

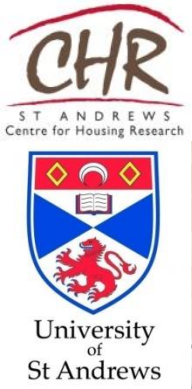
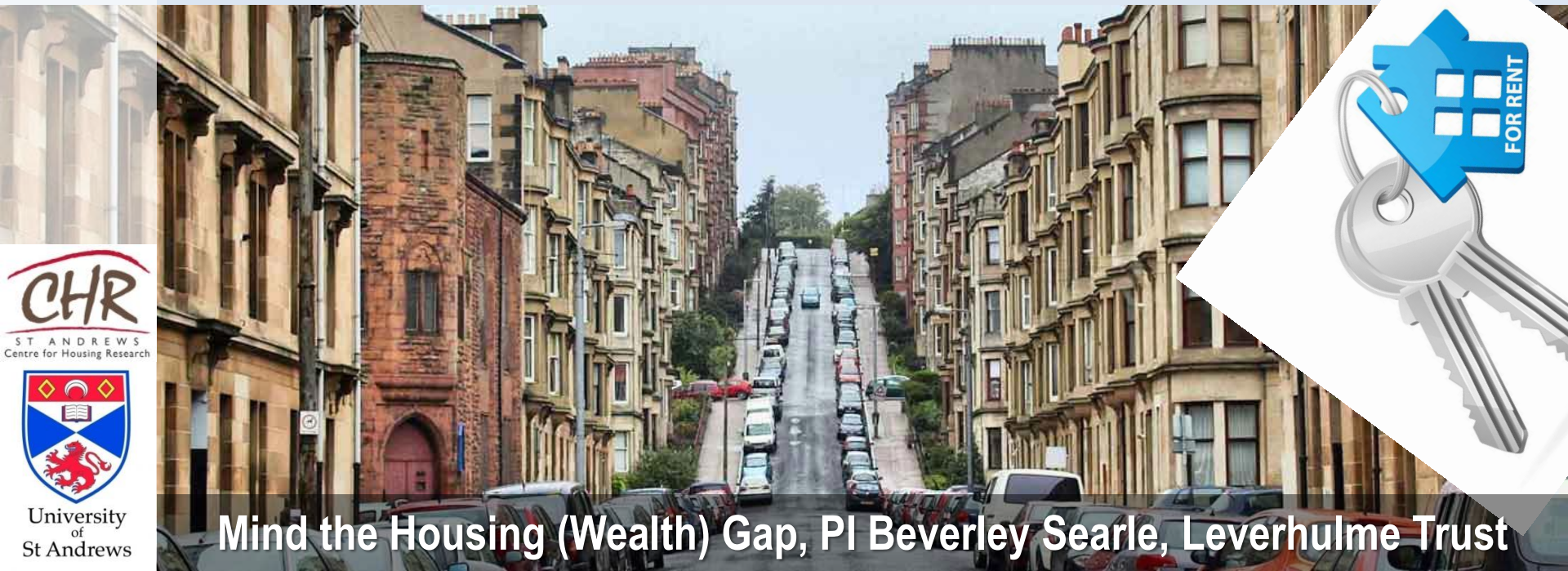
Property-based welfare and vulnerability in the UK PRS

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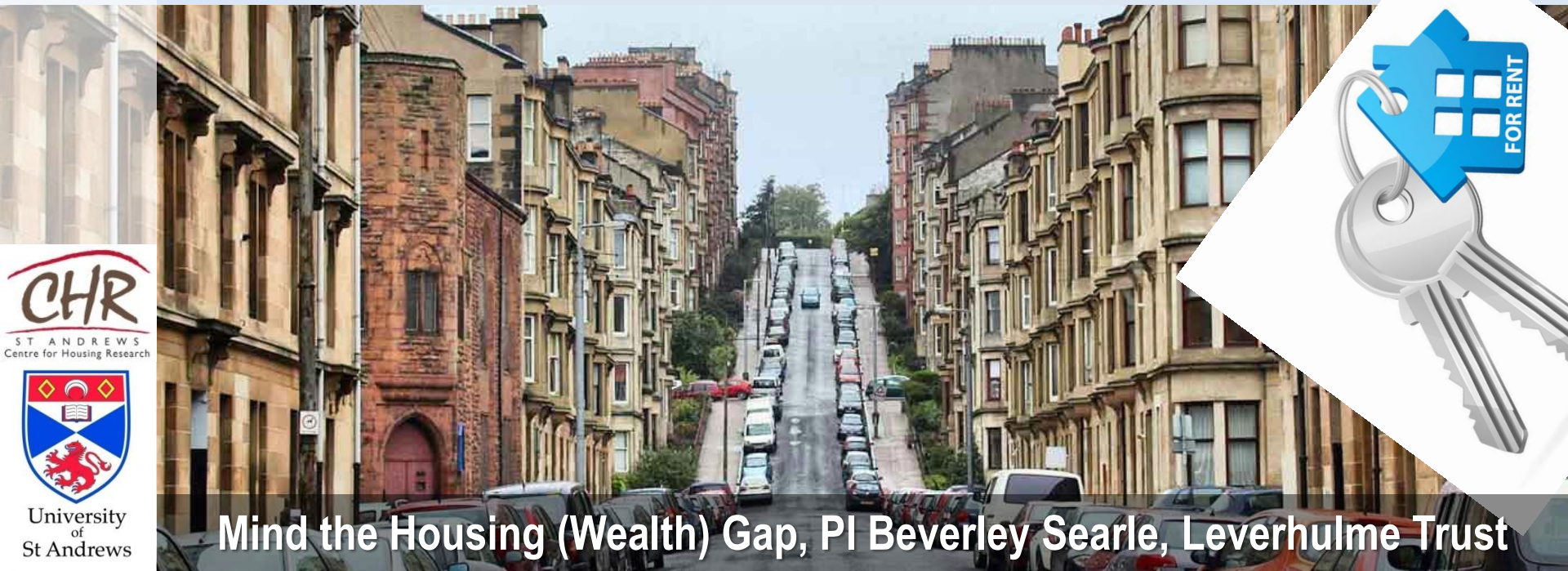
Mind the Housing (Wealth) Gap, PI Beverley Searle, Leverhulme Trust

Research questions

Slide 2

How do tenants' and landlords' housing pathways and property strategies intersect in the PRS?

- ✓ What are tenants' positions in the PRS?
- ✓ What are landlords' property strategies?

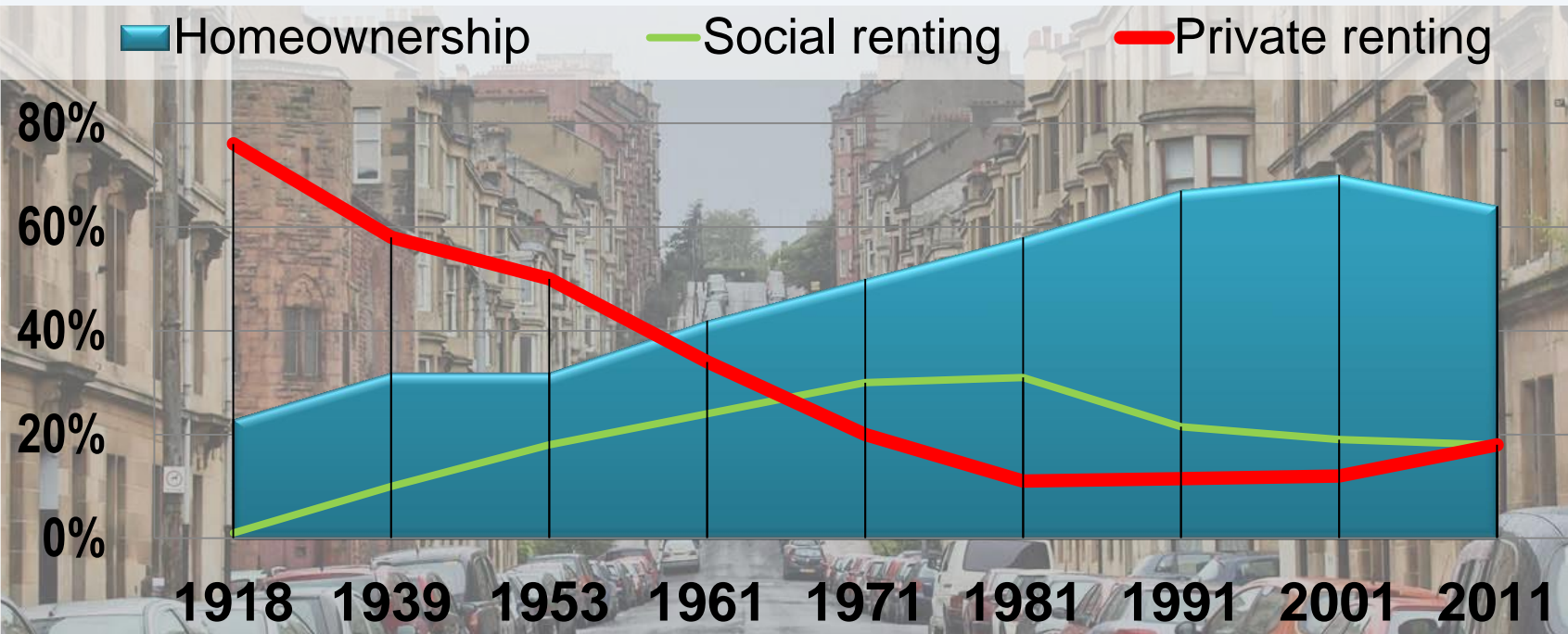


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The PRS growth

Slide 3

- ✓ Government deregulation (The 1988 Housing Act)
- ✓ Financial market responses (The 1996 Buy-to-Let)
- ✓ An emphasis on individual responsibility for welfare
- ✓ First-time-buyers' lack of affordability
- ✓ Population growth and demographic changes
- ✓ Employment trends and low interests rates



Socioeconomic profiles

Slide 4

Tenants

- ✓ 2000-2012: from 2 to 4 million households
- ✓ Singles, couples and families with children, almost equally
- ✓ Three quarters aged 16-44
- ✓ Mean wealth £9,500
- ✓ 24% suffer high housing costs, 10% were in arrears

Landlords

- ✓ 1991-2008: from 1% to 3% of all adult population
- ✓ 72% are married (8% are tenants themselves)
- ✓ Three quarters aged 35-65
- ✓ Mean wealth £330,000
- ✓ 12% had not enough income to meet everyday outgoings



Data: Mind the Housing (Wealth) Gap

Slide 5

Young people: tenure choices and welfare

Age group 18-35
CI Kim McKee

Housing wealth & household welfare

Age group 35-65
PI Beverley Searle

Six case studies located in England* and Scotland:**

10 online focus groups with 33 people

31 phone interviews

112 phone interviews across UK* stratified by:

Region

Tenure

Demographics



* Cornwall ,Sheffield and Surrey
**Edinburgh, N Lanarkshire & Scottish Borders

* Nested in the Family Resource Survey 2012 in which Northern Ireland is not represented

Data: Mind the Housing (Wealth) Gap

Slide 6

Sample distribution by tenure

	18-24	25-35	35-49	50-65
Homeowners,	3	14	25	54
Private tenants,	5	20	12	2
Social tenants,	1	3	7	12
With parents	10	6	-	-



Data: Mind the Housing (Wealth) Gap

Slide 7

Sample distribution by tenure

20 landlords, plus:
 8 prospective
 4 in the past
 39 PRS tenants, plus:
 4 social tenants

	18-24	25-35	35-49	50-65
Homeowners,	3	14	25	54
includes landlords	-	3	5	12
Private tenants,	5	20	12	2
of whom sharing	1	5	2	1
Social tenants,	1	3	7	12
from PRS homeless	-	1	3	-
With parents	10	6	-	-

Data: Mind the Housing (Wealth) Gap

Slide 8

Samples' distribution by household income (£)

Aged 35-65	less 15k	15-30k	30-40k	40-50k	50-60k	60-100k	over 100k	All
Landlords	4	1	5	1	2	-	4	17
Tenants	2	8	3	1	-	-	-	14

Aged 18-35	less 15k	15-30k	30-40k	40-50k	50-60k	60-100k	over 100k	All
Landlords			1	-	-	1	1	3
Tenants	5	10	6	2	-	2	-	25



Data: Mind the Housing (Wealth) Gap

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Landlords by region



The three young landlords live in the SE and the SW

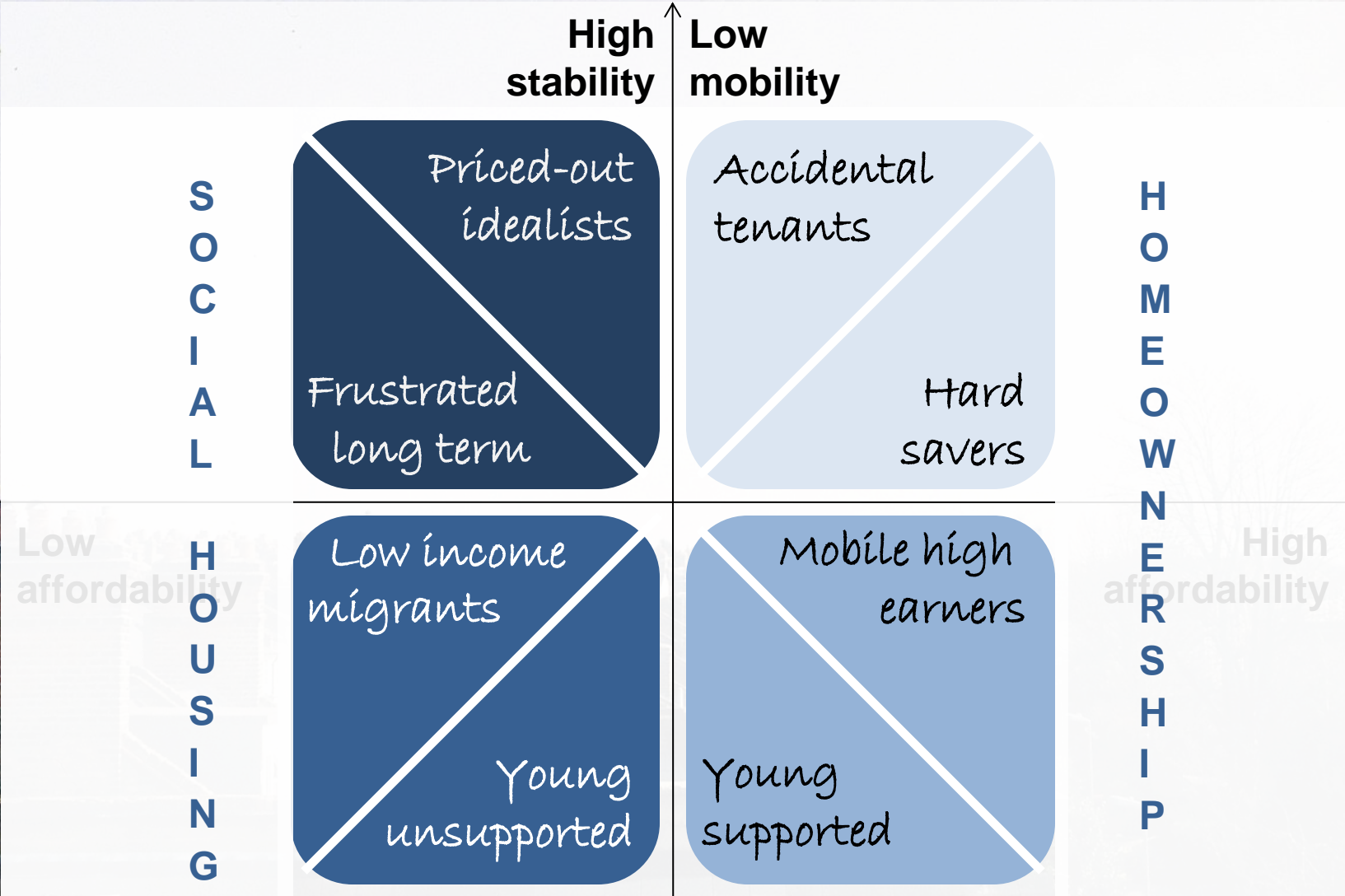
Otherwise, the most and least affluent landlords were spread across the UK

Tenants: spread across the UK

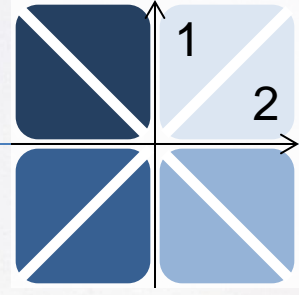


Tenants' positions

Slide 10



Tenants' positions



Slide 11

1. Accidental tenants

- ✓ Relatively affluent, short term
- ✓ Ready to buy when suits them
- ✓ Two respondents aged 42-45

2. Hard savers

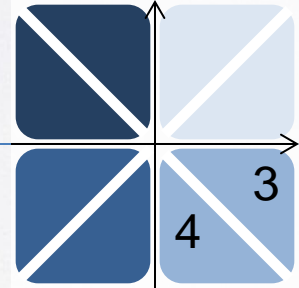
- ✓ Hoping to buy within 5 years
- ✓ In stable relationships
- ✓ Four respondents aged 23-32



I've been cash rich after divorce, I've just remarried, my wife is selling her property and then we buy. Renting for me is coming to a close (m, 42)

We set ourselves a savings target, we've spoken to our bank...Our plan is save save as much as we can and just buy what we can afford (f, 23)

Tenants' positions



Slide 12

3. Mobile professionals

- ✓ Globally mobile, high-income, career oriented
- ✓ Some family help (education)
- ✓ Four respondents aged 26-36

4. Family supported young

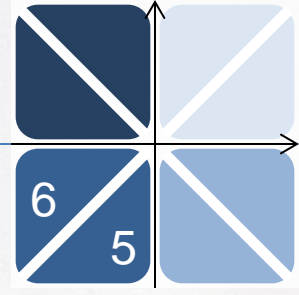
- ✓ Deposit-have (with family help)
- ✓ Lower/unstable income don't qualify them for mortgage
- ✓ Five respondents aged 22-30



It depends what kind of job I get... where it is, whether I just stay there just for a couple of years, or stay put for longer, it all just depends (f, 26)

My family offered to lend us money... my partner's got a bit of bad credit, they reject him, yet won't accept me saying I don't earn enough (f, 26)

Tenants' positions



5. Unsupported young

- ✓ Positive & negative experiences
- ✓ Expecting to rent for longer
- ✓ Five respondents aged 23-25

6. Low income migrants

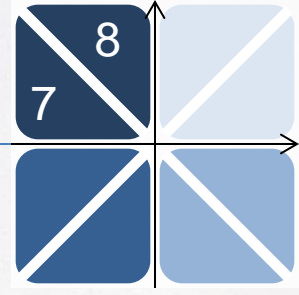
- ✓ Mobile and vulnerable
- ✓ Plan to access homeownership
- ✓ Eight respondents aged 29-58



I had to 'couch surf' before I was able to afford a house-share. I've only just moved out of HMOs, I hated it after a certain age (f, 25)

Well, I accept the situation, for now we have no choice... we don't really know how long we will live in this place or in this country (f, 38, HU)

Tenants' positions



Slide 14

7. Frustrated long term

- ✓ Single, aspire to social housing
- ✓ Vocal PRS regulators
- ✓ Six respondents aged 28-32

8. Priced-out idealists

- ✓ Mostly families with children
- ✓ Idealist males, hesitant females
- ✓ Five respondents aged 26-46



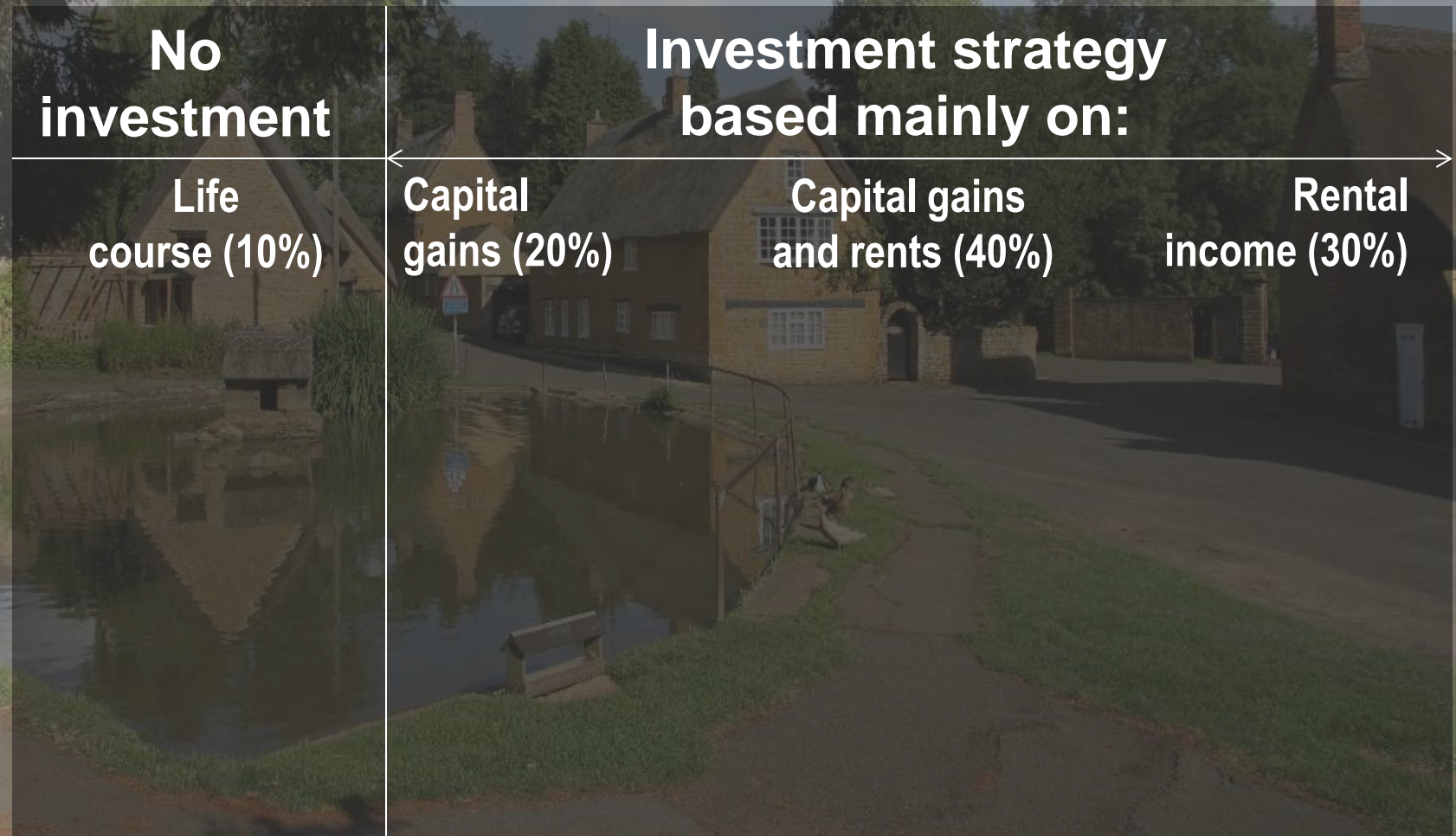
Lets are landlords' property and you just live in it. You get very little rights to improve the situation (m, 31)

I don't want to chain myself into paying my life for an unremarkable object. Life is change (m, 40)

Landlords' strategies

THE FORUM FOR HOUSING-RELATED RESEARCH AND DEBATE

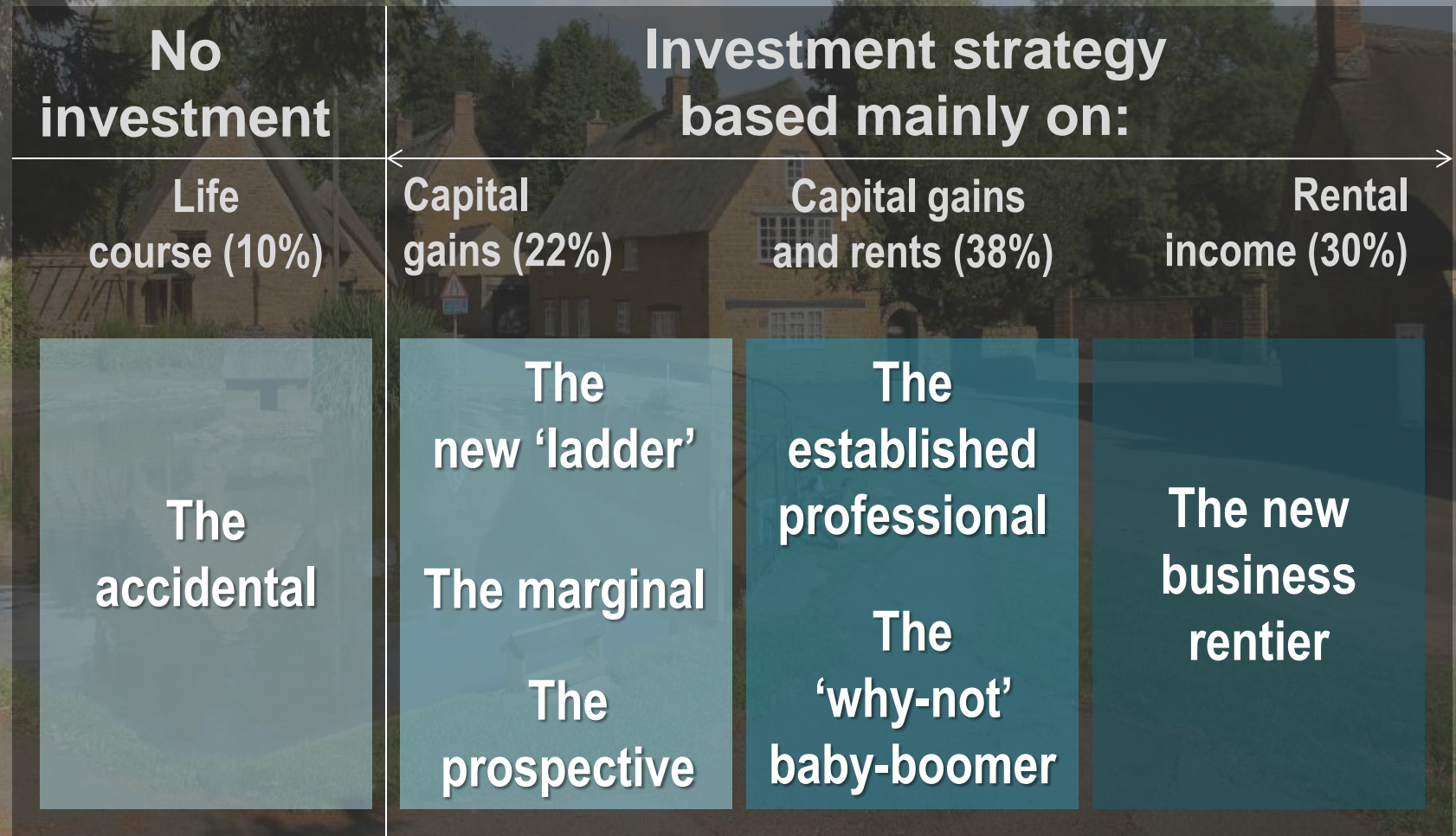
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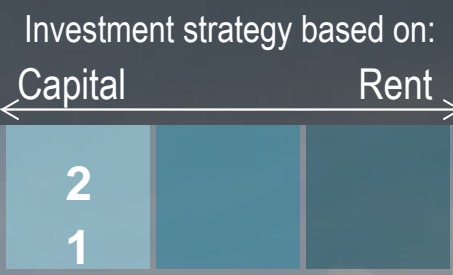


Landlords' strategies

THE FORUM FOR HOUSING-RELATED RESEARCH AND DEBATE

Slide 16





1. The prospective

- ✓ 9% of adult population (seven respondents aged 35-54)
- ✓ By moving-up or use of (future) inherited property
- ✓ Some 'wishful' thinkers

2. The marginal

- ✓ 12% of all landlords (four respondents aged 49-58)
- ✓ Self-employed (outright) homeowners
- ✓ Legacy of better days or a family effort via RTB
- ✓ Attached to their lets, seen a pension and a safety-net

3

4

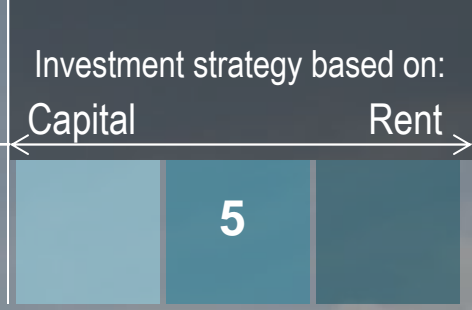
3. The new property-ladder

- ✓ One downsizer aged 62 buying with cash
- ✓ Five upsizers aged 28-37 having 1-2 properties
- ✓ By buying-to-develop, hard saving & some family help

“We live quite frugally, no flash holidays, don't eat out, I drive a 17 year old Volvo! Didn't leave home till 28, didn't marry till 31, didn't start having children till 34. Life delayed but we're better off now ” (m, 35)

4. The 'why-not' baby boomer

- ✓ Three respondents aged 58-64 on good income
- ✓ Because 'everybody does it' (portfolio 1:2-1 property)
- ✓ A kind of new type, long-term saving account



5. The established professional

- ✓ Five participants aged 50-65
- ✓ Four self-made millionaires and one inheritor
- ✓ Portfolio of 5-12 properties bought since the 1990s with (significant) cash from savings
- ✓ Prefer long term tenants

“Our children have a similar ‘investment in property’ mentality, learnt in the family! For example when they went to university, I enabled them to buy houses on their name that they let out to fellow students. And now they very wealthy” (m 65)





6. The new rentier

- ✓ Prefer HMOs in strategic locations with BTL interest-only
- ✓ Reinvest capital appreciation to expand rental portfolio
- ✓ Portfolio capital gains = portfolio debt

“I bought in London for £250,000, in five years it’s doubled in value. My mortgage on that is £350,000, my rent is £2,500, £800 is the mortgage. I’ve no intention of paying off but to suck monies to buy more properties. No investor would pay off the mortgage!” (m 55)

- ✓ Rental income is what matters

“I had a big package but had no time. Now I have time but still a big package. Property does that for you”

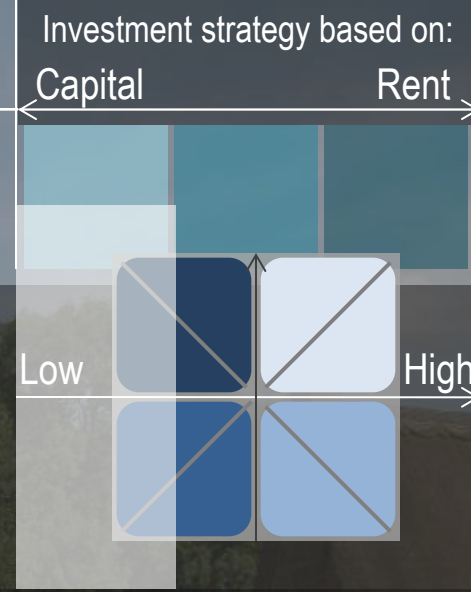


Concluding remarks

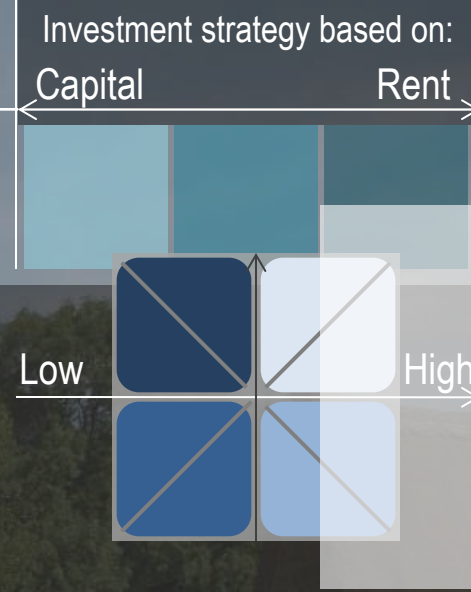
Do they dance together?

- ✓ Likely match between tenants' and landlords' economic marginality

“PRS isn't safe. A day late with the rent, and you're evicted!
Or you're evicted as your landlord is repossessed” (m 55)



Concluding remarks



Do they dance together?

- ✓ Likely match between tenants' and landlords' economic marginality
- ✓ Likely match between tenants' & landlords' economic affluence (PRS segment of choice)

“I don't think rent is dead money. It provides me with good quality shelter and it gives me flexibility” (f 28)

Tentative conclusions



Do they dance together?

- ✓ Likely match between tenants' and landlords' economic marginality
- ✓ Likely match between tenants' & landlords' economic affluence (PRS segment of choice)
- ✓ Challenging high diversity in between and across PRS

“I offered them a one/two year tenancy but they did not want it, I was quite surprised (m 35, landlord)

“I would be happy with renting, it's just that there is no safety or structure” (f 30)

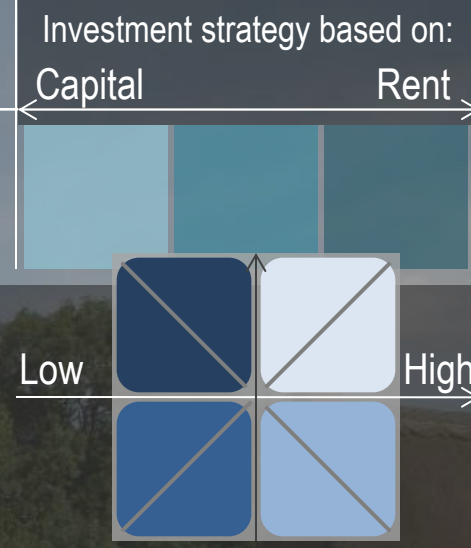


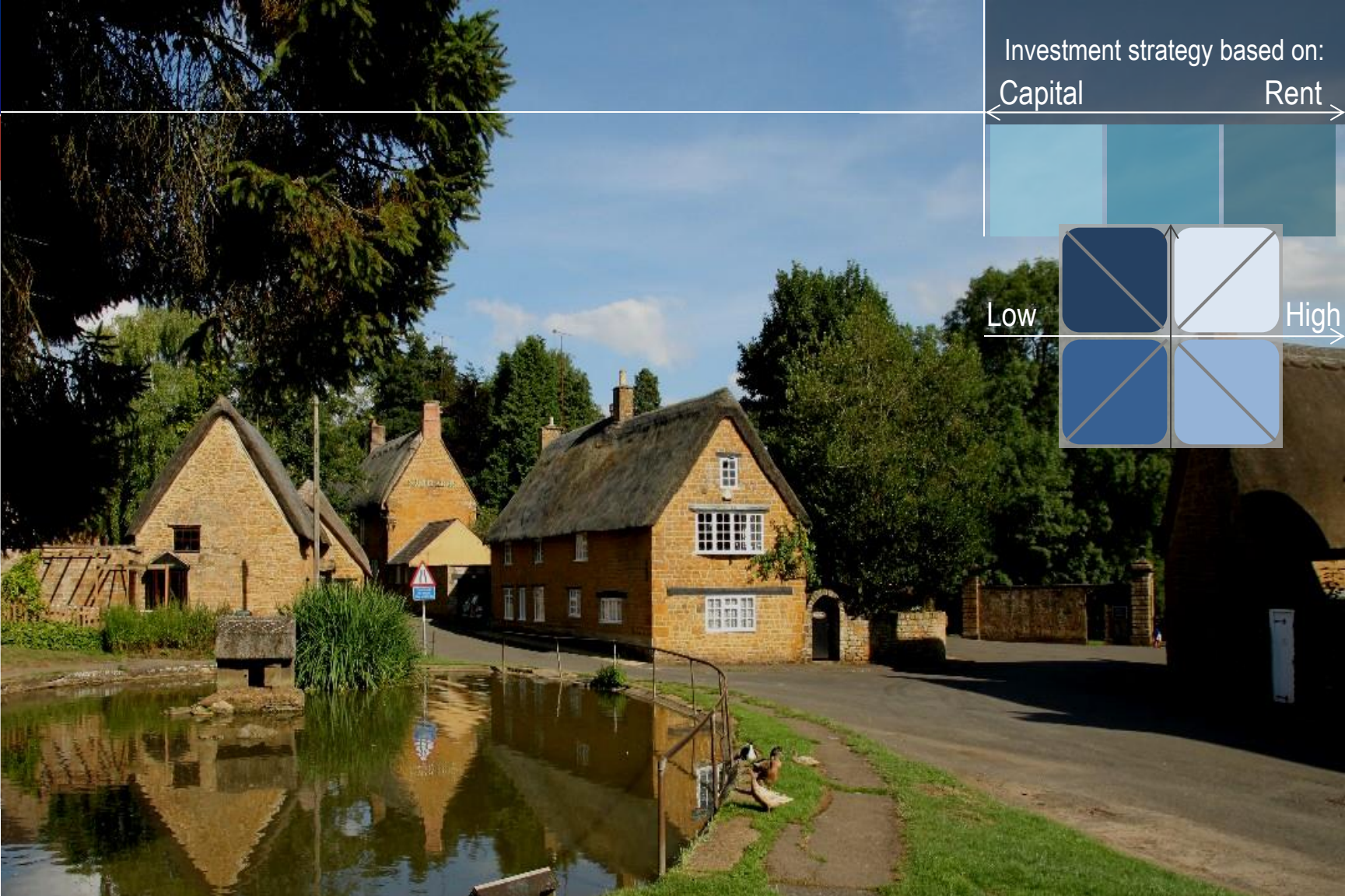
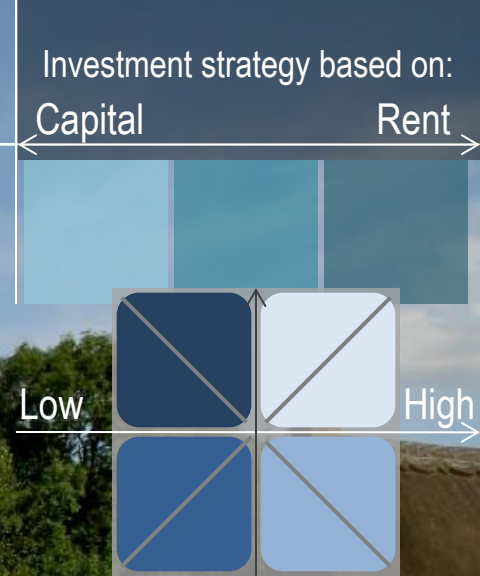
Addressing challenges?

“The tenants have been in it for three years. I think they are happy there and we are happy that they are paying us rent for it”

(m 54, accidental landlord)

- ✓ An asymmetric balance between security and flexibility, which should privilege the tenants (not suitable to some landlords)
- ✓ Much higher quality and management standards, particularly in HMOs which are deemed to be suitable to single adults under 35
- ✓ PRS problems are outcomes of broader processes which should be concomitantly addressed





Thank you