
Chapter 1

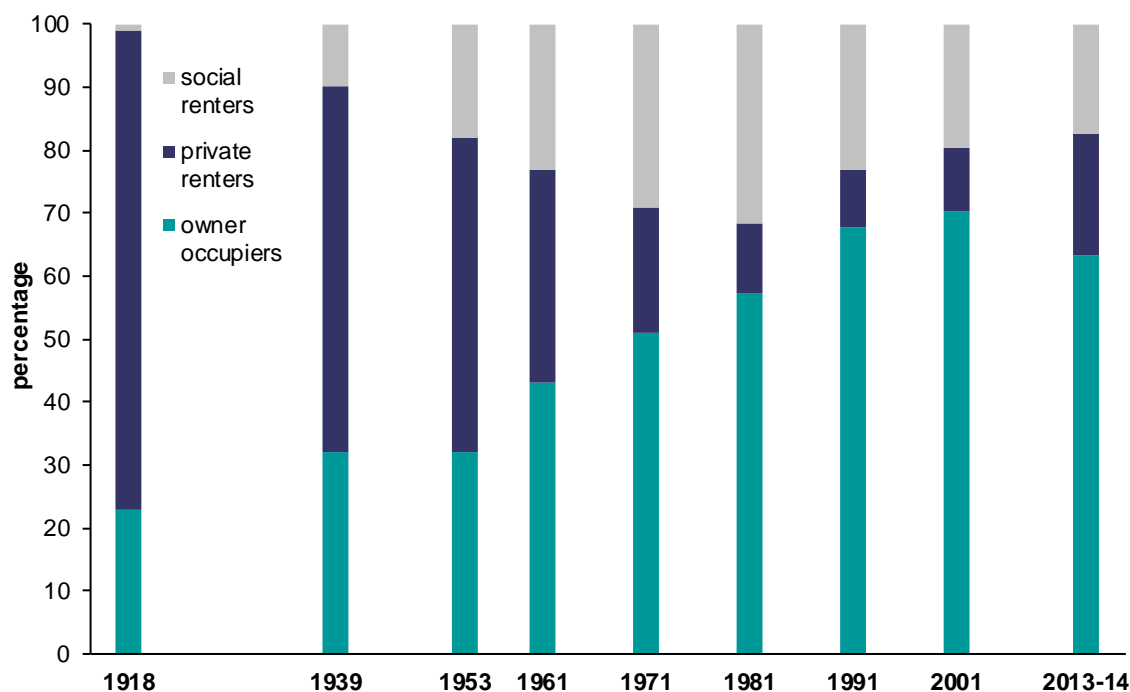
Trends in Tenure

- 1.1 In England there are three main tenure groups: owner occupiers, private renters and social renters. In 2013-14, owner occupation was the largest of the three, with 14.3 million households. There were 4.4 million households in the private rented sector and 3.9 million households in the social rented sector¹.
- 1.2 As shown in Figure 1.1, this is very different from the early part of the 20th century. At the end of the First World War in 1918, when there was little by way of state welfare provision, three quarters of households in England were private renters, a quarter were in owner occupation and less than 1% were in social rented accommodation².
- 1.3 This chapter explores these changes in the tenure profile in more detail, highlighting where appropriate some of the main historical context against which they have occurred. However, it starts by briefly describing the three main tenure types.

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

² DCLG. 'Housing in England 2007-08' (2009).
<http://webarchive.nationalarchives.gov.uk/20121108165934/http://www.communities.gov.uk/publications/corporate/statistics/housingengland200708>

Figure 1.1: Trends in tenure, 1918 to 2013-14



Base: all households

Note: underlying data are presented in Annex Table 1

Sources:

1918: Estimates by Alan Holmans of Cambridge University Department of Land Economy

1939 to 1971: "Housing Policy in Britain", Alan Holmans, Table V1.

1981, 1991: ONS Labour Force Survey;

2013-14: English Housing Survey, full household sample

Owner occupiers

1.4 Households that live in a home they own are said to be owner occupiers. Chapter 3 of this report includes detailed findings on owner occupiers from the 2013-14 English Housing Survey. The owner occupied tenure is composed of two distinct groups:

- **mortgagors** have taken out a loan or mortgage to help purchase their home, typically repaid over a period of 20 years or more, and are still in the process of repaying the debt;
- **outright owners** have paid off their mortgage³ and own their home without qualification or limitation.

1.5 In 2013-14, of the 14.3 million households that were owner occupiers, there were 6.9 million mortgagors and 7.4 million households who owned outright. A loan or mortgage is usually required to help make

³ 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.

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.

- 1.6 As at April 2015, the average home in England cost £284,000⁴. 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. 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').
- 1.7 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).

Freehold and leasehold ownership

- 1.8 The majority of owners own the freehold to their home, that is, they own both the building and the land on which it is built. By contrast, leaseholders have a contract with the freeholder, which gives them the right to live in the property for a fixed period of time. This 'lease' is usually long-term, typically lasting 90 or 120 years. Leaseholders normally pay ground rent, an annual service charge and maintenance fees to the freeholder.
- 1.9 In some cases, the leaseholders own a share of freehold of the whole building. This may be a share in the company that owns the freehold or the freehold may be held by up to four individuals. The responsibilities involved in having a share in the freehold may include liability with others to repair and maintain the exterior of the building and the common parts⁶.
- 1.10 A property that is being sold where the lease does not have long to run is less attractive an option to a potential purchaser and can reduce the value of the property. Flats are more likely to be leasehold than houses.

⁴ Average mix-adjusted house price. ONS House price index: <http://www.ons.gov.uk/ons/rel/hpi/house-price-index/april-2015/index.html>

⁵ In 2013-14, a third (34%) lived in semi-detached houses, 32% lived in detached housing or a bungalow and a quarter (25%) in terraced housing. The remaining 8% lived in flats.

⁶ In 2004 a new type of ownership (Commonhold) was introduced, primarily affecting multi-occupancy buildings such as flats, whereby the freehold of the land is registered as Commonhold. The Commonhold is owned by the unit holders and it is governed by a Commonhold community statement. However, in practice only a very small number of such arrangements have been registered. <http://www.lease-advice.org/information/faqs/>

1.11 In 2012-13, it was estimated that there was a total of 4.1 million private sector leaseholds (2.4 million owner occupied and 1.7 million in the private rented sector)⁷. These figures are based on dwellings rather than households and included those with a share of freehold.

Private renters

- 1.12 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. Chapter 4 of this report includes detailed findings on private renters from the 2013-14 English Housing Survey. Private renters live mainly in flats and terraced housing, and compared with owner occupiers, are less likely to be in detached or semi-detached homes⁸.
- 1.13 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 members⁹.
- 1.14 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. Properties may be let furnished or unfurnished, with the majority (80%) being unfurnished.
- 1.15 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.

⁷ DCLG, 'Residential leasehold dwellings in England', 2014. https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/342628/Residential_Leasehold_dwellings_in_England.pdf

⁸ In 2013-14 households in the private rented sector primarily occupied flats (35%) and terraced housing (34%). Semi-detached housing accounted for 20% of households and 9% were detached houses (including bungalows).

⁹ 'Understanding Landlords A study of private landlords in the UK using the Wealth and Assets Survey', The Strategic Society Centre (2013). <http://strategicsociety.org.uk/wp-content/uploads/2013/07/Lord-C-Lloyd-J-and-Barnes-M-2013-Understanding-Landlords.pdf>

1.16 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.

Social renters

1.17 Social rented housing refers to accommodation that is owned and managed by registered providers, either local authorities or housing associations. Housing associations, often referred to as Registered Social Landlords (RSLs), do not make a profit but instead invest any surplus into the maintenance of their homes or building new ones. Chapter 5 of this report includes detailed findings on social renters from the 2013-14 English Housing Survey.

1.18 Local authorities and housing associations are financially regulated and funded by the government through the Homes and Communities Agency and Greater London Authority, which is also responsible for the construction of new social homes.

1.19 Social rented housing is provided at a subsidised rent, on average around half of the market rent¹⁰. A new 'intermediate' or 'affordable' rent tenure was introduced as part of the October 2010 Spending Review. Under this scheme rents are set at approximately 80% of the market level¹¹.

1.20 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 but which by law must give priority to certain types of people. 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 housed¹².

¹⁰ Market rent is the level that is paid in the private rented sector, where rent levels are determined 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.

¹¹ House of Commons Library. Rent setting for social housing tenants (England), 2015.

<http://researchbriefings.files.parliament.uk/documents/SN01090/SN01090.pdf>

¹² 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.

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- 1.21 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.
- 1.22 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' scheme¹³.

Trends in tenure 1918 to 2013-14

- 1.23 In 2013-14, there were a total of 22.6 million households, of which 63% were owner occupiers, 19% were private renters and 17% were social renters. However, the relative size of these tenures changed radically over the last hundred years.

The inter-war years

- 1.24 After the war, concern about poor standards of housing led to a national campaign for 'homes for heroes'. The following year the Housing, Town Planning, &c. Act 1919 was passed, obligating local authorities to provide social housing¹⁴. Rent subsidies meant social housing was more affordable than private renting and therefore more desirable, especially among low income earners.
- 1.25 Mass urbanisation in the Industrial Revolution had given rise to the construction of large numbers of back-to-back terraced housing with poor sanitary facilities and which, by the early 20th century, were deteriorating.¹⁵ These areas were characterised by high levels of social deprivation. 'Slum clearance' therefore became a priority for local authorities encouraged by the Housing Act of 1930¹⁶. By 1939, the

¹³ 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'. The Queen's Speech May 2015 included an announcement on a Housing Bill to enable the extension of Right to Buy levels of discount to housing association tenants. <https://www.gov.uk/government/publications/queens-speech-2015-what-it-means-for-you/queens-speech-2015-what-it-means-for-you>

¹⁴ UK Parliament, 'Improving Towns: Council housing'. <http://www.parliament.uk/about/living-heritage/transformingsociety/towncountry/towns/overview/councilhousing/>

¹⁵ British Library, 'Victorian Britain: The built environment'. <http://www.bl.uk/victorian-britain/articles/the-built-environment>

¹⁶ The Cabinet Papers 1915-1986, 'Wartime housing'. <http://www.nationalarchives.gov.uk/cabinetpapers/themes/wartime-housing.htm>

social rented sector had grown and housed 10% of all households, with private renting declining to 58%¹⁷.

- 1.26 The 1930s also saw a boom in private sector housebuilding¹⁸. A prolonged period of low interest rates and the availability of land and labour saw significant expansion of cities into the suburbs.

Rebuilding after the war

- 1.27 At the close of the Second World War, widespread damage had been inflicted on housing in urban areas. Slum clearance once again became a focus and the Labour government made housing its welfare priority. The shift towards the social rented sector and away from private renting continued with large scale rebuilding programmes delivering significant numbers of social homes. Much of this development took place beyond the newly-created greenbelt around London in new towns such as Stevenage, Hemel Hempstead, Harlow and Crawley.¹⁹
- 1.28 Between 1939 and 1953 an additional 1.3 million homes were added to the social housing stock²⁰, and a further 1.0 million by 1961. Around a quarter (23%) of all households were socially renting by this time and the proportion of households renting privately had declined to 34%.

The 1950s to 1970s

- 1.29 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 43% in 1961²¹.
- 1.30 The 1960s saw the highest post-war levels of house building, which peaked at just under 400,000 homes per year²². A particular feature of this time being the construction of large tower blocks, most of which were concrete frame and built for local authorities²³. The growth in home ownership continued and by 1971, the proportion of owner occupiers (51%) was approximately equal to the combined rented

¹⁷ 'A Century of Home Ownership', ONS. <http://www.ons.gov.uk/ons/rel/census/2011-census-analysis/a-centuryof-home-ownership-and-renting-in-england-and-wales/short-story-on-housing.html>

¹⁸ Holman AE. 'Historical Statistics of Housing in Britain', University of Cambridge (2005): Table B6 'Tenure of New Dwellings Built in England and Wales 1919/20 to 1944/45', p47.

¹⁹ UK Parliament, 'Improving Towns: New towns'. <http://www.parliament.uk/about/living-heritage/transformingsociety/towncountry/towns/overview/newtowns/>

²⁰ Holman AE. 'Historical Statistics of Housing in Britain', University of Cambridge (2005): Table E.4 'Tenure of the Housing Stock in England and Wales 1939-2001', p 143.

²¹ Holman AE. 'Historical Statistics of Housing in Britain', University of Cambridge (2005): Table E.4 'Tenure of Households in England and Wales 1939-1991', p 143.

²² Holman AE. 'Historical Statistics of Housing in Britain', University of Cambridge (2005): Table B.5 'Dwellings Completed: England and Wales 1945-2001', p 46.

²³ 'The Age and Construction of English Housing' <http://www.brebookshop.com/samples/327440.pdf>

sectors. From this point on home ownership has been the prevailing sector for households in England.

- 1.31 There were a series of legislation changes on private renting over this time, providing greater security to tenants: the 1965 Rent Act, 1974 Rent Act and 1977 Rent Act²⁴. Sitting tenants could not be evicted and had the legal right to remain in the property for life, provided they paid their rent. Rent levels were assessed by the local authority and a 'Fair' or 'Regulated' Rent was set²⁵. In 1982 Housing Benefit was introduced, effectively enabling social housing to be provided through the private rented sector.

The 1980s and 1990s

- 1.32 The dominance of the owner occupied sector was reinforced throughout the 1980s. 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 gone up to 12.2 million, with 7.4 million buying with a mortgage, Figure 1.2.
- 1.33 The number of outright owners maintains a steady increasing trend through the 1980s. In contrast with the more rapid pace of growth in the number of households buying with a mortgage. The main contributing factors were the deregulation of mortgage markets and income growth in the 1980s, and encouragement from the Conservative government for those who traditionally rented to enter into home ownership²⁶.
- 1.34 The Housing Act 1980²⁷ 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 scheme²⁸, helping to confirm owner occupancy as the prevailing tenure. In 1989, the Local Government and Housing Act removed the requirement for local authorities to keep housing stock.

²⁴ House of Commons Library, 'The historical context of rent control in the private rented sector' (2013). <http://researchbriefings.files.parliament.uk/documents/SN06747/SN06747.pdf>

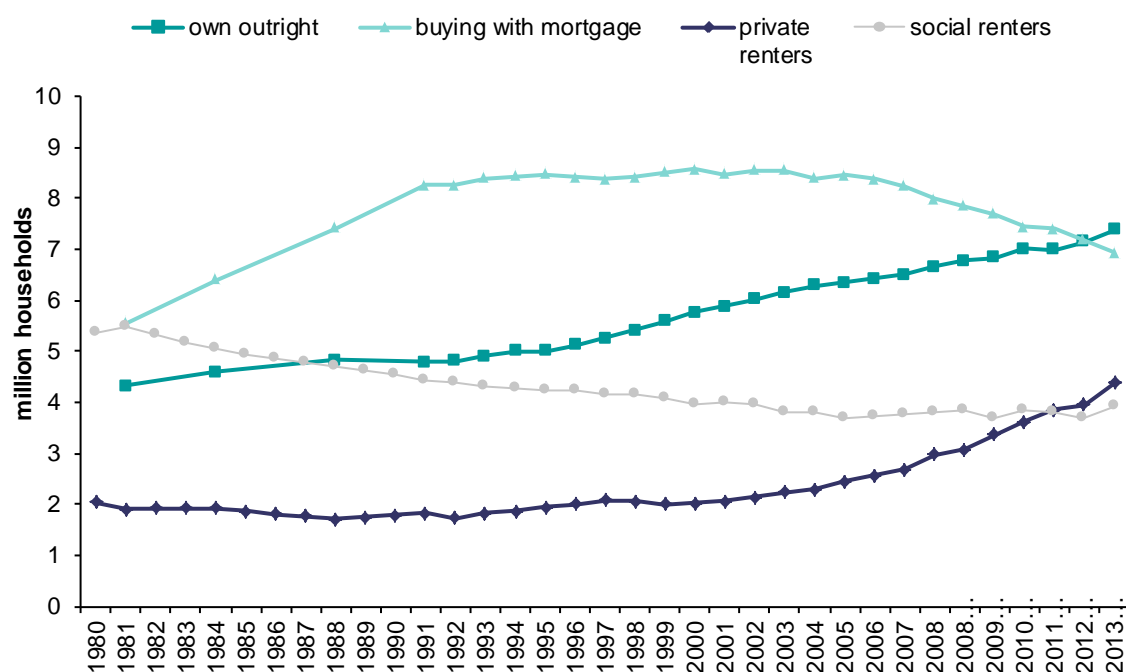
²⁵ Rent Act 1977. <http://www.legislation.gov.uk/ukpga/1977/42/contents>

²⁶ Christine Whitehead and Katrina Gaus. 'Policy: discussion paper At any cost? Access to housing in a changing financial marketplace Supplementary Information' LSE London (2007). http://www.lse.ac.uk/geographyAndEnvironment/research/london/pdf/supplementary_support_At_any_cost.pdf

²⁷ ONS study: A Century of Home Ownership. <http://www.ons.gov.uk/ons/rel/census/2011-census-analysis/acentury-of-home-ownership-and-renting-in-england-and-wales/sty-home-ownership.html>

²⁸ DCLG, Live Table 671: 'annual Right to Buy sales for England'. <https://www.gov.uk/government/statistical-data-sets/live-tables-on-social-housing-sales>

Figure 1.2: Trends in tenure, 1981 to 2013-14



Base: all households

Note: underlying data are presented in Annex Table 1

Sources:

1980 to 2008: ONS Labour Force Survey;

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

1.35 There was a marked decline in the size of the social rented sector due to both low build rates²⁹ 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%). By the end of the century, the sector had seen a further decline to 4.0 million households, Figure 1.2.

1.36 Evidence suggests that the decline in the size of the social sector was accompanied by a change in the profile of tenants. The sector has moved from housing a wide spectrum of society in the 1970s to the tenure provided for those most in need of it. This concept is known as ‘residualisation’³⁰.

1.37 In 1989, there was a crash in house prices, 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

²⁹ DCLG, Live Table 208: ‘permanent dwellings started, by tenure and country’.

<https://www.gov.uk/government/statistical-data-sets/live-tables-on-house-building#live-tables>

³⁰ Edited by Kathleen Scanlon and Christine Whitehead. ‘Social Housing in Europe II A review of policies and outcomes’, LSE London (2008).

http://www.lse.ac.uk/geographyAndEnvironment/research/london/pdf/Social%20Housing%20II/Social_Housing_in_Europe_II_A_review_of_policies_and_outcomes.pdf

households (71%) of which 8.4 million were buying with a mortgage. Throughout the 1980s and 1990s, the proportion of private sector households stayed steady at around 10% of the market.

The new millennium and the economic downturn

- 1.38 The 2000s saw new trends emerging. An increasing population³¹ led to a greater demand for housing. This demand combined with limited net housing supply, particularly in the second half of the decade³² exerted upward pressure on house prices. Increasing house prices, relative to incomes³³, made it more difficult for first time buyers to get onto the property ladder.
- 1.39 After the economic downturn in 2008 banks tightened conditions on mortgage lending. This contributed to a further decline in the number of new mortgagors, particularly first time buyers. The average first-time buyer deposit went up to around 25% from the long-term norm of around 10%³⁴. This was despite many areas seeing a dip in house prices, and historically low interest rates.
- 1.40 Since 2006-07, the overall number of owner occupiers decreased slightly each year and in 2013-14 reached its lowest level since the 1980s, (14.3 million). However, within this, the decline in mortgagors was more marked, falling from 8.4 million in 2006 to 6.9 million in 2013-14, or from 40% of households to 31% across the same period. In 2013-14, for the first time in many decades³⁵, the proportion of outright owners (33%) is now greater than that of those buying with a mortgage.
- 1.41 The fall in owner occupation coincided with a rise in privately rented households. There was sharp growth from the early 2000s and the private rented sector nearly doubled in size by 2013-14, with 19% of households now living in the private rented sector.
- 1.42 A number of factors 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

³¹ DCLG Live tables on household projections (2015). <https://www.gov.uk/government/statistical-data-sets/live-tables-on-household-projections>

³² DCLG, Live Table 208: 'permanent dwellings started, by tenure and country'. <https://www.gov.uk/government/statistical-data-sets/live-tables-on-house-building>

³³ DCLG, Live Table 577: 'ratio of median house price to median earnings by district, from 1997'. <https://www.gov.uk/government/statistical-data-sets/live-tables-on-housing-market-and-house-prices>

³⁴ Council of Mortgage Lenders, 'First-time buyers: the story behind the numbers' (2013). <http://www.cml.org.uk/news/546/>

³⁵ Holman AE. 'Historic Statistics of Housing in Britain', University of Cambridge (2005): Table J.1 'Census and Survey Series of Outright Owners and Owner-Occupiers with Mortgages 1960 to 2002/03', p 301.

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.

- 1.43 By 2013-14, the private rented sector accounted for 4.4 million households, exceeding the social rented sector in size at 3.9 million households.

Changes within the social rented sector

- 1.44 Social rented sector households rent either from their local authority or from a housing association. In the 1980s, the majority of social housing was provided by local authorities with only a small proportion provided by housing associations³⁶.
- 1.45 In 1988, the large scale voluntary transfer (LSVT) scheme was introduced³⁷. 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.
- 1.46 These processes have driven a decline in the number of local authority households and a corresponding increase in housing association numbers. By 2013-14, 2.3 million households (10%) were renting from a housing association and 1.6 million (7%) were renting from a local authority.

³⁶ DCLG, 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>

³⁷ '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>