



Dept for Communities: PRS Tenancies Bill

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Private Tenancies Bill; Comments

NI Private Tenancies Bill:

Areas of focus

In general terms, **the bill is a positive step forward in improving protections for tenants.** The post covid-19 housing dynamics have created **additional stress on the social and private rented sectors** with the underlying economic outworkings yet to be fully experienced. Heightened demand for good quality rental properties has pushed **rents higher** alongside a significant **shortage of available properties.** The bill, in its current format, rightly has tenants at the fore, but caution needs to be exercised to **avoid unintended economic consequences,** notably forcing landlords to leave the sector and **exacerbating the immediate supply pressures.**

- **CLAUSE 3** – Tenant to be provided with written receipt for payment in cash
- **CLUSE 4** - Limit on tenancy deposit amount
- **CLAUSE 7** – Restrictions on rent increases
- **CLAUSE 8** – Fire, smoke and carbon monoxide alarms
- **CLAUSE 9** – Energy efficiency regulation
- **CLAUSE 10** - Electrical safety standards regulation
- **CLAUSE 11**– Notice to quit validity requirements

NI Private Tenancies Bill

Comments on Bill

Clause 3- Tenant to be provided with written receipt for payment in cash

- *This should be amended to ensure it covers all payments from landlord to tenant to include non-rental payments (with appropriate receipt of costs accrued by landlord if necessary i.e non-generic "repairs").*
- *Receipt should be issued at time of payment not thereafter. Definition of what classifies a 'receipt'. Is a 'digital receipt' acceptable i.e email, signed letter to property address, digital message etc.*

Clause 4- Limit on tenancy deposit amount

- *A similar provision should be made for the amount of rent paid in advance. A combination of both limits will help alleviate some of the affordability issues at the commencement of any tenancy*

Clause 7- To introduce legislation to stipulate that rents can only be increased once in any 12-month period.

- *This isn't a significant concern with most rental agreements not experiencing rising rents during a given 12-month period. However, clarification is required on whether the rent increase is specific to a calendar 12-month period or tenancy 12-month period irrespective of a new tenant. For example, are short term leases (3-6 months), subject to rent restrictions once per calendar year or does a new tenancy reset rent level?*
- *What happens in the case of rolling monthly arrangements after fixed tenancy period? Does it have to become similar to mortgage agreements with documented rent price for X months, after which failing to mutually renew contract the tenant loses their right to fixed rent payments.*
- *Written notice of any change to agreed rent levels should be provided with a minimum of 3 months' notice in the case of tenancies agreed for 12 months or longer. Shorter notice period could be applicable for short term lets.*
- *As a general point, caution to be exercised with rent control/restrictions. Evidence from Scotland and other jurisdictions showed landlords increased rent more regularly than before because of time limited rent restrictions. A provision to introduce a mechanism to allow tenants to challenge / landlords to justify rent increases could be included. (Higher mortgage cost via interest rates, comparable market rent analysis, significant investment in property etc).*
- *Caution around wording for exemptions for what classifies as renovation, refurbishment, alterations, or extensions- can this be quantified as this could be a loophole. Would a 'green' investment count as refurbishment in line with Clause 9 energy efficiency requirements, allowing landlord to pass on initial cost.*

NI Private Tenancies Bill

Comments on Bill

Clause 8– To introduce legislation as soon as practicable to make it a mandatory requirement for private landlords to provide smoke and carbon monoxide detectors and to carry out periodic electrical checks.

- *Tenants should be given guidance to ensure they are working prior to payment of deposit and/or 1st rent payment.*

Clause 9– To introduce legislation around Energy Performance Certificate (EPC) ratings similar to that in England & Wales where landlords will be prevented from commencing a new lease where the EPC of that dwelling is below the minimum permitted energy efficiency level of a band/rating level (ratings still under consideration).

- *This is arguably the most critical proposal. Improving energy efficiency of rental stock is essential with approximately 48% of rental properties advertised during 2021 below C rating with considerable sub-regional variation. Sub clause 6 requires consultation with Departments, Councils, Landlords and Stakeholders- this is critical to provide a robust, costed evidence base before any regulation. Financial incentives as important for landlord as minimum standards of EPC for tenant.*

Clause 10: Electrical safety standards regulation

- *Support this view. Could this be a requirement during each landlord registration renewal every 3 years or bi-renewal of landlord registration?*

NI Private Tenancies Bill

Comments on Bill/other observations

Clause 11- Amend the notice to quit period from 4 weeks to 2 months

- *Support the view to extend to a minimum of 2 months. Pre-covid trend suggested a typical time for an advertised rental to be agreed was 40 days (currently 27). 2 months gives more time to secure a suitable new property and facilitate the move. Alternatively, a banded scheme such as 1-month NTQ for every 6-month period of tenancy agreement, 2 months NTQ for 6-12month tenancy and 3 months NTQ for 12-18-month tenancy. A floor of 1 month and ceiling of 3 months may be applied.*
- *Would landlords charge double rent and deposit to compensate for potential periods of reduced payment? Important this is covered through Clause 4 limiting deposit and upfront rent to 1 month.*
- *NIHE Landlord Survey highlighted 70% of landlords offered initial term of 12 months. A further 61% would be encouraged to offer tenancies greater than 12 months if it became easier to remove problem tenants. Consider a provision to introduce a mechanism to allow landlords to challenge / tenants to justify a NTQ earlier than legislative requirement?*

Other points/observations on bill:

- **Communication is key:** How can the bill and associated regulations be appropriately communicated to all tenants. What role can property advertisement sites play, letting agents and tenant packs (clause 1 & 2 relevant for written documentation). Should it be a mandatory requirement for the tenancy rights to be displayed on the property portal advertisement directly?

Non-bill related but for reference:

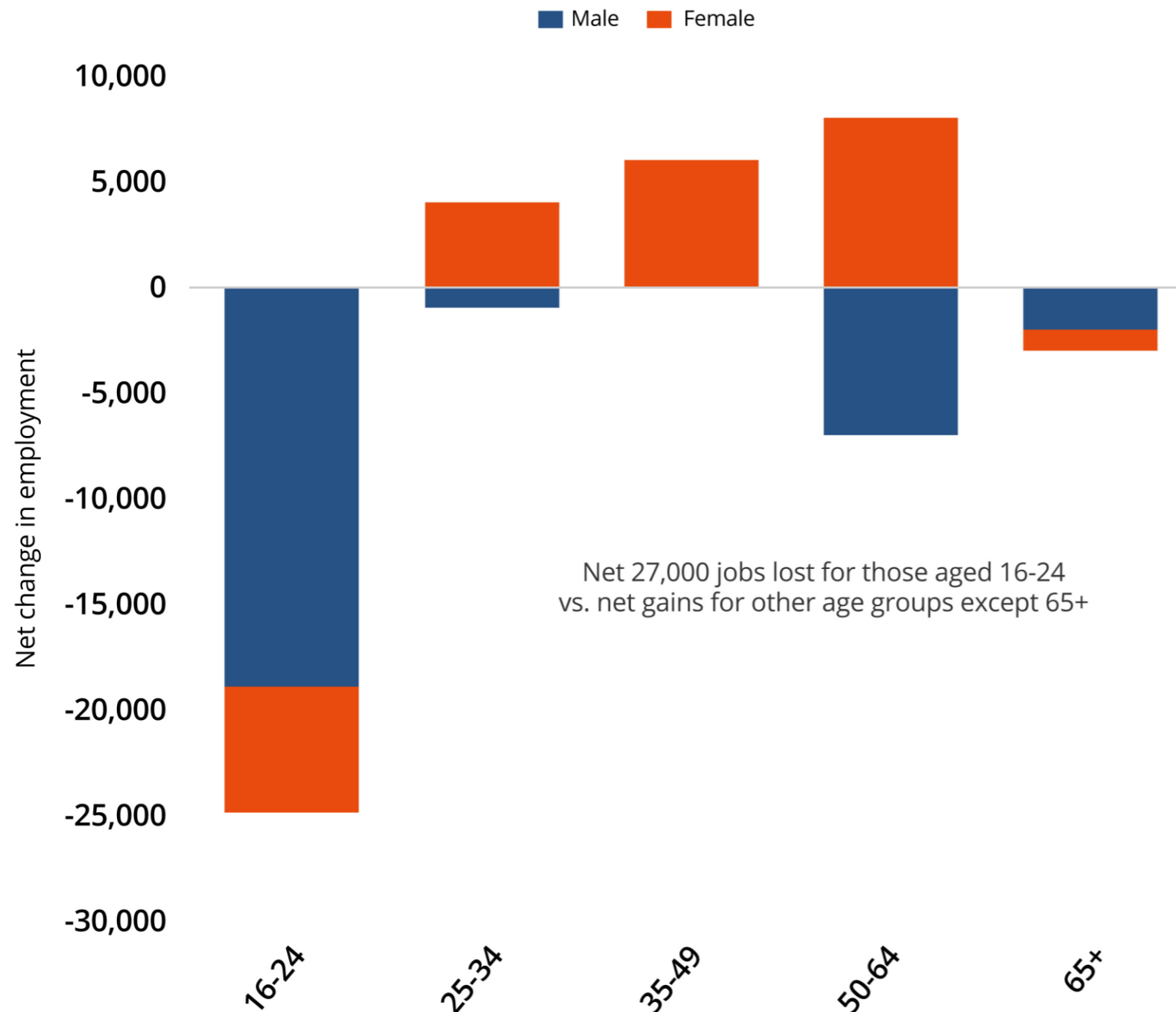
- The Landlord Registration Scheme can be checked on an individual property search or by individual landlord name search so tenants can appropriately check the property. However, the current system does not permit a bulk search function. PropertyPal suggest the committee look at a solution to permit a bulk download of the same information which could then be included as material information on the initial property advertisement to show registration status and date of expiration. Council authorities should play an active role in ensuring all rented accommodation in their jurisdiction are appropriately registered.



Economic context for rental market

Covid has impacted the labour market unevenly: Younger people mainly

Employment change since Covid-19 by age group
and gender, N.Ireland, Q4 2019 - Q2 2021



COVID underlying labour market trends

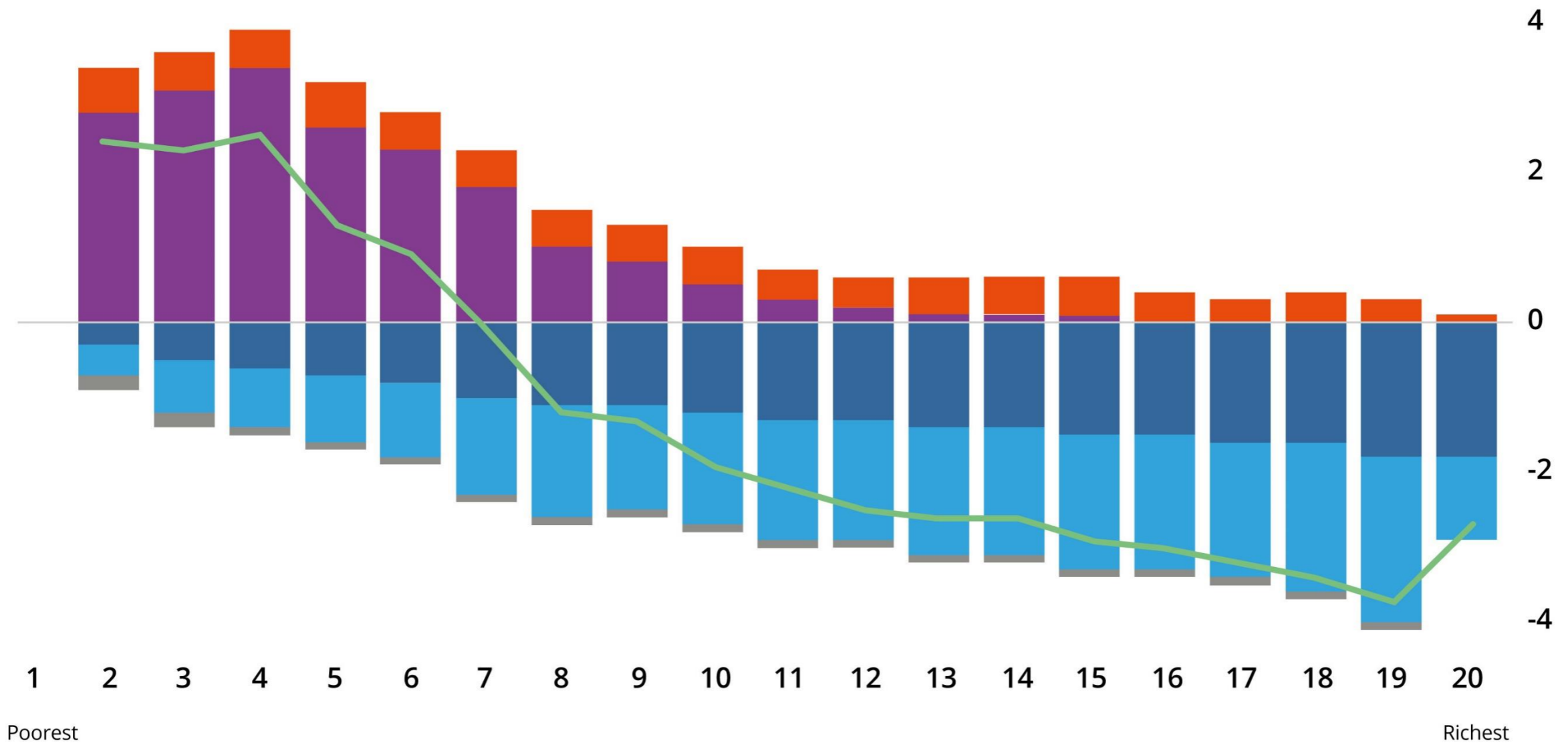
- Younger workers have experienced the most difficult labour market conditions
- Implications for longer term earnings potential
- Nature of lockdown and which sectors were restricted for longer
- **Implications for ability to save deposits forcing longer rental agreements/ social housing pressures**

Budget announcements to benefit lower income households

Higher earners will bear the biggest impact of the chancellor's policies

Effect on household income by 2025-26, by income vingtile (%)

NI rise Income tax threshold freeze Council tax rise UC taper reduction Lower fuel & alcohol duties Total



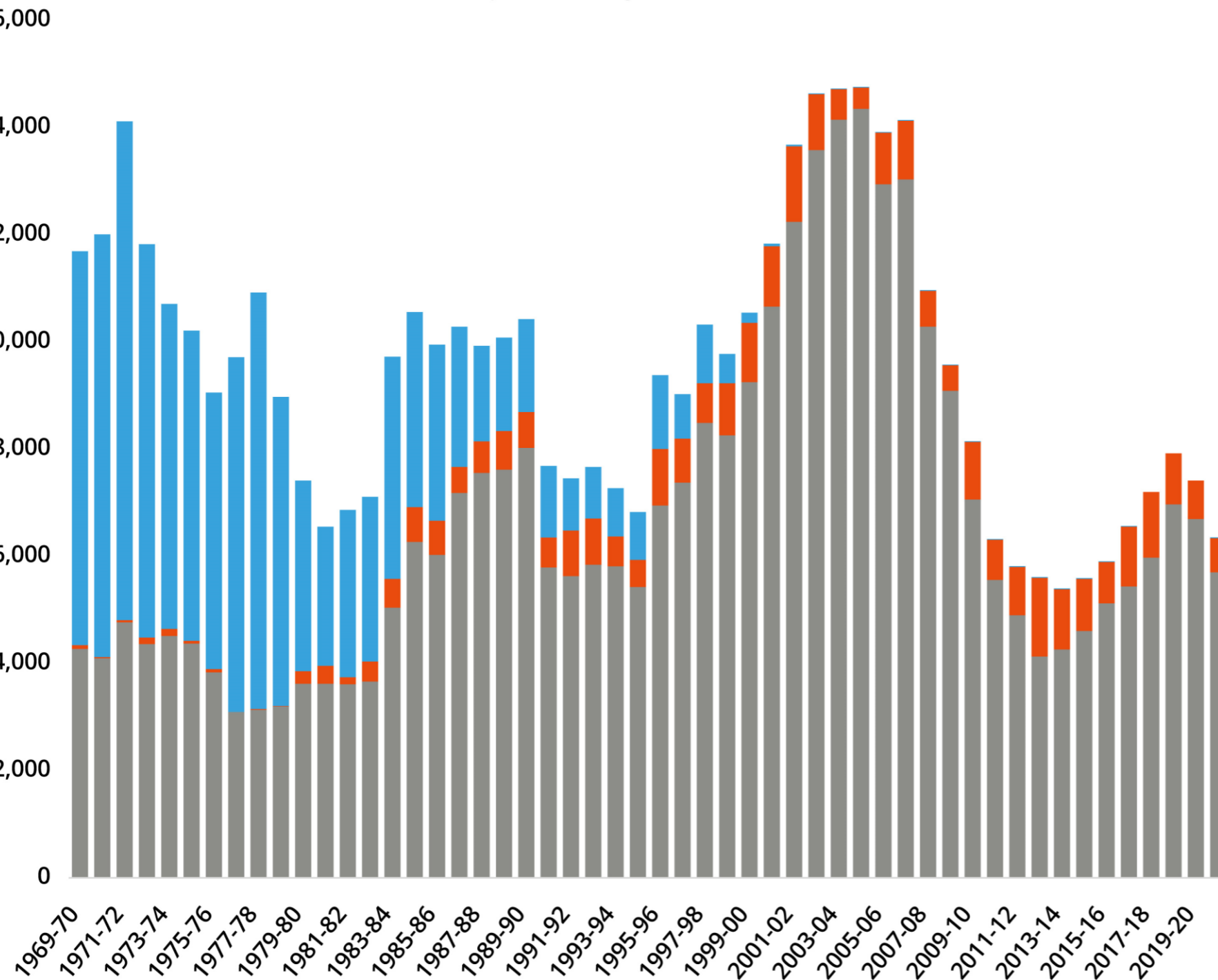
High inflation, rising taxes, poor growth keeping living standards virtually stagnant for another half a decade

Source: IFS
© FT

..with a significant shortage of social/public housing

Housebuilding, Northern Ireland, 1969-2021

■ Private Enterprise ■ Housing Associations ■ Local Authorities

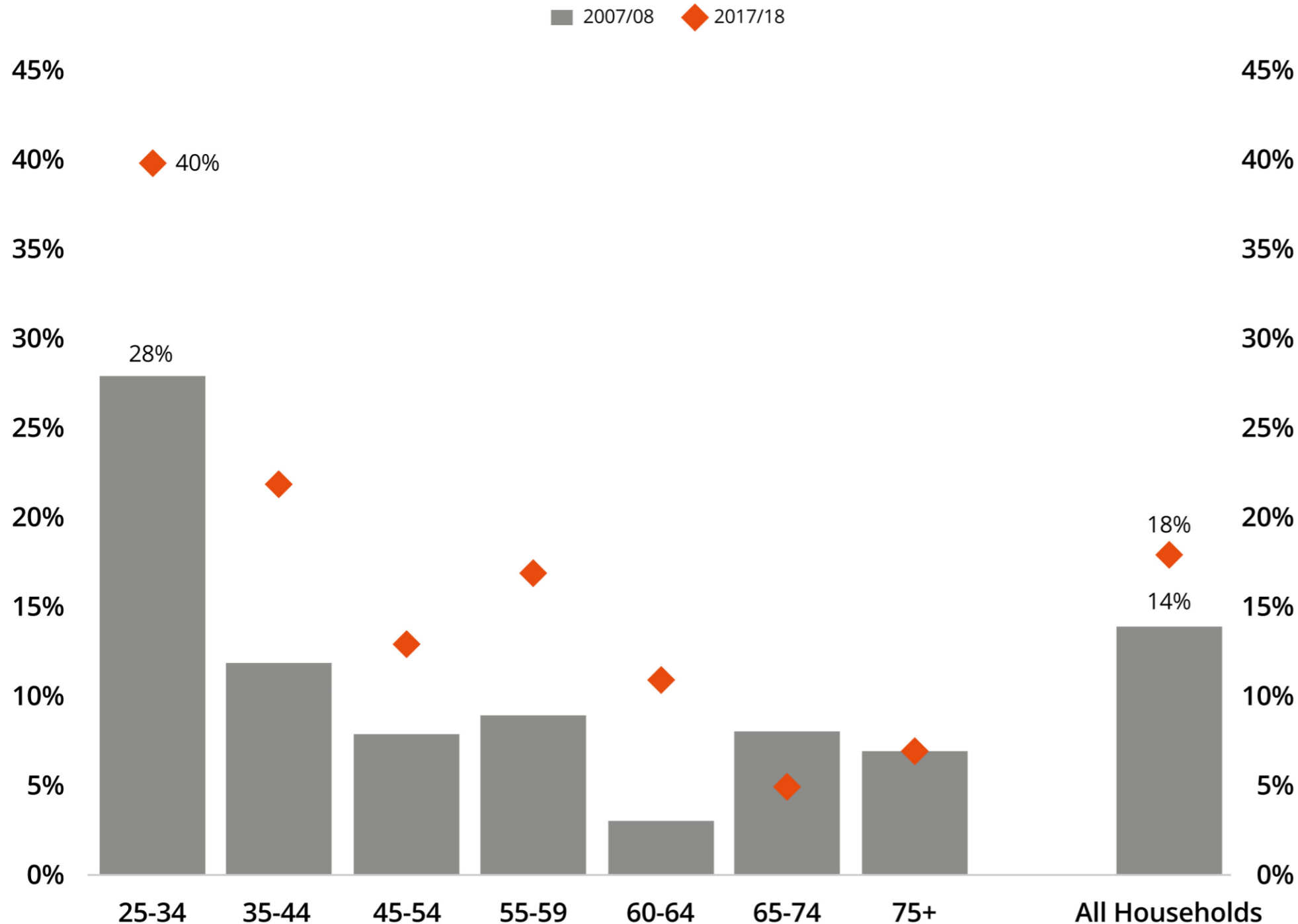


- During **1970-1990** there were **>93,000** public houses built, equivalent to **4,500 per annum**)
- Since **1990** there has been an average of **900 social homes per year**

Source: British Historical Statistics; B.R.Mitchell (1988), MHCLG, NISRA, PropertyPal analysis

...which explains why the PRS is increasingly important

Private rented households by age, N.Ireland, 2008 vs 2018



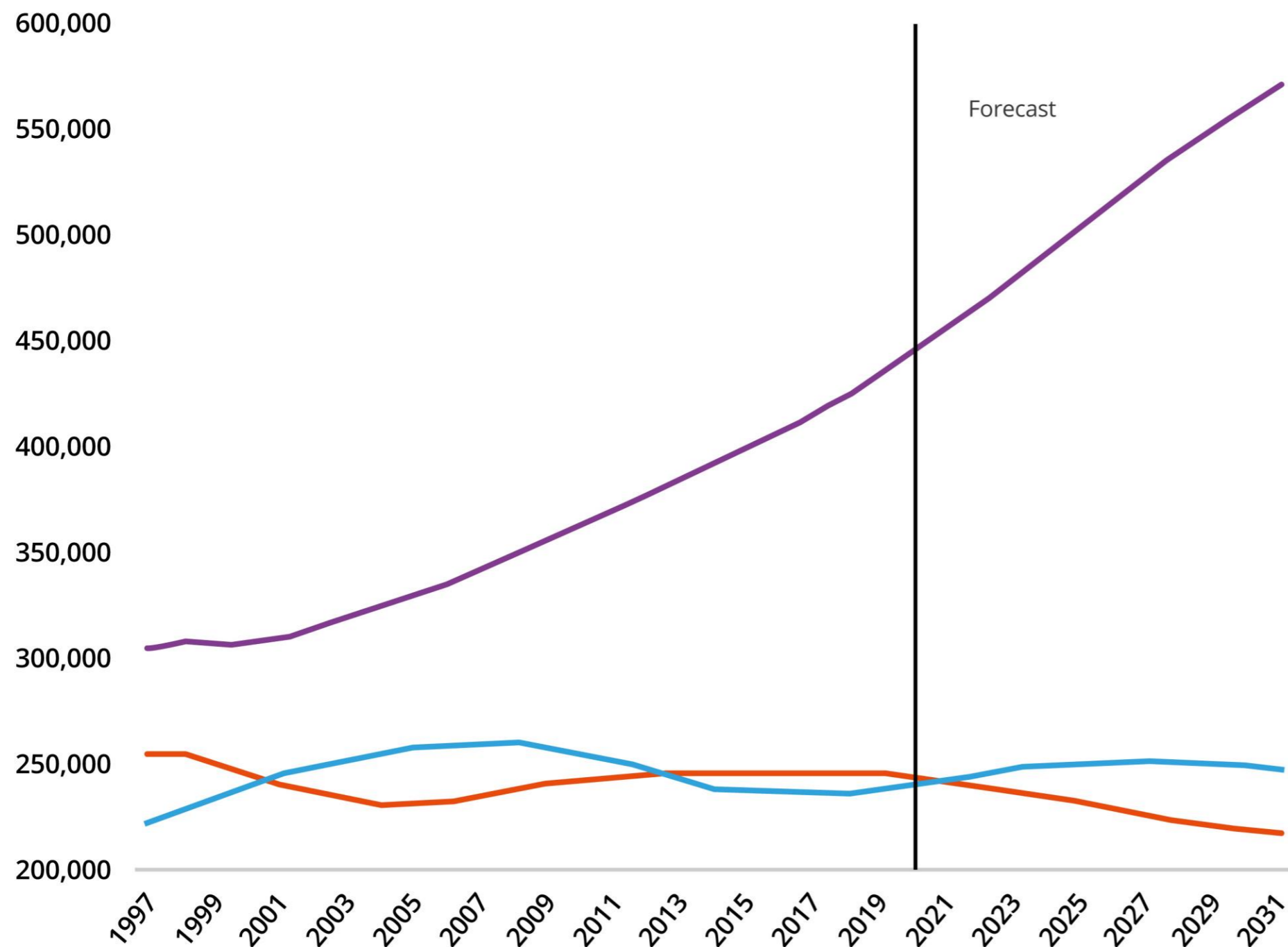
- PRS now around 120-140k households
- Private renting has increased over last decade- notably for the **25-34 year old age group**.
- This is likely to continue as FTB is priced out of the market if prices continue to exceed incomes.

Source: Family Resources Survey, PropertyPal analysis

Future housing requirements to change rapidly over next decade

Demographics of 'core' housing market, N.Ireland, 1997-2031

— 25-34 *potential* FTB — 35-44 *potential* home movers — 60+ *potential* downsizers



Aging population

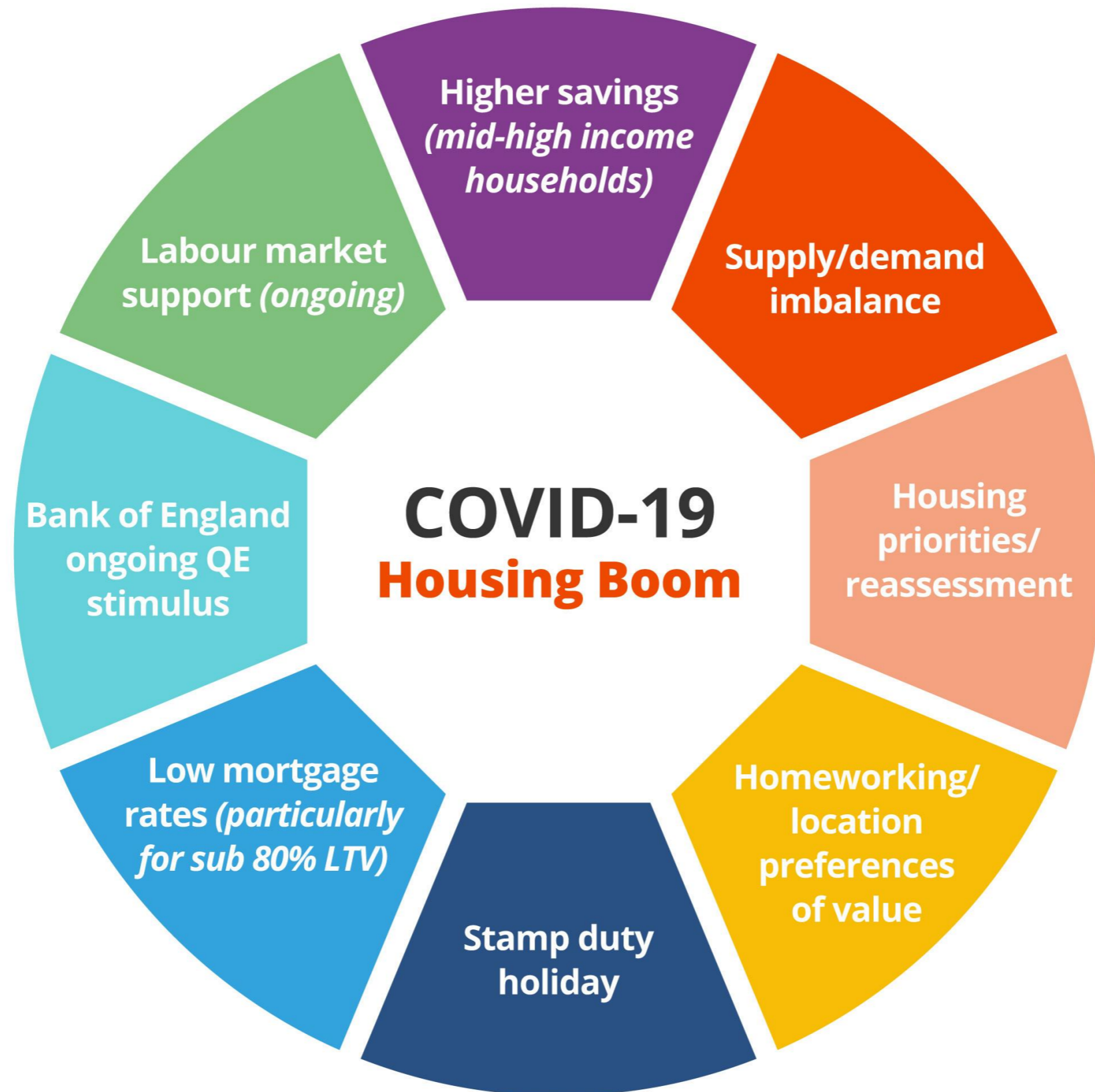
- Migration policy
- Finance options for the 60+
- Shared ownership (>55's product)
- Equity release option, Bank of Grandparents?
- Developers/ policy: changing demand patterns
- **Longer rental terms (particularly <40's)**
- Cost of moving
- Property shortages
- Green movement/older houses retrofit
- Location profile



Covid 19's housing market impact and rental implications

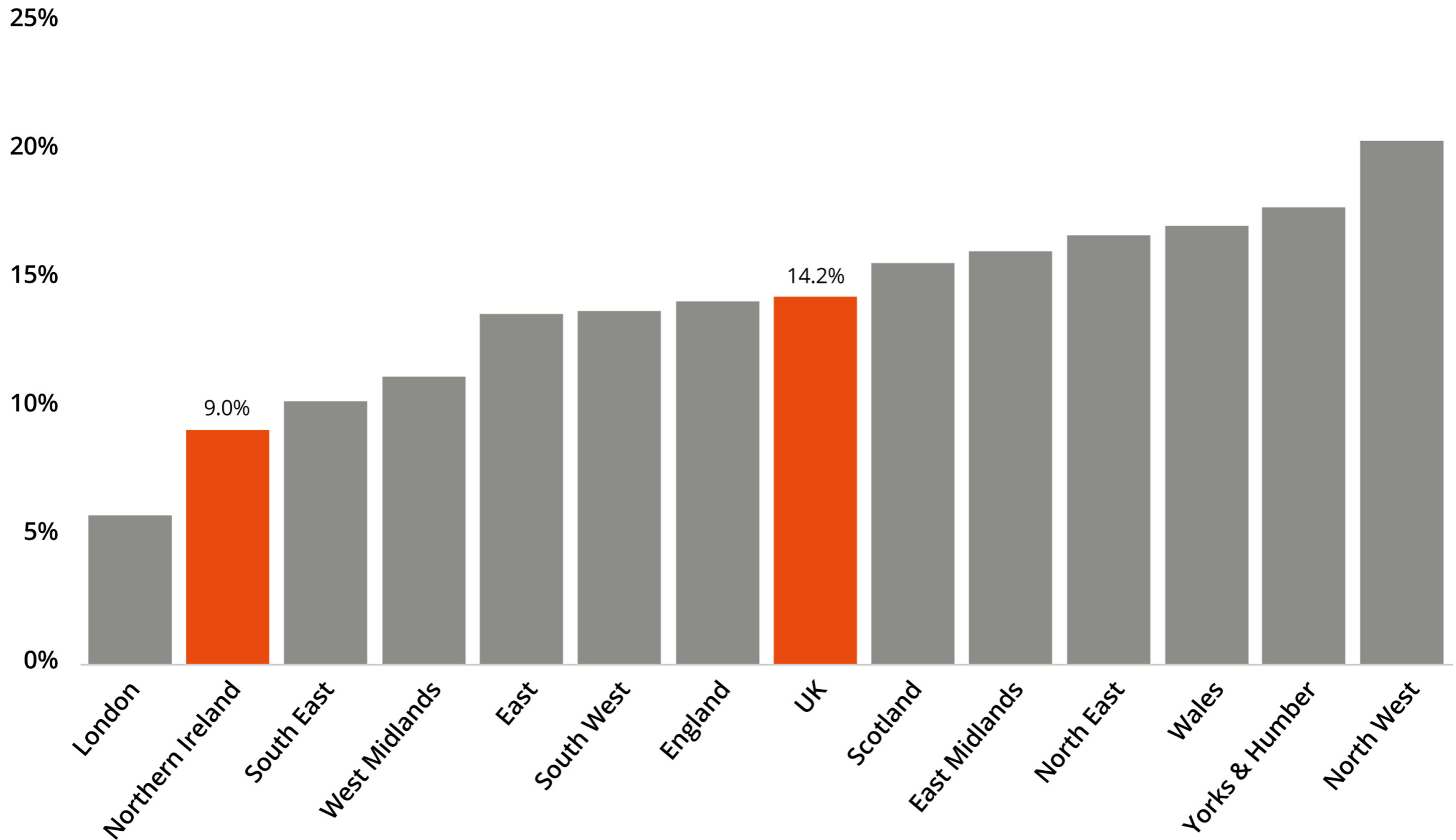


Drivers of housing boom



Regional rebalancing - but N.Ireland still amongst lowest growth

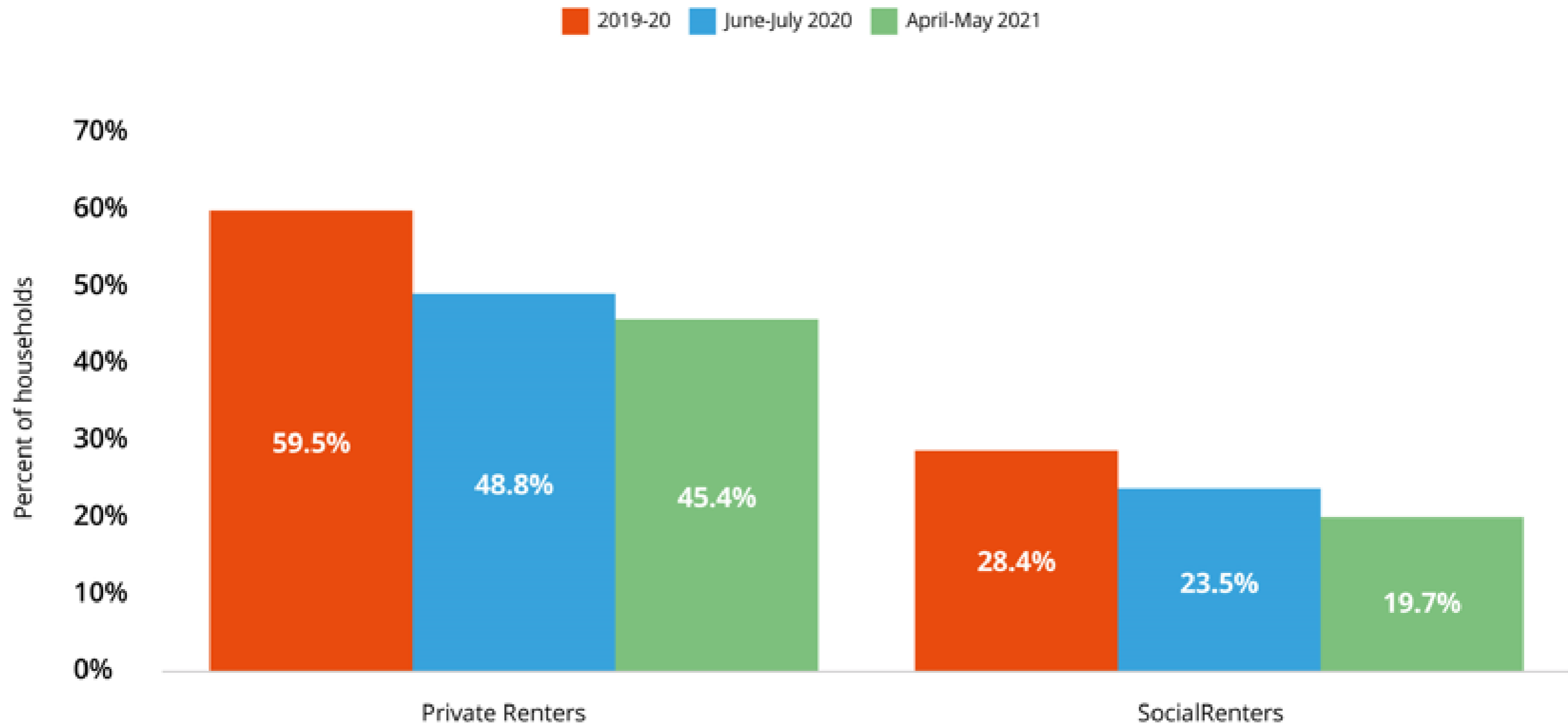
Annual house price growth, UK Regions, Q1 2020 (Covid pandemic)-Q2 2020



Source: ONS, LPS, PropertyPal analysis

The losers- younger people and renters buying expectations have fallen considerably

Buying expectations of renters, England



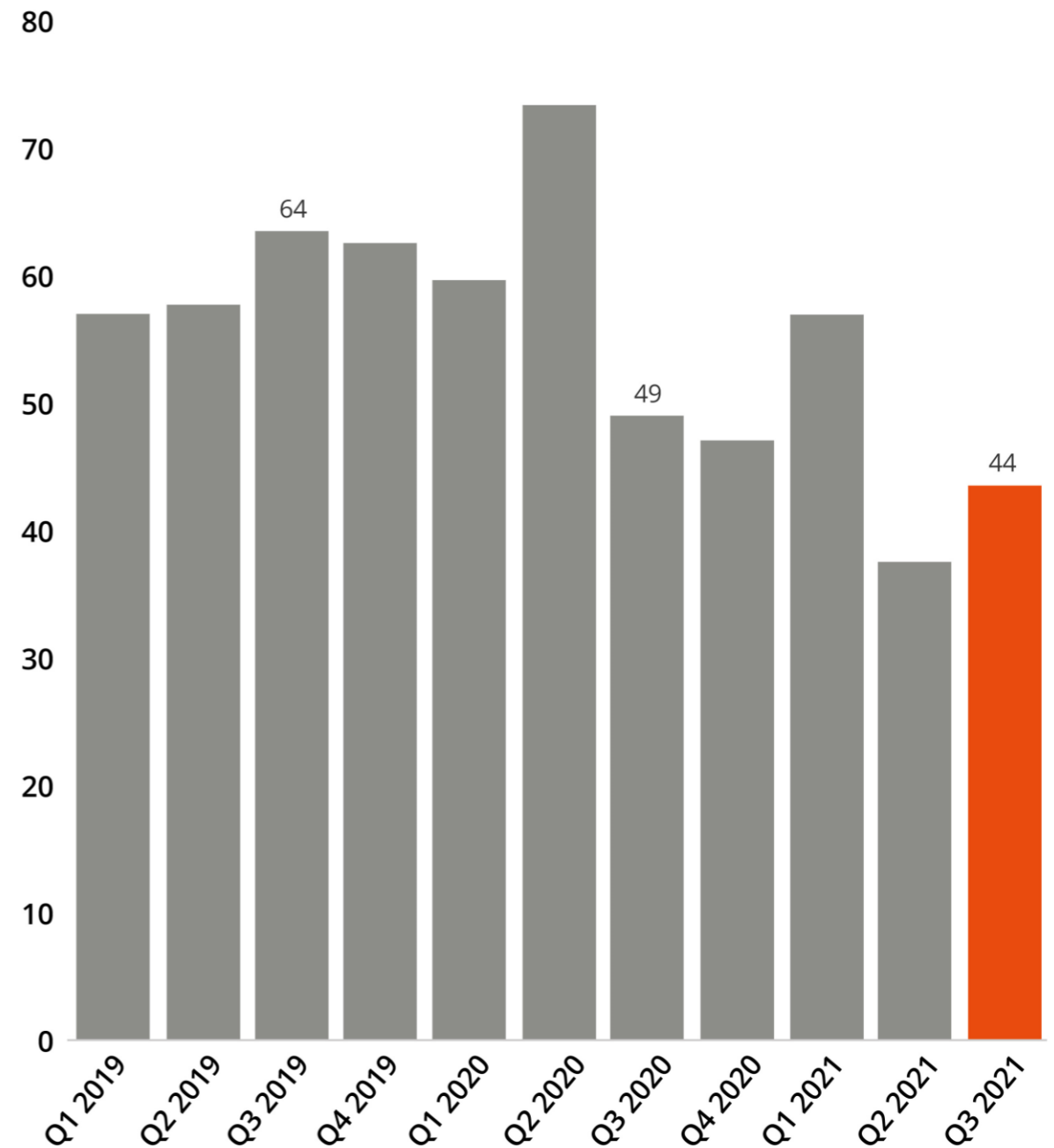
Source: DLUHC English Housing Survey and Household Resilience Surveys

Supply issues a big challenge: Total sales stock is down 45% and properties selling faster

% Change in sales housing stock availability; M10 2019 vs M10 2021

Council	All stock	Houses	Apartments
Antrim & Newtownabbey	-37%	-39%	-14%
Ards & North Down	-56%	-60%	-18%
Armagh, Banbridge & Craigavon	-48%	-49%	-11%
Belfast	-22%	-24%	-17%
Causeway Coast & Glens	-57%	-55%	-67%
Derry & Strabane	-46%	-46%	-38%
Fermanagh & Omagh	-52%	-53%	-32%
Lisburn & Castlereagh	-46%	-48%	-11%
Mid & East Antrim	-51%	-53%	-25%
Mid Ulster	-44%	-45%	23%
Newry, Mourne & Down	-42%	-42%	-37%
N. Ireland	-45%	-47%	-27%

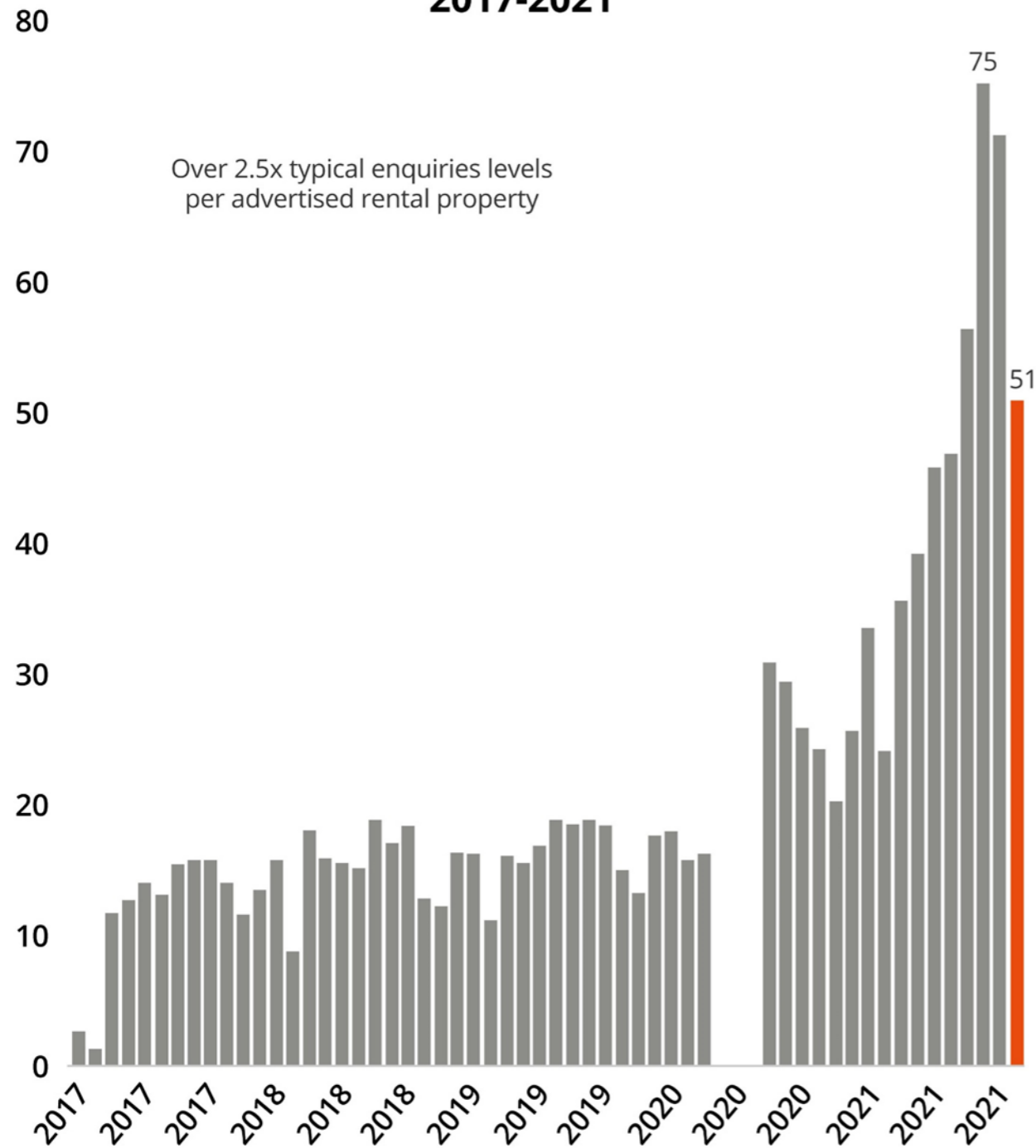
Average days on marker to reach 'sale agreed', N.Ireland, 2019-2021



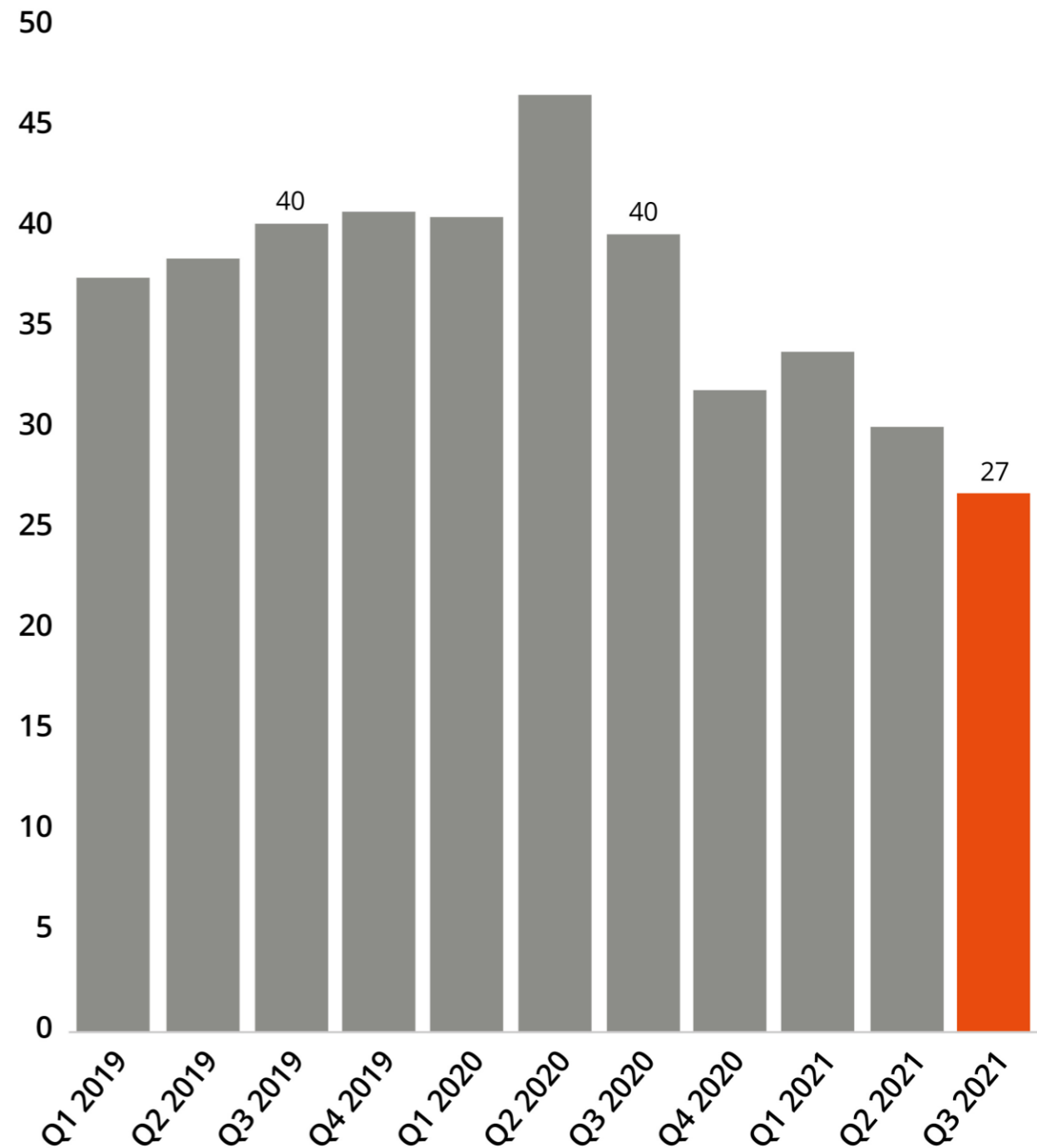
Source: PropertyPal
Note: No data provided for area with fewer than 10 properties available.

Rental demand at exceptionally high levels

Enquiries; listings ratio (Rental properties only), 2017-2021



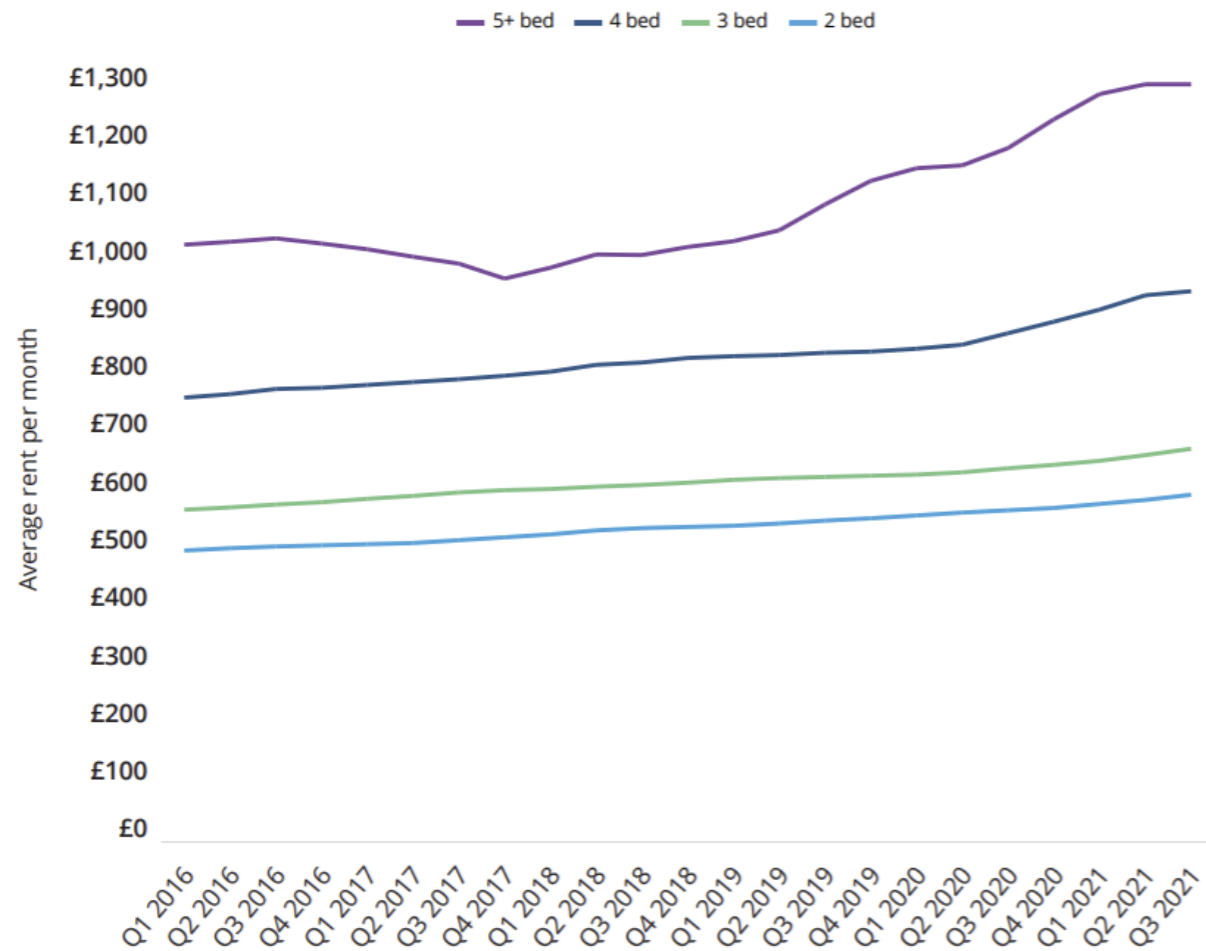
Average days on market to reach 'let agreed' N.Ireland, 2019-2021



Rents growing at 5-6% and more so for larger properties



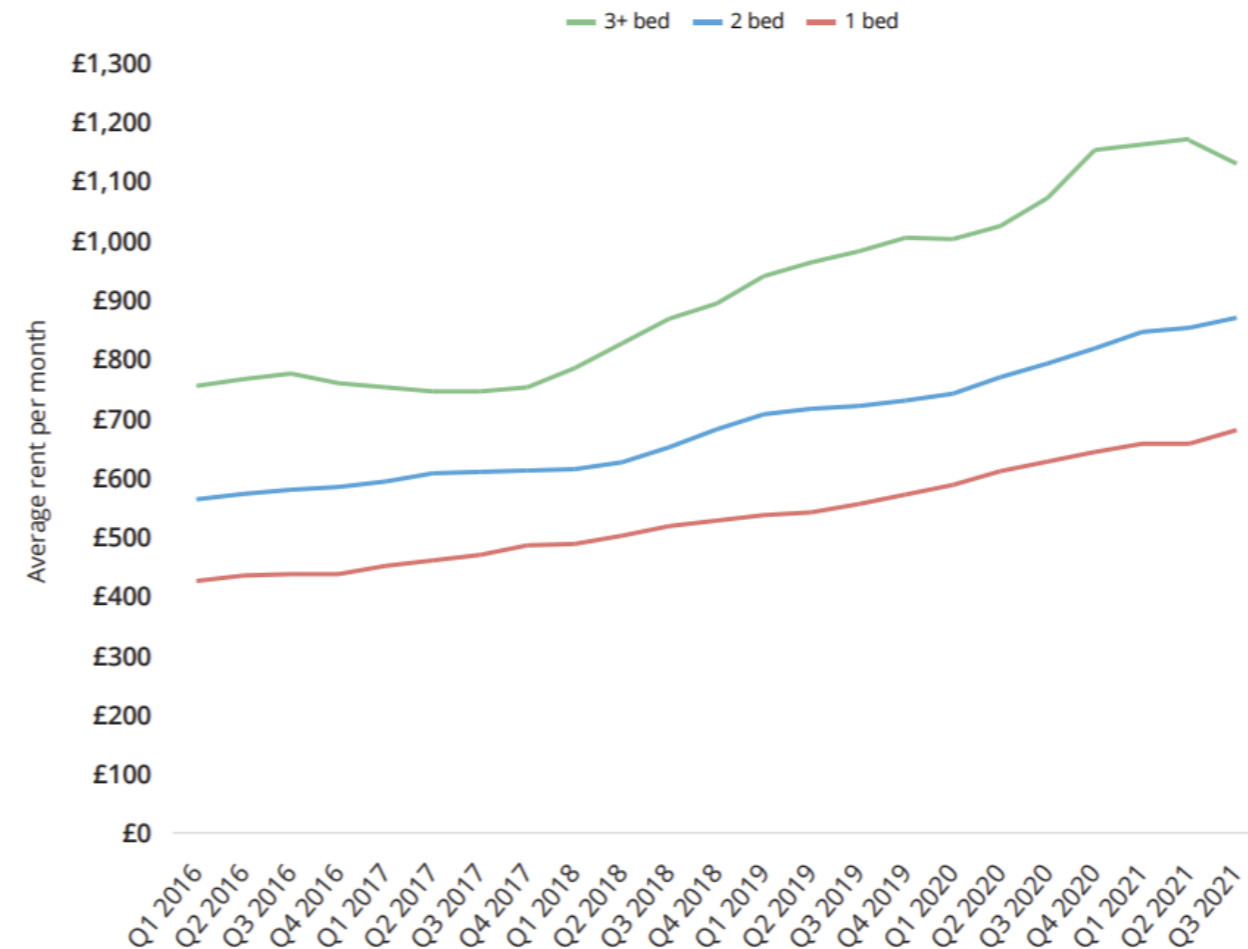
Houses



Houses	Average rent p/m	Annual rent growth	Quarterly rent growth
2 bed	£573	5.1%	1.6%
3 bed	£653	5.5%	1.7%
4 bed	£927	8.5%	0.8%
5+ bed	£1,287	9.4%	-0.1%
All houses	£684	6.0%	1.5%



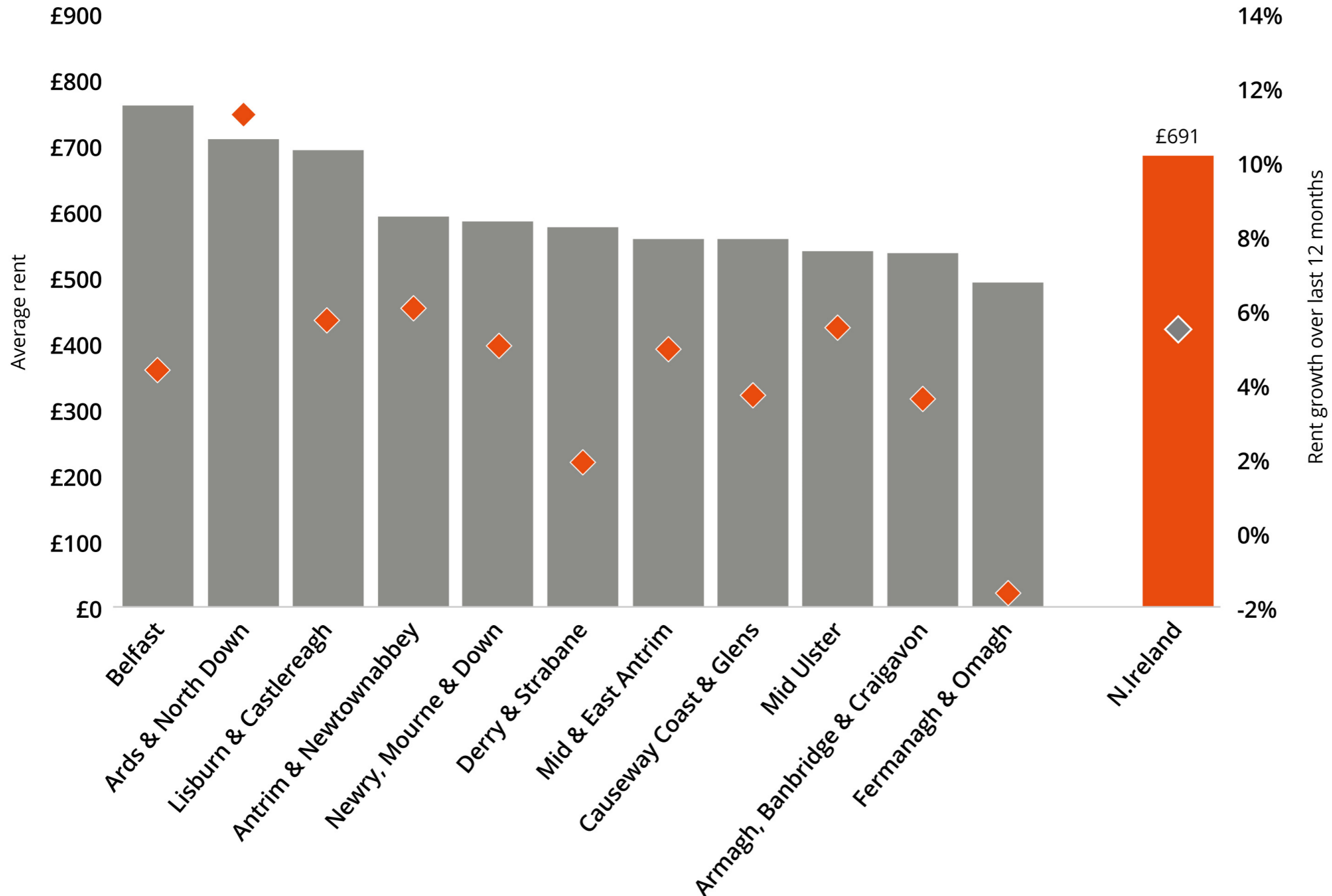
Apartments



Apartments	Average rent p/m	Annual rent growth	Quarterly rent growth
1 bed	£563	4.3%	1.9%
2 bed	£695	5.1%	1.1%
3+ bed	£934	2.9%	-1.7%
All apartments	£705	4.8%	0.8%

Ards & North Down seeing double digit rent increases

Average asking rent by council area, N.Ireland, Q3 2021





Landlord views (& links to Tenancies Bill)



Understanding the PRS: 1/4 of landlords own 2/3 of properties

Number and proportion of respondents by properties owned

Respondents who owned...	Number of respondents	% of respondents
One property	979	57
Two properties	321	19
Three or more properties	419	24
TOTAL RESPONDENTS	1,719	100

Base: 1,719 respondents

Distribution of properties by total number owned

Total number of rental properties owned by respondent	Total number of properties	% of all properties owned by respondents
One property	979	21
Two properties	642	14
Three or more properties	2,986	65
TOTAL RENTAL PROPERTIES OWNED	4,607	100

Base: 4,607 properties owned by 1,719 respondents

Source: NIHE, Private Landlord Survey 2019

- Smaller 1 property landlords use a letting agent for property management: 68% vs. 27% with 3 or more properties
- 29% had been a landlord for less than 5 years vs 71% > 5 years

What landlords said in 2019: 19% said rising prices would make them want to leave

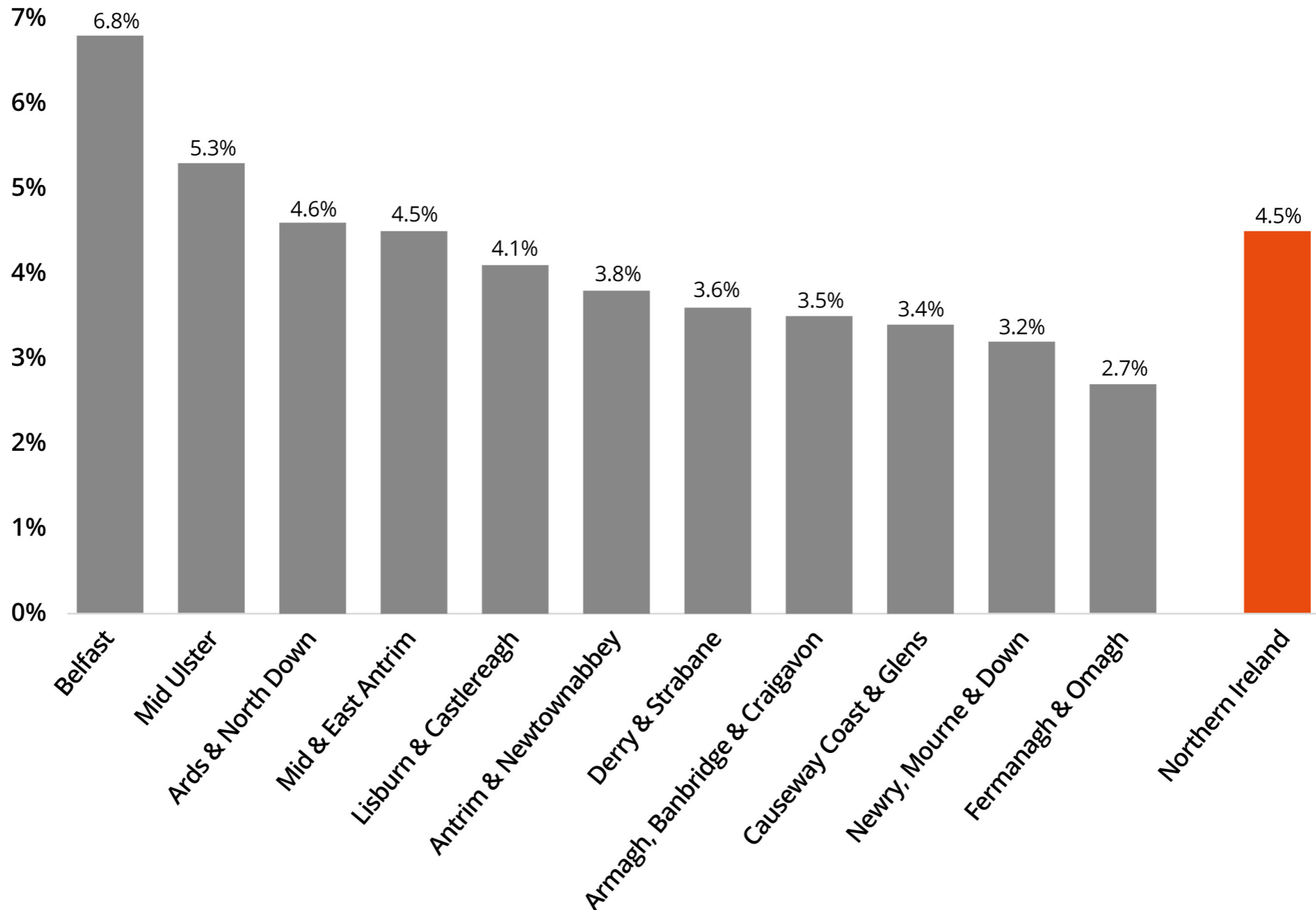
What, if anything, would make you want to leave the rental market as a landlord in the future?	
	% of repondents
Personal reasons e.g. approaching retirement age, other commitments etc.	46
Poor return from rent (<i>taking into account outgoings on properties</i>)	44
Anti-social behaviour (<i>including disturbances and damage to property/furnishings</i>) by tenants	44
Increased regulation for landlords	37
Rent arrears	31
Recent tax changes	19
House prices rising	19
Mortgage interest rates rising	14

Base: All respondents. Respondents could give more than one answer.

...and PropertyPal estimate 5% have already exited with rising house prices since covid-19



% of properties moving from rental market to sales market on PropertyPal since Covid-19 pandemic



A big factor in reducing rental supply- tax/regulation changes

Top reasons for planning to reduce the number of rental properties owned or to leave the rental market

	% of repondents
Recent tax changes (<i>changes to tax relief introduced from April 2017</i>) Too much bureaucracy / regulations / associated costs for landlords Welfare changes (<i>including changes to Housing Benefit / the introduction of Universal Credit</i>)	44
Rental returns decreasing (<i>taking into account outgoings on properties</i>)	32
Want to release capital	32

Base: 201 respondents who planned to reduce the number of rental properties they owned or to leave the rental market.
Respondents were able to choose more than one reason.

Up front costs are close to £1,100

Rent in advance

66%

of tenants from the most recent letting had paid rent in advance

(25% had not and 9% of respondents didn't know or couldn't remember)

Average amount of rent in advance paid

£541

(24% said prefer not to say or don't know / can't remember)

Deposit

76%

of tenants from the most recent letting paid a deposit

(19% had not and 5% of respondents didn't know or couldn't remember)

Average amount of deposit paid

£535

(27% said prefer not to say or don't know / can't remember)

Tenancy terms- 12 months is the norm but majority willing to offer more than a year (if they could remove problem tenants)



70%

of respondents had offered an initial term of 12 months to the tenant from their most recent letting.

11%

of respondents had not specified a tenancy term at commencement of tenancy.

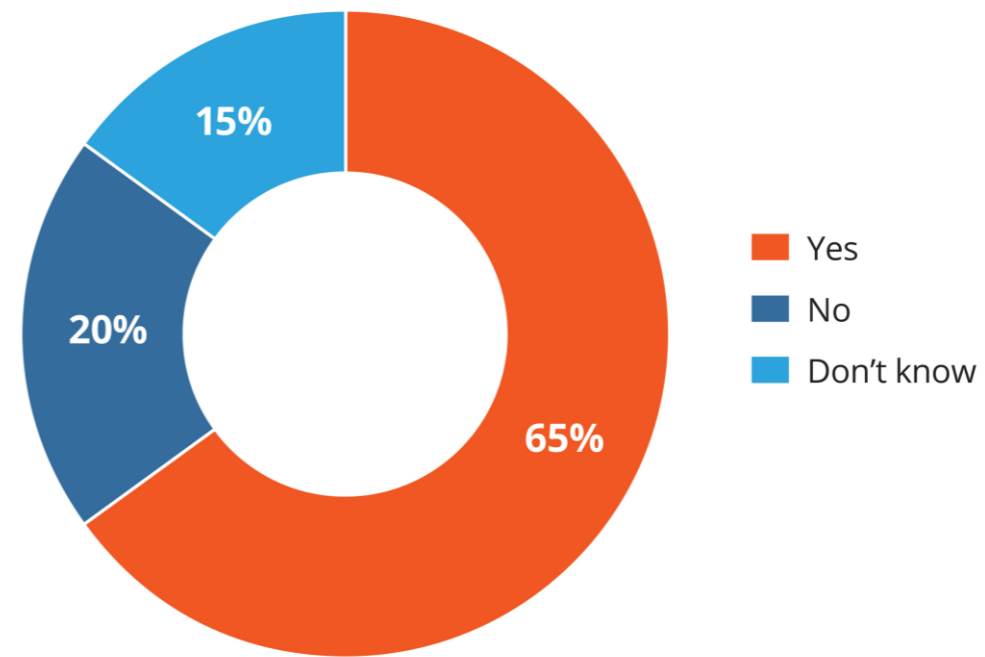
12%

of respondents had offered an initial term of six months.

8%

of respondents reported offering initial terms that were longer than one year.

Regardless of the current length of tenancies you offer, would you be willing to offer tenancies of more than 12 months in future?



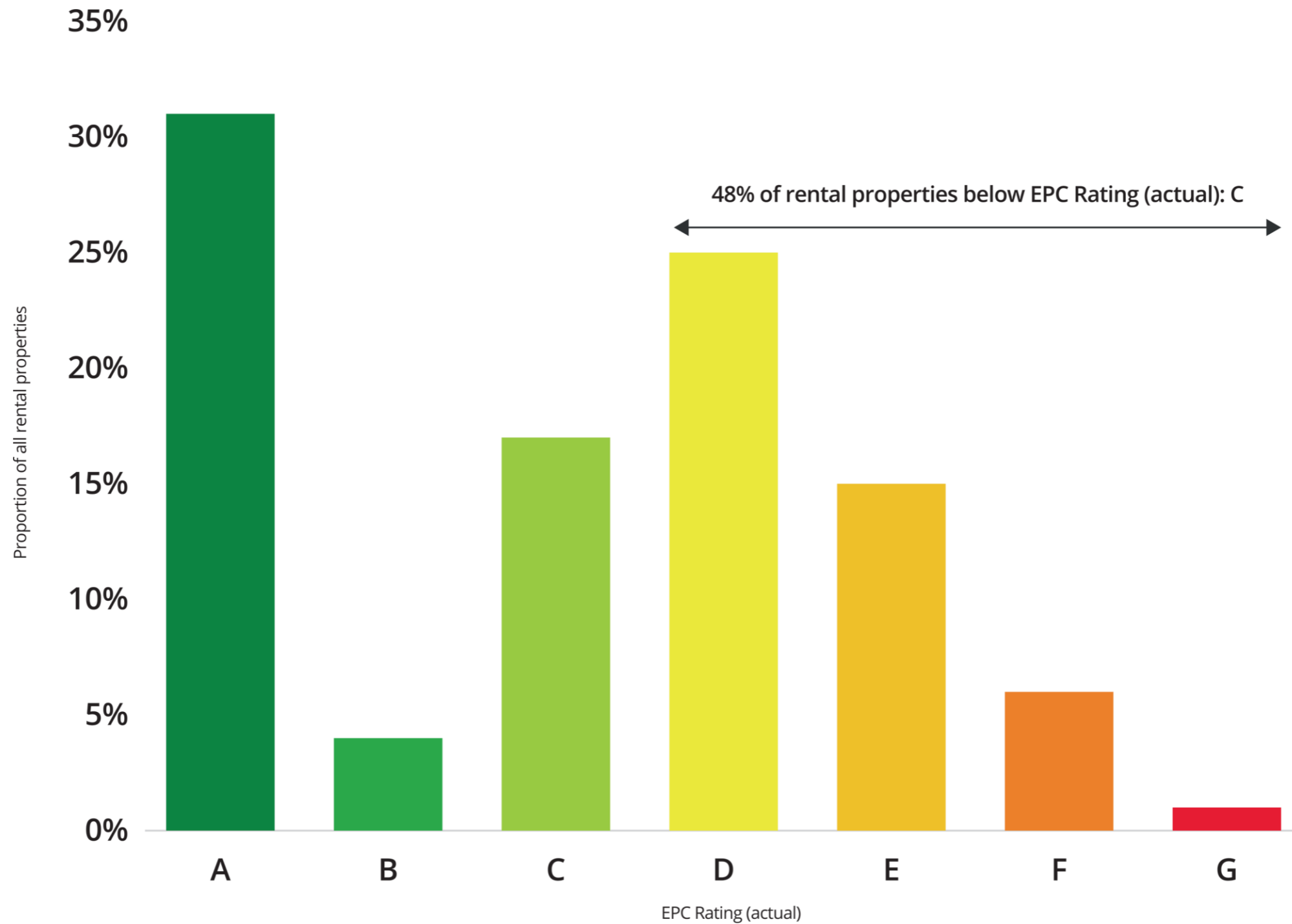
Base: All 1,719 respondents

Which, if any, of the following would encourage you to offer tenancies of more than 12 months in the future?	
	% of repondents
If it becomes easier to remove problem tenants	61
Financial incentives (e.g. tax cuts)	51
Changes to mortgage restrictions	6
Other	3
Nothing would encourage me	22

Base: 610 respondents who were unwilling to offer, or unsure about offering, tenancies of more than 12 months' duration. Respondents were able to select more than one option.

PRS in NI: Almost half of properties below C level

Rental properties by council area during 2021 by EPC (actual) as advertised on PropertyPal



Source: PropertyPal, Gov. UK
Note: Based on sample of 9,700 properties advertised during 2021

With considerable subregional variation

Rental properties by council area during 2021 by EPC (actual) as advertised on PropertyPal

Electoral District	Share of council area						
	A	B	C	D	E	F	G
Antrim & Newtownabbey	16%	7%	23%	27%	19%	7%	1%
Ards & North Down	22%	8%	23%	29%	13%	4%	1%
Armagh, Banbridge & Craigavon	26%	4%	13%	30%	20%	7%	1%
Belfast	36%	4%	17%	24%	12%	5%	1%
Causeway Coast & Glens	33%	5%	10%	25%	18%	7%	1%
Derry & Strabane	35%	3%	12%	18%	17%	9%	6%
Fermanagh & Omagh	47%	3%	9%	22%	16%	3%	0%
Lisburn & Castlereagh	21%	9%	22%	24%	18%	4%	1%
Mid & East Antrim	18%	3%	18%	27%	22%	10%	2%
Mid Ulster	36%	4%	10%	23%	19%	8%	1%
Newry, Mourne & Down	22%	1%	14%	28%	23%	9%	2%



**THANK YOU & GOOD LUCK
FOR 2022 AND BEYOND**

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