

Fair rent and the right to adequate housing in the private rented sector in Wales

MAY 2023

KEY FINDINGS:

95%

of responding agents believed that fair rent legislation would result in a decrease in the supply of rental properties.

78%

of letting agents reported low levels of awareness among landlords regarding the proposed changes.

89%

reported that they believed potential fair rent legislation would be of no benefit to the private rented sector.

EXECUTIVE SUMMARY

This report analyses the sentiment of letting agents in Wales regarding the Welsh Government's plan to introduce fair rents.

In our survey, 78 per cent of letting agents reported low levels of awareness among landlords regarding the proposed changes, indicating the need for the Welsh Government to engage in a comprehensive communication to ensure its consultation reaches these key stakeholders.

41 per cent of agents reported that landlords had raised concerns with them about the potential fair rent legislation, indicating anxiety about the impact on their ability to provide homes in Wales.

Furthermore, 76 per cent of respondents reported that their landlords expressed a desire to withdraw property from the private rental sector due to the potential measures. The vast majority of agents (89 per cent) reported that they believed potential fair rent legislation would be of no benefit to the private rented sector (PRS), and 79 per cent believed it would be of no benefit to society.

Overall, 95 per cent of responding agents believed that fair rent legislation would result in a decrease in the supply of rental properties, which could lead to an increase in homelessness and housing insecurity for vulnerable populations.

LANDLORD AWARENESS AND SENTIMENT

Our members in Wales have expressed concern regarding the low levels of awareness among landlords about the Welsh Government's plans to introduce fair rents, with 78 per cent of letting agents reporting that the general level of awareness among their landlords is low to very low.

From this, it is clear that more needs to be done to engage landlords in the consultation process in order to reach this key stakeholder group. A lack of awareness could lead to misunderstandings and misinterpretations of the potential policy.

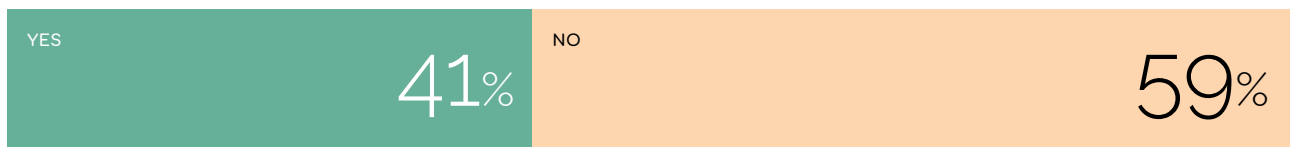
Figure 1: What would you say is the general level of awareness of the Welsh Government's plans to introduce fair rents among your landlords?

- Very low
- Low
- Moderate
- High



Q. HAVE YOUR LANDLORDS RAISED CONCERNS WITH YOU ABOUT POTENTIAL FAIR RENT LEGISLATION?

Figure 2



Of those landlords who are aware of proposed legislation, many have raised their concerns about it with their agent. In our survey, 41 per cent of agents reported that landlords had raised concerns with them about the potential fair rent legislation, which is a significant percentage.

It suggests that landlords are anxious about the impact of this legislation on their ability to provide homes in Wales. If landlords are unable to cover costs, including their own time, mental and physical effort, mortgage payments and maintenance costs, many are likely to choose to leave the sector.

Q. HAVE ANY OF YOUR LANDLORDS EXPRESSED A DESIRE TO WITHDRAW PROPERTY FROM THE PRS BECAUSE OF THE POTENTIAL MEASURES?

Figure 3



The data shows that the majority of respondents (76 per cent) reported that their landlords expressed a desire to withdraw property from the private rented sector (PRS) due to the potential measures. While 24 per cent of respondents reported their landlords had not yet expressed a desire to leave

the sector to them, it is important to note that this response does not necessarily indicate that these landlords are not concerned about the potential measures. It's possible that they have alternative plans to address any changes that may arise.

Continued...

Further to these figures, we asked our agents to report the primary concerns raised by their landlords regarding the potential Fair Rents legislation.

The responses suggested that landlords have expressed significant concerns about the introduction of fair rents legislation in Wales. The main concerns are the impact of rising interest rates, maintenance costs, and cost of living increases on landlords and tenants, making investment in the private rental sector no longer viable.

The estate agents also report that many landlords are concerned about the increasing bureaucratic burdens placed on being a landlord, with the future looking far less attractive and making them reconsider their investments in the sector.

With rising costs, caused by market forces together with the impact of recent legislation, Landlords are concerned that this new legislation may prevent them from increasing rents in the future to provide an adequate return. Capping rents will drive down incentives for landlords to continue to provide homes in the PRS as they could get a better return by selling the property and investing elsewhere.

Overall, the responses suggest that landlords in Wales are concerned about the impact of fair rent legislation on their ability to invest in the private rental sector and maintain the supply of rental properties. There is a fear that the introduction of fair rent controls will lead to a shortage of rental properties, reduce investment, and force landlords to sell their properties. Our members report that the introduction of more red tape and regulations is causing many landlords to leave the PRS, and fair rents legislation is seen as another potential burden that could make the situation even worse.

LETTING AGENT SENTIMENT

After asking about landlords' concerns, we probed letting agents for their expert opinion on the likely outcome of any fair rent legislation.

Our results show that the majority of responding agents do not believe that such legislation would be beneficial to the PRS or society as a whole. 89 per cent of letting agents responded "no" to the question of whether fair rent legislation would benefit the PRS, and 79 per cent responded "no" to the question of whether it would benefit society.

Interestingly, only 21 per cent believed that the legislation could benefit tenants. 53 per cent responded "no" to the question of whether fair rent legislation would benefit tenants and 26 per cent said "yes and no".

IS POTENTIAL LEGISLATION BENEFICIAL TO:

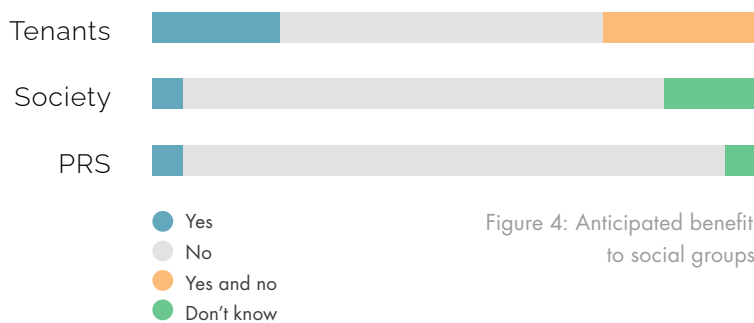


Figure 4: Anticipated benefits to social groups.

When asked why the agents thought potential fair rents legislation would not be good for tenants, our agents gave several reasons.

Firstly, the legislation may force private landlords to sell up and leave the sector, resulting in less available rental properties. Secondly, the fair rent assessment by a panel may be subjective, and it would be preferable to allow individuals to decide what rent they wish to pay for a property.

Finally, they argue that tinkering with open markets by the government has always resulted in negative results, and placing a blanket regulation on a very varied sector will result in very varied results. The agents believe that having a freer marketplace makes it attractive to investors, resulting in better quality properties as landlords compete for the best tenants and a sensible self-regulating rental level locally.

IMPACT OF POTENTIAL LEGISLATION

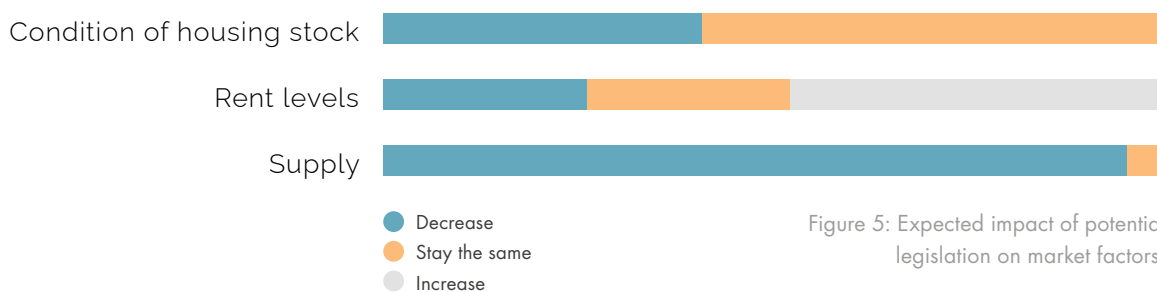


Figure 5: Expected impact of potential legislation on market factors.

95 per cent of letting agents believed that fair rent legislation would result in a decrease in the supply of rental properties. This is a worrying statistic, as a decrease in rental properties could lead to an increase in homelessness and housing insecurity for vulnerable populations.

Additionally, 26 per cent of letting agents believed that fair rent legislation would result in a decrease in rent levels. While this may seem like a positive outcome for tenants, it could also have negative implications for the quality of housing stock available for rent. If landlords are unable to make a profit on their rental properties due to lower rent levels, they may be less inclined to invest in the maintenance and improvement of those properties.

As a result, tenants could be left with substandard living conditions, which could have a negative impact on their health and wellbeing. This finding is further supported in that 61 per cent of letting agents believed that fair rent legislation would result in a decrease in the condition of housing stock.

Overall, the responses from letting agents in the survey regarding the potential impact of fair rent legislation on the PRS suggest that such legislation could have negative consequences for both tenants and landlords.

SALES AGENT SENTIMENT

Finally, we asked out estate agents in Wales about the potential impact of fair rent legislation on the sales market. It is clear from our survey that there is significant concern about the introduction of such legislation.

The majority (61 per cent) of estate agents believed that it would have a negative impact on the sales market, while only a small minority believed that it would have a positive impact.

It is important to consider the reasons behind these responses. Estate agents may be concerned that the introduction of fair rent legislation would make the sales market less attractive to potential buyers, leading to a decrease in property prices and sales activity.

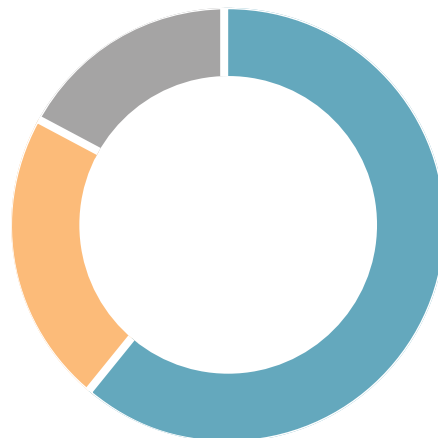


Figure 6: Overall, do you believe fair rent legislation will have a positive, negative or no impact on the sales market?

- Decrease
- Stay the same
- Increase

ENDS

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EDITOR NOTES

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