The evolving role of the private rented sector – improving rented accommodation in Greater Manchester

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IT’S ABOUT PLACE

• One Manchester – 12,500 homes / 600 leaseholders
• East, central and south Manchester
• Localised PRS within neighbourhoods / within blocks
• In and around One Manchester homes and neighbourhoods
• Directly affecting the economic and social wellbeing and sustainability of households and place
PRIVATE RENTED ANALYSIS

- A lot of anecdotes but what about the data
- Commissioned Arc4 on market values, yield and demographic shifts
- A few maps
OM9 LQ rental yield +5% 2017
OM19 Multiple Deprivation 2015 (in conjunction with yield maps)
OM5 Housing Benefit in the PRS, all claims 2018
What did that show?

- There is a striking link between PRS deprivation, worklessness, housing benefit claims and high yields
- The evidence suggests that these areas are easy to let
- And LQ and Median rents are often within 10% - suggesting that HB levels may be influencing rent setting
- 30-70% worklessness in these locations
- Evidence of gentrification in south Manchester - possible displacement issues
- The growth of the PRS in low value areas has in some cases virtually eliminated owner occupation as a significant tenure
• 20 + years of market change
• The end of social housing turnover / rise of right to buy
• Economic growth and shift
• Market failure and speculation
• Homelessness impacts across localities
• Shifting demographics
• Policy decisions gone wrong

homelessness discharge and LHA
landing communities shifted – Moss Side/Rusholme/Longsight
accelerating change through austerity
council cuts in capital investment and enforcement
off market and speculator investment
WHY GORTON?

- One of MCC’s three place priorities
- Gorton Hub – multi stakeholder investment
- Service integration
- Housing market performance
- MCC Market Rental Strategy 2015
- Nobody Cares, forgotten parts of British cities
- Research and engagement on Place
WHY GORTON?

• PRS Sector
  ➢ 25% of market
  ➢ 600 plus landlords
  ➢ rents 28% lower than city average but …
  ➢ letting time reduced by 40%, 25% higher than city average
  ➢ highest churn in city – 120 properties in two years
  ➢ 2,111 properties for sale over last three years
  ➢ sales value £45-£95k – 2 bed
  ➢ 14% average yield
WHY GORTON?

• Demography
  ➢ economic profile lower than city/UK
  ➢ 2001-2011 ethnic make up changed
  ➢ 250% increase in non white households
  ➢ community cohesion
  ➢ `unquestioning’ housing market
ENGAGEMENT

- Landlord feedback
- Landlord engagement event – 300 invited
- Disengaged and absentee
- ‘The Ladders’ and London investors
- Auction/private cash sale
- View of ‘social lettings’ agency – credible partner rather than ‘ethical’
- Stick and carrot
ENGAGEMENT

• Community Group Feedback
• 6 voluntary agencies
• 100s of clients per week
  ➢ property quality
  ➢ HB
  ➢ landlord and rent
  ➢ repeat visitor
• Anecdotes
• Landlord identify unknown
PRINCIPLES OF INTERVENTION

• Best Practice review
• Place based focus – in detail and joined up
• Having an effective and dynamic evidence base
• Multi partner and resource approach
• Joint working arrangements
• Selective licensing
• Effective sanction
• Support advice and redress
• Investment, acquisition and management models
GORTON CHALLENGES

• Number of landlords and poor quality management and properties
• Low rental (but increasing) and low value and high yields
• Social housing demand
• Letting not through formal route
• Dominance of market rented tenure 44%
NEXT STAGE

- Focus on Abbey Hey and `Ladders’ area
- MCC Private Sector Intervention
  - tenant interviews
  - targeted enforcement
  - landlord knowledge
- One Manchester Targeted Acquisition
  - price impact
  - use of agent
  - £2m investment, first 10 acquisition
  - management and refurbishment
  - owner occupation and customer identification
  - shared ownership
NEXT STAGE

• Investment
  ➢ cost neutral
  ➢ lower IRR
  ➢ refurb package

• Portfolio acquisition

• Complementary RP investment and management offer
ISSUES

• Improving quality of stock
• Access into market for acquisition
• Support for vulnerable tenants
• Diversifying stock to create ‘real home ownership’
• Management and investment offer
• Private and social investors
• Rents, welfare, homelessness, value and returns
• Benefit assumptions and impact assessment for wider partners
ISSUES

- Desirable but affordable?
- Level of commerciality v long term place benefit
- Balance of bottom end investment with wider housing market acquisition
- Market intelligence, movement and sensitivity
- Establishment of investment and vehicle
- Potential role of City Council as potential funder and intervener
- Additional funding
- Wider Place, market and partner investment context