

**HNDA Technical
Supporting Paper 05:
Argyll & Bute Council
Private Rented Sector
Research**

December 2020

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1 Introduction

In January 2020, Arneil Johnston were commissioned by Argyll and Bute Council to provide analysis of the operation of the private rented sector (PRS). This important research will enhance understanding of and engagement with this specific housing sector and deliver research outcomes that are essential to developing the 2021-26 Local Housing Strategy.

This role of the private rented sector as an attractive and affordable housing option is reflected in the revised Local Housing Strategy (LHS) guidance. The guidance states that the LHS should set out a strategy for addressing issues about the supply and quality of the PRS locally. This should explain the relevant local issues including a description of the extent and location of the sector and some detail of the powers that are being used to help PRS tenants and landlords.

The Council identified that further insight and intelligence into the operation of the local private rented sector (PRS) is required to achieve a robust and credible Housing Need & Demand Assessment; the main evidence base that underpins Local Housing Strategy development. In order to scope and prioritise actions that will improve the operation of the local housing system, there is a need to:

- assess the current size, shape and turnover of the PRS in Argyll & Bute, tracking the extent to which current changes in the PRS tenancy regime and taxation framework for private landlords may have impacted on the sector
- measure the current affordability of the private rented sector across sub-market areas and relative to other housing tenures
- understand the impact of the growth of short term lets on the residential PRS in Argyll & Bute and the impact that this may have on housing options available to local households.

Arneil Johnston delivered a comprehensive research study into the private rented sector in Argyll & Bute in 2014. A key element of this research therefore involves tracking changes since the 2014 study in the scale, cost, customer base and operation of the PRS. This insight and intelligence will be instrumental in identifying the extent and nature of LHS strategy actions required to improve the operation of the local market. To achieve this, the outcomes of extensive household surveys commissioned by the Council in 2018/19¹, have been datamined to provide a benchmark profile of the PRS as the basis of comparison with the 2013 study.

Furthermore, to enhance current intelligence on the operation of the PRS, an online survey of registered private landlords across Argyll & Bute was delivered in June 2020. The survey focused on providing a current snapshot of the dwelling profile of properties in the sector and recent data on the value of PRS rents. The opportunity was also taken to assess the impact of Covid-19 on the local sector, probing the future intentions of landlords operating in the PRS.

Finally, a key aspect of the research involved analysis of housing affordability based on a 2020 market snapshot of PRS rental values. An analytical modelling tool was developed to assess the affordability of the PRS in each sub-market area and relative to a range of alternative housing tenures.

1.1 Research Methodology

The foundation of this research into the PRS in Argyll & Bute is analysis of available secondary data sources to assess all known intelligence on the size, nature, location, role, management,

¹ Argyll & Bute Helensburgh & Lomond HMA Study (Research Resource, 2018) and Argyll & Bute Housing Need & Demand Study (Research Resource, 2019)



quality and effectiveness of the PRS in meeting housing need across Argyll and Bute. To inform analysis of the operation of the Private Rented Sector in Argyll & Bute in 2020, the following research methodology was performed:

- desk based analysis of secondary data sources including: the private landlord register (PLR), Home Argyll housing waiting list data, HL1 homelessness statistics; HEEPs grant funding awards and Housing Benefit data
- analysis of households residing in the PRS from the following primary research studies:
 - Helensburgh & Lomond Housing Market Area Study (2018), Research Resource
 - Housing Need & Demand Household Study (2019)
- primary research survey in June 2020 with landlords registered on the Argyll and Bute PLR
- analytical modelling of housing affordability in the PRS across Argyll and Bute relative to local incomes and alternative housing tenures
- analysis of the extent to which properties in the PRS in Argyll & Bute 'flip' between short term lets and registered residential tenancies.

This research report details each strand of the analysis, synthesizing conclusions and raising key questions for local housing strategy (LHS) development to improve the operation of the private rented sector in Argyll & Bute.



2 2020 Private Rented Sector Profile

An important initial aspect of the research was to assemble a profile of the private rented sector across Argyll and Bute, tracking changes in the role and operation of the sector since a major research study in 2014. At this time, two major primary research exercises were carried out:

- an Argyll & Bute wide survey of tenants living in the private rented sector
- a survey of registered landlords managing property across the area.

Whilst there has been no specific follow up research since the 2013 study; Argyll & Bute Council, in preparation for local housing strategy development, commissioned two major household surveys:

- Argyll & Bute Helensburgh & Lomond HMA Study (Research Resource, 2018)
- Argyll & Bute Housing Need & Demand Study (Research Resource, 2019).

Both studies focused on assessing the operation of the local housing system by gathering data on the circumstances, experiences and unmet housing needs of local households living in Argyll & Bute. A research task was therefore to extract the profile of local households living in the private rented sector in both studies to carry out comparative analysis to the 2013 study. Arneil Johnston therefore combined datasets from the 2018 and 2019 households survey and where possible, tracked household responses across a range of indicators including:

- PRS dwelling profile by housing market sub-area including property size and type
- Perceived quality of PRS dwellings
- Household characteristics including composition and economic profile
- Future intentions of households living in the PRS
- Satisfaction with home.

Chapter 2 presents the results of this comparative analysis of household surveys combining it, where possible with secondary datasets such as:

- Private landlord registration data
- Home Argyll CHR waiting list information and HL1 homelessness statistics
- Local Housing Allowance claimant data
- Fuel poverty data.

2.1 Argyll and Bute Private Rented Sector Profile

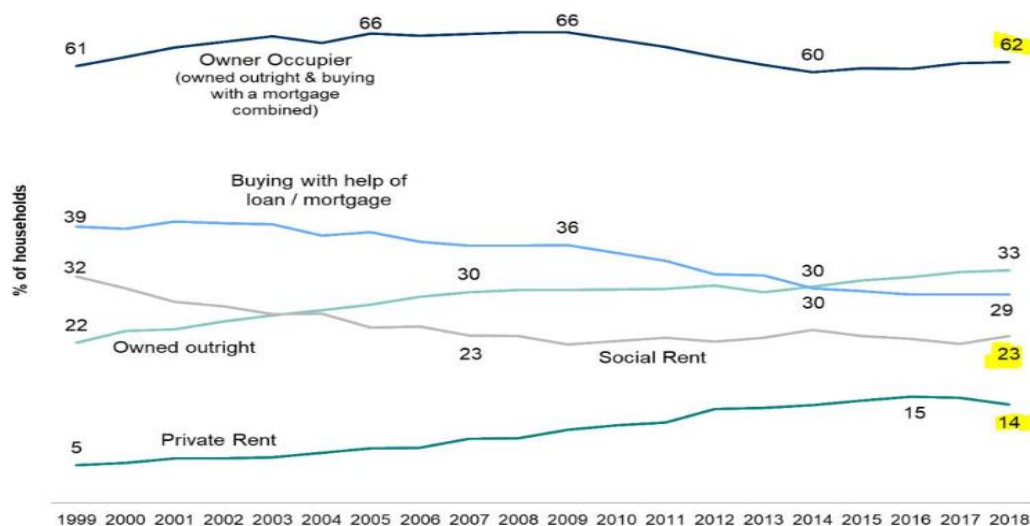
The private rented sector (PRS) has always catered for a broad range of tenants. Over the last 2 decades, there has been a growth in the number of young people, including those with families, calling the PRS their home. Therefore, it is important to ensure that the sector can meet the needs of all households renting from private landlords or seeking private rented accommodation.

It has become increasingly evident that the role of the PRS has changed in recent years and that a variety of wider circumstances have led to the requirement for the sector to take an increased role in meeting housing need throughout Argyll & Bute and across the rest of Scotland. Limited access to social housing and owner occupation has characterised the operation of the Argyll & Bute housing system for several decades. As a result, the private rented sector has always



accommodated a notable proportion of local households and has played a significant role in supporting households and communities.

At a national level, the proportion of households in the private rented sector in Scotland grew steadily from 5% in 1999 (120,000 households) to 15% in 2016 (370,000 households), an increase of a quarter of a million households. According to the Scottish household survey, the proportion has since dropped slightly to 14% in the latest years (2018) to stand at 340,000 households, a decrease of 30,000 household since 2016.



Graph 2.1: Tenure of households by year, 1999-2018 data, Households (minimum base: 10,330)

2.2 Argyll & Bute PRS by Sub-Market Area

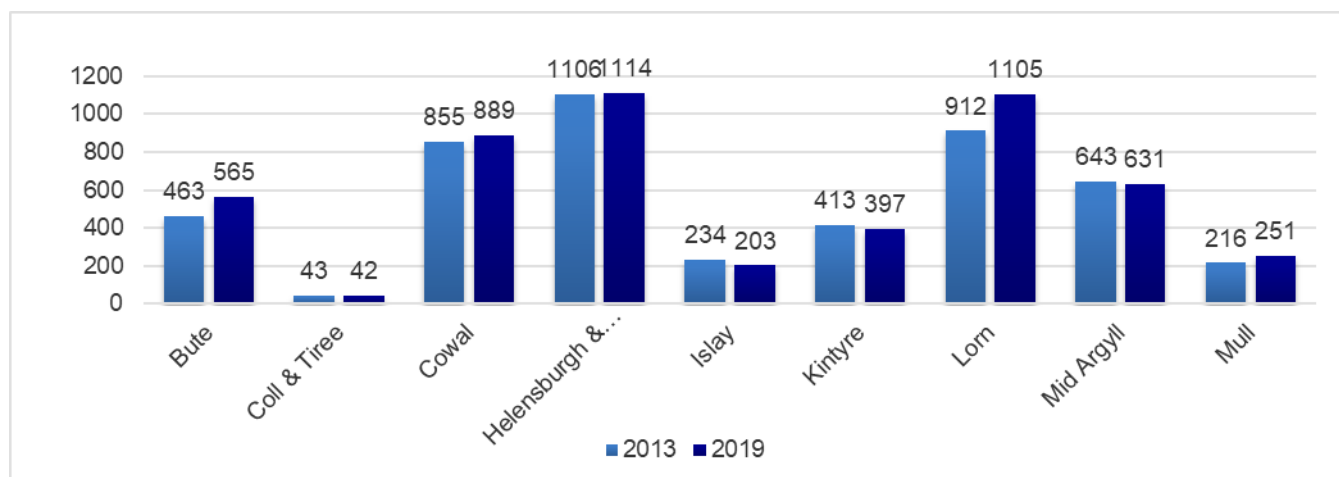
Landlord registration data provides us with the most reliable source of data on the location of PRS dwellings however this will omit landlords who have failed to register. For the purposes of this research, snapshot analysis of the private landlord register (PLR) in 2019 has been utilised to create a baseline which coincides with the Argyll & Bute HNDA Household Survey (2019).

There are approximately 41,455 households living in Argyll & Bute²; of which 5,197 are located in private rented accommodation³. The private rented sector therefore accommodates 12.5% of households living in Argyll and Bute.

Graph 2.2 (below) provides an overview of registered private rented sector properties within each of the nine Housing Market Areas (HMAs) across Argyll & Bute. Almost two thirds (60%) of all privately rented properties are located across Helensburgh & Lomond (21%), Lorn (21%) and Cowal (17%). Excluding Mid Argyll (12%) and Bute (11%), the other HMAs each contain less than 10% of the total private rented stock; including just 1% (42 properties) in the Coll & Tiree HMA.

² NRS Estimate of household and dwellings in Scotland, 2017

³ Argyll & Bute Landlord Register, 2019



Graph 2.2: PRS dwellings by Housing Market Area, comparison 2013 and 2019 (Source: Landlord Registration Data, Argyll & Bute Council (2013 & 2019))

Research undertaken by the Council in 2013 found that the PRS at the time accounted for 10% of all households living in Argyll and Bute⁴. The number of dwellings in the private rented sector has increased 6% since this time, with the most significant increase being within Bute (18%), Lorn (17%) and Mull & Iona (14%).

Settlement	Dwellings (No)	Dwellings (%)	Dwellings (No)	Dwellings (%)	% Change 2013-19
Bute	463	9%	565	11%	↑ 18%
Coll & Tiree	43	1%	42	1%	→ -2%
Cowal	855	18%	889	17%	→ 4%
Helensburgh & Lomond	1106	23%	1114	21%	→ 1%
Islay	234	5%	203	4%	↓ -15%
Kintyre	413	8%	397	8%	→ -4%
Lorn	912	19%	1105	21%	↑ 17%
Mid Argyll	643	13%	631	12%	→ -2%
Mull & Iona	216	4%	251	5%	↑ 14%
Argyll & Bute	4885	100%	5197	100%	→ 6%

Table 2.1: Private rented stock by settlement (Source PLR, 2019)

The latest landlord registration data indicates that there has been a considerable growth in the sector between 2019 and 2020. The number of registered properties in Argyll & Bute has grown by 11% from 5,197 in 2019 to 5,824 in May 2020.

There has been growth of approximately 10% in all Housing Market Areas with the exception of:

- Coll & Tiree which has experienced 16% growth
- Kintyre which has experienced 17% growth
- Lorn which has experienced 14% growth.

In volume numbers, the growth of the private rented sector in Lorn in the last 12 months is notable, increasing by 365 net registrations.

⁴ Argyll & Bute Council Research into the Private Rented Sector, September 2013

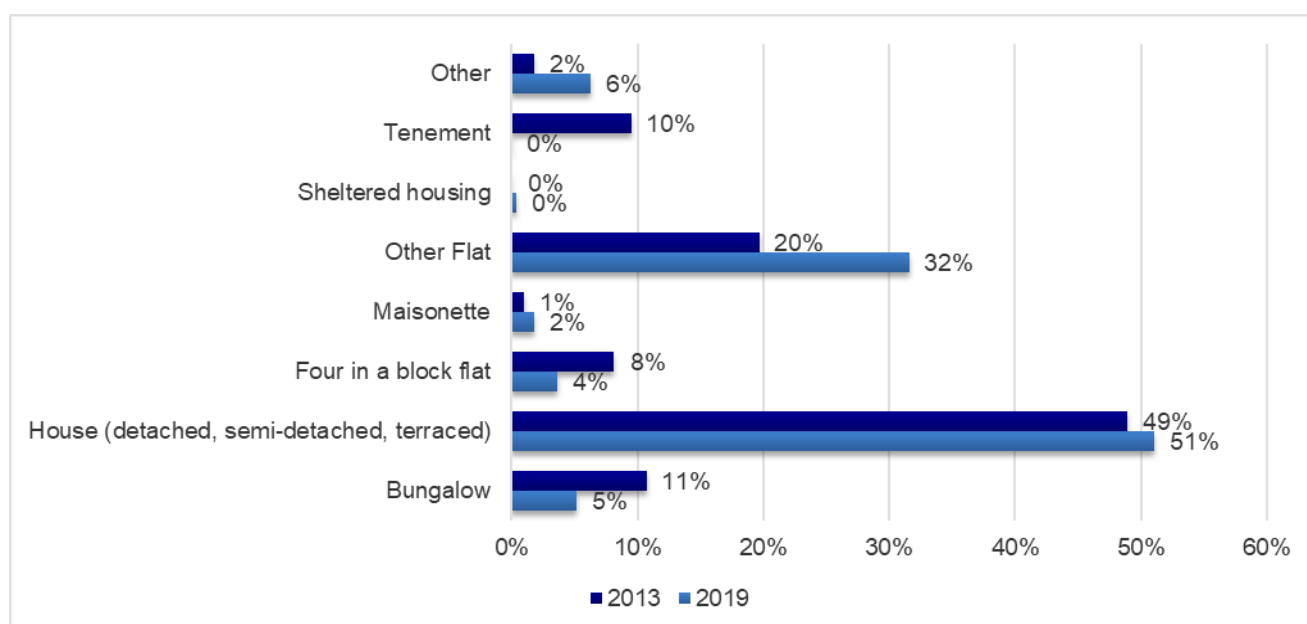
	2012	2019	2020	Change 2012-2020	% Change 2012-2020	% Change 2019-2020
Bute	465	498	549	84	→ 18%	→ 9%
Coll & Tiree	43	42	50	7	→ 16%	↑ 16%
Cowal	856	956	1046	190	→ 22%	→ 9%
Helensburgh & Lomond	1104	1114	1227	123	↓ 11%	→ 9%
Islay, Jura & Colonsay	235	219	243	8	↓ 3%	→ 10%
Kintyre	414	397	476	62	→ 15%	↑ 17%
Lorn & Inner Isles	915	1105	1280	365	↑ 40%	↑ 14%
Mid Argyll	644	631	690	46	↓ 7%	→ 9%
Mull & Iona	217	233	261	44	→ 20%	→ 11%
Non HMA	2	2	2	0	↓ 0%	↓ 0%
Grand Total	4895	5197	5824	929	→ 19%	→ 11%

Table 2.2: Private rented stock by settlement (Source PLR, May 2020)

In overall terms, the latest data there suggests a significant growth of 19% in the PRS between 2012 and 2020, with the most significant increases evident in the Lorn (40%); Cowal (22%) and Mull & Iona (20%) Housing Market Areas.

2.3 Argyll & Bute Dwelling Profile

Comparative analysis of the 2018/2019 household surveys to the original 2014 PRS survey, shows that whilst there have been some changes in the dwelling profile of PRS stock, houses (detached, semi-detached or terraced) remain the most common PRS dwelling type (51%)⁵. This is significantly different to the national picture where 63% of PRS properties are flats and only 37% are houses.



Graph 2.3: PRS dwelling type, comparison 2013 and 2019

⁵ Argyll & Bute Helensburgh & Lomond HMA Study (Research Resource, 2018) and Argyll & Bute Housing Need & Demand Study (Research Resource, 2019)



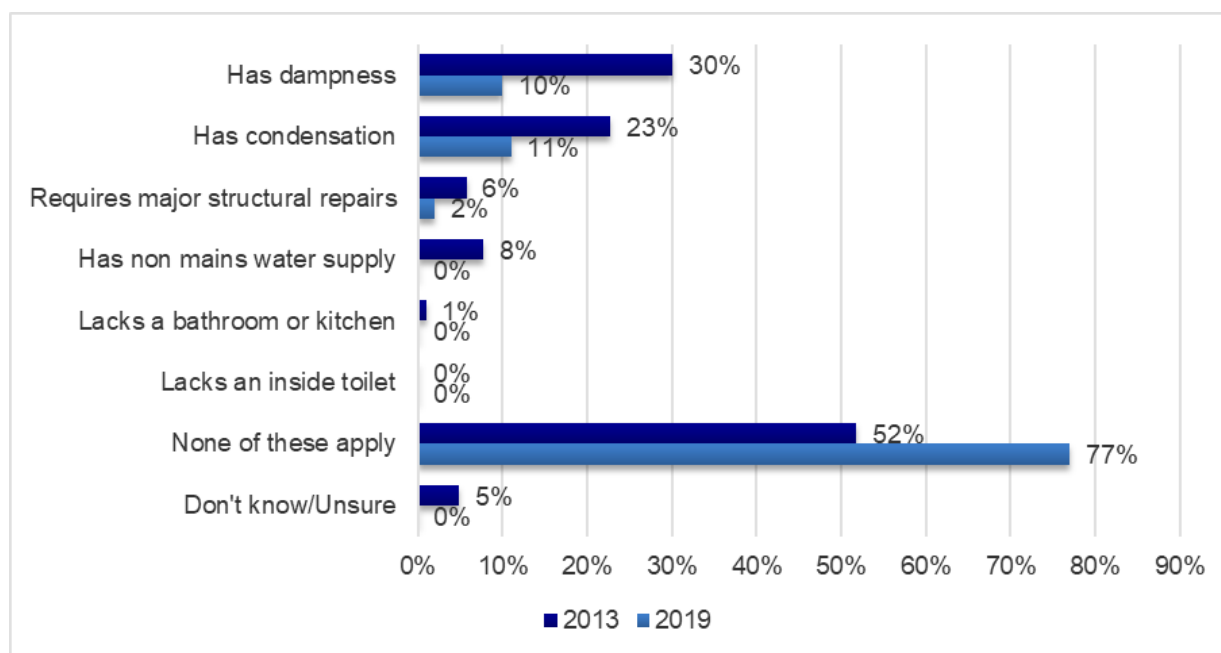
Furthermore, the 2018/19 household survey analysis suggests that almost half of all PRS properties are two-bedroom properties (43%) with one-bedroom properties making up 25%, which is similar to the national level at 49% and 24% respectively.

It should be noted that given the sample size of PRS tenants in 2018/2019 surveys, these results on dwelling profile are indicative only. To offer a more comprehensive snapshot of the dwelling profile of PRS properties, a private landlord research study was performed in June 2020 (Chapter 3).

In relation to property size, PRS households were asked whether their current home was the right size to meet the needs of their household. 92% of respondents stated that they had about the right number of bedrooms, an increase of 18% since 2013.

2.4 PRS Housing Quality

The private rented sector has historically had higher levels of disrepair and poorer National Home Energy Ratings (NHER) than owner-occupied or housing association homes. There are many reasons for this, including the age profile of the private rented housing stock and historic under-investment in properties by some landlords⁶. The Household Survey research undertaken by the Council shows that there has been some improvement in conditions within the PRS (Graph 2.4).



Graph 2.4: Major repairs required, comparison 2013 and 2019

Only 19% of respondents indicated that their property required outstanding maintenance a decrease of 22% since 2013. The most common repairs required remained the need for a full central heating system and insulation. This chimes with an overall increase in satisfaction levels of those living in the PRS which has increased from 76% to 89% in 2019.

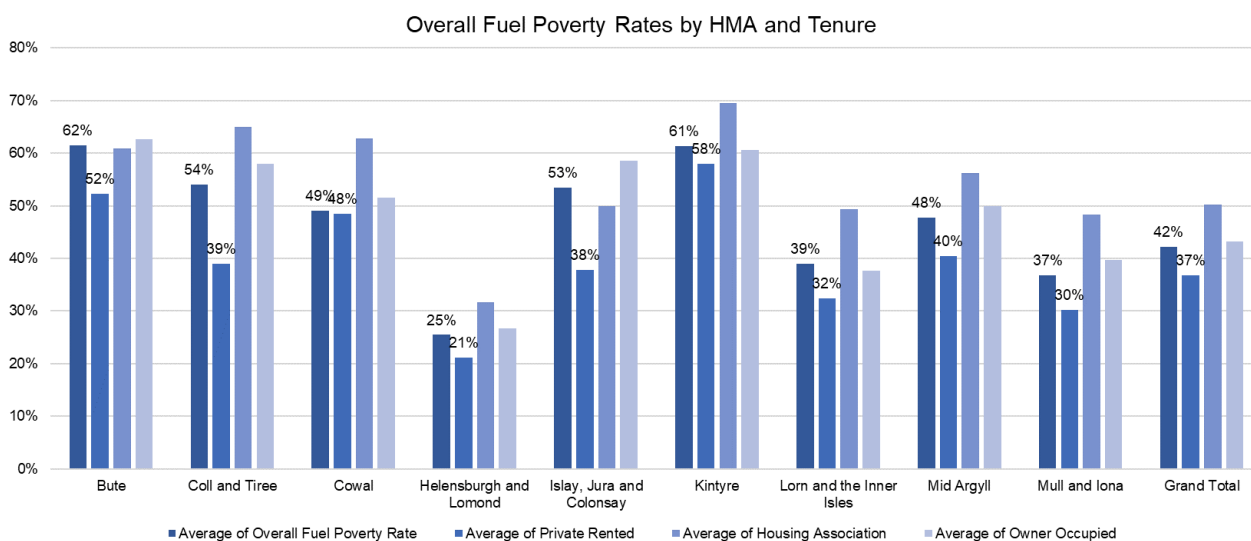
The Scottish House Condition Survey 2016-2018 collects national data on fuel poverty and found that the private rented sector in Scotland has 37% of households in fuel poverty. In comparison only 16% of owner occupiers were experiencing fuel poverty and 40% of those living in social housing. A recent survey of private rented sector tenants indicated issues with expensive heating bills, dampness/condensation of boiler disrepairs in the PRS. There was no clear link

⁶ A Place to Stay, A Place to call Home: A strategy for the Private Rented Sector in Scotland, 2013



demonstrated between low income and issues with heating leading to the conclusion that property condition, the age/condition of the heating system and lifestyle factors may be the cause of heating issues within the PRS. Improving the energy efficiency of private rented housing can be particularly problematic. Tenants are responsible for paying energy bills but have limited scope for making energy efficiency improvements. These are the responsibility of the landlord who has to meet the costs of such improvements.

PRS fuel poverty levels in Argyll and Bute do not appear to match the national trend. Whilst fuel poverty levels within the Argyll and Bute private rented sector sits at 37%, a direct match with the national average, fuel poverty levels for both social housing and owner occupiers within Argyll and Bute are higher than the national average.



Graph 2.5: Overall Fuel Poverty Rate of per HMA and Tenure. Source Home Analytics Data (2020)

PRS fuel poverty rates within Argyll and Bute are less than fuel poverty rates generally in Argyll & Bute; a 37% average to a 42% average. The most noticeable differences by HMA are Coll and Tiree and Islay, Jura and Colonsay; both HMA's have 15% greater fuel poverty levels when looking solely at PRS rates in comparison to all housing tenures within the HMA's.

Across each HMA, Bute (62%) and Kintyre (61%) have the highest fuel poverty levels in the PRS, with Helensburgh and Lomond showing the lowest fuel poverty levels at 21%.

2.5 PRS Tenant profile

The PRS is a diverse sector with a broad customer base, highlighting its role in meeting a wide range of housing need and demand. It is recognized as providing a good housing option for those requiring flexibility in terms of employment and for those setting up home for the first time. However, in recent years, the sector has also become a housing option for those seeking longer-term accommodation.

Nationally, the PRS is dominated by single and two person households (42% and 27% respectively)⁷. Locally, household survey analysis suggests that there appears to be a different picture with 36% of households indicating that they are a single person household, with 36% two

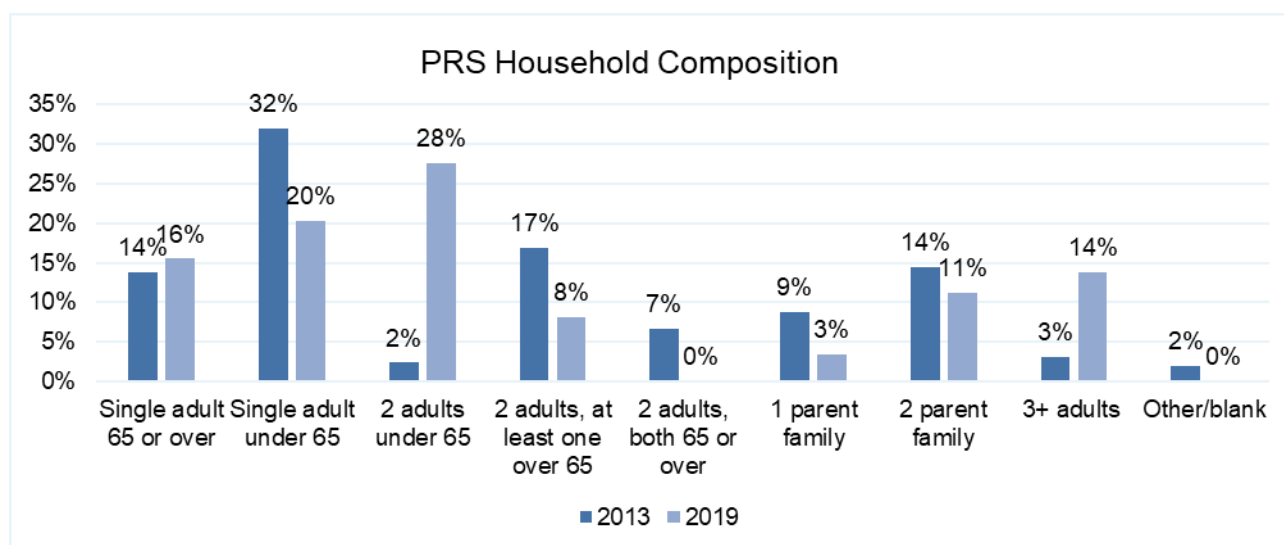
⁷ Census, 2011



person households. In comparison, households with children (couples with children, single parents and other with children) account for only 15% of all households within the PRS.

This analysis shows a shift in household composition since 2013, with the number of couples in the sector increasing from 26% (2013) to 36% (2019); whilst the number of single people has reduced (46% in 2013 to 36% in 2019). There is also a decrease in households with children from 23% in 2013 to 15% in 2019.

What is noticeable is the increase in 3+ adult households from 3% in 2013 to 14% in 2019. This shift may indicate that more households are choosing to cohabitate in the sector to share housing costs or as a result of limited housing options locally. Equally, it may also suggest that move-on options are limited for younger people are limiting household formation locally, with more remaining accommodated in the family home for longer periods.

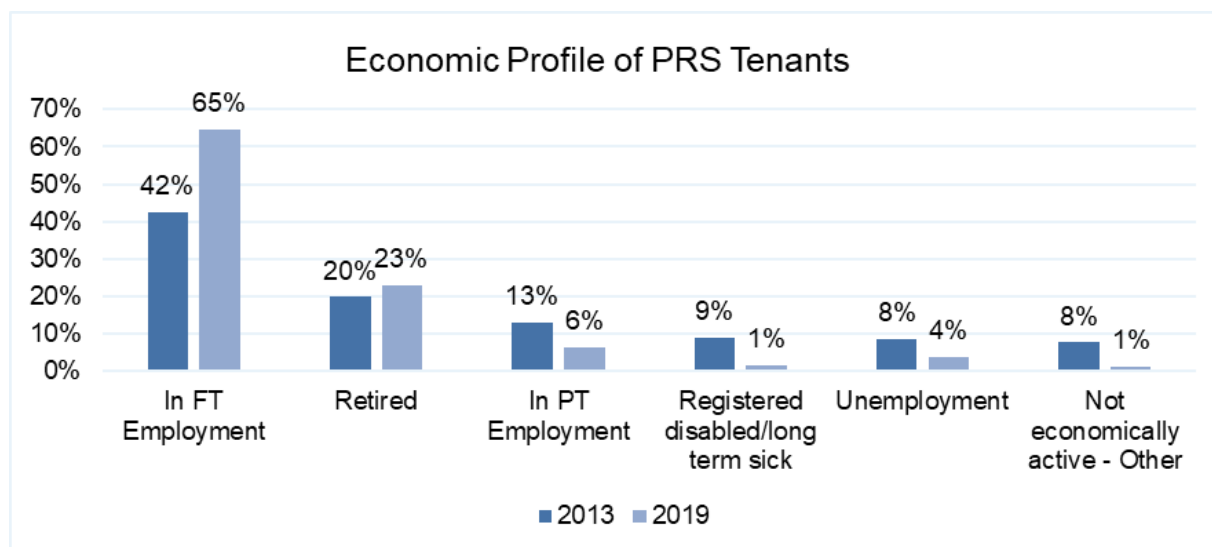


Graph 2.6: PRS Household composition, comparison 2013 and 2019

2.6 Economic profile

The private rented sector in Argyll & Bute has a higher share of lower and middle-income groups and a smaller share of those with the highest incomes, compared to the population as a whole. Despite, the low income profile in the sector, there is evidence of limited benefit up-take which is likely to exacerbate affordability problems.

The proportion of economically active households has increased significantly with 71% of households in employment. The proportion of households in full time employment has increased significantly from 42% in 2013 to 65% in 2019.



Graph 2.7: Economic profile of PRS households in Argyll & Bute 2013-2019

PRS households across Argyll and Bute have seen a shift in employment profiles between the years 2013 and 2019. The % of households in full time employment has grown by over 20% since 2013 to over 60% as a direct result of decreases in every other profile aside from retired. This could be a result of the economic conditions in 2013 in comparison to 2019. Regardless, whilst not fully conclusive, this data would suggest that PRS tenants are more economically active than previously.

Recent statistics (May 2020) show that there were 789 households claiming support with PRS housing costs through Local Housing Allowance (LHA) payments. This accounts for roughly 15% of PRS households in Argyll & Bute.

	LHA Claimants	% LHA Claimants	% PRS Dwellings
Bute	144	18%	10%
Coll & Tiree	3	0%	1%
Cowal	213	27%	18%
Helensburgh & Lomond	189	24%	21%
Islay	12	2%	4%
Kintyre	75	10%	8%
Lorn	80	10%	21%
Mid Argyll	59	7%	12%
Mull	14	2%	4%
Grand Total	789	100%	100%

Table 2.3: LHA Claimants by HMA (May 2020). Source: Argyll & Bute Council

There are disproportionately high numbers of LHA claimants in Bute, Cowal and in Lorn HMAs relative to the proportion of PRS tenants in those areas. This could be an indicator of localised PRS housing affordability issues.

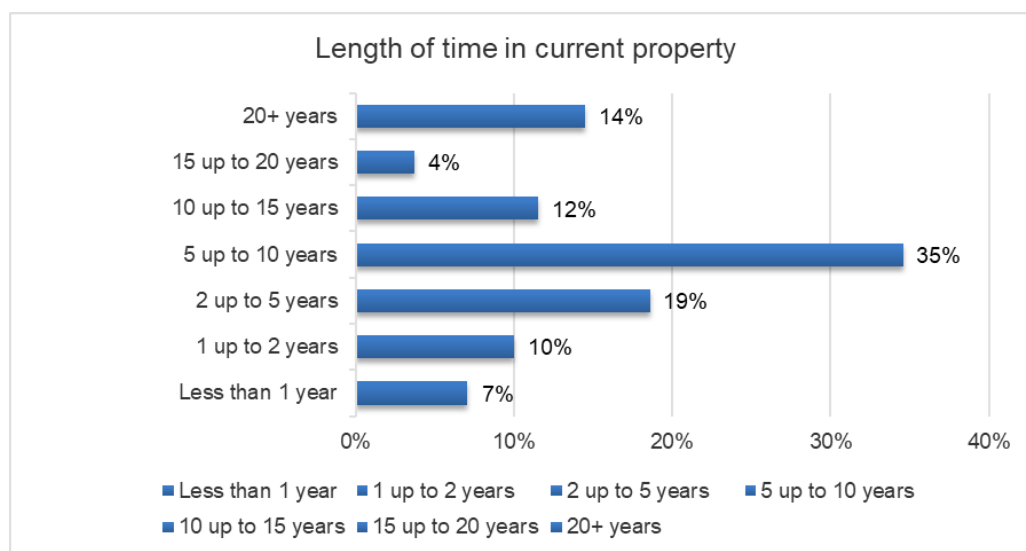
2.7 PRS Sustainability and future intentions

Tenancy breakdown with the PRS can be seen as contributing towards homelessness. A snapshot of the common housing register (CHR) for Argyll & Bute in 2020 shows that 568 applicants were currently living in the Private Rented Sector of which 5% (25) were statutorily homeless. The most



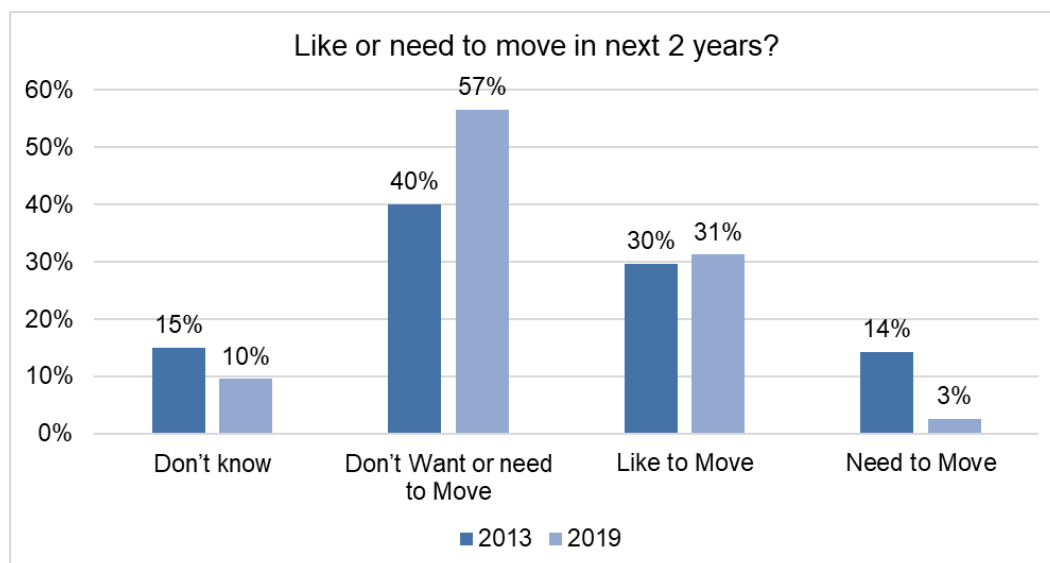
common reason for homelessness is the termination of the tenancy by the landlord highlighting the insecurity of this tenure as a reliable solution to meet housing needs.

Typically, there is a significant “churn” in the PRS with households often moving from property to property for a number of reasons. However, only 7% of household survey respondents had lived in their current property for less than 1 year compared to 64% of respondents who had lived in their current property for more than five years.



Graph 2.8: Length of time in current property of PRS households in Argyll & Bute 2019

Reinforcing these outcomes is comparative survey analysis which indicates a reduction in the proportion of PRS households who want or need to move from their current property. 57% of respondents in 2018/19 indicated that they don't want or need to move in the next two years, a reduction of 17% since 2013. Equally the number of households who need to move has reduced from 14% in 2013 to just 3% in 2019.

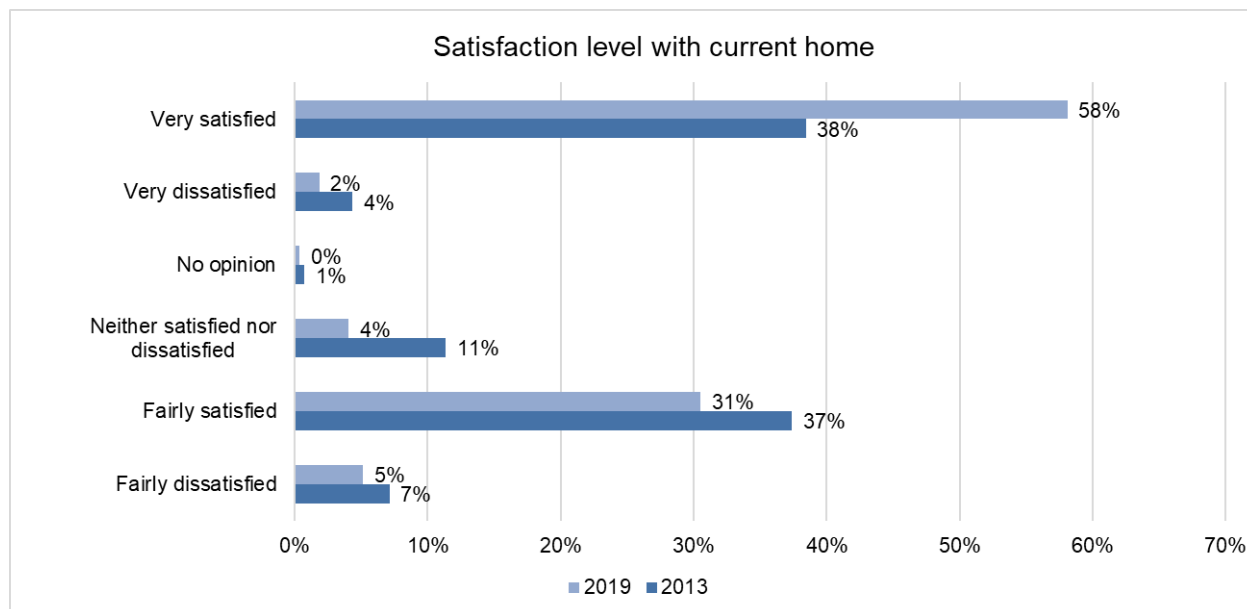


Graph 2.9: PRS households who want or need to move in Argyll & Bute 2013-2019

Of those who indicated that they would like or need to move, 24% of respondents indicated that they would like to reduce housing costs, 19% would like more permanent accommodation and 13% to move to a bigger home.



Positive rates of tenancy sustainability by PRS tenants in Argyll & Bute may be underpinned by evidence of strong levels of satisfaction levels with their current home. Graph 2.10 shows that satisfaction levels have increased from 75% in 2013 to 89% in 2019, with the proportion of PRS tenants very satisfied, increasing by 20% from 38% to 58%.



Graph 2.10: Satisfaction with current home in Argyll & Bute 2013-2019

High satisfaction rates coupled with increasing tenancy durations can lead us to conclude that the PRS in Argyll & Bute is a sustainable and effective housing tenure for many local households.

2.8 2020 PRS Profile: Key Headlines and Conclusions

Datamining two major household survey exercises in Argyll & Bute⁸ has enabled comparative analysis of the operation of the private rented sector in Argyll & Bute by assembling intelligence on the circumstances, housing experiences, unmet housing need and future housing intentions of those living in the sector. By combining datasets from the 2018 and 2019 households survey and performing comparative analysis to the 2013 survey, it has been possible to track household responses across a range of indicators to build a profile of the PRS in Argyll and Bute over time, including:

- PRS dwelling profile by housing market sub-area including property size and type
- Perceived quality of PRS dwellings
- Household characteristics including composition and economic profile
- Future intentions of households living in the PRS
- Satisfaction with home.

Where possible, survey responses have been further explored using secondary data and analysis. Headlines on the operation of the private rented sector in Argyll & Bute in 2020 include:

- The PRS in Argyll & Bute accommodates 12.5% of households living in the area

⁸ (1) PRS Household Survey (Research Resource, 2013) and (2) Argyll & Bute Helensburgh & Lomond HMA Study (Research Resource, 2018)/Argyll & Bute Housing Need & Demand Study (Research Resource, 2019)



- The PRS has increased by 19% from 4,885 registered dwellings in 2013 to 5,824 in 2020
- Major increases in the PRS are evident in specific sub-markets areas including Cowal (22%), Lorn (40%) and Mull & Iona (20%)
- Argyll & Bute has a higher proportion of dwellings in the PRS which are houses (60%) as opposed to flats (40%), which is the inverse of the national PRS dwelling profile
- The PRS in Argyll & Bute is dominated by 1-bedroom (25%) and 2-bedroom properties (43%)
- 19% of PRS tenants in 2019 report outstanding maintenance requirements in their home, a decrease of over 20% since 2013. This may suggest an improving profile in terms of property condition
- The proportion of households in fuel poverty in the PRS (37%) is lower than the proportion of all households in fuel poverty in Argyll & Bute (42%)
- In terms of household composition, the PRS in Argyll & Bute mostly accommodates single person (36%) and two-person households (36%)
- There have been notable decreases in the number of families residing in the sector since 2013 and a significant increase in the number of 3+ adult households. This latter trend may indicate that household formation is restricted by a lack of housing options in specific sub-market areas
- 71% of households residing in the PRS in Argyll & Bute are in employment, with 2/3 in full-time employment
- 15% of households in the PRS in Argyll & Bute rely on LHA to subsidise their housing costs
- 64% of PRS tenants in Argyll in Bute have lived in their current property for more than five years
- 57% of respondents in 2018/19 indicate that they don't want or need to move in the next two years, a reduction of 17% since 2013
- Levels of satisfaction with current home have increased from 75% in 2013 to 89% in 2019, with the proportion of PRS tenants very satisfied, increasing by 20% from 38% to 58%
- High satisfaction rates coupled with increasing tenancy durations can lead us to conclude that the PRS in Argyll & Bute is a sustainable and effective housing tenure for many local households.

3 Private Landlord Survey: June 2020

As a supplement to the main research PRS analysis, a survey of private landlords was issued by Argyll & Bute’s Landlord Registration Team in June 2020. The survey was intended to provide updated intelligence on the profile of PRS dwellings held locally, with landlords asked to disclose details of their property portfolios including property size, locality and monthly rental value. The survey also asked landlords to share their views on the prospects for the sector in the context of the Covid-19 pandemic and to express their future intentions as registered landlords.

To achieve this, an electronic survey was circulated by email by the Landlord Registration Team encouraging landlords to participate in the research. The survey was open for a 3 week period, closing on 24th June 2020.

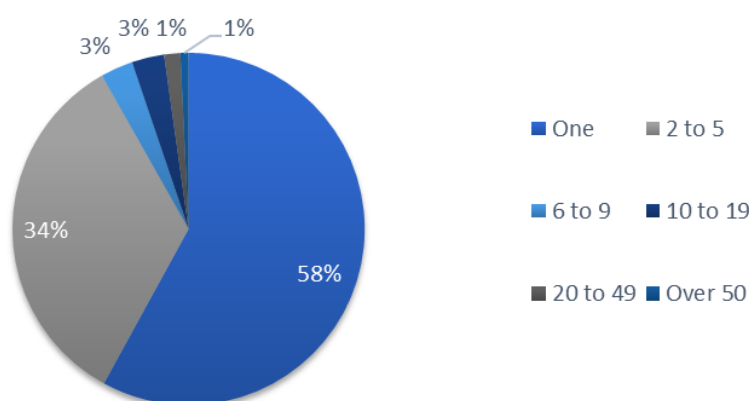
In total, 275 surveys were completed and returned during the 3-week consultation period. Whilst this response rate does not provide a statistically representative sample, it does provide important intelligence on the composition of the PRS landlord composition, portfolio and future intentions.

The following Chapter provides key findings and insights from the survey results.

3.1 Profile of PRS Landlords Property Portfolios

The 2020 landlord survey highlights that fifty-eight per cent of all landlords only owned a single dwelling for rent, whilst 92% owned less than five dwellings in their property portfolio. A minority of landlords (1%) own large portfolios of more than 50 properties. There are a number of reasons cited for this growth in individual landlords including deregulation of rents, favourable economic conditions, availability of buy-to-let mortgages, the increase in private rented lets in properties bought through the right-to-buy (RTB) scheme and lastly the rise in ‘reluctant landlords’⁹.

Since 2008 there has been a rise in ‘reluctant landlords’ within the private rented sector with a number of homes coming onto the rental market because they could not be sold¹⁰. In Argyll & Bute, more than half (58%) of registered landlords have only one property suggesting that many may fall into this category or form asset based pension investments.



Graph 3.1: Number of properties owned¹¹ (%)

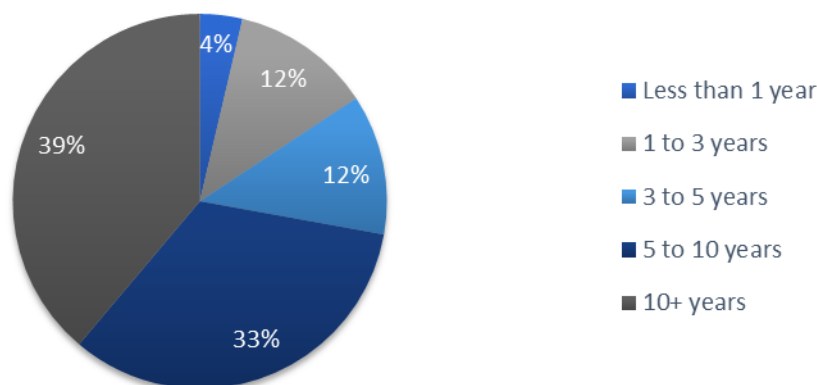
⁹ Pattison, B. (2010). Tenure Trends in UK Housing System: Will the Private Rented Sector Continue to Grow? BSHF.

¹⁰ Association of Residential Letting Agents, 2012

¹¹ Figure includes all properties located out with Argyll & Bute



New landlords are defined as landlords who have been letting dwellings for three years or less. Longer term landlords are defined as landlords who have been letting properties three years or more. Analysis of the survey data shows us that almost two-thirds (61%) of all landlords had been landlords for 10 years or less. Unsurprisingly, the majority (88%) of new landlords have only one property to let.

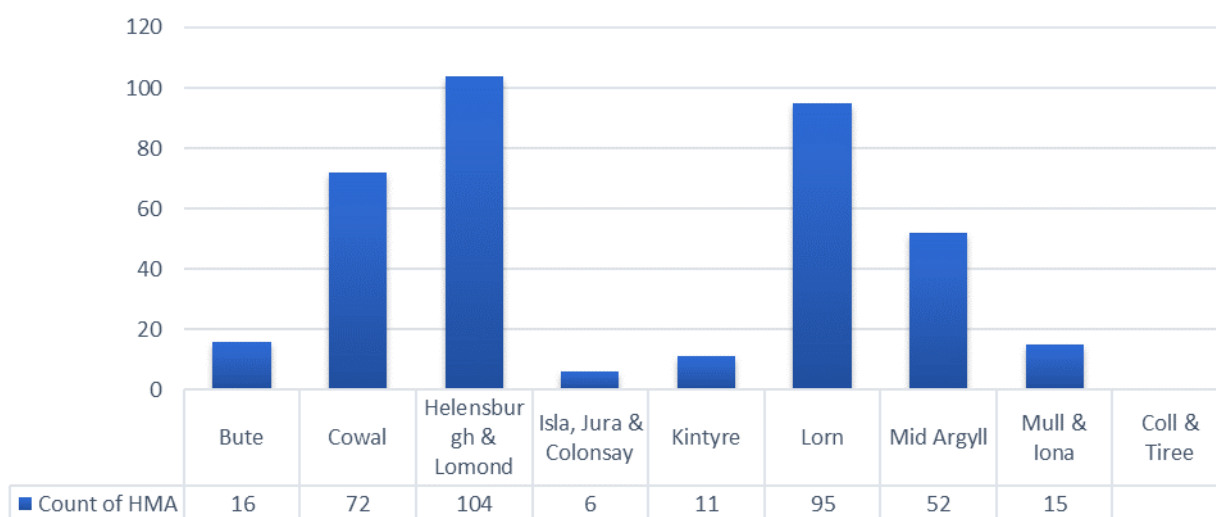


Graph 3.2: Length of time as a landlord (%)

3.2 Location of dwellings

More than one quarter (28%) of dwellings owned by responding landlords were located in Helensburgh & Lomond. The remaining properties were located in Lorn (26%), Cowal (19%) and Mid Argyll (14%). This is reasonably representative of the proportion of registered PRS properties by sub-market area as evidenced by analysis of the PLR in Chapter 2.

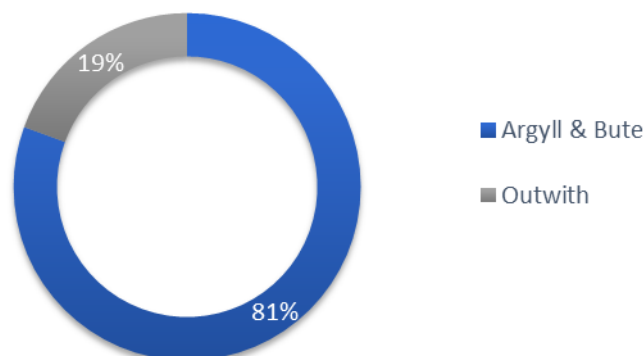
Around one third (31%) of dwellings owned by landlords were located in Mid Argyll and Kintyre.



Graph 3.3: Location of Landlords properties

Argyll & Bute is bounded by the urban area of Helensburgh and Dunoon along the Clyde, and Loch Lomond to the east; the Mull of Kintyre to the South; Atlantic Islands to the West; and the South of Mull and Appin to the north. Almost 3% of the loch Lomond and the Trossachs National Park area fall within the local authority's boundaries. As a result of this proximity, and low property prices a number of landlords who own property in Argyll & Bute may come from out with Argyll & Bute.

Argyll & Bute Council Landlord Survey (2020) found that 19% of locally operating landlords also owned properties out with Argyll & Bute. These properties tend to be located in Glasgow and North Ayrshire.



Graph 3.4: Proportion of properties located within and out with Argyll & Bute

3.3 PRS Dwelling profile by property size

Landlord survey results allow us to provide an indicative profile of PRS properties by size across Argyll & Bute. 2-bedroom properties are the most common size of property in the sample data comprising 47% of all PRS properties across Argyll & Bute, followed by 1-bedroom and 3-bedroom properties at 24% respectively.

4 and 5+ bedroom properties are less common across all HMA's, making up just 5% of all properties in Argyll and Bute.

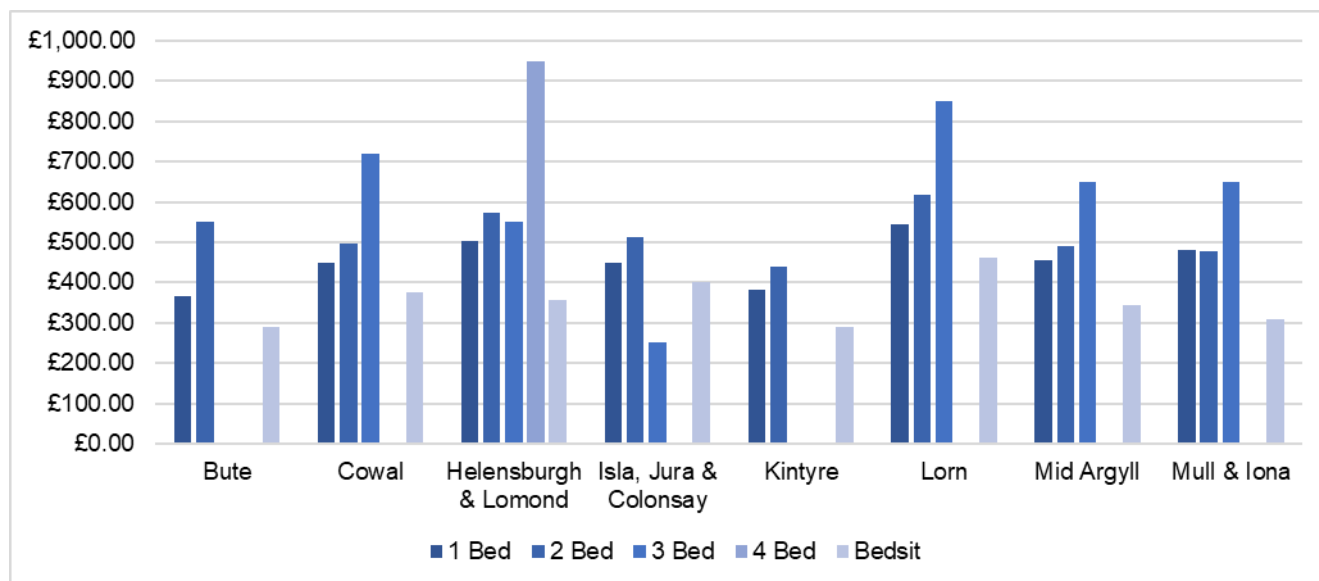
	1 Bed	2 Bed	3 Bed	4 Bed	5+ Bed	Totals
Bute	9 56%	6 38%	1 6%			16
Cowal	18 25%	31 44%	17 24%	5 7%		71
Helensburgh & Lomond	30 29%	55 53%	17 16%	1 1%	1 1%	104
Isla, Jura & Colonsay	1 17%	2 33%	2 33%	1 17%		6
Kintyre	3 27%	3 27%	5 45%			11
Lorn	23 24%	45 47%	22 23%	5 5%		95
Mid Argyll	3 6%	27 53%	19 37%	2 4%		51
Mull & Iona	2 13%	5 33%	7 47%	1 7%		15
Average	11 24%	22 47%	11 24%	3 5%	0 0%	47

Table 3.1: Property Size profile per HMA



Building a full profile of market rents was to some extent limited by the response rate to the survey and gaps in specific property sizes and sub-market areas. Graph 3.5 details PRS rents across combined housing market sub-areas and by property size. From the data available it can be concluded that:

- The average market rent in Argyll & Bute is £483.76.
- Lorn has the highest market rents in all HMAs with an average of £558.21 pcm.
- Bute has the lowest market rents in all HMAs with an average of £335 pcm.



Graph 3.5: Average PRS Rent per HMA

3.4 Impact of Covid-19 on rental expectations

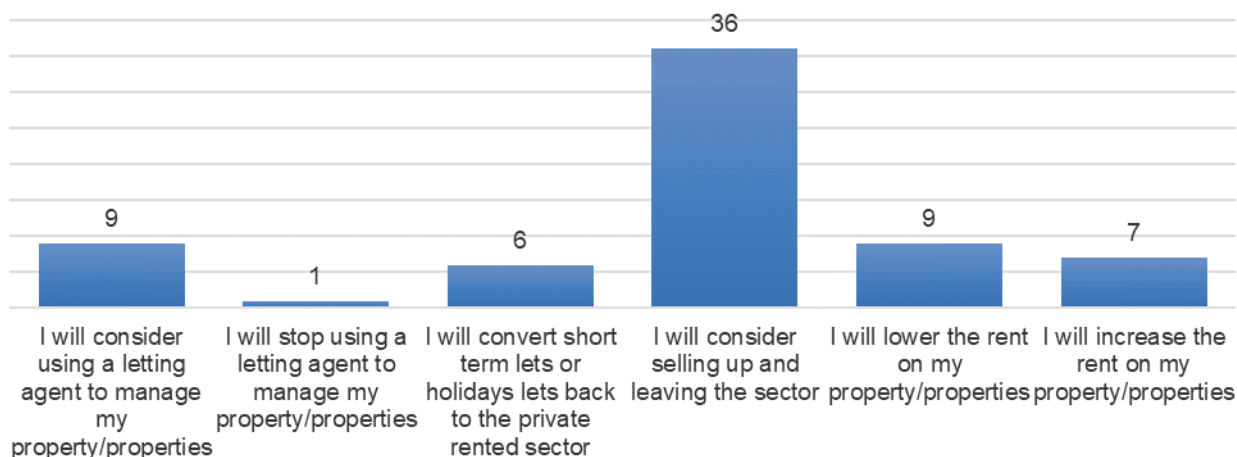
The survey also aimed to explore landlords' long-term commitment to the PRS through an understanding of their future intentions for their property portfolio. The responses enable an analysis of whether landlords expect to increase or reduce the number of dwellings to be let or an expectation to quit the sector altogether.

Looking to the future for the private rented sector the majority of landlords expect that there will be impact from the Covid-19 pandemic. However, around one quarter (23%) anticipate that there will be short-term impacts that could affect them continuing to let property as a registered private landlord¹². Whilst the majority of landlords (88%) did not anticipate that they would leave the sector, 4% did indicate that they will lower the rent on their properties.

¹² Argyll & Bute Private Rented Landlords Survey, 2020



What are the most likely short term impacts of the Covid-19 pandemic that could affect you continuing to let property as a registered private landlord in Argyll & Bute?



Graph 3.6: Most likely short-term impacts of Covid-19 pandemic

Specific landlord feedback on the impact of Covid included:

Flat is currently empty as new tenants could not travel to move in.

The likelihood of no payment again. As had to accept at least 3 months if no payment with no mortgage holiday so been very difficult!

I will consider short term or holiday lets.

I will be looking at selling up or converting to holiday let's because of the loss of income from tenants and lack of support landlords with destructive and difficult tenants that know how to play the system. Not just during Covid 19 but it has escalated during the pandemic.

May have to move to holiday letting if nobody can afford to live here, or find work here, if businesses here go bust

3.5 Private Landlord Survey: June 2020

To supplement current intelligence on the PRS in Argyll & Bute, an electronic survey was circulated by email by the Landlord Registration Team encouraging landlords to participate in the research. The survey was open for a 3 week period, closing on 24th June 2020.

In total, 275 surveys were completed and returned during the 3-week consultation period.



The survey provides indicative insight on the composition of the PRS by landlord profile, landlord portfolio by size and property rent and future landlord intentions post Covid-19. Key headlines from the survey are as follows:

- Fifty-eight per cent of all landlords only owned a single dwelling for rent, whilst a minority of landlords (1%) own large portfolios of more than 50 properties
- More than one-third of all landlords has let property for more than 10 years
- Around one third (31%) of dwellings owned by landlords were located in Mid Argyll and Kintyre and one quarter (28%) of dwellings owned by landlords were located in Helensburgh & Lomond
- Almost 19% of landlords owned properties out with Argyll & Bute, these are located primarily within Glasgow and North Ayrshire
- According to the landlord survey sample, 2-bedroom properties are the most common size of property comprising 47% of all PRS properties across Argyll & Bute, followed by 1-bedroom and 3-bedroom properties at 24% respectively
- Whilst the majority of landlords expect that there will be no impact, around one quarter (23%) anticipate that there will be short-term impacts from Covid-19 that could affect them continuing to let property as a registered private landlord
- Whilst the majority of landlords (88%) did not anticipate that they would leave the sector, 4% did indicate that they will lower the rent on their properties.

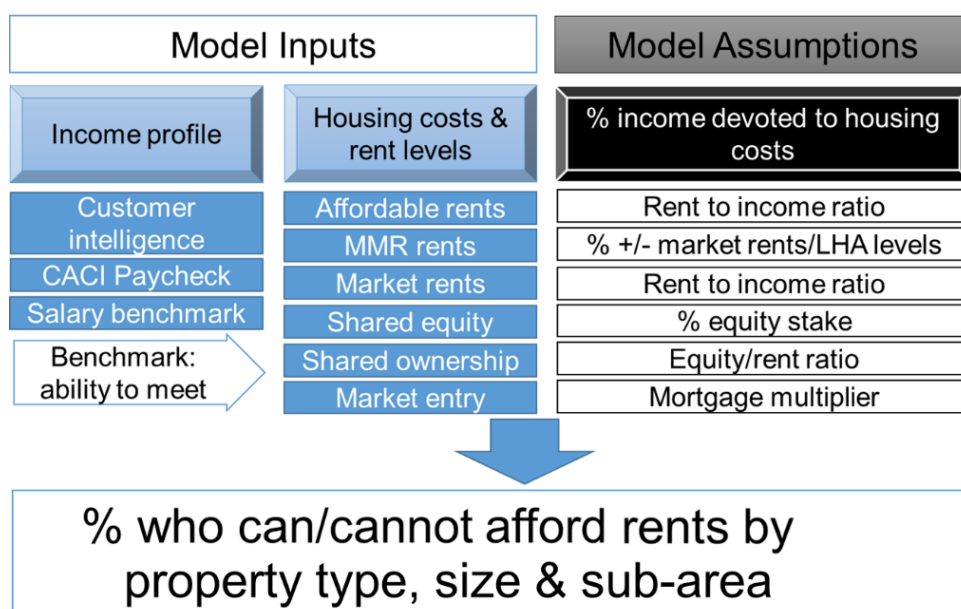
4 Housing Affordability Analysis

In March 2020, Argyll & Bute Council commissioned Arneil Johnston to develop an analytical model to comprehensively assess housing affordability by benchmarking the profile of local incomes to the full range of housing costs across tenure and by sub-area. A specific focus was placed on assessing the affordability of the private rented sector (PRS) in Argyll & Bute.

Chapter 4 summarises the analysis of housing affordability across each housing market sub-area in Argyll & Bute, providing a particular focus on the affordability of localised PRS sectors.

4.1 Affordability Model

The housing affordability model works by benchmarking the value of local incomes to housing cost benchmarks across a range of housing tenures. This analysis is disaggregated by the model so that housing affordability can be tested by (i) housing market sub-area; (ii) property size; and (iii) property type. The following diagram illustrates how the model works in practice:



The model is populated with a range of data inputs and intelligence on the costs associated with various housing tenures including:

- social housing rents from locally operating RSLs
- PRS market rents
- Local Housing Allowance (LHA) rates¹³
- Mid-market rent levels set at a variance level from the LHA (e.g. 90%, 95%, 100%)
- Intermediate housing options such as low cost home ownership or shared equity
- Market entry level housing (lower quartile house prices).

The affordability of housing costs is assessed by testing a range of income to rent ratios (the proportion of household income to be devoted to housing costs) and residual income measures (using equalised incomes to test housing induced poverty). The model also tests the housing

¹³ The subsidy element of Universal Credit providing support with housing costs to tenants in the private rented sector



affordability of low income households such as those earning the Scottish Living Wage or national minimum wage. Furthermore, using a banded income profile from CACi PayCheck, the model can calculate the proportion of households who can/cannot afford housing costs across a range of housing tenures and across each housing market sub-area.

The model is a flexible and user friendly tool developed in Microsoft Excel and is capable of testing a range of scenarios by amending rental values, income profiles and income to rent ratios.

4.2 Housing cost benchmarks

To assess the affordability of housing costs in Argyll & Bute, analysis of the current rental values was assembled for the PRS by tracking market vacancies. This analysis allowed a profile of average PRS rental costs to be established by property size and housing market sub-area. To assemble the data, Arneil Johnston carried out web-based analysis of private rented sector vacancies across Argyll & Bute, using the main online platforms which advertise private tenancies (such as S1 Homes, Right Move, Zoopla, Prime Location, Argyll Property, Gumtree and Nestoria). Snapshot analysis was performed at separate intervals including: 19th May 2020, 19th June 2020 and 10th July 2020. The research focused on analysing vacancies in settled PRS accommodation excludes properties available on a short term basis or as holiday lets.

Given the lock-down restrictions in place as a result of the Covid-19 pandemic and a slowing of PRS letting activity during the sampling period; it was necessary to supplement the snapshot sample using rental data from a survey of Argyll & Bute PRS landlords in June 2020 and from the Rent Service Scotland market evidence database. Synthesizing this data results in a sample of 1,075 PRS rents being assembled across Argyll & Bute. Table 4.1 details the distribution of sample properties across the nine HMAs by property size and shows almost half (46%) are located in the Helensburgh & Lomond sub-market area.

Excluding Cowal and Lorn, which accounted for 16% and 19% of properties respectively, the remaining HMAs account for a very small proportion of the available lets with only three properties identified in Coll & Tiree. There is a reasonable sample distribution in terms of property size. Almost half (44%) of properties were two-bedroom properties, with one-bedroom properties accounting for just under a third of the sample (27%). The sample of three and four-bedroom properties was more limited, at 20% and just 3% respectively, with just 1% of properties being five-bedroom properties.

HMA	Shared	1 bed	2 bed	3 bed	4 bed	5 bed	Total	%
Bute		22	13	8		1	44	4%
Coll & Tiree		2				1	3	0%
Cowal	7	44	84	32	6	1	174	16%
Helensburgh & Lomond	17	125	211	94	17	7	471	44%
Isla, Jura & Colonsay	0	2	2	2	1		7	1%
Kintyre	4	23	14	11			52	5%
Lorn	24	53	87	37	7		208	19%
Mid Argyll	1	12	49	29	3		94	9%
Mull & Iona	2	3	9	7	1		22	2%
Argyll & Bute	12	286	469	220	35	10	1075	100%
%	1%	27%	44%	20%	3%	1%	100%	

Table 4.1: Private rented sector analysis – Argyll & Bute by HMA and Size

It is therefore likely that the sample may under-represents 4-5 bed properties and over represent 2-3 bedroom properties. Where gaps in the sample are evident because no rental data was sourced



in specific properties sizes (e.g. in island communities), aggregate data has been used to build a complete profile.¹⁴

4.3 Market Rent Comparison

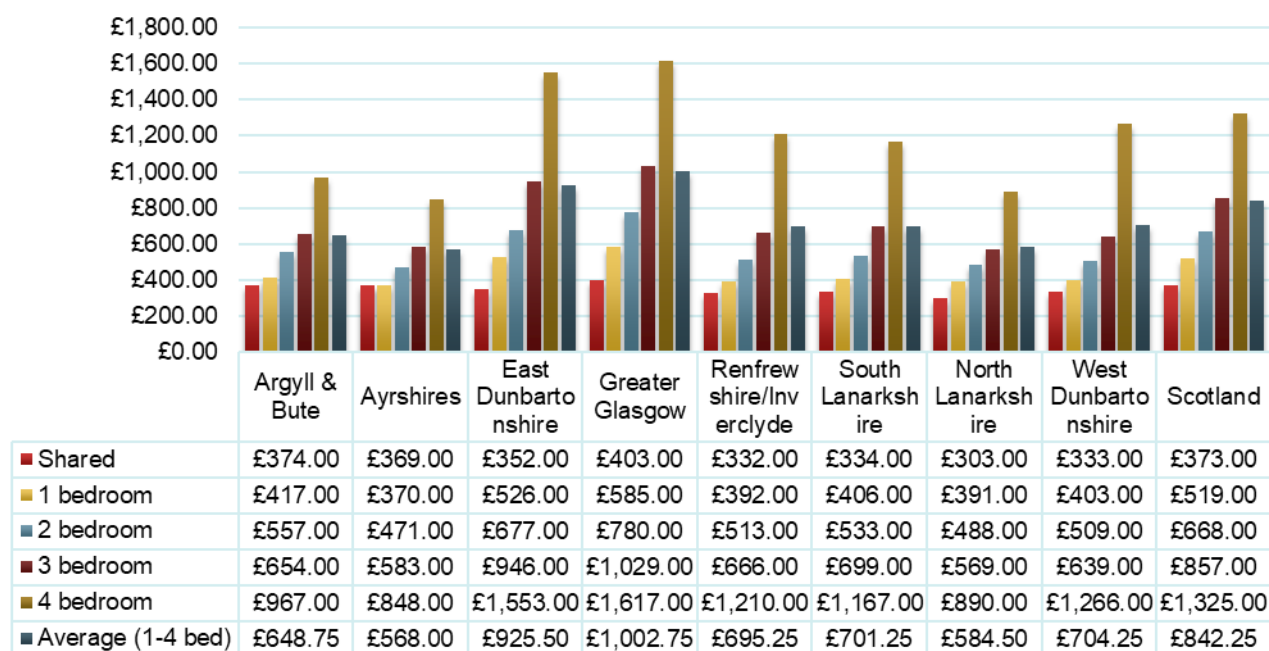
The average market rent in Argyll & Bute is £532.11 per month. This varies significantly across property sizes from £195 for a studio apartment in Cowal, to £1,191.76 for a 4-bed property in Helensburgh. Helensburgh & Lomond has the highest average market rent of all housing market sub-areas at £655.08 per month.

Property Size	Studio	1 bedroom	2 bedroom	3 bedroom	4 bedroom	Average
Bute	£338.56	£305.23	£422.69	£543.75	£951.42	£512.33
Coll & Tiree	£425.00	£409.84	£534.73	£630.84	£951.43	£590.37
Cowal	£195.00	£383.36	£481.85	£520.78	£725.00	£461.20
Helensburgh & Lomond	£354.00	£421.58	£562.08	£745.96	£1,191.76	£655.08
Islay, Jura and Colonsay	£338.56	£404.50	£450.00	£450.00	£512.50	£431.11
Kintyre	£363.86	£308.83	£432.86	£470.45	£951.43	£505.49
Lorn	£475.00	£492.26	£576.67	£616.89	£834.29	£599.02
Mid Argyll	£338.56	£409.55	£503.27	£526.72	£650.00	£485.62
Mull & Iona	£350.00	£389.00	£492.22	£478.57	£650.00	£471.96
Average	£365.75	£409.52	£534.73	£583.18	£951.43	£532.11

Table 4.2: Market rents in Argyll & Bute by sub-HMA, and property size (PRS research/Market snapshot July 2020)

To contextualise the value of market rents in Argyll & Bute with surrounding housing markets, comparative analysis to neighbouring Broad Rental Market Areas (BRMAs) was performed. This analysis illustrates that Argyll & Bute has the 2nd lowest average market rents (1-4 bed) when compared to surrounding Broad Rental Market Areas (BRMAs). In fact, average market rents are - 18% lower than average market rents for Scotland.

¹⁴ Data gaps for 1-4 bedroom in Coll & Tiree and 0-bed for Islay, Jura and Colonsay were substituted with monthly rental figures from Mull & Iona. Data gaps for 0-bed Mid Argyll and 4-bed Kintyre were substituted with monthly rental figures from Argyll & Bute average



Graph 4.1: Average market rent per month by property size (BRMAs)

The Local Housing Allowance (LHA) for Argyll and Bute is almost equal to market rent levels. On average, market rents are just 1% higher than the LHA rate. Whilst all market rents by property sizes exceed the LHA rate in Argyll & Bute; this is particularly the case for 1-bedroom (10% lower) and 2-bedroom properties (7% lower). This is a smaller margin than other local authority areas in Scotland where market rents can be as much as 20-30% higher than LHA subsidy levels.

Property Size	Average Market Rents	LHA	Difference	% Difference
Shared	£ 365.75	£ 315.21	-£ 50.54	-16%
1 Bedroom	£ 409.52	£ 373.97	-£ 35.55	-10%
2 Bedroom	£ 534.73	£ 498.64	-£ 36.09	-7%
3 Bedroom	£ 583.18	£ 548.51	-£ 34.67	-6%
4 Bedroom	£ 951.43	£ 897.52	-£ 53.91	-6%
Average	£ 532.11	£ 526.77	-£ 5.34	-1%

Table 4.3: Comparison with Local Housing Allowance rates (2020/21 snapshot)

4.4 Social Rent Comparison (RSLs)

The average market rent for Argyll & Bute has also been compared to rent levels in the social housing sector. Average PRS rent levels have been compared with rental data submitted by Registered Social Landlords (RSLs) to the Scottish Housing Regulator (SHR) in 2018/19. The rental values submitted to the SHR have been inflated to 2020/21 rates to provide a comparable average 2020 benchmark across all locally operating RSLs in Argyll & Bute.

Property Size	RSLs	Market Rents	Difference	% Difference
Studio	298.16	£365.75	-67.59	-18%
1 bedroom	353.39	£409.52	-56.13	-14%
2 bedroom	387.10	£534.73	-147.63	-28%
3 bedroom	425.16	£583.18	-158.02	-27%
4 bedroom	476.69	£951.43	-474.74	-50%
Average	388.10	£532.11	-144.01	-27%

Table 4.4: Comparison with social rents (2020/21 snapshot)

Table 4.4 above shows that market rents are between 18% and 50% higher than social rents in the local area. The average market rent in Argyll & Bute is 27% higher than the average social rent. Table 4.4 also shows that there is a significant differential in rental values for larger properties as social rents in Argyll & Bute have a much flatter rental structure. As a result, the larger property size, the greater the differential between market rents and the average social rent levels.

1.1. Benchmarking Rents: Alternative Tenures

In addition to benchmarking to social rents, PRS rent levels are assessed against the affordability of rents in intermediate housing tenures. Table 4.5 shows the differential between market rents in Argyll & Bute to Mid-Market Rent levels (MMR) where MMR values are set at 85%, 95% and 100% of the Local Housing Allowance rate.

As LHA sit very close to PRS market rent levels at an Argyll & Bute area level, Table 4.5 shows that in order for MMR to make a meaningful contribution to housing affordability, MMR rents will potentially require to be set under the LHA threshold and potentially in the region of 85-90%.

Property Size	Market Rents	MMR 100%	Difference	100% Difference	95% Difference	85% Difference
Studio	£ 365.75	£ 315.21	-£ 50.54	-16%	-22%	-37%
1 Bedroom	£ 409.52	£ 373.97	-£ 35.55	-10%	-15%	-29%
2 Bedroom	£ 534.73	£ 498.64	-£ 36.09	-7%	-13%	-26%
3 Bedroom	£ 583.18	£ 548.51	-£ 34.67	-6%	-12%	-25%
4 Bedroom	£ 951.43	£ 897.52	-£ 53.91	-6%	-12%	-25%
Average	£ 532.11	£ 526.77	-£ 5.34	-1%	-6%	-19%

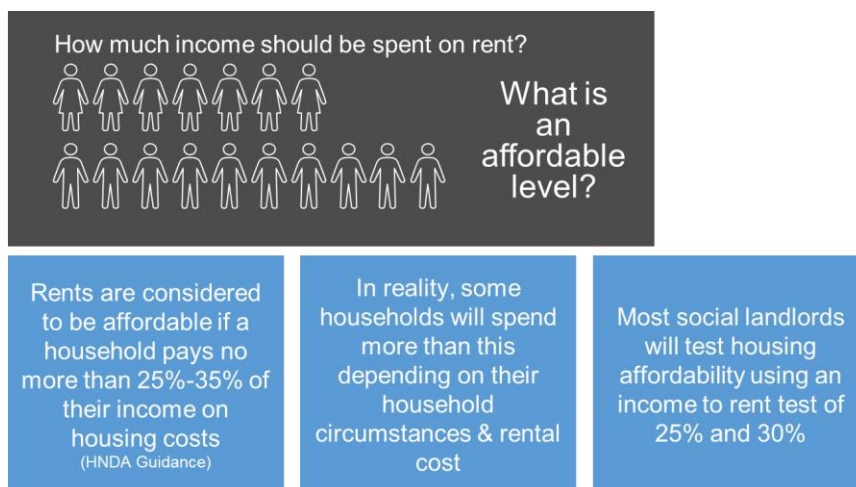
Table 4.5: Comparison with social rents (2020/21 snapshot)

4.5 Affordability Model Assumptions: Income to Rent Ratios

A key model assumption relates to the proportion of household income that an individual must devote to meet housing costs. Housing affordability analysis measures a person's ability to pay for housing. It is a complex issue influenced by local housing and labour markets as well as wider economic, environmental and social factors.

The housing affordability model tests the interaction between housing costs, household incomes and the proportion of income that households are typically willing or able to devote to rent or mortgage payments. When households struggle to meet the costs of housing because they are devoting unsustainable levels of income to meet the costs, they are typically described as experiencing housing affordability difficulties.

Measures of housing affordability are a topic of debate. UK social policy since the 1980s has typically used a percentage of income spent on housing costs to estimate the number of households experiencing difficulties. Generally, those who require to spend more than 25-30% of their household income on housing costs are regarded as experiencing affordability difficulties;



although in recent times, housing consumers have opted to spend in excess of this benchmark in order to meet their housing aspirations. An important aspect of model development will therefore be to establish the proportion of household income required to meet the costs associated with a range of housing tenures across Argyll & Bute and measuring whether the impact on local incomes this is sustainable.

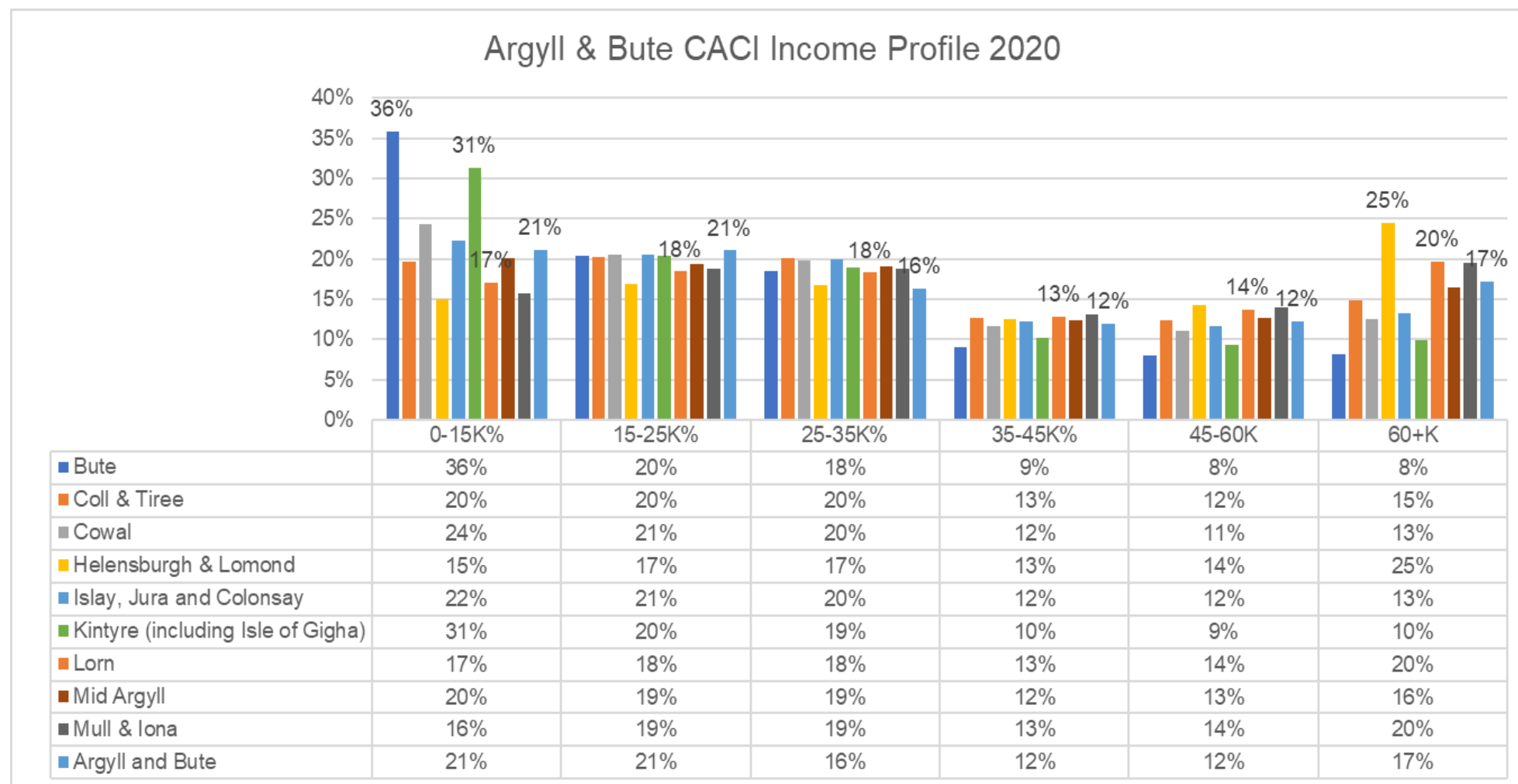
4.6 Income Profile: CACI Paycheck Data

Establishing the income profile of local households is an important element of assessing the affordability of each housing tenure at a sub-market area level. To achieve this, analysis of CACI Paycheck¹⁵ data was performed to profile the value and distribution of local incomes by standard income banding (Graph 4.2). CACI Paycheck data also provides the lower quartile income level for Argyll & Bute.

Analysis of Paycheck data reveals that the median income for Argyll & Bute is £29,418, which is similar to the median income for Scotland at £30,666. There is evidence however, of a notable proportion of households across Argyll & Bute who have household incomes below the median benchmark. On average, 44% of households in Argyll & Bute earn less than <£25K per annum. The lower quartile income for Argyll & Bute is £16,673, which is lower than is the case for Scotland at £17,115.

Graph 4.2 below illustrates the profile of incomes across Argyll & Bute by housing market sub-area. This shows that 36% of households in Bute and 31% in Kintyre earn between £0-£15K per annum, compared to just 15% of households in Helensburgh & Lomond. In comparison, 25% of households in Helensburgh & Lomond earn more than £60k per annum. The Lorn and Mull & Iona HMA also shows relative affluence with 20% of local households earning more than £60k per annum.

¹⁵ CACi Paycheck data is information provided on license to Argyll & Bute Council providing gross household income estimates at a UK postcode level. Income detailed by Paycheck is gross household income from all sources including earnings, benefits and investments. As well as providing the mean, median and mode income, Paycheck also breaks down into 26 x £5,000 banding up to incomes levels of £200,000 plus.



Graph 4.2: CACI Income Profile by sub HMA in Argyll & Bute, 2020

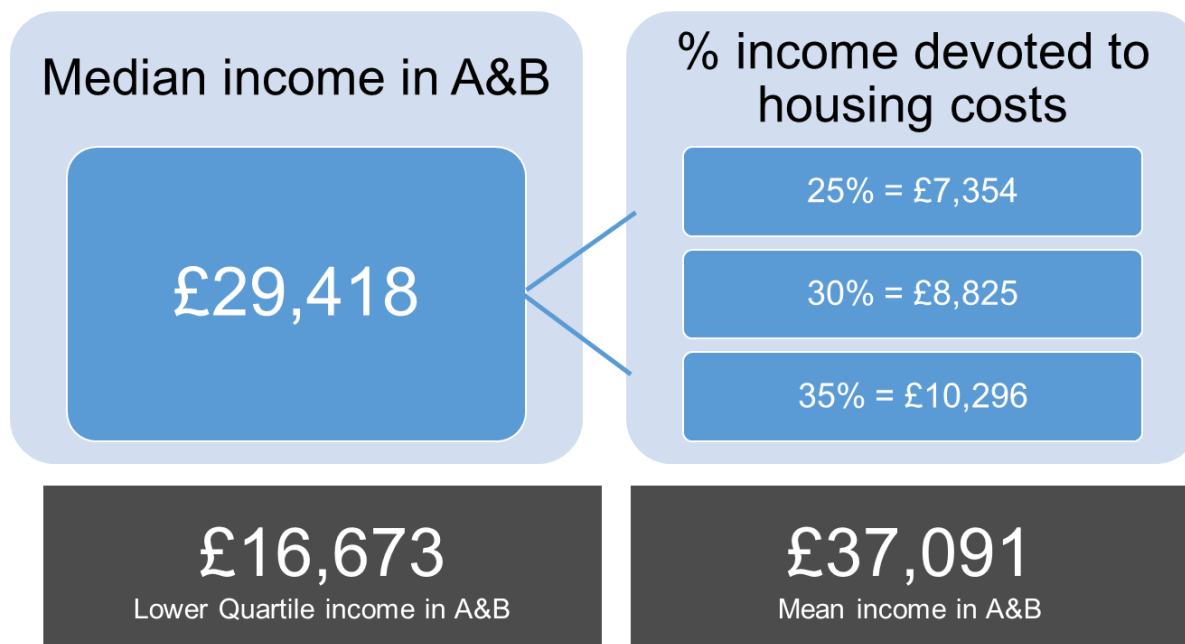


4.7 How affordable are Argyll & Bute market rents when using the 25% to 35% income to rent ratio?

Whilst Argyll & Bute PRS rents benchmark much lower than neighbouring Broad Market Rental Areas and sit close to the Local Housing Allowance rate for the area; this in itself doesn't prove PRS rents are affordable to local incomes. In order to assess affordability, analysis is performed which benchmarks PRS rents to local income levels and assesses whether those earning minimum income thresholds (without reliance on housing subsidies) could afford market rents and other housing tenures.

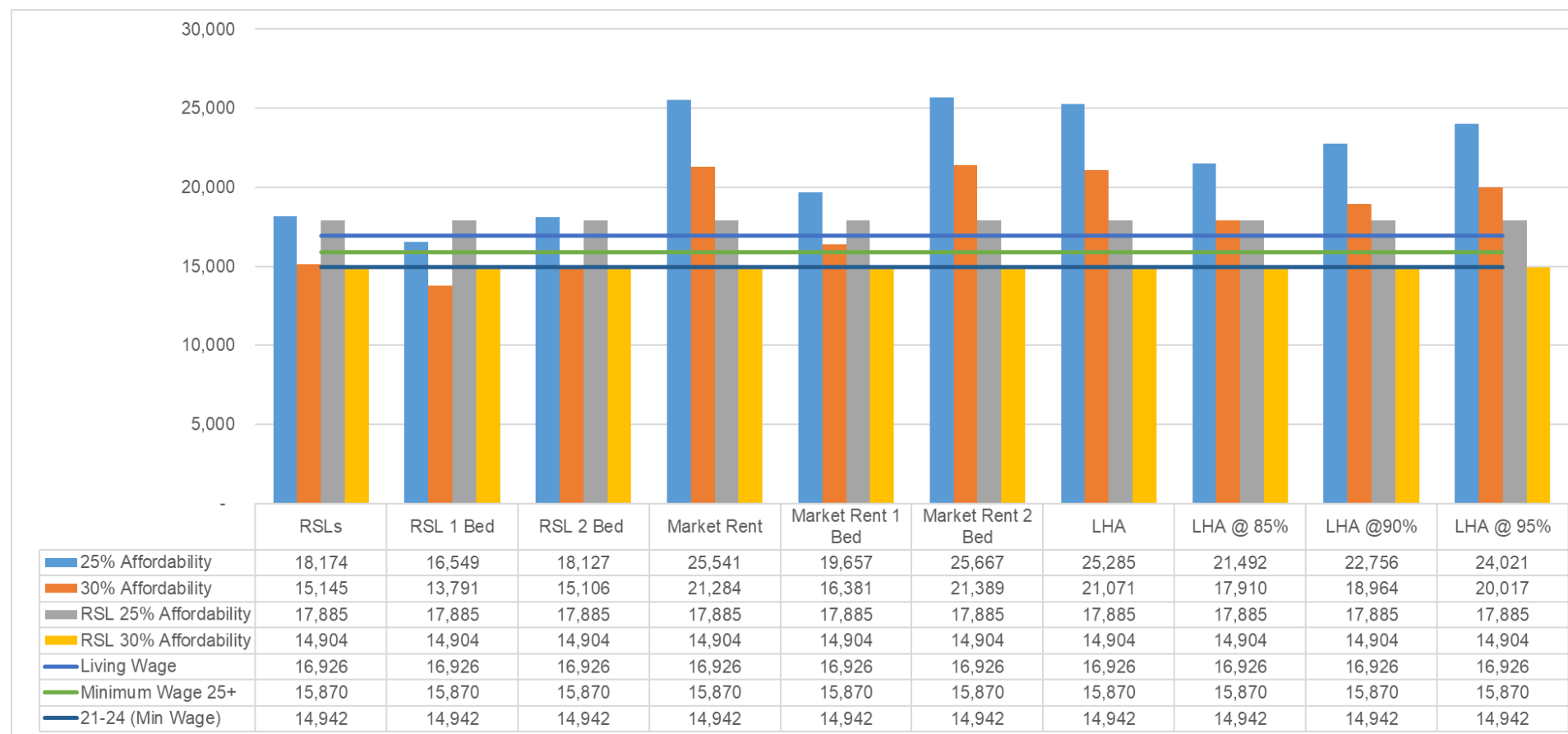
To test this, analysis was carried out to measure how much a household in Argyll & Bute would have to earn to be able to afford PRS rents if 25% or 30% of their income is devoted to meeting housing costs.

Based on the median income, at a 30% income to rent ratio, annual average market rents in Argyll & Bute would require to be no more than £8,825 per annum if they were considered to be affordable. Calculated from the average monthly rent for Argyll & Bute at £532.11, the average annual rent equates to £6,385. It could therefore be concluded that households earning the Argyll & Bute median income could comfortably afford the cost of market rents when devoting 30% of their household income to housing costs.



However, based on the lower quartile income benchmark in Argyll & Bute (£16,673), at a 30% income to rent ratio, annual average market rents in Argyll & Bute would require to be no more than £5,001 per annum. As the average annual PRS rent clearly exceeds this at £6,385, the evidence therefore suggests that PRS rents are not affordable to households on low incomes in Argyll & Bute.

To assess the housing affordability of households on minimum income thresholds, PRS affordability to those earning minimum wage (£15,870 for 25+) and living wage (£16,926) has been tested. Graph 4.3 illustrates that based on both a 25% and 30% income to rent ratio, average market rents are clearly unaffordable to those earning minimum and living wage benchmarks.



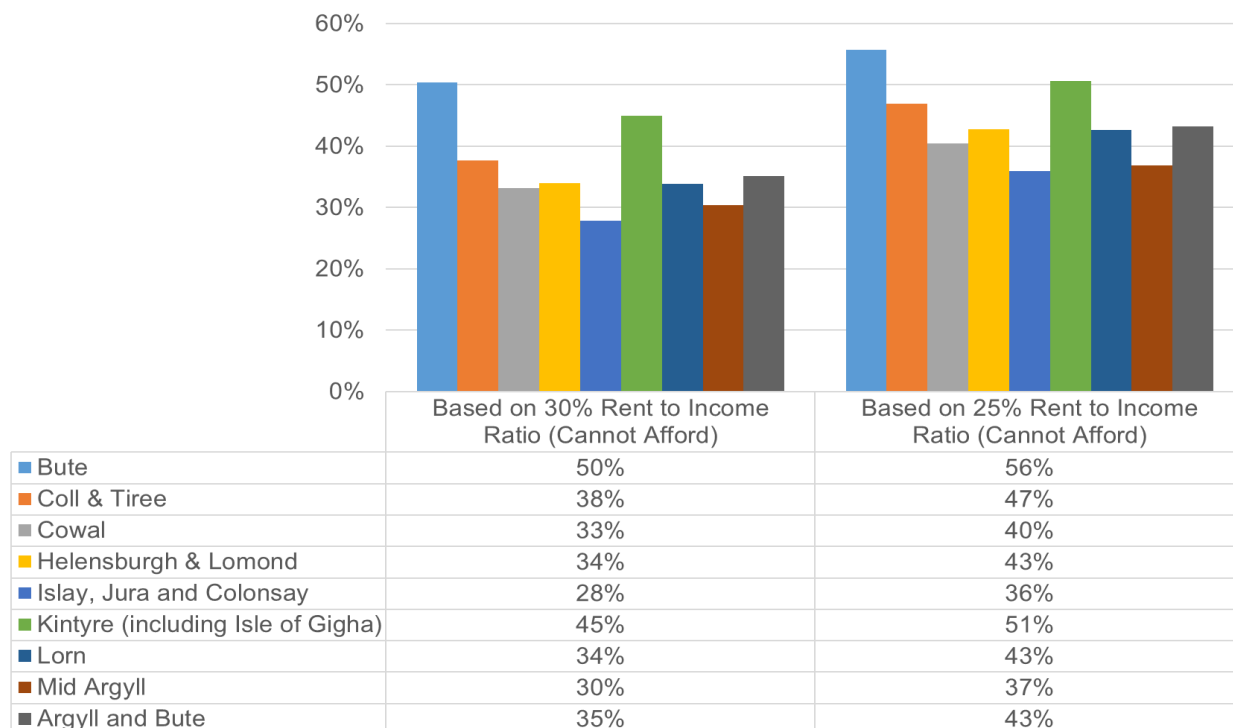
Graph 4.3: Income Affordability by Tenure for Argyll & Bute

Graph 4.3 shows that a household earning around £21.3K would be able to afford the average Argyll & Bute market rent if they were devoting 30% of their income to housing costs. This is significantly below the median income for Argyll & Bute at £29.4K. When a 25% income to rent measure is used, then a household in Argyll & Bute would require earning £25.5K, which is still within the median income for the area. However, both income benchmarks are significantly beyond the lower quartile income for Argyll & Bute at £16.6K. This clearly suggests that households relying on minimum income measures would struggle to afford PRS rents at sustainable levels.



Analysis was performed using the CACI 2020 Paycheck data at HMA level to assess the proportion of households across housing market sub-areas who can/cannot afford average PRS rents in Argyll & Bute based on a 25% and 30% income to rent ratio.

Graph 4.4 below illustrates the proportion of households who cannot afford the average market rents per sub-area at 25% and 30%. This shows that on average 43% of households cannot afford the market rents when devoting 25% of their income to housing costs. At a 30% income to rent ratio, on average 35% of households in Argyll & Bute cannot afford PRS rents.

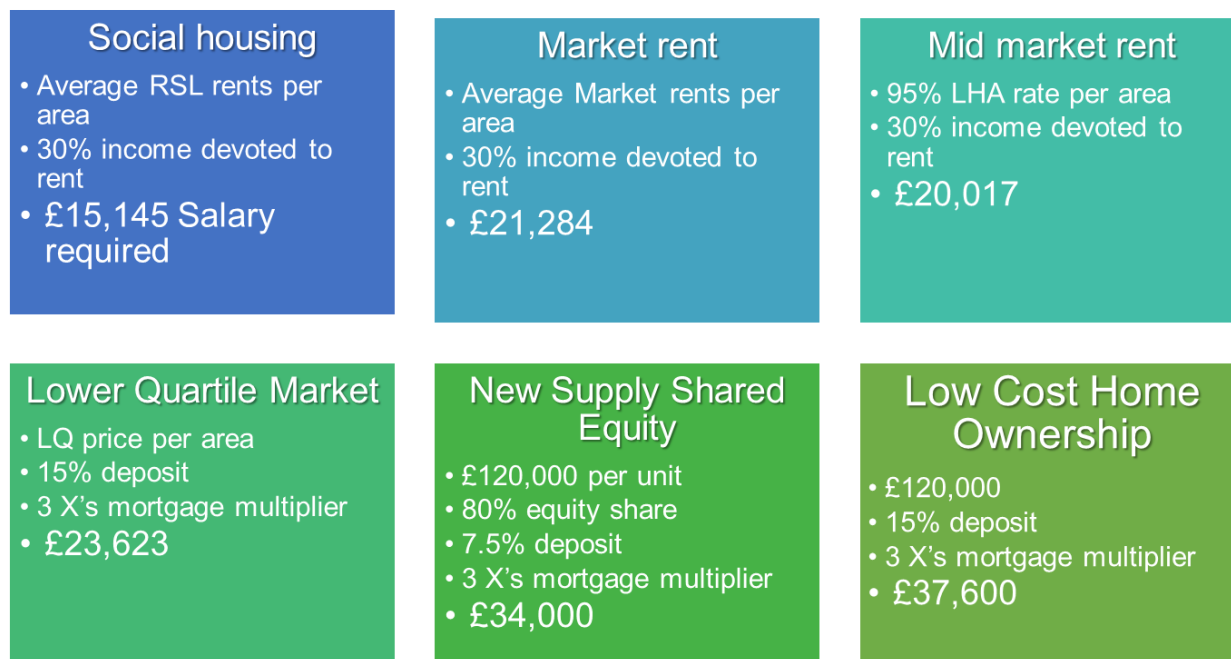


Graph 4.4: % Households who CANNOT afford the average market rent per sub HMA

Housing affordability in the PRS is worst in Bute where 50% of households cannot afford a PRS rent on a 30% rent to income ratio, followed by Kintyre (45%). In both areas, this outcome is likely to be driven by the high proportion of households who are earning less than £15k per annum: 36% in Bute and 31% in Kintyre.

The analysis in Graph 4.4 is further developed by using the CACI Paycheck income profile in each area to assess the affordability of a range of housing tenures across each sub-area, including RSL rents, MMR (set at 100% of the LHA), New Build LCHO, LQ Market Sale and New Supply Shared Equity.

The assumptions used to model housing cost benchmarks for the various housing tenures under consideration are set out below:

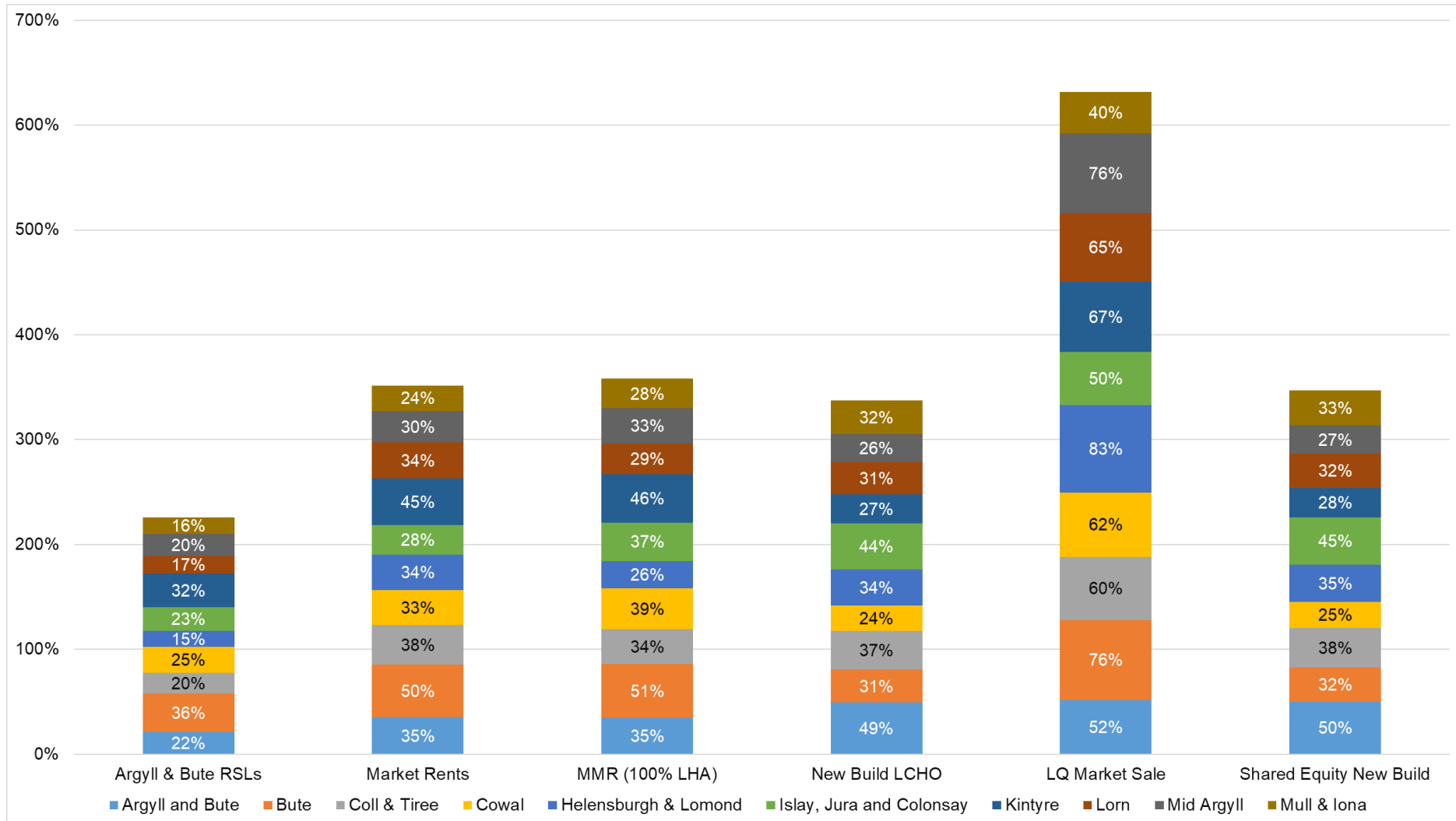


Graph 4.5 illustrates the proportion of households per housing market sub-area who cannot afford each cost benchmark by tenure when devoting **30%** of their income to housing costs. This analysis shows that on average, across Argyll & Bute, 22% of households cannot afford social housing (without subsidy) in comparison to 35% of households who cannot afford market rents.

This demonstrates that whilst RSL rents are affordable for 4/5 households in Argyll & Bute, market rents are only affordable to 2/3 households and generally out of reach for households on lower incomes. Almost 50% of households in Argyll & Bute cannot afford to access Low Cost Home Ownership (LCHO), new supply shared equity and lower quartile market housing.

The proportion of households who can and cannot afford each housing tenure are set out below and detailed by housing market sub area in Graph 4.5:

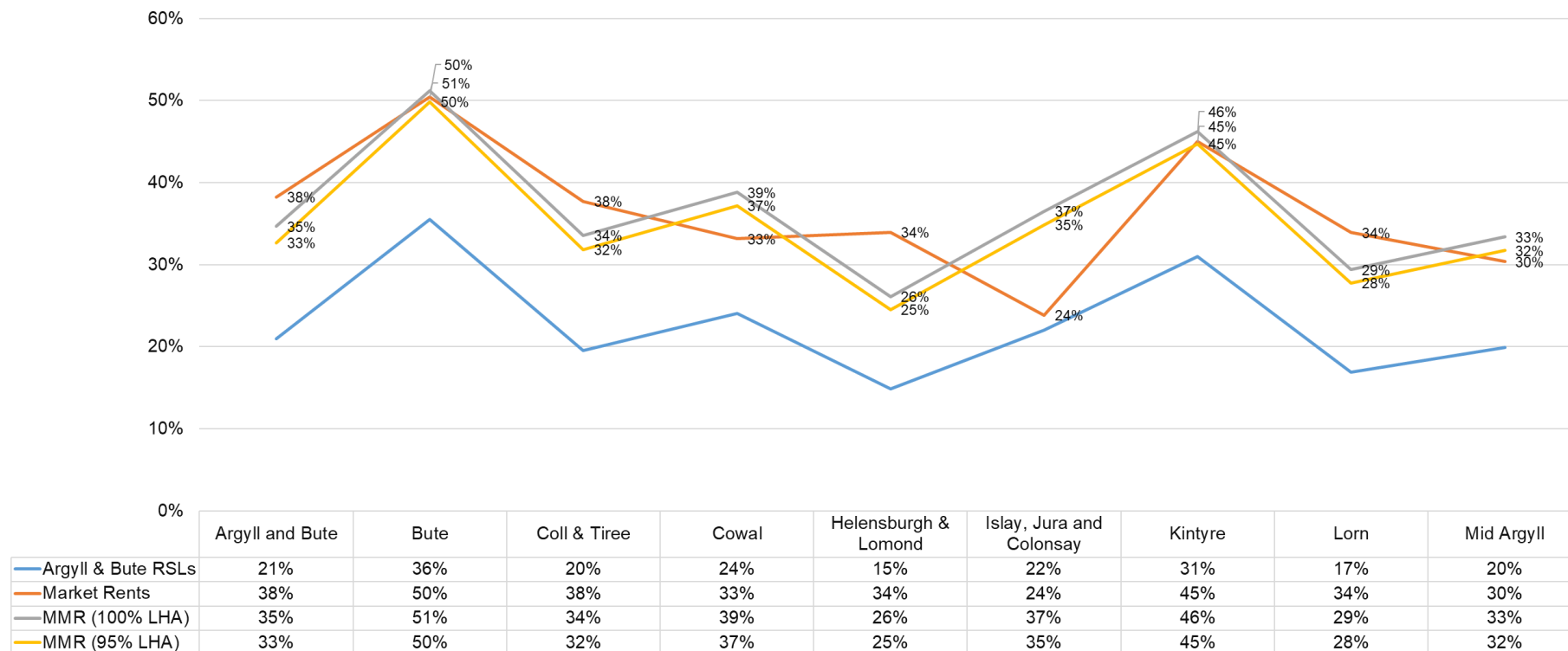
- 22% **cannot** afford RSL housing without subsidy/78% **can** afford RSL housing
- 35% **cannot** afford MMR housing/65% **can** afford MMR housing
- 35% **cannot** afford PRS housing/65% **can** afford PRS housing
- 49% **cannot** afford new supply LCHO housing/51% **can** afford LCHO
- 50% **cannot** afford new supply shared equity housing/50% **can** afford
- 52% **cannot** afford lower quartile market sale/48% **can** afford lower quartile market



Graph 4.5: Percentage of households that cannot afford housing costs at a 30% income threshold by tenure and housing market sub-area



Further analysis was performed to examine the impact of mid-market rental costs on housing affordability across Argyll & Bute. Graph 4.6 illustrates the proportion of households who cannot afford RSL, Market and Mid-Market (100% LHA) rents by HMA. This analysis shows that mid-market rent improves affordability (for those who cannot afford the PRS), for households in Helensburgh & Lomond and the Lorn HMAs, there are many sub-areas in Argyll & Bute where Mid-Market Rent provides no meaningful contribution to improving housing affordability.

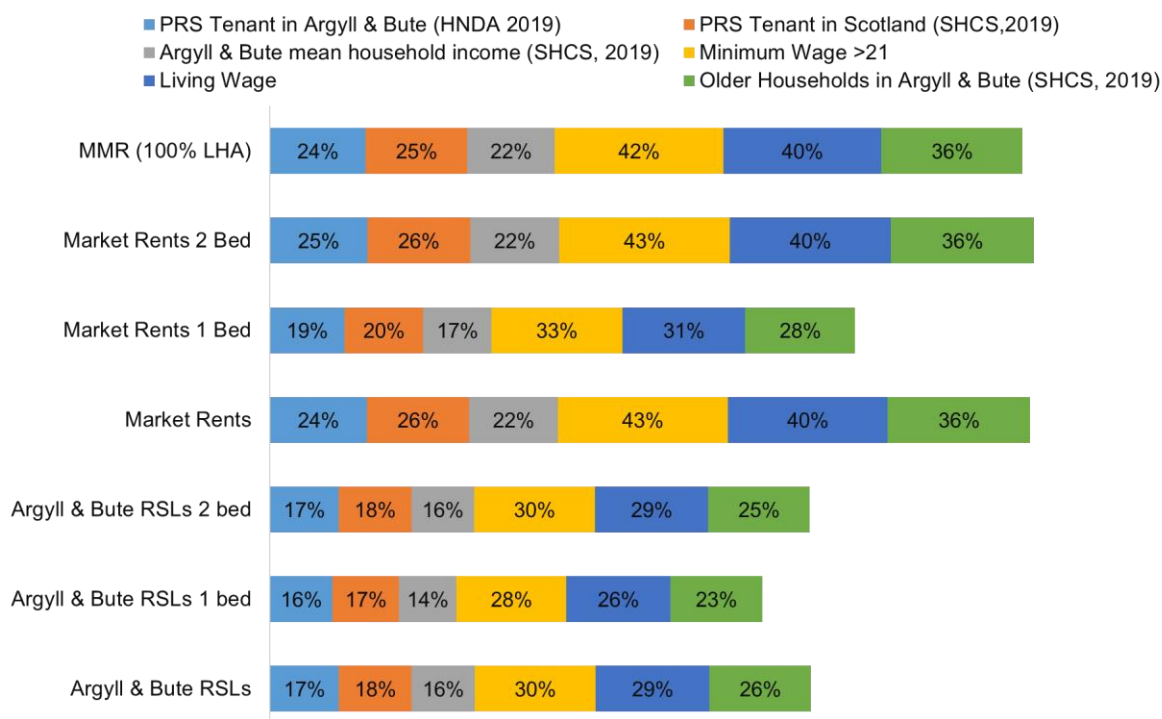


Graph 4.6: Percentage that cannot afford by tenure MMR (100% & 95% of LHA)

Graph 4.6 illustrates the proportion of households who cannot afford RSL, Market and Mid-Market rent by HMA when Mid-Market Rents are set at 95% and 100% of the Local Housing Allowance level. At 95%, this shows that whilst mid-market rent improves affordability for 5% of households who cannot afford the PRS across Argyll & Bute, it improves affordability for 9% of households in Helensburgh & Lomond and 6% in Lorn.

Graph 4.7 illustrates the proportion of income required to afford each housing tenure by sub-HMA in Argyll & Bute and across a range of household income measures.

It shows that the average PRS tenant in Argyll & Bute would be required to devote 24% of their income to housing costs to afford a market rent based on income data provided in the 2019 HNDA household survey. In comparison, the average PRS tenant in Argyll & Bute would be required to devote 17% of their income to housing costs to afford an RSL rent.



Graph 4.7: Proportion of income needed to afford each tenure

Based on a 30% income to cost threshold, the PRS is unaffordable to households earning minimum and living wage and to older households across Argyll & Bute, as is Mid-Market Rent.

4.8 Equivalised income

A more comprehensive measure of housing affordability should reflect household circumstances, profiles and location. Equivalisation is a way to adjust household incomes to reflect the circumstances of different household compositions. Bigger households are likely to need higher income levels to achieve the same standard of living as smaller households.

Household income is recalculated to take into account differences in household size and composition. After equivalisation has been applied, households with the same income levels can be said to have a comparable standard of living. Assessing affordability of rents against income measures such as the minimum wage, living wage and universal credit, helps to define which property sizes are affordable or less affordable to a range of different household profiles.

The annual income of each household was modelled using the Government Benefit Calculator which uses estimates of the minimum wage, the living wage and all relevant benefits. Housing

affordability for PRS rents was tested across a range of household archetypes based on the principle that no more than 30% of household income would be devoted to housing costs.

Table 4.6 shows that for households with more than 1 person earning, Argyll & Bute market rents are generally affordable. However, single person households need to devote between 29% and 43% of income to meet the costs of a 1 or 2-bedroom property in the PRS depending on their income source. A single person household on universal credit living in a 1 or 2-bedroom property would need to devote between 38% and 40% of income to rent.

Similarly, single parents require to devote between 40% (for a 2-bedroom PRS rents) and 51% of their income to housing costs (for a 3-bedroom PRS rents), again depending on income source. Table 4.6 illustrates that market rents within Argyll & Bute are generally not affordable to single parent or single person households.

Property Size	Affordability %					
	Minimum Wage < 25	Minimum Wage > 25	Living Wage	UC Single Person	UC Couple	Pensioner Household Income
Bedsit -Single person 1* Multiplier	29%	28%	26%	34%		
1 bedroom - Single person 1* Multiplier	33%	31%	29%	38%		
1 bedroom - Single Pensioner 1* Multiplier						26%
1 bedroom Couple 1.5* Multiplier	22%	21%	19%		25%	
1 bedroom Couple Pensioners 1.5* Multiplier						26%
2 bedroom - Single Person 1 * Multiplier	43%	40%	38%	40%		
2 bedroom - Single Pensioner 1* Multiplier						34%
2 bedroom - Single Parent 1* Multiplier	43%	40%	40%	40%		
2 bedroom - Couple *1.5 Multiplier	29%	27%	25%		33%	
2 bedroom - Couple Pensioners *1.5 Multiplier						34%
3 bedroom - Family 2* Multiplier	25%	24%	22%		29%	
3 bedroom - Single Parent * 1 Multiplier	51%	48%	34%	31%		
4 bedroom - Couple *1.5 Multiplier	51%	48%	45%		58%	
4 bedroom - Family *2 Multiplier	38%	36%	34%		44%	
Average	32%	30%	26%	34%	29%	34%

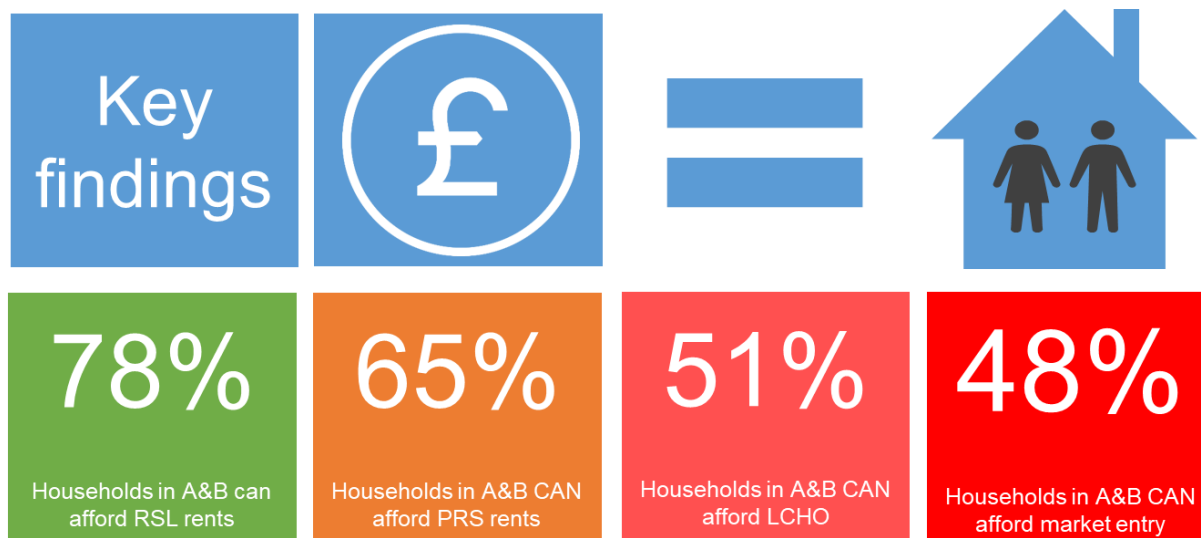
Table 4.6: % of income required to market rents when earning the minimum wage, living wage and universal credit

Table 4.7 below details the affordability of housing costs across rental tenures for those earning the minimum wage in Argyll & Bute. It shows that the least affordable housing tenure for households on minimum wage is market rents for all household compositions and income groups. Whilst market rents are generally more affordable for households with more than 1 person earning, this decreases as property sizes increase.

Property Size	Affordability %				
	MMR (100% LHA)	Market Rents	RSL	LHA	MMR (95% LHA)
Bedsit -Single person 1* Multiplier	24%	28%	19%	24%	19%
1 bedroom - Single person 1* Multiplier	28%	31%	26%	28%	25%
1 bedroom Couple 1.5* Multiplier	19%	21%	17%	19%	17%
2 bedroom - Single Person 1 * Multiplier	38%	40%	29%	38%	31%
2 bedroom - Single Parent 1* Multiplier	38%	40%	29%	38%	31%
2 bedroom - Couple *1.5 Multiplier	25%	27%	19%	25%	21%
3 bedroom - Family 2* Multiplier	21%	24%	16%	21%	18%
3 bedroom - Single Parent * 1 Multiplier	41%	48%	32%	41%	35%
4 bedroom - Couple *1.5 Multiplier	45%	48%	24%	45%	35%
4 bedroom - Family *2 Multiplier	34%	36%	18%	34%	26%
Average	30%	30%	21%	30%	24%

Table 4.7: Percentage of income require for arrange of housing tenures when earning the minimum wage

4.9 Argyll & Bute Housing Affordability Analysis: Conclusions



- Argyll & Bute has the 2nd lowest average market rents (1-4 bed) when compared to surrounding Broad Rental Market Areas (BRMAs). Market rents are -18% lower than average market rents for Scotland.
- The average market rent in Argyll & Bute is £532.11 per month. This varies across property sizes from £365.75 for a shared property to £951.43 for a 4-bed property. Helensburgh & Lomond has the highest average market rent at £655.08 per month.
- The Local Housing Allowance (LHA) for Argyll and Bute is almost equal to market rent levels. On average, market rents are just 1% higher than the LHA rate. Whilst all market rents by property sizes exceed the LHA rate in Argyll & Bute; so particularly for 1-bedroom (10% lower) and 2-bedroom properties (7% lower), this is a smaller margin than other local authority areas in Scotland where market rents can be as much as 20-30% higher than subsidy levels.
- As LHA levels sit very close to PRS market rent levels, in order for Mid-Market Rent to make a meaningful contribution to affordability locally, MMR rents would require to be set under the LHA threshold and in the region of 85-90%.

- The median income for Argyll & Bute is £29,418, similar to the median income for Scotland at £30,666. However, 42% of households in Argyll & Bute earn less than <£25K per annum with the lower quartile income being £16,673.
- Based on the lower quartile income benchmark in Argyll & Bute (£16,673), at a 30% income to rent ratio, annual average market rents in Argyll & Bute require to be no more than £5,001 per annum. As the average annual PRS rent clearly exceeds this at £6,385, evidence suggests that PRS rents are unaffordable to households on low incomes in Argyll & Bute.
- A household earning around £21.3K would be able to afford the average Argyll & Bute market rent if they were devoting 30% of their income to housing costs. This is significantly below the median income for Argyll & Bute at £29.4k but significantly beyond the lower quartile income for Argyll & Bute at £16.6K. This clearly suggests that households relying on minimum income measures will struggle to afford PRS rents at sustainable levels.
- Whilst RSL rents are affordable for 4/5 households in Argyll & Bute, market rents are only affordable to 2/3 households, and generally out of reach for those households on lower incomes. Almost 50% of households in Argyll & Bute cannot afford to access Low Cost Home Ownership (LCHO), new supply shared equity and lower quartile market housing.
- Whilst mid-market rent improves affordability for 5% of households who cannot afford the PRS across Argyll & Bute, it improves affordability for 9% of households in Helensburgh & Lomond and 6% in Lorn.
- A single person household on universal credit living in a 1 or 2-bedroom property would need to devote between 38% and 40% of income to rent. Single parent households would need to devote between 40% and 51% of their income to housing costs. This illustrates that market rents within Argyll & Bute are generally not affordable to households where only 1 person is earning.

5 The impact of Short Term Lets on the PRS

A key research question which underpins a full understanding of PRS operation in Argyll & Bute, relates to the extent to which the private lettings sector has been affected by the growth of short term lets, aligned to the growth of a significant AirBnB market across Scotland. Building on research into the 'impact of short term lets on communities across Scotland'¹⁶, which used Argyll & Bute as a case study; the Council was seeking to perform research analysis to assess whether there is local evidence of private landlords 'flipping' residential PRS tenancies into short term lets.

To achieve this, it would be necessary to match address details of short terms lets to the address details of properties registered under the Private Landlord Registration Scheme. As the legislation which underpins the Private Landlord Register (PLR) restricts the use of data for registration purposes alone and NOT for research purposes, it has not been possible to complete the intended analysis. To support Local Housing Strategy development and enable ongoing analysis of the local housing system, Argyll & Bute Council would recommend a change to the current legislation on PLR data enabling it to be used for research purposes.

In the absence of research analysis which conclusively proves the movement of registered private tenancies into the short term lets market and vice versa, comparative profile analysis of both sectors has been carried out to test patterns in the growth of each sector and to assess scope for potential cross movement.

5.1 Analysis of the Short-Term Lets Market

Arneil Johnston assembled a dataset of short term let advertised vacancies across Argyll & Bute using AirBnB sites, holiday letting sites and other local tourism websites. Data on short-term lets was assembled by address, property type, property size and rental value over a 16-week period from May 2020 to September 2020. This dataset offers helpful analysis on the extent and nature of the short term lets sector and where possible offers comparison to the private rented sector by HMA.

5.1.1 Short term lets by HMA

In several Housing Market Areas in Argyll and Bute including Bute, Coll & Tiree, Cowal, Kintyre and Mid Argyll; the concentration of short term lets and PRS registrations is relatively similar. Table 5.1 details the Housing Market Areas where the proportion of PRS properties greatly outweighs the proportion of short term lets, namely Helensburgh and Lomond (21% to 3%) and Lorn (22% to 8%).

Both Housing Market Areas are centered around major residential settlements in Argyll and Bute, where demand for permanent rented accommodation is significant. Furthermore, there would appear to be no correlation between the growth of the PRS between 2012 – 2020 (40% in Lorn and 11% in Helensburgh & Lomond) and the scale of the market for short term lets.

¹⁶ Impact of short term lets on communities across Scotland, Scottish Government: 2019

Property Size	Short term lets sample 2020	PRS Registrations 2020
Bute	10%	9%
Coll & Tiree	2%	1%
Cowal	15%	18%
Helensburgh & Lomond	3%	21%
Islay, Jura and Colonsay	20%	4%
Kintyre	8%	8%
Lorn	8%	22%
Mid Argyll	10%	12%
Mull & Iona	24%	4%
Total	100%	100%

Table 5.1: % Concentration of PRS & Short-term Lets (Source: PLR May 2020 and Short-term Let snapshot 2020)

Conversely, there is a larger proportion of short term lets to PRS registrations in Mull & Iona (24% to 4%) and Islay, Jura & Colonsay HMAs (20% to 4%). Whilst both HMAs are centers for tourism and demand for short term accommodation is likely to be significant; pressures on settled accommodation for the resident population in each area is likely to be considerable.

5.1.2 Short term lets by HMA and property size

Both short-term lets and PRS sectors predominantly offer properties that comprise 1 or 2 bedrooms, with 59% of all short term lets and 76% of PRS properties in this size category.

Property Size	Total Lets	1 Bedroom	2 Bedroom	3 Bedroom	4 Bedroom	5+ Bedroom
Bute	36	36%	42%	19%	3%	0%
Coll & Tiree	8	38%	25%	25%	13%	0%
Cowal	55	13%	44%	25%	11%	7%
Helensburgh & Lomond	9	33%	33%	0%	11%	22%
Islay, Jura & Colonsay	72	21%	21%	36%	18%	4%
Kintyre	31	23%	35%	19%	19%	3%
Lorn & Inner Isles	30	23%	27%	37%	10%	3%
Mid Argyll	35	26%	29%	14%	17%	14%
Mull & Iona	90	41%	29%	26%	3%	1%
Grand Total	366	28%	31%	26%	11%	5%

Table 5.2: % Short term lets by property size

Having said this, the short term lets market would appear to have a higher proportion of properties that offer 3 or more bedrooms, presumably catering for the larger family/group holiday market.

Property Size	Total Lets	1 Bedroom	2 Bedroom	3 Bedroom	4 Bedroom	5+ Bedroom
Bute	44	50%	30%	18%	0%	2%
Coll & Tiree	3	67%	0%	0%	0%	33%
Cowal	174	29%	48%	18%	3%	1%
Helensburgh & Lomond	471	30%	45%	20%	4%	1%
Islay, Jura & Colonsay	7	29%	29%	29%	14%	0%
Kintyre	52	52%	27%	21%	0%	0%
Lorn & Inner Isles	208	37%	42%	18%	3%	0%
Mid Argyll	94	14%	52%	31%	3%	0%
Mull & Iona	22	23%	41%	32%	5%	0%
Grand Total	1075	32%	44%	20%	3%	1%

Table 5.3: % PRS registered tenancies by size

5.1.3 Short term lets by HMA and property type

Comparative analysis of the property type profile for Short-term Lets and the PRS shows some differences in the property profile for both. Whilst both markets are predominantly made up of houses (77% in the Short-term Let sample, 56% in the PRS), there is an abundance of cottages in the short-term lets sector (41%).

Property Type	% Short term Lets	Property Type Category
Apartment/Flat	19%	Flats = 19%
Bungalow	3%	Houses = 77%
House	33%	
Cottage	41%	
Cabin/Pod/Hut	3%	Other dwellings = 4%
Room	1%	
	100%	100%

Property Type	% PRS Lets	Property Type Category
Flat	32%	Flats = 38%
4-in-a-block	4%	
Maisonette	2%	
House	51%	Houses = 56%
Bungalow	5%	
Other	6%	Other dwellings = 6%
	100%	100%

Table 5.4: Property type profile in the PRS (Source: HNDA Household Survey 2019 and 2020 Short-term Lets snapshot)

Furthermore, there is a higher concentration of flats in the private rented sector (38%) than in the short term let sector (19%). Whilst there is some potential for cross movement given the broad

similarities in the property type profile across both sectors, the specific dwelling types which characterise each would suggest that there are clear differences in each market.

5.1.4 Short term lets by HMA and STL Market

Across the short-term let market in Argyll and Bute generally there is a greater proportion of AirBnB listings in comparison to advertised holiday lets. Despite this, there is no real trend or relationship between the percentage of AirBnB properties and the percentage of PRS units by HMA.

If there is evidence of cross-over between each sector, it would be reasonable to assume that HMAs which have healthy private rented sectors could potentially have healthy AirBnB markets. The Helensburgh and Lomond and Lorn HMAs would however dispute this logic. Table 5.5 illustrates that both HMAs have a short-term let market which is comparatively smaller than the PRS in the area and in both instances, the short-term let market is dominated holiday lettings not AirBnB vacancies.

Some short-term let markets in Argyll & Bute almost exclusively comprise AirBnB listings including Islay, Jura & Colonsay (99%), Kintyre (87%) and Mull & Iona (83%). Given the disproportionately greater size of the short-term let market in Islay, Jura & Colonsay and Mull & Iona, it may well be the case that tenancies have flipped from the PRS into the AirBnB market.

Property Size	Number of STL Listings	% STL sample by HMA	% Holiday Lettings	% AirBnB Listing	% PLR units by HMA
Bute	36	10%	22%	78%	9%
Coll & Tiree	8	2%	0%	100%	1%
Cowal	55	15%	80%	20%	18%
Helensburgh & Lomond	11	3%	36%	64%	21%
Islay, Jura & Colonsay	72	20%	1%	99%	4%
Kintyre	31	8%	13%	87%	8%
Lorn & Inner Isles	30	8%	80%	20%	22%
Mid Argyll	35	10%	66%	34%	12%
Mull & Iona	90	24%	17%	83%	4%
Grand Total	368	100%	33%	67%	100%

Table 5.5: Profile of AirBnB lets within the Short-term Lets Sector in each HMA (Source: 2020 Short-terms lets Snapshot)

5.1.5 Short term lets by Rental Value

The yield associated with the short-term let market is substantial in comparison to the monthly rents achieved in the Argyll & Bute PRS. A comparison of weekly rental values reveals that on average, rates for short-term lets are almost 6 times higher than PRS rents (5.9 times higher).

Table 5.6 illustrates that in the Kintyre HMA (8.2 times higher) and Islay, Jura & Colonsay HMA (9.8 times higher); the premium on short term lets is substantially higher than in the PRS. This

yield may well have motivated PRS landlords to flip properties into the short-term let market as both HMAs have disproportionately large short-term sectors relative to the local PRS.

HMAs with the highest PRS rent levels (Helensburgh & Lomond and Lorn) have a short term let yield relatively consistent with the rest of Argyll & Bute and a comparatively smaller short-term let sector. This analysis would suggest that in some areas where PRS rents are low, landlords are attracted to the AirBnB model. Elsewhere, where PRS rents are competitive, it would appear that landlords are less inclined to flip sectors.

Short Term Lets Weekly Rents	1 Bedroom	2 Bedroom	3 Bedroom	4 Bedroom	5+ Bedroom	Average Rent PW
Bute	£ 412.23	£ 545.67	£ 711.71	£ 1,050.00		£ 543.78
Coll & Tiree	£ 770.00	£ 507.50	£ 525.00	£ 1,050.00		£ 678.13
Cowal	£ 266.00	£ 357.29	£ 332.57	£ 558.17	£ 2,037.25	£ 483.47
Helensburgh & Lomond	£ 330.75	£ 728.50		£ 639.00	£ 1,869.50	£ 956.13
Islay, Jura & Colonsay	£ 619.93	£ 703.73	£ 897.96	£ 1,646.08	£ 1,890.00	£ 975.99
Kintyre	£ 1,510.14	£ 673.73	£ 839.00	£ 881.33	£ 1,269.00	£ 953.97
Lorn & Inner Isles	£ 667.00	£ 567.75	£ 703.45	£ 1,063.00	£ 1,846.00	£ 732.80
Mid Argyll	£ 574.22	£ 659.20	£ 512.20	£ 602.50	£ 2,276.20	£ 837.63
Mull & Iona	£ 582.78	£ 637.00	£ 655.61	£ 542.67	£ 1,750.00	£ 628.69
Average	£ 611.62	£ 576.39	£ 685.61	£ 1,030.18	£ 1,988.47	£ 728.90

PRS Weekly Rents	1 bedroom	2 bedroom	3 bedroom	4 bedroom	Average Rent PW	Ratio STL:PRS Rents
Bute	£74.28	£97.54	£125.48	£219.56	£118.23	↓ 4.6
Coll & Tiree	£96.33	£123.40	£145.58	£219.56	£136.24	↓ 5.0
Cowal	£66.73	£111.20	£120.18	£167.31	£106.43	↓ 4.5
Helensburgh & Lomond	£89.49	£129.71	£172.14	£275.02	£151.17	→ 6.3
Islay, Jura and Colonsay	£85.74	£103.85	£103.85	£118.27	£99.49	↑ 9.8
Kintyre	£77.62	£99.89	£108.57	£219.56	£116.65	↑ 8.2
Lorn	£111.61	£133.08	£142.36	£192.53	£138.24	↓ 5.3
Mid Argyll	£86.32	£116.14	£121.55	£150.00	£112.07	→ 7.5
Mull & Iona	£85.27	£113.59	£110.44	£150.00	£108.91	↓ 5.8
Average	£89.45	£123.40	£134.58	£219.56	£122.79	↓ 5.9
Ratio STL:PRS Rents	↑ 6.8	↓ 4.7	↓ 5.1	↓ 4.7	→ 5.9	

Table 5.6: Comparison of weekly rental values in Short-term Let and PRS markets by HMA and property Size

5.2 Short term lets analysis: Findings

Key headlines from the analysis of the short term let market in Argyll & Bute include:

- In most Housing Market Areas in Argyll and Bute (e.g. Bute, Coll & Tiree, Cowal, Kintyre and Mid Argyll) the concentration of short term lets and PRS registrations is relatively similar
- The proportion of PRS properties greatly outweighs the proportion of short term lets in the Helensburgh and Lomond (21% to 3%) and Lorn HMAs (22% to 8%). Both areas have high concentrations of PRS properties and competitive PRS rents
- Both short-term lets and PRS sectors predominantly offer properties that comprise 1 or 2 bedrooms, with 59% of all short term lets and 76% in these size categories
- The short term let market has a higher proportion of 3+ bedroom properties
- Whilst there is some potential for potential cross movement amid the broad similarities in the property type profile of both sectors, the specific dwelling types which characterise each sector

would suggest that there are clear differences in each market. For example, there is an abundance of cottages in the short-term lets sector (41%)

- Generally, in each HMA, there is a greater proportion of AirBnB listings in comparison to advertised holiday lets. Despite this, there is no real trend or relationship between the percentage of AirBnB properties and the percentage of PRS units by HMA
- Some short-term let markets in Argyll & Bute almost exclusively comprise AirBnB listings including Islay, Jura & Colonsay (99%), Kintyre (87%) and Mull & Iona (83%). Given the disproportionately large size of the short-term let market in Islay, Jura & Colonsay and Mull & Iona, it may well be the case that tenancies have flipped from the PRS into the AirBnB market
- A comparison of weekly rental values reveals that on average, rates for short-term lets are almost 6 times higher than PRS rents (5.9 times higher)
- The premium on short term lets is substantially higher than in the PRS in the Kintyre HMA (8.2 times higher) and Islay, Jura & Colonsay HMA (9.8 times higher). This yield may well have motivated PRS landlords to flip properties into the short-term let markets as both HMAs have a disproportionately large short-term sector relative to the local PRS
- Elsewhere, where PRS rents are competitive (i.e. the Helensburgh & Lomond & Lorn HMAs), it would appear that landlords are less inclined to flip sectors.

6 Key Findings and LHS Questions

As part of the development process underpinning the preparation of the 2021-26 Local Housing Strategy in Argyll & Bute, the Council commissioned research analysis to build a credible understanding of the operation of the Private Rented Sector at a local level. In order to scope and prioritise actions that will improve the operation of the local housing system, the analysis seeks to:

- assess the current size, shape and turnover of the PRS in Argyll & Bute, tracking the extent to which the PRS may have changed in operation and function since the last LHS (2016-2020) and since a major research study into the PRS in Argyll & Bute in 2014
- track the short-medium term impact of Covid-19 on the operation of the PRS across Argyll & Bute and define potential implications for the sector longer term
- measure the current affordability of the private rented sector across sub-market areas and relative to other housing tenures
- understand the impact of the growth of short term lets in Argyll & Bute and the interaction of this market with the PRS.

6.1 Conclusions: Headline Findings on PRS Operation

This briefing paper details the outcomes of analysis into the operation of the Argyll & Bute PRS in 2020 in terms of its profile, customer base, affordability, Covid-19 impact and interaction with the short term lets market. This insight and intelligence will be instrumental in identifying the LHS strategy actions required to ensure the successful operation of the private rented sector across Argyll & Bute.

6.1.1 PRS Profile in 2020

Based on comparative analysis of household survey data from 2013 – 2019, headlines on the operation of the private rented sector in Argyll & Bute in 2020 include:

- The PRS in Argyll & Bute accommodates 12.5% of households living in the area
- The PRS has increased by 19% from 4,885 registered dwellings in 2013 to 5,824 in 2020
- Major increases in the PRS are evident in specific sub-market areas including Cowal (22%), Lorn (40%) and Mull & Iona (20%)
- Argyll & Bute has a higher proportion of dwellings in the PRS which are houses (60%) as opposed to flats (40%), which is the inverse of the national PRS dwelling profile
- The PRS in Argyll & Bute is dominated by 1-bedroom (25%) and 2-bedroom properties (43%)
- 19% of PRS tenants in 2019 report outstanding maintenance requirements in their home, a decrease of over 20% since 2013. This may suggest an improving profile in terms of property condition
- The proportion of households in fuel poverty in the PRS (37%) is lower than the proportion of all households in fuel poverty in Argyll & Bute (42%)
- In terms of household composition, the PRS in Argyll & Bute mostly accommodates single person (36%) and two-person households (36%)

- There have been notable decreases in the number of families residing in the sector since 2013 and a significant increase in the number of 3+ adult households. This latter trend may indicate that household formation is restricted by a lack of housing options in specific sub-market areas
- 71% of households residing in the PRS in Argyll & Bute are in employment, with 2/3 in full-time employment
- 15% of households in the PRS in Argyll & Bute rely on LHA to subsidise their housing costs
- 64% of PRS tenants in Argyll in Bute have lived in their current property for more than five years
- 57% of respondents in 2018/19 indicate that they don't want or need to move in the next two years, a reduction of 17% since 2013
- Levels of satisfaction with current home have increased from 75% in 2013 to 89% in 2019, with the proportion of PRS tenants very satisfied, increasing by 20% from 38% to 58%
- High satisfaction rates coupled with increasing tenancy durations can lead us to conclude that the PRS in Argyll & Bute is a sustainable and effective housing tenure for many local households.

6.1.2 2020 Argyll & Bute Landlord Survey

As a supplement to the main research PRS analysis, a survey of private landlords was issued by Argyll & Bute's Landlord Registration Team in June 2020. The survey was intended to provide updated intelligence on the profile of PRS dwellings held locally, with landlords asked to disclose details of their property portfolios including property size, locality and monthly rental value. The survey also asked landlords to share their views on the prospects for the sector in the context of the Covid-19 pandemic and to express their future intentions as registered landlords.

In total, 275 surveys were completed and returned during the 3-week consultation period. Key headlines from the survey are as follows:

- Fifty-eight per cent of all landlords only owned a single dwelling for rent, whilst a minority of landlords (1%) own large portfolios of more than 50 properties
- More than one-third of all landlords has let property for more than 10 years
- Around one third (31%) of dwellings owned by landlords were located in Mid Argyll and Kintyre and one quarter (28%) of dwellings owned by landlords were located in Helensburgh & Lomond
- Almost 19% of landlords owned properties out with Argyll & Bute, these are located primarily within Glasgow and North Ayrshire
- According to the landlord survey sample, 2-bedroom properties are the most common size of property comprising 47% of all PRS properties across Argyll & Bute, followed by 1-bedroom and 3-bedroom properties at 24% respectively
- Whilst the majority of landlords expect that there will be no impact, around one quarter (23%) anticipate that there will be short-term impacts from Covid-19 that could affect them continuing to let property as a registered private landlord
- Whilst the majority of landlords (88%) did not anticipate that they would leave the sector, 4% did indicate that they will lower the rent on their properties.

6.1.3 The Affordability of the PRS across Argyll & Bute

Extensive analysis of housing affordability in the PRS across Argyll and Bute relative to local incomes and alternative housing tenures reveals that:

- Argyll & Bute has the 2nd lowest average market rents (1-4 bed) when compared to surrounding Broad Rental Market Areas (BRMAs). Market rents are -18% lower than average market rents for Scotland.
- The average market rent in Argyll & Bute is £532.11 per month. This varies across property sizes from £365.75 for a shared property to £951.43 for a 4-bed property. Helensburgh & Lomond has the highest average market rent at £655.08 per month.
- The Local Housing Allowance (LHA) for Argyll and Bute is almost equal to market rent levels. On average, market rents are just 1% higher than the LHA rate. Whilst all market rents by property sizes exceed the LHA rate in Argyll & Bute; so particularly for 1-bedroom (10% lower) and 2-bedroom properties (7% lower), this is a smaller margin than other local authority areas in Scotland where market rents can be as much as 20-30% higher than subsidy levels.
- As LHA levels sit very close to PRS market rent levels, in order for Mid-Market Rent to make a meaningful contribution to affordability locally, MMR rents would require to be set under the LHA threshold and in the region of 85-90%.
- The median income for Argyll & Bute is £29,418, similar to the median income for Scotland at £30,666. However, 42% of households in Argyll & Bute earn less than <£25K per annum with the lower quartile income being £16,673.
- Based on the lower quartile income benchmark in Argyll & Bute (£16,673), at a 30% income to rent ratio, annual average market rents in Argyll & Bute require to be no more than £5,001 per annum. As the average annual PRS rent clearly exceeds this at £6,385, evidence suggests that PRS rents are unaffordable to households on low incomes in Argyll & Bute.
- A household earning around £21.3K would be able to afford the average Argyll & Bute market rent if they were devoting 30% of their income to housing costs. This is significantly below the median income for Argyll & Bute at £29.4k but significantly beyond the lower quartile income for Argyll & Bute at £16.6K. This clearly suggests that households relying on minimum income measures will struggle to afford PRS rents at sustainable levels.
- Whilst RSL rents are affordable for 4/5 households in Argyll & Bute, market rents are only affordable to 2/3 households, and generally out of reach for those households on lower incomes. Almost 50% of households in Argyll & Bute cannot afford to access Low Cost Home Ownership (LCHO), new supply shared equity and lower quartile market housing.
- Whilst mid-market rent improves affordability for 5% of households who cannot afford the PRS across Argyll & Bute, it improves affordability for 9% of households in Helensburgh & Lomond and 6% in Lorn.
- A single person household on universal credit living in a 1 or 2-bedroom property would need to devote between 38% and 40% of income to rent. Single parent households would need to devote between 40% and 51% of their income to housing costs. This illustrates that market rents within Argyll & Bute are generally not affordable to households where only 1 person is earning.

6.1.4 The impact of Short Term Lets on the PRS

Key headlines from the analysis of the short term let market in Argyll & Bute include:

- In most Housing Market Areas in Argyll and Bute (e.g. Bute, Coll & Tiree, Cowal, Kintyre and Mid Argyll) the concentration of short term lets and PRS registrations is relatively similar
- The proportion of PRS properties greatly outweighs the proportion of short term lets in the Helensburgh and Lomond (21% to 3%) and Lorn HMAs (22% to 8%). Both areas have high concentrations of PRS properties and competitive PRS rents
- Both short-term lets and PRS sectors predominantly offer properties that comprise 1 or 2 bedrooms, with 59% of all short term lets and 76% in these size categories
- The short term let market has a higher proportion of 3+ bedroom properties
- Whilst there is some potential for potential cross movement amid the broad similarities in the property type profile of both sectors, the specific dwelling types which characterise each sector would suggest that there are clear differences in each market. For example, there is an abundance of cottages in the short-term lets sector (41%)
- Generally, in each HMA, there is a greater proportion of AirBnB listings in comparison to advertised holiday lets. Despite this, there is no real trend or relationship between the percentage of AirBnB properties and the percentage of PRS units by HMA
- Some short-term let markets in Argyll & Bute almost exclusively comprise AirBnB listings including Islay, Jura & Colonsay (99%), Kintyre (87%) and Mull & Iona (83%). Given the disproportionately large size of the short-term let market in Islay, Jura & Colonsay and Mull & Iona, it may well be the case that tenancies have flipped from the PRS into the AirBnB market
- A comparison of weekly rental values reveals that on average, rates for short-term lets are almost 6 times higher than PRS rents (5.9 times higher)
- The premium on short term lets is substantially higher than in the PRS in the Kintyre HMA (8.2 times higher) and Islay, Jura & Colonsay HMA (9.8 times higher). This yield may well have motivated PRS landlords to flip properties into the short-term let markets as both HMAs have a disproportionately large short-term sector relative to the local PRS
- Elsewhere, where PRS rents are competitive (i.e. the Helensburgh & Lomond & Lorn HMAs), it would appear that landlords are less inclined to flip sectors.