



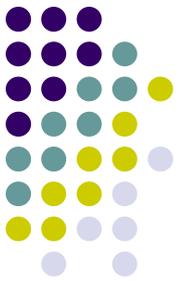
**The Private Rented Sector in Northern Ireland-  
Research evidence based on the Continuous  
Household Survey and House Condition Surveys  
and Landlord Interviews**

*ESDS*

*31<sup>st</sup> October 2011*

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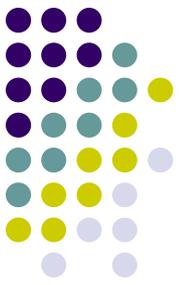
# Background



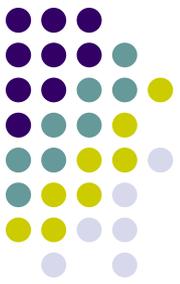
- Twentieth century – largely a period of decline – rent controls, growth of owner occupation and large scale redevelopment
- Since 1991 this picture has changed rapidly.
- Key Research Questions:
  - Changes in the scale, nature and condition
  - Changing household profile
  - Landlord profile and landlord tenant relationships
  - Key policy issues

# 3 Phases of Research since 2000

## Phase 1

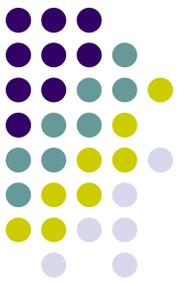


- Phase 1 published in February 2002 based on analysis of the 1996 House Condition Survey and the the Continuous Household Survey (years 1992/93 to 1999/00) as well as a number of small scale household surveys.
- The main aim was to provide a comprehensive profile of the PRS and identify factors behind its growth



## Phase 2

- Phase 2 published in January 2007 built on phase 1 combining both primary and secondary data analysis to provide a profile of the sector as well as in depth analysis of several component parts of the sector. The secondary analysis was from the CHS and 2001 and 2004 (interim) HCS databases as well as a tenant and a landlord survey

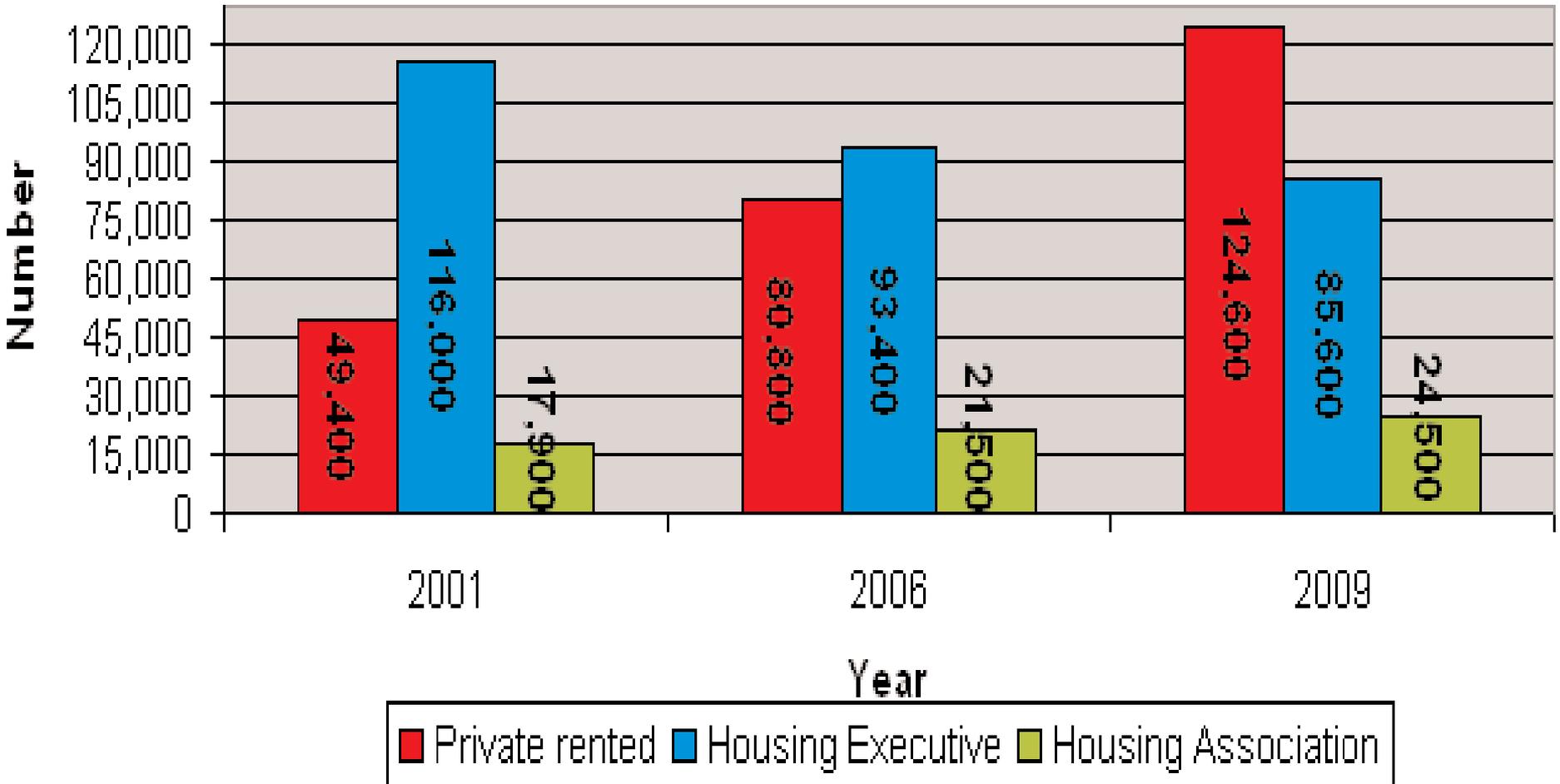


## Phase 3

Phase 3 based on in depth analysis of 2006 House Condition Survey and primary data in the form of first substantial tenant survey (300) cases, a landlord survey of 200 landlords and secondary analysis of the NIHE Private sector Housing Benefit database.



### Change in rented profile over time





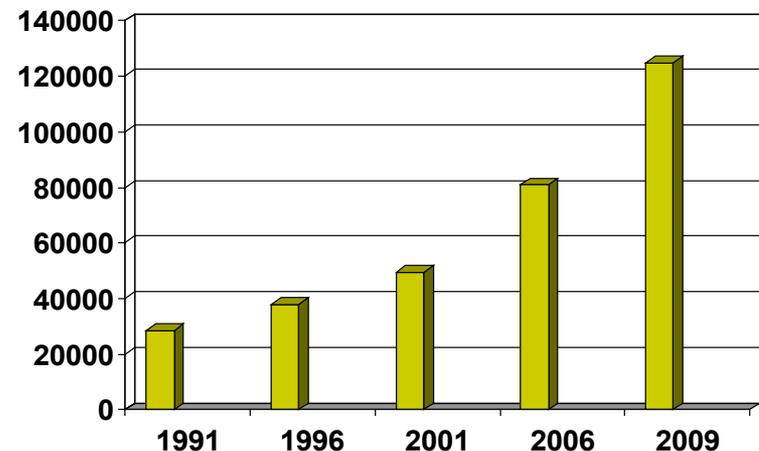
## Growing importance of the PRS: size

- 2006 to 2009 sector rapidly increased to 124,600 (16.8% of the total stock) an increase of 43,800 (14,600 per annum).
- Now much larger than tenanted social sector dwellings: NIHE - 85,650 (11.6%); Housing Association - 24,550 (3.3%)
- Size of sector even larger if vacant PRS properties included: 142,000 (19.2%)
  - High vacancy rate in the sector – 17,500 dwellings (12.3% compared to 5.9% in stock as a whole)



# Growth of the PRS

- 2001 – almost 50,000 (7.6%) of total stock
- 2006 – almost 81,000 (11.5% of total stock)
- 2006 - almost 95,000 (13.4% of total stock)
- 2009 – almost 125,000 (16.8% of total stock)



# Rapid Growth of the PRS

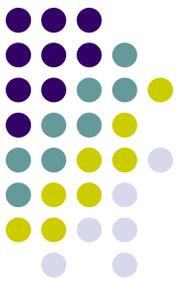


- Supply side: investment opportunity
  - Volatility of stock market
  - Rapid house price increases – capital gains
  - Low interest environment – buy-to-let loans
- Demand side: access to housing
  - affordability problems for FTBs
  - increasing no. of students
  - improving standards
  - rising waiting lists

# Changing Nature and Condition



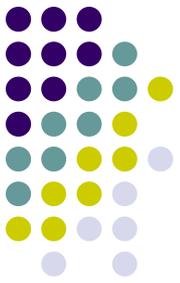
- Higher rate of vacancy compared to other tenures (12% in 2009 vs 5.9% overall).
- Older stock profile than other tenures - but % of pre-1919 falling (2001:38% - 2009:23%).
- Higher % of aptmts/flats than owner-occupied sector (9%:2%)



## Socio-economic profile of tenants

- Growing proportion of tenants aged under 40 (54% in 2006 – 37% in 2001)
  - Primarily a reflection of the difficulties experienced by this group - both in terms of affordability (including tighter controls on lending) for potential first time buyers and difficulties accessing social housing in the right location.
- Proportion PRS properties occupied by lone parent households doubled to 20% between 2001 & 2006
  - The PRS housed a larger proportion of lone parents (37%) than any other tenure. Reflection of difficulties accessing other tenures, although increasing standards a pull factor.

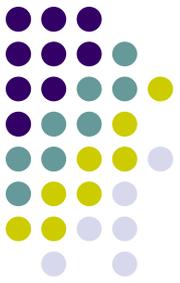
# Socio-economic profile of tenants



- Decrease in tenants in employment (47% in 2001 to 43% in 2006)
  - Almost one-fifth (19%) of tenants unemployed, compared to an overall rate of 8%.
- Housing Benefit playing an increasingly important role - 45% in receipt of HB (37% in 2001)
- Fuel Poverty – 44% compared to 34% overall
- Disproportionately high proportion of mixed religion households (7%)
- Overall, the PRS has offered increasingly high quality accommodation for younger households, lone parents, the unemployed and those on low-incomes – supported by a growing private sector housing benefit budget

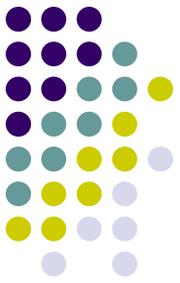


# The experiences of tenants

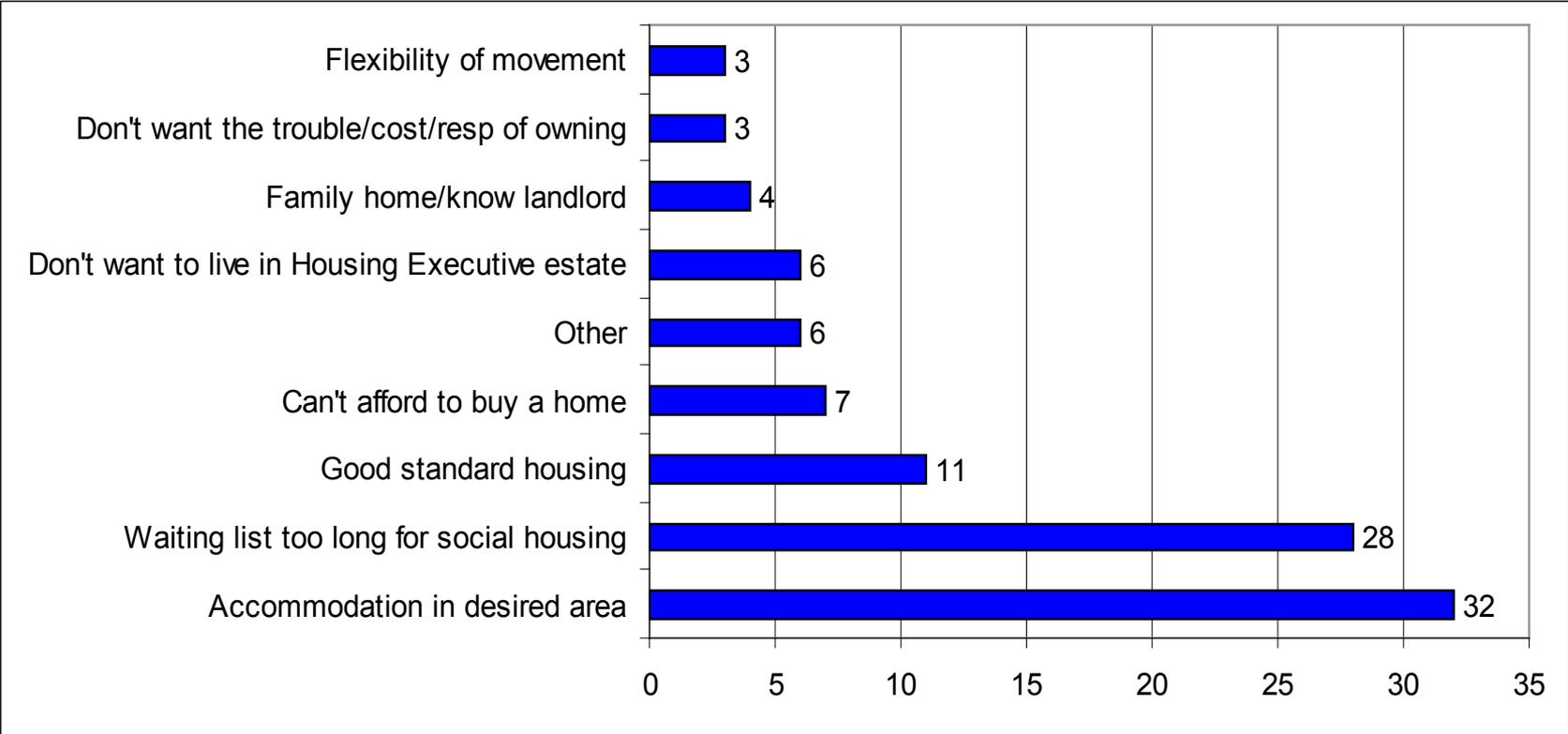


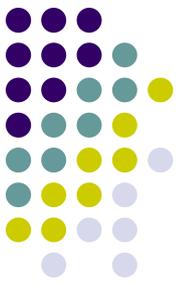
# Housing History

- Tenants stay relatively short periods of time. Two-thirds (67%) had lived in their current home for < 3 years.
- Half (49%) of tenants who had moved in the last 5 years had previously lived in private rented accommodation, 23% had lived in their family home, 14% lived in social housing and 11% had owned their previous home.
- Tenants had left their previous home largely for personal reasons (39%) or for reasons relating to the house itself (24%) or the area (20%)



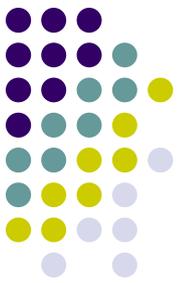
# Reasons for living in privately rented accommodation





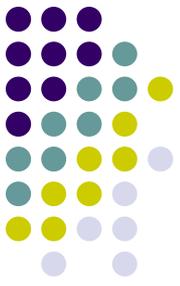
# Affordability

- More than half (53%) had to pay a deposit and/or rent in advance and of these two-thirds were in receipt of Housing Benefit.
  - The average total advance payment was £349
- More than two-thirds of tenants in receipt of Housing Benefit had to pay a shortfall between the benefit they received and the total rent payable. Mean shortfall = £20 per week.
  - 45% found it very or fairly difficult to pay this shortfall



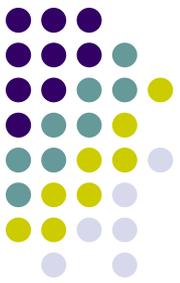
# Landlord – Tenant Relationship

- Vast majority (89%) of tenants on good terms with their landlords – only 2% said they had a poor relationship
- Most tenants were very satisfied (56%) or satisfied (27%) with the overall service provided by the landlord/agent
- Most were very satisfied (51%) or satisfied (16%) with the repairs/maintenance service.
  - However, one quarter dissatisfied with the way the landlord/agent dealt with repairs – primarily with the time delay



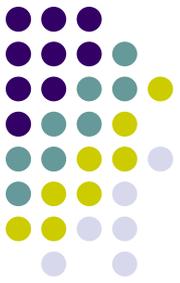
# Landlord – Tenant Relationship

- Only 27% of tenants were provided with a rent book
- Two-thirds (67%) had a written tenancy agreement
- 30% of tenants Had neither a rent book nor a tenancy agreement
- Overall, tenants were in favour of increased regulation in the sector:  
84% in favour of an approval scheme for landlords  
87% of tenants in favour of a mediation/arbitration service to deal with landlord-tenant disputes



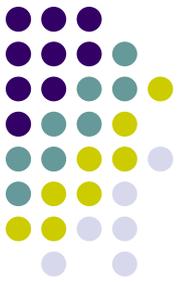
# Future intentions of tenants

- Half (54%) of tenants want to remain in their current home for the next five years. Forty per cent intend on moving within the next five and the remaining 6 per cent are not sure if they will move.
- Respondents intending on moving or those unsure were asked what tenure they wanted to move to. One third (33%) intend on moving to the owner occupied sector, one quarter (27%) intend on moving to Housing Executive accommodation and a further quarter (26%) intend to remain a private tenant.
- One third (30%) of those intending on moving are currently on the waiting list for social housing. Of those on the waiting list, three-quarters (71%) have been on the waiting list for one year or more.



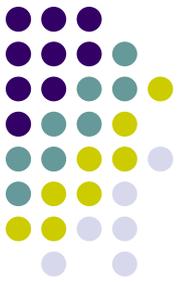
## Some conclusions on tenants

- Overall the research suggests that the PRS can offer a viable alternative to social housing for households on low incomes.
- However, still issues to be addressed in relation to:
  - Affordability (deposits and shortfall in HB)
  - The quality of the repairs service
  - Lack of rent book/tenancy agreement



# Private landlords

# Type of landlords



## Small-scale landlordism

- The PRS in N. Ireland remains a “cottage industry”: the majority of landlords on a small scale (66% of landlords had 5 properties or less).

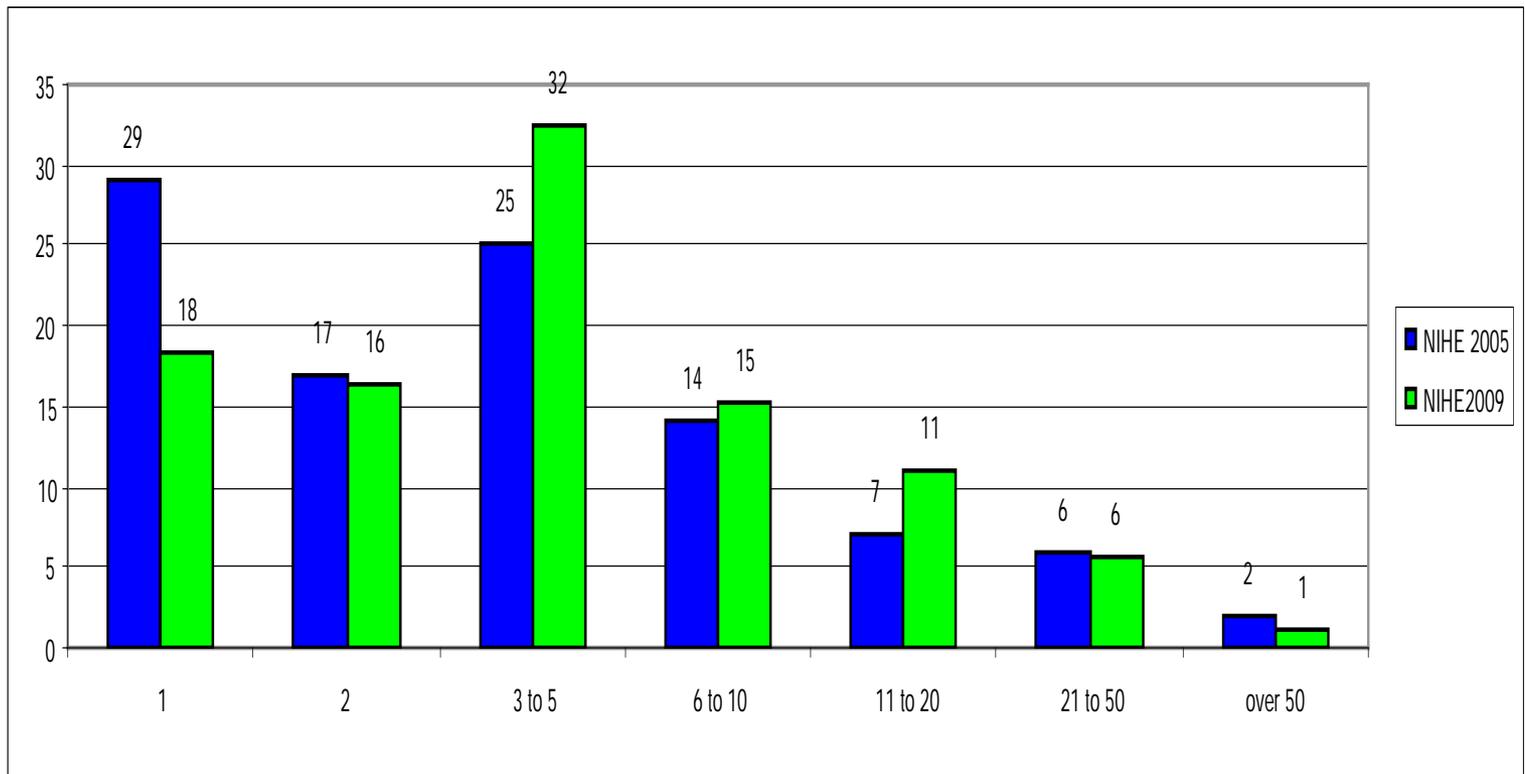
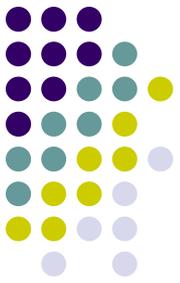
## Relatively new to the sector

- One quarter (25%) had entered the sector in the previous 5 years a further third (31%) entered the sector between 6 to 10 years ago. However, a substantial proportion (30%) have held property in the private rented sector for over 15 years

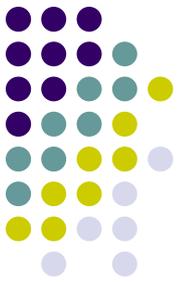
## Entered for investment related motives

- Most common reason was to part fund retirement (35%), 20% rental income, 25% “investment”. A further 15% were “accidental” landlords

# Size of Portfolio



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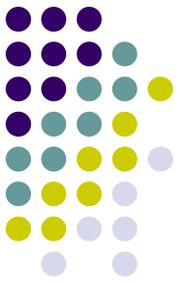


- Majority of landlords (66%) were small-scale, owning five properties or less
  - 1 property = 18%
  - 2 properties = 16%
  - 3-5 properties = 32%
- 7% had more than 20 properties
- Decrease in proportion of landlords with 1 property between 2005 and 2009 (29% to 18%)
- Increase in proportion of landlords with 3-5 properties (25% to 32%)
- Comparison with landlords in Scotland - greater prevalence for small scale landlords in Scotland: three quarters (73%) of landlords in Scotland had less than five properties, compared to 58% in NI

# Size of Portfolio



- Average number of dwellings owned by landlords is 4. Slight increase from 2005 (3 dwellings per landlords)
- In Scotland the average is 2 per landlord
- But, cant say that the sector is dominated by small landlords, size of stock is important
  - E.g in this survey, landlords with one or two properties held only 7% of the total stock in this survey, whilst landlords with 20 dwellings or more owned 40% of the total stock

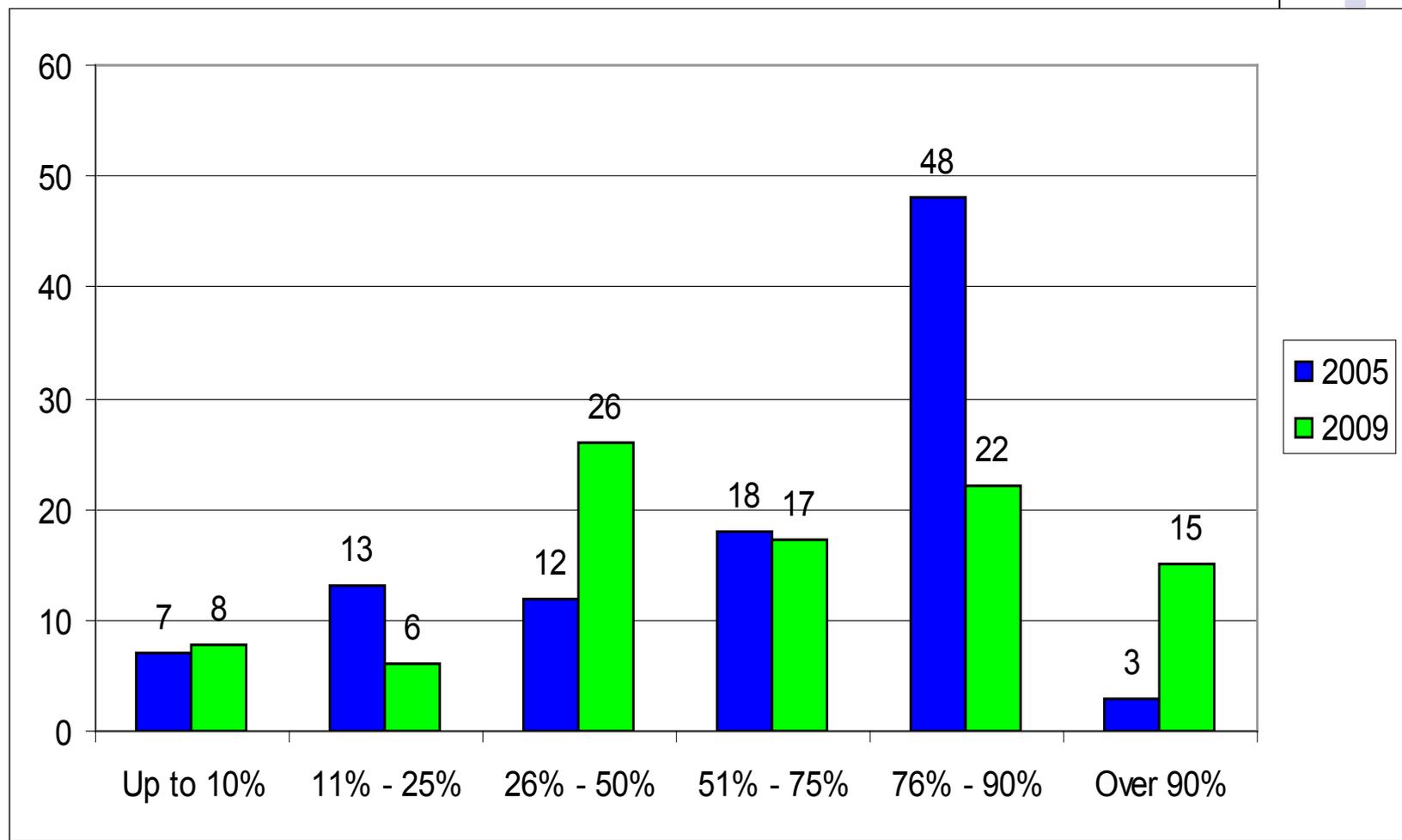


# Financial circumstances

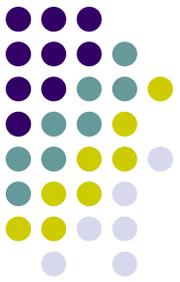
- The portfolio of the majority of landlords (69%) is financed mainly through mortgages/loans; 31% own/mainly own their portfolio outright
- Of those with outstanding mortgages/loans more than one third (38%) had loan-to-value ratios of 76% or more
- 15% of landlords had LTV ratios of more than 90% - particularly vulnerable to interest rate changes and periods of vacancy.
- For over one quarter (29%) of landlords their rental income did not cover all the costs in renting property, for 39% rental income just covered the costs. Only 32% of landlords - rental income exceeded the ongoing costs



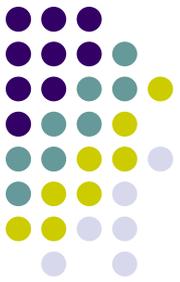
# Loan-to-Value ratio



# Finance

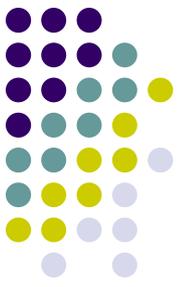


- The majority (69%) of landlords had mortgages/loans:
  - 38% mainly Buy to Let mortgages
  - 24% mainly Interest Only mortgages
  - 7% other loans
- However a substantial proportion (31%) mainly own their portfolio outright
- Over one third (37%) of landlords had loan-to-value ratios of 76 per cent or more
  - Decrease from 2005 (51%), but those with LTVs of 90% or more increased from 3% to 15% - vulnerable to interest rate increases and periods of vacancy
- For over one quarter (29%) of landlords their rental income did not cover all the costs in renting property, for 39% rental income just covered the costs. Only 32% landlords surveyed - rental income exceeded the ongoing costs

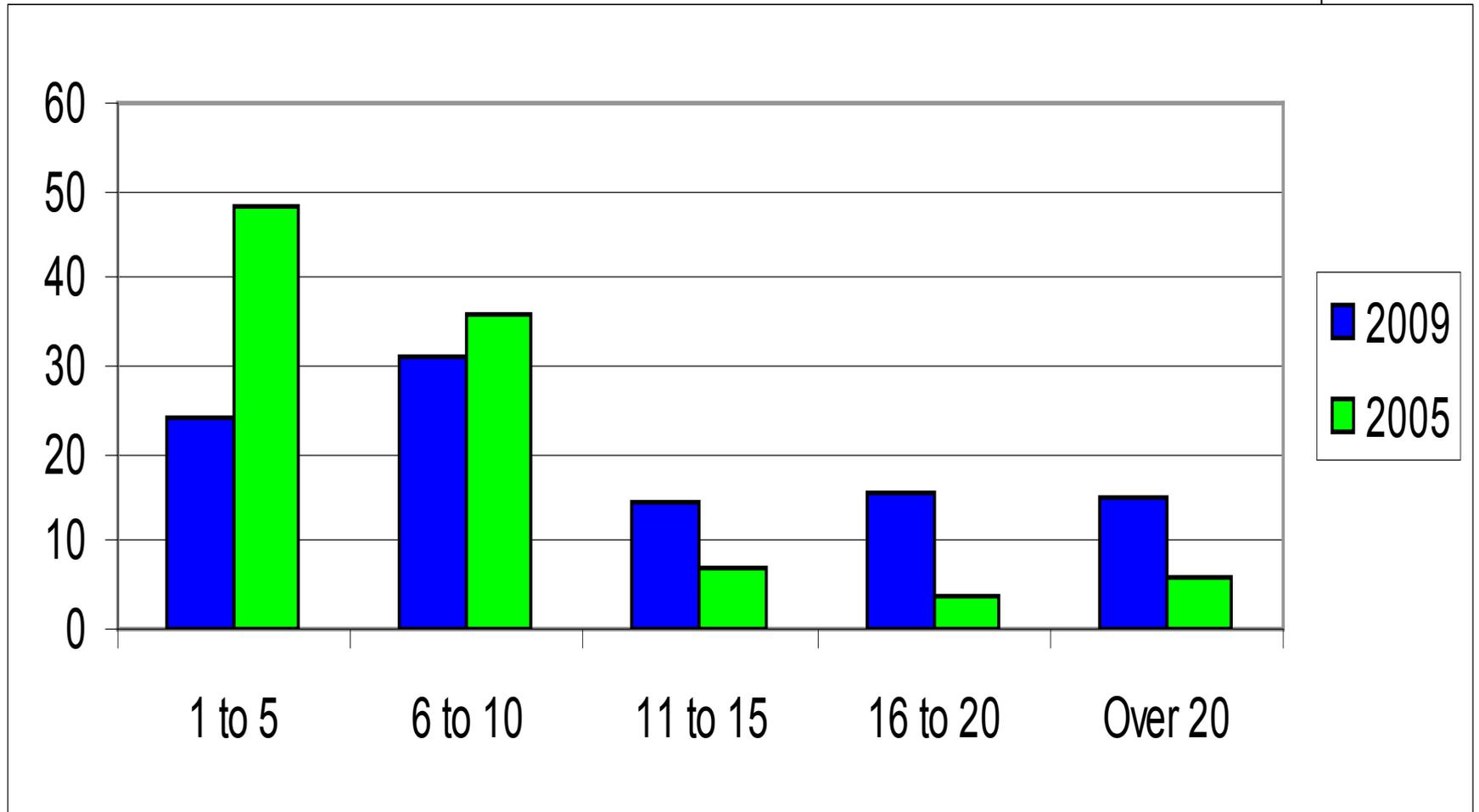


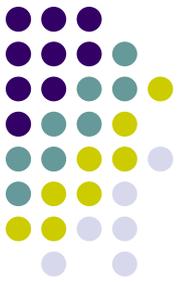
# Length of time as a landlord

- one quarter (25%) of landlords having entered the sector with the past 5 years
- a further third (31%) entered the sector between 6 to 10 years ago
- However, a substantial proportion of landlords surveyed (30%) have held property in the private rented sector for over 15 years.



## Length of time as a landlord 2005 and 2009





# Views on regulation

## Statutory registration of landlords

- 54% not in favour of statutory landlord registration (additional costs, increased bureaucracy)
- 41% in favour (professionalisation of industry, eradication of rogue landlords, standardisation of management practices)

## Mediation/Arbitration Service

- 65% of landlords were in favour of the introduction of an arbitration / mediation service to deal with landlord-tenant disputes
- Landlords suggested several issues that an arbitration / mediation service could deal with: rent arrears, damage caused by tenants, disagreements over withholding deposits, antisocial behaviour and repairs

## Tenancy Deposit Scheme

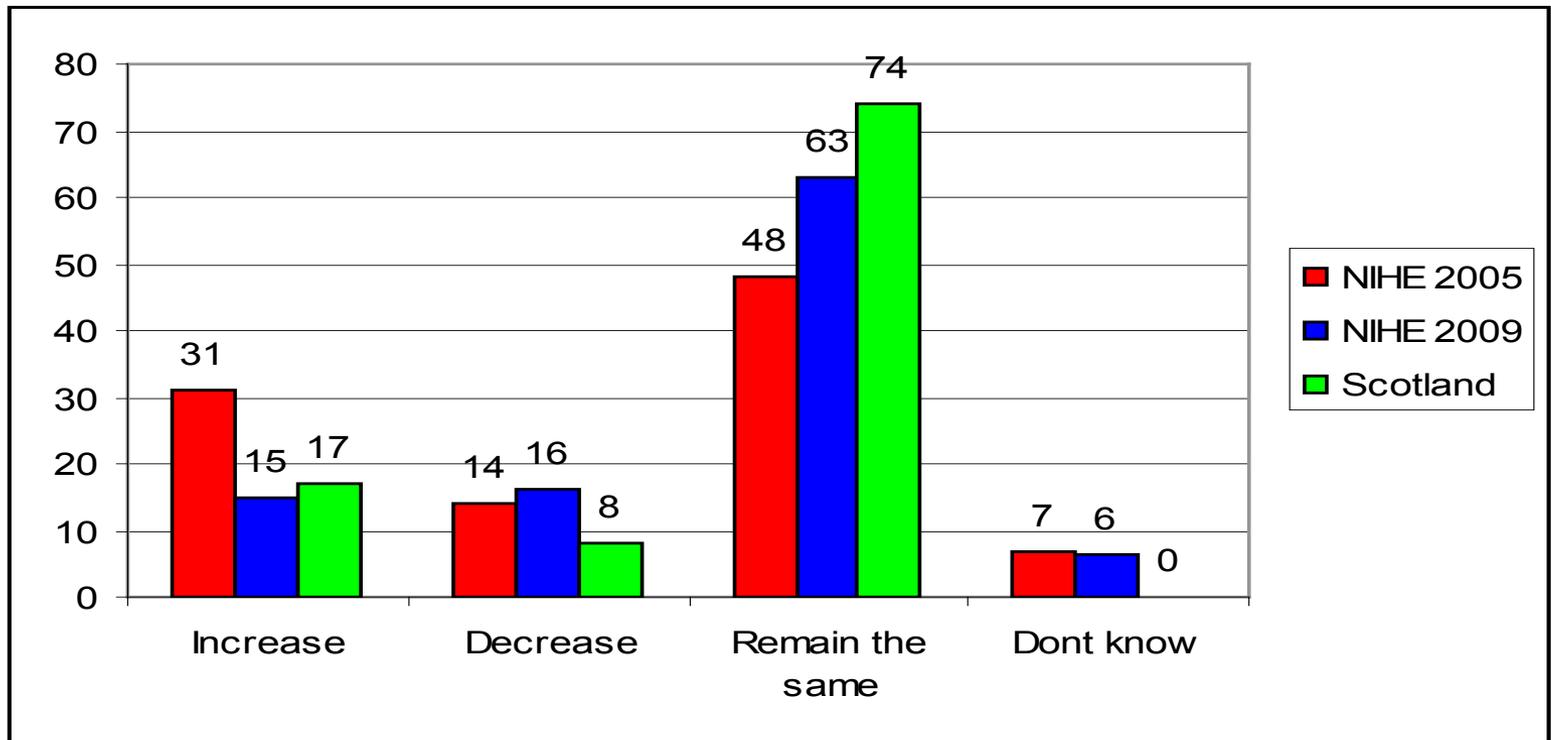
- 55% in favour



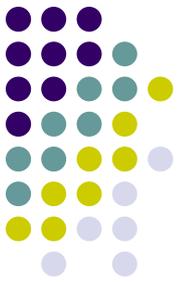
# Property Management

- 68% of landlords do not use a letting agent in the management of their property
- 30% unaware of the legislation that governs the PRS in N. Ireland
- 66% would like to take part in a training course for landlords

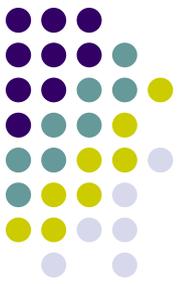
# Future intentions: changes to portfolio over next 2 years



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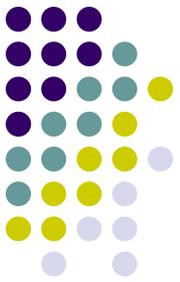


- 63% - keep the size of their portfolio the same
- 16% - decrease the size of their portfolio
  - low rental return
  - increased regulation/legislation
- 15% - increase their portfolio size
  - house prices have decreased



# Conclusion of landlord survey

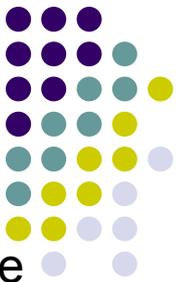
- A very heterogeneous but generally fairly healthy private rented sector. Direct payment of housing benefit has obviously played a major role in ensuring ongoing stability for many of them.
- There are some signs that a significant proportion of landlords are feeling the strain with rental incomes not covering their costs or being unable to sell because of negative equity. However, while there is some evidence of rental properties being sold, often to other investors, there is no evidence of disinvestment on a large scale.
- A significant dichotomy between those landlords supporting additional regulation and those who do not. In addition there appears to be a significant lack of awareness of current legislative requirements.



# Emerging issues for PRS

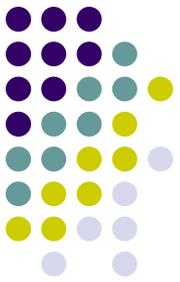
- New Housing legislation in N. Ireland which will include:
  - Mandatory private landlord registration
  - Protection of tenants' deposits requiring landlords to use a deposit scheme
  - An extension to Notice to Quit periods to two months where the length of the tenancy is over five years and three months where the tenancy is over ten years (currently 28 days)

# Key Policy Issues



- Rising waiting lists for social housing and affordability issues for first time buyers will ensure that the private rented sector will continue to play a very important role in Northern Ireland's housing market.
- PRS will increasingly meet the needs of households, who in the 1980s and 1990s may have had their housing needs met by the social sector eg low income groups supported by HB
- Rapidly expanding PRS has performed useful role in housing some of most vulnerable groups – low income and mixed marriages as well as singles.
- Must strive to retain existing investment and encourage new investment in the sector to provide for shortfalls in other tenures Conditions improving but still poorest
- Housing vulnerable people – rights and responsibilities
- Housing benefit issues through welfare reforms– single people
- Risk of disinvestment – PRS in a housing recession

# Conclusion



- Rapidly expanding PRS has performed useful role in housing some of most vulnerable groups – low income and mixed marriages as well as singles.
- For most landlords it has provided sound investment opportunities.
- Important role for Housing Executive and DSD in terms of conditions, HB, landlord-tenant relationships.