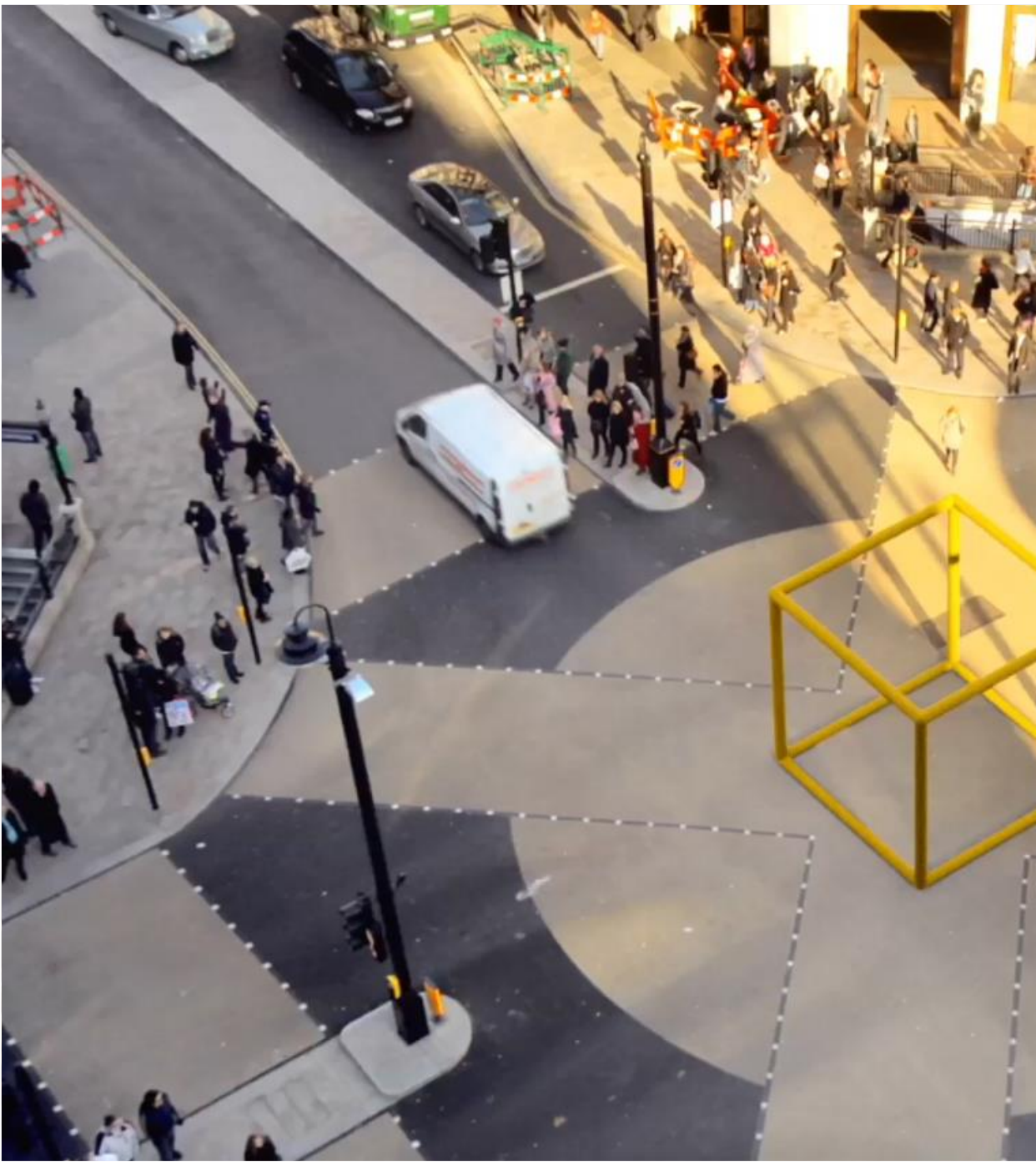




The Association of Relocation Professionals & Savills



Health & Safety

Today's Agenda

**Corporate
Services**

**Tenant
Fee Act
&
Legal
Update**

Questions

**Market
Update**

Questions

ARP

Lettings Network – London

Expanding our network :

North-East London Waterloo



Lettings Network – M25 & Major Cities

We are operating now in:

Birmingham

Edinburgh(New!)

Manchester

Cheshire

Bristol



Tenant Fee Act

1st June 2019

Theresa Wallace

Why did this come about?



Tenant Fees Act 2019

CHAPTER 4

Explanatory Notes have been produced to assist in the understanding of this Act and are available separately

Who does this apply to?

Agents



Landlords



Who does this benefit?

Tenants of ASTs and Licences to occupy*



*Please note: Companies also cannot charge their staff any fees if they give them a Licence to occupy as these will be covered under the ban.

University owned student accommodation



What is the effect?

Banned tenant fees



Credit checks &
referencing
(tenant/
guarantor)



Tenancy
Agreements



Inventory check-
ins/check-outs



Interest on
unpaid fees or
other monies due



Chasing late rent
payments



Professional
cleaning



Renewal fees



Admin charges



Requirements to
have specific
insurance providers



Right to Rent
checks

What is the effect?

Acceptable payments (exemptions to the ban)

Pre-tenancy



**Refundable
Holding deposit**



**Payments to
change the
tenancy**
(negotiating clauses)



**Refundable
tenancy deposit**
Up to five week deposit (annual
rent is less than £50,000)
Up to six week deposit (annual
rent is £50,000 or more)



**Regular rent
payment**

What is the effect?

Acceptable payments (exemptions to the ban)

During tenancy



Payments for utilities, telecoms, council tax and so on

(LLs can charge a reasonable fee to cover admin and meter maintenance. £5 per year without meter, £10 per year with meter)



Default fees

(default of contract e.g. rent arrears, lost keys)



Early termination

(Loss of rent – Landlord shouldn't be out of pocket)



Change of sharer

(£50 including VAT)

What is the effect?

Further acceptable payments

During tenancy



Cleaning Services

(if tenant chooses)



Gardening services

(if tenant chooses)



Tenancy Breaches

i.e. Damage or Pre arranged contractor or management visit – no access or cancellation



Payments to change the tenancy agreement mid tenancy

(negotiating clauses – up to £50 including VAT)

All tenant fees must be displayed on all social media posts and other advertising portals

Tenancies entered into before 1st June 2019:
No deposit refund necessary where deposit exceeds the cap unless a renewal is agreed.

The tenant is liable for any charges written into the existing TA until 31st May 2020. Providing tenants do not enter into a new fixed term renewal.

After 1st June 2020: tenant fee ban will apply to all AST tenancies or licences to occupy.

Landlords and agents will not be able to charge any fees after 1st June 2020 other than these permitted payments:

- Holding deposit – up to 1 week
- Rent
- Tenancy deposit
- Changes to a tenancy after the TA is signed
- Early termination
- Council tax, utilities etc.
- Default fees – limited to lost keys and late/non payment of rent

Renewal fees & check out fees for existing tenancies

Renewal Fees:

A renewal fee can be charged for the first renewal on current tenancies if written into the TA, but never again after this.

For any tenancies after 1st June 2019 renewal fees will be a prohibited payment and cannot be charged.

Check out fees:

Can still be charged during the transitional period (up to 31st May 2020) for tenancies entered into before 1st June 2019, if it is written in the existing TA, providing they don't agree a new fixed term.

Saturday check out:

For tenancies entered into from 1st June 2019, if a tenant chooses to check out on a Saturday, a charge can be made for this but only where the tenant has been given a reasonable alternative that does not require a fee (e.g. during office hours).

Holding Deposits (now an acceptable description)

Definition of a holding deposit:



Tenants intent – the property is taken off the market and they have 15 days to get references and signed contracts



After the 15 days

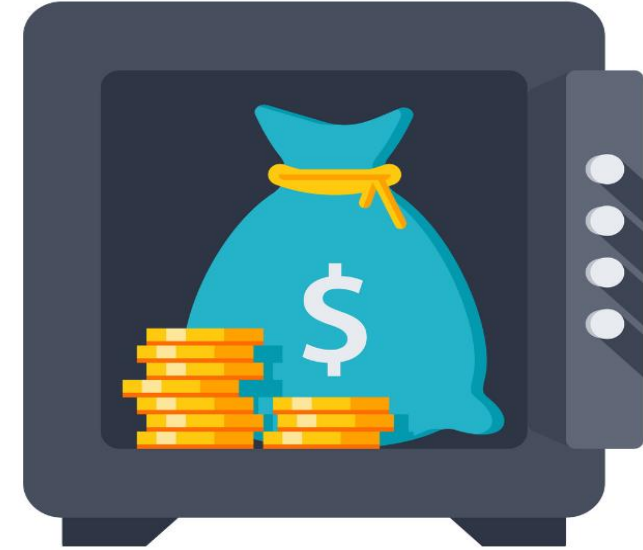
1. **Tenancy agreement signed** holding deposit used towards first rents due
2. **Tenancy not going ahead** all must be returned within 7 days providing not due to tenant delays



It cannot be treated as a substitute for a tenancy deposit

Before taking a holding deposit

- Applicants must be told the meaning of a holding deposit, the timings and the reasons they could lose their holding deposit
- Applicants must see a sample TA
- If there is a guarantor - they must also be offered the chance to see the sample TA



Before taking a holding deposit

Be clear on what is required to pass references:

- Credit worthiness requirements and the information that is needed from applicants must be explained to them really clearly. If you think the tenant won't be suitable you **must** not take a holding deposit from them.
- If the tenant has provided correct information but the landlord does not consider references to be sufficient, e.g. if they have failed, then the tenant is entitled to a full refund of the HD.
- If satisfactory references are a condition of LLs mortgage consent or insurance then the landlord will not be able to go ahead with a tenant who fails referencing and if they have provided correct information prior to referencing the holding deposit will have to be refunded.
- You must explain affordability i.e. what the referencing companies criteria is.

Consequences:

No evidence of info given to applicant = full refund of holding deposit

Holding Deposit

- You can only hold one holding deposit per property at a time
- Limited to a **max of one week's** rent. $\text{Rent} \times 12 / 52$
- Offer accepted – holding deposit taken – **take property off market** unless clear written instructions from the landlord
- Applicants and landlords have up to 15 days to complete a tenancy – this means completing references and signing the TA.



If not signed by tenant in 15 days

- Landlord can remarket
- Landlord can withdraw from contract
- Landlord can extend deadline

If not signed by landlord in 15 days

- Tenant can withdraw from contract, holding deposit must be refunded in full within 7 days

Retaining all of the Holding Deposit

It can only be retained where a tenant:

- Provides false or misleading information (mistake/evidence of false information)
- Fails the right to rent check
- Withdraws from the tenancy
- Fails to take all reasonable steps to enter into the tenancy i.e. Not providing information requested
- Guarantors

Has the applicant provided misleading information?

Misleading information:

- The applicant has declared their income as too high
- Inaccurate info about employment
- Failure to disclose CCJs

NOT misleading information:

- Applicant makes a spelling mistake
- A previous address is missed (as long as this does not affect credit)
- Income is slightly misstated

Holding Deposit

ASTs & Licenses to occupy

PTAC

NHA tenancies including company lets

Once the Tenancy Agreement is signed

Legislation – changes to the standard terms in the tenancy agreement

Specially negotiated clauses

- A tenant can be charged up to £50 (inc. VAT) for the work and administration for amending the TA **OR**
- our reasonable costs for the work if over £50
- Evidence/proof of the costs if over £50

The landlord can market his property at two rents, one with pets and one without.



Change of sharer

- Tenants can only be charged a maximum of £50, this is to cover one reference and providing a new tenancy agreement.
- Landlords will now pay if they agree to a change of sharer. It is time consuming.



Early termination

A landlord can choose to agree or not

The landlord should not suffer any financial loss

Evidence of any loss of rent or specific costs incurred must be provided

Any payment that exceeds the above is classed a prohibited payment and will have financial and legal consequences

Breaches of tenancy agreement default payments

Landlords can charge for two types of default payments during the tenancy

Loss of keys

**Reasonable costs incurred by either us or the landlord evidenced in writing.
(We can't charge for changing locks).**



Please note when tenants request extra keys for cleaners, nannies etc. they can be charged but only if they have asked for these. It must be a choice.

Late payment of rent

3% above the Bank of England base rate interest from the date the payment is due, currently this is 3.75%

0.75% current BoE base rate.

Landlord penalty charges



Any tenant breach resulting in damage will be dealt with in the same way as it is now, from the deposit or through court action.

Consequences

Local Trading Standards can issue a fine for up to £5000 for first offence.

If your first offence is a multiple breach then the fine is up to £5000 for each breach.

If you charge one tenant multiple breaches at the same time then this could result in a fine up to £30,000.

Second offences that happen within 5 years of the first will be classed a criminal offence or landlord can be fined up to £30,000 as a civil penalty and can be subject to a banning order.

As long as a prohibited payment has not been repaid,
a section 21 notice cannot be served.

What are we doing now?

**Finalised Tenancy
Agreement ready
for launch**

**Terms of Business
updated**

**9 x guides being
updated**

Website updates

Changes to posters

**Landlord and tenant
newsletters**

Tenant Utilities and media packages

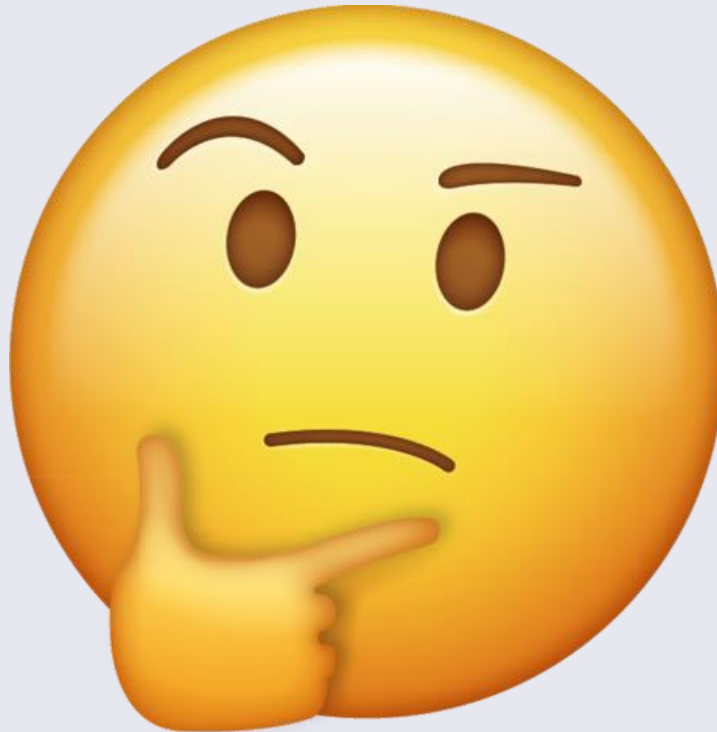


The Lettings Hub will be offering Tenants (who are referenced through them) utilities and media packages

- TLH will search the wider UK energy market to find best value gas and/or electricity tariffs
- TLH will compare the latest media offers for setting up TV, broadband and phone services
- TLH will notify council tax and water company of new occupier



Any questions?





UK Housing Market Update

Richard Valentine-Selsey

Savills Residential Research

15th May 2019

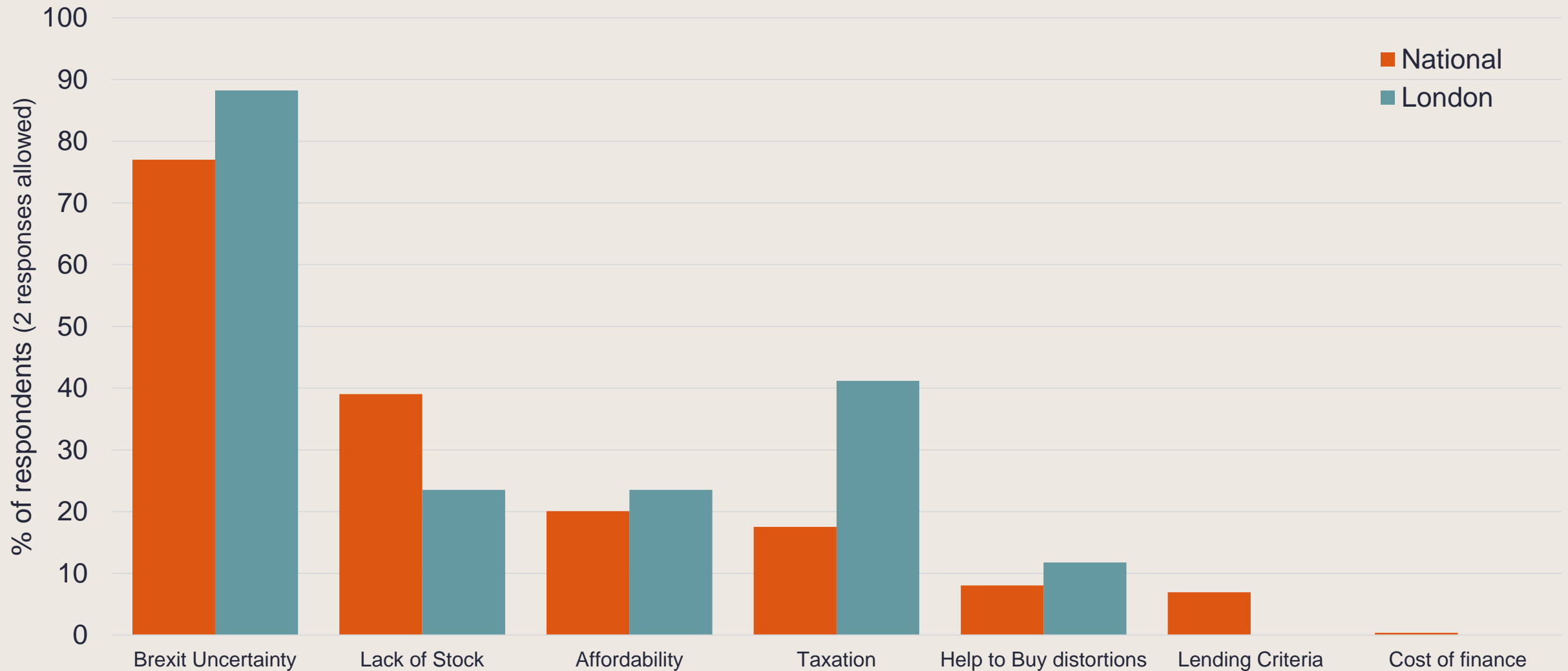
Sentiment

in the short term

In the longer term

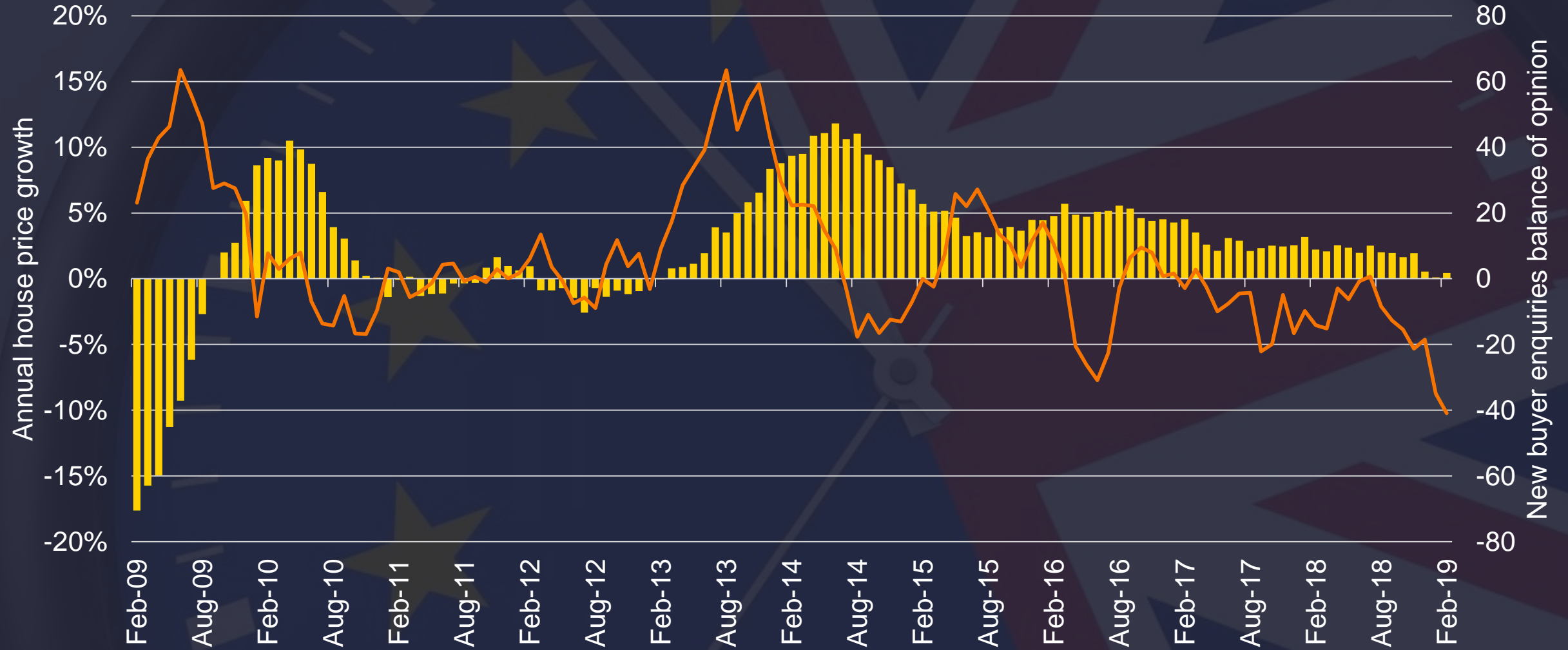
Affordability

What is the biggest challenge affecting the market?

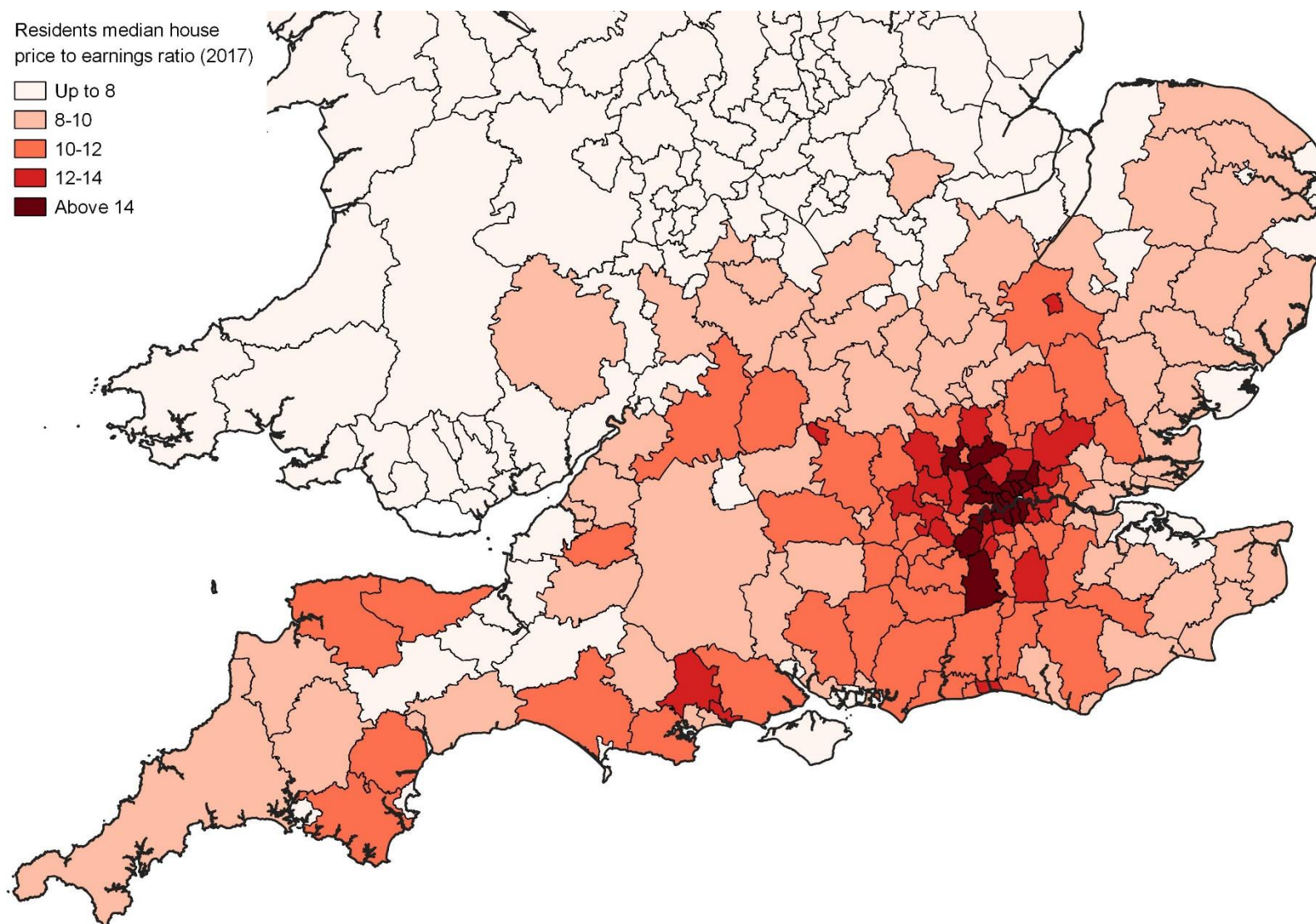


Sentiment & Brexit – slowing growth and fewer enquiries

■ Annual House Price Growth — New Buyer Enquiries



Affordability pressures are particularly acute in and around London



Which is stretching the average buyer with a mortgage



Transactions

1,287,620

in the year to June 2016

1,192,130

in the year to February 2019

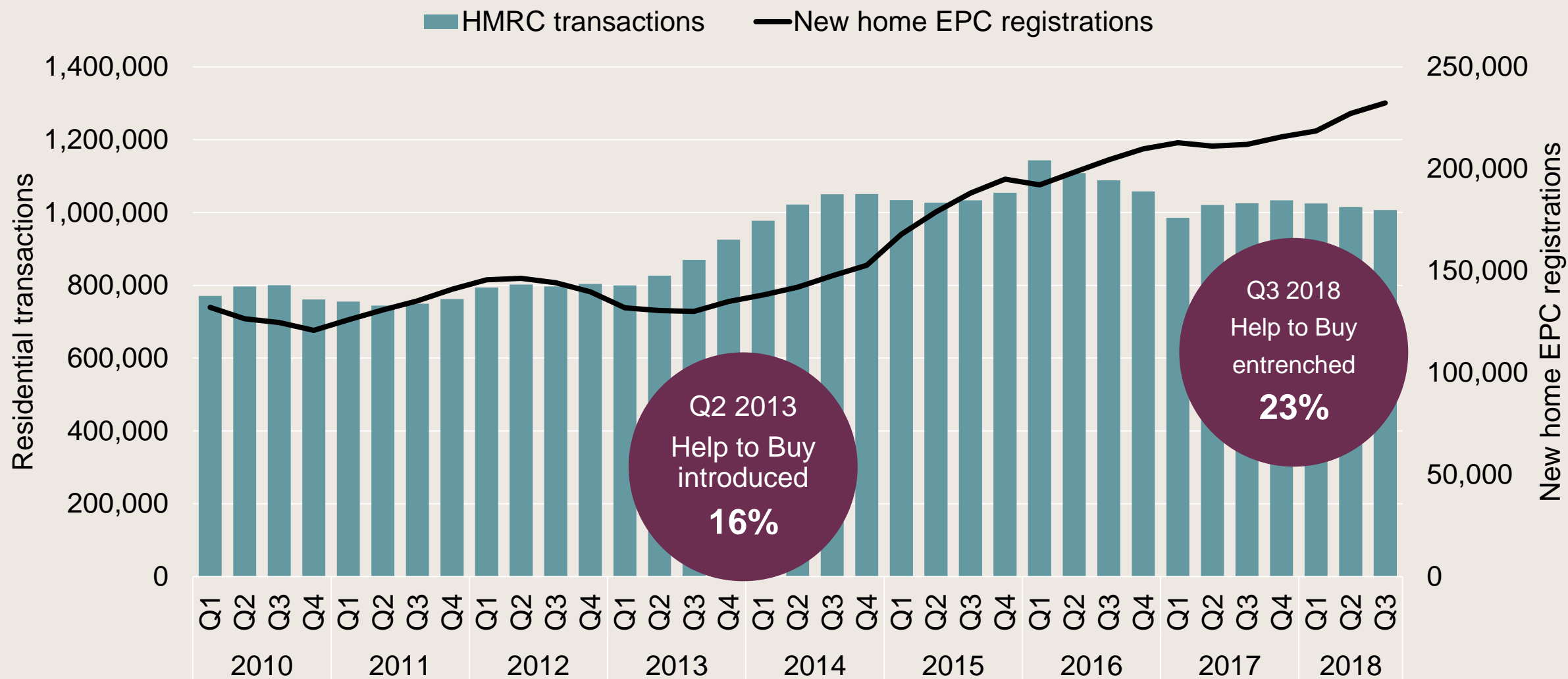
-7.4%

since the referendum



Since the
referendum

Help to Buy is accelerating new build delivery



The scale of Help to Buy in England alone

195,219

Equity Loans

with a value of
£10.7 billion

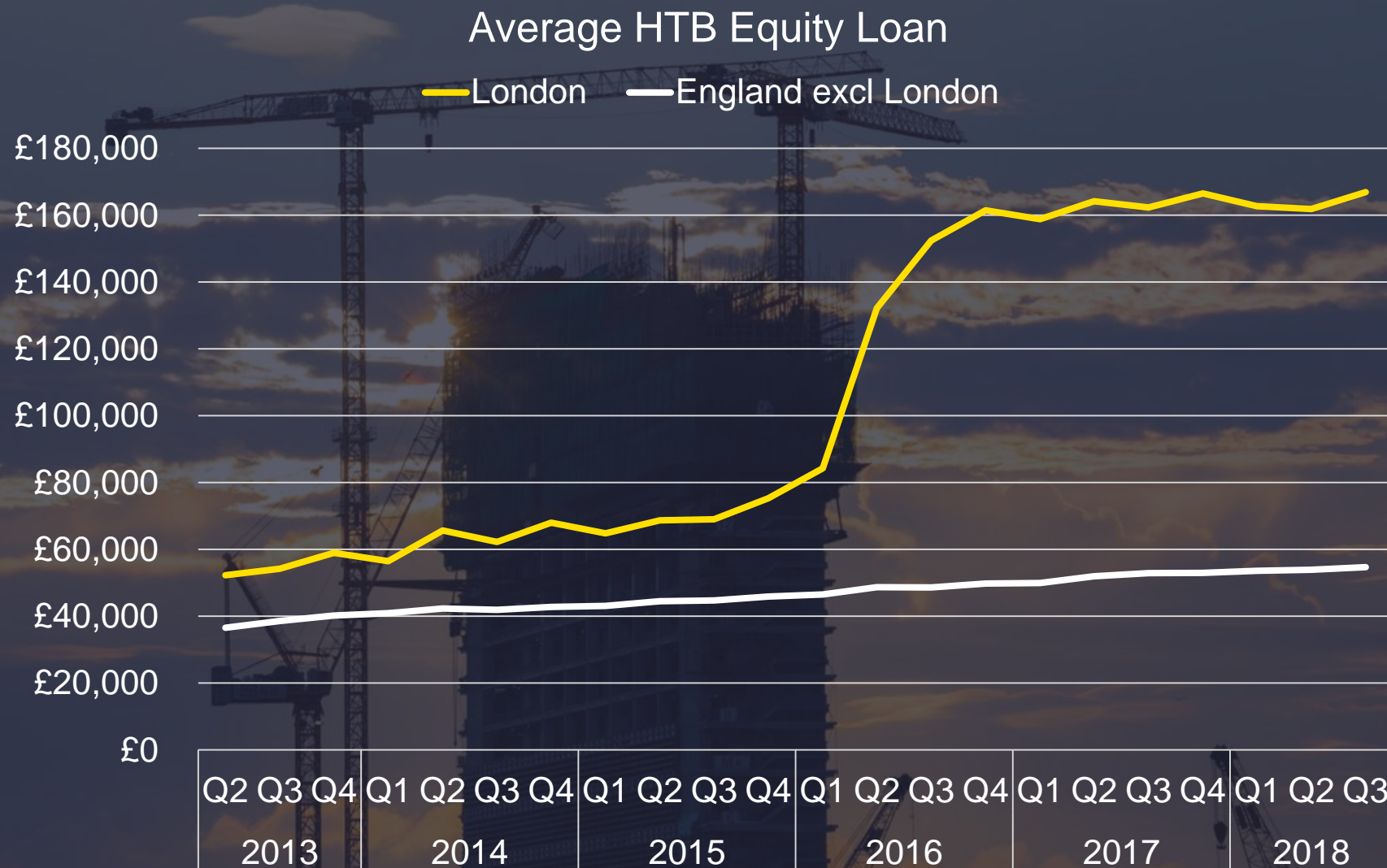
Average Equity Loan

£166,945

London

£54,722

Rest of England



But what does the future hold?



Mainstream house price forecasts 5 years 2019-2023

SCOTLAND
18.2%

NORTH WEST
21.6%

WALES
19.3%

WEST MIDLANDS
19.3%

SOUTH WEST
12.6%



NORTH EAST
17.6%

YORKSHIRE
& HUMBER
20.5%

EAST MIDLANDS
19.3%

EAST
9.3%

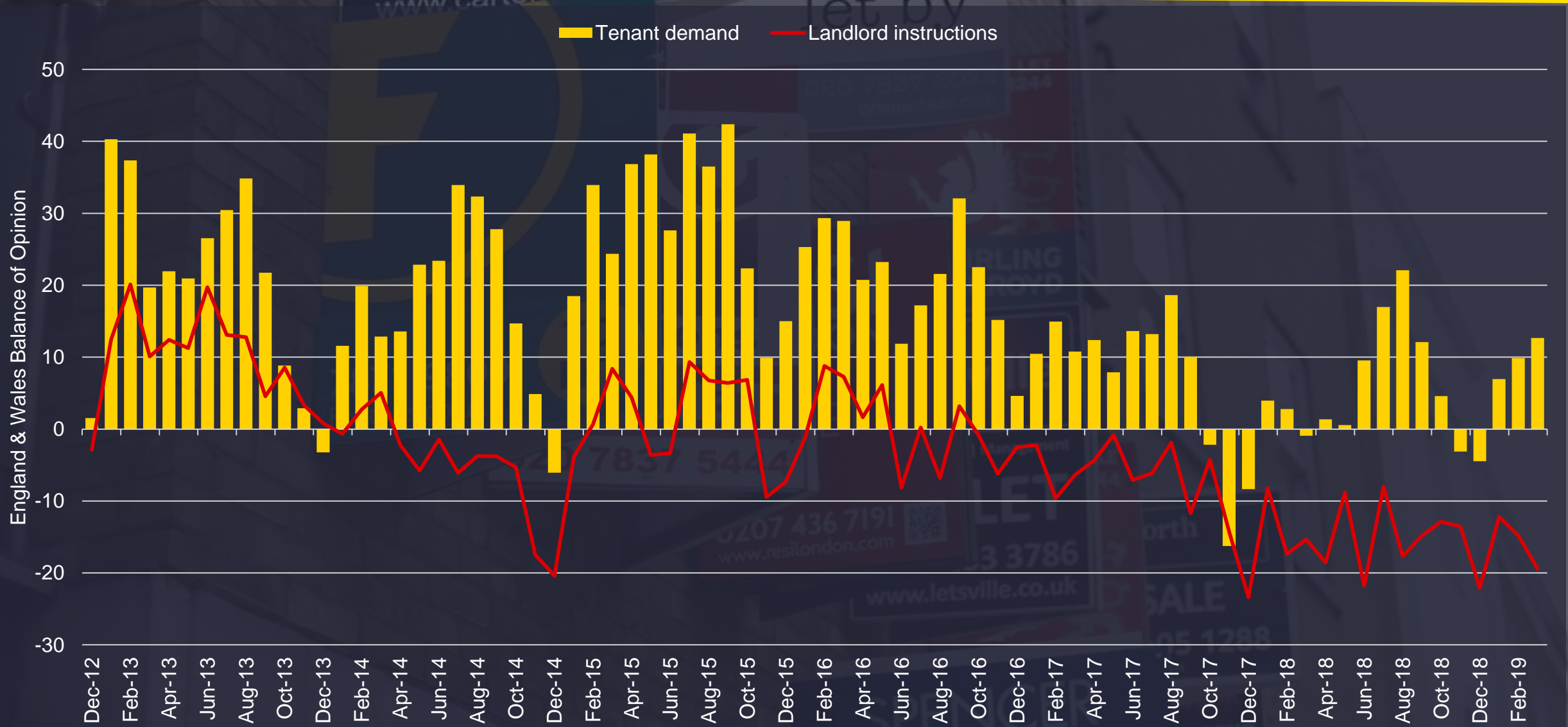
LONDON
4.5%

SOUTH EAST
9.3%

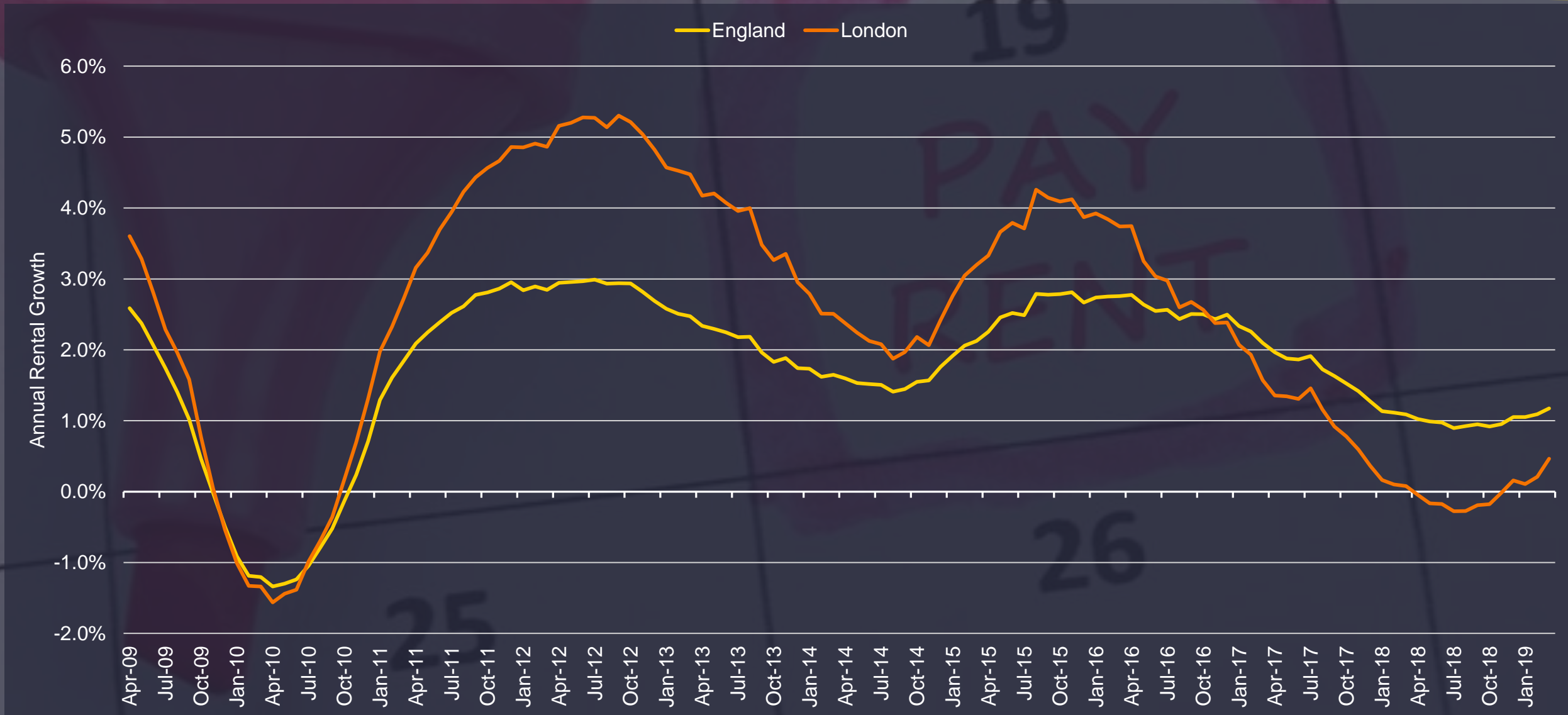
UK Rental Market

Tenant demand remains robust and landlord instructions are falling...

savills



...but limited impact on rents (so far)



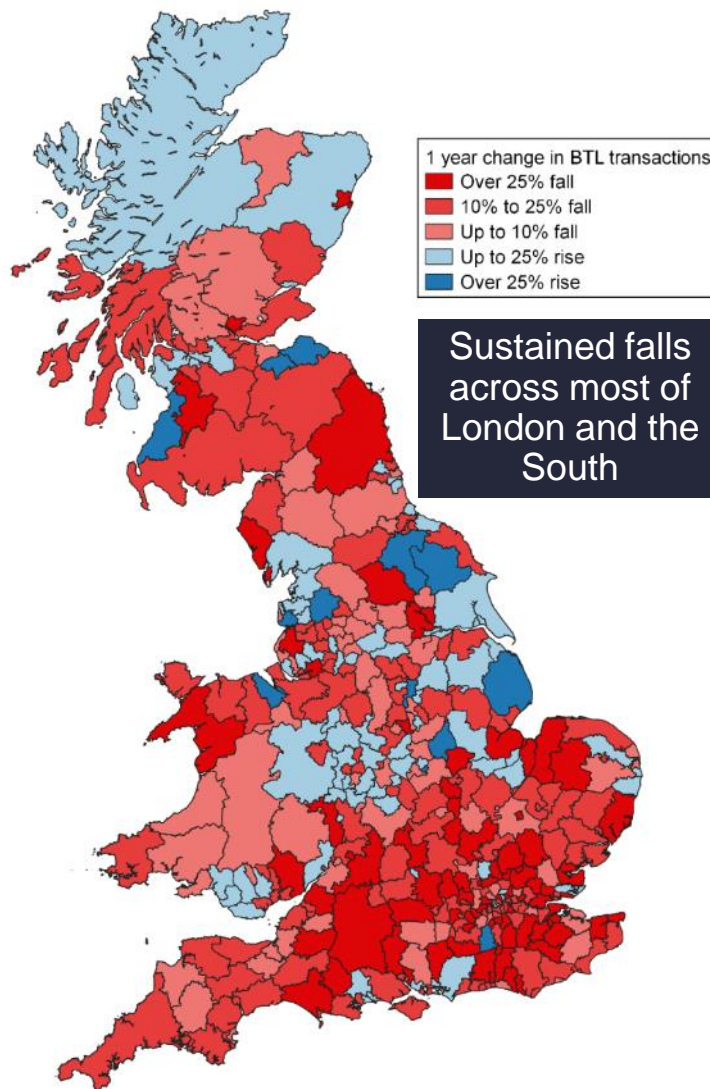
But buy to let has slowed and shifted to higher yielding markets

1.8m
outstanding
buy to let
loans (40%
of PRS)

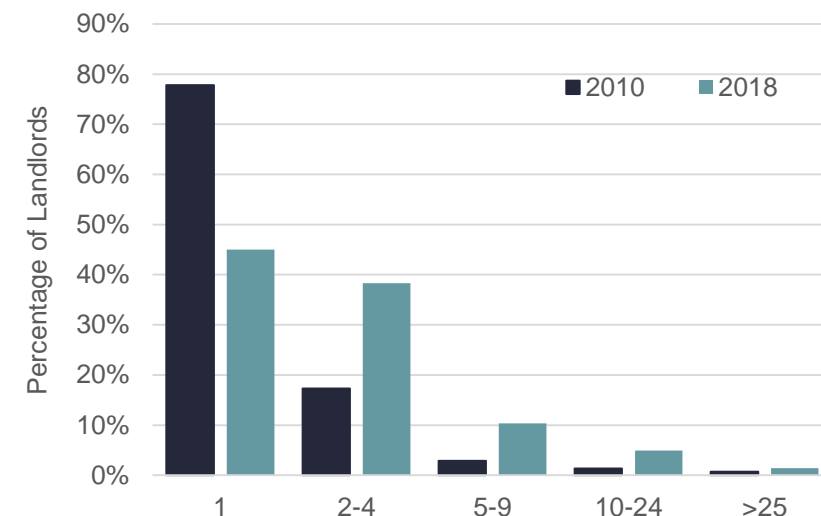
£239m
outstanding
buy to let
debt

130,000 BTL
redemptions
in past 3
years

New lending
down 53,000
loans / 45%
in past 2
years

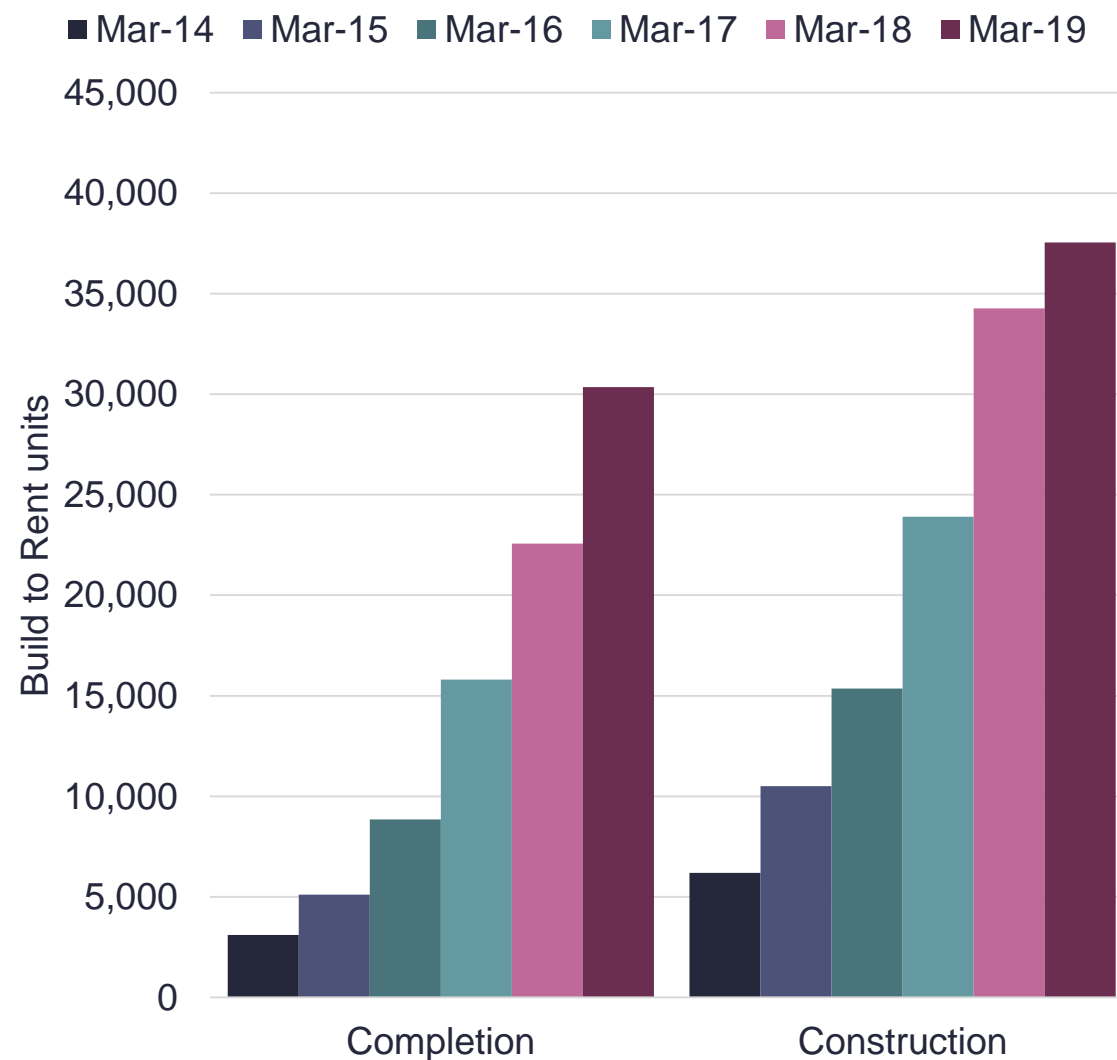
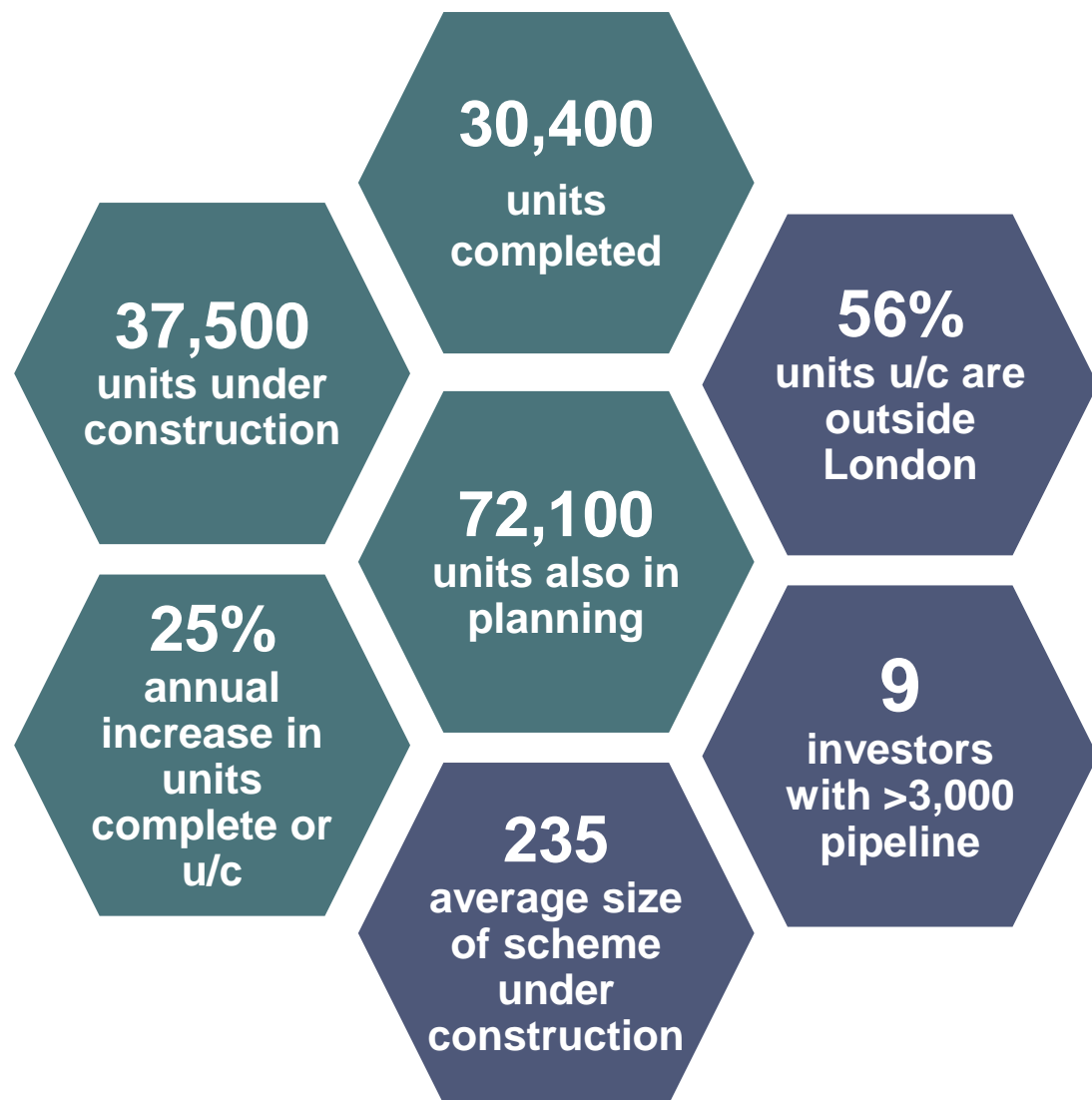


Seismic shift from individual to professional landlords

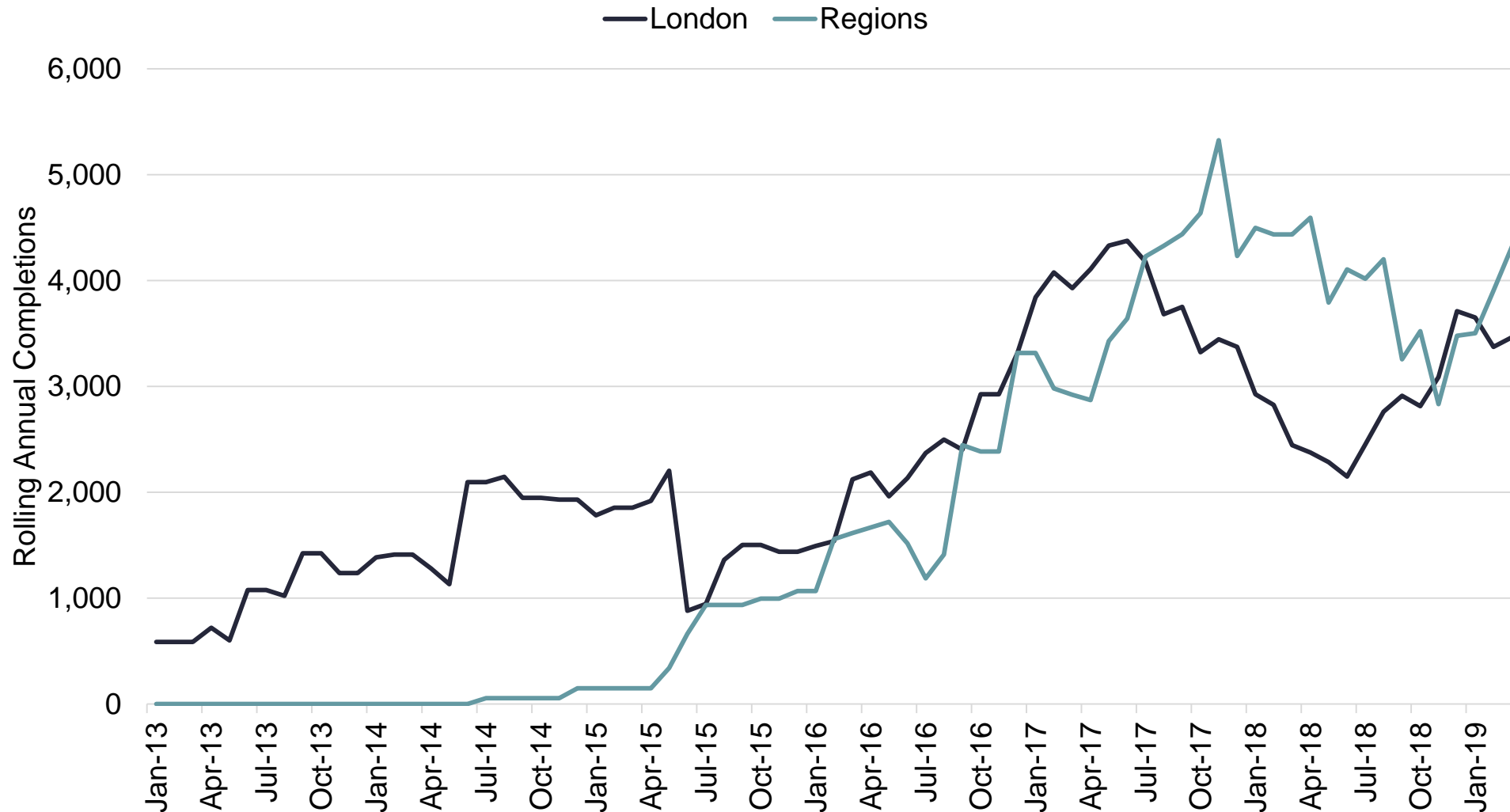


- The % of landlords with 1 property has reduced from 78% to 45%.
- The % of landlords with large portfolios has effectively doubled.

At the same time Build to Rent continues grow



Over the past 12 months delivery has shifted to the regions

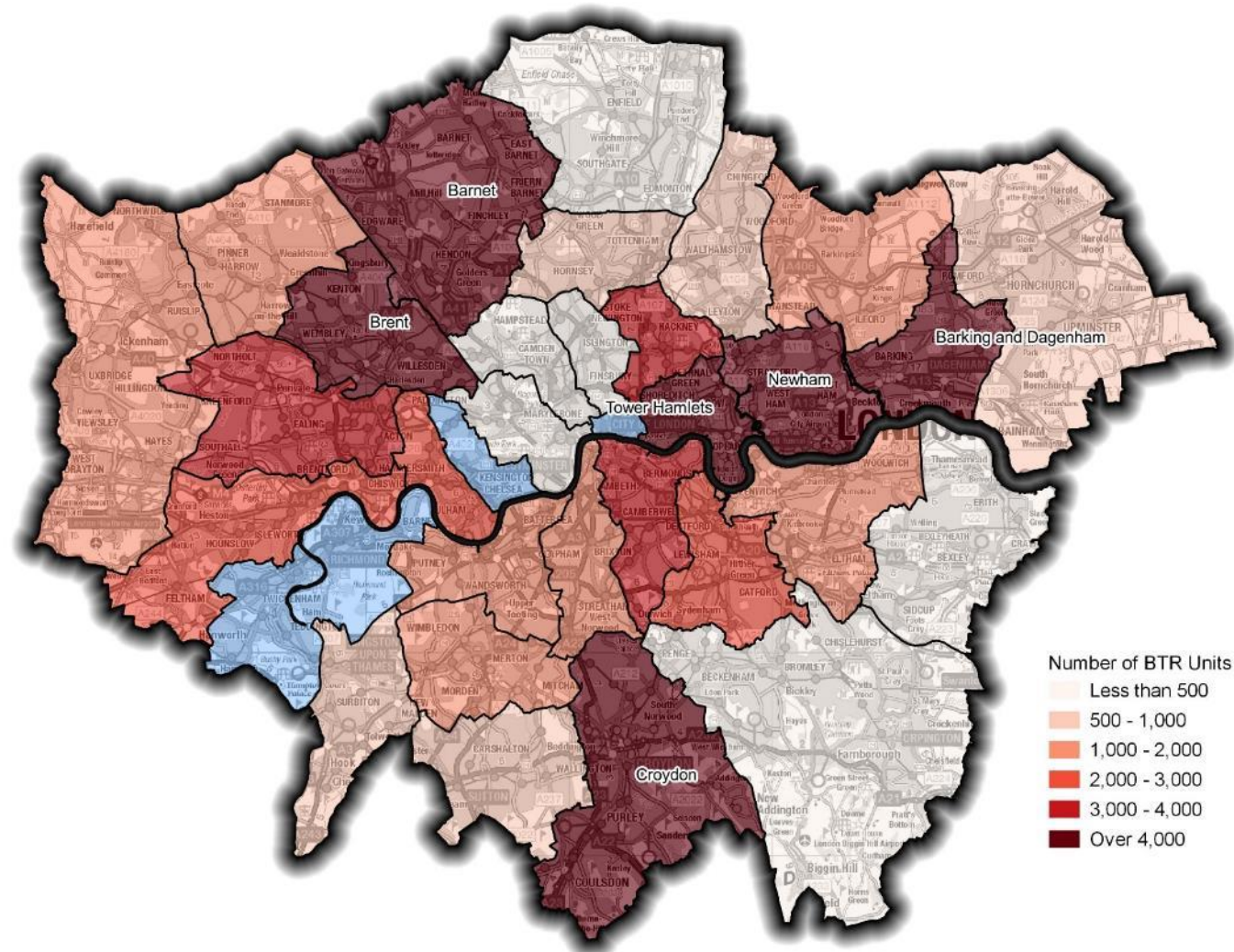
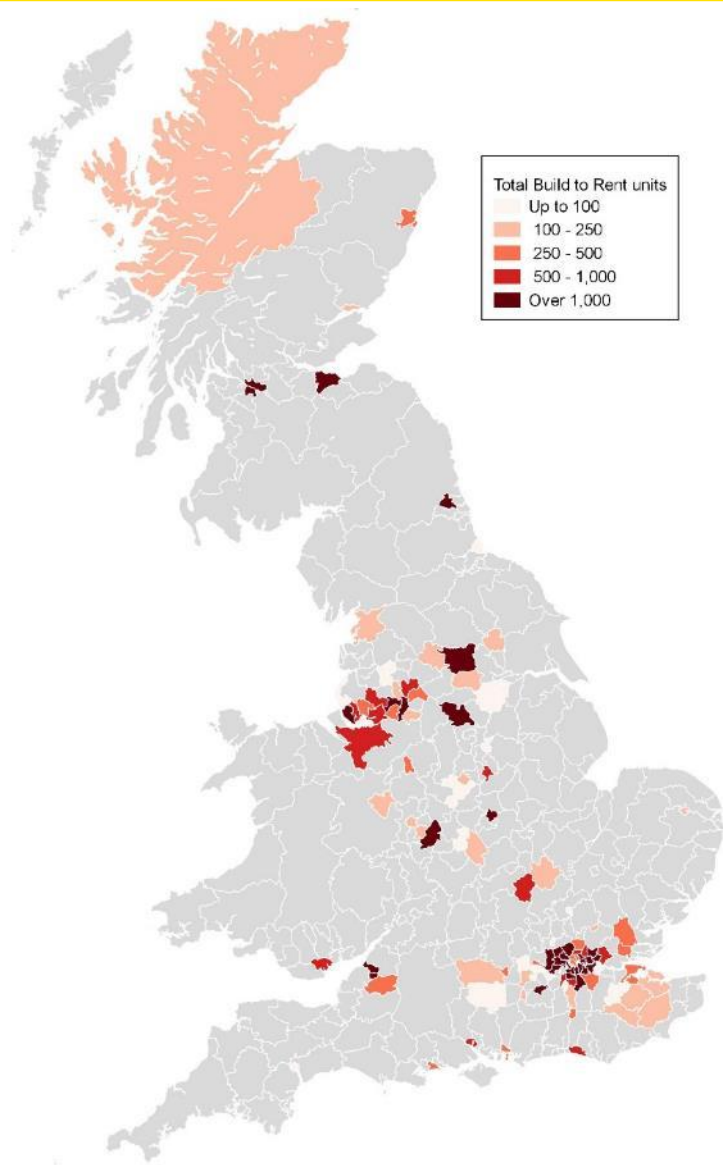


Strong demand in regional cities

Land values lower than in the capital

Less pressure on delivery of affordable

Delivery has mainly been focused on urban locations



11.5%

UK excluding London

London Mainstream

15.9%



savills

Thank you

© Savills 2019

Post 2023 with no HtB – potential drop in new homes sales of 25%?

unless mortgage market access improves

50,000 Help to Buy sales pa

35% of new homes sales

37%

Would not buy without HtB

12%

Would buy second hand

6%

Would buy the same property

45%

Would buy a different (new or s/h) property

Say 70% of 35% of sales lost =

25% of new homes sales lost

80%

buy sooner

70%

buy larger homes

Smaller homes

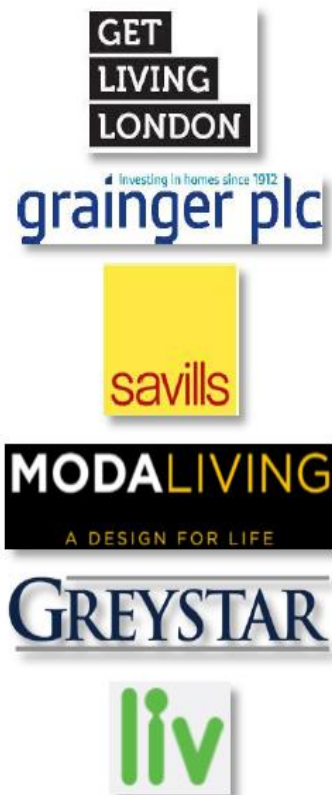
Trim new build premium?
Where can LTIs go higher?
Developer equity loans?

There are a range of key players who are active...

Investors / Investment Mangers



Operators / Operator Investors



Registered Providers



Developers / Delivery Partners

