

Clerk of the Committee
Work and Pensions Committee
7 Millbank
London
SW1P 3JA

30th August 2010

Dear Sir or Madam

Written Evidence Statement
Impact of the changes to Housing Benefit announced in the June 2010 Budget

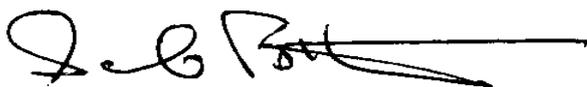
Please find attached a written evidence statement on behalf of the National Federation of Property Professionals lettings division, along with the requested memorandum.

Any queries or further information can be obtained by contacting

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Yours sincerely



Operations Manager
Association of Residential Letting Agents



Memorandum

The National Federation of Property Professionals (NFOPP) is an umbrella organisation for a number of trade bodies /self regulatory organisations, which have a combined membership of just under 14,000 property professionals.

The NFOPP's divisions are:

- National Association of Estate Agents
- Association of Residential Lettings Agents (ARLA)
- Institute of Commercial Business Agents
- National Association of Valuers and Auctioneers.

The NFOPP's over-arching aims are to support its members by promoting the highest standards of professionalism and integrity amongst those working within the property industry, and to encourage members of the public to proactively choose its members when they are involved in any kind of property transaction. This response is made on behalf of all members of the NFOPP, including members of the ARLA.

ARLA members currently are involved in the preparation of over 500,000 tenancies annually in the Private Rented Sector many of which could be influenced by the proposed changes to Housing Benefit. Whilst we fully understand the Government desire to control spending, we feel that there are consequences of the proposals that can have major social impacts on the economically poor.



Impact of Housing Benefit Changes. Evidence Statement

Incentives to work and access to low paid work.

No Comment

Levels of Rent, including Regional Variations

Rents vary greatly across the country, and even from street to street within some broad market rental areas.

Our reports indicate the lowest rents are generally in the North East and Scotland, whilst Central London has the highest rental figures. For this reason the proposed caps on the Local Housing Allowance (LHA) will have very limited impact in some areas, but very dramatic effects in places like Camden, Westminster, Kensington & Chelsea, particularly for the larger families.

Many economically poor will have great difficulty in accessing affordable housing particularly those with larger families who will find a weekly cap of £400 plus a requirement to be within the 30th percentile very challenging. Many have struggled on the current 50th percentile due to:

- 1) The vast gap between the current rents and the proposed cap in the most highly priced areas
- 2) The lack of availability of stock suitable for larger families.

Shortfalls in rent

A large number of tenants within the Private Rented Sector (PRS) are unable to pay the current shortfalls. Landlords will not enter or remain in the PRS unless they can make a profit on their rental income. Inevitably they will be unwilling to provide accommodation where they cannot see the possibility of the rent being paid in full.

Landlords in the PRS fall basically into two groups:

- Larger corporate landlords; and
- Smaller portfolio landlords with typically less than five properties.

Both categories of landlord tend to have borrowings secured against the value of their property(s), again our quarterly survey of landlords and agents (www.arla.co.uk/buytolet/reports) indicate typical leverage being around the 60% mark at current house price values. This has obviously risen as house prices have fallen, although London has suffered less than other parts of the country. The typical gross rent return on the value of a property at present is between 4 – 5% before repairs, maintenance and insurance. With capital uplift uncertain in the foreseeable future asking landlords to accept a shortfall, and perhaps even take a larger shortfall because of the proposed capping, is an unrealistic expectation. Particularly within London there is an alternative market for the landlord wishing to stay in the sector, some would require to provide a higher standard of property, or exit the market. However this should not be seen as a consequence of housing subsidy. Standards require to be raised by the existing powers available to local authorities.

Eviction Levels

Eviction occurs in a relatively small percentage of the tenancies in existence. However it is usually easier for a landlord just to end the tenancy at the end of a fixed term, or by providing the appropriate notice period, than to pursue the rent arrears or evict. The proposed changes will not help this situation. At present many local authorities are requiring to use the PRS to deal with homelessness, and it is possible at the lower benefit level local authorities will be forced to use a greater proportion of their Discretionary Payment budget to deal with homelessness in order to pay the market rent.



The real issue is the lack of housing stock and in particular affordable housing. Our reports indicate that property available in the PRS is currently well occupied, with more tenants waiting for housing than stock available to meet the demand. A significant proportion of this demand is caused by potential first time buyers being unable to access mortgage finance, changes in lifestyle with people opting to wait longer to make a purchase, mobility of labour being even more important in a shrinking employment market, as well as the desired upward mobility in the workplace. It is possible that reduced university places may free up some rental stock. This could be supported by students choosing to live with their families and not to rent properties, however there is no strong evidence of such a trend. . Various changes to university access and funding over the years have not had a major impact.

The conclusion must be therefore that the proposals will mean that the economically poor or inactive will find the PRS even more difficult to access than at present.

Landlord Confidence

Landlord confidence in the acceptance of benefit tenancies has decreased dramatically since the introduction of LHA because benefits are paid direct to tenants. Some surveys on rent arrears suggest arrears are still increasing e.g. by the National Landlords Association, many of whose members will accept benefit tenants. LHA is a contributing factor as the economically poor become faced with the dilemma of an increase in Retail Price Index adding to the cost of food and other necessities, reduced income and the payment of rent. The end result being, LHA not being paid over, or partial payments of rents made causing a slow escalation of arrears. Many of these tenants would be happy to have the temptation removed and benefit paid direct to the landlord.

Community Cohesion

There is a strong feeling that some families will be forced to move to more affordable areas to achieve adequate housing. For example tenants currently living in Camden may be forced to move well away from existing schooling and other services, maybe even leaving London and moving to other regions of the country. This would have a major social consequence and could created ghettos of economically poor where employment is already scarce.

Disabled people, carers and specialist housing

No comment

Older people, large families and overcrowding

No further comment

