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Local Government and Housing
Committee,
Welsh Parliament,
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Local Government and Housing Committee Inquiry into Homelessness

Written Submission from the National Residential Landlords Association

1.0 About Us

- 1.1 The National Residential Landlords Association (NRLA) is the leading voice in England and Wales for private sector residential landlords. It has almost 100,000 members making it by far the largest organisation in the sector. The membership owns and manages around 10% of private rented housing in England and Wales equating to half a million properties.
- 1.2 It provides training and support for landlords to ensure they fully understand their responsibilities and are equipped to provide good quality housing for their tenants. It also campaigns for policies that seek to improve the private rented sector for the benefit of tenants and good landlords alike.

2.0 Executive Summary

- 2.1 When determining how to tackle homelessness, often the solution many come to is to boost the number of social rented homes. This is easily said but is more challenging to achieve as slowing social housebuilding rates and soaring social housing waiting lists have shown. The private rented sector has a key part to play in housing those who may be at risk of homelessness, but key changes need to be made to ensure that the PRS can continue to stand ready to support local authorities in tackling homelessness as social housebuilding is increased in the long-term.
- 2.2 The NRLA is calling for key measures to be taken to increase the supply of private rented housing to ensure it meets demand, including:

- Support for landlords with their mortgage payments as interest rates increase to prevent landlords from leaving the market as they make a loss on the income from their properties.
 - Introducing an exemption from the 4% Land Transaction Levy on the purchase of additional homes to boost the supply of properties for longer term rent.
 - Ensuring that the long-term let market is not burdened by over-regulation, including ensuring it is not more appealing for landlords to let properties out short-term or for holiday let.
- 2.3 For the UK Government, the NRLA is also calling for them to make key changes to the welfare system such as restoring local housing allowance rates to the 30th percentile and removing the five-week wait for universal credit. This is to ensure that private rented housing is accessible to those at risk of homelessness.
- 2.4 In order to improve the progress made by local authorities against the Welsh Government's homelessness strategy, more should be done to ensure that landlords are made aware of private sector leasing schemes run by the Government and local authorities and to alleviate concerns from landlords around the schemes. The NRLA's research suggests the appetite to offer properties on the scheme is there if these can be addressed.

3.0 How Boosting the Supply of Private Rented Housing Can Help Reduce Homelessness

- 3.1 In order to reduce homelessness and the reliance of local authorities on temporary accommodation, the lack of supply of homes in the private rented sector must be addressed. There is currently a significant mismatch between the supply of private rented housing and the demand for it. This is being made worse by the cost-of-living crisis and spiralling inflation.
- 3.2 The PRS plays a pivotal role in the delivery of housing to individuals and families across the country but yet, too often, it is viewed as the poor relation of housing tenures.

According to [research](#)¹ published by consultancy Capital Economics (commissioned by the NRLA) the private rented sector requires 230,000 new homes a year across the UK just to meet government housing targets. In the same research, it reveals Wales would need to create just under 9,000 new private rented properties each year to meet housing targets. It also highlights the stark fact that

¹ Challenges and opportunities for the private rented sector An assessment of the private rented sector and its role in meeting housing need in the UK. A report for National Residential Landlords Association (Feb,22)

the supply of privately rented housing has fallen by almost 260,000 in the UK over the past five years.

- 3.3 Yet there is a tendency on the part of many to concentrate on the shortage of affordable housing for purchase or on the lack of social housing across the UK. However, with 1.8 million new households set to emerge over the next decade, there is a need for greater supply across all housing tenures, and the private rented sector shouldn't be overlooked in any wider push to address this crisis.
- 3.4 A Freedom of Information request from the BBC and Shelter Cymru has revealed that there are 90,000 households on social housing waiting lists in Wales², whilst government data shows that across all tenures just 5,659 new homes were built in Wales.. This means that simply having a target of building more social housing is not going to alleviate the homelessness crisis. It will take many years to increase housing capacity and build the homes needed to meet the demand from social housing waiting lists. A healthy private rented sector, with supply that meets demand, can help alleviate that pressure in the medium-term.
- 3.4 The most effective way to ensure the affordability of all types of housing, including that for private rent, is to ensure supply meets demand. The excess of demand over supply, as well as issues around cost of living and increasing mortgage rates, are driving rents up for tenants.
- 3.5 The NRLA does not think that there are currently enough of the right houses being built in the right places. This is both direct social housing from registered social landlords to supplement social houses and houses in the private rented sector, that landlords can buy and offer to tenants.
- 3.6 The Welsh Government guidelines offer very low percentage requirements for these types of houses in councils' Local Development Plans and councils always tend to adhere to the minimum requirements. Councils then take Section 106 funds as a way for developers to produce a lower number of affordable homes, justifying it by saying that the loss of these houses creates "investment" into an area that is spent on the communities.
- 3.7 Buy-to-let landlords will need support with mortgage payments to ensure tenants living in the PRS can remain in their homes. The unfortunate reality is if landlords who come to the end of a fixed-rate deal in 2023 or 2024 must pay mortgage rates that are four percentage points higher than they are currently, more than half will

² BBC News, *Housing: Welsh family 'may have to move to Scotland'*. Available at: <https://www.bbc.co.uk/news/uk-wales-63373590>.

be unable to re-mortgage unless rents are raised³. The Welsh Government should provide further mortgage relief and help landlords with their mortgage costs.

- 3.8 At a time of rising interest rates, the Welsh Government should seek to incentivise landlords into the private rented sector, especially landlords who add to the net supply of housing. It could do this by introducing an exemption from the 4% Land Transaction Levy on the purchase of additional homes to boost the supply of properties for longer term rent. Research has pointed to the importance of off-plan house purchases which private landlords have traditionally been good at providing. To be eligible, the NRLA proposes that landlords would need to prove that the property is for long-term rent to prevent them from being tempted into the short-term or holiday let market.
- 3.9 The Welsh Government also needs to ensure that the short-term let market is not less regulated than the long-term let market. If the key aim is to ensure the right number of homes is available for people to live in, it should not be more appealing for a landlord to offer their home up for short-term let than to have a tenant in their property long-term. We would therefore caution against overregulation of the long-term let market.
- 3.10 NRLA thinks that a strongly supported PRS could make a massive impact on eradicating homelessness.
- 3.11 Additional changes to the welfare system would also help improve the affordability of housing, especially for those on the lowest incomes and those at risk of homelessness. Whilst we appreciate that this falls outside the remit of the Welsh Government, we would call for key changes to be made to benefits to make them suitable during the current cost-of-living crisis. This would include:
- Restoring the link between the Local Housing Allowance and the 30th percentile of local rents to ensure that LHA rates represent the true value of rents in a local area.
 - Ending the five-week wait for universal credit.

4.0 The Government's Progress on Ending Homelessness in Wales: A high level action plan 2021-2026

- 4.1 Local authorities have been increasingly reliant on temporary accommodation to support those in need of a home with a lack of socially rented housing available.

³ The Telegraph, *Buy-to-let landlords face ruin as mortgage rates rocket*. Available at: <https://www.telegraph.co.uk/property/buy-to-let/buy-to-let-landlords-face-ruin-mortgage-rates-rocket/>

The NRLA believes that there is a role for the private rented sector in offering more long-term housing for those at risk of homelessness. Many local authorities already run private sector leasing schemes through which private landlords can lease their properties to the council. Yet, many landlords remain unaware of these schemes or unsure about their advantages.

- 4.2 We want to make it as easy as possible for landlords to use these schemes if they wish to. There are many landlords out there who want to provide housing to vulnerable groups but lack the knowledge about how to, or their benefits. This is highlighted in our Quarter1 2020 report⁴ where the NRLA asked landlords about their attitudes to Guaranteed Rent Schemes:
- Yes - I think there would be interest and support among landlords for such a scheme (23.5%).
 - “No - There is no way I (or landlords generally) would be interested in this idea” (28.0%)
 - “Landlords would be interested but depends on more detail” (48.5%).
- 4.3 As the survey indicates, the majority of landlords would be willing to consider a Guaranteed Rent Scheme provided the package is sufficiently attractive.
- 4.4 The main attractions for those landlords who expressed a positive view were:
- A guaranteed income for landlords (88.6% of landlords saw this as a key reason)
 - This was closely followed by the “hassle-free” nature of letting property under this model (73.9%).
- Note also that 60% of those landlords in this group agreed with the statement that the model presented an opportunity to “use my property for social good – and that is a good thing”.
- 4.5 Looking at those landlords who are more sceptical about the initiative:
- Loss of control was seen as the major drawback (88.5% of landlords in this group cited this as a reason).
 - The risk of major property damage and anti-social behaviour were not far behind (82% and 78.8% of landlords respectively).
- 4.6 Many landlords (71%) were also reluctant because they feared losing control of their asset and wondered whether they could take back possession of the property in a timely manner.

⁴ NRLA, *State of the PRS – 2020, Quarter 1 report*. Available at: <https://www.nrla.org.uk/research/quarterly-reports/2020/qtr-1>



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- 4.7 There is an opportunity to better utilise the private rented sector as part of the solution to housing challenges, but Government policy at both national and local level needs to recognise this and help to address landlords' concerns about the higher risks.