

Housing, Regeneration and Planning

Views and Experiences of Landlords in the Private Rented Sector in Scotland

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These Findings present the results of a study aimed at providing an up to date picture of who owns the private rented sector in Scotland and of their experiences, opinions, policies and practices. This study forms part of a suite of research being undertaken by the Scottish Government into the private rented sector.

Main Findings

- A large majority of dwellings are owned by individuals and only a small proportion by business landlords. The proportion owned by individuals has increased significantly since 1992-93.
- The average size of portfolio has fallen. In 1992-93, landlords who had only one dwelling owned a quarter of the sector. This has now risen to 39 percent.
- Just under three quarters of all addresses are now regarded as investments, compared with 43 percent in 1992-93. 52 percent have landlords who regard their rent as sufficient to cover their costs and give a return, compared with 31 percent in 1992-93.
- Landlords reported little difficulty letting properties. Many are willing to let over the long-term, but concerns about getting possession mean they mainly let on short assured tenancies.
- Few landlords had difficulties over deposits or regaining possession, but there were many complaints about problems when seeking possession through the courts.
- Although some landlords would be willing to let to homeless people and families under specific rent guarantee and management arrangements, there is considerable concern about how such policies might operate in practice.
- There was much criticism of the new UK-wide policy arrangements for housing benefit, with many landlords saying they would now only house those on benefit as a last resort.
- Whilst most landlords accept the case for landlord registration and the licensing of Houses in Multiple Occupation (HMOs), they also have concerns about the way these schemes are implemented and want more enforcement against 'bad landlords'.
- Landlords continue to hold positive views about the sector but still feel that the law does not adequately protect them against tenants who refuse to leave; and nor do they think it is any easier for them to find out how the law affects them.
- The prospects for the sector appear in general to be positive, with an expectation that most landlords will be staying in the sector and that a minority will modestly expand their portfolios.

Introduction: the study

Not much is known in Scotland about this important topic, with the exception of a previous nationwide study done in the early 1990s.

The main aim of the current study was to provide a clear picture of who owns Scotland's private rented sector today. This is particularly important because the Scottish Government has made a number of changes to policies affecting landlords in recent years. This study examines landlords' experiences of these changes and their assessment of new policy options under consideration. It also provides an update and comparison with the earlier nationwide study conducted in 1992-93.

Who are Scotland's landlords?

A large majority (84 percent) of dwellings are owned by individuals and couples and only a small proportion are owned by full time business landlords. Compared with 1992-93, when just under half (47 percent) were owned by individuals and couples, the proportion of individual ownership has therefore increased significantly.

The proportion of dwellings regarded as an investment has also increased. Three quarters of all addresses (72 percent) are now regarded as investments for rental income or capital gain – or both. In 1992-93, this was only 43 percent. A higher proportion of addresses now have landlords who regard their rent as sufficient to cover their costs and give them a return, 52 percent, compared with 31 percent in 1992-93.

The average size of portfolio has fallen, a consequence of the entry into the sector of many single property landlords since deregulation, especially in the most recent years. In 1992-93, landlords with a one dwelling portfolio owned a quarter of the sector. This has now risen to 39 percent. The median size of portfolios is only 2 dwellings and only 6 percent of the total stock has landlords with 20 dwellings or more in their total portfolio.

Many landlords are new to private letting and a very large majority of dwellings have landlords who first started letting in Scotland after rent deregulation in 1989. Only 14 percent have landlords who first started letting property anywhere in Scotland before then. Over four in ten properties (43 percent) had landlords who first started letting in 2003 or later.

Individuals and businesses had become landlords for a wide variety of reasons and, although most now own their portfolios for investment purposes, this had not necessarily been the reason for becoming a landlord in the first place.

The great majority (80 percent) of dwellings had been acquired through an investment of the landlords' own equity (19 percent) or with loans (61 percent) and very few through other ways such as inheritance.

Most landlords lived near their portfolios. Their detailed knowledge of their local area and of its housing market helped them take business decisions, such as what and when to buy (and sell), and to whom to let. Since half of all dwellings are managed wholly by the landlords themselves, living near their properties was essential to successfully buying, letting and looking after them.

Who do they house and why?

The great majority of lettings were made in 2006 or later. Indeed, nearly half were made in 2008. Hardly any had been made before rents were deregulated in 1989.

Landlords reported little difficulty in letting their properties, although there was evidence in some local markets of a recent softening in demand.

Although many landlords are willing, in principle, to provide long-term tenancies (because this reduces costs of voids and of re-letting between short term tenancies), concerns about gaining possession mean that the majority prefer to let on a succession of short assured tenancies, thereby enabling them to gain possession should it prove necessary.

There are now far more written contracts and agreements with fixed terms than in the past. Short assured tenancies now dominate the lettings market, while regulated tenancies and those tied to employment have fallen in proportion.

Seven out of ten dwellings had landlords who preferred not to let their accommodation to tenants who are on Housing Benefit or the new Local Housing Allowance. However, almost three out of ten said they had no preference either way.

Three-quarters said that the type of tenants they would most prefer to let to was working people. Two-fifths said they had no preference about which type of household they wished to house. One in five said they most preferred single people aged 25 or over and a further fifth that they preferred childless couples. Only one in ten most preferred households with children.

Three-quarters of respondents said they had no preference either way when asked whether or not they preferred to let their accommodation to workers from the eastern European countries that had recently joined the European Union.

In the great majority of cases (over 8 out of 10), the tenancy before the most recent one had been brought to an end by the tenant rather than by the landlord. Possession orders are used to end around 1 in every 100 tenancies. The great majority of tenants told the respondent beforehand that they were leaving.

Few landlords had had difficulties over deposits or regaining possession in general, but there were many complaints about problems when seeking possession.

Experiences of being a landlord and views on policy

Landlords continue to hold positive views about the sector but still feel that the law does not adequately protect them against tenants who refuse to leave. Nor do they think it is any easier for them to find out how the law affects them.

Landlords' membership of local council fora or accreditation schemes and their membership of relevant professional bodies remain low. Over half of dwellings have landlords who are not interested in receiving training in residential property management.

There is evidence that the great majority of landlords accept their duties to act in a responsible manner in the letting and management of their properties; and that they also accept a degree of responsibility to assist in meeting wider housing need, where this is consistent with running their businesses and where government and local councils support them.

The legal framework for letting appears to work well for landlords, including matters related to deposits, although there is significant concern about delays in seeking possession through the courts.

There was much criticism of the new UK-wide policy arrangements for housing benefit, with many landlords saying they would now only house those on benefit as a last resort. Landlords had specific concerns about the changed policy on 'rent direct' whereby benefit can generally no longer be paid direct to landlords.

Although up to a third of dwellings had landlords prepared to consider housing homeless families and single people under initiatives whereby councils guaranteed rents and took on property management, in practice much would depend upon the details of the scheme and landlords having confidence in local councils implementing them. There were considerable doubts about this.

Local councils were subject to extensive criticism about landlord registration, HMO licensing, the administration of housing benefit, and anti social behaviour.

Whilst the majority of landlords accept the case for landlord registration and the licensing of HMOs, a majority also have concerns about the implementation of these schemes by local councils and the need for more enforcement against 'bad landlords'.

How do landlords see the future?

As with the last survey, the great majority of addresses will continue to be let when vacancies occur; most portfolios will stay the same size; and of those where there will be changes, more portfolios are likely to grow in size than to shrink.

The prospects for the sector appear in general to be positive, with an expectation that most landlords will be staying in the sector and that a minority will modestly expand their portfolio, especially as buying opportunities present themselves and if the cost of loans falls over the next two years

About the study

The University of Sheffield and the University of Oxford undertook the study. The study was carried out in the second half of 2008 and involved two surveys: first, a questionnaire survey of the landlords of approximately 1,500 dwellings representative of the private rented sector in Scotland; second, follow up focus groups with 90 of these landlords.

This document, along with “Views and Experiences of Landlords in the Private Rented Sector in Scotland the full research report of the project, and further information about social and policy research commissioned and published on behalf of the Scottish Government, can be viewed on the Internet at: <http://www.scotland.gov.uk/socialresearch>. If you have any further queries about social research, or would like further copies of this research findings summary document, please contact us at socialresearch@scotland.gsi.gov.uk or on 0131-244 7560.



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