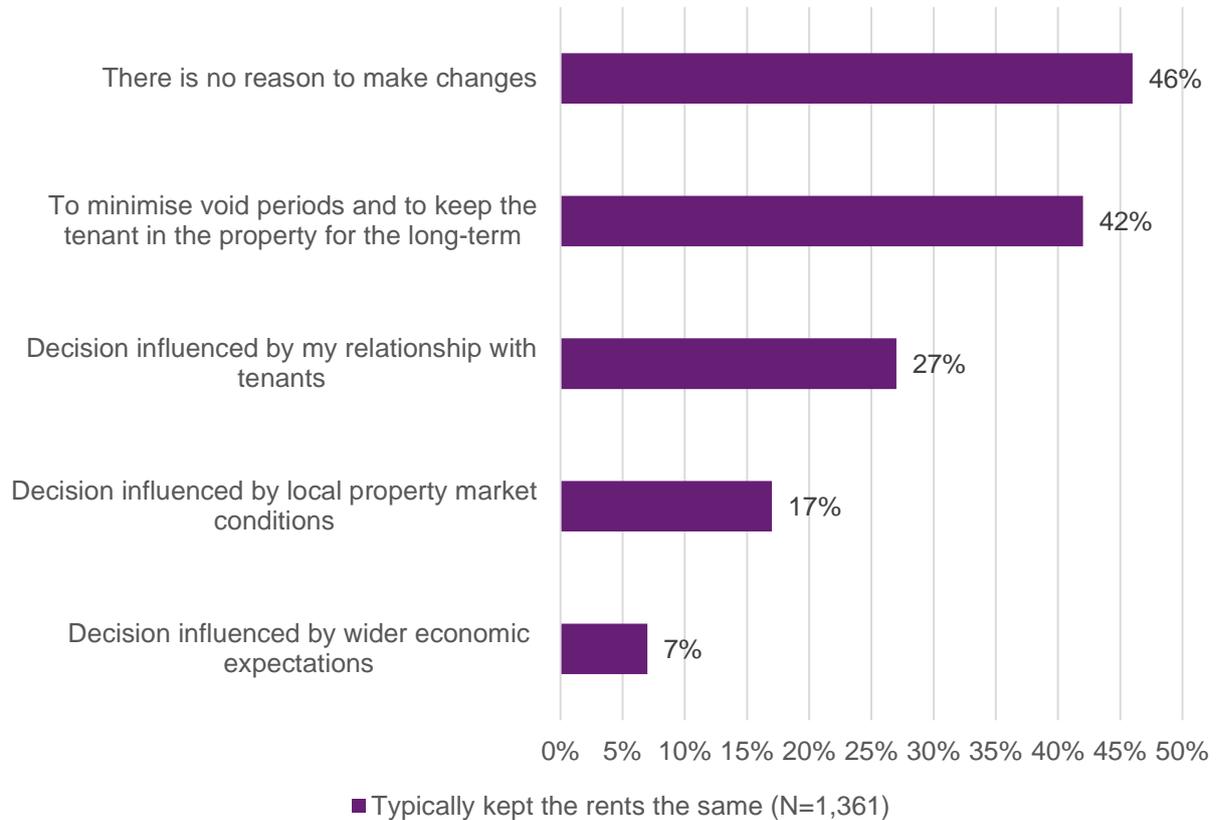


■ What has your approach to rents over the last 12 months typically been? (N=2,226)

- The majority of landlords reported that they typically had kept the rent the same over the past 12 months (62%).
- Around a third of landlords (33%) reported they had typically increased the rent.

Those landlords (62%) who had reported they had typically kept the rent the same over the past 12 months were asked for the reasons why.

**Figure 5.25. Reasons why landlords typically had kept the rents the same over the past 12 months (Multiple responses)<sup>20</sup>**



- The most commonly reported reason for why landlords had typically kept the rent the same over the past 12 months was because there was no reason to make any changes (46%).
- This was followed by landlords reporting this was to minimise void periods and to keep their tenant in the property for the long-term (42%).

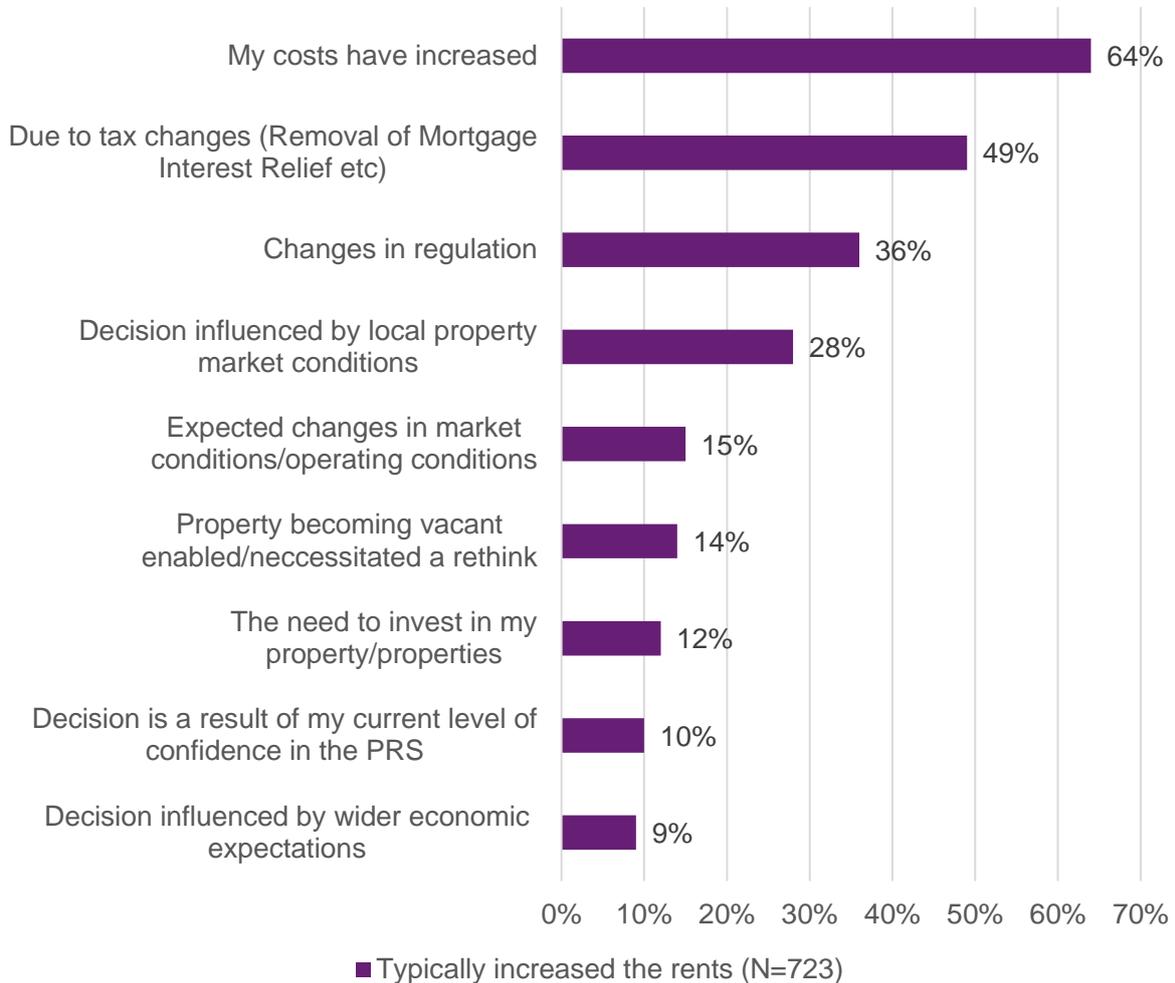
### Key finding

The majority of landlords had kept the rent the same over the past 12 months (62%), with the main reasons for doing so being no reason to make changes (46%) and to minimise void periods and keep their tenant in the property for the long-term (42%).

<sup>20</sup> Whilst not shown in the above figure due to low response rates, other responses included: Decision is influenced by my current level of confidence in the PRS (5%); Property becoming vacant enabled/necessitated a rethink (3%); My costs have increased (3%); Due to tax changes (Removal of Mortgage Interest Relief etc) (3%); Expected changes in market conditions/operating conditions (3%); Personal/family based reasons (E.g. approaching retirement age, other commitments etc) (2%); Changes in regulation (2%); The need to invest in my property/properties (1%); External advice to make changes (1%); Credit/business finance availability (0.3%).

Those landlords (33%) who had reported they had typically increased the rent over the past 12 months were asked for the reasons why.

**Figure 5.26. Reasons why landlords typically increased the rents over the past 12 months (Multiple responses)<sup>21</sup>**

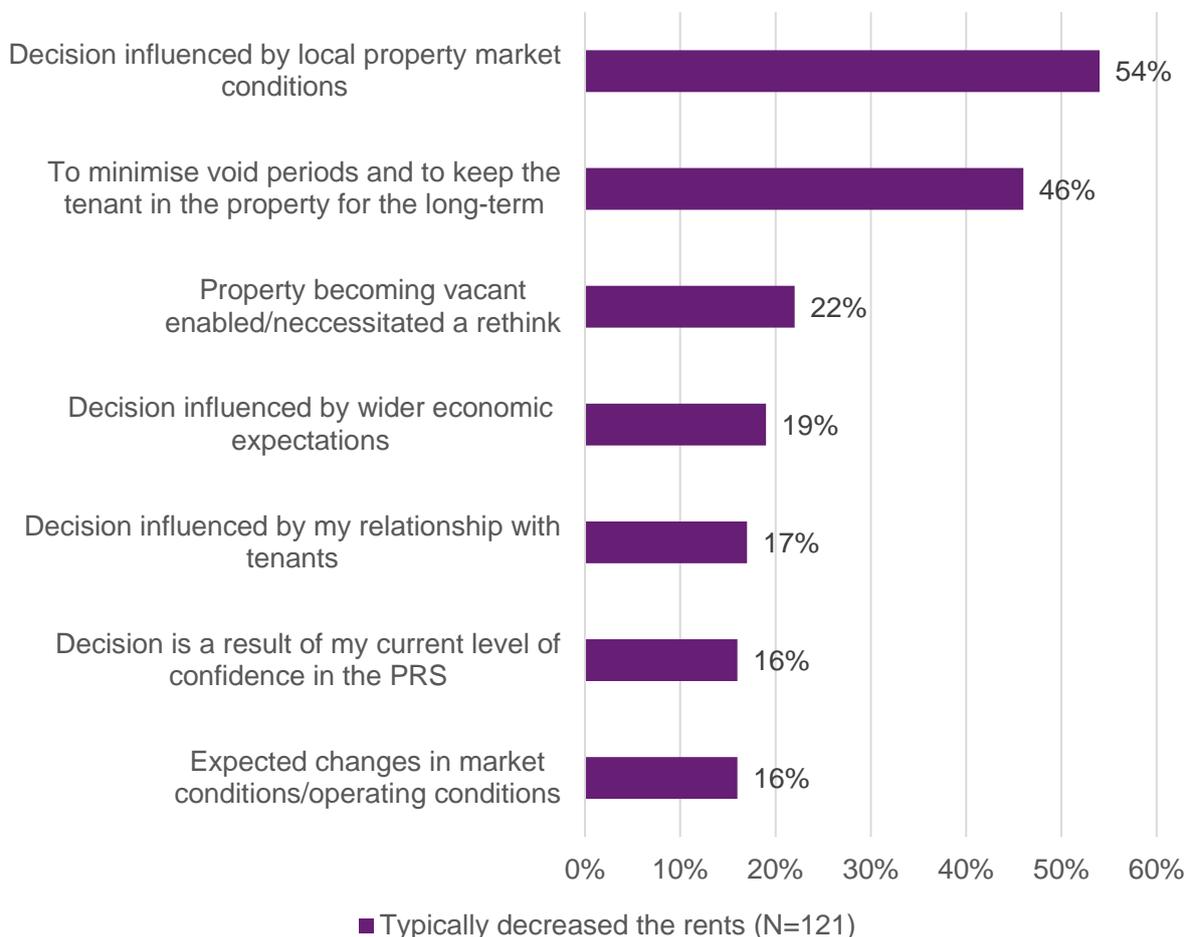


- The main reported reason why landlords had typically increased the rents over the past 12 months was due to increasing costs (64%).
- This was followed by landlords citing the tax changes as a factor (49%), and then changes in regulation (36%).

<sup>21</sup> Whilst not shown in the above figure due to low response rates, other responses included: External advice to make changes (5%); Credit/ business finance availability (3%); To minimise void periods and to keep the tenant in the property for the long-term (2%); Personal/family based reasons (E.g. approaching retirement age, other commitments etc) (1%); and, there is no reason to make changes (1%).

Those landlords (5%) who had reported they had typically decreased the rent over the past 12 months were asked for the reasons why.

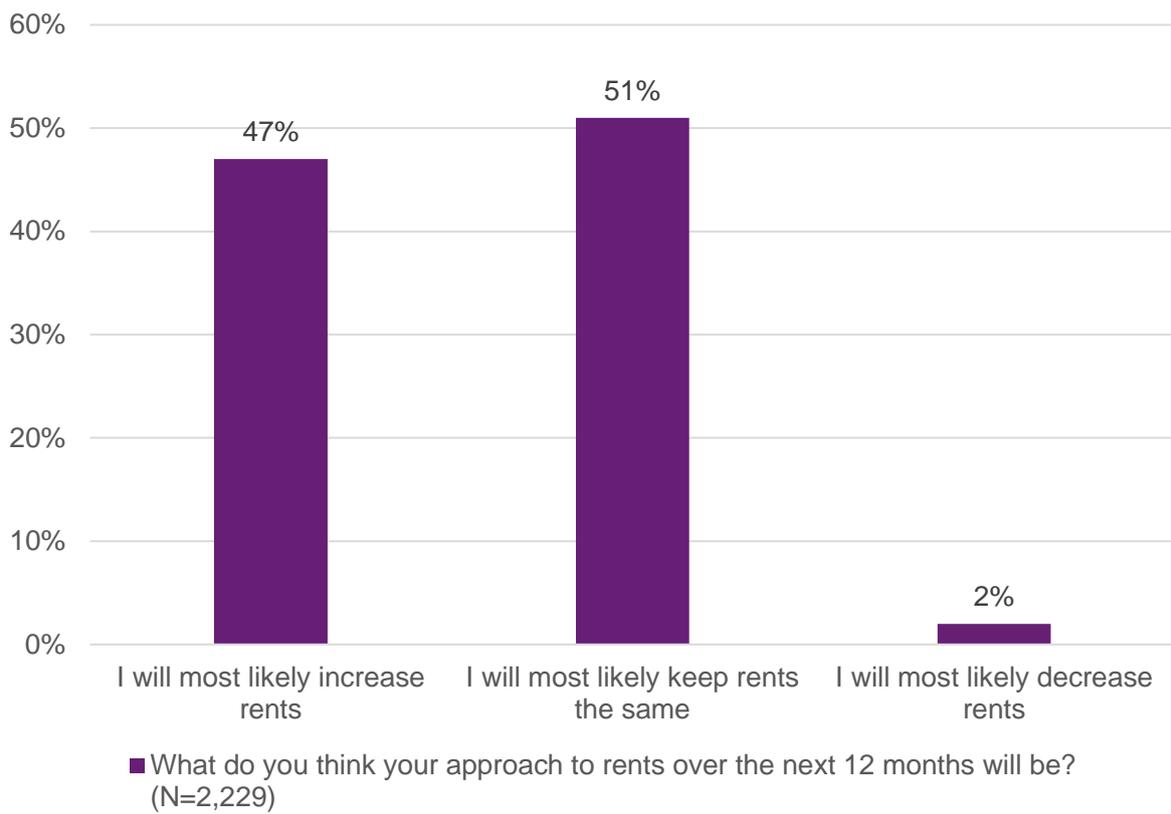
**Figure 5.27. Reasons why landlords typically had decreased the rents over the past 12 months (Multiple responses)<sup>22</sup>**



- The most commonly reported reason for why landlords had typically decreased rents was due to local property market conditions (54% of landlords).
- This was followed by the need to minimise void periods and to keep their tenant in the property for the long-term (46%).
- Twenty-two percent of landlords reported that this was due to the property becoming vacant and enabled/necessitated a rethink.
- It is important to note the low number of responses for this question when interpreting these findings.

<sup>22</sup> Whilst not shown in the above figure due to low response rates, other responses included: Changes in regulation (10%); My costs have increased (9%); External advice to make changes (7%); Due to tax changes (removal of Mortgage Interest Relief etc) (7%); The need to invest in my property/properties (4%); Personal/family based reasons (E.g. approaching retirement age, other commitments etc) (3%); Credit/business finance availability (2%); and; there is no reason to make changes (1%).

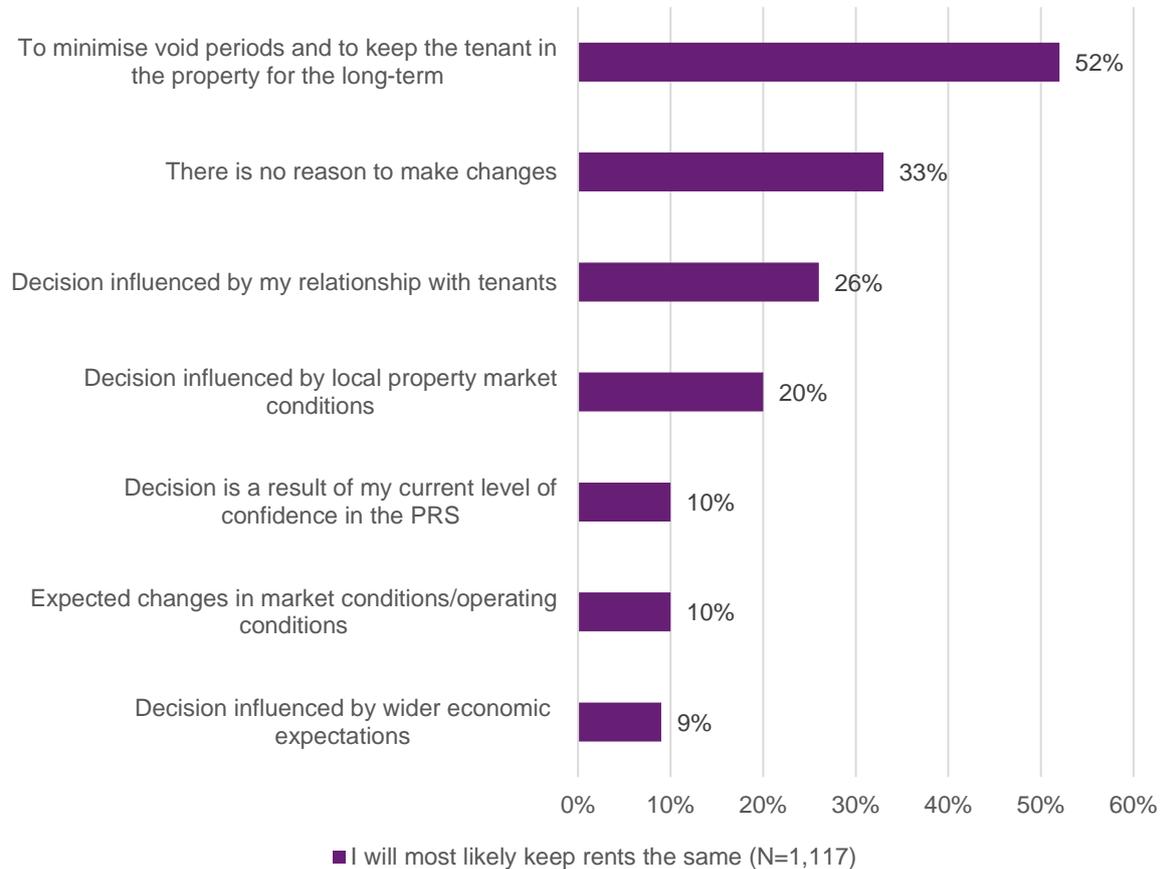
**Figure 5.28. Landlord likely approaches to the rent over the next 12 months**



- The majority of landlords (51%) reported that they plan to keep the rents the same over the next 12 months.
- While 47% of landlords reported that they are most likely attempt to increase rents in the next 12 months.

Those landlords (51%) who had reported they would most likely keep the rent the same over the next 12 months were asked for the reasons why.

**Figure 5.29. Reasons why landlords will most likely keep rents the same over the next 12 months (Multiple responses)<sup>23</sup>**



- Just over half of landlords reported that they will most likely keep the rents the same to minimise void periods and to keep their tenants in the property for the long-term (52%).
- Other key factors were because there was no reason to make changes (33%) and because of the relationship landlords have with their tenants (26%).

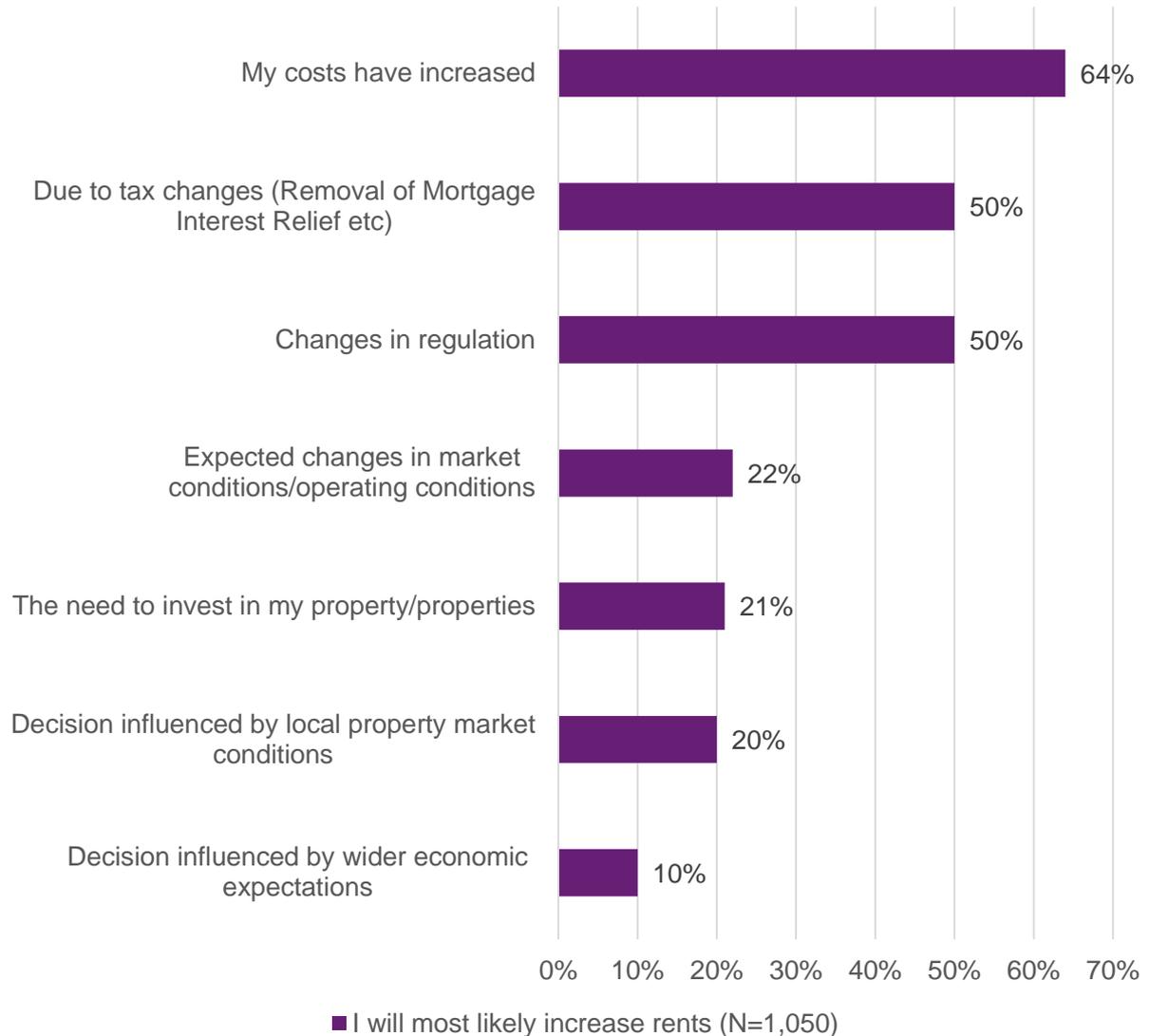
### Key finding

The majority of landlords reported that they plan to keep the rents the same over the next 12 months, with the main reasons including the landlord trying to minimise void periods and to keep the tenant in the property for the long-term (52%) and because of the landlord relationship with tenants (26%).

<sup>23</sup> Whilst not shown in the above figure due to low response rates, other responses included: Changes in regulation (5%); Property becoming vacant enabled/necessitated a rethink (4%); My costs have increased (4%); Personal/family-based reasons (e.g. approaching retirement age, other commitments etc) (3%); Due to tax changes (Removal of Mortgage Interest Relief etc) (3%); The need to invest in my property/properties (2%); External advice to make changes (1%); and; Credit/business finance availability (1%).

Those landlords (47%) who had reported they would most likely increase the rent over the next 12 months were asked for the reasons why.

**Figure 5.30. Reasons why landlords will most likely increase the rent over the next 12 months (Multiple responses)<sup>24</sup>**



- The most common reason for why landlords would most likely increase rents was due to their costs increasing (64%).
- Half of this group of landlords (50%) reported that the tax changes and 50% reported that changes in regulation were why they would most likely increase rents in the next 12 months.

<sup>24</sup> Whilst not shown in the above figure due to low response rates, other responses included: Property becoming vacant enabled/necessitated a rethink (8%); Decision is a result of my current level of confidence in the PRS (8%); Decision is influenced by my relationship with tenants (5%); Personal/family based reasons (E.g. approaching retirement age, other commitments etc) (4%); External advice to make changes (3%); Credit/business finance availability (3%); To minimise void periods and ot keep the tenant in the property for the long-term (2%); and; there is no reason to make changes (0.3%).

Those landlords (2%) who had reported they would most likely decrease the rent over the next 12 months were asked for the reasons why.

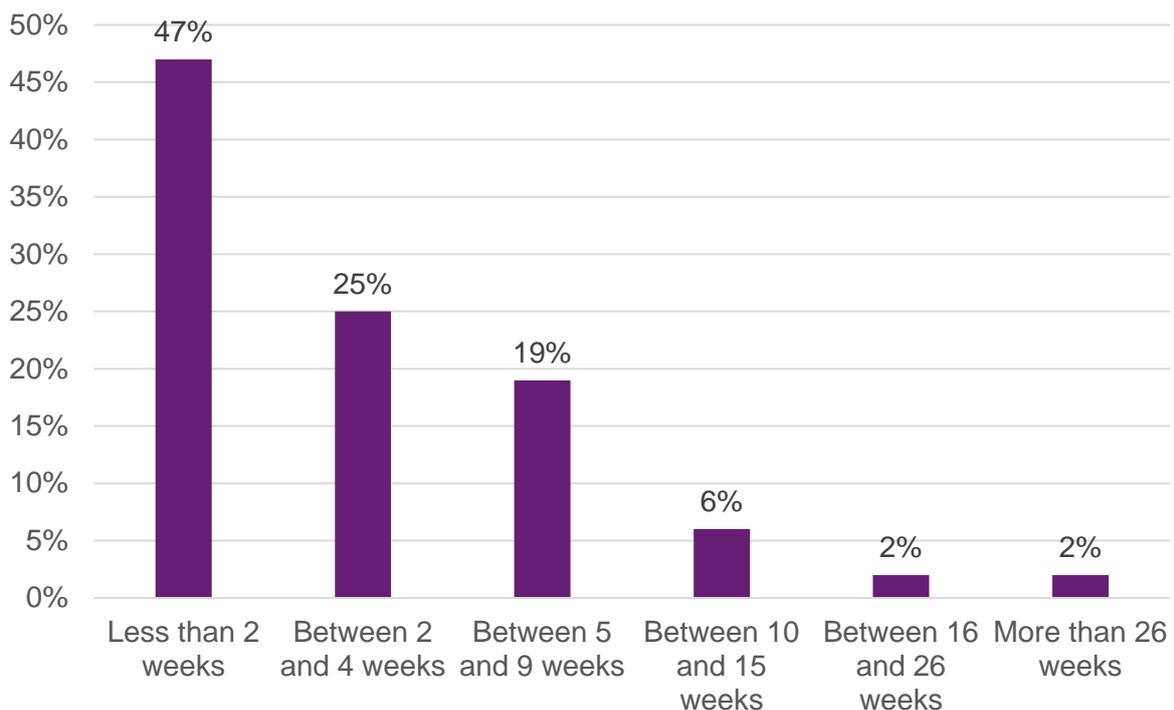
- The most common reason for why landlords would most likely decrease rents was due to local property market conditions (53%).
- Other notable reasons were to minimise void periods and keep the tenant in the property for the long-term (49%) and expected changes in market conditions/operating conditions (49%).

### 5.5.3 Portfolio void periods and tenant demand

This section of the report examines landlord reported void periods for their property and demand from tenants for properties they have recently let.

Landlords were asked how long the typical void period was for their properties across their portfolio in the past 12 months.

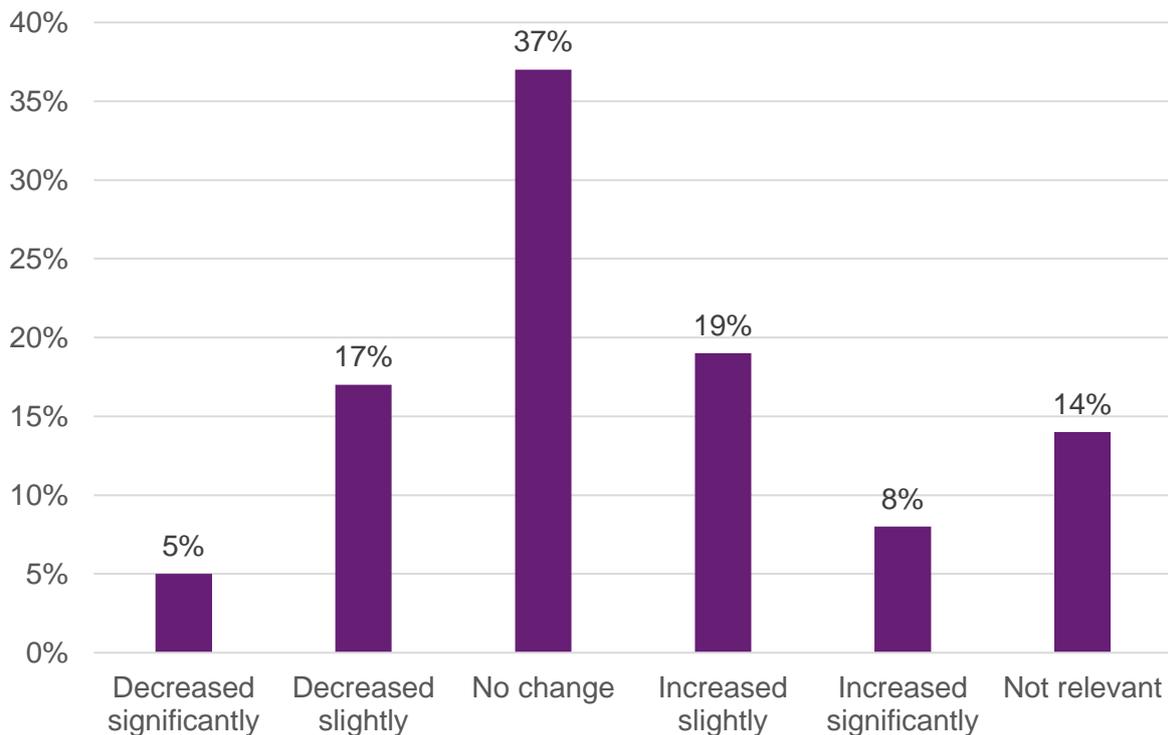
**Figure 5.32. Landlord reported typical void period for their property portfolio in the past 12 months**



■ In the past 12 months, what has been the typical void duration of void periods across your portfolio? (This being the gap between the tenancy ending and the start of another tenancy) (N=2,133)

- The majority of landlords reported that their typical void period was 4 weeks or less (72% of landlords), and 47% of landlords reporting that the void period was less than 2 weeks.
- A minority of respondents (4%) reported that the typical void period was greater than 16 weeks.

**Figure 5.33. Landlord reported changes in tenant demand for properties in areas where they let.**



■ Over the last three months, how would you describe demand for properties from tenants in the areas where you have let? (N=2,224)

- More landlords (27%) reported an increase in tenant demand in comparison to those landlords (22%) who reported a decrease in tenant demand over the past three months.
- However, more landlords reported that there had been no change in demand for properties (37%) in comparison to those who reported that tenant demand had either increased or decreased.

### Key finding

Landlords are experiencing strong demand for their properties, with 72% of landlords reporting the typical void period over the past 12 months being 4 weeks or less, and 27% of landlords reporting increased demand for properties over the past three months.

## 6. Summary of key findings, conclusions and recommendations

### 6.1 Summary of key findings

In this section, we now provide a short summary of the key findings of this report.

#### 6.1.1 Universal Credit and private landlords

##### *6.1.1.1 Landlord experiences of letting to tenants on Universal Credit*

- The findings indicate the private rented sector is still struggling with the roll-out of Universal Credit. Over half of landlords (54%) with Universal Credit claiming tenants reported their Universal Credit tenants going into rent arrears in the past 12 months. In the most recent case of rent arrears landlords reported they were owed on average £2,187. The majority of landlords (82%) reported that the rent arrears began either after a new claim for Universal Credit or if the tenant had moved to Universal Credit from housing benefit.
- Just under one third of landlords (32%) made an APA application in the past 12 months. On average these landlords reported it took 8.4 weeks for direct payment to be arranged. While this is down by nearly 10% on the previous year, this still could mean that a tenant is nearly four months in rent arrears before the APA is fully arranged.
- Fewer than a quarter (23%) of landlords reported that they had needed to regain possession of a property from a tenant who claims Universal Credit. The main reported reason for regaining possession was two or more months of rent arrears (84% of landlords). The majority of landlords (70%) who had regained possession from a Universal Credit tenant reported that changes to how/when benefits are calculated/paid would have helped to sustain the tenancy of those claiming Universal Credit.
- Landlords' roles and practice when letting to Universal Credit tenants is changing. Landlords are offering a diverse range of support, with some landlords feeling as if they were acting as a 'support worker' for their tenants. Further research would be useful to understand in more depth how these practices and support are changing, and how private landlords could be better supported.

##### *6.1.1.2 Exploring the reasons why landlords do not let to Universal Credit claimants*

- The main reasons why landlords do not let to tenants on Universal Credit are due to concerns of financial risk (61%) and perceptions of being a higher risk for rent arrears (58%). Twice as many landlords are not willing to let to Universal Credit claimants due to perceptions of problems with the system

(50%) in comparison to those who have experienced issues (25%). Addressing these perceptions could then help to reduce barriers for those who claim Universal Credit in finding a home in the sector.

- The two main policy/regulatory changes that would make landlords more willing to let to tenants who claim Universal Credit were:
  - Higher Local Housing Allowance (LHA) rates (52% of landlords)
  - Reversal of recent tax changes (52% of landlords)

### **6.1.2 Letting to Housing Benefit tenants**

- Thirty-six percent of landlords reported they had experienced their tenant on legacy housing benefit going into rent arrears in the past 12 months, and these landlords were owed on average £1,792.49 in the most recent case of rent arrears. This is lower in comparison to the 54% of landlords that have experienced their Universal Credit tenants going into rent arrears.
- A majority of landlords who currently let to housing benefit claimants are concerned about their tenants migrating onto Universal Credit from legacy housing benefit (61%), specifically that their tenants might struggle financially when they are migrated (66% of landlords).

### **6.1.3 Welfare Reforms and Policy Changes**

#### *6.1.3.1 The Shared Accommodation Rate and Letting to Under 35's*

- The majority of landlords are willing to let to tenants who are under 35 (87%). Of those who are not, the largest group of under-35's who landlords are not willing to let to are single people who claim housing benefit/universal credit (79% of landlords).
- The most common reasons why landlords were not willing to let to some/all groups of under-35's was due to a perception of these groups posing a higher risk of rent arrears (73%) or a higher risk of breaching tenancy conditions (66%).
- The main impact of the introduction of the Shared Accommodation rate was found to be landlords reducing or stopping letting to under-35s who claim benefits (54%).

### *6.1.3.2 Landlord willingness to let to tenants who claim benefits*

- More landlords reported they were unwilling to let to homeless people (68%) over those who reported they were unwilling to let to people who claim Universal Credit (57%).
- The two main policy/regulatory changes that have made landlords less likely to let to people who claim benefits were the cap and 4-year freeze to Local Housing Allowance (LHA) rates (52% of landlords), and, increased regulation of the private rented sector (Right to Rent checks, Licensing, Tenant fee ban) (51% of landlords).
- While the majority of landlords reported that they did not have mortgage conditions that prevented them from letting to tenants who claim benefits (64%), over a third of landlords (36%) reported that they did. This suggests that further work is needed to encourage lenders to remove these conditions, which would be a further step in removing structural barriers for those that claim benefits from finding a home in the PRS.
- The majority of landlords (67%) reported a Payment Voucher Guarantee Scheme, where the Local Authority guarantees the rent paid by the benefit claimant, would make them more willing to let to tenants who claim benefits.

### *6.1.3.3 Local Housing Allowance rates*

- The overwhelming majority of landlords (88%) reported that there was a gap between the Local Housing Allowance rates and what they could charge in rents, with 65% of landlords reporting this gap was over £50 per month.
  - The majority of landlords (57%) reported that they would not be willing to let to tenants where they know there is a shortfall between the amount covered by benefits and the rent.

### *6.1.3.4 Recent policy changes to Universal Credit*

- An overwhelming majority of landlords (86%) reported that the introduction of direct payment to the landlord being offered in the first instance would make them more prepared to rent to those who claim Universal Credit.
- Forty-seven percent of landlords reported that the proposed introduction of an online system to make Alternative Payment Arrangement applications would make them more willing to let to people who claim Universal Credit.

### *6.1.3.5 Landlord experiences of Local Authority leasing arrangements*

- Only a minority of landlords have been approached by Local Authorities to lease their property for homeless people or people at risk of homelessness. The majority of incentives being offered to these landlords were identified to be around reducing risk for landlords in managing their investment.

## **6.1.4 Landlords, their Portfolios, and future decisions**

### *6.1.4.1 Landlord Demographics and Portfolios*

- The majority of respondents to this survey are well established as landlords, with 66% being a landlord for over 10 years. The majority of landlords made a pro-active decision to invest in the sector, and the majority (72%) see this as a side-line to either boost income or as a longer-term investment.
- The majority of respondents (84%) reported that they had 2 or more properties in their portfolio. With landlords with 2 to 4 properties being the largest group (41% of landlords).
- Under half of landlords (45%) reported that they receive less than £2000 per month in gross rental income, with 21% of landlords reporting they receive less than £1000 per month.

### *6.1.4.2 Tenancy Issues*

- Of the 25% of landlords who reported they had needed to regain possession of their property in the past 12 months, the main reasons for doing so were:
  - Rent arrears (2 or more months) (69% of this group of landlords)
  - Damage to the property (43%)
  - Anti-social behaviour by the tenant (36%)
- Twelve percent of landlords reported they were asked to serve notice by their tenant so that their tenant could get accepted for social housing. This illustrates the difficult situation low-income households are experiencing in securing housing in the social rented sector. This needs to be considered in light of the proposed reforms to how landlords can regain possession of their properties.

### *6.1.4.3 Portfolio Management*

- The majority of landlords who had sold properties in the past 12 months reported their property moved into the owner-occupier tenure (69%), however, 37% of landlords reported they had sold to other landlords. This indicates that a proportion of properties being sold are potentially remaining in the private rented sector.

- While the proportion of landlords who have kept their portfolio the same has remained relatively consistent over the past 12 months, since Q2 2018 more landlords have sold properties than landlords have bought properties.
- The proportion of landlords who plan to sell properties has continued to increase since Q1 2018, this proportion is now at its highest level with 31% of landlords reporting they plan to sell at least one property in the next 12 months. This is more than twice the number of landlords who are planning to buy properties in the next 12 months (14%).
- There is closer synergy between planned buying behaviour and reported buying behaviour one year later, than between planned selling behaviour and reported selling behaviour one year later. Additional analysis identified a median difference of four percentage points for buying behaviour but seven percentage points for selling behaviour.
- Less than a third of landlords (31%) reported they were planning to sell properties in the next 12 months. Of these landlords, the main reported reasons behind this decision were tax changes (59%) and changes in regulation (55%).
- The majority of landlords had kept the rent the same over the past 12 months (62%), with the main reasons for doing so being no reason to make changes (46%) and to minimise void periods and keep their tenant in the property for the long-term (42%).
- The majority of landlords reported that they plan to keep the rents the same over the next 12 months, with the main reasons including the landlord trying to minimise void periods and to keep the tenant in the property for the long-term (52%) and because of the landlord relationship with tenants (26%).
- Landlords are experiencing strong demand for their properties, with 72% of landlords reporting the typical void period over the past 12 months being 4 weeks or less, and 27% of landlords reporting increased demand for properties over the past three months

The findings and conclusions presented in this report provide the opportunity to develop a greater understanding of the interplay between welfare reforms and the private rented sector. From the key findings summarised above, we have developed a number of key conclusions and recommendations for policy, practice and research.

### 6.2.1 Universal Credit

Universal Credit remains a challenge for tenants privately renting. Over half of landlords reported that they had experienced a Universal Credit tenant going into rent arrears in the past 12 months. Our recommendations on Universal Credit are:

- The Government needs to ensure a fast and efficient online APA process to help sustain tenancies, increase landlord confidence in the system, and prevent homelessness in the long-term.
- The majority of landlords are unwilling to let to UC tenants' due to concerns over financial risk. Tackling the actual or perceived financial risk is key to reducing barriers to the private rented sector for low-income households. Therefore, it is recommended that the APA process be improved. The tenant should have the option in the initial application to make a choice on whether they would benefit from having direct payment set up from the start. Providing the tenant with this choice may help prevent rent arrears after the claim for Universal Credit is made.
- Almost half of landlords (46%) reported rent arrears occurred after the tenant migrated to Universal Credit. Further work to evaluate how the migration process works is required:
  - Whether recently introduced changes such as the two-week housing benefit run on are having a positive impact; and
  - What support needs to be provided to both tenants and landlords to ensure tenancies are sustained.
- The issue of geographical disparities of rent arrears requires further attention. This may help unpick local issues and help develop localised support programmes.

### 6.2.2 Local Housing Allowance rates

- The freeze to LHA rates is causing affordability issues for low-income households with benefit rates now not covering the majority of rents across the country.
- Well over half of landlords (65%) reported the gap was over £50 a month, and 57% reported they would not be willing to let to tenants where they know there is a shortfall.
- We recommend that policy-makers restore LHA rates to a minimum of 30<sup>th</sup> percentile rents to ensure low-income households can afford and sustain tenancies in the private rented sector.

### 6.2.3 Welfare reforms and private renting

- There was concern among landlords with tenants on legacy housing benefit about their tenants migrating over to Universal Credit and being able to manage financially. The DWP need to ensure that migration is seamless for tenants and all current direct payment arrangements are maintained to ensure landlord confidence.
- The Shared Accommodation Rate is a significant barrier for under-35 single benefit claimants. Policy-makers should reconsider the SAR to enable tenants in this group to access a wider range of properties.
- Some landlords reported that they had mortgage conditions preventing them from letting out to tenants who claim benefits. These remain a significant barrier for access to a privately rented home. Stakeholders and policy-makers should continue to ensure all providers remove these conditions from existing and future mortgage products.
- Different types of scheme may help landlords to let to tenants who claim benefits. These include bond/rent deposit schemes, property management schemes, a Payment Voucher Guarantee Scheme, and direct payment of rent being offered in the first instance. Policy-makers at a national and local level should examine the options to develop these schemes further.
- Landlords reported evolving responsibilities as part of letting to tenants who claim benefits. Development of support, signposting and referral networks may be beneficial in enabling improved joined-up working between landlords, local authorities, health and social care services, and voluntary organisations to ensure vulnerable tenants receive the support they need.

- The proportion of landlords who reported they were planning to sell is at its highest level since the start of these quarterly surveys.
  - The majority of those planning to sell indicated factors such as regulation and taxation changes were among the key reason behind this decision.
  - Policy-makers and stakeholders need to consider the impact of these changes on professional landlords and the impact this has on practice throughout the sector.
  
- Some landlords reported serving notice on their tenant to help their tenant gain access to a social rented property. Policy-makers need to consider this when reforming Section 21.



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