Landlord Investment, Finance, and Tax Report 2016

Tom Simcock

Residential Landlords Association

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RESIDENTIAL LANDLORDS ASSOCIATION

About the Residential Landlords Association

The Residential Landlords Association (RLA) represents the interests of landlords in the private rented sector (PRS) across England and Wales. With over 23,000 subscribing members, and an additional 16,000 registered guests who engage regularly with the association, the RLA is the leading voice of private landlords. Combined, they manage almost half a million properties.

The RLA provides support and advice to members, and seeks to raise standards in the PRS through our code of conduct, training and accreditation and the provision of guidance and updates on legislation affecting the sector. Many of the RLA's resources are available free to non-member landlords and tenants.

The association campaigns to improve the PRS for both landlords and tenants, engaging with policymakers at all levels of Government, to support our mission of making renting better.

About the Authors

This report is written and researched by Tom Simcock of the Residential Landlords Association.

Tom Simcock MBPsS is the Research and Information Officer for the RLA. Tom's expertise lies in understanding change in society. For the past 3 years, he had been researching the changing roles of Fire and Rescue Service Employees. Tom holds an M.Sc. degree from the University of Manchester, and a B.Sc. degree from the University of Chester.

Disclaimer

This research report has been written to inform and stimulate policy debate. While effort has been made to ensure that the data and other information are accurate, some errors may remain. The purpose of the report is to provide information, analysis and background regarding the finance and tax issues effecting landlords and the private rented sector. It is neither intended for use in advertising and promotions nor for market forecasting and no liability is accepted in either regard.

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Executive Summary

Over the past 20 years there has been considerable change in society in terms of where people live. The proportion of those in social housing or owning their own homes has decreased and more households are looking to the Private Rented Sector (PRS) for their home. Currently, the government are implementing major changes to the taxation of the PRS, including changes to Mortgage Interest Relief, Stamp Duty Land Tax, and Capital Gains Tax. To help us understand the impact of these changes on tenants, landlords and the sector, the RLA has carried out a large comprehensive survey with a total sample of 2,883 landlords.

The sample of landlords included a vast array of portfolio sizes, with the majority of landlords having 2-3 properties (28%). The typical property let out by landlords was a 2-bedroom property to one family (35% of landlords) and the majority of landlords letting property primarily in the South East (20%). There are a number of positive findings from the survey:

- 86% of landlords reported they had a good relationship with their tenant
- 82% of landlords reported their tenants payed their rent on time
- The current average tenancy period was found to be 3 years, suggesting the majority of tenants are happy and secure in their current home, and reform for a minimum tenancy agreement is not needed
- 73% of landlords have not attempted to remove tenants from their property in the last 12 months
- Yet, for those who had, the man reason was because of rent arrears. This suggests that rent arrears is major concern for landlords and will therefore be a focus of the welfare reform quarterly survey in spring 2017

In regards to the significant taxation reforms being implemented by the UK government:

- The majority of landlords (71%) reported the changes would negatively impact on their rental income
- With 67% of landlords facing reduced profitability due to changes in MIR
- 68% of these landlords reported these changes would reduce their profitability by at least 20%

These findings identify serious implications for the financial health of the sector, on continued investment by landlords and offer a grim outlook for tenants. A total of 58% of landlords are considering reducing investment in their portfolio due to these changes and 66% are planning to increase rents to offset the impact of taxation reform. These rent increases are likely to take effect within the next 12 months, with 56% of landlords planning to increase rents during this period, the majority citing the changes to Mortgage Interest Relief as the main reason. While these changes will have a serious impact on the finances of landlords, those who will be most affected is the tenants. Our findings show the typical properties being let by landlords are two or three bedroomed houses rented to single families, with the majority of landlords letting to families with at least one child. We argue the Government's changes to taxation will negatively impact the thousands of families who depend on the sector for a home, potentially disrupting children's education and causing financial worry for parents who may have to choose between feeding their child and paying the rent on time.

Background and Method

Housing in the UK has changed significantly over the last twenty years, with the latest English Housing Survey identifying that there are more than 4 million households now in the PRS. The UK government are currently in the process of implementing substantial transformations to taxation of the PRS, including changes to Capital Gains, Stamp Duty Land Tax, and Mortgage Interest Relief.

The aim of this research study is to examine and develop an understanding of the impact of taxation reforms on the finances of landlords. Moreover, the research sets out to uncover the ways landlords will attempt to mitigate the impact caused by government reforms to taxation. This research is being undertaken as part of a wider project to firstly take stock of the PRS and secondly to identify longitudinal trends in the PRS on a number of key issues.

A survey of 2,883 landlords across the UK was carried out in July 2016. To recruit participants for this study, a variety of methods were used. This included drawing upon the RLA's membership of 23,000 landlords through direct emails that requested landlords to complete the survey. Further sampling methods included advertising the survey on social media, advertising the survey on the RLA Newsletter and Newshub, and, promotion by different landlord websites.

The survey covered a range of topics, this included how people first became a landlord, the types of properties they let, what their tenants were like, the rent they collect, and, the issues with finance and tax reform. In the analysis of the results, it is important to take note of a number of caveats. Firstly, the report refers to 'landlords', however, this is done in terms of expediency, and should be viewed and reported as 'landlords sampled'. Secondly, due to the rounding of percentages and because of exclusion of responses, not all percentages will add up to 100%.

Currently very little is known about the typical demographic profile of a landlord, and because of this it is not possible to demonstrate whether the sample is representative of all landlords. This should be taken into account when interpreting the reported findings. Yet, the size of the sample and because of the multiple methods of attracting landlords to complete the survey, provides us with confidence that the research has a good representation of the private rented sector. Furthermore, as very little is known about the demographics of landlords, the findings of this research are an important insight into the sector and enables us to establish possible trends in the market.

This research helps the RLA to develop an insight into the issues affecting the private rented sector and provides the foundations for our campaigning to make renting better. We also anticipate that our research can provide the opportunity for evidence-based decisions by policy makers and a greater understanding of the private rented sector by academics, journalists and the wider public.

Who are Landlords?

In this section of this research report we analyse the types of landlords present in the private rented sector. We examine the demographics of landlords, such as age, gender, but also, how the landlord first entered the PRS, how long they have been a landlord, and the size of portfolios across the sector.

Our key findings are:

- Most landlords are between the ages of 55 to 64 (35%), followed by 45 to 54 (27%)
- Most landlords had a mortgage on their own home (52%), while 41% of landlords owned their home outright.
- A majority of landlords were working full time (26%), followed by being retired (24%) and self-employed (19%)
- Only 16% of landlords classified themselves as full-time landlords
- The most common reason for becoming a landlord was their own choice through borrowing money, such as buy-to-let (35% of landlords).
- A large proportion of landlords described themselves as specialising in letting to families (41% of landlords)
- Most landlords had been providing homes for over 10 years (56%)

The following figure shows the age profile of the landlords who responded to the survey. The largest age group are landlords between the ages of 55 to 64 (35% of the sample), while the smallest age group are landlords aged between 18 to 24 (0.04% of the sample). The findings are shown in the figure below.

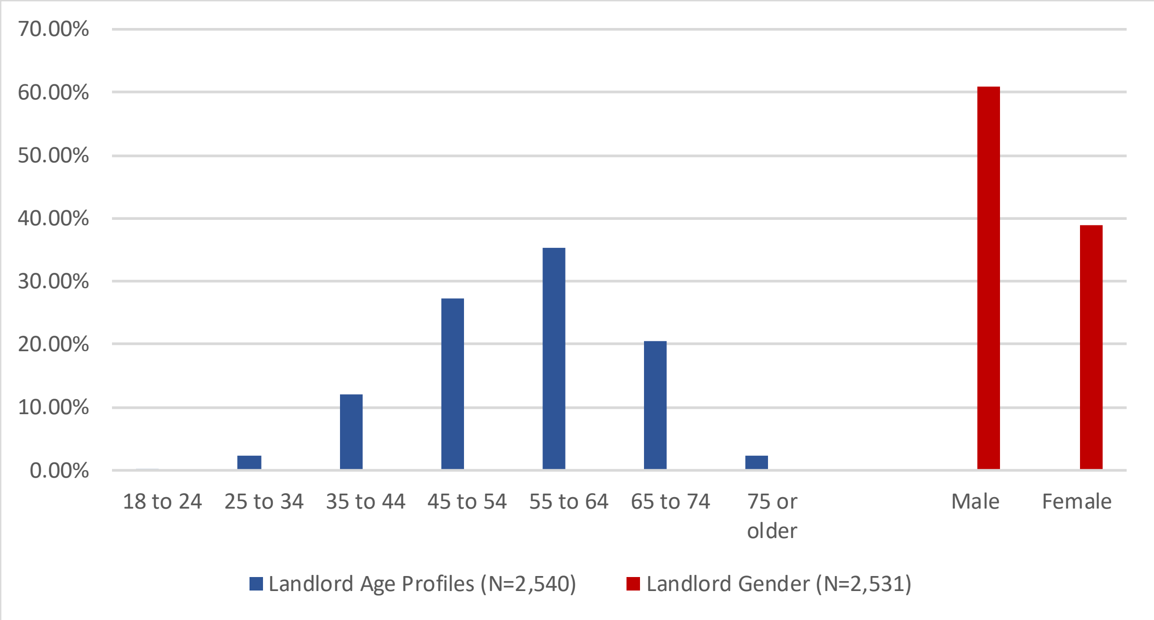

Figure 1. Private Landlord Age Profiles

From the sample, there is a gender gap in response rates, with 61% of respondents describing themselves as Male, and 39% as Female. The findings are shown in the figure above.

The majority of the respondents lived in the South East (22%), followed by London with 14% of the sample, while only 0.27% of the sample lived in Northern Ireland. The findings are displayed in the figure below.

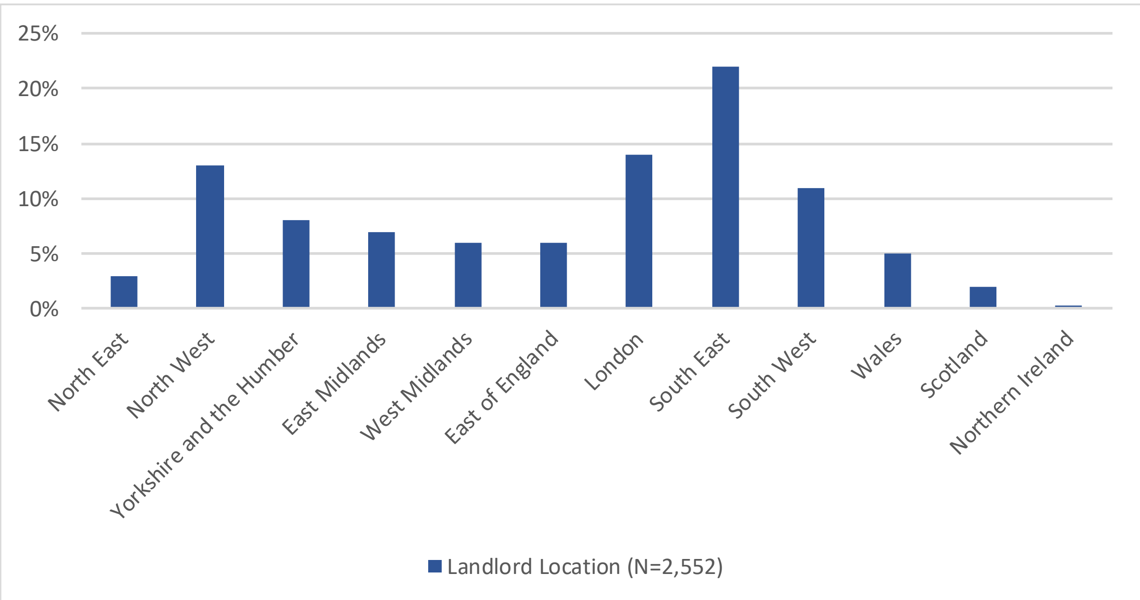

Figure 2. Location of landlord's primary residence

When asked about the tenure of their own main home, the majority of landlords responded owned their own home with a mortgage (52%), while 41% of landlords owned their own home without a mortgage. The findings are shown in the figure below.

Figure 3. Tenure of Landlord's main home

The majority of landlords described themselves as working full-time (26% of the sample), followed by being retired (24% of the sample). The findings can be found in the figure below.

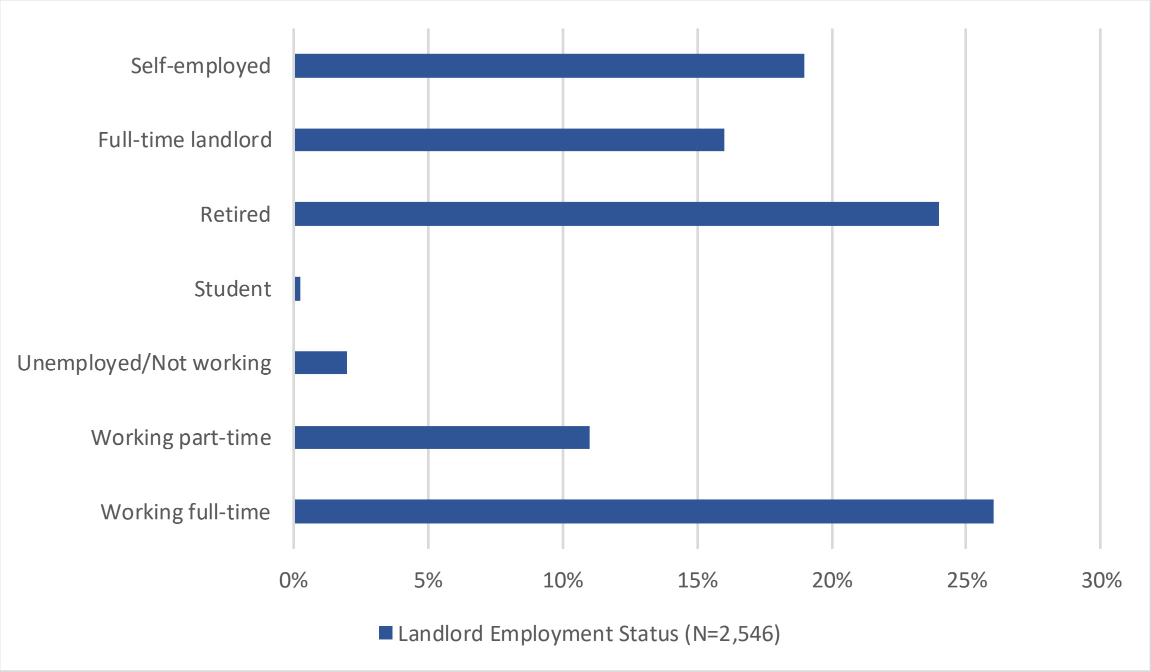

Figure 4. Landlord Employment Status

The following figure explores the reasons behind the respondent first becoming a landlord. The majority of landlords first entered the sector through their own choice and by borrowing money such as through a buy-to-let mortgage (35% of the sample). The findings are displayed in the figure below.

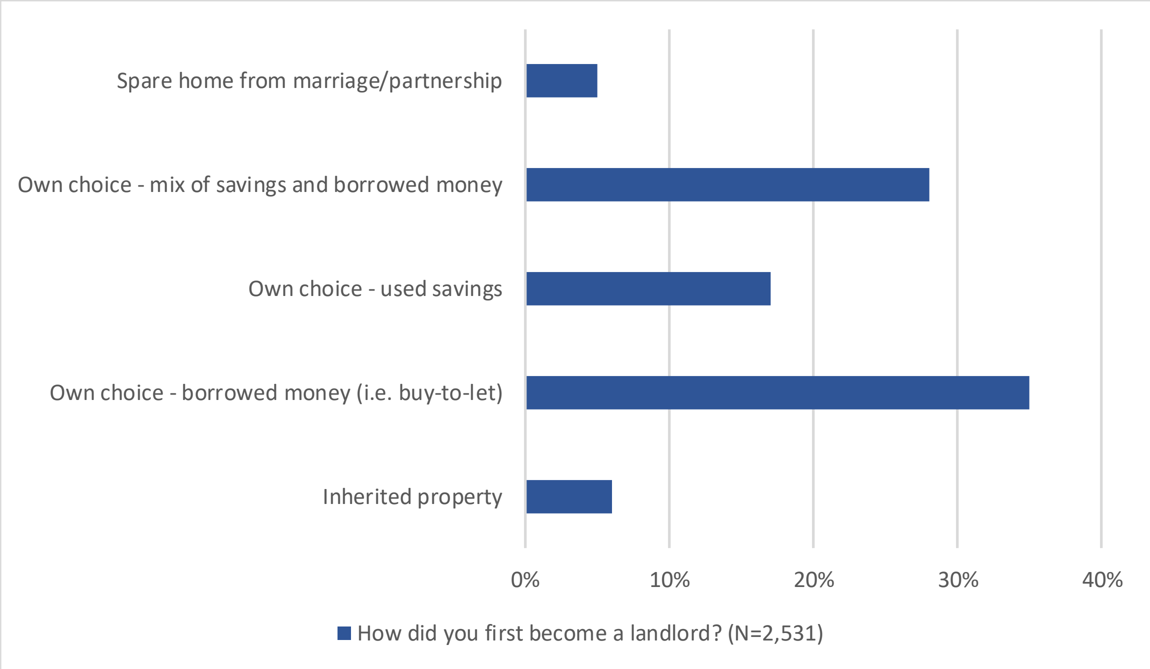

Figure 5. Reason for first becoming a landlord

The majority of landlords reported as specialising in providing accommodation for families (41% of the sample), followed by specialising in apartments/flats (34% of the sample). The findings can be found in the figure below.

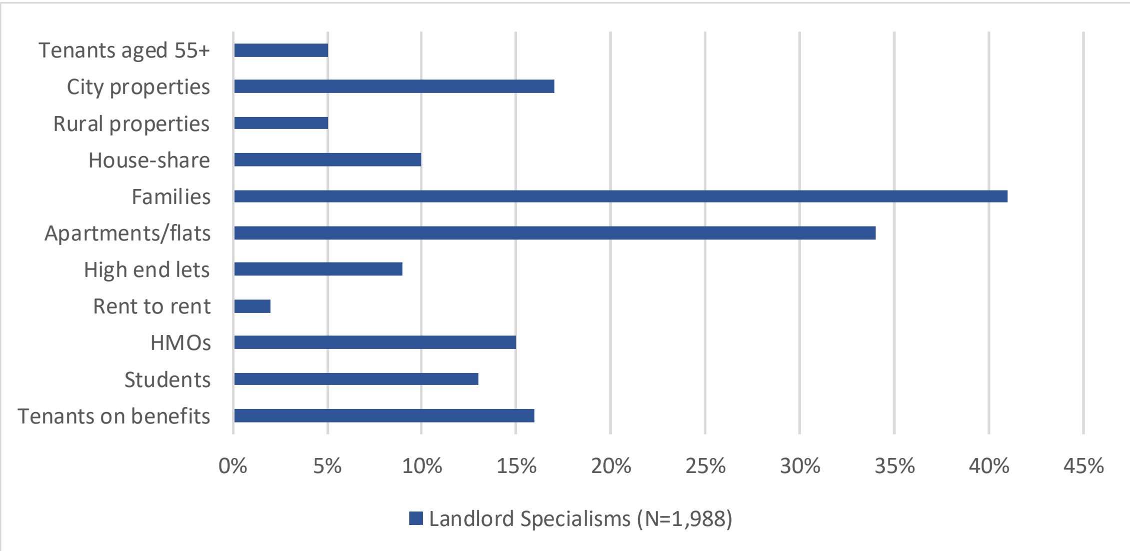

Figure 6. Landlord portfolio specialisms

A majority of the respondents have been landlords for more than 10 years (56%), while only 3% have been a landlord for less than 1 year. The findings are displayed in the following figure.

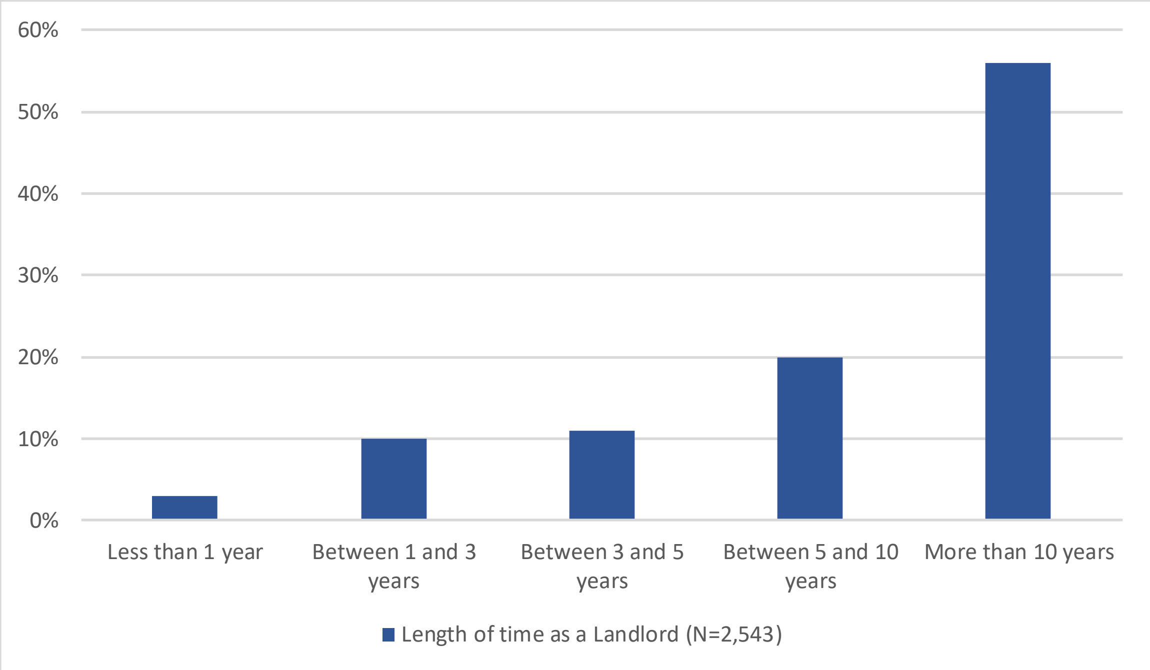

Figure 7. Length of time as a landlord

Who are Tenants?

In this section of this research report we analyse the types of tenant landlords are renting their properties out to. We focus on the demographics of tenants, including age, employment status, and also the relationship between the landlord and tenant and any tenant issues landlords have.

Our key findings are:

- Most tenants are aged between 25 and 34 (44%), followed by 35 to 44 (32%)
- A majority of tenants (74%) are in full-time employment
- 63% of landlords let to tenants with at least one child
- 86% of landlords have a good relationship with their tenant
- 82% of landlords report their tenants pay their rent on time
- Just under one third of landlords (28%) have experienced tenants going into 2 or more months of rent arrears in the past 12 months
- Most landlords (73%) have not attempted to remove tenants from their property in the last 12 months
- Out of those attempting to remove a tenant, 49% of landlords reported that this was because of rent arrears

When asking for the demographics of tenants, we asked the landlord what the majority of their tenants were like. This was to provide an overall average of tenants across properties. As it would have been impossible to collect data for each tenant for landlords with larger property portfolios. It is important to take this caveat into account when analysing the follow survey results.

From figure 8 below, we can identify that the majority of tenants are aged between 25 and 34 (44% of landlords reported this as the main age range). The second largest tenant age profile was 35 to 44 year olds, with 32% of landlords reporting this as the main age range of tenants. However, it is important to note that 2.5% of landlords reported the age of their tenants to be above 65.

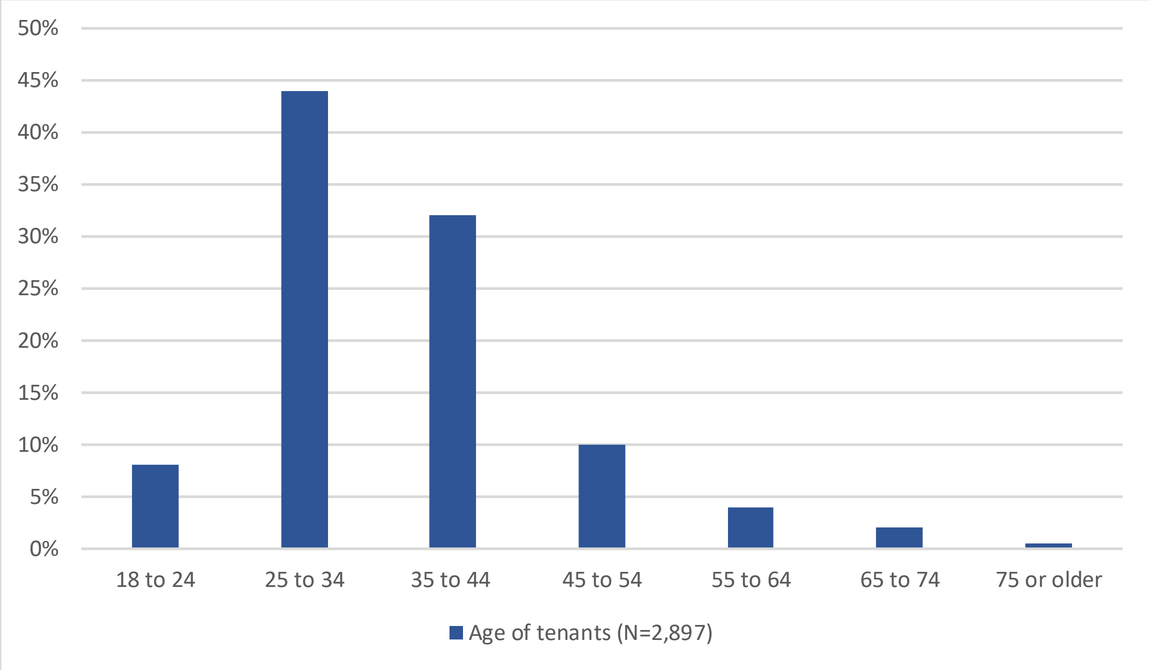

Figure 8. Age profiles of tenants

The majority of landlords reported the employment status of their tenants as being employed full time (74% of landlords). Only 6% of landlords reported the employment status of their tenants as being not working. The figure below shows the different employment statuses of tenants.

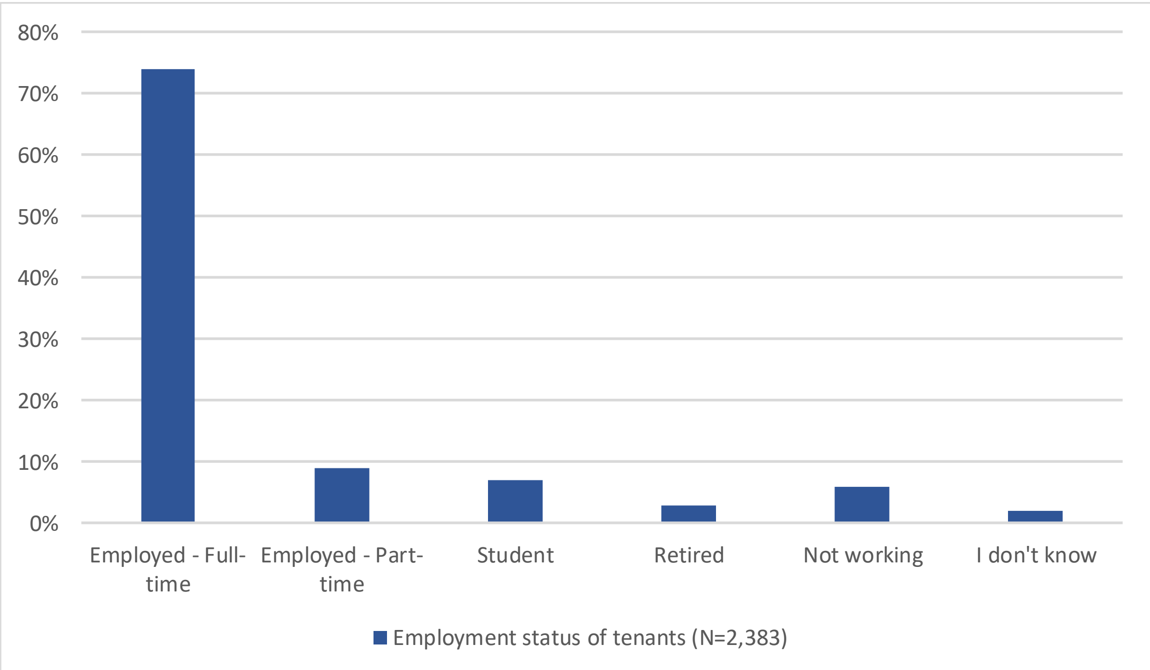

Figure 9. Employment status of tenants

Landlords were asked if they let to tenants with at least one child, the majority of landlords responded that they did (63% Yes, 37% No, *N*=2,839).

As part of the survey we asked landlords about the relationships they have with their tenants, we firstly asked if they have a good relationship with their tenants, and then we asked if their tenants pay their rent on time. Overall, 86% of landlords reported having a good relationship with their tenants, while 82% of landlords reported their tenants paid their rents on time. The full results can be seen in figure 10 below.

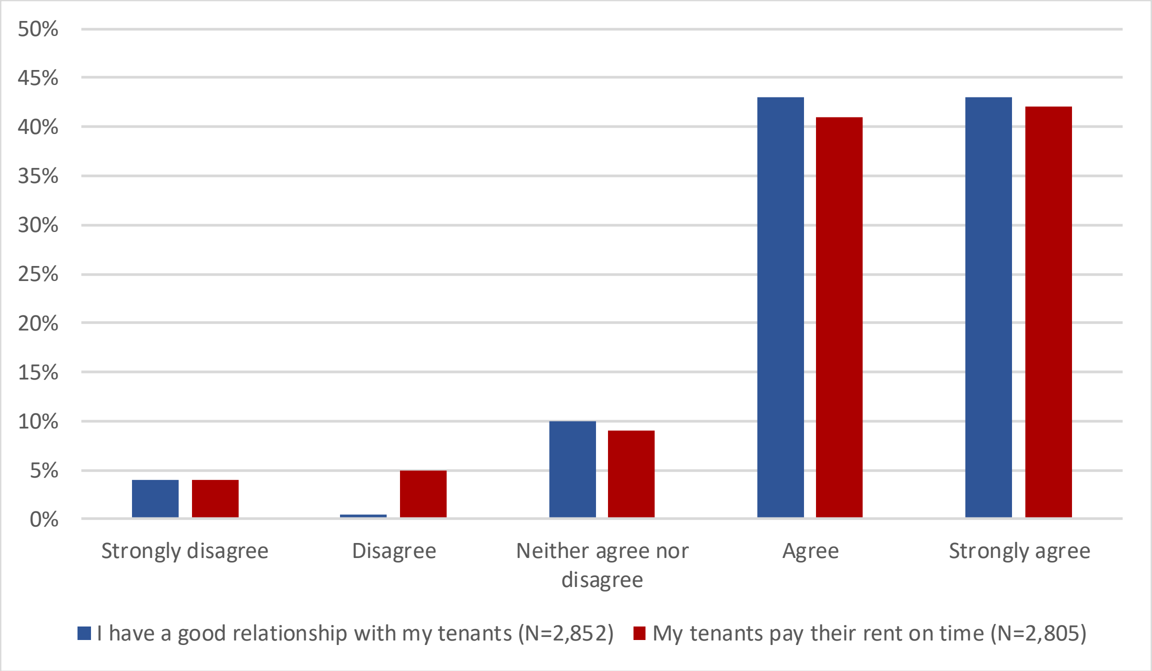

Figure 10. Landlords relationships with their tenants

Landlords were asked if they had experienced issues as a landlord in the past 12 months, overall 2,824 landlords responded to this question. The results indicate that 28% of landlords had experienced 2 or more months of rent arrears in the past 12 months, and 23% of landlords had experienced damage to their property. The figure below provides an overview of the issues experienced by landlords.

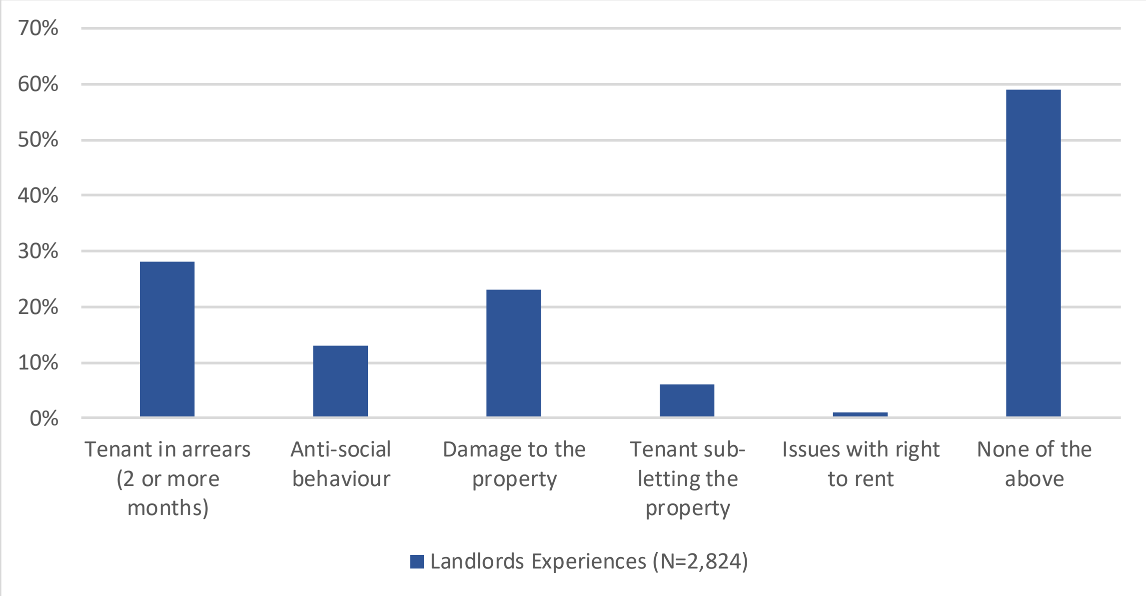

Figure 11. Landlords negative experiences in the past 12 months

We then asked landlords if they had attempted to remove or evict tenants from their rental property in the past 12 months. 73% of landlords responded that they had not, while 7% of landlords said they had to attempt to remove tenants on 2 or more occasions. The full findings can be found in the figure below.

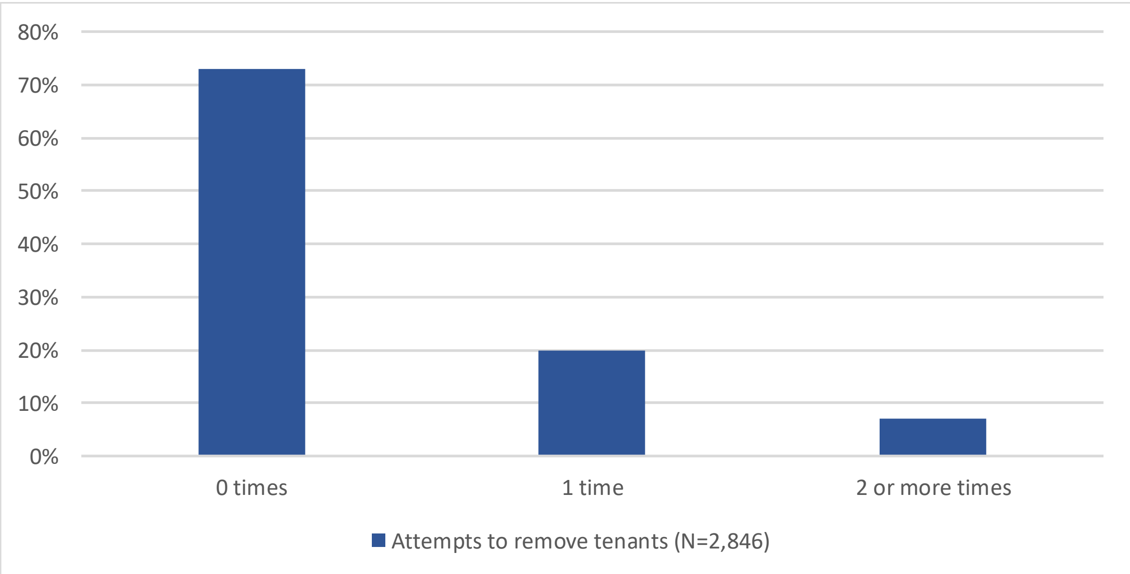

Figure 12. Number of times landlords have attempted to remove a tenant from their property in the past 12 months

Landlords were further asked if they attempted to remove a tenant in the past 12 months how they had started this process. 48% of landlords responded by saying they had used a Section 21 notice, while 21% responded that they had started this process by providing the tenants with a written warning. The complete findings are shown in the figure below.

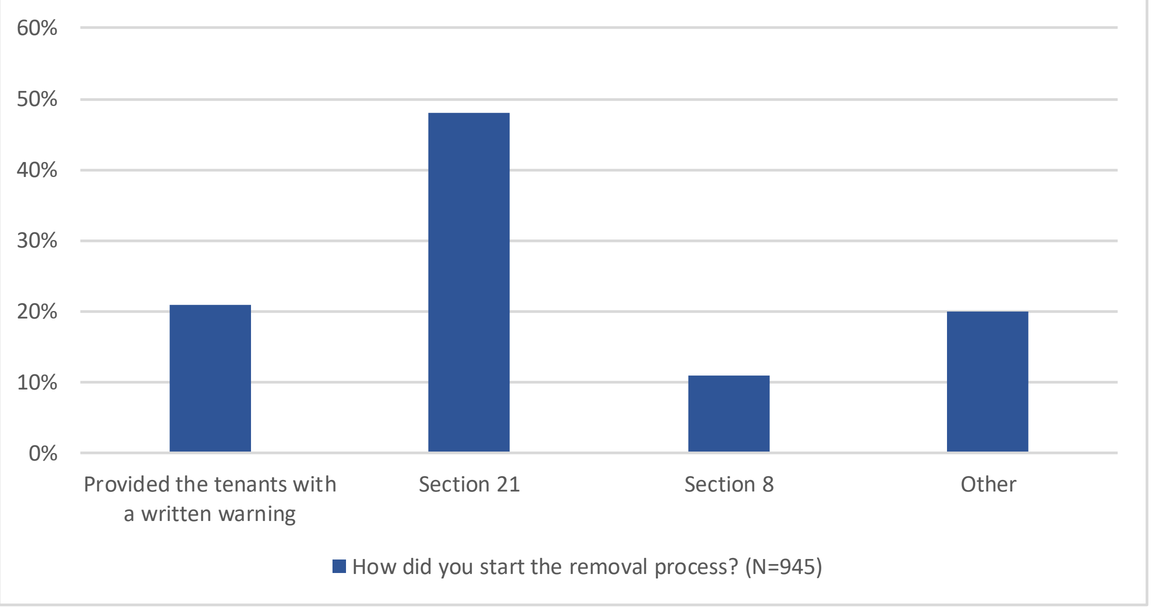

Figure 13. How landlords initiated the removal process

A further question asked landlords for the primary reason for attempting to remove the tenant from the property. The majority of landlords (49%) reported the primary reason as rent arrears, followed by anti-social behaviour by the tenants (9%). The full findings for each reason can be found in the figure below.

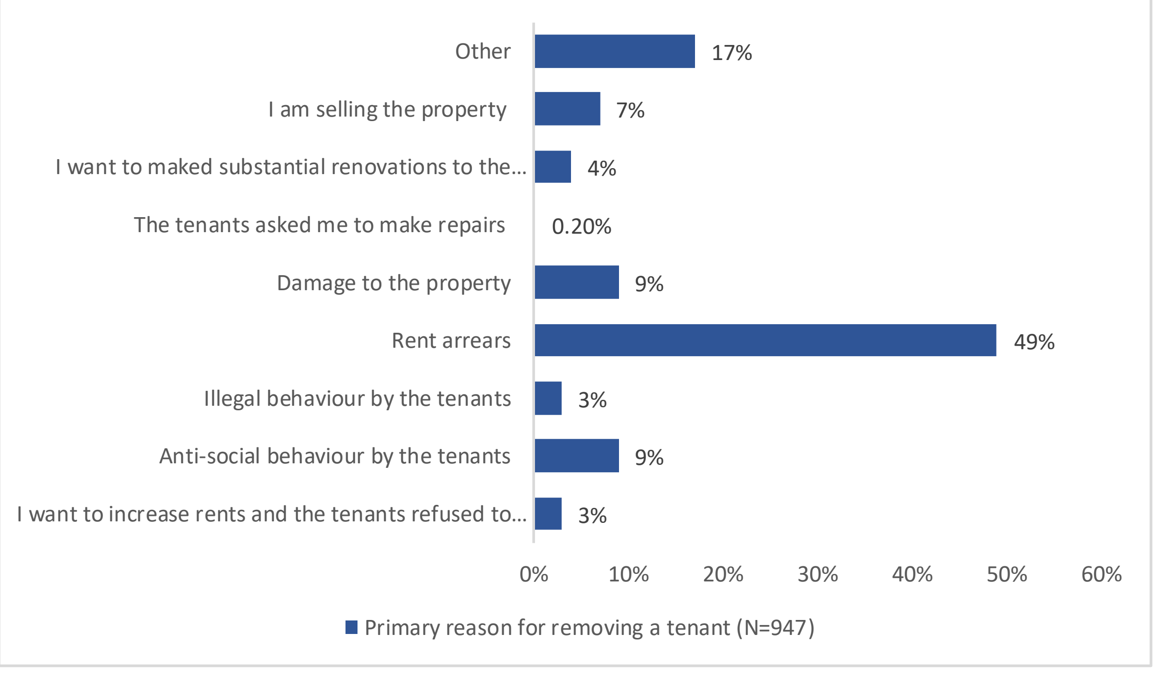

Figure 14. Reasons for attempting to remove a tenant in the past 12 months.

Landlord Property Portfolios

In this section of the research report, we examine and investigate the types of households' landlords typically let to, typical property locations, whether property is typically furnished or unfurnished, and if landlords allow certain types of behaviours.

Our key findings are:

- While portfolio size across landlords is widely spread from 1 property to more than 21 properties, the majority of landlords have 2-3 properties (28%) followed by 6-10 properties (21%).
- The typical property and household let by landlords is a 2-bedroom property to 1 family (35% of landlords).
- The South East is the most popular geographical region for landlords, with 20% letting property in this region.
- 21% of landlords have not diversified their property portfolio across different regions.
- The majority of landlords (54%) let out on average unfurnished properties.
- 36% of landlords reported that they allowed tenants to have pets in their properties, yet only 1% of landlords reported allowing sub-letting.

In the following figure we explore the different portfolio sizes of landlords. The majority of landlords (28%) have 2 to 3 properties in their portfolio, and this was then followed by those with 6-10 properties at 21% of landlords. 9% of landlords identified as having more than 20 properties in their portfolio. The findings are displayed in the figure below.

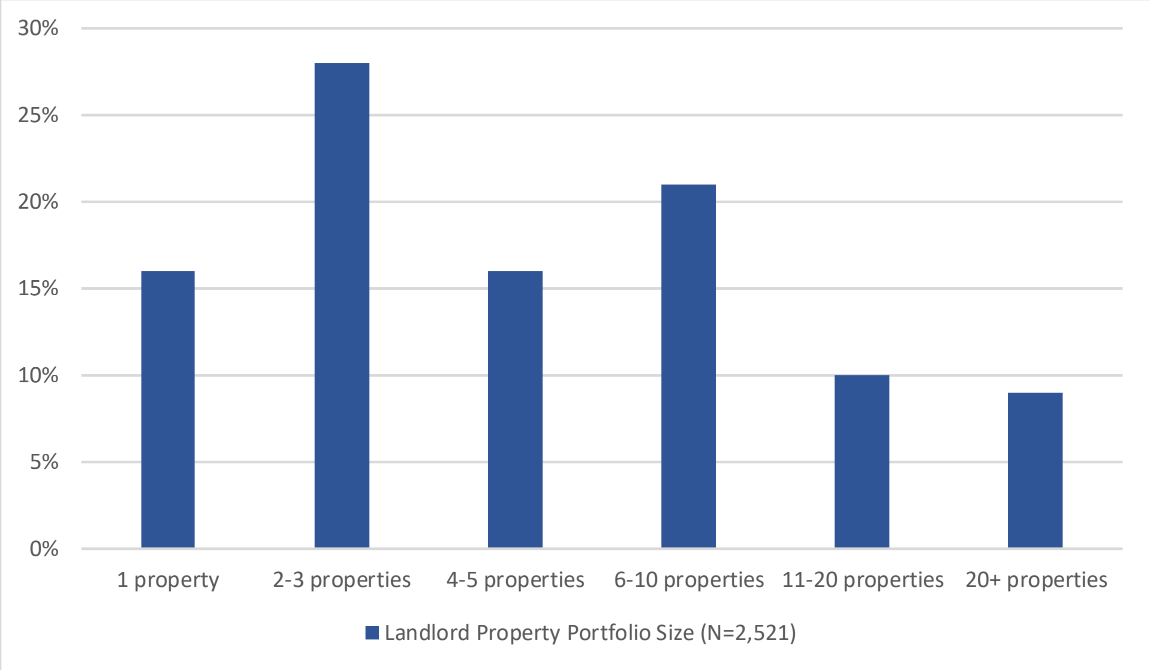

Figure 15. Landlord Property Portfolio Size

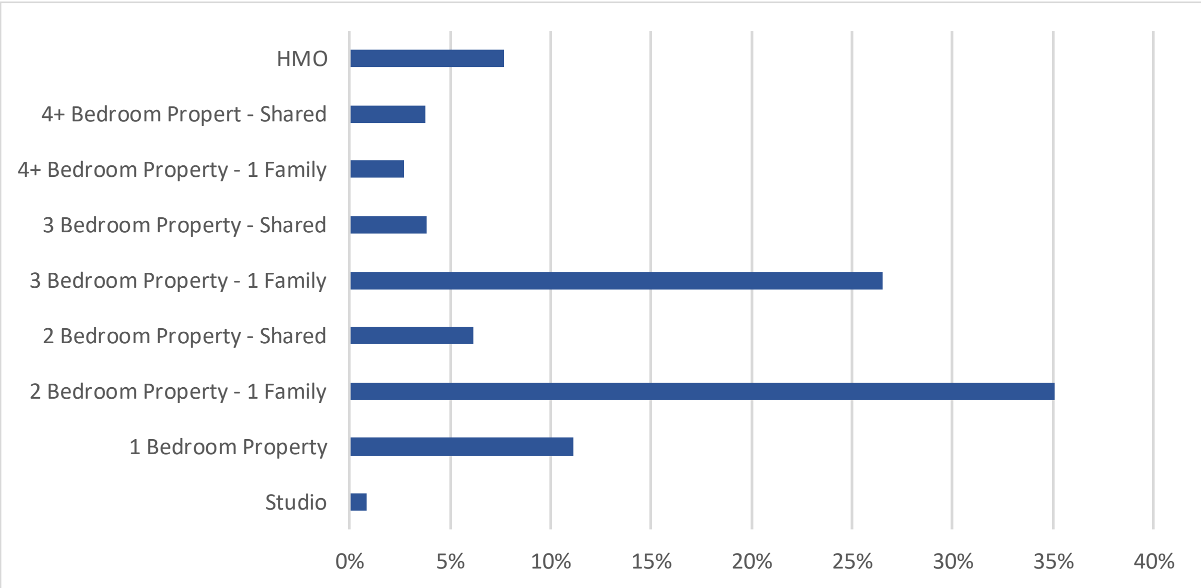

Figure 16. Typical property and households of landlords' portfolio (N=2,493)

In the figure above, we examine the typical property and household landlords reported as letting to. The majority of landlords reported letting 2 bedroom properties to 1 family (35%). This was then followed by landlords letting a 3-bedroom property to 1 family (27%).

The majority of landlords who responded to the survey let out properties in the South East of England (20%). While London (16% of the sample) and the North West

(14%) were the second and third most popular geographical areas to let out properties.

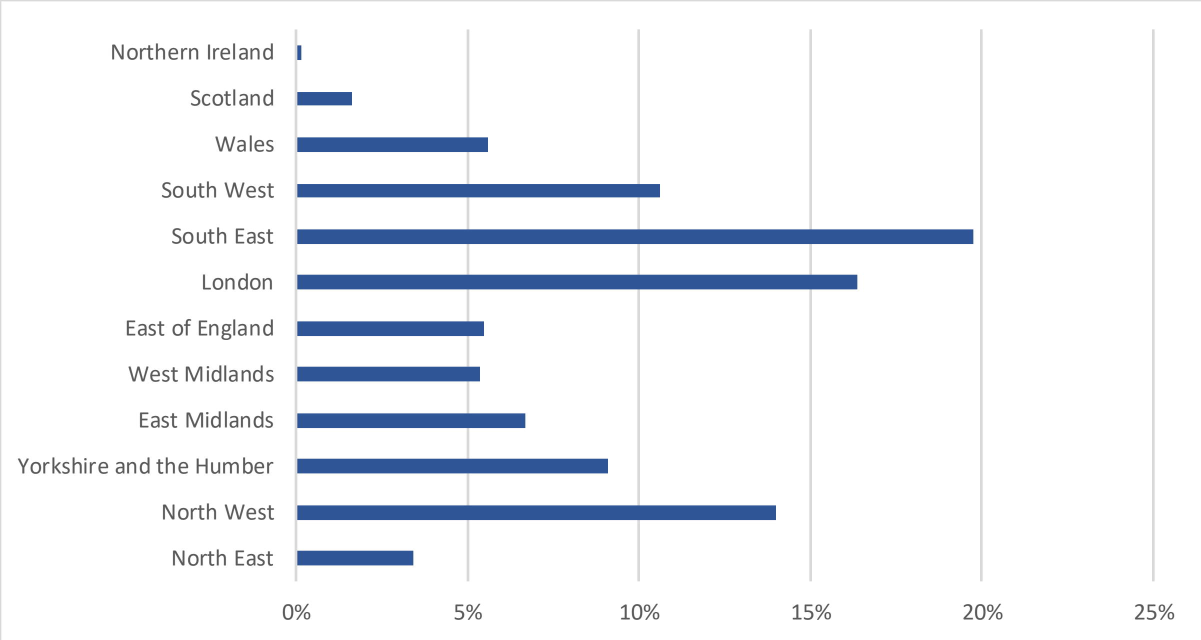

Figure 17. Landlord property geographical locations (N=2,507)

In the following figures we investigate whether landlords have diversified their property portfolios across different regions, and the other regions where landlords are purchasing property.

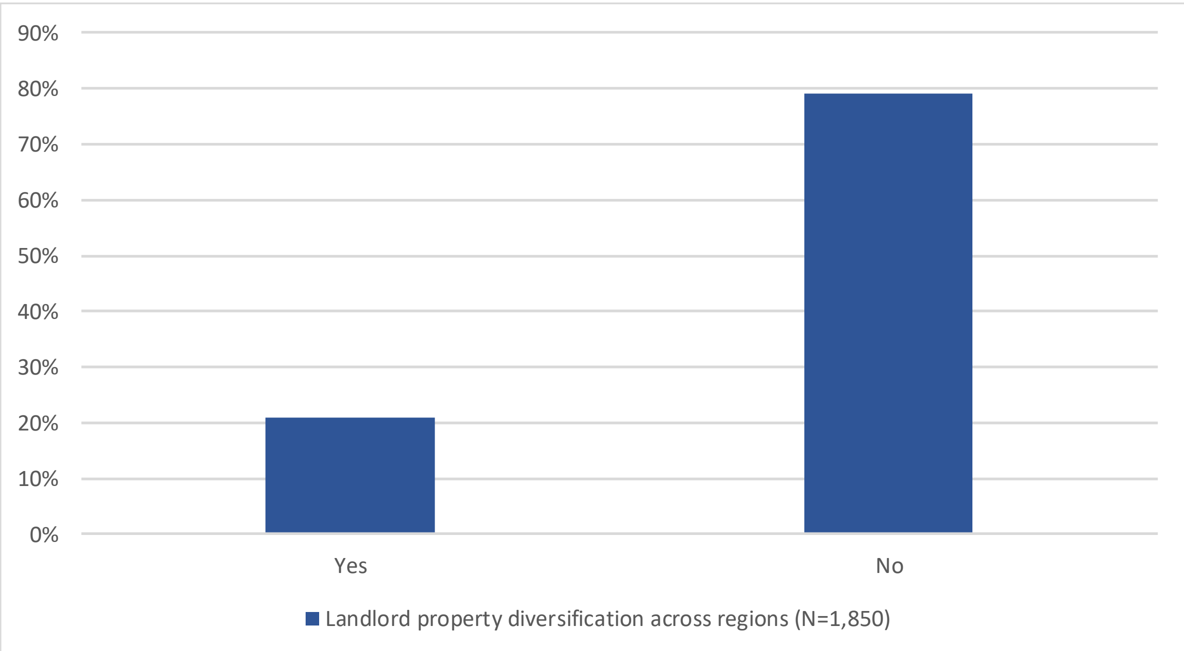

Figure 18. Landlord property diversification across different geographical regions

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Only 21% of landlords have diversified their property portfolio across different geographical regions. With the majority of these landlords choosing to let in London (18% of landlords) or the South East (18% of landlords).

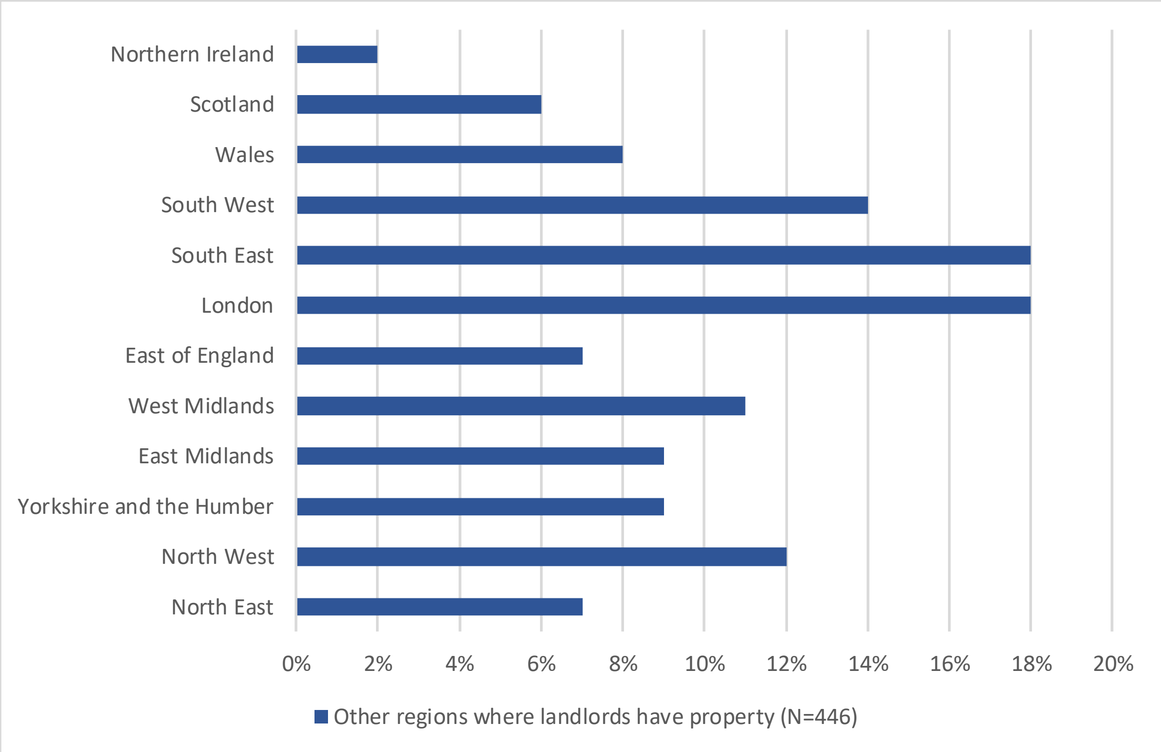

Figure 19. Other regions where landlords have property

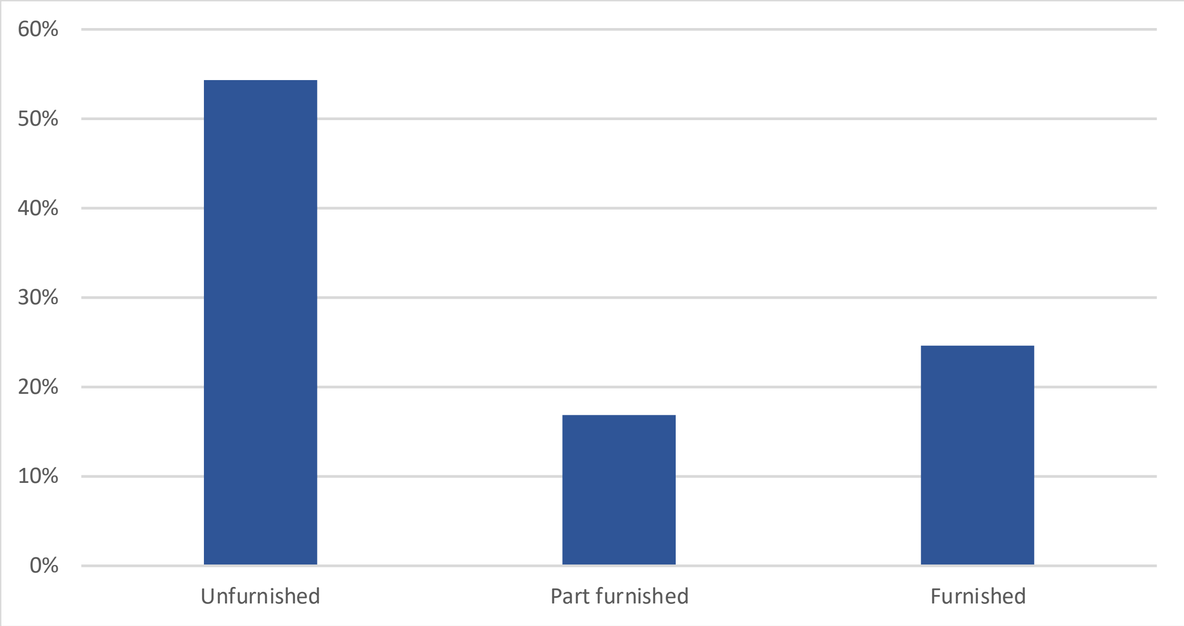

Figure 20. Landlord property furnishing (N=2,510)

The majority of landlords reported that their typical property was let as unfurnished (54%) of the sample. While, 25% of landlords reported let their property as fully furnished.

In the following figure we examine if landlords permit certain behaviours in their properties. Encouragingly, 36% of landlords reported that they allowed their tenant to have pets in their property. While only 6% of landlords allow smoking and 1% allow sub-letting.

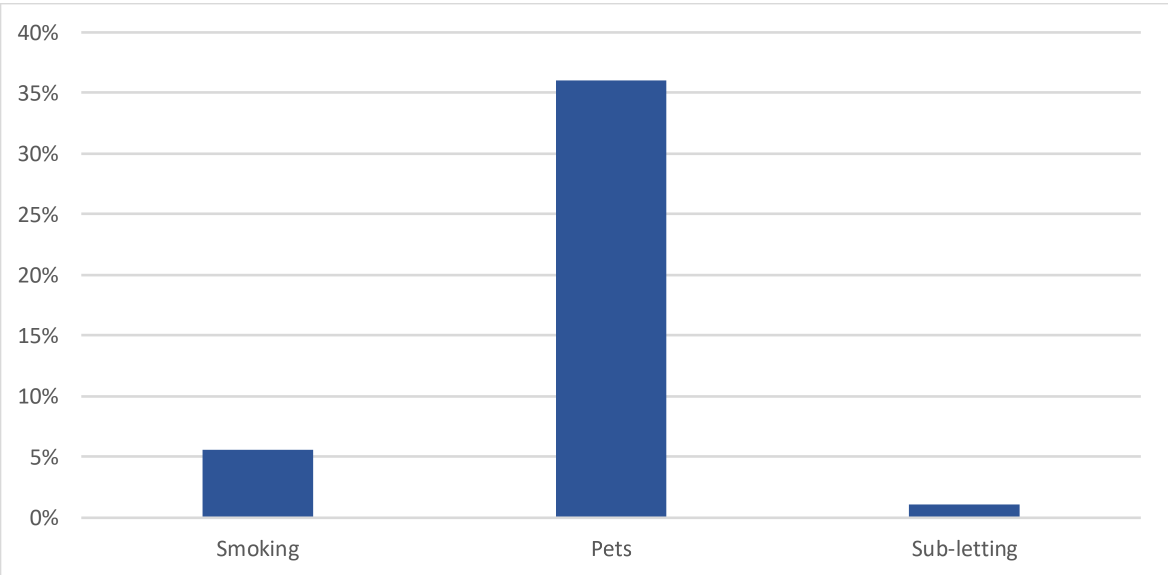

Figure 21. Permitted behaviours by Landlords (*N*=2,500)

Investment, Landlord Finances, and, Tax Reform

In this section of the report we investigate and examine landlord investment, landlord finances, and the impact of recent and future tax reform on landlord's investment decisions. We focus on portfolio development over the past 12 months, investment intentions in the next 12 months, tax reform impacts, and finance usage by residential landlords.

Our key findings are:

- 27% of landlords have added to their portfolios in the past 12 months
- 61% of landlords plan to keep their portfolio the same in the next 12 months
- A majority of landlords do not plan on purchasing any additional properties for their portfolio (66%)
- 71% of landlords reported budget changes would negatively impact their rental income
- 67% of landlords will have reduced profitability due to changes to Mortgage Interest Relief (MIR)
- The majority of landlords (36%) reported this reduction in profitability will be between 20-39%
- 36% of landlords report the removal of MIR will result in making a loss on their investment
- 58% of landlords have considered reducing investment in their portfolio because of finance and tax reform
- 36% of landlords have a buy-to-let mortgages with a loan-to-value ratio of between 50-75% across their portfolio
- 23% of landlords have mortgage conditions that stipulate the length of a tenancy
- 66% of landlords plan to increase rents to offset the impact of taxation reform

Landlord Portfolio Investment

In regards to the investment in property portfolios in the past 12 months, more landlords reported purchasing (27%) property over selling (9%) property. However, the majority of landlords (64%) reported that they had kept their portfolio the same over the past 12 months. The full findings can be found in the figure below.

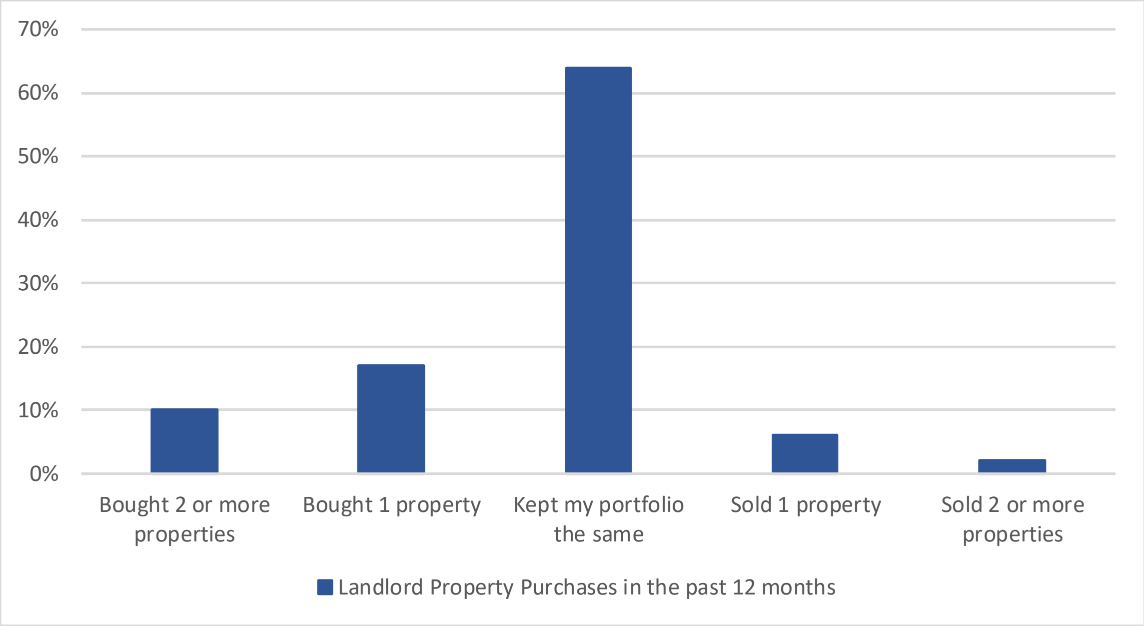

Figure 22. Landlord property purchases in the past 12 months

Over the next 12 months, the majority of landlords plan to keep the size of their portfolio the same (61%). However, the number of landlords who plan to further invest in property purchases in the next 12 months has shrunk to 19%. While those planning to sell property in the next 12 months is at 19% of landlords. The full findings are displayed in the figure below.

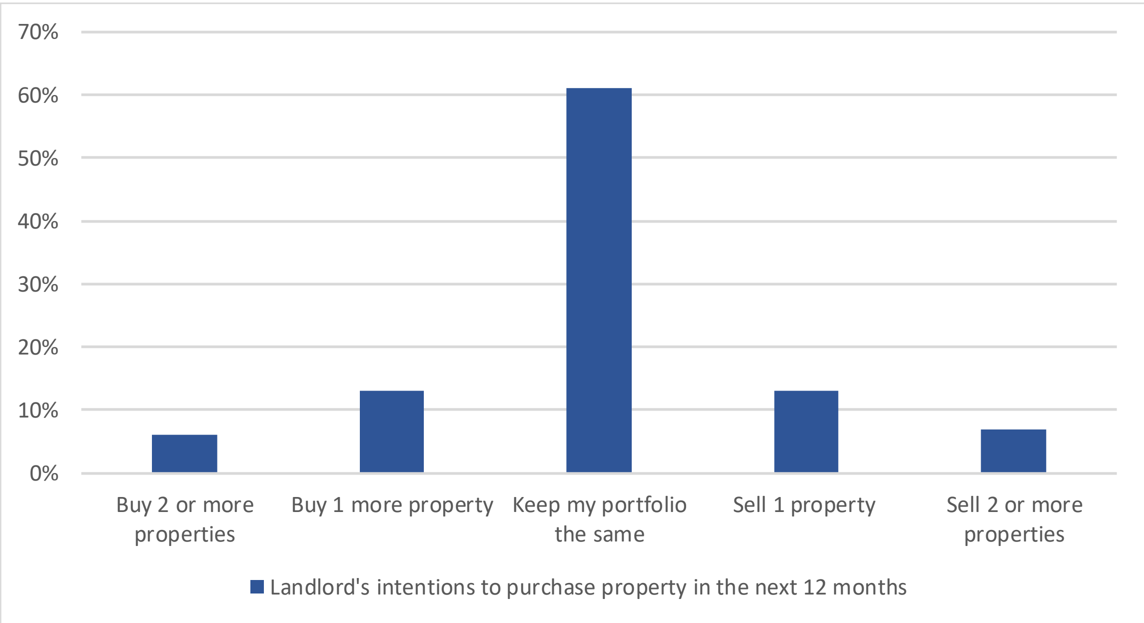

Figure 23. Landlord's intentions to purchase property in the next 12 months

In the following figure we explore when landlords last added property to their portfolio. The majority of landlords have added to their portfolio in the last 12 months (27%). While only 14% of landlords last added to their portfolio over 10 years ago.

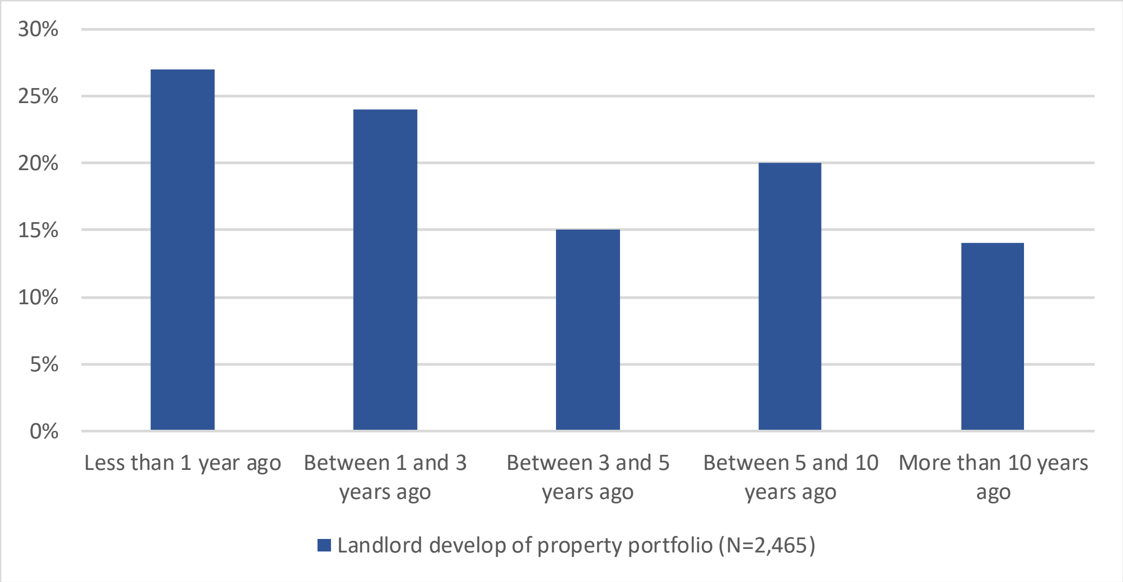

Figure 24. Landlord development of property portfolio

An overall majority of landlords reported that they did not plan on purchasing another property (66%), while 16% of landlords plan to add property to their portfolio in less than 1 year. The findings are shown in the figure below.

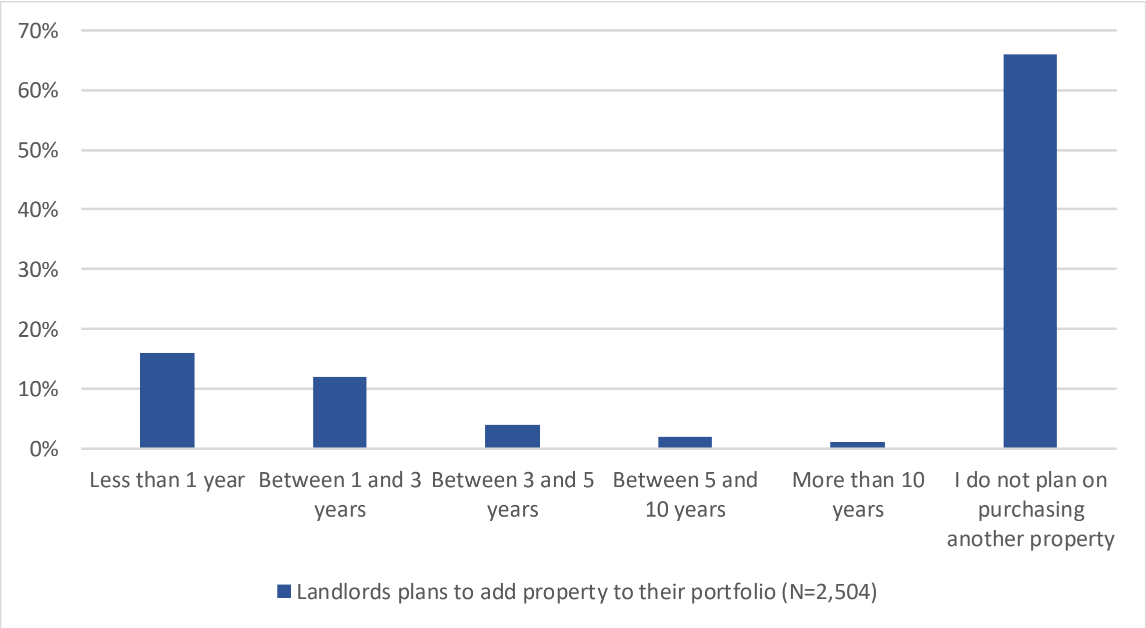

Figure 25. Landlord plans to add property to their portfolio

Landlords were asked a range of questions on their perceptions of the investment opportunities for the private rented sector, the impact of recent tax reforms and their outlook on future changes to the sector. In response to these questions, a majority of landlords identified that they thought investing in rental property was better than other investment types, however, concerns were raised over the impact of future tax reforms on rental income.

In total 65% of landlords reported that they thought investing in rental property was better than other investments. While, only 9% thought rental property was not better than other investments. The full findings can be found in the figure below.

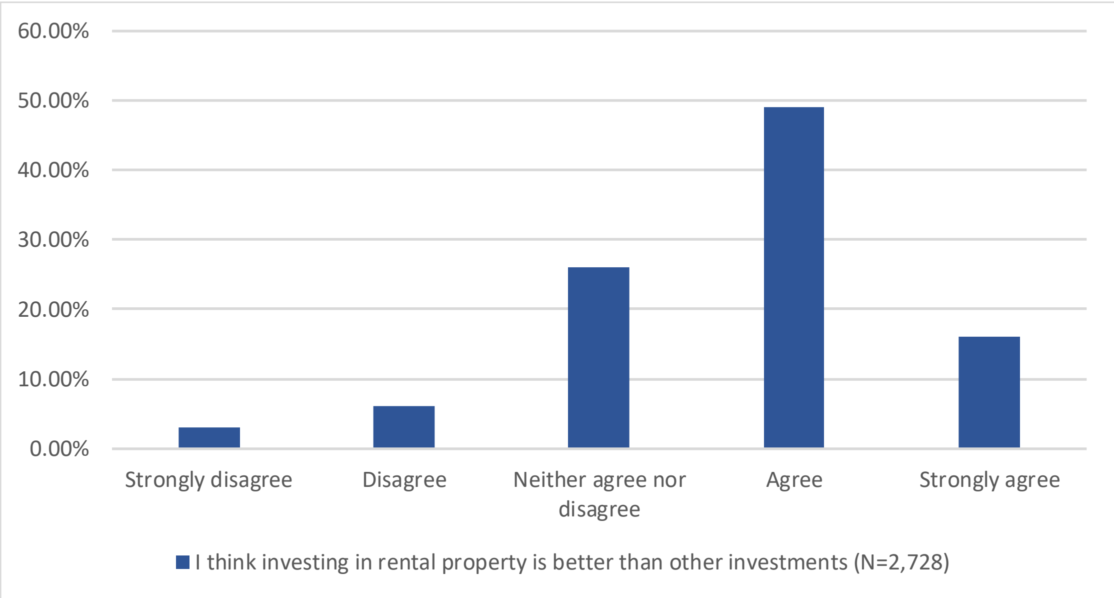

Figure 26. Percentage of landlords who think investing in rental property is better than other investments.

The majority of landlords (71%) reported that the budget changes announced in 2015 and 2016 would negatively impact on their rental income. The results can be found in the figure below.

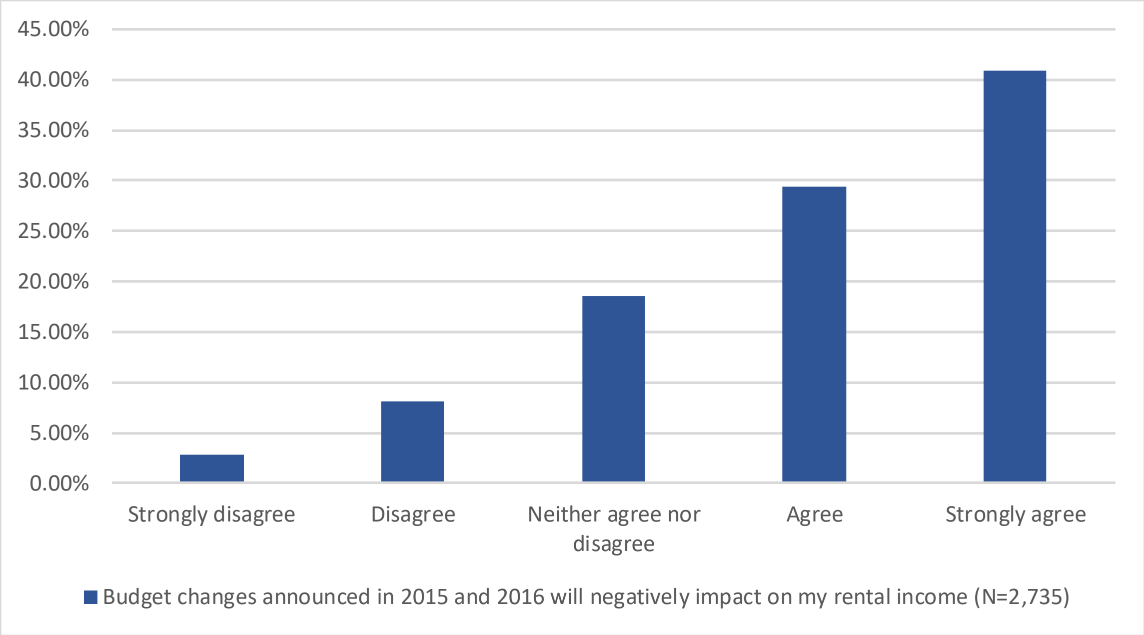

Figure 27. Landlord perceptions of impact of budget changes on rental income

The findings of the survey illustrate that 36% of landlords will be making a loss on their rental properties due to the removal of mortgage interest relief for landlords. The findings for this question can be found in the figure below.

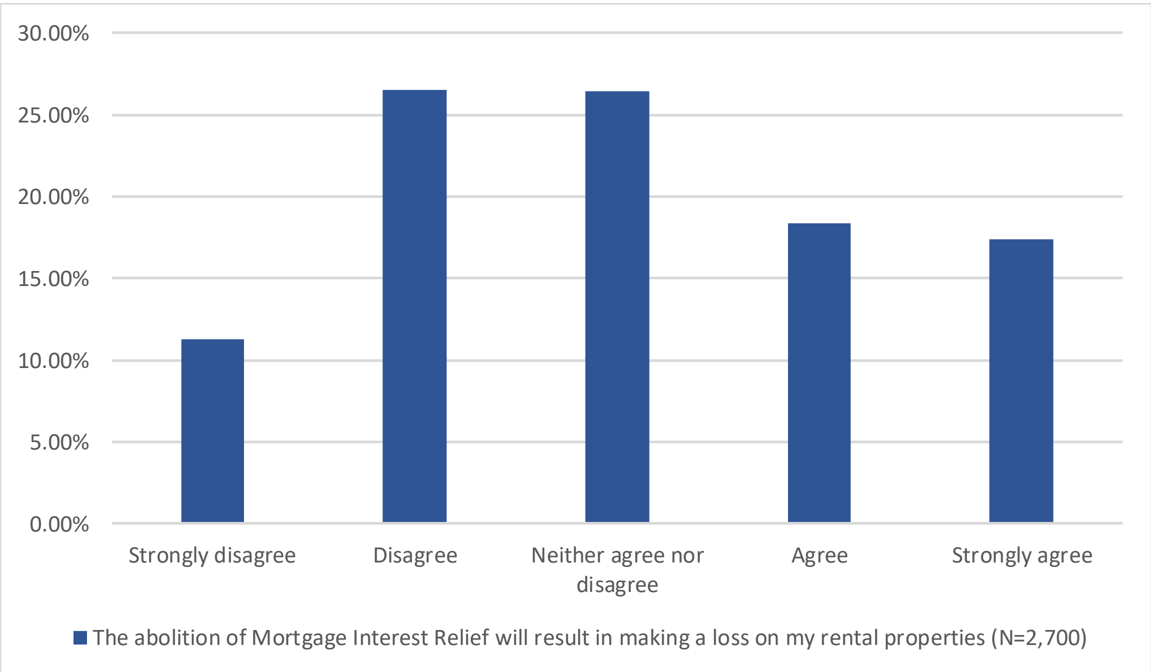

Figure 28. The impact of removal of mortgage interest relief on landlords

In terms of confidence of the private rented sector, overall a majority (54%) of landlords are not confident about the future of the sector. In contrast, only 23% of landlords are confident about the future of the private rented sector. The findings are displayed in the figure below.

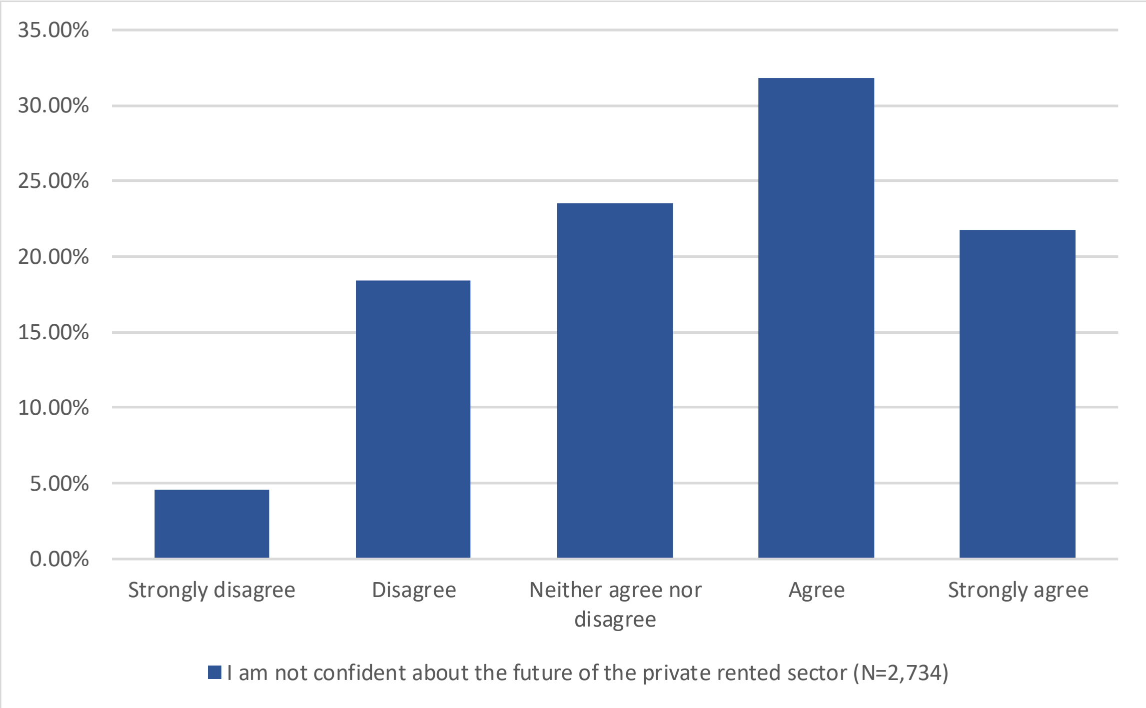

Figure 29. Landlord confidence of the future of the private rented sector

The following figure shows the extent to which landlords are considering leaving the sector as a landlord. While a majority of landlords are not confident about the sector, only 31% of landlords are considering leaving the sector as a landlord. However, nearly half (47%) of landlords reported that they are not considering leaving the sector. These findings are displayed in the figure below.

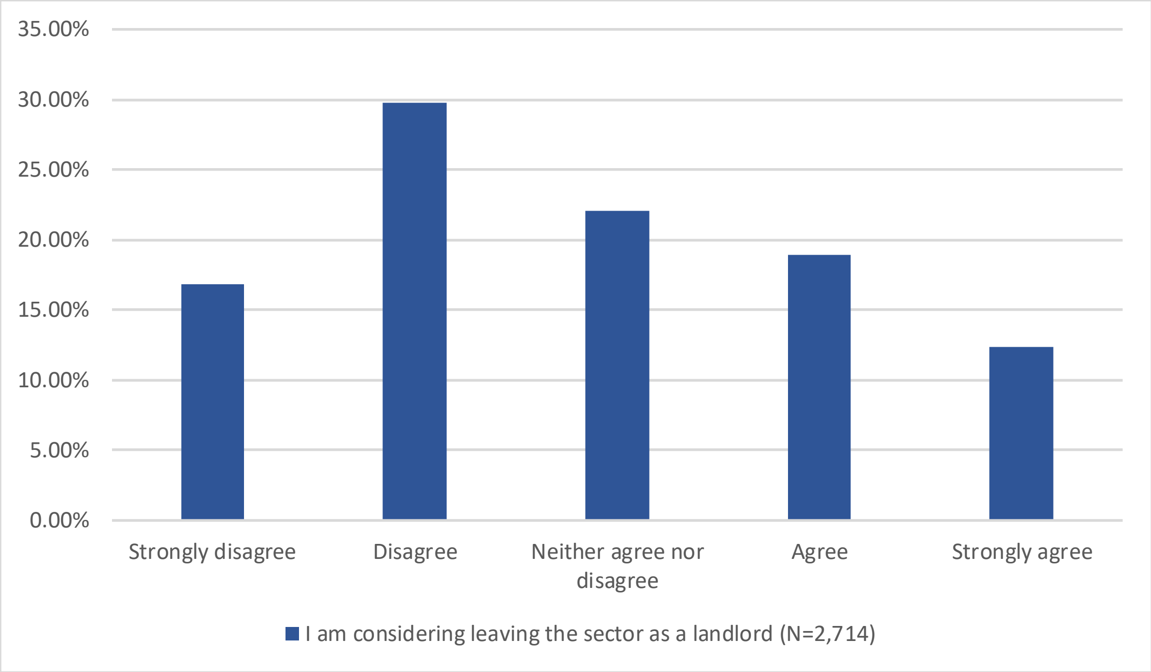

Figure 30. Percentage of landlords considering leaving the sector

The figure below shows that the majority of landlords (58%) who responded to the survey were considering reducing further investment in their rental properties due to recent finance changes.

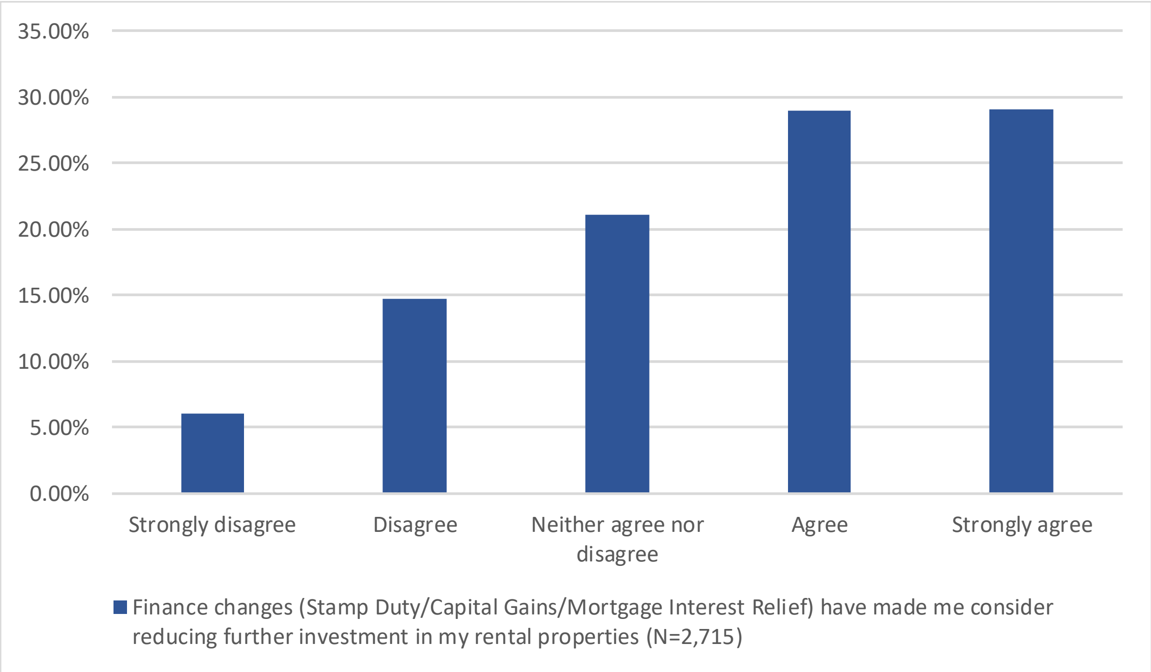

Figure 31. Percentage of landlords considering reducing investment in properties

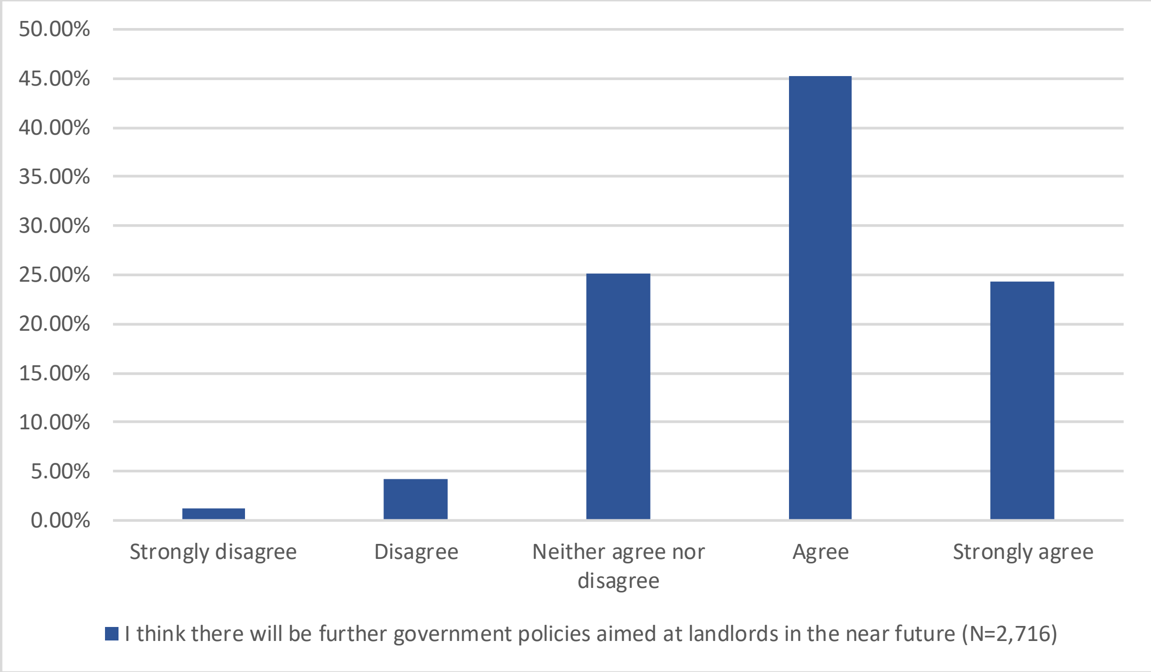

Figure 32. Landlord perceptions of government

The above figure shows the extent that landlords feel that there will be further government policies aimed at landlords in the future. An overwhelming majority of 70% of landlords thought there will be further policies in the near future.

The following figure shows the Loan to Value (LTV) ratio for landlords across property portfolios. The findings show that the majority of respondents are buy-to-let landlords, with 25% of landlords have a LTV of 0% and do not have a mortgage on any property. The largest LTV ratio group is 50% to 75%, with 36% of landlords with this LTV ratio across their property portfolio.

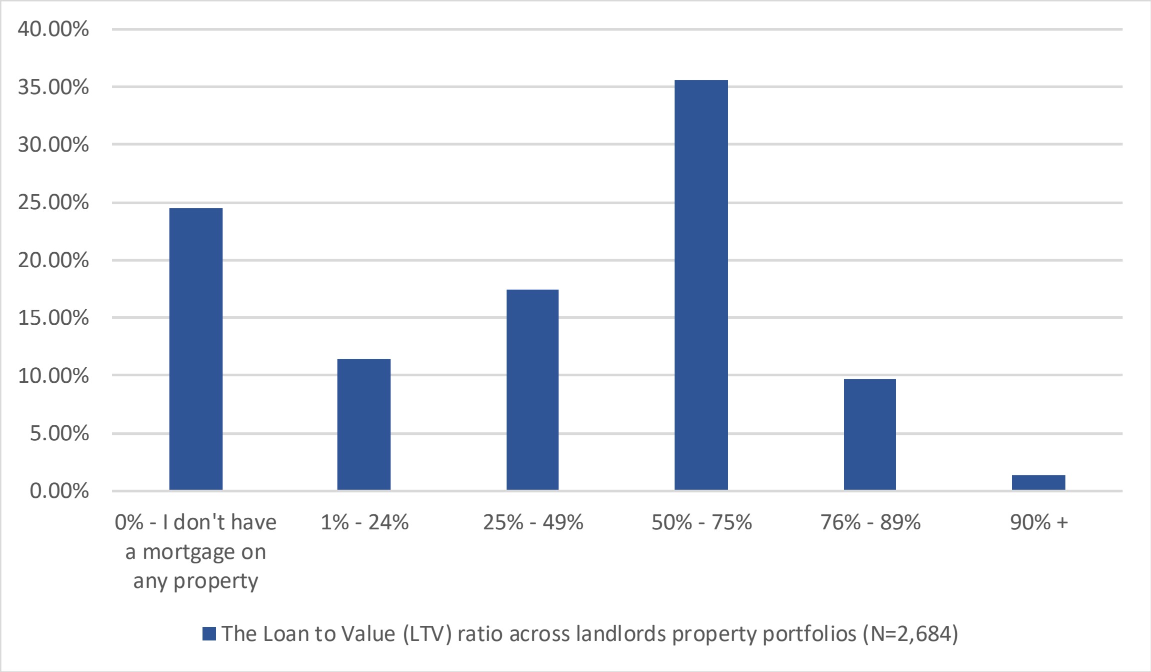

Figure 33. Loan to Value ratio across landlord's property portfolios

The figure below shows the extent of mortgage conditions stipulating the maximum length of tenancy. Overall, 44% of landlords reported there were no mortgage conditions that stipulated the length of a tenancy agreement, while 14% who responded to this question reported not having a mortgage. This suggests 58% of landlords do not have mortgage conditions that stipulate the maximum length of the tenancy.

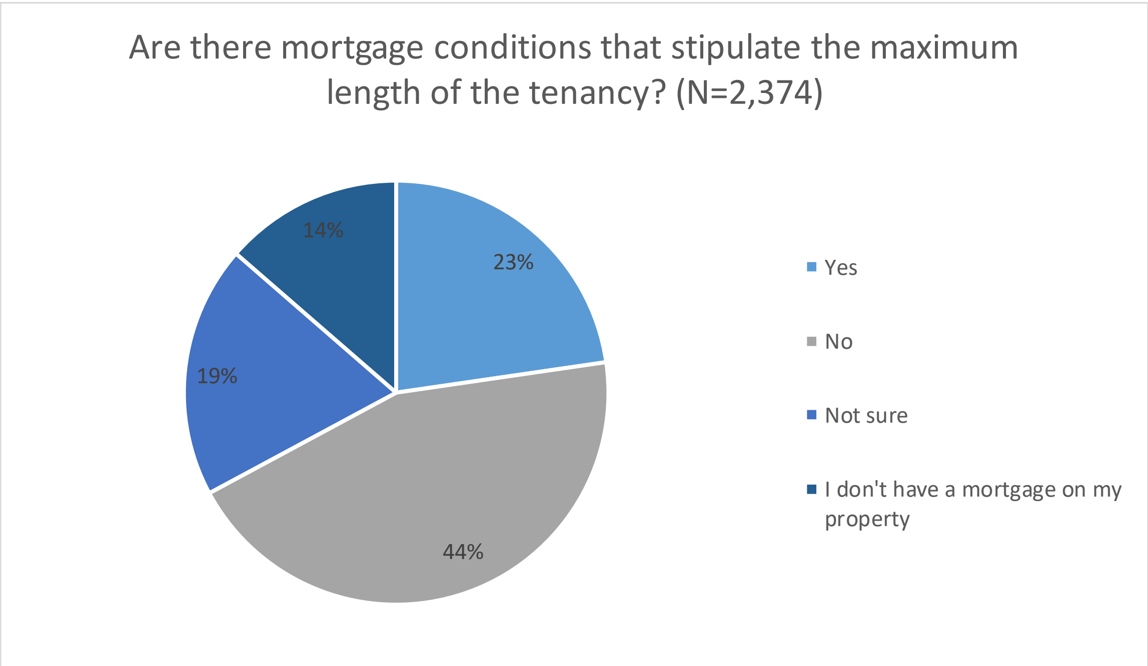

Figure 34. Number of landlords with mortgage conditions that stipulate maximum length of the tenancy.

The following figure examines which of the tax changes announced in the past 12 months will impact on landlords the most. The majority of landlords (48%) reported that changes to mortgage interest relief will have the biggest impact on their finances. This is followed by the removal of wear and tear allowance for 18% of landlords.

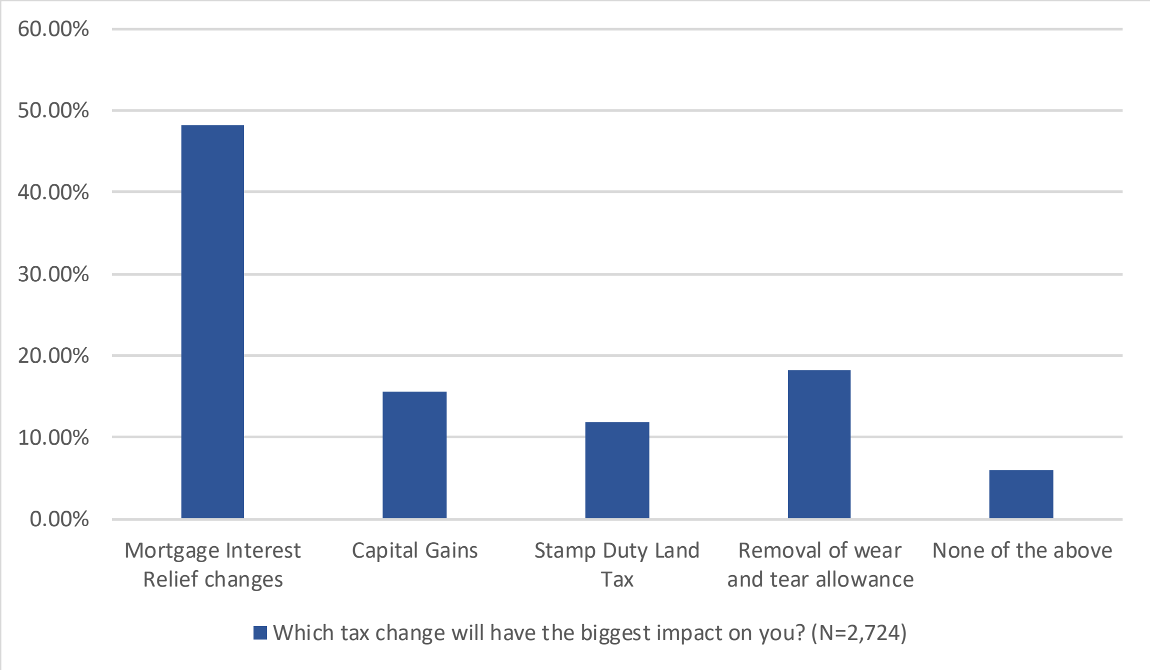

Figure 35. Recent tax changes and impacts on landlords

In the following questions, we focus on the impact of the changes to mortgage interest relief on landlord's rental income and profitability. The following figure investigates the number of landlords that reported being affected by changes to mortgage interest relief. A large majority of landlords (67%) identified that the announced changes to tax relief on mortgage interest payments would reduce their profitability.

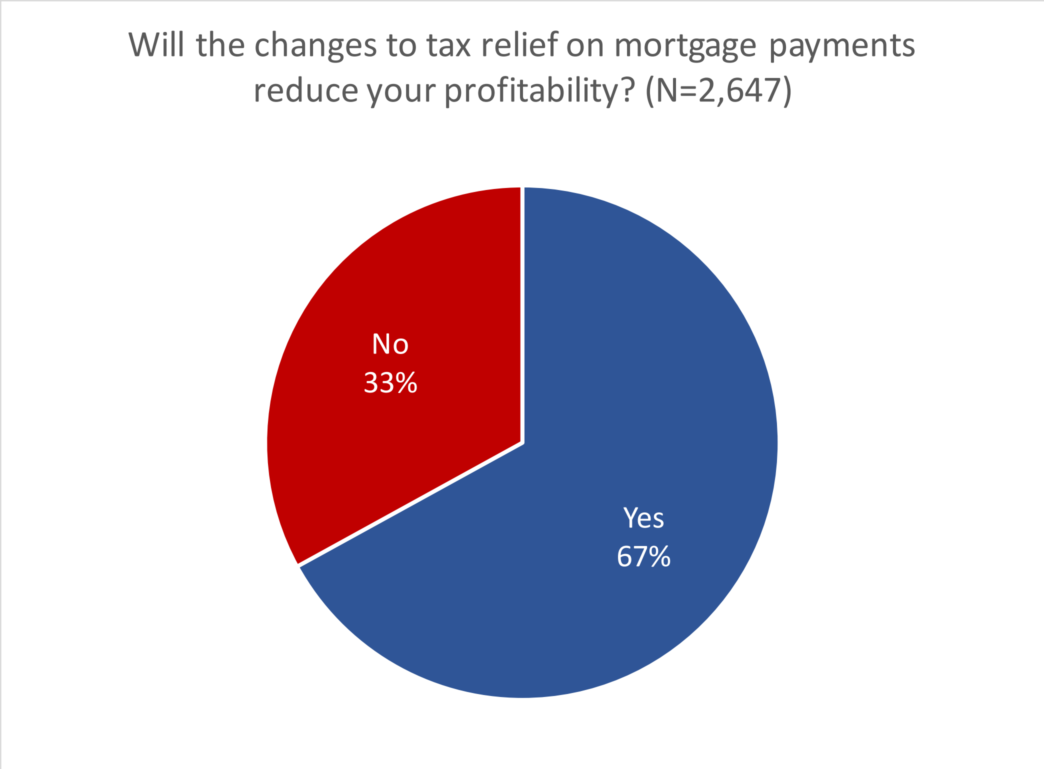

Figure 36. Percentage of landlords affected by mortgage interest relief

In a follow up question to those affected by mortgage interest relief, landlords were asked by what proportion would the tax changes reduce their profitability. 68% of the landlords reported the changes to mortgage interest relief would reduce their profitability by at least 20%. With 36% of landlords reporting the changes would reduce the profit by 20-39% and 18% of landlords report these changes would reduce profitability by between 40-59%. These findings identify implications for the financial health of the sector and continued investment by buy-to-let landlords. The findings are displayed in the figure below.

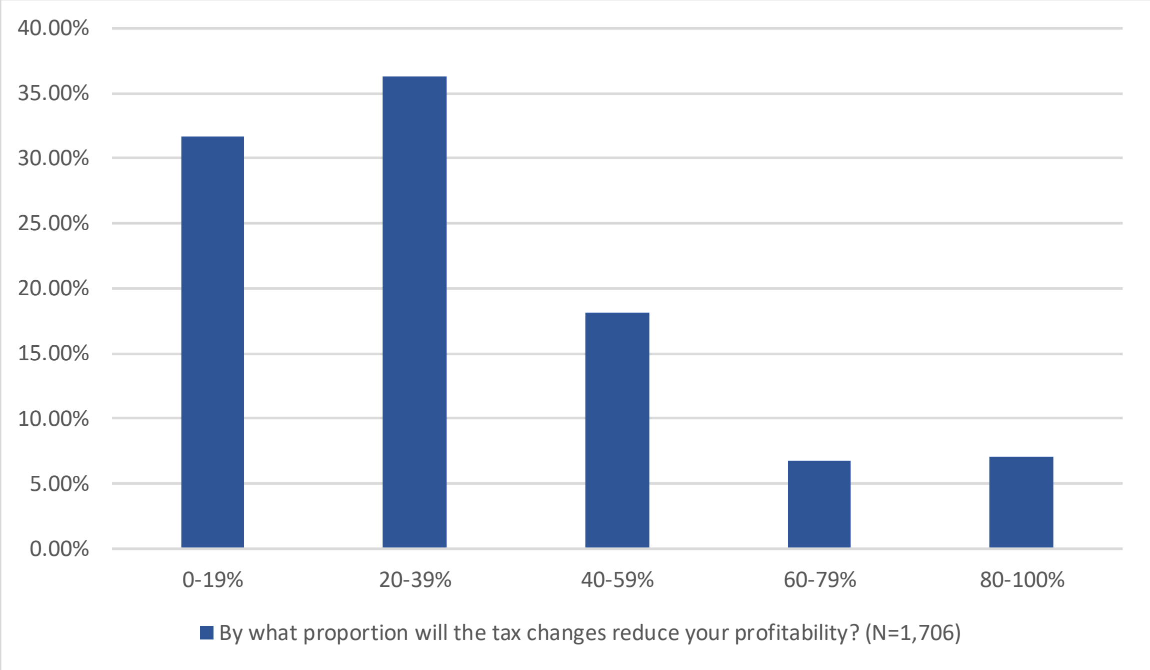

Figure 37. Proportion of profit reduced by changes to mortgage interest relief

To offset the impact of changes to mortgage interest relief, the majority of landlords (66%) reported they intent to increase the rents they charge. 21% of landlords are also considering reduced investment in their rental portfolio. The findings are displayed in the figure below.

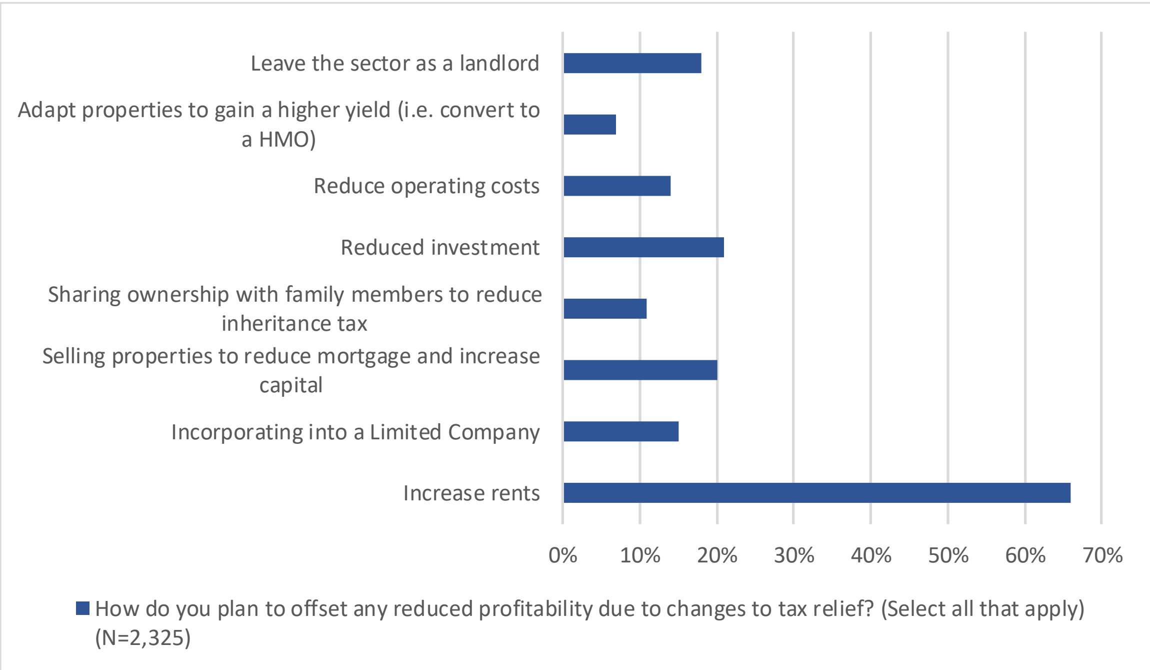

Figure 38. Landlords intentions to offset impact of changes to tax relief

The Rent

This section examines the extent that the rental income covers landlord costs, the potential within the market to increase rents, the landlord intentions to increase rents in the next 12 months, and the reasons for these rent increases.

Our key findings are:

- 6% of landlords' rental income does not meet their expenditure
- 39% of landlords report the rental income meets less than 79% of their costs
- 37% of landlords think rents can be reasonably raised by 1-3% in the next 12 months
- 56% of landlords plan to increase their rents in the next 12 months
- The main reason for this was changes to Mortgage Interest Relief (36% of landlords)
- The average rent is £855 a month
- The current average tenancy period is 3 years

The majority of landlords reported that the rent they collect is above their total costs (89% of the sample). With 46% of the sample describing that the rent is only a little more than their total costs. The findings are displayed in the figure below.

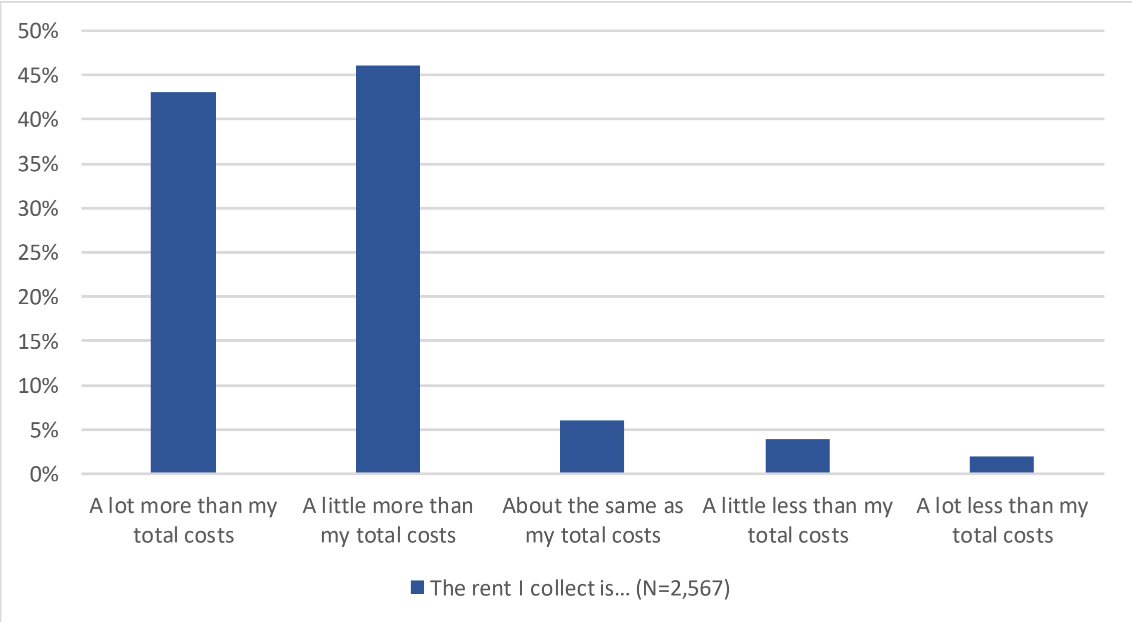

Figure 39. Rent in comparison to landlords' total costs

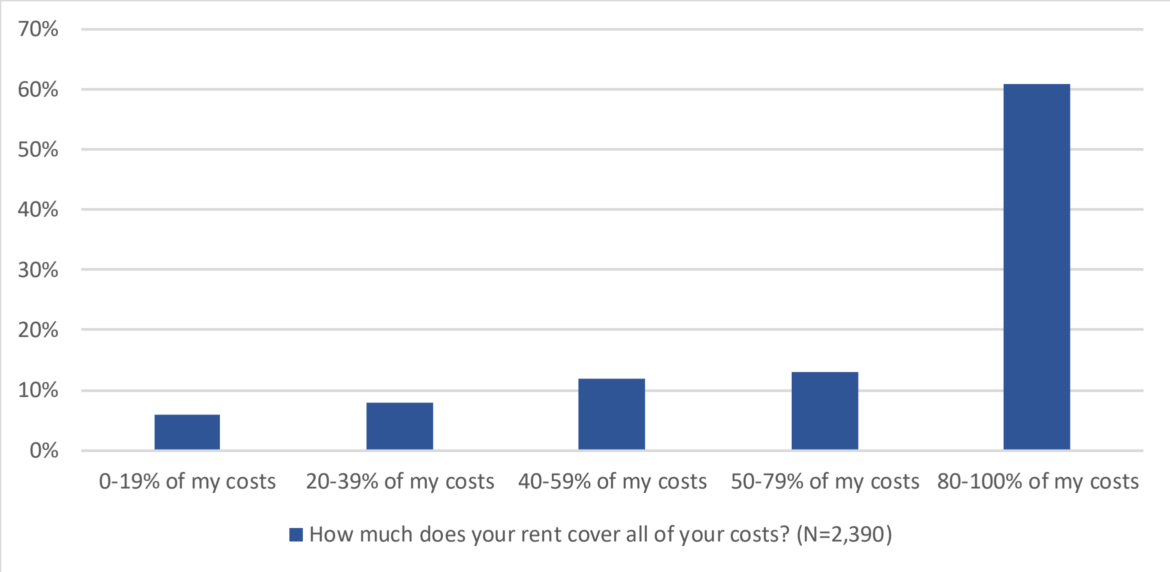

Figure 40. Rent and landlords costs

However, when asked how much of the rent cover all of the landlord costs, 39% of the sample reported less than 80% of their costs. With 6% of the sample explaining that the rent only covers between 0-19% of their costs.

In the following figure we explore landlords' perceptions of how much they think rents can be reasonably raised in the next 12 months. The majority of landlords (37%) believe that rents can be increased by 1-3% in the next 12 months, while only 2% of landlords believe rents can be increased by 13% and above.

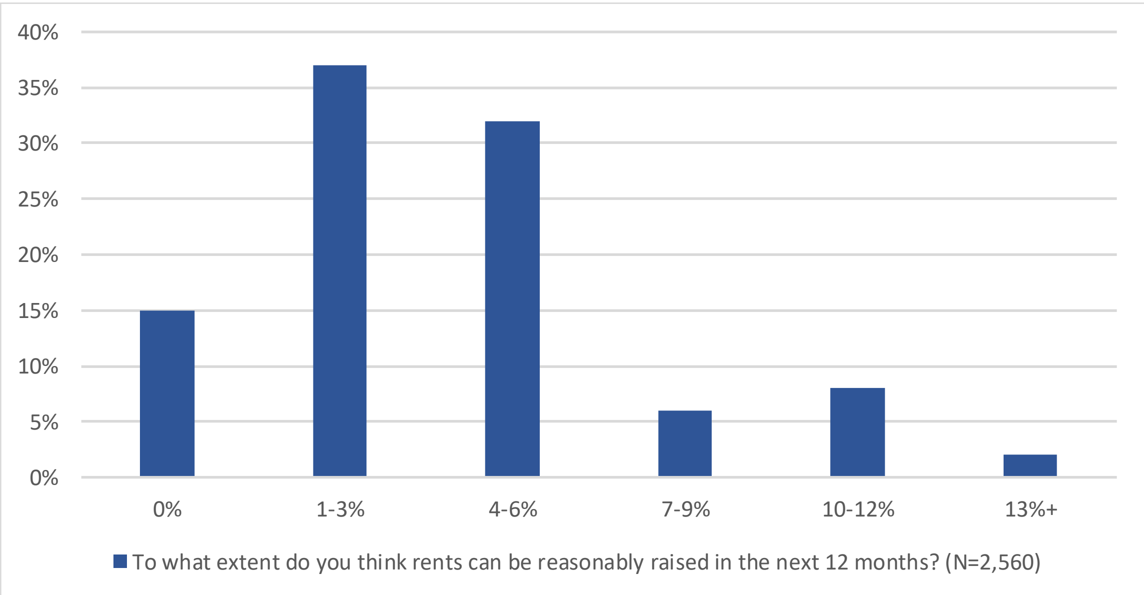

Figure 41. Landlord's perceptions of the ability to increase rents in the next 12 months

In the next 12 months, the majority of landlords plan to increase the rents they charge (56% of the sample). However, 43% of the sample reported that they plan to keep the rent the same, and 1% plan to decrease the rent they charge.

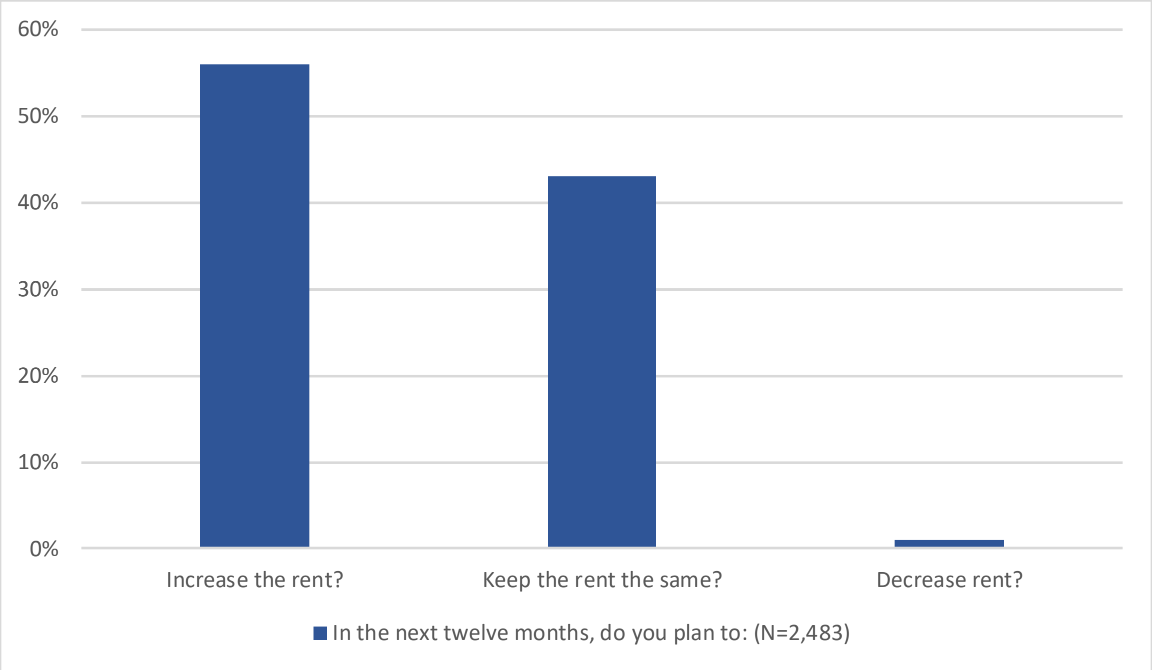

Figure 42. Landlord's plans for rent levels in the next 12 months

In the following figures we explore and investigate the reasons behind the plans to either increase the rent, keep the rent the same or decrease the rent. The changes to Mortgage Interest Relief was reported as the main reason for the plan to increase rents (36% of the sample), followed by the need to meet increasing costs (17%) and in line with the market rent (23%). The findings are displayed below.

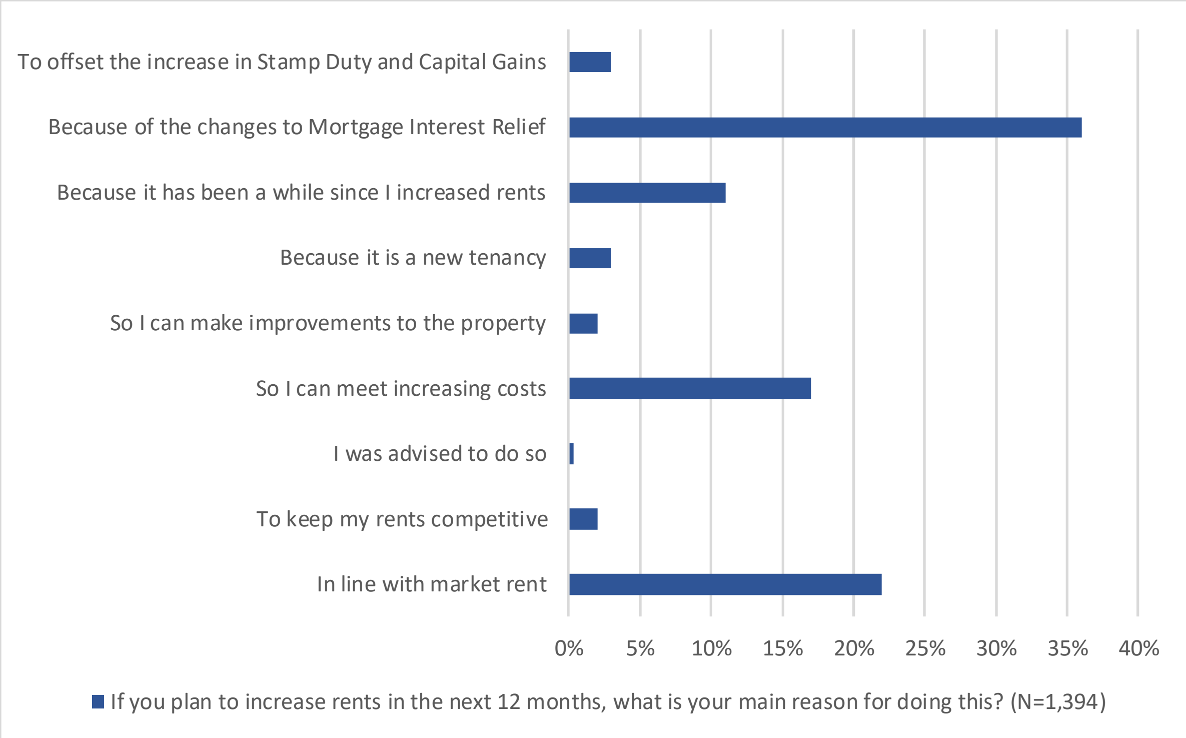

Figure 43. Reasons for plans to increase the rent in the next 12 months

When asked if the landlords were planning on keeping the rents at the same level in the next 12 months, the primary reason was to keep the tenant in their property for the long term (66% of landlords). Followed by the landlord not having a reason to do so (10% of landlords). The findings are shown in the figure below.

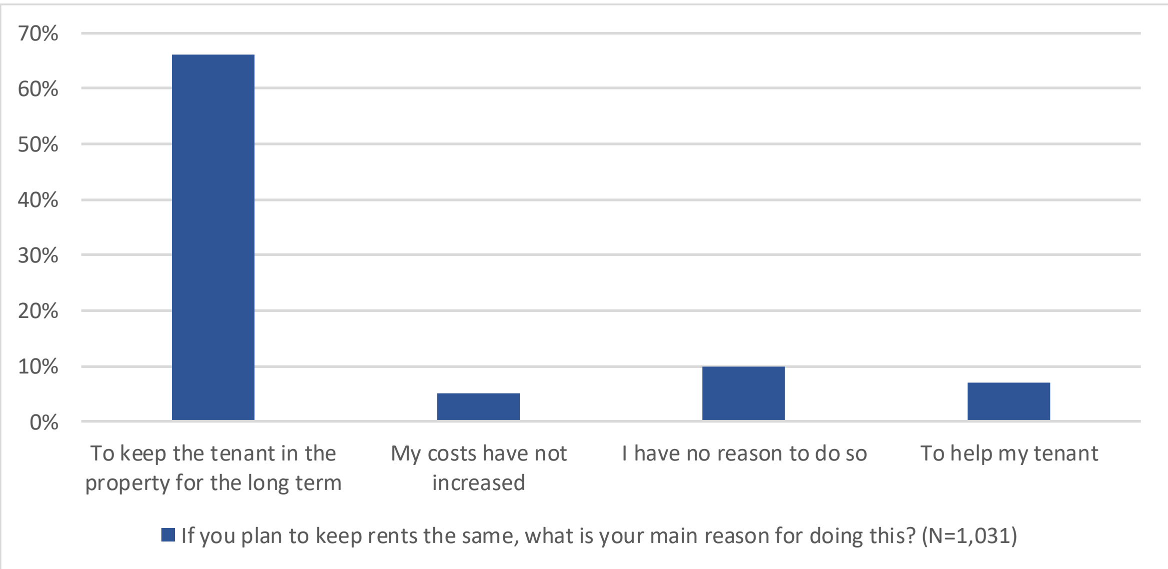

Figure 44. Reasons for keeping the rent the same in the next 12 months

Only a small percentage of landlords reported that they were planning on decreasing rents in the next 12 months (1% of the sample). These landlords were asked for the primary reason for planning to reduce rents in the next 12 months. The majority of the respondents to this question (50%) reported that this was to keep their rents competitive. While 30% of the landlords reported that this was the help their tenant. The findings are displayed in the figure below.

Figure 45. Reasons for plans to decrease rents in the next 12 months

Landlords were asked for the average rent they charge across their property portfolios. On average, landlords charge £855 a month for rent. However, this does include all geographical areas and all household and property types. Landlords were also asked for the average tenancy length across their property portfolios, on average landlords reported the average tenancy length as 3 years.

Conclusions

This research is the first of the Residential Landlords Associations' quarterly reports into the issues affecting tenants, landlords and the wider private rented sector. The purpose of this report was to investigate the impact of Government's taxation reforms on the sector, and the wider investment and finance prospects of landlords. The research utilised a survey design and collected data from a large sample of 2,883 landlords across the UK.

There are a number of encouraging findings that have emerged from the data, including the high numbers of landlords who report having a good relationship with their tenants. Even more so is the high number of landlords reporting their tenants pay the rent on time, and the majority reporting they have not started the eviction processes in the past 12 months. This is especially important as the majority of landlords described renting to families with one child and typically let two and three bedroom houses to one family. With the current average length of tenancy period being three years, this is encouraging to see, and suggests tenants and families are currently enjoying safe and secure homes over the medium to long term.

However, a concern is the finding that the majority of eviction cases were due to rent arrears. More research needs to be undertaken to further understand the reasons for the rent arrears, such as whether it is due to the reform of benefits by the current and previous government, loss of work or other potential issues. This issue will therefore form part of the RLA's quarterly survey on welfare reform and the PRS.

In terms of the taxation reforms, the findings provide a stark warning to the UK government. With 71% of landlords reporting taxation changes would negatively impact on their rental income and 67% facing reduced profitability due to the reform of mortgage interest relief. A large proportion of landlords (68%) are facing reductions in their profitability by at least 20%. It is clear these reforms are going to negatively affect landlords, with many planning to increase rents to offset any impact of these changes. These rent increases are likely to take effect within the next 12 months, with the majority citing the changes to mortgage interest relief as the main reason. While these changes will have a serious impact on the finances of landlords, those who will be most affected is the tenants. We conclude with the Government's changes to taxation will negatively impact the thousands of families who depend on the sector for a home, potentially disrupting children's education and causing financial worry for parents who may have to choose between feeding their child and paying the rent on time.