

Housing associations' market rent activity



Purpose

This briefing note has been prepared, at the request of the Local Government and Housing Committee, to provide details of housing associations who provide market rent properties as part of the domestic arm of their commercial portfolios.

Please note that this briefing is based mainly on informal feedback from a small number of housing associations.

Background and current practise

Housing associations across Wales have different business plans, governance and finance structures to help them deliver their social purpose. Commercial activity between housing associations differs vastly, but many associations are exploring affordable and intermediate housing options to deliver alongside their socially rented homes in line with their common purpose to provide good quality, affordable homes in their communities. .

When many housing associations were formed following stock transfers from local authorities some inherited a commercial portfolio which may have included; retail units, garages etc. More recently, many associations have expanded their domestic commercial portfolio by delivering Rent to Own, Shared Ownership, Shared Equity, Affordable Rent and Intermediate Rent properties. Our understanding is, however, that market rent, private rented activity remains limited amongst RSLs in Wales.

Type of housing	% of HAs
Affordable Rent	38%
Shared Ownership	44%
Market Rent	15%

*Table produced to provide **an estimate** of the services delivered by associations across Wales.

Specific to market rent portfolios there are two main ways housing associations operate:

1. **Full landlord service:** Housing associations are the landlord and the letting agent
2. **Management service:** Housing associations manage properties and / or provide a letting service on behalf of private landlords.

From conducting conversations with our members, it seems that some housing associations who operated a management service have ceased this practice. This note therefore focuses on direct, full private landlord services offered by housing associations in Wales.

Benefits of housing association involvement in private rented sector

- Delivering a small percentage of market rents on new developments aids with the viability of the project, enables housing associations to maximise Social Housing Grant (SHG) and increase the level of private finance that they can access.
- Rental income from private sector portfolios are also fed back into the business to support the delivery of more social homes and services for social tenants.

- Housing associations have moved away from mono-tenure development and are committed to delivering balanced communities through providing a choice of different housing options to suit personal needs.
- If a housing association delivers many different types of housing options then this allows for greater mobility and flexibility in the housing ecosystem. For example; if a tenant is in private rented accommodation but struggling to keep up with their housing costs then the association can intervene early before housing debt becomes unmanageable and engage with the tenant so they can consider whether this housing tenure is the best option for them. Similarly, if a tenant in the socially rented sector has outgrown their current accommodation and their financial situation has improved they could consider, with support from the housing association, whether intermediate, affordable or market rent properties might be more suitable for their current situation (see appendix for case study).
- Housing associations are ethical landlords who can offer tenants within the PRS a secure, long lasting tenancy.
- Ultimately, housing associations with a portfolio in market rent are finding that there is demand for PRS options. The PRS sector currently makes up 13% of all dwellings in Wales¹.

Opportunities to go further

- The Welsh government should work towards a holistic, joined up approach across all tenures to tackle the current levels of housing need in Wales. The private rented sector plays an important role in the overall housing system. Housing associations can support this by providing good quality housing to private tenants that supports wider social aims.
- CHC's recent research, *A study of housing association allocations in Wales (January 2024)*, found that only 2% of allocations in our cross-sector sample were intermediate housing options. We would like to see social and intermediate housing stock considered in the round when finding the right match for a person or household.
- Ultimately, housing associations are not for profit organisations with social good as their core purpose. Whilst diversification into offering private, market rent may be able to play a role in supporting this, it will inevitably be on a limited scale as the focus is on social homes.

To discuss this briefing further, please contact Elly Lock or Rhea Stevens, heads of policy and external affairs at Community Housing Cymru.

¹ Stats Wales, [Dwelling stock estimates percentages by year and tenure](#), 2022

Appendices

Case Study 1: Newport City Homes commitment to building balanced communities

Since 2022, most developments brought forward by Newport City Homes are mixed tenure schemes. At the moment they currently deliver: 81 market rent properties, 37 Intermediate Rent and 15 Rent to Own properties with plans to expand these provisions over the coming years.

At the beginning of their journey, they worked with a local estate agent Peter Alan to manage the letting of the properties and initially these were let through fixed term contracts.

However, recently the Commercial and Home ownership team at Newport City Homes are in the process of taking over the workload and changed the majority of the lets to periodic occupation contracts. However, a small percentage of allocations in Newport City Centre have been offered as fixed term to try to address the high turnover they were experiencing in these properties.

Case Study 2: Newport City Homes working with local authority to alleviate homelessness by utilising different housing options

Newport City Homes worked with a social housing family who were in desperate need to transfer from a three to a four-bedroom house, and who were registered on the social housing register. Financially the family were able to afford the higher rental payment for an Intermediate rental property. Newport City Homes rehoused them in a brand new four-bedroom house and they are now comfortably affording their intermediate rent releasing a social housing unit.

In addition, Newport City Homes worked with Newport City Council to complete an exercise to identify people on the social housing waiting list that were registered as statutory homeless and in employment. These customers were then contacted and those eligible were offered an intermediate rental property to enable them to move to a suitable, long term home as soon as possible.

Case Study 3: Adra scaling market rent portfolio

Adra currently delivers 75 market rent homes and they have 50 more properties on site at the moment. They have found these properties to be particularly popular especially in Gwynedd and other rural areas where the concentration of Second Homes and short-term holiday lets are high. Developing sites with a small percentage of market rents has also helped meet the needs and aspirations of local communities, and facilitated planning consent which favours mixed tenure sites.

Adra has also worked with Betsi-Cadwaladr health board to provide homes for market rent near Glan Clwyd Hospital in St Asaph. These homes are let to nurses due to the shortage of adequate housing supply in this market.