



STATE OF THE LETTINGS INDUSTRY REPORT

2022



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STATE OF THE LETTINGS
INDUSTRY REPORT





WELCOME TO OUR STATE OF THE LETTINGS INDUSTRY REPORT 2022

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Goodlord and Vouch's fifth State of the Lettings Industry is our biggest to date, with more than 600 lettings professionals and 2,000 tenants throughout the UK taking part in our surveys in July 2022. This year's report includes a landlord survey alongside the agent and tenant surveys, so the results reflect for the first time views from across the ecosystem of the private rented sector (PRS).

The report provides the first real quantitative data from lettings professionals on the proposals for the Renters' Reform Bill since the government released its A Fairer Private Rented Sector White Paper in June 2022. The industry is clearly concerned about the impact of the changes on the PRS, though many letting agents and landlords are confident in their abilities to cope with legislation changes, and there is clear support among tenants for more legislation in the sector.

The cost of living crisis has also emerged as a major challenge to the industry. Agents expect it to have a negative impact on the PRS, with tenants being hit the hardest. This was reflected in tenants' concerns about how the crisis could affect their ability to pay rent in the future, with a full third of the tenants in our survey saying the cost of living may make or has already made them move house.

I hope you find this year's State of the Lettings Industry Report useful and would welcome any comments or feedback you have on it.



William Reeve
CEO, Goodlord



This year's State of the Lettings Industry report gives us a true insight into the private rental sector as a whole. As always, the response we've had from professionals, tenants and landlords has been immense and the data has provided some very intriguing insights.

Tenants have made it clear that they want to see the change implemented in the PRS and would like to see more legislation introduced in the UK. The proposals made in the Decent Home Standards are being received positively by all, however, the Renters' Reform Bill has had mixed responses. Tenants view it as a positive, whereas letting agents and landlords have some concerns over some of the proposed changes.

The supply of rental properties in the industry is also struggling to keep up with demand. The changes in legislation and regulations are seeing landlords re-evaluate their situation, with some deciding to leave the PRS altogether, further widening the gap between rental properties available and the demand from tenants.

From the pandemic to the Cost of Living Crisis, the industry as a whole is still facing challenges. With rent increases needed to help cover increased landlord expenditure, it can be seen as a continuous cycle that's not expected to change anytime soon.



Jaime Tillyer
Operations Director, Vouch





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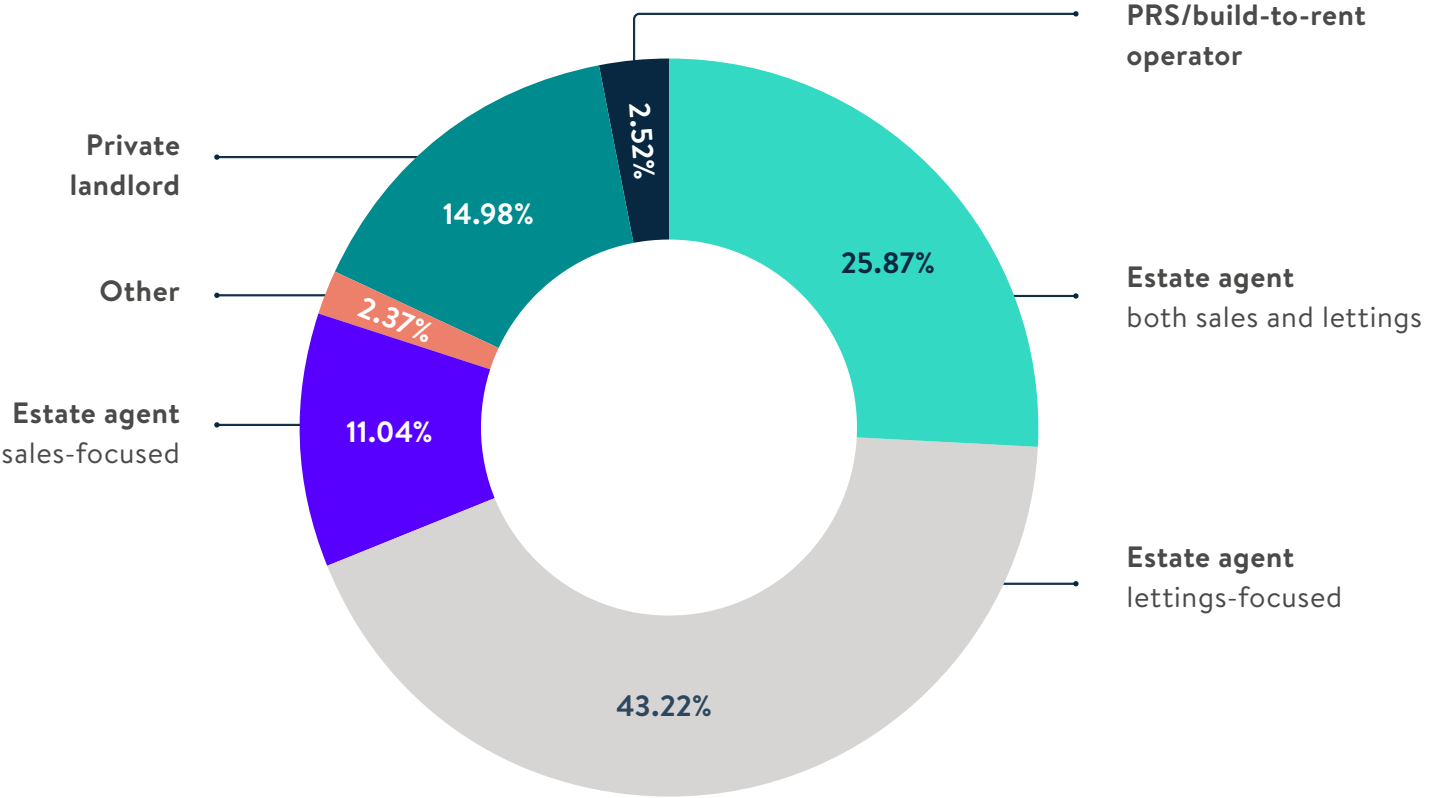


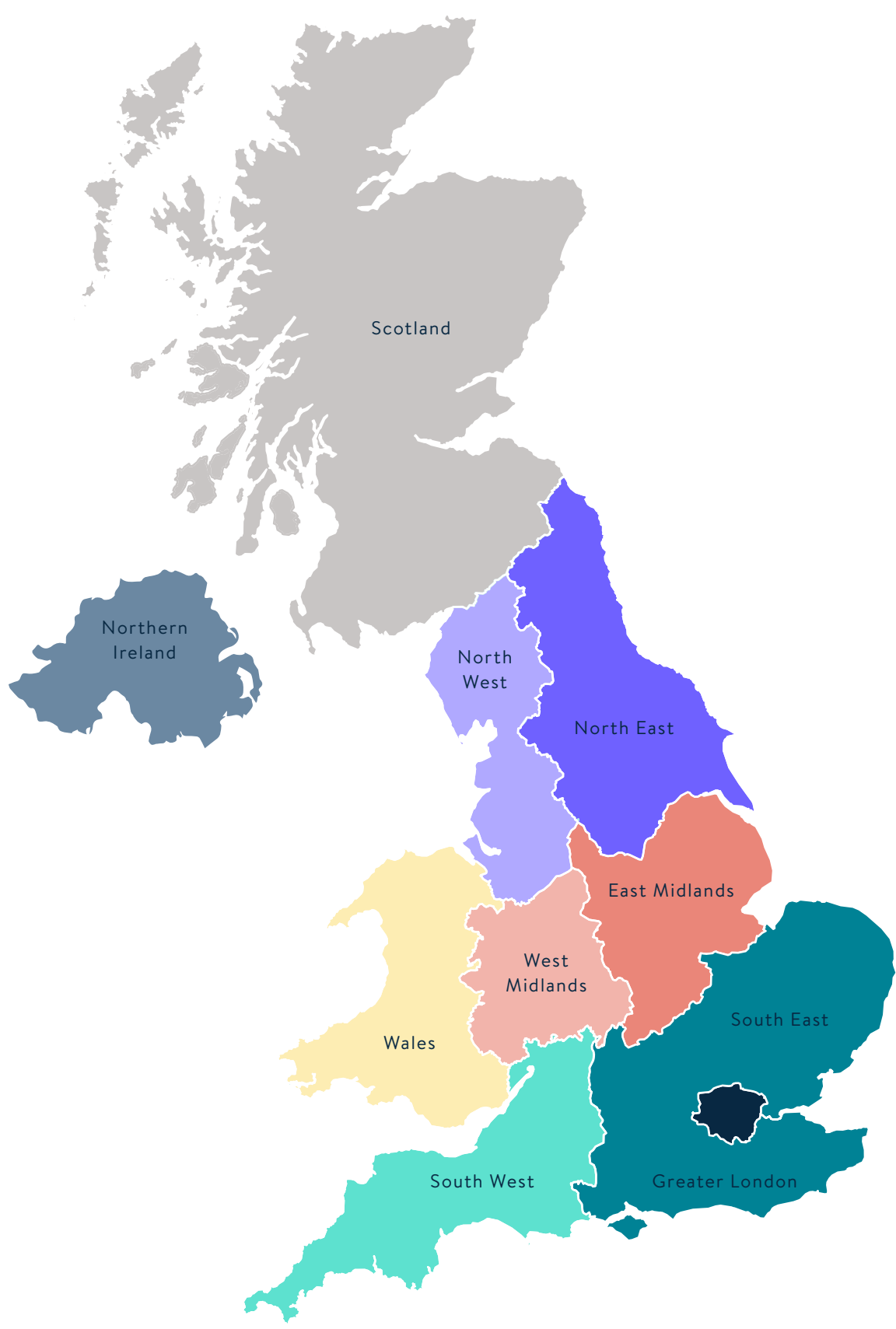
DEMOGRAPHIC BREAKDOWN

More than 600 lettings professionals took part in this year's lettings survey, including almost 100 private landlords, and more than 2,000 tenants in the tenant survey.



LETTINGS PROFESSIONALS BY ROLE





REGIONAL SPLIT

- Agents
- Landlords
- Tenants



North East



10.30%

8.42%

8.85%

East Midlands



10.30%

6.32%

7.64%

South East



17.23%

33.68%

17.45%

Wales



3.74%

5.26%

1.51%

Northern Ireland



1.56%

1.05%

Greater London



19.34%

17.89%

19.81%

North West



15.91%

21.05%

12.17%

West Midlands



10.14%

5.26%

10.16%

South West



11.08%

17.89%

14.48%

Scotland



2.65%

3.16%

3.27%

Outside the UK

1.40%

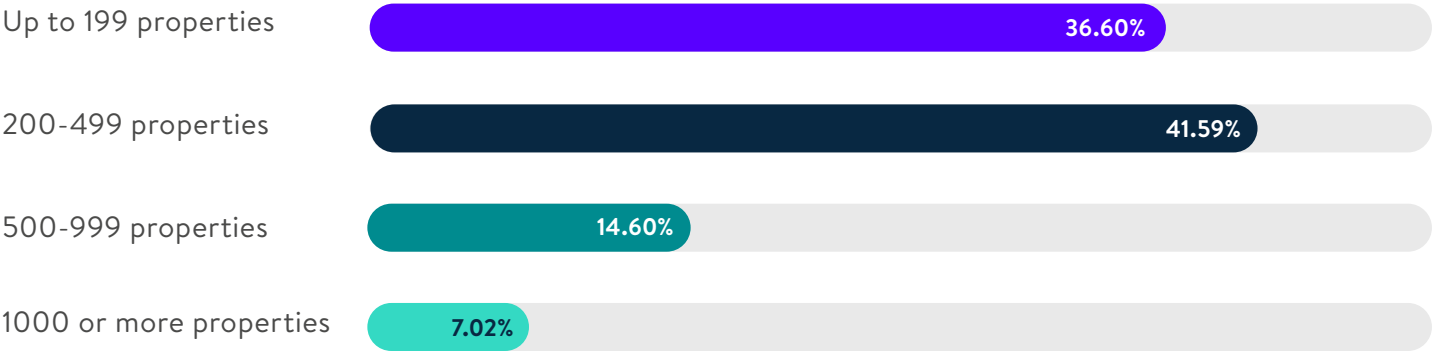
2.11%

4.63%

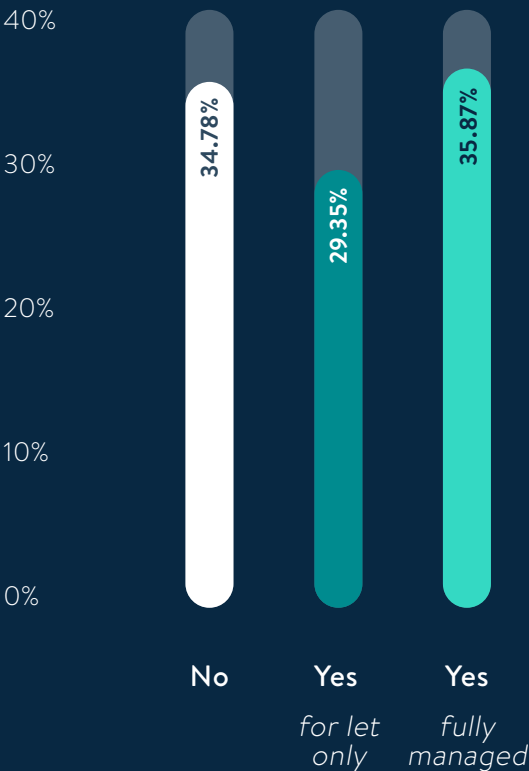
NB: Some agents and landlords operate in multiple locations.



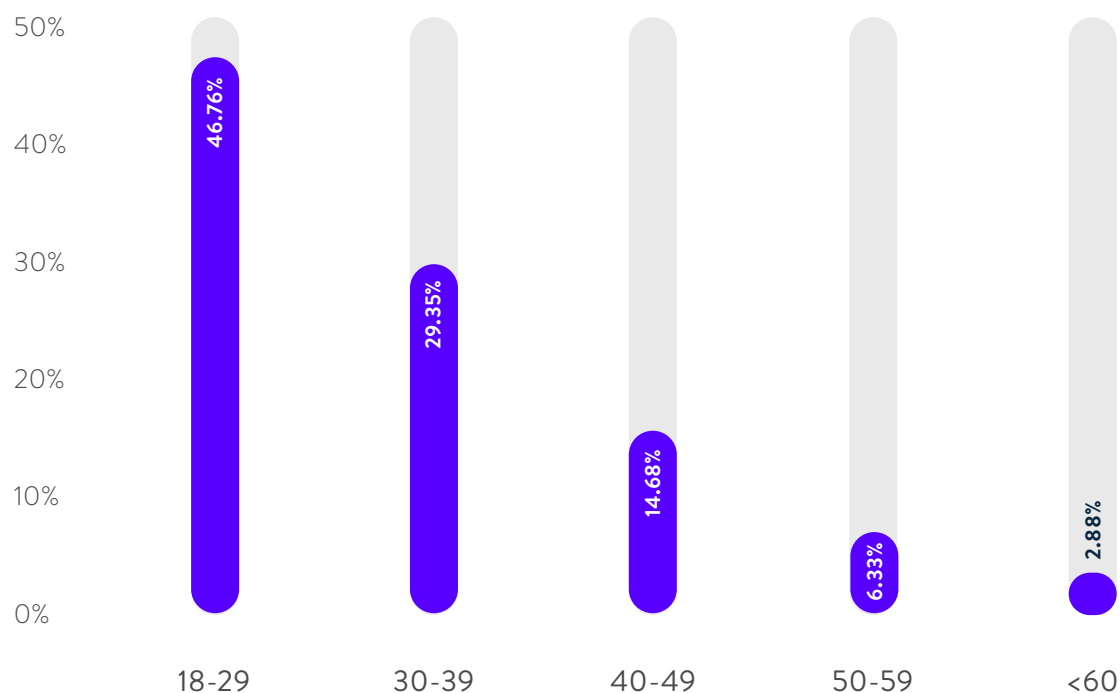
Agents by portfolio size



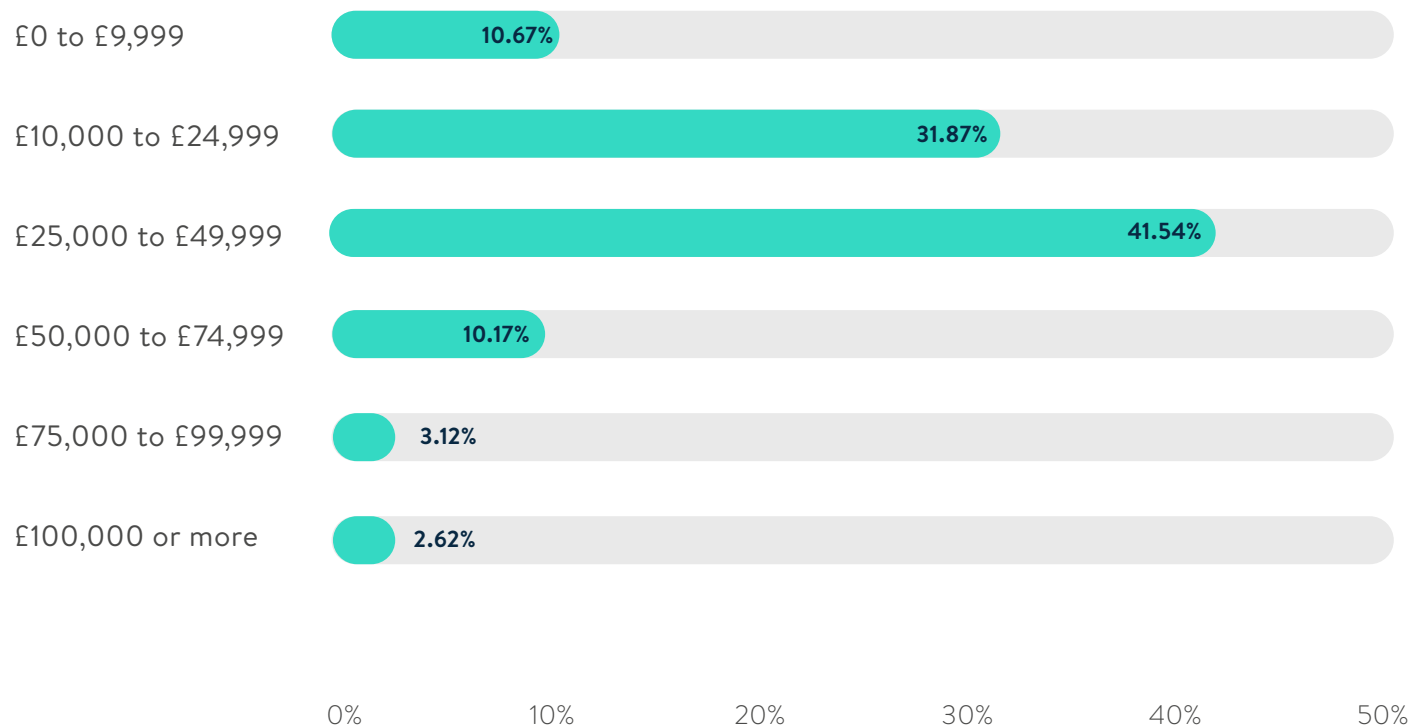
Landlords by use of agents



▾ Tenants by age



▾ Tenants by income





REACTION TO THE RENTERS' REFORM BILL PROPOSALS





Whilst the white paper was meant to be the blue print for a transformation that will provide a safer, secure, and sustainable rental market, the details and unforeseen consequences are causing anxiety and uncertainty amongst all parts of the market. The sooner a final decision is made, the better.



Sean Hooker - Head of Redress at the Property Redress Scheme



A third (32.95%) of agents said they were “very concerned” about the impact of the Renters’ Reform Bill on the private rented sector.

A further 47.81% said they were “somewhat concerned”. More than half (55.91%) of landlords said they were “very concerned” about the impact of the Renters’ Reform Bill on the private rented sector.



Impact of the Renters’ Reform Bill on the private rented sector

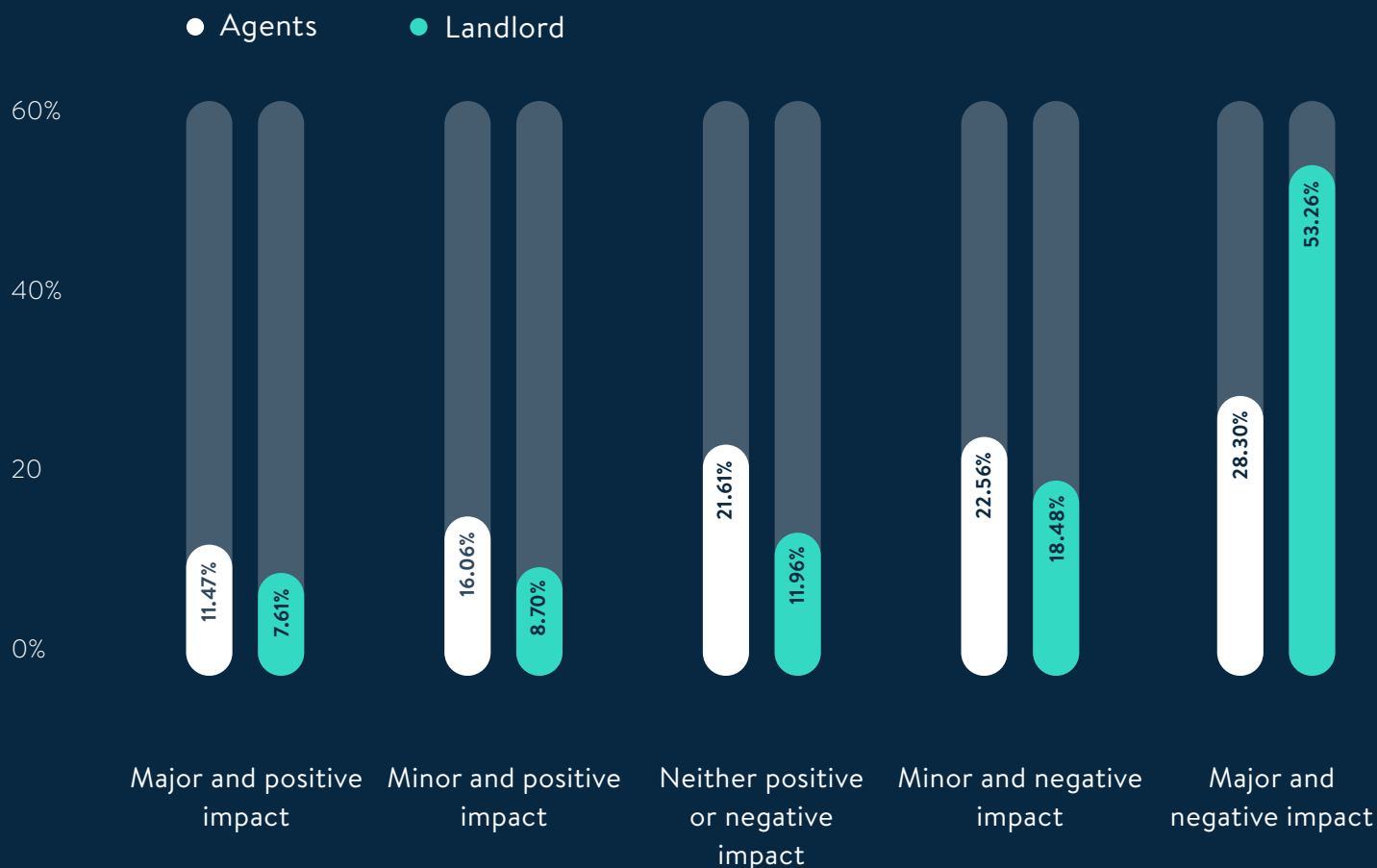


Abolishing section 21 remains the most contentious proposal, with 28.30% of agents expecting it to have a “major and negative impact” on the private rented sector.



Only 21.61% of agents thought it wouldn't have any impact. 53.26% of landlords expect it to have a “major and negative impact”. In contrast, 22.95% of tenants (p.18) said they thought it would have a “major and positive impact”.

Impact of abolishing section 21 on the private rented sector



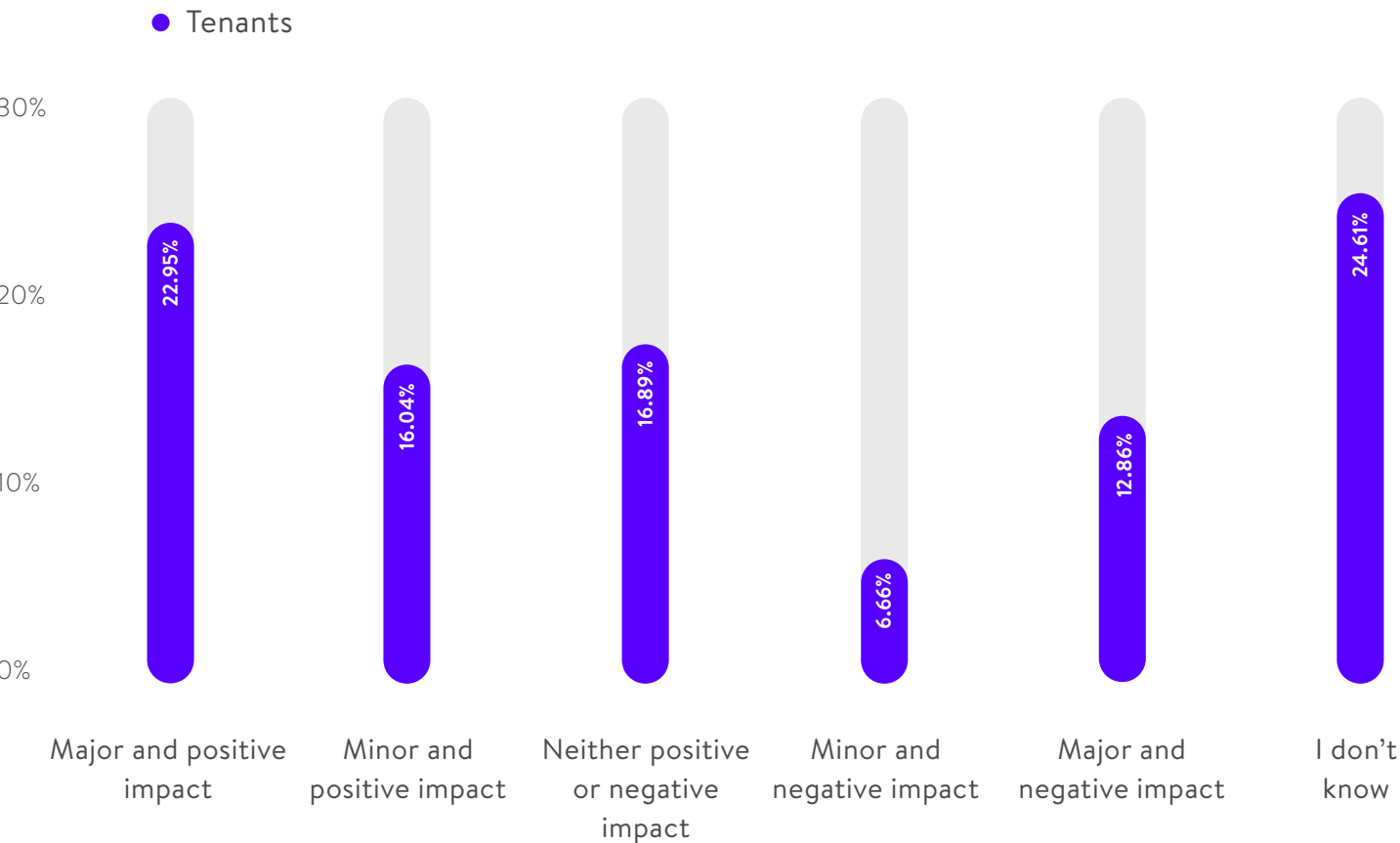


Letting agents are more likely to offer a rent protection service when section 21 is abolished.

39.78% of agents who don't currently offer a rent protection service said that the forthcoming abolition of section 21 would increase the likelihood of them offering one. While 67.02% of landlords said they didn't currently use a rent protection service (not illustrated), just under a third of those (30.68%) said the abolition of section 21 would increase their likelihood of using one.



↳ Tenants on the impact of abolishing section 21

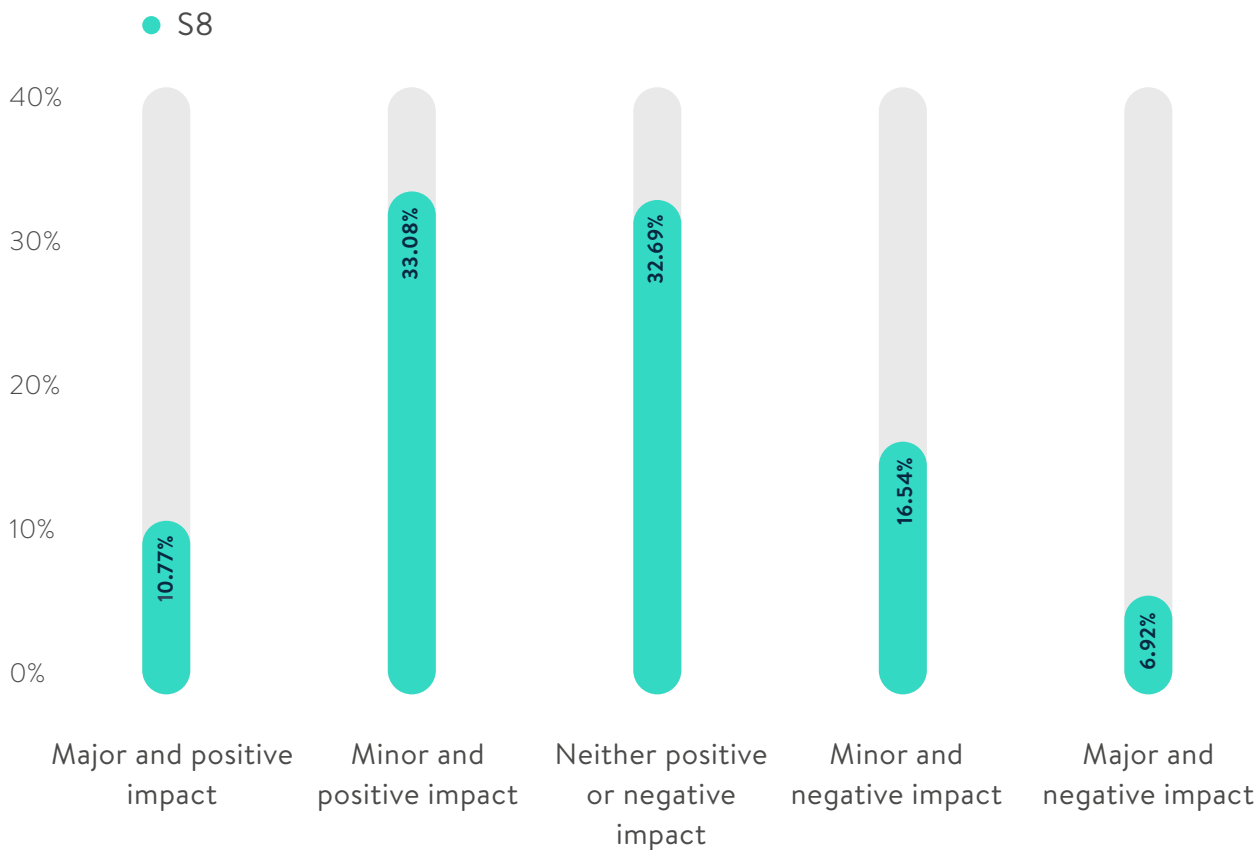


Likelihood of using a rent protection service when section 21 is abolished

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Impact of introducing new grounds under section 8 on the private rented sector





Impact of a “single system of periodic tenancies” on the private rented sector



40.38% of agents expect the introduction of a single system of periodic tenancies to have a negative impact on the PRS.

Of those, 19.24% expected this to be a major and negative impact. Looking at landlords, 35.11% said they thought the introduction of a single system of periodic tenancies would have a “major and negative” impact on the PRS.





39.65% of agents expect the new rules on allowing pets in lets to have a negative impact on the private rented sector: 16.99% said this impact would be “major and negative”. 61.12% of landlords expect this proposal to have a negative impact on the private rented sector, with 45.56% saying this impact would be “major and negative”.



Impact of allowing pets in lets on the private rented sector





Almost half of agents (47.08%) expect the Decent Homes Standard to have a positive impact on the private rented sector.

Other proposals agents felt would have a net positive impact on the PRS include the introduction of new grounds under section 8 (43.85%) (p.19), and the introduction of a new private renters' ombudsman (49.01%) and a property portal (43.90%).



● Decent Homes Standard ● Ombudsman ● Property Portal



39.32% of agents said they were “very confident” that their businesses were set up to cope with future legislation changes.

36.11% said they were “somewhat confident”. In comparison, only 22.34% of landlords said they were “very confident” that they were set up to cope with future legislation changes.



Confidence in preparedness for future legislation changes



Extent to which tenants agree with the statement “It would be good to see more legislation introduced around renting in the UK”



Tenants will likely react positively to the introduction of the Renters' Reform Bill, with more than two-thirds of tenants (69.41%) agreeing to some extent that they would "like to see more legislation introduced around renting in the UK".





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**Vouch has hugely enhanced
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John Ascroft, Director, Home Truths

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to the level of revenue Vouch
generates for us**

Andy Leo, Branch Manager, Northwood

They always go the extra mile

Katy Adams, Managing Director, Belhus Properties



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PREPARING FOR THE IMPACT OF THE COST OF LIVING CRISIS





During the first year of the Covid-19 pandemic, government and industry stats showed that tenants in rental properties managed by a landlord were more likely to be in arrears by two months or more, compared to those properties managed by letting agents. That's why it's so important for landlords to use a letting agent as we go into the cost-of-living crisis.



Christopher Watkin - Lettings industry expert





Fewer agents are reporting increases in rent arrears than last year - though almost a quarter (23.75%) said they've seen increases in arrears across their portfolios.

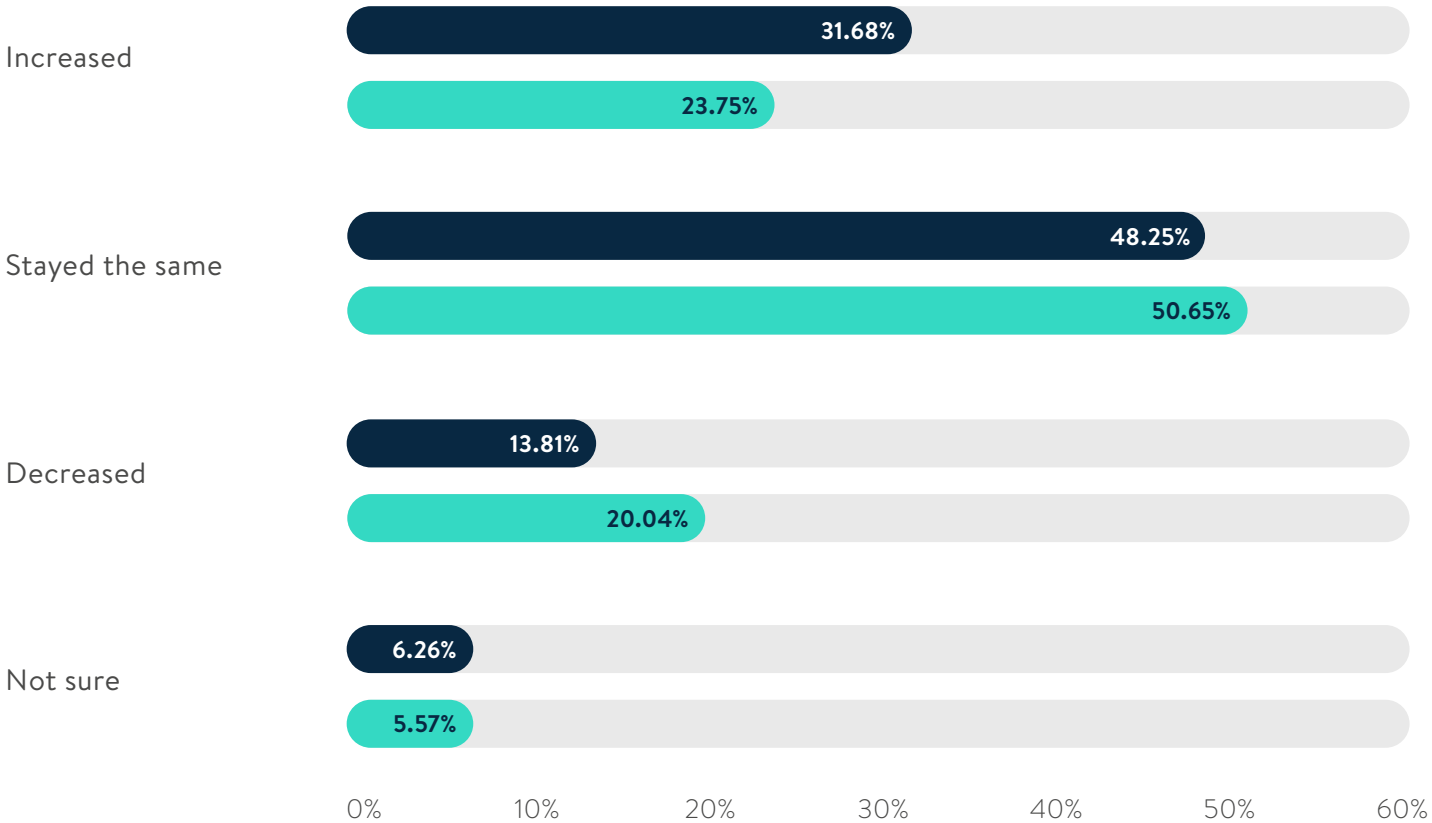


Of those agents who said that they had seen arrears increase, almost half (46.88%) said that arrears had increased by more than 20% (not illustrated).



Changes in rent arrers year-on-year

● 2021 ● 2022



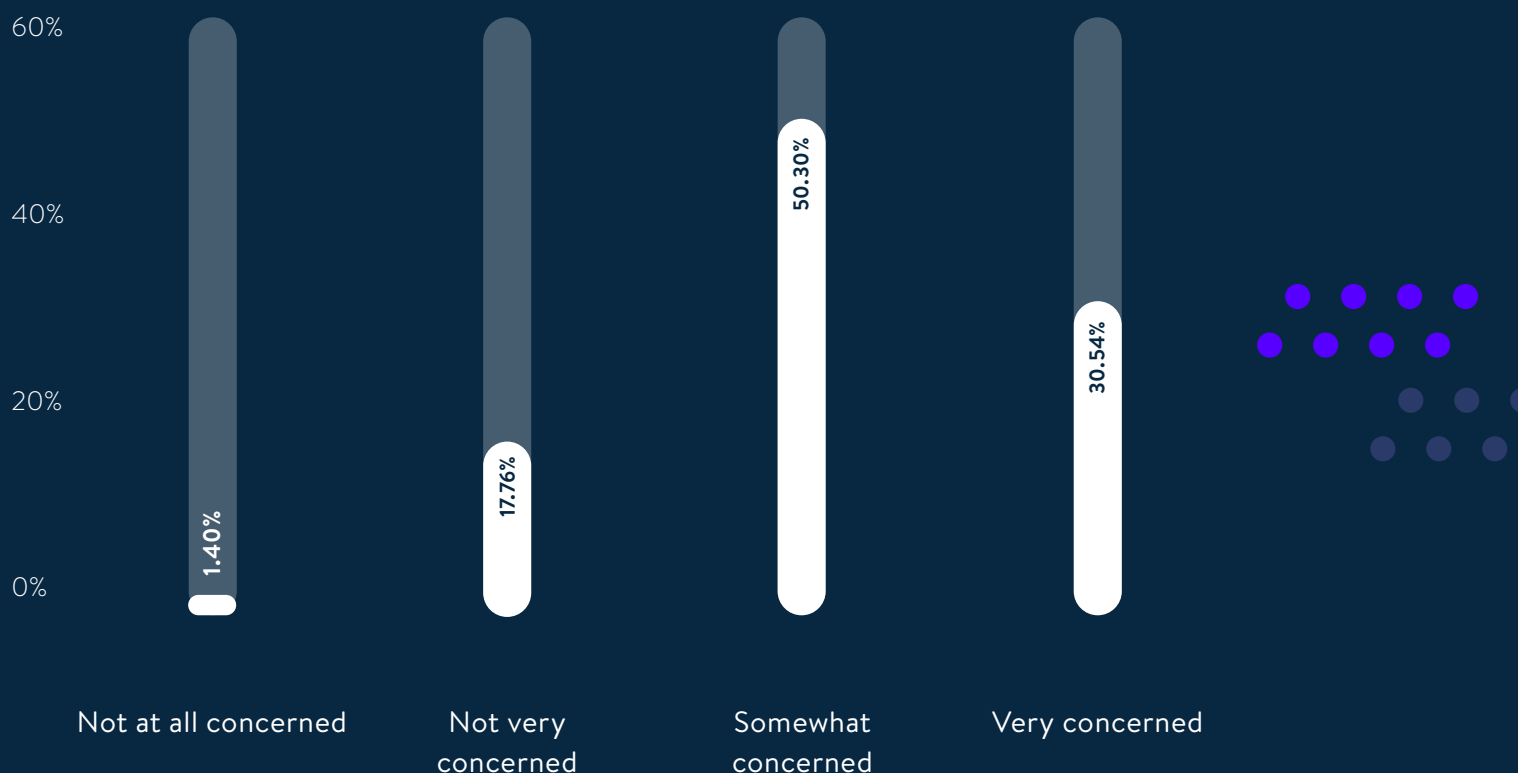


More agents could see an increase in arrears in the coming year as the result of the growing cost of living crisis.

30.54% of agents said they're "very concerned" about the impact of an economic recession on the private rented sector. A further 50.30% said that they're "somewhat concerned".



Extent to which agents are concerned by impact of an economic recession





Agents are bracing for the negative impact of the cost of living crisis, with more than half of respondents saying it would have a negative impact on every group in the private rented sector.

Agents expect the cost of living crisis to hit tenants the hardest. 35.32% said they expected it to have a “major and negative” impact on tenants - almost double the number who thought it would have a “major and negative” impact on landlords (19.73%) and agents (18.15%).

Landlords agree, with 45.74% saying they think the cost of living crisis will have a “major and negative” impact on tenants (not illustrated). 35.48% thought it would also have a “major and negative” impact on landlords. Only 17.58% thought it would have a “major and negative” impact on agents.



This cost of living crisis is very real, with landlords increasing rents on a scale that I have never seen before and, along with all the other utility bills rising, it's clear that wage growth will not keep up. In the 22 years I have been running Landlord Action, we have never been busier in dealing with rent arrears cases and landlords looking to sell their properties. The next six to twelve months will be a very testing time for tenants.

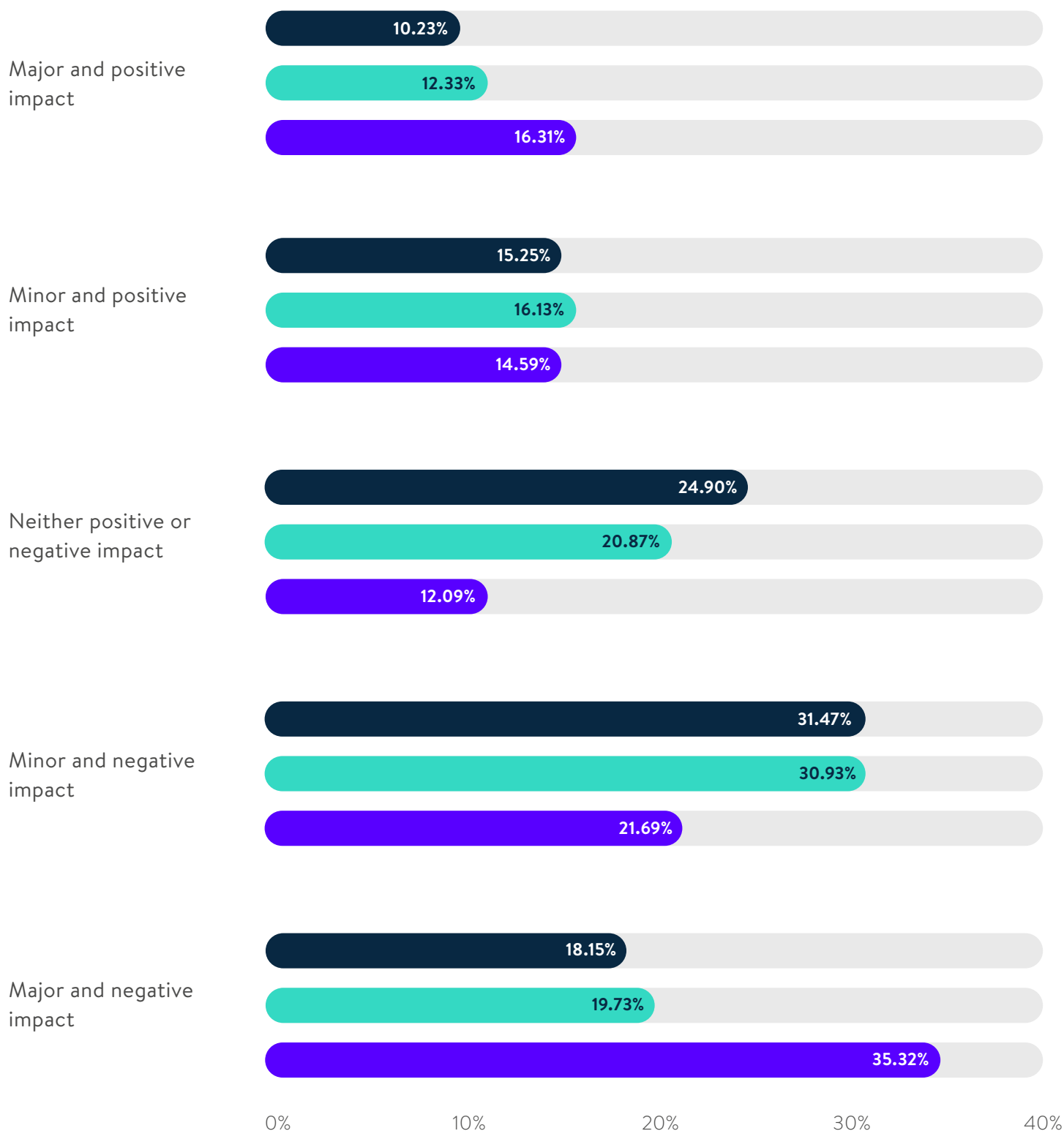


Paul Shamplina - Chief Commercial Officer at Hamilton Fraser



How agents think the cost of living crisis will impact different groups in the private rented sector

● Agents ● Landlord ● Tenants





Almost half of tenants (46.48%) are concerned that the cost of living crisis could impact their ability to pay rent in the future.

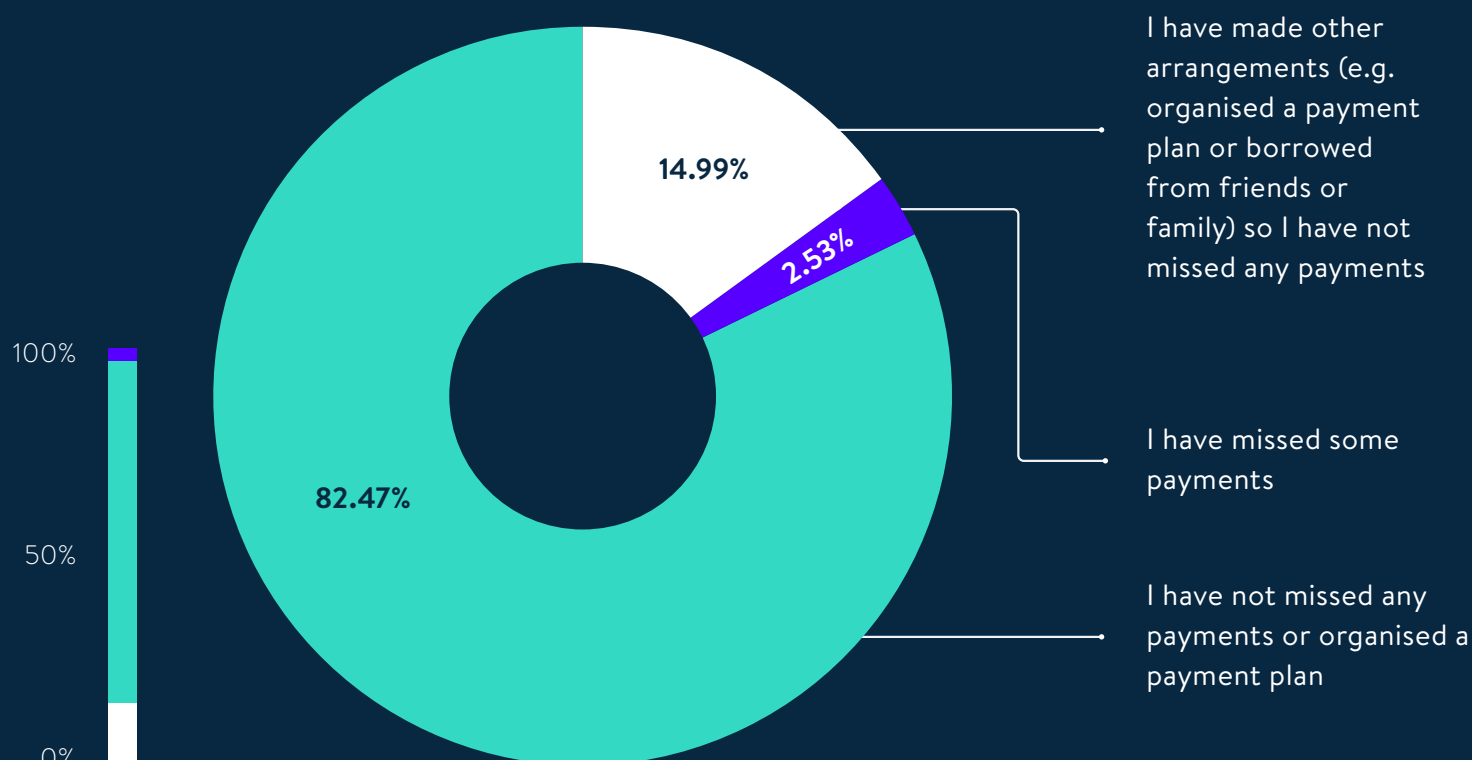
14.99% of tenants said they had already had to make other arrangements (e.g. organised a payment plan or borrowed from friends or family) so that they would not miss rent payments but, so far, only 2.53% of tenants said they had missed payments. Just under a fifth of tenants (17.62%) had been asked to provide a guarantor for their most recent tenancy (not illustrated). A third (34.49%) of tenants agreed to some extent with the statement that “paying rent is my biggest worry right now”, with 13.32% strongly agreeing (not illustrated).



Extent to which tenants agree with the statement “I’m concerned that the cost of living crisis could affect my ability to pay rent in the future”

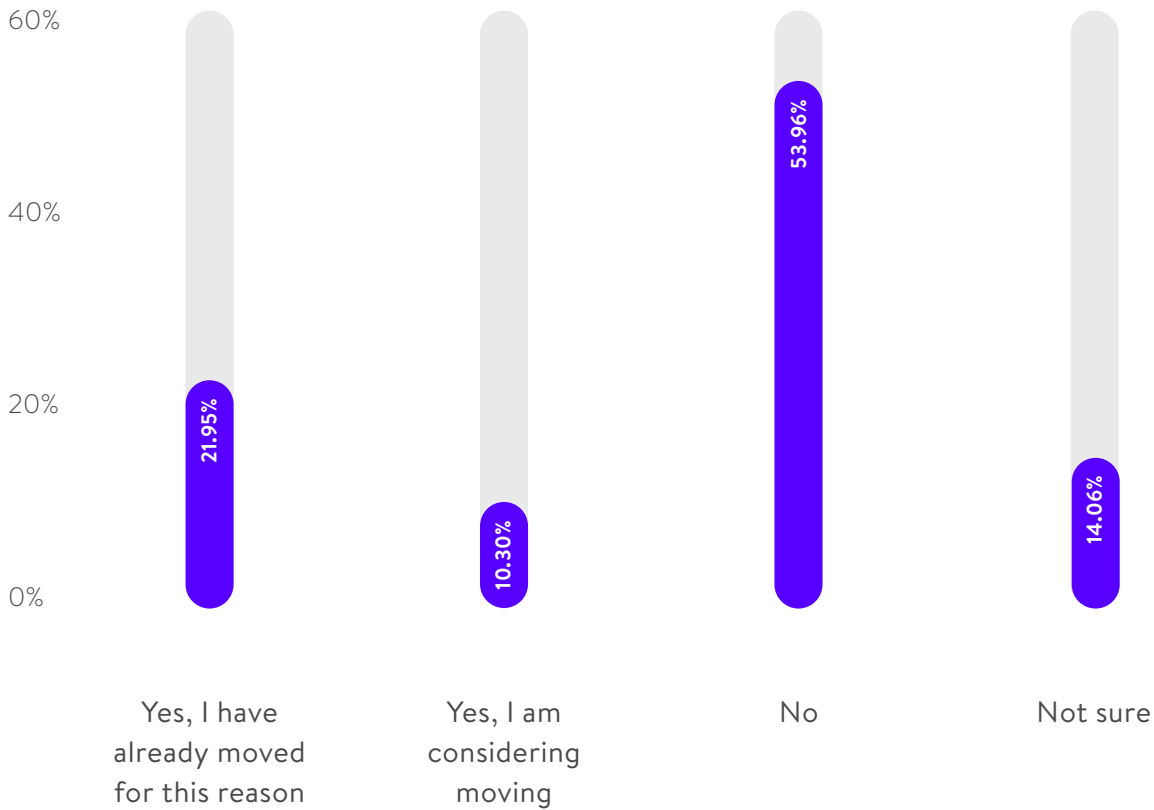


How the cost of living crisis has affected tenants' ability to pay rent





▾ Tenants who have considered moving as a result of the cost of living crisis



A fifth of tenants (21.95%) said they had already moved as a result of the cost of living crisis. A further 10.30% said they were considering moving for the same reason.



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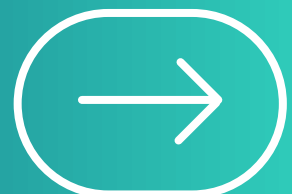
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STOCK SHORTAGES CONTINUE ACROSS THE INDUSTRY





Unsurprisingly, the raft of tax and legislative changes have affected landlord confidence in the rental sector. Landlords leaving the market is the single biggest threat to tenants, who are already struggling to secure a home. Sections 24 and 128 of the Finance Act 2016 must be reversed immediately followed by a full impact assessment before any further legislation is put before parliament. Failing this, homelessness will increase and rents will spike even higher.



Greg Tsuman - Lettings Director at Martyn and Gerrard



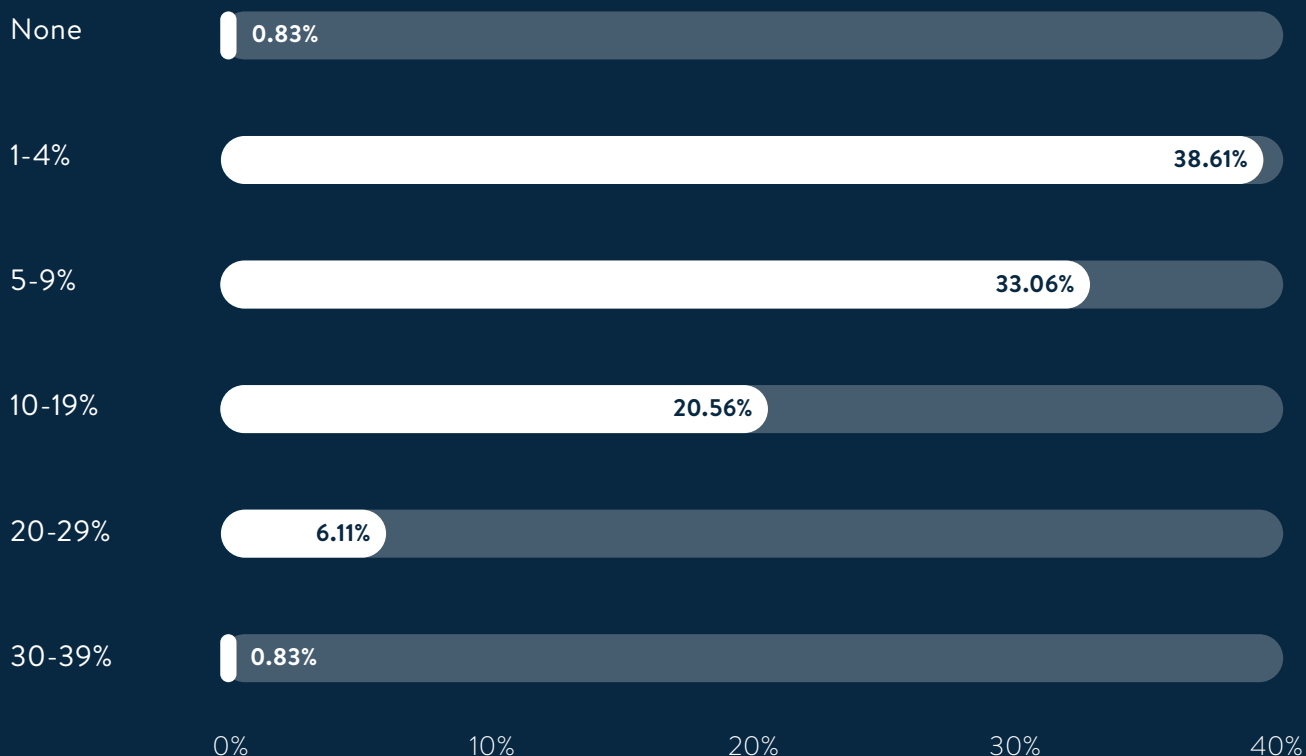


Almost two-thirds (64.85%) of agents said they had struggled with a lack of stock in the past year.

More than a quarter (28.30%) of agents had seen more than 10% of their landlords leave the sector in the past year. 67.29% said they expected more of their landlords to leave in the coming year - of those, 27.5% said they expected more than 10% of their portfolio to leave. 63.16% of landlords said they had considered leaving the private rented sector (not illustrated).



Proportion of landlords agents expect to leave the sector in the coming year



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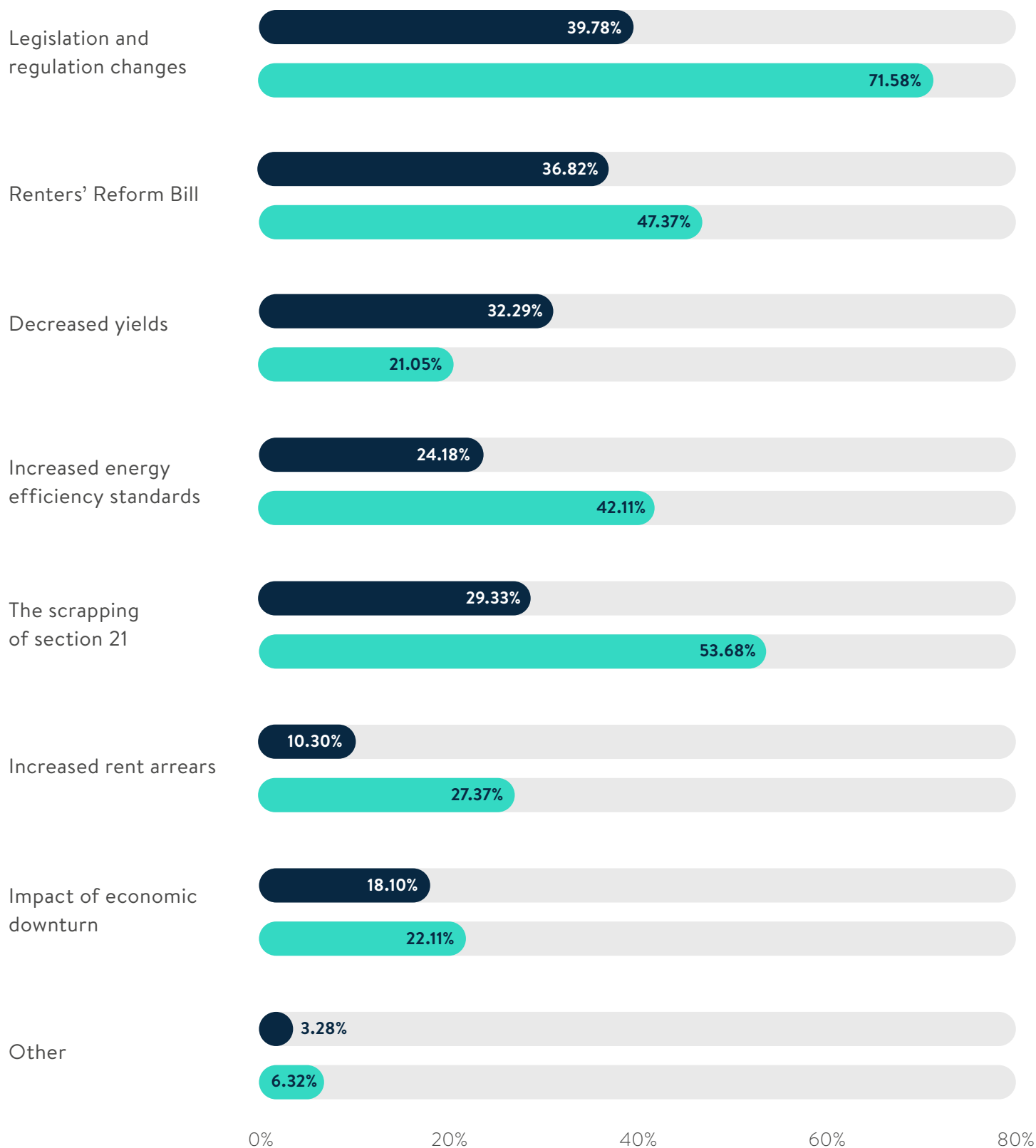
When asked to select the top three reasons landlords might leave the private rented sector, almost half of agents (39.78%) said legislation and regulation changes.

36.82% chose the Renters' Reform Bill specifically and another 29.33% chose the scrapping of section 21. Almost three-quarters (71.58%) of landlords said that legislation and regulation changes would be one of the top three reasons that would cause them to leave the private rented sector. 53.68% selected the scrapping of section 21, and 47.37% said the Renters' Reform Bill as a whole.



Top reasons agents and landlords say landlords could leave the private rented sector

● Agents ● Landlord





Meanwhile, demand from tenants isn't likely to slow down any time soon.

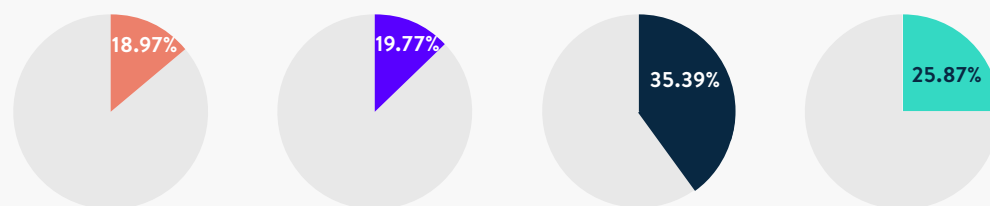
Almost two-fifths of tenants (38.74%) said they were unlikely to purchase a property of their own in the next five years.



▮ Likelihood of tenants purchasing a property within 5 years

● Highly unlikely ● Quite unlikely ● Quite likely ● Very likely

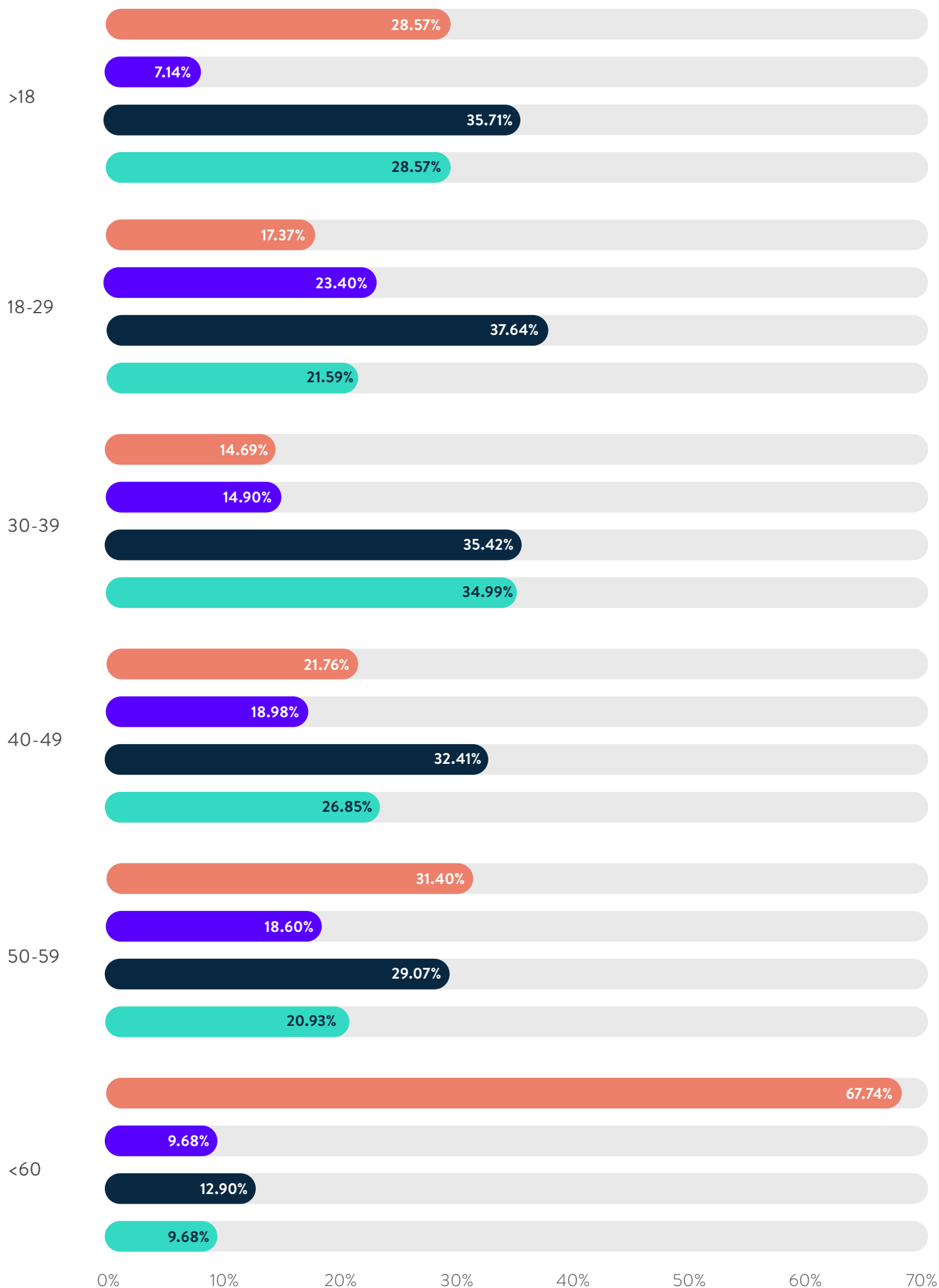
Total



Age group breakdown on the next page



● Highly unlikely ● Quite unlikely ● Quite likely ● Very likely





INDUSTRY SENTIMENT AND ATTITUDES TO TECHNOLOGY





The recent announcement of rent freezes in Scotland sent shockwaves across the whole of the private rented sector. That said, landlords and agents have both shown considerable resilience to whatever has come their way, whether that be legislative or tax changes - I'm sure they will continue to find solutions for all parties.



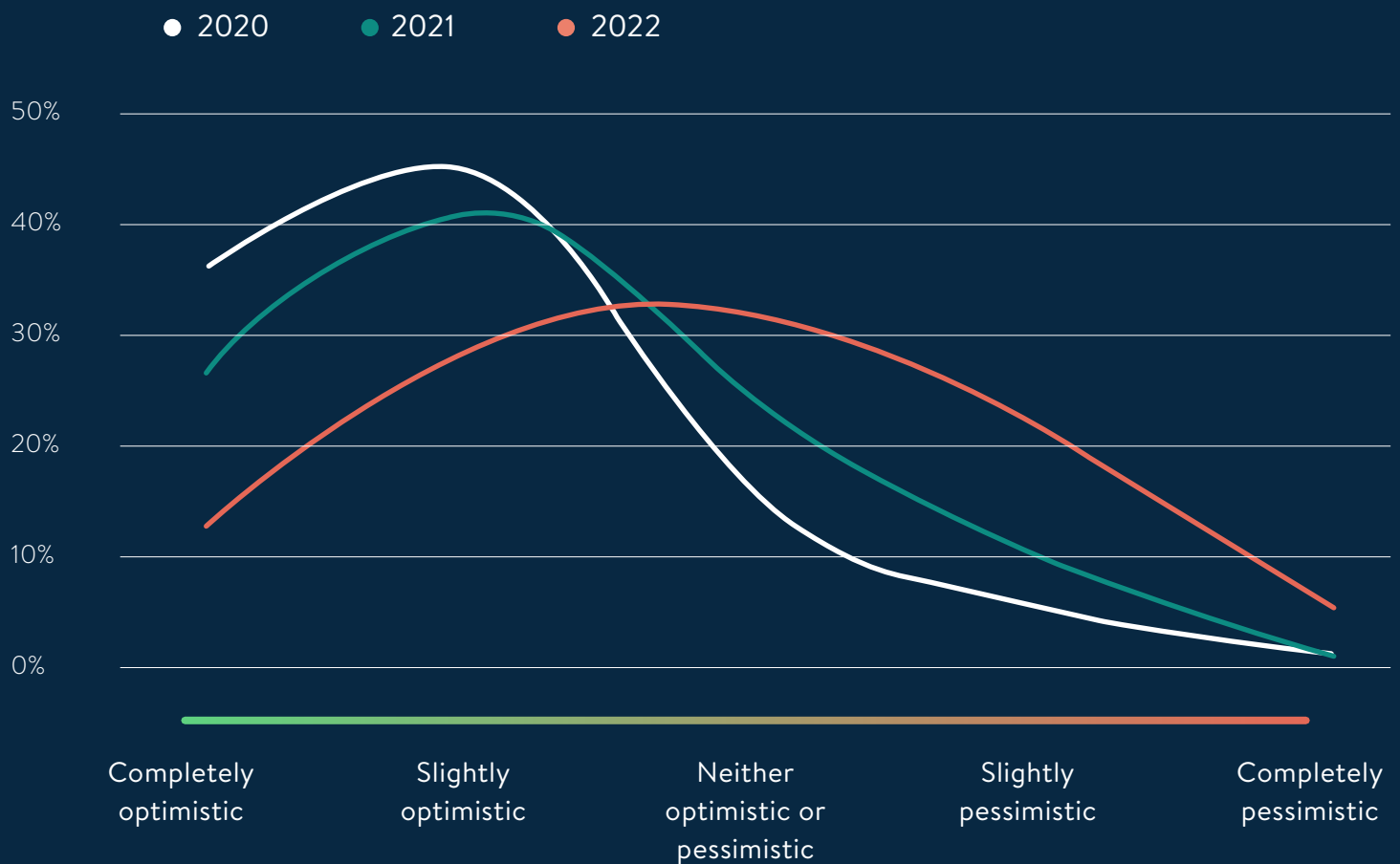
Peter Knight - Founder of The Property Academy



Almost half of agents (42.37%) say they're either "very optimistic" or "somewhat optimistic" about the future of the lettings industry, despite recent challenges. However, that figure has been in decline since 2020.



How agents feel about the future of the private rented sector



Three quarters of agents (74.43%) agreed to some extent that “the lettings industry has been left behind other sectors in its use of technology”.

Agents felt all aspects of the tenancy process would benefit from new technology and/or automation systems. Only 5.13% said that agents weren’t open to new technologies. At the same time, 93.93% of agents agreed that “there would always be a role for humans in the lettings business” (not illustrated).



Extent to which agents agree with the statement “The lettings industry has been left behind other sector in its use of technology”

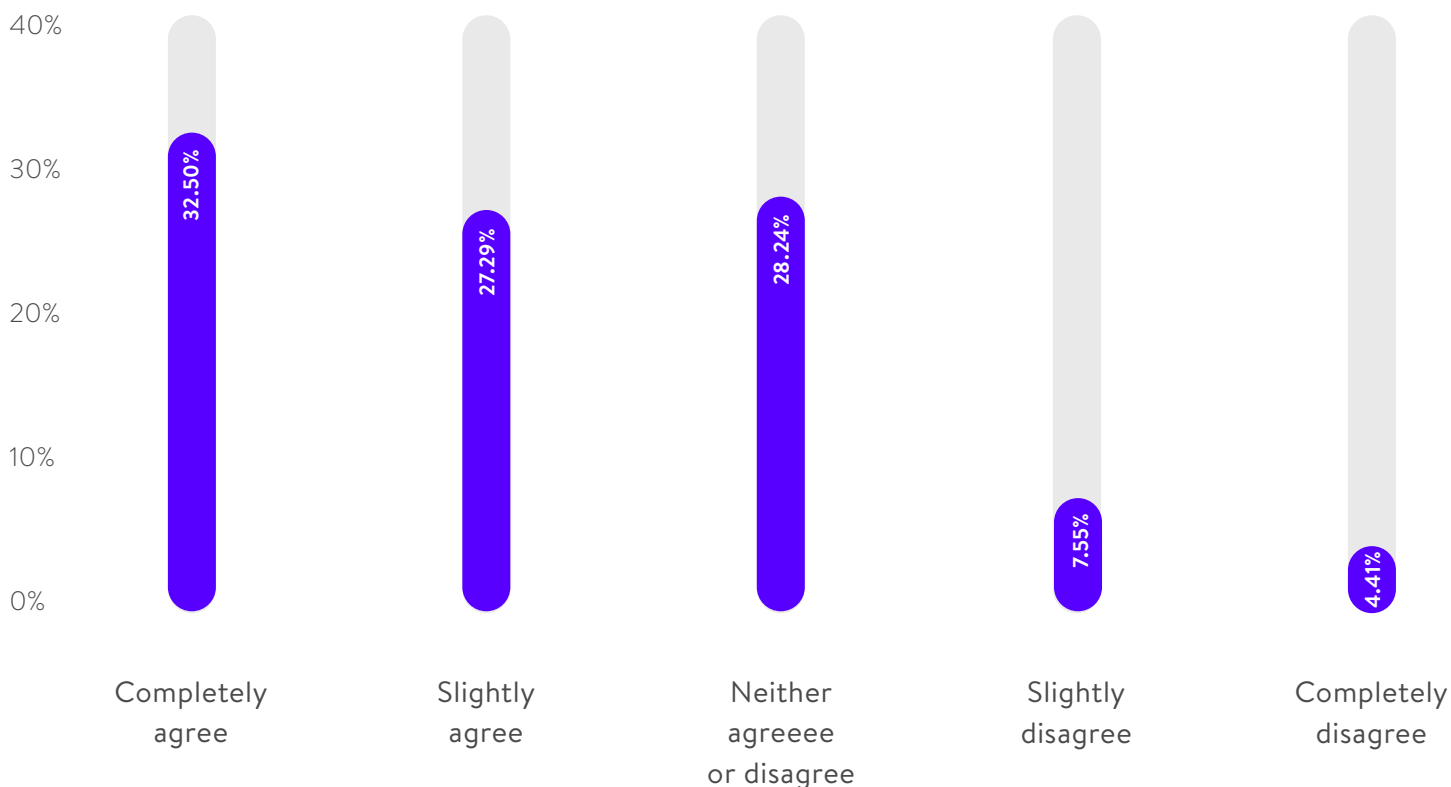




A third of tenants (32.50%) strongly agreed that “Letting agents need new technology so they can offer better customer service”.



↙ **Extent to which tenants agree with the statement “letting agents need new technology so they can offer better customer service”**





When a problem arises during the course of a tenancy, letting agents spend a wholly disproportionate amount of time dealing with those issues, for which most do not receive any additional remuneration. Where a case proceeds to a Court action, landlords and agents face a ‘postcode lottery’ in just how quickly their case is dealt with. The additional stress that this means for both letting agents and landlords cannot be overstated.



Robert Bolwell - Senior Partner at Dutton Gregory





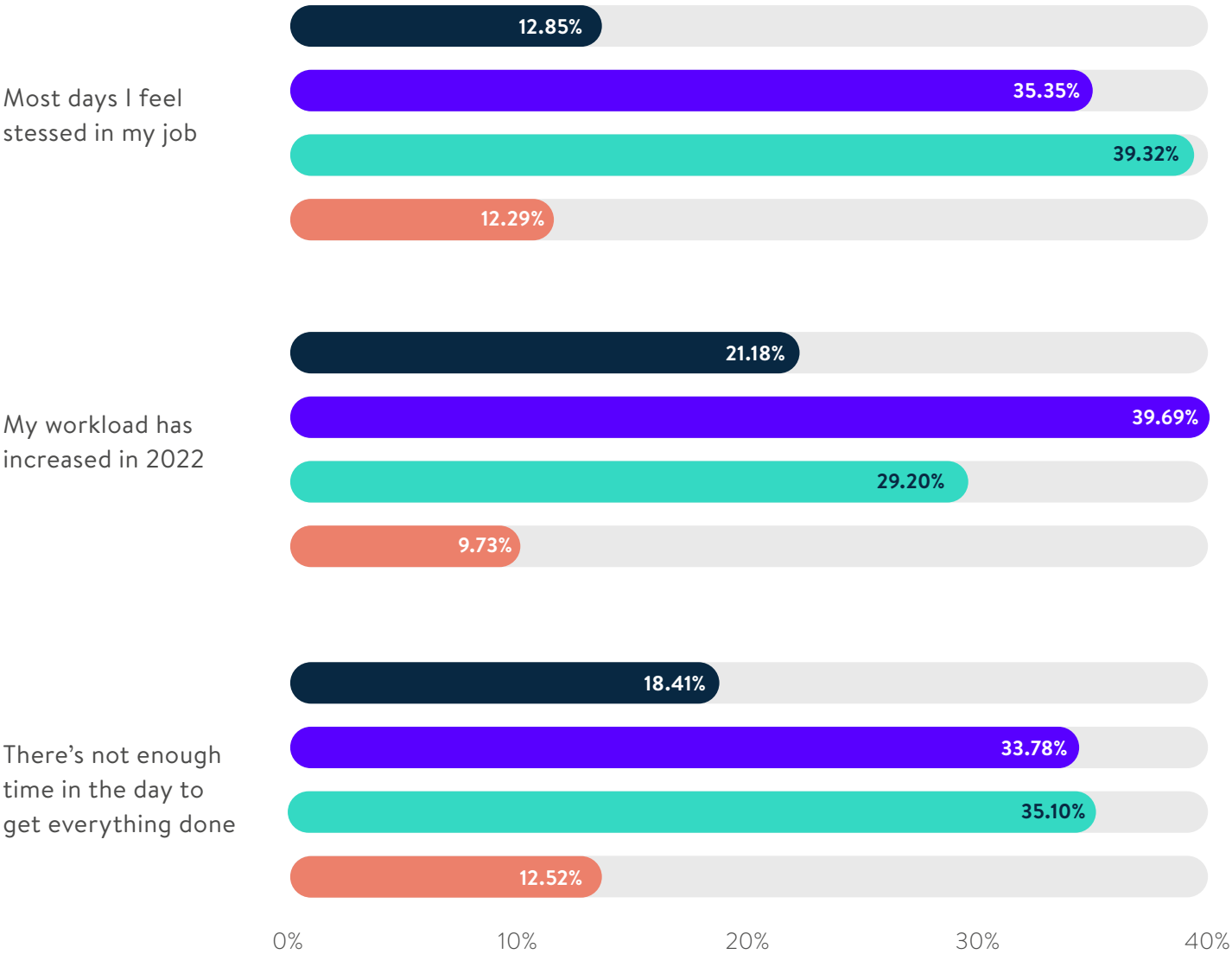
Letting agents are stressed out: 87.52% of respondents agreed to some extent with the statement that “most days, I feel stressed in my job”.

90.08% agreed to some extent with the statement “my workload has increased in 2022”, and 87.29% agreed to some extendthat they didn’t have enough time in the day to get everything done.

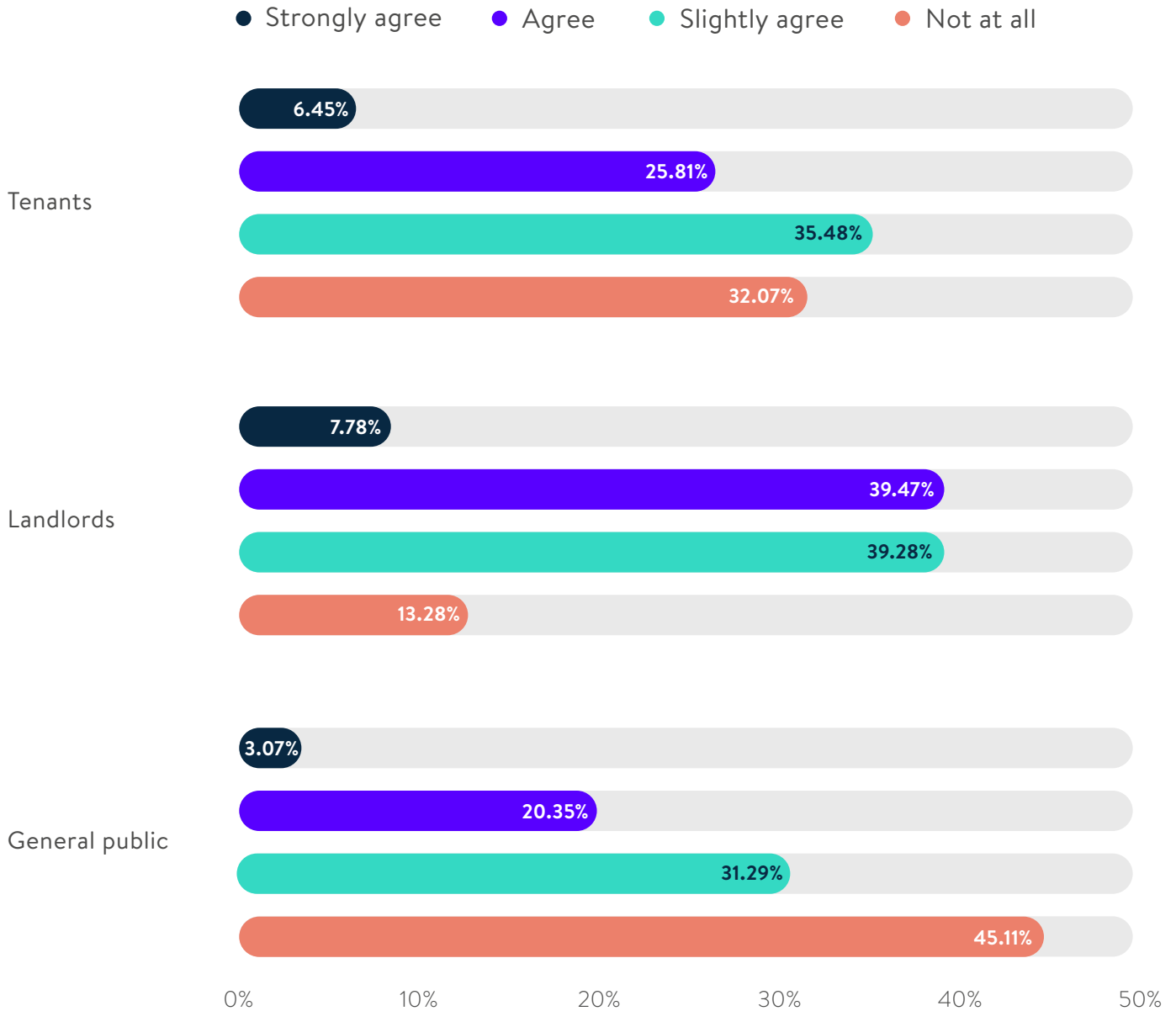


Extent to which agents agree with statements on stress and workloads

● Strongly agree ● Agree ● Slightly agree ● Not at all



Extent to which agents agree that their work is appreciated by tenants, landlords, and the general public



Almost half of agents say their work isn't appreciated. 45.11% said the general public didn't appreciate the work of letting agents. A third (32.07%) said tenants didn't appreciate their work, and 13.28% said landlords didn't appreciate their work. However, almost half (42.89%) of tenants said their experience with letting agents had been mostly positive (not illustrated).



A vertical bar composed of three colored segments: a teal segment at the top, an orange segment in the middle, and a yellow segment at the bottom.

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