The Challenges Faced by Rural Landlords:

The case of Argyll and Bute

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About the Author

Andrew Robert Watson is a Research Associate with the UK Collaborative Centre for Housing Evidence (CaCHE) and the Urban Big Data Centre (UBDC). He is also the principle at Housing Opinion and Senior Researcher at Propertymark. Andrew obtained his MBA at the University of Northampton and his MSc at the University of Glasgow. His PhD research sought to identify the investment behaviours of landlords and their impact upon the Scottish Private Rented Sector (SPRS). Recent project work includes a United Kingdon Research and Innovation (UKRI) funded project seeking private landlord perspectives on the 'pandemic arrears crisis'[1] and Chartered Institute of Housing (CIH) funded work focused on understanding the challenges associated with the Local Housing Allowance (LHA) rate setting process[2] . Andrew's research interests include housing policy, housing economics, housing investment and housing repair/maintenance.

Disclaimer

This evidence-based report relies upon the views and opinions of the landlords who own private rented properties in Argyll and Bute. Observations, conclusions and recommendations based upon this evidence are the authors own and do not necessarily reflect the views or positions of the sponsors.

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1 The pandemic arrears crisis - UK Collaborative Centre For Housing Evidence

2 Rapid Rehousing Transition Plans: assessing the affordability of the private rented sector for LHA recipients in Scotland | Chartered Institute of Housing (cih.org)

FOREWORD BY PROFESSOR KENNETH GIBB

Private renting across the UK and within Scotland has grown dramatically over the last 25 years, roughly since the Buy to Let mortgage took hold and re-introduced the mass presence of small-scale private landlords to the British way of life. Despite several previous false starts, the subsequent growth of the sector owed as much to market innovation by lenders and letting agents as it did to the declining affordability and accessibility of the other major two tenures.

In any case, growth was unplanned but has undoubtedly transformed the housing system. It has also led to many unintended consequences e.g. the shift of right to buy homes into private renting across the UK, a greater focus on rents and affordability, and, along with that, a desire by government across the UK to intervene and re-regulate the market in different ways (as well as through fiscal measures impacting on property investors).

Private renting is segmented into different demand and supply segments, and one important cleavage is between urban and rural renting. The latter, as Andrew Robert Watson points out, has until now been neglected by research and evidence-gathering. This is why his new substantial report is so useful, not least to dig deep into the complexities of how rural private renting works in a specific rural setting, and to uncover the challenges it faces which impact on housing and life outcomes. For this reason, this study is a novel and genuinely important piece of work.

And the setting is significant too – Argyll and Bute Council was the first local authority in Scotland to declare a housing emergency. It clearly wants to understand the sector better so it can engage more effectively to improve outcomes, standards and relationships.

Andrew brings his characteristic writing style to this project and draws on his academic and professional experience in a rich mixed methods analysis that combines evidence review, qualitative and quantitative evidence to yield both evidentiary findings and recommendations for the funders (the council and the local CAB) and for the Scottish Government.

I was struck by several of these findings and recommendations:

- The value of councils engaging and communicating directly with landlords
- The problems of securing tradespeople in rural contexts which have material impacts on tenants and landlords
- The regulatory enforcement problem of non-compliant landlords
- The missed opportunity for Scottish Government in terms of widening the data capture of landlord registration to e.g. rental data and property attributes
- The need for SG to look closely at rural private renting, to articulate a vision for the role of private renting in rural settings, and think how to more effectively support compliant private landlords
- The case for holistic and cumulative evidenced evaluation of the effects of existing legislative regulation.

This is the third report from Andrew that CaCHE has supported and published. He is carving out an important niche in rental market research in Scotland. This report demonstrates once again that he is producing important and timely work that should be widely read.

Professor Kenneth Gibb

Director, UK Collaborative Centre for Housing Evidence

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EXECUTIVE SUMMARY

This report was funded by Argyll and Bute Council and Citizens Advice Scotland to better understand the composition of rural landlords in Argyll and Bute, to identify the extent to which they differ in key measures from non-rural landlords, to explore the specific investment challenges they face, and to quantify their future investment intentions. The report builds upon recent works exploring landlordism in Scotland (Watson, 2023; Watson & Bailey, 2021) and a companion report focused upon the tenant side (Argyll and Bute Citizens Advice Bureau, 2022).

As the first major research project focused upon rural landlords in Scotland, the report covers a lot of ground, and exceeds its initial scope by providing additional landlords insights into the Short Term Lets (STL) sector, second home ownership, as well as unique insights into the operation of the private landlord registration team, amongst others. Whilst the report should ideally be read in full, Section 15 (The Biggest Challenges Faced by Rural Landlords), Section 16 (Landlord Intentions) and Section 19 (Conclusions and recommendations) will be of particular interest to those short on time, but with a desire to understand rural landlordism in Argyll and Bute.

1.1 The Issues

This research was undertaken during a period of sustained change in the context of a polycrisis, which can be defined as a variety of 'crises in economics, politics, geopolitics and the environment which are feeding into each other, exacerbating already difficult circumstances' (World Economic Forum, 2024). The Scottish Housing system itself is said to be in crisis, although five local authorities, including Argyll and Bute, have upped the ante by officially declaring a 'Housing Emergency'. At the time of writing, the Scottish Government had also declared a 'National Housing Emergency'.

The Scottish Private Rental Sector (SPRS), plays a critical role in the provision of housing in Argyll and Bute and Scotland overall. The sectors re-growth originally located it as a provider of flexible accommodation for transient populations. However, the sector is increasingly being used by to provide long-term accommodation for vulnerable groups including families with young children, who in earlier times might have been able to access local authority or housing association accommodation (Bailey, 2020). As a result of this emergent hybrid role, the SPRS has been subject to an increasing legislative burden (Gibb et al., 2019; Watson & Bailey, 2021) via planned steady state policy interventions. New measures relating to the Repairing Standard[3] are a typical example. However, as a result of a variety of socio-economic and geo-political drivers including the Global Pandemic and the Cost-of-Living Crisis, legislation has also been driven by crisis-based policy interventions such as the 'eviction ban' and rent cap. In some cases landlords are still adjusting to the impacts of these and other interventions, particularly those affected by the 'Pandemic Arrears Crisis' (Watson & Bailey, 2021) and the removal mortgage interest rate relief[4] . Despite this, the pace of legislative change appears to be building. The Housing (Scotland) Bill, was introduced to Parliament as this research was in progress, and the 'Proposals for a Heat in Buildings Bill' consultation had recently expired.

Furthermore, landlord business costs, including repair and maintenance, compliance and insurance costs, have increased dramatically as a result of inflation. Attempts to reduce the rate of inflation, by gradually increasing interest rates from 0.1% in March 2020 to 5.25% in August 2023, have had some success, but have also further increased costs in the case of buy-to-let landlords.

The combined impact of these factors raises genuine concerns as to the viability of many SPRS investments and in particular, leveraged investments. Critically, rising interest rates also offer an escape route for an ageing landlord cohort via bank deposits, particularly those earning relatively low returns (i.e., returns that are less than the current base rate).

Given these issues, the SPRS is clearly at a critical juncture. Anecdotal and research evidence (Watson & Bailey, 2021; Watson et al., 2023) points to the sectors decline. This is concerning as the need for a thriving SPRS is recognised by the Scottish Government, local authorities and a myriad of other stakeholders.

However, the status quo presents a tremendous opportunity for the Scottish Government, Local Authorities, Citizens Advice Scotland and others, to work in partnership with landlords to create a positive long-term vision that supports SPRS investment. Crucially, in the short term, there is an urgent need for stakeholders within Argyll and Bute to work to preserve existing SPRS stock levels and thereby safeguard existing tenancies and more broadly support rural communities.

1.2 The findings

It has been found that the majority of landlords in Argyll and Bute are small scale part-time private investors who tend to own a small number of properties each. Landlords in the study invariably reported that they provided safe, quality, affordable accommodation. Many also provided examples of flexibility in their service provision and of forbearance, specifically in terms of rent increases. Overall, small-scale landlordism appears to play a positive role within Argyll and Bute. This is confirmed by data in the companion report, which finds that 85% of tenants in Argyll and Bute rate their home in the SPRS as either okay, good or very good.

In meeting the research objectives, this report finds that the differences between rural landlords and non-rural landlords are small, although the extent of the challenges associated with rural landlordism are greater. In total, 62% of rural

3 See https://www.gov.scot/publications/repairing-standard-statutory-guidance-private-landlords/pages/1/

4 See Section 24 of the Finance (N0.2) Act 2015 (https://www.legislation.gov.uk/ukpga/2015/33/section/24)

landlords report that the existing legislative environment is not supportive of SPRS investment and furthermore, 74% report that the Scottish Government does not understand the challenges faced by rural landlords. Moreover, there were numerous suggestions that the balance of the legislation had tipped in favour of tenants and that this was in part due anti-landlord sentiment. Fortunately, these are areas in which, the Scottish Government is able to effect positive change.

Landlords were generally accepting of safety-based legislation, but critical of legislation focused on security of tenure. Overall, it was felt that the legislative burden was unfair, expensive, and often lacked relevance. Landlords wanted some respite initially, but then for future legislative change to be risk-based, relevant, properly planned in advance, effectively communicated and applied equitably across tenures.

The availability of tradespeople was identified as a real road block to rural landlordism with landlords often having to delay or postpone works leading to non-compliance and in some cases, questionable conditions for tenants. The shortage also meant that landlords perceived that they sometimes had to pay over the odds to secure tradespeople or alternatively, undertake work themselves.

Enforcement was a major issue with many landlords questioning why they had to incur the cost and hassle of compliance, when others, due to a lack of enforcement, got away with simply choosing not to.

The energy efficiency of dwellings emerged as significant issue with concerns raised around the EPC system, and the viability and suitability of proposed energy improvement measures. Given the uncertainty around future requirements caused by policy re-assessments, landlords had filled in the gaps themselves, often coming up with the worst-case scenario and worryingly, were making invest or divest decisions based upon them.

In response to the challenges faced, personal circumstances (including ageing), and better returns available elsewhere, one third of landlords (33%) planned to sell some or all of their SPRS properties. The strength of feeling expressed by landlords suggests that this is a credible threat. Furthermore, given the existing investment environment, it is not clear that sector churn, and specifically new entrants, will fill the gaps.

1.3 Recommendations

The report includes a series of evidence-based recommendations, which are designed to respond to the challenges identified, and to support the housing emergency by encouraging the retention of existing landlords within Argyll and Bute. The recommendations present an opportunity for the Scottish Government, Argyll and Bute Council and Citizens Advice Scotland to work in partnership with landlords to improve the sector.

Separate recommendations are laid out for Citizens Advice Scotland, Argyll and Bute Council and the Scottish Government. The recommendations for the Sottish Government are broad, spanning strategic matters relating to the size and shape of the sector, and practical matters such as the need for improved SPRS data. However, the recommendations prioritise resetting the relationship between policymakers and landlords via engagement and communication. The recommendations for Argyll and Bute Council also include measures to improve communication and engagement. Practical solutions for improving enforcement are also included. The recommendations for Citizens Advice Scotland focus on the need for the provision of better information for landlords and an increase in research outputs, which will enable data driven insights and support policy debates. The recommendations can be found in full in Section 19.2.

Contents

2 INTRODUCTION

As with the wider housing system, the rural housing system is said to be in crisis. The causes are multifaceted but the problems are believed to so acute, that a number of local authorities, including Argyll and Bute have declared a housing emergency. However, in addition to facing broader housing system challenges, rural housing providers also face challenges arising from their rural geography.

The Scottish Minister for Housing highlights that rural housing 'plays an important role in sustaining rural communities and supporting them to thrive' (Scottish Government, 2023d, p. 3). As the Scottish Private Rented Sector (SPSRS) plays a key role in role in rural housing supply (around 10% of households in Argyll and Bute), the stability of the sector is of prime importance.

However, within the SPRS, the legislative burden has been steadily increasing since deregulation in the late 1980s (reregulation), there is evidence of landlords leaving the sector and advertised rents are rising dramatically. Despite this context, very little is known about the rural landlords that make up the sector and almost nothing is known about how they perceive the challenges they face or their future intentions towards the sector.

Using Argyll and Bute as a case study, this report seek to address the current data shortfall and specifically:

- Understand the composition of rural landlords and identify the extent to which they differ from non-rural landlords in terms of key characteristics and motivations, investment behaviours and returns.
- Explore the specific investment challenges faced by rural landlords.
- Quantify the investment intentions of rural landlords.

3 CONTEXTUALISING THE URBAN RURAL DIVIDE

3.1 Rural Scale and Definition

According to the Registers of Scotland (2024), rural areas make up 98% of Scotland's land mass and are home to 17% of its population. There are a variety of urban rural classifications. The Scottish Governments (2022b, p. 4) version is based upon a combination of population and accessibility criteria. The population criteria include the following settlement groupings:

- Large Urban Areas - populations of 125,000 or more
- Other Urban Areas - populations of 10,000 to 124,999
- Small Towns - populations of 3,000 to 9,999
- Rural Areas - populations less than 3,000

The accessibility criteria 'is measured in terms of drive times to an urban area'. Specifically:

- Accessible - Areas within a 30-minute drive time of a Settlement with a population of 10,000 or more.
- Remote - Areas that are more than a 30-minute drive time (6-fold classification), or areas that have a drive time between 30 and 60 minutes (8-fold classification) from a Settlement with a population of 10,000 or more.
- Very Remote - Areas that are more than a 60-minute drive time from a Settlement with a population of 10,000 or more (8-fold classification only).
- Large Urban Areas - populations of 125,000 or more (2) Other Urban Areas - populations of 10,000 to 124,999 (3) Small Towns - populations of 3,000 to 9,999
- Rural Areas - populations less than 3,000
- The resulting classification can be viewed in 2-fold, 3-fold, 6-fold and 8-fold formats.

3.2 Locating Argyll and Bute Urban Rural Classification

Argyll and Bute is the second largest local authority area in Scotland covering almost 700,000 hectares equating to 9% of Scotland's total landlord area[5] . Its population is the fourth sparsest in Scotland with a population density of 13 person per hectare. Argyll and Bute is also 1 of 6 local authorities in Scotland with island communities and 1 of 3 that combines mainland and islands. The dispersion of Argyll and Bute's population over an 8-fold classification is detailed in Table 3.1. It is clear that for the most part- Argyll and Bute's population live in remote or very remote locations (73.6%).

Table 3.1: Percent of population in each 8-fold Urban Rural category (Argyll and Bute)

8-fold Urban Rural Classification	Argyll and Bute Population %
Large Urban Areas	0.0
Other Urban Areas	17.7
Accessible Small Towns	4.3
Remote Small Towns	0.0
Very Remote Small Towns	30.4
Accessible Rural	4.4
Remote Rural	5.2
Very Remote Rural	38

Source: Scottish Government (2022c)

3.3 Rural Idiosyncrasies and Challenges of Rural and Island Living

It has long been recognised that rural living has its own rewards and challenges. The challenges are myriad, but include, 'poor employment opportunities', 'poor access and choice in relation to housing opportunities' (Chapman & Shucksmith, 1996, p. 73), poor 'access to services' and 'higher fuel costs' amongst others (Scottish Government, 2016, p. 1)

In term of island living, the Scottish Government (2023h, p. 1) suggest:

> 'While there are many positive aspects of life in Scotland's islands, (including access to green spaces), the communities and individuals who live there can experience specific challenges. Many of these challenges are related to geographical location, higher costs, reliance on ferries, and distances from services.'

In a recent report, it was concluded that households in remote rural Scotland were subject to a 15%-30% living cost premium in comparison to households in urban areas (Davis et al., 2021).

5 Source: Population: Where We Live | Argyll and Bute Council (argyll-bute.gov.uk)

4 CONTEXTUALISING THE SCOTTISH PRS

4.1 The Sectors Role and Performance

As a tenure, the SPRS plays a critical role in providing accommodation that supports labour market flexibility. However, dwindling social sector stock, the growing cost of owner occupation and in some cases a preference for the SPRS, means that the sector is increasingly being used to provide long-term accommodation for a range of groups. In particular, there has been a steady increase in the number of vulnerable groups, including families with young children (Bailey, 2020) entering the sector. Due to landlord-tenant power imbalances (Marsh & Gibb, 2019), the sector's potential contribution to social and wealth inequalities (Coulter, 2016), problems with poor conditions in some parts of the sector (Lister, 2006), and the existence of rogue and criminal landlords (Spencer et al., 2020), there are concerns that the SPRS (and more broadly the sectors in England, Wales and Northern Ireland) are not an appropriate destination for many of the groups who now reside there (Coulter, 2016; Ronald & Kadi, 2017).

Despite these concerns, average conditions and tenant satisfaction levels in the SPRS do not vary significantly in comparison to the social housing sector (Scottish Government, 2018a, 2018b). Whilst it could be argued that satisfaction is guided by experience and expectation and therefore may not be an optimal measure, it should have some bearing in sector discourse. Regardless, it is apparent that the SPRS may be inadequate in some respects for some households.

4.2 The Role of Small-Scale Landlords in the Sectors Re-Growth

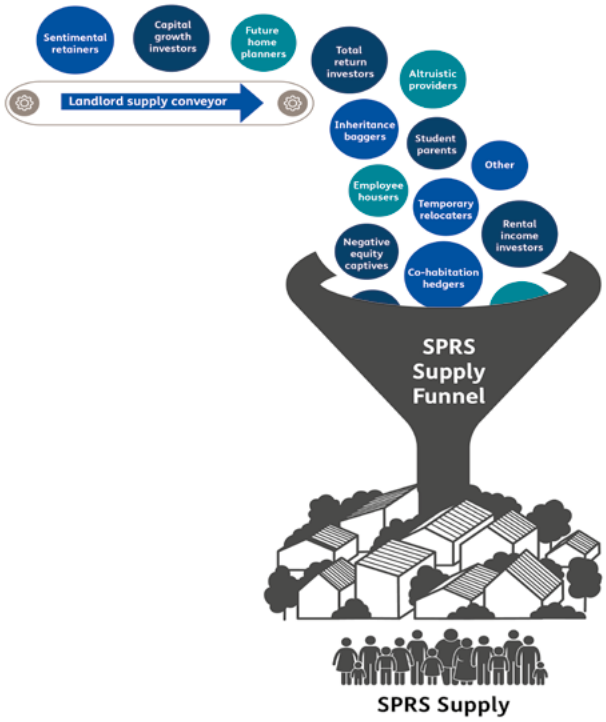
According to the Scottish Household survey, the Scottish Private Rented Sector (SPRS) accounted for 13% (320,000) of Scottish households in 2022 (Scottish Government, 2023g), down from 15% (360,000) in 2017. Although decreasing, the figures are above estimates of 7.5% in 2001 and 12.2% in 2011 (Scottish Government, 2022a). However, it remains small when compared to the early 19th century when the SPRS represented the vast majority of housing stock (Crook & Kemp, 1996).

The sector's re-growth has been driven by a range of supply and demand factors (Ball, 2010). However, the deregulation of housing in the 1980s has played a critical role and the introduction of buy to let mortgages is described as 'a particularly important driver of growth' (Gibb et al., 2019, p. 3).

The re-growth has been led by a large number of heterogenous landlords who tend to own a small number of properties each. In fact, around 84% of all registered SPRS properties are owned by private individuals and 95% of these own between one and five properties (Scottish Government, 2013).

The SPRS is in a state of context flux (churn) with landlords regularly entering and leaving the sector. Drawing from the wider SPRS literature (Crook et al., 2009; Watson, 2023; Watson & Bailey, 2021) Figure 4.1, which visualises market entry as an industrial process, highlights that the routes of entry are varied. For example, some landlords purposely procure SPRS property as a form of investment (e.g., 'capital growth investors'), others have become landlords as they have inherited a property ('inheritance baggers'), and others still, wish to house someone in need ('altruistic providers').

Figure 4.1: SPRS routes of entry



Source: Created by the author.

Regardless of the route of entry, for the vast majority of SPRS landlords, the decision to acquire (or retain) an SPRS property has an investment component. In fact, most view the SPRS as a long-term investment focused on income, capital growth, or both as part of their investment and welfare strategy. These small-scale investors are often referred to as 'amateurs', in reference to the part-time nature of their investment activity and the secondary income it often provides, but the categorisation also raises questions regarding levels of professionalism. Regardless, the investment decisions of these 'amateur' private landlords play a critical role in shaping the SPRS. Reasons for landlords exiting the sector are discussed later in the report.

4.3 The Policy and Regulatory Environment

As a result of differing legal, administrative, historical, economic, geographic and political dimensions (Murie, 2004), Scottish housing policy has long had its own 'nuance' (Gibb, 2012, p. 21). Regardless, the UK Government still has a significant impact on the SPRS via reserved matters. For example. Section 24 of the Finance Act 2015, removed the ability of landlords to offset finance costs against their rental income impacting the profitability of landlords with buy-to-let mortgages[6] . Furthermore, UK Government control of Local Housing Allowance (LHA) rates, has a significant impact upon the SPRS as evidenced by the recent series of rate freezes (Watson et al., 2023).

From a Scottish perspective, there can be little doubt that the Scottish Government has pursued housing policy influenced by its focus upon social justice with policy and legislation mainly focused on improving conditions, affordability and security of tenure for tenants (Marsh & Gibb, 2019). There is some evidence that this tenant-centric approach has caused unintended outcomes (Watson & Bailey, 2021). In recent times, the 'incremental use of regulation' and 're-regulation' (Gibb et al., 2019, p. 4 & 13) has given way to frequent planned policy interventions interspersed with crisis driven policy responses including the 'eviction ban' and rent cap. Although there has been a perception of over regulation for some time, the pace of change is unlikley to ease any time soon. The Housing (Scotland) Bill, was introduced to Parliament as this research was being concluded and a 'Proposals for a Heat in Buildings Bill' consultation had recently expired.

4.4 Rural Housing Research

From an academic perspective, the rural housing literature is voluminous and spans diverse geographies including India (Kumar, 2014), America, (Johnston, 2017), China (Ren et al., 2018) and beyond. The UK is generally historically well served and Dunn et al. (1981, p. 6) report that rural areas in Scotland have a been 'very well studied in the past'. The topics studied broadly align with wider housing system research themes including affordability, homelessness, conditions, gentrification (Stockdale, 2010) and fuel poverty (Roberts et al., 2015, p. 222), but also incorporates a focus on areas such as second homes (Gallent & Tewdwr-Jones, 2017).

There is little focus on the rural SPRS although exceptions include Satsangi et al. (2010), whose book considers Scotland within the context of the UK and incorporates a chapter broadly focused on 'Private Renting'. In general, there is 'little or no data about landlords and the role they play in the sector' (Livingston et al., 2018, p. 38). Moreover, there is very little focus on rural landlordism. Landlord studies tend to focus at an aggregate level with little attention being paid to specific geographies or markets. However, in Crook et al.'s (2009) study of landlords in Scotland, the authors split some of their general findings between rural and non-rural areas. Despite identifying some small differences, they conclude 'that the problems and practices in urban areas were to be found in rural ones as well' (p. 83).

There are also a range of rural facing publications funded and or created by the Scottish Government. At an economic level, these focus on issues such as the cost of rural living (Davis et al., 2021) and deprivation (Scottish Government, 2016). From a purely housing perspective, the report 'Understanding the Housing Aspirations of People in Scotland' includes some rural data, but it is concerned with the views of tenants, not landlords (McKee et al., 2015). Another report, the 'Rural & Islands Housing Action Plan' (Scottish Government, 2023d), was recently published to support the delivery of 'Housing to 2040', which is the Scottish Governments long-term housing strategy. However, the action plan is largely (though not exclusively) focused on new supply, and the SPRS is mentioned only three times and briefly at that. Furthermore, a diagram of 'stakeholders with a key housing interest' in servicing 'remote, rural and island areas' does not include SPRS landlords.

Rural Local Authorities produce some useful rural housing data via Housing Need and Demand Assessments (HNDA's), which are undertaken to inform their Local Housing Strategies. Argyll and Bute Council have published a wide variety of insights including a Technical Paper focused on the SPRS[7] . Although the research tends to be quantitative in nature, it provides valuable context and for this reason, it is recommended that the documents are reviewed alongside this report.

Trade and third sector organisations also publish some literature on rural housing and the rural SPRS. However, they tend not to be landlord focused. For example, Argyll and Bute Citizens Advice Bureau (2022, p. 6) carried out a survey of tenants focused on 'better understanding of the challenges facing private sector renters in rural and island communities'. The report is an interesting companion to this report, which provides valuable context and alternative views.

In short, remarkably little is written about rural housing in Scotland from the perspective of rural landlords.

6 The removal of interest rate relief was designed to 'make the tax system fairer' (UK Revenue and Customs, 2017). It was introduced in the summer budget of 2015 and formalised in section 24 of the Finance (No2) Act 2015. The change was phased in over a period of four years commencing in 2017/2018, with the available deduction decreasing by 25% each year. In practice, the change impacted higher rate rather than lower rate tax payers, although some of the latter were pushed into higher tax bandings by the legislation.

7 See: Local Housing Strategy and Housing Need and Demand Assessment | Argyll and Bute Council (argyll-bute.gov.uk)

5 CONTEXTUALISING THE ARGYLL AND BUTE HOUSING EMERGENCY

The Scottish housing system has been long been described as being in crisis. The term has become so ubiquitous and devalued that a recent poll commissioned by the Scottish Federation of Housing Associations found that '80% of adults in Scotland say the country is currently experiencing a housing crisis'. Whilst the housing system faces serious cross tenure affordability, supply and quality challenges, this statistic overlooks the fact that a large proportion of adults in Scotland currently live in secure, settled and safe accommodation.

The 'housing crisis' is not unique to Scotland. Housing crises can also be found in the other constituent parts of the UK as well as in other geographies accustomed to neo liberal housing policies and dualist rental systems. American, Canadian and Australian media channels all routinely debate the housing crisis.

However, in Scotland some local authorities believe that the situation is so dire that they have elevated crisis to an emergency[8] . Whilst both terms are used to represent a dangerous situation, the word emergency adds a temporal element suggesting that the danger requires urgent action to be taken.

Argyll and Bute were the first Scottish local authority to declare a housing emergency on the 12th of June 2023, this was followed by Edinburgh on the 2nd of November 2023, Glasgow on the 30th November 2023, Fife on the 21st of March 2024 and West Dunbartonshire on the 1st of May 2024. The declarations are in effect, statements that the local authorities in these areas are unable to meet their housing obligations. At the time of writing, the Scottish Government had also recently declared a national housing emergency.

It has been over 100 years since Savage (1919) noted that the 'problem of rural housing is both an acute and an urgent one''. [9]And nearly 30 years since Chapman and Shucksmith (1996, p. 73) summed up the challenges of SPRS rural housing as follows:

> 'Rented housing was difficult to come by, and if in the private sector often of poor quality and at a high rent. These problems of access to affordable housing have been compounded by contemporary housing pressures such as the appeal of certain areas as tourist or retirement destinations, and for those rural areas within easy access of a city counterstream migration has added its own pressure on the local housing market. All of these aspects of rural housing have contributed to an increase in the levels of rural homelessness. This tends to manifest itself in concealed homelessness, with people living in caravans, winter lets, and in multi-generation households.'

This suggests that the problem is long standing and deep rooted, and leads to the obvious question, why now? The reasons are multifaceted, but in short, the challenges have become more acute, but also more numerous due to the current economic context. As the Argyll and Bute Council Team Lead on Housing Strategy summarises:

> 'In terms of the housing emergency, I think we've taken a whole housing market approach, that there are pressure points right across the housing market- not enough properties for sale; not enough private developers wanting to build for speculative sale… 29% increase in homelessness in 22/23, an 8% increase in the number of households on the social housing waiting list, and a… 20% increase, at least in construction costs.'

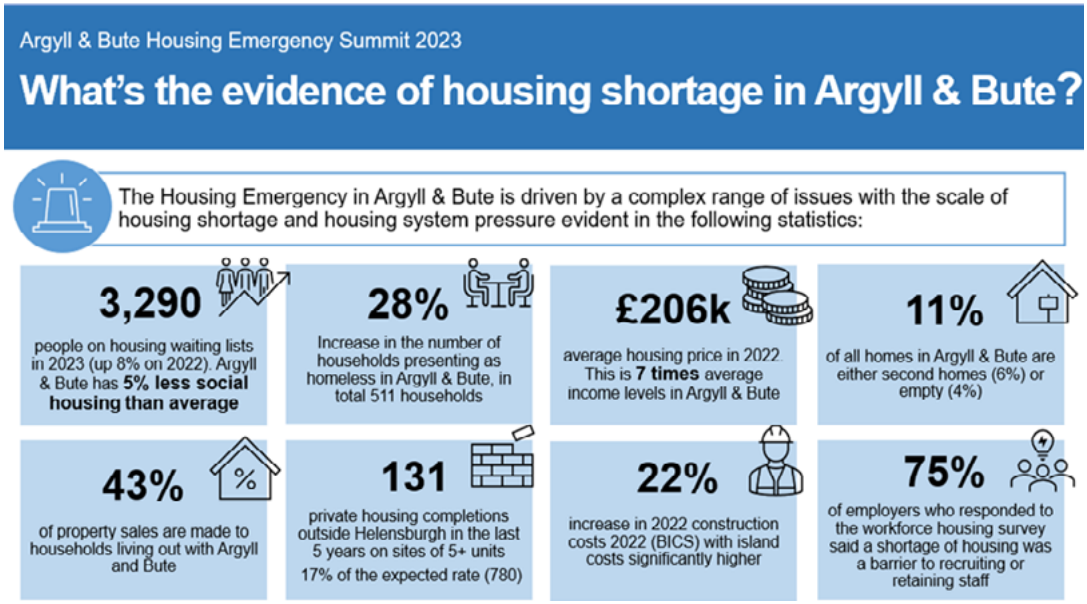
These and other drivers were summarised in the opening slide of the presentation used at the Argyll and Bute Housing Emergency Sumit (Figure 5.1), which took place in November 2023, and was attended by 'over ninety partners and stakeholders'[10] .

8 It is also the term used by Shelter, a charity that campaigns for tenant's rights. See https://scotland.shelter.org.uk/campaigning/what_is_the_housing_emergency

9 This book is set in an English rural context, but has some relevance to rural housing in Scotland.

10 https://www.argyll-bute.gov.uk/news/2023/nov/partners-pledge-tackle-housing-emergency

Figure 5.1: Housing Services Key Issues 2023- Housing emergency opening slide



Source: Housing Emergency Summit Report (February 2024)[11]

Prior to the summit, four workshop were carried out to ensure that the summit was 'focused purely on the need for action'. The workshops focused on four key themes (Figure 5.2).

Figure 5.2: Housing emergency summit themes

Source: Source: Housing Emergency Summit Report (February 2024)

The workshops considered 70 options for further action. Of these, just 2 related specifically to the SPRS (Table 5.1). This is surprising, given that the report acknowledges that the Argyll and Bute SPRS is 'shrinking'. The SPRS options were located in theme four 'making the best use of existing homes in Argyll and Bute'. Of these options, only one was selected (highlighted in green in Table 5.1). The option of setting up a model to encourage landlords to enter and remain in the sector was rejected, which is disappointing. As will be seen later in this report, there are many landlords who would benefit from such an approach. The in-scope proposal, to allow landlords to use the Rural & Islands Housing Fund to refurbish properties for the affordable housing market, may have merit, although further details are required.

11 Housing Emergency Summit Report (February 2024)- Advance copy issued to Housing Opinion on the 01/3/2024 by Douglas Whyte, Team Lead – Housing Strategy (Argyll and Bute Council

Table 5.1: Housing emergency summit workshop outputs

Workshop 4 Option List	In Scope	Out of Scope	Scoring rationale
Use Rural & Islands Housing Fund to enable PRS refurbishment with end use as affordable housing	IN	IN	Whilst some partners questioned providing funding to private landlords ('it should be their responsibility to carry out the work required'), the counter-argument suggests that we need to retain and support private landlords. The struggle to achieve national standards in older properties is forcing landlords leave the sector. Partners agreed for the need to lobby government to review the taxation framework for the PRS, as well as property standards.
Develop a coordinated advice, finance and support model to encourage PRS landlords to enter and remain in the sector	OUT	OUT	This option was assessed as out of scope for both Group 1 and 2. Partners noted that this option does not represent the real problem facing the PRS which is driven by the taxation framework for landlords and the condition and energy standards imposed on the sector by the Scottish Government. Landlords are struggling to achieve property standards given the current economics of the PRS.

Source: Arneil Johnston Argyll & Bute Council, Housing Emergency Summit Report, February 2024

More broadly, Argyll and Bute Council maintain that they are supportive of the SPRS in the context of the housing emergency:

> 'The private rented sector is a good option and always has been in our view in the area housing teams... I think that the private rented sector is key to resolving the housing situation that we're in… As a Council we are ready and willing to engage with private landlords… We absolutely recognize we need the private rented sector to be well functioning so that we can address the whole housing market situation.'
>
> *Argyll and Bute Council Team Lead on Housing Strategy*

As will be discussed later, there are a range of existing schemes within Argyll and Bute to support the sector, and the council hope that these will receive renewed interest and increased take up as a result of the housing emergency declaration. There is also some direct SPRS action mooted with funding being sought for an additional resource to part-support landlord liaison. It is also further hoped that parallel legislative developments in other areas of the housing system will indirectly support the SPRS. For example, the Argyll and Bute Council Team Lead on Housing Strategy believed that the licensing of short term lets and the introduction of 200% council charges for second homes might result in some properties finding their way 'back into principal use', either within the SPRS or owner occupation. Despite challenges in tracking such movements, there were reportedly some signs of this occurring:

> 'You would hope that since the short-term licensing came in there might be an increase in private landlords, but it might not be obvious because they may have been doing short term lets, but they might have already been a registered private landlord, So, it might not have as big a correlation as we would think. Anecdotally, through the health and social care empty homes project, we are starting to hear… that people are getting private rented properties… we had 3,4,5 health and social care people really desperate for housing in Oban and when we phoned them just before Christmas, they'd all found private lets. So, the signs are reasonable at the moment that people on the ground are accessing the private rented sector a bit more easily.'
>
> *Argyll and Bute Council Team Lead on Housing Strategy*

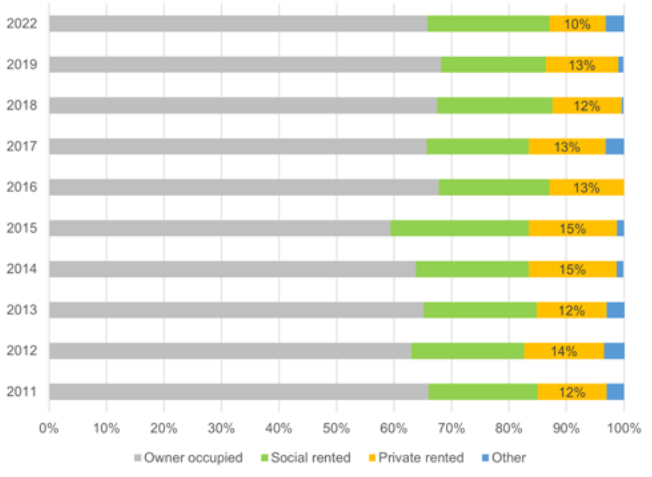
6 THE ARGYLL AND BUTE SPRS

The purpose of this section is to provide an overview of the Argyll and Bute SPRS.

6.1 Size of the Sector- Households

Using data from the 2022 Scottish Household Survey, Figure 6.1 details the percentage of Argyll and Bute households living in each primary tenure over the last decade. In that period between 10% and 15% of households lived in the SPRS. In comparison, survey estimates for the SPRS as a whole, ranged between 9% and 15%. In 2022, the most recent data available, 10% of households in Argyll and Bute lived within the SPRS (Scottish Government, 2023f), compared against a figure of 13% in Scotland as a whole (see Figure 6.2 and Figure 6.3).

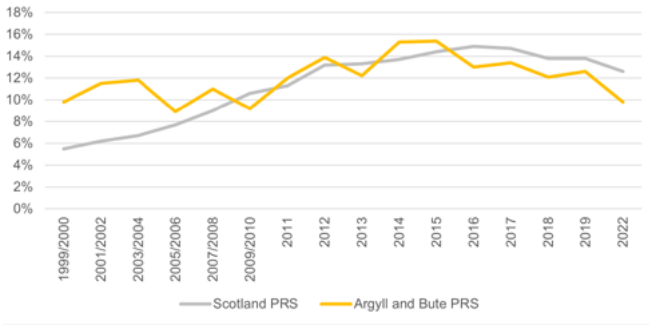
Figure 6.1: % of households by Tenure in Argyll and Bute



Source: Adapted from Scottish Government (2023f)

What is particularly interesting is that the percentage of households residing in the Argyll and Bute SPRS is at its lowest level in ten years. Looking at a longer time series and in a different format (Figure 6.2), it would appear that the SPRS has peaked in terms of the proportion of Scottish and Argyll and Bute households it services. However, it remains to be seen if the downward trend will be sustained.

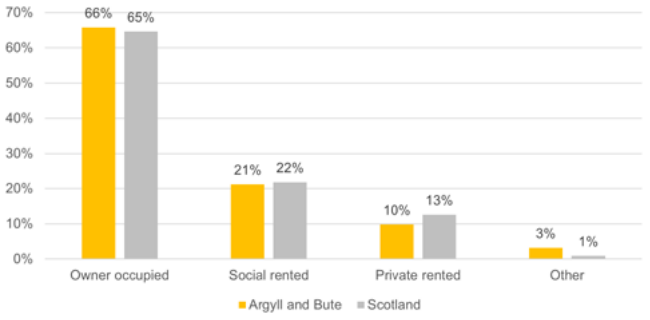
Bute



Source: Adapted from Scottish Government (2023f)

A focus on the 2022 data, reveals that the household tenure split across Argyll and Bute broadly matches that seen across Scotland as a whole (Figure 6.3).

Figure 6.3: Households by Tenure in Argyll and Bute Versus Scotland 2022



Source: Adapted from Scottish Government (2023f)

6.2 Size of the Sector- Landlords

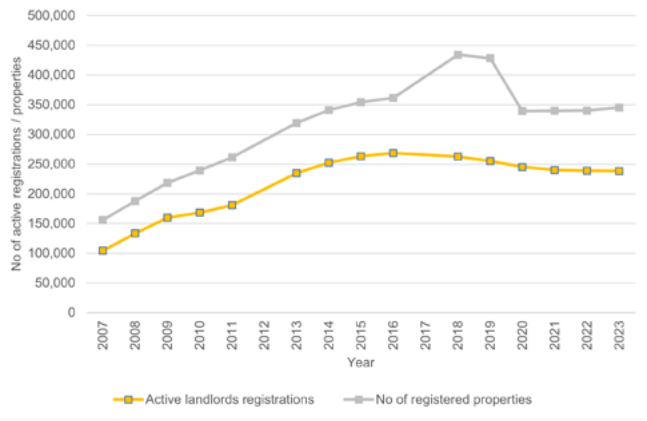
SPRS Landlords have had a legal obligation to apply for registration with their local authority since April 2006. The last aggregated Scottish data published suggested that there were 238,560 registered Landlords as at December, 2023 in Scotland. Data provided via a freedom of information request (FOI202400394493)[12] suggests that the sector may have also have peaked in terms of the number of active landlord registrations (see Figure 6.4) although this observation is subject to the caveats detailed in the subsection that follows[13] .

Figure 6.2: % of households by tenure in Argyll and

12 Details available on request.

13 It is worth reiterating that the Scottish Household survey reports that the number of households living in the SPRS reduced between 2017 and 2022 (Scottish Government, 2023g).

Figure 6.4: No of registered SPRS landlords and properties



Source: FOI202400394493 (2012 and 2017 data points smoothed as data not available)

As of the 29th of December 2023, there were 3,284 registered SPRS landlords within Argyll and Bute[14] . Assuming the aggregate figure is little changed[15] , this represents just over

1% of Scotland's registered landlords.

6.2.1 Data caveats

It should be noted that there are some peculiarities of the landlord registration system, which results in landlord statistics being less useful than might initially be imagined. The aggregated data provided via the FOI is heavily caveated as follows:

> '…the figures are taken from the Landlord Registration System, which is an administrative system used primarily to manage the registration of landlords and rental properties, and has not been designed to produce robust statistical figures on the sector. The figures presented should therefore be considered in the context of data quality issues; which include impacts from the changes to IT systems over time, a risk of duplicated data and data issues stemming from any potential lags in the provision of information by landlords on changes to circumstances to existing registrations.'

The latter is a result of the system running on a three-year registration cycle. Although landlords have an obligation to update local authority private landlord registration teams of changes to their landlord status, a failure to do so (as will be seen later) means that they continue to be registered at least until the end of their cycle.

There is a lack of parity between landlord and property numbers, which logically stems from the fact that a single registered landlord may own multiple properties, but it is also possible for single property to have multiple registered landlords. This is because the system requires everyone named on the properties title deeds to register. The person paying for the registration (both the local authority registration fee and property fee) is designated as the 'lead owner' and anyone else is a 'joint owner'.

It is also entirely possible for a registered landlords not to be associated with a registered property. In fact, there are currently 60 such cases in Argyll and Bute alone. One possible reason for this is that a landlord may have registered in anticipation of registering a property at a later date.

Data and system limitations also mean that although it is possible to ascertain that 96% of registered landlords in Argyll and Bute are located in the UK and 4% are located out with the UK, it is not possible to readily report upon (due to incomplete postcode data) which constituent parts of the UK the 96% live.

Despite this, and despite the Scottish Government itself advising caution in the use of the data for making longitudinal comparisons, policymakers continue to do so, most recently to refute claims that landlords are leaving the sector[16] .

6.3 Size of the Sector- Properties

The registered property data is perceived by practitioners to be slightly more robust, although the same data challenges persist. At time of writing, there were 4,520[17] properties registered in Argyll and Bute. The most recent aggregated data published by the Scottish government suggests that there were 345,214 registered SPRS properties in Scotland in December 2023. Using this figure, it is possible to estimate that the Argyll and Bute SPRS constitutes just over 1% of the SPRS. This is a remarkably low percent in light of the fact that Argyll and Bute covers 9% of Scotland's land area, and serves to highlight the low levels of housing density in rural locations.

The properties are distributed between Argyll and Bute's 9 Housing Market Areas (HMAs), which are detailed in Figure 6.5.

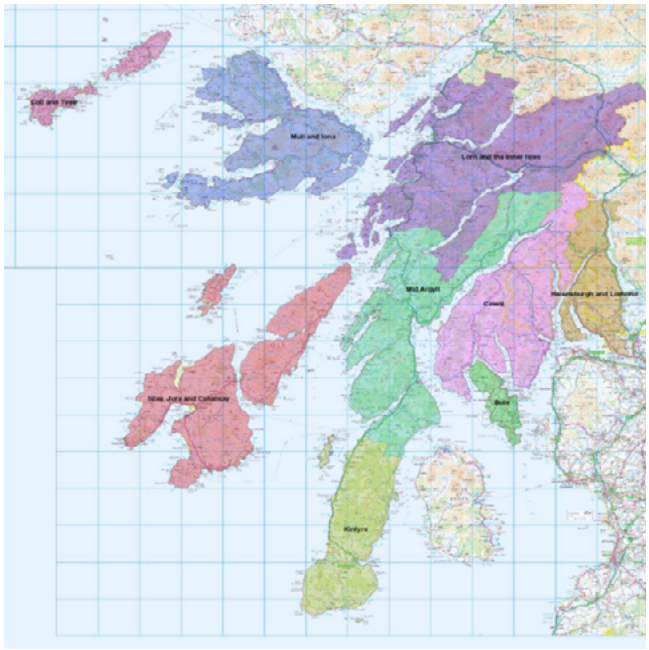
14 Source: Data extracted from the landlord accreditation system by Argyll and Bute Councils private landlord registration team.

15 This is by no means certain.

16 See https://www.gov.scot/publications/cost-living-tenant-protection-scotland-act-2022-2nd-proposed-extension-statement-reasons/pages/6/

17 Source: Data extracted from the landlord accreditation system by Argyll and Bute Councils private landlord registration team.

Figure 6.5: Argyll and Bute Housing Market Areas



Source: Argyll and Bute Council (2021a)

A housing market are can be defined as:

> '… a geographical space or territory within which people will search for housing and within which they are willing to move while maintaining their existing economic – e.g. employment – and social relationships (this thus excludes long distance migration associated with, for example, changed employment).'
>
> *(Argyll and Bute Council, 2021b, p. 3)*

More specific details on the characteristics of each HMA can be found in a 'Housing Need & Demand Assessment Technical Supporting Paper' published by Argyll and Bute Council (2021b). As can be seen in Table 6.1, the distribution is not evenly spread with almost two thirds (63%) of SPRS properties located in just three HMA's (Helensburgh and Lomond, Lorn and Cowal).

Table 6.1: Number of registered SPRS properties by housing market area

Housing Market Area	No of properties registered	% of properties registered per area
Helensburgh and Lomond	999	22%
Mull and Iona	196	4%
Islay Jura and Colonsay	200	4%
Lorn	1029	23%
Mid Argyll	462	10%
Coll and Tiree	31	1%
Cowal	809	18%
Kintyre	365	8%
Isle of Bute	429	9%
Totals	4520	100%

Source: Argyll and Bute Private Landlord Registration Team

A further peculiarity of the landlord registration system is that it 'does not collect historic records, with fresh data simply overwriting previous data' (Livingston et al., 2018, p. 16). This stymies the ability to make historical comparisons, unless the data has been preserved separately. Fortunately, some historic figures were available elsewhere (Arneil Johnston, 2020). While there are some anomalies in the data, it is the best source of information available.

Table 6.2: Property numbers by Housing Market Area

Housing Market Area	2012	2019	2020	2023
Helensburgh and Lomond	1104	1114	1227	999
Mull and Iona	217	233	261	196
Islay Jura and Colonsay	235	219	243	200
Lorn	915	1105	1280	1029
Mid Argyll	644	631	690	462
Coll and Tiree	43	42	50	31
Cowal	856	956	1046	809
Kintyre	414	397	476	365
Isle of Bute	465	498	549	429
Not allocated to an HMA	2	2	2	0
Total	4895	5197	5824	4520

Source: Arneil Johnston (2020) and Argyll and Bute Private Landlord Registration Team

The data (Table 6.2) suggests that there was a sizeable reduction in the number of SPRS properties registered in Argyll and Bute from 5,824 in 2020 to 4,520 in 2023, which appears to have largely gone under the radar. Whilst it might be expected that the reduction is simply a product of landlords leaving the sector, this is not necessarily the only reason. The private landlord registration team reports that data cleansing administration undertaken during pandemic

may have played a role. As the Environmental Health Manager (West) noted:

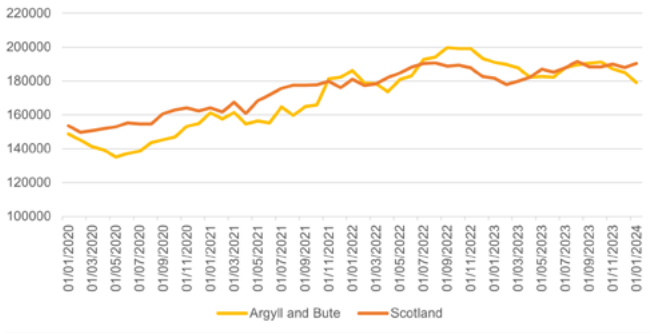
> 'I think if was roundabout 2020… when we went into lockdown… we had a bit more of a chance to look at the data we had in the system. So, where applications had expired… we were chasing up landlords to find out what happened... So, if they were no longer a landlord, then we would take them off the system completely.'

This has clear implications for the Housing Need and Demand Assessment (HNDA), and beyond, but is beyond the scope of this report. However, it does resonate with long running concerns regarding SPRS data availability and data quality.

6.4 Average House Prices

The average house price in Argyll and Bute in January 2024 was £179,189.00 against £190,328.00 for Scotland. As can be seen in Figure 6.6, prices in Argyll and Bute have ebbed and flowed against the average Scotland figure over the last four years, but have recently downturned.

Figure 6.6: Average house price (£)- Argyll and Bute Vs Scotland

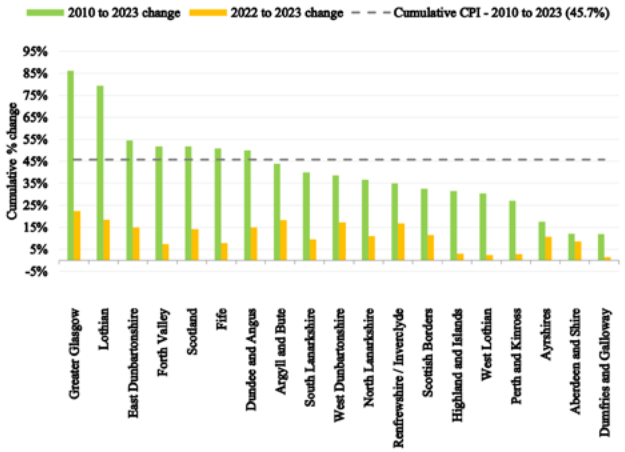


Source: Adapted from HM Landlord Registry (2024)

6.5 Average Rents by Broad Rental Market Area

Between 2010 and 2023 rents in Argyll and Bute have risen by less than the level of cumulative CPI over the same period[18] (Figure 6.7). However, the figure also shows that rental growth between 2022 and 2023, at 18.2%, is the 3rd highest in Scotland after Greater Glasgow and Lothian. It should be noted that these figures are heavily biased towards advertised rents at the expense existing tenancy rents, and it is likely that a large swathe of Argyll and Bute tenants are currently paying rents below these levels as explained below.

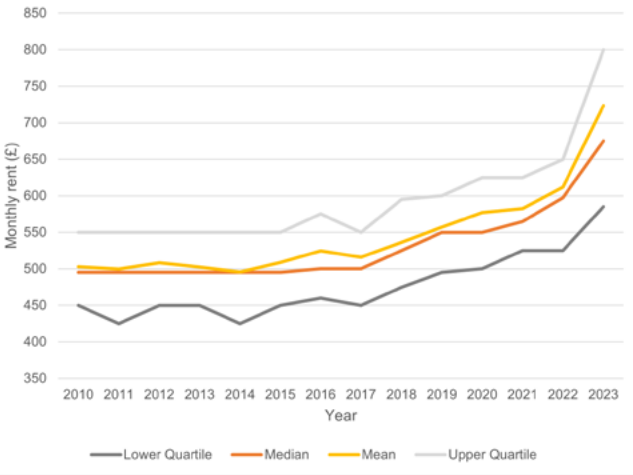
Figure 6.7: Average (mean) monthly rents for 2 bed properties by BRMA- Cumulative Changes 2010 to 2023



Source: Adapted from (Scottish Government, 2023c)

Although the rises, expressed as a percentage growth appear dramatic, it is possible to look in more detail at what the figures actually mean terms of pounds sterling. Again, focusing on 2-beds, Figure 6.8 highlights that the average (mean) rent was relatively stable in the ten years from 2010 to 2019, increasing from an average of £503 a month to £557 a month, and equating to a relatively modest increase of £54. However, in the five-year period from 2019 to 2023 the average rent increased from £557 a month to £723 a month, an increase of £166 a month. It is right that policymakers are worried, but it is clear that these are extraordinary time's part-fuelled by the impact of the pandemic and its inflationary hangover- the cost-of-living crisis. More broadly, 'supply has not kept up with demand' (Scottish Property Federation, 2023) with demographics, reduced churn levels and generally high levels of demand all contributing factors.

Figure 6.8: Average (mean) monthly rents for 2 bed properties in Argyll and Bute 2010 to 2023



Source: Scottish Government (2023b)

18 Based on 2 bed properties. The Argyll and Bute SPRS has a slightly higher incidence of large properties than in other locations, but 2 beds remain popular and is often used as a standard measure for the sector.

7 CONTEXTUALISING LANDLORDS- RURAL AND OTHERWISE

As noted earlier, a number of studies have shown that the vast majority of landlords are small scale private investors who tend to own a small number of properties each and operate on a part-time basis (Crook et al., 2009; Kemp & Rhodes, 1997; Watson & Bailey, 2021).

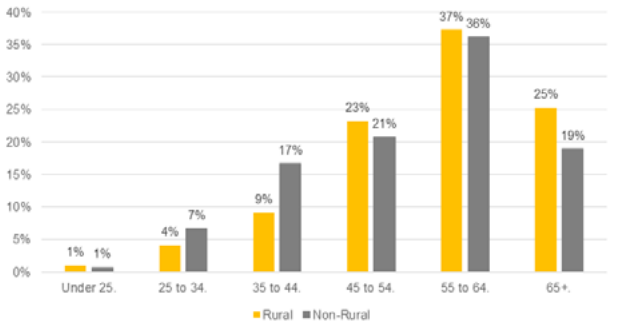
Whilst much is known about the overall characteristics and motivations of landlords both in Scotland and beyond (Crook et al., 2009; Kemp & Rhodes, 1997; Rugg & Rhodes, 2018; Scanlon & Whitehead, 2016; Watson & Bailey, 2021), very little is known about how landlords differ by the markets and submarkets they serve and until recently, nothing was known about landlord investment behaviours in the context of the neoclassical investment process (Watson, 2022). This is somewhat problematic as the SPRS is 'really an umbrella term for a series of distinct and segmented submarkets' (Gibb et al., 2019, p. 10). Therefore, how can we expect to understand the whole, if we don't understand the segments?

In order to partially address this data shortfall, it is possible to undertake analysis of secondary data obtained by Watson (2023), to identify if there are differences in the characteristics, motivations and investment behaviours of rural and non-rural landlords. To allow the analysis to be undertaken, a field was added to Watsons data set to denote if the landlords most recent SPRS property was located in a rural or non-rural geography.

7.1 Characteristics and Motivations

Looking first at landlord personal characteristics, rural landlords appear to be slightly older than non-rural landlords (Figure 7.1).

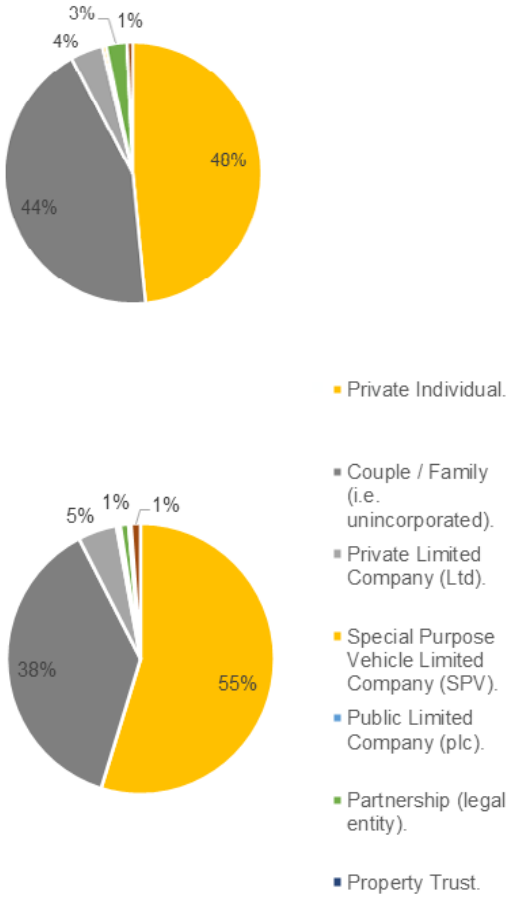
Figure 7.1: Landlord age by rural and non-rural categories



Source: Adapted from Watson (2023)

Looking next at characteristics in terms of landlord type, and the difference between rural and non-rural landlords is rather small (Figure 7.2). However, the data suggests that rural landlords are less likely to identify as private individuals and more likely to identify as couples/families. None the less, in both cases, 92% of landlords are private landlords as opposed to legals entities, such as limited companies.

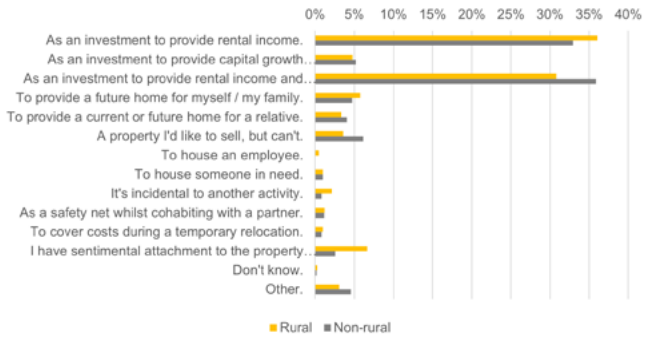
Figure 7.2: Landlord type by rural and non-rural categories



Source: Adapted from Watson (2023)

Finally, looking at landlord motivations, the data suggests some differences (Figure 7.3). However, a closer look at the data points to the vast majority of both rural and non-rural landlords having some form of investment motivation (72% and 74% respectively) albeit with different levels of focus on the importance of income versus capital. It is notable that fewer rural landlords viewed their SPRS holding as either a property to provide a current or future home to a relative, or as a property they would like to sell but can't. However, a higher number of rural landlords explained their SPRS holding by a sentimental attachment to a property they didn't want to sell.

Figure 7.3: Landlord motivation by rural and non-rural categories



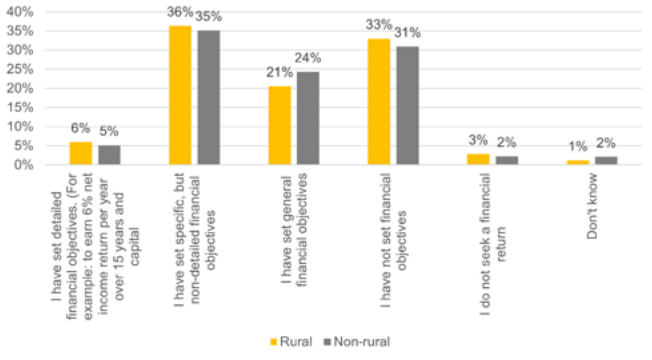
Source: Adapted from Watson (2023)

7.2 Landlord Investment Behaviours

As well as asking landlords questions about their characteristics and motivations, Watson (2023) also asked landlords a number of questions about their investment behaviours in relation to a synthesised three stage normative investment process. By selecting and comparing one question from each stage, it is possible to gain some insight into whether or not rural and non-rural landlords have differing investment behaviours.

The question selected from stage 1 (investment criteria) was 'To what extent to do landlords set investment objectives?' It is clear from Figure 7.4, that there is very little difference in the approach to objective setting adopted by either rural or non-rural landlords. In fact, in both instances, the majority (54% and 55% respectively) set only 'general financial objectives' or had not set objectives at all.

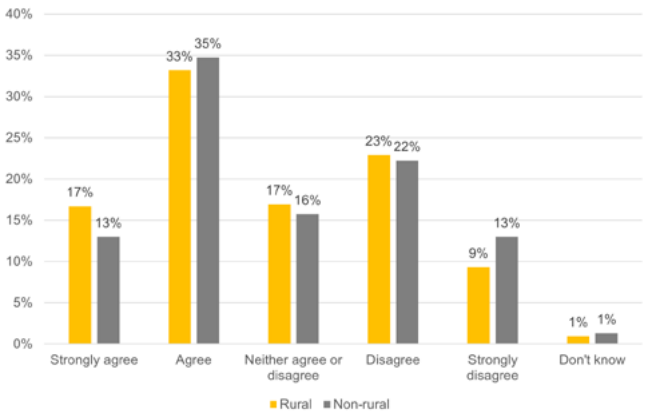
Figure 7.4: Landlord financial objective setting by rural and non-rural categories



Source: Adapted from Watson (2023)

The question selected from stage 2 (asset allocation and asset selection), was 'To what extent do landlords identify as owning an investment portfolio?' As can be seen in Figure 7.5, there was very little difference between rural and non-rural landlords.

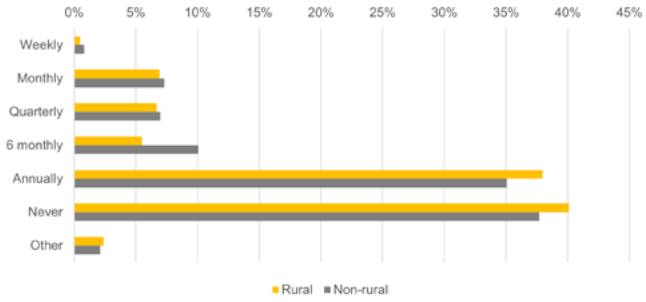
Figure 7.5: % of landlords identifying as owning an investment portfolio by rural and non-rural categories



Source: Adapted from Watson (2023)

The question selected from stage 3 (investment monitoring, management & divestment) was 'How often do landlords compare the performance if their SPRS investment?' Again, the difference in the approach between rural and non-rural landlords was very small (Figure 7.6).

Figure 7.6: Frequency at which landlords compare investment performance by rural and non-rural categories

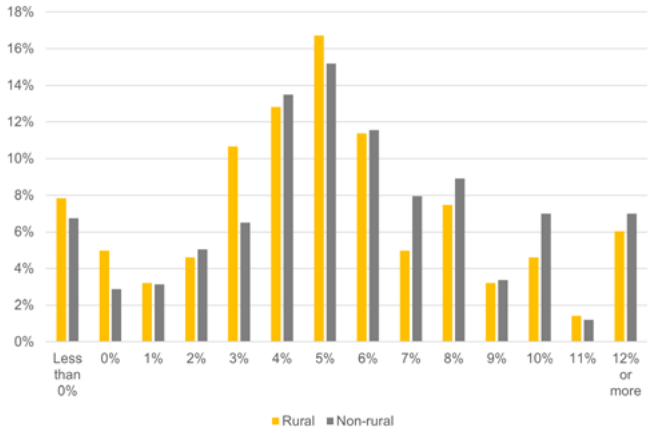


Source: Adapted from Watson (2023)

7.3 Landlord Investment Returns

Utilising the same dataset, it is possible to report returns (net yield) for both rural and non-rural landlords. Figure 7.7 highlights that return distributions are similar for both categories of landlord. However, whereas 39% of rural landlords achieved a return of 6% or more, the figure was 47% for non-rural landlords, suggesting that rural landlordism, at least measured by net yield, is less profitable than non-rural landlordism.

Figure 7.7: Net Yield



Source: Adapted from Watson (2023)

7.4 Are the Differences Between Rural and Non-rural Landlords Statistically Significant?

A Chi-Square test of independence was undertaken for each of the comparisons detailed in this section to identify if any of the differences between the categories were statistically significant. However, with the exception of 'age grouping' and 'landlord motivation', no statistically significant differences were found between rural and non-rural landlords[19] . So, whilst landlords may be a heterogenous group, the evidence suggests that with regards characteristics, motivations and investment behaviours, rural and non-rural landlords are more alike than different. However, as will be seen later, there are some areas in which Argyll and Bute landlords appear to differ (see Section 9).

19 It is important to caveat that there are ongoing debates regarding the interpretation of statistical significance and non-significance. See for example McShane et al. (2019).

8 METHODOLOGY

8.1 Argyll and Bute as a Rural Case Study

This report was commissioned by Argyll and Bute Citizens Advice Bureau with the support of Citizens Advice Scotland and Argyll and Bute Council. As such, Argyll and Bute was selected as the locus of the research.The research is not intended to be representative of rural communities beyond Argyll and Bute, although in light of shared challenges, it is likely that the findings will have some resonance in other areas, particularly within Scotland.

8.2 Methods

The research was couched in the philosophy of pragmatism. The research design process led to the selection of a sequential mixed methods design comprising quantitative and qualitative stages. The quantitative stage adopted an online survey for speed and efficiency. 'Smart Survey' software was utilised to create and host the survey. Access to the survey was via a URL, which was issued to registered landlords by the Argyll and Bute Council private landlord registration team. Reponses were downloaded and analysed using SPSS. The qualitative stage adopted semi-structured interviews to follow up key themes identified by the online survey. Recruitment for the semi-structured interviews was via the online survey, which offered landlords the opportunity to register for participation.

Interviews were undertaken via both Teams and Zoom. Interviews were recorded and transcribed. Thematic analysis was undertaken focused on key sections of the survey as well as emergent themes. Where quotations are included from the online survey, they are suffixed 'survey participant'. Quotations drawn from the semi-structured interviews are anonymised and attributed to a pseudonym. At the request of Argyll and Bute Citizens Bureau, expletives have been removed and have been replaced with '[expletive]'.

Ethical considerations and approvals were managed through the University of Glasgow's ethics system.

8.3 Target Population and Achieved Sample

At the time of the research, there were 3,284 registered SPRS landlords and 4,520 registered SPRS properties in Argyll and Bute[20] . The survey received 357 responses. Duplicates and erroneous entries were removed resulting in 346 valid responses. This represents a response rate of 10.5% of registered landlords. In total, the sample owned 527 registered properties within Argyll and Bute equating to 11.7% of Argyll and Bute SPRS stock.

20 Data provided by Argyll and Bute Councils Private Landlord Registration Team

In total, 90 survey participants expressed a desire to participate in a follow-up interview. Initially, interview batches were selected to include a diverse range of landlords in terms of their personal characteristics, survey response characteristics, SPRS holdings and geographic location. However, take up varied and final selection was driven by timescales and participant availability. The resultant sample remained diverse, consisting of landlords from a variety of backgrounds and geographies, with differing portfolios containing a range of housing types. Several participants had experience of being a landlord in geographies beyond Scotland as well as knowledge of owner occupation, short term lets and/or second home markets. The research also benefited from a number of the interviewees being active in their communities or having previously worked in or around housing.

In addition, interviews were also undertaken with the Team Lead for Housing Strategy, the Environmental Health Manager (West) and the Regulatory Services Officer, all based at Argyll and Bute Council. The Team Lead has a broad remit, including leading on the delivery of housing need and demand assessments and the creation of the local housing strategy. The Environmental Health Manager (West) now manages the Environmental Health team in the west of the region, but previously led the private landlord registration team, having helped setup the system within Argyll and Bute. The Regulatory Services Officer is relatively new to Argyll and Bute Council, and has day to day responsibility for the operation of the private landlord registration team. Between them, they have an extensive knowledge of the Argyll and Bute SPRS.

8.4 Confidence Intervals

Given a survey sample size of 346 landlords, confidence intervals will be at most +/- 1.6% (assuming a 95% confidence and an estimated proportion of 50%) although this should be treated as an indication of the minimum levels of uncertainty in the results.

8.5 Geographic Representativeness and Weighting

To evaluate the extent to which the survey sample can be considered representative of the target population, it is possible to evaluate the geographic coverage of the sample. In Table 8.1, the known distribution of registered SPRS properties by HMA is compared with the location of the respondents most recent SPRS property. On this measure, the sample has a degree of over representation in some areas and under representation in others. The dataset was therefore weighted (column D) to correct for this geographic imbalance. Weighted data is used throughout this report.

Table 8.1: Response weighting

Column A	Column B	Column C	Column D
Housing Market Area	% Survey Response	% Registered Properties	Weighting
Helensburgh and Lomond	21.7%	22.1%	1.020
Mull and Iona	6.1%	4.3%	0.710
Islay Jura and Colonsay	4.0%	4.4%	1.110
Lorn	21.4%	22.8%	1.060
Mid Argyll	15.3%	10.2%	0.670
Coll and Tiree	0.6%	0.7%	1.140
Cowal	19.7%	17.9%	0.910
Kintyre	4.6%	8.1%	1.760
Isle of Bute	6.6%	9.5%	1.440

(n=346)

It is possible to gain further insights into the representativeness of the weighted sample by comparing key landlord and property characteristics of the sample with previous surveys of the SPRS.

As can be seen in Table 8.2, the vast majority of respondents were white (91%), with the majority identifying as 'White Scottish' (73%). The former mirrors Watson (2023) (91%) and reflects changes that have occurred since Crooks (2009) earlier study (95%). The findings also align with findings of the Scottish Household survey (89%) (Scottish Government, 2020), though minority ethnic groups appear to be under-represented.

Table 8.2: Ethnicity

Ethnicity	% of landlords
White Scottish	67
White other British	23
White Irish	1
Other white	2
Mixed ethnic	1
Asian or Asian Scottish or other Asian British	1
Black or Black Scottish or Black British	0
Chinese or Scottish Chinese or British Chinese	0
Other ethnic group	0
Prefer not to say	5

(n=346)

As can be seen in Table 8.3, the majority of landlords fall within the individual or couple landlord type (91%) which is closely aligned with the samples obtained in recent Scottish studies.

This clearly suggests that despite some progress in attracting Built to Rent (BTR) investment (Boyle, 2020), the SPRS remains a cottage industry dominated by private investors.

Table 8.3: Landlord types

Type of landlord	Survey Sample	Watson (2023)	Watson and Bailey (2021)	Crook et al. (2009)
	%	%	%	%
Individual or couple	91	92	90	84
Company, partnership or property trust	9	7	9	14
Institution/ other	0	1	1	2
Sample size (N=)	346	1054	1734	1546

In terms of their overall SPRS portfolio size, as opposed to the size of their Argyll and Bute Portfolio) (Table 8.4), the vast majority of landlords own between 1 and 4 SPRS properties (92%). This is similar to recent studies including Watson (2023) and Watson and Bailey (2021), who reported 84% and 83% respectively. However, a higher proportion of landlords in the sample owned just one property than in recent studies and a lower proportion owned properties in the remaining two categories. It is not clear if this a difference in the holdings of rural landlords or, as evidence suggests[21] , that recent surveys tend to underweight the proportion of landlords that own one property. Either way, this suggests an area for further study.

Overall, the landlord and property characteristics data provides some reassurance regarding the representativeness of the sample.

Table 8.4: No of properties owned

Number of Properties	Survey sample (Properties Owned in Scotland	Watson (2023)	Watson and Bailey (202)	Crook et al. (2009)
	(%)	(%)	(%)	(%)
1	61	46	48	39
2 to 4	31	38	35	34
5 or more	7	16	17	26
Prefer not to say	1	-	-	-
Sample size (N=)	346	1054	1734	1546

21 The Scottish Parliamentary Corporate Body (2020) report that 94% of all registered landlords own just one property

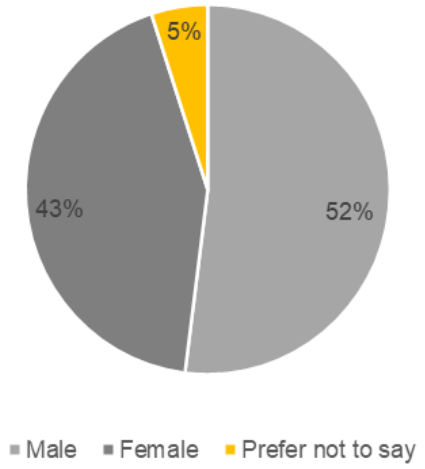
9 THE CHARACTERISTICS OF ARGYLL AND BUTE LANDLORDS & THEIR INVESTMENTS

This section provides a brief overview of the characteristics of Argyll and Bute landlords and their SPRS portfolios.

9.1 Sex and Relationship Status

The majority of landlords in Argyll and Bute are male (52%) (Figure 9.1). This largely matches the proportion found by (Crook et al., 2009) (52% male and 42% female) but differs from (Watson, 2023) (55% female and 44% male). One explanation for the discrepancy is that 36% of the sample comprised of couples/families and so the findings will be impacted in those cases by the sex of the person who elects to complete the survey.

Figure 9.1: Landlord sex



(n=346)

The majority of respondents were in a relationship (73%) with 66% being married (Table 9.1). Again, this mirrors the proportion in Watsons (2023) sample (78% and 65% respectively). Interestingly in the single category, 56% were male, in the divorced category, 63% were female and in the widower category, 90% were female. As also found in Watson (2023), the preponderance of woman in the divorced and widower categories points to the important role the SPRS plays in welfare provision for woman.

Table 9.1: Landlord relationship status

Relationship status	% of landlords
Single	10
Married	66
Civil partnership	2
Divorced	5
Widowed	6
Co-habiting	5
Other/Prefer Not to Say	5

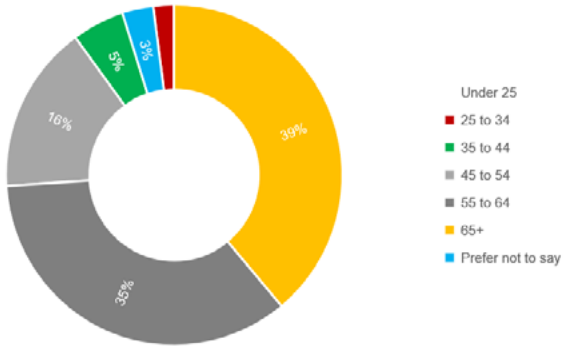
(n=346)

9.2 Age

Around 39% of landlords in Argyll and Bute are aged 65 or older. This is higher than the 21% observed by Watson (2023), although this may be partially explained by the population of Argyll and Bute having a higher proportion of over 65's (27%) than the Scottish average (20%) (Scottish Government, 2023e). Furthermore, when Watson's data is analysed further, it suggests that rural landlords tend to be a degree older than non-rural landlords.

Fully 90% of Argyll and Bute landlords are 45 or older (Figure 9.2) compared to 80% reported by Watson (2023). Given that the figure in Crook et al. (2009) is 65%, it would appear that Scottish landlords are an ageing group[22] . This has a number of implications, although it underpins the importance of encouraging younger landlords into the sector as existing landlords age out.

Figure 9.2: Landlord age group



(n=346)

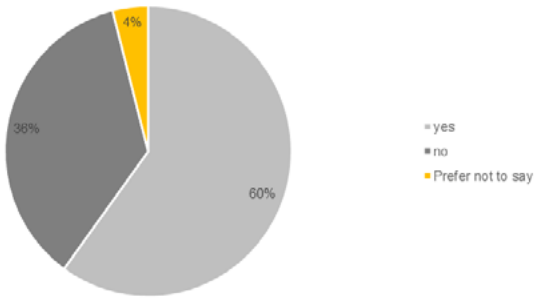
9.3 Home Location of Landlords

The location of many SPRS investments is circumstantial, for example, where a property was inherited or was previously the landlord's residence. However, it has been known for some time that landlords often choose to invest in properties in close geographically proximity to their homes. In fact, on average, around 63% of Scottish landlords own SPRS properties in the local authority area in which they live (Watson, 2023). For some, this is seen as a risk mitigation exercise (Crook et al., 2012; Watson, 2023). Landlords living in close proximity to an investment are likely to accrue some benefits borne for example, from an understanding of local areas and markets. However, house prices and rental yields are not equal across Scotland and this means that for some, such benefits may come at a cost.

22 This lends some credence to Ronald and Kadi's assertion that those aged between 40 and 60 in 2017, represent a 'super cohort' (2017, p. 793) of landlords.

Interestingly, 60% of landlords in the sample reported that they lived within Argyll and Bute (Figure 9.3), and this proportion is in line with the Scottish average (Watson, 2023). However, given that improved yields and capital growth is available elsewhere, combined with the perceived enhanced challenges of rural landlordism, this calls into question the rationality of Argyll and Bute landlord investment decisions. Of course, not all SPRS decision are based upon maximisation.

Figure 9.3: % of landlords with a home location in Argyll and Bute



(n=346)

9.4 Portfolio Size

Overall participant portfolio size was reported earlier. In Table 9.2, this figure is contrasted with their Argyll and Bute portfolio. As can be seen, the vast majority (71%) own just one property in Argyll and Bute.

Table 9.2: Scottish and Argyll and Bute portfolio sizes

Number of Properties	Survey Sample (Argyll & Bute Only)	Survey sample (Scotland)
	%	(%)
1	71	61
2 to 4	24	31
5 or more	4	7
Prefer Not to Say	1	1

(n=346)

9.5 Purpose of SPRS Holding

Around 50% of landlords in Argyll and Bute have an investment motive. This is considerably less than the 73% found elsewhere (Table 9.3). However, Argyll and Bute has a higher incidence of landlords who intend their SPRS investment to provide a future home for themselves or their family (12%). Furthermore, a surprisingly large number acquired/retained the property due to a sentimental attachment to their property (11%) (as is the case with rural landlords in general), and a relatively high number were motivated by altruism, with 4% entering the market to house someone in need. Less surprising, given the rural nature of the study, is the observation that 3% were landlords in order to house an employee.

Table 9.3: Reason for deciding to acquire/retain property in the SPRS

Reason	Survey Sample	(Watson, 2023)
	(%)	(%)
As an investment to provide rental income.	27	34
As an investment to provide capital growth (house price increase).	3	5
As an investment to provide rental income and capital growth.	20	34
To provide a future home for myself/ my family.	12	5
To provide a current or future home for a relative.	3	4
A property I'd like to sell, but can't.	4	5
To house an employee.	3	0
To house someone in need.	4	1
It's incidental to another activity.	3	1
To cover costs during a temporary relocation.	1	1
I have sentimental attachment to the property and don't want to sell it.	11	4
Don't know.	1	0
Other.	9	5

(n=346)

9.6 How the Property Was Obtained

A higher proportion of landlords in our sample had acquired their SPRS investment via cash (40%) (Table 9.4) than in two recent Scotland wide studies (32% and 34% respectively). Conversely, a lower percentage (37%) had acquired the property with a loan or a mortgage. In one regard, this is fortunate. The number of Buy-to-Let (BTL) products on the market has reduced and rates on remaining products have risen (Sagar, 2023) making new products and remortgaging more expensive. Furthermore, the repeal of interest rate relief and recent bank rate increases has undoubtably made SPRS investment more precarious/risky for mortgaged landlords. The reduced cashflows received by encumbered landlords may have implications for the ability to the investment pay for itself, especially in terms of maintenance and compliance costs. Therefore, a larger population of unencumbered landlords means that fewer will have mortgage related cost increases to pass on. This has clear implications for tenants who appear to face a cost lottery based upon their landlord's encumbered status, although in reality, market rents tend to aggregate upwards overall.

Table 9.4: How landlords obtained their more recent SPRS property

Method	Survey Sample	Watson (2023)	Watson and Bailey (2021)	Crook et al. (2009)
	(%)	(%)	(%)	(%)
Bought it with cash.	40	32	34	19
Bought it with a loan/ mortgage.	37	59	56	61
Inherited it.	13	5	7	14
Received it as a gift.	2	1	1	-
Rent it from another landlord.	0	0	-	-
Acquired it as part of another transaction.	3	1	1	-
Built it.	1	2	1	-
Acquired it some other way.	4	1	1	6

(n=346)

9.7 Nature of Landlordism

The vast majority of landlords (92%) in this survey identify as 'part time' landlords and most (69%) viewed their most recent SPRS acquisition as an investment. The former again compares favourably against Crook et al. (2009) who reported 92% and 72% respectively.

9.8 Investment Performance (Net Yield)

Landlords were asked to estimate the current net yield, a measure of investment return, for their most recently acquired property. Whilst the net yield does not take into account capital growth (if any) resulting from house prices increases, it is an important measure of investment performance, particularly for those seeking a rental return. It is concerning that 16% of landlords made no return or in fact lost money on their investment (9%) (Table 9.5). Although this may be partially explained by the high instance of altruism noted earlier, or the provision of housing to employees, 6% of those whose stated investment purpose was to secure a rental income reported a net yield of 0% or less. This raises questions regarding the viability of some SPRS investments in Argyll and Bute and critically, the ability of landlords to fund maintenance and compliance costs from investment cash flows.

Overall, the majority of landlords (55%) reported a net return of 5% or less and over one third (36%) made 3% or less. Whilst low-digit returns may have been attractive during the recent prolonged period of low interest rates, market leading savings accounts now pay in excess of 5% and offer a much lower level of risk. More concerning yet are the 24% of landlords who do not know the net yield being generated by their SPRS property.

Table 9.5: Landlord returns (net yield)

Net Yield	% of Landlords
0% or less	16
1-5%	39
6-10%	11
More than 10%	2
Don't Know	24
Prefer Not to Say	8

(n=346)

Given these return levels, it is not surprising that during interview, landlords balked at suggestions that they were 'coining it in'. As Jean stated:

> 'One of the things that is quite irritating when you read on the news, and all that kind of thing, that all these landlords are making huge amounts of money. No, we're not. You know our return on our investment was better than putting the money into the bank or building society when we started. Now the interest rates are higher. We're now reaching the stage where it would be better in the bank or building society.'

Jean is just one of many landlords who compared their returns to prevailing bank interest rates and found them wanting. In fact, 55% of returns are below best fixed rate savings accounts (40% in Watson (2023)), which currently pay in excess of 5% per annum (Money Saving Expert, 2024). The limited comparison of SPRS returns with bank interest rates was also found to be prevalent in a Scotland wide study (Watson, 2023). As mentioned, high interest rates have wider implications such as increasing costs for encumbered landlords and making leveraged market entry less attractive.

Several landlords noted their investment no longer stacked up, due the cumulative effects of inflation and the cost of complying with legislation and ensuring the property was effectively maintained. For example, Jack and Linda reasoned:

> 'The cost of living is up; the trade prices are up. So, it's a knock-on effect. It's at the stage now where… the profits in this business are no longer there. It's just hassle.'

Peggy noted:

'I think at the moment, and this is no news to anybody. The cost of being a landlord is outweighing, when I say the benefit, I shouldn't moan, cause we're very fortunate, but we're on the brink of tipping over into losing money rather than even staying even… it's not an investment anymore, which is very sad, actually.'

Steve was in a similar position and also pointed to better returns being available at the bank:

'I use the term invest, but it it's got to stage now where it's not really an investment, you know. We'd have lost a lot less money if we put it in shares or stuck it in the building society.'

He also more generally commented on the sufficiency of returns:

'Certainly. I don't think that 4% return is actually adequate… for investment like that, we are taking a certain amount of risk....'

He went on:

'We're certainly now at the stage where our wealth is diminishing rather than increasing. And that that's because of the changing economics of the private rental sector.'

Given prevalent economic conditions, Colin perceived that current SPRS investment viability would pose a larger problem for new market entrants:

'For me, it's not less viable, for someone else coming into the business I think it's very, very tight. I think it's very, very tight as I was saying earlier. If I was trying to buy properties just now… it wouldn't be worth my while. I couldn't get income for the property down here to make it viable. At best, I could only make about 4%. I could make 6% by putting in the bank.'

Of course, landlords have very different level of financial resilience (Watson & Bailey, 2021) and very different return expectations (Watson, 2023) with some interviewees being happy for the investment to 'tick over'. In addition, some interviewees were in the fortunate position of having inherited properties. Moreover, in some cases, landlord motives were based on altruism rather than profit.

'No, I mean, it absolutely doesn't stack up and so you do not do it for income reasons. You know, it's not a sensible thing to do for income reasons. So, we're not doing it for income reasons. We can afford to do it.'

(Ross)

In line with Watson (2023), some landlords had actually overestimated their return. During interview, Jack and Linda provided an initial estimate, but a lower estimate post interview. In a further example, Elaine noted:

'I've always assumed vaguely that the return would be like 6% or something, 6 or 7%. And it didn't seem, it didn't seem to be once I'd written all the figures, it was a bit less than that.'

With returns levels as there were, some landlords regretted investing in the SPRS and wouldn't a second time around. Jean concludes:

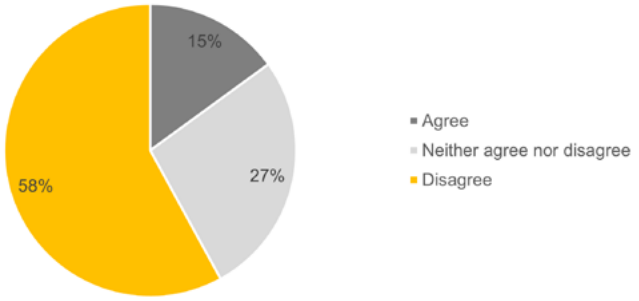
'From a long-range point of view? I suspect we wouldn't [invest in the SPRS] you know, it seemed, it seems like a good idea. The idea was that we would get a reasonable income, and there'd be a little bit of capital growth. But I don't, I think now, if we were turning the clock back, but knowing what we know now, I don't think we'd bother.'

10 THE POLICY & LEGISLATIVE ENVIRONMENT

10.1 Is the Legislative Environment Balanced and Investment Friendly?

As noted, the SPRS legislative environment is complex and shifting. Landlord perceptions of the SPRS legislative environment have a significant bearing on the stability of investment patterns within the sector. There is no shortage of anecdotal evidence that landlords are frustrated by the legislative environment and a smattering of research based evidence (Evans et al., 2022; Watson & Bailey, 2021). To expand upon this work, the survey asked landlords if the current legislative environment balanced the needs of landlords and tenants. The majority (58%) disagreed, with just 15% agreeing (Figure 10.1). It was unexpected that so many landlords would be undecided (27% neither agreed nor disagreed), although this could be explained in some cases by low levels of legislative knowledge and/or the use of letting agents as legislative intermediaries.

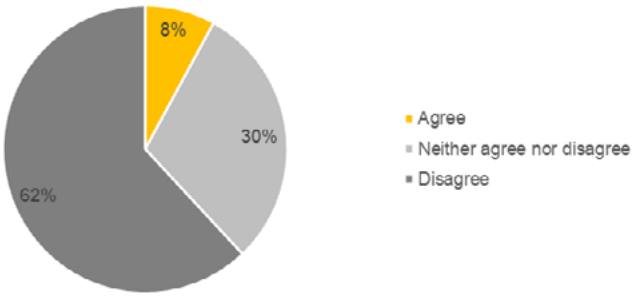
Figure 10.1: % of landlords agreeing that the current legislative environment balances the needs of landlords and tenants



(n=346)

Landlords were also asked the extent to which they agreed that the current legislative environment supports SPRS investment. The results are similar, although a higher percentage of landlords disagreed (62%) and a lower percentage agreed (8%) (Figure 10.2). It is clear that the majority of landlords have some concerns regarding the balance of legislation and its impact on the sectors investment attractiveness. These concerns will be discussed in more detail later.

Figure 10.2: % of landlords agreeing that the current legislative environment supports SPRS investment



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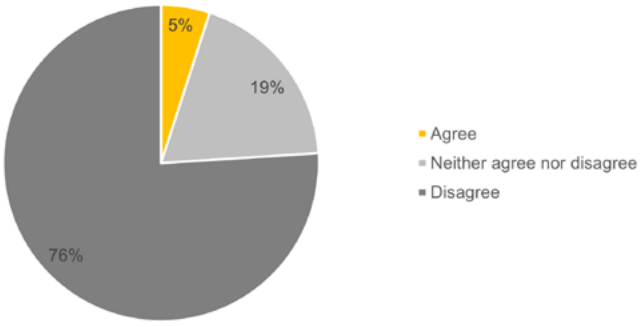
10.2 Do Policymakers Understand and Support Scotland's Rural SPRS?

The literature provides evidence that the Scottish Government 'does not fully understand the sector' (Watson & Bailey, 2021, p. 43). To investigate this claim more thoroughly and specifically, within a rural context, landlords were asked if the Scottish Government understood the challenges faced by rural landlords. Landlords were less unequivocal here with over three quarters (76%) disagreeing (Figure 10.3).

Figure 10.3: % of landlords agreeing that the Scottish Government understands the challenges faced by rural landlords



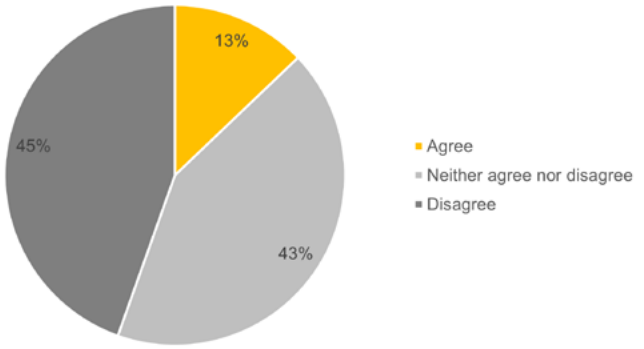
(n=346)

The same question was also posed with a focus on Argyll and Bute Council. While, Argyll and Bute Council can take some comfort from scoring better than the Scottish Government, the findings are worse than might be expected of the rural authority.

Specifically, 13% of landlords (Figure 10.4) agreed that Argyll and Bute Council understood the challenges faced by rural landlords (against 5% for the Scottish Government). However, a large minority disagreed (45%) and 43% of landlords neither agreed nor disagreed. It is worth noting that the Argyll and Bute Council employees who took part in this research acknowledged the important role played by the SPRS within

Argyll and Bute. Furthermore, as evidenced through their support for this independent research, the council have demonstrated that they are receptive to learning more about the challenges faced by rural landlords in Argyll and Bute.

Figure 10.4: % of landlords agreeing that Argyll and Bute Council understand the challenges faced by rural landlords



(n=346)

These findings are important as during interview, a number of landlords expressed the view that rural and island life, and therefore rural and island landlordism, was different than in urban areas. Kenny summarised the feeling from an island perspective:

> 'And I don't think, you know, I'm really not trying to make a special plea for the islands, but I am saying it's very difficult for people in Edinburgh and Glasgow to understand how different things are here on the islands. I think Argyll and Bute Council get closer to understanding how different things are on the islands.'

If landlords are correct and there is indeed an overall deficit in understanding, there is a requirement for Local and Scottish Government to consider actions to address the shortfall. Later in this report, opportunities are presented, which provide helpful and practical steps to respond to landlord views and concerns.

10.3 The Impact of Legislation

The SPRS legislative environment has been in flux for two decades, with a period of significant sustained change emerging over the last decade. However, despite the effort and costs associated with implementing new legislation, there is a notable lack of evaluation and monitoring of legislative impacts and outcomes both generally and with regards specific markets or geographies. For example, in 2018, Livingston et al. (2018) found gaps in a number of areas including in the evaluation of the landlord registration scheme, which went live in 2006.

One method for providing some indication of the impact of legislation, in a rural context, is to ask rural landlords what legislative changes have had the biggest overall impact upon them. Choosing from a list comprising of substantial areas of reform including the introduction of the Private Residential Tenancy (PRT), the landlord registration system, the EPC system, the rent cap, the First-Tier Tribunal (Housing and Property Chamber), the tenancy deposit protection schemes and Section 24, amongst others, landlords were asked to rank which had the biggest overall impact upon them. The three top ranked changes measured via the lowest mean score are detailed in Table 10.1.

Table 10.1: The existing legislation that's had the largest impact on rural landlords

Legislation	Mean
The replacement of the Short-Assured Tenancy regime (SATs) with the Private Residential Tenancy (PRT).	3.59
The introduction of the landlord registration scheme.	3.66
The introduction of Energy Performance Certificates (EPC's).	4.46

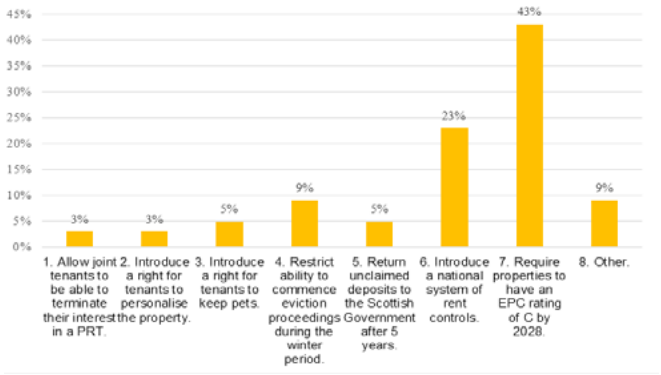
(n=346)

It is unsurprising that the PRT is ranked first. Introduced in 2017, the PRT differed from the Short-Assured Tenancy (SAT) regime it replaced in a number of ways. Critically, the PRT no longer allowed for the creation of fixed term tenancies and thus removed the ability of landlords to serve notice the end of this period. Neither is it surprising that the introduction of landlord registration in 2006 was highly ranked. In many regards, the introduction of landlord registration represents a watershed moment for sector as it marked the beginning of a period of prolonged legislative change. It may be surprising to some that the introduction of EPC's scored so highly, however, as will be seen in the next Section and also in Section 15.4, EPC's continue to be a major concern for rural landlords.

10.4 Concerns Regarding Future Legislation

As noted earlier (see Section 4.3), further legislative change is planned for sector. To account for some of the proposed changes, the survey asked landlords to select from a list, which pieces of proposed/forthcoming legislation concerned them most (Figure 10.5).

Figure 10.5: The proposed/forthcoming legislation that most concerns rural landlords



(n=346)

The introduction of a national system of rent controls is a concern for almost a quarter of landlords (23%) and will be explored in more detail in Section 15.

However, the requirement to have an EPC rating of C by 2028 was by far the single largest concern, selected by 43% of landlords. It should be noted that the Scottish Government's proposals in this area are currently subject to consultation. Again, this will be discussed in more detail in Section 15.

Around 9% of landlords selected 'other'. A handful of these landlords reported that they did not see any issue with the additional legislation proposed. In fact, one survey participant suggested that they all appeared to be 'sensible measures'.

A few noted that they were concerned by all of the proposed/forthcoming legislation, with one noting:

> 'All of the above. It is draconian legislation which is out of step with a functional market.'
>
> *(Survey Participant)*

Concerningly, several landlords claimed not to have heard of at least some of the proposed legislation, although were clearly alarmed by the list:

> 'I've never heard about a lot of the above but a lot of it doesn't sound good.'
>
> *(Survey Participant)*

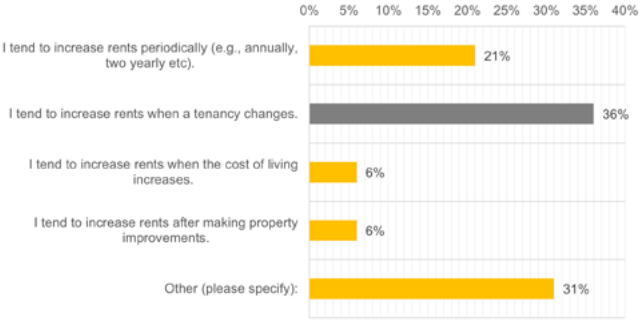
10.5 The Rent Cap as a Case Study

To further understand the impact of legislation, landlords were asked a number of questions regarding the temporary rent cap introduced by the Cost of Living (Tenant Protection) (Scotland) Act 2022. The cap was selected for further study as it represents the most recent and topical legislative change within the SPRS, and is the precursor to a more permanent national system of rent controls being considered by the Scottish Government.

10.5.1 Pre-rent cap approach to increasing rent

To establish a base line, landlords were asked what there general/preferred approach was to rent increases.

Figure 10.6: Landlord pre-rent cap approach to increasing rents



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Given the current political discourse, it might be assumed that the vast majority of landlords increase their rents periodically and at the very least annually. However, research by Evans et al. (2022), Watson (2023) and others, finds this not to be the case, with the latter reporting that 66% of Scottish landlords had identified a shortfall between the rent they were charging and the rent they would seek if the property was re-advertised at prevailing market rates. For just over one in five of those landlords (23%) the rent charged was perceived to be £100 or more less than advertised rents.

This research (Figure 10.6) finds that just over one fifth (21%) of Argyll and Bute landlords increased their rents on any periodic basis. Furthermore, over one third of landlords (36%) tended to increase rents between tenancies suggesting that rents can remain static for long periods of time. One survey participant described their approach as follows:

> 'When a vacancy occurs, I negotiate the rent with any potential new tenant, taking account of their own circumstances.'
>
> *(Survey Participant).*

Just under one third (31%) selected 'other'. Landlords in this category described a variety of different approaches, and whilst some claimed to increase rent in line with 'local market conditions', the vast majority did not regularly increase rents. For example:

> 'I have not increased rents for almost 10 years; tenants cannot afford a rent increase.'
>
> *(Survey Participant).*

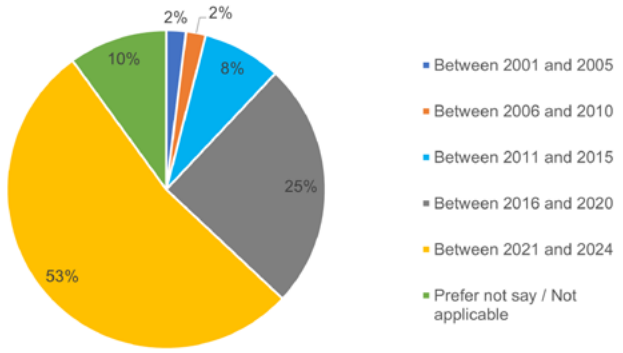
'We keep rents at affordable levels for community development purposes and have never increased rent during a tenancy.'

(Survey Participant).

10.5.2 When landlords last increased the rent

Landlords were subsequently asked when they last increased the rent on their most recently acquired SPRS property. As can be seen in Figure 10.7, almost half of landlords (47%) hadn't increased their rent since 2020. As an aside, this has major implications for the setting of Local Housing Allowance rates, which predominately utilise advertised rather than established tenancy rents for rate setting purposes.

Figure 10.7: The period in which landlords last increased their rent



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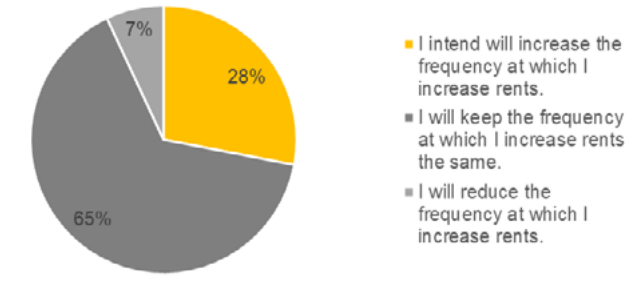
10.5.3 Post-rent cap approach to increasing rent

It will be of some interest to tenants and policymakers that the majority (65%) of landlords in Argyll and Bute intend to keep the frequency at which they increase rents the same following the introduction of the rent cap (Figure 10.8). However, the fact that over a quarter of landlords (28%) intend to increase the frequency at which they increase rents as a direct result of the rent cap, is a clear indication that the measure has generated unintended consequences. If landlords follow through, the cap may have the adverse result of producing larger sustained rent increases than if the cap had not been introduced.

Figure 10.8: Landlord post-rent cap approach to increasing rents



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10.5.4 Triangulating the findings with evidence from landlord interviews

The topic of rent increases was revisited during the interviews. This allowed for deeper insights into the approach and rationale adopted by landlords. It became clear that landlords were not impressed by the introduction of the cap. Several, like Steve, were concerned that the approach was anti-market:

'It's government meddling in areas it really doesn't necessarily have to. I think it either accepts there's a private rental market out there, or it doesn't.'

John went further:

'I think if they want to control rents, then they should build houses. That's what I think… and they should put people in them. Do you know at the moment we're not a socialist state, we are still, we are still pretty much a capitalist state. So, therefore it should be supply and demand. That's just my view of it. I think there needs to be enough housing for people and that burden shouldn't be put just on the private landlords.'

Kate reported that most landlords did not frequently increase rents:

'I mean. what concerns me particularly is that this interference of between tenancies, because what us good landlords tend to do is, we tend to not increase rents very often, if at all and then, this is the norm before they started interfering. You do not increase the rent, people stay 4 or 5 years, they leave, and then you go. Oh, this property that they've been paying 500 for is now worth 600, so you now rent it out at 600... But my concern is they're going to interfere with these rent increases between tenancies, which I just think is, I think we're just turning into a socialist state at that point. What's the point in doing it really. Even if it didn't make any difference to what I charge it still really annoys me.'

Pete's approach appeared pragmatic and considered:

I'm not looking for a phenomenal rent… A lot of stuff I rent at, or even below the local reference rent… A lot of the rents I've had, I've had rents that I've not put up for 7/8 years. But again, if I thought I wanted to put them up or if had to put them up, then I'd like to think that I'd be able to do it… The rentals I'm getting, I should be getting a lot more, absolutely should be getting a lot more, but, you know, I bought the property a long time ago, I've made a lot of money on it. The people that are in

it, I've grown up with a lot of them, I've watched their kids grow up. I mean I'm hardly going to turn around and say right, you're getting kicked out because I'm putting the rent up to £800 a month or something. But the government doesn't take consideration that there's a lot of landlords like that. In fact, the majority of landlords are like that, but they've just got all the landlord painted as these greedy people that are just trying to get as much money as possible out of people and put the rent up to as much as possible.

Like Pete, Paul also took account of the challenges faced by his tenants:

'Oh, it's quite difficult obviously, everybody's being hit by inflation, and so are we, but wages are not going up, so how it would be possible to increase rents and not have tenants really struggle to buy food I honestly don't know.'

John recognised that his laissez-faire approach to rent increases was to his tenants benefit and his detriment.

'So, my tenants have been in the house for, coming up for 16 years and I've put the rent up twice… Over a 16-year period if I'd been putting that up 5% a year, I don't know what it would be. It'd be a huge amount more than they're paying at the moment…. That's probably cost me money in the long term, but do you know I've had a decent return from the property, so I'm not feeling greedy or anything like that.'

Jack and Linda hadn't raised their rent in some time and in light of the rent cap, now lamented their choice:

'We never raised the rent at all for about 10 years, and then all of a sudden, we got caught with the legislation because the cost of living changed. So, we're in a position now where our insurance for the house went up by 220% last year, and for the first time ever we increased the rent by 3%, you know, in line with legislation. We never wanted to increase the rent over the years, because we just felt it was better just to have something ticking over, and it was always the same. We should have been smarter.'

Peggy recognised the risks facing tenants, but noted that the cap did not allow her to increase her rents in line with increases in her cost base.

'Broadly, I think it's absolutely right that landlords can't just hoick up their rents as they feel like it, but we had to put ours up by £12.58 or something ridiculous, and that's a joke actually, we really needed to put it up more than that, and the tenant would have been happy to pay it. So yeah, I think we should have much more flexibility to be able to increase our rent according to the increased costs. That would be a huge help. I mean, we've got one hand behind our back at the moment.'

Some of the landlords interviewed were in the 28% that intended to increase their rents more frequently as a consequence of the rent cap. Kate previously did not increase rents frequently, but noted:

'What it [the rent cap] does do is it makes you put them up at 3 cent every year'.

The cap had also resulted in Colin altering his behaviours:

'When I was putting up my rentals before, I was doing it every couple of years and I was doing it, say the index [RPI] over the two years was 6%, I put it up 5%. I was always under the thing. Now I'm more inclined to want to put it up more because someone's told me I can't. You start interfering in things, you try and be fair to people, and then someone comes along and clatters you with a big stick, you're no goanna be fair to people any longer. Certainly, if I get the opportunity, I'll be banging them up by 10% as soon as I can, that's being quite honest with you.'

Elaine felt that she had been caught out by the rent cap and so increased her rent following advice from her letting agent to minimise the impact of future reoccurrences:

'There was a change of tenants, and that was an opportunity to revise it, and I just took the advice of the managing agent, and she just said, this is the market amount and I just said yes, partly because I thought, well, I don't really want to end up in the situation that I was before where we hadn't increased it… and then of course there are consequences, as soon as the 3% restriction came in… you were stuck with that rent.'

The Argyll and Bute Council Team Lead on Housing Strategy, summarised the danger of income-based caps:

'If your cap somebody's income below the level that they expect for whatever reason, there's probably going to be about fallout from that, which would probably be less private rented tenancies available.'

10.5.5 A European perspective

Rent control is a feature of some European housing systems, and many (including the Scottish Government), point to some of these as exemplars of what can be achieved in a Scottish context. In reality, the success of rent controls system in Europe is extremely mixed, and is heavily informed by the underlying structure of the supporting institutions, and the housing and welfare systems in place. Much work has been undertaken to analyse rent controls in Europe and beyond, including by the Cross-Party Group on Housing, which sought to 'better understand and explore the likely alternative methods of delivering rent control for Scotland.' (Gibb et al., 2022a para. 1). However, Gibb et al. (2022b, p. 2) note separately that there is a 'need to be cautious regarding the appropriateness of international comparisons (even within welfare regime clusters) and the relevance of contemporary evidence for the UK.'

Regardless, some of the landlords interviewed had experience/understanding of European housing systems and rent control models, and offered a brief overview of their experience. As landlord comparative insights are relatively rare, one example has been included here for context and interest. Those seeking a more detailed comparative approach in Scottish context, should refer to Gibb et al. (2022a); Gibb and Marsh (2022); Gibb et al. (2022b, 2022c).

Elaine had spent time in a European country where she had both rented and owned property. She contrasted the 'stable' approach to rent control adopted in Europe with the 'destabilising' approach adopted in Scotland:

> 'As you probably know, it's like, Germany, I mean, there's such a good system, a state system for controlling the private rented market. So, it's a rental market that functions. If you're a tenant, you have your 3, 6, 9, lease. The maximum increase that landlords can put up on an annual basis is agreed between you, they have these tripart systems for a lot of decision making including for the private rental market. So, there's a limit to how much the rent can be increased by on an annual basis, and that's fixed between the State, you know, tenants' representatives on the one side landlords on the on the other, and creates this very stable situation where landlords know where they are, and tenants know where they are.
>
> And I think that the 3% thing was a bit destabilising for people because although I understood absolutely the reason for it, and I didn't disagree with it, I think that it came in and probably… was a very destabilising factor… It made people think about the rent they were charging and would that limit them to increase it in the future and things. So yeah, it's maybe just a bit, the psychological effect wasn't very good in some ways.'

She added that she intuitively supported rent controls but pondered whether or not Scotland had, or would be able to create the institutions and competences required to make it work:

> I just thought the [European] system functioned so well, and of course… the annual cap that's fixed on rent increases is established on the basis of, you know, largely inflation, a package of things, but it would be largely inflation... I mean, what on earth is wrong with that? I mean how you calculate that inflation, because obviously there are costs which are particularly specific to properties. So, all that can be taken into account. No, I think rent control is the way to go personally. I mean, I know that the devil is in the detail… in these things, because it's about who's making those decisions and how, and the degree of transparency. And I think that's the problem because we aren't in a country, both at the UK level or Scotland, where we've got those, kind of national representative institutions. And I'm not saying [Europe's] perfect, because it's a highly politicised system. But it's a whole lot more structured I think, than the UK is, and… I don't know the room for manoeuvre that Scotland would have to establish kind of national institutions, which would be able to represent tenants on one side and landlords on the other, because unless you've got that, then you've got to take it on trust that the government's capable of establishing a fair transparent system.'

11 LANDLORDS VIEWS ON ARGYLL AND BUTE COUNCIL

There are many potential service interactions between landlords and Argyll and Bute Council, both in their capacity as landlords, but also as a result of their roles as owner occupiers, business owners and more broadly, as members of community groups. As such, landlords had different views of Argyll and Bute Council across different council services and domains. For example, participants provided some commentary pertaining to council tax services and environmental health services.

However, the most pertinent touch point between landlords and Argyll and Bute Council for the purposes of this research, is with the private landlord registration team. In the main, landlords reported that their interactions with the council's private landlord registration team were positive.

> 'I found them very, very pleasant and very quick to respond. I was very positively impressed.'
>
> *(Lorna)*

June reported that the team were helpful when she mixed up her renewal date and also when she had required paper copies of documents.

> 'I rung up to pay, and she says you're too early. I thought, "Oh, I'm gonna forget about this!", And she laughed and she said, "Don't worry, I'll remind you"… I've always find the Council operatives extremely kind, efficient, and a bit, you know, when you first go on, but once you explain what you want, they do try to help you.'

Landlords also shared some broader frustrations with Argyll and Bute Council, such as the perception that council activities were too concentrated in Lochgilphead at the expense of other locations. There were also concerns raised regarding short term lets legislation, which is briefly discussed in more detail in Section 17.1, and various critiques of Houses in Multiple Occupation (HMO) and planning rules, which warrant further study.

On a positive note, most of the landlords interviewed broadly welcomed that Argyll and Bute Council had the foresight to support the local citizens advice bureau in commissioning this research. One reported that it signalled a willingness to listen to the challenges faced by rural landlords:

> 'I'm delighted Argyll and Bute have actually engaged you to do this. So that's a good step in the right direction.'
>
> *(Jill)*

12 THE LANDLORD REGISTRATION SCHEME

For context, it is worth taking a moment to explore the landlord registration scheme.

12.1.1 Scheme overview

Landlords have a requirement to apply to their local authority for registration under Part 8 of the Antisocial Behaviour etc (Scotland) Act 2004. The scheme is located here rather in housing legislation due to an amendment lodged by an MSP at the time of the Bill's passage. As Livingston et al. (2018, p. 14) note:

> 'At that time, there was some debate about whether landlord registration should be part of housing, rather than antisocial behaviour legislation.'

The scheme, which went live in April 2006, is administered by local authorities, although the landlord registration system itself is currently hosted, developed and maintained by the Registers of Scotland[23] . Landlords across Scotland apply directly for registration via the register's website[24] . The online application process requires the provision of a range of personal and property details, the completion of a 'fit and proper person' assessment and property compliance questionnaire, and the payment of an application and property fee. The application fee is £75 for a landlord and £17 per property. Where the landlord own's SPRS properties in more than one local authority area, they are entitled to a reduction in the registration fee. Once the Argyll and Bute Council private landlord registration team have assessed the application and carried out the necessary checks, successful registrations are valid for a period of three years. Operating as an unregistered landlord is a criminal offence which 'may be subject to a penalty on conviction of up to £50k and a ban on letting properties of up to 5 years'[25] . The level of the fine when the scheme was first introduced was £5k.

Given that there are 3,284 registered SPRS landlords (around 2,480 lead landlords who pay a registration fee) and 4,520 registered SPRS properties in Argyll and Bute, this indicates around £260k in fees over a three-year cycle or £86k per annum. This is obviously an over simplification as it does not take account of churn in the sector or registration timings. However, it provides an indication of the relatively small budget the scheme generates. It is not clear how Argyll and Bute Council can administer the scheme and ensure effective enforcement given this level of funding and this will be discussed in more detail later.

There are mixed views regarding the perceived success of the scheme overall, with an independent review in 2011 finding that 'some confusion remained as to the overall purpose of landlord registration' (Scottish Government, 2013). As a result of this, the schemes' purpose was re-stated (Table 12.1).

Table 12.1: The purpose of the landlord registration system according to the Scottish Government

Having noted findings from the independent review and the consultative PRS Strategy, the Scottish Government would describe the Purpose of Landlord Registration as:

- providing a register of all private landlords for public inspection, with the added assurance that the local authority has conducted a fit and proper test;
- providing a regularly updated register that can be used to assist dialogue between local authorities and landlords, and to disseminate best practice information; and
- ensuring that landlord registration enforcement action is targeted on tackling the worst landlords in the sector, whether that involves dealing with concentrations of such landlords in vulnerable urban communities, or challenging the practices of individual landlords in more rural or sparsely populated areas.

Source: (Scottish Government, 2013, p. 16)

The legislation was further developed under The Private Rented Housing (Scotland) Act 2011, which made a 'number of provisions to strengthen the landlord registration regime' including the introduction of 'disqualification orders' and an increase in the 'maximum penalty for a criminal conviction for acting as an unregistered landlord to £50,000' (Scottish Government, 2013, p. 15). Further change was heralded by The Private Landlord Registration (Information) (Scotland) Regulations 2019, which required landlords to declare their compliance with key pieces of legislation as part of the application process.

12.1.2 The Argyll and Bute Council private landlord registration team and role

The private landlord registration team in Argyll and Bute Council is located within the Environmental Health function as opposed to the housing function. The team has seen significant change over the last couple of years. One long-standing member of the team left and another was promoted to a different role. Whilst the latter continues to provide ad hoc support, there is currently only one (relatively new) full-time employee (the Regulatory Services Officer) dedicated to landlord registration. Attempts to recruit administration support have not been successful to date, in part due to the availability of candidates (a rural issue). As might be expected, this has resulted in a 'backlog', which is currently being tackled by the officer. With the Housing (Scotland) Bill likely to place further pressure on the team, resource levels warrant review to prevent service overload and to strengthen business continuity.

23 Scottish Landlord Register - Registers of Scotland (ros.gov.uk)

24 Landlord register home - Scottish Landlord Register (landlordregistrationscotland.gov.uk)

25 About - Scottish Landlord Register (landlordregistrationscotland.gov.uk)

The Environmental Health Manager (West) summarised the purpose of the team:

> 'It's about making sure properties are suitable for what they're being used for…'

She went on to provide a high-level overview of the type of activities undertaken by the team when at full strength:

> 'We have somebody who deals with the day-to-day processing of applications… chasing up of certificates… and dealing with the more technical aspects of submitting applications. And we've also got one of our officers that reviews applications, looks in more detail at things like EICRs [Electrical Installation Condition Reports], to make sure, not only have you provided it, but actually it says the electrics are safe. They also deal with… inquiries about, "I can't find my registration number", "I've got a renewal. How do I do that?" So, the technical IT bits. And we also get complaints from tenants about their house conditions, or we get complaints from landlords about their tenants doing or not doing things, and we get complaints from neighbours about their neighbours that are tenants or landlords.'

The private landlord registration team highlighted a large number of challenges faced in their day to operations. For example, landlords have an obligation to notify the private landlord registration team when their circumstances change. However, whilst sending out the survey invites for this research, The Regulatory Services Officer, identified that a large number of landlords were no longer active in the sector:

> 'So, we sent an email to every landlord that had an email address registered with us and a got a couple of hundred landlords coming back saying "I'm no longer a landlord."'

There are also challenges caused by the processes that Argyll and Bute Council has chosen to adopt. For example, whilst landlords registration was envisaged to be 'light touch' (Scottish Government, 2009, p. 2), Argyll and Bute Council currently requires 100% of landlords to provide copies of compliance documents including gas safety certificates and EICR's as part of the registration process. The requirement is intensive, 'a full-time job in itself', (the Regulatory Services Officer) but anecdotal evidence suggests that this is not mirrored in all local authorities, some of whom appear to operate a risk-based dip check[26] .

While the guidance provided by the Scottish Government is designed to ensure that local authorities have flexibility in their approach, this clearly has its strengths and limitations. In Argyll and Bute Council's case, working practices and resource constraints mean that there is little time for meaningful consultation with landlords or for enforcement, which are two of the three re-stated deliverables of the scheme. The latter (enforcement) is discussed in more detail later.

12.1.3 Communicating with landlords

In terms of the former, the Scottish Government (2017, p. 23) firmly places the responsibility for communication with landlords upon local authorities:

> 'It is for individual authorities to decide what the most appropriate means of engagement with landlords in their area should be. For example, landlord forums may not be well attended in some geographical areas but it might be possible to run a webinar that local landlords can sign up for. However, all local authorities should consider using the register to proactively communicate with landlords/tenants to provide advice and assistance.'

However, given resource challenges, geographical challenges and previously poor uptake, communication with landlords in Argyll and Bute is constrained:

> 'We don't do seminars. We would aim to do newsletters, but I have to say we haven't done a lot of proactive newsletters. We tried doing seminars and it failed abysmally. And it's failed in other areas, not just landlord areas. Argyll and Bute is big, people don't travel within Argyll and Bute to things, particularly if they are accidental landlords, the ones that have 1 and 2 properties… With the move to zoom or teams, or something like that, we've never really explored that fully… We do a number of email circulations when new legislation comes in or is coming in or consultations and things like that.'
>
> ***(Environmental Health Manager, West)***

However, whilst many landlords appreciate the advice and guidance, this is not always the case. For example:

> '…sometimes sending information is not popular… you get "I don't need you to tell me how to do my job" sort of emails coming back.'
>
> *(Environmental Health Manage, West)*

26 It should be noted that Argyll and Bute Council are currently reviewing this process with a view to reducing the administrative burden.

In short, the private landlord registration team is endeavouring to do the best it can, given the challenges it faces and the resources at its disposal. The Regulatory Services and Building Standards Manager, whose remit includes responsibility for the private landlord registration team, provided a summary statement on the status quo and his plans for the future development of the service:

'The private landlord registration scheme in Argyll and Bute seeks to meet the aims of the Scottish Government scheme and the team works hard to achieve this. Our focus has been on ensuring landlords meet the requirements and that appropriate certification is in place, thus supporting safe properties for tenants; and targeting unregistered landlords through intelligence or complaints. Long term resourcing issues has depleted the PLR team, resulting in some work being paused to prioritise registrations, and as a result engagement with landlords has been affected.

There is always room for improvements and to review the scheme locally and nationally. Once fully resourced, we will review our local priorities and the report findings will form part of this work. Key areas to consider are:

1 Engagement with landlords requires to be better and more integrated rather than different parts of the Council and other agencies, providing only their own specific areas of advice. There should also be a link for tenants to better inform their understanding of the scheme and the role of ABCAB and first-tier panels.

2. Review of enforcement and targeting on unregistered and non-compliant landlords.

3. Use the opportunities created through the declared Housing Emergency to provide a more holistic approach to housing and evidenced-based decisions. to attain a better understanding of the situation in Argyll and Bute (e.g. impact of short term let scheme on private landlord properties, availability of private lets, how we support a well-maintained housing stock etc).

Critical to this work is the continued need to work with and support landlords and tenants.'

(Regulatory Services and Building Standards Manager)

13 ARGYLL AND BUTE COUNCIL SPRS INITIATIVES

Argyll and Bute Council have a number of initiatives to ensure the effective use of housing stock. For example, a 'buy back initiative'[27] run through Home Argyll[28], an empty homes officer to help bring properties back into productive use[29] and grants for repairs (primarily via loans)[30] . Interestingly one of the landlords interviewed was in the midst of selling his property via the 'buy back initiative', which he reported was progressing positively.

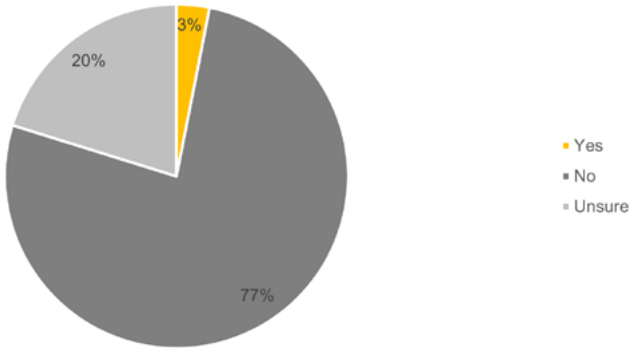
There are also initiatives designed to support Argyll and Bute Council's broader housing needs via the SPRS. These include participation in resettlement schemes and schemes designed to reduce homelessness. The later includes the Rent Deposit Guarantee Scheme[31] and the opportunity for landlords to let directly to Argyll and Bute Council to allow the authority to 'meet the temporary housing needs'[32] . The survey and interviews sought to understand landlord perceptions of some of these schemes.

13.1.1 Resettlement schemes

Argyll and Bute Council reported that their Syrian resettlement programme was 'successful'[33] , and now support the UK Governments 'Homes for Ukraine Campaign'[34] . However, when surveyed, the vast majority of landlords were not interested in supporting the scheme (Figure 13.1).

It is suspected that there will be many reasons for the lack of popular support, however, the observation that many landlords already believe that they are providing a critical service for local people, could be a factor.

Figure 13.1: % of landlords willing to make their SPRS property available to support resettlement schemes (e.g., Ukraine).

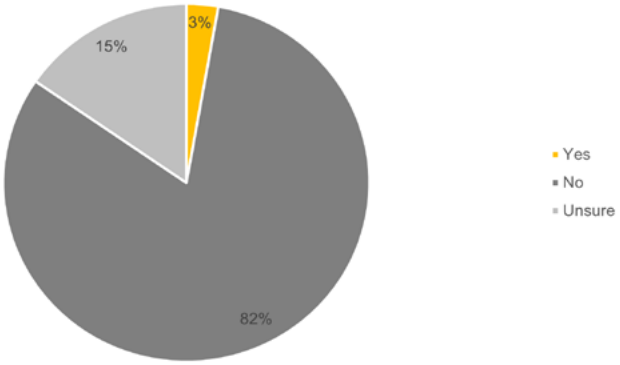


(n=346)

13.1.2 SPRS Schemes to alleviate homelessness

The survey also asked landlords if they would make their SPRS property available to support homelessness schemes. The results were similar, to the question posed above, although a slightly higher proportion said no (82%) (Figure 13.2).

Figure 13.2: % of landlords willing to make their SPRS property available to support homelessness schemes



(n=346)

During the interviews, it became clear that landlords had some concerns about the scheme. For the most part these revolved around control, rent levels and concerns for neighbours. A typical example Ross who noted:

> 'It wouldn't interest me, because we want control of A, who goes in there, and we want a higher rent than they would be offering. I wouldn't give them one of my properties. Let's be quite honest with you. I looked at it a number of years ago, and thought, no, I don't really want to get involved with this.'

Elaine suggested that the risk did not match the reward:

> 'I don't know what rent is offered now, I mean it was always, obviously, you know, relatively low and I think the other thing is that as a landlord, the thing you have to bear in mind is the kind of tenants that will go in there, because they're generally using it, obviously to place you know, people with emergency housing needs. And I would think, does that pose, do you have higher risks of the flat being

27 Argyll and Bute Buy Back Initiative | Argyll and Bute Council (argyll-bute.gov.uk)

28 Home Argyll is a partnership of Argyll and Bute housing associations designed to make it easier to find housing (Home Argyll | Housing Options Made Easy)

29 Empty Homes | Argyll and Bute Council (argyll-bute.gov.uk)

30 Paying for Works and Grants | Argyll and Bute Council (argyll-bute.gov.uk)

31 Homelessness | Argyll and Bute Council (argyll-bute.gov.uk)

32 Letting houses to Argyll and Bute Council | Argyll and Bute Council (argyll-bute.gov.uk)

33 Refugee Resettlement Programme Update.pdf (argyll-bute.gov.uk)

34 Homes for Ukraine Sponsorship Scheme | Argyll and Bute Council (argyll-bute.gov.uk)

wrecked?'

Kate had used the scheme and had positive feedback regarding the level of property monitoring and support offered. However, she was concerned that the scheme did 'not pay enough money', as the Local Housing Allowance (LHA) fell short of market rates and also because the nature of the tenancy resulted in increased insurance premiums.

Regardless, it is clear that a small number of landlords are interested in participating in some of the schemes, and that many more are sitting on the fence waiting for a compelling reason to participate. This represents a significant opportunity for Argyll and Bute Council.

13.1.3 Scheme awareness and communication

However, it also became clear during the interviews that many landlords were not aware of either of the schemes. In particular, around half of landlords were not aware that Argyll and Bute Council let property directly from landlords and that, as part of the deal, manage the property and pay rent in advance directly to the landlord at rate equivalent to Local Housing Allowance. Argyll and Bute Council currently rent around 100 properties in this manner suggesting that there is some awareness. However, the researcher was unable to find details on the scheme via a google search and the scheme details were eventually found via the Private Housing home page of the Argyll and Bute Council website. The page spotlights 'Grants for Repairs', 'Empty Homes' and 'Buy Back Initiative' at the head of the page. However, the guaranteed rent scheme is further down the page under the heading 'Letting houses to Argyll and Bute Council'. This took quite a while to find and the researcher knew that the scheme existed.

This is inevitably resulting in missed opportunities. For example, Steve was not aware of the scheme before interview, but subsequently noted:

> 'That's something I'd be interested in actually, because it takes away the... you know… going along and interviewing people and getting references and finding out the history of people… I'd be more than happy to hand over properties to the Council, and just let them and run them on a day-to-day basis in terms of put tenants in. And yeah, I'd be happy to hand them over for lengthy periods of time.'

Some landlords were genuinely surprised that the scheme was offered as they had previously tried to contact Argyll and Bute Council to offer properties with little success. For example, John stated:

> 'I approached Argyll and Bute, it must be 2, 3 years ago, and they had no such scheme at that point, so I didn't know that. But they had no such scheme 2, 3 years ago, so maybe very new.'

Pete, who had rented some properties to Argyll and Bute Council during COVID, and which had been handed back, reported:

> 'With this housing emergency… I actually contacted Argyll and Bute… I had a couple of properties that I'd been doing Air BnB with and I was taking them off the Air BnB market and I was going put them into the rental market and I went to the Argyll and Bute Director and I said, look I realise your putting people up in bed and breakfasts, here a couple of fully furnished properties available, are you interested in taking them on and they never came back to me. I think maybe, with some of the local authorities as well, there's a, they don't particularly want to work with the private landlord.'

It is not clear how these opportunities fell though the gap, but one possible explanation is a lack of joined up communication between Argyll and Bute Council departments. This provides a clear impetus to raise awareness of the schemes throughout Argyll and Bute Council, who are aware of the problem:

> 'I think there will be landlords out there who want to help that we haven't managed to speak to, but they've maybe tried to speak to us and that's frustrating.
>
> ***(Argyll and Bute Council Team Lead on Housing Strategy)***

The Argyll and Bute Council Team Lead on Housing Strategy believed that improved communication was essential:

> 'You know, if we're serious about trying to resolve this housing emergency, we need to find ways and means of communicating more effectively with the private rented sector here…'

He later expanded on the methods that had been tried previously and detailed current proposals for realising improvements:

> 'So, we've always seen the private rented sector as key, but it's how we engage effectively with them… We advertised meetings years ago in the towns saying if you're a private landlord come along, and I think the Council need to find ways of resurrecting that, or there's potential through this depopulation fund that we've put a bid in for. If we get money for that, it would be a worker who would be dedicated to being the link between landlord registration and ourselves and short-term letting.

…if we got that funding that would be perfect because then you'd have a dedicated person whose sole focus would be on communicating with landlords, especially with landlords who have maybe reached out to the Council for advice, you know, and we'd have somebody who could spend the time giving them the right information and linking them in with other people.'

(Argyll and Bute Council Team Lead on Housing Strategy)

14 LANDLORD VIEWS ON THE HOUSING EMERGENCY

At time of writing, there were just three housing association houses available to rent in Argyll and Bute via Home Argyll. The choice is further restricted as not all of the properties are available to or suitable for all applicants. For example, one of the available properties is a bedsit in sheltered accommodation and another is a one bed flat in a retirement community[35] . On Rightmove, just 20 properties were available to rent within the Argyll and Bute SPRS[36] . To put it in context, that equates to just 0.4% of SPRS stock indicating low levels of churn. Of the properties available, the minimum rent was £450 per month, the maximum was £2,250, the median £795 and the average £915.50. This snapshot points to a significant shortage of rental properties in Argyll and Bute in general and even fewer that are 'affordable'.

Although landlords had differing views regarding the declaration of a housing emergency, none were particularly surprised by its advent. In fact, was generally believed to have been foreseeable and decades in the making. John's view wasn't particularly sanguine:

> 'Well, there's been a housing emergency in Argyll and Bute for as long as I've lived, there's such a demand for housing in [Argyll and Bute] and these tourist areas that it's almost an impossible thing for them to fix. There's always going to be a housing emergency.'

Landlords reported that they regularly fielded housing requests from tenants from diverse socio-economic backgrounds. This positions them at the sharp end of the housing emergency and makes them well placed to provide insights into just how acute the housing shortage is in Argyll and Bute. Most landlords commented on demand grossly outstripping supply. Steve suggested:

> There's such a shortage of properties… every time a property becomes available there's almost a feeding frenzy, with dozens and dozens of people looking to move in, and I don't know, it doesn't seem like a very healthy situation to me… we need more rental properties. That's the answer.'

John noted that 'properties in [Argyll and Bute] are really hard to come by'. However, he believed that the problem extended to a larger geography that runs '… right up and down the west coast of Scotland'. Jean concurred, but highlighted that problem is not equally spread across all house types and socio-economic groups:

> 'I think the problem that we have. And it's the same throughout the west coast of Scotland. We're not getting affordable housing for young families. We're not getting the 2 and 3 bedroomed houses that folk need. It's fine if you've got a really good job, and you can afford a mortgage and everything else but the social landlords are struggling to build within the financial constraints that they've got. And I think that that causes a huge problem.'

Most agreed about the shortage of affordable housing. Paul for example, simply noted that there 'just isn't any'. Colin agreed and suggested that the situation was precarious:

> 'You cannot get a local authority house in this area, and if the private sector decides to pack in rurally, the rural part of the country is just gonna die.'
>
> *(Colin)*

Others suggested that when homes come to market for sale, that they were prohibitively 'expensive' for 'young families and people trying to get on the property ladder for the first time'.

Adequate housing supply plays a critical role in supporting local economies. However, Jack and Linda suggested that supply had not kept pace with employment led demand:

> 'There's a shortage of houses for anybody here, there's more employment than there is people who can take up the employment because they can't get the housing… 'I think where the difficulty lies is if anyone wants to come to the island and get a job, there are plenty jobs. "I would love that job in that distillery", but they can't, because they find they could get the job, but they can't find anywhere to stay. That's kind of where the problem is for us, I think.'
>
> *(Jack and Linda)*

Steve concurred:

> 'It makes it very difficult when you do get key workers moving in and for them to actually find accommodation in the area where they're working.'

Ross provided a specific example of the very real impact of

35 Home Argyll | Available homes | Lorne Campbell Court, Campbeltown

36 Properties To Rent in Argyll and Bute | Rightmove

the housing shortage on jobs and therefore the viability of local businesses:

> 'We've got people looking to leave at the moment because they can't get accommodation. We've had people not been able to come to the island who have had jobs lined up and who have just had to take a job elsewhere, because they haven't been able to get accommodation.'

Argyll and Bute Council data appears to support these views:

> 'Pre-summit [emergency housing summit] we had various workshops and the consultants sent out a couple of surveys just to the general public, but also to businesses, and the business survey did come back saying that… 75% of businesses or employers said a shortage of housing was a barrier to recruiting or retaining staff.'
>
> ***(Argyll and Bute Council Team Lead on Housing Strategy)***

It should be noted that not all agreed. Lorna had a slightly different view:

> 'I think that A- there should be an argument, a specific argument about what housing is needed, where? I don't believe people are fighting to come and live in rural Argyll and Bute and the housing shortage has in effect being created by selling off of Council Houses, which have been snapped up, and sold on at a very high price.'

And when asked if demand was outstripping supply, Paul responded:

> 'No, I would say the reverse. The market is quite depressed. There's quite an influx of people coming into the area from England, though, due to the recession and the fact that property and rental here is very cheap… There's still quite a surplus of property on the market because [of the location]. So, this isolates the town from the main employment…

This makes it clear that the problem is not uniform across Argyll and Bute. As Paul later added: 'you only need to go 30 miles… And you've got a completely different situation'.

15 THE BIGGEST CHALLENGES FACED BY RURAL LANDLORDS

A key deliverable of this report is to identify the challenges faced by rural landlords within Argyll and Bute to allow for their wider consideration by policymakers. The survey asked landlords to score a list of pre-determined key challenges between 1 and 10, with 1 being the most important and 10 being the least important. The key challenges were identified based upon their likely salience to rural landlords and were informed by the literature, discussions with representatives of Argyll and Bute private landlord registration team and the researcher's knowledge and experience of the SPRS.

The key challenges are ranked in Table 15.1 by the mean score they achieved. It is perhaps surprising that whilst ranking highly (3rd position) the burden of legislation ranked marginally lower than the maintainability of dwellings (1st position) and the availability of tradespeople (2nd position). Interestingly, the key challenges ranked 1st, 2nd and 4th all relate directly to the tangibility of property.

Table 15.1: Ranking the key challenges faced by rural landlords via the mean

Key Challenges Faced by Rural Landlords	Mean
The maintainability of dwellings.	3.32
The availability of tradespeople.	3.39
The burden of legislation.	3.84
The energy efficiency of dwellings.	4.24
The provision of utilities (e.g. gas, electricity and broadband)	5.87
The availability of professional services (e.g., surveyors, letting agents etc.)	5.99
The provision of transport infrastructure (e.g. ferries and roads)	6.50
The provision of services (e.g. water supplies and sewage)	6.68
The availability of professional advice (e.g., financial advisers, accountants etc.)	6.75
The availability of finance.	8.42

(n=346)

In addition to the ranking question, a free text box was provided to allow landlords to further detail in their own words, the specific challenges they face as rural landlords in Argyll and Bute. The majority of the responses restated the listed challenges with added emphasis. This provides some indication of the veracity of the challenges selected for inclusion in the survey. However, a few other challenges were identified and will be explored later.

Drawing data from the surveys free text box and the semi-structured interviews, the following subsections explore each of the challenges faced by rural landlords in Argyll and Bute in more detail.

37 It is recognised that urban locations also face maintenance challenges relating to their location.

15.1 The maintainability of dwellings

Landlords suggested that maintaining rural property was 'very difficult' and highlighted a number of the challenges they faced. Many of these were attributable to the age and type of properties owned, which isn't surprising given the characteristics of housing stock in Argyll and Bute. Landlords provided several examples of large capital expenditures necessitated by these factors including several examples of roof replacements.

Some of the landlords interviewed owned buildings that were extremely challenging to repair and maintain. These included asbestos riddled prefabs and aged stone cottages. Several owned properties that were prone to weather beating or being lashed by sea spray necessitating enhanced repair and maintenance regimes in comparison to less precarious locations. In some cases, rural housing repair and maintenance requirements appeared to be more onerous than in urban centres[37] .

In the main however, maintainability concerns coalesced around the availability and cost of the labour and materials required to adequately repair and maintain properties. With regards labour, Ross noted:

> "I mean, the maintenance is a big challenge, because we're so short of traders here, so short of tradesman.'

The shortage of tradespeople emerged as a major issue, which is discussed in more detail in the section that follows. Challenges with materials related to their cost, a 'lack of choice' and difficulty in sourcing. As Jack and Linda suggested:

> 'You get them [materials], but they're more costly, it's the freight charges. So, what you could get on the mainland as a price for a job. Add another third on top for the same job here, just for the materials alone. Because everything costs to get here.'

Stuart highlighted the added impact of inflation on materials:

> '…because of the inflation, what's going on, the prices are going that way [up], and more than the 3% which the government have told us that's all we can put the rent up by. Everything's going that way, even just getting bits of wood, getting some joinery work done. The price of materials has just

gone nuts, so a bit of wood before lock-down is now 3 times the price it was before lock-down. It's absolutely crazy. So, any work you need to get done is expensive.'

Colin reported on the combined impact of labour shortages and inflation:

'A replacement boiler which 3 or 4 years ago, maybe it cost something like 1,500 pounds is now well, over 2,000 and climbing.'

However, while the maintenance works described by landlords often appeared onerous and the costs associated with them challenging, they largely appeared to represent foreseeable and legitimate tasks/costs associated with property investment in a rural location, a 'rural maintenance premium'.

Landlords also reported that maintainability was impacted by challenges arising from common areas in flats and specifically the 'unwillingness of some other tenement owners…to pay for basic common maintenance'. However, this is a longstanding concern which is not unique to Argyll and Bute.

15.2 The availability of tradespeople.

15.2.1 Context

The availability of tradespeople was voted second biggest challenge faced by rural landlords and is intrinsically linked to the first, the maintainability of dwellings. Interestingly, it appears to be a recognised problem within Argyll and Bute Council, with the Team Lead on Housing Strategy observing:

'I think a lot of the landlords will only have maybe one property, it won't be their full-time job. They'll have the same challenges as all housing providers up here in that it's sometimes difficult to get contractors. Because they're not landlords with a big portfolio, they don't have any sway with, say, a contractor in Oban. If you had 24 private lets, you'd probably be a good source of business for an electrician or a plumber. You'd be able to get economies of scale and probably agreements for contractors to come out at short notice. But if you've only got one or two properties, that's difficult.'

Poor availability of trades is driven by a myriad of political and economic factors. For example, on the supply side, COVID and Brexit have undoubtably had a short-term impact. Longer term, New Labour's aspiration to increase the number of school leavers attending university has impacted on the attractiveness of trade-based apprenticeships. Some landlords had strong views on this. For example, Paul noted:

'The idea of just keeping young people in university level education for longer. I mean, what's the point in that? It works for a couple of years, and then they come out and they're back into the labour market, whereas they might have been better to do an apprenticeship in the first place.'

Lorna, who had lived in Europe and had knowledge of European apprenticeship schemes pointed to the differences:

'…they have this wonderful apprenticeship system which, it's really terrific and gives young people realistic expectations and a realistic income, you know, it's not a degree in manicure, or something like that.'

Other factors impacting supply include an ageing work force (examples of which are detailed later) and a lack of investment, with the OECD (2020, p. 8) reporting that:

'In comparison with other countries, Scotland has a skills funding system which is generous to higher education, but relatively unsupportive of apprenticeships, distorting skills provision.'

The demand side is equally complex. Home owners, landlords, housebuilders (social and private), infrastructure projects and more are all impacted by economic cycles and market trends, and all compete for the same pool of tradespeople. As with housing, meaningful data sources are few and discrete. For example, members of the Federation of Master Builders (2024) point to sustained challenges in recruiting tradespeople. The CITB (2023) reports that an extra 19,550 construction workers are needed in Scotland between 2023 and 2027. A regional breakdown of the estimated of total labour demand is provided, but the Argyll and Bute data is aggregated at the Highlands and Islands level and not published separately. The report also suggests that 13% of the Scottish construction sectors output (measured at £15bn) is attributed to housing repairs and maintenance. However, this is based on data from companies with more than one employee, and therefore excludes the many sole traders that service the SPRS. In another example, the Scottish Government use Standard Occupation Classifications and population data to estimate the number of electricians in Scotland (circa. 22,000 in 2018), but it is not clear where they are located. Whilst these and other data sources need further exploration, there does not appear to be an estimate of tradesperson demand by work type (e.g., repair and maintenance, and compliance works) and by tenure (e.g., owner occupation, SPRS etc.). Neither is there is a similarly detailed analysis of the likely impact of future legislation and initiatives (e.g., net zero) on demand.

15.2.2 Landlord views on the availability of tradespeople

The lack of availability of tradespeople is clearly problematic for landlords taking part in the study. As one complained:

> 'In Argyll and Bute, you can't find anyone to do anything ever. I have spent a year trying to find someone to simply fit a front door.'
>
> *(Survey Participant)*

Jack and Linda reported on the difficulties of getting a hold of tradespeople:

> 'You just shout and hope that they'll come, you just have to keep phoning and phoning and texting. Sometimes they don't even reply. The hassle in getting a tradesman stresses me out.'
>
> *(Jack and Linda)*

The general consensus was that there was a shortage of all types of trades. However, the scale of the shortages varied by trade and location. For example, Colin explained that in his location:

> 'I'm not too bad when it comes to gas. There are one or 2 plumbers in the area… but the rest of it… is very, very difficult. What few tradesmen there are in the area are very, very busy.'

In Stuart's location plasterers were a rarity:

> 'Plasterers. Oh, for goodness sake, you can't get plasterers for life nor money.'

And in Jill's location, Joiners were conspicuous by their absence:

> 'Joiners generally, I think, are like hen's teeth.'

Elaine, pointed to difficulties she faced in maintaining her own home in a remote part of Argyll and Bute and imagined that it must be very difficult for landlords with properties in the area:

> 'The big difficulty would be if you had to rent properties here [remote Argyll and Bute location) is if you've got a small job, because we've got joiners… and builders, no really good plumber, absolutely no electrician, and they're like gold dust.'

The availability of trades was reported to be even more challenging in Island locations:

> 'So, we haven't got plumbers based these days on the island. We've only got one electrician who's very unreliable, very difficult to get to do stuff.'
>
> *(Ross)*

As Jack and Linda noted, the lack of tradespeople to service compliance requirements was a particular problem:

> 'Biggest [challenge] is getting workmen for the legislation that's involved. That's a problem for me. On [the island] it's quite arduous.'

They went on to note the lack of choice could mean bringing in tradespeople from the mainland:

> 'It's only one guy on the island does pat [Portable Applicant Testing] testing. So, if you don't catch him at the right time. Then, you know, you've got to bring somebody into the mainland, and the prices are just horrendous for that.'

This is because tradespeople '… have to come on a ferry, they have to be accommodated.'.

Stuart concurred with Jack and Linda's assessment:

> 'See trying to get tradesman on this island, nightmare, absolute nightmare…. When the tradesman come across from the mainland, they're going to charge a lot more money because they've got to pay for the ferry, they've got to go back and forward and there's accommodation. So, were in between a rock and hard place.'

Some landlords were able to make a comparison between the availability of tradespeople in urban and rural areas of Scotland. John commented on Glasgow:

> 'That's not really a problem finding tradespeople in Glasgow for me. In [Argyll and Bute] I guess it's who you know… but it is really difficult.'

And Jill commented on Edinburgh:

> 'I didn't find a problem in Edinburgh because I had a very good plumber, a good electrician, and a brilliant joiner that I'd been using for over 30 years, and it's just very unfortunate that he retired…

> Argyll and Bute, I have always had a problem finding people.

The nature of the works to be undertaken also had a bearing of the ability of landlords to source tradespeople. Several observed that tradespeople were so busy that they could 'pick and choose' (Jean and Ross) what jobs they wished to undertake. Unsurprisingly, this resulted in reports that tradespeople shy away from small, remote, difficult, unprofitable or otherwise undesirable jobs. As Elaine summarised:

> '…if you've got a small job, getting someone out is almost impossible.'

Ross contributed:

> 'So, they don't want maintenance jobs. They just want, you know, a new build or something that's big and there's not a lot of them, so they can choose…'

Colin agreed and also pointed to competing sources of demand:

> 'A great number of houses changed hands in 2020/2021, people down South were buying properties basically off the internet, they weren't even coming to look at them. And there was a hell of a lot of work needing done to these properties but they're selling their house in London for 1.2 million, buying an equivalent house in [Argyll and Bute] for 350,000. They've got a lot of money to spend and obviously the tradespeople are going in the direction of where's the big bucks. They're not interested in doing run of the mill maintenance. If they can get a job at 50,000, they'd take that rather than a job at £5k. And that is that is a major problem there's no doubt about it.'

The problem for landlords and tenants is that unattended small jobs can quickly turn into large and expensive jobs.

15.2.3 A view from the private landlord registration team

Whilst it was recognised that landlords could potentially use the availability of trades as an excuse for late compliance, the private landlord registration team reported that the availability of trades was a major challenge for landlords in Argyll and Bute:

> 'I think their main challenge is getting tradesmen to keep up with legislation. So even the ones that want to do the right thing, can struggle, and legitimately struggle to get people to come and do what they say they're going to do. That is probably not only a rural thing, but I think it's particularly noticeable rurally because they've only got the people that are local and people won't come to the area. The islands can be challenging…'
>
> *(Environmental Health Manager, West)*

> 'I get a lot of landlords claiming they can't get an electrician, particularly in the Islands. Some of them, I think they're at a wee bit- I've had ones in Helensburgh moaning that they can't get an electrician. Then you think, Helensburgh… you've got Glasgow on your doorstep… So, I do take some of them with a pinch of salt. You're looking back at historical emails from 2021 saying "oh can't get an electrician, hopefully we'll get one in a month's time" and then you're like, well this is 2 years later, you must have got an electrician by now… So, I do think sometimes people are at it, but there is, on the whole, a shortage of qualified, skilled workman.'
>
> *(The Regulatory Services Officer)*

15.2.4 Problems after obtaining a tradesperson

Landlords noted that where they did manage to obtain a tradesperson, they were often frustrated by the quality of the work. Steve noted difficulties in having worked carried out to a 'satisfactory standard' (Steve).

Landlords also struggled to get tradespeople to return to rectify faulty workmanship or in compliance cases, to complete remedial works. Talking about their experience of arranging for EICR remedial works, Jack and Linda noted:

> 'What we found was, it's easy enough to get somebody in and they'll give you a report for 240 pounds. It's getting them back to rectify any of the C2s [potentially dangerous – urgent remedial action required] … they'll do the survey cause it's a lick and stick really, it's just a look and see. But when it comes to putting hands on and rectifying things, getting the actual person to come and do the job in [the island], it's just absolutely horrendous. It's a big long wait.'

15.2.5 Consequences of a lack of tradespeople

The lack of tradespeople has a broad range of consequences for both landlords and tenants alike. For landlords, work postponement, paying over the odds and self-delivery emerged as key themes. These are now explored in turn.

15.2.5.1 Delaying or Postponing work

As a direct result of being unable to secure tradespeople, several landlords reported that they had to postpone work. In some locations landlords were well used to delays and had no choice but to accept them. For example, Steve noted:

> 'You'll book a plumber, or you think you've booked a plumber to come along at a particular time, and you know he might turn up a week later, he might turn up a month later. But you know, you're awfully glad if he turns up at all.'

Interestingly, he was able to compare and contrast this level of service with the service he had received in other parts of the UK:

> 'If I booked a plumber for 10'clock on the Thursday I'd expect him to be there to see me at 10'clock on the Thursday, you know. No questions asked. He wouldn't get the job if he wasn't there when he said he was going to be there.'

Whilst some delays were relatively short e.g., a week or two, some were incredibly lengthy. Several examples have been provided below in order of increasing delay duration:

Colins window replacement project took 18 months:

> 'I wanted 9 windows put into this block of flats. They were originally priced in 2021 January and they were done in 2022 June. That's how bad it is. Yes, I got it done at the price that was quoted, but it took 18 [expletive] months to get it done. Right now, I've got a firm putting up new PVC facias on a property of which I've got one in the block. It's a block of 4, that was quoted in March of last year. That's it just being done now. That's how bad it is.'

Elaine's works, which would add to the local SPRS stock, will not start for around 18 months:

> 'Well, there is a local builder, but he's not going to be able to do it until 2025, even though I've got planning permission, building warrant, all approved, ready to go. So, you just you just have to wait to get someone good and local that you trust. You just have to wait. So, I think, that would be the thing generally for doing any kind of work on rental properties is you know that you're just going to have to wait to have things done.'

Jill also waited around 18 months, first for a tradesperson that did not show up and second, for an alternate to do the work:

> 'I had a new roof put on the cottage at great expense, and I mean the cottage was empty for more than a year, while I tried to find, with the help of an architect- I even paid for an architect, I just thought that would make it easier, and I ended up with somebody very good, quite expensive, but that's after having gone through the heartache of dealing with a complete chancer that just dragged me along month after month after month, saying he would come, not coming. I mean, that must have gone on for 9, 10 months, by which time the first quote that was quite expensive, was too busy. He couldn't do until the following summer, so I mean that house was empty all that time.'

It took Ross 3 years to find a builder:

> '…it took us you know, 3 years to get a builder sorted, and the builders aren't great here, and they've got work. They want new builds because there is so much work for them that they can pick and choose.'

In some cases, the works postponed were minor in nature and the delay had minimal impact.

> '… our tenant had a problem with what was it? Oh, she thought there was a leak in a pipe, in a water pipe from her sink and it took 2 weeks to get anybody to have a look at it. That was [in an urbanised area] where there are lots of tradespeople. Oh, yeah, I mean, Argylls awful for getting anybody. Really awful.'
>
> ***(Peggy)***

However, in others there were implications. By way of illustration, Steve had a problem with damp and had found people to look at the job. However, he could not find anyone to complete the works. As a direct result, the tenant 'has to suffer a damp property' until it can be fixed. Steve was keen to point out that money was not the issue:

> 'And it's not because we're not willing to spend the money on it. It's because we just cannot get anyone to go up there and fix the problem.'

Stuart's case differed in that his time had been wasted by repeat visits that had not found the source of a leak:

> '… I've a leak coming in to the chap that's in the two bedroom, there's water been coming in. I've got a guy that done work for me [elsewhere]. He's been and looked at it 3 times, and it looks like we're now gonna have to re-slate the whole roof,

because he can't find where the water's coming in, and it's damaged the flat. The guy that's in the flat paying the rent isn't happy, I'm not happy. So, it looks like I'm going to have to re-slate it.'

In other cases, landlords had been unable to ensure that the property was compliant. Jack and Linda were waiting on an electrician to complete remedial works following an EICR and were unable to renew their registration as a result.

'If we can't get tradesmen, then then we're not following the rule of law.… There's people like ourselves who, through no fault of their own, find it very, very difficult to adhere to the legislation at the time, not because they don't want to. It's just they can't get people to do the work or to come and do the work. So, you're left in this grey pending area where you don't get your landlord license… it's a kind of grey area, you know.'

It was clear that this lack of compliance (above) did not sit well with Jack and Linda and concerned them greatly. Linda further noted:

'The first letter comes in [from the landlord registration team], you've not been passed. You haven't got this, and you're like arghhh.'

Kenny had a similar problem:

'I've got a cooker here in the house that flips out the electrics every time I turn it on. I've tried to get the electrician to come and give me a new electrical certificate for the property, he said, "so long as you got the cooker there I can't do it because I can't sign off the certificate", so I've got Argyll and Bute Council, saying, "well get him back, get the cooker out, get a new cooker and get him to sign a certificate", I said, look, he's got a waiting list that is 3 months long to get round to people's properties, and I can't get it done like that. You don't understand… if I need an electrician or I need a plumber, I can get one in couple of weeks. Here on the island, I can't. They're just not around. Argyll and Bute Council came back and said, "there are 4 registered electricians on the island". I said, "yes, there were, 2 of them are now dead. One of them is [unusable], and the other one is where we go to and we're on his waiting list". What am I meant to do?'

While the private landlord registration team has been sympathetic and flexible in many cases, these examples highlight very real implications for tenants' safety and potentially for landlord insurance policies and loan covenants.

15.2.5.2 Paying over the odds

When asked if he felt that he had to pay over the odds to secure tradespeople, Ross observed that '… you certainly have to pay a heck of a lot'. Overall, the shortage of labour and the subsequent lack of choice led some landlords to believe that tradespeople were 'taking advantage' (Steve) by providing inflated quotations for works.

It is recognised that tradespeople have overheads, are subject to inflationary pressures and have to make a living, but it is likely that there is a supply and demand quotient. In a sense this is not so different from the recent increases in advertised rents within the SPRS. The main difference however, is that the Scottish Government is seeking market intervention to cap rents, but allowing the service sectors that support the SPRS to operate in line with the market. This is merely an observation, not a call for price regulation.

One example of high prices was volunteered by Steve, who was obtaining prices in advance of changes to the Repairing Standard[38] , which would require the installation of Residual Current Device's (RCD's) in SPRS properties.

'I was looking at [an online retailer], and it's about 14 pounds for the RCD. To slot into the consumer unit again if I was allowed to, I could probably do in about 20 minutes, and the cheapest of 3 quotes to have that done on the flat concerned is 550 pounds.' [39]

(Steve)

Steve's calculation does not necessarily account for all of the costs incurred by the electrician in undertaking the works or for profit. However, it does illustrate a point.

15.2.5.3 Forced DIY

On some occasions, the nature of the works meant that they could not be postponed meaning that landlords had little choice but to undertake the work themselves. In other cases, landlords simply did not want to wait or to pay what they perceived to be inflated prices. As Stuart concluded:

'Pay over the top, or try and do it yourself.'

However, there were often limitations as to the works that landlords would undertake. In some cases, this due to competence. For example:

'I mean, we do what we can anyway. But we can't do most, you know, we can't do electrical work and stuff like that. And we can't do proper plumbing

38 The changes are now in place. See https://www.gov.scot/publications/repairing-standard-statutory-guidar

39 It should be noted that the location of the flat in this example is in Scotland but out with Argyll and Bute.

work… We can change taps and washes and all those sorts of things, but when it gets any bigger now, and you know, roofing work… No.'

(Ross)

Generally speaking, landlords were keen to point out that they did not undertake works they were not qualified to, including electrical and gas works. However, questions still remain over the ability of unqualified landlords to undertake some of the works they had attempted.

Several landlords also reported that ageing or ill-health also limited their ability or desire to undertake works on a DIY basis. For example, Jack and Linda reported:

'… you've got to do a lot of the stuff yourself, and it does become a bit more arduous as you become older, you know. I'm retired, but I guess… it'll become just a bit more arduous, even moving the washing machine…. it's okay when you're in your thirties but as you get to your 60's, you get a few more aches and pains and shoulder issues... I'm getting a wee bit tired.'

Similarly, due to his advancing years, Stuart noted:

'Unfortunately, I used to be able to do it. I can't do it now. It's a big challenge to me now, because I can't do it...'

Paul was in a similar position, but had undertaken potentially dangerous roofing works by himself regardless:

'Yes, it's almost impossible to get a tradesman to even turn up. I'm fortunate in that I'm an extremely good do it yourselfer, and I have to say I ended up having to replace 2 slates on the roof, which I did not want to do, because I'm now past retirement age, and the gutters are 30 feet, but I couldn't get anyone to even come along and look at the job they just wouldn't do it.'

15.2.5.4 Other Strategies for Managing the shortage of tradespeople

Beyond these key themes, landlords had a few other strategies for managing the availability of tradespeople and increasing costs. For example, although she had not needed to call upon here new skill, Kate had undertaken a plumbing course to prevent her being 'stuck', unable to find someone to carry out a repair. In a more extreme example, Pete had 'retired' from his main career to allow him more time to focus on maintaining his SPRS portfolio:

'One of the reasons I retired was because I wanted to take control of maintaining my property portfolio because I was sick and tired of just the endless costs and endless bills that were coming in.'

Landlords with larger portfolios also had a clear advantage, Kate, for example, had taken on her 'own builder' to maintain her properties. Furthermore, scale also allowed Kate to book a gas safety engineer for a whole day, to undertake works on multiple properties. This had the potential to increase responsiveness and reduce costs.

A couple of landlords used letting agents to mitigate the risk of tradesperson availability by leveraging the agent's economies of scale. For example, Jean noted:

'One of the advantages of having a managing agent who's got a good portfolio of properties that she's managing, is that the tradesmen go in and do the stuff, because although you might only have a small job like, you know, the electrician going in to replace the lights under the units to LED's when he goes to do the pat testing before a new tenancy starts. But they go in and do that sort of thing because it's one job for me, but it he could have done 30 jobs for her that month… if I was trying to do stuff myself, I think it would be really difficult to get folk to do the tiddly little jobs where there's nothing much in it for them.'

Landlords who owned properties in blocks owned by housing associations also benefited from the economies of scale. However, some also felt that they had incurred unnecessarily high costs due to the use of approved contractors with large overheads. However, cost wasn't the only problem here. As Jean noted, in these circumstances, landlords were not in control of maintenance timing:

'And the thing is that in something like a block of flats. It's not your decision as to when it happens. Whereas if you're in… a house or bungalow, or something like that, you can choose the timings.'

This means that landlords cannot choose to 'sweat' assets or bring major works forward.

Several landlords sought to build long term relationships with tradespeople they could trust. As Elaine explained:

'…it took it took us a while to kind of build up a set of really reliable good people who could come in and do repairs.'

She went on to note that this often-required compromise:

'…you just maintain really good relations with the people that you want to work with. So, there's one guy… who is fantastic and he'll get on with things. And it sounds an advantage but it's not really for managing money, is he's absolutely useless at invoicing. So in like every 6 months or something [the managing agent] has to make him sit down and go through all his notebooks to check what work he's done, where and whatever. He's got, he's got the record of it, which is fine… so the gap between when the work's done, and when you pay for it is- so it's that kind of thing. You just have to keep them happy. And in his case, it's basically don't hassle me. Don't hassle me for an invoice, I'll get round to it at some point.'

However, as Lorna highlighted, relationships built with tradespeople are not everlasting:

'I've got tradesmen, I don't think they're gonna see me out though, and the problem is finding a local tradesman who's trustworthy to do the work. It's getting that way [a major challenge] because more and more people are retiring.'

15.2.5.5 A Note on Tradespeople

The insights raised in this subsection are emergent and novel, and hence the research design did not include interviews with tradespeople operating in the area. It is not therefore known what challenges tradespeople face working in rural areas, though they are likely to be commensurate with the challenges faced by landlords. Nor is it known known how difficult tradespeople find dealing with landlords in general, particularly in comparison to other customer types. This is worthy of further research.

15.3 The burden of legislation

The burden of legislation was an issue for many landlords. Both the survey and interviews revealed concerns pertaining to the volume and frequency of 'ever increasing' (Survey Participant) legislative change in Scotland, driven by both the Scottish Governments long term SPRS improvement plans, and also its reactive crisis-based policies[40] .

Kenny criticised policymakers' overall approach:

'I think that it's very easy to feel that if you're regulating something, if you put in another regulation, you're doing a good job and you're controlling it better. What I'm suggesting is, if you stand back and look at how much stuff there is out there. How many new regulations are being promulgated? It reaches a point where you can't go on creating more and more and more regulations, because it just stops everything instead of helping anybody with it. And I think that's where we are.'

Many of the interviewees had been landlords for some time and were able to reflect on the legislative changes that have occurred over the recent decades, and in particular, their cumulative impact. It is worth noting however, that the cumulative impact of legislation is not generally assessed prior to the introduction of new legislation[41] . Overall, landlords appeared to be fatigued with the legislative onslaught although their views were mediated by their personal circumstances. For example, Steve noted

'I'm at the stage now where I've retired, and I don't really need these challenges anymore.'

Linda and Jack noted:

'From our point of view, we are just biding our time to get out the whole thing altogether. It's just becoming too much for us… Every time things [legislation] change, that's another new thing to do and the onus is on us to get it done, and it's stressful in its own way when you can't get the people to do it.'

Whilst the frequent legislative changes have been problematic for long-serving landlords, Kate pointed out that new entrants were forced to 'hit a wall' of legislation that they would find difficult to navigate without help or guidance:

'I think it's become impossible for the average person to keep within the law and rent property unless they use a really good agent.'

Several landlords pointed to the fact that they were small scale operators and did not have the time or resources of social housing or Build to Rent (BTR) providers and therefore were becoming increasingly unable to cope with the burden:

'I find it increasingly oppressive in a way. I mean, it's right and proper that people should have very good living standards and safe and secure tenancies. I have no problem with that, but our circumstances are that we're not bigtime land owners. We've done this by blood, sweat, and tears, really. The other half, he is late 70's. You know we're getting to a point we're thinking, do we need this flat?'

(Peggy)

40 For example, the 'eviction ban' introduce during the pandemic and the rent cap introduced in response to the cost-of-living crisis.

41 See for example the assessment carried out within the Financial Memorandum as part the Coronavirus (Scotland Bill) (Scottish Parliamentary Corporate Body, 2020).

However, it is not just small-scale private landlords that are concerned about the legislative burden. BTR investors, have been shying away from the sector for some time, due to the uncertainty arising from the direction of legislative travel (Rettie & Co, 2023). Concerns can also be found out with the landlord community. For example, one of the interviewees legal advisers recommended that he stay away from the sector:

> 'We have a law firm that helps keep me on the straight and narrow on a number of things, so that if I have a problem, I can go to them and discuss it. I talked to them about letting out on proper normal lets, not on holiday lets, the holiday cottages that we have. For the first time in my life, I've had a law firm say that the law is so weighted against the landlords that his recommendation is don't under any circumstances, let out on the normal letting market. That's seriously sad.'
>
> ***(Kenny)***

The Environmental Health Manager (West) also recognised the challenges posed by the legislative burden:

> 'I think really there needs to be a period of consolidation, for people to catch up. There are new repairing standard bits kicking off at the end of this month... So that's going to create more issues… it's a continually moving landscape, which must be very, very difficult for landlords to try and keep up with.'

Landlords had many issues with the burden of legislation, but key themes are discussed in the subsections that follow.

15.3.1 Fairness

Perception of fairness are critical to ensuring compliance (Sutinen & Kuperan, 1999) by consent rather than compulsion. However, it was noted earlier that the majority of landlords do not believe that the legislative environment balances the needs of landlords and tenants. Therefore, it is not surprising that landlords have some strong views regarding the fairness of SPRS legislation.

15.3.1.1 Policymakers are perceived to be anti-landlord

As in previous studies (Watson & Bailey, 2021) there was a political component, with the Scottish Government, as the perpetrators of much/most of the legalisation, portrayed as being biased against landlords or 'anti-landlord'. The influence of the political parties featured heavily in this dialogue. For example, one survey respondent described the current policy direction as being driven by 'the Green Party's utterly counter-productive obsession with tenant protection' and focused upon 'hammering landlords at every possible opportunity…'.

Another suggested that their biggest challenge as a rural landlord was the 'SNP / Green coalition legislation and their obvious hatred of private landlords.'

During interview, Kate was direct:

> 'It's just party politics. They don't want landlords do they. It's the Green Party's mission, it's immoral to own property privately, apparently.'

As was Colin:

> 'We just seem to be on a different planet from where the government thinking is. The government thinking, as I see it, is that all private landlords are rogues and are trying to make a [expletive] fortune out of it and are treating their tenants like [expletive]. That's the way I see it.'

June was slightly more understated:

> 'Well, does the Scottish Government see landlords, private landlords, in a positive way? I always get the impression. No, they don't.'

One survey participant stated:

> 'The overall sense is that the Scottish Government really is antagonistic towards all landlords.'
>
> ***(Survey participant)***

Another was clearly flustered by the direction of travel:

> 'We're being taken into a communist system. My property was hard earned, I'll do with it what I wish. If the government feel the need to subsidise people, then they should direct funds to council houses instead of the military pharma industrial complex, and leave hard working people to enjoy the fruits of their labour.'
>
> ***(Survey Participant)***

And another still:

> 'We are being treated as if by being a landlord we have done the most inhuman act, but it appears that the Government is doing inhuman acts with landlords. For the vast majority of landlords now remaining in Scotland they are honest and they deliver better-than-expected service to the tenant,

but now the Government is ruining the sector by coming up with one-sided policies like eviction bans and rent caps.'

(Survey Participant)

There was an overall sense that 'private landlords are not wanted and are penalised by the government' (Survey Participant). Some questioned whether this was in fact the Scottish Governments intention:

'I think the Scottish Government is very close to triggering a total collapse of the PRS some would say that is maybe what they are trying to achieve.'

(Survey Participant)

Regardless, there was frustration that in the process of trying to improve the sector for tenants, policymakers were making it worse for landlords:

'The government is destroying private rental market by introducing rent increase caps, bans on evictions and basically depriving the landlords of any rights and ability to run business successfully.'

(Survey Participant)

But there was also a view that legislation designed to help tenants wasn't always having the desired effect:

'The legislation that they're are bringing in isn't helping people to get an affordable place to live. Theres no way it's helping. It's completely exasperating it and making the situation worse.'

(Pete)

The foregoing provides some insight into the level of concern held amongst SPRS landlords. Whilst many of the comments were highly politicised, in a couple of cases, comments were attributable to landlords who volunteered that they are or were supporters of the current Scottish Government, thus suggesting broad dissatisfaction.

15.3.1.2 Has legislation passed a tipping point?

When discussing if the legislation was balanced, some landlords felt it had begun to tip in the tenant's favour:

'When we started renting, I think it was fairly evenly balanced. I think it's swung slightly more in favour of the tenant, but only very slightly. In that they now have longer periods of notice and things.

(Paul)

Others felt there had been a larger swing with Pete asserting that it had 'tipped to far the other way'. Jack and Linda felt that the balance of power no longer lay with landlords:

'I think the balance of power has shifted, and I kindae get why they did that. But I feel a bit vulnerable now as a landlord. Yeah, it's just like, you know, I don't have many rights or much say about how I'm going to run my own gig.'

John simply stated '…oh, no, it's not balanced…'

Ross suggested that a key measure of whether or not the legislation was balanced and fair was whether it was putting landlords off investing:

'So, if you're looking at it from a point of view of here [Argyll and Bute], then it's not balanced and fair, because it's putting too many landlords off from putting property available on long-term lets.'

Jean pointed out that the balance was wrong as it was biased toward the regulation of bad landlords, whilst ignoring bad tenants. This was despite it being perceived that there were bad landlords and bad tenants in equal measure:

'I think the difficulty with the whole sector is that you've got good landlords and bad landlords. You've got good tenants and bad tenants, and all the legislation is done for the good tenants and the bad landlords,'

The Argyll and Bute Council Team Lead on Housing Strategy was less concerned by the balance of the legislation per se but more about the support available to landlords address the legislative burden:

'I think the problem with the balance is there's not very much support for landlords in terms of implementing any of the legislative burden.'

15.3.1.3 Safety legislation Vs property rights

On the one hand, landlords tended to be broadly supportive of measured legislation focused upon safety and conditions, which was viewed as being 'very important' (Steve):

'I think I have to say I do support the idea of upgrading properties and having minimum standards and such…'

(Steve)

'It can't be safe enough. I'm quite happy spending money on safety, that doesn't worry me in the slightest.'

(Colin)

'The EICR's [Electrical Installation Condition Report]and the PAT [Portable Appliance Testing] testing was all reasonable. I lived with all that, and quite happily.' (Jill)

Landlords also supported non-safety legislation, which was perceived to be balanced, fair and well administered. Case in point, the Tenancy Deposits Schemes:

'One thing I think it's been really good has been the Safe Deposit scheme. I think that's been excellent, you know, protecting deposits for tenants. And so, we've used that quite a bit. That's been good.'

(Peggy)

Elaine seconded this view:

'I think there are some elements which are good. I think the deposit scheme is probably a good example of something that operates in both landlord and tenant interests.'

However, landlords were less supportive of legislation that affected the right of landlords to obtain vacant possession of their properties, which were deemed to be unfair. John for example, was supportive of the repairing standard but contrasted this with legislation that made 'it so difficult that a landlord could lose their business because they can't evict a tenant that's not paying them any money....'.

Pete had several examples of landlord friends who had been 'financially destroyed' by their inability to remove non-paying tenants. He also had an experience, which he did not believe had a fair outcome:

'I had to evict someone last year and the galling thing about was they still managed, even after getting evicted for deliberately withholding their rent, which they were getting paid to them by income support. So, they intentionally made themselves homeless, they still walked in to a brand-new ground floor flat.'

He went into great to detail on his own experience at the tribunal, which he described as 'harrowing' and likened to an 'HMRC tax inspection'.

Jill also felt that the inability to remove delinquent tenants expeditiously was unfair:

'I think not being able to get a tenant out that's a perfect pest, because the woman that I didn't go on with, she was really difficult about allowing me in to get things done, you know like the EICR [Electrical Installation Condition Report]. And she didn't want it. And she didn't want it when she wasn't there, which well, she wasn't there a lot of the time, so that was difficult. Never had a problem with anybody else. I was really pleased when she left, and she was very rude, and I wouldn't have evicted her, but if I'd got somebody worse than that, that really was difficult or wasn't paying, or was a nuisance to the neighbours, or was a nuisance to me… I would have wanted to be able to get rid of them.'

One survey participant took the opportunity to share the impact of the temporary legislation on evictions:

'My tenant has not paid any rent for 9 months now... He is still in the property and he complained that he is getting cold winds as all the windowsill has rotten. To fix this we have to remove the old windows and fix in brand new double-glazed windows costing us multiple thousands. We helped them but the government has stopped us from gaining any rent. They broke the boiler and we got a brand-new boiler again costing us multiple thousands but we are stuck with no rent thanks to the eviction ban, and frozen rent means even if we do gain any rent then we will only get £10 per month more for doing this. That too only if he decided to make the payment in future.'

(Survey Participant)

So did another:

'I have offered bad tenants several ways to repay outstanding rent, allowed them extra time to pay but always they have taken me for a ride knowing it is almost impossible to evict them now.'

(Survey Participant)

The hidden issue here, according to Pete, is that landlords are choosing other markets (e.g. short term lets) to avoid the risks associated with the long-term rents/Private Residential Tenancies (PRT's):

'I know loads of people that would rent out their flat, if they thought that if the tenant didn't pay the rent,

that they wouldn't end up having maybe nearly two years before they can evict them, but that's the reality of what's happening today.'

Again, this is a challenge recognised within Argyll and Bute Council. As the Argyll and Bute Council Team Lead on Housing Strategy suggested:

'It's not a challenge to get tenants. It might be a challenge sometimes if you get a tenant who maybe isn't paying the rent or not quite abiding by the tenancy agreement and obviously there's a lot of security of tenure, which isn't a bad thing, but I think it's a challenge for landlords if you end up going down the wrong path with a tenant. I think landlords are quite fearful of how long it will then take to resolve that situation.'

He went to add that Argyll and Bute Council could offer some help:

'…again, that's something that we can help landlords with if they come to us because there could be ways and means of maximizing income if it's rent arrears issues, or different supports that we could try and put in place.'

15.3.1.4 More about the rent cap

Landlords singled out specific regulations which they believed were unfair. The rent cap was often top of the list. One survey participant pointed to the difference between the cap value and the real increase in costs:

'I have not had new tenants and therefore 3% increase has applied, despite the costs of maintaining the building have gone through the roof.'

(Survey Participant).

Colin expanded on this candidly:

'Nonsense! It is nonsense. Inflation over the past 2 years. In 2 years, it's probably about 15%, and I've been allowed to put my rental up by 3. Not fair, not fair at all. It's fair on the punter [tenant], but not on the owner.'

So was Stuart:

'It made me angry, made me very angry [the rent cap]. Because we're a siting target that the government can hit… Have they gone to the insurance companies and said, no you can't put your charge up by 60%...Have they done anything like that, no, because we're the easy target. It makes me angry; it makes me very angry.'

Pete used a broader example to highlight his perceived unfairness:

'If you take someone that has say a letting agency and all his overheads have went up by… inflation… if he could only increase his prices by 3% and yet all his other costs have up by 10/15/20% whatever, but he's only allowed to go up by 3%, well what do you think is going to happen that business? Well, that guy's eventually going to chuck it. It's just this lunacy of them not realising that, or maybe they do realise it and this is the outcome that they want.'

Pete also noted the inequity between the treatment of the Social Rented Sector (SRS) and the SPRS with regards rent increases:

'If it's fair enough for a housing association to be able to put the rent up by 6% a year, it should be fair enough for a private landlord to do that.'

Colin agreed:

'We are not allowed to increase our rental by more than 3%, but the public sector can increase it by 6. There seems to be something distinctly wrong there, but that, again, I think, is because government thinks that everyone's in there and screwing the tenant.'

15.3.1.5 The SPRS as a guinea pig

As evidenced by the disparate approaches to rent increases in the SRS and SPRS noted above, several landlords described the SPRS as a testing ground for regulation. Commenting on the Scottish Governments 'Proposals for a Heat in Buildings Bill Consultation'. Colin stated:

'I've been reading stuff this week. New proposals for-private rented things have got to be all ready for 2028, yet nothing is being said about public rented properties… you know. They're just seems to be more and more. And what is going to happen, especially rurally, I can see people saying, "Acht to hell with this, I'll just sell my property, and someone will buy it as a holiday home."'

Pete had a similar view:

> 'If they carry on the way there going, I'm definitely, I'm thinking of selling. I'll sell up before I put the rent up. Theres just a pattern that's developing here, where you can see it's just another piece of legislation, it's another piece of legislation, it's another piece of legislation and again its completely out of proportion to any other part of the, you know, it doesn't apply to the social housing sector or it doesn't apply to private house owners.'

He later added:

> 'You've only got to look at this legislation there bringing out, and there constantly saying it's the private sector, it's the private sector first, you know. They quite clearly have got this hatred for the private landlord and they want to destroy that sector. There certainly doing a good job at it.'

Jill similarly felt aggrieved:

> 'Why are they imposing on landlords if they're not imposing it on other people, I mean, are we scapegoats? And I'm inclined to think we are. Why should my tenants be living in better conditions than I am?'

Landlords have a point. There are examples of the SPRS being used to pilot legislation, the 'Proposals for a Heat in Buildings Bill' mentioned by Colin is one example. The consultation suggests that homes should 'meet a reasonable minimum energy efficiency standard' by specific dates. It is proposed that SPRS landlords meet this requirement by 2028, yet owner occupiers wouldn't have to meet it until 2033 and, whilst the Social Sector would be on the same 'pathway', the Scottish Government are 'not proposing to apply this Heat in Buildings Standard to the social rented sector' (Scottish Government, 2023a, p. 7 & 24). There are other examples. There is undoubtably some merit in the rationalisation that the SPRS should be targeted because significant work is required there to improve conditions and energy efficiency. However, there is also merit in suggesting that new legislation should be rolled out and tested where governance structures, funding and supply chains are more robust e.g., in the SRS.

However, it should be recognised that the SRS is subject to rules that the SPRS is not, and as the Argyll and Bute Council Team Lead on Housing Strategy light-heartedly stated:

> 'I think it's interesting that the private rented sector think that they are the guinea pigs, because of we've had it from the other side where the housing associations feel that they are the guinea pigs… So maybe everyone thinks they are the guinea pigs.'

15.3.2 Expense

There was much concern over the cost of compliance, particularly in light of broader inflationary concerns, the inability to increase rents due to the rent cap, and the rural maintenance premium. As Pete argues:

> 'At every turn, they bring in legislation, and it's just making it more and more difficult for the private landlord to be able to cover their overheads.'

The majority of landlords offered examples of rises in the cost of letting. Stuart's example related to insurance:

> 'Let's start with the insurance companies. I think they're disgraceful. I think the government rather saying to us, we can't put our rents up by any more than 3% need to get their act together and hit these insurance companies. Take the chap that's working… he's about 180 odd pound a year for the building's insurance. The boy down the stairs… He's the sitting tenant we took on with the property, because he's unemployed- 420 pounds. Discrimination against unemployed people. Disgraceful… And do the government take into account that I've got to pay more insurance for somebody who's unemployed now and can't get that money back by putting the rent up?'

Jack and Linda's example highlights the premium associated with achieving compliance on island communities:

> 'There's no one the island can do an EPC [Energy Performance Certificate]. So, again, you're bringing people in from the mainland. It's not just 100 pounds or 200 pounds. You're looking at hundreds of pounds, if not more, for accommodation for somebody coming to the island.

Whilst in some cases, the cost of compliance with individual legislative measures may be negligible, the cumulative impact of the legislation over the last decade has had an effect on the profitability of the SPRS. Until recently, these costs could be mitigated via the application of market rents, should landlords choose to do so. Unfortunately, and as noted earlier, the cumulative financial impact/burden on landlords and tenants, is not considered when undertaking financial impact assessments for new legislation.

Landlord also expressed concerns that a lack of long-term thinking had unnecessarily increased the cost of compliance:

'Fire alarms must be mains operated. No problems, we got all that done. We got an electrician in from the mainland. It cost us, I don't know, 800 pounds just for the electrician. So, we got all this fitted, and then, a couple of years later, everything has to be interlinked. So not just mains power. It's all interlinked now.'

(Jack and Linda)

The UK Government did not escape criticism, with the removal of mortgage interest relief (via Section 24 through the Finance Act 2015) receiving considerable criticism. It is something of a peculiarity in that the legislation does not result in a new cost per se, but instead limits the ability of landlords to offset finance costs against tax. Kate viewed Section 24 as a 'travesty' and emphasised:

'You should be able to offset your expenses, and sometimes we're a business when it's convenient to them, and sometimes we're not a business when it's not convenient to them.'

Jean posited:

'The change in the tax relief has hit folks hard and I think there's a very unrealistic expectation in governments and in the general public that landlords are absolutely coining it in. But if you're a good landlord, you're not.'

And Pete, who did not have mortgaged properties ventured:

'If you think of the amount of private landlords out there that maybe have a mortgage on a property now, and now they cannae write it off against their tax, now there's no any other business in the country that if you've got a cost to run that business you cannae get a write off against your tax bill. Theres not another business that operates like that.'

A novel insight was made by Pete regarding maintenance costs. It was noted earlier that landlords who own properties in which the common parts are maintained by housing associations benefitted from frameworks that essentially guaranteed the availability of tradespeople, but he highlighted that this came at a significant cost due to the types of contractors engaged:

'[A housing association in Argyll and Bute] are obviously the main housing association that I deal with down here and one of things that I find with [them] is that their, the list that they have for contractors is based on their criteria right, but that's not the criteria that you will get with a private factor. So, [they] might turn round and say right, you've got to have a public liability insurance of say, I don't know, £200 million. You've got to have x amount of money in the bank, you've to employ so many people or else you can't bid on any of our contracts.'

He went on to provide examples of works completed by the housing association that cost far more than he perceived was reasonable and suggested:

'It's got to the point now, and I think this is a big problem with the housing stock in Argyll and Bute, particularly where you've got private owners, is the private owners are sick to the back teeth of paying, it's not double, sometimes it's three of four times what the repair would cost if you went normal private sector.'

This is an interesting area, that may have resonance beyond rural areas and is therefore worthy of further study.

15.3.3 Relevance

Landlords were concerned about the relevance of some of the legislation in general but also specifically in the context of small-scale rural landlords. As noted earlier, landlords are not anti-legislation per se, but appear to be anti-legislation that they perceive to be irrelevant. Steve summarised the position well:

'I'm not against regulation, but I'm against regulation, that's pointless.'

(Steve)

There was a perception the Scottish Government weren't 'looking at risk in a big picture' and not following a 'sensible, risk-based approach', which took a 'helicopter view' of the risks that existed in the sector

(Kate).

Kate went on to cite the requirement for landlords to undertake a legionella risk assessment:

'The temperature at which bacteria multiplies 20 to 45 degrees. So, if your hot water is hot and your cold water is cold, and most of the time it's freezing, you're not going to have legionnaires disease.'

This was seconded by Colin:

'I think you've got to be careful about it. I think the carry on with the regulations with regards to Legionella in housing… are crazy, because they're going over the score there, completely over the score.'

Interestingly both had professional experience in this area. For balance, it should be noted that while the risk is generally very low in most domestic environments, the potential for 'dead legs' in pipework, temperature fluctuations due to the nature of pipe runs and other factors can mean that risks remain.

Other specific regulations were also perceived to be similarly problematic:

'I was just talking to a guy today who was telling me about the legislation now that's come in for water pipes. A landlord now to has to get … drinking water pipes tested to see if there's any lead in it. Now, most properties, well, all the properties I've got, there'll no be lead pipe there, but what there will be is copper pipe and the copper pipe will probably be soldered, and if its soldered, the solder, if it was pre, something like the mid 80's, it would have lead in the solder and apparently this test that they do will pick up the lead in the solder. You now, so your gonna have to rip out all of those pipes or find an alternative water supply.

(Pete)

Scottish Water[42] note that 'although lead solder for these types of joints was prohibited in 1987, there is evidence that lead solder is still sometimes used illegally'. And of course, before 1987, it would have been used. In addition, there were some conflicts in the guidance posted by the Scottish Government, which were rectified after interventions by the Scottish Association of landlords (SAL)[43].

Kate more broadly questioned why the focus was on legionella and lead pipes and not asbestos or fire compartmentalisation or 'panes of glass that were Georgian wired, that broke and have been replaced with plywood, fire doors, window restrictors etc'. The point being made was not that legionella and lead are not perceived as risks and should not be tackled, but to understand where they are located in the hierarchy of risks faced by tenants and if policy decisions reflect this assessment. It should be noted that in many cases, broader landlord obligations exist, they are simply not on the radar or enforced appropriately.

More generally, landlords reported that legislation did not take into account different geographies and property types owned in rural locations. The notion that rural and island landlordism was different was recurrent and landlords felt that that it was not fair that policymakers did not appear to consider this.

As Jack and Linda offered:

'I think everybody acknowledges they've taken a sledgehammer to crack a nut. The scandalous situations in cities, the ruthless landlords who are kicking people out, versus small local rural communities, where you know your tenant and things like that. It's a completely different scenario where the landlords are easy going, don't charge deposits, don't chase up a minor damage, do as much as for the tenants who can versus the Rachmen's of the industry, you know. You think we're all Rachman's, kicking poor students out and all this, and it's not like that on the islands or in rural areas.'

Colin (who had also been an urban landlord) suggested that rural landlords were unlikely to be 'rogues' and instead:

'They try to look after their tenants, they try to look after the properties, and that's one of the big differences. I can see. If you're in the private rented sector in the cities. All you want to do is make money. Yes, I'm want to make money, but I'm investing in my property at the same time, so somebody that property will increase in value, and I can hand it down to my children.

Stuart strongly stated: 'If they've got bad landlords in Glasgow, sort them, but don't go punishing people around here in the sticks, trying to get on and not charging a fortune.'

It was also believed that some of the challenges fuelling legislative change- such as the rent cap (but also short term lets) were a direct response to problems in urban centres and specifically Edinburgh or Glasgow rather than a rural issue. Phrases such as using 'a sledge hammer to crack a nut' and a 'broadbrush' were regularly used to highlight the lack of nuance/Scotland wide approach:

'The government tends to take a broadbrush effect. They see there is a problem. And the problem might affect 2% of tenants. Maybe there's 5% of landlords that are dodgy. So, what they do is, they just put in some legislation that will affect everybody… "There are some dodgy private landlords out there. Let's bring in legislation that wipes all the landlords out"'.

(John)

42 https://www.scottishwater.co.uk/-/media/ScottishWater/Document-Hub/Factsheets-and-Leaflets/Factsheets/100620SWFactSheet72020v5web.pdf

43 Government provides further clarification on lead pipe requirements - Scottish Association of Landlords (SAL) (scottishlandlords.com)

Whilst there may be substance to some of these views, urban landlords also tend to self-report that they are 'good landlords' and undoubtably, many are. Furthermore, it is often that case that landlords spanning different markets and geographies describe their practices as different to that of a notional archetypical landlord. As shown earlier, overall, landlords are more alike than different in terms of their characters, motivations and investment behaviours.

More specifically, it was suggested that some legislation was unfair as it had very specific ramifications in rural areas that did not exist or did not exist to the same degree in city areas. For example, the introduction of the Private Residential Tenancy (PRT) was singled out by a few landlords as not being 'rural friendly' and specifically, in relation to the provision of winter lets. Ross summarised the issue as follows:

> 'The other thing actually, my wife's just mentioned something that's causing another problem [where we live] is what you used to have is, before the new legislation came in place, both for long term and short-term rentals, is… people would rent their property on a short term rent during the summer, and then somebody might have it for 6 months over the winter period or over that period. They can't do that now. The legislation means that you can't get rid of the tenant if they decide they want to stay there after the winter. So no, you know all that long-term rental that was available before the new legislation came in means nobody's interested in doing a winter rental for anybody. Legally, you know, there might be black market ones again, there will be. But no one's doing any. You can't do any legal ones any more, because, hey, you can't get a tenant out. But same again, yeah, it just adds to the lack of housing.'

This is troubling as Shucksmith (2008) suggests that winter lets play a crucial role in housing local young households who cannot afford to buy, and who are unlikely to qualify for SRS housing.

Whilst landlords did not believe that bespoke legislation was likely or in some cases, particularly feasible, there were suggestions that legislation could at least be better planned and include some level of flexibility:

> '… I think that more flexibility is required within the system, really, and I think they need to sometimes think things through a little bit better.'
>
> *(Steve)*

15.3.4 Enforcement of legislation

The legislation that impacts upon the SPRS is spread across numerous UK and Scottish Parliament acts, each with differing implications for enforcement and non-compliance. A full exploration is beyond the scope of this research, but in terms of enforcement, landlords could find themselves subject to interventions or action from the Health and Safety Executive, Trading Standards, Rent Service Scotland, Environmental Health Officers and the Local Authority Private Landlord Registration Teams, amongst others. In reality, most landlords will only ever have to deal with a member of their Local Authority's Private Landlord Registration Team. Although this raises a number of questions, it is expedient to assume that this is because the majority of landlords are generally compliant. The assumption is not researcher bias, but the position of the Scottish Government as expressed in guidance issued to local authorities in 2009 (see Table 15.2).

Table 15.2: Scottish Government statement on enforcement

'Registration gives local authorities an effective means of dealing with the worst performing landlords who, by their behaviour and attitude, mismanage their properties, or fail to act in respect of their anti-social tenants and cause misery for their own tenants, other tenants, neighbours and communities. Such landlords tarnish the image of the great majority of landlords (and agents) who operate lawfully and would wish to see the negative image of their business replaced by recognition of the vital role they play in a modern housing market. As a result of targeting action on the worst landlords and agents, mandatory registration will, along with the other measures mentioned above, help to improve the reputation, image and professionalism of the whole private rented sector.

Source: (Scottish Government, 2009, p. 2)

The importance of enforcement under the regime was further emphasised in 2013 (see Section 12) and the most recent guidance specifically notes that the '…landlord registration system is a key element of the enforcement regime.' (Scottish Government, 2017, p. 3). It is also suggested that enforcement should be focused upon poorly performing registered landlords and critically, non-registered landlords:

> 'I don't underestimate the challenge for local authorities of dealing with some 260,000 private landlords registered across the country. However, as the great majority of them are fit and proper persons and provide a service that their tenants find satisfactory, there should be little need for local authorities to routinely monitor their compliance. That frees them to focus on those landlords whose conduct is not satisfactory, and on those who have failed to register or to maintain their registration.'

Importantly, the guidance discussed above recognises that ridding the sector of bad actors is important to compliant landlords. This is a point that has been made by landlord themselves for some time (Crook et al., 2009; Watson, 2023). The landlord's interviewed maintained that they followed the rules and so others should too. June was matter of fact when she asserted:

'I think if there are rules, then they should be obeyed by everybody.'

The perceived lack of fairness caused landlords, who reported that they were compliant, to feel palpably aggrieved. Some examples include:

'… it's a bit unfair sometimes, those of us that do things properly are certainly getting penalised for doing things properly, and that that can be a bit annoying at times.'

(Steve)

'The other major irritation, is that you get people like us who are compliant generally, you know. So, the new legislation comes in and we do it. And then [the neighbour], with his illegal HMO carries on.'

(Kate)

'I've got to abide with certain regulations to keep my land registration. Joe blogs across the road from me doesn't have to bother because he's not a registered, they don't know he exists. So, he can do what the hell he wants…'

(Colin)

'Why have regulations that supposedly help the situation. So, the good people follow the legislation, and everyone else doesn't bother. But it's an increasing number that don't bother because the legislation gets tighter. But what's the point of tightening it if you're not going to police it? It's just stupid, all you're doing is hurting the good landlords, and you're not doing anything about the bad landlords. They just go underground.'

(Ross)

'So, you've almost got a dual system where, if you follow the rules, it's expensive, difficult time consuming and if you don't, you can just get away with anything.'

(Elaine)

However, a sense of fairness wasn't the only driver. Some landlords pointed to the dangers associated with non-compliant properties. As Ross ventured:

'I think it should be enforced… there's some [expletive] dire accommodation here that you know should shouldn't be rented out… We're not just talking about fairness; we're talking about the safety of some of these properties.'

It isn't clear how many landlords in Argyll and Bute operate out with the landlord registration system or operate within it poorly. However, as the Argyll and Bute Council Team Lead on Housing Strategy acknowledged:

'The rural nature of this local authority might mean that there are people who aren't registered and people who are registered if they're in the same area, will probably know about it. And that'll be a source of frustration.'

However, many of the landlords interviewed were coy about directly discussing non-compliance. Colin explained why:

'I'm a registered landlord, within a hundred yards of where I'm sitting, there are 2 flats that are being rented out, and the landlord is not registered and nobody does anything about it. And if this was in Glasgow, I'd report it quite happily. But here, you can't do that because people will find out who's reporting it, and you're all the bad [expletive] of the year.'

There were differing views on the scale of non-compliance. Some believed that it was negligible and others like Lorna weren't entirely sure. Paul however, felt that the problem was quite large:

'I have to be rather blunt here and say that I'm fairly well aware that there are quite a lot of extremely dodgy landlords around this area, and I think something that the Scottish Government and the Council needs to do more is to clamp down on these people. Because if you run this kind of business honestly, then you have certain legal obligations to for example, maintain boilers, maintain… the wiring… generally maintain the property. And unfortunately, having seen some rented property around here, there needs to be a more severe crackdown on our landlords who simply don't do that.'

Ross also reported that non-compliance was a sizeable problem and identified the increasing legislative burden and known lack of enforcement as key drivers:

'So, what's also happening [on the island], is we have, and it's not talked about, so we have a we

have a massive, an increasing black market on, on rentals. So, more and more things, because of the cost to rent, you know, if you're doing everything properly, you can't get great figures. So, there's a lot of caravans put up that, you know haven't even planning permission, let alone registered anywhere. And there's plenty of really grotty properties that are rented out that don't appear on anybody's figures, cause they're technically illegal rentals. And that is a very increasing number. And I can see that just increasing, because legislation is getting tougher even with the holiday lets, you know, legislation is getting tougher. So, I can see that black market which nobody will talk about here, because, you know, a lot of locals probably do it, or they've got relatives that do it. So that's an increasing number, and nobody polices it here. We don't have anybody come over police anything here. They don't come over and police planning, and they don't come over and check the you know what properties are registered. You can do that from a distance, really, but that's not even checked either.'

Although landlords may not be aware of all materials facts surrounding perceived breaches, potential non-compliance levels warrant further investigation. Regardless, landlords generally agreed that more enforcement was required. It is important to note that in this context landlords tended frame enforcement as the need to identify landlords who were not registered and/or not completing required compliance/safety checks and encourage/require them to become compliant, and if unable to do so, prevent them from operating within the sector. As Steve reasoned:

'It really is silly to have these rules in place and then not enforce them.'

Ross suggested that there was a need to:

'…police what's there. We are not policed at all on this island. Police what's there and you stand more of a chance of things being better for people.'

Jean suggested that there '…needs to be more enforcement, so that there is a level playing field'. She went on to highlight examples of shortfalls:

'I know that that a lot of folk now advertise their properties to let on things like Gumtree and local Facebook pages. There's no one actually checking that they're putting the landlord registration number on, and all that sort of thing. I think that there should be enforcement of that.'

Stuart was more direct:

'I can understand what they're wanting to do is stop rogue landlords. Take them to court. Do them. Don't let them trade again.'

However, landlords also recognised that the lack of enforcement was partly due to a lack of resources:

'I think the local government, the people who are meant to administer these schemes or regulate them are so thin, the chances of them actually doing anything is [unlikely].'

(John)

Peggy revealed that she had never been subject to enforcement and further highlighted the perceived resource issue:

'I'm not aware, touch wood, of anybody ever checking in between whether we've done things right. I can't think of any system to do that... I mean, there wouldn't be any bodies to do it. There's no staff left anywhere.'

Colin was more specific, but was not aware that the staffing situation was worse than he believed (see Section 12.1.2):

'We've got very small department for landlord registration in Argyll and Bute, which is I think, it's 2 or 3 young ladies. Very nice young ladies, but they're no checking up who's renting property, and who's not [registered] but renting property. It's not being done.'

These insights are concerning but not surprising, it has been clear that local authorities have lacked sufficient resource for enforcement for some time (even when fully resourced) with consultation by the Scottish Government (2013, p. 14) identifying that:

'Lack of resources in enforcing landlord registration was commonly cited as a key reason for a lack of success in tackling the worst landlords.'

It is clear from several of the comments that landlords would rather that enforcement was focused on those who are not registered as opposed to on collecting compliance certificates from those who are.

Unfortunately, a lack of enforcement was perceived to not only be a problem within the SPRS, but also within the wider

Argyll and Bute housing system:

'I mean the things that people get away with, which this is not anything to do with this, is not anything to do with rental property. But just as just as an example and I think it would apply also to other areas of housing is, so [the island is] quite small but because it has… conservation areas and all the old buildings are listed buildings. And it's surprising the number of those, often owned by, so the second homes, but not entirely, where all kinds of work is done, holes are banged in them to make French windows, roofs replaced, windows replaced UPVC... no planning permission, no listed of building consent, nothing. And so, I kind of suspect that that probably happens, okay, might happen less in urban areas, because it's easier to observe. But I mean, really the extent to which it happens here, it's not just one or two. I suspect that there's probably whole areas of the whole housing and planning system which are just going on/happening without oversight, without ensuring that anything's done to standard, or according to regulations. So, the extent to which that affects rental housing I'm not sure but I just, I suspect that it probably does.'

(Elaine)

It was noted earlier that the Argyll and Bute Council Team Lead on Housing Strategy hoped that the Short Terms Lets (STL's) licensing scheme might push some properties back into the long-term SPRS, but it might also help with enforcement:

'It may be that the fact that short-term licensing is out now, that may help get people into the system one way or another...'

He also believed that the new relatively new STL team at Argyll and Bute Council would, after completing the backlog of STL applications, be able to work more closely with the private landlord registration team on enforcement:

'There'll be more people out and about so that the combination of those two departments or teams might help.'

The Environmental Health Manager (West) provided a number insights into the wide range of enforcement actions available via the differing legislation that impacts upon the SPRS, but also the complexity and difficulty of doing so. Interestingly, within landlord registration, only one landlord has ever failed the fit and proper person test in Argyll and Bute.

As noted earlier the private landlord registration team is currently resource constrained, however, there are longer term plans to increase enforcement levels. While discussing the checking of expired registrations, the manager explained that this was currently a desktop activity due to the resource intensity associated with fieldwork in a rural geography. However, the team were actively considering a more balanced approach and a renewed focus on non-registered landlords.

The Regulatory Services Officer, was also keen to increase enforcement activities.

"Well, I would like to think that there will be enforcement in the future, but at the moment… we're not really in a position to do enforcement. When I'd first started… I was quite excited at the prospect of going out because you'd see these instances where we've written to landlords, they've had two emails to ask them to renew. We've written out to them and they've still not renewed, and I think it'd be fantastic either to be able to chap on their door and say… you're not in a legal position to be renting out property, or to issue a rent penalty notice and stop them from… taking in rent."

15.4 The energy efficiency of dwellings.

Although scoring relatively highly in the survey, the energy efficiency of dwellings emerged as a major issue during landlord interviews with several concerns being identified. These are explored in the subsections that follow.

15.4.1 Landlord perceptions of the status quo and current energy efficiency proposals

Many of the landlords interviewed believed that SPRS properties were already required meet a specific EPC rating or were required to by a specific date in the future. However as noted earlier, the Scottish Governments proposals in this area were subject to consultation at the time of survey and interview.

As highlighted in Section 15.3.1.5, the current proposals differ by tenure and exclude social housing stock. The consultation document proposes that SPRS landlords meet 'a minimum energy efficiency standard that can be met by installing a straightforward list of measures', which are broadly interpreted to equate to an EPC of C. However, it also notes:

'We recognise that some people may have already undertaken work to improve the way their property uses energy or may wish to make their own decisions on which measures are best for their home. Therefore, alongside this straightforward list of measures, we propose an alternative option of meeting the standard based on the result of an EPC assessment. We have recently consulted on the addition of a new fabric efficiency metric to

> EPCs, which could be used to show that a property meets a good level of energy efficiency.'

Until the emergence of the global pandemic, the Scottish Government had previously proposed that SPRS properties should 'achieve EPC Band E from 1 April 2020 at a change of tenancy, and then EPC Band D from 1 April 2022 at a change of tenancy' (Scottish Government, 2019, p. 2). It was subsequently proposed that legislation would be introduced in 2025, which would require SPRS properties to 'reach a minimum standard equivalent to EPC C, where technically feasible and cost effective, at change of tenancy, with a backstop of 2028 for all remaining existing properties' (Scottish Government, 2021, p. 95).

The sector has therefore been anticipating a system based upon achieving a minimum EPC rating for some time, with landlords making decisions about their investment patterns on this basis.

However, most interviewees were barely aware that the Scottish Government were consulting on the proposal for a 'Heat in Buildings Bill' at the time of interview. Amongst those who were aware or partially aware of the consultation, some were optimistic. Kate, for example, stated that she though that it 'looked better' than previous proposals.

In some cases, low levels of knowledge can be attributed to low levels of engagement by landlords. For example, when asked if he had read the consultation document, Stuart, believing that Scottish Government would not listen regardless, responded:

> 'To tell you the truth, no, I haven't. But am I interested? No'.

Some were also fatigued by the large number of consultations impacting not only their SPRS investments, but also their wider business and social interests. Kenny was clearly tired of completing consultations:

> 'The trouble is, there are new consultations all the time and we get the opportunity to participate in them. That's fine. But you never remember what was in the previous consultation about the same subject and no one, none of the departments are sending out a thing saying, guess what? Here are the issues we're consulting this time, and here's where we've got to. I mean, I've got boxes and boxes of files here going back over 40 years, and, to be honest with you, I'm tired of reading about all the consultations, which we've tried to participate in. There are more people running consultations than trying to come up with anything constructive for anybody.'

Asked if he had read the consultations, Ross also alluded to the large number of consultations:

> 'I tend to keep an eye on the consultations and fill out anything that does come up on them. The Scottish Government have so many of these things. I've probably filled one out.'

The lack of clarity was causing considerable uncertainty and hence concern:

> 'I now don't know when it's going to be brought in, or if it's going to be brought in, and it's just yet another worry hanging over me that to be honest, I could be doing without.'
>
> ***(Steve)***

Devoid of meaningful information with which to address the uncertainty and make robust investment decisions, landlords are filling in the gaps themselves and often coming up with the worst-case scenario. As Peggy hypothesised:

> 'If somebody does an assessment, they will say you'll need, probably new windows, I mean, it's double glazed. But you'll need new windows. You'll need floor insulation. I don't know, wall installation, you name it.'

Jill provided an in-depth example:

> 'Well, it's D [EPC rating] just now. I got that done when I had to get it done between tenants. I can't see what I can do to get it to a C. The man from [a local surveying company] that did it, he was very helpful. He said I would need to take the internal walls down to the lathe and plaster and I would have to bring them in to make space for more insulation. I've got 100mm in already in glass fibre, whatever you call it- glass wool. Now, that's a major disruption for a tenant. The walls are already about 2 feet thick, because it's a granite but and ben. I'd also have to take the ceilings down because, it's a one-bedroom cottage so the sitting room and the bedroom have got cathedral ceilings, I can't get more than a 100mm, it was built with a 100mm in it. I can't get any more in, again I would have to take them down, and if not bring them right down to the level of the top of the wall at least a long way down. So, I mean, I'm taking the inside to bits, there's places where I can't bring the wall in because there's a door against it, and I can't move the door. And then I've got a shower room, which I'd have to take the back of the shower out and the toilet and the wall out, and then the bedrooms got a fitted cupboard along that wall. So, I'm actually dismantling most of the of the cottage to do this, and I mean it's a tiny cottage, one bedroom, 520 pounds a month rent, I mean, it's just a bit of a

nonsense, apart from the fact if you've got tenant in, you can hardly do it with a tenant in.'

Expanding on the conundrum faced by landlords, she later added:

'The cottage is in the lee of a sort of South East Hill, so in the winter it gets no sun. So, you know, heating it with solar panels is not viable. You could get hot water in the summer. A personal windmill was something I discussed, but there's too many trees about to make that viable. I did get a new heating system in a few years ago, so I had a central heating control to help the EPC, but if I was getting an air source pump or a ground source pump, I need to take all that out and put new radiators in. So, I just feel as if I'm not making progress on that one.'

Colin commented on the apparently contradictory and conflicting advice:

'You know, this same flat has at the moment got an electric, wet central heating system, where you've got an electric boiler heating water going round radiators. "Oh, that's not efficient. You should put in a gas system". But you're trying to do away with gas systems. You're wanting rid of gas systems. Mine is electric system. Mine is working off these big, whirly things which is not producing any crap whatsoever. "Ah, but it's not efficient for the tenant. It costs too much". I'm in a catch 22 situation. I can get my EPC put up if I put gas in. On the other hand, the government tells me I can't put gas in, because it's bad for the country.'

And Kenny summed up the general confusion and mood with his statement:

'I'm really up the twist at the moment. I don't know what to do about my EPC ratings. Should I sell all the properties? Should I get a bulldozer and bulldoze them to the ground because I can't afford to get the EPC ratings up to what they should be? But I don't know, and it's a real sadness trying to work your way through all this treacly, treacly stuff.'

15.4.2 Difficulty and cost effectiveness

As alluded to above, a first order concern amongst landlords was that it would be difficult and uneconomical to upgrade some SPRS properties within Argyll and Bute:

'I suppose I can understand what the Government are trying to do, but I don't think they understand the difficulties with… old buildings…'

(Jill)

Colin elaborated on the challenge:

'Trying to get rural properties up to specific standards of insulation is almost impossible. 90% of the rural properties have been built in the 1800's, and not in the twentieth or twenty first centuries and they're not the easiest of properties to insulate. Yes, it can be done by the costs are absolutely prohibitive.'

This mirrored Stuart's view:

'These properties were built prior to 1900, trying to get them insulated to a good degree. It's not going to happen. You'd need to knock them down and rebuild them.'

Steve, who had an old stone-built property agreed:

'It just is not physically possible to bring them up to… the standard, so I can see us having to throw large sums of money at them, and still not being able to comply with the regulations.'

Lorna, who owned a war era prefabricated building, which her tenant was 'happy to rent', maintained that:

'There are a lot of properties, affordable properties where it's just A- possibly not feasible to do something, and B- not worth the landlord's while…'

She went on to share that a surveyor had valued her SPRS property and:

'.. his advice would be, dismantle it, you know, it's not worth investing a lot of money in it. So, you see, there are all sorts of circumstances, which I don't believe the Government has thought about.'

Colin had a similar issue:

'I have been told by the energy trust people, I've got a flat, one of my flats, it's a very poor EPC. And probably someday the Government will discover it's a very poor EPC and then they'll shut it down. But I've been told by the energy people that there's

nothing I can do about it. It's just impossible to improve it without spending more than the flat's worth. So, what's the point?'

Interesting, the Argyll and Bute Council Team Lead on Housing Strategy appeared to be in agreement with a number of these views:

'…all the increasing kind of legislation, like the energy performance certificates, energy efficiency, conditions, which are all good policies that in practice, and this is going back to the rural angle, there's a lot of properties up here that aren't ever going to come up to certain EPC rating just because of the way they're built, and they're just not treatable, for want of a better word, with energy efficiency measures that might work in more modern houses.'

As will be seen in more detail later, many landlords had already made improvements in an attempt to improve energy efficiency, because it was perceived to be 'the right thing to do'. (Kate), but several felt that they had reached a ceiling either in terms of what could be achieved in the property or what was economically viable:

'We have succeeded in raising this property from an EPC of G in 2011 to D in 2022 - it cost us 10's of thousands. To get a C rating will probably cost us 10,000s more and probably cause us to cease letting altogether.'

(Survey Participant)

Others were concerned that they simply would not be able to afford the upgrades that they perceived were necessary:

'The other issue… or one of the main ones to me is the EPC, which is the energy qualifications you have to have… It will take significant investment to get it raised up sufficiently and frankly, I'm not sure I've got the money to do that.'

(Kenny)

And ultimately, some thought that the legislation would force them to sell:

'All the legislation that's going to come in about, you know, ensuring your heating and your condition of your building and all the rest of it is up to a certain standard… All good for the environment you know. I'm for it in principle. But the practicalities and costs will... we'll have to sell. We will have to sell because we can't afford to do that to that flat.'

(Peggy)

15.4.3 Problems with the EPC System

Landlords also expressed a number of concerns over the EPC itself, which was viewed by some as fundamentally flawed.

15.4.3.1 Concerns that EPC's for not adequately account for improvements made

Several landlords complained that the EPC did not adequately account for upgrades that they perceived had improved the energy efficiency of their properties. Kate's example related to double glazing:

'If you have old double glazing and you change that for new double glazing, that cuts the draughts because you've fitted them much better… and they don't have all that condensation running down them because they're better insulated glass. It's a massive improvement, but they don't give you anything for that on the EPC.'

Jean's example related to heating systems:

'We changed the heating from the old storage heaters to new electric heaters, which have a timer and a thermostat so that people could organize it for however they wanted to… I was expecting that we would have had a movement on our EPC… It moved up, but stayed within the same category.'

This was frustrating for Jean as the change had reduced heating bills, making the system 'a lot more effective' and the flat warmer.

15.4.3.2 EPC Errors and Assessor Consistency

A few landlords believed that there were material errors in their EPC. Paul advised that the EPC for one of his SPRS properties was 'poor', but partially attributed this to errors made by the assessor:

'But frankly, that's because the EPC's not very well designed, this house is as well insulated as a house of this age can be… for example, I expect you know what I mean when I say, a coombed ceiling… I made the effort of sliding insulation panels down between the coombed ceiling and the roof, but the EPC didn't take account of that, and so I'm in the EPC as having the roof only partially insulated, which simply isn't true.'

In addition to errors, some landlords reported that consistency

amongst assessors was an issue, with it being possible for the same property to obtain different ratings dependent on the assessor. Jill offered a detailed example, albeit for a property out with Argyll and Bute, in which one assessor made over allowances for insulation and double glazing, and critically, did not include a storage area in the assessment. A subsequent assessor who did, rated the property at an entirely different level.

The perceived lack of consistency led Kate to muse:

> 'It's a broken system, it's an absolute racket. The best way to get a better EPC, we've all decided is to get a different assessor. And some of them are quite bendable. I've sat with them going "what you want to do is get me in when you need another one, because I'll always give you a good score". It's pointless.'

5.4.3.3 Concerns Regarding Energy Efficiency Enhancing Measures

Landlords were often sceptical regarding some of the measures being proposed to improve the energy efficiency of their properties. Some, such as Colin and Stuart were among several who were concerned by the potential for condensation or dampness, but also installer competence:

> 'If some of these insulation products are not used properly, you can end up with terrible condensation, you can end up with a lot of problems. And there's a hell of a lot of that, that's something they should regulate is some of the clowns that are actually installing this stuff.'
>
> ***(Colin)***

> 'The government again have made a ridiculous thing about putting insulation in and all the crackpots have all started up their wee businesses putting insulation in and some of the flats I've seen done are a mess, and there now damp, there damper than ever. No thought has gone into it at all, ridiculous.'
>
> ***(Stuart)***

Ross reported further concerns with workmanship:

> 'Certainly, some of the retrofit insulation that's been done previously on the island is absolutely appalling. You know, absolutely appalling work.'

Paul was also worried about dampness, but also aesthetics:

> 'Well, I'm afraid I know too much about buildings and damages to them. And those systems [external insulation] cause damp. And when you've got higher rainfall as we have here you cannot afford to run the risk of damp. And frankly, the external insulation is utterly hideous. There's a couple of houses here that have had that done, and it's just appalling.'

Kate was concerned by under floor spray insulation:

> 'I agree that under floor insulation is good, but I'm not having any robot things anywhere near my houses. So, I'm not scraping all that lot off in 10 years' time when it's a new asbestos or something.'

Air source and ground source heat pumps garnered particularly strong views. Some were concerned by cost:

> 'I think it's got off prematurely. I don't think the politicians have looked at it properly. I think the cost effectiveness of heat pumps is extremely doubtful at the moment.'
>
> ***(Kenny)***

Pete was also concerned by the cost implications:

> 'If you look at the things that they want to do with their heat pumps and stuff like that. Well, their bringing that in, and at this moment in time, it applies first and foremost to the private rented sector. Right, well what do you thinks going to happen to the private rented sector? People are just going to say- I mean if I'm going to be forced to put a heat pump into my properties, I'm selling, I'm selling up. Cause again the rental that I'm charging, the cost, it doesn't stack up.'

He later added:

> 'Well, hey, I'm not convinced that the technology works. If I thought for a second that putting a heat pump into my property here was going to half my electricity bills or half my gas bills… I can afford to do it, but I'm not.'

Some landlords had direct experience of heat pump systems. Case in point, Linda and Jack had installed a ground source heat pump in their own home and given the challenges they currently face in a rural location, are unlikely to repeat the process in their SPRS property:

'Nobody cares whether I've got a ground source heat pump, and it's net zero and all this palaver because it uses electricity. They don't say if my electricity is generated from oil or natural gas or coal. So, I'll be still paying this month, when my heating's on full, around 600 pounds a month, even with a ground source heat pump, something, the Government told me was gonna save the world, save me money. I have to maintain this every year. Bring people in from mainland to come in here to maintain this. So, I'm a little bit cynical…. And let me tell you, I'm not paying any less than the person up the road with the fuel oil, and they probably get more maintenance availability in the island than I have with a ground source heat pump on the island.'

Stuart was himself moving to new home that had a poor EPC rating and was trying to identify ways to improve this. He also had an issue with the maintainability of air source heat pumps:

'We've been looking at air source heat pumps, waste a time, because they've got the service every year. There's nobody on the island will service them, because they don't know the system. They've not been trained. They don't know it. So, you end up having to have a contract with the people that put it in to ensure they come back to service every year. Therein lies another problem, nobody will come to the island… So, it's looking like I'm now going to have to put gas into the property and put a gas boiler in, which they're trying to get us to go away from.'

Ross faced the same problem with a rental property he refurbished and, in the end, chose to install an oil-fired system:

'It's an oil-fired central heating system, and the reason we went for oil fired is, because air source would have been nicer, there's no air source engineer on the island, and it's very, very difficult to get anyone to service these things. And until recently, there was a problem that the ferry was refusing to carry the gases that you need to set things in the first place. So, for 6 months no one could get anything installed because the ferries weren't prepared to carry these so-called dangerous goods. But they've sorted that out. They've got a derogation to carry it. But it's all these sorts of things.'

The issue was so acute in some locations that there was anecdotal evidence of property owners considering removing heat pumps:

'There's been a lot of heat pumps gone in, but… we've been informed that people are looking at trying to take them out again because it's not working to get the servicing done.'

(Environmental Health Manager, West)

Lorna, was able to provide a perspective from Europe, where heat pumps are more common. She commented on a recent ground source heat pump installation in the property in which she lived. The findings reinforce some of the maintenance concerns expressed above:

'I live in a block of flats where we have just had ground source heating installed at tremendous cost, because the air source pumps have a bad reputation for noise. So, neighbours don't want that, not in my backyard sort of style, and I live in a city of course, you're running into land boundary problems.'

Discussing maintainability she added:

'So again, it all, comes down to the same thing, you have a lack of skills, possibly and there you are trying to implement a policy which is racing ahead, but hasn't had the backup that people really need and especially, I can tell you from bitter experience, this ground source heating takes a while to get adjusted. You know, we've only had it in since, well this is the first winter and we're continually having people in. They've had to replace a pump; they're trying to fine tune things. So, it's not simple. It takes skills. And I think again, coming back to the government, there should be, they should ensure a skill base before they try and make it mandatory. But there we are.'

15.4.3.4 Do tenants prioritise energy efficient homes?

With drivers including global warming and increasing energy costs, it might be reasoned that the energy efficiency of prospective/existing SPRS properties would be a primary concern for tenants. However, landlords did not generally appear to believe so, suggesting instead that tenants prioritised rents, general conditions, location and in the context of the housing emergency, simply securing a property. As Stuart mused:

'Does a tenant really think about that [energy efficiency] for a one-bedroom flat, no.'

Pete suggested that most tenants weren't 'in any rush' to have heat pumps installed, especially if it would mean disruption to their tenancy.

In fact, as Lorna pointed out, convincing some tenants to

accept works may be as difficult as it will be to convince some landlords to carry it out:

> '[The property]…its very basic, single glazing, not well decorated, etc., etc. But I've had the same tenant in it now, for must be going on for 18 years. And he's very contented with the simple surroundings… I tried to get it upgraded under the energy improvement scheme offered by Argyll and Bute. A surveyor went round and my tenant ultimately decided he didn't want it done. I suspect, but he's got so much stuff in the house, and I thought, well, he's in his late seventies, I thought, well, I'll just leave him be. I'll just leave him be at that. So that's the situation.'

Of course, there will be tenants who prioritise energy efficiency and this would an interesting area for further research, however, the issue in rural Argyll and Bute is that for now, there choice will be limited.

15.4.3.5 Concern regarding EPC payback periods

EPC's include advice and estimated costs regarding measures that could improve subsequent EPC ratings. Landlords expressed some concerns about the scale of the savings that EPC related improvements could generate in relation to the cost of the improvements. As Jean observed:

> 'The EPC itself is, it's a bit of a joke to be perfectly honest, I mean… if you spend a thousand pounds on this, you can save 50 pounds a year. Sorry that that level of return is ridiculous.'

Paul had a further example:

> 'Our flat, for some utterly bizarre reason has got UPVC single glazing and I'd never heard of that before, but the point about it is that it is very, very good. And I reckon that if we spent somewhere in the region of 20 to 25,000 pounds on replacing all the windows, we would save less than 600 pounds a year on energy. Now you don't have to be a financial genius to know that that is a foolish idea.'

He added:

> 'We suffer on energy efficiency because of it. But it's so marginal. Like I say, we could save 5 or 600 pounds a year maximum. In fact, it's probably less than that. No, it's a lot less than that. I think we could only save about 10% of our energy bill if we replace the windows. And so, it makes absolutely no sense. And in terms of, shall we say energy footprint, the amount of plastic and carbon you have to use to produce that amount of double glazing is immense. We would actually from a carbon footprint point of view, and that's our decision, we would be far better to continue just paying slightly over the odds for the heating. So, it would make absolutely no sense to put new windows in this flat.'

15.4.4 How should energy efficiency improvements be paid for?

Given landlord concerns regarding the cost of energy efficient improvement projects, they were asked how they thought they should be paid for. Steve felt that grants were the obvious answer:

> 'They could, for example, drastic thought perhaps, but they could provide grant assistance to encourage people to make improvements to properties. Now, you know, maybe they don't want to do that, because obviously it's a commercial thing, they don't want to be seen to be lining the pockets of private landlords. But that's not quite how it works unfortunately, so I think support would be welcome.'

Peggy concurred. However, whilst she was keen to highlight that she did not believe that loans were the answer, she acknowledged the economic realities being faced by policymakers:

> 'In an ideal world there should be grants available for that. Not loans, because loans always come with a percentage to pay back. There should be grants, but you know, where's that money gonna come from? That's the thing, isn't it. I think we've got ourselves in a bit of a pickle in housing in the UK. I think we're in a big pickle.'

Colin proposed a tripartite system with costs split between landlords, tenants (via rents) and the UK/Scottish Governments.

Some landlords had already benefited from grants. Elaine was somewhat surprised at their generosity:

> 'I mean you could be hit with a really painful cost. I mean I have to say [some of our properties] had the external, you know, the external installation that [a local housing association] we're doing… on blocks. I mean, we had that done free, we didn't have to pay at all, which actually was quite amazing. Because I mean, when we were first made aware of it, I thought, we're never gonna getaway with having, you know, 3 done free. But anyway, that's what happened… and in fact, it was just a real, a

real shame that the fourth one which we would have paid for, but someone in that block, objected, one of the private owners objected, and it was never done, which was seriously annoying.'

However, pointing to inconsistencies, Jack and Linda had tried to obtain grants and were told they were not eligible:

'It would be nice if people are telling you, if you're being instructed that you did get help to do it. But we found that the only help available is if people are on pension credit… you've got to be in the system to get help.'

Kenny pointed to the other difficulties:

'I think that the procedures you have to go through, if you want a grant for any of these things again… is absolutely, oh, completely over the top.'

A further challenge associated with grant funding is that it often stipulates the use of approved contractors. For rural landlords who already struggle to source tradespeople, this is a limiting factor. Ross who had undertaken a full property refurbishment reported:

'We couldn't get any funding from anywhere to pay for any of the insulation to refurb it to a proper standard. And if you want insulation installed. Certainly, if you want air source heating, you have to have an approved contractor to do it. We live on a [expletive] island. I mean, they're absolutely hundreds of miles away… I mean this policy is absolutely madness for our part of the world, if you're going to do refurbishments, insulation, air source heat and all that sort of thing, it's absolutely madness to insist that only these named suppliers are… somebody… have some [expletive] common sense, look where these are, and is that practical to do it in our part of the world? And it's obviously not. So, it's just stupid, it's just ridiculous, if you had lots and lots of installers all over the place, that's fine.'

The Argyll and Bute Council Team Lead on Housing Strategy noted that during the housing emergency there was some resistance to using public funding to support the private rented sector, but highlighted that there were established methods for ensuring value for money and safeguarding public investment:

'So, you've got energy efficiency for example, in the housing association sector, they got big grants to bring their properties up to set standards… but what's available for private landlords to try and assist them to bring properties up to standard… And I think that's an issue around, and we heard it in some of the housing emergency debates, "oh, you can't be given grants to private individuals to bring their properties up to standard because there is always the risk, there's a risk that they could then do all that with our money and then sell it." But there's also the safety net that you could actually put conditions on the title like we do with private sector repairs grants. If that property sold within 10 years, you pay back the grant. So, there are ways and means of safeguarding. I think there's a nervousness around public money, public grants going to private individuals who own properties. But if you want them to be part of this overall housing solution, we've got to bring them round the table and have a bit of trust there.'

Later it was suggested that funding could also be linked to performance:

'We need to have a basic security of tenure because there's no point in somebody being in a private rented tenancy, worried that they're at risk of losing that accommodation all the time, but in return for landlords accepting that risk, which it is a bigger risk than they've been used to, they should maybe get more recognition and more assistance, and I don't know whether the landlord accreditation scheme might be a root to that, where if landlords are signed up and they're accredited, they might get more access to national financial assistance.'

15.5 The provision of transport infrastructure (e.g. ferries and roads)

Rural transport infrastructure was raised as a challenge by some landlords both in a personal context and in their role as rural landlords. Peggy pointed out that getting around some areas of Argyll and Bute was 'really difficult' and that having a car was essential:

'I could get a bus into work, but I couldn't get a bus home unless I left work in time to catch the school bus. you know, which is fine if you're on a sort of 9 till 4 or 9 till 3:30 job. But you know, if you're on a 9 till 5 job, you're sunk. So, you know, a car becomes an imperative.'

The need for a car was seconded by Colin, who also pointed to transportation challenges impacting the rentability of properties in some locations:

'Access is a great difficulty. You cannot rent a flat in this area unless you're on a bus route because people renting flats would have to have a car that can't necessarily afford a car.'

The implications of rural travel distance are broad, but Peggy provided a particularly interesting insight in relation to dealing with anti-social behaviour within the rural SPRS. She pointed out that the travel distances involved meant that obtaining a timely police response was challenging:

> 'But the problem is, if you've got a tenant who's got a problem like that [anti-social behaviour], it takes police about 40 minutes at least, to get anywhere to sort out a dangerous situation. Because it was at times dangerous, physically dangerous. So, a problem in rural areas is actually with difficult situations like that.'

As expected, rural and island landlords were concerned about the reliability and robustness of ferry services. Island-based landlords were pragmatic in recognising that dealing with the vagaries of ferry services was inevitable:

> 'Well, we haven't got one today because of the weather, we got one cancelled yesterday because of the weather. It's cancelled today because of the weather. It's cancelled tomorrow because of the weather. So, we've lost 3 ferries in 3 days at the moment. But yeah, it's is what it is. You live on an island; you've got to live with it.'
>
> ***(Ross)***

However, there were broad agreement that services could be much better. For example, Stuart reported that the ferry service was getting worse instead of better:

> 'They [ferry services] go off at the turn of a hat. The ridiculous account that they say, "aw it's the same service it's always been"- I've been on the island for 40 odd years, I've never seen it as bad. They go off for any reason. If it even gets foggy now, they go off. They never used to go off for fog.'

Kenny was also frustrated by some of the decisions regarding ferry management:

> 'And the biggest contribution would be to get the Calmac ferry service really going here because it is a nightmare, not having it. For years and years, the captain of the boat always had discretion. Did he sail the boat or not? Well, now he gets instructed by Glasgow, based on the weather forecast they see he can either sail or not. Why? Does that really make sense?'

Ross concurred:

> 'Well, Calmac don't help. I mean we have a big ship that normally services us, and they always wait until you know January to then give us a tiny ship while they stick it in dry dock, which you know, the time you need a big ship is the middle of winter. That's not when we want it shoved in a dry dock to give it a service. So, they have a habit of doing that every single year, and I don't know the reason on that. But it doesn't help.'

Again, the problem was not equal in all areas with Colin noting that his ferry service was great:

> 'As far as we're concerned, we haven't got a problem. But then again, we're… not that rural. We've got a very good ferry service.'

The repercussions go beyond the movement of islanders to and from the mainland, but also impact the movement of tradespeople, and materials.

15.6 The remaining challenges

15.6.1.1 The provision of utilities (e.g. gas, electricity and broadband)

Many landlords owned properties which did not have a connection to a mains gas supply. Instead, some properties relied on oil, liquified petroleum gas (LPG) or electric heating. These fuel sources were not without their own challenges. For example, one survey participant noted:

> 'Provision of economical utilities (gas)… has been problematic. We are not on the route of mains gas, and there is very little choice for LPG suppliers.'

The provision of robust broadband was also raised as an issue in some areas. Landlord interviews were carried out over the internet and on a few occasions the call would lag or freeze. After one lengthy freeze, Colin bemoaned '…and that's another thing, the internet doesn't work that well'. However, for the most part, the broadband connections proved to be reliable.

15.6.1.2 The availability of professional services & professional advice

The availability of professional services (e.g., surveyors, letting agents etc.) was less of an issue for those in urban areas such as Helensburgh and more of an issue for those in remote and island communities, where there was often no provision or part-time provision. As Colin highlighted:

> 'Professional services! Yes. There is a [property professional] in the town one day a week…. There

is one [other type of property professional] in the town. There is one rental agency in the area... Yeah, professionally, we're struggling… There's very, very few professionals in the area at all.'

Letting agents can play an important role in supporting landlords, ensuring compliance and driving up standards. However, not all had access to a letting agent and some of those who did were concerned by the quality of the services provided. Jean had a letting agent she was very happy with, but she was concerned about what would happen when the agent inevitably retired:

'… the managing partner is obviously getting on in years, and I think in the next 10 years she'll probably want to retire, and it would be a case of, I don't know who would take it on at that point.'

Jack and Linda noted a lack of legal services on the one of the islands necessitating that the service be shipped over:

'There's no solicitor on the island. My father for example… has a lawyer coming across from the mainland…. And again, I'm not 100% sure what the charges to my father will be, but I'm pretty sure there'll be additional charges. You can't just rock up to a solicitor here.'

Paul cited similar challenges with surveyors:

'The main people that come across the river are people like surveyors. I don't think there's enough demand here. There are local offices, but the last several times I've had an occasion to use a surveyor, it was always someone coming over.'

The availability of professional advice from financial advisers, accountants etc., was found to be similarly sporadic in remote and rural locations although it was perceived that the situation had been improved by the growth in home working.

Overall, and as with the availability of tradespeople, there was a general lack of choice and obtaining services was perceived to take longer and cost more than in urban locations.

15.6.1.3 The provision of services (e.g. water supplies and sewage)

Sewage connections did not appear to be a major problem for any of the interviewees. Those who were not connected to main sewage lines, and so had to use septic tanks, appeared to be happy with the provision of maintenance services. In Jack and Linda's case '[Scottish Water] come across and they do it. So, it works quite well.'.

The Environmental Health Manager (West) noted:

'…they're okay till they go wrong [septic tanks], and then they can be problematic to fix or replace. But generally, they sort of tick along quietly… There's emptying issues and there's access issues potentially. But it's… something that we're relatively used to, I suppose, people seem a bit more accepting about septic tanks.'

Some landlords noted issues arising from the use of private water supplies. The Environmental Health Manager (West) highlighted that in Argyll and Bute some people rely 'on private water supplies because there is no other option'. She went on to provide a brief overview of the status quo:

'In Argyll and Bute, we have approximately 3,500 private water supplies. A private water supply may serve one property, or our largest supply serves about 400 properties and anything in between. When it comes to regulated supplies, ones that serve any commercial aspect including private renting, we have currently just shy of a thousand regulated supplies.'

Steve noted issues with the private water supply to some of his properties. The supply had known issues, but had fed a series of properties for some time:

'When we first bought those properties, we put inline filters in… and UV lights and all sorts. But the issue with that is, it's there's a lot of sediment in the water and it blocks up the filters very, very quickly, so… the water supply might pass for a matter of 2 or 3 days, the filter will block up after 4 or 5 days, and the tenant will remove the filter and throw it away, and then you've no longer got compliant water.'

(Steve)

Steve noted that others were on the same supply:

'… there's [several] properties shared by that water supply.... You know, there's families with children, and there's people running [Short Term Rentals] out of that.'

However, after being rejected for the Ukrainian resettlement scheme due to concerns over the water supply, Steve's properties had been 'vacant for over a year' while he sought a more robust solution. He reported that and some grants are available to support the improvement of water supplies, but he felt that they were insufficient when viewed against the

perceived level of investment required[44] .

15.7 No significant challenges

Interestingly, a dozen or so survey respondents noted that they did not face any significant challenges in being a rural landlord, with one noting that they had found being a rural landlord a 'good experience'.

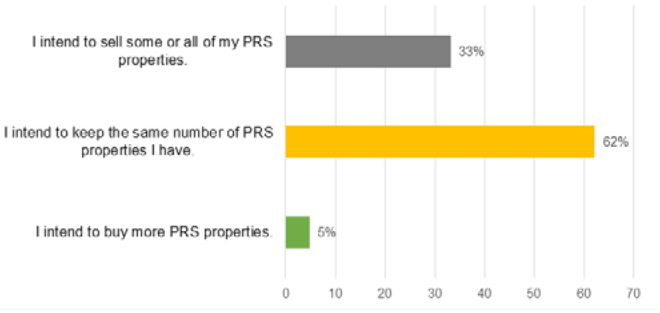
44 It should be noted that individuals with private water supplies do not pay for the water supply portion of their council tax bill although this does not necessarily cover the costs associated with a private supply.

16 LANDLORDS INTENTIONS

In light of the housing emergency there is an urgent need for policy makers within Argyll and Bute Council to understand the intentions of landlords and how they will impact upon existing levels of supply. Without such evidence, it is difficult to envisage how Argyll and Bute Council's policy makers can effectively plan interventions aimed at resolving the housing emergency in the short-term. To address this requirement, landlords were first asked if they intended to buy more SPRS properties, keep the same number of properties or sell some or all of their properties.

As can be seen in Figure 16.1, just 5% intend to increase their SPRS holdings, with the majority of landlords (62%) intending to keep the same number of properties they have. Worryingly, one third (33%) intend to sell some or all of their properties.

Figure 16.1: Landlord intentions



(n=346)

Given the findings to date, including strong landlord views on the legislative environment, the challenges associated with rural landlordism, and the low-level of returns sometimes achieved in comparison to alternatives, these findings are hardly surprising and suggest that the housing emergency may be about to accelerate. However, this assumes that landlord actions will match their intentions and there is a long history of landlords threatening to exit the market in response to changes in legislation[45] . However, during interview, a number of landlords were adamant that they were selling. This is concern as the data provided earlier already points to landlords exiting the market in larger numbers than they are arriving.

It should be noted that amongst landlords who currently intend to keep their properties, there remained tipping points that might result in a future decision for sell. This is clear from some of the landlord insights already shared, but to illustrate the point:

> 'You've got good landlords. As I say, I put myself as a decent landlord. Why crucify me? Why are you put me under that cosh and making me pay more. It's not fair, it's not right, and it puts me in the mood, it could tip me either way, I might just say, "acht to hell with it, I'm just going to sell them all"… If things get worse if the Government keep putting more pressure on us, then I would just sell the lot.'
>
> *(Stuart)*

> 'I know you get some very bad landlords. I know that, but I think they're actually going towards the tenant all the time, and I can understand that. But they've got to realize there's gonna come a point where I'm going to say, "no, I can't do this anymore", and it's gonna be up for sale and I won't be a landlord anymore.'
>
> *(June)*

16.1 Why are landlords selling?

The survey asked landlords to select from a pre-determined list of reasons, which had contributed to their decision to sell some or all of their properties (Table 16.1). The findings will not be a surprise to any readers of the preceding sections. The most popular reasons had a legislative focus. For example, the majority of landlords (65% of cases) selected that the cumulative impact of legislation was a factor. As one survey participant noted:

> 'I am leaving the sector as soon as I am able to... I have direct experience of the impact of one-sided legislation… Landlords MUST have the final say in what happens to their tenants and property or society will lose a significant proportion of its PRS as landlords either quit the sector or don't bother in the first place. I wouldn't currently recommend the sector to anyone at the moment.'

However, although the cumulative impact of legislation was clearly important, landlords often cited one piece of legislation that acted as a tipping point and for many, as above, this related to property rights:

> 'We are selling up due to the inequality of the legislation. We provide 1st class accommodation but have no rights over tenancies.'

John shared this concern. As John's tenancy was a Short-Assured Tenancy (SAT), the mooted conversion of SAT's to PRT's was the tipping point:

> 'Because it's an old tenancy I'm in, I have the right to evict the tenants, probably not while there's an

[45] See for example Crook et al. (2009) and Scottish Association of Landlords (2021)

eviction ban on, because I think that's probably general. But I could evict the tenants when the eviction ban comes to an end because of the short-assured tenancy, that's always been in my back pocket if the tenants decided not to pay the rent anymore. But I'd heard that they were reviewing short assured tenancies, and they were just going to convert them to a private rented tenancies. So, it seemed to me that I'm going to be caught anyway in that trap. So that was kind of what put me on the path to removing the house [from the SPRS], and I probably was quite tentative at first.'

He also stated:

'If my tenants became unable to pay me, all the burden would fall on me. And so, I think that's not something that I could afford to do in the future. So, I'm protecting myself to some extent from possible tenant default, or further legislation which might even ban me from selling the [expletive] thing in the future, you know. So, I'm protecting myself from that point of view.'

Furthermore, in half of cases (50%), landlords selected the rent cap/threat of further rent control as a reason for sale. This is not surprising. As the Argyll and Bute Council Team Lead on Housing Strategy reasoned:

'If your cap somebody's income below the level that they expect for whatever reason, there's probably going to be about fallout from that, which would probably be less private rented tenancies available.'

In 37% of cases, forthcoming EPC requirements were selected, suggesting that the threat of further legislation was a major factor. This is astounding given that, at the point of survey, it was not clear what the requirements would be.

The financial performance of the investment also featured strongly with increased costs (44% of cases), increased interest rates (24% of cases), the loss of interest rate relief (21% of cases) and the observation that alternative investments can offer better returns (19% of cases) all playing a role.

It is notable that relatively few landlords intended to sell as a result of reaching their investment objectives (8% of cases). This suggests that the intention to sell represents a deviation from their initial investment plans[46]. This suggests that many sales could be avoided by engaging with landlords and creating a more balanced legislative environment.

Table 16.1: Reasons which have contributed to landlord decisions to sell some or all of their properties

Reasons for Landlords Selling	Survey Sample (% of cases)
The cumulative effect of legislation.	65%
The rent cap/threat of further rent control.	50%
Increased costs have reduced the viability of the investment.	44%
Forthcoming EPC requirements.	37%
Increased interest rates.	24%
The loss of interest rate relief.	21%
Alternative investments offer a better return.	19%
I have reached my investment objectives.	8%
The availability of finance.	5%
Other.	30%

(n=346)

The survey offered landlords the opportunity to select 'other' and to specify their reason(s) for selling in their own words. In total, landlords selected 'other' in 30% of cases. Some of the reasons provide mirrored or expanded upon those already selected. However, two additional themes emerged- health/ageing and tenant behaviour.

A few landlords were selling 'due to ill health', others were selling due to the process of 'getting old'. Age emerged as an important theme during the interview stage with landlords highlighting that growing old was limiting either their ability to carry out works (see earlier) and/or their desire to continue being a landlord. At interview Peggy summarised this position:

'We are not young and fit any more and not able to respond in the way we'd like to, were trying to be supportive landlords, you know, supportive- maintaining a safe environment for people.'

As SPRS landlords are an ageing group, this is likely to be a problem across Scotland and one which will become more acute over the next decade.

A second driver was the impact of tenant behaviour, which had taken its toll on a few landlords, with one noting:

'I have been traumatised by my current tenant who sits in my flat with 5.5 months of rent arrears. I'm being financially impacted not to mention other anti-social tenant issues. Therefore, I'm reluctant to rent again once she moves out and want to sell.'

(Survey Participant)

46 It should be noted that not all landlords set detailed investment objectives (Watson, 2023).

Another reported:

> 'I resent my precious time being used up filling out notices, pre-action protocols, applications, emails etc., to try to end a very difficult tenancy and get my life back.'
>
> *(Survey Participant)*

And another:

> 'We have served two notices to leave on our tenants due to their [tenant] behaviour and we just want to sell our flat and never be landlords again.'
>
> *(Survey Participant)*

Given that landlords tended to select more than one reason for leaving the sector, it points to the decision to sell being multifaceted, influenced by multiple investment, environmental, personal, health and circumstantial factors, with specific driver's acting as tipping points.

For example, Jean mused:

> 'We are considering what we're doing, moving forward. You know, we're in a position where you know capital gains tax is going to be the bulk of it. It's going to be a 28%, because we've held the flat for a while. The annual exemption is going down so there's less tax-free element. And you know it's a lot of hassle. And if the regulations start moving on then I think there's no question that we would sell.'

The amount of time landlords had participated in the sector appeared to play an important role in the decision to sell. The gradual process of getting older, of becoming fatigued at searching for tradespeople, and becoming frustrated by the pace of legislative change clearly took its toll. The obvious implication here is that those most likely to leave are those with the most experience in the sector.

16.2 Further information on the properties to be sold

One landlord was unsure how many properties he/she intended to sell; the remainder intended to sell 253 SPRS properties between them in total. Of these 252 planned sales, 168 related to Argyll and Bute.

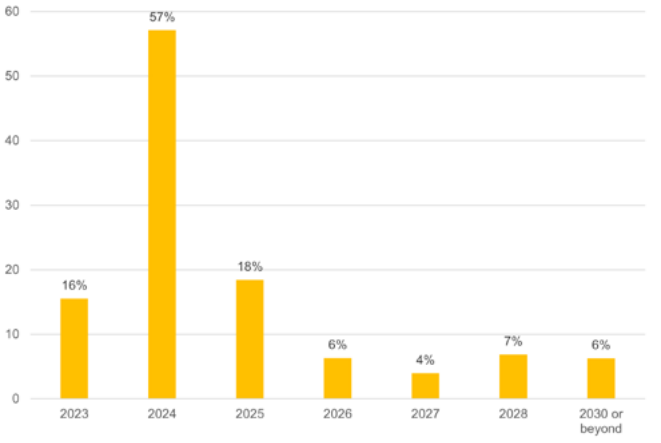
Most sales were predicted to occur in a relatively short time period (2023-2024)[47] . However, some sales were not envisaged to take place until 2030 or beyond (Figure 16.2). This highlights that there can be a considerable time lapse between a landlord deciding to sell and the property actually being marketed for sale/sold. This can be due to factors such a lengthy transaction processes, market conditions, the properties tenanted occupation status and landlord circumstances, amongst others. In particular, some landlords were acutely aware of the impact their sale would have on their tenants and intended to link market exit to the natural expiration of tenancies:

> 'We would have sold earlier but the family renting had children at school and we didn't want to upset their routine.'
>
> *(Survey Participant)*

In light of these broad timeframes, it will be difficult to evidence how many properties actually leave the sector. This is because the landlord registration system does not track property movements over time and because the sector is in a permanent state of flux with properties being added and lost on a regular basis.

In this sense, policymakers rarely see the immediate effect of the choices they make as they continue to impact and shape the sector for many years after they are made.

Figure 16.2: Year in which landlords intend to sell their first property



(n=346)

16.3 Further information on the properties to be purchased

Of the landlords who intended to buy more SPRS properties, five were unsure how many properties they would purchase and the remainder intend to buy 47 SPRS properties between them in total. Of these 47 planned purchases, 37 relate to Argyll and Bute.

Those landlords who intended to buy more properties, but elsewhere, suggested that this was due to 'poor yields' and a lack of 'cost effective' investment opportunities within Argyll

47 Overall SPRS sales

and Bute. As one participant responded:

> 'Potential rental revenue too low… and… the cost of maintenance and infrastructure is too high.'
>
> *(Survey Participant)*

Again, assuming that landlord actions match their intentions, Argyll and Bute Council can expect to lose more properties than it gains from its current landlord base. Clearly new stock may be added via new market entrants although given the challenges issued so far, this seems increasingly uncertain in the short-term.

17 SHORT TERM LETS AND SECOND HOMES

The Short Term Let (STL) and second home sectors are perceived to have a significant impact upon rural communities. Although beyond the original scope of this report, several of those interviewed had either direct experience or strong opinions relating to one or more of these sectors. These insights have been included for context.

17.1 Short Term Lets

There were mixed views on STLs with some landlords seeing them as essential for supporting local tourism and others blaming them in part for the housing emergency:

> 'STL's have killed it. Young people can't get on the property ladder because it's all [short term lets].'
>
> ***(Stuart)***

Jean reported that a lot of landlords had moved to the STL sector in part due the legislative burden within the SPRS[48] :

> 'A lot of folk that previously might have been involved in long-term lets have gone to the short-term holiday lets and you know, I think that the level of regulation pushes people away as well.'

But also, because landlords could achieve better returns in that sector:

> '… they would get more in a week [in STL's] than they would get for a month [in the SPRS].'

Ross also reported a profit motive:

> 'There are very, very few long-term rental properties on the market, because the money you can get for long term rentals is quite low and the rental people can get for holiday rentals is, you know, you can make 3 or 4 times the amount over a year that you can make on a long-term rental, so there's no great incentive to go on the long-term market. And obviously you are somewhat tied with a number of things with the Scottish Government, be it you know, your restricted on putting rents up. It's obviously very difficult to get tenants out if you're not happy with them.'

However, Peggy pointed out, the additional revenue was a result of an additional workload and she felt that dealing with an SPRS property was time consuming enough:

> 'It is too much hard work. I have to say just having what I would call a normal tenant. You've still got to respond when the boiler packs up, you know, or when something goes wrong. Not very often, but you've still got to be responsive. So no, I wouldn't dream of it.'

Although many SPRS landlords have made the switch to STLs (and in some case back to the SPRS again), several of the landlords interviewed in Argyll and Bute, had made a conscious decision not to enter the sector as they wanted to provide local homes for local people:

> 'I wasn't going to do [a short term let… I thought, no I want to provide long-term living accommodation, because I know there's a shortage. So, I was trying to do the right thing there.'
>
> ***(Jill)***

> 'I wanted more to be of use to the community. So, housing people who need it. There's a shortage of houses for anybody here, there's more employment than there are people who can take up the employment because they can't get the housing. So, I wanted to go down the route of, I would provide it for somebody who was wanting to work in the community, and the housing was a benefit to them. So yeah, I could go. I could do [a short term let] all day long, make 4 times as much money, but I don't go down that route. That was a personal choice…. That was a conscious decision on my part to do that, to have that the property that I own for a long-term tenant be a local born and bred, or somebody who's come to the island to work.
>
> ***(Jack and Linda)***

> 'They're all local people that couldn't find anywhere… on island, because… all flats were going [short term let], and we have people saying, "have you got anything, we can't get anything, we want to stay in the island that we can't find anywhere". So, we've decided were not going down the [short term let] route. We'll let the locals get the flats and that's what we've done…. the way the government were going and primarily insurance companies, we were thinking of going down the same road [short term let] but when I

48 From the 1st of October 2022, a licencing scheme was introduced within the STL sector (see Short-term lets: regulation information - gov.scot (www.gov.scot))

heard the plight of people not been able to get anywhere. I said, no we'll stay with the locals and here we are.'

(Stuart)

'As I said to you before, financially, it doesn't make sense for anyone actually to rent long term, and very few of us do it. We do it, because we can afford to and we haven't at the moment got a lot of time to do change overs if we did short term rental, which would be far more profitable. But it also makes us feel a bit better on the island, because we know there's such a shortage of property. So, it does make us feel a bit better.'

(Ross)

As with all legislation, the STL licensing scheme had produced unintended outcomes. For example, as well as being landlords, Jack and Linda used to rent out a room in their main residence during the summer. However, the scheme has led them to withdraw from the market:

'In our main house. We did room only board. We were offering people on the island room only, and that was, what a can of worms that was. So, we decided this year, that we just can't stomach it. So, we opted out of that, it was just getting too much. That was definitely due to legislation. It was just getting crazy. So, we just said, ach, we'll forget that. So, it doesn't help for the like the short-term people coming over for accommodation. A few people I know have already opted out as well… We know a lot of people who just canny be scunnered [cannot be bothered] with all the legislation. So, they've actually stopped offering any sort of spaces in their houses on the island to any tourists.'

(Jack and Linda)

Similarly, Stuart, who had experience of providing B&B accommodation as opposed to short term let accommodation, felt that the scheme was a blunt instrument with wider impacts:

'I think the way the Government have gone trying to stop the [short term let], putting legislation on them is totally inadequate, and it's totally wrong. They're now hitting business people like ourself. If I was to stay open, I would have to get a certificate for this, why should I, I've been in a business for 30 years I've been applying to the rules since the beginning… gas certificates, electrical certificates, fire certificate from the fire brigade, but they want me now to pay the Council, I think it's 400 and odd pounds a year and then I've got to have this certificate and have all this paperwork sent to them right? Why, that's not helping me. It's hitting me again in my pocket, instead of trying to stop [online short-term rental companies] that are trying to put us all out of business.'

17.2 Second Homes

Second homes were seen as a somewhat controversial topic. As Elaine explained:

'It's a very sensitive issue and I mean, there are some people who really bridle at the idea that you might be targeting second homeowners, so I do not use the term second home owner in any kind of public way, because this is like, "oooh you're targeting us", you know, "we're like treated as second class citizens". They don't have the vote here, so they act as if, they act as if you know we don't have such a thing as universal suffrage. So, you have your vote where you are on the electoral register. So, I mean, it's very, very interesting it's all to do with while you're in the area. So, the whole psychology of owning a bit of property… the assumption that property ownership gives you rights in terms of influence on local decisions.'

However, she also went on to highlight the challenges that second home ownership causes in terms of community cohesion and resilience:

'I think the properties that are empty for the majority of time are the ones that are the real problem. Because, and it's not just that they're blocking a house which could be used, which could be permanently occupied. But they simply don't contribute to maintaining the fire engine, maintaining the ambulance, maintaining first responders' team, you know, running the village halls, doing all that huge amount of, you know, community volunteering that keeps a community going. And I think that's on top of a phenomena, which I think's kind of like a Covid thing, which is some of the people who moved here recently have come from their perspective, they've come to a peace and quiet place and they don't, they're not involved in in the community, and I wish that they would choose some really remote valley to go to because we do have a pretty thriving community on the island. But you need that to continue.'

The Argyll and Bute Council Team Lead on Housing Strategy also referenced sensitivity around the issue:

'And I know there's arguments for and against everything, like you think 200% Council tax on

second homes would be a good thing. And it is if you live in the area and you don't have a second home, but there is a bit of backlash against that with people saying, well, we contribute to the economy when we're here.'

John had forthright concerns regarding second homes:

'Perhaps they need to look at the type of people who are buying those houses and how they are using them, I think, as a private landlord if you've bought a house in one of those places and you're renting it out. Hey, that's terrific. But if you are buying that houses a second home and not living in it, then they've got a real problem about that.'

So did Ross, who suggested that rather doubling council tax, it should be quadrupled to deter second home ownership:

'Well, where do we start? We'll start on second home ownership. So instead of what are we, double cancel tax now for second home owners? Which is a bit of nonsense, because we had to pay double tax when we couldn't get a builder in for to refurbish ours… So, council tax should be 4 times, you know, just for starters, because second home owners, if they want a second home, they can afford that, and if they can't afford it, great they can go somewhere else, because they do absolutely nothing for the economy of the island. So, you really need to put something in that discourages second home ownership big style because it's a massive problem all over the country, not just here, all over the UK. And politicians aren't interested in sorting it out.'

Peggy more broadly highlighted the impact of second homes on local housing markets:

'Having worked around Argyll… local people, you know, local young people couldn't afford them [local houses]… people from South east of England would buy second homes, you know. And the price went up and up.'

Jean had been a second home owner through necessity, but also recognised their impact:

'I do actually fall into that category because I had a flat that was part of the requirement of a job that I actually lived in during the week. So yes, I'm guilty of that as well. But I do feel that, you know that you get a lot of second homes. I know in the block where the flat that we use is, the folk opposite bought it as a second home, and you know, they're hardly there.'

Kenny was also a second home owner who recognised the problem:

'There are a lot of people who would love to have better housing on the island and would love to have affordable housing on the island but the holiday let's have absorbed a lot of it, and incomers have taken a lot of the rest of it.'

However, he also felt that it was up to individuals what they did with their private property:

'I've got a second home. I think most people with second homes let them out on holiday lets, anyway. If they don't want to, they don't want to, so they don't, and they don't have to… I don't think that second homes are depriving people who would like a home to live in one of those homes.'

The last part of Kenny's argument was that beyond affordability; holiday homes were often not the type of homes (in terms of size or location) that local working people wanted:

'What's happening at the moment is that the people who've got those holiday homes or holiday lets are saying, "Oh, my God. If I'm going to have to pay that sort of money, I can't do it. I better sell the property", but if they sell the property, who's going to move into it? The next person dare I say it, who's coming from Edinburgh, Glasgow, and got a huge salary out there and wants to holiday home on the islands is going to be able to afford it. But the people who've got them at the moment probably aren't. So, it's not getting the properties where you really want them. And to get the properties where you want them, and then the sizes you want them. I think the end you have to look at is the planning approval.'

This comes back to the requirement for nuance and flexibility within the system. A very large, very remote house, which might make a wonderful second home may be entirely impractical for a local family desiring a reasonably sized affordable home a short reliable commute from their place of work. But of course, not all second homes are very large, very remotes houses, and many would be ideal for local working families.

Another important point was made by the Argyll and Bute Council Team Lead on Housing Strategy, was that often second homes are not viewed as second homes by their owners, but as multi-generational family homes, which are seen as a way for families to retain a connection to their roots:

'In these areas there's a lot of people, particularly in the islands where it's a family home. It's not a second home because someone's wealthy, and they've bought a second home. It's because they've been brought up in Mull or Tiree and that's the family home.'

18 SOLUTIONS PRESENTED BY LANDLORDS

Landlords were asked what policy changes would make it likely that they would retain or even increase the size of their existing SPRS portfolios. Some of the proposals proffered are more realistic than others, but a variety have been shared for completeness.

Some thought the sector was beyond redemption. As Jill deliberated:

> 'I don't think the government have been watching, I don't think they've been watching what's been going on, and appreciating the harm that's been done, and it's a bit late.'

Peggy wanted to some indication from the Scottish Government that they supported small scale landlords:

> 'Oh, what needs to happen? I mean, if I waved a Magic Wand, it would be if the Government, the Scottish Government, did want to support private landlords, because at the end, it's a small business isn't it… People like us, I don't mean people with about half a dozen flats to their name, I'll talk about the individual landlords like us.'

Jill wanted policy makers to listen to the landlords who make up the sector and consider the pace of legislative change:

> 'If they want people to let property, if they want to use the private sector, they've got to listen to why people are moving out of it…, and if it's tradesmen, there's a long-term solution to that, but not a short one… but in the meantime they can help by not imposing rules on us that we just can't do.'

Clearly frustrated by SPRS legislation, but also wider legislation pertaining to his other business interests, Kenny also wanted a period of reflection:

> 'Why can't, maybe we should have a law that says, if you make a regulation, you can't change it for the next 5 years, and then everybody can get used to it. Sit on it and decide what they're gonna do about it, but don't go on regulating everybody and everything into the ground, because it's not working. Everybody's just getting royally fed up with the whole thing.'

As quoted earlier Steve wanted to see policymakers be more flexible:

> '… I think that more flexibility is required within the system, really, and I think they need to sometimes think things through a little bit better.'

Some landlords wanted specific changes, such as improved eviction rights in the event of non-payment or the removal of Section 24. As Pete mused:

> 'What would I change? I'd bring back the tax relief, mortgage relief.'

Jean concurred:

> 'The tax should be changed so that the mortgage interest isn't restricted to basic rate. Because you know, if you've got a landlord who's paying high-rate tax, but they're only getting basic rate tax relief, you know, it didn't matter quite so much with low rates of interest. But now rates are much, much higher, that could make a difference in forcing them out of the sector.'

Kate also focused on Section 24, but partially because it would send a message that policy makers were listening.

> 'I think if Section 24 was repealed, I would see it as like a support, not just a financial improvement. It would suggest that the Government was listening…'

19 CONCLUSIONS AND RECOMMENDATIONS

The Housing System in Argyll and Bute can be viewed as a microcosm of the Scottish Housing system. This is due in part to a shared history, shared socio-economic challenges and a shared regulatory regime. However, Argyll and Bute can be viewed as an extreme example in which rural and island economies, geographies, social structures and demographics, make the challenges associated with the provision housing more acute and more numerous.

However, these challenges are little understood in the context of the SPRS and from the perspective of landlords. In an environment characterised by the declaration of a housing emergency, rising interest rates, rising costs, an ageing landlord cohort, and an increasing legislative burden driven by steady state and crisis-based policy responses, the data shortfall is both limiting and concerning.

This report, the only major study of rural landlordism in Scotland, makes significant inroads into understanding landlords in Argyll and Bute and identifying the challenges they face in the provision of rural housing. Some of the findings add weight to recent Scotland wide landlord research (Watson, 2023; Watson & Bailey, 2021), but most of the insights are novel and may have some resonance in other rural, and to some extent, non-rural areas in Scotland, and potentially beyond. This section presents the report's conclusions and recommendations.

19.1 Conclusions

The report's conclusions are presented over three sections aligned to the research objectives.

19.1.1 Understanding how rural landlords differ

It is not surprising that the shape of the SPRS in Argyll and Bute shares broad similarities with the rest of Scotland. However, new analysis of existing Scotland wide data, finds that the differences in the characteristics, motivations and investment behaviours of rural and non-rural landlords in Scotland is relatively small overall, although differences in investment motivation and age were found to be statistically significant. Using new data from a different sample, this research finds that landlords in Argyll and Bute are less driven by financial motives, tend to be older, have slightly smaller portfolio sizes and are more likely to have bought with cash than landlords in Scotland overall.

The viability of the SPRS as investment has clearly been stretched in recent times with increased compliance costs, increased finance and operational costs, and changes in taxation all taking their toll. The secondary data reveals that rural landlords tend to make lower returns than non-rural landlords and the new data suggests that over one third of landlords (36%) operating in Argyll and Bute achieve a net yield of 3% or less. Although this does not take into account capital growth (if any) and will include some landlords who do not charge rents, this is a very low return, especially considering the workload and risk profile associated with SPRS investment. Given these returns, it is likely that many landlords (particularly those with large equity stakes) would be better switching to lower risk, lower hassle, fixed deposit investments. This has not gone unnoticed by landlords, many of whom only compare and contrast their SPRS investment returns with cash deposits at the bank (Watson, 2023). As such the growth in interest rates presents a significant risk to the stability of investment patterns within the sector.

Interest rates also have an effect on the costs faced by mortgaged landlords and there are now very real questions as to how sustainable some leveraged SPRS investments are, particularly in light of differing landlord financial resilience levels (Watson & Bailey, 2021).

19.1.2 Understanding the investment challenges faced by rural landlords

The majority of landlords (59% and 62% respectively) reported that the current legislative environment is not balanced and is not supportive of SPRS investment. If the SPRS is to continue to plays a pivotal role in the rural housing system and contribute to the resolution of the housing emergency, the challenges holding back or reducing investment in the sector need to be addressed.

Furthermore, most landlords (74%) did not believe that the Scottish Government understood the challenges faced by rural landlords and to a lesser extent (45%), neither did Argyll and Bute Council. Whilst there is some evidence that both the Scottish Government and Argyll and Bute Council understand at least some of the challenges, they do not necessarily appear to be responding to them. In the case of the Scottish Government, this appears to be due to a lack of will. In the case of Argyll and Bute Council, it appears to be due to a lack of resources and concerns over the effective use of public funds.

However, some of the shortfall is caused by low-levels of communication between the Scottish Government and to an extent Argyll and Bute Council, and landlords. Whilst consultations occur, these were perceived to have their own challenges. More broadly, there is a lack of direct and meaningful engagement and communication with landlords. Improvements here could go a long way to building goodwill, addressing uncertainty and correcting some of the misunderstandings and misinterpretations that appear rife in the sector. It may also lead to improved legislative decision making.

The rent cap is an example of legislative change that was enacted despite a considerable weight of opinion suggesting that it would have a negative impact. In fact, this report finds that the rent cap has produced unintended, but not unforeseen consequences. Although landlords adopted a wide variety of strategies for increasing rents before the introduction of the rent cap, more than a third (36%) reported that they increased rents at the point of tenancy change. All

in all, nearly half of landlords (47%) hadn't increased their rents since 2020 or before and in some cases hadn't increased rents for a considerable period of time. Many landlords felt like they had been caught out by the rent cap, which was viewed as 'meddling'. As a direct result of the rent cap, over a quarter of landlords (28%) now intend to increase the frequency at which they increase rents. At a time when rents are already increasing due to inflationary pressures, this is a clear own goal for policy makers and one which is likely to see rents continue to rise across the board, to the detriment of tenants, for a considerable period.

The investment challenges faced by landlords operating in Argyll and Bute in the context of the housing emergency are numerous and significant. The maintainability of rural dwellings (due to age, house type and location) and the availability of tradespeople emerged as major issue's that not only increase hassle and costs for landlords, but also present implications for the safety and quality of homes. Landlords often struggled to have general maintenance works undertaken, and given that much of the stock is not in great condition to begin with, there is a risk that chronic under-maintenance, stemming from the unavailability of tradespeople and rising costs, could have long term implications for the quality and value of stock. Landlords also often struggled to obtain tradespeople to undertake compliance-based works such as electrical safety testing, putting themselves and their tenants at risk.

The lack of availability of tradespeople meant that landlords often had to delay or postpone work, resort to paying over the odds to secure tradespeople, or undertake works themselves. The lack of tradespeople is driven by a broad range of economic, political, geographical and demographic factors which are not conducive to short term fixes. The findings raise a number of concerns regarding the ability of the sector to reponed to further asset based legislative change and particularly those that will be necessitated by the pursuit of a net zero future.

Less surprisingly, the burden of legislation also emerged as a considerable challenge faced by landlords and one which is largely in the control of Scottish Government. Four key themes emerged relating the fairness, expense, relevance and enforcement of regulation.

Many believed that the legislation had tipped in favour of tenants and was unfair. In rapidly increasing the legislative burden, the Sottish Government were perceived, as in other studies, to be 'anti-landlord'. Some of the views were politicised. Regardless, it is not helpful for policymakers that landlords feel this way, principally as it makes future engagement and legislative change considerably more difficult. It will take a considerable amount of goodwill to realise further improvement within the sector via the existing landlord cohort, including for example, in relation to energy efficiency. Unfortunately for the Scottish Government, goodwill is currently in short supply.

On the whole landlords felt that legislation was to broad brush and didn't consider the nuances of providing housing in rural locations and they sought a more flexible approach. This is not beyond the Scottish Government, who in more broadly discussing the challenges associated with delivering rural housing stock, note a 'one size fits all approach does not work' (2023d, p. 8). Most did not have major objections to safety-based legislation, except where its relevance was questioned in the context of housing or rural housing. There was considerably more concern around security of tenure, and the inability of landlords to evict tenants for legitimate reasons in a timely manner. There were also some concerns that the SPRS was being used as testing ground for legislation although there are arguments for and against this position in the main body of the report. The cost of compliance was a major concern with landlords reporting that the cumulative cost of legislation was high, particularly in a rural setting and especially with regards those with meagre returns. This suggests a real need for policymakers to consider cumulative compliance costs in impact assessments as well as the capacity for delivery in rural areas.

Overall, landlords were not anti-legislation per se, but they wanted some respite from the seemingly never-ending change via a legislative pause. There was no call to water down the standards that have in many cases improved the sector in recent years. However, landlords wanted future legislative change to be risk-based, to be relevant, to be properly assessed, planned in advance, effectively communicated and applied equitably across tenures.

Critically, landlords wanted to see existing legislation enforced. Although, the legislation that governs the SPRS is voluminous and complex and the avenues for enforcement of the legislation more so, the type of enforcement that landlords seek is to see unregistered and non-compliant landlords made to register and made to comply or alternatively be prevented from renting property. This is not a new insight, it has been reported for decades and yet, little progress has been made. This has left some landlords wondering why they should incur the cost and hassle of compliance, when others don't and appear to get away with it. Enforcement of this type is broadly in line with the stated goals of the landlord registration system and it not beyond the capability of policymaker in either the Scottish Government or Argyll and Bute. Without a renewed focus here, there is a risk that the combination of an increasing legislative burden and perception that enforcement is non-existent, will cause the growth of the unregulated SPRS, particularly in low contact rural and island communities.

The survey results positioned the energy efficiency of dwellings as a primary challenge for landlords and as the area of the future legislation that landlords were most worried about by far, with 43% of landlords suggesting it was their number one concern. During interview, the topic often received top billing and several landlords expressed deep concerns about the direction of travel. At the time of the survey, a consultation regarding the Scottish Governments 'Proposals for a Heat in Buildings Bill' ended. Most landlords interviewed were either fully or partially unaware of either the consultation or the Bill and as the Scottish Government had been proposing minimum EPC ratings for some time, this is what landlords have been anticipating and critically, what they are basing their investment decisions upon. Ironically the 'tick box' approach proposed in the Bill may be represent an easier

solution than the worst-case scenario some landlords were mentally preparing for. This is an example of communication, which could have been better, resulting in uncertainty and producing unintended outcomes.

Landlords, including those who had already embarked upon energy improvements works, highlighted practical and cost challenges in improving/retrofitting rural housing stock, which in at least some cases were economically unviable. Although forthcoming schemes are mooted to contain exemptions to respond to these types of cases, it is not obvious where the balance lies between sustaining tenancies, affordability, conditions and improving energy efficiency ratings.

Landlords also pointed to issues with the EPC system, the appropriateness of some the retrofit works on offer, the quality of the works being carried out in the sector, and a lack of appetite amongst tenants for disruptive works to be undertaken. In addition, landlords pointed to a range of barriers including (again) a lack of skilled resources to install and maintain heat pump-based systems, running costs that don't stack up, and in many cases, difficulty in obtaining appropriate funding, which meant that some landlords had no choice but to select fossil fuel burning systems.

These findings have major repercussions for the Scotland's committed to reach net zero by 2045. Landlords were asked who should pay for energy efficiency improvements. Unsurprisingly, landlords were broadly supportive of grants, but also of cost sharing. Clearly, a much broader debate is required around the private and societal benefits associated energy efficiency improvements, and this debate should explore the nature of property ownership versus custodianship and the extent to which energy efficiency improvement costs can be defined as a legitimate legislative risk derived cost accruing to landlords, or not. Either way, challenges surrounding the existing patchwork of grants available, suggests that the debate needs to be settled sooner rather than later to allow those currently considering entering or leaving the sector to make informed decisions. At the very least, it could be argued that some form of grant should be made available to landlords supporting long-term tenancies funded by, and therefore essentially capped by, local housing allowance, with the proviso that the property remains in the service of that market for a fixed duration.

Landlords also highlighted a series of additional challenges ranging from transportation issues (including problems with ferries) to issues surrounding the provision of utilities, professional services and other services, which all added to the complexity and difficulty of rural landlordism.

19.1.3 Understand the intentions of rural landlords

Looking to the future, and despite the challenges that rural landlords face, the majority (62%) intend to keep their portfolio at their current size. However, fully one third (33%) of Argyll and Bute landlords intend to sell some properties. The reasons for sale are generally multifaceted, and are explored more fully in the body of this report, but a lack of tradespeople, the legislative burden, improved security of tenure for tenants, inflationary challenges, interest rate increases, tax changes, an ageing landlord cohort and anti-landlord rhetoric are amongst those that feature heavily as either primary factors or tipping points in the divestment decision making process of landlords.

All in all, the net impact equates to the loss of a small proportion of properties in Argyll and Bute. As the Scottish Government (2023d, p. 11) notes:

> 'In remote, rural and island areas, small-scale actions can bring about significant impacts and a small number of additional homes can make a generational difference, supporting the long-term resilience of communities.'

The inverse must surely be true, with the removal of stock from the SPRS likely to have a large and direct impact upon rural tenants, communities and business.

There are however two reasons to be cautious. Firstly, as the sector continuously churns with landlords regularly entering and leaving the sector, it is inevitable that new landlords will continue to enter the sector. In fact, the Argyll and Bute Council private landlord registration team is surprised that this is still the case:

> 'That always surprises us that the number of new applications we getting in, now obviously some of those won't be new landlords… But there's still new people coming…'
>
> ***(Environmental Health Manager, West)***

However, more often than not, these are landlords who had obtained property via 'family breakdown or you know deaths in the family and inheritance, and things like that…'. Despite this, recent interest rate increases, a period of high inflation, fiscal policy changes and an increasing legislative burden, mean that SPRS investment is not as attractive a proposition as it once was. It is therefore suspected that the number of new entrants will reduce, if they have not already done so.

Secondly, landlords have a history of threatening to leave the sector in response to policy dissatisfaction and until recently, landlord numbers have continued to grow. However, the problem here is that neither sector churn levels nor the reasons for churn are recorded, and therefore it is not known how many landlords leave due to disenfranchisement with the sector and how many leave due to natural attrition. Furthermore, there is no way of knowing the exact proportion of leavers and joiners. Novel findings in this report complicate the matter further, by identifying that a considerable period of time can lapse between a landlord making a decision to leave the sector and their proposed date of exit. In fact, 23% of those intending to leave do not intend to do so until 2026 or beyond.

With all of this in mind, a question for policy makers is how much larger could the sector be if SPRS investment was positively supported. Moving forward, to undergird existing tenancies, there is an urgent need to encourage disillusioned landlords to remain in the sector or indeed convince them to invest further, assuming of course either is a desirable outcome for policymakers. The recommendations accompanying this report assume that it is, and that both the Scottish Government and Argyll and Bute Council seek stabilised investment patterns within the Argyll and Bute SPRS.

19.2 Recommendations

This report seeks to provide realistic evidence-based recommendations to address the challenges identified. More broadly the recommendations are designed to support the housing emergency by encouraging the retention of existing landlords within Argyll and Bute and also to encourage further investment in the sector. The recommendations present an opportunity for the Scottish Government, Argyll and Bute Council and Citizens Advice to work in partnership with landlords to improve the sector.

19.2.1 Recommendations for the Sponsors- Citizens Advice Scotland

Citizens Advice is well placed to positively support landlords in the immediate area and beyond with advice and evidence-driven content. The recommendations to enable this are fourfold:

Firstly, the network should better publicise its service to landlords to improve participation. In the year 2023/2024, 99% of the SPRS advice provided by Citizens Advice Scotland was to tenants and just 1% was to landlords. In the Argyll and Bute bureau, the figures were broadly similar at 98% and 2% respectively[49] . Although this may say much about landlords' willingness to engage, it may also say something about the general perception of who the services of the network are for.

Secondly, the Network (at national level) could seek to actively target content web content towards landlords. In supporting tenants, the first two search results obtained after googling- 'citizens advice, problems with my landlord' are:

- 'complaining about your private landlord'
- 'problems with your landlord'.

However, upon undertaking the same search but transposing the word 'landlord' for 'tenant' (e.g., 'citizens advice, problems with my tenant'), the first search result links to a generic housing information page, whose header points to 'advice on handling problems with your landlord'. The second result is 'getting repairs done while renting'. In addition, 'problems with your landlord' and 'complaining about your private landlord' again appear on the first page.

Thirdly, the network should consider providing more web content for landlords. Whilst an 'Information for Private Landlords' page does exist; it could say more. In addition, there is an opportunity for evidence-based insights to be used to drive sector improvement. Specifically, data could be used to keep landlords abreast of broader failings in the sector and be used to provide advice on how landlords can improve the service they provide/avoid similar mistakes.

Fourthly, Citizens Advice is well placed to provide balanced, neutral, evidence-based insights into the challenges faced by both landlords and tenants within the SPRS. This report and its companion report (Argyll and Bute Citizens Advice Bureau, 2022) are prime examples of outputs than can be used to meaningfully support policy development, and which could be replicated in other bureau locations. Ideally future research would also consider the challenges posed in other SPRS market segments e.g., student, low value housing etc.

19.2.2 Recommendations for Argyll and Bute Council

In some respects, the private landlord registration team holds an unenviable intermediary position sandwiched between the Scottish Government and Landlords. However, it is well placed to support information dissemination and landlord education. The team is currently operating below its budgeted headcount and when resolved should be in better operating position overall. However, this does not necessarily mean that the team will be adequately resourced to deliver the increased levels of landlord engagement and enforcement that are required to stabilise the sector, and it is likely that working practices will need to be reviewed. In fact, changes are already being countenanced by the team. However, in the short term, and potentially the long-term, additional resource may be required.

The housing emergency has provided some momentum in this area, and as the Argyll and Bute Council Team Lead on Housing Strategy mentioned earlier, Argyll and Bute Council are seeking the funding for a new role, which amongst other duties, would be responsible for liaising between landlords and other Argyll and Bute Council departments to help secure long-term accommodation.

Whilst this is welcome, the SPRS remains somewhat on the periphery of the housing emergency debate, due to a larger focus on new stock and transitioning empty properties, STL's and second homes back to primary residences. While the latter two could result in the SPRS being a net beneficiary of increased primary residences, less attention is being paid to the work required to secure existing SPRS tenancies by encouraging existing landlords to remain.

The recommendations for Argyll and Bute Council are as follows:

1 Argyll and Bute Council should consider increasing levels of communication and engagement with landlords. For example:

- a. A quarterly newsletter could be issued to landlords to provide information on current, forthcoming and proposed legislation.
- b. An online seminar should be undertaken at least every

49 Source: Personal correspondence with Citizens Advice Scotland Senior Research Officer

six months to allow landlords to discuss the challenges they are facing and for Argyll and Bute Council to provide more detailed Q&A based legislative updates and education. These seminars could be run jointly with other local authorities with shared challenges or indeed other actors in the sector who are seeking to share information and promote good practice e.g., Safedeposits Scotland, Under One Roof, etc.

- c. Argyll and Bute Council should consider creating and publicising a landlord hub on its website to aid information dissemination and communication. The hub could host information and guides for landlords, including the quarterly newsletter proposed above. It could also include contact details and signposts for relevant Argyll and Bite Council contacts. In the short-term, the existing web content should be reviewed with a specific focus on ensuring that existing links are valid[50] and that the advice presented is complete[51] .

2. Argyll and Bute Council should consider increasing enforcement activities. Recognising resource constraints, this could be achieved by:

- a. A review of current working practices in order to free up resource for enforcement works. For example, transitioning from a 100% check of new registrant compliance documentation (e.g., EICR's) to a risk-based dip check.
- b. A temporary enforcement officer could be employed for a trial period of 6 months with a sole focus on identifying un-registered landlords and registered landlords who are operating egregiously. The first priorities should be desktop and field audits to identify unregistered landlords and the subsequent issuance of rent abatement notices where landlords cannot reasonably be encouraged to comply.

19.2.3 Recommendations for the Scottish Government

Argyll and Bute Citizens Advice Bureau and the Sponsors of this report are keen to engage with the Scottish Government and work to improve the PRS for its many stakeholders. This report contributes to this goal by providing novel insights, which allow the Scottish Government, and other interested parties, to better understand rural landlords in the context of Argyll and Bute. However, further research is required to obtain a more detailed understanding of SPRS markets overall, and the landlords that shape them. There is also an opportunity for the Scottish Government to build goodwill with landlords through positive engagement and communication to garner support for future sector improvement. However, a critical first step is for the Scottish government to send a tacit signal that it recognises the important role that small-scale private landlords play in the housing system and is willing to work in partnership with them to help improve the sector. Thereafter:

1. The Scottish Government should set out the role it envisages for the SPRS from an investment perspective to enable long term decision making and stabilise investment patterns:

- a. The Minster for Housing[52] should identify a strategy for the SPRS, which establishes the optimum size of the sector, the markets that it should serve and the arrangements/ levers for reducing, sustaining, growing or otherwise re-aligning the sector within these markets.
- b. To support the stability of the sector in the immediate term, the minster should take the lead in tackling entrenched policy rhetoric by encouraging engagement and relationship building between policymakers and landlords.

2. Recognising ongoing data shortfalls, the Scottish Government should seek to improve sector data. Two suggested methods that could be used to achieve this are:

- a. A national representative landlord survey should be undertaken as soon as is reasonably practicable (the last was issued 15 years ago[53]) and repeated at regular intervals.
- b. A comprehensive review of the landlord registration system spanning people, process and systems should be undertaken. A focus on enhanced functionality, such as the ability to allow registrations to be recorded annually and the collection of additional data on rents and churn levels would be beneficial.

3. The Scottish Government should consider direct landlord representation in the legislative process:

- a. A nationally representative landlord panel[54] should be created and be consulted when sector developments, including legislative changes, are considered.

4. The Scottish Government should remove uncertainty and improve communication with landlords:

- a. A quarterly bulletin should be issued to landlords via local authority private landlord registration teams with updates on legislation and developments in the sector. Although local authorities have responsibilities in this area, this approach would ensure consistency and add gravitas.

5. Given the findings of this report, the Scottish Government should pause to carry out a global review, which incorporates a review of the current legislative burden, and a comprehensive impact assessment for the proposed legislation specifically focused on landlords. The review presents a significant opportunity for collaborative working between the Scottish Government, Local Authorities, landlords and other PRS stakeholders. The review should include:

- a. An analysis of the cumulative impact on the legislative changes made to date.

50 For example the link to https://www.rentingscotland.org/ found here: https://www.argyll-bute.gov.uk/housing/private-housing/private-rented-sector/private-renting-advice-landlords, is out of date.

51 A page focused on 'things for landlords to think about' mentions gas safety checks, but not electrical safety checks or requirements regarding legionella or lead in pipework (see https://www.argyll-bute.gov.uk/housing/private-housing/private-rented-sector/private-renting-advice-landlords).

52 Note that the first draft of the recommendations called for the appointment of a minister responsible for SPRS development. The purpose of the role was to provide enhanced focused on the SPRS as per the revised recommendation, but also to ensure parity with tenants in light of the existence of a Minister for Zero Carbon Buildings, Active Travel and Tenants' Rights. As this role no longer forms part of the government, the recommendation was revised.

53 See Crook et al. (2009)

54 A tenants panel is already proposed as part of Housing to 2040.

- b. The identification of the changes required to allow the SPRS to fulfil the role the Scottish Government envisages for the sector.
- c. An evaluation of the impact of recent temporary legislation including the 'eviction ban' and rent cap.
- d. A review of the support required by Local Authorities to ensure robust enforcement of existing legislation.
- e. The expansion of policy impact assessments to consider the cumulative effect of legislation in terms of costs, compliance behaviours and the availability of enabling resources (e.g., tradespeople).

6. The Scottish Government should consider providing training opportunities to support landlord awareness of the legislative burden. These could include:

- a. The introduction of mandatory training modules linked to landlord registration.
- b. The introduction of a recognised landlord qualification.

7. The Scottish Government should consider undertaking research to better understand the resource constraints associated with tradespeople across Scotland. Specifically:

- a. Existing resource levels could be mapped geographically against demand.
- b. Resource levels could be projected against future legislative requirements e.g., net zero.

8. The Scottish Government should clarify how the transition to net zero will be funded:

- a. Funding requirements and methods should be ascertained and clearly communicated to stakeholders.
- b. Partial grant funding should be considered in exchange for professionalising via membership of an appropriate scheme e.g., Landlord Accreditation Scotland (LAS), and subject to the protection of public money and long-term tenancies via appropriate conditions being added to the properties title deeds.
- c. A special case (enhanced funding) could be made for low value properties or properties in which tenants are members of vulnerable groups.

19.3 Opportunities for Further Research

This report has identified a number of areas requiring further research, some of which have been incorporated into the recommendations above. However, in addition to these, the following warrant some attention:

19.3.1 Tied housing

Tied housing, whereby an employer provides housing to an employee via a service tenancy of service occupancy agreement is a topical issue in rural areas. Although during the research some landlords highlighted that local property markets were impacted by local businesses buying properties for workers and one landlord housed an employee in tied housing, it was not a key area of discussion and as such would benefit from separate review.

19.3.2 Empty homes

Empty home is a topical issue in the context of the housing emergency, but further work could be undertaken to better understand both the circumstances that lead to the creation of empty homes, as well as the challenges and costs associated with returning them to productive use.

19.3.3 Churn

It is apparent that the SPRS churns continuously with new landlords entering and existing landlords and leaving the sector regularly. The interviews also served as a reminder as to just how interconnected, fluid, flexible the housing system is, with properties transitioning through the SPRS, STL and owner occupation tenures, sometime whilst still in the same hands. There is a need to better understand these movements.

19.3.4 Tenant perceptions

Landlords reported that the energy efficiency of homes was not a first order concern for tenants. However, it would be interesting to revisit this premise with a sample of tenants to better understand their perceptions, particularly around the practicalities associated with undertaking and paying for works.

19.3.5 Ageing landlords

SPRS landlords are an ageing group, with many beginning to transition out of the sector. While there has been some initial research into landlord divestment and inheritance planning Watson, 2023), the problem will become more acute over the next decade. In Argyll and Bute, 39% of landlords are aged 65 or older suggesting a need to more broadly understand what landlords intend to do with their portfolios and how this will impact upon existing tenancies.

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