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The Private Rented Sector: its contribution and potential

Julie Rugg and David Rhodes

Centre for Housing Policy THE UNIVERSITY *of York*

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Julie Rugg and David Rhodes

CENTRE FOR HOUSING POLICY

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CONVENTIONS AND ABBREVIATIONS

Tables

Percentages based on 2001 census data have been rounded to one decimal place. Figures in tables based on other sources of data have been rounded to whole percentages, with values of less than 0.5 per cent indicated by '*'. Due to rounding, percentages in the tables may not exactly sum to 100. A value of '0' in the tables means zero, and '-' indicates missing data.

Survey of English Housing (SEH)

Unless specified otherwise, new data analysis of the SEH relates to combined data from 2004/05, 2005/06, and 2006/07. Figures are therefore three-year averages for this period. Base numbers in tables using SEH data are in 1,000s.

English House Condition Survey (EHCS)

Unless specified otherwise in tables and text, new data analysis of the EHCS relates to combined data from 2003/04, 2004/05, and 2005/06. Figures are therefore three-year averages for this period.

2001 Census data

The 2001 census identified private renters according to whether accommodation was rented from a landlord or letting agent, an employer of a household member, a friend or relative, or some other type of private landlord. The former of these categories has been taken in the maps, and elsewhere, as most closely representing the open market private rented sector.

Maps

Maps 1.1, 2.1, 2.2, and 2.3 are based on the English districts (local and unitary authority areas) divided into quartiles - that is, four groups of equal number. In each case, the darker areas identify districts in the highest percentage quartile, and the lighter areas the districts in the lowest percentage quartile. The values for each quartile vary from one map to the next, as indicated by the map legends.

Maps 2.4, 2.5, 2.6, and 2.7 are based on the Greater London boroughs divided into quartiles. Again, the darker areas identify the upper quartiles and the lighter areas the lower quartiles.

Charts

Within the main body of the report are a number of charts and simplified tables. These are based on more detailed tables contained within Appendix Two. Full information on the base, any notes and data sources are contained within the detailed tables contained in Appendix Two.

Abbreviations

| | |
|---|---|
| ARLA: Association of Residential Letting Agents | IPD: Investment Property Databank |
| BPF: British Property Federation | JRF: Joseph Rowntree Foundation |
| CIH: Chartered Institute of Housing | LHA: Local Housing Allowance |
| CLG: Communities and Local Government | NALS: National Approved Letting Scheme |
| CML: Council of Mortgage Lenders | NUS: National Union of Students |
| DWP: Department for Work and Pensions | NS-SEC: National Statistics Socio-economic Classification |
| EHCS: English House Condition Survey | ODPM: Office of the Deputy Prime Minister |
| EHO: Environmental Health Officer | ONS: Office for National Statistics |
| GOR: Government Office Region | PPS: Planning Policy Statement |
| HEI: Higher Education Institution | PRS: Private Rented Sector |
| HHSRS: Housing Health and Safety Rating System | REIT: Real Estate Investment Trusts |
| HMO: House in Multiple Occupation | RSL: Registered Social Landlord |
| HRP: Household Reference Person | SDLT: Stamp Duty Land Tax |
| IDeA: Improvement and Development Agency | SEH: Survey of English Housing |
| | TRO: Tenancy Relations Officer |

EXECUTIVE SUMMARY

Introduction

The Review of the private rented sector (PRS) has taken place in the context of change for the sector. The long decline of the PRS has started to reverse, and the sector has begun to increase in absolute size and in terms of the proportion of households it accommodates.

Attention has become focussed on the capacity of the sector to meet a range of housing needs. At the same time there has been acknowledgment that the sector presents a number of policy challenges relating to such issues as property quality, management standards and security of tenure.

The Review has addressed the broad terms of reference set by Communities and Local Government by completing two principal tasks: detailed analysis of large-scale datasets, and an extended series of stakeholder meetings. Data analysis has underlined the highly complex nature of the PRS and the stakeholder meetings have helped to clarify issues around the efficacy of existing policy relating to private renting, and the need for further intervention.

At the heart of the Review is the desire to see private renting as a less marginal, poorly-regarded 'third' option that sits behind the preferred tenures of owner occupation and social renting. The Review concludes with a series of recommendations on policy 'directions of travel' that seek to maximise the full potential of the PRS as a flexible, well-functioning element of England's housing market.

Contribution

The first section of the Review describes in detail the composition of the PRS and the contribution it makes to the spread of housing options in England. In terms of supply, a great deal of commentary has become attached to the impact on the PRS of buy-to-let mortgages, which are supposed to have led to a proliferation of new landlords. However, data indicate that 46 per cent of gross advances of buy-to-let mortgages in 2007 were remortgages: existing landlords were taking the opportunity to refinance their portfolios on more favourable terms. However, the proportion of smaller landlords in the market *has* grown, as has the degree of investment intent amongst all landlords.

Many people will have some experience of renting privately during the course of their lives. Private renting offers a multitude of roles in housing biographies across the whole social spectrum, serving as a first port of call for new households, a 'bolt-

hole' when housing circumstances change, a stopping-off point as people change jobs and move house, and – for many households – a long-term home. Twenty-one per cent of private renters had been living at their current address for five or more years. However, 'churn' in the PRS is high, reflecting the short-term nature of many of the uses of the PRS: 40 per cent of PRS households had been living at their current address for less than twelve months.

The PRS is complex, and perhaps best understood through mapping its constituent niche markets. These markets can be defined in terms of demand and supply characteristics, distinctive rental practices and – in some cases – specific types of central policy intervention that shape the way the sub-market operates. Policy for the PRS has to take into account the interaction of these sub-markets at a local level.

Distinct sub-markets include

- *young professionals*, whose presence in the PRS reflects a complex amalgam of choice and constraint;
- *students*, whose needs are increasingly being met by larger, branded, institutional landlords;
- *the housing benefit market*, where landlord and tenant behaviour is largely framed by housing benefit administration;
- *slum rentals* at the very bottom of the PRS, where landlords accommodate often vulnerable households in extremely poor quality property;
- *tied housing*, which is a diminishing sub-sector nationally but still has an important role in some rural locations;
- *high-income renters*, often in corporate lettings;
- *immigrants* whose most immediate option is private renting;
- *asylum seekers*, housed through contractual arrangements with government agencies;
- *temporary accommodation*, financed through specific subsidy from the Department for Work and Pensions; and
- *regulated tenancies*, which are a dwindling portion of the market.

The configuration of sub-markets will vary from area to area: even neighbouring boroughs may have very dissimilar private rental sectors.

The complexity of the sector has to be appreciated in any policy development, and underpins discussion of the obstacles and issues that attach to the PRS fulfilling its potential.

Potential

The Review addresses a number of areas where the sector is reportedly under-performing.

Delivering new and affordable property supply

The need to accommodate an increasing number of households is a concern that is central to government housing policy, and attention has been focussed on the growth of the PRS. However, it remains to be asked how far the sector has provided a framework for bringing new housing to the rental market, or whether its expansion has been largely a consequence of absorbing existing property from other tenures. Data on this issue are not readily forthcoming. Despite the popular imagery, there are few data that firmly link buy-to-let mortgages with new-build property, although there is some evidence that this kind of mortgage is more likely to be used to purchase property built post-1964. It is possible that where the PRS is generating new property, the property tends to be in sub-markets where high-density build is appropriate. For example in the student sub-market, institutional investments are bringing new bedspaces through the building of large private-sector halls of residence.

The industry has argued for alteration in planning regulations that would actively require a certain amount of properties to be let on the rental market. This argument is generally proposed on the understanding that the sector should 'grow', although targets and objectives for this growth are rarely forthcoming.

With regard to affordability, it could be argued that the sector has been successful in meeting the housing needs of 'intermediate' households, whose income means that they are unable to afford owner occupation, but who are not in a priority group for social housing.

Securing higher levels of institutional investment

The desire to secure higher levels of institutional investment for private renting has become a mantra for much of the industry, and has captured support from tenant representatives persuaded by the argument that institutional landlords will be, perforce, more professional landlords. It is argued that the 'cottage industry' PRS is volatile, tied as much of it is to the mortgage market and to the financial probity of individual landlords, and there is a need for a better taxation vehicle to lever in larger-scale investment to the PRS.

There is a long history to the attempts made to frame taxation regulations to effect large-scale institutional investment. The Review concludes that much of this debate reflects the attempt to construe residential letting as commercial letting, when in

reality the two sectors are very different. The residential market has, at present, very few large landlords operating at a scale where major institutional investment is appropriate. Policies should therefore concentrate on helping good landlords of all sizes to expand their portfolios. It is important that this policy should include smaller landlords, since the larger landlords generally grow through portfolio acquisition. Suggestions include changes to stamp duty and to capital gains tax, to encourage portfolio development.

The Review also concludes that small-scale landlordism does not necessarily mean financial instability. Data indicate that many 'cottage industry' landlords are in a good financial situation: the majority have low loan-to value-ratios and many have unmortgaged properties. Small-scale landlordism is also characterised by a great deal of uncosted 'sweat equity', with landlords tending not to factor into their rents their time spent managing property. Larger institutional landlords, by contrast, have higher management costs and even where there are economies of scale, these costs will always constitute a substantial proportion of the gross to net reduction in their rental yield.

'Professionalising' rental housing management

One of the more frequent criticisms of the PRS relates to the quality of landlord management. However, poor management has to be judged in terms of intent: very many landlords operate professionally, but some landlords simply do not consider letting to be an activity that requires regulation, and other landlords – a very small proportion – wilfully act illegally. It is not possible to judge how many landlords fall into these three broad categories, or even to estimate the incidence of poor management practice. However, three quarters of private tenants were either very or fairly satisfied with their landlord.

Market forces do not adequately 'police' management quality in the PRS, since there is an excess of demand for rental property at the bottom of the sector. In general, the task of policing is spread amongst a number of agencies including different local authority officers, other statutory agencies including HM Revenue and Customs, the police and the industry itself. Local authority Environmental Health Officers carry the principal responsibility for policing the sector, but there is dissatisfaction with the level of priority and therefore resources afforded this activity by local authorities.

A number of suggestions have been made to increase levels of professionalism amongst PRS landlords. It is thought that increasing the numbers of corporate landlords or increasing the use of managing agents would effect better management standards. However, tenant satisfaction levels are not necessarily higher amongst tenants of larger landlords. Managing agents are unregulated, and

there is widespread dissatisfaction with their standards. Indeed, there have been calls for mandatory licensing of this part of the sector.

Accreditation carries the potential to improve better management practice amongst landlords who are already seeking to operate in a professional fashion. The expansion of accreditation schemes would lead to the possibility that market advantage would more readily attach to accreditation, as has been the case to some extent in the student rental sub-market.

Compulsory registration of landlords has already been introduced in Scotland, and there are calls to have similar regulation in England. However, the Scottish regulation requires landlords to meet 'hurdle' criteria, and the dissatisfaction with the process has become evident amongst landlords subject to delays in processing.

Overall, it is generally concluded that a patchwork of policing activity is suitable given the fractured nature of housing supply, but the current regulatory framework is not effective in allowing local authorities to target and sanction the small minority of wilfully bad landlords.

Improving property quality

Property condition in the PRS has been improving over time, but is still worse than in either social housing or owner occupation. Fifty per cent of private rented property failed to meet the new decent homes standard. Households in receipt of at least one of the main means-tested benefits were more likely to live in properties failing to meet the decent home standard incorporating the housing health and safety rating system.

The economics of poor quality property is not well understood. Analysis of rental yields indicates that yields are higher on property in poorer condition, although these yields are reduced when voids and bad debt by tenants are taken into account. However, it is uncertain how landlords formulate their strategies on repairs and maintenance: EHCS data indicate that expenditure on property repair is not necessarily targeted on the properties most in need of repair, and landlords are not always knowledgeable about whether their properties meet statutory requirements.

There are further obstacles to improving property standards. The PRS contains more older stock than other tenures, and the average cost of repairs to bring units up to standard is higher than for owner occupation and social housing. There is scope for reviewing taxation frameworks around property improvement and consider the removal of any disincentives: for example, immediate tax relief is not available on improvement works and landlords have to wait until they sell property, to gain relief against Capital Gains Tax.

For many commentators, improvement to property standards will only follow if there is an extension to the regulatory regime. There are suggestions that all properties should be licensed. This measure would increase substantially the task of policing the sector by local authorities that are sometimes failing to meet existing mandatory requirements under the Housing Act 2004. The task of inspection and enforcement could be absorbed by accreditation schemes, which in some cases have been successful in improving property standards in some sectors of the market. There is scope for considering an enhanced role for managing agents, provided such agents are themselves strongly regulated. According to the 2006 EHCS, 41 per cent of dwellings where a landlord had used an agent were 'non-decent'. If it became mandatory for agents only to deal with properties meeting the decent homes standard, then much of the task of policing the wider market PRS would be absorbed.

A further suggestion is the introduction of competition amongst landlords for tenants at the bottom end of the sector. If tenants on housing benefit had access to a wider selection of properties than landlords owning the very worst quality accommodation would be pushed out of the market. Changes to the benefit regime, to introduce universal assistance with deposits and rent in advance, would mean that more landlords would be willing to accept tenants on housing benefit.

Providing sustainable tenancies

Security of tenure is an issue that is central to any discussion of private renting. A number of commentators consider that the PRS provides only insecure, short-term housing: assured shorthold tenancies (ASTs) mean that tenancies turn over frequently, and tenants have little protection against landlords seeking eviction.

Analysis of the PRS for the Review has indicated that many of the uses of private renting are essentially short-term in nature. This fact distorts the data on 'churn' in the PRS. Some parts of the sector are more stable than others. For higher income groups, stays in private renting can be for very short periods. For the lowest-quartile income group, 36 per cent had stayed at their current address for five years or more.

A series of changes has been suggested to the existing tenancy framework. A strong lobby has arisen around the incidence of so-called 'retaliatory eviction', whereby a landlord seeks to evict tenants because they complain about property repairs. However, it is difficult to pinpoint evidence that this practice is extensive. The suggested change – that the ability to serve a s21 notice should be prohibited to landlords who have received a complaint from a tenant – does not necessarily deal with what is essentially a symptom of very poor landlord management practice. A more effective approach might be to create a framework where it is more likely that this kind of landlord can be removed from the sector altogether.

It has also been argued that ASTs means that tenancies are short, and tenants obliged to move around 'every six months'. Data evidence indicates that just over half of AST tenancies last at least a year, and a fifth last three years or more. Nevertheless, tenants seeking a long-term tenancy may feel themselves to be insecure in the PRS.

Simplification of the legal arrangements has been suggested by the Law Commission, and there is some support for their recommendation that tenancy agreements should be remodelled, to become more transparent consumer contracts where tenancy terms are agreed at the outset between landlord and tenant. Although there is wide support for this principle, there is concern about the accompanying proposal that the six-month 'moratorium' on eviction offered by the current AST would be dropped.

The industry generally favours continuation of the current tenancy framework, although landlords themselves often favour tenants that seek longer tenancies. However, ASTs remain attractive to landlords because this kind of tenancy mitigates the perceived risk of letting to a tenant who then fails to pay the rent or damages the property. For many tenants, an assured shorthold tenancy suits their purposes, since only a short-term stay in a particular rented property is generally anticipated. The majority of tenancies are ended by the tenant themselves.

However, problems arise for the substantial proportion of households seeking a longer home in the tenure. Attention paid to the legalities of tenancy agreements has distracted attention from exploring the issue of *why* tenancies end against the wishes of the tenant, because it is assumed that – in the PRS – tenancies generally do. In actuality, tenancies fail for specific reasons, such as rent arrears, poor quality property making a tenancy unsustainable and issues relating to anti-social behaviour. It is perhaps more appropriate to focus policy intervention on these reasons for tenancy failure, rather than on a tenancy framework that appears – for the most part – adequate for purpose.

Homelessness prevention and discharging homelessness duty

Recent years have seen the convergence of two policy threads. First, since the late 1980s there have been a number of initiatives that aim to prevent homelessness amongst 'non-statutorily' homeless households by easing their access to private sector tenancies. Deposit guarantee schemes are perhaps the most notable development. Second, and more recently, local authorities have been seeking properties in the PRS to help deal with their responsibilities to eligible, unintentionally homeless households under homelessness legislation.

It is often argued that it is feasible to expect the PRS to expand to meet additional demand for property from low income and/or homeless households. Indeed, the

PRS has a distinctive housing benefit sub-market. However, there are questions that relate to capacity. Landlords can be very reluctant to deal with households in receipt of housing benefit, and as a consequence there is a substantial amount of unmet need for accommodation in the housing benefit sub-market of the PRS. The level of need is evidenced by the range of incentives that have been developed to encourage existing housing benefit landlords to expand their portfolios and to induce wider-market operators to enter the sector. Incentives can include expensive leasing arrangements, which tie statutory authorities into arrangements to guarantee rental payments to landlords over three or five years, irrespective of whether their properties are tenanted.

Furthermore, increased use of the PRS to provide long-term accommodation for eligible, unintentionally homeless households will probably impact on the supply of property to households for which there is no such responsibility. This group – including for example, single people or young couples without children – have always relied on the PRS as the principal source of accommodation. Statutory agency interest in the PRS introduces a further level of competition for property at the bottom of the sector, particularly if those agencies introduce incentives for landlords to let to particular nominated households.

Leaving to one side questions about the ability of the sector to meet demand for property at the lower end of the PRS, there are questions about tenants' ability to pay the higher rents that are charged in the sector. Overall in England, spending per recipient on housing benefit in the PRS was £98.51 per week, compared with £65.38 per week where the tenant was in a local authority property. Furthermore, there are more acute work disincentives operating where a tenant is in receipt of housing benefit in the PRS, as a higher income is required to shift a household off benefit dependency.

In addition, it could be argued that a tenancy in the PRS would not be regarded by tenants as a housing 'offer' equivalent to a social housing tenancy. Tenant satisfaction with social housing can be low: for example, the presence of drug dealers and users, litter and rubbish in the street and troublesome teenagers/children were more likely to be regarded as a 'serious' problem by social housing tenants. However, the perceived problems with property quality, security of tenure and affordability all play a part in persuading tenants that the PRS provides – at best – an insecure home.

Managing 'problem' private renting

A number of tools are available to local authorities to manage the incidence of problems that might emerge where there are particular concentrations of rental demand in a given area, and the Review considered responses to student housing, to 'slum' landlordism and to migrant worker overcrowding.

The concentration of student rentals in the vicinity of higher education institutions has attracted a great deal of policy attention. It is argued that student renting 'destabilises' communities, 'prices out' owner occupiers and first-time buyers in particular, and subjects longer-term residents to noise and rubbish nuisance. However, census data demonstrate that intensive student habitation is not common: there are more than 8,000 wards in England, and of these just 59 had student densities where a student household reference person comprised ten per cent or more of all household reference persons in the ward.

Despite the low incidence of this problem, lobbyists seek a change to the Use Classes Order, which would allow local authorities to effect tighter control of HMO numbers and so limit student housing numbers in a given area. However, it could be argued that many of the 'housing' problems being described are in fact policing issues. There is a general willingness to use criminal sanction to contain anti-social behaviour when it is connected with deprivation and social exclusion on social housing estates. However, there is an understanding that student behaviour – however threatening, damaging or disruptive – should stand outside the law. In addition, it could be argued that much of the 'environmental' anti-social behaviour is adequately covered by existing environmental health regulations, providing local authorities choose to prioritise this problem.

Leaving these issues to one side, there has to be a 'common sense' acknowledgement that demand for property from students and higher education staff will be a consequence of the presence of a higher education institution in a particular locality. If student demand was not spatially concentrated in houses in multiple occupation, then demand for property would be even more intensive, and students – unable to live within walking distance of their place of study – would seek alternative transport provision. It is perhaps also worth remembering that higher education institutions are deemed to be so beneficial to the local economy that the government is seeking to establish twenty new higher education centres as a means of effecting area regeneration and job creation.

'Slum' landlordism is evident in many localities, where the concentration of very low quality rental creates an area of high-turnover tenancies. Local authorities in some areas have used selective licensing as a way of dealing with these areas. More could be done to share experiences of the use of selective licensing, and perhaps some change could be made to the regulations to 'uncouple' the provision that this measure is only applicable in areas of low demand.

For many local authorities, migrant worker overcrowding has become a problematic feature of the local PRS. This is particularly the case when increased and intensive demand for rental property has become evident over a very short period of time. Overcrowding can lead to public health issues. Problems in framing appropriate

policy solutions are compounded by the fact that the housing and labour market linkages can be closely intertwined. For example, migrant workers might be living in tied accommodation; their presence might be very necessary to a seasonal economy; and the workers themselves might be choosing to over-occupy so as to minimise their housing costs. Best practice guidance appears to be lacking for local authorities dealing with the problem.

Underlying much of this discussion is debate on the way that local authorities approach the task of 'managing' the PRS. There was general agreement that appropriate tools were available, providing that local authorities were in a position to resource PRS-related activity. The Audit Commission inspection regime indicated that local authorities did not score with regard to their PRS responsibilities. Aims for strategic management of the PRS tend to be framed in terms of containing demand for private rented property, and assessing how far the local market had reached a defined 'tipping point' in the number of shared properties in an area.

A better approach might be to assess reasons why a particular area might have a highly transient rented population. In some locations, the transience might simply reflect the roles that the PRS in a given location is playing in supporting the local labour market. Greater attention needs to be paid where the transience reflects the inability of a low-income households to settle in the PRS.

Policy directions of travel

The report concludes by outlining six policy 'directions of travel'. These policy areas are largely thematic, and relate to underlying trends in the 'issue-based' chapters of the Review report.

First, the report underlines the need for development of **a sound evidence base**. A great deal of policy is devised on the basis of poor-quality evidence produced by industry or tenant lobby groups. A firm understanding of the PRS and the way it operates tends to be lacking amongst policy makers at a national level and officers implementing policy at a local level. Transference of knowledge on the PRS is poor across government departments, which is reflected in a lack of co-ordination at a local level. As a priority, the government should review information collected through the national data sets to ensure that more pertinent questions are asked of landlords and tenants.

More policy is needed to encourage **a better understanding of managing rented housing**, amongst landlords and managing/letting agents and amongst local authorities devising strategies for addressing issues in the PRS. Managing agents should be subject to mandatory regulation to ensure better quality management standards, and registered social landlords should be encouraged to enter the

marketplace and sell their rental management skills to private landlords and property investors.

The government should devise initiatives to **'grow' the business of letting**, encouraging smaller, good landlords to expand their portfolios and move into the business of letting full-time, and helping larger corporate landlords to increase their lettings and so attract higher levels of institutional investment. Changes to the tax regime should be framed to encourage landlords to view their letting activity as business rather than investment activity, and buy-to-let mortgages should be available subject to business planning and the inclusion of strategies to protect tenants in the event of a default on mortgage payments by the landlord.

Low-income households should be able to make a real choice between a social or private let. **Equalising the rental choice** should be the aim of a series of policy objectives, to ensure that a PRS tenancy can be viewed as being equally desirable by households who would generally look to the social sector for long-term housing. Tenancy sustainability should be a core PRS policy objective. Social lettings agencies could be established to deal with all the private renting procurement required by statutory agencies in a given area. These agencies should charge a standard management fee, and move the housing benefit market away from a culture of 'incentive inflation'.

The existing regulatory framework does not offer sufficient sanction where landlords openly contravene regulations. **Light-touch licensing and effective redress** can encourage local authorities to target the very worst landlords, by ensuring that effective sanctions are in place. A permit or licence would be required by all landlords, but would be available without any hurdle criteria on payment of a small fee. Nationally administered, the licence would be revoked if the landlord did not meet statutory requirements on housing management and quality. The licence fee income would finance the establishment of an augmented system of housing redress.

There is insufficient evidence that existing **tenancy frameworks** are problematic. Many of the foregoing measures will lead to private letting being regarded as a less risky activity by both landlords and tenants.

Conclusion

The PRS is a key component of the housing market in England. The flexibility of the PRS needs to be protected, and policy interventions should flow with the market rather than seek to change its essential characteristics.

High-level co-ordination of policy between government departments would contribute to the task of framing a 'cross-departmental' culture for local-level

intervention in the PRS. A Ministerial statement of intent would help to underline the importance of the sector to the operation of housing and labour markets, and encourage local authorities to seek a 'private rented' dimension to National Indicators.

Use of the PRS to accommodate more households on low incomes must follow from rather than drive initiatives to improve private renting: when the sector is seen as an affordable, secure environment in which to make a long-term home, there will be little need to devise policies to encourage households into private renting.

1. INTRODUCTION

1.1 The Review task

In January 2008 the Minister of Housing commissioned an independent Review of the private rented sector (PRS). The commission took place in the context of change in the sector. Failures in other parts of the housing market had focussed attention on the growth of private renting and its interaction with owner occupation and social housing, and questions were being asked about whether it would be possible to increase the supply of rented housing to meet overall growing demand. There had been a marked growth in the supply and purchase of buy-to-let mortgages. Demographic change had led to increases in demand groups for renting. Historically, the PRS has been viewed as a problematic sector in terms of its ability to deliver professional housing management and property in good condition. As a consequence, the 2004 Housing Act instructed local authorities to institute mandatory licensing for parts of the sector. More recently, concern has begun to be expressed about security of tenure for those seeking a long-term home in the sector and it has been claimed that landlords routinely evict tenants who complain about property quality.

The terms of reference for the Review were broad:

What is the composition of the private rented sector and the regional characteristics? Who lives in the sector and who are the providers?

Given demographic and social change, what impact might this have on future demand and supply pressures in the sector and how should key players respond to this?

What are the possible actions necessary to ensure the sector delivers the right type of homes of good quality that meet local demand both now and into the future?

Given the recent regulatory changes, what more should or could be done to ensure a professionally managed and quality sector to meet demand pressures?

What are the tenant and landlord views and experiences of the sector? What are their priorities for change and how can these contribute to policy development?

It should be noted that the Review has not been able to collect any new, primary qualitative or quantitative data on the many aspects of private renting it has covered. Instead, the Review has been engaged with two principal tasks. An extended series of stakeholder meetings has taken place to gather opinion and test

consensus on the potential of the sector to meet a range of challenges. More than forty stakeholder meetings and interviews were convened with the help of the British Property Federation, the Joseph Rowntree Foundation and the Chartered Institute of Housing. In addition, analysis has been completed of large-scale datasets including the Surveys of English Housing (SEH), the English House Condition Surveys (EHCS) and the Census to understand in more detail the demand and supply-side characteristics of the PRS. This task has helped to define the current contribution of the PRS to housing in England.

Appendix One lists the agencies that were contacted as part of the Stakeholder exercise, and Appendix Two gives annotated tables for the charts and in some instances provides fuller data than is available in the tables appearing in the text.

The Review process has been guided by four principles. First, any analysis of the PRS has to be mindful of a substantial amount of misinformation and stereotyping that has become associated with private renting. There is a general cultural willingness to believe the worst of the sector and in some cases the presumptions can be evidenced: for example, as will be demonstrated, property conditions are poorer in the PRS than in social housing or owner occupation. However, a great deal of policy has rested on the presumption that landlords cannot be trusted to act responsibly and the industry is now of the view that the vast majority of 'good' landlords are over-regulated in the attempt to contain the activity of the few 'bad' landlords.

A second principle guiding the Review is care with regard to definition. For example, the designation 'buy-to-let landlord' has become commonplace, and indeed in some quarters has become an unthinking shorthand for individuals who are believed to have inflated house-prices through the purchase of property to let, often with little regard for the quality of property or management. In the process of completing the Review, an attempt has been made to establish clear definitions of key trends and processes.

A third principle is close assessment of evidence bases for assumptions relating to the sector. The Review brings forward a great deal of information on private renting, but it is clear that substantial gaps remain and some developments are as yet poorly understood. Despite the paucity of evidence on some issues, policy has been developed nevertheless and has carried some unintended consequences.

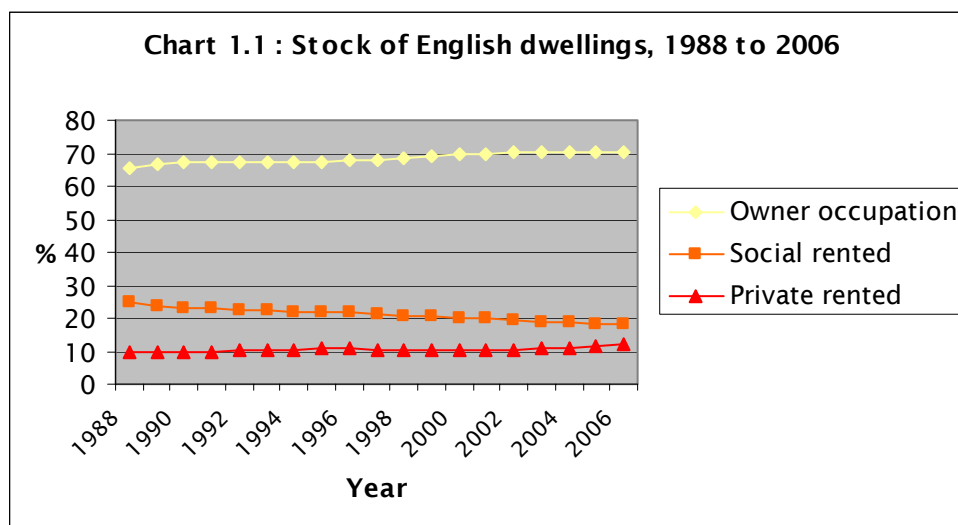
The fourth principle is due regard to the more telling long-term trends. The Review process began in January 2008, as the owner occupied housing market downturn had begun to be felt. This Review has not commented on the possible impacts of this downturn on the PRS, partly because of lack of data and partly because outcomes for the sector are uncertain. The Review has aimed to present data that pinpoint the broader, long-term trends in the market in preference to providing a snapshot of the current market situation.

1.2 Demand for homes and recent growth in private renting

The Review takes place at a time of revival for the PRS. The century-long decline of private renting has been the subject of extended study, which need not be repeated here (see Kemp, 2004). In 1974, the Conservative Political Centre confidently predicted

The private landlord, as he exists now and has existed, will, within a generation, be almost as extinct as the dinosaur. There is nothing that can be done about this (Patten, 1974).

The SEH indicated that 1988/89 was the lowest point that the PRS reached as a proportion of the total stock, but from the early 1990s the sector began to expand. Steady growth took place over the five years to 1995/96. Some of that growth was reversed over the following five years but from 2001 the sector returned to an upward trend. Between 1988 and 2006, PRS sector stock increased overall by 41 per cent, nearly double the growth evident in owner occupation. Notably, social rented stock has declined in size by 18 per cent, reflecting right to buy sales and a slow-down in new social housing build (Chart 1.1 and Table 1.1).



There are four factors that have been offered as explanation for the recent upturn in private renting. In terms of rough chronology the factors include:

- the Housing Act 1988, which introduced shorthold tenancies and lifted rent controls on new tenancies;
- properties that became available for rental in the early 1990s following a slump in housing prices on the owner occupied market: a number of individuals who were unable to sell their properties let them, and other landlords took the opportunity to expand their residential property holdings through the purchase of auctioned repossessed properties;

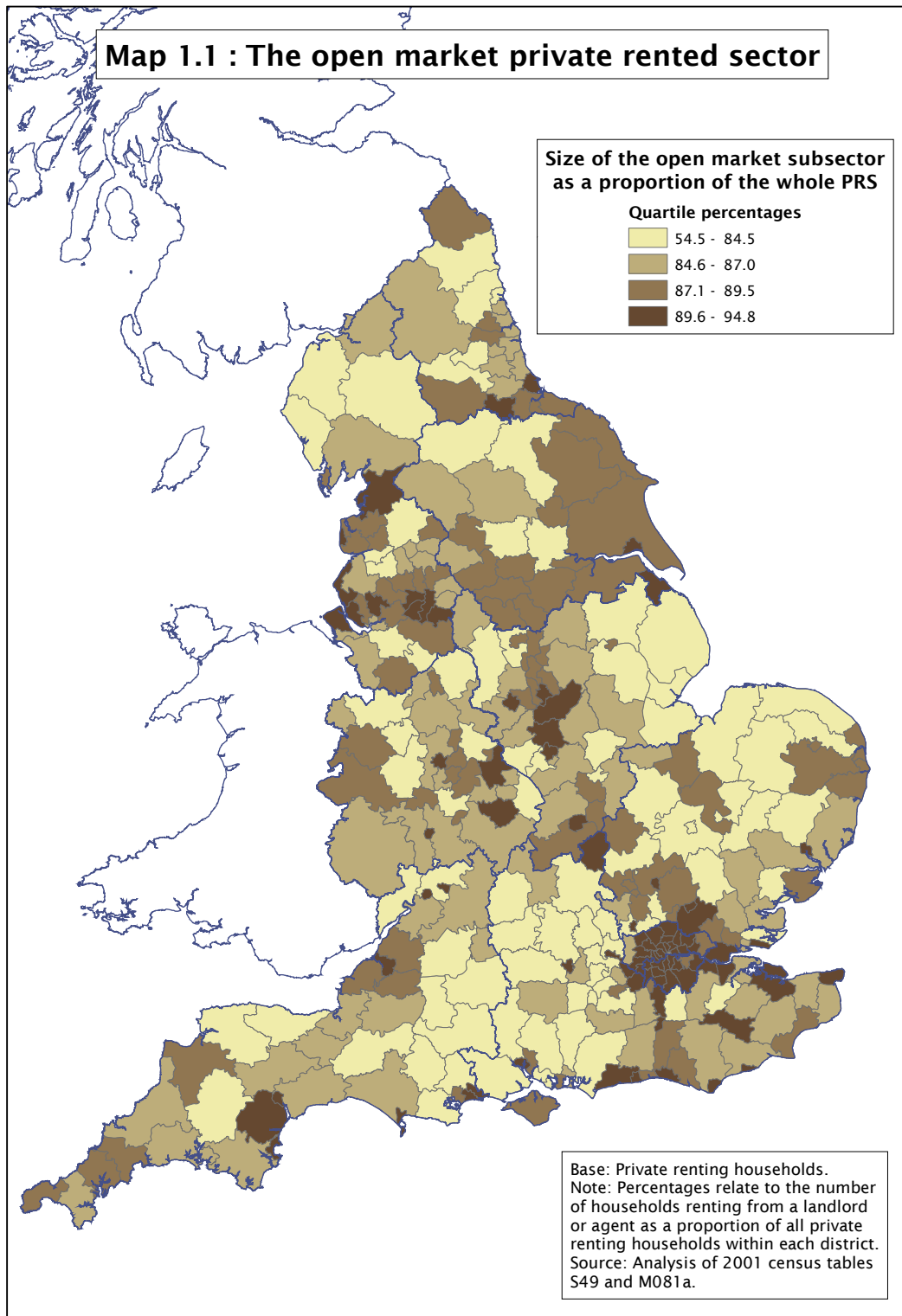
- the expansion of demand groups for private rental; and
- from 1996, the availability of buy-to-let mortgages, which offered cheaper financial deals for the purchase of property to let. These deals were becoming available at a time when house prices were rising and confidence in the stock market as a secure, long-term investment option was low.

It is not possible to be conclusive about the relative strength of each of these factors, but it is clear that the availability of buy-to-let mortgages post-dated the other factors relating to the growth of the PRS in the last two decades.

1.3 The contribution and potential of the PRS

Although the PRS is small relative to owner occupation and social housing, it would be a mistake to overlook its substantial contribution in diversifying the range of available housing options. This diversity means that the vast majority of individuals will have some experience of renting privately at some stage in their lives. The PRS is not a single entity. It contains within itself a number of distinctive niche markets, the most readily distinguishable of which is probably the student rental market.

The complexity of the sector is difficult to map. The configuration of its constituent markets varies area by area. In some locations, demand for rental property can be diverse: in Leeds, for example, luxury corporate lets are evident, as well as strong demand from students and a large minority of lets to households in receipt of housing benefit. In other areas, a single demand group might dominate the PRS: for example, census and housing benefit caseload data show that, in Blackpool in 2001, housing benefit lets constituted an estimated 70 to 80 per cent of the open market PRS. Variation in the size of the open market subsector of the PRS is shown by Map 1.1.



The growth of the PRS therefore requires further analysis, to assess which parts of the market have expanded. It cannot be assumed that growth in the size of the PRS is 'across the board': the proportion of lets to households in tied properties has been declining substantially for decades, and has continued to do so. Likewise, the proportion of regulated tenancies has steadily decreased since the change in tenure

legislation in 1988. On the other hand, census data from 1971 to 2001 shows that the more open-market oriented parts of the PRS have increased as a proportion of the whole sector (Rhodes, 2006b).

It is clear, therefore, that there needs to be a detailed and nuanced understanding of the current contribution of the PRS to the wider housing market, and the varied roles played by private renting. The first substantive section of the report uses quantitative datasets to disaggregate the sector, and considers in detail demand and supply patterns. These are analysed according to various defined niche markets. Some thought is given to localised variation and the value of arriving at a system of rental market classification.

The flexibility of the PRS, in terms of high levels of supply responsiveness to diversity of demand, constitutes its principal virtue. However, many commentators have highlighted failures in the sector, and it could be argued that the PRS is not reaching its potential. The Review considers a series of areas where it is believed that the PRS is either under-performing or where, given more amenable policy frameworks, its contribution could be enhanced. These areas are:

- new and affordable housing supply;
- levels of institutional investment;
- professionalised housing management;
- improved property quality;
- sustainable tenancies;
- homelessness prevention and discharge of homelessness duty; and
- 'problem' renting that destabilises local neighbourhoods.

In discussing each of these areas it has been necessary to review a wide range of policy initiatives that have included homelessness legislation, the legalities of private renting and the broader regulatory framework that defines property condition and management.

At the heart of the Review is the general desire to see the PRS as a less marginal tenure. Renting privately should be regarded as a valid first choice by people seeking housing in a range of circumstances. However, current policy aimed at the PRS is fragmented and contradictory. The final section highlights a series of key policy directions:

- the need for a properly nuanced evidence base available to the right audiences;
- greater attention paid to promoting housing management skill within the industry and within local authorities, and an emphasis on the development of intermediary agencies that offer housing management;
- the need to 'grow' the business of private renting;

- equalising the choices so that a household in housing need can make an active decision on whether to rent socially or privately;
- introducing a licensing regime that will not stifle commercial activity or place undue burden on statutory authorities in terms of implementation, alongside a more effective system of redress; and
- private tenancies that offer sufficient protection to both tenants and landlords.

2. CONTRIBUTION: THE CURRENT PRIVATE RENTED SECTOR

Of all the tenures, the PRS offers the greatest variety in terms of the roles it plays in the housing market. This section maps the contribution of the sector to housing in England and considers landlords, tenants, niche markets and variation in the PRS from area to area. This exercise in narrating the sector is essential to the task of analysing the effectiveness of existing policy and assessing future policy direction of travel.

2.1 The age of the 'buy-to-let landlord'?

The reasons why individuals and organisations come to be letting property vary considerably, with the result that different kinds of landlords are clearly evident. Kemp, for example, defines stewardship landlords, employer landlords, informal landlords, investor landlords, commercial landlords, financial institutions, property dealers and property slump landlords (Kemp, 2004). Thus landlords can include an individual letting out an inherited property in the short term, whilst looking to sell in the medium term; a charitable organisation offering accommodation to a defined group; or an employer, for example, the Church of England, offering tied accommodation. Table 2.1 indicates the range of landlord types evident in England in 2006.

Table 2.1 : Types of private landlord in England, 2006

| Landlord type | Proportion (%) |
|---------------------------------|----------------|
| Individuals | 48 |
| Couples | 25 |
| Private companies | 13 |
| Public companies | 2 |
| Partnerships | 4 |
| Family Trusts | 3 |
| Charities | 2 |
| Church or Crown Commissioners | 1 |
| Government Departments/Agencies | 1 |
| Educational Establishments | 1 |
| Other | 2 |
| Total | 100 |

However, the nature of landlordism has been subject to change: commentary on the PRS in the last decade has been dominated by discussion of 'buy-to-let'. In 1996, a new type of mortgage product became available, which offered an attractive rate to individuals seeking to buy property to let. The popularity of buy-to-let mortgages

has been marked: the Council of Mortgage Lenders (CML) indicates that there were 1,024,300 outstanding buy-to-let mortgages at the end of 2007.¹ It is commonly presumed that this development has transformed the sector: an overwhelming wave of 'buy-to-let landlords' has supposedly come into the rental market, bringing 'amateur' letting practices and driving up house prices.

The Review will address this contention in a number of ways, but this chapter will consider specifically how far the availability of buy-to-let mortgages has changed the supply side of the sector. The term 'buy-to-let landlord' tends to lack exact definition, but the common image of buy-to-let landlordism is of individuals who have entered into the lettings sector purely as a consequence of the availability of buy-to-let mortgages, and who rely exclusively on these products to purchase property to let.

It is generally considered that the number of individuals fitting this characterisation has multiplied rapidly since 1996. However, it is very difficult to judge how far this is the case. First, it needs to be stressed that over a million buy-to-let mortgages does not equate to either a million new landlords or a million new properties available to let. In 2007, 46 per cent of gross advances of buy-to-let mortgages were remortgages: existing landlords were using buy-to-let products to refinance their existing properties (Table 2.2). Certainly, use of this kind of product has become more commonplace in the PRS: in 2006, 28 per cent of the PRS was purchased with buy-to-let mortgages in the UK (Table 2.3).

Second, there are difficulties with counting the number of landlords. A great deal of residential letting is informal in nature, and there is no central register of landlords. Using the EHCS for 2006, an estimate for the number of landlords in England – excluding resident landlords – is somewhere in the region of 1.2m. It is clear that the number of private landlords has increased in recent years and also that there has been change in the *mixture* of landlord types, as shown by Table 2.4.

¹<http://www.cml.org.uk/cml/statistics>, table MM6

Table 2.4 : Trends in type of private landlord in England

| Landlord type | 1993/94 (%) | 1998 (%) | 2001 (%) | 2003 (%) | 2006 (%) |
|-----------------------------------|--------------------|-----------------|-----------------|-----------------|-----------------|
| Individuals/couples | 61 | 61 | 65 | 67 | 73 |
| Companies (public & private) | 20 | 22 | 13 | 17 | 15 |
| Organisations/Partnerships/ Other | 19 | 19 | 22 | 16 | 12 |
| Total | 100 | 100 | 100 | 100 | 100 |

The table indicates that the 'cottage industry' nature of the PRS has intensified, with the proportion of individuals and couples having increased from 61 per cent in 1993/4 to 73 per cent in 2006. Portfolios amongst this landlord type tend to be small: in 2006, 44 per cent of the individuals and couples group had just one property, and a further 27 per cent had two to four properties (Table 2.5).

However, it is worth stressing that analysing quantitative data remains less straightforward than might appear. The 'single landlord, single property' category contains a great deal of diversity. Where a landlord has more than one property, it can be assumed that there are varying degrees of intentionality in the development of a portfolio. By contrast, there are a number of routes whereby someone can arrive at the position of owning just one property that is let:

- the property is a 'spare' following partnership formation, where the two partners each have their own house: it is possible that the proportion of such landlords may be increasing as people now marry or form partnerships later in life when they are more likely to own property;
- the property has been previously occupied by the owner who is moving out but has had difficulty in selling;
- inheritance;
- parental purchase of a house for a child who is a student, where rooms are let out to other students: this appears to be a growing trend; and
- 'accidental' acquisition, where a residential unit may be acquired as part of a commercial property – for example, a flat over a shop.

In many of these cases, the landlord may have chosen to let out the property in the short-term, whilst decisions are made on its sale.

Despite the fact that there are a number of social trends contributing to the incidence of small landlordism, surveys indicate that the investment motive has become more marked. In 1993/94, the landlords of 48 per cent of English dwellings viewed the dwelling as an investment for either capital growth or rental income. By 2006, the proportion viewing their property as an investment had increased to 70

per cent (Table 2.6). There has also been an increase in the proportion of landlords who are new to the business in recent years. In 2001, 53 per cent of landlords who were individuals or couples had been letting for less than ten years; in 2006, this figure was 60 per cent (Table 2.7).

Overall, it can be concluded that easier availability of buy-to-let products has allowed for an increase in the number of individual and couple landlords, but exact quantification is problematic. Certainly the PRS in England has become more fractured. The proportion of landlords that were companies or organisations with 250+ properties declined from 30 per cent to 12 per cent between 1993/94 and 2006 (Table 2.5), and the proportion of organisations and partnerships in the sector has also decreased, from 19 per cent to 12 per cent (Table 2.4).

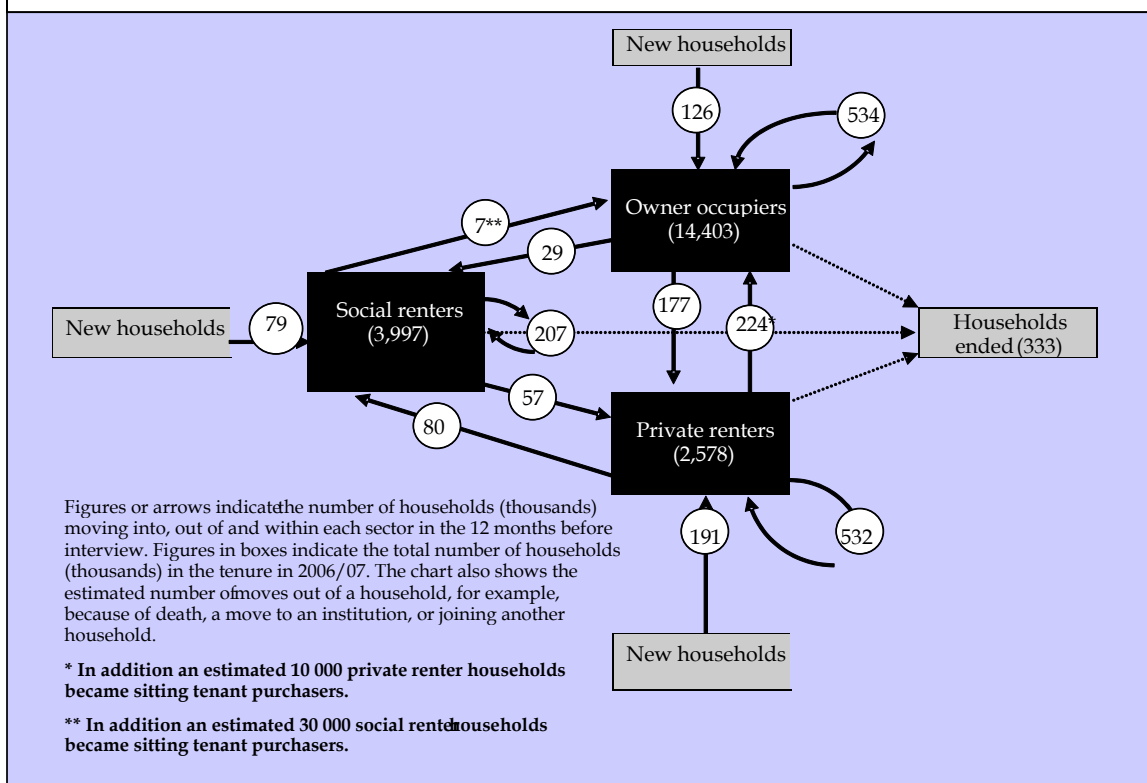
All this background information indicates how difficult it becomes, then, to interpret quantitative data on landlords that does not – in some way or another – give a clear indication of ‘intentionality’ with regard to letting activity. As will be seen, this problem is equally apparent when considering tenants’ experiences of private renting.

2.2 The roles of renting in housing biographies

Many people who currently live in owner occupation or in social housing will have had some experience of renting privately (Chart 2.1). Private tenants, like their landlords, are a remarkably diverse group. Taken as a whole, private renters can be distinguished from owner occupiers and social renters as being younger, more mobile, better educated, and more likely to live in property shared with other households (Rhodes, 2006b). These generalisations obscure quite profound differences in the demand groups within private renting. In describing the differences, it is useful to focus attention on the roles played by renting in people’s housing biographies.

First, it is clear that the PRS plays a vital role in accommodating people who are forming a household for the first time. The ‘youthful’ nature of the sector is reflected in the fact that renting privately is the easiest access option for young couples setting up home. Indeed, SEH data show that of all the private renters who had moved in the last three years, 21 per cent were new households, 51 per cent of which either wanted their own home or were setting up home with their partner (Table 2.8).

Chart 2.1: Household movement by tenure, 2006/07
Household Reference Persons resident less than a year (thousands)



Many students, also usually leaving home for the first time, spend a year in halls of residence and then further years renting privately. According to the 2001 Census, full-time students comprised 16 per cent of all people in households in the PRS (Rhodes, 2006b). More recent exact figures are not available on student numbers and their accommodation. Estimates (for England and Wales) indicate that despite an increase in the proportion of students studying from home, 1.6m students had a 'residential demand' and, roughly, between 45 and 50 per cent of students were living in the PRS (Blakey, 2008).

The PRS also serves vital functions for other kinds of households. According to the SEH, nine per cent of renting households were renting from the employer of a household member. This type of landlord was housing a higher than average proportion of couples with dependent and non-dependent children (Table 2.9). The PRS is also important to job mobility: 22 per cent of privately renting households who had moved in the last three years had moved for employment related reasons (Table 2.8).

Relationship breakdown also leads a number of households to move into private renting: indeed, 35 per cent of moves from owner occupation into private renting happened as a consequence of relationship breakdown (Table 2.8). It is notable that,

for eight per cent of social renters, a move into the PRS reflected the desire to get children into a better school (Table 2.8).

There is a great deal of 'churn' in the PRS overall, which reflects the short-term nature of some of its principal uses. Around six per cent of owner occupiers had lived at their current address for one year or less; for social renters the comparable figure was ten per cent. However, 40 per cent of households in the PRS had been living at their current address for less than twelve months (Table 2.10). Sixty-three per cent of these private renting household reference persons (HRPs) were in full-time employment, and a further 13 per cent were full-time students, indicating that work and study are key contexts for movement in the sector.²

Table 2.10 : Length of time at current address by tenure for households in England

| Length of time at current address | Private rented (%) | Owner occupied (%) | Social rented (%) | All (%) |
|--|---------------------------|---------------------------|--------------------------|----------------|
| Less than 12 months | 40 | 6 | 10 | 10 |
| 1 year to less than 2 years | 18 | 6 | 9 | 8 |
| 2 years to less than 3 years | 11 | 6 | 8 | 7 |
| 3 years to less than 5 years | 10 | 10 | 13 | 11 |
| 5 years to less than 10 years | 9 | 18 | 20 | 18 |
| 10 years to less than 20 years | 5 | 22 | 20 | 20 |
| 20 years or more | 7 | 31 | 20 | 26 |
| Total | 100 | 100 | 100 | 100 |

However, the table also shows that for a substantial minority of households, the PRS provides a long-term home, with 21 per cent having lived at their current address for five or more years. In terms of economic status, 39 per cent of retired private renters had been living at their current address for 20 years or more (Table 2.11), a fact probably related to the small proportion of regulated tenancies that remain.

The PRS also constitutes a housing option for working households who cannot afford owner occupation and are unlikely to be able to access social housing. This rental group has probably grown in the last few years, as house prices have increased. Private sector rents have kept pace with earnings growth since 1994, and have fallen relative to house price costs. A substantial proportion of younger households who were unable to buy could afford to rent (Wilcox, 2008a).

Even this brief overview of tenant characteristics indicates that the PRS is flexible enough to meet a range of housing needs. Often, clearly defined niche markets can

² Review analysis of three-year aggregated SEH data, 2004/5-2006/7.

develop around particular supply and demand relationships, as the following section indicates.

2.3 Defining niche markets

The fractured nature of private rented housing supply and the equally diverse nature of demand means that generalisation about the PRS can be unhelpful. Nevertheless, making sense of the sector is crucial since, without a better level of understanding, appropriate and effective policy interventions are difficult to devise. The best way to understand the sector is to distinguish its constituent markets. This approach takes analysis beyond assessment of either landlord or tenant characteristics, and considers how patterns of supply and demand are framed into distinctive sub-markets. Within sub-markets, tenants tend to carry certain expectations, and landlords will frame their management practices and purchase property types to fit the needs of their target tenant group. These sub-markets may be spatially concentrated or widely dispersed, depending on the demand group and on the supply of particular property types in a given area.

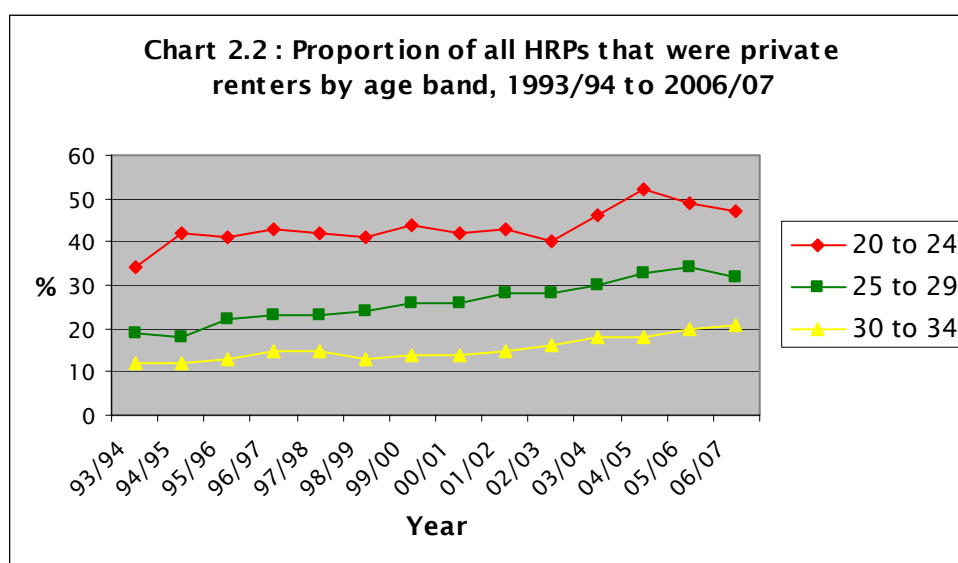
More recent analysis of the PRS has begun to delineate the existence of sub-markets, contributing to growing debate on how these sub-markets interact with each other (Hickman *et al.*, 2008). It is often assumed that the PRS is infinitely elastic, and that ever-expanding growth in demand will be matched by increased supply. Overall, the PRS is growing, but much of this growth reflects tenure shift rather than the addition of new property. Furthermore, growth in supply to one demand group within private renting can mean a reduction in the supply of property to another.

The remainder of this section will describe some of the sub-markets within the PRS. This listing is not exhaustive, and it is not the case that landlords let exclusively in one market or another: indeed, some landlords who manage their businesses more strategically and have larger portfolios will perhaps target a number of demand groups, and market and let their properties accordingly. In addition, these sub-markets are not necessarily spatially concentrated, although in some instances the intensive concentration of demand is a characteristic feature. The descriptions indicate that each part of the market can be subject to a distinctive interplay of demographics, economics and policy intervention.

'Young professionals'

The increasing proportion of households in the PRS has been linked to the growing proportion of the loosely-termed 'young professionals' who choose to rent privately in preference to entry into owner occupation. As Chart 2.2 and Table 2.12 show, there has been a growth in the proportion of younger people renting privately. The

proportion of the youngest age-band private renters – 20 to 24 year old HRPs – has increased between 1993/94 and 2006/07, from 34 per cent to 47 per cent of all HRPs of this age.



An equally marked trend has been the proportional increase in private renting amongst the 25 to 29 year old age group, from 19 per cent to 32 per cent. Further, even amongst the 30 to 34 age group, private renting has also seen expansion from 12 per cent to 21 per cent (Table 2.12). It should be noted that in each of these younger age bands, owner occupation appears to be experiencing decline. Difficulties with accessing the owner occupied market were highlighted in a 2006 CML report. The report found that, between 1995 and 2005, there was an increase from ten per cent to 50 per cent in the proportion of first-time buyers under the age of 30 who had had other sources in addition to their own savings to pay for a deposit (Taich, 2006).

A number of explanations for the increased proportion of young renters have been proposed, generally assessing the strength of 'choice' or 'constraint' in the decision to rent a PRS property rather than become an owner occupier. For some commentators, younger people clearly prefer to rent privately and are attracted by the fact that their rent payment might allow them to access better quality properties and in better locations than they could afford if they were buying. Renting has become a 'lifestyle' choice for young people who want to share properties in central locations close to work, nightlife and shops. The decision to rent is also connected with labour mobility: as early working careers are often unstable and less remunerative, then it makes sense to continue renting and so remain mobile so as to maximise employment opportunities. Other commentators are persuaded by the argument that a growing proportion of young renters indicates constraint in the wider housing market. For example, Andrew notes that, particularly since the middle of the 1990s, relatively stagnant wage levels for

younger people, student debt and increases in house prices have all undermined the ability of this group to enter owner occupation (Andrew, 2006).

It remains to be asked how the PRS responds to demand from this rental group. It is clear that some landlords are aware of the distinctive nature of the younger non-student rental market, and will advertise and manage their properties accordingly. For example, one of the larger providers of commercial halls of residence has developed a high-density apartment block in the centre of London, aimed at meeting the housing needs of young graduates: the block contains high-specification single-person studio flats. Within the 'traditional' PRS, some landlords are also redeveloping existing shared properties for this demand group, by increasing the proportion of bathrooms to tenants and installing good-quality media equipment and white goods, for example.

As with the majority of niche markets under discussion in the Review, it is not possible to be categorical about size with regard to young professionals. However, there is a great deal of landlord interest in this particular market: city-centre schemes are invariably advertised as being for 'young professionals'. The attraction probably rests with the fact that young professionals carry many of the advantages of student lets, for example the willingness to share or live in high density, but without the perceived disadvantages. It is not certain whether demand from this group will remain constant. If Andrew is correct, an increase in incomes amongst this group and a decrease in house prices might facilitate a growth in demand for home ownership and a reduced propensity for them to rent privately.

Students

The student sub-market constitutes a conspicuous component of the PRS and has been subject to substantial change in recent years. The number of individuals in full-time education increased from about 1.4m to about 1.9m between 1995/96 and 2005/06 (Table 2.13). There are indications that more full-time students are studying from home, so reducing the need for them to live in separate accommodation. However, the table shows that the number of overseas students has increased by 72 per cent, from 11 per cent to 14 per cent of all higher education students, and these will require some form of accommodation. Higher education institutions (HEIs) sometimes view themselves as having some responsibility in terms of being able to offer residential places to first-year and overseas students; other students study from home or find accommodation in the local PRS.

Student presence in the PRS has been a notable feature of many university towns and cities. Education policy aimed at increasing student numbers has not been accompanied by any understanding of consequent housing outcomes, and it has been generally assumed that the PRS will expand accordingly. Large-scale

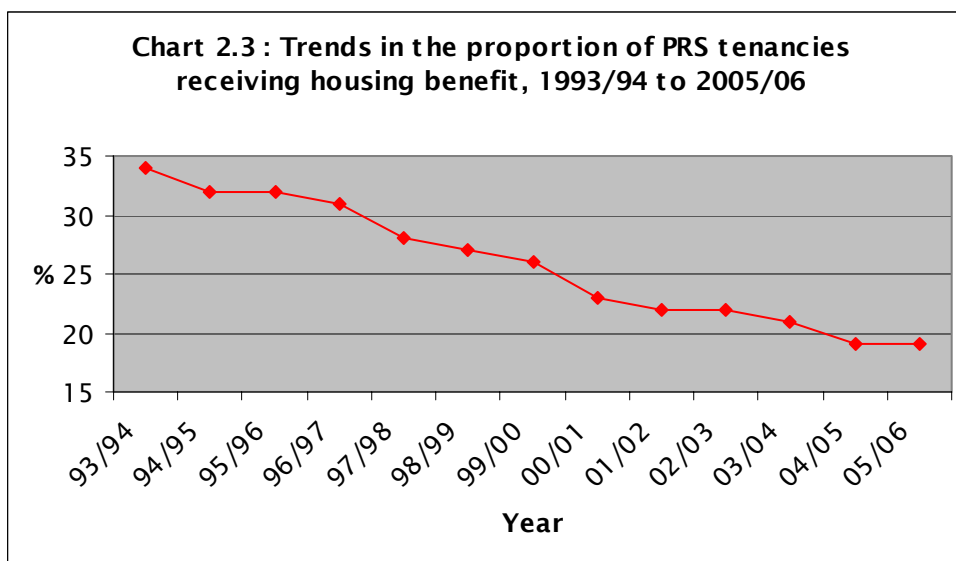
corporate student landlordism emerged in the early 1990s and has developed rapidly. In 2007, Savills Research concluded that student housing constituted a substantial asset class, worth £6.6bn; between them, the top ten providers of commercial halls of residence had over 100,000 bedspaces. Anecdotal evidence indicates that, in some locations such as Birmingham, traditional student landlords are looking to alternative tenant groups to fill properties previously let to students who were now living in private sector halls of residence (Groves, *et al.*, 1999).

Research has been completed on the impact of student demand on local housing supply, although more recent commentary has become dominated by issues of intensive spatial concentration of demand and its impact on community cohesion. This issue is considered in detail in chapter 3.7 of the Review. Here it is perhaps worth noting that rental growth in the sector has been remarkable. The stereotype of student rental housing has been shared houses, not always in the best condition, or institutional halls of residence. The commercial sector has largely transformed the student housing experience, offering 'luxury' blocks with en suite facilities, broadband internet connections and gym facilities. This improvement has come at a cost. The 2006-7 Unipol/NUS research indicated that average corporate private provider rents were 18 per cent more expensive than the rents charged by institutional providers (Unipol/NUS, 2007). Although it could be argued that a great deal of private provision is deliberately 'up market' and cheaper options are available, many higher education institutions meet their implied duty to house first year and overseas students through nomination agreements with private halls. These student groups are, by definition, inexperienced consumers and perhaps lack the knowledge to choose cheaper accommodation.

It is clear that the student rental market is shifting, that a new student housing 'product' has been developed, and a new kind of student landlord has emerged. Student housing is becoming very big business, but it remains to be seen how far this development serves the interests of students seeking to minimise their accommodation costs and so reduce the level of indebtedness on graduation.

The housing benefit market

The private rented sector contains a distinctive sub-market where tenants' rental payments are fully or partially supported by housing benefit. According to the SEH, following substantial decline from 1995/96 to 2001/02, the private rented housing benefit caseload has begun slowly to increase (Table 2.14). There were 455,000 households in receipt of housing benefit in 2005/06. The housing benefit market has diminished as a proportion of the PRS over recent years: in 1993/94, 34 per cent of private renting households received housing benefit, but by 2005/06, this figure had reduced to 19 per cent (Chart 2.3 and Table 2.14).



It could be argued that the demographic of households on housing benefit in the PRS is more similar to social housing tenants in receipt of rent rebate than the generalised demographic of private renting. In terms of household types, private renters on housing benefit are very similar to social housing tenants in receipt of rent rebate. For example, lone parents with dependant children comprise nine per cent of all PRS tenant households, but 31 per cent of private renting households on housing benefit. In terms of the age of the household reference person or HRP, private renting often comprises a 'mid'-point between all private renters together and the social renters in receipt of rent rebate: for example, 11 per cent of all private renters were of retirement age or older, but this figure was 20 per cent amongst housing benefit private renters, compared with 41 per cent in the social rented housing benefit group (Table 2.15).

Understanding the workings of the housing benefit market is essential to an appreciation of the market dynamics at the bottom end of the private rented sector. Although the housing benefit sector takes a large minority share of the PRS, many landlords are unwilling to let to recipients of housing benefit. There is a perception amongst some landlords that households reliant on any kind of welfare payment are in some ways 'undesirable'. Furthermore, where a tenant is in receipt of housing benefit, landlords generally have to accept a change in what might be deemed usual working practices. For example:

- landlords may be expected to wait for housing benefit applications to be processed. This delay may take weeks even if information provided by the tenant is complete;
- rent is generally paid in arrears when normally a landlord would require rent to be paid in advance; and
- housing benefit payments are made four-weekly rather than by calendar month, which is how landlords generally expect to be paid.

Landlords did see one principal advantage to dealing with housing benefit, which was that the payment could be made directly to their bank account, so no arrangements needed to be made with the tenant to collect the rent. However, under the new Local Housing Allowance (LHA), introduced for new housing benefit claims from April 2008, the payment will always be made to the tenant unless they are deemed vulnerable, or if rent arrears accrue.

Despite being unpopular with landlords generally, some landlords have chosen to deal with this market specifically, and have altered their working practices so that they are more closely allied with housing benefit administration. These kinds of landlord may help their tenant complete the housing benefit form to minimise delays in payment, and indeed have a close working relationship with the local authority housing benefit department. Such landlords generally view the housing benefit market as good business because, once the initial application has been processed, the benefit payments are regular. Often, tenants will want to stay in properties for the long term. Indeed the SEH shows that 34 per cent of private tenants in receipt of housing benefit had stayed in their tenancy for five or more years, whereas the equivalent figure for non-housing benefit tenants 14 per cent (Table 2.16).

A key issue for the PRS is the degree of supply elasticity in the housing benefit market. The expansion of the housing benefit caseload between 2001/02 and 2005/06 indicates that, overall, the sector has been able to accommodate growing demand. However, there is qualitative evidence that the sector is vulnerable to localised contraction to housing benefit tenants where alternative demand groups develop. The evaluation of the LHA Pathfinders indicated that, in some areas, landlords were choosing to reduce lettings to housing benefit recipients in favour of new immigrant households (Rugg, 2006). It is not possible to quantify the level of unmet need for low-cost private rental. However, a problem with undersupply is evidenced by the proliferation of incentive schemes to encourage landlords to let to low-income and/or homeless households (see chapter 3.6).

A more marked issue of undersupply is evident for tenants in receipt of housing benefit who are under the age of 25. For these applicants, assistance with paying the rent is restricted. For older claimants, the LHA is set at the average market rent for a property of a size suitable to the needs of the household. Single under-25s are eligible for assistance only to the level of a shared room rent, even if they are living in a one-bed self-contained property. This regulation is based on the presumption that young people on benefit should not be able to access accommodation that would not be affordable to their working peers. In March 2008, the Secretary of State for Work and Pensions indicated that the Department for Work and Pensions' (DWP's) own internal review concluded that the majority of claimants that were only eligible for the shared room rate were living in self-contained accommodation,

and there was uncertainty whether sufficient shared accommodation, as defined by the regulations, existed to meet demand from under-25s³. No comment was made on how the young people concerned were able to meet any shortfall between their benefit entitlement and the rent charged. Research completed by the DWP in 2005 concluded that the restricted rate 'may have contributed to the difficulties which young HB claimants have had in obtaining accommodation in the private rented sector' (Harvey and Houston, 2005). With the exception of the DWP, the stakeholder groups generally expressed disagreement with the continuation of a differential in housing benefit payments for the younger age group.

Slum rental

A 'slum rental' market exists at the very bottom end of the PRS. This is the kind of property that tenants would take only in circumstances of extreme need, and where it was unlikely that tenancies could be sustained in the long term. A study of tenants' experiences in this kind of property found that tenancies were often abandoned because tenants felt unsafe, sometimes because of the other tenants in a shared property. Possessions were insecure and the property quality was dangerous to health. In some instances, landlords had simply told tenants to leave, or had otherwise acted so the tenant felt obliged to leave (Rugg, 2008). 'Slum' rental tends to be the preserve of landlords who openly target extremely vulnerable renters, whose ongoing addiction or other mental health problems mean that they tend to lead chaotic lives characterised by movement between sleeping on the streets, 'sofa surfing', short hostel stays and slum renting (Rugg, 2008).

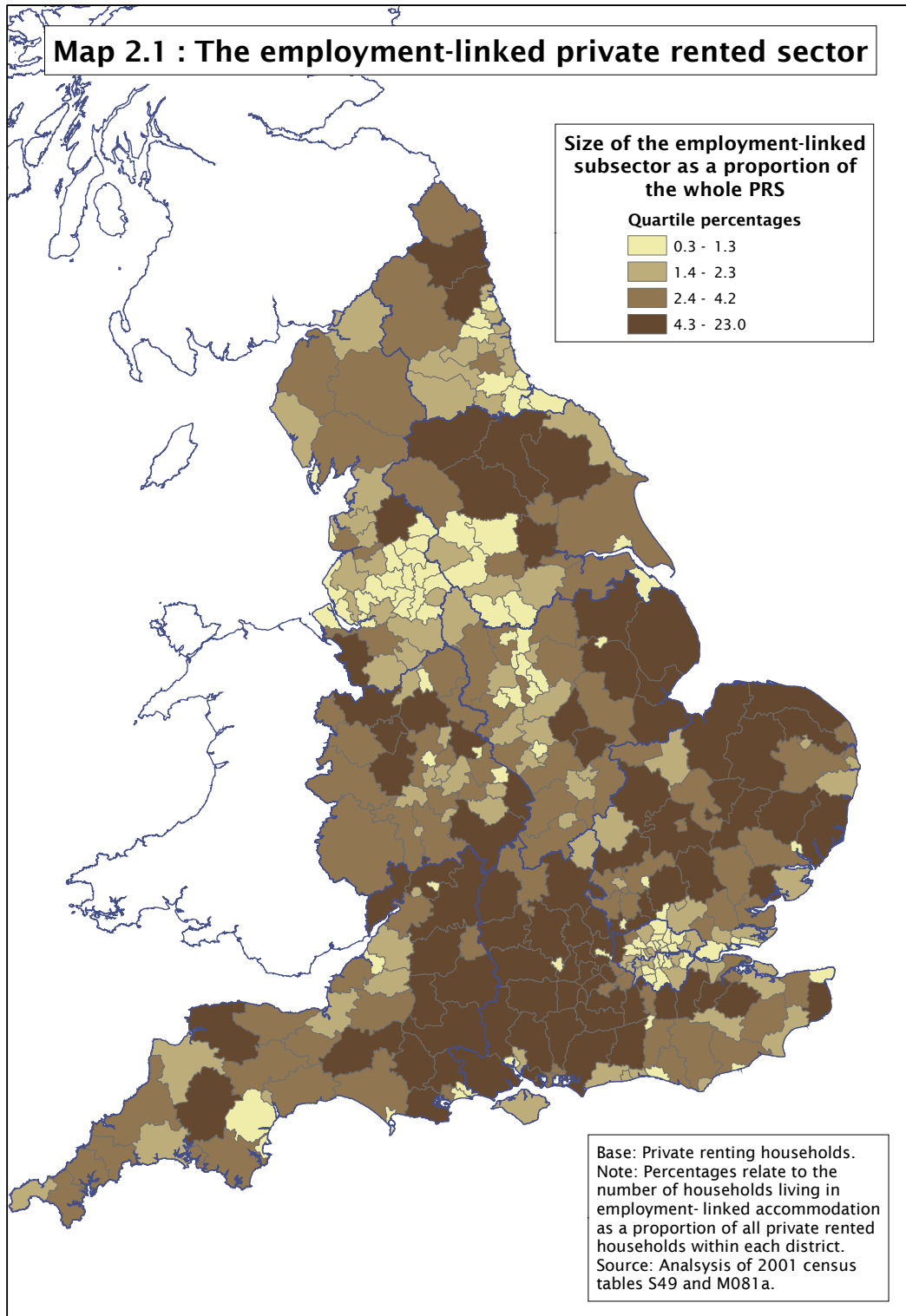
It is important to note that slum rental continues to be a part of the wider rental market largely because of heavy demand for property at the bottom end of the sector where landlords are willing to take tenants in receipt of housing benefit. Landlords in the slum market understand that housing benefit will be paid even where property is in extremely poor condition, and tenants often have few choices. It is not possible to quantify how many tenancies might be described as 'slum rentals', and an evaluation is currently underway to assess whether the licensing of HMOs under the Housing Act 2004 has been effective in containing the worst practices (CLG, 2007b).

Tied housing

The 2001 census shows that overall in England 5.3 per cent of private renting households were living in accommodation that was being rented from the employer of a household member, some of which may have been occupied rent-free or at a

³Hansard, 26/03/08, c181W.

salary that reflected the housing cost. Map 2.1 indicates that there was substantial regional variation in this figure. The darkest areas of the map are the top quartile of local authorities in terms of the percentage of households living in tied lettings, and vice versa.



The South East Government Office Region (GOR) had the highest proportion of all PRS households living in tied accommodation, at 8.3 per cent of the total, and Greater London had the lowest, at 2.6 per cent (Table 2.17). As will be seen, tied lettings were more common in rural than in urban areas, reflecting a tradition of agricultural tied lets. The 2001 census indicated that tied letting constituted a large minority of PRS households in some local authority areas, including Kennet (27.0 per cent), Richmondshire (25.9 per cent) and Forest Heath (20.6 per cent) (Rhodes, 2006b).

The proportion of tied lets within the sector has declined numerically and proportionately since 1991, but about 120,000 English households were renting from an employer of a household member at the time of the 2001 census. Very little research has been completed on the tied lettings sub-market of the PRS, and the experience of employer-landlords and employee-tenants remains largely unexplored. As a consequence, it is difficult to frame policy objectives around this arrangement.

People on high incomes, high rents

An upper-market, high-income niche exists within the private rented market, most commonly in Central London as well as some other major urban areas. Thus for example, people working in NS-SEC-defined managerial and professional occupations were over-represented amongst private renters within Greater London, and were particularly prevalent within the 'London centre' area type (Tables 2.18 and 2.19). Private tenants with higher incomes tend to have a number of the characteristics found in the sector as a whole in slightly exaggerated form. Thus the SEH shows that, excluding full-time students, tenants in the highest gross income quartile equivalised before housing costs were the most likely to have lived at their current address for shorter periods of time and to have moved to their current address from another one in private rented sector (Table 2.20). They were also more likely to have moved a distance of over fifty miles, or from abroad, to their current address. Also, as might be anticipated, the reason for their move was more likely to be job-related than it was for tenants in other income quartiles (35 per cent compared with 24 per cent overall).

Many high-income renters are in 'corporate lets' in the PRS, although it is not readily possible to identify this group in national data sources. Little is known about corporate lets, which comprise a particular kind of arrangement between landlord and tenant. It is likely that some areas, especially parts of inner London, will have a notable proportion of this type of arrangement (Westminster City Council, 2006). Qualitative information indicates that this niche market is vulnerable to fluctuations in the financial market, and as a result can constitute a risky proposition for the landlord. Because rents can be extremely high, void periods can lead to a substantial

loss of income. Property damage and deposit return may be a contentious area because of the high specification of the lettings involved, but the high rental cost excludes such lettings from the tenancy deposit protection schemes, since tenancies with annual rentals of over £25,000 cannot be assured shorthold tenancies.

Middle age, middle market renters

A further group of renters can be described as 'middle age, middle market' renters, who may be in the sector temporarily as they change jobs, or perhaps following a change in their household configuration. The move from one owner occupied property often requires a short 'stay' in the PRS of perhaps six months or a year. According to the SEH, the proportion of both 35 to 44 year olds and 45 to 54 year olds increased slightly in the PRS between 1993/94 and 2006/07, from eight to twelve per cent, and six to nine per cent respectively.

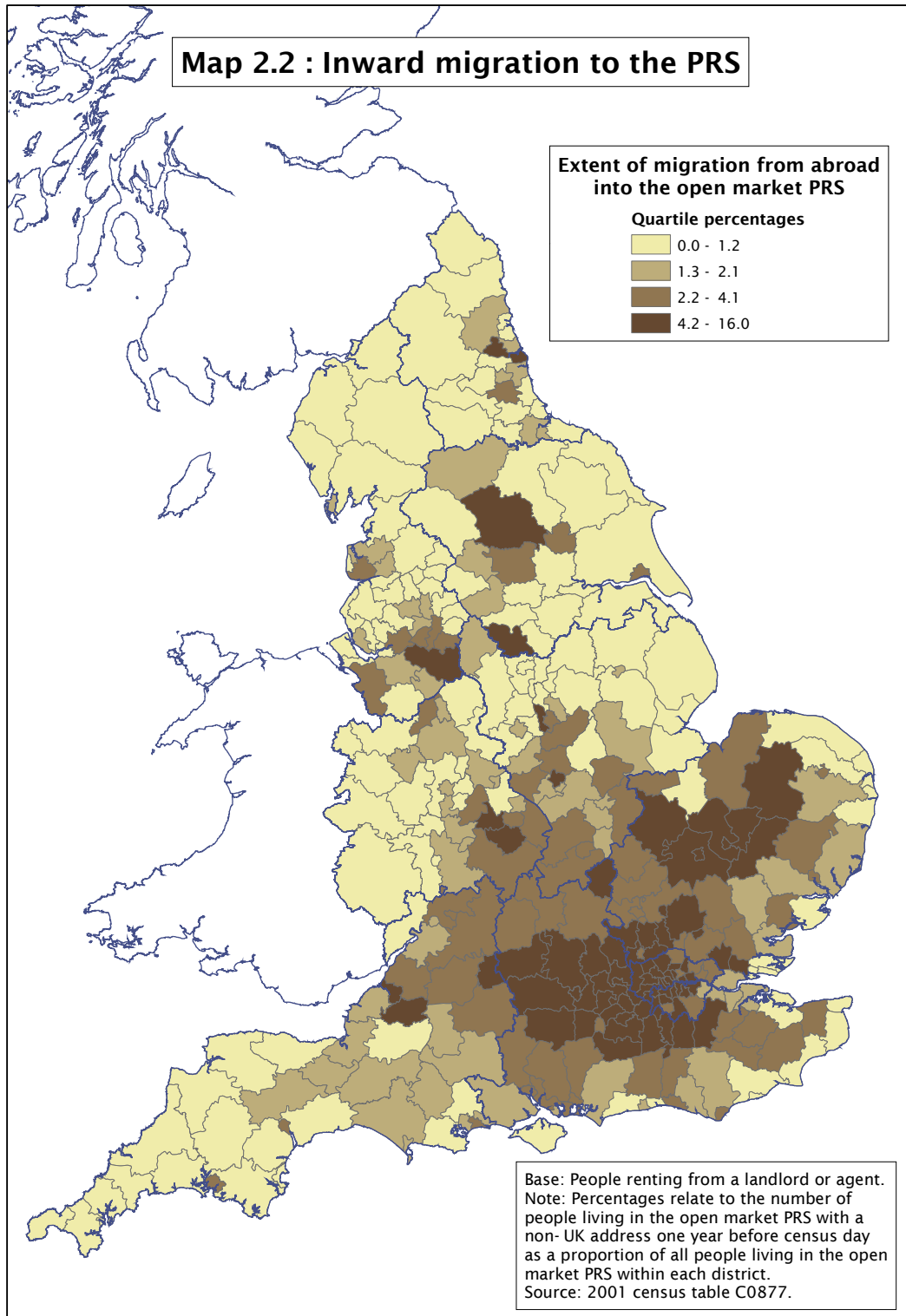
Immigrants

Substantial in-migration to the UK has been evident in recent years. In 2005, the Office of National Statistics indicated that there had been a net inflow of 185,000 people (Audit Commission, 2007). There has been some change to the pattern of in-migration: between 1999 to 2002 there was a marked increase in the numbers of asylum seekers, which declined after that time following a change in regulations. More recently there has been a heavy influx of immigrants from the Eastern Europe 'A8' countries, following expansion of the European Union in 2004. Polish nationals were by far the largest group applying for national insurance numbers in 2005/06, with over 170,000 applications (Audit Commission, 2007).

Immigrant populations tend to rely heavily on the PRS, which is often more immediately accessible than social housing and owner occupation. The 2001 census indicated that where people had moved into England from outside the UK in the year prior to the census, 53 per cent were in the PRS, 26 per cent were in owner occupation and seven per cent were in social housing (Table 2.22). The pattern of settlement across England indicates that London and its environs had high proportions of in-migrants living in the PRS, as did rural parts of the East of England GOR, where two large American air bases are located. The darkest areas in Map 2.2 show the local authorities in the highest quartile of in-migrants living within the open market PRS.

The housing needs of the very wide variety of immigrant groups will differ substantially, bringing different kinds of pressure to the rental market. Many A8 immigrant workers take up seasonal work, and so look to secure shared property in rural locations; overseas students and higher-paid professional workers are more likely to seek short-term lets in urban areas. Demand for rental property from

immigrant households is particularly strong in London, where it has been estimated that over the last eight years, total international migration has averaged 185,000 per annum gross and 87,000 per annum net; a very large proportion of these households had come from 'rich' countries (Gordon *et al.*, 2007).



The Audit Commission has noted that rapidly increasing demand for rented property from immigrant households has had different impacts depending on the speed of change, the nature of the rental market and the housing market more broadly, and the 'tradition' of an area with regard to absorbing immigrant households (Audit Commission, 2007). Gordon *et al.* suggested that the fact that rents have not increased is a reflection that a ready supply of rented property has been made available. In some areas, demand from immigrant households has absorbed accommodation in some low-demand areas, or taken up property made vacant through students moving into private sector halls of residence.

It is also possible that more houses have been put to more intensive use: for example, in Breckland, the number of houses in multiple occupation (HMOs) increased from 40 to 480 between 2002 and 2006 (Audit Commission, 2007). The SEH shows that five per cent of private rented households were overcrowded according to the bedroom standard, but the proportion was 12 per cent amongst those who had moved within the last three years and whose previous address was abroad⁴.

However, it is possible that demand may itself have displaced other households in the PRS. Aside from the student housing units, which will be accommodating many overseas students, it is unlikely that any of the more newly-built properties will have been purchased by landlords with shared immigrant households in mind.

Asylum seekers

More specific concerns relate to the housing of asylum seekers. In 2006 there were 23,620 applications for asylum in the UK, a figure that had decreased by eight per cent from the previous year (Bennett *et al.*, 2007). The 1999 Immigration and Asylum Act established the National Asylum Support Service (NASS) to oversee the dispersal of asylum seekers beyond London and the South East. NASS procured a great deal of its accommodation in the PRS using contracts with a combination of agencies, including local authorities, RSLs, charitable organisations, and private providers. The private providers either directly provided accommodation or sub-contracted to other private landlords. NASS no longer operates, and its functions have been devolved to a department within the UK Border Agency. In 2006, five-year contracts were entered into with 18 providers for accommodation and related services.

⁴ Analysis of the three-year SEH (2004/05 to 2006/07) for the Review.

Although some reports have reviewed asylum seekers' experience of these arrangements, there has been less focus on the localised impact on housing markets. Three features of the dispersal programme are noteworthy:

- Demand for property can be highly localised. In 2005, research in Leeds found that 1,879 asylum seekers were dispersed in the local authority area, in postcodes LS7, LS8, LS9 and LS11 (Dwyer, forthcoming).
- Little monitoring appears to have taken place of property standards: a small-scale study found 26 of 154 dwellings used by asylum seekers were unfit for human habitation following inspection by environmental health officers (Garvie, 2001); under the most recent contracting round, 'quality self-assessment' is required from providers;
- Procurement has focussed on the cheapest rental property, and property that was previously vacant (Robinson, 2003).

One commentator described the process as 'little more than a scramble' for accommodation by procurement agencies, which indicate that incursion into localised markets was hasty, with little strategic overview of the capacity of the PRS to accommodate additional demand. Indeed, housing placements were being managed by agencies and officers with little experience of dealing with private landlords (Garvie, 2001). Anecdotal evidence indicates that the introduction or withdrawal of demand for property sought to fulfil this kind of contract has a substantial impact on the availability of property to other low-income demand groups.

Temporary accommodation

A further distinctive market that has been created directly as a consequence of statutory procurement activity is the temporary accommodation sub-market. Local authorities that have accepted a statutory duty to house a particular household are obliged to place that household in temporary accommodation, and often use properties in the PRS. In June 2008 it was reported that there were 77,510 households in temporary accommodation on 31st March 2008. Of these, 52,480 households were in private rented accommodation, the majority of which would have been leased from a landlord by a local authority or RSL (CLG, 2008d).

The demand for temporary accommodation is highly concentrated: in January 2006 it was reported that 33,340 placements were in London. Within London, the use of temporary accommodation was variable: Brent had 3,609 households placed in private sector leasing arrangements, and Westminster had 2,380 (Greater London Authority, 2006). The arrangements were not necessarily in the local authority's own area. Research on the PRS in Westminster indicated that, of the 1744 temporary accommodation placements in the borough, 21 had been placed by the

Royal Borough Kensington and Chelsea and 11 by the London Borough of Hammersmith and Fulham. Using Greater London Authority data, the report calculated the proportion of the PRS in each borough absorbed by demand from temporary accommodation. This proportion was highest in Newham, at 35 per cent. In Barking and Dagenham, temporary accommodation took up 32 per cent of the PRS, and in Enfield the proportion was 23 per cent (Westminster City Council, 2006).

This market is distinctive because of the funding arrangements that attach to temporary accommodation. Specific grants are available from the DWP to support the use of temporary accommodation, which means that higher rents are paid. Concern has been expressed about the work disincentive elements of the higher rents. The market has responded very positively to the higher rents payable under temporary accommodation arrangements, and private companies have been established that broker leasing deals between local authorities and landlords. Little information is available on whether these arrangements bring new landlords to the market, or absorb properties that would be let in the housing benefit market under normal arrangements. A comparison of Maps 2.3 and 2.4 indicates that demand for temporary accommodation is more marked in the western boroughs of London, and the housing benefit market is more prevalent in the east of the capital.

A target has been set to halve the number of households in temporary accommodation by the year 2010; the Statutory Homeless 1st Quarter report of June 2008 indicated that, overall, reduction had indeed taken place for the previous ten quarters but the increase had continued in London (CLG, 2008d). In addition, the DWP has indicated that a review will take place of the temporary accommodation funding arrangements, following concerns that some local authorities had been inflating the rents charged under the scheme to cover their own management costs.

Older tenants and regulated tenancies

There has been a decline in the proportion of older tenants. Thirty-three per cent of private tenants in 1988 were aged sixty and over; by 2005/06, this proportion was 11 per cent.⁵ Regulated tenancies tend to be associated with older tenants, and perhaps account for the fact that older people have stayed at their current address for longer than other age groups. For example, in the PRS in 2005/06, just nine per cent of tenancy reference persons aged 65 to 74 years old had moved within the last year, compared with 68 per cent of 16 to 24 year olds.⁶

⁵ <http://www.communities.gov.uk/documents/housing/xls/140144.xls>, table s516.

⁶ <http://www.communities.gov.uk/documents/housing/xls/140222.xls>, table s540.

It is possible that older tenants will emerge as a more substantial demand group than is currently the case as the population of England continues to age generally. In some respects, housing designed for use by older people is similar to housing for student groups: low-maintenance property with concierge-style security, and amenities on site to encourage social interaction. It has been seen that at least one large corporate landlord - Girlings - has targeting older renters who may sell their home to enjoy an enhanced income while renting. Girlings offers assured tenancies in acknowledgment that this rental group tends to see private renting as a long-term option (Girling, 2008).

2.4 Spatial considerations

In addition to comprising a number of distinctive niche markets, the PRS is variable from area to area. The configuration of niche markets will be different from one location to another, in response to the play of different area characteristics. Policy implementation also carries the potential to influence the development of particular rental markets: for example, where additional demand for renting may come through need for temporary accommodation or for housing for asylum seekers. This chapter underlines the need to consider spatial variation generally by reviewing differences in rental markets regionally and according to level of rurality. Variability in types of rental market indicate that useful work might be done to classify 'like-markets' using a range of indicators. The outcomes of different policy interventions might be easier to anticipate where rental market classifications are available.

Regional variation outside of Greater London

The 2001 census indicated that the size of the PRS was variable across the nine English GORs (Table 2.23). The sector was proportionately the smallest in the North East and the West Midlands. In broad terms, the composition of the PRS also varies from area to area, as shown by Table 2.17 in Appendix Two.

Table 2.23 : Tenure by Government Office Region, 2001

| Government office region | Private rented (%) | Owner occupation (%) | Social rented (%) | Total (%) |
|---------------------------------|---------------------------|-----------------------------|--------------------------|------------------|
| North East | 8.1 | 63.6 | 28.3 | 100 |
| North West | 9.3 | 69.3 | 21.4 | 100 |
| Yorkshire & Humber | 10.0 | 67.6 | 22.4 | 100 |
| East Midlands | 9.3 | 72.2 | 18.5 | 100 |
| West Midlands | 8.2 | 69.6 | 22.3 | 100 |
| East of England | 10.0 | 72.7 | 17.3 | 100 |
| South East | 11.4 | 74.0 | 14.7 | 100 |
| South West | 12.5 | 73.1 | 14.5 | 100 |
| Greater London | 16.4 | 56.5 | 27.0 | 100 |
| England | 11.0 | 68.7 | 20.3 | 100 |

Variation within regions is as marked as variation between them, as indicated by Map 2.3. Other research on the five unitary authority areas of West Yorkshire, for example, found that Leeds was clearly exceptional among them in having an increase from nine to 25 per cent of its PRS comprised of multi-occupancy households, between the 1991 and 2001 censuses. Over the same period, in Calderdale the proportion of lone pensioner households halved. Across the authorities, there was also distinct variation in the growth of single adult households, and growth in the proportion of lone parent renters (Hickman *et al.*, 2008). As this example shows, it is clear that differences in rental markets can be highly localised even amongst neighbouring areas.

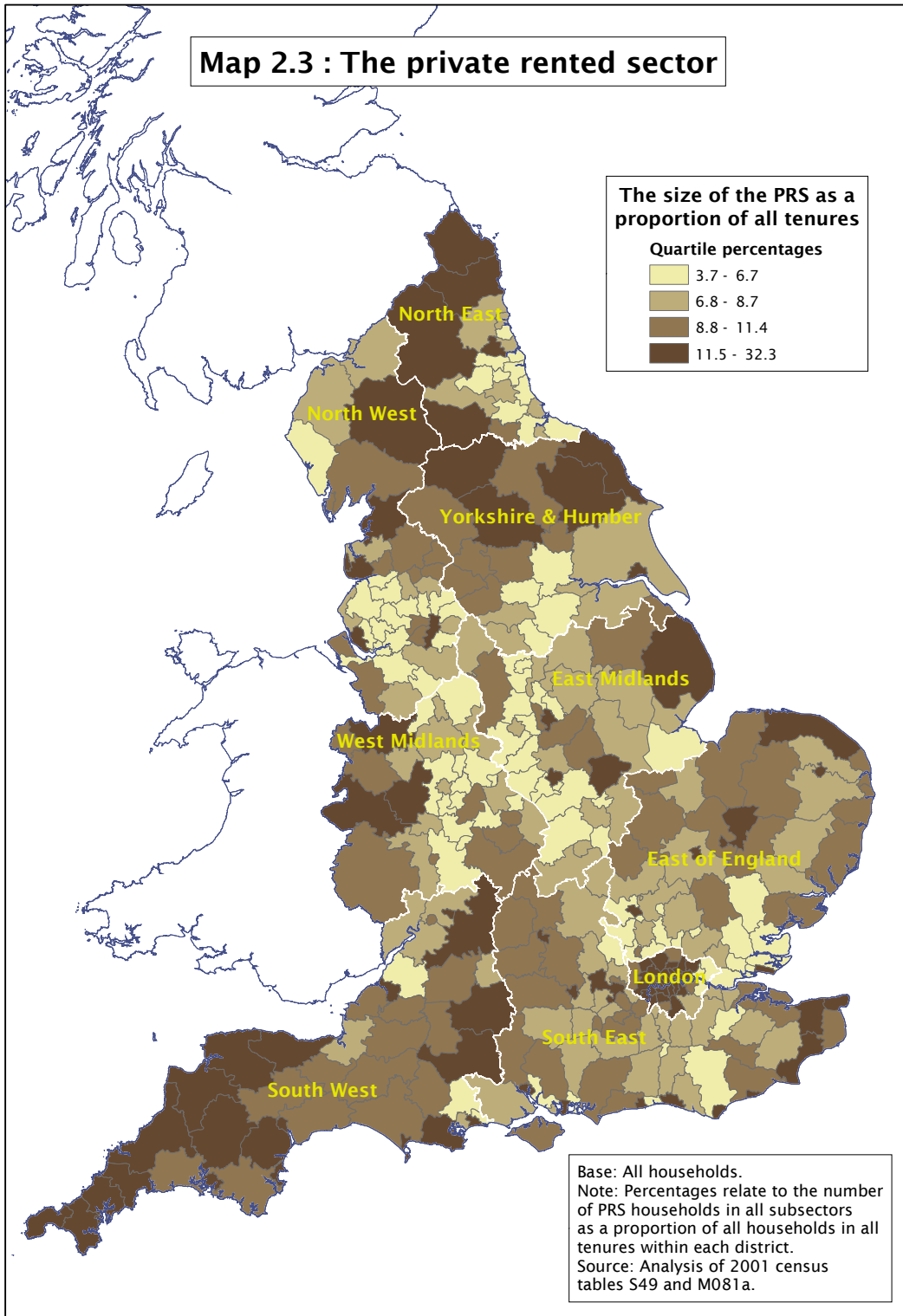
Greater London

The PRS in London is larger than in all other government regions. According to the 2001 census, it comprised the tenure of 16.4 households in the capital, and 22.1 per cent of whole PRS within England. The London rental market also has the largest 'open market' PRS, with 88 per cent of households renting from a landlord or agent. The proportion of households in tied accommodation within the capital was the smallest to be found in any region, at 2.6 per cent of all PRS households (Table 2.17).

London is distinctive compared with other government regions, but also contains substantial diversity. Data from the 2001 census indicated that, for example, Westminster had the largest PRS, with 35.3 households in the tenure (Rhodes, 2006b). In contrast, Havering, Bexley and Barking & Dagenham had relatively low levels of private renting overall, but the sector in these boroughs contained comparatively high proportions of lone parents (Rhodes, 2006b). Some of the diversity of private renting within Greater London private renting is indicated by Maps 2.4 to 2.7, which show variations in the proportions of homeless households in temporary accommodation, households on housing benefit, students, and managerial and professional private renters.

The London housing market is highly pressurised: national trends appear to be intensified in the capital, including increased in-migration, declining social housing new-build that has only recently been reversed; a long period of right-to-buy that has, again, only recently slowed; year-on-year house price increases between 1997 and 2008 and growing proportions of smaller households (Greater London Authority, 2008). Demand for housing has increased the number of households in temporary accommodation, as indicated in chapter 2.3.

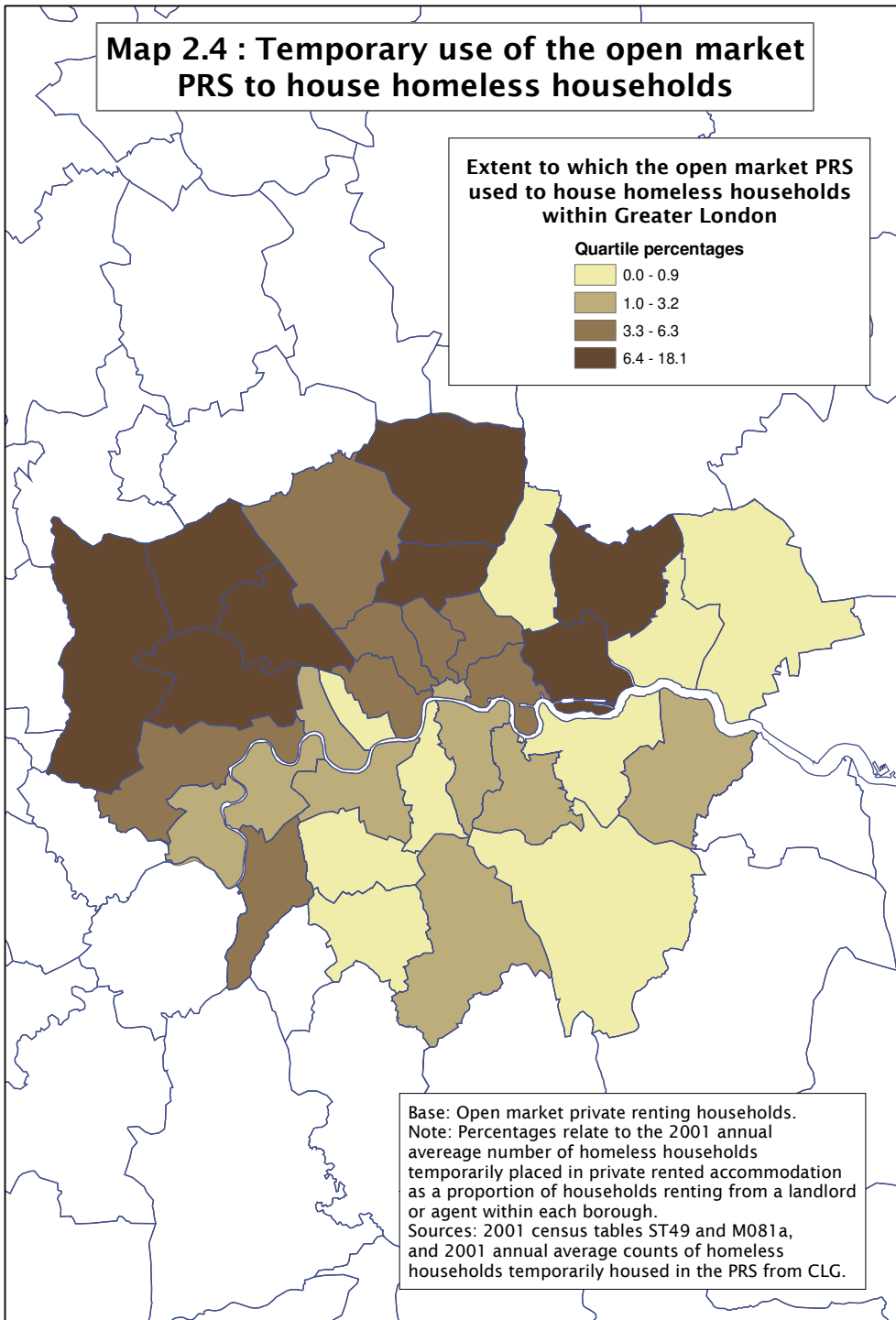
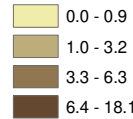
Map 2.3 : The private rented sector



Map 2.4 : Temporary use of the open market PRS to house homeless households

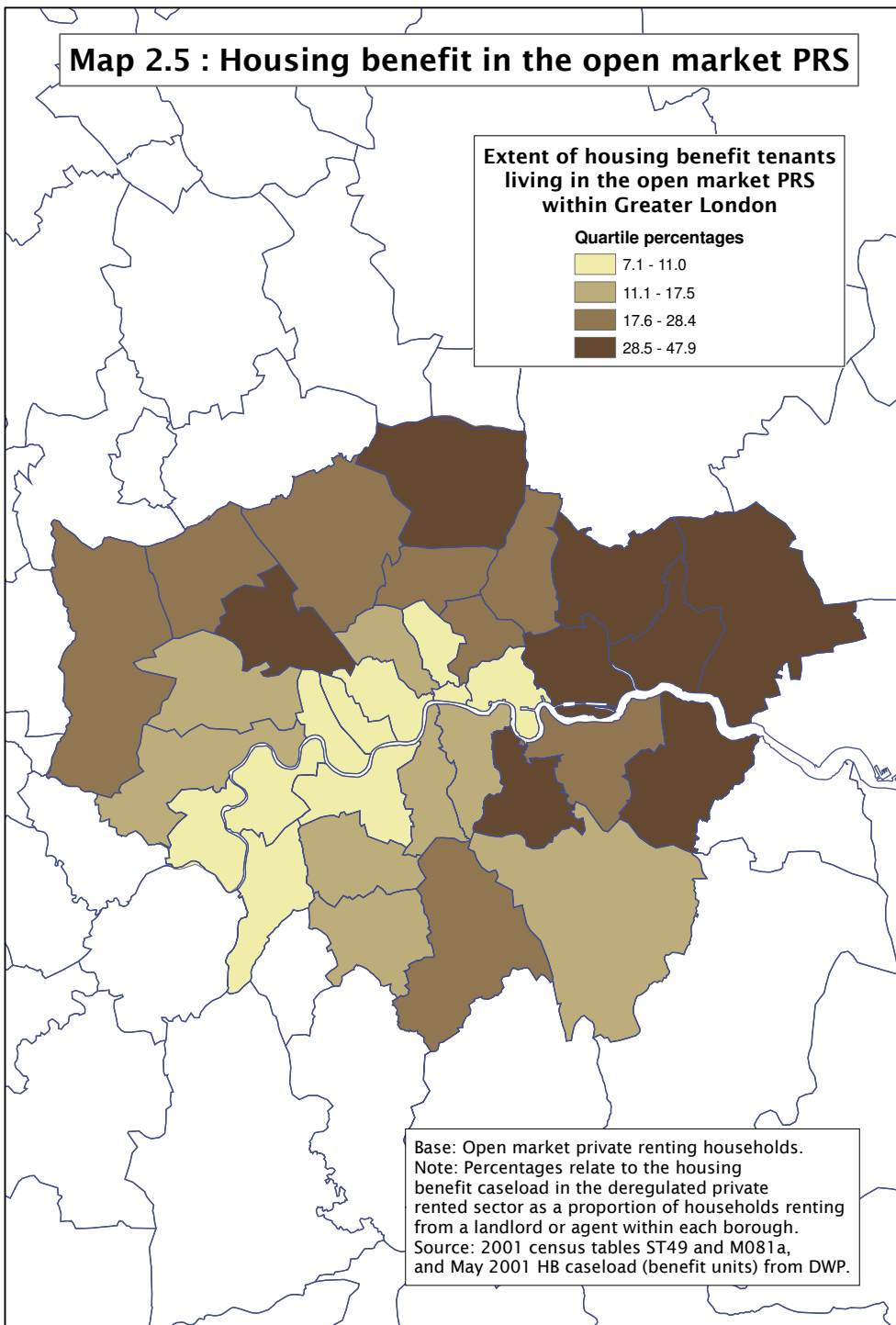
Extent to which the open market PRS used to house homeless households within Greater London

Quartile percentages

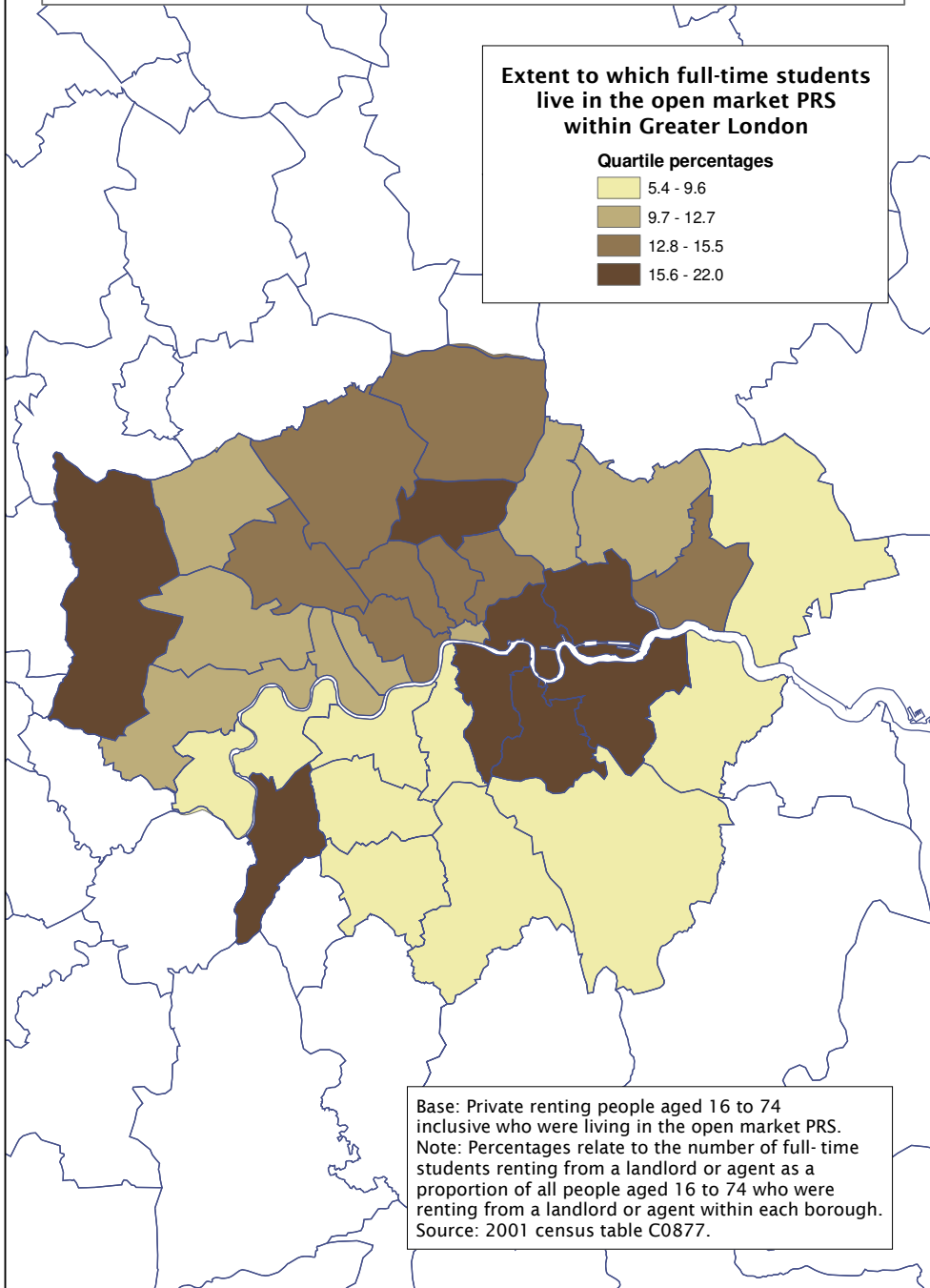


Base: Open market private renting households.
Note: Percentages relate to the 2001 annual average number of homeless households temporarily placed in private rented accommodation as a proportion of households renting from a landlord or agent within each borough.
Sources: 2001 census tables ST49 and M081a, and 2001 annual average counts of homeless households temporarily housed in the PRS from CLG.

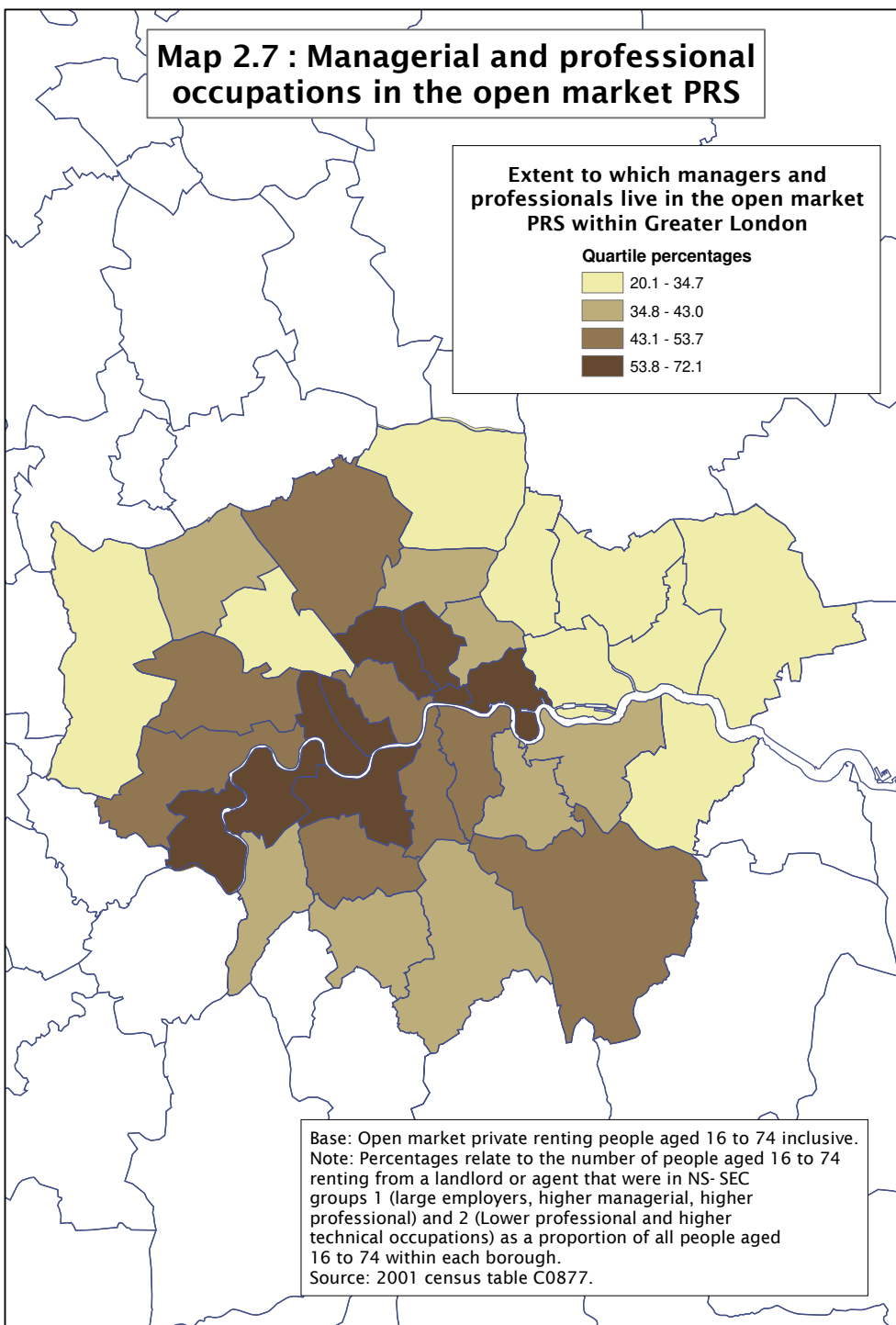
Map 2.5 : Housing benefit in the open market PRS



Map 2.6 : Full-time students in the open market PRS



Map 2.7 : Managerial and professional occupations in the open market PRS



Rural private renting

The PRS in rural locations looks very different from its urban counterpart.⁷ The rural PRS plays a slightly more substantial role than the other tenures. According to the 2001 census, 7.7 per cent of all households were in rural areas, but 9.4 per cent of all privately renting households were in rural areas. In some rural areas, the PRS can be particularly substantial: for example, in the North East GOR, 20.7 per cent of households in wards classified as rural villages and hamlets were renting privately, compared with an average for this type of area within England as a whole of 13.5 per cent (Rhodes, 2006b).

The rural PRS is distinctive in terms of the higher proportion of households living in tied accommodation. Data from the 2001 census indicate that, in urban areas, 83.6 per cent of tenants were renting from a landlord or agent, and 3.7 per cent were renting from an employer. In the most rural areas, 66.1 per cent were renting from a landlord or agent, and 14.9 per cent were renting from an employer (Rhodes, 2006b). Even when rural renters were in the wider PRS, they were more likely to stay in their tenancies for longer: in the more sparsely populated rural locations, 32.7 per cent of people living in the open market PRS had been living in their property for less than one year, compared with 46.1 per cent in large urban areas.⁸

There has been little research on rural renting specifically, and much of the more recent discussion of the PRS has posited the sector very much in an urban environment. However, it is important to ask whether the rural context constrains development of the PRS and if this is the case what consequences may follow. Analysis of the 2001 census indicates that the proportion of households comprised of single non-pensioners was 27.3 per cent for the PRS as a whole. In the mixed rural/urban areas the respective proportion was 23.8 per cent, and in the most rural areas it was 19.2 per cent (Rhodes, 2006b). This lower proportion may indicate that rental opportunities may be more limited for this group. The PRS comprises a slightly larger proportion of the stock in rural areas, but as households tend to stay in their tenancies for longer this means that lettings generally become available less frequently.

Property suitable for single people is also less readily available, and there is little investment potential in building new, high-density one-bed flats and studios for 'young professionals', since demand is widely dispersed. Qualitative research with

⁷ Note that rurality in this chapter is defined according to the then ODPM 2004 classification of wards into three groups: urban, rural town and fringe, and rural village and hamlet. See Rhodes (2006b) for further detail.

⁸ Analysis for Review of 2001 census table CO877.

young people living in the countryside found that their housing options were extremely limited because of the lack of PRS property, and the majority had to move to larger rural settlements or urban areas to find accommodation. Indeed, it became difficult to resolve the problem of finding both local work *and* local accommodation (Rugg and Jones, 1999). A proportionately larger PRS, therefore, does not in itself necessarily make for enhanced labour market mobility.

Rental market classifications

Much of the foregoing discussion indicates that it would be useful to review the possibility of classifying different kinds of rental market. A number of factors could feed into this process of classification, including:

- the number and type of dominant rental demand groups;
- degree of spatial concentration in particular sub-markets;
- supply-side characteristics, such as property type and condition, property age, and the mix of landlord types;
- labour market trends: for example, seasonal employment, long-term unemployment or industrial decline;
- size of the open market PRS and extent of tied lettings;
- proportion of private rented stock at different rent levels;
- size of the social housing sector and the relative affordability of owner occupation.

The Audit Commission has indicated that Communities and Local Government should support learning between areas facing similar problems (Audit Commission, 2007), and this is certainly an appropriate message with regard to rental housing markets. Awareness of the range of types of rental market also means that it would be more possible to focus the piloting of initiatives in areas with different rental market characteristics, and also to anticipate outcomes.

3. POTENTIAL

This part of the Review considers a range of issues pertinent to the objective of maximising the potential contribution of the PRS. Separate chapters consider the ability of the sector to comprise a framework for bringing new and affordable property to the housing market; whether policies are needed to increase levels of institutional investment; measures necessary to improve levels of professionalism in property management; regulation of property standards; the sector's role in homelessness prevention and in discharging homelessness duty; and the measures available to local authorities seeking more proactive 'management' of the sector to combat 'problem' private renting.

3.1 Delivering new and affordable housing supply

The increasing number of households presents a substantial challenge to the housing market. For many commentators, the recent expansion of the PRS indicates that, given amenable policy frameworks, the sector could accommodate more households. In particular, the PRS could play a role in accommodating greater numbers of lower income households, and households in what is termed the 'intermediate' market - people in work but unable to afford owner occupation. This chapter will disentangle two interconnected issues: the ability of the sector to deliver housing supply, in terms of the increased number of new properties; and its contribution to the available stock of *affordable* housing, for households unable to afford owner occupation. The chapter also reviews the industry's proposal that the government should support 'build-to-let', which would entail concessions that would enhance the profitability of new development let wholly in the private rental market.

New supply

The expansion of the PRS has been marked. In 2006, 2.6m English dwellings were privately rented, compared with 1.8m in 1988 (Table 1.1). However, it is very unclear how many of those properties were *new* properties, added to the overall housing stock purely on the expectation that they would be let privately. It is important to know if the growth of the PRS has happened largely as a consequence of an increased absorption of properties previously in the owner occupied market, or represents a shift in tenure of property previously let in the social sector. How have different parts of the PRS performed in bringing *new* property to the housing market?

The 'cottage industry' and new property supply

In the popular media, the availability of buy-to-let mortgages has become associated with speculative investment in new-build with individuals purchasing properties off-plan, prior to build completion, on the expectation of short-term capital gain. The incidence of what has been termed 'buy-to-leave' or 'buy-to-leave empty' has been disputed, and constitutes property speculation rather than rental management. As a consequence, the practice is not a primary focus for attention in this Review. However, individual landlord interest in new-build could be responsible for increasing overall property supply. There is a generally supported contention that the existence of purchasers looking to buy new property in advance of its completion has in some areas created a confident context for building particular types of property. The pre-sale of properties transfers risk from the developer to the individual investor, and reduces developer costs on elements such as interest payments (Craine and Mason, 2006).

As with so many other aspects of the PRS, quantifying the trend is not straightforward. A number of survey studies have aimed to characterise purchasers of buy-to-let mortgages and the kind of stock in which they invest, but none has investigated in detail the amount of new-build property purchased. Large-scale government surveys such as the SEH and the EHCS note the age of the property but the age bandings do not capture more recent activity. It is evident that a growing proportion of properties in the PRS built post-1985 reflects similar growth in the proportion of post-1985 housing in the stock overall (Tables 3.1 and 3.2). However, data from two of the largest buy-to-let lenders on 46,594 of their outstanding buy-to-let mortgages by the end of 2002 indicated that 41 per cent of them had been used to purchase properties built post-1964.⁹ This figures compares with 28 per cent within the PRS overall in 2002/03 (Table 3.1), indicating that landlords using buy-to-let mortgages have tended to bring newer property into the private rented sector.

According to the National Housing and Planning Advice Unit, ten per cent of buy-to-let mortgages were used to finance the purchase of new property, as was the case in the owner occupied market. It should be noted that this statistic was taken from evidence from one major buy-to-let mortgage provider, and it is uncertain how representative of the whole buy-to-let market that information might be (NHPAU, 2008). Craine and Masons' 2006 report 'Who buys new market homes in London' concluded that 'two thirds of all new private homes developed in London in recent years find their first home in the private rented sector' (Craine and Mason, 2006, 16). However, this conclusion is based on estimates given by eight investment property

⁹ Secondary analysis for Review of buy-to-let mortgage provider data contained in Rhodes and Bevan (2003).

agents and cannot be regarded as being necessarily representative. Qualitative studies have explored new landlords' purchasing preferences and it is probable that landlords who also have full-time employment prefer new properties that can be advertised for let immediately (Rhodes and Bevan, 2003). For full-time landlords with time and resources to invest in their portfolio, older terraced properties with renovation or conversion potential perhaps carry greater attraction in terms of the yields that can be obtained.

However, it should be stressed that buy-to-let mortgage activity is a small part of the overall private housing market. Until 2004, buy-to-let mortgages comprised less than ten per cent of all house purchase mortgages. By 2007 this proportion had reached 17 per cent (Table 2.2). Substantial growth in demand for owner occupied property remains the key driver for new house-building.

New build and large-scale landlordism

Debate on the supposed vices and virtues of buy-to-let mortgages has to some degree overshadowed assessment of the performance of larger landlords in the recent upturn in private renting. The decreasing proportion of larger landlords that were corporations or agencies has already been noted. The British Property Federation (BPF) has argued that this decreasing share of larger landlords reflects the relative financial disadvantage felt by larger landlords in the sector. This issue will be dealt with in chapter 3.2.

At this stage, it is worth exploring the circumstances in which large-scale landlordism has been successful in bringing new stock to the housing market. It is not possible to be categorical about trends, and no research has been completed on how the larger landlords have come into being, how they place themselves in the rental market, and the strategies underpinning their portfolio management. Anecdotally, it is evident that larger landlords tend to grow through portfolio acquisition and new-build development remains a small part of the business. For example Grainger, which is the largest private residential landlord in the UK, owns around 14,000 homes. Grainger was established in 1912, and has an effective strategy of purchasing rental properties with regulated tenancies. Major expansion took place between 2001 and 2003, when Grainger took over Bradford Property Trust plc. Currently, four per cent of Grainger's market value relates to large-scale residential development or mixed-use development (Grainger, 2007).

A second observation is that many large landlords have become so through concentrating on key demand groups within the private rented sector. For example, Girlings purchases and develops units to let to retired households. The business expanded following the purchase of retirement properties during the early 1990s property slump, and currently has a portfolio of over 2,750 units. Around 15 to 20 per

cent of its units are either new-build developments that have been initiated by Girlings, or new properties bought from other developers (Girling, 2008).

A much larger-scale, although in many ways similar, example is the rapid growth of private sector student halls of residence owned by large corporate landlords. It has been estimated that, between 2005 and 2008, bedspaces in this kind of provision increased by a total of 32,382 units (King Sturge, 2008). Not all these units will have been new-build. In some instances, the landlords will have acquired and redeveloped existing halls of residence in agreement with the relevant HEI. Nevertheless, King Sturge notes the accelerating trend of developer-operators that concentrate on the purchase and developments of sites and often offer strongly branded premium accommodation (King Sturge, 2008).

In both of the above examples, the developed product tends to be high-density blocks that are wholly managed by the landlord, and where the accommodation is tightly targeted to the special needs of the client group. Recent commentary has highlighted the possibility of developing associated landlord 'brands' to increase consumer confidence (Daly, 2008).

Again, the conclusion has to be drawn that there is uncertainty around the amount of new property development, even by larger landlords. Where potential is evident it may be focussed around existing niche markets within the PRS where more dense levels of occupation and economies of scale with regard to ongoing management increase the net yield on new-build. SEH data indicate that between 1993/94 and 2006/07 the proportion of purpose-built flats has grown from 12 per cent to 18 per cent of the private rented stock, which is an increase that was not reflected in similar change in the housing stock overall (Tables 3.3 and 3.4).

Housing associations and market rental

A third area which merits attention is the registered social landlord (RSL) performance in the development of new property for market rent. RSLs were responsible for around 14 per cent of all permanent dwellings completed between 1996/97 and 2006/07, building in excess of 190,000 homes.¹⁰ More RSLs are looking to the provision of housing for rent at market levels, and according to the Regulatory Statistical Return, 8,844 market rented units were in RSL ownership in

¹⁰ <http://www.communities.gov.uk/documents/housing/xls/323495.xls>, table 209.

the year ending March 2007. This number is evidently small given the overall scale of RSL activity.¹¹

A study funded by the Joseph Rowntree Foundation in 2003 indicated some reasons why RSLs might choose to develop market rental schemes:

- to help offset the cost of providing social housing;
- to meet local housing need;
- to contribute to local area regeneration;
- to diversify activity away from social housing; and
- to reduce stigma associated with being a social housing tenant (Goodchild and Syms, 2003).

Goodchild and Syms found that the RSLs tended to focus on rental demand from younger professional households and childless couples for their market rental properties. The properties were let at or slightly below market value, and RSLs aimed to compete in terms of location, good management standard and value for money.

The RSL sector is ambiguous about the possibility of developing strongly in the area of market rental, and some RSLs view it as being outside their core concern. Others view the possibility differently and see themselves as social enterprises, able to use their existing housing assets to leverage private finance for new developments. Pressure to expand housing stock coupled with restrictions in subsidy mean that more RSLs might regard market rental as a viable strategy. The RSL route certainly offers potential in terms of delivering newly-built housing for market rents.

Build-to-let?

It has been recognised that the house building industry has been slow to respond to increasing housing demand. The BPF has argued that house builders limit the supply of property 'for sound commercial reasons', and recognises that an outcome of limited supply is greater increase in demand for rental accommodation. Competition between owner occupiers and landlords in turn adds pressure to housing prices (BPF, 2006).

One suggestion has been that the Government should consider an active 'build-to-let' strategy that offers incentives and concessions to property developers who build with the intention of letting the property on the open market. For example, Daly

¹¹ http://www.rsrsurvey.co.uk/Documents/upload/xls/T25-30_National_Breakdown_Shared_Ownership_Non_Social.xls, table 29.

notes that certain parts of the rental market, such as student accommodation, stand outside the C3 planning use class and so are not required to meet s106 affordability requirements since they will never be sold on the owner occupied market (Daly, 2008) and 3.1.1. This concession could be extended to wholly market rented new developments.

A further option suggested by the industry is that planning regulations should actively require a certain proportion of new properties to be let in the private rental market. The discussion of options around planning *for* private renting highlights the fact that the current planning regime makes no mention of the PRS. For example, the planning regime defines certain building types, including hotels and hostels, institutions and other buildings such as cinemas. Class C3 defines dwelling houses, but makes no mention of tenure. The Planning Policy Statement 3 (PPS3) makes reference to 'market housing' as 'private housing for rent or for sale, where the price is set in the open market' (CLG, 2006b). The Statement largely reviews issues around the balance of 'market' and 'social' property, and does not distinguish private rental from owner occupation. The arguments in favour of amending the regulations do not specify what proportion of new build should be required to be privately rented. There is simply a generalised requirement that the sector should 'grow'.

3.1 .1: Class C3 - Dwelling houses

Use as a dwelling house (whether or not as a sole or main residence):

- a) by a single person or by people living together as a family, or
- b) by not more than six residents living together as a single household (including a household where care is provided for residents).

Town and Country Planning (Use Classes) Order, 1987

If it is imperative for policy to be implemented to encourage growth in the PRS, the Government needs to be clear about the reasons for doing so. Simply wanting the sector to be 'bigger' is not an adequate rationale. Commentary in favour of growth invariably points towards other countries where private rental constitutes a larger percentage of the housing stock. Somehow, it is intimated, the PRS in England is 'failing' because its proportionate share is low, and therefore that policies for growth should be implemented. Where a point is being made about the size of the PRS in England, the examples given are often selective: it serves little useful purpose to compare the English private rental market with the US rental market, where the social housing sector has always been tiny, or the German market where the PRS is especially large. Table 3.5 contains a tenure breakdown for a range of European

countries, and shows that the PRS was ten per cent in the Czech Republic, 12 per cent in the Netherlands, 15 per cent in Portugal, and 21 per cent in France.

Affordability

Taking the issue of supply further, it is necessary to ask how far the PRS is in a position to deliver 'affordable' homes. Here, the Review will focus on the supply of properties to households in work but on incomes too low to afford a mortgage on the lowest priced property. The supply of property to households in receipt of housing benefit will be dealt with in chapter 3.6.

The intermediate market

Information is readily available on what has been termed the 'intermediate' market. This is the group of renters who are in work but whose incomes are insufficient to cover mortgage payments. A series of reports published by Hometrack has indicated that rent increases have generally kept in line with earnings rather than reflecting short-term house price fluctuations. The most recent report found that, in Great Britain, rents for 2/3 bedroom accommodation in 2007 were around two thirds of mortgage costs for the same-sized property (Wilcox, 2008a).

The PRS has certainly expanded to meet this market. If it can be assumed that the intermediate market contains a large number of younger working tenants, then data from the SEH indicates that increasing proportions of the 'older' younger age group are renting (Table 2.12). Furthermore, as has been seen in chapter 2.3, the industry generally favours this age group. It is possible to conclude, therefore, that the sector has been successful in its ability to meet demand from the intermediate market for affordable accommodation.

Relaxation of s106 requirements

Industry promotion of build-to-let often merges the two issues of new supply and the supply of affordable housing. The Town and Country Planning Act 1990 s106 provisions require all new housing developments to include a proportion of affordable housing that would be given over – in perpetuity – to a social housing provider. The BPF has argued that the regulations should be amended so that certain kinds of private rented housing could be included in the definition of 'affordable', for example lets to specific groups such as older people, key workers, students, or for intermediate households. Indeed, it is also argued that the PRS contains such high proportions of lets to households on housing benefit that even without strict definition private rental can be defined as 'social'. This proposition misconstrues the definition of s106 policy in terms of its intention to generate permanent affordable rental property.

Another proposed option is for control of the quota of affordable rented property to remain with the developer/landlord, for below-market rental, for a set period of perhaps five or ten years. The landlord would then be able to sell the property on the open market. Other commentators add further complexity to the possible options for build-to-let, including encouraging planning authorities to offer tax incentives for developers offering longer-term assured tenancies.

There are substantial problems with this approach, not least of which is the level of inelasticity it introduces into the rental market. As will be seen in chapter 3.2, larger landlords' incomes depend on the ability to sell a percentage of their portfolio to realise capital gain and augment the generally low income from rental.

Furthermore, regulations requiring the property to be let to designated households would require policing. Would 'key workers' be obliged to move if they changed jobs, and who would ensure that such a move took place?

Underpinning much of this discussion is reference to policies in the US where rental yields from new-build developments can be offset against tax liability if properties are let at sub-market or intermediate level rents, providing the housing is given to meeting specified demand for a set time period. However, recent research has indicated that the US Low-Income Housing Tax Credit programme adds 90,000 new units each year, but this does not adequately offset the withdrawal of properties after the agreed term during which the property is let at an affordable rate. Between 1993 and 2003, 2 million low-cost properties were either demolished or withdrawn from the affordability programme (Joint Center for Housing Studies, 2006). More needs to be understood from the US experience before adoption of its rental policy is considered in England.

Conclusion

This chapter has indicated that there is a great deal of uncertainty as to the performance of the PRS in bringing much-needed new housing stock. Growth in the PRS has come largely through its absorption of properties from other tenures. There are circumstances in which private investment has led to new rental developments but these appear to be most viable, financially, where the demand group can be accommodated in high density. Certainly the sector has responded well to demand from what might be termed 'intermediate' households, and rent levels have generally kept in line with earnings rather than reflecting the substantial recent house prices increases.

For some commentators, new-build in the private market is stymied by restrictive planning policies. It is argued that the planning framework should recognise private rental as a distinctive housing 'product', and its supply should be encouraged through flexible interpretation of the s106 provisions; other commentators go

further and argue that build-to-let should be supported through tax concessions. If the government accepts a commitment to increase the proportion of privately rented households, it will have to decide which of the remaining tenures – social housing or owner occupation – will have to bear the concomitant reduction. The government has already expressed a commitment to increasing the proportion of owner occupied households, so the only alternative would be further decline in the proportion of tenants in the social housing sector.

3.2 Securing higher levels of institutional investment

Criticism of the PRS often refers to the failure of the sector to secure high levels of institutional investment. Proponents favouring institutional investment in the PRS generally draw a contrast between 'professional' large-scale corporate landlordism funded by financial institutions such as pension funds and insurance companies, and 'amateur' small-scale landlordism reliant on buy-to-let mortgages. This dichotomy follows through a range of arguments on the potential of institutional investment to deliver additional, better-quality and better-managed housing stock that offers longer-term security of tenure. Indeed, securing higher levels of institutional investment has for some commentators become a panacea for the problems in the PRS, leading – it is argued – to the creation of a purely professional rental sector operating on a substantial scale. A number of studies have explored the reasons why such investment has not been forthcoming, focussing on the failure to devise a suitable taxation vehicle.

This chapter reviews discussion around the need for institutional investment in the PRS, which often conflates two separate issues: the need for mechanisms to encourage large-scale investment in residential renting, and the reputed virtues of large-scale corporate landlordism in terms of better management practice. This latter issue will be considered in detail in chapter 3.3. Here, the Review concentrates on the economics of the PRS and asks whether securing more institutional investment for the larger corporate landlords constitutes an essential policy objective.

Tax vehicles

Commentators are generally agreed that the scale of institutional investment in the PRS is low, particularly when compared with other countries. Recently, debate has centred on the need for an appropriate tax vehicle to facilitate investment in the residential rental market (Daly, 2008). This is not a new policy thread, as 3.2.1 indicates. The Treasury has expressed an interest in promoting residential Real Estate Investment Trusts (REITs) since this kind of tax vehicle was noted in the Barker capital review as a viable means of facilitating larger-scale investment in private renting. HM Treasury support for a residential REITs package is predicated on it being revenue neutral (HM Treasury, 2005).

3.2 .1: Tax models encouraging greater institutional investment in the PRS

Business Expansion Scheme (BES)

BES was intended to encourage investment in new businesses generally and offered relief from capital gain on shares held over a specified time period. The residential element operated from 1988/9-1993/4, and applied to investment in residential companies offering assured tenancies. An estimated 81,145 properties were purchased under the scheme, but only a minority stayed on the open-market PRS after the scheme came to an end. The average cost in terms of tax relief was £44,000 per property (Kemp, 2004).

Housing Investment Trusts (HITs)

HITs were enabled by the 1996 Finance Act. The Trusts were intended to buy and manage property on behalf of shareholders, and benefited from tax relief. Properties had to be of a strictly defined age and value, and HITs had to be public and registered on the Stock Exchange. No HITs were ever established: the requirements were too restrictive and the returns were not sufficiently competitive to provoke investor interest (Kemp, 2004).

UK-Real Estate Investment Trusts (UK-REITs)

REITs were launched in January 2007, and are funds to management and development property portfolios. Investment is tax-efficient, since REITs would pay no Corporation Tax on income provided that 95 per cent of the profits are paid in dividends to shareholders, who are taxed according to their individual liability. REITs have to be of sufficient size to be quoted on the Stock Exchange. Commercial REITs have proved popular, but at the time of writing no residential REIT had been launched.

The market has failed to produce a residential REIT for a number of reasons that relate to either the structure of the REIT as framed by the regulations set by HM Treasury, or the inadequacy of the PRS in terms of its ability to accommodate large-scale investment. It is not the purpose of the Review to consider in detail the complex financial regulations framing REIT creation. However, it appears to be the case that there is a mismatch between the regulation requirements and the characteristics of the residential renting sector. So, for example, residential REITs require the residential property company to have full listing on the stock exchange to ensure transparency. This prerequisite is considered to be a substantial barrier, since England has few very large-scale corporate residential landlords operating at such a scale that applying for listed status would be financially viable. The BPF has suggested that this requirement should be amended so that Alternative Investment Market or AIM-listed companies could be included (BPF, 2006).

A further requirement is that the company should make a specified majority share of its return through income rather than trading. Within any residential REIT, 75 per cent of the business must be income derived from property rental. If a property is taken out of that 'ring-fence' then it is subject to taxation under company law (see 3.2.2).

3.2.2: UK-REIT guidance

'One fundamental concept underlies the structure of the UK-REIT regime. This is that the activities that qualify for exemption from tax are ring fenced from other activities carried on by other parts of the company or group. The activity that qualifies is holding property to generate a return from rental income, as distinct from property building for sale or trading in property.'

HM Revenue and Customs GREIT manual

<http://www.hmrc.gov.uk/manuals/greitmanual/greito1015.htm>

It should be noted that larger-scale landlords derive a combined return from rents *and* property sale: perhaps five to ten per cent of portfolio value each year is sold in order to generate capital gains, which supplement the comparatively low rental income stream. For example, in Crook *et al.* (2002), capital growth was found to account for about a third of the total return on residential properties in 1998 (3.2.3).

The regulation with regard to the allowable percentage of income from the sale of property reflects the difficulty, endemic in any taxation system, of distinguishing between investment and trading. However, in terms of residential REITs, it appears that the problem is intensified to a degree by the underlying assumption that a residential REIT should be expected to operate like a commercial REIT.

3.2.3 : Return on private rented properties, 1998

| | |
|-------------------------------------|------|
| Return component | % |
| Gross rental income | 9.3 |
| Income (net rental) return | 6.8 |
| Capital (inflation adjusted) growth | 3.8 |
| Total return | 10.9 |

Source: Crook *et al.* (2002).

Commercial letting versus residential letting

It is important to note the differences between commercial and residential letting as an investment, since a great deal of commentary points towards the conclusion that if the residential market was more like the commercial market, then large-scale investment would be forthcoming (Daly, 2008). The commercial letting market is believed to be less risky than the residential. Few comparative data are available but where figures have been published, they do not support the perceived difference. For example, in the six years covered by the IPD Residential Investment Index (2001 to 2007), commercial property delivered a seven year annualised total return of 11.1

per cent, whilst the equivalent figures for residential property was 14.0 per cent.¹²

3.2.4 compares residential with commercial property returns, and indicates that commercial income returns have been higher than residential over the seven year period, but that capital growth has fluctuated for both types of property class. It has been commented that uncertainty about the residential market reflects the fact that capital values in the residential sector will be dependent on house prices in the owner occupied market, where trends are not always possible to predict. However, the figures in 3.2.4 indicate that commercial capital growth has also fluctuated substantially.

| Property class | Returns component | 2001 (%) | 2002 (%) | 2003 (%) | 2004 (%) | 2005 (%) | 2006 (%) | 2007 (%) |
|-----------------------|--------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Residential | Total return | 16.5 | 19.8 | 10.6 | 9.8 | 8.7 | 16.4 | 17.0 |
| | Income return | 5.6 | 4.8 | 4.1 | 4.0 | 3.8 | 3.6 | 3.3 |
| | Capital growth | 10.4 | 14.3 | 6.3 | 5.6 | 4.8 | 12.4 | 13.3 |
| Commercial | Total return | 6.8 | 9.6 | 10.9 | 18.3 | 19.1 | 18.1 | -3.4 |
| | Income return | 6.7 | 6.9 | 6.8 | 6.3 | 5.7 | 4.9 | 4.6 |
| | Capital growth | 0.1 | 2.6 | 3.9 | 11.4 | 12.8 | 12.6 | -7.7 |

Source: IPD.

In commercial property rental, much of the risk is transferred from landlord to tenant. Properties are leased for much longer periods than is normal in the open market PRS, so the landlord retains a fixed income irrespective of the economic performance of the tenant. Individual residential tenants cannot provide the strength of 'covenant' that, say, a large-scale retail business that was renting shop space would provide. In addition, commercial leases generally include the provision that the tenant will accept responsibility for buildings insurance, maintenance and repair. Residential income, already comparatively low, is also subject to substantial reduction to accommodate costs such as maintenance, voids and management. In 3.2.3, the gross to net reduction was 27 per cent. In 2006, the IPD residential index indicated that, across the UK, the gross to net loss on residential property was 35 per cent (IPD, 2007). Once a property is let, the commercial landlord has little in the way of ongoing cost and there is little difference between gross and net yield.

Finally, the commercial property sector – unlike the residential – includes substantial portfolios, which mean that commercial landlords benefit from economies of scale. It has been argued that there is a lack of depth of demand in the English residential renting market. According to the last censuses in both countries, cities in the US – such as Los Angeles, Houston and San Francisco – had over 40 per cent of residents

¹² www.ipd.com

in the PRS; in England, London had 16 per cent, Liverpool 14 per cent and Birmingham ten per cent (Jones, 2007). It is impossible to achieve economies of scale in management and maintenance where substantial renting populations are not spatially concentrated.

In order to circumvent the actual and presumed risks of renting in the residential sector, institutional investors would require higher returns from the sector. A hurdle rate of return of 15 per cent is frequently cited. The data from IPD from 2001 to 2007 indicate that total residential returns did in fact exceed 15 per cent in four of the seven years (3.2.4). However, longer-term trend data on rates of return are not available, and the coverage of the market by the IPD index is limited. The availability of better data would probably increase investor confidence, but lettings data are not easy to collate: the residential lettings market is diverse, and there is no centralised source of information. Furthermore, different investor audiences tend to require different types of data.

A 'commercial' residential letting market?

It remains to be asked, what would a 'commercial' residential renting sector look like? First, it would perhaps have to be more profitable than is currently the case to attract new investment on a large scale. Increased profitability might be effected on new developments if the s106 requirements could be sidestepped and if management and maintenance economies could be achieved either through high-density build or concentration in a given location such as purpose-built purely privately rented 'estates'. There would also have to be a strong covenant with regard to tenant demand, in that the landlord would either have a guaranteed stream of tenants, or where individual tenants looked set to stay for long periods perhaps on assured tenancies. Fund managers would also have greater confidence if the sector developed landlord and management 'brands', which very definitely removed residential letting from the image of unprofessional management practice (Daly, 2008).

It could be argued that the 'commercial' residential renting market is already in operation in one part of the PRS, through the development of private sector halls of residence. Large companies such as the Opal Property Group, UPP and Unite Group plc already fulfil many of the criteria for commercial residential letting. Rents are markedly buoyant in commercial halls of residence, and confidence in the sector is such that large-scale investment is driving heightened transaction activity including sales and mergers of substantial portfolios (Savills Research, 2007). A specific student accommodation REIT has not been created, but some commentators believe that the move is imminent (King Sturge, 2008).

Would this model be replicable for other parts of the rental market? New-built student housing is not subject to the s106 requirements, can be built at high density, and can – through arrangements with HEIs – benefit from long-term nomination agreements that guarantee a supply of tenants. In some instances, agreements between a corporate landlord and the higher education institution have included fully repairing and insurance leases (Daly, 2008). However, it is not necessarily the case that this bundle of characteristics can be developed in any other part of the market. Certainly, other parts of the market carry *some* of the characteristics. For example, a small number of RSLs operate at sufficient scale and with sufficient interest in market rents to constitute possible candidates for institutional investors, but the regulations on RSL activity might prove to be problematic. Finally, it should be noted that the anomalous position of commercial halls of residence providers may itself be under threat, as local authorities may begin to require student developments to meet s106 provisions (King Sturge, 2008).

It might also be appropriate to question the desirability of this development for the sector overall. The hall of residence 'product' constitutes a fixed unit of accommodation, serving a defined market. If the market became saturated with supply and voids began to appear as competition between providers grew, then it would be difficult for the provider either to look elsewhere in the market for tenants, or indeed to sell the unit. This kind of supply is essentially inflexible, and it may be that the creation of too many 'silos' of tightly defined property types would begin to introduce levels of internal inelasticity to the PRS.

In addition, a highly 'commercialised' PRS might begin to lose the desire or capacity to accommodate some of the more marginal private renting groups, such as households in low incomes, or perhaps individuals with certain support needs. According to the SEH, for example, eight per cent of privately renting lone parents with dependent children were housed by landlords that were organisations, but 85 per cent were accommodated by landlords that were private individuals or couples (Table 2.9). Research evaluating the LHA Pathfinders also found that individuals and couples were markedly over-represented as a landlord type amongst landlords who were contacted via housing benefit records (Rhodes and Rugg, 2005a). Indeed, small landlord organisations argue that, in the desire to promote large-scale institutional investment, the contribution of those landlords holding smaller portfolios to diversity of supply is generally overlooked.

The economics of the cottage industry

Large-scale investment in the sector is thought to bring a more stable financial basis to the PRS which some commentators believe is undermined, economically, by its containing a large number of small-scale landlords. The reliance of small landlords on individual mortgages to purchase property is often considered problematic by

some, since it is thought to constitute an uncertain funding framework: repossession threatens both the landlord and the tenant. Where landlords are highly geared and reliant on rental income to cover heavy mortgage commitments, then their ability to retain a hold in an uncertain economic climate is questioned.

This image of small landlordism is not necessarily upheld by data evidence. One of the most extensive studies of buy-to-let mortgage purchasers comprised a survey of 1,340 individuals, and was published in 2005. The report detailed the landlords' financial arrangements, including information on let property that was not financed through a buy-to-let mortgage. The report indicated that:

- not all properties let by small-scale landlords are being purchased with a mortgage: some are owned outright. Medium-sized landlords, with between six and 20 properties, are most likely to have unmortgaged properties;
- most loan-to-value ratios were between 26 per cent and 75 per cent; generally, landlords were not highly geared;
- 58 per cent of landlords used their savings to pay for deposits on let property;
- the vast majority of landlords were able to cover void periods using their own savings or surplus rental income;
- more than one half of respondents had three quarters or more of their mortgages on an interest-only basis, so reducing their monthly mortgage payments. Furthermore, mortgage interest payments can be offset against tax liability;
- 'vulnerable' landlords who had remortgaged their own homes with high loan-to-value ratios of 81 per cent or more, comprised just three per cent of the sample; and
- just five per cent of the sample, that were highly geared and with variable or short-term fixed interest rates, were considered to be vulnerable to future interest rate increases (Scanlon and Whitehead, 2005).

In terms of repossessions, CML figures showed that the proportion of properties taken into possession was lower in the buy-to-let sector compared with the owner occupied market. In 2007, 0.18 per cent of buy-to-let mortgaged properties was taken into possession compared with 0.23 per cent of owner occupied properties, indicating that fewer than 2,000 buy-to-let properties were repossessed in that year, but over 27,000 owner occupied properties were subject to the same action.¹³

The fact that smaller landlords can operate in a less formal financial framework than large landlords means that expenditure on the 'business of being a business' can be

¹³ <http://www.cml.org.uk/cml/statistics>, tables AP4 and AP5.

low. Where landlords own one or a small handful of properties and continue letting in addition to holding other employment, then they are unlikely to consider their own management time as a cost. Such 'sweat equity' is particularly valuable where landlords may be renovating or repairing property in their own time. Larger corporate landlords simply cannot operate on this basis and although they can reduce outgoings through economies of scale, management costs will always constitute a substantial proportion of the gross to net reduction.

Finally, smaller landlords often benefit from living near their properties. Qualitative research on buy-to-let landlords indicated that many operated solely in the neighbourhood in which they lived, so that they could 'keep an eye' on the property and respond quickly to the need for repairs. Quantitative analysis of mortgage lender data in the same report indicated that across the UK as a whole, 63 per cent of landlords with buy-to-let mortgages lived in the same postcode area as their property, and in some regions this proportion was higher (Rhodes and Bevan, 2003).

Overall, it is possible to conclude that a false dichotomy tends to be drawn between a financially stable PRS based on large-scale institutional investment, and a volatile 'buy-to-let' market.

Policies to 'grow' the residential letting market

The great strength of the PRS is its flexibility. There should be space for a number of types of provider in the sector, with each bringing particular virtues. However, it is clear that in England, the supply-side of private renting lacks maturity. The 'modern' PRS is generally thought to date from 1989 and the introduction of the assured shorthold tenancy; the existence of buy-to-let mortgages offering more attractive terms to small landlords dates only from 1996. A relatively short time has elapsed since these two developments, which have followed a century-long decline in the sector. However, there is an increased confidence in the sector, and institutional investment is already evident in parts of the market. Nevertheless, there are few large-scale landlords; the sector lacks nationally representative time-series data on rents and yields on which investment decisions can be based; and although capital might be available to invest in residential property, there are few obvious *management* vehicles.

It could be argued that initiatives to promote sector maturity are perhaps a more valid focus for policy intervention than attempts to derive a tax vehicle for institutional investment. One beneficial option – with widespread support in the industry – is a revision to the Stamp Duty Land Tax (SDLT). SDLT is payable in bands (see 3.2.5)

3.2.5 : Stamp duty land tax rates for residential property

| Property sale value | Stamp duty (%) |
|----------------------|----------------|
| Up to £125,000 | 0 |
| £125,001 to £250,000 | 1 |
| £250,001 to £500,000 | 3 |
| £500,001 or more | 4 |

Source: www.direct.gov.uk

Where a landlord purchases a portfolio of properties with variable values then the SDLT is set at the total value of the purchase. So, for example, a block of ten flats each valued at £90,000 would total £900,000 and be taxed at the four per cent rate, which in this case would amount to £36,000. If SDLT was calculated according to the value of *individual* properties, then the tax burden would be reduced. So the SDLT on the block of ten properties, each valued at £90,000, would be zero.

A further suggestion is that some thought be given to changing Capital Gains Tax. Landlords selling properties are subject to Capital Gains Tax, even when the proceeds from the sale are reinvested in their portfolio. This is another area in which landlord activity is treated as investment rather than business. However, one of the outcomes is that Capital Gains Tax acts as a brake on what might be considered essential components of large-scale letting activity: the sale and purchase of property to contribute to the combined yield of capital gain and rental income, and also to release property that is proving uneconomic as a rental unit. It could be argued that where landlords are compelled to retain uneconomic properties in their portfolio, then the incentive to invest in those properties is low. An example might be a landlord with a student property in an area where supply had proliferated, and it was difficult to secure tenants. There is a disincentive for the landlord to sell the property and reinvest the capital in other property for rental, particularly if the property had been held for a long period and had made a substantial capital gain. It might be possible to roll over the tax liability on the capital gain if the capital is reinvested in rental property.

Both larger landlord representatives and small landlords have expressed strong support for these amendments of the tax regulations, and indeed making the changes would be beneficial across the whole sector. It has already been noted that larger landlords tend to grow through portfolio acquisition, and the SDLT regulations and Capital Gains Tax are a considerable disincentive. Removing these disincentives might well hasten the development of larger corporate landlords, and also encourage the growth of small landlords operating as businesses.

Conclusion

This chapter began with the question of how far support for increased institutional investment should be a policy priority. To some extent, discussion of the exact

format of a taxation vehicle has distracted attention from the more substantial obstacle, which is the fact that the PRS as it is currently configured is not amenable to large-scale investment (Jones, 2007). The modern PRS does not contain enough larger landlords to accommodate large-scale investment, and attention should perhaps be focussed on measures to facilitate growth. This chapter has argued that revisions to the Stamp Duty Land Tax and Capital Gains Tax could be helpful mechanisms that would benefit the whole sector and so protect its inherent flexibility.

A final consideration is the lack of reliable and representative time-series data on rents and yields. A theme underlying much of the discussion around large-scale investment in residential renting is the poor level of understanding of the PRS, even within parts of the property industry itself. The assumption that the residential market could and should operate in the same way as the commercial market stymies the creation of initiatives that work across the board and *with* the strengths of the existing PRS.

3.3 'Professionalising' rental housing management

The following two chapters move on to consider the issue of regulation. The scope of regulation generally covers restrictions and requirements with regard to landlord behaviour and the physical standard of rented properties. This latter issue will be discussed in detail in the next chapter, although it is acknowledged that poor property conditions tend to reflect bad management.

One of the more frequent criticisms of the PRS relates to the quality of landlord management practice. It has been argued that the popularity of buy-to-let mortgages has brought a mass of 'amateur' landlords into private renting, who are unacquainted with the law and poorly skilled in the business of letting property. More generally, the image of 'rogue' landlords has tended to dominate discussion of the sector and in recent years legislation has been framed specifically to counter the incidence of abuses such as the unfair retention of deposits by landlords at the end of the tenancy.

Poor management can be evident amongst landlords who are simply unaware that their practices are ill-judged or in contravention of regulations, and landlords who are fully aware of the law but act illegally nonetheless. It is not possible to estimate the number of landlords who fall into either category, but it is certainly the case that the actions of the very few wilfully bad landlords are often taken as evidence of endemic illegality in the sector. In order to assess the scale of problems, this chapter of the Review begins by looking at data relating to poor management practice and tenant satisfaction with their landlords. The chapter then goes on to consider the ways in which the sector is currently policed.

The chapter continues by reviewing four options that are generally proposed as ways of improving professional management standards in the sector: a change to 'supply-side' characteristics including an increase in the number of larger landlords, and greater use of managing agents; targeted interventions that deal with specific problems; measures such as accreditation that encourage landlords to adopt better practices; and compulsory landlord registration that requires a 'hurdle' management standard in order to comply.

Poor management practice: definition and evidence

In order to understand poor management practice, there has to be clarity with regard to intent. It is helpful to construe letting practice as a dichotomy, with professional landlords at the centre. Their practices will be formalised with established strategies and procedures for selecting tenants, setting up tenancies, collecting the rent, managing repairs and maintenance, and bringing tenancies to an end. Landlords will let their tenants pursue 'peaceful enjoyment' of the property,

and if the landlord needs to visit the property they will give an appropriate level of notice.

To one side of this central set of practices are landlords that operate in a largely informal manner. This is not to say that their intention is to act illegally. Rather, they simply do not construe letting as an activity that requires regulation, and have entered into letting without knowledge or experience in the sector. These landlords might let property without tenancy agreements or rent books and may be inconsistent in collecting the rent. The landlord may be unaware of the legal frameworks for letting, but would probably be unlikely to ask a tenant to leave without giving them sufficient time to find another property. A great deal of this kind of behaviour can favour the tenant: for example, this kind of landlord may be more flexible in the type of tenant they are happy to take, and may be more open to negotiation if a tenant misses a rent payment. However, a relationship based on 'goodwill' between landlord and tenant – however well-meaning – leaves both parties vulnerable if problems arise in the tenancy.

At the other extreme is a small group of landlords who are fully aware of the legislation, and who choose to maximise their profit from renting by acting illegally. These are landlords who may operate without tenancy agreements or rent books to minimise evidence of their letting activity and to place tenants in a vulnerable position if they have to defend their right to remain in a property. This kind of landlord might choose to evict tenants without notice, or even use the threat of physical violence to ensure that tenants leave the property.

In reality, landlord behaviour is unlikely to be consistently at either extreme of this spectrum. Professional landlord practice might shade into informality if a certain property or tenant warrants a less rigid approach: for example the need for a deposit might be waived if a tenant appears desirable but simply cannot afford to pay money up front. Some landlords might also consider that it is reasonable to 'accelerate' repossession of a property if a tenant in shared accommodation is behaving in a way that distresses other tenants.

It is not possible to make any sort of estimate on the incidence of poor practice and its underlying reasons of either informal, uninformed practice or wilful illegality. Where data do exist, they are difficult to interpret. For example:

- lobbying organisations tend to produce statistics based on client records or through surveys of organisations or institutions dealing with the problem and so the sample set becomes innately biased (see, for example, NACAB, 1998; Crew, 2007);
- local authority Tenancy Relations Officers (TROs) do not collate records nationally, and in any case local authorities vary in the level of proactivity with regard to pursuing problems in the PRS (Marsh et al., 2000); and

- the scale of formal legal proceedings is likely to under-represent the incidence of difficulties since TROs are likely to favour mediation activity over active sanction (Morgan, 2002) .

The lack of centralised data in this area constitutes a substantial gap, and it is appropriate to consider some mechanism whereby local authorities could collate uniform data on cases of harassment and illegal eviction that come to the attention of the TRO.

More generally, problems with poor management practice should become evident through surveys of tenant satisfaction. The SEH indicates that since 1994/95, PRS tenants have consistently shown higher levels of satisfaction than social housing tenants. The 2005/06 figures show that 76 per cent of PRS tenants were very or fairly satisfied with their landlord, compared with 70 per cent of all social sector tenants; and 11 per cent of PRS tenants were either slightly or very dissatisfied with their landlord, compared with 19 per cent of social sector tenants.¹⁴ Analysis of the three-year aggregated SEH data indicates that 71 per cent tenants in the PRS who were on housing benefit were satisfied with their landlord, and 17 per cent dissatisfied. Where private tenants were not receiving housing benefit, 75 per cent were satisfied and 11 per cent were dissatisfied with their landlord.¹⁵

It is arguable that generalised satisfaction levels are, again, difficult to interpret since satisfaction levels are likely to be tied to expectations, and so may not present an absolute measure of landlords' behaviour with which to compare across the tenures. Within the PRS, however, private landlords fared relatively well across a range of indicators, although the rating for responsiveness to repairs was relatively low (Table 3.6).

Table 3.6 : Private tenant views on management by their landlord/agent

| Management issue | Good (%) | Neither good nor poor (%) | Poor (%) | Total (%) |
|--------------------------------------|-----------------|----------------------------------|-----------------|------------------|
| If easy to contact landlord/agent | 89 | 3 | 8 | 100 |
| Speed of response to repair requests | 67 | 10 | 23 | 100 |
| Quality of repair work undertaken | 72 | 11 | 16 | 100 |
| Respect for privacy in the property | 91 | 3 | 5 | 100 |

¹⁴ <http://www.communities.gov.uk/documents/housing/xls/140498.xls>, table S813

¹⁵ Analysis for Review of three-year aggregated SEH data, 2004/05 to 2006/07.

Policing poor management

An imbalance between supply and demand, particularly with regard to properties suitable for people on low incomes, means that there remains a ready supply of tenants for properties owned by landlords who operate in an overtly unscrupulous fashion. Qualitative research has demonstrated that, even where a landlord has a poor reputation locally, they will still be able to find tenants (Rugg, 2008). As a consequence, market forces cannot be relied on to 'police' the sector.

Debate on the PRS invariably settles around the issue of regulation and the need to contain the activities of landlords that disregard the law either wilfully or through ignorance. However, it is worth stressing that the PRS is already policed in a number of ways. Five of these are summarised in 3.3.1. Local authorities' regulatory powers were strengthened considerably by the Housing Act 2004, and the number of policing agencies has expanded through the growing network of accreditation schemes. However, a number of factors may undermine the efficacy of policing activity, as 3.3.1 also indicates.

| 3.3.1 : Policing the PRS | |
|---|---|
| <i>Policing mechanisms:</i> | <i>Factors undermining success:</i> |
| industry association and accreditation schemes that aim to ensure that members reach and maintain a prescribed standard in order to qualify for membership | the fact that the worst quality landlords simply choose not to be members of such schemes |
| local authority Environmental Health Officers (EHOs) | regulations tend to focus on property quality standards rather than management standards; 'fit and proper' requirements only apply to HMOs; service poorly resourced |
| Tenancy Relations Officers | service poorly resourced |
| homelessness officers procuring PRS property to meet housing need | local authorities are not always scrupulous about the quality of landlords and properties they use |
| tenants who can report their landlord to the appropriate authorities if problems arise or certain regulations have not been met; | according to the SEH, tenants are more likely to leave the property than complain, or believe complaint to be 'not worth the effort'; tenants are routinely advised that, if they complain, then landlords may terminate the tenancy. |
| HM Revenue and Customs, who would require landlords to complete tax assessment forms to declare rental income | there is no database of landlords so it is difficult for HMRC to pursue cases undeclared income from rents |
| the police | the police are only likely to pursue extreme incidents such as physical assault, and are unlikely to seek prosecution for activities such as harassment without a major 'trigger event' (Morgan, 2002). |

One further factor, underlying all these policing strategies, is the level of applicable sanction where a landlord has been found guilty of contravening regulations. It has been argued that the 'ultimate' sanctions that can be brought to bear tend to be minor compared with the nature of the infraction and depend very much on a local authority's willingness to pursue a conviction. Substantial resources are required to put together a case against a particular landlord and to take them to court, and local authority officers have expressed dismay at the level of fines that have been levied when landlords are found guilty.

Generally speaking, local authorities retain the principal responsibility for policing the PRS, but there is general consensus that their activities tend not to target the worst landlord activity. Indeed, some commentators have concluded that the new HMO regulations have created a context in which Environmental Health Officers (EHOs) have become overly absorbed by the processing of house in multiple occupation (HMO) licenses that have been submitted by landlords who are largely compliant.

It should be stressed that the 2004 regulations have only recently been introduced and local authorities are still working through the early stages of implementation. There is some dissatisfaction with the regulations amongst local authorities and landlords, but adding a further layer of regulatory activity onto already overstretched EHOs is unlikely to improve results at this stage. However, there is merit to considering the ways in which the burden of policing can be shared and enhanced through partnership working, particularly within local authorities.

Changing supply-side characteristics

One of the more commonly expressed 'solutions' for poor management practice in the PRS is to seek change to the supply-side characteristics of the sector. An underlying reason for support for a greater role for institutional investment is the belief that it would increase the proportion of larger corporate landlords. These might be expected to operate firmly in the 'professional' category. However, there is no clear evidence that larger landlords are necessarily better landlords. In support of this contention, qualitative research with 132 landlords published in 1995 indicates that 'sideline' landlords were less likely than business and organisational landlords to be aware of relevant legislation on letting. Indeed, the sideline landlords tended to seek out information on regulations only when a particular problem required a solution (Thomas and Snape, 1995). More recently, the 2006 EHCS survey of landlords indicated that 50 per cent of company landlords were aware of the Housing Health and Safety Rating System, introduced in the Housing Act 2004, compared with 36 per cent of landlords who were individuals or couples (CLG, 2008b).

However, there is also anecdotal evidence of poor management practices amongst institutional landlords. For example, the NUS has complained that some HEI landlords take months to return deposits after tenancies come to an end (Unipol/NUS, 2007). In addition, an increasing number of institutions charge booking fees to ensure that students take up reserved rooms. The fees, which average at £115, are not transparent and the Office of Fair Trading has raised the issue with institutions (Unipol/NUS, 2007). It is often argued that the larger landlords are regulated by 'reputational risk', but this contention is rarely supported by evidence.

In terms of tenants' views of their landlord, the EHCS indicates that there is no difference in levels of satisfaction according to landlord type (Table 3.7). There was also no major difference in satisfaction levels amongst tenants according to how long their landlord had been involved with letting. Likewise, there was no substantial difference in terms of the landlord's portfolio size, with the tenants of landlords with one letting about as likely to be satisfied with their landlord as the tenants of other landlords, including landlords with ten or more lettings in their portfolio.

A second recommendation that has been made to improve management practice in the sector is to increase the proportion of landlords using managing or letting agents. One of the more marked trends in recent years has been the increased use of agents either fully to manage their property or to arrange the initial letting. No figures are available on the absolute increase in numbers with regard to agents, but their share of the market has certainly expanded. In 1993/94, 37 per cent of dwellings in the PRS were owned by landlords who used an agent for a lettings or full management service; in 2006, this proportion was 60 per cent (Table 3.8).

Table 3.8 : Use of letting agents by private landlords in England

| Whether an agent used | 1993/94 (%) | 2001 (%) | 2003 (%) | 2006 (%) |
|------------------------------|------------------------|---------------------|---------------------|---------------------|
| Agent used | 37 | 51 | 47 | 60 |
| Agent not used | 64 | 49 | 53 | 40 |
| Total | 100 | 100 | 100 | 100 |

Agents were also more likely to be used where the dwelling was owned by landlords with smaller portfolios, landlords who had let for ten years or less, and the landlords of higher rent lettings. Full-time landlords were about as likely as part-time landlords to have been using an agent (Table 2.21).

There has been general industry concern about the quality of service offered by letting and managing agencies. It is worth noting at this stage that, as shown by Table 3.7, lower levels of satisfaction were recorded amongst tenants whose letting was being managed by an agent (71 per cent) rather than by their landlord (81 per

cent). In 1999, the National Approved Letting Scheme (NALS) was set up with government funding to offer membership to existing and newly established letting and managing agents meeting certain criteria. In 2008, NALS covered an estimated 1,500 separate agent offices in the UK. The Scheme completes an annual audit of compliance and handles 30 to 40 complaints against its members each month. From January 1st, the NALS redress procedure was formally linked with the Ombudsman for Estate Agents. Membership of NALS is not compulsory, and it covers an estimated ten per cent of the industry.

The 2006 EHCS survey of private landlords found that 71 per cent of agents that responded were members of a relevant body (CLG, 2008b). Despite this apparently high figure, the Association of Residential Letting Agents (ARLA) has long called for the mandatory licensing of agents, and it was generally felt that the failure to include letting and managing agents in the 2008 Consumer, Estate Agents and Redress Act constituted a missed opportunity. The Act requires all estate agents to belong to an approved redress scheme (Jones, 2008). In his review of regulation and redress in the housing market, Jones concluded:

Given the extensive dissatisfaction with the practices of letting agents despite such voluntary schemes as NALS and ARLA it is recommended that they be regulated in the same way as estate agents. This would protect the interests of both tenants and landlords (Jones, 2008, p43)

Similarly, the Carsberg Review of regulation and redress in the residential property market also recommended that agents should be required to join a private sector regulatory scheme (Carsberg, 2008). Overall, it has to be concluded that little would be gained by encouraging more landlords to use letting or managing agents whilst it continues to be the case that agents are not subject to regulation.

Generally speaking, there is insufficient evidence that changing supply-side characteristics of renting would effect better management standards.

Targeted interventions

A second approach to problems with management standards is the introduction of targeted interventions to deal with specific areas of abuse with regard to housing management. In recent years there have been three initiatives that reflect this strategy: the licensing of HMOs, protection for tenancy deposits, and the as yet unresolved campaign to combat 'retaliatory eviction.'

The Review is not the place to summarise the history of lobbying and policy intervention in each of these areas. However, it is appropriate to observe that:

- lobbying on single issues is often predicated on the assumption that the problem concerned is endemic across the PRS, although evidence is generally not forthcoming;
- the need for additional regulation is often justified by assurances that 'good' landlords would welcome the change since only 'bad' landlords would be affected;
- a great deal of energy becomes absorbed by defining and policing the 'margins' of targeted regulation, to establish what practices or properties do or do not fall under the remit of the scheme; and
- landlords can evade targeted regulation by altering their portfolios or management practices.

Targeted regulation is by its definition tightly focused, and in being so can – over time – lose its efficacy if the market changes. For example, deposits must only be lodged with one of the protection schemes if they relate to an AST, but where the rent exceeds £25,000 a year, a tenancy cannot be an AST. Originally this regulation was meant to exclude luxury lets from the AST framework, but operation of two tightly-defined regulations together means that students in shared property where the rent paid jointly exceeds the limit amount are outside the deposit protection scheme.

More generally, both the licensing of HMOs and the introduction of tenancy deposit protection have been introduced too recently to be able to judge their efficacy. However, it is unlikely that either reform will have driven the worst landlords from the market. Targeted interventions tend to deal with the symptoms of poor management, rather than directly tackling their causes.

Encouraging better practice

A third approach to gaining better management standards is to encourage landlords to become better managers. The success of policy intervention to achieve this objective depends on why landlords might resist professional development. Landlords who have been successfully letting on an informal basis for a number of years perhaps lack the capacity or appetite for appropriate training, particularly given the almost arcane complexity of the legislation and regulation. These landlords may be encouraged into better practice by the provision of clear and understandable information on basic management standards. This kind of information is becoming more readily available. A good example is the Improvement and Development Agency *Landlord Development Manual*, which summarises the relevant legislation on letting and outlines good practice in a clear and accessible manner (IDeA, 2007). The Law Commission proposals to clarify the nature of letting agreements would also help managers achieve better practice,

because their responsibilities would be more readily understandable (Law Commission, 2006).

Growing attention has been paid to the potential of accreditation frameworks as a means of recognising good practice, so that landlords reaching prescribed standards can advertise accordingly and so gain market advantage. The value of accreditation schemes is most evident amongst landlords who let with the intention of being professional. Landlords can use such schemes to access up-to-date information, services such as template tenancy agreements, and guidance on regulations. At the present time, accreditation schemes do not have sufficient penetration to guarantee market advantage to landlords, but there is evidence of scheme potential. The student housing market is one area where accreditation has covered a substantial proportion of a local niche market, and in doing so has improved management and property standards in the area. Chapter 3.4 will review in more detail the role of accreditation schemes in improving property quality.

Compulsory registration

For many commentators, a more effective response to poor management practice is to police landlords through a system of compulsory registration. In Scotland, mandatory registration was introduced through Part 8 of the Antisocial Behaviour etc (Scotland) Act 2004, which came into force from April 2006. The scheme is administered by individual local authorities. Under the Act, landlords have to register or to have applied to register as a landlord. In accepting the application to register, local authorities have to be satisfied that the individual is a fit and proper person to be letting property. Landlords also have to register individual properties, and a separate fee is payable for landlord registration and the registration of each property.

Dissatisfaction has been expressed with the working of the system: landlords with property in more than one local authority area have to apply to each authority separately; applications have been very slow to process, and in some areas it has taken months for licenses to be issued. Problems have also been encountered with the software used to administer the scheme. Although the scheme carries the intention of 'enforcing minimum service', it is not clear how this objective will be met. However, it is certain that at present the scheme is insufficiently far advanced to be able to judge its impact on management standards.

The option of a registration scheme for England has also been discussed. The Housing Act 2004 requires local authorities to assess whether an individual is a 'fit and proper' person to be a licence holder of HMOs. The assessment must have regard to whether the licence holder has committed an offence involving fraud, dishonesty, violence or drugs, whether they have practiced unlawful discrimination,

and whether they have contravened housing or landlord and tenant law. Some tenant and welfare lobby groups consider it appropriate to expand the definition and coverage of the regulation so that *all* landlords would be licensed, and that requirements would include meeting a minimum management standard. Detractors from this view generally refer to the problems relating to landlord licensing in Scotland.

Conclusion

Poor management practice is considered to be endemic in the PRS. In reality, few data are available to assess the incidence of problems. Outside what is probably a majority of professional landlords – operating at every scale – there is a minority of landlords whose more informal practices leave them and their tenants in a vulnerable situation should problems arise. At the other extreme are what is probably a very small minority of landlords who are openly unscrupulous and have no intention of complying with the legislation; again, no statistics are available on the numbers in this category.

In the same way that a 'mixed economy' of supply ensures the flexibility of the PRS, it is also appropriate that a patchwork of policing intervention operates. Landlords letting largely informally would benefit by policies that foster business-like behaviour, and accreditation schemes can help to create a culture where continuing professional development is regarded as necessary and desirable.

However, existing policing structures have clearly failed to curtail the activities of the most unscrupulous landlords. Local authorities do not always prioritise even the mandatory elements of the regulations pertaining to the PRS. Where local authorities are more active, they often lose the confidence of landlords with regard to regulation, since its focus tends to remain on controlling already compliant landlords. HMO regulation has attempted to guide resources to the riskiest property types and the part of the sector where management standards have been deemed most problematic. However, EHOs have expressed frustration that the worst landlords still evade scrutiny and sanction.

3.4 Improving property quality

Chapter 3.3 considered options for improving property management standards through the regulation of landlords. This chapter reviews discussion around the need to regulate property standards. The EHCS indicates that the PRS has the worst conditions of all three tenures. The Housing Act 2004 aimed to deal with these problems by introducing both a new method of assessing housing conditions and a range of licensing measures that included mandatory licensing of houses in multiple occupation, where failure to meet defined standards carried higher risks for tenants. The impact of the Housing Act 2004 is yet to be established, although there has been some commentary on early implementation (CLG, 2007b).

There is a complex web of explanatory factors relating to the prevalence of poor-quality property in the PRS, and as a consequence a range of solutions has been proposed. This chapter explores the economics of property maintenance and financial support for landlords seeking to improve their property; the knowledge landlords need to ensure that their properties meet the appropriate standards; the substantial task of policing property condition; and the possibility of reintroducing greater competition amongst landlords for tenants at the bottom end of the sector. The chapter begins with data relating to property condition in the private rented market.

Property condition

Local authority performance with regard to regulation of property condition is judged according to targets set on the proportion of dwellings meeting the decent homes standard (see 3.4.1). The Housing Act 2004 revised procedures for assessing property condition and introduced the *new* Housing Health and Safety Rating System (HHSRS) which listed 29 hazards presenting a threat to the health and safety of a property's inhabitants. Properties fail the decent homes standard if they contain any serious or 'Category 1' hazards. According to the EHCS, the proportion of homes failing to meet the new decent homes standard was highest in the PRS, at 50 per cent (CLG, 2008a). Looking in more detail at the failure to meet the decent homes standard, 61 per cent of private rented properties that failed the decent homes standard contained a serious hazard under the HHSRS, 29 per cent failed the repair criterion, and 58 per cent failed to provide a reasonable degree of thermal comfort (Table 3.9).

3.4.1 : Property condition definitions

A DECENT HOME meets the following criteria:

- meets the current statutory minimum standard for housing, including being free of all Category 1 hazards as defined by the HHSRS;
- is in a reasonable state of repair;
- has reasonably modern facilities and services; and
- provides a reasonable degree of thermal comfort.

The HOUSING HEALTH AND SAFETY RATING SYSTEM (HHSRS) generates objective information following assessment of 29 categories of hazard, based on risk to the *potential* occupant who is most vulnerable to the hazard. Hazard categories include physiological requirements (for example, damp, mould, excess cold), psychological requirements (crowding and property security), protection against infection and protection against accidents. Where there is judged to be a serious threat to health and safety, termed a Category 1 hazard, the local authority has a duty to act. Excess cold is the most common Category 1 hazard.

Source: Derived from Improvement and Development Agency (2008) *Landlord Development Manual*. London: IDeA.

The recent HHSRS measure introduced a higher standard for property assessment, which means that more properties are likely to fail this more rigorous test. Putting this recent change to one side, data indicate that standards in the PRS have been improving for some time. For example, under the *old* rating system, in 1996 the proportion of PRS dwellings that were judged to be non-decent was 62 per cent; but by 2006 the figure was 40 per cent (CLG, 2008a). General housing stock has improved through the addition of new-built property, and it could also be argued that some parts of the PRS have also benefited from the influx of newer properties, the churn of properties from owner occupation, and internal churn which often provokes property improvement in the wider rental market.

However, it is not necessarily the case that conditions have improved *throughout* the private rented sector. Certainly failure to meet statutory standards appears disproportionately to affect households defined by the EHCS as 'vulnerable'. These are households in receipt of at least one of the main means-tested or disability-related benefits. In 2006, 43 per cent of vulnerable PRS households were in properties that failed to meet the decent homes standard incorporating the HHSRS definition (CLG, 2008a).

The economics of poor quality property

It has been argued that landlords face a number of financial disincentives to keep property in good repair. According to the EHCS, gross rental yields were higher on non-decent homes than on homes that were decent (Table 3.10). Crook *et al.* argue that less was evidently paid on management and maintenance in non-decent

properties, so the gross to net loss would be decreased. A high turnover of tenants meant that landlords could minimise expenditure on repair, since tenants would not be in tenancies long enough for the need for repair to become a pressing concern. However, further analysis of the data published two years later indicated that voids and bad debts themselves then reduced the net rental return (Crook *et al.*, 2000; Crook *et al.*, 2002). Nevertheless, what remains unclear is an individual landlord's *awareness* of these differences in yield, and how any awareness relates to portfolio management. Qualitative research on landlords' rent-setting strategies has indicated that landlords often simply seek to cover their mortgage costs, or aim to slightly undercut the market rate as a way of keeping good tenants (Rhodes and Bevan, 2003).

A further financial disincentive to keeping property in good repair is landlords' concerns that their investment will be wasted, given the quality of tenants they may deal with. Qualitative research with landlords indicates that, particularly at the bottom end of the sector, there is perceived to be a higher risk with regard to taking on a tenant more likely to damage or steal from the property. As a consequence, some landlords might minimise repairs and maintenance expenditure since there is a risk that the property may not be returned in reasonable condition.

A further issue relates to the capital expenditure required to bring property up to decent homes standard. One of the principal explanatory factors with regard to poor conditions in the PRS is the age of the stock. The PRS contains a higher proportion of older properties compared with the other tenures. For example, in 2006/07, 36 per cent of PRS property was built prior to 1919. For all tenures taken together, the proportion was 20 per cent (Tables 3.1 and 3.2). Some properties in the PRS were originally built to lower standards than would be required on modern buildings: for example, one local authority estimated that nearly all its pre-1919 private rented terraces would have Category 1 damp hazards (CLG, 2007b). Furthermore it is possible that, over much of the twentieth century, Rent Act restrictions reduced landlords' willingness and capacity to keep properties in a reasonable state of repair. One consequence is that expenditure needed to repair individual properties is greater in the PRS. According to the 2005 EHCS, an average expenditure of £6,718 is required to bring a non-decent home up to decency standard. The average cost for a property in the PRS was £8,524 (CLG, 2007a). At the same time, non-decent homes have lower rents, on average. The weekly mean rent for property judged to be decent was £143, and for non-decent £116 (Table 3.10).

Landlords may be able to use their rental income to effect ongoing maintenance and repairs, but may not have access to larger capital sums to effect substantial improvements, such as damp-proofing and the installation of central heating (Davies, 2006). Furthermore, disincentives operate that discourage landlords from

improving property quality. For example, immediate tax relief is not available on substantial improvements. The landlord would only be able to obtain tax relief when the property is sold, as investment in the unit could be offset against capital gains tax (Bayley, 2008). However, landlords would prefer a more immediate tax relief that would be offset against their rental income. This change would encourage a move towards seeing letting as a business rather than an investment, and facilitate landlords' expenditure on property improvement.

Other commentators have noted the varied VAT rates charged on different types of property renovation. Lower rates are applicable where properties were vacant for three years or more before the commencement of work, or where the work results in a change to the number of dwellings in a property. A lower VAT rate should also be available to landlords seeking to bring their property up to decent home standard. This kind of concession should perhaps only be available to accredited landlords, where the VAT payment would be recoverable against tax liability on rental income and not capital gain. The landlords would be encouraged to use the concession to improve and expand their property portfolio. The fact that the VAT would be recoverable only against tax liability on rental income would prevent the concession being used by individuals seeking to purchase dilapidated properties, improve them, and sell them on the owner occupied market.

It could be argued that a better approach would be through grants for improvement available from local authorities. There is variation in authorities' attitudes towards grants for landlords: some authorities are proactive in this area, and others do not believe that landlords should be offered this kind of subsidy (Davies, 2006). The Regulatory Reform (Housing Assistance) (England and Wales) Order 2002 permitted local authorities to set up loan schemes to offer assistance to landlords to improve property condition. There does not appear to have been any evaluation of the impact of this scheme, although Davies indicates that local authorities have met difficulties with implementation (Davies, 2006).

Overall, it could be argued that the economics of property improvement is not well understood in the context of high demand for rental property but relatively low rental income and taxation frameworks that offer further disincentive to expenditure. It may also be worth considering the circumstances in which landlords can and do invest in improvements. According to the 2006 EHCS, 22 per cent of PRS properties had had expenditure in excess of £1000 on repairs, maintenance and improvement in the preceding twelve months, but that expenditure had not necessarily been targeted at the worst quality properties (CLG, 2008b).

Acquiring skills

Returning to the range of landlord behaviours described in the last chapter, it is probable that a small number of landlords are aware that standards in their property are dangerous to the health and safety of their tenants, but continue to let them nonetheless. More commonplace are landlords whose informal approach to letting means that they are simply not aware that property is required to be free of hazards defined under the HHSRS. Landlords' inability to judge the standards of their property was evidenced by the EHCS landlord survey, which asked for respondents' views on their property condition. Seventy-one per cent of properties were judged by their owner to be in good or excellent standard; a surveyor assessment of the properties in the survey indicated that 40 per cent failed to meet the decent homes standard (CLG, 2008b).

As was the case with property management, a failure to be aware of or pay attention to standards also indicates a level of confusion as to the standards that are applicable to particular property types. One of the common arguments in favour of accreditation is that, generally, landlords welcome inspection and detailed guidance on areas where their properties fail assessment, since they are then confident that amendment will certainly bring the property up to required standard.

Extending the regulatory regime

One solution that has been proposed to the problem of disrepair is to regulate all privately rented properties so that they meet a specified standard. This option carries the attraction of moving away from complex definitional issues, such as the extended debate which took place through much of the 1990s on how best to define a house in multiple occupation. It has been suggested that all properties should have a minimum standard 'MOT' or Home Condition Certificate to signify that a specified level of decency has been reached (Law Commission, 2008a). The cost of obtaining the certificate would be borne by the landlord.

Leaving to one side the difficulties of deciding which minimum standard might apply, the supposition that further regulation is required fails to take into account the impact of the new provisions of the Housing Act 2004. It is worth underlining the fact that the Housing Act 2004 introduced:

- mandatory licensing for houses in multiple occupation that meet a prescribed description;
- additional licensing allowing local authorities to require other types HMOs in their area to be licensed;
- selective licensing for all rented properties in a defined geographic area if the area suffered from anti-social behaviour or low housing demand; and

- special interim management orders and empty dwelling management orders, which allow local authorities, in specified circumstances, to take over management of a privately rented property.

For many local authorities these regulations are overly prescriptive. For example, local authorities can find it difficult to work with the given HMO definition, and the presumption that Selective Licensing should apply only in low demand areas is deemed restrictive, particularly in London and the South East. The baseline evaluation of HMO and Selective Licensing indicated local authorities' frustration that the regulations were 'one size fits all', when in reality each area had a distinctive problem with regard to housing quality: for example, the worst properties might be small terraces (CLG, 2007b).

However, the Review takes place in a time of flux, as local authorities are still seeking to 'bed in' changes brought about by the Housing Act 2004. At the time of writing, most local authorities were reviewing and meeting their responsibilities to issue mandatory licenses, and only a small number had progressed to the introduction of selective licensing. A separate evaluation is taking place of the impact of these regulations (CLG, 2007b). Further regulation of property condition would appear, at this stage, to be premature.

Policing property quality

The principal response to any call for extension to the regulatory framework with regard to property quality is to understand how such regulation would be policed. The recent evaluation of the impact of HMO and selective licensing carried very little information about the anticipated resources required to implement the new regulations. It has been commented that the local authorities have focussed on the already compliant landlords that are easier to police, which means that 'good' local landlords become disaffected with the regulatory process. In addition, HMO licensing has meant that EHOs have had to shift attention away from other PRS enforcement activity, which has tended to become reactive rather than proactive. In February 2008, the Chartered Institute of Environmental Health Officers (CIEH) undertook a web-based survey of local authority regulatory activity under the Housing Act 2004. The survey covered England and Wales, and 130 local authorities responded. A key finding from the report was that the most important factors influencing EHO enforcement activity were complaints from or on behalf of residents, and the number of staff that were available to deal with private sector housing conditions (CIEH, 2008). The issue of resourcing local authority 'management' of the PRS will be considered in more detail in chapter 3.8.

One response to the difficulties with policing property condition is to share the task of regulation. The Liverpool Primary Care Trust has recently announced that it will

allocate £9.3m to fund a programme of inspections by EHOs to improve local property conditions. The rationale for this action rested with the desire of the Primary Care Trust to tackle health inequalities, and in particular deal with the city's high death rate from excess winter cold (Environmental Health News, 2008).

As chapter 3.3 indicated, some commentators believe that accreditation has a strong role to play particularly with regard to property inspection. In March 2008, a survey was completed by the Local Authorities Coordinators of Regulatory Services (LACORS) of all local authorities with a housing function in England. Fifty-three per cent of responding authorities indicated that they did not currently operate an accreditation scheme and had never done so, and 41 per cent had a scheme operating in their area. Over 23,000 properties were accredited by the 77 per cent of schemes that dealt with property rather than landlord or agent accreditation. Almost all the schemes had a Code of Standards, and the majority specified that they visited properties in order to verify that standards had been met (LACORS, 2008).

There has been a great deal of discussion on the significance of accreditation as a strategy for improving property standards. The coverage of accreditation schemes is small compared with the overall size of the sector, although the Law Commission has proposed that some statutory duty should be placed on local authorities to ensure that accreditation schemes were available across the country (Law Commission, 2008a). However, even if scheme coverage was expanded geographically, it is generally agreed that accreditation does not carry the capacity to isolate and regulate the very worst quality properties. Nevertheless, accreditation does help to reduce the burden of inspection of the better properties. Accreditation also has the potential to recognise and 'badge' better quality property, and offer tenants an assurance that an accredited property will have met specified standards. It could be argued that the task of accreditation should be left to the industry to promote and organise, and that local authority resources are better targeted at ensuring that the worst-quality properties are improved. The success of Unipol's accreditation network indicates the possibility that 'stand-alone' accreditation without local authority resources can work in parts of the sector where there may be an oversupply of providers. Certainly, HEIs have often been influential in initiating schemes where the accommodation office will only recommend accredited landlords. A strong intermediary agency, working to benefit tenant interests, can define standards in the rental market *if* there is sufficient competition between accommodation suppliers.

One substantial intermediary agency that is generally disregarded with respect to property quality is management and/or letting agents. It has been indicated that a greater level of regulation is required of agents' operation in the rental market (see chapter 3.3). Some consideration should perhaps be given to an agents' culpability if

they advertise or manage property that fails to meet the decent homes standard. It is notable that the EHCS 2006 landlord survey found that 41 per cent of dwellings where the landlord had used an agent were non-decent, although a similar proportion were non-decent where an agent was not used.¹⁶ Tenants often use managing or letting agents with the expectation that better quality property will be on offer, and it is reasonable for landlords to expect an agent to give guidance on applicable property standards. However, the National Approved Letting Scheme focuses its attention on probity and service standards rather than property standards. If agents were required to register through an independent national accreditation scheme, and the scheme required all agency lettings to be of reasonable standard, then much of the task of property inspection and standard enforcement could be presumed met in all agent-managed property.

Introducing competition at the bottom of the market

Changes to housing benefit regulations that introduced the LHA carried the objective of introducing a 'shopping incentive'. Tenants would be able to 'spend' their allowance in the PRS on better quality properties: 'by giving benefit claimants more choice, we will make them less dependent on bad landlords' (DWP, 2005). However, the existence of very poor quality property at the bottom end of the private rented sector indicates that tenants are often unable to operationalise choice with regard to the tenancies they take. For many tenants on low income, private rented options are restricted as landlords are not always willing to take tenants in receipt of housing benefit. One way of dealing with this issue is to ensure that people on low incomes have better access to the wider rental market, which would introduce higher levels of competition amongst landlords for tenants at the bottom end of the sector.

One measure would be to reinstate rental deposit assistance in the Social Fund. This kind of help was removed in the 1988 as a consequence of the spiralling costs of delivering the benefit, which in the mid-1980s had reached £6.1m (Rugg, 1996). Deposit guarantee schemes are in operation in a number of local authorities, but help is often restricted to particular client groups. Young people, in particular, receive less support from schemes as housing benefit payments for under-25s will only pay up to the value of shared accommodation, and many deposit schemes will not cover shared housing because of the perceived level of risk to the deposit. However, the recent introduction of the tenancy deposit protection schemes decreases the possibility of fraudulent activity by either landlord or tenant. Further, it may be possible that a deposit paid can serve a tenant through more than one tenancy. Assistance with rent in advance and speeding up housing benefit

¹⁶ Analysis for Review of the EHCS private landlord survey, 2006.

administration would also reduce the perception that housing benefit applicants are 'different' from other kinds of tenant.

Conclusion

Property condition in the PRS has been improving, but there is justified impatience that the level of improvement is simply not speedy enough. The economics of low-income rental are poorly understood. It may very well be the case that the rental income for the worst property quality simply would not cover the cost of substantial repairs required in housing that was poorly constructed to start with. A review of fiscal incentives for improvements to rental property could help to understand the triggers and disincentives that currently apply.

In terms of regulating property condition, a key direction is to divest local authorities as far as possible of the responsibility for 'day-to-day' policing, which should be paid for and managed by the industry. An enhanced role for more strongly regulated managing agents would be appropriate. Unipol has indicated that accreditation can effectively serve that purpose. EHOs can target their attention on the more problematic cases, where intervention might entail a management order, demolition or taking a landlord to court.

Difficulties with improving property quality are compounded by the fact that the PRS does not always operate in a 'true' market fashion. Landlords do not always act in their best commercial interests, or indeed operate like business people. It remains possible for property in the very worst state of repair to find a tenant whose housing options may be limited by their reliance on housing benefit. Freeing up choice at the bottom end of the market for tenants on low income would introduce competition between landlords, and so use market mechanisms to drive up property standards. It is notable that, as oversupply became evident in the student housing market, so the quality of property on offer also increased.

3.5 Providing sustainable tenancies

The issue of security of tenure is central to any discussion of private renting. The introduction of the assured shorthold tenancy (AST) has, for many commentators, been an essential factor in the upturn of the sector following its century-long decline. The movement away from both regulated tenancies and registered rents meant that landlords could more readily evict problematic tenants and make a reasonable economic return. For other commentators, the introduction of the AST has come at a high price in terms of tenant security: the fact that landlords can ask tenants to leave, whilst offering no reason for doing so, means that tenants are placed in a position of insecurity which is indicated by a high tenancy turnover in the PRS.

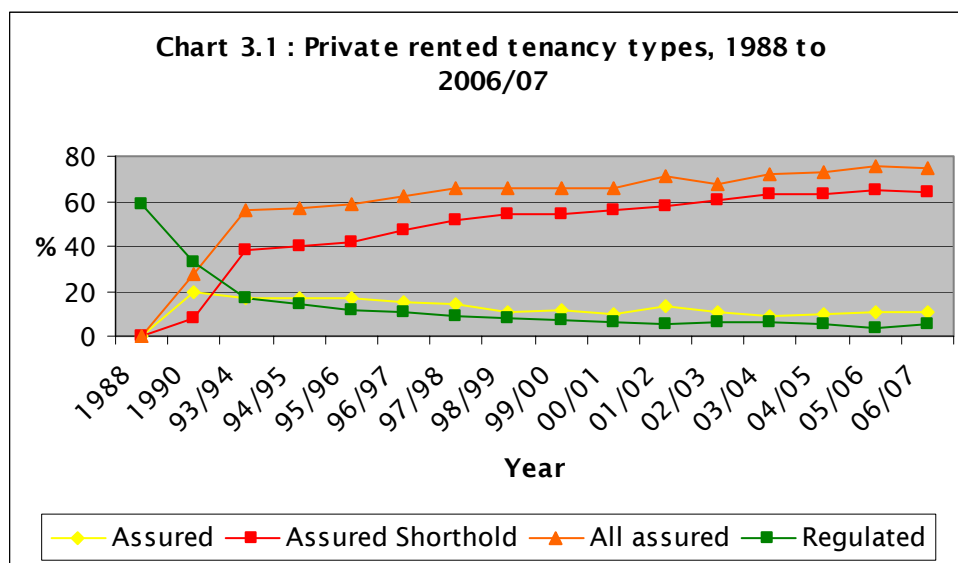
This chapter considers the issue of tenancy sustainability by first addressing the incidence of 'churn' in the PRS. Analysis of problems with the current tenancy framework tends to rest on a poor understanding of data relating to tenancy turnover, but it remains the case that the tenancy is regarded as insecure by tenants who, as a consequence, often seek accommodation in social housing. However, for many landlords ASTs mitigate the risks associated with renting since they facilitate possession of a rented property relatively speedily when tenants default on their rent payments or damage the property.

Discussion is currently underway as to whether change should take place to the current legislation on tenure. For example, lobbyists have highlighted the instance of what is termed 'retaliatory eviction' which entails landlords giving tenants notice to quit if they complain about property condition. Changes are sought to s21 of the Housing Act 1988 so that landlords could be challenged if retaliatory eviction is suspected. It could be argued, however, that much of the discussion relating to changes in tenancy frameworks fails to recognise why tenancies come to an end and does not take into account actual rather than assumed behaviour in the PRS. Resolving this issue is important, since – as chapter 3.6 goes on to discuss – there is increased pressure to use the PRS to accommodate low-income households who will seek to make a long-term home in the sector.

The rise of the assured shorthold tenancy and 'churn' in the PRS

ASTs have become the most common form of tenancy arrangement, comprising 64 per cent of private rented tenancies in 2006/07 (Table 3.11). Regulated tenancies have decreased from 59 per cent of tenancies in 1988 to five per cent of tenancies in 2006/07. Assured tenancies have also declined since they were introduced. The trends in types of private rented tenancy from 1988 to 2006/07 are shown in Chart 3.1. Note that the separate percentages for assured tenancies and assured

shorthold tenancies were not available for the year 2002/03, and so have been interpolated within this chart.



The popularity of the AST may be explained to some extent by a change in the regulation in 1996: as 3.5.1 indicates, from that date all tenancies not defined as otherwise will be assured shortholds. It has been argued that the AST accounts for a substantial amount of 'churn' in the PRS, forcing tenancies to turn over far more rapidly than is the case in social housing, and certainly presenting a population less settled than in owner occupation. SEH data indicate that households who had lived at their current address for less than one year were more likely to be on ASTs (Table 3.12), but there is not necessarily a causal link. Given the more detailed understanding of the PRS presented in the first part of this Review, the reasons why households take up PRS tenancies constitutes a substantial explanation for turnover being relatively high: many uses of the PRS are intentionally short-term in nature. For example, households in the highest income quartiles are more likely to have been at their current address for two years or less, reflecting the incidence of job-related moves. For the lowest-quartile income group, residence at the same address was often for longer periods: 36 per cent in this group had stayed at their current address for five or more years compared with only 12 per cent in the highest income group (Table 2.20).

3.5.1 : Types of private rented tenancy

Assured shorthold tenancies

- the 'default' tenancy if an assured tenancy has not been created
- can be for any term, but an initial fixed term of six months is common
- a judge cannot grant an order for possession to take effect in the first six months of a tenancy
- landlord can recover possession provided the fixed term has expired *and* a proper form of written notice has been given, giving the tenant two months notice to leave the property. This notice is called a s21 notice.

Assured tenancies

- tenants are entitled to stay until they agree to leave *or* an order for possession is obtained
- eviction can only take place under one of the statutory grounds for possession indicated in Schedule 2 of the Housing Act 1988

Periodic tenancies

- both assured shorthold and assured tenancies can also be periodic tenancies, running indefinitely from one rent period to the next. A periodic tenancy may be agreed at the outset or after a fixed term comes to an end

Regulated tenancies

- most tenancies begun before 15th January 1989 are regulated tenancies
- evicting a tenant from a regulated tenancy is extremely difficult but can take place in cases of serious rent arrears or if the landlord provides alternative accommodation

Source: Derived from Improvement and Development Agency (2008) *Landlord Development Manual*: London: IDeA.

Arguments in favour of change

There are four principal threads in the discussion on change to the existing legislation as it relates to ASTs: the fact that landlords do not have to give a reason to end the tenancy once the initial term is over and the tenancy becomes a periodic tenancy, and the fact that ASTs are considered short term. For many tenants' rights groups, ASTs constitute a heavy weighting in favour of the landlord's rights to reclaim their property, placing tenants in a position of insecurity (Shelter, 2007). A third thread comprises the rather broader recommendations included in the 2006 Law Commission report *Renting Homes*, which advocated a more substantial change

to the current framework. A fourth and final thread is the fact that a tenancy for which the rent is over £25,000 a year cannot be an assured shorthold tenancy.

s21 notices

The nature of s21 notices has received increased attention in the last few months following lobbying around the issue of 'retaliatory eviction'. According to a report by the Citizens Advice Bureau: 'As landlords are not required to give reasons, they may legally use this procedure as a retaliation tactic if a tenant tries to get repairs or safety issues addressed' (Crew, 2007). The report provides two forms of evidence. Data from the 1999/2000 SEH are used to show that, of the 21 per cent of tenants who were dissatisfied with their landlord, 75 per cent had not tried to enforce their rights to get repairs done. Tenants were asked why they had not taken any action, and more than one response could be given. Twenty-one per cent mentioned that they did not want trouble with the landlord, and five per cent mentioned that they thought the landlord would end the tenancy (Bates, 2001).

The second form of evidence used was a postal questionnaire sent to TROs. The officers were asked 'Are tenants put off using help because of fears of jeopardising their tenancy?' Of the 129 TROs who responded, 54 per cent said 'sometimes'. However, this finding has to be viewed in the light of the CAB's own practice when tenants present with problems relating to disrepair: 'any advice about their rights has to come with the warning that exercising those rights may result in the landlord issuing notice to quit' (Crew, 2007). Shelter has indicated that it has a similar policy. If tenants are routinely advised that they may be evicted if they complain, it is unsurprising that TROs find that tenants are put off using help because of fears of jeopardising their tenancy.

A further difficulty with data from the TROs is that it represents opinion on the incidence of a particular problem amongst tenants who are presenting with problems, rather than evidence of a particular eventuality actually taking place. As qualitative evidence, the survey supports the conclusion that many TROs are concerned about the issue, but the task of counting its incidence or indeed of deciding whether a 'retaliatory eviction' has actually taken place is complex. The notice to quit may have nothing to do with complaints about property condition: the tenant could be behind with their rent, for example. It cannot be denied that there will be landlords who evict tenants who complain about property condition; at the same time, it has to be admitted that there are tenants who will claim unfair eviction in the hope that this will improve their chance of getting a social housing tenancy.

Tenants right groups argue that there are two ways to deal with the incidence of retaliatory eviction. First, it should be possible for tenants to take the eviction notice to a property tribunal, so that a judgement could be made about whether the eviction notice has been served in response to the tenant trying to exercise their

statutory rights. Second, it should be the case that s21 notices could only be available to landlords who pass some sort of management quality test, perhaps by being a member of an accreditation scheme. Crew (2007) indicates that measures are in place in other countries to deal with the incidence of eviction where a tenant has complained, but no detail is given on how these policies work in practice, or the outcomes.

Short-term tenancies

A great deal of commentary is given regarding the negative effects of a lack of security in the PRS, particularly with regard to families having to move 'every six months.' One of the pieces of evidence often cited is P1E homelessness data indicating that the second most common reason for households losing their last settled accommodation is the end of an AST (Rugg, 2008). However, these data are problematic, and again do not represent the complexity of issues surrounding the ending of a tenancy. Questions are generally not asked about *why* a tenancy came to an end, since the implicit assumption is made that in the PRS, after six months, all tenancies do.

There are no data on how many tenancies end after six months where the tenant had wanted continuation but the landlord had decided to end the tenancy nonetheless. A survey of 1,659 landlords and letting agents, completed as part of the evaluation of the LHA Pathfinder found that just three per cent of all landlords estimated that the usual length of tenancy before tenants moved on was six months or shorter. 'Longer than two years' was the most common response of all landlords, at 39 per cent. For landlords who were individuals and couples, this proportion was highest, at 51 per cent; and for letting agents alone, the proportion was 15 per cent (Rhodes and Rugg, 2005a). It could be that some tenants do enjoy long tenancies in the PRS, but high levels of churn in certain parts of the market skew overall averages. The SEH indicates that 55 per cent households on ASTs had been at their current address for more than one year, and 22 per cent of households on ASTs had been in their current address for three years or more (Table 3.12).

Despite the strength of these data, it remains the case that the PRS can be deemed by tenants an insecure tenure. A preference for social renting is often framed in terms of the fact that a social tenancy is deemed to be 'for life', and not subject to a landlords' decision on whether to keep the property in the market.

The Law Commission proposals

The Law Commission has also proposed change to the existing tenancy framework (Law Commission, 2006). The report reviewed all types of rented accommodation, and proposed that tenancy should all be replaced by 'secure' and 'standard' contracts. 'Secure' contracts would operate in a similar way to assured tenancies but

offer a substantially stronger security of tenure, similar to that available to social housing tenants. 'Standard' contracts would be similar to ASTs but the length of the tenancy would be determined by the contract agreed between landlord and tenant. There would be no initial six-month period during which time a court would be unable to order possession (Law Commission, 2006). The proposals anticipated that social or 'community' landlords would use secure contracts, and private landlords would use standard contracts.

It is not the place of the Review to consider in detail the advantages and disadvantages of all the recommendations in *Rented Homes*. However, it is evident that the proposed changes offer little advantage in terms of added security to PRS tenants. For example, all contracts would be presumed to be 'standard' contracts unless the landlord specified otherwise, and landlords using standard contracts would still be able to give a two-month 'no fault' notice asking the tenant to vacate the premises.

The Review stakeholder meetings indicated general support for two of the principles underlying the recommendations. First, there was agreement about the need to simplify the legal arrangements around renting property so that landlords and tenants would be clearer about their rights and obligations. This measure also promotes initiatives to improve professional standards – which would be easier if contractual arrangements were more transparent – and the desire to promote a more business-like culture in rental arrangements.

Second, there was also some support for a movement towards contracts that allowed tenants and landlords to agree between them the length of the tenancy. This measure would certainly make plain at the outset of a tenancy what was expected by both parties: for example, a landlord would be able to make clear if a letting would only be available for a short time period and a tenant may choose to look elsewhere if a longer let was required. Similarly, another landlord might then actively decide in favour of a tenant seeking a longer let since longer lets reduce rental income loss that invariably accompanies tenancy turnover.

However, it could be argued that the principles underlying both these objective could be met within the existing frameworks: for example, through the promotion of 'plain English' tenancy agreements; and in encouraging both landlords and tenants to discuss their intentions with regard to the length of the tenancy. Overall, it is not clear that the Law Commission suggestions offer a substantial improvement to the existing tenancy framework for private rented tenants, and stakeholders were clearly unhappy with the suggested loss of the six-month 'moratorium' on landlord possession.

ASTs and the £25,000 rental limit

Tenancies where the annual rental income exceeds £25,000 a year cannot be assured shorthold tenancies. The original intention of this regulation was to exclude letting in the 'luxury' end of the private rentals market. However, this upper limit was set in 1990, and since that time change in the rental market means that the combined rents liable on shared properties often exceed this upper limit. In 2008, the NUS and Uniopol tabled an Early Day Motion indicating that, had the figure been linked to the Retail Price Index, the limit would now be £52,000. Tenants in shared properties with a joint rental of £25,000 or over lack the protection afforded by an AST, including the requirement that the landlord has to lodge their deposit in one of the deposit protection schemes. There was strong support from the stakeholder meetings that change to the regulation needed to take place. Indeed, a failure to institute a change might lead to the creation of a growing tenancy class 'outside' the AST regulations, where tenants would have very limited rights.

Arguments in favour of existing tenancy arrangements

The industry generally supports the current arrangement, whereby ASTs can be decided for an initial six-month period and possession of the property after that time follows the serving of a s21 notice. This latter provision is thought to be particularly useful in a context where small landlords are solely reliant on rental income, and so cannot bear the financial burden of an extended period of rent arrears. In addition, as has been seen, the economics of private renting requires capital to be reasonably liquid. Assured tenancies do not offer the same level of flexibility, and eviction from an assured tenancy can be a costly and time-consuming process.

However, industry arguments in favour of continuing existing tenancy agreements also tend not to acknowledge actual behaviour in the rental market. Landlords themselves recognise that the majority of tenancies end at the request of tenants, and the landlords themselves would prefer good tenants to stay indefinitely. However, the perception of risk means that landlords continue to use ASTs, *in case* tenants fall into difficulties and there are problems regaining possession of the property.

Assessing the validity of this perception of risk is difficult, since it essentially requires a quantification of different types of unwelcome behaviour from tenants. As is the case with landlords who act illegally, similarly unscrupulous tenants tend not to forward their information to national surveys. So, for example, evidence on the incidence of rent arrears is patchy. According to the SEH, 2.5 per cent of tenants

said that they had rent owing for a fortnight or longer.¹⁷ The 2003 EHCS asked private landlords about a range of issues that might be seen as problematic, and allowed them to give more than one response. The Survey found that 42 per cent of landlords and agents did not perceive tenants' debts/arrears to be a problem, and that 14 per cent perceived the issue to be a serious problem (ODPM, 2006b). However, these samples are based on responding landlords whose contact details were provided by their tenants. In survey of over 1,000 landlords and agents completed as part of the LHA evaluation, 65 per cent of respondents said that over the past three years they had let to a tenant who had fallen into rent arrears as a result of their own actions. It should perhaps also be noted that 26 per cent of respondents thought that tenants receiving housing benefit were as likely as tenants not on housing benefit to miss rental payments (Rhodes and Rugg, 2005b).

As with tenants, landlords' perceptions of risk are probably as likely to influence behaviour as actual experience. It is notable that where landlords perceive the level of risk to be low they are more likely to offer assured tenancies, as is the case with *Girtings*, which grants assured tenancies to its older tenant group (Girling, 2008). Older people moving into this kind of 'retirement' development are likely to want a home for longer, and survey evidence suggests that this age group is more reliable than others in terms of rent payment (Ford and Seavers, 1998).

Recently, the British Property Federation has argued that tax incentives should be offered to landlords giving assured tenancies, as a means of extending tenancy security. This measure would be difficult to implement and police. The fact that the tax-payer would essentially be subsidising such tenancies would mean that the initiative would have to be targeted effectively, and it is possible that the tenants who were targeted might have stayed in their property for as long as they wanted *without* any intervention being in place.

Conclusion

For many tenants in the PRS, their period of renting privately is short-term which means that a six-month tenancy period which can be extended to a periodic tenancy is entirely appropriate to their needs. Difficulties may arise for tenants who seek a longer-term home in the sector. Data demonstrate that the existence of ASTs does not necessarily preclude tenants staying in particular tenancies for long periods of time, although feelings of insecurity may remain. However, landlords are dissuaded from offering assured tenancies because of the perceived risks, particularly with regard to non-payment of rent and anti-social behaviour.

¹⁷ Analysis for Review of three-year aggregated SEH data, 2004/05 to 2006/07.

It could be argued that, since 1989, a 'culture' of insecurity has been generated that does not always resemble actual letting practice. Tenants are routinely informed that tenancy agreements are short-term and insecure, and local authorities devise initiatives that give landlords financial incentives to offer longer tenancies, on the presumption that otherwise tenants would only be accommodated for six months.

It has to be remembered that what the legislation allows and the ways that people rent and let in practice are not necessarily the same thing. Limited attention has been given to the fact that AST can continue for long periods, and there is usually a specific reason why a tenancy fails. The presumption that the sector is inherently insecure means that policy has not been directed towards initiatives that will contribute to tenancy sustainment. To this end, it could be argued that changing s21 constitutes a response to a symptom rather than a cause of problems. It might be more appropriate to aim to remove from the PRS those landlords who would rather evict a tenant than deal with necessary repair. Furthermore, it has to be acknowledged that issues such as rent arrears and anti-social behaviour rather than ASTs are in all probability the biggest cause of tenancy failure.

However, this is not to say that no changes should be made to the existing tenancy framework. There is extremely strong support for an increase to the upper rental limit, above which a tenancy may not be an AST.

3.6 Homelessness prevention and discharging homelessness duty

The PRS is regarded as having the potential to play a greater role in homelessness prevention and in local authorities discharging their homelessness duty. Each of these functions has emerged from a different policy thread. With regard to prevention, the PRS has – since the early 1990s – been recognised as a resource that could be tapped to help prevent homelessness particularly amongst households who would not be deemed a priority case. Homeless prevention measures included both accommodation registers and deposit guarantee schemes which facilitated access to PRS tenancies. A second thread relates to local authorities' duty to house certain priority groups. More local authorities are using temporary placements in leased private sector properties in preference to bed and breakfast hotels. These two threads are now converging, and local authorities are being urged to use the PRS to serve both prevention *and* discharge of homelessness duty purposes.

This chapter considers the feasibility of using the PRS as a resource to counter homelessness. Discussion will focus on the ability and willingness of the sector to absorb increased demand from low-income households; the suitability of the tenure for more vulnerable individuals; the cost of this measure to tenants liable to pay a market rent; and the willingness of tenants to accept a PRS tenancy as an equivalent housing 'offer' to a social tenancy.

Prevention and discharge of duty

Local authorities have a duty to secure suitable accommodation for eligible households where they are judged to be unintentionally homeless and in priority need, and a duty to offer advice to households in housing need who would not meet these criteria (see 3.6.1). It has long been the case that many low-income households that fall outside definitions of priority need have generally made their home in the PRS. The sector's potential to meet this kind of need was recognised in the early 1990s: the then Department of the Environment operated a programme whereby voluntary sector agencies could apply for 'Section 73' grants to manage accommodation registers and give help with deposits to clients deemed 'non-statutory homeless'. The voluntary sector developed the concept of a 'deposit guarantee' which gave landlords accepting scheme clients a guarantee that the scheme would bear costs that would normally be charged against a cash deposit. This and other kinds of what have been termed 'access schemes' proliferated, offering a range of services including help with advance payments of rent, guidance for landlords on legal aspects of letting, and tenancy support. Local authorities began to fund access schemes as part of their homelessness prevention strategies, and indeed some local authorities began to operate access schemes aimed squarely at households on the waiting list for council properties (Rugg, 1996).

3.6.1 : Homelessness guidance

14.17. The housing authority will cease to be subject to the duty under s.193(2) (the main homelessness duty) in the following circumstances:-

iii) *the applicant accepts a qualifying offer of an assured shorthold tenancy from a private landlord (s.193(7B)).* The local authority must not approve an offer of an assured shorthold tenancy for the purposes of s.193(7B), unless they are satisfied that the accommodation is suitable and that it would be reasonable for the applicant to accept it (s.193(7F)).

14.25. Where an applicant is unintentionally homeless, eligible for assistance and does not have a priority need for accommodation, the housing authority has a **duty** under s.192(2) *to ensure that the applicant is provided with advice and assistance in any attempts he or she may make to secure that accommodation becomes available for his or her occupation.* The housing authority might, for example, provide assistance with a rent deposit or guarantee to help the applicant to obtain accommodation in the private rented sector, or advice on applying for an allocation of accommodation through the social housing waiting list or through another social landlord.

Source: DCLG (2006) Homelessness Code of Guidance for Local Authorities.

At the same time, the government's aim to reduce the use of bed and breakfast accommodation for homeless households in priority need encouraged local authorities to procure temporary accommodation from private landlords, often under leasing arrangements funded through specific DWP funding. This has been the context for the production of guidance around 'Housing Options', whereby households that approach local authorities in housing need are advised of a range of housing choices. If a household in priority need accepts a tenancy in the PRS, even if that tenancy is an assured shorthold tenancy, then the local authority is deemed to have discharged its homelessness duty. Thus, the PRS is being regarded as a solution to the needs of both 'priority' and 'non-priority' homeless households.

Can the private rented sector house the homeless?

It has been argued that it is feasible to expect the PRS to expand to meet additional demand for property from households on low incomes. Commentators often point to the success of a range of different types of schemes run by local authorities or voluntary sector agencies (3.6.2). These schemes vary in the level to which they intervene in the market place. Some schemes help potential tenants by giving lists of accredited landlords, helping with deposits or rent in advance, and offering some level of tenancy support through the first six months of the tenancy. Other schemes actively procure property from PRS landlords through leasing schemes of various kinds, which offer landlords a certain level of rent for a specified time period,

payable whether or not the property is tenanted. The leasing scheme then uses the property either as temporary accommodation or to house households from their waiting lists. The PRS does have a distinctive housing benefit niche market, as this Review has indicated. However, the question remains about the capacity and willingness of the sector to accommodate an increase in demand from low-income households.

3.6.2 : Procurement interventions

'Finders fees'

Cash payments offered to landlord to take tenants in receipt of housing benefit

Deposit Guarantee Schemes

Offer a guarantee in place of a cash deposit for tenants seeking a PRS tenancy; scheme services might include an accommodation register, help with housing benefit and other tenancy support measures.

Private Sector Leasing including Housing Associations as Managing Agents and Housing Association Leasing Schemes

RSLs or private companies leasing properties from a landlord and then subletting the property to the tenant, often for temporary accommodation.

Lead Tenancy Schemes

Grants to landlords to bring back into use empty properties, which are then let to nominated tenants. The tenancy is managed by an RSL.

Social Letting Schemes

Local authority-run managing agencies, brokering tenancies between landlords and tenants. Some schemes offer landlords incentives to take homeless families, and other schemes charge for their management service.

In terms of capacity, there is an underlying assumption that the sector would simply expand to meet additional need. However, it has to be recognised that overall expansion in the PRS generally means the reduced supply of properties in other parts of the housing market and/or more intensive use of existing rental stock, as has been the case with meeting need from migrant worker households (see chapter 3.7).

It is important to emphasise the fact that policy to encourage more low-income families to rent privately requires expansion specifically in the *housing benefit market*, where landlords are willing to let to benefit recipients. There is a substantial amount of unmet demand in this part of the PRS (Rugg, 2008), and clearly the sector is under pressure. The fact that tenants tend to stay longer in 'good' housing benefit lets means that the flow of lettings is reduced. In addition, landlords in this sector may be more likely to look to leave this part of the market and serve other demand groups where they become available. So, for example, the housing benefit market will contract where alternative demand is evident from immigrant households or from meeting more profitable NASS or temporary accommodation contracts (CLG, 2006a). The range of local authority and voluntary sector schemes indicated in 3.6.2 testifies to the fact that landlords often require substantial incentives in order to let to housing benefit recipients and/or homeless households.

In addition, the increased use of the PRS for households who might otherwise be housed in the social sector reduces the pool of property available to those whose circumstances might place them at lower priority for social housing, or who would be deemed intentionally homeless. Traditionally, these more marginal households were the target group for deposit guarantee schemes and other kinds of access scheme, which are the kinds of initiative now being harnessed to accommodate 'priority' homeless households.

Greater use of the PRS for low-income households would mean that more landlords would have to be persuaded to enter this market. The wider PRS is – at best – ambivalent about dealing with this client group. According to the landlord component of the 2003 EHCS, 30 per cent of landlords and agents considered that the aspect of renting most likely to give rise to serious problems was housing benefit administration (more than one response could be given), but 54 per cent of respondents did not perceive it as a problem at all (ODPM, 2006b). It could be the case that many of these landlords did not serve the housing benefit market at all, so would be unlikely to regard administration as problematic. Evaluation of the LHA found that 73 per cent of landlords and agents contacted via newspapers and directories preferred non-housing benefit clients, but even amongst landlords who were contacted via their benefit-recipient tenant, 52 per cent also preferred not to let to this group (Rhodes and Rugg, 2005b).

Recent changes to housing benefit regulations are unlikely to resolve this ambivalence. Landlords were unhappy with 'old' housing benefit regulations because of the incidence of overpayment recovery. Where a tenant had received housing benefit to which they were not entitled and the payment had been made to the landlord, the overpayment would be automatically recovered from a landlords' total schedule of payments even if no problems were evident with any of their other tenants. The occurrence of overpayments will probably be reduced substantially

under the LHA, where the presumption is that the housing benefit will be paid to the tenant who will then have to arrange rent payment to the landlord. Landlords have expressed anxiety with regard to the possibility of rent arrears under the new regulations, and the British Property Federation has called for a 'rent guarantee' by which local authorities would ensure that landlords would not be out of pocket if a tenant failed to meet their rent liability (BPF, 2006). The LHA evaluation found that most tenants arrived at a regular method for paying the rent, but 75 per cent of the surveyed landlords said that they had experienced rent arrears in the two years that the Pathfinder pilot had been running. It should be noted that the figure was comparable in the control areas where the LHA had not been introduced (Rhodes, 2006a).

If 'new' landlords cannot be persuaded to enter the housing benefit market, then existing housing benefit landlords would have to expand their portfolios to meet additional need. Table 3.9 indicates that the bottom end of the PRS has consistently higher gross rental yields than other parts of the PRS, and so expansion within or entry into the housing benefit market could be attractive to potential investors. However, the relatively high gross rates of return generally reflect the low value of rented property in that part of the sector. Landlords targeting the housing benefit market would have to secure low-value properties in order to make a reasonable rate of return since the rental income alone is relatively uncompetitive. In 2005/06, weekly mean rent figures for properties where the tenant received housing benefit was £104; for non-housing benefit households, the figure was £140 (Table 3.10). It has been intimated that landlords at the bottom of the sector maximise their yields by minimising expenditure on repairs and maintenance. If this is the only feasible strategy for ensuring the economic viability of the bottom of the PRS, then questions must be asked about the desirability of this option for a larger number of low-income households.

Detailed discussion on the economics of supply and demand in the housing benefit market is stymied to a large degree by the introduction of the LHA, which has altered the way in which benefit payment are calculated. Under the old housing benefit scheme, The Rent Service would calculate average rentals for a range of property types in a given locality, after excluding exceptionally high and exceptionally low rents. Local authorities might contain several localities. Under the LHA, the number of localities has been reduced substantially, which means that the allowance rates are based on market data from a much larger geographic area. One principle of the LHA is that the allowance rates are publicly available, so that a household needing help with paying the rent can make a more informed decision about which property to take. However, comparative analysis of the new rates and market rents is not currently available and completion of such study is outside the scope of this Review.

At present, it remains the case that local authorities and other agencies generally have to offer substantial inducements to landlords to offset the perceived risk of letting to homeless households and/or households in receipt of housing benefit. Under current arrangements, procuring PRS property for temporary housing comes at high cost, and even the least formal types of access scheme can be resource intensive. Landlords entering into leasing arrangements are often offered guaranteed rental income for three or five years regardless of any void period, and are charged no agency fees. A typical deposit guarantee scheme will offer – in addition to assistance with the deposit – ongoing tenancy support for at least the first six months of the tenancy, and sometimes longer. In some instances one-off cash ‘reward’ or ‘finder’s fee’ payments are made to landlords taking housing benefit claimants. It could be argued that there is a degree of incentive ‘inflation’, particularly in more pressurised housing markets, as landlords are offered competing inducements by range of agencies seek to procure tenancies. In recognition of these costs, CLG homelessness guidance encourages local authorities to aim for ‘direct’ lettings with landlords without any intermediary input. It is uncertain whether landlords would be willing to accept the perceived high risk of letting to housing benefit recipients without an intermediary agency absorbing some of this risk, or without some level of financial incentive.

The PRS and vulnerable households

Questions about the ability of the PRS to accommodate low-income households are generally accompanied by discussion of whether the sector *should* serve that purpose. Of particular concern is the welfare of households who might be deemed vulnerable. The term ‘vulnerable’ has a number of definitions and connotations in policy terms. Here it might be suitable to use the term to define those individuals and households that would be unable to sustain a tenancy without some degree of personal support. A number of agencies work closely with the PRS to secure accommodation for their clients, including for example, mental health charities, homelessness agencies, and local authority social service departments. The clients may have problems including difficulties with addiction, poor mental health, or a history of institutional care. Some clients may display anti-social behaviours which have led to them losing social housing tenancies, or may be vulnerable as a consequence of youth or old age.

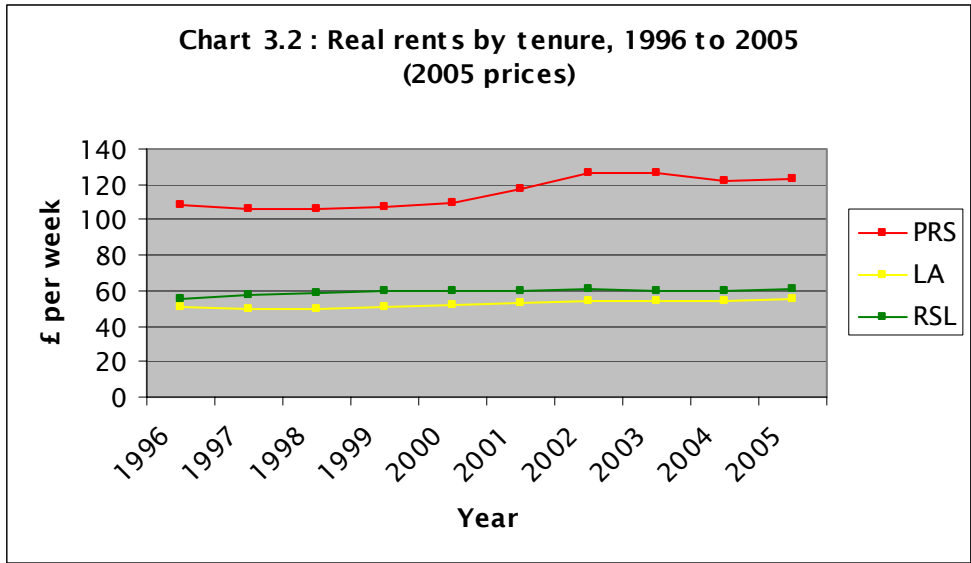
It has been argued that some of these groups are more vulnerable to abuse in the PRS. For example, research has been completed on older renters indicating that this group is subject to harassment although there is no quantification of the problem (Carlton *et al.*, 2004). Recent research for Shelter indicated that some landlords target people with addiction difficulties, offering poor-quality shared property (Rugg, 2008).

Agencies dealing with vulnerable groups often highlight the positive relationships they can form with private landlords, where arrangements are made to provide supported accommodation. Indeed, these arrangements can be viewed as being quite a distinctive part of the housing benefit market and often encompass landlords who themselves may have a history of offering care or support in residential settings. Examples include a landlord managing a large shared house for semi-independent people with learning difficulties, long-term-stay shared houses for young people leaving care, and rooms in HMOs where the landlord befriends residents in resettlement following treatment for addiction. Funding for this kind of arrangement has been available through the Supporting People programme, which subsidised the support and management element in the rent charged. At the time of writing, changes were about to take place to 'un-ringfence' the Supporting People budget, although it was uncertain what impact this move might have on arrangements in the PRS. Indeed, very little is known at all about the possible difference in cost of delivering support to tenants in the PRS compared with similar support being delivered to social housing tenants. Research in this area could usefully ask whether long-term, reliable funding frameworks might constitute a good incentive to draw more private landlords into the provision of supported accommodation.

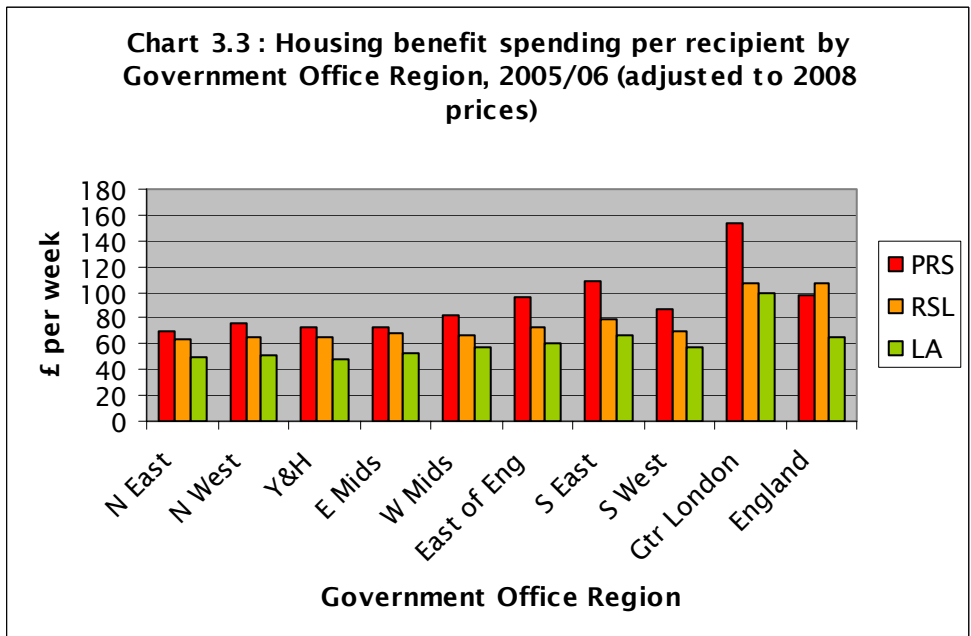
It is possible to cast a wider definition of vulnerability, and indeed regulations on decent homes standards define 'vulnerable' households as any household in receipt of one of the major welfare benefits. It could be argued that, leaving the personal characteristics of a particular tenant aside, being in receipt of housing benefit places a tenant in a vulnerable position in the PRS. Landlords in the housing benefit market are generally aware of points at which difficulties arise: they will, for example, help the tenant with the housing benefit application to minimise initial delays through the submission of incomplete forms. Landlords in the wider market may find themselves inadvertently letting to someone on housing benefit – perhaps the tenant began the tenancy in work and then became unemployed – but be less tolerant of delays in payment and problems with administration. In these circumstances, being in need of housing benefit places a tenant in a vulnerable position, particularly in the period where benefit dependency may stop and start as the tenant moves back into work.

Paying a market rent

A further argument against placing more low-income households in the PRS is that the rents charged in the sector are high relative to social rents, as shown in Chart 3.2.



The PRS rents shown in the chart are averages across the whole sector. A more telling comparison is between social tenants on housing benefit and PRS tenants also in receipt of benefit. The SEH shows that 55 per cent of PRS tenants in receipt of housing benefit were paying a rent of £100 a week or more whilst just six per cent of social housing tenants were in that payment band.¹⁸ CLG figures on regional housing benefit spending per recipient per week indicate that rents in London are likely to distort national figures. However, the cost of support was well above £10 a week more for PRS tenants compared with RSL tenants in five of the eight regions outside the capital (Chart 3.3 and Table 3.13).



¹⁸<http://www.communities.gov.uk/housing/housingresearch/housingsurveys/surveyofenglishhousing/sehlivetables/socialrenters/>, tableS422.

PRS tenants whose income means that they are entitled to full housing benefit may find that there is a shortfall between the benefit paid by the local authority and the rent charged by the landlord. Under the old housing benefit regulations, the housing benefit payment did not meet the rent liability perhaps because the rent was considered exceptionally high, the tenant was living in a property too large for their needs or was under the age of 25 and had their housing benefit restricted to the single room level. A survey of PRS housing benefit recipients in 1999 found that 90 per cent had a shortfall, with 20 per cent of these claimants needing to find £20 or more a week to make up the difference. Furthermore, these tenants tended not to be successful in persuading their landlord to accept a lower rent, once a tenancy has started (London Research Centre, 1999).

More recent data from the SEH for 2005/06 indicates that the average amount of housing benefit received on a private sector tenancy was £85, but the average rent (net of services) was £104, leaving a shortfall of £19 to be found from tenants' other income (Table 2.14). The LHA introduces a new arrangement, whereby tenants are paid a set allowance irrespective of the rent to cover the cost of renting a property appropriate to their household size. These measures have only recently been introduced, and information is not yet available on the incidence and severity of shortfalls.

For households in the PRS there are more acute work disincentives when there is some or entire reliance on housing benefit to pay the rent. There is a generally poor understanding that housing benefit is available as an in-work benefit, which means that unemployed households may fail to take up work because it would be insufficient to pay all the rent. Furthermore, because of the way the taper operates, households need to be completely independent of any help with housing costs before they begin to realise a reasonable increase in their disposable income. Essentially, where households are paying a higher rent then work needs to be more remunerative to shift them off benefit dependency (Wilcox, 2008b). The pressure to use the PRS will be more acute in areas where housing affordability is an issue and PRS rents will be higher, so leaving higher proportions of low-income families facing a more acute work disincentive.

An equivalent housing offer?

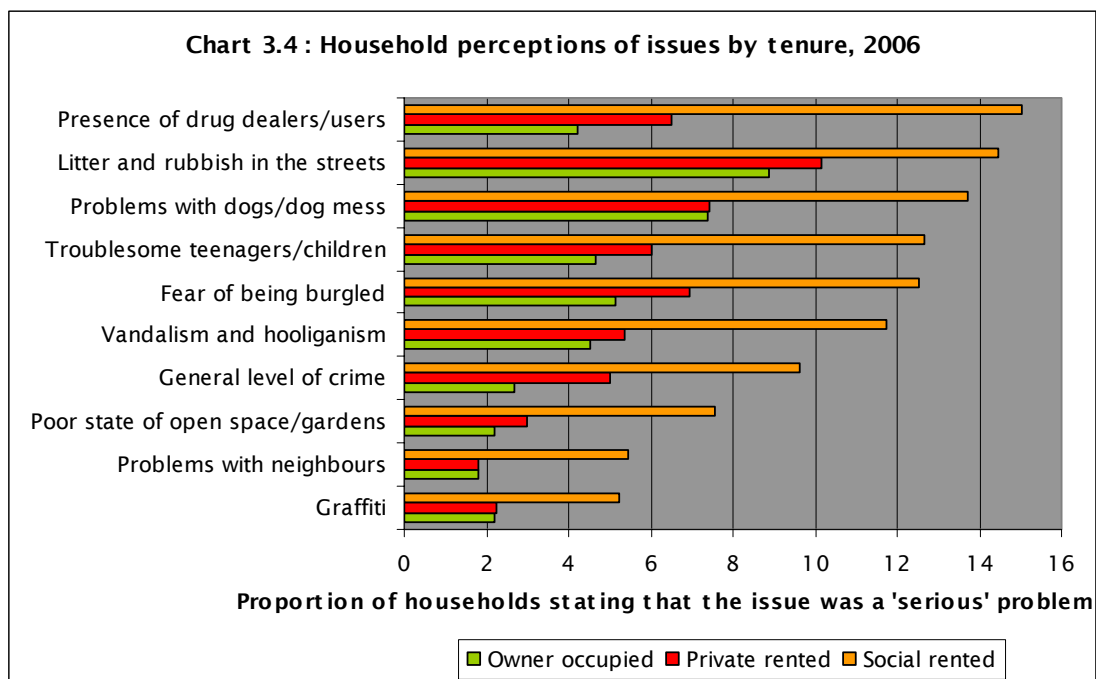
'Housing options' comprises guidance from the CLG to encourage local authorities to review their assistance to households in housing need. 'Housing options' interviews present households with a range of accommodation possibilities including private rented property. The initiative is supported by rhetoric indicating the value of choice, but according to some commentators this process also enables local authorities to sideline households seeking a permanent social sector tenancy (Pawson, 2007). The desire to demonstrate equality between the offer of a social

tenancy and a PRS property is underlined by changes to the Choice Based Lettings system, which is being widened in some areas to include private sector tenancies. Furthermore where a tenant accepts a PRS tenancy the local authority is deemed to have met its statutory duty to provide accommodation. Implicit in these policy initiatives is the understanding that tenants should view the offer of PRS accommodation as an equivalent housing offer to a social housing tenancy.

Previous chapters in this Review have indicated that tenants may not share this understanding. Problems with housing management, property quality, security of tenure and affordability all play a part in persuading tenants that the private sector provides, at best, an insecure home. These issues have already been considered in various chapters, above. In addition, some commentators argue that the PRS also fails to provide an overarching system of redress, as would be available to social tenants under the Tenant Services Authority.

However, many tenants do consider that the PRS can offer other benefits. A comparison of respondents on housing benefit in the PRS and in social housing showed similar levels of satisfaction. For example, according to the SEH, 80 per cent of social housing tenants in receipt of housing benefit and 78 per cent of PRS housing benefit tenants said that they were satisfied with their accommodation.¹⁹ Some social tenants have actually moved from the social sector to private renting: 30 per cent of PRS tenants who had moved within the last three years from a social housing tenancy had done so 'to move to a better neighbourhood or more pleasant area' (Table 2.8). Household perceptions of a range of neighbourhood issues indicate that social housing tenants tend to be more dissatisfied with their area on a range of measures. Chart 3.4 shows the proportion of households in the 2006 EHCS saying that a particular issue was 'a serious problem' rather than 'a problem' or 'not a problem'.

¹⁹ Analysis for Review of three-year aggregated SEH data, 2004/05 to 2006/07.



It is possible that tenants might benefit from being 'dispersed' in the PRS rather than being subject to the kind of area-based deprivation that has become associated with social housing estates. However, it would be interesting to note how much of the current PRS comprises ex-social housing stock. One piece of research on social housing in Birmingham concluded that on all the estates in the study a substantial minority percentage of the stock became privately rented between 1981 and 2001 (Murie, 2008). Ex-council property, because of its lower average price, comprises a reasonable investment for landlords meeting demand at the bottom of the rented sector. Across England, average weekly spending on housing benefit per recipient in the local authority sector was £65.38, but for PRS tenants was £98.51. It could be argued that little would be gained by policies that might have the outcome of housing more low-income families in ex-council properties at higher rents and with reduced security of tenure.

Conclusion

Local authorities are being encouraged to use the PRS as a homelessness prevention measure and as a means of discharging their homelessness duty. The belief that the PRS can simply expand to meet this demand indicates a poor understanding of the sector. Parts of the PRS are already under pressure, and there is evidence of substantial unmet demand for lower-value property managed by landlords who are prepared to take tenants in receipt of housing benefit. Wider market landlords are unlikely to enter the housing benefit sector without some kind of incentive, a fact which has led to the proliferation of expensive initiatives offered by agencies that – on occasion – compete for property. An increased use of the PRS for households who might otherwise be offered a social housing tenancy carries the

threat of displacing more marginal households. This group is not represented in homelessness statistics.

No systems are in place to capture data on the long-term efficacy of using the PRS to meet the needs of homeless households, particularly with regard to high levels of tenancy turnover and 'repeat' homelessness. It remains the case that low-income households can be vulnerable in the PRS because housing benefit administration can be poor, because necessary tenancy support is harder to arrange where the tenancy is in the PRS, because private landlords manage businesses not charities and so cannot be expected to offer lower rents, and because landlords do not often have the skills or willingness to deal with tenants who may have complex needs.

In addition, there are questions about the assumption that tenants will regard a private rented tenancy as an equivalent offer to a social housing tenancy. This situation may change as policies are under discussion that would reduce the permanency of the social housing tenancy, so making the PRS more attractive through the mechanism of creating a less attractive social housing offer.

3.7 Managing 'problem' private renting

The existence of areas of 'problem' private renting was recognised in the 2000 Housing Green Paper *Quality and Choice: A Decent Home for All*. The Paper described low-demand locations where 'an unholy alliance of bad tenants and bad landlords' created areas where anti-social behaviour was 'mak[ing] life very difficult for respectable tenants' (DETR, 2000). Since that time, problem private renting has become more commonly associated with the concentration of HMOs serving particular client groups. The use of HMOs by students and more recently migrant workers has come under scrutiny, and a great deal of intensive lobbying has taken place in favour of higher levels of area-based PRS regulation.

Earlier chapters in the Review discussed initiatives that aim to regulate both individual landlords' behaviour and rented property condition. This chapter considers the tools that are in place to enable local authorities to tackle the incidence of difficulties that may occur when there is a concentration of particular types of privately rented property. It has been argued that, despite the introduction of new powers under the Housing Act 2004, local authorities lack the required tools to deal effectively with neighbourhoods or streets where high tenancy turnover, poor property management, and anti-social tenants have a detrimental impact on the local community. Recent lobbying has looked towards change in the Use Classes Orders to enable planning authorities to restrict the number of HMOs in a given location. Other commentators believe that regulations are adequate, but implementation is hampered by a lack of skill and resources within local authorities.

These issues are discussed through 'case studies': student housing and the Use Classes Order; 'slum' landlordism and selective licensing; and migrant worker overcrowding. In concluding the chapter, some consideration is given to the objectives driving more proactive 'management' of the PRS by local authorities. There is general agreement that local authorities should take a more strategic approach in its interventions in the sector, but there is little clarity on what should be the aims of this strategy.

'Problem' private renting

This chapter considers three examples of what might be considered 'problem' private renting: intensive student settlement close to higher education institutions; 'slum' renting; and high densities in shared housing by in-migrants.

Student housing

A substantial amount of lobbying has recently taken place around the issue of student housing. It has long been the case that housing in the vicinity of HEIs has

been absorbed by the PRS in shared lettings to students. Policy objectives to increase student numbers has – as has been seen in chapter 2.3 – intensified the concentration of students in some neighbourhoods. Some commentators believe that student renting alters the characteristics of particular areas: poor management of the shared property means that external areas become unkempt, with litter and discarded larger items; burglary rates increase since student houses are likely to contain valuable portable electrical items such as laptop computers; pressure on space for car parking increases; the population mix affects local amenities, which become more closely aligned to the needs of the student population; demand for housing from landlords for student lettings ‘prices out’ owner occupiers; and in student areas, neighbourhoods are empty in the summer and over-busy during term periods. In some places, the student rental market comprises one of a number of markets, as is the case in Manchester, Liverpool and Leeds for example. However, in other places – including Canterbury, St Andrews and Loughborough – student numbers comprise a substantial addition to the long-term resident population.

Before considering the validity of some of the claims made against student housing, it is worth considering the incidence of this kind of ‘problem’ private renting. There are around 8,000 English wards, and the 2001 census data indicated that 59 wards had student densities where a student HRP comprised ten per cent or more of all HRPs in all tenures: it could be judged, therefore, that student concentration is an issue in 0.7 per cent of wards in England. If a lower percentage is applied of, say, five per cent or more of all HRPs in all tenures being students, then 165 wards fitted that category, which is 2.1 per cent of all English wards.²⁰ There were some wards in which the proportion of all HRPs that were students was particularly high, including Headingley (Leeds) and University (Leeds) at 38 per cent and 22 per cent, Dunkirk & Lenton (Nottingham) at 28 per cent, Carfax (Oxford) and St Mary’s (Oxford) at 27 per cent and 23 per cent respectively. Full-time student numbers increased between 2000/01 and 2005/06, by 209,580 (Table 2.13), but there has also been an increase since that time in bedspaces in private sector halls of residence, which will have reduced student reliance on more traditional terraced HMOs. This kind of problem can evidently be felt very acutely at street by street or neighbourhood level, but is clearly not a widespread issue.

Nevertheless, lobbyists consider that the most effective measure for dealing with intensive concentrations of shared student housing is to change planning regulations with regard to the Use Classes Order. This change would mean that HMOs would be assigned a distinctive use class, so the planning authority could impose tighter controls on HMO numbers. A recent review of options around the possible change to the Use Class Order concluded that the measure might place

²⁰ Analysis for Review of 2001 census table ST13.

additional burdens on the vast majority of local authorities that had no particular issues with regard to HMOs: they would be required to log where properties had become HMOs irrespective of whether they deemed the change to be problematic (Ecotec, 2008).

Furthermore, it could be argued that this is an extreme response given the limited nature of the problem. Change to the Use Classes Order introduces the need for additional activity that local authorities are ill-equipped to handle. It is perhaps appropriate to consider more carefully why shared student properties are deemed to be so problematic. The three most commonly voiced issues are the anti-social behaviour of students; inflationary pressures on the local housing market as landlords compete for properties to serve the student market; and wider community impacts.

With regard to anti-social behaviour, shared student houses are considered to be poorly controlled in terms of noise pollution and litter at front entrances and in gardens or yards. A great deal of rhetoric attached to student housing is extreme: indeed, one commentator has noted that it contains racist and xenophobic undertones (Hubbard, 2008). However, it is clear that the anti-social behaviour of some students can cause substantial distress to their neighbours, and there is a sense in some communities that powers are simply unavailable to deal with the problem. It is worth considering whether this problem is indeed a housing problem. It is interesting to note that student behaviour is somehow linked to habitation, when in actuality it is as reasonable to frame the problems as a policing issue. There is a political will to control anti-social behaviour that may be linked to deprivation and social exclusion. However, there is a general understanding that student behaviour – however threatening, damaging or disruptive – should stand outside the law.

In addition, it could be argued that many of the 'environmental' anti-social behaviour problems appear to stem from local authority's failure to manage the outcomes of intensive property habitation. Shared properties generate more rubbish and student houses have markedly more items to dispose of, particularly at the beginning and end of term times, as a large number students move into or out of property all within a matter of days. Noise nuisance is again an environmental health issue and should be dealt with through the normal frameworks of controlling environmental nuisance. There is no reason why student housing should be regarded as standing outside these regulatory frameworks, although some universities are contributing to the policing task: for example, Canterbury Christ Church University joint-funds a police community support officer post for the area around its campus (Canterbury City Council, 2006). Other universities have introduced 'quiet house' initiatives and the NUS perhaps has a role to play in promoting 'good neighbourliness' amongst its members.

There is evidence that house prices may be very slightly inflated in university towns. A 2005 report by Halifax Estates found that the twenty cities where the university was ranked amongst the top 20 performing universities had higher than average house price increases over the years 2000 to 2005, at 88 per cent compared with the UK average of 83 per cent (Halifax, 2005). However, it should be remembered that HEIs also bring with them demand for owner occupied property from employees. In areas where student populations are high, there is a strong likelihood that the HEI concerned is amongst the leading employers in a given locality. In March 2008, the government announced plans to establish 'A New University Challenge': twenty new higher education centres will be established, on the understanding that these kinds of institution are valuable to job creation, regeneration and the enrichment of cultural life.

Finally, there are arguments that intensive student settlement brings change to the nature of the local community. Perhaps the most problematic issue here is the *pace* of change. In some locations, student populations have increased rapidly, which has driven a rush to broaden the PRS in locations close to the HEI concerned over a relatively short period. Research on the student housing market published in 2000 found that between 1989 and 1999, the number of students living in the PRS doubled (Rugg *et al.*, 2000). The level to which this change is deemed problematic depends on the attitude of the 'host' community to in-migration. In many locations, this change has taken place and has not been regarded as problematic.

The last few years have seen the development of more localised responses to the intensive student settlement, including the definition of Areas of Student Housing Restraint. This policy establishes a boundary within which any development likely to increase student numbers would be refused planning permission. In Loughborough a similar measure applies across the whole of the borough, with planning permissions being more stringent in areas where student numbers have already matched a certain threshold (Hubbard, 2008). These are highly artificial interventions in the operation of the local housing market and underline prejudice against student households, which this kind of policy deems innately problematic. A similar policy attached to any other group in society would be likely to be judged unethical and discriminatory. Alternative localised approaches to offset community tension that might arise from high concentrations of student settlement have been listed, and it is clear that networks are being formulated to share best practice (Ecotec, 2008).

'Slum' landlordism

Low-quality, poorly managed private rented property can often become concentrated in areas of high deprivation. This kind of renting might characterise a single street or the majority of properties in a given neighbourhood. Lack of

effective competition for tenants means that there may be little incentive for landlords to improve property quality, and housing benefit payments essentially set a cap on the rent that can be charged. Poor quality property and management lead to high tenancy turnover, and areas can become destabilised and residualised. It is not possible to quantify the incidence of this particular kind of problem. It has been argued that the LHA will contribute to the clustering of low-rental areas as a consequence of the widening of the BRMAs within which allowance rates are set. Policy on this issue is currently subject to judicial review. At present, assessment cannot be made about long-term trends that may be a consequence of this change: replacement of the smaller localities with BRMAs was not a feature of the LHA that was piloted in the Pathfinder authorities.

The introduction of selective licensing signalled an intention to deal with areas where highly transient, low-quality rental had begun to create problems with anti-social behaviour and elevated crime rates. Under the selective licensing regulations, local authorities can require the mandatory licensing of all privately rented properties in a defined area, irrespective of the property type. Local authorities wishing to apply for a selective licence must make a submission to the Secretary of State. Guidance around the application intimates that local authorities must consider a range of other options before applying for a selective licence, and problems in the defined area must reflect issues relating to anti-social behaviour or low demand. It has been argued that this last requirement is particularly restrictive, and has essentially debarred the majority of local authorities in the south of England from using the regulation.

It is too early to gauge how far selective licensing may have been effective in dealing with concentrations of poor quality rental: the number of applications has been small, and longer-term outcomes are as yet uncertain. However, many local authority stakeholders considered that selective licensing carried substantial potential as a tool for dealing with low-quality, highly transient pockets of private renting, but that potential was being stifled by the restrictive eligibility criteria and the bureaucracy that was attached to the application. The ongoing evaluation of the licensing elements of the Housing Act 2004 should be able to provide a clearer narrative of the application for and issuing of selective licenses, and certainly could provide an opportunity to devise and promote best practice in this area.

Migrant worker overcrowding

A third area of problem renting requiring some level of active management by local authorities is the increased incidence of high levels of overcrowding amongst migrant workers. High occupancy rates in properties increase fire risks and introduce health risks associated with inadequate kitchen and sanitary facilities. There is anecdotal evidence of bed sharing amongst shift workers. Twelve per cent

of PRS households whose previous address was abroad were overcrowded according to the bedroom standard, compared with five per cent overall in the PRS.²¹ Overcrowding can also lead to the use of structures not suitable for long-term habitation, such as garages and sheds. Established communities do not always respond well to previously owner-occupied properties transferring to multi-occupancy, particularly when the change happens over a very short period of time (Audit Commission, 2007).

The difficulties in this area are compounded by the fact that:

- accommodation is often linked to employment, which means that an individual's complaint about their property might also lead to a loss of work;
- migrant workers may themselves choose to over-occupy a property to minimise their rental payment;
- overcrowding may take place without the knowledge of the landlord; and
- lack of familiarity with the regulations and language barriers disempower tenants who otherwise might seek better conditions.

Many local authorities are finding their own pathways through dealing with the issues surrounding migrant worker overcrowding, which can include a combination of policing and enforcement activity, and securing translation services (Audit Commission, 2007). There are difficulties where local industries are heavily reliant on migrant labour to complete tasks, especially when those tasks may be seasonal and an inability of workers to access accommodation locally might carry local economic impacts. As yet, there appears to be general uncertainty with regard to policy development in this issue, and best practice guidance appears to be lacking.

Obstacles to effective management

Stakeholder meetings completed as part of the Review indicated that although it was felt that there were sufficient powers available to local authorities to deal with the incidents of problem private renting, there were obstacles to effective implementation. Some of the principal obstacles rested with restrictions in the way that the existing regulations could be applied. The issue of selective licensing has already been mentioned, but there was also frustration with the definition of HMO as set out in the Housing Act 2004. Where local authorities did not have HMOs that met the Housing Act 2004 definition, but had other problematic shared properties, it was not always straightforward to apply for additional licensing to bring those properties into the licensing framework. The original objective of the Housing Act 2004 was to ensure that the highest risk properties were dealt with as a priority.

²¹ Analysis for Review of three-year aggregated SEH data, 2004/05 to 2006/07.

However, local authorities would perhaps argue that they are best placed to decide at a local level which kinds of property carry the highest risk, and greater flexibility in the regulations would have been welcome.

A second substantial obstacle is the failure to resource the co-ordination of PRS-related activity. The Review has indicated that local authorities interact with the PRS at a number of junctures: through the work of EHOs, TROs, housing benefit offices, homelessness teams, and social service teams procuring supported accommodation. These interventions can deliver ambiguous messages to local landlords: for example, there is a routine complaint that homeless teams often use accommodation in the PRS that would fail inspection by EHOs. Some local authorities do have effective PRS teams, although best practice on their operation appears to be scattered in the literature. The complexity of the PRS indicates that these teams would need long-term, secure funding to build up the knowledge and skills and the necessary internal and external linkages to deliver effective strategic leadership for all the issues that relate to PRS management. It might be possible to spread the cost of funding PRS teams across departments within local authorities to ensure effective 'buy-in'.

The Audit Commission inspection regime has recently found that local authorities do not score well with regard to their responsibilities relating to the sector, compared with its other housing services (Davies, 2007). The failure to appreciate the need to resource this kind of team reflects the invisibility of the PRS in performance targets for local authorities. New National Indicators have been devised which have brought a substantial reduction in the number of targets overall (CLG, 2008c). None of the targets directly relate to private renting, but a number of the overarching Public Service Agreements provide strategic objectives for proactive PRS management (3.7.1). Local authorities should be working to understand the way that the PRS can enhance or undermine performance in meeting PSA objectives, and appropriate guidance should be prepared.

3.7.1 : Selected Public Service Agreements

PSA16

Increase the proportion of socially excluded adults in settled accommodation and employment, education or training.

PSA17

Tackle poverty and promote greater independence and well-being in later life.

PSA21

Build more cohesive, empowered and active communities.

PSA23

Make communities safer.

Source: Communities and Local Government (2008a) National Indicators for Local Authorities and Local Authority Partnerships: Handbook of Definitions.

It should be recognised that a strategic approach is cost effective in the long run, since an understanding of market dynamics can help to recognise parts of the market that have become unbalanced, to help assess the impact of new interventions and contribute towards the framing of more appropriate policy.

Aims for strategic management of the PRS

A strategic approach to PRS management presupposes the existence of an overarching objective. In the 2006, the CLG urged local authorities to go 'beyond episodic interventions and "fire-fighting" that has characterised past programmes' (CLG, 2006a). Stakeholders who were part of the Review process have been consistent in calling for a national policy for the PRS and support for the roles it plays in the housing and labour markets.

In terms of local PRS 'management', there has been little discussion of aims that carry beyond the intention to deal with specified problems, for example, to have 'a more professional PRS'. One exception is the prevalence of objectives that have started to coalesce around the concept of quotas and 'tipping points'. For some local authorities, 'problem renting' comprises areas where the number of households renting from a private landlord mean that the PRS has exceeded a certain proportion of the overall housing market. An associated notion is the concept of a 'tipping point' at or beyond which a community is somehow deemed to be

'unbalanced' if the number of shared properties reaches a pre-set limit in a particular street or neighbourhood (National HMO Lobby, 2008).

This concept needs careful consideration. It is assumed that, above a certain size, either the PRS, or HMOs more specifically, carry the capacity to destabilise communities. However, many settlements have 'reception' areas with a higher than average proportion of renters where newcomers can more readily find a property to rent and where they will stay for a short time before either moving away or moving to other parts of the housing market in the same area. The fact that many individuals share properties in these areas means that the overall impact on housing supply is reduced: if each individual in a HMO required as a minimum a one-bedroomed flat, then pressure on local housing supply would be overwhelming. It could be argued that housing and labour markets need areas of transience. The fact that these areas tend to be spatially concentrated simply reflects housing market dynamics. Attempting to 'spread out' this kind of demand would be a highly artificial endeavour and create substantial problems with regard to regulation and policing.

Looking more closely at the arguments on quotas and tipping points, the issue is not necessarily the housing type or the tenure per se, but the implications they might have with regard to the *transience*. For many lobbyists, transience carries the most detrimental impact on community. Parts of this review have indicated that private renting is not necessarily a short-term tenure, but where it is the reasons often reflect the needs of the labour market for a mobile and educated working population.

If transience in rental markets caused largely by labour market mobility including student rentals – what might be termed 'economic' churn – is discounted as being problematic, it still remains the case that 'social' churn requires some policy attention. High turnover of low-income families in poor quality rental does carry serious implications for those households. Again, the issue at hand is not the tenure itself, but the fact that tenancies fail continually. It is useful therefore to pay some attention to tenancy sustainability as an overarching strategic objective for PRS management. Indeed, PSA 16 looks towards increasing the proportion of socially excluded households in settled accommodation. Measures need to be in place to support tenants seeking a long-term home in the PRS, and this Review has highlighted the need to pay attention to property condition, management quality, housing benefit administration and support for landlords having to deal with anti-social behaviour.

Conclusion

This chapter has reviewed issues around the need for more proactive management of the PRS. There appears to be general agreement that the tools local authorities require to deal with areas of 'problem' private renting are available. However, restrictions in definition have limited local authorities' abilities to use these tools effectively. Stakeholders indicated that they would welcome a more open approach to licensing from Communities and Local Government, which would actively encourage local interpretation of regulations to ensure a 'best fit' between the tools available and the particular nature of localised difficulties.

There is, however, a danger that in allowing these freedoms, then local authorities might seek to use the licensing framework inappropriately and impose excessive burdens on the local PRS. Some consideration should perhaps be given to the possibility that greater freedom should be granted to local authorities that can evidence the operation of well-resourced PRS teams that are able to collect and interpret data and reach agreement on possible solutions through close inter-departmental working and external liaison with appropriate stakeholders. Essentially, where local authorities can demonstrate the ability to manage the PRS, then they should be given the freedom to do so.

4. POLICY DIRECTIONS OF TRAVEL

The PRS is an essential component of the housing market. Renting privately will feature as one episode or more in the vast majority of housing biographies, with people arriving at the tenure at different stages in their life course and in varying circumstances of choice and constraint. The tenure is remarkably flexible in its ability to absorb changes in demand patterns: the mixed economy of supply contributes substantially to the tenure's adaptability.

The sector is valuable in terms of the contribution it makes, but its potential is not being fully realised. However, any proposed policy direction of travel has to be mindful that interventions in the rental market will almost certainly carry some level of unintended consequence. The sector is innately complex and its component sub-markets are configured differently within each locality. As a consequence, new policy interventions should, as far as possible, flow with the grain of market activity rather than against it.

This final chapter of the report proposes six policy directions of travel. The policy directions given here develop the themes and threads that are evident in earlier chapters of the report, and aim to move away from rigid, issue-based policy 'silos'. Each direction of travel comprises a general observation or principle, with recommended policies to support the principle.

4.1 Developing a sound evidence base

The ability to formulate effective strategic policy for the PRS is hampered by the lack of a properly-nuanced evidence base. In too many instances, policy is framed on the basis of incomplete and innately biased evidence from lobby groups representing either landlord or tenant interests. A firm understanding of the PRS and the way it operates can be lacking amongst policy makers at a national level, amongst local authorities implementing policy at the local level, and even within parts of the industry. The transference of knowledge and information about the PRS is poor across and within government departments, and this is reflected in a lack of co-ordination at local level.

- National data sets are an essential tool in understanding how the sector operates, but the information collected on the PRS is incomplete and often ambiguous. More pertinent questions could be asked that offer the opportunity to analyse sub-markets of the PRS: for example, whether a tenant began their tenancy on housing benefit and landlords' awareness of the rental yield from their property. Furthermore, the size of the national datasets presents problems in analysing the PRS data because of the fractured nature of the sector.

- Some local authorities are expert in collecting detailed information on their local rental market: an annual forum on local PRS data management would help authorities learn from each other and find other authorities with similar markets to share experience of different policy initiatives. Authorities could be encouraged to use a short suite of standard questions in their surveys, to facilitate data comparison on a national level. The forum would be a good context for collating guidance on best practice in gathering and analysing PRS data and using that data effectively in local authority housing strategies.
- A more robust rent and yield index is required, which indicates the trends in different markets within the PRS. The index would increase confidence in the long-term viability of private renting as an investment class.
- Financial institutions offering buy-to-let mortgages might be advised to direct prospective landlords towards local rental market reports which could indicate where markets were becoming saturated.
- There should be more acknowledgment of the fact that housing benefit administration distorts tenants' ability to make choices in the PRS. The DWP and CLG should jointly collate and analyse data on the housing benefit market, including paying close attention to locations where the housing benefit sub-market dominates the PRS.
- Similarly, an understanding of the capacity of the local PRS should be evident in any proposals for new HEIs.
- A system should be developed for classifying different rental markets, so that anticipated policy impacts might be more readily assessed, and so that local authorities with similar rental markets can share best practice.
- Specific PRS teams within local authorities could lead on data collection. These teams should be sufficiently resourced to allow them to develop knowledge and skills and the internal departmental and external stakeholder connections to ensure that local policy is devised and applied effectively. Local authorities could arrange for joint funding to come from two or three of its departments – for example, environmental health, homelessness and its enterprise/small business unit – to ensure wider buy-in and better scrutiny of team performance across a range of indicators.

4.2 Promoting housing management

A number of stakeholder interviews indicated that changes in the provision of social housing mean that many local authorities have been de-skilled in terms of housing management; furthermore, there is evidence that institutional investment would be more readily forthcoming if reliable, good quality agencies were available to manage properties. There is scope to encourage the growth of professional intermediary managing agencies, standing between investors and tenants. Properly licensed managing and letting agencies would be a valuable addition to the sector and offer greater levels of consumer protection to landlord and tenant.

- The industry should be encouraged to include continued professional development as part of its accreditation frameworks, and existing web-based courses should be promoted more widely.
- PRS housing management courses could be more readily available to local authority staff as part of their ongoing professional development.
- Managing and letting agencies should be subject to mandatory licensing operated by a wholly independent national body, with hurdle criteria that include property management training and knowledge of regulations on property conditions.
- Voluntary sector agencies including RSLs could be encouraged to develop housing management skills that could be sold to private landlords or property investors.

4.3 'Growing' the business of letting

Government policies need to regard landlords as active business people rather than passive investors. The notion that buying property to let is principally an investment obscures the fact that letting is a business that requires management. Policies should be developed to 'grow' the business of letting. Growth should take place from the bottom up: good landlords, however small, could be encouraged to expand.

- Local authorities could place their 'front-line' landlord liaison activities within their small business advice units, so that landlords would very clearly see themselves being regarded as business people. The Department for Business Enterprise and Regulatory Reform could be drawn in to frame best practice in this area.
- Taxation frameworks should be reviewed to ensure that expenditure on property improvement can be reclaimable as an expense against ongoing rental income.
- Good landlords at all levels within the industry should be encouraged to grow. Small landlords who are able to derive their entire income from their property portfolios are more likely to view their letting activity as their business and could be encouraged into professional development activity.
- A residential REIT needs to be created that more closely matches the characteristics of the residential property market.
- Revision needs to take place to stamp duty charges, so that the four per cent levy is not automatically applied to larger portfolio acquisitions if the properties bought include units chargeable at the lower rate.
- Applicants for buy-to-let mortgages should be required to demonstrate a sound understanding of their local market and provide an appropriate business plan. Mortgage lenders and property developers have been culpable in promoting the idea that purchasing a property to let is an

investment activity that requires little knowledge of the rental market or of tenancy law.

- The mortgage market should be encouraged to create tenancy protection strategies, to ensure ongoing management for repossessed properties purchased with a buy-to-let mortgage.

4.4 Equalising the rental choices

Low-income households should be able to make a real choice between a social or private let. If it is intended to be the case that private renting will be the long-term tenure for more low-income families, then policies must be in place to mitigate some of the risks associated with renting. Tenancies come to an end in the PRS for a reason. Those reasons must be properly understood and policies devised to increase the likelihood of tenancies continuing for as long as tenants want to stay. If the PRS is going to be used by local authorities to house more low-income households, there needs to be a statutory commitment to policies promoting tenancy sustainment.

- Local authority services should actively promote tenancy sustainment policies including more proactive development of activity around rent arrears and anti-social behaviour.
- There should be greater awareness of 'incentive inflation' as local authority departments and national bodies such as the UK Border Agency compete to procure property in the PRS: authorities should aim towards the creation of a single procurement agency and reduce the incentives on offer to landlords.
- A social letting agencies should be developed in each local authority area, offering a competitive management fee to landlords in return for full property management. These agencies could absorb all the PRS procurement functions but should operate without complex and expensive leasing arrangements. Tenants on housing benefit would comprise an attractive letting proposition to landlords where an intermediary agency mitigates the risk of rent arrears and is on hand to deal with any anti-social behaviour.
- Tenants on housing benefit seeking property for themselves in the PRS should be better supported, through mandatory assistance with deposits and rent in advance.

4.5 Light-touch licensing with effective redress

Inadequate sanctions are available where a landlord is judged to be in serious breach of the regulations. Landlords who choose not to respect the regulations should be excluded from the sector. It should not be possible for landlords to operate without a permit or license and where a serious breach of regulations has taken place, landlords would have their license withdrawn. The licensing scheme should be

accompanied by a more effective system of redress. However, any scheme that is put in place must not stifle commercial activity or place an undue burden on statutory authorities with regard to implementation.

- It should not be possible for landlords to let without a licence. The licensing system should be as simple as possible, with no hurdle criteria. Landlords could be charged a low, annual fee in return for a landlord number which should appear on all their official documentation. The licence application would be administered nationally by an autonomous agency and landlords would need one license only irrespective of the number of properties they own.
- Landlord licence fees could contribute to the development of a housing justice network, which should be effectively linked to the licensing framework. A single property tribunal might be easier for tenants to access, and could be connected to a specialised housing court. The procedures and outcomes from similar models operating in other countries should be scrutinised in detail, so that any good practice lessons could be absorbed.
- Local authority policing policies should concentrate on identifying and removing the worst landlords from the sector: a 'worst first' policy persuades 'good' landlords that local authority activity is being targeted appropriately.

4.6 Tenancy frameworks

There is insufficient evidence that the existing tenancy frameworks are problematic for landlords and tenants in the vast majority of tenancies. Tenants generally leave their properties when they are happy to do so. Problems with insecurity often reflect other issues: inadequate policing of the sector, difficulties with housing benefit, or poor support for vulnerable tenants. The foregoing policy directions of travel will help to deal with these issues.

- There is scope for landlords to be encouraged to offer longer-term lets, if intermediary agencies are in place to mitigate risks with regard to the tenant. Research on why tenancies come to an end would help to frame more effective policies to promote tenancy longevity.
- 'Retaliatory eviction' is more readily dealt with by ensuring that landlords who would take this action are removed from the sector.
- Both landlords and tenants should be encouraged to view letting and renting as a less risky activity. The vast majority of tenancies begin and end in good faith and with no issues arising for either party.

5. CONCLUSION

The PRS is a small but extremely important part of the housing market in England, matching the demands of a diverse group of renters which can vary substantially from area to area. The PRS is characterised by a mixed economy of supply, which underlines the sector's innate flexibility. This flexibility needs to be protected.

Attention has become focussed on the ability of the sector to meet the needs of more households. However, expansion of the sector often means a reduction in property supply in other parts of the market although new-build has been generated in some niche markets. The desire to use the PRS to accommodate more households on lower incomes needs careful consideration: there are questions about the market's willingness or ability to accommodate an expansion in lettings to this group. There are also questions about whether it is appropriate to increase the use of a sector where tenants feel themselves to be vulnerable to poor property condition, bad management and insecurity of tenure. The Review has suggested steps that could be taken by the government to deal with these concerns.

Policy intervention is necessary, but should – as far as possible – flow with the market rather than introduce inflationary incentives or excessive regulation. Tenancies tend to fail not because assured shorthold tenancies come to an end, but because of very specific problems. The distorting impact of housing benefit administration and the issue of tenancy sustainability both need policy attention. The task of policing the PRS should be expanded so that the burden does not rest so heavily on local authorities. The industry has a role to play in promoting accreditation and in ensuring that managing agents offer higher levels of consumer protection to tenants and landlords. Local authorities should focus on the tasks of targeting the worst properties and expelling the worst landlords from the market.

High-level co-ordination of policy between government departments is necessary: a Ministerial statement of intent for the sector would help to frame the broader objectives for local authority activity, and specific mention of the PRS should be made within guidance around the new National Indicators. However, localised differences in types of rental market need to be respected so that authorities can take a lead in devising appropriate responses.

In the past, policy for private renting has too often rested on limited or biased data. The Review has aimed to improve understanding of the sector, to clarify issues and to present options. It is hoped that the report will instigate a fruitful period of debate and policy development for a sector in which the business of letting can thrive, and where all prospective tenants will be able to find property that meets their requirements.

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APPENDIX ONE: STAKEHOLDERS

The following agencies were involved in either stakeholder group meetings or one-to-one discussions which took place in the four months from January to April 2008. Over 40 meetings took place, involving more than 200 individuals. To protect confidentiality, these individuals are not named. Meetings or telephone interviews were also conducted with policy personnel within Communities and Local Government, the Department for Work and Pensions, HM Treasury, the UK Border Agency, The Rent Service, Registered Social Landlords, Members of both Houses of Parliament and Scottish Government representatives. Selected representatives from the Government Office Regions, local authorities and universities also attended stakeholder meetings. A two-day study visit to Dublin took place, arranged by Grainger plc, to review recent PRS policy developments in the Republic of Ireland. A meeting was also conducted with leading academics to review interim outcomes from the secondary data analysis.

The following agencies attended stakeholder meetings:

| | |
|---|--|
| Accreditation Network UK | Chartered Institute of Environmental Health Officers |
| Age Concern | |
| Allsop | Chartered Institute of Housing |
| Association of Residential Estate Agents | Conference of University Business Officers |
| Association of Residential Letting Agents | Council of Mortgage Lenders |
| Association for Student Residential Accommodation | Crisis |
| Association of Tenancy Relations Officers | Dispute Services Ltd |
| Audit Commission | Empty Homes Agency |
| British Property Federation | Foyer Federation |
| Building Research Establishment | Girlings |
| CB Richard Ellis | Grainger plc |
| Centre for Cities | Grosvenor |
| Centrepont | HMO Lobby |

Homeless Link

Housing Corporation

HRC Relocation Company Ltd

Local Authorities Coordinators of
Regulatory Services

Law Commission

Leeds Landlord Association

London Housing Foundation

National Approved Letting Scheme

National Association of Citizens Advice
Bureaux

National Federation of Residential
Landlords

National Landlords Association

National Union of Students

Paragon

Joseph Rowntree Foundation

Residential Property Tribunal Service

Rethink

Royal Institute of Chartered Surveyors

Royal Town Planning Institute

Shelter

Tenancy Deposit Scheme

The Tax Cafe

Unipol Student Homes

Unite plc

Universities UK

APPENDIX TWO: TABLES

| Year ¹ | Private rented | | Owner occupied | | Social rented | | All | |
|---|----------------|------|----------------|------|---------------|------|--------|-----|
| | N. | % | N. | % | N. | % | N. | % |
| 1988 | 1,848 | 9.6 | 12,661 | 65.7 | 4,775 | 24.8 | 19,284 | 100 |
| 1989 | 1,849 | 9.5 | 12,987 | 66.7 | 4,632 | 23.8 | 19,468 | 100 |
| 1990 | 1,906 | 9.7 | 13,194 | 67.2 | 4,534 | 23.1 | 19,634 | 100 |
| 1991 | 1,927 | 9.8 | 13,237 | 67.3 | 4,507 | 22.9 | 19,671 | 100 |
| 1992 | 2,012 | 10.1 | 13,333 | 67.2 | 4,490 | 22.6 | 19,836 | 100 |
| 1993 | 2,079 | 10.4 | 13,434 | 67.2 | 4,474 | 22.4 | 19,987 | 100 |
| 1994 | 2,141 | 10.6 | 13,553 | 67.3 | 4,445 | 22.1 | 20,139 | 100 |
| 1995 | 2,184 | 10.8 | 13,700 | 67.5 | 4,422 | 21.8 | 20,305 | 100 |
| 1996 | 2,191 | 10.7 | 13,865 | 67.7 | 4,412 | 21.6 | 20,468 | 100 |
| 1997 | 2,196 | 10.6 | 14,041 | 68.1 | 4,386 | 21.3 | 20,622 | 100 |
| 1998 | 2,192 | 10.5 | 14,237 | 68.5 | 4,349 | 20.9 | 20,778 | 100 |
| 1999 | 2,171 | 10.4 | 14,433 | 69.0 | 4,324 | 20.7 | 20,927 | 100 |
| 2000 | 2,155 | 10.2 | 14,635 | 69.4 | 4,285 | 20.3 | 21,075 | 100 |
| 2001 | 2,152 | 10.1 | 14,818 | 69.9 | 4,236 | 20.0 | 21,207 | 100 |
| 2002 | 2,208 | 10.3 | 14,956 | 70.1 | 4,173 | 19.6 | 21,337 | 100 |
| 2003 | 2,293 | 10.7 | 15,110 | 70.3 | 4,078 | 19.0 | 21,481 | 100 |
| 2004 | 2,375 | 11.0 | 15,261 | 70.5 | 4,000 | 18.5 | 21,636 | 100 |
| 2005 | 2,497 | 11.5 | 15,325 | 70.3 | 3,983 | 18.3 | 21,804 | 100 |
| 2006 | 2,611 | 11.9 | 15,442 | 70.2 | 3,936 | 17.9 | 21,989 | 100 |
| Base: Dwellings in England. | | | | | | | | |
| Notes: ¹ As at 31 December. Number of dwellings in 1,000s. Figures for 2006 are provisional. | | | | | | | | |
| Source: CLG live table 104. | | | | | | | | |

| Landlord type | Proportion (%) |
|---|-----------------------|
| Individuals | 48 |
| Couples | 25 |
| Private companies | 13 |
| Public companies | 2 |
| Partnerships | 4 |
| Family Trusts | 3 |
| Charities | 2 |
| Church or Crown Commissioners | 1 |
| Government Departments/Agencies | 1 |
| Educational Establishments | 1 |
| Other | 2 |
| Total | 100 |
| N. | 903 |
| Base: The landlords of private rented dwellings in England. | |
| Source: New data analysis of CLG, 2008b. | |

| Year | Buy-to-let mortgages | | | | | | | | | Home owner mortgages | | | All mortgages | |
|---|-----------------------------|-----------------------|-----------|--------------------|-----------------------|-----------|-------------------------|---------------------------|----|-----------------------------|--------------------|---------------------------|----------------------|--------------------|
| | Purchase | | | Remortgage | | | Total buy-to-let | | | £m | N. (1,000s) | % of all mortgages | £m | N. (1,000s) |
| £m | N. (1,000s) | % of BtL total | £m | N. (1,000s) | % of BtL total | £m | N. (1,000s) | % of all mortgages | | | | | | |
| 2002 | 8,030 | 85 | 65 | 4,130 | 45 | 35 | 12,160 | 130 | 5 | 188,440 | 2,642 | 95 | 200,600 | 2,512 |
| 2003 | 11,600 | 117 | 63 | 7,460 | 69 | 37 | 19,060 | 186 | 7 | 229,140 | 2,580 | 93 | 248,200 | 2,766 |
| 2004 | 14,060 | 144 | 64 | 8,490 | 80 | 36 | 22,550 | 224 | 9 | 236,450 | 2,386 | 91 | 259,000 | 2,610 |
| 2005 | 12,630 | 120 | 54 | 11,670 | 101 | 46 | 24,300 | 221 | 10 | 222,800 | 1,949 | 90 | 247,100 | 2,170 |
| 2006 | 20,220 | 176 | 54 | 17,700 | 150 | 46 | 37,920 | 326 | 14 | 247,880 | 1,937 | 86 | 285,800 | 2,263 |
| 2007 | 23,490 | 186 | 54 | 21,170 | 159 | 46 | 44,660 | 345 | 17 | 239,240 | 1,732 | 83 | 283,900 | 2,077 |
| Base: UK mortgage advances during the year. | | | | | | | | | | | | | | |
| Notes: Figures in the table are based on mortgage advances for home purchase and remortgages only - mortgage advances for other purposes have been excluded. The percentages of the buy-to-let total, and the percentages of all mortgages, are based on the <i>numbers</i> of mortgages. | | | | | | | | | | | | | | |
| Sources: Derived from CML tables ML1 and MM17 (www.cml.org.uk). | | | | | | | | | | | | | | |

| Year | Outstanding buy-to-let mortgages at end of year ¹ | | Stock of dwellings ² | | Buy-to-let mortgages as a % of private rented stock | Private rented stock as a % of total housing stock |
|------|--|------------|---------------------------------|-----------------------------------|---|--|
| | Number | Value (£m) | Private rented (1,000s) | Total stock, all tenures (1,000s) | | |
| 2000 | 120,300 | 9,100 | 2,451 | 25,281 | 4.9 | 9.7 |
| 2001 | 185,000 | 14,700 | 2,471 | 25,477 | 7.5 | 9.7 |
| 2002 | 275,500 | 24,200 | 2,528 | 25,605 | 10.9 | 9.9 |
| 2003 | 417,500 | 39,000 | 2,633 | 25,787 | 15.9 | 10.2 |
| 2004 | 526,300 | 52,200 | 2,713 | 25,976 | 19.4 | 10.4 |
| 2005 | 701,900 | 73,400 | 2,876 | 26,190 | 24.4 | 11.0 |
| 2006 | 849,900 | 94,800 | 2,995 | 26,412 | 28.4 | 11.3 |

Base: UK buy-to-let mortgages and the UK stock of dwellings.
Sources: ¹ CML, ² CLG Live Table 101 (figures for 2006 are provisional).

| Landlord type | 1993/94 ¹ (%) | 1998 ² (%) | 2001 ³ (%) | 2003 ⁴ (%) | 2006 ⁵ (%) |
|-----------------------------------|--------------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Individuals/couples | 61 | 61 | 65 | 67 | 73 |
| Companies (public & private) | 20 | 22 | 13 | 17 | 15 |
| Organisations/Partnerships/ Other | 19 | 19 | 22 | 16 | 12 |
| Total | 100 | 100 | 100 | 100 | 100 |
| N. | 811 | 304 | 588 | 1,280 | 903 |

Base: The landlords of private rented dwellings in England.
Sources: ¹ Crook and Kemp, 1996; ² Crook *et al.*, 2000; ³ ODPM, 2003; ⁴ ODPM, 2006b; ⁵ New data analysis of CLG, 2008b.

Table 2.5 : Trends in portfolio size of private landlords

| Number of properties in portfolio | 1993/94 ¹ | | | 1998 ² | | | 2001 ³ | | | 2003 ⁴ | | | 2006 ⁵ | | |
|-----------------------------------|----------------------|-----------|---------|-------------------|-----------|---------|-------------------|-----------|---------|-------------------|-----------|---------|-------------------|-----------|---------|
| | Ind/Cpl(%) | Co/Org(%) | All (%) | Ind/Cpl(%) | Co/Org(%) | All (%) | Ind/Cpl(%) | Co/Org(%) | All (%) | Ind/Cpl(%) | Co/Org(%) | All (%) | Ind/Cpl(%) | Co/Org(%) | All (%) |
| 1 | 43 | 3 | 26 | 41 | 6 | 27 | 40 | 7 | 30 | 45 | 10 | 33 | 44 | 9 | 35 |
| 2-4 | 23 | 8 | 17 | 22 | 7 | 16 | 28 | 11 | 23 | 28 | 9 | 22 | 27 | 12 | 23 |
| 5-9 | 15 | 8 | 12 | 15 | 8 | 13 | 15 | 8 | 13 | 11 | 12 | 11 | 13 | 16 | 14 |
| 10-24 | 12 | 18 | 14 | 13 | 18 | 15 | 10 | 14 | 11 | 11 | 16 | 13 | 8 | 20 | 11 |
| 25-49 | 5 | 11 | 7 | 3 | 8 | 5 | 5 | 7 | 5 | 2 | 12 | 6 | 3 | 11 | 5 |
| 50-99 | 2 | 9 | 5 | 3 | 8 | 5 | 2 | 11 | 5 | 2 | 7 | 4 | 3 | 11 | 5 |
| 100-249 | 2 | 13 | 6 | 3 | 13 | 7 | 1 | 21 | 7 | 1 | 11 | 4 | 1 | 9 | 3 |
| 250+ | 0 | 30 | 12 | 1 | 31 | 12 | 0 | 21 | 6 | 0 | 23 | 8 | 0 | 12 | 3 |
| Total | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 |
| N. | 308 | 214 | 527 | 150 | 95 | 245 | 199 | 88 | 287 | 677 | 327 | 1,004 | 563 | 194 | 757 |

Base: The landlords of private rented dwellings in England.

Sources: ¹ Crook and Kemp, 1996; ² Crook *et al.*, 2000; ³ ODPM, 2003; ⁴ ODPM, 2006b; ⁵ New data analysis of CLG, 2008b.

Table 2.6 : How the dwelling is currently viewed by landlords

| Current view | 1993/94 ¹ (%) | 2001 ² (%) | 2003 ³ (%) | 2006 ⁴ (%) |
|--|--------------------------|-----------------------|-----------------------|-----------------------|
| As an investment [§] | 48 | 69 | 60 | 70 |
| As a future home for self/family/relative [~] | 7 | 10 | 10 | 12 |
| A property I'd like to sell but can't [†] | 3 | 2 | 3 | 2 |
| To house an employee | 15 | 9 | 12 | 5 |
| To house people in need [¥] | 5 | - | 4 | 4 |
| Incidental to another activity | 3 | 0 | 5 | 3 |
| Other | 20 | 10 | 6 | 4 |
| Total | 100 | 100 | 100 | 100 |
| N. | 212 | 531 | 801 | 509 |

Base: The landlords of private rented dwellings in England.

Notes to changes in the wording of categories: [§] In 2006: An investment/pension; [~] In 2006: Current home/somewhere I or family will live in future; [†] In 1993/94: As my home which I am unable/unwilling to sell at present; [¥] In 1993/94: To help someone out (this category was not included in 2001).

Sources: ¹ Crook and Kemp, 1996; ² ODPM, 2003; ³ ODPM, 2006b; ⁴ CLG, 2008b.

| N. years | 2001 ¹ | | | 2003 ² | | | 2006 ³ | | |
|--|-------------------|--------|-----|-------------------|--------|-------|-------------------|--------|-----|
| | PI/Cpl | Co/Org | All | PI/Cpl | Co/Org | All | PI/Cpl | Co/Org | All |
| | (%) | (%) | (%) | (%) | (%) | (%) | (%) | (%) | (%) |
| Up to 10 | 53 | 21 | 42 | 62 | 36 | 53 | 60 | 27 | 52 |
| 11-20 | 25 | 16 | 22 | 20 | 19 | 20 | 23 | 18 | 22 |
| 21-29 | 9 | 9 | 9 | 7 | 11 | 8 | 8 | 14 | 10 |
| 31-40 | 5 | 14 | 8 | 6 | 10 | 7 | 7 | 9 | 7 |
| 41 + | 9 | 41 | 18 | 4 | 31 | 12 | 3 | 32 | 10 |
| Total | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 |
| N. | 244 | 105 | 349 | 739 | 310 | 1,049 | 514 | 163 | 677 |
| The landlords of private rented dwellings in England. | | | | | | | | | |
| Sources: ¹ Percentages derived from ODPM, 2003; ² ODPM, 2006b; ³ New data analysis of CLG, 2008b. | | | | | | | | | |

| Reasons for moving | New households (%) | Previous tenure | | | All (%) |
|---|-----------------------|-----------------|----------------|-----------------|------------|
| | | Owners | Social renters | Private renters | |
| | | (%) | (%) | (%) | |
| To move to a better neighbourhood/more pleasant area | 6 | 10 | 30 | 16 | 14 |
| Job related reasons | 22 | 25 | 14 | 21 | 22 |
| Wanted larger home or one that was better in some way | 5 | 6 | 14 | 24 | 17 |
| Wanted smaller or cheaper home | * | 4 | 3 | 5 | 4 |
| Could not afford mortgage/rent on previous home | * | 2 | * | 2 | 2 |
| Divorce/separation | 2 | 35 | 12 | 4 | 9 |
| Marriage/started living together | 16 | 2 | 3 | 6 | 7 |
| Other family/personal reasons | 10 | 14 | 14 | 10 | 11 |
| Wanted to buy | * | 1 | 0 | * | * |
| Wanted own home/to live independently | 35 | 3 | 4 | 7 | 12 |
| Landlord ¹ required tenant to leave/had to leave tied accommodation | 2 | 0 | 7 | 14 | 8 |
| To get children into a better school | 8 | 5 | 8 | 6 | 7 |
| Other reason | 15 | 13 | 14 | 12 | 13 |
| N. | 348 | 273 | 98 | 952 | 1,689 |
| Base: Private renting households in England that had moved within the last three years. | | | | | |
| Notes: Percentages do not total 100 because more than one reason for moving could be given. ¹ Includes either a private rented landlord or a social rented landlord. | | | | | |
| Source: Analysis of three-year aggregated SEH data, 2004/05 to 06/07. | | | | | |

Table 2.9 : Household type by type of private landlord

| Household type | Single people (%) | Childless couples (%) | Couples/lone parents with non- dependent children only (%) | Couples with dependent children (%) | Lone parents with dependent children (%) | Multi person/family households (%) | All (%) |
|-----------------------------------|----------------------|--------------------------|---|--|---|---|------------|
| Individual/couple | 69 | 72 | 67 | 70 | 85 | 82 | 73 |
| Organisation | 11 | 8 | 6 | 6 | 8 | 8 | 9 |
| Employer | 7 | 10 | 19 | 18 | 1 | 4 | 9 |
| Relative or a friend ¹ | 14 | 10 | 7 | 6 | 7 | 6 | 10 |
| Total | 100 | 100 | 100 | 100 | 100 | 100 | 100 |
| N. | 841 | 617 | 94 | 376 | 228 | 317 | 2,473 |

Base: Private renting households in England.

Notes: ¹ 'A friend' prior to the tenancy.

Source: Analysis of three-year aggregated SEH data, 2004/05 to 06/07.

Table 2.10 : Length of time at current address by tenure

| Length of time at current address | Private rented (%) | Owner occupied (%) | Social rented (%) | All (%) |
|-----------------------------------|-----------------------|-----------------------|----------------------|------------|
| Less than 12 months | 40 | 6 | 10 | 10 |
| 1 year to less than 2 years | 18 | 6 | 9 | 8 |
| 2 years to less than 3 years | 11 | 6 | 8 | 7 |
| 3 years to less than 5 years | 10 | 10 | 13 | 11 |
| 5 years to less than 10 years | 9 | 18 | 20 | 18 |
| 10 years to less than 20 years | 5 | 22 | 20 | 20 |
| 20 years or more | 7 | 31 | 20 | 26 |
| Total | 100 | 100 | 100 | 100 |
| N. | 2,470 | 14,492 | 3,907 | 20,869 |

Base: Households in England.

Source: Analysis of three-year aggregated SEH data, 2004/05 to 06/07.

Table 2.11 : Length of time at current address for private renters by economic status of the HRP

| Length of time at current address | FT employed | PT employed | Unemployed | Retired | Long-term sick/disabled | FT student | Other | Total |
|-----------------------------------|-------------|-------------|------------|---------|-------------------------|------------|-------|-------|
| | (%) | (%) | (%) | (%) | (%) | (%) | (%) | (%) |
| Less than 12 months | 41 | 41 | 41 | 7 | 23 | 68 | 40 | 40 |
| 1 year to less than 2 years | 21 | 16 | 18 | 6 | 17 | 17 | 16 | 18 |
| 2 years to less than 3 years | 13 | 12 | 12 | 6 | 8 | 8 | 10 | 11 |
| 3 years to less than 5 years | 10 | 10 | 10 | 9 | 15 | 4 | 12 | 10 |
| 5 years to less than 10 years | 8 | 10 | 11 | 14 | 19 | 3 | 12 | 9 |
| 10 years to less than 20 years | 4 | 5 | 4 | 19 | 8 | 0 | 4 | 5 |
| 20 years or more | 3 | 6 | 3 | 39 | 9 | 0 | 6 | 7 |
| Total | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 |
| N. | 1,465 | 218 | 114 | 235 | 111 | 181 | 144 | 2,447 |

Base: Private renting household reference persons in England.

Note: FT and PT employment relates to how survey respondent viewed their employment, and was not defined in the survey as constituting a specific number of hours worked per week.

Source: Analysis of three-year aggregated SEH data, 2004/05 to 06/07.

Table 2.12 : Trends in tenure by age of HRP

| Year | 20 to 24 (%) | | | | 25 to 29 (%) | | | | 30 to 34 (%) | | | | 35 to 44 (%) | | | | 45 to 54 (%) | | | | 55+ (%) | | | |
|-------|--------------|-----|-----|-----|--------------|-----|-----|-----|--------------|-----|-----|-----|--------------|-----|-----|-----|--------------|-----|-----|-----|---------|-----|-----|-----|
| | OO | SRS | PRS | Ttl | OO | SRS | PRS | Ttl | OO | SRS | PRS | Ttl | OO | SRS | PRS | Ttl | OO | SRS | PRS | Ttl | OO | SRS | PRS | Ttl |
| 93/94 | 37 | 29 | 34 | 100 | 59 | 21 | 19 | 100 | 68 | 20 | 12 | 100 | 75 | 17 | 8 | 100 | 78 | 16 | 6 | 100 | 66 | 27 | 6 | 100 |
| 94/95 | 31 | 28 | 42 | 100 | 57 | 24 | 18 | 100 | 69 | 19 | 12 | 100 | 74 | 17 | 9 | 100 | 79 | 15 | 6 | 100 | 66 | 28 | 6 | 100 |
| 95/96 | 32 | 27 | 41 | 100 | 55 | 23 | 22 | 100 | 66 | 21 | 13 | 100 | 73 | 17 | 9 | 100 | 80 | 15 | 6 | 100 | 68 | 27 | 5 | 100 |
| 96/97 | 30 | 27 | 43 | 100 | 54 | 23 | 23 | 100 | 64 | 21 | 15 | 100 | 73 | 18 | 8 | 100 | 79 | 16 | 6 | 100 | 68 | 26 | 6 | 100 |
| 97/98 | 28 | 30 | 42 | 100 | 55 | 22 | 23 | 100 | 66 | 20 | 15 | 100 | 74 | 17 | 8 | 100 | 80 | 14 | 6 | 100 | 69 | 26 | 5 | 100 |
| 98/99 | 27 | 32 | 41 | 100 | 52 | 23 | 24 | 100 | 67 | 20 | 13 | 100 | 72 | 18 | 10 | 100 | 79 | 15 | 6 | 100 | 70 | 25 | 6 | 100 |
| 99/00 | 28 | 28 | 44 | 100 | 54 | 20 | 26 | 100 | 65 | 22 | 14 | 100 | 71 | 19 | 9 | 100 | 79 | 15 | 6 | 100 | 72 | 23 | 5 | 100 |
| 00/01 | 28 | 29 | 42 | 100 | 54 | 21 | 26 | 100 | 66 | 19 | 14 | 100 | 73 | 18 | 9 | 100 | 80 | 14 | 6 | 100 | 72 | 24 | 5 | 100 |
| 01/02 | 27 | 30 | 43 | 100 | 50 | 21 | 28 | 100 | 66 | 19 | 15 | 100 | 74 | 18 | 8 | 100 | 80 | 14 | 6 | 100 | 73 | 23 | 4 | 100 |
| 02/03 | 30 | 30 | 40 | 100 | 51 | 21 | 28 | 100 | 66 | 17 | 16 | 100 | 74 | 17 | 9 | 100 | 80 | 14 | 6 | 100 | 72 | 22 | 5 | 100 |
| 03/04 | 26 | 27 | 46 | 100 | 50 | 20 | 30 | 100 | 65 | 17 | 18 | 100 | 74 | 16 | 10 | 100 | 80 | 15 | 6 | 100 | 74 | 22 | 5 | 100 |
| 04/05 | 22 | 26 | 52 | 100 | 49 | 18 | 33 | 100 | 66 | 16 | 18 | 100 | 72 | 18 | 10 | 100 | 77 | 15 | 7 | 100 | 75 | 20 | 5 | 100 |
| 05/06 | 22 | 29 | 49 | 100 | 46 | 19 | 34 | 100 | 64 | 17 | 20 | 100 | 70 | 17 | 12 | 100 | 79 | 14 | 7 | 100 | 75 | 20 | 5 | 100 |
| 06/07 | 26 | 26 | 47 | 100 | 48 | 20 | 32 | 100 | 61 | 19 | 21 | 100 | 70 | 18 | 12 | 100 | 76 | 15 | 9 | 100 | 74 | 20 | 5 | 100 |

Base: Household Reference Persons in England.

Note: Age is based on the HRP from 2001/02 onwards, and the head of household in the years before.

Source: New analysis of the SEH datafiles.

| Academic year | Studying full-time/part-time (%) | | | Domiciled in the UK/overseas (%) | | | N. |
|--|----------------------------------|-------|-------|----------------------------------|-------|-------|-----------|
| | FT | PT | Total | UK | OS | Total | |
| 95/96 | 63 | 37 | 100 | 89 | 11 | 100 | 1,437,965 |
| 96/97 | 63 | 37 | 100 | 89 | 11 | 100 | 1,458,684 |
| 97/98 | 63 | 37 | 100 | 88 | 12 | 100 | 1,496,889 |
| 98/99 | 62 | 38 | 100 | 88 | 12 | 100 | 1,533,582 |
| 99/00 | 62 | 38 | 100 | 88 | 12 | 100 | 1,540,610 |
| 00/01 | 59 | 41 | 100 | 88 | 12 | 100 | 1,656,700 |
| 01/02 | 59 | 41 | 100 | 88 | 12 | 100 | 1,726,840 |
| 02/03 | 59 | 41 | 100 | 87 | 13 | 100 | 1,807,660 |
| 03/04 | 59 | 41 | 100 | 86 | 14 | 100 | 1,868,415 |
| 04/05 | 60 | 40 | 100 | 86 | 14 | 100 | 1,895,825 |
| 05/06 | 61 | 39 | 100 | 86 | 14 | 100 | 1,936,420 |
| 95/96 to 05/06 change in student numbers (%) | +30.4 | +41.8 | | +30.0 | +71.9 | | +34.7 |
| Base: HE students in England. | | | | | | | |
| Source: HESA. | | | | | | | |

| Year | HB caseload (1,000s) | HB as a proportion of PRS (%) | HB received (mean £ per week) | Rent for HB tenants (mean £ per week)¹ | Difference between HB received and rent for HB tenants (£ per week) |
|--|-----------------------------|--------------------------------------|--------------------------------------|--|--|
| 1993/94 | 581 | 34 | 51 | 59 | 8 |
| 1994/95 | 566 | 32 | 54 | 60 | 6 |
| 1995/96 | 647 | 32 | 59 | 70 | 1 |
| 1996/97 | 626 | 31 | 59 | 70 | 11 |
| 1997/98 | 569 | 28 | 64 | 75 | 11 |
| 1998/99 | 542 | 27 | 61 | 73 | 12 |
| 1999/00 | 540 | 26 | 62 | 76 | 14 |
| 2000/01 | 452 | 23 | 63 | 80 | 17 |
| 2001/02 | 422 | 22 | 64 | 79 | 15 |
| 2002/03 | 438 | 22 | 68 | 86 | 18 |
| 2003/04 | 431 | 21 | 74 | 89 | 15 |
| 2004/05 | 439 | 19 | 76 | 95 | 19 |
| 2005/06 | 455 | 19 | 85 | 104 | 19 |
| Base: Private rented tenancies paying rent in England. | | | | | |
| Note: ¹ The rent is before deduction of housing benefit, and is net of services | | | | | |
| Source: CLG live table S5o8. | | | | | |

| Table 2.15 : Comparison of all private renters, and private and social renters receiving housing benefit | | | | |
|---|---|--------------------------------|---|--|
| Household characteristics | | All private renters (%) | Private renters in receipt of HB (%) | Social renters in receipt of HB (%) |
| Household type | Single people | 34 | 38 | 49 |
| | Childless couples | 25 | 10 | 11 |
| | Couples with non-dependent children only | 2 | 2 | 2 |
| | Couples with dependent children | 15 | 14 | 9 |
| | Lone parents with non-dependent children only | 2 | 2 | 5 |
| | Lone parents with dependent children | 9 | 31 | 22 |
| | Multi-person/family households | 13 | 3 | 2 |
| | Total | 100 | 100 | 100 |
| | N. | 2,472 | 449 | 2,401 |
| Age of HRP | 16-24 | 17 | 11 | 6 |
| | 25-44 | 54 | 47 | 32 |
| | 45- retirement age | 18 | 22 | 21 |
| | Retirement age upwards | 11 | 20 | 41 |
| | Total | 100 | 100 | 100 |
| | | N. | 2,472 | 449 |
| Base: Private renting households and social renting households receiving housing benefit in England. | | | | |
| Source: Analysis of three-year aggregated SEH data, 2004/05 to 06/07. | | | | |

Table 2.16 : Length of time at current address for private renters by whether or not housing benefit received

| Length of time at current address | HB received (%) | HB not received (%) | All (%) |
|---|-----------------|---------------------|---------|
| Less than 12 months | 25 | 45 | 40 |
| 1 year to less than 2 years | 18 | 19 | 18 |
| 2 years to less than 3 years | 10 | 12 | 11 |
| 3 years to less than 5 years | 13 | 9 | 10 |
| 5 years to less than 10 years | 15 | 7 | 9 |
| 10 years to less than 20 years | 9 | 3 | 5 |
| 20 years or more | 10 | 4 | 7 |
| Total | 100 | 100 | 100 |
| N. | 448 | 1,774 | 2,447 |
| Base: Private renting households in England. | | | |
| Source: Analysis of three-year aggregated SEH data, 2004/05 to 06/07. | | | |

Table 2.17 : PRS subsector and distribution of the PRS as a whole by Government Office Region, 2001

| Government Office Region | Landlord/agent (%) | Employer (%) | Relative/friend (%) | Other (%) | Total (%) | Regional distribution of all PRS (%) | N. |
|---|--------------------|--------------|---------------------|-----------|-----------|--------------------------------------|-----------|
| North East | 78.7 | 4.7 | 12.6 | 3.9 | 100 | 3.8 | 86,230 |
| North West | 82.9 | 3.1 | 10.8 | 3.2 | 100 | 11.7 | 262,049 |
| Yorkshire & Humber | 79.4 | 4.8 | 10.7 | 5.1 | 100 | 9.2 | 207,214 |
| East Midlands | 79.1 | 5.7 | 11.3 | 3.9 | 100 | 7.2 | 161,244 |
| West Midlands | 79.0 | 5.4 | 10.9 | 4.7 | 100 | 7.8 | 175,921 |
| East of England | 76.6 | 7.9 | 10.3 | 5.1 | 100 | 9.9 | 223,354 |
| South East | 77.9 | 8.3 | 8.9 | 4.9 | 100 | 16.7 | 374,143 |
| South West | 77.9 | 6.8 | 10.7 | 4.6 | 100 | 11.6 | 260,083 |
| Greater London | 88.0 | 2.6 | 6.7 | 2.7 | 100 | 22.1 | 495,982 |
| England | 80.9 | 5.3 | 9.6 | 4.1 | 100 | 100 | 2,246,220 |
| England excl. Greater London | 78.9 | 6.1 | 10.5 | 4.5 | 100 | 77.9 | 1,750,238 |
| Base: Private renting households in England. | | | | | | | |
| Sources: Analysis of 2001 census tables ST49 and Mo81a. | | | | | | | |

| NS-SEC | N.E. (%) | N.W. (%) | Y&H (%) | E.M. (%) | W.M. (%) | EoE (%) | S.E. (%) | S.W. (%) | G.L. (%) | England (%) |
|--|-----------------|-----------------|--------------------|-----------------|-----------------|----------------|-----------------|-----------------|-----------------|--------------------|
| Higher management and professional | 5.8 | 7.0 | 6.5 | 7.2 | 8.0 | 11.2 | 12.3 | 7.6 | 17.5 | 11.0 |
| Lower management and professional | 11.7 | 14.5 | 13.8 | 15.7 | 16.4 | 20.6 | 21.5 | 17.9 | 27.8 | 20.1 |
| Intermediate occupations | 6.3 | 7.3 | 7.0 | 7.5 | 7.4 | 9.4 | 9.7 | 8.3 | 10.1 | 8.7 |
| Small employers and own account workers | 5.4 | 5.8 | 5.8 | 6.5 | 6.7 | 7.4 | 7.0 | 8.6 | 4.9 | 6.3 |
| Lower supervisory and technical | 5.2 | 5.9 | 5.9 | 6.8 | 6.5 | 7.4 | 6.6 | 7.6 | 4.1 | 5.9 |
| Semi-routine | 11.6 | 12.0 | 11.5 | 11.7 | 11.9 | 11.9 | 10.2 | 12.7 | 6.8 | 10.3 |
| Routine | 10.0 | 9.7 | 10.2 | 11.1 | 9.5 | 9.1 | 7.5 | 9.7 | 4.4 | 8.0 |
| Long-term unemployed | 3.5 | 2.6 | 2.4 | 1.8 | 2.1 | 1.4 | 1.3 | 1.5 | 1.3 | 1.7 |
| Never worked & unclassified | 20.3 | 18.8 | 14.3 | 12.5 | 14.3 | 11.4 | 9.8 | 11.4 | 10.4 | 12.6 |
| Full-time students | 20.2 | 16.5 | 22.7 | 19.1 | 17.1 | 10.3 | 14.2 | 14.6 | 12.7 | 15.3 |
| Total | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 |
| N. | 108,717 | 334,147 | 274,968 | 212,818 | 227,159 | 276,454 | 491,214 | 330,350 | 803,268 | 3,059,095 |
| Base: Private renting people aged 16 to 74 inclusive in England who were classified in the census as renting from a landlord or agent. | | | | | | | | | | |
| Source: Analysis of 2001 census table Co877. | | | | | | | | | | |

| NS-SEC | Regional centres (%) | Centres with industry (%) | Thriving London periphery (%) | London suburbs (%) | London centre (%) | London cosmopolitan (%) | Prospering smaller towns (%) | New and growing towns (%) | Prospering southern England (%) | Coastal and countryside (%) | Industrial hinterlands (%) | England (%) |
|--|-----------------------------|----------------------------------|--------------------------------------|---------------------------|--------------------------|--------------------------------|-------------------------------------|----------------------------------|--|------------------------------------|-----------------------------------|--------------------|
| Higher management and professional | 7.9 | 6.9 | 18.3 | 13.9 | 24.9 | 13.6 | 9.1 | 9.9 | 17.9 | 4.3 | 4.1 | 11.0 |
| Lower management and professional | 15.6 | 13.5 | 25.5 | 25.0 | 31.6 | 26.4 | 19.6 | 20.5 | 26.4 | 14.6 | 11.2 | 20.1 |
| Intermediate occupations | 8.1 | 7.2 | 10.1 | 10.9 | 8.8 | 10.2 | 8.5 | 11.1 | 10.6 | 6.5 | 6.5 | 8.7 |
| Small employers and own account workers | 3.9 | 4.0 | 4.4 | 4.9 | 4.5 | 4.7 | 9.3 | 6.0 | 8.2 | 11.1 | 4.5 | 6.3 |
| Lower supervisory and technical | 4.7 | 5.1 | 4.2 | 4.9 | 2.7 | 4.5 | 7.7 | 8.1 | 6.3 | 8.7 | 6.1 | 5.9 |
| Semi-routine | 8.8 | 10.4 | 6.3 | 8.4 | 4.1 | 7.8 | 12.3 | 12.6 | 8.5 | 16.0 | 14.0 | 10.3 |
| Routine | 6.3 | 9.2 | 3.8 | 5.5 | 2.7 | 5.2 | 9.7 | 10.4 | 5.9 | 12.5 | 12.1 | 8.0 |
| Long-term unemployed | 1.9 | 2.4 | 0.8 | 1.6 | 0.9 | 1.5 | 1.3 | 1.6 | 0.6 | 2.4 | 4.2 | 1.7 |
| Never worked & unclassified | 11.0 | 15.7 | 6.4 | 12.8 | 7.3 | 11.5 | 11.5 | 10.8 | 7.9 | 17.9 | 23.9 | 12.6 |
| Full-time students | 31.9 | 25.6 | 19.9 | 12.1 | 12.4 | 14.6 | 10.9 | 9.0 | 7.6 | 6.0 | 13.4 | 15.3 |
| Total | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 |
| N. | 404,160 | 322,899 | 134,527 | 260,779 | 246,075 | 219,992 | 559,633 | 136,103 | 239,287 | 257,376 | 136,702 | 3,059,095 |
| Base: Private renting people aged 16 to 74 inclusive in England who were classified in the census as renting from a landlord or agent. | | | | | | | | | | | | |
| Source: Analysis of 2001 census table C0877. | | | | | | | | | | | | |

| Table 2.20 : Private renting households excluding full-time students by income quartiles | | | | | | |
|--|---|--|----------------------|----------------------|--------------------|----------------|
| Household characteristics | | Equivalised before housing costs gross income quartiles | | | | All (%) |
| | | Lowest (%) | Lower mid (%) | Upper mid (%) | Highest (%) | |
| Number of years at current address | Less than 2 years | 42 | 53 | 61 | 64 | 55 |
| | 2 to less than 5 | 22 | 22 | 23 | 24 | 23 |
| | 5 to less than 10 | 14 | 11 | 8 | 7 | 10 |
| | 10+ years | 22 | 14 | 8 | 5 | 12 |
| | Total | 100 | 100 | 100 | 100 | 100 |
| Previous tenure if moved within the last three years | New household | 13 | 13 | 14 | 12 | 13 |
| | Owner occupation | 7 | 12 | 15 | 18 | 13 |
| | Social renting | 9 | 5 | 3 | 2 | 5 |
| | Private renting | 27 | 38 | 45 | 49 | 40 |
| | Resident 3+ years | 44 | 32 | 23 | 19 | 30 |
| | Total | 100 | 100 | 100 | 100 | 100 |
| Movers within the last three years: distance moved from last address | Under 2 miles | 38 | 35 | 31 | 28 | 32 |
| | 2 but not 10 miles | 32 | 32 | 30 | 29 | 31 |
| | 10 but not 50 miles | 12 | 10 | 16 | 17 | 14 |
| | 50+ miles | 12 | 16 | 14 | 17 | 15 |
| | From abroad | 6 | 7 | 9 | 9 | 8 |
| | Total | 100 | 100 | 100 | 100 | 100 |
| Movers within the last three years: most common reasons for moving ¹ | To move to a better area | 16 | 11 | 12 | 17 | 14 |
| | Job-related reasons | 8 | 22 | 26 | 35 | 24 |
| | To a larger/better home | 18 | 18 | 15 | 20 | 18 |
| | To a smaller/cheaper home | 3 | 4 | 5 | 4 | 4 |
| | Could not afford previous housing costs | 2 | 2 | 2 | 1 | 2 |
| | Divorce/separation | 12 | 10 | 11 | 9 | 10 |
| | Marriage/cohabitation | 4 | 8 | 12 | 9 | 8 |
| | To live independently | 14 | 12 | 14 | 13 | 13 |
| | Landlord required tenant to move out/end of tied letting ² | 8 | 11 | 7 | 8 | 8 |
| To get children into a better school | 8 | 5 | 5 | 4 | 5 | |
| Base: Private renting households in England with an HRP that was not a full-time student. | | | | | | |
| Notes: ¹ More than one reason could be given. ² Includes either a private rented landlord or a social rented landlord. | | | | | | |
| Source: Analysis of three-year aggregated SEH data, 2004/05 to 06/07. | | | | | | |

Table 2.21 : Use of letting agents by private landlords, 2006

| Landlord characteristics | | Agent used for... | | | Agent not used (%) | Total (%) | N. |
|---|----------------------------------|-------------------|-----------------------------|------------------------|--------------------|-----------|-----|
| | | Lettings only (%) | Management ¹ (%) | All using an agent (%) | | | |
| Type of landlord | Individuals/couples | 19 | 41 | 60 | 40 | 100 | 659 |
| | Companies | 15 | 51 | 66 | 34 | 100 | 134 |
| | Organisations/Partnerships | 6 | 50 | 56 | 44 | 100 | 101 |
| | All landlords | 17 | 43 | 60 | 40 | 100 | 894 |
| Number of lettings in portfolio | 1 | 20 | 44 | 64 | 36 | 100 | 266 |
| | 2-4 | 19 | 47 | 66 | 34 | 100 | 176 |
| | 5-9 | 11 | 26 | 37 | 63 | 100 | 107 |
| | 10+ | 13 | 42 | 55 | 45 | 100 | 208 |
| How long landlord has been letting | Newer landlords (up to 3 years) | 21 | 39 | 60 | 40 | 100 | 104 |
| | Medium-term (4-10 years) | 18 | 39 | 57 | 43 | 100 | 245 |
| | Long-standing (11+ years) | 18 | 27 | 45 | 55 | 100 | 326 |
| Quartiles of weekly rent | Lowest | 10 | 38 | 48 | 52 | 100 | 203 |
| | Lower mid | 15 | 45 | 60 | 40 | 100 | 195 |
| | Upper mid | 21 | 51 | 72 | 28 | 100 | 199 |
| | Highest | 26 | 44 | 70 | 30 | 100 | 199 |
| Full-time/part-time | Full-time landlords ² | 18 | 37 | 55 | 45 | 100 | 182 |
| | Part-time landlords | 17 | 42 | 59 | 41 | 100 | 628 |
| Landlords of market lettings ³ | | 18 | 45 | 63 | 37 | 100 | 781 |
| Base: The landlords of private rented dwellings in England. | | | | | | | |
| Notes. ¹ Includes dwellings for which an agent was being used for management only, or for both a management and lettings service. ² Full-time landlords are those who said that letting property was their main business, and that their business was mainly concerned with residential property. ³ Excludes employment-linked lettings, regulated (Rent Act) tenancies, and rent-free lettings to friends/relatives (lettings to friends/relatives where rent was paid are included). | | | | | | | |
| Source: New data analysis of CLG, 2008b. | | | | | | | |

| Tenure | | Distribution (%) |
|---|--------------------|-------------------------|
| Private rented | Landlord/agent | 44.4 |
| | Employer | 3.3 |
| | Friend/relative | 1.6 |
| | Other | 3.4 |
| | All private rented | 52.7 |
| Owner occupied | Owned outright | 9.0 |
| | Buying | 17.5 |
| | All owners | 26.5 |
| Social rented | | 7.1 |
| Communal establishments | | 13.6 |
| Total | | 100 |
| N. | | 360,493 |
| Base: People living in England with a non-UK address one year before 2001 census day. | | |
| Note: Inward migration to England relates to people who had a different address one year prior to their address on census day that was outside of the UK. | | |
| Source: Analysis of 2001 census table Co877. | | |

| Government Office Region | PRS (%) | Owner occupation (%) | Social rented (%) | Total (%) | N. |
|---|----------------|-----------------------------|--------------------------|------------------|------------|
| North East | 8.1 | 63.6 | 28.3 | 100 | 1,066,265 |
| North West | 9.3 | 69.3 | 21.4 | 100 | 2,812,827 |
| Yorkshire & Humber | 10.0 | 67.6 | 22.4 | 100 | 2,064,765 |
| East Midlands | 9.3 | 72.2 | 18.5 | 100 | 1,732,538 |
| West Midlands | 8.2 | 69.6 | 22.3 | 100 | 2,153,698 |
| East of England | 10.0 | 72.7 | 17.3 | 100 | 2,231,983 |
| South East | 11.4 | 74.0 | 14.7 | 100 | 3,287,491 |
| South West | 12.5 | 73.1 | 14.5 | 100 | 2,086,003 |
| Greater London | 16.4 | 56.5 | 27.0 | 100 | 3,015,979 |
| England | 11.0 | 68.7 | 20.3 | 100 | 20,451,549 |
| England excl. Greater London | 10.0 | 70.8 | 19.1 | 100 | 17,435,570 |
| Base: Households in England. | | | | | |
| Sources: Analysis of 2001 census tables ST49 and Mo81a. | | | | | |

| Year built | 93/94 (%) | 94/95 (%) | 95/96 (%) | 96/97 (%) | 97/98 (%) | 98/99 (%) | 99/00 (%) | 00/01 (%) | 01/02 (%) | 02/03 (%) | 03/04 (%) | 04/05 (%) | 05/06 (%) | 06/07 (%) |
|---|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Pre-1919 | 48 | 48 | 45 | 44 | 42 | 42 | 41 | 40 | 41 | 39 | 40 | 38 | 35 | 36 |
| 1919-1944 | 24 | 19 | 20 | 19 | 20 | 21 | 20 | 21 | 20 | 19 | 18 | 18 | 19 | 19 |
| 1945-1964 | 11 | 13 | 13 | 13 | 13 | 13 | 13 | 13 | 14 | 14 | 13 | 13 | 14 | 12 |
| 1965-1984 | 11 | 14 | 15 | 14 | 15 | 14 | 14 | 15 | 14 | 14 | 16 | 17 | 19 | 16 |
| 1985 or later | 5 | 7 | 7 | 10 | 10 | 10 | 12 | 12 | 11 | 14 | 13 | 14 | 14 | 16 |
| Total | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 |
| N. | 1,836 | 1,886 | 1,928 | 1,976 | 1,893 | 1,946 | 1,855 | 1,865 | 1,919 | 2,045 | 2,128 | 2,292 | 2,379 | 2,496 |
| Base: The accommodation of private renting households in England. | | | | | | | | | | | | | | |
| Source: New analysis of the SEH datafiles. | | | | | | | | | | | | | | |

| Year built | 93/94 (%) | 94/95 (%) | 95/96 (%) | 96/97 (%) | 97/98 (%) | 98/99 (%) | 99/00 (%) | 00/01 (%) | 01/02 (%) | 02/03 (%) | 03/04 (%) | 04/05 (%) | 05/06 (%) | 06/07 (%) |
|--|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Pre-1919 | 21 | 22 | 21 | 20 | 20 | 21 | 20 | 20 | 20 | 20 | 21 | 19 | 19 | 20 |
| 1919-1944 | 21 | 21 | 21 | 20 | 20 | 20 | 21 | 20 | 20 | 20 | 19 | 19 | 19 | 19 |
| 1945-1964 | 24 | 23 | 23 | 23 | 23 | 23 | 22 | 22 | 23 | 22 | 22 | 22 | 22 | 22 |
| 1965-1984 | 26 | 26 | 26 | 26 | 25 | 25 | 25 | 24 | 25 | 24 | 24 | 26 | 26 | 25 |
| 1985 or later | 7 | 9 | 9 | 10 | 11 | 12 | 13 | 13 | 12 | 14 | 14 | 14 | 14 | 15 |
| Total | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 |
| N. | 19,538 | 19,506 | 19,717 | 19,930 | 19,987 | 20,154 | 19,783 | 20,221 | 20,134 | 20,389 | 20,569 | 20,618 | 20,719 | 20,770 |
| Base: The accommodation of all households in all tenures in England. | | | | | | | | | | | | | | |
| Source: New analysis of the SEH datafiles. | | | | | | | | | | | | | | |

Table 3.3 : Private rented property type by year, 1993/94 to 2006/07

| Property type | | 93/94 (%) | 94/95 (%) | 95/96 (%) | 96/97 (%) | 97/98 (%) | 98/99 (%) | 99/00 (%) | 00/01 (%) | 01/02 (%) | 02/03 (%) | 03/04 (%) | 04/05 (%) | 05/06 (%) | 06/07 (%) |
|-------------------------|-------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| Houses | Detached | 11 | 14 | 11 | 11 | 13 | 10 | 10 | 10 | 8 | 11 | 10 | 8 | 9 | 10 |
| | Semi-detached | 18 | 19 | 18 | 20 | 17 | 19 | 19 | 20 | 19 | 20 | 19 | 19 | 18 | 18 |
| | Terraced | 27 | 25 | 26 | 26 | 29 | 29 | 28 | 30 | 31 | 31 | 28 | 31 | 31 | 33 |
| | <i>All houses</i> | 56 | 58 | 55 | 57 | 59 | 58 | 57 | 60 | 58 | 62 | 57 | 58 | 58 | 61 |
| Flats (and maisonettes) | Purpose-built | 12 | 14 | 14 | 15 | 16 | 14 | 14 | 14 | 17 | 18 | 19 | 18 | 19 | 18 |
| | Converted | 19 | 17 | 18 | 19 | 17 | 18 | 16 | 16 | 20 | 15 | 19 | 18 | 17 | 16 |
| | <i>All flats</i> | 31 | 31 | 32 | 34 | 33 | 32 | 30 | 30 | 37 | 33 | 38 | 36 | 36 | 34 |
| Not self-contained | | 12 | 11 | 10 | 9 | 7 | 8 | 13 | 10 | 4 | 4 | 4 | 6 | 6 | 4 |
| Other | | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | * | * | * | 1 | 1 |
| Total | | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 |
| N. | | 1,927 | 1,936 | 2,010 | 2,045 | 1,991 | 2,044 | 2,094 | 2,002 | 1,959 | 2,061 | 2,148 | 2,348 | 2,491 | 2,575 |

Base: The accommodation of private renting households in England.

Notes: Detached houses includes bungalows, terraced houses includes end of terraces.

Source: New analysis of the SEH datafiles.

Table 3.4 : All tenures property type by year, 1993/94 to 2006/07

| Property type | | 93/94 (%) | 94/95 (%) | 95/96 (%) | 96/97 (%) | 97/98 (%) | 98/99 (%) | 99/00 (%) | 00/01 (%) | 01/02 (%) | 02/03 (%) | 03/04 (%) | 04/05 (%) | 05/06 (%) | 06/07 (%) |
|-------------------------|-------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| Houses | Detached | 19 | 21 | 20 | 20 | 22 | 21 | 21 | 22 | 22 | 22 | 23 | 22 | 22 | 22 |
| | Semi-detached | 32 | 32 | 33 | 32 | 32 | 31 | 34 | 33 | 33 | 34 | 33 | 33 | 33 | 32 |
| | Terraced | 29 | 28 | 27 | 28 | 27 | 29 | 27 | 28 | 28 | 28 | 26 | 27 | 27 | 28 |
| | <i>All houses</i> | 80 | 81 | 80 | 80 | 81 | 81 | 82 | 83 | 83 | 84 | 82 | 82 | 82 | 82 |
| Flats (and maisonettes) | Purpose-built | 13 | 13 | 13 | 13 | 13 | 12 | 11 | 11 | 12 | 12 | 12 | 13 | 13 | 12 |
| | Converted | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 5 | 4 | 4 | 4 |
| | <i>All flats</i> | 17 | 17 | 17 | 17 | 17 | 16 | 15 | 15 | 16 | 16 | 17 | 17 | 17 | 16 |
| Not self-contained | | 2 | 2 | 2 | 2 | 2 | 2 | 4 | 2 | 1 | 1 | 1 | 1 | 1 | 1 |
| Other | | * | * | * | 1 | 1 | * | * | * | * | * | * | * | 1 | * |
| Total | | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 |
| N. | | 19,819 | 19,706 | 19,918 | 20,145 | 20,250 | 20,421 | 20,598 | 20,657 | 20,269 | 20,442 | 20,622 | 20,740 | 20,904 | 20,974 |

Base: The accommodation of all households in all tenures in England.

Notes: Detached houses includes bungalows, terraced houses includes end of terraces.

Source: New analysis of the SEH datafiles.

Table 3.5 : Tenure distribution for a range of European countries

| Country | Private renting (%) | Owner occupation (%) | Social renting (%) | Other (%) | Total (%) | Year of data |
|--|---------------------|----------------------|--------------------|-----------|-----------|--------------|
| Austria | 17 | 57 | 23 | 3 | 100 | 2001 |
| Belgium | 16 | 74 | 7 | 3 | 100 | 1999 |
| Czech Republic | 10 | 47 | 19 | 24 | 100 | 2001 |
| Denmark | 18 | 53 | 19 | 9 | 100 | 1999 |
| England † | 11 | 69 | 20 | 0 | 100 | 2001 |
| Finland | 15 | 64 | 17 | 4 | 100 | 2001 |
| France | 21 | 56 | 17 | 6 | 100 | 2002 |
| Germany | 49 | 41 | 6 | 5 | 100 | 2001 |
| Greece | 20 | 80 | 0 | 0 | 100 | 2001 |
| Hungary | 3 | 92 | 4 | 1 | 100 | 2003 |
| Iceland | 5 | 78 | 2 | 16 | 100 | 2003 |
| Lithuania | 5 | 84 | 4 | 7 | 100 | 2002 |
| Netherlands | 12 | 53 | 35 | 0 | 100 | 1998 |
| Northern Ireland † | 9 | 70 | 21 | 0 | 100 | 2001 |
| Portugal | 15 | 76 | 7 | 2 | 100 | 1999 |
| Scotland † | 8 | 63 | 29 | 0 | 100 | 2001 |
| Slovenia | 3 | 82 | 7 | 9 | 100 | 2002 |
| Sweden | 24 | 55 | 21 | 0 | 100 | 1997 |
| Wales † | 10 | 71 | 19 | 0 | 100 | 2001 |
| Base: Households. | | | | | | |
| Sources: Scanlon and Whitehead (2004); except † Rhodes (2006). | | | | | | |

Table 3.6 : Private tenant views on their landlord across a range of management issues

| Management issue | Good (%) | Neither good nor poor (%) | Poor (%) | Total (%) | N. |
|--|----------|---------------------------|----------|-----------|-----------|
| If easy to contact landlord/agent | 89 | 3 | 8 | 100 | 1,846,742 |
| Speed of response to requests for repairs | 67 | 10 | 23 | 100 | 1,675,075 |
| Quality of repair work undertaken | 72 | 11 | 16 | 100 | 1,542,074 |
| Respect by landlord/agent for privacy in the property | 91 | 3 | 5 | 100 | 1,828,614 |
| Base: Private renting households in England. | | | | | |
| Notes: Categories for ease of contacting the landlord/agent were: easy, neither easy nor difficult, difficult. | | | | | |
| Source: Analysis of three-year aggregated EHCS data, 2003/04 to 2005/06. | | | | | |

| Table 3.7 : Private tenant satisfaction with their landlord by their landlord characteristics, 2006 | | | | | | |
|--|--|----------------------|--------------------|-------------------------|------------------|-----------|
| Private landlord characteristics | | Satisfied (%) | Neither (%) | Dissatisfied (%) | Total (%) | N. |
| Landlord type | Individuals/couples | 77 | 8 | 15 | 100 | 623 |
| | Companies, organisations, partnerships | 76 | 9 | 14 | 100 | 208 |
| | All landlords | 77 | 8 | 15 | 100 | 831 |
| Full time/part time | Full-time | 81 | 4 | 15 | 100 | 176 |
| | Part-time | 77 | 9 | 14 | 100 | 176 |
| Number of lettings in portfolio | 1 | 78 | 9 | 13 | 100 | 240 |
| | 2 to 4 | 82 | 4 | 13 | 100 | 165 |
| | 5 to 9 | 75 | 8 | 17 | 100 | 99 |
| | 10+ | 77 | 8 | 15 | 100 | 189 |
| Number of years letting | Up to 3 | 81 | 10 | 8 | 100 | 97 |
| | 4 to 10 | 82 | 6 | 12 | 100 | 235 |
| | 11+ | 77 | 7 | 15 | 100 | 288 |
| Whether an agent used | Agent used for lettings only | 83 | 6 | 11 | 100 | 141 |
| | Agent used for property management | 71 | 12 | 18 | 100 | 371 |
| | Agent not used | 81 | 5 | 13 | 100 | 307 |
| Market lettings ¹ | | 77 | 8 | 15 | 100 | 769 |
| Base: Private renting households in England whose landlord was also interviewed. | | | | | | |
| Note: Figures in this table are based on the responses to the question asked of household reference person in the EHCS: 'Taking everything into account, how satisfied or dissatisfied are you with the overall service provided by your landlord?' The options respondents could pick from a showcard were: very satisfied, fairly satisfied, neither satisfied nor dissatisfied, slightly dissatisfied, very dissatisfied. ¹ Excludes employment-linked lettings, regulated (Rent Act) tenancies, and rent-free lettings to friends/relatives (lettings to friends/relatives where rent was paid are included). | | | | | | |
| Sources: Analysis of 2006 merged data from the EHCS household survey and the EHCS private landlord survey (CLG, 2008b). | | | | | | |

| Table 3.8 : Trends in use of letting agents by private landlords | | | | |
|--|------------------------------------|-----------------------------|-----------------------------|-----------------------------|
| Whether an agent used | 1993/94¹ (%) | 2001² (%) | 2003³ (%) | 2006⁴ (%) |
| Used an agent | 37 | 51 | 47 | 60 |
| Agent not used | 64 | 49 | 53 | 40 |
| Total | 100 | 100 | 100 | 100 |
| N. | 520 ⁵ | 397 | 1,200 ⁵ | 900 |
| Base: The landlords of private rented dwellings in England. | | | | |
| Notes: Figures are based on dwellings for which an agent was involved in either a lettings only service or a full management service. ⁵ Estimated numbers of cases based on other tables in the reports, due to these proportions being cited but not tabulated in the relevant report. | | | | |
| Sources: ¹ Crook and Kemp, 1996; ² ODPM, 2003; ³ ODPM, 2006b; ⁴ New data analysis of CLG, 2008b. | | | | |

| Table 3.9 : Reasons for accommodation failing the new decent homes standard by tenure, 2006 | | | | |
|--|---|-------------------|---|----------------------------|
| Tenure | Serious hazard under the HHSRS (%) | Repair (%) | Modern facilities and services (%) | Thermal comfort (%) |
| Private rented | 61.4 | 28.8 | 8.5 | 57.7 |
| Owner occupied | 63.1 | 20.4 | 5.1 | 46.9 |
| Social rented | 37.8 | 16.2 | 12.2 | 58.7 |
| All tenures | 58.7 | 21.1 | 6.8 | 50.6 |
| Base: Non-decent homes in England. | | | | |
| Notes: Percentages sum to greater than 100 because homes may fail on more than one measure. | | | | |
| Source: CLG, 2008a. | | | | |

| Table 3.10 : Average private renting weekly rent and gross yield | | | | |
|--|------------|----------------------------|---|------------------|
| Household characteristics | | Rent (mean £pw) | Gross yield¹ (mean %) | N. |
| Receipt of housing benefit | Full HB | 104 | 5.6 | 192,798 |
| | Partial HB | 113 | 5.6 | 271,253 |
| | All on HB | 109 | 5.6 | 464,051 |
| | No HB | 140 | 4.8 | 1,339,692 |
| Decent homes standard ² | Decent | 143 | 4.8 | 1,083,395 |
| | Non-decent | 116 | 5.2 | 720,348 |
| Household income quartiles ³ | Highest | 155 | 4.6 | 495,923 |
| | Upper mid | 119 | 4.5 | 450,883 |
| | Lower mid | 121 | 4.9 | 414,085 |
| | Lowest | 130 | 5.9 | 441,852 |
| All | | 132 | 5.0 | 1,803,743 |
| Base: Private renting households in England paying rent and whose letting commenced after January 1989. | | | | |
| Notes: ¹ Gross yield has been calculated by expressing the annual rent for the letting as a proportion of the valuation of the vacant possession capital value of the dwelling as of October in the survey year. ² Relates to the decent homes standard before the changes in definition that were introduced in April 2006. | | | | |
| ³ Household income is the equivalised before housing costs household income. | | | | |
| Source: Analysis of three-year aggregated EHCS data, 2003/04 to 2005/06. | | | | |

| Year | Assured tenancies | | | Regulated (%) | Not accessible to the public (%) | Other (%) | Total (%) | N. |
|--|-------------------|-----------------------|-----------------|---------------|----------------------------------|-----------|-----------|-------|
| | Assured (%) | Assured Shorthold (%) | All assured (%) | | | | | |
| 1988 | 0 | 0 | 0 | 59 | 28 | 13 | 100 | 1,810 |
| 1990 | 20 | 8 | 28 | 33 | 27 | 12 | 100 | 1,790 |
| 1993/94 | 17 | 38 | 56 | 17 | 18 | 9 | 100 | 2,132 |
| 1994/95 | 17 | 40 | 57 | 14 | 20 | 10 | 100 | 2,197 |
| 1995/96 | 17 | 42 | 59 | 12 | 19 | 10 | 100 | 2,254 |
| 1996/97 | 15 | 47 | 62 | 11 | 18 | 9 | 100 | 2,280 |
| 1997/98 | 14 | 52 | 66 | 9 | 15 | 10 | 100 | 2,255 |
| 1998/99 | 11 | 54 | 66 | 8 | 17 | 9 | 100 | 2,247 |
| 1999/00 | 12 | 54 | 66 | 7 | 19 | 8 | 100 | 2,305 |
| 2000/01 | 10 | 56 | 66 | 6 | 17 | 11 | 100 | 2,186 |
| 2001/02 | 13 | 58 | 71 | 5 | 14 | 9 | 100 | 2,211 |
| 2002/03 | - | - | 68 | 6 | 16 | 10 | 100 | 2,221 |
| 2003/04 | 9 | 63 | 72 | 6 | 15 | 7 | 100 | 2,368 |
| 2004/05 | 10 | 63 | 73 | 5 | 14 | 8 | 100 | 2,526 |
| 2005/06 | 11 | 65 | 76 | 4 | 14 | 6 | 100 | 2,681 |
| 2006/07 | 11 | 64 | 75 | 5 | 14 | 6 | 100 | 2,796 |
| Base: Private rented tenancies in England. | | | | | | | | |
| Notes: Separate figures for assured and assured shorthold tenancies are not available for 2002/03. Base numbers are in 1,000s. | | | | | | | | |
| Sources: Green <i>et al.</i> (1999) for years 1988 to 1997/98; CLG live table 731 for 1998/99 onwards. | | | | | | | | |

Table 3.12 : Length of time at current address for private renters by type of letting agreement

| Length of time at current address | Assured shorthold (%) | Assured (%) | No public access ¹ (%) | Regulated ² (%) | Resident landlord/other (%) | All (%) |
|-----------------------------------|-----------------------|-------------|-----------------------------------|----------------------------|-----------------------------|---------|
| Less than 12 months | 45 | 30 | 30 | 1 | 52 | 40 |
| 1 year to less than 2 years | 21 | 17 | 15 | 2 | 18 | 18 |
| 2 years to less than 3 years | 12 | 12 | 10 | 1 | 5 | 11 |
| 3 years to less than 5 years | 10 | 13 | 11 | 2 | 6 | 10 |
| 5 years to less than 10 years | 9 | 13 | 13 | 2 | 6 | 9 |
| 10 years to less than 20 years | 2 | 12 | 10 | 14 | 4 | 5 |
| 20 years or more | 1 | 3 | 10 | 79 | 8 | 7 |
| Total | 100 | 100 | 100 | 100 | 100 | 100 |
| N. | 1,616 | 276 | 352 | 126 | 77 | 2,447 |

Base: Private renting households in England.

Notes: ¹ Includes lettings that are not generally public accessible, including employment-linked accommodation, and university-provided student accommodation.

² Lettings created after 15 January 1989 cannot usually be regulated tenancies, but they can be created after that date on a new tenancy to an existing regulated tenant by the same landlord, or if a court order directs the tenancy of suitable alternative accommodation be regulated (CLG & WAG, 2007).

Source: Analysis of three-year aggregated SEH data, 2004/05 to 06/07.

Table 3.13 : Housing benefit spending by Government Office Region in 2005/06, adjusted to 2008 prices

| GOR | Total spending (£m) | | | Spending per recipient (£pw) | | |
|--------------------|---------------------|--------|--------|------------------------------|--------|-------|
| | PRS | RSL | LA | PRS | RSL | LA |
| North East | 136.5 | 259.3 | 284.1 | 69.44 | 62.85 | 48.88 |
| North West | 457.1 | 758.8 | 485.9 | 76.65 | 65.60 | 51.42 |
| Yorkshire & Humber | 261.0 | 352.0 | 444.8 | 73.44 | 65.93 | 48.31 |
| East Midlands | 173.1 | 220.5 | 357.8 | 72.50 | 67.57 | 52.43 |
| West Midlands | 255.7 | 495.7 | 449.2 | 82.17 | 65.96 | 56.68 |
| East of England | 305.1 | 404.9 | 387.8 | 96.03 | 72.82 | 61.00 |
| South East | 604.1 | 695.9 | 434.2 | 108.14 | 79.52 | 66.50 |
| South West | 383.1 | 383.6 | 263.0 | 87.51 | 69.08 | 58.07 |
| Greater London | 1097.5 | 1199.4 | 1728.4 | 153.11 | 106.55 | 99.82 |
| England | 3673.2 | 4770.1 | 4835.1 | 98.51 | 75.80 | 65.38 |

Base: Housing benefit recipients in England.

Source: DWP.

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