

The Future of the Private Rented Sector

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The future of the private rented sector

- Has the PRS been overlooked?
- What more needs to be done to ensure that supply meets demand
- Getting the PRS fit for purpose for low earners
- What are the roles of the private & public sector in helping to achieve this?



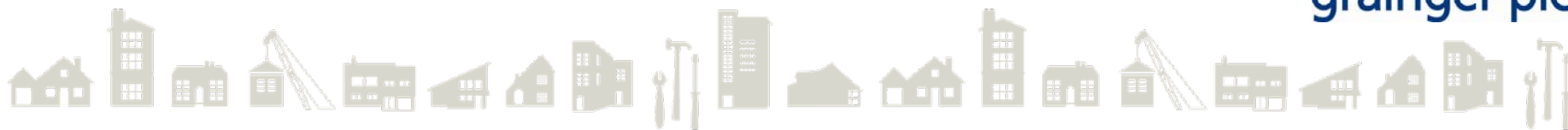
Where is the PRS in 2009

- The last decade has seen the resurrection of an active and growing PRS
- Aided by deregulation of the sector and reduction in the fiscal bias in favour of owner occupation
- The negative stigma of renting has diminished
- Renting is now the occupation of choice for many, particularly for the intermediate private renters where flexibility of the tenure and mobility are important factors
- In London more than half of all household moves are now into the PRS
- The PRS remains fragmented with 'buy to let' compounding the problem
- Property management expertise remains a cottage industry with a wide variation in levels of service and support provided to tenants
- An over supply of the wrong type of accommodation provision has evolved from planning policy and the historical commercial returns achieved by developing to high densities
- Further regulation of the sector is likely in the short term



Has the PRS been overlooked?

- The PRS has housed one million additional households since 2000, accommodating now over 3 million households
- Grew from 12% of the entire residential market to 14% between 2007 & 2008. A 17% increase in one year!! 20% of new housing supply will be needed to be rented privately to accommodate the predicted demand of 3.6m households by 2021
- Government has done little to encourage the sector to meet demand
- 'Rugg' review was welcomed but limitations to the report exist compounded by the disappointing Government response to it
- Essential that Government delivers a coherent strategy for the PRS
- Institutional investment could provide a welcome source of finance to produce scale, improve quality both of product and management services
- The Homes & Communities Agency PRS initiative is to be commended but only if supported by the Government



What needs to be done to ensure that supply meets demand

- Without encouragement the risk exists that the supply & demand imbalance will get worse
- Vital that the supply and demand equation is understood. A massive housing shortfall is likely with current output the lowest in living memory
- Housing supply generally will continue to be a major issue as the UK housebuilding model is repaired which will take time
- New models are essential to create housing of the type and quality required for the rental sector, in the right location to satisfy demand and suitably priced to satisfy the needs of all stakeholders
- Tenures are created to suit the needs of occupiers
- Institutional investment should be encouraged by attracting equity through tax efficient vehicles similar to those operating in the commercial investment sector
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Getting the PRS fit for purpose for low earners?

- Low earners defined as the sector above social housing provision where housing benefit is not relied upon to pay for housing
- Over half of all households aged 16-24 rent in the PRS, 27% between 25-34
- The credit crunch has ironically made it even more difficult for this sector of the population to enter into home ownership. The PRS is therefore the only option
- The average cost of renting privately is far lower than the cost of conventional home ownership
- Rents have generally risen in line with annual earnings despite the contrasting sharp rise in house prices and mortgage costs over the period
- Future supply needs to match the design, quality standards, location and cost parameters of those having earning restrictions
- As has been seen in Europe fiscal incentives can be used to improve the quality of housing stock



What are the roles of the private & public sector in helping to achieve this?

- The private rented sector needs to find new ways of funding the provision of rented housing to scale
- The needs of tenants in respect of quality of product, service and value for money will need to be addressed
- The public sector needs to develop a clear strategy for the private rented sector whilst fulfilling their housing duties
- Anecdotally Local Authorities that do best on engagement with landlords have dedicated staff coordinating liason with those landlords direct. Evidenced in the London Borough of Barnet where high numbers of those with housing needs have been placed in the PRS
- The UK is facing huge challenge in respect of housing supply which needs to be addressed immediately

