

UNDERSTANDING AFFORDABILITY



WHO DOES THE PRIVATE RENTED SECTOR IN WALES WORK FOR, AND HOW DO WE CHANGE IT.



EXECUTIVE SUMMARY

This report is not the first to highlight that there are significant issues within the private rented sector in Wales, and given the scale of the challenges we see in this sector today it is unlikely to be the last. However, what we hope this report is the first to do is to reframe our concept of private rented sector affordability to focus more clearly on the people who sit at the heart of the sector and who rely on it for a home.

For too long Wales has hidden behind a narrative that rents here are lower than those in England or Scotland. Using this fact to ignore the simple reality that affordability is rooted not in the inherent price of a thing, but rather in whether that thing is priced to be accessible to those who need it.

Over the last ten years, a growing number of private renters have been reaching out to Shelter Cymru for help, and time and again these approaches are rooted in a challenge of affordability. With households often facing impossible rent hikes, sometimes up to 75% of their current rent. Similarly, we hear from many people who are at immediate risk of homelessness wholly, or in part, because they are unable to find an affordable home to protect their family.

Despite this, the Office for National Statistics (ONS) approach to assessing affordability delivers a conclusion that private renting is unaffordable in only two local authority areas in Wales: Cardiff and the Vale of Glamorgan. Yet, when we speak to Shelter Cymru advisers or to people working in the housing and homelessness sector across Wales, the idea that the private rented sector is affordable anywhere seems completely unbelievable. Which begs the question, why is there such a disconnect between this conclusion and what we are seeing on the ground?

To answer that question, Shelter Cymru set out to explore exactly what this ONS model of affordability is rooted in, and to understand how it landed so at odds with the real lived experiences of people in Wales.

To help inform our work we had a series of discussions with our Private Rented Sector Advisory Panel, a forum of people with lived experience of the challenges facing renters who inform and support our work in this area. These discussions helped us to better understand where the ONS approach didn't align with their real-world experiences, and ultimately they helped us to identify the need for a new, more person focused, approach to calculating private rented sector affordability in Wales.

For any model of affordability to work though it has to be rooted in the experiences of people, and in an understanding of the lives that renters lead, the costs they can't avoid and the realities of their incomes. This is why the model that we have used is one that's informed by lived experience, with the panel putting forward a model that they believe reflects the reality of renting:

**A HOME IS CONSIDERED TO BE AFFORDABLE IF ALL ESSENTIAL HOUSING COSTS
USE LESS THAN A THIRD OF NET INCOME FOR LOWER INCOME HOUSEHOLDS.**

With essential housing costs being rent, council tax, energy bills, and water.

Shelter Cymru researchers then tested this model using data for current rents and information from new listings alongside reasonable estimates for wider housing costs (see Appendix A for methodology).

Using earnings data for different household make ups, different local authority areas, and different ages we hoped to answer the question "who is private renting in Wales working for?"

Unfortunately, although not unsurprisingly, what we found is that a crisis of unaffordability is playing out across every part of Wales. Of course, there are areas and household types where the impacts of affordability are more or less keenly felt, but overwhelmingly this is a challenge being felt by tens of thousands of individuals and families all across the country.

Given this, the conclusion we draw from the research is that we can only be confident that the private rented sector offers sustainable homes for an extremely narrow window of renters. These being households with two full-time earners, who have two or fewer children, and who live in mid-Wales.

There are thousands of households who don't meet this description but are still forced to privately rent due to a lack of viable alternatives. For these households we would have little hope that an affordable home is available to them in the private rented sector, and instead believe they are likely to face monthly additional costs adding up to hundreds of pounds.

SNAPSHOT: AN UNSUSTAINABLE SHORTFALL

A family who need a three-bedroom home in Monmouthshire with one working parent would have monthly housing costs over £1,000 more than what Shelter Cymru would consider to be the reasonable cost of an affordable home. A single adult in their 40s renting a one-bedroom flat in Gwynedd would have additional costs of nearly £500 each month.

The scale of unaffordable renting has a significant impact for both individual households in Wales and for us collectively as a nation. Unaffordable renting increases homelessness, impacts people's health, has serious financial implications for households and public spending, and it traps people in a system that isn't working for them.

As a nation we can do better for renters. We can make sure that people have their own front door and privacy in their homes. We can make sure that single parents aren't forced to skip meals to keep a roof over their children's heads. We can rebuild a Wales where young people can afford to fly the nest before their late 30s.

It's easy to read this work and assume the private rented sector is beyond repair, however, this simply isn't the case. With the right political will, the right policies and the necessary urgency it is possible to deliver the change that's needed. As a starting point we believe this should include:

- Moving to bring key renters rights in Wales into line with those in England. Chief among these being the banning of bidding wars and an end to no fault, no reason evictions.
- Taking bold steps to stabilise renting costs in Wales with a clear goal of achieving affordability for renters.
- Ensuring sufficient funding and flexibility in our approach to acquisitions to enable transition of private rent homes to social rent as opportunities arise.

Alongside these steps targeted at private renting, it will also be necessary to continue investing in the social rented sector in Wales and to take new steps like the adoption of a Right to Adequate Housing into law in Wales to provide an overarching strategic framework for addressing our housing emergency.

There is no quick fix but we are confident that change is possible.

HOME IS EVERYTHING

**HOMES FOR ALL.
SAFE HOMES. STABLE HOMES. AFFORDABLE HOMES.**

You can help make this happen. Sign up to support Shelter Cymru today and help us end the Housing Emergency in Wales.

