Written evidence submitted by Reapit (TH0022)

Reapit response to Public Accounts Committee inquiry on Tackling Homelessness

Summary

Reapit is a leading UK-based technology provider to residential property sales and letting agents. Reapit is used by over 15,000 estate agency branches worldwide with over 1 million properties under management. Our rental payment platform, PayProp, has processed over £5bn in rental payments for over half a million tenancies across the UK.

The government must encourage additional investment in new rental properties, which would drive up competition for tenants and lower prices which could lead to a reduction in homelessness. We are seeing worrying trends in private rented sector (PRS) investment in reaction to proposed regulatory reform that could lead to a further reduction in stock. This will lead to higher rents for tenants and worsen the risk of homelessness for those who cannot afford higher rents.

The UK requires a joined-up strategy across government departments to encourage investment in the PRS to ensure there are enough properties at affordable rents to satisfy demand from tenants. This should include:

- Court reform to increase landlord confidence that a rental property can be recovered and relet when a valid eviction notice is served.
- Measures to lessen the financial impact of new minimum energy efficiency standards on landlords.
- A grant programme to bring England's 1.1 million vacant dwellings back into use as social rental properties.
- Better data gathering to ensure the Local Housing Allowance (LHA) reflects current rent prices.

Government availing itself of more accurate rental price data to ensure the local housing allowance better reflects the cost of private renting. Credible court reforms to speed up possession and encourage investment will be vital to stabilise stock and prevent homelessness. Bringing vacant properties into use could further lead to an increase in social rental stock, while reducing the overall costs local authorities face in accommodating homeless households in temporary accommodation.

Evictions

The government has cited Section 21 evictions as a 'key driver of homelessness'. However, our research suggests that the vast majority of evictions currently taking place under Section 21 would continue under Section 8 under proposed reform. According to our 2023 report (undertaken by our rental payment platform brand PayProp), Section 21 eviction notices are most often issued when a landlord wants to sell a property or prevent further rent arrears. These reasons were cited by 69.8% and 69.2% of property professionals respectively.

Without improving landlord confidence in the Section 8 eviction process there is a risk that some of these properties may be lost to the PRS. Recent evidence from Rightmove suggests landlords are selling their rental properties – 18% of properties for sale in September had previously been rented out, compared to 8% back in 2010.

And other landlords aren't necessarily buying them. If that were the case, the overall rental stock would remain stable. However, our 2024 annual survey report (undertaken by PayProp) points to only 11.9% of ex-landlord stock being sold to other landlords. It also identifies the following trends in landlords' plans and activities:

- Landlords selling properties: 54.5%
- Landlords maintaining their current portfolios: 41.3%
- Landlords looking to buy additional buy-to-let properties: 4.1%

These figures suggest that the overall rental stock is likely to decline, as a significant portion of landlords are reducing their portfolios, outpacing those looking to expand. A shrinking rental stock will reduce housing availability, drive up rents, and increase the risk of homelessness for tenants.

One driver of landlords' selling activity merits a further look. Our survey identifies concerns over the time it currently takes to repossess a property under a Section 8 eviction. Some 49.4% of property professionals reported that it took more than 6 months. While 67.4% of respondents suggest that properties need to be recovered in less than 2 months for people to feel confident in the eviction process.

A strategy across government departments to increase court capacity to speed up Section 8 evictions would help address landlord concerns and encourage some to keep properties in the PRS.

Importance of energy efficiency grants, loans and exemptions

Our recent research into the energy efficiency of agency-managed PRS stock has shown the need for adequate grants, loans and exemptions to support landlords with bringing homes in the private rented sector up to the new EPC C standard mandated by the government for 2030. This would reduce the risk of losing PRS stock and an associated increase in homelessness.

According to our research, the cost of retrofitting all PRS properties in England, Wales and Scotland rated below an EPC C rating to a C is estimated at £24.03bn. That means an average cost of retrofitting per landlord of £10,442, but upgrade costs will not be shared equally across all landlords, as some will have older and less energy-efficient stock than others.

What government support exists in the form of interest-free loans and grants should be reviewed. Mortgage lenders should also be encouraged to provide discounts for energy-efficient homes and favourably adjust mortgage rates if a landlord is taking equity out of a property to fund energy efficiency upgrades. Any upgrades undertaken by landlords to reach a higher EPC rating level should not be considered a capital expense, and a landlord should be able to offset the expense against their tax obligation, through a government revival of the Landlord's Energy Savings Allowance.

Policymakers must ensure stock levels do not drop due to the push for energy efficiency. Exemptions for properties that cannot be retrofitted economically may be required to prevent this. This will in turn protect tenants from price rises due to a lack of supply.

Without exemptions, and assuming current EPC D-rated properties are upgraded to a C and the rest of the PRS stock in question cannot be upgraded at a reasonable cost, and therefore cannot be rented, 17.4% of current PRS stock could be lost. As a result, the tenants in those properties would need to be evicted by their landlord as the properties would not comply with the new minimum energy efficiency standards. This could result in more tenants presenting themselves as homeless to local authorities.

Empty properties

The latest English Housing Survey estimates that there are over 1.1 million vacant dwellings in England. While this will be a mix of second homes, unoccupied homes listed for sale and unoccupied homes with the owner in residential care, some properties will be vacant because the owner cannot afford to renovate the property to a decent standard. Encouraging potential landlords to bring these properties back into use would help address the ongoing rental shortage.

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The Repair and Leasing Scheme in Ireland could point a way forward. The programme allows vacant property owners who cannot afford the repairs to apply to a local authority or housing body to cover the cost of necessary repairs, up to €80,000. In exchange, the property, once up to standard, must be used for social housing for a fixed term. The cost of the repairs is offset against the agreed rental payment until the value of the works is repaid.

Statistics from the 2022 Ireland Census suggest that, from 2016 to 2022, there were just under 48,000 long-term vacant dwellings. The Irish government reports that since the scheme began in 2021, 3,267 grant applicants have been received and 589 vacant properties have been brought back into use as social housing. This represents 6.8% and 1.2% of all long-term vacant dwellings in Ireland respectively. If replicated in England, this could result in an additional 13,200 dwellings available for social rent and potentially an additional 74,800 planned redevelopments.

Better data on housing costs

Local Housing Allowance (LHA) rates are crucial in determining the financial support available to poorer tenants renting in the private sector. These rates are currently derived using data collected by the Valuation Office Agency (VOA), which samples rents from queries to landlords, letting agents, tenants, and other sources. While the methodology considers the 30th percentile of rents within a Broad Rental Market Area (BRMA), the rent price data used to calculate the LHA often fails to keep pace with real-time rental trends and in-tenancy rent increases, leaving tenants struggling to meet their housing costs.

When LHA rates do not align with actual market rents, tenants face significant affordability gaps which could lead to arrears, evictions and homelessness. Indeed, our 2023 report found that 69.2% of property professionals issued Section 21 eviction notices due to rent arrears, highlighting the critical link between the ability of a tenant to pay the rent and the risk of eviction.

Currently, LHA rates are based on a historical snapshot of the rental market, which no longer reflects the financial realities faced by tenants. A reliance on outdated or incomplete data undermines the effectiveness of housing benefit policy in preventing homelessness among the poorest private renters.

PropTech offers a solution. Reapit's rent payment platform, PayProp, can provide real-time bank-verified rents and track in-tenancy rent adjustments. This could give policymakers a comprehensive, up-to-date picture of actual rental costs. Incorporating this data into LHA calculations could help close the gap between housing benefit levels and market rents, reducing the risk of arrears and the subsequent evictions that lead to homelessness.

As rents continue to rise, a data-driven approach is essential to ensure housing support remains both adequate and responsive to market realities.

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