

## Private Rented Sector Costs: Property Maintenance and Rent Controls

ARLA Propertymark, the lettings division of Propertymark, protects and guides consumers in property transactions, uniting the experience of the leading membership organisations for property lettings, sales, and auctions to create a single voice promoting professionalism and integrity in the property industry.

ARLA Propertymark works to raise professional standards among letting agents from single branch independents to large national corporates, promoting best practice, training and qualifications within the sector.

Over 10,000 letting agents are ARLA Propertymark Protected, meeting higher standards than the law demands. By using an ARLA Propertymark Protected agent, consumers have the peace of mind their agent will provide a professional service and their money is safeguarded by a Client Money Protection scheme.

We protect consumers and their money by holding our members accountable and empowering customers with knowledge and advice. We aim to reassure all those renting and letting out property that agents who display the ARLA Propertymark Protected logo offer a better service and financial protection for their clients than the alternative.

ARLA Propertymark consulted with UK member letting agents across the UK over the period of one week to better understand both the costs associated with maintaining private rented properties and the impacts of introducing rent controls.

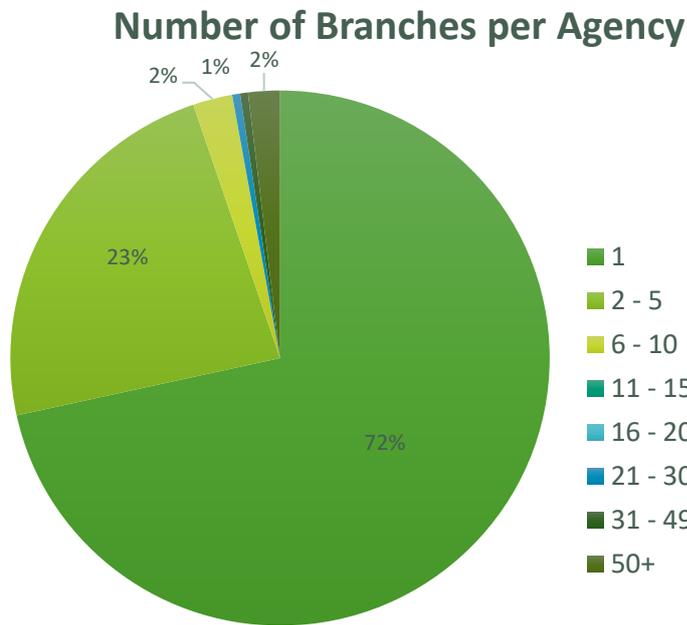
### Our Consultees

A total of 211 consultation responses were received were across the UK.

Region	Responses
South West	29
Hampshire, Surrey, Kent, Sussex	42
Northumberland, Cumbria, Durham, Lancashire, North Yorkshire, Isle of Man	12
Lincolnshire, Cambridgeshire, Essex, Norfolk, Suffolk	24
Merseyside, South Yorkshire, West Yorkshire, East Yorkshire, Cheshire, Derbyshire, Nottinghamshire	10
West Midlands, Staffordshire, Shropshire, Leicestershire, Herefordshire, Worcestershire, Warwickshire	17
Oxfordshire, Northamptonshire, Buckinghamshire, Berkshire, Bedfordshire, Hertfordshire	14
London	43
Wales	7
Scotland	12
Northern Ireland	1
<b>Total</b>	<b>211</b>

Figure 1 Geographic spread of responses received to this survey

Agencies in the residential lettings sector vary greatly in size. This is reflected in the membership of ARLA Propertymark and those members responding to the survey.



- The significant majority (72%) of agents responding to the survey work in a single branch business.
- 95% of respondents work in a business with less than five branches.
- Three of the four of the respondents working for an agency with over 50 branches are London based.

Figure 2 Number of branches per lettings agency



Figure 3 Number of rental properties managed by lettings agency

- Respondents' agencies are managing many properties.
- Over three quarters of agencies have portfolios of over 300 properties to manage.

## Property Maintenance

We asked members about the type and amount of spend they witness landlords paying to maintain their rental properties in the private rented sector.

Every respondent was able to provide costs for the purposes of this survey.

A good landlord will finance general maintenance work every year, in order to keep their rental properties in the required, and desired condition. Regular and recurring maintenance costs can include but are not limited to safety testing and certification, garden maintenance, decorating, heating, renovation.

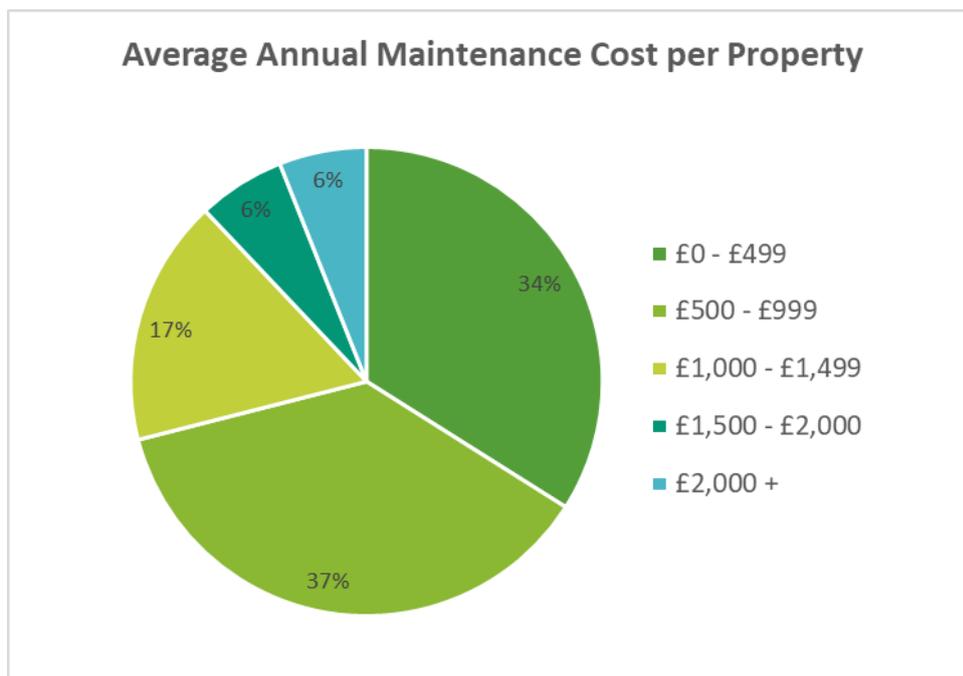


Figure 4 Average annual maintenance costs per managed property

The significant majority of respondents put this recurring cost at up to £1,000 per year.

In addition to the recurring maintenance costs, rental properties will require more expensive work periodically. This includes, but is not limited to roof repairs, replacing heating systems, remedying flood damage and refurbishing a kitchen or bathroom.

We asked members about the types of expensive alterations they have overseen and what they estimated the average cost of such works on a property to be.

- The majority of agents (68%) said they had experienced some form expensive alteration to a rental property, beyond the regular and recurring maintenance costs.

Figure 5 shows the types of expensive work that agents reported involvement with.

- The most common expensive alteration was replacement of the heating system in a rented property (34%), followed by putting in a new kitchen or bathroom (59%).

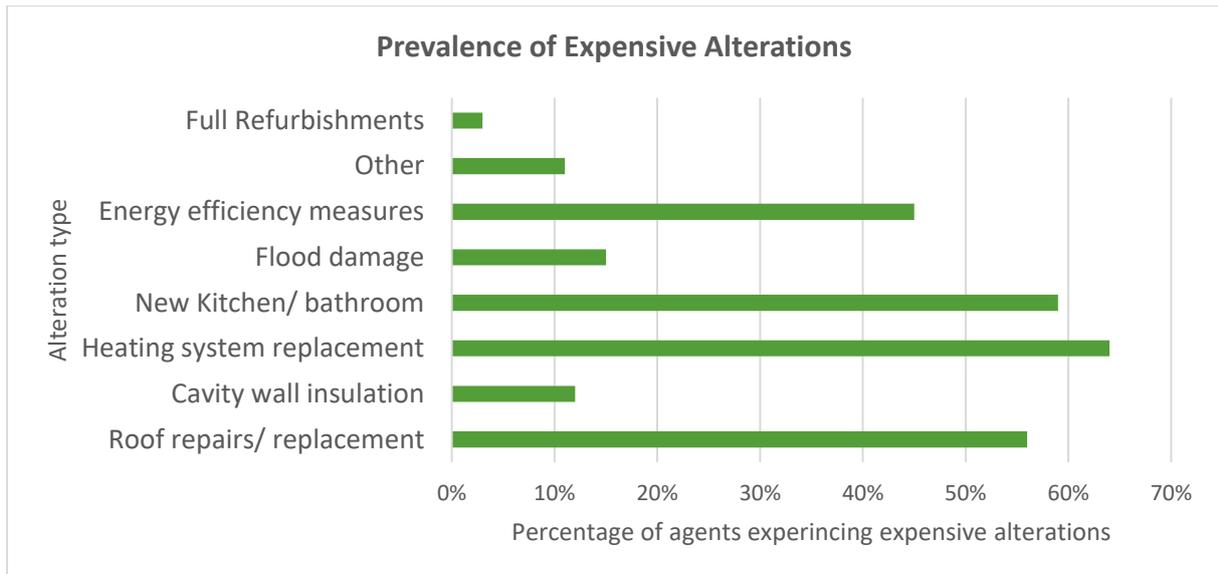


Figure 5 agents overseeing expensive alterations

The cost of these expensive alterations varied greatly. In particular, agents commented that repairs following flood damage could be immeasurable; and energy efficiency alterations can be as minor as changing the type of lightbulb, through to installing solar panels or a new heating system.

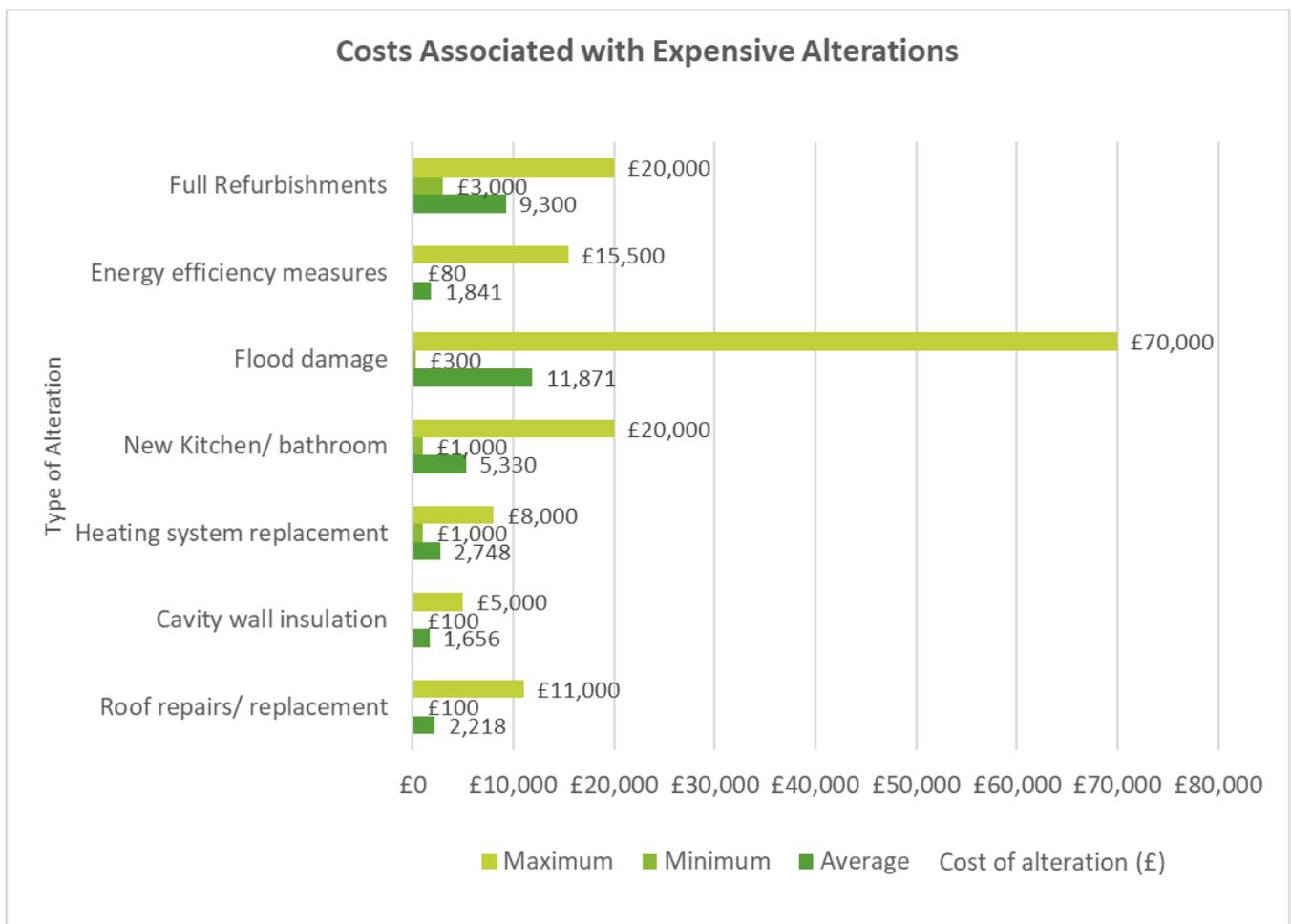


Figure 6 Costs of expensive alterations

We also asked if there were other expensive alterations that they experience with privately rented properties. A small number of agents reported the following expensive alterations:

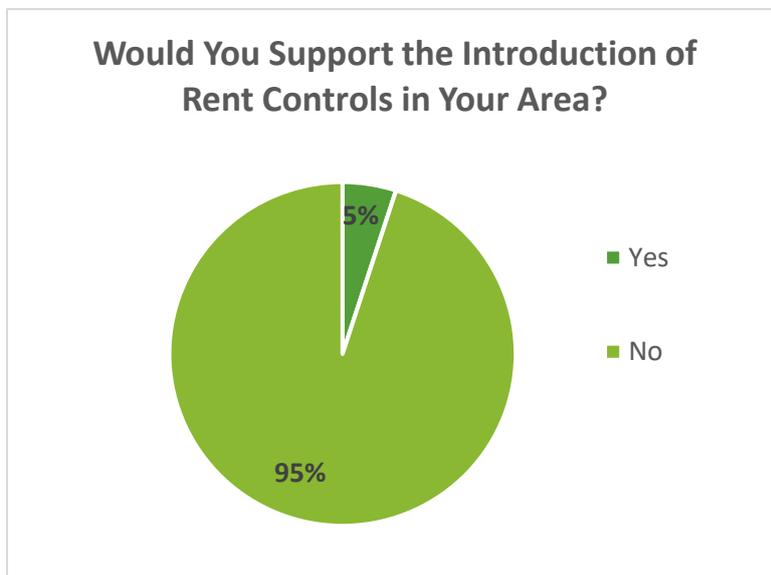
- Extensions and conversions
- Damp proofing
- Plumbing / leak repairs
- Dry rot
- Fire safety and electrical
- Window replacement
- Adding external cladding for insulation

The only costs they were able to provide for these alterations was an average of £3,000 for new windows and doors.

## Impacts for Landlords and Letting Agents of Introducing Rent Controls

Rent controls could take the form of a cap on how much rent can be charged for certain properties or the introduction of rent pressure zones that limit how much existing rents can increase by.

We asked members if they would support the introduction of rent controls in any form.



*Figure 7 Agents in support of introducing rent controls*

Overwhelmingly agents do not support the introduction of rent controls in the private rented sector. In this survey the response from agents in the London area was the same as for agents across the rest of the UK.

**Landlords**

The response to this survey confirms that if rent controls were to be introduced there would undoubtedly be impacts felt across the private rented sector as a whole, with notable, detrimental impacts for landlords and letting agents.

Interestingly, of those agents who would support the introduction of rent controls, 90% think it will have a negative impact for letting agents, and 80% think it will have a detrimental impact on landlords.

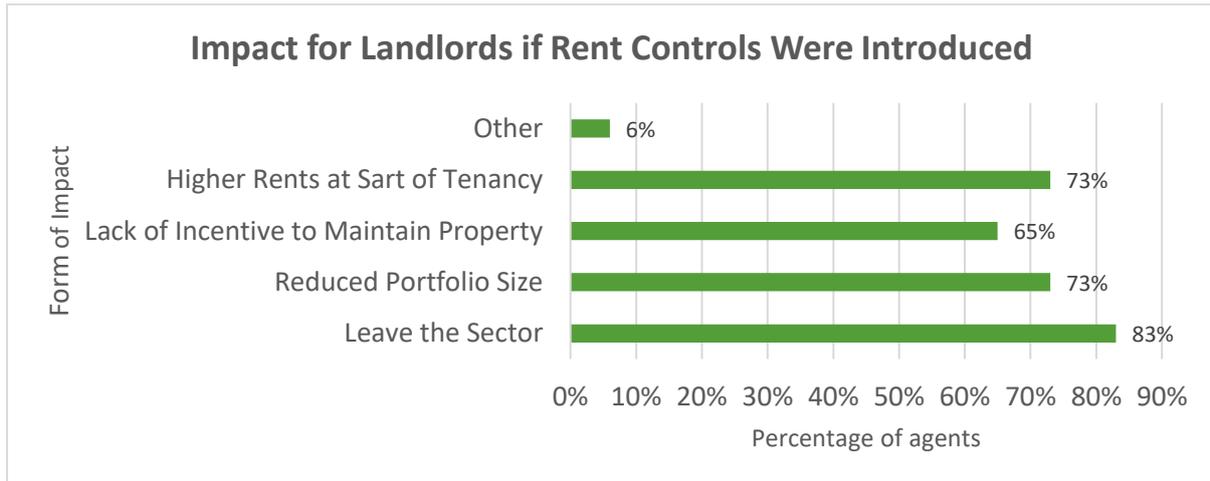


Figure 8 percentage of agents identifying impacts of rent control for landlords

Whilst some landlords thought the level of impact would depend on the nature of the controls and the levels of any caps enforced, others predict a mass exodus of landlords from the private rented sector as evidenced by past examples of rent controls in this country. They suggest landlords would sell their rental properties and invest their funds elsewhere.

If rents were to be capped landlords may become far more selective of potential tenants, pushing less-desirable tenants into the social housing sector or towards rogue landlords.

There was concern that some landlords would try and find other ways of making back the money from tenants, if future rent rises were capped, landlords may start tenancies on a much higher rate to compensate.

As the property maintenance responses evidence, landlords have many costs to cover in order to preserve good quality accommodation. If they are to be limited in the income they can generate from the property, the majority of agents think the quality of rental properties will deteriorate.

**Letting Agents**

As well as having impacts for landlords, respondents also predict overwhelmingly that implementing rent controls would have a detrimental impact on lettings agencies. Figure 9 shows the strength of this shared belief. Although some agents predicted change would be manageable, others were less confident. One agent told us that they would “Possibly shut the door and have to close our business”.

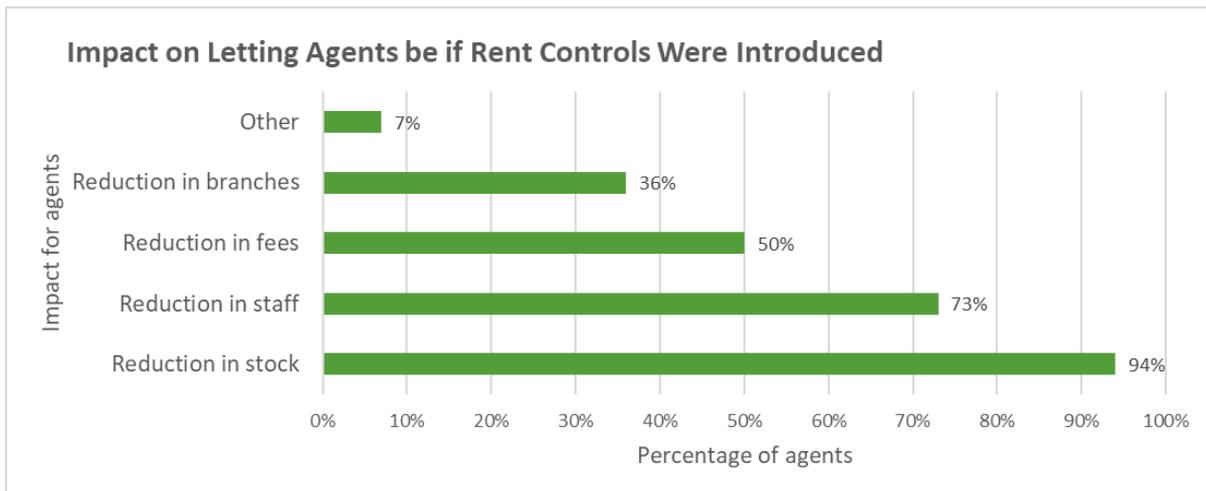


Figure 9 respondents views on impacts for agents of rent controls

As noted by agents in their responses to our survey, a reduction in letting agencies in the market would have a further effect for tenants. Coupled with a reduction in stock and choice in the private rented sector it would drive those looking to rent towards rogue landlords and unregulated short term let providers such as AirBnB who may be offering properties that are not fit for use as a home.

Agents not only provide a service to landlords and tenants, but they provide employment for their staff. With the prediction of a contracted private rented sector, with less stock, fewer landlords, and a smaller number of branches, evidently this would lead to a reduction in staff. Propertymark’s survey evidences this with almost three quarters of agents responding to the consultation saying they predict a reduction in staff if rent controls were to be implemented.

These are the predictions based on responses to our weeklong member consultation.

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