

June Property Newsletter

Welcome to our monthly newsletter for property landlords. We hope you find this informative.

The Renters Reform Bill

After several delays, The Renters Reform Bill was published on 17 May 2023.

A White Paper, published in June 2022, set out proposals to be legislated in the bill, which will change the way the relationship between landlords and tenants will work. The bill only applies in England.

Key measures include:

1. An end to no-fault evictions

Section 21 evictions will be abolished, which “will empower renters to challenge landlords without fear of losing their home”.

Landlords who need to sell the property or use it to house close family members will be enabled to recover their property. Similarly, measures will allow landlords to recover their property if tenants willfully avoid paying rent, breach their tenancy agreement, or cause damage to the property.

The bill will strengthen landlord powers to evict tenants who act anti-socially. The list of anti-social activities for eviction purposes will be broadened.

2. An end to blanket ‘no pet’ policies

Tenants will have the right to request a pet in the home and landlords will have to prove why housing a pet is unreasonable. The landlord will be able to require pet insurance to cover any damage to the property.

3. Protections against ‘back door’ evictions

Landlords will still be able to increase rents to market value, but tenants will be able to appeal against excessively above-market rents that are purely designed to force them out.

4. A new ombudsman and property portal

A new Private Rented Sector Ombudsman will provide fair, impartial, and binding resolution to many issues and prove quicker, cheaper, and less adversarial than the court system. Additionally, a Private Rented Property Portal will provide landlords and tenants with advice on their legal obligations and rights.

In the press release accompanying the bill, the government states that it intends to bring forward legislation as part of the bill to:

- Apply the ‘Decent Homes Standard’ to the private rented sector for the first time.
- Make it illegal for landlords to impose blanket bans on benefit claimants or those with children.

You can read a guide to the Renters Reform bill here:

<https://www.gov.uk/guidance/guide-to-the-renters-reform-bill>

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Many unable to meet home payments

The Which? Consumer Insight Tracker, published in May 2023, shows that 700,000 of the UK's 28.1 million households missed a rent or mortgage payment in April 2023. The figure is particularly high for renters, with 5.2% being unable to pay their rent bills. 3.1% of mortgage holders missed their mortgage payment in the same month.

The report cites increased mortgage rates and landlords passing increased costs onto tenants as reasons for the missed payments.

Overall, 2 million households (7.3%) missed a rent, mortgage, credit card, loan, or bill payment in April 2023, compared with 6.5% in April 2021 and 5.2% in April 2020.

Are deposit-free mortgages a good idea?

The main argument in favour of 100% mortgages goes along the following lines: if tenants can pay £2,000 a month in rent, then surely, they can afford monthly mortgage repayments of £1,800?

This argument fails to consider two other important issues.

Firstly, the economic outlook for the property market: In May, Lloyds Bank predicted house prices to fall 8% by the end of 2023 and other financial institutions' predictions are in the same direction. With house prices falling, borrowers are likely to see themselves in negative equity.

Secondly, times are hard for many, with record numbers of borrowers and tenants being unable to meet their mortgage and rent

payments. The high monthly repayments required for 100% mortgages could further compound this problem.

Skipton Building Society is offering a 100% mortgage product in May and is expecting huge demand from renters and first-time buyers. The product is being marketed as a way of helping people onto the property ladder and it is the first time we have seen deposit-free mortgages since 2008. However, we should learn from history and remember that when the UK housing bubble burst in 2008, creating a perfect storm of subprime mortgages, high consumer debt and crashing house values, more and more borrowers were left unable to meet their mortgage repayments.

A staggering ratio of tenants to available homes

The professional body for estate and lettings agents, Propertymark, published its Housing Insight Report in April showing that the average number of potential tenants registered at each of its member agency branches rose to 106 in March 2023. The average number of properties available to rent at each member branch was just 10, meaning that, on average, the ratio of prospective tenants to available properties is over 10:1.58% of member branches responding to the survey reported month-on-month rises in rents in their area.

The report also analyses the property sales market: demand has remained strong since the start of 2023 with an average of 93 prospective buyers registered with each member branch in



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March 2023 (down from 94 in February) with an average of 11 properties for sale at each member branch. The report suggests that rising interest rates have not put people off looking for new homes.

The average number of sales agreed with each member branch was 8 in March, which is the same as the pre-pandemic average (from 2014 to 2019).

