



The Chartered Institute of Housing

HOUSING 2011 CONFERENCE



Housing 2011 Session Information

PRS – it's the future

The private rented sector remains the only tenure that has continued to grow across the economic downturn both in absolute and relative terms. With high deposit levels locking first-time buyers out of the market and public expenditure cuts hitting social sector investment it seems that demand for private rented housing is likely to grow in the foreseeable future. But despite healthy prospects for demand the sector still faces serious challenges not least from welfare reform.

KEY FACTS

- By 1991 the sector had shrunk to two million dwellings – 8.5% of the stock. But by 2006 this had increased to three million and is still growing.
- It accounts for at least 10% of the stock in every country and region of the UK except London where it over 20%.
- 39.8% of the stock is pre-1919 and 14.2% is post 1990, both the highest of any sector.
- 19.0% of the stock is in the lowest two bands of energy efficiency (F & G) and the sector has the highest proportion of non-decent homes 40.8%



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BACKGROUND

Arguably the sectors outstanding feature is its domination by small non-professionalised private investors. This feature has been viewed by successive governments as a barrier to improved management and property standards. Various financial reforms (e.g. Housing Investment Trusts, REITs etc) designed to encourage institutional investment have largely been a failure. On the other hand Professor Julie Rugg in her review thought that domination by the small investor strengthened the sectors responsiveness which in turn was the main reason for its success.

Improving management and property standards especially at the lower end of the market together with welfare reform are the main challenges facing the sector. The sector has the highest proportion of properties that are non-decent although this may largely reflect the fact that the sector has the highest proportion of pre-1919 dwellings. Despite this standards have risen steadily as the sector has grown. However, diversity remains the sector's outstanding characteristic and is illustrated by the fact that it also has the highest proportion of post 1990 dwellings.

There are considerable differences in the policy and regulatory framework throughout the four nations of the UK. For example, in Northern Ireland the sector is almost entirely deregulated with minimal security of tenure whilst in Scotland there is a sector-wide compulsory registration scheme and in England and Wales there is regulation of deposits.

OTHER INFORMATION

Impact of housing benefit reforms, CIH, November 2010
<http://www.cih.org/policy/AnalysisofHousingBenefitChanges-Nov10.pdf>

CIH Budget Briefing 2011
<http://www.cih.org/policy/CIHBudgetBriefing-March11.pdf>

The Impact of Welfare Reform Bill measures on affordability for low income private renting families, Shelter/CIH, March 2011
http://england.shelter.org.uk/_data/assets/pdf_file/0007/334726/Impact_of_Welfare_Reform_Bill_measures_on_affordability_for_low_income_private_renting_families.pdf

UPDATE

The Coalition has abandoned plans for universal registration and the regulation of letting agents but has revived the idea of tax incentives to kick start institutional investment and announced two new measures in the Budget 2011:

- consultation, followed by legislation to remove barriers to investment in REITs.
- changes to the calculation of Stamp Duty Land Tax for the bulk purchase of property.

With strong growth expected there appears to be opportunities for partnerships with social landlords and the third sector to improve management and property standards through initiatives such as leasing or social letting agencies.

However, arguably the biggest challenge the sector faces are the April 2011 local housing allowance (LHA) reforms as follows:

- national caps (severely affecting larger properties in central London);
- restricting the purchasing power to the bottom 30% of the market.

Further welfare reforms follow in 2013 with the introduction of universal credit.



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