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HIGH STANDARDS

DEVELOPING A PROPERTY IMPROVEMENT MODEL FOR THE PRIVATE RENTED SECTOR IN GREATER MANCHESTER

Jonathan Webb, Ryan Swift and **Amreen Qureshi**

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Making Greater Manchester's private rented sector work for all

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SUMMARY

The private rented sector (PRS) in Greater Manchester has grown significantly in recent decades. Despite this growth, there remain persistent issues with housing quality in the sector: approximately 25 per cent of all PRS homes in Greater Manchester are classed as 'non-decent' (Fair Housing Futures 2018). At the same time, around 15 per cent of all households across tenures in Greater Manchester live in fuel poverty – some of the highest rates in England (BEIS 2022a).[1] Given the age and profile of private rented housing stock, fuel poverty is likely to be more prevalent in the PRS.

The need to improve housing quality in the PRS is clear; too many tenants live in poor-quality, unsafe accommodation that impacts their health. A decline in the number of available social homes, a lack of central government investment to build more social homes and the unsuitability of social rented housing for many tenants means that an improved PRS is vital for a functioning housing system in Greater Manchester. By improving the quality of the PRS, alongside building new social homes, is vital to ensure that Greater Manchester has a high quality and stable local housing market, defined by quality. At the same time, the climate crisis demands we improve the energy efficiency of our housing stock to reduce the number of emissions our homes produce. This can also protect people from future volatility in the energy market by reducing the amount of energy households need to heat their homes.

IPPR North has sought to develop a financial model for improving private property in Greater Manchester. To understand where this model is needed and how it will interact with wider policy actions, we also established the scale, extent and quality of PRS housing in Greater Manchester.

KEY FINDINGS

The scale and impact of poor quality PRS housing in Greater Manchester

The PRS has grown significantly in Greater Manchester in recent decades, both in terms of households within the sector and the number of PRS properties. This is true for all the constituent parts of Greater Manchester. Greater Manchester also has some of the highest fuel poverty rates in the country – an outcome closely linked to a high number of poorly insulated homes. While there are many good quality homes in the PRS, there are also many that are sub-standard. When both property type and tenure are considered, the quality of accommodation in the PRS is comparatively worse than other tenures (ONS 2021). This is true both nationally and in Greater Manchester.

Poor-quality housing has an impact on both the physical and mental health of tenants (Marmot et al 2020). During the focus groups we organised as part of this research, concerns were frequently raised about the impact of the poor-quality homes on the health and wellbeing of participants', and their children, in particular. Damp, pest infestations, fly tipping in gardens, and heating issues have adversely impacted the participants' quality of life and that of their children,

1 The government definition for fuel poverty considers a household to be fuel poor if they are living in a property with a fuel poverty energy efficiency rating of band D or below and, when they spend the required amount to heat their home, they are left with a residual income below the official poverty line (NEA 2022). Fuel poverty is affected by three key factors: a household's income, their fuel costs, and their energy consumption (which in turn is affected by the energy efficiency of the dwelling).

and also negatively impacted their children's learning environment. This has been a particular concern in the past two years, where children have been taught remotely due to the pandemic. Such issues were not only raised to landlords by the participants, but also by social workers, and healthcare professionals who they have been in contact with.

Developing a model for improving private rented housing in Greater Manchester

Our starting point for developing a model to improve private rented property in Greater Manchester was understanding the barriers that exist to financing and carrying out property improvement. Alongside a review of evidence, we spoke to both landlords and tenants to understand what they saw as the key barriers. The key factor in the eyes of many tenants as to whether their property could be improved was a strong positive relationship with their landlord, where they felt able to request improvements without there being any negative repercussions such as revenge evictions. The landlords we spoke to were largely focussed on their rental yields and saw the cost of energy as the tenant's problem. While they had a preference for grant funding, landlords and a major landlord group were open to the ideas of loans if they were low cost to service.

From this evidence review and qualitative research, we concluded that any loan or financing scheme would need to offer incentives that offered significant paybacks equal to or greater than tax incentives. We excluded grants on the basis that additional grant funding beyond current government initiatives would be contingent on central government action. Instead, our model is designed to work independently of the need for government action if needed.

A bespoke investment model for improving private rented property in Greater Manchester

A changing regulatory context means that landlords will need to improve their properties to an EPC C rating by 2025 for new tenancies, and EPC of C by 2028 for existing tenancies.. Landlords who fail to undertake improvements in the next three years are likely to face additional costs later on, stemming from an absence of financial instruments to finance property improvement and prospective fines for non-compliance with standards. The proposed model provides a credible route for landlords to achieve this. The alternative for many will be the prospect of enforcement action and prospective fines if action is not taken. Our assessment and discussion with stakeholders highlighted that financing could have significant incentives for landlords, particularly those who saw themselves as professionalised landlords who want to invest in their properties and ensure they provide long-term property solutions for private renters.

Our model's key components build of many of the key mechanisms of existing financial models for property improvement, primarily those of 'green' mortgage models. The first stage of the model would work by providing finance to landlords, who would be offered low-interest loans or, if the property is currently mortgaged, a renewed mortgage offer with the secured loan added to the total loan. The designed model would, on average, offer secured loans of £12,000 for landlords to improve property. This loan would be serviced at an attractive interest rate that as of July 2022, would sit at approximately 1.9 per cent. Our research suggests that a panel of lenders would be assembled to finance this property improvement model, with a total financial envelope of £60 million made available to improve homes through the designed scheme. The majority of these lenders would be high street lenders, although social impact investors could also feasibly join the panel of lenders. We envisage GMCA playing a key convening role in this model as part of its strategy to support retrofit activity and improving housing conditions.

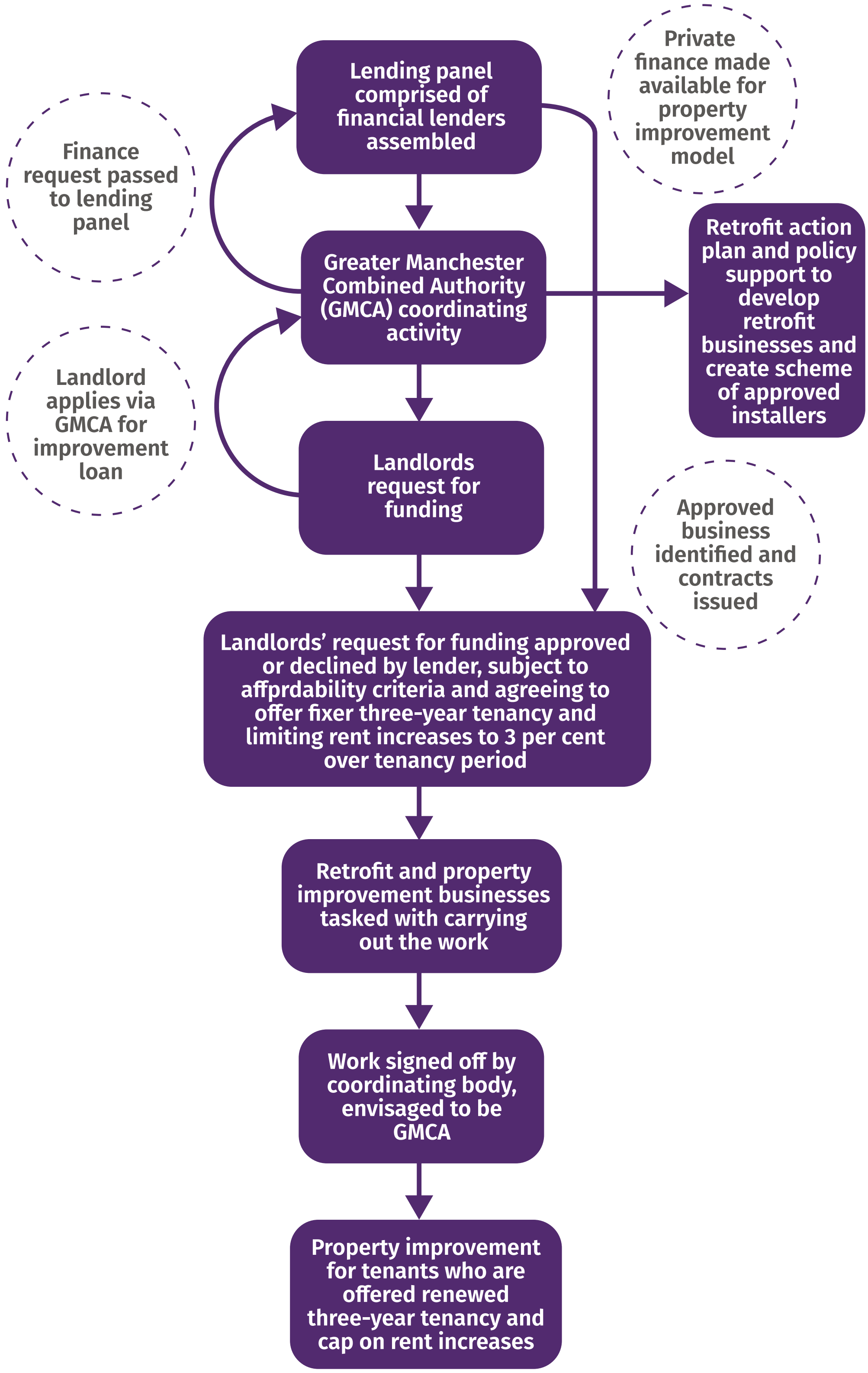
Alongside providing finance for property improvement, a charge should be registered against the property in exchange for finance as part of an agreement between landlords, lenders and the body overseeing this model (GMCA). This charge would be registered by the lender and would prevent landlords from breaching the terms of the lending agreement.

The second stage of the model would involve undertaking property improvements. To maximise the value improving properties can bring to a local area, GMCA could play a key role in auditing and providing a list of recommended contractors. This would ensure quality, ensure financing money is spent correctly and allow GMCA to promote local businesses and therefore improve their local procurement and create a more inclusive economy.

The third stage of the model focuses on achieving tangible improvements for tenants. Because the payback period for energy efficiency improvements are long and rising energy costs may mitigate any potential savings, our interviews with tenants suggested more substantive benefits are required for tenants. Property improvement results in a significant increase in asset value for property owners and landlords would already benefit financially from reduced interest rates on loans or lower interest rates on their mortgages. Ensuring there are no significant increases in rents for at least three years by capping increases at 3 per cent and providing additional protections for tenants from eviction (unless in cases of significant arrears or anti-social behaviour). This would offer a tangible benefit and give tenants a chance to benefit from the property improvement. The registered charge on the property and the loan criteria would stipulate that landlords have to abide by the terms of the loan and the lending scheme. This would prevent landlords from circumventing this fixed three-year period and avoid a scenario where landlords benefit financially and then evict their current tenants to push up their rent and accumulate further financial gain.

FIGURE S.1: PROPOSED OPERATIONALISATION OF THE FINANCIAL MODEL

Each stage is underpinned by different actions and a corresponding rationale to ensure the outcome of better quality and affordable accommodation is delivered for tenants



Source: Authors' analysis

POLICY ACTIONS FOR IMPROVING PRIVATE RENTED HOUSING IN GREATER MANCHESTER

Improving the PRS is important for tenants and is part of the current government's core mission to level up the UK. At the same time, it's also important for GMCA and its constituent councils to ensure that the PRS is a safe place for people to rent and wherever possible, it represents affordability, quality and supports good health. To implement our model and achieve change policy action is needed to do the following.

- **Develop and deliver a financial model for property improvement.** GMCA, Fair Housing Futures and other partners should work together with financial organisations to pilot and assess the viability of the designed model in practice. This will require further work with different types of lenders to further unpick any barriers to financing property improvement, as well working to bring different types of lenders – ranging from high street lenders to social investors – on board with the property improvement model.
- **A trailblazer devolution deal that puts housing first and supports the implementation of a property improvement model.** We envisage a significant role for GMCA in helping deliver our model. However, this will require giving the combined authority further powers and resources. Establishing new powers and resources as part of GMCA's trailblazer devolution deal will be crucial for creating a body that can help coordinate this model.
- **High housing standards as the norm in Greater Manchester.** The government's plans to end section 21 evictions via the Renters Reform Bill and apply the decent homes standards to the PRS must be implemented in full. The model developed through this research will only work if a credible regulatory environment exists that persuades landlords that taking action on poor quality accommodation is essential, not optional. Councils must be given the resources they need to ensure these standards can be met. The combined authority should look to use its relationship with central government to leverage these resources for local government as part of its devolution trailblazer plans. This could see Greater Manchester lead the way in driving up property standards, putting housing at the centre of its own vision for levelling up the combined authority area.

1. INTRODUCTION

Over the past decade the number of private rented properties in Greater Manchester has increased from 197,500 to approximately 223,000 (ONS 2022). While some people have a positive experience of renting privately, others have a very different experience. For many people renting at the lower end of the private rented market, housing insecurity and poor-quality accommodation is unfortunately all too commonplace.

Previous research has suggested that around 1 million owner-occupied homes in the North now fail to meet the decent homes standard, in addition to 354,000 private rented homes (Smith Institute 2018).[2] In Greater Manchester, approximately 51,500 or 26 per cent of all privately rented homes could be classed as non-decent as of 2018 (Fair Housing Futures 2018). This means that a significant number of Greater Manchester renters are dealing with major disrepair issues and the presence of harmful hazards in their home.

In addition to this, IPPR North analysis of ONS data (2021) suggests that approximately 156,000 private rented properties in Greater Manchester fail to meet an EPC standard of C which, from 2025, will become a legal obligation of landlords to provide for new tenancies, and EPC of C by 2028 for existing tenancies. If these obligations aren't met, the private rented sector in Greater Manchester which reach a critical moment with landlords who feel unable to meet these obligations exiting the sector. This could create significant turmoil within Greater Manchester's local housing market.

Regulation has a clear role to play in improving housing quality in the private rented sector) PRS. However, current regulation is often poorly defined and local authorities can struggle to enforce housing standards with limited resources to do so (Harris et al 2018). At the same time, the climate crisis has drawn attention to the issue of housing quality more generally and the need to retrofit homes. The challenge of improving properties across the board, including homes which may be decent but inefficient, raises a fundamental question about how we finance, manage and deliver property improvement in the PRS.

Despite this challenge, there is significant opportunity if PRS housing standards can be raised. Not only are their direct benefits for tenants, who would be less likely to live in poor-quality accommodation, there are also housing system-wide benefits. In central Manchester alone, nearly 13,000 households are on the social housing waiting list (DLUHC 2022). A central government failure to build enough social homes is unlikely to be rectified soon. At the same time, many households may not be eligible to rent in the social rented sector based on their history of rent arrears, income or other qualifying criteria. As a result, finding ways to improve the PRS, ensure stability in the amount of PRS stock available and make it a better place for people to rent and for landlords to operate is crucial.

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2 The decent homes standard (2006) includes four statutory minimum standards: homes should be free of category 1 hazards under the housing, health and safety rating system; be in a reasonable state of repair; have reasonably modern facilities and services; and provide a reasonable degree of thermal comfort (Smith Institute 2018).

This report explores how property improvement could be financed in the PRS across Greater Manchester. The focus of this research is on delivering a system that works for tenants. Evidence shows that regulation will continue to play a key role in improving housing standards and indeed, current regulation could be improved, specifically by ensuring local authorities have the capacity to enforce current standards and that tenants are able to raise housing issues without fearing threats or eviction. However, to date, developing a new mechanism for giving tenants a voice and for supporting the improvement of property has been underexplored in the context of both Greater Manchester's PRS, and more broadly across England.

2.
THE GROWTH AND SCALE OF THE PRIVATE RENTED SECTOR IN GREATER MANCHESTER

THE SCALE AND EXTENT OF THE PRS IN GREATER MANCHESTER

In common with other advanced, industrialised countries, over the last two decades there has been a significant growth in the number of PRS homes across the UK. In 1991 the PRS accounted for just 9 per cent of dwellings in the UK (Bailey 2020), this had risen to 19 per cent by 2021 (DLUHC 2021). Bailey (2020, p1) notes that the regrowth of the PRS has been at 'the expense of both owner occupation and social renting'. Indeed, in some areas of the country the PRS has surpassed social housing as the predominant form of rental tenure (Moore 2017).

The increase of the PRS has been attributed to a number of factors including the long-term processes of housing privatisation and the dwindling social housing supply, and the fallout from the global financial crises of the late 2000s which has resulted in stagnating earnings (Bailey 2020, McKee et al 2020, Moore 2017). It is the case that the sector is now 'accommodating a more diverse range of households, including families with children, and for many it is providing long-term rather than temporary or short-term accommodation' (Cromarty 2021, p7). This regrowth of the PRS can therefore be seen to mark 'a fundamental change in the UK's housing system' (Bailey 2020, p1).

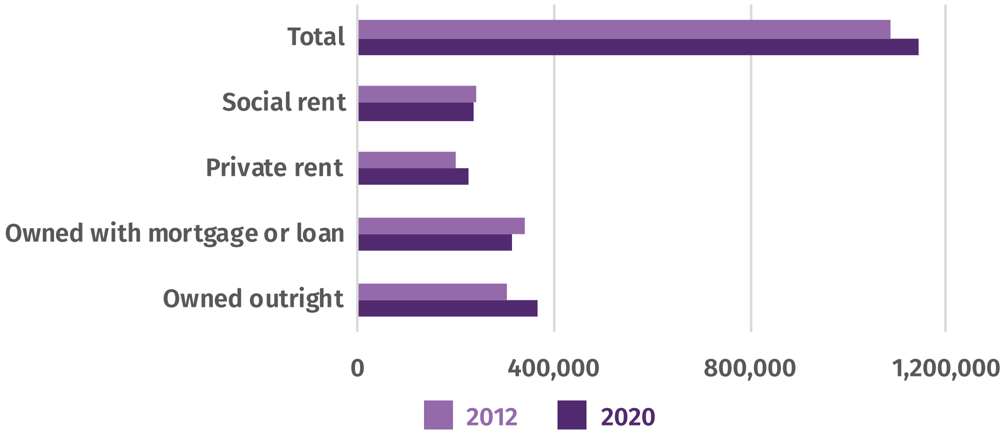
This is particularly true for younger adults and is encapsulated within the 'generation rent' concept (Bailey 2020, McKee et al 2020, Moore 2017). Moreover, demands for housing in the PRS has also grown amongst families with dependent children (Moore 2017). Research suggests that poorer young people and families are more likely to be reliant on private renting than others. Bailey (2020, p17) notes that 'in 2017/18, 42 per cent of adults under 40 in poverty lived in private renting, almost double the proportion of 20 years ago, and more than owner occupation and social renting combined'. Additionally, he highlights that 'for children in poverty, 33 per cent now live in private renting, three times the level of 20 years ago, and nearly as many as in social renting (42 per cent)'.

This development is problematic. In the past, private renting was 'never promoted as a medium- to long-term housing solution for low-income households because of its obvious shortcomings in this regard', in particular it being characterised 'by much greater problems of affordability, lower property and management standards, and greater insecurity' than the main alternative, social renting (Bailey 2020, p2). Issues of quality and insecurity are discussed in more detail below. When it comes to affordability, Marmot et al (2020, p109) point out that 'around one-third (35 per cent) of households in the private rental sector were living in poverty as a result of their housing costs in 2017/18'.

The rise of the PRS follows much the same pattern in Greater Manchester as it does nationally. The share of households living in the PRS in Greater Manchester increased 11 per cent to 17.5 per cent between 2001 and 2011 (GMCA 2019a). Meanwhile, Greater Manchester recently witnessed 'the sharpest fall in home ownership of any major city area', with home ownership dropping from 72 per cent to 58 per cent between 2003 and 2015 (arc 2018).

FIGURE 2.1: THE PRIVATE RENTED SECTOR HAS CONTINUED TO GROW IN THE PAST DECADE ACROSS ALL PARTS OF GREATER MANCHESTER

While the social rented sector has shrunk in the past decade, the private rented sector has continued to grow



Source: ONS (2022) 'Subnational estimates of dwellings by tenure, England'

HEALTH IMPACTS OF HOUSING

Poor-quality housing can have a significant negative impact on tenants, not least in terms of their health. The Marmot Report (Marmot et al 2020, p108) points out that 'poor-quality housing harms health'. It highlights that 'exposure to poor housing conditions (including damp, cold, mould, noise) is strongly associated with poor health, both physical and mental'. In terms of physical effects, respiratory conditions, cardiovascular disease and communicable disease transmission, and increased mortality can all result from poor housing conditions (Marmot et al 2020). Indeed, 'cold, damp and unsafe homes continue to cause shocking levels of unnecessary hardship and premature mortality' with National Energy Action (2020, p1) estimating 'that on average more than 10,000 people die each year due to living in a cold home'. The Centre for Ageing Better (2021, p4) highlights that 'the annual cost to the NHS attributed to low-quality housing is estimated at £1.4 billion for first-year treatment costs'.

The impact of poor-quality housing can also have a serious impact on tenants' mental health, being associated with 'increased stress and a reduction in a sense of empowerment and control over one's life and with depression and anxiety' (Marmot et al 2020, p108). Moreover, poor housing conditions may have a negative impact on tenant's general sense of wellbeing including on their self-confidence, self-esteem, and social identity (Garnham et al 2022, McKee et al 2020). Research by McKee et al (2020, p1482) into young people's experiences in the PRS finds that 'the financial stress of unaffordable rents' coupled with 'insecurity, and its associated lack of control and powerlessness' have 'created a precarious living situation' for young renters.

The impact of poor-quality housing on tenants physical and mental health is one of the most compelling reasons for action on property quality. As Marmot et al (2020, p117) note, 'while poor-quality and unaffordable housing damages health and worsens health inequalities, good-quality and affordable housing contributes to improving health and wellbeing and reducing inequalities'. They highlight that 'interventions such as improving heating and warmth, rehousing, retrofitting and neighbourhood renewal have all been shown to positively influence physical and mental health and wellbeing' (Marmot et al 2020, p117).

In addition to causing preventable physical and mental health problems, it is the case that poor-quality housing in the PRS serves to exacerbate existing inequalities. First, sub-standard homes tend to be found most in the lower end of the private rented market, thereby disproportionally housing those on lower incomes (Housing Quality Network 2020, Marsh and Gibb 2019, Scullion et al 2018, Theseira 2013). This results in a 'cycle of poverty', whereby poor housing and poor health are heavily interwoven (Garnham et al 2022, p2).

Poor housing can also have a significant negative impact on those with long-term illness or disability. This problem is particularly pronounced in the north of England. The Centre for Ageing Better (2021, p23) point out that in the North 'nearly half of all non-decent homes have at least one person living in them with a long-term illness or disability compared to the England average of just under one in five (18 per cent)'. In part, this may be down to the proliferation of the of the PRS and the fact that more people are now growing older living in private rented accommodation (Centre for Ageing Better 2021).

The disproportionate impact of poor-quality housing on specific groups

Structural racism in the UK manifests in housing policies in various ways, but a critical correlation that explains housing affordability issues within minority ethnic groups is the link between high housing costs and relatively lower wages. A report by JRF highlights that labour market inequalities, which leads to lower earnings among minority ethnic groups, limits the ability to accrue wealth necessary to move into homeownership. These factors, combined with an inadequate supply of social housing within the UK, expose minority ethnic households to the high cost of the private rented sector, resulting in paying unaffordable rent relative to earnings (Rogaly et al 2021).

Poor-quality housing may also worsen racial inequalities. The Centre for Ageing Better (2021, p22) note that 'Black, Asian and minority ethnic communities are over-represented in this sector and often live in some the poorest-quality housing'. As such, 'there is a real and material racial inequality' in the PRS. Research by Citizens Advice (2021, pp5-6) finds that non-white ethnic groups are more likely to live in poor quality housing. They highlight that 'mixed White and Black Caribbean (13 per cent), Bangladeshi (10 per cent), Black African (9 per cent) and Pakistani (8 per cent) households are more likely to have damp problems than White British households (3 per cent)'. Moreover, they point out that 'BAME households are also far more likely to be in fuel poverty than white households', a problem, they suggest, that has worsened in recent years.

COMPOSITION OF THE PRIVATE RENTED SECTOR

Greater Manchester Combined Authority (2019a, p178) attributes the growth in the PRS in the city region to a number of factors including an 'undersupply of all housing tenures', 'mortgage constraints and difficulties in saving for a deposit due to high house prices in comparison to wages', and 'the overall reduction in new build social housing' which has meant 'that those who traditionally would have accessed social housing are now housed in the PRS'. Additionally, they note others may opt to rent privately for other reasons such as the greater flexibility and mobility it allows, the availability of housing benefit within the rental sector, the fact that private renters are not solely responsible for property repairs and maintenance, and for the avoidance of taking on housing debt (GMCA 2019a).

A rise in private renting in Greater Manchester has been seen across all household types. Indeed, 'compared with social renting or owner-occupation households, the PRS is made up of a broader range of households' (GMCA 2019a, p173). The PRS in Greater Manchester is 'not homogenous and includes high and bottom end' (arc 2018, p25). Amongst others it is home to young professionals, students, BME households, short-term transient renters, older people, low-income residents, mid-income families, and high-income lifestyle renters (arc 2018).

Nevertheless, the increase in private renting in Greater Manchester in recent decades has been particularly notable amongst young people and families with children (GMCA 2019a). Research by New Economy (2015) suggests that just over half of people who live in the PRS in Greater Manchester are under 35. Greater Manchester Combined Authority (2019a, p60) note that 'between 2001 and 2011 the concentration of young people in the PRS in Greater Manchester increased significantly, as a result of the increases in barriers to homeownership for young people over this period'. When it comes to families with children, findings from New Economy (2015, p20) suggests that 'between 2001 and 2011 there was an 85 per cent increase in families with dependent children living in the private rented sector' in Greater Manchester. As such, almost one in three households in the PRS in Greater Manchester have dependent children (GMCA 2019a).

Further to this, it is the case that in Greater Manchester the PRS 'contains the highest proportion of ethnic minority households' when compared to other housing sectors (arc 2018, p28). Research by Greater Manchester Combined Authority (2019a, pp57-58) finds that 'households headed by someone identifying as white are most likely to own their own home'. In contrast, 'households headed by someone identifying as being in a black ethnic group are least likely to be owner occupiers in Greater Manchester'. It finds that social renting is the dominant form of housing tenure for Black residents in the city region. Meanwhile, the 'majority of Asian households are owner-occupiers and conversely show the smallest proportion of social renters at 15 per cent'. Greater Manchester residents identifying as belonging to other ethnic groups are most likely to be private renters.

While private renting is common across the whole of Greater Manchester the highest concentrations are found in central areas of the city-region in Manchester and Salford and central and south Manchester, this reflects 'the city centre apartment market and residential areas popular with students' (GMCA 2019a, p88). The research here, however, does not focus on the student-market. Instead, the focus is on other areas of the PRS which are prevalent across Greater Manchester.

Indeed, 'aside from Stockport, all of the town centres in Greater Manchester also have higher levels of private renting than owner-occupation'. Although areas on the outskirts of conurbations have lower levels of private renting, the PRS accounts for at least 10 per cent of housing in many areas of the city region (GMCA 2019a, p88). The predominant type of housing in the PRS does, however, differ notably across the city region. For instance, in Manchester and Salford, purpose-built flats are the dominant accommodation in the PRS, terraced housing is most common in Oldham and Rochdale, meanwhile, in Stockport and Wigan, semi-detached houses account for sizeable shares of the private rented market (arc 2018).

Overall, the PRS in Greater Manchester is diverse in terms of the demographics of those who reside in it, its distribution across the city region, and the type of accommodation available within it. The sector has grown significantly in recent decades and Greater Manchester Combined Authority (2019a, p9) suggest that this trend it likely to continue. Moreover, they suggest that 'on current trends even more families with children as well as older households will rent privately'.

3. POOR QUALITY AND ENERGY INEFFICIENCY IN THE PRIVATE RENTED SECTOR

THE EXTENT OF ENERGY INEFFICIENCY AND POOR-QUALITY HOUSING IN GREATER MANCHESTER

A major issue that is commonly highlighted in research on the PRS is the quality of housing in the sector. While there are many good-quality homes in the PRS, there are also many that are substandard. The quality of accommodation in the PRS compares badly with that in other housing sectors; the English Housing Survey 2020-21 found that 21 per cent of homes in the PRS do not meet the decent homes standard, with 12 per cent having a category 1 hazard (Shelter 2022). The PRS was seen to perform worse than the social rented sector where the research suggests 13 per cent of homes were non-decent, and the owner-occupied sector where the per centage on non-decent homes was suggested to be 16 per cent (DLUHC 2021).

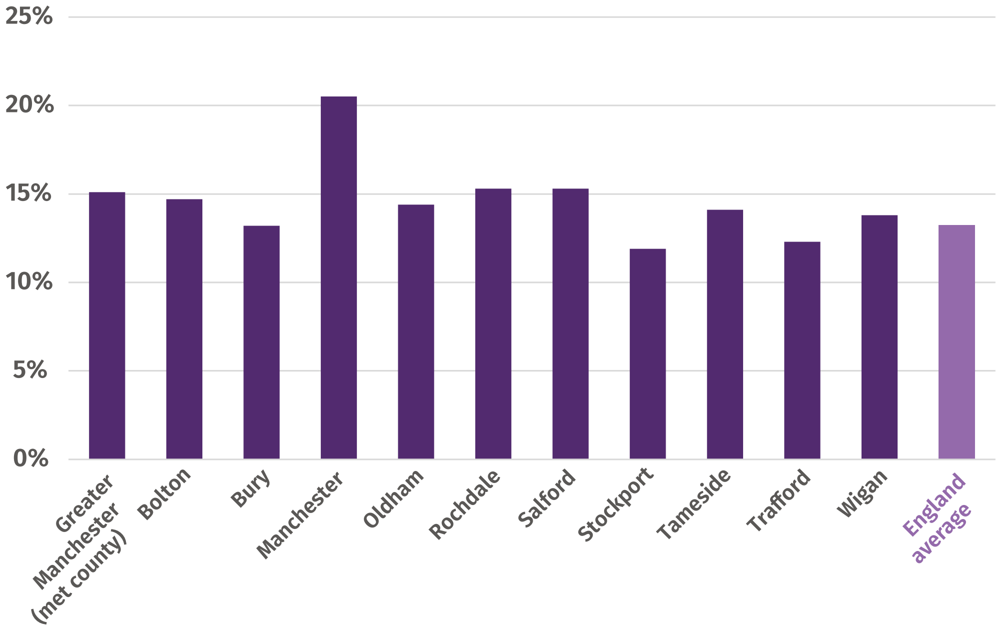
When expanded beyond the narrow definition of 'non-decent' to a broader definition of 'poor housing', research suggests that 38 per cent of private renters lived in 'poor housing', while still high, this figure was lower at 22 per cent in the social rented sector (Bevan 2019). Further to this, it appears that private rented houses are more likely to contain a 'category 1' hazard, the most serious type of hazard that is likely to pose an immediate threat to health or safety (Bevan 2019). Research suggests that in 2019, 13 per cent of privately rented homes had a category 1 hazard, this compares with 10 per cent of owner-occupied homes and 5 per cent of social rented homes (Cromarty 2021). While Marmot et al (2020, p111) note that 'overall, housing conditions have improved over the last decade', they point out that the PRS is still the most problematic area of the housing market with almost 2 million private renters reporting issues with condensation, damp, or mould in their home.

Further to these serious issues, properties in the PRS often perform worse than properties in other sectors in terms of energy efficiency (Ambrose 2015, Miu and Hawkes 2020). The latest data from the ONS notes that in England, when property type is taken into account, private rental properties emerge as the tenure that had the lowest median energy efficiency scores (ONS 2021). This owes much to properties in the PRS being inadequately insulated (Miu and Hawkes 2020). As a result, private rented tenants can often face having to 'endure dangerously cold homes' (Ambrose 2015, p914). Indeed, 15 per cent of all homes in the PRS are classified as a category 1 'excess cold' hazard under the housing health and safety rating system (Ambrose 2015).[3] This means that they are so cold as to pose a risk to health. Additionally, those in the PRS living in energy inefficient houses face the burden of fuel poverty (Ambrose 2015c, Lang et al 2021). Given the soaring costs of energy this problem is particularly acute. Yet, as Ambrose (2015, p913) notes, tenants 'have little direct influence' over the energy performance of the properties they live in.

3 The Housing Health and Safety Rating System (HHSRS) is a framework used by local authority environmental health officers to check the quality of a property. It is used to measure the extent to which there is a chance of harm, how serious it would be and the risk it poses based on the occupiers of a property. Category 1 hazards are serious and require the council to take action. They can also choose to act on category 2 hazards, which pose less of a risk of necessary (Shelter n.d)

FIGURE 3.1: FUEL POVERTY RATES IN MOST PARTS OF GREATER MANCHESTER AND IN GREATER MANCHESTER AS A WHOLE ARE HIGHER THAN THE ENGLAND AVERAGE

Fuel poverty rates as a percentage of households



Source: BEIS (2022a) Sub-regional fuel poverty data 2022.

While these issues with quality are commonly found in the PRS across the country, some issues are particularly apparent in the north of England. The APPG for Housing in the North (2020, p8), highlights that almost one in three houses in the PRS in the North were built before 1919. Many of these are terraced properties which, they note, are 'the most challenging to modernise'. This is often the case in Greater Manchester where, despite the recent building of new apartment developments in the city centre and Salford Quays, the PRS continues to be dominated by older types of housing such as terraces and suburban semis (GMCA 2019b). While it is the case that many such properties remain in fine condition, in some parts of the city region these older properties 'often show their age, presenting substantial concerns in terms of their condition, with common issues of damp, cold and other health and safety hazards' (GMCA 2019b, p6).

Analysis by Greater Manchester Combined Authority (2019a, p176) suggests that 'it is not possible to say with certainty how many homes in the PRS in Greater Manchester are not meeting government's decent homes standard'. But they note 'given the age profile of Greater Manchester's housing stock and the substantial proportion of the PRS stock which is in older, terraced properties, it is reasonable to assume that conditions may be worse in Greater Manchester than nationally'. Research by arc (2018) has attempted to put a figure on the amount of non-decent homes in Greater Manchester. Drawing on data from the English Housing Survey and adjusting it according to the make-up of the PRS in the region, it suggests that around 51,500 dwellings (26.2 per cent) of PRS stock across Greater Manchester are non-decent.

Survey research with renters on the state of the PRS in Greater Manchester by New Economy (2015) has found that around one in five respondents have experience of renting poor-quality property. It found that tenant's concerns with their properties were related both to issues with maintenance as well as the initial design or build of the property. Interestingly, it highlighted that concerns about poor quality are not confined only to older properties in the region but also newer builds, with some residents of such accommodation suggesting it to be 'poorly built with thin walls and noting it was either too hot or too cold' (New Economy 2015, p36).

Meanwhile, survey research finds that 17 per cent of current private renters surveyed in Greater Manchester said that they had a badly done repair in the last 12 months, and a third had within the last five years; that one in 15 renters surveyed had rented from a rogue landlord in the last 12 months, and one in six had in the last five years; 29 per cent of current renters surveyed stated that they had had a repair delayed unnecessarily or not done in the last 12 months; 29 per cent of renters surveyed agreed that they had lived in a rented home that harmed their health or their children's health; 8 per cent reported experiencing vermin/pest problems in the last 12 months; 31 per cent reported damp or mould problems in the last 12 months; and 16 per cent reported electrical hazard problems in the last 12 months (arc 2018, p32),

Issues of quality within the PRS may be experienced differently in different areas of the city-region. For example, in Oldham it is estimated that the number of non-decent homes increased by almost 1,500 between 2010 and 2015 (arc 2018). Meanwhile, in Salford, research by Scullion et al (2018, p5) finds that while on average it may be the case that the quality of properties in the PRS is increasing, there is a growing polarisation in property standards. One participant in their study noted that at the lower end of the market 'what we're finding is that the worst is worse'. Scullion et al (2018) found that the most common issues raised by tenants in Salford concerned issues with damp and mould as well as issues around a lack of heating or water. Again, Scullion et al (2018) found that concerns about quality were not confined to those living in older properties. Tenants in newer homes reported issues with damp as well as fundamental problems with building design.

REASONS FOR POOR QUALITY IN THE PRIVATE RENTED SECTOR

Given these widespread issues of quality in the PRS, it must be asked why landlords do not do more to improve the quality of their properties, and what are the barriers to improvement. One factor may be the circumstances of landlords themselves. In England, the scale at which landlords operate is generally small, with around 94 per cent of landlords operating as individuals (Marsh and Gibb 2019). On average, it is thought that landlords in the PRS own less than four properties (New Economy 2015). The make-up of landlord types in Greater Manchester is unclear, although it is not thought to differ significantly from the national picture where there is a concentration of small-scale landlords (arc 2018, New Economy 2015). There has, however, been a growth in larger commercial landlords in some areas of Greater Manchester, such as Manchester, Salford, and Trafford in recent years (arc 2018, GMCA 2019a).

While many landlords do operate at a relatively small-scale, there is, nevertheless, a diversity in the characteristics of landlords. Some may be accidental landlords who have acquired a property through inheritance for example, while others may have strategically built up a portfolio of rental properties. Some may take a long-term approach to the management of their properties, while others may look more at short term 'income maximisation'. Some landlords may take a relatively active approach to managing their properties, while others may be much more passive in their property management (Marsh and Gibb 2019). As such, landlords must be seen as 'a diverse group, whose experiences and motivations are poorly understood' (arc 2018, p38).

Indeed, the landlords that we interviewed as part of this research exhibited different characteristics. One had a portfolio of 39 properties that they had gradually acquired over the last two decades. The other let out just one flat above a café that they had had built purposely for let. The first was now a full-time landlord, the other had worked alongside being a landlord but was now retired.

When asked to consider the positives and negatives of being a landlord, the full-time landlord mentioned the benefits of time, freedom, and flexibility. Largely, however, both landlords mentioned many more negatives, specifically concerning their relationship with tenants. One suggested that there is often “an adversarial kind of relationship” with tenants, and that there is seldom any “appreciation at all from tenants”. The other was of the view that “nobody seems to want to know about the landlords, all they’re worried about is tenants”. It was argued that “nothing will change because of the way the media operates around landlords, you know, we’re the devils, we’re out to rinse people dry of all their money, and make people live in mouldy, horrible conditions”. Yet, this, it was suggested is “far from the truth”. Instead, that landlord suggested that “most landlords just want a quiet life, want tenants to live in a reasonable condition like they do themselves, and just get on with their life”.

Barriers to improving property

There are several significant barriers that may prevent landlords carrying out improvements on their properties. For one there may be issues associated with property management and knowledge of standards and maintenance. Indeed, a study by New Economy (2015, p10) in Greater Manchester found that there was a ‘lack of knowledge of rights and responsibilities by some landlords’ which, they note, has resulted in ‘issues around housing management in areas with a concentration of PRS properties’. Further to this, the study reported that participants in tenant focus groups had raised concerns about their landlord’s knowledge of their responsibilities. Other studies have found that landlords’ ‘energy literacy’ was low, with a minority having knowledge of energy saving measures and energy costs in their properties (Miu and Hawkes 2020, p5), or that some view regulations such a EPCs as a ‘bureaucratic exercise’ of ‘little value’ (Ambrose 2015, pp 918-919).

Perhaps the greatest barrier to landlords carrying out improvements on their properties is a lack of finances or a perceived lack of financial incentive. In their research on the PRS in Salford, Scullion et al (2018, p18) find that ‘request[s] for repairs were often met with excuses, some of which related to personal and financial issues facing the landlord’. Similarly, in researching into landlord’s incentives to improve the energy efficiency of their properties, Ambrose (2015, p920) found that some landlords ‘cited the relative weakness of the local housing market including low rental yields and low equity levels as significant barriers to action’. Such landlords were of the view that any money invested in what they deemed to be ‘‘non-essential’ improvements would not be reflected in rent levels or property values’. Meanwhile, in ‘high-demand markets where rents are not strongly linked to quality’, some landlords are similarly disincentivised to pay for improvements which they perceive will offer them little financial gain (Rolfe et al 2022, p10).

There are similar concerns about a lack of financial incentives when it comes to landlord improvements in energy efficiency. Again, it may be that some landlords view ‘investment in energy efficiency as too costly and unlikely to produce a return in terms of higher rents’ (Rolfe et al 2022, p11). Research by Lang et al (2021) finds that financial constraints are the most cited barrier by landlords to retrofitting their properties. But they found that landlords who believed that retrofitting would add financial value to their properties were much more likely to carry out the work than those who did not. This suggests that landlords are much more likely to carry out improvements if they expect to see a financial return on their investments.

There are, however, additional financial factors that may disincentivise landlords from investing in energy efficiency measures, for example. Chiefly, these revolve around the principal - agent problem whereby landlords feel they have little incentives to improve the energy efficiency of properties because many view it as the tenant's responsibility to heat the home and pay the costs of energy, and as such, they may reason that they have little to gain financially from improved energy efficiency and lower energy prices (Ambrose 2015, p919). Given this, Ambrose (2015, p920) finds that landlords were much more likely to invest in 'cosmetic improvements' rather than improvements to the energy efficiency of their properties. She found that a majority of landlords 'chiefly aspire to keep their properties well maintained to ensure they are 'liveable' and 'lettable'', yet only a small minority of landlords in Ambrose's study saw 'providing a well-insulated property' as crucial to this.

Another reason why landlords may not invest in improvements to their properties is that they are unaware of the issues in them. In part this may be down to a lack of curiosity on the state of their properties, but it is also down to tenants commonly choosing not to raise issues with their landlords or to seek to resolve them themselves. Partly this may be down to a perception on the part of tenants that landlords will not carry out the requested work (Scullion et al 2018, p18). Largely, however, this is a result of insecurity on the tenant's part. Several studies highlight that tenants may choose not to raise issues with landlords out of fear of being evicted or having their rent increased (Rolfe et al 2022, Scullion et al 2018, Shelter 2022). These concerns appear to be exacerbated by anxieties around short tenancies and a high degree of 'churn' in the PRS (Scullion et al 2018) as well as a lack of choice of other suitable properties for some, particularly families (Rolfe et al 2022). Already disadvantaged groups may be the most likely to struggle to raise issues with their landlords (ibid).

When it comes to the condition of the respective properties of the landlords interviewed for this research, the landlord who lets just one property suggested that there were no major concerns around damp and mould, or warmth and energy efficiency. They noted that there had been a leaking roof, but they had had it fixed. For this landlord, the biggest problems with the condition of the property came from the actions of the tenants themselves. They suggested that most of the time tenants "smash the place up", adding "the amount of damage they cause is incredible".

The other landlord painted a similar picture. They acknowledged that "on the whole" their properties were "below average". Yet, they too suggested that this was largely down to the tenants. They claimed that because many of their tenants were often on benefits, they "tend to attract a certain kind of client" who "take very little pride in where they live or how they live". As such, it was suggested that the properties have tended to deteriorate over time. They noted that it "isn't that I'm choosing to rent properties out that are below average standard, it's just purely because the tenants that have lived there just can't look after them".

This landlord did acknowledge that there were problems with damp and mould in many of their properties but again suggested that this was largely the fault of the tenants for not ventilating their homes properly. Given this, they suggested that if there are any structural problems with the property that are causing damp, they would be happy to resolve them, but they pointed out that largely they instruct the tenants that the damp and mould is their fault. Yet, the landlord noted that tenants "won't believe me, they feel like it's something to do with me, it's my problem, it's my mould".

The landlord noted that many of their properties have some kind of insulation, whether cavity wall or loft insulation, some of which had been funded by grants. Despite this, they highlighted that this does not necessarily seem to improve the energy efficiency rating of the property. Moreover, they acknowledged that tenants may still point out that the properties are "difficult to heat".

When it comes to repairs and maintenance, the landlord with just one flat stated that any time tenants complain about anything, maintenance will be carried out “very quickly”. The other landlord also suggested that repairs are carried out in a timely manner. They noted that they employ someone to take care of maintenance and for more serious issues, like problems with the boiler for example, they have a relationship with a local engineer. Nevertheless, they did acknowledge that perhaps they could do more to maintain standards. In particular they suggested it may be prudent to check the exteriors of the buildings more regularly, especially over the winter, as well as the conditions of the doors and windows.

In terms of the general appearance of the properties, one landlord noted that you could make a house “absolutely beautiful”, and they suggested that this is what they attempted to do when first starting out as a landlord. Yet, they argued that “six months down the line, I may as well just set fire to the money… it’s just a total waste of time” as the “vast majority of tenants” will not look after the property adequately. They argued that financially “if you’re constantly making these improvements to the property and it’s not being looked after, it then becomes an unviable business model”. Given this, they were of the view that “every house has to be to a reasonable standard…so the key thing is to make it good enough”.

4.
THE IMPACT OF POOR-QUALITY HOUSING ON TENANTS IN GREATER MANCHESTER

INSIGHTS FROM A TENANT FOCUS GROUP

To ensure that our model works for tenants and ensure that our policy recommendations consider the suite of policy measures needed to improve private renting in Greater Manchester, we undertook a focus group with a selection of tenants from across Greater Manchester. This complemented our extensive desk-based research. Further information on this can be found in the annex of this report.

Financial impact of poor-quality housing on tenants

Some of the participants spoke of extortionate energy bills due to disrepair and lack of maintenance of their boilers. As a result, some were facing economic hardship. One participant mentioned utilising four to five electric heaters, but it was still not enough to keep their homes warm. One participant shared that they “ended up in debt because of the sky-high bills” because of a potential gas leak and an old boiler that had not had any maintenance work done to it for a long time. Another participant also shared a similar problem: “If I put £30 on my [prepayment gas] card, before five days it will run out. I thought the government had increased the bills, until the social worker came and told me my boiler was old”.

When participants were asked if they had received energy performance certificates when they first moved in, most participants said no or were unaware of the certificate. One participant knew their building was not energy efficient, but the balcony door was not sealed properly, which meant the apartment did not stay warm. They also faced problems with soaring energy bills:

“We really avoid trying to turn on the energy and use blankets because we have a massive energy debt at the moment, [our] information was not passed on to the energy provider correctly [by the landlord]. By the time we reached out to them we were presented with this massive bill.”

Health impacts of poor-quality housing on tenants

During the focus groups, concerns were frequently raised about the impact of the poor-quality homes on the health and wellbeing on participants’, and their children, in particular. Damp, pest infestations, fly tipping in gardens, and heating issues have adversely impacted the participants’ quality of life and that of their children. It has also negatively impacted their children’s learning environment. This has been a particular concern in the past two years, where children have been taught remotely, due to the pandemic.

Such issues were not only raised to landlords by the participants, but also by social workers, and healthcare professionals who they have been in contact with. One participant said: “the social services got involved, and my son was not well at all. I knew it was because of the condition of the home". Another mentioned: "we went from hospital to hospital and the social service made a letter saying that the house was not good for the kids to live". However, despite letters written or other types of action taken by doctors and social workers, participants had not seen much improvement in their housing condition, thus many of the participants felt as though they were trapped in a cycle of poor housing, and had received inadequate assistance to address issues of maintenance and disrepair.

Mental health and wellbeing were frequently discussed in the focus group. Participants spoke of feeling 'exhausted', 'overwhelmed' and also 'feeling hard done by' due to the challenges they were facing in their rental homes. Yet some participants were reluctant to address housing issues openly with the landlord because "you do not want to cause too much trouble because you could get chucked out anytime".

Power imbalances between landlords and tenants

Finally, the breakdown of trust, and power imbalances between tenant and landlord came up as a contributing factor to the negative impact on participants' wellbeing. When asked what would determine a landlord's willingness to take action on their requests to improve housing conditions, the participants could not provide a straightforward answer, as they believed that there was very little willpower on the landlords' side to commit to improving housing situations for their tenants. Many spoke of a feeling of the landlord having 'the upper hand'. One participant said: "you feel like nobody is on your side, and they always try to one-up you. They seem to know what to do and what to say, and I lost a lot of trust in private landlords".

5.
WHAT'S WORKED ELSEWHERE TO IMPROVE THE STANDARDS OF PROPERTY?

The PRS in Greater Manchester faces significant challenges in terms of poor-quality and energy-inefficient accommodation. This directly impacts tenants both economically and in health terms. Despite the challenges the PRS faces in Greater Manchester, there exists scope to learn from other places on how interventions can be made to support property improvement both within the PRS and more broadly.

LESSONS FROM THE UK AND INTERNATIONALLY – NOVEL WAYS TO FINANCE AND ADMINISTER PROPERTY IMPROVEMENT

There are a number of existing or proposed methods of financing property improvements in the PRS. First, when it comes to grants, landlords do have, or have in the past had, access to government grants to improve the energy efficiency of their properties (National Energy Action 2020). Nevertheless, Lang et al (2021, p2) note that 'when governments have offered incentives for energy efficiency improvements, they have been accessed disproportionately by owner-occupiers compared to owners of rental properties'. For example, they highlight that 'rental properties made up only 5 per cent of all homes retrofitted using the UK's green deal finance'. This may be down to a number of factors including a lack of knowledge about the grants on the landlords' part, a lack of landlord interest in issues of sustainability, the landlord making decisions on behalf of the tenant without full information of their benefits (the existence of the principal–agent problem), a lack of tenant demand, and a lack of concern for tenant wellbeing (Ambrose 2015, Lang et al 2021).

It therefore appears that more needs to be done to encourage landlords to take advantage of these kinds of grants. But at the same time, it is argued that landlords should not financially benefit from such grants at tenants' expense. National Energy Action (2020, p4) suggest that grants paid to landlords to improve energy efficiency should come 'with a condition of no rent increases for a minimum of three years', as is the case with similar schemes in other nations of the UK.

Loans are another method by which landlords could potentially finance property improvements. Citizens Advice (2021) recommends both grant funding and low- or zero-interest loans as key incentives that government should be looking to offer landlords seeking to finance improvements. Similarly, the Centre for Ageing Better (2021) suggest that publicly financed grants and loans are crucial. Further, they suggest that this should be coupled with private funding, which is also guaranteed by government, therefore limiting the risks for investors. They note that 'the government has expressed its desire to support local enterprises that create social, environmental, and economic value', and suggest that 'underwriting loans for home improvement would help to fulfil this aim'. They point to the example of the German KfW (Kreditanstalt für Wiederaufbau) model as a potential to follow here (Centre for Ageing Better 2021, p49).

Another form of financing support that landlords could benefit from in order to invest in property improvements are tax incentives, including tax reliefs and tax breaks. Marsh and Gibb (2019, p33) point out that, in particular, many small-scale landlords with few properties 'do not necessarily rely on debt finance'. As such, tax incentives may be more beneficial for such landlords. Yet, they note that cuts in tax relief for landlords that have taken place since 2015 'are widely held in the sector to be a destabilising force that reduces investment and shifts providers at the margin out of private renting' (Marsh and Gibb 2019, p33). As such, while landlords do still have access to relief on repair and maintenance work, they are 'less advantaged than other business taxpayers in that they do not receive a standard depreciation allowance' (Marsh and Gibb 2019, p33). This may inhibit their ability to invest adequately in property maintenance.

Similarly, National Energy Action (2020, p4) have called for the reinstatement of the Landlord Energy Saving Allowance (LESA) which sought to encourage landlords 'to improve the energy efficiency of let residential properties by providing a maximum tax allowance of £1,500 per dwelling which landlords could claim against the costs of buying and installing cavity wall, loft, solid wall, floor and hot water system insulation and draught-proofing'. This too was scrapped in 2015. Its reinstatement, coupled with 'new regulations and a higher tax relief threshold' would be a positive boost for landlords seeking to finance energy efficiency improvements in their properties, according to National Energy Action (2020, p4).

Drawing on analysis of different property financing schemes across Europe, Clarke and Oxley (2018) propose several incentives for tax-deductible property improvements, whereby landlords can offset the improvements to their properties against rental income for tax purposes. First, they propose that tax relief of 'up to £10,000 per year per property, on improvements that result in an increase in the Standard Assessment Procedure (SAP) energy-efficiency rating'. Second, they propose tax relief of 'up to £20,000 per year per property, on improvements that increase the quality or liveable space of the housing: (a) for properties where the current occupants are in receipt of housing benefit/universal credit or (b) where the landlord agrees to let the (currently vacant) property to a household referred by the local authority, at rents not exceeding LHA, for at least two years'. It is suggested that the first scheme should be of benefit to most, while the second could particularly help those renting to lower income tenants.

LANDLORDS' PERSPECTIVES ON FINANCING PROPERTY IMPROVEMENT

When it comes to landlords' own preferences for financing property improvements, research by Miu and Hawkes (2020, p6) finds that the majority of landlords in their study tended to be 'very receptive to grant incentives'. They found that the idea of loans and the taking on of debt were unpopular. Other financial initiatives such as cashback and tax exemption schemes were perceived somewhat more positively, though backing for these was largely neutral overall. This finding mirrors those of other studies which suggest that most landlords would only consider making energy efficiency improvements to their properties if 'grant funding or subsidy was made available' (Ambrose 2015, p918). This suggests that there is little appetite among landlords to take on the financial burden or risks for any significant property improvements.

The landlords spoken to for this study were interested in grants for property improvements. One noted: "obviously grants work… it's free money, so why wouldn't you? I can't imagine why anybody wouldn't accept a grant to improve their properties". The landlords were also open to the idea of exploring tax incentives to fund property improvements. As with the findings from the literature, the landlords spoken to for this study were unreceptive to loans. One was of the view that "if you're going to start taking out loans to improve the property then you probably shouldn't be doing it… you should be selling the property". Further to these ideas, the landlords also proffered several others including more government support to help landlords improve EPC ratings by 2025 and financial reimbursement for acquiring things like gas certificates.

COMBINING INCENTIVES WITH REGULATORY DEMANDS

Many studies suggest that as well as adequate financial incentives being in place for landlords to carry out property improvements, there must also be more done to convince them to do so. One such way would be through regulation. Existing regulation may be expanded and enforced to encourage landlords to do more to maintain the conditions of their properties (Resolution Foundation 2014). Citizen's Advice (2021, p25) note that 'letting agents and other intermediaries can play an important role in delivering a better managed private sector'. They suggest that they 'should have a responsibility to only offer and let out properties that meet minimum standards'. Similarly, the APPG for Housing in the North (2020) have called for clarification of and better enforcements of regulations around minimum energy standards in the PRS. Meanwhile, Shelter have called for the regulation of all letting agents and the introduction of a regulatory body covering the private rented sector (Sagoe et al 2020).

Landlord registration is also commonly highlighted in the literature as potentially being a useful tool for encouraging landlords to improve property. Mandatory landlord registration is already in place in the other nations of the UK, but not England (Moore 2017). In England at present, local authorities have the option to use selective licensing, but less than 13 per cent do so. Moreover, the extent to which selective licensing in England can set conditions concerning property standard is limited (Sagoe et al 2020). Connected to this, after a decade of austerity, it is the case that many local authorities in England lack the resources to properly 'meet their statutory duties to ensure acceptable housing standards and to assist in improving practice in the sector' (Sagoe et al 2020, p9).

Moore (2017) has argued that the creation of a comprehensive landlord registration scheme in England would enable the creation of a database on 'who is letting property, their personal details and the type of property they are managing', the intention is that landlord registration schemes 'improve housing management practices, standards of service from landlords to tenants and … ensure compliance with minimum property standards' (Moore 2017, pp 449-450). Some evidence suggests that this may be the case (Moore 2017). Indeed, for example, 'a nationwide landlord register is the only means by which the landlords of properties without EPCs can be systematically identified and contacted' (RSM 2019, p4). Additionally, Clarke and Oxley (2018) suggest that without some form of landlord registration scheme, it would be very difficult to implement some potential financial incentives for improvements like their tax proposal highlighted above.

In contrast to these proposals for more regulation of landlords, the landlords interviewed wished to see further regulation for tenants and protections for landlords. In particular, both landlords raised the idea of some kind of government backed tenant guarantee whereby they would be financially protected against any damage caused by tenants. Both claimed that this would make them more likely to invest in improvements and maintenance. Additionally, both suggested that they would like to see more security around tenants paying their rent on time, particularly those on universal credit. It was noted that landlords are less likely to invest in the property if they are in disputes with tenants over rent. In this context, one argued that: "lots of landlords are beginning to feel it's not worth it".

Finally, given that there are some concerns around both landlord and tenant knowledge of rights and responsibilities, it may be that work to increase awareness and improve the education of those on both sides of the PRS is valuable. Looking at retrofitting properties specifically, Lang et al (2021, p15) suggest that 'while financial factors are important to landlords', improving properties 'is not a purely financial consideration'. Indeed, there are a number of non-financial factors including 'landlords' values, beliefs, and knowledge'. Similarly, looking specifically at moves towards net zero homes, Citizens Advice (2021, p 21) suggest that steps to inform landlords, tenants and relevant third parties, such as charities and local government bodies about PRS regulations 'will be required as part of a wider move to inform people about their role in the transition to net zero homes'.

6.
AN INVESTMENT MODEL FOR IMPROVING PRIVATE RENTED PROPERTY IN GREATER MANCHESTER

Our property improvement model comes at a key time for the private rented sector. New regulations linked to improving both the quality of homes to make them decent, as well as improve the energy efficiency of private rented homes are due to impact private landlords in the coming years. These changes in regulation will expose landlords to fines and other enforcement procedures if they fail to meet new standards. In this context, the property improvement model presents an opportunity for landlords to act early and benefit from support in modernising and improving their property.

The evidence review and primary research conducted for this research project have helped us develop a new model, building on existing concepts such as 'green mortgages', which could help improve private rented property in Greater Manchester. We've designed this model in light of the evidence presented in the previous chapters and have used feedback from stakeholders to shape our thinking on what an implementable model would look like. Alongside this, we have also reviewed the existing support available to improve properties in England that would potentially apply to the PRS. This is summarised below.

TABLE 6.1 SUMMARY OF ENERGY EFFICIENCY AND LOW-CARBON HEATING POLICY IN THE UK AND ENGLAND

Policy	Region	Description	Financing	Year launched
Low-carbon heating and energy efficiency (retrofitting)				
Energy Company Obligation (ECO)	Separate programmes for England, Scotland and Wales but core funding from Westminster	A scheme offering energy efficiency upgrades through energy suppliers. It has changed multiple times since inception and now focuses on fuel poor homes, with ECO 4 focusing on whole-house retrofit and allowing energy suppliers to work with local authorities for up to 50 per cent of their obligations.	Approximately £700 million per year (reduced from higher funding level in 2013), with an average of £1 billion per year being considered for ECO 4 which will run from 2022-2026.	April 2013
Renewable Heat Incentive	UK	A feed-in tariff for the use of low-carbon heating technologies such as heat pumps and solar thermal panels	Estimated committed spend in 2021/22 of £132 million	Launched in April 2014, recently extended to 2022

Green Homes Grant	UK	£5,000-£10,000 grants for energy efficiency and low-carbon heating improvements	£2 billion for one year, only £300 million of which is expected to be paid out	August 2020, scrapped after three months
Local Authority Delivery (LAD) Scheme	England	Local authority led scheme focusing on support for low-income households with an EPC of D or below.	Approximately £500 million committed, £74 million allocated in Phase 1A, £126 million in Phase 1B, £300 million committed to Local Energy Hubs in Phase 2. An additional £200 million has been committed as part of a Sustainable Warmth Competition for Phase 3.	August 2020
Social Housing Decarbonisation Fund Demonstrator	England	A demonstrator project to learn lessons from innovative retrofitting in the social housing sector, using whole-house approaches to bring EPC ratings up to band C or higher.	£62 million awarded, a further £60 million committed for the fund (not demonstrator) from 2021-2022 as part of a £3.8 billion manifesto commitment	October 2020
Home Upgrades Grant	England	Up to £25,000 in grants for low-income off-gas properties to install multiple measures to the whole house to improve the energy efficiency of these homes.	£150 million committed, £2.35 billion still needs to be confirmed	February 2021
Boiler Upgrade Scheme (previously called the Clean Homes Grant)	England, Scotland and Wales	A grant of £6,000 towards the cost of low-carbon heating with a focus on low-income households off the gas grid. The government is considering increasing this grant to £7,000.	Worth £450 million and set to last 3 years	April 2022
Minimum Energy Efficiency Standard for the Private Rented Sector	UK	A requirement that no landlord with an EPC rating below E can rent a property as of 1 April 2020, unless they have a valid exemption. The government is currently consulting on increasing this standard to an EPC rating of C by 2025 for new tenancies and 2028 for all tenancies.	Cost cap of £3,500 (including VAT) on energy efficiency improvements. The government is considering increasing the cost cap to £10,000 under new regulations	October 2017 New standards upcoming
Gas boiler ban	UK	A ban on the sale of new gas boilers, suggested by the CCC to enter into force in 2033. There are suggestions the government is currently thinking of delaying this date until 2035.	n/a	Upcoming

Decent Homes Standard review	England and Northern Ireland	A standard of housing which must be met by all social housing.	A review is taking place from Spring 2021 to Summer 2022 to update the Decent Homes Standard. The government has announced that this standard will be applied to the private rented sector in the future.	Upcoming
General support for energy bills				
Cold Weather payment	UK	A payment of £25 per day for each seven-day period of cold weather	An estimated £100 million paid from November 2020 to March 2021	1988
Winter Fuel Payment	UK	A payment of between £100 to £300 to households with person born before 26 September 1955, regardless of economic status	Approximately £2 billion in 2019-2020	1997
Warm Home Discount	UK	A one-off discount of £140 made by energy suppliers on electricity bills between October and March	£348 million paid in 2019-2020, £475 million committed in 2022	April 2011

Source: Adapted from Emden and Rankin (2021), updated information added from BEIS (2022b)

This wider policy context has implications for our model. First, as the evidence review in chapter 5 suggests, the most effective way to improve property standards across all tenures and at scale would be through government grant schemes. However, this would require significant investment from central government. While the boiler upgrade scheme is welcome, it won't help landlords undertake fabric-first[4] improvements, nor will it cover all the costs of installing low-carbon heating solutions. The failure of previous schemes to improve property at scale suggests that any model will need to maximise private investment in the absence of public investment.

The private finance model developed for Greater Manchester needs to be considered in this context and, while the model we outline below could help improve property, it will need to be targeted at a specific group of landlords, tenants and properties, with a view to reducing the upfront costs associated with property improvement that previous and existing schemes have failed to address.

The model we have developed has had to consider three major issues.

- First, the need to ensure that the model delivers tangible benefits for tenants. There was a concern from stakeholders and tenants that if a defined benefit was not offered to tenants and agreed by landlords, any model might end up improving the property and adding value to the landlord's property, as opposed to passing benefits onto the tenant. Alongside this, the model needs to be attractive to landlords to ensure there is uptake and that they will commit to improving their property. This, is also a key concern for lenders who recognise that the viability of this model depends on landlords taking up the finance on offer.

4 A fabric-first approach to building design involves maximising the performance of the components and materials that make up the building fabric itself to reduce heat loss, before considering the need to use heating systems.

- Second, the model needs to be practically implementable, in the sense it represents an attractive proposition for funders, whether they be a conventional financial institution or a less conventional funder.
- Third, the model needs to be underpinned by a clear method and set of processes that are replicable.

In terms of benefits for tenants, our feedback from our focus group and further one-to-one discussions with tenants, as well as evidence from the wider literature, pointed to the need for this model to deliver tangible benefits. Property improvement itself was not cited as enough of an incentive for tenants as they felt without significant immediate benefits, they would face disruption in their own lives while their landlord's asset increased in value. Tenants in the PRS spend on average 4.3 years in a property, compared to 12.2 years for social renters and 17.4 years for owner occupiers (MHCLG 2020). As a result, they are unlikely to benefit from significant long-term reduced costs in their energy bills when compared to other tenures.

At the same time, savings on energy bills are a minimal incentive for landlords who do not benefit directly from these savings (Emden and Rankin 2021). Private finance can be attractive for landlords, particularly those who see themselves as professionalised landlords who wanted to invest in their properties and ensure they provide long-term property solutions for private renters (Webb et al 2020). The figure below highlights previous IPPR research that shows the impact green financing could have for landlords over time.

FIGURE 6.1: INTEREST RATE REDUCTIONS LINKED TO PROPERTY IMPROVEMENT COULD RESULT IN SIGNIFICANT COST-SAVINGS FOR PROPERTY OWNERS

Monthly savings compared to 30-year mortgage rate with a 3 per cent interest rate, by mortgage principal remaining

Source: IPPR analysis by Emden and Rankin (2021), using online mortgage calculator and Ostrowski (2021)

Our model is likely to be most effective when targeting a specific group of landlords. Our analysis suggests that smaller, capital-poor but potentially asset-rich landlords are likely to benefit most from the model we have designed. This is because they lack their own capital to invest in improving property or acquiring newer property, despite these smaller landlords often being interested in providing a good standard of accommodation. However, they often lack a detailed understanding of current regulation and their legal obligations, as well as a source of readily available funding they can access to improve their property. Alongside this group, medium-sized landlords who are comfortable leveraging finance against their property are also likely to be interested in our model as reduced interest rates and the refinancing of their stock are likely to offer them significant long-term savings, while also providing them with an opportunity to improve their property. We summarise our target group in the taxonomy below.

TABLE 6.2: AN ARCHETYPE OF LANDLORDS AND THEIR SUITABILITY AS A TARGET GROUP FOR OUR MODEL

Landlord archetype	Characteristic	Target for our model
The asset rich but cash poor individual property and small portfolio landlord	Likely own one to three properties. Asset rich but capital poor. Likely unleveraged assets. Wants to deliver a good standard of property for tenants but struggles to navigate costs and ever-changing regulatory landscape	Yes
The medium-sized portfolio landlord/ company	These medium-sized landlords may operate under an umbrella company. They usually own five or more properties. There existing stock is leveraged, and they are comfortable with using finance to acquire, expand and improve their property	Yes
The non-professional individual property and small portfolio landlord	Unwilling to invest in property improvement. Primary focus on maximising yields. Uninterested in compliance with regulation. Likely target for local authority enforcement action.	No
The modern rental company	Predominantly active in the build-to-rent market in Greater Manchester. Has significant resources to invest in property improvement and focused on acquiring purpose built rental units that already meet property standards.	No

Source: Authors' analysis, drawing on Rugg and Rhodes (2018)

OPERATIONALISING THE MODEL

To develop a model that could work in practice, we consulted a range of stakeholders. Further details on the full range of the types of stakeholders consulted can be found in the annex.

The importance of a convening body

Feedback from our stakeholder engagement suggested that at the moment, in the PRS, there exists neither a carrot nor stick that would persuade large numbers of landlords to improve their property. This chimes with the evidence review, interviews and focus group we organised as part of this research. Consequently, key to operationalising this model will be strong messaging that demonstrates the positive benefits to landlords, both in terms of asset value and improving the service they provide. Additionally, our model provides an opportunity in the absence of any significant government support, the most tangible and cost-effective route for landlords in Greater Manchester to improve their property. Communicating the model in these terms will be vital for creating demand.

Greater Manchester Combined Authority (GMCA) would be in a strong position to play this convening role if it is backed with additional resources, potentially through an enhanced devolution deal. For this reason, our model operates on the basis that GMCA is given significant resources to play this convening role and tie this model to its broader retrofit and housing policies. This would require ensuring that GMCA is given the resources and capacity to take on these functions. Recommendations for achieving this are offered in the final chapter.

A convening body is important for several reasons to ensure the success of the model. First, evidence of current low-interest and green-linked finance products nationally suggest uptake is low. Having a convening body would reassure lenders that there exists a body to push forward the financial model, making it worth their while to financially support the model.

Second, various stages of the model that are further detailed in the next section will require a body that can assess the quality of the retrofit work being undertaken and can help ensure a range of credible local companies exist to carry out property improvement and retrofit activity. Such a role would further support GMCA's ambition to build the green economy and retrofit its housing stock (GMCA 2022).

Third, the lenders we spoke to reflected on experiences of previous financial products linked to property improvement. They believed that the uptake if products such as green mortgages and other secured loans linked to property improvement was generally low. Lenders suggested that having a central convening body they could work with as a point of contact who would then work with them to reach landlords who might be interested in this product would be beneficial. GMCA could also play a crucial role in this function, particularly if a panel of lenders are offering finance through a lending programme specific to Greater Manchester. This means that landlords would, in the first instance approach GMCA if they were interested in the scheme. They would then apply for finance through the scheme where one of the panel lenders would, subject to the landlord meeting their affordability criteria, provide the individual loan. In effect, GMCA would act as a contact point, with the finance being provided by one of the panel lenders.

Financial components of the model

To understand the potential scale of the financial package underpinning the model, we first obtained a best estimate of the costs required to retrofit a typical private rented property that currently fails to meet energy efficiency standards. IPPR North have previously estimated this would cost approximately £16,500 (Johns and Longlands 2020). It is worth noting that a significant part of this cost would be linked to installing a low-carbon heating system. The availability of existing grant funding to support this in the form of the boiler upgrade scheme means this type of property improvement would not necessarily need to be covered by the finance made available in our model. Instead, our model is focussed on a fabric-first approach and on encouraging landlords to undertake the 'low-hanging fruit' of retrofit activity, such as loft insulation, wall insulation and window replacements. We estimate this sort of activity would cost landlords in the region of anywhere between £1,000 and £20,000 depending in the extent of the work needed and the size of a property (Johns and Longlands 2020, Webb et al 2020, Emden and Rankin 2021).

To understand the scale of where our model might be needed. We applied these estimates to the number of PRS properties in Greater Manchester that don't currently meet future minimum energy efficiency standards required by 2025 (EPC C rating) for new tenancies, and by 2028 for existing tenancies. This is roughly 70 per cent of all Greater Manchester or approximately 156,000 properties. Our model assumes that an average cost of £12,000 to undertake fabric-first property improvements to some of the worst PRS property, with some properties costing more or less than this depending on the precise mix of work needed.[5] These estimates are based on previous IPPR North research into the cost of improving the North's housing stock. Achieving property improvements across all private rented stock in Greater Manchester that currently fails to meet an EPC standard could cost anywhere between approximately £870 million and £1.74 billion, depending on the precise mix of retrofit work needed. However, we would not expect our model to cover all these properties and instead, be attractive to a much smaller number of landlords who lack other means to carry out retrofit activity. Our working assumption is that this model would aim to help improve 5,000 properties, requiring a total financial envelope of £60 million.

The interest rates charged on these secured loans would vary in line with lender adjustment to Bank of England interest rates. As of July 2022, inflationary pressures facing the UK economy will likely be responded to with Bank of England interest rate increases. This makes future interest rates difficult to predict. However, taking the example of TSB, who recently launched a green additional borrowing range and our analysis in figure 6.1, a 0.5 per cent interest rate reduction on a standard loan would make the proposed loan attractive in the eyes of both lenders and landlord groups that we spoke to. This would result in an interest rate on the illustrative loan as of July 2022 being approximately 1.9 per cent. [6]

Lender profile

We spoke to a range of financial institutions in designing our model. These are outlined in the annex. Through these discussions, we identified a range of high street financial institutions, such as banks and building societies.

Alongside these private lenders, we also spoke to a range of social investors, ranging from social impact investors to charities. The response from these stakeholders was mixed and many were not comfortable funding for profit landlords. As a result, we envisage these lenders playing a less active role in financing our model and the current model design assumes private finance will predominantly fund the model.

Factoring in the financial risk profile

The risk profile of this model is key for lenders. The extent to which a private finance driven property improvement model is viable is contingent on whether any secured lending is likely to be covered a landlord's ability to pay. In effect, the ability of the landlord to service the loan through the rental yield linked to their property. Section 13 procedure must be followed by landlords and for the model to work for tenants, any rent increases must be reasonable. At the same time, some tenants living in properties that are the target of our model might also have a history of rent arrears for a variety of reasons. As a result, our model needs to balance the ability for landlords to service the loan against fairness for tenants.

5 This cost is based on estimates from Johns and Longlands (2020) and has been updated to assume that landlords would choose to take advantage of the government's boiler upgrade scheme, reducing the costs outlines in Johns and Longlands from £16,000 to £12,000.

6 This is calculated on the basis of discounting 0.5 per cent from average interest rates across current buy-to-let products (L and C 2022). These products assume low loan to value ratios as we expect the target group for our model to currently have low levels or no finance secured against their property. Any interest rates set by the Bank of England will ultimately determine the precise interest rates and lending product can be set at. It is important to understand that the model presented is illustrative for the financial environment at the time of writing and the interest rates and rent caps linked to this model will ultimately be determined in part by the wider financial environment.

While some of the proposed models identified through previous research highlighted in chapter 5 suggested a full freeze on rents in exchange for green finance, this may not be viable in practice. As a result, our model would require lenders, the convening body (GMCA) and landlords to ensure that any rent increases during the defined period in which this model is active remain reasonable. Given the low interest rate of the loan, a rent increase of approximately 3 per cent over the three-year period would in most cases still make the loan serviceable.[7] However, rent increases should only happen where there is documented proof, submitted to the convening body, that it is necessary to finance property improvement. While this increase will come as a cost to tenants, it would be counteracted by reduced energy costs.

Bringing retrofit and property improvement companies onboard

The failure of recent schemes, such as the green homes grant, shows the importance of ensuring that retrofit supply chains and businesses and supported to carry out work and grow to meet demand (Emden and Rankin 2021). The Greater Manchester retrofit action plan provides a useful framework for supporting the development of our property model (GMCA 2022). We envisage our model joining up with this plan so that GMCA plays a key role in supporting retrofit businesses across Greater Manchester and creating an approved list of contractors who could carry our retrofit work. This would require implementing planned policy activity to build supply chains, increase skills provision and raise awareness of retrofit benefits (ibid). Establishing an approved list of lenders was also identified as preferable for financial institutions to ensure that all work meets expected standards and the loans offered are being used for their intended purposes.

Defined benefits for tenants

A key objective of our model is to deliver clear benefits for tenants. As chapter three highlighted, there is a clear need for the property improvement model to deliver benefits for tenants, specifically, those tenants who may not be eligible for social housing due to a history of rent arrears, as well as those who may be reliant on renting in the PRS for a range of other regions. This is also important for key stakeholders, such as GMCA, who see the PRS playing an important role in providing housing for people across Greater Manchester.

Our model would see lenders, GMCA, landlords and tenants working together to improve communication between tenants and landlords, reduce periods of non-payment or void rent periods for landlords and put in place defined benefits for tenants, alongside reduced heating costs and better-quality homes. This has resulted in the integration of a fixed tenancy offer and capped rent increases into our model to ensure that tenants can benefit from the model for a defined period of time, are able to rent in the PRS in circumstances where they might not be able to access other tenures and will not face significant rent increases as a result of the model being implemented. Improving the relationship between landlords and tenants as part of this model is an added benefit to how the model operates.

Stages of model implementation

The first stage of the model would work by providing finance to landlords, who would be offered low interest loans or if the property is currently mortgaged, a renewed mortgage offer, with comparatively lower interest rates to standard mortgage products. We envisage this would be primarily offered by high street financial institutions, who were supportive of this proposal and who noted this product would mirror similar initiatives such as green mortgages. There would be further scope for social investors to finance property improvement in this model.

7 At the time of writing, this was considered a reasonable amount by both lenders and landlords we tested this model with. This was considered 'reasonable' for ensuring that the loan taken to improve the property would still be serviceable over the three-year period. Landlords would not be worse of by adhering to the rent freeze. In the long run, they would see a significant increase in the value of their property as a result of undertaking the required property improvements.

However, some of the social investors we spoke to stated they would not fund improvement in the private rented sector due to their perception of the sector being overly focussed on profit accumulation. This should be considered in the context of implementing this model.

Alongside providing finance for property improvement, landlords would need to agree to the terms of the loan, including the proposed fixing of tenancies and limiting rent increases to cover the risk profile of the loan. A charge should be registered against the property in exchange for finance as part of an agreement between landlords, lenders and the body overseeing this model. This would prevent landlords benefiting financially and disposing of the property, creating instability in the PRS and delivering little value for renters. This could be registered as a first or second charge, depending on whether there is an existing secured loan against the property. The charge could be registered by the lender upon release of the loan. This charge would ensure landlords abide by the terms of the loan. We envisage GMCA acting as the body overseeing this model as part of its wider role in helping bring up Greater Manchester's property standards and supporting and coordinating local authorities to enforce property standards.

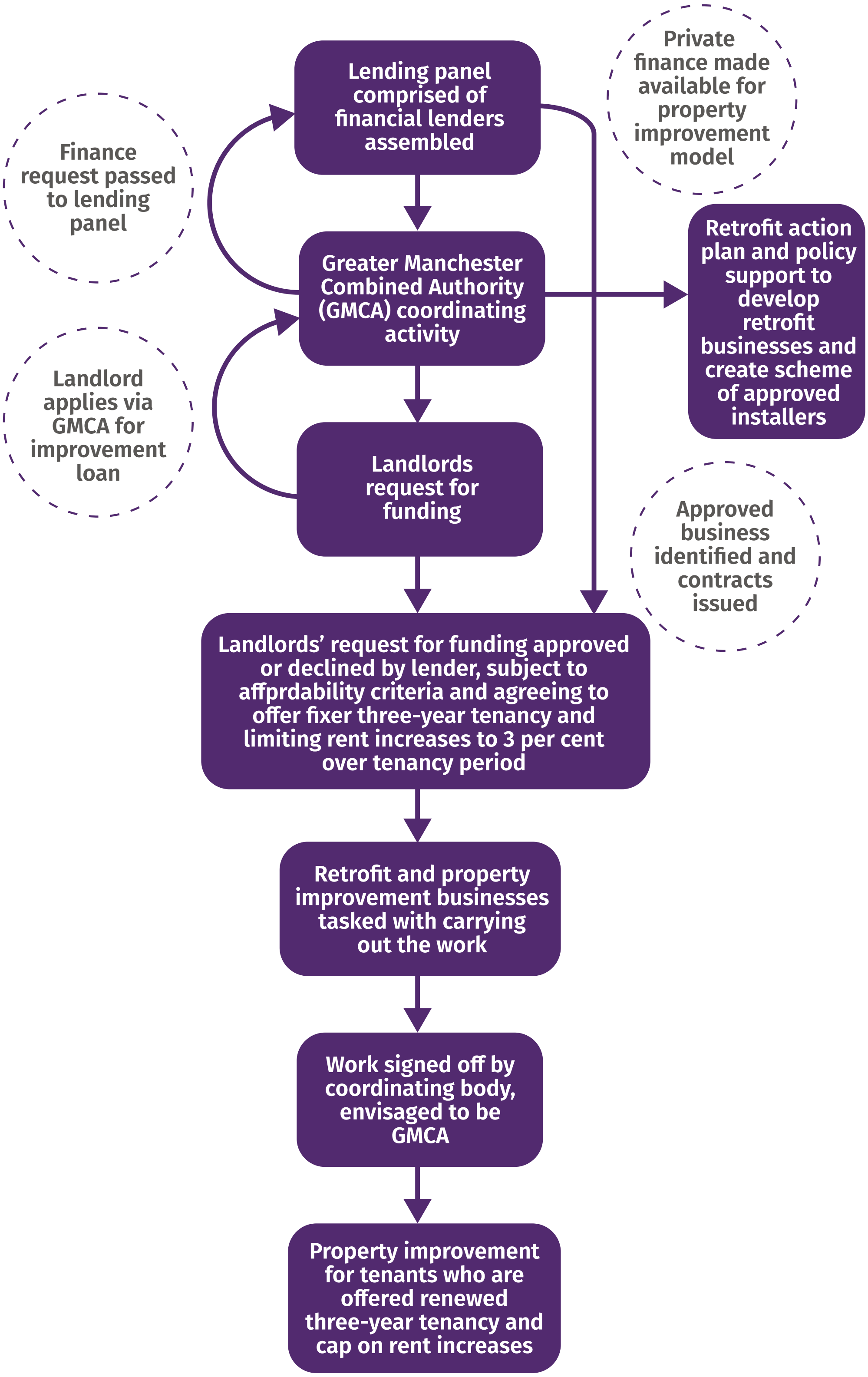
The second phase of the model would involve undertaking property improvements. To maximise the value improving properties can bring to a local area, GMCA would play a key role in auditing and providing a list of recommended contractors. This would ensure quality, ensure financing money is spent correctly and allow GMCA to promote local businesses and therefore improve their local procurement and create a more inclusive economy. By promoting approved local contractors, GMCA can help grow the businesses needed to carry out retrofit at scale. This can bring wider benefits by developing a pipeline of businesses able to carry out retrofit across other tenures. Growing these businesses over time would help support new jobs in the retrofit sector, focus the local skills system on training people in new energy efficiency jobs and over time drive down the wider costs for undertaking retrofit. To this end, the model would help support wider additional economic benefits within Greater Manchester.

The third stage of the model focuses on achieving tangible improvements for tenants. Because the payback period for energy efficiency improvements is long and rising energy costs will mitigate any potential savings, our interviews with tenants suggested more substantive benefits are required for tenants. Property improvement results in a significant increase in asset value for property owners and landlords would already benefit financially from reduced interest rates on loans or lower interest rates on their mortgages. For this reason, limiting rent increases for a minimum of three years and ensuring tenants cannot be evicted would offer a tangible benefit and give tenants a chance to benefit from the property improvement. The registered charge on the property would disincentive landlords from circumventing this fixed three-year period (unless in the unlikely event the loan was fully repaid within three years) and the loan criteria would stipulate that landlords have to abide by the terms of the loan and the lending scheme. Practically, the most effective way to implement this would be to offer new three-year fixed term tenancies as a condition of the loan.[8]

8 Feedback from housing stakeholders implies that inclusion of a three-year fixed tenancy in the loan terms would be legally possible. Practically, a more straightforward approach would involve issuing a new fixed-term tenancy for three years.

FIGURE 6.2: AN ILLUSTRATIVE EXAMPLE OF A PROPERTY MODEL IN ACTION

Each stage is underpinned by different actions and a corresponding rationale to ensure the outcome of better quality and affordable accommodation is delivered for tenants



Source: Authors' analysis

It's clear from our analysis that a model for financing property improvement is not appropriate in all circumstances. A novel method of financing property improvement will not be effective without improving regulation across the board in the private rented sector. *A Fairer Private Rented Sector* white paper outlines the government's plans to ban Section 21 evictions and apply the decent homes standard to all private rented tenancies. This will protect tenants from revenge evictions who complain about poor standards and ensure that those landlords who choose not to improve their property will face enforcement action. Alongside new regulation, enforcement capacity within local authorities is needed to make sure standards are adhered too. This remains a challenge across Greater Manchester and within other local authorities and will need to be improved to implement the white paper and drive-up housing standards (Marsh and Gibb 2019).

More broadly, alongside new standards and enhanced capacity, selective licensing (see Marsh and Gibb 2019) could also play a key role in regulating private housing standards and allowing local authorities to switch to a pro-active, as opposed to reactive regulation approach. The Greater Manchester Good Landlord Scheme is currently focussed on enhancing enforcement activity among the 10 GM local authorities (GMCA 2019c). It will potentially be supported in future by the introduction of a GM Good Landlord Charter, which could help regulate the private rented sector in Greater Manchester.

Greater Manchester, like many parts of England, faces an imbalance between tenures. The decline of the social rented sector due to right to buy policies and the increasing decoupling of rents from local housing allowance in the PRS creates broader affordability challenges (Crisis 2019). As a result, there may be a role for interventions such as stock buy-back schemes that have currently been proposed by Manchester Council and would enable a shift of stock back to council and social housing providers (Manchester Council no date) This is important given that social housing is likely to be of better quality and more affordable than private rented housing and that a rebalance between tenures needs to be achieved to create a more balanced housing market (AHC 2020).

TABLE 6.3: OUR MODEL IS SITUATED ALONGSIDE A WIDER SET OF POLICY ACTIONS THAT CENTRAL AND LOCAL GOVERNMENT CAN TAKE TO IMPROVE PROPERTY STANDARDS IN GREATER MANCHESTER

Possible range of policy interventions needed to improve the private rented sector in Greater Manchester

Intervention	Assessed target group	Supporting role with other interventions	Why it matters
Statutory improvements to property standards	All landlords	Defines operating conditions for landlords and statutory duties	*A Fairer Private Rented Sector* White Paper makes provision to end Section 21 evictions (via *Renters Reform bill)* and apply the Decent Homes Standard to the PRS. This will force landlords to adopt higher property standards and prevent them from evicting tenants who complain about property conditions. If enforced, this legislation should drive up standards.
Central government plan to invest in property improvement and retrofit	All tenures	Significant grant funding for improving property in a systemic way can only be provided by an ambitious government investment programme.	Previous research suggests significant public investment in funding and supporting retrofit activity through the form of grant schemes will be needed to improve property at significant scale (Webb et al 2022, Emden and Ranking 2021)
Enhanced enforcement capacity	Reluctant landlords who ignore obligations	Demonstrates that if standards get too low and a landlord won't improve their property, action will be taken	In many cases, poor property standards are an outcome of landlord's being uninformed or uninterested in the need to meet statutory standards. An ability to comprehensively enforce standards is crucial for making it clear to landlords that they must meet existing and forthcoming legal standards
Selective licensing	Uninformed landlords	As part of agreement to rent properties landlords must be made aware of their obligations	Selective licensing can be linked to property standards – landlords could be denied a license to operate if they are deemed to not meet the required standards. Selective licensing provides a mechanism for pro-actively enforcing standards (before they are breached) and regulating private landlords.
Buy-back schemes	Capital poor landlords who wish to exit the PRS	Provides exit pathway for landlords who don't want to invest in their properties while retaining stock for rent	Landlords operate a for profit housing model. Some landlords may prefer to dispose of their properties and 'cash in' on their assets, as opposed to improving their properties. To avoid disruption for tenants, GMCA could invest in a 'buy-back fund', that allows the combined authority to purchase PRS properties, improve them and then re-let them at an affordable rent. This would increase the supply of public housing, avoid disruption for tenants and enable property improvement.
Property improvement investment model	Smaller landlords, with limited capital who want to improve their property but lack capital, as well as medium-sized portfolio landlords who are comfortable leveraging assets	Improves property and results in prolonged protected tenancy for tenant, at secured rent. Gives landlord increased certainty of fixed income, investment capital makes up for rent shortfall. Financial institutions investing in sustainable housing stock.	Because private landlords operate a for profit housing model, it's reasonable to expect them to invest in assets that generate income and generally appreciate in capital value. In the context of new legal property standards, landlords will need to improve their property. This model provides a means for landlords who have less access to immediate capital to access funding to improve their property. Landlords who invest will see an appreciation in the value of their asset. This justifies them offering greater security of tenure and more affordable rents to tenants in exchange for benefitting from competitive interest rates on loans alongside asset appreciation. Tenants would receive the most immediate and tangible benefits for property improvement in terms of security, lower running costs and reasonable rents.

Source: Authors' analysis

While we have recognised some of the constraints of the proposed model and the ways in which it may not be applicable in all circumstances, stakeholder engagement implies that the property improvements put forward in this report would be attractive to many landlords for several key reasons.

First, the proposal for guaranteed three-year tenancies encourages the development and maintenance of stable tenancies for both tenants and landlords. While the landlords interviewed for this study did raise some concerns about the behaviour of certain tenants, there was also a recognition that strong landlord-tenant relationships, built on the foundations of stability and mutual trust, offer mutual benefit for both parties. Long-term tenancies and improved dialogue between tenants and landlords could help improve these relationships.

Second, the upcoming changes to the regulatory climate in the PRS means that many landlords will be required to carry out property improvements in order to meet new legal standards. The provision of low interest finance to undertake property improvement offers a route to meeting these standards in the absence of significant grant funding. While some landlords may have concerns around the attached conditions of a three-year limited rent increase, the financial benefits of the model would offset these when compared to the cost of needing to finance property improvement through capital alone.

Third, based on our analysis and on our interactions with stakeholders, any scheme that simply provided cheap funding to landlords to improve their properties that did not offer protections and guarantees to tenants, would be unpalatable for both lenders and tenants. The benefit of low interest finance and expected appreciation in property values that landlords would likely see must be weighed up against the need to ensure tenants see significant benefits, such as security of tenure and ongoing housing affordability.

Overall, the outlined model provides security for both landlords and tenants, reflects the changing regulatory context and provides greater assistant to landlords who will need to carry out property improvements regardless, and effectively resolves questions of fairness for both landlords and tenants.

7. CONCLUSIONS AND RECOMMENDATIONS

This research has identified a financial model for improving private rented property in Greater Manchester. Importantly, this research has found that financing property improvement in the PRS will not improve property standards alone. Rather, a mix of policy interventions focussed on improving standards and rebalancing the housing system are also needed to improve the private rented sector.

Improving the PRS is important for tenants and is part of this current government's core mission to level up the UK. At the same time, it's also important for GMCA and its constituent councils to ensure that the PRS is a safe place for people to rent and wherever possible, it represents affordability, quality and supports good health.

DELIVERING A FINANCIAL MODEL IN PRACTICE

To see our property improvement model implemented, a necessary first step will be for Fair Housing Futures and other partners to work together to further test and pilot this model, with a view of rolling this model out across Greater Manchester at scale. This will require further engagement with lenders, tenants and landlords to begin rolling this model out.

In terms of lenders our research suggested a range of lenders could support the financing of this model. Further identifying and working with these lenders to unpick any barriers to supporting this model in practice should be prioritised. To ensure this model continues to deliver benefits for tenants, specifically vulnerable tenants who may have a history of housing insecurity, a productive forum should be established that allows a continued exchange of dialogue between tenants, landlords and those overseeing the delivery of this model to ensure that it continues to deliver value for tenants.

A TRAILBLAZER DEVOLUTION DEAL THAT PUTS HOUSING FIRST

Greater Manchester, like many other city regions, has seen a fundamental shift in the mix of its housing tenure, with the PRS growing exponentially in recent years. While the PRS plays an important role in greater Manchester's housing market, in recent decades it has become the default tenure due to a low supply of social housing and affordable home ownership options. A more proactive housing policy is needed for places like Greater Manchester.

Giving private rented tenants an enhanced voice is crucial. Many private rented tenants we spoke to felt it was difficult to effectively communicate with their landlords and that a good tenant-landlord relationship was often the difference between a good or bad renting experience. We envisage GMCA playing a key role in a model, helping to coordinate action and oversee aspects of delivery. However, this won't be possible without giving the combined authority further powers and resource that ca help tenants and landlords access the advice and resources they need to improve their property.

This push for powers and resources should form a central plank of GMCA's trailblazer devolution deal. As part of its work, GMCA need to successfully join up with local authorities, working with them to ensure the successful enforcement of standards where necessary and handing resources down to create an effective regulatory regime. This handing down of resources will be crucial to ensure local authority powers aren't replicated or superseded by new institutions and instead, ensure that local housing standards in the PRS are achieved as part of a Greater Manchester wide approach to good housing.

HIGH HOUSING STANDARDS AS THE NORM IN GREATER MANCHESTER

An enhanced regulatory environment must underpin the PRS, both nationally and within Greater Manchester itself. The government's plans to end section 21 evictions via the *renters Reform Bill* and apply the decent homes standards to the PRS must be implemented in full. At the same time, the minimum energy performance of buildings bill will mandate that all private rented properties need to meet an EPC rating of C by 2025 for new tenancies, and EPC of C by 2028 for existing tenancies.

Crucial to the success of these reforms will be the ability of local councils to enforce property standards. In the context of Greater Manchester, councils must be given the resources they need to ensure these standards can be met. The combined authority should look to use its relationship with central government to leverage these resources as part of its devolution trailblazer plans, passing much needed resources down to the constituent local authorities.

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ANNEX: METHODOLOGY

This report employed a number of different research approaches in order to undertake robust analysis and produce a model based on the realities of the state of the PRS in Greater Manchester.

In terms of desk-based research, the study undertook a detailed review of the literature on the state of the PRS across the country and in Greater Manchester specifically. In particular it analysed the literature on conditions in the PRS, the impacts of poor housing, potential barriers that landlords and tenants face in improving property standards, and existing and proposed financial incentives to fund property maintenance and improvements. Secondary analysis of quantitative data was also undertaken to highlight some of these challenges.

When it came to primary research carried out for the report, qualitative research methods were drawn upon heavily. First, a focus group with PRS tenants in Greater Manchester who are dealing with challenges around the disrepair and poor conditions in their rental homes was undertaken. Participants for the focus group were recruited via Shelter and lived across various boroughs in the region. Participants were asked to discuss the challenges they faced in their rented homes, and their relationships with their landlords and letting agents. The focus group was carried out in April 2022.

Next, three semi-structured qualitative interviews were undertaken with landlords in the region. These were carried out in May 2022. The main aim of these interviews was to understand landlords experience of renting out properties in the PRS, to understand their approaches to property maintenance, and to glean further insights into the types of financial incentives to fund property improvements they may be interested in.

The report's choice of a semi-structured qualitative approach in its primary data collection was driven by the desire to better capture the depth and detail of both tenant's and landlord's views and to enable us to follow up with them on important points to better inform and shape the research findings.

Further to these initial pieces of field research, once the financial model put forward in this report was initially developed additional engagement with tenants and other relevant stakeholders took place in order to help further shape and refine it. The type of stakeholders included: financial lenders, social impact investors, landlord groups, a project advisory group, sub-regional government and local government.

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