

Should local authorities save their local PRS markets?



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Context on the PRS market

4.6m households live in PRS = 11m people = 20% of the population

Highly Fragmented Market

2.2m landlords in the UK

45% landlords own 1 property (1m landlords)

18% of landlords own more than 5 and represent (48% of tenancies)

Less than 2% are BTR (Professional BTL)

60% of landlords are over 55

Some Problems

44% of landlords are unwilling to tenant on housing support or UC

10% of landlords (8% of tenancies) expect to sell their BTL properties (affecting 368,000 households)

12% of landlords (21% of tenancies) expect to “decrease their portfolio” (affecting 1m households)

23% of PRS stock does not meet Decent Homes Standards (1m properties)

Affordability Crisis in PRS

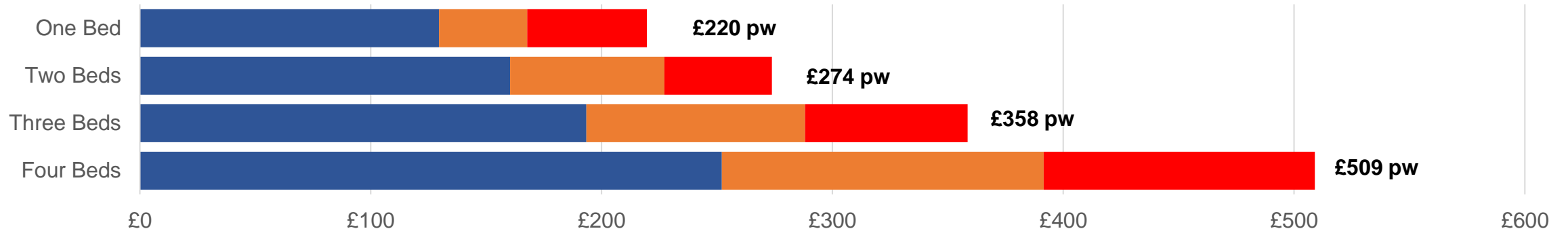
Renters

- Average Market Rent - £340 pw or £17,680 pa
- Median household disposable income should be £58,000
- Actual median household disposable income is £32,300!

Landlords

- Average property price £350,000
- Average market yields across England are 5.1%
- Average BTL mortgages rate are 5.9%
- On average landlord are losing £55 pw (£2,860 pa) – before costs, tax etc.

What about LHA?



	Four Beds	Three Beds	Two Beds	One Bed
■ 2023 LHA	£252	£193	£160	£130
■ 30th pct	£139	£95	£67	£38
■ Market	£118	£70	£47	£52

Current LHA (Average)

LHA is £185 pw

Shortfall between LHA and Market is £155 pw

Loss of £210 pw to landlord (£11,000 pa)

What LHA should be (Average)

30th percentile rent £270 pw

Shortfall to Market rent would be £70 pw

Loss of £125 pw to landlord (£6,500 pa)

What Market is doing (Average)

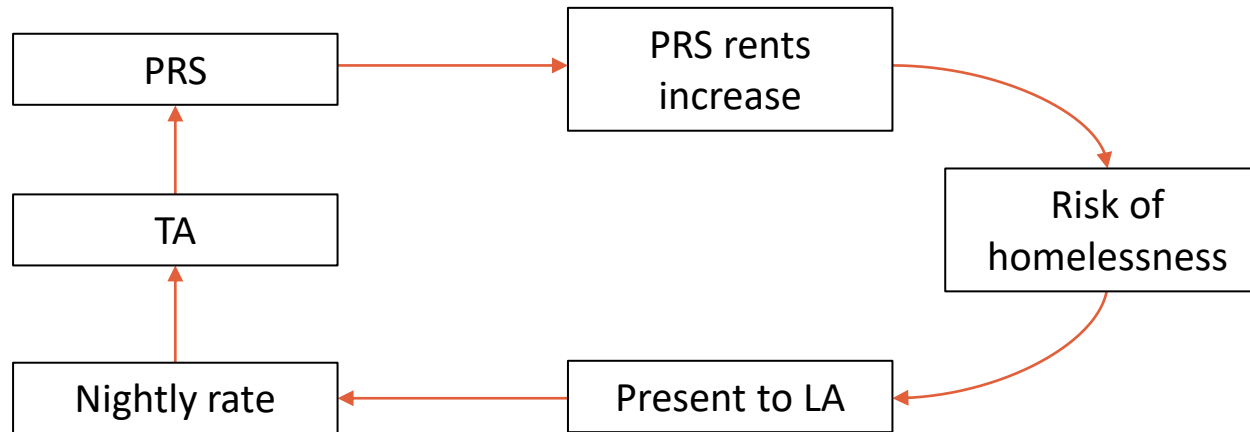
Rent is £340 pw

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Loss of £55 pw to landlord (£2,860 pa)

Ain't nothing going up but the rent

- Supply reduces (net loss of 35,000 BTL properties last year) – rents go up
- Interest rates go up for FTB, they can't buy so they rent more... Demand goes up – rents go up
- Interest rates go up for landlords – rents go up



Average Market rent	£340 pw		
Average TA rates	£325 pw	£1.25bn	73,700 placements
Average nightly rates	£782 pw	£407m	10,000 placements

So what can be done?

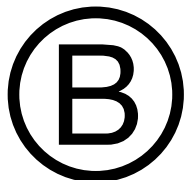
1. You can **be an active buyer** in their local market places for landlords wanting to exit, preventing homelessness, and generating an income, but controlling rents.
2. **PSL incentives** under 3 – 5 year PSL programmes, giving existing individual landlords rent guarantees, hands off tenancy management etc. Displace risk and cost from landlord, which could = 15% taking the value of a PSL lease (at LHA) reduces the gap £100 per week.
3. Local authorities can **work with institutional investors** (professional landlords) to take longer leases 10 years+ under more structured leases, fixing rents, caps and collars etc. and possibly co-investing and getting better quality stock.
4. **Co-investing options**
 1. Central Govt grants (RSAP)
 2. RTB receipts
 3. Co-investment with institutional investors (DLUHC, local authority etc)



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Questions

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