

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

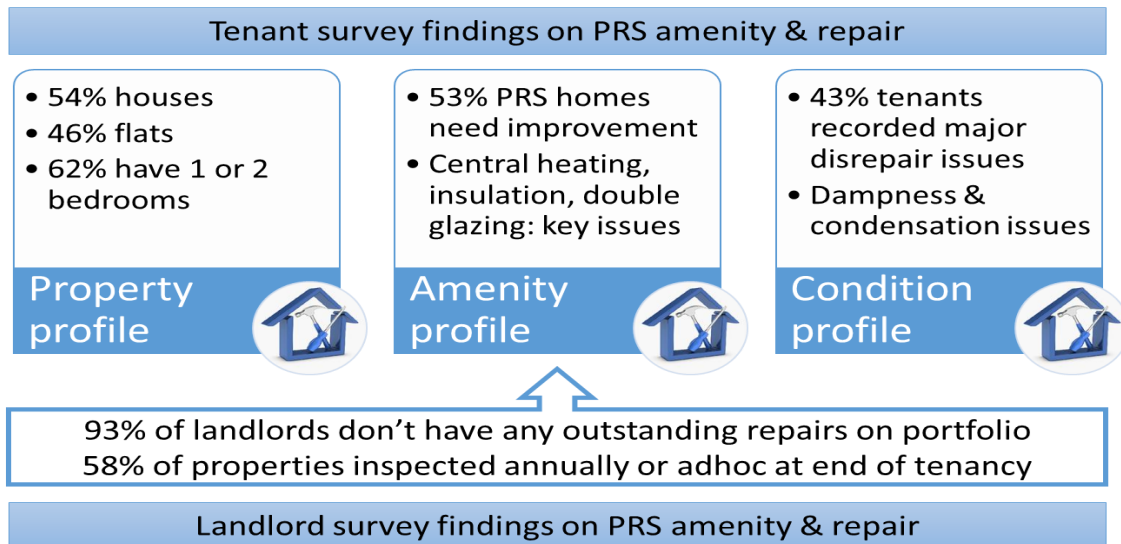
PRS population in Argyll & Bute



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.

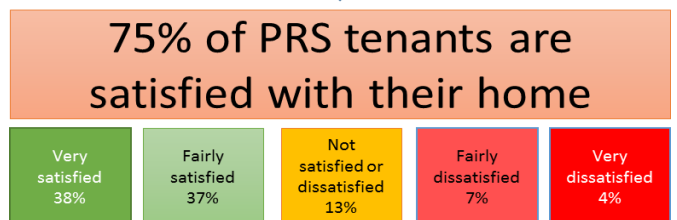
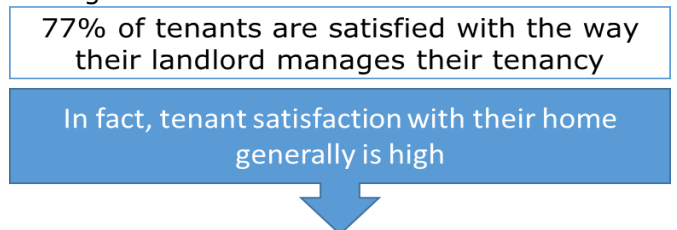
Survey outcomes provide a detailed and interesting profile of private rented sector stock by property type, size, amenity and condition. The sector predominately provides smaller accommodation (62% are 1 or 2 bedroom homes) with a relatively even profile between flats (44%) and houses (56%). There are 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.



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

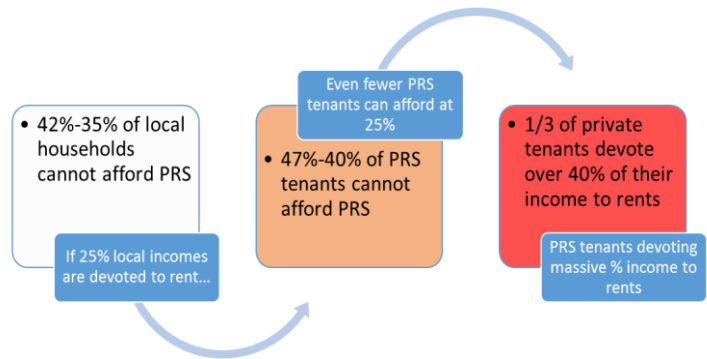
Whilst, demand for private rented accommodation is locally strong (85% of landlords report "no problems finding tenants"); there is evidence of a low commercial rate of return in sector, which may be linked to the structure of local incomes particularly in rural areas. 23% of landlords who want to leave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

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

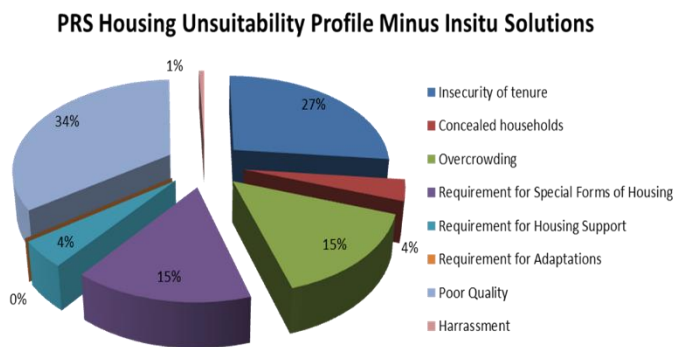
The study also examined the affordability of private rents across Argyll & Bute. Housing affordability was tested by benchmarking local incomes to rental costs.

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.



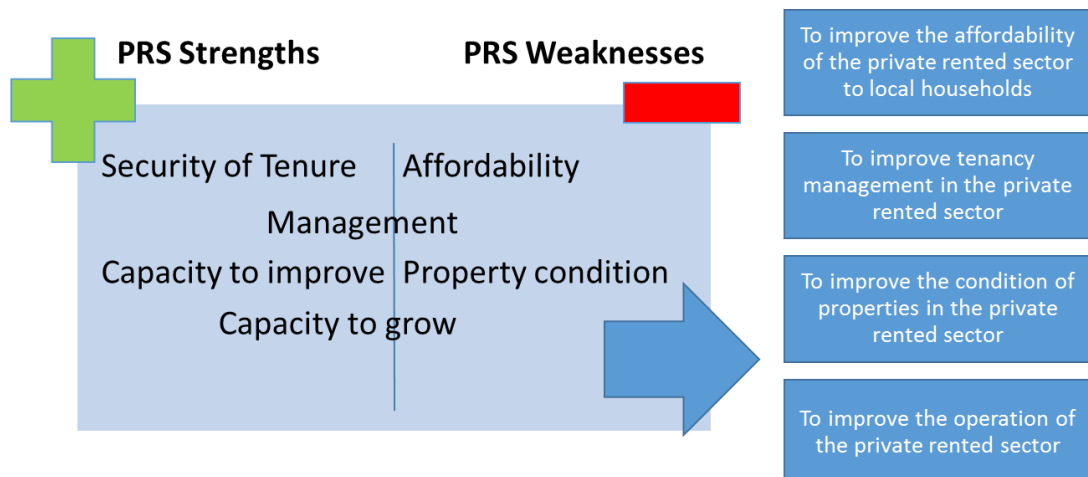
1.5 Is the PRS Effective in Meeting Housing Need?



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 Oban, Lorn & the Isles: 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 Oban, Lorn & the Isles.

The profile of the PRS housing stock in Oban, Lorn & the Isles is different to the wider PRS sector in Argyll & Bute. There are less 1-2 bedroom homes (56%) than in the wider PRS (62%) and less flatted accommodation (33% as opposed to 46%).

- 1,171 properties (24% of PRS stock)
- 11% of OLI housing stock
- 67% houses/33% flats
- 56% are 1 or 2 bedroom properties
- 49% of tenants report no major problems with house condition
- 14% don't have a mains water supply
- 62% PRS tenants feel amenity of their home needs improved
- 35% want improved thermal efficiency

PRS Stock Profile



Tenant feedback would suggest that PRS homes in Oban, Lorn & the Isles have considerably poorer levels of amenity than the sector more generally:

- 62% of homes in Oban, Lorn & the Isles need amenities upgraded, improved or replaced in comparison to 53% (Argyll & Bute)
- 35% of tenants state they require improvement in the energy efficiency of their home in comparison to 27% of the wider private tenant population.

The private tenant population in Oban, Lorn & the Isles differs from the wider PRS population in a number of ways:

- Less single people (38%) than Argyll & Bute (46%)
- Lower rate of illness & disability (20%) than Argyll & Bute (27%)
- Significantly less households not economically active (25%) than Argyll & Bute (44%)
- More households in full-time employment (52%) than wider PRS population (42%)
- Lower incomes (65% earn less than £25k) than Argyll & Bute (59%)
- Lower % of tenants claiming LHA (22%) than Argyll & Bute (34%)



PRS Tenant Profile

- 38% single people
- 20% with limiting illness or disability
- 25% retired/not working
- 52% in F/T employment
- 65% earn less than £25k
- 22% in receipt of LHA
- 46% want or need to move

Despite considerably higher numbers of households in full-time employment than elsewhere in the PRS, local incomes are modest. Coupled with a low up-take of housing related benefits, housing affordability could be challenging for some.

Average monthly rent levels in Oban, Lorn & the Isles are £456 which is 5% higher than average rents in Argyll & Bute (£436)

30% income spent on rents

32% of PRS tenants in Oban, Lorn & the Isles can't afford
35% of PRS tenants in Argyll & Bute can't afford

Despite the variance in rental values, housing affordability is marginally better in Oban, Lorn & the Isles than Argyll & Bute PRS as a whole.

PRS tenant satisfaction with their home in Oban, Lorn & the Isles (74%) is similar to Argyll & Bute (76%)

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