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The Evolving Private Rented Sector:

Its Contribution and Potential

Julie Rugg and David Rhodes

University of York

Centre for Housing Policy

This Review is a companion to *Vulnerability amongst Low-Income Households in the Private Rented Sector in England.* That report focuses on households in the bottom third of incomes across all tenures, which make up 38 per cent of the PRS. The findings constitute a quantitative analysis of problems associated with the PRS as they impact on tenants in the bottom one third of incomes. The report also defines six types of household whose characteristics mean that they are more vulnerable to harm from those problems. The analysis shows that one third of the entire PRS is made up of households with one or more characteristics of vulnerability, experiencing one or more of three objectively measured problems which were: housing that fails to meet the Decent Homes Standard, living in a property that does not meet the Bedroom Standard for the household size, and being in after housing costs poverty.

The Evolving Private Rented Sector: Its Contribution and Potential

Julie Rugg and David Rhodes

University of York

Centre for Housing Policy

2018

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DISCLAIMER

The views presented in the report are not necessarily those of The Nationwide Foundation or the University of York. Responsibility for any errors rests with the authors.

ACRONYMS

ANUK	Accreditation Network UK
APA	Alternative Payment Arrangement
AST	Assured Shorthold Tenancy
BHPS	British Household Panel Survey
BRMA	Broad Rental Market Area
BTL	Buy to Let
BTR	Build to Rent
CIEH	Chartered Institute of Environmental Health
CML	Council of Mortgage Lenders
CMF	Controlling Migration Fund
COMPASS	Commercial and Operational Managers Procuring Asylum Support Services
CPI	Consumer Prices Index
DCLG	Department for Communities and Local Government
DHS	Decent Homes Standard
DWP	Department for Work & Pensions
EHCS	English House Condition Survey
EHO	Environmental Health Officer
EHP	Environmental Health Professional
EHS	English Housing Survey
FHSG	Flexible Homelessness Support Grant
FOI	Freedom of Information
FRS	Family Resources Survey
FTB	First Time Buyer
GFC	Global Financial Crisis
GLA	Greater London Authority
HA	Housing Association
HB	Housing Benefit
HBAI	Households Below Average Income
HEI	Healthcare Environment Inspectorate
HHSRS	Housing Health and Safety Rating System
HMO	Houses in Multiple Occupation

HMRC	Her Majesty's Revenue and Customs
HRP	Household Reference Person
IMD	Index of Multiple Deprivation
IPF	Investment Property Forum
LB	London Borough
LHA	Local Housing Allowance
LHC	Local Housing Company
LLR	London Living Rent
LSOA	Lower Layer Super Output Area
LTV	Loan to Value
MHCLG	Ministry of Housing, Communities & Local Government
NALS	National Approved Letting Scheme
NHF	National Housing Federation
NLA	National Landlords Association
NPSS	National Practitioner Support Service
ONS	Office for National Statistics
PBSA	Purpose Built Student Accommodation
PBYP	Purpose-built Young Professional
PD	Permitted Development
PLS	Private Landlord Survey
PRS	Private Rented Sector
RICS	Royal Institution of Chartered Surveyors
RLA	Residential Landlords Association
RPZ	Rent Pressure Zone
SDLT	Stamp Duty Land Tax
SLA	Social Lettings Agency
SL	Selective Licensing
TA	Temporary Accommodation
TRO	Tenancy Relations Officer
UC	Universal Credit
UKHPI	UK House Price Index
VOA	Valuation Office Agency

FOREWORD

Ten years ago, Dr Julie Rugg and David Rhodes at the University of York published a seminal review that set out, for the first time, how the private rented sector was made up, its strengths and its weaknesses. So much has changed in the last decade: there has been rapid growth of the private rented sector and it has become more complex with changes to both the characteristics of those living in it and the way in which private rented homes are supplied.

Because of these changes, in the wider context of a national housing crisis, robust, independent and up-to-date information is needed to enable policymakers and all those concerned with the private rented sector (and housing more widely) to make informed judgements and decisions. It is for this reason that we funded the same academic team to carry out this review.

The review answers many questions about the state of play of the private rented sector, but also highlights what still needs to be answered. A critical question is what role the private rented sector is expected and willing to play in the wider housing system. The sector is increasingly being used as an alternative to home ownership and social housing, but is it an adequate alternative? Most worrying is that the evidence tells us there is a growing residual slum tenure for private rented sector households on low incomes, whose needs are being neglected.

For too long, policy surrounding the private rented sector has been uncoordinated. Responsibility for renting policy sits across five different government departments, and we've seen eight different housing ministers in the last eight years alone. To tackle the wide-ranging and increasingly complex and urgent issues, the government needs to create an overarching private rented sector strategy and the current approach of tweaking different aspects of the sector in isolation must stop. Instead we need a clear vision for the sector and how it sits alongside other tenures to inform all subsequent policy decisions.

The input of those who contributed to the review from all parts of the sector is encouraging and suggests there is appetite for finding solutions. We will continue to transform the private sector by collaborating across the sector as well as funding work that delivers proven solutions.

Our thanks go to Dr Julie Rugg and David Rhodes for carrying out such a thorough and insightful piece of work that can inform thinking and decisions relating to the private rented sector. Our hope is that if this review is repeated 10 years from now, it would discover that private renting is meeting the needs of all who live there.

Leigh Pearce, Chief Executive
The Nationwide Foundation
September 2018

Methods and Report Conventions

Information and data are presented from a number of sources. These include:

- statistics and other information obtained from published documentation;
- statistics extracted from Government and other on-line resources;
- new analyses of primary and secondary data sets; and
- material collected from a series of briefing meetings, interviews and focus groups with a wide range of key informants.

Sources of publicly available information, including published documentation and statistics obtained from on-line resources are detailed in footnotes to the text.

New analyses of data are indicated in the text in table or chart footnotes. Key secondary data sources include the 2001 and 2011 Censuses of Population, the Family Resources Survey from the years 2000/01 to 2015/16 (2015/16 being the most recently available at the time of the analysis), and the English Housing Survey data from combined years.

A suite of questions was included on four waves of the Ipsos MORI Capibus during February 2018, when 1,358 face-to-face, in-home, interviews were achieved with private renting adults in England. These data are referred to as the Review Omnibus. A selection of data from the Review Omnibus is included in Appendix 2 (AT11 to AT23).

In conjunction with Census data, other secondary data sources and area classifications were used for an analysis at the local authority level. These include:

- DWP figures on Housing Benefit caseload (Stat-Xplore),
- VOA figures on median private rents,
- Land Registry data on residential property transactions prices,
- the 2015 Index of Multiple Deprivation,
- the ONS 2011 rural-urban classification of local authority areas,
- the ONS 2011 classification of local authority area type (principally using the 'Supergroups'),
- Zoopla lettings data (provided by Arc4),
- median gross pay figures from the Annual Survey of Hours and Earnings (place of residence based),
- local authority and PRP average rents, and
- P1E data.

Sources and explanations are provided in footnotes to the text. Appendix 2 includes a suite of tables including analysis of data from the Census, the Review Omnibus, the Family Resources Survey and from UK Finance.

Percentages in the report have been rounded to the nearest whole per cent, and values greater than zero and less than half of one per cent are indicated by an asterisk. Percentages may not total to 100 due to rounding. A number of figures used in the report are based on multiple response survey questions, which means that the percentages are likely to total to greater than 100. Unless noted to the contrary, figures in the report relate to England.

No direct quotations have been used from any face-to-face interviews, meetings or briefings and no views have been attributed unless those views have been published in documentation in the public domain.

EXECUTIVE SUMMARY

Introduction

- This Review of the PRS has been funded by the Nationwide Foundation, with the intention of providing a comprehensive analysis of the 'state of play' of the private rented sector (PRS), assessing policy interventions currently impacting on this part of the housing market, and considering possible policy options for more effective operation of the sector. The Review uses a mix of qualitative and quantitative methods.

- The objective of the Review is to present neutral commentary on the PRS and to draw on robust evidence. The Review regards the PRS as being neither innately problematic nor innately beneficial: it is a market whose significance and meanings are partly derived from developments in social housing and in owner occupation.

- There are distinctive contexts for this current Review. The PRS has expanded substantially since 2000, but growth has slowed and 2017 saw – for the first time since 1999 – a slight reversal. Demand for private rental continues as a consequence of decreases in overall housing supply, and problems with accessibility of owner occupation and diminishing supply of property in the social rented sectors.

- Nevertheless, the Global Financial Crisis has created substantial appetite for investment in the PRS at both the small and large-scale, given favourable returns compared with other investment opportunities. There is considerable interest in the supply of property to 'middle market' renters.

- At the same time, Welfare Reform has created difficulties for tenants in the lowest income quartiles which continue to be felt as the roll-out of Universal Credit progresses. Another as yet uncertain context is the impact of Brexit on demand and supply-side characteristics of the sector.

- It is becoming increasingly difficult to generalise about the PRS. Overall, evolution of the sector has introduced a degree of tenure 'blur', which is creating difficulties in establishing firm boundaries about the letting arrangements that can be defined as private rental. As the PRS and the social housing sectors continue to evolve, England is heading for a more firmly 'bi-tenural' housing market of owners and renters.

CONTRIBUTION: THE CURRENT PRIVATE RENTED SECTOR

Supply

- There has been an increase in the proportion of landlords defined as 'individuals/couples', from 73 per cent in 2006 to 89 per cent in 2010. Review Omnibus data indicate that there are an estimated 2.3m adults in England who are private landlords in some form. Nine per cent of landlords are themselves private tenants. In

addition, 1.9m individuals had been involved in letting property in some capacity in the past.

- It is helpful to develop more sophisticated category definitions of landlords, which moves beyond portfolio size and funding mechanism. The concept of a landlord biography is useful in concentrating attention on the dynamic aspects of letting property over the life course. The Review suggests a categorisation of landlords to include 'episodic' or temporary landlords who are letting largely as a consequence of a life course events; pension plan landlords, looking for a long-term letting arrangement and income for retirement; portfolio landlords actively building their holding of lettings; and divesting landlords, who are seeking to 'retire' from landlordism and are looking to sell certainly in the medium term.

- It is notable that a large minority of letting behaviour can be categorised as short-term in intent, and informal in the sense that lettings are made to friends and family.

- Diversity in landlord types indicates that there will be variability in recourse to buy-to-let mortgages and in the use of other forms of finance, and as a consequence activity in the buy-to-let mortgage market is not always the best guide to trends in PRS supply.

- For well over a decade, a stated goal of successive governments has been to encourage institutional investment in the PRS. Build to Rent (BTR) has flourished in the last ten years: by 2016, £15bn had been invested in the sector, with an expectation of a further £50bn by 2020. In Q1, 2018, completed units comprised one half of one per cent of the PRS.

- A number of contexts and developments have created a propitious environment for the expansion of BTR activity. In particular, residential returns have been demonstrably more favourable than commercial returns since the Global Financial Crisis, and there has been robust demand for rental property. There has been strong political support for BTR. Further, opportunities have arisen in the relaxation of planning regulations around office-to-residential conversions: in 2016, two thirds of completed schemes in London were in that category.

- BTR development overlaps with new incursions into the PRS by larger housing associations (HAs) although early HA involvement in some leading BTR developments has since been overshadowed by expansion into this market by other large-scale investors. In 2018 it was reported that one in fourteen lettings of the 'top seven' housing association were let at market rates. HAs have a variety of motivations for PRS involvement, including the generation of income to subsidise social lettings activity. Not all commentators are in agreement that HAs should be in the business of private market lets. At present, HA contribution to PRS stock is small, but likely to expand

- In 2017, it was reported that 150 local authorities had set up housing companies. These companies often aim to generate operating profit for local authorities to augment general funds. Many look towards more effective investment of funds that would have

been spent on temporary accommodation placement, and use their 'PRS' properties to meet homelessness duties, although a number of models were in evidence. Again, in comparison with the size of the PRS, the scale of such activity is small.

- Finally, supply-side characteristics of the PRS include the activity of letting agents, which cover around two fifths of the lettings market. Surprisingly little is known about lettings agents as an industry. Review Omnibus data suggest that letting agents are less likely to be dealing with property at the bottom of the market, and much more likely to be dealing with households in employment. There is widespread dissatisfaction amongst landlords and tenants with the operation of letting agents, but little information about whether letting agents are effective in bringing new supply to the market from landlords who would otherwise not let their property.

Demand

- 'Snapshot' demographic statistics of renters are often less helpful than a sense of the role that renting plays in longer-term housing biographies. People are renters for many reasons, and often a stay in the PRS is a precursor to movement into owner occupation or social rented housing.

- EHS data on the dynamics of demand indicate that the PRS is playing a less pronounced role as a destination for new households, which includes families or individuals moving to live independently. Between 2006/7 and 2016/17, new household formation declined numerically from 360,000 to 290,000 households.

- In 2006/7, 48 per cent of new households were private renters, and 32 per cent were owner occupiers; in 2010/11 these proportions were 68 per cent and 14 per cent respectively. In 2016/17, the proportion of new households becoming renters had dropped back to 51 per cent, and new owner occupiers risen to 26 per cent.

- There has been an increase in the number of private renters aged 35-44, although this increase does not in itself account for a drop in the number of owner occupiers in this age category, which fell from 2,855,000 to 2,092,000 between 2008/9 and 2016/17. Younger renters are living in the parental home for longer: in 2016/17, 14 per cent of all households comprised a couple or lone parent with at least one independent child; no time-series are available to chart this trend.

- Households are living in their current tenancies for longer. In 2008/9, 39 per cent of households had lived in their current tenancy for less than a year; in 2015/16, this figure was 26 per cent. The proportion who had been living in their property for three to five years increased from 18 to 30 per cent over the same time period. There was a marked increase in tenancy lengths for families with dependent children.

- Despite growth in the incidence of renting and length of time in the tenure, much of the evidence on housing preferences points to a continuing strong desire to own property. According to the EHS, the majority of younger people aged 16-24 years old

expect to buy. The expectation was lower in the bottom quintile of rents but still comprised a substantial minority of respondents.

- Since 2008/9 the strongest reason commonly cited by private renters for not expecting to purchase related to affordability. According to EHS data, 'It is unlikely that I will ever be able to afford it' was given as the reason by 56 per cent in 2008/9, rising to 70 per cent in 2015/16. The proportion of respondents citing 'pro-renting' reasons for not expecting to buy dropped from 35 per cent to 18 per cent over the same period.

- Overall, the data suggest that the growing percentage of private renters does not necessarily reflect more positive attitudes towards the tenure.

- The PRS comprises an extended series of demand markets, each of which has characteristics and issues which merit separate analysis. In summary, key points of interest are:

    - Increasing investment, to the point of saturation in some areas, in purpose-built student accommodation; studio apartments as an emerging and largely supply-driven trend within student housing developments; growing concerns relating to affordability in PBSA;

    - Increasing investment in BTR developments aimed at young working singles and couples, and in particular innovations around 'co-living' products offering reduced space standards but with compensatory shared living space;

    - The Housing Benefit market shrank as a proportion of the PRS overall, markedly amongst younger tenants, although the proportion of working HB tenants has increased substantially; around half of all HB claimants in 2017 were in the top one third of local authorities with the highest claimant numbers, indicating that a large proportion HB tenants are in HB-dominated markets where landlords may have fewer alternative letting groups;

    - The use of temporary accommodation to meet homelessness need has grown since 2012, with a larger proportion of lettings at more expensive 'nightly rates'; changes have been made to central government funding to local authorities using TA;

    - A 'shadow' PRS with very high levels of criminality is in evidence, where criminals may be using rental property to undertake Housing Benefit fraud, illegal 'rent to rent' subletting, trafficking and drug dealing; this part of the market requires active police intervention;

    - Eighty per cent of recent migrants to the UK from overseas live in the PRS, and this proportion is higher in London; lower-income migrants are often disadvantaged in the PRS as a consequence of housing rights and responsibilities and language difficulties; there are concerns that 'right to rent' regulation is further

disadvantaging migrant renters who may be more likely to fall into the more informal and shadowy PRS;

- Arrangements to meet housing need amongst asylum seekers provokes questions on the ways in which statutory demand and procurement both sanctions and encourages the supply of substandard accommodation, especially in low-demand rental markets where landlords would be unlikely to find alternative tenants;

- There is interest from the BTR sector particularly in meeting the needs of 'middle age, middle market' households with children ;

- Households with a HRP aged 65 and above decreased as a proportion of renters between 2000/1 and 2015/16 from 14 to 8 per cent. Overall numbers increased from 301,000 to 354,000; 21 per cent of older renters were still in work; 45 per cent of older renters are in receipt of Housing Benefit;

- Finally, there has been a decrease in some kinds of letting activity, evidencing an increased marketization of the PRS: there has been drop in the proportion of tied lettings in the sector and in the numbers of lettings from a relative or friend; the incidence of rent-free lettings has also fallen, although there are still over 200,000 households in 'rent-free' lettings.

Geographies of renting

- Between 2001 and 2011, the number of all households grew by six per cent across England, but the PRS grew by 65 per cent. This growth was not even: strongest growth was evident in the West Midlands region, at 83 per cent, and was more muted – relatively – in the South West region at 49 per cent.

- The largest 2001 to2011 growth in PRS size occurred in areas with the highest gross yields, and also in the most deprived areas.

- The sector was smaller in locations classified as 'largely rural', at 14 per cent, and larger in 'urban with major and minor conurbation', at 19 per cent. The sector was much the largest in Greater London: in 2011, 22 per cent of the entire PRS in England was located in this area.

- According to Review analysis of the EHS, 27 per cent of PRS properties fail to meet the Decent Homes Standard, but there was regional variation. Stock condition was worst in the West Midlands than in any other region, at 40 per cent non-decent. Reasons for this being the case are uncertain, since the PRS stock there is not proportionally older than in other regions, particularly in comparison with the North East, where 19 per cent of stock was non-decent.

- The median cost of rectifying non-decency in the West Midlands was the lowest, at £1,481 per property, compared with £3,686 in Greater London and £2,268 for England as a whole.

- According to FRS data, average rents increased by slightly more than incomes between 2000/1 and 2015/16, leading to a slight decrease in affordability from 0.28 to 0.29 over that period. There is regional variation in this figure: in the northern regions, affordability increased slightly from 0.27 to 0.26; in London there was an decreased in affordability, as the ratio rose from 0.34 to 0.39.

- At the local authority level, affordability ratios are highest in the least deprived local authorities, at 0.34, and lowest in the most deprived, at 0.30. Low levels were also evident amongst areas classified as 'services and industrial legacy' (0.23) and 'town and country living' (0.26). The affordability ratio was high in 'ethnically diverse metropolitan living' (0.46).

- As the proportion of households living in the PRS increased, so the level of deprivation also tended to increase: within each region, the most deprived areas had the largest PRS.

- The localised geographies of private renting can also be understood using more narrative accounts. Local authority responses to a call for information on local market characteristics indicates that further research is necessary on the ways in which local economies and housing forms configure the PRS in particular locations.

POTENTIAL: POLICY INTERVENTIONS

Additional supply and finance

- Up until 2015, the availability of interest-only buy-to-let mortgages and the ability to offset mortgage interest against taxation created a markedly benign context that facilitated the growth of holdings amongst landlords seeking to expand their portfolio.

- The expansion of the PRS has not contributed substantially to overall net increases in housing stock although demand from landlords for property to let can increase builder confidence in bringing property to the market. Fifty-nine per cent of landlords in the Private Landlord Survey 2010 purchased their last property from existing housing stock. In addition, it is estimated that over 500,000 social housing properties originally sold under Right to Buy are now let in the private sector.

- There is as yet little certainty around the impact of taxation changes on portfolio decisions of pension plan and portfolio landlords. Some landlords are not as yet fully aware of and understand the tax changes. For example, in 2016 it was reported that 48 per cent of landlords were not conversant with changes to the deductibility of

mortgage interest. Furthermore, surveys relating to landlords' decisions to sell may well reflect their response to perceived change in the market: in Q1, 2018, 28 per cent of landlords reported a fall in demand for rental, compared with eight per cent in Q1, 2015.

- A section of the market will remain unaffected by the changes, in comprising 'episodic', short-term landlords, landlords with unmortgaged properties, and landlords that are companies. At greater risk will be landlords who have used a BTL mortgage to purchase property and who may face a drop in net rental income to meet mortgage payments. Portfolio landlords at an early stage in their letting career and servicing a high level of debt and more property transactions may also be at risk from higher losses through taxation.

- The taxation changes are unlikely to have diminished the appetite for small-scale, individual, residential investment.

- The principal definitional framework for Build to Rent is to bring new property to the market, specifically for rental. Supply to the market from this source is unlikely to fall in the near future, and it is worth now giving greater consideration to what is being delivered to the market via this mechanism.

- There are three areas where additional information would be welcome: first, there is limited availability on achieved rents and the possible inflationary impact of those rents on local markets; and second, it is uncertain how far BTR developments are meeting local housing need, or importing need from outside the borough. The industry cites 'obstacles' to development, which generally comprise the relaxation of statutory requirements around the proportion of affordable units within developments, or on space requirements. Thus, a third area where additional information required is to chart the outcomes of local negotiations, and monetize the level of subsidy secured by offsetting affordability requirements.

Regulating the sector

- Overall, there has been an improvement in property quality in the PRS, in line with property quality improvements across all tenures. Improvement cannot be explained wholly by an increase in the influx of newer properties to the sector.

- It remains the case that a higher proportion of PRS properties fail to meet the Decent Homes Standard. Although this proportion has dropped since 2006, the number of non-decent homes has remained relatively stable since that time, at between 1.29m and 1.35m.

- According to Review analysis of EHS data, some properties were much more likely to be non-Decent compared with the sector average of 27 per cent. These include converted flats (52 per cent non-decent), and dwellings constructed before 1919 (47 per cent non-decent). For all properties constructed post-1980, 12 per cent were non-decent in the PRS, compared with seven per cent social housing and five per

cent owner occupied property. Even amongst properties in the highest rent quintile, 19 per cent were non-decent, compared with 36 per cent in the lowest rent quintile.

- A mixture of explanations has been forwarded to explain why properties continue to to be non-decent in the PRS, including factors relating to property type, landlord experience and intent, local authority proactivity with regard to enforcement, and the nature of the local market. No robust evidence has been proposed that assesses the relative strength of these factors.

- There is currently no regulation that defines a minimum standard for property deemed suitable for letting, although the local authority can enforce compliance with the Housing Act 2004 if a property is inspected. Property quality is assessed according to the Housing, Health and Safety Rating Standard (HHSRS), which is a complex, risk-related assessment. A review of the HHSRS is currently out for consultation, since there are concerns about whether the system is adequately up to date, and if it is sufficiently straightforward to be understood by tenants and landlords.

- Active enforcement includes the mandatory licensing of houses in multiple occupation (HMOs) and selective licensing schemes, which permit local authorities to bring all privately rented properties in a designated area into a licensing regime. No recent national evaluation has taken place of licensing schemes introduced under the Housing Act 2004. The fact that the Act concentrates statutory attention on certain types of property means that outside the selective licensing areas, and where properties are not designated HMOs, there is no effective scrutiny.

- As a consequence, bringing poor property standards to the attention of local authorities becomes the responsibility of individual tenants, although multiple reports have underlined tenants' unwillingness to complain about standards.

- Poor management practice is harder to quantify than a failure to meet objective property standards. The principal issue is landlords' not undertaking routine maintenance and/or responding in a timely way to requests for repair. Indeed, tenant expectations in this regard are very low.

- The list of activities falling under 'poor management practice' is extensive. Many activities have provoked targeted intervention including protection from illegal eviction, deposits schemes to prevent unfair retention, and protection from retaliatory eviction. Further intervention has aimed to increase tenants' access to their rights and responsibilities, and to reduce letting fees charged to tenants.

- Some lessons can be learned from these kinds of targeted intervention. There is a need for caution: tight targeting on particular issues carries increased risk of unintended consequences, and as separate measures accumulate then difficulties emerge with regard to complementarity. In addition, targeted interventions generally pay little attention to modes of enforcement. Local authorities are under-

resourced, and tenants – who often view poor management as integral to the experience of renting – see little point in complaining.

- Extended discussion attaches to the need to amend assured shorthold tenancies (ASTs) to increase tenant security. Any change must encompass all relevant aspects of this tenure type including the initial tenancy length, rent liability during any fixed term, rent increases within the tenancy, notice period for the end of the tenancy, and 'no fault' eviction using s21 notices. Attempts to improve tenure security by altering just one or two of these elements are unlikely to be successful. Improvement in tenure security should acknowledge that both landlords and tenants see different elements of ASTs as being necessary to the mitigation of risk, particularly given dissatisfaction with forms of redress available through the court system.

- A number of alternative approaches have been mooted as a way to improve management practice, but none provide a comprehensive solution:

    - Increasing the use of letting agencies offers little guarantee of improvement, given widespread dissatisfaction with the practices of many letting agent, who may be as 'amateur' as the landlords they serve;
    - Build to Rent offers higher management standards where it is in the commercial interests of the developer; at present, competition in the market means that providers aim to develop customer satisfaction;
    - Voluntary accreditation lacks effective market penetration;
    - Rogue landlord databases are an as yet unproven method for improving property standards;
    - Mortgage provider intervention is an as yet untested route to secure improvements in property quality and management; and
    - It is unlikely that tax incentives can be sufficiently well targeted to meet the parts of the market that are the most problematic.

- The law relating to private renting is problematic in three major ways:

    - there is a lack of a strategic focus, with a tendency to accrete layers and inconsistencies on where responsibilities lie within local authorities adds further confusion; the lack of strategic focus means that the sector is vulnerable to wide swings in regulatory intent, driven by political exigency;
    - the law contains omissions and is generally out of date;
    - and there the law too often relies on tenants to complain or bring actions against landlords.

- Even where the law is unambiguous, there is a lack of effective enforcement. It is estimated that fewer than two per cent of all PRS properties were formally inspected in 2013/14. Cuts in central government funding have in many cases led to a reduction in the size of enforcement teams dealing with a PRS that has doubled in size in some local authority areas. There has been only limited discussion on the role of the police in contributing to the task of enforcement, particularly where there is strong evidence of criminal activity.

- There are multiple and confusing pathways to redress, depending on the type of complaint: it is understandable, therefore, that many tenants have a low level of awareness of their options when problems occur with a tenancy. Again, the Government has launched a consultation on the possible introduction of a single redress scheme, perhaps created by expanding the scope of the Housing Ombudsman. The need for a specialist housing court has been mooted, but its value to tenants may be limited without appropriate access to legal advice.

Meeting the needs of low income renters

- Excess rents are not endemic in the open market PRS, and the majority of tenants meet their rental payments without financial difficulty. Fewer than 10 per cent of tenants are in arrears with their rent.

- Some demographic groups do pay a higher proportion of their income in rent, compared with others, including groups that are more vulnerable to harm in the sector: affordability ratios are higher where the household reference person (HRP) is unemployed (0.48 per cent) or a lone parent (0.35 per cent).

- Policy responses to rent affordability issues have tended to be focused on the needs of 'middle income' renters, and have been targeted at controls on rent increases during the course of the tenancy. The Government has also expressed a strong commitment to delivering rental properties at 'affordable' levels. This means an increase in the supply of property in some instances only slightly below the market level, rather than at a rent that would be affordable by a household on the minimum income.

- Strong rent control is exerted in the housing benefit market via an absolute cap on local housing allowance payments to the tenant, and a current freeze on rental increases during the course of the tenancy. These controls operate to the detriment of the tenant. There has been a progressive mismatch between the asking rents and the level of LHA support available to low-income families.

- Information on shortfalls does not in itself indicate how tenants and landlords are responding to changes to the level of HB payments. There is little evidence that tenants move in response to a shortfall between the rent and the LHA; rather, tenants tend to reduce their household expenditure on essentials. This strategy fails

in the long term, as tenants become unable to accommodate both a shortfall and price inflation on food and utilities.

- The roll out of Universal Credit (UC) is likely to exacerbate tenants' financial precarity. This is particularly the case since the accompanying sanctions regime places tenants at increased risk of a sudden fall in benefit income, so undermining any ability to meet a housing benefit shortfall. Landlords have experienced an increase in arrears where tenants are in receipt of UC, and express dissatisfaction with the delays that are currently associated with UC. The National Audit Office has called for a better understanding of linkages between Welfare Reform and homelessness.

- One response to the problems faced by tenants unable to secure affordable private rented accommodation has been a growing number of access or 'help to rent' schemes. These schemes vary substantially in ownership, management, scale of operation and targeted client group but all aim to facilitate access to sustainable PRS tenancies as a way of meeting housing need. The majority of local authority areas will have at least one kind of scheme. Schemes devise a package of services to offer to landlords to encourage them to give tenancies to households in receipt of housing benefit.

- One recent innovation is to mobilise large-scale institutional social capital to purchase properties which are then let to households in receipt of housing benefit. This innovation aims to pay an agreed low return to investors from rental returns and capital uplift on the properties purchased.

- There is widespread agreement on the value of help to rent schemes, which are periodically 're-discovered' as a solution to homelessness. Statutory funding for this kind of work has tended to be available as part of short-term government programmes, without the security of a long-term statutory funding commitment. The short-term nature of the support undermines scheme development, which generally rests on forging long-term relationships with landlords which ideally might involve their developing a new portfolio exclusively for scheme use.

- In disaggregating the services offered by schemes that help people to secure tenancies, it is evident that there can be some confusion around the financial and support needs of tenants requiring help. Some lower-income tenants simply require financial assistance to pay the deposit and rent in advance required to secure a tenancy. Concern to ensure that support mechanisms are in place for all scheme tenants has confused issues around the cost and viability of help to rent schemes.

- The 2008 Review indicated that problems had started to arise with 'incentive inflation', as local authorities competed to secure properties for use as temporary accommodation. TA remains a rather confused area of local government activity in terms of funding, and in the liberty given to local authorities to purse alternative approaches to securing TA. This situation might become either more complex or

simpler as the Homelessness Reduction Act increases pressure on local authorities to interact with their local housing markets.

- Overall, it is difficult to estimate how many tenancies are supported by a mediation scheme of some description. This intervention constitutes a solution, but also a problem for two reasons. First, mediated tenancies tend to rely on landlords making what is effectively a charitable contribution: social investment capital accepts lower yields than would be available in the open market, and schemes often secure small-scale landlord co-operation because they want to help homeless families. It seems optimistic to expect that a large proportion of private renters in the bottom two income quintiles will be accommodated by appealing to landlords with philanthropic motives.

- Second, mediated tenancies also distort the market: many landlords will increasingly expect to receive incentives in order to let to tenants in receipt of LHA. Such is the nature of demand from some statutory agencies, landlords of some of the worst properties are still able to secure tenants for properties that they would be unlikely to let in the open market. Further, these arrangements often create tenancies with rents that are inflated beyond tenants' ability to pay the rent independently, from earned income.

- Both types of intervention obscure the heart of the difficulty: the benefit system no longer supports low-income tenants to pursue their own, unmediated pathways through the rental sector.

CONCLUSIONS

- The PRS is complex and evolving, prompting new understandings of what it means to rent and to let property.

- The size of the sector is less important than its configuration and the changing nature of the needs that are being met. There are too many households in the sector that would prefer to be in other tenures. There are cost implications for not meeting those preferences: many privately renting households may be heading for a long retirement in the sector, with inadequate pensions to cover housing rented at market rates; and it is uncertain whether housing a large proportion of low-income tenants in the PRS is the most cost effective approach to meeting housing need.

- Property conditions in the market remain poor relative to other tenures. There is a disproportionately high percentage of households with babies and infants living in the PRS, and there is a particular concern for the longer-term health consequences of living in damp, mouldy property with poor thermal comfort.

- The regulatory framework for private renting is out of date, and in need of radical revision. Other frameworks also require attention: planning pays inadequately nuanced attention to the complexities of the PRS, and the local housing allowance

system is based on Broad Rental Market Area boundaries that are wholly out of date.

- London's PRS dominates the narratives that sit around renting, but the capital is not the only story. Renting is configured differently in different types of area: problems are not the same, and solutions have to be flexible enough to accommodate difference.

- Parts of the PRS constitute a globally-traded asset class; private renting is a part of almost every housing biography; and being a private landlord is becoming commonplace amongst households on middle and high incomes. Private renting is by no means a marginal activity. There is a need for policy interventions that are more neutral: overtly 'pro' or 'anti' PRS measures always distort the market. A more neutral approach increases the precision with which it is possible to understand problems and define appropriate solutions.

RECOMMENDATIONS

- There needs to be a fundamental change to regulation of the PRS. This change should be based on 'road map' of required interventions to meet an overarching strategy for the sector. The strategy should be devised through an extended programme of consensus-building amongst a wide range of policy stakeholders, dismantling government departmental siloes which prevent effective policy co-ordination.

- There is a profound lack of information on how the PRS works as a market, at both the national and local levels, and where and how particular interventions have impacted on effective operation of those markets. Sector interventions are too often based on London problems and then extrapolated to other types of area. Any strategy for the PRS needs a strong evidence base, to create robust benchmarks that can be used to assess progress.

- There needs to be an entirely new regulatory framework for the PRS. The current law is confused and contradictory. The law should be revised and simplified. A new approach to letting should reframe this activity as a neutral consumer transaction.

- The Review recommends the introduction of a combined national landlord and letting agent register. It should not be legal to let property without being on the register. A small, tax-deductible charge will be made for being on the register, which will also fund the operation of a national redress scheme, which both landlords and tenants will be able to use. Selected statutory agencies would have access to the register, which will be used to ensure effective communication on new policy and best practice. Where landlords or agents are found to be in contravention of property or management requirements, points will be lodged against the landlord or agent number, open to public view. The accrual of points may then lead to a banning order.

- All property should be required to be fit for letting: a property 'MoT' certificate will indicate that the property has passed independent inspection. Securing the licence would be a tax-deductible business expense, and the licence would cover requirements including gas and electrical safety. All properties would be required to meet a minimum property standard: a new standard should be established in consultation with the industry, environmental health professionals and tenant representatives. Properties would be inspected annually.

- The licence would be issued by independent property inspectors, much as registered garages can issue MoT certificates. Providing these serves constitutes a new business opportunity at small, medium and large scale; local authorities may also offer this service in an entrepreneurial capacity.

- Existing regulation around mandatory, additional and selective licensing should be replaced by simpler regulation: all property used as a HMO should be registered as such with the local authority, on payment of a small fee set nationally. These properties would remain subject to 'MoT' requirements, suitably amended for shared property. Registering the property as a HMO would allow local authorities to monitor broader neighbourhood and planning impacts that travel beyond issues relating to internal property quality.

- These suggestions remove the burden of property oversight from local authorities and from tenants, and create a more neutral environment for judging property condition.

- Reform to the redress system, through expanding the remit of the Ombudsman and creating a specialist housing court, should take place only after thorough exploration of how problems are dealt with through existing modes of redress, to assess the likely nature and scale of problems that any new redress scheme would have to accommodate.

- The Review recommends that any suggested changes to security of tenure need to take into account all the elements that constitute assured shorthold tenancies. Any change to the current system should await evaluation of the impacts on landlord and tenant behaviour of change to the tenure system in Scotland.

- Welfare Reform is undermining the economics of the bottom end of the PRS, with longer-term impacts that are not yet well understood. The LHA functions as a remarkably crude form of rent control, with consequences that are proving punishing to tenants. If the PRS is going to be used to accommodate low-income renters, then the current system needs to work in co-operation *with* landlords.

- Notwithstanding the need for change in housing benefit regulations, it is strongly recommended that the Government undertakes a thorough review of how best to meet the housing needs of low-income tenants, with a particular focus on tenants in receipt of benefit. That review must take place as a joint endeavour between MHCLG and DWP, and take place as a matter of urgency. It is unlikely that the

desired impacts of the Homelessness Prevention Act and new Government targets to reduce homelessness will be achievable without such a review taking place.

- Active local management of the PRS needs to be supported through the introduction of best practice guidance. It is suggested that lessons be learned from the operation of the National Practitioner Support Service, which has been effective in creating peer-supported performance indicators for the delivery of homelessness services at local authority level.

- There is a widely held view that the PRS is facing severe skills shortages in commercial housing management and in enforcement activity. The Department for Business, Energy and Industrial Strategy has a role to play in auditing the skills required to support an evolving PRS, and to ensure that the PRS is delivering adequate property management and quality standards.

A1. INTRODUCTION

1.1 The Review task

This Review of the private rented sector (PRS) has been funded by the Nationwide Foundation, an independent charitable organisation, and has been carried out by the Centre for Housing Policy within an agreed set of parameters. The aim is to obtain a better understanding of a growing and maturing English PRS, and in doing so replicates the methods of a previous Review published in 2008.[1] The PRS has changed considerably in the intervening period.

Renting privately is often characterised as an interim measure, mainly for younger households seeking a degree of flexibility. The earlier review confirmed that, in actuality, the PRS contained a number of distinctive niche markets and demand groups and wide variation in letting arrangements and practices. Since the start of the century, the PRS has accommodated an increasing number of families whose access to social housing has become more limited, and who often could not afford owner occupation. Questions have therefore arisen about the ability of the sector to offer secure, good quality, affordable housing for households with children seeking longer-term tenancies.

There is not always strong consensus on the value of the PRS to the wider housing market, and policy interventions can be ambiguous and contradictory in intent. The sector has grown against a backdrop of stagnation in the overall housing supply and it has been proposed that fiscal and planning support for PRS could help counter England's housing shortage. At the same time, increasing numbers of households experiencing a protracted period of renting privately and difficulties in accessing owner occupation is deemed to signal a 'broken' housing market.[2]

Questions on the operation of the sector come at a time of a recent slowdown in the growth of private renting and change in the scale and importance of different demand groups, modes of supply and markets. Supply elements of the market have diversified: 'Build to Rent' (BTR) – nascent in 2008 – has expanded and will continue to expand as early developments contribute market knowledge encouraging further investment. England remains a nation of small landlords, but the context of small landlordism has shifted. Many more landlords are now in possession of largely unmortgaged portfolios, but recent changes to landlord taxation have created a less benign context for small landlord portfolio growth. Finally, Welfare Reform has brought substantial change to the economics and affordability at the bottom end of the PRS, contributing to increased homelessness and tenancy unsustainability.

The PRS continues to be viewed as a problematic sector. Since the 2008 Review, successive English governments have introduced legislative changes with the objective of improving

[1] Rugg, J. and Rhodes, D. (2008) *The Private Rented Sector: Its Contribution and Potential*, York: Centre for Housing Policy.
[2] *Fixing Our Broken Housing Market 2017*, Cm 9352, 5.

property quality, management standards and tenant security. At the same time, the devolution of housing functions to Scotland, Wales and Northern Ireland constitutes an opportunity to learn from variation in policy approaches to problems in the PRS.

The terms of reference for this Review are to:

- provide a comprehensive analysis of the 'state of play' of the PRS;
- assess policy interventions currently impacting on this part of the housing market; and
- consider possible policy options for more effective operation of the sector.

The Review has employed five principal research methods:

- analysis of secondary data sources including the UK Census of Population, the English Housing Survey and the Family Resources Survey;
- a survey of private tenants and landlords, undertaken through a suite of questions added to a national omnibus during the first quarter of 2018;
- an extended series of expert and stakeholder briefings, interviews, focus groups and meetings, which have been used to help frame an understanding of operational aspects of legislation, regulation and finance and practice, for example, in homelessness prevention services;
- a desk-top review of over 250 items of grey literature, industry reports, parliamentary briefing papers and parliamentary committee reports; and
- a call for evidence on local housing markets, aimed principally at local authorities but accepting reports from other stakeholders.

The Review seeks to be entirely neutral, and to draw on robust evidence. A great deal of discussion about the PRS carries political connotations and can be burdened with negative historic images. Commentators, academics and lobby groups often present information that can carry a more or less explicit agenda. The Review does not view the PRS as either innately beneficial or innately problematic. It is a market, and the significance and meanings of that market are in part derived from developments within the owner occupied and social rented tenures: the PRS has to be viewed in this wider housing context. Questions remain as to whether the PRS can deliver the values attributed to other parts of the housing market as they diminish in relative size, and these questions are integral to the current review.

1.2 Change in the PRS since the Global Financial Crisis

Beginning in the 1990s, there was a reversal to a long period of decline in private renting. The reasons for the decline and upturn have been discussed in detail elsewhere.[3] While the total housing stock in England increased by one eighth between 2000 and 2017, the share of stock that was privately rented has more than doubled, from 2,089,000 to 4,786,000 dwellings (Chart 1.1). Between 2000 and 2017, the PRS increased from about ten to twenty

[3] Kemp, P. A. (2004) *Private Renting in Transition,* London: CIH.

per cent of the total housing stock in England. The rate of growth has been variable, with the biggest increases in local authorities that had hitherto tended to have a relatively small private rental market (Map 1.1). Strongest growth in the number of PRS dwellings occurred in the ten years before the Global Financial Crisis (GFC) in 2007-8. Since 2008, year-on-year PRS dwellings growth has slowed considerably, from an average of six per cent a year cent between 2009 and 2012 to an average of three per cent a year between 2012 and 2016. In 2017, there was a slight drop in the number of PRS dwellings, which was the first time the sector had contracted since 1999. The owner occupied sector slightly increased.[4]

As the PRS has expanded, demographic changes have occurred within the sector including:

- an above-average increase in levels of employment and self-employment amongst tenants;
- an above-average increase in household incomes amongst tenants; and
- a growth the number and proportion of households containing dependent children.

Private rents have increased since 2000 by more on average than both earnings (across all tenures) and the rate of inflation (Chart 1.2). Average house prices have in turn increased by considerably more than private rents.

[4] GOV.UK DCLG Live Tables on Dwelling Stock, Table 104: Dwelling stock by tenure, England (historical series).

Chart 1.1: Stock of dwellings in England, 2000 to 2016

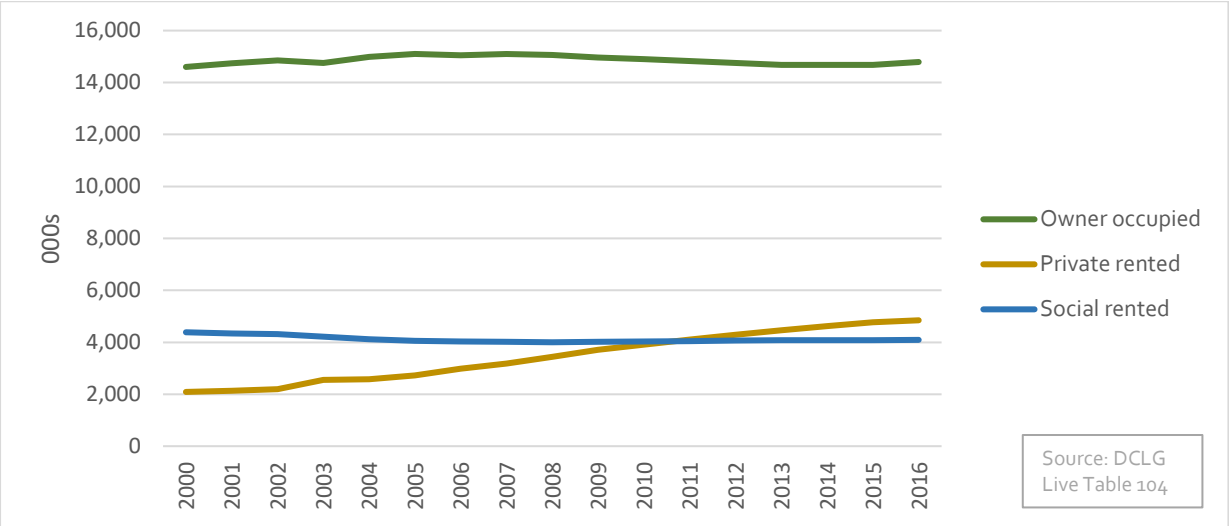
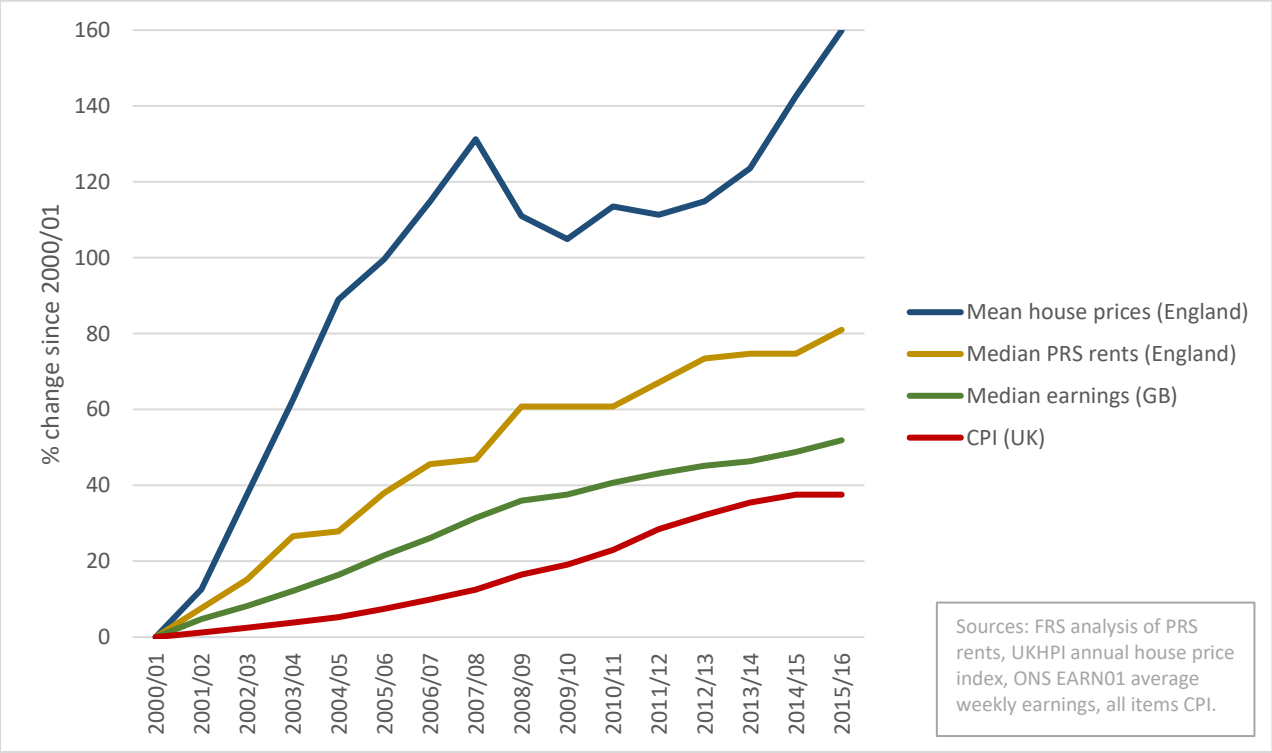
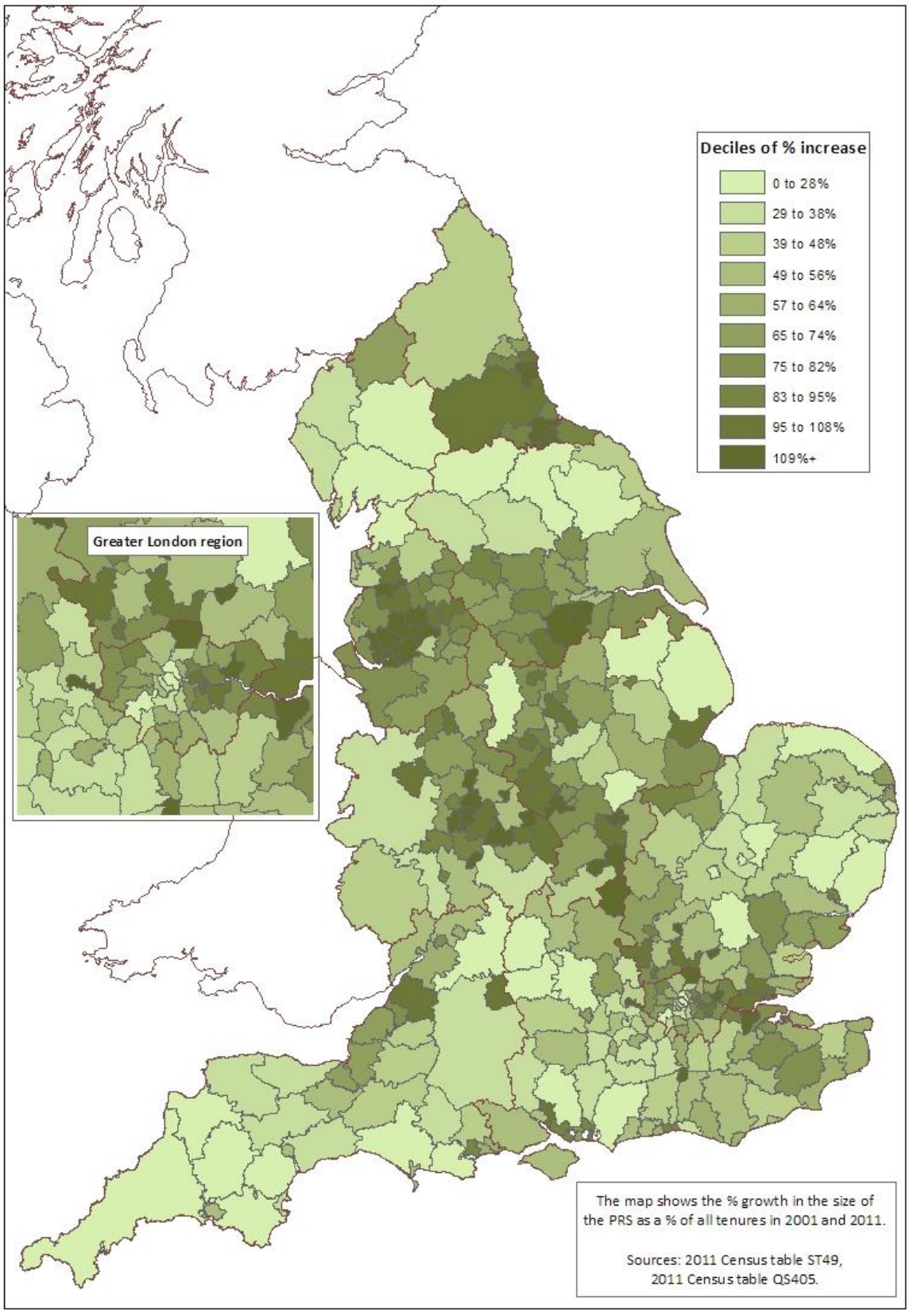


Chart 1.2: PRS rents, house prices, earnings, and CPI



Map 1.1: Growth in the PRS from 2001 to 2011 for local authorities



1.3 Explaining recent growth in the PRS

Recent growth in the PRS is reflective of factors that include – amongst other things – problems with the wider housing market and encompass the broader impacts of the GFC. The factors and the nature of their impact have changed over time. Arguably, rapid expansion of the sector pre-GFC reflected ready access to credit for landlords and expansion in demand for rental property from key groups including students, migrants, and young professionals. More recent, slower, post-GFC growth in the PRS has reflected a cycle where failure of housing supply has exacerbated difficulties in accessing owner occupation and social housing, which has fed a demand for private rented accommodation, which in turn has been met largely through properties shifting tenure. Some demand markets within the PRS have contracted and others have expanded.

Overall, there has been a mismatch between net housing supply and demand from overall increasing household numbers. Between 2007/8 and 2012/13 there was a substantial downturn in the number of net additional dwellings. The downturn has reversed somewhat since 2013/14, augmented by a substantial upturn in change of use conversions. In the year 2016/17 there was a net addition of 217,350 dwellings to existing supply, which constitutes an overall growth of one per cent since 2006/7.[5] Population growth has been more marked: between mid-2007 and mid-2016, the population of England increased by eight per cent.[6]

Reduced property supply has generally been linked to increases in house prices. Between 2008 and 2016, the average English house price rose by 26 per cent, from £237,000 to £298,000. There has been considerable regional variation, with house price increases at a low of six per cent in the North but well above average in Greater London at 52 per cent and the rest of the South East at 33 per cent.[7]

House price increases have occurred at the same time as changes to the owner occupied mortgage market. The GFC led to the implementation of tighter fiscal controls, reducing mortgage availability and requiring buyers to meet higher loan to value (LTV) ratios. The impact on younger, first time buyers (FTBs) has been marked, as higher deposit requirements and lower earnings place FTBs at a disadvantage in the housing market compared with older buyers with more savings and on higher incomes.[8]

Introduced in 2013, the Help-to-Buy scheme aimed at addressing the affordability issue by offering loans of up to 20 per cent of the value of the property, interest-free for a five year

[5] GOV.UK DCLG Live Tables on Dwelling Stock, Table 120: Components of net housing supply, England: 2006/07 to 2015/16.

[6] https://www.ons.gov.uk/peoplepopulationandcommunity/populationandmigration/populationestimates/datasets/populationestimatesforukenglandandwalesscotlandandnorthernireland, acc. 14 Sep 2017.

[7] Stephens, M., Perry, J., Wilcox, S., Williams, P. and Young, G. (2018) *2018 UK Housing Review*, Coventry: CIH, Table 47a: Average regional house prices.

[8] See *The Redfern Review into the Decline of Home Ownership* (2016); Judge, L. and Tomlinson, D. (2018) *Home Improvements: Action to Address the Housing Challenges Faced by Young People*, 24ff.

period.[9] Between April 2013 and December 2017, 158,883 new-build dwellings were purchased under the scheme, with 81 per cent of applicants being FTBs.[10] This number would have made only a small contribution to slowing growth in the PRS, particularly since some commentators consider that Help-to-Buy has fed house price inflation, exacerbated affordability issues for the majority of FTBs and so increased demand for rental property.[11]

There has also been a reduction in the supply of housing funded through various Homes and Communities Agency programmes and available at a below-market rent. Overall, total affordable housing completions under these programmes fell from 43,327 in 2009/10 to 33,741 in 2017/18. There was a substantial fall in the number of completions that were at subsidised social rents, from 23,947 to 990 over the same period although the number of *affordable* rent tenancies increased from 797 in 2011/12 to 19,763 in 2017/18.[12] Local authority respondents to the *Homelessness Monitor 2017* noted the impact of absolute shortages in social housing tenancies, with access reduced even for highly vulnerable households.[13]

One further element in understanding the recent growth of the PRS is the currently limited returns available from other options for investment. At the large and smaller scale investment levels, returns from residential investment remain relatively attractive.[14] Since 2008, residential returns have revived more quickly than those in the commercial sector.[15]

The buy-to-let mortgage market has developed an increasingly broad range of products to attract potential investors. There is believed to be a strong and anticipated increasing demand for residential property,[16] which at present appears to be less volatile than commercial retail and office property. Larger investors include pension fund administrators seeking relatively safe long-term investment: the attraction of BTR has increased as market intelligence accumulates on operating costs and yields. At the smaller scale, individual investors may also view investment in property to let as a more tangible and less risky investment opportunity for savings over the longer term, particularly given the possibility of increasing rental returns as well as capital appreciation. It may also be the case that older

[9] The original 2013 scheme set the loan rate at 20 per cent of house price to a value of £600,000. In 2016 the loan was increased to 40 per cent for London properties.
[10] MHCLG (2018) *Help to Buy (Equity Loan Scheme) and Help to Buy: New Buy Statistics: Data to 31 December 2017, England*. Housing Statistical Release 26 April.
[11] Judge and Tomlinson, *Home Improvements*, 27.
[12] Homes and Communities Agency (2017) *Housing Statistics 1 April 2016 – 31 March 2017*, HCA: London, Table 2a: Housing completions by tenure, England (excluding non-Homes England London delivery).
[13] Fitzpatrick, S., Pawson, H., Bramley, G., Wilcox, S., and Watts, B. (2017) *The Homelessness Monitor: England 2017*, Crisis: London, 11ff.
[14] Kemp, P. A. (2015) 'Private renting after the Global Financial Crisis', *Housing Studies*, 30:4, 601-20.
[15] IPF Research (2017) *The Size and Structure of the UK property market: end-2016 update*, London: IPF Research, Figure 6.1: Value of Residential Stock versus Commercial Property Universe, 2003-2016.
[16] See, for example, Kollewe, J. (2017) 'Quarter of households in UK will rent privately be end of 2021, says report', *Guardian*, 12 Jun. 2017, https://www.theguardian.com/money/2017/jun/12/one-in-four-households-in-britain-will-rent-privately-by-end-of-2021-says-report, acc. 23 Sep 2018.

landlords seeking to disinvest may be dissuaded by the lack of alternative investment options for realised capital.

1.4 New contexts for private renting

This Review takes place in an array of new contexts for understanding the PRS. Since the publication of the last Review in 2008, the impacts of the GFC have extended both economically and politically. The GFC was used to justify the introduction of fiscal austerity measures underlying Welfare Reform and – arguably – the decision to hold a referendum on British membership of the European Union.

Welfare Reform

From 2010 the Coalition Government, and then from 2015 the Conservative Government, introduced a series of changes to benefit entitlement and payments. Collectively entitled 'Welfare Reform', these changes comprise additional obstacles for low-income households reliant on the LHA to help pay their rent. They included:

- an overall cap on the amount of benefit payable to individual households;
- removal of the four-bed rate, so introducing a maximum property size of three bedrooms for Local Housing Allowance (LHA) payments;
- the creation of a link between household types and Housing Benefit payments in social housing, mirroring the LHA regulations;
- altering the ways that LHA would be calculated, to reduce the level paid and the entitlement;
- reducing eligibility for LHA claimants under the age of 35;
- capping child tax credit support for families with more than two children;
- introducing successive restriction on increases to LHA benefit payments; and
- a freeze on working-age benefits, including LHA, from 2016 until 2020.

The current welfare regime remains in flux as the majority of recipients have not yet transitioned to full Universal Credit (UC). This new integrated welfare system assesses and amalgamates the administration and payments of a number of separate means-tested benefits including Working Tax Credits, Child Tax Credit, income-based Job Seekers Allowance, Income Support, Income Related Employment and Support Allowance and Local Housing Allowance. Universal Credit has been introduced for certain clients in certain areas, and a phased roll-out is currently underway. At the time of writing, all applicants were expected to be on the fully-digital system by September 2018. Under Universal Credit, payments are not made to cover the first seven days after a claim. Payments can be expected from around the fifth week after a claim, paid in arrears and then received by the claimant monthly thereafter. It is intended that UC will replicate a monthly salary, which is generally paid in arrears.[17]

[17] https://www.gov.uk/universal-credit/how-youre-paid, acc. 23 Aug 2018.

Brexit

The decision to leave the European Union has created uncertainty around the prospects for long-term economic growth for the UK. Focussing specifically on possible PRS impacts, the uncertainty is likely to lead to a decline in demand for PRS property from European economic migrants, although migration from outside the EU may continue to expand.

There might be a decrease in demand from younger domestic renters who may face higher levels of unemployment, be unable to afford to rent privately even in shared arrangements and so face more protracted reliance on the parental home. Employment insecurity and low income growth more broadly is likely to lead to downward pressure on rents. Overseas-based institutional investment in the UK private rented market will remain attractive if the pound continues to weaken; small-scale UK-based investors may find themselves in competition with overseas investors for property in the open market.

Homelessness Reduction Act

The Homelessness Reduction Act 2017 increases local authorities' responsibility to respond proactively where households present in some level of housing need. Limited supply of social rented sector stock means that local authorities will be more reliant on the local PRS to accommodate households either temporarily or in longer-term tenancies. Welfare Reform does not constitute a favourable context for local authorities seeking to place benefit-dependent households in the sector. Many authorities will create incentive packages to attract landlords and these may well, in the medium and longer term, have a negative impact on the overall affordability of the bottom end of the sector for tenants not presenting to their local authority with a housing need.

Devolution

A further new context is devolution, which has created opportunities for English policy-makers to learn from the implementation and impacts of new regulatory frameworks for private renting. Scotland introduced landlord licensing in 2006. In 2013, a wide review of PRS policy – resulting in the strategy document *A Place to Stay, A Place to Call Home*, in 2013 – has led to a tranche of new measures intended to enhance tenancy stability, improve management and property standards and to control rents in overheating housing markets.[18] Wales also introduced a number of PRS-related measures in the Housing (Wales) Act 2014: from November 2016, it became mandatory for all landlords to register themselves and their property on a national database. The Welsh scheme requires landlords to undertake training before registration.

[18] The Scottish Government (2013) *A Place to Stay, A Place to Call Home: A Strategy for the Private Rented Sector in Scotland*, Edinburgh: The Scottish Government.

Tenure blur

A final factor constituting a key context for private renting is the degree to which differentiation between tenures is becoming increasingly blurred. There are many types of letting arrangement that becoming difficult to classify as being very definitely one rented tenure rather than another:

- Shared ownership constitutes a mixture between social housing and owner-occupation, and has a long history in the UK;
- Some housing associations and local authorities have increased their provision of rental accommodation at market rents, available on assured shorthold tenancies (ASTs);
- the status of properties let at Discounted Market Rates within BTR developments;
- property guardianship constitutes a hybrid arrangement that sits between 'tied' accommodation and a letting under licence;
- Airbnb-type lettings in some instances extend beyond what might be termed a normal holiday letting, which in turn link to 'staycation' apartments and some styles of co-living BTR developments;
- Temporary Accommodation constitutes a style of 'mediated letting' which creates uncertainty as to tenure, especially where local authorities are using social housing stock; and
- Any mediated let arranged by a third sector or statutory agency, which includes a leasing arrangement from a private landlord.

Tenure blurring takes place around the edges of ownership, intent, control of equity, tenancy agreement or other arrangement underpinning the tenancy, the rent charged, and how and to whom the letting is advertised. It will become increasingly difficult to arrive at fixed definitions of private renting, and more likely that definition will become fluid depending on why the information is required. England is currently heading for a more definitely bi-tenural market of owners and renters.

1.5 Structure of the report

The report is ordered in two large sections. 'Contribution', covering sections 2-4, describes the current state of play of the PRS. The sections outline the characteristics of the PRS by considering supply and demand elements and the geographies of renting. These sections of the report echo the analysis presented in the 2008 review, and offer some commentary on changes since that time. Section two considers supply. There has been an increase in the incidence of small landlordism at the same time as larger institutional investors have made substantial inroads, delivering tens of thousands of new-build rental units to the market. Housing associations and local authorities have also entered the private rental market, often as a way of cross-subsidising their core social activities.

Section 3 focusses on demand and the demographics of renters. It remains the case that renting plays a uniquely important role in most people's housing biographies. Extended periods of renting occur in all age ranges although it is perhaps not yet the case that

individuals will be renting privately 'from cradle to grave' as has been claimed.[19] Distinctive sub-markets continue to be in evidence in the PRS, and in the case of student housing has developed into a global asset class where trading in branded rental products takes place. There are trends around 'liminal' and shadowy tenure arrangements, including organised criminality linked to private renting, and continued but diminishing number of tenancies let to friends and family, as tied lettings, and rent-free. The characteristics of the PRS have always been determined by geography: London constitutes a market with very specific characteristics. Section 4 looks at regional variation across England and patterns in the incidence of particular problems associated with the sector.

The second half of the report considers 'Potential', and in three sections gives close attention to assessment of policy interventions in the market. These interventions are grouped under three broad headings: section five reviews issues around additional new supply and the costs of supply; section six addresses regulation; and section seven questions the potential of the sector to deliver 'social' housing.

Broader conclusions are presented in section eight. Section nine ends the report by setting out some policy recommendations, which press for an overarching strategy to guide policymaking around the PRS and the need to using a firm evidence base and establishing benchmarking criteria for policy evaluation. Strategy should look towards creating a market that equitably balances tenant and landlord interests, and measures that re-establish the market agency of LHA recipients. The recommendations suggest radical change to the way in which the sector is regulated.

An appendix includes an extended suite of tables from the principal data sources used for the research, including data from the Review Omnibus.

1.6 Conclusion

At the time of the 2008 Review, PRS growth had been accelerating rapidly. That growth has since slowed. This current review examines a tenure which has evolved to encompass larger-scale investment and new rental products. The future is likely to see further change in the configuration of demand and supply side characteristics. Social and rental markets are likely to converge, increasing supply to the middle of the market. At the same time, Welfare Reform is impacting on the viability of the bottom third of the market. The next three sections outline the complex nature of the sector and its constituent sub-markets. As will be seen, it is becoming increasingly difficult to generalise about the PRS.

[19] Judge and Tomlinson, *Home Improvements*, 4.

CONTRIBUTION: THE CURRENT PRIVATE RENTED SECTOR

B2. SUPPLY

2.1 Introduction

The PRS is overwhelmingly dominated by small-scale landlordism: according to IPF, mainstream commercial property investors account for just over three per cent of residential rental stock.[20] Landlordism can be a highly fluid state, and no robust and fixed definitions can easily capture the nuances of small landlordism, larger-scale PRS investment, or social landlord involvement in market rents. The addition of letting agents as a supply side element adds further confusion to attempts to distinguish the range of circumstances in which a letting is made available.

2.2 Small landlords and a maturing buy-to-let market

2.2.1 Landlord characteristics

At the time of writing, the most recent MHCLG Private Landlord Survey had yet to report. Data from the survey will yield robust information on the private landlord community, since it will rest on a large sample derived from tenancy deposit scheme data. This current Review relies on secondary analysis of the Private Landlord Survey 2010 (PLS).[21]

The 2017 survey is unlikely to find any change to the dominant characteristic of the sector, which is the number of smaller, individual landlords. Different calculation methods have arrived at different estimates of landlord numbers. Analysis of the British Household Panel Survey (BHPS) by Lord *et al*. of data up to 2008 indicated that PRS landlords constituted three per cent of the population aged 16 and over.[22] In 2016, imputing ownership from dwellings and landlord data led Scanlon *et al*. to estimate that 2.49m individuals or five per cent of adults in 2016 were landlords.[23]

[20] IPF Research (2017) *The Size and Structure of the UK Property Market: End-2016 update*, London: IPF Research.
[21] The PLS 2010 is drawn from interviews with landlords of tenants contacted as part of the EHS. The 2010 survey included 1,051 respondents, comprising 57 per cent landlords and 43 per cent letting agents, and is weighted to be representative and statistically robust.
[22] Lord, C., Lloyd, J. and Barnes, M. (2013) *Understanding Landlords: A Study of Private Landlords in the UK using the Wealth and Assets Survey*, London: NatCen, 7.
[23] Scanlon, K., Whitehead, C., Williams, P. (2016) *Taking Stock: Understanding the Effects of Recent Policy Measures on the Private Rented Sector and Buy-to-Let*, London: LSE. See also Lloyd, J. (2013) *Whose Home? Understanding Landlords and their Effect on Public Policy*, London: The Strategic Society.

The first Review estimated that there were 1.2m landlords in 2006.[24]The Review Omnibus found that five per cent of adults in England were currently private landlords of property within the UK.[25] This proportion equates to around 2.3m adults in England who were private landlords in some form.

It is notable that 90 per cent of the Review Omnibus respondents who were currently private landlords were owner occupiers and one per cent were social rented tenants; nine per cent of the landlords were themselves private tenants.[26] This number of landlord/tenants has not hitherto been identified.

The Review Omnibus corresponded with existing data on portfolio sizes: 70 per cent of current landlords had just one letting within the UK, 16 per cent had two lettings, a further eight per cent had three or four lettings, and the remaining six per cent had upwards of four lettings.[27] Over time, and irrespective of the nature of ownership, the proportion of landlords with a single property has increased substantially.

Portfolio size is not always the best way to categorise landlords, since this information alone cannot be taken as a signal of intent. The types of landlord operating in the sector differ substantially and analysis of landlord behaviour becomes more problematic as sub-groupings multiply. Successive Private Landlord Survey returns have used a three-category frame: individuals/couples, companies, and organisations/other. Over time, the proportion of landlords who are private individuals/couples has increased to 89 per cent by 2010. The proportion of landlords in other categories has dwindled (Table 2.1). These categories are problematic in terms of analysis: categories may overlap; 'companies' will include individual landlords operating as a company for taxation purposes; and it is difficult to distinguish between 'companies' and 'organisations'. This categorisation means that it is difficult to isolate landlords such as community land trusts or other organisations letting property on the open market, but with a social intent.

[24] Rugg, J. and Rhodes, D. (2008) *The Private Rented Sector: Its Contribution and Potential*, York: Centre for Housing Policy, 10.
[25] A further approximately 0.1 per cent of respondents (accounting for circa 62,000 adults in England) reported that they were currently involved in letting via a website or app, such as Airbnb; and approximately 0.1 per cent of the adult respondents (accounting for circa 52,000 adults in England) reported that they were currently involved in letting property as a holiday let.
[26] Review AT19: Respondents who were currently private landlords
[27] *Ibid.*

Table 2.1: Private landlord type

Landlord type	1993/94[1]	1998[2]	2001[3]	2003[4]	2006[5]	2010[6]
Individuals/couples/partnerships	61	61	65	67	73	89
Companies	20	22	13	17	15	5
Organisations/other	19	19	22	16	12	6
Total	100	100	100	100	100	100
N.	811	304	588	1,280	903	1,051

Sources: [1] Crook, A.D.H. and Kemp, P.A. (1996) *Private Landlords in England*, London: HMSO; [2] Crook, A.D.H., Henneberry, J.M., Hughes, J.E.T. and Kemp, P.A. (2000) *Repair and Maintenance by Private Landlords,* London: DETR; [3] ODPM (2003) *English House Condition Survey 2001: Private Landlords Survey,* London: ODPM; [4] ODPM (2006) *English House Condition Survey 2003: Private Landlords Survey,* London: ODPM; [5] Rugg,, J. and Rhodes, D. (2008) *The Private Rented Sector: Its Contribution and Potential*, York: Centre for Housing Policy; [6] DCLG (2011) *Private Landlords Survey,* London: DCLG.

To understand change in PRS ownership, it can be helpful to consider a more nuanced understanding of landlord types.[28] A landlord 'biography' approach gives due regard to the reasons and circumstances in which individuals become landlords, how letting activities are arranged as a landlords' letting career progresses, and the reasons and circumstances in which landlords may cease this activity. Drawing on this notion of a landlord biography, and following round-table discussions with landlords, it is suggested that landlords fall into one of four main categories, which is reflective of a combination of longer-term trajectory and intent (Table 2.2). These categories are fluid, and landlords may over time move between them.

First, 'episodic', 'accidental', or 'churn' landlords will be letting property as a short-term strategy, reflecting a pragmatic decision to make best use of a property until alternative arrangements can be made. Analysis of the PLS reports indicates that around a quarter of landlords may fall into this category. According to the PLS, 23 per cent of PRS dwellings were not acquired with the intention of letting them out.[29] The circumstances of becoming a landlord of this type will vary substantially and include: a household acquiring an additional property through marriage or by inheritance; letting out the family home until its sale can be arranged, whilst the family themselves rent elsewhere or purchase another property; or acquiring a residential property as part of a commercial transaction.

[28] At the time of writing, the largest survey of landlords yet undertaken was reported in Scanlon, K. and Whitehead, C. (2016) *The Profile of UK Private Landlords*, London: CML. The report uses a frame of analysis which puts landlords into one of two categories: those with and those without a BTL mortgage.

[29] Communities and Local Government [CLG] (2011) *Private Landlords Survey 2010*, London: CLG, 29.

In these circumstances, the intention is to stop being a landlord as soon as feasibly possible *unless* the letting arrangement proves to be beneficial. Landlords under this heading are most likely to have just one property only, and will generally be seeking a short-term tenant or some other arrangement whereby they can exit the market quickly. It is important to establish how much of the market at any one time comprises short-term churn properties. Different data lead to different estimates: the PLS indicated 23 per cent of properties had not been acquired with the intention of letting them out[30]; the Review Omnibus found that 15 per cent of individuals who had been landlords had only let as 'a temporary arrangement'; a further 15 per cent had stopped being landlords, in order to move into their let property.[31]

Table 2.2: Landlord types: classification criteria

'Episodic' landlords	1-2 properties; has no long-term intention to stay in the sector, and may be looking to sell over the short or medium term; is letting property that was not bought with the intention to let; more likely to be letting to friends/family; time in the sector two years or less; dwelling may be regarded as being 'would like to sell but can't'; does not have a BTL mortgage; letting activity is incidental to other activity; expectation to reduce the number of properties let.
Pension-plan landlords	1-4 properties; has no intention of selling in the medium or long term; has not had a recent property transaction; reliance on BTL mortgages and personal savings; dwelling regarded as an investment/pension; letting on the open market.
Portfolio-building landlords	5+ properties; dwellings regarded as an investment/pension; letting to secure rental income; more likely to use a range of finance options including BTL remortgages, commercial loans and financing from own business; will be more active across a range of transactions including both buying and selling; portfolio more likely to include HMOs; letting likely to be a full-time occupation, and may have an employee; less heavy reliance on agents
Divesting landlords	5+ properties; more likely to be managing portfolio full-time, perhaps with the help of an employee; dwellings regarded as an investment/pension; letting to secure rental income; more likely to have unmortgaged property; portfolio including HMOs; expectation to reduce portfolio size. Likely to be an older individual/couple.

Second, 'pension-plan' landlords tend to have a small portfolio of one or two properties, and will have actively purchased their property as a long-term investment in order to secure an income from rental and/or realise capital on retirement. Indeed, landlords in this category may very well view this option as the most effective pension strategy.[32] The fact

[30] CLG, *Private Landlords Survey*, 25.
[31] Review AT21: Reason given by ex-private landlords for stopping letting
[32] Lloyd, J., *Whose Home?*, 17.

that landlords in this category often signal 'investment' as a letting motive is often taken as an intent to turn their property over rapidly to realise capital uplift. In actuality, pension-plan landlords are generally looking to see a return on a their property quite some time into the future,[33]and will be letting as a sideline to their main employment. These landlords may be reliant on BTL mortgage finance, but may also have acquired property through outright sale, using an owner occupied mortgage or by using savings. How far pension-plan landlords have been successful in securing a desired return on their investment is as yet unknown, although it is likely that a substantial minority of pension-plan landlords will already be over the age of 65: a Shelter survey of UK landlords found that 39 per cent were retired.[34] An estimated one-fifth of landlords may fall into the 'pension-plan' category.

Third, what might be termed 'portfolio-building' landlords will be at the stage of their landlord career when they are actively seeking to expand their portfolio of properties to reach their desired optimum size. These landlords may use a range of financial packages to fund their property acquisition, which may include selling units within the portfolio that are performing less well. This type of individual will likely regard themselves as professional landlords and will in some instances employ full-time staff. Quarterly BDRC data, based on surveys with portfolio landlords, has signalled a drop in the proportion of landlords seeking portfolio expansion, from 29 per cent in Q1 2015 to 15 per cent in Q1 2018.[35] Review of PLS data indicates that around two fifths of landlords may fall into the category of 'portfolio builders'.

Fourth, there is a further set of professional portfolio landlords who are seeking to divest themselves of their portfolio of properties as tax efficiently as possible. This group may include around one in eight landlords. Very little data has been collected on landlords who are exiting the market, or who have exited the market and no longer let property. The reasons for divesting will be varied, and include landlords who are no longer satisfied with the return they receive from property investment, landlords who are reaching retirement age, and those seeking to withdraw from the lettings market for some other reason. These landlords may have used multiple funding methods over time to develop their portfolio, and may be likely to hold a large proportion of their portfolio as unmortgaged property. BDRC Quarterly data indicate an increase in divestment activity, with 199 per cent seeking to decrease holdings in Q1 2018, up from nine per cent in Q1 2015.[36]

Additional insight is garnered from Review Omnibus data on ex-landlords: four per cent of adults in England (excluding those who were currently private landlords) had let residential property within the UK at some time in the past. This proportion equates to around 1.9m adults who used to be involved in letting within the UK, indicating that almost ten per cent of adults in England (around 4.2m) were either currently letting privately or had been involved in letting privately in the past. A majority of the ex-landlords reported that they used to let on the open market (63 per cent). A sizeable minority of them used to let a room in their home (27 per cent), and 12 per cent used to let to a family member or to someone who was a friend before the tenancy began (more than one way of letting could be given).

[33] Rhodes, D. and Bevan, M. (2003) *Private Landlords and Buy to Let,* York: Centre for Housing Policy.
[34] Shelter (2016) *Research Report: Survey of Private Landlords,* London: Shelter, 7.
[35] BDRC Continental Panel Development Workshops, various dates.
[36] *Ibid.*

A range of reasons were given by the ex-landlords as to why they stopped letting in the past. [37] These figures taken together contribute to understanding the probability that there is a substantial amount of letting that is temporary and involves family or friends in lettings that are arrangements until a decision is made about what to do with a property. Lettings to friends/family are much more likely to be terminated on sale of the property than lettings that are available on the open market.

Overall, then, it can be concluded that a landlords' decision-making will very much be framed by the landlord category they broadly inhabit. This is especially pertinent with regard to landlords' response to regulation and taxation changes (see 5.2).

2.2.2 The buy-to-let market and alternative sources of finance

Growth in the PRS is strongly linked to the availability of BTL mortgage finance. Prior to the recent taxation changes, the way in which BTL mortgage finance was made available constituted a markedly benign context for individuals entering the rental market. The 2014 Mortgage Market Review tightened lending criteria, but the impact of those changes fell more heavily on the residential owner occupied market. Interest-only BTL mortgages continued to be available.

Between 2000 and 2006, the number of outstanding BTL mortgages increased from 120,300 to 835,900. The total number of annual advance sales of BTL mortgages dropped to a low of 85,300 in 2010, but accelerated again thereafter. In 2017, the UK BTL market comprised 17 per cent of all mortgage loans by value.[38]

Recourse to BTL mortgage finance can be more or less sophisticated. A pension plan landlord might seek a single BTL mortgage to cover the costs of a single property purchase, thus adding one unit to the PRS stock. The landlord in question may or may not have shopped around for a good deal.[39] It is probable that this type of landlord would be unlikely to remortgage or otherwise seek to bear the costs and inconvenience associated with a change to their mortgage arrangement.

Portfolio builders may be more likely to use BTL mortgage finance in a more elastic way, and remortgage in order to release capital for new property purchase or to extend the period of the loan.[40] Portfolio building landlords may also be more likely to seek alternative sources of finance, again especially since there has been an increase in the regulatory oversight of BTL advances for landlords owning four or more properties. The BDRC panel reported in May 2018 that the 1,043 NLA members they had canvassed had an average of eight properties, and but just 65 per cent of respondents had a BTL mortgage.[41]

[37] Review AT21: Reason given by ex-private landlord for stopping letting
[38] Review AT 34: Outstanding and new buy-to-let mortgages in the UK (2000 to 2017)
[39] Wallace, A. and Rugg, J. (2014) *Buy-to-Let Mortgage Arrears: Understanding the Factors that Influence Landlords' Mortgage Debt*, York: Centre for Housing Policy/Lloyds, 66.
[40] Rhodes and Bevan, *Private Landlords and Buy to Let*, 13.
[41] BDRC Landlord Panel, workshop presentation 3 May 2018.

The availability of BTL mortgages and the growth of the PRS are not necessarily closely aligned, which means that the sale of BTL mortgages do not directly equate to an overall addition to rental stock. A high proportion of BTL mortgages are remortgages. This proportion has increased over time, from 45 per cent in 2007 to 66 per cent in 2017 in the UK.[42] The scale of remortgaging reflects the competitive nature of the BTL mortgage market, which is dominated by intermediary brokers who benefit materially from remortgaging activity. However, little is known about landlords' decision-making with regard to refinancing strategy, or about the impact of the mortgage intermediary market on those strategies.

It is possible to overstate the importance of the BTL mortgage availability on growth of the PRS.[43] The 2010 PLS indicated that mortgage finance was used to purchase 56 per cent of privately rented dwellings, although no distinction was made between residential and BTL mortgages.[44] In 2014, the Intermediary Mortgage Lenders Association estimated that 32 per cent of the properties entering the PRS market between 2007 and 2014 were financed with BTL mortgages.[45] In 2016, an estimated one-third of property in the UK PRS was connected to a BTL mortgage.[46]

The 2010 PLS indicated that personal savings were a widely-used source of finance for purchase, and it might be suggested that single-property pension landlords made heaviest recourse to this funding source. Analysis of the Wealth and Assets Survey published in 2013 indicated that 26 per cent of landlords had total financial wealth of £70,000 or more, and 21 per cent had savings of £5,000 or more, compared with eight per cent and nine per cent of all adults, respectively.[47] In 2016, it was reported that 49 per cent of PRS property was held without a mortgage.[48] Landlords organised as companies were less reliant on mortgages, and more likely to use commercial loans and other business income to fund property purchase.[49] 'Episodic' landlords will have acquired properties through inheritance, as a gift or perhaps as a consequence of a commercial transaction. The 2010 PLS indicated that twelve per cent of property acquisition fell in those categories.[50]

The relationship between BTL finance and the operation of the PRS is not easy to unravel. Change in the financial structures regulating the sale of BTL mortgages will certainly have a strong impact on parts of the market more reliant on this form of finance. Broader impacts across the market are more difficult to gauge. Recent changes to the taxation system are likely to have reduced the attraction of interest-only BTL mortgage finance to individual landlords, but the sale of finance to landlords remains attractive to mortgage lenders who – in a competitive market – are responsive to changes in demand. For example, there are

[42] Review AT34: Outstanding and new buy to let mortgages in the UK (2000 to 2017)
[43] Scanlon, *et al*. *Taking Stock*, 3.
[44] CLG, *Private Landlords Survey*, 25.
[45] Thomas, R. (2014) *Reshaping Housing Tenure in the UK: The Role of Buy-to-Let*, London: IMLA, 2.
[46] Review AT35: Buy-to-let mortgaging in relation to PRS stock size in the UK (2000 to 2017)
[47] Lord *et al. Understanding Landlords*, 38.
[48] Scanlon and Whitehead, *Profile of UK Private Landlords*, 37.
[49] GOV.UKCLG, *Private Landlords Survey*, Figure 4.3: Sources of finance for acquisition.
[50] CML, *Landlord Survey*, Figure 4.1: Method of acquisition.

indications that the intermediary market is beginning to become more aligned to the needs of larger portfolio landlords.

2.3 Larger landlords

Definitions are problematic in considering the categories 'companies' or 'organisations/other' in the English Landlord Survey. Taking these groups together, there has been a drop in the percentage of landlords defined as 'companies' or 'organisations/other', from a combined 27 per cent in 2006 to 11 per cent in 2010 (Table 2.1). 'Organisations/other' are likely to include landlords not letting on the open market, including government departments, higher education institutions and employers. Landlords defined as 'companies' include small individual incorporated landlords, but also the larger open market landlords letting many properties.

Quantifying this group is not straightforward. In 2010, five per cent of landlords were defined as companies, and two per cent of these had portfolios of 100 properties or more.[51] Extrapolation using percentages based on the Review Omnibus indicates that there are around 2,000 larger (100+ properties) landlords in England. Forty-five per cent of the larger corporate landlords had been letting for over 20 years, compared with nine per cent of private individuals, Grainger being perhaps the principal example. This landlord built its original portfolio through the purchase of regulated tenancies, and has since moved into both building and purchase of new-build property.

Little is known about larger landlords' holdings and management practices. They are likely to be widely varied, depending on their history. Grainger, which has well over 8,000 lettings, is selling ex-regulated tenancies and has expanded into BTR activity; Annington, which has a portfolio of 1,400 private lettings, has entered into a block-lease arrangement with the Ministry of Defence.[52]

2.4 Institutional investment and Build to Rent

2.4.1 Changing contexts

For well over a decade a stated goal for the PRS by successive English governments has been to encourage large- scale institutional investment in new properties built specifically for the rental market.

The Montague Review addressed barriers to institutional investment in 2013, and in response, the government created the Build to Rent (BTR) Fund which made £200m available on an equity share or loan basis over the period of 2012-16, and £10bn of debt guarantees. In 2015 it was reported that 15 schemes had secured £455m funding from the

[51] GOV.UK DCLG Live Tables: EHS: Private Landlords Survey 2010, AT2.2a: Number of properties in portfolio by landlord profiles (Landlord weighted).
[52] https://www.annington.co.uk/about-us-1, acc. 1 Aug 2018.

Build to Rent fund, which was rolled into the Home Building Fund in 2016. There was no final figure on how much of the fund had been allocated at its close.[53] The PRS REIT (PRSR) launched its Initial Public Offering in May 2017 with £250m capital, which included a Homes and Community Agency (HCA, now Homes England) investment of £25m. Under the 'Simple Life' brand, the PRSR builds and manages 2-4-bed family housing in the North and Midlands. In March 2018, the PRSR website indicated that there were 30+ sites delivering over 2,000 new homes in the pipeline.[54]

It could be argued that government intervention encouraged a sector to which institutional investment was already headed. In 2014, BTR was hailed as 'the next big asset class', representing the new 'age of the professionalised private rented sector'.[55] By 2016, £15bn had been invested, and it was expected that there would be a further £50bn in the sector by 2020.[56] A principal driver of investment in BTR has been relatively poor returns across other investment options. This and a number of other changes have created an altogether more favourable context for BTR, particularly since 2012. BTR-related literature and presentations at BTR conferences frequently point to the following:

<u>Political support</u>

- Long-term, cross-party agreement on the advantages of BTR in terms of relative speed in bringing new property supply to the market; active national government support; London Mayor endorsement including expectations of BTR contribution to new residential development in London; and – in many locations – strong local government support;
- Removal of reputational risk as BTR is tagged as a feasible and desirable alternative to 'traditional' PRS: BTR is regarded as aspirational and socially desirable, whilst small-scale investment is often treated with hostility;

<u>Long-term demand</u>

- Change in taxation regimes reducing the attraction of small-scale, individual investment in rental property, and in the long-term further increasing demand for BTR rental options;
- Belief that demographic change will contribute to strong and increasing demand for rental property projecting well into the 2030s;
- Belief that private renting is increasingly a tenure of choice for households in higher income brackets;

<u>Evidence on performance</u>

- Accumulating evidence that, on a total returns basis, residential investment has performed consistently well, outstripping other asset classes;

[53] Bate, A. (2017) *Building the New Private Rented Sector: Issues and Prospects*, House of Commons Briefing Paper 079094, 19 Jun.
[54] https://www.sigmacapital.co.uk/prs-reit/, acc. 22 Mar 2018.
[55] Pickford, J. (2014) 'Rent – the next big asset class?', *Financial Times,* 9 May.
[56] Evans, J. (2016) 'Build-to-let set to change the face of renting', *Financial Times, FT Money*, 9 August.

- Residential has become more attractive than commercial property, as demand for retail/office space slows;
- Growing market and operational intelligence has created opportunities to add value and innovate in order to minimise gross to net losses: there is considerable energy directed towards the objective of creating the right product for the right demand group at the best rent and with the lowest management cost;
- There is growing confidence in market branding and placement;

Increasingly favourable planning context

- Flexibility in local planning arrangements around affordable housing requirements;
- Active HCA/Homes England role in promoting new scheme development;
- New opportunities under Permitted Development Rights, which relax planning requirements for office-to-residential development;

Flexibility in finance and delivery models

- There are various investor, developer and manager models to suit a range of risk and return appetites.

A consequence of all these changes is an increasingly strong investor interest in BTR, with large-scale investors actively seeking partner developer/managers and others looking to invest in branded BTR products.

2.4.2 Definition and scale of operation

There is a widespread agreement on the value of BTR, but the diversity of models in operation means that definition is becoming increasingly difficult. Arguably, purpose-built student accommodation (PBSA) is an initial iteration of BTR and creates additional definitional difficulties, for example where large BTR developments – such as Wembley Park – contain student blocks. The British Property Federation/Savills' working definition, published in February 2017, was 'new residential supply for market rent in clusters with a single owner using professional management'.[57] A more detailed definition is likely to refer to single-location developments in single blocks or groups of blocks; scale of build of at least 50+ units but more likely to be numbered in the hundreds; and development held in single ownership under covenant for a defined period but with no intention to sell individual units to the owner occupied market.

In addition, BTR often aims to create a 'new style' of rental offer, focussing on longer tenancies with a defined process for rent review, transparent access fees, and a level of on-site amenity depending on the scale of the development. Utilities – including broadband – are often included in the rent. There is an intention for developments to look towards community creation, and there is generally an aspirational element to the marketing.[58]

[57] British Property Federation [BPF] (2017) *Unlocking the Benefits and Potential of Build to Rent*, London: Savills/Barclays/LSE, 46.
[58] Future of London (2017) *Making the Most of Build to Rent*, London: Future of London, 4.

Supporters of BTR often make reference to the success of the mature 'multi-family' living market in the US.[59]

Key early developments in London include East India by Be:Here (initially, 158 units), Abbeville by Grainger (c100 units) and East Village, funded by Delancey and let and managed by Get Living (1,400+units). All these developers have since expanded their BTR rent holdings. These early developments offered a mix of studio, and 1-3 bed flats, some with outside balconies, and all located within walking distance of a tube station. The units have been marketed at single people, couples and sharers. There are now multiple BTR developments in this category.

Other 'sub-categories' of BTR are based on higher densities. 'Co-living' offer space more suited to – generally – younger single people, with small furnished en suite rooms very similar to budget chain hotel rooms but with communal spaces including shared kitchens, entertainment areas such as cinemas and gyms, and cafes and bars. This type of building echoes purpose-built halls of residence, and aims in some instances to build brand loyalty as students move out of PBSA. Some BTR developments are based on the purchase of office blocks and its conversion to residential space, encouraged by greater flexibility on space standards.

The British Property Federation maintains an updated 'Build to Rent' map of new developments. In June 2018, the map indicated that 20,863 BTR units had been completed, and a further 33,075 were under construction. The map included developments funded by registered providers and by local authorities. Statistics for Q1, 2018 indicated that 58 per cent of constructed units had been built in London.[60]

Multiple specialisms are now emerging in the BTR sector, with large-scale investors, developers and management groups seeking longer term or one-off development partnerships. There are a number of BTR operators that undertake all functions, in securing investment, directly building and managing properties. As an industry, BTR is active in seeking to maximise income by reducing operating costs. Strategies include building management efficiencies into the let units – for example, by having a common heating system – and mobilising new technologies to simplify management. There is at present a strong focus on understanding and satisfying user demand, since low tenant turnover is also important to scheme viability. Many BTR schemes do not use letting agents, and instead have an associated letting and management arm.

A development that is closely associated with BTR is the conversion of office property to residential use. The Town and Country Planning (General Permitted Development) (Amendment) (England) Order 2013 allowed conversion without express planning permission, with the aim of bringing 'empty and underused buildings back into productive use'.[61] Conversions are not subject to s106 agreements and regulation relating to floor

[59] Urban Land Institute (2016) *Build to Rent: A Best Practice Guide*, London: Urban Land Institute.
[60] https://www.bpf.org.uk/sites/default/files/attachments/Build-to-Rent-Q1-2018-BPF.pdf
[61] https://www.gov.uk/government/news/planning-measures-will-make-best-use-of-underused-buildings-for-providing-new-homes, acc. 22 Mar 2018. This temporary measure was made permanent in 2016.

space. MHCLG reported that in 2016-17 there was a net increase to housing stock of 18,887 properties under permitted development rights; 94 per cent of these were office to residential conversions. In February 2018, Molior reported that two-thirds of London BTR schemes completed in 2016 were in the PD category although it was considered that this number was unusually high.[62]

The BTR sector is expanding rapidly. In Q1, 2018 completed BTR units comprised less than half of one per cent of the PRS; if all planned developments came to fruition, this figure would increase to around three per cent. Appetite for investment in the sector is substantial. In the US, the multi-family sector comprises 20 per cent of the PRS having grown substantially in recent years, from a market cap of c$10bn in Q1, 2009 to just under $80bn in Q3,2016.[63] Given a continued favourable context, proponents of BTR in the UK anticipate rapid growth up to this level.[64]

2.5 Housing associations

There are a number of definitional problems in addressing housing association (HA) involvement in the supply of property let at market rates. First, it is possible to argue that HA lettings, even at market rates, do not constitute 'private rental', because housing associations are by definition non-profit-making organisations and ownership is a key characteristic in defining tenure. Arguably, HAs have always been privately-constituted enterprises notwithstanding high levels of central government subsidy in the past. It is therefore possible to contend that HAs have always been part of the PRS. This is not the place to enter into an extended discussion of tenure definition, but it is evident that distinctions between social and private rental are increasingly blurred and difficult to disentangle.

HA involvement in property let at market rent has grown substantially since 2015, and is generally interpreted as housing associations making inroads into the PRS market. Government funding for the social housing sector has declined and may well continue to decline; the Summer Budget of 2015 announced that HAs will be required to reduce rents by one per cent per year over the next four years. In common with individual and large-scale institutional investors, the HA sector is increasingly looking towards the PRS as a means of diversifying its investment portfolio and raising income for further property investment.

HA involvement in the rental sector is by no means homogenous. Involvement in market lets has been enthusiastically adopted by larger developing HAs. One in fourteen properties of the 'top seven' HAs with PRS portfolios were dwellings let at market rates.[65] Of the remaining HAs, some face obstacles relating to land availability, the scale of operation

[62] https://www.moliorlondon.com/news/latest-quarterly-btr-analysis-february-2018/, acc. 22 Mar 2018.
[63] BPF, *Unlocking the Benefits*, figure 12.
[64] Hardman and Co. (2017) 'Homes for investors', 30 Nov.
[65] Crook, A.D.H., and Kemp, P.A. (2018) 'In search of profit: housing association investment in private rental housing', *Housing Studies*, DOI 10.1080/02673037.2018.1468419

necessary to make new-build economically feasible, and limited differential between social and private rents in the markets where they are currently operating. There also remains some ambivalence as to whether involvement in market renting compromises housing associations' core social intent.[66]

Clarke *et al*.'s research on HAs in the North East and North West indicated that HAs can be characterised in terms of their scale of operation and timing, their commitment to market renting, and the models used:

Scale and timing of involvement

- Enthusiastic early adopters were quick into the market and looking to long-term, large-scale PRS portfolio development;
- Later adopters had an entry to the market prompted by recent funding changes, but look to longer-term portfolio involvement;
- Reactive pragmatists were looking to the PRS to diversify risk and raise rental income, in response to recent funding changes;
- Reluctant pragmatists were letting new property at market rent where sales would be less beneficial financially or in response to limited uptake of shared ownership opportunities.

Cultural commitment

- Some were regarding a market rental offer as intrinsic to a broader social purpose to meet housing demand;
- Others were using the market renting to cross-subsidise social housing commitment.

Models

- Build new stock specifically for market rental;
- Re-designate existing social rented stock.
- Purchase housing from the open market for use as rental stock; or
- Managing property on behalf of existing private landlords.[67]

Other approaches have since emerged, including generating income through the short-term transfer of homes to letting agents for private rental.[68] HA involvement was also predicated on the opportunities presented by the local markets in which HAs generally operated, and on local authorities' level of strategic support for new PRS development.

[66] Clarke, J., Grainger, P., Hatcher, C., Kirk, R. and Lilley, S. (2016) *Regional Responses to a Changing Context: Housing Associations and Market Renting in the North East and North West of England*, London: RICS; Power, A., Belotti, A., Lane, L., and Provan, B. (2018) *Private Renting: Can Social Landlords Help?*, London: LSE.
[67] Clarke *et al.*, *Regional Responses*, 14.
[68] See: https://www.insidehousing.co.uk/home/home/associations-defend-plan-to-transfer-social-rented-homes-to-private-lettings-agency-57034

Some HAs have become closely allied to BTR development. In February 2017, the British Property Federation reported that Registered Providers had completed 21 per cent of completed BTR schemes. Leading players included Fizzy Living (Thames Valley HA), L&Q, Places for People, A2D and Notting Hill Housing Association.[69] More recently, it appears that the proportion share has dropped, to 11 per cent of completed schemes.[70] This trend reflects increasing activity by specialist providers in the market rather than diminution in HA interest.

Nevertheless, at this scale HAs are making only a very small additional contribution to new PRS stock. Further planned developments by the larger HAs indicate that this contribution is likely to increase.

2.6 Local authorities

Difficulties with definition of the PRS are further intensified when considering local authority involvement in market renting. Local authorities are involved as suppliers of private rented accommodation in a number of ways and for a number of purposes. This section considers direct housing provision and management, although local authorities are also involved in the BTR market via pension fund investment and through joint venture arrangements with larger developer/managers.[71]

In 2017 it was reported that 150 Local Housing Companies (LHCs) had been set up by local authorities across England. There was no clear indication of the number of market-rent PRS units created by the LHCs: many have concentrated on the creation of affordable housing, with rents at a range of price points between 50 per cent and 80 per cent of market rents. It was estimated that most LHCs were aiming to create around 50 new units a year, although overall the number of new dwellings created could reach 10,000-15,000 by 2022.[72]

It is not easy to distinguish LHCs that operate simply to develop new homes for private rental and letting on assured shorthold tenancies. Reasons for involvement in market renting varied, and use a range of delivery and investment models. Examples include:

- LB Enfield purchasing property on the open market to use as temporary accommodation;
- Liverpool City Council working with PlaceFirst developers to refurbish and regenerate properties that had been designated for improvement in a regeneration scheme, the properties are let at market rent;

[69] BPF, *Unlocking the Benefits*, 22-3.
[70] https://www.bpf.org.uk/sites/default/files/attachments/Build-to-Rent-Q1-2018-BPF.pdf, acc. 7 Jun 2018.
[71] Crook, T. and Kemp, P. A. (2017) *How Local Authorities can Foster Investment by Corporate Landlords in New Private Rental Housing*, London: Sigma Capital Group.
[72] Hackett, P. (2017) *Delivering Renaissance in Council-Built Homes: The Rise of Local Housing Companies*, London: Smith Institute/Nationwide Foundation. See also Future of London (2017) *Engaging London's Private Rented Sector*, London: Future of London, 25.

- LB Newham Red Door Ventures, which aims to meet temporary accommodation demand and also provide higher quality private rental than is currently available in the borough; and
- Manchester City Council, the Greater Manchester Pension Fund with the Homes and Community Agency operating via Matrix Homes, and letting property via Touchstone Residential Lettings.

Some local authorities were arranging the compulsory sale of high-value stock to their own independent, wholly-owned LHC, to be made available to be let at market rents. Other companies were looking to the creation of a portfolio of rental properties, where the mix of rents charged would be flexible depending on demand and on the returns required from the portfolio. As with housing associations, local authorities saw LHCs as a means of meeting housing need, and/or as a mechanism to generate income.

2.7 Letting agents

Letting agents are not, strictly speaking, an element of supply but letting agents facilitate the delivery of a large proportion of lettings to the open market. It is not known how many letting agents currently operate in the market. The Review Omnibus indicated that letting agents were involved in two fifths of lettings, most often in arranging and then continuing to manage the property (24 per cent of tenancies).

Very little is known about how far letting agents encourage new supply to the market, in creating circumstances in which individuals might feel more confident about letting their property and how far agents direct supply to particular submarkets in the PRS, and so regulate possible oversupply of certain types of property. Notwithstanding their value in this regard, levels of dissatisfaction with letting agents can be high (see 6.5.1), although it is probable that the letting agent market is sufficiently competitive for landlords who are unhappy with their agent to find an alternative.

The Review Omnibus data suggests what might be characteristic or different about the 'agent-related' part of the market. Agents were not more likely to be dealing with one type of household – families, for example, or single people. They were, however, less likely to be dealing with the bottom end of the sector. Ten per cent of agents had properties within the bottom quintile rent band, and ten per cent were dealing with tenants in receipt of Housing Benefit, compared with 17 per cent overall. Letting agents were more likely to be dealing with tenants who were employed full time. Where a letting was associated with a letting agent, the letting was more likely to have lasted for less than a year (44 per cent of agents, compared with 37 per cent across the market); fewer longer-term tenancies involved an agent: where a landlord was directly involved in the letting, 27 per cent of tenancies were of five years or more duration; this figure was 15 per cent when an agent was involved. This does not necessarily constitute a causal link. Rather, agents may be more likely to be dealing with professional households seeking shorter-term lets.

2.8 Conclusion

Over time, ownership of rental properties has become increasingly dominated by smaller landlords, but even within this group there are types of landlord whose reasons for letting are not homogenous. There is evidence of a large minority of landlords who enter and then leave the sector for a short period of time only, largely as a consequence of exigency rather than any desire to secure short-term capital gain. The majority of small landlords tend to settle into a steady state: around two-thirds at any time have no intention of either expanding or reducing their holdings.[73] In addition, new entrants to the market – BTR developers, housing associations and local housing companies – are establishing portfolios that are likely to be let for the long term. Evidence around the impact of letting agents on the market is not conclusive, and there is clearly a need for research in this area.

[73] BDRC Continental Panel Development Workshops, various dates.

B3. DEMAND

3.1 Introduction

There is diversity in the modes of supply of rented property. Demand is similarly varied: renting plays a number of roles in households' housing biographies, and the nature of specific demand groups have created specialist markets that are distinguishable from the wider PRS. There is some concern that more households are spending longer in the private rented sector than they would like, but also an understanding that private rental is becoming a long-term housing preference for some demand groups. The Review of 2008 identified a number of submarkets: some of these markets have expanded and acquired new characteristics, other markets have all but disappeared, and there are signs that new markets are developing.

3.2 Roles of renting in housing biographies

Snapshot demographics of privately renting tenants are not necessarily helpful in defining the underlying reasons for behaviour and behavioural change. Snapshots also tend to conflate very disparate groups, which is especially problematic for the PRS since it contains such a wide variety of renters. For example, families containing dependent children in the PRS include longer-term renters that might otherwise seek to live in social housing, and households moving between owner occupied properties. It is more useful to consider the role of renting in an individual's or household's dynamic housing biography. Almost everyone will rent privately at some stage, since the sector is sufficiently flexible to serve a number of functions. The PRS is the easy-access tenure relative to owner occupation because the costs and resources required to enter and exit are substantially less, and relative to social housing since household need plays no role in defining access.

A period of renting is generally a precursor to, or a short-term interruption in, a period of longer-term residence as a social housing tenant or owner occupier. The incidence of 'cradle to grave' renting[74] is not apparent, statistically. Older renters are likely to have been in other tenures at some point, and younger renters generally do become home owners at some juncture not least through inheritance. 'Lifetime' renting, if it occurs, is likely to be more concentrated at the bottom of the market, amongst older tenants.

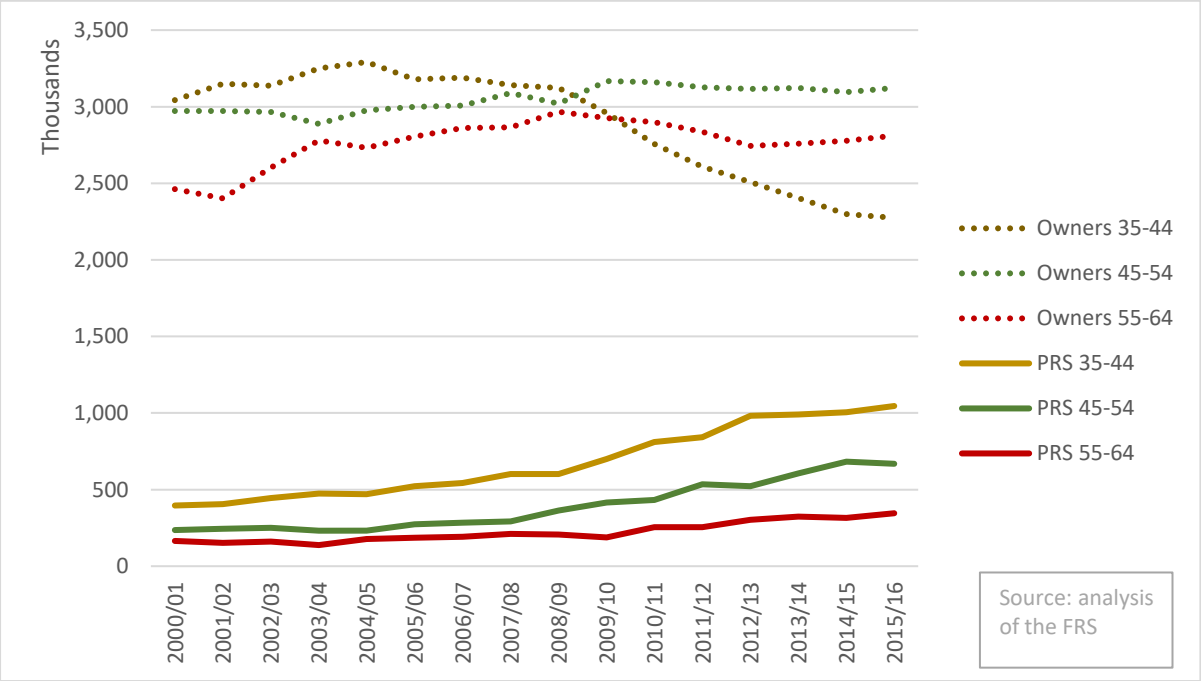
3.2.1 The dynamics of demand

A focus on new households within the coterie of all people moving within the last twelve months indicates that the dynamics of renting have shifted. The PRS is playing a less pronounced role as a destination for new families or couples or individuals moving to live independently. EHS data indicate that, overall, new household formation has declined numerically between 2006/7 and 2016/17, from 396,000 to 290,000 households. In 2006/7, 48 per cent of new households became private renters, and 32 per cent owner occupiers. By

[74] Judge and Tomlinson, *Home Improvements,* 4.

2010/11 these proportions had altered substantially, to 68 per cent and 14 per cent respectively, a shift which probably reflected problems in accessibility of owner occupied mortgages. The trend is now reversing. In 2016/17, the percentage of new households becoming private renters had dropped to 51 per cent and the proportion of new owner occupiers had risen to 26 per cent.[75]

Chart 3.1: Trends in HRP age in owner occupation and the private rented sector (2000/01 to 2015/16)



It seems that younger private renters are living in the tenure for longer. There has been an increase in the number of private renters aged 35-44, the age at which it might have been expected that a household would have continued a trajectory into owner occupation (Chart 3.1). This increase in the number of private renters in this age group number is exceeded substantially by a drop in the number of owner occupiers in this age category, which fell from 2,855,000 to 2,092,000 between 2008/9 and 2016/17. The data may be reflective of younger 'prospective' renters remaining in the parental home and saving to become owner occupiers without first living in the PRS, or remaining in the parental home simply because of rental affordability issues.[76] In 2016/17, the EHS indicated that 14 per cent of households comprised a couple or lone parent with at least one independent child; no comparative time-series data are available to check trends but it is likely that this proportion will increase.

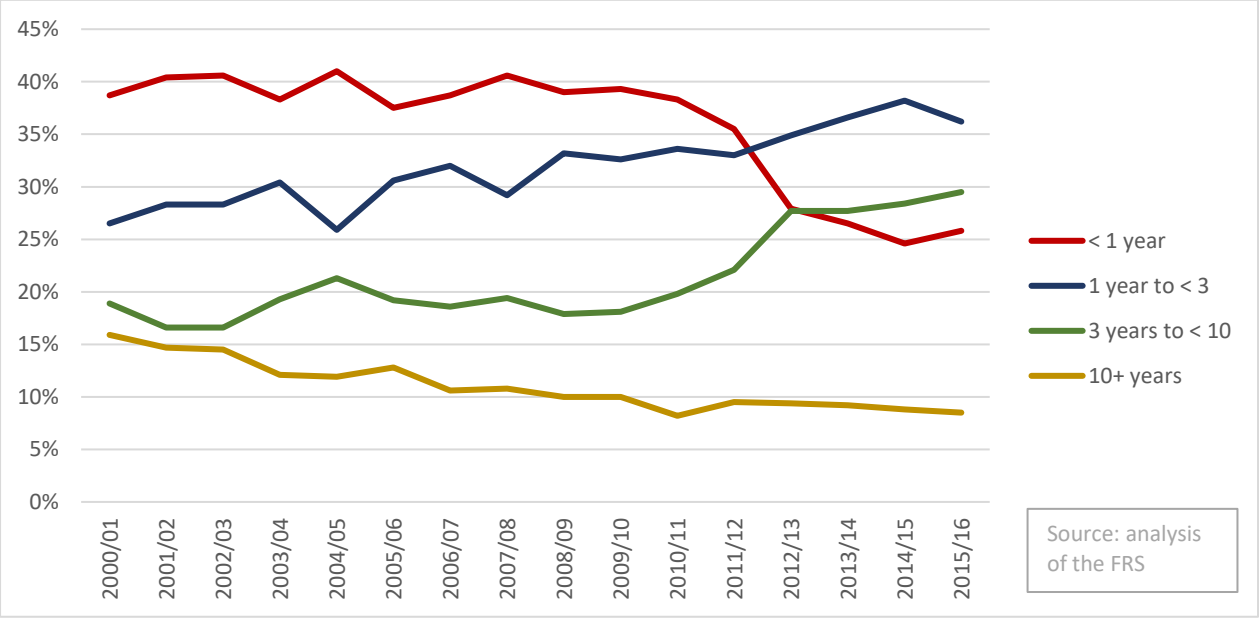
[75] Figure based on numbers included in each EHS Headline Report on household moves by tenure. This analysis excludes the number of households that came to an end.

[76] Note that the proportion of new households becoming social housing tenant has remained largely stable over these time periods at around 20 per cent.

The PRS is accommodating households for longer time periods (as measured by the length of time households have been living at the same PRS address). In 2008/9, 39 per cent of households had lived in their current tenancy for less than a year; in 2015/16, this proportion dropped to 26 per cent. There was an increase in the proportion of households that had lived at their current property for longer periods: from 2008/9 to 2015/16, the proportion of renters who had lived at their property for between one and three years grew slightly from 33 per cent to 36 per cent but the number who had been in the same property for three to five years grew more markedly from 18 per cent to 30 per cent (Chart 3.2). Although the proportion of households living at the same address for ten or more years halved from 16 to eight per cent, the expansion in the size of the sector means that the number of such households increased from about 345,000 to about 398,000.

It is notable that couples with children and lone parents all appear to be experiencing longer tenancies. Between 2008/9 and 2015/16, the proportion of couples with children who had been in their tenancy for less than a year dropped substantially from 36 to 23 per cent, as did the proportion of lone parents, from 36 to 17 per cent. Both groups also saw increases in longer tenancies: 35 per cent of couples with children had been in their tenancy for between three and ten years in 2015/16 compared with 19 per cent in 2008/9, and lone parents in the same tenure length category also increased, from 24 to 36 per cent.

Chart 3.2: Number of years living at current address for private rented households in England



3.2.2 The preference for private renting

Rhetoric surrounding BTR places an emphasis on changing attitudes towards tenure and an increasing preference for renting privately. There is a range of evidence around preferences, and much of this evidence points to a continuing strong desire to buy property. In 2011, a report based on the British Social Attitudes survey indicated that 86 per

cent of respondents, given a free choice, would buy their accommodation; 14 per cent would rent.[77] The EHS indicates little change in private renters' expectations: each year since 2006, between 59 and 61 per cent of respondents have expected to buy. The latest EHS data indicate that this expectation is strong amongst 16-24 year old renters (80 per cent)[78] and respondents in full-time education (74 per cent).[79] Private renting respondents in the bottom quintiles of income – as might be expected – had a lower expectation to purchase: 37 per cent in the lowest, and 54 per cent in the second lowest.[80]
Since 2008/9, the most commonly cited reason that private renters gave for not expecting to buy has been 'it is unlikely that I will ever be able to afford it'. The percentage responses in this category have increased from 56 per cent in 2008/9 to 70 per cent in 2015/16.[81] Respondents also cited positive reasons for remaining a renter, although the percentage in these categories has declined over time. The proportion of renters citing largely 'pro-renting' reasons for not expecting to buy dropped from 35 per cent to 18 per cent between 2008/9 and 2015/16. Notably, there was a substantial drop in the numbers agreeing 'I prefer the flexibility of renting', from eight per cent to three per cent over the same time period.[82]

The Review Omnibus asked renters why they were currently renting privately, and respondents were asked if they agreed with a selection of possible responses. More than one reason could be given. Excluding respondents who were full-time students, 42 per cent indicated that affordability issues precluded them purchasing a property; and this was by far the most frequent response and similar across all age groups. Some respondents indicated positive reasons for being a renter: twelve per cent liked the flexibility of renting, and nine per cent simply preferred private renting to owning.

Overall, the Review Omnibus data indicated that 15 per cent were saving for a deposit, but there was a marked difference in age: the figure was 19 per cent in the age band 25-34, and one per cent for those over the age of 55. The preference for renting over owning was nine per cent generally but higher amongst households with no children, and older age groups. Retired households indicated a strong preference to renting over owning, at 18 per cent. By contrast, younger age groups expressed a lower preference for renting over owning. Individuals who were separated, divorced or widowed also had a higher preference for renting over owning – at 14 per cent – but tended to be less likely to indicate that they liked the quality of property or its flexibility. Less than one per cent of respondents overall said they liked the PRS because of the availability of short-term tenancies.[83]

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[77] Taylor, E. (2011) *Public Attitudes to Housing in England*, London: DCLG, 32ff.
[78]GOV.UK DCLG Live Tables EHS 2015-16, Future Home Owners, AT1.10: Expectations to buy, by age and tenure, 2015/16.
[79] GOV.UK DCLG Live Tables EHS 2015-16, Future Home Owners, AT 1.20: Expectations to buy by economic status of HRP and tenure, 2015/16.
[80] GOV.UK DCLG Live Tables EHS 2015-16, Future Home Owners, AT 1.24: Expectations to buy by tenure and weekly gross income (quintiles), 2015/16.
[81] GOV.UK DCLG Live Tables EHS 2015-16, Future Home Owners, AT1.29: Main reason people don't expect to buy a home, by tenure, 2008/9 to 2015/16.
[82] *Ibid.* The 'pro-renting' reasons were taken to include: 'I do not want to be in debt', 'Repairs and maintenance would be too costly', 'I wouldn't want that sort of commitment', 'I prefer the flexibility of renting' and 'I like it where I am'.
[83] Review AT13: Reasons for currently renting privately (2018)

All these data indicate that households may be spending longer in the PRS but the sector is still regarded by many tenants as a stage in the pathway to owner occupation, with progress stymied by affordability issues. Younger renters do still hope to own at some point; older renters are less sanguine that this might be the case, and are more likely to express positive reasons for renting privately. Overall, the data suggest that the growing percentage of private renters does not necessarily reflect more positive attitudes towards the tenure.

3.3 Demand sub-markets

Multiple markets operate within the PRS, distinguished by demand groups, suppliers and supplier strategies, letting practices and location. Although the PRS has been the focus of a number of research reports, there has been very little – if any – recent research that captures the narratives of local market development and the interaction between submarkets in given locations.

3.3.1 The student housing market

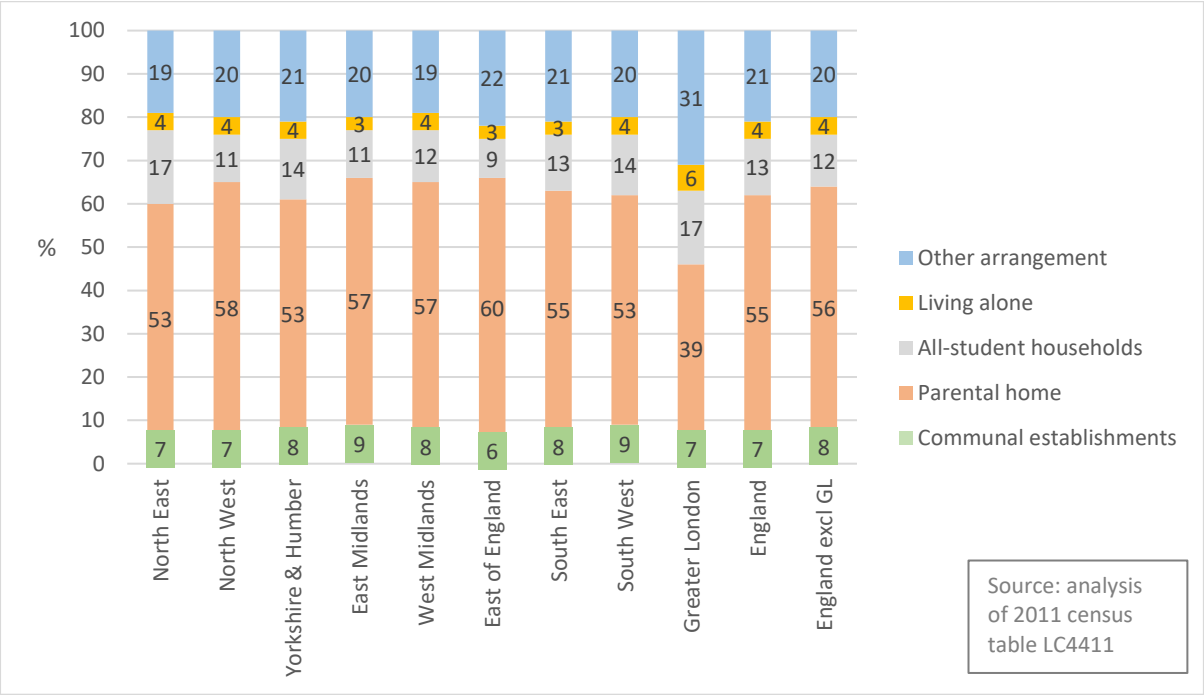
Students are a key demand group for the PRS in many areas. The 2011 census recorded 2.3m full-time students in England who were aged 18 and older. Almost 0.9m of these students were living with their parents (their term-time address was the parental home). Slightly more than 0.3m of the students were living communal establishments, such as halls of residence (the great majority of which at that time was university-provided), and which essentially comprises a form of tied private rented accommodation since accessibility is solely by virtue of attending an educational establishment.

Approximately 0.5m students were living in all-student households (student sharers), about 0.1m were living alone, and about 0.5m were living in other types of arrangement, which will include students living with their partner or family, and students sharing with non-students. The latter three groups, comprising 1.1m full-time students, therefore represented a potential demand for the mainstream PRS (aside from any that may have been living in the PRS that was the parental home), much of which may be available on the open market but some of which may have access that was restricted to students of specific educational establishments, due to nomination and other supportive arrangements for students with local landlords.[84]

There was a clear difference between Greater London and the other regions of England, with the situation within the capital suggestive of a proportionately higher level of demand for the mainstream PRS, with comparatively high proportions of FT students living in all-student households, living alone, and living in other types of arrangement (Chart 3.3). The proportion of students living in the parental home was low compared with the rest of the regions, which had a broadly consistent level of around 56 per cent.

[84] Rugg, J., Rhodes, D. and Jones, A. (2000) *The nature and impact of student demand on housing markets*, York: JRF.

Chart 3.3: Term-time living arrangement of FT students in England aged 18+ in 2011



In 2017, Universities UK indicated that there were 1.84m students studying in England in over 130 HE colleges and Universities. Nineteen per cent of students in the UK were from overseas, which suggested demand for accommodation from around 350,000 overseas students.[85] Student numbers have remained static or fallen since 2015.[86]

Review analysis of FRS data indicates that, in 2015/16, full-time students comprised one per cent of all HRPs in the sector and this has been a stable proportion since 2000/1. This proportion will be an under-representation, since the FRS does not count students living in communal establishments, and the percentage relates specifically to households with a student HRP and not households containing a student. The Review Omnibus found that nine per cent of all respondents were full-time students in higher or further education, but the survey did include halls of residence.

The numbers living in such establishments will have increased in recent years. At the time of the first review in 2008, the student housing market was changing with the introduction of large-scale purpose-built student accommodation (PBSA). That market has developed rapidly. It is now estimated that the sector provides over 600,000 units across the UK.[87]

[85] Universities UK (2017) *Higher Education in Facts and Figures*, London: Universities UK. Note that there are difficulties in isolating time series data for the numbers of full-time English students studying away from home.
[86] Bolton, P. (2018) *Higher Education Student Numbers*, House of Commons Library Briefing Paper 7857, 7 Feb.
[87] Cushman and Wakefield (2017) *UK Student Accommodation Report, 2017/18*, London: Cushman and Wakefield, 1.

Little research has been undertaken on either the national or localised impact of PBSA provision on the overall market for student lets. This market comprises three major sources of accommodation, with some degree of blurring between those providers. Higher education institutions (HEIs) themselves provide accommodation, sometimes directly and sometimes in collaboration with larger-scale commercial providers. The commercial providers may operate in conjunction with HEIs in having contracts for occupancy or nomination agreements, or may directly let to the student market. Accommodation is also available in the 'traditional' housing market, largely comprising shared properties let by portfolio or pension landlords. Research on the student housing market tends now to focus on the profitability of PBSA developments and on the secondary market that has now emerged of trading in those developments. In 2017, the top 10 UK student market transactions saw a total of 21,301 units change hands, for over £2bn.[88] There is a global market both in the purchase of entire student blocks[89] and also in the development and sale of units or 'pods' within blocks.[90]

The maturing of the PBSA market has led to increasing concerns relating to affordability. Market development initially concentrated on increasing the supply of en-suite bedrooms, often in blocks with additional shared amenities such as gyms. In the last two years, there has been a growing supply of self-contained studio flats within PBSA blocks. According to the NUS, the market is becoming increasingly skewed towards the higher end offers: at the highest end, London studio units are letting for more than £300 a week. The NUS Accommodation Costs Survey indicates that both HEI and PBSA rents have been increasing at an above-inflation rate, although PBSA rents are rising more quickly. Furthermore, PBSA costs are inflated by the generally longer annual letting period, of 46 weeks compared with 41 in HEI-owned establishments.[91] Over a year – and factoring in the longer lease period required by many PBSAs – the difference is more marked: £6,172 for PBSA compared with £5,172 for HEI-provided.[92] On average in 2016, a week of HEI provision cost £125 compared with PBSA at £136 although comparison of BPSA rents with HEI rents is not necessarily a comparison of like with like. In 2015, the NUS called for the implementation of an affordability target of 25 per cent of units available at 50 per cent of the maximum student maintenance loan of £4,200. Overall, the supply of more affordable units has declined: in 2018 it was reported that 19 per cent of units in the market were available at that level.[93]

There has long been acknowledgement of the pressure placed on rentals market in 'student cities'. Caps on student numbers were suspended in 2015/16, which has meant an increase in recruitment, chiefly by Russell Group universities. Growth in these universities has taken place at a faster rate as students seek to maximise the value of what is considerable expenditure to secure a higher education. This, in turn, has led to concentrated PBSA development in certain key locations. Attempts have been taken to contain the market.

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[88] Cushman and Wakefield, *Student Accommodation Report*, 19.
[89] Savills (2017) *Spotlight: UK Student Housing*, London: Savills.
[90] See, for example, https://universitybusiness.co.uk/Article/2018-a-great-time-to-consider-investing-in-student-housing, acc. 4 Jun 2018.
[91] National Union of Students [NUS] (2017) *Accommodation Costs Survey 14-16.*
[92] Cushman and Wakefield, *Student Accommodation Report*, 12.
[93] NUS, *Accommodation Costs Survey*; National Union of Students (2015) *NUS National Conference Final Resolutions CD13*, Motion 303 (15).

Industry reports point to Manchester City Council's moratorium on further BPSA development and restrictions in the London Plan to boost the number of affordable student units.

Large-scale institutional investment in the student market provides some indication of how the broader BTR market might develop over time. Student housing is a well-established asset class that trades in the global marketplace, and now issues relate to oversupply in key locations. For example, Liverpool has shifted from a position of 2.1 students for each PBSA unit, to 1.4.[94]

There has been no published analysis of how the landlords of 'street' properties have responded to increased competition in the student housing market. A number of outcomes is possible: landlords withdrawing from the student sector and looking to other types of tenant, including what might be considered by neighbours as less desirable HMO residents; landlords withdrawing from the market altogether; or landlords responding to competition by upgrading properties and adding amenity value. These final two options carry the possible impact of increasing rents in the student market. Certainly, PBSA developments inflate expectations and aspirations with regard to acceptable amenity, and set higher bars for the maximum rental in a given location so inflating the local average rent. The NUS has concluded that a 'two-tier' student housing market will develop, with lower-income students excluded from the PBSA developments.

It is not likely that HEIs will take up responsibility for providing more affordable student accommodation. Traditionally, HEI supply of accommodation followed the principle of fulfilling a pastoral role in supporting students' pathways to independent living, including the supply of sub-market rent accommodation. HEIs are under pressure to increase non-government income and minimise expenditure thought to be unnecessary. Given thriving competition in the student housing market, HEI supply of subsidised housing is likely to diminish.

3.3.2 'Young professionals'

'Young professionals' constitute a key, but not necessarily well-defined, demand group within the PRS. Broadly speaking, this group comprises individuals – and sometimes couples – below the age of around 35 and without dependents. 'Young professionals' will be in full-time employment and located, for the most part, in urban centres close to good transport links. This group generally seeks cheaper independent accommodation, often in shared lets since high rental costs and student debt can preclude young people living alone in self-contained units. Overall, 16 per cent of Review Omnibus respondents lived in some kind of shared accommodation arrangement, and sharers had an average age of 26, compared with 36 for the PRS overall. Five per cent were in receipt of HB, and 39 per cent were in full-time employment.

Young professionals are a target group for BTR, particularly through the expansion of PBSA-style developments. For example, a hybrid 'co-living' model provides small individual

[94] Savills, *Spotlight: UK Student Housing*, 7.

units on the expectation that residents will prefer to share eating and leisure spaces. This is a high-density approach to maximise the number of units that can be constructed on a given footprint. Branding for this kind of development aims to promote co-living as a lifestyle choice for young professionals, and indeed establish an alternative renting 'property ladder' that can be undertaken entirely within BTR developments, moving from student living to co-living, through increasing sizes of BTR flats and onwards into senior living.[95]

Review analysis of the EHS indicates that 69 per cent of tenants in older, pre-1919 properties are younger people under the age of 35, compared with 32 per cent of private renters over all, but 44 per cent of tenants in newer, post-1990 properties are also younger renters compared with 19 per cent of private renters over all. Elements of what might be called the purpose-built young professionals (PBYP) market do offer distinct advantages to the tenant, with regard to greater clarity on deposits and moving-in costs. This kind of property also arranges shared living in a way that minimises the social disadvantages of 'open market' sharing, where it is necessary to arrive at financial decisions on paying for utilities and share bathroom and kitchen facilities with strangers and there is no independent mediation when problems arise between sharers. Co-living is managed as a hospitality service rather than residential rental, placing it on a boundary between PBSA and 'staycation' apartments.

Publicity surrounding the new co-living developments makes strong claims for their advantages. As yet, little is known about the actual experience of co-living renters, and about the impact of PBYP accommodation on local rental markets. Similar concerns arise as with PBSA, in the possible inflationary impacts on local rents particularly if demand becomes more aspirational. Issues also arise with regard to pathways out of this kind of accommodation and into the owner occupied market. Where rents absorb a higher proportion of income, the possibility of saving for a deposit diminishes.

In addition, little has been written on longer-term sustainability particularly with regard to the size of the living space. A great deal is made of young people living 'unencumbered' with possessions, but it is likely that tenants are often storing items with their parents, or paying for additional storage space. It is notable that the storage industry has expanded rapidly in recent years, and some commentators have made a link with growth in private rental.[96]

No minimum space standards apply in this kind of development, and it could be asserted that this kind of development is actively looking to alter tenants' tolerance of reduced private space standards. The lowered toleration maximises the opportunity to develop high-density, 'co-living' buildings in office spaces or other commercial buildings via permitted development, where there may be much more limited compensatory amenity space.

[95] Savills *Spotlight: UK Student Housing*, 11.
[96] Cohen, D. (2018) 'Tales from the storage unit: inside a booming industry', *Financial Times*, 28 Jul.

3.3.3 Housing Benefit market

The number and proportion of Housing Benefit recipients has fluctuated since the publication of the last Review in 2008, climbing from 589,842 in 2008/9 to 1,125,595 in 2013/14. The number dropped in 2015/16, to 1,051,099. The proportion of private tenants in receipt of Housing Benefit has fluctuated, from 19 per cent in 2008/9, up to 26 per cent in 2012/3 and dropping again to 23 per cent in 2015/16 (Chart 3.4). A more marked trend is the substantial increase in the proportion of working HB recipients, which has grown from 23 per cent in 2008/9 to 47 per cent in 2015/16 (Chart 3.5). This increase may be accounted for by factors, including the increasing proportion of the population in low-paid work and higher rent levels diminishing the capacity of households to pay their rent without recourse to benefit. It may also be the case that welfare changes have encouraged more tenants into work, even where that work may not fully cover essential household bills.

Receipt of LHA is concentred in some local authority areas (Map 3.1), to the extent that this demand group dominates the market. A definitional framework for a 'HB-dominated market' would be helpful. One possible method combines 2011 census data and DWP data at a local authority level. The top one-third most HB-dominated markets contained half of all HB PRS claimants in 2017 (618,007 claimants). The remaining 50 per cent of HB tenants (611,807 claimants in 2017) were arguably living in areas where private landlords are likely to find it easier to secure an alternative tenant, if they choose not to let to someone in receipt of HB.

Demand dimensions amongst tenants in receipt of HB have changed since the introduction of Welfare Reform. In particular, the change to entitlement for applicants under the age of 35 will have reduced demand for low-cost self-contained accommodation and increased in the number of tenants looking for shared lets, most likely to be in HMOs. DWP HB statistics show that the proportion of LHA claimants under the age of 35 has fallen between 2011 and 2017, from 38 per cent to 28 per cent of the total. Much of this reduction took place amongst the under-25 age group, which declined from 12 per cent in 2011 to five per cent in 2017, whilst the 25 to 34 age group dropped from 26 per cent to 23 per cent.[97]

[97] Analysis of DWP HB data obtained from stat-xplore.dwp.gov.uk

Chart 3.4: Number and proportion of households receiving HB in the PRS

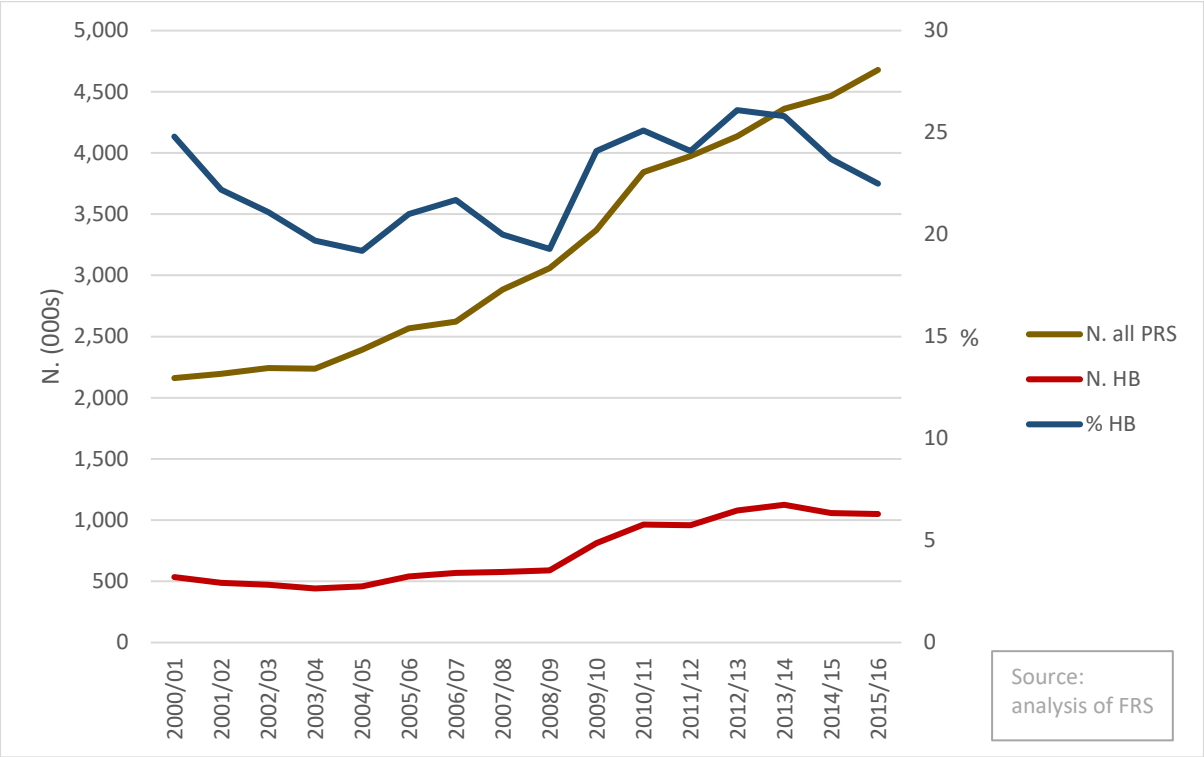
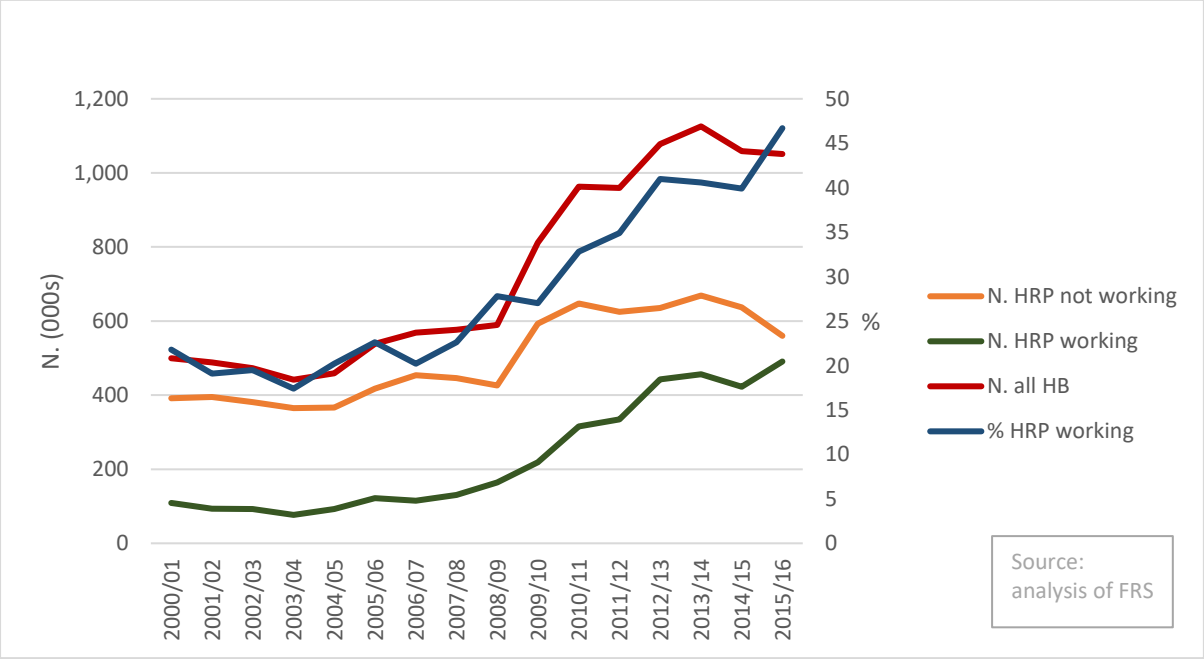
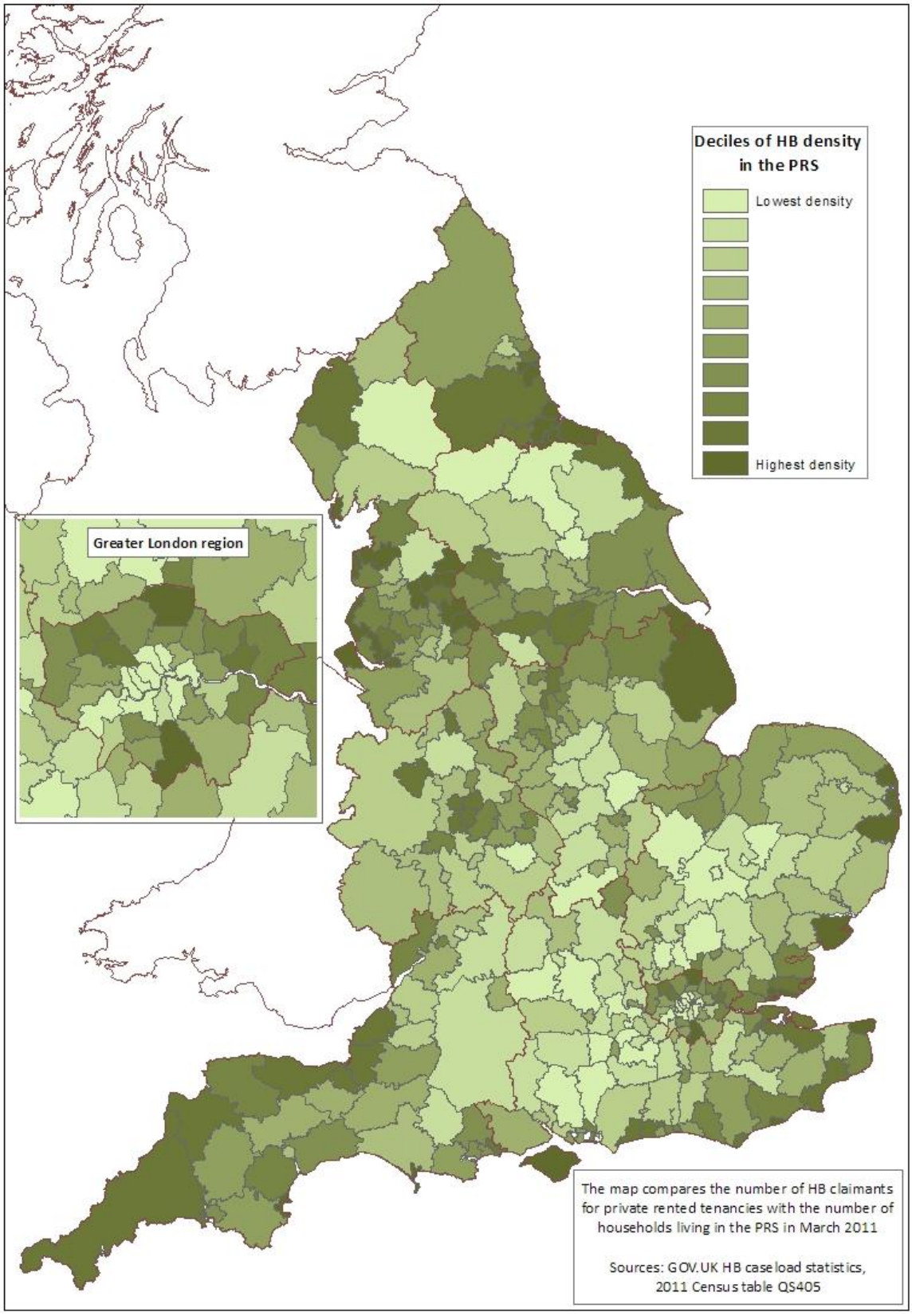


Chart 3.5: Households receiving HB in the PRS with a working and non-working HRP



Map 3.1: Density of housing benefit claimants in the PRS for local authorities in 2011



It has long been understood that letting and renting in HB market comprises some distinctive practices, although in actuality the market is not tightly bounded. Evaluation of the LHA Pathfinders published in 2006 included qualitative study of landlords who let to tenants in receipt of the new benefit. Some landlords or agents had chosen to deal almost exclusively in this market, and aligned their management practices accordingly for example, by not requiring rental payments in advance or allowing payments to be made four-weekly rather than monthly. Other landlords and agents let more broadly across the market and aimed for working tenants but accepted LHA recipients providing they did not expect latitude if troubles with benefit led to rent arrears.[98] In theory, direct payment of LHA to tenants should mean that landlords would not necessarily be aware of a tenant's benefit status. In reality there is often a protracted delay in the first benefit payment and, unless tenants are able to meet rent up front from savings or other income, landlords have to be prepared to wait. The landlords who in the past may have exercised latitude are now perhaps more likely to introduce a blanket 'no DSS' policy.[99]

This market is currently in flux, and management practices are likely to change in response to the wider roll-out of UC. It is arguably the case that the HB market will become more concentrated. Early evaluation of the impact of Welfare Reform concluded that the LHA changes might not necessarily be reducing the number of lettings nationally, but were impacting on their spatial concentration. Recipients were, over time, more likely to be re-located to the less desirable properties that were difficult to rent to other tenants. This movement, in turn, further increases the undesirable nature of those locations.[100] The issue is discussed in more detail in section 7.3.

3.3.4 Temporary Accommodation

Temporary Accommodation (TA) is a highly problematic submarket within the PRS, with distinctive management and supply characteristics.[101] Local authorities are obliged to make interim accommodation arrangements for certain types of household who would otherwise have nowhere to live. These households then stay in the accommodation until more permanent accommodation becomes available. The overall number of households in TA dropped to its lowest level in 2011 but has since risen rapidly, from 48,240 in Q1, 2011 to 77,220 in Q1, 2017. TA in London has generally comprised a substantial minority of all TA, and since 2011 has tended to remain stable as a proportion at just over two fifths of the total.[102]

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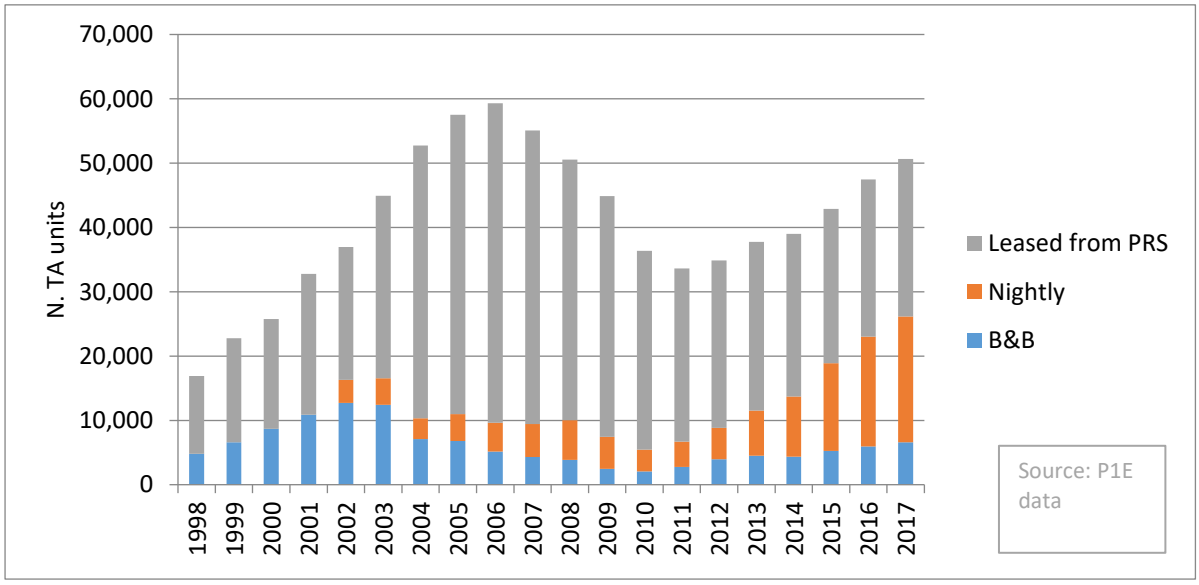
[98] See Rugg, J. (2006) *Local Housing Allowance Final Evaluation: The Qualitative Evidence Landlords' and Agents' Experience in the Nine Pathfinder Areas*, London: DWP.
[99] Adcock, A., and Wilson, W. (2016) *Can Private Landlords Refuse to Let to Housing Benefit Claimants?* House of Commons Briefing Paper 7008, 1 Nov.
[100] Cole, I., Beatty, C., Powell, R. and Saunders, E. (2014) *Monitoring the Impact of Recent Measures Affecting Housing Benefit and Local Housing Allowances in the Private Rented Sector: The Response of Landlords*, London: DWP, 72.
[101] Rhodes and Rugg, *Vulnerability amongst Low-Income Households*, 7ff.
[102] MHCLG, Statutory Homelessness and Homelessness Prevention and Relief Temporary Accommodation Tables, 775.

Exact definitions of residential arrangements under the umbrella of 'Temporary Accommodation' are moot, and not all this accommodation is privately rented. For example, some properties are leased by the local authority from housing associations, or seconded from a local authority's own housing stock. The type of tenancy arrangement being made is not always clear to households given a TA placement in these circumstances. In other cases, referrals might be made to specialist supported hostels, that where residence is under license rather than an assured shorthold tenancy (AST). The majority of TA placement is in what has been termed 'unsupported temporary accommodation' where in practice the formality of the placement is not necessarily well-defined. This type of accommodation includes rooms in HMOs, bed and breakfast hotels and guesthouses. Tenants may refer themselves, and the tenancies are not always formalised with an AST.[103]

In some boroughs, part of the PRS has become configured to meet the need for TA. In London there has been an increase in the supply of more expensive 'nightly rates' accommodation, as the number of properties leased over the longer term have been decreasing (Chart 3.6). Qualitative interviews with homelessness officers indicate that 'cartel'-type behaviour is in evidence amongst landlords meeting TA demand.[104] TA placement frequently crosses borough boundaries. In 2017, 36 per cent of London TA placements were made out-of-borough[105], and this has meant additional pressure on what can be already limited PRS stock in those destination boroughs (see 7.4.2).

Chart 3.6: Types of temporary accommodation



Housing Benefit support for local authorities using TA is funded differently from 'mainstream' HB, and recent changes have been made to these arrangements. Housing

[103] Rose, A. and Davies, B. (2014) *Not Home: The Lives of Hidden Homeless Households in Unsupported Temporary Accommodation in England*, Manchester: IPPR North.
[104] Rugg, J. (2016) *Temporary Accommodation in London: Local Authorities under Pressure*, York: Centre for Housing Policy.
[105] https://www.trustforlondon.org.uk/data/temporary-accommodation-borough/, acc. 29 May 2018.

Benefit payments made directly to local authorities to pass on to landlords to meet the costs of TA were lower as a weekly payment, on the understanding that the landlord would benefit from the local authority overseeing the tenancy. A supplementary 'management' payment was made to the local authority as part of the TA HB payment.[106] In March 2017 it was announced that the management payment would be replaced with the Flexible Homelessness Support Grant (FHSG) which would enable local authorities to channel expenditure into prevention, to reduce overall demand for TA placements.[107] In 2018/19, planned expenditure on FHSG totalled over £191m, 56 per cent of which was allocated to London boroughs.[108]

3.3.5 Criminality and slum rental

Lettings at the very bottom end of the market can shade from poor quality and poor management, through sharp practice that sits at the edge of benefit fraud, and into illegality that extends beyond landlordism and into other criminal activity.[109] Local authorities and the police are increasingly aware that collaborative work is advantageous in dealing with some very poor quality HMOs.[110] Overtly criminal letting is a part of the market that sites entirely outside formal frameworks of regulation but it does constitute a market of sorts, with specific demand and supply characteristics. Much of the property will be in HMOs, and there may be links to organized crime.[111]

There are three common lettings 'scenarios'. Single tenants reliant on benefit and with few other options might fall into this part of the market inadvertently: rooms might be relatively cheap, and the landlord might only ask for 'key money' up front. The tenant might then find that criminal activity – such as drug dealing – is taking place in that property routinely and they are at a heightened risk of violent attack and property theft. [112] In a second scenario, described by environmental health officers in stakeholder meetings, landlords might exploit tenants who have addiction difficulties or mental health problems, using these individuals to make fraudulent LHA claims. Tenants may be moved around properties to generate benefit income. In both these scenarios, there may be connections with economic migration (see 3.3.6). A third group of 'tenants' includes the victims of activities such as trafficking, modern slavery, or debt bondage.

Housing in this shadow market will undoubtedly be in poor and unsafe condition, with extremely high levels of overcrowding. Little is known about how landlords move into this

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[106] See Rugg, *Temporary Accommodation in London*.
[107] https://www.gov.uk/government/news/new-grant-for-council-homelessness-services, acc. 29 May 2018.
[108] https://www.gov.uk/government/publications/flexible-homelessness-support-grant-2017-18-to-2018-19, acc. 29 Jul 2018.
[109] Reeve-Lewis, B. (2018) 'A new breed of rogue landlord', *Journal of Housing Law*, 21:2, 17-22.
[110] Higgins, A., and Jarman, R. (2015) *Safe as Houses? Crime and Changing Tenure Patterns*, London: The Police Foundation.
[111] Crocker, R., Webb, S., Gardner, S. and Skidmore, M. (2017) *The Impact of Organized Crime in Local Communities*, London: The Police Foundation, 28.
[112] Rugg, J. (2008) *A Route to Homelessness: A Study of Why Private Sector Tenants Become Homeless*, London: Shelter, 21.

kind of activity, or how tenants themselves fall into and exit this part of the market. If 'right to rent' regulations begin to exclude certain groups of migrants from the formal rental sector, then this group might increasingly fall into the shadow market. It is very difficult to estimate how big this part of the market is, although localised data on the scale of criminal landlordism and links to organised crime might become available via selected and additional licensing schemes.

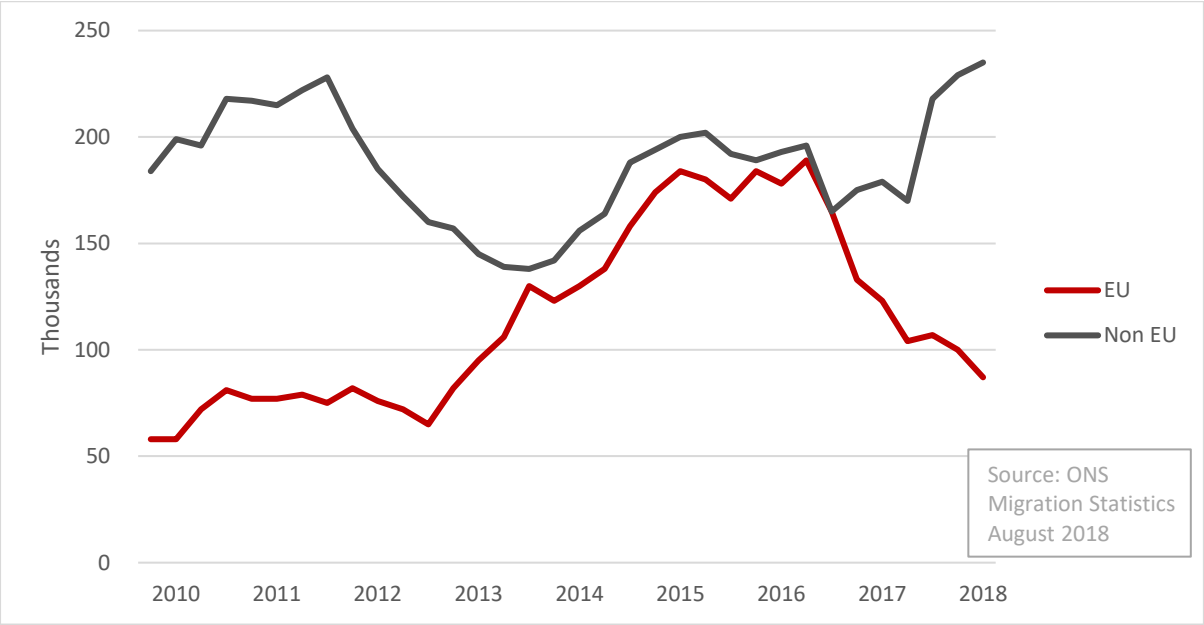
3.3.6 Economic migrants

Migrants to the UK includes a variety of households in addition to asylum seekers and refugees (see 3.3.7) and students (see 3.3.1). This section considers economic migrants, who have come to the UK to seek employment. Net migration to the UK has exceeded 150,000 a year since 2001.[113] At present, there is uncertainty with regard to the longer-term impact of Brexit on migration figures. In 2017, just under half the inflow of non-UK nationals was from EU states, and this number had been dropping relative to non-EU migration (Chart 3.7).[114] Labour Force Survey data indicate that 80 per cent of recent migrants from outside the UK live in the PRS; the proportion is higher in London.[115] The degree of education, skill and income defines where economic migrants might settle in the PRS.

Over time, migrants' tenure characteristics settle and more closely resemble the wider population. Economic migrants vary in intent and circumstances, and come with a wide variety of qualifications and skills. In some instances, the intention may be to stay in the UK for a defined period, or on-and-off depending on work availability but with the longer-term intention to return and resettle in the home country. In other circumstances, migrants may be aiming to establish a career, seek resident status or citizenship and live in the UK on a permanent basis.

[113] Sturge, G. (2018) *Migration Statistics*, House of Commons Briefing Paper, SN06077, 23 Jul., 9.
[114] Perry, J., and Williams, P. (2017) 'A waiting game: how Brexit might affect the housing market, supply and demand', in Wilcox, S., Perry, J., Stephens, M. and Williams, P. (2017) *2017 UK Housing Review*, Coventry: CIH, 18.
[115] Vargas-Silva, C. (2016) *Migrants and Housing in the UK: Experiences and Impacts*, Oxford: COMPAS, University of Oxford.

Chart 3.7: ONS Migration statistics



There are concerns relating to the market in lettings to recent economic migrants on lower incomes.[116] 'Right to rent' regulations were introduced in the Immigration Act 2014, and implemented from February 2016. The regulations were intended to curb illegal immigration and introduce an obligation on landlords to check identity documents to ensure that a tenant is 'present lawfully in accordance with immigration laws'.[117] Concern has been expressed that the risk of contravening the regulations creates uncertainty for some landlords, who might therefore choose to avoid letting to anyone without a UK passport.[118] This problem compounds difficulties that migrant tenants already face, including unfamiliarity with the processes of finding and securing property; possibly limited access to up-front deposits or rent in advance; and a lack of UK-based guarantors and/or references.[119] These difficulties mean that some migrant groups are more likely to fall into the more informal and shadowy lettings market. This market actively seeks migrant tenants in preference to Housing Benefit recipients, since migrants will have limited understanding of letting law, and might prefer to make cash payments to remain 'under the radar' and obscure their migrant status.[120]

Overall, few conclusions can be drawn with certainty with regard to the impact of economic migrants on the PRS. Migrants add substantially and very specifically to demand for

[116] See Rhodes and Rugg, *Vulnerability amongst Low-Income Households*, 37ff
[117] https://www.gov.uk/government/publications/right-to-rent-landlords-code-of-practice/, acc. 31 May 2018.
[118] Patel, C. and Peel, C. (2017) *Passport Please: The Impact of the Right to Rent Checks on Migrants and Ethnic Minorities in England*, London: JCWI.
[119] Perry, J. (2012) *UK Migrants and the Private Rented Sector: A Policy and Practice Report from the Housing and Migration Network*, York: JRF, 11.
[120] Crocker, *et al.*, Organized *Crime in Local Communities*, 28.

privately rented accommodation in ways that tend to be geographically concentrated. For example, there may be particular pressures on smaller market towns as economic migrants meet seasonal demand for agricultural labour. Little is known about how migrants access PRS accommodation, the geography and ethnic specificity of particular settlement patterns, how migrant experiences differ between nationalities, letting and management practices of landlords routinely letting to migrants, interactions between migrant housing and labour markets, and tenant expectations of the sector.

3.3.7 Asylum seekers and refugees

A number of niche markets have been created as a consequence of statutory procurement of services for specific demand groups. There is a statutory obligation to accommodate asylum seekers who are escaping persecution in their home country and who have made an application under the 1951 Refugee Convention. If an asylum applicant and their household is destitute at the time of the application, their accommodation needs are met by the Home Office, via the Commercial and Operational Managers Procuring Asylum Support Services (COMPASS). Property procurement is dispersed across the UK, with contracts held by four separate providers, three of which - Clearsprings, G4S and Serco Ltd – operate across defined regions in England. In 2016/17, placements were being sought for over 28,000 asylum seekers.[121] The dispersal process aimed to direct high levels of demand away from London and the South East, and towards locations where less expensive properties could be procured within the tight constraints set by COMPASS budgets. An in-principle limit was set on the number of placements that could be made in each local authority, but not all local authorities agreed to accept placements. This has meant that demand has become concentrated: four English boroughs – Liverpool, Birmingham, Bolton and Rochdale – each accommodated over 1,000 asylum seekers in 2016/17, and a further 20 accepted over 500.[122]

The housing procurement agencies have predominantly secured properties from the PRS, although the circumstances of leasing arrangements are not clear. Evidence submitted to the Parliamentary Inquiry reporting in 2017 indicated that procurement had on occasion been subcontracted. It is likely that COMPASS and temporary accommodation procurement involves similar kinds of arrangements, with landlords leasing property to a commercial subcontractor who then negotiates with the statutory agency subcontractor. Little information is available on these practices, although there does appear to be widespread dismay as to the quality of COMPASS-procured property and management of that property as experienced by asylum seeker tenants.[123] This part of the market provokes questions about the way in which statutory demand and procurement both sanctions and encourages the supply of substandard accommodation, particularly in low-demand rental locations where landlords would be unlikely to find alternative tenants.

[121] House of Commons Home Affairs Committee (2017) *Asylum Accommodation, Twelfth Report of Session 2016-17*, London: HMSO, Appendix 2.
[122] *Ibid.*
[123] See, for example, lobbying activity by the South Yorkshire Migration and Asylum Action Group.

3.3.8 Middle age, middle market

EHS data indicate that there has been an increase in the proportion of all renters over the age of 45, from 21 per cent in 2008/9 to 32 per cent in 2016/17. For the age group 45-54, specifically, the increase was from 9 to 16 per cent. Rather more questions than answers pertain to use of the PRS by families and individuals who are in what might be termed the 'middle market'. As with all demographic groups in the PRS, this group is likely to include households in a variety of circumstances. Some tenants will be using the PRS as a temporary measure to facilitate a move between jobs or in moving between owner-occupied properties. The percentage of 'short-term' renters that fall into this kind of category is difficult to determine. Relationship breakdown may play a part in provoking a move into the sector. It may also be the case that movement out of owner occupation may lead to a period of rental, but where being a renter may dovetail with letting out the owner occupied property that has been vacated: it has been seen that nine per cent of landlords are themselves private tenants.

Data from the FRS indicate that household type varies across income quartiles. Focussing on any household with dependent children[124], it is evident that this type of household remains prevalent amongst the top two income quartiles of renters. In 2015/16, 39 per cent of renters in the third quartile and 32 per cent of the top quartile renters were households with children. These proportions have increased since 2008/9 by seven and eight percentage points respectively. The lowest quartile has the smallest proportion of renting households with children (24 per cent in 2015/16), probably a reflection of easier access to social housing for households with children. Data do not indicate that the length of time in the PRS is substantially different for the highest earning quartile renters. Overall there has been a decrease in the proportion of 'short-term' renters living at their current property for less than a year, from 39 per cent of all households in 2008/9 to 26 per cent of households in 2015/16; for the top quartile, the decrease was very similar, from 41 per cent to 26 per cent.

There has been an increasing interest in the BTR sector in letting to higher-income professional families who might be attracted by features more likely to be associated with good quality hotels including bespoke artworks, dry cleaning, housekeeping services and a 24-hour concierge. A number of new developments include larger family flats with the intention that these will be let for single occupancy. There has as yet been no independent published research on tenants' experience of that market, so a number of questions remain as yet unanswered.

3.3.9 Older tenants and regulated tenancies

According to the FRS, the proportion of PRS households headed by a HRP aged 65 or over has reduced from 14 per cent in 2000/01 to eight per cent in 2015/16. Due to the overall expansion in the size of the sector, however, the number of such households has in fact increased over the period from around 302,000 to 354,000.

[124] Including couples and lone parents with children and others.

The 2017 Housing White Paper looked to local authorities to take housing demand from older people into account, in formulating local area plans. A number of reports have indicated that older people in owner occupation tend to under-occupy their property and many are seeking to downsize but lack options. There is growing interest in the provision of mixed-tenure specialist housing that includes smaller properties, and properties with higher levels of adaptations and support. It is likely that large-scale institutional investors and build-to-rent developers will expand the number of rental products to meet the needs of the more affluent, downsizing, older renters.[125]

Prospects for less affluent older renters remain uncertain.[126] The NHF added questions to a YouGov poll that explored financial and adaptation issues for this group. The poll indicated that 21 per cent of private renters over the age of 65 were still in work; and 31 per cent had no savings or investment to support their retirement.[127] The Review Omnibus indicated that 45 per cent of households headed by someone aged 65 or over were in receipt of Housing Benefit.[128] The data further suggested that just eight per cent of these older recipients had their rent covered in full by HB.

3.3.10 Property guardians

One development that again illustrates the hazy boundaries that have emerged in the PRS in recent years is the growing incidence of property guardianship. Property guardians enter into arrangements with landlords to live in residential or commercial properties that would otherwise remain empty and vulnerable to vandalism and squatting. There are around 7,000 property guardians in the UK. This activity, which takes place largely in London, does not fall wholly within the definition of tied lettings, since property guardians often have other paid employment, although the tenant is fulfilling a role beyond simply being a tenant. Research in this area indicates that a market has emerged and offers guardianship opportunities to a group of generally younger, single tenants who often move from one guardianship arrangement to another. The legalities of these arrangements are not always clear, and properties are not always well adapted to long-term habitation.[129]

3.3.11 Airbnb-type arrangements

One additional market that has been cause for comment is the growing number of full-house lets that have been advertised via Airbnb and other similar websites.[130] This type of website facilitates homeowners seeking to sublet rooms to travellers seeking a short-term

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[125] Wood, C. and Vibert, S. (2017) *Unlocking the Housing Market: Helping First Time Buyers by helping Later Life Buyers*, London: Demos. See also See also http://www.savills.co.uk/research_articles/205506/193102-0, acc. 3 Jun 2018.

[126] The experience of lower-income older renters is considered in more detail in Rhodes and Rugg, *Vulnerability amongst Low-Income Households*, 33ff.

[127] National Housing Federation (2018) *Experiences of those aged 50+ in the private rented sector*, London: NHF; see also Rhodes and Rugg, V*ulnerability amongst Low-Income Households*.

[128] Review AT17: Whether Housing Benefit received in the PRS (2018).

[129] Hunter, C. and Meers, J. (2017) *Property Guardian Research*, York: York Law School.

[130] Snelling, C., Colebrook, C. and Murphy, L. (2016) *Homesharing & London's Housing Market,* IPPR: London.

'home-like' stay, at a price generally set below hotel averages. The Deregulation Act 2015 allows this style of letting to take place without need of planning permission, provided that lets amounted to fewer than 90 nights in any one year. The recent London Housing Strategy indicated that there were substantial difficulties in monitoring compliance, and that tighter regulation might be required.[131]

There has been increasing concern that landlords may be choosing to let properties on short lets in high demand locations in preference to offering longer-term tenancies, following a growth in the number individuals letting more than one room or entire property.[132] Review Omnibus data indicate that two per cent of individuals had let property using an Airbnb-type arrangement. The RLA surveyed its landlords on their recourse to short-term lettings. Seven per cent of 1,436 respondents indicated that they had started to use short-term lettings for properties they would otherwise have let on a longer tenancy. Seven per cent also reported that their tenants had sub-let a room as a short-term letting without permission.[133]

It is notable that a high proportion of private renters are over-accommodated. Analysis of EHS data indicates that 47 per cent of renters are living in properties that have more bedrooms than they need, according to the LHA bedroom standard. It may be, therefore, that sub-letting is one useful means of tenants increasing their income and so paying a rent that might otherwise not be affordable although there are issues relating to the legality of the practice.

The increase in the incidence of short-term letting arrangements is substantial. Overall at present the impact on the sector is minimal although there are likely to be tourist locations where this kind of letting is considerable in scale, and may have a quantifiable impact on local housing availability. It is not certain how far these shorter-term arrangements are simply altering the terms on which existing holiday homes are being let, rather than drawing more accommodation into the short-term letting sector.

3.3.12 The increased marketisation of the PRS

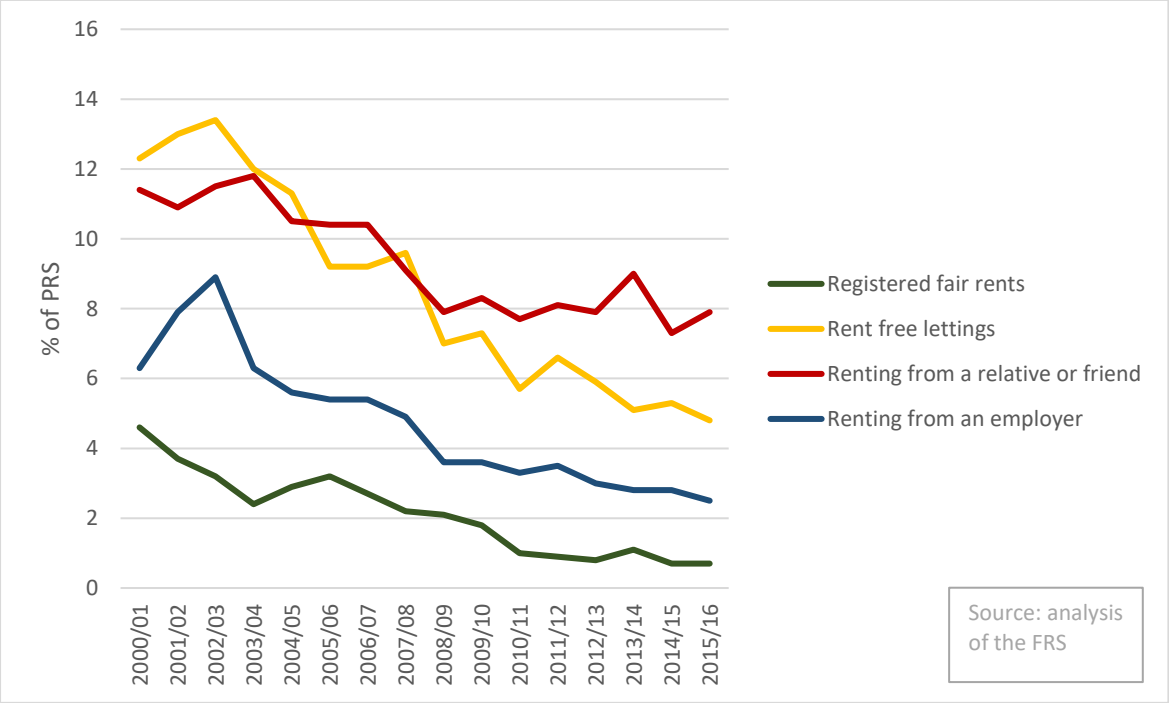
One final issue that draws together a number of smaller demand groups relates to an increase in the marketisation of the PRS. Parts of the PRS have traditionally been restricted to use by certain demand groups and in being so generally offered some advantages to the target group. This category includes tied lettings, and lettings made by a friend or relative. This section also includes renting activity where the rent has been regulated, and where the letting was rent free although the circumstances in which this took place were not known.

All these modes of letting have declined as a proportion of the PRS (Chart 3.8) and the PRS has become more 'open market' oriented. According to the 2001 census, in England 81 per

[131] Mayor of London (2018) *London Housing Strategy*, GLA: London, para 2.61ff.
[132] See, for example, Manthorpe, R. (2018) 'Airbnb is taking over London – and this data proves it', *Wired,* 2 Feb. http://www.wired.co.uk/article/airbnb-growth-london-housing-data-insideairbnb, acc. 10 Jun 2018.
[133] Simcock, T. (2017) *From Long-Term Lets to Short-Term Lets: Is Airbnb Becoming the New Buy-to-Let?* Sale: RLA, 9-10.

cent of households were renting in the open market, a figure increasing to 90 per cent in the 2011 census. The percentage in London was slightly higher, at 88 per cent in 2001 and 94 per cent in 2011. Analysis of FRS data confirms this trend (Chart 3.7). There has been a reduction in lettings linked with the employment of a household member and lettings from a relative or friend. The former of these reduced from six per cent to two per cent, equivalent to a decrease from 136,000 to 118,000 households living in tied accommodation; and the latter from 11 to eight per cent, which numerically equated to an increase from 247,000 to 369,000 households due to the overall expansion in the size of the sector.

Chart 3.8: Marketisation of the PRS from 2000/01 to 2015/16



The chart also shows changes in the proportions of regulated tenancies (Rent Act 1977) with a registered fair rent, and the proportion of lettings that were being let completely rent free. Lettings with a registered fair rent reduced from five per cent to less than one per cent, resulting in a reduction from around 99,000 to 32,000 tenancies in England across the period. The proportion of lettings for which no rent was paid reduced from 12 per cent in 2000/01 to five per cent in 2015/16, equating to a reduction from around 267,000 to 223,000 rent free households.

A key feature of these two changes is that they have more strongly affected older and longer-term residents of private rented accommodation. Twenty per cent of households with a HRP aged 65 and older had a registered fair rent in 2000/01, compared with four per cent in 2015/16. Thirty-five per cent of households with a retired HRP were living rent free in 2000/01, compared with 20 per cent in 2015/16; and likewise, 35 per cent of households that had been resident for at least 10 years in their current address were living rent free in 2000/01, compared with 19 per cent in 2015/16.

Although 'marketisation' of the PRS has increased, the continued incidence of a minority of renters who are renting from friends and family, perhaps in largely in informal circumstances, is notable as is the number who are not charged rent. No research has as yet been undertaken on the circumstances in which these arrangements have developed.

3.4 Conclusion

This section has indicated that multiple sub-markets operate within the private rented sector. Those submarkets intersect and overlap. Since the earlier 2008 Review, some markets have diminished substantially or all-but disappeared, including regulated tenancies and tied lettings. Other markets have evolved: for example, the student market now comprises an asset class trading on the global market.

Larger portfolio landlords may operate across more than one sub-market, depending on their property type and location. Through the course of their lives, tenants may find themselves letting in a range of circumstances and from a range of different types of supplier. Some types of tenant are disadvantaged more than others in the PRS, and are letting in circumstances where they might lack sufficient agency to improve their circumstances, for example, because the letting has been arranged by a statutory organisation.[134] Other, 'middle income' tenants may find that they will increasingly have multiple choices and options in terms of property type and location.

As the next section indicates, geography also has a material bearing on understanding the PRS. Variation is evident within and outside London, between urban and rural areas, and according to the mix of demand groups in particular locations.

[134] See Rhodes and Rugg, *Vulnerability amongst Low-Income Households*, 54.

B4. GEOGRAPHIES OF RENTING

4.1 Introduction

The PRS in England reflects characteristics beyond supply and demand side elements. The geographies of the PRS are not necessarily well understood or accommodated in national policy-making. This section reviews the geographies of renting from three different dimensions: the uneven nature of growth; size and distribution of PRS across England; difficulties relating to property quality, affordability and multiple deprivation which are also not necessarily evenly distributed; and the very particular nature of local rental markets.

4.2 The geographies of the PRS

4.2.1 Growth

The PRS has grown in England, but not evenly (Map 1.1). Almost all local authorities experienced growth between the 2001 census and the 2011 census in the number of privately renting households, with only the Isles of Scilly recording a small decrease. The overall growth in the number of households between 2001 and 2011 was six per cent overall; across England the PRS grew by 65 per cent. Growth was more marked in the north and the midlands: for example, the West Midlands PRS grew by 83 per cent and the North East by 79 per cent. Lower levels of growth were in evidence in the South West (49 per cent) and Inner London (59 per cent) (Table 4.1).

Table 4.1: Change in PRS size from 2001 to 2011

Region and sub-region	N. PRS households		2001-2011 growth	
	2001	2011	N.	%
North East	86,230	154,426	+68,196	+79
North West	262,049	462,899	+200,850	+77
Yorkshire & Humber	207,214	353,448	+146,234	+71
East Midlands	161,244	282,443	+121,199	+75
West Midlands	175,921	321,670	+145,749	+83
Eastern	223,354	356,227	+132,873	+59
South East	374,143	578,592	+204,449	+55
South West	260,083	387,134	+127,051	+49
Greater London	495,982	819,085	+323,103	+65
Inner London	242,530	384,503	+141,973	+59
Outer London	253,452	434,582	+181,130	+71
England excl. Gtr London	1,750,238	2,896,839	+1,146,601	+66
England	2,246,220	3,715,924	+1,469,704	+65

Sources: 2001 census table ST49, 2011 census table QS405.

2001 census figures include 'rent free' households according to whether they rented from a social or a private landlord; 2011 census figures exclude 'rent free' households, due to their type of landlord being unidentified.

The PRS expanded by most in the more urban areas, and by the least in the more rural types of area. It expanded by 75 per cent in urban conurbations, by 76 per cent in urban cities and towns and by 58 per cent in urban areas containing significant rural areas; there was growth by 46 per cent in largely rural areas, and by 28 per cent in mainly rural areas[135]. Likewise, areas classified as 'urban settlements' by the ONS super group classification of local authority areas also saw a large increase between the 2001 and 2011 census (91 per cent), as did 'ethnically diverse metropolitan living' areas (83 per cent); whereas 'countryside living' (35 per cent) and 'affluent England' (44 per cent) saw smaller growth.

It is notable that the PRS grew most where the average HRP age was lowest (68 per cent in the lowest age decile) and least where the average HRP age was highest (30 per cent in the highest age decile), reflecting the location of demand from younger renters. Growth in the PRS was also highest in areas in which private rents were most affordable and lowest in areas that were least affordable.[136] The same pattern of growth existed in relation to house price affordability.[137] High rates of growth in the PRS took place in areas in which the gross rental yield was the highest and the lowest in the areas with the lowest gross rental yield.[138]

4.2.2 Variation in size

With the exception of Greater London, the size of the PRS in 2011 was broadly consistent across the regions, housing in the range of 14 to 17 per cent of households, and averaging 16 per cent overall (Table 4.2). The sector was much the largest within Greater London, housing 25 per cent of the capital's households; and larger still within the inner London boroughs, housing 31 per cent of households. The number of PRS households within Greater London accounted for 22 per cent of the entire tenure within England, as compared with 15 per cent of all households in all tenures.

The PRS was housing a smaller proportion of households in rural areas compared with the most urban areas, and was therefore playing a less important role in the countryside than it has in the past.[139] The sector was on average larger in local authority areas containing a university (20 per cent) than in those without (15 per cent). The size of the PRS varied considerably in terms of the nature of local authority areas[140]: local authorities identified as 'Town and country living' had the smallest sector on average (12 per cent of all households), whereas 'London cosmopolitan' (32 per cent) and 'Ethnically diverse metropolitan living' (23 per cent) had much larger sectors.

There was, of course, even wider variation between individual local authority areas, with the PRS ranging from a low of eight per cent of all households in North East Derbyshire, an

[135] Using ONS classification of rural and urban area type.
[136] Ratio of VOA 2011 median weekly rent to ASHE 2011 median gross pay.
[137] Ratio of Land Registry all transactions 2011 mean price to ASHE 2011 median gross pay.
[138] Estimated from the VOA 2011 mean weekly rent and the Land Registry all transactions 2011 mean price.
[139] Rhodes, D. (2015) 'The fall and rise of the private rented sector in England', *Built Environment,* 41:2, 258-270.
[140] ONS 2011 Area Classification for Local Authorities (Supergroup level).

area identified by the ONS classification as being 'prosperous semi-rural'; to a high of 41 per cent in Westminster, classified as 'London cosmopolitan' by the ONS scheme, and which contains universities, scores highly on the Index of Multiple Deprivation[141] (that is, it is a relatively deprived area), but is an area that also contain enclaves of super-rich residents.[142] The local authority areas of Derby and Cornwall both had 17 per cent of households living in the PRS, and were therefore most representative of the sector in 2011 in terms of its size.

[141] Area deprivation has been measured using the 2015 Index of Multiple Deprivation (2015 IMD), with analysis of tenure size completed at the local authority level and a sub-local authority level (the LSOA level).

[142] Atkinson, R., Burrows, R. and Rhodes, D. (2016) 'Capital city? London's housing markets and the "super-rich"', in Hay, I. and Beaverstock, J. (Eds) *Handbook on Wealth and the Super-Rich*, Cheltenham: Edward Elgar, 225-243.

Table 4.2: Tenure by region and rural urban type of area in 2011

Region, Greater London sub-region, and rural-urban type of area	Number of households				Proportion of households (%)			
	Owner occupied	Social rented	Private rented	All	Owner occupied	Social rented	Private rented	Total
North East	702,693	259,506	154,426	1,116,625	63	23	14	100
North West	1,957,351	550,481	462,899	2,970,731	66	19	16	100
Yorkshire & Humber	1,435,200	402,653	353,448	2,191,301	65	18	16	100
East Midlands	1,287,409	300,423	282,443	1,870,275	69	16	15	100
West Midlands	1,504,324	435,170	321,670	2,261,164	67	19	14	100
Eastern	1,655,621	380,331	356,227	2,392,179	69	16	15	100
South East	2,443,797	487,473	578,592	3,509,862	70	14	16	100
South West	1,544,074	301,520	387,134	2,232,728	69	14	17	100
Greater London	1,618,315	785,993	819,085	3,223,393	50	24	25	100
Inner London	441,461	416,723	384,503	1,242,687	36	34	31	100
Outer London	1,176,854	369,270	434,582	1,980,706	59	19	22	100
England excl. GL	12,530,469	3,117,557	2,896,839	18,544,865	68	17	16	100
England	14,148,784	3,903,550	3,715,924	21,768,258	65	18	17	100
Mainly rural	1,448,594	243,415	283,406	1,975,415	73	12	14	100
Largely rural	1,915,217	363,512	366,059	2,644,788	72	14	14	100
Urban with significant rural	2,067,963	395,059	399,821	2,862,843	72	14	14	100
Urban with city and town	3,790,637	987,530	1,025,330	5,803,497	65	17	18	100
Urban with major and minor conurbation	4,926,373	1,914,034	1,641,308	8,481,715	58	23	19	100

Sources: analysis of 2011 census table QS405; ONS/DEFRA 2011 Rural-Urban Classification of Local Authority Districts in England.

4.3 The distribution of problems in the PRS

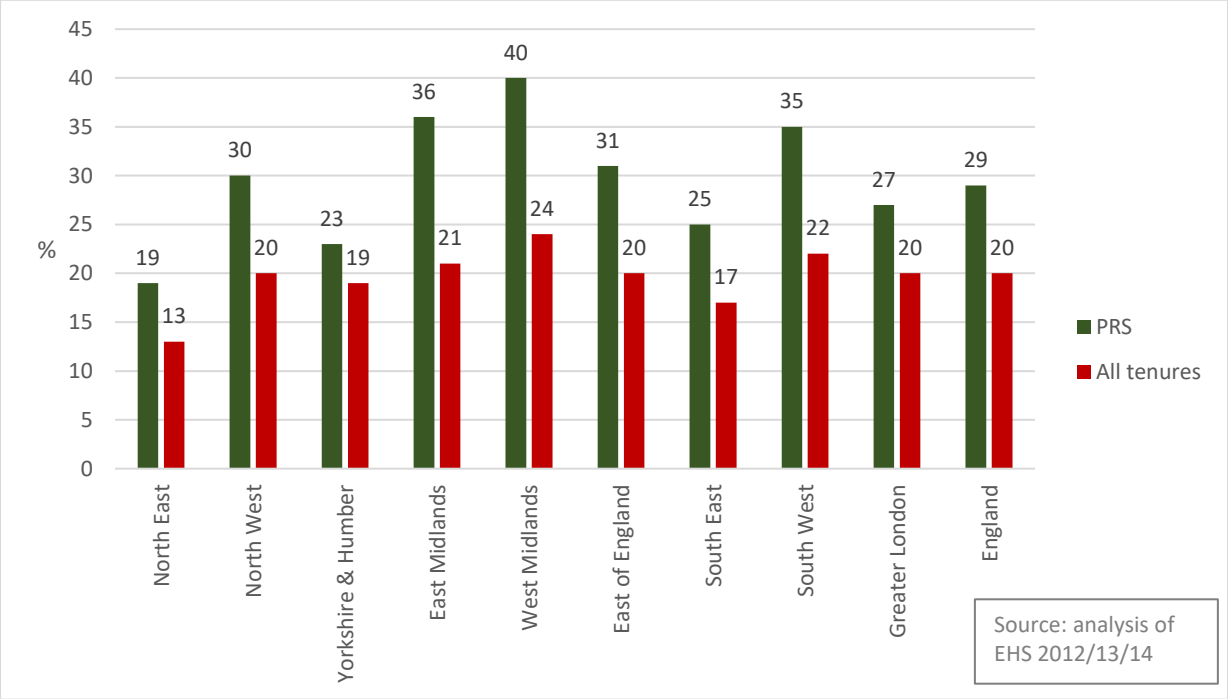
The PRS is associated with a number of problems including issues relating to affordability and to property quality. These problems are not distributed evenly across England. The PRS is also associated with higher levels of deprivation, but not uniformly so.

4.3.1 Condition of private rented stock

Overall, the PRS is the worst-performing tenure in relation to the incidence of homes not meeting the Decent Homes Standard (DHS) (see 6.2 for definitions). EHS data indicate that private rented dwellings in the West Midlands most commonly failed the DHS, whereas a much lower proportion of PRS dwellings failed in the North East region (Chart 4.1). This variation reflected the pattern for all tenures together, in which the highest proportion of all dwellings failed in the West Midlands, and the lowest failed in the North East.

It is difficult to understand why the West Midlands was markedly different. The stock in the area was not older than average: the median year of construction was 1950, which was the same as for the PRS stock in England as a whole. In the North East region, by contrast, the median year of construction for the PRS stock was 1940, making the stock there on average older than in the West Midlands.

Chart 4.1: Proportion of non-decent dwellings in the PRS and all tenures by region (2012/13/14)



The estimated costs to make dwellings decent (allowing for variations in prices across the country) differed across the regions. Review analysis of EHS data indicate that the median cost to make a failed PRS dwelling meet the DHS was £2,268 for England as a whole (in

2012/13/14 prices), compared with £1,247 for failed social rented dwellings, and £1,875 for failed owner occupied dwellings. The median cost for the failed PRS dwellings was clearly the highest within Greater London (£3,686), and clearly the lowest in the West Midlands (£1,481), and secondly in the East Midlands (£1,593).

Table 4.3 shows the proportions of PRS dwellings that failed each of the four DHS criteria, noting that a dwelling needs to pass all four criteria to be classed as decent. The reasons for variation are unclear but, as the table shows, the same pattern applied to all failed dwellings in all tenures.

Table 4.3: Reasons PRS dwellings and all dwellings failed the Decent Homes Standard criteria by broad regional area

Broad regional area and the Greater London region	Failed PRS dwellings (%)				Failed dwellings in all tenures (%)			
	Serious hazard	Repair	Modern facilities	Thermal comfort	Serious hazard	Repair	Modern facilities	Thermal comfort
Northern	59	35	8	32	58	33	6	30
Midlands	63	23	9	42	65	19	9	32
Southern	45	16	10	63	51	16	9	50
Greater London	51	16	17	44	57	20	16	32
England	56	23	11	45	58	22	9	36

Sources: Analysis of two-year EHS data 2012/13

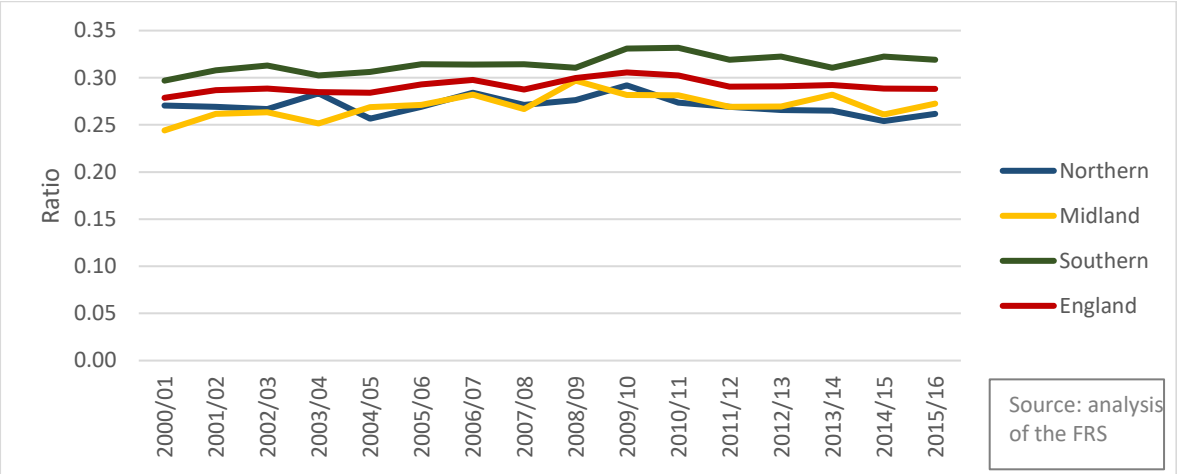
Northern = North East, North West, Yorkshire & Humber regions; Midlands = East Midlands, West Midlands, East of England regions; Southern = South East and South West regions; Greater London = Greater London region. Percentages do not sum to 100 because dwellings can fail the DHS on more than one of the four criteria.

4.3.2 PRS rent affordability

The affordability of private rents has varied geographically, as have recent changes in affordability. Analysis of the FRS data shows for all private renting households in England collectively, average private rents have increased by slightly more than incomes from 2000/01 to 2015/16, leading to a slight increase in the affordability ratio from 0.28 to 0.29 (Chart 4.2).[143] In other words, PRS households in England as a whole have on average been spending slightly less than three-tenths of their net household income on their rent.

[143] The affordability ratio has been calculated using FRS data, and compares total net household income from all adults within private rented households with the gross rent, and expresses the proportion of the total net household income that is required to pay the rent. Median figures are cited, and these have been rounded to two decimal places – percentage changes in the ratio over time have been calculated prior to rounding, however, and may therefore differ slightly from the apparent changes in the cited ratios.

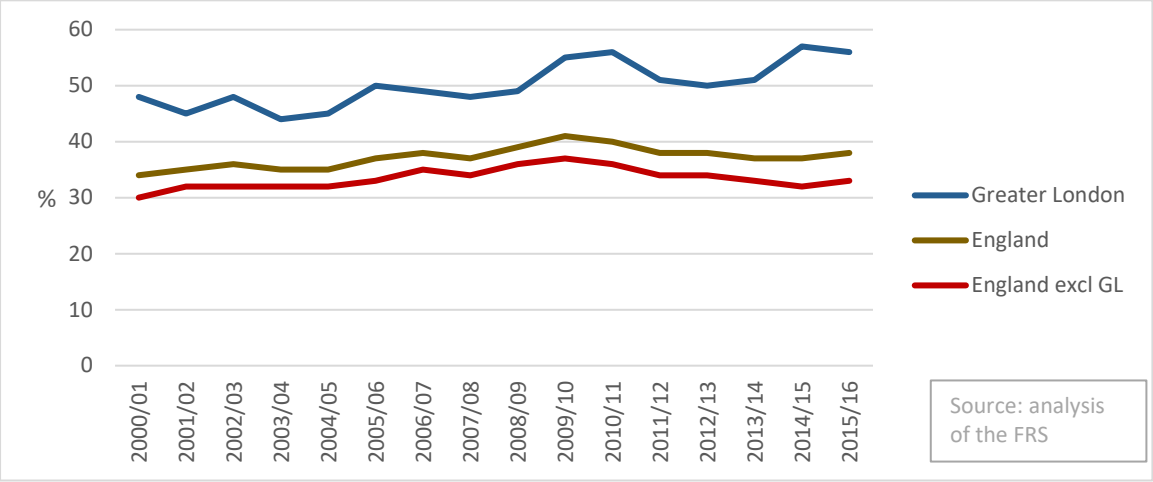
Chart 4.2: Rent to income ratio for private renters by broad regional area



There have been regional variations in the average amount of income private renters have been spending on their rent, and also regional variations in the extent of changes in the amount of income spent on rent between 2000/01 to 2015/16. The rent to income ratio of private tenants in the northern regions have been slightly lower than the average for England as a whole, and they have only changed slightly across this period, reducing from 0.27 to 0.26. The midland regions increased from 0.24 to 0.27, and the southern regions increased from 0.30 to 0.32. The Greater London region was notable for having the highest rent to income ratio, which increased from 0.34 to 0.39 across the period.

In addition to having the highest average rent to income ratio, the Greater London region had much the highest proportion of PRS households paying at least one-third of net income on rent (Chart 4.3). For England as a whole, the proportion of PRS tenants paying at least one-third of net income on rent increased from 34 per cent in 2000/01 to 38 per cent in 2015/16; whereas within the Greater London region the proportion increased from 48 per cent to 56 per cent.

Chart 4.3: Proportion of PRS households spending 1/3 or more of net household income on their rent

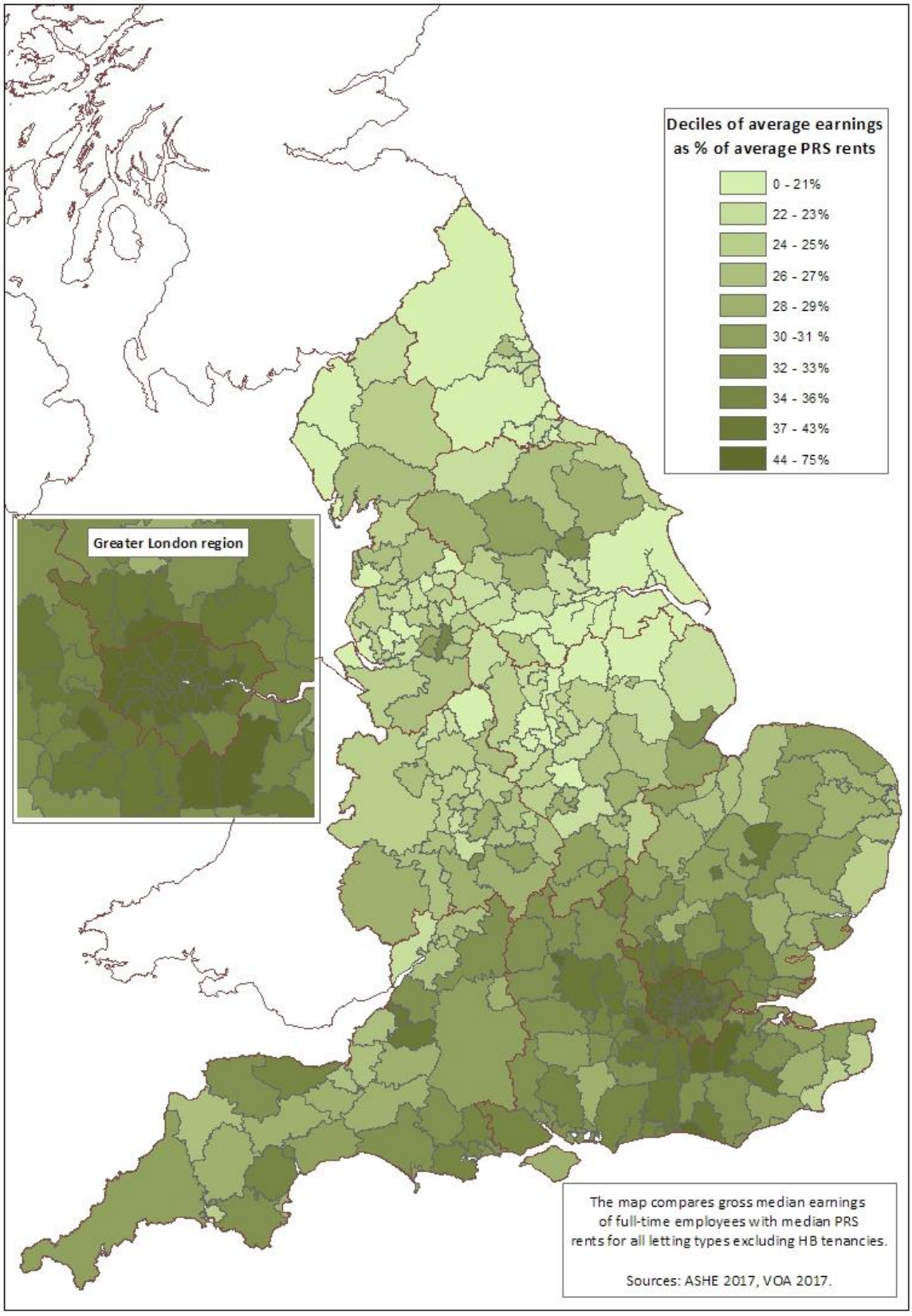


An estimated private rent affordability ratio[144] has been calculated at the local authority level, using a method similar to that utilised by the ONS to facilitate analysis for different types of area.[145] Whilst the figures produced by the estimated ratio were higher than those in the FRS, the patterns of magnitude and change in the two ratios were broadly the same at the regional level. Across all local authorities in England as a whole, the estimated ratio was 0.31 in 2017. This ratio was highest in the most urban conurbation areas (at 0.37), and varied little across other types of rural or urban areas, in the range 0.28 to 0.29. The ratio was highest in the least deprived local authorities (0.34 in the least deprived decile of the IMD 2015), and lowest in the most deprived areas (0.30 in the most deprived decile). The ratio was lowest in areas classified as 'services and industrial legacy' (0.23) and 'town and country living' (0.26), and higher in 'ethnically diverse metropolitan living' areas (0.46).

[144] An estimated affordability ratio has been calculated using local authority level data on the median weekly rent figures produced by the VOA (for all categories of lettings, and excluding Housing Benefit tenancies), and local authority level figures on median gross weekly full-time earnings of employees from the residence-based ASHE survey. This ratio is therefore an estimate that is only indicative of the generality of rent affordability in each local authority area.

[145] Housing summary measures analysis: 2016 https://www.ons.gov.uk/peoplepopulationandcommunity/housing/articles/housingsummarymeasuresanalysis/2016

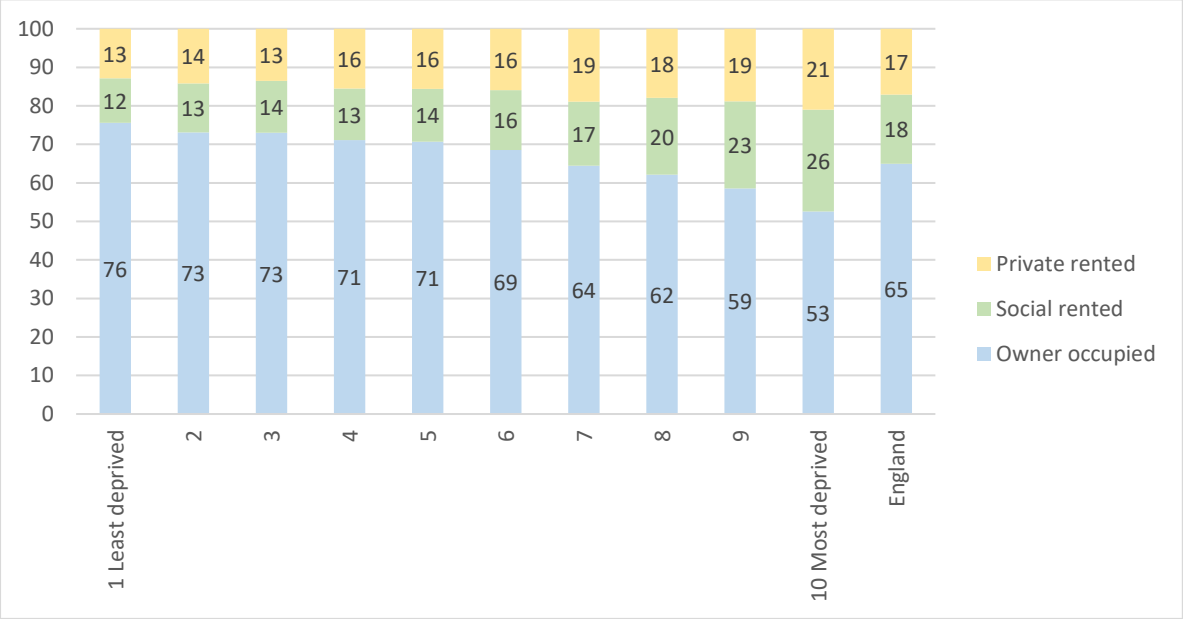
Map 4.1: Estimated PRS rent affordability for local authorities in 2017



4.3.3 Multiple deprivation

A gradient existed between the tenures and the local authority level of multiple deprivation: the proportion of households living in owner occupation decreased with the level of deprivation, whereas the proportion of households living in both the private and social rented sectors increased as the level of multiple deprivation increased (Chart 4.4).

Chart 4.4: Tenure size in 2011 by deciles of the local authority level of multiple deprivation (2015 IMD)



This national level pattern in the size of the PRS in relation to the IMD (as well as in the size of the other tenures) held for variations in the level of deprivation within each of the regions, such that the most deprived areas within each region had the largest PRS. Likewise with the different classes of rural-urban local authority areas: the most deprived areas within each area type contained the highest level of private renting, and vice-versa. This relationship between the level of multiple deprivation and the size of the PRS also existed at a sub-local authority area (the LSOA level), again both nationally and within each region.[146] Within Yorkshire and Humber, for example, nine per cent of households were private renters in the least deprived decile of LSOAs, compared with 18 per cent in the most deprived decile. At this lower level of geography, it was not always the case that the PRS was largest tenure in the most deprived decile, due to the high level of social housing that was often present.

[146] Review analysis of 2011 census data from table QS405 at LSOA level, and the 2015 IMD at LSOA level.

4.4 Local private rented markets

The census is informative on the incidence of difference in location in characteristics of the PRS, but rather more analysis is needed to understand the characteristics of private renting in different area types in narrative terms. The 2008 Review considered regional variation outside of Greater London, the Greater London region and rural private renting. There has been considerable published research undertaken on the market in Greater London, by the GLA[147] and not least as a consequence of the Mayor of London's strategic housing market responsibilities.[148] Both the Future of London and the Trust for London (TFL) have also funded PRS-related research programmes, with TFL issuing a number of related publications.[149]

Out of London, local authorities have produced local and regional strategies, but no over-arching research has been published which considers broader patterns comparing between authorities. It might be argued that the paucity of evidence on the PRS outside London has increased the tendency to view London's PRS as being representative of England. Outside the capital, there are a number of area types where the particular nature of private renting presents a different set of issues.[150]

For example:

Low demand localities where higher yields are achievable in areas where there property prices are lower, and where in some areas there is competition between private landlord and social landlords for tenants at the bottom of the market;

Coastal towns in May 2018 the House of Lords Select Committee on Regenerating Seaside Towns and Communities issued a call for evidence which acknowledged that local challenges included the nature of the housing stock including the higher proportion of HMOs and ex-hotels and B&B accommodation;[151]

Rural locations where concentration of private rental opportunities in the larger towns and villages may create transport and affordability issues for rural workers, particularly given the fall in number of agricultural tied lettings;

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[147] See, for example, Rugg, J. (2016) *Temporary Accommodation in London: Local Authorities under Pressure*, London/York: GLA/CHP; Wallace, A. and Rhodes, D. (2017) *Overseas Investors in London's New Build Housing Market*, York: Centre for Housing Policy.

[148] See Mayor of London (2018) *London Housing Strategy*, London: Mayor of London.

[149] See, for example, Barker, K. (2018) *What Causes London's Eviction 'Hotspots'?*, London: FoL; Future of London (2013) *Stressed: A Review of London's PRS*, London: FoL; Future of London (2017) *Making the Most of Build to Rent,* London: FoL.

[150] Note that the following list reflects information from reports on over 50 local authorities submitted as part of the Review process. Appendix 1 lists the local authority areas from which a submission was sent.

[151] https://www.parliament.uk/documents/lords-committees/Regenerating-Seaside-Towns/Call-for-evidence-Seaside-towns.pdf, acc. 1 Aug 2018. See also Smith, D. P. (2011) 'The social and economic consequences of housing in multiple occupation (HMO) in UK coastal towns: geographies of segregation', *Transactions of the Institute of British Geographers*, NS 37: 461-76.

University towns where the changing configuration of supply will have an impact on the wider market (see 3.3.1), and where there may be differences between Russell Group and non-Russell Group university towns in terms of increased demand;

New Towns; which may not include a range of property types suitable for one- and two-person households;

Historic towns where there is a higher proportion of older stock; where conservation issues may impact on flexible use of the stock; and where larger Victorian properties with large windows and high ceilings may present problems with regard to thermal comfort; and

Rapidly changing locations, where new transport links, or the opening of new centres of employment may have a relatively sudden market impact in terms of substantial increase in demand; or alternatively change that diminishes demand, for example, the closure of plants or relocation of university campuses. In these areas, landlords may face higher voids and reduced opportunities to sell, leading to empty properties and anti-social behaviour.

Although individual local authorities are often well-versed in the nature of their local market, broader analysis of similarity and difference across different types of market types would be fruitful.

4.5 Conclusion

This section has perhaps only begun to explore the variation in the PRS across England, and in doing so has hinted at the substantial diversity that exists. Many studies that include case study work will aim to include a range of local housing markets, but examination of what makes for meaningful classification of spatial difference tends to be lacking. This broad observation was made in the 2008, and remains pertinent still. The very particular rental characteristics of Greater London have tended to dominate narratives of private renting and in many ways have overwhelmed policy attention directed towards the PRS, to the detriment of issues that are more pressing outside the capital.

POTENTIAL: POLICY INTERVENTIONS

C5. Additional supply and finance

5.1 Introduction

The PRS is important to the housing market because it serves a number of unique purposes, not least in terms of flexibility and accessibility. The PRS often regarded as the tenure most capable of delivering an increase in housing supply, although the cost to the taxpayer of that supply has not always been considered. The first half of the section concentrates on financial issues relating to small landlordism. The PRS has grown in the context of largely benign taxation. The section considers how much new housing supply has been brought to the housing market as a consequence of this largely favourable treatment. Supply issues are also central to discussion of the likely impact changes to landlord taxation introduced from 2015. The section also considers supply from the perspective of larger-scale BTR investment. BTR aims to deliver new supply via new build, and seeks the removal of obstacles to facilitate further expansion. There are issues around the nature of the 'obstacles' requiring removal, and whether it is necessary for BTR to receive further subsidy in order to expand. The section ends with a brief reflection on global landlordism.

5.2 Small landlords: taxation and supply

5.2.1 Growing the PRS: benign taxation

The profitability of BTL in the period up to the introduction of taxation changes in 2015 is the subject of debate. In 2015, *Buy-to-Let Comes of Age*, funded by Landbay and produced by the Wriglesworth Consultancy concluded that BTL 'has been the best performing investment of the past 18 years'. There was some argument concerning the parameters of the calculations included in the report[152], but its conclusions were widely cited.[153]

It is not the purpose of this Review to enter into this complex and contested arena. Taxation and the PRS as a subject is generally aligned to debate on whether or not the sector receives preferential treatment compared with owner occupation. That debate is not the subject of this section. Here, the observation is made that since the introduction of BTL mortgages in 1996 and up until 2015, growth in the number of small landlords and in the purchase of property to let has taken place in a markedly benign tax context. Expansion of the BTL mortgage market was encouraged by a slowdown in the owner occupied market post the GFC. The majority of BTL mortgages were – and remain – interest-only, making it possible to offset mortgage interest costs against tax. Consequently, landlord returns were

[152] See for example, https://www.property118.com/patrick-collinson-guardian-housing-ignorance/comment-page-2/, acc. 12 Jun 2018.

[153] The report is not available on the internet. News reports are available in various locations, for example: Atkin, J. (2014) 'Buy-to-let comes of age', *Mortgage Finance Gazette*, 26 Apr.

often best served through additional borrowing and expansion: as advised by Lawrenson 'by keeping a lot of money borrowed, your interest costs can stay high, and your taxable income will stay low'.[154] Furthermore, unlike the purchasers of a residential mortgage, landlords generally do not put money aside in order to pay for the final purchase of the property when the mortgage term is due: rather, there is a tendency to hold on to property on the expectation that capital uplift will meet the purchase and loan price in the longer term. In some instances, landlords reaching the end of the mortgage terms may simply take out another interest-only mortgage. Upper age limits tend not to apply to this kind of mortgage. Landlords, consequently, will have lower outgoings since interest-only mortgage monthly payments are c.45 per cent less than repayment costs. This factor releases income which can be used to expand a property portfolio.[155]

Assessing the amount of the taxation relief accrued by landlords over the first two decades of buy-to-let is not straightforward, since landlords' individual tax allowances will be variable. In May 2015, Shelter issued data on taxation offsets, derived from a Freedom of Information (FoI) request that had been submitted to HMRC. The data were for the 2012/13 tax year, and indicated that £6.5bn of loan interest and other financial costs had been offset in that year. In response, landlord groups have argued that the cost of borrowing is a legitimate business expense.[156] This may be so but until the recent taxation changes, a very particular confluence of easily-available interest-only mortgages and taxation offsets has constituted a framework that facilitated and rewarded rapid portfolio expansion.

5.2.2 Small landlords and new property supply

Landlord bodies respond to criticism on the level of profitability of BTL in particular by stressing the increase in stock that is a consequence of such borrowing. In actuality, there is limited evidence on the degree to which growth in individual investment in the PRS has provoked new property supply. In 2013, the BPF reported that 48 per cent of the purchasers of new property in London were buy-to-let investors; around two-thirds of these were pension landlords, and one-third were portfolio landlords. Overseas investors played a substantial role: 20 per cent of inner London and seven per cent of outer London sales were to investors not resident in the UK. The report argued that, where demand from owner-occupiers is muted, purchase for private rental can increase builder confidence to continue bringing property to the market.[157]

This level of landlord demand for new-build property is likely to be small. The Private Landlord Survey respondents were asked about the property that had been included in the EHS, including what type of stock it had been when it was acquired. The property had been purchased brand new from a developer in just five per cent of cases. Overall, only a small minority of landlords had secured the property either by building it (seven per cent) or using

[154] Lawrenson, D. (2015 [2005]) *Successful Property Letting: How to Make Money in Buy-to-Let*, London: Robinson, 81-2.
[155] See, for example, https://www.gocompare.com/mortgages/interest-only-or-repayment-best-for-buy-to-let/, acc. 12 Jun 2018.
[156] Reported in Pegg, D. (2015) 'Landlords enjoy £14bn tax breaks as figures reveal buy-to-let expansion', *Guardian*, 26 May.
[157] British Property Federation (2013) *Who Buys New Homes in London and Why?*, London: BPF, 8.

a property that had been built specifically for the buy-to-let market (four per cent). In seven per cent of cases, landlords had acquired property from another landlord.[158]Fifty-nine per cent of the PLS landlords indicated that their last property had been purchased from existing housing stock.

A decline in the number of home owners is sometimes regarded as evidence of unfair competition for property. Owner occupiers being 'squeezed out' by prospective landlords was cited by George Osborne as justifying changes in landlord taxation.[159] However, there is unresolved conjecture on the degree of competition for stock between first-time buyers specifically and BTL landlords. If there is competition, it is likely to have changed in intensity over time and may be stronger in some locations than others. Since the Mortgage Market Review 2014, prospective landlords have generally been in a much stronger financial position than first-time buyers. Portfolio landlords carry particularly advantages, for example, in being more able to offer a cash purchase and a speedier sale process[160], and can access a BTL interest-only mortgage in some cases up to the age of 80. Commonly cited evidence on competition between the two buyer groups comes from published Countrywide research. In 2016 it was reported that 11 per cent of first-time buyers had been in direct competition with a landlord for a property; this proportion had dropped from 16 per cent in the previous year. Where there had been completion, the landlord was successful in securing the purchase 46 per cent of the time. Countrywide does not offer any method for its data collection on this point, although it attributes the drop to the taxation changes introduced from 2015.[161]

The extent to which growth of the PRS has been a consequence of tenure shift via right to buy sales has not been established robustly, but some studies give indicative figures. In 2017, *Inside Housing* made a FoI request and received information from 111 English local authorities, which constitutes around two-thirds of those that still owned council housing. The survey indicated that 40 per cent of ex-RTB leasehold stock was 'registered with an away address', indicating that the owner now lived elsewhere and therefore suggesting that the property was being let privately. This figure has increased slightly from 38 per cent, recorded in 2015.[162] Overall, these data are may be under-estimates, since not all properties were sold as leasehold, and not all owners will have registered a 'living away' address. It is not certain what proportion of properties is being rented out by the original ex-council tenant purchaser and the proportion that have entered the PRS following sale into the open market. Some commentators regard the tenure shift as intrinsically problematic, given the higher rents paid for the same property rented from a private landlord compared with the much lower rent that had been charged by a social landlord.[163]

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[158] DCLG, *Private Landlord Survey*, 27.

[159] https://www.gov.uk/government/speeches/chancellor-george-osbornes-spending-review-and-autumn-statement-2015-speech, acc. 12 Mar 2018.

[160] Bracke, P. (2015) *How Much do Investors Pay for Houses?*, Bank of England Staff Working Paper 549.

[161] Countrywide (2017) *Landlords of the Future*, Spring, 5.

[162] https://www.insidehousing.co.uk/news/news/exclusive-7-rise-in-former-right-to-buy-homes-now-rented-privately-53507, acc.12 Mar 2018.

[163] See, for example, Copley, T. (2014) *From Right to Buy to Buy to Let*, London: Greater London Authority/London Assembly Labour.

In one very particular respect, private landlords do contribute additional rental units in the creation of houses in multiple occupation and subdividing existing property into self-contained units. The vast majority of shared housing arrangements, excluding living with a residential landlord, will be in the PRS. It is difficult to quantify how many additional units have come to the rental market via this route. MHCLG data indicate that net conversions brought an additional 5,680 units of housing stock in 2016-17, but there is no indication of tenure either prior or post-conversion.[164] Review analysis of the EHS indicates that 12 per cent of PRS stock is in converted flats, compared with four per cent over all tenures.

5.2.3 Impact of the taxation changes

The 2015 Budget signalled a broad policy shift in relation to small landlordism. In explaining the rationales for these changes, the Government expressed the desire to reduce the tax advantages available to landlords compared with owner occupied purchasers, and to use Stamp Duty Land Tax (SDLT) as a mechanism to create preferential treatment for households seeking home ownership. The changes to interest rate offset rules also reflected the Treasury view that continued expansion in BTL lending posed a risk to financial stability: 'looser' BTL lending could drive up house prices in an upturn; and a fall in house prices could be amplified in a down turn as investors sell their BTL properties.[165] Box 5.1 summarises the changes.

Box 5.1: Taxation changes in the 2015 Budget and Autumn Statements

- From April 2017, and each year for the next four years, a twenty-five per cent reduction will gradually remove the ability to offset interest payments from buy-to-let mortgages, overdrafts and loans supporting rental property (Summer 2015 Budget);
- In addition, a standard ten per cent reduction to tax liability to meet the costs of wear and tear of furniture, fixtures and fittings – irrespective of whether expenditure has been incurred – will be replaced by a reduction based on actual repair costs (Summer 2015 Budget);
- A three per cent increase in Stamp Duty Land Tax (SDLT) for purchases of second homes, including holiday homes and homes purchased for the purpose of letting, applicable from April 2016 (Autumn Statement 2015); and
- From April 2016, Capital Gains Tax will be retained at its current rates for residential property gains; the level of taxation on other capital gains will be reduced (Autumn Statement 2015).

Landlord representatives have criticised the taxation changes, in introducing an anomaly which means that unlike other businesses, certain landlords will be unable to offset interest on capital borrowed as a business expense. Where landlords operate as limited companies, the taxation changes will not apply. The policy intention is to cause some disruption to the sector but it is difficult to establish how impacts will play out in practice either for individual landlords or for the sector as a whole. However, the 'layering' of taxation changes has

[164] MHCLG Live Table 120: Components of Net Housing Supply, 2016-17.
[165] Bank of England (2015) *Financial Stability Report*, June, no. 37.

created complexity and possibly compounds the impacts that single changes, spaced over time, may have avoided.[166]

Some commentators have predicted drastic consequences. For example, Miles was of the view that the principal effect of the stamp duty and mortgage interest changes would have 'a material effect' upon the supply of property for rental 'unless rents rise significantly'.[167] Landlord representative organisations have widely reported Miles' conclusion that rents would have to increase by between 20 and 30 per cent to accommodate the tax changes.[168]

Other research indicates that different types of landlords will respond in different ways to the range of taxation measures. In the specific case of the SDLT, it is not clear how far the measures are dampening activity. Overall, transaction activity in the sector tends to be modest. The CML 2016 survey found that in the last twelve months, fewer than one in seven landlords had bought or sold any property, and landlords were twice as likely to purchase property than to sell. In the vast majority of cases, activity related to the purchase and sale of single properties only.[169] The taxation change provoked an immediate response: the ONS reported a sharp upturn in the purchase of BTL properties in advance of the introduction of the SDLT changes in April 2016.

This market response indicates that in this instance taxation changes did affect market behaviour, but purely by impacting on the timing of property purchase in advance of the taxation change. As yet, it is difficult to judge longer-term behavioural adjustment. In 2017 Clarke and Heywood underlined the need first to understand landlord typologies in order to assess impacts. Their qualitative survey of 30 landlords – spread amongst a range of landlord types – found that what might be regarded as the 'portfolio' landlords were still more likely to buy than sell, although the anticipated rate of expansion was slowed by the SDLT change. The majority of respondents were not affected by the changes to mortgage interest relief, but of those that were a small handful had clearly not fully understood the ramifications and were likely to be facing an unexpectedly sharp increase in their tax bills.[170]

The CML 2016 survey also addressed landlord views on the financial changes. Awareness of the higher SDLT was highest, reflecting the fact that this measure had been in place longer than other changes (see Table 5.1). More than half the landlords reported low or no understanding of the details of the more recent measures.

[166] Thomas, R. (2018) *Buy to Let: Under Pressure*, London: IMLA, 20.
[167] Miles, D. (2016) 'The impact of recent tax changes on the private rented sector' unpublished paper, November 2016, https://workspace.imperial.ac.uk/business-school/Public/people/dmiles/Tax-Changes-November-2016.pdf. Accessed 28 Mar 2017.
[168] For example, 'MP told tax changes will devastate communities', https://news.rla.org.uk/mp-told-tax-changes-will-devastate-communities/. Accessed 28 Mar 2017.
[169] Scanlon, K. and Whitehead, C. (2016) *The Profile of UK Private Landlords,* London: CML, 31.
[170] Clarke, A. and Heywood, A. (2017) *Landlord Portfolio Management – Past and Future*, Cambridge: Cambridge Centre for Housing and Planning Research.

Table 5.1: Landlord awareness and understanding of tax changes

	Stamp Duty Land Tax (%)	Deductibility of mortgage interest (%)	Wear and tear allowance (%)	Differential taxation of capital gains on residential property (%)
Aware of it and fully understand the details	30	23	17	16
Aware and have a fairly good understanding of the details	31	29	24	23
Aware but do not understand the details	24	24	23	26
Not aware of this at all	15	24	35	35
Source: Scanlon, K. and Whitehead, C. (2016) *The Profile of UK Private Landlords,* London: CML, Table 13				

It is important to assess the number and type of landlords likely to be affected. The Summer 2016 Budget Statement indicated that one in five landlords would receive less tax relief. Scanlon and Whitehead estimated that about a quarter of buy-to-let landlords as defined in their sample would be negatively affected by a reduction in the taxation offset, a figure equating to eight per cent of all landlords in the survey. Even a generous expansion in this estimate to include landlords with non-BTL borrowings against property would still result in a small minority of landlords overall experiencing negative financial impact. The wear and tear allowance may have a wider impact, although the furnished sector of the PRS is contracting.

There are a number of surveys evidencing landlords' intentions to exit the market. For example, in 2017, the NLA estimated a reduction by 46,000 in the number of BTL funded properties in the sector.[171] The BDRC Landlord Panel reported in May 2018 that 19 per cent of respondents were planning to decrease their portfolio size, and 15 per cent were planning an increase.[172] However, the same survey also noted that landlords were seeing a substantial drop in tenant demand: in Q1, 2015, eight per cent of respondents noted a fall in demand; in Q1, 2018 this figure had risen to 28 per cent.

The *number* of landlords affected is possibly less important than the *type* of landlord affected, and whether they are operating in a particular segment of the market. Evidently, the taxation changes are more likely to affect landlords who are more active in terms of transaction activity, who hold loans against existing property, and who are likely to expand using loan finance. The changes are less likely to affect 'accidental' landlords with single properties unlikely to be deterred from sale by the fact that the capital gains tax rates have not been reduced, and 'mature' portfolio landlords with only limited or no loans against their existing properties. At greater risk financially may be landlords who have made a single property purchase to augment their retirement income, and who may be vulnerable

[171] National Landlords Association (2017) *Taxing Homes: Assessing the Economic Impacts of Government Policy on the Private Rented Sector,* London: NLA.
[172] BDRC Landlord Panel, May 2018.

given a drop in gross rental income to meet mortgage re-payments, and 'younger' portfolio developers who may be servicing a higher level of debt and be more sensitive to increases in transaction costs. Across the industry there is general agreement that any portfolio adjustments thought necessary may not begin until after 2020, as individual landlords completing tax returns become more fully aware of any losses.

Overall, the taxation changes have created a less favourable framework for small landlordism but are unlikely to have diminished the appetite for small-scale, individual residential investment. Investing in property remains immediately understandable, and well-chosen property can still generate competitive returns. Furthermore, the mortgage market is strongly oriented towards meeting demand for BTL mortgage products, and market intermediaries are likely to develop partnerships to offer personal taxation advice and steer new landlords towards incorporation. Single-property, pension landlords will continue to be widespread as a landlord type.

At the same time, there are increasing numbers of mortgage providers catering for incorporated portfolio landlords looking to expand their holdings. Small landlordism is maturing, and 'portfolio' landlords constitute a substantial section in the market. Some reports have estimated an increase in the proportion of lending to landlords organised as limited companies.[173] However, the way that landlords finance and develop their property assets is still not well understood. There is, in particular, a lack of information on how landlords expand their portfolios and how they divest themselves of property when the decision is made to exit the market. There is a growing market for properties with sitting tenants where the properties are regarded business concern and so may be sold at a premium rather than at a discounted rate, although this market is not always well understood even by landlords themselves.[174]

5.3 Build to Rent and the cost of increased supply

There is perhaps rather less uncertainty around the degree to which BTR is delivering new dwellings to the market. In June 2018, over 20,000 new units had been completed,[175] and it is widely asserted that BTR constitutes a solution to the housing crisis. It is unlikely that supply will drop until international finance markets exhaust all possible residential investment opportunities or locate an alternative destination for equity investment. The BTR market has taken some years to become established, and it is now worth giving greater consideration to the impact of BTR beyond asserting its superiority as a source of new property supply.

There are three key issues relating to BTR and supply. First is the need to create a clearer understanding of where BTR sits in the market, and its 'rental offer' to the prospective tenant. There are problems around definition and data. Collated statistics on BTR rents are incomplete, and do not necessarily reflect achieved rents. There remains a high degree of

[173] Kent Reliance (2016) *Buy to Let Britain Report*, London: Kent Reliance.
[174] Clarke and Heywood, *Landlord Portfolio Management*.
[175] https://www.bpf.org.uk/sites/default/files/attachments/Build-to-Rent-Q1-2018-BPF.pdf

commercial sensitivity, still, around the issue. It is also difficult to establish a local market comparator for a BTR rent. Individual, single-ownership block developments generally have associated community living facilities; these are not a feature of 'street' PRS properties. BTR properties are also more likely to include elements such as Wi-Fi or broadband and some utility bills. In January 2017, JLL concluded that 25 BTR schemes across London were 'achieving a rental premium of 11 per cent over their respective local markets'.[176] However, it is difficult to assess the value of this conclusion, given a lack of source data.

What is of importance in this discussion is the way that the issue of rent is being discussed by BTR suppliers. In many instances, a principal focus has been how to understand consumers' monetisation of the value of amenities, and so establish which amenities are the most cost-efficient means of securing a premium rent.[177] As an industry, BTR needs to establish the mechanisms by which management savings can increase net yields. There is, as a consequence, a great deal of concentrated attention paid to the ways that providers can derive additional income from sitting tenants. BTR developers are often regarded as being more professional but in actuality the approach to letting is, rather, more commercial.

Second, questions remain on the impact of BTR supply on local markets. This was an issue raised in evidence on institutional investment in the Communities and Local Government Committee 2013 report on the PRS. There was a presumption that supply at the 'higher end' of the market would have a beneficial 'knock on effects', but at the time of the report it was acknowledged that it was too early to assess impact. Nigel Terrington, of the Paragon Group, warned that BTR might lead to the creation of 'rented ghettoes'.[178] These questions have remained unanswered, and in particular it would be important to establish how far BTR developments might drive rent inflation in some localised rental areas or whether BTR meets local housing need or attracts new tenants from outside a particular area. It is notable that a survey of residents of a new development Saffron Square in Croydon found that a fifth came to live there from elsewhere in London, and around a third from either outside London but within the UK, or abroad.[179]

Third, questions also remain about the need for clarity on the cost of schemes more broadly. Initial development of BTR was supported through government subsidy. The Build to Rent Fund, established in 2012, was absorbed into the House Building Fund in 2016, with no final estimate on the amount of subsidy expended.[180] In 2013, Sir Adrian Montague

[176] Whitten, N. (2017) 'Will tenants pay more rent for amenities', 31st Jan, at: http://residential.jll.co.uk/new-residential-thinking-home/blog/will-tenants-pay-more-rent-for-amenities, acc. 14 Jun 2018.
[177] See, for example, Frank Knight (2017) *Multihousing 2017,* 'Meet the iGens' table, 8.
[178] Nigel Terrington, quoted in House of Commons Communities and Local Government Committee (2014) *The Private Rented Sector*, HC50, 56.
[179] Scanlon, K. and Walmsley, M. (2015) *Living at Saffron Square*, London: Berkeley Homes (South East London) Ltd., 25.
[180] Bate, A. (2017) *Building the New Private Rented Sector: Issues and Prospects (England)*, House of Commons Briefing Paper 07094, 19 Jun.

stated that the intention was for support to constitute a kick-start and not an 'enduring subsidy'.[181]

Nevertheless, pressure for continued subsidy comes through the call for a more favourable VAT tax treatment, on exemption from SDLT surcharge, and on flexibility on affordable housing requirements. In 2017, the BPF issued recommendations on measures that would 'Unlock the benefits and potential of Build to Rent', and pointed towards the need for a reduction in the requirement to provide below-market rental units, and/or minimise the covenant period for that property being made available. The Draft National Policy Planning Framework produced in March 2018 supported this proposal, indicating that:

> Where major housing development is proposed, planning policies and decisions should expect at least 10% of the homes to be available for affordable home ownership, unless this would exceed the level of affordable housing required in the area, or significantly prejudice the ability to meet the identified affordable housing needs of specific groups. Exemptions should also be made where the site or proposed development:
>
> a) provides solely for Build to Rent homes…;[182]

Later published draft guidance clarified the measure and tightened requirements, indicating that it was expected that 20 per cent of any BTR development should be earmarked as affordable, or with a minimum rental discount of 20 per cent from the market rate for a similar local property, and maintained at an affordable rate in perpetuity. It was left to local planning authorities and developers to negotiate requirements for individual developments.

Office-to-residential conversions, which make up a substantial proportion of BTR developments, remain exempt from any requirement to include a proportion of affordable units. These developments have expanded under successive changes to planning legislation, which in 2013 allowed changing use of office buildings to residential purposes without full planning permission. There is, as yet, limited data that defines the exact number of office-to-residential conversions that can be badged as 'Build to Rent' or on the number of units created under the new permitted development (PD) framework that are now let as private rentals. Given the nature of these developments, it is expected that where units have been offered for purchase, they have been bought by single or larger-scale investors with the intention of letting them out.

The BPF gives one example scheme in its 2018 *Unlocking the Benefits and Potential of Build to Rent*. The Boulevard, Crawley was developed by Westrock and managed by the brand Platform_, which has five other similar developments. The report states that just 13 per cent per cent of units within The Boulevard are compliant with the Nationally Described Minimum Space Standards as adopted by the local council. It was argued that higher compliance would have reduced the number of units by 10-15 per cent, 'with implications on the viability of the development'. Similarly, MiFlats also operates largely to convert

[181] As quoted in Bate, 'Building the new private rented sector', 10.
[182] MHCLG (2018) *National Planning Policy Framework: Draft Text for Consultation*, MHCLG: London, 17.

office blocks to residential, which 'allows the design of units suitable for the rental market without constraint from design guides, planning restrictions or space standards'.[183]

The creation of residential units from office space under PD is not subject to affordable housing requirements. In 2018, it was estimated that between 2013 and 2017, the number of dwelling units created under PD in small and large developments and excluding student blocks amounted to 43,565 units. Conservatively assessed, the cost of foregone affordable accommodation dwellings in that period had a mid-estimate of £42.45m.[184]

There is a general expectation that, at the local level of negotiation, obstacles to BTR development will be removed by local authorities because of acute need for additional housing supply. For the most part, 'obstacles' are generally elements that reduce the profitability of the proposed scheme and so dampen investor willingness to proceed. Removal of such obstructions amounts to subsidy. It would be helpful to have greater clarity around the degree of subsidy introduced into negotiation at the local level and a better insight into the type of housing being provided given the level of subsidy granted, particularly in terms of its meeting local need for family homes and building accommodation of reasonable quality.[185]

5.4 Global landlordism

One further issue closely associated with both small and large-scale investment in the PRS relates to overseas buyers, who are normally resident outside the UK but purchasing property to let on the open market. This differs from BTR investment, in that purchase relates to individual properties or units within a mixed-ownership development. Advance purchase of new build units to investors is regarded as essential to developer confidence in new build for sale on the open market, so much so that some large builders have created offices in Hong Kong and Beijing.[186] In this regard, BTL-style investment is indeed bringing new housing supply.

Interest in the incidence of international investment has tended to focus on London, and possible impacts on the London market.[187] No estimate has been made of 'global' ownership of rental property beyond the capital. Review stakeholder meetings indicate that there is international interest in the creation of 'street' portfolios developed by purchasing properties in the owner occupied market. How far this practice is commonplace is as yet uncertain, but the possibility raises questions including the degree to which

[183] BPF (2017) *Unlocking the Benefits and Potential of Build to Rent*, London: BPF, 41-2.
[184] Bibby, J., Brindley, P., Clifford, B., Canelas, P, Dunning, R., Ferm, J.,Turbidy, D. (2018) *Extending permitted development rights in England: the implications for public authorities and communities*, London: RICS, 20.
[185] *Ibid*., 31.
[186] British Property Federation (2014) *Who Buys New Homes in London and Why?*, BPF: London, 16.
[187] See, for example, Wallace, A. and Rhodes, D. (2017) *Overseas Investors in London's New Build Housing Market*, York: Centre for Housing Policy; Scanlon, K., Whitehead, C., Blanc, F. and Moreno-Tabarez, U. (2017) *The Role of Overseas Investors in the London New Build Residential Market*, London: LSE.

investment in lower-cost but higher yield properties outside London may place overseas investors in competition with 'home' – in both senses – buyers. In this period of Brexit uncertainty, the withdrawal of English landlords from the PRS as a consequence of tax changes may present residential investment opportunities to overseas purchasers attracted by a weak pound.

5.5 Conclusion

This chapter has considered issues around the supply of property to the PRS, and in particular considered the cost of supply. Small landlordism is not markedly successful in bringing new property to the market. It remains the case now, and was the case at the time of the 2008 Review, that growth has largely been a consequence of tenure transfer. In addition, expansion in this market has rested on a benign taxation regime. Sector growth has slowed since the 2015 budget, but it is unlikely that the slow-down will become a rapid contraction as a consequence of the taxation changes. The tax changes do not affect all landlords, and different landlords will respond in differing ways. The purchase of property to let will continue to be viable and attractive option for individual investors: new entrants will come into the market with business models that accommodate the current taxation regime. In this part of the market, any further expansion in small landlordism will come at a lower cost to the taxpayer.

Landlords claim that the tax changes will have a substantial impact on property supply. There are unanswered questions about the fate of properties sold by landlords who are reviewing their portfolios. These properties will purchased by owners intending to live in the property, or by another landlord. In either scenario, the unit has not been lost to the housing market.

It could be argued that substantial government subsidy has shifted from buy to let to Build to Rent, which receives financial support through government and other statutory agency loans, and through negotiations to reduce affordable housing supply in large developments. There is a lack of transparency in the degree to which BTR benefits financially from national and local government support. These questions are particularly pertinent, given the fact that BTR is often aimed at higher-end rental demand; is geared towards profit-maximization and subsequent rent inflation; and does not necessarily meet the specific characteristics of local housing demand. There is insufficient data establishing how BTR is developing, and in monitoring local impacts. It would be appropriate, at this stage of BTR progress, to enter into rather more balanced debate on both its advantages and its disadvantages.

C6. REGULATING THE SECTOR

6.1 Introduction

This second substantive section on policy interventions in the PRS relates to regulation. Despite the fact that the PRS is a rapidly evolving market, a number of problems remain associated with the sector including property standards that are, proportionately, worse than the other principal tenures, a perceived lack of professionalism in property management, and tenancy insecurity. The market does not necessarily punish landlords that have undesirable practices: excess demand in some locations means that some tenants are less able to exercise choice.

Creating an appropriate and workable balance of regulation is essential to the operation of the sector. It is often argued that a regulatory burden that falls too heavily on landlords will lead to withdrawal of smaller-scale landlords from the market. Furthermore, large-scale investors will be more confident in entering a market where the costs of compliance are predictable. Nonetheless, increasing attention is being paid to the impact on tenants of a poorly functioning PRS, particularly given the incidence of longer tenancies and the growing number of young families in the sector.

This section considers regulation in five largely discrete sections. The first three sections deal with the debates relating to property quality and licensing regimes, professionalism and housing management, and tenancy security. The fourth section considers how improvement in the sector may be effected by market intermediaries and the operation of incentives and disincentives. Although these sections are all separate, certain themes recur and relate to the broader regulatory framework as it operates presently. The final section isolates questions relating to the current legislation, to enforcement, and to the organisation of redress at various levels. The discussion aims to elucidate evidence and consensus on the need for change, and obstacles to effective regulation.[188]

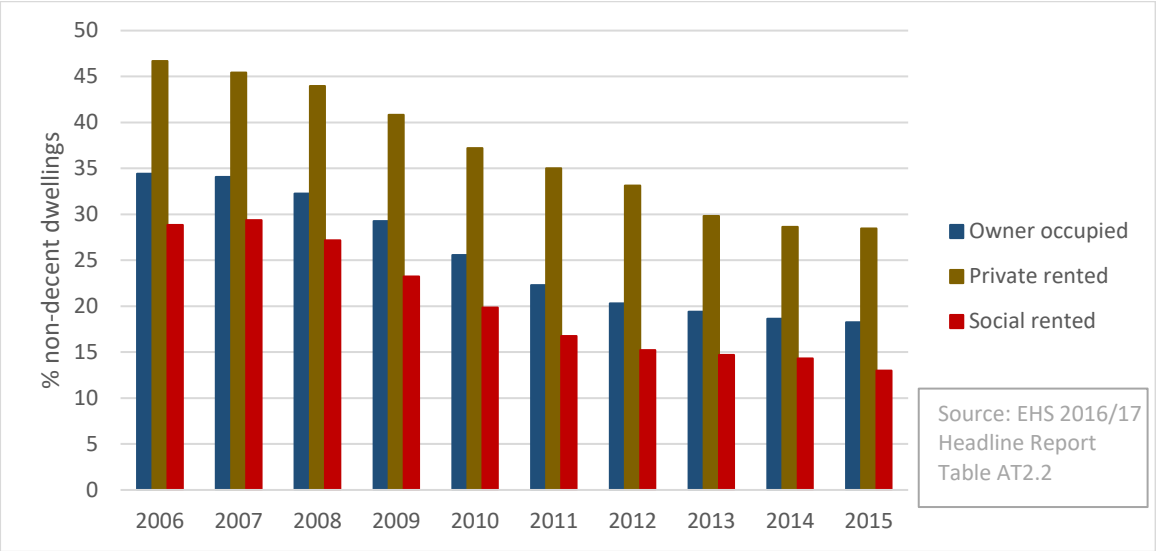
6.2 Property quality

6.2.1 Improvements in property condition

Across all tenures there has been a consistent, long-term increase in the proportion of properties meeting the Decent Homes Standard. The rate of improvement has been slightly more marked in the PRS. According to the EHS, 73 per cent of privately rented properties met the DHS in 2016, an increase of 20 percentage points since 2006, when the requirements of the Housing Act 2004 began to be enforced (Chart 6.1).

[188] Note that this part of the Review draws on written submissions to the House of Commons Housing, Communities and Local Government Committee, printed as Housing, Communities and Local Government Committee, *Private Rented Sector,* 19 April 2018, HC440 2017-19.

Chart 6.1: Proportion of non-decent dwellings in England by tenure (%)



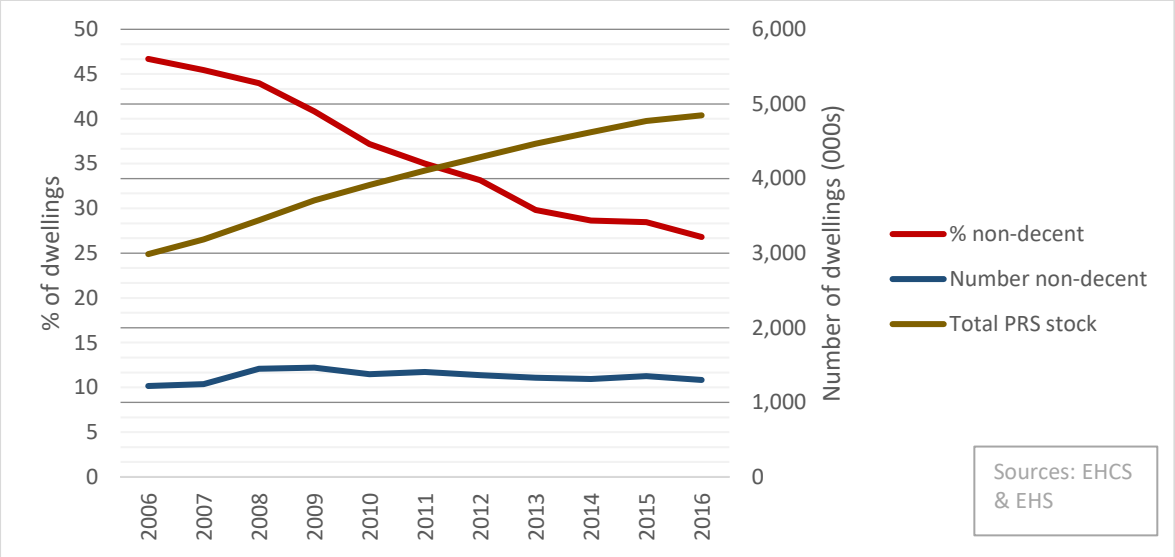
It is important to establish whether improvements in property standards may have been driven by an increase in the proportion of newer properties in the market. The PRS has always contained a larger share of older properties compared with housing in other tenures: 32 per cent of privately rented properties were built pre-1919 compared with an all-tenure proportion of 20 per cent. The proportion of newer properties in the PRS is increasing: in 2006/7, 32 per cent of PRS properties were from 1965 onwards; in 2012/13, the figure was 42 per cent. It is possible that the increase may reflect an influx of ex-right-to-buy property, built in the post-war period.

The sector also contains a slightly higher proportion of the newest properties: nine per cent of dwellings in the housing market were constructed post-2000, compared with 12 per cent in the PRS. This slightly higher proportion is perhaps a signal of the scale of PBSA development. A change in the age profile of properties in the sector is insufficient in itself to explain the improvement in property standards, since property quality has improved by a larger per cent than can be explained by the increasing proportion of newer properties.

6.2.2 Non-decency in the PRS

The EHCS indicates that the proportion of homes meeting the DHS is lower in the PRS compared with the other principal tenures, although there has been a sustained improvement since 2008. Notwithstanding this progress, absolute growth in the size of the PRS means that between 2006 and 2016 there has been an increase in the number of non-decent dwellings, from 1.29m to 1.35m. Indeed, this number has remained fairly constant over the period (Chart 6.2).

Chart 6.2: England: Non-decent dwellings in the private rented sector



Overall 27 per cent of all PRS properties were judged to be non-decent in 2017, but this figure is substantially higher for properties with certain characteristics.[189] For example, over half the converted flats in the PRS were non-decent (52 per cent), as were 47 per cent of PRS dwellings constructed before 1919. More notable is the fact that non-decency continues to be higher in the PRS for newer dwellings: for all properties constructed post-1980, 12 per cent of PRS properties were non-decent, compared with seven per cent of social rented housing and five per cent of owner occupied dwellings. The incidence of non-decency was higher for properties at the lowest quintile of rent: 36 per cent were non-decent. However, even amongst properties rented in the highest quintile, 19 per cent were non-decent.

The level of non-decency increased as the length of tenancy increased: 42 per cent of households renting in the same property for more than ten years were in non-decent accommodation, suggesting that non-decency is not necessarily strongly associated with high levels of churn in the PRS. Indeed, 25 per cent of tenancies of one year or less were non-decent, a figure below the average for the tenure as a whole.

6.2.3 Reasons for non-decency in the PRS

The commonest criterion for a property not meeting the DHS is the presence of a serious hazard under the HHSRS.[190] There has been little change over time in this regard (Table 6.1): in 2012/13, 56 per cent of properties had a serious hazard under HHSRS, compared with 61 per cent in 2006. No single reason explains the incidence of non-decency in the

[189] Note geographic variance has been discussed at 4.3.1.
[190] See 6.2.4 for further explanation of this measure.

PRS. Rather, a mixture of factors plays differently depending on the landlord, the property, the proactivity of the local authority, and demand in the local rental market (Box 6.1).[191]

Table 6.1: Reasons for accommodation failing the Decent Homes Standard by tenure, 2006 and 2013/14

Tenure	Serious hazard under the HHSRS		Repair		Modern facilities and services		Thermal comfort	
	2006 (%)	2012/13 (%)	2006 (%)	2012/13 (%)	2006 (%)	2012/13 (%)	2006 (%)	2012/13 (%)
Private rented	61	56	29	23	8	10	58	45
Owner occupied	63	63	20	22	5	7	47	32
Social rented	38	41	16	23	12	16	59	38
All tenures	59	58	21	22	7	9	51	36
Base: non-decent homes in England.								
Source: CLG (2008) English House Condition Survey 2006: Headline Report, London: CLG; analysis of EHS 2012/2013								
Accommodation can fail on more than one measure (percentages can total to greater than 100)								

Box 6.1: Some reasons contributing to the incidence of non-decent properties in the private rented sector

Property type

- Property in the PRS for an extended period at a low rent, and so uneconomic to improve;
- Business decisions to purchase lower-cost, lower quality property able to return satisfactory yields;
- Poor build quality of property, making it uneconomic to improve in any tenure;
- Listed properties where upgrading and improvement may be problematic and relatively expensive.

Landlord

- Inexperienced landlords uncertain/ignorant of the standards required;
- Landlords unable to invest in property improvement because of a lack of available capital/low returns;
- Landlords simply unwilling to invest in property improvement.

Local authority

- Low level of proactive engagement in property improvement by local environmental health officers , via, for example, accreditation schemes, improvement grants or landlord forums;
- Enforcement activity limited by budgetary constraints;
- Problems with negotiating and implementing regulatory frameworks.

Local market

- Rental market under demand pressure, increasing tenant tolerance of poor housing conditions;
- Demand groups willing to offset poorer quality for lower rents; and
- Financially excluded demand groups unable to access better quality property.

[191] See Monk, S., Morris, S., Tang, C. and Udagawa, C. (2014) 'Understanding private landlords' financial and regulatory incentives for property investment', unpublished research report available at: https://england.shelter.org.uk/__data/assets/pdf_file/0005/1039550/University_of_Cambridge,_Understanding_Landlord_Business_Models.pdf, acc. 13 Dec 2017; Shelter (2014) *Safe and Decent Homes: Solutions for a Better Private Rented Sector*, London: Shelter.

6.2.4. Mechanisms for controlling property quality

The Homes (Fitness for Human Habitation) Bill 2017-19 was, at time of writing, awaiting its Report stage in October 2018. The Bill gives tenants the power to take their landlords to court if properties at the time of letting, and then during the course of the tenancy, do not meet a defined fitness standard. It will be some time before it becomes clear how far tenants feel empowered to take up the opportunities presented by the bill once enacted.

Section 4 of the Housing Act 2004 requires local authorities to keep housing conditions in their area under review. Property condition is judged by a combination of criteria defined under the DHS and the system of risk assessment established under the Housing Act 2004. The Housing, Health and Safety Rating System (HHSRS) sets out a series of 29 categories of hazard including physiological requirements, psychological requirements, protection against accidents and protection against infection. A property's assessment takes into account evidence on national average risk of a hazard to human health. Hazards deemed to be 'Category 1' constitute a significant risk and imposes a duty on the local authority to take action; a 'Category 2' risk grants local authorities the powers, but not the duty, to act.

There are currently no regulations that define a minimum standard for property deemed suitable for letting, although the local authority can enforce compliance with the Housing Act 2004 if the property is inspected. Piecemeal regulation has created stronger frameworks for defining quality for some elements of the property. For example, landlords must provide tenants with a gas safety certificate, an energy performance certificate (EPC) and a record of electrical inspections. Smoke alarms must be fitted on each floor of the property, and a carbon monoxide alarm in all rooms using solid fuels. The 'How to Rent' guide advises tenants that landlords should have secured a licence if the property is a licensable property. Once tenants have moved into a property, the landlord must:

- Maintain the structure and exterior of the property;
- Deal with any problems with water, electrical or gas supply;
- Maintain any appliances and furniture they have supplied;
- Carry out most repairs; and
- Arrange an annual gas safety check.

Tenants are also advised that they can contact their local authority 'if the property is in an unsafe condition and the landlord won't repair it.'[192] It is notable that landlords are under no obligation to ensure that a property is of habitable standard before it is let.

Reactive enforcement

Local authority enforcement activity is both reactive and active. Reactive enforcement takes place in response to a complaint to the local authority which, as indicated above, is obliged to check properties that are suspected of containing a Category 1 hazard under the HHSRS. There has been increasing debate attached to the value of the HHSRS in improving

[192] https://www.gov.uk/government/publications/how-to-rent, acc. 16 Nov 2017.

property quality in the PRS, and which relate to the broader benefits of a risk-based assessment system and how the HHSRS itself works; and enforcement activity based on the system.

Research has been published by the Chartered Institute of Environmental Health on the first eleven years' operation of the HHSRS, based on a survey of 170 EHPs (Environmental Health Professionals). The report highlighted a number of advantages and disadvantages compared with use of the earlier scheme, comprising reference to a Fitness Standard (see Box 6.2). Fifty-five per cent of respondents valued a risk-based approach, and 62 per cent regarded the HHSRS system as an improvement on the Fitness Standard.[193] These figures do not indicate a particularly strong endorsement. There was some support for a hybrid approach combining a minimum standard and hazard rating but there remain substantial difficulties in establishing what might be regarded an adequate minimum standard, for example, with regard to space and crowding. In April 2018 the Housing, Communities and Local Government Committee recommended that 'the Government should introduce a more straightforward set of quality standards for the sector'.[194] In response, the Government asserted that the HHSRS was 'fundamentally sound' although the underlying risk assessments needed to be updated and separate guidance was needed, and which should be aimed more squarely at landlords and tenants.[195]

[193] CIEH (2017) *HHSRS – 11 Years On: Results from a survey of Environmental Health Practitioners Working in Housing*, London: CIEH.
[194] House of Commons, Housing Communities and Local Government Committee, *Private Rented Sector*, HC440, 44.
[195] Secretary of State for Housing, Communities and Local Government (2018) *Government Response to the Housing, Communities and Local Government Select Committee Report: Private rented sector*, Cm 9639, para 12ff.

Box 6.2: Advantages and disadvantages of the current HHSRS method for assessing property quality

Advantage	*Disadvantages*
• System looks at potential harm to particular residents rather than viewing the building in isolation • Covers a wider range of issues than the old Fitness Standard • Sensitive to the vulnerabilities of the property's residents (defined principally in terms of age)	• Based on an assessment of hazard risks compiled in the early 1990s; needs to encompass a wider range of property types. • Difficult for landlords and tenants to understand • Interpretation varies between EHPs • Can be difficult to defend on appeal of a decision: inconsistent tribunal and court judgments have been made • Does not necessarily correlate exactly with other property condition measures, for example, Energy Performance Certificate ratings, electrical safety testing, crowding and minimum space standards, and HMO licensing standards
Derived from: CIEH (2017) *HHSRS – 11 Years On Results from a survey of Environmental Health Practitioners Working in Housing*, London: CIEH.	

A second set of issues relates to enforcement itself. Outside the licensing framework, the HHSRS is applied where a complaint has been made. Tenant lobby groups are strongly of the view that privately renting tenants do not feel empowered to complain to local authorities about property conditions. In 2014, a Shelter poll of private renters found that only eight per cent of renters had complained to their local council about property conditions, a percentage not proportionate to the known incidence of problems in the sector. The report cited fear of retaliatory eviction as a principal obstacle.[196] The Deregulation Act 2015 introduced some protection to tenants, in suspending a landlords' right to serve a S.21 eviction notice for a period of six months after their being served a formal improvement notice by the council. Running contrary to effective enforcement of this regulation, guidance to local authorities on use of the HHSRS indicates that EHPs should avoid taking formal enforcement action, and instead work with landlords to remedy Category 1 and Category 2 hazards. Where no formal improvement notice has been served, tenants have no protection from eviction.

Active enforcement

The Housing Act 2004 also introduced active enforcement measures including the mandatory licensing of Houses in Multiple Occupation (HMOs) as defined by the Act. Additional licensing encompasses other categories of HMOs if a local authority chooses so

[196] Gousy, H. (2014) *Safe and Decent Homes: Solutions for a Better Private Rented Sector*, London: Shelter. Note no detail was available on the questions asked or on relative response rates to those questions.

to do, and selective licensing permits – under defined circumstances – the imposition of mandatory licensing of all privately rented property in a defined locality.

Evaluation of these measures was published by the DCLG in 2010 and reflected on early implementation, concluding that 'the exact number of properties where landlords have carried out improvement to the physical condition of the property as a direct result of licensing is unknown'.[197] Evidencing impact remains problematic. The regulations require local authorities to visit a property within a five year period of a licence being issued, and some local authorities do not grant a licence until a property had been visited. This more rigorous approach has not necessarily been common, and many licenced properties have never been visited. Indeed, it was estimated that in 2016 around two per cent of private rented properties in London has been subject to a HHSRS inspection that year.[198]

The HMO licensing regime also creates problems with regard to definition. Some local authorities have reported that the majority of their HMO properties fell outside the definition laid out in the regulations, which tend to encompass larger properties. Fire risk may be higher in the larger properties but smaller HMOs may still have poor conditions. The Housing White Paper 2017 signalled the intention of the government to expand the definition of HMO, and from October 2018 the reference to 'storeys' will no longer apply to the definition of HMO in legislation, and flats above and below business premises will be included. However, exceptions still apply, which means it is possible for some problematic shared properties evade scrutiny.

The option of Selective Licensing (SL) offers local authorities stronger powers to bring all properties in a designated area into a licensing regime irrespective of building type. There are, again, issues relating to definition. In order to secure Secretary of State permission, local authorities must demonstrate a robust case for licensing based solely on the criteria laid out in the regulations. The criteria remain contentious, despite having been changed since the introduction of the legislation. Originally, the measure was focused on locations experiencing low housing demand and anti-social behaviour. In 2015 the criteria were widened to include areas with poor housing conditions, high levels of migration, and high levels of deprivation, and/or where the size of the PRS was above the national average of 19 per cent. The measure could also be used to tackle high levels of crime.[199]

Although the criteria were widened, the process of securing permission to implement a scheme has become more onerous. In July 2017 just five LA-wide schemes were in operation, in Barking & Dagenham, Croydon, Liverpool, Newham and Waltham Forest; a further 35 local authorities had selective licensing applicable only to certain wards, and/or additional licensing schemes in operation.[200] Currently, the measure is largely targeted on areas of low demand, but local authorities argue that poor conditions, particularly in shared

[197] DCLG (2010) *Evaluation of the Impact of HMO Licensing and Selective Licensing,* London: DCLG.
[198] Pidgeon, C. (2017) *Rogue Landlords in London: An Update on Local Authority Enforcement in the Private Rented Sector,* percentage derived from figure 6.
[199] Wilson, W. *Selective Licensing of Privately Rented Housing (England & Wales),* House of Commons Library Standard Note SN/SP/4634; DCLG (2015) *Selective Licensing in the Private Rented Sector: A Guide for Local Authorities.*
[200] Email communication from MHCLG, July 2018.

housing, are more likely to be a consequence of high rather than low demand. The large selective licensing schemes currently in operation demonstrate flexibility in practice in terms of tackling locally-defined issues including urban regeneration (for example, in Blackpool and Liverpool), or to disrupt criminal operation and deal with overcrowding (for example, in Newham and Waltham Forest). These are schemes that secured funding prior to the introduction of a more restrictive approach to granting scheme permission; the LB Newham's recent reapplication to the Secretary of State has excluded part of the borough. The recent Select Committee report concluded that local authorities are themselves in a better position to judge the particular nature of problems in the local PRS, and to define the tenor of operation of any selective licensing scheme.[201]

No publically-available, independent evaluation has been published which assesses the value of selective licensing in effecting sector improvement. The programme has not been subject to ongoing monitoring and indeed, in 2018, the Housing, Communities and Local Government Private Rented Sector report recommended that monitoring should be in place, overseen by the Secretary of State.[202] Of largely overlooked importance is the fact that discussion of the licensing regime largely overshadows the fact that much of the PRS is located outside areas where selective licensing scheme might be applied, and in property that cannot be defined as a HMO. In this regard, the PRS lacks effective, overarching scrutiny.

Some commonly iterated themes emerge from general discussion of the scheme-making process. The first relates to cost. The process of developing and applying for permission to introduce schemes are considered prohibitive for many authorities, particularly since those costs can escalate: national landlord groups routinely offer support to local landlords to co-ordinate legal challenges to proposed schemes. Landlord resistance reflects dissatisfaction with the costs of compliance. In 2015, it was reported that amongst 20 local authorities responding to a Freedom of Information request, selective licensing fees ranged from £100 to £750, covering – ostensibly – the same administrative process.[203]

A second major theme relates to the value of combining 'hard' and 'soft' enforcement. Review discussion with scheme-making local authorities indicated that the task of licensing directs attention away from the largely compliant licenced landlords and towards landlords that remain unlicensed, and it is these landlords who are more likely to have properties that fail to meet the required standards. Mandatory and SL regimes open a dialogue between the local authority and local landlords, which local authorities can use to implement 'soft' enforcement through advice and support on property condition. A negotiated and less combative relationship is regarded as being more productive of material improvement in property conditions.

[201] House of Commons, Housing, Communities and Local Government Committee (2018) *Private Rented Sector*, HC440, 46.
[202] House of Commons, Housing, Communities and Local Government Committee (2018) *Private Rented Sector*, HC440, 46.
[203] National Landlords Association (2015) *Landlord licensing: interim report – overview of the incidence and cost of HMO and discretionary licensing schemes in England*, London: NLA, 10.

6.2.5 Other enforcement frameworks

Regulation of property condition extends beyond the requirements of the Housing Act 2004, and the following discussion considers three further interventions.

Energy efficiency

In line with general upturn in property standards, thermal insulation in PRS properties has improved: between 2008 and 2015, the proportion of privately rented properties judged to have excess cold as a Category 1 hazard dropped from 13 per cent to five per cent.[204] Nevertheless, a tranche of policy intervention has followed environmental concerns relating to energy efficiency and the fact that some tenants are compelled to tolerate poor levels of thermal insulation as a consequence of limited choice in accommodation they can afford.[205] The Energy Efficient (Private Rented Property) (England and Wales) Regulations 2015 required that from April 2018, properties rated F or G cannot be let for residential tenancy although some exceptions apply. In particular, landlords are exempt if the cost of improvements cannot be met through, for example, Green Deal funding.

Local authorities can enforce this regulation through use of EHOs or trading standard personnel. At present, it is too early to judge the impact of the regulation: it is uncertain how many properties will fall into this category and be upgraded, and how many will be excluded from improvement through exemption. Of particular concern is the fact that HMOs are excluded from the regulations, even though strong links have been identified between shared property and high incidence of what has been termed 'fuel poverty.' [206]

Rogue landlord funding

In November 2015, 65 local authorities were invited to bid for a share of £5m to tackle 'rogue landlords'. Forty-eight authorities secured grants of between £13,000 and £428,241. The latter was by far the largest grant, secured by the LB Newham.[207] The funding was directed towards increasing staffing resources to gather intelligence on 'rogue' landlords.

Controlling Migration Fund

In a similar vein, the Controlling Migration Fund (CMF) will distribute £100m to local authorities experiencing high volumes of immigration, over four rounds between 2016/17 to

[204] GOV.UK DCLG Live Tables, Dwelling condition and safety, DA4104: Health and safety, dwellings. Data derived from time series.
[205] Ambrose, A., McCarthy, L. and Pinder, J. (2016) *Energy (In)Efficiency: What Tenants Expect and Endure in Private Rented Housing*, Sheffield: CRESR.
[206] Bousarovski, S. and Cauvain, J. (2016) 'Spaces of exemption: governing fuel poverty in England's multiple occupancy housing sector', *Space and Polity*, 20:3, 310-29.
[207] https://www.gov.uk/government/news/5-million-cash-for-councils-to-stop-rogue-landlords, acc. 15 Jul 2018.

2019/20.[208] The CMF aims to mitigate the impacts of migration on local residents by reducing the pressure that may lead to a reduction in the quality of local services. On its introduction, a stated focus of the CMF was to enhance enforcement activity against 'rogue landlords', where there might be a 'ripple effect of wider problems in the local community such as; noise problems; sanitation issues for whole roads; greater fire risk; council tax and benefit fraud and anti-social behaviour such as street drinking'. The exact means by which the funding would translate to enforcement remained opaque, since there was no intention for the fund 'to duplicate mainstream funding'. Expected actions included 'building a stronger intelligence picture'. The first two rounds funded 87 projects, with 27 including some action to tackle 'rogue landlords'.[209] Little information is as yet available on the actions supported by the CMF, or on the impact of such funding in curtailing poor quality renting linked to migrant communities.

6.3 Professionalism and housing management

The 'cottage industry' nature of the PRS has attracted criticism that small landlordism is essentially amateur and lacks professional expertise. One frequently-cited statistic from the Landlord Survey 2010 is that only six per cent of landlords are members of a professional organisation.[210] Interventions to address professionalism in housing management are extensive and piecemeal: legislation tends to address individual actions and practices deemed to be particularly problematic at a given moment in time. This includes regulation relating to illegal eviction, the unlawful retention of tenancy deposits, and eviction following a tenant complaint relating to property condition.

Given the full range of issues that are encompassed by poor property management, it is extremely difficult to arrive at an estimation of incidence, and how far incidence has changed over time. Furthermore, the quality of interventions to deal with particular issues is patchy and enforcement has not necessarily been even across the country. In no case has it been possible to evaluate the efficacy of any of these particular interventions.

6.3.1 Maintenance and repair

In principle, maintenance and repair issues sit under 'property quality', but in practice attention to on-going maintenance and dealing with unexpected repair issues are integral to professional property management. The severity of the required repair may mean it is appropriate to bring the issue to the attention of local authority EHOs, but the kinds of repairs being sought do not always constitute a major health hazard and so enforcement is not always necessarily forthcoming.

[208] Gower, M. (2017) *The new Controlling Migration Fund for England,* House of Commons Briefing Paper 7363.
[209] DCLG (2016) 'Controlling migration funding: mitigating the impacts of immigration on local communities. Prospectus'.
[210] GOV.UK DCLG English Landlord Survey 2010, AT 2.6: Membership of relevant professional organisation by landlord and agent (Landlord weighted).

Maintenance and disrepair constitute a major problem for tenants, whose expectations in this regard tend to be low.[211] According to the EHS, in 2014/15, in cases where the landlord was mainly responsible for maintenance and repair, 15 per cent of tenants indicated that they were dissatisfied with the service on repairs and maintenance. This figure was notably higher when a letting agent was involved, where 28 per cent of tenants were dissatisfied. When asked why the tenant was dissatisfied, the majority – 81 per cent – indicated that the landlord/agent did not bother with repairs, was slow to respond, undertook the bare minimum repair, or was difficult to contact. A further four per cent indicated that the landlord became hostile when asked about repairs.[212] The Shelter tenant survey indicated that, where tenants needed something repaired urgently or dealt with in their current property, 26 per cent waited for over a week before anyone started to deal with the problem. Similarly, Citizen's Advice reported long wait times amongst over 700 tenants responding to its survey, beyond the maximums set out in various industry codes of conduct.[213] As yet, no intervention specifically to deal with this issue has been proposed, although in February 2018 the Government launched a consultation on consumer redress, which covered the adequacy of existing complaints procedures.[214]

6.3.2 Targeted interventions

Many targeted interventions have aimed to improve management standards in the PRS, often through affording higher levels of protection for tenants against practices deemed to be egregious. This section briefly discusses five different interventions, but this list is by no means exhaustive.

Protection from illegal eviction

There is evidence of Illegal eviction and harassment in the PRS, but measuring the incidence is problematic. In 2016, Citizens Advice reported that the number of people seeking help after being threatened with illegal eviction had increased in from 1,414 (April to March, 2015/16) to 2,087 (April to March, 2015/16).[215] Further data are available on the more extreme practices: according to a poll undertaken by Shelter in 2016, less than one per cent of renting respondents agreed that 'a landlord/agent has thrown my belongings out of the home AND changed the locks'.[216]

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[211] Which? (2018) *Private Renters' Customer Journeys*, Which?: London, 33.
[212] GOV.UK Live Tables: English Housing Survey 2014/15, AT4.6: Satisfaction with repairs and maintenance, 2014/15; AT 4.7 Reasons for dissatisfaction with repairs and maintenance, 2014/15.
[213] Isaksen, M. (2017) *It's Broke, Let's Fix It: Improving Redress for Private Renters*, London: Citizens Advice, 20-1.
[214] Ministry of Housing, Communities and Local Government (2018) *Strengthening Consumer Redress in the Housing Market: A Consultation*, London: MHCLG.
[215] https://www.citizensadvice.org.uk/about-us/how-citizens-advice-works/media/press-releases/almost-50-more-people-facing-illegal-eviction-in-the-last-year/, acc. 8 Jul 2018.
[216] https://england.shelter.org.uk/media/press_releases/articles/over_a_million_renters_victim_to_law-breaking_landlords2

Residential tenants are protected from unlawful eviction by the Protection from Eviction Act 1977. Breaches of the Act can be a criminal offense but there are problems with implementation of the legislation, which is not thought to be well understood by the police. Indeed, anecdotal evidence given in Review meetings indicated that police sometimes attend and assist landlords in the act of illegal eviction. Within local authorities, Tenancy Relations Officers (TROs) support tenants seeking redress in cases of illegal eviction, but many TRO posts have been lost following central government cuts to local authority funding. Furthermore, TROs have no powers commensurate with those granted to Environmental Health Officers (EHOs) to investigate illegal eviction in the same way that an obligation exists to investigate a Category 1 hazard. Substantive reduction in Legal Aid funding has also reduced the availability of legal advice to tenants and the capacity of third sector advice agencies to advise tenants facing the threat of illegal eviction.

Tenancy deposit protection

S.213 of the Housing Act 2004 included regulations to secure statutory protection for tenancy deposits. Three schemes have been in operation since April, 2006: the Deposit Protection Service, MyDeposits, and the Tenancy Deposit Scheme. Landlords are required to lodge any deposit taken at the start of the tenancy with one of the named schemes. The level of compliance with the regulations is unclear. The EHS 2014/15 indicated that 38 per cent of private tenants thought that their deposit either had not been lodged with a scheme, or they did not know if it had been.[217] Shelter data indicated that only 46 per cent of renting respondents said that their landlord or letting agent, at the beginning of their tenancy, provided them with information about how their deposit was protected. Overall figures for scheme operation are not available: only one of the schemes publishes annual statistics on its operation. A FoI request led to publication of a government response in September 2017: 'the total number of deposits protected by the Tenancy Deposit Protection schemes as at 30 September 2017 was 3,760,359'.[218] The ambiguous nature of the wording – whether or not the figure relates to all deposits currently being protected, or that had been protected – makes it difficult to assess this figure in relation to the size of the PRS at that time.

Little quantitative information is available that evaluates the effectiveness of the schemes as a cost-effective and transparent means of mediating disputes at the end of tenancies, or levels of satisfaction with scheme operation amongst tenants and landlords. Which? research indicates levels of confusion on deposit processes amongst tenants in its study, including lack of certainty on where the deposit was lodged, and unfair deductions that tenants felt there was little point in challenging.[219]

[217] GOV.UK DCLG Live Tables, EHS 2014/15, Private Rented Accommodation, AT3.10: Whether deposit is protected under one of the government authorised tenancy deposit schemes, 2014-15.
[218] https://www.whatdotheyknow.com/request/465087/response/1125650/attach/2/Response%20all%20information%20to%20be%20supplied.pdf?cookie_passthrough=1, acc. 15 Jul 2018.
[219] Which? *Private Renters' Customer Journeys*, 41ff.

Retaliatory eviction

Four per cent of renters in the Review Omnibus said that one reason they left their last rented tenancy was because the landlord or agent was unhappy because the tenant had requested repairs.[220]The Deregulation Act 2015 introduced measures that aimed to curtail the incidence of landlords asking tenants to leave if they make a complaint about property conditions. The change followed a period of extensive lobbying around the issue. The new law restricts the right of landlords to use Section 21 'no fault' eviction notice in the six month period following the serving of an improvement notice or a notice of emergency remedial action by the local EHO. The EHO can be asked to inspect only after the tenant has made a written complaint to the landlord and waited for 14 days for a response. The regulation protects the tenant from eviction for six months after an improvement notice has been issued.

The convoluted nature of the protection has been criticised, in particular in its requirement that local authorities must issue a written improvement order to the landlord to secure protection for the tenant.[221] A S.21 notice served by the landlord before the local authority intervenes remains valid. No data have yet emerged on use of this particular measure. The measure does not introduce new powers for local authorities where the exercise of those powers could be easily enumerated. It might be expected that the value of the regulations would become evident in a marked reduction in the overall number of evictions taking place as retaliatory evictions, and increased tenant confidence to make complaints. At present, there has been little impetus even to consider evaluation, given widespread dissatisfaction with the measure. Indeed, it has been argued that the law might even exacerbate tenant insecurity, in giving the impression that tenants will be 'safe' from eviction from the point at which the initial complaint is made.

Tenancy information

A common theme underlying many issues relating to problems in the PRS is an understanding that tenants may not be sufficiently aware of their rights and responsibilities.[222] The Deregulation Act 2015 also introduced a requirement that landlords and letting agents supply tenants with an up-to-date copy of the government publication 'How to Rent'. This leaflet gives advice on questions to ask on considering entering into a tenancy, and how to look for and appraise available properties. The leaflet also summaries legal elements of entering into and ending a tenancy, including definitions of landlord and tenant rights and responsibilities with regard to assured shorthold tenancies. Information is given on the range of possible actions to take in the case of difficulties such as inability to afford the rent, and property repairs. Under the Deregulation Act, a failure to provide the 'How to Rent' guide invalidates any later use of a S.21 notice to quit. Overall, just 12 per cent of respondents to the Shelter survey indicated that they had been given a copy of the

[220] Review AT16: Reasons given for leaving the last PRS tenancy

[221] Hunter, C. (2015) 'Retaliatory evictions: predicting the effect of the Deregulation Bill', *Journal of Housing Law*, 3, 41-3.

[222] See, for example, Isaksen, M. (2017) *It's Broke, Let's Fix It: Improving Redress for Private Renters*, London: Citizens Advice; Which? (2018) *Reform of the Private Rented Sector: The Consumer View*, Which?: London, 16ff.

'How to Rent' guide at the commencement of their current tenancy, although this figure varied substantially by age group, with 22 per cent of 18-24 year olds indicating that they had been given the guide, compared with eight per cent of respondents aged 55+, who may have been in the tenancy for some years. Nevertheless, other evidence indicates that tenants may take little notice of the information they are given.[223]

Some dissatisfaction has been expressed from industry representatives that unannounced changes to the 'How to Rent' guide create confusion as to the validity of any version that has been given to tenants, particularly with respect to any future need to seek an eviction under S.21.

Letting agent fees

More recently, the Chancellor Phillip Hammond announced steps to regulate the activities of letting agents, through banning the charges of fees to tenants on the understanding that agents' principal customer is the landlord, and it is the landlord who should bear management costs. [224] The Tenant Fees Bill was proposed to Parliament in May 2018, although implementation is not likely until Spring 2019. Discussion on the possible impact of the ban has tended to focus on the likelihood of rent increases for tenants, as landlords seek to recoup the additional expenditure costs transferred to them by the agent. CBRE concluded that impact was limited by the very fractured nature of the lettings market, substantial variation between agents for landlord business, and wide variation in the likely responses by agents of absorbing the loss of income.[225] There have been a number of impact assessments of the similar prohibition of letting agent fees introduced in Scotland in 2012: DCLG regarded the evidence as 'inconclusive'[226], or not evidencing an upswing in rents.[227] There are questions as yet unanswered relating to the level of compliance with the regulation and proactivity in enforcement, which generally sits under the purview of Trading Standards Officers. It may be the case that tenants are still asked for fees, and pay the fees regardless of the regulation, as a consequence of high demand for property in some locations.

6.3.3 Lessons from targeted interventions

There are a number of lessons that can be drawn from the ways that targeted interventions effect improvement in management practices:

- Interventions often follow lobbying around single, focussed, problem behaviours. Often it is very difficult to quantify those behaviours, which creates difficulty in establishing the effectiveness of any intervention. Furthermore, tight targeting carries

[223] Which?, *Private Renters' Customer Journeys*, 35.
[224] https://www.gov.uk/government/speeches/autumn-statement-2016-philip-hammonds-speech, acc. 2 Aug 2018.
[225] Siebrits, J. and Cabot, S. (2017) *Banning letting agent fees to tenants*, London: CBRE, 8-9.
[226] https://publications.parliament.uk/pa/cm201415/cmselect/cmcomloc/964/96406.htm.
[227] Clarke, A., Jones, M. and Muir, K. (2017) *Research into letting agent fees to tenants*, Cardiff: Welsh Government.

increased risk of unintended consequences and a failure to ensure full complementarity with existing measures.

- Policy interventions on property management create hard boundaries between activity overseen by trading standards and EHO activity, which makes co-ordination difficult. Despite the level of harm that poor management can visit on tenants, local authorities are not obliged to investigate the incidence of poor management practice in the same way that obligations are in place to investigate Category 1 hazards. In particular, there is no requirement to investigate claims of illegal eviction.

- Targeted interventions often pay little regard to the mode of enforcement. Many rely on tenants' proactively bringing a complaint against a landlord or letting agent, or alerting local authorities about particular problems. If local authorities themselves face difficulties in negotiating the complexity of regulations pertaining to the sector, unsupported tenants are unlikely to seek and secure redress. This is particularly the case where expectations of the sector are low: tenants may experience poor practice as integral to renting privately, and see little point in complaining.

- An increasing number of interventions seeking to improve property standards are linking compliance with the ability to serve a S.21 notice. This strategy compromises calls to eliminate S.21 as an element of ASTs.

6.4 Security of tenure

The EHS 2014/15 indicated that 81 per cent of tenancies were assured shorthold tenancies (ASTs). The number of assured and regulated tenancies – which both offer stronger security of tenure – have diminished substantially, and in the same year together constituted fewer than four per cent of tenancies.[228] The increasing number of households containing children in the PRS has provoked greater scrutiny of the nature of English tenancy agreements. For many commentators, the balance of tenancy security in the English PRS sits too far in favour of landlords, and it is argued that the poor protections afforded by ASTs mean that landlords can readily evict tenants who complain about property quality or management standards. It is also argued that, more pervasively, tenants lack a sense of security that a particular tenancy will continue for as long as they would want it to, and the incidence of enforced moves creates detrimental outcomes in terms of health, employment and education.[229]

Tenancy security encompasses a number of different elements. The chapter considers the length of initial and subsequent terms, rent liability within a fixed term, rent increases within the tenancy term, the notice length, and debate relating to 'no fault' eviction and the legal framework for bringing tenancies to an end. Improvement of any change to the current tenancy framework must encompass all these elements since changing one single aspect in isolation would not necessarily bring about enhanced security for the tenant.

[228] GOV.UK DCLG Live Tables, EHS 2014/15, Private rented sector report, AT3.1: Type of tenancy, 1994/5, 2004/05 and 2014/15.
[229] See Rhodes and Rugg, *Vulnerability amongst Low-Income Households,* 11ff.

6.4.1 Tenancy length

One of the principal issues relating to ASTs is the length of the first tenancy term. ASTs can be any length up to three years, after which time the tenant and landlord can agree another fixed term, or the tenancy becomes a periodic tenancy.[230] The length of the initial tenancy is often regarded as problematic, since the offer of an initial six or twelve-month period signals that any stay will be short-term. In 2015/16, 36 per cent of PRS tenancies had an initial term of six months, and 45 per cent had an initial term of 12 months.[231] In 2017, Citizens Advice published data from a postal survey of 2,001 renters which indicated that 34 per cent 'wish[ed] their current tenancy was longer'.[232] Scotland has recently introduced a new type of tenancy, where no limit has been set on the tenancy length. Data on subsequent change in tenancy behaviour – the arrangements now being made, whether tenants feel an enhanced sense of security, and landlord behaviours in response to the new regulation – was unavailable at time of writing.

In England, and despite the fact that ASTs have increased substantially as a proportion of lettings, tenancies are – on average – lasting longer. This fact could signal a natural market adjustment: tenancy lengths are – without any policy intervention – extending to meet demand for longer-term tenancies. Indeed, some BTR developers have offered three and even five year tenancies, although evidence on take up of these longer-term options is patchy and anecdotal.[233] It is perhaps in reflecting on this part of the market that in July 2018 the government published a consultation on the possibility of obliging landlords to commit to initial tenancy terms of three years: the consultation was due to report in August 2018.[234]

BTR landlords, supplying property to predominantly middle-market renters, are not necessarily typical. This is not because BTR landlords may be regarded as more professional. Rather, they approach risk differently. The majority of landlords, particularly those dealing with a wider demand group, use an initial short tenancy term as a way of managing risk. Landlords may be faced with a tenant who is deemed likely to fall into arrears or exhibit anti-social behaviour. A shorter 'probationary' tenancy offers the easiest route to end a tenancy that has become problematic, without necessarily undermining the possibility of the tenancy extending for a longer period if no problems arise.

Landlords may also offer a short initial term because they have no intention of being a landlord over a longer time period. Some landlords intend to let only for a short period (see 2.2.1), and may seek to return to or sell a property after a few months. Some tenants may

[230] Technically, tenancies can be longer but requirements change if the tenancy is for more than three years.
[231] GOV.UK DCLG Live Tables, EHS 2015/16, Private rented sector, AT 3.2: Initial tenancy length, 2015/16.
[232] Parker, I. and Isaksen, M. (2017) *A State of Disrepair: Why Renters Deserve a Better Deal*, London: Citizens Advice, 16-17.
[233] See, for example, Ministry of Housing, Communities and Local Government (2018) *Overcoming the Barriers to Longer Tenancies in the Private Rented Sector*, London: MHCLG, 13.
[234] Ministry of Housing, Communities and Local Government (2018) *Overcoming the Barriers to Longer Tenancies in the Private Rented Sector*, London: MHCLG, 13.

be satisfied with the offer of a short let. The Omnibus Review found that four per cent of all private renters liked short-term tenancies, a figure rising to eight per cent amongst respondents who were self-employed; 12 per cent of all private renters liked the flexibility of the tenure, a figure rising slightly to 15 per cent for those who were self-employed. An expectation that properties must be made available for a minimum, say, three-year period might dissuade some prospective landlords from arranging a shorter-term letting to a tenant also seeking a shorter term letting.

6.4.2 Rent liability

The concept of fixed terms is closely associated with the issue of rent liability throughout that term. Currently, tenants are able to leave a fixed term tenancy without notice, but they will remain liable to pay the rent until the end of the fixed term. Consequently, tenants can be resistant to the notion of longer tenancies if this means that they will be liable for the rent for the entirety of that extended period even if they move out of the property. The Government consultation document hinted that this issue could be resolved with 'good design' and 'education' for the tenant to improve familiarity with the advantages of a longer tenancy.[235]

6.4.3 Rent increases within the tenancy

There is general consensus that there is little value in creating flexibility over tenancy length if landlords are at liberty to increase substantially the rental payment during the course of the tenancy, in order to force a tenant to leave.[236] The terms by which a landlord will increase the rent should be set out in the tenancy agreement, and the frequency of the rent increase depends on the tenancy term. Tenants must agree a rent increase, although where they do not agree it is possible for the landlord will serve a S.21 notice. The EHS 2015/16 indicated that, for two per cent of respondents, the landlord increasing the rent was one of the reasons why their last PRS tenancy ended.[237] The Review Omnibus data also indicated that rent increases were a factor leading to the end of tenancies, but in no more than five per cent of cases.[238] Arguably, then, this problem is not endemic in the sector. In actuality, many landlords will decide against regular increases in rent for good tenants, as an incentive for them to remain.

Considerable discussion has taken place of 'rent regulation', or how rent increase should be managed during the course of the tenancy.[239] As Robertson and Young observe, 'rent regulation' in this regard is not the same as rent control which seeks to restrict the rents

[235] *Ibid*.
[236] See, for example, de Santos, R. (2012) *A Better Deal: Towards More Stable Private Renting*, London: Shelter, 34.
[237] GOV.UK DCLG Live Tables, EHS 2015/16, Private rented report, AT 3.9: Reason last tenancy ended, 2015/16.
[238] Review AT16: Reasons given for leaving the last PRS tenancy
[239] See, for example, Moore, T. and Dunning, R. (2017) *Regulation of the Private Rented Sector in England using Lessons from Ireland*, York: JRF; Heath, S. (2017) *Private Rented Housing: The Rent Control Debate,* House of Commons Library Briefing Paper 6760, 3 Apr.

that can be charged at the outset of a tenancy (see below, 7.2)[240] Clear protocols for rent regulation at the start of a tenancy offer the landlord and tenant measured and predictable rent increases during the course of a long tenancy, and create capacity for financial planning. The Coalition Government built standardised rent increase clauses into the model tenancy agreement launched in 2014, although use of this agreement is not mandatory. Again, larger BTR landlords often stress the fact that their rents are index-linked and as a consequence do not threaten an unexpected rent increase.

6.4.4 Notice of end of tenancy

Being asked to leave a tenancy is perhaps less a cause of homelessness than the inability to secure a replacement in the time allowed. Insufficient policy attention has been paid to the length of notice period. Statutory requirements vary depending on the reason why a particular tenancy is being terminated, but notice periods are often as short as two months. This time length can be problematic, particularly for tenants whose search for another property might be extended considerably by their being in receipt of welfare benefits or in a high demand area. The EHS 2014/15 asked respondents about the adequacy of the notice period in private renting. Fifty-eight per cent of respondents agreed that it 'gives you enough time to move on', but 24 per cent agreed that it was 'possibly too short for finding a new place to live', and a further 17 per cent indicated that it was 'definitely too short for finding a new place to live'.[241] Which? research on tenant journeys reported that a short notice period impacted on tenant confidence that an adequate replacement could be found, adding to the stress of moving.[242] The degree of precarity caused is indicated by respondents to the Review Omnibus survey. In total, ten per cent of respondents were unable to move straight into another settled arrangement on leaving their last private rented tenancy: three per cent described themselves as 'homeless' during that period, and seven per cent had to move in with family or friends.

6.4.5 'No fault' eviction

Perhaps the principal complaint made against the current tenancy legislation is that it permits landlords to evict tenants through use of the S.21 'no fault' route. Tenants who may have paid the rent and fulfilled their rental obligations may still be asked to leave, and have no defence against eviction under S.21 unless the landlord has failed to observe the correct procedure for serving the notice. 'No fault' eviction means that even good tenants cannot regard their tenancies as being secure in the longer term.

The potential recourse to 'no fault' eviction is regarded as a measure which facilitates and even encourages poor management practice. S.21 may be used by landlords seeking to increase the rent substantially in locations where rents may be rising rapidly, and in retaliation for tenants seeking repairs (see 6.3.2). There is also an underlying presumption

[240] Robertson, D. and Young, G. (2018) *An Evaluation of Rent Regulation Measures within Scotland's Private Rented Sector*, Edinburgh: Shelter, 17-18.
[241] GOV.UK DCLG Live Tables EHS 2014/15, Private rented accommodation, AT3.3: Adequacy of notice period.
[242] Which? *Private Renters' Customer Journeys*, 11.

that landlords will generally seek to turn over tenancies regularly, although the costs involved mean that landlords generally resist so doing.

No research has as yet enumerated the reasons why landlords serve S.21 notices. In part, the increasing use of 'no fault' eviction reflects problems in securing evictions using S.8 for rent arrears, which requires the production of evidence to legal, court standard. Further, evicting a tenant under S.8 for rent arrears requires the tenant to be two months in arrears, and there is anecdotal evidence of some tenants making sufficient rental payment, prior to any court case, to take them slightly above that limit. Landlords argue that tenants are routinely advised by local authorities to remain in a property and actively frustrate the repossession process: both as a means of extending the period during which local authorities will have no obligation to re-house, and to obviate any risk that the tenant can be regarded as intentionally homeless. Notwithstanding a great deal of confusion regarding practice in deploying S.21 notices, it is clear that 'banning' S.21 does not remove any of the reasons that provoke a landlord to use it.

Despite strong calls for the abolition of 'no fault' evictions, a number of new statutory regulations have threatened the ability of landlords to use S.21 notices in order to secure compliance. It is now not possible to use S.21 if a property does not fulfil any mandatory licensing requirement, and where the tenant has not been supplied at the start of the tenancy with a gas safety certificate, an Energy Performance Certificate, evidence that a deposit has been lodged with one of the tenancy deposit schemes, and a copy of the Government's 'How to Rent' guide. Indeed, it has been argued that the proliferation of conditions now attached to use of S.21 notices means that almost all can be demonstrated to be in some way flawed and invalid although this legal knowledge is unlikely to be deployed by tenants faced with an eviction order. Notwithstanding these changes, landlord groups still remain strongly wedded to the S.21 notice, and the strength of this feeling is an indicator of dissatisfaction with ending tenancies using the S.8 route, with its attendant delays and court costs.

6.5 Intermediaries, disincentives and incentives

Before giving more detailed consideration to the formal statutory frameworks that govern property condition and management standards, it is useful to review options for increasing levels of professionalism and compliance through the use of intermediaries, disincentives and incentives. All these options have been posited as possible solutions to problems relating to property condition and management. This section considers use of letting agents, growing the Build to Rent sector, voluntary accreditation, the new rogue landlord database, mortgage provider intervention and taxation incentives.

6.5.1 Letting agents

Landlords use letting agents either to set up a letting that the landlord then goes on to manage, or to take over all management functions relating to the letting. From the Review Omnibus it is possible to estimate that 38 per cent of tenancies have some letting agent involvement. Various Review respondents have reported that the number of letting agents

in the market has increased substantially with the growth of the sector, but exact numbers are not available. Letting agents have the potential to offer a higher level of professionalism in management practice, particularly where the landlord has alternative employment and so may not dedicate all their time to the business of letting, or where the landlord may be inexperienced in the business.

Very little research has been undertaken on letting agents as an industry group, variation in business and management models, and the ways in which letting agent activity frames landlord and tenant renting behaviour. As a group, letting agents are as fractured and diverse in characteristics as are landlords. The industry is split – broadly - between 'independent' agents operating at all scales, 'branded' letting agents operating at local or national level, and letting agents operating 'independently' but under branded franchises. Letting and management services might also be offered by estate agents, and some landlords may also informally manage properties on behalf of friends or relatives. Despite their pivotal role in the market, the complexity of property legislation, and the large sums of money involved, there is no requirement for letting agents to have any relevant qualifications. Some agents may be as 'amateur' as the landlords to whom they sell services, and no estimate is available on the number that might be part of a formal organisation.

Problems with letting agents have increased impetus to regulate the sector.[243] From October 2014, letting agents have been obliged to be part of a redress scheme, which has included a commitment to follow a defined code of practice commissioned from RICS by the Secretary of State for Housing and Planning, and endorsed by all the major industry representative bodies.[244] Despite the introduction of the redress scheme and the code, it has still been considered necessary to introduce further regulation of letting agents' fees and charges, and tighter protection for client funds. It is not necessarily the case that increasing the proportion of lettings via lettings agents would automatically improve levels of professionalism in the sector. Indeed, survey data indicate higher levels of dissatisfaction with letting agents: tenants asked about repairs and maintenance were almost twice as likely to be dissatisfied if their tenancy involved a letting or managing agent rather than a landlord more directly.[245]

6.5.2 Build to Rent

In 2012 the Montague review concluded that an increase in the supply of BTR properties would counter some of the 'perceived historic weaknesses' of the PRS and deliver 'longer-term rented homes', 'a better service to tenants' and 'purpose-built accommodation to a higher standard of construction'.[246] A great deal of rhetoric supporting Build to Rent places

[243] See, for example, Theseira, M. (2013) *Stressed: A Review of London's Private Rental Market*, London: Centre for London, 54-5.
[244] RICS (2015) *Private Rented Sector Code of Practice*, London: RICS.
[245] GOV.UK DCLG Live tables: English Housing Survey 2014/15, Private rented accommodation, AT4.6: Satisfaction with repairs and maintenance, 2014/15.
[246] Bate, A. (2017) *Building the New Private Rented Sector: Issues and Prospects (England),* House of Commons Briefing Paper 07094, 19 Jun., 7; Montague, Sir Adrian (2012) *Review of the Barriers to Institutional Investment in Private Rented Homes*, London: HMSO, para 14ff.

emphasis on the contention that this kind of property supply brings superior levels of professionalism compared with 'amateur' small landlords. Build to Rent establishes a landlord/tenant relationship on a much firmer commercial footing, and with a stronger commitment to consumer satisfaction.

Many new developments give assurances that the problems typically attached to private rental are obviated through dealing directly with an – often – branded large-scale rental provider. Advantages include transparency on tenancy set-up fees and charges, no bond or deposit requirement, predictability on rent increases during the course of the tenancy, and the offer of longer-term tenancies. The fact that many developments have an on-site concierge creates certainty that someone is available to meet immediate repair or maintenance issues. Indeed, the Mayor of London integrated these desiderata into definitions of 'Build to Rent' in the London Housing Strategy document.[247]

It is notable that all these advantages are also commercially advantageous to the landlord, in minimising management costs and maximising tenancy length. At the moment, BTR still has a reputation to establish. Where there is a dense concentration of new developments, it may be that competition will continue to drive the quality of customer service upwards. However, Build to Rent is not inherently unproblematic. For example, in longer-standing purpose-built student accommodation, there has been criticism of practices including the charging of reservation or booking fees that are deemed overly expensive given their purported link to a purely administrative function.[248] The recent RICS evaluation of permitted developments – closely associated with Build to Rent – evidenced some excellent developments but also instances of poor-quality conversion.[249]

6.5.3 Voluntary accreditation

Many local authorities either singly or jointly operate a type of accreditation scheme, in some cases in co-ordination with a national industry accreditation provider. Eighty-eight schemes are signed up to Accreditation Network UK (ANUK), which also oversees accreditation schemes for large student developments.[250] Organisations including the National Approved Letting Scheme (NALS) cover letting agents. There is substantial variation in what might be included in an accreditation scheme. Accreditation is defined in a variety of ways, but generally includes a system which 'badges' a landlord who has, or is, actively training towards a level of practice deemed acceptable by the accreditation authority and which might include, for example, a commitment to abide by a code of conduct devised by that authority. Accreditation might, alternatively, relate to property quality, or include some element of both property quality and management.

Accreditation clearly has the potential to lead to improvement in property management and quality in policing landlords within the schemes and ensuring that those landlords have access to information, advice, and the opportunity for continuing professional

[247] Mayor of London (2018) *London Housing Strategy*, GLA: London, para 3.82.
[248] NUS (2016) *Accommodation Costs Survey 2014-16*, London: NUS, 11.
[249] Clifford, B. *et al*. (2018) *Extending Permitted Development Rights in England: The Implications for Public Authorities and Communities*, RICS: London.
[250] http://www.anuk.org.uk/schemes-near-you, acc. 15 Jul 2018.

development. These activities are particularly helpful both for landlords at early stages in their letting career, and for professional landlords who aim to keep up to date with changes in legislation and good practice guidance.

Landlords strongly favour voluntary accreditation schemes: according to its website, the NLA promotes accreditation 'because we believe it is the best way for us to prove, as landlords, that we can self-regulate': accreditation is regarded as a defence against possibly more rigorous state regulation.[251] However, there are questions around the degree to which schemes can deliver effective regulation. They vary in commitment to regulatory intent, particularly with regard to verification on property standards and practices and sanctions for accredited members not meeting specified standards. In addition, it is probable that accreditation attracts landlords who are already networked into professional organisations: a survey of predominantly accredited landlords in North Staffordshire found that 45 per cent were already a member of a landlord association.[252]

The biggest issue with voluntary accreditation is that take-up is generally low. The London-wide 'London Rental Standard' set up by then London Mayor Boris Johnson in 2013 was closed down in 2017 following claims that the scheme had attracted no more than 2,000 new members and would take decades to reach its target of 100,000 landlords.[253] Accreditation is not mandatory, and in many locations landlords are required to pay to be accredited. It is not always certain that landlords will derive market advantage through being part of a scheme: imbalances of demand and supply mean that in some areas landlords can readily let without being accredited. Furthermore, tenants' awareness of accreditation appears to be low, so they would be unlikely to restrict their search to include accredited landlords only.

6.5.4 Rogue landlord database

The opposite approach to accreditation is to badge landlords who wilfully do not comply with the legislation. In May 2018 the London Mayor Sadiq Kahn introduced, as part of the London Housing Strategy, a London-wide 'Rogue Landlord and Agent Checker', which enables tenants to check whether their landlord or letting agent has been prosecuted or fined for a housing-related offense by a London borough. The website also allows tenants to lodge a complaint against their landlord or agent. The 'Checker' is administered by the GLA, but individual boroughs upload information onto the database; information about particular landlords or agents is removed after a specified time period.

A national 'Rogue Landlord Database' has also been in operation since April 2018. This database operates nationally, but its use is restricted to particular statutory agencies and the site is not available to public view. As yet, no information is available on whether and how tenants and local authorities make use of such websites.

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[251] https://landlords.org.uk/library/accreditation, acc. 7 Jul 2018.

[252] Green, S., Hickman, P., Foden, M. and Powell, R. (2010) *An Evaluation of the North Staffordshire Landlord Accreditation Scheme,* Sheffield: CRESR, 19.

[253] Osborne, H. (2017) 'Boris Johnson's good landlord scheme branded a flop', *Guardian*, 20 Jun.

6.5.5 Mortgage provider intervention

One further option for intervention sits with the practices of mortgage providers. When buy-to-let mortgages were first introduced, the original intention was for their availability to be restricted to landlords letting through qualified letting agents.[254] This requirement was quickly superseded. There has been critique of the generally low levels of housing expertise that mortgage providers require of any individual seeking a buy-to-let mortgage.[255] Further criticism has followed assertions that mortgage providers require particular practices that are not always regarded favourably, including six-month tenancy agreements and restrictions in the ability to let to welfare recipients.[256] These are measures that clearly aim to counter the risk attached to letting to recipients whose income might fluctuate substantially. The clam that this action is discriminatory has tended to mask broader debate about the role of mortgage providers in improving management and property standards in the market. However, the mortgage market is highly competitive, and if individual providers began to set standards then it is likely that landlords would be able to source funding elsewhere. This is not to say that mortgage providers should not be called to account.

6.5.6 Tax incentives

One further option that is frequently discussed is the use of tax incentives to encourage landlords to undertake certain behaviours.[257] Here, discussion focuses on incentives that aim to have an impact on property standards and tenancy security.

Property maintenance

The recent changes to landlord taxation included removal of the Wear and Tear Allowance in 2016, which had permitted landlords of furnished properties to routinely offset against tax to a value of up to 10 per cent of their net rents, on the presumption of expenditure to refresh and replace furnishings and furniture. The Allowance was not available to landlords of unfurnished property. From April 2018, all landlords will be able to claim – on the basis of receipted expenditure – 'replacement of domestic items relief', which includes replacement of fixtures including bathrooms and kitchens. There was criticism that, under the old system, landlords were receiving tax relief irrespective of wear and tear expenditure. It is uncertain how landlords will respond to this taxation change.

Reducing VAT on renovations and home improvements

Where contractors are employed by landlords to improve their properties, VAT is charged at 20 per cent although some reductions are in place, for example, to encourage the use of

[254] Rhodes and Bevan, *Private Landlords and Buy to Let*, 1.
[255] Wallace, A. and Rugg, J. (2014) *Buy-to-Let Mortgage Arrears: Understanding the Factors that Influence Landlords' Mortgage Debt*, York: Centre for Housing Policy.
[256] See, for example, Simcock, T. (2018) *The Impact of Taxation Reform on Private Landlords*, Sale: RLA, Figure 3.5.
[257] Clarke, A. and Oxley, M. (2018) *Using Incentives to Improve the Private Rented Sector: Three Costed Solutions*, York: JRF.

property that has been empty for two or more years, to introduce aids or adaptations, or to install energy-saving products.[258] The NLA has called for a reduction to the minimum VAT rate of five per cent for all improvement works on rented property. This argument has attracted little support.

Longer tenancies

There has been more extended discussion of the possibility that landlords should be given tax incentives to offer longer tenancies. The possibility has also been mooted in the recent consultation paper on three-year tenancies. As might be expected, 73 per cent of landlords in a NLA poll signalled that tax relief would encourage them to offer longer (3+ years) tenancies.[259]

Wider discussion of preferences over tenancy terms has indicated that both landlords and tenants regard flexibility in initial term length as essential to the management of risk. Taxation incentives for landlords offering longer terms would most likely favour those landlords who let to tenants who are not deemed to be particularly risky; as has been seen, many BTR developers already offer longer terms without necessarily seeing high rates of take-up. Tax relief would need to be targeted at landlords that tend to let to tenants with an enhanced risk of rent arrears or problem behaviours. A number of suggestions have been made linking taxation incentives and letting to tenants in receipt of LHA, but these proposals do not indicate how such a measure would be implemented or take into account cases where tenant circumstances, and benefit entitlement, change.

6.7 Regulatory and governance frameworks

Much of the preceding discussion indicates that effective regulation of the sector is undermined by the nature of the broad, overarching regulatory and governance framework. This final chapter in the section indicates that the law itself is overly complex and contradictory, there are obstacles to effective enforcement, and landlords, tenants and enforcement officials can be frustrated with the various modes of redress and prosecution. These difficulties disadvantage both landlords and tenants and heighten the risk attached to letting activity: neither landlords nor tenants confidently expect that, when serious problems arise in a tenancy, they will be dealt with swiftly, equitably or cheaply.

6.7.1 The law relating to private renting

It is not the purpose of this Review to give an overview of the law relating to private renting. There are dozens of primary statutes, statutory instruments and guidance documents, and hundreds of regulations governing private letting. These relate generally to the rights and responsibilities of landlords and tenants, and to the regulation of letting arrangements by

[258] https://landlords.org.uk/sites/default/files/Autum%20Statement%20-%20December%202014.pdf, acc. 7 Jul 2018.
[259] Simcock, T. (2018) *The Impact of Taxation Reform on Private Landlords*, Sale: RLA, Figure 5.2.

external agencies. Dissatisfaction with the law as it currently stands is expressed throughout many of the policy debates relating to the PRS.

First, there is an overall lack of strategic focus for the law as it relates to the PRS. The law is not always nimble in response to change but it can be where there is a strong consensus on the need for particular action. As a consequence, legislation has tended to accrete, with layers of 'issue focussed' legislation passed with the intention of dealing with one single problem or group of problems (section 6.3, above). These problems range across a number of types of issue, which fall into different 'jurisdictions' within national and local government, and which at a local level frame different levels of responsibility to respond.

The lack of a strategic focus means that regulation of the private rented sector is subject to wide, swinging changes in regulatory intent. For example, there have been successive changes to local authorities' ability to introduce a licensing regime. The Housing Act 2004 required permission from the Secretary of State to implement a selective licensing regime; successive Secretaries of State have either eased or tightened this regulation, creating substantial uncertainties for local authorities and for landlords. Recently, regulatory attention has been given to issues relating to energy efficiency; it is likely that, following Grenfell, fire safety will be given a higher level of priority.

Second, the law contains substantial gaps and is out of date in some instances. For example:

- There is a failure in law to pinpoint a requirement for dwellings to meet a minimum habitable standard;[260]
- Exclusions of certain classes of property from formal inspection start to become moot as definitions of 'temporary accommodation' blur;
- The exact nature of a tenancy agreement compared with a license is drawn into question in some kinds of letting activity at the very bottom of the shared market; and
- Conceptions of what constitutes a residential dwelling are brought into question by the incidence of property guardianship.

Third, the law rather too often relies on tenants to bring complaints against their landlords. The proposed Homes (Fitness for Human Habitation and Liability for Housing Standards) Bill 2015-17 will allow tenants to bring a complaint against their landlord with respect to property condition, although multiple evidences from a wide range of different kinds of survey indicate that tenants are generally reluctant to complain, for many reasons.[261] Individuals suffering the worst property conditions and management standards are also people who are often least able to take action. Tenants cannot always access support to undertake legal action, either from local authorities or from third sector agencies. Legal Aid

[260] Wilson, W. (2018) *Homes (Fitness for Human Habitation and Liability for Housing Standards) Bill 2017-19*, House of Commons Briefing Paper, CBP08185, 14 Jan.
[261] Carr, H., Cowan, D., Kirton-Darling, E. and Burtonshaw-Gunn, E. (2017) *Closing the Gaps: Health and Safety at Home*, Bristol/Canterbury: University of Bristol/University of Kent.

is no longer available in the majority of housing-related matters.[262] Court action involves fees and charges that individuals may not be able to pay, and time they may not necessarily be able to afford to take off work in order to meet court appearances.

6.7.2 Enforcement

Even when law is clear and unambiguous, the degree of protection afforded to tenants is undermined by a lack of effective enforcement. For example, a FoI request sent from the office of the MP Karen Buck received responses from 120 local authorities, which jointly covered an estimated 1.4m privately rented properties. In the year 2013/14, local authorities in combination carried out 14,043 inspections of PRS properties.[263] If each local authority in England in 2013/14 had carried out the average number of inspection indicated by this data, less than two per cent of all PRS properties would have been inspected in that year.

The 2018 Parliamentary Committee on regulation of the PRS found that measures to reduce local government funding have had a substantial impact on enforcement activity particularly given substantial growth in the number of rental properties.[264] The Committee heard multiple examples of enforcement teams being reduced to a handful of officers, working in a letting market that has perhaps doubled in size between the 2001 and 2011 census. As a consequence, local authorities are now more often reactive rather than proactive enforcers, and frequently lack the capacity to take complex cases to court particularly given the often protracted nature of the process.

There is also wide variation in local authorities' willingness to prioritise enforcement activity. This variation often reflects the decisions taken by council members, who might for political reasons seek either a harder or softer enforcement regime, irrespective of evidence to support policy decisions that might be brought by officers.

Enforcement is not entirely the purview of EHOs. There has been only limited debate on the role of the police in monitoring and bringing prosecutions against individuals suspected of criminal activity taking place in privately rented property. Controversy is attached to local authorities' use of s92 grants to fund the use of police officers in enforcement activity. It might be argued by local taxpayers that the police should not require additional funding to tackle criminality.

6.7.3 Options for redress

There are multiple and confusing pathways by which it might be possible to pursue a complaint. Currently, tenants have access to redress in only very specific circumstances, including where the letting is managed by a letting agent, or where the problem relates to a

[262] Brookes, A. and Hunter, C. (2016) 'Complexity, housing and access to justice', in Palmer, E., Cornford, T., Guinchard, A and Morique, Y. (eds) *Access to Justice: Beyond the Policies and Politics of Austerity*, Hart: Oxford, 157-75.
[263] Battersby, S. (2015) 'The challenge of tackling unsafe and unhealthy housing. Report of a survey of local authorities for Karen Buck MP', available at sabattersby.co.uk/documents/KBReport2.pdf, acc. 4 Jan 2018.
[264] Housing, Communities and Local Government Committee, *Private Rented Sector*, 31ff.

deposit, or the difficulty in some way relates to the local authority, for example, where there has been a TA placement in the PRS. In October 2017, the Secretary of State announced government intentions to introduce a requirement that all tenancies should be supported by an appropriate redress scheme.[265] A redress scheme would offer a first 'port of call' for tenants seeking dispute resolution, and ultimately reduce the number of cases going through to court. A redress scheme covering all aspects of housing would also obviate difficulties that relate to boundaries between issues and between tenures. Suggestions include expanding the remit of an existing redress scheme or the Housing Ombudsman. However, again, the value of a redress scheme depends very much on tenants understanding and knowledge of the scheme, and on their willingness to use it.[266]

It is also possible to bring cases to the First Tier Property Tribunal (Property Chamber). The initial intent of the Tribunal was to speed up cases that did not have to progress to court. However, it was reported in a number of Review meetings that taking a case through the Tribunal is becoming more difficult: cases are expected to be presented in detail, and landlords often secure legal representation. This situation means that both local authorities and individuals seeking to make a case are also increasingly required to pay for expert opinion on particular issues.

There has been discussion on the need for a specific housing court for many years. Taking a case through the court system is costly and protracted: a landlord seeking possession may have to wait for close to a year, during which time the tenant may decide not to pay any rent. Should the Ministry of Justice choose to fund a specialist housing court, the increased capacity would reduce delays and subsequent costs. A housing court, possibly based on an expanded First Tier Property Tribunal, would also include access to judges who had more experience in adjudicating on housing issues. However, there has been some debate as to the cost to the tenant of increasing the amount of redress that is settled by a court, with regard to the 'portability' of legal aid that would be available to a tenant in court but not to a tenant with a case decided by the Tribunal.[267]

6.8 Conclusion

Regulation reflects a desire to contain risk. However, as it currently stands, a great deal of PRS regulation contributes to the notion that renting is an innately risky activity. Tenants entering into tenancies are not confident either that properties are fit for habitation or that – over time – landlords will actively ensure that the property is maintained to a habitable standard, and that the tenancy will be managed in a fair and reasonable manner. Landlords also risk letting to tenants who may deliberately defraud through non-payment of rent or leave thousands of pounds worth of criminal damage provoking legal action that may take months to resolve, and leaving the landlord substantially out of pocket.

[265] Ministry of Housing, Communities and Local Government (2018) *Strengthening Consumer Redress in the Housing Market*, London: MHCLG.
[266] Which?, *Private Tenants' Customer Journeys*, 35.
[267] See Smith, D. (2018) 'We need a housing court', *Law Society Gazette*, 26 Feb; Peaker, G. (2018) 'On a housing court and (not) making thing simpler' 12 Mar, https://nearlylegal.co.uk/2018/03/on-a-housing-court-and-not-making-things-simpler/, acc. 8 Jul 2018.

The legal enactments framing letting activity fail at multiple levels: the law is confused; at local authority level there can be limited will and resources to deliver effective enforcement; and there is little confidence in the processes in place to secure redress and penalty. Picking at one single element of this problem is unlikely to succeed: for example, ending S.21 will in all probability focus landlords' attention on other methods to manage risk, and these will be likely to carry detrimental impacts to the most economically marginal tenants. The creation of a housing court does not necessarily promise an easy pathway to housing justice for tenants who lack financial resource and legal support.

C7. MEETING THE NEEDS OF LOW-INCOME RENTERS

7.1 Introduction

In 2011 the proportion of renters in the private sector overtook the proportion of social rented sector tenants to become the largest rental tenure. The stock of housing available at social rent has been depleted by progressive reduction in central government subsidy and right to buy sales. There is an increasing expectation that the PRS can and should deliver housing at rates that are affordable to households that have traditionally sought accommodation in the social rented sector. This expectation requires exploration from a number of perspectives, and this section begins by addressing the slightly broader issue of affordability and the interaction between incomes and rents. Rent control has returned to the political agenda in various guises, with some consensus around in-tenancy rent stabilisation. The Local Housing Allowance (LHA) constitutes an increasingly stringent mix of both first and second generation rent control, and chapter 7.3 discusses evidences around impact on that part of the market.

Welfare Reform has undermined the ability to sustain long-term tenancies at the bottom end of the PRS. In response, 'mediated' tenancies have been created in a range of circumstances by statutory and third sector agencies, in an attempt to ameliorate problems with property supply and financial sustainability. A number of lessons can be learned from the very broad range of approaches to mediated tenancies, not least of which is an understanding of the circumstances in which the PRS is willing or able to meet demand at the bottom of the market. Again, the proliferation of mediation schemes also provokes questions on detrimental impacts in terms of affordability in the 'unmediated' bottom end of the rental market.

7.2 Affordability and rent control

7.2.1 Affordability and household demographics

Excess rents and affordability issues are not endemic in the open market PRS. The majority of tenants meet their rental payments without financial difficulty. Review analysis of EHS data indicated that two-thirds of renters find it very easy or fairly easy to pay the rent. Furthermore, in every year since 2011, around 90 per cent of renters have been up to date with paying the rent.[268] Ninety-eight per cent of renting respondents in the more recent Review Omnibus were up to date with their rent.

Nevertheless, high and increasing rents are problems closely associated with the private rented sector. Many reports give instances of exceptionally sharp rental increases over time in particular locations. Rent costs have to be understood in relation to income, although

[268] GOV.UK DCLG, EHS 2016/17, English Housing Survey headline report, AT1.14: Number and proportion of households in rent arrears, by tenure, 2011-12 to 2016-17.

there are a number of ways in which this might be calculated.[269] Geographic variation in affordability levels has been discussed at 4.3.2. Reviewing the same data in terms of household demographic characteristics indicates that some groups have consistently paid a higher proportion of their net household income on rent over the period of analysis compared with the England average. Examples include households with an unemployed HRP (a rent to income ratio of 0.48 in 2015/16), households with a long-term sick or disabled HRP (0.36); households in receipt of HB (0.38) and lone parents (0.35).[270]

The growing number of households reliant on lower-paid, part-time and zero-hour contract jobs clearly plays a role in driving rental affordability issues but the interrelationship between housing and labour markets in this regard, particularly at the bottom end of both markets, has been largely overlooked.

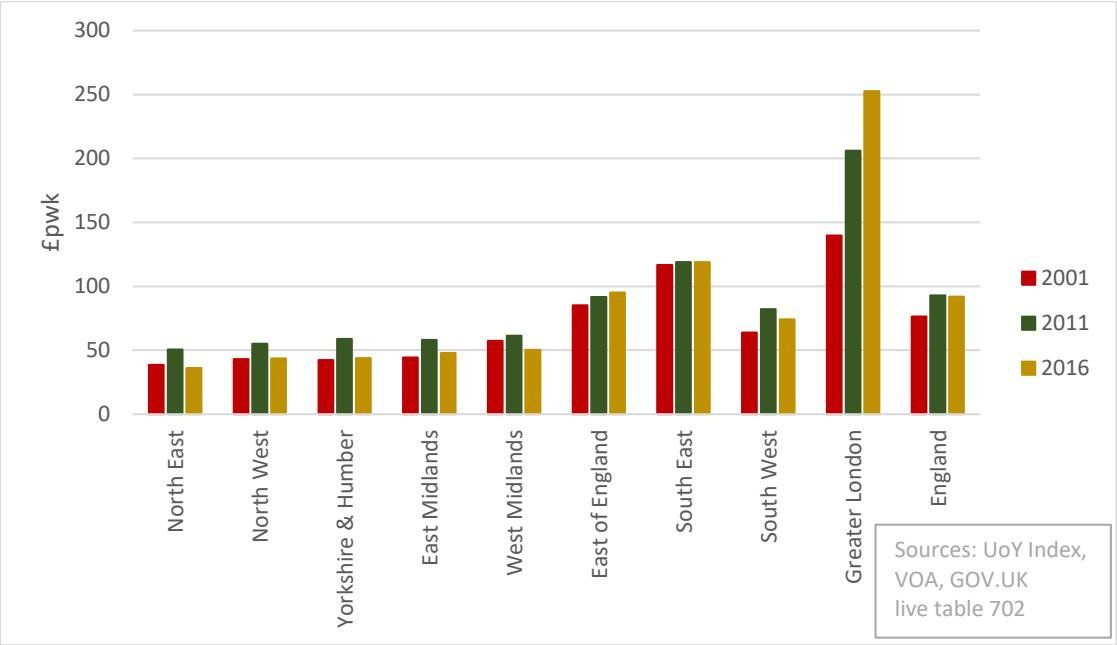
7.2.2 Rent control

Notwithstanding geographic variation and variation between demographic groups, private renting tenants have housing costs that are higher, on average, than they would be if they were able to access social housing or owner occupation. Chart 7.1 compares private rents with social rents for the years 2001, 2011 and 2016, and contains average weekly amounts for each year in 2016 prices. The chart shows that private rents have increased in real terms by more than social rents, and particularly in the Greater London region.

In these circumstances, the 'value' of private renting is called into question, particularly when households are reliant on some level of Housing Benefit to meet a higher rental cost than would be paid to a social landlord, and so inflating the national welfare budget,[271] or when it becomes evident that a renter is paying a higher rental cost for the same property than they would be if they had purchased that same property with a mortgage and limiting the capacity to save for a housing deposit.[272]

[269] See, for example, Henretty, N. (2017) 'Housing summary measures analysis: 2016', ONS, which takes the median monthly rent as a percentage of median gross monthly salary.
[270] See Rhodes and Rugg, *Vulnerability amongst Low Income Households,* 22ff.
[271] Wilson, W. (2017) *Private Rented Housing: The Rent Control Debate*, House of Commons Library Briefing Paper, 6760, 6ff.
[272] See, for example, Heath, S. (2014) *Rent Control in the Private Rented Sector (England)*, HoC Library Standard Note SN/SP/6760, 7 Jul., 5. *;* Kingman, D. (2013) *Why BTL Equals "Big Tax Let-Off": How the UK Tax System Hands Buy-to-Let Landlords an Unfair Advantage*, London: Intergenerational Foundation.

Chart 7.1: Average weekly amounts by which private rents are higher than social rents



The desirability of rent control has returned to the political agenda[273], and there are a number of approaches.[274] Little attention is being paid to the imposition of an across-the-board rent ceiling: there is a strong consensus on the potential impact on property supply although – as will be seen – rent control is integral to the operation of the LHA. However, the notion of repressing rent increases in areas where there has been a sudden uplift in rents has been mooted. 'Rent Pressure Zones' (RPZs) have been introduced in Scotland to counter rapid market rent increases in Aberdeen and Edinburgh, setting an increase cap at CPI plus one percentage point. In practice establishing a 'boundary' for a target zone, and finding a robust source of rent data are considered problematic, as are the complex processes that have been put in place for local authorities seeking to justify introduction of an RPZ in a given location.[275] Rather greater consideration has been given to rent controls which regulate the frequency and degree to which rents can be increased during the course of a tenancy (see also 6.4). For example, Shelter has suggested that such rent increases be pegged to the Consumer Price Index.[276]

There are advantages and disadvantages to rent regulation within tenancies. Stabilisation brings a degree of predictability for both the tenant and the landlord over the short-term but does not necessarily curtail rent increases more broadly.[277] Tenants who experience

[273] See, in particular, Jeremy Corbyn's speech to the Labour Party in September 2017.
[274] Scanlon, K. and Whitehead, C. (2014) *Rent Stabilisation: Principles and International Experience: A Report for the London Borough of Camden*, London: LB Camden.
[275] Robertson, D., and Young, G. (2018) *An Evaluation of Rent Regulation Measures within Scotland's Private Rented Sector*, Shelter Scotland: Edinburgh, 18ff.
[276] De Santos, R. (2012) *A Better Deal: Towards More Stable Private Renting*, London: Shelter, 34-5.
[277] Moore, T. and Dunning, R. (2017) *Regulation of the Private Rented Sector in England using Lessons from Ireland*, York: JRF, 24.

only gradual rent increases over the course of a tenancy might be faced with a substantial rent rise on moving since landlords would still be at liberty to reset their rent levels closer to the market value between tenancies.[278] This means that tenants might be trapped in unsatisfactory tenancies because of the inability to afford a substantial rental increase on moving. An alternative hybrid approach has been suggested: rent increases linked to CPI inflation for a three-year period within a tenancy, with landlords giving six months' notice on any increase for the following three year period. The proposed regular 'within-tenancy' reset option would allow for the rent to track the market whilst retaining predictability for the tenant.[279]

7.2.3 The needs of 'middle income' renters

The fact that 'within-tenancy' rent stabilisation rather than overall rent control has been proposed indicates the policy drive towards creating more satisfactory, long-term tenancies for 'middle income' renters rather than considering the problems faced by low income renters unable to meet the cost of a market rent. Indeed, government support for the increasing the number of 'affordable' tenancies made available by social housing providers, and pegged at between 60 and 80 per cent of the market rent, is further indication of policy attention shifted away from the bottom of the market and towards the middle.[280]

This tendency is further exemplified by discussion around the provision of affordable rental properties in new BTR developments. The government has recently consulted on planning and affordable housing in Build to Rent.[281] In this case, 'affordable' is defined ast 80 per cent of the market rent, and with a minimum of 20 per cent of properties in any development being available at that rate. Within the London Housing Strategy, the Mayor has expressed the desirability of BTR schemes offering 35 per cent or more of properties at the London Living Rent (LLR), which is set at 30 per cent of the median gross income and takes into account local house prices. There is an expectation that tenants paying the sub-market LLR will have the flexibility to save for a deposit on an owner occupied property. There has been limited discussion of how 'affordable' units within BTR developments would be allocated and whether indeed it could be guaranteed that such units would meet local need and not import demand from other boroughs.

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[278] See, for example, Neimietz, K. (2016) *The Key to Affordable Housing: A Critique of the Communication Workers Union's Rent Control Proposals*, London: Institute of Economic Affairs.
[279] Judge, L. and Tomlinson, D. (2018) *Home Improvements: Actions to Address the Housing Challenges Faced by Young People*, London: Resolution Foundation, 15ff.
[280] Stevens, M., Perry, J., Wilcox, S., Williams, P. and Young, G. (2018) *2018 UK Housing Review*, Coventry: CIH, 60ff. and https://www.jrf.org.uk/blog/housing-market-isnt-helping-people-make-ends-meet-time-living-rents, acc. 19 Jul 2018.
[281] DCLG (2017) 'Planning and affordable housing for Build to Rent: A Consultation Paper, February; DCLG (2017) 'Planning and affordable housing for Build to Rent: Summary of Consultation Responses', August.

7.2.4 Meeting need at the bottom of the market

The desire and need to institute a degree of rent control is rarely connected with analysis of landlords' rent setting strategies. Suppliers to the market do not always act in an economically rational way to maximise profit. In actuality, many small-scale landlords set their rents slightly below the market rates in order to ensure that properties will be let quickly, and do not increase rents regularly, year on year.[282] Further, many smaller-scale landlords who have little interest in growing their portfolio will not necessarily be aggressive in seeking yields commensurate with increasing house prices.

Landlords might in some instances operate rent-setting strategies that benefit their tenants, but this does not mean that private landlords can or should be expected to meet demand at the bottom of the market. Indeed, this expectation is no longer levelled at the social sector. The government has directed housing associations to deliver 'affordable', market-linked rental products because increasing rental income creates a more financially sustainable social sector. It has been reported that housing associations create further cushions against risk, in setting allocation policies that preclude tenants with a history of rent arrears.[283] At the same time, private landlords are often criticised for a failure to set rents low enough to meet demand from the least financially stable and most marginal tenants.

7.3 The impact of Welfare Reform

Since the publication of the last Review of the private rented sector in 2008, a tranche of changes to LHA specifically and to welfare more broadly has created an entirely new framework for renters partly or wholly reliant on benefit to pay the rent. Recent changes to LHA have created a system of rent controls that impose both an overall cap on rents and prevent any increase in rent charges once a tenancy has begun. These measures are substantially eroding tenants' ability to pay a bottom-end market rent. The increasing incidence of evictions as a consequence of rent arrears indicates that Welfare Reform is undermining the operation of the Housing Benefit market within the PRS.[284]

7.3.1 Change to the Housing Benefit system

The Coalition and Conservative Governments have, since the 2010 Budget Announcement, made a series of changes to the system for assisting privately renting tenants that in totality amount to 'first generation' rent control.[285] The LHA, in its original iteration, aimed

[282] Clarke, A., Morris, S., Oxley, M, Udagawa, C. and Williams, P. (2015) *The Effects of Rent Controls on Supply and Markets*, Cambridge: CCHPR, tables 3.4 and 3.6; Clarke *et al*., *How do Landlords Address Poverty*, 28ff.

[283] Rowe, S. and Wagstaff, T. (2017) *Improving Access to Housing for Single Homeless People in England*, London: Crisis, 51.

[284] Simcock, T. (2017) *Welfare Reform and Universal Credit: The Impact on the Private Rented Sector*, Sale: RLA.

[285] 'First generation' rent control comprises a rent freeze, imposing an absolute cap on the amount of rent that can be charged in the private sector; 'second generation' rent controls allow but control

at creating transparency in setting out a framework for allowable rental costs, which established a formula to assess the number of bedrooms required by a given household, a rental charge based on an average of the lower 50th (later reduced to 30th) percentile of rents in a broad rental market area (BRMA), and with rental payments regularly uprated in line with market change. Payment methods were reconfigured so that tenants themselves would receive the LHA directly and take responsibility for paying the rent, so making tenants more clearly aware of the level of the rent and so constituting a 'shopping incentive'.

The changes implemented from 2011 have eroded these principles, in creating a series of rent ceilings that were applied in a variety of circumstances that were entirely unrelated to costs at the bottom end of the market. The changes include the imposition of a cap in the maximum benefit allowable to households, initially set at £18,200 for single households and £26,000 for households including dependent children. From October 2016 the cap was revised downwards, and currently stands at £20,000 for families with children (£23,000 in London) or £13.400 for single people (£15,410 in London). The revision tripled the number of households affected by the regulation in any one month, from just under 20,000 in October 2016 to well over 60,000 by November 2017. Between April 2013 and November 2017, 170,000 households had been subjected to a cap although it is not certain what proportion were living in the PRS.[286] In 2016 it was reported that, the lowered cap had pushed 19 of the 35 LHA rates of the seven Inner and West London BRMAs below the 30th percentile.[287]

Single applicants aged 35 or under are also restricted to a LHA payment at or below to the equivalent single room rate irrespective of whether such property is locally available. This species of group-specific 'rent control' has a long history in the differential rate of benefit paid to younger people under the age of 25, justified by the claim that younger people are more likely to live with their parents. The age limit was increased to 35 in 2012, affecting an estimated 62,500 individuals in the PRS.[288]

A species of 'second generation' control is also in place: from April 2016 and for a four-year period, LHA payments remain frozen which means that from that date, the LHA will not support any annual rent increases that may have been agreed at the start of the tenancy. Tenants starting a tenancy whilst in work and then losing their job may also find themselves in contravention of their tenancy agreement in being unable to meet an agreed rent increase.

One consequence of the cuts has been a progressive mismatch between asking rents and the level of LHA support available to low-income families. The most acute shortfalls are now emerging in areas where rents have increased markedly since 2011. Multiple reports

automatic annual increases, in line with a set formula applicable to all rental properties; 'third generation' rent control or 'rent regulation' seeks to regulate rent increases within tenancies.

[286] Department for Work & Pensions (2018) 'Benefit cap: data to November 2017', Quarterly release February 2018.

[287] Lister, S. (2016) *Mind the Gap: The Growing Shortfall Between Private Rents and Help with Housing Costs*, Coventry: CIH, 4.

[288] Unison (2014) *A New Housing Benefit Deal for Young People*, London: Unison, 5-6.

have been published evidencing shortfalls across England, and across property types.[289] For example, in 2016 36 per cent of the five LHA rates across all the English BRMAs required a substantial cash payment from tenants' income to meet the 30th percentile rent payment, with 'substantial' defined as the equivalent of five per cent of personal benefit allowances.[290] In 2018, and following review of rates across England, Downie concluded that 'there is little affordability' within any of the Local Housing Allowance rates 'across most of England.' [291]

7.3.2 Tenant and landlord responses

Landlords letting in the HB market accept that they will be achieving a bottom thirtieth percentile rents, and to that end do not contest the 'rent control' aspect of HB. However, landlords' costs will have increased in line with general price inflation, but their gross rental income has remained stagnant and net income probably fallen where they have decided not to ask that the tenant pay all the contractual rent irrespective of a shortfall . Landlords' response to an early evaluation of the LHA changes indicated that many were reviewing their repairs and maintenance expenditure in response to a reduction in rental income.[292]

A 'shopping incentive' presumption sits within the LHA regulations, which increases tenants' understanding of their rental obligations and so encourages them to move to a property better suited to their income. The regulations presume that tenants will be willing to leave tenancies that have a substantial shortfall between LHA and rent to secure a cheaper tenancy. Early evaluations of the impact of LHA changes indicated that tenants were unlikely to move as a consequence of shortfalls, although their existence means that new tenants in receipt of LHA will find their accommodation searches increasingly restricted to certain geographic locations. Instead, tenants aim to meet the shortfall by reducing expenditure on other household essentials.[293] Over time, this strategy fails as tenants become unable to accommodate both a shortfall and price inflation on food and utilities.[294] There is general consensus that Welfare Reform has contributed to the growing incidence of rent arrears.

Landlords' responses to this situation are difficult to judge categorically. Action to deal with a shortfall and any subsequent rent arrears will depend very much on the circumstances of the letting, landlords' own financial circumstances and the market within which they operate. There has been widespread reporting of a growth in the proportion of landlords

[289] See, for example, Policy in Practices (2017) *The Cumulative Impacts of Welfare Reform: A National Picture*, London: Policy in Practice, 17ff.
[290] Lister, S. (2016) *Mind the Gap: The Growing Shortfall Between Private Rents and Help with Housing Costs*, Coventry: CIH.
[291] Downie, M. (2018) *Everybody In: How to End Homelessness in Great Britain*, London: Crisis, 238.
[292] CRESR (2014) *Monitoring the Impact of Recent Measures affecting Housing Benefit and Local Housing Allowances in the Private Rented Sector,* London: DWP, chapter 10.
[293] Department for Work & Pensions (2014) *The Impact of Changes to the Local Housing Allowance in the Private Rented Sector: The Response of Tenants*, 50ff.
[294] Rugg, J. and Kellaher, L. (2016) *Social Housing Tenants and Household Economics: Three Years in the Lives of g15 Tenants*, York: Centre for Housing Policy.

unwilling to let to LHA recipients, and of local authorities reporting that landlords in their area were reducing their lets to LHA tenants.[295]

It may be, then, that the market will start to contract: indeed, the number of tenancies supported by LHA has declined. Between 2011 and 2014, there was a fall by 28 per cent of single HB applicants under the age of 35.[296] The decrease has been particularly marked in inner London.[297] In 2018 it was reported that the number of HB/Universal Credit claimants in inner-London had dropped by a fifth since 2011.[298] There will, as a consequence, be growth in the number of households containing 'hidden households' that are unable to sustain independent accommodation, and it is likely that the incidence of overcrowding will start to rise.

7.3.3 Universal Credit

These problems have led to focussed calls to reverse decisions on the LHA freeze, and so allow benefit payments to return to the lowest-third market average.[299] However, a broader review is necessary, since a reversal of the LHA freeze might place more households at risk through loss via the benefit cap.[300] It is important to understand that Welfare Reform in its totality has destabilised the finances of households in receipt of benefit. Even where tenants have not been subject to the cap on benefits, a failure to uprate all personal benefits in line with inflation means a drop in income in real terms, given price increases on essential food and fuel costs. Tenants are increasingly lacking the financial resources to meet LHA shortfalls even where landlords have not upwardly adjusted the rent.[301] A sanctions regime, integral to the operation of Universal Credit, further undermines tenants' economic resilience.[302] Delays in payment remain problematic. In 2017, one quarter of all new payments were not paid in full and on time; 24 per cent of housing payments were also not paid in full and on time.[303]

From landlords' perspectives, Universal Credit has intensified levels of risk in a market where risk is already endemic. There are two major interconnecting issues: direct payment of the housing element of UC, and the bureaucracy of the system. Prior to the introduction of LHA, landlords were often satisfied with the lower rent payable under the HB system

[295] LGA (2018) *Local Housing Allowance Survey: Final Report*, London: LGA, Table 11; Pattison, B. and Reeve, K. (2017) *Access to Homes for Under-35s: The Impact of Welfare Reform on Private Renting*, Sheffield: CRESR, 5ff.
[296] Fitzpatrick, S., Pawson, H., Bramley, G., Wilcox, S., Watts, B. and Wood, J. (2018) *The Homelessness Monitor: England 2018,* London: Crisis, 35.
[297] Stephens, M., Perry, J., Wilcox, S., Williams, P. and Young, G. (2018) *2018 UK Housing Review*, Coventry: CIH, 84.
[298] Fitzpatrick, S., Pawson, H., Bramley, G., Wilcox, S., Watts, B. and Wood, J. (2018) *The Homelessness Monitor: England 2018,* London: Crisis, 34.
[299] For example, Shelter Briefing (2018) 'Ending the freeze on LHA rates'.
[300] Crisis (2018) *Everybody In: How to End Homelessness in Great* Britain, London: Crisis, 259ff.
[301] CIH (2017) *Feeling the Pinch: The Lowered Benefit Cap One Year On*, Coventry: CIH.
[302] Rhodes and Rugg, *Vulnerability amongst Low-Income Households,* 34ff.
[303] National Audit Office (2018) Department for Work & Pensions: Rolling Out Universal Credit, HC1123, 15 Jun 2018, Figure 11.

because it was possible to make arrangements for the benefit to be paid directly to the landlord. In this sense, then, the rent became 'guaranteed' and as a consequence a lower risk was attached to accommodating tenants who – for a range of reasons – might lack the ability to manage their household finances and pay the rent regularly.[304] Under LHA/UC, payment of rent to tenant means that the benefit becomes part of the broader household income, and rent one of the bills that is 'juggled' if tenants lack the income to cover other mandatory household expenses.[305]

Private landlords are able to apply for Alternative Payment Arrangements (APAs), which set up smaller and more frequent payments to the tenant and/or made the payments directly to the landlord. A survey of more professional landlords, 38 per cent of whom let to LHA/UC recipients, found that 53 per cent had successfully applied for an APA, although close to half of them had found the process difficult.[306] Notwithstanding the possibility of arranging an APA where rent arrears have accrued the likelihood of their being resolved before the tenancy is brought to an end is minimal. The same survey found that 38 per cent of landlords with UC tenants had seen those tenants fall into rent arrears, owing an average of £1,150.[307] Extensive evidence on the experience of social housing tenants indicates that accrued rent arrears destabilises households with a debt that may take years to resolve, not least since tenants lack the financial flexibility to make significant inroads into repayment.[308] For private landlords, the rent arrears constitute both lost revenue and the prospect of a complex and expensive possession procedure. Landlords are therefore compelled to change their management practices to mitigate the higher risk.

Many LHA landlords have in the past relied on creating close working relationships with local authority HB officers in order to manage more problematic applications. Central administration of UC limits those prospects, whilst at the same time increasing the probability of bureaucratic error. Early roll-out was focussed on simpler cases, of single people making new claims. Even in these circumstances, UC performance was not good and performance has worsening on extension of the system to more complex cases, leading to criticism from the National Audit Office.[309] UC carries the possibility of long delays in making an initial payment and on-going errors, particularly with complex claims

[304] As indicated in various Review meetings with landlord and landlord representatives.
[305] Rugg and Kellaher, *Social Housing Tenants* discusses the ways that low-income social tenants manage their finances, and these behaviours will be similar amongst private tenants.
[306] Simcock, T., *Welfare Reform and Universal Credit*, 9ff.
[307] *Ibid.,* 10.
[308] Smith Institute (2017) *Safe as Houses: The Impact of Universal Credit on Tenants and their Rent Behaviour in the London Boroughs of Southward and Croyden, and Peabody*, London: The Smith Institute.
[309] National Audit Office (2018) *Department for Work & Pensions: Rolling out Universal Credit*, HC 1123, 74.

that take weeks to resolve.[310] The 2017 landlord survey found that 45 per cent regarded UC staff either unhelpful or very unhelpful.[311]

Landlords are taking time to settle into new working practices and letting preferences. In particular, landlords are managing risk through asking tenants for rent guarantors, which some lower-income tenants may not be able to provide. If landlords are able to access an alternative source of tenants, then the HB market may continue to contract. The continued roll-out of UC means that Welfare Reform has by no means arrived at a settled state, and data on behaviour change is lacking. The National Audit Office has recently concluded that 'the government, led by the Department for Work & Pensions, should develop a much better understanding of the interactions between local housing market and Welfare Reform in order to evaluate fully the causes of homelessness'.[312]

7.4 Mediated tenancies

One consequence of Welfare Reform has been an increase in the need for 'mediated' private tenancies. A number of different types of statutory and third sector agencies have developed 'access' or 'help to rent' schemes, which procure property from the PRS through offering landlords services or incentives.[313] Mediating agencies play a substantial role in increasing the supply of property to low-income households in a variety of circumstances, and have themselves been subject to a range of different policy interventions. Originally, schemes focussed on meeting need amongst non-statutorily homeless households. A major shift in intent was signalled by the Localism Act 2011, which allowed local authorities to discharge their homelessness duties through the offer of a twelve-month AST in the PRS. There is now a degree of confusion around the essential purposes of mediation and how best those purposes might be served. These issues provoke bigger questions on the impact of mediated tenancies on the bottom end of the PRS.

7.4.1 'Access schemes' and help to rent

Schemes that help households to access to PRS accommodation have been in existence since the emergence of rent guarantee schemes in the early 1990s. This work has been developed substantially by the housing charity Crisis, which has played a key role in developing and disseminating best practice in this area of activity. In 2010, Crisis worked with the DCLG to create the Private Rented Sector Access Development Programme, which distributed funding to access schemes across England that were targeting groups that were particularly difficult to rehouse in the PRS. The Autumn 2017 Budget statement

[310] Crisis (2018) *Everybody In: How to End Homelessness in Great* Britain, London: Crisis, 254ff. See also National Audit Office (2013) *Universal Credit: Early Progress*, London: NAO; National Audit Office (2014) *Universal Credit: Progress Update*, London: NAO.
[311] Simcock, T. (2017) *Welfare Reform and Universal Credit: The Impact on the Private Rented Sector*, Sale: RLA, 9ff.
[312] National Audit Office (2017) *Department for Communities and Local Government: Homelessness*, HC308, 12.
[313] See, for example, Reeve, K., Cole, I., Batty, E., Foden, M., Green, S., Pattison, B. (2016) *Home: No Less Will Do: Homeless People's Access to the Private Rented Sector*, London: Crisis.

again signalled a commitment to support access work, making funding of £20m available 'to support people at risk of homelessness and to access and sustain tenancies in the private rented sector'.

Schemes vary considerably in history, management, financing, intent and service delivery to the degree that a detailed overview is not appropriate here. It is perhaps worth iterating that:

- Schemes are operated by housing associations, local authorities, other statutory agencies and housing and homelessness charities that are can be very small-scale and localised, regional or national in scope;
- Some schemes are of very long standing, and are well-established in their particular locale; other, newer, schemes are still in their infancy: it generally takes dedicated financial commitment for an extended period for a scheme to become so well established that it makes a quantifiable impact on local need;
- Schemes support tenancies, not tenants: services are put in place to benefit the landlord as much as the tenant and to ensure that a tenancy becomes self-sustaining in the medium and longer term;
- Schemes vary in purpose, in terms of target client group and overall policy intent: for example, some schemes complement 'social' support given to a marginal group, and others aim to meet housing need more generically;
- 'Social lettings agencies (SLAs)', strictly defined, operate much as commercial lettings agencies, but with a social intent: SLAs aim to charge landlords a letting fee and focus on accommodating people reliant on LHA.

Schemes generally work with local landlords to procure property that is then let to the target group. The arrangement does not generally include long-term leasing; rather, schemes aims to deliver 'tenancy ready' tenants to landlords who are prepared to let at the LHA rate.[314] The largest schemes operate with hundreds of clients, but these are not typical. It is reasonable to expect that at least one type of scheme operates in the majority of local authority areas.[315]

The scale of operation of schemes offering mediated tenancies is uncertain, not least because there are considerable difficulties in arriving at an exact definition of access work. Particular confusion has attached to 'social lettings agencies' (SLAs), the definition of which has become so enmeshed with access schemes and help to rent initiatives that the unique objective of the SLA has become lost.[316] It has already been noted that commercial lettings agencies serve all parts of the rental market, including the Housing Benefit market. The intention of the SLA is to operate as a social enterprise letting agent, with principal income derived from the management fee charged to the landlord, but operating to make long-

[314] Mullins, D., Sacranie, H. and Patterson, B. (2017) *Social Lettings Agencies in the West Midlands (Final Report)*, Birmingham: University of Birmingham Housing and Communities Research Group.
[315] See, for example, the Crisis 'Help to Rent' database: https://www.crisis.org.uk/ending-homelessness/housing-resource-centre/prs-database/, acc. 25 Aug 2018.
[316] Future of London (2016) *A Social Lettings Agency for London? Viability and Potential*, London: Future of London.

term, sustainable tenancies available to tenants in receipt of LHA. No research has yet been undertaken of the characteristics and financial models of letting agents serving the bottom end of the market, and how far those practices might be replicable but with 'social' intent.

In recent years an alternative iteration of 'access' work has emerged, which mobilises large-scale investment to create a portfolio of properties that are then let to the target client group. The Real Lettings Property Fund[1] was established by Resonance, a social investment company, in 2013: Real Lettings Property Fund[2] was launched in 2015 and the National Homelessness Property Fund was launched at the beginning of 2016, extending operations to Oxford, Bristol and Milton Keynes. Resonance uses the funds to locate properties that are offered on a long lease to partner organisation St Mungo's to meet the needs of homeless clients. The 2015/16 report indicated that the fund had so far accommodated over 250 households, the majority of which had been in either bed & breakfast hotels or temporary accommodation. The scheme offers tenancy support and aims to build resilience to homelessness.[317]

There has been widespread agreement on the value of access schemes. This kind of work is periodically 'rediscovered' and reinvented in various guises as a solution to securing long-term PRS tenancies. This means that funding has tended to be available as part of funding programmes and without the security of a long-term statutory revenue commitment. Access work takes time to be established: landlords require more than one tenancy to turn over successfully before they might consider working with a scheme to manage an existing portfolio or to develop a new portfolio exclusively for scheme use. Furthermore, funding programme priorities might not always correlate with a local scheme's core commitment, for example, to a particular age group.[318]

7.4.2 Disaggregating the contributions of mediation

One key issue that is intrinsic to establishing the contribution of mediated tenancies is to understand the balance between financial and social support afforded to the tenant. Rent deposit schemes, in their earliest iteration, constituted financial assistance for tenants who simply could not afford a deposit: offering a guarantee in place of a cash deposit extended the number of clients a scheme could help. The guarantee was then made more attractive to the landlord by including ancillary services such as setting up tenancies, free inventories and finding suitable referenced tenants. It remains the case that low-income households generally need financial support to access a tenancy. The introduction of tenancy deposit schemes, whilst protecting deposits that have been paid, has done little to resolve difficulties for tenants who could not lodge one to begin with.

The problem has been recognised: the London Housing Strategy proposed limiting rent in advance payments to three weeks only. The Strategy also proposed that employers should be encouraged to offer loans to employees seeking help with paying deposits,[319] which is a

[317] St Mungo's, Resonance (2016) *Real Lettings Property Fund Social Impact Report*, Manchester: Resonance.
[318] Rugg, J., (2014) *Crisis' Private Rented Sector Access Development Programme: Final Evaluation Report*, London: Crisis.
[319] Mayor of London (2018) *London Housing Strategy*, 183.

move that would clearly be of greater benefit to employed workers with sufficient earned income to accommodate loan repayment. The prospective fee ban to tenants will also decrease the costs of moving into the PRS. These interventions deal with only part of the problem, and again focus rather more on 'middle market' renters, offering little assistance to lower-income households which are unable to pay for initial deposits and rent in advance.

The financial support offered by help to rent schemes is often integrated with, but can sit separately from, activities that support tenants once they have moved into a property. These activities can include help with making benefit applications and budgeting generally, befriending, advocacy and more intensive supports where clients have complex needs. It would be a mistake to create a too-rigid distinction between 'financial' and 'social' support, but a failure to make any distinction has added unnecessary complexity to policy in this area. Access work is often, but not always, delivered as part of the resettlement of individuals who have experienced homelessness. Not all access scheme clients will need this kind of help, but it is now often presumed that resettlement has to be built into the delivery of help to rent which makes these projects expensive to deliver.

7.4.3 Temporary Accommodation and the Homelessness Reduction Act

The 2008 Review indicated that problems had started to arise with 'incentive inflation', pushing local authorities to compete for property to be used as TA. The situation has worsened considerably, as a growing number of authorities are looking outside their boundaries to meet temporary accommodation need. This kind of activity creates resentment in the 'host' authority, particularly if – contrary to best practice – no notice of the placement has been forwarded.[320] Map 7.1 shows local authorities' use of out of borough placement, and clearly demonstrates that the practice is most common in Greater London. The growth and nature of the TA particular market has been outlined at 3.3.4. Since 2011, local authorities in London been working to develop an Inter-Borough Accommodation Agreement, which establishes an agreed upper rent limit that local authorities aim to work to in paying for property procured from the PRS; this limit has been revised upwards on a number of occasions.[321]

Best practice indicates the value of joint working, and in June 2018 an announcement was made that £39m of Flexible Support Grant was being allocated to establish a joint Temporary Accommodation company, which co-ordinated procurement for the participating authorities.[322] The changing financial environment, with the abolition of the 'management' element of TA Housing Benefit, means that local authorities are at greater liberty to use the Flexible Support Grant to support capital expenditure to develop stock to use as temporary accommodation. Central government support for TA remains a rather confused amalgam, with LHA payment rates varying depending on whether a particular property is being used as temporary accommodation, as a preventive measure or to

[320] LGA (2017) *Housing our Homeless Households,* London: LGA, 56.
[321] *Ibid*.
[322] Barker, N. (2018) 'London boroughs considering establishing a temporary accommodation joint company', *Inside Housing*, 15 Jun., acc. 22 Jul. 2018.

discharge a homeless duty under the Localism Act.[323] This situation may either become more complex or simpler as the Homelessness Reduction Act increases pressure on local authorities to interact with their local rental market.

7.4.4 The impact on the market of mediated tenancies

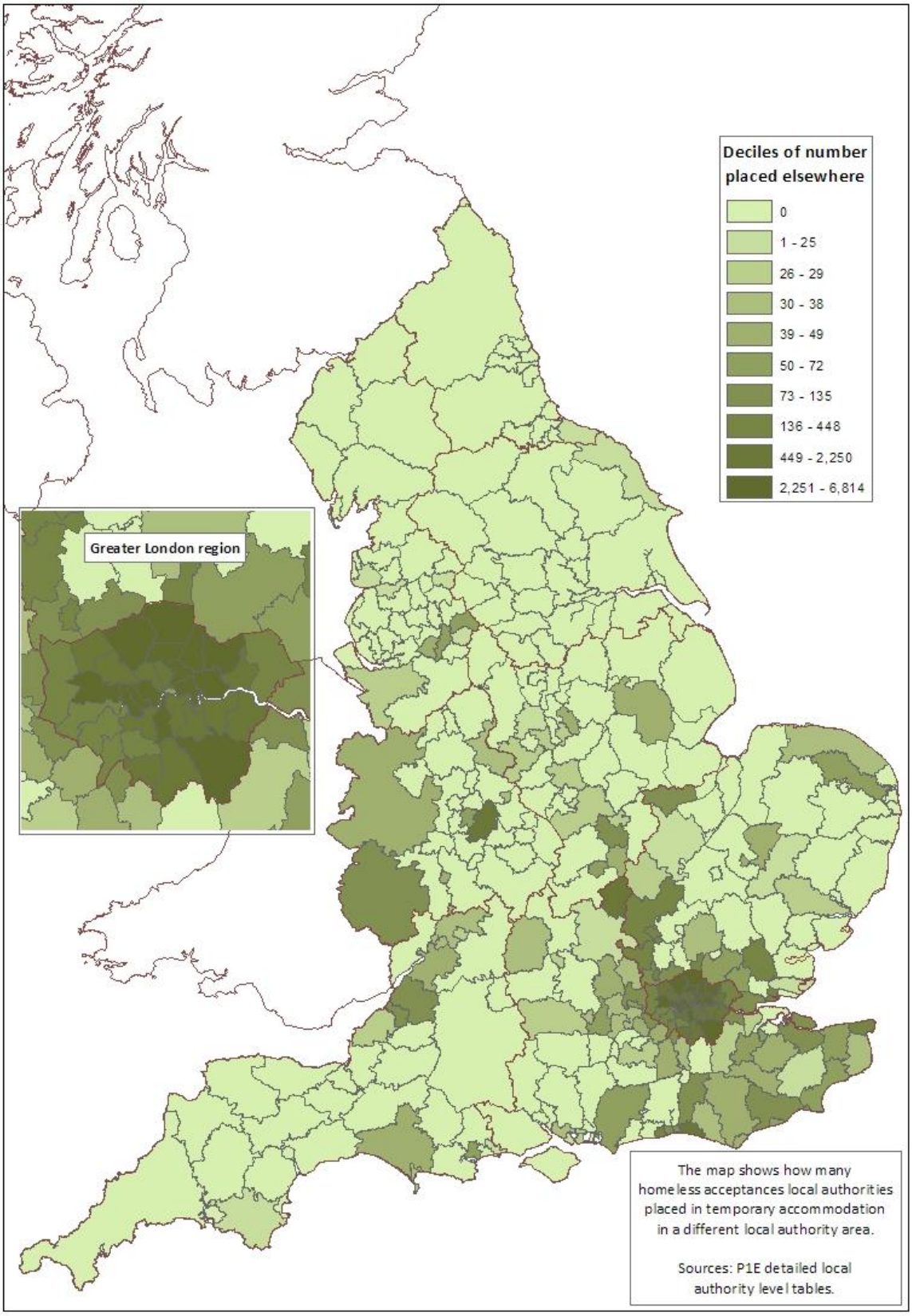
It is difficult to estimate how many tenancies are currently supported by a mediation scheme of some description. Reliance on LHA/UC places tenants in a precarious position, and as Welfare Reform continues to take effect, destabilisation of the bottom end of the PRS will only worsen. Mediated tenancies constitute a solution, but also a problem. First, mediated tenancies often rely on landlords' making what is in effect a charitable contribution. At the larger level, social investment in schemes such as the one run by Resonance are based on large-scale investors seeking social investment opportunities, and accepting that in those circumstances the yields will be depressed in comparison with fully commercialised investments. At the smaller level, some landlords might agree to work with a help to rent scheme because they want to help homeless families.[324] Both of these contributions are essentially charitable, and cannot recreate a rental market that meets low-income need in a sustainable way. It seems optimistic to expect that a large percentage of private renters in the bottom two income quintiles will be accommodated by appealing to landlords with philanthropic motives.

Mediated tenancies also constitute the 'flip-side' of this problem. Landlords may only consider letting to tenants in receipt of LHA if a mediation scheme is in place. This was the case for 59 per cent of landlords in an evaluation of the value of access work.[325] Local authority procurement of properties to meet temporary accommodation and Localism Act prevention duties introduces perverse incentives for landlords to withdraw property from the 'open' market in order to benefit from the range of favourable financial packages that local authorities might deploy in order to prevent homelessness. These arrangements often create tenancies with rents that are inflated beyond tenants' ability to pay the rent independently, from earned income.

Both types of intervention skew the market and obscure the heart of the difficulty: the benefit system no longer supports low-income tenants to pursue their own, unmediated, pathways through the rental sector.

[323] LGA, *Housing our Homeless Households*.
[324] Mullins, *et al., Social Lettings Agencies in the West Midlands,* 26.
[325] Reeve, K., Cole, I., Batty, E., Foden, M., Green, S., Pattison, B. (2016) *Home: No Less Will Do: Homeless People's Access to the Private Rented Sector*, London: Crisis, 39.

Map 7.1: Local authorities' use of out of borough placement in 2017/18



7.5 Conclusion

Private renters on low incomes make up a large minority of the PRS. This is a group that is increasingly reliant on welfare payments to augment earnings in order to meet the higher market rents in the private sector. Policy attention has, of late, shifted away from this group and become rather more firmly focussed on the needs of middle income renters, with the objective of creating a 'stable' PRS that would be regarded as a suitable alternative tenure to owner occupation. Little consideration is being given to configuring the PRS as a suitable proxy for social housing.

Mediated tenancies are increasingly being regarded as a solution, but in their various iterations are perhaps masking the impact of Welfare Reform. The current version of LHA includes rent controls that have uncoupled the benefit payment from rent levels at the bottom of the market, successfully undermining the functioning of that market within the PRS. Impacts are clearly evidenced through rapidly increasing homelessness applications. In areas where landlords are unable to access an alternative demand market there maybe a number of disadvantageous consequences: endemic rent arrears may lead to tenancy churn, increasing with an upswing in possessions, and over time reduced landlord investment in routine maintenance may lead to a decline in property standards. In these circumstances, this part of the PRS will increasingly resemble a residual, slum, tenure.

D8. CONCLUSIONS

This concluding section of the report offers some over-arching observations.

The Review that was published in 2008 demonstrated the complexity of the market, and the PRS has continued to evolve in ways that are challenging to unpick. One profound difficulty sits with understanding the implications quite new contexts for private rental: the financialisation of the market has increased the number of agencies and organisations seeking income from private rental; Welfare Reform has created a much less reliable and secure basis for renting for lower income renters; and change in the taxation framework for small landlords has made it more difficult for portfolio landlords to expand their holdings. Institutional investment is now very firmly directed towards the PRS, and is looking to frame brand identities targeting at meeting the needs of 'middle market' renters. All these developments are creating new understandings and expectations amongst tenants and landlords about what it means to rent and let property.

PRS growth has slowed and at the time of writing there were signs that the market may have contracted slightly over the previous year. What this Review strongly indicates is that size of the sector is far less important than its configuration, particularly in terms of the demand groups it serves. The sector has grown largely as a consequence of tenure shift: properties have, through various mechanisms, moved from owner occupation and social housing into the PRS. This movement is by no means an indicator of a growing societal preference for private renting. Many younger people are renting who would prefer to be in owner occupation, and who probably will be at some juncture. Of greater concern is increasing numbers of households that may be heading into their retirement as private renters. Not all those households will receive a pension income adequately to meet continued expenditure on housing let at market rates. In addition, many more people are in private renting who would benefit materially from being in social housing but who have increasingly limited chances to make that change.

Conditions in the PRS have improved proportionally, but numerically it remains the case that 1.35m privately rented properties do not meet the Decent Homes Standard. The problem is endemic across the sector, and one that is likely to affects almost everyone since the vast majority of people will at some juncture be part of a household that is renting privately. According to the FRS, 20 per cent of PRS households contain a child under the age of five, a proportion higher than in the other two tenures. There are longer-term health impacts of living for extended periods in damp and mouldy property, where there is poor thermal comfort.

Debate on regulation of the PRS is now concentrated on a successive series of interventions that are too tightly focussed and which lack an overall strategic approach. These interventions indicate that it may not be advisable to continue to rely on the now outdated Housing Act 2004: questions are now attached to the value of the HHSRS in tackling standards, and to the increasingly political nature of mandatory, additional and selective licensing. It is important to focus on properties in the worst conditions, but the Housing Act leaves much of the PRS unscrutinised. Small-focus interventions have added to complexity

and inefficiency rather than necessarily dealing with gaps in the regulatory framework, and few give sufficient attention to implementation and enforcement. Further planned interventions, to strengthen tenants' powers to bring landlords to court, may fall into a similar category: local authorities and third sector agencies are not well-placed to support tenants on low incomes seeking to take their landlord to court.

The issue moves further, beyond the workings of the Housing Act 2004. Other fundamental statutory frameworks for renting are out of date or inadequate. Changes in planning regulations that relate to permitted development have largely evaded detailed exploration, an issue that underlines a basic lack of understanding of how private renting should be viewed within the planning framework. LHA payments are based on Broad Rental Market Area (BRMAs) boundaries that are not routinely reviewed: since its introduction, there has been new house building and tenure shift, transport development, and alteration in the geography of the labour market, suggesting that BRMAs are unlikely still to be an accurate reflection of local housing markets.

The Review has indicated, in a number of ways, that the PRS in London is one sectoral 'story' but by no means the only one. The distinctive character of the London market has tended to overshadow many of the debates around the sector and the need to frame particular policy responses. National debate on the PRS has lacked localised narratives that help to understand how the PRS 'works' as a market and how it might be possible to intervene to ensure that local markets operate effectively.

In conclusion, the PRS in England has since 2008 evolved from a marginal to a mainstream tenure and one where generalisation is not often tenable: ways of thinking about the PRS will, increasingly, have to encompass complexity and nuance. Whatever functions are served by the PRS, it remains a market. On past evidence, strongly 'pro' and 'anti' PRS interventions distort the PRS and the wider housing market in ways that cannot be readily anticipated. Regarding the sector rather more neutrally makes it possible to arrive at a clearer understanding of the issues requiring policy response, and increases the effectiveness of those responses.

D9. RECOMMENDATIONS

9.1 Introduction

This final section of the report outlines a series of recommendations. These recommendations reflect strong consensus on the need for fundamental change to regulation of the PRS. However, change needs to be based on clear objectives for the sector that recognises its diversity of supply, the range of functions it delivers to the housing market, and the expectation that it can operate as an adequate proxy for owner occupation or social housing as a long-term tenure.

9.2 Devise a strategy

As yet, no government has devised an over-arching objective for policy intervention in the PRS. Interventions have tended to fall into one of three categories: enthusiastic and largely unquestioning promotion of large-scale investment to grow the market and bring new housing supply; un-coordinated regulation that bites around the edges of problems thought to be endemic in the private rental market; and equivocation on the value of small landlordism that, in recent years, has settled into a more bullish approach particularly with regard to taxation.

Sitting underneath these interventions is continual, niggling concern about the size of the sector. The PRS has grown substantially, but this is less a reflection of its intrinsic virtues as a desirable tenure and more a commentary on the performance of other tenures. At present, too many households are in the PRS which would prefer to be living in other tenures, and this fact points to various failures in supply and access to those tenures. Living in the PRS should constitute an active choice based on its advantages relative to other tenures. Despite its growth, private renting is offering few of those advantages. There is limited security in comparison with owner occupation or social housing, and Welfare Reform is undermining the sustainability of private tenancies for lower-income households.

There is clearly a need for further policy intervention in the sector, but further intervention should be better co-ordinated and ideally reflect a broad-ranging strategy for the sector that includes a number of complementary objectives. It is not the purpose of the Review to presuppose these objectives. Radical change to the law relating to the PRS occurred in Scotland after a two-year consultation period, which involved an extended group of stakeholders in a programme of consensus-building. Once there was broad agreement, the plan created a 'road map' of required interventions. The new regulations have largely replaced existing laws rather than adding further layers. Here it is suggested that a similarly radical approach is required in England.

9.3 Deconstruct silos

One key disadvantage of the approach taken in Scotland is that the new tranche of regulation could not draw either HMRC or DWP into the process of consensus-building. A robust strategy for the PRS can only be built by taking a cross-departmental approach. It was widely believed that recent changes to taxation for small landlords was predicated on a poor understanding of the interaction between the owner occupied and PRS markets, and Welfare Reform has progressed with scant acknowledgement from DWP of the subsequent increase in evictions from PRS tenancies. Both Departments have had a substantial impact on the sector.

Policy for the private rented sector sits between at least five government departments, and is spread within MHCLG. The Ministry has a remit for the PRS under the Minister for Housing and Homelessness. Issues including planning and housing supply, oversight of other tenures, and local government, sit with other colleagues within the Ministry. The Department for Work & Pensions oversees the operation of the Local Housing Allowance and the migration to Universal Credit. The Department for Business, Energy, Innovation and Industrial Strategy considers fuel poverty, energy efficiency and trading standards. HM Treasury has oversight of financial markets and taxation, impacting on the economics of the PRS. The Ministry of Justice decides policy on the tribunal and court system. The Home Office now also has a role, in the recent introduction of Right to Rent measures to curb illegal immigration.

Departments that might regard housing as being a peripheral concern may well be persuaded that a balanced and well-regulated PRS serves wider departmental interests, and is likely to lead to cost savings across a range of functions including policing, health, justice, the environment and education. The National Audit Office is increasingly calling the government to account for a failure to co-ordinate: for example, cross-government working on homelessness 'remains nascent'.[326] Strategic management of the PRS can demonstrate the value of maximising policy gain, which sees multiple departments benefitting from a single, well-planned intervention.

To this end, strategic objectives for the PRS should secure active buy-in from all relevant government departments, which should be rewarded with clearly articulated and – where possible – evidenced gains for those departments.

9.4 Prioritise creation of an evidence base

Strategic priorities for the PRS also have to reflect an understanding of how the market works at both national and local levels, and where interventions have had a substantially positive or negative impact. At present, the evidence base for intervention in the market and debates surrounding the PRS are too heavily led by the characteristics of the London market: they fail to take into account substantial local market variation outside the capital.

[326] National Audit Office (2017) Department for Communities and Local Government: Homelessness, HC308, 13 Sep 2017.

Indeed, every local authority presents a slightly different set of challenges relating to the PRS.

Overall, policy could benefit from a more informed understanding of, *inter alia*:

- landlord and tenant behaviours in all parts of the market;
- the value of letting agents to professional operation of the sector;
- local authorities' varied approaches to market management;
- the impact on the wider housing market of demand for rental property;
- the impacts of Build to Rent developments on local rental markets;
- the processes of landlords divesting themselves of rental property and the market for tenanted properties;
- whether and how far industry-led redress schemes are regarded as satisfactory, and on what measure; and
- the impact of mortgage intermediaries on portfolio decision-making.

A better understanding of such dimensions of the PRS would improve the likely outcome of any strategy devised for the PRS, and make it possible to create robust benchmarks to reflect progress in achieving objectives.

9.5 Adopt a new approach to regulation

Current regulation of the PRS is complex, confused and contradictory, and fails at multiple levels. There are, at present, a number of un-coordinated consultations in play on separate elements of regulation. Policy intervention on the regulation of landlords and regulation of letting agents runs in parallel, but linkages tend not to be made. A fundamental review of the current law is a priority. That review should carry multiple aims: to simplify the law and so improve an understanding of rights and obligations of agents, landlords and tenants; to make enforcement by local authorities a less onerous and expensive undertaking; and to make more effective use of different tiers of redress.

A new approach to regulation should reframe letting as a consumer transaction. Landlords should be regarded as business people that sell a service: letting property is a business proposition. Tenants should be able to expect that their landlord operates in an appropriately business-like and professional manner; similarly, landlords should not be routinely expecting the worst from their tenants. To this end, the business of letting and the fact of being a tenant should be viewed more neutrally, as a consumer transaction. There will continue to be circumstances in which tenancies are arranged more informally, between family and friends. Irrespective of the nature of the tenancy arrangement, tenants and landlords are still advised to understand their legal obligations; poor property quality is still harmful to health irrespective of the nature of the tenancy.

Landlord and letting agent register

Measures are under consultation to introduce compulsory registration of agents. Letting property is a serious undertaking, and individuals who own property and let it themselves or through an agent should formally signal that they are a landlord. To this end, this Review returns to proposals in the Review published in 2008: that all landlords should be registered, using a light-touch regime. Schemes are in place in Wales and Scotland, and it is appropriate to learn from these examples.

The scheme proposed here is different to these two initiatives. It is suggested that it should not be legal to let property without having a landlord register number, which would then be used in all transactions relating to each letting. Being on the register should carry a small annual fee, but this fee would be used to offset both the cost of running the register and membership of a national redress or ombudsman scheme available to both tenants and landlords. Improving landlord access to advice and information when problems arise reduces their perception of risk in letting activity and increases their likelihood of offering longer tenancies.

The registration fee would be a tax-deductible business expense. The scheme would operate nationally to negate localised variation in practice and requirements, with the landlords' name and register number available to public view. The same register would also be used for letting agents. The register would be used as a conduit for communication to ensure that landlords and agents are kept up to date with best practice and relevant regulatory change.

A range of statutory authorities would have access to the register and be able to add information, which would enable its use for a variety of purposes including local enforcement activity, and to counter benefit and tax fraud. Where landlords or agents have been found in contravention of management or property quality requirements, then decisions can be lodged against the landlord or agent number; accrual of 'points' could then lead to a banning order. In this regard, the register can also then operate as a 'rogue database', alerting tenants as to the status of their landlord or agent.

Property licensing

A second suggested change relates to property quality. The current regulations create confusion and uncertainty, and rest rather too heavily on tenants coming forward to complain and on local authorities to inspect and enforce. It is here suggested that all property let for residential purposes be required to provide a 'MoT'-style licence or certificate, indicating that independent inspection has passed the property as being fit to let. Securing the fitness certificate would be a tax-deductible business expense. It should not be legal to let a property without this document, which would integrate the existing range of requirements with regard to electrical and gas safety and energy efficiency, but also include assessment according to a basic minimum standard for habitation check. The value of the HHSRS risk-based approach to property quality is currently being subject to consultation and possible revision. A new minimum property standard should be

established in consultation with the industry, environmental health professionals and tenant representatives.

Landlords should be able to call on independent property inspectors who are suitably qualified and licenced to provide fitness inspections, much in the way that garages are licenced to complete MoT tests. Providing these services constitutes a new business opportunity at small, medium or large scale, including for local authorities operating in an entrepreneurial capacity. Every property should have a valid licence in order to be let, with the licence updated annually. Decisions made on each property would be lodged by inspectors on a national database, linked to the landlord register via the landlord's number.

Enforcement of the licence system would follow scrutiny from multiple perspectives: mortgage lenders would be required to check that all rented property covered by their mortgages has an up-to-date licence; it would be illegal for agents to let an unlicensed property; housing benefit would not be payable to an unregistered landlord, or a property without an up-to-date licence.

A third suggested change relates to the regulation of houses in multiple occupation. These are, at present, subject to mandatory and additional licensing. It is appropriate to recognise that HMOs constitute a particular management and enforcement issue for local authorities, since such properties tend to carry broader neighbourhood and planning impacts that travel beyond issues relating to internal property quality. It is therefore suggested that landlords also register with their local authority any property used as a HMO. The fee set for registration will be set nationally. These properties would remain be subject to an 'MoT', suitably modified to accommodate the enhanced fire and other safety risks attached to shared lets.

These suggested changes reframe regulation to shift the burden of property oversight away from local authorities, whose principal enforcement activity would consequently be simplified. Local authorities would be freed up to focus more squarely on contravention of the failure to register as a landlord, to produce a valid property fitness certificate, or to register a HMO. This development would mean that greater resources can be directed towards contraventions that shade into criminal activity.

Redress, tribunals and the court system

Any strategy for the PRS has to acknowledge that effective regulation rests on efficient and equitable access to redress and reparation. Consultations are currently underway to consider the option of introducing a housing court. There is general agreement that the current system is not working well and leads to long and expensive court actions that are not always resolved satisfactorily. A review of legislation also needs to be accompanied by a broader evaluation of all the current pathways to justice including industry redress schemes. For example, little information has been published on landlord and tenant satisfaction with the various tenancy deposit schemes or the redress schemes operated by industry bodies. At present, there is uncertainty about the scale of demand for redress and reparation, since – as has been indicated – few tenants even bother to complain when there are problems, feeling that no positive outcome will follow.

Indeed, modes of redress have tended not to recognise that the tenant is the principal victim where enforcement activity is necessary against a landlord. Rent Repayment Orders are used by some local authorities but often only as a means to recoup LHA payments, which are then retained by the local authority rather than being returned to the tenant. LHA is a payment to the tenant to help them meet their rental obligations, not a landlord subsidy.

There is a lack of certainty as to which contraventions will elicit civil or criminal punishment, and a general lack of interest by the police in dealing with criminal landlord behaviour. 'Rogue landlordism' is too weak a concept to cover the worst levels of criminality in the shadow PRS. Furthermore, there is a lack of any clearly articulated framework for landlords to secure local authority support for action against criminal and fraudulent tenants, including those involved in illegal 'rent to rent' and other subletting activities.

Security of tenure

Many commentators regard enhanced security of tenure, and in particular the abolition of S.21 as a priority. This piecemeal measure is in itself unlikely to lead to greater tenancy security, since landlords are likely to respond by altering their approaches to other elements in the tenancy agreement. Problems relating to security of tenure reflect both landlord and tenant perceptions of letting and renting as a risky endeavour, where serious problems lack effective resolution. This Review contends that there is little point in reviewing tenancy agreements until there is effective change in the redress, tribunal and court systems to facilitate speedier and cheaper resolution to tenancy problems.

It is likely that the market will adjust to demand for longer tenancies, but it will remain the case that small-scale landlords seeking shorter tenancies will still withdraw property from the market for sale, or to live in themselves; ending S.21 will not remove that eventuality. Similarly, ending S.21 will do little to alleviate the high numbers of tenancies ending as a consequence of rent arrears provoked by Welfare Reform.

Further recommendations around security of tenure should only follow when there has been a thorough evaluation of the impacts on landlord and tenant behaviour of the changes to tenancy law in Scotland. Current proposals around the possible introduction of a three-year tenancy do not address the entirety of difficulties relating to security of tenure.

9.6 Support the Housing Benefit market

Welfare Reform is undermining the economics of the bottom end of the PRS, with longer-term implications that are not yet well understood. LHA rates that bear no relation to rents at the bottom end of the market amount to a crude form of rent control which is punishing tenants. There is near-universal consensus on the need to reverse the LHA freeze with immediate effect. Removing the freeze would make economic sense, since it is likely that its continuation until 2020 will elicit more expenditure in homelessness costs than are likely to be saved in benefit payments.

The government needs to arrive at a new accord with landlords in the benefit market. The introduction of a mandatory fitness certificate (the property 'MoT') will ensure that all properties in all parts of the market are up to standard. In these circumstances, tenancies should secure appropriate levels of financial support, otherwise it would make little economic sense for any landlord to enter the LHA market.

Further substantive issues are created by government ambivalence towards letting activity at the bottom of the market. Private landlords are very often playing the role of social landlords, in providing property at LHA rates but also supporting tenants in making benefit applications. In these circumstances, the procedures in place for supporting LHA and UC should not distinguish between different kinds of landlord. Registered Providers can seek 'Trusted Partner' status, which enables them to access information on particular claims. The possibility of securing 'Trusted Partner' status should be extended to private landlords that have already forged close working relationships with local authorities under LHA, and where the local authority can vouch for the landlords' working practices.

Payment of the rent element of Universal Credit can be made directly to a social housing provider, on the understanding of the impact on the social sector of rent arrears. Portfolio or single-property landlords are in a much less stable financial position: extended periods of non-payment of rent carry the risk of property repossession. Further, it makes little logical sense to allow easy arrangement of direct payments for one subsection of benefit claimants but not another largely identical subsection, purely on the basis of the nature of their landlord. The policy intention in terms of inculcating independence clearly carries for both groups, and makes any distinction appear discriminatory.

LHA and the housing element of UC are both paid in arrears, and this has always been the case. In all other parts of the market, rent is paid in advance. Indeed, there are few areas of commerce where it would be thought reasonable to make a payment in arrears for enjoyment of a particular service or benefit for an extended period of time. Social rented sector landlords are increasingly shifting their rental accounts so that payment is made monthly in advance. It appears unnecessarily incongruous for the benefit system to be different in this regard.

These recommendations relate to more effective operation of the housing benefit system. A rather more substantive and overarching recommendation relates to the use of private rented housing as a proxy for social housing. This Review and its associated vulnerability report question use of the PRS to meet the housing needs of tenants on low income. It is recommended that the Government undertakes a major review of how best to meet low-income housing need; the review should focus entirely on the needs of benefit-dependent tenants. This review should be undertaken jointly between the MHCLG and the DWP, as a matter of urgency. It is unlikely that the desired outcomes of the Homelessness Prevention Act, or recent government commitments to reducing homelessness, will be achieved without such a review having taken place.

9.7 Promote active local management of the PRS

National and local government should engage in more proactive management of the PRS. The Housing White paper was generally supportive of Build to Rent and proposed that this part of the sector be regarded favourably in the planning process. This encouragement has been given at a time when it is appropriate to consider the impact of new BTR developments on local rental markets.

Local authorities should be encouraged to review how the local rental market works and how its various subsectors interact, to understand the particular nature of local problems with the sector, and review the tools available to regulate the market. In London, initiatives to promote joint working to procure property to meet homelessness need might, if effective, contribute a template for other regions to co-ordinate procurement and reduce the incidence of incentive inflation. However, this working is often based on a particular presumption: that the cash value of mediated tenancies should be judged in relation to the cost of temporary accommodation. This presumption increases both landlord and local authority expectations of what might be regarded as a reasonable incentive.

Although co-ordinated procurement might be best practice, the ideal outcome in the long term is for there to be no need for mediation, which inflates the cost of renting and reduces the supply of property to the 'open' HB market. A social lettings agency is an exception, where that agency aims to offer good quality, sustainable accommodation and in all other regards replicates the activities of a commercial lettings agency in charging a management fee to the landlord.

Local authorities should aim to create a close working accord between local authority homeless officers, environmental health practitioners, tenancy relations officers, and trading standards offices with agreements in place on working with the police. Joint working can facilitate more effective use of regulations: for example, it is possible to use Management Orders to remove badly-managed property from criminal landlords. Such property contributes to homelessness, by enforcing churn and insecurity amongst tenants. These properties should be transferred to the control of homelessness prevention teams, who can use it to meet housing need.

There are mismatches in skills and experience across local authorities with regard to strategy building and enforcement. Here it is suggested that a useful template for peer-supported learning rests in the National Practitioner Support Service (NPSS), which was set up in 2013 and supports local authorities in meeting the ten challenges set by the Ministerial Group on Homelessness. A similar programme should be established to support effective strategizing around enforcement, with the longer term objective being that officers involved in homelessness prevention, PRS strategy and enforcement begin to co-ordinate their activities.

9.8 Support skills development

One final recommendation that sits outside the purview of MHCLG is that skills shortages across the housing sector need to be addressed. The shortages sit within the industry and within local authorities, and particularly effect housing management in the commercial and statutory sectors. In the Build to Rent sector, there is a shortage of suitably skilled individuals to deal with the very particular blend of housing management and customer service that is required in the management of concierge-fronted apartment blocks. Local authorities that are looking to develop new housing companies are also finding that the transfer of housing stock out of direct local authority control has left them with a housing management skills gap. It is notable that almost every local authority environmental health officer consulted as part of the Review asserted that meeting the cost of enforcement activity was sometimes less problematic than finding sufficiently well-trained staff with the required blend of legal and technical knowledge.

The Department for Business, Energy and Industrial Strategy clearly plays a role in analysing the skills shortages that now attach to substantial growth in the private rented sector. It may be appropriate to review the number of appropriately skilled environmental health professionals, assess need in this regard and consider the introduction of expedited apprenticeship and training pathways. A massively expanded PRS needs the support of skilled professionals to ensure good standards in commercial housing management, and in property standards enforcement.

APPENDIX ONE: GROUP MEETINGS, BRIEFINGS AND ONE-TO-ONE DISCUSSIONS

The following organisations and individuals were involved in group meetings, briefings and one-to-one discussions on aspects of the Review.

Age UK
Isobel Anderson
Andrew Baddley-Chappell
Arc4
Association of Residential Lettings Agents
Association of Tenancy Relations Officers
Stephen Battersby
BDRC
British Property Federation
Cambridge House
Camden Federation of Private Tenants
Chartered Institute of Environmental Health Officers
Chartered Institute of Housing
Department for Work & Pensions
Generation Rent
Greater London Authority
IPPR
LB Brent
LB Waltham Forest
London Property Licencing
Jed Meers
Ministry for Housing and Local Government
Sarah Mitchell
National Approved Letting Scheme
National Landlord Association
National Union of Students
Nationwide Building Society
PlaceFirst
Jackie Peacock
Anne Powers
Property Tribunal Service
Resonance
Russell Moffatt
National Landlords Association
National Practitioner Support Service

Nationwide Building Society
REHIS
Residential Landlords Association
Resolution Foundation
Resonance
Douglas Robertson
Royal Environmental Health Institute of Scotland
The Scottish Government
Scottish Association of Landlords
Shelter
Tenancy Deposit Scheme
UK Finance
Unipol
Valuation Office Agency
Which?
Peter Williams
The Young Foundation

In addition, written submissions were received relating to the following local authority areas:

Birmingham	Islington	Slough
Blackpool	Lewisham	South Cambridgeshire
Bournemouth	Liverpool	South Essex Housing Group
Braintree	Maidstone	Stafford
Brent	Manchester	St Helens
Bristol	Newark and Sherwood	Stoke
Cambridge	Newcastle	Taunton Deane
Cheshire West and Chester	Norwich	Teignbridge
Corby	Nuneaton and Bedworth	Tower Hamlets
Crawley	Oxford	Waltham Forest
Croydon	Plymouth	Wandsworth
Ealing	Redbridge	Wellingborough
East Riding	Rother	West Midlands Housing
Elmbridge	Rotherham	Officer Group
Fylde	Sandwell	West Suffolk
Great Yarmouth	Sheffield	Winchester
Hackney	Shropshire	Wolverhampton
Havering	Solihull	Worcester

APPENDIX TWO: TABLES

Census data

AT1: Households migrating into the UK (2011)
AT2: Who private renting households were renting from (2011)
AT3: Proportions of households living in accommodation lacking central heating (2011)
AT4: Changes in the size of the private rented sector, by region (1971-2011)
AT5: Age of HRP for all tenures and the PRS (2011)
AT6: Ethnic group of the HRP (2011)
AT7: Household type in the private rented sector (2011)
AT8: National Statistics Socio-Economic Classification for HRPs in all tenures and the PRS (2011)
AT9: Occupancy rating (bedrooms) for households in all tenures and the PRS, by region (2011)
AT10: Proportions of people with a health problem or disability that limits daily activity, by region (2011)

Review Omnibus Survey

AT11: Household characteristics for self-contained and shared accommodation in the PRS (2018)
AT12: Respondent characteristics for self-contained and shared accommodation in the PRS (2018)
AT13: Reasons for currently renting privately (2018)
AT14: Who accommodation is rented from (2018)
AT15: Length of time living at current PRS address (2018)
AT16: Reasons given for leaving the last PRS tenancy (2018)
AT17: Whether Housing Benefit received in the PRS (2018)
AT18: Median weekly PRS rents (2018)
AT19: Respondents who were currently private landlords (2018)
AT20: Current characteristics of ex-private landlords (2018)
AT21: Reason given by ex-private landlord for stopping letting (2018)
AT22: Respondents' reports of conditions in current home (2018)
AT23: Accommodation problems in the PRS, by a range of respondent characteristics (2018)

Family Resources Survey

AT24: Rent to income ratios in the private rented sector, by region (2000/01 to 2015/16)

AT25: Proportions of PRS households paying more than one third of income on rent, by region (2000/01 to 2015/16)
AT26: Private rented letting arrangements in England (2000/01 to 2015/16)
AT27: Private rented and all tenure household type in England (2000/01 to 2015/16)
AT28: Private rented and all tenure HRP characteristics in England (2000/01 to 2015/16)
AT29: Private rented characteristics in England for HB and non-HB HRPs (2000/01 to 2015/16)
AT30: Length of time living at current address for PRS households (2000/01 to 2015/16)
AT31: Length of time living at current address for PRS households by household type (2000/01 to 2015/16)
AT32: Proportions of households in BHC and AHC poverty for the PRS and all tenures for broad regional areas of England (2000/01 to 2015/16)
AT33: Households containing dependent children in England (2000/01 to 2015/16)

UK Finance

AT34: Outstanding and new buy-to-let mortgages in the UK (2000 to 2017)
AT35: Buy-to-let mortgaging in relation to PRS stock size in the UK (2000 to 2017)

AT1: Households migrating into the UK (2011)					
Region and sub-region	**Number of migrant households**		**PRS migrant households (%)**		
	All tenures	**PRS**	**Regional distribution**	**As a proportion of all migrants**	**As a proportion of all PRS households**
North East	2,708	1,797	2	66	1
North West	10,336	7,199	10	70	2
Yorkshire & Humber	6,741	4,786	6	71	1
East Midlands	5,746	3,936	5	68	1
West Midlands	6,964	5,022	7	72	2
East of England	10,072	7,480	10	74	2
South East	15,692	10,683	14	68	2
South West	9,233	6,004	8	65	2
Greater London	34,327	27,204	37	79	3
Inner London	21,359	17,010	23	80	4
Outer London	12,968	10,194	14	79	2
England excl Gtr London	67,492	46,907	63	70	2
England	101,819	74,111	100	73	2
Source: analysis of 2011 census tables UKMIG011 and QS405.					
Figures are based on whole households with a non-UK address one year prior to the 2011 census, and include the usually resident population (those who had stayed or intended to stay in the UK for a period of one year or more, or who had a permanent UK address and were outside the UK or intended to be outside the UK for a period of less than one year).					

AT2: Who private renting households were renting from (2011)					
Geography		**Landlord or agent (%)**	**Employer (%)**	**Relative or friend (%)**	**Other (%)**
Region and sub-region	North East	90	1	7	1
	North West	91	1	7	1
	Yorkshire & Humber	89	3	6	2
	East Midlands	90	2	7	2
	West Midlands	91	1	6	2
	East of England	90	2	6	2
	South East	89	3	5	2
	South West	88	3	7	2
	Greater London	94	1	4	1
	Inner London	95	1	3	1
	Outer London	94	1	4	1
	England excl Gtr London	90	2	6	2
	England	90	2	6	2
Rural-urban classification[1]	Mainly rural	86	4	7	3
	Largely rural	88	3	7	2
	Urban with significant rural	90	2	6	2
	Urban: city and town	91	1	6	2
	Urban: major & minor conurbation	93	1	5	1
Area type[2]	Affluent England	89	4	5	2
	Business, education & heritage centres	93	1	5	2
	Countryside living	88	3	7	2
	Ethnically diverse metropolitan living	94	1	4	1
	London cosmopolitan	95	1	3	1
	Services and industrial legacy	90	1	7	1
	Town and country living	89	2	7	2
	Urban settlements	92	1	6	1

Source: analysis of 2011 census table QS405.

[1] ONS 2011 rural-urban classification of local authorities. [2] ONS 2011 area classification of local authorities (supergroups).

AT3: Proportions of households living in accommodation lacking central heating (2011)					
Geography		**Owner occupied (%)**	**Social rented (%)**	**Private rented (%)**	**All (%)**
Region and sub-region	North East	1	1	2	1
	North West	3	1	5	3
	Yorkshire & Humber	3	1	5	3
	East Midlands	2	1	3	2
	West Midlands	2	1	4	3
	East of England	2	1	4	2
	South East	2	1	4	2
	South West	4	2	7	4
	Greater London	3	2	4	3
	Inner London	3	2	5	3
	Outer London	2	2	4	3
	England excl Gtr London	2	1	4	3
	England	2	1	4	3
Rural-urban classification[1]	Mainly rural	3	2	6	3
	Largely rural	2	1	5	2
	Urban with significant rural	2	1	4	2
	Urban: city and town	2	1	4	3
	Urban: major & minor conurbation	3	2	4	3
Area type[2]	Affluent England	1	1	4	2
	Business, education & heritage centres	3	2	5	3
	Countryside living	3	2	6	3
	Ethnically diverse metropolitan living	3	2	4	3
	London cosmopolitan	3	2	5	3
	Services and industrial legacy	2	1	4	2
	Town and country living	2	1	4	2
	Urban settlements	3	1	4	3

Source: analysis of 2011 census table DC4402.

[1] ONS 2011 rural-urban classification of local authorities. [2] ONS 2011 area classification of local authorities (supergroups).

AT4: Changes in the size of the private rented sector, by region (1971 to 2011)											
	Number of PRS households					Inter-census change (%)				2011 PRS	
	1971	1981	1991	2001	2011	1971 to 1981	1981 to 1991	1991 to 2001	2001 to 2011	% of all tenures	Regional distribution
North East	175,222	85,760	70,239	86,230	154,426	-51	-18	23	79	14	4
North West	455,399	225,465	203,628	262,049	462,899	-50	-10	29	77	15	12
Yorkshire & Humber	417,926	179,454	165,015	207,214	353,448	-57	-8	26	71	16	10
East Midlands	256,788	144,239	131,876	161,244	282,443	-44	-9	22	75	14	8
West Midlands	329,301	154,037	144,563	175,921	321,670	-53	-6	22	83	13	9
Eastern	274,094	181,462	190,723	223,354	356,227	-34	5	17	59	15	10
South East	496,395	328,352	319,335	374,143	578,592	-34	-3	17	55	16	16
South West	436,003	213,544	215,371	260,083	387,134	-51	1	21	49	17	10
Greater London	923,044	417,744	384,452	495,982	819,085	-55	-8	29	65	26	22
Inner London	533,652	212,129	190,742	242,530	384,503	-60	-10	27	59	32	10
Outer London	389,392	205,615	193,710	253,452	434,582	-47	-6	31	71	22	12
England excl Gtr London	2,841,128	1,512,313	1,440,750	1,750,238	2,896,839	-47	-5	21	66	15	78
England	3,764,172	1,930,057	1,825,202	2,246,220	3,715,924	-49	-5	23	65	16	100
Sources: analysis of Linking Censuses through Time (for 1971, 1981, 1991), 2001 census table ST49, 2011 census table QS405.											

AT5: Age of HRP for all tenures and the PRS (2011)														
Region and sub-region	16-24		25-34		35-49		50-64		65-74		75-84		85+	
	All (%)	PRS (%)	All (%)	PRS (%)	All (%)	PRS (%)	All (%)	PRS (%)	All (%)	PRS (%)	All (%)	PRS (%)	All (%)	PRS (%)
North East	4	16	14	30	28	29	27	15	13	5	10	4	4	2
North West	3	12	13	29	29	30	28	16	14	6	10	4	4	2
Yorkshire & Humber	4	13	13	28	28	30	28	16	14	6	10	4	4	2
East Midlands	3	11	12	28	29	32	28	17	14	5	10	4	4	2
West Midlands	3	11	12	30	29	31	27	16	14	5	10	4	4	2
East of England	3	9	13	30	29	33	27	16	13	5	10	4	4	2
South East	3	9	12	30	30	35	27	16	13	5	10	3	4	2
South West	3	10	11	26	26	32	28	19	15	6	12	4	5	3
Greater London	4	9	21	40	34	34	23	11	9	3	7	2	3	1
Inner London	5	11	26	46	34	30	20	9	8	2	5	1	2	1
Outer London	3	8	17	36	34	37	25	12	10	3	8	2	3	1
England excl GL	3	11	12	29	29	32	28	17	14	5	10	4	4	2
England	3	10	13	30	29	33	27	16	13	5	10	4	4	2
Source: analysis of 2011 census table DC4201.														

AT6: Ethnic group of the HRP (2011)												
Tenure and geography		**All White (%)**	**All Mixed (%)**	**Asian Indian (%)**	**Asian Pakistani (%)**	**Asian Banglad-eshi (%)**	**Asian Chinese (%)**	**Asian Other (%)**	**Black African (%)**	**Black Caribb-ean (%)**	**Black Other (%)**	**Other (%)**
Owner occupation	Greater London	74	2	7	2	1	2	3	3	4	1	2
	Inner London	78	3	3	1	1	2	2	3	4	1	2
	Outer London	71	2	9	3	1	1	4	3	4	1	2
	England excl Gtr London	95	1	1	1	0	0	0	0	0	0	0
	England	93	1	2	1	0	0	1	1	1	0	0
Social rented	Greater London	61	4	2	1	3	1	3	11	8	3	4
	Inner London	54	5	1	1	5	1	3	12	10	3	5
	Outer London	65	4	3	2	1	1	4	10	6	2	3
	England excl Gtr London	95	1	0	0	0	0	0	1	1	0	0
	England	91	2	1	1	0	0	1	2	1	0	1
Private rented	Greater London	65	4	5	2	1	2	6	7	2	1	4
	Inner London	72	4	3	1	1	3	4	4	2	1	4
	Outer London	60	3	7	3	1	1	7	8	3	1	4
	England excl Gtr London	91	1	2	1	0	1	1	1	0	0	1
	England	88	2	2	1	0	1	2	2	1	0	1
All tenures	Greater London	68	3	5	2	2	2	4	6	5	1	3
	Inner London	68	4	2	1	2	2	3	6	6	2	4
	Outer London	68	3	7	3	1	1	4	6	4	1	3
	England excl Gtr London	94	1	1	1	0	0	1	1	0	0	0
	England	92	1	2	1	0	0	1	1	1	0	1
Source: analysis of 2011 census table DC4201.												

AT7: Household type in the private rented sector (2011)							
Geography		**Single aged 65+ (%)**	**Single aged <65 (%)**	**Couples without children (%)**	**Couples with children[1] (%)**	**Lone parents[2] (%)**	**Multi-adult/others (%)**
Region and sub-region	North East	7	30	18	15	20	10
	North West	8	30	18	15	18	10
	Yorkshire & Humber	7	27	22	17	15	11
	East Midlands	7	26	23	18	15	11
	West Midlands	7	27	21	17	15	12
	East of England	7	26	23	19	13	12
	South East	6	25	23	20	13	13
	South West	8	26	24	18	12	11
	Greater London	3	24	19	16	12	26
	Inner London	3	28	21	10	6	31
	Outer London	4	22	17	20	15	23
	England excl GL	7	27	22	18	15	12
	England	7	26	22	18	14	13
Rural-urban classification[3]	Mainly rural	9	25	27	20	12	8
	Largely rural	8	25	24	19	13	9
	Urban with significant rural	7	26	23	19	14	11
	Urban: city and town	6	28	20	17	15	15
	Urban: major & minor conurbation	5	27	19	17	15	18
IMD deciles[4]	1 (Least deprived)	6	24	26	22	11	11
	2	7	25	25	19	12	11
	3	8	25	25	19	13	11
	4	7	26	23	19	13	12
	5	7	26	22	18	14	12
	6	7	26	22	18	15	13
	7	7	28	20	17	15	12
	8	6	28	19	16	16	14
	9	6	28	18	15	16	17
	10 (Most deprived)	6	29	16	15	18	17

Source: analysis of 2011 census table DC4101.

[1] Includes couples with dependent or non-dependent children. [2] Includes lone parents with dependent or non-dependent children. [3] ONS 2011 rural-urban classification of local authorities. [4] The 2015 local authority level Index of Multiple Deprivation.

AT8: National Statistics Socio-economic Classification for HRPs in all tenures and the PRS (2011)																		
Region and sub-region	NS-SEC1		NS-SEC2		NS-SEC3		NS-SEC4		NS-SEC5		NS-SEC6		NS-SEC7		NS-SEC8		NS-SEC9	
	All (%)	PRS (%)	All (%)	PRS (%)	All (%)	PRS (%)	All (%)	PRS (%)	All (%)	PRS (%)	All (%)	PRS (%)	All (%)	PRS (%)	All (%)	PRS (%)	All (%)	PRS (%)
North East	9	7	19	16	12	11	8	7	10	8	16	18	17	15	6	11	2	6
North West	11	8	21	18	12	11	11	10	10	9	15	17	15	16	5	8	1	4
Yorkshire & Humber	11	8	21	18	10	10	12	11	10	9	15	17	15	15	4	7	1	5
East Midlands	12	9	22	19	11	10	12	11	10	9	14	17	15	16	3	5	1	4
West Midlands	12	9	21	19	11	10	12	11	9	9	15	16	15	15	4	6	1	4
East of England	14	12	23	22	12	11	13	12	9	9	13	15	12	12	3	4	1	3
South East	16	14	26	25	12	11	13	12	8	9	12	13	9	10	3	4	1	4
South West	13	10	24	22	11	10	15	14	9	10	14	16	11	12	3	4	1	3
Greater London	17	18	26	26	12	10	11	11	6	6	11	10	9	7	6	6	3	6
Inner London	20	24	28	31	10	8	9	8	5	4	9	6	8	5	7	4	4	8
Outer London	14	13	24	22	13	11	12	14	7	7	12	12	9	9	6	8	2	6
England excl GL	13	10	23	21	12	11	12	11	9	9	14	16	13	13	4	5	1	4
England	13	11	23	21	12	10	12	11	9	9	13	15	12	13	4	6	1	4

Source: analysis of 2011 census table DC4605.

Figures are based on HRPs aged 16+. NS-SEC analytic classes:- NS-SEC1: higher managerial, administrative, and professional occupations; NS-SEC2: lower managerial, administrative, and professional occupations; NS-SEC3: intermediate occupations; NS-SEC4: small employers and own account workers; NS-SEC5: lower supervisory and technical occupations; NS-SEC6: semi-routine occupations; NS-SEC7: routine occupations; NS-SEC8: never worked and long-term unemployed; NS-SEC9: full-time students.

AT9: Occupancy rating (bedrooms) for households in all tenures and the PRS, by region (2011)						
Region and sub-region	**All (%)**			**PRS (%)**		
	1+[1]	**Correct**	**1-[2]**	**1+[1]**	**Correct**	**1-[2]**
North East	73	24	3	62	33	5
North West	73	24	3	59	36	5
Yorkshire & Humber	75	22	3	60	35	5
East Midlands	77	20	3	63	33	5
West Midlands	73	23	3	59	36	5
East of England	72	24	3	54	39	7
South East	71	25	3	51	42	7
South West	75	23	2	56	40	5
Greater London	50	39	11	31	52	17
Inner London	40	47	13	28	57	15
Outer London	55	34	10	33	49	18
England excl GL	73	23	3	57	38	6
England	71	25	4	54	39	7

Source: analysis of 2011 census table DC4105.

The number of bedrooms required by a household is determined by allowing one bedroom for: each couple, any person aged 21+ not in a couple, two people of the same sex aged 10 to 20, two people of the same sex where one is aged 10 to 20 and the other 0 to 9, two children aged 0 to 9 of either sex, any remaining child. [1] The proportion of households with one or more bedrooms more than required by the rating. [2] The proportion of households with one or more bedrooms too few than required by the rating.

AT10: Proportions of people with a health problem or disability that limits daily activities (2011)						
Region and sub-region	All tenures (%)			PRS (%)		
	Yes, limited a lot	Yes, limited a little	No	Yes, limited a lot	Yes, limited a little	No
North East	10	11	79	7	7	85
North West	10	10	80	8	8	84
Yorkshire & Humber	8	10	82	6	7	87
East Midlands	8	10	82	6	7	87
West Midlands	8	10	82	6	7	88
East of England	7	9	84	5	6	89
South East	6	9	85	4	6	90
South West	8	10	82	5	7	87
Greater London	6	7	86	3	4	93
Inner London	6	7	87	2	3	94
Outer London	6	8	86	4	5	92
England excl GL	8	10	82	6	7	88
England	8	9	83	5	6	88
Source: analysis of 2011 census table DC3408.						
The census asked: 'Are your day-to-day activities limited because of a health problem or disability which has lasted, or is expected to last, at least 12 months? Include problems related to old age'.						

AT11: Household characteristics for self-contained and shared accommodation in the PRS (2018)				
Household characteristics		**Self-contained (%)**	**Shared (%)**	**All (%)**
Household type	Single	19	9	17
	Couples without children	32	18	29
	Couples with children	31	3	27
	Lone parents	8	1	7
	Multi-adult/other	10	70	20
	Total	100	100	100
If receives Housing Benefit	Receives HB	21	5	18
	No HB received	79	95	82
	Total	100	100	100
Number of years lived at current address	Up to 1	31	69	37
	1 to 2	20	14	19
	3 to 4	23	10	20
	5 to 9	17	4	15
	10+	10	4	9
	Total	100	100	100
	Mean number of years	*4.6*	*2.1*	*4.2*
Letting arrangement	Rented from a HEI (including private halls of residence)	1	22	4
	Rented from a family member	3	3	3
	Rented from someone who was already friend	5	6	5
	Rented from an employer of someone in the household	1	2	1
	Rented from the landlord continuously	47	29	44
	Rented through an agent and the landlord manages	13	11	12
	Rented from an agent continuously	24	24	24
	Rented from the landlord and an agent manages	3	1	3
	Other arrangement	5	3	5
	Total	100	100	100
Base: Adults (aged 16+) living in the PRS in England.				
Source: Review Omnibus, Spring 2018.				

AT12: Respondent characteristics for self-contained and shared accommodation in the PRS (2018)				
Respondent characteristics		**Self-contained (%)**	**Shared (%)**	**All (%)**
Economic status of the chief income earner in the household	FT employed (30+ hrs/pwk)	62	39	58
	PT employed	8	10	8
	Self-employed	7	3	7
	Unemployed	3	2	3
	Retired	8	1	7
	FT student	5	43	11
	LT sick/disabled	3	0	3
	Other inactive	5	2	5
	Total	100	100	100
Respondent marital status	Single	34	83	42
	Married/cohabiting	55	13	48
	Widowed/separated/divorced	11	4	10
	Total	100	100	100
Respondent age	16-24	18	55	24
	25-34	32	31	32
	35-44	20	10	18
	45-54	15	3	13
	55-64	8	1	7
	65+	8	0	7
	Total	100	100	100
	Mean age	*38*	*26*	*36*
Respondent economic status	FT employed (30+ hrs/pwk)	48	33	45
	PT employed	13	13	13
	Self-employed	6	4	6
	Unemployed	4	5	4
	Retired	8	*	7
	FT student[1]	8	45	14
	LT sick/disabled	3	*	3
	Other inactive	10	*	8
	Total	100	100	100
Base: Adults (aged 16+) living in the PRS in England.				
Source: Review Omnibus, Spring 2018.				
[1] Removal of the very small number of respondents who were still at school indicates that 14 per cent of the respondents who were living in the PRS were FT students.				

AT13: Reasons for currently renting privately (2018)																
Reasons for renting privately	**Respondent age**			**Respondent marital status**			**Length of time living at current address**					**Type of area**			**FT employed chief income earner**	**All respondents**
	16-34	**35-44**	**55+**	**Single**	**Couples**	**Widowed, separated, divorced**	**Up to 1**	**1 to 2**	**3 to 4**	**5 to 9**	**10+**	**Urban**	**Suburban**	**Rural**		
Appropriate while a student	19	1	1	25	1	0	26	5	1	2	1	15	10	0	3	11
While saving for a deposit to buy	15	15	1	8	20	4	11	16	14	21	3	11	15	16	17	13
Can't afford to buy	36	43	41	35	41	44	25	44	51	42	49	33	40	52	40	38
Don't want the responsibility of owning	5	5	14	6	6	8	5	4	5	8	15	5	6	5	5	6
Can't get a social tenancy	3	7	3	2	6	8	2	3	7	5	9	4	5	2	4	4
While on a social housing waiting list	2	3	2	2	3	0	1	2	4	2	3	2	2	2	2	2
Prefer the PRS over social renting	5	3	3	3	5	1	3	6	3	4	1	5	3	3	5	4
Prefer the PRS over owning	7	9	14	9	7	14	8	9	9	8	12	9	8	12	9	9
Like the flexibility of the PRS	12	13	11	12	14	7	12	11	17	12	7	15	10	13	14	12
Like the quality of the PRS	8	6	4	7	8	6	7	10	5	9	3	8	7	4	8	7
Like short-term PRS tenancies	7	2	0	6	4	1	7	5	2	3	0	5	4	5	4	4
Because recently moved to the area	11	14	6	7	15	10	18	12	6	4	5	12	11	9	13	11
Because a relationship ended	3	6	5	4	2	16	5	6	5	2	1	3	5	2	6	4
PRS is the only way can live in the area	8	15	13	9	11	19	10	9	14	13	9	8	13	14	11	11
Other reason	6	9	14	7	8	14	8	8	8	10	11	7	10	8	9	8
Base: Adults (aged 16+) living in the PRS in England. Respondents could specify more than one reason.																
Source: Review Omnibus, Spring 2018.																

AT14: Who accommodation is rented from (2018)					
PRS household and respondent characteristics		**Family or friend (%)**	**Landlord[1] (%)**	**Agent[2] (%)**	**All[3] (%)**
Household type	Single	15	18	15	17
	Couples without children	41	30	29	29
	Couples with children	20	29	31	27
	Lone parents	6	9	4	7
	Multi-adult/other	19	14	21	20
	Total	100	100	100	100
If household receives Housing Benefit	Receives HB	21	24	8	18
	No HB received	79	76	92	82
	Total	100	100	100	100
Economic status of the chief income earner in the household	FT employed (30+ hrs/pwk)	57	58	67	58
	PT employed	8	10	6	8
	Self-employed	7	7	8	7
	Unemployed	4	3	1	3
	Retired	9	8	2	6
	FT student	4	7	13	11
	LT sick/disabled	3	3	1	3
	Other inactive	8	4	3	5
	Total	100	100	100	100
Number of years respondent has lived at current address	Up to 1	26	33	44	37
	1 to 2	12	19	21	19
	3 to 4	32	22	20	21
	5 to 9	16	19	9	15
	10+	14	8	6	9
	Total	100	100	100	100
	Mean number of years	*5.2*	*4.2*	*3.4*	*4.2*
Accommodation type	Self-contained	81	88	85	84
	Shared	19	12	16	16
Respondent marital status	Single	47	39	38	42
	Married/cohabiting	48	51	54	49
	Widowed/separated/divorced	6	10	9	10
	Total	100	100	100	100
Respondent age	16-24	19	20	25	23
	25-34	30	33	34	32
	35-44	22	18	22	18
	45-54	15	14	13	13
	55-64	4	7	5	7
	65+	10	8	2	6
	Total	100	100	100	100
	Mean age	*37*	*38*	*35*	*36*

Base: Adults (aged 16+) living in the PRS in England.

Source: Review Omnibus, Spring 2018.

[1] Includes tenancies being managed by landlords that were arranged through a letting agent. [2] Includes tenancies being managed by an agent that were arranged by the landlord. [3] All also includes lettings from a university or private halls of residence, and employment-linked lettings.

AT15: Length of time living at current PRS address (2018)						
PRS household and respondent characteristics		**Up to 1**	**1 to 2**	**3 to 4**	**5+**	**All (%)**
Household type	Single	17	14	14	22	17
	Couples without children	31	30	25	30	29
	Couples with children	17	31	39	30	27
	Lone parents	3	9	8	10	7
	Multi-adult/other	31	17	14	8	20
	Total	100	100	100	100	100
If household receives Housing Benefit	Receives HB	10	18	26	26	18
	No HB received	91	82	74	74	82
	Total	100	100	100	100	100
Economic status of the chief income earner within the household	FT employed (30+ hrs/pwk)	53	64	61	58	58
	PT employed	5	10	12	9	8
	Self-employed	7	6	7	7	7
	Unemployed	2	3	3	3	3
	Retired	2	3	5	16	7
	FT student	26	4	2	1	11
	LT sick/disabled	2	4	3	2	3
	Other inactive	2	6	7	4	5
	Total	100	100	100	100	100
Who accommodation is rented from	HEI or private halls	10	1	0	0	4
	Family or friend	5	5	12	9	7
	Landlord	50	57	59	63	56
	Agent	32	30	26	17	27
	Employer	3	8	3	10	6
	Total	100	100	100	100	100
Accommodation type	Self-contained	69	88	92	95	84
	Shared	31	12	8	5	16
Respondent marital status	Single	52	40	34	34	42
	Married/cohabiting	41	54	58	50	48
	Widowed/separated/divorced	8	6	8	16	10
	Total	100	100	100	100	100
Respondent age	16-24	44	18	9	11	24
	25-34	31	44	38	18	32
	35-44	14	18	22	24	18
	45-54	7	13	18	19	13
	55-64	3	4	9	13	7
	65+	2	4	6	15	7
	Total	100	100	100	100	100
Base: Adults (aged 16+) living in the PRS in England.						
Source: Review Omnibus, Spring 2018						

AT16: Reasons given for leaving the last PRS tenancy (2018)								
Multiple response reasons	**Who wanted the last tenancy to end[1] (%)**				**Current tenure (%)**			**All (%)**
	I wanted it to end	**Landlord or agent wanted it to end**	**We both wanted it to end**	**The end of an agreed fixed term**	**Owner occupied**	**Social rented**	**Private rented**	
1. I struggled to pay the rent and needed somewhere cheaper	9	8	5	6	4	14	9	8
2. The rent was increased and I couldn't afford it	2	7	5	0	1	3	3	2
3. The rent was increased and I didn't think it was worth it	5	6	8	2	4	0	6	5
4. Landlord/agent was unhappy because I had requested repairs	3	9	7	3	0	0	7	4
5. Landlord/agent was unhappy because I had complained about something	3	2	3	2	0	0	5	3
6. Landlord/agent entered my home without my permission	1	1	4	2	0	0	3	1
7. I generally had a poor relationship with landlord/agent	4	4	9	4	0	9	6	4
Bought own home or obtained a social rented tenancy	25	4	10	17	52	6	1	19
End of contract	2	0	6	16	4	0	4	4
Landlord wanted to sell the property	0	42	16	6	4	14	8	7
I needed a property of a different size	6	0	6	5	0	0	10	6
Moved to a different area	12	0	8	4	4	7	13	9
To be nearer to a school/job/family	6	0	1	4	4	17	4	5
Personal circumstances changed	6	0	5	4	2	8	6	5
The landlord's property was repossessed	0	0	0	0	0	0	0	0
The property was cold/hard to heat	0	0	0	0	0	0	1	0
The property was damp	1	0	0	2	0	2	1	1
I wanted something nicer	2	0	0	3	0	2	3	2
I didn't want to share anymore	1	0	0	1	0	0	1	1
Landlord wanted to move into the property	0	10	3	0	0	0	3	1
Issues with neighbours	0	0	2	1	0	0	1	0
Other reasons	18	0	21	27	24	22	16	19
Base: Adults (aged 16+) living in all tenures in England who had rented privately during the last ten years (or prior to the current PRS tenancy for current private tenants).								
Source: Review Omnibus, Spring 2018.								
More than one reason could be given. Respondents were specifically asked about reasons 1 to 7, and were allowed to specify other reasons in addition or instead. [1] Sixty-six per cent of respondents reported that they had wanted the last PRS tenancy to end, ten per cent that the landlord or agent had wanted it to end, nine per cent that both the respondent and the landlord or agent had wanted it to end, and 16 per cent that it was the end of an agreed fixed term.								

AT17: Whether Housing Benefit received in the PRS (2018)				
Characteristics		**HB (%)**	**Not HB (%)**	**Total (%)**
Household type	Single	32	68	100
	Couples without children	8	92	100
	Couples with children	17	83	100
	Lone parents	62	38	100
	Multi-adult/other	5	95	100
Economic status of the chief income earner within the household	FT employed (30+ hrs/pwk)	6	94	100
	PT employed	42	58	100
	Self-employed	14	86	100
	Unemployed	52	48	100
	Retired	52	48	100
	FT student	4	96	100
	LT sick/disabled	92	8	100
	Other inactive	62	38	100
Who accommodation is rented from	HEI or private halls	0	100	100
	Family or friend	22	78	100
	Landlord	24	76	100
	Agent	8	92	100
	Employer	16	84	100
Accommodation type	Self-contained	21	79	100
	Shared	5	95	100
Respondent marital status	Single	21	79	100
	Married/cohabiting	12	88	100
	Widowed/separated/divorced	41	59	100
Respondent age	16-24	7	93	100
	25-34	15	85	100
	35-44	19	81	100
	45-54	26	74	100
	55-64	27	73	100
	65+	45	55	100
Region	North East	37	63	100
	North West	12	88	100
	Yorkshire & Humber	21	79	100
	East Midlands	21	79	100
	West Midlands	21	79	100
	East of England	16	84	100
	South East	24	76	100
	South West	18	82	100
	Greater London	14	86	100
	England	18	82	100
Base: Adults (aged 16+) living in the PRS in England.				
Source: Review Omnibus, Spring 2018.				

AT18: Median household weekly PRS rents (2018)		
Household, respondent, chief income earner characteristics		**£pwk**
Region	North East	104
	North West	104
	Yorkshire & Humber	127
	East Midlands	127
	West Midlands	115
	East of England	167
	South East	213
	South West	167
	Greater London	300
	England	160
Household type	Single	114
	Couples without children	167
	Couples with children	179
	Lone parents	150
	Multi-adult/other	231
Number of years living at current address	Up to 1	164
	1 to 2	166
	3 to 4	150
	5 to 9	162
	10+	138
Whether Housing Benefit received	HB covers all the rent	115
	HB covers part of the rent	138
	All receiving HB	133
	HB not received	167
Economic status of chief income earner	FT working (30+ hrs/pwk)	180
	PT working	138
	Self-employed	207
	Unemployed	104
	Retired	115
	FT student	138
	LT sick/disabled	98
	Other inactive	150
Who accommodation is rented from	HEI/private halls	75
	Family or friend	128
	Landlord	150
	Agent	213
	Employer/other	104
Respondent age	16-24	149
	25-34	173
	35-44	182
	45-54	162
	55-64	133
	65+	111
Respondent marital status	Single	149
	Married/cohabiting	173
	Widowed/separated/divorced	118
Whether accommodation is self-contained or shared	Self-contained	162
	Shared	127
Base: Adults (aged 16+) living in the PRS in England.		
Source: Review Omnibus, Spring 2018.		

AT19: Respondents who were currently private landlords (2018)		
Characteristics of respondents		**%**
Whether respondent is currently a private landlord	Currently a private landlord	6
	Not a private landlord	94
	Total	100
Landlord tenure	Owner occupied	90
	Social rented	1
	Private rented	9
	Total	100
Way in which is currently letting[1]	Letting a room in own home	5
	Letting to an employee	2
	Letting to family or a friend	13
	Letting on the open market	80
	Other	6
Main reason for letting	Only letting to current tenancy ends and then intends to sell	10
	Only letting to current tenant and then intends to sell	5
	For rental income	47
	For capital growth	6
	For rental income & capital growth	16
	It's a pension plan	5
	Looking to reduce portfolio size or stop letting altogether	3
	Other	8
	Total	100
Number of lettings	1	70
	2	16
	3 or 4	8
	5 to 9	4
	10+	2
	Total	100
Landlord age	16-24	2
	25-34	9
	35-44	19
	45-54	30
	55-64	19
	65+	21
	Total	100
Landlord economic status	FT employed (30+ hrs/pwk)	41
	PT employed	15
	Self-employed	19
	Unemployed	1
	Retired	18
	FT student	1
	LT sick/disabled	1
	Other inactive	4
	Total	100

Base: Adults (aged 16+) living in all tenures in England.

Source: Review Omnibus, Spring 2018

About 0.25 per cent of respondents reported that they were currently involved in providing holiday lets or providing lettings using an App, such as AirBnB: these respondents are not included in the table. [1] Multiple response question.

AT20: Current characteristics of ex-private landlords (2018)		
Characteristics		**%**
Whether has been a private landlord previously	Used to be a private landlord	5
	Did not used to be a private landlord	95
	Total	100
Tenure of current private landlords	Owner occupation	89
	Social rented	2
	Private rented	9
	Total	100
How used to let[1]	A room in own home	27
	To employees	1
	To a family member or a friend	12
	On the open market	63
	Other way	5
Respondent age	16-24	2
	25-34	7
	35-44	15
	45-54	24
	55-64	20
	65+	32
	Total	100
Respondent economic status	FT employed	36
	PT employed	12
	Self-employed	11
	Unemployed	2
	Retired	32
	FT student	1
	LT sick/disabled	1
	Other inactive	4
	Total	100
Base: Adults (aged 16+) living in all tenures in England.		
Source: Review Omnibus, Spring 2018		
About 0.25 per cent of respondents reported that they used to provide holiday lets or lettings using an App, such as AirBnB: these respondents are not included in the table. [1] Multiple response question.		

AT21: Reason given by ex-private landlords for leaving the business (2018)				
Reason stopped letting	**Ex-private landlords who used to let…**			
	…to family or a friend (%)	**…a room in their own home (%)**	**…on the open market (%)**	**All ex-landlords (%)**
It was a temporary arrangement while decided what to do with the property	18	19	12	15
The amount of rent able to charge was not as much as was wanted	3	1	1	1
Sold due to an increase in the property value	3	0	7	5
Sold the property to release the equity for something else	40	12	28	24
Problems with tenant behaviour	5	5	5	5
Problems because tenants were on HB/LHA	0	0	1	1
Problems with rent arrears	2	0	3	2
The property upkeep was too expensive	0	0	3	2
Wanted to retire	3	6	5	5
To use the property to live in myself	15	17	16	15
A change in personal circumstances	2	13	4	6
It was too much hassle	0	1	1	2
Other reason	9	26	14	18
Total	100	100	100	100
Base: Adults (aged 16+) living in all tenures in England.				
Source: Review Omnibus, Spring 2018				
The different categories of ex-private landlords in the table are not mutually exclusive. About 0.25 per cent of respondents reported that they used to provide holiday lets or lettings using an App, such as AirBnB: these respondents are not included in the table.				

AT22: Reports of conditions in current home by tenure (2018)				
Type of problem	**Current tenure**			
	Owner occupied (%)	**Social rented (%)**	**Private rented (%)**	**All tenures (%)**
1.Damp or mould in bathroom/shower room	4	9	13	7
2. Damp or mould in kitchen	2	5	7	3
3. Damp or mould in a bedroom	3	10	12	6
4. Damp or mould in other areas of accommodation	3	5	9	5
5. Leaks or problems with plumbing	2	5	7	4
6. An inadequate heating system	1	2	6	3
7. A broken heating system	1	3	2	2
8. Badly fitting or draughty doors or windows	4	8	9	6
9. Doors or windows that are not secure	1	3	4	2
10. Rodent or other infestation	1	3	2	2
11. Exposed electrical wiring	0	2	1	1
12. Broken or unsafe kitchen appliances or white goods supplied with accommodation	0	3	3	1
13. Broken toilet, shower, bath or sink	2	4	5	3
14. Broken or unsafe furnishings supplied with accommodation	0	1	2	1
Other problem specified	1	4	3	2
None of these problems[1]	83	70	66	77
Base: Adults (aged 16+) living in all tenures in England.				
Source: Review Omnibus, Spring 2018				
More than one problem could be specified, meaning that percentages may total to more than 100. Respondents were asked about problems 1 to 14 specifically, and were also able to mention other problems not included on the list. [1] This was a single code response to the question, which means that 77 per cent of all respondents, for example, had none of the problems from 1 to 14, and they also did not specify some other type of problem.				

AT23: Accommodation problems for households in the PRS, by a range of respondent characteristics (2018)							
PRS household characteristics		**Damp[1] (%)**	**Plumbing or heating[2] (%)**	**Doors or windows[3] (%)**	**Safety problems[4] (%)**	**Other problems[5] (%)**	**No problems[6] (%)**
Chief income earner economic status	FT employed (30+ hrs/pwk)	18	10	9	5	5	72
	PT employed	19	13	10	9	7	67
	Self-employed	22	15	23	11	5	54
	Retired	13	9	10	1	3	72
	FT student	33	22	17	20	8	52
	Other inactive	35	21	13	11	12	50
Respondent age	16-34	23	14	13	11	6	63
	35-54	19	12	10	5	8	68
	65+	15	9	8	0	2	74
Household type	Single	18	14	10	8	6	67
	Couples without kids	18	14	9	5	5	69
	Couples with kids	22	8	13	5	7	69
	Lone parents	28	13	11	9	6	53
	Multi-adult/other	26	16	13	14	6	61
Housing Benefit	HB received	29	13	15	7	8	56
	HB not received	19	13	11	8	5	68
Accommodation type	Self-contained	19	11	11	5	5	69
	Shared	32	20	14	19	12	50
Whether an agent is used	Landlord	20	13	11	6	6	67
	Agent	22	14	10	9	4	67
	Other arrangements	23	12	15	9	10	62
Number of years living at address	Up to 1	19	15	10	11	5	66
	1 to 2	22	13	9	8	7	67
	3 to 4	25	13	15	5	6	63
	5+	20	10	12	4	6	68
Rent quartiles	1 (lowest rent)	31	18	17	12	7	53
	2	20	12	9	6	7	67
	3	25	8	12	7	7	63
	4 (highest rent)	24	19	14	10	5	65
All PRS		21	13	11	8	6	66

Base: Adults (aged 16+) living in the PRS in England.

Source: Omnibus survey, Spring 2018

More than one problem could be specified. Respondents were asked about a specific range of 14 problems (see AT22), and were also able to mention other problems not included on the list. [1] Includes damp or mould in any area of the accommodation, [2] Includes problems with the plumbing or heating system, [3] Includes problems with badly fitting or draughty doors and windows, or doors or windows that are not secure, [4] Includes safety problems with exposed electrical wiring, broken or unsafe kitchen appliances, broken bathroom furniture, or broken or unsafe furnishings; [5] Includes all other problems listed in the question or mentioned by respondents; [6] was a single code response to the question, which means that 66 per cent of all PRS respondents, for example, had none of the problems listed in the question or mentioned as another type of problem.

AT24: Rent to income ratios in the private rented sector (2000/01 to 2015/16)																	
		00/01	01/02	02/03	03/04	04/05	05/06	06/07	07/08	08/09	09/10	10/11	11/12	12/13	13/14	14/15	15/16
Regions	North East	0.27	0.30	0.26	0.27	0.28	0.29	0.26	0.27	0.29	0.28	0.27	0.26	0.27	0.24	0.25	0.26
	North West	0.28	0.28	0.25	0.30	0.26	0.27	0.28	0.28	0.27	0.31	0.31	0.29	0.28	0.27	0.26	0.28
	Yorkshire & Humber	0.24	0.25	0.29	0.28	0.24	0.26	0.30	0.25	0.28	0.29	0.25	0.24	0.23	0.28	0.25	0.24
	East Midlands	0.23	0.26	0.26	0.22	0.27	0.28	0.26	0.26	0.30	0.26	0.28	0.26	0.26	0.27	0.24	0.25
	West Midlands	0.28	0.24	0.27	0.26	0.29	0.27	0.30	0.25	0.28	0.29	0.30	0.27	0.28	0.27	0.27	0.27
	East of England	0.23	0.28	0.26	0.27	0.25	0.26	0.28	0.28	0.30	0.28	0.27	0.27	0.27	0.29	0.26	0.30
	Greater London	0.34	0.33	0.35	0.32	0.32	0.34	0.34	0.34	0.35	0.38	0.39	0.36	0.34	0.35	0.38	0.39
	South East	0.27	0.29	0.29	0.30	0.30	0.29	0.28	0.30	0.30	0.29	0.31	0.29	0.32	0.31	0.29	0.30
	South West	0.26	0.30	0.28	0.27	0.27	0.29	0.33	0.30	0.28	0.30	0.29	0.31	0.28	0.27	0.29	0.27
	England	0.28	0.29	0.29	0.28	0.28	0.29	0.30	0.29	0.30	0.31	0.30	0.29	0.29	0.29	0.29	0.29
	England excl Gtr London	0.26	0.27	0.27	0.27	0.27	0.27	0.29	0.28	0.29	0.29	0.29	0.28	0.28	0.28	0.27	0.28
HRP economic status	FT working	0.23	0.24	0.24	0.24	0.25	0.25	0.25	0.25	0.25	0.26	0.25	0.25	0.25	0.25	0.25	0.26
	PT working	0.31	0.33	0.35	0.33	0.32	0.35	0.36	0.35	0.36	0.35	0.35	0.37	0.35	0.35	0.34	0.34
	Unemployed	0.46	0.50	0.50	0.54	0.51	0.50	0.47	0.50	0.53	0.50	0.50	0.49	0.44	0.47	0.54	0.48
	Retired	0.28	0.30	0.31	0.31	0.30	0.30	0.34	0.34	0.33	0.34	0.35	0.30	0.32	0.36	0.32	0.34
	LT sick or disabled	0.38	0.34	0.38	0.40	0.40	0.40	0.39	0.42	0.38	0.45	0.40	0.40	0.36	0.38	0.40	0.36
If HB/LHA received	HB received	0.39	0.37	0.38	0.40	0.37	0.38	0.40	0.40	0.39	0.40	0.39	0.38	0.37	0.38	0.39	0.38
	HB not received	0.24	0.26	0.26	0.26	0.26	0.26	0.26	0.26	0.27	0.27	0.27	0.29	0.26	0.26	0.26	0.27
If in poverty	In either BHC or AHC poverty	0.43	0.44	0.45	0.47	0.45	0.46	0.48	0.47	0.47	0.46	0.47	0.46	0.44	0.46	0.46	0.47
	In neither BHC nor AHC poverty	0.21	0.22	0.23	0.23	0.23	0.23	0.23	0.23	0.24	0.24	0.24	0.23	0.25	0.24	0.24	0.24
Source: analysis of FRS datafiles																	
The rent to income ratio is the gross rent divided by the total net household income from all adults in the household. Figures in the table are medians. Households living rent free are not included.																	

AT25: Proportions of PRS households paying more than one third of income on rent (2000/01 to 2015/16)																	
		00/01 (%)	01/02 (%)	02/03 (%)	03/04 (%)	04/05 (%)	05/06 (%)	06/07 (%)	07/08 (%)	08/09 (%)	09/10 (%)	10/11 (%)	11/12 (%)	12/13 (%)	13/14 (%)	14/15 (%)	15/16 (%)
Region	North East	27	39	26	29	34	27	26	33	33	32	32	30	36	19	30	25
	North West	35	32	30	39	31	34	34	33	33	43	41	38	35	29	33	33
	Yorkshire & Humber	34	25	34	32	23	29	38	30	33	34	26	26	19	31	29	26
	East Midlands	26	23	33	24	28	34	31	33	43	31	35	31	32	31	26	26
	West Midlands	32	23	28	26	35	31	35	29	31	37	38	30	32	29	29	30
	East of England	21	35	28	31	30	31	32	33	41	35	31	32	35	38	28	43
	Greater London	48	45	48	44	45	50	49	48	49	55	56	51	50	51	57	56
	South East	30	33	35	37	38	36	35	38	40	38	43	36	46	42	35	41
	South West	31	36	33	32	32	35	45	37	33	43	37	42	32	34	38	29
	England	34	35	36	35	35	37	38	37	39	41	40	38	38	37	37	38
	England excl Gtr London	30	32	32	32	32	33	35	34	36	37	36	34	34	33	32	33
Whether furnished or unfurnished	Unfurnished lettings	34	32	34	33	32	35	37	35	39	41	38	37	37	37	37	37
	Furnished lettings	34	43	41	39	41	42	42	42	41	43	49	43	42	39	39	43
Household type	Single of pension age	29	36	27	35	30	31	38	35	38	41	46	35	45	50	44	48
	Single under pension age	45	46	49	48	52	53	53	50	50	57	56	54	49	49	48	49
	Couples without children	22	22	22	22	20	27	25	22	25	28	26	23	28	25	27	26
	Couples with children	29	28	24	28	31	27	35	34	37	34	34	35	32	33	34	33
	Lone parents	61	61	62	61	51	58	63	65	64	64	61	61	60	57	57	57
	Multi-adult/other	23	32	38	33	31	31	29	30	35	34	39	32	29	34	29	33
Source: analysis of FRS datafiles																	
Figures are based on the gross rent and the total net household income from all adults in the household. Households living rent free are included.																	

AT26: Private rented letting arrangements in England (2000/01 to 2015/16)																	
Letting arrangements		**00/01 (%)**	**01/02 (%)**	**02/03 (%)**	**03/04 (%)**	**04/05 (%)**	**05/06 (%)**	**06/07 (%)**	**07/08 (%)**	**08/09 (%)**	**09/10 (%)**	**10/11 (%)**	**11/12 (%)**	**12/13 (%)**	**13/14 (%)**	**14/15 (%)**	**15/16 (%)**
If a regulated tenancy with a registered fair rent	Registered fair rent	5	4	3	2	3	3	3	2	2	2	1	1	1	1	1	1
	Not a registered fair rent	95	96	97	98	97	97	97	98	98	98	99	99	99	99	99	99
If rent is charged for the accommodation	Rent free lettings	12	13	13	12	11	9	9	10	7	7	6	7	6	5	5	5
	Rent is charged	88	87	87	88	89	91	91	90	93	93	94	93	94	95	95	95
Who the accommodation is rented from	Individual landlord or agent	70	74	73	76	78	80	80	82	83	84	85	85	86	84	88	87
	Organisation	10	6	5	5	4	4	4	3	5	4	3	3	2	3	2	2
	Relative or friend	11	11	12	12	10	10	10	9	8	8	8	8	8	9	7	8
	Employer	6	8	9	6	6	5	5	5	4	4	3	4	3	3	3	2
	Other landlord type	2	1	1	2	1	1	1	1	1	1	*	1	1	1	1	*
Furnished or unfurnished lettings	Furnished	30	32	28	32	30	27	26	28	26	24	23	21	20	20	21	21
	Unfurnished[1]	70	68	72	68	70	73	74	72	74	76	77	79	80	80	79	79
If HB/LHA covers the rent for claimants	Full rent not covered by HB/LHA	62	68	68	68	67	67	71	72	75	74	78	82	84	84	84	85
	Full rent covered by HB/LHA	38	32	32	32	33	33	29	28	25	26	22	18	16	16	16	15

Source: analysis of FRS datafiles

[1] Includes partly furnished lettings (carpets and curtains only, for example)

AT27: Private rented and all tenure household type in England (2000/01 to 2015/16)																	
Household type		**00/01 (%)**	**01/02 (%)**	**02/03 (%)**	**03/04 (%)**	**04/05 (%)**	**05/06 (%)**	**06/07 (%)**	**07/08 (%)**	**08/09 (%)**	**09/10 (%)**	**10/11 (%)**	**11/12 (%)**	**12/13 (%)**	**13/14 (%)**	**14/15 (%)**	**15/16 (%)**
All PRS	Single of pension age	10	9	8	7	8	8	8	7	6	6	5	5	5	5	4	5
	Single under pension age	27	27	28	26	27	26	24	27	27	26	24	24	23	22	24	25
	Couple without children	32	29	30	32	31	31	29	29	30	29	30	30	28	32	29	28
	Couple with children	13	14	14	15	14	14	16	17	16	19	20	20	22	22	23	22
	Lone parents	10	9	9	9	9	9	9	8	9	10	10	9	11	10	10	10
	Multi adult/other	9	13	12	11	11	12	14	11	12	10	10	12	12	10	11	11
All tenures	Single of pension age	14	14	14	14	14	14	15	15	15	14	14	13	14	14	14	14
	Single under pension age	15	15	15	15	15	15	15	16	15	15	15	14	14	14	15	15
	Couple without children	34	34	34	34	34	33	34	34	34	34	33	34	33	34	33	33
	Couple with children	19	19	19	19	19	19	19	19	19	20	20	20	20	20	20	20
	Lone parents	6	6	6	6	6	6	6	6	6	6	6	5	5	6	5	6
	Multi adult/other	11	12	12	12	12	12	12	12	11	12	12	13	13	13	13	13
Source: analysis of FRS datafiles																	

AT28: Private rented and all tenure HRP characteristics in England (2000/01 to 2015/16)																	
HRP characteristics		**00/01 (%)**	**01/02 (%)**	**02/03 (%)**	**03/04 (%)**	**04/05 (%)**	**05/06 (%)**	**06/07 (%)**	**07/08 (%)**	**08/09 (%)**	**09/10 (%)**	**10/11 (%)**	**11/12 (%)**	**12/13 (%)**	**13/14 (%)**	**14/15 (%)**	**15/16 (%)**
Private rented HRP economic status	FT employed/self-employed	53	55	57	58	57	58	58	61	61	58	57	62	60	63	63	63
	PT employed/self-employed	9	10	9	10	10	10	10	9	11	11	11	11	12	10	12	12
	Unemployed	5	4	4	4	3	5	4	4	4	6	5	5	6	4	4	3
	Retired	14	12	11	9	11	10	10	9	8	7	7	7	7	6	6	6
	FT student	5	6	6	5	5	4	4	5	5	6	6	4	4	4	4	4
	LT sick/disabled	7	6	7	6	7	6	6	6	5	6	6	5	5	6	6	5
	Other inactive	8	7	6	8	7	7	8	7	6	7	7	6	6	6	6	6
All tenures HRP economic status	FT employed/self-employed	50	52	52	52	53	52	53	53	53	52	51	53	52	52	52	52
	PT employed/self-employed	9	8	9	9	8	9	8	9	8	8	8	8	9	9	9	8
	Unemployed	2	2	2	2	2	2	2	2	2	3	3	3	3	3	2	2
	Retired	27	26	26	26	26	26	26	26	26	25	26	25	26	26	26	27
	FT student	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
	LT sick/disabled	7	6	6	6	6	6	6	6	5	6	6	6	6	6	6	5
	Other inactive	5	5	5	5	5	5	5	4	4	4	5	4	4	4	4	5
Private rented HRP age	16-24	15	19	18	18	19	18	19	18	20	20	19	16	14	14	13	13
	25-34	34	32	33	34	34	33	32	34	33	34	35	35	35	35	34	35
	35-44	18	18	20	21	20	20	21	21	20	21	21	21	24	23	23	22
	45-54	11	11	11	10	10	11	11	10	12	12	11	13	13	14	15	14
	55-64	8	7	7	6	7	7	7	7	7	6	7	6	7	7	7	7
	65+	14	12	11	10	11	11	10	9	8	8	7	8	7	7	7	8
All tenures HRP age	16-24	4	4	4	4	4	4	4	5	5	5	5	4	4	4	4	4
	25-34	18	17	17	16	16	15	15	15	15	15	15	15	15	15	15	15
	35-44	20	21	21	21	21	21	21	20	20	20	19	19	19	18	18	17
	45-54	18	18	18	17	18	18	18	18	18	19	19	19	20	20	20	20
	55-64	15	15	16	16	16	16	17	16	17	16	16	17	16	16	17	16
	65+	26	25	25	25	25	25	25	25	25	25	26	26	27	27	27	28
Source: analysis of FRS datafiles																	

AT29: Private rented characteristics in England for HB and non-HB HRPs (2000/01 to 2015/16)																	
Characteristics		**00/01 (%)**	**01/02 (%)**	**02/03 (%)**	**03/04 (%)**	**04/05 (%)**	**05/06 (%)**	**06/07 (%)**	**07/08 (%)**	**08/09 (%)**	**09/10 (%)**	**10/11 (%)**	**11/12 (%)**	**12/13 (%)**	**13/14 (%)**	**14/15 (%)**	**15/16 (%)**
HB HRP economic status	FT employed/self-employed	8	8	5	7	7	9	8	11	11	11	15	15	18	20	18	21
	PT employed/self-employed	14	11	14	10	14	13	12	12	17	16	18	20	23	20	22	25
	Unemployed	13	11	10	11	7	10	11	12	11	17	14	13	13	11	12	8
	Retired	20	22	19	17	21	19	18	15	16	14	13	12	11	10	12	10
	FT student	2	3	2	1	2	1	1	3	1	2	3	2	2	1	2	1
	LT sick/disabled	22	21	27	25	24	23	25	22	21	21	20	20	17	21	21	18
	Other inactive	22	25	23	28	26	24	25	25	23	20	18	19	17	16	14	16
Non HB HRP economic status	FT employed/self-employed	69	69	70	71	69	71	71	74	73	73	72	77	75	78	76	76
	PT employed/self-employed	7	10	8	10	10	10	9	8	9	9	9	8	8	7	9	8
	Unemployed	2	2	3	2	2	3	2	2	2	2	3	2	4	2	2	2
	Retired	13	9	9	7	8	8	7	7	6	5	5	5	5	5	5	5
	FT student	6	7	7	6	6	5	5	5	6	7	7	5	5	5	4	5
	LT sick/disabled	1	2	1	1	2	1	1	1	1	1	1	1	1	1	1	1
	Other inactive	3	2	2	3	2	3	4	2	3	3	3	2	2	2	3	3
HB household type	Single of pension age	15	16	12	13	14	15	15	13	13	10	11	8	8	7	8	8
	Single under pension age	27	23	26	25	26	25	24	28	24	25	24	21	18	22	23	21
	Couple without dependent children	13	13	14	14	11	12	11	9	14	12	11	13	14	13	10	9
	Couple with dependent children	13	14	13	15	14	13	14	17	15	19	21	24	25	22	24	26
	Lone parents	28	29	30	29	31	29	31	29	31	27	30	28	31	30	29	30
	Multi-adult/other	4	5	5	5	5	6	6	4	4	6	4	7	5	6	6	5
Non HB household type	Single of pension age	8	6	7	5	6	6	6	6	5	5	4	4	4	4	3	4
	Single under pension age	27	29	28	27	28	26	24	27	28	26	24	24	25	22	24	26
	Couple without dependent children	38	34	34	37	36	36	34	34	34	35	37	36	32	38	34	34
	Couple with dependent children	13	14	14	16	14	15	16	17	16	19	20	19	21	22	22	21
	Lone parents	4	3	3	4	4	4	3	3	4	4	4	3	3	3	4	4
	Multi-adult/other	11	15	15	13	13	14	17	13	14	12	13	13	14	11	12	13
Source: analysis of FRS datafiles																	

AT30: Length of time living at current address for PRS households (2000/01 to 2015/16)																	
Characteristics		**00/01 (%)**	**01/02 (%)**	**02/03 (%)**	**03/04 (%)**	**04/05 (%)**	**05/06 (%)**	**06/07 (%)**	**07/08 (%)**	**08/09 (%)**	**09/10 (%)**	**10/11 (%)**	**11/12 (%)**	**12/13 (%)**	**13/14 (%)**	**14/15 (%)**	**15/16 (%)**
All PRS households	<1 year	39	40	41	38	41	38	39	41	39	39	38	36	28	27	25	26
	1 year to <3 years	27	28	28	30	26	31	32	29	33	33	34	33	35	37	38	36
	3 years to <10 years	19	17	17	19	21	19	19	19	18	18	20	22	28	28	28	30
	10+ years	16	15	15	12	12	13	11	11	10	10	8	10	9	9	9	9
Unfurnished lettings	<1 year	33	34	36	32	34	32	35	37	35	35	35	33	25	25	23	23
	1 year to <3 years	26	27	29	31	26	31	32	28	33	33	35	34	36	37	37	36
	3 years to <10 years	20	19	18	21	25	22	22	23	20	20	21	23	29	28	31	32
	10+ years	21	19	18	16	15	15	12	13	12	11	9	10	10	10	9	9
Furnished lettings	<1 year	52	53	53	52	57	52	50	51	50	53	50	43	39	32	32	37
	1 year to <3 years	28	30	28	29	25	29	33	33	34	30	29	30	32	35	42	37
	3 years to <10 years	16	11	13	15	13	13	10	10	12	12	14	20	23	25	20	19
	10+ years	4	5	6	4	5	6	7	6	4	6	6	7	7	8	6	6
HB claimants	< 1 year	24	26	26	24	26	27	28	29	30	30	29	27	22	18	15	15
	1 year to < 3	29	29	31	31	28	27	31	28	30	29	36	36	35	36	37	33
	3 years to < 10	30	27	26	30	30	26	25	29	26	27	25	25	33	35	37	39
	10+ years	19	18	17	16	17	20	16	14	14	14	10	12	11	12	12	13
Non HB claimants	< 1 year	44	44	44	42	45	40	42	44	41	42	41	38	30	30	28	29
	1 year to < 3	26	28	28	30	26	31	32	30	34	34	33	32	35	37	39	37
	3 years to < 10	15	14	14	17	19	17	17	17	16	15	18	21	26	25	26	27
	10+ years	15	14	14	11	11	11	9	10	9	9	8	9	9	8	8	7
Source: analysis of FRS datafiles																	

AT31: Length of time living at current address for PRS households by household type (2000/01 to 2015/16)																	
PRS household type		**00/01 (%)**	**01/02 (%)**	**02/03 (%)**	**03/04 (%)**	**04/05 (%)**	**05/06 (%)**	**06/07 (%)**	**07/08 (%)**	**08/09 (%)**	**09/10 (%)**	**10/11 (%)**	**11/12 (%)**	**12/13 (%)**	**13/14 (%)**	**14/15 (%)**	**15/16 (%)**
Single of pension age	<1 year	4	5	8	3	8	7	7	8	7	5	10	10	6	6	7	8
	1 year to <3 years	11	11	10	11	10	7	10	8	12	13	12	13	13	16	14	16
	3 years to <10 years	18	15	19	19	28	20	28	22	29	25	34	24	28	34	37	29
	10+ years	66	69	62	67	54	67	55	63	53	56	44	52	53	44	41	47
Single under pension age	<1 year	45	45	44	38	42	39	38	41	41	43	40	40	27	26	28	28
	1 year to <3 years	27	29	28	32	29	34	36	32	32	32	34	29	39	38	40	36
	3 years to <10 years	20	18	19	25	22	21	20	20	21	19	18	26	27	27	23	30
	10+ years	8	7	8	5	6	6	7	7	6	7	8	6	7	9	9	7
Couples without children	<1 year	43	44	43	45	43	42	44	45	44	46	45	40	34	34	30	32
	1 year to <3 years	28	27	30	30	27	31	32	31	32	32	31	32	34	36	39	37
	3 years to <10 years	13	14	12	14	17	16	14	15	13	14	17	19	23	23	21	23
	10+ years	16	14	15	11	12	12	10	9	11	8	7	9	9	8	10	7
Couples with children	<1 year	34	34	39	35	43	33	36	41	36	36	31	31	23	23	21	23
	1 year to <3 years	37	38	30	35	26	40	38	35	42	39	43	42	40	42	39	37
	3 years to <10 years	24	20	23	23	27	22	23	20	19	20	23	24	33	32	37	35
	10+ years	5	9	8	7	5	5	4	4	3	5	2	3	4	4	3	5
Lone parents	<1 year	36	40	37	34	35	39	35	36	36	35	35	29	28	24	17	17
	1 year to <3 years	30	32	37	36	30	32	38	30	41	35	39	42	39	40	44	41
	3 years to <10 years	31	24	23	26	30	24	23	29	19	24	22	24	31	33	35	36
	10+ years	3	5	3	4	6	6	5	5	4	5	4	5	3	4	4	5
Source: analysis of FRS datafiles																	

AT32: Proportions of households in BHC and AHC poverty for the PRS and all tenures for broad regional areas of England (2000/01 to 2015/16)																	
BHC and AHC poverty by broad regional area for the PRS and all tenures			**00/01 (%)**	**01/02 (%)**	**02/03 (%)**	**03/04 (%)**	**04/05 (%)**	**05/06 (%)**	**06/07 (%)**	**07/08 (%)**	**08/09 (%)**	**09/10 (%)**	**10/11 (%)**	**11/12 (%)**	**12/13 (%)**	**13/14 (%)**	**14/15 (%)**	**15/16 (%)**
PRS	Northern	BHC poverty	33	35	31	34	27	33	31	29	27	26	25	27	26	23	24	24
		AHC poverty	46	46	45	48	38	45	44	39	40	43	40	42	40	37	37	35
	Midlands	BHC poverty	23	26	25	26	23	26	23	20	25	22	21	20	20	24	20	22
		AHC poverty	35	38	37	36	36	37	36	35	38	36	35	34	35	38	33	35
	Southern	BHC poverty	18	18	16	19	17	15	16	15	15	14	15	16	13	14	15	14
		AHC poverty	34	33	32	34	32	31	35	31	35	35	36	36	33	35	34	33
	England	BHC poverty	23	24	22	24	21	22	22	20	20	19	19	19	18	19	18	19
		AHC poverty	37	37	36	37	35	36	37	34	37	37	36	36	35	36	34	34
All tenures	Northern	BHC poverty	25	25	23	23	22	22	22	22	20	20	20	21	21	21	22	21
		AHC poverty	27	26	25	23	21	22	22	22	21	22	21	22	23	22	23	22
	Midlands	BHC poverty	22	22	21	21	20	20	19	20	21	19	18	19	18	19	19	19
		AHC poverty	24	23	22	21	21	21	20	20	21	20	19	21	20	21	20	21
	Southern	BHC poverty	18	18	17	18	17	16	16	16	16	15	15	17	15	15	14	15
		AHC poverty	24	23	21	22	20	21	20	20	21	20	20	22	21	21	21	21
	England	BHC poverty	21	21	20	20	19	19	19	19	19	18	17	19	18	18	18	18
		AHC poverty	25	24	23	22	21	21	21	21	21	21	20	22	21	22	21	21

Source: analysis of FRS datafiles

The method used for identifying whether households were in BHC or AHC poverty follows that used in the HBAI analysis published by the Government (https://www.gov.uk/government/statistics/households-below-average-income-199495-to-201617) with the exceptions that the figures in the table pertain to England rather than the UK, and to households rather than people. The northern broad regional area includes the regions of the North East, North West, and Yorkshire & Humberside; the midlands includes the East Midlands, West Midlands, and East of England regions; the southern area includes the regions of the South East, South West, and Greater London.

AT33: Households containing dependent children in England (2000/01 to 2015/16)																	
Whether households contain dependent children by age band and in total			**00/01 (%)**	**01/02 (%)**	**02/03 (%)**	**03/04 (%)**	**04/05 (%)**	**05/06 (%)**	**06/07 (%)**	**07/08 (%)**	**08/09 (%)**	**09/10 (%)**	**10/11 (%)**	**11/12 (%)**	**12/13 (%)**	**13/14 (%)**	**14/15 (%)**	**15/16 (%)**
PRS	0 to 4	No	88	88	88	87	87	87	85	84	84	83	80	81	80	79	79	80
		Yes	12	12	12	13	13	13	15	16	16	17	20	19	20	21	21	20
	5 to 11	No	87	87	88	87	88	88	87	89	90	88	86	87	85	86	84	85
		Yes	13	13	13	13	12	12	13	11	10	12	14	13	15	14	16	15
	12 to 18	No	92	93	92	92	93	92	92	92	92	91	91	91	90	91	91	91
		Yes	8	7	8	8	7	8	8	8	8	9	9	9	10	9	9	9
	If any children[1]	No	76	76	76	74	76	75	73	73	72	69	67	68	65	65	65	66
		Yes	24	24	24	26	24	26	27	27	28	31	33	32	36	35	35	34
All tenures	0 to 4	No	89	89	89	89	89	89	89	88	88	88	88	88	88	87	88	88
		Yes	12	11	11	11	11	11	11	12	12	12	12	12	12	13	12	12
	5 to 11	No	85	85	85	85	86	86	86	87	87	87	87	87	86	87	86	86
		Yes	15	15	15	15	14	14	14	13	13	13	13	13	14	13	14	14
	12 to 18	No	87	87	87	87	87	87	87	87	87	87	87	87	87	88	88	88
		Yes	13	13	13	13	13	13	13	13	13	13	13	13	13	12	12	12
	If any children[1]	No	71	71	71	72	71	72	72	72	72	71	71	70	71	71	71	71
		Yes	29	29	29	29	29	29	28	28	28	29	29	30	30	29	29	29

Source: analysis of FRS datafiles

[1] The proportions of households containing any dependent children may not be the sum of the percentages in the three age bands due to households that contain more than one dependent child.

Table AT34: Outstanding and new buy-to-let mortgages in the UK															
Year	Outstanding BTL mortgages		Annual BTL advances		Annual BTL advances: purpose of mortgaging									BTL mortgages as % of all mortgages by value	
					Purchase			Remortgage			Other				
	N.	£m	N.	£m	N.	£m	% of N. advances	N.	£m	% of N. advances	N.	£m	% of N. advances	Outsta-ding at end of year	Advan-ces during year
2000	120,300	9,100	48,400	3,900										1.7	3.3
2001	185,000	14,700	72,200	6,900										2.5	4.4
2002	275,500	24,200	130,000	12,900	85,030	8,030	65	44,550	4,130	34	410	50	0	3.7	5.9
2003	417,500	39,000	187,600	20,300	117,120	11,600	62	69,150	7,460	37	1,330	140	1	5.2	7.4
2004	576,700	56,900	226,000	24,100	143,870	14,060	64	80,490	8,490	36	1,640	150	1	6.6	8.4
2005	699,400	73,100	223,100	25,600	120,460	12,630	54	100,550	11,670	45	2,080	200	1	7.7	9
2006	835,900	93,200	319,200	38,000	170,830	19,590	54	145,500	17,120	46	2,870	280	1	8.9	11.1
2007	1,025,500	120,600	346,000	45,700	183,280	23,100	53	155,720	20,640	45	7,000	860	2	10.4	12.8
2008	1,168,800	139,200	225,300	28,500	103,990	12,210	46	114,740	14,610	51	6,560	820	3	11.7	11.5
2009	1,246,900	146,600	88,400	8,600	52,600	4,530	60	32,850	3,390	37	2,950	300	3	12.3	6.1
2010	1,309,400	151,600	85,300	9,100	49,400	4,600	58	35,000	3,600	41	800	40	1	12.6	6.8
2011	1,387,800	158,700	114,900	13,100	61,500	6,200	54	52,600	6,400	46	800	110	1	13.2	9.5
2012	1,449,000	164,800	130,200	15,800	69,900	7,400	54	59,200	7,600	45	1,300	180	1	13.5	10.9
2013	1,528,200	174,000	161,000	20,800	83,100	9,300	52	76,300	10,700	47	1,600	270	1	14.1	11.7
2014	1,654,400	190,200	197,700	27,200	100,500	12,400	51	95,900	14,500	49	1,300	270	1	15.1	13.4
2015	1,782,900	213,500	252,200	37,900	117,500	15,600	47	132,300	21,900	52	2,400	370	1	16.6	17.1
2016	1,856,200	228,500	258,800	40,600	102,100	14,900	39	153,000	25,100	59	3,400	610	1	17.3	16.6
2017	1,892,600	237,800	231,800	35,800	74,900	10,700	32	152,100	24,200	66	4,800	850	2	17.4	13.9
Source: UK Finance															

AT35: Buy-to-let mortgaging in relation to PRS stock size in the UK			
Year	**Outstanding BTL mortgages in the UK (N.)**	**UK PRS dwelling stock (000s)**	**Outstanding BTL mort-gages as % of PRS stock**
2000	120,300	2,387	5.0
2001	185,000	2,441	7.6
2002	275,500	2,512	11.0
2003	417,500	2,888	14.5
2004	576,700	2,956	19.5
2005	699,400	3,122	22.4
2006	835,900	3,410	24.5
2007	1,025,500	3,632	28.2
2008	1,168,800	3,920	29.8
2009	1,246,900	4,244	29.4
2010	1,309,400	4,491	29.2
2011	1,387,800	4,726	29.4
2012	1,449,000	4,962	29.2
2013	1,528,200	5,172	29.5
2014	1,654,400	5,343	31.0
2015	1,782,900	5,501	32.4
2016	1,856,200	5,575	33.3

Sources: UK Finance, https://www.gov.uk/government/statistical-data-sets/live-tables-on-dwelling-stock-including-vacants (England) stats.housing@wales.gsi.gov.uk (Wales), http://www.gov.scot (Scotland), https://www.communities-ni.gov.uk (Northern Ireland). UK Finance figures are for calendar years, UK PRS stock is at the end of March.

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