

## **Local Government and Housing Committee – Inquiry into the Private Rented Sector**

### **Welsh Government Evidence Paper**

#### **Introduction**

The Committee's inquiry into the Private Rented Sector in Wales is both welcome and timely, given that it has been more than a year since the introduction of the Renting Homes (Wales) Act 2016. It therefore provides an opportunity to look at how the sector has been responding to the changes.

As set out in the foreword to the Green Paper Call for Evidence, Welsh Government is absolutely committed to helping tenants and supporting them to remain in their homes. We are committed to using all the levers we have to ensure we maintain a viable private rented sector here in Wales, offering high quality and choice of accommodation, where landlords have confidence to invest in making improvements and tenants have greater certainty that longer term costs of moving into or staying in a rental property will be affordable.

Within the context of significant pressures on housing supply, we recognise the concerns around the availability and cost of accommodation in the private rented sector. Despite a reduction in the rate of inflation, people across the UK are still experiencing the cost of living crisis, with increasing costs, including in the private rented sector. It is, however, important that data on rent and supply of properties is considered in the context of the whole sector, across Wales, and over time to accurately determine how the private rented sector is evolving and how landlords and tenants can be best supported over the longer term.

This evidence paper sets out available data on the changes to the supply of rental property, rental affordability, and quality. It also highlights potential opportunities for greater collaboration between the public sector and private landlords/property owners, and the measures that Welsh Government has put in place to evaluate the effectiveness of the licencing authority (Rent Smart Wales), and the introduction of the Renting Homes (Wales) Act 2016.

#### **Private Rental Supply**

Demand in the housing system is considerable, and the Private Rented Sector plays a key role in helping to address housing need across Wales. As such, the availability and supply of affordable and good quality accommodation in the private rented sector is vital.

Whilst we are aware of anecdotal evidence of some landlords leaving the sector, data from Rent Smart Wales does not indicate that overall Private Rented Housing Stock is being lost in Wales in significant numbers. Between January 2023 and January 2024 1,485 landlords registered with Rent Smart Wales, taking the total

number of recorded landlords to 102,482. As of 25th March 2024, Rent Smart Wales had 214,736 registered properties on their database, up from 208,461 in January 2023.

We do recognise, however, that the number of landlords registered on Rent Smart Wales has fluctuated over recent years, as illustrated in figure 1 below. This graph has been produced by Rent Smart Wales from data that is publicly available on their website ([Registration Dashboard – Rent Smart Wales \(gov.wales\)](https://gov.wales/rent-smart-wales/registration-dashboard)). It is important to note that a reduction in landlords occurred in June 2021 at the end of the first 5 year registration period. It is therefore not clear exactly when in the preceding 5 years a landlord may have left, just that they have not re-registered at the end of the 5 year registration period.

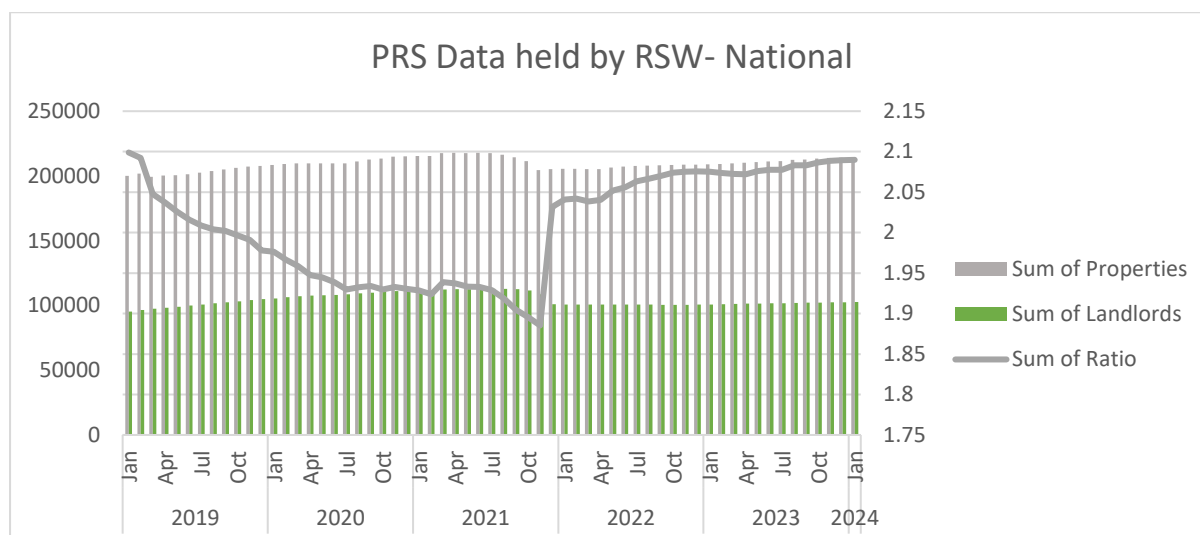
There will be numerous, and often combining factors which impact on landlords deciding to leave the sector. For example, the demographic pattern of landlords in Wales may be a factor, as according to Rent Smart Wales data around 70% of landlords only own one property (accounting for a third of properties), and more than a quarter are over the age of 65. Changes to legislative and tax requirements impacting landlords, at both a Wales and UK level, as well as wider economic changes, may also be factors.

Figure 1 demonstrates that whilst there has been a reduction in landlords of around 9% after June 2021 there has only been a slight reduction (1.5%) in the number of registered properties over the corresponding period. The graph also highlights that the average size of a landlord's portfolio has also been increasing over this same time period, from an average of 1.8 properties in November 2021 to 2.08 properties in January 2024. This growth in portfolio size appears to indicate that where landlords have left the sector a number of those properties are being acquired by other landlords and are therefore being retained for private rent.

The data also shows that not every local authority area saw a decline in registered private rental properties during this period. The following three local authority areas have all seen an increase in registered properties when comparing June 2021 figures and January 2024:

- Blaenau Gwent
- Cardiff
- Swansea

**Figure 1: PRS Properties, Landlords, and Portfolio Ratio – Wales**



Although the supply of registered rental property has remained relatively consistent over the last 5 years, and above 200,000 properties, other data indicates movement within the market has significantly slowed down with tenants tending to stay longer in properties. Looking at rental properties being marketed via Zoopla, Rightmove, or on the Market, approximately 1.5% of rental properties are available for rent in any given month, which has created pressures, particularly in certain locations of demand exceeding available supply. There are a number of potential reasons for this, which were reported to Welsh Government through the Green Paper workshops held in 2023. These include challenges of first time buyers affording deposits and mortgages and therefore staying longer in rental properties, and asking rents for new lets being significantly higher than in-tenancy rents and therefore acting as a barrier for people to move.

### Rental Affordability

Since the Covid pandemic there has been a marked increase in the percentage change in rents being charged in Wales. This is evidenced by the Office of National Statistics (ONS) data<sup>1</sup>, which is now using a new methodology and shows that in the 12 months to February 2024, average monthly rents increased to £1,276 (8.8%) in England, £723 (9.0%) in Wales and £944 (10.9%) in Scotland. The new methodology shows the record high for Wales was 9.8% in Nov 2023, and therefore the latest figures for February shows slowing annual inflation.

The ONS also highlight that under the new methodology the Price Index of Private Rents (PIPR) measures rent price changes of the entire privately-rented stock, so changes in new-let annual inflation from supply and demand pressures take time to be reflected in PIPR.

<sup>1</sup> [Private rent and house prices, UK - Office for National Statistics \(ons.gov.uk\)](https://www.ons.gov.uk/renting/private-renting/private-rental-properties)

Consequently, there needs to be an element of caution when relying on data regarding percentage increases in rental prices and affordability because of this potential time lag.

With the introduction of the Renting Homes (Wales) Act 2016, landlords are now only able to increase a tenants rent once in any 12-month period, and only after serving 2 months' notice.

It is also important to consider how rents have been changing over time, and in relation to the rate of inflation, to understand whether in real terms tenants are facing significant rent increases. Figure 2 below, by way of an example, uses data from ONS in respect of terraced properties in Wales and the average per calendar month rent being charged as of 1<sup>st</sup> January for the 9 years back to 2015. When comparing the increase (or inflation) in rent from the previous year against the relevant rate of inflation ( Consumer Price Index) the data shows rental increases over the period fluctuate above and below CPI, but broadly over the time period there has not been a significant real terms increase over the time period. The ONS Housing Purchase Affordability, UK: 2022 bulletin identifies a clear pattern of house prices increasing faster than incomes and UK inflation, but that no such clear pattern can be shown for private rents and the income of private renting households since 2013.

**Figure 2: Average Rent of Terraced Properties in Wales per Calendar Month**

Date	Rent (pcm)	Inflation from previous year	UK Inflation Rate (CPI)
1 <sup>st</sup> Jan 2015	£528	-	0.3
1 <sup>st</sup> Jan 2016	£537	1.8%	0.3
1 <sup>st</sup> Jan 2017	£545	1.5%	1.8
1 <sup>st</sup> Jan 2018	£557	2.1%	3.0
1 <sup>st</sup> Jan 2019	£572	2.7%	1.8
1 <sup>st</sup> Jan 2020	£584	2.2%	1.8
1 <sup>st</sup> Jan 2021	£597	2.1%	0.7
1 <sup>st</sup> Jan 2022	£613	2.7%	5.5
1 <sup>st</sup> Jan 2023	£643	5.0%	10.1
1 <sup>st</sup> Jan 2024*	£701	9.1%	4.0

Source: [Redevelopment of private rental prices statistics, UK: impact analysis data - Office for National Statistics \(ons.gov.uk\)](#) & [Consumer price inflation, UK - Office for National Statistics](#) \*figure derived from 9.1% PIPR for January for illustrative purposes.

The Green Paper Call for Evidence on securing a path towards Housing Adequacy-including Fair Rents and Affordability closed on 15<sup>th</sup> September 2023. We received just under 400 responses and a summary of responses will be published in April 2024.

In the Green Paper Call for Evidence, we highlighted some of the challenges that Rent Officers Wales are facing in being able to collect timely, geographically relevant, and adequate data on rents in Wales. This is critical in determining the 30<sup>th</sup> percentile of rent used by the UK Government to set Local Housing Allowance levels. We have received significant engagement in response to our question should

there be a mandatory requirement to provide rent data, and this will be considered further in the forthcoming White Paper on Adequate Housing and Fair rent to be published later this year.

It is also relevant to consider how rental levels have changed in other parts of the UK in comparison to Wales. ONS data<sup>2</sup> shows that in Scotland average private rental prices increased by 10.9% in the 12 months to February 2024 (compared to 9% in Wales). This is despite the Scottish Government, in October 2022, introducing a rent freeze, and in April 2023 introducing a 3% rent cap for in-tenancy rent increases, with exceptions that would allow a maximum of 6% in certain circumstances. Welsh Government will therefore continue to examine the emerging evidence of the impact of the Scottish Government's interventions in this area on affordability in the PRS, as part of the development of the forthcoming White paper.

## Rental Quality & Enforcement

With the commencement of the Renting Homes Act in December 2022 greater protections have been given to tenants in respect of the quality of rental accommodation. Section 91 of the Act requires a landlord to make sure the dwelling they rent is Fit for Human Habitation<sup>3</sup> when the contract-holder (tenant) moves in (*the occupation date*) and during the time the dwelling is rented to the contract-holder (tenant). Occupation contracts will usually<sup>4</sup> contain a term which states that a contract-holder (tenant) is *not required to pay rent in respect of any day or part day during which the dwelling is unfit for human habitation*.

In respect of enforcement and prosecution of landlords, Rent Smart Wales do publish an enforcement dashboard.<sup>5</sup> This shows that between 2017 and 2024 over 230 prosecutions have been completed, including 5 Rent Repayment Orders with over £40,000 of rent to be repaid. In addition, there have been over 1,700 fixed penalty notices issued, and over 1,800 investigations which resulted in compliance without the need to issue a fixed penalty notice.

A key aspect of Rent Smart Wales' remit is to improve the knowledge and understanding of landlords and agents operating in Wales. They provide mandatory training courses for landlords and agents who need to be licenced, and also continuous professional development courses on a wide range of matters including:

- Data Protection
- Equality and Diversity
- Fire Safety
- Hate Crime Awareness
- Managing Student Lets
- Mental Health Awareness

---

<sup>2</sup> [Private rent and house prices, UK - Office for National Statistics \(ons.gov.uk\)](https://ons.gov.uk)

<sup>3</sup> [Fitness for human habitation: guidance for tenants \(contract holders\) \[HTML\] | GOV.WALES](#)

<sup>4</sup> This is a supplemental term which can only be removed by mutual agreement between contract holder and landlord.

<sup>5</sup> [Enforcement Dashboard - Rent Smart Wales \(gov.wales\)](#)

- Safe and Healthy Homes
- Tenant Fee Ban
- Renting Homes Wales Act
- Repair and Safety
- Universal Credit

We are considering evidence submitted to the Green Paper call for evidence regarding potential changes around quality and compliance, which will be considered further in the forthcoming White Paper.

### **Houses in Multiple Occupation**

A large proportion of the Private Rental Sector is comprised of Houses in Multiple Occupation (HMOs). These make an important contribution to the private rented sector by catering for the housing needs of specific groups and households, particularly single households. These types of property also provide a valuable source of accommodation in university towns and cities.

We recognise the importance of suitable planning and licensing conditions to support mixed communities and seek to avoid an over concentration of HMOs. A high concentration of HMOs can sometimes have a significant impact on settled communities as the social infrastructure of a neighbourhood can change, either permanently (with less housing for families) or because large sections of the local population live there for only part of the year, for example in areas where HMOs provide student accommodation (an issue often referred to as ‘studentification’).

Historically, there have also been issues around poor conditions in the quality of some HMO properties, which often related to poor management and absent landlords. However, measures introduced through the Housing Act 2004, the Housing (Wales) Act 2014, and The Renting Homes (Wales) Act 2016 have helped to tackle these issues.

Welsh Government continues to engage, and work in partnership, with local authorities to ensure HMO regulations continue to be fit for purpose and strike a balance between compelling local authorities to undertake duties and allowing local authorities to use their discretion and available powers in a strategic manner in line with local pressures and priorities.

### **Collaboration in the PRS – Leasing Scheme Wales**

Leasing Scheme Wales was launched in January 2022, and is now in Year 2 of a 5-year programme to secure properties to provide longer term affordable accommodation from private sector housing stock. This is a Programme for Government Commitment.

The scheme involves local authorities leasing and taking over the management of private properties over a period of between 5 and 20 years. A key aspect of the

scheme involves properties being let at Local Housing Allowance (LHA) rates, so they are affordable to people on low incomes.

In 2022 there were 15 participating local authorities, and in 2023, 2 more local authorities joined the scheme. There has been positive engagement with a further 4 who have been encouraged to join the scheme from 1<sup>st</sup> April 2024.

One of the objectives of the scheme is to provide additional housing to assist local authorities rehouse people experiencing homelessness, including those in temporary accommodation. As part of the scheme, Welsh Government provides funding support to local authorities for tenancy support services and repair and maintenance of the properties. It is anticipated there will be over 200 properties signed up to the scheme by the end of March 2024. Of the properties on the scheme to date, two thirds were previously empty for more than 6 months. The schemes is therefore helping to bring properties back into use and increasing supply.

We will shortly be undertaking a national publicity campaign to promote Leasing Scheme Wales and raise awareness to significantly increase uptake as we seek to deliver a target of 1% of the PRS stock onto the scheme. If all local authorities participate this would equate to 2,100 properties by 2027.

### **Evaluation of Rent Smart Wales and Renting Homes (Wales) Act 2016**

Following a procurement process, we have appointed RH Global to undertake an evaluation of Rent Smart Wales. Work commenced in February and they will be engaging with stakeholders over the next few months before submitting their findings in Summer 2024.

The remit of the evaluation is to:

- identify any barriers to delivery;
- measure the impact of the service on PRS standards for key stakeholders, including tenants, local authorities, landlords, and letting agents;
- determine the effect of the service in facilitating compliance with relevant housing legislation; and
- gauge progress against Programme for Government commitments.

The Renting Homes Act (Wales) 2016 evaluation is providing a process and impact evaluation of the 2016 Act. Through a phased evaluation approach over three years it is assessing the success of the legislative changes in the Act in respect of:

- identifying key impacts on landlords and tenants and the rental sector overall in Wales;
- meeting the intentions set out through the development of the Act by the Law Commission and the Welsh Government; and
- the overall implementation of the Act across the sector.

# Renting Homes Act (Wales) 2016 - Evaluation Summary

## **Aims and objectives**

This research is providing a process and impact evaluation of the Renting Homes (Wales) Act 2016. It will provide an assessment of the success of the legislative changes in the Act. A phased evaluation approach has been adopted to achieve this aim.

This will be done via the following objectives:

- Assess the impact of the Act on landlords and tenants in Wales
- Assess the impact of the Act on the rental sector overall in Wales
- Determine the successes of the Act in meeting the intentions set out through the development of the Act by the Law Commission and the Welsh Government
- Assess the progress of the implementation of the Act

These objectives are being addressed in each of the three phases below.

Phase 1 (December 2022 – September 2023): A proxy-baseline or counterfactual in order to provide early findings and with which to compare research in future phases..

Phase 2: (October 2023 – July 2024) An early assessment of the impacts of the legislation and a continued assessment of the process of embedding the legislation. This will be undertaken 12 months after implementation.

Phase 3: (August 2024 – July 2025) A full impact assessment of the Act. This will be undertaken 24 months after implementation.

## **Progress so far:**

- Welsh Government have appointed Opinion Research Services (ORS) to carry out the 3-year evaluation.
- The first phase of evaluation is covering 5 main activities:
  - Data analysis of a variety of matters affected by The Act, including no-fault possession notices and the use of model contracts by landlords.
  - Interviews with key stakeholders - 17 stakeholders interviewed (in 15 interviews)
  - Survey of landlords pan-Wales (ran from 29<sup>th</sup> March to 2<sup>nd</sup> June)
  - Focus groups and interviews with landlords and letting agents - 6 landlord focus groups (3 private, 3 social), 9 interviews (all private) = 55 individual participants
  - Focus groups and interviews with tenants - 7 focus groups (4 social, 3 private), 2 interviews = 29 individual participants
- All of these findings are now being brought together into a final report and summary

## **Going forward:**

- The completion of phase 1 will include the publication of a final report and summary for this phase.
- Phase 2 will then start by making an early assessment of the impacts of the legislation and a continued assessment of the process of embedding the legislation. This will be undertaken 12 months after implementation.



- Lastly, phase 3 will A full impact assessment of the Act. This will be undertaken 24 months after implementation.