

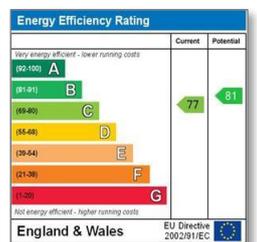


Private Rented Sector Housing in Scarborough Borough

Scarborough Borough Council

Report of Findings

February 2021





Opinion Research Services | The Strand, Swansea SA1 1AF
Jonathan Lee | Belinda Herbert | Scott Lawrence
Nigel Moore | Trevor Baker | Hugo Marchant
enquiries: 01792 535300 · info@ors.org.uk · www.ors.org.uk

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1. Introducing the Study

Background to the project

Introduction

- 1.1 Opinion Research Services (ORS) was commissioned by Scarborough Borough Council (SBC) to undertake a review of the current state of the Private Rented Sector (PRS) in the Council area. The Council wanted to understand more about how stakeholders saw the current state of the PRS; demand and supply issues, any problems with management, selective licensing, and also took the opportunity to ask about the effects of Covid-19. The work is intended to inform the development of the SBC housing strategy.
- 1.2 The study involved depth interviews with four lettings agents (agents) that are active in letting accommodation within the SBC area:
 - » Astins (Estates and lettings agents working in Whitby and the surrounding area)
 - » Crown Properties (Lettings agents working primarily in Scarborough town)
 - » Nicholsons (Estates and lettings agents working across the SBC area and beyond on the Yorkshire Coast)
 - » Thompsons Property (Estates and lettings agents working in Scarborough town and the local area)
- 1.3 Interviewees were asked if they would give consent to be identified in this report; all four gave consent.
- 1.4 A section at the end of this report considers comments interviews are considered in the context of data from the SBC SHMA 2021, where relevant data exists.
- 1.5 Throughout this study we will refer to any result which references the whole local authority as being for Scarborough Borough, any result for the settlement of Scarborough as being the town of Scarborough and any result for the area of the local authority outside the North York Moors National park as being Scarborough Planning Authority.

2. Summary

Key points from the interviews

- 2.1 The interviews indicated the following points.
- 2.2 The relationships and structures for partnership working are in place and working. There is goodwill and a good working relations on both sides.
- 2.3 The view from experience is that the PRS market is operating well in the SBC area; it is dynamic, and agents are busy, to the point of the market being under pressure.
- 2.4 Increasing regulation of the Sector is seen as causing problems and has the potential to drive landlords out of the market. These rules and regulations arise from various sources; directly from national Government, through Selective Licensing, specifically because of factors around Universal Credit, and as a result of the Covid pandemic.
- 2.5 The complexity of the Universal Credit system has caused problems for landlords.
- 2.6 Overall, there is high demand for properties, at least in the towns of Scarborough, Filey and Whitby. Although there is considerable supply, demand outstrips supply.
- 2.7 The supply of different types of property is uneven, with the smaller and larger properties being the most in demand. The need for 1 and 2 bedroom properties is likely to be because of **high demand**, from new households and other looking for smaller properties. The need for larger properties is likely to be because of **low supply** with the demand coming from families needing 4 bedroom and other larger properties.
- 2.8 High demand means that landlords can be confident of letting their properties easily this could lead to rent increases or to suppressed quality and management such as neglecting repairs, though neither of these are inevitable.
- 2.9 Rents have increased after what appears to be a period of rent stability. Some stakeholders say their properties have increased considerably in price, others that the increase is modest.
- 2.10 The evidence from the stakeholder interviews suggests that there is a small problem with some tenants feeling that they need to accept poor quality housing. It is important to note that the selective licensing schemes are likely to be an incentive to let and maintain properties in a decent condition.
- 2.11 Should the demand greatly exceed supply for a prolonged period then there may be an incentive for unscrupulous landlords to let poor quality accommodation.
- 2.12 Some problems are a result of landlords being ignorant of their responsibilities rather than unscrupulous landlords.
- 2.13 Tenants moving into the PRS market represent all age and social groups.
- 2.14 The PRS provides a housing option for local people in rural areas, such as young households who cannot afford to buy locally. Rental prices vary between properties and between villages, though by less than might be expected.

- 2.15 Renting out rural properties may provide a lower return than in the towns, partly as they are likely to attract long-term tenants from the local area.
- 2.16 Rural rented properties provide a home for local young couples who cannot afford to buy in their villages:
- 2.17 There was support for the original Selective Licensing scheme, with more qualified support for the second scheme. Stakeholders felt that the original scheme provided more benefits than the second scheme and that there would be diminishing returns from the third scheme.
- 2.18 The restrictions, particularly lockdowns, in response to the Covid pandemic have resulted in a slowing of movement in the market, followed by increased activity when restrictions were loosened. The extent of the increased activity led to rent rises, at least in some areas. Two sources of pent up demand have appeared. The first is demand building up because of lack of movement in the market, although that demand may be lowered by households deciding against moving. The other source of demand is from in-migrating households who wish to move to the coast, such as those re-evaluating life choices as a results of the pandemic. It is not clear how much of the potential for in-migration will translate into actual demand.
- 2.19 During the pandemic, the moratorium on evictions has caused some difficulties, including financial problems for the landlord. SBC have supported tenants and landlords alike, such as acting as a mediator to address arrears problems.
- 2.20 An unfortunate consequence of the Covid restrictions is well documented problems of lock down for all kinds of households, such as domestic abuse.

3. The Private Rented Sector

The PRS in Scarborough BC area

- 3.1 This section presents the views of the stakeholders on the PRS in Scarborough Borough as expressed in the interviews.

Working with Scarborough Borough Council

- 3.2 The first set of questions were intended to explore how well the processes and structures relating to housing for older people work in Scarborough Borough. Two questions were asked:

- » What is your organisations role regarding the PRS in Scarborough and the Scarborough Borough Council area?
- » How would you describe your relationship with Scarborough Borough Council regarding the private sector and its management?

- 3.3 Three of the agents interviewed work in and around Scarborough town, one, Astins, is based in Whitby and works in the local Whitby area. Crown Properties in particular have a number of tenants in receipt of Universal Credit (UC) and tenants from outside the UK.

- 3.4 All the interviewees described having a good relationship and working closely with SBC across departments. Some interviewees pointed to close working relationships with individual officers:

Great, we've had great relationship with them, you know, no matter which part we are looking for. Whether they're looking for homes for people and we'll try and help out, or if we need environmental health whatever, they're great. [Astins]

It's usually pretty good. As a rule, they are very helpful e.g. if we need their help on anything. We would give them a ring. There are various contacts there and they are always very good. [Nicholsons]

We have an excellent relationship; they are really helpful all the time. We work together and help one another. They help me more than I help them. Really friendly staff, it's a very neutral ground for everyone. We never really can't work out in some way. [Thompsons]

Current provision and future need in Scarborough Borough Council

How well does the PRS market operate the SBC area?

- 3.5 This section addresses the following questions:

- » In your view, how is the PRS currently performing in Scarborough BC area?
- » What do you see as the main threats and opportunities for the sector?

How the PRS is performing overall

- 3.6 The general opinion was that the PRS market is operating well in the SBC area; it is dynamic, and agents are busy, to the point of the market being under pressure:

Amazingly well, despite the circumstances. [Astins]

I think it's under pressure [Crown Properties]

Extremely well. We haven't actually got anything to let at the moment because since we were told we could re-open, it has gone crazy. We don't have properties that are empty for long. [Nicholsons]

Threats and opportunities for the Sector

- 3.7 Increasing regulation of the Sector is seen as causing problems and has the potential to drive landlords out of the market. These rules and regulations arise from various sources; directly from national Government, through Selective Licensing, specifically because of factors around Universal Credit, and as a result of the Covid pandemic. While there is no detail of which regulations are being referred to, presumably many of those from national Government are enshrined in law.

- 3.8 On regulations in general as a pressure on landlords:

I think the government are sort of squeezing landlords so much that they'll pop eventually because they're putting so, so many restrictions on them that a lot of people have had enough now, 'I'm selling, enough is enough'. [Astins]

I was speaking with other landlords, the demand, the problem with the landlords is you struggle ... at any time... now [there is] a lack of supply, because I think regulations, rules and regulations has just forced a lot of people out of the market. [Crown Properties]

The main threats are all the new rules and regulations that are coming in. At the moment we've got the 6 months' notice period. That's stopping a lot of landlords trying to re-let at the minute. That's the main one. [Nicholsons]

- 3.9 The increasing rules and regulation for the PRS along with the effects of the Covid could lead to landlords vacating the market:

I think it is going to go down in the next couple of years. I think landlords will start selling in the next couple of years because of all these new rules and regulations that are coming in. I think the stock there will be significantly reduced over the next 2-3 years. Rents will probably increase. I think it will cause a major problem. [Nicholsons]

I would hope [that new landlords will come in], but I don't think it will happen for a year or two. This has scared a lot of people. Landlords, tenants and probably agents as well. I think there will be a decrease of landlords and supply in the market. It might pick up again. [Nicholsons]

- 3.10 Selective licensing is considered a risk, though there is also support for Selective Licensing (this is covered in a separate section below):

Selective licensing has been a bit of an issue. But we've got there with the first two phases and the third one is going through. Those two were a bit of an issue. A lot of landlords

complained about the second phase because it was in an area where the properties are better. [Nicholsons]

- 3.11 Universal Credit has also caused problems for landlords who were and are unprepared for the system, particularly given the complexity of Universal Credit for landlords:

... a lot of private landlords have come after this sector as a result of universal credit. Universal credit really led to a lot of private landlords who weren't, if you like, didn't have systems in place, in tenants not paying them, taking advantage of that, and really the private landlords didn't have the correct paperwork properly in place, then to do eviction notices. So I feel that a lot of private landlords have come after the market and that's put pressure on the rest of the market, and universal credit. [Crown Properties]

- 3.12 The complexity of the Universal Credit system has caused problems for landlords:

I won't be the first to say this to you, universal credit has been a nightmare from a landlords' perspective... [Crown Properties]

- 3.13 One interviewee suggested that a final threat (when combined with the other factors above) was a likely increase in demand in the area following the Covid pandemic. We did not clarify whether this demand might come from in-migrants looking for a change in lifestyle, but interpreting the quotation in itself suggests that it will be from households who have suffered economically during the pandemic:

I think selective licensing coupled with universal credit has a real downside on the amount of property that's available in the town... If I could just add to that, of course, as a result of the pandemic, what we're going to see, is more and more people and that demand in that area, that looking for rented properties who can't afford to buy. The demand I think is going to continue to escalate. [Crown Properties]

Supply and Demand

- 3.14 This section considers the following questions:

- » How much demand is there for properties overall?
- » What sort of properties are in most and in least demand and in which areas?
- » The effects of high demand; rent levels.
- » How does demand relate to property conditions?
- » Who is currently in the PRS market and who is entering and leaving the market (landlords and tenants)

Overall demand

- 3.15 Overall, there is high demand for properties, at least in the towns of Scarborough, Filey and Whitby. Although there is considerable supply, demand outstrips supply:

The demand far outstrips what we've got to offer. [Astins]

there's plenty of demand [Crown Properties]

There's not enough properties. [Thompsons]

Properties in most and least demand

- 3.16 The supply of different types of property is uneven, with the smaller and larger properties being the most in demand. The need for 1 and 2 bedroom properties is likely to be because of **high demand**, from new households and other looking for smaller properties. The need for larger properties is likely to be because of **low supply** with the demand coming from families needing 4 bedroom and other larger properties:

Everything is in great demand whether it is a one bed flat. We've just let out a four bed house and the person hasn't even looked at it, and it's £1200/month. It doesn't matter what you have it just flies out the door.

The biggest demand is coming for 2 bedroom properties, I don't think there's any doubt about that. [Crown Properties]

I'd like to see more properties come on the market, especially houses. So yes, I suppose it does slightly fall below what I'd like to see. There are more flats and apartments than I would wish. Least demand are probably the flats. The 3-4-bedroom flats because there are a few around. The most in demand are family homes. [Nicholsons]

There are not enough properties in Scarborough currently, especially for the one-bedroom properties and big houses as well. 4-5-bedroom houses. I've just had a 4-bed open and my phone hasn't stopped ringing about it. [Thompsons]

If it's a flat, they tend to be young. 20-30. If it's a house, you are looking at 30 upwards. [Nicholsons]

The effects of high demand compared to supply

- 3.17 High demand means that landlords can be confident of letting their properties easily, including should a tenant vacate the property. The effects of this could be, to increase rents, or to suppress quality and good management, such as neglecting repairs. While neither of these might happen, it is important to understand the situation.
- 3.18 Rents have increased after what appears to have been a period of rent stability. Some stakeholders say their properties have increased considerably in price, others that the increase is modest, with Astins in Whitby pointing to a larger increase. A likely additional factor along with the geography that each agent works in is the market sector; Crown Properties appear to manage a higher number of properties where the tenant is in receipt of Universal Credit than other agents:

Yes, it does increase prices, definitely. At the moment, you could more or less name the price for any property. Which isn't ideal for the people looking but for the landlords, great... [rents have risen] faster than the past couple of years I would say, but there's been a gradual increase say in the last 2 years but this year there's been a very big increase. I would say that you could probably name your price, within reason. [Astins]

A lot of our tenants have been in properties four or five years, they've never suffered a rent increase, we're actually just about to do a review, but probably in the last 12 months we've put our rental charges up by about £5 a week, across the board. So not significantly. [Crown Properties]

Rents didn't go up for quite some time, but they are going up slightly because the demand is there at the moment. [Nicholsons]

There has been a slight increase this year. We have put all of ours up by either £5 or £10 a week. That was at the beginning of the year before Covid. There were still a few more to go up, which we're unsure what to do now after this Covid set off. [Thompsons]

- 3.19 Reasons for the apparent larger increase in rents in Whitby could include properties used as holiday lets, but also from in-migrants. The market for properties includes in-migrant working households, not only retiring households:

A lot of people are buying places up in the town to let out as holiday lets but there's also great demand from people who want to move here, into the area and mostly for a better quality of life. You know, like people maybe move from Leeds or Bradford and they may work two weeks on/ two weeks off and they want to spend the two weeks off in a nice place.

[Astins]

I think people have re-evaluated everything because of this pandemic. [Astins]

Property condition and demand

- 3.20 The discussion of supply and demand touched on the relationship between demand and property conditions, in particular whether the level of demand meant that landlords could let properties that are in poor condition.
- 3.21 The evidence from the stakeholder interviews suggests that there is a problem, but not a major problem with tenants feeling that they need to accept seriously poor quality housing at the time of writing. It is important to note that the selective licensing schemes are likely to be an incentive to let and maintain properties in a decent condition. Of course, should the demand greatly exceed supply for a prolonged period then there may be an incentive for unscrupulous landlords to let poor quality accommodation. However, some properties are let by landlords who are ignorant of their responsibilities rather than being unscrupulous.
- 3.22 In response to the of demand and quality of accommodation, two interviewees suggested that the comparatively low cost of rental in the Scarborough area acted as a control on letting poor quality accommodation; because rents for poor quality properties would need to be lower than average, yet the rents overall are comparatively low anyway:

I think the accommodation generally is okay. The demand is there, the price of rental properties in Scarborough is probably is less than when you look around the country. [Crown Properties]

You could do but the rents would be next to nothing. It would depend on how desperate the landlord was to put the tenant in. I think [some tenants would take poor quality properties] if that's all there was. [Nicholsons]

- 3.23 In Whitby, within limits, a property being in moderately poor condition does not affect demand or the rent that can be charged:

Most people, if there is a property that isn't in the best condition, all they'll do is ask if they can redecorate and most landlords will say yes because they know that it couldn't be any worse when they leave than when they move in, generally. [Astins]

It is not like a bidding war and things like that. If places are a bit scruffy, not in bad condition but a bit scruffy, could do with decorating, new carpets, things like that. Then tenants will

still go for it and they will ask the question could they do this and could they do the other.
[Astins]

- 3.24 It is not clear whether landlords in Whitby can get quite high rents for poor condition properties as the agent interviewed in Whitby would not take on such a property:

[If the property was in very poor condition such as Cat 1 hazards] We would address that before we took that on.... if it was a property that we already have that is not being cared for properly then we would have to take issue. [Astins]

- 3.25 However, in this interviewees experience, there are few properties in such poor condition and letting poor quality accommodation in Whitby is likely to lead to a high turnover of tenancies. Talking of a particular example:

I've had still people coming to me to find places so they can get out of there. So, the people that do move in, soon move out again especially in the winter because the cost of the electricity is so high. [Astins]

- 3.26 However, it was noted that there are poor quality properties in Scarborough, particularly in converted flats:

Yes, there are some really nasty blocks of flats in Scarborough. They are nasty old conversions, that were converted 25-30 years ago, and they are really nasty. [Thompsons]

There's down on Queen Street, where there's a lot of flats. There are a few areas. Oxford Street, James Street, some of Hoxton Road, some of Belle Vue Street. There are little areas, pockets of both little flats and like Britannia street and Hibernia Street, and Candler Street and all around there. There are some big developments of flats in the town centre, Pavilion Square being one of them, where it's not very good. [Nicholsons]

A lot of the flats we are on the Esplanade area, on the South Cliff side, that's where most of them are concentrated. I'd like to see more in the rural areas, we took one on about a fortnight ago and let it after the first viewing. It is just outside in one of the little villages. I'd like to see more on the outskirts. [Nicholsons]

- 3.27 And that there is a problem with some landlords letting unsatisfactory properties:

...landlords rinsing it for money. Because there is such high demand, they just move on, put another tenant in that's willing to accept it. [Thompsons]

There is a little bit of it there in Filey of landlords pushing it too far. [Thompsons]

- 3.28 Landlords letting unsatisfactory properties may be unscrupulous, or ignorant of their responsibilities, but agents can act as a control to ensure standards:

Landlords just don't seem to be interested. They are getting the rent in and that is all they are bothered about. That's the ones that go on their own. The ones that are through us, the landlords are interested. [Nicholsons]

I know of a few that are on their own and don't employ an agent, which may think [as long as] the tenant is paying the rent, I'm not too worried.... They know what they are doing, they buy the place. They are not interested in anything but making money. [Nicholsons]

- 3.29 Unscrupulous landlords tend to be in the areas identified for Selective Licensing:

[They are] mainly in the areas where the first licensing phase came in. [Nicholsons]

3.30 And are more likely to be in a position to buy outright:

So it's a cash sale? Yes, definitely.

3.31 And are more likely to be renting out multiple occupancy properties:

I don't like what's happened in Covid as the landlords have taken advantage of multiple occupancy and they get a lot of money by charging a lot of money. I don't like that there are a couple of landlords in Scarborough that are making a vast amount from it. I don't think it's healthy. [Thompsons]

3.32 Some problems are a result of landlords being ignorant of their responsibilities rather than unscrupulous landlords:

We do have a few people who I know don't adhere to the rules but that is not to say that all of their properties are substandard, some of them are. A lot of them don't even know what an energy performance certificate is, they don't know about fire regulations and stuff like that, which of course is very important. Most properties that are run through lettings agencies are all pretty good, I have to say. [Astins]

Others might not understand that if you let property out, there is quite a cost, certainly if you have a mortgage as well. You won't get a return in form of some monthly income for some time. Quite often we will put new tenants into properties and the landlord gets nothing for the first month because we've had to do things like the gas check, the electric check, then it is not until month two or three that they actually start getting some rent in for themselves. [Nicholsons]

Tenant households

3.33 Tenants moving into the PRS market represent all age and social groups. The ages groups are set out here in a simple list by age, followed by a note on some specific groups who are not primarily identified by age.

3.34 Young people, often those priced out of the market for ownership:

There always will be a demand. It is very hard for young people, especially to buy at the moment. It probably will do now for the next year or two. The demand is definitely still there. That's a fairly long term thing. [Nicholsons]

3.35 Families are moving into the Whitby area to take up work at the new Potash mine at Sneatonthorpe. It is unlikely this will result in a long term need in the PRS for two reasons. Firstly, after the initial influx, the in migration will settle to a small flow which may show a continuous small in-migration, or the in and out migration related to employment may balance, though this is less likely to be the case because of the specialist nature of the work. Secondly, a number of these families will rent temporarily before buying in the area.

Quite a few families are coming because of the local mine. We've got the new mine up and running. So, we're getting quite a lot of people coming in and again that is probably why the demand is up quite a bit. We don't have many people moving out of Whitby. The only people that tend to move away, they move with their jobs. [Astins]

- 3.36 Older people are retiring into the area. One interviewee pointed to this group renting temporarily before buying rather than being long-term renters:

We get a lot of elderly that come in from West Riding. They perhaps come here for holidays for years and then decide, we've retired, let's sell up, we'll go and rent there for 6 months to a year, see what we think and then we can buy, or we can stay renting. That's what we are getting. [Nicholsons]

- 3.37 In terms of employment, the in-migrants come from across the board:

There is every walk of life at the moment. There is an absolute mix. [Thompsons]

- 3.38 There is demand from some identifiable groups; single parents and Eastern European migrants were noted in particular. Both of these groups are often looking for the lower price end of the market, usually due to low incomes:

We get a lot of single parents here. [Crown Properties]

I think there is a significant demand on residential property now from Romania people who have come in prior to the Brexit deadline. [Crown Properties]

- 3.39 In-migrant renters are mainly looking for accommodation in the towns:

I think it is mainly the town. [Nicholsons]

Increasing provision in towns and rural areas

- 3.40 This section considers:

- » Buy to let
- » Rural areas.

New build buy to let

- 3.41 There is little evidence about new build buy to let as a part of the PRS. What there is raises three concerns: that there is a miss match in the buy to let part of the market between where properties are built and where people want to live, that there may be some vulnerable people renting buy to let properties and that larger, family, properties are excluded by price from the buy to let market:

There is the demand for people buying new builds, but not where they are building them in Scarborough. This is to buy and to rent out. Where there is to buy a new build in Scarborough is not where they want to be. To buy to rent is absolutely flooded. Like ... at East field, there's loads to buy to rent on there, the pocket of people seems to just move about. [Renters from] Eastfield itself seems to have all moved... [Thompsons]

When you've got vulnerable people and in vulnerable positions, I do think they should be with accredited or licenced landlords, or with the council so that they are not taken advantage of. I can see it's happening in Eastfield by the amount of renters that are being charged out there. [Thompsons]

People won't do it because there's no return in money on the bigger houses. There's only a 6% return in your money and people want more than that now. People haven't got the big enough deposits to buy a 4-5 bed, which is knocking up 180-200. [Thompsons]

Rural housing

3.42 The PRS provides a housing option for local people in rural areas, such as young households who cannot afford to buy locally. Rental prices vary between properties and between villages, though by less than might be expected.

3.43 Rental prices vary, with factors such as more costly heating being important:

Price wise, it will either go through the roof because it is an extra nice property and people want to be in the country but generally the fact that they have oil central heating or electric heating, that sort of thing brings them down price wise, but you know it depends on who's looking at that time. [Astins]

3.44 The difference in rent by village is less than might be expected. Goathland is a particular example:

[Rents vary] but not as much as you might think. You might think lots of people would like to live in Goathland because that is where Heartbeat was but actually the houses in Goathland are quite a lot cheaper than the other villages so I think it works detrimentally because I wouldn't want people walking all over my front grass if I lived there so I think that's why in somewhere like that, that's really, really, popular it isn't so highly regarded. [Astins]

3.45 Renting out rural properties may provide a lower return than in the towns, partly as they are likely to attract long-term tenants from the local area. These tenants may live in a property which they could not afford to buy:

[W]e have a lot in the countryside in the villages. They are probably the better ones really. They stand at a lot more money, there's not the return as such there, there's the lifetime people. Steady income, they stay there forever, probably couldn't afford that house themselves, but they get to live in it by paying rent. They tend to be local people. [Thompsons]

3.46 These rented properties provide a home for local young couples who cannot afford to buy in their villages:

... they are young couples. There is a farmhouse and a cottage we have somewhere, and they are both local people that [would otherwise have] had to move out of the area. [Thompsons]

Selective Licensing

3.47 This section addresses the following questions:

- » What impact has the Selective Licensing schemes had on Scarborough PRS?
- » What could/should the Council do to improve the effectiveness of the licensing scheme?

Views on the current schemes

3.48 There was support for the original Selective Licensing scheme, with more qualified support for the second scheme. Stakeholders felt that the original scheme provided more benefits than the second scheme and that there would be diminishing returns from the third scheme.

- 3.49 Asked whether they supported the first and second schemes, the interviewees agreed, though the second scheme covered an area of better condition properties and that is one of the criticisms made; that Selective Licensing schemes should concentrate on areas of higher need:

Since the licensing was brought into place, there has been a great improvement, that's noticeable. There are still some areas that aren't great. It's blocks of flats that are the problem. [Thompsons]

Yes, certainly for the first phase but not so much the second because those properties were in a slightly better area, there were more houses and they are generally looked after better. [Nicholsons]

- 3.50 The second scheme is considered by some to be an unnecessary burden on the landlords and agents, in contrast to the first scheme. In answer to the question whether the second scheme was seen as an additional burden one agent reiterated support for the first scheme:

Yes, but certainly not in the first phase. I was fully supportive of the first phase. [Nicholsons]

- 3.51 The different level of support for the two schemes leads to the question of how Selective Licensing schemes should be defined. One agent suggested property condition was the essential factor:

Certainly, property condition, which is what they did in the first phase. Every one of our properties that were covered under that phase were flats. Because it covers also communal areas, it did make a difference. If the flats were in a poor condition, we wouldn't take them on anyway. But sometimes you've got lovely flats, but the communal areas aren't very good. But because licensing covers the communal areas as well, it made a difference. [Nicholsons]

The second scheme didn't give us as many of those benefits because the second phase was in a slightly better area, it covered more houses, which we find are better looked after. [Nicholsons]

I think the licensing has helped; I believe it has helped the areas where it's been. [Thompsons]

Interviewer: This leaves everything messy, they can't get the landlord, they could talk to the agent who has the licence, but they aren't sure who to talk to, who's got the responsibility, and the landlord seems to duck the responsibility because the agent is holding the licence, that kind of thing?

No, not the agent because we aren't an agent, we are actually a landlord. The agents are just doing the job. I speak to many of the agents and they say that they speak to these landlords and the landlords say that all they want is the money. I get that, but they've got to give people a quality of life where they are living. [Thompsons]

- 3.52 A criticism of the existing schemes is that those landlords who are registered with the scheme are the compliant landlords, while non-compliant landlords avoid registration under the scheme. This is a common criticism of Selective Licensing schemes:

So the ... licensed, are the ones that have always done it right. I think there will be a significant amount of private landlords who aren't registered on to that license ... unfortunately, Scarborough borough council is directing all of its attention at present time,

towards people who are trying to do this job right. There are a lot of people ... who aren't getting picked up. [Crown Properties]

[L]andlords that don't go through an agent, whether they will actually own up and say I've got 2-3 on such a such street, I don't know. Some people purposely slip through the net. [Nicholsons]

- 3.53 The Whitby agent agrees with the aims of Selective Licensing in principle, but sees no need for a Selective Licensing scheme to cover Whitby; indeed SBC have no plans to introduce a selective licensing scheme in Whitby at present:

Yes, confident that there [isn't] anywhere in Whitby really that could be improved much by the licensing system. [Astins]

I think it's a great idea in principle to bring landlords, neighbourhoods up to standard. I think that is great idea. Like I said before we haven't really got anywhere here that is that bad. The odd house dotted around but not in an area where you could make everyone conform. [Astins]

Views on improving and adding a third scheme

- 3.54 Some suggest that landlords should be licenced rather than properties. This would also reduce the cost for landlords and agents:

[R]ather than licensing properties in the areas, you should actually be licensing landlords who provide the accommodation sector, because, It's been an expensive process for us, I think, we've spent something like £40,000 in selective licensing fees, so you know, what we get for that I don't know, it feels like another tax to us. [Crown Properties]

I would have preferred an actual landlord licensing where the companies and people that rent properties out. In Scarborough, there's only about ten major landlords. I would have preferred them all to have a licence themselves as a landlord rather than us holding the licence, we're responsible with our properties and the council come along every six months and pick them randomly. People haven't got a chance. I do think that some landlords bend the rules because they can see it coming up. It's not a problem for me because I know you could easily look at anything that Brian owns and there would be no problem. But it could be a problem for some agents, and it shouldn't be like that because it isn't fair on the tenants. Usually when they hit the radar, and other landlords hear about it, it's usually these landlords that have just ducked and dived underneath the system. If you want to rent out in Scarborough, the landlord itself needs a licence. I hear so many stories of tenants not being able to get in touch with their landlord, I hear horror stories. [Thompsons]

- 3.55 A landlord licence would allow the Council to know who owns each property rather than having to deal vicariously through agents:

... the landlords themselves should be licenced. They should be made sure that they are checked, and they are accountable, not just the property, but the landlord themselves. I think that every property that is rented out, the council should know who owns that property, not who the agency is, but who owns it... I think that if you've got a landlord licence, the landlord themselves would think, 'I can't really hide'. [Thompsons]

- 3.56 One interviewee discussed whether licensing landlords would lead to some of them leaving the market and that this could be beneficial:

I think that the ones that would be leaving are the ones that we want rid of. They are no good. [Thompsons]

- 3.57 And that the landlords who left could be replaced easily:

There are enough investors out there that would mop these things up and tidy them up and do them. It's proven because stuff is still selling in Scarborough, I know a couple that have sold. [Thompsons]

- 3.58 The proposed third scheme is felt to be unnecessary:

I think that extending selective licensing, I don't think improves situations from tenant perspective, I think all needs doing is ... completing and trying to do the job correctly in the first place. [Crown Properties]

I think it is hitting the same thing as the second one. Not to any great advantage. Not for the properties that we've got. It might do for other agents and landlords but not for ours. [Nicholsons]

I'm not sure how necessary it is going to be. We've learnt quite a lot over the first two phases of what the council are going to be looking for. The first two phases have given us as much information as we need to be able to advise new landlords. It's a lot easier now. [Nicholsons]

The impact of Covid-19

- 3.59 **Movement and demand**

- 3.60 The restrictions, particularly lockdowns, have resulted in a slowing of movement in the market, followed by increased activity when restrictions were loosened. The extent of the increased activity led to rent rises, at least in some areas. Two sources of pent up demand have appeared. The first is demand building up because of lack of movement in the market, although that demand may be lowered by households deciding against moving. The other source of demand is from in-migrating households who wish to move to the coast, such as those re-evaluating life choices as a results of the pandemic. It is not clear how much of the potential for in-migration will translate into actual demand.

- 3.61 There is a perception, based at least partly on observed behaviour, that visitors increased infection in the tourist areas, this from Whitby:

[N]ow we've been in lockdown for 4 weeks, our rate of infection has more than halved. So that's massive [and perceived to be because of visitors] because they don't observe any rules and regulations and this lockdown, this recent one has just proved that. [Astins]

- 3.62 The market for sale and rent slowed during lockdown then accelerated after lockdown and prices increased, though only in some areas and some parts of the market:

... during the first lockdown it was very slow but then I still had people 'can you come and value my house? Can you let my house?' I did in a safe way and all of that and it was rented during the lockdown. But generally, once it got to May everything just went crazy. On the

sales market it was just madness and the house prices have just rocketed. And the same with lettings we've been so busy since May I would say. [Astins]

We're probably seeing a little bit less movement of tenants than we used to do. [Crown Properties]

3.63 There is evidence of pent up demand, including from outside the area:

One house with a tenant in it, they put it up with a different agent to sell. They had twenty six people waiting to view, four people who said they would wait until the end of March when the tenant left and one person who said they would buy it above the asking price unseen. And they did. [Astins]

We've got young tenants who did not live together and have decided that they will move in together as soon as they are released from lockdown. Tenants that have been released from flats that are desperately trying to find some outdoor space. [Nicholsons]

... and people from the West riding areas, seem to think we have had it quite lightly here, so decide to rent by the coast. [Nicholsons]

3.64 **Arrears and evictions**

3.65 The moratorium on evictions has caused some difficulties, including financial problems for the landlord. SBC have supported tenants and landlords alike, such as acting as a mediator to address arrears problems:

Covid has had as bad an affect where you've got a tenant you need to evict. It has had a horrendous effect to the point where I've got a girl living in a lovely big house that I could rent very easily, I've had a lot of Anti-Social Behaviour, she owes a lot of money and I had a situation with the council. The rent I was getting off Universal Credit for her wasn't even covering the mortgage on the house... I set up another payment plan, which the council did help me with, I've set it up before and [the tenant] has never spoken to them. I think that [the tenant] gave them the realisation that for her to get another 4-bed house, was not going to be easy. We are waiting for the council who are absolutely flooded, and 4-bed houses do not come up very easily. I think then it maybe dawned on her that she would have to sort the rent out as she wouldn't get another 4-bed house anywhere. She has stuck with it, and that was with the help of the council. They acted like mediator. [Thompsons]

[There are] people in financial hardship... we have a great relationship [with SBC]. We can normally sort difficult situations out with the Council if we catch it early enough, but we are aware that the Council are actually bailing a lot of people out at present time from social funding et cetera. [Crown Properties]

3.66 Well documented problems of lock down for all kinds of households have arisen, such as the effects of domestic abuse:

... this girl, she's in a domestic abuse relationship, which doesn't help to start with, and they just think they can get a council house. I think she has suddenly realised these last months that she can't get a council house. [Thompsons]

Other issues and comments

^{3.67} One stakeholder suggested that empty properties could provide needed housing, but did not provide evidence of the number of empty properties in the SBC area:

I'm sure there are a lot of houses around that aren't being lived in that could be put to better use. [Nicholsons]

4. The Data Context

Aligning comments with relevant data from the SHMA

- 4.1 This section considers how the qualitative comments align with relevant data used in the Scarborough Borough Strategic Market Assessment 2021. It is intended to add context to help align the two studies for decision making purposes using a small selection of key data. It is not intended to present an in-depth analysis or modelling from the two studies.

Change in tenure

- 4.2 The stakeholders' view was that there is a significant active market for private rented housing. Figure 8 of the SHMA shows the proportions of each tenure including the increase in the proportion of households living in the PRS since 1981 to 2011. This confirms the view of a significant PRS market. As of 2011, the proportions were:
- » Social Rent – 12%
 - » Private Rent – 21%
 - » Owner Occupation – 66%
- 4.3 During the same period the actual volume of housing in Scarborough Borough has risen from 38,300 to 49,400 households.
- 4.4 Figure 10 of the SHMA shows the number of households by tenure and again confirms a significant PRS market, with a growth in the PRS of 3,037 households between 2001-2011:

Number of Households by Tenure 1981-2011 (Source: UK Census of Population)

	Number of Households				Net Change		
	1981	1991	2001	2011	1981-1991	1991-2001	2001-2011
Owner occupied	24,810	31,283	33,053	32,822	+6,473	+1,770	-231
Private rent	5,096	4,917	7,442	10,479	-179	+2,525	+3,037
Social rent	8,391	7,121	4,504	6,134	-1,270	-2,617	+1,630
TOTAL	38,297	43,321	44,999	49,435	+5,024	+1,678	+4,436

- 4.5 The growth in the private rented sector (PRS) in Scarborough Borough is consistent with national trends, with the English Housing Survey (EHS) 2016-17 identifying 20% (4.7 million) households renting from a private landlord, much higher than the 13% recorded 10 years ago in 2006-07. Outside of London, private rented is the third largest tenure and is now larger than social rented; 36% outright ownership, 29% buying with a mortgage, 19% private renting, and 16% social renting.
- 4.6 Some stakeholders suggested a number of households struggle to afford properties. Figure 11 of the SHMA sets out the median weekly rents for different property sizes in Scarborough Borough together with the local housing allowances and the calculated affordable rent rates.

Weekly rent thresholds in Scarborough Borough (Source: Valuation Office Agency 2019-20; SDR 2019)

Weekly Rent £	Median Private Rent	Lower Quartile Private Rent	Local Housing Allowance Scarborough BRMA	Affordable Rent	Social Rent
1 bedroom	£91.99	£86.24	£80.55	£87.84	£71.56
2 bedrooms	£120.74	£109.24	£103.56	£98.54	£83.87
3 bedrooms	£149.49	£129.94	£124.77	£111.10	£90.19
4+ bedrooms	£172.48	£149.49	£136.93	£118.40	£98.16

- 4.7 Across all property sizes, the median private rent is higher than the maximum LHA in Scarborough Borough. This confirms that there will be some households in the PRS who struggle to afford their rent.
- 4.8 Households claiming out-of-work benefits are subject to a cap of £384 per week for lone parents and couples or £257 per week for single people. This could affect the amount of housing benefit received by some households (especially those with larger families needing larger properties). However, it is important to recognise that the benefit cap does not apply to working households (i.e. those eligible for Working Tax Credit, even if the eligibility amount is £0; and those on Universal Credit with monthly earnings varying from £291 to £542 or more, depending on age) or to households that receive various disability related benefits or armed forces pensions.
- 4.9 The following two charts are only tangential to comments made in the interviews, but are included here as context to the qualitative comments.
- 4.10 Figure 18 of the SHMA summarises the income thresholds for the range of different housing options based on the costs for home ownership and rents in Scarborough Borough which emphasises that owner occupation is much less affordable than renting.

Annual income thresholds for different housing options, single bedroom and two bedroom (Source: ORS based on ONS House Price Statistics, Department for Work and Pensions, Valuation Office Agency and Land Registry Price Paid Data. Note: All figures rounded to nearest £100)

Annual Income Needed to Own at Lower Quartile Prices		Single Bedroom Properties	Two Bedroom Properties
Minimum income needed to own with 10% deposit and 3.5x mortgage	Newly built dwelling	£23,600	£36,100
	Existing dwelling	£18,400	£30,100
Minimum income needed for rent to be less than 35% in Scarborough Borough	Median private rent	£13,700	£18,000
	Lower quartile private rent	£12,900	£16,300
	Affordable rent	£13,100	£14,700
	Social rent	£10,700	£12,500
Maximum income for Housing Benefit support in Scarborough Borough	Upper end of range	£12,500	£21,300
	Lower end of range	£10,300	£15,600

- 4.11 There is an income gap between being able to afford market rent (£12,900) and being able to afford home ownership (£18,400) which, in theory, leaves a gap for affordable home ownership housing products (AHO's). The gap is even wider for two-bedroom properties (£16,300 - £30,100).
- 4.12 Figure 40 of the SHMA shows long-term tenure aspirations of those in private rent by household type as well as whether they are currently in receipt of housing benefit.

- 4.13 Almost two in three (65%) of those who are currently renting privately and NOT receiving housing benefit wish to buy their own home in the future. The proportion is much lower for those households with an HRP over 60 (averaging 15%) and slightly higher amongst couples under 60 (77% and 72% depending on whether or not there are dependent children in the household).
- 4.14 Just under three in ten (28%) of those households in the private rented sector and in receipt of housing benefit wish to buy their own home in the future. This increases to 53% of couples with dependent children.

Long-term Tenure Expectation for those in the Private Rented Sector with and without Housing Benefit support
 (Source: English Housing Survey 2013-14. Note: Own includes shared ownership)

