

# **Independent Review of the Potential for Institutional Investment in the Private Rented Sector**

## **Terms of Reference**

### **Background**

The Private Rented Sector has grown rapidly in recent years, and now houses 3.4 million households. During that period of rapid growth, rents remained stable in relation to earnings, and the quality of housing in the sector has improved. However in the last two years, rents have started to rise faster than earnings in some areas. At the same time, the dominance of small landlords has increased to the point where just 1 per cent of private landlords own more than 10 properties.

In this context, this government has been exploring the scope for the private rented sector to attract investment and, in particular, investment in new housing:

- In September 2010, we published the “Government response to the consultation on investment in the private rented sector”, which included a full consideration of potential tax measures;
- This led to measures in the 2011 Budget Statement to encourage increased investment;
- In November 2010 we published “Promoting investment in Private Rented Housing Supply: International Policy Comparisons” ; and
- Most recently, there has been progress in developing models to increase the potential for institutional investment in the private rented sector and a handful of schemes are now underway.

### **Purpose and aims**

This review will build on this work and will avoid re-visiting issues which have already been considered in detail – in particular through HMT’s 2009 consultation. Instead it will focus on the potential for investment in the private rented sector in current market conditions. In particular:

- What evidence is there about the ability of the private rented sector to respond to future demand, and the impact of this on labour markets and growth? Is there a market failure?
- How does this compare to other countries?
- What interest is there among institutional investors for long term investment in housing?
- What are the characteristics of housing investment which might attract (or deter) institutional investors?
- What has been the experience of those who are developing new models for investment in the sector?
- What can we learn from large-scale investment in student housing?

- What drives current landlords' business plans – costs, income, risks, long term strategies?
- How has the sector responded to the changing profile, expectations and aspirations of those who rent?

The review will make recommendations to the Housing Minister. Any representations on tax issues would need to be made to HM Treasury separately through the normal budget process.