



MANCHESTER
CITY COUNCIL

Manchester's Market Rental Sector Strategy 2015

1. Introduction

Manchester's Residential Growth Plan was approved by the Executive in June 2013 and sets out the city's intent to achieve a level of housing supply that meets population projections and strengthens the overall residential offer to underpin accelerating economic growth.

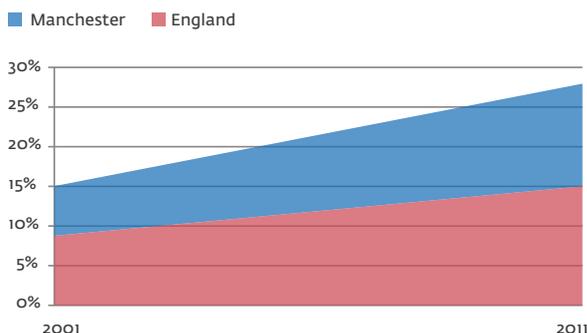
The Plan set out six key priorities, including the need to build more homes for sale and rent to meet future demand, and developing a quality private or market-rented sector of good-quality well-managed accommodation. The Plan confirmed that the Council will drive work with delivery partners to step up the pace of new supply in flexible and innovative ways across the range of markets and neighbourhoods within the city. The importance and potential of the market-rental sector in supporting the growth of Manchester's economy has since been confirmed by a number of major commercial deals throughout 2014, which will significantly boost the supply of new market rental homes over the next decade.

The scale and dynamic nature of the market-rental sector in Manchester was graphically illustrated by analysis of the 2011 Census figures and through the findings of research undertaken in the autumn of 2013. This confirmed that not only had Manchester experienced the highest level of population growth nationally, but also that market renting in the city had expanded more rapidly than anywhere else in the country to provide homes for some 55,000 households – more than doubling in size over the past 13 years.

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The study also looked at the nature as well as the growth of residential lettings in Manchester. It found that in providing for an expanded client group, the market is becoming more fragmented and identified three basic sectors: first, good-quality and professionally managed mainstream properties; second, those provided for students; and third, the bottom end of the market where there are poorer property conditions, management standards and concentrations of Local Housing Allowance (LHA) take-up. This strategy is primarily aimed at addressing the deep-seated concerns with this latter sector. The diagram Market Rented Sector Typologies over the page shows more detail on the market-rented sector typologies in Manchester.

% Private Rented 2001 -2011



MARKET RENTED SECTOR TYPOLOGIES

QUALITY MARKET

High end apartments in signature developments in the city centre and fringe
Houses in affluent wards
Rents £850+ a month
Top 10% highest earners

MIDDLE OR MAINSTREAM

Central and south areas, city centre and fringe
Rents £500-850 a month
Good quality, professionally managed
Would-be Owner/Occupiers
Flexible workers – higher average salaries

STUDENT MARKET

Purpose built flats, HMOs and shared houses

- High Price International – quality market
- Low Price International – including families in the central area
- High Price Domestic – city centre and fringe and south area
- Low Price Domestic – limited choice sharing in central, south or city centre fringe

LOW END - PROFESSIONALLY MANAGED

North and east areas
Rents < £500 a month
Local housing allowance daimants and sharers
Large scale professional landlords engaged with the City Council

LOW END - UNPROFESSIONALLY MANAGED

Unregulated and possible criminality
Rents < £500 a month (linked to LHA rate)
Little credible intelligence
Multiple occupation
Poor property conditions and management
Vulnerable residents

BOTTOM END

Almost exclusively LHA
Single person households
Poorest quality and management
Housing Asylum seekers, ex offenders, homelessness, B&B's and supported housing

While creating the right conditions to boost new supply has been the focus of housing policy in recent years, significant progress has been made to ensure that the existing stock is used to its optimum potential, and that quality and management standards meet the expectations of residents. The overall image and reputation of the market-rented sector remains fragile, and much good work can easily be undone by the actions of a few rogue landlords or letting agents. Strengthening the performance, quality and perception of the sector will therefore be critical in order to protect and attract future investment and growth.

The Council has assumed a strategic role designed to lead and develop new mechanisms capable of delivering operational services in an increasingly efficient way. This new approach recognises the strength of the sector and its important role in delivering the city's ongoing economic prosperity, alongside the reality of diminished resources for direct intervention and an increasing need for self-regulation and a strengthened partnership approach.

2. Understanding the operation of the Market Rental Sector in Manchester

In recent years there have been significant changes to the factors that influence the supply and demand of market-rental properties in Manchester, including:

- Demographic growth of around 6,000 new households a year
- Shifting employment patterns and linked constrained mortgage lending
- Strength of investor interest stemming from attractive potential rental yields
- Relative stability and enhanced quality in the social rental sector
- Welfare reform.

Consultation with key partners and evidence from the city's own data and intelligence-monitoring suggests that the rental market in Manchester is likely to continue to grow. Much of the new growth in supply is helping to meet the demands of working households. The continued improvements in quality of new developments will play an important role in rewarding, attracting and retaining those making contributions to the economic growth of the city; they will also help introduce competition to drive up standards more generally. However, at the same time, issues such as the introduction of Universal Credit, shifts in supply for students and the impact of reductions in Local Housing Allowance, coupled with new levels of inward economic migration, are introducing new stresses to the market as it continues to evolve.

'An important characteristic of the national rental market is the very high number of small landlords owning only one or two properties'

'there remain persistent concerns about conditions and management at the bottom end'

Although the direction of overall market trends looks clear, the detailed impact on neighbourhoods and communities is not, and changes within the different subsectors will profoundly differ. In particular, there are quite diverse effects of population growth and migration on different neighbourhoods. In a number of communities, ethnic profiles are changing and questions remain in terms of how this will alter demand and in turn influence the growth of the sector. Ongoing work will be needed to track and understand this very dynamic position to best shape the Council's response.

An important characteristic of the national rental market is the very high number of small landlords owning only one or two properties with relatively few large portfolio holding investors. In Manchester, although we do not know the precise numbers, we are confident the position is similar, albeit with an increasing number of larger portfolio holders coming to the market in recent months. With such a pattern of diverse ownership there is an obvious challenge in effectively raising awareness of standards, rights and responsibilities across the whole sector.

While there are welcome signs of continued improvements generally, there remain persistent concerns about conditions and management at the bottom end. More recently, there are growing concerns around the standards/behaviours of some letting agents of newer properties as well as the structural condition of some relatively new apartment blocks. In these instances, new approaches are required to focus Council resources effectively for tenants and to ensure only landlords or agents providing good-quality accommodation and paying the right levels of tax are allowed to operate in the city.

3. The importance of high-quality communication

There are a number of strands to this.

This strategy rebadges the sector as 'market rental' rather than 'private rented'. Too often in the past there have been mixed messages and a generally negative impression of the sector, based on a small number of high-profile cases of poor management or standards that may have deterred some potential residents or investors.

This rebrand will be coupled with new and modern methods of communication, including social media and interactive web design, utilised to raise awareness of the rights and responsibilities of landlords, agents and tenants. This is linked to the potential for a Manchester Renting Pledge (further details in section 7) designed to manage expectations of the role of the Council drawing on recent work in London and from DCLG.

Finally, the Council's approach to market-rental data and intelligence is being further strengthened. This reflects the size of the sector and its increasingly important role in growing the employment market at key locations, including the city centre and fringe. This intelligent focus will enable evidence-led policy-making at all levels in line with available resources and priorities for investment as they emerge.

4. Targeted enforcement and raising standards

Greater self-regulation, raising awareness of landlord and agent responsibilities, sharing good practice, and an enhanced role for the relevant professional bodies will help to ensure standards continue to be met at all levels of the market.

The key concerns and priority roles for the Council are at the bottom end of the market where standards are not acceptable and where poor management is having a major impact on the quality of tenants' lives. While these both remain relatively small elements of the market, they continually play a disproportionate role in its impact on tenants, on neighbourhoods and

on public resources. The message here needs to be that enforcement will be tough, and be seen to be tough, in tackling these issues to bring about sustained improvement.

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We are aware that the insecurity of Assured Shorthold tenancies means that tenants can be in a difficult or weak position if seeking to use repairing remedies which, in turn, can lead to an underreporting of the issue. Addressing this is critical in raising standards and will require skilled negotiation with landlords, particularly through the support of voluntary organisations such as CAB or Shelter.

Where standards are poor, it is often the case that there are other issues, such as a need for tenant support that would benefit from a multiagency approach to address the needs of the tenant. Similarly, there may be a requirement to tackle a concentration of poorer quality and managed market-rental properties in a defined location. Here, a more neighbourhood-focused approach might be relevant through targeted task force action from appropriate partner agencies.

A proactive, targeted approach is required to confront those landlords who persistently fail to bring their properties up to acceptable standards.



5. Relationship with key partners

Better partnership working becomes essential with a growing and more diverse market coupled with increasing restrictions on the Council's resources and, therefore, ability to intervene. Stronger links with the sector's professional bodies will ensure a more joined-up and consistent approach, particularly with the better landlords and agents who are likely to be members. A common recognition of the issues will also help in jointly challenging the Government to address legislative and national policy weaknesses.

Although there are many examples of good practice, there is also untapped potential among Registered Providers (RPs) to support some aspects of work in the market rental sector. There are neighbourhoods where a well-managed market-rental sector is vital to enhance both the value of RP's assets and the quality of service to tenants. A strong co-ordinating, development and leadership role for the Strategic Housing Partnership (SHP), including the involvement of market-rental professional organisations, will be important in ensuring this happens in a consistent way where it is most required.

Examples could include enhanced place management, provision of tenure blind advice services for residents, developing a social letting agency approach, as well as entering the market as direct providers. It is likely to be the case that particular RPs will have a greater vested interest in protecting assets through direct involvement in place management. As with exploring any changing service provision, there will be a need to ensure that Boards are involved and supportive from an early stage and that regulatory risks are effectively managed.

Responding to these issues and others were seen as something that the SHP could be tasked with working up cautiously and progressively. Making sure of shared, up-to-date market information, Manchester City Council expectations and RP constraints were seen as key starting points for this work.

6. Place

The continued distinctive characteristics and diversity of Manchester's neighbourhoods means that developing a 'one size fits all' approach to the delivery of the strategy is inappropriate. Work will be needed at the appropriate spatial level to understand the interventions and services needed to meet local priorities.



The impact of the pace of change in many neighbourhoods is something that the strategy will need to be alive to, and links will need to be made with developing work to understand the different characteristics of neighbourhoods and the consequent differential approach to their management. There are concerns that a number of neighbourhoods are facing concentrations of poor stock condition in the MRS and are likely to require future investment. This is especially true of those places where work started under Housing Market Renewal remains unfinished, there are concentrations of Houses in Multiple Occupation (HMO), or where there are a large number of flats over shops. At the same time we know the importance of working and investing in areas of more immediate potential, for example, those where the traditional student market is now thinning.

7. The Market-Rental Strategy Strands

The growth in size and complexity of the market-rental sector in Manchester has coincided with both a significant reduction in resources directly available to the city Council, and a shift in approach to its service provision. In particular, the strategy has been developed to support primary drivers of achieving economic growth, community resilience and reducing dependence on public sector funding. With the above in mind, the strategy draws out a number of strands to cover two broad areas: activity to further strengthen the city's strategic and leadership role, and that to develop the role and impact of delivery partners in the sector.

This document highlights the primary aims and objectives of the Council's intervention in the market-rental sector. It is to be underpinned with a detailed delivery plan, which will set out how each of the strands will be delivered by giving clear milestones and measurable outputs for this work on an annual basis.



Strand 1: Promote greater self-regulation of the sector

At its most simple, the sector is founded on a relationship between landlord and tenant, with its own market, legal framework and recourse to private remedies in cases of dispute. The vast majority of tenancies run without any call on public resources and it is in the sector's own commercial interest to ensure this happens. Yet the first port of call if things start to go wrong is often the Council – partly because of neutrality and partly because of statutory powers to intervene in certain circumstances.

'The vast majority of tenancies run without any call on public resources'

This is clearly reasonable when there are serious risks around health and safety; however, other interventions can be short-term palliative solutions and a more sustainable approach is needed to ensure better housing for existing and future tenants. The Council has introduced a triage approach when private tenants make contact to request help with repairs. This is proving successful in ensuring the most appropriate prioritisation of resources and in raising awareness of responsibilities, and is an approach we will look at building on to develop further.

With the support of the growing professional landlord and letting-agent bodies, and access to improved sources of information and modern methods of interactive communication, this position can be changed to help raise standards in a more sustainable way. The following actions are designed to achieve this:

Actions:

- 1 To develop a Manchester Renting Pledge – spelling out the role of the sector in the city, the Council's approach and what is expected from landlords and tenants and what they can expect in return. It will detail the main rights and responsibilities of landlords and tenants and where to seek

further advice. This will be developed in partnership with the main landlord and letting-agency bodies and draw from the lessons learned in establishing the London Rental Standard.

- 2 Alongside this, the Council will conduct a user review of current information available on websites to reinforce key messages. This will make sure that tenants are provided with the right information to best protect their interests. As part of this, we will consider how other forms of social media could play a greater role and look at developing a proactive media approach to better promote success stories and awareness of rights and responsibilities.



Strand 2: Target and focus intervention and proactive enforcement on the very worst properties, landlords, agents and neighbourhoods

Despite the overall strength of Manchester's housing market and the very positive impact of regeneration in some of the most challenged parts of the city, there still remain some neighbourhoods largely untouched by rising standards and improved conditions. There are often high levels of low-quality, poorly managed market-rental properties in these areas that can be both symptoms and causes of a detachment from mainstream growth. In other areas we are seeing far more intensive use of stock, such as flats over shops, where there are growing concerns over living conditions.

'The worst property conditions rarely sit in isolation'

Significant City Council resources have for many years been absorbed through efforts to tackle these kinds of serious problems at the very bottom of the rental market. Here, too many properties continue to negatively impact on the quality of life in our neighbourhoods and in doing so damage the reputation of the whole sector in Manchester. As we no longer have the resources to continue to directly intervene in the way that we have in the past, we require a new tougher but broader strategic approach.

The worst property conditions rarely sit in isolation; they can be compounded by poor management, poor landlords, short-term tenancies, vulnerable or troubled families and failing neighbourhoods. Consequently, actions taken in isolation of these other factors may not be as effective as intended or result in sustainable change, and we will develop holistic, multiservice approaches to work with residents and landlords alike to address this.

There are a small number of landlords and agents who, despite being made aware of their tenancy breaches, continue to persistently poorly manage their properties. It is ineffective to just react to this on a complaint-by-complaint basis, and targeted, proactive means of enforcement will be developed to tackle the city's worst landlords.

Although there is an extensive body of legislation and regulation primarily designed to protect tenants' interests and ensure decent standards, in practice this is rarely as effective as intended, as the impact of the consequences for the tenant for reporting breaches can easily outweigh the sanctions against the landlord.

In recent years, local authorities have had the option of introducing schemes to formally license landlords operating across or within parts of their authority. The evidence on the practical outcomes of this work is very mixed. It is clear that for such schemes to be successful a very significant level of resource is required to deliver intensive services. Even where this is possible, concerns remain that the very worst landlords manage to slip through the net, while other investors may be deterred by what could be seen as additional bureaucracy.

With such clear concerns over the real impact and value for money, we do not feel there is currently a case for the introduction of landlord licensing in Manchester. We feel that far more effective results for the benefit of tenants and their neighbourhoods can be achieved through carefully targeted proactive enforcement and by market-led accreditation schemes run by the professional landlord bodies.

As mentioned previously, to make sure that resources are accurately targeted and have optimal impact, a strong and up-to-date evidence base is required. This will need to be drawn from a wide range of sources, including property condition data, requests for work, overall market data, and complaints, and it will be reinforced through the use of qualitative information from Council staff, members and delivery partners.

Actions

- 1 Establish a localised 'task force' wraparound approach that works as a multidisciplinary team to address all -the issues at targeted addresses or neighbourhoods.
 - 2 Linked to the above – increase engagement with troubled families in the market-rental sector through new referral routes and develop mechanisms to work with landlords to ensure eviction is the last rather than first option.
 - 3 Identify those landlords or agents who receive high levels of complaints or do not act appropriately on notices; develop a carrot-and-stick approach to change behaviours through, for example, offering accreditation, training and support from one of the landlord bodies while adopting a zero-tolerance approach to breaches that can be enforced against.
 - 4 The city has a good track record in bringing about neighbourhood regeneration through prioritised and multidisciplinary investment. Where poor-quality or poorly managed market-rental stock is either holding back or contributing to wider efforts to improve places for residents, targeted enforcement activity will be integrated into neighbourhood plans.
- 5 We will continue to work closely with Greater Manchester Police to tackle incidents of criminality. We will also strengthen links with other public bodies, such as HMRC and the Border Agency, in our efforts to fundamentally improve the sector.

'There is a strong and mutually beneficial opportunity for RPs operating in Manchester to have a greater role in supporting a strong market-rental sector'

Strand 3: Enhance the role of partners

A range of professional bodies actively supports landlords as well as letting and managing agents, and recognises the importance of driving up standards in the sector. Stronger links with these bodies can only help to achieve many of the outcomes sought through this strategy, recognising that those landlords and agents offering the poorest properties and management are unlikely to be engaged.

There is a strong and mutually beneficial opportunity for Registered Providers (RPs) operating in Manchester to have a greater role in supporting a strong market-rental sector – the Strategic Housing Board (SHB) and Strategic Housing Partnership (SHP) are well placed to develop this. There are a number of factors now shaping this agenda:

- Providers have a strong place-based presence and an operational capacity that in many cases the Council no longer has.
- Providers have a vested and commercial interest in ensuring their investment in a neighbourhood is protected and the value of their assets increases.
- A place-based approach to improving an area's overall housing offer through invest-to-save principles would be in line with work for community budgets and should be an

important contributor to long-term reductions in public expenditure.

- New commercial opportunities are opening up for providers to become involved in managing or developing market-rental stock.
- There is a risk of unnecessary duplication or inconsistency in service provision – for example, in money or tenancy advice.
- The way people access housing is changing with far less tenure segregation and there are opportunities to develop single access points.

Actions

- 1 Manchester City Council will strengthen relationships with the main landlord and letting agent professional bodies, including the National Landlords Association, the Residential Landlords Association, the Association of Residential Lettings Agents, the Association of Residential Managing Agents, and Manchester Student Homes. Senior officers will be responsible for managing relationships and ensuring good communication flows. The Council will look at drawing on the resources of these bodies to provide training, advice and support for landlords to help drive up standards.
- 2 This is a complex, challenging area and it is incumbent on the Council to develop and adopt a consistent approach to RP engagement. The starting point needs to be clarity on what we are looking for from our RP partners in this field. This needs to take account of the challenging regulatory risks and funding issues for RPs, as well as the commercial benefits and uplift they can secure as a result of our investment.
- 3 Consultation undertaken for the strategy has shown there can be significant enthusiasm from RPs in engaging in this agenda; however, this will vary depending on the nature and location of their stock, aims and objectives of Boards, exposure to risk etc. RP engagement will be best tapped by early involvement of the SHB through dialogue that makes partners aware of the changing nature of the market and of the Council's emerging responses to this.

- 4 Effective and practical funding mechanisms that support upfront investment in place-based activities will be critical to developing this area. There are likely to be lessons from the way approaches are being developed across other service areas in the city, and the opportunities presented to make long-term savings and increase the tax input of this work needs to be assessed in order for this to be more broadly considered.



Strand 4: Overarching issues

A Communications

Critical to the success of this strategy will be the need to ensure that there is effective communication that maximises the potential of new technology and media. This will look at:

- attracting new and further investment
- promoting the positive role that private investment plays in providing housing in Manchester
- managing and raising awareness of expectations of the Council's role
- fully embedding the self-regulation approach.

These wider issues will be developed alongside more tangible tasks, such as establishing the Manchester Renting Pledge and reviewing web content, through a small resource including Strategic Housing and the MCC Communications Team, and work directly with relevant professional bodies. As well as promoting good practice and landlords it is essential that successful prosecutions of poor practice by landlords are widely published to send out a clear message that enforcement will be undertaken and poor conditions and management are not acceptable.

B Impact assessment

One of the key aims of the strategy is to improve the quality and quantity of Manchester's housing supply to benefit and support those who contribute to Manchester's economic success. However, there has been limited consideration given to accurately quantifying the economic impact of interventions in the market-rental sector with the need to focus on day-to-day issues. It will be necessary to address this to secure sustainable investment to deliver the strategy and evidence the contribution the work is making in reducing the public sector funding deficit.

There are a number of areas that we will explore as part of this, including:

- Savings made through supporting troubled families in the market-rental sector
- Focused enforcement bringing about reductions in the degree of resource-intensive poor-quality stock
- Improved conditions leading to improvements in areas such as health, reduced fuel bills and reductions in crime
- Enhanced asset values as poor-quality stock no longer negatively impacts on neighbourhoods.

In addition, there will be other factors that are as important but even harder to quantify, such as resident satisfaction and engagement.

C Devolved powers, freedoms and flexibilities

We will continue to work with the Government to secure the appropriate tools to allow Manchester to best ensure the effective contribution of the market-rental sector to the wellbeing of our residents and in securing continued economic growth. We recognise that the markets in Manchester are distinct from those in other parts of the country, particularly London and the south east, and therefore they require locally determined policies and interventions.

The areas we will explore include:

- Engagement with HMRC, including a fee or percentage local retention for increases in tax contributions as a result of direct Council intervention
- Local retention of fines from landlords found to be in breach of legal responsibilities
- Mechanisms for sharing the value of reductions in Housing Benefit expenditure through measures such as helping families into work or creating accurate Broad Market Rental Areas (BMRAs)
- Locally determined mandatory registration schemes with tax breaks for accredited landlords and stronger effective sanctions for negligence.

More broadly, the current centralised regime restricts our ability to develop locally designed approaches to the pressures constraining the bottom end of the market in Manchester, including sanctions for the small proportion of landlords who are persistently negligent. In a more devolved environment, a fiscal regime could be designed to direct and influence landlord behaviour, while allowing the market to flourish for quality landlords and tenants alike.



8. Summary and next steps

Manchester's market-rental sector is a growing and vital component of the city's accelerating economic strength. In the next decade, large and exciting new high-quality developments will see a widening of choice to reward those contributing to this success. This strategy ensures that the existing stock plays its role in this agenda and sets out our new approaches to deliver this.

Addressing the deep-seated and long-term challenges – especially at the very bottom of the market – with constrained resources will not happen overnight. Some of the changes will require new ways of working with our RP partners, other public agencies and professional bodies; some will require internal change and others will call on the Government to provide us with a wider toolkit. However, there are some changes we can bring about quickly that will help set out our new approach. These will include, for example, the launch of the Manchester Renting Pledge, improved sources of information for tenants and landlords, closer working with the professional landlord and lettings agency bodies, and a revision of the remit of our Strategic Housing Partnership.

We know market-rented housing will be an increasingly important part of the lives of many more Manchester residents for years to come. We are determined to make sure the industry continually raises conditions and standards to provide good-quality, well-managed accommodation that makes an important contribution to Manchester's housing market, which in turn supports our economic growth.

