



## Local Government and housing committee's inquiry into private renting

### CIH Cymru inquiry response

This is a response to the Senedd Housing and Local Government Committee's call for evidence to inform their inquiry into private renting in Wales.

#### **Introduction**

The Private Rented Sector in Wales provides a home for 16.5 per cent of the households currently residing in Wales. Yet there are significant issues across Wales in ensuring adequate supply of social and affordable housing. This, in turn, places more demand on the finite level of private rented accommodation that is available and thus driving up the cost of renting privately for many households. In the twelve months prior to March 2023 rents in Wales increased by 4.4 per cent. This coupled with an ongoing local housing allowance freeze has resulted in just 32 properties for rent at LHA levels in February 2023. Many low-income families are being priced out of the rental market and for many households in temporary accommodation this is lengthening stays as they wait for an affordable home. Single person households are particularly affected by rising rental costs something that is exacerbated by a chronic undersupply of one bed social housing. The number of single people residing in temporary accommodation in Wales has now increased together with the financial burden for Local Authorities with some seeing a 7,000 per cent rise in temporary accommodation costs.

Private landlords are also leaving the market due to increasing mortgage costs or the impact of a change in tenancy law. Some are moving into the holiday market due to higher profit margins and a perception of lower levels of regulation.

There are also concerns around the level of retrofitting being completed in the private sector to decarbonise these homes as part of reaching net zero. Many of



the schemes and incentives available are targeted at the social housing sector. We need to ensure that the whole housing sector is looked at as we move to a zero carbon Wales.

CIH Cymru has concerns around the whole housing sector in Wales. Every tenure is intrinsically linked and intervention in one tenure can have an unintended impact for another. We would like to use this opportunity to once again call for the right to adequate housing to be legislated for in this Senedd term. As outlined in our recent cost benefit analysis<sup>1</sup> this right would provide a £11.5 billion saving to the public purse. Money that can be reinvested into public services, provide more affordable homes as well as more homes at social rent, and ensure our existing homes in Wales are all brought up to the same standard. This will ensure we meet our net-zero carbon targets but will also ensure that everyone here in Wales can access a safe, sustainable, and affordable home.

***The supply, quality, and affordability of accommodation in the private rented sector.***

According to the Census 2021, 17 per cent of all households in Wales are currently renting privately compared to 16.5 percent renting from a social landlord. Between 2011 2022 the private rented sector in Wales has grown by 2.8 per cent in ten years whereas the social rented sector has seen just a 0.1 per cent growth in ten years<sup>2</sup>. The Census 2021 data though was collected before a rise in cost of living and before the implementation of the Renting Homes Act both of which are now having an impact on the private rented sector in Wales.

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<sup>1</sup> The right to adequate housing in Wales: cost-benefit analysis. An independent research report by Alma Economics. Commissioned by Tai Pawb, the Chartered Institute of Housing Cymru and Shelter Cymru. <https://www.taipawb.org/wp-content/uploads/2022/09/Alma-Economics-Back-the-Bill-Final-Phase-2-report.pdf>

<sup>2</sup> Housing in Wales (Census 2021) <https://www.gov.wales/sites/default/files/pdf-versions/2023/1/4/1672911036/housing-wales-census-2021.pdf>.



In 2023 the Local Government and Housing Committee published a report on homelessness. This report highlighted that some areas in Wales have seen 350 per cent increase in landlords selling their properties. The main reason cited was increased legislation through the Renting Homes Act and reduced profitability. Other reasons for landlords leaving the sector were a trend to enter the short-term holiday let market as this has higher profit margins and lower levels of regulation<sup>3</sup>. This is echoed by some of our members who are seeing landlords with large portfolios selling their properties and leaving the market. Whilst some may be purchased by other landlords in the area this has still drastically reduced the supply of private rented housing in some areas in Wales.

It is perhaps then not surprising that as adequate supply of private rented housing decreases that the rent charged for a private rented property is increasing making it unaffordable for many low-income households. The index of private housing rental prices showed that for the twelve months prior to March 2023 private rents in Wales increased by 4.4 per cent. The highest percentage change since collection started in 2010<sup>4</sup>. Yet this is not the full picture as there are significantly higher rent rises seen for properties currently available for rent.

Data from Zoopla shows that on average rents for properties on the market in Wales have increased by 10.3% between January 2022 and January 2023 with only London and the Northwest seeing higher annual rises.<sup>5</sup> Low-income families often rely on Local Housing Allowance (LHA) to pay their rent, but LHA rates have been frozen since 2020. According to the latest research from the Bevan

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<sup>3</sup> Homelessness (March 2023) <https://senedd.wales/media/zs0jkb4g/cr-ld15717-e.pdf>

<sup>4</sup> Index of Private Housing Rental Prices, UK: March 2023.

<https://www.ons.gov.uk/economy/inflationandpriceindices/bulletins/indexofprivatehousingrentalprices/march2023>

<sup>5</sup> UK Rental Market Report <https://zpgcommercial.wpenginepowered.com/wp-content/uploads/2023/03/UK-rental-market-report-Final-March-2023.pdf>



Foundation just 32 properties for rent in Wales in February 2023 would be covered by current LHA levels<sup>6</sup>. Yet due to a chronic undersupply of social housing in Wales many Local Authorities have no option but to look at the private rented sector to plug the gap and ensure that households can be moved on from temporary accommodation. Some of our members are now covering the gap between the LHA available and the rent charged by using a Discretionary Housing Payment (DHP) which is not sustainable in the long term. When asked what they would do about the increasing rent our members said they would prefer to see significant welfare changes rather than rent caps as they felt that imposing a rent cap could further shrink the private rented market in Wales.

Even though DHP's are being used to help pay for rental costs there is still an impact on the numbers of people currently residing in temporary accommodation. We are still seeing from the data that there are more people moving into temporary accommodation in a month than are moving out resulting in ever increasing numbers of households in temporary accommodation. Just one symptom of the chronic undersupply of affordable housing in Wales.

It is not just the rental costs that need to be looked at when considering the affordability of the private rented sector. We also need to look at the energy efficiency of our homes to ensure fewer households in Wales are facing fuel poverty.

As outlined in our Tyfu Tai Cymru report "Decarbonising the Private Rented Sector," 32 percent of all homes in Wales were built before 1919 and have an average EPC rating of D, with the private rented sector being the worst performing

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<sup>6</sup> Wales' Housing Crisis: Local Housing Allowance and the private rental market in Wales Winter 2023. <https://www.bevanfoundation.org/wp-content/uploads/2023/03/Wales-Housing-Crisis-Winter-2023.pdf>





tenure<sup>7</sup>. The average monthly energy bill for a three bed EPC “D” house is £295<sup>8</sup>. If all properties were brought up to EPC “C” by 2035 this would reduce to £234 a month a £61 reduction. Improving the energy efficiency of a home will help reduce the fuel costs faced by households. This is vital as energy costs continue to push many households into fuel poverty or having to choose between being warm or feeding their family.

Yet as outlined in our Tyfu Tai Cymru report<sup>9</sup> if we are to bring every private rent property up to EPC C by 2035 there would need to be a £846m investment. Currently there is an 89% shortfall in funding. The Climate Change, Environment, and Infrastructure Committee’s report on decarbonising the private housing sector made a recommendation for the minister to provide strategic direction on how they plan to decarbonise the sector. Any accompanying delivery plan must include key milestones and interim targets<sup>10</sup>. This plan will be vital in ensuring that we not only decarbonise homes in the private sector but ensure that their energy efficiency is improved, minimising costs to those households living in a privately rented home.

Whilst decarbonising homes and improving energy efficiency is needed, we also need to consider other factors that can impact a tenant’s quality of life. Damp and mould can result in tragedy as seen in the death of Awaab Ishak. We welcome, through the Renting Homes Wales Act, the introduction of damp and mould as

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<sup>7</sup> Decarbonising Wales’ Private Rented Sector. Tackling the energy crisis to meet net-zero. <https://www.cih.org/publications/tyfu-tai-cymru-decarbonising-wales-private-rented-sector>

<sup>8</sup> Cost of living: How the energy price cap affects different households. <https://policyinpractice.co.uk/cost-of-living-how-the-energy-price-cap-affects-different-households/>

<sup>9</sup> Decarbonising Wales’ Private Rented Sector. Tackling the energy crisis to meet net-zero. <https://www.cih.org/publications/tyfu-tai-cymru-decarbonising-wales-private-rented-sector>

<sup>10</sup> Decarbonising the private housing sector. <https://senedd.wales/media/q3vcgmmp/cr-ld15695-e.pdf>



one of the 29 matters a landlord needs to consider ensuring the home, they rent out is fit for human habitation, and that the act also provides for redress for the tenant when damp and mould does occur. Yet often the responsibility for enforcing the standard falls to Local Authority enforcement teams who are overstretched and need more investment. Some of our members have expressed disappointment that income generated from increased council tax charged on second homes is not ring-fenced for housing purposes. This additional income should be ring-fenced and could then be used to increase the resources of Local Authority enforcement teams to ensure that the high standards legislated for in the private rented sector are being met. This will help drive up the standard of private rented housing in Wales.

Yet all the concerns and improvements we have outlined could be addressed by the implementation of the right to adequate housing here in Wales. Enshrining a rights-based approach in law would provide a £11.5billion saving to the public purse in Wales<sup>11</sup>. Money that could be used to increase supply, affordability, and quality of private housing here in Wales. It would also mean the realisation of Welsh Government's vision that homelessness is rare brief and non-repeated. The right to adequate housing here in Wales is key.

### ***The challenges currently facing private sector landlords.***

As previously outlined, we are hearing anecdotal evidence from our members that landlords are leaving the rental market in large numbers. The Local Government and Housing Committee's report on homelessness also highlighted this issue, which was attributed to increasing regulation of the sector through the renting homes act and more lucrative financial gains in the holiday let market.<sup>12</sup>

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<sup>11</sup> The right to adequate housing in Wales: cost-benefit analysis. An independent research report by Alma Economics. Commissioned by Tai Pawb, the Chartered Institute of Housing Cymru and Shelter Cymru. <https://www.taipawb.org/wp-content/uploads/2022/09/Alma-Economics-Back-the-Bill-Final-Phase-2-report.pdf>

<sup>12</sup> Homelessness (March 2023) <https://senedd.wales/media/zs0jkb4g/cr-ld15717-e.pdf>



There are currently rising mortgage rates in the UK to try and bring inflation under control. This is now impacting the buy-to-let market. Zoopla in its latest report on the UK housing market highlighted the changing economics of being a private landlord. The report outlined that a higher tax earner in Wales will now need a deposit of around £60,000 in January 2023 compared to £40,000 in January 2022. The report also highlights that higher taxpayers will need a 60 per cent to 70 per cent loan to value mortgage.<sup>13</sup> These financial pressures may further reduce investment in the private rented sector and could further increase rental prices for those wanting to rent a new property.

We need to ensure that any further regulation brought in to manage the private rented sector with its rising costs do not cause any further loss of landlords. A concern highlighted by some of our members who feel that any further regulation of the private rental market could further shrink the market as already seen in response to economic pressures, the renting homes act, and changes to taxation. Recent research undertaken by the Chartered institute of Housing on rent control proposals in Northern Ireland<sup>14</sup> found that between 41 per cent and 60 per cent of landlords would seek to exit the private rental market if rent controls were brought in. If we decide further regulation of the private rented market is needed to make it accessible to a larger proportion of the population or to drive up standards, it needs to be done in collaboration with private landlords as they are a vital part of realising the right to adequate housing in Wales. Though this collaboration does not mean we do not make the changes needed to fully realise the right to adequate housing here in Wales.

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<sup>13</sup> UK Rental Market Report <https://zpgcommercial.wpenginepowered.com/wp-content/uploads/2023/03/UK-rental-market-report-Final-March-2023.pdf>

<sup>14</sup> Rent regulation in the private rented sector in Northern Ireland. <https://www.cih.org/media/n50no3ps/dfc-rent-regulation-in-the-private-sector-in-northern-ireland.pdf>



***The opportunities for greater partnership working between social and private landlords.***

Local Authorities in Wales can set up a private leasing scheme in their area with rents limited to Local Housing Allowance (LHA) rate. The main aim of the scheme was to increase access to private rented accommodation. Whilst this has proven successful in some areas it is now becoming difficult to expand due to LHA rates remaining frozen. Some landlords are not able to charge LHA rates due to the allowance being lower than their mortgage costs. Our members agree that there needs to be a cap on the rent charged but possibly this cap to be altered to just above current LHA levels. Our members in rural areas of Wales have benefitted from the leasing scheme as it enables them to secure a home for someone in an area where there is not a ready supply of social housing ensuring that local links for the household are kept. CIH Cymru feel that if the rental levels payable under this scheme were altered there would be scope for further expansion of the scheme easing the current pressure faced by Local Authorities in providing temporary accommodation.

Some social landlords in Wales operate lettings agencies. One example of this is Pobl Lettings which is a not-for-profit lettings agency part of the Pobl Group<sup>15</sup>. The agency provides a full lettings agency service to any landlord in their operating area wishing to sign up. The scheme also won a Welsh Housing award in 2019. There is potential to explore this option further with other social landlords in Wales.

Welsh Government has provided transitional accommodation capital programme funding to expand the number of units of suitable temporary accommodation in Wales as part of a move to a rapid rehousing model. Some organisations are using this money to bring empty homes back into use but if they do not meet the Welsh Housing Quality Standard (WHQS) they need to be sold after ten years. Whilst we understand the desire for the properties purchased under this scheme to be

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<sup>15</sup> Pobl letting agency. <https://poblletting.agency/>





brought up to WHQS we need to look at this as part of a whole system approach exploring ways to apply WHQS across the housing sector as part of a right to adequate housing here in Wales.

***Barriers to accessing the private rented sector including challenges facing young people and people with pets.***

As previously stated, LHA rates have been frozen since 2020 and according to the latest research from the Bevan Foundation, just 32 properties for rent in Wales in February 2023 would be covered by current LHA levels<sup>16</sup>. Yet there are further structural impacts faced by young people and single person households. Many single people under the age of 35 are only able to access a shared room rate of LHA. This is often significantly lower than the LHA rate paid for couples and those over the age of 35. For some single people shared accommodation is not a suitable housing option. We also have a significant shortage of one bed social housing in Wales. This was highlighted in the Senedd's Local Government and Housing Committee report on homelessness which outlined that there has been a chronic undersupply of social housing generally. This issue is especially acute when we look at the supply of one bed accommodation which is needed for single person households and couples without children<sup>17</sup>. As a result, many single people are faced with long stays in temporary accommodation due to the unaffordability of the private rented sector and undersupply of one bed social homes. This is having a knock-on effect on temporary accommodation use in Wales with costs of this provision up 7000 per cent for some Local Authorities as highlighted by Inside Housing in March 2023<sup>18</sup>

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<sup>16</sup> Wales' Housing Crisis: Local Housing Allowance and the private rental market in Wales Winter 2023. <https://www.bevanfoundation.org/wp-content/uploads/2023/03/Wales-Housing-Crisis-Winter-2023.pdf>

<sup>17</sup> Homelessness (March 2023) <https://senedd.wales/media/zs0jkb4g/cr-ld15717-e.pdf>

<sup>18</sup> Welsh council sees more than 7,000% rise in temporary accommodation costs as total spending doubles. <https://www.insidehousing.co.uk/news/welsh-council-sees-more-than-7000-rise-in-temporary-accommodation-costs-as-total-spending-doubles-80599>.



Even if a household can afford the monthly rent another barrier faced by households wanting to access a private rent is the deposit levels currently seen. Most households will need to pay a deposit and at least a month's rent in advance but often the deposit is worth a month and a half rent. So, for a property that is £500 a month to rent often a household will need to pay £1250 up front to secure the tenancy. This deposit is then protected, and the household cannot access it quickly if they need to move home meaning they may need to borrow money to pay a new deposit whilst they wait for their old deposit to be repaid. There is a need to reevaluate private rent deposits that allow tenants to move as needed whilst ensuring landlords can recoup costs of any property damage or rent arrears.

One alternative is to make landlord insurance a mandatory requirement of renting out a property in Wales. Many landlords will already take out this insurance, so it is likely to have a minimal impact on existing market. Currently the average annual cost for this is £170 which could be spread over the duration of the tenancy as insurance will protect both landlord and tenant. The effectiveness and swift resolution of disputes relating to property condition would be dependent on a robust inventory prior to tenants moving in. This would then remove the significant financial burden of the current deposit scheme to secure a private rented property.

Another issue facing some potential tenants is credit checks as part of tenant vetting processes. Some tenants will have a poor credit rating due to previous financial issues some of which caused their homelessness, others have numerous addresses in a short period of time that can also negatively affect their credit rating. Whilst lettings agents see these as a necessity as part of affordability checks they can inadvertently exclude people who are able to afford the monthly rent yet have a poor credit history.

We have also heard from members that some households wishing to access a private rent face stigma from landlords as they are currently living in interim



accommodation. Though when we have spoken to private landlords this is often due to them not understanding where to go if a tenant with support needs some extra help. This issue was highlighted in our Tyfu Tai research on Private renting and mental health<sup>19</sup>. Though the report just looked at mental health the recommendation for Welsh Government to provide signposting for landlords when a tenant has mental health issues could be expanded to enable signposting for landlords for any tenant who has an exacerbation of their existing support needs.

Again, CIH Cymru believes that all these barriers to accessing private rented housing in Wales can be overcome by progressively realising the Right to Adequate Housing through legislation in Wales. This would then give recourse to both Government and individuals to challenge some of the highlighted barriers facing them in accessing a home in Wales.

### ***How effectively the private rented sector is regulated.***

There are already some significant regulatory requirements made of landlords but what is not always clear is who is responsible for ensuring that these regulatory requirements are being adhered to. Some of our members feel that Rent Smart Wales should be acting as the regulator for the private rented sector in a similar way to how the social rented sector is regulated. Yet it is often an expectation for already overstretched Local Authorities to regulate and sanction private landlords in their area. The regulatory powers are often sat within environmental health teams who have numerous other pressures on them as part of their role. There is a need to evaluate current capacity within rent smart Wales and if more capacity is needed to provide this to ensure that they can also function as a robust regulator for the sector as well as ensuring licencing and registration requirements are met.

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<sup>19</sup> Private Renting and mental health. A way forward.

<https://www.cih.org/media/4amhosw3/private-renting-and-mental-health-a-way-forward.pdf>



As suggested by our members there is a need to ringfence the monies raised from increased council tax premiums on second homes so that they are solely used on housing related costs. This would include increasing the resource of enforcement teams so that there is effective regulation of the private rented sector within local authority areas.

There are several concerns from the wider sector around the increasing levels of regulation in the sector resulting in landlords leaving the market. If we are going to increase the effectiveness of any existing regulatory process in Wales, we need to do this collaboratively with the private landlord sector to ensure that they also feel supported whilst we seek to improve the standard and quality of the private rented sector here in Wales.

***The availability of data on the private rented sector and how it can be improved.***

CIH Cymru has significant concerns around current data availability and as such would like to see improvements. There are several areas where there are concerns some relating to questions already asked. As such we are breaking down our response to this question to cover the gaps highlighted when answering previous questions.

*Supply of Private rented housing*

Whilst we have census data on the number of households occupying a private rented property coupled with data on the number of registered landlords there is a lack of a centrally accessed database for the number of private landlords in Wales at any given point. The data would need to be broken down by local authority area and ideally by lower super output areas and be available on a month-by-month basis. This would give a greater real time picture of the size of the private rented market by providing data on those leaving and entering the market. We would also like to database to show a reason a landlord has left the market so that policy solutions could be targeted as needed.





Rent Smart Wales does hold information on the number of landlords registered in Wales. There are concerns from our members about an inbuilt lag to the data. All landlords had to register by the 23<sup>rd</sup> of November 2016 when the legislation around registration came into force. This registration lasts for five years. A landlord could leave the market at any point in their five-year registration, but it is not recorded until they need to renew. It is not mandatory to inform rent smart Wales prior to re-registration.

Concerns have been raised by members that the five-year registration may be resulting in data that shows significant dips in registration followed by a period of increasing registration. Yet this is not truly reflective of the market as some of the landlords recorded as leaving the market in November 2021 (the first five-year anniversary) may have left at any point between November 2016 and November 2021. This is concerning as often the data is showing a growing private rented market, but anecdotal evidence from members is that significant numbers of private rent landlords are leaving the sector.

A centralised database not linked to registration cycles would be a statistically robust way to monitor the growth or reduction of the private rented sector in Wales. This could be linked to Council Tax records where it is noted if a property is a rented property or not.

### *Affordability*

Currently the rent officer collects data on current rent levels in Wales. Yet the provision of this data is voluntary. So that we can accurately assess the affordability of the private rented sector, including the ongoing impact of the LHA freeze, it should be compulsory for landlords to provide their rental data. This data should be provided at the point of any change to the tenancy and when an increase is applied during the tenancy. This data could also assess the impact of any wider economic impacts such as rising mortgage rates and whether there is a direct correlation to increased rental levels.



### *Quality*

Data is currently available on the number of category one and two hazards that have been reported in a Local Authorities during a fiscal year. This needs to be mirrored so that data on the amount of fitness for human habitation claims made within a local authority area is also available. Ideally on a quarterly basis within a Local Authority Area. One way all the data on hazards could be improved is to also provide the number per tenure for each local authority area. Whilst it is not appropriate to make the landlord details for a fitness for human habitation claim public, Rent Smart Wales should monitor these to ensure that action can be taken, or support offered to landlords with high numbers of fitness for human habitation claims as part of a drive to regulate the quality of private rented homes in Wales.

### *Landlord and tenant characteristics*

Rent smart Wales could be the organisation that collects information on landlord and tenant characteristics. The information needed for landlords could be collected as part of the registration and renewal of licences and include:

- Number of properties
- Ethnicity of landlords
- Landlord income
- Where the landlord resides

This could give a good picture of the rental landscape in Wales and help focus policy solutions that support both landlords and tenants.

Information on tenant characteristics would need to be collected at the start or end of a tenants and include:

- Ethnicity
- Household type
- Income
- Disabilities

This data should be available at local authority level and by lower super output area so that data can be analysed to establish impact on the population because of quality issues, rising rent levels or overcrowding. This will better inform policy decisions being made about the private rented sector here in Wales.



*Use of private renting to prevent or relieve homelessness.*

This data was always collected as part of the Local Government WHO12 returns. It was collected on an annual basis and showed how many households had their homelessness prevented or relieved through the provision of a private rented tenancy. This was broken down to “with financial help” or “without financial help.” This part of the WHO12 data collection was put on hold during the Covid-19 pandemic and has not restarted. This data is vital to provide quantitative evidence on the impact that rising rent levels are having on a local authorities’ ability to prevent or relieve homelessness. Due to the current housing crisis in Wales, initially this data needs to be provided monthly as part of the temporary accommodation data publication. Going forward the full collection of the WHO12 data needs to be restarted with all data collected as part of this provided on a quarterly basis.

Ideally all the data improvements, additions, and amendments we have mentioned should be made available on a publicly available dashboard. Other public bodies in the UK utilise Power BI or similar programmes to enable policy makers and researchers to access data. This provides data at a point in time and enables several data sets to be compared or drilled down into for more detail. It will also enable people to run bespoke reports on the data to inform their own work.

Ultimately there are significant changes and improvements needed to data collection and publication in Wales. Data enables us to effectively evaluate policy and make changes as needed.

### **Conclusion**

Private renting is the second largest housing tenure here in Wales. Yet for many households it is increasingly unaffordable resulting in homelessness or longer than needed stays in temporary accommodation. Whilst there is a proposed green



paper on fair rents in the private rented sector our members are concerned that this will just accelerate the shrinking of the market as some landlords claim that they are already leaving due to increased regulation. Our members would like to see welfare reform as a solution to the escalating rents seen in many areas across Wales. Yet these price rises are being fuelled by a significant lack of housing across Wales. If we were to address the shortage in supply of social and affordable housing, then this would have the effect of righting the housing market and could lead to rents being brought under control.

We at CIH see the right to adequate housing here in Wales as the solution to the issues currently seen in the private rented sector. This right would see a saving to the public purse of £11.5 billion, money that can be reinvested into the supply of social and affordable homes to ensure everyone in Wales can access a good quality, safe home in the tenure of their choosing.

### **About CIH**

The Chartered Institute of Housing (CIH) is the independent voice for housing and the home of professional standards. Our goal is simple - to provide housing professionals and their organisations with the advice, support, and knowledge they need to be brilliant. CIH is a registered charity and not-for-profit organisation. This means that the money we make is put back into the organisation and funds the activities we carry out to support the housing sector. We have a diverse membership of people who work in both the public and private sectors, in 20 countries on five continents across the world. Further information is available at: [www.cih.org](http://www.cih.org).

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