
Chapter 1

Trends in tenure

In England there are three main tenure groups: owner occupiers, private renters and social renters. In 2012-13 owner occupation was the largest of the three, with 14.3 million households. There were 4.0 million households in the private rented sector and 3.7 million households in the social rented sector¹.

Owner occupiers

Households that live in a home they own are said to be owner occupiers. The owner occupied tenure is composed of two distinct groups, mortgagors and outright owners.

Mortgagors have taken out a loan or *mortgage* to help purchase their home, and are still in the process of repaying the debt. A mortgage is typically repaid over a period of twenty years or more.

Outright owners have paid off their mortgage² and own their home without qualification or limitation.

In 2012-13, of the 14.3 million households that were owner occupiers, there were 7.2 million mortgagors and 7.2 million households who owned outright³.

As at April 2014 the average home in England cost £242,000⁴. The cost of buying a home is typically several times the household income, and the home is often the highest value item many people will ever own.

A loan or mortgage is usually required to help make the purchase of a home. The lender (a bank or mortgage provider) will require evidence of a household income sufficient to repay the loan, while the borrower will still have to fund a substantial down payment or deposit.

¹ This breakdown concerns main homes only, excluding accommodation that would count as a second or holiday home.

² Some outright owners will have inherited their current home or bought it solely with savings or equity released from the sale of a previous home. They will therefore not have needed a mortgage to help with the purchase.

³ Figures for mortgagors and those owning outright do not add to the overall figure for owner occupiers due to rounding.

⁴ ONS House price index: <http://www.ons.gov.uk/ons/rel/hpi/house-price-index/april-2014/stb-april-2014.html>

The loan is secured on the accommodation meaning that if the borrower defaults on repayment of the loan, the lender can sell the home to recover the cost of the initial loan (known as 'repossession').

Owner occupiers typically live in houses, with relatively more households in detached and semi-detached accommodation than the other tenures. Less than one in ten owner occupiers lived in a flat⁵. Owners are generally responsible for the upkeep and maintenance of their homes (for private and social renters this is normally arranged by the landlord).

The English Housing Survey (EHS) Households report 2012-13, for the first time, includes discussion of an additional sub-group, recent first time buyers, defined as those who had bought a home for the first time within the last three years. This group is a sub-group of mortgagors for the most part, but some first time buyers are outright owners.

Private renters

A room or dwelling rented or 'let' in the private rented sector is typically owned by a private individual or a business and let as part of a commercial operation. The owner or *landlord* decides at what level to set the rent, guided by what potential tenants will be willing to pay given the size and quality of the accommodation and the local market conditions.

Private landlords comprise a range of different types, from an organisation with a large portfolio of property through to 'accidental' landlords, for example those renting their main home as a short-term measure or to family members.

The tenant will enter into a contract or 'tenancy agreement' with the landlord. This will set out the conditions of the tenancy including the amount to be paid in rent, the length of time the tenant will be in occupation, and who has responsibility for various types of repair. In some cases the landlord will appoint a lettings agent or property management company to find tenants and oversee the property, which may be let furnished or unfurnished.

A let in the private rented sector commonly has a fixed initial term of 6 or 12 months (although the tenant and landlord can agree a longer fixed term period). After the fixed term ends, if a new one is not agreed, the tenancy will 'roll on'. From this point on, the landlord typically has the right to terminate the tenancy with two months' notice, and the tenant with just one month's notice.

⁵ In 2012-13, a third (31%) lived in semi-detached houses, a quarter (26%) in terraced housing and a quarter (24%) in detached housing. There were 10% in bungalows, and the remaining 8% lived in flats.

Private renting is often characterised as the most flexible type of tenure, with moves both into and within the sector relatively easy to achieve. Less substantial funds are required up front than for purchasing a home, and there are fewer eligibility criteria than for social renting. The relatively short fixed-term of the tenancy is less of a commitment and maintenance and repairs are largely the responsibility of the landlord, not the tenant. This makes the sector attractive for people who need to move around, for example for job-related reasons. Private renting can also be important as an interim measure, for instance prior to moving into owner occupation.

Private renters live chiefly in flats and terraced housing, and compared to owner occupiers, are less likely to be in detached or semi-detached homes⁶.

Social renters

Social housing refers to accommodation rented out or 'let' by local authorities or housing associations at a subsidised rent, typically around half of the market rent⁷.

The main route into social housing is through a waiting list which is operated by the local authority. An individual or household must apply for social housing. Applicants are then assessed against rules set individually by each local authority. These rules decide whether they qualify to go onto the waiting list and their level of priority. After assessment it can take six months or more to be housed⁸.

Historically homes in the social rental sector were offered with a 'secure' or life-time tenancy. More recently a broader range of tenancies have been offered, including fixed-term tenancies, generally of five years or more. These tenancies can also be offered with a lower subsidy; under the 'Affordable Rent' scheme rents are set at approximately 80% of the market level.

Tenants of local authorities have broadly the same conditions on their tenancy as those who rent from housing associations. However, secure tenants of local authorities, resident for five years or more are offered the opportunity to buy the home they rent at a substantial discount under the 'Right to Buy' scheme. This opportunity is not generally available to tenants of a housing association⁹.

⁶ In 2012-13 dwellings in the private rented sector were primarily flats (39%) and terraced housing (34%). Semi-detached housing accounted for 16% of dwellings and 11% were detached houses (including bungalows).

⁷ Market rent is the level that is paid in the private rented sector, where rent levels are determined chiefly by local market conditions. Where there is a high demand for rented accommodation and limited supply, landlords will be able to ask for higher rents.

⁸ Of all social renters who had lived in their current home for less than 10 years, a half (47%) had waited six months or more before being allocated their current home. EHS Household Report, 2012-13 Annex Table 4.10.

⁹ Assured tenants of a housing association who were previously secure tenants of a local authority and were transferred with their homes as part of a stock transfer keep their right to buy under a scheme known as 'Preserved Right to Buy'.

Trends in tenure

- 1.1 In 2012-13, there were a total of 22.0 million households, of which 65% were owner occupiers, 18% were private renters and 17% were social renters. The relative size of these tenures has changed radically over the last hundred years.
- 1.2 At the end of the First World War in 1918, three quarters of households in England were private renters, a quarter were in owner occupation and less than 1% were in social rented accommodation¹⁰.
- 1.3 The following year the Housing & Town Planning Act 1919 was passed, obligating local authorities to provide social housing. Rent subsidies meant social housing was more affordable than private renting and therefore more desirable, especially among low income earners. By 1939 the social rented sector had grown and housed 10% of all households with private renting declining to 58%¹¹.
- 1.4 The shift towards the social rented sector and away from private renting continued after the Second World War with large scale rebuilding programmes delivering significant numbers of social homes. Between 1939 and 1953 an additional 1.3 million homes were added to the social housing stock¹², and a further 1.0 million by 1961. A quarter (23%) of all households were socially renting by this time and the proportion of households renting privately had declined to 34%.
- 1.5 Growth in owner occupancy also picked up in the 1950s, as wages grew at a faster rate than the increase in house prices. This made houses relatively more affordable, and the percentage of home owners increased from 32% in 1953 to 42% in 1961¹³.
- 1.6 The growth in home ownership continued through the 1960s and by 1971, the proportion of owner occupiers (51%) was approximately equal to the combined rented sectors. From this point on home ownership has been the prevailing sector for households in England.

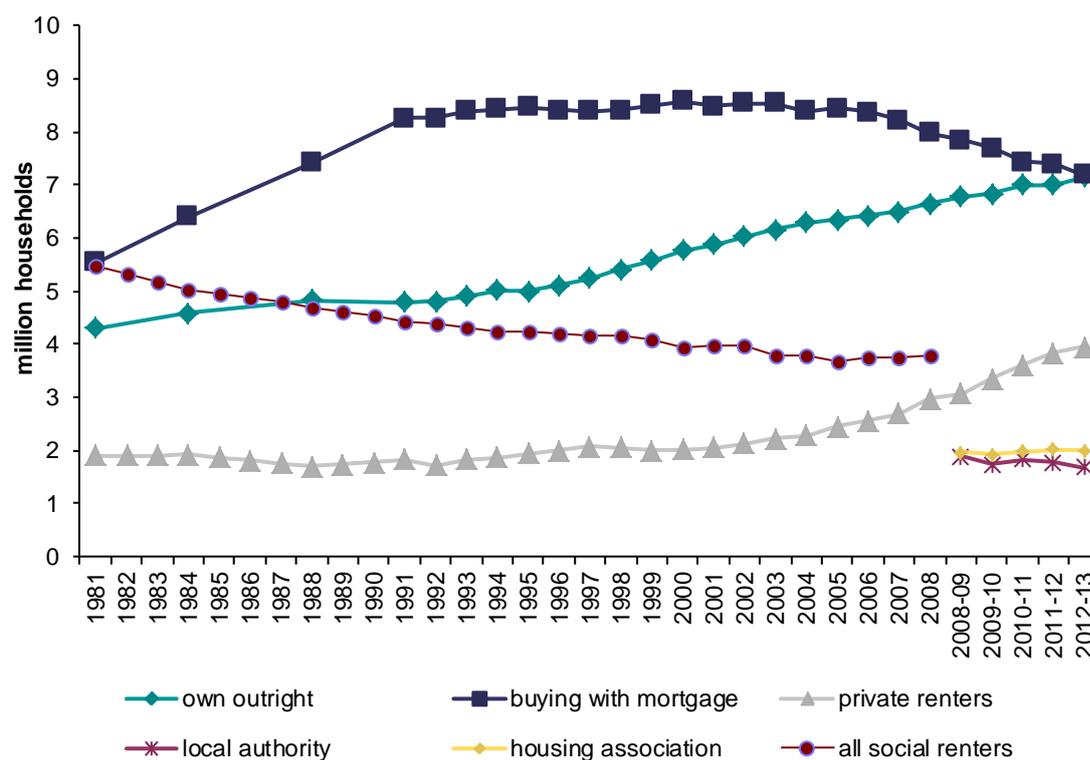
¹⁰ Housing in England 2007/08, TSO (2009)
<http://webarchive.nationalarchives.gov.uk/20121108165934/http://www.communities.gov.uk/publications/corporate/statistics/housingengland200708>

¹¹ 'A Century of Home Ownership' ONS. <http://www.ons.gov.uk/ons/rel/census/2011-census-analysis/a-century-of-home-ownership-and-renting-in-england-and-wales/short-story-on-housing.html>
[Part of 2011 Census Analysis, A Century of Home Ownership and Renting in England and Wales Release](#)

¹² Historical Statistics of Housing in Britain, The Cambridge Centre for Housing and planning Research, by Alan Holmans, p143, Table E.3. covering England and Wales.

¹³ As in footnote 8, Table E.4. covering England and Wales.

Figure 1.1: Trends in tenure, 1981 to 2012-13



Base: all households

Note: underlying data are presented in Annex Table 1.1

Sources:

1981 to 1991: DOE Labour Force Survey Housing Trailer;

1992 to 2008: ONS Labour Force Survey;

2008-09 onwards: English Housing Survey, full household sample

- 1.7 The dominance of the owner-occupied sector was reinforced throughout the 1980s. Between 1985 and 1988 the country experienced economic growth, partly driven by tax cuts, privatisation of national industries, and deregulated financial markets. There was encouragement from the Conservative government of the day for those who traditionally rented to enter into home ownership^{14,15}.
- 1.8 The Housing Act 1980^{16,17} allowed local authorities to sell social housing to sitting tenants at a discount on the market value, known as the ‘Right to Buy’ scheme. From 1980 to 1990 there were on average 95,000 sales per year under the scheme, helping to confirm owner occupancy as the prevailing tenure¹⁸.

¹⁴ Hope and Glory: Britain 1900-2000: Updated to Cover 1992-2002 (Penguin History of Britain) Peter Clarke. 2nd Revised Edition, 25th March 2004.

¹⁵ <http://www.bbc.co.uk/news/uk-politics-22076774>

¹⁶ ONS study: A Century of Home Ownership. <http://www.ons.gov.uk/ons/rel/census/2011-census-analysis/a-century-of-home-ownership-and-renting-in-england-and-wales/sty-home-ownership.html>

¹⁷ Tenure Trends in the UK Housing System: Will the private rented sector continue to grow? Ben Pattison with Diane Diacon and Jim Vine <http://www.bshf.org/published-information/publication.cfm?lang=00&thePubID=46C4A5EA-15C5-F4C0-99C662FE48B048B9>

¹⁸ <https://www.gov.uk/government/statistical-data-sets/live-tables-on-social-housing-sales> Table 671.

- 1.9 There was a marked decline in the size of the social rented sector due to both low build rates and the Right to Buy scheme; in 1981, the sector accounted for 5.5 million households (32%) but by 1991, this had dropped to 4.4 million households (23%)¹⁹. By the millennium the sector had seen a further decline to 4.0 million households.
- 1.10 Conversely, rates of home ownership increased dramatically throughout the 1980s (Figure 1.1 and Annex Table 1.1). In 1981 there were 9.9 million households in the owner occupied sector, of which 5.5 million were buying with a mortgage. By 1988 this had risen to 12.2 million, with 7.4 million buying with a mortgage²⁰, Fig. 1.1.
- 1.11 The number of households owning outright maintains a steady increasing trend throughout the time period shown. It is the trend for mortgagors that most reflects the current market conditions, the state of the economy, and changes in government policy.
- 1.12 In 1989 there was a crash in house prices^{21,22,23}, followed by a recession. Through the 1990s, the number of owner occupiers continued to increase but at a much slower rate, peaking in 2006 at 14.8 million households (71%) of which 8.4 million were buying with a mortgage.
- 1.13 The 2000s saw new trends emerging. An increasing population²⁴ led to a greater demand for housing. This demand combined with limited new housing supply exerted upward pressure on house prices. Increasing house prices, relative to incomes, made it more difficult for first time buyers to get onto the property ladder.
- 1.14 After the economic downturn in 2008 banks tightened conditions on mortgage lending²⁵. This contributed to a further decline in the number of new mortgagors, particularly first time buyers, despite many areas seeing a dip in house prices, and historically low interest rates.
- 1.15 Since 2006-07, the overall number of owner occupiers has decreased slightly each year and in 2012-13 reached its lowest level since the 1980s, (14.3 million).

¹⁹ EHS Headline Report, 2012-13, Fig. 1. <https://www.gov.uk/government/publications/english-housing-survey-2012-to-2013-headline-report>

²⁰ The number of households owning outright maintains a steady increasing trend throughout the time period shown. It is the trend for mortgagors that most reflects the current market conditions, the state of the economy, and changes in government policy.

²¹ <http://www.lloydsbankinggroup.com/globalassets/documents/media/economic-insight/house-price-tools/historicdatajun2014.xls>

²² http://news.bbc.co.uk/1/hi/in_pictures/4446012.stm

²³ ONS house price index <http://www.ons.gov.uk/ons/publications/re-reference-tables.html?edition=tcn%3A77-333218>

²⁴ <https://www.gov.uk/government/statistical-data-sets/live-tables-on-household-projections>

²⁵ Mortgage lending has been restricted since 2008, with lower loan-to-value (LTV) ratios being accepted by lenders, meaning that larger deposits are needed.

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- 1.16 The fall in owner occupation has coincided with a rise in privately rented households. Throughout the 1980s and 1990s, the proportion of private sector households stayed steady at around 10% of the market. However, the sector has undergone sharp growth since the early 2000s and nearly doubled in size by 2012-13, with 18% of households now living in the private rented sector.
- 1.17 A number of factors have contributed to an increase in supply of homes to the private rented sector. Rent controls were removed in the late 1980s (giving landlords more freedom to set rent levels), and assured shorthold tenancies became the standard, giving greater flexibility in the length of tenancies. Lenders introduced the buy-to-let mortgage at around the same time, attracting many new investors into the private rented sector.
- 1.18 By 2012-13, the private rented sector accounted for 4.0 million households, exceeding the social rented sector in size at 3.7 million households.
- 1.19 Social rented sector households rent either from their local authority or from a housing association. The size of the social sector overall since 1981 and the breakdown of the two groups from 2008-09 onwards can be seen in Figure 1.1 and Annex Table 1.1. Although not shown in the table, in the 1980s the majority of social sector housing was provided by local authorities with only a small proportion provided by housing associations²⁶.
- 1.20 During the 1980s, the large scale voluntary transfer (LSVT) scheme was introduced. This scheme enabled local authorities to transfer the ownership and management of council homes to housing associations, subject to the agreement of tenants through ballots. This process has driven a decline in the number of local authority households and a corresponding increase in housing association numbers.

²⁶ See Live Table 104 Dwelling stock: by tenure, England (historical series): <https://www.gov.uk/government/statistical-data-sets/live-tables-on-dwelling-stock-including-vacants>