

# The cost of living crisis and the private rented sector

A crisis of cost, income and structural failures

Chris Birt, Associate Director, JRF– November 2022

# What I will cover

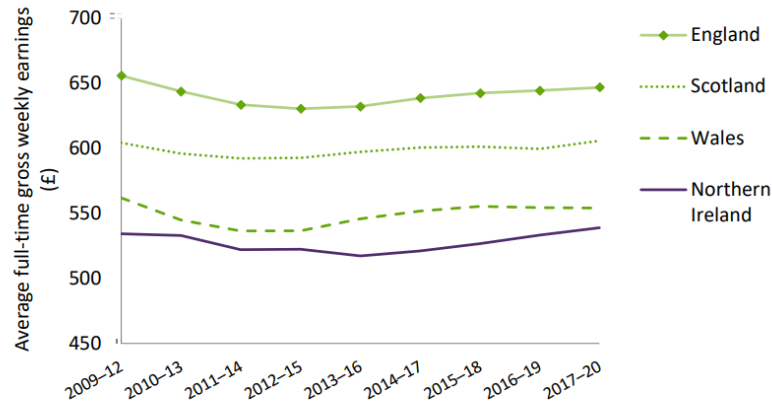
## An immediate crisis and a warning from the future

- Some key findings re the cost of living crisis and its causes
- What this means in Northern Ireland in particular
- Why the Private Rented Sector in Northern Ireland needs to be an immediate priority
- The solutions

# Poverty rates in Northern Ireland

- Nearly one in five people in Northern Ireland live in poverty (18%)
- That's 330,000 people
- Poverty is highest amongst children – at 24% (or 110,000 children)
- And lowest amongst pensioners – at 12%

## “Cost” crisis?



Source: Labour Force Survey

Since 2010:

Income from employment has generally gone up

In NI this is from a low base to a low level

At the same time the value of social security has dropped.

*“However, the rise in employment income was mostly offset by a fall in income from benefits, due to a series of cuts to the real value of working-age benefits.”*

IFS, July 2022

# Inflation is high but what else is in the Mix?



Peter Donaghy  
@peterdonaghy



Therefore it seems likely that the apparent jump in CPI in Northern Ireland in April 2022 was not caused by the Northern Ireland Protocol, but by Little Mix. Specifically, the concerts at the SSE Arena, which caused two hotels to increase their prices.



## PwC economic overview of NI and inflationary pressures

- *Average worker facing £2,000 hit to real wages by end of 2022*
- *NI has lowest productivity of anywhere in the UK (fewer jobs in high-productivity sectors)*
- *The 'goods and services' with the higher rates of inflation (heating oil, electricity, food and motor fuels) make up a larger share of household spend in NI than across the UK on average - so squeezing budgets harder in NI*
- I would've added the outrageous disability employment gap to fundamental issues.

# No matter its cause, what about the effect?

- Going without essentials is endemic – around two in three (65%) have cut back on an essential while one in four (26%) have cut back on three or more essentials.
- Despite families' efforts, children are going without – one in four (26%) families with children have cut back on things their child needs, such as food or childcare.
- Almost one in five low-income families are neither heating nor eating – 18% of low income households have skipped or reduced the size of meals and not heated their home due to the cost of living crisis.
- Being in arrears and going without essentials go hand in hand – 85% of families in arrears have cut back on essentials and 39% of those in arrears with kids have cut back on items for their children. Of people who are in arrears to a public service, 87% have cut back on essentials.

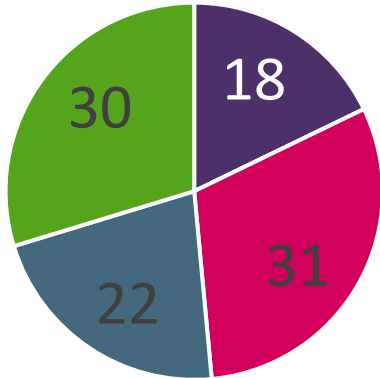
# On to the warning

A tale in 3 Acts – the Third Act could be re-written...



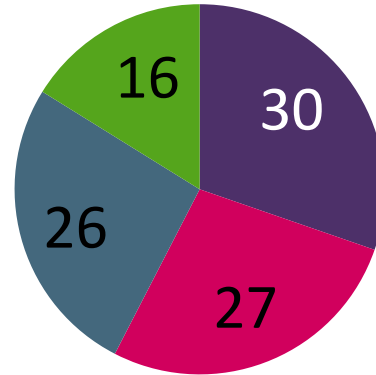
# Act ONE – a change in tenure... spot the difference

2003-2005



■ Private Rent ■ Social Rent ■ Owned outright ■ Mortgage

2017-20



■ Private Rent ■ Social Rent ■ Owned outright ■ Mortgage

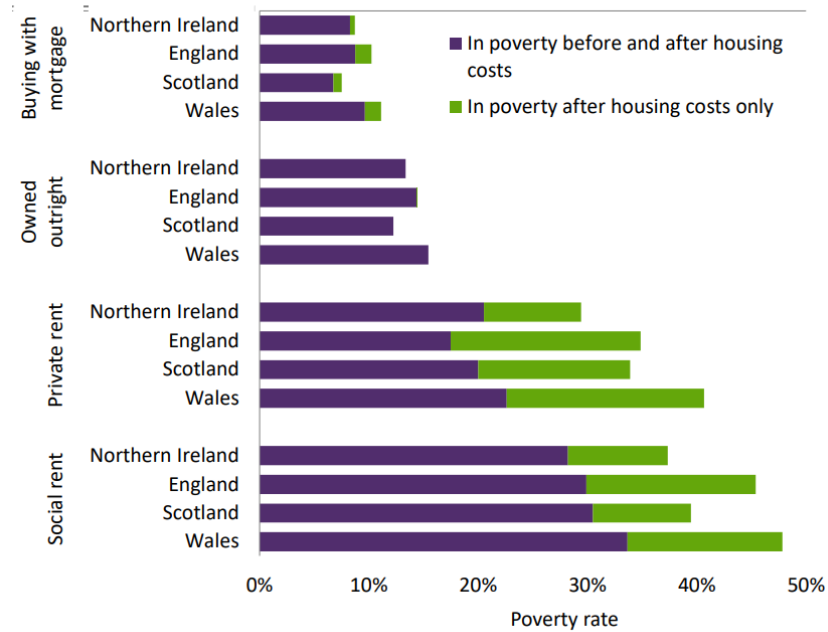
## Act TWO – Lower housing costs keep poverty rates down

- “In 2009-12, poverty in Northern Ireland was virtually identical to poverty in England, having been on the rise since 2006-09. Since then, poverty in Northern Ireland has been on a downward trend while the trends in the other nations of the UK have been upwards, starting from a low level for Scotland, and a mixed picture starting from a high level in England and Wales.”
- “The fact that housing costs for low-income renters over recent years did not rise significantly is an important buffer against increases in poverty rates.”

*Taken from Poverty in Northern Ireland 2022, JRF*

# Act TWO Continued...

Poverty rates are highest for social and private renters in Northern Ireland, although across all tenures poverty rates are lower than in England and Wales on average

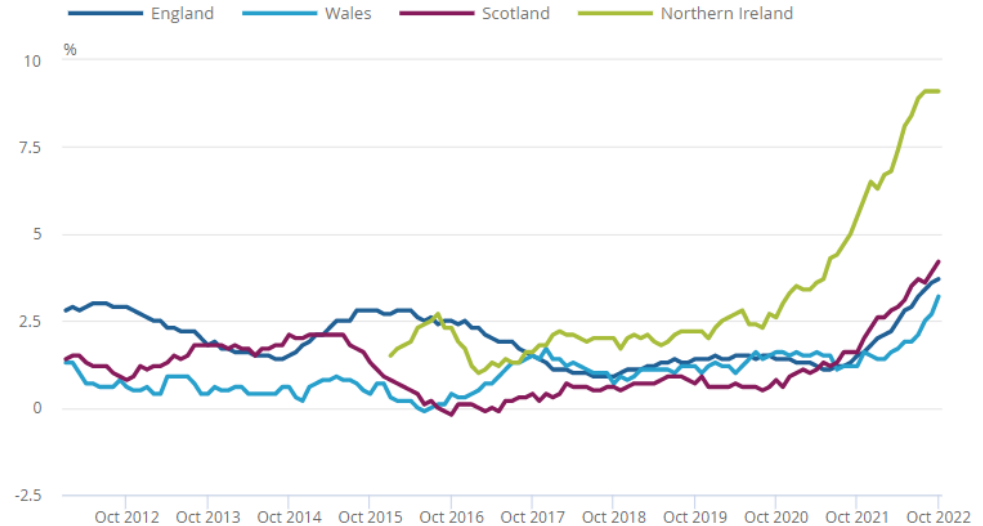


Source: Households Below Average Income, 2019/20, DWP.

## Act THREE – the future?

**Figure 3: Annual rental percentage change in Scotland continues to surpass England and Wales**

**Index of Private Housing Rental Prices percentage change over 12 months for countries of the UK, January 2012 to October 2022**



**Source: Office for National Statistics – Index of Private Housing Rental Prices**

## How to manage the Private Rented Sector going forward?

- Private Tenancies Act obviously welcome but needs to be in force.
- CIH NI report on rent affordability is interesting – key to affordability?

*“The best way of relieving pressure on prices is by having enough housing supply.”*

- What do tenants want in the Private Rented Sector?:
  - Affordability
  - Conditions
  - Landlord professionalism
- Local Housing Allowance rates continuing to be frozen are causing poverty.

## Cost of living solutions

- Benefit uprating
- Cost of living payments getting out the door and matching NI circumstances
- One-stop shops
- Scottish Child Payment

# Questions?

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