

# The Housing Forum – CEO Forum on the Private Rented Sector

9<sup>th</sup> October 2013

The Housing Forum runs an on-going series of CEO meetings as part of our permanent campaign to use shared expertise to meet complexity in future housing markets.

Housing across the county is a linked process – but too often seem as a series of separate markets. Our role is to fill that gap with experts able to identify solutions which have a lasting and measureable impact on a fast moving agenda.

Leaders of major financial and manufacturing companies, CEOs of national housing associations and major house builders, contactors and consultancy companies joined our **GUEST OF HONOUR, CHRISTOPHER HAMER, THE PROPERTY OMBUDSMAN, The Housing Forum and NHBC** to explore the issues for housing providers and house builders stemming from an increase in Private Rented Sector (PRS) lettings.

| LIST OF CONTRIBUTORS  |  |
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| 🏠 Carl Brian, Chairman & Chief Executive, Cruden Group                        | 🏠 Robert Clark, Chief Executive, Durkan Ltd                    |
| 🏠 Mike De’Ath, Partner, HTA Design LLP  | 🏠 Russell Denness, Managing Director, Croudace Homes           |
| 🏠 Paul Hackett, Chief Executive, Amicus Horizon                               | 🏠 David Hall, Chief Executive, Polypipe Group                  |
| 🏠 Robin King, Chief Executive, Worthing Homes                                 | 🏠 Tom McCormick, Chief Executive, Hexagon Housing Association  |
| 🏠 Ken Perry, Chief Executive, Plus Dane Group                                 | 🏠 David Shaw, Group Director of Development, Places for People |
| 🏠 Andy Tookey, Equity Member, Baily Garner                                    | 🏠 Dr Nigel Wilson, Group Chief Executive, Legal & General PLC  |
| HOSTS   |  |
| 🏠 Ben Derbyshire, Managing Partner, HTA Design LLP & Chair, The Housing Forum | 🏠 Shelagh Grant, Chief Executive, The Housing Forum            |

## THE PRIVATE RENTED SECTOR

The PRS has become the focus of much interest in the residential sector in recent years. The percentage of households renting privately has grown significantly in many urban centres; there has been a substantial increase in “buy to let” purchases, particularly to serve a generation of working adults as the age of the first time buyer rises. The entry on to the PRS of housing associations and larger investment funds potentially offers a wider choice in product and location and is an important component in a mixed residential offering.



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**Christopher Hamer** has a background in insurance and investment and in his role as Property Ombudsman publishes an Annual Report and case reviews covering issues in the PRS.

Over the last 5 years, there has been a 400% increase in matters referred to the Ombudsman of which 70% have been found in favour of the complainant. Whilst this might suggest a case for regulation of the sector, Government would support self regulation from within the sector.

The PRS is a major sector, with £9bn in rent collected annually. Whilst there are voluntary codes covering the sector, regulation and standards would provide redress. Through the Enterprise and Regulatory Reform Act, the OFT will be able to issue guidance and lettings agents will have more responsibility to ensure landlords obligations are met.

**David Shaw – Places for People (PfP)** – as one of the largest housing associations in the UK, Places for People came into market renting in 1999 and have over 20,000 properties in this sector. Through the Touchstone Residential lettings agency, they also provide management services to 6,000 leasehold properties.

From PfP's perspective, this sector is set to expand and the scale of this underlies the strong need for regulation. Government needs to fully appreciate how housing supply works as a related market and within that the economics of the PRS. Just recently, house builders were supplying housing associations with rental properties but as demand has increased as home ownership is stimulated, this line of delivery is in sharp decline.

**Mike De-Ath, HTA Design LLP [HTA]** described the components of the PRS as the industry of the smaller landlords, the emerging Housing Association sector portfolio and the institutional sector at scale. In contrast, the USA model for multifamily housing is advanced in its service ethos and commercial management. In the US model, the focus is on revenue and on “hospitality” style management. The model is highly market orientated and demand sensitive and works on flat by flat and day by day valuation with extra charges for additional services, storage, shopping, even dog walking! Underpinned by a mature investor understanding and bespoke design for 'in perpetuity' rent, this sector is highly organised and lobbies and raises issues through the National Multi Housing Council [NMHC]. There are some emerging incidences of this approach in UK – at the Genesis scheme at Trafford Halo, occupiers are prepared to pay for a range of concierge services. Meanwhile, HTA are currently interpreting US design issues for UK versions of multifamily housing for new and existing providers.

## OBSERVATIONS

-  The UK does not fare well in understanding the economics of construction and both regulation and the cost of building, which is too high, needs to change. Investors are keen to resource the PRS and have capital for schemes of 1,000 or more units.

- 🏠 Mass development for student accommodation has been possible – but this is a separate planning use classification. Overall, planning is still too restrictive.
- 🏠 Common space is treated to the highest standards in successful US PRS complexes- seen as an asset not a management problem.
- 🏠 The essence is of understanding exactly what the PRS is. In the North of England, the PRS operates in multiple markets - and there are wide extremes of affordability on geographic lines.
- 🏠 In the USA, the PRS supports labour mobility. In the UK, ease of relocation is hampered by home ownership costs which make it difficult to move from city to city.
- 🏠 There is evidence of increased demand for the largest - sized PRS houses – and for those families to ask for longer leases – of up to 10 years- signalling a change in use and expectation.
- 🏠 There is a demographic opportunity which can derive from housing for older people but demand is curtailed as older home owners do not find that value is created from downsizing. At the right cost, PRS for the elderly can be oversubscribed – as PfP have found.
- 🏠 The emergent flexibility of a market rent sector at a time of low levels if supply has been outstripped by the stimulus given to Help to Buy.

**The Housing Forum is grateful to Christopher Hamer for his insights and for leading the debate.**

