Landlord and Customer: New perspectives on Tenancy Management in the Private Rented Sector

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Abstract

The operation of the private rented sector was found to be of high public interest, and research was devised to investigate a broad range of relevant topics, including some new areas of research.

Responses were analysed following a web-based survey accessible on-line between November 2003 and February 2004. The survey was promoted within industry-based organisations and on landlord-relevant websites. This method was challenging, but attracted a sample of respondents largely representative of the general population.

The ‘cottage industry’ nature of the private rented sector described by Crook (Crook et al, 2002) was confirmed, inasmuch as many landlords were found to hold small portfolios. However, two important qualifications are made. Firstly, the number of landlords was estimated to be much lower than previous speculations, with important implications for the size of the landlord services market. Secondly, although many respondents were indeed novice landlords, a small percentage were found to control much of the stock, demonstrating a high degree of differentiation amongst landlords.

The importance of pension planning as a primary motivation for landlords was quantified here for the first time. Determination of the average business lifespan raised important questions about the realism of let property as a pension resource.

It was established by the literature review that letting agents play a fundamental role in the management of the private rented sector. Landlords’ perceptions of the value for money and professionalism of letting agents were measured for the first time in this study. Perceptions were found to be out of step with the measured performance of letting agents, and both findings provide important information for letting agent business.

It was asserted that fear of letting amongst prospective landlords has a negative impact on housing supply. The frequency of tenancy problems was quantified and some patterns were identified in relation to experience and other factors. This information is of fundamental interest to prospective landlords.
A key finding in a new area of research is that the attitude of landlords is demonstrated to affect tenancy outcomes. Analysis of tenancy problems confirmed a link between attitude (expressed as responsiveness to repairs and improvement requests) and the successful management of tenancies. This is an important finding for existing landlords and for the risk management strategies of institutional investors in the private rented sector.

The literature review found claims that landlords were ‘ripping off’ their tenants (Shelter 2003). Data was obtained on the frequency of disputes from the landlords’ perspective, and will be used to inform the debate. The study concludes that more research is needed on understanding the views of landlord and tenant in handling deposit money.

It was found that disrepair has contributed to a poor public image for private landlords. The responsiveness of landlords to repair issues was measured in order to assess the fairness of this image. Once again, an association was found between responsiveness to repairs and the frequency of tenancy problems.

It was suggested by the literature that the private rented sector is not understood by policymakers. The views of landlords on this important subject were quantified for the first time, and found to have significant implications for both landlord membership associations and, in a surprise result, local authority accreditation schemes. Other findings provide encouragement for the prospects of changing the ethos of the landlord-tenant relationship in anticipation of forthcoming legislation.

In order to ensure the findings are widely available to the industry, they were circulated to all the principle organisations, many of whom supported the study informally. Findings have also been circulated to participants, and appear on a number of landlord-related websites and journals.

In summary, the research contributed to knowledge of the sector, and drew important conclusions on new aspects. In particular a need is highlighted for further study of the association between landlord attitudes and successful tenancy management.
Introduction

This study investigates the views and management practices of private residential landlords. The author is director of Favoured Locations Ltd which operates a portfolio of let properties in South East London. The study notes that the market has become more competitive, and so research into the performance and methods of competitor landlords is useful market research. However, the questions addressed in this study are of much broader interest, both within the business and to the general public.

The importance of the study rests on several factors. Firstly, public interest in the private rented sector has never been higher. Evidence for this can be found in the number of column inches devoted to buy-to-let in the property pages of national newspapers; in the plethora of property-based television programmes; in the number of publications available to new landlords; and in public appreciation that buy-to-let activity has been one of the key drivers behind house price inflation (Collinson, 2002). A “national obsession” with property is widely acknowledged in the popular press (for example, Clear Cut, 2004). The literature review finds that although the private rented sector accommodates a tenth of all households, there is a lack of primary research into its operation. For example, there is no reliable estimate of the number of landlords. Further research has been called for by both industry and academic sources (Paragon Mortgages, 2003, Rugg et al, 2002) and the present study fills this gap.

Secondly, it will be seen that the growth of buy-to-let business since 1996 has introduced large numbers of new landlords to the sector, and a corresponding rise in the number of services targeted at them. The literature review sets out why there is doubt whether landlords receive value for money and presents anecdotal evidence which is critical of letting agents. Despite a high proportion of all lettings occurring through agents, it remains the case that the views of landlords on the service they receive has not been sought, nor is there an independent assessment of the performance of the letting agent industry. This study addresses both these issues.

Thirdly, the instability of property values in the UK is a major concern to the Government and a source of uncertainty in relation to joining the Single European Currency (Barker, 2003). It is argued within this study that there is a fear of major tenancy problems amongst prospective landlords, and that this apprehension is a contributory factor behind the under-occupation of
property. Accordingly, the study seeks to define and quantify major tenancy problems for the first time. This work enables more informed risk assessment by both current and potential landlords and should therefore be of encouragement to those considering letting their property for the first time.

Fourthly, the literature review explores a number of issues that have been around for decades. In particular, the public image of landlords is discussed in relation to disrepair, mismanagement, and the handling of tenancy deposits. It is found that several of these issues have reached a critical point, with calls for new legislation and intense debate in the media. Some regulation at least is likely to be implemented within the next few years. The literature review provides a brief summary of the history and effects of regulation from which it can be deduced that great care is required before regulating further. The primary research tackles many of these subjects directly, and in doing so helps to inform the debate at a critical time for the industry.

Finally, a new area of research is identified as the extent to which landlords intend to treat their property as a form of pension provision. The study quantifies this motivation for the first time and, crucially, makes an assessment of whether the lettings business is likely to meet pension expectations.

**Report structure**

The Literature Review is the first stage of the report, and sets out the background to the subjects mentioned above in terms of existing knowledge. One of the features of this review is the wide range of sources used. Many of the topics are new, or relatively un-researched by academia. Moreover, in describing the public image of landlords or in finding evidence for a fear of letting, reports from within the industry of the popular press have a relevance independent of academic merit. (A discussion of the sources and referencing, particularly of website sources, is set out in Appendix 9)

The Methodology section follows, and describes how and why a post-positivist approach was taken using a web-based questionnaire, and why the study was undertaken independent of any industry-based organisations. A web-based study of this nature is still relatively innovative, so both the methodology and the conclusions are careful to set out the advantages and disadvantages of the technique, and the precautions which were made to achieve validity.
Next, the survey findings are presented in tabular or graphical form in the Findings and Analysis section. Again, some explanation is required. Owing to the range of topics covered by the research questions, it has been necessary to combine the relevant findings and their analysis in one section. This is unconventional, however, with nine research questions, thirty-three sub-questions and in some cases several different modes of analysis, the thread of the research would be lost to the reader if the findings and analysis were separated. (Notes on the format of the findings can be found in Appendix 10).

In the Conclusions section, the implications and significance of the results are discussed. In many ways, the study challenges conventional wisdom. For example, an estimate of landlord numbers is made that is outside the existing range of estimates, and the reality of let property as a form of pension is questioned. Other conclusions relate to areas uniquely studied by this report. For example, the willingness of landlords to participate in local authority accreditation schemes is described for the first time. Perhaps the most original work is an investigation of the relationship between landlord and tenant: namely the possibility of a link between landlord attitudes and tenancy outcomes in terms of major problems. The results are surprisingly strong and have implications for all landlords.

The study was designed to inform and to stimulate further investigation. A record of the dissemination of the conclusions within the industry can be found at Appendix 5.

The following section, Literature Review, sets out existing knowledge in the fields under investigation.
A brief history of the private rented sector

During the 20th century, the proportion of households renting privately declined from a fraction under 90% in 1914 (Short, 1982, p176) to less than 10% in 1997 (Conway, 2003, p26). One of the reasons behind this decline is generally accepted to be favourable conditions for home ownership. Other European countries retain a much larger private rented sector (De Decker, 2001, Louvot-Runavot, 2001).

Regulatory impact on housing emerged after the industrial revolution and subsequent urbanisation. Cholera epidemics in 1832 and 1849 (Conway, 2003, p18) spread partly on account of new housing areas, and this led first to public health legislation. In 1914, rent strikes led to the first rent controls (Conway, 2003). Until the late 1970’s, the net outcome of government policy was the diminution of the private rented sector. Within this overall decline, political approaches had been highly polarised: Conservatives aimed to liberalise, Labour to protect tenants (Balchin & Rhoden, 1998).

Figure 1: The loss of privately rented dwellings between 1938 and 1975

<table>
<thead>
<tr>
<th>In 1938</th>
<th>6.6 million dwellings</th>
</tr>
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<tbody>
<tr>
<td>Sold</td>
<td>2.6m</td>
</tr>
<tr>
<td>Sold to local authorities</td>
<td>0.3m</td>
</tr>
<tr>
<td>Demolished</td>
<td>1.2m</td>
</tr>
<tr>
<td>New</td>
<td>0.4m</td>
</tr>
<tr>
<td>by 1975</td>
<td>2.9 million dwellings</td>
</tr>
</tbody>
</table>

The effects of regulation

Rent controls have been one of the most popular public policies around the world: however, removing those controls might lead to both greater efficiencies in the market and a general lowering of rents (Basu & Emerson, 2000). Most commentators now regard tough rent controls as counter-productive. For example, it has been said that rent control leads to inefficiency in the market, a deterioration of rental housing, a reduction in incentives for upkeep and maintenance, and an exacerbation of the landlord/tenant relationship (Block et al, 1998). It has been pointed out that building for private rent flourished between the First and Second World Wars, then became ‘negligible’. This was coincident with rent regulation in 1939 (Balchin & Rhoden, 1998, p61).

Removing widespread regulation has become a standard approach in much of Europe (van der Heijden & Haffner, 2000). It is not necessarily an easy process: the Conservative governments of 1951 – 1957 in the UK struggled to find a middle route between unfettered market forces and burgeoning municipal housing (Wieler, 2003). Their Rent Act of 1957, although intended to liberalise, became compromised by political, administrative, and social constraints (Simmonds, 2002). It allowed, for example, for an increase in rent only after a change of tenant. Unscrupulous landlords resorted in some cases to illegal evictions and it was perceived as a failure (Short, 1982).

The future of private landlords was seen to hang in the balance by the early 1980’s. The view was held that the likelihood of a revival depended on landlords’ and tenants’ attitudes, as well as the market effects of a proposed ‘shorthold’ tenancy (Gilchrist, 1980). What those attitudes were are not clear, but referral was made to a DoE\(^1\) report that showed the most helpful legislation from landlords’ perspective would be one that permitted higher rents. Even so, legislating merely to permit rent rises would not have been enough to restore the faith of landlords, given the commitment of the Labour Opposition to repeal such laws (Simpson, 1980).

It is widely known that rents were effectively freed to market forces eventually by the Conservative Government by means of the Housing Act 1988, which introduced Assured

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\(^1\) Department of the Environment – now the Office of the Deputy Prime Minister and still responsible for housing. The report Gilchrist refers to has not been verified.
Shorthold tenancies. Although new ‘Shorthold’ rents could be challenged, tenure was only assured for six months making it completely impractical to do so.

The situation for landlords, described in Residential Renting, the Journal of the National Federation of Residential Landlords, moved from ‘minus 9.5 to minus 1.5’ as a result of the new Shorthold form of tenancy: the law still favoured the tenant (Anon, 2002, p10). Between 1989 and 1993 private rented stock did increase from 2.078m households to 2.310m (Balchin & Rhoden, 1998, p63). It has been judged that about half of this gain was a direct result of the liberalisation of rents (Crook & Kemp, 1996).

The effects of new legislation can be obscured for many years, landlords have been found to adopt a wait and see strategy for up to five years after of rent controls before actively looking for ‘escape routes’. This long-term invisibility of the consequences of legislating increases the risk of doing so (Stanbury et al, 1990).

Notwithstanding, pressure for new regulation continues. For example, the Chartered Institute of Housing in Scotland called for a national registration scheme for all private landlords. The CIH argued that there was little or no regulation or inspection process to ensure that accommodation was fit to let in the private sector, in contrast to housing associations where strict monitoring occurs (CIH Scotland, 2003).

Given the significance of landlords’ attitudes on the future of the sector (Gilchrist, 1980), understanding those views might be seen as essential to avoid the legislative clumsiness of the twentieth century (Bearn, 2003), but local authorities have been inclined to regulate before consultation has been instituted. For example, 12% of local authorities wanted to introduce licensing schemes and enforcement action against private landlords where progress on consultation with landlords was delayed or absent (ODPM, 2003, p3). National government has also given commentators the impression it does not understand the sector (Lambert, 2000)\(^2\).

As an alternative to registration (or perhaps as a forerunner) a number of voluntary accreditation schemes for landlords have been established around the country. A central organisation, Accreditation Network UK (ANUK), has been formed to share good practice in the

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\(^2\) Examples of the drive for registration of private landlords by local authorities can be found on the web (for example, Gateshead, 2004).
implementation of these schemes. Most schemes are run by local authorities, but in some areas schemes are run by other organisations with an interest in housing such as universities (ODPM, 2002d). At the time of writing, it was thought that at least one hundred and fifty local authorities have established schemes, and most authorities have the intention to do so, but it was not possible to verify figures.

**Key characteristics of the industry**

*Detailed evidence about the nature of the supply side before deregulation is very limited. Indeed, debate was as much dominated by myth as by hard evidence.*

(Crook, 2003, p3)

The private rented sector is going through a period of rapid change (Kemp, 2002). It can be defined in terms of ownership where the owner is a private individual, company or institution. Typically, it operates at a rent dictated by supply and demand in the open market and without subsidy (Whitehead, 1998). It is distinct from ‘social’ housing in terms of the law, the absence of subsidy, and its freedom from any kind of monitoring. Indeed, about a fifth of the sector is let to relatives or employees – possibly without any form of written agreement – and is inaccessible to the general public (ODPM, 2001b, p3).

The number of landlords is not known, and estimates vary. The NFRL[^3], for example, suggested 750,000 at the end of 2002 (Editorial, Residential Renting, December 2002, p6). The Government Survey of English Housing put the number of households renting privately at 2,034,000 in 2001 (ODPM, 2001a, p3). At the same time, the median number of properties held by a private landlord was 4 (a decrease from 9 seven years earlier, and a consequence of the entry of large numbers of small-scale landlords with the buy-to-let boom (ODPM, 2001b, p3)). This yields about half a million landlords in 2001 using Government data.

Since then, the number of privately rented properties has grown, as mortgage lending shows:

**Figure 2: Mortgage Lending to Investor Landlords, 1999-2003**

[^3]: The National Federation of Residential Landlords
<table>
<thead>
<tr>
<th>Year</th>
<th>Advances (£billions)</th>
<th>Loans outstanding (£billions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1999</td>
<td>3.1</td>
<td>5.4</td>
</tr>
<tr>
<td>2000</td>
<td>3.9</td>
<td>9.1</td>
</tr>
<tr>
<td>2001</td>
<td>6.9</td>
<td>14.7</td>
</tr>
<tr>
<td>2002</td>
<td>12.2</td>
<td>24.2</td>
</tr>
<tr>
<td>2003 (1st half)</td>
<td>7.7</td>
<td>31.2</td>
</tr>
</tbody>
</table>

Source: CML, 2003, p3

Buy-to-let lending now makes up nearly 5% of the lending market, and the average loan was approximately £100,000 (CML, 2003, p4). If lending kept pace during the second half of 2003 then 276,000 dwellings have been added to the private rented stock since 2001. This provides a rough estimate of the number of landlords at the end of 2003 as 570,000 (231,000 households divided by the median portfolio of 4). The private rented sector is likely to continue its growth due to demographic changes (CML, 2001).

**The nature of private landlords**

The Figure below is one attempt to characterise the nation’s landlords. “Business Landlords” are following a full-time primary occupation as a landlord; “Institutional Landlords” are landlords such as churches and universities; “Sideline Landlords” have other occupations and are divided into those who plan to make money (“Sideline Investor Landlords”) and those who have other reasons for letting (“Sideline Non-Investor Landlords”)

**Figure 3:** The operational characteristics of landlords (Crook)

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<tr>
<td><strong>Business Landlord</strong></td>
<td>19%</td>
<td>17%</td>
<td>22%</td>
</tr>
<tr>
<td><strong>Sideline – Investor Landlord</strong></td>
<td>34%</td>
<td>34%</td>
<td>32%</td>
</tr>
<tr>
<td><strong>Sideline – Non Investor Landlord</strong></td>
<td>36%</td>
<td>27%</td>
<td>27%</td>
</tr>
<tr>
<td><strong>Institution</strong></td>
<td>11%</td>
<td>21%</td>
<td>19%</td>
</tr>
</tbody>
</table>

Source: Crook, 2003, p4

It is estimated that 60% of landlords owned less than ten properties, and it is emphasised how Real Estate is a fragmented as an investment market – unlike the stock exchange (Balchin & Rhoden, 1998, p63-64). Accordingly, landlords have been described as a “cottage industry”
(Crook et al, 2002). The distinction between amateur and professional property investor types has been described in the popular press as “the dabblers versus the dealmakers” (Browne, 2003).

That residential property has not been attractive to institutional investors for decades is well known (David, 1996). It was for many years:

> The Cinderella of the property market and large-scale investors researching the private rented sector were disappointed at the levels of skills and service available to them.

(Collet, 2000, p507)

The sector benefited from the 1988 Housing Act and is now a viable corporate investment (Mansfield, 2000). Eighty-one thousand dwellings were added to the sector as a result of the Business Expansion Scheme being extended to residential property in 1988 (Hughes, 1995, p20). However, greater emphasis is needed on forecasting, risk assessment and management in order to attract large fund managers (RICS, 2002). Institutions have much higher entry criteria for investment than individuals (McGreal et al, 2000) and are sceptical about the residential market (Lawson, 1996)). In his submission to the Barker Review of Housing Supply, Crook specifically tackles the role of financial institutions in rented housing, and concludes that the characteristics of the industry are unlikely to change.

> Although landlords are more confident than before deregulation... returns do not appear sufficient to attract residential property companies backed by the major financial institutions... There appears to be little prospect of a significant change in the next few years... Hence the ‘cottage industry’ character of the private rented sector will remain.

(Crook, 2003, p12)

In assessing the scale of operation of individual landlords, statistics are found to be inconsistent in their units of measurement. Nevertheless, an accelerating trend towards smaller and newer landlords is discernible as follows:

- In 1976, a fifth of landlords had started out in the previous 6 years (Paley, 1978, p13).
- By 1984, a third of properties let had been acquired within four years (Todd & Foxon, 1987, cited Crook, 2003 p3).
- In 1993, nearly a quarter of landlords had started within the previous four years (Crook, 2003, p2)
A survey conducted for ARLA\(^4\) in June 2003, found that 31% of landlords had acquired their first investment property within the previous eighteen months (Jones, 2003, p9).

By April 2004, the same percentage (31%) had been landlords for less than 12 months (Jones, 2004, p7).

Operating as a “cottage industry” is far from unique internationally. In Sweden, for example, the majority of landlords manage without economic or technical help (Lundqvist, 1988). Moreover, ‘sideline’ landlords are not necessarily inferior to full time managers as part-time workers can be as committed to their work as full-time employees (Thorsteinson, 2003). Accordingly, there is a sense in which the fragmented nature of the private rented sector must be accepted and dealt with, and this arises both within the industry and in academia. It has been said, for example, that the nation of small landlords needs to be better understood (Paragon Mortgages, 2003) and that the sector is essential to the smooth operation of the wider housing market and requires further study (Rugg et al, 2002).

**Motivation**

Reasons for becoming a landlord can be accidental (CIEH, 2002) or economic. There are many motives and it cannot be taken for granted that landlords behave in an efficient and rational way (Anderson, 1998). Although many are new to the industry, two-thirds expect to hold their properties for over 20 years (Jones, 2003, p12). The overwhelming majority of landlords (92%) who say they will not sell their property even if house prices fall give their reason as “taking a long-term view” (Jones, 2004, p13). In particular, funding retirement pensions has become a critical concern within the European Union (Myles, 2003), and the motivation for becoming a landlord for many people may be the prospect of enhancing pension provision:

> Amongst investors for whom being a landlord was not a full-time occupation, buy-to-let was being used as a form of pension planning.

(Rhodes & Bevan, 2003, p3):

Given exceptional returns in the sector recently – “a staggering 17.1% in 2001” (Almond, 2002, p392), a note of caution is raised:

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\(^4\) Association of Residential Letting Agents
...most of these landlords have only been investing over a period of time that has been characterised by low interest rates, growing capital values and rising rent levels, poorly performing stocks and shares and pension schemes, and an increasing demand for private rented accommodation. Several of the landlords themselves pointed to their good fortune.... It is therefore unclear how buy-to-let landlords may respond to different economic conditions, such as a rise in interest rates, nor how the more recent entrants are faring due to the tighter margins that are currently available as a result of the rise in property prices.

Rhodes & Bevan, 2003, p3

The public image of landlords

The shadows of Rigsby and Rachman continue to fall on attempts to devise more effective regulation of the private rented sector

(Rugg & Rhodes, 2003, p945)

The Rachman Scandal had erupted by 1963, coining a new word for appalling landlord behaviour and generating “sensational coverage” (Short, 1982, p176). The Government Milner Holland Committee reported amid hostile publicity that over half a million Londoners lacked even a shared bathroom in the 1960’s. This lack of amenity was concentrated in the private sector (House of Commons, 1965), and private landlords were held responsible rather than housing policy in general (Kemp, 1997).

There are two sets of popular images concerning landlords... On the one hand, there is the Rachman image of a greedy, unscrupulous landlord exploiting poor, unfortunate tenants; on the other, there is the little old lady image of decent, god-fearing people performing a public duty by letting out part of their property, only to be repaid by nasty tenants who smash the furniture, refuse to pay rent and enjoy continuous security of tenure.

(Short, 1982, p181)

Scottish landlords have been shown to be mostly small-scale, part-time, and relatively ignorant about the law and the industry in which they work (Kemp & Rhodes, 1997). However, hard data concerning malpractice amongst landlords is difficult to locate, and no information is available from the Court Service\(^5\). Secondary sources indicate that very few prosecutions are bought against private landlords for harassment (Cowan & Marsh, 2001). From within the industry, the

\(^5\) no response to written enquiries by the author in October 2003
National Landlords Association points out that just twenty-three landlords were convicted of offences in connection with their tenants during the year 2000: “0.0001% of all lettings” (SLA, 2003, p7).

Despite the absence of primary research, allusions to poor practice recur in the literature. For example:

“The quality of tenancy management can be variable. There are instances of unlawful eviction or harassment... but they are relatively uncommon.”

(Houston et al, 2002, p2)

“Private tenants can also suffer from bad management practices by a minority of landlords, including harassment and illegal eviction.”

(Randall, 1995, p1)

The Independent Private Rented Sector Commission said that a small minority of landlords woefully neglected their responsibilities to manage and maintain their properties (JRF, 2002).

Secondary reports might of course have factual origins: one primary study of landlords in the USA found that racial discrimination by landlords was widespread (Ondrich et al, 1999). Alternatively, the “myth” concerning private landlords (Crook, 2003, p3), might amount to prejudice. Judgementalism has been found to pervade the housing market generally. For example, home owners with mortgage arrears are presented as victims by the press, whereas tenants with rent arrears are portrayed as deliberate non-payers (Hunter & Nixon, 1998). Morally loaded terms are likely to be counterproductive in any relationship, including that of landlord-tenant and landlord-local authority. This has been labelled the “Hanging Judge Tendency” and identified as a demotivating factor in working relationships (Nicholson, 2003, p64).

There is in fact evidence of a pervasive anti-landlord culture within local authorities (Rugg & Rhodes, 2001). Members of the British Property Foundation regarded proposals to licence landlords as “bureaucratic, draconian and reflective of an attitude which assumes landlords will not meet the standards expected of them” (BPF, 2002, p3). That there is no clear consensus on the measures required to improve the sector is partly due to entrenched attitudes of mutual hostility (Rugg & Rhodes, 2003).

…the portrayal of landlords as grasping, exploitative and willing without much inducement to operate outside the law seems to have been absorbed as an ‘essential’ truth by policy makers.
“It is broadly felt by the industry that the standard of regulation is generally poor, lacks clarity, is impossible to comply with and has a tendency to be judgemental.”

(Both quotes: Rugg & Rhodes, 2003, p944)

The Draft Housing Bill, issued on 31 March 2003, was itself of huge concern to the majority of private landlords according to the National Landlords Association:

“It is worth quoting verbatim part of the consultation [on the Bill]. ‘As owner occupiers fled unpopular and hard to sell properties, the private rented sector could grow by default and exploitative landlords might then seek to operate on a large scale, forcing out responsible tenants and owner occupiers with the help of anti-social tenants, and contribute to the spiral of decline.’ Now just why any landlord would ever want to do this is unexplained. What sane landlord one might ask would want to do something which makes his investment less valuable? The notion beggars belief, and yet here it is in the draft bill.”

(SLA, 2003, p3).

Stratos Paradias, Secretary General of the International Association of Landlords said:

“Real estate has always been sailing in a sea of enemies. You cannot easily eradicate from a man’s soul the resentment which those who do not have a house are likely to feel towards those who do”

(Quoted in Essinger, 2003, p33)

One of the most important perspectives on any industry is that of the customer, and the power of the customer is set to rise (Porter, 2001). Private tenants are consistently more satisfied with their landlord than tenants of social landlords. In 1999/2000, 45% of private tenants were ‘very satisfied’ with their landlord; compared with 38% of RSL tenants and 23% of council tenants (DTLR 2000, Table A8.8). Equally, fewer tenants were dissatisfied with their landlord in the private sector than other forms of tenure (ibid). Kemp & Keoghan found that a significant share of the movement from social housing into private renting is attributable to households moving to a “better house or neighbourhood” (Kemp & Keoghan, 2001). It has been said, though, that the advantages of the private rented sector depend on the individual landlord: 11% of survey respondents specifically pointed this out (NEDO, 1977, p20).

6 The Small Landlords, Association changed its constitution to become the National Landlords Association during 2003. The acronyms NLA and SLA were both in use.

7 Registered social landlord, usually a housing association.
In summary, the image of landlords remains a challenge to the industry in many dimensions, including the press:

> When you take a quick, guarded look round some of these places, you reckon most of the rubbish that landlords have dared to press upon the paying public is really old cast-offs from Granny. And instead of carting it off to the local Oxfam after her funeral, why not put it in those investment flats? "Those horrid tenants will probably wreck the place anyhow," you can hear them sniff.

Anon, Independent 5 Nov 03

**Current issues within the private rented sector**

**The role of letting agents**

Letting agents are a pivotal factor in the management of the private rented sector, since 46% of tenants are likely to be dealing with agents rather than the owners of property (ODPM, 2001b, p2). In addition, it is known that many landlords use agents to find tenants and then manage the tenancy subsequently (the proportion is not known).

The Government has identified a problem within the letting agency business.

> It is estimated that there are around 6,000-8,000 letting agents who do not belong to one of the three professional trade associations. Whilst many of these firms provide a good level of service, there are also many unscrupulous agents and others who, whilst well intentioned, do not have sufficient knowledge and experience to provide an adequate service. Currently, there is no statutory requirement for letting agents to register with or seek a licence to operate.

(ODPM, 2002b, p5)

Difficulties are acknowledged within the industry.

> Be very careful when choosing your letting agent. Bad agents can cause you serious financial losses!

Landlord Law, 2004

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8 A figure of 46% managed by agents is derived from 58% management of the 79% of properties available on the open market which the report addresses
No research has been found on the performance of letting agents per se. A recent study for the Office of Fair Trading into estate agents (who, it is known, often operate lettings) found that one in five sellers and nearly one in four buyers believed they experienced serious problems. It was found that membership of a trade body had little impact on a seller’s choice of estate agent (WirthlinEurope/OFT, 2004, p5). The study further demonstrated that consumers shop around primarily on the basis of reputation (Ibid, Executive Summary, p4).

Whereas academic research is yet to investigate letting agents, complaints can be found extensively on the discussion boards of relevant sites⁹ and in the press, for example *Letting Agents: A Horror Story* (Sturgis et al, 2003). Difficulties with agents are also used as a marketing tool within the business, for example:

*We do deal with, from time to time, landlords who have experienced problems with their present agent and, as a result, the tenancy has resulted in problems too. This can vary from rent arrears to maintenance or in some cases of gross negligence*  
(Quality Managed Homes, 2004)

Only one quarter of letting agents are estimated to be regulated by a professional organisation such as the Association of Residential Letting Agents or the Royal Institution of Chartered Surveyors. In response to adverse publicity for letting agents, these two organisations joined with the National Association of Estate Agents and the Housing Corporation to launch the National Approved Lettings Scheme for agents to encourage minimum standards within the industry (NALS, 2003).

**Disrepair**

The 1996 English House Condition Survey found a disproportion of poor housing was in the private rented sector – nearly a third of poor housing in just 10% of the stock (ODPM, 1996, p54). Moreover, there was no sign of improvement relative to other sectors over the years (ODPM, 2001a). Polarisation was identified between high class and poor properties, so where standards had increased across the sector, it was due to the addition of better stock rather than improvement of the old (ODPM, 2001b, p90).

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⁹ see, for example The Move Channel, 2004
It has been concluded that the combination of the old stock, a disinclination of some landlords to repair and a low rental income in certain areas probably means that the record of landlords on balance may be no worse than that of owner occupiers (Houston et al, 2002).

The debate concerning regulation of the sector applies equally to maintenance standards:

*If the market has failed at the lower end, then regulation in the form of landlord licensing or restrictions on housing benefit payments will not provide extra funds and may lead to a reduced supply of accommodation*

(Crook et al, 2000).

That greater competition was providing a stimulus to maintain dwellings was apparent by 1996, when many landlords felt the balance of advantage was swinging towards the tenant customer (DETR 1996). By 2002, large numbers of new landlords were helping to raise standards (Jones, 2002, p19). It was reported by a commercial source in 2003 that 80% of their landlords had done work on their property in order to facilitate letting (cited in a press article, Bramley, 2003, p2).

*Adequately maintaining their properties was seen as being important to uphold their capital value, with a ‘stitch in time’ attitude being prevalent. The upkeep of their properties was also widely viewed as being important to ‘beat the competition’…. The result of this oversupply was that attracting tenants was thought to be increasingly driven by the quality of accommodation on offer.*

Rhodes & Bevan, 2003, p2

The competitive drive for improvement has reached the popular press:

*Lets are popular again - and tenants want class.*

(MacErlean, 2003)

**Tenancy deposits**

Early in 2003 the homeless charity Shelter and the National Association of Citizens Advice Bureaux launched a campaign “Stop the Tenancy Deposit Rip-Off”, and were bitterly disappointed when the Government failed to legislate:

*Citizens Advice Chief Executive David Harker said: “It beggars belief that despite the clear recommendation of a Select Committee, the views of over 180 MPs who signed an Early Day Motion on the issue, and the cross-party support voiced in the recent House of Commons debate*
on the subject, the Government seems content to allow this rip-off of massive proportions to continue. By not taking action now, ministers are effectively condemning many thousands more people to what has been described as 'legalised theft'."

(Shelter, 2003)

The National Federation of Residential Landlords responded differently:

...the majority of private landlords are responsible and professional... Latest figures from your Department show that around 30% of tenants... do not pay a deposit. Where a deposit is paid, some 71% have it returned in full, and a further 16% have it returned in part. It does not follow that those who have had their deposits withheld... are wrongly treated by their landlords. Allegations by Shelter and, regrettably, by the National Association of Citizens Advice Bureaux, that 20% of tenants are being ‘ripped off’... are just that – allegations. This is illustrated by NACAB’s own figures for 1998, which show that of around 446 complaints about deposits over a 5-year period, just eight were upheld by the courts.

...we believe a compulsory tenancy deposit scheme would be hugely cumbersome and bureaucratic.

Open letter to Yvette Cooper, Parliamentary Undersecretary of State, ODPM
Published in Residential Renting, 125, February 2004

The Government launched a consultation document on tenancy deposits during 2003, and some form of regulation is planned but is likely to be delayed to allow proposals to tie-in with changes to landlord-tenant law suggested by the Law Commission (Anon, 2004). Evaluation of the Government sponsored pilot Tenancy Deposit Scheme, however, was neutral on the need for legislation:

Despite the gaps in knowledge, three principal headline conclusions can be drawn. First, in all probability the apprehension of problems with deposits is more pressing than the actual incidence of difficulties. There is little doubt that the way in which deposits are managed is open to abuse, often as a consequence of poor practice rather than an intention to defraud. Steps should be taken to improve deposit management, but evidence that legislative intervention is required is not firm.

(ODPM, 2002c)

It was suggested (ibid) that conflict over the deposit might be symptomatic of deterioration in the landlord-tenant relationship during the course of the tenancy, for example where a tenant had lost faith in the good will of the landlord after delays in getting repairs done. It is known that landlords have control over how the deposit funds are administered. It is also understood that “people are happier and more comfortable when they believe they have some control over a
process, particularly an awkward or uncomfortable one” (Chase & Dasu, 2001, p83), and it is suggested that businesses should view customers as a source of competence by “encouraging active dialogue, and to do so as equals” (Prahalad & Ramaswamy, 2000, p81)

Different schemes for operating deposits exist internationally. Proposals for centralising the administration of tenants’ deposits were made in the USA in 1988 (Rosen, 1988). In other countries, for example Germany, New Zealand, Canada, Australia & Belgium, mandatory tenancy deposit schemes exist and interest on the money held must be paid to the tenant (ODPM 2002b). It is not known to what extent UK landlords pay interest on deposits.

Fear of letting and the consequences for housing supply

Prospective landlords are often apprehensive about letting a property for the first time. One of the problems is the complexity of landlord/tenant law and the bewildering array of potential remedies for the defaulting tenant (Clifford & Ackland, 1994).

I am frequently contacted at Favoured Locations by people ambivalent about letting. Some recent cases are provided for reference in Appendix 7. The principle anxiety is whether a tenant will damage the property or run up large debts. This fear of letting can result in long periods of under-occupation, and this clearly has (as yet unquantified) implications for housing supply.

It is known that any increase available accommodation would greatly help the supply of affordable homes, and moreover the economic well-being of the whole UK (Barker, 2003). Different solutions have been proposed. For example, many owner-occupiers under-occupy and would rent out more rooms or create flats within their homes if the tax system favoured this (Power, 2002, point 5d). Bringing an estimated 730,000 empty homes into use is an key housing supply policy (Empty Homes Agency, 2003) and over 100 local authorities have a dedicated ‘Empty Homes Officer’ to pursue this work (NAEPP, 2003). Contacting the landlords of unoccupied dwellings, and even compelling them to lease their property for the benefit of homeless families, is the subject of proposed legislation (Ireland, 2003). Some initiatives have been criticised:

One of the problems with the SHI [the Starter Homes Initiative, aimed at providing subsidised purchases for key workers] is that it does not do anything to increase the supply of housing.
affordable or otherwise. As the current house price boom is fundamentally driven by the under-supply of housing in London and the South East all the initiative is doing, say critics, is fuelling the rise in prices.

(Fletcher, 2002, p16)

The benefits of financial intervention are questioned wherever they have been tried. For example, the Irish housing boom between 1997 and 2000 led a plethora of fiscal steps in relation to the housing market which fuelled the boom further. These policies were held to be short-term populist steps, which quickly caused further house price increases (Memery, 2001).

Any snapshot…. Tends to ignore the established pace and direction of change. At the same time, a failure to recognise changing patterns of demand will render well-intentioned interventions inadequate.

(Malpass & Murie, 1999, p130)

Primary research to clearly quantify the extent of serious problems between landlord and tenant in the private sector is scarce. However, the assertion that there is a fear of letting is supported by marketing material that appears to trade upon it. For example,

Some [tenants] take great pleasure in wrecking the property, or leaving without clearing rent arrears.

(Tenants from Hell, 2004)

Around one in 10 lettings goes wrong, according to figures compiled by landlord insurance organisations, and a clever tenant can easily take advantage of the law to delay eviction at the landlord’s expense.

(Bar-Hille, 2002)

The quotation below is reproduced on the web-sites of at least two commercial organisations promoting services to landlords (landlordaction.co.uk and let-a-property.info).

Nearly all agents and half of all landlords have asked tenants to leave on at least one occasion since 1988, usually due to arrears and for unacceptable tenant behaviour (damage, noise, violence, abusive behaviour). Thirty per cent of landlords and 80% of agents had taken court action at least once since 1988.

DETR, 1996
The reasons behind a breakdown of tenancy might be complex. For example, a lack of support following a crisis could lead to failures attributable to mental health problems (Slade et al, 1999). There could be family fragmentation, job-loss, or relocation, or previous financial difficulties associated with eviction (Boheim & Taylor, 2000). Most problems are said to concern vulnerable people, for example students making their first move away from the parental home (Christie et al, 2002). As will be seen, problems might arise from within the landlord/tenant relationship, rather than endogenously to one party.

The landlord/tenant relationship

In a possibly profound change to the whole culture of the private rented sector, the Law Commission proposes a wholesale re-drafting of housing law. This will alter the landlord/tenant relationship to one of supplier/consumer, rather than landlord/tenant (Law Commission, 2003, p31). This is significant. Managing relationships has been identified as the key to avoiding problems in tenancies of commercial property (Thomas, 2001), and there is no reason to suppose this is not also true of residential tenancies.

When it comes to managing relationships in the workplace generally, “An astonishing number of people have difficulty getting outside their own frame of reference, and seeing through the other person’s” (Waldroop & Butler, 2000, p90). There are additional complications inherent to managing the landlord-tenant relationship. One is said to be the fact that landlords are economic pragmatists whilst their tenants have a broad range of considerations in choosing a home and this leads to problems (Pava et al, 1999). Another is that regular payment has been shown to make consumers more conscious of the contribution they are making (Gourville & Soman, 2002) (it is known that nearly all rental arrangements fit a monthly or weekly instalment pattern).

There are now dozens of publications aimed at private landlord\(^\text{10}\). One answer to this bewildering array has been proposed but not delivered:

\[\text{An independent best practice guide to letting and renting property would do much to break down barriers between landlords, agents and tenants and to avoid disputes between them.}\]

(JRF, 2000, p5)

\(^{10}\) They can be easily found on the web and roughly categorised as legal: the operation of landlord/tenant law (eg Garner, 1998); practical: the techniques of letting property (eg Ahuja, 2003); and books promising a formula for easy profits.
In order to reduce the risk of a defaulting tenant, a landlord has the option of obtaining a credit reference, and this is becoming more common, with about 55% of lettings subject to credit checks (ODPM, 2001b, p1). There is no information on the effectiveness of this measure although a presumption of benefit exists in the popular press, for example,

*Britain’s growing army of private landlords often end up hapless victims of the rental market because they fail to vet a potential tenant’s credentials… Landlords may skimp on referencing – with dire consequences.*

(Evans, 2003, p9)

**Summary**

The private rented sector is going though a period of rapid change (Kemp, 2002) and many topics have significant exposure in the popular press. Academic research has yet to fully investigate many of these areas and the debate, as we have seen, is still subject to stereotypical views or “myth” (Crook, 2003, p3) over hard evidence. Accordingly, this study sets out to provide some measurement of key indicators within the industry, including triangulation on the basic fact: the number of landlords and the size of their operation, for example. In an even less studied area, the report investigates landlords’ investment intentions, and their views on the services and representation they receive from, for example, letting agents and landlord associations. Finally, some new areas of research are opened up, for example the possibility of a link between attitudes and subsequent problems in the landlord tenant relationship, or the realism of residential property investment as a form of pension planning.

These topics of study are specified in nine research questions, set out at Appendix 2. The following section, Methodology, sets out how these questions were investigated using a web-based survey, and why this method was preferred to other techniques.
Methodology

Approach

The research sought substantially quantitative data concerning the activities of private residential landlords, so a survey method was used. The questionnaire was enhanced by giving scope for comments, and in this way qualitative data was also obtained. The study therefore fits with a post-positivist methodology. Given the pace of change within the industry, and the need to engage different interest groups to make the study successful, the decision was taken to investigate a range of questions.

The research can be divided into those questions which attempt to identify an association between variables, and those that are purely exploratory. The exploratory research took place on the ‘third level’ in that it probed the underlying attitudes of landlords of which they may not have been aware, but which nevertheless exerted an influence over their behaviour (Schien, 1992). For example, in asking whether a new fridge would be provided, the survey probed the attitude of landlords towards improvements.

This exploration of attitudes suggested a different methodology, for example structured interview, focus groups, or case study and it has been said that greater reliance could be placed on qualitative techniques for the study of property issues (Stansfield, 1995). It would have been possible to adapt the questionnaire used in order to re-contact respondents for further case-study work. This would have been suitable for determining why, for example, the relationship [between landlord and tenant] sometimes breaks down (Yin, 2002). However, resources were not available for this.

Even so, in order to study the way in which people regard others, “the material has to consist of texts where they speak about things in their own words” (Alasuutari, 1995, p42), especially since “a vigorous and apt quotation might… be more effective at promoting a policy shift than a raft of statistical tables” (Gubbay, 1999, p290). “Stories also play an important role in learning. A good story… defines relationships, a sequence of events, cause and effect…” (Syrett & Lammiman,
Accordingly, several opportunities were provided on the questionnaire for free text, including a specific request to respondents to add their own views at the end of the form.

The survey, then, was not thought to be the optimum method to address each of the research questions in depth, but it was the best method of beginning to enquire about all of them and the compromise was acceptable.

**Data collection**

**The eligible population**

The population was defined as the owners of residential accommodation let or available for letting who act individually, rather than corporately (the ‘cottage industry’). Landlords of accommodation ‘tied’ to employment or any form of holiday lets were excluded.

**The frame**

Access to landlords was constrained by the fact that landlords are not required to register or identify themselves in any way. Most web-surveys, even those that test a general target population (eg Schonlau et al, 2003) have a clearly defined and accessible target, such as students at a given college, where alternative means of contact such as telephone numbers are available.

Participation in the study was by self-selection in response to promotional activity. Based on the promotional activities (Appendix 6) the frame was estimated to be between 20,000 and 30,000 landlords. The extent to which this frame was representative of the general population of landlords cannot be known, except insofar as the sample was triangulated against other data sources.

**The required sample**

In setting a target for the number of respondents, consideration was been given to other studies in the field. Forty-seven self-selected landlords were sampled for *Private Landlords and Buy to Let* (Rhodes & Bevan, 2003). ARLA data has been drawn from 343 landlords visiting their website (Jones, 2003). Government surveys have a broader base: 590 interviews for the Private
Landlords Survey element of the 2001/2 Survey of English Housing (ODPM, 2001b, p1). Two hundred completed questionnaires could be seen as a satisfactory response in comparative terms, where the interpretation of sample results is a matter of judgement (Hannagan, 1999, p57). If “researchers normally work to a 95% level of certainty” (Saunders et al, 2000, p155), then the required sample was approximately 375 cases (ibid, p156) assuming a frame estimate of 25,000.

The questionnaire

The questionnaire is shown at Appendix 1. Significant upfront effort was required to design the survey as predicted (Tingling et al, 2003). Outside help was used to set the questions in a design which compared favourably in visual terms with many other on-line surveys. The questionnaire consisted of 23 questions (plus subsidiary questions) divided into four sections according to the ‘mood’ of the enquiry.

The first section sought core information on (for example) the scale of the respondent’s experience as a landlord and who managed the tenancies. As well as providing a basis for testing against other variables, this data was used for triangulation against other sources. Following advice to “ask questions about observable behaviour, rather than thoughts or motives”, respondents were asked whether they had paid interest on tenants’ deposits, rather than whether they thought it was a good idea to do so, and similarly whether they had actually sold property rather than simply intended to (Morrel-Samuels, 2002).

The second section dealt with services received from letting agents and landlord associations, and how respondents learned about being a landlord.

The third section presented respondents with different tenancy management scenarios for which multiple choice responses were available. This was to enable the categorisation of attitudes towards management. These were tested for a relationship between attitudes and problems with tenants.

The fourth section of the questionnaire concerned job satisfaction and reinvestment intentions, and then posed a series of questions concerning tenancy problems. This was to gather information about the views of landlords per se, and to provide the data needed to assess the scale and nature of problems. (Respondents who had never experienced problems had an option to skip this section.)
Finally, respondents were invited to submit any further comments which they felt important.

In general, questions were asked in such a way that at least a third of expected responses were negative in order to overcome the natural tendency of respondents to agree with a survey or to check the first option (Morrel-Samuels, 2002).

The observation that response rates were enhanced by seeking user details at the beginning, rather than the end of the survey (Bosnjak, 2001) were not relevant to a confidential study, and users were only required to submit their email address if they wanted a free copy of the research report.

The additional scope for functional errors means that piloting is even more useful for an internet survey than for a conventional study (Andrews et al, 2003). Two small pilot studies were issued, as well as numerous trials of the functionality of each question and the form itself. The survey was also circulated to ARLA, the Small Landlords Association (now the National Landlords Association), RICS and the York Centre for Housing Policy, all of whom made observations and suggestions (see Appendix 3).

**The key variables**

The variables relation to tenancy problems were considered to be experience (years and number of properties let), management responsibility (agency or self-management), and responsiveness towards tenants. The attitudinal variable of responsiveness was judged on multiple choice responses to two questions: one concerning the repair of a washing machine, and the other the provision of a bigger fridge for a tenant who was keen on cooking. These questions were chosen very carefully in order to assert that responses were meaningful.

**The choice and operation of a web-based survey**

There are clear methodological advantages to a web-based survey and they may well become the method of choice for social scientists (Alvarez et al, 2003). The technique is gaining currency in social science and educational research as internet access approaches universality and problems of coverage bias and unfamiliarity are diminishing (Solomon, 2001). Guidance has begun to be published in an accessible form concerning technical and practical aspects (for example, Hewson et al, 2003) to enable the research student to launch a web-based survey with as much confidence as any other kind of survey. It is now held that internet research can yield data on web-users which is comparable – or identical – to that of general populations (Witte et al, 2000, Bandilla et
al, 2003). These results cannot yet be taken for granted: obtaining a representative sample via internet surveys was seen as a major challenge by Braithwaite (Braithwaite et al, 2003). For a study without a population accessible by conventional means (for example membership or employee databases), a web-based survey was a necessary innovation.

Specific advantages over other media have been shown. For example, web-based surveys can have fewer errors, especially where robotic data processing is used. There are unquestionably economies of operation: the elimination of mailing costs, reduced costs of coding data, and reaching geographically remote respondents (Roztocki, 2001). This expediency applies to both quantitative and qualitative data collection (Bannister, 2003). For example, the survey link was disseminated to the Blackpool Private Residential Landlords Forum once it had been noticed on the web by a Blackpool Council Officer. This gave the survey a geographical range that would have been difficult to achieve by other means.

If disparities of internet access still exist between socio-economic groups, these are diminishing rapidly (Selwyn & Robson, 1998, Solomon, 2001). It was reasonable to assume that the majority of multiple-property owners addressed by this survey had access to the internet. It is known that people use the internet for, amongst other things, information relating to their work and hobbies (Gunter et al, 2003) and this will apply to sideline landlords as much as anyone else.

It could be suggested that landlords surfing the web for information would tend to be those who experienced problems, thus making the sample unduly weighted towards problematic cases and exaggerating the levels of difficulties faced by landlords generally. Conversely, it could be suggested that those landlords undertaking research on the web are those who take their business the most seriously. The most thorough means of re-testing the generalisability of the results would be to repeat the survey with a control group of respondents accessed through random sampling of households (Hewson et al, 2003). Unfortunately, this fell outside the resources of the study.

The use of the internet was for expedience, and did not imply any aversion to paper-based collection (one questionnaire was returned by standard mail). Nor was it a compromise. Carini found that differences in responses between web-based and paper-based surveys were largely insignificant (Carini et al, 2003). The same is true of telephone versus internet studies (Berrens et al 2003, Knapp & Kirk, 2003). Although the consistency of an internet survey with a traditional mail study cannot be absolutely taken for granted (McDonald & Adam, 2003), it is certainly uncontroversial.
Research via the web, though, carries all the potential weaknesses of conventional research (Madge & O’Connor, 2002) and adds a few special problems of its own. Leadership in web-survey procedures according to Dillman (Dillman & Bowker, 2001) has come from computer programmers rather than research methodologists. Many of the commercially available survey packages did indeed appear basic when researched, although enhancements were not considered on grounds of cost. Both these factors led to a self-designed survey.

Several studies have found that internet surveys have lower response rates than comparable paper mail surveys, but there are factors that can boost the response: covering e-mail reminders, pre-notification and simplified formats (Solomon, 2001, Grandcolas et al, 2003). However, these relate to a clearly targeted audience. Where the approach was to the general population, simplicity and good design were held to be of prime important. Surveys can be trailed on search-engines, e-groups, and business web-sites to increase response rates (Roztocki, 2001) hence the web-based component of the promotion strategy.

The study did not have the resources to offer a prize draw, which might have been helpful (Bosnjak, 2001), but it was later found that pre-paying people to take part in a web-survey – in contrast to a paper survey – did not improve response or drop out rates (Bosnjak & Tuten, 2003). It was thought that completing a web-survey was so easy no further incentive was needed, provided the potential respondent could be first engaged on-line. The marginal effect of different incentives has been endorsed (Kypri & Gallagher, 2003)

**Technical and operational considerations**

A major flaw in the promotion was the use of Favoured Location’s website to host the survey, done on grounds of cost and convenience. Consultees were suspicious: several asked directly what the connection between the company and the research was, and only agreed to support the study when it was known to be part of a personal MBA rather than a commercial enterprise.

On a technical level, use of the company website also made the link unpublishably cumbersome: [http://www.favouredlocations.com/landlords](http://www.favouredlocations.com/landlords) and it was misprinted on at least one occasion leading to a lost pool of 10,000 readers of Property People Magazine (Bearn, 2003).
The questionnaire was translated into standard HTML script and re-designed for the web by Julie Johnston of Favoured Locations Ltd. Responses were submitted as emailed webforms. Responses were held on the host PC and backed up to a USB flash drive. At the end of the project, both the PC hard drive and the USB flash drive were professionally wiped of personal data in line with the guarantee of confidentiality given to respondents.

**Managing the security risk**

A particular concern of the webmaster at the National Federation of Residential Landlords was the vulnerability of the survey to sabotage. Specifically, that organisations hostile to the interests of landlords would submit multiple responses to invalidate the results. Multiple submissions were considered a potential hazard (Scriven & Smith-Ferrier, 2003), but the control suggestions of passwords and cookies were too cumbersome for this study.

As concern was raised within the industry, safeguards were set.

1. Email and IP addresses were checked for duplicates.
2. The relatively few submissions without email addresses were double-checked for inconsistencies or matching characteristics.
3. A large number of free text comments were submitted and appeared, at face value, to be authentic.
4. The pilot demonstrated that the survey was almost undoable for anyone who was not a landlord, and the scope for vilifying landlords was limited by the range of questions.
5. The right was reserved to re-contact respondents to verify submissions on the assumption that a landlord would never forget how many properties they owned or the details of their horror stories although a saboteur might (never exercised).

**Promoting the survey**

The promotional strategy had four main components:

1. A direct approach to landlord membership organisations to share internal promotion opportunities (such as newsletters to members)
2. An approach to property related organisations, where an item on their website is likely to be seen by private residential landlords

3. Press releases to targeted newspapers and periodicals

4. Maximising the prominence of the survey in web search engines through meta-data and links to other sites

It was essential to identify the interests of each of the four target media and, where appropriate, to get feedback from the organisations concerned on the questionnaire design. Details appear at Appendix 6. Examples of web-based links and features are given at Appendix 4.

**Notes on ethics and validity**

**The avoidance of collaboration with landlord associations**

It was important to avoid charges of collusion with landlord organisations, given the polarisation of the industry found within the literature review. However, including questions of particular resonance for membership organisations to gain their assistance in promotion was legitimate. For example, respondents were asked whether they would join a landlord organisation (Appendix 1). For direct access to membership data-bases, the research would have needed sponsorship by the organisation concerned and this approach was rejected. It was thought that association members might display different characteristics to non-members, so the questionnaire distinguished the two groups to facilitate comparisons.

**The style of promotional articles**

A journalistic style was found to be necessary for press publication. In terms of generating a response, it might have been effective to issue articles blatantly hostile to either landlords or tenants, but it would have undermined the credibility of the research. Trying to find a lively but balanced presentation was challenging. Whether the articles attracted respondents unrepresentatively indignant at the difficulties faced by landlords is impossible to judge except by replication of the study with a different promotional strategy.
Despite the need for publicity, some commercial web-sites were found to be unprofessional in the goods or services offered and were avoided in order not to damage the credibility of the research by association.

**Confidentiality**

Responses to the questionnaire were received in strict confidence. Full details of the confidentiality polices were provided on clickable web-page for respondents. The survey fully conformed to the Market Research Society Code of Conduct (1999), the Data Protection Act 1998, the Market Research Society Internet Research Interim Guidance Note (October 2000), and the Market Research Society Confidential Survey Research for Quantitative Data Collection Guidelines. The project was in Category 1 “Classic” Confidential Research under the terms of the Data Protection Act 1998.

**Researcher bias**

My own experience as a private landlord has been overwhelmingly positive. Having worked in the most challenging public sector housing environments, I have found being a private landlord both rewarding and without difficulty. Where I have attributed this to experienced management, it might in reality be due to good fortune or the strength of the mid-sector rental market in London. As a researcher, I had to resist the idea that all problems with tenants arose from weakness in landlord management practices (or in tenant selection). This would have been unfair, for example on landlords operating in less favourable market conditions.

My work for local authorities left me cynical about their capacity to deal sensitively with anything outside the cultural web of local government, so I anticipated a largely negative response towards accreditation schemes (and was proved wrong).

**Demographic limitations**

It was necessary to consider what to leave out of the questionnaire. Questions on gender, age and ethnicity were omitted. It was judged that the intrusiveness of these would outweigh any benefits. Details of properties owned and mistakes made in managing tenancies were both potentially sensitive topics already, bearing in mind the full range of a landlord’s property business might not have been declared for tax purposes.
More specifically, males are more likely to be surfing for functional and entertainment reasons, females to shop (Wolin & Korgaonkar, 2003). This could have created a disproportion of responses from male landlords if ‘functional’ websites were used to promote the survey, for example that of the RICS. However, most sites have a substantial element of service provision and would be encountered by anyone who was, for example, shopping around for the best landlord insurance. The gender of the respondent was not recorded.

The questionnaire contained a question on how long the respondent had been a landlord. Clearly, this has connections with age, but experience as a landlord was thought more significant, and less intrusive to ask about.

Concerning ethnicity, the objective of the research was to establish attributes of the population of landlords as a whole, rather than to compare behaviours between ethnic groups.

Geographic differences, in particular contrasts between areas of high and low demand, were likely to be significant according to the literature review, but the omission of a post-code reference was necessary owing to the length of the questionnaire and the number of respondents anticipated. The study, moreover, was designed to explore the factors behind tenancy problems, not the localities in which those factors prevailed. Landlords will have to draw their own conclusions with respect to their local market11. Arguably, the attitude of landlords, for example towards letting agents, is independent of locality. In any event, nationwide policies such as those proposed by the Law Commission must address the market in its entirety.

**Replicability**

On a technical level, the survey can be easily reissued. Several surveys within the industry, for example those conducted by ARLA (Jones, 2002, Jones 2003, Jones 2004), are already repeated periodically. The principal challenge will again be reaching a sufficient number of respondents who are representative of the general population of landlords. Given many shared characteristics between landlord association members and others found by this survey, associations may well be the in the best position to achieve the necessary response rates.

11 Credit checks, for example, are known to be more difficult in areas of low demand so the recommendation to use credit-checks may not be as cost effective for landlords in these areas.
The next section, Findings and Analysis, presents the results of the questionnaire and tests the data in various ways so that conclusions can be reasonably drawn on each of the research questions (set out in full in Appendix 2). The section uses charts and tables, as well as discussion, to help explain the findings.
Findings and analysis

Owing to the range of topics covered by the research questions, the presentation of findings data is combined with analysis in this section. Although this approach is unconventional, with nine principal research questions, thirty-three sub-questions and in some cases several different means of analysis, the thread of the research would be lost to the reader if the findings and analysis were separated.

This section presents the data collected and explains how the data has been analysed in order to make it easier to draw conclusions. Some information on the operation of the survey is provided first, thereafter data is presented in the same order as the research questions (Appendix 2). For details on how the section has been formatted, please see Appendix 10.

Methodological outcomes

Data was collected between 1 November 2003 and 29 February 2004. The highest number of responses in a single day was six (28 December 2003). Two forms were submitted on Christmas Day, and many in the early hours.

Figure 4: Breakdown of returned forms

<table>
<thead>
<tr>
<th>Description</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total number of forms received</td>
<td>263</td>
</tr>
<tr>
<td>Less duplicates</td>
<td>18</td>
</tr>
<tr>
<td>Less abandoned forms</td>
<td>1</td>
</tr>
<tr>
<td>Less blank forms</td>
<td>1</td>
</tr>
<tr>
<td>Less data loss$^{12}$</td>
<td>73</td>
</tr>
</tbody>
</table>

$^{12}$ Seventy-three emailed responses were lost in a hard-drive crash on 16 November, 2003 limiting analysis to 160 valid questionnaires.
The Percentage of respondents who provided an email address was 74%. When feedback was issued to respondents as part of the study (28 February 2004), all but two of these address (117) were found to be operational.

The total length of time all respondents had been landlords was 1065 years (plus one unknown) with a combined number of properties in management of 1,334 properties (plus two unknowns).

The average response rate to each question was 96%. The lowest response rate achieved by a question was 92% (concerning the regulation of agents) and the highest was 100% (changes in rent levels).

Free text at the end was submitted by 63 respondents and was used to provide comments on landlord-related topics, often letting agents (see below). A majority of respondents (61%) provided at least one free text comment somewhere on the form.

**Comparing members of landlord associations with non-members**

It was necessary to compare the attributes of landlord association members with those of non-members in order to assess whether the disproportionate number of members who responded to the survey would affect the results.

A possible indicator of the professionalism of a landlord is the stance taken on paying interest on deposits. The percentage of association members who paid interest in this way was 17% compared to 15% of non-members.

Another indicator of performance is the number of problems experienced. The longer the experience and the greater the number of properties managed, the more likely problems will have occurred. Problems were therefore measured per property per year. For respondents who self-managed, the average rate of major problems per property per year was for association members 0.06 and for non-members exactly the same, 0.06. This result was obtained using the 39 cases of
members (337 problems) and 70 cases of non-members (267 problems) who self-managed and dividing by the overall average portfolio size and length of experience for each group. The outcome is therefore a slight approximation. There was insufficient data to analyse the results category by category for each portfolio/experience grouping of self-managing respondents. The important point is that characteristics were closely matched for members and non-members.

1. Triangulation

   a. What size are landlord portfolios?
   b. What is the average length of landlord experience?
   c. What is the motivation (or circumstance) behind becoming a landlord?
   d. What has happened to rent levels?
   e. Are landlords planning to invest further?

**Figure 5: How many premises do you let?**

<table>
<thead>
<tr>
<th>Number of Properties</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 property</td>
<td>29%</td>
</tr>
<tr>
<td>2 to 5 properties</td>
<td>35%</td>
</tr>
<tr>
<td>6 to 12 properties</td>
<td>18%</td>
</tr>
<tr>
<td>13 to 30 properties</td>
<td>10%</td>
</tr>
<tr>
<td>over 30 properties</td>
<td>7%</td>
</tr>
</tbody>
</table>
### Figure 6: Modal and Mean Portfolio Characteristics

<table>
<thead>
<tr>
<th></th>
<th>Overall</th>
<th>Landlord association members</th>
<th>Non-members</th>
</tr>
</thead>
<tbody>
<tr>
<td>Modal portfolio</td>
<td>2-5 properties</td>
<td>2-5 properties</td>
<td>1 property</td>
</tr>
<tr>
<td>Mean portfolio&lt;sup&gt;13&lt;/sup&gt;</td>
<td>8.4 properties</td>
<td>10.3 properties</td>
<td>7.03 properties</td>
</tr>
<tr>
<td>Percentage owning less than 12 properties</td>
<td>83%</td>
<td>73%</td>
<td>87%</td>
</tr>
<tr>
<td>Proportion of properties owned by 30+ group</td>
<td>37%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Proportion of properties owned by 12+ group</td>
<td></td>
<td>62%</td>
<td></td>
</tr>
<tr>
<td>Adjusted average portfolio</td>
<td>7.20 properties</td>
<td>Calculated on reducing the effects of membership from 31% of the sample to 5% of the sample</td>
<td></td>
</tr>
</tbody>
</table>

<sup>13</sup> The mean portfolio size is counted using the mid-point of each category and treating ‘over 30’ as 45.

### Figure 7: Length of experience

- Less than 1 year: 18%
- 1 to 2 years: 9%
- 2 to 5 years: 28%
- 6 to 12 years: 25%
- Over 12 years: 19%

---

<sup>13</sup> The mean portfolio size is counted using the mid-point of each category and treating ‘over 30’ as 45.
The adjusted average length of experience (on the same basis as above) is 6.18 years. Within this, the average experience of landlord association members is 10.5 years compared with 5.95 years for non-members. The average length of experience for those who became landlords to provide a pension is 6.55 years.

Those respondents exiting the landlord business, who stated that they would gradually sell up or had already sold property had an average experience of 12.2 years.

**Figure 8: What was the main reason you became a landlord?**

<table>
<thead>
<tr>
<th>Reason</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>to provide a pension</td>
<td>39%</td>
</tr>
<tr>
<td>For extra income now</td>
<td>23%</td>
</tr>
<tr>
<td>I inherited some property</td>
<td>7%</td>
</tr>
<tr>
<td>I wanted to start my own business</td>
<td>20%</td>
</tr>
<tr>
<td>Other</td>
<td>11%</td>
</tr>
</tbody>
</table>

Comments received on becoming a landlord are provided in Appendix 8c

**Figure 9: What has happened to rent levels?**

<table>
<thead>
<tr>
<th>Change in Rent Levels</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Decreased a lot</td>
<td>3%</td>
</tr>
<tr>
<td>Decreased</td>
<td>10%</td>
</tr>
<tr>
<td>Stayed the same</td>
<td>54%</td>
</tr>
<tr>
<td>Increased</td>
<td>32%</td>
</tr>
<tr>
<td>Increased a lot</td>
<td>2%</td>
</tr>
</tbody>
</table>

**Figure 10: Do you expect that you will buy more property to let during the next 12 months?**

<table>
<thead>
<tr>
<th>Expectation</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>I intend to buy many more properties</td>
<td>17%</td>
</tr>
<tr>
<td>I intend to buy one or two more properties</td>
<td>39%</td>
</tr>
<tr>
<td>I will stick with what I have</td>
<td>35%</td>
</tr>
</tbody>
</table>
I shall gradually sell up | 8%
---|---
I have already sold property | 1%

**Analysis**

The attributes of respondents to this survey broadly match those of larger Government surveys and other sources, suggesting the sample achieved a reasonable degree of representation.

The findings first of all reinforce the image of a nation of small landlords. Twenty-nine per cent of respondents owned just one property, close to the Government figure of 30% (ODPM, 2001b, p3). Secondly, 83% of landlords owned less than 12 properties. This is consistent with the estimate of Balchin & Rhoden that at least 60% of landlords own less than ten properties (Balchin & Rhoden, 1998). The small scale of respondents’ operations is highlighted when landlord association members are excluded from the assessment: nearly two in five non-members (39%) own just one property.

The modal and median portfolio was between 2 and 5 properties, corresponding to the Government median figure of 4 (ODPM, 2001b, p3). However, the mean number of properties held is much higher. As landlord association members responded disproportionately to the survey and tended to have larger portfolios, adjustments were made to reflect the general population but the average portfolio was still 7.2 properties. This has substantial implications for the overall number of landlords. Taking once more the number of households in the sector as 2.3m (see literature review) and dividing by an average of 7.2 properties per landlord yields as few as 320,000: less than half other estimates.

Landlords cannot be regarded as a homogenous group of minor operators. Just 7% of respondents controlled over one third of private rented stock. If those with more than a dozen properties are included, it is found that control of nearly two-thirds (62%) of privately rented stock in the hands of experienced landlords.

The findings confirm a high number of novice landlords and indicate a high turnover. Only 20% of respondents in this study – and less than 10% in Jones (Jones, 2004, p 7) – had held property for more than twelve years. In both cases, the majority had held property for less than five years.
The average time of a landlord was found to be 6.2 years\textsuperscript{14}, compared with 3.9 years (Jones, 2004, p 7).

It is difficult to compare the motivations of respondents in this study with Crook’s categories of ‘business landlord’, ‘sideline investor landlord’, and ‘sideline non-investor landlord’ (Crook, 2003, p4). Doing so by the best fit yields the following comparison.

<table>
<thead>
<tr>
<th></th>
<th>Crook</th>
<th>Bearn</th>
</tr>
</thead>
<tbody>
<tr>
<td>business</td>
<td>27%</td>
<td>20%</td>
</tr>
<tr>
<td></td>
<td>to start a business</td>
<td></td>
</tr>
<tr>
<td>investor</td>
<td>40%</td>
<td>62%</td>
</tr>
<tr>
<td></td>
<td>for pension, for extra income now</td>
<td></td>
</tr>
<tr>
<td>non investor</td>
<td>33%</td>
<td>18%</td>
</tr>
<tr>
<td></td>
<td>inheritance, other</td>
<td></td>
</tr>
</tbody>
</table>

[Crook’s figures adjusted for removal of institutional investors]

The question whether landlording was the primary occupation was not asked, and so the findings are different.

The tendency for rent levels to have risen marginally during the past eighteen months is matched by a number of reports which suggest the market has firmed slightly during the latter part of 2003 (for example, http://www.arla.co.uk/news/06122004.htm). These figures are relevant only for triangulation as they take no account of regional variations.

Jones found that 92\% of landlords would not sell, even if house prices dropped (Jones, 2004, p13). This reflects precisely the 8\% of respondents found intending to sell in this study. A disinvestment intention in 9\% of landlords\textsuperscript{15} would lead to a business lifespan of 11 years (100/9).

As a form of exit poll the 13 respondents who intended to sell (and the one who had already sold) were examined. Half the group had let property for over 12 years, with an average once again in the region of 12 years (±1 year). The only response found common to each member of this group was that their worst ever experience was attributable to bad luck.

\textsuperscript{14} Average experience was exaggerated by the tendency of landlord organisation members to have longer experience. The average shown has been adjusted to reflect a 5\% membership within the general population

\textsuperscript{15} the respondent who had ‘already sold’ is included
The group of respondents who became landlords to provide a pension did not demonstrate a significantly longer participation in the business, 6.5 years compared to 6.2 for the adjusted average.
Findings on the research topics

2. Letting agents

a. How do landlords rate letting agents in terms of
   i. Value for money
   ii. Professionalism

b. Do landlords positively appreciate agents’ membership of ARLA or RICS?

c. To what extent, if at all, does the use of an agent reduce the risk of subsequent difficulties with the tenancy?

Figure 11: *Who usually manages your properties?*

For the comments submitted by respondents that were relevant to letting agents, please see Appendix 8a.

Of the 17 respondents who had paid interest on tenants’ deposits, 76% were DIY managers, 24% using letting agents.

Respondents were asked: *Here are some comments about letting agents. Read each statement and select all those you agree with.* Forty-eight responses from the lost data set had been manually recorded and are included in the results, indicating the views of 200 respondents.

Figure 12: Perceptions of letting agents
### Letting agents are usually good value for money

- **22%**

### Agents make things easier to handle

- **39%**

### Agents are overpriced for what they do

- **50%**

### Bad agents are often half the problem

- **37%**

### Letting agents are professional and expert in their field

- **14%**

---

**Figure 13:** Where you use a letting agent, how important is it that they are part of a regulated organisation? *(For example ARLA or RICS)*

<table>
<thead>
<tr>
<th>Importance</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Very important</td>
<td>28%</td>
</tr>
<tr>
<td>Quite important</td>
<td>43%</td>
</tr>
<tr>
<td>Not important</td>
<td>30%</td>
</tr>
</tbody>
</table>

**Figure 14:** The rate of major problems per landlord for agent-managed and self-managed portfolios

<table>
<thead>
<tr>
<th>Property Type</th>
<th>Agent-Managed Rate</th>
<th>Self-Managed Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>2-5 properties owned 2-5 years</td>
<td>1.17</td>
<td>1.44</td>
</tr>
<tr>
<td>2-5 properties owned 6-12 years</td>
<td>1.43</td>
<td>3.33</td>
</tr>
</tbody>
</table>

Combining the data gives an average incident rate for agents that is 55% of the rate for self-managed lettings.

One of the variables allowed in the incidence of major problems was held to be the attitude of property owners towards improvements. There was insufficient data to be able to include the operation of this variable above. It was necessary to examine the two groups (agent-managed and self-managed) for differences in the attitude variable in case this was a contributory factor to the
disparity in outcome. For both groups, the frequency of the response *It depends on what the tenant is like* was 43% (43.3% for agents, 42.7% for self-managed).

**Figure 15: Are you more or less likely to use a letting agent as a result of your experience?**

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>More likely</td>
<td>16%</td>
</tr>
<tr>
<td>Less likely</td>
<td>21%</td>
</tr>
<tr>
<td>No difference</td>
<td>64%</td>
</tr>
</tbody>
</table>

**Analysis**

It had been suggested by one industry source that landlords seek refuge in the greater experience and resources of agents following a bad experience. This was contradicted by the findings – slightly more respondents were *deterred* from using letting agents by their bad experience (21% as opposed to 16% more likely to use an agent).

Exactly half the contributors selected the option agents are overpriced for what they do. There was a higher proportion of respondents (78%) managing property personally than has been found elsewhere (54% derived from the English House Condition Survey, with a larger sample of 590 interviews (ODPM 2001b, p3)).

Thirty-seven per cent of respondents thought bad agents are often half the problem. Although the meaning of this statement is deliberately vague, this view is much more commonly held than letting agents are professional and expert in their field (14%). These findings have no direct correspondence with the recent study into estate agents (WirthlinEurope/OFT, 2004).

Agents have roughly half (55%) the level of problems faced by independent managers.

It is a matter of speculation whether the reported judgemental attitude of the landlord towards improvements (see below) can be appreciated by a tenant where the property is fully managed by an agent. Attitude might not therefore be relevant in the comparison between the self-managed and agent-managed groups16. However, on a matter such as the provision of a fridge (*It turns out that your tenant is a keen cook, and has telephoned to ask if there is any chance of a bigger fridge…*) the agent would be obliged to refer to the landlord. At any rate, a comparison between

16 In this case, one might conclude that one contributory factor behind the apparent effectiveness of agents in management could be precisely this independence from a judgemental attitude.
the self-managed and agent-managed groups yields exactly the same rate of selection of the response *it depends on what the tenant is like*. This consistency makes the identification of agent superiority straightforward.

Three respondents explicitly cited problems with ARLA member agents, eg:

> *I have had problems with an ARLA agent breaching guidelines and behaving unlawfully. Talking to other landlords, this is not uncommon.*

Several responses supported the view that landlords are increasingly likely to use the internet as a business resource, and therefore to share information about letting agents\(^\text{17}\).

Agents, incidentally, are not leading the way in paying interest on deposits according to supplementary findings. Marginally more DIY managers (proportionally) had paid interest on deposits compared to agents (76:24). One respondent commented,

> *I pay interest on the deposit, but the agency did not when I used them to manage the property. I think interest should be paid.*

### 3. Fear of Letting

a) What is the actual incidence of major problems?

b) To what extent, if at all, do bad experiences cause current landlords to exit the market?

c) Do landlords believe that bad experiences can be managed out, or do they feel that they remain vulnerable to bad luck?

d) In becoming a landlord, do either of the following attributes affect tenancy outcomes
   i) Length/scale of experience?
   ii) Responsiveness to tenants?

e) In the absence of qualitative information on what feels like to be a landlord,
   i) How do landlords rate their job satisfaction?
   ii) Do landlords receive positive feedback (from tenants)?

\(^{17}\) Landlords can already nominate their ‘favourite’ agent via the ARLA website.
The adjusted averages for portfolio size and duration (7.2 properties held for 6.2 years) are used to calculate the incidence rates of major problems within the whole sample, per landlord and per tenant. Calculating an average rate of major problems is impossible to do accurately with data in this format, since it is not known to what extent the problems listed were caused by the same tenant. Here, an assumption is made that the difference between the highest and lowest occurring problems (236-176 = 60 cases) represents unique cases, so the total number of incidents used to calculate the average is taken to be 236 + 60 = 296 incidents.

**Figure 16: The incidence of major problems by problem type for all respondents**

<table>
<thead>
<tr>
<th>Problem</th>
<th>Cases</th>
<th>Frequency per landlord</th>
<th>Frequency per tenancy*</th>
</tr>
</thead>
<tbody>
<tr>
<td>It became uncomfortable to visit the property or to deal with the tenant</td>
<td>176</td>
<td>Every 5.6 years</td>
<td>Every 40 tenants</td>
</tr>
<tr>
<td>Damage to your property cost more to put right than the value of the deposit held.</td>
<td>183</td>
<td>Every 5.4 years</td>
<td>Every 39 tenants</td>
</tr>
<tr>
<td>You were left with rent arrears that were never recovered.</td>
<td>236</td>
<td>Every 4.2 years</td>
<td>Every 30 tenants</td>
</tr>
<tr>
<td>Average</td>
<td>296</td>
<td>A rate per property per year of 4.2% or one in every 24 tenants</td>
<td></td>
</tr>
</tbody>
</table>

*A tenancy length of 12 months has been used based on the sources in the Figure below.

**Figure 17: Derivation of estimate of duration of tenancy**

<table>
<thead>
<tr>
<th>Source</th>
<th>Duration</th>
</tr>
</thead>
<tbody>
<tr>
<td>ODPM, 2002b, p2</td>
<td>9 months</td>
</tr>
<tr>
<td>NRDF, 2002, p3</td>
<td>11-12 months</td>
</tr>
<tr>
<td>ARLA, 2002</td>
<td>16 months</td>
</tr>
</tbody>
</table>
Respondents were asked whether they had learned enough from their worst ever experience to prevent it happening again, or whether it was sheer bad luck. The rate of major problems per landlord was then established for each of the two groups. It can be seen from the figure below that those who said problems would not recur had an incident rate that was 66% of that of the bad luck group.

**Figure 18: Perceptions of the likely recurrence of worst ever problem with tenant**

<table>
<thead>
<tr>
<th>Perception</th>
<th>Problem rate (per landlord)</th>
</tr>
</thead>
<tbody>
<tr>
<td>It won’t happen again</td>
<td>29% 3.2</td>
</tr>
<tr>
<td>It could happen if I’m unlucky</td>
<td>71% 4.8</td>
</tr>
<tr>
<td>First group as a percentage of second</td>
<td></td>
</tr>
<tr>
<td></td>
<td>66%</td>
</tr>
</tbody>
</table>

There was insufficient data to assess the rate of major problems per landlord whilst all other variables (length and scale of experience, management responsibility, and responsiveness to tenants) were maintained. However, repeating the calculation for similar size/length of experience (2-12 properties held for 2-12 years) and expressing the won’t happen problem rate as a percentage of the could happen problem rate yields 57%. Repeating once more for all portfolios in self-management yields 38%.

**Figure 19: The incidence rate of major problems according to experience**
Figure 20: Perceptions of the frequency of minor problems according to experience
Figure 21: The incidence of major problems according to number of properties held

Figure 22: The incidence of major problems at two levels of responsiveness to tenants
Figure 23: The incidence of major problems at four alternative levels of responsiveness to tenants
For another way of looking at the relationship between responsiveness to the tenant and difficulties within the tenancy, the reported frequency of minor problems was examined. In order to quantify the data, scores were allocated as shown below.

**Figure 24: Points allocated to perceptions of the frequency of minor problems**

<table>
<thead>
<tr>
<th>Frequency</th>
<th>Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>Never</td>
<td>2</td>
</tr>
<tr>
<td>Rarely</td>
<td>1</td>
</tr>
<tr>
<td>Sometimes</td>
<td>0</td>
</tr>
<tr>
<td>Frequently</td>
<td>-1</td>
</tr>
<tr>
<td>Always</td>
<td>-2</td>
</tr>
</tbody>
</table>

Using this scale, scores for minor problems could be compared with the results for major problems. The higher the score, the less frequently difficulties occurred.

**Figure 25: Examining responsiveness and outcomes for minor problems**

<table>
<thead>
<tr>
<th>All cases of DIY management</th>
<th>Cases</th>
<th>Maximum score(^{18})</th>
<th>Actual score</th>
<th>% of maximum</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fix an appointment at the tenant's convenience to get the machine serviced</td>
<td>81</td>
<td>486</td>
<td>116</td>
<td>24%</td>
</tr>
<tr>
<td>Because the machine is still working you'll get someone to look at the machine whenever you can</td>
<td>12</td>
<td>72</td>
<td>11</td>
<td>15%</td>
</tr>
<tr>
<td>I explain the fridge is adequate and was accepted at the time of letting</td>
<td>41</td>
<td>164</td>
<td>13</td>
<td>8%</td>
</tr>
<tr>
<td>I refuse, but make a mental note to buy a bigger fridge when this one breaks down</td>
<td>11</td>
<td>44</td>
<td>13</td>
<td>29%</td>
</tr>
<tr>
<td>I ask what sort of fridge the tenant</td>
<td>6</td>
<td>24</td>
<td>20</td>
<td>83%</td>
</tr>
</tbody>
</table>

\(^{18}\) The maximum score for the fridge question is four times the number of cases because two minor problems were used (problems with the deposit and rent arrears) each of which could attract a maximum of two points. All three minor problems (including not leaving the property clean) were used for the washing machine question, so the maximum was six times the number of cases.
needs, and offer to buy it within fourteen days

| It depends on how the tenant has looked after the property | 46 | 184 | 10 | 6% |

Analysis

Obviously, some landlords have been able to avoid problems completely:

*Luckily I have never experienced any major problems in 15 years of being a Residential Landlord*

Eleven respondents (7%) were in this category.

They should not be seen as remarkable. On average, major problems occur in just 4.2% of cases. If the typical tenancy is one year, a landlord of just one property could expect a major problem every twenty-four years.

In fact, if major problems are recorded in terms of incidents per *property-year*, landlords with many properties and many years’ experience achieve almost negligible levels.

One in twenty-four tenants causes major problems for the landlord, according to these findings. It must be pointed out that the method used to arrive at this figure is based on an estimate of the degree to which multiple problems are caused by a single tenant.

Regardless of the actual incidence of problems, respondents overwhelmingly felt vulnerable to bad luck (71%) rather than believing they could manage out a problem. (This was certainly the view of all those leaving the business.) The rate of problems descends a steep learning curve during the first three or four years until it settles at roughly one third of initial levels. Exactly the same results are obtained by looking at experience in terms of the number of properties managed. Respondents who had made it clear that their worst case problem would not be happening again did indeed have a lower incidence of major problems: about 55% of the rate experienced by the bad luck group.
An attitude that bases improvement decisions on a judgment of the tenant is also associated with difficulties. Respondents who said that a decision to buy a new fridge would depend on what the tenant was like were again twice as likely as other groups\textsuperscript{19} to experience major problems with tenants. The biggest group of respondents (44\%) based their decision on what the tenant was like. It was thought possible this could represent a judgmental attitude likely to be unhelpful in the landlord-tenant relationship as suggested by the literature. When this was tested, the group whose decision depended on what the tenant was like was almost exactly twice as likely to encounter major problems as the other groups.

Those who would fix an appointment at the tenant’s convenience to service a noisy washing machine were about half as likely to encounter major problems as those who would get someone to look at the washing machine ‘whenever they could’ (looking at all cases, and at all cases where the respondent undertook property management personally).

Given the importance of these findings, a check was made that the two landlord approaches to breakdowns (that is, the matter of the noisy washing machine) were not simply a factor of geography. The average deposit listed by the two groups for their worst ever case was checked and found to be almost identical. This suggests that a link between landlord attitude and difficulties with tenants is independent of the quality of property offered. (This is important, because it might simply have been that landlords in expensive and popular areas have more freedom to indulge tenants whereas a more restrictive approach on economic grounds appears as judgementalism on account of the limited multiple-choices offered by the questionnaire.)

The discovery of a relationship between responsiveness and difficulties with the tenancy is further strengthened when the data is tested against minor problems. The method used allocates positive points to respondents reporting that problems occurred rarely or never, and the outcome was expressed as a percentage of the maximum possible positive score. It must be stressed that this method was devised as an alternative way of looking at the data. There was no way to predict whether the outcome would support or contradict earlier findings.

In the event, the pattern of ratings matches to an extraordinary degree that which one might reasonably expect if looking for a link between a responsive (or generous) landlord and an absence of problems when considering the question of a new fridge. A more or less neutral

\textsuperscript{19} Technically, the average of the other groups, all of which had a considerably lower incidence of major problems.
outcome for those refusing a fridge (or judging the matter on how the tenant had looked after the property); a higher rating for respondents who would look to buy a bigger fridge in the future; and the highest rating of all (83% of the maximum possible) for the respondents who would go out and buy a new fridge within fourteen days.

There are several reasons for caution over the findings. Firstly, the sample was quite small, only six cases of DIY managers who would buy a new fridge in 14 days, for example. It could be argued, too, that the process of allocating a rating to the frequency of minor problems was so contrived that the results were just a lucky coincidence. Also, the group looking to buy a bigger fridge in the future had a slightly higher incidence of major problems than two other groups, although they scored fairly highly in second place when minor problems were examined. This is an inconsistency in the results. The findings with respect to repairing a washing machine were less definite in regard to minor problems, although still supporting the view that a responsive approach reduces problems with a 24% positive rating compared to 15% for the get-round-to-it-whenever-you-can group.

From a statistical perspective, there is no way of knowing what the distribution of responses around never, rarely, sometimes, frequently and always should be. There is no reason, for example, why the distribution should be a normal curve around sometimes rather than heavily weighted to one end or the other. Similarly, a mathematical expression of the relationship between a landlord’s attitude and subsequent major difficulties with a tenancy is improbable. (Not only is attitude subjective, but also innumerable factors impinge on the relationship entirely outside the scope of this study: the mental health and creditworthiness of the tenant, economic conditions, regulatory framework, and so forth, and of course bad luck.)

Figure 26: Job satisfaction: Would you say that being a landlord is…
Figure 27: Feedback from tenants: Your tenant plans to vacate the property. Based on past experience, your expectation is that they will...

Analysis

Nearly half respondents (49%) regard being a landlord as a means to an end. The 11% who thought it not worth the aggravation again closely match the 9% planning to disinvest. However, these findings cannot be taken too seriously. Of the 18 respondents who rated landlording not worth the aggravation, 4 intended to gradually sell up but 6 intended to buy more property.

Much positive is feedback from tenants is reported. Of course, respondents could have exaggerated their positive feedback but, equally, they might have chosen to exaggerate difficulties. At any rate, 20% of private tenants, according their landlords, say thank you for being a good landlord or leave a gift when they leave.
4. Practical risk management

Understanding that certain difficulties are inherent in the landlord tenant relationship, what practical steps can the landlord take to reduce the likelihood of problems?

a) Should certain categories of tenant be treated as higher risk than others according to
   i) Employment status?
   ii) Family status?
   iii) Source (of tenant)?

b) Can the following management actions be shown to reduce the risk of a defaulting tenant
   i) Taking up references?
   ii) Credit checks?

Figure 28: The percentage of worst case problems by employment status

<table>
<thead>
<tr>
<th>Employment Status</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employed</td>
<td>45%</td>
</tr>
<tr>
<td>Receiving benefit</td>
<td>38%</td>
</tr>
<tr>
<td>Student</td>
<td>9%</td>
</tr>
<tr>
<td>Other/not known</td>
<td>8%</td>
</tr>
</tbody>
</table>

Figure 29: The percentage of worst case problems by family status

<table>
<thead>
<tr>
<th>Family Status</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Single – no children</td>
<td>13%</td>
</tr>
<tr>
<td>Couple – no children</td>
<td>13%</td>
</tr>
<tr>
<td>Adult sharers</td>
<td>17%</td>
</tr>
<tr>
<td>Single parent</td>
<td>44%</td>
</tr>
<tr>
<td>Family</td>
<td>14%</td>
</tr>
</tbody>
</table>

Seven potential sources of letting were given: Loot and other free-ad publications, Newspapers, Notice boards and shop windows, Internet, The letting agent does it, word of mouth, other (please specify). Owing to the large number of variables, data was insufficient in most categories when the principle variations of length/scale of experience, responsiveness and management
responsibility were introduced. The numbers of respondents using each source are shown below. Totals exceed 100% as many respondents (52) selected _other_ in addition to one of the multiple-choices.

**Figure 30: The source of tenants**

![Graph showing the source of tenants](image)

**Figure 31: Major problems per landlord by source of letting: various views**

<table>
<thead>
<tr>
<th>Source:</th>
<th>Newspapers</th>
<th>Letting agent</th>
<th>Relative rates</th>
</tr>
</thead>
<tbody>
<tr>
<td>All cases (44, 55)</td>
<td>4.9</td>
<td>2.1</td>
<td>2.3:1</td>
</tr>
<tr>
<td>All cases owning 2-5 properties</td>
<td>3.5</td>
<td>1.1</td>
<td>3.1:1</td>
</tr>
<tr>
<td>All cases of DIY managers in business 2-5 yrs s</td>
<td>3.5</td>
<td>1.2</td>
<td>2.9:1</td>
</tr>
<tr>
<td><strong>Simple mean</strong></td>
<td></td>
<td></td>
<td>2.7:1</td>
</tr>
</tbody>
</table>

Comments on the source of letting (sic) are to be found in Appendix 8d.

**Analysis**
In this study, more employed tenants were the source of the ‘worst ever’ problem than tenants in receipt of benefits (45:38). However, conclusions are impossible since the letting profile of respondents was not known. The National Landlords Association is planning a member survey of that will generate relevant data and this finding can be re-interpreted in the light of this.

The same compromise applies to family status. Although the demography of the private rented sector has been explored elsewhere (in the ONS census, for example), the classifications used were not exact matches and conclusions would be unreliable if they were used for analysis. The high number of single people responsible for ‘worst case’ problems is no surprise, given their preponderance in the sector.

On the source of lettings, information on major problems was available within the study. The superiority of letting agents as a source of tenants is apparent (at least in comparison with newspapers). Results for other sources of tenants cannot be relied upon individually due to the sample size but, overall, using letting agents to supply tenants is half as risky as a combination of other methods.

**Figure 32: The take up of references for worst ever problem tenant**

<table>
<thead>
<tr>
<th>Referred</th>
<th>54%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unreferred</td>
<td>36%</td>
</tr>
<tr>
<td>Don’t know</td>
<td>10%</td>
</tr>
</tbody>
</table>

**Figure 33: The take up of credit checking for worst ever problem tenant**

<table>
<thead>
<tr>
<th>Checked</th>
<th>31%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unchecked</td>
<td>62%</td>
</tr>
<tr>
<td>Don’t know</td>
<td>7%</td>
</tr>
</tbody>
</table>

Several comments were submitted concerning the possible weakness of referencing, for example:
Quite often the employer is not aware that the tenant does not intend to pay his rent and we therefore will get a good reference.

Our tenants have gone on to other rented properties we have not been asked for a reference for any of them.

Over half the ‘worst case’ tenants had been referenced.

Credit checks were a more reliable filter – about one third of ‘worst case’ tenants had been through credit checks. The emergence of one third (31%) of worst-case tenants despite credit checks lends credence to the idea landlords are vulnerable to ‘bad luck’. The fact that one third of problems occurred despite a credit check does not necessarily demonstrate that checks are flawed, since the possibility exists that problems only arise subsequent to letting.

As credit checking of prospective tenants is estimated to be around 55% of recent cases (see Section 3, Literature Review), then credit checks are partially successful.

5. Deposits

In the likely absence of a compulsory scheme for holding tenants’ security deposits, and the continued controversy on the subject,

a) What is the reported attitude of landlords towards handling deposits?

b) How frequently do disputes arise?

Figure 34: Attitudes towards returning deposits

| I overlook minor problems to avoid hassle | 24% |
| I rarely – if ever – have to withhold any money | 31% |
| Deductions are necessary, but must be carefully itemised to protect your position | 42% |
| There are nearly always arguments | 3% |
Analysis

Ten respondents skipped the section concerning minor problems, of whom 9 went on to submit an email address for feedback. At least these 9 are likely to have clicked the short-cut button for those who had never had a problem with a tenant. Accordingly, the percentage of those never having had a disagreement over the amount of deposit returned is likely to be [63+9 from 137+9] 49%.

By far the biggest grouping of respondents reported never having a different opinion to their tenant on the amount of deposit to be returned. Frequent differences of opinion were also extremely rare amongst respondents at just 1.5%. Only one respondent said there were always arguments, 0.7%. These levels are lower than those reported in the evaluation of the Tenancy Deposit Scheme (ODPM, 2002c, paragraph 23).

One quarter of respondents (24%) said that they ‘overlooked minor problems to avoid hassle’.

Four per cent of respondents advise – in response to a virtual scenario – that there are nearly always arguments. This is higher than levels of reported actual disputes (where ‘always’ and ‘frequent’ disputes were 0.7% and 1.5% respectively).
6. Disrepair

Given the significance of disrepair in the private rented sector,

a) Is there a discernible reluctance amongst landlords to conduct repairs?

b) Alternatively, do landlords exceed the statutory minimum requirements to maintain their property?

c) Is there a tendency amongst landlords to judge repair needs on the nature of the tenant rather than the on the condition of the property?

Figure 36: The responsiveness to a repair issue

You get a call from the tenant about the washing machine which is working, but making an unhealthy noise again. You agree to...

![Bar chart showing responses to a repair issue]

Figure 37: The responsiveness to an improvement issue
Further analysis

The fundamental variable here is (the purported judgemental) *it depends on what the tenant is like*. Using just two groups enables some analysis within the limited sample. One group was set to comprise the 68 *depends* respondents; the other group comprised 86 respondents selecting a different option. Firstly, a check was made on the extent to which the *depends* category varied with experience.

*Figure 38: Selection of a judgemental response to an improvement issue by length of experience.*

Three different views of the rate of problems per landlord were then taken to check whether results were consistent across the data set.
The relative incidence of problems by judgemental and non-judgemental groups

<table>
<thead>
<tr>
<th>Problems per landlord for the group:</th>
<th>Depends on tenant</th>
<th>Non-judgement</th>
<th>Relative rates</th>
</tr>
</thead>
<tbody>
<tr>
<td>All cases</td>
<td>5.1</td>
<td>2.7</td>
<td>1.9:1</td>
</tr>
<tr>
<td>All cases 6-12 years experience</td>
<td>5.4</td>
<td>3.4</td>
<td>1.6:1</td>
</tr>
<tr>
<td>All cases 6-12 yrs experience and 2-5 properties</td>
<td>3.8</td>
<td>1.5</td>
<td>2.5:1</td>
</tr>
<tr>
<td>Simple mean</td>
<td></td>
<td></td>
<td>2.0:1</td>
</tr>
</tbody>
</table>

The average deposit taken for members of the two groups who listed a worst ever problem was calculated as £495.86 for the *depends* group and £498.65 for the non-judgmental group.

One in twenty respondents claimed they would buy a bigger fridge on request for a tenant who was keen on cooking.

7. **Understanding the needs of the sector**

Given the literature review finding that government (local and national) misunderstands the needs of the private rental sector,

a) Do landlords think that their interests are adequately represented nationally?

b) Are landlords willing to join landlord membership organisations?

Figure 40: Do you think that landlord’s interests are adequately represented at a national level and in government policy?

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>16%</td>
</tr>
<tr>
<td>No</td>
<td>84%</td>
</tr>
</tbody>
</table>

Figure 41: If you are not already a member of a landlord organisation, would you consider joining?
<table>
<thead>
<tr>
<th>Yes</th>
<th>30%</th>
</tr>
</thead>
<tbody>
<tr>
<td>No</td>
<td>10%</td>
</tr>
<tr>
<td>Don’t know</td>
<td>5%</td>
</tr>
<tr>
<td>Maybe</td>
<td>32%</td>
</tr>
</tbody>
</table>

**Figure 42: The usefulness of membership for landlord association members**

<table>
<thead>
<tr>
<th>Not useful</th>
<th>5%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Quite useful</td>
<td>36%</td>
</tr>
<tr>
<td>Very useful</td>
<td>59%</td>
</tr>
</tbody>
</table>

Comments submitted concerning landlord associations

- There is not one in Edinburgh
- I have tried to join NWPLA but they continually ignore my letters and e mails
- It is covered above, but joining the Small Landlords Association has helped enormously
- Certainly feel a Private Sector Landlord needs to join a NFRL affiliated Landlord Association and needs to get even more professional at spotting potential trouble before a tenancy is offered

**Analysis**

Ninety-five per cent of association members were positive about the benefits, with nearly 60% describing association membership as ‘very useful’ in learning about being a landlord. Moreover, a majority (62%) of respondents who were not members said that they either would join or might join.

*Joining the Small Landlords Association has helped enormously.*

**8. Accreditation schemes**

Given the proliferation of voluntary accreditation schemes for landlords, and the intent behind these schemes to raise standards of tenancy management

a) Will landlords voluntarily participate in these schemes?

b) If not, why not?

c) What are the best methods for local authorities to use in assisting landlords to raise standards?
Ninety-nine per cent of respondents answered the question, *To improve standards, some councils have experimented with registration schemes for private landlords. Would you be prepared to register?* Sixty-three percent said that they would join an accreditation scheme; 37% that they would not. Of those who would not join, 78% cited schemes as *too bureaucratic*; over one fifth (31%) said *bad landlords will ignore it anyway*, and 14% selected *other*.

It is known that researchers have been aware of tension between landlords and local authorities (see literature review) and this was apparent in some of the comments received. For comments submitted concerning registration schemes, please see Appendix 8b

Figure 43: The usefulness of different sources of information for landlords

![Bar chart showing the usefulness of different sources of information for landlords](chart)

<table>
<thead>
<tr>
<th>Source of Information</th>
<th>Very Useful</th>
<th>Quite Useful</th>
<th>Not Useful</th>
</tr>
</thead>
<tbody>
<tr>
<td>Practical experience</td>
<td>73%</td>
<td>23%</td>
<td>3%</td>
</tr>
<tr>
<td>Talking to other landlords</td>
<td>33%</td>
<td>45%</td>
<td>10%</td>
</tr>
<tr>
<td>Training courses</td>
<td>8%</td>
<td>34%</td>
<td>34%</td>
</tr>
<tr>
<td>Leaflets, books, and articles</td>
<td>25%</td>
<td>48%</td>
<td>10%</td>
</tr>
<tr>
<td>Joining a landlord organisation</td>
<td>19%</td>
<td>25%</td>
<td>24%</td>
</tr>
<tr>
<td>Working in 'housing' yourself</td>
<td>22%</td>
<td>26%</td>
<td>20%</td>
</tr>
</tbody>
</table>

**Analysis**

By far the highest rated learning route was practical experience, with nearly three-quarters citing this as ‘very useful’ (69%). Given that 7/10 respondents were managing their own property, and that only 8% rated training courses as ‘very useful’. These findings substantiate the image of a

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20 The question set was: *Of the following what did you find the most useful in learning about being a landlord?*
‘cottage industry’ where most landlords learn through trial and error rather than formal training. This view is reinforced by the steep learning curve shown by landlords in their first few years. A strongly-felt disinclination to participate amongst some respondents (37%) was noted.

_ Usually Local Authority Officers/Departments are totally unsympathetic to Private Landlords._
_ Tenant Rights Officer Types are anti Private Landlord_

Nearly half of respondents in this study (48%) gave a ‘useful’ or ‘very useful rating’ to ‘working in housing yourself’. This occupation is not clearly defined, but several respondents mentioned involvement in estate agency or surveying etc.

9. **The consumer orientation of landlords**

Given the intent of the Law Commission to re-establish the landlord/tenant relationship as one of supplier/consumer,

a) To what extent do landlords already take a consumer oriented approach in their dealings with tenants?

b) What are likely to be the best means of informing landlords about a change in the law?

**Analysis**

Based on results to earlier questions, there are signs based on respondents’ willingness to provide extra equipment that landlords already take a market-sensitive approach to dealing with tenants. Earlier questions also indicate that the majority of landlords are willing to become more involved with accreditation schemes and landlord associations.

**Conclusions**

The implications of these results, and the extent to which they are valid for the general population of private landlords, are discussed in the next section, Conclusions. These follow broadly the same sequence as the research questions (Appendix 2), but also introduce some reflections on the methodology.
Conclusions

Investment patterns

Enumerating private residential landlords for the first time has effectively halved the market for services aimed at the individual landlord (training courses or handbooks, for example). It is so far from received wisdom that further work is recommended to establish the size of the market more accurately. Within this market, it is clear that the range of experience and knowledge of landlords means that they cannot be regarded as a homogenous group of minor operators. Indeed, changes by the relatively small number of landlords with the largest portfolios would have a significant impact on the sector.

The importance of pension planning as the primary motivation for a substantial proportion of landlords is established firmly by this study and quantified for the first time. However, the current average business lifespan is 12 years, which is clearly too short to meet pension expectations. Either the character of the industry is changing rapidly, or landlords have seriously underestimated the realism of property investment as a source of pension funds.

A high turnover of landlords has implications for standards within the sector. The only common characteristic of the group planning to sell up was that they all said major problems could happen again if they were unlucky. This might indicate that a sense of a lack of control contributes to disinvestment. The topic requires further investigation, particularly as this study demonstrates that there is scope for reducing the risk of problems by management action.
The research questions

Letting agents

Findings concerning the value for money and professionalism of letting agents are apparently more severe than recent findings on the estate agency business (reflected in the high number of comments). A trend towards self-management is suggested by reference to other studies. A slight drift away from agency-management following major problems is against industry predictions. These findings have important implications for standards within the industry since landlords who did use agents suffered roughly half the problems.

*Good agents are worth 15%, but the poor ones have cost me thousands.*

Member agents of ARLA and RICS can draw comfort from the widespread recognition of these bodies, although their status cannot be taken for granted. If there is an increase in landlord networking via local accreditation schemes and greater use of the internet, both of which have been indicated by this study, then reputations will be made and lost much faster with consequences for ARLA and RICS accredited agents as for any others.

Fear of Letting

Findings concerning tenancy management are significant. Whereas two-thirds of landlords are fatalistic about major problems, this study suggests that the majority of problems can be managed out and, moreover, the disposition and responsiveness of the landlord towards the tenant are key factors within this management potential.

The average rates of major problems estimated for the first time in this study will provide some reassurance to people thinking of letting for the first time and facilitate business planning (for both individuals and Real Estate Investment Trusts). Moreover, a steep learning curve has been identified where a few years’ experience has a substantial impact on the level of difficulties. When this is viewed in association with the tendency of existing landlords to learn chiefly by practical experience, the obvious conclusion is that much more training is required at an early stage of most landlord careers.
The frequencies with which different minor problems occur were similar. This might be because responses were based on consistent impressions, rather than actual incidence levels\(^2\). If so, then prospective landlords will need to be aware that they have little chance of escaping minor problems, and that these might feel more burdensome with the passing years.

For the first time, it has been demonstrated on the basis of research that a landlord’s attitude (expressed here in terms of responsiveness to repairs and improvement requests) is closely associated with successful management of tenancies. The implication is that a customer-focused approach yields clear benefits for a landlord and this strengthens the prospects for the legislative changes proposed by the Law Commission. Further investigation of this important area is recommended, not least to explore the balance with which attitudes lead to problems or vice versa.

**Practical risk management**

The sourcing of tenants via letting agents is half as risky as other methods and gives further argument for their use. Credit checks are partially successful and to be recommended to landlords. Greater take up of credit referencing should be combined with a comprehensive study of its effectiveness to ensure landlords are receiving value for money.

**Deposits**

The study shows that problems with deposits are not widespread from the perspective of the landlord, and certainly not at the levels claimed by the Shelter Campaign. Calls for compulsory tenancy deposit schemes are not supported by this study. On the contrary, voluntary participation in local registration schemes and higher membership of landlord associations are likely to be workable contributors to raising standards.

It could be argued that landlords have all the power when it comes to returning a deposit, and that these findings need to be compared with the views of private tenants to discover a true picture.

\(^2\) The dominance of impression over fact is further suggested by the result that one third of respondents who said being a landlord was *not worth the aggravation* planned to invest further.
More studies are required, and should consider the same transactions from both viewpoints, so that future statistics from either landlords or tenants can be adjusted for bias. In the meantime, abuse of power by landlords is contradicted by the number of respondents who say they “overlook minor problems to avoid hassle”, this being the opposite of spuriously withholding money.

One explanation why four per cent of respondents said there were “nearly always arguments” over deposits in a different section of the questionnaire is that the wording of the question led respondents to exaggerate: A friend has just become a landlord for the first time, and asks your advice about returning the tenant’s deposit. You say…)

Disrepair

The generally high level of responsiveness towards tenants over repair or improvement issues contradicts the poor image of the private rented sector. Respondents might have been exaggerating their generosity, but this is not thought likely given the face validity of the other responses. Moreover, that landlords reported high levels of positive feedback from tenants confirms the literature findings that tenant/customer satisfaction is relatively high within the private rented sector and further undermines the poor image of private landlords.

However, there were a very small number of respondents who expected their tenants to wait until a washing machine had completely broken before taking action. They risk irreparable damage to their appliances by this approach and a heightened risk of tenancy problems according to this study. The few inclined to link the purchase of a new washing machine with a rent increase might have misunderstood their duty to maintain the appliances provided regardless of rent levels. This implies that a minority of landlords are ignorant of the industry (as found by Kemp & Rhodes, 1997) and would benefit from training.

Representing the needs of the sector

In line with the literature review findings that the private rented sector is not perceived to be understood by policy-makers, respondents overwhelmingly confirmed that landlords’ interests are not represented nationally. National and local government need to build trust with private landlords if their ambitions for a thriving sector are to be realised. The survey provided powerful support for landlord associations and membership is recommended to landlords.
Accreditation schemes

The finding that a clear majority of respondents were willing to join a voluntary accreditation scheme was against expectations and will encourage those working in this field. Given the willingness of the majority to join, the nature of the opposition of the others, the generally unfavourable view of the literature towards further regulation, and evidence within the literature of improvements arising from market competition, compulsory licensing schemes are rejected by this study for the foreseeable future.

In the first assessment of landlords’ learning methods, it has been found that most landlords learn through practical experience rather than formal training. One reason could simply be that they have not received any training. More training courses can be expected as the market, or local authorities, seek to meet a need (see above). As nearly half landlords “worked in housing” and many are highly experienced, low-grade training targeted at a single category of private landlords would be inappropriate or even offensive.

The consumer orientation of landlords

The degree of responsiveness and sensitivity to the market shown by landlords within this study, and the fact that landlords are willing to join accreditation schemes or landlord associations, implies that changing the ethos of the landlord-tenant relationship to one of supplier/consumer will not be as difficult as the “cottage industry” characteristics and the poor reputation of the private rented sector suggests.
Methodology

Survey operation

Overall, the project struggled to acquire a large sample of private landlords, but nevertheless yielded worthwhile results.

The research differed significantly from the proposal as a result of the need to engage a wide audience. It moved from attempting an in-depth understanding of the nature of ‘catastrophic tenancy breakdown’ (effectively, the three major problems addressed in the questionnaire) to covering many topics relevant to the private rented sector. The advantage of this approach is that it achieved the objective of engaging organisations within the industry, and provided a number of interesting insights. The disadvantage is the volume of work generated, and the challenge of presenting findings concisely.

In terms of cost, convenience, and versatility a web-based survey proved outstanding and is recommended as a data-gathering method. However, this study lacked an accessible frame which led to difficulties with finding a large enough sample. Researchers adopting public-access web-based surveys must negotiate media exposure on an adequate scale at the proposal stage, remembering that publishers concentrate on finished studies, not work in hand. A much better route is sponsorship from an organisation with a captive audience where collusion is permissible within the research approach.

The merits of different publicity channels could not be measured as the survey omitted to ask respondents where they had learned of the survey. This was a loss, especially since the technique for capturing this and much other information automatically is easy (Hewson & Yule, p101-3). Automatic processing of data is essential for anything other than the simplest of questionnaires. Data back-up is obviously more critical for information held electronically than for paper-based surveys, and researchers should be certain that they have the necessary hardware before issuing a survey.

There was no evidence of multiple submissions other than by mistake, and no abusive or contrary views (from non-landlords or otherwise.) It can be concluded that sabotage is not a threat to web-based surveys of this nature.
No thought was given to the title of the questionnaire. This led to a rather lame heading, *Private Rented Sector Independent Research 2003*. On reflection, a catchy heading and an equally memorable URL would have eliminated one source of doubt over the accessibility of the survey. In fact, the URL was misprinted in a key publication and therefore unusable (Bearn, 2003)

**Validity**

Several important conclusions have been drawn concerning major problems in tenancy management. It should be noted that the survey was clumsy in certain respects:

1. ‘Major problems’ were defined by the researcher. Some of these might not be viewed as such by landlords or – more likely – other behaviours would be:

   *Some tenants are just plain lazy, dirty, rude, inconsiderate to other tenants... mainly due to noise. Modern sound systems will defeat even the best building standards when fully tested!!!!*

   One of the purposes of the study was to assess the deterrent to becoming a landlord based on the bad experiences of current landlords. Some of those experiences may have been missed.

2. The possibility that each of the three sample major problems could have been caused by the same tenant was not dealt with. Although this did not affect the relative levels of difficulties between variables, it did mean that the overall incidence, a key finding, was subject to estimate.

3. The extensive use of free text by respondents endorses the use of this technique on similar studies. Indeed, it would have been better to have only free text for the question on the source of tenants.

The questionnaire successfully maintained interest. The only question to achieve a response from every respondent was *What has happened to rent levels*. This was deliberately included as part of the marketing of the survey to landlords, and again appears to be a successful technique.

Other methodological approaches were less successful. Categorising the size of landlord portfolios rather than using an exact number lowered accuracy (and frustrated knowledge of respondents with more than 30 properties or 12 years experience). On reflection, the number of
properties owned and length of experience are easy questions for respondents to answer and gathering this data by free text would have been worth the extra analysis.

**Promoting the findings**

It was said in the introduction that the questions addressed in this study were to be of broad interest, both within the industry and to the general public. For this reason, a summary of the research findings has already been circulated to the organisations listed in Appendix 5; to the participants themselves; and links to the report appear on several industry websites, including that of the RICS, LandlordLaw, and LandlordZone.
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