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Renters' Rights Bill forces landlords to change strategy

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Buy-to-let property investors have been subject to regular increases in tax and legislation since 2013, when George Osborne announced that buy-to-let mortgage interest payments would no longer qualify for tax relief. The Renters' Rights Bill may be the heaviest burden Private Residential Sector (PRS) landlords have faced since that time – and sadly it bodes ill for tenants too.

Perhaps the most significant changes included in the Bill are the removal of fixed term assured tenancies and Assured Shorthold Tenancies (ASTs) and the abolition of so-called 'no-fault' evictions. In future no landlord will be allowed to refuse to renew a disruptive tenant's contract as there will be no end-date to tenancies. Under the Bill, a tenant can only be asked to leave if the landlord plans to sell it or to move into the property themselves, or where there are rent arrears or evidence of anti-social behaviour. But enforcement of these grounds will involve very long court processes, particularly given the backlog of cases which has hamstrung the legal system since Covid. County Courts took an average of 51.6 weeks to process small claims cases last year, while the Crown Court has a backlog of 52,000 cases.

But the biggest threat the Bill poses is a mass exit of landlords from the PRS. Private landlords supply homes for 19% of the UK's population, from students and those starting out in their adult lives to families with children (who made up 34% of private renters in 2023/24) and older people (9% are over 65 years old).

The prospect of the Renters' Rights Bill is already forcing changes in behaviour. According to research carried out by Pegasus Insight, in Q4 2024, 81% of landlords said they will be more selective about who they let to once the Bill is introduced; 62% will put rents up and 23% will look to cut costs by spending less on maintenance.

Most significantly, only 5% of landlords said they intend to purchase more buy-to-let property in 2025. This figure has been on a downwards trajectory since Q1 of 2022, when 18% planned to expand – 5% is a record low. What's more, those planning purchases intend to buy an average of 1.9 properties, while those looking to sell plan to offload 2.9 properties.

This lack of appetite for further investment in the PRS is of real concern, given that around 150,000 new households per year are expected to form in the PRS between now and 2036, according to the Office for National Statistics (ONS). Currently only 45,000 dwellings are being added to the sector annually.

Rents are already at record highs, having increased by 9.2% last year to an average of £1,362 per month in England (ONS). That ranges from £706 in the North East to £2,220 a month in London. If more landlords sell some or all of their rental properties, the supply/demand imbalance will deepen, pushing the cost of renting up yet further. That is a basic economic principle, but it also indicates mounting landlord concern induced by more than a decade of harsh treatment by government. Landlords are likely to put rents up not just because the laws of supply and demand say they can, but to protect themselves from future higher taxes and/or yet more regulation.

Restricted supply and further soaring rents in the PRS will make it harder for tenants to find, secure and afford property after the Bill is introduced. More worrying still is the likelihood that a chronic

scarcity of affordable rental property will add to the toll of homeless people in the UK, which already counts more than 350,000.

Scrapping ASTs also risks adding to the number of empty homes in the UK. Currently, homeowners who have to leave their property in the short term – maybe for a year or two because they have work commitments elsewhere -can rent out their home for a particular period of time, with the guarantee that they will be able to move back in when they choose. Under the Renters' Rights Bill homeowners in such circumstances may opt to leave their property unoccupied rather than rent it out, in case they have to go through a protracted legal process to get it back. There are over a million empty homes in the UK already. It would be a big waste of a valuable resource to add to that number.

There are also more than a million people on waiting lists for accommodation in the UK - we all know that the country desperately needs a huge increase in social rented housing. There are no signs of such an increase in the foreseeable future, despite government promises. In the absence of an urgent housebuilding programme on a massive scale, nurturing the PRS – or at the very least, leaving it alone - is vital. If the government can't understand or won't acknowledge the importance of encouraging landlords to remain and invest further in the PRS, it must as a minimum commit to policy stability for the sector. Otherwise more landlords may choose to make a strategic exit, turning the housing crisis into a catastrophe.