

Housing Rights

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Research Briefing

Affordability in the Private Rented Sector

November 2016

when everyone has a home

INTRODUCTION

In 2015-16, Housing Rights helped people with over 2,500 issues related to the PRS. Of these, affordability was second only to disrepair as the top issue of concern. Affordability is the fastest growing problem Housing Rights is contacted about by people living in the private rented sector (PRS). In light of the upcoming Welfare Reform changes, Housing Rights is concerned people's income will be put under further pressure and affordability issues will continue to rise within the PRS.

This briefing presents the findings of available research into living in the PRS and considers:

- The households that currently live in the PRS
- The motivations for low-income households to rent privately
- The affordability issues private tenants face
- Property conditions and affordability in the PRS

THE HOUSEHOLDS THAT CURRENTLY LIVE IN THE PRS

The PRS provides homes for 21% of all occupied housing stock in Northern Ireland¹ (NI). This has increased steadily from 10% in 2003-2004.

Facts and figures²:

- 54% of PRS tenants are under 40 years of age
- 33% are single
- 2.7% are students
- 22% are unemployed
- 27% earn less than £15,000 a year
- 7% are mixed religion/identity households

There have been significant shifts over the past 15 years in the types of households that live in the PRS. The NI Census³ data point to an increase in:

- the proportion of 1 parent families living in the PRS (17% in 2001 to 32% in 2011)
- the proportion of 1 non-pensioner person households (16% in 2001 to 26% in 2011)
- the proportion of non-pensioner couples without children (7% in 2001 to 16% in 2011).

Gray & McAnulty⁴ found 1 in 10 households in NI have an income below £5,000 and that this almost doubled for PRS households, with 19% having an income of less than £5,000. Kemp⁵ found similar patterns in England, concluding: *"the PRS is not simply accommodating niche groups of low-income households [...] the private rental housing market plays a substantial role in accommodating the poor."*

¹ Department for Communities (2015a); Family Resources Survey Report 2013-2014; available at <https://www.communities-ni.gov.uk/publications/family-resources-survey-report-2013-2014>

² Donald et al. (2011); Making the most of Northern Ireland's Private Rented Sector to meet housing need; CIH.

³ Northern Ireland Statistics & Research Agency (2013); Census 2011: Detailed Characteristics for Northern Ireland on Housing, Labour Market and Voluntary Work; available at: <http://www.nisra.gov.uk/census/2011/results/detailed-characteristics.html>.

⁴ Gray, P. & McAnulty, U. (2008); The Increased Role of the PRS in Catering for Low-income Groups in Northern Ireland; European Journal of Housing Policy; 8(4): 361-377.

⁵ Kemp, P. (2011); Low-income Tenants in the Private Rental Housing Market; Housing Studies; 26(7-8): 1024.

THE MOTIVATIONS FOR LOW-INCOME HOUSEHOLDS TO RENT PRIVATELY

“many tenants who would have traditionally rented from the Housing Executive or Housing Associations are now choosing to live in the PRS”⁶

There are several interrelated factors which help us to understand why low-income households choose to live in the PRS:

a) Location

As the social housing stock has decreased due to the Right to Buy Scheme, this has affected the chances of some households, particularly single people, to gain access to social housing in their desired area. Privately rented houses in these highly sought after areas are an opportunity to move into the area without relying on the selection scheme. Donald et al.⁷ surveyed tenants in the PRS to ask why they chose their current tenure:

- 32% of respondents indicated that the PRS enabled them to live in their preferred location and was therefore a positive choice
- 28% said it was because of the length of the waiting list for social housing
- 31% of tenants surveyed stated that they would prefer to live in social housing

b) Less segregation

Gray & McAnulty⁸ note growing evidence that mixed religion couples on low incomes choose to live in the PRS because accommodation is less segregated than in social housing estates. Donald et al.⁹ corroborate this by quantifying mixed religion households in the PRS as making up 7% of the sector, whilst they are at their lowest in the social rented sector (2% of Housing Executive properties and 1% of Housing Association properties).

c) Fully furnished

The option of renting a home in the PRS which is fully furnished is appealing for some households, particularly those who are leaving the family home for the first time. It allows them to access their own property without having to budget for the initial outlay of furnishings.

“An additional attraction is that private landlords are able to offer properties fully furnished: a service the Housing Executive does not provide.”¹⁰

⁶ Gray, P. & McAnulty, U. (2008); The Increased Role of the PRS in Catering for Low-income Groups in Northern Ireland; European Journal of Housing Policy; 8(4): 361.

⁷ Donald et al. (2011); Making the most of Northern Ireland’s Private Rented Sector to meet housing need; CIH.

⁸ Gray, P. & McAnulty, U. (2008); The Increased Role of the PRS in Catering for Low-income Groups in Northern Ireland; European Journal of Housing Policy; 8(4): 361-377.

⁹ Donald et al. (2011); Making the most of Northern Ireland’s Private Rented Sector to meet housing need; CIH.

¹⁰ Gray, P. & McAnulty, U. (2008); The Increased Role of the PRS in Catering for Low-income Groups in Northern Ireland; European Journal of Housing Policy; 8(4): 372.

d) Social housing stigma

PRS is particularly attractive to those who feel that there is a stigma attached to social housing. In Donald et al's¹¹ survey, 48% indicated that they saw the PRS as more desirable than the social rented sector and 6% said they chose to live in the PRS because they didn't want to live in a Housing Executive estate.

The factors discussed (location, less segregation, furnishing and stigma) have a part to play in the motivations of low income households choosing to live in the PRS. Gray & McAnulty¹² comment that the PRS is:

“increasingly playing a pivotal role in the supply of social housing. There has been an increase in the number of low income and vulnerable groups who are now living in the sector. Increasingly the PRS is therefore becoming ‘the preferred tenure’ of the marginalised and excluded. [...] If receipt of housing benefit is taken as an indicator of social housing, then there are now more social housing tenants in the PRS than all of the housing associations put together.”

THE AFFORDABILITY ISSUES PRIVATE TENANTS FACE

Liddell & Gray¹³ surveyed 138 tenants in the PRS in NI in 2012. A similar survey was carried out in 2006 and it is possible to compare and contrast the results to understand changes in the PRS as a whole and the affordability issues tenants face.

The relevant data has been set out in the table below with arrows used to indicate if the 2012 figure has increased or decreased from the 2006 value, where this information is available.

Experiences of NI PRS Tenants - 2012	Experiences of NI PRS Tenants - 2006
↑ 63% paid a deposit – average = £413	42% paid a deposit –average = £294
↑ 45% paid rent in advance –average = £451	34% paid rent in advance – average = £348
↑ 70% paid either a deposit or rent in advance – on average that was £695	53% paid either a deposit or rent in advance – on average that was £439
93% were unaware of any rent/deposit guarantee schemes	n/a
Of those who paid money in advance: ↓ – 55% were in receipt of Housing Benefit ↓ – 46% found it fairly/very difficult to afford – 33% received help with upfront costs	Of those who paid money in advance: – 64% were in receipt of Housing Benefit – 62% found it fairly/very difficult to afford
Of those who received help with upfront costs:	No comparable info

¹¹ Donald et al. (2011); Making the most of Northern Ireland's Private Rented Sector to meet housing need; CIH.

¹² Gray, P. & McAnulty, U. (2008); The Increased Role of the PRS in Catering for Low-income Groups in Northern Ireland; European Journal of Housing Policy; 8(4): 375-6.

¹³ Liddell, C. & Gray, B. (2014); Fuel Poverty in Northern Ireland's Private Rental Sector; University of Ulster; available at http://uir.ulster.ac.uk/31020/1/Private_rental_and_fuel_poverty_report_FINAL.pdf

<ul style="list-style-type: none"> – 41% were helped by parents – 22% were helped by other family members – 19% were helped by the DHSS – 16% were helped by friends 	
15% had previously had to refuse housing because couldn't afford deposit	No comparable info
15% had previously had to refuse housing because couldn't afford the rent in advance	No comparable info
↑ Mean weekly rent = £99	Mean weekly rent = £79
↑ 50% found it very/fairly difficult to pay rent	46% found it very/fairly difficult to pay rent
5% were in 2 or more weeks of rent arrears	5% were in 2 or more weeks of rent arrears
Method of paying the rent: ↓ 50% = cash ↑ 15% = standing order ↓ 28% = direct debit 4% = bank lodgement	Method of paying the rent: 67% = cash 8% = standing order 18% = direct debit 6% = cheque
↓ 57% received Housing Benefit	60% received Housing Benefit
Of those in receipt of HB: – 32% knew the amount of HB they would receive before moving in ↓ – 73% had the HB paid directly to landlord ↑ – 76% pay a shortfall: mean = £29/week – 37% with a shortfall knew of Discretionary Housing Payments	Of those in receipt of HB: – 85% had the HB paid directly to the landlord – 68% pay a shortfall: mean = £20/week

Table 1: A comparison between the financial experiences of tenants living in the PRS in 2006 and 2012.

In summary, housing costs associated with the PRS increased between 2006 and 2012; and fewer people received proportionally less Housing Benefit across the same period, making affordability issues more of a concern for low income households living in the PRS. Housing Rights is concerned that the impact of Welfare Reform will continue this pattern, with affordability becoming even more of an issue for private tenants.

A report from Fabian Society, written by Andrew Harrop, predicts the shortfall between rent and HB will rise by 300% by 2020 and, unless benefit levels rise, by 800% by 2030. Harrop comments:

The rising cost of rented housing could turn out to be the greatest social challenge of the 2020s. For the next few years, as the housing benefit shortfall grows, people are likely to make ends meet by giving up on other essentials or by trading down into overcrowded, unfit housing. [...] After 2020, either housing benefit for private tenants must be made significantly more generous, or large numbers of people will become homeless.¹⁴

¹⁴ The Guardian (24 August 2016); Poorer renters at risk from homelessness as benefit shortfall grows; <https://www.theguardian.com/society/2016/aug/24/poor-uk-private-rent-homelessness-risk-housing-benefit-shortfall-2020>.

Research by the Joseph Rowntree Foundation (JRF) has discovered that the number of people in poverty in the PRS has doubled in the last decade¹⁵. One of the recommendations of the JRF report¹⁶ on poverty in the UK is to improve access to secure and affordable homes. JRF propose that affordability and conditions in the PRS could be improved by:

Devolv[ing] regulation of the private rented sector to groups of local authorities or city regions, including scope to govern tenure length, standards and the rate at which landlords can increase rents over the course of a tenancy.

The report also recommends that a compensation policy (distinct from Discretionary Housing Payments) should be introduced for people who are affected by the Social Sector Size Criteria ('Bedroom Tax') who are willing to move but who cannot because of specialist needs, such as adapted accommodation for disability, shared parenting responsibilities, or a lack of suitable alternative properties. In Northern Ireland, people impacted by this change are due to have the loss made up in a separate mitigation payment. The exact regulations identifying how this payment will be awarded has not yet been published and Housing Rights has concerns that certain people may lose out.

PROPERTY CONDITIONS AND AFFORDABILITY IN THE PRS

The basic condition of properties in the PRS has improved, as shown by the NIHE’s report¹⁷ on the improving fitness level of dwellings in the sector from 2009 – 2011:

	2009	2011
Unfitness rate	2.2%	2%
Disrepair – at least one fault	56%	53%
Failed the Decent Homes Standard	17%	10%
HHSRS¹⁸ – at least one Category 1 hazard	15%	8%
Fuel Poverty	55%	49%

Table 2: A comparison between households in the PRS with poor housing conditions in 2009 and 2011.

The table above charts an improvement in property conditions, as monitored in terms of both the Decent Homes Standard and the Housing Health and Safety Rating System (HHSRS). However, with 49% being at risk of fuel poverty and more than half of properties in disrepair, there is a clear need for improvements to be made in the sector as a whole.

The UK Fuel Poverty Strategy’s definition of Fuel Poverty is:

“...a fuel poor household is one that cannot afford to keep adequately warm at reasonable cost. The most widely accepted definition of a

¹⁵ <https://www.jrf.org.uk/blog/housing-market-isnt-helping-people-make-ends-meet-time-living-rents>
¹⁶ Joseph Rowntree Foundation (2016); We can solve poverty in the UK; <https://www.jrf.org.uk/report/we-can-solve-poverty-uk>
¹⁷ Northern Ireland Housing Executive (2016); Northern Ireland Housing Market Review & Perspectives 2015 – 2018; available at http://www.nihe.gov.uk/index/corporate/housing_research/housing_market_review.htm.
¹⁸ Housing Health and Safety Rating System

fuel poor household is one which needs to spend more than 10% of its income on all fuel use and to heat its home to an adequate standard of warmth.”¹⁹

NI has the highest prevalence of fuel poverty in the UK, and one of the highest in the EU, with 42% of households in NI currently experiencing fuel poverty²⁰. This figure increases in the PRS, with 50% of private renters likely to be in fuel poverty²¹ suggesting that energy efficiency measures are urgently required in the sector. The reason for this increased level of fuel poverty in the PRS compared to other tenures has been proposed to be because:

“all three contributors to fuel poverty are at an elevated level of risk for this sector in NI: the building fabric of privately rented homes is poorer, the incomes of tenants is lower, and the cost of heating is greater because of the need for secondary heating systems and poor landlord uptake of conversion to gas.”²²

Fuel costs is an additional issue which causes affordability issues and can make it more difficult for tenants to live comfortably in the PRS.

CONCLUSION

While there are certain benefits associated with renting in the private sector, such as location, less segregation, furnishing, condition and social housing stigma, it is vital to be aware of the affordability issues associated with the sector. When making recommendations to the PRS, organisations must be mindful of the available support that may be required to set up and maintain such a tenancy.

¹⁹ Liddell, C. & McKenzie, P. (2013); Tackling Fuel Poverty in Northern Ireland: An Area-Based Approach to Finding Households Most in Need; p. 2; http://uir.ulster.ac.uk/27679/1/AWP1_REPORT_FINAL_TYPESET_COPY.pdf

²⁰ Northern Ireland Housing Executive (2016); Northern Ireland Housing Market Review & Perspectives 2015 – 2018; available at http://www.nihe.gov.uk/index/corporate/housing_research/housing_market_review.htm.

²¹ Liddell, C. & Gray, B. (2014); Fuel Poverty in Northern Ireland's Private Rental Sector; University of Ulster; available at http://uir.ulster.ac.uk/31020/1/Private_rental_and_fuel_poverty_report_FINAL.pdf

²² Ibid; p. 26