

Cyflwynwyd yr ymateb i ymgynghoriad y [Pwyllgor Cyllid](#) ar [Cyllideb Ddrafft Llywodraeth Cymru 2025-26](#).

This response was submitted to the [Finance Committee](#) consultation on the [Welsh Government Draft Budget 2025-26](#).

WGDB_25-26(6)16: Ymateb gan: Cymdeithas y Landlordiaid Preswyl | Response from: National Residential Landlords Association



Senedd Cymru | Welsh Parliament

Y Pwyllgor Cyllid | Finance Committee

Cyllideb Ddrafft Llywodraeth Cymru 2025-26 | Welsh Government Draft Budget 2025-26

Ymateb gan National Residential Landlords Association, | Evidence from National Residential Landlords Association,

1. What, in your opinion, has been the impact of the Welsh Government's 2024-2025 Budget?

Please outline your reasons for your answer to question 1 (we would be grateful if you could keep your answer to around 500 words).

2. How financially prepared is your organisation for the 2025-26 financial year, how will inflation impact on your ability to deliver planned objectives, and how robust is your ability to plan for future years?

Please outline your reasons for your answer to question 2 (we would be grateful if you could keep your answer to around 500 words).

3. What action should the Welsh Government take to:

- help households cope with inflation and cost of living issues;
- address the needs of people living in urban, post-industrial and rural communities, including building affordable housing and in supporting economies within those communities?

(We would be grateful if you could keep your answer to around 500 words).

Wales is in the midst of a housing crisis. As in England, housing need has risen . Yet, unlike England, Wales has no overarching housing target and is set to fall short of its affordable housing target of 20,000 by 2026 without additional investment of up to £740 million. While new home completions in England increased by 15% between 1991 and 2023, housebuilding in Wales fell by 45% over the same period. This has compounded affordability issues and limited access to secure and affordable homes. Use of temporary accommodation reached a record high this year, housing 11,500 people , while nearly 140,000 people are on social housing waiting lists. Concurrently, as demand in the private rented sector rises, complex regulations and financial pressures threaten the availability of private rented homes when it is needed most.

The Future Generations Commissioner has acknowledged Wales' housing crisis and concluded that "the consequences...are a threat to achieving well-being for both current and future generations", demonstrating the urgency for comprehensive and strategic action to support long-term solutions across all tenures. We therefore urge the Welsh Government to develop a housing strategy, alongside a programme for delivery, which recognises the vital role that the private rented sector plays in providing long-term homes for those who want and need them.

Boost the supply of private rented homes to ease cost-of-living pressures

The private rented sector provides much-needed homes for 14% of households in Wales. In addition, research conducted by PwC suggests that small and medium-sized landlords (those with fewer than fifteen properties) contribute £1.6 billion of Gross Value Added (GVA) to the Welsh economy – or 1.99% of Wales' national GVA. It is further estimated that 14,000 jobs in Wales are supported by small and medium-sized landlords. The significance of Wales' private rented sector and its socio-economic impact should therefore not be underestimated.

The Welsh Government should make use of targeted measures to create a more accessible and robust private rented sector that supports the wider housing sector to reduce the need for costly, temporary accommodation and prevent homelessness. Such an approach would address immediate housing challenges while laying the groundwork for a sustainable private rented sector that meets the needs of households in Wales well into the future.

To support households grappling with inflation and rising living costs, the Welsh Government should adopt policies that stabilise and strengthen the private rented sector. Rising demand for private rented homes and insufficient supply has led to increased rental costs, impacting affordability. Research conducted by Pegasus Insights reveals that 77% of landlords operating in Wales have seen increased tenant demand in the third quarter of this year. Yet, despite this strong demand, we anticipate no growth in the sector over the next twelve months, with the number of landlords intending to sell rental properties equal to that planning to acquire. The latest available figures from Rent Smart Wales corroborate these findings, with negligible (0.67%) growth in registered properties between January and October 2024.

4. Have Welsh Government business support policies been effective, given the economic outlook for 2025-26?

(We would be grateful if you could keep your answer to around 500 words).

5. Are Welsh Government plans to build a greener economy clear and sufficiently ambitious? Do you think there is enough investment being targeted at tackling the climate change and

nature emergency? Are there any potential skill gaps that need to be addressed to achieve these plans?

(We would be grateful if you could keep your answer to around 500 words).

The challenge of achieving net zero carbon emissions is amplified by the age of its housing stock and relatively low property values combined with high upgrade costs. This is particularly acute in areas such as Blaenau Gwent and Merthyr Tydfil, which have high proportions of terraced housing relative to other dwelling types and where average property prices lie significantly below the national average. Retrofitting and upgrading the energy efficiency of these properties is a costly and complex process, especially when compared to the value of homes in Wales relative to the rest of the UK. As of August 2024, the average property price in Wales was £217,000 compared to £309,000 in England.

Nearly one-third (32%) of Welsh homes were built before 1919, whilst just 6% have been built since 1987. By comparison, in England, 20% of homes were built before 1919, and 24% of English housing was built after 1987. Homes built before 1919 present particular challenges for energy efficiency improvements as they are less likely to have cavity walls, and the Welsh PRS has a higher proportion of such homes than any other tenure, with 43% of homes in the Welsh PRS built before 1919.

That said, the private rented sector is becoming more energy efficient. Despite the challenging requirements to retrofit older properties, landlords have made continuous progress in improving the energy efficiency of private rented homes. With limited support, they have successfully reduced the proportion of private rented homes with an Energy Performance Certificate (EPC) rating of D or lower from almost two-thirds in 2008 to 21% in 2018, representing the largest improvement in any tenure.

Nevertheless, a comprehensive strategy is needed to support landlords in retrofitting properties ahead of the anticipated Minimum Energy Efficiency Standards (MEES) uplift to Band C by 2030. This would not only help mitigate a loss of investment from the sector, ensuring the homes are kept in the private rented sector, but could also reduce energy costs for tenants. We agree with the assessment of the Welsh Government, which stated in its response to the Climate Change, Environment and Infrastructure Committee's report into decarbonising the private housing sector that "[if] UK Government introduces a requirement to meet EPC C and does not provide financial support there could be a need to look at funding grants and/or loans to support improvements." The Development Bank of Wales should offer additional funding, in the form of low-interest loans, for energy efficiency improvements where costs are prohibitive. This would enable property upgrades and benefit private rented tenants, rather than pushing landlords to sell their properties as the burden of minimum standards without support could do.

6. Is the Welsh Government using the financial mechanisms available to it around borrowing and taxation effectively?

(We would be grateful if you could keep your answer to around 500 words).

The Welsh Government should introduce a higher rate Land Transaction Tax (LTT) rebate upon registration with Rent Smart Wales (RSW) to encourage landlords to bring properties into the sector, potentially where they were previously vacant or in a state of disrepair. Presently, purchases of additional residential properties are subject to a 4% levy, irrespective of whether they are used as private second homes, short-term holiday lets or homes for long-term rent. Incentivising investment in this way could add supply to the private rented sector and improve access, choice and affordability for prospective households.

Such a rebate could also assist off-plan purchases. Landlords have traditionally been pivotal in purchasing off-plan, and therefore play an important role in determining developer cashflow and build-out. According to Hamptons International, despite declining from a peak of 46% in 2016 (before changes to mortgage interest relief were introduced), 34% of new home completions in England and Wales were sold off-plan in 2022, equating to 49,000 new homes. A higher rate LTT rebate could reinvigorate this trend and boost developer confidence to increase overall supply of housing.

Maximise incentives to offer long-term homes through Leasing Scheme Wales

There are opportunities for greater partnership working between the social and private rented sectors to meet the rising demand for housing. We support Leasing Scheme Wales (LSW) as a mechanism for retaining private rented sector stock and suggest that, in addition to a higher rate rebate linked to RSW registration, the Welsh Government introduces a full rebate of LTT on properties let through LSW to induce more private landlord involvement in the scheme. The Phase 1 evaluation of LSW highlighted a lack of incentives for good quality properties to be let through the scheme. The report notes that while access to grant funding linked to property improvements and a guaranteed rent at the Local Housing Allowance (LHA) rate have induced some landlords to bring properties forward – notably those most likely to benefit from the available funding or that have been empty – they have proven less effective in attracting a higher standard of homes to the scheme. An LTT rebate could incentivise more landlords to participate.

As well as the potential to improve the supply of better-quality homes to LSW, an LTT rebate could help to shift the type of properties coming forward. The Phase 1 evaluation notes that demand is highest for one-bed properties and five- to six-bed family homes. An LTT rebate could mean a saving of more than £9,500 on the purchase of an average-priced home in Wales. But for higher value properties a full LTT rebate would represent a relatively more significant incentive for landlords to join the scheme and help local authorities to enhance

access to homes in the private rented sector, offer longer-term security, and help to reduce homelessness.

7. The Committee would like to focus on a number of other specific areas in the scrutiny of the Budget. Do you have any specific comments on any of the areas identified below?

Is enough being done to tackle the rising costs of living and support those people living in relative income poverty?

(We would be grateful if you could keep your answer to around 500 words).

Ensure that the UK Government addresses the inadequacy of Local Housing Allowance

In addition to boosting the supply of housing, we urge the Welsh Government to call on the UK Government to undertake a thorough assessment of the case for pegging the Local Housing Allowance (LHA) to the 50th percentile of local market rents, and the likely impact this would have on reducing the use, and spending on, temporary accommodation. According to the Department for Work and Pensions, 64,701 private rented households in Wales were in receipt of the LHA as of May this year. Of this group, 57% (36,595 households) experienced a shortfall between their monthly rent and LHA award. This is despite LHA rates having been realigned to the 30th percentile of market rents (based on the previous September's data) in April 2024.

Research published by the Bevan Foundation last year pointed to a severe shortage of properties available at LHA rates in Wales. Based on data collected from 2,638 rental adverts, it found that just 32 properties (1.2% of the market) were available at LHA rates and in 16 local authorities there was not a single property available at LHA rates. The UK Government's decision to continue to freeze LHA rates for 2025/26 at September 2023 levels is likely to prevent more households from accessing the private rented sector when other tenures are unavailable to them. Others will face increase difficulty plugging the gap between their monthly rent and LHA payment, putting additional financial strain on households that rely on this support to meet housing costs. Ensuring that LHA rates accurately reflect market rates would provide immediate financial relief to renters, enhancing affordability across the sector.

How could the budget further address gender inequality in areas such as healthcare, skills and employment?

(We would be grateful if you could keep your answer to around 500 words).

Is the Welsh Government's approach to preventative spending represented in resource allocations (Preventative spending = spending which focuses on preventing problems and eases future demand on services by intervening early).

(We would be grateful if you could keep your answer to around 500 words).

How should the Welsh Government explain its funding decisions, including how its spending contributes to addressing policy issues?

(We would be grateful if you could keep your answer to around 500 words).

How can the documentation provided by the Welsh Government alongside its Draft Budget be improved?

(We would be grateful if you could keep your answer to around 500 words).

How should the Welsh Government prioritise its resources to tackle NHS waiting lists for planned and non-urgent NHS treatments. Do you think the Welsh Government has a robust plan to address this issue?

(We would be grateful if you could keep your answer to around 500 words).

Is the Welsh Government providing adequate support to the public sector to enable it to be innovative and forward looking through things like workforce planning.

(We would be grateful if you could keep your answer to around 500 words).

Has there been adequate investment from the Welsh Government in basic public sector infrastructure.

(We would be grateful if you could keep your answer to around 500 words).

How should the Budget support young people?

(We would be grateful if you could keep your answer to around 500 words).

How is evidence and data driving Welsh Government priority-setting and budget allocations, and is this approach clear?

(We would be grateful if you could keep your answer to around 500 words).

Is the support provided by the Welsh Government for third sector organisations, which face increased demand for services as a consequence of the cost of living crisis and the pandemic, sufficient?

(We would be grateful if you could keep your answer to around 500 words).

What are the key opportunities for the Welsh Government to invest in supporting an economy and public services that better deliver against the well-being goals in the Well-being of Future Generations (Wales) Act 2015?

(We would be grateful if you could keep your answer to around 500 words).