



COVID-19 and its impact on the Private Rented Sector

**Greater Manchester PRS Landlord and Letting
Agent Survey**

April 2021

Summary

About The Bond Board:

The Bond Board is a housing charity based in Greater Manchester, providing a number of services and projects working with private rented tenants and landlords to help improve access to housing and sustain tenancies for those already housed, therefore helping prevent the cycle of homelessness. Operating for over 25 years, The Bond Board has helped over 4000 tenants access housing through its written bond guarantee scheme over this time, with over 600 households still in occupation across the region with help and support from The Bond Board.

Rationale of survey:

Covid-19 has been an unprecedented event with landlords encouraged to show compassion and to allow tenants who are affected by the crisis to remain in their homes where possible. For many landlords who find themselves “accidental landlords” they rely on help and advice themselves to manage properties and often rely on rental income themselves towards repairs or other costs.

With no regional data currently available on the impact of COVID-19 on the private rental market, this survey set out to identify the effect of the pandemic on landlords and letting agents in the Greater Manchester region and the impact on the rental market. We wanted to address the impact of the Coronavirus Act 2020 - had the impact of the lengthening of notice periods and the temporary ban on court proceedings and evictions reduced housing supply? We sought to understand landlord concerns and record their responses to the market changes. We required first-hand analysis of any rent fluctuation and uncertainty during the pandemic. It was important to chart the level of communication with tenants and what help and assistance both owners and tenants were aware of. We wanted to identify knowledge of Universal Credit; managed payments and further ways to manage any arrears. We also knew it was important to ascertain knowledge and highlight certain forms of relief such as the Discretionary Housing Payment (DHP) benefit for those households who might qualify and raising landlord awareness of such available relief.

Survey Research & Promotion:

The survey was open for six weeks between October to December 2020 online and has been delivered through the PRS Navigator project funded by Shelter’s Fair Housing Futures programme (https://england.shelter.org.uk/professional_resources/working_with_our_partners/fair_housing_futures) aimed at improving the PRS for low-income households and improving the renting journey. The survey has provided an opportunity for the Bond Board to engage with new landlords, letting agents and key stakeholders within the private rented sector (PRS) and promote other services such as our Tenant Advice Service, Welfare Rights project and also engage and promote further landlord training opportunities across the region to help improve property and management standards.

The survey was sent out to Landlords and Letting Agents who work in conjunction with the Bond Board; Local Authority PRS access schemes; members of various Landlord Associations and openly advertised on the internet including The Bond Board website, social media outlets and other appropriate sources. It is estimated it went out to over 400 PRS professionals renting across Greater Manchester.

Key Findings:

- Nearly 50% of respondents had an increase in rent arrears due to Covid with nearly a quarter of tenants in a property portfolio falling into arrears.
- Nearly 9 out of 10 landlords who suffered arrears had negotiated with their tenant a repayment plan over a considerable amount of time or reduced their rent to help tenants manage and sustain their tenancy.
- 4 out of 5 landlords stated they did or would consider tenants accepting assistance with rent.
- Over half of the respondents stated they had seen a rise in their tenants claiming support for housing costs via Universal Credit
- A significant number of landlords highlighted their lack of knowledge or confidence in managing Universal Credit claimants such as arranging direct payment of rent
- Only 1 in 5 PRS professionals were aware of assistance such as Discretionary Housing Payments or other trusts and grants to help ease tenant financial burden and manage rent
- Landlord case studies and comments highlighted sympathy with tenants affected:

“Some tenants genuinely suffering, but others taking advantage of the situation...receiving help but still not paying rent”

“Devastating for working tenants due to the uncertainties. Worried landlords looking to sell will mean less availability in [an] already stretched sector.”

“Rent affordability...difficult for tenants...we need more government help”

“More tenants are inquiring for properties...they are finding it difficult to move...other landlords don’t want benefit tenants”

Survey analysis

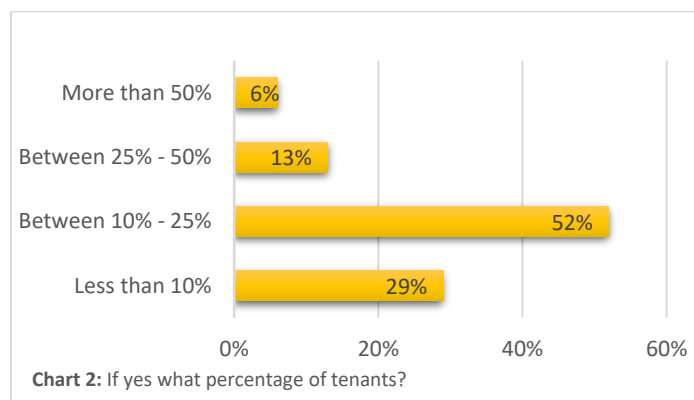
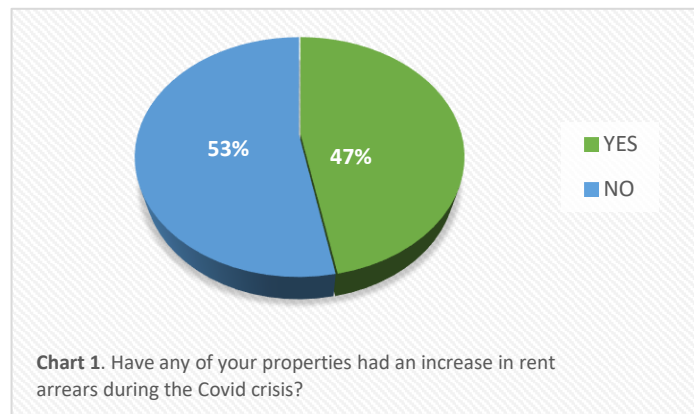
Rent:

With the government pledging to assist tenants who find themselves in financial difficulty during the crisis with a temporary ban on evictions and extending the notice period comes the worry that the number of tenants in rent arrears has increased and will continue to increase at least in the next 12 months as a direct result of the pandemic.

A stark warning given by an analysis carried out by the London School of Economics and Trust for London:

“There could be three times the current number of private tenants in rent arrears in England- affecting as many as 700,000 tenants and their landlords in the next 12 months, mainly as a result of the Covid-19 pandemic.” (Source: London School of Economics, Professor Christine Whitehead 02.11.2020)

Analysing whether the overall increase in the number of rent arrears in England compared at a regional level we asked if landlords had seen an increase in rent arrears during the crisis in Greater Manchester. Just under half of respondents replied that they have had an increase in rent arrears¹ with the highest proportion of landlords stating that they have had between 10%-25% of tenants with increased levels of rent arrears during this period.²



¹ Chart 1: Experience of rent arrears during Covid-19.

² Chart 2: Percentage of tenants with increased rent arrears during Covid-19.

With the nation into its third lockdown and the Government extension to the bailiff's eviction ban until May 2021 at the earliest, coupled with the fact that the region was initially subjected to stricter local restrictions than other regions faced before the national lockdown it is anticipated that rent arrears will have continued to increase.

Negotiations:

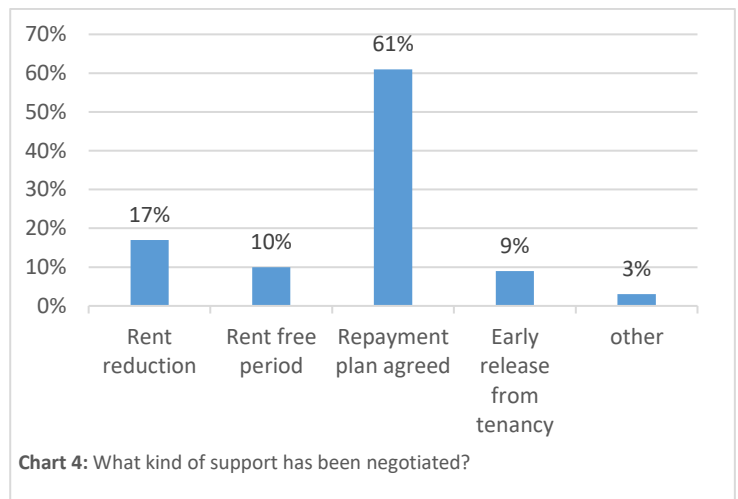
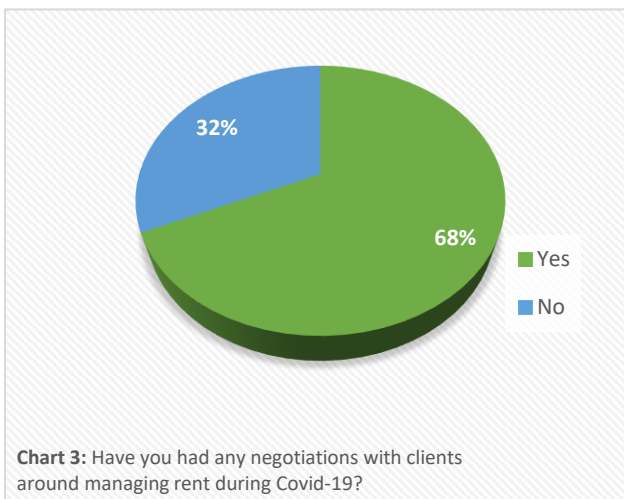
Although the Government suspension on court services for all ongoing possession action was lifted on the 20 September 2020, new rules for landlords followed. Landlords were now required to provide additional information when making a claim for possession - a statement about how their tenant(s) and any dependents of the tenant(s) had been affected by COVID-19.

Local restrictions and changes to housing legislation mean that landlords are most likely to negotiate rent arrears being put off by the lengthy court process and notice periods currently in place.³

Out of the 47% of respondents experiencing rent increases during the crisis (chart 1) the survey found that as a percentage of this figure, 88% of landlords have been able to agree some kind of negotiation with their tenants around the arrears:



We found that the most common arrangement negotiated by landlords was a repayment plan followed by a rent reduction.⁴



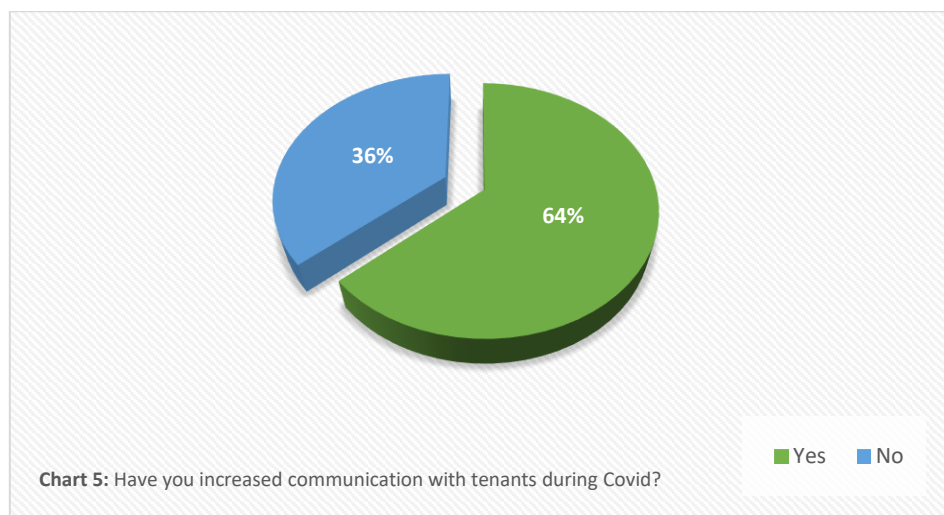
³ Chart 3: Levels of negotiations between landlord and tenant.

⁴ Chart 4: Have you had any negotiations with clients around managing rent during Covid-19?

Levels of communication:

Good practice dictates that both landlord and tenant work together to maintain good relations throughout a tenancy. However, during the pandemic there has been an increased emphasis on this - with lines of communication kept open between landlord and tenant now being more important than before.⁵

“More management time... regular visits to tenants to find out how they are getting on. Where tenants furloughed, I’ve matched it with a similar reduction as a matter of principle” stated one landlord responding to the survey.



Acceptance of Welfare Benefit tenants:

With the perception of benefit claimants more likely to be ‘high risk’ tenants, landlords have historically been reluctant to let to claimants receiving welfare assistance. Reasons for this included the experience of delays in processing applications; the lack of safeguards initially at the introduction of the Local Housing Allowance (LHA) in 2008 for rent to go directly to the landlord, concerns of the gap between the LHA and market rent levels and eventually the initial negative press of rent arrears around the pilot areas of Universal Credit have all been factors influencing landlords reluctance to take on tenants relying on welfare benefits to help pay rent.

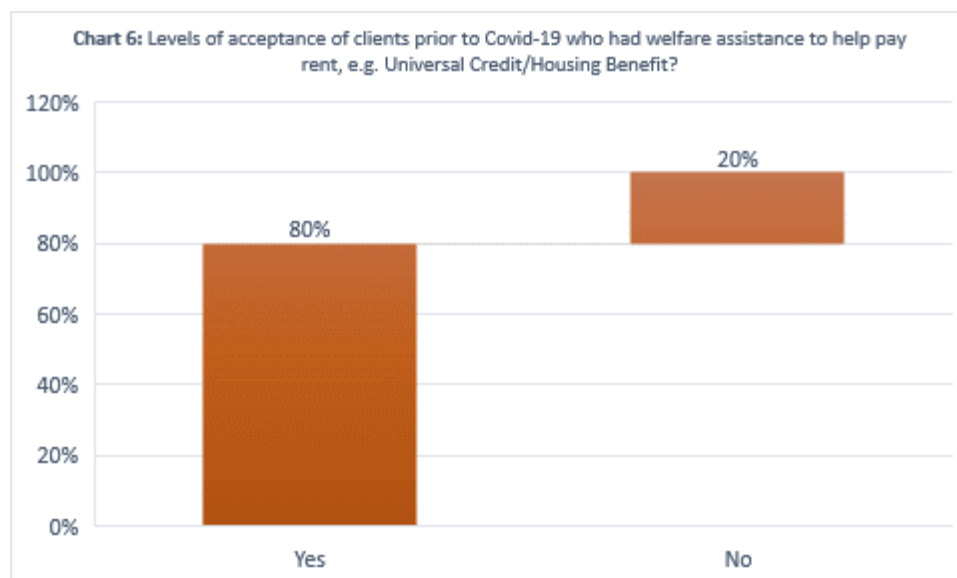
With the wider roll out of Universal Credit landlords have further retreated from renting to tenants on Universal Credit due to uncertainty that they will be able to receive direct payments, the changing nature of Universal Credit “real time information”, mis-processing and the difficulty in recovering rent arrears - research by Residential Landlords Association in 2018 found this to be 73% of landlords taking part in the study were fearful of accepting Universal Credit claimants.

Despite a landmark County Court hearing in July 2020, where the judge ruled that an attempt to prevent a person in receipt of Housing Benefit from renting a house was in breach of the Equality Act 2010, it still appears that nationally landlords are still advertising properties in a way that precludes clients who receive welfare assistance towards their rent from applying for vacant properties, often with requirements of a working guarantor or with annual income higher than the national average wage.

⁵ Chart 5: Increased levels of communication with tenants.

A recent BBC analysis of 9000 entries on the popular landlord’s website Open Rent still featured ‘No DSS’ conditions (Source: The Independent 28.08.2020).

Contrary to this however our survey found that 4 out of 5 landlords renting in the Greater Manchester area did accept tenants who were receiving welfare benefits to help pay rent prior to the onset of COVID-19.⁶



Universal Credit claims and landlord/agent support for claimants completing applications:

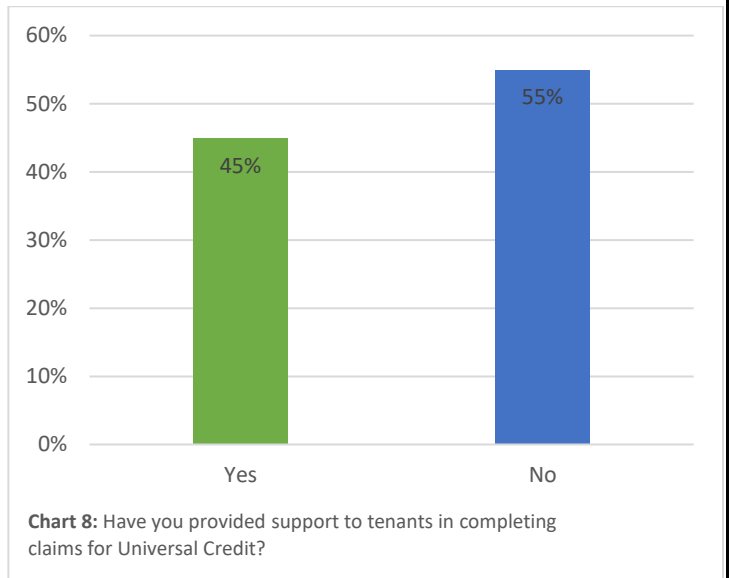
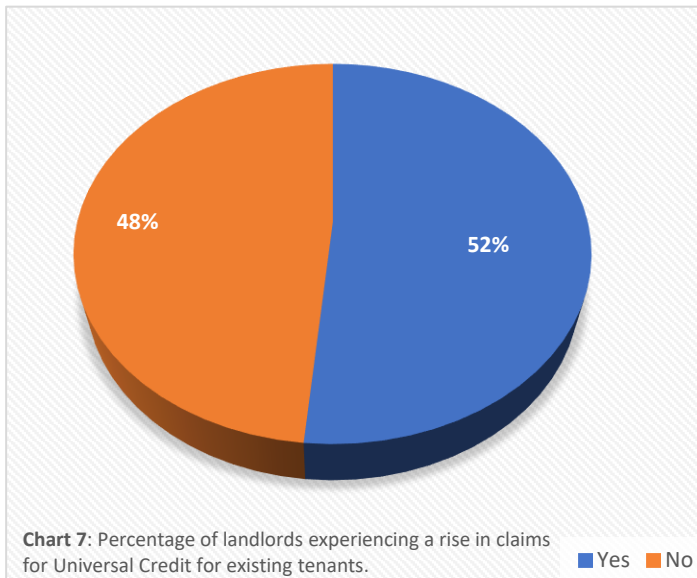
Since the start of the pandemic, there has been a significant rise in claims for Universal Credit both nationally and regionally. From March 2020 the number of claimants for Universal Credit doubled from 3.2 million to 6 million and in Greater Manchester this figure rose to over 300,000, around 10% of the Greater Manchester 2.8 million residents. (Source: DWP). This reflects the findings of the survey with just over half of respondents seeing a rise in claims for existing tenants.⁷

We were interested in identifying Landlord knowledge and confidence around Universal Credit and some of the safeguards for them around rent protection, certainly for landlords not previously familiar with the claiming system. A question was raised to those landlords with regards to landlords providing assistance – whether this be through use of digital facilities or prior knowledge of the Universal Credit service - with 45% of landlords saying they had provided support to clients to make a claim for Universal Credit.⁸ This reflected earlier findings that landlords have increased communications with their tenants and are willing to support them to maintain rental agreements where possible as well as what forms of support tenants have required during Covid-19 including making claims for welfare assistance.

⁶ Chart 6: Levels of acceptance of tenants on Welfare Benefits prior to Covid-19

⁷ Chart 7: Percentage of landlords experiencing a rise in UC claims for existing tenants.

⁸ Chart 8: Percentage of respondents who have offered support to tenants with UC claims.



A follow up for those that had answered yes to providing to support to tenants in making Universal Credit claims, only 53% of those new claimants had arranged for a direct payment of rent to go to the landlord or agent. One reason being the application for direct payment of Universal Credit is not on the original claim form and needs to be claimed separately on a different link to the website.

A similar number of responses showed that landlords had asked for a regular payment towards rent arrears, with 50% of landlords and agents saying they had also requested a Third-Party Deduction - thus an amount of a claimants living costs would be paid directly towards the arrears. This is usually applied for when a tenant is two months or more in arrears but also where there is vulnerability at any point of a tenancy.

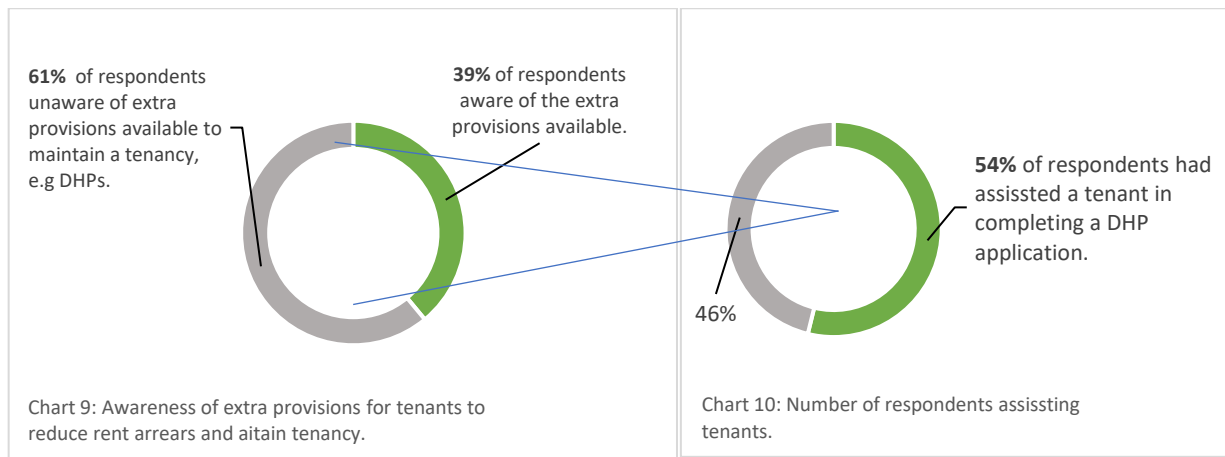
Further financial assistance:

We are aware of Local Authority desire to promote the use of DHP for households that may not have historically applied for such support. Raising knowledge of such schemes and other grants and trusts available to households on low income can help prevent homelessness and maintain tenancies. The opportunity to promote assistance like DHP or other funding available, like the Vicars Relief Fund and highlighting how services like The Bond Board can help with assistance to tenants to apply as well as raising landlord awareness is invaluable.

Fears over lack of knowledge seem well founded with 61% of respondents unaware of the extra provisions a tenant could utilise to help maintain a tenancy⁹. Of the proportion of landlords who were aware of services, again just over half had explored this with their tenants direct, with 54% saying they had tenants who had applied or had assisted a tenant in applying¹⁰. As a total this is only 21% of all survey respondents making use of provisions to help reduce financial hardship and arrears accruing.

⁹ Chart 9: Landlord awareness of extra provisions available to tenants to reduce arrears.

¹⁰ Chart 10: Percentage of respondents who have assisted tenants in making applications for DHP.



Property availability:

The general consensus amongst analysts is that tenants are more likely than homeowners to have insecure employment contracts and little savings to fall back on, with many already struggling to pay rent as salaries have fallen and jobs have been furloughed. With an exodus of office workers in large city centres across the country many landlords will have been forced to reduce their rents or see their properties stay unoccupied.

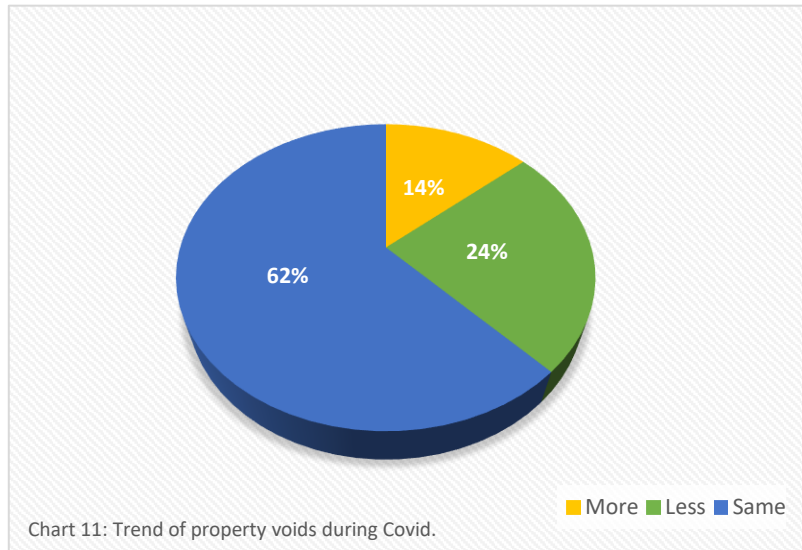
London has seen a surge by 75% of properties remaining empty for rent as compared to a year earlier (Source: The Straits Time 21.01.2021). With the London exodus both homebuyers and investors have looked toward the north of England for better value, with Manchester being a popular choice for both buyers and investors.

As a growing city, Manchester is tipped as the best UK city for buy-to-let investment. With strong rental returns, increasing demand and long-term house price growth, an expanding job market – more than 7000 jobs were announced for Manchester during the past seven months according to UrblInfo – it is hopeful that the Greater Manchester region as a whole will see a thriving housing market in the coming years. (Source: Buy Association- Manchester, UK Housing Market 03.02.2021)

In light of this we asked landlords and Agents if they had more empties than usual during the Covid-19 crisis. Only nine respondents stated that they had more empty properties than normal. However, almost twice the number of respondents reported having less properties vacant, signifying a stagnant rental market in the region at the height of the pandemic - there has been less properties to rent in the region as compared to previous years, due to less people moving and a reduced number of landlords buying new properties.

One Letting Agent said they have rented “around 75% less properties during last year as compared to previous year” with others highlighting “demand has out-weighted supply - as soon as a property becomes available it’s snapped up straight away” “We have very few available at the moment and have many expressions of interest in them”.

Other feedback received from Agents indicate that the ‘accidental’ landlord – those with single properties are keen to sell their properties to release money to support themselves financially through the crisis. The concern raised here is whether the number of rental properties being sold reduces the amount of stock available in the private rented sector or has this been a short-term response by landlords facing the initial uncertainties brought about by the pandemic. With the same Agent sharing that as time has gone on those landlords with multiple properties and those landlords possibly not restricted by other financial pressures “are feeling safer now and are looking to buy more”.



Case studies and quotes:

A landlord's description of the impact of COVID-19 reflects the long-standing view of many landlords that legislation leans towards safeguarding the tenant. With the governments drive to protect tenants during the crisis, the Coronavirus Act 2020 initially extended notice periods to 6 months until at least the 31 March 2021 - this requirement has now been extended to 31st May 2021. Along with a temporary ban on possession proceedings and evictions up until 20 September 2020 meant that evictions are not likely to take place for several months, unless of a very serious nature. Although the Courts resumed processing cases in September 2020 the eviction ban has since been extended a number of times, with the most recent extension being until 31st May 2021.

Along with the added requirements of additional information when making a claim for possession, many landlords were left feeling left disadvantaged:

"... government rules keep changing, biased towards tenants...With tenants (in receipt of Housing Benefit and Universal Credit) people just not paying rent because they know they cannot be evicted"

"Another excuse for poor paying tenants to hide behind"

Under these circumstances the challenge set for landlords is to adapt; negotiate; seek mediation; offer rent deferrals and reductions where possible. Of course, this in part relies on both the tenant and landlord engaging with one another.

Further Landlord engagement:

The survey concluded by looking at what areas of training landlords in the region require. As responses were being submitted it became evident that having up to date information on changes to notice periods, the status on possession applications and what is happening with evictions now that court action had resumed was a focal area for landlords wanting training and up to date guidance on. As well restrictions imposed by the National Lockdown, Greater Manchester has been subject to local restrictions, meaning that evictions would be further delayed in most cases.

Conclusion:

This survey has looked at the impact of the Covid-19 crisis on the private rented sector at a regional level, where increased local lockdown restrictions have existed for most part of the crisis on top of national lockdown conditions. With almost half of respondents experiencing a rise in rent arrears during the crisis, this number is anticipated to have increased since and will continue to increase for most part of 2021. Although landlords are wary in the main of the changes imposed by the Coronavirus Act 2020 in that they serve to protect the interest largely of the tenant, the survey has found that majority of landlords have been willing to negotiate rent payments with their tenants; they have increased lines of communication and provided support and assistance to their tenants in making claims for Universal Credit. With lengthening of notice periods and extensions to the eviction ban, this seems to be the most obvious and the only way to try and resolve issues of increasing rent arrears.

The survey identified a significant number of responders who have been happy to take on tenants receiving welfare assistance prior to the Covid-19 crisis which is contrary to common perception across the PRS. We acknowledge that although the survey was widely advertised on different platforms it was sent out to landlords and letting agents already working with services and projects that help assist low-income households, such as Local Authority PRS access schemes, Bond Board landlords and other landlords who historically have let to a client group who have received welfare assistance with helping meet rent. We therefore feel that the survey response around renting to clients receiving assistance may not be reflective of all landlords in the region.

We found that a higher percentage of landlords had less properties empty than usual during the pandemic across the region. This is reflective of the eviction ban reducing available accommodation for people to move on and into; the requirements of lengthy notice periods and the uncertainty faced by landlords over the past year on the amount of arrears a tenant has accrued prior to Covid-19 and during the pandemic; along with any known details they must now provide on making a claim for possession on how the pandemic has affected the tenant and any dependent(s). We believe that with further extensions to the suspension of possession proceedings and requirements to engage with tenants who have accrued arrears during Covid, the housing market will continue to be of short supply for at least the next 9-12 months before it reaches any form of previous availability.

Discretionary Housing Payments and other funding relief are key sources of support for tenants on low incomes. However, the survey found that more than half of landlords were unaware of the extra provisions available to help maintain a tenancy, with many landlords unaware of managed payments if tenants were in receipt of Universal Credit housing costs. The pandemic has been unprecedented, with landlords having to adapt and learn of the extra provisions available to maintain a tenancy, this of course relies on raising awareness of services available.

The survey highlighted the gap in knowledge of provisions available to assist both Landlords/Agents and tenants in the region. Due to the pandemic, there has been a considerable increase in support and services available for clients who require assistance in sustaining a tenancy. This can range from the work carried out by the Bond Board and other regional agencies and services around landlord and tenant mediation; floating support for tenants; welfare benefit advice around maximising rental income for residents and promoting this to landlords amongst many other areas. Overall, this indicates a potential level of stability in the private rented sector in the Greater Manchester region for households that need advice and assistance due to Covid-19 if there is widespread promotion of help available.

Going forward the survey identifies a clear need for a readily accessible free support service to, both raise landlord awareness of policy changes and assistance available that can help maintain a tenancy –

whether this be advice on financial assistance to reduce rent arrears; mediation; working in partnership with Local Authorities, Landlord Associations, and other services to promote good practice to create a stronger and healthier private rented sector. Ultimately such a support package is reliant on funding streams and partnership working with other service providers.

The work done through The Fairer Housing Project over the last year, illustrates this need – with our PRS Navigator having assisted over 170 landlords and agents in the region with a range of issues offering online webinars, support and advice on rent arrears and mediation and guidance on different areas of housing law.

Landlords and agents renting in the Greater Manchester region are able to register with the Bond Board for future updates, training events and landlord support at the details below:

Website: www.thebondboard.org.uk

Email: info@thebondboard.org.uk

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Fairer Housing Futures

www.thebondboard.org.uk

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