

**IMPROVING THE PRIVATE RENTED SECTOR:  
THE IMPACT OF CHANGES IN OWNERSHIP AND OF  
LOCAL AUTHORITY POLICIES**

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## DEDICATION

To the memory of Jimmy James who  
first encouraged me to pursue this research

Professor John Richings James, affectionately known as 'Jimmy' to all his colleagues and friends, was Chief Planner at the Ministry of Housing and Local Government from 1961 to 1967 and Professor of Town and Regional Planning at the University of Sheffield from 1967 to 1978.

Jimmy cared deeply about housing problems and it was he who encouraged me to get involved in housing, first as a lecturer, then in very practical ways, like joining the Committee of Management of a Housing Association, and finally, as a researcher. Jimmy had a very practical vision about the nature of town planning and related policies. He taught me a lot about 'getting things done'. To the extent that this thesis is about the practical implementation of policy on the ground, I like to think that he would have approved of it.

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**SUMMARY**  
**IMPROVING THE PRIVATE RENTED SECTOR: THE IMPACT OF CHANGES IN OWNERSHIP**  
**AND OF LOCAL AUTHORITY POLICIES**  
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The thesis examines evidence on the impact which both local authority policy and changes in the ownership of private rented houses have had on physical conditions in the sector.

Part 1 describes the research objectives and contains a literature review which provides a wider context for the research, by examining the size, role, conditions and landlords of private rented housing. It shows that its decline and poor conditions are due as much to the low demand of poor tenants and to discriminatory tax/subsidy policies as to regulation of the sector.

Part 2 discusses the results of a linked survey of private rented properties, tenants and landlords done in Sheffield in 1979-80, shows that local authority policy did succeed in getting conditions improved, but that the type of landlord was important too. Part 3 discusses the results of a 1985-86 follow up survey of this panel which examines the scale of investment by landlords in the six years, their motives and the impact of this and local authority policy on physical standards. Part 4 reports the results of a 1987 survey of northern and midlands local authorities, shows that Sheffield's experience of new property dealers and property milkers is found elsewhere, analyses how authorities use their discretionary powers to improve physical structures and evaluates proposals to amend them.

Part 5 summarises the research findings and shows how both the regulatory and the economic and financial framework has shaped investment in private renting in the 1980s and had consequence for standards. It then considers the likely consequences of deregulation, shows that on its own it will lead to neither a revival of private renting nor an improvement in physical standards. It enumerates desirable changes which would achieve both competitive returns for landlords and affordable habitable housing for tenants.

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**PART ONE**

**INTRODUCTION AND CONTEXT**

## CHAPTER 1

### INTRODUCTION: ORIGINS OF RESEARCH, AIMS AND OBJECTIVES OF THESIS

#### Introduction: housing policy in the 1980s

The private rented sector's seemingly inexorable decline this century has been accompanied by a range of related problems, including a pervasive disrepair and decay amongst the stock, an excess of demand for the limited vacancies available, together with the insecurity that often goes with new lettings, and a lack of choice in the housing market as opportunities become increasingly restricted for those who want to rent tolerable standard housing in desirable neighbourhoods.

The sector now houses many of the poorest households in the housing market. Its landlords have found it difficult to compete with owner occupation, local authorities and housing associations to provide reasonable quality housing whilst making competitive returns. This is as much due to the way rents are kept down because of the low effective demand of poor tenants - and of inadequate subsidies for landlords as well as tenants - as it is to the effects of statutory rent restrictions.

As a result landlords with long term tenants have neglected repairs and failed to carry out improvements, while landlords are only prepared to let to new tenants if they can do so in ways which avoid or evade statutory controls, with the consequence that new tenants get insecure housing which is also in a state of disrepair.

The private rented sector's decline has been seen by many to be inevitable. That is not to say that there have been no attempts to revive it. In more recent years however this inevitability has been questioned and both independent inquiries and the current government have sought ways to secure a sustained revival (see DoE 1987a; Inquiry into British Housing 1985; see also Kemp 1988a for commentary). From the Government's point of view their evolving policy since 1979 has been to stimulate the supply of private rented housing through various deregulation measures, introduced as part of its overall privatisation policy.

It is important to recognise that the 1980s Conservative Governments' housing objectives have been fundamentally different from their predecessors'. Previously housing was seen as a good with significant social value and one which provided a suitable vehicle for implementing redistributive policies. Despite past Conservative and Labour Governments placing different emphases on public or private provision, an interventionist role was accepted, both in direct provision of social rented housing and in the regulation and promotion of private housing.

The 1980s Governments' have rejected this approach. They believe housing should be privatised in the interests of efficiency and choice. Above a basic minimum, housing is a private good, benefitting individuals, not society as a whole and something, therefore, for which individuals should pay. The State's job is to define the minimum and provide income assistance where the poor cannot afford it. The market is more efficient in providing housing and meets preferences at less cost in resources than public provision and bureaucratic allocation (Whitehead 1983a, 1984).

The privatisation argument is ideological as well as economic, (Hamnett 1987). Increasing owner occupation per se, not just private ownership, is important because of the benefits the government believes society reaps from the attitudes and commitments of owner occupiers, compared with renters, to social stability. It has therefore maintained and extended subsidies to owner occupiers, whilst reducing capital programmes and tied subsidies to social rented housing.

There were three themes in the Government's pursuit of housing and monetarist policies between 1979 and 1987. First, conventionally defined public expenditure on housing was cut by 60 per cent in real terms between 1979/80 and 1986/87, resulting in big falls in new public provision and steep rises in local authority housing rents. But, because owner occupied subsidies increased and the cost of income assistance on rents soared, it is doubtful if, under a wider definition, public expenditure on housing did fall, (Robinson 1986). Second, private investment was substituted for public spending, including specific low cost home ownership projects and a more competitive mortgage market, at a time when the macro economic climate was harsher to home ownership than in the 1960s and 1970s (Maclennan and Munro 1986). Third, social rented stock has been

transferred to owner occupation through tenants' rights to buy at a discount, whilst subsidies tied to local authority rented housing were cut. In fact, there has not been a reduction in intervention, rather a redirection and centralisation of methods and growing public subsidisation of individualised consumption, (Malpass and Murie 1987).

If the first two 1980s Conservative governments relentlessly pursued home ownership, the third one (from 1987) is giving greater attention to rented housing, (DoE 1987a; SDD 1987). Local authority provision is to be ended however. In its place commercial private renting is to be revived, housing association provision will grow with mixed private and public funding, and existing local authority estates are to be transferred to a range of non-statutory landlords. Local authorities are to have a more restricted planning and enabling role. Increasingly, however, it is being recognised (if only in part by the Government) that such a revival of private renting requires a restructuring of subsidy arrangements to enable private renting to compete with other tenures. Indeed, if the private rented sector is to provide good quality accommodation, a wide range of important determining factors need to be tackled on a comprehensive basis, including arrangements (if any) for regulating rents and other terms of contracts, securing enforcement of codes on physical and management standards, rent allowances for tenants, and subsidy and tax arrangements for landlords.

### Origins of the Research

This thesis has a more modest ambition than comprehensively examining all the issues raised in the last paragraph, in that it is concerned principally with the issue of physical standards. In doing so, it draws together some empirical research about this topic undertaken by the author over a nine year period from 1979 to 1987. Its origins lie in the author's observation that information becoming available locally in Sheffield in the mid to late 1970s about landlords' investments and their apparent willingness to carry out improvements (i.e. putting in amenities like bathrooms that were not already in a house) did not square with conventional wisdom. Landlords, the conventional wisdom of the time had it, sold rather than relet property when it became empty, did not buy up vacant properties to let, nor did landlords willingly take up improvement grants. These, to use Holman's phrase were examples of "what everybody

knows", (Holmans 1987, p.438). At that time the author was supervising a number of postgraduate student projects whose results did not fit easily into this wisdom. These projects included studies of improvement grant take up and of houses in multiple occupation (HMOs hereafter).

The studies about grants showed that between 1971 and 1978 some 5,300 conversion, improvement and intermediate/standard grants were awarded to non owner occupier private owners (extracted from Sheffield's monthly P.21 returns: grants to Housing Associations before the 1974 Act have been deducted). It is not possible to tell from these or any other records how many of these properties were then still available for letting - nor, of course, do they reveal the amount of improvement by tenants (though see Culshaw, 1975 for evidence of this in a Sheffield General Improvement Area (GIA)). There was a surge in grant approvals, similar to that throughout England and Wales, between 1972 and 1974 when Sheffield applicants received a 75 per cent grant after Sheffield became an Intermediate Area in 1972. The rate stepped up from 570 in 1971 to an average of 1100 between 1972 and 1974 and though it subsequently fell, approvals in 1977 were 44 per cent of the average numbers in the peak years. This drop in Sheffield was significantly less than for England and Wales as a whole, where the 1977 approvals for the private rented sector were only 23 per cent of average numbers in the peak years of 1972-1974. This difference was not explained by a higher level of lower standard intermediate grants, for the ratio of intermediate to other grants in Sheffield in 1977 was 1:7.2 compared with 1:4.7 throughout England and Wales. The fact that grants to private landlords had been at this high level in Sheffield meant that between 1971 and 1977 the rate of grant take up in the sector was running at 250 per 1000 private renting households lacking exclusive use of all basic amenities at the time of the 1971 census (deducting from the total number of households lacking amenities an estimate, from the local authority's yearly rehousing records, of the number of private rented households rehoused as a result of slum clearance between 1971 and 1977, since their properties would not have been eligible for grant award).

No recent analysis had been made at that time of the geographical pattern of these grants, but work carried out for an earlier period showed that a disproportionate share of grants was going outside the worst areas with particular concentration in Improvement Areas declared under the 1964

Housing Act (Thornley 1972). However further evidence of landlords continued willingness to make use of improvement grants and to use them in the "worst" areas was found in the records of grants paid to private landlords on completion of works in three of Sheffield's Housing Action Areas (HAAs) declared by 1978. In 1976 Nottingham Street, Wolseley Road and Fentonville Street HAAs were declared HAAs and were the subject of a monitoring programme by the University. At or just prior to declaration all the areas were part of Sheffield's slum clearance programme, with all the implications this had had for withdrawal of maintenance by property owners. While each had distinctive characteristics they were all typical of the kind of area referred to as a "low pressure area" in the discussion surrounding the 1974 Housing Act (see for example House of Commons Expenditure Committee 1973). They were areas of terraced housing, with owner occupiers and private landlords each owning 39 per cent of the properties which were to remain at the time of declaration. By October 1978 37 per cent of the properties belonging to private landlords at the time of declaration had been improved by the landlord, i.e. a grant had been approved, the work had been done and the grant paid. Almost none of the grants were at intermediate level. This is a substantially higher figure compared with most other HAAs in England and Wales. Some other postgraduate research at the time categorised HAAs in the NW Region using cluster analysis and charted the improvement progress within the clusters. The average progress within the private rented sector in the clusters which contained HAAs similar in type to those in Sheffield was 3 per cent and even though allowance must be made for some later declaration dates amongst the NW areas, the difference was dramatic (see Thorpe 1978).

In other words the experience in Sheffield did not match the conventional wisdom, an example of 'what everyone knows' being in error (Holmans 1987, p.438).

The author was left speculating therefore about what might explain this apparently high level of success within the HAAs. The 1974 Housing Act was designed to steer improvement resources to people and to areas in greatest need. The Act and guidance given to local authorities about its implementation permitted them to declare HAAs in areas of housing stress, (DoE 1975). They had, in effect, to be satisfied that, because of the poor physical state of the dwellings and because of the level of economic

and social deprivation amongst the households living in them, residents were too poor or too dependent on private landlords for improvement to occur, unless the area benefitted from the additional resources and powers that the local authority could provide. They principally included the availability of grants at 75 per cent of allowable costs and the possibility of using, at the local authority's initiative, powers to compel landlords to improve and if necessary to compulsorily purchase their property and an obligation on owners to notify the local authority of their intention to sell property. As far as landlords were concerned reletting conditions were attached to the award of grants. The local authority had an obligation to attach rent conditions to grants in GIAs and HAAs. Outside them it had a discretionary power. Unlike GIAs only a limited sum of money was available for environmental improvement (though in Sheffield, Inner City funds were used for this work in at least one area).

An additional component was that local authorities should concentrate their attention and resources in declared areas. This is important if owners' confidence in the long term future of areas which have been subject to blight and to uncertainty about their future is to be raised and their willingness to invest alongside their neighbours is to be increased. To do this Sheffield had been deliberately prudent in its declaration policy and unlike some other large metropolitan districts had refrained from declaring a large number of HAAs, preferring instead to declare initially those three on the potential list defined in 1975 which in fact it had the resources to tackle. Because of this it had been able to use its limited resources of improvement staff and money effectively. At the same time, as far as landlords are concerned the authority had been willing to deal flexibly with them, insofar as it has discretion within statute. Staff involved in the area programme believed that their success had been due in some measure to the time they had been able to spend with landlords, explaining procedures to them, persuading them to take up grants and addressing themselves to particular problems of individual landlords. This was seen to be important since at that time most landlords owned only two or three properties throughout the areas. Compulsory improvement powers were only used as a last resort. This meant that they reduced counter purchase notices. Voluntary policies met with success and so it was not reasonable to state then that the Sheffield

experience could be used to support the argument that "successful HAAs are those where interventionist policy has been followed" (AMA 1978). The area with the lowest (27 per cent) take up by landlords was the area where a Housing association had been a willing purchaser and had, as a result, picked up properties in the worst condition.

As part of the research, interviews with a sample of 35 of the improving landlords were done in the summer of 1977. No interviews were done with those who had not improved and thus the findings about the factors associated with improvement had to be treated with caution. The typical dwelling in the HAAs is a four-roomed terraced house with an attic and a two-storey offshot (back addition). Pairs of houses share a common backyard reached by a passage between them under the first storey. (See Muthesius 1982, Chap. 12). Modernised kitchens and WCs and fixed baths in bathrooms were installed without conversion or the construction of a back addition. This resulted in comparatively low costs for meeting full ten point standards with the average cost of works at out-turn prices up to the summer of 1977 being £1,840. Owner occupiers costs had been about 10 per cent higher on average. It was normal practice for Environmental Health Officers to prepare a full schedule of works to meet the highest standard for both owner occupiers and landlords but there is some evidence to suggest that they had been prepared to allow a reduced standard for landlords, particularly by the exclusion of roof works for the installation of dormer windows, and by allowing patch and repair generally rather than the renewal of roof coverings.

The net result of the cost levels was that almost none went above allowable cost limits. They also meant that if total costs were, say £2,000, and if the improvement and repairs elements in the costs were equivalent, so that all the costs were allowable, then with a 75 per cent grant a landlord had to find only £500 out of his or her own pocket. Most of the tenancies were controlled at the time of improvement with rents averaging £1 per week (exclusive of rates). After the improvement the tenancy became regulated and the landlord entitled to charge a Fair Rent. Unfurnished registrations were then £275 p.a. but increases from the controlled rent to this were subject to phasing and the full Fair Rent could not be charged until the end of the second year. If the landlord had to borrow £500 to finance his share then this would have cost £209

p.a. for three years as a bank loan in 1977. Although at first sight, therefore, spending £500 to receive an additional pre tax income of £223 looked attractive, this was reduced somewhat by the need to borrow and by rent phasing. The investment became even less attractive in the short term if the tenancy was already regulated since existing rents were nearer £2-3 per week. In any case although the rate of return after three years appeared attractive it had an element of risk attached to it, because the reletting conditions meant that if the landlord decided to sell within seven years he was faced with grant repayment requirements which offset his capital gain. Nevertheless improvement undoubtedly raised the value of the property. The landlords were in fact faced with a number of financial alternatives. Currently they got, say, £52 p.a. from rent before tax and other outgoings. The most they could get in 1978 by selling without vacant possession would be £1,000 (the exact valuation would depend on the age of the tenant): invested in a Building Society this would return, say, £80 p.a. after tax. They would receive about £3,500 with vacant possession (if they could get it) yielding, as a Building Society investment £280 p.a. If they improved, then pre tax rent income would ultimately be £275 p.a. and would increase upon re-registration. This should be offset by the need to borrow £500 or by the opportunity cost of drawing £500 from current investment and by the need to take into account additional insurances and annual maintenance. But in addition to increasing rental income to a level where it was comparable, ceteris parabus, within three years to the alternative returns from selling, the value of the property with vacant possession would have increased to £6,500, although any gain would have been subject to Capital Gains Tax.

Given this picture what did the interviews reveal? First landlords said that improvement was financially worthwhile in relation to other alternative investments, quoting Building Societies as the most common alternative. Indeed one said, "Once it was a slum, now it's a gold mine!" They regarded it as worthwhile because of the grants and the increased rents. Notwithstanding the position in law many did in fact agree rents privately with their tenants and charged rent at or near Fair Rent level, but without phasing, whilst some charged higher rents. Those who felt improvement was only marginally worthwhile were attracted by the long term possibility of capital appreciation and capital gain especially when

reletting conditions no longer applied. Many of them did have elderly tenants. Second they had access to finance - this included: selling part of their portfolio to raise the money to carry out work on properties they had decided to retain and improve; using their savings, including life assurance policies and even redundancy pay; and bank loans - which was the source for two-thirds of them. One of the improvers bought a small block of properties to improve specifically for the annual rent return the improved properties gave her. Landlords who owned properties outside the HAAs were asked whether or not they had improved them. Although the number involved was small they had done so, especially between 1972 and 1974 when 75 per cent grants were available. They were still prepared to do so with 50 per cent grants (or 60 per cent if they were in a GIA), although it became harder to finance their share of the works and get an adequate return. They suggested that they had not had to face quite the same standards as they had had to do in the HAA, but this was probably a reflection of the better standards in these properties rather than a more liberal interpretation of standards by local officials. Given, in any case, the total number of grants awarded by Sheffield they were not alone in believing it was feasible to improve outside HAAs without 75 per cent grants.

This series of isolated projects produced evidence therefore which contrasted with conventional wisdom. It suggested, firstly, that at least one local housing authority (LHA hereafter) had been successful in getting landlords to improve and, secondly, that there were circumstances in which improvement was financially worthwhile for landlords. This evidence, albeit fragmentary and uncoordinated, raised a number of questions in the author's mind about the way LHAs' used their (largely discretionary) powers to persuade and cajole landlords to improve and repair their properties. It also raised questions about whether the improvements in conditions, which were undoubtedly needed to the properties in question, depended on the type of landlord and his/her willingness and ability to carry out the work. There was also the intriguing evidence of landlords actively acquiring because improving it was financially worthwhile. Was this a limited, even an isolated case, or an example of a more general phenomenon?

At roughly the same time the author had been supervising postgraduate work examining landlords' motives in acquiring property to let out on a furnished basis (Haynes 1975; White 1974). These, too, showed that explanations of landlords' acquisition and letting policies had to take into account not only national policies but also landlords' different financial policies and the context that the local housing market and local housing policies set for them.

Although these landlords had been steadily acquiring property in Sheffield throughout the fifteen years prior to the first survey in 1974, the kind of properties being acquired changed quite considerably. Whereas for every house purchased between 1960 and 1964 8.1 tenancies were created, this figure had fallen to 2.1 by 1970-1974. What had happened was that in the earlier period landlords were acquiring large Victorian and Edwardian properties in the middle class inner western suburbs close to the University, and converting them into bedsitters and flats, but that in the later period investment had switched to the purchase of smaller terraced houses in other parts of the inner area which were subsequently improved and let furnished to groups of young people forming one household.

This was associated both with landlords' attitudes towards their investments and with local policies. Some landlords were primarily interested in the annual return on their capital investment which their rents gave them. Others were primarily concerned with the long term growth in capital value of the investments they had made. The former were typically landlords coming up to their retirement who had invested in furnished property because they were dissatisfied with the returns they were then getting from their investments in banks and Building Societies. They therefore switched this capital into property - none borrowed money. Their attitudes were closely linked with the kind of property they bought and the way they managed it. Their aim was a high rent income so they bought large old houses and turned them into many bedsitters and flats. In doing so they sacrificed flexibility for intensiveness and created a product which would be difficult to dispose of as anything other than bedsitters. If they wished to sell and did not want to incur the expense of undoing the conversions themselves they became dependent on the market being favourable to bedsitter investment or on owner occupiers being able

to find mortgages and turn the houses back into family homes. They had high tenant turnover and a wide range of tenants - couples, families, students and young working people.

The other group of landlords were typically younger, were less concerned about their rent income but much more concerned about long term capital appreciation. Because of this they were careful not to create a product which might prove difficult to sell or to remortgage and to manage it in such a way as to minimise their outgoings. Instead of buying large houses for intensive conversion into small units they bought small terraced family houses which they anticipated would increase in value. They then improved these formerly controlled or regulated properties and subsequently let them furnished to a group of four young people forming one household, thus avoiding the need to comply with the standards required of houses in multiple occupation, the need to apply for planning permission, whilst safeguarding their ability to realise vacant possession by selecting only young mobile tenants. When the time was ripe for sale the house would be suited for family occupancy and in this way their ability to sell was less tied up with the state of the investment market in rented property. To maintain liquidity, meanwhile, they remortgaged the property after improvement at its higher value, thus releasing capital to maintain cash flow and to buy further property and to minimise tax liability. They also varied the mix of houses bought for investment and bought for immediate sale following improvement.

Conditions in the 1960s strongly favoured the bedsitter landlord: relatively low interest rates in alternative investments, a ready supply of large houses suited to conversion, at a time when the demand for small units of furnished accommodation was growing and when furnished tenancies were not subject to rent regulation. The geographical concentration of this growth of furnished accommodation in areas where there is a predominance of larger Victorian and Edwardian properties is similar to patterns found in other provincial cities, (Raper 1974).

By the time of the 1974 survey however conditions had already changed. Interest rates had increased. Planning permissions were becoming harder to obtain partly because the local authority was responding to concern expressed by local action groups about the growth of bedsitter land in

areas of family houses. Enforcement action was taken on those without permission and landlords were losing appeals. When permissions were given stringent off street parking conditions were attached which were either expensive to provide or impossible to implement, given the limited space available, which meant that fewer tenancies were possible to realise within the constraint of the conditional permission. Costs were also increasing as they found they had to comply with environmental health requirements about amenities whilst the local authority was not awarding special grants on any significant scale. In particular they were faced with the expense of providing fire escapes. Because of all these factors there were clear signs of diminishing activity by this group of landlords by the 1970s.

On the other hand conditions in the 1970s were conducive to the activities of the other set of landlords. Credit was available from banks to buy property at a time of rising house prices. Sheffield was an Intermediate Area and 75 per cent grants were available after 1972 under the terms of the 1971 Housing Act. It was not until 1974 that reletting conditions on the approval of grants could have affected them and at the same time their activity was not subject to the nexus of planning and environmental health controls over multiply occupied houses.

At the conclusion of the first stage of the work therefore it became evident that, regardless of the provisions of national policy in the form of the 1974 Rent Act, (i.e. providing security of tenure for furnished tenants of non-resident landlords) there was likely to be a reduction in the supply of bedsitter accommodation. Nevertheless this initial stage led to the hypothesis that bedsitter landlords were likely to be harder hit than others both because of fears about the uncertainty of rent levels and because security of tenure would potentially "lock" their tenants into property they wished to sell with vacant possession. In fact within a year of the first survey 15 per cent of properties belonging to all absentee landlords had been sold, the percentage of bedsitter properties sold being double that of properties let as a house. This could have been higher but for two factors. First it proved difficult to sell converted properties at a time when the property market was depressed, though builder landlords found it easier to extricate themselves. Second, notwithstanding this depression, Building Societies viewed these

properties unfavourably just because they were in streets where a substantial proportion of all the properties had been converted. Nevertheless it was made clear by landlords that, whilst the uncertainty created by the Rent Act had been an important factor in leading them to sell, the decision was as much due to economic changes and to increased controls exercised by the local authority and the costs connected with these. Sales would have occurred even if the 1974 Act had not reached the statute book. Moreover when asked about their intentions, fully half the sample, owning 40 per cent of the properties, intended to remain in the furnished letting business and although few acquisitions had occurred in the year, those that had conformed with the motive of capital gain referred to above.

The expressed intention to continue letting given by landlords in this study conformed generally with the results of work done in London at the same time (see Whitehead 1978) whilst the significance of capital gains in investment decisions had been noted by MacLennan in his work on furnished lettings in Glasgow (MacLennan 1978). But the contribution of this Sheffield HMO study lay, not just in the significance it demonstrated of the need to understand investment motives in order to explore the impact of national policies, but also in the fact that local authority policies in the realm of planning permissions, improvement grants and environmental health controls were shown to have an effect on landlords' decisions. Moreover the fact that the landlords of so many lettings were prepared to relet, confirmed once again how evidence confronted the conventional wisdom that landlords did not re-let vacant property, a further "instance of 'what everybody knows' being in error, as reference to readily accessible survey information would have shown," (Holmans 1987, p.438).

These small scale studies had demonstrated that conventional wisdom did not fit the facts. Landlords did buy houses for letting, landlords did relet vacant properties and they did use improvement grants profitably. It had also showed that LHA policy had an important impact on landlords' decisions. It was to understand all this more fully that the author embarked on the wider research programme reported here.

### Aims and objectives: thesis structure

The principal aims of the research reported in the thesis are to look more thoroughly at what "everybody knows", to examine the physical standards of private rented housing and in particular to see in what way improvements to these are related to changes in the ownership of the private rented sector and to the regulatory activities of local housing authorities in policing discretionary standards and providing grants to help landlords provide them. The core of the thesis records the results of this research. The empirical work was undertaken - and the thesis itself was prepared - at a time when central government's evolving policy since 1979 has been to stimulate the supply of private renting through various deregulation measures, introduced as part of its overall privatisation policy referred to in a previous section. The evidence that the empirical research reported in this thesis offers for the likely impact of deregulation is considered in the last chapter. In similar manner the introductory part of the thesis sets the core empirical material into the wider context of the current nature of private renting in the British housing market - its size and decline, dwellings, tenants, legislation, rents, landlords and their returns.

There are thus five sections to the thesis. First an introductory section, setting the context for the empirical research by establishing a framework showing the scale and role of private renting in Britain by examining research, census and national survey evidence about properties and households, their landlords, the legislation affecting them and the role this has played in shaping policy.

The core of the thesis follows in the next three sections, each incorporating the results of three pieces of research conducted by the author between 1979 and 1987. The second section contains the results of surveys of the private rented sector in inner Sheffield carried out in 1979-1980. These were designed in particular to examine the impact of the local authority's policies on landlords' investment decisions, for example policies related to the enforcement of standards and to grant aid in Housing Action Areas and to the control of houses in multiple occupation and the regulation of standards in them. These surveys also looked at the extent to which landlords sold or relet their property when it became vacant, the type of households buying or renting vacant property, and the

demand for private renting. The data came from a series of interrelated surveys. The first two were surveys of a representative sample of addresses that were privately let in 1979 and their tenants, together with a survey (done in 1980) of their landlords, thus linking information about properties to their landlords. These surveys establish a panel of addresses with data on the condition, tenant and landlord of each address. The third and fourth surveys were carried out in 1980, involving interviews of any tenants who had moved within a year of the first, 1979, survey and interviews with the subsequent occupants of the vacancies their moves generated. The methodology for these surveys is explained in more detail in Chapter 3 and in some depth in Appendix 1, especially in relation to the survey design set up to examine the impact of LHA policies. Appendices 4 to 6 contain the questionnaires for these and subsequent surveys. It is important at this stage to stress that only addresses let by private landlords in 1979 were covered in this survey. Not only were addresses let by the local authority and owned by owner occupier excluded, but so too were those let by registered housing associations, charitable trusts, and institutional landlords like the Area Health Authority and the University and Polytechnic.

These surveys showed that LHA policy did have an impact on landlords' decisions, especially with respect to the promotion of standards in houses and in HMOs. In brief it led to the improvement of houses and the reduction of investment in HMOs. They also showed how these were linked to the types of landlord involved, especially in relation to the time individuals and companies had been landlords and their investment motives. Further research was specifically undertaken therefore to examine what impact changes in the ownership of private rented housing had on standards. This work and its results are discussed in the third section. It looks at the extent to which changes in ownership were taking place in sheffield between 1979 and 1985 and relates this to the standards of houses changing hands and to the investment attitudes of those buying private rented housing. The data for this was gathered by repeating in 1985/86 the linked property-tenant-landlord surveys originally conducted in 1979/80. The 1979/80 surveys had established a representative panel of private rented addresses and their owners. Follow up surveys of those properties, their occupants and their landlords done in 1985/86 enabled changes that had taken place over a six year period to be identified. Thus

it was possible to examine what changes had taken place to the condition of the properties, to their occupants (both old and new, including their rents and other terms and conditions of tenancies and licences), and to their ownership (including those that had been sold to owner occupiers as well as changing hands from one landlord to another).

A key conclusion of this third section of the thesis is that whilst, overall, private renting had continued to decline, the changes in ownership within it identified by the 1979/80 surveys continued into the 1980s. There were marked differences in the types and attitudes of landlords acquiring unfurnished and furnished property with implications for their willingness to invest in repairs and improvement and for the size and structure of private renting in the future. It also showed how important LHA policy continued to be in getting improvements done by private landlords and also how its policies underpinned the investment activity of property dealers buying up unfurnished property with sitting tenants.

The fourth section of the thesis puts these Sheffield results in a wider context. It examines how other LHAs use their, largely, discretionary powers to persuade and cajole landlords to bring their properties up to standard. It also looks at how far the changes in ownership taking place in Sheffield are also occurring elsewhere. It reports the results of a survey carried out in 1987 about the ways a sample of 41 urban LHAs use their powers to promote and regulate standards in the private rented sector. The sample was drawn from the five Northern and Midlands standard regions of England. The information was gathered by interviews with senior officers, from scanning LHA committee and other reports and from statistical data in respect of statutory notices and grants.

The research confirmed that the pattern of change in ownership found in Sheffield could indeed be observed in other LHAs especially "inner city" ones. It also revealed the financial and other constraints faced by LHAs in exercising their regulatory and grant aid powers. This fourth section also draws on the wider research literature on the use LHAs make of these powers. It considers the kind of modifications to these that would most

help LHAs and evaluates the Government's current (as at February 1989) proposals to modify the current framework of LHA powers and duties in this field.

The fifth and final section of the thesis summarises the results of all this empirical research. It also uses this evidence to consider the likely impact of the partial deregulation of private renting housing, proposed and implemented by the Government whilst this thesis was being prepared. The principal conclusion is that deregulation is unlikely to lead to a revival of private rented housing on a significant scale, except at the margin, and may actually lead to an increased demand for low quality housing, posing significant problems in the future for local housing authorities implementing their new enforcement and grant aid powers. Crucially the conclusion stresses the importance of the wider economic and financial framework, alongside LHAs' powers to enforce and subsidise standards, in determining what happens to the standards of private rented housing in the next decade.

It is traditional in a thesis to follow the introduction with the results of a thorough review of all the relevant literature. An alternative approach has been adopted in this case, partly because of the long time period over which the empirical research has been done. The next chapters examine the decline and current role of private rented housing in Britain, but the specific literature on powers and duties of LHAs in respect of the standards of private rented housing is held over until the fourth section of the thesis, rather than preceding the detailed Sheffield surveys. This format enables the results of the empirical work done in Sheffield to be incorporated into the literature review in the fourth section, which precedes the results of the survey of other LHAs.

The research has been carried out over nearly a decade. Towards the end of that decade there were regular announcements of new Government legislation and further proposed legislation. The author found he was constantly updating his material to take account of the latest developments. In February 1989 he decided he had to call a halt. Consequently the thesis incorporates and considers the relevant legislation as at February 1989, including the Housing Act 1988 and the Government's proposed amendments to LHA enforcement and grant aid powers published in consultation papers in 1987 and 1988 and partially incorporated in the Local Government and Housing Bill 1989 as at February 1989.

## CHAPTER 2.1

### THE DECLINE OF PRIVATE RENTED HOUSING

#### Introduction

The objectives of Chapters 2.1 to 2.7 are to examine the wider context of the empirical studies described in Parts 2, 3 and 4. These seven chapters examine the decline of private rented housing in Britain; the causes of this decline; the type and condition of private rented dwellings; the sorts of households living in private rented housing and the role that the tenure plays within the housing market; the legal framework with respect to rents and security of tenure; rents and investment returns; landlords and their intentions. The Chapters draw on a wide range of sources, including government reports and surveys, census material, and academic research with the intention of providing a wider context within which the studies of Sheffield and of local authority policies can be located. As Chapter 1 has already explained these chapters do not explicitly deal with the statutory framework for the enforcement of physical standards and the provision of grants for assisting with repairs and improvement. This is dealt with in Part 4 of the thesis where the survey of LHA policies in these respects is discussed.

#### Decline of Private Renting

The scale and basis for the decline of private rented housing, falling from 90 per cent of all dwellings in 1914 to around 10 per cent in 1981, is well illustrated by Tables 2.1 and 2.2. They reveal that there has not been a continuous steady decline since 1914. Decline in the inter war period was modest, sales to owner occupiers almost equally balanced by new building for rent. Since then the decline has been much greater. Slum clearance has been an important contributory factor, but twice as many were sold to owner occupiers as were demolished between 1938 and 1975. Although there was some modest offset from new development most of these would have been for Housing Associations whose dwellings have only recently been excluded from the private renting category.

The effect that this exclusion has can be seen from Table 2.2 which shows the changes in the number of households in different tenures between 1971 and 1981. It is impossible to distinguish the categories bracketed together in 1971. However the Department of the Environment estimated

	Stock at beginning of period	Sales to owner occupiers	Sales to local authorities	Demolition and change of use	New Build and Conversions	Stock at end of period
1914 - 1938	7.1	-1.1	-	-0.3	+0.9	6.6
1938 - 1960	6.6	-1.5	-0.2	-0.4	+0.1	4.6
1960 - 1975	4.6	-1.1	-0.1	-0.8	+0.3	2.9

Source DoE Housing Policy Review Technical Appendix, Vol. 3, Table IX.2

\* Including miscellaneous tenures (particularly housing associations)

Table 2.1 Components of change in private rented housing\* (million dwellings), 1914-1975, England and Wales

	1971		1981		Change	
	('000)	%	('000)	%	('000)	%
Owner Occupiers	8,228	50	10,228	58	+2,000	+24
Rent from LA/New Town	4,628	28	5,099	29	+ 471	+10
Rent from Housing Association	2,792	17	361	2	- 990	-35
Rent from Private landlord - unfurnished			1,070	6		
Rent with business or employment			371	2		
Rent with Private landlord - furnished	754	5	502	3	- 252	-33
All households	16,402		17,631		+1,229	+ 7

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Source: 1971, 1981 Census

Table 2.2 Tenure of households in permanent dwellings England and Wales, 1971 and 1981

Housing Association dwellings to be 180,000 in 1971 and the 1971 General Household Survey (a sample) found that 1 per cent of households rented from Housing Associations. Applying this to the 1971 Census total of households gives a total of unfurnished private rented households (and those who rent with their business or job) for 1971 of 2,628,000 households and a decline of 1,187,000 in the period 1971 to 1981, a 45 per cent decline. There has, on the statistical evidence of Table 2.2 been an almost commensurate fall in households renting furnished accommodation. It is possible, however, that part of this is explained by a change in the definition of households in the intervening period. In the 1971 census, a household was defined as one person alone or a group of people living together, that is partaking of meals prepared together and benefitting from a common housekeeping. In the 1981 census households were defined as people sharing a common living or sitting room even if there was no common catering. The effect of this was to group into single households some people who previously would have been allocated to separate households.

Holmans has calculated a more detailed breakdown of the components of changes since 1939. This is shown in Table 2.3. Holmans emphasises the approximate nature of the statistics, which include dwellings let by public as well as private sector employees in the private rented sector (as well as those owned by housing associations - at least up to 1971). As Holmans also emphasises, the data draws attention to the importance of slum clearance to the decline in private renting, in comparison with transfers to owner occupation on which attention is usually focussed. Private renting also appears to have been more affected than other tenures by demolition for highway construction. In all some 25 per cent of the 1939 private rented stock was demolished. Nevertheless more dwellings than this were transferred to owner occupation, with the peak rate of sales having been in the 1950s.

Table 2.4, also constructed by Holmans, examines trends in the component parts of private renting and this shows that the rate of decline has been similar in each of the constituent subcategories with the exception of furnished lettings. Indeed given the changes to the definitions of household there may well have been no fall between 1971 and 1981 in such lettings.

	1939-53	1953-61	1961-71	1971-81
Stock at start of period	<u>6,530</u>	<u>5,945</u>	<u>4,557</u>	<u>3,195</u>
New Build for HAs <sup>(1)</sup>	+13	+31	+46	n/a
New Build other <sup>(2)</sup>	+76	+126	+124	+50
Converted flats (gross)	+125	+125	+85	+60
Slum clearance	-120	-290	-470	-335
Other losses, including dwellings converted <sup>(3)</sup>	-160	-108	-104	-67
Transfers to own occ.	-505	-1,245	-850	-825
Transfers to LA	-14	-27	-33	-40
Total net change	-585	-1,388	-1,202	-1,157
Stock at end of period	<u>5,945</u>	<u>4,557</u>	<u>3,355</u>	<u>2,038</u>

Notes (1) Difference between 3,355,000 at end of 1961-71 and 3,195,000 at beginning of 1971-81 is due to inclusion of Housing Associations in former and exclusion in latter.

(2) Including building for public sector employees e.g. armed forces married quarters.

(3) Includes 120,000 losses by enemy action in 1940-45.

Source: Holmans (1987) Table VIII.10.

Table 2.3 Estimated Components of Change of the Private Rented Sector in England and Wales 1939-81 ('000).

	1961	1966	1971	1981	Change '000	1961-81 Percent
Rented with employment	665	672	575	305	-360	-54
Rented with business	198	174	150	69	-129	-65
Other unfurnished	3,654	2,786	2,065	1,077	-2,577	-70
Other furnished	491	526	615	510	+19	+4
Total	5,008	4,158	3,405	1,961	-3,047	-61

Source: Holmans (1987) Table VIII.II

Table 2.4 Households in Subsectors of the Private Rented Sector: England and Wales ('000)

Holmans points out that there has been a greater fall in the number of households than of dwellings between 1961 and 1981. Dwellings fell by 2.4 million but households by 3.0 million showing that there has been a big reduction in the number of lettings which are parts of dwellings (Holmans 1988, p.434 - see also Chapter 2.3). In part, this reflects an easing of housing shortages, with the result that the number of households renting parts of dwellings declined and thus the number of households renting privately fell more than the number of dwellings. In part, it may reflect a restriction in supply of lettings of parts of dwellings, the result of local planning and housing policy in respect of HMOs. (See Holmans 1987, p.171 and Chapter 8; and Part 2 of this thesis.)

Table 2.5 shows that the decline in private renting was greater in metropolitan areas (including Greater London) between 1971 and 1981 than elsewhere in England and Wales, as a consequence of the greater impact of slum clearance programmes on private rented houses in metropolitan areas.

Table 2.6 shows that the decline in private renting nationally over the period of the research reported in this thesis, when the proportion of all dwellings that were privately rented fell from 11 per cent in 1979 to 8.5 per cent in 1985, and to 7.7 per cent by December 1987.

These stock estimates made by the Department of the Environment are based on data from the Censuses of Population. In censuses before 1971, a dwelling was defined in terms of structurally separate living accommodation (not necessarily with its own bathroom and wc) contained behind its own front door, with independent access to the street so that occupants could get out without passing through anyone else's living quarters. In the 1971 census a different approach was taken, based on whether households shared rooms, or corridors, or other circulation areas. The accommodation occupied by households who shared rooms or who shared access space in order to move between their rooms, was grouped together and defined as a dwelling. Any household which did not share in either of these ways was defined as occupying a single unshared dwelling. Rooms did not include bathrooms, wcs and small kitchens.

	1971 ('000)		1981 ('000)		Change (%)	
	Metro Areas	Rest of E and W	Metro Areas	Rest of E and W	Metro Areas	Rest of E and W
Owner Occupiers	2890	5339	3362	6865	+16	+28
Rent from LA/New Town	2059	2569	2238	2861	+9	+11
Rent unfurnished and Hsng Assoc	1256	1536	715	1088	-43	-29
Rent furnished	391	362	242	260	-38	-28
All households	6596	9806	6558	11074	-1	+13

Source: Census, 1971 and 1981.

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Table 2.5 Households in permanent dwellings 1971 and 1981, England and Wales

Year	Owner Occupied		LA in New Town		Rented Housing Assoc		Private Landlord and Others	
	'ooo	Percentage	'ooo	Percentage	'ooo	Percentage	'ooo	Percentage
1977	9752	56.1	5096	29.3	300	1.7	2246	12.9
1978	9970	56.6	5157	29.3	326	1.9	2150	12.2
1979	10191	57.3	5187	29.2	353	2.0	2051	11.5
1980	10433	58.1	5170	28.8	384	2.1	1968	11.0
1981 (April)	10507	58.4	5169	28.7	392	2.2	1935	10.7
1981 (December)	10711	59.1	5118	28.3	405	2.2	1876	10.4
1982	11080	60.7	4952	27.1	412	2.3	1801	9.9
1983	11412	62.0	4839	26.3	425	2.3	1731	9.4
1984	11721	63.1	4757	25.6	440	2.4	1661	8.9
1985	12009	64.1	4679	25.0	456	2.4	1592	8.5
1986	12301	65.1	4609	24.4	469	2.5	1524	8.1
1987	12611	66.1	4516	23.7	482	2.5	1462	7.7

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Source: DoE/WO/SSD Housing and Construction Statistics (London) HMSO.  
(various issues)

Table 2.6 Tenure of dwellings in England December 1977 to December 1987.

The 1981 Census did not include a direct count of dwellings, but estimates were made using information about access recorded for each household space i.e. the living accommodation occupied by one household. Self contained household spaces in permanent buildings were counted as separate dwellings. The number of shared dwellings was calculated by assuming there were 30 (20 in parts of London) separate dwellings for every 100 'not self contained' household spaces. Although this method does not result in substantial possible errors for the dwelling count of all tenures (maximum 0.5 per cent), these errors are potentially much greater in private renting where significant numbers of households renting furnished accommodation live in shared dwellings.

Nevertheless the continued decline of private renting is further confirmed by the results of the annual General Household Survey. Table 2.7 shows that there has been a steady decline in the proportion of households renting with their job or business and those renting private unfurnished accommodation. The sample numbers involved are small and so the decline in the proportion renting furnished accommodation must be treated with caution. Indeed comparison of the results for 1981 and 1984 of another regular sample survey, the Labour Force Survey (which incorporates a "housing trailer") suggests that the number of households renting from private landlords has increased. The extract from the results in Table 2.8 reveals that this is confined to those renting furnished accommodation.

The results are of course subject to sample error - although the sample sizes involved are greater than is the case for the General Household Survey (70,000 and 36,000 answered the housing trailer questions in the 1981 and 1984 Labour Force Survey). Nevertheless as the special report on these two housing trailers points out there are "special reservations about the estimates of households renting from . . . private landlords . . . The apparent 'no change' in households in the private rented sector would mark, if true, the end of a long period of steady decline and must be treated with caution. LFS estimates of change cannot be compared with changes in the dwelling stock because many households who rent from a private landlord rent only part of a house . . . it is not known whether there has been an increase in the number of sharing households between

	1971	1973	1975	1977	1979	1981	1983	1984	1985
	%	%	%	%	%	%	%	%	%
Rented with job or business	5	4	3	3	3	2	2	2	2
Rented privately, unfurnished	12	11	10	8	8	6	5	5	5
Rented privately, furnished	3	3	3	3	2	2	2	2	2
<hr/>									
All private rented	20	18	16	14	13	10	9	9	9
Base (households in all tenures)	11858	11553	11965	11850	11432	11939	9995	9727	9933

Source: OPCS (1987) General Household Survey 1985, GHS, No. 15, Table 5.1, London, HMSO.

Table 2.7 Tenure of households 1971 to 1987, Great Britain

Tenure	1981		1984		Change	
	'000	90% limits	'000	90% limits	'000	90% limits
Private Rented, unfurnished	1490	<u>+60</u>	1410	<u>+50</u>	-70	<u>± 80</u>
Private Rented, furnished	420	<u>+30</u>	510	<u>+30</u>	+90	<u>± 50</u>
Private Rented, all	1910	<u>+70</u>	1920	<u>+60</u>	+10	<u>+100</u>
All tenure	17230	<u>+60</u>	17940	<u>+80</u>	+710	<u>+100</u>

Source: DoE (1988) Labour Force Survey: Housing Trailers, London, HMSO.

Table 2.8 Households in private rented accommodation. England 1981 and 1984 and 90 per cent confidence limits (survey estimates)

1981 and 1984. Until that has been more securely established it would be unsafe to conclude that the previous decline in numbers was in fact halted after 1981." (DoE 1988, Labour Force Survey, Housing Trailers, p.3.)

Insofar as other evidence confirms a continuing downward trend since 1975 especially, in numbers renting unfurnished accommodation, the decline is largely accounted for by transfers of stock to owner occupation. Into the latter part of the 1970s and throughout the 1980s the volume of slum clearance has fallen, and whilst housing associations have been able to acquire property from private landlords, the numbers acquired by local authorities have been small. Some rough estimates of two of these figures for the period 1977 to 1987 can be made. The number of dwellings privately rented fell by 784,000. Over this period 198,000 dwellings were demolished (DoE, Housing and Construction Statistics and various issues). These will have predominantly been built before 1919. The 1976, 1981 and 1986 House Condition surveys showed that 32, 25 and 17 per cent respectively of dwellings built before 1919 were privately rented. A crude total for privately rented dwellings lost through demolition would be 63,000 or 32 per cent of the total demolitions (weighting the proportion by the higher totals of the 1970s). Housing association acquisitions can be roughly estimated as the number of loan approvals given by the Housing Corporation for rehabilitating older houses. This is only an approximation since associations do not only buy houses from private landlords with sitting tenants. The total concerned was 112,000 (Housing Corporation Annual Report 1986/87). Thus only 175,000 or 22 per cent of the decline between 1977 and 1987 can be attributed to demolition or transfer to housing associations. Much the greatest fall has been the result of sales of occupied dwellings to sitting tenants or of vacant dwellings to owner occupiers. The numbers involved are referred to in the next Chapter but two recent pieces of evidence are mentioned now.

Paley's survey of densely rented areas in 1976 also examined the tenure history between 1971 and 1976 of the private rented sector addresses sampled in 1976 (Paley 1978). This showed that 8 per cent of those let by non resident landlords in 1971 had become owner occupied by 1976 and that these constituted 7 per cent of the owner occupied stock in densely rented areas of England in 1976. Moreover 43 per cent of these let by resident landlords in 1971 were solely occupied by owner occupiers in 1976. Of

those transferred to owner occupation since 1971 30 per cent were bought by sitting tenants, 28 per cent had occupiers who no longer let as resident landlords and 42 per cent had been sold by non resident landlords. As addresses switched tenures, there had been a loss of accommodation units because some had contained more than one letting in 1971. The significance of sitting tenant purchases was further confirmed by the finding that 13 per cent of all owner occupiers in the survey areas had acquired their houses as sitting tenants. There had been some minor movement in the other direction, consisting of modernised properties, the majority let on a furnished basis.

The housing trailers to the Labour Force Survey also highlight the significance of sitting tenant purchases of private rented property. 430,000 owner occupiers in 1984 were estimated to have bought their current home in this way. The survey evidence suggests that sales to sitting tenants by private landlords has been running at between 10 to 20 thousand a year for over a decade - say 15,000 a year.

Thus the components of the gross decline of 784,000 dwellings between 1977 and 1987 can be crudely calculated as 67,000 demolished, 112,000 sold to housing associations, 150,000 sold to sitting tenants, with a balancing figure of 459,000 sold to other owner occupiers and other (net) changes. On average annual terms, the figures for sales to owner occupiers are 61,000.

Despite this pattern of decline and of the overall small proportion of households renting from private landlords, the geography of private renting is far from uniform. Kleinman and Whitehead (1985) show that this variation cannot, however, be spotted at the regional scale. It is necessary to examine census statistics at the scale of the local authority to spot differences. Furnished renting is highly concentrated in a handful of port and coastal areas, University towns (mainly in the south) and especially in central and west Greater London. Unfurnished renting is much more dispersed. Although there are some concentrations, the geographical distribution is much more even than is the case for the furnished sector. There is less diffusion in the case of renting with businesses or with jobs, being closely connected to the pattern of agricultural and armed service employment. Because of all these latter

connections, there is no clear relationship between concentrations of private renting and settlement size along the rural urban continuum. Whitehead and Kleinman found that only in Greater London and in rural areas was private renting over-represented in 1981, in the former because of the concentration of unfurnished, but especially, furnished renting in inner London and in the latter because of employment related accommodation.

As Kleinman and Whitehead state, "private renting is clearly not predominantly an urban phenomenon" (Kleinman and Whitehead 1985, p.14). They also look at the census evidence to see if private renting plays a different role in different locations. In doing this they look at two roles. First, the "traditional" sector (housing pensioners in accommodation which lacks amenities) does not vary with settlement size, confirming an impression that this part of private renting is declining in the same manner across the country. Second, the more "modern" sector does exhibit spatial variation, with greater proportions of single people of working age in larger settlements and with more sharing and overcrowding in the largest settlements - and especially overcrowding in London. They conclude that the private rented sector is made up of a "spatially homogeneous 'traditional' sector; mainly but not exclusively concentrated in the unfurnished sector and a more 'modern' mainly furnished sector, the extent of which varies spatially - but by no means as much as the extent of housing pressure" (Kleinman and Whitehead 1985, p.15).

Percent of all households

Settlement Size	All private Renting	Subsectors		
		Bus/Job	Unfurn.	Furn.
Rural areas	13	5	7	2
Small Towns	9	2	5	2
Large Towns	9	2	5	3
Free Standing Cities	11	1	6	3
Conurbations	9	1	6	2
Greater London	17	2	9	6
(Inner London	23	2	12	10)
England	11	2	6	3

Source: Kleinman and Whitehead (1985)

Table 2.9 Private Renting at Different Levels of Settlement Size, England

## CHAPTER 2.2

### RENT RESTRICTION AND THE CAUSE OF THE DECLINE

#### Introduction

Current policies to revive private renting are a return to earlier Conservative preoccupations with ending controls. Yet the long term decline has occurred regardless of the degree of regulation imposed. Nevertheless it is tempting to ascribe the decline of private renting to the legal framework which has restricted rents landlords can charge and provided their tenants with statutory security of tenure. However, levels of demand, political uncertainty, poor reputation and tax/subsidy policy have been just as important as regulatory measures in explaining decline (Doling and Davies 1984; Hamnett and Randolph 1988; Harloe 1985; HCEC 1982; Holmans 1987; Nevitt 1966). Decline has been accompanied by the expansion of owner occupation, the latter aided by tax concession on mortgage interest and fuelled by inflation, so that landlords cannot offer housing at rents competitive with home purchase costs for those who can afford to buy, while social rented housing provides alternatives for those who cannot buy. There is thus a weak demand from those households who could afford to pay a competitive rent (but for whom owner occupation is more attractive) whilst the incomes of those who cannot afford to buy limits the rents they can pay. It is this low demand, unaccompanied (unlike some other countries) by supply subsidies, which is the cause of decline, not rent and security regulation. Middle and upper income groups who used to sustain private renting now own their own homes. Attempts to deregulate private renting have not led to a revival, rather abuse by landlords like Rachman, notorious in London in the late 1950s, contributing to the poor image of landlords who, as a group, have not been an effective lobby in the face of other more powerful economic and social interests who have circumscribed their activities. The image and practices of 'Rachmanism' have come to haunt private renting and threaten to undermine attempts to get 'responsible' investment (on Rachman, see Committee on Housing in Greater London, 1965).

#### Sitting Tenant and Vacant Possession Value

At the heart of any explanation of the decline is the fact that a difference now exists between the market value of a property with a sitting tenant and its value with vacant possession. The former is the

price landlords will pay to receive a property's rent income and the latter is the price an owner occupier will pay to live in the property him or herself. The latter is usually greater than the former and this difference gives landlords incentives to sell rather than relet vacant properties. Where landlords do not expect to get vacant possession in the foreseeable future, they may be prepared to sell to sitting tenants at a price somewhere in between sitting tenant and vacant possession value. The key point is that the difference does not arise because of rent restriction legislation, but the emergence of an owner occupied property sector which places higher values on residential property for owner occupation than for renting. This arises because of the different fiscal and financial arrangements for the two tenures. In the nineteenth century no such dual market existed. It is its emergence in the twentieth century which has led to the decline of private renting. Where the control on rents is accompanied by security of tenure (which of course has been the case in Britain) the adjustment process is slow, because landlords have to wait for tenants to move or to die before they can realise vacant possession prices. If (again as in Britain) the security of tenure legislation allows spouses and other defined members in residence at the time of a tenant's death to take over a tenancy ('statutory' succession) the period over which adjustment takes place can be substantial. The rate of decline will also be determined by the extent of control over properties which are relet. If they are imposed upon all tenancies at a given time but not upon any granted to subsequent tenants, the adjustment process will be related to landlords' judgement about the risk of control being reimposed on the relet tenancies in the future. The extent of uncertainty becomes a key issue. (See, for example, evidence by Chestertons in HCEC 1982, Vol. 2, Minutes of Evidence, p.57.)

The sitting tenant value of a property is the price an investor would be prepared to pay for the stream of net rents generated by the investment. Gross rents are related to demand considerations and to the statutory framework (if any). Net rents are dependent on costs of management and maintenance, both of which may be affected by contractual and statutory obligations (and the tenants' and state's respective abilities and willingness to enforce these). The price an investor would be prepared to pay will also be related to expectations about the future - both in respect of rents and of costs. What contracts and the statutory framework

have to say about provisions for increasing rents during the term of tenancies are relevant. So, too is the landlord's estimation of inflation in management and maintenance costs. In calculating what to pay, a landlord will in effect capitalise current and expected rent - in other words landlords will pay a price which is in effect the discounted stream of net rent income generated by the investment. The yield used to determine what it is worth paying for a given current net rent income is related to yields in alternative investments, rates of inflation, an assessment of the risk involved and expectations about future rent income (Nevitt 1966; Hamnett and Randolph 1988; Darlow 1983). Thus if an unfurnished property is let at £1,200 p.a. (with management and maintenance costs of £200 p.a.) it is worth paying £10,000 for it at a yield of 10 per cent. But if the return required is 6 per cent, then it is worth paying £16,667 for it.

To summarise, so far, in an investment market the value of residential property will be determined by rent income and yields. It is the price at which rented property is valued for the purpose of exchange between landlords as long term investment property. It is also the price that landlords are prepared to pay for vacant property if it is to be used for residential letting.

In the nineteenth century the prices of tenanted and vacant property were broadly similar. Almost everybody rented their home. The number of houses owned by owner occupiers was low. Although the statistical evidence is very limited, it is conventionally accepted that, by 1919, 90 per cent of dwellings were privately rented. There was little demand for owner occupation in the nineteenth century. As Kemp has pointed out, both the well off as well as the poor rented. The attractions of home ownership which gradually developed in the twentieth century were much less relevant and perceptions of home ownership and private renting were vastly different then than now (Kemp 1987). The subsequent growth of home ownership in the twentieth century, especially since 1945, has seen the emergence of two values for residential property. On the one hand property has an investment value as rented housing, determined by net rents and yields. On the other hand property also has another value: the price owner occupiers are prepared to pay for houses to live in. The fact is that vacant property has a higher value for owner occupation than it

does as an investment property let as rented housing. This is because of the different taxation, subsidy and financial systems under which owner occupation and private renting operate. Rent restrictions per se do not inevitably make private renting unprofitable. If a property is subject to rent restrictions a potential investor will pay a price for it reflecting the restricted rent and a yield appropriate to the risk, allowing also for any potential that exists within the legal framework for rent increases. The reason why landlords sell rented property when it becomes vacant, rather than relet (or sell to another investor wanting to let property), is that they can get a higher capital value by selling to owner occupiers. As the difference between the value of property as rented investment and as owner occupied property has grown, so too has the incentive for landlords to sell rather than relet vacant property. They do so because they get a better return from alternative investments of the vacant possession value than they do from continuing to let the property. In other words the net rent as a return on the vacant possession value is significantly less than the return from selling property and investing the proceeds, net of costs and tax liabilities, in some alternative, such as Building Societies or equities, taking into account their different likely future returns as well as their different risk and liquidity characteristics. Research evidence on returns is presented later in Chapter 2.7. Evidence from the empirical research on Sheffield will be found in Parts 2 and 3 of the thesis.

That it was possible for landlords to sell private rented dwellings to owner occupiers so readily is partly due to the nature of the stock. The great majority of the pre 1914 private rented stock was terraced houses, not (as in many other parts of Europe) flats. Not only is the legal ownership of houses simpler than that of flats, but Building Societies regarded houses as offering greater security than flats.

The reasons for the growing difference in sitting tenant and vacant possession values have been well explained by Hamnett and Randolph (1988), Holmans (1987) and Nevitt (1966). The following paragraphs draw on their findings.

### Private Renting in the Nineteenth Century

The decline in private renting and the rise in owner occupation is due to the gradual disappearance of domestic investor landlords and their replacement by Building Societies. The latter provide a deliberately competitive source of finance with which households can pay for their consumption of housing.

Housing has a long life and is very expensive in relation to average incomes. Few people can afford to buy a house outright, neither from earnings nor savings. If housing is to be produced and if second hand houses are to be consumed, some way has to be found for consumers to pay housebuilders of new houses and owners of existing houses for the occupation of their shelter at a price they can afford. The nineteenth century "solution" to this problem was that the private landlord became an intermediary, raising funds from a wide range of private investors in the form of private mortgages, acquiring houses from builders and then letting them at a weekly rent to private households, the rent enabling the landlords to pay interest to the private mortgagors, pay for management and maintenance and to provide profits for themselves. In the nineteenth century rented housing was an investment, yielding returns from rent income. The twentieth century solution has been to cut out private landlords as intermediaries. In their place are Building Societies, non-profit-making mutual organisations, gathering together personal savings of small (and, now, not so small) investors and lending them on as mortgages to enable households to buy their own homes. Housing still provides an interest yielding investment, but it is Building Societies who now organise this for investors in return for interest payments, not primarily, private landlords. As Greve pithily observed about landlords: "he (sic) belonged to another time and to different circumstances" (Greve 1965, p.10).

To understand this change, and its importance, it is necessary to consider, in a little more detail, the conditions under which nineteenth century landlordism evolved. On the demand side incomes of working households in the growing industrial cities were not only low but also fluctuated from week to week as well as year to year. The capital markets did not provide a ready source of loans for house purchase. It was not until the late nineteenth century that permanent Building Societies became

more securely established within a statutory framework. On the supply side housing provided a very suitable form of investment for the small investor. Because it provided a safe investment with a good return, those with money to invest were happy to provide mortgages which could be called in by them on three to six months notice. Since there was a ready supply of such interest only loans (i.e. the principal was not repaid) landlords could "replace" loans which were called in by taking out new ones. With interest rates between 4 and 5 per cent at the end of the nineteenth century and within rents giving landlords an 8 per cent gross return on capital invested, residential letting was a profitable business after taking management and maintenance costs into account. Until the latter part of the nineteenth century, standards in respect of construction, layout and basic amenities were virtually non-existent. Given the low and uncertain incomes of many working class tenants, landlords obtained a competitive 8 per cent gross, only by providing slum housing which was often overcrowded. This was despite the fact that tenants devoted significant proportions of their income to housing costs - between one sixth and one fifth (Holmans 1987, Chapter 2).

Hamnett and Randolph point out that the circumstances which had created investor landlords had already begun to change by the end of the nineteenth century. They point to four changes. First, there was increasing regulation of standards. In the past, the building of slums was necessary if landlords were to make profits from the supply of housing to low income households. Regulation meant that building for low income households became less profitable. To the extent that real wages rose in the latter part of the nineteenth century, the additional costs of meeting higher standards could be met by higher rent payments. Nevertheless state intervention did impose higher costs on landlords providing new housing to rent. The growth of regulation in housing standards reflected a wider extension of urban government, the costs of which were met by property taxation in the payment of local rates. Daunton argues that this meant that the burden of paying for local services fell particularly on house owners. Under the "compounding" arrangements landlords paid the rates direct to the local authorities. At the end of the nineteenth century real wages fell, there was a high vacancy rate and thus the increase in location taxation cut landlords' profits (Daunton 1987).

The second change in circumstances identified by Hamnett and Randolph was the way landlords' political influence declined. With the gradual extension of voting rights, property ownership was no longer the main basis of suffrage. As a result, landlords became increasingly unable to prevent other economic and social interests curtailing their freedom. Indeed this has been a continuing phenomenon. Harloe has pointed out how the landlords' lobby (so far as one could be identified) has been remarkably ineffective in challenging other interests which have sought to circumscribe their activities (Harloe 1985).

Third, Hamnett and Randolph point to the impact of direct taxation, a development dealt with in some detail by Nevitt (1966, Chapter 4). Landlords have been at a major disadvantage in comparison with other investors because it has been assumed, for taxation purposes, that buildings last forever. As a result, funds for depreciation cannot be set against taxable rental income, whereas depreciation of plant and machinery was permitted from 1878 onwards in the case of manufacturing industry. This means that landlords have to pay tax on the capital invested in their buildings including any investment in improvements, like putting in a bathroom for the first time. As Nevitt points out "the relatively unfavourable tax position of the landlords was not created intentionally by the legislature, but the landlord's position has been allowed to grow relatively worse with each succeeding decade of tax history." (Nevitt 1966, p.43) Unfortunately, complaints by landlords about their disadvantaged tax position have been obscured by their complaints about the "dire" consequences of rent restrictions. As Nevitt concludes "two most undesirable consequences follow" (p.54). First, investors will not put money into property as an investment, although they are willing to enter the market as "dealers" looking for capital gains - as the evidence of this research shows is still very much the case. Second, tenants have to pay "absurdly high" interest rates on improvements because landlords have had to pay tax on any sinking funds for putting in things like bathrooms.

The fourth of Hamnett and Randolph's changed circumstances was the growing competition, especially from Building Societies, for the funds lent to private landlords. Of particular importance was the way they drew in investment from small to medium sized investors. The growth of limited

liability, the stock market and the widening of investment opportunities was of less relevance as alternative outlets for savings of the small investor, who had traditionally lent money to landlords, than was the development of Building Societies. These not only drew direct investment away from landlords but raised their costs of borrowing.

With permanent Building Societies becoming established in the latter part of the nineteenth century within a statutory framework, they gradually gained a reputation for honest and prudent financial management and as a safe haven for small investors' savings.

As well as being a safe way for the prudent investor to lend money, Building Societies also provide some attractions which landlords could not. These included the arrangements whereby a society paid the tax due on investors' interest, on their behalf. Not all investors were taxpayers and societies were charged therefore a composite tax rate on all investors' interest which took this into account. In effect investors not normally liable to tax paid it, whilst those liable to tax paid less than the standard rate. Lending to Building Societies rather than landlords, was more tax efficient for middle income taxpayers. Another important attraction was the liquidity of Building Society investments, making it possible to withdraw them whenever needed - and more accessible than private mortgages which could only be called in with several months' notice.

As funds were attracted to Building societies, landlords found private mortgages harder to come by. Their alternative was to borrow from Building Societies. Unlike private mortgages which required only the payment of interest, Building Societies required the repayment of principal as well. As Nevitt convincingly shows, this substantially increased landlords' costs so that "a landlord cannot profitably use a building society loan if he wishes to let property and that it is normally to the occupiers advantage to use the facilities of a building society rather than the services of a landlord." (Nevitt 1966, p.36) She goes on to argue that societies have effectively ousted the private landlord from the middle-income residential property market. Meanwhile, no specialist institutions developed to meet the needs of small landlords and the number of private mortgages dwindled.

## The Inter War Years

Rent restriction dawned in 1915. Before then the circumstances which had created private renting had changed. Its profitability was under pressure well before the advent of rent control. The 1915 Increase in Rents and Mortgage Interest (War Restrictions) Act controlled both rents and mortgage interest, as well as gave tenants security of tenure. Because it restricted interest rates on private mortgages to pre war levels (bank and most Building Society mortgages were excluded) and prevented them being called in, landlord costs were contained, as well as their rents controlled. In fact the main victim of the Act was the private mortgagor.

Immediately after the war, rent restrictions were continued. The wartime legislation was effectively extended until 1921, and coverage was widened although new developments were exempted. By 1920 it had become apparent that continuing housing shortages would make it impracticable to end rent controls, but that owners of controlled properties should get some increase in rent, because of cost increases since controls were imposed. Landlords were therefore permitted to charge the 1914 rent, plus 40 per cent throughout the inter war years for all properties subject to control. As Holmans observes this decision treated rented housing as an investment fixed in money terms (like gilts, rather than equities), but where the interest rate could be renegotiated to keep it in line with interest rates generally (part of the rent increase was designed to allow landlords to pay higher interest on mortgages). This made sense if prices were expected to fall (Holmans 1987, p.391). Rent controls were regularly reviewed in the inter war period. "Creeping decontrol" (i.e. decontrol upon vacancy) was permitted from 1923 onwards, and in 1933 the more expensive tenancies were decontrolled as a block. (See Holmans 1987, pp.386-399). In August 1939 rent control was imposed on unfurnished dwellings and limited to the rent then charged, which was either the August 1914 rent, plus 40 per cent, or the market rent of decontrolled or newly built property.

Holmans examines the impact of these rent restrictions in two ways. First, the impact on new building and second, on sales of vacant but formerly rented property into owner occupation. There is insufficient information to look at the impact on repairs and improvements. Table 2.4 in the last chapter shows that 900,000 dwellings were built for private renting in the

inter war period, much greater than is often supposed, with two-thirds of this total being completed in the 1930s. Bowley has argued that the high costs and interest rates in the immediate post war years made building for rent unprofitable (Bowley 1945). If costs and interest rates fell thereafter (as they indeed did) an investor would be left with an investment which could not be let as profitably as houses subsequently built at lower costs and interest rates. It was only in the latter part of the inter war period that there was significant building for rent.

Holmans calculates that landlords got annual net rents of 5 to 5½ per cent on these houses - an attractive yield on a safe investment which could be financed by Building Society loans (Holmans 1987, p.402). There was never any expectation in the inter war period that new building for private renting would be controlled. Building costs relative to rents fell. By 1933/34 building costs were 55 per cent more than during the First World War, whereas earnings of men in full time work had doubled. Interest rates fell to pre war levels so that by the end of the inter war period the rent needed for profitable investment was not much more than controlled rents with a margin for the better quality involved. As a result some 20 to 25 per cent of all private sector new build was for rent and, although, at the end of the period, some might have been originally intended for sale but diverted to rent when the market was misjudged, most of these were deliberately built as rental investments (DoE 1977a, Technical Vol. III, p.64). There was thus a lively uncontrolled new-build sector, co-existing with controls on existing stock. A significant number of these investments were in the form of flats for middle income, white collar tenants.

As Table 2.4 also shows it has been estimated that rather more, 1.1 million dwellings, were sold to owner occupiers than were newly built for private renting. Holmans estimates that landlords obtained returns on vacant possession capital values of between 3 and 3½ per cent in respect of controlled properties and 4¼ to 4¾ for properties not subject to controls. These were equivalent to returns from consols and Building Societies. Given that prices were falling these were real as well as nominal returns and gradually improved as prices continued to fall. But given the security that tenants had, these returns were not particularly good because the investment was not very liquid "but neither was it so low

as to be patently unattractive." (Holmans 1987, p.403) Certainly the evidence suggests that by no means all dwellings that became vacant were sold to owner occupiers. Perhaps 500,000 which had a rateable value of £13 or less were sold but three times as many as this were relet on non controlled terms. Moreover, as Nevitt argues, interest in controlled property was kept alive by the expectation that there would be decontrol in the near future. In the meantime, landlords got a near competitive return and from 1923 landlords could let vacant properties at market rents with contractual not statutory security (Nevitt 1966, p.115).

However, even if rent restrictions did not reduce returns significantly below market level, the legislation did create some uncertainty about the likely extent of control and thus investment in rented property was not without risk and this, *ceteris paribus*, increased the yield required. This in itself may have been a factor behind the number of sales.

Controls cannot by themselves, however, explain the number of sales nor the fact that, despite the construction of significant number of houses for rent, most new private houses were built in the inter war period for sale. The demand from potential owner occupiers and the development of subsidised local authority housing were equally important.

Subsidies were first provided for local authorities providing housing to rent in 1919. In the early post war years the houses were built to provide general needs housing for working class households. The rents were beyond the means of the lowest paid. The net result was that far more of the better paid, than low paid, sections of working class households moved into subsidised council houses, effectively removing from the private rented sector households who had a greater capacity to pay a rent giving landlords competitive returns than those who stayed. In the 1930s subsidies were restructured to concentrate assistance on houses and flats built to replace slums. This development, combined with modifications to space and other standards, made it possible for LHAs to compulsorily acquire the worst private rented houses and rehouse low paid tenants. The emergence of council housing thus had the twin effect, therefore, of removing both some of the effective demand for reasonable quality private rented housing and the worst part of the supply of private rented dwellings.

The post war legislation also provided subsidies for privately constructed housing (see Bowley 1945). Of the total 2,456,900 houses constructed by private enterprise between 1919/20 and 1938/39, 15 per cent were built with state assistance, of which 95 per cent were constructed before 1930/31. According to most commentators few of these were sold by builders to landlords for letting (Bowley 1945; Hamnett and Randolph 1988).

As Holmans notes, one of the most remarkable features of Britain's twentieth century housing history was the boom in houses built for sale, especially the boom in the 1930s (Holmans 1987, Chapter 3). Indeed the rate at which houses were built for private owners in the period 1934-1938, when an annual average of 273,500 were constructed, has never since been repeated. Indeed, as Holmans points out, these inter war years "stand out apart from the rest of more than a century and a half of English housing history from the early nineteenth century to the end of the 1970s as being the great exception from the faster rise in the price of housing than in prices generally" (Holmans 1987, p.84).

In the inter war years Building Societies' assets expanded rapidly. Personal Savings flowed into Building Societies for all the reasons described above, not the least the tax advantages and security. In the immediate post war period, building new homes to rent was not profitable. Builders and Building Societies needed other ways to invest their rapidly increasing assets. Lending to purchasers of new houses enabled them to do this. Loan periods were lengthened, mortgages for 95 to 100 per cent of valuations became available, with builders putting up additional collateral. In this way builders developed a close relationship with Building societies such as they did not need private landlords in order to sell houses. Real incomes grew, and the numbers in secure employment increased at the same time as building costs and interest rates fell, whilst the supply of cheap land was enhanced by development in public transport and remained effectively unrestricted by planning controls. Given the loans that were available, private letting of new housing was simply not competitive to the average housing consumer. (The new building for letting that did occur appears to have been let as flats to middle and upper income groups.) Evidence suggests that, at the time of 1930s

"building boom", the costs of buying a new house differed little from the costs of renting pre war controlled property (Hamnett and Randolph 1988, p.67). Tax relief on mortgage interest, unlike post war years, played no part in making owner occupation so competitive. Thus the tax system did not then favour owner occupation so much as it has in years after the Second World War (Holmans 1987, p.87).

### The Post War Years

The economic and statutory context for private renting after the Second World War was very different from that which had prevailed during the inter war years. For one thing, inflation has continued through the post war period. For another, virtually all private rented houses were subject to rent control in the immediate post war period, including any newly built and any relets. Furnished lettings (previously excluded from any restrictions) were made subject to the jurisdiction of newly established Rent Tribunals which could, on the request of either tenant, or (less likely) landlord, fix a reasonable rent and give limited security. Other rents were left as they were - which for some which were still controlled at the outbreak of war, meant 1914 rents plus 40 per cent. Rents were thus fixed in money terms at 1939 levels. Between 1948 and 1954 prices rose by 25 per cent, whilst house prices had trebled between the 1930s and 1945. "The inducement to sell as soon as possible was much greater than in the inter-war years and sales to sitting tenants at a large discount off vacant possession value appear to have been very common" (DoE 1977a, Technical Appendix III, p.66). Meanwhile security of tenure went along with rent control and this meant that landlords could not evict tenants without a court order - and the order could only be given on restricted grounds. In effect, if tenants paid their rent and did not abuse the property, they could not be evicted.

Prior to the introduction of the Fair Rent system in 1965, there were measures to permit rent increases for all lettings and deregulate some of them. From 1954 onwards, newly built lettings were not subject to control. In the light of concerns about the growing disrepair of the housing stock (rather than as an attempt to give landlords more returns per se) landlords were permitted, from 1954, to increase rents by twice the "statutory deduction" (i.e. the difference between gross and net

rateable values, which supposedly measured costs of repairs) if the property was in good repair and if specified sums of money (related to the statutory deduction) had been spent on repairs.

Far more reaching, was the decontrol permitted by the Rent Act 1957 as one of a series of measures to increase the private sector's role in housing provision. Lettings with a rateable value of more than £30 (£40 in London) were decontrolled (with power to lower this base by secondary legislation). Because of its controversial nature, this was suspended in 1958. All lettings were decontrolled upon vacancies ("creeping decontrol"). Remaining controlled rents were to be fixed at twice the gross rateable value. This had just been revised and provided a simple formula for raising rents. Holmans calculates that controlled rents set in this way would have meant a rise in average controlled rents proportionally equivalent to the rise in retail prices since 1939.

By the time the 1957 Act reached the statute book, many private rented houses had been transferred to owner occupation. Table 2.3 showed that 505,000 dwellings had been so transferred between 1939 and 1953. Between 1953 and 1961 sales were running at an annual rate of 150,000. Sales in the immediate aftermath of the 1957 Rent Act (1957 to 1959) continued at an annualised rate of 140,000, of which 45 per cent were sales to sitting tenants. In the period up to the introduction of the Fair Rent System in 1965 (1960-1964) sales ran at 100,000 per annum (Holmans 1987, p.173).

Thus the private rented sector continued to decline after the 1957 Act. At the time of its enactment the size of the controlled sector was estimated at 4.3m tenancies. By 1964 it was estimated that 1.755m were still controlled, 1.55m lettings were decontrolled (mainly by creeping decontrol), leaving a further reduction of 0.995m due to slum clearance and transfer to other tenures, principally sales to owner occupiers. Sales to sitting tenants at discounts on vacant possession prices appear to have been common. In 1964, there was 0.75m owner occupiers who had bought as sitting tenants.

Rent increases took some time to come through. Evidence suggests that the increases between 1957 and 1964 absorbed a high proportion of increases in average post tax earnings of a couple with two children. Unless tenants

were on National Assistance, they would have had to pay all of this increase themselves. Whilst average decontrolled rents rose by a greater percentage than average controlled rents, an equally important consequence of decontrol was that the spread of decontrolled rents around the average was much greater than was the case for controlled rents. The consequences of the 1957 legislation for tenants security has attracted far more interest, not the least the abuses by a, now, notorious landlord in London, Rachman (Committee on Housing in Greater London 1965). The Act did not increase the incentives landlords had to evict controlled tenants so as to put saleable properties up for sale (though block decontrol made it easier to do this). Far more important, as Holmans points out, was the incentive it gave to landlords of less saleable property to harass and illegally evict controlled tenants to be able to let outside the Rent Act. Given the degree of insecurity that tenants of non controlled lettings had, they were less likely to complain to either landlords or LHAs about repairs or seek redress about landlords' failure to comply with other obligations (Holmans 1987, p.419).

The most revealing of the consequences of the 1957 Rent Act was its failure to stop the transfer of houses into owner occupation. Up to 1957 inflation had been eroding the return landlords got from rents fixed in money terms - and to that extent controls gave landlords incentives to sell. But even when houses were decontrolled and landlords could set their own rents, they continued to be sold. In other words, even decontrolled rents did not give a return on the vacant possession capital value that was comparable with alternative investment of this value realised upon sale, allowing for risk and liquidity.

The value of property as a residential investment in a decontrolled market was still less than its value to owner occupiers. Landlords could only realise the higher value when the property became vacant. During periods of control they had been unable to realise this value. To realise it they had to wait for decontrol (or earlier vacancy) (unless prepared to sell earlier at a discount to sitting tenants). As Nevitt succinctly put it: "the decontrol of rents is rather paradoxically the time at which we can expect the sale of dwellings to owner occupiers, rather than during the period of rent control" (Nevitt 1966, p.117-118).

The fact is that when property is subject to decontrol, market forces come into play and it is not at all self evident that market rents will provide landlords with competitive returns. There are a number of important questions about the demand for private renting to be taken into account, particularly the comparative costs of renting and owning.

In the first place, it is important to recognise that owner occupiers have not had to pay for the mortgage interest element of their housing costs out of taxed income, whereas private tenants have to pay all their rent out of taxed income. (Up to 1972 only those on National Assistance got help towards rent payments.) (At the same time landlords have had to fund sinking funds out of taxed rental income.) Nevitt shows quite clearly that the cost of buying a given house with a mortgage was always cheaper for an owner occupier than the cost of renting it (Nevitt 1966, Chapters 4, 5 and 8). There is in effect no demand (from those who can get mortgages) for renting at prices which would cover landlords' costs and give them returns on vacant possession value.

The prices owner occupiers pay for houses reflects both their incomes and what Building Societies (and other providers of house purchase loans) are prepared to lend - which is usually a multiple of income, up to a percentage of the property valuation. Whilst it has become increasingly common in post war years for mortgages of 90 to 100 per cent to be available, this has, to some extent, depended on the type of property and therefore its security. There is evidence that Building Societies, as risk averse institutions, have often been reluctant to lend on nineteenth century terraced houses and, insofar as they did, tended to give mortgages only up to 75 to 80 per cent of their valuation. (See, for example, Boddy 1980.) The private rented sector coincided with the just the sorts of houses and areas where Building Societies lent the least. To that extent, effective demand for these properties for home owners was dampened.

The late 1950s, however, was a time when LHAs developed a role of providing mortgages for properties which mainstream lenders regarded as too risky. It was also a period where LHAs were given some duties and more discretionary powers to provide grants for the improvement of these properties. Important legislation was passed in both respects in 1958 and 1959. LHAs role in supporting these inner city mortgage markets has now

diminished, but Building Society lending has increasingly come "down market" and this has in itself had an impact on prices (see, for example, MacLennan and Munro 1987). Meanwhile, LHAs' programmes to revitalise these housing markets through improvement grants and area improvement programmes has continued. (For summaries, see, for example, Gibson and Langstaff 1982 and Thomas 1986.) The point is, of course, that the lengthening of loan periods, the higher percentage mortgages on valuations, and greater willingness to lend on older property have all combined to increase effective demand to buy these properties with mainstream mortgage facilities, available at a price to the home owner which cannot compete with the alternative of renting.

At the same time owner occupiers have benefited from tax exemptions on housing as an investment. In 1963 they became exempt from paying tax on imputed rental income. Ever since 1965 when capital gains tax was introduced, owner occupiers have been exempted from paying tax on gains made on the sale of a principal residence. In both cases this made housing an attractive investment compared with gilts and equities where there was liability for tax on income and gains. (The indexation of the latter since 1982 was somewhat diminished this relative attraction.) This attraction feeds through to demand, not only for owner occupied housing, per se, but also increases the quantity demanded. In other words, it has been more tax efficient for those who have savings to get mortgages, so as to invest their money on housing, than to rent a house and put their savings into stocks and shares. As a result house prices are bid up relative to share prices.

In terms of paying for housing, owner occupiers do not pay tax on that part of their income devoted to paying interest on a house purchase loan. This subsidy, available as of right to owner occupiers, increases the sums they are willing to pay for the housing they consume, compared to renters. (See Hamnett and Randolph 1988, pp.75-77 for illustrations.)

All in all, therefore, the system of financing loans to buy houses and the tax system, affecting both suppliers and consumers, briefly described in this Chapter means that "an owner occupier can always afford to pay a

higher sum for his (sic) house than can a landlord who intends to let to a tenant with the same income as a potential owner occupier" (Nevitt 1966, p.201).

As a result the "middle income" demand for renting which sustained private renting in the past has been drawn off into the alternative of home ownership. Landlords have "lost" those with a capacity to pay the kind of rents that would give them competitive returns. Those unable to buy (either by virtue of low permanent income or the low income earned at an early stage in a career) and unable to get council houses cannot afford to pay the rents landlords need without significant subsidy.

Indeed the fiscal arrangements for home ownership have been capitalised into higher house prices (Ermisch 1984; Sullivan 1984). As a result, if landlords are to get competitive returns, they need to set rents in relation to those prices. In other words, tenants have to pay the price of other peoples' subsidy without (necessarily) getting one themselves. This only increases their incentive to transfer to owner occupation if they possibly can. Meanwhile continuing inflation, combined with rent controls, has perpetuated and enlarged the gap between sitting tenant and vacant possession values.

In view of the above it is not surprising that the results of the 1957 Rent Act, intended to revive investment in private renting, was a continuation of decline. Sales were not the only reason for the fall in lettings. Slum clearance resumed again in 1955. As Table 2.1 showed, 800,000 dwellings were cleared away between 1960 and 1975, so that (excluding miscellaneous tenures), one fifth of the 1960 stock had been demolished by 1975 (DoE 1977a, Technical Appendix III).

Since 1965 a new method of fixing rents for lettings subject to rent restriction has been gradually introduced. In 1965 security of tenure was reintroduced for tenants of unfurnished lettings which had been decontrolled by the provisions of the 1957 legislation. Moreover, there was not to be a process of creeping decontrol i.e. if landlords relet upon vacancy, new tenants would have statutory security of tenure. There would also be two "rounds" to the statutory successor right. These become known as regulated tenancies. Rent control, in the sense of a statutory fixed

limit on the money rent, was not, however, reintroduced for these lettings. Instead rent registration was introduced, permitting the rent to be assessed in relation to the circumstances surrounding each case and allowing the rent to be reviewed every three years, enabling adjustments for changes in circumstances to be made, and any increases in costs in the intervening period to be taken into account. (See Doling and Davies 1984, pp.47-62.) Either landlord or tenant could get a Fair Rent fixed by the Rent Officer. Once the rent had been assessed it became, subject to an appeal to a Rent Assessment Committee, the legally recoverable rent for three years. In determining a Fair Rent regard has to be had to the age, character, locality and state of repair of a letting, but in making an assessment a Rent Officer was to disregard any scarcity for the letting. This is done by assuming that the number of people seeking houses to rent of the same kind, in the same locality, on the same terms (except rent), is no greater than the number of lettings available. In other words, the Fair Rent machinery was introduced to allow market rents to be gradually charged but to protect tenants from the effects of scarcity (Donnison 1967, pp.265-267). The enactment of this machinery has parallels elsewhere. More liberalised rent regulation was gradually introduced in post war years in a number of other counties, since measures were needed which enabled rents to move from a system of fixed controlled rents to a system which enabled rents to move better in line with costs and prices in a period of continuing and increasing inflation. (See for example Harloe 1985, Chapter 5.) Unfortunately for the tenants, it was not until 1972 in Britain that rent allowances became available on a means tested basis to enable low income tenants to get help to pay these higher rents (not just those on National Assistance, or Supplementary Benefit, as it became in 1967).

The statutory framework about security of tenure and rent regulation, as it existed at the outset of this research in 1979, and as amended in 1980, is explained in Chapter 2.5. Leading up to 1979 there were a number of important measures.

First, measures were introduced to transfer the remaining controlled tenancies, whose rents were fixed by the 1957 formula, to the regulated sector with registered Fair Rents. From 1969, dwellings which were in good repair and had all basic amenities were transferred if the LHA issued

a qualifying certificate. In part, this also was a measure to give landlords an incentive to put in standard amenities where they were missing. Until then, improvement expenditure was recouped by adding 12.5 per cent of the landlords' improvement costs to the annual controlled rent. In 1972 a more radical approach to transfer was adopted, enabling the transfer of all but those declared unfit for human habitation, by six batches according to rateable value bonds. It was because of the steep rent increases involved, that rent allowances were introduced.

In 1974 the batch transfer was halted after three had been completed, and the system of security by tenure and rent regulation was extended to furnished lettings of non resident landlords. This latter decision was controversial, not the least because some argued that this would dry up the supply of furnished lettings which were vital for housing the young and mobile single. Others supported the move, many on the grounds that landlords supplied furniture (a few pieces) simply as a means of avoiding full rent controls and security. It was also recognised by some that this was not an inevitable consequence, partly because many of these lettings were in the form of flats and bedsitters in run down areas which would be difficult to sell off to owner occupiers (see Committee on the Rent Act 1971). In 1975 a limit was placed on any increases in rent which resulted from triennial reviews of Fair Rents, by requiring such increases to be phased in over the three years. This formed part of the Government's counter inflation policies.

The impact of these measures introduced between 1965 and 1975 can be examined in terms of rents, returns and sales (Holmans 1987, Chapter 8). While Fair Rents were 90 per cent higher in 1969 than non controlled rents had been in 1963 and 1964 over a period when retail prices rose 23-27 per cent, they were much less dispersed about the mean. So, although rents had risen more than inflation, there were far' fewer exceptionally high rents.

By 1970 it was estimated that Fair Rents gave a gross annual return on vacant possession value of 7 per cent - say  $5\frac{1}{2}$  per cent net of management and maintenance.  $5\frac{1}{2}$  per cent is equivalent to  $4\frac{1}{2}$  per cent for an asset with a life of 40 years. Since rents were expected to keep up with inflation, a comparison with returns from equities is more appropriate

than with Building societies or government bonds. At the time, the average dividend on equities was 4½ per cent (and Building Society investment earned 8½ per cent). Returns from Fair Rents were thus no more attractive than shares and must be seen as less so since, they were far more illiquid - if not more risky.

These returns were cut into by the higher inflation of the 1970s. The 1975 legislation slowed down the realisation of increases, management and maintenance costs rose and, crucially, house prices doubled by 1973. As Rent Officers increasingly resorted to the comparables method in assessing a Fair Rent (i.e. by reference to a recent comparable case - see Doling and Davies 1984) even registered rents could not keep up with accelerating inflation. As a result, returns fell sharply in real terms. At the same time, Building Societies were beginning to advanced more money for buying in inner city housing markets. A combination of higher costs and house price inflation cut heavily into landlords' returns, at a time when it was becoming easier to sell their houses to owner occupiers. Indeed the slower growth of real incomes after 1973 and high interest rates increased the demand for "down market" (Holmans 1988, p.443).

Estimates of sales over this period show indeed that sales did not slow down, as some had expected given that the most saleable had already been transferred. Sales between 1961 and 1966 were 90,000 annually, falling to 80,000 a year between 1966 and 1971. But sales between 1971 and 1981 appear to have run at least at the same level as the latter part of the 1960s, with some evidence of the increase in the number of pre 1914 dwellings coming into the market (Holmans 1988, p.172-174; p.442-443). Moreover, from 1974 onwards a new dimension to the decline has to be taken into account, the planned acquisition of properties by LHAs and, especially, housing associations in pursuit of social ownership and rehabilitation programmes, particularly carried out in conjunction with HAA and other area improvement programmes.

### Conclusion

The sale of property to owner occupiers does not appear to have involved only the fairly straightforward process of an investor landlord taking the decision to sell to an owner occupier, once vacant possession was acquired, or even to sell to a sitting tenant beforehand. Instead,

property has often passed into the ownership of property dealers beforehand, whose objective is to acquire property at its sitting tenant value from investor landlords, in the expectation of making capital gains when the property becomes vacant (and being prepared to pay investor landlords some hope value to persuade them to sell up). One of the major findings of this thesis research is the scale of such property dealing, found both in the Sheffield panel study and in the wider study of other local authorities. The presence of property dealers in the process of transferring private rented property to owner occupation, including the mobilisation of mortgage finance, has not been widely recognised in the past, although their existence has been reported in some previous research, as the review of the literature in Part 4 of this thesis shows. A notable exception is the work of Hamnett and Randolph who have analysed the role of property dealers in the "break up" of rented flats for owner occupation in London (Hamnett and Randolph, 1988). The empirical results reported in this thesis provides evidence of the scale of this activity in the transfer of terraced houses, and also of the way in which LHA policy creates conditions which are conducive to profitable property dealing. (These points are developed in Parts 3 and 4 of the thesis.)

By the time this thesis research commenced, there had been no change in the post war pattern of a declining rented sector, with decline seemingly pervasive, whatever the degree of rent control or rent restriction. Soon after the research commenced the Government took steps to stem the decline, steps which were taken further in 1988. The nature of these changes introduced in 1980 are reviewed in Chapter 2.5 and their impact is also considered in the thesis, especially in Part 5.

Since many of these steps were designed to revive private renting by removing rent restrictions, it is important to state some interim conclusions about their contribution to the decline of private renting up to 1980. Rent restrictions are, of course, part of a linked approach to the questions of security of tenure and rents. The former has been seen as an equally important policy objective and rent restrictions were necessary if this was to be achieved. Until 1965 this was achieved by providing security of tenure and rents fixed in money terms. This could not work in conditions of inflation, but Holmans argues that, even if rents had been related earlier to movements in prices and incomes, it

would have made little difference to the decline in private renting. Far more important, was the demand for home ownership and its financial and fiscal advantages, which normally made it possible for the owner occupier "to out-bid the tenant who had to pay rent out of fixed income" (Holmans 1988, p.466). With high nominal post war interest rates "virtually any one who could have afforded such rents (covering fixed interest loans and management costs) could afford to buy, and with tax relief the net outgoings would have been lower for purchase than for renting right from the start" (Holmans 1988, p.447). Even though market rents would have risen with general prices, there would have been a large cash shortfall to cover the costs of financing private rented housing in the early years of a loan - even though, in the long term, the investment might compare well with equities. With access only to conventional mortgage finance and without subsidies (or the benefit of large historical stocks to pool rents and costs) investment in private renting, even with market rents, was just not profitable. Only if landlords had had access to share capital, or could have funded developments in the same way as commercial property has been funded by pension funds and life assurance companies in post war years, might such investment have been profitable. These arrangements took into account the fact that office and shop rents would keep abreast, or ahead, of inflation and enabled financing to be obtained on yields of only 4 to 6 per cent on the capital cost, rather than 8 to 10 per cent. But the rents that would be needed for yields as low as 5 per cent (allowing for upkeep and management on top) would not be competitive to the alternative costs of buying out of untaxed income. It is hard to resist the interim conclusion, therefore, that it is not rent restrictions per se that have caused the decline, but the social, financial and fiscal structures surrounding home ownership. Without adequate subsidies to make private renting attractive, the decline of private renting has been inevitable. Indeed it is only where subsidies have been available to landlords in other countries that significant levels of new building by them have occurred. But, similarly, despite a growing liberalisation of rent controls, any reductions in these subsidies, coinciding with the retention or extension of subsidies to owner occupiers, leads to a fall in private rented investment, (Maclennan 1988; Harloe 1985).

Thus the growth of owner occupation has "taken away" the upper and middle income demand that sustained private renting in the past. Others, especially households with children, have been housed by local authorities. Thus most low to moderate income family demand has also been lost by landlords. Private landlords have increasingly been left to house, as the next but one Chapter shows, the single and the old, whose incomes do not, unaided, allow them to pay the sort of rents which would give landlords competitive returns on existing, let alone new, houses, nor, moreover, on improved, well repaired houses. Although, as Part 4 shows in detail, there are a range of standards about amenity, occupancy and repair, their enforcement by LHAs is discretionary. Codes are thus not always strictly policed. Where this is the case, landlords can treat rent restrictions as a revenue rather than price limit and adjust occupancy upwards and repairs spending downwards to maintain profitability. Landlords also have an incentive to reduce maintenance to levels which induce tenants to quit, allowing them to sell with vacant possession. Insofar as this sort of behaviour damages the reputation of landlords it undermines political support for them. This damage is further increased where landlords require "side money" to compensate for rent restrictions, and develop other ways of operating on or just outside the legal framework to do so. Much of the empirical work of this thesis research is devoted to showing how LHAs enforce standards and to examining investors' response to code enforcement.

Donnison, in his evidence to the House of Commons Environment Committee, cogently summarises the main argument of this section:

"Since the 1920s massive subsidies have been poured into the growing sectors of the housing market which serve owner occupiers and council tenants. To the more explicit subsidies provided through tax relief and through payments from the Exchequer and the Rate Funds, are added the more general effects of a circulating flow of payment in an inflationary economy: in owner occupied housing, the flow of borrowers' repayments which can be reinvested in new lending; and in council housing the effects of rent pooling which mean that most tenants are now paying a rent which more than covers the cost of the historical cost of their housing and enables the authorities to keep down the rent of new housing still being built."

"Inflation enables owner occupiers to harvest tax free 'holding gains' individually. Councils can do it likewise collectively, passing the gain on to their tenants in reduced rents or to their ratepayers in reduced subsidies. Even without rent

control, private landlords are in a weaker position to do this - partly because their tenants have less buoyant incomes . . . Anyone who can do so will get into other sectors of the market."

"We have, in effect, created two great financial 'engines' which channel, and constantly recycle, investment through the growing sectors of the market. The large sale flow of funds for new, privately rented housing dried up long ago, and there are now no major financial institutions interested in reviving it." (Donnison, David, In HCEC 1982, Vol. 2, Minutes of Evidence, p.225.)

CHAPTER 2.3  
PRIVATE RENTED DWELLINGS AND THEIR CONDITION

Type of Dwellings

Table 2.10 confirms that, at two-thirds, a much greater proportion of private rented housing was constructed before 1919, than of the housing stock as whole and that nearly a third was in the form of flats, rather than houses. Far more of these flats were in converted houses than in other tenures, whilst as many as 7 per cent of private rented dwellings were rented with business premises. These two latter forms of accommodation were particularly to be found amongst dwellings constructed before 1919. As Table 2.11 reveals, accommodation in flats and rooms, which were not purpose built, are most likely to be found amongst households renting furnished accommodation, whilst the majority of those who rented with their job or business lived in houses of one kind or another, rather than in some other accommodation, such as a flat over a shop. Indeed, households renting in this latter way are much more likely to be in modern accommodation, built after 1945, than other households renting privately.

A significant proportion of accommodation is not self contained but as Table 2.12 confirms this is almost entirely confined, so far as private renting is concerned, to households renting furnished accommodation. Indeed such households accounted for 53 per cent of all households living in accommodation which was not self contained, whatever their tenure. The definitions of household spaces used in the Census and of dwellings used in the National Dwelling and Household Survey (NDHS) are not strictly comparable. Nevertheless it is evident that over half households in furnished private rented accommodation live in buildings which have been converted and that half this accommodation is not self contained. Two thirds of the latter are in the form of bedsitters. This is reflected in the figures shown for the average number of rooms in the different types of household space identified in the Census and shown in Table 2.13. It will be seen that those who rent with their job or business have more rooms, on average, than either those in unfurnished or furnished private renting, the small average for the latter being largely due to the presence of bedsitter accommodation.

Type	Pre 1919	1919-44	1945-64	Post 1964	All
	%	%	%	%	%
House	67.0	70.4	70.4	80.0	68.5
Purpose built flat	3.3	16.1	21.1	16.4	7.8
Converted flat or dwelling with non-residential	29.7	13.5	4.1	3.6	23.7
Total ('000)	861	186	142	55	1,244
%	69.2	15.0	11.4	4.4	100.0

ALL DWELLINGS

House	79.2	91.1	80.5	75.4	80.9
Purpose built flat	3.4	7.0	18.3	24.0	13.6
Converted flat or dwelling with non-residential	17.4	1.9	1.2	0.6	5.5
Total ('000)	4,966	3,863	4,476	5,404	18,839
%	26.5	21.0	23.8	28.7	100.0

Source: DoE (1988) English House Condition Survey 1986. Table A38.

Table 2.10 Age of Private Rented Dwellings by Type of Dwelling, England 1986

Type of Accommodation	1977		All H'holds %	1985			All H'holds %
	Priv. Rented Unfurn %	Rented Furn %		Privately Rented Unfurn %	Rented Furn %	With Job/Bus %	
Detached house	13.3	4.4	17.6	14	8	29	19
Semi-detached house	17.9	6.4	33.0	18	11	26	31
Terraced house	31.8	10.1	28.9	28	13	17	29
Purpose built flat	11.0	5.2	11.8	18	12	8	15
Other flat/room	22.0	72.1	7.4	21	55	5	5
Other	4.0	1.7	1.2	1	-	14	1
Number (1977 - '000s; 1985 - sample number)	1,830	590	16,824	451	208	238	9,830
Percent in accomm. built before (1977= 1940; 1985=1945)	15%	12%	49%	17%	15%	41%	54%

Sources: DoE (1979) National Dwelling and Housing Survey, London, HMSO, Tables 2, 19  
OPCS (1987) General Household Survey, 1985 London, HMSO, Table 5.17(a)

Table 2.11 Tenure of households by Type of Accommodation, England 1977 and Britain, 1985

	Owner Occupiers	Local Authority and New Towns	Housing Association	Private Renting Rent with business/job	Unfurn	Furn	All Tenures
	%	%	%	%	%	%	%
<u>Self contained accommodation</u>							
Separate Entrance	95.8	72.3	44.2	90.4	76.6	40.8	85.1
Purpose Built Flat	2.6	26.1	40.6	5.9	8.4	5.5	10.7
Shared entrance	1.2	1.3	13.2	2.8	10.2	28.7	2.8
<u>Not self contained</u>	0.3	0.2	1.9	0.9	4.8	24.9	1.3
<u>Total Households</u> in permanent buildings ('000)	10,227	5,099	361	371	1,070	502	17,632

Source OPCS (1983) 1981 Census England and Wales Housing and Households. Derived from Table 2, London, HMSO.

Table 2.12 Tenure of households in permanent buildings by household space type, England and Wales 1981

Household Space Type	Owner Occupied	Local Authority and New Town	Housing Association	Private Renting				
				Bus/Job	Unf	Furn		
Self contained accomm								
Separate Entrance	5.6	4.7	4.4	5.7	4.9	4.6	5.3	
Purpose Built Flats	3.7	3.3	2.8	4.0	3.5	3.4	3.3	
Shared Entrance	4.3	3.1	2.9	3.9	3.3	2.6	3.3	
Not self contained	<u>4.8</u>	<u>2.1</u>	<u>2.0</u>	<u>3.0</u>	<u>3.0</u>	<u>1.4</u>	<u>2.5</u>	
All types	5.5	4.3	3.5	5.5	4.5	3.2	5.0	

Source: OPCS (1983) 1981 Census England and Wales. Housing and Households, London, HMSO, Table 2.

Table 2.13 Average Number of Rooms According to Tenure and Household Space Type

Table 2.14 confirms that there are also significant regional variations in the type of accommodation in private renting. In particular, far more households renting with their business or job, or renting unfurnished, live in purpose built flats in Greater London than elsewhere. In addition, outside London, the great majority of the latter groups live in accommodation with a separate entrance - in effect a house. This is also true for half of those who rent furnished accommodation outside London. Thus the stereotype of households renting furnished accommodation living in bedsitters does not stand up to the evidence outside London. This regional variation is as much due to market factors as to any regional variation in the stock of housing available: the greater shortages in London being manifested in more sharing of dwellings (see Chapter 2.1).

It is also evident that there have been changes over time in the different types of lettings. Table 2.15 shows that there has been a marked fall in the lettings in shared dwellings. Unfortunately the information on Censuses on the number of dwellings is very limited and the definition was changed between 1971 and 1981, so in calculating the data shown in Table 2.15 below, Holmans had to have recourse to 1964 and 1978 survey data. Despite their limitations, he was able to show that lettings by resident landlords to tenants and resident tenants to subtenants had declined by almost two-thirds in all. Lettings of parts of houses by non-residents landlords fell by nearly half. Crucially, lettings of all these three latter types declined more than lettings which were whole houses or flats. Holmans speculates that this is evidence, not so much of all fall in demand for lettings in shared dwellings, as of a reduced willingness on the part of owner occupiers to let off part of their own homes and also of an increased difficulty of getting planning permission for changing the use of a singly occupied dwelling house into one occupied by several households. If this was the case, any loss of such dwellings - as landlords left the market or through slum clearance - was not replaced by new supply. (Some empirical evidence about this for Sheffield and of LA policy generally about this is presented in Parts 2 and 4 of the thesis.)

### Dwelling Condition

Data from successive English House Condition Surveys shows that conditions in private rented dwellings have been consistently worse than in other tenures. Table 2.16 shows some illustrative figures for both 1981 and

Household Space Type	Greater London			Northern and Midlands* Regions			Rest of England and Wales		
	B/J(a)	U(b)	F(c)	B/J	U	F	B/J	U	F
	%	%	%	%	%	%	%	%	%
Self Contained Accommm									
Separate entrance	63.5	44.9	23.6	94.7	88.4	47.4	92.2	80.2	50.0
Purpose built flat	23.9	22.7	8.6	3.0	4.3	3.6	4.6	5.3	4.5
Shared entrance	9.5	19.2	34.6	1.7	5.8	27.7	2.4	10.4	24.4
Not Self Contained	3.1	13.2	33.2	0.5	1.5	21.1	0.8	4.1	21.0
All Types ('000)	36	219	160	144	466	156	191	385	186

Source: OPCS (1983) 1981 Census England and Wales Housing and Households, London, HMSO, Table 6.

Notes: \* The five standard regions of N, NW Yorks and Humberside and E and W Midlands.  
 (a) Rent with business/job  
 (b) Unfurnished, and  
 (c) Furnished Private Renting

Table 2.14 Regions and tenure by type of household space occupied by households in permanent dwellings

<u>Type of letting</u>	1964 '000	1978 '000	Change '000	Change %
Parts of dwellings by resident owner occupiers	280	90	-190	-68
Parts of dwellings to sub-tenants by resident tenants	100	40	-60	-60
Parts of houses by non- resident landlords	555	300	-255	-46
Lettings of whole houses or flats	3,255	1,995	-1,280	-39
<hr/> Total	<hr/> 4,190	<hr/> 2,405	<hr/> -1,785	<hr/> -43

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Source: Holmans (1987) Table VIII.12, p.434

Table 2.15 Types of lettings by Private Landlords 1964 and 1978 England

	1981		1986	
	Owner Occupied	Private Rented	Owner Occupied	Private Rented
Lacking $\geq$ 1 basic amenities	3.3	13.5	1.2	8.2
Unfit	4.7	17.7	3.0	8.0
Needing repairs (1981 > £2.5k; 1986 > £1k)	21.3	42.0	12.0	35.0
<hr/>				
No. of dwellings ('000)	10,297	2,087	11,820	1,244

Sources: DoE (1983) English House Condition Survey 1981, Part I, London, HMSO.

DoE (1988) English House Condition Survey 1986, London, HMSO.

Table 2.16 Percentage of dwellings without all amenities and needing repairs according to tenure England 1981 and 1986

1986 for all private sector dwellings, distinguishing between all owner occupied and all private rented dwellings. At first sight there is a very substantial difference in the condition of the two tenures. But as Table 2.17 shows even more clearly, unfitness, disrepair and a lack of basic amenities are not phenomena confined to private renting, per se. Age of construction is an important contributory factor. 63 per cent of all dwellings that were private rented in 1981 were built before 1919. As the Table shows, other houses built before 1919 which were owner occupied in 1918 were almost as equally disrepaired and although double the proportion of the former, compared with the latter, were unfit or lacked amenities, the problem of substandard housing was obviously not confined to private rented housing. This is also confirmed by Table 2.18 which shows for example that the "worst" 25 per cent of private rented and owner occupied dwellings built at about 1900 needed more than £1,100 and £720 respectively spending on repairs.

A similar picture emerges from the results of the 1986 survey. A subsample of the main sample was the same dwellings included in the 1981 survey. These were resurveyed in 1986 using the 1981 method to establish the precise changes that had taken place. Special tabulations have to be obtained to look at this for private renting and these were not available at the time of completing the thesis. Recourse has to be had, therefore, to the detailed results for each tenure from the main sample. Unfortunately exact comparisons between the 1981 and 1986 survey results with respect to repair costs are not possible because different methods were used to measure these. In 1981 repair costs were based on proportions of the costs of completely renewing relevant elements of a dwelling's fabric (taking 1981 costs in a typical Midlands town) to bring it up to the 10 point standard for discretionary improvement grants. In 1986 an alternative approach was adopted, using actual repair costs rather than the rebuilding costs, and these were based on Property Services Agency 1985 schedules for the country as a whole. They were based on three categories. "Urgent repairs" were those which needed doing to protect the health, safety, and security of the occupants. "Repairs" were those which were economically worthwhile doing i.e. they needed to be done within 5 years - if they were postponed the cost would increase disproportionately. Finally there was comprehensive repair, including works needed to comply with house improvement grant standards (DoE 1988a).

TABLE 2.17 CONDITIONS OF DWELLINGS BUILT BEFORE 1919 IN 1981

Condition	Owner Occupied		Private Rented	
	No. ( '000)	%	No. ( '000)	%
Unfit	434	13	346	26
Fit	<u>2922</u>	87	<u>974</u>	74
Total	3356		1320	
Lack ≥ 1 Amenity	284	9	241	18
Possess all amenities	<u>3072</u>	91	<u>1079</u>	82
Total	3356		1320	
Repairs Costing ≥ £2,500	1658	49	746	56
Repairs Costing < £2,500	<u>1698</u>	51	<u>574</u>	44
Total	3356		1320	

Source DoE (1982) English House Condition Survey 1981. Part I. London: HMSO.

% Dwellings	Built c. 1900		Built c. 1930	
	Private Rented	Owner Occupied	Private Rented	Owner Occupied
0 - 25	>1,100	>720	>620	>380
25 - 50	600-1100	375-720	321-620	181-380
50 - 75	240-599	86-374	85-320	30-180
75 - 100	0-239	0-85	0-85	0-30

Source: DoE (1982) English House Condition Survey 1981, Part I. London, HMSO, (Derived from Figure 10)

Table 2.18 Repair Costs Per Room by Tenure and Age, 1981

Table 2.19 is based on the first two categories of repair, and shows that all private renting dwellings needed at least twice the average for dwellings of all tenures spending on them, but that this spending was not unrelated to age, because, amongst all dwellings constructed before 1919, there was much less variation in average repair costs between tenures.

The 1986 survey also enables a comparison to be drawn between tenures about condition on a wider range of criteria. It defines "poor condition" as unfit, lacking one or more basic amenity or needing urgent or other non comprehensive repairs costing more than £1,000. As Table 2.20 reveals, 42 per cent of private rented houses are in poor condition, as defined, compared with 15 per cent of all occupied and vacant dwellings. When age of construction is taken into account, however, much of this difference is explained by the higher average age of private rented dwellings, i.e. 48 per cent and 44 per cent of private rented dwellings erected before 1900 and 1919 are in poor condition compared with 31 per cent and 26 per cent, respectively, of similarly aged owner occupied dwellings.

#### Houses in Multiple Occupation (HMOs)

It has already been seen that a significant number of private rented sector properties are not self contained. The dwellings are occupied by more than one household, with the households sharing some basic amenities. Conditions in these properties have to be judged not simply on repairs, (which themselves can be related to the greater wear and tear of several households using circulation space), but whether the amenities are adequate in number for the number of households and occupants present, whether there are safe means for escaping from fire and its accompanying smoke, and whether the management is adequate. Such properties fall within definitions of HMOs.

The exact number of HMOs is difficult to quantify, and even reliable estimates have been hard to come by. In part this is because local authorities themselves have different interpretations of the term and in part because, whatever the interpretation, there is very little reliable data. The 1981 Census, for example, did not incorporate definitions of households which conformed with particular categories of HMOs. Thus the Census defines as a self-contained household space, a household's accommodation which had two rooms behind its own front door, even if it

	Pre 1919	1919-1944	mean cost* (£) 1945-1964	Post 1964	All Ages
Private Rented	2570	1720	880	300	2030
Owner Occupied	1920	940	480	170	900
LA/New Town	1600	970	730	300	670
Housing Assoc.	940	830	780	110	480
Vacant	2970	1550	770	410	1980
All	2090	1010	600	210	950

Source: DoE (1988) English House Condition Survey 1986 (Table 4.4). London, HMSO.

\* Note Repair: Urgent repairs and other economically effective repairs.

Table 2.19 Estimated Cost of Repair by Construction Date and Tenure, England 1986

TABLE 2.20 DWELLINGS IN POOR CONDITION BY TENURE AND CONSTRUCTION DATE  
('000/% of total dwellings in that tenure in poor condition)

	Owner Occupied	Private Rented	Local Authority	Housing Association	Vacant	All Dwellings
Pre-1900	773 (31.3)	313 (48.3)	38 (32.4)	16 (10.1)	198 (57.5)	1,338 (36.2)
1901-1918	237 (26.4)	114 (43.6)	10 (19.9)	1 (12.1)	45 (53.2)	407 (31.3)
1919-1944	344 (12.9)	60 (32.3)	169 (17.6)	8 (16.6)	45 (35.2)	626 (15.8)
Post-1964	162 (2.8)	36 (18.3)	258 (7.7)	6 (2.3)	35 (13.7)	497 (5.0)
All Dwellings	1,516 (12.8)	523 (42.0)	475 (10.6)	31 (6.6)	323 (39.8)	2,868 (15.2)

Source: DoE (1988) English House Condition Survey 1986. London, HMSO.

actually shared a WC and/or bath/or shower.

The statutory definition is "a house which is occupied by persons who do not form a single household" (S.345, Housing Act 1985). This, as a Department of the Environment (DoE) Circular pointed out, is a "wide ranging definition" (DoE 1986) and case law has established that the term could include common lodging houses and hostels as well as those types of accommodation, like bedsitters, traditionally associated with the term. Now new forms of single persons housing have developed, for example groups of students sharing a house and bed and breakfast accommodation for the homeless. Though their common characteristic is an element of sharing, whether or not a specific case constitutes a HMO will be a matter of fact in relation to Court judgements - and DoE has drawn LHAs attention to these (DoE 1982, 1986).

Clearly definitions are important for policy as well as statistics, since LHAs can only use their powers where the accommodation falls within the definition. Also relevant to local authority policy is whether HMOs constitute development within the meaning of the Town and Country Planning Act, 1971. Where it does then it is open to the LHA to use its planning, as well as housing, powers to regulate HMOs. In planning, as well as housing legislation, however, there can be uncertainty about the application of powers to particular cases (Brand and Williams 1983; Samuels 1978). Although practitioners do plead for more precise Housing Act definitions, it should also be noted that the "wide ranging definition" does have the advantage of enabling LHAs to take action on a wide range of circumstances when conditions in buildings where there is shared occupancy need improving (IEHO 1985a).

Given this diversity the Institution of Environmental Health Officers drew up a fivefold classification of HMOs, labelled A to E. A are fully self-catering flatlets and bedsitters. B are fully self-catering shared houses, normally occupied by students and other groups of young single sharers, possibly not needing planning permission. C are houses let as lodgings. D are hostels and bed and breakfast establishments. Not every property in these categories would necessarily be accepted as a HMO since it would depend on the particular circumstances. In addition the IEHO

defined a fifth category, E, buildings with self-contained flats but with common parts like stairways and space for the storage of refuse (IEHO 1985a).

These definitions were used by DoE researchers in 1984 to quantify the number of HMOs in England and Wales, when each LHA was asked in a postal questionnaire survey to estimate the number of buildings in all five of the IEHO's categories (Kirby and Sopp 1986). This did not mean that in doing so LHAs necessarily accepted all these categories as HMOs for their own purposes. The percentages accepted were as follows: A - 98 per cent, B - 75 per cent, C - 73 per cent, D - 55 per cent and E - 16 per cent. Significant proportions did not accept Categories D and E as HMOs, which, of course, affects their willingness to use HMO powers to control conditions in them. Nevertheless it was estimated that there were 300,000 HMOs in the 87 per cent of LHAs who responded to this question and were able to estimate the numbers. The grossed up figure - which takes non response into account - was 334,000. Significantly only 214,000 of the estimated total would be accepted as HMOs by local definitions. Most LHAs could only make imprecise estimates and a quarter said their estimate was subject to considerable error. The most important information source was the local knowledge of environmental health officers on the ground. Nonetheless this estimate is nearly double the highest figure previously estimated by LHAs in returns to the IEHO. 43 per cent were in Greater London but, as 41 per cent, there was a surprisingly large proportion outside the metropolitan districts, somewhat undermining the conventional stereotype of HMOs as big city phenomena. Moreover only 48 per cent of the reported HMOs conformed with the stereotype HMO - bedsitters i.e. Category A. 27 per cent were small, having less than 6 habitable rooms and only 21 per cent were large, having more than 10.

Three quarters of LHAs were able to estimate the numbers which were judged to be unsatisfactory. 49 per cent were reckoned to be in an unsatisfactory physical condition, including 33 per cent requiring major repairs, 38 per cent means of escape from fire and 28 per cent requiring additional amenities in relation to the numbers of occupants. 16 per cent of the total were judged unsatisfactory, because they were overcrowded or over-occupied, and 23 per cent had unsatisfactory standards of management. All told 53 per cent were unsatisfactory on at least one of these latter

criteria. As many as 82 per cent of HMOs recognised as such by local definitions were judged to be unsatisfactory. Once again, however, these estimates were rarely precise - only 10 per cent of LHAs giving very precise estimates.

However, this evidence of widespread disrepair and inadequate management of HMOs was confirmed by a detailed physical and social survey of a sample of HMOs undertaken in 1985 (Thomas with Hedges 1986). The sample was a quota of randomly selected addresses from ordnance survey maps (from which HMOs were identified on the ground) drawn from census enumeration districts in 20 LHAs. Four enumeration districts, having a high proportion of households not living in self-contained accommodation at the time of the 1981 census, were selected in each LHA. The aim was to carry out a linked survey of physical conditions, tenants and landlords at 600 target HMOs. In the end a sample of 553 properties, 1693 tenants and 368 landlords was achieved. All but the IEHO's Category E type of HMO was included, although, because the survey was carried out in September, before University and College terms began, it is possible that significant numbers of Category B HMOs were missed. Nevertheless, 15 per cent of the achieved sample were shared houses whilst 76 per cent were "classic" Category A bedsits. Almost all the rest were Category D hostels and bed and breakfast establishments.

These HMOs were overwhelmingly built before 1919 - although this is partly an artefact of sampling only in areas with lots of HMOs, such areas tending to be in neighbourhoods of older housing. They were predominantly terraced houses, especially Category B and only 20 per cent had less than 3 storeys, an important factor in relation to safety from fire.

Table 2.21 gives an indication of the extent to which conditions in HMOs are below standard, since it gives the percentage of sample HMOs where surveyors thought statutory action could be taken. The nature and use of LHAs' statutory powers is discussed in some detail in Parts 2 and 4 of the thesis. Suffice it to say now that the second line in the Table indicates that 44 per cent of the sample fell so far short of standards of management that notices to enforce the 1962 Management Regulations could be served. This was twice the proportion gauged by LHAs in the 1984 postal survey (Kirby, Sopp, 1986). The surveyors judged the adequacy of

Type of Action	Category				
	A	B	C*	D	All
1 Closing Order	10%	5%	-	6%	9%
2 Management Order	45%	42%	(77%)	31%	44%
3 Control Order	5%	4%	(54%)	-	4%
4 Amenities	67%	70%	(100%)	61%	67%
5 Direction Order	43%	50%	(54%)	71%	48%
6 Means of Escape	76%	72%	(100%)	58%	74%
7 Repair Notice - Unfit	10%	10%	(54%)	12%	11%
8 Repair Notice - Not Unfit	51%	42%	-	39%	49%
-----					
9 In Potential HAA	18%	30%	(54%)	21%	20%
10 In Potential GIA	5%	13%	-	3%	6%
-----					
11 Repair costs > £10k	52%	33%	(50)	31%	48%
Percent where no households displaced	76%	81%	(46)	68%	76%
Av. no. of persons displaced	0.31	0.27	(0.54)	0.55	0.32

Source: Thomas with Hedges (1986). Tables 3.4, 3.5, 3.6

\* Note: Small Sample

Table 2.21 Percentage of sample HMOs where statutory action could be taken by category of HMO

amenities and the extent of overoccupation against IEHO recommended standards. They found that two thirds of the sample warranted statutory notices to increase the number of basic amenities and nearly half (especially the larger ones) met the criteria for the service of a direction notice to limit the number of occupants because of inadequate facilities. 71 per cent of residents lived in one room and 25 per cent of these had rooms which, in size, were below IEHO recommended space standards. In all 80 per cent of the sample was defective on at least one of the grounds of poor management, inadequate amenities or over-occupation. Means of escape from fire was far worse than the 1984 postal survey had estimated, the main problem being the unsatisfactory nature of internal escape routes, especially amongst smaller HMOs. (The GLC Code was used as the standard against which the sample was judged.)

Average costs of repairs to the internal and external fabric were high at £12,430, broken down as follows: £2,047 to meet requirements about standards, £1,522 to upgrade common parts (entrance, landings, staircases etc); £4,069 to repair private areas; and £4,762 to the external fabric. As Table 2.21 also shows nearly half HMOs had repair costs of £10,000 or more and that in 60 per cent of cases a LHA could serve a repair notice to secure action.

As the survey of LHA in Part 4 shows, many LHAs have not, in the past, taken planned action to seek out and bring defective HMOs up to standard. Nonetheless, as many as a quarter are in potential statutory improvement areas. If such areas were declared these substandard HMOs would be picked up by the intensive programme of survey and enforcement actions that typically follows declaration of such areas.

Were such action to be taken on this sample, in a manner which retained them as HMOs but at the standards applied in the survey, very few of the, then, residents would be permanently displaced to achieve such standards. As Table 2.21 records, only in 24 per cent of the sample would it be impossible to provide for all the existing residents. On average only 0.33 people per HMO would need rehousing elsewhere.

One of the major problems of HMOs arises from the way tenants have to share amenities and circulation space. Who the tenants who share are, and their attitudes to such sharing, and the problems to which it can lead, are referred to both in the next Chapter and again in Part 4 which looks in more detail at LHA policy about HMOs. Nevertheless, it is important at this stage to stress the way in which the inadequacy of amenities and management, especially in relation to shared space and facilities (like WCs and bathrooms), their cleanliness and hygiene, exacerbate the potential problems which confront anybody who shares amenities and circulation space with fellow residents, particularly where they are large numbers of sharers who are strangers to each other. Where these are inadequate and poorly managed, or not cleaned regularly, conditions can soon become squalid. This can lead to tensions between HMO residents which can dramatically disrupt their quality of life.

The acceptability of sharing to HMO residents appears to be dependent on the number of people sharing and whether or not the sharers are friends or strangers (Rauta 1986; Thomas with Hedges 1986). Apart from circulation space, sharing tends to involve bath/shower and WC rather than kitchens and living rooms. For example, the 1985 HMO survey found that 37 per cent of households shared a bath/shower with at least 5 other households. The respective figures for WC, kitchen and living room were 36, 17, and 11 (Thomas with Hedges 1986). A 1978 survey of private rented housing revealed similar arrangements. For example, where there were three units of accommodation in a rateable hereditament, as many as 51 per cent of households shared basic amenities, but only 26 per cent shared rooms as well (Todd et al 1982). Another 1978 survey, specifically of households in shared dwellings found that 12 per cent shared only hallways, 58 per cent shared amenities as well and only 30 per cent shared rooms, mainly with a resident landlord (Rauta 1986). Comparisons over time are now difficult, because the 1981 Census definition of household places all who share rooms in the same household. In 1978, however, 72 per cent of sharing of rooms was by 1 person households, so very few multi-person households shared (Todd et al 1982).

It is also evident that sharing with strangers is much more likely when a large number of accommodation units are involved. The 1978 sharing study found that 63 per cent of sharers who were private tenants did not know

the people with whom they shared before they moved in, although the closest form of sharing (rooms) was more likely to involve relatives and friends rather than strangers. Even so, over half the sharers who knew each other before they moved in did not necessarily want to share accommodation. Only 18 per cent knew each other and wanted to share (Rauta 1986).

Peoples reasons for sharing and their preferences for accommodation are discussed in Part 4 of the thesis. The point that has been established at this stage is that significant numbers of households live in shared dwellings, many of them sharing with strangers.

Regardless of the degree and acceptability of sharing, many HMO residents had to put up with damp conditions, caused by leaking roof and rising damp, and through condensation as a result of inadequate heating facilities. All of this resulted in a combination of high heating bills to combat the cold and damage to health and clothing from damp. Not only did sharers tend to be short of space, but the quality and quantity of furniture left a lot to be desired. Whilst residents' desire for privacy and quiet depended a lot on the consideration of other sharers, it also depended on the design of the shared accommodation.

As a result bad physical conditions were often inimical to good social relations whilst social frictions between sharers also made good physical conditions hard to enjoy. Particular problems seemed to fall under three headings. First, shared entrance caused lots of potential problems such as stolen mail (like GIROs), the noise of front doorbells, and their often untidy state. Second, and high on the list given the extent to which they were shared, were bathrooms and toilets: hygiene and cleanliness were major issues, but also important were access (especially if the WC was incorporated with the bathroom), privacy and the cost of heating water. Third, the cleanliness of kitchens was a major problem, as was the pilfering of food and utensils and disputes over communal chores in the kitchen (Rauta 1986; Thomas with Hedges 1986).

Of course HMOs are not always physical and social disasters. They can promote friendships amongst strangers and sharing can help spread some living expenses (Rauta 1986). But where physical conditions are bad,

these potential social benefits are threatened. They can drive people out of the house, to eat expensive "take aways" rather than cook more cheaply in a communal kitchen, and to meet friends in pubs and clubs rather than to invite them home. When such residents get home, they may then be kept away by the noise of the comings and goings of inconsiderate neighbours.

Why people so fatalistically put up with this is explored in Part 4 of this thesis.

## CHAPTER 2.4

### HOUSEHOLDS IN THE PRIVATE RENTED SECTOR

#### Introduction

Households in the private rented sector can be placed in one of four categories, or roles, although the precise number of households in each category is difficult to estimate (Bovaird, et al., 1985; see also Whitehead and Kleinman, 1986). The four categories can be descriptively labelled as the long term subsector; the rapid turnover subsector, job related accommodation; and accommodation of last resort.

#### Long term unfurnished subsector

The long term subsector consists of unfurnished accommodation, the majority of it housing tenants who have lived in their current accommodation for many years. Many are elderly. Table 2.22A shows that over half the households in unfurnished accommodation in 1981 had at least one pensioner. In 1985, as Table 2.22B reveals, 44 per cent of heads of household in unfurnished accommodation were aged 70 or more. In 1985, well over a third of heads of household had lived at the current address for more than 20 years (see Table 2.22C). Table 2.22D shows that it is pensioner households who are the long term tenants in private renting. The significant overrepresentation of long term elderly households in this part of private renting, and underrepresentation of households with children, reflects a role for private rented housing that is steadily disappearing, since it reflects tenure arrangements in the past. When many of these tenants first moved in to their present home, private renting was the majority tenure. They have continued to live in private rented housing partly because of rent control and security of tenure. They have had neither the reason nor capacity to move. It thus provides secure housing with adequate space for the size of household. Table 2.23, for example, taken from the results of a 1978 survey, shows that 82 per cent of households in, then controlled tenancies, were pensioner households. It also shows that a much greater proportion of regulated tenancies, which had Fair Rents registered, than of those which did not, also had pensioner households. Not all pensioner households in private renting are as secure as this, however. Some pensioners move more often than might be expected and as many as 10 per cent in private renting rent

Table 2.22A Tenure of households by household type. England and Wales 1981

	Owner Occupied %	Rent from LA or New Town %	Rent from Hsing Assoc %	Rent Privately Job/Business %	Unfurn. %	Furn. %	All %
<b>Households with children</b>							
1 adult	1.1	4.1	4.7	0.9	1.6	1.5	2.1
2 adults	25.8	19.4	16.5	34.8	10.7	9.4	22.6
3 or more	9.4	9.5	4.3	11.1	3.7	2.0	8.8
<b>Non pensionable households without children</b>							
1 adult	5.6	7.0	12.7	8.2	10.6	40.1	7.5
2 adults	17.2	11.7	13.1	21.4	13.3	26.5	15.7
3 or more	14.6	13.5	6.6	15.1	9.1	9.2	13.6
<b>Pensioner households</b>							
1 pensioner	10.7	18.6	28.4	1.7	28.2	8.3	14.1
2 adults, at least 1 a pensioner	15.4	16.0	13.7	6.8	22.7	2.8	15.4
<b>Total (000 households)</b>	<b>10,227</b>	<b>5,099</b>	<b>361</b>	<b>371</b>	<b>1,070</b>	<b>502</b>	<b>17,632</b>

Source: OPCS (1983) Census, 1981 Housing and Households London, HMSO. Adapted from Table 17.

Table 2.22B Age of head of household by tenure, Great Britain 1985

Tenure	Age of head of household								Base=100%
	<25	25-29	30-44	45-59	60-64	65-69	70-79	80+	
Owner occupied, owned outright %	0	1	8	22	17	15	28	10	2353
Owner occupied, with mortgage %	4	13	50	27	3	1	1	0	3666
Rented with job or business %	9	11	38	30	7	3	2	0	240
Rented from LA or New Town %	5	7	19	22	12	10	17	7	2820
Rented from HA or cooperative %	8	6	22	9	5	11	31	9	186
Rented privately, unfurnished %	5	7	12	15	7	9	32	12	457
Rented privately, furnished %	43	19	21	10	1	1	2	2	211
Total %	5	8	28	23	9	8	14	5	9933

Source OPCS (1987) General Household Survey 1985 London HMSO Table 5.10(a)

Table 2.22C Length of residence of head of household by tenure, Great Britain 1985

Length of residence (years)	Tenure							Total %
	Owner occupied				Rented			
	Out- right %	Mortgage %	With job/ business %	LA/ New T. %	HA/ Co-op %	Unf'd Private %	Furn'd Private %	
Under 1	3	12	19	9	16	9	54	10
1 but under 3	6	21	24	13	25	15	25	15
3 but under 5	7	15	15	12	14	7	9	12
5 - 10	3	27	20	23	25	13	7	22
11- 15	12	12	5	12	8	10	2	11
16- 20	13	7	5	11	3	9	1	9
21- 30	22	5	6	11	2	10	0	11
31 or more	22	1	7	9	8	27	1	10
Base = 100%	2349	3660	239	2818	186	457	211	9920

Source: OPCS (1987) General Household Survey 1985 London HMSO Table 5.10(a)

Table 2.22D Household type by when letting commenced\*, England 1978

Household type		>10 years ago	6-10	1-6 years	<1 year	Total ('000)
Other non-family	%	19	9	35	37	996
Family	%	17	15	46	23	361
Pensioner	%	68	13	16	3	675

\*Note: Excludes rent free

Source: Todd (1982) Table 4.15

Table 2.23 Privately renting subsector by type of household, England, 1978  
Subsector

Household type	Regulated			Resident Landlord	Rent Free	Rented with Business	Other/ D.K.	All
	Controlled	Registered	Unregistered (Percentages)					
1 adult 15-59	3	8	24	38	7	4	7	16
2 adults 15-59	3	16	21	21	18	19	13	18
Small family	1	13	15	9	25	19	16	14
Large family	-	4	5	0	10	17	3	5
Large mainly adult	11	13	12	2	15	29	13	13
2 adults, ≥60 yrs	37	24	12	7	14	8	10	16
One adult, ≥60 yrs	45	21	12	22	10	3	36	17
D.K.	-	0	0	-	0	1	-	0
Total ('000)	176	529	1078	140	274	136	31	2364

Source: Todd et al. (1982)

from resident landlords with limited security. (Bovaird et al., 1985). Moreover, not all households are pensioners by any means. 16 per cent of households have children and there is more diversity in this section than is often supposed (Whitehead and Kleinman, 1985).

The adequacy of the space available in the unfurnished sector is illustrated by Table 2.24. It has the second smallest average household size of all tenures and the average number of persons per room is also amongst the lowest of all tenures, and is the lowest in the case of accommodation with a separate entrance to the outside - almost all houses.

However, alongside the comparative security and space standards (in relation to household size) in the unfurnished sector can be found an inadequacy in basic amenity provision, as Tables 2.25 and 2.26 show. Table 2.25 shows that 13 per cent of unfurnished households had no bath in 1981 compared with 1 per cent of owner occupiers and those who rented with their job or business (and 2 per cent who rented furnished accommodation privately). Table 2.26 shows that households with children in unfurnished private rented accommodation were better off in this respect than households with pensioners, particularly single pensioners. Nonetheless it is not immediately apparent that tenants regard this situation as unacceptable as might be imagined. Successive English House Condition Surveys have shown that elderly tenants are often 'not bothered' by disrepair and inadequate amenities (see evidence in part 4 of this thesis). To some extent this is a reflection of the growing acceptance of poor conditions that appears to come with growing age and residence length. It also reflects the wish to avoid the disturbance that building works can bring. In any case, there is some compensation in the low rent levels (see Chapter 2.7) which reflect this. However, incomes are low (see below), so rent allowances are crucial, both to sustain tenants' security of tenure as well as to enable rents to be raised when it is possible to install amenities and do repairs.

By and large this long term sub-sector will continue to decline. As elderly tenants move or die, there will be no demand for private rented accommodation from the elderly now in other tenures (see Whitehead and Kleinman, 1986, p.101).

Table 2.24 (a) Average household size (b) Average persons per room, in household spaces by tenure, England and Wales 1981

Household Space	Tenure						All
	Owner Occupied	LA/New Town	HA	Business/Job	Unfurn/Priv.	Furn/Priv.	
Self contained							
Separate entrance	2.9	3.0	2.7	3.2	2.1	2.4	2.8
Purpose built flat	1.6	2.0	1.7	2.5	1.8	2.0	1.9
Shared entrance	2.1	1.9	1.9	2.3	1.7	1.6	1.8
Not Self contained	2.4	1.7	1.4	1.9	1.7	1.7	1.6
All	2.8	2.7	2.1	3.1	2.0	1.9	2.7
(b)							
Self contained							
Separate entrance	0.51	0.63	0.60	0.56	0.43	0.51	0.54
Purpose built flat	0.44	0.60	0.60	0.62	0.50	0.58	0.57
Shared entrance	0.47	0.61	0.65	0.58	0.51	0.61	0.55
Not Self contained	0.50	0.81	0.74	0.63	0.55	0.81	0.65
All	0.51	0.62	0.61	0.57	0.45	0.58	0.54

Source OPCS (1983) Census 1981 Housing and Households, London HMSO derived from Table 2.

Table 2.25 Household by amenities by selected tenure and region

Amenities	Owner	Occupied	Rented with		Rent Private			
	Eng/ Wales %	Yorks/ Humber %	Eng/ Wales %	Yorks/ Humber %	Unfurnished		Furnished	
					Eng/ Wales %	Yorks/ Humber %	Eng/ Wales %	Yorks/ Humber %
Excl.use of bath/wc	97.3	97.7	96.8	97.2	78.8	80.5	69.6	69.0
Excl.use of bath and shared/no wc	1.1	1.0	1.3	1.5	4.9	5.9	2.3	2.4
Shared bath. excl use of wc	0.1	-	0.1	0.1	0.5	0.1	1.1	0.7
Shared bath and shared/no wc	0.2	0.1	0.8	0.4	2.4	0.8	24.5	24.7
No bath	1.3	1.1	1.0	0.7	13.3	12.6	2.4	3.1
All households in permanent dwellings ( '000)	10,227	993	371	32	1070	106	502	37

Source: OPCS (1983) 1981 Census England and Wales Housing and Households, London HMSO, Table 10

Table 2.26 Amenities of Household Renting Unfurnished Private Rented Housing by Household Type

Amenities	Household Type								
	Households with children			Households without children			Households with pensioners		All
	1	2	>3	1	2	>3	1	2	
	adults			adults			adults		
(percentages)									
Exclusive use of bath and inside wc.	85.1	88.4	87.5	76.1	85.2	83.3	71.0	78.0	78.9
Exclusive use of bath and shared/no wc	3.8	3.7	4.5	4.3	3.9	5.3	5.3	5.8	4.9
Shared bath	3.3	2.1	1.2	7.2	3.5	1.2	3.4	1.4	2.9
No bath	7.7	5.8	6.7	12.3	7.4	10.1	20.3	14.7	13.3
Total ('000)	17	114	39	114	143	97	303	243	1070

Source OPCS (1983) 1981 Census England and Wales Housing and Households, London HMSO Table 10

### Rapid turnover furnished subsector

The second subsector, the furnished rapid turnover subsector offers a complete contrast, providing mainly short term accommodation for non family households. This consists of furnished accommodation, housing young single people and meeting a demand for short stay, ready access housing with low transactions costs. It is, however, often in poor condition, very often consisting of HMOs, bedsits and flatlets in shared housing in converted late Victorian or Edwardian housing in rundown areas close to city centres, or of smaller, nineteenth century, terraced housing occupied by groups of unrelated adults living together as a household. As later evidence will demonstrate, rents are high in relation to both the quality of the accommodation and the incomes of the tenants. Moreover, many tenants in furnished accommodation have had limited security. This is partly by virtue of the type of accommodation they have (e.g. a significant proportion, as Table 2.23 shows, of resident landlord lettings are to single adults). It is also because many landlords who were reletting accommodation in the past only did so on terms which were de jure or de facto outside the statutory security afforded by the Rent Acts (see GLC 1986, HCEC 1982, Todd 1986, and Part 3 of this thesis, as well as the next chapter).

Tables 2.22A to 2.25 illustrate these points. As Table 2.22A shows, three quarters of households in furnished accommodation are non pensioner households without children. It should be noted, however, that 13 per cent of households do have children. Although this is the lowest of all tenures, this means this sector does not only provide ready access housing for young singles (note too that 11 per cent are pensioner households). Nevertheless, the young average age of household heads is emphasized by Table 2.22B which shows that over 40 per cent are under 25 and nearly two thirds are under 30. It is important, however, to point out that most heads of household of that age are not living in furnished private rented accommodation. In 1985 only 15 per cent of heads of household under 30 (and only 20 per cent of those under 25) rented in this way. By 30 years of age, 51 per cent of heads of household were owner occupiers in 1985. That there is rapid turnover is confirmed by Table 2.22C which shows that 54 per cent of heads of household in furnished private rented housing had lived at their present accommodation for less than a year.

This rapid turnover function often provides a first home for people, something of a stepping stone between the parental home and a more permanent house in owner occupation or tenants of local authorities or housing associations. 24 per cent of those who moved in 1980-81 moved into the private rented sector. Whilst 30 per cent of couples who married between 1971 and 1975 rented their first home in the private rented sector, 79 per cent had moved to other tenures within 2 years (Holmans, 1981). Traditionally this sector has also been thought to provide for the short term housing needs of established households moving within the labour market, from one region to another and needing temporary accommodation, either because the job related move is itself temporary or because they need time before settling on a permanent home when the job move is a more permanent one. Research on more recent evidence suggests that this role is now a very limited one (see, for example, Whitehead and Kleinman, 1985, 1986, p.60-61).

Table 2.27 illustrates these points in respect of those who moved into and out of private renting in 1978. It shows, first of all, the sheer scale of annual movement in relation to the size of private renting. Second, it shows that it is mainly the young who are moving into and within private renting and that the majority of those moving in are newly formed households and a significant number have never worked. In 1977 17 per cent of movers in were students (HCEC, 1982, Vol. 2, evidence of DoE, p.247). Those moving out are slightly older, moving to the local authority (especially those 60 and over) and owner occupied sectors. Third, more families moved out than in. New households moving in contained a high proportion of economically inactive, whilst movers out contained only a low proportion of these. Professional people moved out to buy, skilled and unskilled to local authority housing. As a commentary on this evidence put it 'the movements reflect the sector's role in providing accommodation for the young upwardly mobile, and, more generally, short term accommodation for movers of all types. It also reflects its continuing role in accommodating lower SEG households, mainly those without children (HCEC, 1982, Vol. III, p.31).

Table 2.27 Profile of Movers Into an One of the Private Rented Sector

	PRS before %	Movers In		Movers Out	
		New H'hold %	Other H'hold %	To L.A. %	To O.O. %
(a) Age					
<25	23	56	7	14	15
25-44	59	38	54	51	68
45-59	12	1	22	14	13
60+	5	6	17	21	4
<hr/>					
(b) Families	37	14	42	50	40
<hr/>					
(c) SEG					
Prof/Employers	14	11	20	6	24
Intermediate	25	25	17	16	33
Skilled/semi	31	26	40	55	33
Unskilled	4	4	5	11	2
Forces	6	3	3	1	5
Never worked*	19	32	14	11	2
<hr/>					
Total ('000)	406	311	156	375	405

Source: National Movers Survey 1978. From HCEC (1982) Vol. III. Appendix 2, Table 9.

Note \* Not labelled in published Table but deduced from text.

More recent evidence from the 1984 Labour Force Survey confirms these trends. Although private renting accounted for only 11 per cent of all households in 1984 it accounted for 25 per cent of all household heads who had moved within the previous twelve months and was the tenure of 33 per cent of new households. In 1977 50 per cent of new households went into private renting including 35 per cent of newly married couples and 66 per cent of other households (See Whitehead and Kleinman, 1986, p. 59). Of those who had moved from private renting in the year before the 1984 Labour Force Survey nearly half (47 per cent) had moved to another tenure, mostly (28 per cent) into owner occupation. Of particular interest is the differences that were found between new household heads that were married and those that were not. Out of the 250,000 new heads who were married, the largest proportion 56 per cent, went straight into owner occupation, and only 20 per cent went into private renting. By contrast out of the 340,000 new heads who were not married only 26 per cent went straight into owner occupation and 41 per cent into private renting. (DoE, (1988) The Housing Trailers of the 1981 and 1984 Labour Force Survey, Tables 8.1 and 8.3). Increasingly it would seem that private renting is less significant as a source of housing for the newly married, and that, more generally, the private rented sector's role in providing for all new housing is declining, far fewer households of all types going into private renting in 1984 than in 1977. (See also Whitehead and Kleinman, 1986, p.60).

As the previous chapter has stressed, in its examination of the conditions in HMOs, standards in this rapid turnover sector area are poor. Indeed movers into and within this subsector get significantly inferior accommodation (and pay higher rents) than those in the long term subsector. Moreover, movers face considerably worse conditions than existing tenants in relation to sharing and overcrowding (Todd, 1982, Chap. 4). Some additional evidence is provided by Table 2.24, 2.25 and 2.28. Despite the comparatively small average household size, occupancy rates (persons per habitable room) are higher than the average for all tenures, reflecting the smaller size of the accommodation. Indeed 40 per cent of furnished private renting households live at densities of more than 0.75 persons per room, compared with 22 per cent of all households. The tenure with the next biggest proportion living at this rate is housing association renting

Table 2.28 Amenities of Households Renting Furnished Private Rented Housing by Household Type

Amenities	Household Type								
	Households with children			Households without children			Households with pensioners		All
	1	2	≥3	1	2	≥3	1	2	
	adults			adults			adults		
	(percentages)								
Exclusive use of bath and inside wc.	80.4	88.4	90.3	53.2	80.0	93.2	58.2	78.9	69.6
Exclusive use of bath and shared/no wc	2.5	1.7	2.0	2.4	2.3	1.2	3.1	3.4	2.3
Shared bath	14.3	8.3	5.6	42.3	16.5	4.2	30.2	9.6	25.6
No bath	2.7	1.6	2.1	2.1	1.2	1.3	8.5	8.2	2.4
Total ('000)	8	47	10	201	133	46	42	14	502

Source OPCS (1983) 1981 Census England and Wales Housing and Households, London HMSO.

where the proportion is 31 per cent. There are far more furnished private rented tenants at these higher level of occupancy than in any other tenure.

As the earlier discussion about HMOs also explained, there is a great deal of sharing of amenities. This is confirmed by Tables 2.25 and 2.28. Whilst few lack basic amenities, compared with private unfurnished tenants, a much greater proportion share a bath and/or WC, with all the attendant problems to which this gives rise and referred to in the last chapter. Indeed, private furnished tenants accounted for 70 per cent of all households in private sector accommodation sharing a bath and/or WC in 1981. Nevertheless it is important to emphasize the reciprocal. 70 per cent had exclusive use of amenities in 1981. Table 2.28 shows that, whilst some proportion of all household types shared amenities, it was particularly significant amongst two groups - the small number of single pensioners and the much larger number of single adult households without children. In addition, two adult households with children and single parent households were also more likely to share.

### **Job related housing**

The third subsector, or role for private renting, is the provision of job related accommodation in both urban and rural areas, but especially related to agricultural and armed forces employment in rural areas. As the last chapter showed, those who rent with their business or job live in newer accommodation than those in unfurnished or furnished private renting. The figures for this sector in Table 2.25 reflect this. Almost all have exclusive use of all basic amenities. Significantly - and in complete contrast to the long term and rapid turnover subsectors - a large proportion of this subsector comprises households with children. Indeed as Table 2.22A shows, 47 per cent of households have children, a much larger proportion than any other tenure. As a result, average household size is also the biggest of all tenures, but the largest average size of accommodation means that the incidence of overcrowding is less than amongst local authority, new town or housing association tenants. The median age group of heads of households is between 30 to 44, similar to owner occupiers with a mortgage (Table 2.22B). Households in this sector therefore comprise a lot of family households with modern accommodation

for whom the main issue is their lack of security. This however is not reflected in a particularly rapid turnover. According to Table 2.22C, 43 per cent of household heads had been in their job related accommodation for 5 years or more.

#### Accommodation of last resort

The fourth and final subsector is harder to pin down, in the sense that it is not defined as such in any of the statistical series reviewed so far in this chapter. Nevertheless, it was normally accepted in the past that private renting performed the job of providing housing for those who would prefer housing in one of the other tenures, but could not get it (see DoE, 1977a Tech. Volume III, p.70). This includes housing for those needing somewhere in a hurry because of personal housing crises, like separation or homelessness.

Since the Homeless Persons legislation was enacted in 1977 this role (and therefore the size of this subsector), may have diminished. In particular, families and other groups, given priority in the rehousing of the homeless, may no longer constitute part of this residual group dependent on private renting for want of an alternative. That is to say, that homeless families are much more likely to get local authority accommodation than in the past, even though they may, at least temporarily, end up in so called 'untenured accommodation' such as bed and breakfast establishments. Whitehead and Kleinman's evidence from London suggests that this non tenured housing is now much more significant as a tenure of last resort than private renting (Whitehead and Kleinman, 1986). Certainly, the evidence from the statistical evidence examined in this chapter shows that households with children are, in general, underrepresented in private renting (except for job related housing) and in particular those most vulnerable, like single parent households are also underrepresented. In relation to another vulnerable group, Table 2.29 also shows that, in general terms, households whose head was born in the New Commonwealth or Pakistan, were not overrepresented in private renting. They constituted 3.2 per cent of all households and 3.6 per cent of private renting households, although the proportion is higher amongst those born in Bangladesh and the Far East. However, amongst private renting households, a greater percentage of those with heads from the new

Table 2.29 Amenities, number of persons per room and household space type by tenure and birthplace of head of household

Tenure	Amenities % with excl. use of bath and wc	Persons per Room % over 1.0	Household Space Type % with shared entrance	Total Households ( '000)
Owner occupied				
All	97.2	2.1	1.5	10283
Born NCWP*	95.4	20.0	4.2	348
LA or New Town				
All	97.5	5.6	1.6	5102
Born NCWP	97.4	22.0	4.7	139
Other Rent**				
All	82.0	3.7	21.4	2321
Born NCWP	76.6	16.6	45.6	84

Source: OPCS (1983) 1981 Census Housing and Households. London, HMSO, derived from Table 11.

Notes: \* born in New Commonwealth and Pakistan  
 \*\* includes housing associations

Table 2.30 Sex and marital status of head of household by tenure, Great Britain 1985

Tenure	Males				All	Females				All	Base
	Married	Single	Widowed	Div/Sep		Married	Single	Widowed	Div/Sep		
Owner occupied, owned outright	58	4	6	2	69	0	5	23	2	31	2353
Owner occupied, with mortgage	83	5	1	3	92	0	3	1	4	8	3666
Rented with job or business	85	4	1	2	92	1	4	1	2	8	240
Rented from LA/ New Town	50	5	5	4	64	0	6	20	10	36	2820
Rented from HA or coop	45	9	5	2	61	nil	16	16	8	39	186
Rented privately, unfurnished	40	7	5	3	55	0	13	26	6	45	457
Rented privately, furnished	15	42	0	8	65	1	27	3	4	35	211
Total	64	6	3	3	76	0	5	13	5	24	9933

Source: OPCS (1983) General Household Survey, 1985, London HMSO. Table 5.12(a)

Commonwealth and Pakistan, than of others, lack amenities, are overcrowded and live in accommodation with a shared entrance to outside the building. Households with children in unfurnished private renting are not in worse accommodation than other households, but there is some evidence with respect to furnished accommodation (which provides ready access housing) of some sharing of facilities with other households. The absolute number are, however, small. (see Table 2.28).

There is also some evidence that private renting plays a role in housing the divorced and separated, especially male headed households in this category. As Table 2.30 shows, a greater proportion of male heads in furnished private renting are divorced or separated than in other tenures. This is not so for female headed households. In these latter cases it is amongst local authority and housing association households where there is the greatest proportion of female heads in these categories. But once again, the absolute numbers in private renting are small. Most male (and female) divorced or separated heads are owner occupiers or local authority tenants. Indeed the statistics in Table 2.30 confirm that what is 'special' about private renting is the comparative concentration in it of single men and women and, to a lesser extent, widowed women. The extent to which it contains particularly vulnerable groups, like single parent families is probably much less than in the past, although this will also depend on the availability and ease of access to other tenures in different parts of the country.

To sum up, whilst the private rented sector caters for a heterogeneous range of households, it plays a particular residual role in housing an elderly population and a particular contemporary role in temporarily housing young single people, many of whom are moving into the housing market for the first time. It houses families to only a very limited extent, except in respect of job related accommodation. It is also increasingly a tenure of young single adults. The role will however vary across the country in relation to housing market pressures and ease of access to the more preferred tenures.

Table 2.31 Types of households in the private rented sector England  
1964-78

Type of household	1964 ( '000)	1978 ( '000)	Change ( '000)	%
Single adult <60	315	390	+75	+24
Two adults (both <60)	650	430	-220	-34
Small family	780	340	-440	-56
Large family	365	125	-240	-66
Large adult	815	300	-515	-63
Older small	1,265	770	-495	-39
Total	4,190	2,360	-1,830	-44

Source Holmans (1987) Table VIII.13

Table 2.32 Length of residence of private tenants

Length of residence	Early <sup>(a)</sup> 1960s		1977 <sup>(a)</sup>		1984 <sup>(b)</sup>		Change			
	('000)	%	('000)	%	('000)	%	1960-1977		1977-1984	
							('000)	%	('000)	%
< 1 year	500	12	500	21	470	24	Nil	Nil	-30	-6
1 < 2	340	8	240	10	360	19	-100	-29	-70	-16
2 < 3	250	6	190	9			-60	-24		
3 < 5	460	11	200	8	160	8	-260	-54	-40	-20
> 5	2,640	63	1,270	52	929	48	-1370	-52	-341	-27
Total	4,190	100	2,400	100	1,919	100	-1790	-42	-481	-20

Source: (a) Holmans (1987) Table VIII.14  
 (b) Labour Force Survey 1984

### Changes in households in private renting

These roles are reflected in Tables 2.31 and 2.32. They show, first, that there had been a big fall in the numbers of family households (especially if those renting with their business or job are taken out of the reckoning), a smaller fall in childless couples and the elderly and an increase in the young and middle aged living alone. They show, second, that the numbers of households living in private renting for a short duration have fallen much less than those of longer lengths. As Holmans points out in his commentary on some of this data, this confirms that landlords do relet and that the decline in private rented housing is as much due to the fall in the demand by long stay households. While demand from non family households increased between the late 1950s and mid 1970s, there was a big reduction in the demand by families and those intending to have families. Thus the length of time married couples spent renting privately owned accommodation before buying a house or renting one from a local authority also fell (Holmans, 1981; see also Madge and Brown, 1981). The corollary was continuing sales into owner occupation of houses no longer in demand for private renting. (Holmans, 1987).

Table 2.33, taken from the grossed up estimate of the 1981 and 1984 Labour Force Surveys provide further confirmation of this trend. Allowing for sample error, particularly amongst the small groups of female headed households, there has been an increase in households headed by both male and females under 44, especially amongst males under 30 years of age.

### Incomes

Despite the diversity represented in the four subsectors just described, many private renting households share the common characteristic of low income. This is by virtue of their old age and their dependence on limited occupational or state pensions. For others, it is by virtue of their youth and their dependence on student grants, on low initial earnings at the outset of careers, or on welfare benefits, given the recently high rates of youth unemployment. For yet others, it is due to the insecure incomes of those suffering personal crises and needing somewhere in a hurry.

Table 2.33 Ages of heads of household in the private rented sector in England 1981 and 1984

	Unfurnished				Furnished			
	1981 '000	1984 '000	Change '000	%	1981 '000	1984 '000	Change '000	%
<b>Males &lt;30</b>	170	180	+10	+6	170	230	+60	+35
30-44	250	270	+20	+8	70	90	+20	+28
45-64	340	320	-20	-6	40	40	Nil	Nil
>65	290	220	-70	-24	12	14	+2	+14
<b>All</b>	1050	990	-60	-6	292	374	+82	+28
<b>Females &lt;30</b>	30	40	+10	+33	80	100	+20	+25
30-44	40	40	Nil	Nil	20	30	+10	+50
45-64	90	70	-20	-22	13	9	+4	-31
>65	270	270	Nil	Nil	12	6	-6	-50
<b>All</b>	430	420	-10	-2	125	145	+20	+16

Source DoE (1988) Housing Trailers of 1981 and 1984 Labour Force Surveys, London HMSO

Table 2.34 Socio-economic group and economic activity status of head of household by tenure, Great Britain 1985

	Tenure							Total %
	Owner occupied		With job/ business %	Rented		Unfurn. Private %	Furn. Private %	
	outright %	mortgage %		LA/ New %	HA/ Town Coop %			
<b>Economically active heads</b>								
Professional	2	10	11	0	1	1	9	5
Employers and managers	9	25	29	2	7	6	12	13
Intermediate non-manual	4	13	7	3	3	6	21	7
Junior non-manual	4	8	8	4	7	5	15	6
Skilled manual and own account non-prof'l	13	29	21	21	13	11	15	22
Semi-skilled manual and personal service	5	8	21	14	8	8	11	9
Unskilled manual	1	2	1	5	5	2	2	3
<b>Economically inactive heads</b>	62	5	3	51	57	62	14	35
Base = 100%	2234	3563	198	2693	179	434	160	9461

Source: OPCS (1987) General Household Survey 1985, London HMSO, Table 5.15(a)

Table 2.34 illustrates this in part. One of the most significant statistics is that 62 per cent of the heads of unfurnished private renting households are economically inactive. This is reflected in the low median household income shown in Table 2.35(b) which was 48 per cent of the median for all households in 1985. That this is not solely the consequence of the unfurnished subsector having a high proportion of the economically inactive can be gauged from Table 2.35(a) which shows that the median income of economically active heads was only 72 per cent of that for all household heads.

The position in the other two subsectors, job related and furnished accommodation is somewhat different. The mean head of household income amongst the former is below that of all heads but the household income exceeds the mean for all households, reflecting the number of earners in such households. Amongst furnished private renting households both mean and median head of households and household incomes are below that for all households. There is a greater spread of incomes amongst these households than for any other tenure, i.e. the interquartile range is from £50 to £229 for household income. This is because there is a high proportion of heads and other household members with incomes at both the top and the bottom of the income ranges. For example, a higher proportion of heads in furnished renting have degrees than in other other tenures. At the other end of the scale there are economically inactive heads dependent on student grants. Nevertheless, the position of furnished tenants in relation to other tenures is not wholly explained by the number of economically active. It is also due to the low mean and median incomes of the economically active, despite the presence of some high earners.

Using data about gross weekly incomes from the Family Expenditure survey, Bentham was able to examine the percentage of households falling within each quartile of the income distribution for all households (Bentham, 1986). His results are shown in Table 2.36. It will be seen that in 1953/54 only 26 per cent of furnished tenants were in the bottom quartile. Thirty years later this had increased to 41 per cent. A similar trend can be discovered amongst unfurnished tenants. The increased concentration of private tenants in the bottom half of the income distribution is also mirrored in the case of local authority tenants. It should be remembered, however, that as the private rented sector has got smaller, its tenants

Table 2.35 (a) Usual gross weekly income of head of household by tenure, (b) Usual gross weekly household income\* by tenure, Great Britain 1985

(a) Heads of Household Income	Owner occupied		With job/ business	Tenure				Total
	outright	mortgage		LA/ New Town	Rented HA/ Coop	Unfurn. Private	Furn. Private	
	%	%	%	%	%	%	%	%
<b>Economically active heads</b>								
0.01-40.00	5	1	2	11	8	8	17	4
40.01-80.00	11	3	10	24	23	22	10	10
80.01-120.00	16	9	26	23	31	21	20	15
120.01-160.00	24	19	25	23	15	20	18	20
160.00-200.00	18	22	18	12	16	15	8	19
200.01 or more	27	45	20	7	7	13	28	31
Base = 100%	609	2707	167	1123	61	134	126	4927
Mean income (£)	177	217	161	111	109	131	164	181
Median income (£)	151	190	134	108	101	116	127	160
<b>Economically inactive heads</b>								
0.01-40.00	15	16	1	33	29	33	20	25
40.01-80.00	49	42	4	58	54	51	20	53
80.01 or more	36	41	1	9	17	16	8	22
Base = 100%	1131	153	6	1288	96	235	48	2957
Mean income (£)	87	91	-	52	58	56	-	68
Median income (£)	62	73	-	44	47	44	-	50
<b>All heads</b>								
Base = 100%	1740	2860	173	2411	157	369	174	7884*
Mean income (£)	119	211	157	79	78	83	135	139
Lower quartile (£)	48	140	103	41	41	41	39	52
Median (£)	84	186	132	58	56	58	90	114
Upper quartile (£)	154	245	180	107	99	105	165	185
<b>(b) Household Income</b>								
Mean income (£)	159	288	210	110	99	108	178	188
Lower quartile (£)	65	191	131	46	45	45	50	80
Median (£)	114	258	176	79	70	75	124	155
Upper quartile (£)	210	348	250	150	137	133	229	257
Base = 100%	1561	2569	155	2198	150	1344	168	7145*

Note \* Household income data are not available for 28% of the achieved sample, ranging from 19% of housing association tenants to 35% of those renting with job/business. (No answers to income include failure to interview one or more adult members of a household in person, as well as 'don't know' and refusal or omission of part or the whole of the income section).

Source OPCS (1987) General household survey, 1987. London HMSO Tables 5.9 and 5.14(a) and 5.15(a)

have been increasingly drawn only from those with the lowest incomes, but that, unlike local authorities, private landlords have not received subsidies on the bricks and mortar that they own. Without such a subsidy a considerable gap has opened up between the rents that landlords require and what can be afforded by private tenants. Bentham argued that in 1953 there was considerable overlap between income distribution and tenure, but that by 1983 a substantial difference had appeared between renters on the one hand and owner occupiers on the other, a process that 'has accelerated in recent years' (Bentham, 1986 p.169).

Hamnett has also commented on the way private renting is no longer as socially heterogeneous as it was right up to the Second World War. 'Although the privately rented sector contained a large proportion of the poorest housing, it also contained a relatively large number of well maintained higher rent lettings' (Hamnett, 1984 p. 389). That private renting is less heterogeneous today is illustrated by Table 2.37 taken from Hamnett's analysis of 1961 and 1981 census data. A figure of above 1.0 indicates that a particular socio economic group is overrepresented. Taken as a whole, it shows that non manual and skilled workers are underrepresented in private renting - and that in particular skilled manual workers' underrepresentation had increased between 1961 and 1981. It also shows, again taken as a whole, that other manual workers have been overrepresented and that the overrepresentation of the economically inactive has grown.

To sum up the evidence on socio economic group and income of private tenants, and using the words of the specialist advisers to the House of Commons' Select Committee on the Environment's inquiry into private renting: '... the aspect of the private rented sector which gave respondents the most cause for concern, that of being the tenure of last resort in areas of housing pressure - is not easily observable from national average figures or even from survey data. However, even from these there is clear evidence of the concentration in the sector of low income households and of those who have never worked' (NCEC, 1982 Vol. III, p.31).

Table 2.36 Distribution of household income by tenure 1953/54 and 1983

Income quartile	Percentage of Households				
	LA Tenants	PRS Unfurn.	Furn.	Own Buying	OCCS All
1953/54					
1 (lowest)	18.7	31.0	26.0	8.5	19.9
2	28.7	25.8	29.1	20.6	19.6
3	28.8	23.5	26.6	32.1	25.9
4	23.8	19.7	18.3	38.7	34.6
<hr/>					
1983					
1	44.3	47.2	41.2	2.3	12.2
2	30.6	25.9	29.6	15.0	21.4
3	17.0	15.6	21.6	34.3	29.8
4	8.1	11.3	7.5	48.4	36.6

Source: Bentham (1986) p. 160 Table 2.

Table 2.37 Tenure by socio-economic group of head of household, England and Wales 1961-81, expressed as a ratio of the percentage of all households in each SEG

	Owner Occupied		LA and New Town		Private Rented	
	1961	1981	1961	1981	1961	1981
Professional and Managerial	1.57	1.43	0.29	0.23	0.79	0.80
Other non manual	1.24	1.23	0.64	0.52	0.94	1.07
Skilled manual	0.93	1.01	1.24	1.09	0.92	0.77
Semi-skilled man.	0.66	0.72	1.37	1.46	1.17	1.21
Unskilled	0.50	0.52	1.64	1.93	1.17	0.98
Economically Inactive	1.0	0.73	0.74	1.46	1.0	1.16

Source: Hamnett (1984) p. 394

This conclusion is strongly supported by a recent statistical analysis of the census data which looked at variations in the extent to which different households rented privately (Whitehead and Kleinman, 1985). The aim of the analysis was to see whether spatial variations in the percentage of total households renting privately was just a consequence of regional variations in household types, or also of regional variations in the constraints in access to other, preferred tenures. Three of their results are relevant to this discussion. First, taking the sector as a whole, whilst they found that 'being in the labour market at all is associated with living in the majority tenures' (Whitehead and Kleinman, 1985, p.511), they also found that local market related factors were important and that both mobile and working households were in the private rented sector in areas of housing pressure. Second, as far as the furnished subsector is concerned, they found that spatial variations were explained by variations in the numbers of single people, in one year migrants, in the balance between households and dwellings and in the economically inactive population. They suggest that this sector is very homogeneous in terms of the types of household represented but that the extent of housing pressure and central urban location are also important in explaining variations. Third, they show that the unfurnished sector is much more heterogeneous than most recent explanations had allowed. Although household factors, like pensioners and singles under pensionable age and heads who were economically inactive, were important in explaining variations, they accounted for less of it than expected so that market pressures were also important. This suggests, they argue, that the unfurnished subsector does not exist solely for long term residents and that outside central city areas, there is more flexibility in it.

Their conclusions help summarise the main part of this chapter. Traditional private renting is no longer a major source of accommodation for those in employment. The furnished subsector is fairly homogeneous throughout England, housing young mobile households and the economically inactive. The unfurnished sector undoubtedly houses lots of pensioner households, but cannot be fully characterized as such, as market factors are important to an understanding of its variation. Crucially they also assert that 'private renting has become the sector for those outside the labour market and does not appear to play a significant role specifically in assisting labour mobility' (Whitehead and Kleinman, 1985, p.518).

### Households in recent lettings and in HMOs

Before concluding this chapter it is important to briefly review a number of recent surveys of important subsectors of private renting, which are particularly germane to the empirical research in Parts 2, 3 and 4 of the thesis: a study of recent lettings (Todd, 1986; Todd and Foxon, 1987); two studies which examined sharers (Rauta, 1986; Todd, 1982); and a study of households in HMOs (Thomas with Hedges, 1986).

An official study of recent private lettings examined households who had moved into private rented accommodation within two years prior to 1984. (These movers were identified during the 1984 Labour Force Survey). Two thirds of these recent lettings were in furnished accommodation. Whilst these were, inevitably, different from the private rented sector as a whole they were not different from all furnished lettings in particular. 50 per cent of heads of household were under 30 years of age; 38 per cent were single, 12 per cent were divorced, widowed or separated and the rest were married or living as married. The young and singles were most likely to have the least secure accommodation in the form of licences and resident landlords, although two thirds of them did have accommodation let within the Rent Acts. It was married heads of households who had the more secure accommodation - being more likely than others to have a shorthold tenancy (see next chapter for explanation of these terms) and to rent unfurnished accommodation.

Not only were these households more mobile than average, in the sense that they have moved at least once in the previous two years, but 61 per cent of them had moved more than once, including 35 per cent who had moved at least 3 times in the last three years. The most mobile were, at the time of the survey, most likely to be in the least secure accommodation. Half the households had previously been private tenants and a fifth had come from the parental home. Of those who were currently tenants of non resident landlords, a quarter had, at some time previously, lived in a student Hall of Residence, a quarter had previously been owner occupiers, and one third had moved from job related accommodation, more than average of both latter groups being older married households and more of the former being younger unmarried ones.

Most, two-thirds, had heard about their present accommodation by personal contacts, though formal information channels were more important to those who had licence agreements or shortholds. Only a third said they had difficulties finding a place to rent. As many as 40 per cent did not even look around for somewhere else. Even so, access to these new lettings did have some constraints: half had to pay a deposit, a finding reflected in the 1985 HMO Study (Thomas and Hedges, 1986). 60 per cent had to pay rent in advance and a third had to supply references. Nevertheless word of mouth seems to be the key to successful home finding in private renting.

Most had moved only a short distance to their present accommodation, half moving less than 5 miles. Their reasons for moving were strongly life cycle related. Younger unmarried households had been either trying to improve on their housing (to get better or cheaper accommodation or simply moving on when an agreement ended) or moving on leaving home, finishing college or starting work. Younger married households moved upon marriage or to find somewhere better to live; older unmarried ones moved to improve their housing or because of job changes; older married, because of job changes. 48 per cent expected to move within a year, a factor which probably helps to explain the high level of satisfaction with accommodation which, as the previous section showed, was objectively seriously substandard. 80 per cent were either very or fairly satisfied.

The tenure preferences of these tenants in recent letting can be compared with those expressed in a study of all private tenants in the densely rented areas of England in 1976 (Paley, 1978). Unfortunately comparison is made difficult because different categories for household types were used and so Table 2.38 reproduces the results for the total in each sample. To a large extent the differences between the two results can be attributed to the fact that the 1976 sample of all tenants in densely rented areas had far more households of elderly people than the 1984 sample of recent lettings. In both cases, however, only a minority expressed a clear preference for council to private renting. In the 1976 sample this reflected the preference of many elderly tenants for private renting, given their experiences and expectations about tenures and their comparatively low rent. In the 1984 sample tenants were concerned about getting the type of accommodation they wanted and did not always expect

Table 2.38 Tenure preferences and expectations of private renting tenants

Tenure preference	(a)	(b)
	Densely Rented Areas, England 1976	Recent lettings England, 1984
	%	%
Prefer to rent from private landlord	43	36
Council	32	22
D.K.	25	40
<hr/>		
Prefer to buy	45	86
Prefer to rent	55	11
D.K.	-	3
<hr/>		
If thinks will buy it will be <1 year	28	24
1 < 3 years	28	26
Eventually	31	35
D.K.	15	15
<hr/>		

Sources (a) Paley (1978) (b) Todd and Foxon (1987)

councils to be able to provide this. In both cases only a small proportion were on council waiting lists, in any case. (18 per cent in 1976 at 14 per cent in 1984).

The vast majority of the 1984 sample preferred to buy rather than rent in the future, a much higher proportion than amongst the 1976 sample. This is very much a matter of age, since the 1976 sample included many pensioner households. Thus, almost all fresh entrants to private renting want to buy and 87 per cent expect eventually to do so. In the case of both the 1976 and 1984 samples, however, it is clear that many expect to continue to rent for a number of years before buying, either because they had to save for a deposit or because they wanted to retain the flexibility that private renting could give them before tying up their capital in housing.

The 1978 study of private rented housing was one of the follow ups to the 1977 National Dwelling and Housing Survey where rateable hereditaments were sampled (Todd, 1982). Inter alia, it examined households who lived in rateable units where there was more than one letting. It showed that 79 per cent of lettings were of whole rateable units: i.e. in almost all cases a whole house or a purpose built flat. 81 per cent of lettings were self contained. 43 per cent of the lettings that were not self contained had four or more accommodation units in the rateable units.

82 per cent of lettings shared neither rooms nor amenities and only 6 per cent shared both of these. The more accommodation units there were the more likely it was that there was sharing of rooms and amenities, but even where there were four or more, only 26 per cent shared rooms and amenities. 69 per cent of this sharing was amongst furnished lettings.

It was evident that 1 person households were much more likely to live in these shared dwellings than 2 or 3 person households. The respective proportions were 35, 15 and 10 per cent. Unrelated 2 and 3 person households were also more likely than households of related people to share - the respective proportions were 41 and 31 per cent. Altogether, only 11 per cent of related households shared rooms and amenities compared with 37 per cent of unrelated households. Moreover the most intensive sharing was concentrated amongst 1 person households who accounted for 72

per cent of all such sharing. As Table 2.39 shows, very few vulnerable groups shared rooms or amenities. Only 5 per cent of family and 7 per cent of elderly households, lived in non self contained accommodation. It was only amongst 1 person households under 60 that the majority lived in shared accommodation.

A more detailed study of all sharing households, also carried out in 1978, confirmed these findings (Rauta, 1976). Although only 4 per cent of all households share, 70 per cent are in the private rented sector. 20 per cent of households who shared were landlords (including 8 per cent whom were relatives), 20 per cent were tenants sharing with landlords (including 6 per cent who were relatives), and 60 per cent were tenants sharing with other tenants. Sharing was defined widely as including sharing rooms, amenities and circulation space, including sharing small kitchens, bath, WC or access to them. On this basis 61 per cent of sharers were 1 person households, 37 per cent were under 30 years of age, and only 10 per cent were households with children under 16. Only 30 per cent shared rooms, the most intrusive form of sharing and this mainly involved tenants sharing with landlords. Where tenants of unfurnished lettings shared it was more likely to involve circulation space than rooms and amenities.

In many respects the 1985 survey of households in HMOs overlaps the 1978 survey of sharers. Indeed some of its findings (and indeed those of the 1978 study) were referred to in the previous chapter on dwellings, especially in relation to the extent to which sharers were strangers and the kind of problems to which sharing gave rise. These will not be repeated here. Suffice it to say here that the 1985 survey confirms the 1978 findings (Thomas with Hedges, 1986).

HMO residents were predominantly young, single and men. 40 per cent were under 25, 81 per cent were 1 person households and 65 per cent were male. Family households were almost non existent. Although 12 per cent were of pensionable age, they tended to be housed by resident landlords. Only 45 per cent were in work and the unemployment rate amongst the economically active was 35 per cent. 10 per cent were students. In Category B HMOs - shared houses - 35 per cent were students and 12 per cent were unemployed. AS a result HMO residents were poor. The mean gross weekly income of a HMO household was £90.

Table 2.39 The separateness of accommodation by type of private renting household, England 1978

	Self contained			Not Self Contained			'000
	House	Flat	Rooms + Other	Amenities Amenities	only	All D.K.	
One adult <60 %	13	19	4	29	32	2	390
2 adults <60 %	32	35	12	3	13	4	429
Family %	64	16	14	<1	4	2	467
Large adult %	63	17	14	-	3	2	302
1 or 2 adults >60 %	65	22	5	<1	7	1	772
All %	50	22	9	6	11	2	2,360

Source Todd (1982) Table 4.9

The HMO study emphasized the vulnerability of many HMO residents, like those needing mobility, such as students or construction workers, and like those in urgent need of housing because of family break up. 'For a variety of reasons these were people who were simply desperate for somewhere to live' (Thomas with Hedges, 1986 p. 49). In some cases, like students, sharing was actively sought because it enabled them to get cheap housing. For others it was the lack of choice and their need for short term or immediate housing which led them to HMOs. For what they could afford, HMOs provided the only available housing. They did not consciously choose it. For those, like young people who wanted independence and proximity to the centre of town, HMOs provided positive advantages at a cheap price. But all HMO residents recognised the shortage of housing, including the self contained housing to which they aspired. They put up with bad conditions because there were no alternatives which they could afford.

### Conclusion

The findings from the HMO study underline one of the most important conclusions from this chapter on the types of household in private renting. Private tenants, with exceptions in areas of housing pressure, are typically not in the labour market, or where there are, they are on low wages. It is this lack of economic power which therefore has to be considered in any explanation of the decline of private renting, its poor condition, and any plans to improve these, let alone revive the sector.

## CHAPTER 2.5

### SECURITY OF TENURE AND RENTS: THE LEGAL FRAMEWORK

#### Introduction

The objective of this chapter is to describe the legal framework governing security and rents which was operative over the period of the empirical research reported in this thesis, that is the period from 1979 to 1988 (see Arden, 1978, 1986, for a detailed guide). During this period there were two pieces of legislation modifying the legal framework by introducing some deregulatory measures: the Housing Act, 1980 and the Housing Act, 1988. The former is dealt with in this section since it is covered by the period of the research. The latter is discussed in the concluding chapter, Chapter 20, where the likely impact of deregulation is considered. This chapter describes the law as it existed between 1979 and 1988. First it describes the position up to 1980.

#### The framework in 1979

As earlier chapters have described, it has been government policy over the last seventy years to strike a changing balance between the interests of consumers and suppliers, recognising that in periods of housing shortage (which, especially for low-income groups, have prevailed throughout the period) the unrestrained exercise of the differential economic power of landlord, compared with tenant, can lead to exploitation in the form of high rents and harmful insecurity. Governments have therefore regulated the contracts between landlords and their tenants. As Chapter 2.2 illustrated, the history of this legislation is complex and includes attempts both to deregulate and to further regulate private renting. By 1979 however most private tenants were, in principle, protected and had security of tenure. They could not be evicted by their landlords except on special grounds and with the sanction of the courts. Although tenants were free to agree rents privately with their landlords, they (and their landlords) could avail themselves of the services of a rent officer and ask for a fair rent to be fixed - a valuation which takes into account all the relevant circumstances of a property and its location, but ignores any excess demand for the tenancy arising from housing shortages. This became the legally recoverable rent and was subject to rules about the timing and phasing of rent reviews and increases, notwithstanding subsequent tenancy

changes. In the past, government froze the rents landlords could charge and statutorily determined permissible increases and, until 1980, some controlled tenancies were still subject to these provisions. The fair rent provision, which dates from 1965, was created to allow private rents to move towards market levels, but to protect tenants from paying rent levels which resulted from housing shortages.

As Chapter 2.2 explained, this provision was introduced by the Rent Act, 1965 to bring back within the Rent Acts private tenancies which had been decontrolled by the Rent Act 1965 and which were still available for letting. These became known as regulated tenancies. Lettings which had not been decontrolled by the Rent Act 1957 and were still let to the 1957 tenant, or to a statutory successor, in 1965 continued to remain controlled after the Rent Act, 1965, though there were subsequent provisions for transfer to the regulated sector either as a result of improvement, after 1969, or of block transfer after 1972.

If a controlled tenancy became vacant and was relet it qualified automatically as a regulated tenancy. If a 1957 controlled tenant remained in occupation as tenant (or if there was a statutory successor), and the letting was not transferred to the regulated sector by neither the 1969 nor 1972 provisions, the letting stayed controlled. It was not until 1980 (see below) that any remaining controlled tenancies were abolished, becoming regulated tenancies.

Not all tenancies in 1979, however, were (nor are today), covered by the Rent Act. Only tenancies per se, not licences, came within its scope, whilst certain tenancies were excluded from the legislation. This created scope for some landlords to avoid the restrictions on rents and their ability to regain possession imposed by the Rent Act, by the sham use of certain categories of tenancies which were originally designed to cover genuine exclusions (like holiday lettings) as well as using licence agreements to evade the Rent Act restrictions.

A letting cannot come within the Rent Act unless the agreement is a tenancy. This requires the tenant to have exclusive use of at least one room. If he or she does not, a licence is created. A licence is in effect no more than a permission to occupy, but some landlords have used

licences to evade the Rent Act. One way is to grant a licence to occupy for a fixed period and the agreement is worded so that the licensee is not given exclusive possession of any part of the accommodation in question. In this way a non exclusive occupancy agreement is created which puts it beyond the scope of the Rent Act. Often such agreements are made with a group of house or flat sharers. The landlord enters into a separate agreement with each occupier, granting each of them the right to use the premises in common with the others, but no particular part. They also give the landlord the right to move people around the accommodation and to introduce people of his or her own choice into the letting. (Arden 1986 pp 24-26). The landlord does not actually have to use these rights to make the agreement a licence, the fact that these rights exist make it so. Since such agreements are put beyond the scope of the Rent Act, they have proved attractive to landlords, since tenants could neither get Fair Rents fixed nor benefit from statutory security of tenure.

In fact the effect of such agreements is often to make them tenancies rather than licences. This is only something the courts can determine but it has been held that merely describing an agreement as a licence in a document does not necessarily make it a licence in law. In the most important recent decision on the 'licence or tenancy' issue, Street v Mountford, the House of Lords held in 1985 that 'if the effect of an agreement is that residential accommodation is in fact granted for a term, or from period to period, at a rent, with the occupier in fact enjoying exclusive use or possession of the premises, the landlord providing neither attendance nor services' (of the kind requiring unrestricted access to rooms) 'the arrangement will be a tenancy' (Arden, 1986, p 8).

It is important to point out that housing surveys that have attempted to establish the extent to which agreements are tenancies or licences have accepted what occupants and landlords say they are. Although a court might determine tenancy where a licence was thought to exist, the way the tenant and landlord perceive the agreement is nevertheless important because this determines their relationship, particularly the tenants' conceptions of his or her bargaining power. Nevertheless the importance of the Street v. Mountford decision lay in the fact that if tenancy can be established, it became eligible for Fair Rent registration (see below) as well as being brought within the scope of statutory security of tenure.

Tenancies are the normal arrangement by which someone occupies accommodation owned by another. For an arrangement to be a tenancy there must be identifiable parties, identifiable premises, exclusive possession and a tenancy period. Tenancies are normally periodic or fixed term. The former runs from period to period, e.g. it is weekly or monthly and is renewed automatically, from week to week, or month to month, until brought to an end by the service of a valid notice to quit. The latter is granted for a specific term, e.g. six months, and this normally comes to an end simply because the term runs out, although all tenants are protected from eviction without a court order obliging them to leave. Only fixed term tenancies of more than three years need to be in writing and only weekly periodic tenants have to be given rent books. All tenants have the right to know the name and address of their landlord.

There are two other 'classes' of tenancy that need to be mentioned - subtenants and joint tenants, the latter a class of some importance to this research, in relation to some types of HMOs, where groups of unrelated people, like students, share flats and houses. In the case of someone who is a subtenant, that is the tenant has a landlord who is himself or herself a tenant, the subtenant's position is no different from that of any other tenant (see below) until the higher tenant's interest expires. Whether or not the subtenant can remain, depends on whether both the subtenant and main tenant are protected and whether the subtenancy is legal (see Arden 1986, pp 20-24). Joint tenants are equally responsible for their tenancy, including the rent. So long as they remain and act together in relation to their landlord, their position is no different from that of a sole tenant. Problems can arise when one tenant departs and where a group who assume they are joint tenants are not, because only one is named in an agreement or rent book. In the latter case it is likely that the other 'sharers' are licencees of the one of them who is the tenant. A more particular issue is whether each member of a group of sharers signs a separate agreement with the landlord which takes the form of licence agreement known as 'non exclusive occupation agreement', each being given the right to use the premises in common with the others but no one being given exclusive possession of any part it. 'These arrangements are rarely genuine and are shams to evade protection' (Arden, 1986, pp 24-26).

If an agreement is a tenancy, there are still cases where it is outside the scope of full Rent Act protection in respect of rent and statutory security of tenure for private tenants. Some of these have been used by landlords as devices to evade the Rent Act.

The cases where a tenancy is not protected at all are as follows:

1. Premises with a high rateable value, that is more than £750 outside Greater London (£1,500 within Greater London)
2. Tenants of the Crown.
3. Tenancies where no rent is paid (unless there is payment in goods and services which represent a quantified and agreed sum of money)
4. Holiday lettings. This is an exemption that has been used as a sham device to evade the Rent Acts.

The cases where there may be limited, but not full Rent Act protection are as follows:

1. A 'low rent' tenancy, one where the rent is less than two-thirds of the rateable value (unless it was an old controlled tenancy)
2. Tenancies where the tenant is provided with any amount of board under the terms of the tenancy.
3. Lettings by specified educational institutions where the tenant is following a course of study.

The cases where there will be limited, but not full Rent Act protection are as follows:

1. Tenancies commencing after 14th August 1974 where the landlord lives in the same building. Until the Rent Act 1974 tenancies were effectively split into two kinds: tenants of furnished accommodation did not have full Rent Act protection, provided the value of the furniture to the tenant was a significant proportion of the rent. Tenants of unfurnished accommodation (subject to other exemptions) did. Provision of furniture was thus a means by which landlords could evade full Rent Act protection. This effective splitting of tenancies into unfurnished and furnished was almost extinguished in 1974 when tenants with furnished accommodation were given full Rent Act protection. In

its place a new class of tenancy was created which did not have full Rent Act protection: those granted after 14th August 1974 where the landlord occupies another part of the same building as his or her residence.

2. Tenancies commencing before 14th August 1974 where there has been a landlord living in the same building since then, but where the tenancy was furnished at commencement. If it has been unfurnished, the tenancy would have been protected before that date, and the legislation was not designed to remove this protection.
3. Where tenants share living accommodation with the landlord. Regardless of when the tenancy commenced, there is no full Rent Act protection.
4. Tenancies where the tenant is provided with attendances (i.e. personal services, like laundry) and their value forms a substantial part of the whole rent.

The following cases also need comment:

1. Lettings to companies - since neither a company nor any other artificial body can 'reside', this has also been used as a sham, the landlord letting to a limited company, as whose licensee the tenant occupies. Alternatively, potential tenants are invited to form a limited company, to whom the tenancy is then granted.
2. Tied accommodation i.e. the accommodation goes with the job. Whether or not the tenancy is protected depends on the particular agreement. If an employee is required to occupy the accommodation as part of his or her job, a service licence is created. If the employee rents it as a matter of convenience, the tenancy will be protected. There are different arrangements for agricultural and forestry workers, which provide them with protection similar to that provided by the Rent Act.
3. Rental purchase This is, strictly speaking, not a tenancy at all. A rental purchaser is someone who makes an agreement to make regular payments towards the purchase of a property, but the legal interest is not conveyed until all the payments are complete, before which a licence to occupy is given. Many such agreements are shams, but if not, the licensee has no protection.

In the cases where limited Rent Act protection applies, tenancies come under the jurisdiction of the Rent Tribunal, which, in 1979, had power to register a reasonable rent and provide limited security of tenure, by deferring the effect of a notice to quit for up to six months at a time (see Arden, 1978, Chapter 5 for the situation before 1980).

If an agreement in 1979 was a tenancy, but it was neither one without any protection at all, nor one with only restricted protection, then it would have been either a controlled or a regulated tenancy.

Controlled tenancies were those which had been created before 6th July 1957, and which were not decontrolled by the 1957 Act and whose rents were fixed according to a formula laid down in the Rent Act 1957, according to its 1956 rateable value. This comprised an unchanging basic element, plus additional amounts linked to the cost of subsequent repairs and to the cost of any improvements undertaken by the landlord (formulae for the latter were related to a percentage of landlords' costs; the percentage was modified over the years, being 12.5 per cent by 1979). As previous chapters have already explained, any controlled tenancies that still remained by 1979 moved across to the regulated sector (see below) in one of two ways: upon reletting to a new tenant (unless there were statutory successors - see below), and upon reaching a qualifying standard for improvement. Between 1972 and 1975 some were automatically transferred in blocks.

All other fully protected tenancies in 1979 were known as regulated tenancies and their origins were described at the commencement of this section. Controlled and regulated tenants had similar security of tenure. Landlords can only evict tenants after serving a valid notice to quit and obtaining a possession order from the Courts. This order is mandatory in certain limited cases such as lettings by temporarily absent owner occupiers, lettings of retirement homes and lettings by servicemen and women. The landlord has to fulfil certain specified conditions before he or she can get repossession under one of the mandatory grounds. Regulated tenancies that are not subject to mandatory repossession rights give tenants security of tenure, because the court's powers to grant a possession order is a discretionary one - they will only exercise it if it seems reasonable to do so. The discretionary grounds for a possession

order include rent arrears, other misconduct by a tenant or the landlord's needs to accommodate relatives or him/herself in the accommodation. A protected regulated tenancy is one where the tenant has security by virtue of a contract with the landlord. When this expires, and the tenant stays on, he or she becomes a statutory regulated tenant with security granted by virtue of the Rent Acts. Statutory tenants' protection includes statutory rights to inherit protected tenancies. This gave succession rights to a spouse or another member of the family who had been living in the accommodation six months prior to the tenant's death. This right could be exercised twice, but in the case of controlled tenancies, the tenancy became regulated on a second succession.

Whereas rents of controlled tenancies were fixed by a formula, rents of regulated tenancies are subject to case by case determination. By 1979 landlords and tenants were free to agree rents between themselves, provided the agreement was in writing and drew the tenant's attention to their right to get a Fair Rent registered. As an alternative, therefore, either party (and the LHA) could ask a Rent Officer (a public official of the DoE with local offices throughout the country) to register a Fair Rent. This then became the legally recoverable rent, for three years (subject to an appeal on the amount of rent to a Rent Assessment Committee). The Fair Rent could be reviewed every three years, but by 1979 any increase resulting from a review had to be phased in over three years. Consequently it was not until the second anniversary of a review that the full Fair Rent was paid. Earlier review was possible if the circumstances of the tenancy changed in the meantime, particularly if the landlord carried out improvements. It could not be reviewed earlier, simply because the landlord had relet to a new tenant. When determining a Fair Rent, Rent Officers are charged to have regard to all the circumstances (other than personal ones) including the age, character and locality of the residential accommodation, its state of repair and, if there is any furniture, its quantity, quality and condition. The Rent Officer must however disregard any improvements done by the tenant and new local amenities paid for by a local or other public authority. The most important element that the Rent Officer must disregard is 'scarcity value'. To do this it must be assumed that there are not more people seeking the sort of accommodation in question in the area than there is

such accommodation available. (Arden, 1986, p. 64-73; for a study of the way Rent Officers use the substantial discretion they have in applying this rule, see Doling and Davies, 1984.)

#### Amendments to the framework in 1980

In the Housing Act, 1980, the Government introduced a new type of protected tenancy, provided for letting at market rents with contractual security only, and amended the Rent Acts with respect to the review and phasing of Fair Rents and certain provisions in respect of resident landlords. Their intention in doing so was to make better use of the housing stock by increasing the private renting of empty property and stimulating investment in new supply. The Government's intentions were described by the then Minister of Housing in 1982 as follows:

'we believe that the private rented sector has got a significant role to play in the provision particularly of accommodation which is required by those who are mobile, those who want accommodation for a relatively short period. There is an enormous demand amongst people who may be saving up to buy sooner, or later, who may be doing training or who may have relatively low incomes at this particular time but can see income growth coming, for the availability of short term accommodation. All the various changes that I have referred to in the 1980 Housing Act are meant to try to increase the availability of that accommodation. As far as the other wing of the private rented sector is concerned, the long stay accommodation, our view is that we have to try and strike as equitable a balance as we can between the landlord interest and the private tenant interest and we have no further proposals to bring forward in that area at the moment' (HCEC, 1982, volume 1, Q. 435).

Amongst the initiatives the Government took in 1980 were the introduction of shorthold and assured tenancies and changes to the fair rent system.

First, shorthold. The government introduced a new form of regulated protected tenancy - the shorthold tenancy (in Scotland in 1984). This was introduced to encourage people to let within the Rent Acts when they would

not otherwise do so for fear that they would be unable to remove tenants to get vacant possession because the tenants had security of tenure. Provided landlords conformed to certain statutory procedures when making a shorthold tenancy, specifically to serve a valid notice to the effect that the tenancy is to be shorthold, they could create new fixed term lettings in vacant property for periods of one to five years, with a guaranteed right to repossession at the end. By an amendment in 1981, shorthold rents had to be registered as Fair Rents only in London: elsewhere, landlord and tenant could agree rents between themselves, but the option of getting a Fair Rent registered was open to them. The obligation to register a Fair Rent in London was abolished in 1987.

The initial evidence about the numbers of shortholds was that few had been created - only 5,000 in the first year (HCEC, 1982). There was minimal shorthold letting in 1981 in Islington, an inner London borough with the very conditions for which shorthold was designed - many empty properties and a big demand for renting by a young mobile population (Allen and McDowell, 1982). Surveys of landlords of recently improved houses found greater use, however (Martin, 1985). They were buying and improving housing for letting. Letting on shorthold gave them a greater ability to sell with vacant possession (should they need to) and this allows them to use such property as collateral to raise loans to buy more property. Shorthold has also proved useful where landlords bought sitting tenant property to improve with a grant and with the ultimate intention of selling for capital gain with vacant possession. If the existing tenant died or moved before the reletting conditions on the grant expired, a landlord could relet on shorthold for the unexpired period, be sure of getting possession at the end of it and thus take the grant as part of the profit when selling with vacant possession. More generally, however, it was argued that shorthold was largely irrelevant as a device for increasing landlords' ability to get vacant possession (and therefore increase liquidity), because landlords already used the many devices that existed for avoiding the security provision of the Rent Act by letting outside it, particularly using nonexclusive occupation agreements or licences (Hoath, 1980), but also by sham use of what were originally designed to cover genuine exclusions, for example, holiday lettings and service tenancies. Shorthold did nothing to increase these landlords' ability to get possession, whilst landlords who used it risked getting a

Fair Rent registered. Although hard evidence was difficult to locate, the proportion of all new lettings made in these evasive ways was thought to be considerable (HCEC, 1982; see also below). The most recent evidence now suggests shorthold has had a bigger impact than had earlier been thought (see below), and since the *Street v Mountford* decision, may have begun to replace the use of licences.

Second, the government provided for assured tenancies in England and Wales. The intention was to allow certain approved landlords to let at market rents, but to provide rules and procedures for the continuation and renewal of tenancies, so as to safeguard tenants' interests. Prior to this, under the Rent Act 1965, any newly built dwellings were subject to Fair Rent, not market rent, and statutory rather than contractual security of tenure. The provision applied initially only to properties newly built for letting and could only be undertaken by bodies (not individuals) approved by the Secretary of State for the Environment. Procedures for the renewal of business tenancies were followed for the renewal of assured tenancies. To encourage such lettings the Government extended the system of capital allowances for taxable income to assured tenancies, but this was withdrawn in 1984 as part of a general change in all capital allowances. A 1986 amendment made it possible to let vacant existing houses as assured tenancies provided they had been improved and were fit for human habitation.

Evidence to the Commons Committee in 1982 suggested that few tenancies would be created and that rents would limit them to higher paid groups, who would, in any case, find net-of-subsidy mortgage costs cheaper and prefer to buy (HCEC, 1982). Capital allowances created greater interest. Although 113 bodies had been approved by 1984, including major builders and financial institutions, it was expected that only 600 units would be provided by April 1985 (HCEC, 1984). The subsequent withdrawal of capital allowances appears to have diminished this interest, since without such allowances, market rents did not give a competitive rate of return on the investment. By the end of 1987, 217 bodies had been approved, providing between them 742 assured tenancies. Most of the approved bodies were property and building companies, rather than (as the Government had appeared to hope) financial institutions (see Kemp, 1987a)

Third, the government modified the rules about the reregistration of Fair Rents. Until then, because any rent increase after reregistration had to be phased over three annual instalments, it was estimated that before 1980 the actual fair rents paid were on average 20% lower than registered rents. What the 1980 Housing Act did was to reduce the period between reviews to two years, with consequent reductions in the phasing of increases. The intention was that landlords should receive more regular rent increases in relation to the increases in their costs. In 1987, phasing was abolished altogether.

Fourth, the Act abolished the residual pool of controlled tenancies, so that all protected tenants were entitled to protection of their rents through the Fair Rents machinery. The transfer to the regulated sector meant rents would increase, but they were subject to the same phasing of increases as other regulated tenancies.

Finally, the Act also amended the rules relating to tenancies where the landlord lived in the same building and to other tenancies where protection is limited. The main intention was to provide additional incentives to resident landlords to let off parts of their homes. Rent Tribunal jurisdiction over security was abolished, although tenants are protected to the extent that county courts can suspend a possession order for three months.

#### Letting outside the Rent Act: the evidence

In recent years there has been a growing interest in the extent to which private rented tenants were actually covered by the Rent Act protection to which they were nominally entitled. (See, for example, Doling, 1983; Doing and Davies, 1982a; GLC, 1986; HCEC, 1982). Two areas received particular attention. First, how many regulated tenancies had registered Fair Rents, rather than private agreements? Second, how extensive was the use by landlords of devices to let outside the Rent Acts, and so avoid its Fair Rent and security of tenure provisions.

The 1978 survey of the private rented sector in England provides some evidence on the first area. The survey allocated households to different legal subsectors on the basis of household interviews and, if necessary, information recorded from Fair Rent registers and rating data (Todd et al., 1982, Technical Appendix).

Table 2.40 shows that the remaining pool of controlled tenancies made up only 7 per cent of all lettings in 1978 in England, (although it was much more in some regions than others; for example it was 15 per cent of lettings in Yorkshire and Humberside.) Not surprisingly a much greater proportion of controlled lettings were houses rather than other forms of accommodation, and 91 per cent were built before 1919. The authors show how much this subsector had fallen in size, not only since 1957 when it had been estimated at 4m tenancies, but since 1970 when it was estimated to be 1.2m tenancies. 120,000 subsequently passed from decontrol by the 1969 Act qualification certificate route, and 470,000 by the block decontrol of the 1972 Act. Only 176,000 were left by 1978, so the remaining 610,000 out of the 1970 total had either been demolished or transferred to another tenure or to the regulated sector upon reletting. Very few controlled lettings were statutory successions, since only 10 per cent of all controlled tenancies had started after 1958. However 9 per cent of all 1978 lettings involved statutory successions (29 per cent of which were controlled, and 75 per cent of which involved first successions). 82 per cent of controlled lettings had households with pensioners and only 35 per cent had all the basic amenities present.

As Table 2.40 also shows, just over two-thirds of all lettings in England were regulated tenancies. Only a third of these had rents which were registered (though the authors of the survey considered this likely to have been an underestimate) and 16 per cent of these were found to be at least 3½ years old. In other words, some lettings had registered rents which were not as regularly reviewed as the law then permitted. The Table also shows that over half the regulated lettings with registered Fair Rents were houses and that very few were accommodation which was not self contained. 96 per cent, moreover, of registered regulated lettings were unfurnished (or only partly furnished). Over a third of registered lettings had been started before 1958, and so were old controlled lettings which had been subject to the decontrol measures described above. Very

Table 2.40 Privately renting subsectors by (a) type of accommodation and (b) tenants' income (£/week), England, 1978

	Controlled %	Regulated Registered %	Not Registered %	Resident Landlord %	Rent Free %	Business Relet %	Other + D.K. %	All %
(a)								
<u>Self Contained</u>								
House	80	63	44	2	68	34	37	50
Flat	11	29	23	35	10	3	51	22
Other	2	3	6	4	17	61	3	9
<u>Not Self Contained</u>								
Flat/Room	6	4	24	59	2	1	6	16
Other	1	-	1	-	3	2	-	1
Other/D.K.	-	-	2	-	-	-	3	1
<u>Total</u> ('000)	176	529	1078	140	274	136	31	2364
%	7	22	46	6	12	6	1	100
(b)								
1st q'ile	19.09	24.50	26.57	24.82	34.15	-	-	25.38
Median	25.22	38.54	47.66	45.43	49.73	-	-	44.33
3rd q'ile	36.52	65.72	69.82	75.30	66.36	-	-	67.36

Source: Todd et al. (1982) Tables 12.4 and 3.10

nearly half, 45 per cent, of households in registered lettings had pensioners. By contrast with controlled lettings, 81% of registered regulated lettings had all basic amenities.

Regulated tenancies without registered Fair Rents appeared to be significantly different. As Table 2.40 shows, less than half were in houses and over a quarter were in accommodation which was not self contained. Newly a third of them were furnished. Only 4 per cent of all furnished lettings had registered rents, whereas 37 per cent of unfurnished lettings had either controlled or registered rents. Either way, the majority of private lettings had rents which were fixed neither by the formula of rent control nor by Rent Officers. A higher proportion of unregistered, than of registered regulated tenancies, had households who shared rooms and/or amenities. Indeed only 7 per cent of households who shared in either of these two ways had rents which were either controlled or regulated. Not surprisingly, a much greater proportion of households in the unregistered than registered subsector were single, or two adult households under 60 years of age. 39 per cent of heads of households in the unregistered subsector were aged under 30, compared with 16 per cent in the registered one. Far more of the former, 54 per cent, of the lettings had started within four years of the survey than of the latter, where it was only 25 per cent. Although unregistered rents were more likely to be paid by young single and mobile households sharing amenities than by other households, it is important to note that the majority of almost all types of household did not have their rents fixed, neither by control nor registration. Only in the case of households with pensioners was this the case - and then only just half had this protection. It is important to note, too, that the difference in tenants' weekly incomes as between those with registered and unregistered rents was not great. There were fewer proportions of the latter on the lowest income bracket and more on the highest but the interquartile range was similar for both. To the extent that there were differences, it was because a greater proportion of the registered subsector was retired people and a greater proportion of the unregistered sector had tenants who did professional and managerial jobs.

The remaining subsectors in Table 2.40, that is one quarter of all lettings in 1978, were not subject to full Rent Act protection. Overall 22 per cent of lettings went with the job. 75 per cent of those renting free and 97 per cent of those renting with a business were in this category. 17 per cent of lettings were to employees, rather than self employed, and in 72 per cent of cases the accommodation was tied i.e. the tenants would be legally obliged to leave the accommodation if they left the job.

This picture for the private rented sector in all of England in 1979 was broadly similar to that found in the densely rented areas of England in 1976 (Paley, 1978). In these areas, however, only 7 per cent of lettings went with the job, an artefact of the sampling method which meant that many rural areas were not included. 9 per cent of all lettings had restricted protection because they were resident landlord lettings but very few other letting subject to very limited protection (like holiday lettings) were identified - only 30 out of a sample of 1190. Of the total sample, only 12 per cent had controlled rents, 36 per cent had rents registered by the Rent Officer or Rent Tribunal and 52 per cent were privately agreed. The distribution of legal subsectors between different types of accommodation found in this 1976 survey was broadly similar to the later 1978 survey discussed above. A later chapter will discuss research (including the 1976 study) on landlords' views on the legal framework, but the 1976 study also sheds some light on tenants' attitudes to registration. It was mostly landlords who had applied for the 88 per cent of the lettings with registered rents. The reasons so few tenants had not applied to have rents registered in the unregistered subsector was because they thought the existing rent would be raised or confirmed, only 8 per cent had not applied because they did not want to upset their landlord.

These two 1976 and 1978 help answer the first issue posed above: how many regulated lettings have registered rents? More recent research in the 1980s has assisted with answering the second question: how many lettings are outside the Rent Acts?

The latter was of particular concern to the Select Committee on the Environment's investigation of the private rented sector (HCEC, 1982). A lot of the evidence to the Committee suggested that many recent lettings had been put outside the Rent Acts by illegal evasion rather than legal avoidance. (See the summary in HCEC, 1982, Vol. 3, Appendix 2). From the evidence presented, the main lettings outside the Rent Acts were non exclusive occupation agreements (the most prevalent), holiday lettings, board and attendance, company lets and rental purchase agreements. Holiday lets were prevalent in resorts and University towns, board and company lets were less in evidence outside Greater London, and rental purchase agreements were most common in decaying areas of the inner areas of northern and midland cities (where it was thought mainstream mortgage lenders were reluctant to lend money). The Committee's advisers reviewed a number of small scale research studies which had investigated the scale of use of those evasive 'tactics', but concluded that, while most witnesses claimed that the use of non Rent Act lettings was on the increase, detailed quantitative evidence was limited (HCEC 1982, Vol. 3, Appendix 2, para 7). The Committee took the view, nevertheless, that the DoE's argument that 80 per cent of new lettings were regulated tenancies was likely to be an overestimate and expressed its concern about the 'apparently rapid growth of lettings outside the Rent Act', especially the sham use of those originally designed to be genuine exceptions, however welcome was any increase in supply (HCEC, 1982, Vol. 1, paras 23-26). The broad thrust of the Committee's evidence was that these lettings had higher rents and were in a poorer state of repair than protected lettings, but that the insecurity of the tenants gave them little power to bargain about rents or get repairs done. It was also pointed out that tenants - and their advisers - found it difficult to take cases to Court, to get declarations that licences and other sham devices were void. The same was true of cases of harassment and illegal eviction. LHAs too found it difficult to get hold of evidence for successful prosecutions. There had been few convictions outside the Metropolitan and West Midlands police districts (HCEC, 1982, Appendix 2, para 11).

Whilst, at that time, the Committee had no reliable sample survey evidence upon which to base these conclusions, it did have, as additional evidence, the views made by landlords' organisations. For example, the Small Landlords' Association stated that: 'because a fully protected tenancy has

such awesome consequences for the landlord, we are not ashamed to say that our advice to any landlord contemplating a new let would be "avoid at all costs creating a fully protected tenancy" (HCEC, 1982 Vol. 2, p.174). They argued that shorthold did not overcome their problems because of the Fair Rent provision and its procedural complexity. The British Property Federation, whilst acknowledging that issues related to security of tenure were much more a matter of concern for the smaller than the large landlord, nonetheless took the view that the costs and delays of securing possession when a tenant was in arrears or otherwise breaking an agreement were impediments to letting. As they put it, 'There is no reason at all why anyone should structure his affairs in such a way... that he gives more security of tenure or rent officers' rents or anything else than he has to' (HCEC, 1982, Vol. 2, p. 290).

Two surveys done in the mid 1980s enable a more precise judgement to be made about the scale of letting outside the Rent Acts than the Commons Committee was able to make in 1982.

The survey of recent private lettings, referred to in previous chapters also examined the agreements entered into by landlords and tenants for new lettings made over the period 1982-1984. (Todd, 1986; Todd and Foxon, 1987). The results are shown separately in Table 2.41 for the categories derived from landlords' and from tenants' and licencees' answers to the questionnaire (Todd and Foxon, 1987, pp 20-27). Occupiers' and landlords' descriptions of a letting were sometimes different, partly because the landlord was more aware of the 'technical' issues involved e.g. in shorthold.

As can be seen, 5 per cent of new lettings were made by resident landlords. 29 per cent were not generally available to the public, especially because they went with a job, particularly those let by companies and employers. Leaving these two categories aside, two-thirds of new lettings were therefore generally available to the public. 10 per cent were let outside the Rent Act, mainly on licence agreements. Nearly 60 per cent of all new lettings were thus generally available to the public and let within the Rent Act. Landlords said that more of these had the limited shorthold protection than did tenants, more of whom thought they had full Rent Act protection of a fixed term tenancy with a written

Table 2.41 Types of New Lettings to Households, New Private Lettings Made 1982-84

Type of Letting	Occupiers' Description		All	Landlords' Description		All
	Furnished	Unfurnished		Furnished	Unfurnished	
	%	%	%	%	%	%
1. <u>Resident Landlord</u>	7	2	5	6	1	5
<u>Non-resident Landlord - Not Available to Public</u>						
2. Educational Let - Licence	} 16	50	} 20	22	47	} 22
3. Company Let - Licence						
4. Accom. with job						
5. Accom. with land/business						
6. Let to relative or friend/rent free						
<u>Non-Resident Landlord - Available to Public</u>						
<u>Outside Rent Act - No security</u>						
7. Non exclusive occupancy licence	} 15	1	} 7	14	1	} 9
8. 'Holiday lets' (i.e. bogus/'off-season')						
9. Accommodation with service						
10. Rental purchase						
<u>Inside Rent Act - Limited security</u>						
11. Shorthold	} 3	8	} 4	14	15	} 14
12. Other cases of mandatory possession (according to landlord)						
<u>Inside Rent Act - Security</u>						
13. Written agreement - fixed term	} 59	39	} 21	44	36	} 8
14. Written agreement - fixed term ns						
15. Verbal agreement - fixed term						
16. Verbal agreement - fixed term ns						
17. Rent Act letting (according to landlord)						
All new lettings	451	253	704	386	157	543

Source: Todd and Foxon (1987) Derived from Tables 3.1, 3.3 and 3.4

agreement (these differences still persist when comparing only lettings where both landlord and tenant were interviewed). In only 11 per cent of lettings had a Fair Rent definitely been registered, including 16 per cent of shortholds. The results also showed that the majority of unfurnished lettings were not generally available to the public and that a greater proportion of furnished lettings than of unfurnished ones had no or limited Rent Act protection.

At first sight, therefore, the level of Rent Act evasion seems to have been significantly less than some had claimed in evidence to the Commons Select Committee. However, if the examination is restricted only to lettings generally available to the public, as many as 37 per cent of them had limited (shorthold) or no (licences) Rent Act security (taking landlords' replies as evidence here). It should be noted that 47 per cent of new lettings made by companies and large individual landlords fell into these categories. There were also significant regional differences. Taking all lettings, the three northern standard regions and Greater London had the biggest proportion of their lettings generally available to the public, since only 14 per cent of lettings in these regions went with jobs compared with 20 per cent overall. Moreover, 39 per cent of lettings in Greater London (but only 11 per cent in the North) were described as licence agreements. As a result, taking lettings generally available to the public 59 per cent of lettings in London, and 32 per cent in the northern regions had limited or no Rent Act security. In many respects, therefore, the somewhat impressionistic casework and anecdotal evidence to the Commons Committee was born out by the evidence: a significant number of new lettings have only limited protection. As the researchers explained, many of those that did have protection, like fixed term written agreements, were probably regarded by the landlords as providing them with possession at the end of the term because the tenants did not expect to be able to stay, given their limited knowledge of their rights.

A survey in London based on 2000 households privately renting interviewed in 1981 census enumeration districts with a high percentage of private rented households in 1981, came to similar conclusions (GLC, 1986). Though the terms were not strictly defined in the report, the survey classified 20 per cent of households as renting unprotected accommodation,

with as many as 47 per cent of those where the letting commenced in 1983 falling into this category (which in the case of this survey, included resident landlord lettings).

### Conclusions

Within the context, therefore, of a complex framework of law designed to regulate relationships between landlord and tenant, there is a lot of evidence to suggest that tenants (especially new ones) do not benefit from protection. It is important therefore to recognise that it is the imbalance in market power between landlord and tenants which determines relationships, as much as, if not more than, the framework of law. As Harloe remarked in his review of the legal framework in USA and Europe, only where there was no crisis in private renting, no pressures on the market, was it likely that landlord and tenant could co-exist harmoniously within the legal framework (Harloe, 1985).

CHAPTER 2.6  
LANDLORDS AND THEIR VIEWS ABOUT POLICY

Introduction

The objective of this chapter is to review some of the most recent studies of landlords, in order to establish something about the ownership of private rented houses: who landlords are, in terms of individual or corporate ownership, the size of their ownership, their motives for becoming landlords and their views about policies affecting them. The next Chapter looks, *inter alia*, at the available evidence about landlords' future plans for their properties. Neither this nor the next chapter deals in any detail with the research literature on the improvement and repair of private rented houses by their landlords. This is dealt with in Part 4. This chapter concentrates on a review of the findings of recent survey research on private landlords, to enable the Sheffield findings in Parts 2 and 3 to be put into context.

It is important to note, that whilst a number of studies have interviewed a representative sample of landlords, others (including the author's study) have first drawn a representative sample of private rented properties and subsequently interviewed the owners of the properties. This latter approach allows researchers to study, not only landlords' opinions and policies in general, but also their attitudes towards, and decisions about specific sample properties. This enables them to report on the proportion of private rented property owned by landlords with particular policies and also to assess, for example, the proportion of sampled properties which landlords would sell, rather than relet, if they became vacant, instead of assessing only the proportion of landlords who said they would sell generally in such circumstances. In other words the analysis is based on a sample of lettings (not on a sample of landlords).

There has been recent criticism of many of these studies for taking a taxonomic approach to studies of landlords analyzing number of holdings and different legal categories. It is argued that the form of analysis adapted is unduly empirical and does not adequately describe and discuss the underlying 'economic and social properties that constitute different types of landlordism' The author of this criticism offers an alternative approach to overcome the limitations he identifies (Allen, 1983).

### Company or Individual Ownership

One of the earliest studies of landlords, published in 1963, pointed out how little was known about private landlords:

'Considering the controversy which has raged for so long over the private ownership of rented houses it is strange that no serious inquiry has been made of it. Much of the argument which accompanied the passing of the Rent Act assumed that the typical private landlord was an 'economic man' owning houses which he regarded as a business investment. Yet there were no facts to support this idea, or the alternative ones of the bloated capitalist owner who (given the chance) would grind the faces of the poor, and the poor struggling widow trying to made ends meet with the meagre rent she drew from cottage property' (Cullingworth, 1963, p.105).

Cullingworth rectified this ignorance in respect of a small north-west town. He found, in his study of Lancaster, that all private landlords were individual landlords and not companies. He also found that 65 per cent of them were 60 years or more of age and that two-thirds were women. These results led him to comment that: 'These figures are staggering and prompt the observation that the landlords of Lancaster are only slightly younger than the houses they own!' (Cullingworth, 1963, p.107).

Since Cullingworth's research, there have been a number of other similar studies, many concentrating on particular areas, like London (Gray and Todd, 1964) or particular subsectors, like recent lettings (Todd and Foxon, 1987). A number of the most significant studies are listed in the note to Table 2.42. In addition there have been a number of other studies since Cullingworth's, located in particular towns, which have made important contributions to knowledge about landlordism (e.g. Centre for Urban and Regional Studies, 1980; Committee on the Rent Acts, 1971; Elliott and McCrone, 1975; Forrest and Murie, 1978; Short, 1979; and Whitehead, 1978). Nonetheless, despite this research, the specialist advisors to the House of Commons Select Committee on Environment were still able to write in 1985 that 'evidence on landlords is far less easily available than that on dwellings or households' (Bovaird et al., 1985, p.15). Whilst this may be true, knowledge about private landlords

Table 2.42 Individual company and other ownership of private rented housing, various surveys

	(a) Lancaster 1960	(b) England 1963	(c) London 1964	(d) England Densely Rented Areas 1976	(e) England 1977	(f) England 1978	(g) England New Lettings 1982-84	(h) England HMOs 1985
	%	%	%	%	%	%	%	%
Individual Landlord	100	69	51	55	65	64	59	81
Company Landlord	-	31	36	29	27	32	19	19
Other	-		13	16	8	4	22	-
Base*	L	L	Le	Le <del>+</del>	H	H	Le	D

Note:\* L = Landlords; Le = Lettings; H = Households; D = Dwellings;  
~~+~~ excludes Housing Associations

Sources (a) Cullingworth (1963) (e) NDHS (1977)  
 (b) Gray and Todd (1964) (f) Todd et al. (1982)  
 (c) Greve (1965) (g) Todd and Foxon (1987)  
 (d) Paley (1978) (h) Thomas with Hedges (1986)

is a lot more than it was nearly 25 years ago when Greve was able to state that 'while the Government did not know much about private landlords, nor did anyone else' (Greve, 1965, p.8).

What these studies have shown, to date, confirms Cullingworth's findings about the importance of the individual landlord both as a proportion of landlords and in terms of proportion of properties owned by different types of landlords. Although the surveys listed in Table 2.42 were designed in different ways and have different bases, all of them show that individual landlords own the majority of the private rented sector. Unfortunately there is no adequate time series to show how these proportions are changing, although comparisons of successive General Household Survey answers to questions about the type of landlords from whom households' rent have been used to suggest that company owned lettings are a declining sector (HCEC, 1982, Vol. 3, Appendix 1). It has also been noted that property companies are more likely to be owners of purpose built flats than of houses or flats in converted houses (Todd, 1982).

As far as individual landlords are concerned, the survey evidence once again confirms the continuing validity of Cullingworth's conclusions in general, that is, the majority of individual landlords are elderly with low incomes and only a small rental income. Many are, or have retired from, skilled manual jobs and earn below average incomes. In the survey of lettings in densely rented areas of England in 1976, for example, Paley found that 46 per cent of individually owned lettings had landlords 60 years old or more, their median income from all lettings was £61 per week and 41 per cent of these lettings had landlords who did or had retired from skilled manual jobs. The high average age of individual landlords in this and other surveys, explains why only 45 per cent had full time jobs (Paley, 1978). There is some evidence that individual landlords who have recently let are younger than others, for only 21 per cent of lettings, with individual landlords which had been let between 1982 and 1984 had owners who were 60 years or more old and, moreover, 80 per cent had landlords who were male (Todd and Foxon, 1987). Clearly, recently let properties are not representative of all of them, but it does suggest, particularly, (see below) that a significant proportion of these were recently acquired and that there are a significantly younger group of

landlords, currently investing in private rented houses. The 1985 national survey of HMOs had similar findings. Two thirds of HMOs with non resident individual landlords, had owners who were aged 35-54 (Thomas with Hedges, 1986).

### Method of Acquisition

The fact that such a significant proportion of the private rented sector is owned by elderly individual landlords is due to the large extent to which these properties have been inherited from parents and grandparents who had originally built or otherwise acquired property as investments. In Lancaster in 1960, for example, 70 per cent of landlords had acquired their properties as an inheritance (Cullingworth, 1963). In the report of his survey of landlords in England, Greve does not say what percentage of landlords overall had inherited. The report does state that 49 per cent of small landlords (owning less than 10 tenancies) had inherited their houses (of whom 9 per cent had bought some as well). Although larger landlords were more likely to have bought, rather than inherited, 'there was no evidence of a surge in buying - as a form of investment in rented housing - in any of the categories of landlord (Greve, 1985, p. 27).

Other inquiries have found much less evidence of inheritance. In the inquiries done for the Committee on Housing in Greater London it was found that only 14 per cent of rateable units had been inherited (Gray and Todd, 1964).

In the 1976 study of private lettings in densely rented areas, only 22 per cent had been inherited. One third of the properties of non resident individual landlords and 71 per cent of those belonging to non charitable trusts had been handed down (Paley, 1978). As the next section will emphasize, inheritance is by no means the only reason why individuals and organisations become landlords for the first time. Many properties are bought as investments - and this is as true for recently purchased properties as for those bought many decades ago. Altogether the 1976 study found that 71 per cent of the lettings had been bought rather than inherited or acquired in some other way.

Table 2.43 Size of landlords' ownership, various surveys

	(a) Lancaster 1960	(b) England 1963	(c) London 1964	(d) England Densely Rented Areas 1976	(e) England New Lettings 1982/84	(f) England HMOs 1985
	%	%	%	%	%	%
No. of lettings/ addresses owned by each landlord						
1	22	} 58	14	14	24	47
2-4	27		16	17	} 50	26
5-9	19	} 27	13	11		} 22
10-20	9		18	28		
21-50	} 25	} 15	7	6	} 26	} 5
51-99			12	8		
100-499	} 25	} 15	5	7	} 26	} 5
500-999			12	7		
>1000			15	11		

- Sources and Notes: (a) Cullingworth (1963) Percentage of all houses owned by landlords whose ownership was in different sized categories.  
 (b) Gray and Todd (1964) Percentage of all lettings in London.  
 (c) Greve (1965) Percentage of all tenancies, ditto.  
 (d) Paley (1978) Percentage of sample lettings owned by landlords whose total ownership in England was in different sized categories (Housing Association lettings excluded)  
 (e) Todd and Foxon (1987) Percentage of new lettings owned by landlords whose total ownership was in different sized categories.  
 (f) Thomas with Hedges (1986) Percentage of HMOs owned by landlords with total ownership of addresses in different sized categories

### Size and length of ownership

Whilst most landlords own very few lettings, some have quite extensive holdings. For example, although 61 per cent of Lancaster's landlords owned only 1 house in 1960, these landlords owned only 22 per cent of the total stock. In contrast, whilst only 1 per cent of landlords each owned 21 or more houses, these landlords owned 25 per cent of the stock between them. Despite this skewed distribution, it still remains true that most lettings are owned by 'small' landlords. Thus in Lancaster in 1960, England in 1963 and London in 1964 and densely rented areas of England in 1976, more than 40 per cent of lettings had landlords whose total ownership was less than ten lettings. Because of the different size categories employed by each of the surveys whose findings are enumerated in Table 2.43, it is difficult to make precise comparisons for other size categories. Nevertheless interpolation suggests that the majority of lettings have landlords whose total holdings are less than 21, and that only around a quarter of lettings have landlords whose overall portfolio is 100 or more.

As would be expected, different types of landlords have different sized holdings. In the densely rented areas of England in 1976, for example, 43 per cent of company owned lettings were in holdings of 100 or more, compared with only 3 per cent of individually owned lettings (Paley, 1978). HMOs appear to have landlords with few addresses in total, and, on average, HMOs have landlords with only 4.9 HMO addresses each (calculated from Thomas with Hedges, 1986).

Whilst most lettings had been owned by their current landlords for many years, these surveys do provide evidence that at least some landlords have continued to buy property for private letting. In other words inheritance is not the only reason why individuals (and organisations, like non charitable trusts) became landlords for the first time or add to their existing holdings.

In Lancaster in 1960 this did not appear to be happening on any significant scale. Cullingworth found that 77 per cent of Lancaster's landlords had been landlords in 1948, and that only 4 per cent of all landlords were new to landlordism in the sense of having bought property

for letting sometime between 1948 and 1960. The remaining 19 per cent had become landlords after 1948, but as a result of inheriting rather than buying property (Cullingworth, 1963).

Greve's 1963 study of landlords in England discovered a slightly different picture. 27 per cent of the rented housing belonging to his sample of landlords had been acquired in the previous five years. It had been the small and, to a less extent, medium scale individual landlords (i.e. those owning less than 100 properties in all), who had been buying property. 'Not one of the 40 large landlords in our sample had invested in housing for letting in the previous 11 years'. He went on to argue that, if there was to be a policy induced increase it would have to come from these larger landlords with access to capital. "It would not be possible to fashion a coherent and balanced policy for rented housing from the fragmented and haphazard activities of a few million private landlords'. (Greve, 1965, p.30).

Gray and Todd also found evidence of recent acquisitions in their 1964 inquiry for the Milner Holland Committee on Greater London Housing. 28 per cent of lettings had landlords who had been letting for less than 10 years (including 23 per cent only since the 1957 Rent Act). This was much more likely to be the case amongst individual than company landlords. 38 per cent of the former's but only 22 per cent of the latter's lettings had landlords who had begun letting within the previous ten years. The authors concluded that a significant part of the recent letting had been accounted for by the activities of landlords owning only one building which was let off as a HMO (Gray and Todd, 1964).

Table 2.44 is constructed from the report of Paley's 1976 study of densely rented areas (Paley, 1978). It shows that, approximately, a quarter of all lettings had been acquired between the census date of 1971 and the time of the survey. This was broadly true of all types of landlords, with the exception of non charitable trusts and public bodies. Unfortunately it is not possible to tell, from the published data, how many of these recent acquisitions had been bought rather than inherited. Nevertheless, some must have been purchases, especially those belonging to companies, a quarter of whose lettings had been acquired between 1971 and 1976. Whilst most lettings were not, however, owned by landlords who were new to

Table 2.44 Addresses containing lettings in densely rented areas in 1976 according to (a) when acquired, (b) how acquired (c) how long the landlord had been letting and (d) whether landlords' total holdings had grown since 1970, all by type of landlord

	Individual Resident	Non Resident	Company	Charity/ Housing Assoc- iation	Non- Charitable Trust	Public Body	All
	%	%	%	%	%	%	%
<b>(a) Year Acquired</b>							
Before 1958	33	31	34	52	63	76	41
1958-1962	18	15	16	1	8	9	12
1963-1967	13	21	14	3	21	-	14
1968-1971	16	11	11	12	2	1	10
1971-1976	20	22	25	32	6	14	23
<b>(b) How Acquired</b>							
Bought	65	61	92	91	23	48	71
Inherited	5	33	5	5	71	14	19
Other	30	6	3	4	6	38	10
<b>(c) How long landlords had been letting</b>							
< 6 years	38	23	17	5	6	2	18
6 < 20	39	46	27	27	25	24	35
> 20	23	31	56	68	69	74	47
<b>(d) Landlord's holdings were</b>							
< in 1970	4	18	38	10	32	80	24
Same as in 1970	54	47	31	14	56	7	37
> 1970	4	12	14	71	6	11	21
L'd started letting since 1970	38	23	17	5	6	2	18

Source: Paley (1978)

landlordism, as many as 18 per cent did have owners who had first started letting within 6 years of the survey. Moreover, whilst most lettings were part of holdings that had been in decline since 1970, a fifth had landlords whose portfolio had increased. More detailed analysis of Paley's results showed that 41 per cent of lettings owned by small landlords (those with less than 100 lettings in England) had landlords who had first started letting since 1970, compared with 13 and 6 per cent, respectively, of lettings owned by medium (10 to 99 lettings) and large (100 plus lettings) landlords. Where lettings had landlords who had been in existence in 1970, however, it was those owned by the largest landlords which had the highest proportion of lettings that were part of a portfolio that had been both growing and declining. Some of the former is probably explained by the growth in housing association lettings which were part of the sample. How far these additions to landlords' stock represents the acquisition of properties with sitting tenants from other landlords cannot be gleaned from this data - but it is a phenomenon which is investigated in detail in Parts 2 and 3 of the thesis.

More recent survey evidence suggests that there had been a willingness on landlords' parts to invest in housing to rent privately. This came from the survey of lettings made between 1982 and 1984 and their landlords (Todd and Foxon, 1987). Clearly this is not the same as a survey of lettings of all landlords. Since the turnover of some lettings, especially furnished ones, is much greater, the survey is inevitably biased towards such lettings and their landlords. The results, some of which are tabulated in Table 2.45, show that a significant proportion, 62 per cent, of lettings made between 1982 and 1984 had been acquired by their landlord in the previous 15 years, including 30 per cent in the previous 5 years. This was particularly the case amongst lettings owned by large individual landlords and by companies. An even higher proportion had first been let by their current landlord in the previous five years reflecting the number originally acquired as the landlords' own home and only subsequently let off.

Whilst 20 per cent of the HMOs in the 1985 national sample survey had been former family homes, two-thirds had been purchased for investment. Significantly, two thirds of those bought as investments had been acquired with vacant possession, especially Category B HMOs, 79 per cent of which

Table 2.45 Date recent lettings of non resident landlords were acquired (and first let) by their landlords and their reasons for first letting sample lettings

	Individual landlords				Company	Inst- itution	All
	one address		> 1 address				
	1 let	>1 let	<20 lets	>20 lets			
	%	%	%	%	%	%	%
<u>Date lettings acquired:</u>							
Before 1970	24	20	35	24	31	61	34
1970-1979	27	49	33	33	14	29	32
1980-1984	38	31	29	43	45	9	30
D.K.	11	-	3	-	10	1	4
<u>Date letting first let</u>							
Before 1970	15	13	25	24	20	58	20
1970-1979	23	36	35	32	16	26	36
1980-1984	59	51	40	44	58	14	42
D.K.	3	-	-	-	6	2	2
<u>Reasons for first starting to let</u>							
Help with mortgage	18%	25%	20%	-	8%	-	11%
Help with expenses	14%	40%	14%	8%	7%	3%	13%
To provide an income	15%	40%	33%	47%	27%	6%	27%
To get return on investment	17%	58%	32%	67%	48%	4%	36%
To provide a house for an employee	3%	-	9%	1%	27%	64%	21%
Else (including helping someone out)	24%	17%	20%	6%	11%	31%	19%

Source: Todd and Foxon (1987)

had been so bought. Also significant was the fact that 56 per cent had been acquired in the previous ten years, far more in the case of Category B, shared houses, and fewer in the case of Category A, 'traditional' bedsits, (Thomas with Hedges, 1986).

### Reasons for Letting

The survey of recent lettings also identifies the reasons landlords had for starting letting. Table 2.45 shows that the non resident landlords of these recent lettings fall into three broad groups in terms of their original motivation to let. First, investment motives were the main reasons for letting for large individual landlords and companies. Second, personal circumstances were significant reasons for smaller landlords, such as getting assistance with outgoings, or helping someone out, although investment motives were not unimportant either, especially to landlords with more than one letting. Third, the principal reason for institutions (and also a significant reason for companies) was to let to employees or to help some one out. Overall, whilst a significant proportion of these recent lettings has landlords who first let for personal reasons, the two main reasons given were related to income and investment motivations. As far as investment motives were concerned, these lettings had landlords who wanted a return on the current market value of the property (not just its purchase price) and this was particularly true where lettings had large individual or company landlords.

The next chapter examines whether these (and other) landlords were happy with the returns they were getting. It is not always clear, however, from this survey of recent lettings (nor from many others) whether landlords with investment motives were looking towards net rental income to give them their returns, or whether they saw some part of it coming from capital appreciation. In other words it is difficult to distinguish between those who are looking for rents to give them a competitive return on market values (including any anticipated real increases in net rent) with the expectation of continued letting, from those who are investing in vacant property or in property with sitting tenants, in the hope of making a capital gain, in the latter case when the existing tenants move, and in the former case by letting on terms which give vacant possession, enabling capital gains to be taken. This is a distinction which the author's own research, especially that reported in Parts 2 and 3, has tried to examine.

The distinction between investors' preferences for rents or capital appreciation is, as MacLennan has argued, an important one in understanding investors' reasons for becoming landlords and their response to rent restrictions (MacLennan, 1988, pp. 164-165).

Indeed there is some evidence from surveys conducted before the author's, that capital gains were important to landlords. A study of investors in the furnished subsector in Glasgow indicated that they '...were seeking an inflation-proof asset, with low management costs, which they intended to hold until the date of their retirement from the labour force. Clearly the investment decisions of landlords are influenced not only by streams of returns from letting but also from returns to owning a rapidly appreciating capital asset. If rent officers ignore capital appreciation '... (in setting Fair Rents).. then the return to the landlord may not be reduced very much' (MacLennan, 1978, p. 333). Moreover landlords will decide to let in ways which allow landlords to choose when to take their capital gains, e.g. by letting to transient tenants, like students.

There is also evidence of other landlords, who are also looking for capital gains, but this time by entering the private rented sector to buy up properties with sitting tenants to sell off into the owner occupied sector when the tenants move on - or die. Evidence of the scale of such property dealing in Sheffield and elsewhere is presented in Parts 2, 3 and 4 of this thesis, and evidence from other surveys need only be quickly noted here. Cullingworth, for example referred to 'death speculators' who bought property to sell vacant when sitting tenants died (Cullingworth, 1963, p.110). Evidence to the Milner Holland Committee on London's housing referred to landlords who bought up property occupied by pensioner tenants and property whose tenants had the potential of being rehoused by their LHA (Committee on Housing in Greater London, 1965, pp. 157-158). A study in Edinburgh ten years later asked the question 'why in a shrinking market and in a sector of the economy frequently depicted as very unprofitable so many firms remain...? The answer lies in the fact that they never operate simply as landlords'. (Elliott and McCrone, 1975, p. 553). What they did was to acquire blocks of properties and break them up to sell on to owner occupiers - a finding which is strongly echoed in a later study of the flat break up market in London (Hamnett and Randolph, 1988). As the Edinburgh researchers commented, such enterprise readily commands

the skills of local businessmen and those prepared to get their 'hands dirty'. Indeed the expertise relevant to achieving capital gains from property dealing in private rented housing was summed up by the Small Landlords' Association as follows '... supposing you are one of the speculator type landlords buying up tenanted property, you hardly look at the property, you are looking at the tenants, how long is the tenant going to live, has he any children, is there going to be a statutory succession' (HCEC, 1982, Vol. 2, pp. 200-221).

Whilst the survey research reviewed in this chapter has not always made the sorts of distinctions referred to in the case study research noted above, it has provided some important evidence of the way landlords regarded their properties. Indeed the research on Greater London's landlords in 1963 showed that 69 per cent of the rateable units in the sample were regarded as investments. Property which had been bought as an investment was thought of almost always as an investment to provide income rather than as one to be sold at a profit (Gray and Todd, 1964, pp. 341-342).

The importance of investment revealed by the 1963 London survey, and by the 1982-84 survey of recent lettings, can also be found in the 1976 survey of lettings in densely rented areas. Table 2.46 shows that, with the exception of the lettings of resident landlords (which constituted 12 per cent of all lettings in the survey), the great majority of lettings (over 8 in 10)(excluding public bodies) were regarded as financial investments. It also shows that where a financial return from lettings was required, the landlords were principally looking for a return from current market value, rather than purchase price.

It was only in the case of lettings by resident individual landlords that the return from rents was only required to cover outgoings. Indeed resident landlords appear to be a rather special category of their own, renting to help cover housing costs and also to get 'companionship' as much as to receive an additional income. They tended to let to older retired single and female tenants than to anyone else, but this also depended on whether they let parts of their house off to other households or they shared their house with people who lived as part of their own household, the latter favouring younger people. The latter form of

Table 2.46 Lettings by type of landlord by (a) the main form of return which landlord felt an adequate rent should cover and (b) how landlord regarded the property, Densely Rented Areas of England and Wales, 1976

	Individual		Company	Non Charit- able Trust	Public Body	All*
	Resident	Non Resident				
	%	%	%	%	%	%
<u>(a) Rent should cover</u>						
Market value	18	53	70	59	37	52
Purchase price (but not market value)	11	14	11	13	14	12
Contribution to mortgage/ loan only	14	4	4	-	1	5
No form of return, i.e. only outgoings	57	29	15	28	48	30
<u>(b) Address regarded mainly</u>						
As house (now/future)	92	9	1	-	-	18
As financial investment	7	86	87	87	55	71
Special use (e.g. housing for employees)	-	3	10	7	38	9
Some other way	1	2	2	6	7	2

Source: Paley (1978)

Note\*: Housing Associations excluded from total

resident landlord has tended not to be picked up in most studies of landlords (except Todd and Foxon, 1987). A general impression given by surveys that have included resident landlords is that it is a rather fluid arrangement. Owner occupiers let off part of their house to help cover expenses, but drop out of the business when this help is no longer necessary. The authors of the report on the National Sample Survey of HMOs (whose owners, of course, include resident landlords) commented on the way resident landlords often 'seemed to have drifted into rented property'. They give the examples of some who had bought large houses, found them too expensive to run and taken in tenants to help with the costs (Thomas with Hedges, 1986).

It was clear, however, that in the case of most lettings with non resident landlords, owners were looking for their rents to give them a return on what they thought their property was worth on the open market with vacant possession.

#### Landlords' views on legal framework about rents and security

Whether landlords were satisfied with the returns they were getting is the subject of the next chapter. Before moving on to deal with that issue, the remaining section of this chapter looks at recent survey evidence about landlords' views on the legal framework for fixing rents and giving tenants security of tenure.

First, landlords' attitudes to the Fair Rent system. The 1976 survey of lettings in densely rented areas noted that, in 88 per cent of cases where the letting had a registered Fair Rent, the application had been made by the Rent Officer. Moreover half the regulated lettings had owners who preferred to get a Fair Rent registered when letting accommodation. Their main reason for preferring it was that it avoided the potential argument with tenants that might ensue were landlords to try to agree rents with them. Nevertheless, as the next chapter will show, they did not think the rent registered was satisfactory. Rent registration was liked because it prevented a 'hassle' with tenants, but disliked mainly because the rent was fixed too low and reviewed too infrequently but also because increases were phased in over too long a period (Paley, 1978, Chap 3). Overall the balance of opinion was against registration and 51 per cent of the lettings had landlords who preferred private agreements.

Far fewer rents in the 1982-84 new lettings survey were registered than were either controlled or registered in the 1976 survey (10 compared with 48 per cent). Nearly 75 per cent of lettings had landlords who preferred privately agreed rents - and half had landlords with no experience of rent registration (Todd and Foxon, 1987, Chap. 6).

The 1976 survey also examined landlords' attitudes to security of tenure and roughly 4 in 10 of lettings by non resident individual, company, and non charitable trust landlords had owners who said the legislation had affected their letting policies. The principal effects had been that they were reluctant to relet and/or had restricted the type of tenants they took on, to short term ones. Some explained that they no longer put in furniture as a device to limit their tenants' protection, whilst others had started to let on licence agreements or to 'holiday' tenants in attempts to safeguard their ability to get repossession (Paley, 1978, Chap. 4).

By the time of the survey of recent lettings, the use of licences had become more widespread, but by the same time the Government had introduced shorthold tenancies. Chapter 2.5 has already shown how extensive the use of licence agreements and shorthold was in these recent lettings. Large individual and company landlords were much more likely to use these than other landlords, and were also much more aware of them. For example 61 per cent of lettings by large individual landlords (those with more than 19 lettings) were outside the Rent Act and with only limited Rent Act protection, compared with 27 per cent of lettings by smaller individual landlords. Only a quarter of all new lettings had landlords who let on licence and half the new lettings had owners who had not heard of licences (mainly smaller individual and company landlords). Those that had, said that a licence's main advantages was that it enabled them to avoid the Rent Acts, although some recognised that it was not a 'foolproof' way of achieving this (Todd and Foxon, 1987, Chap. 6). This finding was echoed by the national HMO study, which found that licence agreements were seen as a means of redressing imbalances in the way the law favoured tenants, although landlords did not seem confident that they would stand up in Court (Thomas with Hedges, 1986).

A quarter of recent lettings had landlords who had let on shorthold, but 40 per cent had landlords who had not heard of this form of letting. Only 40 per cent of lettings let on shorthold had landlords who would have let within the Rent Acts, had shorthold not been available to them. Landlords thought the advantage of shorthold was that they could get possession but that the minimum shorthold length was too long and there was the potential disadvantage of Fair Rents being registered (Todd and Foxon, 1987, Chap 6).

Most HMO landlords seemed to be unaware of shorthold. There was also a general feeling on their part that the law was biased towards tenants so much, that bad tenants could not be evicted for non payment of rent or serious misconduct (Thomas with Hedges, 1986). This 'disgruntled' feeling amongst landlords, who were typical small scale owners, also came across in the new lettings survey.

Todd and Foxon classified the landlords of recent lettings according to the views about lettings they expressed in interviews. Institutional landlords were a rather separate group, who did not really consider themselves to be landlords, letting as they did mainly to employees. Individual landlords with lots of lettings were a homogeneous group who seemed positive about being landlords. They considered their tenants to be responsible in caring for property and paying rent on time. They thought it best to let outside the Rent Act and that the law did not allow reasonable rents to be charged. They did not agree that landlords only relet because they could not sell and that landlords had difficulties finding tenants. Their third category - individuals with a few lettings - was classified as 'a rather disgruntled group containing a number of people for whom the mantle of landlord hung rather heavily on their shoulders' (Todd and Foxon, 1987, p. 73). They thought that tenants did not look after accommodation and were bad at paying rents.

### Conclusions

If the above survey has demonstrated anything, it must be the landlords are a very heterogeneous group. Nevertheless some things stand out. Landlordism in Britain is basically a small scale industry. Most lettings have been purchased by their current owners and there is evidence of

recent investment in vacant property to let. Most lettings have landlords who want rents to give them returns on market value. Significant numbers of lettings have landlords who let outside the Rent Act or in ways that give limited protection. Whilst some are positive - and reasonably well informed - others are 'disgruntled'.

In addition to the conclusions that can be drawn from survey research evidence, some conclusions can also be drawn from the evidence submitted to the House of Commons Select Committee on private renting (HCEC, 1982, Vol. 2). The Committee's specialist advisers subsequently categorised landlords into a number of types (Bovaird et al., 1985). First, company and larger individual landlords were said to be more concerned about getting good returns from rents than with limiting tenants' security and wanted long term tenants which would reduce management costs. Since (see next chapter) returns were inadequate they sold off when they got vacant possession. A rather different kind of company was the speculative property dealer.

Second, were individual, non resident landlords. Unlike the first category these stress the problems that tenants' protection pose them. Whilst rents are important, small landlords run high risks of being saddled by 'bad' tenants, and by the costs and delays of court proceedings to regain possession. In fact the latter seem to be a more important impediment to letting than the legal framework of protection itself. But as the authors point out, returns and security are inseparable, where capital appreciation is part of the return. Protection reduces liquidity where there are long term tenants and this reduces returns.

Third, they identified resident landlords as a separate group, where there seems to be fairly rapid turnover of landlords, basically unaffected by the legal framework surrounding rents and security.

Their fourth group is composed of traditional long term owners. Many sell up to speculative landlords before they can sell off with vacant possession. Others continue to let at low rents, doing few repairs and little improvement. The authors see them as the landlords counterpart to the traditional tenants - old and with low incomes.

Whilst all the four groups include landlords who let for personal and charitable, rather than financial, reasons, their final group of employer landlords are a distinct group, letting only to house employees. For a number of reasons, primarily related to the labour, rather than housing, market, these landlords were then thought to be on the decline.

Their conclusion was that the only group of landlords who were expanding were the 'non landlords', or property dealers, buying up tenanted property for ultimate sale with vacant possession. Landlords who let to long term tenants were declining, as were old traditional owners. Only those who do not look for a commercial return, resident landlords, and those who see reasonable returns coming from capital gain as well as rent (and also property dealers) appeared to be staying in the market.

The reasons for this, if not obvious from the evidence already presented, will become clearer in the next chapter which reviews evidence about rents, rates of return and landlords' plans to sell or relet their properties.

CHAPTER 2.7  
RENT, RATES OF RETURN AND LANDLORDS' INTENTIONS ABOUT  
SELLING OR RELETING

Introduction

This chapter examines available evidence on three interrelated issues. First, the rents paid by tenants, second the returns these rents give landlords on their investments and, third, what landlords intend to do when they get vacant possession of their lettings and the kinds of changes to legislation they want to see.

Rents

The first issue about rents to be discussed is the general trend in registered rents shown in Table 2.47 over a ten year period. The data on rents must be interpreted with particular care, since it includes both first registrations and reregistrations after three years and any earlier reregistration occurring as a result of improvements. In other words the mix of types and quality of unfurnished houses may be different from one year to another. Particular care needs to be taken after the decontrol of old controlled tenancies in 1980 when more low value properties came into the ambit of rent registration. In addition, of course, rents were affected by the change after 1980 in the review rules discussed in the last chapter. In examining the pattern in Table 2.47 there appear to be two periods. The first, up to 1979, when increases in Fair Rents registered were lagging somewhat behind house prices and, more significantly, behind retail prices. The second, after 1979, is a period where rents have moved ahead faster than house and retail prices. Since 1980, therefore, there would seem to have been a real increase in registered rents for unfurnished tenancies. Part of the explanation for this is the apparently greater use of capital values by rent officers as a reference point in setting rents (see Doling and Davies, 1981).

The second issue to to be examined about rents is their variation between different subsectors, including the differences between registered and unregistered rents and rents in protected and unprotected tenancies.

Table 2.47 Mean registered rents (all registrations of unfurnished tenancies in England and Wales), mean house prices of houses mortgaged to building societies in England and Wales, and retail price index (United Kingdom).

	Rents per annum <sup>a</sup>			House prices <sup>a</sup>			Retail prices <sup>b</sup>	
	£	1974	1979	£	1974	1979	1974	1979
1974	288	100		11100	100		109	
1975	309	107		11945	108		135	
1976	343	119		12795	115		157	
1977	377	131		13712	124		182	
1978	433	150		15674	141		197	
1979	483	170	100	20143	181	100	224	100
1980	564	196	117	23596	213	118	264	118
1981	642	223	133	24188	218	120	295	132
1982	726	252	150	23644	213	117	320	143
1983	767	266	159	26469	238	131	335	149
1984	864	300	179	29106	262	145	352	157

Notes <sup>a</sup> Indexes with 1974 = 100 and 1979 = 100

<sup>b</sup> Indexes with January 1974 = 100 and January 1979 = 100

Sources: CSO, Monthly Digest of Statistics, 1973 to 1984

DoE, Housing and Construction Statistics 1973 to 1984

Table 2.48A Reregistrations of registered rents for unfurnished and furnished tenancies 1975 to 1987 (£pa)

	Unfurnished		Furnished	
	Greater London	Rest of Eng. and Wales	Greater London	Rest of Eng. and Wales
1975	408	268	549*	406*
1980	761	481	1169	777
1987	1315	973	2012	1503

Note\* First registration

Source: DoE Housing and Construction Statistics

Table 2.48B Net rent per week 1978 (£)

	Controlled	Regulated		Resident Landlord
		Registered	Unregistered	
Greater London				
Lower Quartile	1.12	5.30	5.28	3.78
Median	1.58	6.65	8.73	7.02
Upper Quartile	2.18	8.22	16.58	11.90
Rest of England				
Lower Quartile	0.29	3.61	2.36	3.32
Median	0.69	4.17	5.06	5.26
Upper Quartile	1.29	5.61	8.41	9.34

Source: Todd et al. (1982) Table 5.2

Table 2.48A lists the Fair Rents of reregistration for the years 1975, 1980 and 1985 for furnished regulated and unfurnished tenancies. In all these years the furnished rents are about 50 per cent higher than unfurnished ones in both Greater London and in the rest of England and Wales, reflecting the higher value placed on them in relation to furniture, fittings and the like.

Data on unregistered rents is much more limited and, in any case, is only available from survey evidence and not from publicly available administrative records. The 1978 study of the private rented sector attempted such a comparison and tried as much as possible to compare like with like. In order to do so, some of the comparisons are made in terms of rent and rates, rather than net rents (in order to eliminate problems arising in calculating the incidence of rates between different lettings where tenants, e.g. of HMOs, paid rents inclusive of rates) and excluding rent free and business tenancies and those where the service element was impossible to deduct.

As Table 2.48B shows, controlled rents were very much lower than others, the median net rent outside London being only 69 pence per week. The differences between unregistered and registered regulated rents show that the effect of registration is to limit the spread of rents about the median. Thus, outside London the interquartile range for registered and unregistered regulated net rents is £2.00 and £6.05 per week respectively. Thus unregistered rents are both higher and more variable than registered rents. Median unregistered rents were 20 to 30 per cent higher than registered ones whilst, outside London, in the upper quartile, unregistered rents were 100 per cent up on the registered ones.

It is also possible to control for the furnished status of the tenancies in 1978. Unfortunately, there is great difficulty distinguishing registered from unregistered cases in the furnished sector, since the great majority are unregistered. It is possible to draw some conclusions about differences in respect of unfurnished tenancies however. Unregistered rents are greater than registered ones, especially at the upper end of the range, both inside and outside London. In the unfurnished sector, therefore, unregistered rents were 15 and 30 per cent higher than registered rents in the upper quartile in London and the rest

of England respectively. Evidence from Birmingham suggested that unregistered rents for pre 1919 terraced houses and for flats and rooms were 150 per cent and 200 per cent higher than registered ones, respectively (Doling and Davies, 1982a).

These findings are now somewhat out of date and more recent evidence from the recent lettings survey has provided a more up-to-date and clearer picture of the effect that protection has on rents (Todd and Foxon, 1987). Once again however it must be stressed that these findings come from a sample of lettings made between 1982 and 1984, so cannot be taken as evidence for the whole of private renting. The data does however have the distinct advantage of being evidence at the margin. As with the earlier 1978 survey, the researchers attempt to ensure that like was being compared with like by taking account, for example, of charges included in the rent, of the presence of flat sharers and of the size of the accommodation, but no attempt was made to adjust for these terms. Table 2.49 illustrates the variations in weekly charges paid by households, once some of these factors are taken in account. The basic message that emerges from looking at the statistics is that charges for furnished accommodation were approximately double those for unfurnished accommodation. The most accurate comparison is probably between unfurnished and furnished three-bedroomed accommodation which did not involved 'flat sharers' in the furnished sector (there were few flat sharers in unfurnished accommodation). It will be seen from Table 2.49 that furnished charges were 70 per cent higher than unfurnished charges. The detailed statistics show that the charges for unfurnished accommodation did not vary with the number of bedrooms. The charges for furnished accommodation did vary with the number of bedrooms but also, and independently, varied with the number of flat sharers, for whom there appeared to be a market charge per person of around £17 per week.

The recent lettings study was also able to examine the effect of Rent Act protection and rent registration on weekly charges. Table 2.50 shows the average weekly charges for different types of letting. It shows that unfurnished lettings with limited Rent Act security (i.e. shortholds) had higher charges than those with full Rent Act protection - although where these latter were fixed term lettings with written agreements the charge was £29.98 and where there was no fixed term, i.e. a periodic tenancy, the

Table 2.49 Average weekly charges for recent lettings (1982-84) England (£ per week) (occupiers' estimates, excluding Rent Free)

Letting	All	Flat Share		Not Flat Share	Neither Rates nor Heating	3 bedrooms		All	
		Indiv Share	Whole House			Flat Share	Not Flat Share		
Unfurnished	19.93	na	na	19.87	17.54	na	na	21.92	21.92
Furnished	35.49	17.75	43.52	32.62	36.15	17.08	51.47	37.27	41.13
All	30.98	-	-	-	-	-	-	-	-

Source: Todd and Foxon (1987) Chap. 4.

Table 2.50 Average weekly charges for recent lettings (1982-84) in England (£ per week) (occupiers' estimates, excluding Rent Free)

	Resident Landlord	Type of Letting			
		Not Accessible to Public	Non Resident Outside Rent Act	Landlord Inside Rent Act Limited Security	
Unfurnished	-	16.51	-	24.38	20.91
Furnished	23.34	36.68	40.64	33.90	35.48

Source: Todd and Foxon (1987) Table 4.9

charge was only £15.83. Licence agreements in the furnished sector had the highest charges of all, but fixed term furnished lettings with written agreements and within the Rent Acts had very similar charges at £42.76. Thus within the acknowledged variations between unfurnished and furnished rents it appeared that licences and Rent Act fixed term written agreements had the highest charges. There was no evidence that the similarity between licence fees and rents for fixed term lettings with written agreements in furnished accommodation could be explained by any factors related to the accommodation or its location. Thus the formality of the agreement appeared to be much more important a determinant of the rent than whether the letting was within or outside the Rent Act.

Because so very few lettings had registered rents these new lettings had de facto market rents. Where rents were registered they were between 82 per cent (unfurnished) and 76 per cent (furnished) of unregistered rents, confirming the 1978 survey's evidence that unregistered rents were between 20 and 30 per cent higher than registered ones.

The GLC survey of private renting in London found that rents of unprotected tenancies were significantly higher than protected ones (comparing just the lettings made in 1983), by a factor of 70 per cent in the case of furnished accommodation. Whilst this average difference is affected by a much greater difference in the upper ranges (the difference between medians is less than between means), it further suggests that market factors enable much higher rents to be charged for unprotected tenancies in London than elsewhere (GLC, 1986).

Thus in areas of shortage like London, the differences in rents and charges between protected and unprotected can be very large. In such areas and, though to a lesser extent, tenants seeking accommodation in new lettings everywhere, people are likely to find landlords charging very high rents in relation to the intrinsic quality and size of the accommodation they get. A recent commentary observed that 'those in the controlled sector usually pay little for little, while those in the less controlled part of the sector obtain very poor value for money in comparison to households elsewhere' (Whitehead and Kleinman, 1986, p. 43).

Table 2.51 Median level of rent and rates adjusted for co-tenancy, 1978 (£/week)

Tenants and spouse income (gross weekly)	Unfurnished		Furnished	
	London	Rest of England	London	Rest of England
< £20	7.00	3.40	14.40	7.10
20-39	6.20	4.70	8.90	7.20
40-59	7.60	5.60	10.50	8.20
60-79	8.00	5.60	11.30	9.20
80-99	8.80	6.30	9.20	9.20
>100	10.00	6.70	20.00	14.50

Source: Todd et al. (1982)

A third issue on which evidence can be sought is related to the share of tenants' income which goes on rent or on licence fees. Table 2.51, taken from the 1978 survey of private renting in England, has figures on rents which have been adjusted for co-tenancy, that is cases where households of unrelated adults were sharing. In these cases the total rent was split between the adults. The detailed figures suggested that co-tenancy or flat-house sharing was an important way of reducing costs amongst all low income groups. For example, without that adjustment, tenants with an income of less than £70 would have paid furnished rents of £22.50 in London and £10.20 outside, whereas adjusted for co-tenancy the figures were £14.40 and £7.10 respectively. Up to weekly gross incomes of £100 there was little variation in rents suggesting that those with incomes below £100 a week competed for fairly similar accommodation. As a consequence low income households had to devote substantial proportions of income to rent and licence fees.

The 1978 survey showed that in England, as a whole, 45 per cent of furnished tenants and 24 per cent of unfurnished ones paid at least 20 per cent of their income (including spouse's income, if any) in rent and rates. More of those on lower incomes paid 20 per cent or more. Over 40 per cent of those renting unfurnished accommodation and 77 per cent of those in furnished accommodation with incomes under £40 a week, paid at least 20 per cent of this in rent.

These figures were not adjusted to take rent and rate allowances into account, but they do indicate the importance of rent support schemes in helping low income tenants defray their housing costs. The rent and rate allowance scheme and the housing element of Supplementary Benefit have, over the years since 1978, been remodelled to become the Housing Benefit Scheme. This scheme has been subject to a number of modifications since its inception, the main thrusts of which have been to reduce assistance to claimants (see Kemp, 1986, 1987b, on aspects of the scheme). Despite these changes, Kemp points out that the number of people in private renting receiving help from the scheme to pay rents has increased (Kemp, 1988b). He shows that, in 1984, a third of unfurnished and a quarter of furnished tenants received rent allowances. As further evidence of the importance of housing benefit in sustaining tenants' rent paying capacity, 36 per cent of households in HMOs in 1985 received Housing

Benefit, ranging from 68 per cent of those households who had less than £51 a week in gross income to 11 per cent of those with over £100 a week (Thomas with Hedges, 1986).

The issue of rent allowances is not a central part of the empirical work reported in this thesis, but it is a matter which is taken up again in part 5, in respect of the evaluation of the Government's deregulation policies.

The fourth and final issue on rents to be discussed in this section is their perceived adequacy by landlords. Both the 1976 survey of lettings in densely rented areas and the survey of recent, 1982-84, lettings, provide evidence about this (Paley, 1978; Todd and Foxon, 1987). Of course, adequacy depends to quite an extent on the items that landlords think rents should cover, and the last chapter has shown that it is larger non resident individual and company landlords who look for rents to give returns on market values, as well as to cover regular outgoings in terms of repairs and management costs (which latter items, almost all landlords want rents to cover).

Table 2.52 shows that, on a range of measures of adequacy, few lettings in 1976 had landlords who were satisfied. Very few lettings had landlords who positively preferred to have a rent registered and even fewer had landlords who considered such rents to be adequate, mainly because of the lower rents registered, rather than the review or phasing provisions. Only in the case of lettings with resident landlords did a majority have owners who considered their current rent adequate from their point of view. Less than a third of other lettings had landlords who thought so. In view of this it is not surprising to discover that a high proportion of lettings had landlords who thought rents were not sufficient to allow them to do repairs and give reasonable returns. As a result, a substantial proportion had landlords who deliberately limited what they spent on repairs. When asked what rent increase would be needed to give an adequate return, the median increase mentioned was £3.60 a week, which would almost double the rents then charged, the median being £4.00 a week.

Table 2.52 Perceived adequacy of rent, densely rented lettings 1976, various measures

	Owner of Letting			
	Individual Resident	Non Resident	Company	Non Charitable Trust
<b>(a) Fair Rents</b>				
Prefer to have rent registered	8%	21%	32%	50%
Fair Rent is adequate	9%	12%	11%	20%
<b>(b) Rent is adequate from landlord's point of view</b>				
	65%	30%	31%	22%
<b>(c) Rent was insufficient to cover repairs and give reasonable return</b>				
	50%	80%	74%	84%
<b>(d) % of lettings where landlord limited spending on repairs and improvements compared with what was needed</b>				
	64%	53%	47%	66%

Source: Paley (1978)

The survey of recent, 1982-84 lettings, found that more of their landlords were satisfied with their rent, for 74 per cent of lettings had landlords who said the rent was adequate from their viewpoint. It is important to remember that few of their rents had been registered. Indeed only half these lettings had landlords with experience of rent registration, but 78 per cent of those that did said such rents were inadequate from their point of view. Moreover, when asked if the rents they got from all their lettings allowed them to cover repairs and give a reasonable return, the landlord of 47 per cent of the lettings said that it did not. Whilst this is lower than the 1978 figure, it does suggest that one way of maintaining returns is to reduce maintenance expenditure.

This is not to suggest that all landlords "milk" their property to get a reasonable return from rents, but it is clear that the rents paid by predominantly low income tenants do pose serious problems for getting repairs done. The national study of HMOs undertook some depth interviews with landlords about their attitudes to ownership (Thomas with Hedges, 1986). Whilst most thought their financial returns were good or adequate, it did not mean they were satisfied. In particular they faced problems with doing maintenance (the need for which was increased by the high rate of tenant turnover and any neglect or abuse of the property by tenants) and generally with the stress of managing property. The author of the study suggested that landlords responded to these problems in one of two ways. Most supervised the management of their property very closely and in particular, screened out tenants who were likely to be problems both as a threat to the fabric and to other tenants. Others, in a sense 'opted out'. This was particularly true of the larger landlords. They considered all tenants were 'bad', so as landlords they maximized take out and kept spending to an irreducible minimum. Both these 'coping' strategies posed wider problems of course, the first of access to the sector by potential tenants who do not conform to landlords' stereotypes of the desirable tenant; the second, of physical and management standards.

At the heart of the problem lies the low effective demand of their tenants - and this, combined with the way the owner occupied market values properties in the private rented sector, works its way through to low rates of return.

### Rates of return

Evidence on the rates of return landlords have been getting from their investment come from a number of sources. All of them adopt a broadly similar approach: to calculate rates of return by taking pre-tax gross (or net of costs) rents as a percentage of the vacant possession market values of properties. Rents are, of course, observable from survey evidence (or from registers of Fair Rents) but there is some difficulty in getting information on capital values. Some allowance in these calculations is made for future rent increases, but not in all cases. Five pieces of recent evidence are summarised below.

The first piece of evidence comes from the analysis done of rates of return in 1970 and 1975 for the 1977 Housing Policy Review (see DoE, 1977a, Technical Vol. 3, pp 75-77). Vacant possession values were calculated by reference to the estimated relationship between selling prices and gross rateable values, on the one hand and between gross values and registered rents on the other hand. Later methods have used direct estimates of selling prices of properties with registered rents.

The estimate for 1970 of houses which were in the median of the distribution of second hand houses bought with Building Society mortgages, was a rate of return of 4 per cent outside London net of costs, or 3 per cent allowing for amortization over 40 years. If it was assumed that rents and costs would rise annually by 3 per cent and 7 per cent, respectively, thereafter, this would raise the return to 5 per cent. Since it was likely that the private rented properties were in worse conditions than other properties in each rateable value range, a downward adjustment of selling price was made, raising the prospective rate of return to 6 per cent. This was not thought by the authors of the technical volume to be an 'attractive proposition' given that long dated Government securities then yielded 9 per cent.

By 1975 it looked as if returns had fallen substantially after a period of high increases in house prices and in cost of inflation. Outside London the three year increase in repair costs had been 89 per cent up to 1975 whilst rents upon re-registration had increased by only 40 per cent. Pre tax net of costs returns had fallen to 2 per cent, or to 1.25 per cent,

Table 2.53 Ratio of registered rents to capital values

	1970	1973	1976 (London)	1976 (Rest of England)	1976 All
Lower quartile	5.5	3.1	3.1	3.8	3.7
Median	6.9	3.7	3.6	4.5	4.4
Upper quartile	9.2	4.8	4.2	5.5	5.4
Mean	8.0	4.4	3.7	5.0	4.9
Std.deviation	3.9	2.6	0.8	2.6	2.5

Source: HCEC (1982) Volume III Appendix 1, Table 16a

allowing for depreciation and major renewals, for a property with a 40 year life. Since the average ordinary share dividend was then 6.4 per cent, reletting was less profitable than selling up and buying shares, unless rents rose much faster than dividends.

The second piece of evidence comes from data submitted by the DoE to the House of Commons Select Committee (HCEC, 1982, Vol. 3, Appendix 1, Table 16a). In 1977 the DoE asked the valuation office of the Inland Revenue to retrospectively estimate the vacant possession sale value of a sample of dwellings for which rents were registered in 1970, 1973 and 1976. Though not explicitly stated as such, it would appear that this is the basis for its evidence to the Commons Committee. The results, shown in Table 2.53, confirm the DoE earlier analysis, showing the substantial fall in gross returns between 1970 and 1976, especially between 1970 and 1973. With the median return being less than the mean, it is evident that returns are skewed towards the lower end of the range.

The third piece of evidence comes from the DoE's 'Beacons survey'. This has been carried out biannually for each rent registration area (Counties and London Boroughs). For each area, Rent Officers are asked to estimate the Fair Rent registerable in the area for a number of house types (which are standard for all areas, e.g. Category C is an improved 2 storey mid-terrace built in the 1880s). They are also asked to estimate their selling prices. The information is collated by DoE and tables of rents and capital values for all areas are circulated to Rent Officers for information. Table 2.54 gives figures on annual gross rates of return calculated from Beacons returns for 1981 and 1985. It confirms that the low returns being achieved in the mid-1970s continued into the early 1980s but that there was evidence of an increase in returns by 1985. More detailed analyses also shows that returns do increase with quality but that the distribution about the mean becomes less.

The increase in returns observable between 1981 and 1985 is due to the real increase in registered rents over that period and described in the previous section of this chapter. Rents however are only one part of the equation. If vacant possession values increase as fast, or even faster, than rents, there will be no increase in returns (see Doling, 1985). Table 2.55 summarises some calculations to be found in part 4 of this

Table 2.54 Annual gross rates of return on Beacon properties 1981 and 1985

	Beacon A Unimproved 2 storey mid-terrace built 1870s	Beacon B Improved 2 storey mid-terrace built 1880s
<u>1981 Rest of England and Wales</u>		
Lower quartile	2.4	3.0
Median	3.2	3.7
Upper quartile	5.4	4.5
<u>1981 London</u>		
Lower quartile	2.3	2.6
Median	2.4	2.9
Upper quartile	2.6	3.2
<u>1985 Rest of England and Wales</u>		
Mean	3.9	4.4
Median	5.0	5.0
<u>1985 London</u>		
Mean	2.4	3.0
Median	3.0	4.4

Source: 1981: HCEC (1982) Vol. 3, p.41  
 1985: Whitehead and Kleinman (1986) p.79

thesis. What they show is that rents rose by 52 and 55 per cent for Beacons A and C respectively but gross returns fell in the case of A and rose by only 15 per cent for C. This was because vacant possession prices (i.e. the Rent Officer's estimate of what owner occupiers would pay for the properties) rose 67 per cent for Beacons A and 32 per cent for C. Thus, whilst rents rose considerably, returns were very little affected. It is also relevant to point out that, where Beacons returns have been shown to be the highest, at around 8 to 9 per cent, they have been unimproved Beacons A properties in the North and in Yorkshire and Humberside in areas of relatively low demand for owner occupied housing (this volume Table 17.30; Doling and Davies, 1982b; HCEC 1982, Vol. 1, Chap. 4).

The fourth piece of evidence comes from a study carried out in the West Midlands as part of a project examining the way Rent Officers set Fair Rents (Doling and Davies, 1981, 1984). In addition to collecting information on Fair Rent for a sample of properties, the researchers also collected information (from local newspapers) on the prices and characteristics of properties advertised for sale in Birmingham. Multivariate statistical techniques were then used to explain the variation of these prices in terms of locational and other attributes. The coefficients of these attributes were then used to estimate the capital value of the sample of properties for which Fair Rents had been collected. The mean gross rate of return in 1980 for these 'small artisan houses built before 1919' in Birmingham was 2.98, with 56 per cent of dwellings having a return of less than 3.0. This was somewhat lower than other estimates for improved and unimproved houses at around the same time and the authors comment that the estimate may be biased downwards because their technique of estimating property values did not make sufficient allowance for the repair state of their sample of private rented dwellings.

All the calculations about returns have worked on registered Fair Rents and suggest gross returns range from 2 to 4 per cent. However far from all rents are registered. As Chapter 2.5 showed, this is not only because of landlords letting outside the Rent Act but also because, with the exception of long standing (mainly unfurnished) tenancies, the rents of most Rent Act lettings are not registered. Estimates vary but the

Table 2.55 Mean registered Fair Rents, vacant possession values and annual gross rates of return on Beacons properties in a sample of N, NW, Yorks and Humberside, E and W Midlands areas

	Beacon A	Beacon C
1981		
Rent pa £	280	579
Capital value £	4,456	12,193
Return %	6.78	4.96
1986		
Rent pa £	425	896
Capital value £	7,451	16,139
Return %	6.29	5.68

Source: This volume, Table 17.30

Table 2.56 Rates of return from private lettings in London 1983-84

	Houses		Flats	
	Rent £ pa	Return %	Rent £ pa	Return %
All unfurnished	887	1.9	967	3.0
All furnished	4534	9.9	2642	8.2
All unprotected furnished	5012	11.0	2928	9.0
All protected furnished	940	2.1	1085	3.4
All unprotected furnished	4600	10.1	2585	8.0
All lettings	1886	4.1	1546	4.8

Source: Whitehead and Kleinman (1988) Tables 6.3 to 6.6

evidence reviewed in Chapter 2.5 suggested that somewhere between 60 and 70 per cent of lettings were not subject to rent regulation. Although regulation has little direct impact on most rents, the indirect impact which arises from the threat of its potential use may have set upper limits to agreed rents. The previous section has reviewed the relationship between unregistered and registered rents, and found that such rents are greater by (say) 20 to 30 per cent. Taking them into account in 1982 would have given gross returns of 4 to 6 per cent for unfurnished letting and 8 to 10 per cent for furnished letting (HCEC, 1982; Whitehead, 1983b).

The fifth piece of evidence on returns provides some more direct evidence on the returns from unprotected lettings compared with protected ones. It is based upon data about rents from a GLC study of private renting done in 1983-84 and Building Society data on house prices. Table 2.56 shows the substantial differences in rents and returns from protected and unprotected lettings (Whitehead and Kleinman, 1988). Overall gross returns were between 4 and 5 per cent depending on whether it was a house or flat. But returns from both houses and flats which are not protected (the GLC survey defined these to be those which were definitely not covered by the Rent Acts) are significantly more than those which are protected - as much as by a factor of 5 in the case of houses. Although the returns from unprotected furnished lettings are higher than those from all furnished lettings, the degree of overlap is considerable, there being few protected furnished lettings. The authors comment that the highest of these returns in London were probably gained from multi-let properties or properties let to one household of several adults sharing.

On top of this survey data, the House of Commons Select Committee also received evidence from landlords and their organisations about the kind of returns landlords got and those that they wanted. It concluded from this that net returns on registered rent were only 1-2 per cent pre tax after outgoings. Returns from unregistered rent might be 20 to 30 per cent higher on average, but some, as the GLC evidence has since suggested, would be much higher than this, since there were greater variations around the average of unregistered compared with registered rents, particularly in respect of furnished lettings (HCEC, 1982, Vol. 1, Chap. 4).

These rates of return do not necessarily mean however that landlords make a poor overall return on capital. Because they fail to take capital appreciation into account they underestimate returns (see Doling and Davies, 1984, Chap. 7). Unfortunately even when these gains are taken into account, landlords still do not appear to have incentives to stay in the sector. In so far as capital gains are an important ingredient of the overall return, the only way they can realise the gain is to wait for vacant possession and to sell. In other words, the sitting tenant price was still well below the vacant possession price in the early 1980s. That is, the price another landlord would pay to buy a private rented investment to get the stream of rent income and capital appreciation was still considerably less than owner occupiers would pay to live in it themselves. Estimates of the gap vary. Evidence to the Commons Committee suggested that sitting tenant price was between 30 and 50 per cent of vacant possession price, the range depending on the type, location of properties and the way they were let.

So long as, and wherever this gap exists, existing landlords will sell up when they get vacant possession. The gap also tempts less scrupulous landlords to harass tenants to get them to quit. It also invites investment by property dealers entering the market to buy property with sitting tenants from more long standing landlords in the expectation of making big capital gains when they can get vacant possession.

A number of proposals about "target" rates of return have been put forward, therefore, as suggestions for stemming, if not increasing the supply of private renting. The British Property Federation argued, in its evidence to the Commons Committee, that rents which gave returns of 9 per cent gross, 6 per cent net, would maintain private renting at its current level, the yield taking into account future real increases in rent and capital value. (HCEC, 1982, Vol. 2 Evidence of British Property Federation).

They argued that a yield greater than that obtainable for commercial property was needed because of the greater risk of residential lettings, especially in relation to the uncertainty about future rents. Provided such rent increases could be obtained, then reducing security of tenure was not an important issue, especially for larger institutional type

investors with long term horizons. It might however be important to smaller scale individual landlords for whom capital gains were an important element of their return. To attract them to enter (or stay in) the market some modification to security would be needed.

It is evident from the material on rates of return discussed in this section that the British Property Federation's 'target' rent is not obtained from registered rents and, whilst it is obtained from some unprotected and furnished lettings, there is no evidence that this has attracted significant new investment providing habitable and reasonably secure housing conditions. Indeed all the evidence suggests that these returns are associated with poor physical conditions (e.g. the HMO evidence) and with letting on the margins of the legal framework. In fact it seems likely that the British Property Federation's 9 per cent gross is inadequate as a 'target guide' for furnished letting. Rather more than this is required to defray the higher costs of furnished and HMO letting in wear and tear, depreciation of furniture, and other fixtures and fittings, and the other management costs of high turnover letting. In addition, at least in the period up to the deregulation of new lettings in 1989, an additional return may have been necessary to cover the essential riskiness of this sort of letting - the risk that tenants will try to get rents registered and/or that LHAs will try to enforce standards. This sort of letting may not attract long term institutional investment, rather small scale investors intent on seeking high returns and being prepared to operate on the margins of the statutory framework to do so. (There is no evidence of larger institutional landlords operating in this area allowing them to pool risks).

As one part of its proposals to reform housing finance and to attract new 'responsible' private investment into rented housing, the Committee of Inquiry into British Housing put forward the idea of capital value rents for all rented housing. (Inquiry into British Housing, 1985). Their basic idea was that rents should give an annual return (which would be index linked) on vacant possession value (they suggested 4 per cent), sufficient to attract private investment, on to which would be added management and maintenance costs. This is a more practical approach than the apparently more 'straightforward' British Property Federation's "9 per cent gross, 6 per cent net", since it recognises that different forms of

lettings have different management and maintenance costs. However, there are still considerable weaknesses to this approach on a number of grounds. First, different types of letting arrangement pose investors different levels of risk and a straightforward '4 per cent index linked' may not be sufficient to attract capital into all types of letting. Second, there would be very real difficulties in calculating vacant possession capital values for all rented sector properties. Third, not only would there be difficulty working out the rate of return on capital, appropriate for a particular letting type, but it is not clear how it was intended to work. As critics of the scheme argued, the approach is not to allow a market clearing rent to be set, but to set up a long run equilibrium rate of return. This would not necessarily work, neither in providing choice nor attracting capital and would require substantial administration (Whitehead and Kleinman, 1988).

Whatever the merits or otherwise of these proposals about the sort of rates of return necessary to attract private investment into rented housing (or at least to stem disinvestment), it is clear that rates being obtained in the early to mid 1980s were below competitive rates. The next section therefore examines the evidence available about what landlords say they will do with any lettings that become vacant.

#### Landlords' intentions on securing vacant possession

Given the level of returns discussed in the last section, the 1979 Housing Policy Review commented that: 'Thus for many landlords there would seem to be considerable gains in selling with vacant possession when the opportunity arose, provided that the house was in a condition that would make it mortgageable. But notwithstanding the apparent advantage of sale or of letting furnished, there has been a substantial amount of re-letting unfurnished. The evidence on this point conflicts with commonly held opinions (though not with readily available survey evidence about landlords' intentions)'. (DoE, 1977a, Technical Vol. 3, p.77).

To some extent, whilst this was a fair reflection on the survey evidence available from the mid 1960s, it was not a fair reflection of all the evidence. In 1960 for example, Cullingworth found that 90 per cent of Lancaster's landlords would sell when they got vacant possession (Cullingworth, 1963). Greve, in his national study, however, found a

different picture. He asked landlords what they had done with vacancies over the period 1960-62: only 25 per cent of landlords said they had sold all their vacancies, 8 per cent had sold some, but relet others, the rest had relet all vacancies (Greve, 1965).

A limitation of these two studies was that they focused on landlords' intentions in general, rather than in relation to specific sample properties. The surveys, whose results are shown in Tables 2.57 to 2.60 asked landlords what they would do to a sample of properties were they to become vacant.

Tables 2.57 and 2.58 show that, in London, in the mid and late 1960s landlords intended to relet the majority of vacant properties in their ownership. Unfortunately the samples of properties are not comparable, the 1963 being a sample of all lettings that had existed in 1960 and which were still private rented, the 1969 sample being lettings where rents had been registered by the Rent Officer or Tribunal. Nevertheless two conclusions may be drawn from a comparison of the Tables. First, the great majority of furnished lettings were to be relet in both periods. Second, whilst about half the unfurnished lettings would be relet (including let as furnished and especially those by companies) the proportion had fallen between 1963 and 1969. The finding was confirmed by a later study of central London letting done in 1974/75. This found higher proportions of unfurnished buildings would be sold than the two previous official studies had done but also higher intentions to sell furnished lettings if the entire building containing them became vacant (Whitehead, 1978).

Table 2.59 shows what landlords would have done to sampled addresses in densely rented areas if they had become vacant in 1976. Unfortunately furnished and unfurnished lettings were not differentiated (the proportion of lettings which were furnished was 31 per cent). Nevertheless, the proportion of lettings that would be relet in 1976 was similar to the proportion found for London in 1969, sales being noticeably lower amongst resident landlords' and public bodies' lettings. Landlords were also asked what they would do with the same letting if the entire building in which the letting was located were to become vacant. If that had happened, a much higher proportion of lettings would have been sold. The

Table 2.57 Landlords' intentions on securing vacant possession: London 1963

<u>Type of letting</u>	Relet	Sell	Live in all/part	Other
<b>A <u>Controlled</u></b>				
Singly occupied house %	51	42	-	7
Purpose built flat %	83	14	-	3
Part of house/flat %	60	21	8	11
<b>B <u>Not controlled</u></b>				
<b>(a) <u>Unfurnished</u></b>				
Singly occupied house %	77	14	2	7
Purpose built flat %	98	-	-	2
Part of house/flat %	70	12	12	6
<b>(b) <u>Furnished %</u></b>				
	76	11	12	1
<u>All lettings %</u>	70	18	6	6

Source: Committee on Housing in Greater London (1965) Report, Appendix V, p. 343.

Table 2.58 Landlords' and agents' intentions on securing vacant possession:  
London 1969

<u>Type of letting</u>	Relet Unfurnished	Relet Furnished	Sell or Occupy	D.K.
<u>Registered unfurnished</u>				
Tenant applications %	40	14	33	14
Landlord applications %	50	8	30	12
Joint applications %	48	8	35	8
<u>Furnished</u>				
(Rent Tribunal Case) %	7	71	12	10

Source: Committee on the Rent Acts (1971), p. 371

overall percentage of lettings to be sold rose from 32 to 50 per cent. This reflects the number of lettings in HMOs in the sample. In such circumstances, it appeared that landlords would relet a vacant flat and would not keep it empty whilst waiting for all the other flats in the building to become empty and so provide the opportunity for vacant possession sale of the whole building. Were, however, all the lettings in a building to have become vacant in 1976, the results show that far more lettings would be sold.

The most recent national evidence on landlords' intentions comes from the survey of recent lettings (Todd, 1986; Todd and Foxon, 1987). This study adopted the same approach to questioning landlords about intentions as the 1976 study had done. In considering the results, shown in Table 2.60, it is important to remember that this survey of recent lettings was not a representative sample of all lettings. Since, for example, it contained far more furnished lettings than a sample of all private sector lettings, it would be expected that a high proportion of recent lettings, than of all lettings, would be relet when they became vacant. This is confirmed by the results. 80 per cent of all lettings by non resident landlords would be relet if they became vacant. Very few would be sold, the exception being the case of lettings owned by landlords with one address, or less than twenty lettings, (the first 3 categories in Section 1 of the table and the first 2 categories of section 2). These were the landlords whom the authors of the survey had found to be 'disgruntled' (see last chapter). Their unhappiness about letting is reflected in their intentions. A third of their lettings in the sample would be sold if they got vacant possession of the whole address, whereas large individual and company landlords intended to relet over 9 in 10 of their lettings even if the whole building became vacant.

The results from the 1985 national sample survey of HMOs are broadly consistent with the above findings. Only 15 per cent of HMOs would be sold, while 66 per cent would be relet - and for the rest, their landlords were undecided (Thomas with Hedges, 1986).

The reasons why lettings would not be relet are not hard to guess. The survey of 1982-84 lettings did not pursue this issue, but the 1976 study of lettings in densely rented areas asked landlords why they did not

Table 2.59 Landlords' intentions on securing vacant possession densely rented areas in England and Wales 1976

	Let/Improve to Let	Sell/Improve for Sale	Occupy for Self/ relatives	Leave Empty	Demolish/ Non-residential Use
<u>Vacant possession of letting</u>					
Resident individual* %	52	8	32	14	-
Non resident individual %	50	39	5	5	2
Company %	56	35	1	8	-
Non/Charitable Trust %	55	37	2	6	-
Public Body %	73	18	-	5	4
All <sup>†</sup> %	54	32	7	7	<1
<u>Vacant possession of building</u>					
Resident individual* %	40	34	43	1	-
Non resident individual %	40	52	4	2	2
Company %	36	60	1	3	2
Non/Charitable Trust %	42	52	2	4	-
Public Body %	67	24	-	4	5
All <sup>†</sup> %	40	50	7	2	1

Source: Paley (1978)

Notes \* Adds to >100% because the resident landlords said they would use building in more than one way

<sup>†</sup> Housing associations are not included in this total

Table 2.60 Landlords' intentions on securing vacant possession: non resident landlords of lettings made between 1982-84 in England

<u>Vacant possession of letting</u>	<u>Let it</u>	<u>Sell it</u>	<u>Occupy it</u>	<u>Leave it empty</u>
<u>Individual landlord</u>				
One address 1 letting	55%	22%	14%	4%
>1 letting	60%	27%	14%	9%
>one address <20 lettings	76%	17%	1%	4%
>20 lettings	100%	-	-	-
<u>Company</u>	89%	6%		2%
<u>Institutions</u>	91%	2%		2%
All	80%	12%		3%

Vacant possession of address

<u>Individual landlords</u>				
One address >1 letting	54%	34%	8%	5%
>One address <20 lettings	62%	31%	5%	5%
>One address >20 lettings	92%	8%	-	-
<u>Company</u>	96%	4%	-	-
<u>Institution</u>	96%	-	-	-
All	79%	18%	3%	3%

Source: Todd and Foxon, Table 6.3

intend to relet. For 57 per cent of these lettings, it was because the rent from the letting did not give an adequate income or economic return, and in 18 per cent of cases explicitly because the return from investing elsewhere would give better value. Within this general picture it is relevant to note that company landlords were most concerned about financial issues. Whilst this was also true of individual landlords, some of these were also wanting to save themselves from the bother and fuss of looking after property. Resident landlords had rather different reasons: they wanted the space and no longer wanted the bother of letting. At 75 per cent of these lettings the landlords had not taken on a new tenant since 1970. Whilst some had tried to sell in the past their failure to do so by the time of the survey was often because they had tried to sell with sitting tenants (Paley, 1978).

### Landlords' views about policy changes

The House of Commons Select Committee received substantial evidence from landlords' organisations about the changes they wanted (HCEC, 1982 Vol. 2). These views have already been touched on and are taken up again in Chapter 20. Generally speaking they wanted higher rents and a reduction in tenants' statutory security of tenure, larger landlords emphasising the former and smaller landlords the latter.

This final section examines briefly the limited survey evidence on landlords' views about desirable policy changes, when they have been asked about the changes to (the then) existing legislation which would most help them. Table 2.61 shows that most lettings in densely rented areas in 1976 had landlords whose main priority was a higher income, to be achieved in a number of preferred ways. Company and non charitable trust landlords put more emphasis on higher rents per se, whereas individual landlords placed greater emphasis on linking rents to costs and paying less tax on their rental income. Getting easier repossession, was the most important change wanted by the landlords of a quarter of the lettings in 1976, more so amongst individual landlords. The landlords of recent lettings seemed more concerned about repossession than rents on the whole. This reflects to some extent their perception that their existing rent was adequate and the greater number of furnished lettings in this sample where ease of repossession, to limit security, may be as important an issue as rental income. There were no significant differences between different landlord

Table 2.61 Sample lettings by the change to legislation which would most help their landlords

	Lettings in Densely Rented Areas 1976				Recent Lettings 1982-84	
	Resident Landlord	Non Resident Indiv.	Company Landlord	Non Char. Landlord	All*	All
	%	%	%	%	%	%
Easier repossession	26	32	20	20	26	41
Higher rents	11	19	38	29	25	16
Rents linked to costs	24	22	13	20	18	n/a
Less tax on rent income	18	15	11	14	14	15
More frequent rent reviews	7	5	7	9	6	n/a
Increased grants	7	1	2	2	3	n/a
Other	1	2	1	-	2	4
More than 1/total repeal of Rent Acts	3	3	8	4	5	4
No change	3	1	-	2	<1	16
Don't know	n/a	n/a	n/a	n/a	n/a	5

Sources: Paley (1976); Todd and Foxon (1987)

Note \* Excludes housing association and public body lettings  
 / n/a: not asked if the survey.

types with the exception of institutional landlords, half of whose lettings had owners who wanted no change. Other contemporary comment suggests that problems of getting repossession through the Courts are as important an issue, if not more so, than the issue of security itself, given the problems of the costs, delays and uncertainties of going to court (See e.g. HCEC, 1982, Vol. 1, Chap. 4).

### Conclusions to literature review

A number of key conclusions can be drawn from this and the six preceding chapters. Private rented housing's decline is as much due to the low income and poor bargaining power of its tenants, and to the way taxation practices and subsidy policies favour other housing sectors, as it is to the regulatory framework. Physical conditions are poor, both for long term tenants and for newer, mobile transient tenants. Although the former have the benefit of security, the latter do not and search for private rented housing in the knowledge that it is in short supply. Landlords do not appear to have been able to make competitive returns out of letting habitable and secure housing to low income tenants.

Landlords have been faced with a number of options. They either sell up when they get vacant possession and invest elsewhere in something with equal, probably better, risk and liquidity characteristics. Alternatively they can stay in the sector and try and make competitive returns. The problem for them was that it appeared to be possible to do this only by letting outside the Rent Act and by providing poor standards. Better more secure housing cuts into their returns. No better conclusion can be found than echoing what the Commons Select Committee called the "central dilemma" (HCEC, 1982 Vol. 1, Chap.3). If rents were to rise to give landlords competitive returns, tenants could not afford them, and the market would not bear it. In other words rents might need to rise by two or three times the levels being obtained in the mid 1980s to give competitive returns on existing older houses. Rents would be a lot more if new developments were to become privately rented.

Unless tenants were to experience greater hardship, or extra subsidies were to be provided, it was hard, in 1982, to see how the central dilemma could have been resolved. Moreover even were such rents to be achieved, they might simply only achieve the result of shifting better off tenants into owner occupation.

The thesis returns to this question several times again, not the least in relation to standards, and particularly in the concluding chapter. Now having painted the wider context, the thesis turns to report on the evidence gathered from the author's own work on the way standards have been affected by LHA policy and by changing ownership.

**PART 2**

**THE 1979 STUDY OF  
PRIVATE RENTED HOUSING  
IN INNER SHEFFIELD**

CHAPTER 3  
THE OBJECTIVES OF THE 1979/80 SURVEYS  
OF THE PRIVATE RENTED SECTOR IN INNER SHEFFIELD

Introduction

This and the next eight chapters describe and discuss the results of the first of the three pieces of survey research which, together, form the empirical core of this thesis: the linked surveys carried out between 1979 and 1980 of private rented addresses, their tenants and owners in inner Sheffield. The chapter identifies the specific objectives of this first research programme on private rented housing in Sheffield and briefly describes the research methods used. Appendices 1 and 2 describe the survey methods in more detail. The questionnaires used are in Appendix 4.

Objectives of the 1979/80 Research Programme

The decisions private landlords take about acquiring residential property for investment and other purposes, about improving and repairing their properties and about reletting or selling them when they become vacant are crucial both for the quality of accommodation available to households who rent from them, and for the ease, extent and type of households able to gain access to housing in the inner city where the bulk of private rented accommodation is to be found.

As Chapter 2.1 has shown, the private rented sector has declined, both in absolute numbers and relatively, throughout the post war years, compared with other tenures, particularly in respect of accommodation rented on an unfurnished basis. Private landlords have been subject to legislation which gives their tenants, with limited exceptions, statutory security of tenure. They have been subject to legislation which can also limit the rents they charge, since it has provided statutory alternatives to the private agreement of rents between landlord and tenant. These are the registration of Fair Rents and the, now repealed, system of controlled rents. The effects of these together with the low income of tenants and discriminatory tax and subsidy policies, in causing a decline in the supply of dwellings, as landlords sell rather than relet vacant

accommodation, and in reducing landlords' ability and willingness to do repairs and improvements have been the subject of extensive debate as Chapter 2.2 has shown.

Nevertheless, despite the low rate of return landlords can get, on average, from reletting property compared with the return from investing elsewhere the net proceeds of selling property, some of them do continue to let property, a feature not inconsistent with intentions expressed by landlords when asked during surveys what they would do with vacant properties as Chapter 2.7 showed. Part of the explanation may be that some are difficult to sell because they are disrepaired and unimproved. Some properties, too, are relet to friends, relatives and employees. Moreover neither the properties nor their landlords are homogeneous. Some properties, particularly those let furnished, yield rents which make reletting attractive. Landlords have a diversity of financial motives which lend them to assess returns in different ways, so that those looking for a capital return in increased market values may continue to relet, despite a comparatively low rental income, while others interested only in short term capital gain may buy up tenanted property simply to sell off when they get vacant possession.

Although many properties need essential repairs and lack standard amenities, there has, nevertheless, been a significant degree of improvement activity by landlords. Thus, although it may be true that some do not find improvement to be economically worthwhile, (or that they do not have the finance to do the work), the evidence that others have both upgraded and continued to let property, once it has been improved, suggests that it is worthwhile for some to do it voluntarily and spontaneously, and also that local authorities have been successful in persuading others to do it. In the same way that the balance between reletting and selling can only be understood in the light of the fact that properties of different types, in different conditions, and let in different ways present landlords with different returns and costs, which are evaluated according to the diversity of owners' objectives, so too can the extent to which improvement is undertaken only be understood by taking these factors into account.

Whatever the precise reasons for decline and disrepair the fact that these exist however, has been a matter of considerable concern. As landlords sell vacant properties, and they pass into the hands of owner occupiers, the amount of rented property (and unfurnished accommodation is particular) in the inner city falls. This not only changes the balance of tenure, but restricts the opportunities for those seeking rented accommodation to find it, insofar as reductions are not matched by increases in council housing to rent and insofar as access to the latter depends, in any case, on eligibility criteria, which all those looking for rented accommodation may not fulfill. To the extent that essential repairs are not done, and landlords do not improve houses which lack modern amenities like bathrooms and inside toilets, the standard of accommodation for existing tenants and those seeking rented accommodation from private landlords falls below that which is acceptable. Moreover, the continued decay of these properties undermines attempts to secure the improvement of whole areas of older inner city housing. Ultimately it may reach the stage where such properties are no longer worth improving and they will have to be demolished and redeveloped, but at much greater cost.

The research done in 1979/80 addressed itself to these concerns by looking at three aspects of the supply (and quality) and demand for private rented accommodation.

The first purpose of the study was to throw some additional light on the question of why some properties are sold, whilst others are relet, and why some are improved, whilst others remain without standard amenities, by examining the way landlords' decisions about these issues are affected by local authority policies. As Chapter 1 explained the author had some preliminary evidence of the influence of local authority policy from case study research. The objective of this study was to get more comprehensive evidence. Local authorities, in the exercise of the powers they have under the Housing Acts, Public Health Acts and Town and Country Planning Acts, are in a position to affect, in particular the costs that landlords face in letting property, also the number of lettings, and therefore the rents, they can obtain from their properties, and consequently the returns landlords get. In relation to their powers under the Planning Acts they are also in a position to control the extent of rented property, insofar

as development which requires planning consent occurs, and this is a particular application of policy which affects owners of addresses let as flats and bedsitters.

A catalogue of these powers would be extensive, (and the current 1989 powers are enumerated in Part 4 of the thesis, which also describes how these powers have changed since 1979` but one or two examples are nevertheless appropriate. At the outset it should be remembered that these powers were (and continue to be) exercised within the framework of the legislation provided by central government, but that within this framework the local authority has a certain discretion. It is central government which provides the legislation, for example, about improvement grants, the allowable costs of works which can be grant aided, the percentage of this cost which can be met by grant, dependent on criteria laid down, the power to declare improvement areas and to serve compulsory improvement notices or repairs notices. The local authority, however, can determine its own improvement area programme and determine which areas to designate with this status (subject to certain approvals), can decide whether and how to exercise compulsory powers, has a certain discretion over standards required of grant aided improvements, and has discretion over the award of certain types of grant, those where the obligation to provide one is not mandatory on the authority. It also has powers to carry out environmental works within improvement areas, works which may sustain or indeed enhance investors' confidence in the future of these areas. Consequently, if an improvement area such as an HAA is declared, the local authority can alter the context in which a landlord's decision about improvement of properties in such areas is made. The level of grant, the standards required, the use of statutory notices, the effect of area upgrading and the like can affect costs and returns (if market value is important to the landlord) and rents, too, if the local authority requires a Fair Rent to be registered. Moreover, it can attempt to secure the continued letting of an address by enforcing breaches of occupancy conditions on grants. It should not be forgotten, however, that its ability to carry through these policies is also dependent on its capital allocations from central government even though within its Housing Investment Programme allocation it can determine how much is used for grant work than for other capital projects.

Under both the Housing and Planning Acts, central government provides the local authority with powers, which can be used within a policy framework which the authority itself can determine, to control the incidence and quality of houses in multiple occupation. It may require owners to register these properties and make conditions about lettings and amenities before doing so. It has powers to serve notices on those in control of such properties to limit the number of occupants and install sufficient standard amenities in relation to the number of occupants permitted. It can determine these standards itself (although model guidelines are provided), and can decide whether and how to exercise its powers. At one extreme, it can ensure, by searching out through survey and inspection, that all HMOs are registered, and ensure that they are kept up to standard by regular inspections. At the other extreme, it can make this a lower priority with the result that a proportion of houses are not registered and, unless tenants complain, standards may not match the LHA's model requirements. It can thus exert an influence over both the cost a landlord incurs in providing HMO accommodation and over revenue too, by limiting lettings and occupancy. If the LHA decides to promote special grants to help a landlord with the costs of installing amenities it can, however, help to offset some of these.

Under the Planning Acts, it has a discretion to determine applications for development for change of use from one dwelling to flats and bedsitters. It can, therefore, decide on the kind of properties it regards as suitable or otherwise, and restrict the incidence and location of multi-occupation by preventing the use of certain properties, subject to the overriding power of the Secretary of State to uphold an appeal by a landlord who is refused an application. It can set conditions on the granting of permission, some of which can lead to increased costs for the owner, such as conditions to provide hard standing for off street car parking, or to install noise insulation. Moreover, the local authority may determine that "multiple paying occupancy" (i.e. where a group of unrelated persons share the expenses of accommodation not let as separate bedsitters or flatlets) is development, and take enforcement action against the owner. This may result either in the discontinuance of use if the local authority considers that the property is unsuited, or in the landlord having to comply with conditions of any permission subsequently granted. However, the determination of multiple paying occupancy as

"development" is a "grey area", and it does not follow that every such use of, for example, a terraced house let to a group of students, will be regarded as a material change of use, (and as Chapter 19 describes there were changes in the Use Classes Order in 1987 which affects this "grey area"). These two examples demonstrate the way in which the local authority, in determining its policies about the use of its statutory powers, is in a position to influence landlords' costs and income. In so doing, it can, in the context of the way in which landlords with different investment motives respond, increase the level of improvement activity which would otherwise occur, by reducing costs through the exercise of grants policies. Alternatively, it can reduce willingness to relet by increasing the costs landlords face, by the service, for example, of repairs or HMO notices, and in the exercise of its policies for shared accommodation, deter landlords from the further acquisition of such property.

A range of hypotheses about the effect of local authority policies were investigated in the 1979/80 study. Two examples of these can be provided here. First, that area improvement policies result in greater improvement by landlords to properties in their ownership in these areas than would otherwise be the case. That this is a result of the additional incentives given to owners of properties in, for example, HAAs where, between 1974 and 1979 75 per cent grants were available, and the extra powers available to the local authority to secure improvements in these areas by compulsory powers. Second, that the use by the local authority, of its powers to require the minimum standards of amenity and protection/escape from fire in houses in multiple occupation, and the implementation of policies for granting planning permission for dwellings converted to flats and bedsitters, results in unwillingness on the part of some landlords to continue to let such properties and deters some from the purchase of additional dwellings for conversion, in the light of the revenue and cost implications of complying with such policies.

The second purpose of the 1979/80 study was an investigation of the consequences of landlords' decisions to relet or to sell vacant properties. Three interrelated questions were examined. First, to find out what proportion of a sample of properties were relet and sold when vacancies arise, and what differences in these proportions there were

between different types of property. Second, to find out if there were significant differences between the owner occupying households buying vacant properties landlords sold and those renting households moving into vacant properties that were relet. Thus, if the former were significantly different in terms of age, socio-economic group and the like, not only from the previous occupants who had rented the properties, but also from those new households renting properties that were relet, then landlords' decisions and the ratio of sales to relets would be changing not just the tenure balance, but also the socio-economic pattern of formerly rented inner city neighbourhoods. Even though, however, the loss of rented property may not be associated with this "gentrification process", as higher status purchasers replaced lower status renters it may impose penalties on those households dependent on rented accommodation who will have greater difficulty in getting a place to live. The final question of this aspect of the research was therefore to find out what difficulties households who moved to rent the vacancies had in finding private rented accommodation and whether they had also tried unsuccessfully to buy their own home or get rented accommodation from the Council.

The third aspect was an investigation of the demand for private rented accommodation. This included an initial examination of the preferences of a sample of all private tenants for different forms of tenure, the extent to which those who did not prefer private renting would be able to achieve this preferred alternative, and of the length of time that they would require private rented accommodation before buying their own home or moving to Council housing. This was followed up by a study of those who moved to find out why, and where they had moved, and insofar as they had not moved out of the private rented sector, to find out why this was so, whether they had failed to secure accommodation in other tenures and whether they had difficulties on moving in finding suitable private rented housing. In other words, did their continued reliance on private rented accommodation reflect a continued demand for this sort of housing, rather than a failure to secure alternatives?

The remainder of this chapter describes the surveys carried out to achieve the objectives discussed above. Chapter 4 looks at the key characteristics of households in the private rented sector, their accommodation and landlords. The impact of LHA policy on landlords is

discussed in several chapters: Chapter 5 looks at its impact on decisions about improvement and Chapter 6 at its impact on standards of amenities in HMOs. Chapter 7 examines the influence of LHA policy on landlords' reletting and selling decisions and chapter 9 on the way LHA policy influences the type of property landlords acquire. The consequences of landlords reletting and selling decisions are discussed in Chapter 7, where the results of the vacancy survey are described. The demand for private rented accommodation and the study of those moving from private rented housing are discussed in Chapter 8. Chapter 10 examines the kind of changes to LHA policy landlords want to see. Chapter 11 draws all the findings together, looks at the implications of the trends revealed by the surveys and findings and considers the policy options that were open to the LHA at the beginning of the 1980s to influence the supply and quality of private rented accommodation. This sets the scene both for Part 3 of the thesis, which examines the results of the follow up surveys in Sheffield and for Part 4 which looks at the policies of a wider sample of LHAs.

### Survey Methods

In order to achieve the objectives of the research - four linked surveys were carried out. First, a sample survey of private tenant households; second a survey of the landlords owning the addresses occupied by the tenant sample; third a follow up survey of households interviewed in the first survey who subsequently moved; and fourth, a survey of households who moved into the vacancies these moves created.

### Tenant Survey 1979

The tenant survey was an essential preliminary. The details of the survey method will be found in Appendix 1. The following paragraphs summarise these.

During landlord interviews, questions were to be asked about the way local authority policies had affected specific addresses. Information was needed, therefore, not only about names and addresses of landlords, but also about the characteristics of the individual properties which were to be the subject of interviews. In order to examine the impact of policies it was also necessary to ensure that information was obtained about an adequate number of addresses influenced by each of the different policies.

To conduct the survey of vacancies and movers a panel of addresses and households had to be drawn up first. This had to be large enough to ensure that sufficient vacancies and movers could be identified and traced in the following year. Information about panel households and their accommodation was also needed for comparison with the data subsequently gathered during the vacancy and movers surveys.

None of the existing lists of private rented addresses, nor of private tenants or their landlords were, however, comprehensive and unbiased. It was impossible, therefore, to draw up an adequate sample frame of private rented addresses at the outset. Consequently, the tenant survey was used to identify a representative sample of such addresses (and to establish its ownership from information given by tenants), as well as to collect information about addresses and occupants which was relevant to the needs of the subsequent surveys. This was done by drawing a representative sample of private sector addresses, eliminating, by interviews, those not containing private renting households and conducting full interviews only at 'eligible' addresses - those with private tenants. Addresses eliminated in this way included those owned by institutional landlords such as the University or Area Health Authority, and those belonging to Housing Associations, Co-ownership and Co-operative Societies in addition to those owned by the Local Authority and by owner occupiers (provided no tenant households were present).

The survey was conducted in the inner area of Sheffield, defined by the City Council on the basis of the geographical distribution of households experiencing economic housing and social deprivation. In 1979 it contained about half the City's population, three-quarters of households renting privately, all housing improvement areas and the major concentrations of HMOs and households renting furnished accommodation. (See Figures 3.1 and 3.2.)

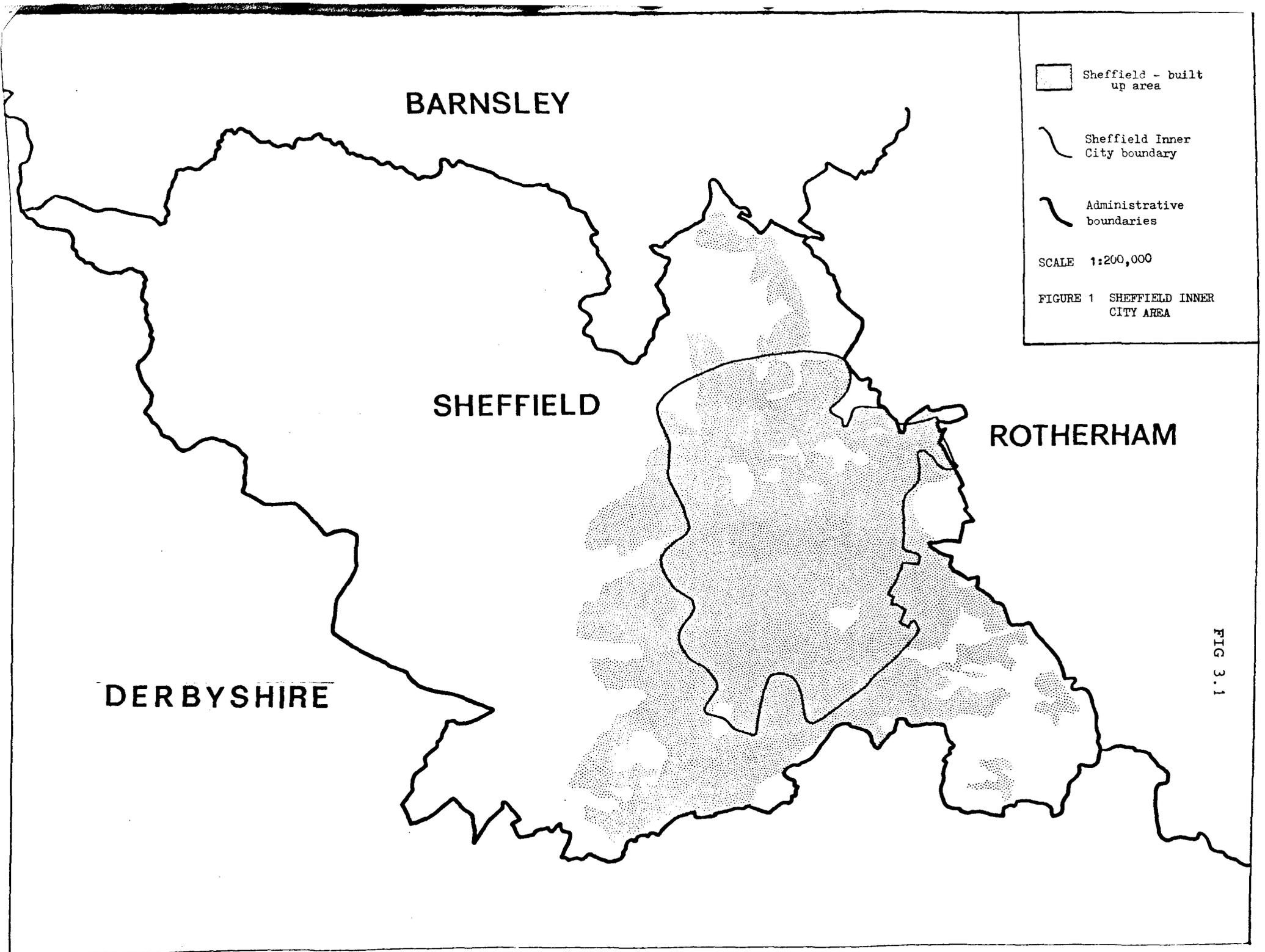
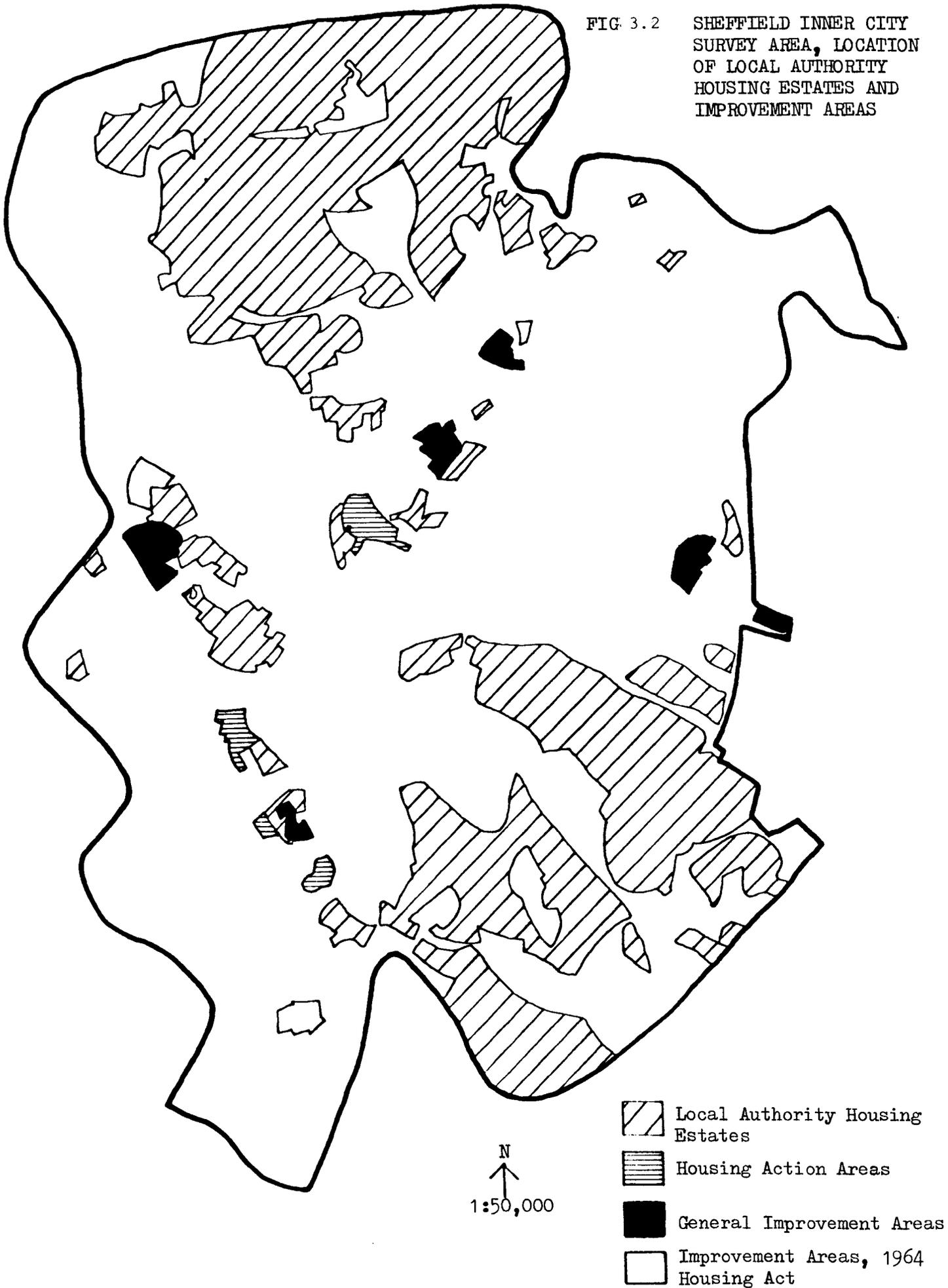


FIG 3.2 SHEFFIELD INNER CITY SURVEY AREA, LOCATION OF LOCAL AUTHORITY HOUSING ESTATES AND IMPROVEMENT AREAS



The sample was taken from the City Treasurer's Property Record File. This is a comprehensive and up-to-date list of all rated hereditaments. A copy of this was provided, listing all the wholly residential hereditaments within the defined survey area, but excluding all those owned by the City Council. From this list all addresses covered by confirmed or planned compulsory purchase orders were eliminated, since addresses and households subject to slum clearance and other redevelopment were of only marginal interest to the research. The sample was therefore a sample of rating hereditaments. To ensure that the tenant survey was based on an unbiased sample of households, as well as a representative sample of private rented addresses, all private renting households present at eligible hereditaments were contacted for interviews.

Two main factors determined the total number of addresses drawn from this list: the number of households needed on the panel for the vacancy and movers' survey, and the proportion which private rented households accounted for out of all private sector households (together with assumptions about non response and the average number of households per private sector address). A panel size of 2,000 private renting households was needed, if interviews were ultimately to be achieved with 200 of these who moved within a year and 200 others who moved into the vacancies created. Since a panel of this size was likely to live in approximately 1,650 addresses this provided a very safe margin for the landlord survey since interviews with the owners of only 500 addresses were intended. Based on adjustments made to unpublished Ward level data from the 1977/78 National Dwelling and Housing Survey, it was calculated that private renting households accounted, by 1979, for one-third of all private sector households in the inner city. On this basis a sample of 7,300 private sector hereditaments, taking one in every six hereditaments systematically from the total for the survey area, would have been necessary to yield the panel of private renting households required.

Although this would have yielded addresses sufficient in total for the interviews with landlords, it would not, however, have yielded enough addresses which were subject to certain Council policies. It was decided therefore, to divide the survey area into four strata - hereditaments in Housing Action Areas (HAAs), General Improvement Areas (GIAs), hereditaments removed in 1975 from the Council's slum clearance programme

(EXCL) and hereditaments in the rest of the inner city (RIC). To ensure an adequate number in the first three of these, interviews with 800 households were sought from HAA, GIA and EXCL and the balance of 1,200 needed for the panel was sought from the RIC stratum. (The location of those strata are shown on Figures 3.3 to 3.6.)

Because the City Housing Department had survey information above the tenure of hereditaments in HAA and GIA, it was not necessary to conduct a full "sieve survey" in all four strata. On the basis of adjustments to this information to allow for changes that would have occurred since survey dates, and on the basis that one-third of private sector households in EXCL and RIC would rent privately, it was decided that a sample of 50 per cent of the identified private rented hereditaments and those whose tenure was not known in HAA and GIA, and of 50 per cent of all EXCL hereditaments would yield 800 household interviews and that a sample of 3,700 hereditaments from RIC would yield 1,200 household interviews.

The survey was carried out in November and December 1979. Monitoring of early results showed that far fewer addresses were privately rented than projected. It showed too that far fewer addresses let as HMOs than anticipated were being identified. To be certain that the panel size was achieved and that sufficient HMOs for the landlord interviews were identified, the survey design was modified. First, the sample size in HAA, GIA and EXCL was doubled so that all hereditaments in these strata were included. It would, however, have been impracticable, in resource terms, to have increased the RIC sample to the extent necessary both to increase numbers of rented households or to pick up HMOs. Instead a special additional sample was taken of addresses from the City Council's Register of HMOs. 100 of the 800 addresses on the Register in the survey area had already been drawn because they came up in the sample of hereditaments in one of the four strata. A sample of 300 was taken from the balance.

As a result 1,822 households were finally interviewed (occupying 1,377 private rented addresses). This was rather less than originally intended, but in the end adequate for the vacancy and movers' survey because of the high rate of turnover in the following year (see below). The distribution of the sample between the five sample areas (strata) and details of non

FIG 3.3 SHEFFIELD INNER CITY SURVEY AREA, WARD BOUNDARIES AND AREAS COVERED BY FIGS 3.4-3.6

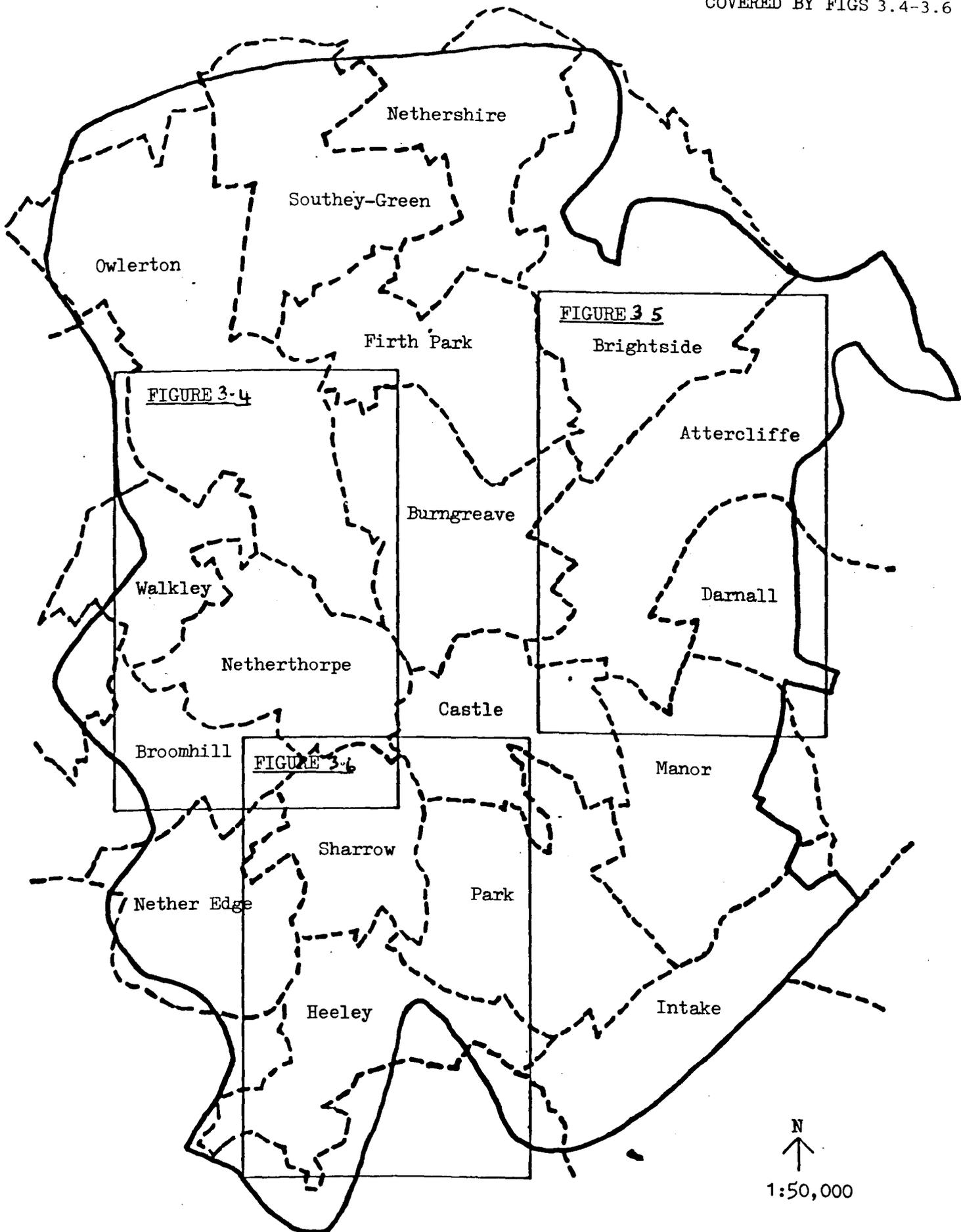
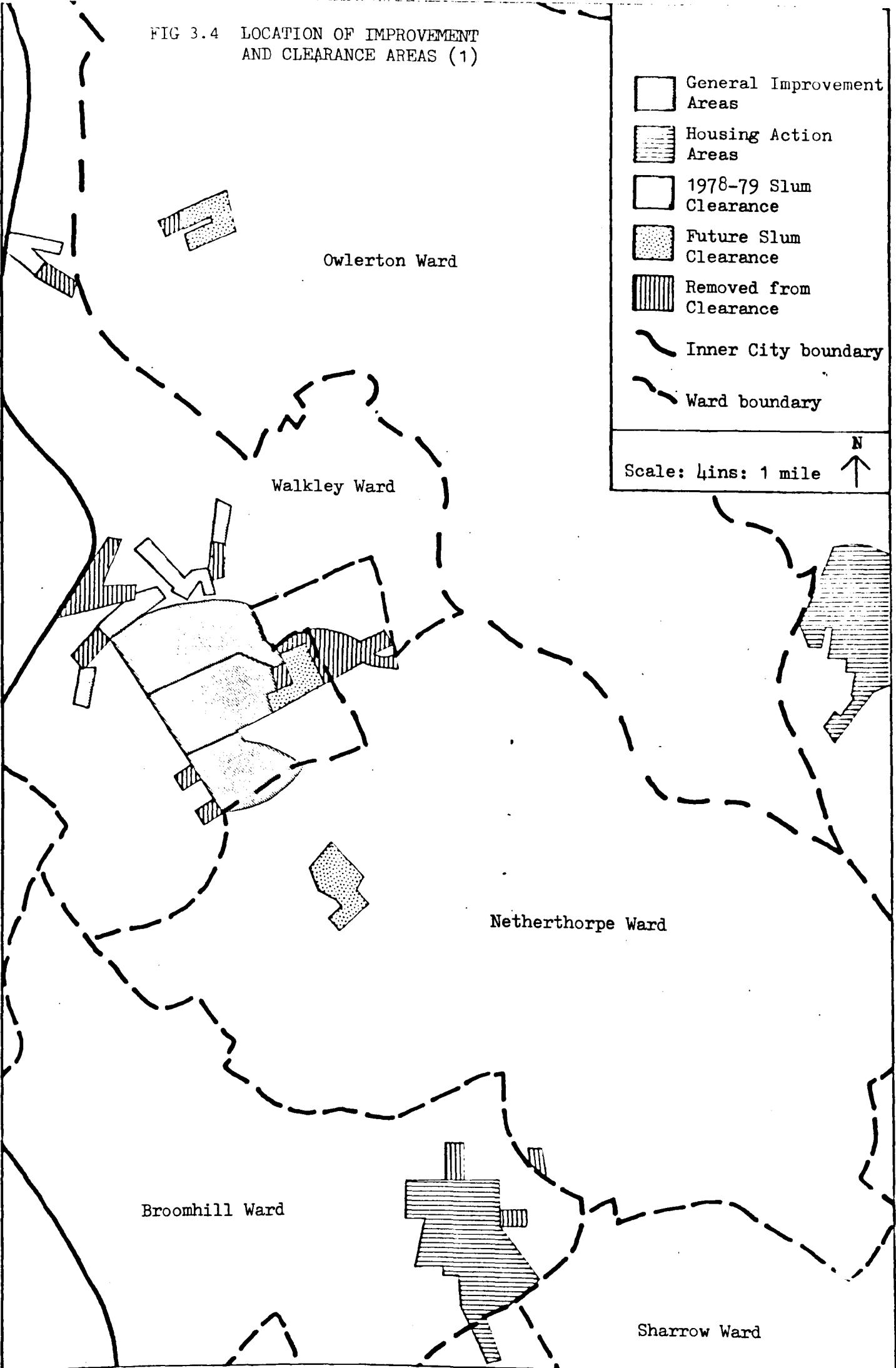


FIG 3.4 LOCATION OF IMPROVEMENT AND CLEARANCE AREAS (1)



-  General Improvement Areas
-  Housing Action Areas
-  1978-79 Slum Clearance
-  Future Slum Clearance
-  Removed from Clearance
-  Inner City boundary
-  Ward boundary

Scale: 4ins: 1 mile 

FIG 3.5 LOCATION OF IMPROVEMENT AND CLEARANCE AREAS (2)

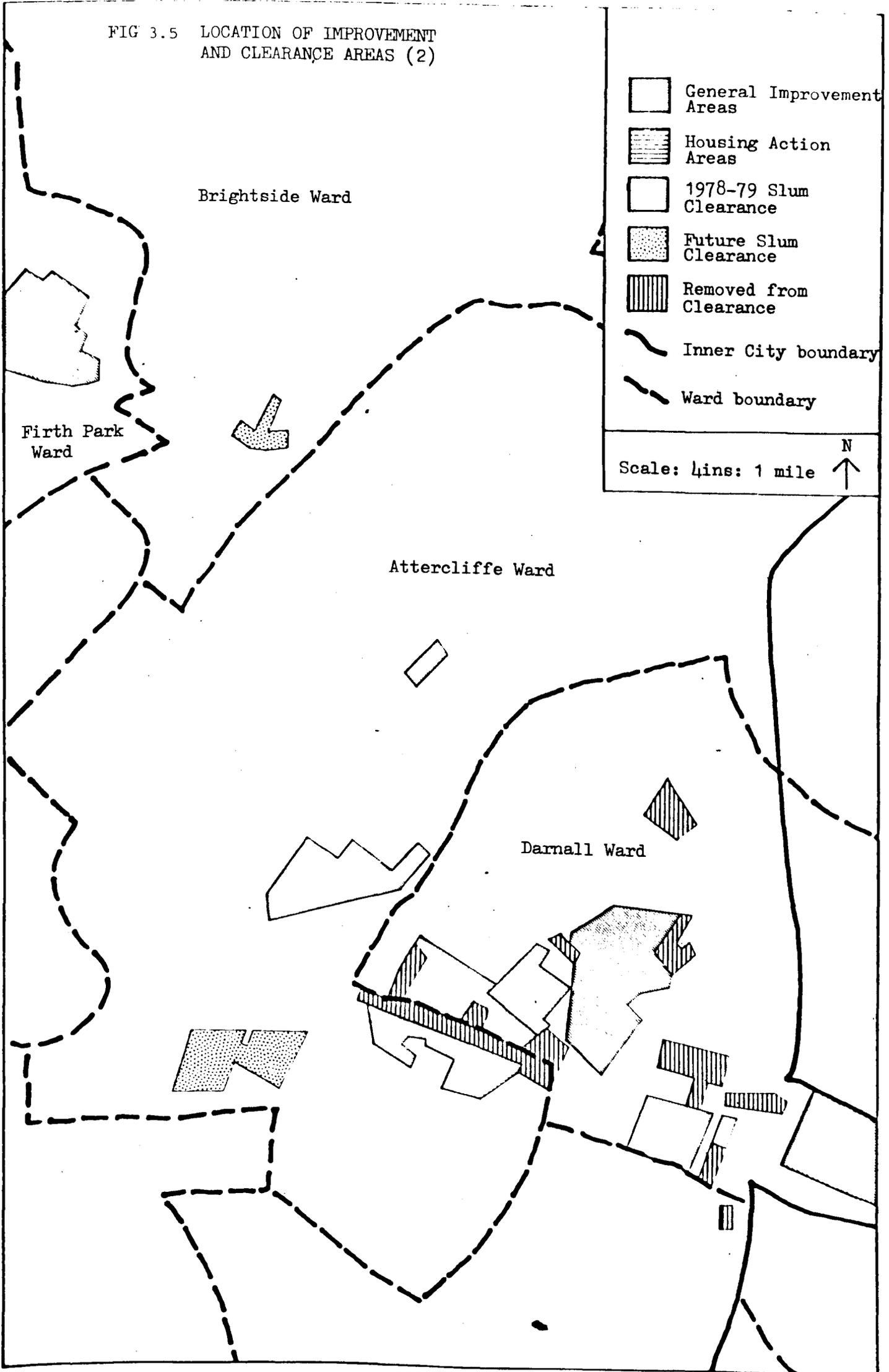
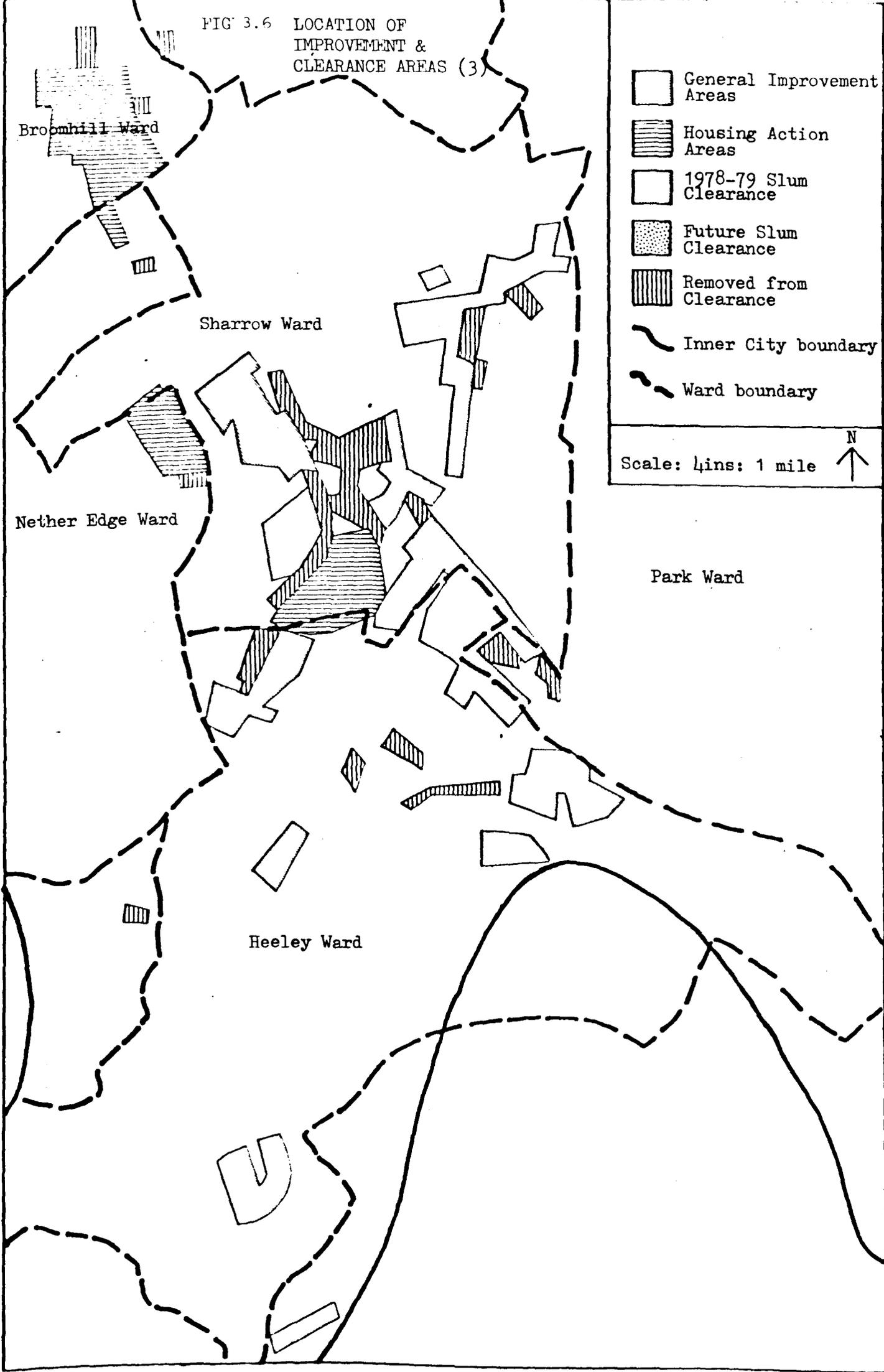


FIG 3.6 LOCATION OF IMPROVEMENT & CLEARANCE AREAS (3)



-  General Improvement Areas
-  Housing Action Areas
-  1978-79 Slum Clearance
-  Future Slum Clearance
-  Removed from Clearance
-  Inner City boundary
-  Ward boundary

Scale: 4ins: 1 mile 

response, tenure of ineligible addresses and the number of private renting households identified and interviewed at eligible addresses will be found in Table 3.1. The results of this tenant data are analysed in two ways. First, comparisons between sample areas are based on the actual number of households or addresses where interviews were carried out. Second, where results are described for the inner area as a whole, the analysis is based on a grossed up sample, the results for each stratum weighted to ensure that addresses and households in each of them appear in the correct proportion that each has of the total owner area. (The weight incorporated for each stratum is the reciprocal of the sampling fraction of hereditaments adjusted for unoccupied addresses and non response. Because the special HMO sample was outside the main sample design results from it are not included in the weighted sample for the inner area as a whole.)

### Landlord Survey 1980

A detailed description will be found in Appendix 2. The following paragraphs give a brief summary.

To collect data to examine the impact of Council policy on landlords' decisions, interviews were carried out with the owners of the sample addresses identified by the tenant survey. Information was collected about improvements they had made to them, their policy about renting or selling them in the future and the way Council policy had affected these decisions in respect of each of these addresses. Information was not, therefore, simply gathered from a sample of landlords about the way Council policy affected their policies about the acquisition, improvement and reletting of their properties in general. Instead, the purpose was to interview the owners of the representative sample of addresses about the specific decisions they had taken about each address. In this way it was possible to find out the proportion of addresses which had been improved or would be relet, the proportion of addresses where such decisions had been affected by Council policies and to relate these decisions and influences to the particular circumstances of sample addresses.

	Housing Action Areas	General Improvement Areas	Ex-Clearance Addresses	Rest of the Inner City	Houses in Multiple Occupation Sample
Total Hereditaments in Sample Frame	451	1129	1146	41600	DNA
Total Hereditaments Sampled*	451	924	1046	3700	294
Of which					
- Unoccupied	40	56	81	141	13
- Demolished/Boarded up	9	5	18	82	13
- Non Residential	3	1	6	10	5
- Total	52	62	105	233	31
Total Occupied Residential Addresses	399	862	941	3467	263
Addresses at which no interview obtained					
- No contact	61	79	85	220	49
- Refused	41	85	51	178	7
- Other (sick, too old, etc.)	4	5	1	8	1
- Total non response	106 (26.6%)	169 (19.6%)	137 (14.6%)	406 (11.7%)	57 (21.7%)
Total Addresses at which Interview Obtained	293	693	804	3061	206
Of which					
- Owner Occupied	70	438	498	2494	59
- Housing Association	4	8	8	54	5
- Local Authority	1	1	3	15	1
- Other (University, etc.)	3	1	-	16	1
- Total Ineligible Addresses	78	448	509	2579	66
Total Addresses with Private Rented Accommodation Units	215	245	295	482	140
Total Accommodation Units Identified	345	262	340	739	695
Of which					
- Owner Occupied	12	3	7	24	13
- Vacant	16	1	2	17	30
- Occupancy not Ascertained	7	-	4	3	40
- Total	35	4	13	44	83
Total Private Rented Accommodation Units Identified	310	258	327	695	612
Total Private Renting Households Identified in Rented AUs	341	261	338	729	647
Of which no interview					
- No contact	31	4	18	68	183
- Refusal	14	1	2	17	16
- Other (sick, too old, etc.)	24	1	6	34	75
- Total non response	69 (20.2%)	6 (2.3%)	26 (7.7%)	119 (16.3%)	274 (42.3%)
Total Private Renting Households Interviewed	272	255	312	610	373

\* NOTE Although (see text) a decision was ultimately taken to draw all addresses in HAA, GIA and EXCL the discrepancy arises because it simply was not possible for interviewers to call at all addresses in their enlarged quotas in GIA and EXCL

Table 3.1 Tenant Survey : Details of hereditaments sampled and response to survey

Information was, in fact, collected for 482 sample addresses and their owners during interviews done with 328 landlords (or their agents) between March and May 1980. It was not possible to collect data for all 1,377 addresses identified in 1979. There were four reasons for this.

First, complete information about ownership was not available. At 125 addresses either the tenant refused or did not know the name and address of landlord or agent. At the remaining addresses, tenants gave either the landlord or the agent's name and address. In all latter cases, the 44 agents concerned were contacted. All but 8 of them willingly co-operated, following requests to provide details of their clients' names and addresses, so that owners could be directly approached. Unfortunately, those who did not divulge this information (or take part on behalf of their clients) managed as many as 136 of the sample. Ownership details were unavailable therefore for 261, or 19 per cent of addresses.

Second, it was impractical to interview all owners about every sample address they owned. To keep interviews to acceptable lengths they were restricted to a maximum of three addresses. Although only 6 per cent of the 685 landlords identified owned more than three addresses each, they owned 29 per cent of the whole sample and it was possible to interview them about no more than 132 of the total of 323 addresses they owned. In these cases the three addresses were selected at random from the owners' total sample addresses.

Third, 24 per cent of sample addresses were included in requests agents had made, when originally contacted, asking that they, rather than their clients be interviewed. An inevitable problem in achieving interviews about all of these addresses arose. This was not simply because of the limit of three addresses per landlord. Even after applying this rule, in relevant cases, to the sample addresses of their client, many agents were potentially involved in interviews far in excess of this number because of the large numbers of their clients owning sample addresses. That this did not present as formidable an obstacle as might be supposed, is due to the willingness of a number of agents to grant fieldworkers a series of interviews enabling greater coverage of the relevant addresses to be achieved.

Fourth, there was a degree of non response, particularly high amongst owners who each held only one of the sample addresses.

In order to overcome this problem and to obtain information about 500 addresses it was necessary to attempt interviews with the owners of all the sample addresses, given the limited number of addresses about which the larger owners could be interviewed, either personally or through their agents.

Table 3.2 provides details for each sample area, of the tenant survey addresses, the number whose landlord was known, the addresses whose landlords did and did not take part in the survey and the number of addresses about which interviews were conducted. Information from landlords successfully interviewed was obtained for 482 addresses, 43 per cent of the total for which ownership details had been collected (1,116 addresses) and 52 per cent of the maximum number of addresses about which landlords could have been interviewed. However, it should be emphasised that although information was collected for only 43 per cent of the sample, these addresses had landlords who owned 630 addresses, or 56 per cent of the total sample. This is because larger landlords were more likely than others to have taken part so that, for example, 67 per cent of the sample addresses whose owners held four or more of the sample had landlords who took part.

The results described in the following chapters are based on the 482 sample addresses. Although landlords with four or more sample addresses owned 29 per cent of the entire sample, they owned only 16 per cent of the 482, the discrepancy being due to the imposed limit of three addresses per interview. The sample, therefore, under-represents these addresses by comparison with their correct proportion of the total sample and there is a risk therefore that presentation of results based on the 482 addresses alone would produce a distorted picture if the findings are related to size of landlords' holdings. To avoid this, the results have also been grossed up by a weighting procedure, which weights the results for each address by the reciprocal of its effective sampling fraction. For each sample area and for each of the sizes of ownership (shown in Table 3.2) this is the proportion which addresses included in the landlord survey accounted for out of the total. The grossed up results are therefore

	Housing Action Areas	General Improvement Areas	Ex Clearance Addresses	Rest of the Inner City	Houses in Multiple Occupation Sample	Total Addresses	Number of Landlords
Number of addresses identified in tenant survey	215	245	295	482	140	1377	n.a.
Number of addresses for which full ownership details available	162	231	228	382	113	1116	685
Addresses owned by landlord who owned							
1 address only in whole sample	67	81	77	229	71	525	525
2-3 addresses only in whole sample	32	54	55	93	34	268	116
4+ addresses in whole sample	63	96	96	60	8	323	44
Number of addresses in each sample area	162	231	228	382	113	1116	685
Maximum number of addresses about which landlords could be interviewed	128	172	170	344	111	925	-
Addresses owned by landlord who did not respond in landlord survey							
1 address only in whole sample	40	58	41	127	39	305	305
2-3 addresses only in whole sample	-	17	19	26	13	75	34
4+ addresses in whole sample	25	36	28	16	1	106	18
Number of addresses in each sample area	65	111	88	169	53	486	
Maximum number of addresses about which landlords could be interviewed	57	89	76	160	52	434	
Addresses owned by landlords who did respond in landlord survey							
1 address only in whole sample	27	23	36	102	32	220	220
2-3 addresses only in whole sample	32	37	36	67	21	193	82
4+ addresses in whole sample	38	60	68	44	7	217	26
Number of addresses in each sample area	97	120	140	213	60	630	328
Maximum number of addresses about which landlords could be interviewed	71	83	94	184	59	491	-
Number of addresses in each sample area about which landlords were interviewed	70	80	94	183	55	482	-

Table 3.2 Tenant survey sample addresses, ownership details and response to landlord survey

based on all the addresses for which ownership details had been collected, with those belonging to landlords of different sizes represented in correct proportions and on the assumption that the addresses and the landlords included in the survey are representative of the total.

### Vacancy Survey 1980-1981

A number of methods were used to find out whether households interviewed in 1979 had moved and, therefore, whether vacancies had occurred. The methods allowed vacancies to be identified as soon after they occurred as possible, thus avoiding the need for a complete recall at all addresses to find out which households had moved. Five main methods were used.

First, the records of the Yorkshire Electricity Board of final readings to credit and coin meters were scanned on a twice weekly basis in conjunction with a list of all 1979 sample addresses to identify those where final readings had been taken and from which, therefore, a Board's customer had moved. To be certain that addresses were accurately identified, the name of the customer (where given) and the number and description of a flat (where relevant) were noted. This was particularly important for addresses containing flats and bedsitters where not all households present in 1979 had been interviewed.

The second method used the Council's Waiting List and rehousing records. From information given by households interviewed in 1979 record cards were prepared for each household (or part household) who said they were on the Waiting List for Council housing. These were lodged in the personal files maintained by the Council about each of them. If any of the households concerned were rehoused, the card was removed from the file by Council staff and details of their rehousing date and new addresses completed.

For the third method, details were collected about sample addresses where there had been changes in the ratepayer's name or a claim for a void period. Because the sample of addresses for the 1979 survey had been taken from the City Treasury's Property Record File, the City's computer code from all the hereditaments involved was known. Using these codes the Treasury provided a computer list of all hereditaments where there had been a change in ratepayer name. Not all such changes necessarily meant there had been a change in occupant. In most cases tenants did not pay

the rates personally - it was included in their rent. Consequently, most changes in occupancy were not picked up by this method. However, it did pick up changes where tenants had been personally responsible for the rates and moved, and also where tenants moved and the landlord subsequently sold the address (or claimed a void period). The method also picked up changes not associated with new occupants, when mainly addresses were sold to other landlords.

Scanning advertisements of properties for sale in the local press was the fourth method. They were scrutinised every week to spot addresses for sale with vacant possession and any for sale with partial possession, indicating voids in flats or bedsitters where interviews had been conducted in 1979. Although this method picked up only 5 per cent of vacant addresses that were not spotted in other ways, it did provide useful information about the prices of addresses not yet sold and, from details in the advertising, whether they possessed basic amenities which had not been present in 1979. Few properties found, during fieldwork, to have been for sale had not been advertised for sale in the press.

The final method made use of student accommodation records held by the Polytechnic and University Accommodation Offices. These were scanned in conjunction with lists of the names and addresses of all student members of 1979 households (the majority were at the Poly or University), to spot any changes recorded in addresses. Poly students were not required to register changes of address but University students were obliged to do so. The University Accommodation Office had records of all its' students' addresses and recorded changes when students used its services to find alternative accommodation. Changes were also recorded from information supplied to the University Registry by students when they re-registered for a new academic year. For continuing students this re-registration, however, was done at the end of the preceding academic year, students therefore giving term time addresses prior to the long vacation. If they subsequently changed their accommodation this was not picked up until the following summer unless they used the Accommodation Office to find new accommodation.

Three other methods were also used. First, spontaneous information given by households in 1979 that they had definite plans to move in the immediate future. Second, spontaneous information given by landlords about recent or expected vacancies. Both were logged as potential vacancies. Third, when a vacancy came up at a flat or bedsitter, interviewers checked at all flats and bedsitters at such addresses where interviews had been held in 1979 to see if other vacancies had occurred.

These methods were fully operational by the end of March 1980 and were used to identify vacancies for the following nine months. Of the 482 vacancies identified, 56 per cent were followed up by only one method, 29 per cent by two, and 15 per cent by three or more methods. The records of meter readings picked up more vacancies than any other method (often in conjunction with with others). However, since they accounted for only 57 per cent of all that were identified, reliance on this method alone would have seriously underestimated vacancies. Although one third of vacancies were followed up through changes in ratepayer name, it should be noted that 26 per cent of such changes represented a change in landlord ownership (which are not included in the total of 482 vacancies) and not changes in occupancy. To check on the extent to which these methods had, in combination, identified all vacancies which had occurred a complete recall of a subsample of addresses in November 1980 revealed that 89 per cent of vacancies had been picked up by the systems described.

Although vacancies were monitored for only the last nine months of 1980, interviewing at identified vacancies continued until June 1981 in an attempt to contact as many as possible of those who had moved into vacancies. When calling at vacancies interviewers did not reveal that a change in occupancy had been identified. This was done to protect the confidentiality of many of the sources used, and interviewers were requested to ascertain initially whether the household present had moved in since 1979 or not. In all, the 482 vacancies which were identified represent a mobility rate amongst 1979 households of 26 per cent in nine months. Table 3.3 shows that on an annual basis this includes a variation of 15 per cent amongst households who rented whole houses on an unfurnished basis to 44 per cent amongst those who had lived in flats and bedsitters which were not self contained, to 87 per cent and 71 per cent respectively for those who were in self contained flats or rented whole

Type of Accommodation Where Vacancy Identified	No. of Households Interviewed in 1979	No. of Vacancies Identified April-December 1980	Vacancy Rate (%) a) per 9 months b) p.a.	Reasons why interviews not carried out							Interviews carried out at vacancy					
				Vacancy Unoccupied		Vacancy Demolished/ Boarded Up	Refused No New Members Other	Several Vacancies Combined Into One Unit	Vacancy Occupied:		Owner Occupied When New Household	Private Rented Sitting Tenant Purchase	Furnished	Unfurnished	Only Some New Members	Total
*For Sale	Other	No Contact †	Total													
Let as whole house in 1979																
Unfurnished	906	105	11.6 15.4	20	17	8	6	-	9	60	21	7	5	11	1	45
Furnished	187	99	52.9 70.6	6	3	-	2	-	27	38	10	1	42	-	8	61
Let as flats and bedsitters in 1979																
Accommodation Self contained	122	80	65.6 87.4	3	4	-	4	5	24	40	2		34	1	3	40
Accommodation Not self contained	607	198	32.6 43.5	9	13	-	9	16	94	141	3		50	-	4	57
Total	1822	482	26.4 35.3	38	37	8	21	21	154	279	36	8	131	12	16	203

NOTES \* For Sale: Definitely known to be for sale (advertised in local paper/For Sale board up)

† Of which the following had been for sale, although interviews were not conducted

Whole house	Unfurnished	2
	Furnished	2
HIMO	Self contained	
	Not self contained	14

Table 3.3 Vacancies identified between April and December 1980

houses on a furnished basis. There were also distinct variations amongst the sample areas, from 21 per cent in EXCL to 43 per cent in HMO on an annual basis.

203 interviews were completed, included 8 sitting tenant purchasers, and 16 where there had been only a partial change in the household. Of the balance of 279 vacancies, 27 per cent were still vacant, 3 per cent had been demolished, 7 per cent were vacancies in flats or bedsitters which no longer existed as separate accommodation units because the whole property had become vacant and was either bought by an owner occupier or relet as a whole to just one household, at 55 per cent no contact was made (including 5 per cent known to have been for sale), and at 8 per cent of the vacancies interviews were not undertaken because there had been a partial change in occupancy with no one joining the existing household.

### Movers' Survey 1980

A restricted range of methods were available to trace the new addresses of those who had moved. The only system which identified vacancies and new addresses simultaneously was the Council Waiting List system. Although the Electricity Board records also contained (in most cases) the new addresses of consumers to which final accounts for electricity consumed at vacancies were to be submitted, it was agreed not to collect this information because it would breach the confidentiality of the Board's information about its customers. Similarly, although the University's Accommodation Office records contained the new addresses of student movers, this information too was confidential. The Accommodation Office did agree, however, to forward to students, who were known to have moved, a letter, inviting them to take part in a further interview and to contact the researcher with information about their new address.

Consequently, in most cases, reliance was placed on a system of contact names and addresses given by households interviewed in 1979 as persons who could be contacted to seek information about their new addresses if they moved in the future. No attempt was made, however, to trace new addresses until a vacancy which had been identified was confirmed as such in the field. This was confirmed either when interviewers found the address empty or interviewed the household who had moved into the vacancy. In addition to contact names (and the Council rehousing information), two

other methods were used. Households who moved into vacancies were asked if the previous occupants had left forwarding addresses. During the moves households contacted were asked if all the 1979 household had moved together to their new address, and if instead they had split up upon moving, if those contacted knew where the others had moved.

As Table 3.4 shows, of the 482 households at vacant addresses, the existence of moves by 370 households was unambiguously confirmed. It was found that these households had split into at least 420 separate groups. This is a minimum estimate, based only on those households where the new addresses of all members who moved were traced. Out of the 420 who were identified, only 41 per cent were contacted (either through interview or by postal questionnaire). Of the 59 per cent who were not contacted, 11 per cent had provided no contact name, the contact names of 34 per cent did not reply and 14 per cent of movers were traced but did not respond to interviews or postal questionnaires.

#### Weighting of Results and Abbreviations Used

Most of the results of the tenant survey are presented for the inner area as a whole and are based on a grossed up sample weighting the data for each sample area by the reciprocal of the sampling fraction of hereditaments (adjusted for unoccupied addresses and non response) to ensure that addresses and households in each sample area appear in the weighted inner area sample in the correct proportion that each has of the total inner area. It is referred to as the weighted sample. Because the special HMO sample was outside the main sample design results from it are not included in the weighted sample.

The landlord survey results are based on the 482 addresses. Addresses owned by large landlords are under-represented amongst these in comparison with their correct proportion of the total sample because of the imposed limit of three addresses per landlord interview. Accordingly some of the findings are grossed up by a procedure which weights each of the 482 by the reciprocal of the sampling fraction - the proportion which these addresses accounted for out of the total, calculated separately for each sample area and each of the sizes of ownership shown in Table 3.2

Type of Accommodation Where Vacancy Identified	Total No. of Vacancies Identified	Vacancies from which movers not (clearly) identified				Total Vacancies With Movers Identified	Number of Groups of Movers Clearly Identified as Moving from Vacancies*	Groups of movers not traced/not interviewed			Groups of movers traced and interviewed: moved to			
		Sitting Tenant Purchase	No* Movers	1979 Tenant Deceased	Existence of Movers Not Unambiguously Confirmed#			Address Not Traceable (No Contact Name)	Address Not Traced (Contact Name Refused/Did Not Reply)	Address Traced- No Interview	Hostel/Joined an Existing Household	Private Rented Accom.	Local Authority/Housing Assoc. <sup>o</sup>	Owner Occupier
Let as whole house in 1979:														
Unfurnished	105	7	1	13	4	80	80	12	16	8	1	4	31	8
Furnished	99	1	-	1	18	79	113	13	33	29	12	17	3	6
Let as flats and bedsitters in 1979:														
Accommodation self contained	80	-	-	-	16	64	74	7	29	5	13	4	6	10
Accommodation not self contained	198	-	2	1	48	147	153	16	65	16	18	14	14	10
<b>Total</b>	<b>482</b>	<b>8</b>	<b>3</b>	<b>15</b>	<b>86</b>	<b>370</b>	<b>420</b>	<b>48</b>	<b>143</b>	<b>58</b>	<b>44</b>	<b>39</b>	<b>54</b>	<b>34</b>

NOTES \* In the vacancy survey these addresses were found to have only new members joining these household existing in 1979 - no member of the 1979 household had left.

# Attempts to trace movers were only made when the vacancy survey confirmed that members had moved from addresses identified by the systems used to monitor vacancies. This happened either when interviewers found such an address unoccupied and/or conducted an interview at an occupied address and found that the 1979 household had previously moved, in all or part. Where an interviewer was refused an interview or found the address occupied (and had not prior to that found it unoccupied) no attempt was made to trace movers since the existence of a move had not been unambiguously confirmed.

\* This is certainly an underestimate of the number of groups into which members of households split when (except in the case of those who were unfurnished tenants in 1979) leaving their 1979 address. Only when a member of a household which moved was contacted was it possible to find out if the household had split up and if so into how many different groups.

<sup>o</sup> Of which 8 moved to Housing Association housing.

Table 3.4 Movers identified and traced between April and December 1980

The following abbreviations are used for each sample area. HAA: Housing Action Areas; GIA: General Improvement Areas; EXCL: addresses taken out of the slum clearance programme in 1975; RIC: addresses in the rest of the inner city; HMO sample area: addresses taken from the LHA's Register of Houses in Multiple Occupation. The term HMO is also used more generally to describe all addresses let as flats and bedsitters (whether identified via the Register or the main sample) and to distinguish them from addresses let as a whole house where the landlord had let the whole of the house to one household. The distinction between HMOs where lettings are self contained and where they are not is made in the text.

## CHAPTER 4

### THE PRIVATE RENTED SECTOR IN INNER SHEFFIELD IN 1979: ITS SIZE, HOUSEHOLDS, THEIR ACCOMMODATION AND LANDLORDS

#### The Size of the Private Rented Sector in Inner Sheffield in 1979

From the tenant survey results, an estimate was made of the total number of households renting from private landlords in the inner area (apart from those areas still subject to slum clearance) at the end of 1979. This is shown in Table 4.1, together with figures from the 1971 census and from the 1977 National Dwelling and Housing Survey (which have been adjusted to make them comparable with the survey). The number of households and declined considerably from 32,700 in 1971 to 11,600 in 1979, a decline of 65 per cent in less than a decade. However, within this total the decline had been almost exclusively amongst households renting unfurnished accommodation who fell in number from 27,000 to 5,700 (although to this latter figure should be added 1,200 households living in areas yet to be cleared, not part of the survey area). The number of households renting furnished accommodation had, in comparison, remained stable between 1971 and 1979. As a consequence, the proportion of private renting households in furnished accommodation rose from 17 per cent to 46 per cent.

Part of this decline can be attributed to slum clearance. Using the Council's monthly rehousing records and the Housing Department estimates of the previous tenure of those rehoused from clearance areas it has been estimated that 8,000 private tenant households were rehoused between 1971 and 1979, and their dwellings subsequently demolished. Slum clearance therefore accounts for about 40 per cent of the decline. Consequently, at least half the decline had been due to sales by landlords of properties, with vacant possession or with sitting tenants, to the Council, Housing Associations, or to owner occupiers.

Table 4.1 Number of households in the private sector in inner Sheffield

	1971	(a) 1977	(b) 1977	1979
Private renting - unfurnished	27,000	12,400	11,200	5,700 )
- furnished	5,700	5,000	5,000	4,900) )*
				(1,000) **
Owner occupier	38,000	38,000	32,400	35,300
Total private sector	70,700	55,400	48,600	46,900

Sources: 1971: Census, Ward Library for Wards wholly or partly in inner area

1977: National Dwelling and Housing Survey - grossed up sample  
 (a) : For Wards falling wholly or partly in inner area (excludes households renting from Housing Associations)  
 (b) : As above: adjusted to exclude areas planned for clearance after 1979 (which were not included in the 1979 survey) and adjusted to conform to inner area boundary

1979: Grossed up sample survey.

\* On the basis of sampling error it is 95% certain that the total lay between 9,900 and 11,300 households

\*\* 1,000 households rented from institutional landlords. Such households were included in the NDHS private renting totals. They are assumed to rent furnished accommodation. They were not, however, part of the 'eligible' 1979 sample.

### Households in the Private Rented Sector

As Table 4.2 demonstrates, two household types dominated the private rented sector in inner Sheffield - the elderly and households of young unrelated adults. Together they accounted for 75 per cent of all households. Nearly three-quarters of the former had lived at their present address since 1957. Almost all of them rented unfurnished accommodation and they accounted for 60 per cent of all households in such accommodation. 61 per cent of the latter had lived at their present address for less than a year. They comprised 85 per cent of all households who had moved to their present address within a year. Over 90 per cent of them rented furnished accommodation. Not surprisingly, therefore, it was found that 30 per cent of all households had lived at their present address for less than a year, whilst 31 per cent had lived there since at least 1957. Nor was it surprising that 58 per cent of those renting unfurnished accommodation had lived at their address since 1957 and that 60 per cent of those renting furnished accommodation had lived at their address for less than a year.

Families and related couples without children comprise a small percentage of the total. 90 per cent of the former rent unfurnished accommodation. Only 9 per cent had lived at their address for less than a year. 55 per cent of the latter on the other hand rented furnished accommodation and 28 per cent had lived at their address for under a year.

In view of the dominance of the elderly and unrelated adult households, it is not surprising to find that less than half the heads of household had full time jobs. 15 per cent were students, 10 per cent were housewives and 21 per cent were retired. Indeed, it should be pointed out that students accounted for over a third of those who had moved to their present address in the last year and a third of all households renting furnished accommodation. As a consequence incomes were low. 42 per cent of all heads of household had net weekly incomes of less than £30 a week, this being the case for over two-thirds of students and the retired. When, however, the incomes of other members of households are taken into account only 24 per cent of households had household incomes of under £30 a week, the difference being particularly marked for households headed by the retired and by students.

Household Type*	Proportion of all Households	Year Moved to Present Address Before 1958-			Proportion of All Households Moving in 1979	Proportion Living in Furnished Accommodation	Proportion of All Households in Accom. Furn. Unfurn.		Economic Activity Status					Net Head of Household Income Per Week			Net Household Income Per Week		
		1958	1978	1979			Full Time Job	Other Economically Active	Student	House-wife	Retired	<£30	£30-59	>£60	<£30	£30-59	>£60		
Young single adults	42.5	2.5	36.8	60.7	85.3	93.6%	84.7	5.9	55.5	11.8	32.2	-	0.4	32.6	42.7	24.7	17.3	31.8	50.9
Small adult	9.0	19.5	52.1	28.4	8.5	54.9%	10.6	7.6	77.0	7.9	14.6	0.5	0.2	14.8	40.0	45.2	1.9	16.4	81.7
Families	16.0	27.9	63.1	9.0	4.8	11.3%	3.9	26.6	68.3	6.3	3.3	8.0	14.1	22.6	31.0	46.4	4.7	13.0	82.3
Elderly	32.5	73.6	24.6	1.8	1.4	1.1%	0.8	59.9	10.8	6.0	-	26.1	57.0	69.1	24.3	6.6	42.7	48.6	8.7
All	100.0	31.2	38.6	30.2	100.0	46.4%	100.0	100.0	45.4	9.0	15.3	9.6	20.7	41.6	34.9	23.5	23.6	33.9	42.5

Numbers in Sample : Weighted sample of HAA, GIA, EXCL and RIC sample.

- \* NOTE
- 1) Young single adult : one and two persons unrelated adult under 60 years, plus large unrelated adult household
  - 2) Small adult : two unrelated adults under 60 years
  - 3) Families : small and large families plus large related adult households
  - 4) Elderly : one person household, 60 years or older plus two person household, one member at least 60 years or older

Table 4.2 Household types in the private rented sector, inner Sheffield 1979

73 per cent of heads of household who had moved to their present address within the previous five years had moved from addresses within Sheffield, including 39 per cent who had previously lived in private rented accommodation, of whom 64 per cent had moved to secure a better standard of housing or environment. 34 per cent had moved within Sheffield from other tenures (including 23 per cent from Halls of Residence or parental home), the majority of whom had moved for personal reasons, or for housing reasons themselves connected with dissatisfaction of living at home or in Halls. 27 per cent had moved from outside Sheffield, including 10 per cent from private rented accommodation, moving mainly for job or study reasons, and 9 per cent from their parents' home, almost exclusively to take up a job or to study. In consequence only about half of those moving had previously been living in private rented accommodation before they moved.

#### Households' Accommodation

Table 4.3 shows that 64 per cent of households rented the whole house in which they lived. 36 per cent lived in buildings containing flats and bedsitters (HMOs) including 11 per cent where all the accommodation was fully self-contained and 25 per cent where it was not. Of those living in the latter, shared dwellings, 46 per cent shared rooms with other households, 29 per cent lived in bedsitters and 26 per cent in flats.

The great majority of family and elderly households rented a whole house, almost all of whom rented it on an unfurnished basis. Indeed, it should be noted that 87 per cent of all unfurnished houses were rented by families and the elderly, and elderly households alone accounted for 61 per cent of them. By contrast over 80 per cent of one and unrelated two person adult households lived in buildings containing flats and bedsitters including 64 per cent who lived in shared dwellings. Such households accounted for 87 per cent of all households in shared dwellings.

Households of large unrelated adults and small related adults were midway between the latter two groups. Over three-quarters of the former rented whole houses on a furnished basis and they accounted for half of all households in such accommodation. Just under 60 per cent of the latter

Household Type	Rented a Whole House			Rented Flat/Bedsitter in Building where Accommodation			Proportion of Households Renting			
	Furnished	Unfurnished	(All)	Self Contained	Self Contained	(All)	Whole House Furnished	Whole House Unfurnished	Flats in Self Contained Accommodation	Flats, etc. in Non Self Contained Accommodation
							%	%	%	%
One and two person unrelated adult	% 10.6	7.1	(17.7)	17.9	64.4	(82.3)	29.7	4.8	58.6	87.3
Large unrelated adult	% 76.4	0.6	(77.0)	15.2	7.8	(23.0)	50.3	0.1	11.7	2.5
Small related adult	% 14.4	44.1	(58.5)	23.4	18.0	(41.4)	10.4	7.6	19.8	6.3
Families	% 7.2	86.9	(94.1)	3.8	2.1	(5.9)	9.3	26.9	5.8	1.3
Elderly	% 0.1	96.5	(96.6)	1.3	2.0	(3.3)	0.2	60.6	4.1	2.6
All	% 12.3	51.6	(63.9)	10.6	25.5	(36.1)	100.0	100.0	100.0	100.0

NOTE: Numbers in sample: weighted sample

Table 4.3 Accommodation of households in the private rented sector, inner Sheffield 1979

rented houses, mostly unfurnished. In so far as both groups rented flats or bedsitters, they were more likely than other households in such accommodation to live in self-contained accommodation.

It should also be pointed out that nearly a fifth of houses were rented on a furnished basis. Although students were less likely than all other households to rent houses rather than flats or bedsitters (only 34 per cent did so), those that did so comprised over 40 per cent of all households renting furnished houses. Partly as a consequent 60 per cent of such accommodation was rented by those under 25 years old, whilst 51 per cent of unfurnished houses were rented by those who were 65 or older.

#### Households' Amenities and State of Repair of their Dwellings

Table 4.4 shows that 54 per cent of households in the inner city had exclusive use of all the basic amenities - defined as kitchen sink, bath or shower, wash hand basin, a hot water supply to all the latter, and an inside w.c. A further 21 per cent had use of all of them but shared at least one with other households and 25 per cent lacked at least one amenity.

Two groups of households comprised most of those who share amenities. 61 per cent of young single adult and 33 per cent of small unrelated adult households did so, and they accounted for 89 per cent of households sharing amenities. Sharing by other households was very limited, with the exception of 11 per cent of small related adult households. Comparatively few of the latter and of large unrelated adult households lacked amenities. Lacking amenities was therefore largely confined to family and elderly households. Over a quarter of families lacked amenities and more elderly than any other households were in this position, with single elderly being in an especially disadvantaged position, 55 per cent of them without one or more amenity. Elderly households accounted for 58 per cent of all households lacking amenities.

There were also significant differences depending on whether a household rented a house or lives in a HMO. 94 per cent of those renting furnished houses had all amenities, but this was so for only 61 per cent of those renting unfurnished homes. Although at least 20 per cent of every

Household Type	Use of Amenities - All Households			Percentage of Households Renting Whole House who had all Amenities		Percentage of Households Renting Flat/Bedsitter who had all Amenities		
	Exclusive Use of All	Shared Use	Lack One or More	Furnished	Unfurnished	Exclusive Use of All	Shared Use	Lack One or More
One and two person unrelated adults	% 31.3	53.7	15.0	91.2%	61.4%	% 20.7	64.6	14.7
Large unrelated adults	% 91.4	7.9	0.7	98.6%	73.7%	% 69.4	30.6	-
Small related adults	% 76.5	10.8	12.6	87.6%	80.2%	% 69.2	21.9	8.9
Families	% 70.5	2.0	27.4	86.8%	69.9%	% 62.7	16.0	21.3
Elderly	% 53.8	1.0	45.2	46.1%	54.3%	% 40.5	31.0	28.5
All	% 53.9	20.7	25.4	93.9%	60.8%	% 30.3	55.8	13.9

NOTE: Numbers in sample: weighted sample

**Table 4.4 Amenities of households in the private rented sector, inner Sheffield 1979**

Household Type	Percentage of Households with all Basic Amenities							
	%	HAA N	%	GIA N	%	EXCL N	%	RIC N
One and two person unrelated adults	80.0	10	83.3	12	75.0	12	53.8	13
Small related and large unrelated adult	80.0	15	88.9	18	54.5	22	81.8	22
Families	81.1	53	70.0	40	51.2	84	70.5	78
Elderly	76.0	50	65.0	137	26.8	142	55.2	181
All	78.9	128	69.1	207	39.2	260	61.2	294

**Table 4.5 Amenities of households in the private rented sector in unfurnished houses in inner Sheffield 1979 by sample area and household type**

household type in unfurnished accommodation lacked amenities, this was particularly marked amongst elderly households, 46 per cent of those in unfurnished houses lacking one or more amenity. Although 30 per cent of those in HMOs had exclusive use of all amenities, 56 per cent shared them. Young single and unrelated adult households accounted for 91 per cent of those who shared.

There were no significant differences between sample areas in the extent to which those renting furnished houses had all amenities, nor in the extent to which those in HMOs shared amenities. There were, however, differences between sample areas in the extent to which those renting unfurnished homes had all amenities.

Of particular interest is the difference between HAA and EXCL. All the addresses in these two sample areas had, in the past, been included in the LHA's programme of slum clearance. Following a review, in 1975, of the programme all of these addresses were removed from it. All became eligible for grant aided improvement, some also being declared HAAs. The addresses in HAA and EXCL are broadly comparable, the essential difference between them being that the former had benefitted from area improvement policies (including a grant to owners of 75 per cent of allowable costs) and the latter had not. By 1979 79 per cent of households in HAA had all amenities, compared with only 39 per cent in EXCL. Indeed, more households renting unfurnished houses in HAA than in any other sample area had all amenities. Only 61 per cent in RIC had them, although rather more than this had all amenities in GIA, a sample area also the subject of area improvement programmes.

As Table 4.5 illustrates, these differences cannot be attributed to differences in the composition of households in each area. Elderly households were less likely to have all amenities than others but the fact that they comprised only 39 per cent of households in HAA, compared with 55 per cent in EXCL, did not account for the overall difference in possession of amenities by all households. 76 per cent of elderly households in HAA, but only 27 per cent in EXCL, had all amenities. Indeed, a greater proportion of all household types in HAA, and too in GIA, had all amenities compared with both EXCL and RIC. In other words, there was no statistically significant difference in 1979 between

household types in HAA and GIA in the extent to which they had amenities. There was, however, a significant difference in both EXCL and RIC between elderly and all other households in their possession of amenities. This suggests that the impact of area improvement programmes may lay in the encouragement they give to owners of addresses with elderly, especially single elderly tenants, to carry out improvements.

Although nearly 70 per cent of households renting houses in the inner area as a whole lived in houses which were satisfactory from the point of view of the provision of basic amenities, only a small proportion of them were in a satisfactory state of repair. A survey of the state of repair of the external fabric of sample addresses was done by identifying and classifying the severity of defects for various items of building structure. On the basis of the information collected, a large proportion of houses in each sample area required essential repairs. An address required essential repairs if one or more of the following defects had been identified: live settlement, extensive spalling to the brickwork or deformation of external walls, rising damp, complete replacement of roof covering, extensive deformation of the roof structure, chimney repairs or complete renewal of gutters and rainwater pipes.

Only 23 per cent of HAA and 18 per cent of RIC addresses (those let as whole houses), respectively, did not need essential repairs. Only 9 per cent in each of GIA and EXCL were satisfactory in this respect. Even though, however, comparatively more addresses were in a good state of repairs in the former two areas compared with the latter, the differences are relatively small; and the evidence portrays a picture of widespread disrepair throughout the private rented sector. Indeed, this finding tempers the previous evidence about the significant differences between HAA and EXCL. Despite the substantially greater improvement, in the sense of basic amenity provision, in HAA compared with EXCL, the improvement that had occurred has not been matched by a commensurate degree of repair. As far as the repair condition of the external fabric is concerned, therefore, the differences between them are far less substantial.

The cost of remedying these essential and other repair deficiencies depends on the size of the dwelling. To estimate repair costs, dwellings were classified according to building type, length of building frontage

and number of storeys. The costs of repairing categories of defect for each repair item were worked out according to these factors. On this basis only a third of addresses in HAA, GIA and RIC needed under £1,000 (at 1979 prices) spending on repairs, including non essential repairs, whereas only 20 per cent of EXCL needed less than this sum. The scale of repair investment needed in HAA and EXCL was therefore very similar. Indeed, although 26 per cent and 42 per cent respectively in HAA and EXCL required between £1,000 and under £2,000 spending on them, indicating a less severe problem in HAA, 40 per cent and 37 per cent respectively needed £2000 or more. The fact that as many proportionally needed this sum in HAA as in EXCL, was due to the fact that HAA has more larger building types than EXCL, a factor which crucially affected the scale of repair investment needed.

### Householders' Rents

The net weekly rents (i.e. net of any element incorporated in rent for rates or service charges) households paid depended, in part, on the kind of accommodation they had and, in part, on the extent to which they had all basic amenities. Table 4.6 shows that 48 per cent of those renting unfurnished houses which lacked amenities paid less than £1 a week, whilst 61 per cent of those who had all amenities paid between £3 and £7 a week. Consequently few family and elderly households paid rents of £7 or more, indeed 61 per cent of the elderly paid less than £3 a week. Households in furnished accommodation paid more. 87 per cent of those whose accommodation had all amenities, paid £10 or more. The fact that 79 per cent of unrelated large adult households paid £20 or more a week indicates the rent paid for furnished houses. Where amenities were shared, however, rents were lower, as many as 32 per cent paying £3 to less than £7 reflecting rents for bedsitters and only 28 per cent paying £10 or more for their accommodation.

Almost all the rents paid for furnished accommodation were privately agreed. This was so for 84 per cent of the rents for furnished houses and 73 per cent of the rents for flats and bedsitters. Very few were registered Fair Rents. By contrast 59 per cent of the rents of unfurnished houses which had all basic amenities were registered Fair Rents, a proportion which rose to 69 per cent and 72 per cent in HAA and GIA respectively. The rents of only 17 per cent of unfurnished houses

Rents	Household Type						Rent Unfurnished Accommodation*			Rent Furnished Accommodation*		
	One and Two Person Unrelated Adults	Large Unrelated Adults	Small Adult	Families	Elderly	All	All Amenities	Lack Amenities	All	All Amenities	Shared Amenities	All
	%	%	%	%	%	%	%	%	%	%	%	%
Under £1	1.0	-	2.8	9.7	29.8	11.4	6.0	48.4	22.2	-	-	-
£1 less than £3	1.3	-	7.2	25.3	31.8	14.9	23.8	37.5	28.7	-	0.8	0.4
£3 less than £7	28.0	2.3	31.8	47.4	33.7	31.0	60.6	13.2	42.5	4.6	32.1	18.8
£7 less than £10	29.5	0.3	11.0	5.7	2.1	13.0	5.3	0.1	3.5	8.2	38.5	23.0
£10 less than £20	36.1	18.3	42.1	11.7	2.5	20.9	4.1	0.8	2.8	52.1	25.4	40.0
£20 or more	4.1	79.0	5.0	0.1	-	8.8	-	-	0.3	35.0	3.2	17.8

NOTE Numbers in sample: weighted sample

\* Data for those sharing amenities in unfurnished accommodation and lacking amenities in furnished accommodation are included in the total but not the detail

Table 4.6 Net weekly rents paid by households in the private rented sector, inner Sheffield 1979

lacking amenities were registered, whilst 36 per cent were controlled rents, 71 per cent of all such rents being for unfurnished houses lacking amenities.

For 28 per cent of households, net rent accounted for less than 5 per cent of total net household income, especially family and elderly households, of whom 57 per cent and 53 per cent were in this position. Where, however, such households had all amenities the rent was a greater proportion of income. 79 per cent of the elderly without amenities paid less than 5 per cent compared with only 31 per cent who had all amenities, of whom 41 per cent paid 10 per cent to under 20 per cent. Similarly, 64 per cent of families without amenities paid under 5 per cent, a proportion which fell to 39 per cent of those with amenities, of whom 47 per cent paid 5 per cent to under 15 per cent.

At the other extreme, the rents of 23 per cent of households accounted for 20 per cent or more of household income, especially amongst young single and large unrelated adult households of whom 43 per cent and 56 per cent respectively were in this position.

#### The Landlords of the Sample Addresses

75 per cent of all sample addresses were owned by private individuals, rather than by companies, who owned 14 per cent, or other organisations, like non charitable trusts. 48 per cent of the addresses in private ownership had landlords who were sixty years or older; nearly two-thirds were owned by men rather than by women and nearly 80 per cent of the latter addresses had landlords who were sixty or more, compared with 38 per cent of those owned by male landlords. The owners of only 50 per cent of the addresses had full time jobs and 46 per cent of the addresses had owners who were in, or had retired from, skilled manual occupations. There were no significant differences between sample areas.

Most of the addresses had landlords whose total holdings were small. The owners of 44 per cent of the weighted total had less than ten lettings throughout Sheffield, and only 21 per cent were owned by landlords with 50 or more lettings. Where an address was in individual ownership it tended to be part of a much smaller holding than if owned by a company or other

Table 4.7 Sample private rented addresses in inner Sheffield by characteristics of landlords, 1980

(a) Type of Landlord	(b) Age of Individual Landlord	(c) Employment Status of Individual Landlord
%	%	%
Private individual	Under 40 years	Full time job
74.8	14.6	50.1
Company	40-59	Other economically active
13.7	37.4	8.8
Other	60 or more	Housewife and retired
11.5	48.0	41.1
No. of addresses	No. of addresses	No. of addresses
468	350	350

(d) Number of Lettings in Sheffield

	Private Individual %	Company %	Other %	All %	All (Weighted) %
1-9	59.2	28.1	25.9	51.1	44.0
10-49	33.4	31.2	57.4	35.9	35.1
50 or more	7.4	40.7	16.7	13.0	20.8
No. of address	350	64	54	468	1103

organisation. For example, the owners of 41 per cent and 17 per cent of addresses respectively in company or other ownership had holdings of 50 or more lettings, compared with the owners of only 7 per cent of addresses in private individual ownership. The landlords of 80 per cent of sample addresses owned no other lettings elsewhere in England and Wales. Indeed only 2 per cent had owners with 50 or more outside Sheffield, all being owned by company landlords.

Nearly a quarter of addresses had landlords whose total net, pre tax income from all lettings was nil or negative, and nearly another quarter had landlords with less than £10 weekly rental income. The owners of only 19 per cent had a total weekly rental income of £80 or more. Whilst the owners of 22 per cent drew half or more of their total income from rent, the landlords of 54 per cent were dependent on rental income for less than 20 per cent of their total pre tax income.

The owners of a third of the sample had experienced a net loss in the total number of lettings they owned in Sheffield in the last three years. This net decline was more pronounced amongst the owners of addresses which were let as whole houses rather than as HMOs (flats or bedsitters), and amongst addresses whose owners held ten or more, rather than fewer, lettings throughout Sheffield. Moreover, although owners of HMO addresses were less likely as a whole to have experienced a net loss, landlords of a greater proportion of registered HMO addresses than of unregistered ones had had a net loss. Nearly a quarter of addresses, however, had owners whose total holdings had grown in net terms. To only a limited extent can this be attributed to inheritance. As Table 4.8 shows, the owners of 37 per cent of addresses said that they had acquired property for residential letting in Sheffield in the previous five years - and nearly half of these had landlords who had also experienced a net increase in lettings in the previous three years. In most cases, moreover, this was not the result of inheriting property. The owners of 88 per cent of all addresses whose landlords had acquired property since 1974 had done so entirely by purchase. However, where a sample address itself had been inherited the owners of only 16 per cent of them had acquired property since 1974 - and all by inheritance.

Table 4.8

Sample addresses by whether or not landlord had acquired any property for residential letting in Sheffield since 1974 by whether or not sample address bought or inherited

Acquisition of Property by Landlord since 1974	Method by which Sample Address Acquired		Total
	Bought	Inherited	
	%	%	%
No property acquired	55.5 % 64.2	83.7 35.8	63.2
Property acquired - all or some inherited	0.3 % 4.8	16.3 95.8	4.6
Property acquired - all purchased	44.1 % 100	- -	32.2
Numbers in sample	333	123	456

Note First % = Column %      Second % = Row %

### When and How Landlords Acquired Sample Addresses

As Table 4.9 shows, a significant proportion of addresses had been acquired relatively recently - 42 per cent since 1970, including 22 per cent since 1977. Only 20 per cent had been acquired before 1958. This pattern was broadly similar for all areas, with the exceptions of GIA where over a third had been acquired before 1958, of EXCL where 51 per cent had been acquired after 1970, and HMO where comparatively few had been acquired before 1958. Only just over a quarter of all addresses had been inherited, a proportion noticeably higher amongst GIA and EXCL addresses. Moreover, 56 per cent of all addresses owned by women, compared with 22 per cent by men, had been inherited and the older the landlord had been when the address was acquired the more likely it was that he or she had inherited it. 46 per cent of all addresses which had been purchased had been acquired since 1970 and the years in which purchased addresses were acquired were very similar for all sample areas. There were, with the single exception of the age of the landlord, few differences in this pattern of acquisition in respect of the characteristics of the owners. For example, addresses owned by landlords with small and large total holdings were equally likely to have been acquired at the same time. There were also few exceptions to this general pattern when the type of accommodation provided at addresses is taken into account. Fewer addresses let as a whole house on a furnished compared with unfurnished letting were acquired before 1958, but it should also be noted that as many as 36 per cent let unfurnished were acquired after 1970 and this is so whether they were let on controlled tenancies or not. 87 per cent of all addresses acquired by inheritance were let unfurnished compared with only 49 per cent of those which had been purchased.

	Addresses Bought	Addresses Inherited	Addresses Let as Whole House	Addresses Let as HMO	All Addresses					
(a) Year Acquired	%	%	%	%	%					
Before 1958	17.4	28.3	26.3	6.0	20.3					
1958 - 1970	36.8	39.2	33.1	47.8	37.4					
1971 - 1980	45.8	32.5	40.6	46.3	42.3					
Number of addresses	334	120	320	134	454					
(b) Year Acquired	HAA		GIA		EXCL		RIC		HMO	
	P*	A*	P	A	P	A	P	A	P	A
	%	%	%	%	%	%	%	%	%	%
Before 1958	15.7	15.9	30.2	34.2	20.0	20.0	16.8	21.1	4.1	3.7
1958 - 1970	39.2	38.1	39.6	39.5	14.0	28.9	34.3	33.9	61.2	59.3
1971 - 1980	45.1	46.0	30.2	26.3	66.0	51.1	48.9	45.0	34.7	37.0
% addresses purchased	81.0	-	69.7	-	55.6	-	76.6	-	90.7	-
Number of addresses		63		76		90		171		54

\* NOTE P = Addresses purchased ; A = All addresses

Table 4.9 Year sample addresses were acquired by (a) method of acquisition and type of addresses, (b) sample area

34 per cent of all addresses acquired since 1963 had been acquired with vacant possession, a proportion unaffected by date or method of acquisition. However, only 3 per cent of addresses let as a whole house on an unfurnished basis were acquired with vacant possession compared with 81 per cent of those let furnished. As a consequence there was very little unfurnished letting of addresses acquired with vacant possession, 89 per cent of such acquisitions being subsequently let furnished. 55 per cent of all addresses let as HMOs, however, had by contrast, been acquired vacant.

### Rents of Sample Addresses

The weekly rent (from all lettings at an address net of rates and services charges, if any) of 32 per cent of addresses was below £200 p.a., including 13 per cent where it was under £100. At the upper end of the range, rented income from 25 per cent of addresses was £1,000 or more. Unless it was let on a furnished basis the rents of almost all addresses let as a whole house, were less than £400 a year and where the letting was controlled 83 per cent were under £200. Where an unfurnished address did not possess all the standard amenities rents were under £200 p.a. in 89 per cent of cases. Where they did have all amenities, then in 68 per cent of cases rents were between £200 and under £400. Rents of addresses let on a furnished basis were considerably higher. In 78 per cent of cases they were £400 or more, including 36 per cent where the annual rent was £1,000 or more.

78 per cent of addresses let as flats and bedsitters had total rents of £1,000 or more, including 39 per cent where it was £2,000 or more. The greater the number of lettings at an address, the greater the rental income. At only 21 per cent where there were only two lettings was the rent £2,000 or more compared with 69 per cent of addresses where there were eight or more lettings.

### Landlords' Attitudes towards Addresses

73 per cent of addresses which had been purchased had been bought for investment purposes, 13 per cent had been purchased by the owner to live in (either in all or part), 8 per cent had been bought specifically for

	Less than £100	RENT p.a. (Net of rates/services)					£1,000 or more	Number in sample
		£100 -199	£200 -299	£300 -399	£400 -999			
(a) Type of address:								
Let as whole house	% 17.4	25.2	28.2	14.8	8.1	6.4	298	
Let as HIMO	% 0.9	1.9	0.9	1.9	17.0	78.4	106	
All sample addresses	% 13.1	19.1	21.0	11.4	10.4	25.0	404	
(b) Let as whole house:								
Furnished	% 2.0	2.0	10.0	8.0	42.0	36.0	50	
Unfurnished	% 20.3	28.8	30.9	14.8	2.1	3.0	236	
(c) Whole house let unfurnished:								
Controlled	% 38.5	44.2	9.6	4.8	1.9	1.0	104	
Not controlled	% 6.1	16.6	47.7	22.7	2.3	4.5	132	
(d) Let as whole house:								
All amenities present	% 6.9	16.4	37.0	19.0	10.6	10.1	189	
One or more amenities lacked	% 40.2	44.6	9.8	3.3	1.1	1.1	92	

Table 4.10 Rent of sample addresses by address characteristics

relations or employees to live in, and 5 per cent for a wide variety of other reasons - for example 'We bought it to make sure we knew who lived next door'.

By the time of the 1979 survey 74 per cent of all sample addresses were regarded as an investment. The rest included 14 per cent which were considered to be liabilities, for example, 'It's a millstone. Rents are too low to cover repairs, we've never made a profit', 'Dead loss. External painting took a whole year's rent, better to put the money in the bank.' This view was taken about 36 per cent of addresses which had been inherited. 6 per cent were regarded as homes by resident landlords, and 5 per cent were regarded for such diverse reasons as 'a future home for my son' or 'to make sure my employees have somewhere good to live'. Those regarded as investments included 33 per cent where the return on the investment was considered as coming from rental income, 37 per cent from market value and 5 per cent from both of these (included in 'other' in Table 4.11).

Where addresses were let as whole houses, only 25 per cent were regarded as investments with a return from rent income, 44 per cent were regarded for their market value return and 18 per cent as liabilities. 51 per cent, by contrast, of HMOs were investments giving a return from rent income, 20 per cent for market value return and only 5 per cent as liabilities. All addresses let as whole houses were regarded similarly, whether they were let in an unfurnished or furnished letting. In other words, despite they higher rent income from the latter, compared with the former, only 25 per cent are regarded as investments yielded a return from rent income. A greater proportion, 30 per cent of addresses which had all basic amenities, compared with those that did not, 13 per cent, were regarded as giving a return from rent income (especially if they had been improved by their present owner and were let unfurnished) but in both cases 40 per cent or more were considered for the return an increase in market value would bring.

As Table 4.12 shows, the higher the rented income from an address, the more likely it was that its owner would regard it has an investment yielding a return from rental income. Thus, the owner of only 13 per cent of addresses with rents of under £200 p.a. regard them as giving a return

Table 4.11 How landlord now regards sample address by address characteristics

Address	How Address Regarded				Number of Addresses
	Rent Income	Market Value	Liability	Other	
(a) All addresses	% 32.6	37.0	14.2	16.1	478
(b) Let as whole house	% 24.9	44.1	18.0	13.0	338
(c) Let as HMO	% 51.4	20.0	5.0	23.6	140
(d) Whole house: furnished	% 25.4	40.3	14.9	19.4	67
(e) Whole house: unfurnished	% 24.7	45.0	18.8	11.4	271
(f) Whole house: all amenities	% 29.7	40.5	16.2	13.6	222
(g) Whole house: amenities lacking	% 13.2	49.1	26.4	11.3	106

Rent per Annum	How Address Regarded				Numbers in Sample
	Rent Income	Market Value	Liability	Other	
	%	%	%	%	
Less than £100	5.2 % 13.2	18.0 50.9	17.7 20.8	14.0 15.1	53
£100-199	7.4 % 13.0	26.0 50.6	32.3 26.0	14.0 10.4	77
£200-299	23.7 % 37.6	22.7 40.0	19.4 14.1	12.3 8.2	85
£300-399	11.1 % 32.6	12.0 39.1	9.7 13.0	12.3 15.2	46
£400-999	9.6 % 31.0	5.3 19.0	9.7 14.3	26.3 35.7	42
£1,000 or more	43.0 % 57.4	16.0 23.8	11.3 6.9	21.1 11.9	101
Numbers in sample	135	150	62	57	404

NOTE First % = Column % ; Second % = Row %

Table 4.12 How landlord now regards address by rental income from address

on investment from rents, compared with 30 per cent of addresses where rents are between £200 and £999 p.a. and over half address with higher rents. The proportion regarded as investments where the return comes from market value or as liabilities decreases as rent income increases. This pattern held true regardless of the type of property, that is with increasing rents greater proportions of addresses let as whole houses and as HMOs were regarded as investments for rent income.

As Table 4.13 reveals there was no evidence to suggest that addresses acquired in the recent past were regarded any differently from those acquired in earlier periods. Whatever type of property is considered, and whatever the period in which they were acquired, approximately the same proportions are regarded as investments for rent income and for market value, with the single exception that comparatively few of addresses that have been purchased in the years just before the survey were regarded as liabilities. What this means is that less than a third of addresses acquired in the 1970s were regarded as investments where the return comes from rent income. It is only where HMOs are concerned that the majority of such recently acquired addresses were regarded in this manner.

How Address Regarded	YEAR OF ACQUISITION					
	Before 1958		1958 - 1970		1971 - 1980	
	%		%		%	
(a) All addresses:						
Rent income	32.6		37.1		30.2	
Market value	44.6		32.3		37.0	
Liability	15.2		15.9		13.0	
Other	7.6		14.7		20.0	
Number of addresses	92		170		192	
(b) Addresses let as whole house:	%	%	%	%	%	%
Rent income	29.8	(39.2)	28.3	(32.3)	20.8	(24.5)
Market value	45.2	(41.10)	38.7	(38.7)	47.0	(51.0)
Liability	16.7	(15.7)	22.6	(14.5)	16.9	( 5.1)
Other	8.3	(3.9)	10.4	(14.5)	15.3	(19.4)
Number of addresses	84	(51)	106	(62)	130	(98)

NOTE The figures in brackets in section (b) are for addresses which were purchased

**Table 4.13** How landlord regards address by year of acquisition

## CHAPTER 5

### IMPROVEMENTS AND LOCAL AUTHORITY POLICY

#### The Scale of Improvement Activity by Landlords between 1964 and 1979

This chapter looks only at addresses which were let as whole houses in 1979, considers the extent to which sample addresses included in the landlord survey were improved by 1980, the influence of LHA policy on improvements and the circumstances in which unimproved properties were likely to be improved by their then owners. 342 of the sample addresses were let, either unfurnished or furnished, as a whole house, although because of some partial response about amenities at some addresses complete data was not available for all of them.

To find out whether an address had been improved by its then landlord, owners were asked whether or not it had each of the five basic amenities in 1963 (or the date they acquired it, if later) and in 1980, the date amenities missing in 1963, but present in 1980 had been installed, and by whom, landlord or tenant. Where an address had all five amenities it was regarded as being at 'full standard'.

Table 5.1 shows that only 21 per cent of the unweighted total (and 17 per cent of the weighted) had been at full standard when acquired (though some amenities were subsequently replaced). 46 per cent (50 per cent of the weighted total) had been below standard, in 65 per cent of these cases with as many as four or more amenities missing, but had since been improved by their owners to full standard, including 44 per cent where all the improvements had been done at the same time, few addresses therefore being improved in an incremental fashion over several years. 31 per cent of both the unweighted and weighted total had been below full standard when acquired, but no works of improvement had been subsequently carried out. At 79 per cent of these addresses, four of the five basic amenities were missing: 95 per cent, for example, were without an inside w.c. At the remaining 2 per cent of addresses, either the landlord had done improvements, but to less than the full standard, or tenants had done all the work carried out, though in none of these latter cases had extensive works involving the installation of several amenities been done. At only 2 per cent of all addresses where improvements had been done, had the address been the landlords' own home at the time the work was carried out.

Whether Address Improved	HAA %	GIA %	EXCL %	RIC %	All	
					(1) %	(2)* %
At full standard at acquisition	8.0	23.2	8.9	23.8	21.0	17.0
Landlord did works to full standard in same year	82.3	47.8	42.2	36.4	43.5	47.9
Landlord did works to full standard in different years	2.5	1.3	3.0	1.3	2.7	2.0
Landlord did some works but only to partial standard	-	2.2	0.7	-	0.9	0.7
Landlord did no works, and address at partial standard	7.3	25.4	44.4	37.3	31.0	31.4
Tenant did all works to full standard	-	-	-	1.3	0.6	0.7
Tenant did some works to partial standard	-	-	0.8	-	0.3	0.2
Numbers in sample (weighted data for sample areas)	128	196	228	269	329	821

\*NOTE Column 1: unweighted data; Column 2: weighted data

Table 5.1 Sample addresses by whether or not improvements carried out by landlord between 1963 or date of acquisition (if later) and 1980 by sample area.

At only 4 per cent of all addresses had a new back extension for kitchen or bathroom been built, but an attic had been converted into an extra room at 10 per cent of all addresses by the installation of a dormer window in the roof.

Table 5.1 confirms the evidence gathered from the tenant survey about the differences between sample areas. The major differences are between HAA and EXCL on the one hand and GIA and RIC on the other. Taking the weighted sample, only 8 per cent of addresses in HAA and EXCL were up to standard when acquired, with 55 per cent and 60 per cent of unimproved addresses respectively having only one amenity. But there the similarity ends. The owners of 85 per cent of HAA addresses improved them after acquisition compared with only 49 per cent of EXCL, so that in 1980 only 7 per cent of HAA, but as many as 46 per cent of EXCL addresses were without one or more basic amenity. It has already been explained that addresses in the two areas were broadly comparable, the major difference was that, whilst all were subject to proposed clearance until 1975 (and therefore it is unsurprising that so few were at full standard when acquired), those in HAA had benefited from area improvement policies. The lower level of improvement in EXCL can therefore be taken as an indication of the extent of improvement that would have taken place in HAA had the addresses not been the subject of HAA policies, but this is explored in more detail below. Two alternative explanations of the differences can, however, be dismissed now. A greater proportion of addresses in EXCL than in HAA had been inherited and a greater proportion had been recently acquired. It could be argued, therefore, that since owners of inherited and recently acquired addresses were less likely to have done improvements, it is the greater proportion that these accounted for of the EXCL addresses which explained the lower degree of improvement. This is not so. 80 per cent of addresses acquired after 1971 and 86 per cent of all inherited addresses had been improved in HAA, compared with 28 per cent and 46 per cent respectively, in EXCL.

In GIA and RIC, by contrast, nearly a quarter of addresses were already improved when they were acquired. A greater proportion however of unimproved addresses had subsequently been improved in GIA so that in 1980 only 28 per cent of them still lacked amenities compared with 37 per cent in RIC.

71 per cent of the addresses improved by landlords had also had repairs carried out at the same time that the improvements were done. Where improvement had been grant aided (see below) it is likely that undertaking such repairs as were needed would have been a condition of the grant. Moreover after 1974, for all grants, and between 1969 and 1974, for improvement rather than standard grants (a form of grant superseded by intermediate grant), a proportion of the allowable cost of grant aided work could be devoted to repairs, and it was, therefore, to the landlords' advantage to undertake repairs when doing improvements so as to secure grant aid for them. 85 per cent of HAA, compared with 76 per cent, 69 per cent and 61 per cent in EXCL, GIA and RIC respectively had been repaired. At only 47 per cent of addresses, however, had five or more items of repair been carried out and at 25 per cent only two repair items were done.

Information about the total cost (including any part covered by grants) of improvements and repairs was collected when the work of improvement had all been done in the same year. At only 6 per cent of addresses had it cost under £1,000, at 1979 prices, at 42 per cent between £1,000 and £2,999, 33 per cent between £3,000 and £4,999 and at only 18 per cent had the cost been £5,000 or more. The key determinant of cost was in fact the number of repairs carried out, rather than the number of amenities installed. Considerably greater costs had been incurred in HAA than elsewhere - 52 per cent had cost £4,000 or more, compared with 23 per cent, 17 per cent and 29 per cent in GIA, EXCL and RIC respectively. There was no evidence for any sample area that addresses more recently improved had been those where improvement and repair costs were greater in comparison with those done in earlier years. Nevertheless, despite the evidence of this survey about the extent of improvement and repair work done in HAA, compared with other sample areas, it is clear from the evidence of the tenant survey that by no means all the repairs needed had been dealt with as a result of improvements.

		Address at FS at Acquisition	LL did Works to FS	LL did no works Address at PS	% of Unimproved at Acquisition Improved by 1980	Number
(a) Year address acquired:						
	Before 1958	% 16.0	60.0	24.0	71.4	75
	1958 - 1962	% 16.7	61.9	21.4	74.3	42
	1963 - 1967	% 18.2	42.4	39.4	51.8	33
	1968 - 1971	% 4.0	72.0	24.0	75.0	25
	1972 - 1976	% 32.7	49.1	18.2	73.0	55
	1977 - 1980	% 31.5	17.8	50.7	26.0	73
(b) How address was acquired by LL:						
	Bought	% 24.6	48.8	26.5	64.8	211
	Inherited	% 16.2	45.7	38.1	54.5	105
(c) How LL now regards address:						
	Investment for rent income	% 21.8	61.5	16.7	78.6	78
	Investment for market value	% 18.8	45.7	35.5	56.3	138
	As a future home	% 30.0	30.0	40.0	42.8	10
	As a liability	% 25.4	30.2	44.4	40.5	63
	Jointly RI/MV	% 18.2	72.7	9.1	88.9	11

NOTE FS = All amenities present; PS = One or more lacking.  
Addresses improved by tenants have been excluded from this data.

Table 5.2 Sample addresses by whether or not improvements carried out by landlord between 1963 or date of acquisition (if later) and 1980 by (a) date of acquisition, (b) whether address bought or inherited, and (c) how landlord regarded address in 1979

		Address at FS at acquisition	LL did works to FS	LL did no works. Address at PS	% of unimproved at acquisition Improved by 1980	Sample Numbers
(a)	Furnished	% 45.2	38.7	16.1	70.6%	62
	Unfurnished	% 14.7	47.6	37.7	55.8%	258
(b)	Controlled	% 12.6	21.6	65.8	24.7%	111
	Not controlled	% 16.0	68.8	15.3	81.8%	144
(c)	Rent per annum:					
	Under £99	% 12.0	14.0	74.0	15.9%	50
	£100 - £199	% 8.3	33.3	58.4	36.4%	72
	£200 - £299	% 15.2	72.2	12.6	85.1%	79
	£300 - £399	% 30.8	61.6	7.7	89.0%	39
	£400 - £999	% 52.4	42.9	4.8	90.1%	21
	£1000 or more	% 50.0	45.0	5.0	90.0%	20
(d)	Rent:	%	%	%		
	Under £99	10.5	5.4	39.4		
	£100 - £199	10.5	18.5	44.7		
	£200 - £299	21.0	43.8	10.6		
	£300 - £399	21.0	18.5	3.2		
	£400 - £999	19.3	6.9	1.1		
	£1000 or more	17.6	6.9	1.1		
	Sample numbers	60	132	89		

NOTE FS = all amenities present: PS = one or more amenity lacking

Table 5.3 Sample addresses by whether or not improvements carried out by landlord between 1963 or date of acquisition (if later), and 1980 by various address characteristics

		Address at FS at acquisition	LL did works to FS	LL did no works. Address at PS	% of unimproved at acquisition Improved by 1980	Sample Numbers
(a) LL Type:						
Private individual	%	22.0	47.9	30.1	61.4%	232
Company	%	14.0	51.1	34.9	59.4%	43
Other	%	22.2	35.6	42.2	45.7%	45
(b) LL Age:						
Under 40	%	29.0	32.3	38.7	45.5	31
40 - 49	%	29.0	35.5	35.5	50.0	31
50 - 59	%	14.9	46.8	38.3	55.0	47
60 - 69	%	18.5	58.5	23.0	71.8	65
70 or more	%	24.2	45.7	30.1	60.3	62
(c) LL Size:						
1 letting in Sheffield	%	33.3	29.7	37.0	44.5	54
2 - 4	%	22.2	50.8	27.0	65.3	63
5 - 9	%	18.5	53.8	27.7	66.0	54
10 - 24	%	15.1	55.2	29.7	53.2	73
25 - 50	%	25.6	59.0	15.4	79.3	39
51 - 99	%	12.5	25.0	62.5	28.6	16
100 or more	%	13.8	51.7	37.9	59.9	29
(d) LL's Rental Income:						
Nil or negative	%	16.0	34.0	50.0	40.5	50
Less than £10 per week	%	25.5	37.2	37.3	50.0	51
£10-£24 per week	%	24.0	60.0	16.0	78.9	25
£25-£79 per week	%	28.6	53.6	17.8	75.3	28
£80 or more per week	%	22.2	44.5	33.3	57.3	18

Table 5.4 Sample addresses by whether or not improvement carried out by landlord between 1963 or date of acquisition (if later) and 1980 by various landlord characteristics.

### Characteristics of Improved Addresses and Their Owners

As Tables 5.2 to 5.4 show, where an address had been acquired before 1963 only 16 per cent of them were at full standard in 1963. By 1980, although over 70 per cent of those which were unimproved in 1963 had been subsequently improved, 23 per cent of all those acquired before 1963 remained unimproved. A similarly low proportion of those acquired between 1963 and 1971 were up to standard at the time of acquisition. Again the majority had subsequently been improved. Up to a third of those acquired in the 1970s, however, were already at full standard when acquired. Nearly three-quarters of the unimproved addresses acquired between 1972 and 1976 had been brought up to standard by 1980, but this was so for only a quarter of the most recent acquisitions. It will be seen later, however, that it was simply a matter of time needed to implement improvement that had prevented the owners of the majority of these from doing the necessary works.

Only 15 per cent of addresses let unfurnished had been at full standard when they were acquired, compared with 45 per cent of those let furnished; of those acquired in an unimproved state, 71 per cent of furnished and only 56 per cent of unfurnished had been improved by 1980. Very few addresses let furnished in 1980 were let unfurnished prior to improvements, so that the comparatively higher proportion of furnished addresses at full standard in 1980 did not include a significant complement of formerly unimproved and unfurnished addresses. Only 25 per cent of addresses then let on controlled tenancies and acquired in an unimproved state had been subsequently improved by 1980, compared with 82 per cent of those not controlled. Consequently 74 per cent of unimproved addresses had rents below £200 p.a. compared with only 24 per cent of those where improvements had been carried out; indeed, the rents of 62 per cent of the latter were between £200 and £399 p.a. In fact, 94 per cent of all addresses whose 1980 rent was £300 or more, were up to standard.

There was no significant difference in the level of improvement, neither at acquisition nor subsequently, comparing addresses purchased with those that had been inherited, although a lower proportion of the latter had been both already improved at acquisition (16 per cent compared with 25 per cent) and, if unimproved, subsequently brought up to standard (55 per

cent compared with 65 per cent). Owners' attitudes towards addresses were, however, significant. Over 80 per cent of those regarded as investments giving a return from rent income had been improved after being acquired unimproved, compared with 56 per cent of those regarded as investments where the return came from increases in market value, and with only 40% of those considered to be liabilities.

There were, however, no significant differences in respect of the characteristics of owners who had and had not improved. Addresses owned by private individuals were just as likely to have been improved as those owned by companies. There was no evidence to suggest that addresses belonging to older, private individual landlords, were less likely to be improved than those owned by younger landlords. Indeed, if anything, the opposite was the case and this was not explained by the fact that older landlords were more likely to have owned their addresses for longer than younger landlords. Whatever year an address had been acquired, older and younger owners of these addresses were equally likely to have improved them. Nor was it the case that a greater proportion of addresses whose owners had large total holdings had been improved in comparison with those addresses whose landlords had few lettings.

#### The Impact of LHA Policies on Improvement

Owners were asked why they had done the improvements to an address at the time works were carried out, rather than done them beforehand. There were, in fact, significant differences between sample areas in the time the work was done. Taking only those addresses where the work was all done in the same year, 98 per cent and 91 per cent respectively in HAA and EXCL had been done between 1976 and 1980, compared with 44 per cent and 41 per cent in GIA and RIC respectively. In GIA a number had been improved before 1972, therefore predating GIA declarations in Sheffield. In RIC, only 26 per cent were improved between 1972 and 1974, the period when 75 per cent grants were available throughout Sheffield, and during which period 60 per cent of all grants paid to private landlords between 1970 and 1978 were awarded.

	HAA	GIA	EXCL	RIC	Total
	%	%	%	%	%
L.A. incentives to improve	28.9	19.0	22.7	18.8	22.7
L.A. pressure to improve	27.5	9.5	-	2.2	11.1
Tenant pressure to improve	7.8	21.0	23.2	30.9	19.6
Improvement done after purchase	17.4	13.8	16.7	17.2	16.2
Address no longer in clearance	1.3	9.6	26.8	-	9.2
As and when LL could afford to	6.8	15.9	2.0	21.6	11.3
Other	10.3	11.2	8.6	9.3	10.0
Number in sample (weighted)	103	103	81	71	358

Table 5.5 Sample addresses which had been improved between 1963 or date of acquisition (if later) and 1980 by reasons for carrying out improvements by sample area.

The owners of only 15 per cent of addresses said that there had not been a specific reason for doing the works in the year in question. The owners of 43 per cent of the rest of the addresses gave spontaneously, as the main reason why they had improved, an explanation directly related to LHA policy, including the increased incentive they had had as a result of changes to levels of grants, the pressure to improve placed on them by the LHA, or the removal of addresses from the slum clearance programme. There were, however, significant differences between sample areas. 58 per cent of HAA addresses had been improved as a consequence of LHA policy, roughly equally divided between those which had been improved because of the additional incentives given by increased grants and those because of the application of pressure by the LHA. For example: 'Simply because the HAA was declared ... Environmental Health Officer came to see us ... we saw the logic of it ... we had to have it done before 1980, otherwise we'd have lost the 75 per cent grant'. The application of pressure ranged from the informal approach right through to the use of statutory notices. For example: 'The Council said we had to have inside toilets and we could have a grant to do an inside toilet' or, 'it was as a result of the service of a compulsory improvement notice'.

In EXCL 49 per cent of improvements were influenced by LHA policy, but the owners of no addresses referred to the use of pressure by the LHA. Instead they referred to the lifting of the threat of demolition, allied to the availability of grants. For example: 'The removal of the demolition threat allowed grant aided improvement'. Only 38 per cent and 22 per cent of addresses in GIA and RIC respectively had been improved as a consequence of LHA policy, and in these cases it was the extra incentive provided by changes in the level of grants that had crystallized decisions in particular years rather than the use, informally or formally, of pressure by the LHA.

The owners of the remaining 57 per cent of all addresses had improved for three main reasons. In 20 per cent of cases the owner had improved as a result of pressure exerted by the tenants, sometimes indirectly. For example: 'They went to the Town Hall and insisted they wanted a bathroom' or 'The tenants in another house demanded a bathroom, so all the properties were done at the same time'. This reason was comparatively insignificant in HAA but of greater importance in GIA and EXCL, and more

particularly in RIC where just under a third of addresses had been improved because of it. 16 per cent of addresses had been improved by the owner as soon after purchase as possible, and it was only the inevitable delay occasioned by preliminary planning that had prevented earlier improvement. 11 per cent of addresses, though few in HAA and EXCL, had not been done before because of financial constraints and the addresses had only been improved as and when the landlord could afford to do so. 10 per cent had been improved at the particular time for a variety of other reasons.

No improved addresses had owners who said they had not done the works earlier because they were waiting until the property was vacant so that they could do the improvements without having to disturb existing tenants with the disruption of building works. In fact 84 per cent of addresses had been improved whilst tenanted. Indeed, one agent volunteered that this had not posed any problems - his client's tenant was the 'best possible clerk of works'. The fact that LHA pressure was not mentioned as such by owners of EXCL addresses does not imply that the LHA took an entirely passive role in securing improvements to these addresses. Though a LHA could only use its own initiative to compel a landlord to improve in improvement areas and had to await tenant representations elsewhere, the circularisation of letters to owners and residents in EXCL will have promoted knowledge about the removal of the clearance threat and the fact that grants had become available. This will have spurred tenants to ask the LHA to get works carried out. In cases where this happened the LHA may indeed have asked landlords to improve, but owners saw the initial stimulus arising from tenant rather than LHA pressure.

More specific evidence about requests by the LHA to do improvements was gathered by asking landlords quite explicitly about this. The owners of 19% of addresses said they had been asked to do the work, a rather higher proportion of addresses than the 11 per cent whose owners had referred to LHA pressure when asked spontaneously to give their main reason for improving when they did, suggesting that such pressure lay behind some of the other reasons they gave for doing the works. In 57 per cent of cases owners said the approach had been informal, in the sense that officers had called on them or written to explain about grants and the fact that the LHA did have formal powers to secure that the necessary work was done.

		L.A. incentives or pressure	Other Reasons	Number (unweighted)
<u>Year address acquired</u>				
Before 1968	%	35.9	64.1	78
1968 or later	%	23.5	76.5	51
<u>Landlord type</u>				
Private individual	%	35.0	65.0	97
Company/other	%	17.6	82.4	34
<u>Method of acquisition</u>				
Bought	%	21.5	78.5	93
Inherited	%	50.0	50.0	42
<u>How address regarded</u>				
Investment for rent income	%	15.6	84.4	45
Investment for market value	%	35.6	64.4	59
Liability	%	56.2	43.8	16
Other	%	33.3	66.7	15

Table 5.6 Sample addresses which had been improved between 1963 or date of acquisition (if later) and 1980 by reasons for carrying out improvements by various address and landlord characteristics

The owners of 33 per cent of addresses had received a compulsory improvement notice and 12 per cent a nuisance abatement or repairs notice. There were, however, significant differences between sample areas. The owners of as many as 42 per cent of HAA addresses compared with only 8 per cent, 23 per cent and 17 per cent respectively of GIA, EXCL and RIC addresses said that they had been asked to do improvements.

Returning to the main reasons given spontaneously for improving, it was found that some owners more than others had referred to the effect of LHA policy on their decision. In particular the longer an address had been in its current owners possession before improvements were done, the more likely it was to have been improved because of LHA policy. In other words they had owned them for many years in an unimproved state, but ultimately alterations to the system of grants or persuasion exerted by the LHA had resulted in work being undertaken. In other cases, either the addresses had been acquired more recently and improvements were done as soon after acquisition as possible, or they had been improved because of tenant pressure. In the latter case tenant pressure was more significant for addresses which owners had held for a number of years, although they had not been held in an unimproved state for as long as had those addresses whose owners had responded to the influence of LHA policy. It would seem, therefore, that the 'trigger' effect of LHA policy is of particular significance in securing the improvement of addresses whose landlords have owned them for many years and who until they did the work needed had felt no previous incentive to do so.

Additionally it was found that address owned by private individuals rather than companies, by landlords who had inherited rather than purchase them, and addresses regarded as investments for market value or considered to be liabilities rather than investments for rent income were all more likely to have been improved as a result of the influence of LHA policy.

#### The Use of Improvement Grants

83 per cent of addresses had been improved with a grant. This percentage did not vary significantly between sample areas, but there was a difference in respect of the type of grant paid. 79 per cent of addresses in HAA had been improved with a full discretionary improvement

grant, compared with 49 per cent , 41 per cent and 40 per cent respectively in GIA, EXCL and RIC, where greater use was made of standard and intermediate grants. This implies that a greater proportion of addresses in HAA, compared with EXCL and elsewhere, had been improved to the higher standard required for discretionary improvement grants. This may partly reflect a conscious attempt by the LHA to secure higher standards in HAA work, but may also be due to the fact that, since a greater percentage of the cost had been grant aided in HAA than EXCL (by virtue of the award of 75 per cent grants, see below), owners were more able to afford to improve to the higher standards of a full improvement grant than in EXCL. This is reflected in both the total costs of work to HAA addresses and in grants paid (26 per cent of grants paid were £3,000 or more at 1979 prices in HAA compared with 12 per cent in EXCL).

Most of the grants paid in HAA were 75 per cent grants, that is they covered 75 per cent of the allowable costs, whereas 53 per cent, 85 per cent and 73 per cent respectively, according to owners, of grants paid in GIA, EXCL and RIC were 50 per cent grants. However, the fact that the owner of an address received a certain grant percentage does not mean that this was the percentage of the total cost of work actually covered by grant. All costs above the maximum allowable costs are not met by grant aid, the cost of some work is disallowed and, moreover, the amount of the cost of repairs which is allowable for grant aid could not, before 1980, exceed the amount of improvement cost. For these reasons landlords may have received less than the nominal percentage of grant aid. Because of this, 37 per cent of all improvements were grant aided to the tune of less than 50 per cent of the total cost, 30 per cent to the tune of exactly 50 per cent, 21 per cent between 50 per cent and under 75 per cent, and 13 per cent exactly 75 per cent. In EXCL, for example, 50 per cent were under 50 per cent compared with only 21 per cent in HAA while in HAA only 66 per cent were more than 50 per cent, including only 21 per cent which were 75 per cent.

How significant was the availability of the higher level of 75 per cent grants to those landlords who had been awarded them (even though the actual percentage of the total cost covered may have been less than this). The owners of 75 per cent of HAA and of 6 per cent GIA and 15 per cent of RIC addresses had received such grants, in GIA and RIC because such grants

were paid during improvements done between 1972 and 1974. (In GIA 28 per cent of addresses had been improved with the preferential grant of 60 per cent available in such areas since 1974).

Two approaches to examining the significance of higher grant percentages were adopted. First a comparison of GIA and RIC addresses improved between 1969 and 1971 and between 1972 and 1974, when allowable cost and grant conditions were uniform in both periods but whereas, in the first period grants were paid at the rate of 50 per cent, in the latter they were 75 per cent. This showed that in the latter period a greater percentage of addresses improved during that time belonged to older landlords, had been acquired before 1964, had been inherited and were regarded as liabilities. The second approach was to ask owners of all addresses who had more than a 50 per cent grant whether they would still have improved if they had received only a 50 per cent grant. The owners of 50 per cent said no, they would not have done so, a proportion which rose to 62 per cent of owners of HAA addresses where the majority had received 75 per cent. In explanation, the owners of the majority of addresses concerned, referred to the difficulty they would have had in financing the higher share of the cost that they would have had to bear. Others referred to the fact that the higher grant made it possible for them to do all the work that had been necessary. Typical comments illustrate this, '75 per cent grants allowed a much bigger job to be done, for example to put in new windows rather than repaired here and there', 'would have done some works in order to increase rent incomes, but a 75 per cent grant seemed to make other things worthwhile', 'No, otherwise, too much of my own money would be involved. I've got to save my own money at sixty-eight'.

Why had some addresses been improved without a grant? The major factor seems to be the extent to which repairs were done. Grant use was not related to the number of amenities installed, but where repairs were done at addresses 90 per cent were improved with grant aid whereas only 59 per cent of addresses where repairs were not carried out were improved with a grant. Was failure to use a grant, therefore, because owners did not want to improve to the standard the LHA would require? The owners of only 17 per cent of non grant aided addresses said so. The owners of 26 per cent said that they did not want to incur the conditions placed on grants and

a further 26 per cent had owners who said either that they did not know about grants or thought they were ineligible. The owners of the remainder referred to the desire to avoid bureaucracy and to steer clear of the 'charity' of grant aid. Very few had actually applied for a grant.

Conditions had, in fact, been imposed on 67 per cent of the grants awarded, 89 per cent of which were occupancy conditions requiring the landlord to keep the address available for letting, with the obligation to repay the grant if the condition was broken. Conditions covered 89 per cent and 83 per cent of HAA and EXCL addresses improved with grant aid compared with 51 per cent and 56 per cent respectively of GIA and RIC addresses.

### The Impact of Area Improvement Policies

To what can the extent of improvement in HAA by 1980, by comparison with EXCL, be attributed? The evidence from both the tenant and landlord surveys confirms the scale of the difference between the two areas. In addition, the evidence from the landlord survey showed that higher total costs had been incurred in improvement work in HAA and that more improvements had been done to the full improvement rather than intermediate grant standard, although this must be tempered by the knowledge that addresses in HAA still suffered from significant disrepair in 1980. The higher percentage grants of 75 per cent available in HAA are one factor in the explanation and it has already been seen that only 38 per cent of grant aided addresses in HAA would have been improved with a 50 per cent grant. Had, therefore, the higher rate of grant not been available in HAAs, as few addresses would have been improved as in EXCL. There are, however, other factors to be considered.

First, it has often been suggested that, because the LHA makes a deliberate attempt to secure improvements to all dwellings in an improvement area, this has the effect of creating greater confidence about its future and establishes a climate which is more conducive to investment and to future increases in market values, a climate which is enhanced not only by the improvements which are done to dwellings, but also by environmental improvements done by the LHA. Second, the LHA devotes more resources to the area, not only in terms of grants, but also in staff resources to

publicise improvements, help owners and to make use of the compulsory powers that the LHA can exercise on its own initiative. In effect, therefore, along with the higher grants available to them, owners may also be influenced by the effect of the whole area being upgraded and are more likely than elsewhere to be subject to LHA pressure to improve.

Owners of all improved addresses in improvement areas were asked whether, apart from the grant they had received, if any, the fact that the address was in an improvement area, where other owners and the LHA were improving the houses and the area as a whole, had influenced them when they decided to improve. The owners of 34 per cent of addresses in these areas said that it had. Of these, only 30 per cent were owned by landlords who made any reference, in explanation, to the fact that they expected property values to be affected or to the greater security which the improvement of the whole area afforded to their own investment. For example, 'It's in an improvement area, it's in the clients' interest to improve. The area is on the up, compared with other areas in Sheffield - market value is on the up.' 'The local authority asked for improvements to be made ... if I was going to keep it, it had to be in a good area where other improvements were going on. The fact that other houses are being improved gives security to my investment'. In 30 per cent of cases, the owners said that, because grants were available in the area, it was in their interests to improve, the owners of 15 per cent said explicitly that the influence had come about directly through the LHA's use of compulsory powers, and 18 per cent were owned by landlords, mostly in HAA, who indicated that the declaration of an improvement area, by removing the threat of demolition, had confirmed the life of the property. Thus, although the owners of few addresses considered the overall impact of area improvement to be important, it had had a modest but noticeable impact on decisions, especially in the case of the owners of HAA addresses who said that they would have improved with only a 50 per cent grant, 55 per cent of whose owners said they had been influenced.

Rather more significance can be attached to the use of local authority powers of compulsion. The owners of 42 per cent of HAA addresses had been asked to improve compared with 23 per cent of EXCL addresses. The difference between the two areas is much less significant when account is taken of this. Thus, whilst 92 per cent of addresses acquired unimproved

had been improved by 1980 in HAA compared with 51 per cent in EXCL, Table 5.7 shows that only 53 per cent of all HAA addresses which were unimproved when acquired had been brought up to standard without LHA pressure compared with 39 per cent of EXCL addresses. Thus the extent of voluntary improvement in the two areas is much more similar. In addition, considering just those HAA addresses improved with a 75 per cent grant, the owners of only 38 per cent of those improved voluntarily would have done so with a 50 per cent grant. Thus approximately only one fifth of all HAA addresses would have been voluntarily improved with a 50 per cent grant and a third only because of the higher grant available. However, it is crucial to point out that owners of 47 per cent of HAA addresses who had been asked by the LHA to do improvements would not have done improvements without a 75 per cent grant. In other words, they would either have left the work undone or sold the property to the LHA (or someone else) rather than comply with the LHA's requirements. Thus, the grant level was an essential ingredient of a successful 'pressure' policy on the part of the LHA.

The success of HAA policy had, therefore, not been purely the result of the higher rate, 75 per cent, of grants available. It was due in part to the perceived advantages to owners of improving addresses they owned in areas which were being upgraded, and to a more important extent to the pressure brought upon owners by the LHA itself, this pressure being the result of the greater staff resources devoted to house to house inspections and the service of statutory notices in the HAAs. The whole 'package' was important. If one or more of the ingredients had been lacking, then as few houses would have been improved as had been in EXCL.

#### Had Improvements been Worthwhile?

As the majority of improvements were carried out around sitting tenants, the immediate returns owners gained in rental came from the increased rents paid by these tenants. Although owners were not asked what rents before improvement had been, it was evident that these were usually low, because 61 per cent of the tenanted addresses had been controlled tenancies before improvements were carried out. In 77 per cent of cases where the improvements had been done in 1969, or later, the tenancy was subsequently decontrolled.

	HAA %	EXCL %
Not yet improved	7.8	49.5
Improved without LA pressures	53.4	38.7
Improved with LA pressure	38.8	11.8
	————	————
Number of addresses (weighted)*	116	204

Note \* This excludes addresses improved by the landlords when they had been the owners' own home when improvements were done and those improved by tenants

Table 5.7 Sample addresses which were below full standard when acquired in HAA and EXCL by whether improvement followed LA pressure

61 per cent of the addresses which were decontrolled, and 69 per cent of those which were not controlled, before improvements were let on Registered Fair Rents. 48 per cent of addresses had landlords who were looking mainly for an increase in rent income to give them the return on their improvement expenditure, the owners of 27 per cent were looking for increased market values to secure the return, 21 per cent had owners looking for something else and the owners of 5 per cent wanted no return. The returns landlords were wanting were consistent with the manner in which they regarded addresses as investments. In particular, it should also be noted that where owners were looking for a return from market value, more was spent, in total, on improvements than where the owner wanted increased rent. At 47 per cent of the former addresses £4,000 or more had in total been spent on improvements, compared by 21 per cent of the latter.

The owners of only 51 per cent of addresses who were looking for a return by way of increased rent or market value said that the return had been reasonable; 41 per cent and 7 per cent were owned by landlords who said it had not or they were not able to say, the latter being especially marked where owners had improved to get an increased market value, often saying 'it's too early to judge'. In fact the landlords of 59 per cent of addresses where returns were wanted from rent income were satisfied, compared with only 36 per cent where a market value return was desired.

Satisfaction was related to a number of factors. The owners' share of improvement expenditure was crucial. The majority of those who had spent under £2,000 thought their return reasonable, but the majority of owners of addresses where more than this had been spent thought otherwise. However, whatever the level of expenditure incurred, owners looking for their return from increased market values were less satisfied than were owners who were looking for their return from increased rents.

There was no evidence to show that, where an address had a Fair Rent registered, the owner was more dissatisfied than those where rents had been privately agreed, but the owners of 69% of addresses which still had controlled rents said the return had not been reasonable. Finally, the rate of return from improvement expenditure was significant, expressing

		Return was Reasonable	Return was Not Reasonable	Number of Addresses
(a) Net expenditure:				
Less than £1,000	%	52.9	47.1	17
£1,000 - £1,999	%	63.8	36.2	47
£2,000 - £2,499	%	36.4	63.6	11
£2,500 or more	%	21.4	78.6	14
(b) Rate of return: p.a.*				
Less than 2.5%	%	40.0	60.0	5
2.5% - 4.9%	%	28.6	71.4	14
5.0% - 7.4%	%	28.6	71.4	14
7.5% - 9.9%	%	64.3	35.7	14
10.0% - 19.9%	%	70.0	30.0	20
20.0% or more	%	66.7	33.3	12

\*NOTE Defined as annual net rent from address after improvement as percentage of landlords own expenditure on improvements at 1979 prices

Table 5.8 Satisfaction with return on expenditure of improving addresses where owners were looking for a return from increased rent income or market value

this as as the annual net rent as a percentage of the landlord's expenditure. Table 5.8 shows that where this was 7.5 per cent or above, the owners of two-thirds of addresses said they had a reasonable return. Where it was less than this, the great majority of addresses had landlords who said their return was not reasonable.

#### Would Unimproved Addresses be Improved in the Future?

The owners of 58 per cent of the addresses which did not have all amenities wanted to make improvements. 36 per cent of them had not been improved by 1980 because their owners could not afford the costs involved: 'I can't afford the expense, rents are very low', 'I've no money to do it and rent income is not sufficient to cover costs of repair and improvement'. The landlords of 25 per cent said that their tenants did not want the work done, often referring to the fact that tenants were old: 'The old lady who is the tenant doesn't want it done, she is used to her environment', 'The tenants are too old and don't want the upset'. 24 per cent of the addresses had not yet been improved because the owners had only just acquired them.

Only 42 per cent of unimproved addresses, therefore, had owners who did not want to carry out improvements. In 60 per cent of cases this was because of financial reasons, including 21 per cent whose owners said rents would not cover costs, 16 per cent whose owners said that they could not afford the cost, 14 per cent owned by landlords who said the money involved would be better invested in other ways, and 9 per cent whose owners said that improvement would not result in a fast enough increase in market value to justify the expense. The owners of 16 per cent intended to sell them as unimproved properties. Only 9 per cent had owners who said it was because their tenants did not want the improvements.

The desire to carry out improvements was greater on the part of some owners than of others. For instance: addresses whose owners had larger holdings (89 per cent of addresses whose owners had one hundred or more lettings in all compared with 44 per cent of addresses whose landlords had only one or two), addresses purchased rather than inherited, addresses with younger rather than older landlords, and addresses acquired

comparatively recently (77 per cent of those acquired since 1976, compared with 38 per cent before 1958) were all more likely to be owned by a landlord wanting to improve.

In fact, the owners of 37 per cent of all unimproved addresses had already approached the LHA for an improvement grant by 1980, at half the addresses just to put in a bathroom, often incorporating a w.c., but at the rest more substantial schemes involving repairs had been proposed. In 42 per cent of cases a grant had been awarded, almost all for addresses acquired since 1976, the landlord intending to carry out the works. Where no grant had been awarded it was either because the owner had been told that the works proposed were not all eligible for grant aid, or because the landlord considered that the grant was insufficient as an incentive and had withdrawn the proposal. None of the addresses whose owners wanted to improve, but who had not applied for a grant, had landlords who had not heard about grants and failure to apply for a grant because of their apprehension about conditions or standards was minimal. The LHA had already asked the owners of 22 per cent of all unimproved addresses to carry out works, all requests having been made within the last two years of the survey and at 58 per cent of the addresses concerned, the owners had received a compulsory improvement notice.

There was, therefore, a willingness on the part of the owners of over half of the unimproved addresses to carry out the works needed, but also evidence that the cost of doing so was a major constraint. Under what specific circumstances was it likely that all these addresses would get improved?

For each unimproved address owners were asked to say, bearing in mind that rents could be increased after improvements, whether or not they would improve under each of five circumstances that were put to them. 22 per cent of addresses would be improved without a grant for sale if they became vacant. 60 per cent would be improved and let if the LHA served a compulsory improvement notice and 63 per cent would also be improved and let if a 75 per cent grant was awarded. Only 32 per cent, however, would be improved with a 50 per cent grant and as few as 8 per cent would be improved without a grant for letting. This suggested that there was a hard core of addresses that were unlikely to be improved under any

circumstances. The size of this hard core is considered below, but it should be noted meanwhile that, where owners were wanting to carry out improvements and where they said that they would relet an address if it became vacant, then their addresses were more likely to be improved under almost all the circumstances. It should also be noted that a much greater proportion (46 per cent) of EXCL addresses would be improved for letting with a 50 per cent grant than in GIA (14 per cent) and RIC (27 per cent) suggesting that the removal of these addresses from clearance had released a latent potential for improvements to be done. As many as 72 per cent of EXCL would be improved if a 75% grant was awarded compared with only 53 per cent in RIC.

The scale of the hardcore of addresses whose landlords would not improve them in any circumstances was calculated by ranking unimproved addresses on a Guttman scale, which measured their owner's willingness to improve and continue letting them. This was done by ranking the circumstances under which improvements would take place from 'hardest' that is, hardest to the landlord, improving without a grant, to 'easiest', that is, improving with a 75 per cent grant. The scale measures the extent to which landlords 'logically' responded to the circumstances, that is the extent to which they would improve in all the circumstances which were 'easier' than the 'hardest' under which they said they would improve. The results showed that the scale was valid - that is, few addresses would be improved by landlords who said that they would improve under a hard circumstance whilst rejecting an easier one and this happened where a few addresses had owners who would improve with a 50 per cent grant but not with a 75 per cent grant.

It will be seen from Table 5.9 that only 6 per cent of addresses were owned by landlords who were extremely willing to improve them - that is they would improve without a grant and in all the easier circumstances. A further 24 per cent would be very willingly improved - although they would not be improved without a grant, they would be improved under the 'hard' circumstance of a 50 per cent grant, and with both the 'easier' circumstances of a 75 per cent grant and a compulsory improvement notice. The owners of 18 per cent of addresses were less willing to improve - that is they would not improve without a grant (the 'hardest'), nor with a 50 per cent grant, but would improve with both a 75 per cent grant and with a

compulsory improvement notice. 13 per cent of addresses had landlords who would only improve under the easier circumstance of a 75 per cent grant but they would not improve if a compulsory improvement notice was served. The owners of another 14 per cent of addresses would not improve under any other circumstances of grants and would only improve if they received a compulsory improvement notice. Only 4 per cent of addresses had owners who were 'illogical' and would improve under a hard whilst rejecting an easy circumstance. Finally, 23 per cent of addresses represented the 'hardcore' of those which would not be improved by their present owners in any of the circumstances presented. However, a small minority (36 per cent) of these hardcore addresses had landlords who said they would improve if it were possible to charge higher rents than was possible on the present basis after improvement.

This evidence confirms therefore that under an improvement policy which gave landlords grant aid of 50 per cent of the costs of improving, only 30 per cent of unimproved addresses would have been improved. However, if all addresses received a grant of 75 per cent, whether or not improvement notices were used a further 31 per cent would have been improved, but this does include 13 per cent which would not be improved if a notice was served. Finally the improvement of 13 per cent is dependent on the service of compulsory improvement notices, though the owners of these addresses said that they would not improve with a 75 per cent grant.

What does the scale demonstrate in respect of the willingness of different landlords to improve addresses, taking positive response to improve without a grant or with only a 50 per cent grant (as well as all the other alternatives) as evidence of being very willing? Table 5.9 shows that company owned addresses would be more willingly improved than privately owned addresses; addresses which have been inherited would be less willingly improved than those purchased; as the age of the owner increases an increasing proportion of addresses were owned by less and less willing landlords.

Where addresses were owned by landlords with only a few lettings throughout Sheffield they were more likely to have an unwilling landlord compared with those in the hands of owners with larger holdings. Moreover, where addresses were owned by landlords who had had a net gain in lettings in

Circumstance	Percentage of all unimproved addresses which would be improved	
	Weighted	Unweighted
	%	%
Will improve address in all circumstances	5.8	3.9
Will improve with a compulsory improvement notice, a 75% grant and a 50% grant but not without a grant	24.0	30.5
Will improve with a compulsory improvement notice and a 75% grant but not with a 50% grant or without a grant	18.3	18.2
Will improve only with a 75% grant but not with a compulsory improvement notice	12.5	8.5
Will improve only with a compulsory improvement notice but not with a 75% grant	12.5	13.8
Will not improve in any circumstances	23.1	21.2
"Error", i.e. will improve with a 50% grant but not a 75% grant	3.8	3.8
Numbers in sample	104	262

Table 5.9 Circumstances in which landlord would carry out improvements to unimproved addresses and relet them, scaled according to increasing reluctance to improve.

the previous three years, then they were in the hands of willing landlords compared with those owned by landlords who had not increased their holdings. Where addresses were regarded as investments giving a return from rent income, then owners were much more willing to improve, compared with owners of addresses regarded for market value, and particularly with those addresses considered to be liabilities. Where the owner had not improved because the address had just been acquired almost all the addresses would be willingly improved. Where tenants had not wanted works carried out, such addresses would be more willingly improved than those which the landlord had not improved for financial reasons.

Finally, it should be noted that of the sample areas, it was addresses in EXCL which had owners most willing to improve - 45 per cent would improve without a grant or with just a 50 per cent grant. Table 5.10, however, confirms that there is still a hardcore of 23 per cent in EXCL which would not be improved under any circumstances by their 1980 owners, a proportion which was 16 per cent and 23 per cent respectively in GIA and RIC.

		Very (a) Willing	Less (b) Willing	Other (c) Circumstances	Unwilling	Number of Addresses (weighted)
(a) Private individual	%	39.8	25.3	13.8	21.1	177
Company	%	47.1	15.7	25.6	11.6	32
Other	%	6.7	38.4	28.1	26.8	49
(b) Address bought	%	45.9	16.3	21.6	16.2	167
Address inherited	%	15.7	41.0	34.4	8.9	79
(c) Total Sheffield lettings:						
Less than 10	%	23.7	27.8	19.6	28.9	97
10 - 50	%	32.5	50.6	7.8	9.1	77
50 or more	%	46.2	8.9	23.1	21.8	77
(d) How address regarded:						
Investment for rent income	%	54.3	11.2	15.2	19.3	45
Investment for market value	%	31.8	32.8	21.7	13.8	141
Liability	%	14.4	27.2	13.8	44.5	51
Other	%	53.9	19.4	7.0	19.8	26
(e) Year acquired:						
Before 1958	%	17.4	63.4	3.8	15.4	47
1958 - 1970	%	20.0	35.4	7.7	36.9	63
1971 - 1980	%	58.3	10.0	17.5	14.2	120
(f) Reasons for not improving (so far):						
Tenants don't want	%	44.6	22.8	11.3	21.3	39
Rents don't cover costs	%	14.4	22.9	35.5	27.2	23
Selling: unimproved	%	-	30.1	15.9	54.0	23
Cannot afford high cost	%	15.8	43.8	22.1	18.3	77
Just bought	%	96.7	3.3	-	-	49
(g) Sample area:						
GIA	%	13.7	45.4	24.7	16.3	53
EXCL	%	44.9	22.4	9.5	23.1	106
RIC	%	31.3	23.6	22.4	22.6	93

Table 5.10 Willingness of landlords to improve unimproved addresses by landlord characteristics and sample area

- Notes
- (a) Includes first two circumstances of Table 5.9
  - (b) Circumstances 3 and 4 of Table 5.9
  - (c) All other circumstances except unwilling.

## CHAPTER 6

### ADDRESSES LET AS FLATS AND BEDSITTERS

#### Introduction

This chapter describes in greater depth, than Chapter 4, the standard of accommodation provided in addresses which were let as flats and bedsitters, particularly those where the accommodation was not self contained, but, as before, the term HMO is used to describe all addresses with flats and bedsitters. The chapter also discusses some of the effects which the application by the LHA of its policies about HMOs had on owners of such addresses.

#### Local Authority Policies

In 1979 the LHA had (and still has) two separate methods of controlling the incidence and quality of accommodation which is provided in buildings converted to self-contained flats or converted to bedsitters and flatlets. The first method consists of the control of development under the Town and Country Planning Acts. In Sheffield, at the time of the survey, a change in the use of a dwelling from occupancy by a single family to occupancy by several households, whether these lived in self-contained flats or in bedsitters in a shared dwelling, was regarded as 'development'.

Such change of use, therefore, required planning permission. In addition, a change from use by a single family to occupation by one household of unrelated persons who share the accommodation and expenses (i.e. 'multiple paying occupancy'), would also have been regarded as development. Whether such a change would be 'material' and require planning permission would depend on the circumstances of each individual case. This Chapter is not concerned with addresses where there is multiple paying occupancy, since they have been treated as addresses let as whole houses to one household, but one or two cases were found where such addresses were regarded by the LHA as having undergone a material change of use, since the owners reported that they had been required to apply for planning consent. In Part 4, LHA policies in general about such shared houses are discussed.

When determining whether or not planning permission should be granted, a number of facts were taken into account. Of principle concern to the LHA (which is also the local planning authority) was the suitability of the property, and the impact on neighbours in terms of property maintenance, noise generation and car parking. At one extreme of house types, the LHA did not regard small terraced houses and small semi-detached houses with on street car parking as suitable. At the other extreme, were large detached houses, of ten or more habitable rooms with off street car parking, which were regarded as suitable. In between, were a range of house types whose suitability would depend on a number of factors. These included the type and size of property, existing parking facilities, the proposed accommodation and number of occupants, the proposed management scheme and noise insulation measures. These and other factors were examined by the LHA to assess the potential impact of the proposal on neighbours and the immediate environment. In addition, regard was taken of the existing balance between the use of houses for single family and for other uses. This was to ensure (unless other considerations outweighed this) that no more than one quarter to one-third of properties were in non family occupancy in any street. The aims of the policy were, therefore, to ensure that development took place in properties where it did not have a detrimental effect on immediate neighbours, for example in terms of noise, property maintenance and on street car parking; to maintain a balance in the use of properties for non family use; and also to preserve smaller houses for family use by withholding consent.

Where consent was given, a number of conditions were usually placed in order to secure these objectives. In particular, these included conditions on the provision of car parking space, noise insulation, a limitation on the number of occupants, and the provision of means of escape from fire. On occasions, applicants were required to enter into 'Section 52' agreements with the LHA, to ensure that adequate maintenance was carried out, the number of tenants was controlled, and that where car parking was inadequate, only non car owning tenants were selected.

These policies, therefore, effectively restricted the kinds of properties for which landlords could get planning consent for use as flats or bedsitters. At the same time, conditions placed on successful applications which were made to minimize any detrimental impact on the neighbourhood

were likely to have the effect of increasing costs. It will be seen below that a significant proportion of addresses did not have planning permission. In circumstances where this came to the LHA's attention, enforcement action was taken, and subsequent applications judged in the light of the criteria described above. They usually came to the LHA's attention, either as a result of complaints from neighbours or because a tenant in one of the properties in question had made representations to the Environmental Health Department, with a complaint about repairs or amenities provided.

This leads on to the powers the LHA had under the Housing Acts. The LHA had two essentially complementary tools to regulate a house in multiple occupancy, that is a house which is occupied by persons who do not form a single household. The first, was the LHA's Registration Scheme for Houses in Multiple Occupation. This applied to all houses in multiple occupation, with the exception of those houses where 'the persons occupying the house form two households; or apart from one household (if any) the house is occupied by not more than four persons'. The intention was thus to restrict registration to more intensive multiple occupation. Before a house was used for multiple occupation in a manner which qualified for registration, an application for registration had to be made. The LHA could refuse to register the house if it considered that it was unsuitable and incapable of being made suitable. It could also, as a condition of registration, require works to be carried out in order to make the house suitable for registration, and could prescribe the number of households and persons permitted to occupy the house.

In addition to these regulatory powers to control occupation and promote standards in houses which the LHA required to be registered, the LHA had powers under the 1961 Housing Act to control overcrowding and to ensure that the provision of facilities and means of escape from fire were adequate for the occupants. These powers are now found in the 1985 Housing Act. Thus, the LHA can serve a numbers direction on the person in control of a house, where they regard the number of occupants to be excessive in relation to the number of rooms available. They may also serve a notice requiring the provision of additional facilities to be made for the occupants prescribed, in respect of amenities like bathrooms, w.c.s and cooking facilities, when inadequate provision is drawn to their

attention. Similar notices can be serve to required works which the LHA regards as necessary to provide means of escape from fire. These requirements were then laid down by the County Council as Fire Authority. Where these requirements cannot be met, the LHA can place a closing order on an upper storey, preventing its occupancy.

As far as fire precautions are concerned, the LHA, through the Fire Authority, required, at the time of the survey, the installation of fire resistant doors and screens, and a secondary means of escape by external staircase or kick-through panel into an adjacent house (where the third storey was to be occupied). As far as amenities are concerned, the LHA drew up a set of standards to ensure that adequate provision was made in respect of the number of occupants. Where single persons' accommodation was involved (and this embraced the majority of circumstances) the standards were: a wash hand basin in every bedroom, a suitable food store or 'fridge for every occupant, a cooker for every four occupants and a kitchen on every floor (unless a separate dining room was provided), a bathroom for every seven persons and a w.c. separate from the bathroom for every five persons. Some discretion was given to officers in the interpretation of this standard, where fewer than six persons occupied a house, as far as wash hand basins and dining rooms were concerned.

The LHA is also empowered to serve a Management Order to secure the proper management of a HMO. In exceptional circumstances they may serve a Control Order, under which the LHA itself takes over the control of the HMO.

The powers of the Council were, therefore, potentially quite extensive under the Housing Act, and the LHA exercised them in relation to the set of standards described above. However, the LHA recognized that unregistered HMOs did exist, and that a number, especially those occupied by students, were less likely to come to their attention. Consequently, both 'illegal' and below standard HMOs existed. Where this came to the attention of Environmental Health officers, action was taken to secure registration and the required standards of amenity provision, and to ensure that planning consent was obtained. Failure to achieve the latter meant that the HMO would not be registered. However, there was, in 1980, no deliberate policy of searching out HMOs. Consequently, it was only

where an unregistered HMO, or a below standard HMO, came to the LHA's notice by other means (e.g. as a result of a tenant complaint, or a case of food poisoning) that action was taken. In fact, the attention of officers was focussed more on inspecting registered HMOs as part of the regular work programme of district officers, rather than on a deliberate policy of trying to isolate and deal with HMOs that had yet to come to the LHA's notice.

In the same way that planning policy affected the incidence and quality of accommodation, and thus the costs incurred by landlords, it will be seen that similar consequences follow from the exercise by the LHA of its Housing Act powers to control and regulate HMOs.

### HMOs Standards

Table 6.1 shows the proportion of all tenant survey addresses that were let as HMOs and the extent to which these were registered as HMOs with the LHA. Leaving aside, for the moment, the special HMO sample, HMOs comprised about 20 per cent of addresses in HAA and RIC, but more than two-thirds of them were not registered. It should be noted, however, that some were either addresses with fully self contained lettings or had fewer than three accommodation units, in which latter cases they fell outside the scheme for registration of houses in multiple occupation. In fact, however, 53 per cent of all unregistered HMOs without self contained accommodation (compared with 85 per cent of those which were registered) had more than two accommodation units so that 61 per cent of all such addresses were unregistered.

Table 6.1 also shows that, in the inner city as a whole, 36 per cent of all households lived in HMOs, including 11 per cent who lived at addresses where all the accommodation was fully self contained. Only 27 per cent of those in HMOs lived in registered addresses, 23 per cent in unregistered addresses where the accommodation was self contained and 50 per cent lived in unregistered addresses where the accommodation was not self contained, of which 70 per cent lived at addresses which had more than two accommodation units. Consequently 62 per cent of all households living at addresses with more than two accommodation units, where these were not self contained, lived at unregistered addresses.

Type of Address	SAMPLE AREA											
	HAA		GIA		EXCL		RIC		Weighted All (2) %	H MO		
	(1) %	(2) %	(1) %	(2) %	(1) %	(2) %	(1) %	(2) %		(1) %	(2) %	
Registered H MO:												
All AU's self contained	0.9	1.8	-	-	0.7	1.3	1.2	2.1	2.0	8.6	7.2	
Not all AU's self contained	5.6	10.3	-	-	2.4	4.2	3.3	8.2	7.7	75.7	86.9	
Unregistered H MO:												
All AU's self contained	4.7	5.2	0.4	0.8	0.4	0.3	7.3	9.2	8.6	-	-	
Not all AU's self contained	8.9	17.3	2.8	5.9	2.4	5.1	10.6	18.7	17.8	-	-	
Not a H MO	79.9	65.4	96.7	93.3	94.2	89.1	77.6	61.8	63.9	15.7	5.9	
Numbers in Sample	215	272	245	255	295	312	482	610	-	140	373	

NOTES Cols. (1) Addresses; Cols. (2) Households

Table 6.1 Number of addresses in tenant survey in multiple occupation (HMO) and number of households living in them by whether (HMO) registered, by whether accommodation units self contained by sample area

	STANDARD <sup>#</sup>					
	Separate w.c.	Bath	Stove in Kitchen	Wash hand basin in Bedroom	Means of Escape from Fire	Numbers in Sample *
Addresses	21.8%	11.6%	3.6%	85.3%	15.1%	225
Households	28.0%	8.4%	11.6%	86.8%	12.6%	-

NOTES <sup>#</sup>Standards: 1 w.c. separate from bathroom for every 5 occupants; 1 bath in bathroom for every 7 occupants; a separate kitchen with stove for every 4 occupants; a wash hand basin in every bedroom; means of escape from fire where third storey occupied.

\*Sample : Addresses: unweighted sample from all sample areas  
Households: weighted sample

Cols. (1) Addresses; Cols. (2) Households

Table 6.2 Proportion of HMO addresses (where all accommodation units not self contained) where amenities did not match LA model standards and proportion of households in HMOs living at addresses which were below standard

The extent of non-registration of addresses nominally subject to the LHA's registration scheme is one matter. Another is the degree to which properties where accommodation was not self contained complied with the standards prescribed by the local authority, particularly with respect to the number of amenities available at an address in relation to the number of occupants who have to share them. A note about the relevant standards will be found in Table 6.2. This shows, on the basis of evidence gathered during the tenant survey, that three-quarters or more of addresses complied in respect of each standard, with the exception of the provision of wash hand basins in bedrooms, since 85 per cent of addresses failed to reach the standard. It will also be seen that 12 per cent and 22 per cent respectively did not match requirements in respect of the provision of bathrooms, and of w.c.'s separate from bathrooms and, moreover that 15 per cent did not have the required means of escape from fire.

These deficiencies can also be considered by looking at the number of households living in below standard accommodation. 28 per cent of households in accommodation which was not self contained lived in addresses which were below standard as far as, for example, the provision of separate w.c.'s is concerned. Similarly 12 per cent were in addresses where there were insufficient kitchens for the number of occupants whilst 13 per cent lived at addresses which did not have means of escape from fire. It will be recalled from Chapter 4 that the great majority of households living in HMOs were either young single adults or small unrelated adult households. 49 per cent of the former and 30 per cent of the latter lived in non self contained accommodation at unregistered addresses. 30 per cent of all students lived in such accommodation, accounting for 27 per cent of all households in unregistered addresses. Moreover, students were more likely than any others to live in below standard accommodation. For example, 42 per cent lived in accommodation without adequate w.c.'s and 18 per cent where there were insufficient bathrooms. Despite, however, the existence of a substantial number of addresses which did not comply with standards, there was no evidence that the rents paid by households in substandard accommodation were significantly different from those paid by households living in accommodation which was up to standard.

The extent of this deficiency to amenities is reflected in the costs of bringing HMOs up to standards. Only 15 per cent of addresses where accommodation was not self contained needed no expenditure on amenities. 51 per cent required less than £1,000, but 20 per cent needed £2,000 or more at 1979 prices to bring them up to the LHA's standards. In addition 84 per cent of all HMOs needed essential repairs to the external fabric and only 29 per cent required spending of less than £1,000 on repairs to rectify external defects identified during the survey.

### Conversions, Alterations and Improvements done by Landlords

The question of the impact of LHA policy can be considered from three points of view. First, the extent to which it enabled standards to be achieved. Second, the extent, and ways in which owners of addresses have themselves been affected by the policies. Third whether this, in itself, influenced their willingness to continue to let such addresses and to acquire additional property. Only the first two are considered in this Chapter. The third question is dealt with in both Chapters 7 and 9. The discussion is based on information about 140 addresses let as flats and bedsitters from the landlord survey. 100 of these contained accommodation which was not self contained, including 27 owned by resident landlords (the owners of five addresses where accommodation was self contained also lived in the building).

Before considering the first type of impact, it is useful to look briefly at the activity by landlords of addresses let as flats and bedsitters in purchasing and carrying out works. 55 per cent of all the addresses acquired in 1963 or later were acquired with vacant possession, but it should be noted that there had been a decline in the extent of vacant possession acquisition, so that less than 40 per cent of those acquired between 1977 and 1980 were acquired without sitting tenants. This was particularly marked amongst HMOs without resident landlords and only just over a third of addresses without self contained accommodation had been acquired with vacant possession in the previous three years. Moreover, where such addresses had been acquired with vacant possession since 1970, 71 per cent had fewer than six lettings, compared with only 30 per cent of those acquired between 1963 and 1970. On the other hand a greater proportion, 65 per cent, of those acquired with sitting tenants in the

Year Acquired	Accommodation Self Contained	No.	Accommodation not Self Contained	No.	Accommodation with Resident Landlord	No.	Total	No.
1963-1970	69.2%	13	67.9%	28	42.9%	7	66.7	48
1971-1976	44.4%	9	52.6%	19	50.0%	10	50.0	38
1977-1980	0.0%	6	35.7%	14	83.3%	6	38.5	26
All years	50.0%	28	55.8%	61	56.5%	23	54.5	112

Table 6.3 Proportion of HMO addresses acquired with vacant possession after 1962

Year Acquired	Acquired with Vacant Possession	No.	Acquired with Sitting Tenants	No.	All Addresses	No.
Before 1963	*		*		69.2%	26
1963-1970	87.1%	31	58.8%	17	77.1%	48
1971-1980	46.6%	30	32.3%	34	39.1%	64
All years	67.2%	61	41.2%	51	58.0%	138

\* NOTE Landlords were not asked if addresses acquired before 1963 were acquired with vacant possession or sitting tenants

Table 6.4 Percentage of HMO addresses where landlords had carried out works of alteration, conversion or improvement

later period had more than five lettings compared with 33 per cent acquired in the earlier period. Consequently there had not only been a decline in the acquisition of addresses with vacant possession for subsequent conversion, but also a decline in the acquisition of those addresses which, when converted, provided a large number of lettings.

As a consequence of this, there has been a decline over the years in the extent to which works of conversion, alteration or improvement had been carried out to all addresses at any time since 1963. It will be seen from Table 6.4 that more than half the addresses acquired before 1971 had had works carried out to them. This was the case for less than half those acquired at later dates (which is not explained by the time lag which exists between acquisition date and works being carried out). This is to be expected, since many more of the addresses acquired after 1971 had sitting tenants and had already been converted or altered to provide flats and bedsitters. Indeed, 82 per cent of the addresses where accommodation was not self contained and acquired after 1970 with sitting tenants by non resident landlords were already so converted because they had had an additional bathroom or w.c., or kitchen and other amenities installed before the landlords acquired them. This was not the case to quite the same extent for addresses acquired before 1971, when only 50 per cent of them had already been converted before they were acquired.

Nevertheless, despite this, landlords had carried out works of improvement to addresses acquired after 1970 with sitting tenants as well as to those acquired with vacant possession, at least as far as addresses without self contained accommodation owned by non resident landlords are concerned. As Table 6.5 shows, as many of such addresses acquired with sitting tenants had works done to them, as had those acquired with vacant possession. In other words, the reduction in works carried out to addresses acquired with sitting tenants in the more recent years was largely due to the reduction in works done to self contained flats and by resident landlords. Where accommodation was not self contained, owners buying addresses with sitting tenants had added to the alterations or improvements carried out by previous owners (or installed essential extra amenities for the first time). Only half those acquired with vacant possession in recent years,

however, have had works carried out, a reflection in part of the smaller size of such properties, which does not necessarily imply that such properties met the required standards.

Altogether works had been carried out between 1963 and 1980 at 60 per cent of addresses where accommodation was not self contained (including those owned by resident landlords). At 51 per cent of addresses, less than five additional amenities had been installed, at 26 per cent 5-9 had been installed and at 23 per cent 10 or more had been put in. The most typical works involved the installation of wash hand basins in bedrooms, cookers in bedsitting rooms and the addition of extra baths, rather than the installation of additional kitchens or w.c.s, whether the latter were included in bathrooms or separately. One or more of the three former items had been put in at 30 per cent, 30 per cent and 26 per cent respectively of addresses whereas at only 23 per cent, 16 per cent and 14 per cent of addresses had each of the latter three been respectively installed.

Nevertheless, despite this activity, information collected from landlords about amenities and the number of lettings at addresses confirmed the existence of a significant number of addresses, where lettings were not self contained, which fell short of LA standards. 64 per cent had insufficient wash hand basins in bedrooms, 43 per cent had insufficient w.c.s separate from bathrooms, and 7 per cent insufficient bathrooms. Protection and escape from fire is an important component of LHA standards. At the time these addresses were acquired, only 12 per cent had fire resistant doors and screens installed and although they were subsequently put in at 35 per cent of addresses, less than 50 per cent therefore had them in 1980. Similarly, whilst 21 per cent had fire escapes when acquired, they were installed at only 37 per cent subsequently.

#### The Impact of LHA Policy on Standards

In undertaking alteration, conversion or improvement work very little use was made of grants. At only 16 per cent of addresses where works had been done since 1963, had grants been used. There were only five cases where special grants (for the installation of basic amenities in HMOs) had been

Year Acquired	Accommodation Self Contained				Accommodation Not Self Contained				Resident Landlords									
	Vacant Possession	No.	Sitting Tenants	No.	All	No.	Vacant Possession	No.	Sitting Tenants	No.	All	No.	Vacant Possession	No.	Sitting Tenants	No.	All	No.
Before 1963	*		*		42.9%	7	*		*		100.0%	10	*		*		55.5%	9
1963-1970	100.0%	9	75.0%	4	92.3%	13	78.9%	19	66.7%	9	75.0%	28	100.0%	3	25.0%	4	57.1%	7
1971-1980	50.0%	4	9.1%	11	20.0%	15	50.0%	16	52.9%	17	51.5%	33	66.7%	10	16.6%	6	31.3%	16
All years	84.6%	13	26.7%	15	51.4%	35	65.7%	35	57.7%	26	67.6%	71	53.8%	13	20.0%	10	43.8%	32

Table 6.5 Proportion of HMO addresses where landlords had carried out works by type of accommodation

used for works undertaken by non resident landlords of addresses where the accommodation was not self contained. There was no evidence that failure to use grants was due to ignorance of the grant system. In only 6 per cent of addresses where grants had not been used had an application for one been made. The owners of only 9 per cent of addresses said that they did not know about grants. 42 per cent had landlords who either thought the work was ineligible or had been told by the LHA that it was (often the work involved repairs), the landlords of 20 per cent said they did not use a grant because they did not want to have to comply with the standards the LHA would require, and 15 per cent had owners who said that using a grant involved too many delays in getting work done.

For only 32 per cent of all addresses had the present owner received planning permission, 27 per cent said the previous owner had applied, and the owners of 41 per cent said planning permission had not been obtained, or they were uncertain about it. In some cases where planning consent had not been initially sought prior to the use of the address for flats and bedsitters, the LHA subsequently asked landlords to apply, and in most cases permission was given, occasionally on appeal. It was much more likely that, where the then owner had actually carried out works at the address, the landlord had applied for planning permission. The lack of planning consent was particularly marked amongst addresses where lettings were not self contained, whether or not works had been undertaken, there being no difference, either, in respect of the number of lettings. Thus the owners of 48 per cent of them said that neither they nor the previous owner had applied, compared with the owners of 22% where lettings were self contained.

Where an address contained lettings which were not self contained owners were asked whether it was a registered HMO. 60 per cent were registered and the owners of 40 per cent said that they were not, or they did not know. This evidence confirms the extent of under registration revealed by the tenant survey, particularly when the addresses drawn from the special sample from the HMO register are excluded. Thus the owners of only 35 per cent of such addresses were registered. The majority of the unregistered addresses fell within the ambit of the registration scheme. Consequently 62 per cent of the addresses that contained more than two lettings were

unregistered HMOs and if addresses with resident landlords are excluded the proportion falls only to 55 per cent. Moreover 33 per cent of all addresses were neither registered nor had they received planning consent.

Where the owners had themselves received planning consent and where an address was a registered HMO, owners were asked what conditions, if any, had been placed on the permission and registration by the LHA. Owners of all HMOs without self contained lettings were asked whether, notwithstanding any conditions imposed by registration, the local authority had at any other time asked for works to be undertaken or placed limitations on the occupancy of the address. Table 6.6 shows that at least one condition had been imposed on 59 per cent of addresses where planning permission had been given, on 54 per cent of addresses which were registered HMOs and that the LHA had served notice on the owners of 34 per cent of HMOs at other times, whether registered ones or not. Table 6.6 also shows the types of conditions that had been imposed and that, whereas conditions for planning permission and registration had embraced limits placed on the number of lettings and occupants of addresses, as well as prescribing the amenities and means of protection and escape from fire that should be installed, the service of notices at other times had been concerned more with amenity and fire regulations than restrictions on occupancy.

Altogether the owners of 60 per cent of addresses which contained lettings which were not self contained had been asked, in one way or another, to comply with requirements set out by the LHA related to the occupancy, amenities and safety of these addresses. These requirements can be broadly classified into two types. First those which limit actual or potential rent income: 16 per cent of all addresses had a limit placed on the number of flats or lettings, or on the total number of occupants, and at 12 per cent the letting of the third storey had been prohibited because of inadequate provision of case of fire. Second, those that required the landlord to incur expenditure: at 20 per cent of addresses the LHA had required the owner to provide extra standard amenities, at 30 per cent means of escape from fire had to be installed and at 30 per cent also the landlord had been asked to provide fire resistant doors and screens. Because of these requirements and limitations on the use of property the owners of 22 per cent of all addresses had incurred costs, of 8 per cent

Condition	Proportion of Addresses Subject to Particular Condition		
	Planning Permission	HMO Registration	Notices on HMOs
Limit on numbers of flats/lettings	15.9%	16.9%	-
Limit on number of occupants	15.9%	20.3%	8.4%
Specified number of amenities	25.0%	20.3%	11.6%
Means of escape from fire	27.3%	23.7%	16.8%
Installation of fire doors and screens	29.5%	22.0%	15.8%
Noise insulation	2.3%	-	-
Car parking	13.6%	-	-
Closing of third storey	-	13.6%	6.3%
Management code	-	-	4.2%
Other	13.6%	10.2%	7.4%
Subject to at least one condition	59.1%	54.2%	33.7%
Numbers in sample	44	59	95

Table 6.6 Conditions placed on planning permissions given to all sample addresses with planning consent, conditions placed on non self-contained HMOs at registration, and notices served on owners of non self contained HMOs at other times.

of addresses had had a limitation on income by restrictions on lettings and the owners of a further 26 per cent of addresses had been subject to a combination of expense and restriction on lettings.

The crucial question is whether the use by the local authority of the system of planning consent, HMO registration, and conditions placed on both of these, together with the service of enforcement notices was associated with the achievement of the model standards. First, it was found that the installation of amenities and the provision of means of protection and escape from fire at addresses which did not have self contained lettings was positively associated with these conditions. Second, it was found that the addresses which complied with standards were more likely to be those that had planning permission, were registered as HMOs and those where the LA had made conditions about planning permission, registration and had served notices on owners. Table 6.7 illustrates these findings with reference to the provision of w.c.s separate from bedrooms and to the installation of fire resistant doors and screens. For example, only 28 per cent of addresses with planning permission fail to reach the model standard in respect of separate w.c.s compared with 61 per cent of those without permission. Similarly, whereas 32 per cent of those subject to conditions imposed by the LA are below standard, as many as 62 per cent of those not subject to conditions do not match requirements. The same pattern is found for the provision of fire resistant doors and screens. This impact of LHA policy on standards was the same for addresses owned by resident and non resident landlords and for addresses with different numbers of lettings. The relationship was greater when addresses had been acquired with sitting tenants and, paradoxically, less apparent when specific conditions in respect of amenities or fire regulations had been imposed, which suggests that the existence of model standards has a greater impact as a 'package' than the individual components. In other words, an address was as likely to be up to standard in respect of any part of the package, even if that particular standard had not been the subject of a specific condition.

		Separate w.c.			Fire resistant doors and screens		
		Above	Below	No.	Above	Below	No.
(a) All addresses	%	57.1	42.9	98	47.5	52.5	99
(b) Planning permission	%	72.5	27.5	51	64.0	36.0	50
No planning permission	%	39.1	60.9	46	31.9	68.1	47
(c) Registered HMO	%	62.1	37.9	58	69.0	31.0	58
Unregistered HMO	%	50.0	50.0	40	17.5	82.5	40
(d) L.A. conditions*	%	67.8	32.2	59	59.3	40.7	59
No L.A. conditions	%	37.8	62.2	37	29.7	70.3	37

\* NOTE Conditions: addresses whose owners have had to comply with conditions of planning permission, registration or statutory notices

Table 6.7 Proportion of HMO addresses without self contained accommodation which met standards

Whether owner had had to comply with standards*	Self contained	No.	Not self contained	No.	Total	No.
Complied	37.5%	8	39.0%	59	38.8%	67
Not complied	19.4%	31	15.8%	38	17.4%	69
Total	23.1%	39	29.9%	97	27.9%	136

\* NOTE Compliance: the address had been the subject of conditions attached to planning permission, registration or at other times

Table 6.8 Proportion of HMO addresses whose landlords said they had been affected by LHA policies

### The Impact of LHA Policy on Landlords

The use by the LHA of its powers under the Housing and Planning Acts had therefore been associated, both the installation of amenities for tenants living in shared dwellings and moreover with the achievement, through these powers, of the LHA's model standards, although it should also be pointed out that a considerable minority of addresses subject to the use of these powers still fell below standards. In what way, however, had this affected the owners? The landlords of 49 per cent of all addresses, self contained and not self contained, had had to comply in some way with the requirements of the LHA either as a result of obtaining planning permission, or as a result of the scrutiny by the LHA of standards at addresses with unself-contained lettings, both during the process of registration and at other times. As a result of complying with these requirements they may have incurred costs that they had not expected and lost rent they had anticipated collecting. Consequently, although the policies were associated with the achievement of higher standards of accommodation for tenants, they may have had adverse consequences from the landlords's point of view. In fact the owners of 28 per cent of all addresses said they had been affected in some way, a proportion which rose to 39 per cent of the owners of addresses whose landlords had had to comply with specific LHA requirements, but fell to only 17 per cent for those addresses whose owners had not been asked to comply with particular conditions.

Where landlords had had to comply with particular requirements they were asked how they had been affected. The owners of 62 per cent said the effect had been a financial one, since they had incurred unanticipated costs because of meeting the specific standard, 15 per cent were owned by landlords who said they had considered selling up as a consequence, the landlords of 12 per cent said they had lost potential income because the letting of a third storey had been prohibited, and the owners of the rest gave a variety of explanations including the difficulties of complying with grant conditions. The main impact, therefore, from the landlords' point of view had been increased costs, which many of them had found difficult, they said, to afford.

'The Council have deemed the house to be a (HMO) and must have planning permission, a condition of which must be to have a fire escape. I cannot afford a fire escape'. 'I've had to borrow money to comply with the

regulations and this affects the profitability of investment'. 'I've not been permitted to relet the third storey, it's therefore much less viable than it was'.

There was no evidence to suggest that any one particular group of owners considered that they had been affected more than others. One exception to this was the case of those who owned a larger number of lettings throughout Sheffield, for 50 per cent of addresses whose owners had 25 or more lettings had landlords who said they had to comply. Not surprisingly, therefore, a greater proportion of the owners of addresses with a substantial number of lettings said they had been affected. In other words, not only were they more likely to have had to comply but they were also more likely to have felt adversely affected in doing so. Thus, over 60 per cent of the owners of addresses with seven or more lettings who had been asked to meet specific requirements felt they had been affected, compared with the owners of only 33 per cent of addresses with fewer than four lettings.

It has already been noted that, even though the owners of 51 per cent of addresses had not been asked to comply with local authority requirements, 17 per cent of them were nevertheless owned by landlords who said that LHA policies had affected them. Of these, 42 per cent were owned by those who said they had faced increased costs because they were aware of the standards that would be required, were the LHA eventually to subject the address to detailed scrutiny and ask for works to be done. A further 25 per cent were owned by those who said they had been affected, because they had been unable to get a grant to help with the cost of repairs. Most of the rest were owned by landlords who referred to what they saw as a general lack of encouragement on the part of the LHA to help landlords let this kind of accommodation. One was quite specific, 'I've applied for planning permission to use the house (as a HMO). Planning permission has been refused because there was no car parking provision. This is silly because I intended to let to students who wouldn't have cars anyway'. In parentheses, it is worth remarking that although only 31 per cent of HMO addresses identified during the tenant survey had provision for off-street car parking, 77 per cent of all the addresses had no household in the house who had the use of a car.

Some critical questions about the effect of HMO policy are dealt with in later chapters (and in Part 4 of the thesis). In particular, it will be shown that, whilst addresses whose owners have had to comply with them had landlords who were no more unwilling to continue to let their accommodation than were others, these policies did have an effect on landlords' willingness to acquire further accommodation for letting.

CHAPTER 7  
SELLING AND RELETTING: LANDLORDS' INTENTIONS AND  
THE FINDINGS OF THE VACANCY SURVEY

Introduction

This chapter looks at landlords' decisions about reletting or selling properties, using evidence from both the landlord and vacancy survey. It firstly describes what landlords said in 1980 they intended to do with sample addresses, the reasons they gave for saying they would sell or relet them in the future, and the extent to which these decisions were influenced by LHA policy. It secondly examines the number of sample addresses that actually did become vacant in 1980, the numbers which were sold and relet, and the prices and rents paid for these. It also looks at the differences there were between buyers and renters and at the difficulties renters had experienced in finding a place to live.

Landlords were asked in 1980 what they would do with an address if it became vacant 'tomorrow'. Table 7.1 shows that the owners of 45 per cent said they would relet them, including 6 per cent which they would improve before doing so. The landlords of 49 per cent, however, intended to sell them, including only 2 per cent which they would improve beforehand. Only 1 per cent would be left empty and the owners or their relatives would move into 3 per cent of them. Landlords intended to sell 59 per cent of the addresses which were let as whole houses, compared with only 28 per cent of HMOs, if all the lettings in the latter type of address became vacant.

Reletting and Selling: Addresses Let as Whole Houses

The discussion which follows is restricted to addresses which landlords intended to relet or to sell, setting aside the small number for which they had other plans. Table 7.2 shows that landlords intended to relet 68 per cent of those let furnished, compared with only 33 per cent of unfurnished houses. Reletting of the former is therefore comparable with reletting of HMOs, even though, in investment terms, furnished and unfurnished addresses were regarded in the same way (see Chapter 4). Significantly, landlords intended to relet more improved than unimproved addresses. The owners of 46 per cent of addresses which had been improved since they were acquired said they would relet them, compared

Intention	Let as House	Let as HMO non resident landlord		Let as HMO resident landlord	
		Only 1 let vacant	All lettings vacant	All lettings vacant	All
	%	%	%	%	%
Let/relet	31.3	80.0	58.1	53.1	38.6
Improve to let	5.0	8.6	12.4	3.1	6.5
Sell	56.3	4.8	27.6	18.6	47.2
Improve to sell	2.9	-	-	-	2.1
Keep empty	0.3	5.7	-	6.2	0.6
L.L. or relatives would occupy	3.0	1.0	1.0	15.6	3.4
Other	1.2	-	1.0	6.2	1.5
Numbers	339	105	105	32	476

Table 7.1 What landlord would do with sample addresses if they became vacant

	All Addresses		Regarded as Investment for Market Value	
	Proportion to be Relet	Numbers	Proportion to be Relet	Numbers
(a) Furnished	68.4%	57	54.2%	24
Unfurnished	32.5%	255	18.4%	114
(b) Improved when acquired	41.3%	63	17.4%	23
Improved after acquired	45.8%	144	33.3%	57
Not improved	24.5%	94	15.2%	46
(c) Rent under £100 p.a.	24.5%	49	7.7%	26
£100 - £199 p.a.	30.9%	68	25.0%	36
£200 - £299 p.a.	34.1%	82	9.4%	32
£300 - £399 p.a.	36.8%	38	17.6%	17
£400 or more	76.7%	43	80.0%	15
(d) Regarded for rent income	65.9%	82	-	-
Regarded for market value	24.6%	138	-	-
Regarded as liability	19.7%	61	-	-
Regarded as other	66.7%	39	-	-

Table 7.2 What landlords would do with sample addresses let as whole houses if they became vacant by various address characteristics

with the landlords of 25 per cent of addresses which were still unimproved. At first sight, therefore, it did not appear that landlords were more likely to want to sell addresses which they have improved. This apparent willingness to relet improved addresses was, however, connected with occupancy conditions on improvement grants (see below). Willingness to relet was also associated with higher rents. Landlords intended to relet only 24 per cent of those with rents under £100 p.a. compared with 77 per cent of those with rents of £400 or more p.a. Most of the latter are let on furnished tenancies. Nevertheless, the proportion of unfurnished houses which landlords intended to relet rose from 25 per cent of those with rents of under £100 p.a. to 36 per cent of those with rents between £300 and £399 p.a. Proposed reletting was also related to the way owners regarded addresses. 66 per cent of those which the landlord considered to be an investment with the return coming from rent income were to be relet, compared with only 25 per cent of those where the return was from increases in market value, and 20 per cent of those regarded as liabilities.

This suggests that few of the addresses which landlords regarded as investments where their return came from an increase on market value were to be relet in anticipation of further increases in market value. It is only where such addresses are let furnished, had rents of £400 or more a year or had been improved by their present owner that a higher than average proportion were to be relet. In the case of addresses considered for their rent income, approximately the same proportion of all of them were to be relet, irrespective of whether they were let furnished or unfurnished, the level of rent, or state of improvement. Thus, the manner in which an address was regarded, was the crucial determinant.

The year in which addresses were acquired was not directly related to landlords' future plans for them. Owners intended to sell 59 per cent of addresses acquired before 1963, for example, and 54 per cent of those acquired between 1971 and 1980. 48 per cent of all addresses which had been purchased were to be sold, compared with 76 per cent of those that had been inherited. This latter difference was much less pronounced however, the longer the landlord had owned the address. 55 per cent and 65 per cent of purchased and inherited addresses respectively acquired before 1963 were to be sold compared with 42 per cent and 88 per cent

Year acquired	All Addresses		Addresses Purchased		Addresses Inherited	
	Proportion to be relet	Number	Proportion to be relet	Number	Proportion to be relet	Number
(a) All: Before 1963	41.2%	119	44.7%	76	34.8%	43
1963 - 1970	33.3%	54	44.8%	29	20.0%	25
1971 - 1980	45.8%	120	58.0%	88	12.5%	32
All years	41.6%	293	50.8%	193	24.0%	100
(b) Market value investments:						
Before 1963	20.8%	48	26.7%	30	17.1%	18
1963 - 1970	22.7%	22	33.3%	12	10.0%	10
1971 - 1980	32.7%	55	40.9%	44	0.0%	11
All years	26.4%	125	34.9%	86	7.7%	39
(c) Rent income investments:						
Before 1963	65.8%	38	67.8%	28	60.0%	10
1963 - 1970	46.7%	15	50.0%	10	40.0%	5
1971 - 1980	76.0%	25	81.8%	22	33.3%	3
All years	65.4%	78	70.0%	60	50.0%	18

Table 7.3 What landlords would do with sample addresses let as whole houses if they became vacant by method of acquisition and attitude towards address

respectively of those acquired between 1971 and 1980. This suggests that many of those who inherited addresses in the earlier period and who wanted to sell had already done so. Consequently, addresses owned by long standing inheritors were as likely to be relet as those by purchasers in general. Once inherited addresses are excluded, therefore, there did appear to be a greater willingness to relet than would appear at first sight.

The fact that so many recent acquisitions were to be sold, implies that there was a significant degree of short term speculative buying on the part of landlords, bearing in mind that the majority of these acquisitions were regarded as investments with returns coming from increased market values. Table 7.3 shows that a greater proportion of more recently acquired addresses regarded as rent income and as market value investments were, however, to be relet compared with those acquired in earlier periods. This difference is more marked amongst addresses regarded for market value which have been purchased rather than inherited. Thus, whereas 27 per cent of those bought before 1963 were to be relet this proportion increases to 41 per cent of those purchased between 1971 and 1980. Despite this apparently greater willingness to relet such recent acquisitions, the existence of short term speculation is confirmed by intentions towards addresses purchases with sitting tenants and regarded for market value. 70 per cent of these were to be sold, compared with only 37 per cent of those purchased with vacant possession, a difference which was not found in respect of those regarded as rent income investments. Purchases of sitting tenant addresses for market value did, therefore, represent short term speculative buying by owners looking for a return when a vacancy occurred. The landlords had, meanwhile, carried out improvements to those addresses. Where this was the case, a greater proportion were to be relet, compared with those where no improvements of purchases of sitting tenant addresses had been done. This accounted for the greater extent of reletting amongst the more recent acquisitions, sales being constrained by occupancy conditions on improvement grants.

### Reletting and Selling: HMOs

It has already been noted that far more, proportionally, of HMO than of other addresses were to be relet, even if the whole address became vacant. If that did occur, 71 per cent of HMOs would still be relet, compared with 36 per cent of all other addresses. However, the owners of very few addresses said they would keep empty a letting which became vacant. It must be assumed, therefore, that although the owners of over a quarter of HMOs would have sold addresses with vacant possession, few would have deliberately pursued a strategy of keeping flats empty to secure vacant possession throughout a building. It is also worth pointing out that the potential sale of none of the addresses would be preceded by improvement works, works which would reconvert a property of flats and bedsitters back into a form suited to purchase by owner occupiers for single family use or turn bed-sitters, for example, into self contained flats which could be sold.

There was no relationship between the number of lettings at an address and willingness to relet, except in the case of addresses owned by non resident landlord, where the accommodation was not self contained. In these cases 16 per cent of addresses with fewer than five lettings would be sold, compared with 35 per cent of addresses with five or more lettings. Despite this, the total number of lettings in the sample that would be relet, even if the whole address became vacant, is similar in proportion to the number of addresses that would be relet. This is because a greater proportion of larger addresses with self contained accommodation and with resident landlords would be relet. Consequently, not only will 67 per cent of all HMOs be relet (including those owned by resident landlords), but 68 per cent of the total lettings in the sample would be covered by such decisions.

Similar proportions of addresses which had, and had not had works of alteration, conversion or improvements done to them by their present owner would be relet. Neither was there any difference in reletting intentions, comparing addresses with self contained and non self contained accommodation, nor between those of the latter which were registered as HMOs and those which were not registered. As with addresses let as whole houses, the characteristic which distinguished addresses which landlords intended to sell from those they intended to relet was the manner in which they

Main Reason	Let as Whole House		HMO	
	Unweighted	Weighted	Unweighted	Weighted
	%	%	%	%
Insufficient returns compared with costs	43.1	43.0	33.3	31.2
Money more profitably invested elsewhere	15.2	14.7	15.6	15.6
Want to realise market value of property	11.4	11.6	2.2	2.6
Too old, cannot be bothered being a landlord	15.2	13.3	17.8	18.2
To live in it	4.7	5.2	11.1	5.2
Problems with tenants	2.4	2.1	11.1	19.5
Problems with L.A.	6.6	8.6	-	-
Other	1.4	1.5	8.9	7.0
Number in sample	211	508	45	77

Table 7.4 Sample addresses by main reason for not wanting to relet addresses

were regarded as investments. 86 per cent of the addresses which non resident landlords regarded as rent income investments were to be relet compared with only 44 per cent of those regarded for the return increased market value brings.

### Reletting and Selling: The Reasons for Landlords' Intentions

Table 7.4 shows that the reasons owners gave for not wanting to relet both types of address were very similar. The owners of 43 per cent of addresses let as whole houses and of 33 per cent of HMOs said that the main reason was that the returns they received from rent income were not sufficient, and that they were insufficient, in particular, to cover the costs they incurred. It was significant that landlords placed as much emphasis on the costs of repairs as they did on what they regarded as low rents. It was the combined effect of low rents and high repair costs which had made them decide not to let addresses.

"It's economically unsound to let. As the landlady I am subsidising the property because repair costs exceed the rent income". "Nothing in it. It's not paying its way. Repairs destroy profits for a twelve month ... cost of repairs is terrible ... rather have the capital and reinvest in something worthwhile". "Sick of the hassle ... not profitable, house needs a lot of repairs". "It's not worth it, given rent and maintenance costs ... better to sell and invest capital".

When explaining their reasons one or two owners enlarged on the way their costs were affected by LA action: "There's just no point in letting. Everything is on the tenants' side ... Repair Notices put on property ... there's no profit in it any more ... better to put money in a Building Society". "Impossible to obtain an economic return, bearing in mind the money that needs spending on repairs and interference through rent control and aggravation through Environmental Health notices".

The owners of 15 per cent referred explicitly to the fact that the rent, measured against the market value of the property, gave them a poor comparative return. 11 per cent of addresses let a whole houses (but only 2 per cent of HMOs) had landlords who said that they wanted to realise the market value of the property. Unlike those who wanted to do so to get a

		Insufficient return of costs	More profit investing elsewhere	Want to realise market value	Too Old	Other	Number
(a) Improved when acquired	%	43.6	17.9	10.3	17.9	10.3	39
Improved since acquired	%	45.6	13.9	7.6	16.5	16.4	79
Unimproved	%	40.3	15.6	14.3	13.0	16.8	77
(b) Rents under £100 p.a.	%	50.0	12.5	10.0	15.0	12.5	40
£100 - £199	%	38.9	11.1	14.8	18.5	16.8	54
£200 - £299	%	42.9	16.1	16.1	19.6	5.4	56
£300 - £399	%	60.0	16.7	6.7	6.7	10.0	30
£400 or more	%	27.3	18.2	-	-	54.6	11
(c) Investment:							
rent income	%	44.8	10.3	6.9	20.7	17.1	29
market value	%	43.4	18.6	16.8	13.3	8.1	113
liability	%	52.9	9.8	5.9	-	19.7	51
other	%	20.0	10.0	-	15.0	55.0	20

Table 7.5 Main reason for not wanting to relet sample addresses let as whole houses by various address characteristics

better return from the reinvestment of the proceeds of a sale (and often referring to Building Societies), these landlords were wanting to sell because they needed the cash for immediate purposes. The owners of 15 per cent of addresses let as whole houses, and of 18 per cent of HMOs, explained that they were too old to go on with the bother of renting property. 11 per cent of HMOs would not be relet because the landlord wanted to live in it and a further 11 per cent because of problems experienced with tenants in the past. Only 7 per cent of the addresses let as whole houses, and none of the HMOs, had landlords who spontaneously said that LHA policies had dissuaded them from continuing to rent. (See below).

The level of return in relation to costs, particularly repair costs, was important to owners of all kinds of addresses that were rented as whole houses, with the exception of those let furnished, with the landlords of only 29 per cent of such addresses citing it as the main reason. 40 per cent or more of all addresses, whether already improved when acquired, improved by their present owners or still unimproved would not be relet because of this. Thus, whatever the state of the property, in the sense of the possession of basic amenities, rent income did not cover the burden of annual repair and maintenance costs and leave the landlord with a reasonable return. Even when, therefore, a landlord had improved a property, repair costs were still the most important reason for not reletting, a finding which underlines the evidence discussed in Chapter 4, which showed that improvement has not been associated with a commensurate reduction in repairs required.

In the light of this it is of significance to note that the importance attached to this reason did not decrease proportionately with higher rents, although only just over a quarter of addresses where rents were £400 or more per annum had owners who gave this as a reason. Neither, moreover, was there a decrease with higher rents in the proportion of addresses whose owners consider that they could get a better return by investing elsewhere the proceeds of selling. Rents in 1980, therefore, were insufficient, in the view of landlords who did not wish to rent, to cover repair costs and other outgoings and to provide returns comparable with alternative investments of the capital value of an address. The cost of repairs in relation to rent income was important whatever way an owner

	Address Let as Whole House		HMO	
	Unweighted	Weighted	Unweighted	Weighted
	%	%	%	%
(a) Reasons for letting:				
Rent income	25.6	25.3	63.2	60.1
House an investment for M.V.	20.7	16.3	11.5	10.7
Part of group of properties	6.6	5.8	2.3	1.8
Controlled by L.A. grant requirements	15.7	18.8	-	-
Continuation of status quo	4.1	2.5	4.6	4.2
Improving property to sell	7.4	7.1	4.6	4.2
Own and relatives home	3.3	6.1	10.3	14.9
For building firms work	4.1	6.6	-	-
For employees	7.4	7.3	-	-
Other	4.8	4.2	3.4	4.1
Number in sample	121	344	87	168
(b) Type of tenant preferred:				
Young single people	10.1		28.6	
Students	17.6		29.7	
Married couples (no children)	8.4		18.7	
Married couples with children	8.4		-	
Elderly	5.0		2.2	
Relatives	5.0		4.4	
Employees	9.2		1.0	
No preference	36.1		15.4	
Number in sample	119		91	
(c) Landlord would let address furnished or unfurnished:				
Furnished	40.2		95.7	
Unfurnished	55.6		2.2	
D.K.	4.2		2.1	
Number in sample	117		92	

Table 7.6 Sample addresses which landlords would relet by (a) reasons for reletting, (b) type of tenants landlords would most prefer, (c) whether address would be relet furnished or unfurnished

regarded an address. Although a greater proportion of market value investments, than of others, were not going to be relet because the owners wanted to realise their market value and to invest it more profitably, over 40 per cent would not be relet because of inadequate returns in relation to costs.

What reasons did landlords give when they said that they would relet an address if it became vacant? The owners of 26 per cent of address let as whole houses, and of 63 per cent of HMOs, said they would relet for the rent income they would obtain. 21 per cent of the former and 12 per cent of the latter would be relet in the interests of further capital appreciation. No other explanation was of major significance in the case of HMOs, so that the great majority of those that were to remain in the private rented sector would do so because their owners considered they could earn an adequate financial return from renting. This was so for less than half all other addresses and in only a quarter of cases did landlords want to relet because of the rent income they would get.

The reasons given by the owners of the rest were diverse, but of some significance is the fact that 27 per cent of all addresses (and a third of the weighted total) were to be relet for reasons that imply that their owners did not intend to retain them for letting for long. 16 per cent were to be relet because of improvement grant conditions, requiring the owners to keep them available for letting. Once the period when the condition applied had expired it was likely that these addresses would be sold when a vacancy occurred. As the owners of two addresses explained, "I buy property for capital appreciation. To make the profit I have to have the benefit of an improvement grant and therefore have to accept as a condition that the property will be let for five years. So I improve and let for five years and then sell when I can and take the grant as my profit. If I get a vacancy before the five years are up I'll relet for a short term on shorthold. So its primarily the improvement grant condition because its uneconomical to repay the grant before the five years are up. If I sell before then I won't make a profit". "Because of the letting conditions for seven years on grant. It's not worthwhile to sell before 1987 if I have to pay the grant back. Also, it's affected by Capital Gains Tax though I might have to sell other property to pay for the unexpectedly high costs of improving properties I've bought in the (HAA)".

A further 7 per cent would be relet because the owner wanted to improve prior to selling and a further 4 per cent because it would provide improvement work for owners who were builders. In other words, about half the addresses which were not being let for purely financial motives, related to rents and increased market value, were almost certain to be lost to the private rented sector once improvement grant conditions had expired or improvements carried out and vacancies subsequently arisen. Over half the addresses considered as market value investments which were to be relet had landlords who gave these reasons and only 15 per cent had owners who said they were reletting to get an increase in market value. Other reasons were diverse and included 10 per cent of addresses whose owners would relet to employees or because they saw the address as a future home for members of their family.

If they were about to relet a vacancy the owners of most HMOs who were prepared to relet, expressed a preference for young single people, and students in particular, or for married couples without children. Although the owners of 36 per cent of addresses let as whole houses said they had no particular preference when taking on new tenants, 28 per cent had owners who wanted young single people or students. Only 8 per cent had owners who specifically preferred married couples with children. Indeed, only 13 per cent had owners preferring 'family tenants', including the elderly. However, the owners of 36 per cent of addresses with no particular preference included quite a large number who would probably be prepared to let to a tenant with a family, provided the landlord considered the tenant suitable.

Owners had a preference for young single people and students because such tenants move often, and landlords referred to the benefits that this rapid turnover gave them. It was not so much a question of safe-guarding their ability to secure vacant possession, as an ability to steadily increase the rent for a letting as new tenants were taken on and to ensure that necessary maintenance was done. Owners pointed out that it was difficult to raise rents during a tenancy. Consequently, by selecting only the young and mobile they ensured that no one stayed long, thus enabling rents

to be raised on a regular basis, ensuring an increasing income. This preference was particularly important to owners of addresses with a lot of lettings and those whose lettings were not self contained.

"People moving through allow rents to be raised regularly. If people get bedded in, they won't accept rent increases. Tenant turnover allows me to increase rents". "People on the move, on the shift every two years. Tenants who stay long mean flats become run down, because essential repairs can't be done". "They're not permanent tenants and so I can increase rents". "Students, short term leases for a year, so I can review rents regularly". "Not long stayers hence I can put up rents regularly. There's lots of demand. Sixty people came last time I advertised".

How much evidence was there that landlords prepared to relet whole houses would switch from unfurnished to furnished accommodation? Although 40% of all those to be relet would be let furnished, reflecting the reletting intentions of owners of furnished lettings, only 19 per cent of those currently let unfurnished would be let furnished on a change of tenancy.

#### Reletting and Selling: The Influence of LHA Policy

That there is some evidence about this has already been inferred, in particular the fact that letting conditions on improvement grants are a reason why some addresses are to be relet. It has also been seen that only 7 per cent of addresses let as whole houses, which landlords did not want to relet, had owners who spontaneously said this was because of LHA policy. Were other owners, however, influenced in some way by LHA policies in deciding not to relet? Those who were not reletting were asked explicitly whether this was so. The proportion of addresses whose owners said it was, rose from 7 per cent to 25 per cent when the question was asked outright. Whilst the owners of no HMO addresses had spontaneously referred to LHA policy, 16 per cent had landlords who said LHA policy was a factor when asked outright.

In some cases the reasons for this were the result of the specific impact of a policy or requirement on the address in question. In other cases, it was as a result of the owners' experience and perception of LHA policies, based on what had happened to that and to other addresses in

their ownership. These latter cases, covering 35 per cent of addresses let as whole houses and 57 per cent of HMO were classified as 'general unreasonableness of the LA'. Some extracts from interviews clarify this, "The requirements of the LA are so high. (They serve) repair notices which require too high a standard and the repairs are so much that you never get a full grant to cover the costs". "A large amount of repairs are required by the Council. When a tenant complains they serve a Section 9 notice. Previously they used to serve an abatement order which was specific to tenants' complaints, but a Section 9 usually includes a lot of other things as well".

Where the owner was selling because of a particular impact of a LHA policy on the property in question, the concern was once again largely the result of the costs that the owner would have to incur. In 15 per cent of cases the costs were due to requirements for repairs and improvements and in 10 per cent of cases specifically because the grant offered was too low to offset these costs.

"A repair notice was put on the property by Environmental Health' (The landlord gave a lot of details about roof works which were needed) ... 'all costs take a year's rent". "To get the property decontrolled and to get therefore an increased rent, I would have to do further repairs and improvements to Council standards". "The loss of potential rent income from the attic because I'm not allowed by the LHA to use it without a fire escape, and I cannot afford one. I'd possibly relet if I could use the top storey". "... used to have just four people in the house. Environmental Health said it was (a HMO) and I had to install ladders and wash hand basins. I'm fed up with the Town Hall".

In some cases (affecting 14 per cent of addresses let as whole houses), the owner said it was because of the effects of clearance policy. Here they were referring to what they regarded as indecision on the part of the LHA. One owner was not prepared to believe that his properties would not be cleared. He had received, what he regarded as inadequate compensation on other properties which had been acquired in clearance areas, and intended to sell all his properties as soon as he could to avoid a

repetition. "LHA policy is dishonest. You're never told when houses are going to be cleared. You get terrible compensation .. there is no redress".

Another owner complained about the effects which this alleged indecision had had: "Indecision about the future of ... Road has prevented me from improving it. It will now cost double what it would have cost four years ago".

Yet another was concerned about the side effects of clearance elsewhere, "It's on the edge of a clearance area, this affects the capital value of the property at sale, so it's not worthwhile to keep on and improve".

38 per cent of the addresses let as whole houses whose owners said they had been influenced by the factors described above, said these had been the most important reasons why they would not relet, a proportion which rose to 49 per cent when the sample was weighted. Thus, half the 25 per cent of addresses whose owners said LHA policy was one of the reasons for not reletting, said it was the most important. Thus nearly 13 per cent of all addresses which landlords did not intend to relet would not be relet principally because of Council policies.

The effect of Council policy can also be examined more directly than by probing landlords' reasons in the manner described above. Three possible policy influences are discussed: HMO, improvement grant, and area improvement policies.

First, are HMO addresses whose owners have had to comply with LHA requirements about lettings and standards less likely to be relet, especially as some owners consider themselves to have been adversely affected by these? Table 7.7 shows that there was no significant difference in the proportion of addresses to be relet between those whose owners had and had not had to comply with LHA requirements. Moreover, except in the case of the few addresses with self contained accommodation whose owners said they had been affected by these requirements, there was no evidence that fewer addresses will be relet when landlords considered that the application of LHA policies had affected them. The application of LHA policies to secure model standards of occupancy, amenity and safety from fire were not

	Accommodation Self Contained	Number	Accommodation Not Self Contained	Number	All Addresses	Number
Owner had to comply with L.A. requirements	50.0%	8	66.1%	59	64.2%	67
Not had to comply	77.4%	31	65.8%	38	71.0%	69
All	71.8%	39	66.0%	97	67.6%	136
Owner had been affected by complying	0.0%	3	63.6%	22	56.0%	25
Unaffected by complying	80.0%	5	67.5%	37	69.0%	42
All	50.0%	8	66.1%	59	64.2%	67

Table 7.7 Proportion of HMO addresses which landlords would relet if whole address vacant by whether landlord had had to comply with LHA requirements

related to a greater unwillingness by landlords to relet, and a reduction in supply, therefore, of flats and bedsitters in the private rented sector.

Second, did improvement grant policy affect reletting and selling, in view of the fact that the costs borne by landlords were determined by grant amount, standards and the fact that many improved addresses were subject to letting conditions? The latter meant that a landlord could not expect to sell an address without having to repay grant during the period when conditions were in force.

It has already been shown that improved addresses were more likely to be relet than unimproved ones. Table 7.8 shows that once grant conditions are taken into account this difference disappears. Whilst 46 per cent of all addresses which had been improved since 1963 were to be relet, as many as 72 per cent of those improved since 1977 were to be relet, compared with only 26 per cent of those improved before 1975 and 40 per cent of those improved between 1975 and 1977. Most of the addresses improved with grants after 1974 had letting conditions attached to them (there was no difference between sample areas). 36 per cent of those that were improved between 1975 and 1977 were to be relet, compared with 73 per cent of those improved in later years.

The evidence shows that when the number of addresses improved in the late 1970s was taken into account, there was no difference between the proportion of unimproved and improved addresses to be relet. Only 26 per cent of those improved before 1974, were to be relet compared with 25 per cent of all unimproved addresses. It was the higher reletting rate amongst recently improved addresses on which letting conditions had more years to run before they expired which accounted for the difference in reletting between improved and unimproved addresses. This finding emphasises the comments expressed by landlords, and noted above, that grant aided policies were helping to improve the amenities of private rented tenants and retaining property in the private rented sector, but only for a limited time.

Year Improved	Addresses	Number	Improved with Grant	Number	Improved with Grant with Conditions	Number
Before 1975	26.3%	57	22.7%	44	16.7%	18
1975 - 1977	40.0%	35	37.9%	29	36.0%	25
1978 - 1980	72.0%	50	76.2%	42	71.8%	39
All years	45.8%	142	46.1%	115	51.2%	82

Table 7.8 Proportion of improved addresses let as whole houses to be relet by year improved, grant and grant conditions

No other feature of improvement grant policy stood out as such a strong factor in landlords' intentions. Neither the total nor net cost of improvements were related to decisions to sell or relet, although where the grant had covered more than 50 per cent of the total cost, 50 per cent of addresses were to be relet, particularly if the address had been improved because the landlord was seeking a return on expenditure through increased rent. Consequently where the grant was £2,000 or more 83 per cent of addresses were to be relet, compared with 37 per cent of those improved with a smaller grant. Similarly, where a landlord considered that the return on expenditure had been reasonable 57 per cent were to be relet, compared with 30 per cent of addresses where the return had not been reasonable. There was a clear relationship between willingness to relet and willingness to improve. Although the owners of only 25 per cent of unimproved addresses intend to relet, this proportion increases to 57 per cent when the address was owned by a landlord who would be prepared to improve and relet under all circumstances except that of doing it without a grant, but this proportion fell to 24 per cent of addresses whose owners would only improve if they had a 75 per cent grant or were served a compulsory improvement notice. Clearly, if a vacancy occurred in many of these addresses, even a policy of promoting grants to cover 75 per cent of improvement costs was unlikely to retain addresses in the private rented sector, unless they were purchased with the sitting tenant by a landlord seeking an investment with a return from the increase in market value that improvement followed by sale with vacant possession brings. On evidence, this may retain properties in the private rented sector, but only for a temporary period. The reason for this is apparent from previous evidence. It is the burden of the cost of repairs in the context of rental income that is one of the main factors behind the decision to sell. Although repairs are undertaken when improvements are carried out, repair costs were as important a reason for selling improved as well as unimproved properties - and the evidence from the house condition survey demonstrated that disrepair was widespread amongst properties in every sample area.

Finally, were there any differences between sample areas in landlords' intentions that can be related to LHA policies that were being pursued in them? Addresses in HAA and GIA have been exposed to policies which had secured the improvement of private rented and other addresses. Addresses in GIA are in areas where some overall environmental improvement had been

Sample Area	All		Investment for			
	Addresses	Number	Rent Income	Number	Market Value	Number
HAA	57.8%	45	80.0%	15	47.4%	19
GIA	28.0%	75	72.7%	11	22.5%	40
EXCL	37.0%	81	50.0%	18	26.7%	30
RIC	40.0%	120	65.8%	38	14.6%	48

Table 7.9 Proportion of addresses let as whole houses to be relet by sample area

carried out. In both areas the collective impact of individual improvement to properties and environmental treatment may be associated with increased confidence in the future of the areas, which itself can sustain or enhance investors' confidence and property values in the areas. In EXCL, on the other hand, addresses were often surrounded by derelict land in 1980, as a result of clearance on adjacent sites and, moreover, the improvement of individual addresses had been much less than in HAA or GIA.

There was a difference in landlords' intentions for addresses in each area. The majority of addresses in HAA were to be relet, whereas the majority in GIA, EXCL and RIC were to be sold. When intentions are examined separately for addresses regarded as investments for rent income and for market value, the differences between the areas still persists, in particular a lower percentage of addresses of both types were to be sold in HAA than in other areas. Such evidence does not support the hypothesis that area and environmental improvement is associated with a greater selling by landlords, because of the effect it has on property values which increase the price, compared with EXCL, that they can get for HAA and GIA addresses, allowing them to cover any improvement costs as well as make a capital gain. Nor, however, does it support the hypothesis that owners will retain property in improvement areas in the expectation of future appreciation in market values, but sell in EXCL, since as many will be sold in GIA as in EXCL. In fact, detailed examination of landlords' reasons for selling found that there were no significant differences in the reasons they gave, whether investments were regarded for their rental income or market value. In HAA and GIA, however, a greater proportion of market value addresses were to be relet, because of grant conditions, than in either EXCL or RIC.

There was, therefore, little evidence to confirm that area improvement policies have a direct impact on landlords' reletting or selling decisions. Such policies did not, at any rate, appear to be related to a greater degree of disinvestment on the part of owners, taking into account their investment attitudes. Before leaving this question it is worth, however, considering whether, and in what way, landlords themselves considered they had been affected by these policies. The owners of 61 per cent of HAA, 52 per cent of EXCL and only 39 per cent of GIA addresses said that policies operating in these areas had affected them. In all

areas, 48 per cent of addresses had owners who referred to the incentives they had had to improve properties and only 27 per cent to the fact that the address had much greater potential in terms of market value, because it and the surrounding area had been improved, although this was of greater significance to owners of GIA addresses. Some of the owners' comments amplify these statistics:

".... can only be a good thing. I have the surety of other improvements alongside and don't risk improving houses alongside unimproved ones ... it's a confidence thing - doesn't affect market value to any great extent". (About a GIA address). "Yes, obviously. Now property has been removed from clearance it has been possible to improve it. Also the Council are doing landscaping and it will be easy to sell the property at a good price because it will be an attractive place to live". (About an EXCL address.) "I wouldn't have improved with a 50 per cent grant. A grant of 75 per cent was available. I wouldn't have done it with 50%". (About an HAA address). "It's in an area with 75 per cent grants. I wouldn't have done it otherwise and the whole area being improved affects the value when it comes to selling". (About an HAA address). "The knowledge that the area is stable for thirty years. That is a selling point to a prospective buyer". (About a GIA address). "Out of clearance blight so (the landlord) has now improved. Hopefully market value will pick up. (The landlord) may have been wanting to see what other owners did before he improved". (An agent about an HAA address).

Despite this, the kind of influences which are reflected in the above comments were not significantly related to future intentions - addresses whose owners who were affected and unaffected were equally likely to be sold.

#### **Reletting and Selling: What did Landlords do with Vacancies in 1980?**

Table 3.3 in Chapter 3 showed that after the 1979 tenant survey a substantial number of vacancies were identified during the nine month monitoring period between April and December 1980. Discounting the small number of 'vacancies' that turned out to be purchases by sitting tenants

and those where some, but not all household members had moved, 25 per cent of all the households interviewed in 1979 had left their accommodation in the nine month period, an annual rate of movement of 34 per cent.

11 per cent of unfurnished houses became vacant. Vacancies occurred in 48 per cent of furnished houses. As many as 63 per cent of the households who lived in self contained flats had moved, although the rate of movement from flats and bedsitters in shared dwellings where accommodation was not self contained was smaller, at 32 per cent. The latter is almost certainly an under estimate, reflecting the fact that the 'vacancy alert' signals missed many of the movers from such accommodation, given that the 1979 survey indicated a much higher rate of movement from all flats and bedsitters.

Only 16 per cent of the unfurnished houses that had become vacant in 1980 had been relet by June 1981, including 5 per cent which were let furnished. 44 per cent had either been sold to owner occupiers or were still up for sale with vacant possession. 18 per cent were vacant, many having been empty for over a year and, although by June 1981 none of them had been put up for sale, several were put on the market subsequently. 8 per cent were boarded up or had been demolished. At 13 per cent no interview was conducted at addresses which were reoccupied (excluding those known to have been for sale). The known reletting rate is therefore very small. If all the addresses where interviews were refused, or no contact was made, are assumed to have been reoccupied by new private tenants, and not by owners occupiers of properties landlords sold, then the reletting rate is 30 per cent, consistent with the intentions expressed by landlords. Because of the very long time lag between the occurrence of a vacancy and the sale of property, relatively few owner occupiers were interviewed. Some properties were advertised month after month in the local press before being finally sold.

47 per cent of the furnished houses which became vacant were relet and only 20 per cent were sold to owner occupiers or known to have been up for sale with vacant possession. Only 3 per cent were vacant and no interviews were done at 30 per cent of reoccupied addresses. If all the latter are assumed to have been relet, the reletting rate is 76 per cent, again consistent with landlords' intentions. Very few flats and bedsitters

Type of House	Purchase Price			1979 Rent		
	Mean	Standard Deviation	Number	Mean	Standard Deviation	Number
(a) All houses let furnished and unfurnished 1979	£ 8,388	£ 4,884	30	-	-	-
(b) Let furnished 1979	£10,394	£ 7,113	9	£24.90	£9.77	10
(c) Let unfurnished 1979	£ 7,529	£ 3,431	21	£ 2.56	£1.69	18
(d) Let unfurnished and had all amenities in 1979	£ 9,370	£ 2,826	10	£ 4.14	£1.02	8
(e) Let unfurnished and lacked amenities in 1979	£ 5,855	£ 3,143	11	£ 1.30	£0.74	10
(f) Let unfurnished and lacked amenities in 1979 and <u>not</u> improved between vacancy and purchase	£ 4,231	£ 1,713	8	£ 1.21	£0.69	7
(g) Let as HIMO 1979	£16,638	£12,812	4	-	-	-
(b) Prices of houses let unfurnished in 1979 and up for sale but not sold by June 1981						
(a) All	£ 6,341	£ 2,660	16	£ 2.26	£2.25	18
(b) Let in 1979 without all amenities	£ 3,921	£ 687	7	£ 1.32	£1.19	10
(c) Let in 1979 with all amenities	£ 8,222	£ 1,951	9	£ 3.43	£2.75	8

Table 7.10

Purchase price of vacant addresses that were sold and 1979 net weekly rents of the same addresses

which became vacant were in addresses which were subsequently sold. Only 13 per cent of households who left in 1980, vacated accommodation which was either sold to owner occupiers or put on the market. The accommodation concerned represented only 6 per cent of the properties in the tenant survey which had flats and bedsitters. Assuming that most of the accommodation where interviews were not carried out were relet, 80 per cent of the households who quit flats and bedsitters in 1979, left accommodation that was relet, whilst 6 per cent were vacant, consistent once again with the intentions expressed by landlords.

#### Vacancies that were Sold: Sale Prices and Rates of Return

Table 7.10 shows that owner occupiers paid £8,400, on average, for houses previously let unfurnished. Landlords received substantially more when they sold properties which had all the basic amenities, compared with the price they were paid for unimproved addresses. Where owner occupiers bought a house which had been let unfurnished in 1979, without amenities and which had not been improved before they bought it, they paid an average of £4,1200 compared with £9,400 paid for addresses which had all amenities in 1979. The same difference can be found between the prices at which properties with and without amenities in 1979 were offered for sale in 1980, even though they were still vacant in June 1981: £8,200 and £3,900 respectively.

Table 7.10 also shows the net weekly rents that landlords had been receiving in 1979 for the properties which were sold and up for sale. For unfurnished and unimproved addresses the rent was £1.30 on average or £68 p.a., a gross rate of return of 1.7 per cent p.a. on a vacant possession capital value of £4,000. This reflects the low return from controlled rents. In the few cases where such properties were relet in 1980 the net weekly rent was £2.79 or £145 p.a. a gross rate of return of 3.6 per cent. The net weekly rent of improved unfurnished addresses in 1979 which were sold or up for sale was £3.80 per week or £198 p.a., a gross rate of return of 2.3 per cent on average vacant possession capital value for these addresses of £8,800. Where such properties were relet in 1980, however, the net rent was £6.90 a week on average, or £359 p.a., a gross rate of return of 4.1 per cent. In the latter case, the net rent would be a lot less than this, once allowance is made for repairs, insurances and

	All	Moved to address 1977-1979	1979 Households of unfurnished houses sold, for sale, vacant or relet in 1980	1979 Households of furnished houses sold in 1980	1980 Households of unfurnished and furnished houses sold to owner occupiers, 1980	1980 Households of unfurnished houses relet unfurnished, 1980
(a) Household type:	%	%	%	%	%	%
Young single adult*	4.9	30.3	4.2	10.0	25.8	18.2
Small adult	7.6	17.2	8.5	-	16.1	27.2
Families	26.9	31.2	15.5	20.0	51.6	36.4
Elderly	<u>60.6</u>	<u>21.3</u>	<u>71.8</u>	<u>70.0</u>	<u>6.5</u>	<u>18.2</u>
Numbers	Weighted	Weighted	71	10	31	11
(b) Economic activity status of head of household:	%	%	%	%	%	%
Full time job	36.5	64.1	26.8	20.0	87.1	63.6
Other -economically active	7.1	19.0	1.4	20.0	6.4	18.2
Student	-	-	-	50.0	3.2	-
Housewife	17.8	4.4	23.9	10.0	-	-
Retired	<u>38.5</u>	<u>12.4</u>	<u>47.9</u>	<u>-</u>	<u>3.2</u>	<u>18.2</u>
Numbers	Weighted	Weighted	71	10	31	11
(c) Socio economic group of head of household:	%	%	%		%	%
Professional and managerial	2.3	15.9	5.5		16.7	-
Other non manual	17.3	21.9	9.3		16.7	18.2
Skilled manual	50.9	43.4	42.6		43.3	45.4
Semi and unskilled manual	26.9	18.2	35.2		16.7	36.4
Other	<u>2.6</u>	<u>0.7</u>	<u>7.4</u>		<u>6.7</u>	<u>-</u>
Numbers	Weighted	Weighted	54		30	11

\* NOTE One adult, small unrelated and large unrelated adult households

Table 7.11 Household type, economic activity status and socio economic group of tenants and owner occupiers

other management costs. On the face of it, a landlord would have received a significantly higher rate of return by placing the proceeds of selling properties in alternative investments, like Building Societies. However, although this deduction makes the assumption that the appropriate basis for calculating rates of return is the current vacant possession market value, it makes no allowance for the fact that landlords would be liable for capital gains taxation. Depending on the length of time the properties have been owned and any appropriate allowances, this may reduce the net proceeds considerably, thus raising gross rates of return from reletting to a level comparable with alternative investments. On the available evidence, however, rates of return are considerably lower than this. Even if it is assumed that a minimum gross yield of 9 per cent p.a. was required (given that, on top of this, landlords' properties are increasing in value in line with house prices), it is apparent that 1980 rents would have had to double to secure such a yield. (Further evidence about this in respect of the returns gained in 1986 is presented in Part 3 of the thesis).

Did, however, reletting a house on a furnished basis appear to have been a more attractive proposition by providing yields comparable with those obtained elsewhere? Where such properties were sold in 1980 owner occupiers paid an average of £10,400. Table 7.13 shows that the average net rents of such properties in 1980 was £27.35 a week, or £1,422 p.a. a gross rate of return of 13.7 per cent p.a. Indeed in a few cases where vacant properties which were let unfurnished in 1979 were let furnished in 1980, rents rose from £6 to £27 a week. In cases, therefore, where houses are relet furnished the existence of an opportunity cost of reletting, in the sense of the annual income received from investment of the proceeds of a sale which is foregone, was much less apparent than in the case of reletting on an unfurnished basis.

#### Selling and Reletting: Buyers and Renters Compared

Table 7.11 shows the changes that had occurred when houses were sold, in respect of type of household, economic activity status, and socio economic group. It shows that, in 1979, 61 per cent of all households renting unfurnished dwellings were elderly, although, not surprisingly, they comprised only 21 per cent of those who had moved to their current address

between 1978 and 1979. In 1979 the elderly accounted for 72 per cent of households in houses that became vacant in 1980 and were subsequently sold, up for sale, still vacant or relet. When properties were sold 68 per cent of the owner occupiers were family households or childless married couples. Roughly the same proportion was found amongst the small number of households who moved into dwellings that were relet and amongst those relet between 1977 and 1979. Landlords' decisions to sell, therefore, had only a marginal impact on the type of households moving to inner city housing, the only noticeable difference being that few elderly bought houses whereas landlords were reletting to some elderly households, on the basis of relets between 1977 and 1980.

This pattern is reflected in the economic activity status of households renting and buying. 71 per cent of the heads of households vacating unfurnished dwellings were retired or housewives (compared with 56 per cent of all households renting unfurnished dwellings), whereas 87 per cent of those who bought the properties landlords sold had full time jobs. Similarly, 64 per cent of those to whom landlords relet had full time jobs, both in respect of 1977-79 and 1980 relets. The only two differences were that landlords reletting took on a number of retired households and had previously let the furnished houses that were sold to students. Sales, therefore, had a marginal impact on the supply of accommodation for these two groups.

Rather more critical to this assessment, however, are the socio-economic groups of buyers and renters. Although families and those with full time jobs were both moving to properties landlords both sold and relet, if buyers are of a higher socio economic status than renters, the decline of the private rented sector reduces the supply of accommodation available to, for example, manual, compared with non manual workers. Although there is some evidence of this, it does not reveal a dramatic shift in the socio economic pattern of households as sales take place. In 1979 only 20 per cent of households renting unfurnished accommodation held, or had retired from, managerial, professional or other non manual occupations. 51 per cent were in skilled manual and 27 per cent in unskilled manual occupations. Those households who left addresses which were sold, up for sale, empty or relet were similar to this. There was, however a noticeable difference in the pattern of those who bought. A smaller

	House Let Furnished <sup>#</sup>		Self Contained Flat		Accommodation Not Self Contained	
	1979	1980	1979	1980	1979	1980
	%	%	%	%	%	%
(a) Household Type:						
Young single adult *	21.3	21.3	48.6	62.9	86.0	70.0
Small adult	17.0	8.5	28.6	5.7	6.0	12.0
Large unrelated adult	51.1	59.6	20.0	28.6	2.0	16.0
Families	6.4	10.6	2.9	2.9	4.0	2.0
Elderly	4.3	-	-	-	2.0	-
Numbers	<u>47</u>	<u>47</u>	<u>35</u>	<u>35</u>	<u>50</u>	<u>50</u>
(b) Economic Activity Status of Head of Household:						
Full time job	55.3	40.4	60.0	54.3	32.0	46.0
Other economically active	6.4	4.3	8.6	5.7	16.0	18.0
Student	34.0	55.3	31.4	40.0	50.0	36.0
Housewife and retired	4.3	-	-	-	2.0	-
Numbers	<u>47</u>	<u>47</u>	<u>35</u>	<u>35</u>	<u>50</u>	<u>50</u>
(c) Socio Economic Group of Head of Household:						
Professional and managerial	22.6	19.0	16.7	4.8	4.0	9.4
Other non manual	48.4	19.0	50.0	61.9	40.0	37.5
Skilled manual	12.9	38.1	8.3	19.0	36.0	21.9
Semi and unskilled manual	12.9	23.8	20.8	14.3	12.0	25.0
Other	3.2	-	4.2	-	8.0	6.3
Numbers	<u>31</u>	<u>21</u>	<u>24</u>	<u>21</u>	<u>25</u>	<u>32</u>

\*NOTE One adult and small unrelated adult

#NOTE Includes five addresses let unfurnished in 1979

Table 7.12 Household type, economic activity status and socio economic group of 1979 and 1980 households occupying addresses that were relet

proportion of owner occupiers held semi or unskilled manual jobs, and a greater proportion had professional, managerial or other non manual jobs, compared with those who had previously rented the vacant addresses and those who moved into addresses which were relet.

It is tempting then, to conclude that one of the consequences of landlords' decisions to sell property is a diminution of the effective access of semi and unskilled workers to inner city housing in the private sector. However, this conclusion should not be drawn. Although sample numbers are small, comparison between those who bought and those to whom property was relet between 1977 and 1979 indicates no difference in socio economic pattern. In other words those leaving private rented unfurnished dwellings were typically elderly and have retired from skilled but especially semi and unskilled jobs. In so far as landlords were reletting (and taking the 1977-79 relets as evidence here) those currently moving into unfurnished dwellings are less likely to do semi and unskilled manual jobs and much more likely to have professional, managerial or other non manual occupations - 38 per cent were in the latter groups, comparable in proportion to heads of households who had bought properties landlords sold. Few of the buyers had semi and unskilled jobs, but neither did those who rented unfurnished accommodation between 1977 and 1979.

#### **Reletting: More Details about Renters**

Table 7.12 shows that there was no change in the characteristics of households when furnished houses and flats and bedsitters were relet. Those who took up new tenancies in the vacant accommodation were more or less the same as the previous occupants, for all types of accommodation, in respect of household type, economic activity status and socio economic group. As a consequence, single and other unrelated adult households dominated the pattern of movement into the private rented sector, and students comprised an important component of the population, especially in houses let furnished, a pattern consistent with landlords' expressed preferences. Head of households in non manual occupations continued to account for about half the remaining households, particularly in houses let furnished and self contained flats.

Type of Vacancy	1979			1980			Increase in mean rent
	Mean	Standard Deviation	Number	Mean	Standard Deviation	Number	
(a) Unfurnished '79 and '80 - all amenities '79 and '80	£ 3.57	£ 3.74	10	£ 6.17	£ 3.78	11	72.8%
(b) Furnished '79 and '80	£20.77	£ 8.68	40	£27.35	£10.19	40	31.7%
Unfurnished '79/ Furnished '80	£ 6.03	£ 7.28	5	£27.42	£12.81	5	354.7%
(c) Self contained flats	£20.06	£11.61	35	£25.97	£14.32	35	29.5%
(d) Accommodation in shared dwellings							
(i) Flats	£ 9.36	£ 3.46	26	£12.37	£ 4.44	24	32.2%
(ii) Bedsitters	£ 8.11	£ 3.43	23	£ 8.18	£ 3.05	23	0.9%

Table 7.13 Net weekly rents in 1979 and 1980 of vacant addresses that were relet

Although, therefore, the balance of population did not change as landlords took on new tenants, the rents charged did change. Table 7.13 shows the net weekly rents paid by the previous tenants in 1979 and by the new tenants in 1980. With the exception of bedsitter accommodation and unfurnished accommodation, the new rents charged by landlords in 1980 were about 30 per cent higher than the rents paid in 1979. Rents of furnished houses rose by 32 per cent from an average of £20.77 to £27.35 per week, rents of self contained flats rose by 30 per cent from £20.06 to £25.97, and rents of flats in shared dwellings by 32 per cent from £9.36 to £12.37. Rents of bed-sitters, however, did not change being just over £8 weekly for old and new tenants. Almost all the rents were privately agreed and not registered as Fair Rents.

Only 32 per cent of heads of households (including those moving to unfurnished accommodation) had been living in private rented accommodation before they moved into one of the vacancies, 48 per cent of them moved because they considered their last accommodation was deficient, particularly in terms of repairs and amenities. 22 per cent had previously been in university or college accommodation, moving either because they wanted to live independently or because they were unable to stay in residence for longer. 24 per cent had been living with their parents and moved when they got married, because of a job or to study, or because they wanted to live independently. The rest had mostly been living or boarding with other households and very few had owned their own home or had a council house before moving. Altogether 21 per cent of all heads of household had moved because their previous accommodation was inadequate, 9 per cent to live in a better physical or social environment, and 17 per cent for other reasons, mainly because their previous landlord had asked them to leave. Over half, however, had moved for personal reasons, because they came to Sheffield for a job or to study, because of marriage, separation or divorce, or because they wanted to leave home or a students' Hall of Residence.

Many of them said they had difficulties in finding private rented accommodation, indeed only 51 per cent said they had no difficulty. Those who had experienced difficulties had spent longer finding somewhere to live. Only 12 per cent of those who had no difficulties spent a month or more searching, compared with 71 per cent of those who had difficulties,

including 27 per cent who had looked for three months or more before getting their accommodation. The main difficulty people had, they said, was the general shortage of accommodation to rent. 33 per cent referred in one way or another to the competition that existed when they were looking for houses, flats or bedsitters to rent ('it was gone as soon as it was advertised'). Another 21 per cent explained that there was a shortage of the particular kind of accommodation they wanted that most suited their needs. Either they could not find anything they wanted, or landlords would only rent to other sorts of households. 23 per cent said that the difficulty had been that accommodation was expensive - rents asked were too high for them or they had been asked to pay too much in advance rent or in agents' fees. 14 per cent referred to the fact that they had found difficulty in finding accommodation of a good standard, in terms of repairs, amenities and furnishings, whilst 9 per cent gave a variety of other explanations. All types of tenants had experienced difficulties in finding accommodation. Students, for example, had no less difficulty than others, whilst two person adult households had the greatest difficulty of all, only a third having no difficulty compared with two-thirds of single person households.

41 per cent had first found out about their current accommodation from friends or relatives and 9 per cent because they knew the previous tenants. Thus half of the accommodation concerned came to their present occupants' attention through personal contacts and not through press advertisements or estate agents. Indeed only 17 per cent and 4 per cent respectively had heard about their current place by the two latter means. 9 per cent had heard about it through the University, 13 per cent because they knew the landlord and 6 per cent in some other way, including cards in shop windows. All tenants, however, experienced the same difficulties in finding somewhere to live. Although half of them had in the end found their accommodation through personal contacts, they were just as likely to have experienced difficulties in their search as anyone else.

Moreover, few tenants were completely satisfied with their present place. Only 27 per cent were very satisfied, 50 per cent were only fairly satisfied and 13 per cent were a little or very dissatisfied, dissatisfaction being greatest amongst those who lived in flats and bedsitters. The main source of dissatisfaction was with the poor state of

repair, amenities, furnishings and heating of their accommodation. 42 per cent of those who were not very satisfied gave this as the reason for their dissatisfaction. 24 per cent were unhappy about other physical aspects of their accommodation, in particular concerned about the size of accommodation and its lack of privacy and self containment when living in shared dwellings. 15 per cent said they were not satisfied because they considered the rent was expensive. 8 per cent would rather have owned their own home or been a local authority tenant - which was why they were not satisfied with their present place.

To what extent, therefore, would all tenants preferred to have bought their own home or moved into Council accommodation when they last moved, rather than renting from a private landlord? Only 27 per cent said they would have preferred Council accommodation, although 45 per cent of those in full time employment would have preferred this, compared with only 11 per cent of all others (most of whom were students). Only 20 per cent, however, were on the Council's waiting list, mostly having registered within the previous year.

50 per cent said they would have preferred to buy rather than rent when they last moved, a view expressed by 72 per cent of those with full time jobs and 28 per cent of others. Of those who did want to buy 76 per cent said that they were renting because they could not afford to buy - their earnings were insufficient and this was referred to by most, or because they had not saved enough for a deposit to put on a home. 8 per cent said that they would not be staying long enough in Sheffield to warrant purchasing a house. However, only 32 per cent had actually taken any steps to buy a house, but in most cases this was simply the opening up of a Building Society deposit account. Few had actually looked at houses and only a handful had actually made any offers. They were therefore renting rather than buying not because they had tried to buy and were unable to do so, but because most of them were young and were still at the stage of saving up to buy a place of their own.

## CHAPTER 8

### DEMAND FOR PRIVATE RENTED ACCOMMODATION

#### Private Renting Households Preferences for Different Tenures

Evidence from both the 1979 tenants' survey and the 1980 follow-up survey of those tenants interviewed in 1979 who moved in the succeeding years, is used to examine the preference that heads of household had for different tenures, the length of time that households were likely to require private rented accommodation before moving to alternative tenures, and the extent to which those who did move in 1980 left the private rented sector or continued to rely on such accommodation.

In 1979 heads of household were asked whether they preferred renting from a private landlord or, if possible, would prefer to rent from the Council. 44 per cent said that they preferred to rent privately, 33 per cent to rent from the Council, and 24 per cent were uncertain or had no preference either way. With the single exception of large families, of whom only 21 per cent preferred private renting, at least a third of all households preferred to rent from private landlords. In particular, over half large related adult and elderly households held this preference. The elderly accounted for 42 per cent of everyone who preferred to rent privately.

As Table 8.1 shows, preference for Council renting was particularly marked amongst families. 52 per cent of all families took this view, compared with between a quarter of large adult and elderly households and a third of one and small adult households. Not all of those who said they preferred Council renting, however, were on the waiting list for Council housing. Indeed only 43 per cent were on it.

When asked to compare buying with renting, 47 per cent of heads of households said they would prefer to continue to rent rather than to buy. 51 per cent said they would prefer to buy, and only 2 per cent were unable to say one way or another. As Table 8.2 illustrates, there were distinct differences between household. Over 80 per cent of the elderly and over 50 per cent of large related adult households preferred to rent. Related small adult and family households made up a second group, where 38 per cent preferred renting, whilst only 23 per cent of single adult and small and large unrelated adult households preferred this. There were,

Preference	Household Type									
	One Adult under 60 years	Small Adult Household Related	Small Adult Household Unrelated	Small Family	Large Family	Large Adult Household All Related	Large Adult Household - Not All Related	Older Small Household	One Adult 60 years or over	All Types
	%	%	%	%	%	%	%	%	%	%
To be renting from private landlord	33.4	37.7	35.6	36.8	20.7	55.9	46.4	53.7	59.9	44.1
To be renting, if possible, from Council	32.3	32.6	37.5	46.9	68.9	22.6	23.5	29.1	25.2	31.7
(was on waiting list)	(11.0)	(19.9)	(8.5)	(21.2)	(35.4)	(13.2)	(0.2)	(16.4)	(15.2)	(13.7)
(was not on waiting list)	(21.3)	(12.7)	(29.0)	(25.7)	(33.5)	(9.4)	(23.2)	(12.7)	(10.0)	(18.0)
Had no preference/could not say	34.3	29.7	26.9	16.3	10.4	21.4	30.1	17.2	14.9	24.2
Household type as % of all households %	25.3	9.0	9.0	7.7	2.1	6.3	8.0	15.6	16.9	

NOTE Numbers in sample: weighted sample

Table 8.1 Preference of heads of household for renting from private landlord or council by household type

Preference	Household Type									
	One Adult under 60 years	Small Adult Household Related	Small Adult household Unrelated	Small Family	Large Family	Large Adult Household All Related	Large Adult Household - Not All Related	Older Small Household	One Adult 60 years or over	All Types
	%	%	%	%	%	%	%	%	%	%
Had no preference/could not say	4.7	1.8	0.1	0.5	-	0.2	2.3	0.3	1.3	1.9
Preferred renting	24.0	33.3	15.7	44.4	30.5	52.4	26.1	81.6	84.8	47.0
Preferred buying	71.2	64.9	84.1	55.1	69.5	47.4	71.6	18.1	13.9	51.1
(thought would eventually be able to buy)	(57.9)	(51.4)	(73.7)	(37.7)	(13.6)	(5.2)	(63.7)	(1.9)	(1.8)	(35.3)
(thought would never buy)	(3.1)	(9.7)	(3.4)	(3.0)	(30.7)	(27.3)	-	(14.1)	(11.0)	(8.6)
(did not know whether would eventually be able to buy)	(10.2)	(3.8)	(7.0)	(14.4)	(25.2)	(14.9)	(7.9)	(2.1)	(1.1)	(7.2)
Household type as % of all households %	25.3	8.8	9.1	7.7	2.1	6.3	8.2	15.7	16.8	

NOTE Numbers in sample: weighted sample

**Table 8.2 Preference of heads of household for renting or buying by household type**

Preference	Household Type									
	One Adult under 60 years	Small Adult Household Related	Small Adult Household Unrelated	Small Family	Large Family	Large Adult Household All Related	Large Adult Household - Not All Related	Older Small Household	One Adult 60 years or over	All Types
	%	%	%	%	%	%	%	%	%	%
Preferred renting privately to renting from Council and preferred renting to buying	9.7	14.3	5.3	19.8	2.8	31.3	14.6	44.1	55.0	25.1
%	9.7	5.1	1.9	6.1	0.2	7.9	4.7	27.4	37.1	
Did not prefer renting privately but not on Council waiting list/ would never buy	13.7	21.6	5.8	17.5	38.5	34.7	14.0	26.3	22.7	19.3
%	17.9	10.1	2.7	7.0	4.1	11.3	5.8	21.2	19.8	
Preferred renting from Council, on waiting list, and did not want to buy	7.4	6.0	6.6	11.0	11.6	8.9	0.2	22.2	16.1	10.8
%	17.1	5.0	5.5	7.8	2.2	5.2	0.1	31.9	25.1	
Preferred renting from Council, on waiting list, preferred to buy but would never buy	0.5	1.7	1.7	1.3	8.3	4.8	-	3.3	3.2	2.1
%	6.9	7.6	7.6	4.6	8.2	14.6	-	24.2	26.3	
Preferred to buy, would eventually buy, also preferred Council to private renting, on waiting list	5.5	17.9	8.3	11.4	16.1	0.4	1.9	0.2	1.0	5.4
%	25.9	30.2	14.0	16.4	6.2	0.5	2.9	0.6	3.3	
Preferred to buy, would eventually buy, not on Council waiting list	63.2	38.4	72.4	39.1	22.8	19.9	69.3	3.9	2.0	37.2
%	42.9	9.3	17.6	8.1	1.3	3.4	14.9	1.6	0.9	
Household types as % of all household types	25.3	9.0	9.0	7.7	2.1	6.3	8.2	15.6	16.9	

NOTES First % = Column % ; Second % = Row % . Numbers in sample: weighted sample

Table 8.3 Preferences of heads of household for renting privately, renting from the Council, and buying by household type

however, also differences in the extent to which those who wanted to buy expected to be able to do so. Although 51 per cent preferred to buy, this included only 35 per cent who thought that they would eventually buy somewhere, 7 per cent who did not know if they would and 9 per cent who thought they would never be able to buy. The latter was particularly marked amongst large families, large related adult households and, not surprisingly, the elderly. The majority of all other households wanting to buy, did, however, think that they would be able to buy.

By combining the separate preferences heads of households had for different ways of renting, with their preferences for renting or buying, it was possible to classify them into six groups indicating their most preferred option.

First, those who preferred renting privately. This included all those who preferred to continue to rent, rather than to buy, and preferred renting privately to renting from the Council. Second, those who did not prefer renting privately to other tenures but were not likely to leave it to buy their own home or get Council accommodation. Heads of household were placed in this category if they preferred to buy rather than rent but never expected to buy and, if they preferred to rent, and did not specifically prefer to rent from a private landlord were, nevertheless, not on the Council waiting list.

Placed in the third and fourth categories were those who could be expected to leave the private rented sector for Council accommodation. In the third category were those who specifically preferred renting to buying (or where unsure), preferred Council to private renting (or unsure) and on the waiting list. In the fourth category were those who preferred buying to renting but never expected to be able to buy, preferred Council to private renting (or were uncertain) and were on the waiting list.

In the first and sixth categories were those who preferred buying to renting and who expected eventually to be able to buy their own home. In the first group were heads of households who also had their names on the waiting list for Council housing, whilst those in the sixth group did not.

Table 8.3 shows that 25 per cent of all heads of household preferred private renting and a further 19 per cent would prefer not to rent privately but were unlikely to leave the private rented sector. 13 per cent were likely to leave the private rented sector for Council accommodation, including 2 per cent who would prefer to buy their own home but never expected to do so. 43 per cent were likely to leave to buy their own home, including 5 per cent who were also on the Council waiting list.

It also shows that high proportions of elderly households preferred renting from a private landlord. Many of them are in this group and they accounted for 65 per cent of all heads of household who preferred private renting above all else. As Chapter 4 has shown they had, in most cases, lived for many years at their present address and will probably have been private tenants all their adult lives and will have had no direct experience of Council accommodation or home ownership. Their preferences may have been based, therefore, on a different set of expectations about tenure compared with later generations. Their age and income make it extremely unlikely that they could have afforded to buy anywhere for themselves and although, in many cases, their accommodation was not up to standard, the low rents they paid, which reflected this, together with a desire to stay in the home where they had lived for many years, made continued private renting an attractive proposition. However, it was also the case that, where heads of household were retired or housewives, a greater proportion of those who lacked amenities, preferred Council renting, compared with those whose homes had all the standard amenities. Large related adult households were the only other ones where a large proportion, 31 per cent, preferred private renting, a fact which probably reflects the age of the heads of household, although it should be noted that 14 per cent of related small adult and 20 per cent of small families also held this preference.

The second category can be conveniently labelled 'trapped private renters', in the sense that they preferred alternative tenures but were unlikely to achieve them. This category also contained a high proportion of elderly households. They comprised 41 per cent of all households in this group and it also accounted for 25 per cent of all elderly households. Although some of these wanted to buy, most wanted Council accommodation but had failed to register this preference. They were

trapped, not because they were in any way barred from Council housing, simply by their failure to signal their demand. 38 per cent of large families and 35 per cent of related large adult households were also in this category. These, it will be recalled, were amongst the households who wanted to buy, but never expected to be able to do so.

Altogether it was found that only a third of 'trapped' households had said that they preferred renting to buying, but less than half had a clear preference for Council renting, the remainder being uncertain about the choice. This suggested that in 1979 there was some scope for meeting the need behind these preferences, by increasing information and knowledge about the possibility of registering for Council accommodation. It was less easy to envisage the steps to meet the needs of those who were uncertain about renting alternatives, because their uncertainty may have hinged on a number of issues to do with both private and public renting. 62 per cent of all trapped households preferred to buy rather than rent. As far as these latter households' renting preference is concerned, only 24 per cent specifically preferred Council to private renting. More than 60 per cent preferred private to Council renting, and they were 'trapped' therefore by their anticipated inability to buy.

Elderly households also comprised a substantial proportion of all those likely to leave private renting for Council accommodation. Thus 26 per cent and 19 per cent, respectively, of two and one person elderly households were in this group, representing much higher proportions than for any other household type, except in the case of large families, 20 per cent of whom were in one or other of these two categories. In fact the elderly and large families constituted 60 per cent of everyone expected to leave private renting for Council housing. It is also noticeable that most of those who were likely to move to Council accommodation would do so on the basis of a straight preference for renting rather than buying, since only 2 per cent of all households were expected to move to Council housing because they were 'frustrated buyers'.

What is also noticeable, however, is the significant proportion of those with waiting list registrations who would prefer to buy, rather than rent and expect eventually to be able to do so. They comprised 5 per cent of all heads of households and 30 per cent of all household heads on the

waiting list. Their registration may be regarded as an 'insurance policy' against the chance of being unable to buy in the end or as a temporary stepping stone, offering accommodation superior to that available in the private rented sector, until they were in a position to buy. 18 per cent of related small adults, 11 per cent of small and 16 per cent of large families were in this position, together constituting 53 per cent of all of those with such 'insurance policies'.

In the final preference category were those who preferred and expected to buy and had not placed their names on the waiting list. Combining them with the last group, it will be seen that 69 per cent of young one adult, 81 per cent of unrelated small adult, and 71 per cent of unrelated large adult households expected to buy. About half of related small adult and small families were also in these groups, compared with less than 40 per cent of large families, 20 per cent of related large adult households and a very small percentage of elderly households.

#### Length of Time Private Rented Accommodation Required

Having now looked at heads of households' specific preferences between private and Council renting and between renting and buying, and also at the way these preferences can be combined to obtain a measure of the extent to which they were likely to stay in, or to leave, the private rented sector, it is now possible to examine the length of time before the 1979 sample of those who expected to leave private renting were likely to do so.

This was done by examining the length of time that those who preferred Council housing (and were on the waiting list) had been on the waiting list and the time before those who preferred and were able to buy, both wanted to buy and expected to be in a position to do so.

It had been hoped to use the information provided by those who were on the Council waiting list about the estate on which they had asked for accommodation and the type of accommodation they had requested to predict the length of time before they would be rehoused. This would have been possible, if there had been a full response to these questions, by using the local authority's estimate of waiting time for different types of ac-

accommodation on each estate. Unfortunately, too large a proportion of the sample did not state a preference for estate in specific enough terms for this to be done.

Instead, therefore, use has been made of the information provided on the length of time heads of household had been on the waiting list. This provided a reasonable projection, on average, because the local authority made offers to applicants in accordance with their date-order of registration. The local authority calculated that, at the time the survey was undertaken, the average waiting time was three years, and this was used to calculate the length of time heads of household had to wait for an offer. Thus those who had been on the list for three or more years were likely to be offered accommodation within a year, those on the list for more than a year, but less than three years, could be made offers in two or three years time and those registered for a year or less could not expect offers until after three years. This is not to imply, of course, that individuals may not have been rehoused earlier if their housing or personal circumstances warranted priority treatment outside the date order queue.

To estimate how long it would be before those who expected to buy, would leave the private rented sector, heads of household were asked how long it would be before they wanted to buy, and how long it would be before they expected to be able to buy. It was assumed that households would buy their own home in the time period when their desire and expectation coincided. In other words heads of household were not assumed to leave the private rented sector until the time when they both wanted and were able to buy.

Table 8.4 shows the results of these projections, separately, for those expected to move to Council housing and those expected to buy their own home. It will be seen that 31 per cent of those preferring Council housing had been on the waiting list long enough to expect to be rehoused within a year. They accounted for 4 per cent of all heads of household in the sample. Greater proportions of small adult, large family, large adult related and elderly households could expect rehousing within a year, than

Time	HOUSEHOLD TYPE									
	One Adult Under 60	Small Adult Related	Small Adult Unrelated	Small Family	Large Family	Large Adult Related	Large Adult Unrelated	Older Small	One Adult 60 or more	All
	%	%	%	%	%	%	%	%	%	%
<b>(a) <u>Waiting time of those preferring local authority</u></b>										
Within a year	8.3	45.5	1.7	1.3	75.0	38.2	-	36.7	41.9	31.1
Within 2-3 years	30.6	47.3	37.9	20.0	3.1	22.1	-	38.0	23.3	30.3
Eventually but not within 3 years	61.1	7.2	60.3	77.3	21.9	23.5	100.0	24.9	29.8	37.1
Don't know	-	-	-	1.3	-	16.2	-	0.3	5.0	1.5
<b>(b) <u>Expected time of rehousing of those preferring local authority or as % of ALL households</u></b>										
Within a year	0.7	3.5	0.1	0.2	14.9	5.2	-	9.4	8.1	4.0
Within 2-3 years	2.4	3.6	3.1	2.5	0.6	3.0	-	9.7	4.5	3.9
Eventually but not within 3 years	4.8	0.6	5.0	9.5	4.4	3.2	-	6.3	5.7	4.8
Don't know	-	-	-	-	-	2.2	0.2	0.1	1.0	0.2
Total (percentage of all households preferring L.A.)	7.9	7.7	8.3	12.3	19.9	13.7	0.2	25.5	19.3	12.9
<b>(c) <u>Expected time for buying of those preferring to buy</u></b>										
Within a year	12.5	54.2	30.9	27.5	3.2	11.9	5.6	44.9	2.5	21.0
Within 2-3 years	22.1	19.2	30.6	16.4	1.5	2.0	30.4	2.0	30.8	22.4
Eventually but not within 3 years	50.4	19.3	29.9	28.2	32.8	12.9	53.2	-	28.2	37.9
Don't know	14.9	7.3	8.6	27.9	62.5	73.3	10.8	53.1	38.5	16.7
<b>(d) <u>Expected time of buying of those preferring buying as % of ALL households</u></b>										
Within a year	8.6	30.5	24.9	13.9	1.2	2.4	4.0	1.8	0.1	8.9
Within 2-3 years	15.2	10.8	24.7	8.3	0.6	0.4	21.6	0.1	0.9	9.5
Eventually but not within 3 years	34.6	10.9	24.1	14.2	12.8	2.6	37.9	-	0.8	17.0
Don't know	10.3	4.1	6.9	14.1	24.3	14.9	7.7	2.2	1.2	7.1
Total (percentage of all households preferring buying)	68.7	56.3	80.7	50.5	38.9	20.3	71.2	4.1	3.0	42.6

NOTE Rounding errors exist in the Table

Table 8.4 Expected time of leaving private rented sector for those preferring local authority renting (and on waiting list) and those preferring buying (and able to buy) by household type

Preference	Household Type									
	One Adult under 60 years	Small Adult Household Related	Small Adult Household Unrelated	Small Family	Large Family	Large Adult Household All Related	Large Adult Household - Not All Related	Older Small Household	One Adult 60 years or over	All Households
	%	%	%	%	%	%	%	%	%	%
Preferred to continue to rent privately	9.7	14.3	5.3	19.8	2.8	31.3	14.6	44.1	55.0	25.1
Did not prefer to continue to rent privately but unlikely to leave private renting	13.7	21.6	5.8	17.5	38.5	34.7	14.0	26.3	22.7	19.3
Did not prefer to continue to rent privately and likely to leave:										
within a year	9.3	34.1	25.1	14.0	15.9	7.7	4.0	11.2	8.2	13.0
within 2 to 3 years	17.6	14.5	27.8	10.7	1.2	3.4	21.6	9.8	5.4	13.5
eventually but not within 3 years	39.4	11.4	29.1	23.8	17.1	5.8	38.1	6.4	6.6	21.8
did not know when would leave	10.3	4.1	6.9	14.2	24.4	17.1	7.7	2.2	2.1	7.3

NUMBERS IN SAMPLE: WEIGHTED SAMPLE

Table 8.5 Preference of heads of household for remaining in or leaving the private rented sector, by expected time of leaving, by household type

others. The majority of one and two person unrelated adult households and small families had only recently registered and were unlikely to be rehoused within three years.

Only 21 per cent of those who are expected to buy, wanted and could do so within a year. They accounted for 9 per cent of all households. As many as 40 per cent would not buy within three years. Not surprisingly over half related small adult households were likely to buy within a year, as was just under a third of unrelated small adult and just over quarter of small families. For most households, however, there was a considerable 'deferment' of the time before households would leave the private rented sector to buy. In the case of one person unrelated adult and large unrelated adults this is only to be expected. As young people they were unlikely to be in a position financially, or in terms of their stage in the life cycle, to either be able or want to buy within three years. In the case of families, however, this postponement reflects not a desire to delay purchase, but their expected inability to buy for a number of years.

Table 8.4 can now be combined with the data presented earlier about those who prefer private renting and those who are trapped in the sector. Table 8.5 does this and requires little additional comment. To summarise, 44 per cent of all households in the sample were not likely to be leave the private rented sector as things stood. On the other hand 56 per cent were likely to leave, 13 per cent within a year (4 per cent to the local authority sector and 9 per cent to become owner occupiers), a further 14% within 2-3 years' time (4% to local authority and 10 per cent to owner occupation) and 22 per cent would move eventually (5 per cent to local authority and 17 per cent to owner occupation). Those likely to leave earliest were small adult households (30 per cent to buy and 4 per cent to Council housing within a year). Many family households would remain in the private rented sector for some time before getting either a Council house or buying their own home. The 'departure' of many young one adult and large unrelated adult households would take place over a longer period, with relatively few leaving within a year and many not before three years. Finally, the elderly wanting to leave the private rented sector would not in general do so for some time and the degree of waiting involved for some of them reflected the recent registration of many elderly on the Council waiting list.

It is, however, not entirely safe to assume that, until those who intend to buy actually do so, they will continue to exercise a demand for private rented accommodation. Amongst those who expected to buy there were some who were also on the Council waiting list. They accounted for 5% of all households and 13 per cent of all 'buyers'. It was plausible therefore that some, if not all of them, would leave the private rented sector for local authority housing as a temporary measure, thus 'speeding up' their departure at a time earlier than they had expected to be able to buy. Over 15 per cent of all of them had been on the list long enough to be offered Council accommodation within a year, and a further 37 per cent could have been in this position within two or three years. Whether advantage was taken of such potential offers and hastened departure from private renting depended, in part on whether or not a household expected to buy within a time scale which did not warrant a temporary move to Council accommodation.

If, therefore, the possibility of such temporary (and earlier) departures by buyers is neglected, the figures in Table 8.5 suggest that about 44 per cent of the sample households had a permanent need for private rented accommodation, either because they preferred it or because, under the criteria adopted, they were trapped. This is an upper estimate in view of the possibilities which exist for removing the constraints on those who are trapped, discussed earlier. Those who prefer private renting are a rather special category - largely, though not entirely, older and retired households: a residual demand reflecting their age and the attitudes towards tenure of earlier generations.

The remainder of the sample would eventually leave private renting - 13 per cent to become Council tenants and 43 per cent to buy their own homes. They would, however, continue to need private rented accommodation until such time as their Council registration matured or they were in a position to purchase their own home. On the evidence 13 per cent needed it for under a year, 14 per cent required private rented accommodation for two to three years more and 22 per cent for more than three years, with a further 7 per cent for an unknown length of time. However, one cautionary note should be entered. Many of the buyers in full time employment had low incomes and may run into financial difficulties in

exercising their preference, whilst a minority were in middle age and may not find it easy to secure mortgages. Thus, whilst the estimate of the proportion who were trapped may be an overestimate, it is possible that the estimate of buyers was also an overestimate with consequential implications for demand for rented accommodation whether in the public or private sector.

### 1980 Follow Up Survey of Those Leaving Private Rented Addresses

How many people had therefore left the private rented sector in the nine months after the 1979 survey when vacancies and moves were monitored? The number of vacancies has already been described in Chapter 7: 26 per cent of households had moved, an annual rate of 35 per cent. On the basis of the 1979 survey evidence it was anticipated that 14 per cent of all those interviewed (unweighted total) would leave private rented sector within a year. Table 8.6 shows that 51 per cent of movers who were interviewed went into Council accommodation or bought their own home. If it is assumed that this proportion accurately reflects where everyone who moved went, including those neither traced nor interviewed, then half those who moved had left private renting. In other words, about 18 per cent of all households interviewed in 1979 had within a year quit private rented accommodation for other tenures and 17 per cent had left their existing accommodation, although not to get a place of their own in other tenures. They moved to other private rented accommodation, moved in to share with other households or into institutional accommodation, including Halls of Residence for students. On the basis of the 1979 survey evidence it was expected that many more who moved out of private renting would buy rather than take up Council accommodation. The movers' survey picked up more who had moved to the latter. This is an artefact of the methods used to trace movers. A greater proportion of new addresses for people who became local authority tenants were almost certainly traced than for other groups. Consequently, the non contacted group will contain proportionately more of those who became owner occupiers.

It would appear, therefore, that the preferences expressed by tenants in 1979 and the assessment of when they would leave private renting was a reasonably accurate indicator of what actually happened a year later. This can be seen a little more clearly from Table 8.6.

1979 Preference	Total 1979 sample (weighted)	Total 1979 sample (unweighted)	1980 Movers *	1980 Movers contacted and moved to					
				1980 Movers Not Contacted	1980 Movers Contacted	Join Existing Household/ Institution	Private Rented Accommodation	Local Authority/ Housing Association	Buy Own House
	%	%	%	%	%	%	%	%	%
Private renting	25.1	23.5	15.0	18.5	9.9	13.6	25.6	-	2.9
"Trapped"	19.3	22.2	3.3	3.6	2.9	4.5	-	5.6	-
Council renting	12.9	13.6	17.4	14.0	22.2	2.3	2.6	64.8	2.9
Buy (also on Council list)	5.4	6.2	6.7	6.0	7.6	2.3	-	22.2	-
Buy	<u>37.2</u>	<u>34.4</u>	<u>57.6</u>	<u>57.8</u>	<u>57.3</u>	<u>77.3</u>	<u>71.8</u>	<u>7.4</u>	<u>94.1</u>
Numbers in sample	-	1798	420	249	171	44	39	54	34
<u>Time Expected to Leave Private Renting in 1979<sup>#</sup></u>									
	%	%	%	%	%	%	%	%	%
Within a year	23.4	25.0	25.7	21.1	31.5	11.1	6.9	33.3	72.7
Within 2-3 years	24.3	26.3	23.6	23.2	24.2	36.1	37.9	15.7	12.1
Eventually, not within 3 years	39.2	34.1	40.8	42.2	38.9	50.0	48.3	45.1	9.1
Don't know	<u>13.1</u>	<u>14.5</u>	<u>9.9</u>	<u>13.4</u>	<u>5.4</u>	<u>2.8</u>	<u>6.9</u>	<u>5.9</u>	<u>6.1</u>
Numbers in sample	-	977	343	194	149	36	29	51	33

NOTES \* 1979 preferences of those groups who moved in 1980 and whose new address was traced. (See Table 3.4.)

# Excluding those preferring private renting or trapped

Table 8.6 Tenure preferences of 1979 sample and 1980 movers

The 1979 preferences of those who moved, and were interviewed, were similar to those who were not interviewed. Slightly more of the former favoured Council renting, whilst slightly more of the latter preferred private renting. Comparing all movers with the preferences of the entire 1979 sample, a greater proportion of the latter were 'trapped' and a greater proportion of the former expected to buy - few, therefore, of the 'trapped' actually moved. There were few differences in the time when those who expected to leave private renting thought they would do so, between those movers who were interviewed and those who were not. 32 per cent of those interviewed thought they would leave within the year, compared with 21 per cent of those not interviewed. There is some degree of bias amongst those interviewed therefore, towards those who preferred Council renting and those who it was predicted would leave within a year.

Nevertheless, taken together, a similar proportion of all those who moved from their existing accommodation in 1980, and who expected to be able to leave the private rented sector, were predicted to do so at very similar times to all those who were interviewed in 1979. This is unexpected. Although half of those who moved did not buy or take a Council tenancy, it would have been anticipated, from the fact that the other half did do this, that a greater proportion of all movers should have been expected to quit private renting within a year. The explanation is due to the fact that many of those who did leave did not expect to move out of private renting within the year. Only 33 per cent and 73 per cent of those moving in 1980, respectively into Council tenancies and buying their own home, had expected to do so within a year of 1979.

Thus, although the overall estimates based on the 1979 interview data stood up to the test of events, this is because some people moved out of private renting earlier than expected, and others did not do so when expected. Indeed, only 55 per cent of those who were expected to move within a year had done so. It should also be emphasized, however, that few of those who moved and who did not take Council accommodation or buy their own home had expected to quit private renting within a year of 1979. They have moved but have remained in the private rented sector and

Reason	Moved From					Moved To			
	Renting Unfurnished	House Furnished	Renting Self Contained Accomm.	HMO Accomm. Not Self Contained	Join Existing Household/ Institution	Private Renting	L.A./ Housing Assocn.	Owner Occupation	All Movers
	%	%	%	%	%	%	%	%	%
Wanted to change tenure	18.2	15.8	36.4	14.3	9.1	-	14.8	64.7	19.9
At landlords' request	13.6	15.8	12.1	10.7	11.4	12.8	18.5	5.9	12.9
State of repair/amenities	34.1	15.8	21.2	21.4	15.9	28.2	40.7	-	23.4
Other housing reasons	18.2	10.5	12.1	17.9	15.9	20.5	18.5	2.9	15.2
For job/study	6.8	15.8	9.1	16.1	31.8	7.7	-	11.8	12.3
Marriage, divorce, separation	6.8	5.3	6.1	7.1	4.5	7.7	7.4	5.9	6.4
Better physical/social environment	-	15.8	3.0	5.4	6.8	17.9	-	-	5.8
Other reasons	2.3	5.3	-	7.1	4.5	5.1	-	8.8	4.1
Numbers	44	38	33	56	44	39	54	34	171

Table 8.7 1980 movers: reasons for moving from last address

continued to exercise a demand for such accommodation. Why did they move, therefore, and had any of them failed to secure accommodation outside private renting?

Table 8.7 shows that 20 per cent moved for the explicit reason of changing tenure, a reason predominating those given by owner occupiers. 52 per cent moved for reasons connected with their previous accommodation. In particular, 13 per cent moved because their landlord had asked them to do so. One of those interviewed explained that they moved because 'of harassment from our landlord. The health and fire authorities told him to make certain improvements and he tried to force us to move. There was no physical harassment, just a lot of verbal harassment'. This house was later put up for sale - and this was not an isolated example. Others also said they had been asked to move because their landlord wanted to sell up and they also referred to the failure of their landlord to do repairs that were needed. In other cases it was because tenants said they had signed a licence for a year and had to go at the end of the year. 23 per cent had moved because their last address had been in a poor state of repair or improvement. 15 per cent moved for other housing reasons, particularly referring to its inadequate size, lack of self containment and privacy or expense. As one person put it, 'I could no longer put up with sharing the bathroom which was constantly left in a bad state - and the noise from other people. Also the landlord neglected the house and repairs'.

It will be noted from the Table that proportionally more people moving for housing reasons moved from addresses let as whole houses on an unfurnished basis than from any other type of accommodation. Similarly, proportionally more of those moving to other private rented accommodation, (that is taking up a new tenancy and not joining an existing household) and to Council accommodation moved because of these reasons.

Comparatively few moved because they had to find a new place to live when they got a job after finishing college, changed their job, or moved to college elsewhere. Many of those who did so actually moved in with households who already had accommodation. It should also be noted that 34 per cent of those who moved to share, or to institutions, were students moving into Halls of Residence, some for the housing reasons already described, but others because they said they could get on with their final

Household Type	Join Existing Household/Institution	Private Rening	L.A./ Housing Assoc.	Owner Occupation
	%	%	%	%
Young single adult <sup>#</sup>	84.1	82.1	24.1	17.6
Small adult unrelated	9.1	5.1	9.3	26.5
Small adult related	-	5.1	13.0	41.2
Family	4.5	2.6	16.7	8.8
Elderly	2.3	5.1	37.0	5.8
Numbers	44	39	54	34

NOTES \* Household type is defined as the household structure in 1979

# Includes one adult and large unrelated adult households

**Table 8.8 Household types\* of 1980 movers by present accommodation**

Household Type	Moving From				Moving To					Number
	Renting Unfurn.	House Furn.	Renting Self Contained Accom.	HMC Not Self Contained	Join Existing Household/ Institution	Private Renting	L.A./ Housing Assoc.	Owner Occupation		
	%	%	%	%	%					
Young single adult <sup>#</sup>	4.5	76.3	51.5	73.2	42.0	36.3	14.8	6.8	88	
Small adult unrelated	4.5	10.5	21.2	10.7	20.0	10.0	25.0	45.0	20	
Small adult related	13.6	7.9	21.2	12.5	-	8.7	30.4	60.9	23	
Family	22.7	5.3	6.1	1.8	13.3	6.7	60.0	20.0	15	
Elderly	54.5	-	-	1.8	4.0	8.0	80.0	8.0	25	
Numbers	44	38	33	56	25.7	22.8	31.6	19.8	171	

NOTES \* Household type is defined as the household structure in 1979

# Includes one adult and large unrelated adult households

Table 8.9 Household Types\* of 1980 movers by past and present accommodation

year studies better if they were free of the problems of coping with their own accommodation. A further 20 per cent of them moved back home to their parents, all of whom had finished their studies and were waiting to find a job.

The remaining households moved for a variety of other reasons, 6 per cent because they got married or, if married, became separated, 6 per cent because they wanted to move from their existing accommodation either to find another place with a particular group of friends, or to share a place which friends already had, and 7 per cent for other reasons.

Table 3.3 in Chapter 3 showed the previous and present accommodation of those who moved. It is worth noting that 13 per cent of the vacancies in addresses let unfurnished as whole houses in 1979 were known to have come about on the death of the previous tenant. 70 per cent of those who moved from such accommodation and were interviewed took up Council or Housing Association accommodation. It can be seen, therefore, that landlords' ability to sell such property is, to quite a large extent, determined by the rate at which Council and Housing Association accommodation for the elderly becomes available and by the passage of time, since so many of their tenants are one and two person elderly households. The vacancy survey revealed that 75 per cent of the households in such property which had been sold, up for sale or vacant, had contained elderly tenants in 1979. 55 per cent of those who were reinterviewed were elderly households. 79 per cent of the elderly and 70 per cent of families moving from unfurnished accommodation went to Council or Housing Association housing. In addition 18 per cent moved to buy their own home. Consequently 89 per cent of those who left unfurnished houses left private renting completely.

Only 24 per cent, however, of those who rented whole houses on a furnished basis left private renting. 45 per cent moved to find other private rented accommodation and 32 per cent moved in to share with other households or to institutions. 68 per cent of them had been living in households of large unrelated adults and few, therefore, would have been expected, on the evidence already presented, to have left the private rented sector altogether.

Rather more, 48 per cent of those who had been living in self contained flats left to get a Council tenancy or buy their own home. In 1979 58 per cent of them had been living in one or two person adult households and 74 per cent of such households in self contained flats left the private rented sector, mainly to buy their own home rather than to a Council house or flat.

Almost as many, proportionally, in flats or bedsitters in shared dwellings as in self contained flats left the private rented sector. 43 per cent did so, but a greater proportion of them moved to Council accommodation, 58 per cent, compared with 28 per cent of those leaving self contained flats and leaving the private rented sector. 82 per cent of all of them had been young one or two person unrelated adult households in 1979. In half the cases of the moves to Council accommodation the household status had changed, however, as people had got married or had children.

Indeed it was amongst those moving to buy their own house or into Council or Housing Association accommodation, that there had been most of the changes to household structure that had taken place as a result of the moves. It was, however, amongst all those who were in family and elderly households and, to a less extent, those who were young single adults before the move that the greatest proportion moved for housing reasons. Such reasons were much less significant to those who were in two person adult households before they moved.

As a consequence of all the moves, 68 per cent of those who bought their own home were young two person adult households prior to the move; 67 per cent of those moving to Council or Housing Association housing were young married couples, families or elderly households; 87 per cent of those moving to private renting were single and large unrelated adult households, as were 93 per cent of those moving to institutions or moving into share with households elsewhere.

Not only did almost all of those who did not leave the private rented sector come from households of single and large unrelated adult households, but only 23 per cent of such households moved out of the sector. By contrast, as Table 8.9 shows, the great majority of the other households who moved, left private renting altogether.

Moved to	Economic Activity Status						Socio Economic Group				
	Full Time Job	Other Economically Active	Student	Housewife	Retired	Total	Professional Managerial	Other Non Manual	Manual	Other	Total
Join existing household, etc.	% 40.9	9.1	47.7	2.3	-	44	% 9.1	59.1	13.6	18.2	22
Private renting	% 33.3	5.1	56.4	2.6	2.6	39	% 18.8	43.8	25.0	12.5	16
L.A./Housing Association	% 37.0	7.4	5.6	20.3	29.6	54	% -	15.0	82.5	2.5	40
Owner occupation	% 94.1	-	-	2.9	2.9	34	% 45.5	42.4	12.1	-	33
All	% 48.5	5.8	26.9	8.2	10.5	171	% 18.0	36.0	39.6	6.3	111

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Table 8.10 Economic activity status and socio economic group of 1980 movers

As Table 8.10 shows, 27 per cent of all of those moving were students, and almost all of them either rented elsewhere or moved to a Hall of Residence or in with another household. 49 per cent had full-time jobs, 6 per cent were unemployed or sick, and 19 per cent were housewives or retired, almost all of whom were renting from the Council or a Housing Association. Of those who bought their own home, 88 per cent had professional, managerial or other non manual jobs. This was so for only 15 per cent of those who went to Council or Housing Association housing, 83 per cent of whom had or had retired from manual jobs, including 28 per cent with semi or unskilled occupation.

The heads of household who bought, had a mean annual net income of £5,120 and had an average age of twenty-nine. All bought houses which had all the standard amenities. 47 per cent bought houses within Sheffield's inner city, but only 44 per cent of these bought houses built before 1919. Those who bought houses in inner Sheffield paid an average of £11,450 for their homes - the average paid by all buyers was £13,440, and they had mean monthly mortgage repayments of £147.

Not surprisingly, those who moved to Council or Housing Association accommodation were older - 46 years on average, but those in full time jobs were only slightly older on average than those who had bought - thirty-two years old. Average annual incomes were £2,720 amongst all tenants and £4,360 amongst those in employment. 79 per cent had moved to housing estates within the inner area and 74 per cent had moved to accommodation in flats. Only 50 per cent, however, had been able to get accommodation where they wanted it and 71 per cent of those who had not, explained that they had taken the offer because they did not want to wait any longer before being rehoused. Only 26 per cent, however, had not secured the kind of accommodation they wanted, mainly because they wanted a house rather than flat or, if the latter, wanted it on the ground floor.

30 per cent of those who moved to Council or Housing Association housing had indicated in 1979 that they preferred buying to renting and had expected to be able to buy at some time in the future. Three-quarters of those, however, had also put their names on the Council waiting list. Only a third had expected to buy within three years of 1979 and only a third

had taken any kind of action towards buying. Most had left their previous accommodation because of the disrepair of the property or because their landlord had asked them to leave. In fact although 41 per cent of everyone said that they would have preferred to buy instead of renting when they moved, only 40 per cent of these had actually made any steps towards purchasing a house, and fewer than half of these had actually made offers to buy a particular property.

When those who moved to institutions or to share with existing households were asked why they had not got a place on their own, 25 per cent said that they could not afford to do so and 14 per cent said that they had not been able to find anything suitable. 20 per cent said that they had deliberately chosen to move to a Hall of Residence. 25 per cent replied, either, that they had wanted, in any case to move in with a particular group of friends who already had a flat or house, or that it was much easier to do this than to look for something to rent. 16 per cent moved back to their parents' house whilst they looked for a job, as one of them put it, "There's no place like home". Only 25 per cent had actually tried to find a place to rent or buy - in fact almost all had been looking for something furnished to rent, most of whom said that either they couldn't afford what was available, or that they could not find anything suitable to rent. All had made enquiries at agents, responded to advertisements in the press and gone to look at houses or flats to rent.

Of those who had moved to take up a new tenancy elsewhere in the private rented sector, 95 per cent were renting a furnished place. 72 per cent of them had fully self contained accommodation, including 59 per cent who were renting the whole of a house. As result of the move 79 per cent of those who were previously living in flats or rooms in shared dwellings in 1979 were living in self contained accommodation in 1980. 73 per cent said that they preferred living where they now lived, compared with their last place. 43 per cent of them said that this was because it was in a much better state of repair and amenities, and 30 per cent because it was larger and self contained. Despite this only 36 per cent of them were very satisfied with their accommodation, dissatisfaction being due to the expense, state of furnishings and amenities, and the lack of self containment of the accommodation.

Some, nevertheless, had difficulties in finding alternative accommodation. Indeed 46 per cent of them said so, 56 per cent referring to what they saw as the general shortage of accommodation to rent and 22 per cent to a shortage of accommodation that suited them in particular and was in good condition. Only 26 per cent had first heard about their house or flat from an advertisement, none from an agent, whilst 36 per cent had found out about it from friends or relatives, the rest in other ways, principally from the Polytechnic or University Accommodation Offices.

Only 15 per cent said that they would have preferred Council to private rented accommodation when they last moved. 38 per cent of those who would not have preferred this, said that they had not really thought of considering moving to Council housing at all, but 35 per cent said that they did not want to, because they felt that all they would get would be flats in high rise blocks or other unsuitable offers of accommodation.

26 per cent said that they would have preferred to buy their own place rather than continue to rent when they moved, a view adopted by half those with full time jobs but only 15 per cent of all others. However, only 30 per cent of them had taken any steps towards buying a place for themselves. 64 per cent of all those privately renting said that they were renting rather than buying because they were not in a position to afford to buy, usually because they had not been able to save a deposit, or their low incomes at the time (many were students) made it impossible to buy at the time - and many were, in any case, not expecting to stay in one place for long enough. Indeed there was only one case where someone who had expected to buy within a year of the 1979 survey was renting. He had moved job and was temporarily renting.

Tenants were asked explicitly why they had moved to private rented accommodation again. Only 21 per cent said it was principally because they had been unable to buy anywhere or that they did not want Council housing. 44 per cent said that it was the most convenient way of obtaining housing for a short period because they were not going to be in Sheffield for long enough to warrant buying or getting a Council house or flat. The remainder said that they had never really considered any alternatives - private renting, in a sense, was the obvious but not explicitly evaluated option open to them.

Two conclusions can be drawn from this discussion of the reasons people moved and the options they had considered. A significant number of people moved because of housing related reasons. Although half left the private rented sector, another half continued to exercise demand for accommodation outside owner occupation and Council renting. The evidence shows that in very few cases was this because they wanted, tried and failed to buy their own home or get Council accommodation. Many had specific reasons for wanting to rent privately, but they experienced difficulties in finding a satisfactory place. They were not, however, entirely satisfied with their own home despite the fact that it was better than the last.

CHAPTER 9  
THE INFLUENCE OF LOCAL AUTHORITY POLICY ON THE  
PURCHASE OF PROPERTY BY PRIVATE LANDLORDS

Introduction

This chapter discusses the matters which landlords took into account when deciding what properties to buy. It looks firstly at the extent to which considerations like the location and state of repair of properties were important to the owners of sample addresses who had purchased any property for residential letting between 1974 and 1980. Information about this was not obtained in respect of the owners of 5 per cent of sample addresses because agents did not have the information needed, but the owners of 32 per cent of the remaining sample addresses had purchased property for letting since 1974. Secondly, it examines the extent to which these owners were influenced by LHA policy and therefore had been 'steered' by it towards certain locations, or types of property. Thirdly, it looks at the evidence about a 'deterrent' effect of LHA policy - in other words had landlords not bought property because of Council policies?

Deciding What to Buy: Location, Repairs and Lettings

All landlords who had purchased any property for residential letting in Sheffield since 1974 were asked whether the location, state of repair and improvement, and the number of lettings (or potential lettings) at an address were important to them or not when deciding what to buy. As Table 9.1 shows, location was a factor of importance to the owners of 66 per cent of sample addresses. There were two main reasons for this. The owners of 31 per cent of the addresses said that a property had to be near their own home.

Type of Sample Address	Location	Number	State of Repair	Number	No. of Lettings	Number
Address let as whole house	53.4%	88	38.6%	88	50.0%	88
HMO	89.4%	47	42.6%	47	48.9%	47
All	65.9%	135	40.0%	135	49.6%	135

Table 9.1 Proportion of sample addresses whose owners considered location, repair and lettings important when buying property

This enabled them to keep the time they had to spend on property management to a minimum. Second, the owners of 40 per cent said that a property should be near the University, the town centre and areas where students traditionally lived. In this way they were able to tap demand. Only 15 per cent had landlords who spontaneously mentioned LHA policy matters when explaining why location was important: The owners of 8 per cent said they avoided buying in redevelopment areas and 7 per cent had owners particularly interested in buying in improvement areas because of the availability of grants.

"It's important to buy in improvement areas because of the grant - though a 75 per cent grant in a HAA pushes up the purchase price of unimproved property. I generally look for unimproved property - the worse, the better". "We used to live in ... and knew the area and knew it was being improved and not being bulldozed. Also we heard there would be a 75 per cent grant."

The owners of 14 per cent of addresses had other reasons, including only 3 per cent who specifically purchased only in what they regarded as 'better' areas, with an eye to marketability for a sale in the future. The location of property was particularly crucial for owners of HMOs, 89 per cent of which had landlords who said the location of a property was important.

The owners of only 40 per cent of addresses said that the state of repair and improvement mattered to them when they were buying property. Most of them were looking for something in a good state of repair. This was the case put by the owners of 67 per cent of the addresses concerned, including the owners of HMOs who said that it was essential that such addresses possessed amenities which matched LHA standards. Only a third of addresses had owners who deliberately sought properties in a bad state of repair and improvement: "The worse, the better", as one landlord, already quoted, put it, and, as another explained, "I deliberately pick up bad ones on purpose to improve them and provide work for my building firm".

The owners of 50 per cent of the addresses said that the number of lettings an address had, or could have, was important. The reasons offered in explanation depended on whether the landlord was looking for a house to let to one single household, or a house which could be let off as flats and bedsitters. The contrast in their approaches is graphically illustrated by the following extracts from landlords' comments in reply to this question.

"I avoid flats and bedsitters. I prefer investment properties where there is a capital appreciation. You get higher rent income in bedsitters but lower capital appreciation - only landlords (sic) will want to buy them".  
 "Not terraced houses because they are in poor condition in the wrong areas, and have high repairs - also long term letting makes it difficult to increase rents - you get a better return from several lettings".

In other words, landlords looking for a capital gain wanted terraced houses to let to one household, whereas those looking for the return from their investment to come from the rent income were searching for houses to convert (or already converted) to flats and bedsitters. This is illustrated by the figures in Table 9.2 which show that a greater percentage of addresses let furnished where the owner was looking for a capital gain were let to one household, compared with those where the owner was looking for rental income.

Type of Address	Investment for	Investment for
	Rent Income	Market Value
	%	%
Let as whole house	16.5	52.9
Let as HMO	83.5	47.1
Number of addresses	79	51

Table 9.2 Addresses let furnished by type of address and type of investment

In fact the owners of 55 per cent of addresses who were concerned about the number of lettings when they bought properties said that they only wanted an address with one letting, including 34 per cent who said this was because they wanted to avoid all the regulations that affected HMOs and 20 per cent who said that they selected this type of property because it was easier to sell. 45 per cent said they specifically bought property with several lettings because this gave them a much more profitable investment in terms of rent income.

### The 'Steering' Effect of LA Policy in Purchasing Decisions

Did LHA policy steer landlords towards the purchase of some types of property rather than others, and towards some areas of the inner city rather than others? Landlords' spontaneous and unprompted explanations of why they bought some properties rather than others confirms that it did. Those who had said that either the location, repair state or number of lettings were important were asked explicitly whether they took LHA policy into account when buying. 58 per cent had owners who said that they had done so. The owners of 51 per cent of these addresses said that they avoided buying property which was affected or likely to be affected by the slum clearance programme or other redevelopment proposals. 17 per cent had owners who said that they bought houses in areas where improvement grants were available. As one landlord explained: "You must have a grant. That's the profit in the operation, but it's important too for the Council to be adaptable in its attitude about standards - but I'm happy to buy houses with Section 9 notices - though I don't deliberately set out to do this".

17 per cent had landlords who deliberately did not buy property where they would have to comply with any of the regulations and standards about HMOs. That is, they would not buy such houses at all, and would only buy, therefore, addresses which could be let to one household. The owners of 14 per cent of all addresses (and 36 per cent of HMOs) also took HMO regulations into account: either they purchased only houses which already met the LHA's model standards or those where the LHA's requirements could be matched without great cost. As several landlords explained:

"When I found that about planning consents and the health regulations, I only bought property that was already registered. You see, that way I don't take a chance on not getting permission and this preventing me from doing the conversion. I make sure these houses can have car parking". "I prefer to buy if it's already registered so I don't get entangled in more recent legislation, such as about car parking to be provided". "Not houses with more than two storeys because of the fire regulations". "I buy semi-detached houses in pairs so that way I can put a kick through panel between them and don't have to build a fire escape".

	Let as whole house	Let as HMO	All addresses
	%	%	%
Had taken LA policy into account	58.0	58.1	58.1
Had not taken LA policy into account	42.0	41.9	42.0
All addresses	69	43	112

Table 9.3 Proportion of sample addresses whose owners took LA policy into account when buying property

### The 'Deterrent' Effect of Local Authority Policy

All landlords were asked if they had ever decided not to buy properties because of Council policies. The owners of 23 per cent of all sample addresses replied that they had. This deterrent effect was greatest amongst bigger landlords. Only 14 per cent of addresses which formed part of a holding of less than five lettings had owners who were deterred compared with 44 per cent of the addresses whose owners had twenty-five or more lettings. Moreover, as Table 9.4 shows, both landlords who had, and had not acquired any property from residential letting had been deterred. In other words, 18 per cent of addresses whose owners had not bought anything at all, had landlords who said that this was because of LHA policy. In addition, 33 per cent of addresses whose landlords had acquired property since 1974 had owners who had been deterred from buying some properties.

	Addresses let as Whole House	Number	HMOs	Number	All Addresses
Had acquired property	32.7%	107	32.7%	55	32.7% 162
Had not acquired property	13.7%	205	29.1%	79	18.0% 284
All	20.2%	312	30.6%	134	23.3% 446

Table 9.4 Proportion of all sample addresses whose owners had not bought property because of LHA policy, by whether owners had acquired any property since 1974

Some landlords explained that the stringent standards demanded by the LHA for improvements and repairs, including the standards for amenity and safety in HMOs, had made them decide not to buy. The owners of 35 per cent of all the addresses concerned gave this as an explanation. It was particularly important when the owner had not acquired any property at all since 1974. The landlords of 51 per cent of such addresses said that this was why they had not bought. The detailed explanations were not couched in terms specific to particular addresses which they had inspected as a potential purchase. They had simply decided that they would not buy any more property at all (or at least not of a certain type) because of these requirements. Some of their comments illustrate this

"...I do not want anything more to do with flats ... the Council swooped with regulations after much work had been done ... I have practically had to give property away". "The code for high standards required for improvement. The Council is destroying private landlords". "The Council's by-laws about flats make these houses difficult. You get in breach of lettings by-laws if there are two or more sharing and you haven't got a fire escape. I'm trying to stick this out but won't buy any more - it means that young people, students, will have no homes". "I avoid buying the type of property where I would have to comply with the regulations about houses in multiple occupation".

The owners of 28 per cent of addresses said that they had not bought because of clearance policy. In part this was because of compensation, and in part because of uncertainty. Some landlords said that the compensation they had received when their properties had been compulsorily acquired in the past was inadequate. They were therefore not prepared to buy property at all, in case the LHA decided to make them part of a slum clearance order. In other words, it was not simply a question of steering clear of properties due for clearance, rather it was a question of not buying anything at all. Others were concerned about the uncertainty there was about the future of properties they had considered buying. The LHA, they said, would not give guarantees about the future life of the properties. Purchase was too much of a risk As two landlords explained:

"I'd love to have bought more. I'm a businessman - I love a gamble, but now I've found that the Council can take property off you, I haven't bothered any more". "I'd wanted to make two proposed purchases in ... Road but the Council wouldn't give any assurance about the actual prospective life of property".

A further 27 per cent were owned by landlords who talked about particular addresses they had decided not to buy after all, because of LHA policy, even though they had considered using the properties to let them as flats and bedsitters. The owners of 6 per cent had been refused planning permission, the owners of 9 per cent said they had not bought properties because they were not registered as HMOs, and the owners of 12 per cent said that they had not bought because the cost of complying with HMO regulations at the addresses would have made letting unprofitable. These last three reasons were particularly significant to 61 per cent of the owners of HMO addresses whose landlords had acquired some property since 1974 but had been deterred by LHA policy from buying particular properties.

Included in all the other reasons given, were 7 per cent of addresses whose owners had not bought because the level of improvement grant available would not have been sufficient to allow them to do all the work needed and make the investment financially feasible.

Altogether the owners of 62 per cent of addresses where landlords had not bought property because of Council policy, said that this was because of LHA policy about improvements, repairs and HMO standards. In all, therefore, 14 per cent of all addresses in the sample were owned by landlords, who had not added properties to their portfolio because of LHA policies about standards.

Table 9.4 shows that this deterrent effect has been much greater amongst owners of HMO than of other addresses. In particular 29 per cent of HMOs whose owners had not acquired any property since 1974 had landlords who had been deterred. Table 9.5 indicates that the deterrent effect of LHA policy is significantly greater where the owner has had to comply with LHA policy about HMO standards in respect of lettings, amenities and safety from fire. The owners of 40 per cent of all HMOs which had accommodation which was not self contained said that they had not bought property as a result of LHA policy. Moreover 48 per cent of addresses where compliance with LHA standards had been required, had landlords who had been deterred, compared with only 20 per cent of addresses whose owners had not had to comply. It will also be seen that this deterrent effect was important whether the landlord had acquired property since 1974 or not.

In Chapter 6 it was shown that, as a consequence of LHA policy about HMO standards, addresses owned by landlords who had been asked to meet these standards were more likely to match the model requirements. This chapter has shown that a further consequence of the policy is that it deterred landlords from adding to the supply of flats and bedsitters available in the City.

L.A. Requirements and Conditions	ADDRESS SELF CONTAINED					ADDRESS NOT SELF CONTAINED*						
	Owner Had Acquired	N	Owner Had Not Acquired	N	All	N	Owner Had Acquired	N	Owner Had Not Acquired	N	All	N
Owner had to comply	33.3%	3	60.0%	5	50.0%	8	50.0%	18	46.7%	30	47.9%	48
Owner not had to comply	27.3%	11	15.0%	20	19.4%	31	21.4%	14	16.7%	6	20.0%	20
All	28.6%	14	24.0%	25	25.7%	39	37.5%	32	41.7%	36	39.7%	68

\* NOTE Excludes addresses owned by resident landlords

Table 9.5 Proportion of sample HMO addresses whose owners had not bought property because of LHA policy by whether owner had acquired property since 1974 and had to comply with LHA requirements at sample address

## CHAPTER 10

### POLICY CHANGE: THE LANDLORDS' POINT OF VIEW

#### Preferred Policy Changes

As Table 10.1 shows, only 7 per cent of addresses had landlords who selected 'Changes to Council Policies' when they were asked to pick, from a list of six, the change to policy that would most help them. The exact nature of the changes landlords wanted is discussed later, when the kinds of LHA policy changes which other owners wanted are also described. The Table also shows that landlords owning only just over a quarter of all addresses wanted to get easier repossession of their accommodation. This was of greater significance to owners of some more than of other addresses, however. One third of all HMOs had owners who selected it. 43 per cent of HMOs with self contained accommodation, and 35 per cent of HMOs without self contained accommodation and non resident landlords had owners who wanted it. In addition the landlords of 40 per cent of houses let furnished, compared with only 19 per cent of those let unfurnished wanted easier repossession more than any other policy change.

The majority of addresses, however, had owners who were looking for changes that would give them a bigger rent income. The landlords of 28 per cent of all addresses wanted higher rents. This was particularly important to the owners of houses rather than HMOs, and 40 per cent of the owners of unfurnished houses said that this was the change that would most help them. The owners of only 7 per cent of self contained HMOs and of 6 per cent of furnished houses selected this change. In addition, 20 per cent of all addresses had owners who wanted rents to be fixed in relation to costs, a view expressed in approximately equal proportions by the owners of all types of addresses. The owners of 8 per cent wanted to pay less tax on rent income, a change selected by the owners of 17 per cent of furnished houses and 15 per cent of self contained HMOs. 7 per cent of addresses had owners who wanted rent levels to be reviewed more frequently. Only 5 per cent of addresses had owners who said that none of the changes in the list were relevant; over a third of these were owned by resident landlords.

Policy Change	Address Let as Whole House	Address Let as HMO	All Addresses
	%	%	%
Easier repossession of accommodation	22.9	32.5	25.7
Higher rents	34.9	12.6	28.4
Less tax on rent income	6.1	11.1	7.6
Changes to Council policies	6.7	6.7	6.7
More frequent review of rent levels	6.4	6.7	6.5
Rents linked to costs	18.7	22.2	19.7
None of these relevant	4.3	8.1	5.4
Number of addresses in sample	327	135	462

Table 10.1 The policy change that would most help owners of sample addresses

Policy Change	Whole House		Relet	HMO	
	Relet	Sell/Other		Relet	Sell/Other
	%	%	%	%	
Easier repossession of accommodation	24.0	22.3	33.3	31.1	
Higher rents	33.1	35.9	11.1	15.6	
Less tax on rent income	12.4	2.4	13.3	6.7	
Changes to Council policies	9.9	4.9	6.7	6.7	
More frequent review of rent levels	3.3	8.3	7.8	4.4	
Rents linked to costs	14.0	21.4	22.2	22.2	
None of these relevant	3.3	4.9	5.6	13.3	
Numbers of addresses in sample	121	206	90	45	

Table 10.2 The policy change that would most help owners of sample addresses by what landlord would do if address become vacant

Table 10.2 shows that owners of addresses that were to be relet were not looking for different policy changes, compared with owners of addresses which were to be sold. The only noticeable difference is that a higher proportion of the former, compared with the latter addresses, have owners who were looking for less tax on rents and changes to LA policies.

### Changes to Council Policies

Landlords who did not pick changes to Council policies as the change that would most help, were asked if any changes to these would help them. The owners of 48 per cent of addresses said that they would. Together with the addresses whose owners selected such changes as their most preferred option, this means that just over half, 52 per cent, of addresses have landlords who would have found them of assistance. In particular it is owners with large holdings who wanted these changes. Only 28 per cent of addresses which are part of a portfolio of less than five lettings had owners wanting them, compared with 51 per cent and 77 per cent respectively of addresses which were part of holdings of 5-24 and 25 or more lettings in Sheffield.

Table 10.3 shows that slightly fewer HMOs, than other addresses, had owners who wanted changes, although the owners of 59 per cent of HMOs without self contained accommodation wanted them. It also shows that where landlords most preferred change was higher rents, more frequent rent reviews or rents linked to costs, a greater proportion of addresses had owners wanting changes to LHA policies. In other words, those who wanted higher rents also wanted LHA policy changes which would effectively reduce their costs, as the details of the changes they had in mind show.

Table 10.4 shows the LHA policy change that landlords said would help them most. Table 10.5 shows the proportion of addresses whose owners mentioned each particular policy change, whether it was the main or secondary change that they wanted.

The owners of 19 per cent of addresses said that the most important change would be more help in meeting repair costs (and some quite explicitly asked for grants towards repairs). No HMO owners suggested this, but over a quarter of other addresses had owners who wanted it. 20 per cent of all

	Address let as whole house	N	HMO	N	All Addresses	N
Easier repossession	38.7%	75	47.8%	44	42.0%	119
Higher rents	61.4%	114	29.4%	17	57.2%	131
Less tax on rent income	15.0%	20	40.0%	15	25.7%	35
Changes to Council policies	100.0%	22	100.0%	9	100.0%	31
More frequent review of rent levels	61.9%	21	22.2%	9	50.0%	30
Rents linked to costs	59.0%	61	63.3%	30	60.4%	91
None of these relevant	21.4%	14	9.1%	11	16.0%	25
All	53.8%	327	46.7%	135	51.7%	462

Table 10.3 Proportion of addresses whose owners selected each policy change who wanted changes to LA policy

	Address Let as Whole House	HMO	All Addresses
	%	%	%
Help with/grants for repairs	26.1	-	19.2
Changes to grant procedures, rules and standards	17.0	7.9	14.6
Bigger improvement grants	10.8	6.3	9.6
Relax HMO regulations and standards	3.4	27.0	9.6
HMO grant changes	0.6	14.3	4.2
Other - specific changes	26.1	14.3	23.0
Other - general comments on too many restrictions	9.7	11.1	10.0
Reduced rates	4.5	15.9	7.5
Could not say	1.7	3.2	2.1
Number of addresses in sample	176	63	239

Table 10.4 The main LHA policy change owners of sample addresses wanted

	Addresses		All
	Let as Whole House	HMO	Addresses
Help with/grants for repairs	26.7%	1.6%	20.1%
Changes to grant procedures:			
repairs element of eligible cost	24.4%	1.6%	18.4%
standards/conditions	35.8%	9.5%	28.9%
procedures/delays	35.8%	1.6%	26.8%
Bigger improvement grants	21.6%	6.3%	17.6%
HMO regulations and grants	4.0%	41.3%	13.8%
Other specific:			
repairs obligations	32.4%	1.6%	24.3%
amend clearance programme	14.2%	4.8%	11.7%
clearance compensation	10.8%	-	7.9%
other	11.9%	15.9%	13.0%
Other general comments on too many restrictions	11.4%	19.0%	13.4%
Reduced rates	5.7%	23.8%	10.5%

Table 10.5 Proportion of addresses whose owners wanted each of the changes to LA policy mentioned by landlords

addresses were owned by landlords who mentioned it as the most important or secondary change. In addition, the owners of 15 per cent of all addresses (but of only 8 per cent of HMOs) asked for changes to the procedures, rules and standards governing improvement grants. Many of the changes suggested were concerned with ways of getting more help towards repairs in the context of grant aided improvement work. Indeed, Table 10.5 shows that the owners of nearly a quarter of addresses let as houses had owners who wanted changes to the rules determining the amount of grant which could be paid to cover repair works.

The question of repairs has been a theme which has constantly emerged throughout this thesis. The fact that references about assistance with repair costs were significant in the suggestions landlords made, reflects the level of outstanding repairs identified during the tenant survey, the number of landlords who referred to repair costs when explaining why they regarded an address as a liability and the number of addresses which owners would not relet in the face of high repair costs and low rent income.

As one landlord put it when saying that a repairs grant was needed, "A lot of people have been left with property and have no money to keep property in repairs. You need a grant to do basic repairs, but the landlord should show that an effort has been made before help is given".

On behalf of a client, one agent explained that, "A grant towards repairs would help. My client has recently had to draw £300 from his Building Society to pay for repairs. I am advising my client to do as little repairs as possible". Another landlord said he would buy more property if this sort of help was available, "Possible help towards repairs would lead me to make more investment - repair cost is the critical problem, not the cost of installing amenities".

The landlords who wanted changes to grant procedures, rules and standards referred to three aspects where they wanted modifications. Firstly, landlords were unhappy with the way in which a distinction was made between repairs and improvements in the grants system. They either wanted a higher proportion of the eligible cost limit to be devoted to repairs, or they wanted the distinction to be removed completely. Due to the

current system, they argued, they had to find a big proportion of the repairs element out of their own pocket, since it was this element of total costs which accounted for the largest proportion of total expenditure. Landlords owning 24 per cent of addresses let as houses mentioned this change as either the most important or as one of the changes they would like to see.

Secondly, landlords considered that they were asked to meet unreasonably high standards when doing grant aided improvements. Under these circumstances, they were faced with costs which were difficult to bear. Many said that either standards should be reduced (or at least that there should be more 'flexibility' and less 'pettiness' about what was required), or that grants should be increased as to reflect the costs which they had to incur to do the works wanted by the LHA. In asking for a change of attitudes over standards, landlords referred both to what was required about improvements, like the obligation to install dormer windows in attics and to what they regarded as unreasonably high repairs requirements. As far as grants were concerned they either wanted higher eligible costs, bigger percentage grants or (and this was made as a separate point to the general claim about the repairs element of the grant) a bigger proportion of the grant to be devoted to repairs. 36 per cent of addresses let as houses had owners who mentioned this.

Thirdly, landlords complained about delays in the grant system, claiming that, because of delays at approval stage, the final cost of jobs mounted as builders revised estimates, and that delays at payment stage seriously affected their cash flow. This point was mentioned with some emphasis by agents who dealt with improvements on behalf of their clients, and by builders who, as landlords, were using their own firm to carry out works. Landlords owning 36 per cent of addresses let as houses mentioned that as one of the changes they wanted to see. Few landlords wanted to see occupancy conditions on improvement grants removed or modified. Landlords owning only 3 per cent of addresses let as houses mentioned this.

A number of the comments made by landlords who wanted changes to the improvement grant system underline these observations: "I'd like to see an increase in the allowable cost to reflect the high standards the Council insist on", "...either bigger improvement grants or less works. It costs

a lot of money to put in unnecessary things like new attics". "The Local Authority should not insist on things like dormers which are not needed and not wanted by tenants because this raises the overall cost of improvement. Clients have limited cash and if they have to find the money for these things they haven't then got the capital to do other projects which need improvements doing". "I want less severe requirements, especially about repairs when a landlord carries out improvements". "I would want to see a 75 per cent grant on all properties - or most. Also important would be a change in the rules so that more repairs are allowed for grant. This is important to me because I borrow money from the bank to do the works". "All works done for improvement should count as repairs. There should be no distinction between improvements and repairs. This could then be offset against tax because it would not count as capital improvement. Though it would mean a bigger capital gains tax liability it would create a bigger incentive to improve than changing percentage grants". "Get away from the distinction between repairs and improvements in improvement grant procedures. At the moment clients don't necessarily get the full percentage if repairs come to more than the improvement cost. It also means that landlords do unnecessary improvements - I mean it encourages over-improvement as landlords try to get improvement costs to equal the repairs element and so raise the overall amount of grant aid'. "The grant system is too complex at the Local Authority. Paperwork and approvals mean it can take twelve to eighteen months to get anything through - then there are delays in getting payment. This is a big cost for us". "We should do away with bureaucracy. It is a known fact by the Department of the Environment that there is too much tape (sic) in the grant system. It is deterring people from taking up grants and there's so much paperwork and mucking and messing about on the interpretation of the system ... laymen then think they are begging for a grant".

This last group of owners were therefore principally concerned about the rules and management of the improvement grant system, and though they referred to the need for higher grants or bigger percentage grants, this was a consequence of the views they expressed about standards and other matters.

Another, but smaller, group of owners said that the most important change would be higher eligible costs and higher percentage grants. This was the main change that landlords owning 10 per cent of all addresses wanted and was one change that was wanted by the owners of 18 per cent of addresses. Some, also in this group, said that they wanted to see an extension of HAA declarations and, by implication (at the time of the survey) were wanting the higher percentage grants only available in such areas.

"Higher grants are necessary. I would have to be a 75 per cent grant". "If 75 per cent grants were used we'd get all the properties done quickly but we'd still have a hassle with the Town Hall about forms and standards. Inspectors want too high a standard". "Increased grants would help because it yields a higher net rent after the improvement of controlled properties". "There should be more HAAs and the Council should use powers to make 90 per cent grants in them".

Whilst the owners of only 15 per cent of all addresses wanted changes to HMO regulations and grants, landlords owning 41 per cent of HMO addresses and 53 per cent of HMOs without self contained accommodation said that these changes would help them. The specific changes landlords wanted included a 'relaxation' of the standards of amenity and fire safety required in HMOs. These were wanted by 27 per cent of HMO owners. They wanted changes in the model standards which would allow them to have more lettings in a property, which would reduce the number of amenities required, which would remove some of the obligations to provide means of escape from fire, and which would eliminate the requirement to provide off street car parking. A further 14 per cent of HMO owners wanted changes in the improvement grant system. Two points were made. First grants should be made available they said, for the installation of amenities and for doing repairs. Second they wanted a grant to cover the costs of complying with fire regulations.

Some of their comments amplify these statistics:

"The Council should cut back on its restrictive regulations about bedsitter properties and should curtail the harassment by its officers". "There are too many regulations - they're oppressive". "The regulations about fire escapes are too strict. Anyway the police advised against

them because of burglars". "... I had to sell a property because there was no car parking. The planners would not give it permission even though the Fire Officer and health man were pleased with the quality of the conversion ... the Council acted not only against my interests but also my tenants ... they should take a wider view". "Grants for fire escapes are important because I would be able to let a third storey at a property and might be able to afford a fire escape depending on the grant amount". "Grants should apply to multi occupation as well as to families". "They should amend the regulations about car parking. The Council are too worried about students having cars". "There should be a more sensible approach about fire regulations". "The regulations are ridiculous. There could be eight lettings here. The Council allows only four".

23 per cent of addresses were owned by landlords for whom the most important change was covered by none of the four types of changes already described. Their comments fell into three groups. First, those landlords who wanted less stringent requirements about repairs. These comments were not made about repairs specifications in schedules of work for grants but were made about demands placed on them to do repairs at other times, including those when repair notices had been served on them. Landlords owning 32 per cent of addresses let as houses said that this was one of the changes they wanted.

Second, those landlords who wanted changes to the programme and administration of slum clearance. Concern was expressed about two matters. Landlords owning 14 per cent of all addresses let as houses wanted the programme reviewed, with a view to a reduction of the number of houses to be demolished. Landlords owning 11 per cent said that the basis for compensation should be reviewed and landlords be more adequately recompensed for the loss of property.

Third, landlords who owned 13 per cent of addresses let as houses and 16 per cent of HMOs suggested a diverse range of other, specific changes ranging from Council loans to help them buy property, to greater assistance to landlords when tenants had refused to permit improvements to be done.

"The requirements of Section 9 notices are too stringent in terms of the time allowed and what's required. It's unreasonable for the Council to expect a lot from private landlords". "The Council shouldn't insist on repairs that people can't afford". "The Council asks for too many repairs to be done, especially minor things. There's no consultation with landlords, only with tenants". "There's too many demands for repairs from the Council in view of the fact that rents are so low". "I should like to stop them pinching properties from landlords for nothing. Tenants can get more in compensation than landlords. What's fair about that?". "There should be fairer treatment for well maintained properties under compulsory purchase". "There should be less indecision by the Council about demolition or improvement. Because of all this, properties get more disrepaired and I'm then faced with a bigger improvement bill in the end". "The Council should take houses out of demolition. Tenants don't want to move, and landlords would do them up if they had a guaranteed future. I would have bought more if the Council had had a clearer idea about the future of ... Road".

Finally, 10 per cent of addresses had landlords who made none of the specific observations about policies and procedures that others had done. The general tone of their remarks was that they considered the Council to be unhelpful in a fairly general way, though not necessarily actively antagonistic towards landlords. They were, however, unable to say what particular changes they would like to see made. It will also be noted that 8 per cent of addresses (and 16 per cent of HMOs) had landlords who wanted to see lower rates. The reason for this was that they considered they had great difficulties, in practice, in increasing rents when the rates went up, and claimed to have been out of pocket as a consequence.

### Housing Act, 1980

These views about LHA policy changes were expressed before the enactment of the 1980 Housing Act and its associated Orders made a number of changes to the system of improvement grants. The concluding chapter to this part of the thesis suggests a number of ways in which the LHA could potentially use these powers to respond to the problems presented by the decline in the private rented sector and the extent of substandard accommodation within it, and in so doing meet some of the requests for

changes expressed by landlords interviewed in the survey. Parts 3 and 4 of the thesis look at the impact of the 1980 Act both on the Sheffield panel and on the wider sample of LHAs studied in 1987.

Before embarking on the discussion at the end of this Part, it is useful to briefly summarise the main legislation changes that were made in the context of the changes landlords suggested:

1. Repairs grant. The Act widened the scope of Repairs Grants. They now cover repairs of a substantial and structural nature for all dwellings built before 1919 and are payable as of right when repairs notices are served.
2. Improvement Grant procedures. The maximum percentage of an improvement grant which can be devoted to repairs was increased from 50 per cent to 70 per cent of eligible costs when a dwelling is in need of substantial and structural repairs. The repair standard for Improvement Grants was reduced. Advice was given to LHAs about the need for flexibility in the interpretation of standards and to speed up procedures.
3. Bigger Grants. Eligible expense limits were increased and grant percentages fixed at 75 per cent for dwellings in priority cases. This extended this preferential grant rate beyond HAAs to all dwellings lacking standard amenities or in need of substantial and structural repair.
4. HMO regulations and grants. The Act extended the scope of Special Grants for HMOs to cover repairs work carried out when amenities are installed and to pay grant towards the installation of means of escape from fire. 75 per cent of the eligible cost is available by way of grant for HMOs which do not have sufficient amenities and lack adequate means of escape from fire. Grant is mandatory where LHAs serve enforcement notices.

CHAPTER 11  
SUMMARY AND CONCLUSIONS TO 1979-80 STUDY:  
THE FUTURE OF THE PRIVATE RENTED SECTOR AND THE INFLUENCE OF  
LOCAL AUTHORITY POLICY IN THE 1980s

Introduction

This chapter considers the implications to be drawn from the findings of the four surveys done in 1979 and 1980 about the future supply of, and demand for, private rented accommodation. It also discusses the ways the LHA could use its powers to affect the size of the private rented sector and the quality of accommodation provided. It is deliberately written from the perspective provided by these surveys, not with the hindsight available in 1989. Parts 3 and 4 of the thesis then look at actually what did happen in the 1980s.

Supply: Quantity

The evidence suggested that the supply of private rented accommodation would continue to fall in the 1980s. Landlords' future plans for their properties suggested that the private rented sector would decline very quickly if they obtained vacant possession of them. In the long term accommodation would be confined to lettings of HMOs and a relatively small number of addresses let as whole houses, with an increasing proportion of accommodation available only on a furnished basis.

The fall in the number of addresses let as whole houses would be substantial. In particular, over two-thirds of those let unfurnished in 1979 would be sold when the first vacancy arose. Nearly two-thirds of the households occupying these addresses in 1979 were elderly. In consequence, landlords' ability to carry out their intentions of selling were dependent to quite a large extent on a combination of natural events, as tenants died, and the LHA's programme of housing the elderly. Houses let furnished were much less likely to be sold. There would also be some limited switching from unfurnished to furnished lettings so that 40% of addresses which would be relet 'tomorrow' would be furnished. Landlords would not keep reletting these addresses over the long term, however. More than a quarter of them were only to be relet because of improvement grant conditions and to provide improvement work for owners' building firms in the immediate future. In addition, a significant minority would

be relet only to employees or relatives. Less than half the addresses likely to stay in the private rented sector were going to be relet because the landlords considered either that the rent income or an increase in the value of the property provided them with a return.

The vacancy survey confirmed that landlords were carrying out their plans to sell property. Only a small percentage of unfurnished houses which became vacant were relet. The gross rates of return gained from reletting addresses, measuring rents against vacant possession value were, at the most, 4 per cent p.a. In contrast, the gross rate of return from reletting furnished property was 14 per cent p.a. Three-quarters of furnished addresses which became vacant were relet.

As landlords sold unfurnished property with vacant possession to owner occupiers, there was little evidence of widespread and compensating purchasing by landlords of other property with vacant possession for subsequent letting. Although a considerable proportion of sample addresses had been purchased in the previous decade, these did not represent a net addition to the stock of private rented housing. Most were acquired with sitting tenants, and those that were not, were almost all let furnished. Few of the recent purchases had been made as investments for the return rent income would bring their owners. Most were regarded as investments from which the owners got the return from increases in the capital value of the properties. Landlords said that they intended to sell them when vacancies arose. They represented short rather than long term speculative investments, therefore, as landlords bought property with sitting tenants, carried out improvements to install missing basic amenities, retaining them for letting if a vacancy occurs, rather than selling, only if constrained from doing so by grant letting conditions.

Most addresses let as flats and bedsitters would be relet. Although over a quarter of HMOs would be sold if their owners got vacant possession of the entire address, there were only a few whose landlords would deliberately keep lettings in a property empty as tenants quit, in order to ultimately gain vacant possession of the entire property. This was confirmed by the vacancy survey. The great majority of HMO accommodation which became vacant was relet, although 13 per cent of the households leaving HMOs quit accommodation in addresses which were subsequently put

on the market for sale with vacant possession. There was not likely, therefore, to be as dramatic a fall in the supply of flats and bedsitters (nor indeed of furnished houses) as there would be of unfurnished houses.

On the other hand there was evidence that the rate at which new stock was being added to the supply of flats and bedsitters had declined. An increasing proportion of acquisitions in the more recent, compared with earlier years, had been of tenanted HMOs rather than the acquisition of property with vacant possession for subsequent conversion to flats and bedsitters. In particular, even when vacant properties were purchased, they were let with fewer lettings than were properties acquired vacant in earlier years. The evidence confirmed that landlords who were buying were looking for addresses which had already been converted to LHA standards. It also showed that LHA policy about flats and bedsitters had deterred landlords from buying and thereby increasing the stock. Although there was no evidence that landlords of HMOs, who had complied with LHA standards about occupancy, amenities and fire safety were unwilling to relet these addresses once they had fulfilled the requirements, these policies do appear to have discouraged landlords from acquiring further properties.

#### Supply: Quality

There was no evidence that addresses let as whole houses which landlords said they would relet, were less likely to possess all the basic amenities than those which landlords said they would sell. In other words, as the private rented sector declines, it was not likely to be increasingly composed of unimproved properties. If anything, the opposite was likely to happen, but this was only because a high proportion of the recently improved addresses were to be relet because of conditions attached to grants. Consequently the long term reletting of improved addresses would be similar in proportion to the long term reletting of addresses which were still unimproved in 1980. Despite the substantial proportion of addresses whose owners had improved them, especially, though by no means only, in improvement areas, about a third of them in the inner city as a whole still lacked basic amenities. Although the owners of three-quarters of these intended to sell them when they became vacant (and the vacancy survey confirms that unimproved and improved alike were sold to owner

occupiers), the question still remained in 1980 as to whether or not they would improve them in the meantime, thus providing improved amenities for their existing tenants, many of whom were elderly, with the single elderly being in a particularly disadvantaged position in respect of amenities.

Only just over half the unimproved addresses had owners who wanted to do improvements. Some of them were likely to be improved fairly quickly because their owners had only recently acquired them and said that it was simply a matter of the time needed to plan the works before they go on with the job. Most of the addresses, however, (including those whose owners did not want to do any improvements) were a hard core of unimproved addresses, owned by landlords who referred to various financial difficulties of carrying out improvements when they explained why they had not done them. Nevertheless, evidence was gathered which suggested that it would be possible for the LHA to 'trigger off' improvements to these addresses - and the way this could be done is discussed below. To the extent that the suggested strategy was unsuccessful, it was still possible that the addresses would nevertheless be improved. This would happen if the existing (1980) owners decided to sell with sitting tenants to other landlords, who, interested in the speculative gain that is possible by doing grant aided improvement work, undertook the necessary work. The evidence of recent purchasing activity suggested that this was a real possibility.

Notwithstanding the need to ensure that the unimproved homes of existing tenants were brought up to standard, there was also the need to tackle the question of essential repairs, a problem which affected improved as well as unimproved addresses. The house condition survey revealed that the problem of disrepair was widespread throughout the private rented sector. In particular, the high level of improvement amongst HAA and GIA addresses, which had resulted in basic amenities being provided for tenants for the first time, had not been associated with an equivalent reduction in the need for essential repairs. The question of repairs was, therefore, not simply one of ensuring that repairs were adequately done, when the remaining unimproved properties were dealt with, but also of finding ways of seeing that essential repairs were done to those which had already been improved by 1980. Comments by landlords, referred to in previous chapters, illustrated the way in which the cost of repairs was a critical

problem for many of them. It was mentioned by the owners of many of the addresses which were regarded as a liability. The drain on income from repair bills was the reason why many addresses would not be relet in the future. The existing level of rents, which gave landlords gross rates of return of 4 per cent p.a. or less, were not sufficient to provide them with the kind of income which allowed repairs to be done and leave them with an adequate return. Not doing repairs was one way for them to maintain a minimum level of profitability.

As far as HMOs were concerned, both the tenant and landlord surveys revealed that a significant minority of lettings which were not self contained were in addresses which did not meet the LHA's standards and regulations for amenities and fire safety. A significant number of these addresses neither had planning permission nor were they registered as HMOs with the LHA. It was, however, demonstrated that the standard of accommodation provided was positively associated with the LHA's use of its Housing and Planning Act powers to secure these standards. It was also shown, therefore, that many of the addresses which were below standard did not have planning permission and were not registered HMOs. They had not, therefore, come to the LHA's attention, partly because the LHA was not consciously searching out such properties to get them registered and improved. Landlords who were continuing to acquire HMO property were seeking out addresses which were already converted and complied with LHA standards, rather than buying property with vacant possession and converting it, while avoiding the acquisition of unregistered and substandard properties which needed improvements. The implications of the LHA taking active steps to bring substandard accommodation up to standard are considered below.

### Demand

As the stock of private rented property declines, it would be owned to an increasing extent by landlords who preferred to let to young single people in general, and to students in particular. Indeed, the majority of HMOs were already owned by landlords with this preference and nearly a third of other addresses had owners with this policy. By restricting tenants to this limited selection, landlords ensured that letting was profitable, since the sheer rate of turnover of tenants allowed them to regularly

raise rents. The vacancy survey showed that when furnished accommodation was relet in 1980 net rents were increased by 30 per cent compared with the rent paid by the previous tenants in 1979. The new tenants were just the sort that landlords said they preferred to taken on. In the light of these preferences, therefore, and the fall in unfurnished accommodation which could be expected, only a small proportion of the private rented sector would be owned in the future by landlords who were prepared to let to families and to less mobile groups in general.

From the evidence gathered during the tenant survey about tenure preferences, and from the vacancy and movers surveys about tenants' search for accommodation, it was shown that there was a continuing demand for private rented accommodation and that those looking for it experienced difficulties in finding somewhere to live. The proportion of households who preferred private renting above all else was comparatively small and was confined largely to elderly households and to other households also headed by people in older age groups. This was a 'residual' demand of an ageing population: as other households in the private rented sector grew older there was no reason to expect them to take on the preferences then held by older households. There was also a group of households who were 'trapped' in private renting: again many were elderly or in middle age. They did not explicitly prefer private renting and were trapped because they had not registered for Council housing or were unable to buy their own home.

Although over half heads of households wanted and could be expected to leave the private rented sector to buy their own home, or to move into Council accommodation, many of them would continue to require private rented accommodation for some years in the future. For some, it was a question of waiting until their Council registration matured, for others of saving up a deposit to buy a house and for many it was simply that, at their stage in the life cycle, rented accommodation most suited their needs. Indeed, only a third of those who ultimately wanted to, and could buy said that, as far as renting was concerned, they would prefer to rent from the Council rather than a private landlord.

The decline in private rented accommodation that could be expected would therefore reduce the opportunities open to those who would be looking for rented accommodation, *ceteris paribus*, albeit for a comparatively limited period of their life time. In particular the fall in unfurnished accommodation would make it difficult for young couples and families to find a house to live whilst they saved up to buy or get a Council house. The vacancy survey showed that there were no significant changes in the types of households moving into properties that landlords sold to owner occupiers and those they relet. All that was happening was that elderly, retired households were moving out and that they were being replaced by young couples and families in full time employment, with those in non manual and manual occupations equally represented amongst buyers and renters. Nevertheless, not all young couples and families were in a position to buy right at the outset and, although the loss of unfurnished accommodation did not appear to reduce, in total, the stock of housing available for those in manual occupations, it did reduce the stock which they, and others, could rent at the particular stages in their housing career when they needed to rent.

Although the stock of furnished accommodation would not fall to the same extent, and although it was clear from the vacancy survey that those moving into relets were similar to those leaving them, many reported problems in finding rented accommodation. This was true also of those leaving the accommodation where they were interviewed in 1979 and who continued to rent private accommodation elsewhere. Many of these households were leaving their existing accommodation to look for somewhere else which was better - in particular they left because of its poor state of repair and amenity provision or because of the lack of privacy and space which they suffered, when living in accommodation where amenities were shared with other households. When searching for a place to rent, however, half of those interviewed in the vacancy and movers surveys had difficulties finding somewhere, difficulties because of a general shortage of accommodation, a specific shortage of places which suited them or which landlords would let to their particular type of household, and difficulties because of the expense of what was available. Few of them were looking for private rented accommodation because they

were 'failed' buyers. They were at a stage in their life cycle when rented accommodation suited their needs - and comparatively few of them had either tried or wanted to get Council accommodation to meet this need.

### The Impact of Local Authority Policy

In the light, therefore, of the continued demand for private rented accommodation, of the expectations that the supply of it would continue to fall and of the fact that a significant proportion fell below standards, in what way could the LHA influence both the quantity and quality of accommodation available, and alter these anticipated 1980s trends?

The question of the supply and standards of flats and bedsitters is considered first. Whilst the application of LHA policies did not appear to result in any greater unwillingness to continue letting properties which were already let as flats and bedsitters, it did deter landlords who had had to comply with LHA policies from acquiring additional property and steered those that did towards property which was already converted to appropriate standards. Should the LHA therefore 'relax' these standards, as the owners of HMO addresses suggested, when asked what changes they wanted to see, in order to increase the supply of accommodation?

In doing so, the assumption would be that a relaxation of standards would reduce costs, and thus increase the attractiveness of buying property to convert. Also that by changing planning policies, the LHA would increase the supply of houses that landlords could consider for conversion, or use for multiple paying occupancy without running the risk that that would be regarded as a material change of use.

Such policy changes would, however, run the risk of reducing standards in accommodation, without any guarantee that they would increase supply. It would also mean that the detailed control of multiple occupancy at the neighbourhood level, designed to maintain a balance of family and non family housing, would also be put at risk. A more appropriate policy stance would be for the Council to use its powers to promote and provide special grants. These grants have been widened in scope as a result of the 1980 Housing Act (DoE, 1980). Grants cover works of repair carried out in conjunction with the installation of standard amenities and cover

the work of installing means of escape from fire. Few sample addresses had owners who had used special grants in the past, yet significant numbers had owners who considered that they had been adversely affected financially, because of extra costs and lost rental by complying with Council standards. By awarding special grants, the local authority would, in effect, reduce landlords' costs. This might not only reduce the deterrent effect of policies on further acquisitions, but would allow the Council to bring existing sub-standard HMOs into line with standards, by a conscious attempt to identify these and require owners to comply with standards, without the risk that this might increase the sale of property (which, on the evidence, is only a small risk) or increase the deterrent effect.

What steps could the Council take to secure the improvement by the then 1980 owners of addresses let unfurnished as whole houses which still lacked basic amenities? Two pieces of evidence from the survey supported the case for the Council to use its powers under the 1980 Housing Act to promote the availability of discretionary improvement grants, which after 1980, could be paid at a rate of 75 per cent of eligible costs on all dwellings which lacked standard amenities, whether they were in HAAs or not (DoE, 1980).

The evidence which came from the comparison of HAA addresses, where 75% grants had been paid, and the comparable control group of EXCL addresses where they had not, showed that where grants of this order reduced the costs to be borne by landlords, voluntary improvement was 'triggered' in circumstances where it would not otherwise have occurred. Moreover, the evidence also showed that landlords who improved addresses to the higher standard for discretionary grants, spent more in total on the addresses and carried out rather more repairs. Indeed, many landlords said that this was only possible with a 75 per cent grant.

The second piece of evidence came from the higher proportion of unimproved addresses whose landlords said they would improve if they had a 75 per cent grant, compared with a grant of only 50 per cent. When willingness to improve was measured, it was found that whilst about a fifth of unimproved addresses would not be improved under any circumstances, the improvement of a further third was dependent on higher grants becoming

available. This was particularly important where addresses were regarded for market value or as liabilities. Previous evidence had shown that local authority incentives and pressure had also been important in getting such addresses improved. Given that a higher proportion of eligible costs could be devoted to repairs of a substantial and structural character, the wider availability of 75 per cent grants would not only reduce the hardcore of unimproved properties without all basic amenities (by reducing the costs that have to be borne by landlords, and therefore increasing the return and the degree of satisfaction with net expenditure), but would also allow more of the improvement to be done to a higher standard, especially of repairs, than would otherwise have occurred. Moreover, the evidence also showed that landlords who improved addresses to the higher standard for discretionary grants, spent more in total on the addresses and carried out rather more repairs. Indeed, many landlords said that this was only possible with a 75 per cent grant.

However, a note of caution was necessary. The 'success' of HAA policies has been referred to as the basis for expecting the use of 75 per cent grants to whittle down the unimproved address to a hardcore which 1980 owners were unlikely to improve. The success of HAAs depended, however, on a wider 'package', in particular the use of compulsory powers and, to a lesser extent, the 'confidence' effect which area programmes gave to investors. To achieve as high a level of improvement would depend on the willingness and ability, in the light of staff resources, of the Council to use compulsory powers and to pay the mandatory repairs grants, which became available as a right to landlords after 1980 when they were served with repairs enforcement notices. Further declarations of HAAs and GIAs would be justified, where private rented addresses were in areas which fulfilled appropriate criteria for declaration. This would permit the local authority to use compulsory powers on its own initiative and to reduce the lack of certainty about the future of owners' investments in some of those areas where owners had expressed concern about lack of clarity in the Council's renewal programme.

But many of the addresses were in areas where declarations of area improvement schemes would not be justified. Since these areas did not suffer from the blight which had affected actual and potential improvement

areas prior to declaration, landlords would not be adversely affected by the lack of an area improvement programme to instill confidence into the area. Local authorities would, however, be unable to use powers of compulsory improvement on their own initiative, and would instead have to make greater use of repairs notices to persuade owners to carry out works.

Whether a deliberate programme of action to canvass and promote the availability of 75 per cent grants, and to declare further improvement areas, would sustain the supply of unfurnished private rented accommodation was more open to doubt. On the evidence collected in the survey, area improvement at least, was not associated with a faster rate of sale of properties, since more addresses regarded for rent income were to be relet and fewer regarded for market value were to be sold.

What the survey did show was that landlords' satisfaction with their returns from improvement, was dependent on the net costs they incurred, and the return rents give them on this expenditure. The lower the net cost and the greater the rate of return, the greater was the proportion of improved addresses with satisfied owners. Owners of addresses regarded for market value were, however, less likely to be satisfied than owners of addresses regarded for net income, and this was not simply because they had spent more on average, because they were less satisfied at all levels of net expenditure. However, reletting was related to both the amount of grant received and the extent to which returns were regarded as reasonable, particularly in the case of those addresses improved to secure a higher rent income.

This suggested that the wider availability of 75 per cent grants might encourage a greater degree of reletting although it must be noted here that the owners of less than a quarter of unimproved addresses who said that would only improve with grants of this order also said that they would relet a vacant property. Such a policy would, however, reduce owners' net expenditure, particularly given that a greater proportion of allowable costs could be devoted to substantial and structural repairs after 1980. This could increase satisfaction with returns, and because it would enable landlords to get more repairs done at less cost, would result

in a reduction in outstanding repairs, reducing the burden of the costs of annual maintenance, at least in the short term and in that way might lead to an increased willingness to relet.

In fact the survey revealed that the problem of repair costs was crucial to owners who would not relet accommodation. Owners of addresses regarded for rent income, market value and considered to be liabilities all explained (whether or not the address had been improved) that costs in relation to rents did not make letting worthwhile. Moreover, where owners were selling because of Council policies, this was also because of the way these had affected their costs. In addition, it was found that, even when rents were £400 or more per year, owners still did not consider their returns adequate to cover costs, or adequate in relation to the proceeds they could get by investing the sale proceeds elsewhere. Given that the local authority was not directly in a position to determine rents, was the local authority, however, in a position to influence repair costs, and therefore to reduce the proportion of addresses to be sold?

In a sense, the same dilemma would arise as was the case for HMOs. The Council could lower standards for improvements, and could lower standards required when submitting repair notices to landlords. This would reduce landlords' costs, but would not give existing tenants access to better standards of repair and improvement, and such a policy would be pursued with no guarantee that reletting would necessarily be increased. Apart from the availability of higher grants for unimproved addresses, the alternative open to the Council would be to award repairs grants to owners of properties built before 1919 (which covers almost all of the addresses in question).

This they could do under the provisions of the 1980 Housing Act, at a rate of 75 per cent within allowable costs, provided the repairs were of a substantial and structural nature. Such a policy would get outstanding repairs done at less cost to the landlord, and by doing this, reduce the burden of annual maintenance in future years, increasing the landlords' net return and in that way encouraging a greater willingness to relet. However, where the repairs in question were not of a substantial and structural nature, the address could not be eligible for such a grant, since it was not intended to cover annual maintenance costs as such.

Moreover, the local authority would need to exercise its discretion in deciding whether or not to award a repairs grant on a property which had already benefited from grant aid. The Secretary of State indicated that he would not normally expect authorities to approve a repairs grant for a property which had already had a discretionary improvement grant. Where a grant application followed the service of a repairs notice, of course the award would be mandatory.

Over half the addresses whose owners wanted higher rents had owners who also wanted to see the introduction of repairs grants, or some help towards repairs. For those whose addresses would be eligible, such grants would be of assistance. For others, however, either the repairs would not be of the substantial and structural nature which grants were intended to cover, or the address would have been already improved with a full improvement grant. For owners of such addresses encouragement to relet would only arise if they could charge higher rents and, (and this is crucial), if these rents gave them competitive returns on vacant possession prices, allowing for risk and liquidity. That was something which the local authority was not in a position to directly influence by its policies. The level of rents paid by tenants renting furnished houses provided landlords with gross rates of return of 14 per cent p.a. which was reflected in the willingness of owners of such properties to relet them. When houses were let unfurnished, however, the gross rate of return from rents against vacant possession value was only 4 per cent p.a. When repairs and other costs were taken into account, rates of return would have been lower than this. Consequently, the kind of help towards meeting repair costs suggested above might enable owners to realise gross rates of return of around 4 per cent p.a. But it was unlikely that this in itself would encourage more reletting of unfurnished property, unless, at the same time, there was a substantial, perhaps doubling of rents. The changes made in the Housing Act, 1980 to the 'pause' and 'phasing' provisions of the Fair Rent legislation, and mentioned in Chapter 2.5, would mean that, where Fair Rents were registered on properties, owners' rental income would increase more regularly in the 1980s in line with any increases to the costs owners faced than had been the case in previous decades. Whether or not such rents - and returns - could be sustained by

relatively low income tenants without additional help (either in rent assistance or in some subsidy to landlords) from the government was a crucial unknown when the 1979-80 panel study was concluded.

It is to the subsequent experience over the next six years that Part 3 of this thesis now turns.