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# The fall and rise of the private rented sector in England

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## **Abstract: The fall and rise of the private rented sector in England**

*The private rented sector in England contracted in size continuously across much of the 20<sup>th</sup> century, from being the majority tenure at its start to the smallest before its end. It has been a particularly dynamic tenure over recent decades, with a period of substantial decline followed by a period of even stronger recovery. Data from the last five censuses of population have been used to explore the extent to which the size, geography and composition of the private rented sector may have altered. The 40 year period divides into distinct phases either side of 1991: the first two decades comprise the end of decline in private renting, and the following two decades a revival. Despite substantial fluctuations across this period, there were similarities in the characteristics of the private rented sector at its beginning and end, whilst in other respects the sector had evolved.*

## **Contextual background**

The history of the private rented sector in England over the 20<sup>th</sup> century is one of continual decline until the late 1980s, from which time it started to recover. There are complex and often debated reasons for these events, which have been discussed at length elsewhere (for example, Kemp, 2004; Crook and Kemp, 2011; Kemp, 2015). As the private rented sector (PRS) declined from being the mainstream tenure, it came to perform a number of specialised roles (Bovaird et al., 1985). These included relatively easy access and exit housing for the mostly young and mobile; a 'traditional role', housing often elderly people who might always have lived in the sector; employment-linked accommodation, such as for agricultural workers or caretakers; and a 'residual role', housing those unable to access owner occupation or social renting. An 'escape-route' function from social housing to facilitate movement to a better house or neighbourhood has also been identified (Kemp and Keoghan, 2001). This latter function is probably one example of a number of small, but important, ad hoc jobs the sector performs, such as stop-gap accommodation in between the sale and purchase of a home or as a result of relationship breakdown, or to move to an area with a better school (Rugg and Rhodes, 2008).

Government statistics indicate that by 2013 there had been resurgence in the PRS to more than four million privately rented dwellings in England, or 20 per cent of the stock - for the first time in decades more people were renting from a private rather than a social landlord (DCLG, 2015). In a tenure associated with a high level of 'churn', a higher proportion of people than indicated by static counts will rent from a private landlord at some stage of their lives. Analysis of the British Household Panel Survey, for example, found that 25 per cent of the original sample members had rented privately during the first 14 years of the Survey (Rhodes, 2006), a period during which the sector's size ranged from nine to 12 per cent of the total dwelling stock (DCLG Live Table 104).

In addition to the diversity of demand for privately rented housing, the supply of private lettings comes from a range of partnerships, companies, organisations, and many individuals and couples, and which have vastly varying scales of operation and differing motivations (Crook and Kemp, 1996; Kemp and Rhodes, 1997). Not including resident landlords, there were an estimated 1.2 million private landlords in England in 2006 (Rugg and Rhodes, 2008). More recent reports suggest that the number may have grown since then, with around 2.1 million taxpayers declaring income from property in 2012/13 (Pegg, 2015), whilst the number of outstanding buy to let mortgages had grown to about 1.5 million by 2013 (Wallace and Rugg, 2014). Increased usage of letting agents by private landlords suggests that these too have grown in number over recent years (Rugg and Rhodes, 2008).

### **Analytic considerations**

The UK censuses of population are an invaluable source of data, providing almost complete coverage of the households and people usually resident in the country. They therefore facilitate robust analyses comparing different areas and different types of area in a way in which other data sources on the private rented sector cannot. There are a number of limitations to their use over time, however, which affect the way that results can be interpreted. In addition to the obvious point that the censuses have a ten year cycle, meaning changes may occur in between that escape observation, there are several other considerations, including geography, variables, environment, and access mechanisms (Martin et al., 2002). The first two of these issues have particular relevance to this analysis, due to a series of local authority reorganisations<sup>1</sup> during the four decades, and certain changes to the census tenure variables and other definitions<sup>2</sup>.

### **Decline from 1901 to 1971**

By the time of the 1961 census, the private rented sector had already declined substantially. The limited information that exists on the sizes of the different tenures at the start of the 20<sup>th</sup> century indicates the amount of municipally-provided housing to have been around one per cent of the stock (Merrett, 1971), and owner occupation was the tenure of something less than about ten per cent of households (Ball, 1983). The remaining households would have been living in privately rented housing, including furnished and unfurnished housing, and accommodation linked in various ways with different types of employment.

Based on this estimated size of the PRS, something around nine tenths of the 6.3 million *stock of dwellings* in 1901 (DCLG Live Table 104) would have been privately rented, therefore accounting for about 5.6 million dwellings in England at that time. Separate counts of the privately rented stock become available from 1961 in the DCLG statistics, which indicate that there were 4.4 million privately rented dwellings at that time, meaning that the absolute size of the private rented stock had declined by around one fifth over these six decades. Due to the overall dwelling stock more than doubling in size over the same period to 13.8 million, however, 32 per cent of the English housing stock remained privately rented. Owner occupation had become the largest tenure by 1961, with 44 per cent of the stock, and social rented housing accounted for the remaining 24 per cent.

The decline in the number of privately rented dwellings continued between 1961 and 1971, such that by the end of the decade it had become the smallest tenure. The DCLG figures show that the number of PRS dwellings dropped to 3.1 million over this decade, leaving the sector accounting for just 19 per cent of the total housing stock. At the same time, social renting had increased a little to 28 per cent of the stock, with 4.5 million dwellings; whilst owner occupation increased to 52 per cent of the stock, with 8.5 million dwellings.

### Decline from 1971 to 1991

The sector continued to decline over the next two decades. Census data show that it about halved in size numerically between 1971 and 1981, from about 3.6 million to about 1.9 million *households*. It also halved in size proportionately, from housing 22.6 per cent to 11.2 per cent of all households. Over this decade there was a growth in both owner occupation, which increased from 7.9 million to 9.6 million households; and social renting, which increased from 4.3million to 5.1million households.

The next decade saw a continued but smaller reduction in the PRS, as its decline finally came to an end and it reached its smallest size. It reduced to around 1.7 million in 1991, or 9.3 per cent of all households. Social renting also declined, returning to the same size it had been in 1971 numerically, and now accounting for 23.0 per cent of all households. There was an increase of about three million owner occupiers, such that 67.3 per cent of all households lived in the tenure in 1991. Whilst 1991 was the private rented sector’s smallest size as measured by the censuses, the DCLG stock figures indicate that it had declined to its smallest size in 1986, when it reduced to 1.6 million dwellings, or just 8.7 per cent of the housing stock in England.

### Revival from 1991 to 2011

The decade from 1991 to 2001 saw an overall reversal in the contraction of private renting. There was an increase of 29 per cent in number of private renters to around 2.2 million, or 11.0 per cent of all households, making it numerically larger than in both 1991 and 1981. At the same time, social renting declined slightly to 4.2 million, or 20.3 per cent of all households; whilst owner occupation expanded at a slower rate than previously to 14.1 million, or 68.7 per cent of all households.

The final decade covered by the census data saw a dramatic change in the size of the sector, when it returned to about the same numerical size as it had been in 1971. The number of privately renting households increased by 65 per cent to 3.7 million, equivalent to 17.1 per cent of all households in 2011. The number of owner occupiers increased very slightly, but decreased as a proportion of all households to 65.0 per cent; and social renting decreased to 3.9 million, or 17.9 per cent of all households.

### The regions from 1971 to 2011

During periods of substantial change since 1971, the pattern of change in the PRS at the regional level has reflected its overall direction and scale of change. Between 1971 and 1981, when the number of PRS households declined by 48 per cent, large decreases were recorded in all regions (Table 1). Greater London (-54 per cent) and the West Midlands (-53 per cent) saw the largest numerical decreases, whilst the Eastern (-35 per cent) and South East (-35 per cent) the smallest.

The picture across the next decade, when the overall number of lettings decreased by six per cent, was mixed at the regional level. Further decreases occurred in eight regions, with comparatively largest drops in the North East (-19 per cent), the North West (-11 per cent), and the East Midlands (-10 per cent). Changes were smaller in other regions, including the South East (-4 per cent) and the South West (-0.5 per cent), whilst the Eastern region saw the first signs of revival (+5 per cent).

**Table 1 : Number and proportion of all households renting privately, England and the regions, 1971 to 2011**

Region	1971 <sup>1</sup>		1981 <sup>1</sup>		1991 <sup>1</sup>		2001 <sup>2</sup>		2011 <sup>3</sup>	
	N	(%)	N	(%)	N	(%)	N	(%)	N	(%)

North East	173,853	19.5	84,740	9.0	69,004	6.7	86,230	8.1	154,426	13.8
North West	449,198	18.9	219,957	8.9	196,507	7.4	262,049	9.3	462,899	15.6
Yorks & Humber	372,142	21.3	175,514	10.0	158,619	8.2	207,214	10.0	353,448	16.1
East Midlands	250,588	20.5	139,053	10.2	124,996	8.0	161,244	9.3	282,443	15.1
West Midlands	312,032	17.9	146,341	8.1	135,561	6.8	175,921	8.2	321,670	14.2
Eastern	259,453	17.8	169,710	10.0	177,522	8.9	223,354	10.0	356,227	14.9
South East	471,404	21.2	308,449	12.2	296,931	10.0	374,143	11.4	578,592	16.5
South West	378,549	25.2	197,879	12.7	196,984	10.6	260,083	12.5	387,134	17.3
Greater London	903,939	34.3	415,345	16.6	382,419	13.8	495,982	16.4	819,085	25.4
England	3,571,158	22.6	1,856,988	11.2	1,738,543	9.3	2,246,220	11.0	3,715,924	17.1

Base: households living in accommodation rented from all types of private landlord or through a letting agency, including furnished lettings, unfurnished lettings, lettings linked with employment, accommodation rented from a relative or friend, and other types of privately rented arrangement. <sup>1</sup> Excludes tenure-unspecified 'others'. <sup>2</sup> Includes 'rent free' lettings. <sup>3</sup> Excludes 'rent free' lettings.

As the numerical size of the PRS increased substantially between 1991 and 2001, all regions also saw a notable increase over this decade, ranging from an expansion of 25 per cent in the North East to 33 per cent in the North West. The large overall increase across the next decade was found in all regions also, and especially in the West Midlands (+83 per cent) and the North East (+79 per cent). Comparatively smaller increases were found in the South West (+49 per cent) and the South East (+55 per cent).

### Rural and urban areas from 1971 to 2011

The private rented sector has been associated with urban areas in many countries of the world (Maclennan, 1988), but with the exception of Greater London, this has not been the case in England (Kleinman and Whitehead, 1985). Thus, whilst the PRS in England has been numerically large in urban compared with rural areas over the last five censuses, it has not been disproportionately so, as this pattern broadly reflects the overall distribution of all households in all tenures (Table 2)<sup>3</sup>. As the PRS declined and then revived, there was just a slight change in its distribution across the three types of local authority area. The share of the PRS decreased slightly in urban areas between 1971 and 1991, and in the rural areas it increased slightly, and then between 1991 and 2011 this pattern reversed. The more mixed types of local authority area have seen a gentle and continual increase in the size of the PRS across the five censuses.

Local authority area type classification <sup>1</sup>	1971 (%)		1981 (%)		1991 (%)		2001 (%)		2011 (%)	
	All	PRS	All	PRS	All	PRS	All	PRS	All	PRS
Rural	18	18	19	23	20	23	21	21	21	17
Mixed	38	33	39	34	40	36	40	37	40	38
Urban	44	48	42	43	40	42	39	42	39	44
Total	100	100	100	100	100	100	100	100	100	100

<sup>1</sup> Collapsed version of the DEFRA 2011 rural-urban classification of local authorities (DEFRA, 2014).

These small adjustments to the distribution of the PRS across the three types of area are a reflection of slightly different patterns of decline and recovery of the sector (Table 3). During the two decades of greatest change in either direction, the largest changes have occurred in urban local authorities, the smallest have been in the rural areas, and the mixed areas have changed by an amount somewhere in between these two. There was no clear pattern during the intervening censuses, when the overall level of change was comparatively smaller.

Local authority area type classification <sup>1</sup>	N. PRS households					% change in N. PRS households			
	1971 <sup>2</sup>	1981 <sup>2</sup>	1991 <sup>2</sup>	2001 <sup>3</sup>	2011 <sup>4</sup>	71-81	81-91	91-01	01-11
Rural	658,617	419,474	394,706	471,966	649,465	-36.3	-5.9	+19.6	+37.6
Mixed	1,193,155	638,980	622,904	834,752	1,425,151	-46.4	-2.5	+34.0	+70.7
Urban	1,719,386	798,534	720,933	939,502	1,641,308	-53.6	-9.7	+30.3	+74.7
England	3,571,158	1,856,988	1,738,543	2,246,220	3,715,924	-48.0	-6.4	+29.2	+65.4

<sup>1</sup> Collapsed version of the DEFRA 2011 rural-urban classification of local authorities (DEFRA, 2014).  
<sup>2</sup> Excludes tenure-unspecified 'others'. <sup>3</sup> Includes 'rent free' lettings. <sup>4</sup> Excludes 'rent free' lettings.

### Multiple deprivation from 1971 to 2011

The private rented sector has in various ways been associated with different forms of deprivation, such as poor property conditions (DCLG, 2014), or due to certain environmental factors (Townsend, 1979), or according to private tenants' dissatisfaction with their neighbourhood (Burrows and Rhodes, 1998). The Index of Multiple Deprivation (DCLG, 2010) is a valuable tool for considering area deprivation, as it is based on a mixture of indicators that allow all local authority areas of England to be compared on a like-for-like basis<sup>4</sup>. Deciles of this Index indicate that the PRS has at times been only slightly more concentrated in the most deprived areas compared with all households (although there may have been variations within local authorities). Thus the gradient that exists across the deciles (Table 4), has broadly matched that for all households in all tenures. In 1971, for example, 21.6 per cent of PRS households lived in the most deprived decile (which contains the ten per cent most deprived local authority areas), tapering down to 4.5 per cent in the least deprived decile (containing the ten per cent least deprived local authority areas). For all households in all tenures, the respective proportions were 18.8 per cent and 5.4 per cent.

However, there has also been a gradient across the deciles according to how much the sector shrank, with greater decreases taking place in the most deprived deciles, and smaller decreases in the least deprived deciles. The result of this pattern of decline was that in 1981 the taper in the spread of the PRS across the deciles flattened somewhat, such that a slightly smaller proportion of the PRS was located in the most deprived decile compared with all households (16.5 per cent compared with 16.9 per cent of all households), and likewise in the second most deprived decile (12.9 per cent compared with 15.0 per cent overall).

As the PRS recovered, however, it did so most strongly in the most deprived areas, and least strongly in the least deprived areas, with the result that by 2011 the sector had reverted to being slightly overrepresented in the more deprived areas and slightly underrepresented in the least deprived areas. Thus in 2011, 19.9 per cent of the sector was located in the most deprived decile compared with 15.7 per cent of all households, and 4.8 per cent of it was located in the least deprived decile compared with 6.5 per cent of all households.

Multiple deprivation decile <sup>1</sup>	N. PRS households					% change in N. PRS households			
	1971 <sup>2</sup>	1981 <sup>2</sup>	1991 <sup>2</sup>	2001 <sup>3</sup>	2011 <sup>4</sup>	71-81	81-91	91-01	01-11
1 (most deprived)	771,983	307,183	284,262	389,616	738,215	-60.2	-7.5	+37.1	+89.5
2	516,226	240,066	206,649	268,750	495,476	-53.5	-13.9	+30.1	+84.4
3	600,549	280,654	258,281	342,034	559,331	-53.3	-8.0	+32.4	+63.5

4	397,668	216,948	207,635	275,648	430,613	-45.4	-4.3	+32.8	+56.2
5	274,719	142,778	128,462	169,509	279,297	-48.0	-10.0	+32.0	+64.8
6	237,151	151,081	152,239	195,868	319,049	-36.3	+0.8	+28.7	+62.9
7	208,889	135,693	129,407	162,006	253,118	-35.0	-4.6	+25.2	+56.2
8	212,314	142,843	138,309	163,309	241,318	-32.7	-3.2	+18.1	+47.8
9	191,482	129,281	125,017	149,367	220,561	-32.5	-3.3	+19.5	+47.7
10 (least deprived)	160,177	110,461	108,282	130,113	178,946	-31.0	-2.0	+20.2	+37.5
England	3,571,158	1,856,988	1,738,543	2,246,220	3,715,924	-48.0	-6.4	+29.2	+65.4

<sup>1</sup> Deciles of the local authority population weighted averages of the LSOA combined scores (DCLG, 2010).  
<sup>2</sup> Excludes tenure-unspecified 'others'. <sup>3</sup> Includes 'rent free' lettings. <sup>4</sup> Excludes 'rent free' lettings.

### Property prices, private rents and gross rental yields from 1971 to 2011

A similar relationship between the size of the private rented sector and average house prices<sup>5</sup> has existed, in that the local authority areas with higher house prices have tended to have a smaller PRS, and those with lower average prices a larger PRS over the four decades. This relationship has again broadly reflected the distribution of all households<sup>6</sup>.

Whilst the PRS has had a tendency to be distributed towards the lowest house price deciles, its largest share has not been in the lowest decile in any of the five censuses, as has neither the distribution of all households. Thus in 1971, 14.4 per cent of PRS households in England (excluding Greater London) were living in local authority areas within the lowest price decile, compared with 15.5 per cent of all households; and 16.8 per cent were living in areas in the second lowest house price decile compared with 17.0 per cent of all households. At the opposite end of the spectrum, 3.6 per cent of the PRS was in the highest price decile compared with 4.0 per cent of all households.

The pattern of decline and then recovery across the house price deciles was similar to the one associated with multiple deprivation, with the lowest price areas generally seeing the largest decline between 1971 and 1991, followed by the largest revival between 1991 and 2011. The gradient in the size of the PRS across the property price deciles flattened slightly during the middle censuses, therefore, before returning to about the same level in 2011.

Mean house price decile <sup>1</sup>	N. PRS households					% change in N. PRS households			
	1971 <sup>2</sup>	1981 <sup>2</sup>	1991 <sup>2</sup>	2001 <sup>3</sup>	2011 <sup>4</sup>	71-81	81-91	91-01	01-11
1 (lowest price)	377,088	151,923	129,408	182,512	343,569	-59.7	-14.8	+41.0	+88.2
2	437,888	211,701	196,435	262,476	485,764	-51.7	-7.2	+33.6	+85.1
3	416,872	218,293	201,677	257,203	451,262	-47.6	-7.6	+27.5	+75.4
4	202,961	127,435	118,864	153,933	258,880	-37.2	-6.7	+29.5	+68.2
5	224,577	148,578	148,022	196,695	299,280	-33.8	-0.4	+32.9	+52.2
6	346,388	142,952	138,575	186,094	308,514	-58.7	-3.1	+34.3	+65.8
7	164,042	109,144	108,353	130,106	203,624	-33.5	-0.7	+20.1	+56.5
8	195,697	130,360	124,196	152,544	226,560	-33.4	-4.7	+22.8	+48.5
9	150,129	101,594	100,694	121,540	168,487	-32.3	-0.9	+20.7	+38.6
10 (highest price)	95,149	64,106	60,343	72,451	96,396	-32.6	-5.9	+20.1	+33.0
England excluding Greater London	2,610,791	1,406,086	1,326,567	1,715,554	2,842,336	-46.1	-5.7	+29.3	+65.7

<sup>1</sup> Deciles of local authority 2001 annual mean house prices (Land Registry)

<sup>2</sup> Excludes tenure-unspecified 'others'. <sup>3</sup> Includes 'rent free' lettings. <sup>4</sup> Excludes 'rent free' lettings.

Analysis using deciles of average private sector rents at the local authority area level<sup>7</sup> followed a similar pattern to the one between the property prices and changes in the size of the PRS. This relationship is to be expected due to the very strong positive linear relationship between the average residential property price and the average private sector rent level for the English local authorities (a correlation coefficient of 0.928,  $p < 0.01$ ), a relationship that was equally as strong for the local authorities of England excluding Greater London (0.931,  $p < 0.01$ ). Thus, excluding Greater London again, the number of PRS households tapered across the rent deciles as did the number of all households, such that both were highest in the lowest rent decile and both were smallest in the highest rent decile. Similarly, the 1971 to 1991 decrease was largest in the lowest rent decile (-64 per cent) and lowest in the highest rent decile (-35 per cent); and the subsequent increase between 1991 and 2011 was largest in the lowest decile (+143 per cent) and smallest in the highest rent decile (+72 per cent).

There was a less regular relationship between the size of the PRS and the private rented sector gross rental yield<sup>8</sup>, and also a less regular pattern of decline and recovery in relation to the yield. The relationship between gross yields, rent levels and property prices is not straight forward, because both lower rents and lower property values are associated with a higher gross rental yield. The explanation lies in the fact that the gross yield was more strongly associated with lower property prices (a correlation coefficient of -0.607,  $p < 0.01$ ) than it was with lower rents (-0.407,  $p < 0.01$ ). As a rule of thumb, therefore, the gross yield will tend to be higher in areas with comparatively low rents and comparatively even lower property prices.

Despite this weaker linear relationship between the size of the sector and gross yields, the size of the sector was often larger in the higher yield deciles, as so too was the proportion of all households in all tenures. Thus in 1971, 15.1 per cent of the PRS in England was in the highest gross yield decile of local authorities, compared with 13.6 per cent of all households; whilst 3.7 per cent of the PRS and 4.2 per cent of all households were in the lowest decile. However, there was considerable unevenness across the deciles in between. The largest decreases in the size of the sector tended to be found in the higher gross yield deciles, the sector shrinking by 67 per cent between 1971 and 1991 in the highest decile, compared with 36 per cent in the lowest. The sector then expanded by 134 per cent in the highest gross yield decile between 1991 and 2011, compared with 74 per cent in the lowest decile.

### **Private rented sub-tenures from 1971 to 1991**

The 1971 census recorded whether private tenants were renting on an unfurnished or furnished basis. These two private rented subsectors have generally performed differing functions (Kemp, 1988). The unfurnished subsector tended to be associated with longer-term tenancies, and as the PRS declined, it has had an elderly demographic, probably housing people who had lived in the sector since it was the main tenure. In contrast, the furnished subsector has tended to be characterised by shorter-term tenancies, favoured by more mobile, generally younger, and perhaps single person households.

Unfurnished lettings predominated in 1971 (Table 5). They were the norm in all regions at this time, although Greater London stands out as being different, with a comparatively high level of furnished lettings. The larger than average size of the furnished subsector in the Capital was a concentrated



version of the pattern for furnished lettings to be more common in the urban local authorities (23.5 per cent were furnished and 76.5 per cent were unfurnished), rather than those that were either mixed (21.9 per cent were furnished) or rural (15.6 per cent were furnished).

An employment-linked PRS sub-tenure was introduced in the 1981 census. It shows that 18.9 per cent of PRS households were living in accommodation linked with their employment at this time, a proportion that increased to 20.2 per cent in 1991. Largely reflecting the extent of ‘tied’ lettings for agricultural workers (Kleinman and Whitehead, 1985), the employment-linked subsector was much the largest in local authority areas with a rural composition (34.5 per cent), compared with mixed areas (19.3 per cent) and urban areas (10.4 per cent). Whilst this pattern remained broadly the same in 1991, there was a small decrease in employment-linked lettings in rural areas to 32.4 per cent, a very slight increase in mixed areas to 19.8 per cent, and a larger increase to 14.0 per cent in urban areas.

As Kleinman and Whitehead identified in their analysis of the 1981 census, the extent of employment-linked lettings in rural areas has in part been due to the provision of accommodation for Armed Services personnel. Analysis of MOD stock at the Output Area level confirms this still to be the case more recently. However, the type of area and the associated travel times to key services (DfT, 2013) at this lower geography indicated that many of the non-urban areas containing Service accommodation were not deeply rural in nature, but were often located in rural areas laying on the outskirts of urban settlements (Rhodes et al., 2013).

The furnished subsector increased between 1981 and 1991, whilst at the same time the unfurnished subsector declined. The overall increase in the size of the furnished subsector across this decade was 48 per cent, although the increase was considerably larger in rural areas (62 per cent) than in mixed or urban areas (44 and 48 per cent), where furnished lettings were already more common.

Region	1971		1981			1991		
	Unfurnished	Furnished	Unfurnished	Furnished	Employer	Unfurnished	Furnished	Employer
North East	90.8	9.2	61.7	16.9	21.5	43.9	33.5	22.5
North West	85.0	15.0	63.2	23.2	13.6	44.2	38.5	17.3
Yorks & Humber	82.5	17.5	56.9	25.0	18.1	43.1	36.7	20.2
East Midlands	86.3	13.7	59.8	17.1	23.1	48.5	28.8	22.7
West Midlands	81.4	18.6	56.7	22.5	20.8	46.2	31.6	22.2
Eastern	80.0	20.0	51.1	20.2	28.7	41.5	31.1	27.4
South East	75.8	24.2	49.7	25.3	25.0	37.7	37.5	24.7
South West	78.3	21.7	49.2	27.2	23.6	40.0	37.1	22.9
Greater London	69.1	30.9	52.7	38.5	8.8	35.0	53.3	11.7
England	78.5	21.5	54.6	26.5	18.9	40.7	39.1	20.2

### **Private rented sub-tenures in 2001 and 2011**

The private rented sector in 2001 was largely comprised of households renting their accommodation from a private landlord or through a letting agency. This new census category is the one that most closely approximates to the open market private rented sector<sup>9</sup>, and perhaps most often to the previous furnished subsector in terms of its function. The proportion of tenants in this sub-category of the PRS was relatively consistent across the regions, and as the size of the entire PRS increased

over the next decade, this sub-tenure increased as a proportion of the whole in all regions also (Table 6).

The apparent decline in the proportion of employment-linked lettings between 1991 and 2001 within the PRS is difficult to quantify due to the change in census definition and the inclusion of longer lease tenants within the counts of the PRS in 2001 (see endnote 2 for details). The small proportion of employment linked lettings in 2001 had, however, reduced overall and in each region by 2011.

The most overtly informal section of the PRS, according to the new census categories, was that of renting from a friend or relative. Only a small minority of households were living in this type of arrangement in 2001, and as a proportion of the PRS this too had declined nationally and in all regions by 2011. Despite their decreasing share of the whole PRS over this decade, however, the actual number of households living in employment-linked lettings increased overall, as did the number of households renting from a friend or relative.

**Table 6: Private rented subsectors 2001 and 2011**

Region	2001 (% of PRS) <sup>1</sup>				2011 (% of PRS) <sup>1</sup>			
	Landlord or letting agent	Employer	Relative or friend	Other	Landlord or letting agent	Employer	Relative or friend	Other
North East	87.0	1.7	8.5	2.8	90.4	0.9	7.1	1.6
North West	89.8	1.3	6.9	2.1	91.7	0.7	6.2	1.4
Yorks & Humber	86.8	2.3	6.7	4.2	90.9	1.3	6.2	1.7
East Midlands	87.6	2.7	7.0	2.7	91.0	1.4	6.2	1.4
West Midlands	87.3	2.5	6.7	3.5	91.4	1.2	5.8	1.6
Eastern	85.9	3.9	6.4	3.7	90.7	2.1	5.5	1.8
South East	86.2	4.4	5.7	3.6	90.1	2.7	5.2	2.0
South West	85.9	3.7	6.9	3.5	89.2	2.6	6.3	2.0
Greater London	92.6	1.3	4.3	1.8	94.7	0.7	3.4	1.2
England	88.3	2.6	6.1	3.0	91.5	1.5	5.4	1.6

<sup>1</sup> For comparability, the figures for both years exclude 'rent free' lettings.

The proportion of all PRS households renting from a landlord or letting agent was slightly larger in urban local authority areas (91.0 per cent in 2001 rising to 93.5 per cent in 2011), compared with mixed areas (87.8 per cent rising to 91.2) and rural areas (83.2 per cent rising to 87.4 per cent). The employment linked sub-tenure - newly defined - was still more common in rural areas (5.3 per cent dropping to 3.6 per cent) than in mixed (2.7 per cent dropping to 1.5 per cent) or urban areas (1.3 per cent dropping to 0.6 per cent). Households living in accommodation rented from a friend or relative were also more common in rural areas (7.2 per cent dropping to 6.6 per cent) than in either mixed (6.5 per cent to 5.7 per cent) or urban local authorities (5.3 per cent dropping to 4.6 per cent).

#### Four decades of the private rented sector

As the PRS has changed in size over the last four decades, its distribution across different types of area has fluctuated slightly due to the manner in which it shrank and then expanded. According to the last five censuses, however, the share of the whole private rented sector across different area types has never differed greatly from that of all households in terms of the rural or urban character

of local authorities, varying levels of multiple deprivation, average house prices, or average private rented sector rents.

The same sorts of area type have seen the most variation in either direction of change over the four decades, such that decreases in the size of the PRS have to varying degrees been balanced-out by subsequent increases. At the end of this 40 year period, therefore, the net result of the variations was a sector that in some ways looked similar to how it did at the beginning: it was numerically about the same size, and it had similar patterns of distribution regionally and across a range of area types.

There has been a slight repositioning of the sector as a result of the combination of changes, however, and which overall have produced an increase of 4.1 per cent in its numerical size across the period. The growth has been driven by an expansion in the size of the PRS in the mixed types of local authority area, in which there has been net increase of 19.4 per cent, whilst the rural areas have seen a small decrease of 1.4 per cent. There has also been a net decrease of 4.5 per cent in the most urban types of area, and whilst Greater London retains the largest share of the PRS in England, the size of the sector in the region has decreased by more than twice this amount (9.4 cent). Perhaps one explanation, or consequence, of this change in the Capital has been the expansion of the sector in the local authorities of Essex, Surrey and Kent, which is one (narrow) definition of the Home Counties, and which have seen a net growth of 30 per cent between 1971 and 2011.

The varying patterns of change across the four decades suggest a growth in the more 'mainstream' parts of the private rented market. There was a decrease in the size of the PRS in the first (lowest) house price decile of local authorities of 8.9 per cent, for example, but substantial growth in some of the mid-range deciles, including by 27.6 per cent in the fourth price decile, and 33.3 per cent in the fifth. Similarly, the sector shrank in size in the lowest private rent decile by 12.7 per cent (excluding Greater London), but grew considerably in several others, including by 36.8 per cent in the sixth decile, and 26.9 per cent in the ninth.

The size of the sector decreased also in the three most deprived deciles of local authorities (in part reflecting the change within Greater London), whilst across most of the other deprivation deciles it grew, and again particularly towards the middle of the distribution, including by 37.4 per cent in the sixth decile, and 25.3 per cent in the seventh. Whilst successive house condition surveys show the PRS to have the highest levels of disrepair, they also show physical conditions in the sector to have been improving the most. The improvement is likely to be due to several reasons, such as the expansion of newer property within the sector (as shown by the house condition surveys), the increasing involvement of letting agencies and professional organisations within the sector, and the conditions attached to buy to let mortgages. It appears that there may be an area affect also, with the most deprived areas seeing a decline in the size of the PRS.

It appears from the varying sub-tenure categories in the censuses that there has been a continuation of the internal restructuring of the private rented sector previously identified (Bovaird et al., 1985). Thus changes within the sector suggest it has increasingly become more 'modern' over the last four decades, as furnished lettings became more common during the end of the sector's decline; and then lettings from a landlord or letting agent predominated and expanded during its recovery. Despite lettings linked with work or rented from a friend or relative having declined as a proportion of the whole sector between the last two censuses, they retain a relevance as they have increased in number over the same period.

## **Conclusions**

The last four decades have been a particularly dynamic time for the private rented sector. It first of all halved in size, and then subsequently more than doubled in size. The areas in which it expanded by the most were those in which it had previously contracted the most, suggesting that certain types of area might be more 'vulnerable to change' than others. Despite the substantial fluctuations, however, the sector in some ways looked quite similar in 2011 to how it did in 1971.

There have been some changes across the period also, including a slight restructuring in the balance of the sector. The mainstream part of the market has expanded, as indicated by a growth in local authorities with mid-range property prices, mid-range private rent levels, and those with a mid-range level of multiple deprivation. These three measures also suggest that there has been an area-related contraction in the size of the lower end of the private rented market, with decreases in the size of the PRS in local authorities with the lowest property prices, the lowest private rent levels, and the highest levels of multiple deprivation.

The varying PRS sub-categories in the censuses suggest that the private rented sector may in some respects have become more homogenous over the four decades as it has modernised, with the furnished sub-tenure expanding until 1991, and renting from a landlord or agent dominating since 2001. Use of this latter category in the last two censuses, however, masks much of the variation within the PRS, due to it capturing almost all privately renting households.

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<sup>1</sup> There have been several local authority restructurings and reorganisations over these four decades, which have involved boundary changes as well as a reduction in the number of local authorities. The analysis has therefore been based on the local authorities of England extant in 2011, with aggregations to adjust for the mergers that have occurred. The result of this procedure represents a 'best fit' at the local authority level over the five censuses. It has, as a consequence of this situation, been necessary to use recent versions of indicators for analytic purposes, and to apply these in each of the censuses despite the fact that the nature of some areas may have changed slightly across the four decades. A final geography consideration is that such classifications at the local authority level can only represent a summary measure of an area's characteristics.

<sup>2</sup> In the 1971 census, the recording of unfurnished households in the private rented sector included a small number of housing association lettings. Housing association tenants have been counted separately since 1981. The 1981 census also saw a small loosening in the definition of 'a household', which affected people living in shared forms of accommodation. The net result of the change was a reduction of slightly more than 100 thousand households compared with 1971, a large proportion of which were concentrated within the furnished private rented sector (Dale and Marsh, 1993).

Important changes have been made to the recording of private rented sector sub-tenure categories, first in 1981, and then again in 2001. The 1981 census form saw the addition of a PRS employment-linked sub-tenure category to the existing furnished and unfurnished categories. The new category was defined as 'renting, rent free or by lease with a job, shop, farm or other business'. It is likely, although unquantifiable with census data, that many households with this sort of arrangement in 1981 would have completed their census return as an unfurnished private rented tenant in 1971.

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The 1981 and 1991 censuses contained an instruction for respondents occupying their home by a lease originally granted for, or extended to, more than 21 years, to complete their census form as an owner occupier. Households with shorter leases were instructed to indicate that they were renting their accommodation. No such differentiation was included in 2001 or 2011. The (probably small) proportion of households with long leases in 1991 census, would have been counted as private rented households from 2001 onwards.

The 2001 census form saw a significant change to the private rented sub-tenure categories. The previous furnished and unfurnished categories were removed, and the employment-linked category was redefined. The new sub-tenure categories, used in both 2001 and 2011, asked respondents whether the landlord was a 'private landlord or letting agency', an 'employer of a household member', a 'relative or friend of a household member', or some 'other' type of landlord. The tightened definition of the employment-linked category is likely to partly account for the decrease in employment-related lettings between 1991 and 2001. There is also scope for a degree of crossover between the sub-tenure categories, with private tenants in similar housing circumstances completing their form differently depending on how they viewed their rental arrangement.

A further issue relating to the 2001 and 2011 censuses is the identification of households living 'rent free'. It appears that some respondents indicated they were occupying their accommodation rent free, not because it was rented in relation to their employment, or from a relative or friend, but because their rent was being paid in full by Housing Benefit. The result of this situation is that the rent free category included both social and private rented tenants. A commissioned table for the 2001 census identified the landlords of rent free respondents, of which there were about 0.5 million in Great Britain (two per cent of households), 48 per cent of which were of the various sub-categories of private tenants, and 52 per cent were social tenants (Rhodes, 2006). Use of this table has allowed the rent free respondents to be allocated to their appropriate PRS sub-tenure categories and to the social rented tenure in 2001. No such table is (as yet) available for the 2011 census, meaning that the same proportion of households in England (about 400 thousand in number) has been excluded from the 2011 analysis.

<sup>3</sup> The 2011 classification of local authorities (DEFRA, 2014) contains six classes: 1. mainly rural (rural including hub towns, rural = 80%+), 2. largely rural (rural including hub towns, rural = 50%-79%), 3. urban with significant rural (rural including hub towns, rural = 26%-49%), 4. urban with city and town, 5. urban with minor conurbation, 6. urban with major conurbation. The collapsed groups reported in the analysis are: rural = 1+2, mixed = 3+4, urban = 5+6.

<sup>4</sup> The local authority summaries of the 2010 IMD used in the analysis are based on the population weighted averages of the LSOA combined scores. The general pattern is for urban rather than rural types of area to most commonly be associated with higher rates of multiple deprivation (for example, ODPM, 2003). The local authority summary combined score used in this analysis, for example, shows that 25 per cent of the urban local authorities were in the most deprived decile, compared with seven per cent of the mixed local authorities, and none of the rural local authorities. Looked at another way, two thirds of the tenth most deprived local authority areas in England were urban, and the rest were mixed in nature.

<sup>5</sup> Analysis is based on Land Registry 2001 annual data, aggregated to the local authority level. A mean annual price for each local authority area is calculated for all transactions contained within these data during 2001, and is therefore not property mix-adjusted.

<sup>6</sup> Due to Greater London having both a particularly large private rented sector and high property prices, the region has been excluded from this part of the analysis to show the relationship for the rest of England.

<sup>7</sup> 2001 local authority area level annual average weekly rents for all self-contained property types from the University of York Index valuations index (Rhodes, 2002).

<sup>8</sup> Gross rental yields for local authorities are 2001 annual averages taken from the University of York Index valuations index. They are calculated by expressing the annual rent as a proportion of vacant possession

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prices, and are pre-tax figures that take no account of the costs of management and maintenance, rent arrears, or rent lost due to voids.

<sup>9</sup> However, private landlords and tenants often use a wide range of formal and informal methods of coming together (Crook and Kemp, 1996), not all of which might necessarily be regarded as 'open market' activity.