

A disaster for tenants; or an opportunity for landlords?

A recent survey by the Southern Landlords Association (SLA) has established that, because of the Government changes, many landlords are going to reduce their portfolios resulting in many tenants losing their homes; an average of 6.4 tenants per landlord in the survey. This was countered by 6% of the landlords proposing to increase their portfolio, giving homes to an extra 104 tenantsⁱ.

The survey was sent to over 3,000 landlords, and 10% responded.

In brief

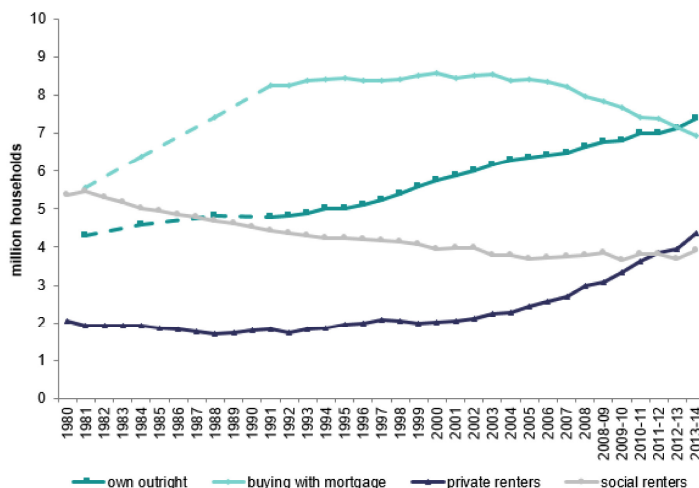
The survey:-

- 3,236 landlords were surveyed;
- 61 opted out, leaving a total of
- 3,175 landlords, of whom
- 318 responded = 10%
- number of tenants already lost their home = 684
- number anticipated to lose their home = 1,449
- number gaining a new home because of expansion = 104
- net = 2,029 less tenants.

What does this mean?

No-one knows the exact number of landlords or tenants, but we can get some ideas:-

- HMRC stated that there were 1.75 million landlords in 2013/14;ⁱⁱ
- the 2011 census states that there were 8.3 million rented propertiesⁱⁱⁱ;
- the 2013/14 English Housing survey produced the following graph^{iv} showing 4 million rented householders, and growing:-



- and finally, the 2015/16 English Housing Survey estimated there was a total of 4.5 million tenancies^v.

This shows that up to now the number of private tenancies is rising, but will it continue?

It is impossible to extrapolate such a small sample to the country as a whole but the indication is that several tenants will be losing their home, and there will be insufficient new tenancies to take their place. Anecdotal evidence suggests that benefit tenants will bear the brunt of this potential decrease in tenancies.

But is it an impending disaster for tenants or an opportunity for landlords?

In our sample 10% responded, which is an average response rate. But it could be argued that 90% didn't for whatever reason. Perhaps some of these would be able to counteract our sample. As Mark Twain was purported to say '*There are lies, dammed lies, and statistics*'. In other words statistics are useful, but can be read in variety of ways.

The Private Rented Sector (PRS) is absolutely vital for the country, both in terms of the number of people it houses, which central and local government have been unwilling to for some years. This is done mostly at the landlords' risk, with all the inherent problems; but fortune favours the brave. Now is the time to be brave and pick up the slack.

As is often the case with surveys the interesting part of the SLA was some of the comments. In general landlords are decent people, but the underlying message was that they are there as a business and if Government keeps adding to their costs it is the tenant who ultimately suffers.

The survey in more detail

The questions:-

1. have you reduced your portfolio in the past year
2. If Yes - how many tenants were affected by this
3. do you propose to reduce your portfolio within the next 3 years
4. If Yes - how many tenants will be affected by this
5. If reducing your portfolio can you indicate the reason why:-
 - a. Because of the changes been/being made by the Government
 - b. always planned to
 - c. unable to manage due to age or health
 - d. Other- please specify
6. Have you, or do you intend to **increase** your portfolio
7. if Yes how many extra tenants will you be taking
8. Any other comments?

The answers:-

| Question | Number answered | % Y | % N | |
|---|-----------------|--------|--------|-------------------|
| 1) have you reduced your portfolio in the past year | 318 | 30.8% | 69.2% | |
| 2) If Yes - how many tenants were affected by this:- | 684 | | | |
| 3) do you propose to reduce your portfolio within the <u>next</u> 3 years | 226 | 58.9% | 41.1% | |
| 4) If Yes - how many tenants would be affected by this:- | 1,449 | | | |
| 5) If reducing your portfolio can you indicate the reason why:- | | | | % reducing |
| because of the changes been/being made by Government | 134 | 95.5% | 4.5% | 43.4% |
| always planned to | 76 | 19.75% | 80.25% | 24.6% |
| unable to manage due to age or health | 76 | 14.5% | 85.5% | 24.6% |
| Other:- | 23 | | | 7.4% |
| TOTAL | 309 | | | |
| 6) Have you, or do you intend to increase your portfolio | 224 | 8.5% | 91.5% | |
| 7) If Yes - how many tenants will be affected by this:- | 104 | | | |

8) Some of the comments received:-

1. *I would like to sell one house and buy somewhere smaller else but capital gains at the moment makes this impossible.*
2. *The risk to me personally and my family is too much. I won't suffer as I will move into something more profitable, but I do think my tenants will suffer a reduced supply of property available to let.*
3. *Good landlords are very important to modern high tech society. We provide economically efficient homes for modern flexible lifestyles and allow our workforce much more choice in job prospects through easy paths to job relocation.*
Forcing a valuable facility like rental housing to become unprofitable will be a disaster. Many people don't want the responsibility of a mortgage hanging over their heads because they want a more flexible lifestyle, especially young people just starting out in life. I think the government's punitive measures against the rental market will eventually cause a housing crisis.
4. *The Government changes have forced me to sell and I am dreading having to tell the next family why they are having to go. They have been wonderful tenants and have brought up their children in this house. I wish I could keep them but the price will be significantly lower unless I have vacant possession.*
The government changes were not in the manifesto - they were carried out in haste and they have badly damages the welfare of tenants who will lose homes and investors trying to be prudent for the future. This is not about big landlords but the small investor trying to create a basic pension.
5. *I have still to see the impact on my portfolio of 3 houses but feel that the government should allow the sale of houses and purchases of another within a given period to allow you to improve your portfolio for geographical or house type reasons.*

¹ The Southern Landlords Survey on tax changes ©

² Figures from estate agent ludlowthompson based on data from HM Revenue & Customs

³ <http://webarchive.nationalarchives.gov.uk/20160105160709/http://www.ons.gov.uk/ons/re/census/2011-census/detailed-characteristics-on-housing-for-local-authorities-in-england-and-wales/short-story-on-detailed-characteristics.html>

⁴ https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/469213/English_Housing_Survey_Headline_Report_2013-14.pdf figure 1.1

⁵ https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/595785/2015-16_EHS_Headline_Report.pdf page 2