

The Housing Crisis - proposals to address the crisis from representatives of tenants, landlords and other property professionals.

This paper attempts to cut through the noise with practical policy solutions developed by a collaborative group of professionals in the PRS who uniquely represent everyone from tenants to landlords, agents, legal and finance experts, trade bodies, regulators and redress experts, and is produced on behalf of [The Letting Industry Council \(TLIC\)](#).

Our approach is from the perspective of the PRS, but resolving the Housing Crisis needs an overarching policy that addresses all tenures – private and social renting, home ownership, co-operative and community-led housing. While each has a distinctive role to play, they should dovetail rather than compete.

Context

Since the 1980s, there has been a major change in the rented sectors. Over 30% of households were renting in the social sector versus 17% today. Since 2012, over 112,000 social homes have been sold with approximately £7bn Right to Buy discounts given to tenants. The PRS housed just over 10% but today is home to 19% of households. Meanwhile, the rapid escalation of house prices coupled with cultural changes, reduced first-time buyers from 51% of 25–34-year-olds in the 1980s to 27% by 2019. House price inflation, along with increased legal and tax liabilities, and the rise in mortgage rates is causing landlords to exit the market. This, alongside the steep decline in Council homes has driven a shortage of rental stock.

Perhaps surprisingly, rents only rose in line with wages from 2012 to January 2022, a lower rate than inflation. However, the tax changes which were fully enforced from April 2020ⁱ and a rapid increase in demand, combined to place a significant upward pressure on rents.

The decline of social rented homes and increasing PRS rents, has resulted in 42% of private renters having to rely on housing benefit, with 56% of those entitled to the maximum receiving an average of £100 a month less than their rentⁱⁱ.

Those aged 25 – 34 who would otherwise have been looking to buy their first home, have been prohibited by the growing gap between house prices and incomesⁱⁱⁱ. Currently, house prices are around 7 times median incomes, with 3 times generally seen as affordable.

Saving for a deposit while renting is not an option for many, with 36% of earnings, on average, used for rents, rising in London to 46% of gross median pay for a one-bedroom home.

Despite the challenges, the PRS has continued to meet a range of housing needs.

It continues to house our student population which has grown from 1.3mn students to 2.86mn since the millennium, as well as many of the 4 million migrant workers and refugees who have a home in the PRS.

As mentioned above, the PRS fills the gap for those who cannot be accommodated in social rented homes and cannot afford to buy. This, of course, is in addition to those for whom renting is a conscious lifestyle choice.

Key Problems to be addressed

The legal framework for the PRS, including standards to ensure that rented homes are safe and in good repair, are spread across over a hundred areas of statutes, regulations and caselaw. There is

little support for landlords who wish to be compliant, and woefully inadequate local authority resources for enforcement against landlords letting non-compliant, unsafe homes.

Private landlords are not equipped or funded to provide the support services needed by households with high social needs. They provide homes for this vulnerable group because of the gross shortage of social rented homes.

House price inflation and rising interest rates obstruct would-be first-time buyers and prevent landlords from maintaining rents at an affordable level.

Solutions

We cannot detail these in this short paper and would welcome an opportunity to elaborate, perhaps through a Cross-Party/Cross-Industry Task Force, as proposed below. In the meantime, they are summarised as follows.

PRS Compliance

The Property Portal^{iv} proposed in the Renters (Reform) Bill is a golden opportunity to bring the myriad of legal requirements into one place with easily accessible information for landlords and tenants alike. Importantly, mandatory landlord registration should include a requirement to provide independent evidence of property and management compliance. Along with existing evidence (gas safe certificates, electrical tests etc, all of which need to be digitised) there should be a requirement to submit an independent inspection report demonstrating that the property is fit for human habitation. Following a phased transitional period, the above registration requirements should become mandatory for all lettings. The resulting Registration ID should incorporate the Unique Property Reference Number (UPRN) to facilitate data sharing, and will be required to validate all legal documents relating to the tenancy. This will transform PRS standards across the sector and has the potential to replace current local authority enforcement, including Licensing and the HHSRS^v regime. This would free up stretched Council resources allowing them to focus on identifying and enforcing against unregistered and non-compliant landlords.

Social renting

There must be a massive increase in social rented homes, including acquisition, with a focus on empty properties and homes owned by landlords unable to comply with the requirements for registration on the Property Portal. We applaud recent Government initiatives to encourage more social rented homes, including abolition of local authority borrowing restrictions and measures to encourage private developers to build more homes and discourage land banking^{vi}. Local authorities should be able to demand a higher percentage of social rented homes through realistic Viability Assessments.

Social rented homes could also be increased by changing the Self Invested Pension Plan (SIPP)'s rules^{vii}. Criterion could be linked to a restriction that the properties must be provided for a set period of time (10 years plus) and can only be let to a housing association.

A 'social fund' could deliver new social homes while providing a set income to private individuals. A key reason people invest in buy to let is to 'boost' their pension because they can't invest very much of inherited or other windfalls into a private pension^{viii}.

Funding for additional social homes could come from increased tax revenue. It is estimated that 1.5 million landlords have been underpaying £500 million in tax on properties let^{ix}. With better data sharing (better use of the UPRN) many of these landlords could be identified.

Building on small sites

There are thousands of small plots which are often a blot on the area, attracting rubbish, dumped cars and unlawful activities. Local authorities could combine expertise within sub-regions to form advisory 'Bespoke Housing Solutions' teams to support owners to maximise the use of this space, with a Business Plan which might include financial incentives to give local authorities nomination rights for new homes built on these sites. If 50,000 (less than 2%) out of 2.7 million landlords invested in two new builds a year, that would deliver an additional 100,000 social homes per annum. Such small sites can be developed quickly as opposed to larger sites which can take years. This would also boost the local economy and support Small and Medium Enterprises (SMEs) in the new build sector who have been decimated by the 'stop, start' nature of property development.

House-price inflation

It is often assumed that the key cause of the rise in prices is scarcity. This is part of the problem, but another key factor is the ability to borrow. In the 1980s, the ability to lend for mortgages was extended beyond mutual Building Societies to private banks. Banks are not restrained by the rules that curb Building Society mortgages and can offer larger mortgages on more favourable terms. This, alongside Right-to-Buy which enabled Council tenants to buy their homes at huge discounts, had a significant impact on the price of homes and their distribution across the housing sectors^x.

Year	Owner Occupiers &	PRS %	Social Housing %
1980	58.6	11.9	31.4
2020	64.9	18.5	16.6

Consideration must be given to how banks could be incentivised to tilt the balance of investment priorities to businesses, which would stimulate economic growth.

Empty properties and second homes

We applaud recent measures to increase Council Tax on these homes, but in the longer term, Council Tax must be replaced with a fairer system that relates to property and land values. In the meantime, local authorities should be motivated to give priority to bringing the 670,000 long-term empty homes back into use, including through Empty Dwelling Management Orders (which could be simplified to increase use).

We would also like to see a big increase in local authority acquisition of empty homes to add to the stock of social rented homes, including, ultimately, those owned by landlords who cannot let because they cannot comply with the requirements of the Property Portal.

The interim period

The above solutions will take a number of years to be put in place, bed in, and become effective in resolving the housing crisis. Interim measures are therefore proposed.

Identifying competent property management

Many landlords who do not currently let in compliance with health and safety standards will prove to be incompetent to do so and most will leave the sector. Some will sell up, while others will find other ways to make money from property. Others might be persuaded to employ a professional agent to manage their properties for them.

Those who sell up due to their inability to comply are likely to be those at the lower end of the market. There should be incentives for responsible landlords who typically operate in the medium to top end of the market to fill the gap left by landlords exiting from the lower end.

The rise in short lets has already had an impact on reducing the PRS although this may now be stemmed by increased taxation and applying s.24 to these (see note ii).

For those employing professional agents, there must be a simple way to recognise agents who meet required standards. In 2017 the then Secretary of State for Housing, Sajid Javid, committed to the regulation of letting agents, and in 2019, a working group recommended a model for an independent regulator. This recommendation, which was informally approved and is currently the topic of a [probe by the House of Lords](#) must be formally recognised and enforced for the purposes of Portal registration, or at the very least every agent must be required to undertake training to a standard in line with their role.

The transfer of local authority administered Housing Benefit to the housing element of Universal Credit administered by the DWP broke communication channels which previously enabled landlords to sort out glitches in the system and prevent rent arrears. Now, many are left with no alternative to possession against vulnerable renters caught up in a bureaucracy they are unable to handle. The wall around the DWP must be demolished to increase accessibility.

Summary of Recommendations

- 1. Establish a National Landlords Register (Property Portal) as a mandatory condition for letting, requiring independent verification of physical and management standards.**
- 2. Measures to bring empty homes into use.**
- 3. Increased acquisition of properties for social rent, including empty homes and properties owned by landlords unable or unwilling to comply with the National Landlords Register requirements.**
- 4. Changes to SIPP's rules to allow more investment in properties and a Social Fund to allow such investment to provide social rented homes.**
- 5. Use of the National Landlords Register to enable HMRC to maximise tax collection on private rented homes.**
- 6. Local authority support to encourage new homes to be built on small sites, with financial support for these to be used as social rented homes.**
- 7. A framework which encourages banks to increase business investment.**
- 8. Incentives for responsible landlords to take over properties at the lower end of the PRS market and those that might otherwise transfer to short lets.**
- 9. The introduction of a recognised mandatory standard for all Property Agents.**
- 10. Measures to overcome glitches in the housing element of Universal Credit which lead to rent arrears.**

Next Steps

To overcome the previous siloed approach, we propose the establishment of a cross-Party Task Force to include those working within the PRS representing landlords, agents and tenants. The Task Force would examine the proposals in this short report in more depth, with a view to developing the following.

1. Solutions that can provide homes within the next 12 months

2. Plans that will reduce homelessness and affordable homes waiting lists over the next five years
3. A 10-20 year overarching housing strategy that will survive the forthcoming and future elections.

Financial considerations

We recognise the financial restraints placed on Government. However, investment in ending the housing crisis will result in savings that will far exceed the cost.

Unlike investment in other public assets such as schools and hospitals, homes provide a rental income which eventually covers building or acquisition costs, as well as more immediate savings on temporary accommodation.

A stable home is essential for people to develop happy, fulfilled and successful lives. This results in savings in a range of other areas, including health and education. It enables people to attain better employment which contributes to higher tax revenues to the Exchequer.

Contact

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ⁱ The Finance Act 2015, s.24 prevents landlords from deducting financial costs such as mortgage costs from their taxable profits. The change was phased in over five years

ⁱⁱ <https://www.nrla.org.uk/research/quarterly-reports/2022/qtr-1-universal-credit>

ⁱⁱⁱ *Why can't you afford a home?* Josh Ryan-Collins

^{iv} The Renters (Reform) Bill makes provision for regulations to introduce a National Landlords Register, known as the Property Portal

^v The Housing Health and Safety Rating System, used by local authorities to inspect and enforce

^{vi} Levelling-Up and Regeneration Act 2023

^{vii} SIPP's – currently you can only invest in certain types of student accommodation through a SIPP. By changing the rules and allowing investment into buy to let homes - restricted to only letting to Housing Associations, this could increase the supply of social homes.

^{viii} For example, if someone earns £30,000 a year, but inherits £200,000 from a parent's property sale, due to pension restrictions they cannot boost their pension fund, so the 'next best thing' considered is to buy property. If this money can be diverted into a fixed income return fund that helps reduce our housing waiting lists while deliver better pensions for people in the future, this would lessen the reliance on state benefits.

^{ix} <https://www.taxinsider.co.uk/how-can-hmrc-find-out-about-my-rental-income#Practical%20Tip>

^x ONS