



Bridging NewcastleGateshead Private Landlord Survey

Executive Summary

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Context and Research Approach

The private rented sector has always played a significant role in the housing system in the U.K. and in many parts of the country has provided the 'lubricant' which allows local housing markets to work effectively. The sector is a source of affordable housing, enhances residents' housing choices and provides a 'bridge' between labour and housing markets, as its relative flexibility allows households to move to work opportunities.

However, recent studies have suggested that the sector is undergoing a period of transformation as 'new' tenants and landlords enter it, 'new' markets emerge within it, and new legislation is introduced to regulate it. And in many neighbourhoods across the UK, it is the private rented sector that is driving housing market change (Hickman *et al*, 2007).

Given this, and the concerns that many commentators and policy makers have about the impact of the sector on local housing markets, it becomes essential that attempts are made to better understand it and in particular to unpick the experiences, attitudes, practices and perceptions of the 'atoms' that propel it: landlords.

This report, then, presents the key findings to emerge from a survey of private landlords in the Newcastle, Gateshead, North Tyneside and the *Bridging NewcastleGateshead* (BNG) areas, all of which are areas where the private rented sector plays an important role in local housing markets. This timely study was commissioned by BNG, who were the study's principal funders, and the Newcastle Private Rented Sector Project, the Gateshead Private Rented Sector Team and North Tyneside Council.

The principal objectives of the study were to profile landlords in the study area with particular attention focusing on unpicking their perceptions, attitudes, future plans and how they 'see the world.'

This report is intended to complement others that have been commissioned by BNG and partners in the housing market field. The two of most relevance to this study are David Cumberland Associates recently completed study of estate and letting agents in the BNG area (David Cumberland, 2006) and Nathaniel Lichfield and Partners' survey of new build buyers (NLP, 2006), and reference is made to both these studies later in this report. Further, there are three other studies on-going of relevance to this report relating to students and graduates, BME residents and new migrants, and creative and cultural sector professionals.

The study team drew on a range of data sources. A postal questionnaire survey was undertaken of landlords across the three local authority areas that comprise the study area and 576 landlords completed questionnaires, which makes the study one of the largest surveys of private landlords ever undertaken in this country and perhaps the most comprehensive local study. The final sample comprised 305 respondents operating within Newcastle, 234 in Gateshead, 189¹ in North Tyneside, and 360 in the BNG area, which encompasses parts of the first two local authority areas.

¹ The sum of the geographic sub-samples is greater than the sample as a whole because some landlords had properties in more than one local authority area. However, as they only accounted for 21% of the sample it was decided by the project steering group and research team to allow 'multi-membership' of sub-samples. This was done in order to reduce the margin of error associated with geographic sub-samples by boosting their size: the margin of error associated with a sample reduces as its size increases.

In addition some 32 in-depth interviews were undertaken with landlords and face-to-face interviews were also conducted with key 'stakeholders' in the private rented sector (PRS). Two landlord focus groups were also undertaken: one which was attended by 'larger' landlords, and one which was attended by 'smaller' ones.

The Private Rented Sector in the Study Area

There was a consensus amongst stakeholders and landlords that the PRS in the study area is relatively buoyant. Landlords in Gateshead were more likely to report that this was the case and the market there appears to be particularly healthy.

The relative buoyancy of the rental market in the study area was attributed to a number of factors including: the regeneration of Newcastle city centre and the cultural revival of the Quayside areas of Newcastle and Gateshead; the movement of new 'international' population groups into the sector, particularly from Eastern Europe; spiralling house prices and the relative un-affordability of home-ownership for many households; the desire of many households, particularly younger ones, to live in (or close to) the city centre; and the improvement in the condition of the private rented housing stock. However, many respondents, both 'stakeholders' and landlords, reported that the PRS was becoming more competitive as new landlords entered it.

Most landlords confined their activities to only one geographic area: nearly four out five (79 per cent) who took part in the postal questionnaire survey reported that they had properties in only one local authority area.

The most common property types held by landlords were 'purpose built-Tyneside flats'², which were cited by nearly half of all respondents, 'a whole house occupied by a single household' (27 per cent) and 'other purpose built flats' (13 per cent).

Landlords with 'city centre/ riverside apartments' were most likely to report that some of their properties were empty, followed by landlords who owned a 'house(s) converted into self-contained flats' or a 'house(s) converted into bedsits'.

The size of landlords' portfolios varied significantly. The study area has many small landlords with more than half - 57 per cent - of all respondents having four or less properties and 30 per cent one property only. However, it would be misleading to characterise the private rented sector in the area as being dominated by small landlords and some account needs to be taken of stock size. While those landlords with only one dwelling held only 2 per cent of all the properties owned by landlords in our sample, those with 50 or more held 42 per cent of the total stock.

The Attitudes, Experiences and Practices of Landlords

A relatively small proportion of landlords use letting agents. More than three-quarters (76 per cent) managed their own properties with only 16 per cent using an agent. Most landlords in the sample (81 per cent) were either private individuals (42 per cent) or couples (39 per cent). Two-thirds of respondents had paid jobs (in addition to being a landlord) with 47 per cent having full-time jobs and 19 per cent part-time jobs.

Perhaps surprisingly given the recent growth of the buy-to-let sector across the country, more than two-thirds of respondents reported that they had been a landlord for more than five years. And only 9 per cent of the aggregate sample were 'new' landlords – i.e. had been landlords for less than two years.

² A unit of Tyneside Flats may at first glance resemble conventional single fronted late 19th Century terraced houses, but is in fact 2 and sometimes 3 dwellings, one above the other. They have separate front and back doors and back yards with no internal communication between the households.

The PRS sector in the study area comprises a number of important sub-markets. When landlords were asked to identify the tenants they normally let to, the most commonly cited tenant groups were 'housing benefit recipients' (44 per cent), 'full-time workers' (43 per cent), 'young professional people' (38 per cent), 'people not on housing benefit' (29 per cent), students (25 per cent), and 'younger people on lower incomes' (15 per cent). The size and importance of these markets varies across the study area.

In terms of the socio-demographic characteristics of the landlords, nearly two-thirds (64 per cent) of all respondents taking part in the postal questionnaire survey were men. Most landlords were aged between 30 and 59 and 72 per cent of all respondents fell into this category. Relatively few landlords - 4 per cent of the sample - were under the age of the 30 although there are a significant proportion of 'older' landlords: a quarter of all landlords were over the age of 60.

In terms of their ethnic origin, most landlords (89 per cent) classified themselves as being 'White-British'. The only other significant ethnic group were 'Asian' landlords who comprised 8 per cent of the sample.

Most respondents who took part in the postal questionnaire reported that they had become landlords for financial reasons. They wanted to 'secure a good return on my investment' (40 per cent), 'invest in property rather than in other opportunities' (13 per cent), or 'have some investment in property' (10 per cent). However, it appeared that some had become a landlord unintentionally: 14 per cent of all respondents reported that they became a landlord 'without meaning to', for instance after inheriting a property.

Although most respondents we interviewed believed that there were many 'bad' landlords in the PRS, most believed that they were 'good' landlords. This was because they maintained their properties, treated their tenants with 'respect', and had a social 'conscience.' As one landlord noted:

"I think the main thing (about being a landlord) is, certainly for me, is having a social conscience. We're not all like Rachman, you know." (Landlord with smaller portfolio)

This 'social conscience' appeared to extend to landlords' investment strategies as a number reported that they were in favour of investing in 'mixed' tenure areas, with areas with high proportions of owner occupation being particularly popular. However, this strategy appeared to have been driven more by commercial imperatives than an altruistic concern about tenure balance per se.

Most appeared to take a long-term perspective to being a landlord and were in it for the 'long-haul'. Some landlords had put in place a long-term 'strategy' and business plan while others had not and appeared to focus very much on the short term.

Landlords identified a number of challenges which they thought made being a landlord more difficult. Five were cited on a regular basis: 'problematic' tenants; finding and retaining tenants; 'bad' letting agents; maintaining and improving properties; and regulation and local authorities.

Although landlords cited a myriad of complaints about tenants, most could be categorised under two headings: (perceived) anti-social behaviour; and rent arrears.

Complaints about tenants were most common amongst those landlords who rented properties to housing benefit recipients and students.

Most landlords who had used letting agents had enjoyed a positive experience. However, some landlords we spoke to had enjoyed a very different experience and were very critical of agents.

While views on the merits of energy efficiency initiatives varied, most landlords appeared more concerned about the size of energy bills, and how lower bills would make their properties more attractive to tenants, than energy conservation *per se*.

Private Landlords, Local Authorities and Regulation

Most landlords are not members of a landlord accreditation scheme with only a little over a third (37 per cent) being accredited.³ However, of those landlords who were not accredited, most were aware of the existence of accreditation schemes and overall only 11 per cent of landlords were not.

Significantly, of those respondents who had used an accreditation scheme more than nine out of ten (94 per cent) found the experience beneficial. The view of one respondent was typical of many:

“I thought the accreditation scheme was excellent. This is my personal opinion. I thought it was brilliant. I thought the support there...the guy who was working with us... was brilliant. He came down to the properties, had a look, to get them accredited... he was just really supportive towards us.” (Landlord with medium sized portfolio)

Some 55 per cent of landlords with properties in Newcastle had used the Newcastle Private Rented Project and most (91 per cent) found the experience useful.

Some 58 per cent of landlords with properties in Gateshead had not used the Gateshead Private Rented Sector Team (GPRST). However, of those 32 per cent who had used the team most (94 per cent) found the experience beneficial.

Respondents were asked how useful they had found ‘local authority departments on an *ad hoc* basis in terms of support and advice. More than half of all landlords (55 per cent) had never been in contact with a local authority department on this basis. Of those that had done so, most (76 per cent) had found the experience positive.

Generally, most respondents we contacted saw their local councils in a positive light although there was a vociferous minority that were highly critical of them. Some of the antipathy towards local authorities by landlords appears to have been driven by a misguided belief that it was ‘the Council’, and not central government, that imposed regulations on them. In addition, a number of respondents reported that they ‘just wanted to be left alone’

More than half (51 per cent) of all landlords surveyed had at some point taken support and advice from a private landlords’ federation. And most (90 per cent) landlords had found this experience a positive one.

Landlords would like more guidance on ‘accessing grants and discounts’, which was cited by 72 per cent of respondents, ‘vetting potential tenants’ (45 per cent), ‘training for landlords’ (34 per cent) and ‘dealing with anti-social behaviour’ (30 per cent).

Landlords’ awareness and understanding of the new regulations introduced by the 2004 Housing Act varied greatly with larger landlords being better informed than smaller ones.

³ This demonstrates that the study extended beyond merely capturing the views of those landlords engaged with the study’s funders and in doing so, to some degree, allays concerns that study would be unrepresentative of the broader landlord population.

Many landlords were concerned about the impact of 'licensing' with many being particularly concerned about the impact of mandatory licensing.

Landlords' Future Stock Strategies

While a number of key stakeholders, and some landlords, we spoke to as part of the qualitative element of the research were quite pessimistic about the future of the PRS in the study area, the postal questionnaire survey revealed that landlords with plans to increase their stocks outnumbered by two to one those who intended to reduce the number of properties they owned.

Of the 119 respondents who indicated where they would be increasing their stock, 31 reported that they would be investing in the Gateshead area. Seven other areas were cited by more than five respondents: 'Newcastle' (14); North Shields (10); Heaton (10); Jesmond (7); Fenham (7); Bensham (5) and Wallsend (5).

When asked in which areas they plan to reduce their stock, landlords who plan to reduce the size of their stocks were most likely to mention Bensham and Benwell, which were both cited by nine landlords.

'Larger' landlords were much more likely to report that they were going to increase the size of their stock than their smaller counterparts. However, although a number of key stakeholders believed that many small landlords would leave the sector in the next few years this was not a view shared by small landlords themselves. In a similar vein, most 'newer' landlords reported that they had no intention of leaving the sector. Accredited landlords were more likely than their unaccredited counterparts to report an intention to increase the size of their housing stocks.

Landlord Profiles

The characteristics of a number of key sub-groups of interest to the study team and project steering group were identified. While particular attention focused on the four main geographical sub-sets within the sample - Newcastle, Gateshead, North Tyneside and the BNG area, attention also focused on providing profiles of landlords in relation to: the sub-markets they operated in; the size of their portfolios; and their accreditation status. This analysis revealed that most sub-groups had a number of distinguishing features.

Landlords with students had larger portfolios than their counterparts in other markets, were more likely to be accredited and were more likely to own Tyneside flats and shared houses. Landlords renting to young professionals also had larger portfolios while those with housing benefit tenants were least likely to be accredited.

In terms of portfolio size, landlords with only one property were the least likely of all the portfolio sizes to be a member of an accredited scheme and were more likely to be recent newcomers to the PRS. Landlords with more than 50 properties were most likely to be accredited and had been in the PRS for the longest period.

A greater proportion of landlords in Gateshead (49 per cent) are accredited than in Newcastle (38 per cent) and North Tyneside (26 per cent). Landlords who use a lettings agent were less likely to be accredited than those who own and manage property themselves.

Turning now to the geographic sub-sets within the sample, landlords with properties in Newcastle were more likely to have only one property and be from an ethnic minority group. Landlords with properties in Gateshead were more likely to be accredited and less likely to have only one property. Perhaps the distinguishing feature of landlords in North Tyneside

was that more than four out of five let properties to tenants in receipt of housing benefit. The BNG area had the greatest proportion of Asian landlords: more than one in ten - 11per cent - landlords with properties in the area were from this ethnic grouping.

Policy Lessons and Recommendations

The study identified a number of **learning points** of particular relevance to policy makers and practitioners:

- the private rented sector in the study area is highly diverse and to some degree, fragmented;
- the private rented sector in the study area appears to be undergoing a period of transition;
- most private landlords who had used the services provided by local authorities had enjoyed a positive experience;
- but most landlords do not engage with local authorities;
- private Landlords highlighted a number of areas where they would like more assistance from local authorities;
- perhaps not unexpectedly, many landlords were 'hostile' to the concept of licensing and many were concerned about the impact it would have on their operations;
- landlords were often ill-informed about developments in the sector;
- the 'branding' and 'scope' of services offered to landlords by local authorities appears to have played an important role in shaping how landlords respond to them, and their general perception of local authorities;
- many landlords with larger portfolios have stock in more than one local authority area.

The study team identified a number of **recommendations**. These were preceded by three important observations about the nature of task confronting policy-makers and practitioners working in the PRS:

- there are no easy 'solutions' to the problems confronting policy makers and practitioners working with private landlords and it would be foolhardy for the study team to offer some here. Instead, we have raised a series of areas where agencies may wish to develop their thinking.
- the quality of service provided by local authorities to private landlords is high: most of the landlords who had used council services spoke very highly about the services they had received. *So the main issue confronting local authorities is not about improving the quality of their services, but getting more landlords to engage.*
- across the country local authorities' private rented sector teams are relatively poorly funded and invariably over-stretched: this certainly appeared to be the case in our case study authorities.

The study team identified eight principal recommendations:

- local authorities should consider employing an even more tailored approach to working with landlords;
- local authorities should consider targeting 'key' landlord groups and sub-markets;
- local authorities and partners should consider employing 'new' techniques and methods for engaging with private landlords;

- local authorities need to think very carefully about the 'branding' of the products and services they provide landlords and the organisational 'location' of 'support' and 'enforcement' functions;
- local authorities should continue to seek to 'educate' landlords about licensing and its implications;
- the existing links between key 'stakeholder' organisations in the PRS in the study area should be strengthened and formalised through the formation of a conurbation-wide PRS forum;
- it is essential that developments and trends within the sector are monitored closely;
- it is imperative that 'market intelligence' relating to the PRS is updated through further research studies.

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