



# Welfare Reform and Universal Credit: The impact on the private rented sector

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Residential Landlords Association

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## **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 30,000 members, and an additional 20,000 registered guests who engage regularly with the association, the RLA is the leading voice of private landlords.

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.

For more information about the RLA please visit [www.rla.org.uk](http://www.rla.org.uk)

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The Residential Landlords Association's (RLA) Private renting Evidence, Analysis & Research Lab (PEARL) is a research-based policy exchange for the private rented sector. We provide analysis and research on the economic, social, and political issues facing the private rented sector (PRS). Through this the RLA aims to inform, develop and promote policies that help to make renting better for all.

We provide high-quality research and through our reports, briefings, and events, the RLA's PEARL provides the opportunity for evidence led policy making in the PRS.

The RLA aims to make an important contribution to the policies that affect the PRS. We believe it is important that policy makers consider the evidence and the potential consequences in their decision making. We seek to influence decision makers in order to translate our research findings into an improved renting experience for landlords and tenants.

For more information about the RLA's Private renting Evidence, Analysis & Research Lab (PEARL) please visit [research.rla.org.uk](http://research.rla.org.uk)

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## About the Author

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Tom Simcock MBPsS is the Senior Researcher for the RLA. Tom's expertise lies in researching change in society, quantitative and qualitative research methodologies, and behavioural and psychological change approaches. His research on the private rented sector and housing has received national media coverage and has been cited by the House of Commons, House of Lords and the London Mayor. For the past 4 years, he has been researching the changing roles of Fire and Rescue Employees as part of his PhD research. 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 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 2 years there has been significant political attention provided to the private rented sector. The sector is now incredibly important to providing homes for millions of households across the UK. Nevertheless, significant policy and regulative changes have occurred, including taxation reform, energy efficiency measures, increasing regulations, and welfare reform. The recent Housing White Paper<sup>1</sup> has also proposed further changes such as encouraging the 3-year tenancy agreement. The research presented in this report is part of a longitudinal project to examine trends across the sector in relation to policy changes. This report focuses on the impact of welfare policy changes and collected data from a large sample of 2,974 landlords.

There are a number of positive findings from this research, firstly, it is encouraging that there are a high percentage of landlords who reported having a good relationship with their tenants, their tenants pay their rent on time and that the majority reported they have not had to start the process to regain possession of their properties. It is also encouraging to see that the average length of tenancy period being 3 years, and this suggests that tenants and families are currently enjoying safe and secure homes over the medium to long term.

A concerning finding is around eviction. Nearly 1 in 3 landlords reported that they attempted to evict a tenant in the past 12 months, with the majority (60%) reporting this was due to rent arrears, with tenants owing on average £1000 (median). When extrapolated to the wider sector, this equates to approximately £589 million owed to landlords. This is a serious concern, and future changes to the sector could exacerbate this issue, especially the changes to mortgage interest relief.

Regarding the impact of welfare reform, the findings present a stark account of issues associated with the introduction of universal credit. Of those who let to tenants on universal credit or housing benefit:

- 38% of landlords reported that they have experienced tenants on universal credit going into rent arrears in the past 12 months
- This is especially concerning with the finding that on average, landlords were owed £1600.88 in rent arrears
- 53% of landlords successfully request an Alternative Payment Arrangement
- 45% of landlords reported that the DWP were unhelpful when contacted
- The issue of rent arrears for universal credit tenants, is also one of the leading reasons for a landlord attempting to regain possession of the property (64% of landlords)

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<sup>1</sup> DCLG. (2017) Fixing our broken housing market. Retrieved from: [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/590464/Fixing\\_our\\_broken\\_housing\\_market\\_-\\_print\\_ready\\_version.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/590464/Fixing_our_broken_housing_market_-_print_ready_version.pdf)

These findings suggest that reform to universal credit is needed. The government needs to ensure that it is easier for landlords to claim alternative payment arrangements and ensure rent arrears are kept to a minimum. Without these reforms, landlords may continue to be unwilling to provide homes to those on universal credit.

Further policy changes, including the cap on Local Housing Allowance rate, 4-year freeze on Housing Benefit to working age claimants, and taxation changes were identified by a large proportion of landlords to make them less likely to rent to benefit tenants or homeless people. Based on these findings, this report recommends that the freeze on LHA rates and HB rates are ended by the Government to remove these barriers for vulnerable tenants to the private rented sector. Furthermore, the government should consider the restriction of mortgage interest relief, this would provide buy-to-let landlords the financial security to provide accommodation to those most vulnerable in society. Without these, landlords may continue to be unwilling to let to tenants on benefits or homeless people.

From the analysis of the key trend data it is evident that landlord confidence in the sector has been shaken by the current political and economic climate. While more landlords were confident (38%) than not confident (28%), plans for landlord portfolios have changed over the past 6 months. The proportion of landlords who have added to their portfolio is down by 7%, and the proportion who have reduced the size of their portfolio is up by 2%.

Looking ahead, the proportion of landlords who plan to add to their portfolio is down from the previous 6 months, and the proportion who plan to reduce the size of their portfolio has increased. While this is only a 3% increase in those who plan to reduce the size of their portfolio, this is something to monitor over the long term in conjunction with the staggered removal of mortgage interest relief. This finding could signify that landlords are preparing to reduce the size of their portfolios in reaction to this policy change.

Using the latest data from HMRC on the number of landlords<sup>2</sup> this could equate to a net loss of 76,000 less properties in the sector over the next 12 months. This is especially concerning when 1 in 3 landlords reported increasing tenant demand in the past 3 months. The government must make positive changes and reverse previous decisions (for example the restriction of mortgage interest relief) to support the private rented sector and ensure all tenants have a safe and secure house to call home.

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<sup>2</sup> If all these landlords do reduce their portfolio by 1 property

# 1. Introduction

## 1.1 Background and Method

The research presented in this report is part of a longitudinal research project being conducted by the Residential Landlords Association to understand the state of the sector. This longitudinal project is assessing trends on key issues including finance and investment, safety and energy, welfare reform, and regulation and enforcement. The aim of this research report is to provide a snapshot of the sector regarding welfare reform, and the introduction of universal credit.

This report provides the analysis of a survey of 2,974 landlords across the UK that was conducted in March and April 2017. To recruit participants for this survey an opportunity sampling approach was adopted, to ensure data was gathered from a large representative sample. This sampling approach involved drawing upon the RLA's database of landlords (including over 30,000 members and associate members, and over 35,000 RLA non-member service users) with an email asking for participation in the survey. The landlords were sent two further reminder emails over the course of 5 weeks. The survey was also advertised to the wider landlord population across multiple landlord websites, advertised on the RLA website and RLA Campaigns and News Centre, and marketed on Social Media by the RLA and partner organisations.

These sampling methods were used to ensure the opportunity to take part in the research was available to as many landlords as possible. However, there are a number of limitations over using an opportunity sampling approach that need to be highlighted, as with all sampling approaches there is the possibility of introducing bias. As the survey and associated advertising was online, this could have biased the sample and excluded those who do not use computer regularly or have limited access to the internet. Moreover, there is very little known about the general demographics of landlords across the sector and because of this it is not possible to demonstrate whether this sample is truly representative of all landlords. This should be taken into account when interpreting the results. Yet, the size of the sample in this instance and the multiple streams of attracting participants, provides us with confidence that a wide spectrum of the sector is represented in the sample. A further caveat that should be noted, is the report refers to 'landlords', this is done in terms of expediency and should be viewed and interpreted as 'landlords sampled'.

This research helps the RLA to develop important insights into the issues affecting the sector, and the survey covered a range of topics. This included demographics of tenants, landlords and their properties. It also included questions on the topics of welfare reform, universal credit and housing benefits, and the key trend questions from the previous quarterly surveys. The findings of this research help to provide foundations for the RLA's campaigning to make renting better for all. We also anticipate that this research will provide the opportunity for evidence based decisions

by policy-makers and a more in-depth understanding of landlords, tenants and the private rented sector in general by journalists, academics, and the wider public.

## **1.2 Structure of the Report**

This section of the report has provided the background to this research and the methodology used to collect the data. In the next section, the findings related to the impact of welfare reform and the impact on renting. The following section then investigates the different letting strategies of landlords when it comes to the length of tenancy offered. In section 4, explores the key trends in the sector with comparison to data from previous quarterly surveys. The next sections of the report then present the findings relating to the demographics of the landlords who participated in the research, the types of tenants who the landlord lets to, and the types of properties that form the landlords' portfolio.



## 2. Welfare Reform and Renting

This section explores the experiences of landlords who have let to tenants on universal credit (UC). This includes experiences of rent arrears, applications for alternative payment arrangements, and reasons for regaining the property.

Our key findings are:

- 38% of landlords reported that they let to tenants on benefits (LHA or Universal Credit)
- In the past 12 months, 38% of landlords have experienced their Universal Credit tenants going into rent arrears
- The median amount owed in rent arrears by Universal Credit tenants was £1,150
- In the past 12 months, 29% of landlords have evicted a tenant who was in receipt of housing benefits or universal credit.
- The main reason for regaining possession of the property was rent arrears (64% of landlords)
- Only, 13% of landlords were willing to let properties to tenants on universal credit
- 63% of landlords reported the lack of direct payments of universal credit to the landlord had made them less likely to rent to tenants on universal credit
- 16% of landlords identified they had mortgage conditions that prevented them from renting out to tenants on benefits
- 61% of landlords reported that they were unlikely to let to a tenant on a zero-hour contract

Respondents were presented with a question to determine whether they let or had let to tenants on benefits (Universal Credit or LHA) in the past 12 months. This question acted as a filter question, with those landlords who responded that they did or were not sure, were then asked further questions on their experiences with benefit tenants. Overall, 38% of landlords sampled reported that they let to tenants on universal credit or housing benefit, while a further 4% were not sure. The full findings are displayed in figure 1 below.

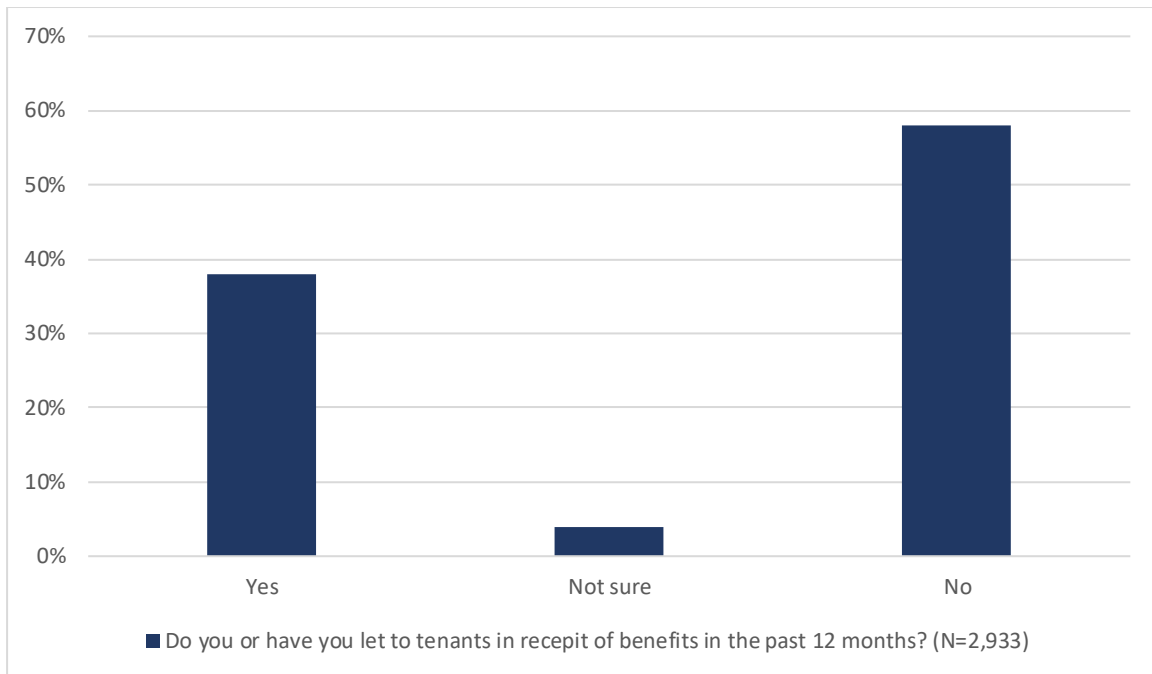


Figure 1. Proportion of landlords letting to tenants on benefits

As demonstrated in figure 2 below, 38% of landlords reported experiences of rent arrears with their universal credit tenants. Respondents were then asked to provide how much in total they were owed by these tenants. The median amount owed was £1,150 ( $M = £1,600.88$ ,  $SD = 1575$ ,  $N = 349$ ). This is a significant amount and is approximately 1.7 times the current average rent of £675 across England<sup>3</sup>.

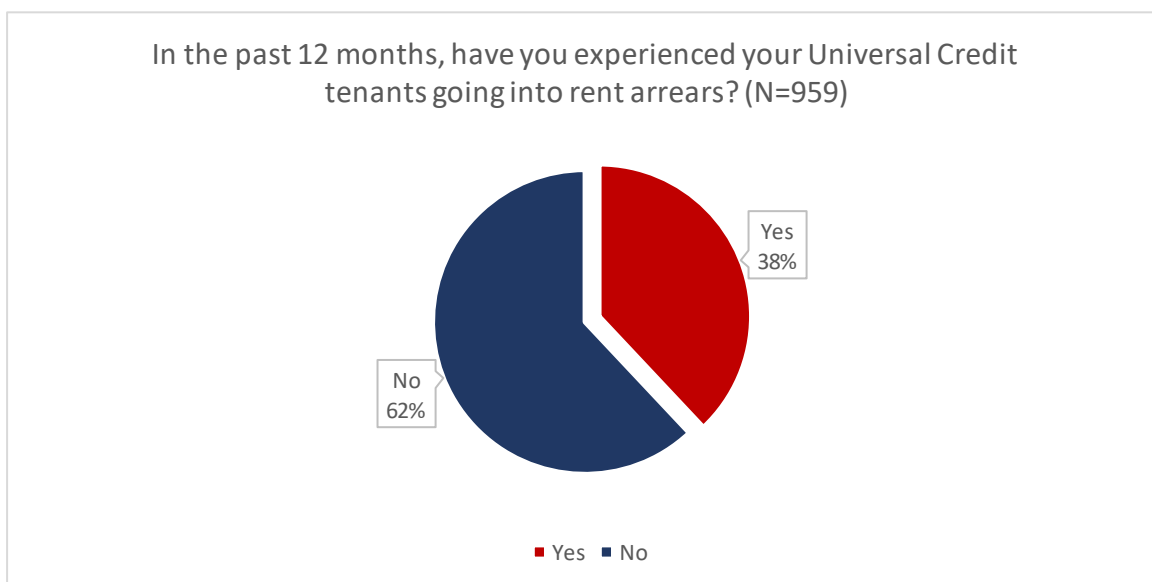


Figure 2. Proportion of landlords whose tenants on universal credit have gone into rent arrears

<sup>3</sup> Valuation Office Agency (2017). Private Rental Market Summary Statistics: April 2016 to March 2017. Retrieved from: <https://www.gov.uk/government/statistics/private-rental-market-summary-statistics-april-2016-to-march-2017>

From figure 3 below, a majority of landlords have not requested an Alternative Payment Arrangement (APA) from DWP, while 41% have requested this. 53% of landlords identified that this request was successful, with a further 16% of landlords awaiting confirmation of the outcome of the request.

38% of landlords who requested an APA included a claim for repayment of rent arrears. This is a similar percentage of those landlords who have experienced rent arrears previously, but this suggests the majority of landlords are being pro-active and submitting APA request before their tenant goes into rent arrears. The full findings are displayed in figure 3 below.

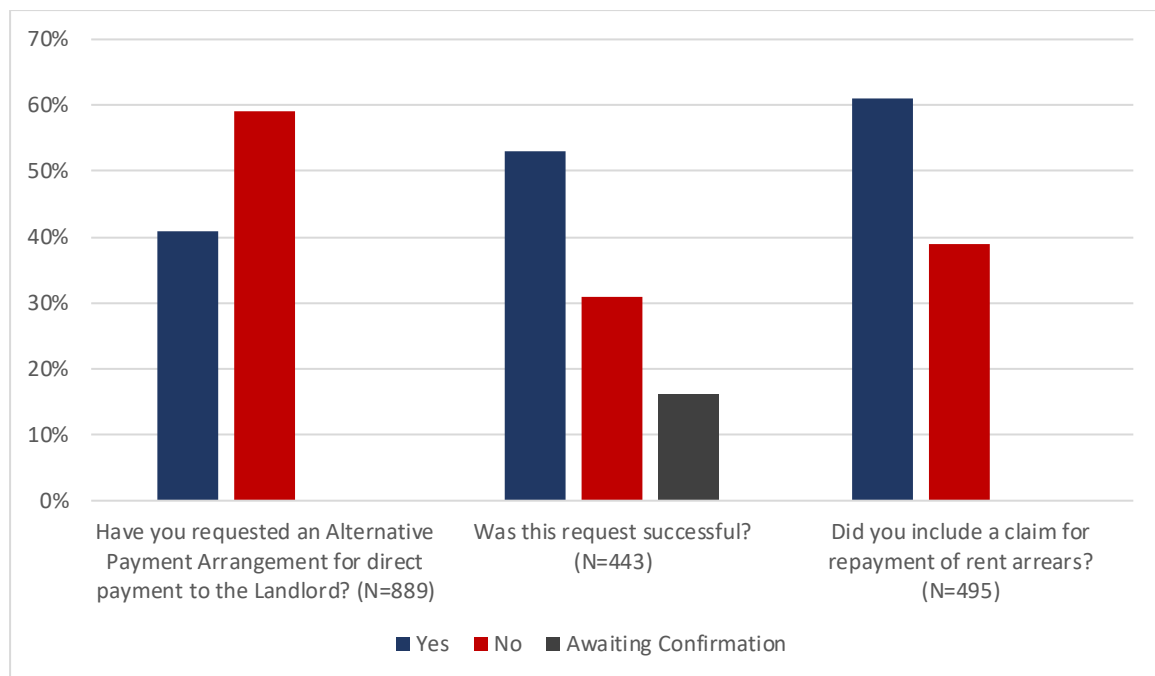


Figure 3. Landlord experiences of applying for Alternative Payment Arrangements

For those landlords who had requested an APA, 44% of landlords found the application process difficult. The full findings are displayed in figure 4 below.

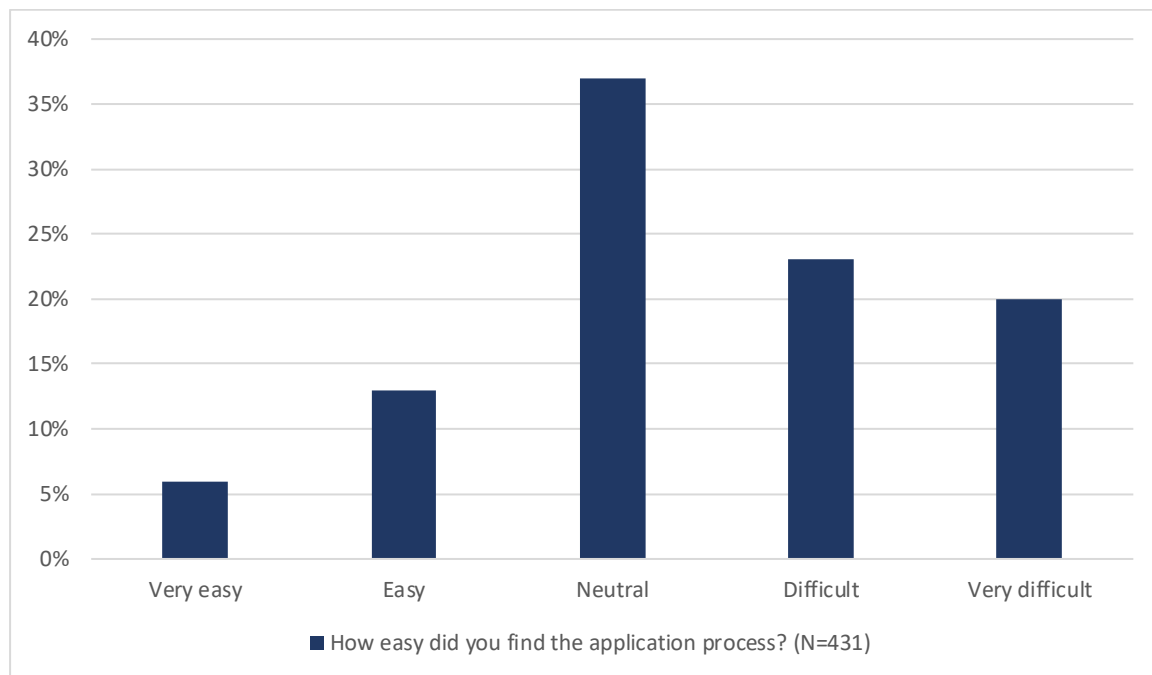


Figure 4. Difficulty for landlords in applying for an Alternative Payment Arrangement

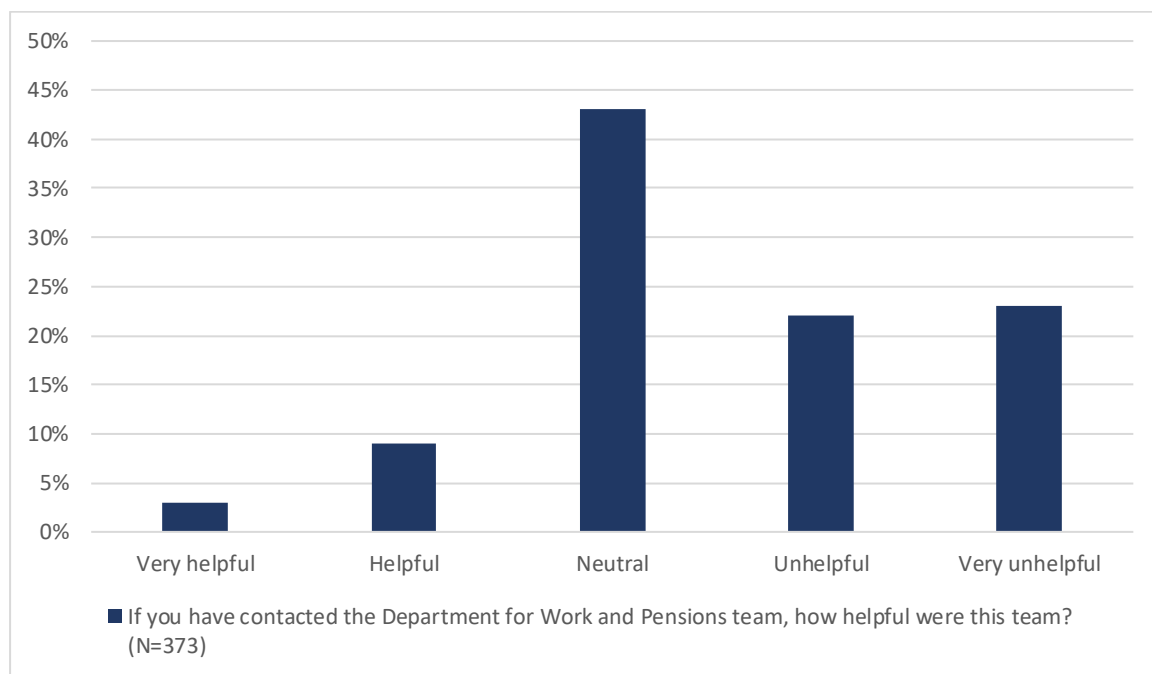


Figure 5. Proportion of landlords who found the Department for Work and Pensions team helpful

Furthermore, of those landlords that had contacted the DWP team for assistance with their universal credit tenant, 45% had found them unhelpful or very unhelpful.

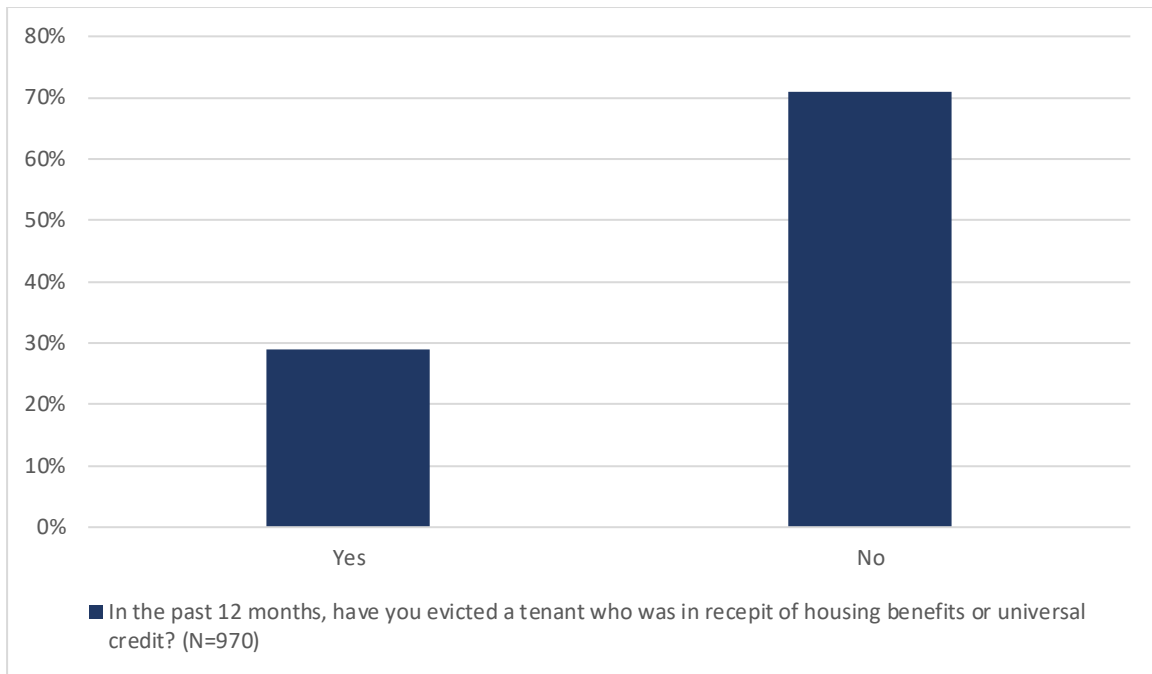


Figure 6. Proportion of landlords who have regained their property from a tenant on benefits

Figure 6 above identifies the proportion of landlords (29% of landlords) that have needed to regain possession of their property from a tenant on universal credit or housing benefits. From figure 7 below, 64% of landlords identified rent arrears as the primary reason for regaining possession of the property, followed by anti-social behaviour by the tenants (9% of landlords). This suggests efforts to reduce rent arrears through reforms to universal credit as it is rolled out could help to reduce the number of landlords whom need to regain their property.

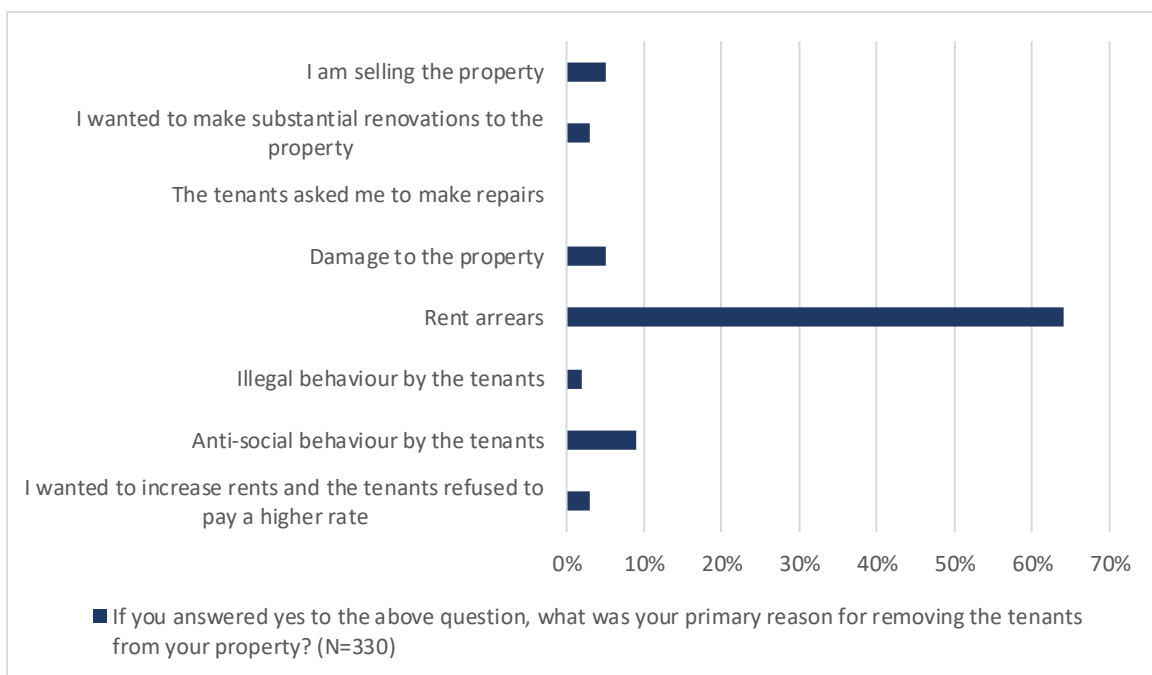


Figure 7. Primary reason for regaining property from tenants on benefits

The results of questions reported in the next part of this report were presented to all respondents regardless of whether they currently let or had let to universal credit or housing benefit tenants.

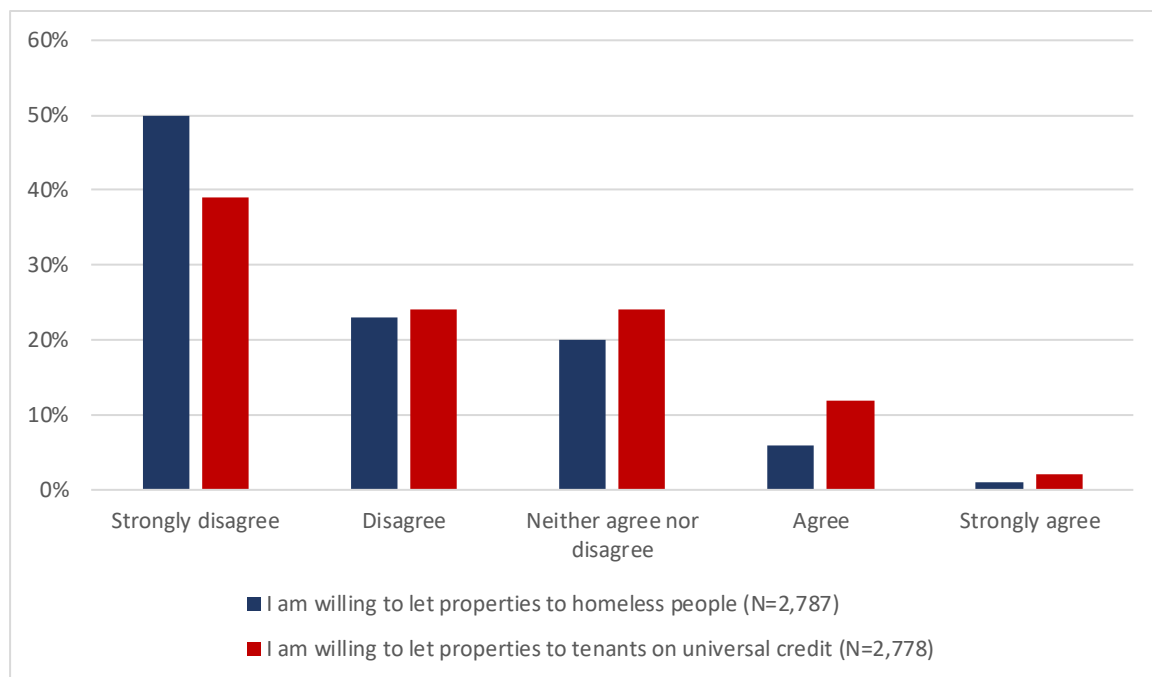


Figure 8. Proportion of landlords willing to let to tenants on universal credit or currently homeless

The above figure identifies the proportion of landlords who would be willing to firstly, homeless people, and secondly those on universal credit. 73% of landlords reported that they would be unwilling to let their properties to homeless peoples, while, 63% of landlords identified that they were unwilling to let their properties to tenants on universal credit.

The respondents were then asked about 5 changes to the sector and whether they had made them more or less likely to let to tenants on universal credit or homeless people. The full findings to this question are displayed in figure 9 below. The five changes were:

- 1) The cap on Local Housing Allowance (LHA) rates
- 2) The 4-year freeze on Housing Benefit (HB) payments to working age claimants
- 3) Increased regulation (right to rent checks, licensing)
- 4) Taxation changes (for example removal of Mortgage Interest Relief)
- 5) Change to direct payments of universal credit housing costs to tenants rather than the landlord

Overall, the majority of landlords responded that the changes had made them less likely or had no impact on the likelihood of letting to homeless people or tenants on universal credit. Only a small minority of landlords reported these changes had made them more likely to let to these types of tenants. The change to direct payments of housing costs with the introduction of universal credit was identified as a key policy

that was making landlords (63%) less likely to let to these types of tenant. This finding suggests that making it easier for landlords to receive the housing part of universal credit payments would encourage landlords to let to tenants on universal credit or who were homeless.

The caps on LHA rates (54%) and on HB payments (55%) to working age claimants were also identified by landlords as making them less likely to let to tenants on UC or that were homeless. This suggests that the current government policy is deterring landlords from offering homes to vulnerable people across the country.

The taxation changes and removal of mortgage interest relief was also identified by 49% of landlords to making them less likely to let to UC tenants. While, this research did not identify why this made them less likely, it is probable that due to the 38% of landlords who reported rent arrears from UC tenants and the difficulty in arranging direct payments to landlords, that UC tenants are viewed as more risky. The increasing tax burden on these landlords may be causing landlords to re-evaluate their letting strategy and minimise risk to their investment.

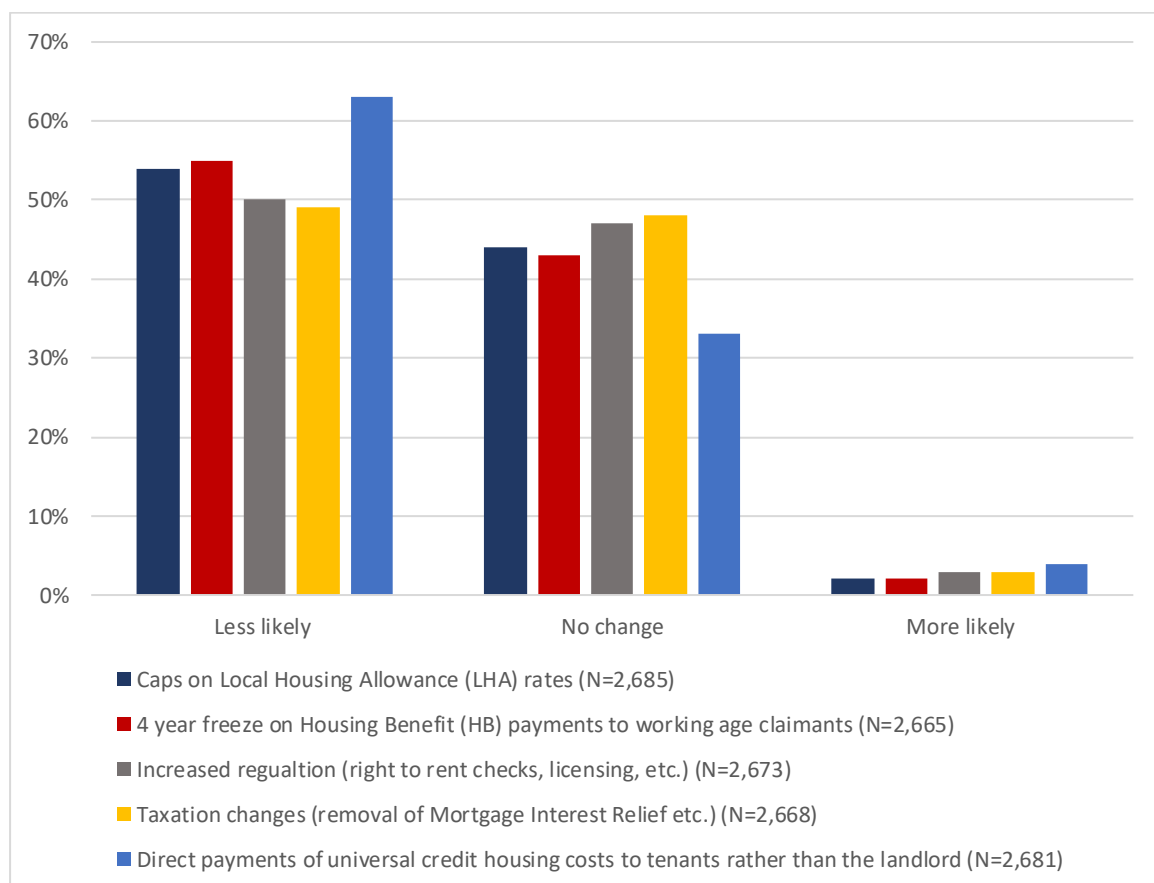


Figure 9. Policy changes and whether these had made the landlord more or less likely to let to homeless or universal credit tenants

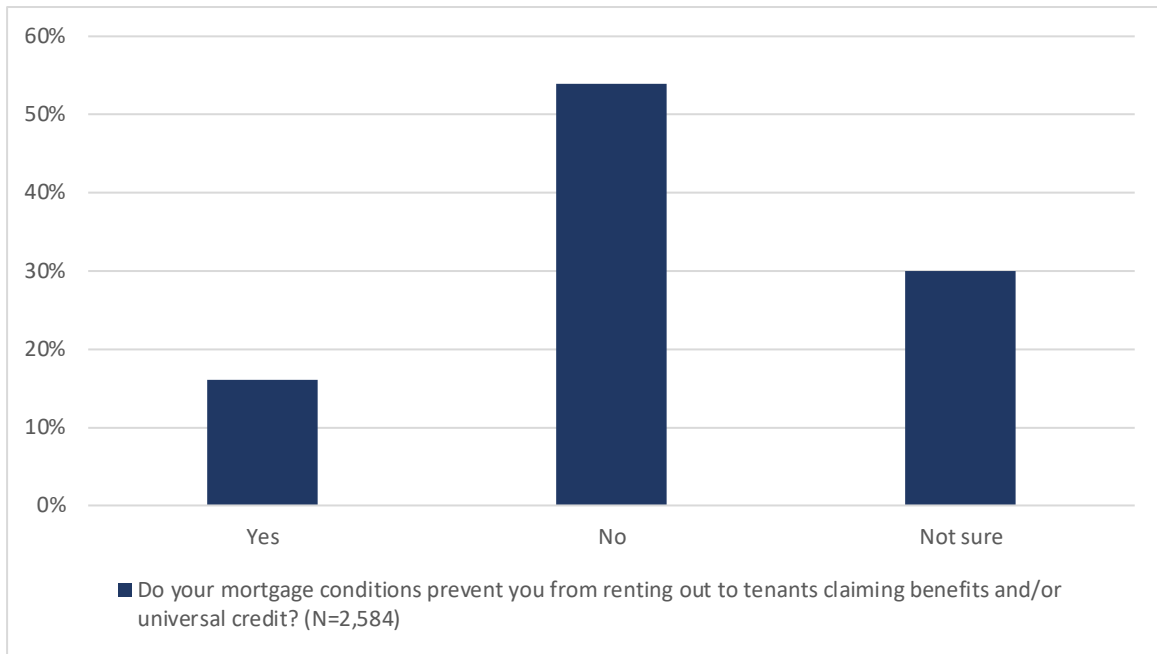


Figure 10. Proportion of landlords that are prevented from renting to tenants claiming benefits or universal credit due to mortgage conditions

54% of landlords reported that they did not have mortgage conditions that prevent them from renting to tenants on universal credit or benefits, while only 16% reported they did. The full findings are displayed in figure 10 above.

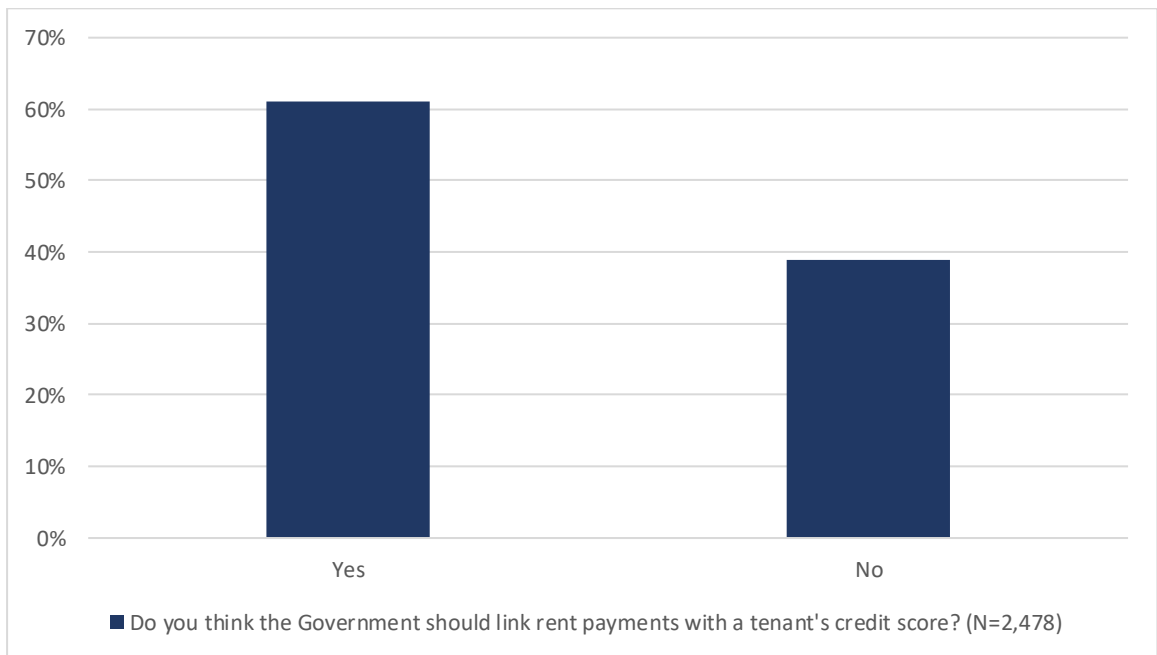


Figure 11. Proportion of landlords who think rent payments should be linked with a tenant's credit score

Respondents were then asked whether they thought the government should link rent payments with a tenant's credit score. Overall, 61% of landlords were supportive of



this measure. This is important, as currently, rent payments are not widely accepted or used as part of a tenant's credit history or for supporting a mortgage application. Wider use of this data could help tenants and landlords. Firstly, this could help tenants to secure a mortgage by demonstrating that they have made regular housing payments in the past. This would then help them get onto the housing ladder if they desire. Secondly, this would help tenants and landlords through improved tenant referencing systems that identify whether they have kept up-to-date with rental payments in the past.

The final question of this section asked whether landlords would let to tenants on a zero-hour contract. 62% of landlords responded that a zero-hour contract would make them less likely to let to the tenant. This is most likely due to the perceived risk of rent arrears associated with a variable monthly income. The full findings are displayed in figure 12 below.

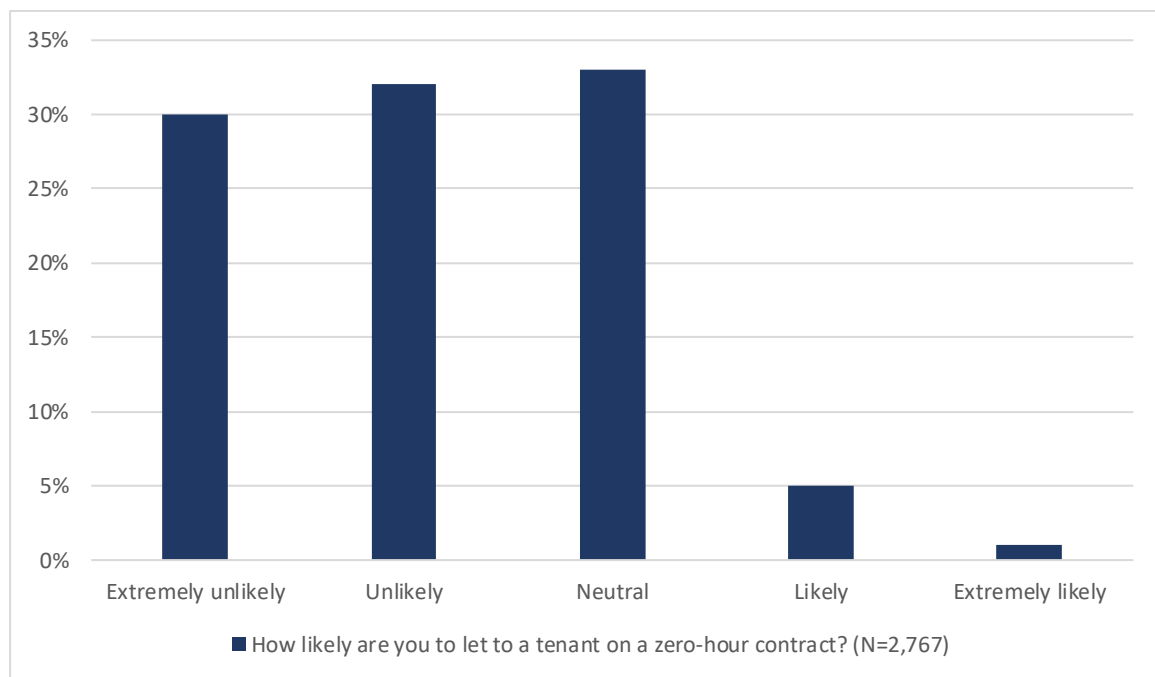


Figure 12. Likelihood of landlords to let to tenants on a zero-hour contract

### 3. Letting Strategies and types of Tenancy

This section of the research report provides an analysis of the different tenancy offerings and the reasons behind these strategies.

Our key findings are:

- 59% of landlords at the start of a tenancy offer a 6 months' tenancy agreement, followed by 39% of landlords who offer a 12 months' tenancy
- When asked why they don't offer tenancies longer than 12 months, 48% of landlords reported that this was standard practice and had never thought of offering a longer tenancy
- 63% of landlords would grant a tenancy of 12 months or longer at the request of a tenant
- 71% of landlords would be unlikely to offer a tenancy longer than 3 years to tenants

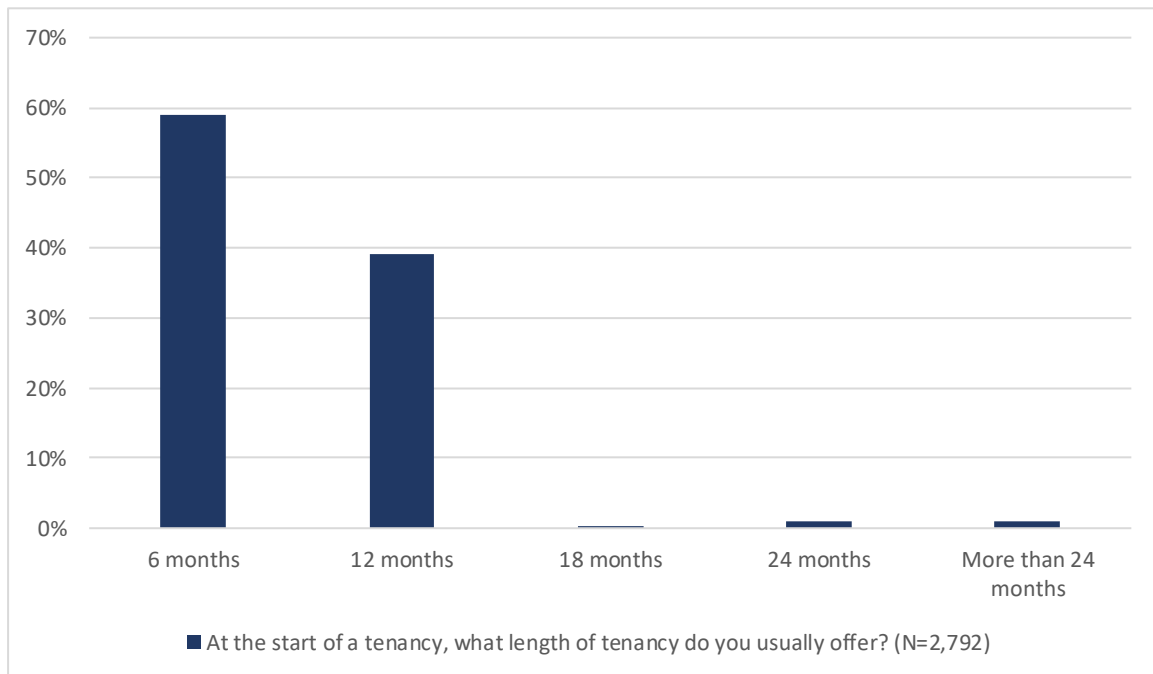


Figure 13. Usual initial tenancy length offered by landlords

Landlords were asked about the different lengths of tenancy offered to a tenant at the start of a tenancy. Figure 13 shows that the majority of landlords offer a 12 month or less tenancy agreement (97% of landlords), with 59% usually offering a 6-month agreement. When asked for the reasons behind offering a particular tenancy length, the most common reason was that this was standard practice and had never thought of offering longer tenancies (48% of landlords). Followed by the landlord having a

previous bad experience and the tenancy was shorter for their safety (26% of landlords). This finding suggests that some landlords may seek to build the relationship with the tenant, and then offer them a longer tenancy once that trust is in place.

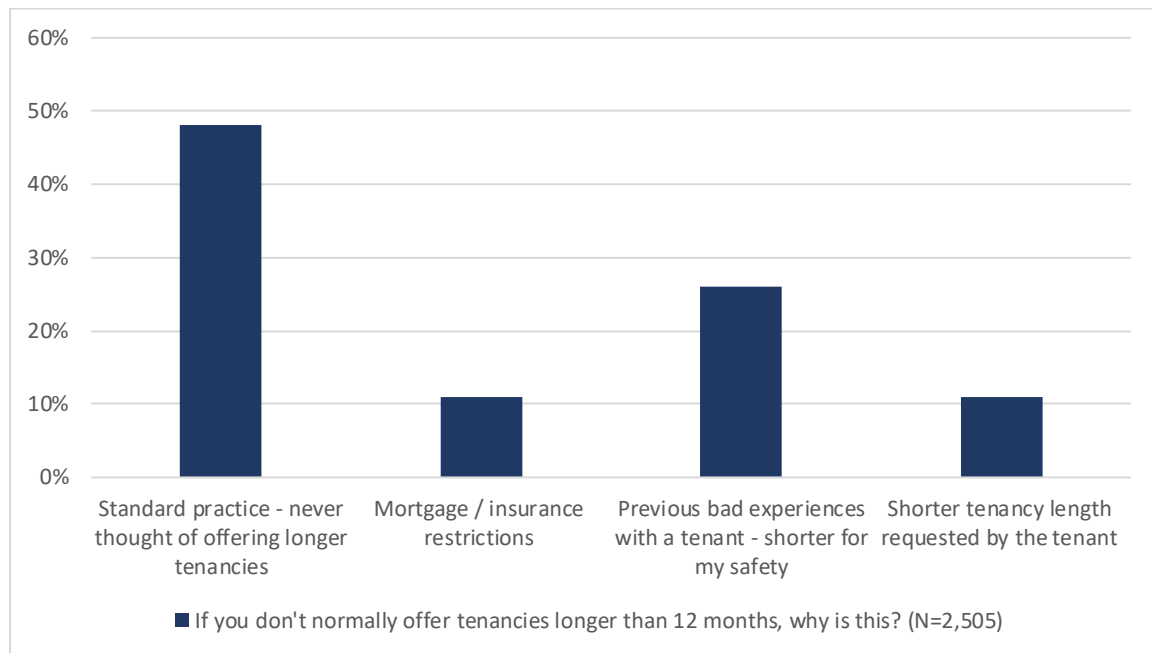


Figure 14. Reasons why landlords don't offer tenancies longer than 12 months

The survey shows that the majority of landlords (63%) would be willing to provide at least a 12 month or even longer tenancy at the request of the tenant. The findings are displayed in figure 15 below.

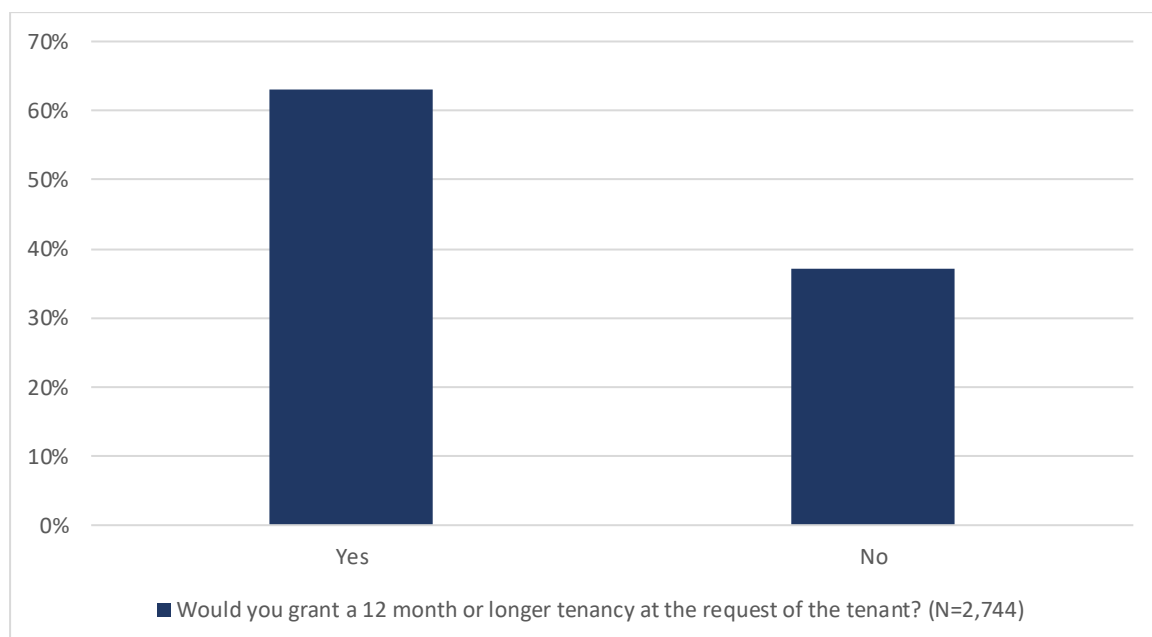
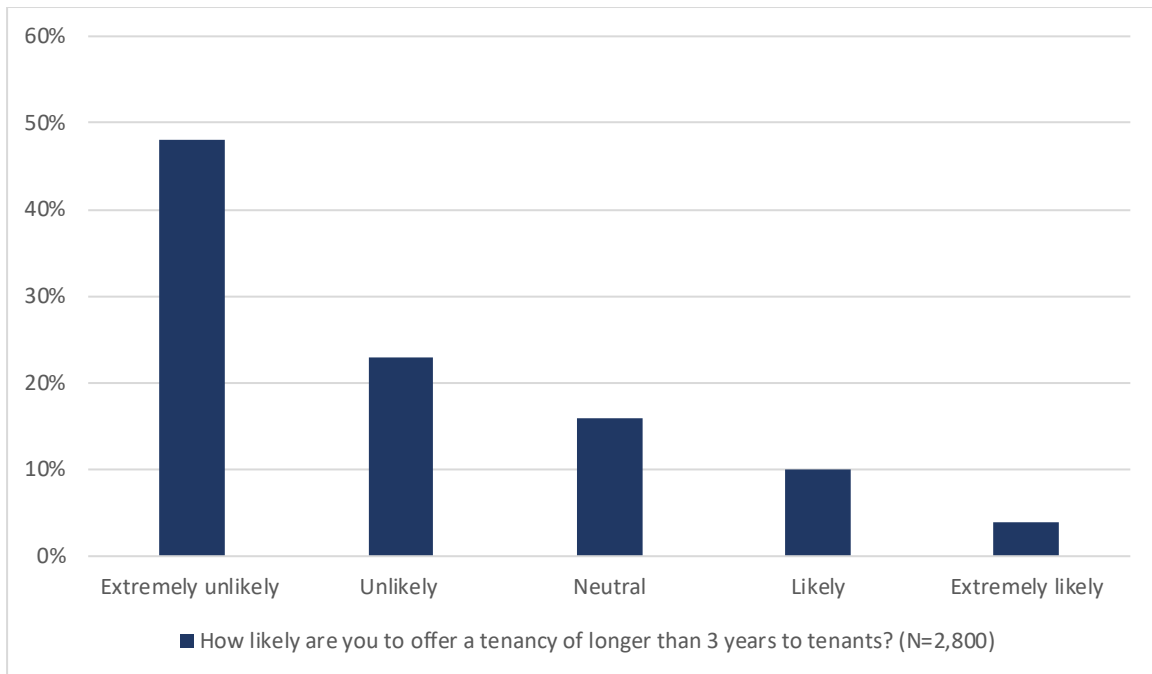


Figure 15. Proportion of landlords who would offer a 12 month or longer tenancy at the request of the tenant



*Figure 16.* Likelihood landlords would offer a tenancy of longer than 3 years

Figure 16 above identifies the likelihood landlords would offer a tenancy of longer than 3 years to tenants. Overall, 71% of landlords were unlikely to offer a tenancy of longer than 3 years. Unfortunately, this research did not examine the reasons behind this, therefore, it would be useful to further explore this issue in the next quarterly survey of landlords.

## 4. Key trends in the Private Rented Sector

In this section of this research report we analyse a number of key trends across the PRS. These include plans to change portfolio size, changes to rent, and tenant demand. A number of these trends are compared against the findings of previous quarterly surveys.

Our key findings are:

- 20% of landlords have added at least 1 property to their portfolio in the past 12 months
- The proportion of landlords who have added to their portfolio is down from the previous 6 months
- 22% of landlords plan to sell at least 1 property from their portfolio
- The proportion of landlords who plan to reduce the size of their portfolio has increased
- 33% of landlords reported tenant demand has increased in the areas they let in the past 3 months
- 43% of landlords have increased rents in the past 12 months
- Less than half of landlords were confident about the sector for over the next 12 months (38%)
- 47% of landlords plan to increase rents in the next 12 months

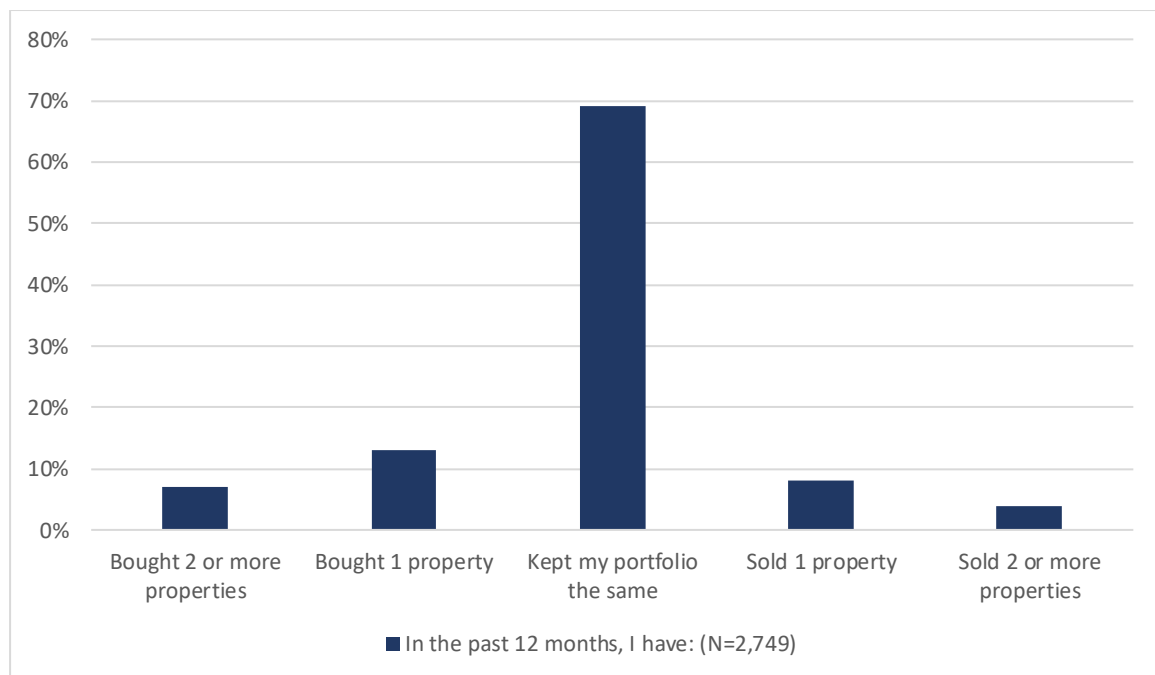


Figure 17. Changes to landlord portfolio size in the past 12 months

Figure 17 outlines the changes to a landlord portfolio size in the past 12 months. The majority of landlords (69%) have kept the size of their portfolio the same. While 20%

have added at least 1 property and 11% have decreased the size of their portfolio by at least 1 property. In comparison to the data collected for the Landlord Investment, Finance and Tax Report 2016<sup>4</sup>, the proportion of landlords who have added to their portfolio is down from the previous 6 months, where 27% added at least 1 property, 64% kept their portfolio the same, and 9% sold at least 1 property. This is a reduction of 7% who have added to their portfolio and an increase of 2% of those who have reduced the size of their portfolio.

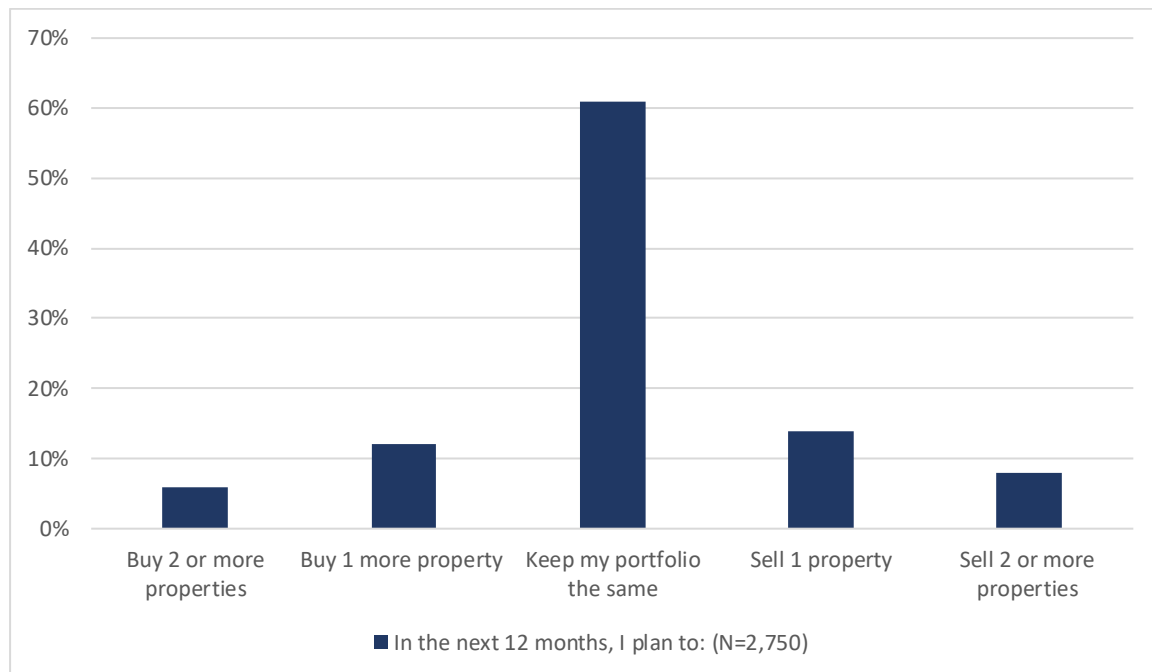


Figure 18. Landlord portfolio investment plans for the next 12 months

Figure 18 highlights the investment plans for landlord’s portfolio over the next 12 months. 22% of landlords identified they were planning to reduce the size of their portfolio by at least 1 property, while 18% look to buy at least 1 property. In comparison to the previous data, the proportion of landlords who plan to add to their portfolio is down from the previous 6 months and the proportion who plan to reduce the size of the portfolio has increased. Where in the previous survey:

- 20% planned to add at least 1 property to their portfolio
- 61% planned to keep their portfolio the same
- 19% planned to sell at least 1 property from their portfolio

While this is a small increase of 3% who plan to reduce the size of their portfolio, this is something that needs to be monitored with the removal of mortgage interest relief that has been staggered until 2020. This finding could signify that landlords are preparing to reduce the size of their portfolios due to this policy change. Using the

<sup>4</sup> Simcock, T.J. (2016). *Landlord Investment, Finance and Tax Report 2016*. Manchester, UK: Residential Landlords Association

latest data from HMRC on the number of landlords<sup>5</sup>, and if these landlords only reduce their portfolio by 1 property, this could equate to a net of 76,000<sup>6</sup> less properties to rent over the next 12 months.

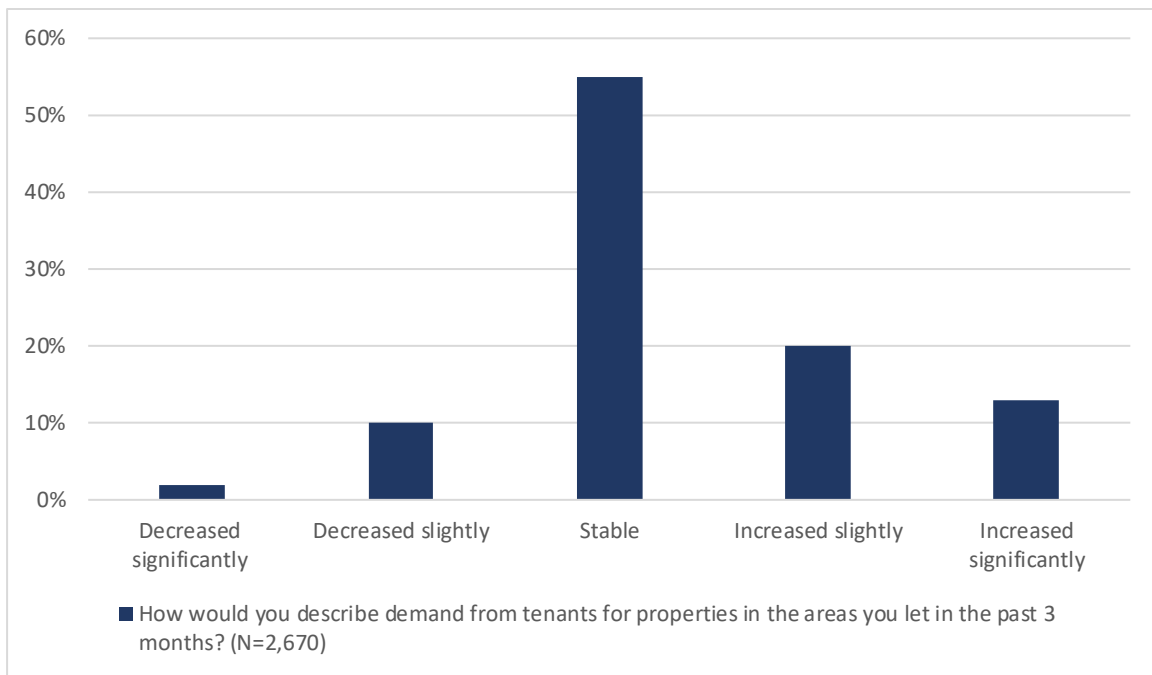


Figure 19. Changes in tenant demand in the past 3 months

Figure 19 outlines the perception of changes in tenant demand in the past 3 months. The majority of landlords saw tenant demand as stable (55% of landlords), while more landlords saw demand increasing (33%) than those who have seen demand decreasing (12%).

<sup>5</sup> Walmsley, S (2017). Challenging the myth: Two thirds of landlords pay basic rate tax. *Residential Landlords Association*. Retrieved from: <https://news.rla.org.uk/two-thirds-landlords-pay-basic-rate-income-tax/>

<sup>6</sup> This increases to a net loss of 114,000 properties if the proportion of landlords who plan to sell or buy 2 or more properties is included in the calculation rather than just selling or buying 1 property.

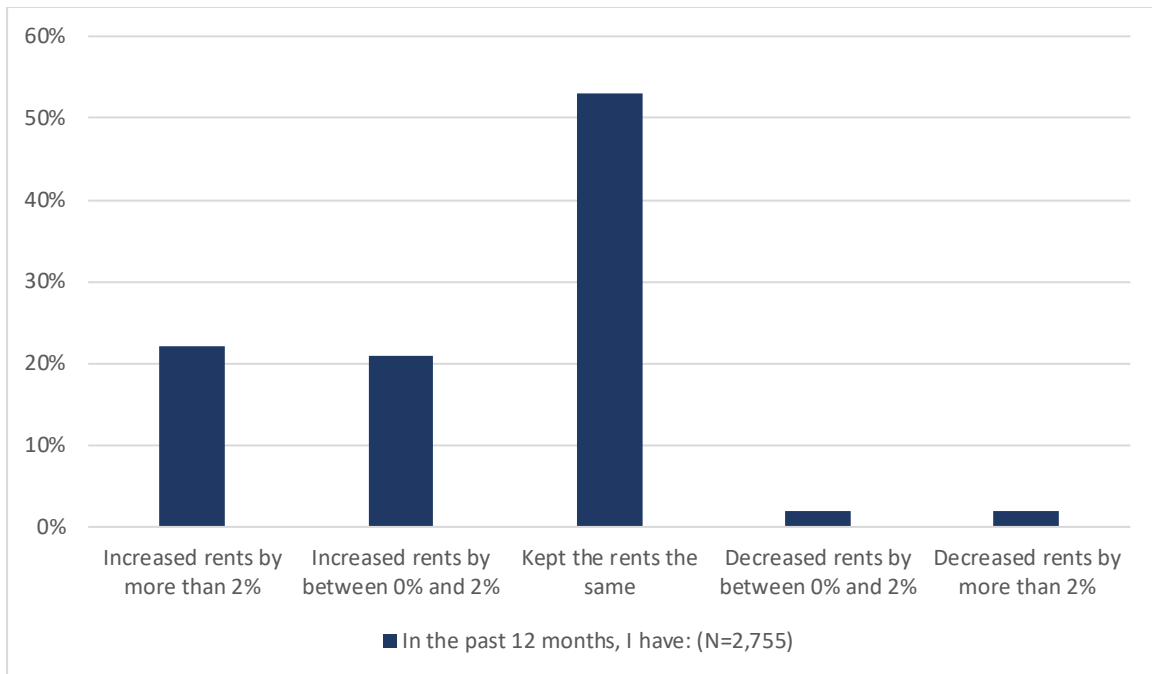


Figure 20. Changes to rent levels in the past 12 months

The above figure identifies changes to rental prices over the past 12 months. 43% of landlords reported they had increased rents, with 22% reporting this was above 2%, and 21% reporting this increase as between 0 and 2%. Only 4% of landlords reported they had decreased rents in the past 12 months. When asked for the reasons behind this change, the most common reason was for keeping the rent in line with market rents (23% of landlords), 18% of landlords reported that it was because of the changes to mortgage interest relief, and 16% reported it was due to the need to meet increasing costs. The full findings are displayed in figure 21 below.



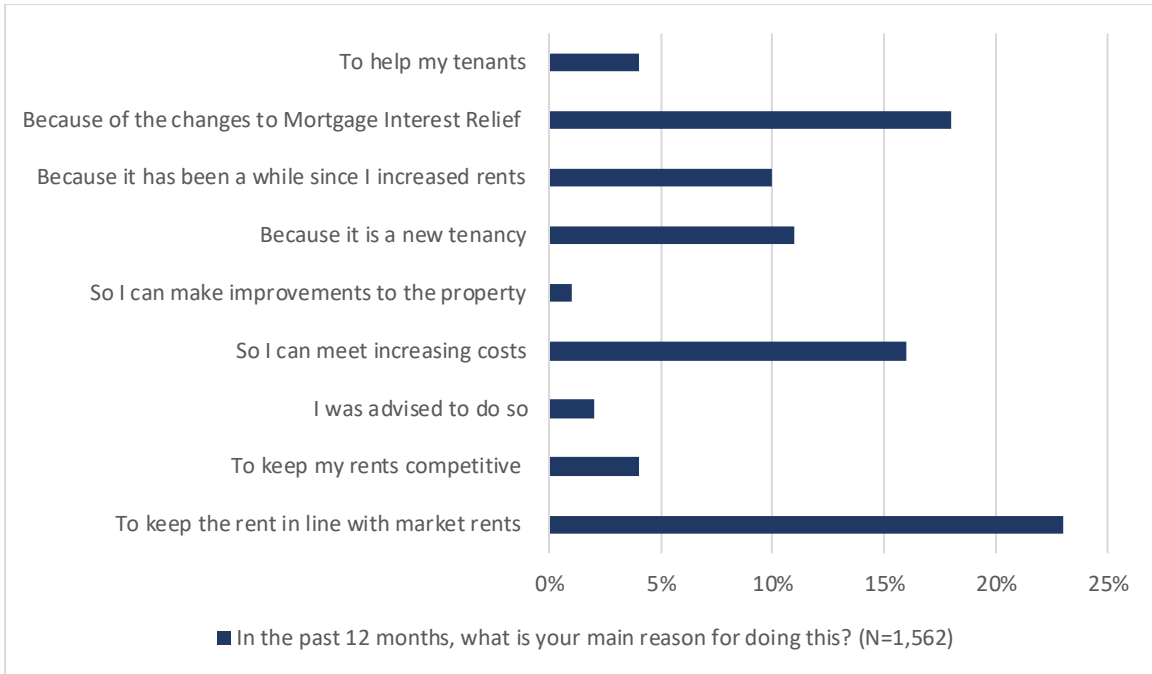


Figure 21. Reasons for changing the rent in the past 12 months

Landlords were also asked about their confidence in the private rented sector for the next 12 months. Overall, more landlords were confident about the sector (38%) in comparison to those who were not confident (28%). The full findings can be found in figure 22 below.

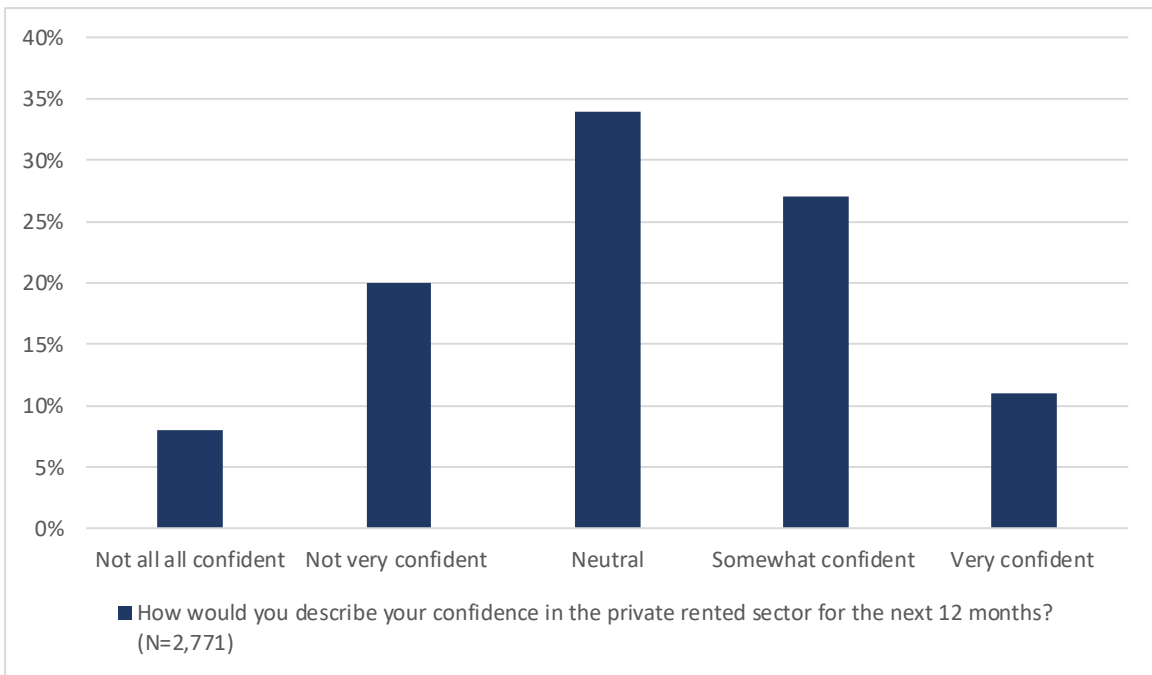


Figure 22. Landlord confidence in the private rented sector for the next 12 months

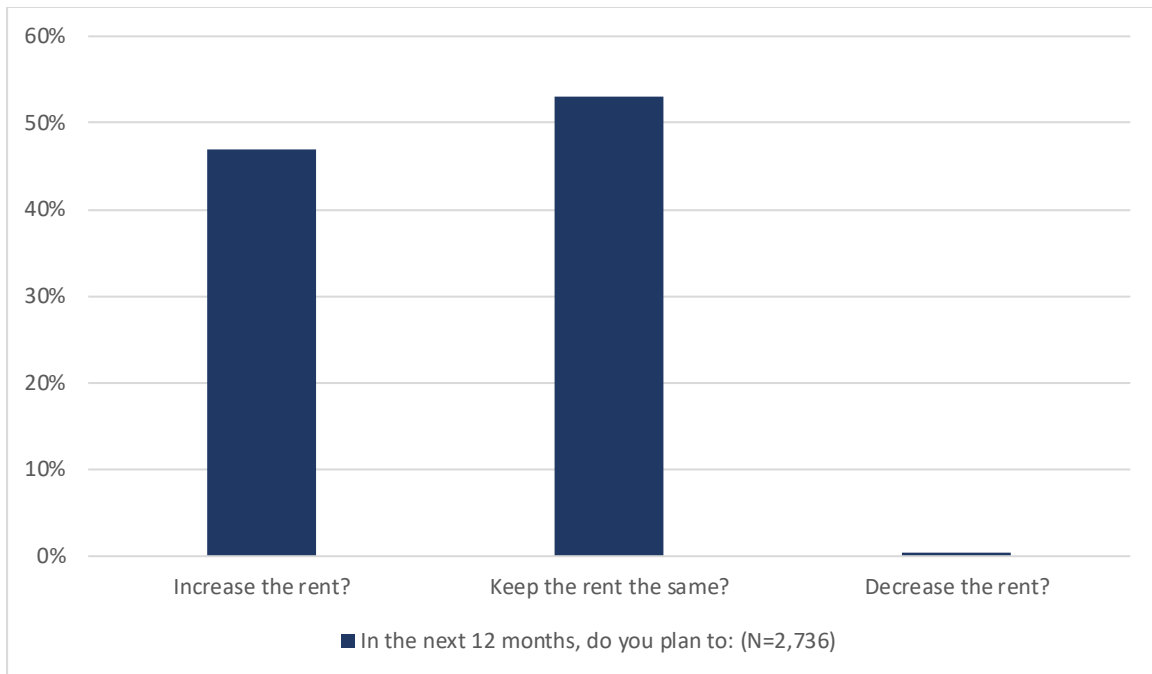


Figure 23. Landlord plans for the rent in the next 12 months

The final part of this section of the report examines landlord plans for the rents they charge over the next 12 months. Figure 23 outlines whether landlords plan to increase, decrease or plan to keep the rents the same. Overall, the majority of landlords plan to keep the rents the same (53%), while 47% plan to increase rents and less than 1% plan to decrease rents.

In comparison to the previous 6 months<sup>7</sup>, there is considerable change to the proportion who plan to increase rents and those who plan to keep rents the same. While 47% now plan to increase the rents, this is down 9% from 56% in Q3 2016. At the same time, while 53% now plan to keep the rents the same, this is a 10% increase from Q3 2016 when only 43% reported this.

There are a number of potential explanations to this finding, 43% of landlords have already reported that they have increased rents and therefore, may not need to increase rents again in the next 12 months. An additional explanation could be the political and economic uncertainty due to Brexit. A number of landlords may have decided that due to this uncertainty it would be better to keep a good tenant who pay's their rent on time, rather than risking an attempt to increase rents.

<sup>7</sup> Simcock, T.J. (2016). *Landlord Investment, Finance and Tax Report 2016*. Manchester, UK: Residential Landlords Association

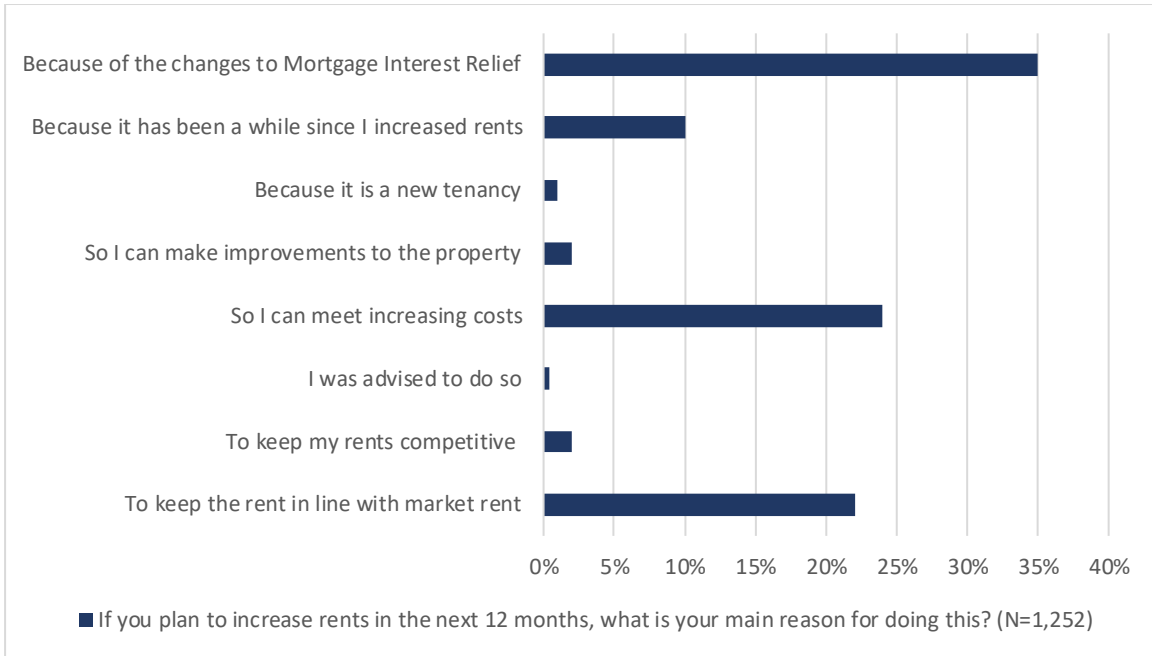


Figure 24. Primary reasons for increasing rents in the next 12 months

Figure 24 above identifies the primary reasons for why a landlord would increase the rents. The most common reason was the changes to Mortgage Interest Relief (35% of landlords), and this was followed by the need to meet increasing costs (24% of landlords), and then by the need to keep rents in line with the market rent (21% of landlords).

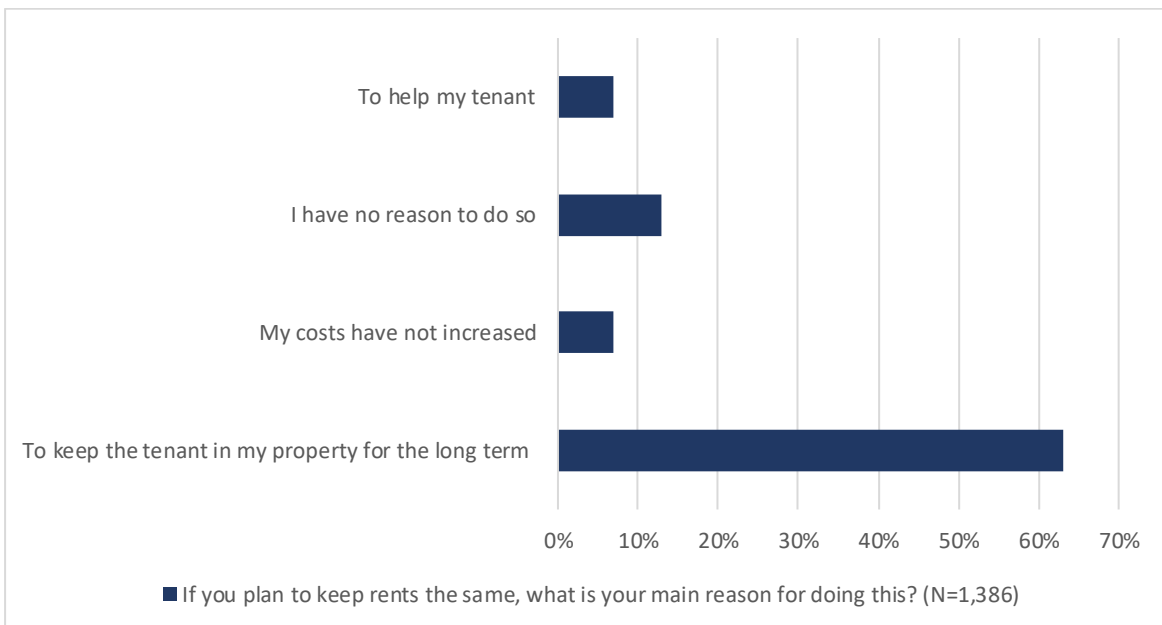


Figure 25. Primary reasons for keeping rents the same in the next 12 months

The majority of landlords who plan to keep the rents the same reported that this was to keep the tenant in their property for the long term (64% of landlords).

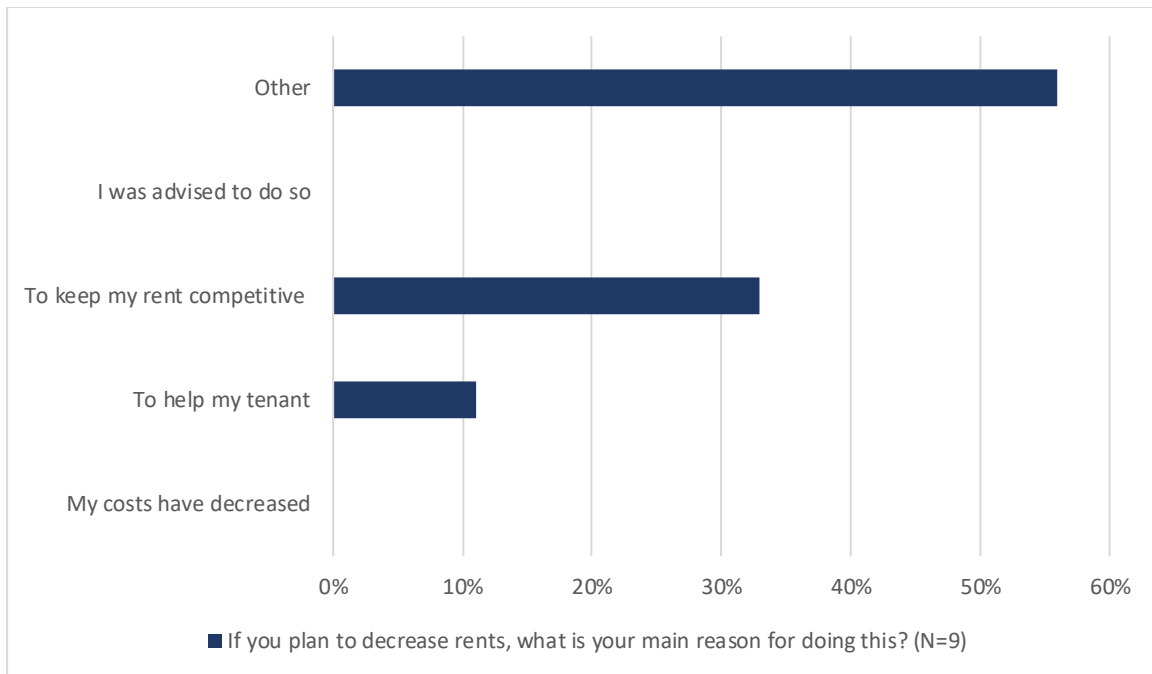


Figure 27. Primary reasons for decreasing rents in the next 12 months

For the respondents that reported they were planning to decrease the rents in the next 12 months, the most common response was 'other' (56% of landlords). When the responses to the other category were analysed, these demonstrated a number of key issues: lack of tenant demand from foreign nationals, hitting the higher tax band and reducing rent to remain competitive, letting to a family member, and help a 'wonderful' tenant stay in the property. The next most common reason was to keep rents competitive (33%) and followed by to help their tenant (11% of landlords).

## 5. 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 (37%), followed by 45 to 54 (27%)
- Most landlords owned their home outright (48%), while 47% of landlords had a mortgage on their own home
- A majority of landlords were retired (28%) followed by working full-time (25%) and self-employed (17%)
- 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 (33% of landlords)
- A large proportion of landlords described themselves as specialising in letting to families (42% of landlords)
- Most landlords had been providing homes for over 10 years (60%)

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 (37% of the sample), while the smallest age group are landlords aged between 18 to 24 (0.07% of the sample).

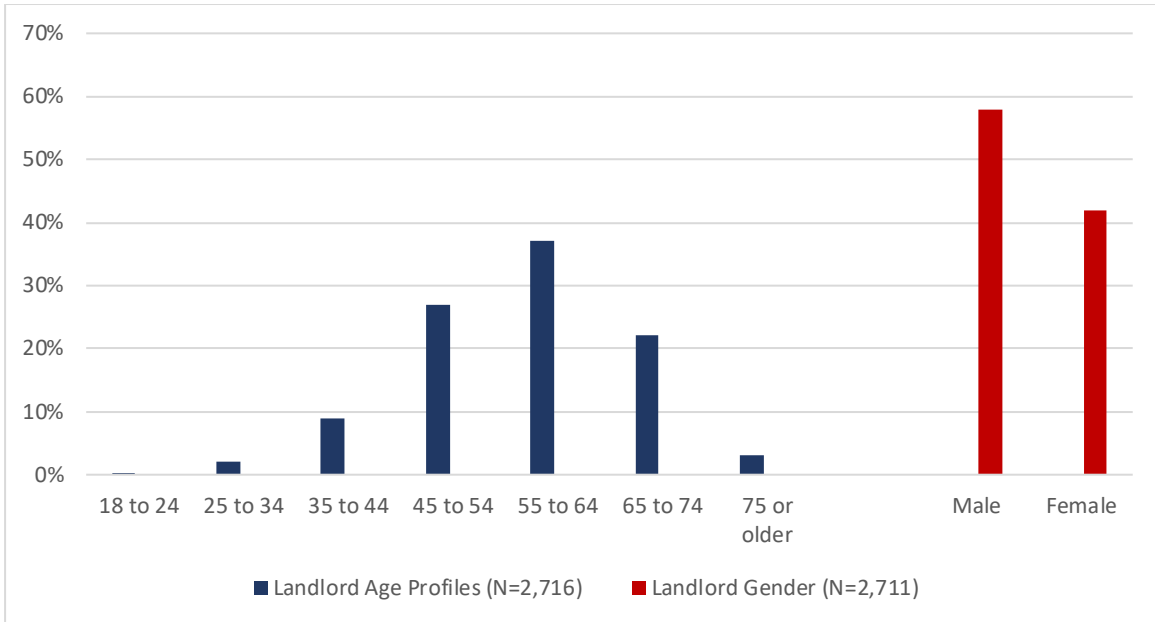


Figure 28. Private Landlord Age Profiles

From the sample, there is a gender gap in response rates, with 58% of respondents describing themselves as Male, and 42% as Female. The findings are shown in the figure above.

The most common area where respondents lived was in the South East (21%), followed by the North West and the South West with 13% and 12% of the sample respectively. The findings are displayed in the figure below.

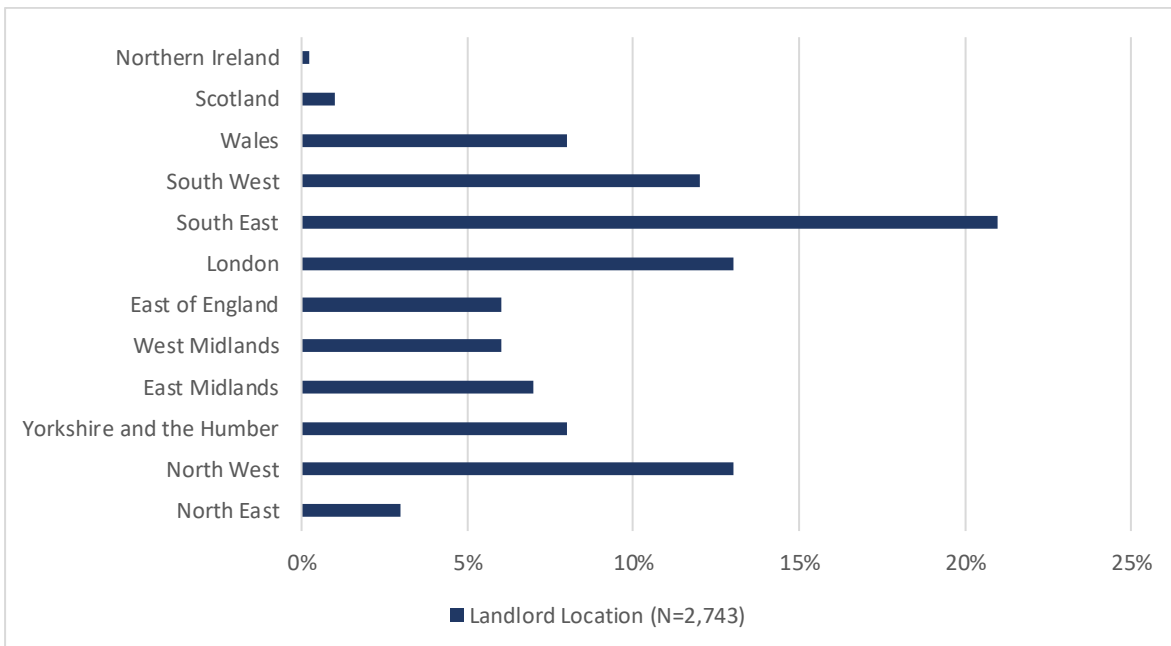


Figure 29. Location of landlord's primary residence

When asked about the tenure of their own main home, the majority owned their home outright (48% of the sample), followed by those who own their own home with a mortgage (47% of the sample). The findings are shown in the figure below.

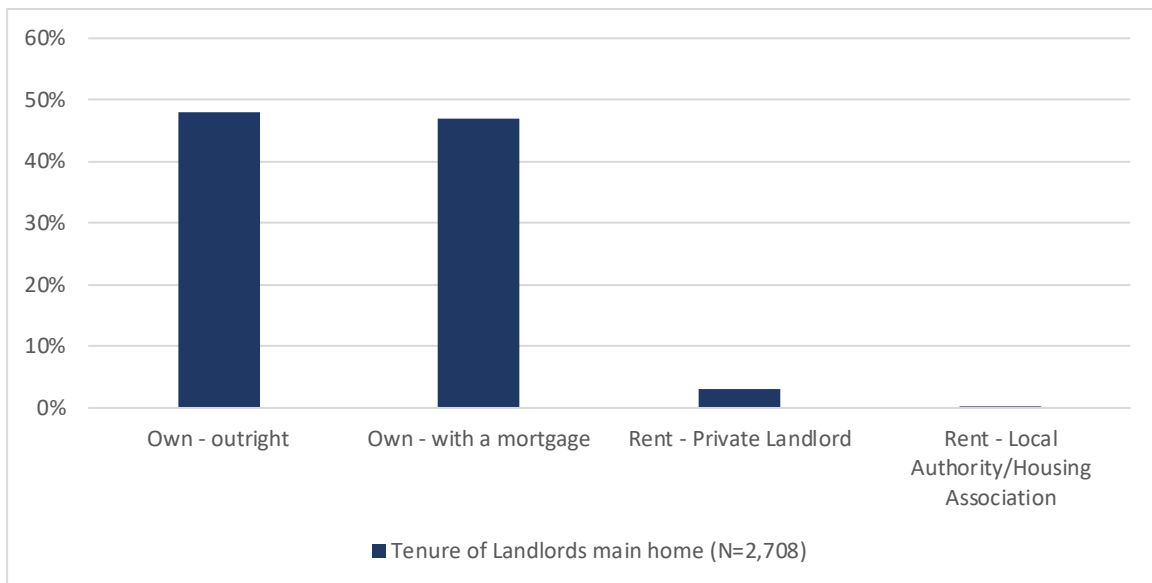


Figure 30. Tenure of Landlord's main home

The most common employment status was landlords describing themselves as retired (28% of the sample), followed by being working full-time (25% of the sample). The findings can be found in the figure below.

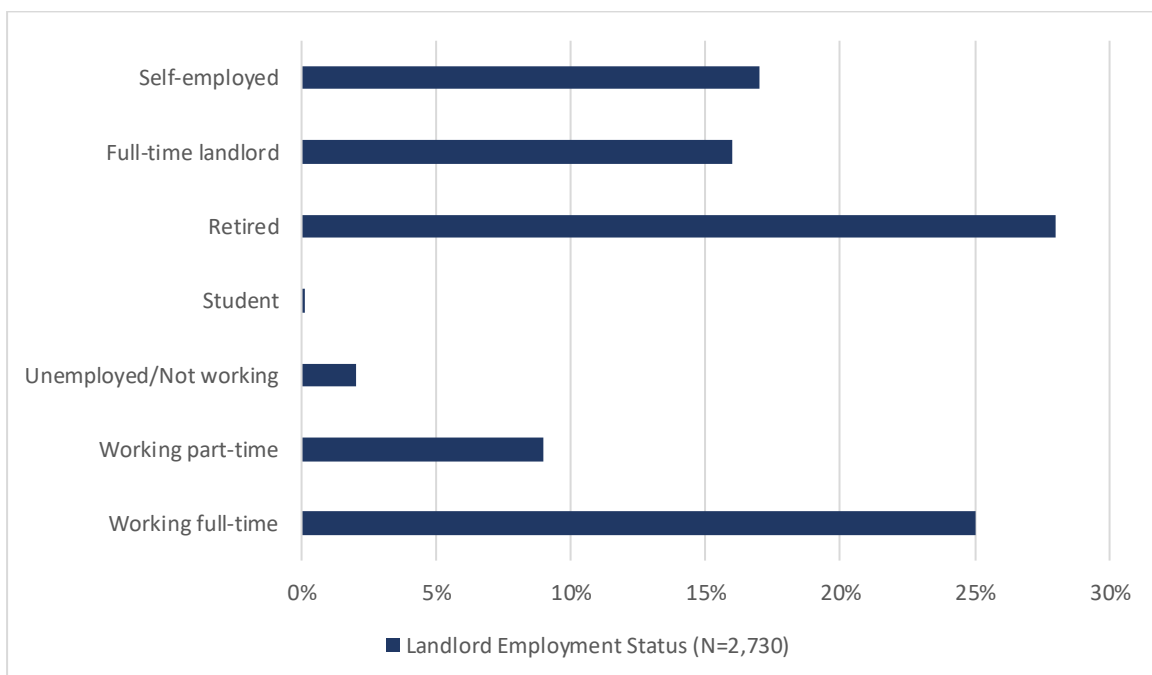


Figure 31. Landlord Employment Status

The following figure explores the reasons behind the respondent first becoming a landlord. Most landlords first entered the sector through their own choice and by borrowing money such as through a buy-to-let mortgage (33% of the sample). The findings are displayed in the figure below.

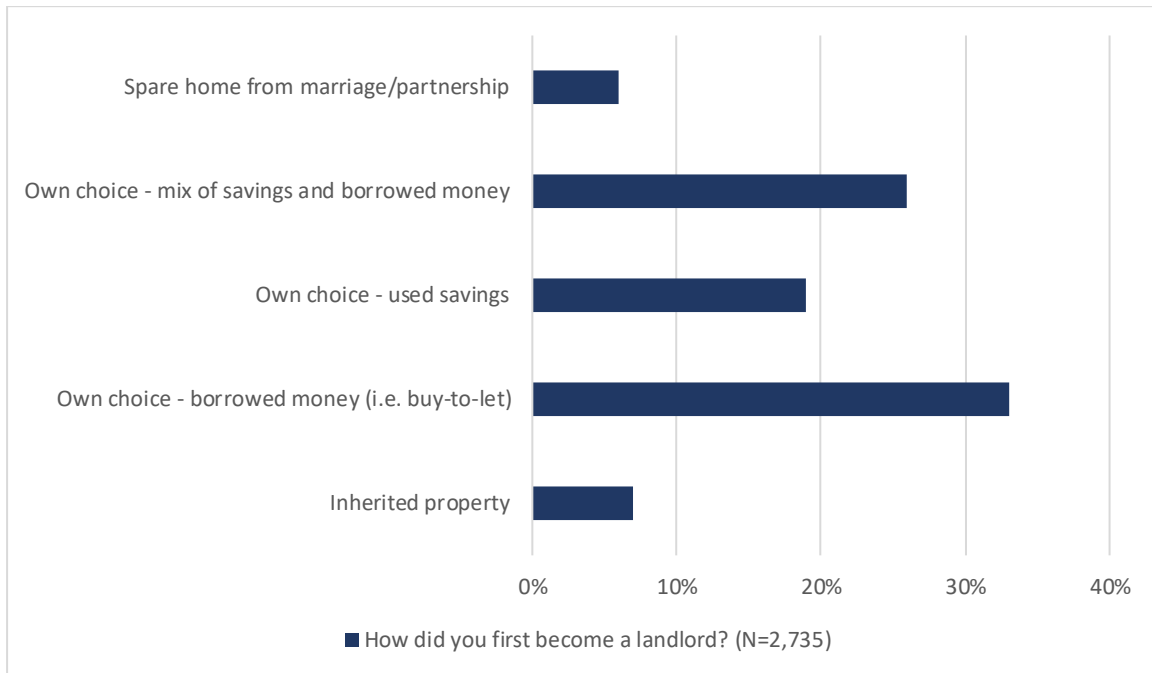


Figure 32. Reason for first becoming a landlord

A large proportion of landlords reported that they specialised in providing accommodation for families (42% of the sample), followed by specialising in apartments/flats (33% of the sample). The findings can be found in the figure below.



Figure 33. Landlord portfolio specialisms



A majority of the respondents have been landlords for more than 10 years (60%), while only 2% have been a landlord for less than 1 year. The findings are displayed in the following figure.

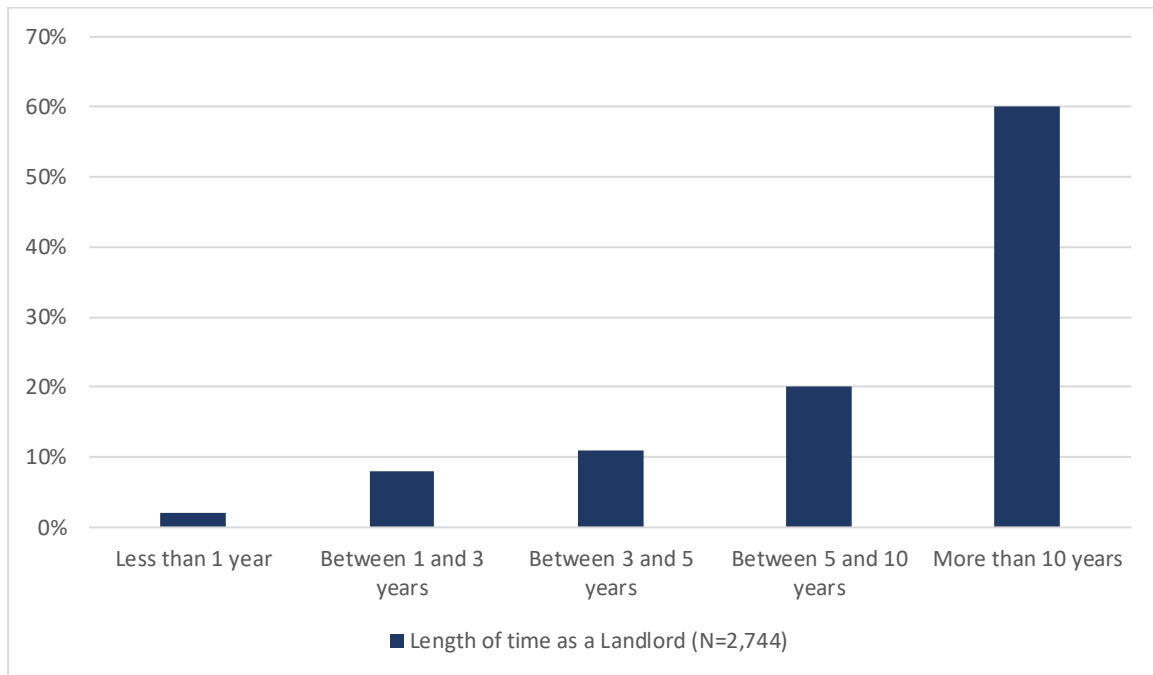


Figure 34. Length of time as a landlord

## 6. 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 (39%), followed by 35 to 44 (34%)
- A majority of tenants (72%) are in full-time employment
- 65% of landlords let to tenants with at least one child
- Over one quarter of landlords (31%) have experienced tenants going into 2 or more months of rent arrears in the past 12 months
- Just over 1 in 4 landlords (28%) have needed to start the eviction process
- Out of those attempting to remove a tenant, 63% of landlords reported that this was because of rent arrears
- On average, per property, landlords are currently owed £1,000 in 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 (39% of landlords reported this as the main age range). The second largest tenant age profile was 35 to 44 year olds, with 34% of landlords reporting this as the main age range of tenants. However, it is important to note that 2.9% of landlords reported the age of their tenants to be above 65.

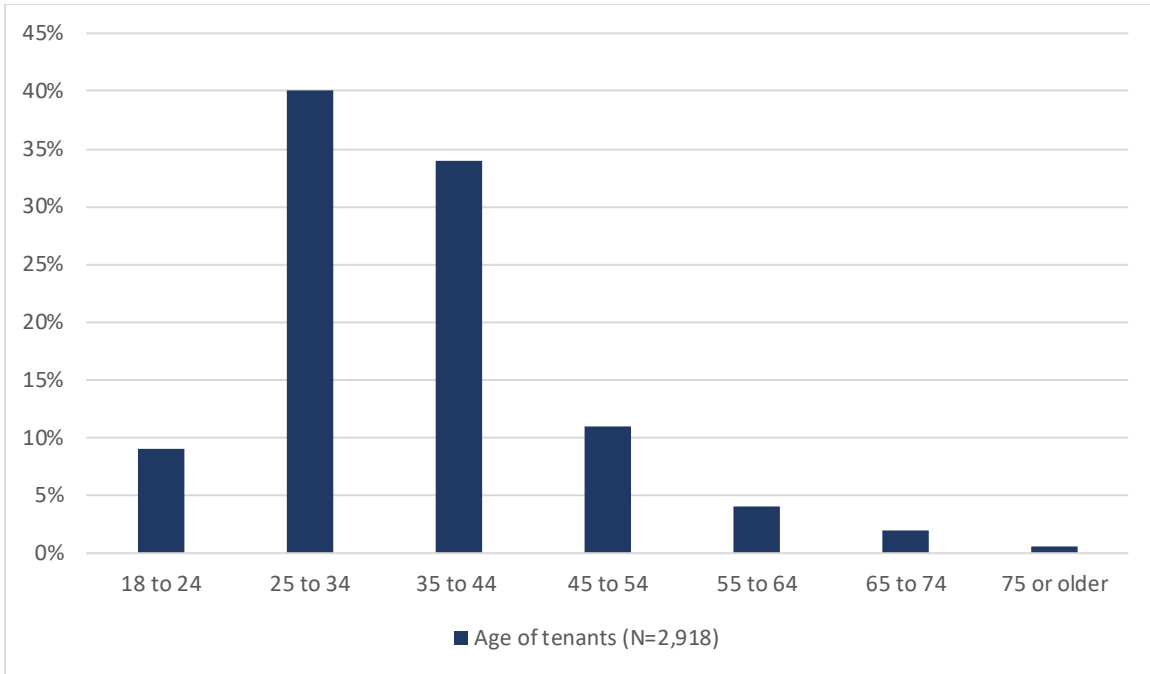


Figure 35. Age profiles of tenants

The majority of landlords reported the employment status of their tenants as being employed full time (72% of landlords). Only 9% of landlords reported the employment status of their tenants as being not working. The figure below shows the different employment statuses of tenants.

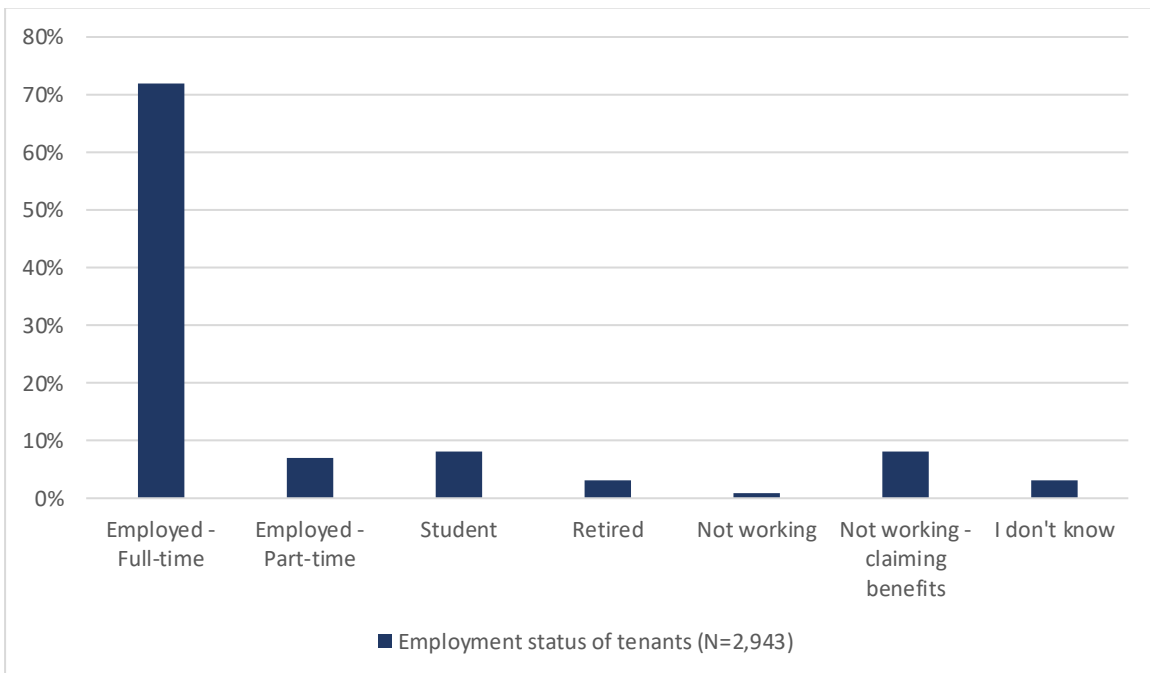


Figure 36. Employment status of tenants

Landlords were asked if they let to tenants with at least one child, the majority of landlords responded that they did (65% Yes, 35% No, N=2,928).

Landlords were asked if they had experienced issues as a landlord in the past 12 months, overall 2,905 landlords responded to this question. The results indicate that 31% 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 proportion of landlords who have experienced rent arrears has increased by 3% over the past 6 months in comparison to the previous data<sup>8</sup> collected. The figure below provides an overview of the issues experienced by landlords.

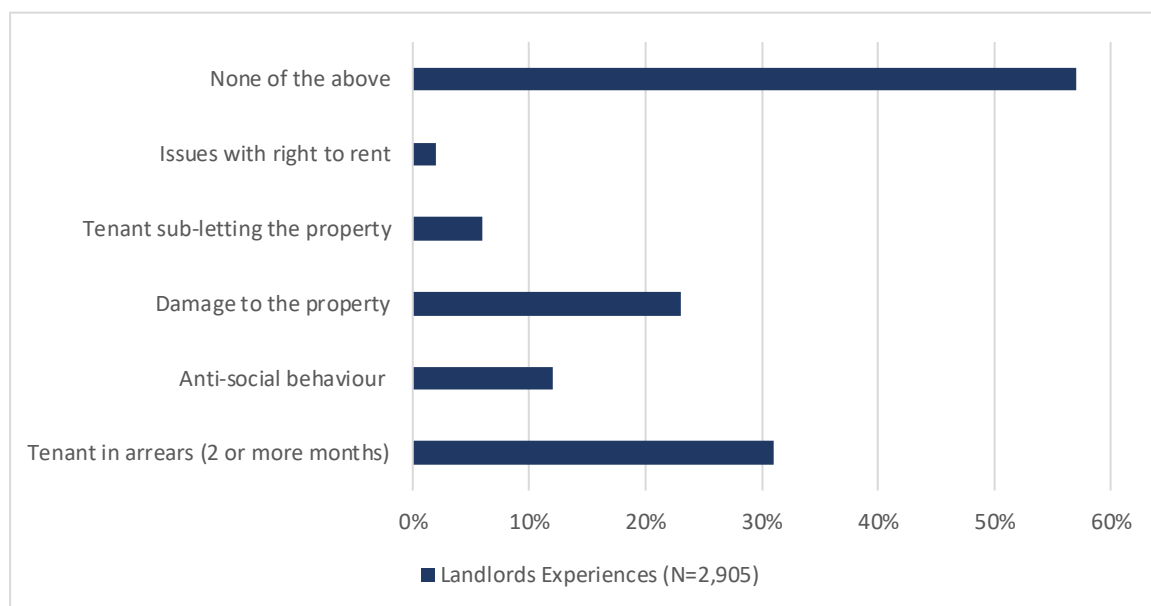


Figure 37. Landlords negative experiences in the past 12 months

We then asked landlords if they had attempted to remove or evict tenants from their rental property in the past 12 months. 72% of landlords responded that they had not, while 9% of landlords said they had to attempt to remove tenants on 2 or more occasions. The full findings can be found in figure 38 below.

<sup>8</sup> Simcock, T.J. (2016). *Landlord Investment, Finance and Tax Report 2016*. Manchester, UK: Residential Landlords Association

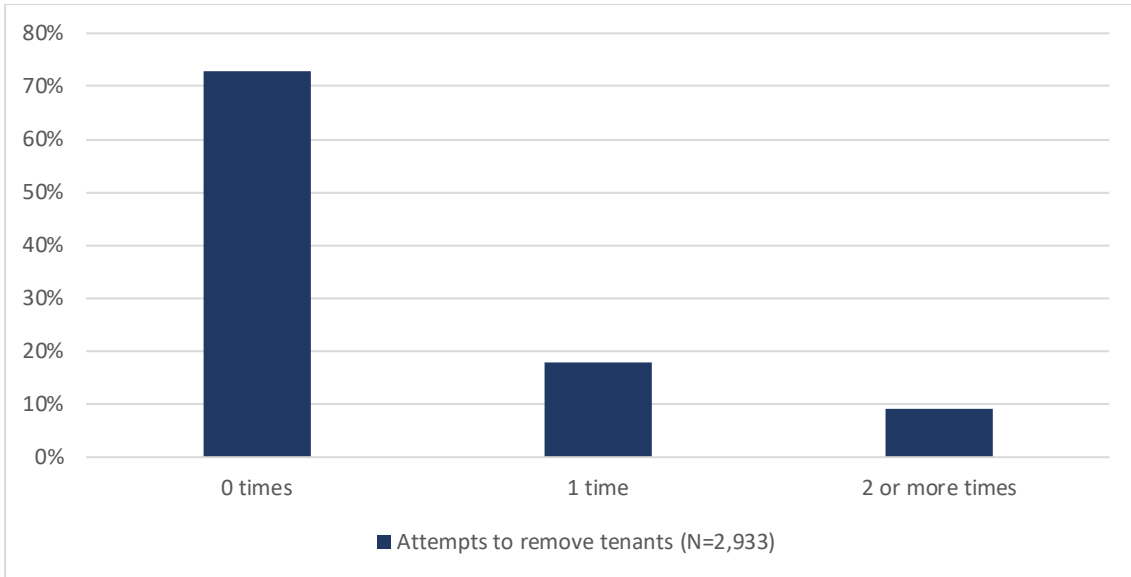


Figure 38. Number of times landlords have attempted to remove a tenant from their property in the past 12 months

Landlords were further asked if they attempted to remove a tenant in the past 12 months how they had started this process. 49% 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.

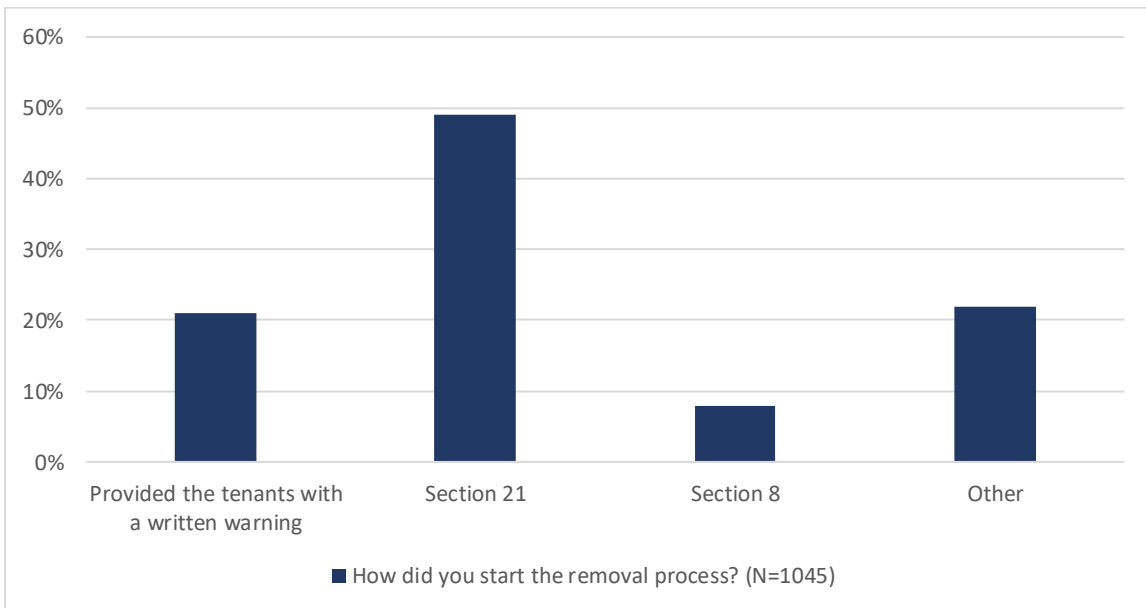


Figure 39. How landlords initiated the removal process

A further question asked landlords for the primary reason for attempting to remove the tenant from the property. The majority of landlords (60%) reported the primary reason as rent arrears, followed by anti-social behaviour by the tenants (12%). The full findings for each reason can be found in the figure below.

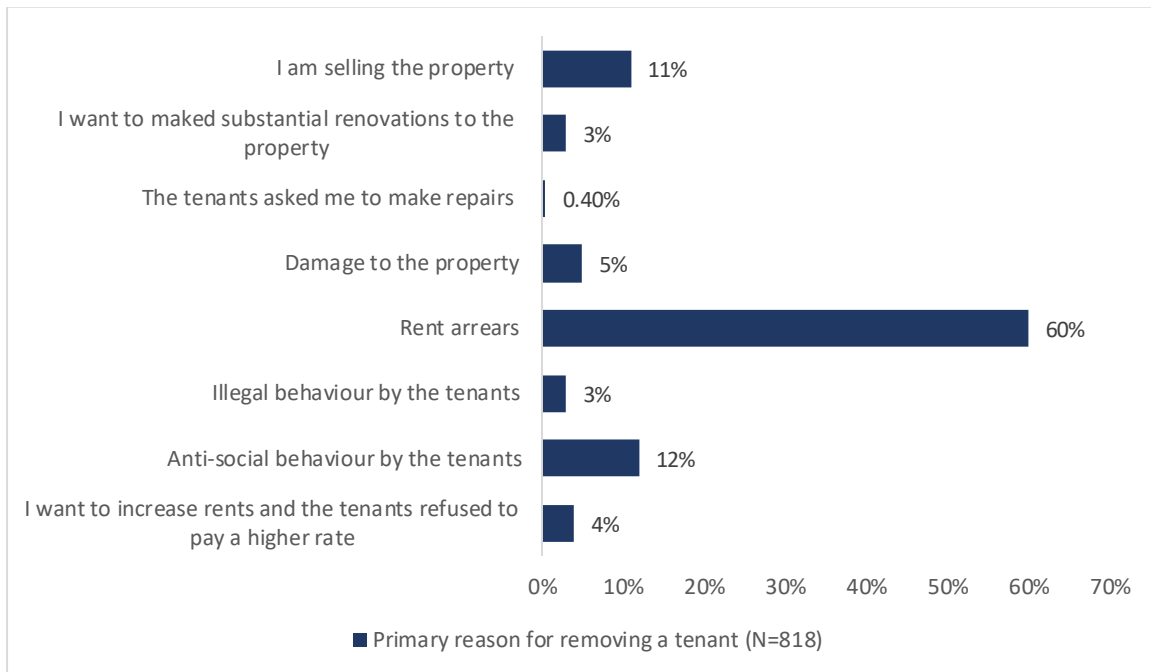


Figure 40. Reasons for attempting to remove a tenant in the past 12 months.

This research has identified that rent arrears is a significant issue for the private rented sector, and especially for landlords with finance attached to properties. The non-payment of rent could put the landlord in a vicarious situation in meeting the finance costs, including mortgages or loans, and risk losing the property. The findings above highlight that 31% of landlords have experienced rent arrears in the past 12 months, and 60% of evictions were due to rent arrears.

We asked landlords on average, per property, how much they are currently owed by tenants in rent arrears. The median amount owed to landlords was £1000 ( $M = £1,519.25$ ,  $SD = 1416$   $N = 2115$ ). If we extrapolate this against wider landlord figures this identifies a significant issue in the sector. When we look at the wider landlord population (approximately 1.9 million landlords according to HMRC data<sup>9</sup>), this could represent approximately £589 million that is owed to landlords by tenants in rent arrears.

<sup>9</sup> Walmsley, S (2017). Challenging the myth: Two thirds of landlords pay basic rate tax. *Residential Landlords Association*. Retrieved from: <https://news.rla.org.uk/two-thirds-landlords-pay-basic-rate-income-tax/>

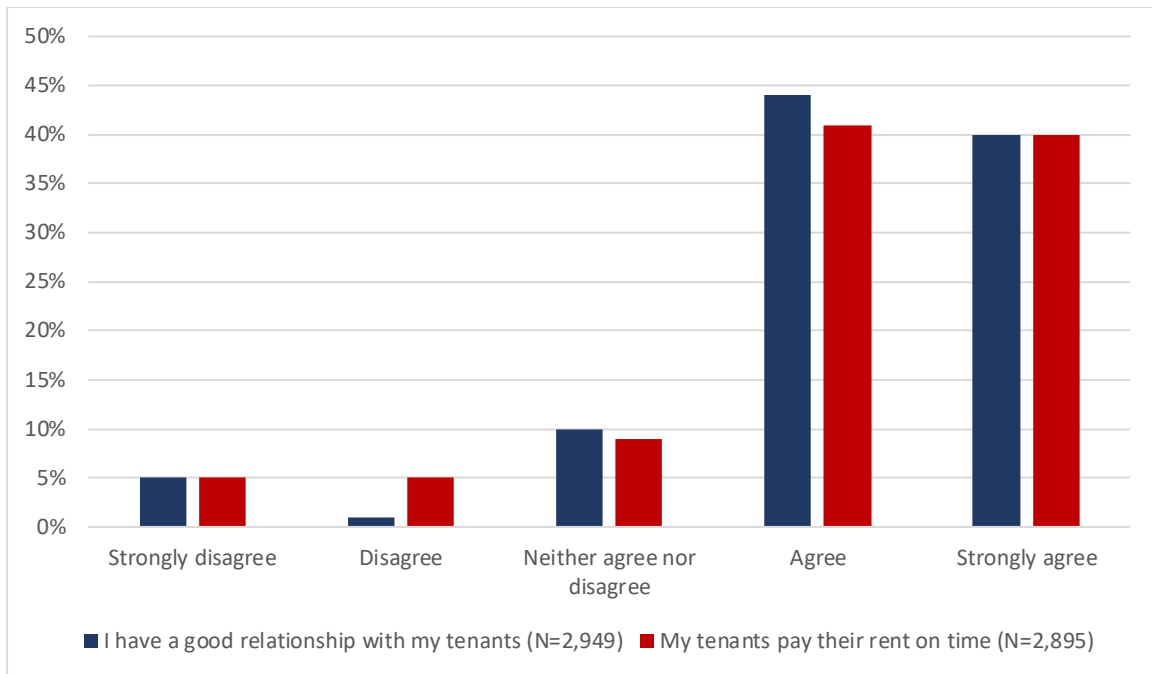


Figure 41. Landlord relationships with their tenants

The final questions in this section explore the relationship between the landlord and the tenant. Overall a majority of landlords reported that they had a good relationship with their tenants (84% of the sample), while 81% of landlords reported that their tenants pay the rent on time. Both of these questions have seen a slight decrease over the past 6 months, where in the previous survey 86% reported having a good relationship and 82% reported their tenants paid the rent on time.

## 7. 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, and whether property is typically furnished or unfurnished.

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 (19%).
- 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 19% letting property in this region.
- The majority of landlords (61%) let out on average unfurnished properties.
- The median average rent collected by landlords was £675.
- The average tenancy length was calculated as 3 years.

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 19% of landlords. 8% of landlords identified as having more than 21 properties in their portfolio. The findings are displayed in figure 42 below.



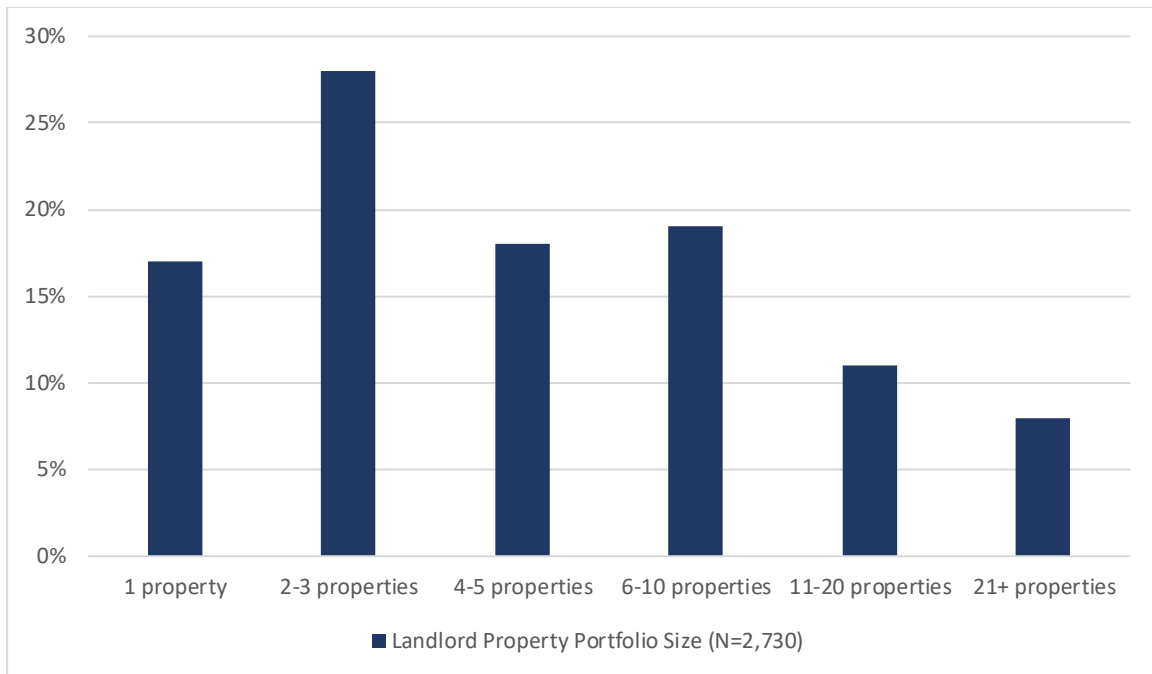


Figure 42. Landlord Property Portfolio Size

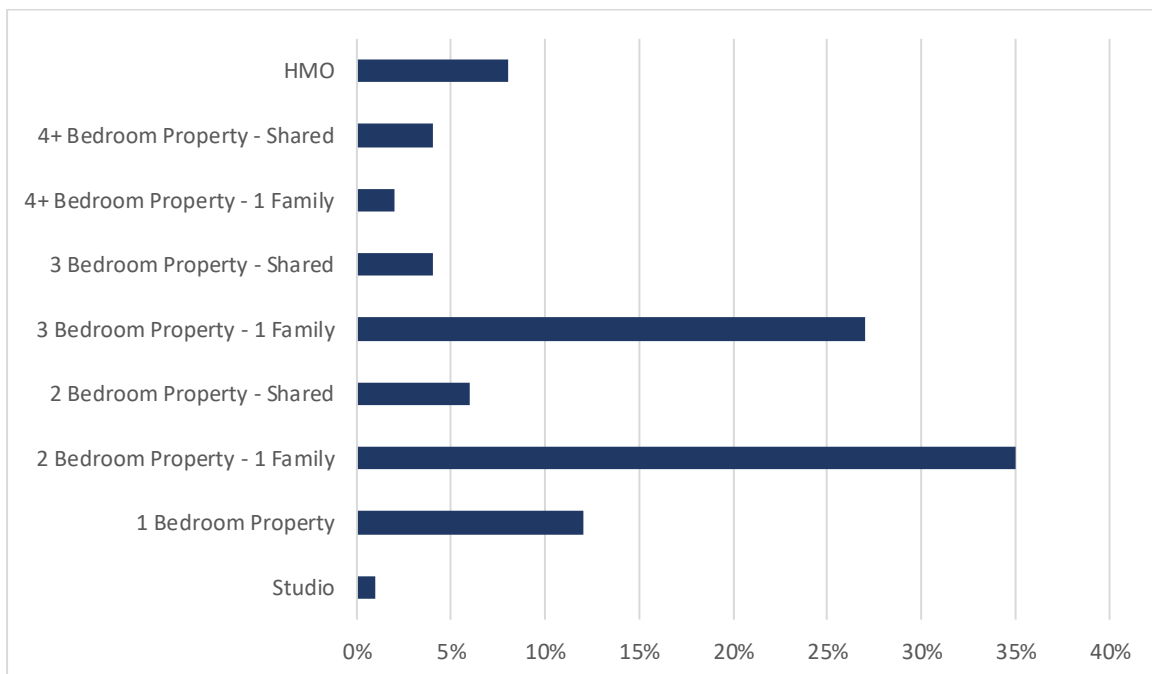


Figure 43. Types of properties across a Landlords portfolio (N=2,705)

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 (19%). While the North West (14%) and London (14%) were the second and third most popular geographical areas to let out properties.

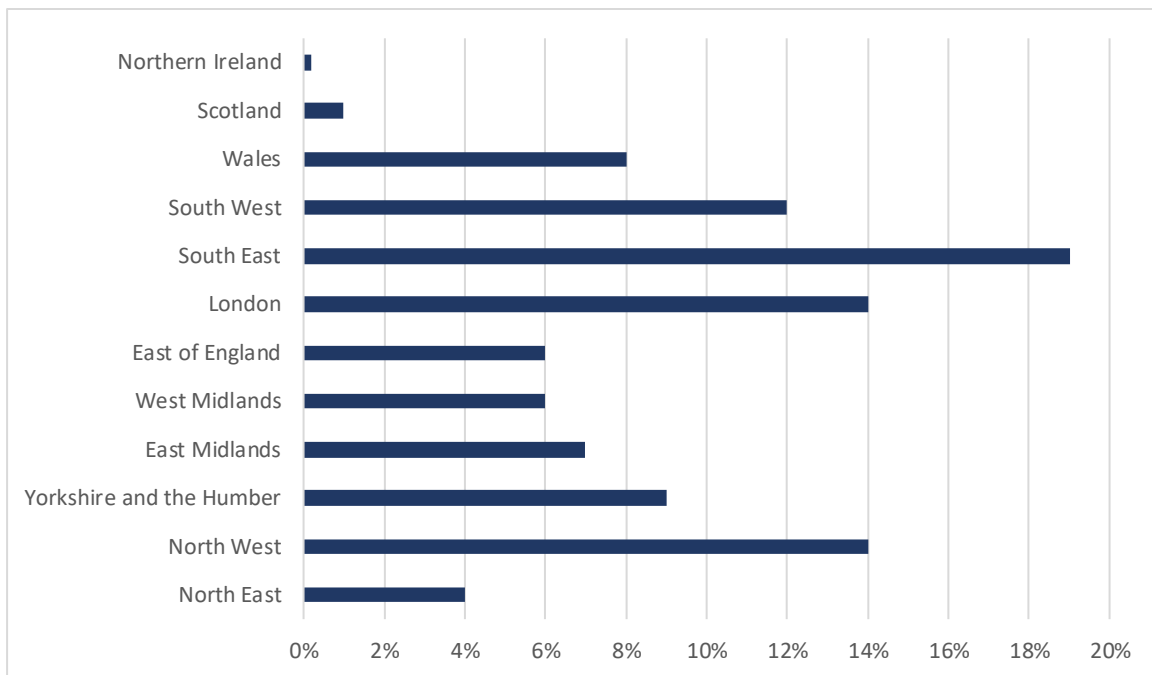


Figure 44. Landlord property geographical locations (N=2,701)

The majority of landlords reported that their typical property was let as unfurnished (61%) of the sample. While, 23% of landlords reported let their property as fully furnished.

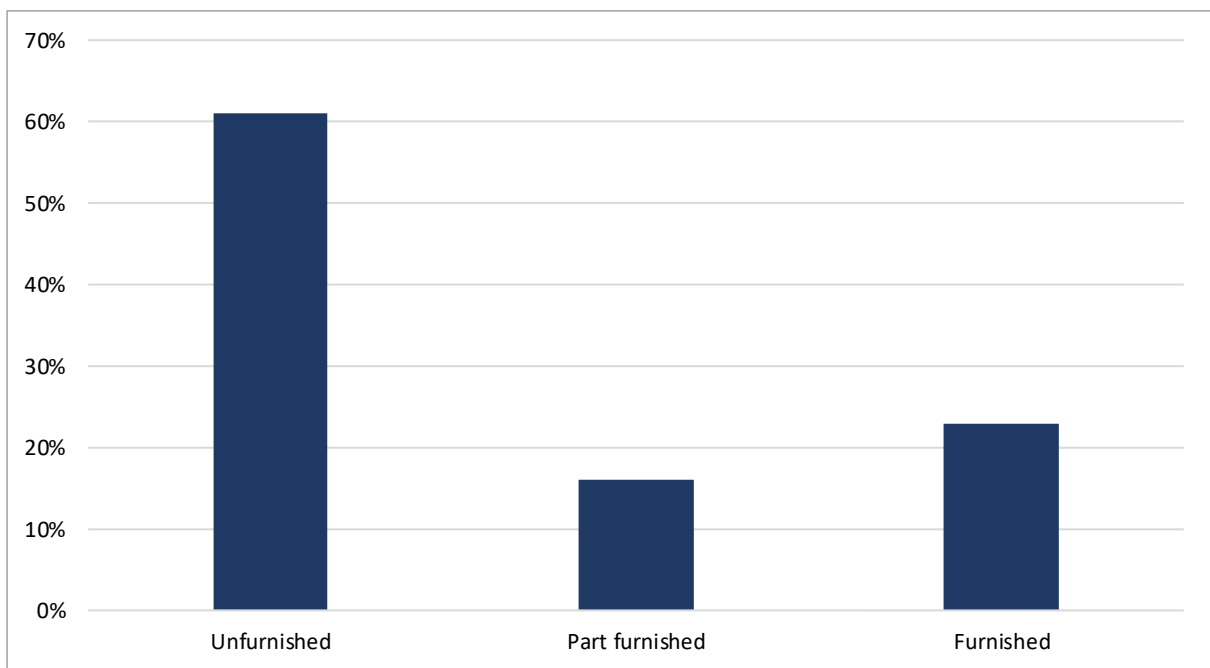


Figure 45. Landlord property furnishing (N=2,711)

Landlords were asked for the average rent they charge across their property portfolios. The median average rent charged by landlords was £675 ( $M = £954.17$ ,  $N = 2,481$ ). This figure includes all geographical areas and all household/property types. The next question asked landlords for the average tenancy length across their portfolios, on average landlords reported the average tenancy length as 3 years.

## 8. Conclusions

Over the past 2 years there has been significant political attention provided to the private rented sector. The recent Housing White Paper<sup>10</sup> identified the growth in the size of the sector and the satisfaction of tenants currently living within it, however, changes were proposed such as encouraging the 3-year tenancy agreement. Further policy and regulative changes have included:

- Reform of taxation for private landlords. The Conservative Government in the Summer Budget of 2015 announced the restriction of mortgage interest relief to be phased in over a 4-year period. This has also been accompanied by the additional three percentage point Stamp Duty Land Tax (SDLT).
- Energy Efficiency measures. By April 2018, it will be illegal for landlords to start a new tenancy for a property that has an EPC rating of below an E. It will then become illegal for to rent any property with an E rating from 2020.
- Increasing regulation. The government has also planned to ban letting agent fees and to extend the licensing conditions of all HMO properties<sup>11</sup>.
- Welfare Reform. The introduction of universal credit has reformed how housing payments are paid. Under Housing Benefit, local authorities had the flexibility to provide direct payments to landlords. However, under Universal Credit this now goes direct to tenants. These changes have previously been identified to make landlords less likely to let to those on universal credit<sup>12</sup>.

This research was conducted as part of a longitudinal research project to understand the state of renting in the UK and monitor trends in response to policy and regulative changes. This specific report explores the impact of welfare policy changes on landlords and the wider private rented sector. The research utilised a survey design and collected data from a large representative sample of 2,974 landlords.

There are several positive findings from this research, firstly, it is encouraging that there are a high percentage of landlords who reported having a good relationship with the tenants, their tenants pay their rent on time and that many landlords reported they have not had to start the process to regain possession of their properties. It is also encouraging to see that the average length of tenancy period being 3 years, this suggests that tenants and families are currently enjoying safe and secure homes over the medium to long term.

Regarding the impact of welfare reform, the findings present a stark account of issues associated with the introduction of universal credit. Of those who let to benefit

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<sup>10</sup> DCLG. (2017) Fixing our broken housing market. Retrieved from: [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/590464/Fixing\\_our\\_broken\\_housing\\_market\\_-\\_print\\_ready\\_version.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/590464/Fixing_our_broken_housing_market_-_print_ready_version.pdf)

<sup>11</sup> DCLG. (2016) Extending mandatory licensing of Houses in Multiple Occupation. Retrieved from: [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/560777/HMO\\_Tech\\_Disc\\_RESPONSE\\_DOC.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/560777/HMO_Tech_Disc_RESPONSE_DOC.pdf)

<sup>12</sup> Reeve, K. et al. (2016) Home: No less will do. Retrieved from: <http://www4.shu.ac.uk/research/cresr/sites/shu.ac.uk/files/home-no-less-will-do-prs.pdf>

tenants, 38% of landlords reported that they have experienced these tenants going into rent arrears in the past 12 months. This is especially concerning with the finding that on average, landlords were owed £1600.88 in rent arrears. The issue of rent arrears for benefit tenants, is also one of the leading reasons for a landlord attempting to regain possession of the property (64% of landlords). These findings suggest that reform to universal credit is needed. The government needs to ensure that it is easier for landlords to claim alternative payment arrangements and ensure rent arrears are kept to a minimum. Without these reforms, landlords may continue to be unwilling to provide homes to those on universal credit.

A further concerning finding is around eviction. Nearly 1 in 3 landlords reported that they attempted to evict a tenant in the past 12 months, with the majority (60%) reporting this was due to rent arrears with tenants owing on average £1000 (median). When extrapolated to the wider sector, this equates to approximately £589 million owed to landlords. This is a serious concern, and future changes to the sector could exacerbate this issue, especially the changes to mortgage interest relief. Our previous research identified that landlords would seek to increase rents to offset costs due to these changes<sup>13</sup>. Therefore, the reduction of MIR for landlords may make them less resilient to rent arrears, but increasing rents could make tenants more likely to enter rent arrears. This possible outcome could have serious negative consequences for the sector and the wider economy.

From the analysis of the key trend data it is evident that landlord confidence in the sector has been shaken by the current political and economic climate. While more landlords were confident (38%) than not confident (28%), plans for landlord portfolios have changed over the past 6 months. The proportion of landlords who have added to their portfolio is down by 7%, and the proportion who have reduced the size of their portfolio is up by 2%.

Looking ahead, the proportion of landlords who plan to add to their portfolio is down from the previous 6 months and the proportion who plan to reduce the size of their portfolio has increased. While this is only a 3% increase in the numbers who plan to reduce the size of their portfolio, this is something to monitor over the long term in conjunction with the staggered removal of mortgage interest relief. This finding could signify that landlords are preparing to reduce the size of their portfolios in reaction to this policy change. Using the latest data from HMRC on the number of landlords, and if all these landlords do reduce their portfolio by 1 property, this could equate to a net loss of 76,000 less properties in the sector over the next 12 months.

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<sup>13</sup> Simcock, T. (2016). Landlord Investment, Finance and Tax Report 2016. Manchester: Residential Landlords Association.



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