

Who are the individual landlords providing private rented accommodation?



About this report

This report has been produced with the support of the TDS Charitable Foundation, which “works to advance education about housing rights and obligations in general”.

In particular, the charity focuses on:

- Best practice in the management of private rented housing;
- Legal rights and obligations of those involved in the provision or management of private rented housing;
- Using alternative dispute resolution for more efficient and effective resolution of disputes between landlords and tenants.

The charity has awarded a grant to Kate Faulkner who runs Designs on Property Ltd (designsonproperty.co.uk), to produce a series of reports and surveys which will help to achieve the Foundation’s objectives, especially around enhancing the awareness and understanding of the “*legal rights and obligations of those involved in the provision or management of private rented housing*”.

The report does not necessarily reflect the views of the TDS Charitable Foundation



About the authors

Kate Faulkner Bsc (Econ) MBA CIM DipM was originally a consumer in the residential property market, buying, selling, renovating and renting property for many years. At that time she was a sales and marketing professional working with major brands such as PG Tips in the FMCG sector.



Having enjoyed working in her spare time in residential property, she went on to set up one of the UK's first property portals, then used her experience to help create on- and off-line tools designed to take the stress out of corporate relocations for employees.

From here she moved to set up the Self-Build and Renovation Centre in Swindon, and subsequently helped build a part-exchange business. Kate was also a Future Homes Commissioner for RIBA.

After gaining so much experience across the property market, Kate embarked on a mission to improve the way people carry out property projects, especially within the private rented sector. So whether it is banishing cowboy builders and rogue landlords, or helping the public approach a property project as simple as hanging a door or as complex as letting or building their own home, Kate is always on hand, either via her consumer website at Propertychecklists.co.uk or at the property clinics she runs around the UK, to help landlords, tenants, first-time buyers, self-builders, renovators and investors carry out their property projects in the right way, using qualified people and industry experts.

Kate's consultancy, Designs on Property Ltd, provides help and support to companies and organisations that want to communicate better to the public, or to introduce new products and services which help people carry out their property projects successfully, first time around.

She is fanatical that property facts and figures such as prices and rents should be reported correctly in the media, by the industry, and by organisations and policy-makers involved in the property market.

Kate regularly appears in the national and local media, and comments on TV, radio and in regional and national newspapers on property news items of the day. In this way she continues to pursue her chief objective, which is to help ensure the public get an independent, honest view of what is happening in the residential property market.

Akansha Saxena has an interest in the real estate business as she belongs to a family who have been involved in property development for three generations. She has experience in renting, buying and selling properties in different cities.

She has four years of experience in IT services and in her last role as a project engineer (Enterprise Integration consultant) she was responsible for analysing and resolving the technical issues faced by clients in real time.

She is currently studying for an MBA from the University of Nottingham and is keen to better understand the dynamics of UK property market.



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Who are the individual landlords providing private rented accommodation in England and Wales?

Executive summary

Over the last few years there has been a lot of bad press aimed at landlords operating in the private rented sector (PRS). Some of the headlines and reports include:

1. “Greedy landlords are putting up rents” (lovemoney.com)
2. Landlords are “Pocketing £5.6bn in rent on unsafe housing” (theguardian.com)
3. One million homes rented homes in the PRS are substandard (independent.co.uk) and that “poor conditions are the norm for many renting families.” (theguardian.com)
4. Complaining to landlords causes a third of tenant eviction threats (insidehousing.co.uk)
5. “57% of British flatsharers had felt intimidated by their landlord or agency” (weroom.com)

So are landlords ‘greedy’ and ‘aggressive’ people who aim to earn as much as they can from the private rented sector, doing as little as possible to rent quality and legally let homes?

Do landlords just ‘sit back and watch the money roll in’ or do they have other jobs and if so, what types of occupations tend to invest in buy-to-let?

Are they really failing to carry out the basic gas and electrical checks on properties and what understanding do they have of the increasingly complex legislation and regulation about lettings?

This research aims to uncover who are the real landlords operating in the private rented sector. Where possible, we have reviewed our results alongside other landlord surveys to see how they compare and combine learning to date to help gain a better overall understanding of landlord motivations; their reliance on rental income and mortgage finance; whether they are employed, run their own business or are retired, and what lettings skills they have.

Other surveys referred to in this report are:

The Private Landlord Survey, 2010 DCLG

This is a national survey commissioned by the Department for Communities and Local Government of landlords and managing agents who own and/or manage privately rented properties in England. The aim of the survey was to provide a snapshot of the composition and experience of landlords and how they (together with any agent) acquire, let, manage and maintain privately rented accommodation. The 2010 survey was based on information collated from respondents taking part in the 2007-08 English House Condition Survey (EHCS) and the 2008-09 English Housing Survey (EHS) who were recorded as private renters and who were asked to provide details of their landlord. These details formed the main sample for the 2010 PLS. The 2010 PLS consisted of 1,051 face-to-face and telephone interviews with landlords and agents who own and/or manage 1,109 dwellings included in the original EHCS or EHS survey.

The Strategic Society and Shelter, 2013

This report provides robust evidence on PRS landlords and their tenants from a large-scale nationally representative dataset: the Wealth and Assets Survey 2008-10. This research study had two central objectives:

1. Present descriptive evidence about the landlord population in the UK; how it has grown, and the key demographic/socio-economic characteristics of landlords;
2. Equip policymakers with a detailed understanding of the capabilities, economic security, financial position and financial planning of landlords, in order to inform policy development.

Survey of Residential Landlords 2014 (Association of Residential Letting Agents)

ARLA surveys residential landlords with a view to canvassing their opinions on a number of topics. A total of 1,016 people answered some or all of the questions during the fourth quarter of 2014.

The PRS Review 2008

In January 2008 the Minister of Housing commissioned Julie Rugg and David Rhodes from the University of York to undertake an independent review of the private rented sector (PRS).

Shelter's response to Government Review into poor PRS conditions – March 2014

This report has information and statistics provided to the government's consultation on poor property conditions in the PRS.

Shelter's report "Can't complain: why poor conditions prevail in private rented homes" – March 2014

This report has been put together following various YouGov online surveys of English private renters' experiences between 2013 and 2014 and a variety of other reports which measure the condition of properties in the PRS.

English Housing Survey 2013-14

The English Housing Survey is a continuous national survey commissioned by the Department for Communities and Local Government (DCLG). It collects information about people's housing circumstances and the condition and energy efficiency of housing in England.

These and our own research suggest:

1. Landlords are mostly over 55 years old
2. The older the landlord, the more reliant they are on rental income
3. Many started/still rent out a home they originally lived in
4. Most landlords have one property
5. The majority of landlords are not full time and either run a business or have another job
6. Landlords' occupations vary and include those in education, the forces, IT, finance, engineering, civil service, transport, legal services and journalism.

We also concluded that:

1. Landlords invest for a variety of reasons, not all being financial gain, for example to help house family and friends
2. There is confusion among landlords over the law and regulations in lettings
3. Legislative and regulation changes appear more likely to be implemented if the rules are clear, concise and consistently reported and communicated
4. There are no 'stand out' places for landlords to seek advice.

The more policy-makers, housing organisations, financial and industry experts know about landlords, the better we can work together to help communicate, educate and create new policies which will help to deliver an improved private rented sector for both tenants and landlords.



Research methodology

This research is based on a landlord survey and data was collected and analysed via SurveyMonkey.com. There were 205 individual landlord responses and participants were landlords across the UK who responded through Facebook, Twitter & the Propertychecklists.co.uk newsletter.

There were 24 questions asked in the survey, which provided insight into landlords' demographics, primary income and profession as well as the primary motive for investing in buy-to-let or why they rented out their original home. Further analysis was carried out to assess landlords' awareness and understanding of their legal obligations and legislative changes in the letting industry and the results used to identify gaps in landlord education.

The table on the next page demonstrates the number of respondents out of 205 for each question surveyed.

Number of respondents	Response rate (%)	Questions responded
200+	98%	<ul style="list-style-type: none"> • What is your age? • What is your primary form of income? • What is your main profession?
160-170	78%-82%	<ul style="list-style-type: none"> • Do you let a property? • When you first purchased your property, was it for the purpose of occupying yourself or did you always plan to buy-to-let? • Under what circumstances did you let the first property you purchased? • How did you finance your property? • How many properties do you own now? • Are you yourself a member of any of the following organisations? • When did you let your first property out? • What kind of property owner are you? • How confident are you in knowing your legal obligations to your tenants? • How did you know how much rent to charge on your property? • Do you take a deposit? If so which deposit service do you use? • Did you have a gas safety certificate before you let your property? • Did you have an electrical safety certificate before letting your property?
150-160	73%-78%	<ul style="list-style-type: none"> • If you always planned to buy-to-let, did you take out a buy-to-let mortgage? • When renting your property/ies do you find tenant and manage property yourself/use agent? • If you let your property through an agent, are they a registered member of any organisation or not? • What research did you do on letting a property prior to becoming a landlord?
140-150	68%- 73%	<ul style="list-style-type: none"> • What resources do you use to manage your property?
130-140	63% -68%	<ul style="list-style-type: none"> • What is the last set of legislative changes to the lettings industry you are aware of? • Prior to letting your property, what research did you do regarding insurance? • Who is your insurance provider?

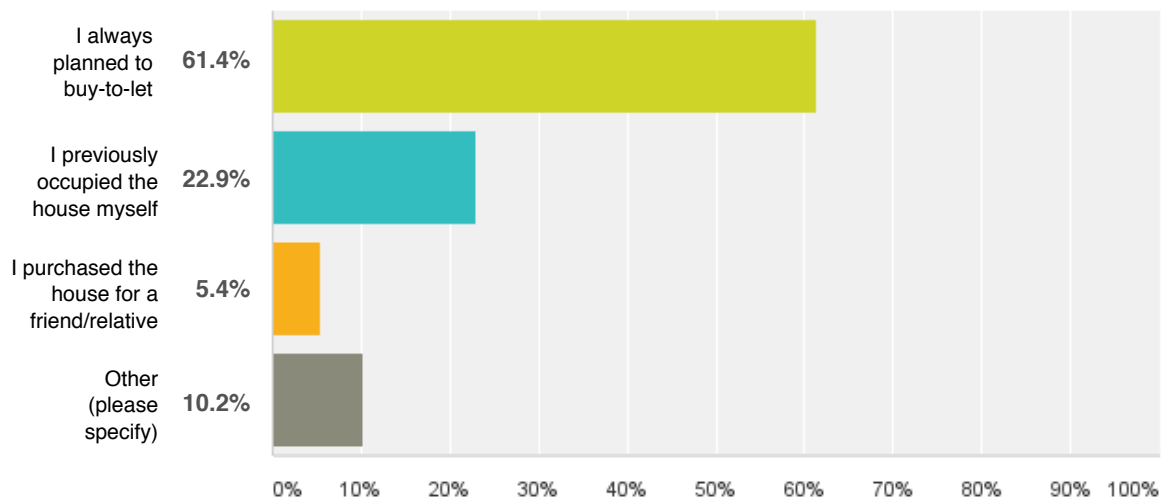
Do landlords buy properties with the intention of letting?

Currently we tend to distinguish between two types of landlords. The ‘professional landlord’ who lets for a living and has a large portfolio and the ‘accidental landlord’ who lets their property due to work relocation, property inheritance or because they couldn’t sell their property and needed to move on.

Our first survey question asks why existing landlords originally invested in a property to establish whether these are the only two types of landlords and what percentage are investing purely for profit. The results show that 60% had bought specifically to let the property, while 23% originally bought the property to live in themselves with just over 5% buying to let to family or friends.

From the research responses, it also appears that a further 10% invested for other reasons, including intending to make profit from property through, for example, buying to renovate and sell at a profit, but then letting the property instead.

When you first purchased your property was it for the purpose of occupying yourself or did you always plan to buy-to-let?



What is clear from this first question is that just under 40% of landlords appear to have ended up letting property without the initial purpose being a ‘buy-to-let’ to rent at a profit.

What do other landlord surveys tell us?

In 2010, the Department of Communities and Local Government carried out The Private Landlords Survey. Their data on the number of properties let which had originally been bought to be lived in matched our own survey: “over one-fifth (22%) of dwellings in the private rented sector.... either once lived in or still lived in by the landlord.” However, their research suggests that a higher level of landlords bought specifically to let with “77% of all dwellings... acquired with the intention to let.”

Research from [The Strategic Society and Shelter](#) explains why landlords invest in buy-to-let in the first place: “*three in five (63%) PRS Landlords think that investing in property is the safest way to make money and nearly half (49%) think it is the best way to save for retirement*”. With regards to what they expect to earn from letting, landlord research from the [Association of Residential Letting Agents](#) (Survey of Residential Landlords) suggests 13.3% invest mainly for rental income, while 45% want rental income and capital appreciation. Nearly a third (32%), though, invest purely to “*create a nest egg for their long-term future*”.

What does this research tell us about the reason why people let property?

Our research and the statements above show that although most landlords (61.4%) do initially invest in property to let for a profit, they are not necessarily expecting or indeed wanting to maximise returns instantly. In fact most appear to expect a return over the long term, investing to create a ‘nest egg’ for the future as opposed to maximising their gains through rental income in the short term. The research survey we have carried out also shows a substantial number of landlords letting and properties being let through circumstance or to help house friends and family, indicating that not all landlords set out to make as much money as possible at the expense of their tenants.

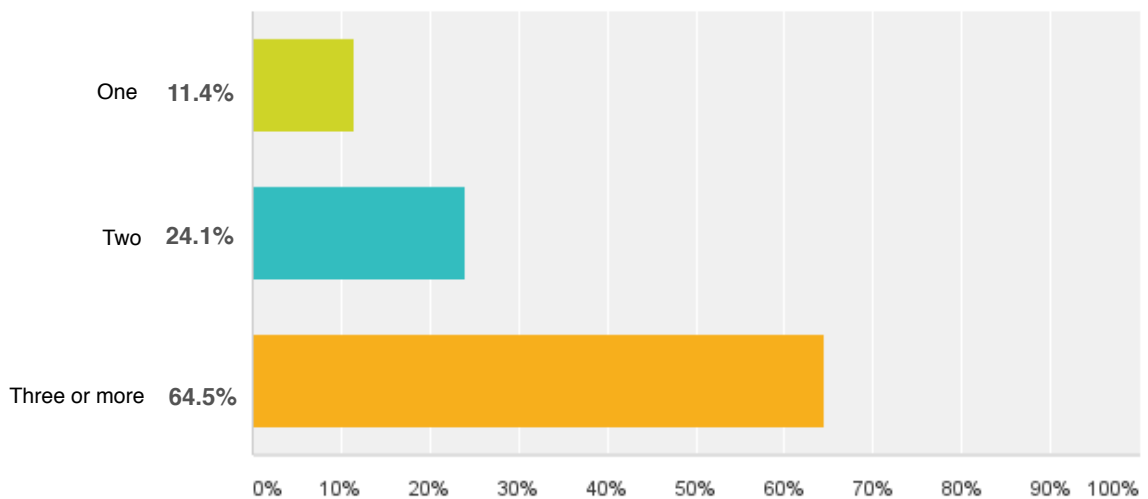
As such, when considering policies to change landlord behaviour or when communicating changes in the letting regulations, it is important to consider the different types of landlords and the variety of reasons they let, without making the assumption that profit is the only motive or that they are just letting “by accident”.



How many properties do landlords own?

According to our survey, approximately 65% of our respondents have three or more properties, with just over 11% owning one property.

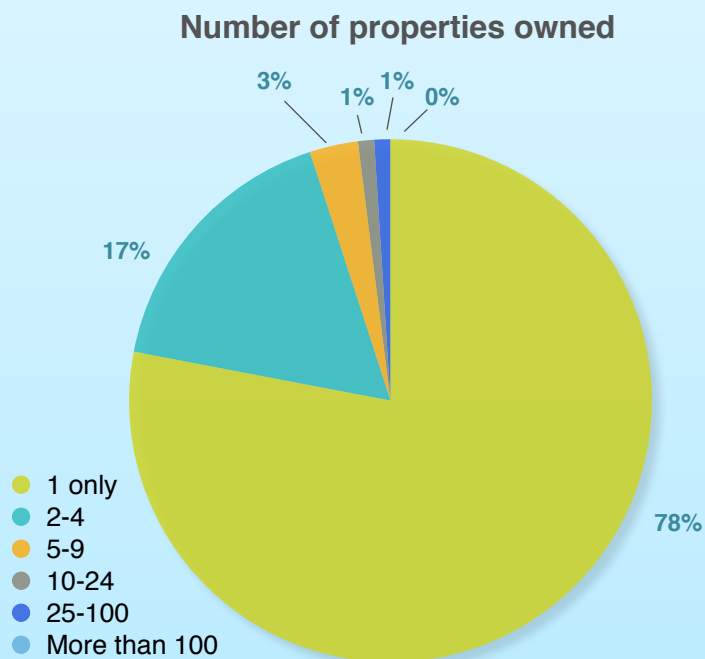
How many properties do you own now?



Our survey results are most in line with ARLA's Survey of Residential Landlords 2014 report which breaks down the number of landlords owning more than three properties further, suggesting that approximately 33% have one or two properties (our survey showing 35.6%) while 30% have three to five and just over 15% have six to ten.

What do other surveys say?

Other surveys, however, confirm that the vast majority of landlords own just one property. The Private Landlord Survey, 2010 DCLG chart below shows that “*more than three-quarters (78%) of all landlords only owned a single dwelling for rent, comprising 40% of the total private rented housing stock*”. (Our survey results are clearly not representative of the wider landlord group).



Source: *DCLG Private Landlords Survey 2010*

Base: *respondent is landlord or agent who is able to provide information about landlord's portfolio (976 cases), landlord weighted*

The Private Landlord Survey estimates that 89% of private individual landlords are responsible for 71% of properties in the sector, with 5% being company landlords looking after 15% of property stock. 6% were ‘other organisation’ landlords, responsible for 14% of dwellings.

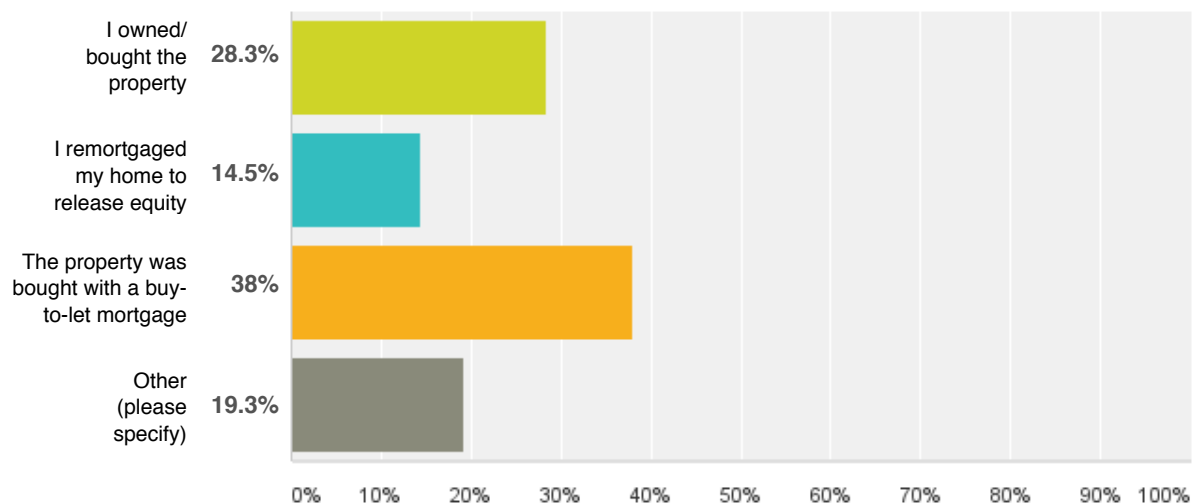
According to The Strategic Society and Shelter, 2013 “*mostly (72%) PRS landlords have just one rental property, although over one in ten (12%) have three or more. The majority (80%) have a buy-to-let property, whereas a quarter (24%) has a second home.*”



How do landlords finance their properties?

From our survey, most landlords (nearly 40%) have bought their properties with a buy-to-let mortgage and 15% remortgaged their own home to fund a purchase. Just under 30% of landlords own their property without a mortgage. This shows that most landlords are likely to be reliant on their tenant paying the rent to fund the property and, if they do not pay, it puts the landlord at as much risk as the tenant of losing the property.

How did you finance the property?

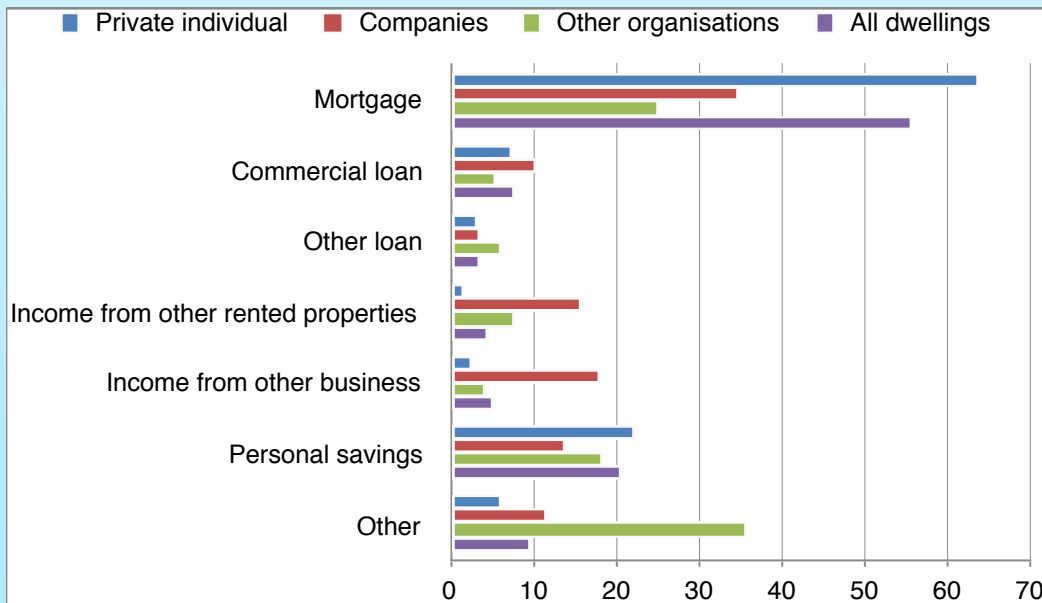


What do other surveys say?

Our survey results are similar to others that show most landlords look to a lender to finance their buy-to-let purchase in some way, shape or form. The Private Landlord Survey, 2010 DCLG and chart below suggested “A mortgage was used when acquiring 56% of dwellings in the private rented sector, with personal savings being the next most common means of finance used to acquire 21% of dwellings. Over one-fifth (22%) of dwellings in the private rented sector were either once lived in or still lived in by the landlord.”

The chart below shows that 65% of private individuals used a mortgage to buy a property to let:

Sources of finance for acquisition



Source: DCLG Private Landlords Survey 2010

Base: respondent is landlord or agent (who can respond on behalf of landlord) and the property was bought (591 cases), dwelling weighted

How does this help to understand landlords' motivations and fears?

This shows how critical the mortgage industry is to landlords in the PRS, with 65% of private individual landlords using a mortgage to buy a property to let. Currently mortgage lenders rarely require landlords to prove they have the knowledge or experience to let properties and many do not ask for any evidence the property they are funding will pass, for example, the Housing Health and Safety Rating System requirements.

In addition, the fact that most properties being let are funded by mortgage finance means that landlords' abilities to make a return on their property are susceptible to changes in interest/mortgage rates. Unless the landlord has other means to fund the buy-to-let mortgage, if the tenant does not pay the rent or the property is left empty, the landlord is at risk of not being able to meet the monthly payments and having their property repossessed.

Secondly, with our figures showing that nearly 30% of properties are bought and owned with cash, this makes it challenging to reach these landlords to advise them on changes to rules and regulations within the national and local lettings market. There isn't necessarily a 'touch point' such as a lender, agent or local authority to identify them. If the property is bought through an agent, they might be advised at the time of purchase on how best to let the property legally and their tenants' rights and responsibilities but, if the landlord chooses to manage the property themselves, they may not necessarily be aware or advised of future changes to the law and regulations. If the landlord has inherited a property and has had no contact with any lettings professionals, there is a real possibility that they have no idea of the requirements that are associated with being a landlord.

As such, when a property is purchased through a buy-to-let mortgage or is being let out by a homeowner, lenders and insurance companies should encourage or insist that new landlords:

- Let their property through an agent who is a member of ARLA, NALS or RICS, all of whom keep their members up-to-date with letting rules and regulations;
- Should be advised to use agents who have Client Money Protection (CMP) so if the agent goes bust or there are financial difficulties, the rent and deposit that the agent hold is insured;
- If a new landlord does not intend to use an agent to manage the property, they should be advised and encouraged to join a landlord association (such as the Residential Landlords Association or National Landlords Association) and/or an accredited local authority scheme such as the London Rental Standard as a minimum. Of course, from November 2016 in Wales, all landlords will need to be registered and those managing a property themselves will need to be licensed (as will agents) and in N.Ireland and Scotland the landlord and their property have to be registered.

For properties which are not mortgaged or insured, there is a need to find a way for local authorities to be advised they are being let so they can plan to make checks and visit these properties over a period of time to ensure they are being let legally.

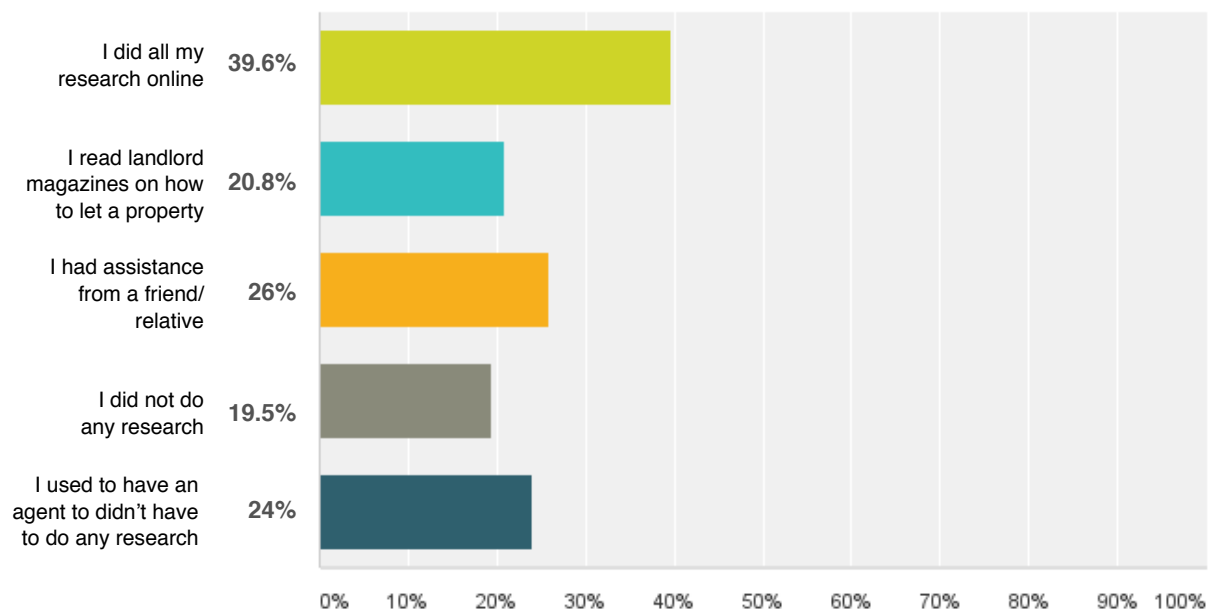
Where do landlords obtain advice and information on buy-to-let?

According to our survey, nearly 40% of people are carrying out research online. Landlords mentioned sites such as Landlordzone, Property Tribes, Propertychecklists.co.uk, local authority guides and portals such as Rightmove. To a lesser extent, people are reading books, newspapers and magazines such as The Telegraph and Which? property books. A quarter (26%) were turning to help from a friend/relative.

Interestingly our research showed that 24% felt if they used an agent, they did not need to do any research of their own, relying solely on the expertise of the agent they have chosen, despite the fact there are no barriers to entry or requirements for letting agents to be legally trained, and the market is effectively unregulated.

Nearly 20% admitted to doing no research at all.

What research did you do on letting a property prior to becoming a landlord?



Do landlords have enough resources and help to manage a property to rent?

As mentioned above, there is a problem in educating and communicating to landlords about buy-to-let. There is no easily accessible and reliable set of resources that landlords are using before investing in and managing their buy-to-let properties. The internet, which is the biggest used resource according to our survey, has some good information, particularly from sources that keep their material up-to-date, but it also holds a lot of misinformation. The idea of trusting friends and family can only be successful if they are experienced landlords who understand and keep up-to-date with legislation, regulations and best practice.

There are not enough 'trusted' and 'recommended' sources for buy-to-let investors and landlords. Buy-to-let is not just a major financial investment, one that is quite risky for the first few years; it is also an investment which can endanger or make tenants' lives miserable if not carried out properly.

This question – perhaps more than any other in our survey – clearly shows that far more needs to be done by the buy-to-let industry as a whole, with government and local authorities working together with the finance and property industry to ensure that quality, up-to-date buy-to-let and letting advice is available from trusted sources. This is being done in some cases at a local level, such as the London Rental Standard and websites such as Renting Scotland and Rent Smart Wales.

The TDS Charitable Foundation is also backing much-needed training provided by the National Union of Students to Student Unions. The Personal Finance Education Group is being funded to provide teachers with educational tools on housing options for 14-16-year-olds. But much more needs to be done to ensure there are easy-to-navigate sources that cover the whole of the UK, each country and local authority. For example, it is perfectly possible for someone in Ashford to purchase a property in Wales or in Scotland with no idea that completely different rules apply.

This approach to providing high quality information and advice has been achieved in countries such as Scotland and Wales and in other areas of the property market from sites such as the [National Custom & Self Build Association](#) and the [Leasehold Advisory Service](#).

How do landlords let their properties?

The data shows that of the landlords we surveyed, nearly 40% found the tenants and let the property themselves; a third used an agent to find the tenant, then self-managed the let while just under a third outsourced both to an agent.



What do other surveys say?

Our survey results differ slightly to other landlord surveys as they tend to manage the properties more themselves. The Private Landlord Survey, 2010 DCLG suggests that “almost half of all landlords (43%) ... have hired agents to undertake the letting and management of their portfolios while other landlords prefer to undertake the letting and management themselves”.

The PRS Review 2008 by Julie Rugg and David Rhodes at the University of York showed that 40% of landlords did not use an agent, while 60% did. The Survey of Residential Landlords 2014 by ARLA delves a little deeper and suggests a slightly lower percentage (48%) say they use a letting agent while 52% say they do not. Of those that do use an agent, 42.4% use them for let-only; 12.2% for let and rent collection and 45.4% (higher than our result) use letting agents to fully manage their properties.

What do landlords need to know about property management?

How landlords decide to find tenants and let their properties varies. Not only that, with agents being able to set up without any training or guarantees of keeping up with legals or a requirement to understand buy-to-let as a financial investment, this makes it incredibly difficult to educate and communicate accurate information to individual landlords as they may or may not use an agent in the first place and that agent may or may not know the latest PRS rules and regulations.

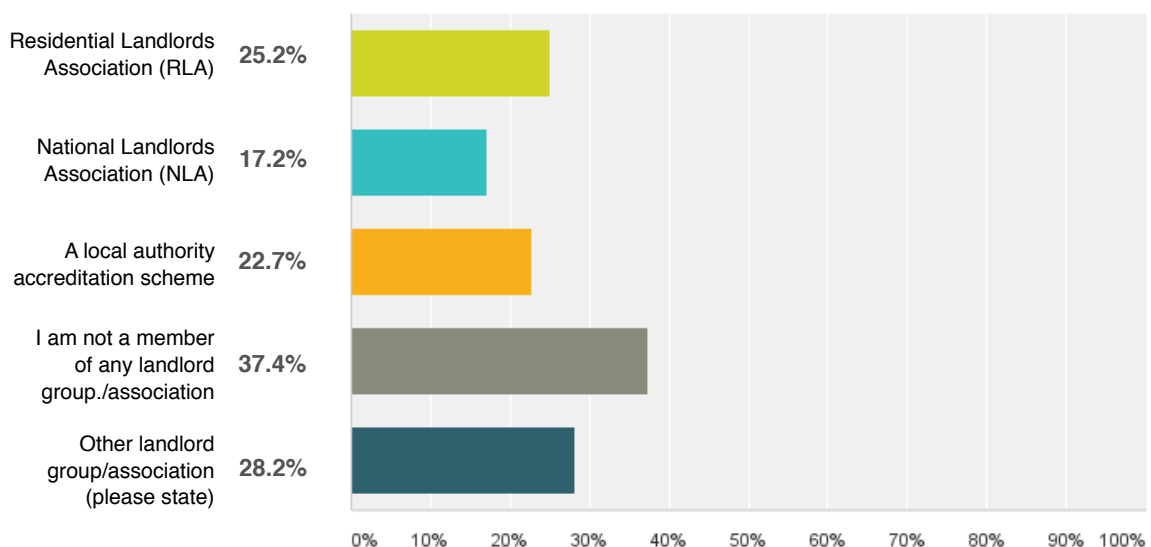
This feedback reinforces the need for high quality, accredited industry-wide learning and education resources for landlords which are supported by government, local authorities, the finance and property industry to make sure landlords are able to deliver a safe and legal PRS sector for their tenants, easily and cost-effectively, either by themselves or via a self-regulated agent.

Do landlords join landlord associations and groups?

There are various groups that landlords can join to help them understand and keep up-to-date with the obligations of being a landlord. These include non-profit landlord associations such as the [Residential Landlord Association](#) and the [National Landlord Association](#) as well as local authority-backed initiatives such as the London Rental Standard and specific initiatives such as the [Southampton Accreditation Scheme for Student Housing \(SASSH\)](#).

Of the landlords we surveyed, nearly 40% were not members of any association while 25% belonged to the Residential Landlords Association; 23% to their local authority accreditation scheme and 17% to the National Landlords Association. Other groups landlords have joined included the Portsmouth & District Private Landlords Association and the Guild of Resident Landlords Association and the Southern Landlord Association. It is clear from the research that some landlords belong to more than one group.

Are you a member of any of the following:



What do other surveys say?

A wider review from Shelter's response to Government Review into poor PRS conditions says a lot fewer landlords are members of an organisation than our survey suggests, stating *"only one in six (16%) landlords are either members of a trade body, are accredited or hold a licence. More than three-quarters (77%) of landlords have never been a member of any trade body or held any licence or accreditation"*. With millions of landlords and the RLA only having 20,000 members (source: RLA), while NLA claim to support 31,698 paying members (source: NLA), this suggests the actual number of landlords belonging to an association is quite low, giving the impression that our data has captured a higher percentage of landlords who belong to an association in our survey.

What does this tell us about landlords and associations?

As with the number of sources that landlords could go to for advice, there are also many different landlord schemes from national ones such as the RLA and NLA through to local ones such as the Portsmouth & District Private Landlords Association and accreditation schemes from local authorities such as the London Rental Standard that they can join.

With rules and regulations varying on letting across the UK and from one local authority to another, it is clear that the government, local authorities and the industry need to work harder to educate landlords before and after their purchase.

Looking at Scotland, where there is a compulsory landlord registration scheme, it appears to have had some impact on raising standards, but has not removed the 'worst' landlords. It has, however, helped to raise awareness within local authorities of the size and location of properties in the PRS.

The Scottish government's own evaluation of the licensing scheme suggested:

- 46% of local authority respondents regard the current landlord guidance as satisfactory;
- There is a belief that there is a lack of tenant awareness of the scheme;
- 46% of local authorities believe that it has improved property management and 36% believe it has improved property conditions;
- It is believed to have improved the quality of landlords, although not removed the 'worst' landlords.

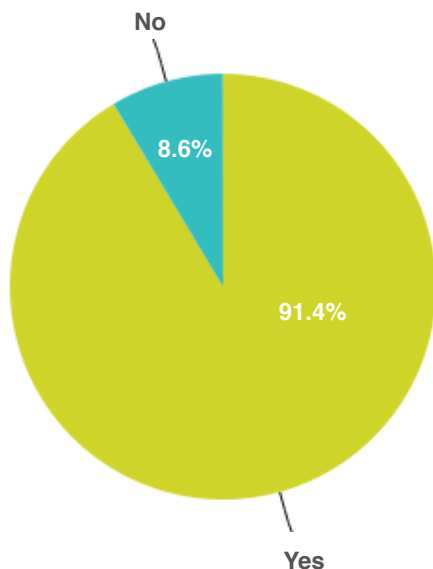
Having failed to achieve huge success so far, we need to look at a far more co-ordinated approach to landlords' associations, accreditation and licensing rather than believing it is panacea to problems that exist in PRS, especially as regulations are so diverse and different at a local level, yet landlords can buy anywhere in the country.



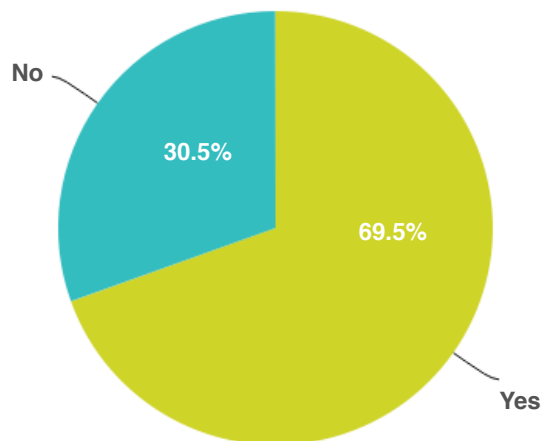
Are landlords getting the right checks done on their property before letting?

From our survey, it does appear that landlords are obtaining gas and electrical checks with 91% and 70% having gas and electricity certificates in place prior to letting the property, although it is still worrying that 8.6% of landlords did not have a gas safety certificate in place before the property was let.

Did you have a gas safety certificate before you let your property?



Did you have an electrical safety certificate before letting your property?



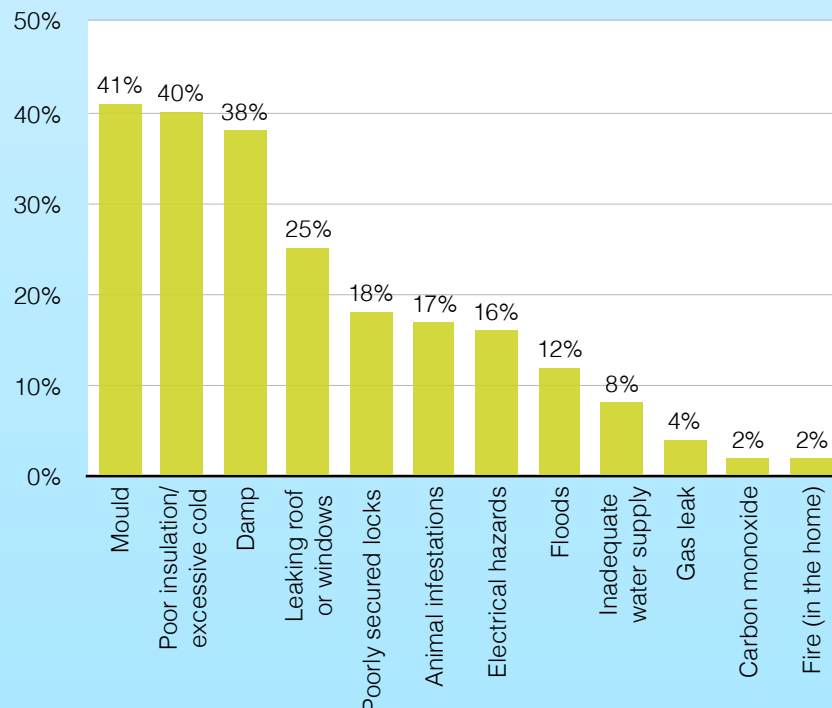
What do other surveys say?

One report which looks at property condition in the PRS is the [English Housing Survey](#), using their 'decent homes' measure. This is based on four criteria including:

- the Housing Health and Safety Rating System (HHSRS);
- the age/condition of the property and that it is in a "reasonable state of repair";
- "reasonably modern facilities and services";
- "adequate heating and effective thermal insulation" (source [HHSRS](#))

The survey concludes that "just under a third (29%) of homes in the private rented sector were classified as non-decent according to the decent homes standard". But when it came to category one hazards, i.e. threat to life and limb (for example, poor gas or electrics), this falls to 16%.

[Shelter's report "Can't complain: why poor conditions"](#) goes into more detail on issues of property conditions in the PRS as illustrated in the chart below. Where legislation is clear, such as with gas, there were only 4% of tenants experiencing a leak. However, where electrical legislation is unclear and 'grey' in its nature, the number of problems experienced were a lot more: 16%.



Source: YouGov 2014, base 4544 private renting English adults. Jointly commissioned by Shelter and British Gas.



Why are PRS properties more likely to be in a worse condition than that of a home owner or social property?

The chart above from Shelter and British Gas shows cold, damp and mould are clearly regular problems which occur more in the PRS than in other tenures. The reason behind this needs to be better understood and researched in more detail. For example, is it because the type of properties that are rented are more prone to such problems, such as flats above shops, leasehold properties or Victorian terraced properties? Or is it because of landlords' lack of knowledge of how to fix them? For example, do they know they need qualified surveyors to diagnose and recommend fixes for damp, mould and condensation? Or is it that landlords do not appreciate they have a responsibility to fix condensation issues because they think it is down to the tenant?

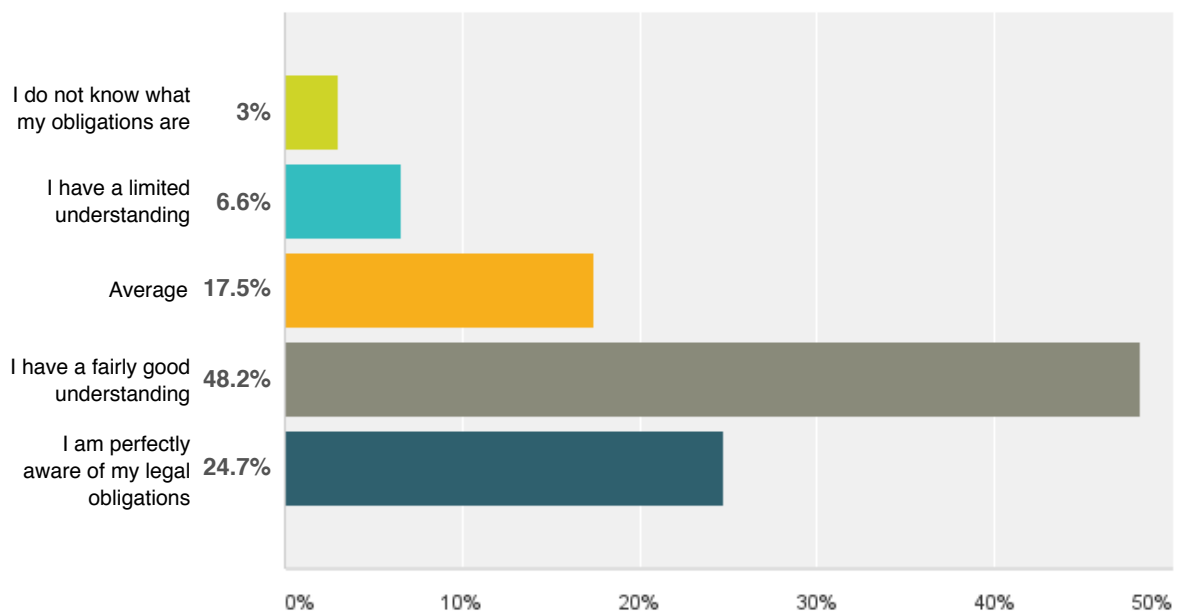
To help landlords deliver a safer PRS, the survey suggests that the rules and regulations on lettings need to be more widely understood by landlords and more research is required to identify how to educate and motivate landlords on maintaining a safe and legally let property.

How confident are landlords about the law and regulations on lettings?

Despite the landlords in our survey being quite experienced, with over 65% of them having three or more properties and an above average number being members of landlords' groups, it is worrying that only 25% say they are "perfectly aware" of their legal obligations. It is good that most seem to think they have a "fairly good understanding" of them, but scary that 27% describe their legal knowledge as "average", "limited" or "don't know".

When asked "what is the last set of legislative changes to the lettings industry you are aware of?", there was a huge variety of answers given by landlords, including "changes to Superstrike", "fire alarms and CO detectors", "Deregulation bill", "immigration", "legionella", "licensing", "Welsh water changes", "right to rent".

How confident are you in knowing your legal obligations to your tenants?





Do landlords have enough understanding of the law on lettings?

The feedback from the survey suggests there is, even among experienced landlords who seek out quality advice, a lack of knowledge of the law in lettings. There is also a view that if letting through an agent, an agent will know all of the landlord/tenant rights and responsibilities and they are solely responsible for ensuring that the law and regulations are adhered to.

However, in many cases it is still the responsibility of the landlord to comply with the law and as many agents are not regulated, this leaves a gaping hole in landlords' understanding of existing and new legislation. To bridge this gap, there needs to be much more education on who are the quality agents and how to choose one who keeps up-to-date with landlord and tenant rights and responsibilities and property condition

The answers to this question also demonstrate the potential danger of trying to improve the PRS with a raft of legislative and regulation changes one after another, with no 'rest period' in between each change or education campaign; the industry and landlords are not being given enough time to implement each one successfully and, as a result, landlords are confused as to what the latest rules and regulations they need to abide by are.

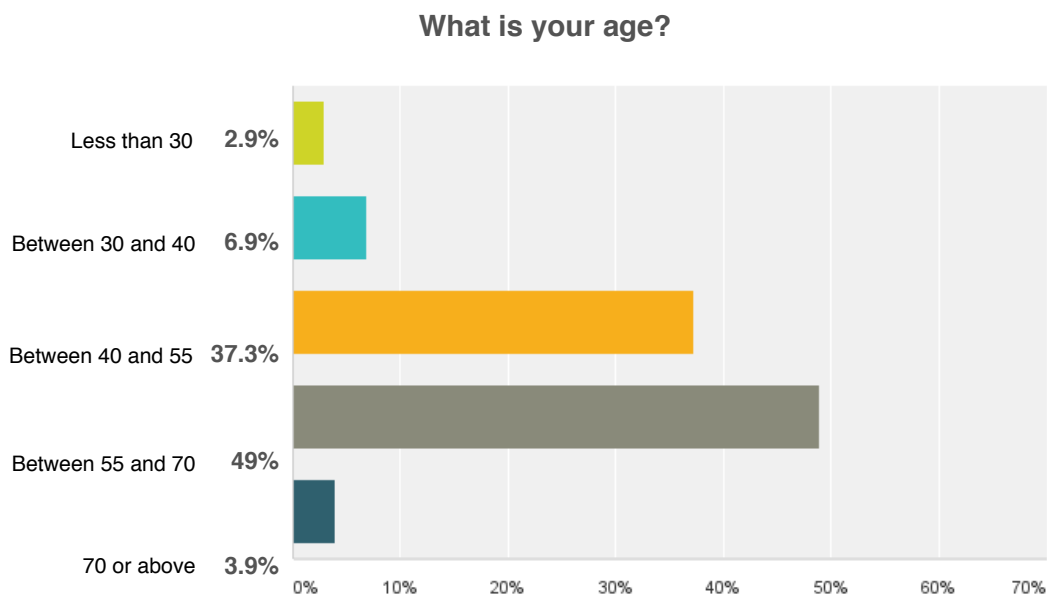
Digging deeper

Having carried out this research, we have identified that there were some distinct differences between landlords which were worth investigating further:

1. How the landlords' age impacts on renting in the PRS;
2. If landlords who rely on rental income as their primary source of income act differently to those who mostly rely on a salary/their business income;
3. Whether landlords have a particular type of occupation or income stream over and above their rent?

How old are our landlords?

One of the interesting learnings from the research was that most landlords are either near, or in retirement, with more than half of those surveyed being 55 or over.



The second biggest group are those between 40 and 55 and few are under 40. Few being under 40 isn't a surprise as it takes time to secure the means to invest into buy-to-let so those under this age would have had to have done well financially (or inherited) to build up enough savings to support a buy-to-let portfolio.

For example, for a buy-to-let in London costing £300,000 a landlord would typically need a loan-to-value of 55.4% to let the property with a positive net cashflow¹. That means they would need a deposit of £133,800; stamp duty costs of £14,000 (which includes the new 3% surcharge on buy-to-let purchases); approximately £3,000 for mortgage, survey and other costs². In addition there may be refurbishment costs to bring the property up to a legally

required rental standard. An investor would need to find over £150,000, potentially net of tax, to invest in one London buy-to-let.

In other areas, taking an average purchase price of £150,000, assuming a 50% LTV, they would need £75,000 plus £5,000 for stamp duty and £1,500 for costs, requiring an investment of £81,500. This is a substantial amount of capital for anyone to raise.

¹ Source: [Hometrack looks beneath the headlines of the rental market](#)

² Cost Breakdown: 1% of the property's value for 'other costs' such as mortgage, legal and surveying fees

Do other surveys confirm that most landlords are nearing or already in retirement?

Our survey results do seem to be supported by others. For example the Survey of Residential Landlords 2014 ARLA shows 57.6% of landlords are over 56 years old and 28% aged between 46 to 55 years. [The Strategic Society and Shelter, 2013](#) report goes into more detail about the landlords' demographics. They report that landlords have a mean age of 49 years old; 41% are educated to degree level; 72% married with 46% of them living in the South of England.

Does it matter how old our landlords are?

The reason it is important to understand the demographics of landlords is it can impact on their likelihood to:

- Exit the market;
- Increase portfolios;
- Suffer during a recession;
- Increase a landlord's reliance on rent as an income stream, for example rent becoming retirement income, i.e. pension dependent.

The main buy-to-let market started in the 1990s when council houses had been sold off and new rules were introduced around letting. The market has grown substantially since this time, especially when buy-to-let mortgages became available in 1997. Typically landlords have held properties for just over 15 years³, with the expected ownership being 15-20 years. Now that the market is nearly 20 years old, we do not know whether landlords will look to retain properties for longer or if they will start to exit, especially considering their age profile. According to the ARLA review, *"The average life expectancy of residential lettings property increased from 19.9 to 20.3 years. Over eight out of ten (82%) landlords expect to keep their property for more than ten years."*

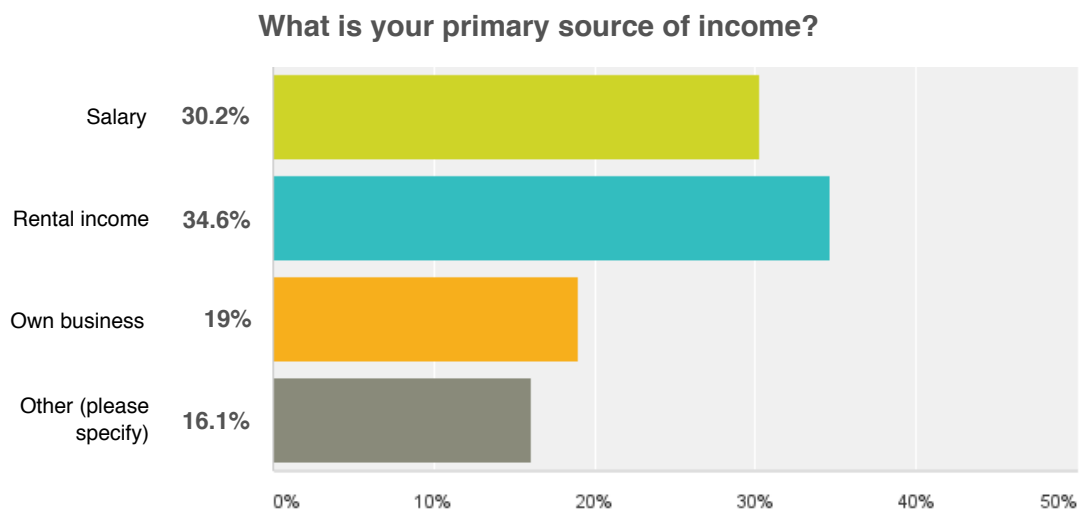
If buy-to-let investors are encouraged or forced to sell, it is likely their properties will sell to the highest bidder or those prepared to pay a premium – who tend to be homeowners –

especially where demand exceeds supply in expensive areas, such as London. If landlords do start to exit from the market, this could mean properties in the future being transferred from the PRS to owner occupation. Although this would help arrest the fall in home ownership, the problem is, without many more homes being created, the transfer of properties from the PRS to homeowners could result in a fast reduction of stock levels in the PRS, making it more difficult for tenants to find properties to rent and potentially driving rents upwards.

³ Source: arla.co.uk/media/952162/ARLA-Landlords-Q414.pdf

How much do landlords rely on rental income?

When asked what a landlord’s primary income is, just over a third of landlords in our survey rely on rental payments as their primary source of income. A similar number, although slightly fewer, rely on their salary. What is significant is that nearly a fifth of landlords also run their own business.



What do other surveys say?

The Private Landlord Survey, 2010 DCLG data suggests that 92% of landlords are ‘part-time’ and they controlled 76% of private rented dwellings. It also concluded that:

- 79% of landlords earned less than 25% of their income from rent;
- 21% of landlords earned no income at all from rent.

The Strategic Society and Shelter, 2013 report stated that the “average (median) rental income a PRS Landlord receives is £500 per month, although one quarter of PRS Landlords receives rental income of £900 or more per month”. Of those landlords who were employed, it reports that their “median gross monthly earnings were £2,400”.

Why should policy makers and the industry consider how important rental income is to a landlord?

Prior to financing buy-to-let purchases, it is important that the finance and property industry understand how important the rental income is to the landlord. For example, if we conclude that many people who buy-to-let run their own business and are investing in property instead of a financial pension, what will be the implications to this group of landlords of the loss of higher rate mortgage tax relief on their existing retirement plans? If it hits them hard, will they be able to switch to another financial asset which will still deliver or will they now have to work longer into retirement?

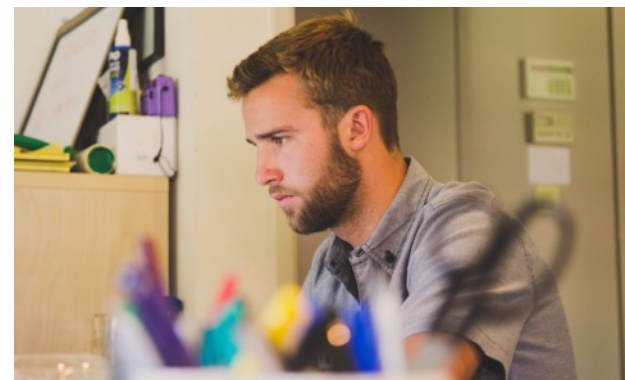
Worse still, if these changes push a retired landlord into a higher rate tax bracket, what if this reduces their income so much the property does not deliver a positive income each month? This could result in a retired landlord not being able to maintain their properties, adversely impacting on tenants' safety. If they are forced to sell to a homeowner, the tenant loses their home.

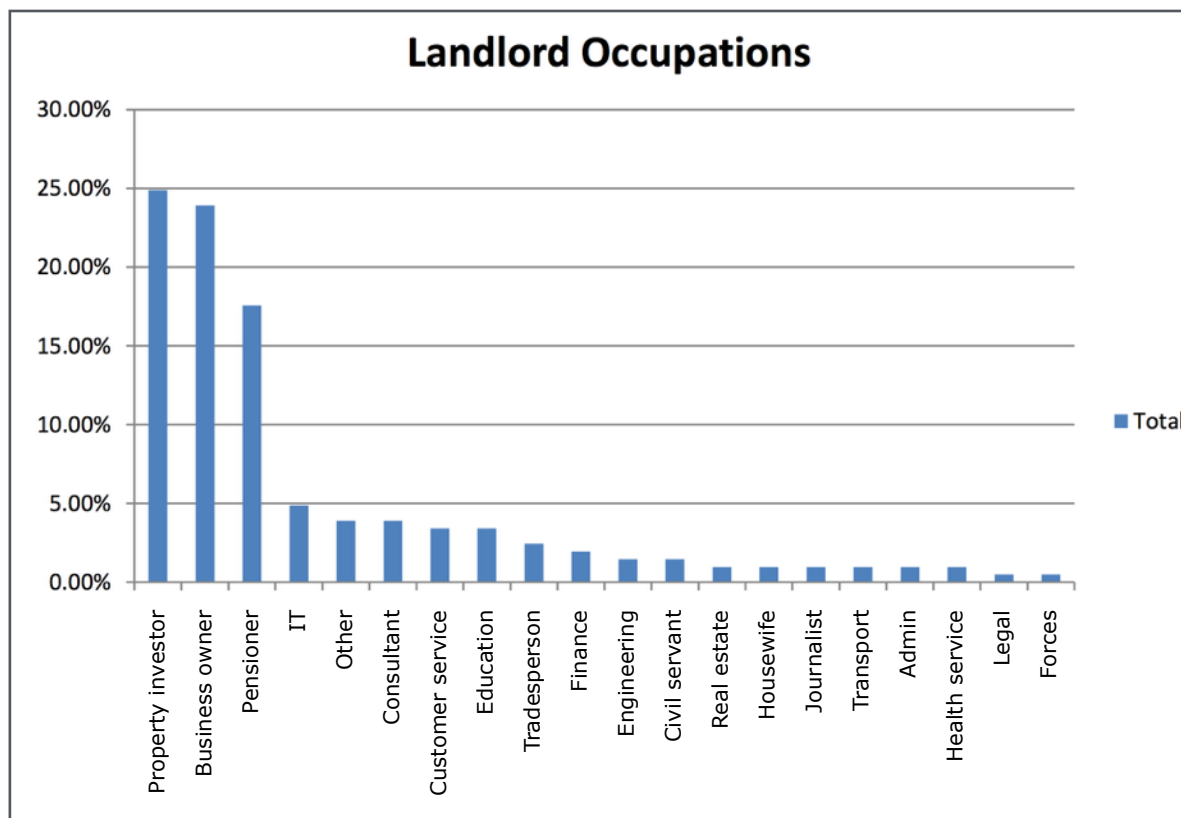
Are there any particular occupations that invest in buy-to-let?

It was also clear from the research that some landlords were very reliant on their rental income, while others secured most of their income from salaried positions. We looked at the landlord feedback to see if there were any particular correlations to occupations that landlord had which would make them more likely to invest in buy-to-let.

The chart below shows the diversity of landlords, with some reliant on their income as they considered themselves to be primarily property investors, others running their own businesses and others using their rental income for their retirement.

However, when it came to looking for correlations in jobs that buy to let investors would have, occupations varied dramatically. They ranged from a coach driver, a housewife to those in IT. In essence, most landlords are everyday people, carrying out everyday jobs, from teachers to doctors, radiographers, software managers, web developers, librarians or army officers.





Does this analysis help us to improve how we educate and communicate with landlords?

This research emphasises that reaching and communicating with landlords is extremely difficult. They do not have much in common when it comes to job roles, many are retired or run their own business and, as explained earlier, may not seek advice from a key range of trusted sources.

This puts more pressure on the government, local authorities, finance and the property industry to work together to provide consistent, up-to-date advice to landlords and make sure that time and investment is given to communicate new rules and regulations to reach them all.

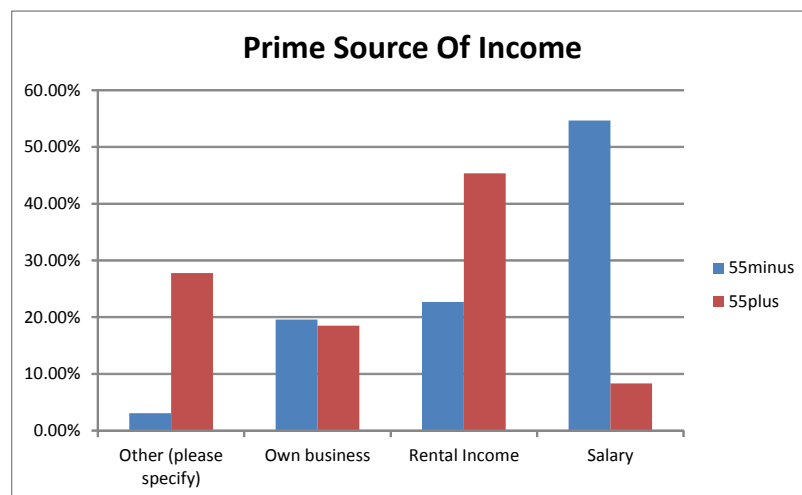
Over and above government and local authorities, regulated companies who have the resources, such as mortgage and insurance companies, are the most essential organisations to help improve landlord education and ensure a safe and legal PRS is delivered.

Additional analysis

Are there any significant differences between landlords over 55 and those under 55?

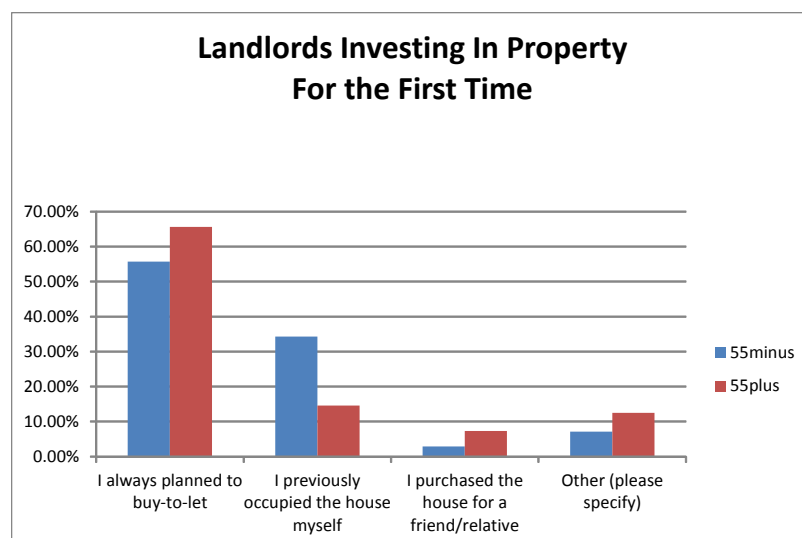
With nearly half of landlords being over the age of 55, we looked at a breakdown of the data to see if there was any difference, for example, between the reliance on rent as income for those in a later stage of life as opposed to those under 55.

The chart shows that for over 50% of landlords who are over 55, rental income is their prime source of income.



More landlords over 55 planned to rent

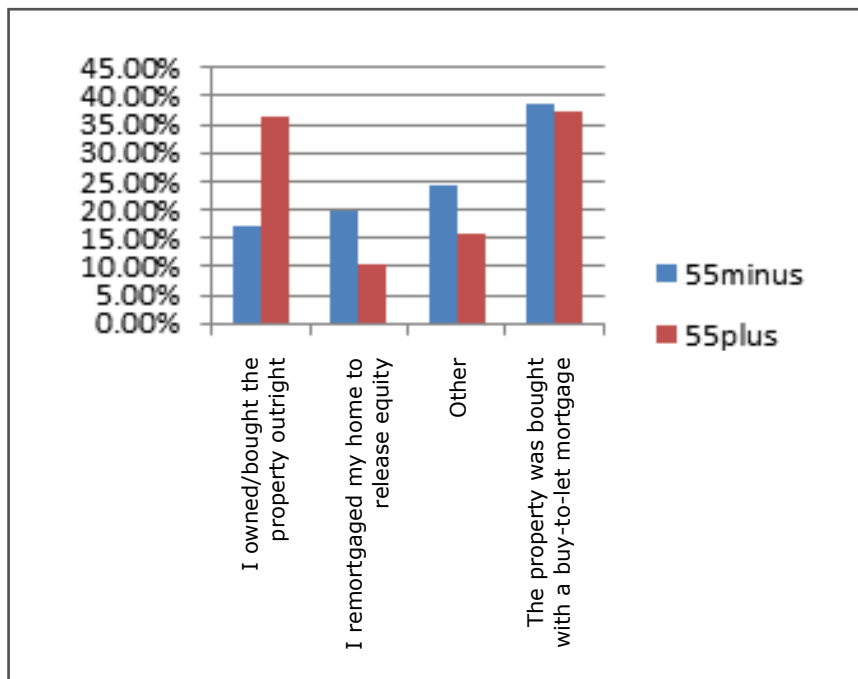
More landlords over 55 than under had planned to invest in property to let, had bought to let to a friend or family, or had inherited. By contrast, within the under 55s, there was a much higher percentage who were letting a property because they had previously owned it.





More landlords over 55 own properties outright

The feedback also shows that, not surprisingly, more landlords over 55 own their properties outright, as they have had time to pay off mortgages. However, just over a third own their rental properties with a buy-to-let mortgage. This is important to understand, particularly in light of the future loss of higher rate mortgage tax relief as this could have quite an impact on those relying on rent for retirement.



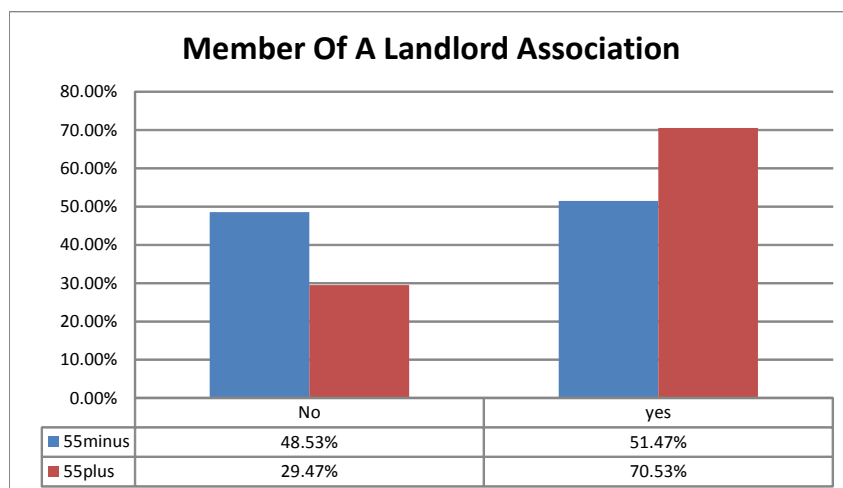
Over 55s tend to be more likely to self-manage

When you take into consideration the number of over 55s who own a property with cash as opposed to having a mortgage and that more are likely to self-manage, it means these landlords are difficult to reach as there are few ‘touch points’ i.e. organisations such as lenders and letting agents will struggle to reach. However, they are an extremely important target group to reach for local authorities and HMRC to ensure they keep their properties safely and legally let and pay the correct tax. It also means the only real opportunity to reach these landlords is via insurance companies and local authorities to make sure they are aware of and comply with lettings regulations and legislation.



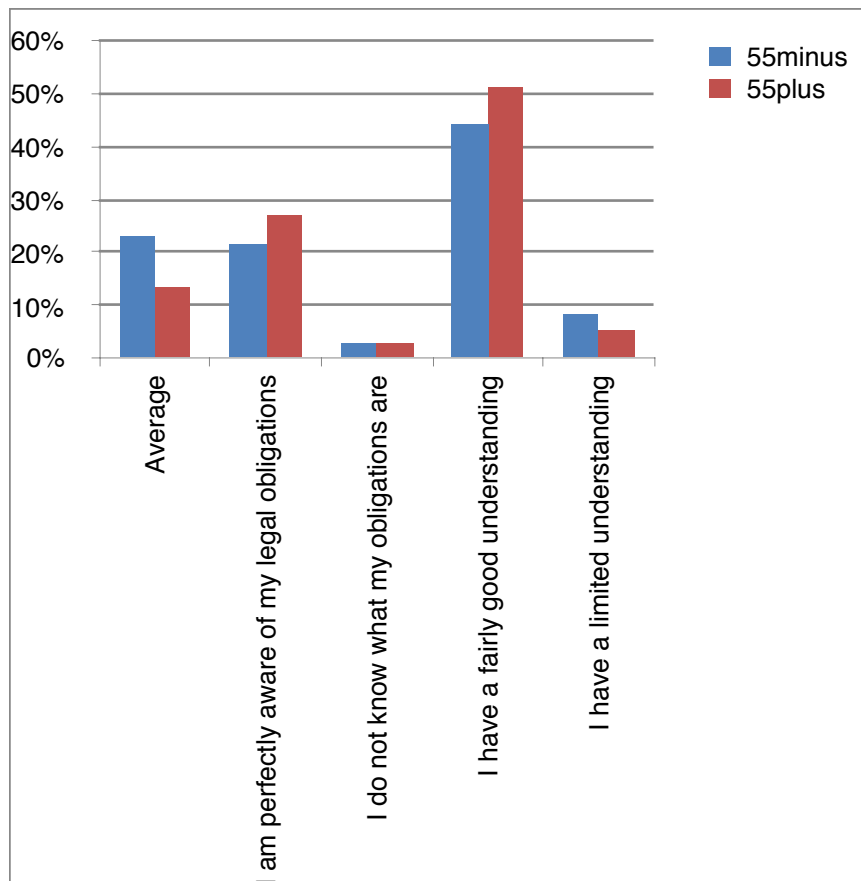
Over 55s more likely to be a member of a landlord association

Although the over 55s are more likely to buy with cash and let a property themselves, they are also more likely to have joined a landlord association with nearly 40% saying they had done so.



Landlords over 55 are more confident of their legal obligations

Although older landlords appear more likely to know their legal obligations than others, only 25% in the 55+ category say they are 'perfectly aware' of their legal obligations. Typically, the under 55s are slightly less confident about the law.



Summary and conclusions

Who are the landlords running our PRS and what additional help do they need to do a better job?

The aim of this report was to identify who the 'real' landlords are in the PRS rather than the stereotype often described by the media.

From the research we have carried out and other research summarised in this report, we know that:

1. Most landlords are over 55 years old;
2. The older the landlord, the more reliant they are on rental income;
3. Many started/still rent out a home they originally lived in;
4. Most landlords have one property;
5. The majority of landlords are not full time and either run a business or have another job;
6. Landlords occupations vary from those in education, the forces, IT, finance, engineering, civil service, transport, legal services and journalism;
7. Landlords invest for a variety of reasons, not all being financial gain, for example to help house family and friends;
8. There is confusion among landlords over the law and regulations in lettings;
9. Legislative and regulation changes appear more likely to be implemented if the rules are clear, concise and consistently reported and communicated;
10. There are no 'stand out' places for landlords to seek advice.

How does this help to understand how to communicate and educate landlords better?

When we research specific landlord groups, it becomes apparent that they have very different profiles, whether motivation for letting, how they finance a property or the importance of their rental income.

When considering future changes to the law and regulations it is essential that the impact of the changes are considered not for 'landlords' in general, but for each different group and type of landlord to make sure there is a government, local authority and industry-wide campaign to ensure all landlords understand the changes.

What can we do to help educate landlords and the industry delivers a better PRS?

There are three things required to help landlords deliver a successful and safe PRS:

1. For the government, local authorities, industry and the media to consistently recommend trusted sources of information about the pros and cons of buy-to-let investment.

2. For the media and industry – agents, mortgage lenders, insurance companies, legal companies, tradespeople and lettings expert groups – to provide consistent information about:

- a) preparing a property so it is let legally;
- b) keeping up with changes in changes in the law and regulations;
- c) property maintenance rights and responsibilities of the landlord and tenant;
- d) the property maintenance experts required for specific problems in the PRS, such as damp, mould and condensation;
- e) who to turn to if they have questions for independent, free advice and when and who they will need paid advice from, e.g. evictions.

3. Good landlords and letting agents who abide by the law and proactively prove to lenders, insurers and the industry that they are maintaining properties to a good standard should be rewarded. This could be in the form of 'special deals' or incentives through tax breaks, free briefings or free/discounted energy performance certificates.

Conclusion

It is clear from our survey and others that the landlords providing our rental accommodation in the PRS are not a homogenous group.

Most own one property to let and are looking for an alternative way to earn a living or a retirement income. However, many find it difficult to do so with so many changes to rules and regulations, coupled with a lack of consistent help and support.

Many of our landlords are also either in or nearing retirement and we need to consider how this affects future landlord education and communication, bearing in mind they are more likely to inherit property and self-manage – and less likely to fund buy-to-let properties through finance, thus limiting their exposure to lettings professionals. This means local authorities and insurance companies – who are the only people likely to come into contact with this landlord group – need to find better ways to communicate with them on a regular basis.

Education is key to providing a successful PRS.

Due to the complex nature of letting and the lack of regulation of agents, it is essential that those who finance the sector, legal companies and agents who facilitate the purchase and on-going ownership as well as those who enforce the rules such as local authorities work much better together to give landlords the tools and incentives they need to let property safely and legally.

