

1.1 RESEARCH INTO THE PRIVATE RENTED SECTOR

In October 2012, Argyll and Bute Council commissioned Arneil Johnston to perform an extensive research study into the current and future role of the private rented sector. As well as detailed desk-based analysis and consultation with local stakeholders; a comprehensive landlord and tenant survey was carried out.

The aim of this survey was to build sound intelligence on the population profile of private tenants, the private rented sector housing stock, the profile of landlords operating in the sector and the quality of both tenancy management and physical condition. A census of private tenants was held, with all registered addresses receiving a postal survey to complete. In total, 968 private tenants responded providing detailed information on their households, homes and future intentions. In addition, 350 local landlords completed a 30 minute telephone interview on their property portfolio. This level of response has enabled the Council to build a robust evidence base to inform decision making at a local level on how the growth and improvement of the private rented sector can be supported.

This briefing paper sets out the key research findings and strategy actions the Council and its partners will take forward as an outcome of the research.

1.2 What did the Survey Outcomes Tell us about the Sector

The survey outcomes provide an interesting profile of the population of private tenants who live in the sector:

What did we already know about the sector?

- 4,885 households live in registered private tenancies
- 10% of all local households live in the sector
- 2/3 private rented homes need urgent repairs
- Fuel poverty is a problem (52% PRS tenants fuel poor)
- 25% of PRS tenants claim local housing allowance (71% in social housing)
- 21% of homeless applicants are private tenants

- 46% are single people
- 21% are over 65 years
- 27% have long term illness or disability
- 44% not economically active
- 42% in full time work
- 33% claiming benefits
- 59% earn less than £25,000 per year
- 44% like/need to move in next 2 years
- 60% see sector as 2nd or only option

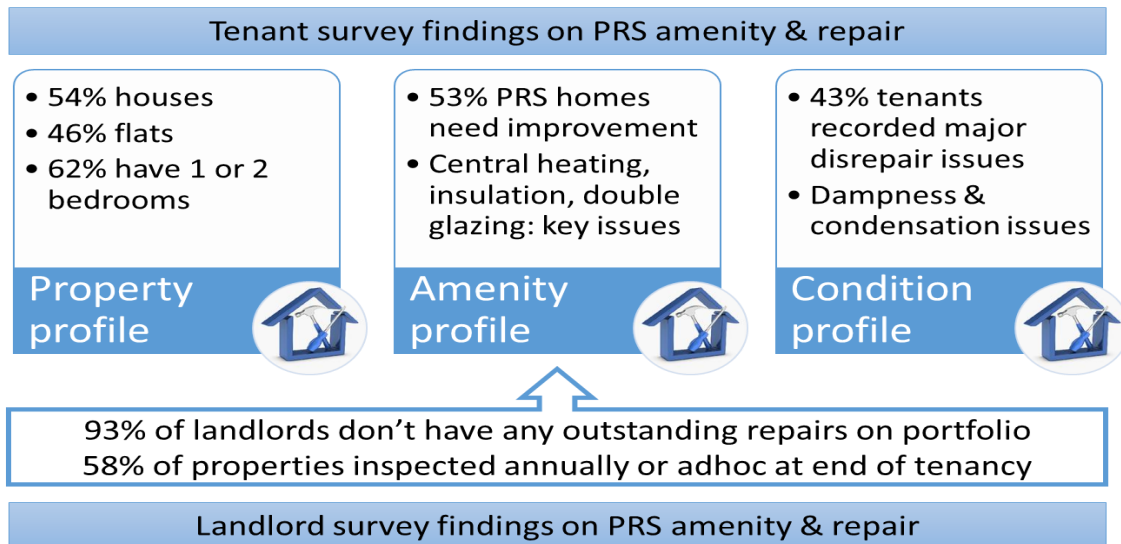
PRS population in Argyll & Bute



With 10% of all local households living in the sector, the private rented sector plays an instrumental role in meeting housing need in Argyll & Bute. The size and influence of the sector is consistent across each housing market area. The population in private rented accommodation is focused on single people (46%) and all adult households (29%); with a fifth of all households over 65. A notable proportion of households (44%) are not economically active, with 33% claiming benefits. Despite, the low income profile in the sector, there is evidence of limited benefit up-take which is likely to exacerbate housing affordability problems.

There is strong evidence that the sector accommodates a significant proportion of households whose housing options are otherwise limited. On this basis, over 40% of current tenants would like or need to move home in the next 2 years.

Survey outcomes provide a detailed and interesting profile of private rented sector stock by property type, size, amenity and condition. The sector predominately provides smaller accommodation (62% are 1 or 2 bedroom homes) with a relatively even profile between flats (44%) and houses (56%). There are clearly very different perceptions regarding the condition and quality of the housing stock from a landlord and tenant perspective. However, landlord intelligence on property disrepair tends to be based on an infrequent and ad-hoc approach to maintenance inspections.



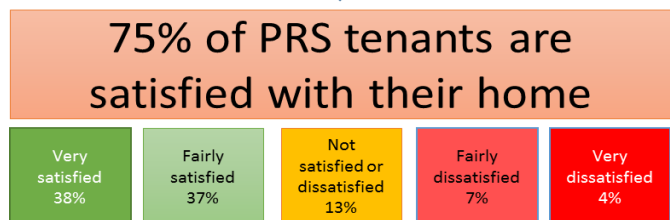
1.3 What do we know about Landlords?

The majority of private landlords have a single property to let and almost 50% are letting by default as 'accidental landlords' who cannot currently sell their property.

Whilst there are clearly gaps in the skills and knowledge of local landlords (29% would benefit from training on tenancy law), there are high levels of tenant satisfaction with tenancy management.

77% of tenants are satisfied with the way their landlord manages their tenancy

In fact, tenant satisfaction with their home generally is high



Who is a typical private landlord?

- 81% have 1 property
- 48% 'accidental landlords'
- 35% are pension investors
- 9% landlord by profession
- 31% use an agent
- 25% want to leave PRS in 5 years
- 23% of leavers will do so given poor rate of return
- 36% won't take tenants on LHA

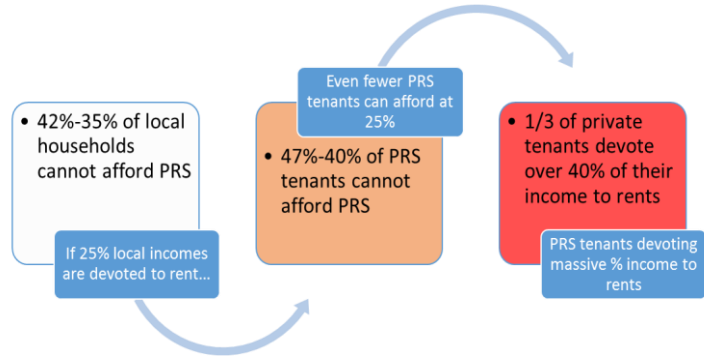
Whilst, demand for private rented accommodation is locally strong (85% of landlords report "no problems finding tenants"); there is evidence of a low commercial rate of return in sector, which may be linked to the structure of local incomes particularly in rural areas. 23% of landlords who want to leave the sector are motivated by a poor return on investment.

1.4 What do PRS Rents Costs & How Affordable is This?

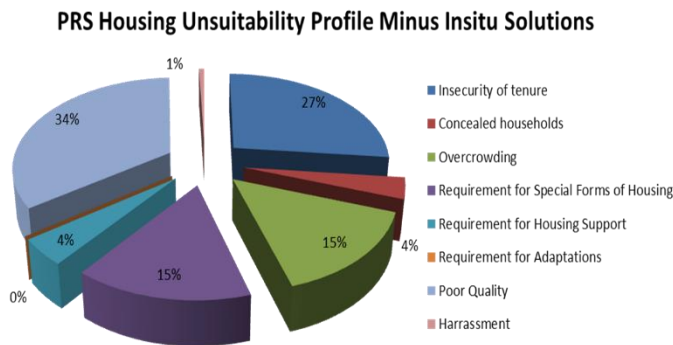
The study also examined the affordability of private rents across Argyll & Bute. Housing affordability was tested by benchmarking local incomes to rental costs.

The average monthly rent for a private tenancy in Argyll & Bute is **£436 per calendar month**. Average rental values are highest in Helensburgh & Lomond at £509 per month (17% higher than average) and considerably lower in Mid Argyll, Kintyre and the Islands at £383 per month (12% lower than average)

An important aspect of assessing housing affordability is to look at the proportion of household income devoted to rent or mortgage costs. A sustainable 'rent to income ratio' for tenants would be in the region of 25%. This was tested on the profile of local private tenants in Argyll & Bute producing the following results.



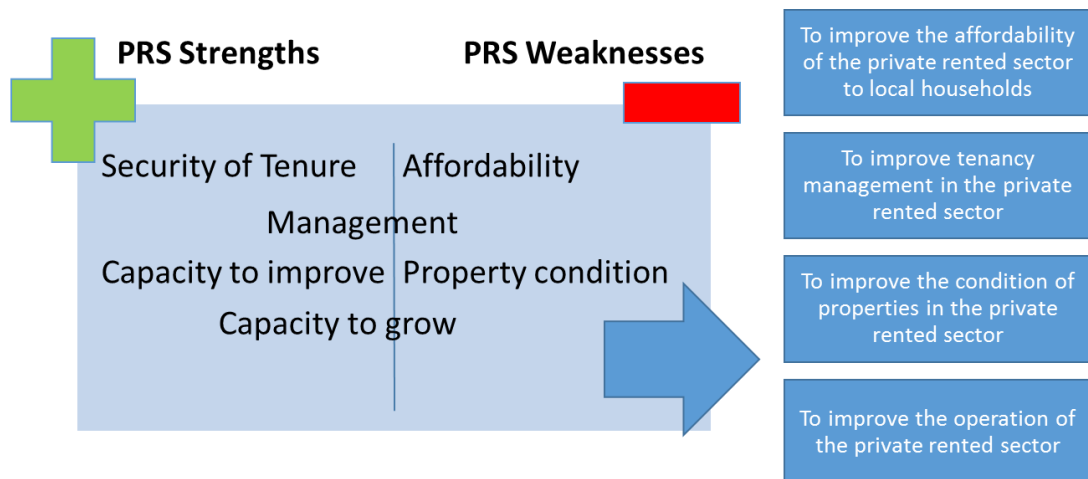
1.5 Is the PRS Effective in Meeting Housing Need?



Analysis was performed to assess the extent to which private tenants were accommodated in homes that are unsuitable for their needs. Survey results suggest that roughly 40% of private tenants (2,000) are in unsuitable accommodation, with the main problems relating to poor condition (34%), insecure tenure (27%), overcrowding (15%) and special needs (15%).

1.6 What Are our Priorities for the PRS Moving Forward?

Informed by an assessment of strengths and weaknesses in the operation of the sector, stakeholders defined four strategic objectives that the Council and partners should pursue through the LHS framework to promote the growth and operation on the sector locally.



1.7 Helensburgh & Lomond: PRS Research Profile

The research findings provide an interesting profile of the private rented sector and the role that it plays at a local area level. The following findings have been prepared specifically for the private rented sector in Helensburgh & Lomond.

The profile of the PRS housing stock in Helensburgh & Lomond is relatively similar to the wider PRS sector. There are slightly more 1-2 bedroom homes (67%) than in the wider PRS (62%) and more flatted accommodation (53%) than evident elsewhere (46%).

- 1,106 properties (23% of PRS stock)
- 9% of H&L housing stock
- 47% houses/53% flats
- 67% are 1 or 2 bedroom properties
- 63% of tenants report no major problems with house condition
- 47% PRS tenants feel amenity of their home needs improved
- 20% want new central heating system

PRS Stock Profile



Tenant feedback would suggest that PRS homes in Helensburgh & Lomond have substantially better amenities and standards of condition than the wider PRS:

- 47% of homes in Helensburgh & Lomond need amenities upgraded, improved or replaced in comparison to 53% (across Argyll & Bute)
- Just 30% of homes in Helensburgh & Lomond have major problems with condition in comparison to 43% (Argyll & Bute)

The private tenant population in Helensburgh & Lomond is different to the wider PRS population in a number of ways:

- More households with children (32%) than Argyll & Bute (23%)
- Identical levels of illness & disability (27%) as Argyll & Bute (27%)
- Population over 65 is higher (29%) than Argyll & Bute (21%)
- Consistent profile in economically active population (45%) than Argyll & Bute (44%)
- Consistent income profile (59% earn less than £25K) to Argyll & Bute (59%)
- Higher % of tenants claiming LHA (39%) than Argyll & Bute (34%)



PRS Tenant Profile

- 47% single people
- 32% families with children
- 27% with limiting illness or disability
- 45% retired/not working
- 59% earn less than £25k
- 39% in receipt of LHA
- 53% want or need to move

There is a notably higher proportion of households with children in Helensburgh & Lomond (32%) than elsewhere in Argyll & Bute. This may explain the significantly higher proportions who want or need to move (53%) than is evidenced elsewhere (44%).

Average monthly rent levels in Helensburgh & Lomond are £509 which is 17% higher than Argyll & Bute (£436)

30% income spent on rents

28% of PRS tenants in Helensburgh & Lomond can't afford
 35% of PRS tenants in Argyll & Bute can't afford

Despite the higher rental values, housing affordability in Helensburgh & Lomond area is better than Argyll & Bute PRS as a whole.

PRS tenant satisfaction with their home in Helensburgh & Lomond (79%) is higher than Argyll & Bute (76%)

Satisfaction with the way their landlord manages their tenancy (78%) is the same (77%)