

Evidence and Policy on the Private Rented Sector

The private rented sector has grown dramatically in size and importance in recent decades; the 2016 House Condition Survey revealed that almost one in five households in Northern Ireland rented privately, and private renting has been the second largest housing tenure in Northern Ireland since 2009.

At the Housing Executive's most recent *Insight* housing market intelligence exchange in March 2018, which was chaired by the organisation's Chief Executive, Clark Bailie, delegates heard about the findings of a private tenants survey carried out by the Housing Executive, the performance of the private rental market in Northern Ireland, and examples of how private renting operates and is regulated in other jurisdictions. We were also pleased to have input from the Department for Communities and CIH Northern Ireland on policy developments and approaches in relation to the sector.

This *Insight Briefing* summarises the information that was shared and the discussions that took place on the day, and provides signposts to other recent research and policy developments.

Private Tenants Survey 2016

One of the Housing Executive's key statutory roles is to regularly examine housing conditions in Northern Ireland, and the organisation has carried out 12 House Condition Surveys since 1974, including the most recent, for which the field work was undertaken in 2016. As part of the 2016 survey, respondents who were living in private rented accommodation were asked if they would be willing to take part in further research; this resulted in interviews with a total of 144 tenants across Northern Ireland.

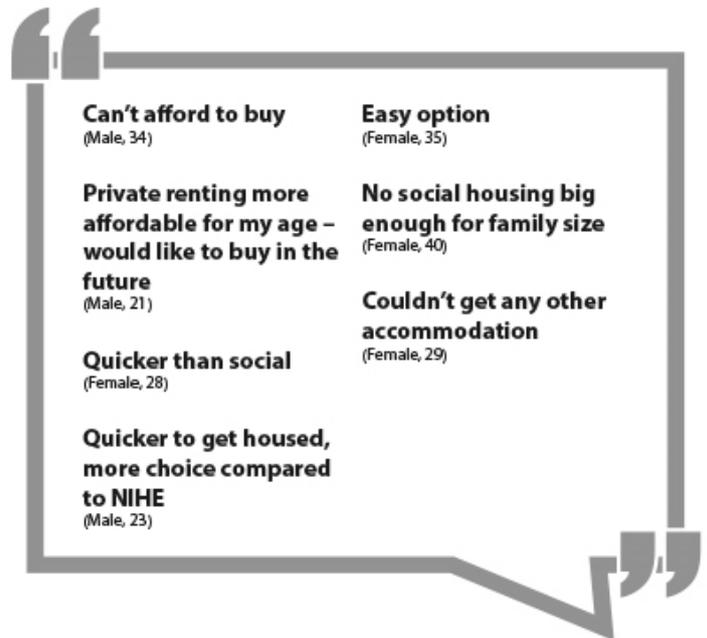
The Housing Executive had used a similar approach during both the 2006 and 2011 House Condition Surveys, carrying out follow-up research to capture information on the views and experiences of tenants living in what had previously been an under-researched and difficult-to-reach sector. On all three occasions, the House Condition Survey has provided an invaluable and sound source from which to gather a sample frame. Using a questionnaire that had been updated and modified with the help of an advisory group including representatives from the Department for Communities and Chartered Institute of Housing (CIH), the private tenants survey covered a range of issues including tenants' housing history, affordability, the landlord/tenant relationship, future intentions and regulation within the sector. The Housing Executive's Head of Research, Karly Greene, and Claire Kennedy, who led the research, presented some of the key findings from the survey at the *Insight* event.

Previous tenure and reasons for renting privately

More than two thirds (69%) of those surveyed had moved into their current accommodation within the last five years. These respondents were asked about their previous tenure, and two thirds (66%) indicated that they had moved from another privately rented property. The proportion had been similar in the research that followed on from the 2011 House Condition Survey (carried out in 2012: 65%), but lower in 2006 (49%).

The most common reasons for choosing to rent privately were family/personal factors such as wanting to set up home on their own, moving closer to family and friends, and relationship breakdown/separation. These types of issues were cited by almost one third (29%) of all respondents. Difficulty accessing other tenures is generally perceived to be one of the main reasons for the growth of private renting in recent decades, and more than one fifth (22%) of respondents mentioned issues related to not being able to afford owner occupied accommodation or having difficulty accessing a home in the social housing sector (Figure 1).

Figure 1: Comments made on reasons for renting privately



Affordability

Up-front costs are an important component of affordability in the private rented sector, and the survey found that more than three quarters (77%) of respondents had had to pay a deposit and/or rent in advance to secure their accommodation. The mean amount paid in advance was £794 and almost half (47%) said that they had found this *fairly* or *very* difficult to afford. One in three had received help to pay the deposit, most commonly from family and friends.

Administrative data indicate that around 70,000 tenants in the private rented sector in Northern Ireland were in receipt of Housing Benefit in early 2018. Around three fifths (59%) of those who participated in the Private Tenants Survey received Housing Benefit, but 81% of this group indicated that the Housing Benefit they received did not cover all the rent (either because their income was too high, the rent was above LHA rate, or they were deemed to have more bedrooms than required under the LHA: see Box 1), and they therefore had to make up the shortfall between HB and rent. Of the 88% of *all* respondents who had to pay some or all of their rent, around one third (34%) indicated that they found it very or fairly difficult to afford the payments they had to make.

Box 1: Local Housing Allowance (LHA):

Under the legislation accompanying the Local Housing Allowance (LHA) scheme for those who rent accommodation in the private sector, the rate of LHA paid is based on the rent levels for eight specified areas in Northern Ireland ('Broad Rental Market Areas') and how many people live in the household. The Housing Executive sets the LHA rates for different property sizes within each broad rental market area. For more information see the [Housing Executive website](#).

Relationship with landlord/letting agent

The majority of respondents who took part in the survey (60%) dealt directly with their landlord, while almost one quarter (23%) dealt with a letting agent. In the remainder of cases, tenants dealt with both their landlord *and* an agent, or had shifted from one to the other during the course of their tenancy. The survey results painted a positive picture of the relationships between tenants and their landlord/letting agent. Specifically:

- **86%** described themselves as being on **good terms** with their landlord/letting agent;
- **83%** were **satisfied with the services** provided by their landlord/letting agent; and
- **82%** did not feel there was any way their **relationship** with the landlord/letting agent could be improved.

Satisfaction with the way that the landlord/letting agent dealt with repairs and maintenance was slightly lower, at 76%. Respondents who were dissatisfied with this aspect of the service mentioned problems such as slow responses to repair requests, or landlords only doing 'the bare minimum'.

Desirability and future intentions

When asked about the main advantages of renting privately, respondents gave a variety of reasons. The most common related to:

Access 21%	The private rented sector was more easily accessible than the social rented sector (long waiting lists) and owner occupation (difficulty getting a mortgage or accumulating a deposit)
Quality 16%	Respondents noted that they were able to get repairs carried out, properties were well maintained and/or there was a good standard of dwellings available to rent privately
Desired area 15%	The availability of privately rented properties gave people the opportunity to find accommodation in the area where they wanted to live
Flexibility 12%	Respondents mentioned that the private rented sector offered the opportunity to move easily and was a good temporary/short term option

All respondents were also asked whether they thought that private renting was more or less desirable than social and owner occupied housing. Figure 2 shows that while around one third (31%) thought that private rented housing was more desirable than social housing, the same proportion indicated that it was *less* desirable than having a social tenancy.

The preference for owner occupation over private renting was more pronounced: only 13% thought private renting was more desirable than home ownership, while almost two thirds (64%) said that home ownership would be more desirable than private renting (Figure 3).

The figures suggest that while there are a number of advantages associated with private renting and respondents valued the accessibility, flexibility and choice offered by this tenure option, it may not be the ultimate tenure of choice for a considerable proportion of those who live in the sector. However, this does not necessarily mean that tenants expect to be able to move to a different tenure in the near future.

Indeed, when asked about their future intentions, almost two thirds (64%) of all respondents said that they intended to stay in the private rented sector for the next five years. Only one quarter (25%) said they did not, while around one tenth (11%) did not know whether they would stay in private rented accommodation. Of those who intended to *stay*, 80% expected to stay in the property they were living in. Of those who did *not* intend to stay, more than half (56%) wanted to move to the owner occupied sector.

Figure 2: Do you think private rented housing is more or less desirable than *social* housing?

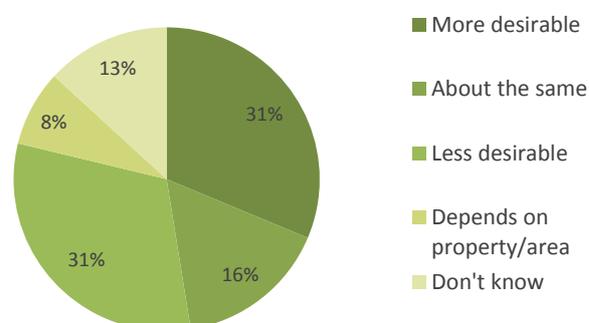
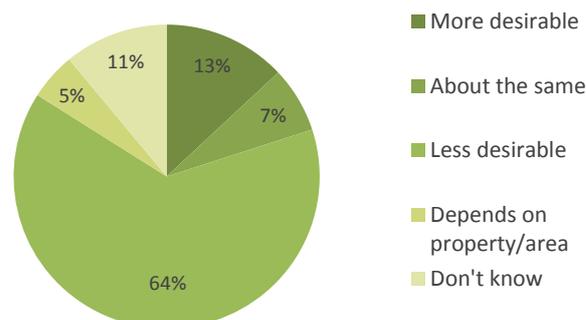


Figure 3: Do you think private rented housing is more or less desirable than *owning your own home*?



Rental documents and rights

Tenants living in the private rented sector should be provided with a number of key documents. Under the Private Tenancies (Northern Ireland) Order 2006, all new tenants must be provided with a **rent book**, free of charge. In addition, since 2008, landlords and letting agents have had a legal obligation to provide tenants with an **Energy Performance Certificate (EPC)** when moving into a property. Finally, where a tenancy is due to last for at least one year, a **written tenancy agreement** should be provided at the commencement of the tenancy.

Only around one quarter (27%) of respondents said they had been provided with a rent book; the figure was the same in both previous private tenants surveys carried out by the Housing Executive. An even lower proportion (only 13%) said they had been provided with an EPC; almost three quarters (74%) had not, and a further 13% could not remember. However, the figures indicate a slight improvement since 2012, when 90% of respondents said they had not received an EPC. More positively, more than three quarters (77%) of all respondents had been provided with a written tenancy agreement. Although there was wide variation in the content of the agreement, there has been a steady increase in the proportion of respondents provided with this document, from 62% in 2006 and 68% in 2012.

Almost two thirds of respondents (63%) said they knew where to go for information on their rights as a tenant, with Citizens Advice Bureau the most commonly-cited source (54%), followed by the internet (19%) and the Housing Executive (12%). However, more than one third (37%) said they did *not* know where to go for information on their tenancy rights.

Regulation

In line with the increasing size and importance of private renting, and recognising the role it plays in meeting the housing needs of a diverse range of people and households, there has been an increased focus on policy interventions to improve management and standards in the private rented sector – for the benefit of both tenants and landlords – in recent years. This has resulted in the introduction of the [Tenancy Deposit Scheme](#) (from 2013) and the [Landlord Registration Scheme](#) (from 2014). The survey examined tenants' awareness of existing schemes and explored their views on the value of other possible schemes. Where existing schemes were concerned, the survey showed that:

60% did not know what a *tenancy deposit scheme* was

67% had not heard of the *Landlord Registration Scheme*

Other forms of regulation and support that could be introduced in the private rented sector include: *accreditation* for landlords, letting agents and/or tenants; landlord/letting agent *licensing*, and an *arbitration service*. Respondents to the survey expressed varying degrees of support for these proposals:

- 88% said there should be an arbitration service to deal with landlord/tenant disputes
- 79% said there should be an accreditation scheme for landlords
- 78% said there should be an accreditation scheme for tenants
- 76% said there should be an accreditation scheme for letting agents
- 60% said there should be a licensing scheme for landlords and letting agents

Among those who supported the idea of accreditation for landlords and lettings agents, the most popular assessment criteria were *quality* and *timely completion* of repairs (85% and 83% respectively for both landlords and agents). Similarly, maintaining the property in good condition (87%) and payment of rent on time (75%) were the most common assessment criteria selected by respondents for tenant accreditation. While there was strong support for the idea of an arbitration service, it is worth noting that 95% of tenants who took part in the survey said they had never had a serious dispute with their landlord or letting agent.

The findings of the survey indicate generally high levels of satisfaction with both accommodation and the services provided by landlords/letting agents. However, it appears that there is more work to be done in raising awareness of the rights and responsibilities of both landlords/letting agents and tenants. The Research Unit is due to carry out further analysis of the survey data, by household characteristics, and these findings will be published in due course.

Performance of the Private Rental Market in Northern Ireland

The Housing Executive's 2006 House Condition Survey showed that the private rented sector had grown by two-thirds over the previous five-year period. In light of the increasing importance of private renting as a housing tenure in Northern Ireland and the lack of information available at the time on rental levels and lettings, the Housing Executive formed a partnership with Ulster University and PropertyNews.com to provide Northern Ireland's first detailed insight into the dynamics of the private rental market.

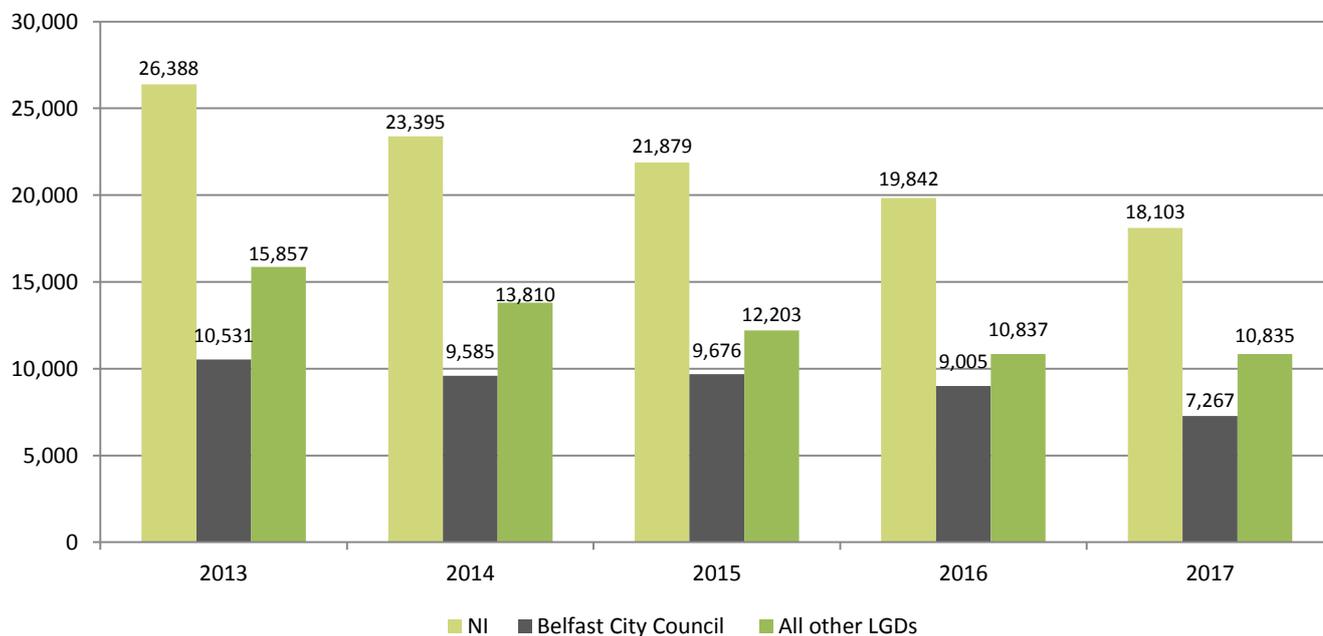
Due to data limitations at the time, the first eight [reports](#) on this research were based on analysis solely of the Belfast Metropolitan Area (BMA). Since 2013, the availability of additional data has enabled analysis of the Northern Ireland rental market as a whole, by combining rental data from PropertyNews.com with rent data collated by the Housing Executive to calculate the Local Housing Allowance for the administration of private sector Housing Benefit. It is a sample survey, which usually captures several thousand rental transactions each quarter.

Dr Martin Hinch and Dr John McCord of Ulster University, who work on the project, provided an overview of trends in the private rented sector, as well as summarising statistical analysis that has been carried out, using the data, to gain further insights into the relationships between the private rental market and trends in open market house sales in Northern Ireland.

Regional and sub-regional lettings trends

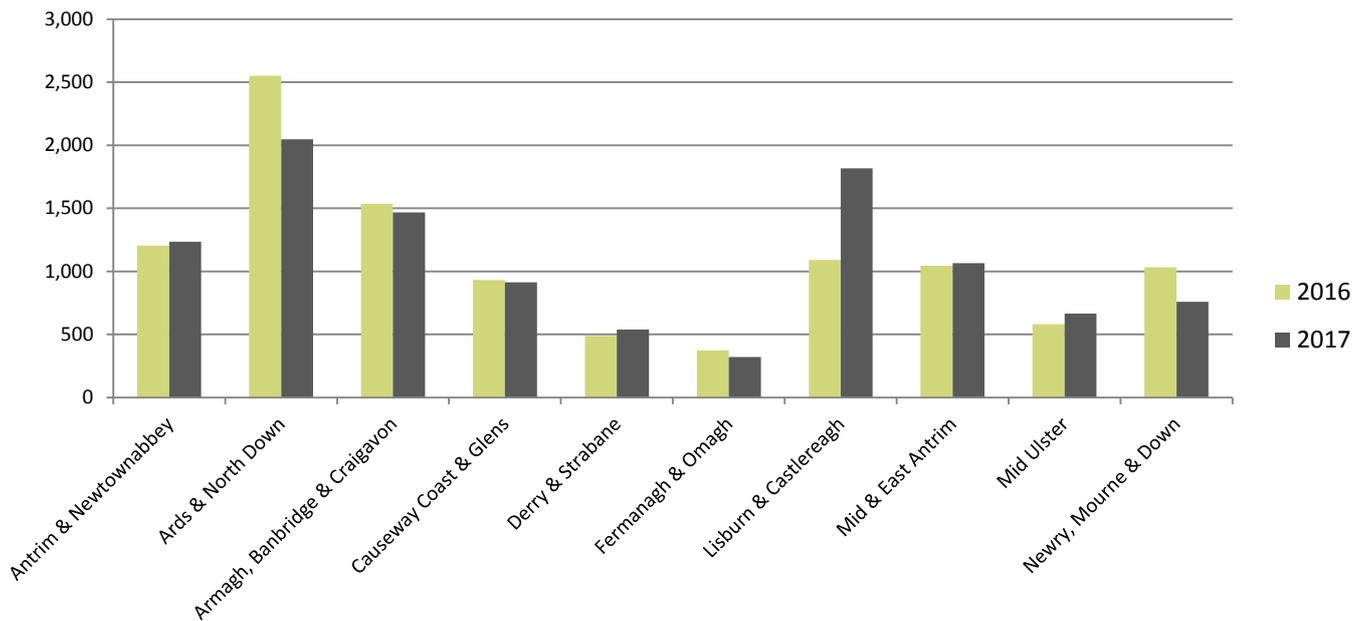
Figure 4 illustrates the number of lettings transactions captured by the research each year since 2013. Dr Hinch noted that an overall downward trend is clear and while this most likely represents a reduction in the amount of 'churn' within the market (associated with longer tenancies), other factors that may also have begun to influence the market include welfare reform and regulatory and taxation changes. It will therefore be important to monitor lettings trends on an ongoing basis.

Figure 4: Lettings in Northern Ireland, Belfast City Council area and all other Local Government Districts, 2013-2017



Not surprisingly, Belfast has consistently been the main rental market area in Northern Ireland, and accounted for 40% of all transactions in the survey in 2017. Outside Belfast, the highest volumes of transactions captured by the research in 2017 were in the neighbouring Ards and North Down and Lisburn and Castlereagh districts, and in the Armagh, Banbridge and Craigavon district. Figure 5 (overleaf) illustrates that while transaction levels were broadly consistent between 2016 and 2017 in most districts, there was a substantial *increase* in the size of the sample for Lisburn and Castlereagh, and a marked *decrease* in the number in Ards & North Down.

Figure 5: Number of lettings by Local Government District (outside Belfast), 2016 and 2017



Rent levels

The half-yearly reports on the research cover the periods January-June (Half 1; 'H1') and July-December (Half 2; 'H2') for each year since 2013 and provide detailed analysis on transactions and average rent levels by property type and size at regional and sub-regional level. However, as the lifespan of the private rental index increases, a longer-term view of headline trends at Northern Ireland level is also beginning to emerge. Table 1 shows the average monthly rent by property type and size at Northern Ireland level between 2013 and 2017. Addressing the audience at the Insight event, Dr Hinch noted that this period has been characterised by relative stability, with average rents generally rising steadily – but not dramatically – year-on-year.

Table 1: Average Monthly Rent (Northern Ireland) 2013-2017

		2013	2014	2015	2016	2017	% change 2016-2017
Property Type	Apartment	£530	£535	£554	£552	£574	4.1
	Terrace/Townhouse	£513	£525	£539	£543	£574	5.7
	Semi-detached	£534	£546	£557	£579	£598	3.2
	Detached	£636	£669	£667	£726	£737	1.5
Property Size	1 bedroom	£415	£412	£423	£435	£451	3.6
	2 bedrooms	£491	£496	£509	£523	£537	2.7
	3 bedrooms	£526	£534	£549	£567	£585	3.1
	4+ bedrooms	£733	£785	£803	£812	£856	5.4
Overall Average Monthly Rent		£538	£549	£560	£572	£596	4.4
Total number of transactions in sample		26,388	23,395	21,880	19,842	18,102	

Nonetheless, the Ulster University analysis has shown that trends at Northern Ireland level mask considerable variation both *within* and *between* rental markets at sub-regional level. For example, on a half-yearly basis, the greatest growth in average rent between H1 2017 and H2 2017 was in the Armagh, Banbridge and Craigavon district, where the figure increased by 5.7%, from £511 to £540. During the same period, average rents in both Belfast and the Causeway Coast and Glens districts *decreased* slightly (by 1.4% to £653, and by 3.2% to £517 respectively). However, on an *annual* basis, patterns of change in average rent at district level between 2016 and 2017 were quite

different. Using this measure, the greatest levels of increase were in Causeway Coast and Glens (up by 14.4%, from £459 to £525) and Belfast (up by 7%, from £615 to £658), while the lowest levels of growth were in Ards and North Down (up by 1% to £613) and Antrim and Newtownabbey (up 1.1%, to £551). The average rent did not decrease between 2016 and 2017 in any local government district in Northern Ireland.

Having noted the variation in average rents between and within districts, the University carried out further analysis on the figures for H2 2017, looking at the distribution and variance of rents *within* each district council area. The team used the **Coefficient of Variation (CV)**, which captures the variability in relation to the mean rent within each area, as a relative measure of the variability of rents (see Box 2). The average rent for each of the 11 districts in Northern Ireland, along with the CV and the median, 25th and 75th percentile rents during H2 2017, is set out in Table 2. The figures indicate that during the period from July to December 2017, Ards and North Down district had the greatest rental spread (39%), followed by Belfast (36%), reflecting a combination of the variety of dwelling types and sizes of properties for rent, and the variability of rents by geographical location within these districts.

Box 2: Coefficient of Variation

The Coefficient of Variation (CV) is a measure of relative variability. It is the ratio of the standard deviation to the mean (average). The CV is particularly useful when comparing results from surveys or samples that have different measures or values.

In this case, for example, if the sample for District A has a CV of 10% and the sample for District B has a CV of 20%, we can say that District B has more variation in rents, relative to its mean rent, than District A.

For more information on Coefficient of Variation and how it is calculated, see www.statisticshowto.com/probability-and-statistics/how-to-find-a-coefficient-of-variation/

Table 2: Average, Median, 25th and 75th Percentile rents and Coefficient of Variation by Local Government District, H2 2017

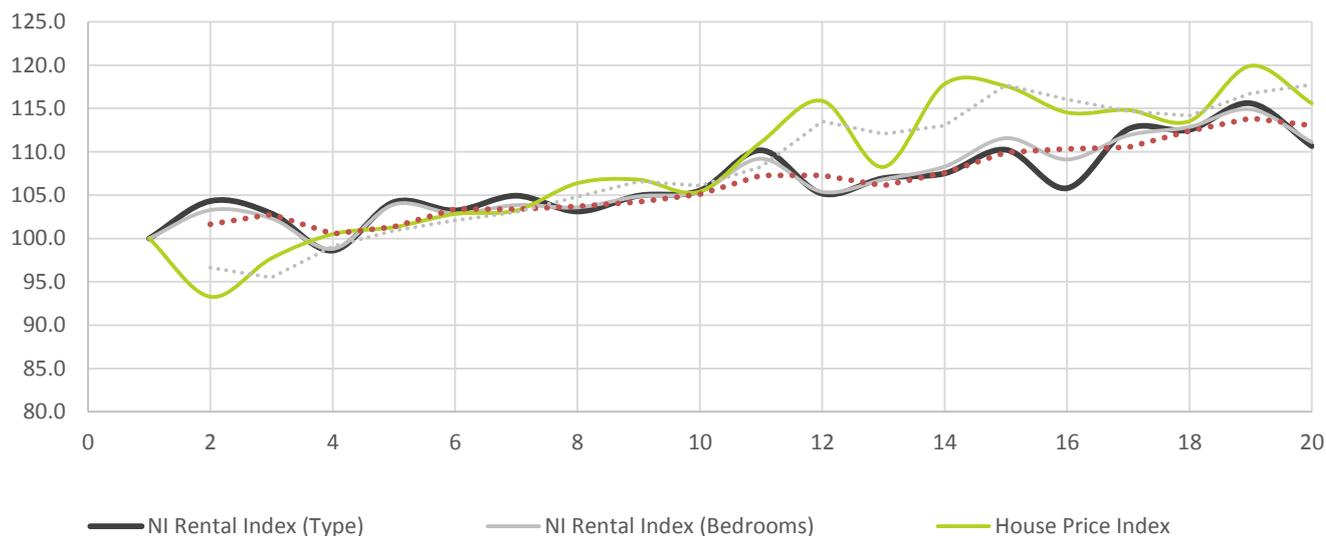
Council Area	Average Rent (£)	Coefficient of Variation	Median Rent (£)	25 th percentile rent	75 th percentile rent
Antrim & Newtownabbey	£557	25%	£525	£471	£600
Ards & North Down	£618	39%	£550	£476	£658
Armagh, Banbridge & Craigavon	£540	21%	£520	£456	£588
Belfast	£653	36%	£595	£499	£745
Causeway Coast & Glens	£517	24%	£500	£450	£565
Derry & Strabane	£529	19%	£522	£477	£577
Fermanagh & Omagh	£470	20%	£460	£418	£523
Lisburn & Castlereagh	£613	26%	£589	£525	£675
Mid & East Antrim	£518	24%	£500	£450	£572
Mid-Ulster	£530	18%	£538	£476	£580
Newry Mourne & Down	£548	23%	£525	£475	£595

Exploring the spatial and temporal dimension of the Private Rental Market

Dr John McCord went on to explain that, as well as using the figures to provide an overview of rental market performance, the University has undertaken additional exploratory analysis to consider the relationship between the rental index for Northern Ireland and the [House Price Index](#), which is also calculated for the Housing Executive by the Ulster University research team.

Starting from the first quarter (Q1) of 2013, Figure 6 (overleaf) follows the two indices through each subsequent quarter until period 20, or Q4 2017. While it appears that both indices are trending in the same direction in parallel, filtering the market noise from the time series (using the two dotted *moving average* trendlines) suggests more pronounced volatility over the last six quarters, which arguably reflects *increased house price inflation* against *relatively stable rental values*. Indeed, *correlation* analysis indicates that while the house price and rental indices are highly correlated, when the same type of correlation analysis is carried out on the *percentage change* in the two indices (in order to remove the ‘temporal stationarity’, or implied growth) there is *no association*. This suggests that although *the two indices appear to move in the same direction, the changes in each quarter are not inter-related*.

Figure 6: Rental and House Price Indices (Northern Ireland), Q1 2013 ('1; base) – Q4 2017 ('20')



The team at Ulster University have also used various other statistical approaches to test associations between the two indices, including **Granger causality**. According to Granger causality: if a signal, X_1 “Granger-causes” a signal X_2 , then past values of X_1 should contain information that helps predict X_2 above and beyond the information contained in past values of X_1 alone. The results of this analysis suggested that house prices and rents help predict each other’s values in the very short term, but that the relationship is not significant beyond this short time period. This finding highlights the (often behaviourally-related) issue of *market unpredictability*, which can be difficult to measure and will require further analysis as more data becomes available over time.

Dr McCord went on to note that interesting patterns are also apparent in the rental pricing structure across the various local government districts. Figure 7 indicates at least two (possibly *three*) distinct markets, based on relatively stable pricing structures over the duration of the research. These exploratory findings underline the need for further analysis of the structural segmentation of the rental market and how it relates to rental pricing behaviour.

Figure 7: Trends in average rents by Local Government District, Q1 2013 ('1) - Q4 2017 ('20')



It was noted that this issue of market segmentation is particularly relevant to policy issues such as welfare reform and the Local Housing Allowance, which is set at the 30th percentile of market rental prices. While there is an aspiration to design and apply policy that operates with equity, uniformity and fairness, in practice it is difficult to ensure uniform outcomes across a number of differently-structured markets.

Separate research carried out by Dr McCord and his colleagues had highlighted the importance of *location* in determining and understanding rental market performance in Belfast, identifying high levels of market segmentation across localised pockets of the city's market, *including* the segmentation arising from territorial segregation. The initial analysis of the rental index data points to a need for more research and modelling to help gain a better understanding of how external and/or spatial issues impact on rental value in the various other markets across Northern Ireland.

Associations between markets

The research team has also carried out analysis of the levels of association between the rental markets in the various district council areas. Some of the main findings from this analysis have been that:

- market areas which are structurally similar appear to correlate more, indicating similar pricing trends; **and**
- geographically adjacent markets also appear to have higher levels of association; **however**
- internal market structures, composition and forces (i.e. local issues) also seem to play a significant role; indeed in some cases there is evidence of negative association in pricing across and between spatial sub-markets, which is characteristic of distinct markets that are *not* related.

Overall, the analysis suggests that some markets are related both spatially and in terms of price structure, while others are not. A 'patchwork' effect is apparent, with some markets conforming to expectations and others not. This structural and spatial segmentation exacerbates the difficulties associated with policy development; markets may be similar in population density, employment, labour and/or deprivation patterns, but may have different *or* similar pricing signals. The work to date indicates that, at district level, some markets are *acting* independently and *are* independent, in terms of price and market structure. Others *appear* to be acting independently, but are *not*, while others are *acting* in a co-dependent fashion, but are *independent*.

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The key learning point from this statistical analysis is that the rental market is more complex than rental values and dynamics alone might suggest, and that caution needs to be applied to both market analysis and policy development.

Conclusions

Dr McCord concluded by highlighting a number of wider issues that should be monitored and explored in more detail to help gain greater insight into developments within the private rented sector in Northern Ireland.

- The **profile of landlords** is relevant to issues of demand, supply and affordability, as changes in macro-prudential and economic policy appear likely to have magnified effects on the residential sector, particularly if such policy widens the rental affordability gap.
- There are questions about the situation of **existing renters**. The rental index captures 'new' lettings transactions, but there is less evidence on what happens 'within' the sector, and the extent of any affordability difficulties experienced as a result of rent rises on existing leases.
- Analysis of the **affordability** of 'new' lettings suggests that there may be emerging issues across some districts. Additional analysis at sub-market levels would provide more clarity but, depending on the affordability threshold applied, there is evidence of pressures in the wider Belfast Metropolitan Area and in Derry.
- Examination and short-term forecasting of the indices suggests the need to be cognisant of the marginal – but apparently creeping – divergence between rental pricing (growth) and house prices. Such a trend would distort access to the mainstream market and increase the disparity in rental affordability. This would be a zero sum game even if the markets levitate, but the trends may point towards a more problematic outcome.

Policy and the Private Rented Sector

Speaking on behalf of the Department for Communities, Eilish O'Neill, the official with responsibility for the Department's Private Rented Sector team and the review of the role and regulation of the private rented sector, provided an update on the policy work being undertaken by the team, which also oversees:

- The transfer of responsibility for houses in multiple occupation (HMOs) to councils from the Housing Executive;
- The Landlord Registration Scheme;
- The Tenancy Deposit Scheme; and
- The [Review of the Housing Fitness Standard](#)

Landlord Registration

- At November 2017, there were around **49,000 registered landlords**, who had provided details of around **100,000 properties**.
- **83%** of those landlords owned one or two properties.
- In March 2018, a re-registration process was under way.

Tenancy Deposit Scheme

- At March 2018, **52,000** tenants' deposits were protected, amounting to over **£30 million**.
- A total of **117,000** deposits had been protected since the scheme started in 2013.

Welcoming the findings that tenants in the private rented sector had shown high levels of satisfaction with their accommodation, relationships with landlords and agents, and their expectations around future security of tenure, Eilish noted that proper regulation of the sector is vital, given its growth and the wide range of housing needs for which it caters.

[Review of the Role and Regulation of the Private Rented Sector](#)

The review, which has been taken forward as part of the DfC's Housing Strategy Action Plan (2012-2017), aims to:

- Consider the current and potential future role of private rented properties in meeting housing need;
- Assess the effectiveness of the current regulations, and look for any 'unintended consequences' of existing legislation (which is contained mainly within the 2006 Private Tenancies Order); and
- Identify where improvements can be made.

Throughout the review, the Department has been mindful of the need to achieve the right balance of policy for both landlords and tenants, and discussion and consultation have been important aspects of the process. Feedback from the initial 2015 [discussion document](#) informed the most recent [consultation](#), which ran for three months from January 2017 and contained proposals for change in relation to six main issues:

Supply

Affordability

Security of Tenure

Tenancy Management

Property Standards

Dispute Resolution

The Department has subsequently formulated firm proposals for consolidation and amendments to the existing legislation, taking account of the written and verbal responses to the consultation. While the absence of a Minister meant that by spring 2018 it had not yet been possible to progress these proposals, Eilish concluded by noting that the Department's policy development activity was continuing. Work was under way to develop specific proposals, conduct research, and review implementation options, including the [Landlord Advice](#) service, which was being piloted by Housing Rights on behalf of the Department. The Department had also been involved in discussions with the Housing Executive about future research to further inform policy deliberations.

Private Renting and the Role of the Housing Sector

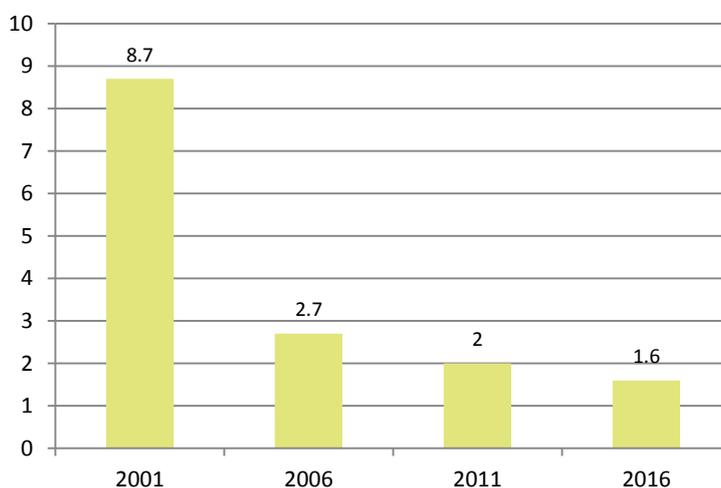
Justin Cartwright, Policy and Public Affairs Manager with the Chartered Institute of Housing (CIH), was the final Northern Ireland-based speaker at the Insight event. He commenced by noting that the wider housing sector's response to the current role of the private rented sector in Northern Ireland's housing market needs to be shaped by an understanding of where the sector has come from.

The growth of private renting in recent decades has been the result of a combination of factors related to tenure restructuring, including lower levels of new social housing development since the 1990s, the recovery of private house building after the 1970s and 1980s, and the growth in popularity of property as an asset and investment during the 2000s, when there was a surge in buy-to-let investment across the UK, including in Northern Ireland. Following on from the Global Financial Crisis, barriers to home ownership (in the form of tighter mortgage lending criteria and the requirement for larger deposits) raised demand for private rented homes, which was increasingly met by individual landlords. These changes present both challenges and opportunities, particularly in relation to property conditions and management standards.

Property conditions

As Figure 8 illustrates, successive House Condition Surveys have shown that the rate of unfit in the private rented sector reduced from around 9% in 2001 to less than 2% in 2016. This positive outcome has been the result of the newer properties being added to the sector over recent years and investment by landlords, including grant-aided improvements to properties. However, with an overall drop in the level of new build output and impending changes to the tax system, which mean that landlords will no longer be able to claim for loan interest costs, there is a question mark over the future direction of property conditions in the sector, and a risk that after a period of improvement, maintaining the quality of the private rented stock may prove challenging (especially for smaller-scale landlords) in the longer term.

Figure 8: Rate of unfit in the private rented sector, 2001-2016 (NI House Condition Survey)



Management standards

The most recent data from the Landlord Registration Scheme (November 2017) indicated that around 70% of landlords in Northern Ireland owned only one property, and a further 15% owned two dwellings. Only 5% owned more than five properties. The figures suggest that most landlords operate on a part-time basis, juggling tenancy management with other activities or another full-time profession, and some are landlords out of necessity (for example, due to negative equity) rather than through choice. While many landlords seek to operate as professionally as possible, some may not have the knowledge, skills and confidence to do so. It is encouraging that the Private Tenants Survey is one of a number of studies that has shown high satisfaction with landlords, but this is not the case throughout the sector and some tenants live in poor conditions and receive poor services.

What can the housing sector do?

There is a tendency to look to regional and local government for regulatory or legislative responses to address issues that are not resolved by the market. However, the CIH has considered what the housing sector itself can do to support the private rented sector, and in 2012 CIH Northern Ireland launched a qualification for private landlords, with the aim of raising standards through education. A total of 120 learners took part in this course, before it was relaunched in May 2016 as [Learning to Let](#). Recognising the value of this course, the Department for Communities has provided bursary support to reduce the amount paid by participants and by spring 2018, 300 landlords and letting agents had undertaken the course. *Learning to Let* comprises three units: property and tenancy management; tenancies and the law; and customer care.

An independent evaluation of the *Learning to Let* course found that:

- 91% of learners stated that the training they received increased their knowledge in issues relating to their role as a landlord or letting agent and, of these, 85% agreed that they were able to apply the new knowledge they had gained;
- 91% were more confident about the legalities of renting as a result of the training course;
- 91% were confident about complying with regulations; and
- 74% agreed that their confidence in dealing with their tenants had increased.

Where to now for private rented sector policy?

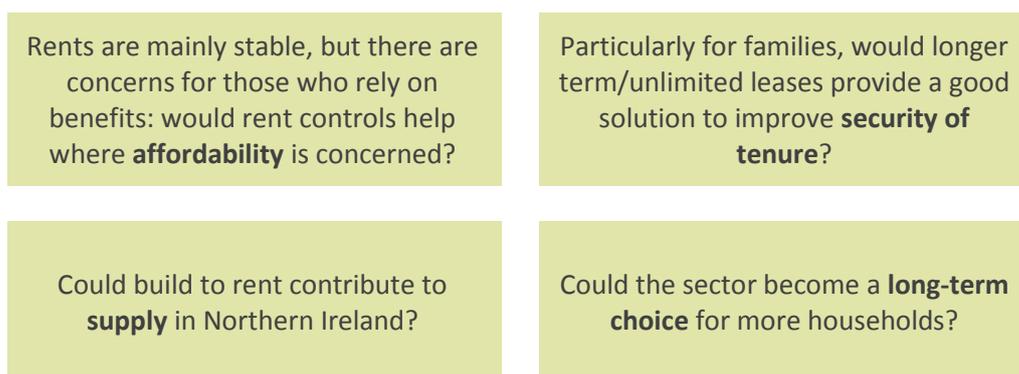
Justin concluded by setting out the CIH position on two key policy areas for the private rented sector. First, the CIH view had been (and remains) that accredited landlords should be able to claim tax deductions for improvement works such as measures to increase energy efficiency. However, the UK government has taken the opposite approach, by limiting allowable deductions, and this may present a new challenge. Second, in its role as an independent charity with education at the core of its work, the CIH is convinced that an appropriate licensing system built around accreditation would help encourage professional practice and bring about positive change in Northern Ireland's private rented sector.

Learning the Lessons: National and International Evidence and Approaches

The final presentation, by Kath Scanlon of London School of Economics (LSE), took a wider perspective on private renting, looking at how policies and systems in other jurisdictions compare with those in Northern Ireland. Kath has been researching various aspects of private renting since 2004, when she analysed the largest survey of UK private landlords to date, an exercise that was repeated in 2016. She has also looked at regulation and taxation of private landlords across Europe, and her recent publications include several on the potential of large-scale private rented schemes (so-called *build to rent*).

Kath began by highlighting four key issues for the private rented sector on which there might be potential for Northern Ireland to learn from approaches elsewhere (Figure 9), before moving on to provide an overview of some international perspectives on private renting.

Figure 9: The issues in Northern Ireland



International perspectives

The scale of the private rented sector varies enormously between countries, accounting for only 7% of the housing market in Spain, 17% in England, Norway and Sweden (a proportion similar to Northern Ireland) and 25% in Australia. The sector is larger in the USA (32%) and a very common housing option in Germany, where 59% of housing is privately rented. Despite these differences, in most countries tenants are either relatively young or relatively old, generally lower income households, and often single people or single parents. They also tend to be 'mobile' groups – young professionals, students or high-income corporate transfers – and often can't afford owner occupation. In contrast, middle- and upper-income families almost always own their own homes and (especially in the UK), very few older people rent privately.

Affordability and security of tenure

Internationally, rent regulation and lease duration go hand-in-hand; if they did not, there would be a possibility of 'economic eviction'. A range of approaches is set out in Table 3, which shows a rough correspondence between regulation of rents and security of tenure. Most European countries have more control on private sector rents and leases than currently exists in Northern Ireland.

Table 3: International approaches to rent regulation and lease arrangements

Country	Rent Regulation...			Leases	
	...on first renting*	...on new tenant	...of rent rises on existing leases**	Typical lease period	Security beyond lease period
Switzerland	✓	✓	✓	Indefinite	High
Netherlands	Most	Most	✓	Indefinite	High
Germany	Sometimes	Sometimes	✓	Indefinite	High
Sweden	Based on rents for similar units owned by municipal housing companies			Indefinite	High
Spain	X	✓	✓	5 years	Low
Norway	X	X	✓	3 years or indefinite	Low
France	X	X	✓	3 years	Medium
Belgium	X	X	✓	1-3 years	Low
Finland	X	X	✓	One year	Medium
USA	X	X	X	One year	Low
Australia	X	X	X	6 months	Low

* applies mainly to new purpose-built rental dwellings

** how *much* and how *often* the rent can rise within the lease period

Turning to two more detailed examples, Kath then looked at the situations in Germany and Scotland.

Germany

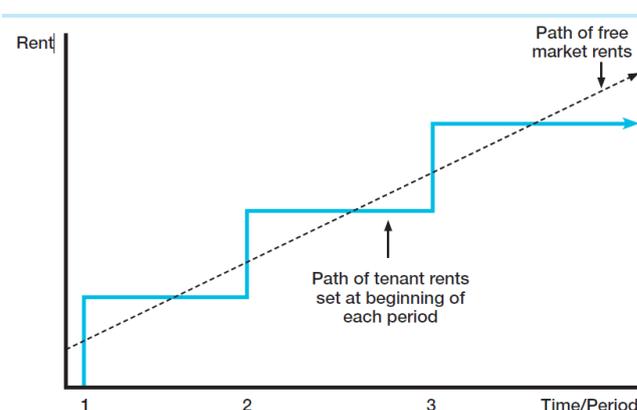
In Germany, tenants get indefinite leases, and landlords can only evict a tenant for reasons that are set out in the relevant legislation; these include damage to the property and non-payment of rent, but tenants *cannot* be evicted because the landlord wishes to sell the property. If a landlord sells, the lease binds the new owner to continue renting the property. There is a notice period for eviction of between three and nine months depending on how long the tenancy has lasted

There is generally no restriction on rents at tenancy commencement; rents can be freely set, but at no more than 20-50% above average rents in the local area. However, since 2015, caps have been imposed on initial rents in a number of cities where rents had been rising quickly, including Berlin, Hamburg and Munich. During the tenancy, rent can increase every 15 months, by the average in the area; each city applies a detailed methodology to calculate rent increases, based on rent tables, property type and specification.

Figure 10 illustrates the path of rents under the type of system that exists in Germany; in principle, rent levels track the market, with a slight lag. The German system gives tenants a great deal of security and tenants tend to stay in the same property for a long time (on average, 11 years).

It is worth noting that some elements of the underlying structure of the private rented sector are quite different from the situation in Northern Ireland. For example, most privately rented units in Germany are in rental-only blocks that are held in single ownership. Furthermore, landlords there invest into the longer term and there are generous tax breaks for energy efficiency improvements. It is also worth noting that landlords in Germany generally provide minimal facilities beyond the dwelling itself; properties usually have no furniture or kitchens.

Figure 10: Path of rents under third generation controls (e.g. Germany)



In addition, the economic environment in Germany also contrasts with that in the UK. Over the last decades, real house prices *fell* in most parts of Germany. This means that households do not feel they are missing out on the capital appreciation that tends to be associated with property ownership in the UK, and landlords have not tended to invest in the private rented sector on the basis of anticipated capital return. Furthermore, the rate of general inflation has also been very low, so costs have been fairly predictable, with the exception of some specific issues such as the costs associated with rising standards of energy efficiency.

Scotland

The Private Housing (Tenancies) (Scotland) Act 2016 came into force in December 2017, introducing a new [private residential tenancy](#) for new tenancies (existing assured tenancies and short assured tenancies will continue until terminated). This change brings alterations to the renting landscape in Scotland which will place it more in line with the German system than any other part of the UK. Some of the key changes associated with the private residential tenancy are:

- **Open-ended tenancies** for all new leases, including students. Landlords cannot impose a minimum tenancy term or a tenancy end date; tenancies will continue indefinitely until they are brought to an end, either by the tenant giving 28 days' notice or by the landlord evicting the tenant. There are 18 grounds for eviction, but there is no longer provision for 'no fault' eviction.
- **Rent can only be increased once every 12 months**, and tenants must be given three months' notice of any rent rise. Tenants can challenge a rent increase by referring it to a rent officer if they think it is too high.
- If a tenant has lived in a property for longer than six months, the landlord has to give at least **84 days' notice to leave** (unless the tenant has broken a term of the tenancy).
- The notice to quit process has been replaced by a simpler **notice to leave** process.

The new legislation also opens up the possibility for councils to introduce local rent caps by applying to have their areas designated as [rent pressure zones](#) if they can prove that:

- rents in the area are rising too much;
- the rent rises are causing problems for the tenants; and
- the local council is coming under pressure to provide, or subsidise the cost of, housing as a result.

By spring 2018, no rent pressure areas had been designated.

Build to Rent: A new type of supply

Elsewhere in the UK, there has been growing interest in the scope for increasing the supply of rental accommodation through development of new purpose-built units. These 'build to rent' dwellings generally take the form of mid- to high-rise blocks in locations with good accessibility, with the entire block owned and managed by a single organisation. Layouts have tended to differ slightly from standard for-sale schemes, with the aim of attracting single sharers by providing units with two-bedrooms of the same size, both en suite. Other features of these purpose-built blocks can include:

- professional management (often with a full time handyperson/concierge on site);
- amenities such as a gym, cleaning service etc;
- longer leases (three to five years standard);
- provision of fully-furnished accommodation; and
- provision of affordable units (retained by the operator, generally *not* transferred to a housing association)

The majority of build to rent activity to date has been in London, with examples including the Fizzy Living development at [Poplar](#) and Essential Living's [Vantage Point](#) development at Archway. One of the main barriers to provision of more build to rent properties has been the price of land in appropriate locations; it is difficult to compete with developers who could build units for sale at a higher price.

Other factors that stand in the way of increased build to rent output include: low risk-adjusted yields; the need for scale; negative perceptions on the part of investors and local government; lack of UK investor experience; and uncertainties around the regulatory and tax regimes. While there are question marks over whether the types of

large scale build to rent schemes that have been developed in dense urban areas of England could work in Northern Ireland, [Sigma Capital](#) has begun to take a different approach by developing new family homes to rent across key regional cities in England – a model that might have more relevance in the Northern Ireland context.

Policy issues and questions

Kath concluded her presentation by highlighting a number of issues that have relevance for the future role and structure of the private rented sector, both across the UK and in Northern Ireland.

- **Policy rhetoric:** the policies put in place by the UK Government reflect a view that small landlords compete unfairly with first-time buyers for the same pool of dwellings. Therefore, the new/increased taxes (including the 3% additional Stamp Duty Land Tax (SDLT) for purchase of investment properties or second homes; the change in the treatment of mortgage interest; and reduction of capital gains tax for all assets *except* residential property) mostly affect only small-scale private landlords. **But** these landlords continue to own the majority of privately rented dwellings in Northern Ireland and, to a slightly lesser extent, in England.
- **The issue of choice:** private renting suits some types of households well and has always been a tenure of choice for mobile professionals, single sharers and students. Increasingly, however, it also accommodates people who would rather live in, but cannot access, other tenures. Given that increases in SDLT mean every step on the property ladder costs more, it also increasingly makes sense for people to rent for longer before purchasing a property in which they are more likely to stay for a longer period of time. The challenge is to make private renting work better both for those who choose it *and* for those who have no choice.
- **Families:** more families are now living in the private rented sector, though often not through choice. These households need security, certainty about cost, and the ability to personalise their homes. Owner occupation and social housing meet these needs but, in its current form, private renting in Northern Ireland does not (albeit that in principle it could). However, there are deep-rooted cultural preferences – and financial drivers (expected capital appreciation, reduced housing costs in old age, the tax system) – that favour owner occupation, and these will not be altered by changes to the private rented sector.

Finally, Kath posed three policy questions that would merit further consideration:

- ? Should policy favour large corporate landlords when individuals and couples own the bulk of private rented sector homes, and will continue to do so?
- ? How can landlords be incentivised to provide better accommodation and longer leases? Could tax incentives work?
- ? What does a 'good' private rented sector look like and what needs to change to achieve it?

Discussion

A number of points were raised during the questions and discussions that followed the presentations.

Private Rented Sector issues

- Delegates commented on the fact that while there appears to have been a reduction in the level of 'churn' in the private rented sector, this has also been the case in the social housing sector, which has seen a gradual decline in the number of new allocations and re-lets of existing properties each year. In combination, these trends point towards possible difficulties for households seeking to access affordable accommodation. This is particularly pertinent given the recent consultation on [A Fundamental Review of Social Housing Allocations](#), which noted that the Housing Executive can meet its duty to homeless applicants on a tenure neutral basis, provided that the accommodation meets certain conditions. In practical terms, this reasserts the fact that there is no barrier to discharging homeless duty through private tenancies as well as a social housing allocation, which has been the dominant practice to date.

- There was some concern about the implications for the private rented sector of the roll-out of Universal Credit (UC). Delegates underlined the possible combined impact of needing to pay rent in advance, UC payment delays and Social Fund restrictions on the accessibility and sustainability of private tenancies. There were also questions around landlords' awareness of the forthcoming changes, and how well-placed they are to deal with any payment delays. It was noted that both the Department for Communities and the Housing Executive have been engaging with landlords to ensure awareness and try to avoid some of the problems that were identified during the earlier roll-out of welfare reform in England. Provision for the default payment of Housing Benefit/the housing element of Universal Credit to landlords is a very helpful mitigation to support both tenants and landlords in Northern Ireland.
- It was noted that the sample for the Housing Executive's Private Tenants Survey had comprised mainly people living in dwellings for single occupancy, and not Houses in Multiple Occupation (HMOs). A further summary on the socio-demographic profile of the tenants who took part in the survey is due to be published later in the year.
- Reference was made to the purpose-built rented accommodation for students that has been developed at a number of locations in Belfast. The availability of these units may impact slightly on the sub-sector of the rental market in Belfast that had traditionally provided HMO accommodation for students in the University area. Delegates also briefly discussed the issue of parking in areas where there have tended to be concentrations of student housing, and where on-street parking can be scarce. While this can create tensions, it was noted that occupants of HMOs are no different from any other local 'residents' in their requirement for parking spaces.
- Delegates mentioned a number of issues on which further research would be helpful, particularly regarding the position of landlords and their future intentions. In consultation with stakeholders including the Department for Communities, the Housing Executive has included outline specifications for a number of private rented sector-related projects – including a landlord survey – in its draft Research Programme for 2018/19.
- Landlord representatives noted that while the 'private rented sector' tends to be discussed as a single entity, in reality the term covers a wide range of circumstances, residents and landlords. In thinking about how they can work with, regulate and/or support the sector, policy-makers need to bear this in mind. The sector is increasingly meeting the needs of individuals and households who are unable to access social housing, and many landlords are willing to do so, but the small-scale, private individuals who make up the majority of private landlords need flexibility and are not in a position to absorb additional costs.
- Finally, it was noted that, while Community Planning is still at a relatively early stage, it should provide the opportunity to take a more holistic approach to a range of issues at local level, including housing and health and wellbeing. The private rented sector is an important aspect of the range of models and solutions to take into account within this interconnected view, helping to provide choice and meet housing need for a range of households.

The Housing Needs of Older People

Following a comment about how the housing needs of older renters are met, there was some wider discussion about the housing options available for older people, particularly the lack of appropriate supply for single people, those on low incomes and/or people with mobility issues. It was clear that there are linkages with a range of housing and housing market issues.

- Delegates referred to the links between housing and health, and the need to ensure that the stock exists to facilitate people who want to 'age in place' within the communities where they have connections and social support. Improved housing design and simple measures such as provision of handrails and other adaptations can help people remain independent in their own surroundings for longer.
- Aside from attachment to place and community, another reason why people may not move or downsize as they age is the lack of attractive alternative options. There is a need to be more ambitious and creative in the type of housing provided. There was a view that there would definitely be demand for good quality 'retirement village' style housing provision in Northern Ireland, but land costs mean that it would be prohibitively expensive to develop.

- On the other hand, older people do not necessarily want to live separately from the wider population. There is a need for a more 'intergenerational' approach to housing provision, with a greater mix of dwelling types and sizes side by side, to cater for a wider range of households. It is also important to think about how and where we, ourselves, might want to live in future, as we age and factor this into policy and planning.
- Delegates referred to the planning system and restrictions on the amount of land released for housing. To the extent that this may contribute to higher land prices, it forces developments towards multi-storey provision, but older people would generally prefer low-rise housing. The Housing Executive has advocated that the Local Development Planning process should take account of Northern Ireland's ageing population by increasing the requirement for wheelchair units and Lifetime Homes, which would diminish the need for – and cost of – housing adaptations in the longer term.

Other recent research findings

House Price Index

The most recent [Quarterly House Price Index](#) report was published by Ulster University in association with the Housing Executive and Progressive Building Society in February 2018, and indicated that the average price of homes in Northern Ireland during the final quarter of 2017 was £158,285. At £155,049, the average price of houses sold during 2017 was little changed from the previous year's average of £154,028. However, the rate of transactions remained buoyant; at around 8,700, the total captured by the survey in 2017 was the highest in more than a decade.

Private Tenants Survey

The full report and tabular results on the Private Tenants Survey are available to download from the Housing Executive [website](#).

Affordable Warmth Customer Satisfaction Survey 2017

As part of the quality assurance process for the Affordable Warmth Scheme, the Housing Executive's Grants Department asked the Research Unit to carry out a survey of applicants who received assistance under the Scheme during the financial year 2016/17. The aim of the survey was to measure levels of customer satisfaction with various aspects of the Affordable Warmth Scheme, with a view to identifying areas for improvement, where appropriate. The [report](#) provides background information on the Affordable Warmth Scheme and how it is administered, and sets out the findings of the survey along with full tabular results.

[A review of the Affordability of Social Rents in Northern Ireland \(2017\)](#)

Commissioned in 2016 by the Housing Executive on behalf of the Department for Communities to inform the Social Housing Reform Programme, this study considered the possible impacts of a gradual rise in Housing Executive rents in the context of a more transparent and equitable system of rents for social tenants, which would also help sustain the financial viability of social landlords. It should be noted that the analysis was completed before the UK Government's decision in October 2017 that Local Housing Allowance rates would not be applied to social and supported housing from April 2019, as had previously been proposed.

Organisations represented at the *Insight* exchange included:

Belfast City Council	Department for Communities	Planning NI
Bank of Ireland	First Trust	Private Tenants' Forum
Citizens Advice	Housing Executive	Smartmove
CIH Northern Ireland	Housing Rights	TDS Northern Ireland
Clanmil	LANI	Ulster Bank
Co-Ownership	NIFHA	Ulster University

If you would like to attend future *Insight* events, or have any comments or questions about the Housing Executive's research programme, you can contact us on 02895 982562 or research.bulletin@nihe.gov.uk