

The UK Private Rented Sector

“The private rented sector in the UK comprises any property that is privately owned and being rented out as housing, usually by an individual landlord, but also by housing organisations and institutional investors. As other tenures decline across the country, it is the fastest growing sector in the country, predicted to surpass social rented housing imminently”. This is according to Future of London – an independent not-for-profit network.

Private rented housing is a growing part of the housing market. It comprises almost 16.5% of all households, or nearly 3.8 million homes in England. The private rented sector offers a flexible form of tenure and meets a wide range of housing needs. It contributes to greater labour market mobility and is increasingly the tenure of choice for young people. This is according to the Department for Communities and Local Government (DCLG).

Many evident factors support this claims. Households have increasing difficulty in accessing owner-occupation, there is a shortage of social housing provision-where waiting lists are increasing rapidly, migration has grown and the labour market increasingly requires a flexible work-force. One less evident factor that is causing an increase in the demand for such housing is the number of students willing to enroll in UK universities. Overall there was an increase in 2013 in the number of applicants across the UK of 1.9% when compared to 2012, says the Independent Commission on Fees (ICF) - a commission set up to monitor the increase in university fees in the UK from 2012. Recent figures show that overall young demand have increased in 2014 for all countries of the UK; in England to 43 per cent, 54 per cent in Northern Ireland, 36 per cent in Scotland and 37 per cent in Wales. These figures, published by and according to the Universities and Colleges Admissions Service (UCAS), are the highest recorded levels in each country.

What this means is that more students are interested in higher education, and by implication, stronger demand for private rented housing as the universities cannot provide bed spaces for all students. Aurora Trentin, an undergraduate at the University Of Greenwich said even if they could, many students will still choose private rented housing over university halls for a host of reasons. “After staying all day in the university to receive lectures, I want to end my day in a different environment”, she said. Apart from the cost and size of the rooms, regulations such as being able to have a family or friend around for just a set period can be frustrating, added Tiffany Roberts, another student of the University of Greenwich.

Worthy of mention is the role of government in all of these. Government policy has a significant impact on the private rented sector, shaping the framework within which the market operates. These can be directly through legislation governing the sector, or indirectly, through wider housing and fiscal policy. “The prospects for the private rented sector are strong in terms of its growth”, Mark Prisk, the former Minister of State for Housing acknowledged. Except issues preventing the realisation of growth potential are nipped in the bud, however, these prospects may not translate to growth. In its recent report on the Private rented sector, the House of Commons heard from a number of witnesses that increasing supply was an important way to raise standards and tackle issues of affordability in the sector. “Many of the

problems in the Private rented sector are as a result of the significant lack of supply and therefore lack of choice for the consumer”, added Grainger plc, an institutional investor.

All in all, it is clear that there is a growing demand for private rented housing leading to growth in this sector. However, much of that growth has been driven by individual landlords with small portfolios, who represent the majority of the sector. There are only a relatively small number of larger landlords - only 1% own more than 10 properties, according to the UK government - and, critically, growth in the rented sector has generally not contributed to the supply of new housing. Government clearly signals the importance it attaches to the expansion of the sector; it must however do more than it is already doing to unleash the sector’s true potentials. It is important that private renting is seen as an attractive alternative to owner occupation.