

BECAUSE WE'RE WORTH IT



They house millions, contribute a massive £45bn to the economy and support almost 400,000 UK jobs; isn't it time landlords were given the support they deserve?

WORDS BY NIC PATON

“It is definitely a core part of my business. It can be everything and anything: gas certificates, repairs, new installs. I wouldn't be able to survive really without the money it brings in,” says Southampton-based gas engineer Neil Lomax.

‘It’ in this context is the work that Neil gets directly from private landlords, especially those with smaller or medium-sized portfolios. In fact, Neil estimates that the private rented sector (PRS) makes up around 80–90 per cent of the £120,000 annual turnover of his sole trader business.

His business is just one, albeit relatively small, part of what we might term the ‘food chain’ fed by the PRS, directly and indirectly. Whether we're talking letting agents and solicitors; financial institutions and brokers; repairs and maintenance; or removals, cleaners, fitters and other trades, the PRS by its very existence creates

a virtuous circle of investment, employment and business activity.

This issue of *Property* is coinciding with this summer's general election, where access to affordable housing, and the role of the PRS, has been a key political battleground. Yet the positive value that the PRS provides – economically, financially and socially – is often not properly recognised by government of all persuasions, argues Richard Rowntree, managing director for mortgages at Paragon Bank.

“The role of the PRS is massively underestimated. Landlords are improving stock, bringing properties back to the market, giving more choice, supporting jobs. Their contribution is enormous,” he points out.

This value was, in part, quantified earlier this year in research carried out by consultancy PwC for the National Residential Landlords Association (NRLA) in partnership with Paragon Bank. This concluded that, even discounting bigger and institutional landlords, the sector contributes £45bn a year to the economy in England and Wales alone, puts a roof over the heads of 3.8 million households and supports hundreds of thousands of other trades and businesses, both directly and indirectly.

MORE BUSINESS FOR TRADESPEOPLE

This also doesn't take account of the 'ripple effect' work that the PRS then provides. In the case of Neil Lomax, for example, this will be passing on business to plumbers' merchants and other suppliers.

“If you can work it right, landlords can often give you big chunks of work in one go. A landlord may have a number of properties in one area, especially if they're smaller, local landlords. That means you may be able to do a number of jobs all in the same area,” he explains.

“Landlords generally spend a lot more money on their properties than a normal homeowner. They have to make sure

everything is maintained and certificated, and way above what is required for a domestic homeowner who, if they want, can go for years without getting their boiler serviced. This means they have to spend a lot more on this sort of work, which benefits businesses like mine, of course,” Neil adds.

“There are lots of tradespeople who, partly or even solely, rely on the PRS, the landlord sector,” agrees James Kent, chief innovation officer at the NRLA and founder of property safety certificates provider Safe2.

“They will be dealing with landlords directly or working via letting agents who are themselves working for the landlords. Gas safety, electrical installation condition reports, Energy Performance Certificates [EPCs], they are all now an important part of the sector, and integral to a lot of people's livelihoods. For many people, the PRS is invaluable, priceless even,” he adds.



James Kent

THE MORTGAGE CYCLE

Another area where the PRS brings 'added' value is in the circulation of money and finance within the economy. As Doug Hall, director at mortgage broker and NRLA partner 3mc, points out, every time a landlord

remortgages or refinances a property, it, again, creates a beneficial ripple through the wider economy.

“When you look at the stakeholders within the mortgage cycle, you've got the landlord at the beginning of the cycle. Then, nine times out of 10, you will have a mortgage broker. After that you will have a mortgage lender, then a valuer, a conveyancer and so on,” he highlights.

But for this positive circulation of money to be fully effective, it does require the economy – both the property market and the wider economy – to be functioning healthily, with the volatility and higher interest rates of the past couple of years having been damaging.

For example, while there is optimism that things are starting to bounce back, the higher interest rate climate has led to more 'product transfers' taking place; where a landlord simply moves to a new product with their existing lender rather than remortgaging or refinancing, and which therefore requires no conveyancing.

“When a greater proportion of business is going through as a product transfer rather than a remortgage, you then find that elements of the mortgage cycle, and the stakeholders within that mortgage cycle, will have less work to do,” Doug points out.

“When commentators – and a lot of the press and media – think about the PRS, it is often simply about a property and a tenant. They don't realise everything else that is going on in order to make sure that a tenant is in a property suitable for them, that's well-maintained and compliant and so on,” he adds.

The NRLA's research report



3.8 million
Number of PRS houses in England and Wales, or around one in five households, according to the NRLA's research with Paragon Bank

The PRS provides 3.8 million households and supports hundreds of thousands of trades and businesses



£45bn

Estimated economic contribution (GVA – gross value added) of the PRS in England and Wales, just from landlords with fewer than 15 properties

THE RECRUITMENT LANDSCAPE

Recruitment is another area the PRS positively supports, points out Will Jacques, head of residential recruitment at specialist property recruiter Cobalt. This is something else that can slip under the radar in terms of positive visibility. “The PRS as a sector is incredibly broad; there are an awful lot of job opportunities,” he emphasises.

Directly, the sector supports a vast swathe of jobs and roles, some relatively obvious, such as letting and estate agents, property managers, maintenance specialists and so on. The Building Safety Act, too,



Will Jacques

has fuelled demand for health and safety specialists, especially for larger properties, Will highlights.

Others are less obvious or are becoming more important as the sector evolves. For example, there is growing demand for software, online and video specialists to support and develop the sector’s digital presence and infrastructure.

Then there is the indirect way the PRS supports recruitment more generally, in terms of facilitating jobs and social mobility, allowing people to pursue roles and opportunities, to relocate to different cities or different parts of the country, simply to put a roof over their heads.

“It is a huge and unbelievably necessary part of our economy to have the residential market and the PRS sector; it is fundamental. From investment, town planning and construction through to the operational and financial management of these assets, the growth of the PRS is having a huge impact on the recruitment landscape,” says Will.



Doug Hall

ECONOMIC PROSPERITY

“In purely economic terms, the PRS contributes a higher GVA [gross value added] to the UK than the sport and tourism sectors combined, and underpins almost 400,000 jobs either directly or indirectly,” agrees Meera Chindooroy, deputy director for campaigns and public affairs at the

NRLA, referring to the PwC

research for the NRLA and Paragon Bank.

Meera also emphasises the less tangible, less quantifiable – yet no less important – value the PRS brings in terms of enhancing social cohesion and enabling broader economic prosperity. “What sets the PRS apart in terms of contribution is its ability to aid mobility through flexibility. The ability to rent privately, for long or short periods, allows students to locate near to universities and workers to find accommodation close to employment opportunities,” she points out.

Whatever the outcome of the election, recognising the value that the PRS brings to UK plc both directly and indirectly *should* be a priority for any government, whatever its political hue, suggests Nick Pleydell-Bouverie, head of residential investment at Knight Frank.



SUPPORT FOR PRIVATE LANDLORDS

To that end, while also recognising there are genuine long-term challenges that need to be addressed, such as our lack of affordable housing stock, the Government should be working to make the landscape more attractive for private landlords, not, as the case has been in recent years, less so.

“Private landlords, as NRLA members are undoubtedly well aware, have been coming

390,000+
Number of full- and part-time jobs the PRS directly supports, with a further 260,000 supported by the PRS supply chain and additional spending

39,000
Number of jobs that could be lost (or would need to be provided elsewhere) if the PRS was 10% smaller



Paragon Bank's Richard Rowntree emphasises the enormous contribution that the PRS makes to society

under increasing pressures over the years,” says Nick. “It is not one big event that is making life harder for them, it is sequential changes to legislation.” He highlights no longer being able to claim mortgage interest relief, costs associated with works to improve EPC ratings, stamp duty changes and selective licensing schemes as cases in point.

“What we really need, therefore, is a government that says, ‘we have seen very strong rental growth, but the fundamental issue is we don’t have enough rental housing stock’. It is purely a supply and demand issue. The Government needs to support private landlords to stop them

leaving the market; reassessing those taxation and legislation pieces and try to get a better balance,” he adds.

Paragon Bank's Richard Rowntree highlights that there are almost 170 different rules and regulations affecting the way landlords maintain and manage their property portfolio.

“What we don’t need are more rules; we need better enforcement of the rules that are currently there,” he emphasises.

“There is an opportunity here to be having a different conversation about the PRS. Ben Beadle, the NRLA's chief executive, has done a great job in terms of raising the awareness of this,” Richard adds.

“THERE IS A WHOLE MICRO ECONOMY SUPPORTED BY THE PRS”

Former property assessor Brendan O’Brien became self-employed during the pandemic lockdowns and now runs a successful business carrying out EPC assessments all around the Salisbury area.

He calculates that the PRS accounts for some 30 per cent of his sole trader operation, which has a turnover of around £70,000. “Without a shadow of a doubt, it is a fairly big chunk,” he agrees.

Demand for assessments from landlords ramped up sharply after the Government consulted on plans to introduce a minimum EPC rating of C or higher for rental homes. The fact that this has been scrapped, for now at least,

has taken the pressure off, but a good EPC rating is something many landlords prioritise, and so demand remains high, Brendan says.

“What I do, obviously, is only a small chunk of a much wider market. But if I do, say, 10 houses a day and three or four of those are private landlords, then that is essentially 40 per cent of my income that day.

“You’ll also have people doing gas checks, electrical checks and so forth, the painters and decorators who go in when tenants move out. So, there is a whole micro economy that is supported by the PRS, and in fact, it probably isn’t even that micro any more,” he adds.