

Policy: briefing

Homes fit for families? The case for stable private renting

Summary

Many more people are renting from private landlords, especially families with children, and will be renting for the long term.

As buying a home becomes ever harder and social housing is in ever shorter supply, more and more people have found themselves with no choice but to rent privately. In the last five years, the number of households renting privately has soared to more than 3.6 million, one in six households.

Private renting is no longer the domain of highly mobile students and young people: the number of families with children renting privately has grown disproportionately. There are now more than one million families with children renting privately; almost double the number five years ago. Greater proportions of private renters work full time than homeowners: the sector is increasingly a picture of ordinary hard-working Britain.

The overheated and unstable rental market is squeezing family aspirations and incomes.

While private renting is still a tenure of choice for some, especially at the upper end of the market, this new generation of no-choice private renters are having to adjust their aspirations to the new reality: almost 3 million adults expect to be renting privately for five years or more, including 2 in 5 families with children and 1 in 3 in full time work.

Despite this, six or 12 month contracts are standard, and renting families are ten times more likely to have moved in the last year than those paying a mortgage. Moving home costs thousands of pounds: almost a third of private renting families will face these costs each year.

Parents know that repeated moves are detrimental to their children's education and well-being, and will often stretch themselves to the limit to keep children in the same school. Almost half of renters say that housing costs are causing stress and depression in their family.

More than a quarter of private renters have resorted to credit cards and pay day loans in the last year. But many are fighting a losing battle. Rents have increased twice as fast as wages in the last ten years. Landlords are simply responding to signals from a growing market under pressure - 75% cite 'local market conditions' as a reason for raising rents.

Renting undermines their economic prospects, as well as their sense of home and belonging.

Private renters are much less likely to know their neighbours, volunteer or vote. The high cost of renting and moving presents barriers to renters taking up jobs and dampens consumer spending by reducing disposable income.

Families want to put down roots in their community, but in an overheated market their choices are severely limited. Simple things like the ability to redecorate or make minor improvements would help renting families make their house feel homely, yet are typically banned in tenancies. As a result, almost half of families with children responding to our survey do not think of their private rented accommodation as 'home'.

The challenge to the sector

Most landlords want to keep good tenants for the long term, and are prepared to be flexible and reasonable in their dealings with tenants. But with the market as tight as it is, there is little competitive pressure on them to respond to the new realities of the sector.

As Shelter sees increasing numbers of renters who are disadvantaged by the current state of the sector, we urge the industry and national and local government to recognise the profound changes the sector has undergone. The challenges the new generation of private renters face as they struggle to find a decent place they can call home means it is time for long term strategies to adapt to the changing world of private renting.

Introduction

A significant shift in England's housing market is underway. After decades of expanding home ownership, the number of people who own their home has been decreasing since 2003. Meanwhile, more and more people are renting from private landlords.¹

Shelter's analysis finds that more than 40% of the level of growth in private renting in the past two years comes from families with children.² There are now more than one million families renting privately; almost double the number there were five years ago.³ Private renting is no longer the exclusive domain of students and mobile professionals.

For many, and particularly low to middle income households, the high cost of buying a home and a shortage of social housing mean they have no choice but to rent privately for the medium to long term.

House prices relative to income have soared since 2003.⁴ The squeeze is exacerbated by ongoing economic uncertainty, stagnating wages consumed by inflation, and rapidly rising rents in a market under intense pressure. The Resolution Foundation estimates that it will take low to middle income families 22 years to save up a deposit to buy a house,⁵ suggesting that longer term renting is here to stay.

Despite this, private renting is based on short contracts (Assured Shorthold Tenancies), which typically offer six or 12 months of stability and certainty to tenants. After this, rents can be raised to as high a level as the market will allow, or the tenancy can be ended with just two months notice.

Before the 1988 Housing Act, private tenancies were at another extreme - running for tenants' lifetimes and with strict rules around rent levels and increases. This renting regime was far stricter than other OECD countries with medium to long term renting cultures.⁶

In reforming the private rented sector around short tenancies, the government of the time argued that the changes would encourage more landlords to move into the sector, increasing competition between landlords to improve conditions. Another factor was enabling more mobile, flexible labour markets by increasing choice and opportunities for tenants to move.⁷

The changes have arguably brought many positives to the sector. There are now almost 1.5 million private landlords in England; the vast majority of whom provide a good service to their tenants and expect to stay in the sector for the long term. Government research shows that newer landlords are more likely to offer better quality accommodation to their tenants.⁸

However, with demand outstripping supply in many areas,⁹ many tenants do not have the market power to ask for the longer term contracts they need. Market rents have soared, decreasing the incentives for landlords to hold on to tenants and keep their accommodation in good condition.

In practice many tenancies *do* last for years, as many good landlords want to hold on to reliable tenants who pay the rent on time. However, people generally do not know what their landlord's approach to managing their tenancy is going to be, and so lack the confidence and security that enables them to make their house a home and put down roots in their community.

It is now time to examine the changes in the composition of people who rent privately and consider whether private renting is set up to meet the needs of the whole market, and in particular those renting for the medium to long term.

This briefing presents new evidence on the changing demographics of people who rent privately, particularly families with children, and considers how they are faring in an under-pressure market in which they have little consumer power. It also explores the wider social and economic impacts of the rapid growth in private renting.

¹ Shelter analysis of The English Housing Survey and Survey of English housing 2000/01 - 2010/11.

² For the purpose of this report families refers to households with dependent children.

³ Shelter analysis of The English Housing Survey and Survey of English housing 2000/01 - 2010/11.

⁴ Nationwide, 2012. Nationwide House Price Index, January 2012.

⁵ Resolution Foundation, 2012. Squeezed Britain.

⁶ Shelter, 2011. Generation Rent: Learning from different rental markets.

⁷ Hansard, HC (series 5) vol.498, col.164 (27th June 1988)

⁸ Department for Communities and Local Government (DCLG), 2011. Private Landlords Survey 2009-10.

⁹ ARLA, 2011. ARLA Members Survey of the Private Rented Sector, Fourth Quarter 2011.

How does private renting work?

The 1988 Housing Act introduced Assured Shorthold Tenancies (AST), and since the 1996 Housing Act these have been the default tenancy offered to private tenants. Under an AST:

- The rent that tenants pay is set by the landlord. This will generally be based on the landlord's or letting agent's view of current market rates.
- Tenants have an initial period of six months during which they can only be evicted for failing to comply with their tenancy agreement.
- After six months, tenants can be evicted without any grounds using a Section 21 notice.
- After an initial fixed term contract, landlords and agents may decide to arrange a new fixed term contract, or allow the tenancy to continue as 'periodic'.
- Under a periodic AST the tenant can leave at any point with one month's notice, and the landlord can end the tenancy with two months' notice.
- The rent can be increased with no upper limit with each new fixed term contract, and once a year on a periodic tenancy.

There are still a small number of households with pre 1988 'protected' tenancies. These tenants cannot be evicted unless they build up substantial rent arrears, and there are limits on the level of rent increase that landlords can pass on to tenants.

Methodology

The briefing is informed by new analysis of the government's English Housing Survey, as well as recent research and analysis by the Institute for Fiscal Studies and other official and respected sources on the economy, demographics and social policy. In addition, this briefing is informed by the following new sources:

- A YouGov survey of private tenants in December 2011, looking at their experiences of private renting and their responses to proposals for improving the sector. All YouGov figures, unless stated otherwise, refer to adults in Great Britain (GB). Where 'families with children' are referenced in relation to YouGov findings, this refers to GB adults with children under 18 in the household.¹⁰
- Two focus groups with the heads of household from families with children who had been living in the private rented sector for the last five years. The focus groups were organised and run by GfK NOP and took place in December 2011.¹¹
- A survey of private landlords on their behaviour in increasing rents. The research was conducted by BDRC Continental in December 2011.¹²
- The interim findings of the Shelter and Crisis Big Lottery funded Sustain PRS project.¹³ The Sustain PRS project is carrying out longitudinal qualitative research on the experiences and wellbeing of 171 previously homeless households who have been resettled in the private rented sector.

¹⁰ In December 2011 Shelter commissioned YouGov to conduct a nationally representative survey of 4,014 adults in Great Britain of these 541 were private renters. Fieldwork was undertaken between 2nd and 5th December 2011. The survey was carried out online. The figures have been weighted and are representative of all GB adults (aged 18+).

¹¹ One focus group comprised 'frequent family movers', those tenants who had moved within the PRS at least once in the past two years; and one focus group comprised 'longer term tenants', those tenants who had not moved within the past two years. As the two focus groups represent a fairly small sample of households in this sector the research is indicative rather than representative.

¹² In December 2011 Shelter commissioned BDRC continental to place three questions in their Q4 2011 Landlords Panel study. 550 online interviews were conducted with National Landlords Association members and fieldwork took place 9th Dec – 19th Dec 2011.

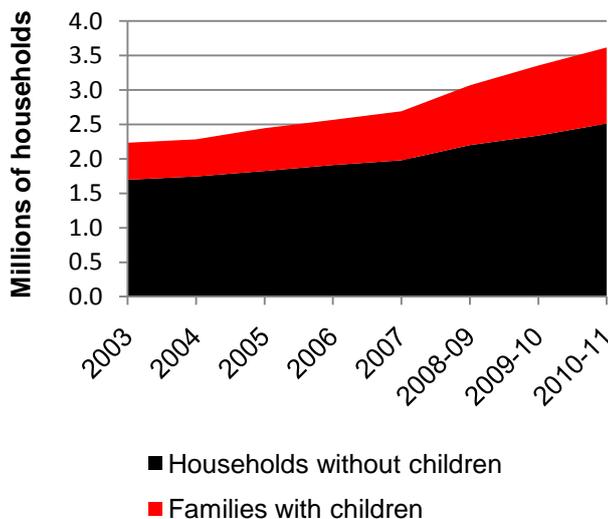
¹³ Shelter and Crisis, 2012. Big Lottery funded Sustain PRS project. Sustain PRS: A longitudinal study of housing wellbeing in the private rented sector Interim report 2012 [forthcoming].

A changing private rented market

Demographics

The private rented sector has grown steadily over the last decade, but its most rapid growth has been in the last four years; when the credit crunch and economic downturn have had the most profound effect on people's housing options.

Growth of the private rented sector in England



Sources: DCLG, 2012. English Housing Survey Table 1. DCLG, 2011. Live Table FT1241 (S117).

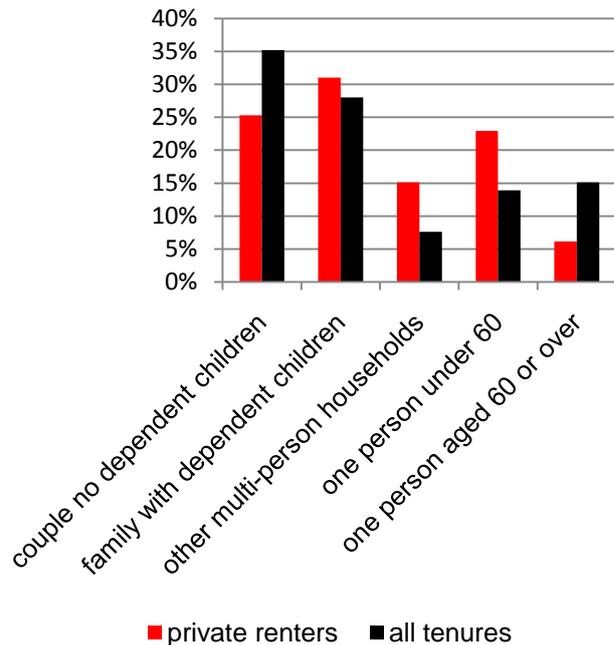
Forty per cent of the recent growth in the private rented sector has come from families with children. There are now more than one million families with children renting privately - an increase of 86% in the last five years. There are now similar proportions of families with children living in the private rented sector as there are families with children in England as a whole.¹⁴

This is significant, as families with children have rarely been considered as a key group in the private rented sector. This was reflected in a wide-ranging review of the sector, which acknowledged the sector houses a broad range of people, but focused on markets catering for young professionals, students, housing benefit claimants and economic migrants.¹⁵

¹⁴ DCLG, 2011. Survey of English Housing Live Table FT1241 (S117).

¹⁵ Julie Rugg, 2006. The private rented sector: its contribution and potential.

Household types in the private rented sector in England



Source: DCLG, 2012. English Housing Survey Table 1.

The spread of household incomes in the private rented sector is also broadly reflective of society as a whole, although private renters are over represented in the £20 – 30k and under 10k income brackets, and relatively under represented in the top bracket.¹⁶

Spread of household incomes among private renters in England

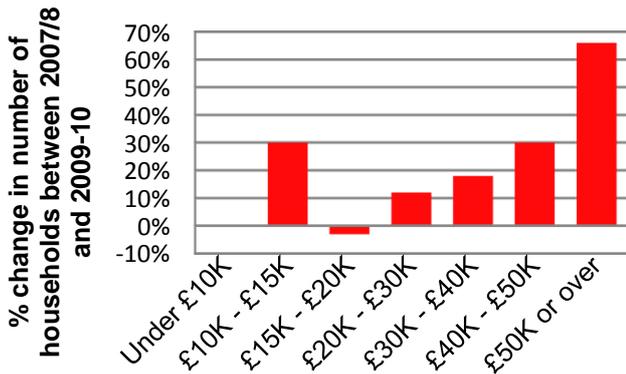


Source: DCLG, 2011. English Housing Survey Live Table FA1331 (S188).

¹⁶ DCLG, 2011. English Housing Survey Live Table FA1331 (S188).

As renting has grown in the last three years, it has been disproportionately people at the upper and lower ends of the middle income bracket that have moved into the sector. This suggests that the expansion is driven by both those who would have typically been expected to buy and those who might previously have sought social rented housing.

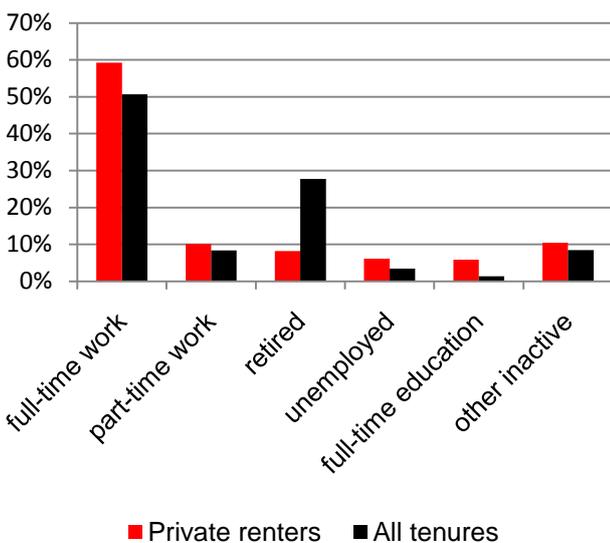
Change in income profile of private renting households



Sources: DCLG, 2011. English Housing Survey Live Table FA1331 (S188). Survey of English Housing Live Table S188. DCLG, 2009, 2011.

The private rented sector is also the tenure of working people, with a greater proportion of households in work (and a lower proportion of retired people) than in all tenures as a whole.

Economic status of private renters 2010-11



Source: DCLG, 2012. English Housing Survey Table 1.

The number of people who will be renting for longer is likely to increase, with the Resolution Foundation estimating that it would take 22 years for families on low to middle incomes to save up a deposit for a mortgage.¹⁷ This is reflected in evidence from a Shelter commissioned survey of private renting households, which found that 2.9 million adults in Britain expect to be renting privately for at least the next five years.¹⁸

The 2.9 million private renting adults who expect to be renting privately for at least five years includes the following:

- 39% of families with children
- 33% of those without children at home
- 35% of Londoners
- 30% in ABC1 households¹⁹

For a wide range of households private renting is not a temporary stop-gap; it is increasingly a medium to long term reality.

Market dynamics

As the number of people who have no other option but to rent privately has grown, the market has responded and more homes have become available to rent. Buy-to-let lending has remained steady since the credit crunch,²⁰ and growing numbers of homeowners have become 'accidental landlords' when they find that they cannot sell their home.²¹

Despite this, the supply of homes to rent has not kept up with demand. Increased competition for accommodation has pushed up market rents across the board, but particularly in high demand areas.

High demand is good news for landlords' balance sheets, with short void periods between tenancies and rents at record levels in many areas. More than half (54%) of the landlords responding to our survey increased their rent in 2011, and the majority (72%)

¹⁷ Resolution Foundation, 2012. Squeezed Britain.

¹⁸ Shelter commissioned an online survey from YouGov. Total sample size is 2092 GB adults. Fieldwork was undertaken between 15th -17th June 2011. The figures have been weighted and are representative of all GB adults (aged 18+). Estimates of the number of adults affected have been calculated by Shelter. These estimates are based on 2010 population estimates from the Office of National Statistics which indicate that there are 47.8 million adults in Great Britain. .

¹⁹ Ibid.

²⁰ CML, 2012. 2011Quarter 4 Buy-to-Let mortgage lending.

²¹ ARLA, 2012. Rise in reluctant landlords in private rented sector.

said they did so to 'reflect local market conditions'.²² Where landlords increased the rent, it was by an average of 5.4%.

- Rents have already risen twice as fast as wages over the last decade.²³
- A fifth of landlords increasing rents did so because they were encouraged by their letting agent.²⁴
- Only 4% of landlords cited increased mortgage costs as a reason for increasing rents.²⁵

Many landlords will see the business sense in keeping rents stable for existing tenants, to avoid putting additional pressure on reliable tenants who always pay the rent on time. However, in the last year a third of landlords increasing the rent did so when renewing a fixed term contract to existing tenants, and more than a fifth gave existing tenants a scheduled annual increase.²⁶

People renting privately do not know whether their landlord will increase the rent over the course of their tenancy, and there are no limits on potential rent increases. In an under pressure market, this can cause uncertainty over household finances for existing tenants, even if they pay their rent on time and are settled in their home and local area. Shelter advisers have dealt with a 72% increase in private renters faced with an unexpected or unaffordable rent increase in the last year.²⁷

High costs and high demand reduce consumers' choice and power in the rental market. This affects tenants looking for new accommodation, conscious that their options are limited. This is particularly the case for families with children, for whom rising rents in an area where their networks are established may push them into the bottom end of the sector.

As the demand on the sector has increased, and tenants are conscious of their weak market position, there are fewer incentives on landlords to carry out improvements to their accommodation. This also makes it easier for rogue landlords to exploit the most vulnerable tenants. According to Shelter Freedom of Information research in 2011:

- 86,000 complaints had been made to local authorities about poor conditions and management in the private rented sector in the past year.
- Complaints about the most serious health and safety hazards had increased by 25% in the past two years.²⁸

Our research has found that adults in lower social grades who experienced a problem with a private landlord in the past 10 years were twice as likely to take no action about a problem for fear of the consequences (10% of C2DE respondents compared to 5% of ABC1).²⁹ This affirms the weaker consumer power of private tenants from lower socio-economic backgrounds.

²² Shelter commissioned an online survey from BDRC Continental survey. Total sample size is 550 landlords. Fieldwork took place 9th Dec – 19th Dec 2011.

²³ Based on analysis of the DCLG's Survey of English Housing 1999/0, English Housing Survey 2009/10, and Annual Survey of Household Earnings 2000 and 2010.

²⁴ Shelter commissioned an online survey from BDRC Continental survey. Total sample size is 550 landlords. Fieldwork took place 9th Dec – 19th Dec 2011.

²⁵ Ibid.

²⁶ Ibid.

²⁷ Shelter service statistics, November 2011.

²⁸ Shelter submitted a Freedom of information request to all English local authorities. This asked about complaints received concerning private rented accommodation. Out of the 326 local authorities contacted we received 322 responses. The statistics relate to trends in the past three years from 2008/09 to 2010/11. Response rates for each question varied.

²⁹ Shelter commissioned an online survey from YouGov. Total sample size is 2092 GB adults. Fieldwork was undertaken 15th - 17th June 2011. The figures have been weighted and are representative of all GB adults (aged 18+).

Impact on families

The pressure in the private rented market can have a major impact on the lives of people who rent privately. As the demographics of the sector shift towards families with children and others expecting to rent for the longer term, it is important to understand how well private renting meets their needs.

Household finances

Rising rents are eating into household finances. Shelter's analysis of official rent data has found that median rents are already unaffordable in 55% of English local authorities.³⁰ This means that in most parts of the country the average household would need to spend more than 40% of their take-home pay to rent a two bedroom home.

When rents are already high, any further increase can hit already squeezed family budgets hard. Almost a third of private renting households would be unable to sustain a rent increase of more than £50 a month.³¹

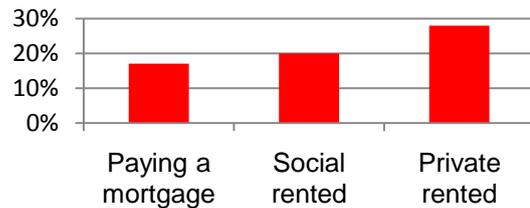
"Even if it went up £20 a month I would have to worry about it."³²

For 14% of private renters it is a constant struggle to pay their rent, while a further 27% struggle from time to time.³³ As rents rise, the Institute for Fiscal Studies (IFS) and the Family and Parenting Institute projected that private renting families would see a 4.2% drop in their income by 2015 - more than many other groups.³⁴

"We account for every penny, [but] if it's going to happen it's going to happen"

For some, the squeeze on household finances caused by rising rents could push them into poverty. The IFS projects that the number of children in the private rented sector in relative poverty will increase faster than in other tenures.

Projected increase in number of families with children in relative poverty by 2015



Source: Institute of Fiscal Studies, 2012. The Impact of Austerity Measures on Households with Children.

The rising cost of renting can push families to take risky measures in order to keep their homes:

- More than a quarter (28%) of private renters have used credit to help meet their housing costs in the past year, compared to a fifth (20%) of social renters and a sixth (17%) of people paying a mortgage.
- This includes more than 130,000 private renters who have used a pay day loan in the past year to meet their housing costs.
- Almost half (48%) of families with children in the private rented sector worry that their landlord will put up their rent to a level they cannot afford.³⁵
- Almost half of people renting privately say that housing costs are causing stress and depression in their family – a higher rate than households that own their home.³⁶

For the participants in our focus groups, even a small rent increase could move family finances off kilter. For some it would necessitate a move to cheaper accommodation; for others it would mean cutting back on essentials - a trend reflected in our recent survey, which found that 43% of private renting households had cut back on the amount they spend on food in the past year because of housing costs.³⁷

"If that was me, I'd have to think' is it time to give my notice and find somewhere a bit cheaper?"

³⁰ Shelter, 2011. Private Rent Watch Report 1.

³¹ Channel 4 commissioned survey carried out by Ipsos Mori. 1,006 British adults aged 16+ interviewed face-to-face in-home. Fieldwork was undertaken between 11th -17th November 2011. Data weighted to national population profile.

³² Shelter commissioned GfK NOP to hold two focus groups on December 13 2011 with heads of household from families with children in the Watford area with incomes between £17 - 30,000 who had been living in the private rented sector for the last five years. All subsequent quotes and references to focus group participants refer to these focus groups.

³³ Shelter commissioned online survey from YouGov 2nd - 5th December 2011.

³⁴ Institute of Fiscal Studies, 2012. The Impact of Austerity Measures on Households with Children.

³⁵ Shelter commissioned an online survey from YouGov. Total sample size is 2118 GB adults. Fieldwork was undertaken 21st April - 3rd May 2011. The figures have been weighted and are representative of all GB adults (aged 18+).

³⁶ Shelter commissioned online survey from YouGov 2nd - 5th December 2011.

³⁷ Shelter commissioned an online survey from YouGov 21st April - 3rd May 2011.

Uncertainty about future rent rises meant that some would deliberately avoid contacting their landlord about their rent so as not to prompt them to consider raising the rent.

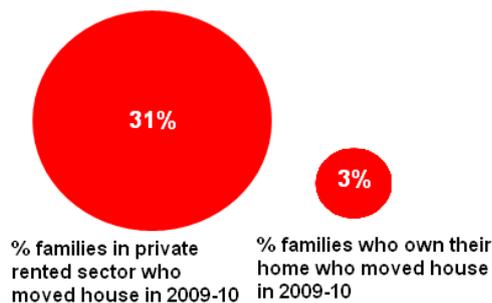
"If you don't sign it, what are you going to do?"

We found that four in five people (79%) renting privately would support their landlord not being able to increase their rent above a specified level.³⁸

Stability

People who rent privately, including those with children, are ten times more likely to have moved house in the last year than people who pay a mortgage on their home.³⁹

Some have assumed this discrepancy is because private renters are more likely to be young and mobile than people in other tenures. But almost a third of private renting households have children,⁴⁰ and this group of renters are as likely as those without children to have moved in the last year.⁴¹



Source: Analysis of English Housing Survey 2009/10. Live Table 1942088. Household type by current tenure: all moving households, 2009-10

Some two thirds of private renters (66%) agreed that they would like the option to stay in their tenancy longer term if they wanted to (i.e. for five years with a 3 month notice period).⁴²

A significant factor might be the cost of setting up a new tenancy. Including fees, administration costs and deposits, this can be more than £2,000 in London, and more than £1,000 in Manchester and

Gloucester.⁴³ Such high up-front costs can have a major impact on squeezed families' cash-flow and can push them into a debt trap. Almost two thirds (63%) of private renting families with children worry about the high cost of letting agent and landlord fees every time they move.⁴⁴

Participants in the Shelter and Crisis Sustain PRS project spoke about the practical upheaval of moving home:

"Just being stable, it's important that I'm not uprooting myself or the children again, everything changes when you uproot, you have to change schools, you have to change phone numbers, you have to change address, you have to contact the utility companies. It is horrid and I don't need to go through that again [...]"⁴⁵

Considering these costs, it is hard to believe that as many of a third of people who rent privately would move every year completely of their own volition.

While the flexibility offered by renting is beneficial for some, the current private renting offer is less good for those who want to lay down roots and plan for the future, as it reduces their sense of stability in their home.

"You've got no security, have you? You never know, six months down the line, whether you'll be moving or not."

"That's what's always on the back of mind, they'll just knock on the door and say that's it"

The frequency of moves is a particular problem for families. An unwanted or unexpected move could bring major disruption during the school term. In a market under pressure, rents may have increased substantially since a tenant last moved. This leaves families with greatly reduced consumer power and forced to make very difficult decisions. Facing an unexpected move, families' options are to:

- Find a smaller home in the same area - there has been a 23% increase in the number of overcrowded private renting households in the last year.⁴⁶

³⁸ Ibid.

³⁹ Analysis of English Housing Survey 2009/10. Source: Table FA4121: Demographic characteristics of moving households, 2009-10

⁴⁰ DCLG, 2012. English Housing Survey 2010/11 Table 1.

⁴¹ Analysis of English Housing Survey 2009/10. Live Table 1942088. Household type by current tenure: all moving households, 2009-10

⁴² Shelter commissioned online survey from YouGov 2nd - 5th December 2011.

⁴³ Resolution Foundation, 2011. Renting in the Dark.

⁴⁴ Shelter commissioned online survey from YouGov 2nd - 5th December 2011.

⁴⁵ Shelter and Crisis, 2012. Big Lottery funded Sustain PRS project. Sustain PRS: A longitudinal study of housing wellbeing in the private rented sector Interim report 2012 [forthcoming].

⁴⁶ Analysis of DCLG English Housing Survey 2009/10 and 2010/11

- Find a less suitable home in the same area, such as with not outside space or in a less safe area.
- Move to a cheaper area and travel for longer to keep their children in the same school.
- Move to a cheaper area and move the children to a different school.

With these possible consequences, it is unsurprising that more than a third of families (35%) worry about their landlord ending their contract before they are ready to move out.⁴⁷ Parents worry about moving their children, conscious of the potential disruption to their education and well-being. Both the focus groups and the Sustain PRS project found this to be the case:

"Now if I had to move, and if I couldn't stay within the area, the disruption would be big. Because if I couldn't move within the same area it would mean moving schools and he's [six year old son] forged friendships and he knows his surroundings."

"It's her home, and I think that is the most, one of the most important things for a child, is to have stability, you know, a routine... I think that's a cornerstone of a good, like healthy child, to be honest with you, knowing that someone cares and, you know, like a safe place to live."⁴⁸

There is wide-ranging evidence to back up parents' concerns:

- Children who move more frequently, particularly mid-year, have lower levels of academic achievement.⁴⁹
- The Children's Society's found that children who moved once in the past year were almost 50% more likely to have lower well-being than those who hadn't moved home.⁵⁰

⁴⁷ Shelter commissioned online survey from YouGov 2nd - 5th December 2011.

⁴⁸ Shelter and Crisis, 2012. Big Lottery funded Sustain PRS project. Sustain PRS: A longitudinal study of housing wellbeing in the private rented sector Interim report 2012 [forthcoming].

⁴⁹ Consortium on Chicago School Research, University of Chicago, 2009. Changing Schools: A Look at Student Mobility. Trends in Chicago Public Schools Since 1995.

⁵⁰ Children's Society, 2012. The Good Childhood Report 2012

- Children who moved home more than once in the past year were more than twice as likely to have low well-being.⁵¹

- Government research found that frequent movers are significantly less likely to obtain 5 A*-C GCSEs, or to be registered with a GP.⁵²

Participants in our focus groups told us that they would prioritise giving their children the stability of staying in the same school and with their friendship group. Even if children remain in the same school, the impact of the cost, disruption and trade-offs these parents are likely to have to make raises serious questions about how appropriate it is that a third of private renting families move each year.

"Where I've moved to, it's further away, but I still make the car journey. You have to put them [the children] first."

Housing conditions

Standards in the private rented sector are already significantly worse than in other tenures.

- 37% of private rented homes are classified as 'non-decent' compared to 25% of owner occupied and 20% of social rented homes.⁵³
- Local authorities dealt with a 22% increase in the number of complaints about the private rented sector in the three years to 2011: more than 86,000 complaints in total.⁵⁴

Bad housing can have a severe impact on children. Research based on the National Child Development Study found that children living with poor housing conditions are 25% more likely to experience severe ill-health or disability during childhood and early adulthood.⁵⁵

Short-term contracts, the threat of eviction and a lack of consumer power in an under-pressure market can prevent people who rent privately from requesting repairs or improvements.⁵⁶ Shelter advisors report that fear of retaliatory eviction is a key factor in the under-reporting of rogue landlords.

⁵¹ Ibid.

⁵² DCLG, 2006. Moving On: Reconnecting Frequent Movers.

⁵³ DCLG, 2012. English Housing Survey 2010/11, Table 16. As defined by the DCLG, a decent home is one which does not have any category 1 hazards as defined by the HHSRS, is in a reasonable state of repair, and has reasonable and modern facilities and thermal comfort.

⁵⁴ Shelter, 2011. Asserting Authority: calling time on rogue landlords.

⁵⁵ Marsh A, Gordon D, Pantazis C and Heslop P, 1999. Home Sweet Home? The impact of poor housing on health.

⁵⁶ Citizens Advice, 2007. The Tenant's Dilemma.

Shelter research on private renters' approach to housing problems shows how a lack of security and consumer power can put people in a weak position to get improvements to poor housing conditions:

- 7% did nothing at all because they were scared of the consequences
- 41% spoke to their landlord who took no action
- 12% ignored the problem as they did not think anything would happen
- 13% left the property and did nothing.⁵⁷

These findings were supported by contributions from our focus group participants. They explained how the short-term nature of contracts, and the ease with which landlords could increase the rent, made them unlikely to challenge poor standards. Instead, participants would prefer to end the tenancy and find somewhere else to live.

Sense of home

With fixed term contracts as short as six months, people who rent privately can be less motivated to invest time, effort and money in making their house a home, compared to those who own their home or rent from a social landlord. Almost half (44%) of the families with children responding to our survey do not think of their private rented house as 'home'.⁵⁸

Many contracts will stipulate that renters cannot decorate or make small practical changes. Participants in our focus groups worried that landlords could claim the cost of undoing alterations or repairing accidental damage from their deposit.

A greater number of private renters are at a stage in their life when they want to lay down their roots in their home and in the community. Some 77% of families with children in the private rented sector would like to be able to decorate their homes without worrying about what their landlord would do, as would 68% of those without children at home.⁵⁹

"I'd look at it completely different if I actually had a mortgage on a place, it'd be more of a home than rented...I think if I had a mortgage I'd feel like it was mine."

The families in our focus groups had mixed experiences of trying to make their rented house a home. For some, the short nature of contracts and uncertainty about landlords renewing the contract

and increasing rents prevented them from investing time and money in making improvements.

"I think everyone who lives in rented accommodation lives under that shadow, you make it your home, but it could end at any point"

The landlords of focus group participants appeared to have different approaches to allowing tenants to add the personal touches that make a house homely, with some keen for tenants to make improvements and others not allowing any changes at all. Some 40% of families with children worry that their landlord will object to them making minor alterations to the property.⁶⁰

"I managed to squeeze a dog in, but the landlord wanted £75 a month extra to have a dog!"

"You can't put nothing on the walls, he said, but we have, because it looks nice"

"I even asked to put a spare lock on the top of the door, because my son can reach the door to open the door, and they won't even let me put another lock on the door."

Participants wanted to be seen by their landlords as 'good' tenants, so that they would not be asked to leave the property. This made them be very careful not to damage or break anything in the property, and made them worry when accidents did happen. Almost 1 in 5 families with children who have rented privately in the last decade said their landlord had unfairly withheld or not protected their deposit.⁶¹

This was an especially stressful situation for families who had younger children who were more prone to having accidents. They worried that they could be asked to leave the property and that if they did not fix the problem the repair costs could be inflated and taken from their deposit.

"It's like you're walking on eggshells. If you break a drawer in your kitchen you think...how much is that going to cost me?"

"Breathing in our house is all we're allowed to do."

As more and more people expect to be renting for longer, a significant number are struggling to make their house feel like a real home.

⁵⁷ Shelter commissioned online survey from YouGov 15th -17th June 2011.

⁵⁸ Ibid.

⁵⁹ Shelter commissioned online survey from YouGov 2nd - 5th December 2011.

⁶⁰ Ibid.

⁶¹ Shelter commissioned online survey from YouGov 15th -17th June 2011.

Economic, social and environmental impacts

Labour market

Enabling low to middle income households to find stable and affordable homes in places where they can find work is important for economic growth and competitiveness.⁶²

One of the main advantages of renting privately is that it offers flexibility – meaning that if tenants want to take up a job or their circumstances change, they should be able to take swift action. In principle, it is relatively straightforward for a growing family to find larger accommodation. Equally, if a relationship ends, or poor conditions or anti-social neighbours are a problem, then tenants should have a quick resolution.

“If you have problems you can just up and go, you can downsize or go up a scale”

Flexibility is also held to be good for the economy. When Assured Shorthold Tenancies were introduced in 1988, the then Minister of State for the Environment, William Waldegrave, argued that creating shorter tenancies would be good for “economic growth and the new needs of the people, many of whom are now more mobile and wish to live for a time, if not permanently, in rented accommodation”.⁶³

But, in practice, the current setup of private renting presents a number of barriers that can make it harder for renters to take up jobs:

- Tenants locked into fixed term contracts may find it difficult to move, particularly if the landlord or letting agent is unwilling to negotiate with them to end the tenancy early without penalties. Few employers will wait six months for a new starter, and few job-seekers can afford to pay double rent for months.
- The cost of moving, with large deposits and fees that must be paid upfront, may present cash flow issues for job-seeking private renters.
- 21% of private renters said that high housing costs are affecting their ability to move for work.⁶⁴

⁶² LSE London, 2011. The Case for Investing in London's Affordable Housing.

⁶³ Hansard, HC (series 5) vol.498, col.164 (27th June 1988)

⁶⁴ Shelter commissioned an online survey from YouGov. Total sample size is 5,438 GB adults. Fieldwork was undertaken October 2009.

Moreover, there is a direct negative correlation between the strength of local economies and the affordability of the local private rented sector.⁶⁵ If rents in these markets are already high, job-seekers may worry about their ongoing ability to make their finances balance in a context of rising rents. This could be particularly concerning for job-seekers with children.

These concerns are reflected in government analysis from 2009, which noted that 4 in 10 employers struggling to recruit staff blame high housing costs, and that one in ten employers in the South East had had to increase pay to offset high housing costs.⁶⁶ Meanwhile, more than 70% of London's business community see the lack of affordable housing as a key constraint on the labour market.⁶⁷

Consumer spending

Rapidly rising rents also impact on consumer confidence. The Bank of England, in its analysis of the contributing factors to the economy's 0.2% contraction in Q3 of 2011/2 highlighted that increasing rents have dampened consumer demand.⁶⁸

The increasing cost of renting in an under pressure market can also push squeezed households into debt. Some 14% of people who rent privately have borrowed on a credit card to meet their housing costs, compared to 2% of people paying a mortgage, and just over a quarter of renters have used savings to pay the rent.⁶⁹ The more money that private renters spend on their rent and deposits, the less money they have to spend on goods and services that would be of more direct benefit to the wider economy.

⁶⁵ Shelter, 2011. Private Rent Watch.

The median rent for a 2 bedroom home in each area represents the following percentages of local median salaries: Rushmoor (for Aldershot) – 43%, Brighton – 51%, Bristol - 41%, Cambridge – 44%, Crawley – 47%, London – 60%, Milton Keynes – 39%, Oxford – 55%, Reading – 43%.

⁶⁶ National Housing and Planning Advice Unit, 2009.

Affordability – more than just a housing problem.

⁶⁷ LSE London, 2011. The Case for Investing in London's Affordable Housing.

⁶⁸ Bank of England, January 2012. Agents' summary of business conditions.

⁶⁹ Shelter commissioned online survey from YouGov 2nd - 5th December 2011

Community involvement and participation

Considering that more than a third of private renters have moved in the last year, and the length of time it takes many people to establish themselves in their local area, it should not be surprising that private renters are less likely to play an active role in their community.

- A recent Ipsos Mori's 'state of the nation' poll showed that only 30% of the population consider new people in their neighbourhood to be 'one of them' after a year.⁷⁰ This rises to 57% of people after five years, showing how important longevity is for people to put down their roots in a community.
- The Electoral Commission recently reported that only 56% of people renting from a private landlord are registered to vote, compared to 87% of people who have a mortgage and 76% of people in social rented housing.⁷¹
- A study of social capital in the London Borough of Camden by Ipsos Mori found that private renters were generally less likely to participate in their local community.⁷²

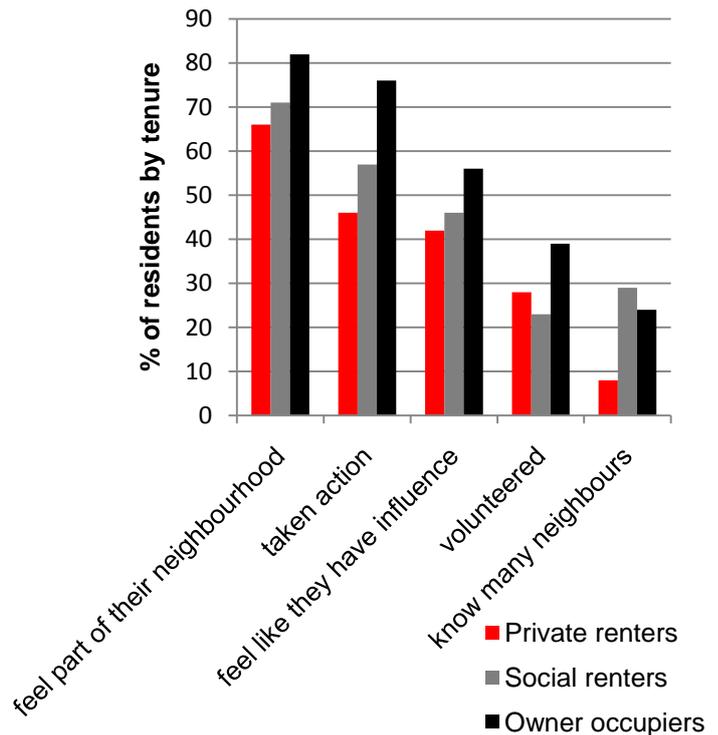
This picture is backed up by national evidence,⁷³ and was also reflected in our focus groups:

"If it was only six months I wouldn't want to settle in"

"You feel on edge for the first six months [...] it takes about six months to settle in"

The rising number of households living in the private rented sector should be concern for advocates of stronger and more resilient communities, as fewer people will have the certainty of living in an area for the medium to longer term, making them less likely to be civically engaged.

Community participation in Camden 2008



Source: Camden Council, 2008. Camden Social Capital Survey 2008 Final Report.

Energy efficiency

The Department of Energy and Climate Change has identified the current framework for private renting as a barrier to the success of its flagship Green Deal initiative.⁷⁴ DECC's impact assessment acknowledged that the private rented sector has a disproportionately high number of the least energy efficient properties, and that private tenants are much more likely to be in fuel poverty.⁷⁵

The impact assessment notes that the lack of certainty over how long renters will stay in their homes weakens the cost-benefit of schemes which aim to improve energy efficiency. DECC also noted that a fear of retaliatory eviction could be a barrier for some private tenants requesting permission to install energy efficiency improvements.

⁷⁰ Ipsos Mori, 2011. British Future State of the Nation Poll December 2011.

⁷¹ Electoral Commission, 2011. Great Britain's Electoral Registers 2011.

⁷² Camden Council, 2008. Camden Social Capital Survey 2008 Final Report

⁷³ Coulthard, Walker, Morgan, 2002. People's perceptions of their neighbourhood and community involvement, Social Capital module of the General Household Survey 2000.

⁷⁴ DECC, 2011. Energy Bill: Green Deal Impact Assessment.

⁷⁵ Ibid.

Conclusions: who does the private rented sector work for?

The move to short term tenancies in 1988 was designed to bring more landlords into the sector, improve conditions and satisfaction with the sector, and enable more mobile, flexible labour markets.⁷⁶

These have remained the key objectives for the private rented sector under successive governments:

"The sector plays an important role in providing choice and flexibility at all levels across the housing market [...]. It provides flexibility for those who do not choose to buy and affordability for those who are unable to afford to buy their own home."
Government response to the Rugg Review, 2008.⁷⁷

"Rented housing continues to have a vital part to play in meeting our national housing need and supporting mobility"
Grant Shapps MP, Housing Minister, 2011.⁷⁸

Along with the change in tenancy law, financial de-regulation in the 1980s and 1990s encouraged the growth of buy-to-let lending, and made it easier for landlords to invest in private rented housing. There are now almost 1.5 million private landlords, the majority of whom let only one property and expect to be renting it out for more than ten years.⁷⁹ Industry research shows landlord confidence in the market is high.⁸⁰

The mobility and flexibility brought about by the changes to sector remain important for many private renters, including those who expect to be renting for the longer term. In uncertain times, when people may need to move at short notice to take up a job, or have irregular or insecure employment, the flexibility of renting may be more suitable than the significant financial commitment of buying a home.

Yet a growing proportion of people who rent privately are at a stage in their life where they might reasonably expect greater stability and certainty than is currently offered by the private rented sector, particularly for the growing number of renting families with children.

⁷⁶ Hansard, HC (series 5) vol.498, col.164 (27th June 1988)

⁷⁷ DCLG, 2008. Government response to the Rugg Review.

⁷⁸ Hansard, HC (series 5) vol.536, col.44 (21st November 2011)

⁷⁹ DCLG, 2011. Private landlord survey 2010.

⁸⁰ Upad, 2012. Upad rental confidence index.

Now that more than one million families with children rent privately, the sector is no longer the exclusive domain of mobile students and young professionals. For many of those who will not realistically buy a home or access affordable housing in the short to medium term, the private rented sector is their only real option.

For this growing demographic of longer term renters there are real questions about how suitable the current private tenancy offer is:

- Do six to twelve month contracts offer families enough stability to plan for the future and allow their children to settle in school?
- Does uncertainty around future rent increases undermine families' ability to organise their finances?
- Why has the market not adapted to meet the needs of longer term private tenants who want to set up a family home?

The rise of long term renting also has wider implications:

- An unexpected rent increase or termination of a tenancy could force families into an expensive and inconvenient move, which can have a negative effect on children's education and well-being.
- High and unpredictable rents could present barriers to people moving for employment and reduce consumer demand, weakening the prospects for economic growth.
- Fixed term contracts may not offer sufficient flexibility for people who need to move for work or if their circumstances change.
- Efforts to strengthen community ties and boost volunteering could be undermined by high levels of churn driven by short term tenancies.
- Insecurity means tenants can lack the confidence to challenge rogue landlords, demand repairs or energy efficiency measures.

Shelter is not convinced that the current default private renting offer is adequate for the changing demographics of the sector, particularly those looking for greater stability and certainty.

As the private rented sector houses more people for longer periods of their lives, it is now time for the industry and government to consider how better to meet the needs of the growing number of people renting for the medium to long term.

Shelter believes that more suitable longer term tenancy products can work for landlords, particularly those who expect to stay in the market for the long term. We will be working with policy and industry stakeholders in the coming months to examine different options for helping longer term tenants get the stability and certainty they need to make their house a real home.

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