

Scottish Parliament's Local Government, Housing and Planning Committee
Views sought on the Cost of Living (Tenant Protection) (Scotland) Act 2022 (Amendment
of Expiry Date) (No. 2) Regulations 2023
Response from Propertymark
July 2023

BACKGROUND

Propertymark is the UK's leading professional body of property agents, with over 17,000 members. We are member-led with an executive Board of practicing agents who we work closely with to ensure that we uphold high-standards of professionalism and are able to advocate for legislative change on behalf of the sector.

OVERVIEW

Propertymark has conducted surveys on member agents operating in Scotland between October 2022 and May 2023. Our findings have been consistent in demonstrating the ongoing impact of the Cost of Living (Tenant Protection) (Scotland) Act 2022 legislation. (Please see survey results summary on page 5). These surveys were answered by agents who manage properties and work directly with landlords and tenants.

Key statistics

- **100%** of agents say that they have seen more landlords looking to exit the private rented sector because of the temporary measures in place.
- **97%** of agents who have seen an increase in the number of landlords serving notice to sell because of the Act.
- **100%** of agents finding that landlords are now more inclined to raise rents between tenancies as a result of the Act.
- **97%** of agents are concerned about the impact of the rent caps on the future of their business.
- **97%** of agents believe that the increase to the rent cap of 3% is not enough to cover landlords' increasing costs.

IMPACT

Feedback from our members shows that there have been three main impacts following the introduction of the Cost of Living legislation:

- Firstly, landlords are increasing rents between tenancies to cover their costs and anticipated costs due to a fear of ongoing rent control legislation.¹
- Secondly, the financial burden and costs for landlords have increased.
- Thirdly, investment in the private rented sector has stalled and landlords are questioning whether to stay in the sector and continue to let their private rented property.

¹ According to data from the ONS Index of Private Housing Rental Prices, UK: March 2023¹, Scotland saw the biggest increase in rents in the last 12 months across Great Britain, despite being the only country to have imposed a rent cap. "Annual private rental prices increased by 4.6% in England, 4.4% in Wales and 5.1% in Scotland in the 12 months to March 2023."

Landlord and letting agent costs

Maintenance fees, charges and mortgage interest costs

- On 25 June 2023, the Bank of England raised interest rate (Bank Rate) to 5%.²
- Materials and labour for repairing, maintaining and improving tenants' homes.
- Pay increases for staff and other staff costs as well as energy costs for offices, costs for other office supplies, and vehicle fleet costs.
- Landlords are also facing significant and new costs for investing in existing homes to meet increasing standards for energy efficiency and to achieve the decarbonisation of heating.

Evidence from a large letting agency managing over 3,000 properties across Scotland

	Cost incl VAT			Percentage increase since 2019
	2019	2021	2023	
Inventory	£95	£125	£175	84%
EICR	£200	£200	£250	25%
Gas Safety Certificate	£80	£80	£100	25%
Deposit Registration	N/A	N/A	N/A	N/A
EPC	£90	£90	£90	0%
Agents' fees (fully managed) %	10%	11%	12.5%	25%
Agents' fees (fully managed) set up fee	£350	£450	£550	57%

Landlord and letting agent registration fee increases:

The Scottish Government have announced increases to registration fees from Monday 3 April 2023. Following the release of 2022's Consumer Price Index (CPI) data, the Scottish Government have uprated landlord and letting agent registration fees to reflect the 9.05% increase in CPI. Though 2023/24 fees have been rounded so the individual figures may vary slightly in terms of percentage.

- Landlord Registration Fees - Section 3 of Private Landlord Registration (Fees) (Scotland) Regulations 2019 makes provision for fees to adjusted from 1 April each year, using a formula that reflects the value of the Consumer Prices Index in the preceding calendar year. The table below shows the new fees.

Financial Year	Principal	Property	Late application
2022-23	£68	£16	£137
2023-24	£75	£17	£149
Actual increase	£7	£1	£12
Percentage increase	10%	6%	9%

² <https://www.bankofengland.co.uk/monetary-policy-summary-and-minutes/2023/june-2023>

- Letting Agent Register Fees - Section 30 (3) of the Housing (Scotland) Act 2014 requires that an application for registration as a letting agent in Scotland “must be accompanied by a fee of such amount (if any) as the Scottish Ministers may determine”. Although implemented in 2018, the first increase in the registration fees for letting agents was seen in 2022-2023 and an announcement was made that the fee would be increased annually in line with the CPI. The tables below show the new fees.

Submitted before carrying out work

Financial Year	1 Office	2 – 3 offices	4+ offices
2022-23	£508	£611	£719
2023-24	£554	£666	£784
Actual increase	£46	£55	£65
Percentage increase	9%	9%	9%

Submitted after already carrying out work whilst not registered

Financial Year	1 Office	2 – 3 offices	4+ offices
2022-23	£785	£888	£996
2023-24	£856	£968	£1086
Actual increase	£71	£80	£90
Percentage increase	9%	9%	9%

Letting agent from Edinburgh managing 400 properties (March 2023)

“On the basis of our experience all our landlords are looking to uplift by the 3% many wouldn't have other than for the legislation many of our landlords have not previously raised rent through Covid etc and are now being penalised by the 3% cap.

“Nearly all our landlords when their tenants have given notice have discussed the option of selling every property going back to the market is have a rent uplift every change-over we are uplifting rent this legislation has totally backfired and is costing the tenant dearly.”

Impact on Landlords leaving the market

Our membership surveys show that landlords are now looking to sell, in the past some of these properties may have been bought by investment landlords, but as house prices in Scotland are growing at the slowest rate in the UK, the Scottish housing market is not an inviting prospect.

Houses are not being bought by homeowners either, the number of first time buyers in Scotland fell by 11% between 2021 and 2022.³ Our Housing Insight Report (April 2023) shows that there was a 30% fall in new prospective buyers registered per member branch, compared to April 2022.⁴

⁵ “House prices grew the least in Scotland at a rate of 1.0%, which was lower than all regions of England and substantially lower than the rates seen across England (6.0%).”

³ <https://www.money.co.uk/mortgages/first-time-buyer-mortgages/statistics>

⁴ <https://www.propertymark.co.uk/resource/housing-insight-report-april-2023.html>

⁵ <https://www.ons.gov.uk/economy/inflationandpriceindices/articles/costoflivinginsights/housing>

Propertymark statistics on rent levels⁶

- Pressure on rents remains with 50% of responding agents reported rents increasing month-on-month on average at their branch in April 2023.
- The number of properties available to rent per member branch remained stubbornly low at nine in May. This is 12 per cent lower than May 2022 when we saw the market starting to significantly overheat.
- 66% of responding agents report rents increasing month-on-month on average at their branch in May.
- The pressure of rising costs and faced by landlords, as well as higher demand for properties than the number made available, have combined to raise the costs for tenants.

Zoopla – increase in rents from April 2022 to April 2023⁷

- The typical rise has been at more than 10%, compared with a year earlier, for 15 months in a row.
- In April, rent in London was 13.5% higher than a year ago, in Scotland it was 13.1% higher, and the Northwest of England saw a 10.5% increase.
- The impact of higher rents is not uniform with those on low incomes struggling the most.
- Those trying to move from renting to buying their own home also face greater difficulty in getting a mortgage. As reported by BBC News, Moneyfacts, a financial information service, said the number of deals available for someone offering a 5% deposit was down from 347 at the start of June last year to 199 now.⁸
- Average rents for new lets have also risen, jumping 10.4% in a year making it harder for people to afford places to live.

⁶ <https://www.propertymark.co.uk/news-reports/housing-insight-report.html>

⁷ <https://www.zoopla.co.uk/discover/property-news/rental-market-report/>

⁸ <https://www.bbc.co.uk/news/business-65903095>

PROPERTYMARK SURVEY RESULTS⁹

Survey Questions	Survey 1 Nov/Dec 2022	Survey 2 Jan/Feb 2023	Survey 3 April/May 2023
Agents who have seen landlords express a desire to withdraw property from the PRS because of the temporary measures (or more landlords than before – surveys 2 and 3)	90%	93%	100%
Of those (above) percentage of landlords now looking to sell (survey 1)	95%		
Agents with landlords who have converted to self-management to save money (survey 1)	59%		
Agents who have seen an increase in the number of landlords serving notice to sell because of the temporary measures	69%	83%	97%
Agents who have seen landlords expressing a desire to increase the size of their portfolio because of the Act	7%		
Agents who have seen an increase in landlords selling property when a tenancy naturally comes to an end		94%	
Agents finding that landlords are now more inclined to raise rents between tenancies as a result of the Act	91%	94%	100%
Agents who do not think the rent cap rise to 3% is enough to cover landlords increasing costs (surveys 2 and 3)		93%	97%
Number of agents who reported that landlords they work with have applied for an exception to increase their rents above the cap (surveys 2 and 3)		70%	61%
Agents who are concerned about the impact of the rent caps on the future of their business (surveys 2 and 3)		94%	97%
The number of notices (on all grounds) agents have served since the start of the temporary measures (average across all respondents)	9.1	9.5	15.1

⁹ Survey responses from 198 Propertymark member businesses operating in Scotland.