

THE PRIVATE RENTED SECTOR IN NORTHERN IRELAND: PROFILE AND KEY ISSUES

1. The Department for Social Development will shortly launch a consultation document on a Strategy for the Private Rented Sector in Northern Ireland. The proposals in the Strategy will reflect the outcomes of an evaluation of the 2006 Tenancies Order which currently governs the operation of the private rented sector including landlord and tenant obligations. The Department has indicated that proposals reflecting the need for any new or amending legislation emerging from the Strategy will be brought before the Assembly during 2010¹.
2. As the Department's consultation is yet to be released it is difficult to predict at this stage exactly what proposals it may contain. However, the recently published 'Northern Ireland Housing Market: Review and Perspectives 2009-2012' (Northern Ireland Housing Executive publication, February 2009) suggests that the Strategy may focus upon a number of important areas such as security of tenure, housing quality, management standards and the resolution of landlord/tenant disputes.
3. To assist the Committee for Social Development in its eventual deliberations of the consultation, the briefing paper provides some general background information on the private sector. Section one provides a profile of the private rented sector in Northern Ireland, the second section explores the impact of the credit crunch on the sector and the third section examines some of the key issues currently impacting upon the sector in Northern Ireland. As this briefing by no means provides a comprehensive assessment of the sector; section four provides links to some further useful information including the outcomes of the review of private rented sectors in England and Scotland.

SECTION ONE: PROFILE OF THE PRIVATE RENTED SECTOR IN NORTHERN IRELAND²

4. The Northern Ireland Housing Executive provides a useful summation of the current position of the private rented sector against the backdrop of the current economic downturn:

“there is concern about the private rented sector’s sustainability as falling house prices and the ‘credit crunch’ take their toll on investors. However, rising waiting lists for social housing, affordability issues for

¹ Information extracted from Assembly Question for Written Answer (AQW 6427/09), tabled 19 March 2009.

² The information in this section has been taken exclusively from Northern Ireland Housing Executive (2009) Northern Ireland Housing Market, Review and Perspectives 2009-2012, pp13-16.
www.nihe.gov.uk/index/about-us-home/media_centre/news-2.htm?newsid=14341

first time buyers and changing labour markets will ensure that the private rented sector will continue to play an important role in Northern Ireland's housing market'.³

5. The latest available statistics on the private rented sector are available from the 2006 House Conditions Survey which highlights that there are approximately 81,000 occupied dwellings in Northern Ireland's private rented sector (11.5% of total housing stock). This represents a substantial increase over the 49,400 (7.6%) recorded in 2001. However, if vacant dwellings, classified according to their previous occupancy are included the overall figure for 2006 was 94,600 (13.4%).
6. The 2006 House Conditions Survey also confirms that there continues to be a significant concentration of the private rented sector in Belfast and Derry City. However, in 2006 only 27% of the sector was located in these two council areas (compared to 35% in 2001) reflecting the growth of the private rented sector in district towns such as Craigavon, Limavady and Dungannon.
7. In 2006 the sector still had a high proportion of pre 1919 dwellings (22%) but this has fallen from 38% in 2001 mainly as a result of the growth of the newer buy to let properties. However, the survey notes that more than one quarter (27%) of privately rented properties failed the Decent Home Standard⁴.
8. In 2006, the Northern Ireland Housing Executive launched a further phase of research into the private rented sector in partnership with the University of Ulster. The following key findings emerged from the research:

TENANT PROFILE

- There were increasing numbers of younger people entering the private rented sector reflecting the difficulties experienced by this group in accessing other forms of tenure such as owner occupation.
- The proportion of privately rented properties occupied by lone parents has doubled from 10% in 2001 to 20% in 2006.
- More than two fifths of private rented tenants were in employment (43%), almost one fifth were unemployed (19%), 16% were retired and 9% were classified as permanently sick or disabled.
- Housing benefit is playing an increasingly important role in the private rented sector. In 2001, 37% of households in the private rented sector received housing benefit. By 2006 this had increased to 45%.

AFFORDABILITY

- More than half of tenants (53%) had to pay a deposit and/or rent in advance, of these two thirds were in receipt of housing benefit.
- More than two thirds of tenants in receipt of Housing Benefit had to pay a shortfall between the benefit they received and the market rent.

³N.I.H.E (2009)Northern Ireland Housing Market, Review and Perspectives 2009-2012, p5.
www.nihe.gov.uk/index/about-us-home/media_centre/news-2.htm?newsid=14341

⁴ Northern Ireland Housing Executive. How many houses in disrepair? www.nihe.gov.uk/index/about-us-home/media_centre/key_issues/housing_conditions/disrepair.htm

LANDLORD-TENANT RELATIONSHIPS

- An overwhelming majority of tenants (89%) stated that they were in good terms with their landlord/agent.
- Most were satisfied (56%) or very satisfied (27%) with the overall service provided by their landlord/agent.
- Most were very satisfied (51%) or satisfied (16%) with the repairs/maintenance service. However, almost one quarter (24%) were dissatisfied, primarily (50%) with the time delay involved.
- Almost three quarters of tenants (73%) had not been provided with a rent book, however, almost two thirds (82%) had a written tenancy agreement.

HOUSES IN MULTIPLE OCCUPATION (HMOS)

9. HMOs continue to form a substantial element of the private rented sector and it is estimated that there are approximately 14,000 HMOs in Northern Ireland. They play an important role in meeting the house needs of people who are single, have temporary employment, students, migrant workers and those on low incomes.
10. However, an HMO registration study undertaken by the Building Research Establishment for the Northern Ireland Housing Executive in 2008 highlighted that a significant number of issues remained to be addressed including;
 - A lack of knowledge of HMO standards;
 - The need for more information on housing benefits and tenants rights;
 - Greater incentives for landlords to participate in statutory registration and strengthening enforcement powers for those avoiding registration;
 - Further work in developing standards and priority issues faced by migrant workers in HMOs; and
 - Further information was required for students on standards including information on their rights and responsibilities.

SECTION TWO: IMPACT OF THE 'CREDIT CRUNCH' – FINDINGS FROM THE SCOTTISH REVIEW OF THE PRIVATE RENTED SECTOR

11. Some of the latest research into the impact of the credit crunch on the private rented sector is contained within the Scottish Government's recently published (March 2009) review of the Scottish private rented sector⁵. The last section of the review examines the issue of the impact of the 'credit crunch' on the private rented sector and steps the Scottish Government are considering in order to address those issues. The review has suggests that the 'credit crunch' has had two primary effects on the private rented sector in Scotland:

⁵ Scottish Government (2009) An overview report summarising the key findings from the review of the private rented sector, including policy responses.
www.scotland.gov.uk/Publications/2009/03/23153136/0

“The downturn in the housing market that has occurred since autumn 2007 has clearly had an effect on the affordability of different tenures. The particular circumstances of the current 'credit crunch' are unique in the history of the UK housing market. The primary factor causing the downturn - demonstrated by reduced market activity and falling house prices - is the lack of availability of credit.”

“Evidence suggests that the overall effect is to reduce purchases by first-time buyers, which will reduce purchases and sales further up the price ladder. All of this has two effects on the PRS:

Demand increases. Households unable to get finance for purchases, or choosing to wait before buying, opt to remain in or move into the PRS.

Supply increases. People unable to sell their property choose to rent it out privately for a period until the market 'recovers'. This will be partly countered by the fact that the difficulty in obtaining credit will limit the number of new buy-to-let landlords and may lead to some leaving the market.”

12. The review further suggests that it is likely that people who are forced to rent out their properties because they can't sell are less likely to be well informed about the law and their responsibilities as landlords. The review maintains that this scenario *“is not a particularly stable basis upon which to grow the sector as supply is closely linked to short-term changes in individual circumstances”*.
13. The review highlights that the Scottish Government is considering a number of interventions that would increase the overall supply of private rented sector housing and provide appropriate housing options for different households. This is part of a drive towards increasing the supply of new housing across all tenures in Scotland. For example, it suggests that the credit crunch has created a degree of financial insecurity in the private rented sector resulting in a lack of interest from small-scale landlords in expanding or professionalising their activities. In order to counteract this, it is suggested that a number of steps could be taken including:
 - Encouraging those who would normally invest in commercial property to invest in private rented housing as a long-term, reliable and low risk investment. It is believed that this could promote professional residential property management services and could ultimately lead to consistency in property maintenance and longer term leases for tenants.
 - Government incentives should be created for large-scale corporate or institutional investment in the private rented sector. The review acknowledges, however, that many of these matters are reserved to the UK Government, e.g. the current stamp duty regime which places large scale landlords at a disadvantage and reduced VAT incentives to encourage large scale landlords to refurbish and maintain properties. The Scottish Government maintain that the reduced rate of VAT which applies to the renovation of property which has been empty for at least two years should be available much earlier, so that empty properties are brought back into use as quickly as possible.

- Incentives to encourage landlords to rent to certain groups of tenants (e.g. those on low incomes, housing benefit, part-time employment and lone parents). The review maintains that the Scottish Government are seeking to engage with developers, investors, social housing providers, local authorities and others to expand the provision of mid-market rental properties. This would be something along the lines of the National Rental Affordability Scheme (NRAS) in Australia, where investors have partnered with developers and also housing associations to provide property management services. It is also seeking to engage with the planning system to discuss the role that planning authorities can play in encouraging new build accommodation for private rent.
- Increased incentives and enforcement powers for local authorities to encourage owner occupiers to bring empty properties back into use. Providing local authorities in Scotland formal powers such as Empty Dwelling Management Orders in England and Wales is not supported. However, a number of other initiatives are suggested including consideration of the establishment of a national empty homes resource with one or two co-ordinators to provide support to local authorities and to liaise, where appropriate, with landlords and other organisations interested in the private housing sector. Other suggestions include introducing guidance which permits the progressive reduction of Council Tax discounts so that the longer a home stands empty, the less discount is available.

SECTION THREE: A BRIEF OVERVIEW OF SOME OF THE KEY ISSUES

14. This section provides further information on some of the key issues relating to the private rented sector, it is not an exhaustive list of the relevant issues. However, the Committee may wish to take cognisance of these issues when considering the consultation on the Strategy for the Private Rented Sector in Northern Ireland.

REGISTRATION OF PRIVATE LANDLORDS

The mandatory registration of private landlords is perhaps one of the most contentious and widely debated issues relating to private rented sector reform. Since 30 April 2006 almost all private landlords in Scotland have been required to register with their local authority under Part 8 of the Antisocial Behaviour etc. Scotland Act 2004. The purpose of this requirement was to ensure that landlords meet minimum standards, remove the worst landlords from the sector and allow tenants and neighbours to contact landlords of private rented problems should difficulties occur⁶.

A registration scheme for landlords is also in operation in the Republic of Ireland under the Residential Tenancies Act 2004⁷. A recent review of the Private Rented Sector in England commissioned by the Department of Communities and Local Government (i.e. the Rugg and Rhodes review) recommends a 'light touch' licensing scheme for private landlords in England⁸. However, this issue is still under consideration by the Department and it has yet to announce its final decision on the matter.

⁶ Landlord Registration website - www.landlordregistrationscotland.gov.uk/Pages/Process.aspx?Command=ShowHomePage&Reset=true&SessionToken=76a0c420-cdd4-4141-8984-a0e9f9fd5a51

⁷ For further information see www.prtb.ie/landlord_pubregfaq.htm#lq1

⁸ Rugg, J. & Rhodes, D. (2008) [The Private Rented Sector: Its contribution and potential](#)⁸. Centre for Housing Policy, University of York.

The recent review of the Scottish Private Rented Sector found that the majority of landlords in Scotland accepted the case for Landlord registration but raised a number of specific criticisms, e.g. the process was unnecessarily cumbersome; registration had increased in complexity for those trying to run their business responsibly; and the registration process enabled local authorities to collect large amounts of data from landlords but are unprepared to share data with landlords about tenants when landlords are trying to chase them over arrears or find out if tenants had left properties permanently so they could claim repossession⁹.

The Housing Rights Service has recommended that mandatory registration of private landlords should be implemented in Northern Ireland (i.e. that landlords should provide their name, a contact number, a contact address and details of their properties). However, the Housing Rights Service recognise that mandatory registration alone will not solve all the problems of the private rented sector but suggest that it would '*lay the foundation for a more consistent and robust approach to addressing the issues of bad management practices and poor fitness standards*'¹⁰.

TENANCY DEPOSIT SCHEMES

The recent review of the Scottish Private Rented Sector highlights that a significant minority of tenancy deposits were withheld, in full or in part at the end of a tenancy. The review estimated that the amount of wrongly held deposits in Scotland could be between £2.2m to £3.6m per annum. The research also suggested that there continued to be conflicting views about the significance of the problem and how it could be addressed. A form of alternative dispute resolution was suggested and the Scottish Government is to work with stakeholders before coming to a final decision on the most appropriate means of dealing with such disputes¹¹.

The problem of tenancy deposit retention is also an issue raised by the Housing Rights Service. The Housing Rights Service believe that a tenancy deposit scheme in Northern Ireland should be devised to ensure deposits are safely managed and not withheld unreasonably and that it has the potential to be funded through interest generated from deposits.

From 6 April 2007, all deposits (for rent up to £25,000 per annum) taken by landlords and letting agents for Assured Shorthold Tenancies in England and Wales are protected by a tenancy deposit protection scheme¹².

LANDLORDS, TENANTS AND CAPACITY BUILDING

The Scottish Review of the Private Rented Sector highlighted that a small but substantial minority of private landlords were not well informed about the residential lettings market or the law relating to landlords and tenants. Very few landlords used professional organisations for advice, information and support and almost half of landlords indicated that they were not interested in training. Similarly a significant number of tenants were not aware of their rights, e.g. only 4 in 10 tenants had heard of landlord registration, only 3 in 10 had heard of mediation as a means of resolving disputes, only 1 in 10 had heard of the Scottish Repairing Standard, and 1 in 3

⁹ Scottish Government (2009) Review of the Private Rented Sector: Key Findings and Policy Implications, p63-64. www.scotland.gov.uk/Resource/Doc/264996/0079349.pdf

¹⁰ Housing Rights Service (2008) Policy Briefing: Promoting Responsible Letting in the Private Rented Sector, p8. www.housingrights.org.uk/docman/hrs/promoting-responsible-letting-in-the-prs-briefing/download.html

¹¹ Scottish Government (2009) Op Cit, p4-5.

¹² For further information see www.direct.gov.uk/en/TenancyDeposit/DG_066373

households living in an HMO did not know whether the landlord had a licence. The review suggests that a strategic approach to improve the dissemination of information about and within the sector was required¹³.

Scotland has a [Landlords Accreditation Scheme](#), which is a voluntary scheme by which landlords and letting agents can assure tenants that they adhere to standards set out in the 'Scottish Core Standards for Accredited Landlords'¹⁴.

The Housing Rights Service suggests that mandatory registration has a role to play in assisting in the dissemination of information and accredited training for landlords. Likewise, HRS recommends that it is equally important that tenants receive accessible information about their rights, responsibility and access to independent advice¹⁵.

DISPUTE RESOLUTION

The Housing Rights Service maintains that a tenant/landlord dispute resolution service, which incorporates mediation and arbitration, should form an integral part of private rented sector reform. The [Private Residential Tenancies Board](#) (PRTB) provides such a service for landlords and tenants in the Republic of Ireland involving mediation, adjudication and tenancy tribunal hearings¹⁶.

HOUSING UNFITNESS

One of the main aims of the Private Tenancies (Northern Ireland) Order 2006 was to tackle disrepair and housing unfitness, particularly in older properties (pre-1945). The Housing Rights Service maintain that it could be more effective in dealing with unfitness and that the cut off date used for exempted dwellings from fitness inspections should be raised from pre-1945 to at least 1956. Housing Rights Service also wish to see the current fitness standards raised to include, for example, better heating and more effective insulation¹⁷.

SECURITY OF TENURE AND NOTICE TO QUIT

The Housing Rights Service maintains that they are regularly contacted by individuals and families who are facing eviction from their private rented sector property. HRS highlight that the legal status for many of these tenancies is 'periodic' meaning that they are occupied on a month to month basis with the landlord required only to give 28 days written Notice to Quit¹⁸. In Scotland, the Government has worked with the Association of Chief Police Officers in Scotland (ACPOS), the Convention of Scottish Local Authorities (CoSLA) and the Crown Office to issue guidance to local authorities and police forces to raise awareness of illegal evictions and to encourage information sharing protocols and other measures to combat such behaviour¹⁹.

RURAL AREAS

The Scottish Private Rented Housing Sector Review highlights the importance of the private rented sector and long term tenancies in rural areas and that these properties were more likely to be managed by landlords themselves. The Review suggest that

¹³ Scottish Government (2009) Op Cit, p5-6.

¹⁴ For further information on the Landlord Accreditation Scheme see www.landlordaccreditationscotland.com/

¹⁵ Housing Rights Service (2008), Op Cit, p8.

¹⁶ For further information see www.prtb.ie

¹⁷ Housing Rights Service (2008) Op Cit, p5

¹⁸ Ibid, p5.

¹⁹ Scottish Government (2009) Op Cit, p40.

the rural private rented sector is different in key characteristics to that of the urban private rented sector and therefore may require a distinct policy response. The distinct characteristics of the rural private rented sector included²⁰:

- The rural sector is perceived to cater better to larger households as properties tend to have a greater number of rooms and they are also more likely to be unfurnished;
- Properties may be associated with the tenants employment (i.e. tied tenancies);
- Tenants in rural areas are more likely to be seeking long term tenancies;
- The lack of supply of social housing was a major problem in rural areas and there tended to be a limited supply of private rented sector properties; and
- There tended to be a higher level of 'informality' between the landlord and the tenant with a higher proportion of tenants reporting that they did not have a written or signed tenancy agreement or have been required to pay a deposit or fee. Rural tenants were also less likely to understand their rights or the legal eviction process than urban tenants.

ANTI-SOCIAL BEHAVIOUR

Anti-social behaviour is undoubtedly an issue in all different types of tenure. In terms of the private rented sector anti-social behaviour can be a problem for landlords trying to evict tenants engaging in anti-social behaviour and for neighbours trying to locate a landlord to deal with the anti-social behaviour of their tenants. However, private rented sector tenants may themselves experience anti-social behaviour from a small number of unscrupulous landlords who, for example, continuously enter the property without the tenant's prior notice, or who behave in an aggressive or intimidatory manner.

HMOS

The Northern Ireland Housing Executive has acknowledged that, "*At the moment, the Registration Scheme is perceived as enforcement without teeth*". It also maintains that the maximum fine for non-compliance needs to be increased to bring it more into line with England (£20,000). The Executive further suggest that without such measures many smaller landlords will continue to operate '*under the radar*' with huge resources being spent trying to track them down²¹.

A 2008 study in HMO registration by the Housing Executive identified the need for better communication with tenants to ensure that they can easily access information on their rights and responsibilities. The study also identified a need to inform tenants about HMO standards and how they can access support from statutory agencies and other relevant bodies. With regards to landlords, the study recognised that landlords needed a simpler and clearer explanation of what the HMO standards are along with some additional one to one assistance with the more complex aspects of the standards, e.g. fire precautions²².

HOUSE REPOSSESSION AND THE ECONOMIC DOWNTURN

As a result of the economic downturn and the increase in house repossessions, many private rented tenants may find themselves homeless at very short notice and in need of rehousing. In Scotland, Section 11 of the Homelessness etc (Scotland) Act 2003 (implemented on 1 April 2009) places a duty on landlords in both the private and social housing sectors to notify their relevant local authority when they initiate

²⁰ Ibid, p24.

²¹ Northern Ireland Housing Executive (2009), Op Cit, p83.

²² Ibid.

legal proceedings to repossess a property. There are no equivalent measures for the protection of private rented sector tenants in Northern Ireland.

SECTION FOUR: A SELECTION OF SUGGESTED FURTHER READING

Northern Ireland

Northern Ireland Assembly Official Report, [Motion on the Regulation of Private Landlords](#), 13 October 2008²³.

Northern Ireland Assembly Official Report, [Motion on the Mandatory Registration of Landlords](#), 1 October 2007²⁴.

Northern Ireland Housing Executive (2009) [Northern Ireland Housing Market: Reviews and Perspectives 2009-2012](#)²⁵ (see Chapter Three on the Private Rented Sector).

Housing Rights Service (2008) [Policy Briefing: Promoting Responsible Letting in the Private Rented Sector](#)²⁶.

Gray, P. & McAnulty, U. (2007?) [Is the Private Rented Sector in Northern Ireland a Safe Haven for Social Housing Tenants](#). School of the Built Environment, University of Ulster²⁷.

DSD Information on the [Private Tenancies \(Northern Ireland\) Order 2006](#)²⁸.

Review of the Private Rented Sector in Scotland

Scottish Government (2009) Scottish Government Review of the Private Rented Sector²⁹.

- [Volume 1: Key Findings and Policy Implications](#)
- [Volume 2: Views and Experiences of Tenants in the Private Rented Sector](#)
- [Volume 3: Views and Experiences of Landlords in the Private Rented Sector](#)
- [Volume 4: Bringing Private Sector Empty Houses in Use](#)

Review of the Private Rented Sector in England

Rugg, J. & Rhodes, D. (2008) [The Private Rented Sector: Its contribution and potential](#)³⁰. Centre for Housing Policy, University of York. Review Terms of Reference set by the Department of Communities and Local Government.

April 2009

²³ See www.niassembly.gov.uk/record/reports2008/081013.htm

²⁴ See www.niassembly.gov.uk/record/reports2007/071001.htm

²⁵ See www.nihe.gov.uk/housing_market_review_and_perspectives_2009-12.pdf

²⁶ See www.housingrights.org.uk/docman/hrs/promoting-responsible-letting-in-the-prs-briefing/download.html

²⁷ See www.york.ac.uk/inst/chp/hsa/spring08/presentations/Gray%20and%20U%20McAnulty.doc

²⁸ See www.dsdni.gov.uk/%20housing/private_rented_sector.htm

²⁹ See www.scotland.gov.uk/Topics/Built-Environment/Housing/PrivateRenting/prsreview

³⁰ See www.york.ac.uk/inst/chp/publications/PDF/prsreviewweb.pdf