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The private rented sector in Cheshire West and Chester: Headline Report

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Introduction

1 Cheshire West and Chester Council commissioned Nevin Leather Associates and the University of Glasgow to examine the current role of the private rented sector in the area and its relationship to the social rented sector in meeting housing need. This report presents the findings of the study. A separate report looks in more detail at the student housing market in Chester.

The private rented sector in Cheshire West and Chester

2 The growth of the private rented sector of the housing market has been particularly dynamic over the last decade both nationally and locally. The size of the private rented sector can be expected to exceed that of the social rented sectors in the next few years. Stagnation in the housing market since 2007 and economic recession and weakness have boosted the private rented sector substantially.

3 The private rented sector is very mixed with a number of distinct sub-sectors. Tenants are predominantly young and single. There are relatively few older people in the sector. There is a large student sub-sector, concentrated in Chester. Around one third of private rented tenants are on low incomes (as a result of unemployment or low earnings) and receive housing benefit to assist with rent payments, but there is also a high quality high rent sub-sector. Levels of private renting in some rural areas are high, reflecting large scale estate ownership. Many tenants are living temporarily in private rented housing because of an employment-related move or relationship breakdown, so mobility levels are very high.

4 The sector has a high proportion of older dwellings but in the last decade more new or newer dwellings have entered the stock. All the rented sectors have a higher proportion of flats and apartments than the owner occupied sector but in Cheshire West and Chester, houses make up a relatively high proportion of the private rented stock.

5 The private rented sector is the least energy efficient sector, and has the highest levels of poor conditions and dampness

6 There is no definitive information on the size of the private rented sector in Cheshire West and Chester but assuming growth since 2001 at the regional rate there would have been 15,400 units in 2009.

7 Taking account of local factors such as the buoyancy of the local economy, high house prices, the growth of higher education, and significant levels of new flat and apartment building suggests that growth would have been higher than the regional average rate, with as many as 18,000 dwellings privately rented.

8 Within Cheshire West and Chester the main concentrations of private renting are in the inner areas of Chester (including areas of student housing), parts of Northwich and Ellesmere Port, and in some rural areas.

9 The most significant groups living in private rented housing in Cheshire West and Chester are young professionals/employed people, people dependent on housing benefit, students, in-migrants, people experiencing a change in personal or financial circumstances, and people living in tied housing.

Landlord perceptions of the sector

10 Landlords and agents confirm the growth of the private rented sector. They indicate that

- There is still healthy demand but fewer applicants than 5 years ago because of the increase in supply.
- The main sources of demand are newly forming households, those experiencing relationship breakdown, single (new) parent households, workers migrating into the area, and students.
- The student market segment is becoming oversupplied.
- Landlord motivations for entering the market vary but most take a long term view of their involvement and seek both rental yield and capital gain.
- Levels of risk in the sector are increasing as a result of static/falling property values and forthcoming changes to housing benefits.
- Very few landlords are actively acquiring property at the present time because of uncertainties over future prices and the shortage of buy-to-let finance.
- Some landlords favour tenants dependent on Local Housing Allowance but others regard this market segment as increasingly risky.
- Most landlords and agents feel their relationship with the Council is positive although there were concerns that the authority tends to focus its attention on Chester. The Landlord Forum and Accreditation Scheme were welcomed by those who were aware of them.
- Landlords and agents feel confident in dealing with all aspects of management and do not perceive that they need a high level of support. However they welcome advice on technical issues and new legislation, and support in tackling anti-social behaviour.

- Landlords and agents acknowledge the need for regulation of the sector but feel efforts should focus on those landlords who avoid contact with the regulators.

Tenant perceptions

11 Tenants were positive about the private rented sector and the quality of stock and management. They were most positive when they had a direct relationship with their landlord.

- Young professionals regarded the sector as the main option available to them, especially with mortgages so hard to obtain. None were interested in, or had explored, intermediate ownership options.

- Tenants were aware of the lack of security in the sector but felt this was acceptable.

- Tenants in receipt of local housing allowance were already having to top this up from other sources of income.

- Tenants were generally unaware of CWaC's landlord accreditation scheme.

The social rented sector

12 The social rented housing stock in Cheshire West and Chester represents about 16% of the housing stock in the authority in 2010 and 80% is in the hands of the three largest landlords (CDHT, WVHT and Cheshire West and Chester).

13 The proportion of social rented housing varies widely, with 24% in Winsford, 21% in Ellesmere Port and 19% in Chester but only 10-15% in Frodsham, Neston and Northwich, and 6% in the rural areas. Opportunities to access social rented housing thus vary across the district.

14 Most new tenants come from within Cheshire West and Chester and have low incomes, high levels of worklessness and high benefit dependency. But affordability problems have recently boosted the demand for social rented housing amongst those in employment.

15 People previously living with family and friends form the main source of new tenants, but people moving from the private rented sector are the other major source.

16 The overall need for social rented housing in CWaC is very high when compared to the available stock. Current demand from those in the highest need category is equivalent to over 4 years supply.

The role of the private rented sector

17 The private rented sector forms an important part of the Cheshire West and Chester housing market.

18 The sector already plays a role in affordable housing provision for those on lower incomes and a source of housing to meet the needs of students, mobile people and those needing easy access to accommodation. It plays an important part in supporting economic growth.

19 Planning or developing policy for the private rented sector is challenging because the sector is not directly within the control of either central or local government. Local government is responsible for regulation, the administration of local housing allowance payments, and voluntary working with landlords.

20 However central government actions may be of greater overall importance in influencing the sector. Wider economic policy, fiscal and taxation policy, and policies on the provision of state benefits have a major impact on the business decisions of developers, investors and landlords. Ultimately, the supply of private rented housing in Cheshire West and Chester will be determined more by wider market circumstances, perceptions of demand, and the attractiveness of investment rather than by the actions or policies of the Council.

21 At present, the main issues of concern to landlords are the weak and uncertain state of the housing market, the lack of availability of buy to let mortgage finance, the impact of proposed changes to local housing allowances, and the impact of wider uncertainties in the economy on unemployment and mobility.

22 However local authority policies on the private sector can have some impact on the attractiveness of the area to landlords and on the condition and management of private rented dwellings. Cheshire West and Chester's measures to work with landlords will encourage them to remain in the market and improve standards of management and repair/improvement.

23 It is important for local policy-makers to have a good understanding of the size, composition and role of the sector, and of the local and national trends affecting it.

Strategic issues looking forward

24 The policy framework relating to housing is changing in fundamental ways as a result of new policies introduced by the Coalition Government. The private rented sector will be expected to provide more accommodation for those in need, but at the same time, help to low income private tenants with rent payments is being curtailed.

25 New relationships between local government and public and private sector providers in receipt of public subsidy will be critical in meeting housing needs. Scarce public sector investment will more than ever need to be directed to modifying or harnessing the market by a strong enabling authority.

26 In the private rented sector, m*edium and high rent lettings* will not be directly affected by changes in the public policy framework, but planned economic growth will increase the demand for good quality private rented housing and will in part be dependent upon its provision.

27 T*he student market* may change in coming years. National policy changes on student fees will have an as yet unknown impact, but the demand for student housing is not likely to increase rapidly as in recent years. There are problems in areas where concentrations of student housing have developed. Increased local supply and the creation of more purpose built accommodation have created an emerging surplus. Proposals for major new supply are on the table. A coordinated strategy for student housing is required to address these issues and this is the subject of a separate report.

28 *In the subsidised affordable housing sector,* benefit reforms may result in a contraction of supply with implications for the transfer of demand to the social rented sector or in extreme cases, homelessness. The market may re engineer supply with increasing subdivision and a higher intensity of occupation, but this could give rise to problems of neighbourhood management, health, and safety.

29 Working with private sector landlords will be a key component in managing these changes and maximising the contribution of the private rented sector in meeting housing needs and supporting economic growth.

30 Going beyond these measures, new forms of private sector institutional investment will be needed to boost private rented supply to support the growth of the economy and attract institutional landlords and property managers into the sector.

Recommendations

31 The main recommendations arising from this research are as follows:

- *Intelligence*: There is no comprehensive source of information on the private rented sector. Cheshire West and Chester should continue to collect *intelligence* on trends in the sector through its contacts with landlords and other key stakeholders.

- *Strategy*: Cheshire West and Chester should take account of the role of the private rented sector in developing both economic growth and housing strategies for the authority and the wider sub-region.

- *Regulatory powers*: Cheshire West and Chester has an obligation to carry out its regulatory duties responsibly and diligently and to demonstrate to landlords that these powers are being used actively to target the worst landlords.

- *Landlord Forum*: The Landlord Forum has worked well and Cheshire West and Chester should continue to support and service it actively.

- *Accreditation scheme*: the accreditation scheme should be actively expanded using all means available, so as to maximise its coverage and make both landlords and tenants aware of the benefits.

- *Targeting*: New landlords are often the most likely to need help and support should be targeted towards this group.

- *Bond/deposit guarantee scheme*: Cheshire West and Chester should review the scheme at regular intervals to ensure that it is operating effectively.

- *Agents*: Agents play an important part in the private rented sector and should be included in initiatives such as the Forum.

- *Meeting housing needs in the private rented sector*: The Council should consider all practical measures to maximise the contribution of the private rented sector to affordable housing provision including identifying landlords willing to house households on the housing register and waiting list applicants willing to accept private rented housing, and provision of assistance with the search for and selection of tenants.

- *Advice and support*: changes to local housing allowances will increase the demand for advice from the Council on rent payments, dealing with rent arrears, and finding cheaper accommodation, together with an increase in the demand for social rented Cheshire West and Chester can provide. Help and assistance with problems associated with housing management generally and anti social behaviour in particular would be welcomed by landlords.