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# PRS – Challenges and Opportunities

## 15 November 2017

# Sector Challenges – NI Profile

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## Landlords

- 84% own 2 or less properties.
- Why PRS?

## Tenants

- 22% Unemployed
- 27% Earn less than £15,000 p.a
- 57% Housing Benefit
- 54% Under 40
- 30% Single

# Sector Challenges – Housing Provision

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PROPERTY FOR RENT

SORT BY ▾



**21 FORMBY PARK, BALLYSILLAN ROAD,**

Belfast, BT14 6PS

2 Bed Semi-detached house

**£395**

/ month



**76 TAVANAGH STREET, TATES AVENUE,**

Belfast, BT12 6JN

3 Bed Terrace House

**£525**

/ month



**10 SPRINGWELL PARK, GROOMSPORT,**

Bangor, BT19 6LF

2 Bed Apartment

**£450**

/ month



**27 CEDARFIELD**

Bangor, BT20 4WH

3 Bed Semi-detached house

**£700**

/ month



**APT 2, 105 CLIFTONVILLE ROAD**

Belfast, BT14 6JQ

2 Bed Apartment

**£450**

/ month



**75 TOWERVIEW AVENUE**

Bangor, BT19 6BT

3 Bed Semi-detached house



**£650**

/ month

- Typically lower quality aging properties
- 80% 2 / 3 beds
- 38% terraces

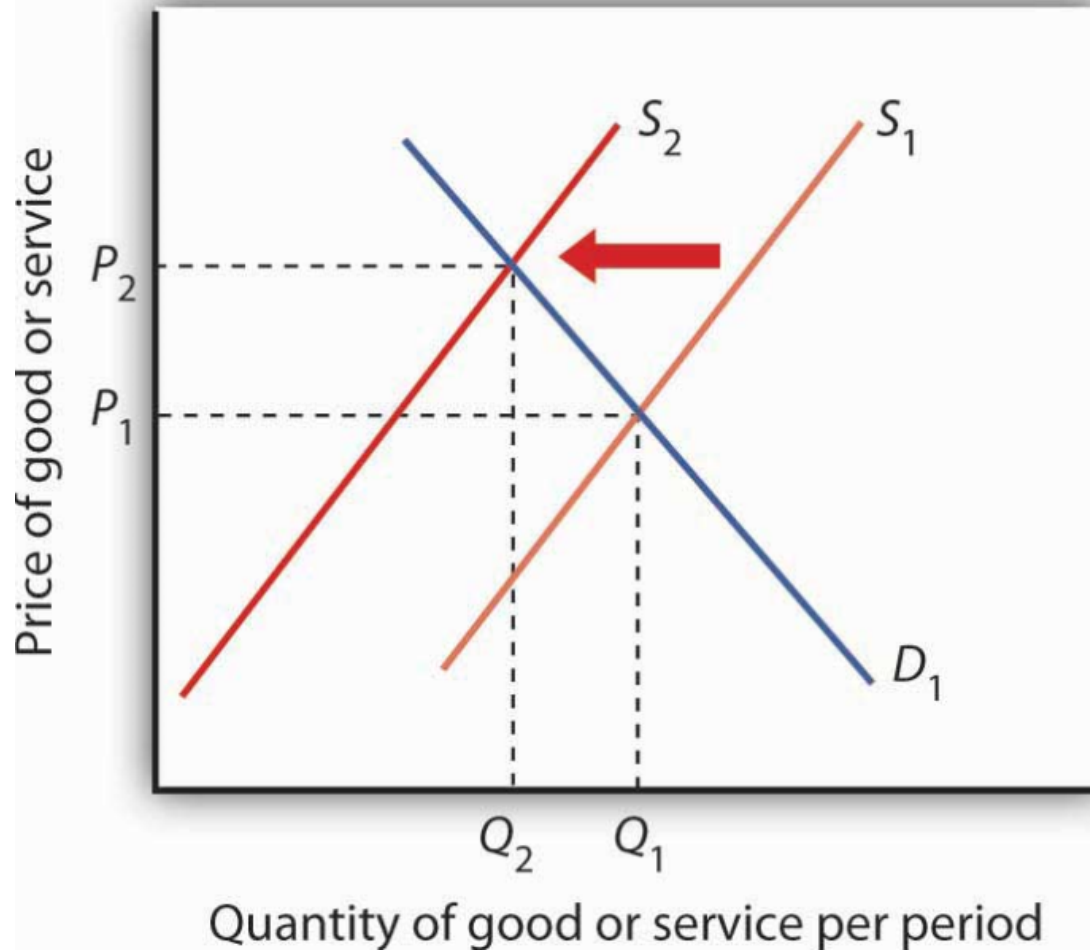
# Demand and Supply Outlook

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- Demand  : A “critical rental shortage” in the UK Housing Market (RICS)
- Supply  : Stamp duty / income tax changes designed to deter investment.

# A Contraction in Supply

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Reduction in Supply = Higher Price

# Case Study – New Tax Regulations

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	Scenario 1:	
	Current	Post 2020
<b>Rent</b>		
Rent per Month	£ 500	£ 500
Rent per Annum	£ 6,000	£ 6,000
<b>Interest</b>		
Int. per month	£ 400	£ 400
Int. per annum	£ 4,800	£ 4,800
<b>Tax Calculation</b>		
Gross Profit	£ 1,200	£ 1,200
		<b>Tax Calculation</b>
		£ 2,400 (40% of rent)
		£ 960 (less 20% interest)
Tax Bill	£ 480	£ 1,440
Net Profit	£ 720	<b>-£ 240</b>

- Impact on 84% of our Landlords with 2 or less properties..

# Northern Ireland Context

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## A Perfect Storm - 2020?

1. New Tax Regulations
2. Interest rate increases
3. Further Regulation
4. 3 years of dis-investment (2017 – 2020)
5. Welfare Reform

# Opportunities

- Changing Trends Present Opportunities for Housing Associations
- Dedicated PRS Brand – “a Not for Profit” Landlord you can trust”
- Leverage existing infrastructure – housing management is our core business.
- Availability of Finance – Debt and Equity



# Opportunities

- Generate returns to cross fund Social Housing
- Use sector to “soften” mixed tenure schemes
- Longer more secure tenancies = “win-win” for tenants and HA’s
- Enable Regeneration

# Regeneration “v” Market Failure

From this...



To this...



# Conclusion

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- Challenging times ahead..
- A range of pressures will make PRS less attractive to Landlords
- Change may represent an opportunity for Housing Associations
- Housing Associations are well placed to enter PRS.
- How much market share?



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