

Property Matters

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Why Give Renters' Rights a Chance?

Renters' Rights commentary and reporting in the main appears to be almost overwhelmingly negative when considered from the landlords' perspective. Certainly the proposed legislation will challenge enshrined practises, but there may be benefits for committed private landlords.

The commonly held view is that the current Renters' Reform Bill (RRB) will pass largely unchanged. The Government has a huge majority to enable this. There may be some pressure to amend some parts, for instance to address concerns of student property landlords around periodic only tenancies. Landlord's and agents should write to their local MPs to raise specific concerns.

Let us assume that it passes as written, and try to understand why there is no need to flee the private rented sector, as some of the property press suggest will or may be happening.

Loss of section 21

Section 21 is known as a 'no-fault' notice i.e. no fault of the tenant. It is used because the landlord wishes to seek possession for a reason; there is always a reason. Typically they wish to sell or move in to the property. Under RRB section 8 grounds are being created, or already exist, to enable landlords to seek possession for these reasons. Some landlords use section 21 due to some fault by the tenant e.g. breach of contract or non-payment of rent, because it's 'easier'. Arguably this was a misuse of section 21 as section 8 grounds already exist and under section 8 the landlord can get a judgement for the arrears or other losses at the same time as possession. After the RRB there will be 36 grounds. Crucially, if you decide to sell as you don't

like the way the market works after the RRB is in force, you have a new ground to be able to do that anyway.

Periodic only tenancies

The concern here is that tenants will move in and then immediately serve notice so the landlord is left to find new tenants, and possibly a void period to cover. However, if we provide a decent property at a market rent then, barring any unforeseen circumstances, this is unlikely to happen. No-one chooses to move every few months, we all like to be settled. It does not happen now and there is no reason to assume that will change.

Other than the aforementioned issue for landlords in the student market, which needs addressing, periodic tenancies should not in themselves present too many issues. Plan ahead and understand the notice rules.

Decent Homes Standard

This already applies to social housing landlords and, whilst we won't know the full rules until we have the relevant regulations, they will be applied to private landlords to some extent. It means, for instance, that we must ensure the property is in a decent state of repair and we provide a safe, secure and comfortable home with a means to keep premises at a suitable

temperature. Good landlords already provide this and respond promptly to issues when they arise. Awaab's law will provide for time limits in which to respond to issues raised by the tenant but you, or we on your behalf, will meet proposed time limits.

Rent increases

Rent increase clauses in tenancy agreements will not be permitted from RRB coming into force and any rent increase will be by section 13 notice and only permitted to take effect 12 months from the start of the tenancy or 12 months from date of the last rent increase. The notice period increases to two months from the current one month. This simply means that we need think about the rent increase earlier.

Rent increase clauses, where used, provided the parties with certainty. Now the likely certainty is that landlords will initially seek a market rent, which they may choose to negotiate down from.

The opportunity

Other landlords leaving the market will reduce supply and may drive rents higher, increasing the return on investment for those who remain. Landlords in the market after RRB may find that there are some interesting properties coming to the market which may already have great tenants in situ.

Look out for further publications on the Renters' Rights legislation.

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