

Senedd Local Government and Housing Committee inquiry into the private rented sector
Response from Propertymark
May 2023

Background

1. Propertymark is the UK's leading professional body for estate and letting agents, inventory providers, commercial agents, auctioneers and valuers, comprising over 17,000 members. We are member-led with a Board which is made up of practicing agents and we work closely with our members to set professional standards through regulation, accredited and recognised qualifications, an industry-leading training programme and mandatory Continuing Professional Development.

Overview

2. The Senedd's Local Government and Housing Committee has started an inquiry into the Private Rented Sector (PRS) in Wales. The Committee's terms of reference have included looking at supply, quality and affordability, current challenges, opportunities for partnership working with the social sector, the effectiveness of regulation, barriers to accessing the sector and the availability of data on the PRS.

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

Supply

3. The supply of privately rented properties in Wales is of major concern. A survey of Welsh landlords by BVA-BDRC illustrates that in Wales 79% of landlords reported tenant demand having increased in the third quarter of 2021. Despite this rising demand, whilst 16% of Welsh landlords said they were likely to expand their portfolios, a larger proportion (19%) said they were planning to cut theirs. Most Welsh landlords (54%) said they were expecting their portfolio to remain the same size. Our report, *A Shrinking Private Rented Sector*¹ found that 53% of buy-to-let properties sold in March 2022 left the PRS and 84% of respondents told us that the number of new investors in the PRS has decreased over the past three years. Finally, there was a 49% reduction in properties available to rent per branch in March 2022 compared to March 2019. While this is data for the UK, the issue with supply is likely to be replicated in Wales as supply is struggling to keep up with demand across the country.

Supply – solutions

4. To increase the supply of homes to rent in Wales urgent action is required from the Welsh Government in three ways:
 - Firstly, exempt landlords from the 4% Land Transaction Tax Levy on the purchase of additional homes providing, they were used for long-term residential let.
 - Secondly, launch a review of all taxes relating to private landlords. Investment is stalling because the phasing out of tax relief on mortgage interest for landlords, the additional LTT

¹ [A shrinking private rented sector | Propertymark](#)

surcharge on buy-to-let property Through a review of taxation, the Welsh Government will be better placed to introduce policies that reduce costs for those wishing to invest in the private rented sector, which in turn will help boost supply and make it more affordable for renters.

- Thirdly, provide financial support through grants and loans to support to landlords upgrading the energy efficiency of their properties.

Standards and quality in the Welsh PRS

5. We believe there is sufficient legislation through the Renting Homes (Wales) Act 2016² and the Renting Homes (Fitness for Human Habitation) (Wales) Regulations 2022 to ensure that standards are kept high in the PRS. However, the difficulty is in local authorities' ability and capacity to enforce these standards. Concerningly, the number of inspections carried out by local authorities in Wales under the Housing Health and Safety Rating System (HHSRS) is falling. In 2018-19, only 5,652 assessments were carried out across Wales, a fall of 10% on the previous year and the lowest total since 2011-12.

Standards and quality in the Welsh PRS – solutions

6. Councils can play a crucial role in driving up standards in the private rented sector, but more needs to be done to resource local authority enforcement teams rather than creating new legislation that won't be enforced. The Welsh Government must do three things:
 - Firstly, allow sufficient time for the Renting Homes (Wales) Act to be fully implemented before embarking on a further round of changes to the sector.
 - Secondly, there needs to be more funding for local authorities to ensure they have the resources needed to tackle poor quality housing. Additionally, local authorities should be required to report back on the number of inspections and any follow up enforcement action taken as a result including how much they have spent and any outcomes such as the general condition of properties in their areas.
 - Thirdly, the Welsh Government should work with local authorities to develop an apprenticeship scheme to increase the number of local authority enforcement officers, resulting in more property inspections.

Affordability

7. On 3 March 2023, the Senedd Local Government and Housing Committee closed their inquiry into making the right to adequate housing law in Wales. This is on the back of the commitment made by the Minister for Climate Change who has responsibility for housing, as part of Welsh Labour's Cooperation Agreement to form a government with Plaid Cymru, to publish a Green and White Paper on fair rents in the Summer of 2024. Propertymark backed the call to make adequate housing law in Wales³, however, while the work is interlinked with the work of fair rents, we do not support rent controls. Rather than adding further financial hardship to landlords already under financial strain from unprecedented costs, we believe adequate housing can be achieved by

² [Renting Homes \(Wales\) Act 2016 \(legislation.gov.uk\)](https://legislation.gov.uk)

³ [Propertymark backs call for right to adequate housing | Propertymark](#)

raising standards and adopting a more quid pro quo relationship between governments with landlords and their agents.

Affordability – solutions

8. Whilst demand continues to outstrip supply in the private rented sector and not enough homes are being built each year, landlords and letting agents remain increasingly important to those who need a safe and secure place to live. Consequently, the Welsh Government need to do more to help landlords and implement the following changes:
 - **The long-term solution to address the lack of affordability in the private rented sector is to ensure that more social housing is built to reduce housing need.** The demand for social housing has far outstripped availability, meaning that many people who most need help with affordability now live in the.
 - **The Welsh Government must lobby the UK Government to restore and retain Local Housing Allowance (LHA) rates to at least the 30th percentile to cover the average cost of rents in the lowest third of local markets prepare the housing market for an increase in rental demand.** Propertymark are members of the Homes for all Cymru campaign, a coalition of Welsh organisations who have joined forces to call on the UK Government to end the freeze on LHA. In addition, we have recently written to this committee, asking if the committee would consider looking at the feasibility of the Welsh Government devolving LHA levels and Broad Rental Market Areas as part of the committee’s work programme. We believe that BRMA’s used to define a local area for LHA levels are too large and often include two local authority areas. This does not allow for local market rates within the area to be truly reflected.
 - **Support tenants with affordability when renting by doing three things to help with the cost and payment of deposits.** Firstly, the Welsh Government should be doing more to encourage employers to offer staff an interest free loan to pay for their deposit when moving into private rented property. Secondly, raise awareness to allow tenants to pay their deposit instalments. Thirdly, wider use of deposit bond schemes. The Bond is an agreement between a local authority, the landlord or letting agent and the incoming tenant. It is not a transfer of cash, but a written guarantee issued to the landlord on behalf of the tenant to cover the deposit for the property they wish to rent.

The challenges currently facing private sector landlords

9. Landlords in Wales are facing four key challenges:
 - **New and impending energy efficiency targets for private rented property** - the Minimum Energy Efficiency Standards Regulations 2015⁴ make it unlawful to let a privately rented property in England and Wales with an EPC rating below E, subject to various exemptions which must be registered online. The UK Government have still not published their consultation which will likely pave the way for it to be a requirement for all new tenancies to have an EPC of C by 2025 and all existing tenancies to meet a C rating by 2028. As part of the consultation, a costs cap exemption was discussed whereby if the cost of getting to EPC C was greater than £10,000, then the property could be exempt for five years.

⁴ [The Energy Efficiency \(Private Rented Property\) \(England and Wales\) Regulations 2015 \(legislation.gov.uk\)](https://www.legislation.gov.uk/uksi/2015/1108/contents/made)

The £10,000 costs cap will have a greater impact in areas such as Wales where property values are less than other areas of the UK. Propertymark commissioned the think tank, Localis who produced a report entitled Lagging behind⁵ which looked at the energy efficiency in low-viability properties. The report urges all governments to give serious consideration to the impact of regional variability in house prices and dwelling stock when installing heat pumps to hit decarbonisation targets. This would allow local authorities to set up one stop shops which could combine sub regionally to enjoy economies of scale, joint funding, and support as well as improved data collection to understand local challenges in retrofit. Specifically, to Wales, to address the impact costs will have on Welsh landlords against overall property values, we believe the Development Bank of Wales should offer grants and interest free loans to landlords to address these challenges and to ensure their properties are compliant.

- **Changes to landlord taxation rules** - one of the biggest challenges to landlords is the phasing out of tax-deductible costs such as mortgage interest as part of Section 24 of the Finance Act.⁶ As part of our budget representation to HM Treasury, we called for the reversal of Section 24 and for the UK Government to view landlords as a small business and to allow them to claim 100 per cent of their mortgage interest when filing their tax returns.⁷ The phasing out of Mortgage Interest Relief may have been the correct decision at the time to level the playing field between landlords and home buyers. However, with interest rates increasing exponentially, we believe this is a key factor for many landlords exiting the market.
- **Threat of rent controls** - as part of the Co-operation Agreement between the Welsh Government and Plaid Cymru⁸, there will be a commitment to publish a Green and White Paper on adequate housing and fair rents. Given these serious challenges to landlords and the sector in general, we do not support rent controls for Wales. Moving these challenges aside for the time being, we do not believe rent controls work and ultimately will reduce incentives for landlords to invest in their properties and make improvements. In Scotland where the Scottish Government have capped rents through the Cost of Living (Tenant Protection) Act 2022⁹, we have received evidence from Propertymark member agents in Scotland that show the impact in three ways. Firstly, the legislation is having an effect on landlord confidence with the majority of agents continuing to see landlords exiting the market since the legislation was introduced. Secondly, the crux of the housing problem is that demand is far outstripping supply - the legislation is having the opposite effect by pushing landlords out of the sector. Thirdly, rent increases have never been a significant factor, yet this legislation and the threat of further rent control is forcing landlords to put up rents between tenancies to cover any future cost implications.
- **Complexity of legislation** - on 1 December 2022, the Renting Homes (Wales) Act came into force.¹⁰ The Act brings several pieces of legislation into one legal framework and includes a number of measures that we believe are positive. However, the Act brings fundamental change to renting in Wales and we have reservations whether some landlords are ready for this level of change. Anecdotal evidence based on conversations we have had with PRS lead officers from local authorities alludes to the fact that the complexity of the legislation is

⁵ [040_LaggingBehind_PRF3_HR_Final.pdf \(localis.org.uk\)](#)

⁶ [Finance Act 2023 \(legislation.gov.uk\)](#)

⁷ [Propertymark 2023 Spring Budget representation | Propertymark](#)

⁸ [The Co-Operation Agreement \(gov.wales\)](#)

⁹ [Cost of Living \(Tenant Protection\) \(Scotland\) Act 2022 \(legislation.gov.uk\)](#)

¹⁰ [Renting Homes \(Wales\) Act 2016 \(legislation.gov.uk\)](#)

forcing many smaller landlords to exit the sector. Larger portfolio landlords and those landlords with managed lets from a letting agent are proving more resilient. In terms of the impact on letting agents, we believe that the legislation is clear on the relationship between landlords and contract holders. The legislation assumes that a landlord may discharge duties to a letting agent. However, the legislation does not make it clear where this might be appropriate and the implications. Furthermore, there appears to be some ambivalence on personal information required from landlords. Although we have now had clarity from the Welsh Government that landlords may use the address of a letting agent within contracts in place of their own address, this needs to be communicated to avoid confusion. Finally, given our concerns over the extent that some landlords are prepared for the legislation, the Committee might like to consider the appropriateness of deadlines for landlords and letting agents to issue written statements of contracts to contract holders for existing tenancies by 1 June 2023. We believe that additional time is needed to ensure landlords are complaint and aware of their responsibilities.

The opportunities for greater partnership working between social and private landlords

10. Ahead of the 2021 Senedd elections, Propertymark produced a Wales manifesto which called for more social and affordable housing to be built in Wales¹¹. It is well documented that demand for social housing in Wales far out strips supply. However, while there is a growing need for social housing across the UK, the situation in Wales is even more acute due to deprivation levels and the increasingly aged population. According to the Welsh Government’s population projections, the number of people aged 65 or older is projected to increase by 16.1% to 776,300 between mid-2020 and mid-2030.¹² We believe that both social and private landlords can have a role in providing specialist accommodation for the increasing number of older and disabled people who require housing either through building more specialist housing or by adapting the existing housing stock. There are three things that can be done:

- **Firstly, to make existing stock more accessible, local authorities in Wales need to work more collaboratively with private landlords and letting agents to highlight the benefits of future proofing their housing stock for the growing number of aged people accessing the PRS.** This could be achieved by working with landlords to encouraging them to access the Disabled Facility Grant (DFG) if they have a tenant that requires an adaptation. Currently, take up of the DFG in the Welsh PRS is extremely low, with most grants going to the social sector.¹³ This is despite the fact more older and disabled people are accessing the PRS due to the shortfall in social homes.
- **Secondly, there is a growing need of accessible housing in Wales and the PRS can work in partnership by collaborating with local authorities and highlighting where PRS stock might be suitable for older or disabled people.** To achieve this, we would recommend that local authorities populate a register of accessible properties in their local areas. Where there is insufficient accessible housing in the social sector, the local authority could then signpost contract holders that require adapted properties to the PRS.

¹¹ [Propertymark releases action plan for next Welsh Government | Propertymark](#)

¹² [National population projections \(interim data\): 2020-based | GOV.WALES](#)

¹³ [Disabled facilities grants by local authority area and type of grant \(gov.wales\)](#)

- **Thirdly, while the building of social homes increases to meet supply, the PRS has an important role in housing vulnerable people. We believe that local authorities should improve engagement with landlords and letting agents to engage with them in opportunities to support vulnerable people.** Many local authorities in Wales have landlord forums, but we are meeting with several local authorities to encourage them to have bespoke letting agent engagement events with Pembrokeshire County Council recently running a letting agents forum. Firstly, this could be an opportunity to better integrate letting agents with the Welsh Government’s Social Leasing Programme. Secondly, for private landlords to support the work of social housing suppliers in housing vulnerable people and those at most risk of homelessness, we would recommend that local authorities consider incentives through grants and loans or through council tax rebates. This type of support is increasingly used by local authorities in London.

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

11. Whereas owning a property is financially out of reach for many young people, young people are increasingly reliant on the PRS for accommodation. However, there are often welfare barriers to accessing the PRS for young people. As part of our budget representation to the UK Government, we called for the suspension of the Shared Accommodation Rate. The Shared Accommodation Rate (SAR) limits the amount of Housing Benefit that single person under the age of 35 can receive. We believe given the impact Covid-19 has had on young people, this is unfair and restricts housing options for young people.
12. With regards to renting with pets, the Renting Homes (Fees etc) (Wales) Act 2019 states that the security deposit is not capped in the legislation. This means that agents in Wales can take a higher security deposit if the tenant has a pet to mitigate against any pet related damage. Furthermore, the Renting Homes Act, can allow a pet clause as an additional term in the contract which enables a contract-holder to ask for permission to keep a pet, and the landlord is not allowed to unreasonably refuse the request. Recognising the advantages of contract holders having a pet in terms of companionship and improving mental health, we encourage our members to be reasonable in this regard.

How effectively the private rented sector is regulated

13. Landlords and letting agents are mainly regulated by the Rent Smart Wales (RSW)¹⁴ regime, where landlords and agents are required to apply for a licence. This involves paying for a licence, completing mandatory training, a fitness and propriety check and for agents’ proof of business safeguards and evidence of managed properties is required. In terms of regulation, we believe this is a good start. There are two things the Welsh Government can do to improve the effectiveness of how the private rented sector is regulated:
 - **Firstly, improve the accountability of Rent Smart Wales** - RSW covers the whole of Wales but is managed from Cardiff City Council. While we are relatively supportive of the aims of RSW, we believe that RSW lacks transparency and a clear line of accountability. The work of RSW does not appear to be guided by a central national strategy nor does there appear to be an

¹⁴ <https://rentsmart.gov.wales/?fdChange=1>

annual evaluation of RSW's work. While RSW operates from Cardiff City Council, there does not appear to be any political scrutiny function acting as a critical friend to evaluate its work other than as part of ad-hoc inquiries and questions from the Senedd. We believe the work of RSW would be enriched if they produced a public annual report into RSW's performance with direct scrutiny by the Senedd every year rather than on an ad-hoc basis.

- **Secondly, extend the training requirements for letting agents to qualifications** - the Welsh Government's policy intention through Rent Smart Wales is looking at training and the registration of property, whereas we believe regulation should be focused on ensuring that every agent involved in lettings has the right skills to do the job and meets a minimum training standard through qualifications. We believe all agencies should ensure relevant staff are qualified and that staff understand and follow a Code of Practice. Unlike the training requirement through Rent Smart Wales, achieving a qualification should never be a box ticking exercise. Completing the right qualification drives the credibility of the sector and equips agents with the tools to meet the challenges ahead.

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

14. There are two main challenges in the availability of data for the PRS. Firstly, there is a lack of data, research, and evidence to support evidence-based policy decision making. Secondly, there are limitations in data submitted by landlords and letting agents to the Rent Office Wales to support official statistics. The Welsh Government should do two things to improve the availability of data on the private rented sector:

- **Firstly, introduce a Welsh Housing Survey** - in October 2020, PropertyMark signed a joint letter with the National Residential Landlords Association (NRLA) and other housing bodies calling for the Welsh Government to implement a Welsh Housing Survey.¹⁵ Based on the long running English Housing Survey, which has been in place since 1967.¹⁶ By basing a Welsh Survey on the English survey, data could be compared between the two nations. We also believe that a Welsh Housing Survey could have the potential to collect a wealth of information such as data on the proportion of private rented sector tenancies ended by the tenant, the levels of satisfaction among social renters and the percentage of owner-occupied homes that are under-occupied. Through the Welsh Housing Survey, we would encourage the Welsh Government and local authorities to work with both landlords and letting agents to make case studies to highlight good practice within the sector. This could improve the image of landlords and highlight the increasingly important work they do in housing many vulnerable people in society. There is currently very little data on the PRS for policy makers to make evidence-based decision, and policy is often made on anecdotal evidence. The main data sources are the National Survey for Wales¹⁷ and the Housing Conditions Evidence Programme¹⁸, which are limited in their uses and insufficient for the needs of the sector.
- **Secondly, support the Rent Officers Wales** - the Rent Officers Wales¹⁹ provide an important function for data within the Welsh PRS. The Rent Officers Wales work includes compiling and

¹⁵ [PropertyMark backs NRLA calls for a Welsh Housing Survey | PropertyMark](#)

¹⁶ [English Housing Survey - GOV.UK \(www.gov.uk\)](#)

¹⁷ [National Survey for Wales | GOV.WALES](#)

¹⁸ [Housing Stock Analytical Resource | GOV.WALES](#)

¹⁹ [Rent Officers Wales | GOV.WALES](#)

maintaining lists of council tax bands for every property in Wales, advising ministers on valuation, property matters and benefits, setting the Housing element of Universal Credit and setting Local Housing Allowance levels for Wales. However, their data is reliant on landlords and agents who operate in Wales submitting their rental data to the office. We believe that letting agents have an important opportunity to supply large volumes of rental data to the Rent Officer Wales as they have access to rental data from their landlord clients and this can be submitted through their CMS systems directly to the Rent Officers Wales. However, despite the important role that landlords and agents have in data submission, there appears to be a reluctance shown from both landlords and agents in submitting their data. We have recently met with officials from the Rent Officers Wales, to investigate ways in which agents could be encouraged to submit their data. One proposal to improve the quality and amount of rental data, could be that Rent Smart Wales collects this data via their records of licensee holders of landlords and agents operating in Wales.