

Local London renting under Covid: Effects of policy change and Covid on the lower end of the PRS

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Background

- Research funded by Trust for London
- Project started late 2019, report in 2022
- Broad question—how are changes in tax and regulation affecting behaviour of landlords at the bottom of the PRS, and what does this mean for tenants?
- Original idea: granular research in small areas (one or two streets)



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Main changes in tax & regulation

- Tax rises (changes to mortgage interest treatment, SDLT, CGT)
- Property licensing and a strengthened regulatory regime
- Welfare reform affecting tenant benefits (not directed at the PRS, but affecting it);
- Building safety and energy efficiency requirements
- Requirement for landlords to check tenant's right to rent
- Promotion of institutional investment and Build to Rent
- Anticipated abolition of S21 'no-fault' evictions

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Our questions

- How have changes in taxation, licensing, welfare and LHA affected conditions and availability at the lower end of London's PRS?
- Are the changes driving out bad landlords and/or leading to improvements in rental stock or services?
- Are landlords moving upmarket or selling to owner-occupiers, reducing availability of low-cost accommodation?
- How did Covid affect landlords operating at the lower end of the PRS in London?

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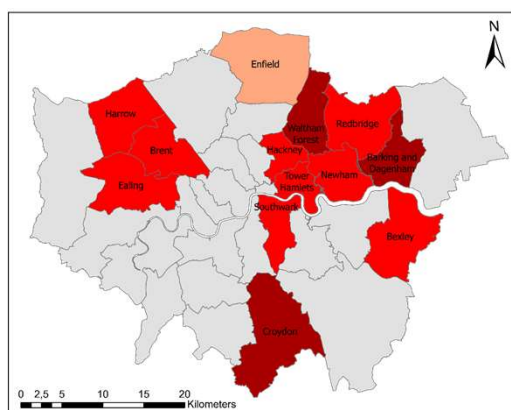
The original research plan

- Use landlord registers to identify neighbourhoods/streets with concentrations of PRS
- Qualitative in-depth focus on three or four small areas (a few streets)
- Door-to-door surveys, paired interviews of landlords and tenants, focus groups, observation

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What we actually did



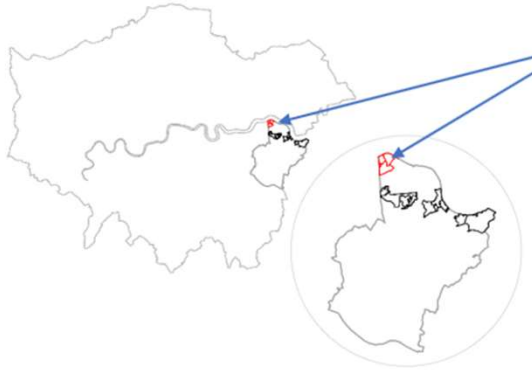
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Used selective licensing registers to identify PRS properties in three areas, looking for

- Geographic spread—inner & outer
- Different types of housing
- Range of demographics
- Range of political control

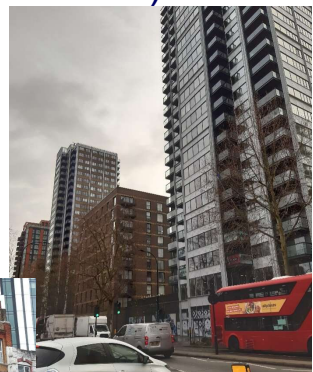
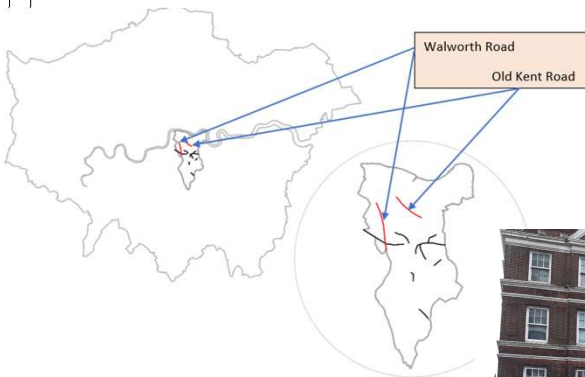
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Thamesmead East (Bexley—borough total 1519 selective licenses)



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Walworth Road & Old Kent Road (Southwark—borough total 1071 selective licenses)




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Iford

(Redbridge—borough total 7572 selective licenses)




The slide features a map of Redbridge on the left, with a red cross marking the Iford area. A blue line connects this area to a larger, more detailed map of Iford. To the right of the maps is a photograph of a row of brick terraced houses. Below the maps is a photograph of a street scene in Iford, showing a green storefront with a phone number 'Tel: 020 8553 7798' and a person in a yellow high-visibility vest standing near a gas pump.



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Methodology

- Postal invitation to Qualtrics survey sent to 300 landlords & 300 tenants in each area
- Response rate 6% for landlords, 1% for tenants
- Zoom interviews with landlords & stakeholders
- Mapping



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The landlord registers

- First issue: getting information
 - Information not the same in all, and not held in consistent format
 - Generally no email addresses
 - License holder ≠ property owner
 - Some accessible online (eg Redbridge); others not make public despite legal requirement
- Does selective licensing address the properties in the worst condition?



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Who the landlords are

- About half of surveyed landlords owned a single property, 71% owned >4
- License holders tended to be local. Multi-unit portfolios often concentrated near where landlords live
- Across the 3 areas, 21% of landlords were Asian or British Asian, 16% Black/African/Caribbean/Black British. Ethnicities of landlords broadly corresponded to demographic characteristics of local areas
- Registers not useful to identify few overseas landlords, as license holders are agencies



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Reported rents by area

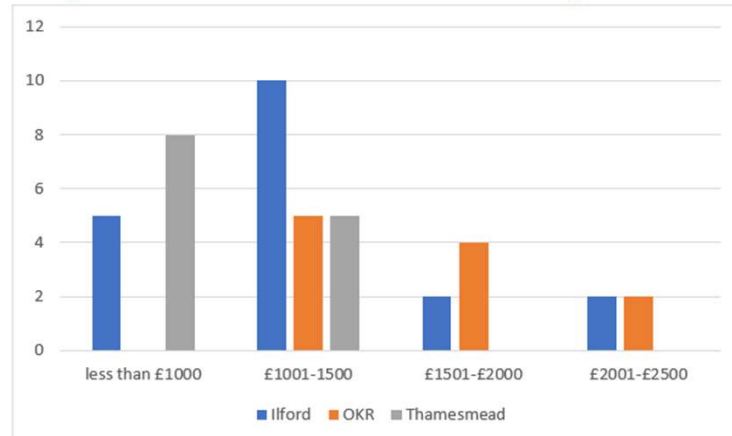


Figure 10: Distribution of reported rents by area



41% of units had rents in the lower quartile for their borough

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Effects of tax changes vs Covid

- Change to mortgage tax relief seen as most important by 58% of landlords, with CGT change second

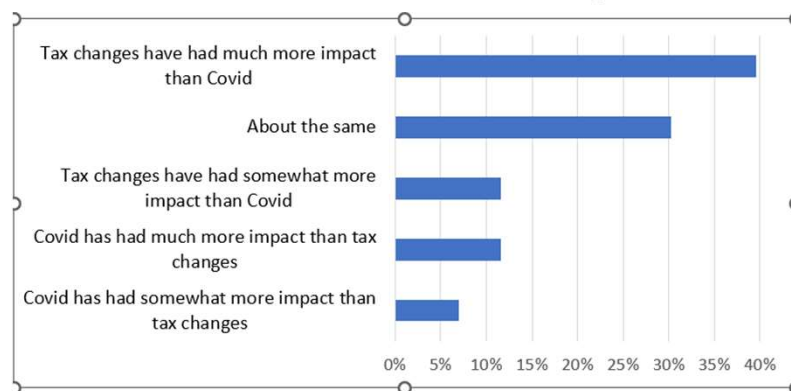


Figure 12: Relative importance of Covid and tax changes on plans of landlords in 3 London neighbourhoods

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Conclusions & recommendations

- PRS has no coherent policy framework. Taxes and regulations should contribute to an overall vision
- Current provisions incentivise landlords to leave the sector. Effects on tenants will depend partly on who buys the properties
- Licensing regime doesn't target the worst properties, and doesn't enable local authorities to communicate easily with landlords



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Topics for future research

- How to monitor the changing composition of the PRS in local areas, and what this means for low-income tenants
- Comparative research into the characteristics of the PRS in neighbourhoods with different ethnic profiles – are there culturally specific patterns of demand and supply?
- The role of letting and managing agents in letting property to lower-income households



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