

Tenure Trends in the UK Housing System:

Will the private rented sector continue to grow?

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Executive summary

Analysis of tenure provides a powerful lens for understanding the UK housing system. Despite the issues surrounding definitions and the diversity that exists within particular tenures **important differences can be identified between the three main tenures in the UK**: owner occupation, private renting and social renting. These differences include:

- Taxation;
- Benefits;
- Economic inequality;
- Stock condition and energy efficiency;
- Security of tenure;
- Mobility;
- Satisfaction and aspiration;
- Impact upon the wider economy.

The proportion of households in different tenures – tenure mix – has changed significantly over the last one hundred years. Two key historic turning points in tenure mix are often identified as 1915-19 and 1979. Both owner occupation and social housing increased their relative size between 1915 and 1979 whilst private renting shrank dramatically. From 1979 to the early years of the 2000s, owner occupation increased at the expense of social housing. Since 1995 the relative size of the private rented sector began to increase relatively quickly.

These tenure trends have been the result of a combination of political, economic and social drivers that acted over both the short and long term. Political changes, such as support for local authority provision and later the Right to Buy, interacted with economic cycles and social changes such as wars and changing attitudes to different tenures. There are important regional and national differences in tenure trends. Scotland, for example, has historically had a larger social rented sector and London has more private rented accommodation than other regions. Tenure mix is closely related to housebuilding which was recently at the lowest level since 1946.

Recent trends suggest that we may have reached another historic turning point in the tenure mix of the UK housing system. **For the first time in a century the relative size of the owner occupied sector has declined and the private rented sector has increased significantly.** This trend is due to the absolute number of households in owner occupation and the social rented sector remaining relatively stable whilst the number of households in the private rented sector increased by one million households between 2005 and 2009.

affordability of the private rented sector. However, these possible short term drivers are also combined with long term structural changes in projected household growth and low rates of house building. **It seems reasonable to assume that some of these likely drivers of recent changes in tenure mix will continue and, therefore, that the private rented sector will continue to grow.**

Recent changes in tenure mix, particularly the growth of the private rented sector, have a number of implications for housing policy. The changes highlight the need to define the roles that each tenure can play in the housing system. These tenure roles must fit together to ensure that the UK housing system provides decent and affordable housing for everyone. Government tools, such as taxation, subsidy, regulation and local control, actively shape the tenure mix of the housing system. Are these tools being used effectively at present to ensure the housing system provides decent and affordable housing for all? **It is highly unlikely that the recent addition of one million households to the private rented sector is entirely driven by choice. Therefore, there is an urgent need to ensure that private renting is able to meet the requirements of the households who would prefer to live in other tenures. Otherwise private renting is in danger of becoming the tenure of last resort, an unsatisfactory default option for households who do not have the choice to access social housing or owner occupation.**

Section 1: Tenure change and the UK housing system

Defining tenure

Tenure describes the “legal status of and the rights associated with different forms of housing ownership and occupancy”¹. This definition hints at two difficulties that exist when considering housing tenure. The first is that there is no broad agreement on the number of different tenures that exist in the UK. The most basic distinction is between owning and renting. An owner purchases a new or existing property whilst a renter makes a payment to the owner for the right to occupy a property.

Another common distinction is made between different forms of renting. Where rent is paid to a private individual or organisation it is usually described as private renting. Social renting is the most common term used to describe the situation where a rent is paid to a public body (such as a local authority) or to a housing association. For simplicity these will collectively be described as social renting. This research will focus on the three most common tenure types which are: owner occupation, social renting and private renting. However, other tenures are found in the UK housing system and play a significant role in the other countries. Co-operative or other forms of co-ownership are perhaps the most important examples of alternative tenures.

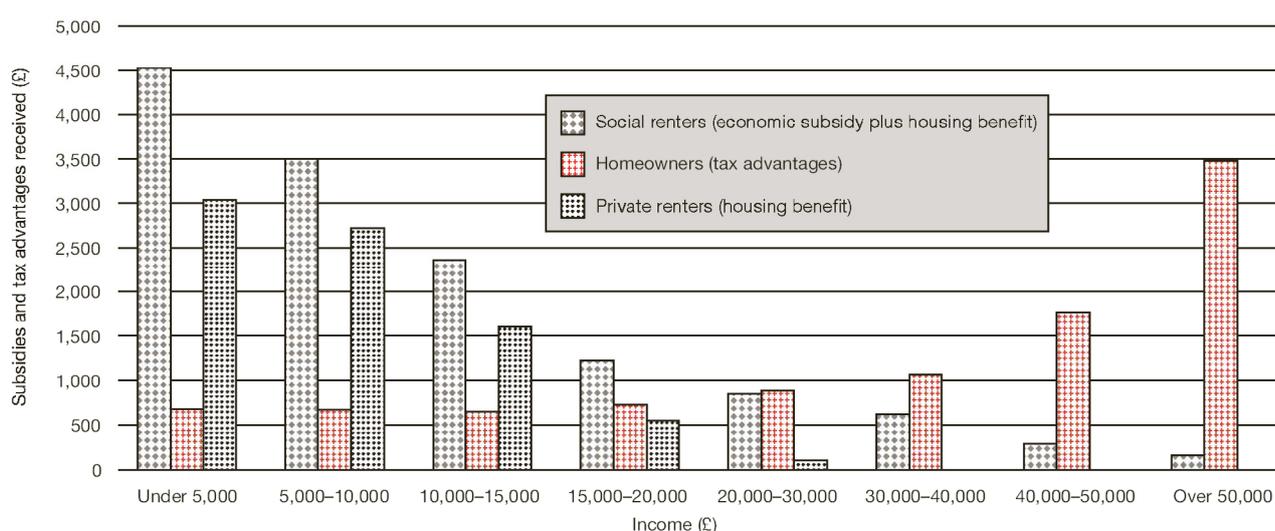
A second difficulty in tenure definitions is the diversity that exists within particular tenures. A household which owns its house outright (i.e. has no mortgage to pay) would be classified as an owner occupier alongside another household which is in negative equity, owing more to the mortgage lender than the value of the property. However, the experiences of these households would be likely to vary significantly. Further confusion is added by ‘mixed’ tenure situations such as shared ownership and shared equity schemes. The occupier and another party, often a Registered Social Landlord, could both have equity stakes in the house. Other important legal distinctions, for example between freehold and leasehold agreements in owner occupation, must also be remembered. The private rented sector has a number of different ‘niche markets’ that cater for particular groups in society such as students, young professionals, recent migrants and people on Housing Benefit. This variety and complexity in tenure situations is multiplied when international comparisons are made. Legal, economic and social differences make simple comparisons difficult.

Differences between tenures

Tenure analysis provides a powerful lens for understanding the UK housing system despite these difficulties in definition. There are important differences between tenures in the UK. These differences highlight the importance of tenure in the understanding how the housing system functions as a whole and its relationship to wider society. Areas of difference between tenures include:

- Tax and benefits.** The structure of the tax system leads some commentators to suggest that there is a “continuing significant fiscal bias in favour of home-ownership relative to renting”². The relative tax positions of the tenures is complex, but there are significant differences between them. For example, private landlords pay Capital Gains Tax, but owner occupiers do not. However, this is complicated by the availability of Mortgage Interest Tax Relief for private landlords. These differences in taxation are mirrored by the variety of benefits that are available to households in different tenures. For example, Housing Benefit is not available to owner occupiers who must rely on a different (and lesser) safety net that includes Support for Mortgage Interest. Therefore the tenure mix of housing has an impact on the financial position of individuals and public finances through both tax receipts and benefit payments. Figure 2 indicates the scale of these differences in housing subsidies and tax advantages, such as the benefit home owners receive due to primary residences being largely untaxed³.

Figure 2: Housing-related subsidies and tax advantages by income band and tenure⁴



- Economic inequality.** The National Equality Panel led by John Hills recently highlighted the role that tenure can play in economic inequality. It

described how tenure “has a dual role, both as something that shapes people’s lives and as an outcome of their levels of advantage and disadvantage in other respects”⁵. Inequality between tenures is found in both income and wealth. Income (after housing costs) of social tenants is £204 per week compared £390 for owner occupiers with a mortgage. There are major differences in wealth between tenures. Households in social housing have a median average household wealth of £18,000 compared to £411,000 for those who own their property outright.

- **Stock condition and energy efficiency.** There are significant differences between the quality of housing stock in different tenures. In 2007, just under 30 per cent of homes in the English social rented sector failed to meet the Decent Homes standard compared to 45 per cent in the private rented sector⁶. Significant differences can also be found in the energy efficiency of housing stock. Over 24 per cent of private rented and 21 per cent of owner occupied homes are rated in the lowest two bands (F or G) on their Energy Performance Certificates compared to just six per cent in the social rented sector⁷.
- **Security of tenure.** The legal position and rights of residents in different tenures vary considerably. Both owner occupiers and social renters have significant legal rights that are usually unavailable to tenants in the private rented sector. Most private rental agreements are assured shorthold tenancies where either party can terminate at short notice, often only two months. Campaign groups have argued that this can increase the likelihood of unfair evictions in the private rented sector⁸. Tenants in the private rented sector can also face eviction at short notice if the landlord fails to keep up payments on their mortgage⁹.
- **Mobility.** Major differences in mobility exist between different tenures. The median length of residence in the private rented sector is less than two years, considerably shorter than both social housing (eight years) and owner occupation (12 years)¹⁰. Some of the factors that lead to these differences include security of tenure, transaction costs related to owner occupation and constraints on access to and movement within the social rented sector. Household type in the private rented sector will also have an impact on mobility. Many students, for example, choose to move every year. This highlights the important point that mobility may be viewed positively or negatively by households in different circumstances. There has been criticism of the lack of security in the private rented sector and of the lack of mobility in the social rented sector. However, the relative importance of mobility and stability will vary for different households.

-
- **Satisfaction and aspiration.** There is evidence that owner occupiers are more satisfied with their accommodation than people living in other tenures. Only two per cent of owner occupiers described themselves as dissatisfied with their accommodation compared to ten per cent of private rented tenants and 13 per cent of social rented tenants¹¹. Surveys also suggest that there is a strong aspiration for owner occupation in the UK. In 2009, 72 per cent of adults considered it to be their preferred tenure¹².
 - **Impact upon the wider economy.** International organisations such as the International Monetary Fund and the Organisation for Economic Cooperation and Development have highlighted the negative impact of house price cycles on the UK economy¹³. Lower levels of house price volatility can be seen in other countries, for example, Germany. This may be linked to the different tenure mix of the German housing system which has lower levels of owner occupation. Reducing house price volatility could provide macroeconomic benefits such as labour market mobility¹⁴.

Historic changes in tenure mix

There have been major shifts in the relative size of different tenures over the last century. The scale of these changes can be seen in figure 3 (below) which outlines the relative size of the three main tenure types since 1918, when the vast majority of the population lived in the private rented sector. The private rented sector declined from 75 per cent of households in 1918 to a low of less than ten per cent by the early 1990s. This remarkable decline was countered by increases in both of the other two tenures, owner occupation and social renting. Owner occupation became the dominant tenure in England, increasing from just 23 per cent in 1918 to 70 per cent by the end of the twentieth century. The increase in proportion of households that were social renters was also considerable, from just one per cent in 1918 to a peak of over 30 per cent by the early 1980s. However, the proportion of households that were social renters has subsequently fallen from that peak to current levels of around 18 per cent.

Figure 3: Tenure trend, percentage of households by tenure, England, 1918 to 2008¹⁵

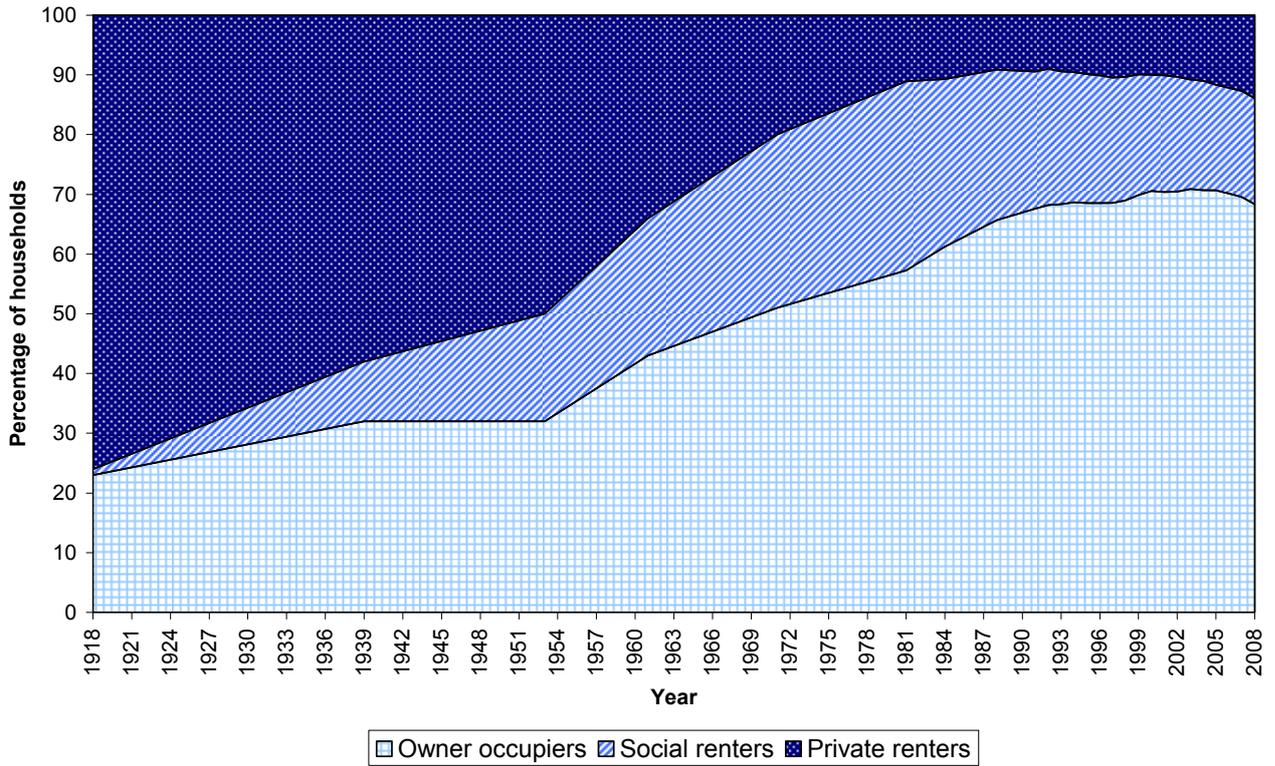
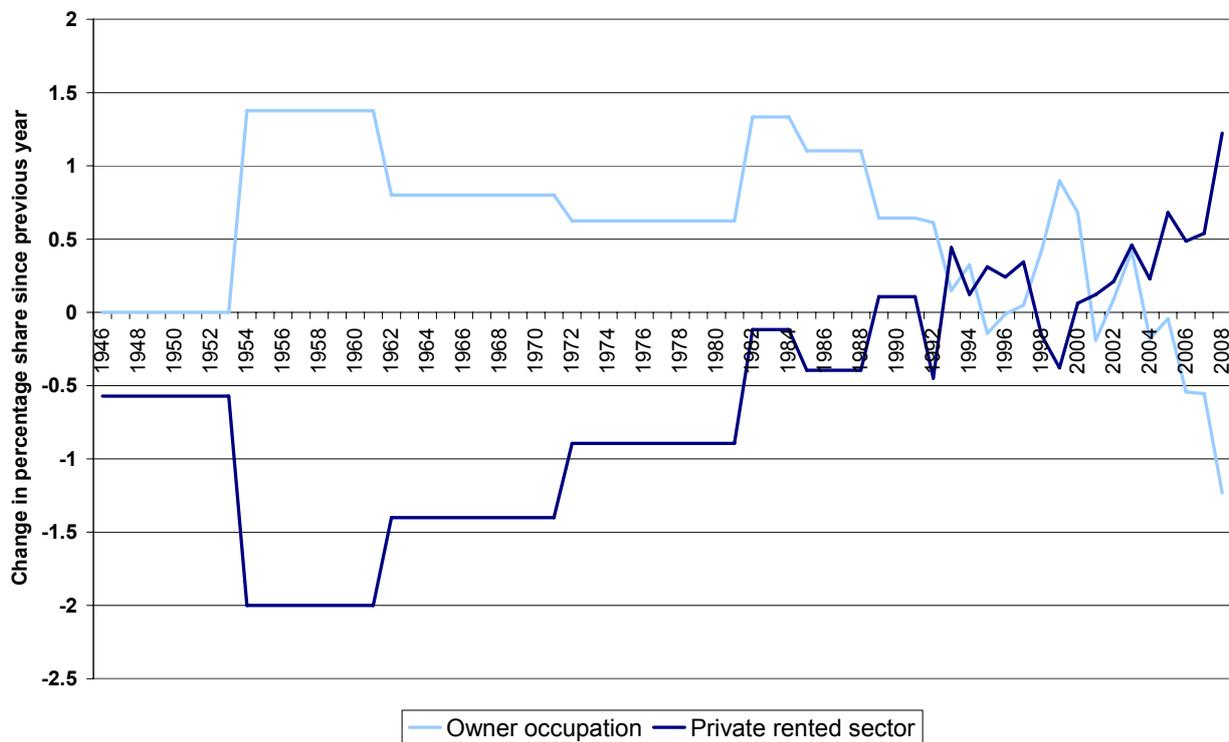


Figure 4 indicates the rate of change in the relative size of the different tenures. The private rented sector was in relative decline from 1946 until the end of the 1980s, but the rate of decline slowed from the 1960s onwards. In contrast the rate of relative growth in the private rented sector has increased during the 2000s. Current rates of change in tenure mix are comparably to earlier periods of rapid change in tenure. The private rented sector is increasing almost as quickly as owner occupation did in the 1950s and 1980s.

Figure 4: Annual change in tenure mix, England, 1946 to 2008¹⁶



Historic drivers for changes in tenure mix

Mullins and Murie¹⁷ identify two turning points for the UK housing system in the last century: 1915-1919 and 1979. These turning points in the housing system and its tenure mix were influenced by a wide variety of drivers. These drivers are interconnected and difficult to disaggregate but might usefully be categorised as political, social and economic. It is particularly difficult to discern turning points in the housing system because of the tension between short and long term drivers for change. Major catastrophic events, such as wars and economic crashes, have had a profound effect on the housing system over the last century. However, these changes have acted upon much slower moving forces such as demographic change and changes in housing stock. The housing system is heavily dependent on the physical legacy it receives from previous decades with 84 per cent of existing housing stock in England built before 1984 and 38 per cent built before 1944¹⁸.

Prior to 1915 there was no coherent political response to the housing system and provision was left almost entirely to the market. This led to the growth of crowded urban areas surrounding major centres of employment, often with high rents and insanitary conditions. Political intervention focused on attempting to tackle these insanitary conditions that were a perceived threat to the

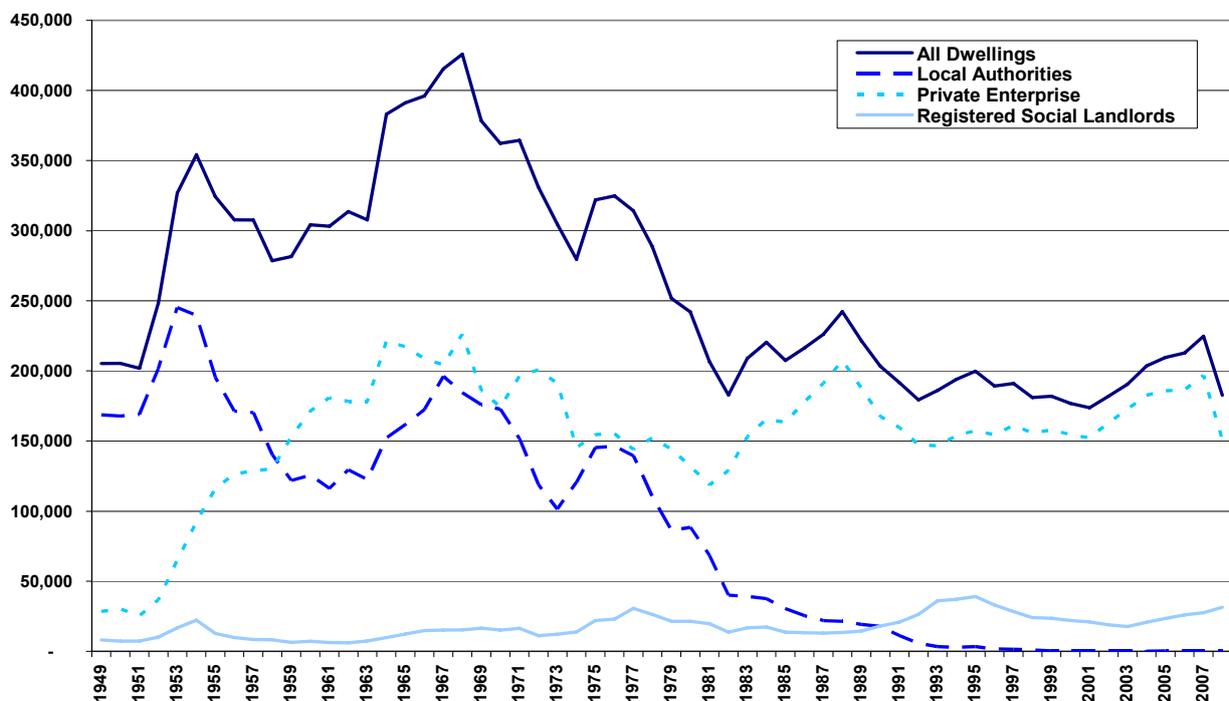
productivity of the workforce. In the early years of the twentieth century local authorities were given increased power to tackle housing problems and some began to directly provide housing.

The First World War was a catalyst for major changes in the housing system. During the election campaign of 1918 David Lloyd George famously promised that returning soldiers would have 'homes fit for heroes'. A massive programme of house building began which included both private provision and the first large scale public provision of housing. Local authorities together built an average of 50,000 homes per year during the inter-war years. Rent control for private rented accommodation was initially introduced as a temporary measure during the First World War, but became an important policy instrument over the following decades. Political responses to housing were also a response to social changes such as the growing power of the labour movement. There were also powerful economic drivers such as the failure of the market to provide what was by then considered a basic standard of accommodation at a reasonable price. Changes that took place around the turning point of 1915 to 1919 formed the basis for housing policy responses that continued after the Second World War. The development of the welfare state from 1946 onwards led to an increased focus on the provision of public housing, with squalor named by Beveridge as one of the five great social evils¹⁹. There was a surge in house building to replace stock lost during the war and to accommodate the post-war baby boom.

The second turning point in 1979 was the culmination of gradual change that had taken place over the preceding decades. Problems with the quality of new social housing led to increasing dissatisfaction with the sector. These were highlighted, for example, by the collapse of the Ronan Point tower block in 1968 in Newham and wider problems with the social impact of what were increasingly perceived as 'sink estates'. This social driver was one of the factors that allowed the Conservative Party to return to a more market-based approach to housing that emphasised owner occupation, the privatisation of social housing and deregulation of the private rented sector. Up until the 1970s it had been possible for both owner occupation and social housing to increase their relative shares of households. However, by 1979 the private rented sector had shrunk to little more than ten per cent of households. For owner occupation to increase further social housing would have to shrink. Millions of social housing tenants were offered the chance to buy the property that they lived in through the Right to Buy scheme, introduced in 1980, which came to define the Thatcher government's approach to housing. Deregulation of the private rented sector through the Housing Act of 1988 and the development of assured shorthold tenancies played an important role in the growth in its relative size for the first time in a century.

Analysing the relative changes in different tenures provides only part of the historical picture of tenure change. It is also important to be aware of the overall number of new dwellings²⁰ that have been built, which gives some indication of why the tenure structures have changed. Dwellings built since 1945 make up around two thirds of the current housing stock in England²¹. Since 1949, around 15 million new dwellings have been completed in the UK (see figure 5 below). Just over six million of these were completed by local authorities or Registered Social Landlords with the majority of these (five million dwellings) completed before 1980. The remaining new dwellings have been built by private enterprise. In 2009, the total number of completed dwellings in England dropped to 118,000 which is the lowest level since 1946²².

Figure 5: House building in the UK, permanent dwellings completed, by tenure, 1949 to 2008²³

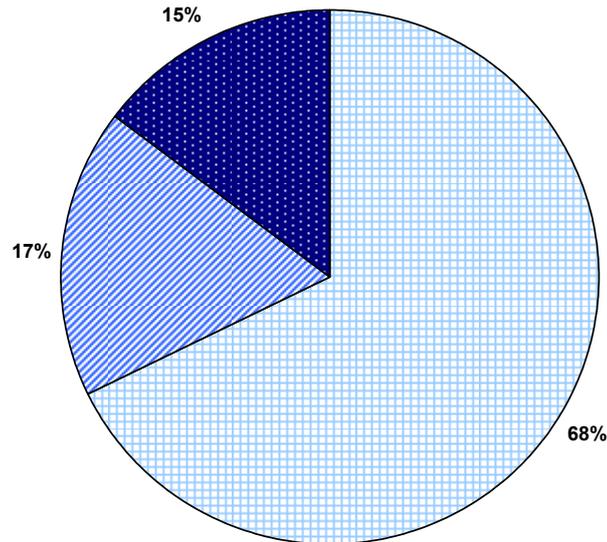


Current tenure patterns

The tenure mix in the UK may potentially have reached another historic turning point. The proportion of households who are owner occupiers has recently started to decrease for the first time in over one hundred years. From a peak of almost 71 per cent of households in 2005 it had fallen back to around 68 per cent by 2009. Most of this shift can be accounted for by a growth in the relative size of the private rented sector from around nine per cent during the 1990s

back up to almost 15 per cent by 2009. The private rented sector now accounts for almost as many households as the social renting sector which stood at 17 per cent of households in 2009.

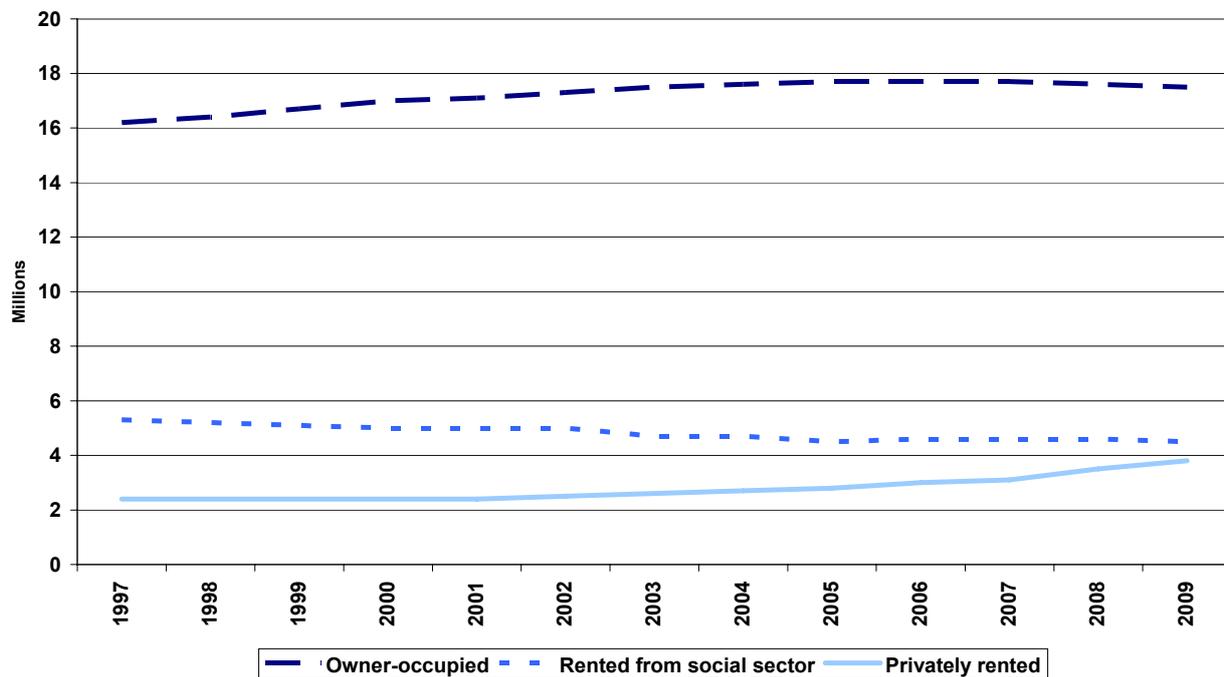
Figure 6: Households by tenure, 2009, United Kingdom²⁴



■ Owner-occupied
 ▨ Rented from social sector
 ■ Privately rented

Relative changes in tenure mix are due to differential shifts in the absolute size of the different tenures that underpins them. Increases in the number of households in owner occupation stalled in 2003. Since then, the sector has remained relatively stable at around 17.6 million households, although there is some evidence of a small decline in absolute size. The number of households in the social rented sector has also remained relatively stable since 2003 at around 4.6 million, although the longer term trend is one of decline. In contrast, the private rented sector has increased relatively rapidly from 2.4 million households in 2001 to 3.8 million households by 2009 (see figure 7). Therefore, the relative increase in the private rented sector is due to its increase in absolute size against social renting and owner occupation which have remained stable.

Figure 7: Households by tenure, 1997-2009, United Kingdom²⁵



In spatial terms, tenure patterns have varied significantly across the UK, both between different regions and nations. Considerable differences can be seen between England and Scotland. As recently as 1981, only 35 per cent of dwellings in Scotland were owner occupied²⁶ compared to 59 per cent of dwellings in England²⁷. At that time social housing was dominant with just over 50 per cent of dwellings in this tenure. Today the tenure structure in Scotland is more similar to England with around 25 per cent of dwellings in social housing and 65 per cent in owner occupation. Within England, London has a much lower level of owner occupation than other regions. In 2007, the percentage of dwellings in owner occupation in London was 56 per cent, over 10 per cent below the national average²⁸. Most of the difference is due to a larger private rented sector that accounts for 20 per cent of dwellings.

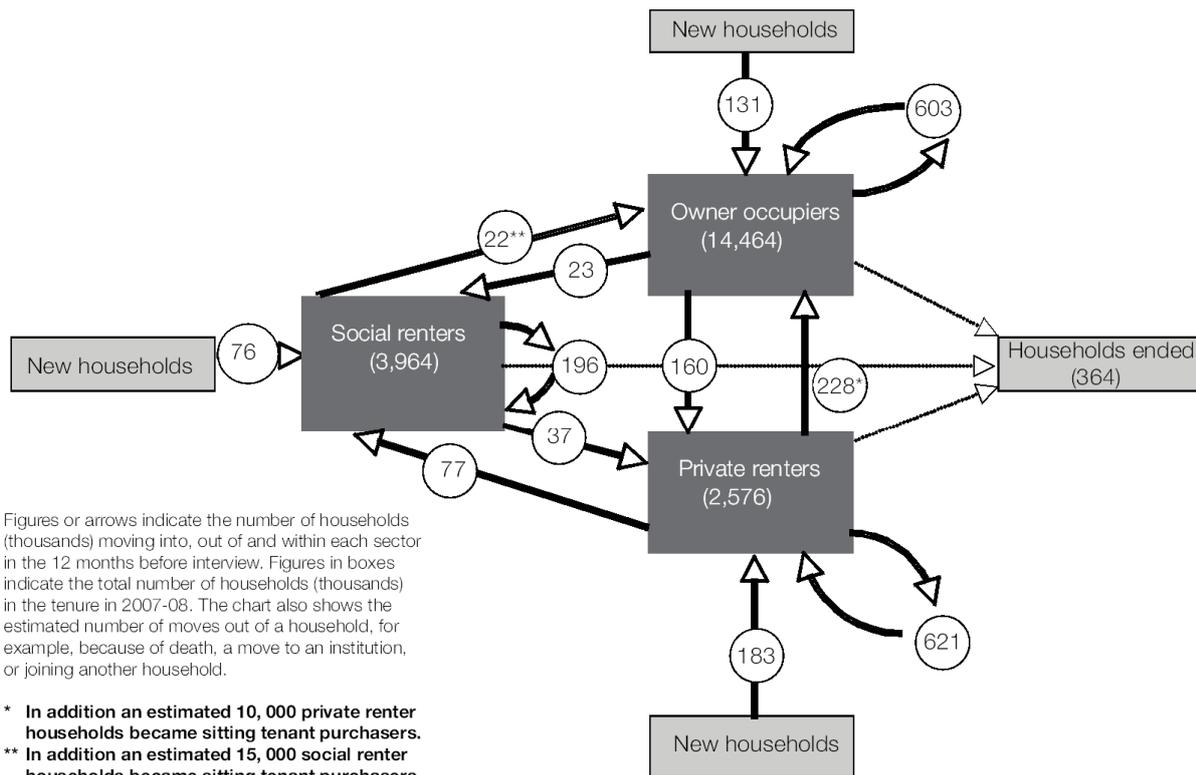
Evidence of changes in tenure mix

The underlying sources of these changes in tenure mix will have been:

- Existing households moving between tenures
- New household formation in a particular tenure
- Ending of households (for example, due to death) occurring more often in a particular tenure

Evidence from the Survey of English Housing provides a picture of the movement of existing households between tenures in one recent year (see figure 8). This suggests greatest movement between tenures is between owner occupation and private renting. Whilst there is a relatively large flow of households in both directions, the annual net movement was of 68,000 households moving from private renting to owner occupation. There was also a smaller net annual movement of 40,000 households from private renting to the social rented sector. Net annual movement from owner occupation to social renting was very small, just 1,000 households. In fact, it is likely that the annual net movement was 9,000 households moving from social renting to owner occupation if sitting tenant purchasers are included. So overall, the net movement of existing households in 2007/8 would have led to the growth of owner occupation and to a lesser extent social renting at the expense of the private rented sector.

Figure 8: Number of households moving into and out of sectors, thousands, England, 2007/8²⁹



Source: Communities and Local Government, Survey of English Housing

Figure 8 (above) also provides an indication of the tenure that new households move into. In 2007/8, the private rented sector attracted the largest number of new households (47 per cent), followed by owner occupation (34 per cent) and then social renting (19 per cent). The trend over the early years of the 2000s

suggests that new households are increasingly moving into the private rented sector at the expense of both owner occupation and social housing³⁰. However, there is a need to be careful when using this data as it has a clear limitation. It suggests that there was a net increase of only 26,000 households in this year. Other government publications project an annual increase of 252,000 households in England from 2006 to 2031³¹.

The final source of change in the tenure mix is more difficult to estimate. There are no official figures as to which tenure households are in when they cease to exist. Major causes of household cessation include relationship breakdown and death. There is no evidence that relationship breakdowns occur disproportionately in any particular tenure. However it does seem likely that death is more common in both social housing and owner occupation. Only five per cent of households aged over 65 are in the private rented sector, compared to 58 per cent of 16 to 24 year old households³². Figures 9 and 10 show that relatively a small number of older households and a much larger number of younger households reside in the private rented sector. The age bias towards younger households in the private rented sector may mean that fewer households cease to exist in this sector.

Figure 9: Tenure of older households (household reference person aged 65 or over), England, 2008/09³³

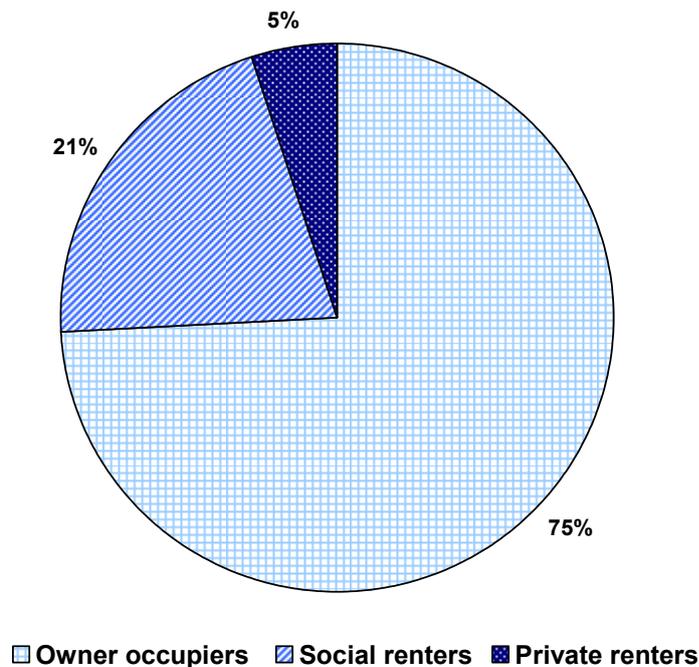
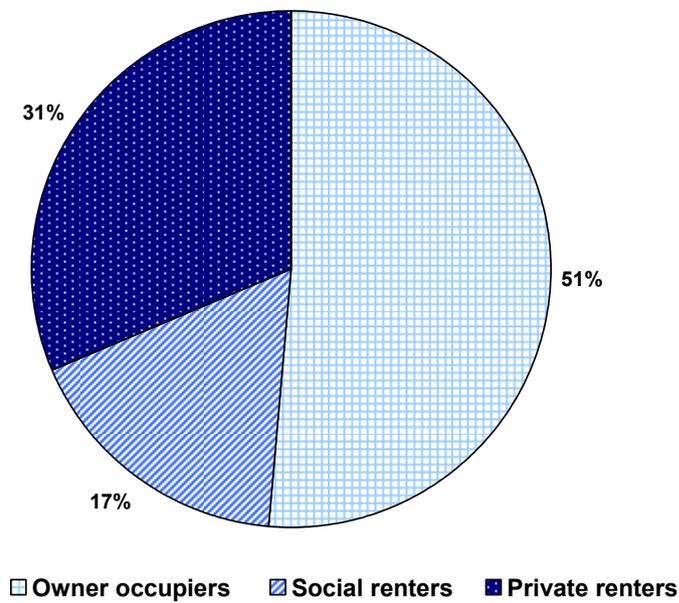


Figure 10: Tenure of younger households (household reference person aged 25 to 34), England, 2008/09³⁴



Overall, there is a lack of clear evidence about what has driven recent changes in the tenure mix. This is, perhaps, surprising given the importance of tenure mix to individuals, the housing system and wider society. The limited evidence presented here suggests that net movement between tenures is actually reducing the size of the private rented sector. Therefore, the recent increases that have been seen in the private rented sector are likely to have come from a combination of new household formation into this sector and the ending of households in social renting and owner occupation. This also leads onto the wider question of the balance between supply and demand factors that have driven these household flows.

Section 2: How would tenure mix change if recent trends continue?

The relative size of the owner occupied sector has decreased for the first time in a century. It decreased by around three per cent from a peak of almost 71 per cent in 2005 to 68 per cent in 2009. Recent relative growth in the private rented sector began earlier increasing from just less than 10 per cent in 2001 to almost 15 per cent in 2009. At present, it is too early to tell definitively if this represents a historic turning point in the tenure mix of the UK housing system, particularly given the limited evidence that exists on movement between tenures.

However, given the importance of tenure mix it is worth considering how it might change if the trends do persist. The simplest method of assessing how tenure mix might develop is to project recent trends into the future. Figure 11 shows the results of just such an exercise. It takes the overall trend for the last five years (2005 to 2009) and projects this trend forward until 2020. A second projection (figure 12) is based on a ten year diminishing trend to make the projection more cautious in the medium to longer term. This means that the current trend will diminish in size by 10 per cent each year and therefore cease to exist in ten years.

Figure 11: Households, by tenure, UK (actual and projected with constant trend)³⁵

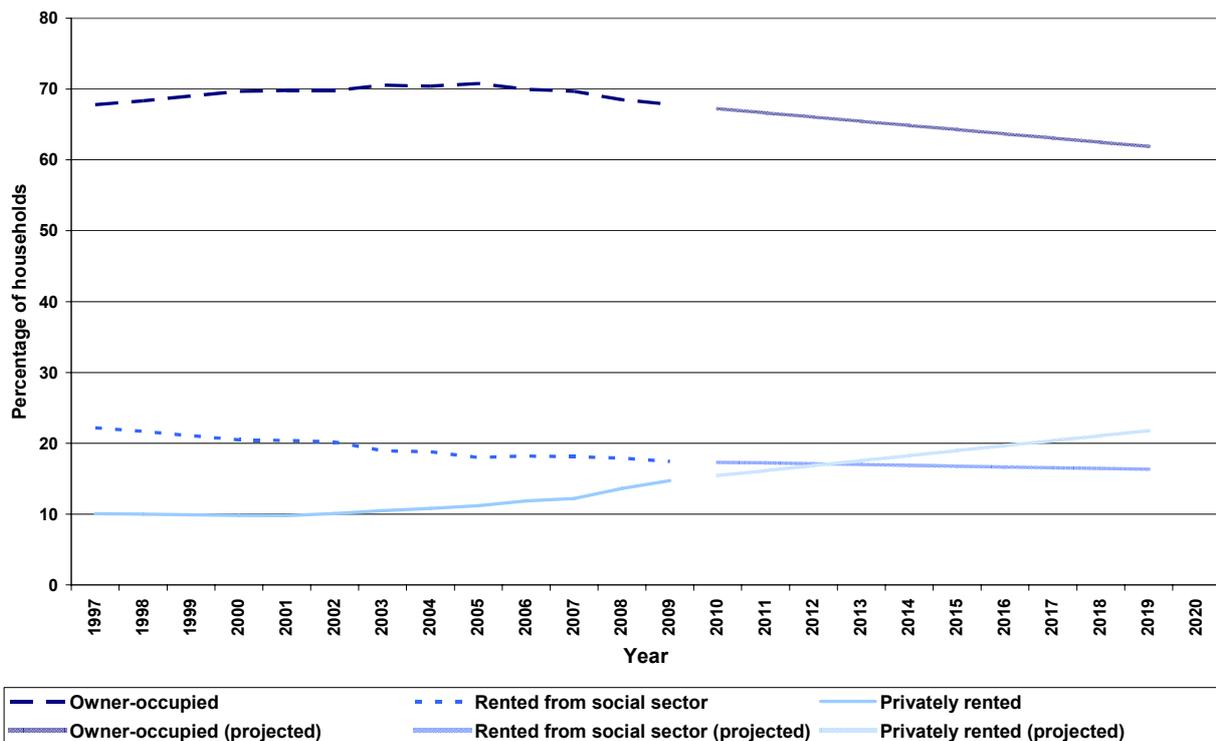
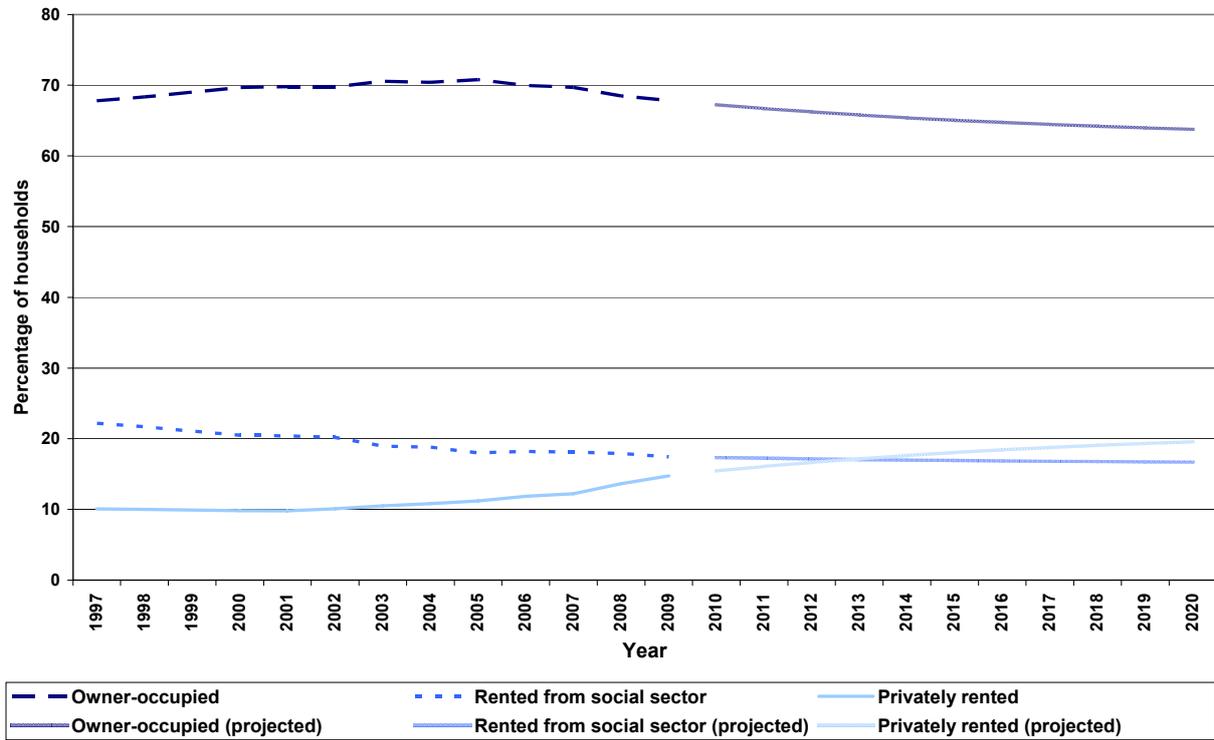


Figure 12: Households, by tenure, UK (actual and projected with diminishing trend)³⁶



Figures 11 and 12 are not intended to be predictions of how tenure will change. However, they do illustrate that **if** recent trends persist then major changes in the UK tenure mix would occur within the next ten years. The private rented sector would overtake the social rented sector as early as 2013. If this happened, it would be the first time that the private rented sector was larger than the social rented sector since the 1960s. By the end of the decade the private rented sector would account for over one in five households. Whether these major changes take place is dependent on whether the drivers behind the recent trends continue.

This relatively cautious projection suggests that the private rented sector could account for one in five households by around 2021. It is worth noting that London already has a private rented sector that accounts for 20 per cent of households. This highlights both the size of recent growth in the private rented sector and how quickly further changes in tenure mix could occur. However, it does not provide any understanding of the likelihood of continued tenure change. To answer this question a clearer understanding will be required of the current political, economic and social drivers for changes in tenure mix.

Section 3: Are the recent changes in tenure mix likely to continue?

Since 2005, the relative size of the owner occupied sector has decreased for the first time in a century. If this trend continues, projections indicate that 20 per cent of households will be private renters by 2020 with the private rented sector outgrowing social housing by 2013. This could mark a historic turning point in the tenure structure of the UK housing system that is likely to have significant economic and social repercussions. The projections of future tenure trends are based on the continuation of recent trends. A more sophisticated analysis of future tenure mix is dependent on whether recent trends in tenure change are temporary or will persist in the medium to long term.

Previous shifts in the tenure structure of the UK housing system have been caused by a combination of political, economic and social changes. If there has been another historic shift in tenure trends, what were the major drivers this time? What changes led to the relative reduction in owner occupation between 2005 and 2009? Will these changes persist in the short (one to two years), medium (five to ten years) and long term (greater than ten years)? The difficulty with this type of analysis is that some of the possible drivers are very volatile and difficult to predict, for example economic cycles or political changes. However other drivers are more stable and their likely impact is easier to predict, for example the ageing of the population. Despite the difficulties involved, consideration of recent and possible future trends in important drivers will provide some evidence of the likelihood of recent changes in the housing tenure mix persisting in the short, medium and long term.

Future demographic trends and housebuilding

The rate of new household formation is likely to be a powerful long term driver of changes in tenure mix. In 2006, there were an estimated 25.7 million households in the UK. By 2021 the number of households is projected to be 30.3 million³⁷. Much of this increase is driven by long-term demographic trends including an ageing population and an increase in the number of single person households. New households over the age of 65 account for 43 per cent of the projected household growth in England³⁸. Patterns of migration are expected to contribute to an increase in households but these changes are much more volatile than long term demographic change and therefore more difficult to predict.

The failure of housing supply to meet both current and projected future demand is well documented and was investigated in detail by the Barker Review of

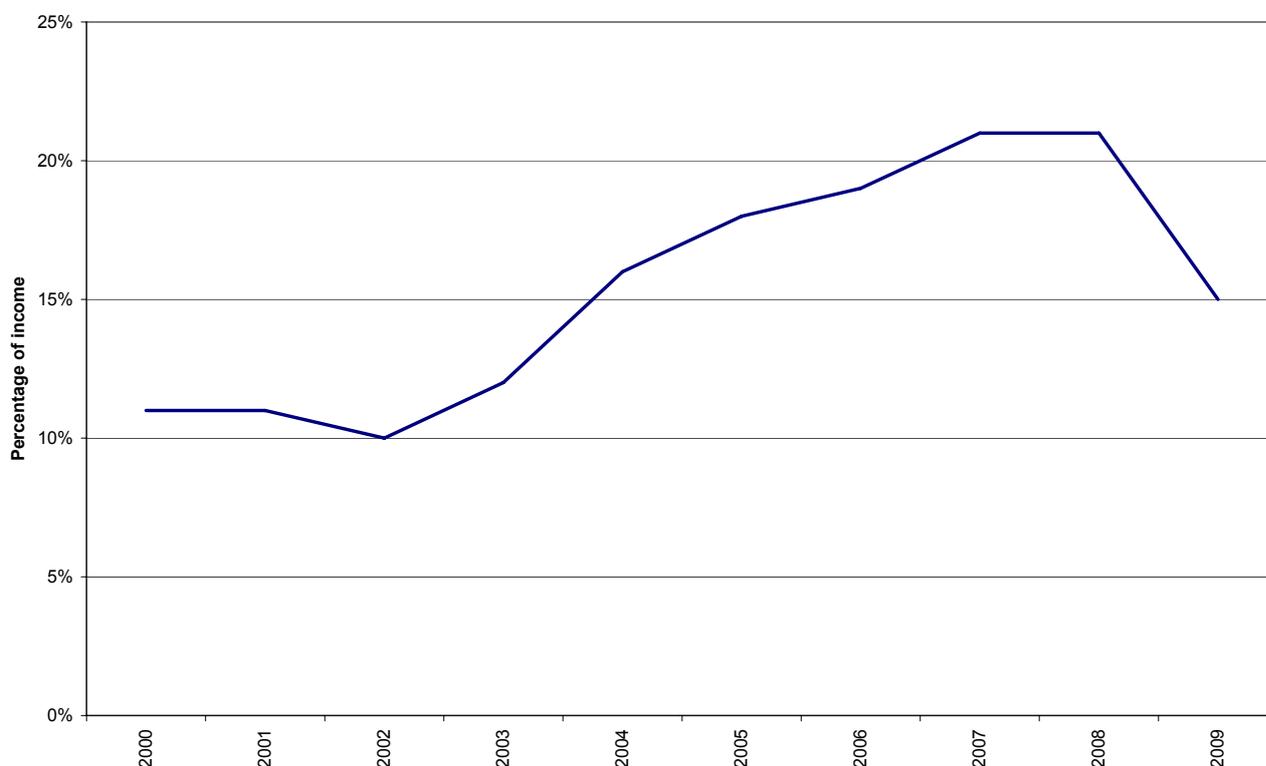
Housing Supply in 2004³⁹. Since then, the National Housing and Planning Advice Unit (NHPAU) has provided a range of evidence to suggest that there is a significant long-term under supply of housing in the UK⁴⁰. The annual increase in households is projected to be around 250,000 for England. However in 2008 only 118,000 new dwellings were completed in England⁴¹. Discussion of housebuilding tends to focus on national trends but regional and local trends must also be considered. There are geographic differences in the level of demand for housing. Changing patterns of employment, economic growth and incomes are likely to play an important role in these spatial trends and must be considered alongside national trends⁴².

Economic constraints on owner occupation: Income

Affordability is the most obvious driver that could have acted as a constraint to owner occupation and led to its relative decline in the last five years. There is a growing body of evidence that highlights recent changes in affordability. Much of this has come from the NHPAU⁴³. A recent report from the NHPAU provides a detailed assessment of changes in affordability for households over the last decade⁴⁴. It identified two types of affordability constraints for owner occupation: income constraints (to pay the regular costs, usually of a mortgage and repairs) and wealth constraints (to pay a deposit and transaction costs associated with purchase).

Evidence from the NHPAU suggests that income constraints have changed dramatically over the last decade. In England, mortgage payments as a percentage of take home income increased from 11 per cent in 2000 to 21 per cent by 2008 (see figure 13). In London, this figure peaked at 31 per cent in 2008. The rapid decrease in Bank of England interest rates during the recent recession led to a significant improvement in affordability using this measure. Mortgage payments as a percentage of take home income for England dropped from 21 per cent to 15 per cent in just one year. Rapid increases in the income constraints from 2003 to 2007 occurred at the same time as recent changes in tenure trends. Therefore, it is plausible to consider whether there is a causal relationship between them.

Figure 13: Mortgage payments as a percentage of take home household income (based on 15th percentile house price), England⁴⁵



The increase in mortgage payments as a proportion of income that took place from 2000 to 2008 was largely due to rising house prices. Falling house prices and a reduction of Bank of England interest rates to a historic low led to the rapid decrease in the income constraint seen in figure 13 above. The extent of income constraints over the coming years will be strongly influenced by both house prices and interest rates.

House prices are notoriously volatile and difficult to predict. The long term trends suggest that house prices have risen faster than inflation over the last 50 years⁴⁶. With new house completions at the lowest level seen since the Second World War it is unlikely that new supply will match projected increases in households. This suggests that there will be excess demand for housing which is likely to put upward pressure on house prices. The impact of this excess demand on house prices will depend on changes in other drivers, particularly the availability of mortgage finance.

With interest rates dropping to the lowest levels in the Bank of England's history it is almost certain that they will rise in the coming years. The size and timing of these increases will depend on how the Bank of England's Monetary Policy Committee responds to macroeconomic changes in the UK economy. Any

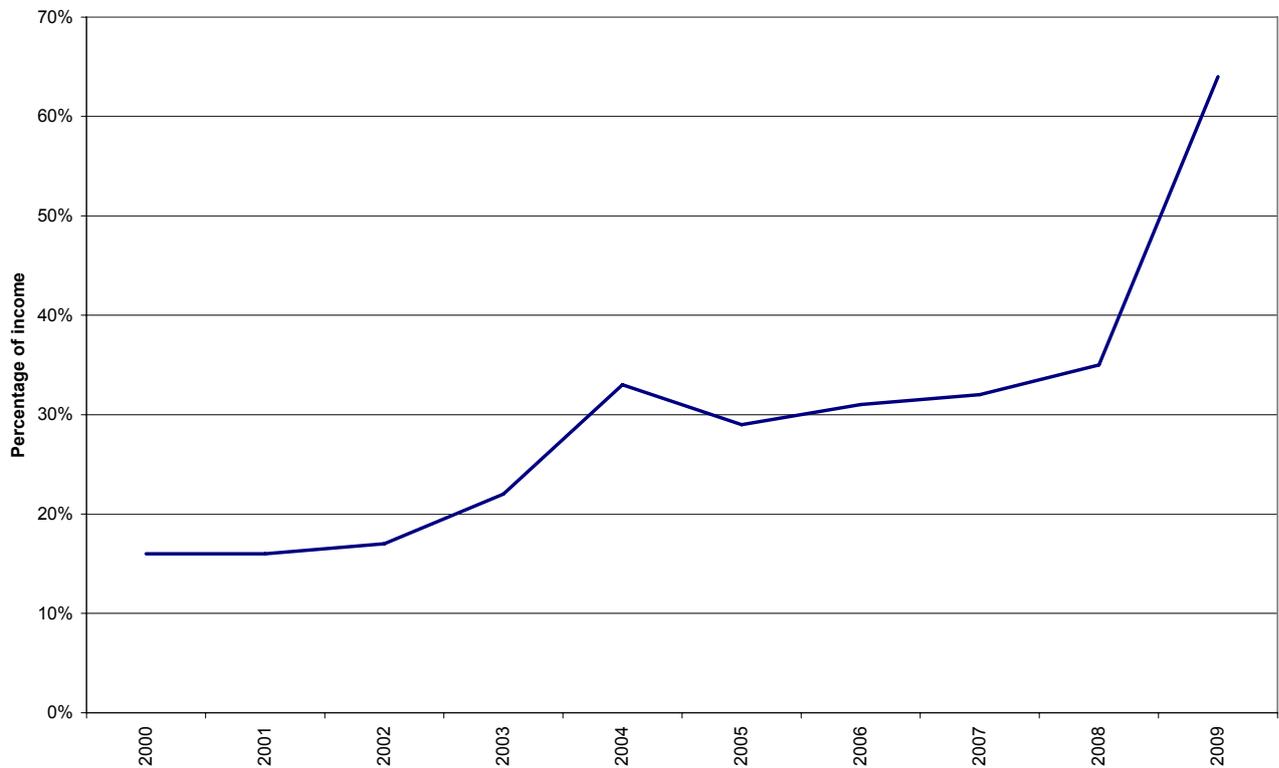
increases in interest rates would make mortgage repayments more expensive. Taking likely future house prices and interest rates together it seems that the balance of probability is weighted towards increases in income constraints (mortgage payments as a percentage of income) in the medium term.

Other factors will also have an impact on income constraints of which the most obvious is income itself. During the 2008/09 recession, incomes grew at the lowest rate for a decade⁴⁷ and unemployment increased to almost 2.5 million people. Younger people, who are expected to be the bulk of first time buyers in coming years, are being disproportionately impacted. When these pressures are combined with likely cuts in public spending it appears that without a very strong economic recovery incomes are unlikely to increase rapidly in the short to medium term, particularly for young households.

Economic constraints on owner occupation: Wealth

The changes in wealth constraints have been greater than income constraints over the last decade. In 2000, households in England would have required 16 per cent of their income as a deposit. Within nine years this had increased four-fold to 64 per cent of their income (see figure 14). Unlike income constraints, these wealth constraints became more severe during the recession due to reduced loan-to-value available on mortgages. In England, the percentage of income required as a deposit increased from 35 per cent in 2008 to 64 per cent in 2009. However, this pattern showed significant regional variation and in London the percentage of income required fell, albeit from a much higher peak of 153 per cent in 2008, to 97 per cent in 2009.

Figure 14: Deposit as a percentage of income (based on the 15th percentile house price), England⁴⁸



Research by the Building Societies Association suggests that lack of job security is the greatest perceived barrier to property purchase, cited by 58 per cent of survey respondents in September 2009⁴⁹. The same survey also highlighted wealth constraints as a perceived barrier to property purchase. Around half of respondents listed raising a deposit or access to large enough mortgages as perceived barriers. Evidence from the Council for Mortgage Lenders suggests that the number of first time buyers receiving assistance with a deposit increased rapidly from under 10 per cent of these households in 1995 to almost 50 per cent by 2005⁵⁰ and 80 per cent in 2009⁵¹. A dramatic increase has also been seen in the age of first time buyers who have not received external assistance, typically from parents. Up until around the start of the credit crunch in October 2007 this was relatively stable at 33 years old, but had increased to 37 years old by August 2009.

The credit crunch and subsequent recession have reshaped the mortgage market dramatically, reducing both the number and size (i.e. loan to value) of available products. Whilst there are signs that lending is starting to increase again, it is doing so from a very low base⁵². It is unclear how the mortgage market will develop even in the short term; let alone what a developing 'new normal' might look like in the medium to long term. The ongoing Mortgage Market Review by

the Financial Services Authority is likely to have a major role in shaping the future of the market. Proposals laid out in this review are designed “to reduce the underlying incentives and ability of lenders to supply limitless credit with relatively few checks”⁵³. Whatever measures are eventually proposed by the Financial Services Authority it seems likely that the mortgage market will be significantly more restricted than it was in the years preceding the credit crunch. For example, the Council for Mortgage Lenders has estimated that there will be a £300 billion gap in mortgage funding once temporary government support for the market comes to an end⁵⁴.

This evidence suggests that the rapid rise in wealth constraints seen since the credit crunch (see figure 14) may persist in the short and medium term. If this is the case, first time buyers will continue to need external assistance or significant savings to provide a deposit for a property purchase. Saving for a deposit may be particularly difficult for young households in the short and medium term due to a convergence of different factors. These include high youth unemployment and likely constraints on income growth discussed earlier. Emerging evidence suggests that student debt may also delay first-time homeownership⁵⁵. Increased levels of debt amongst graduating students may act as a constraint on owner occupation in the coming years.

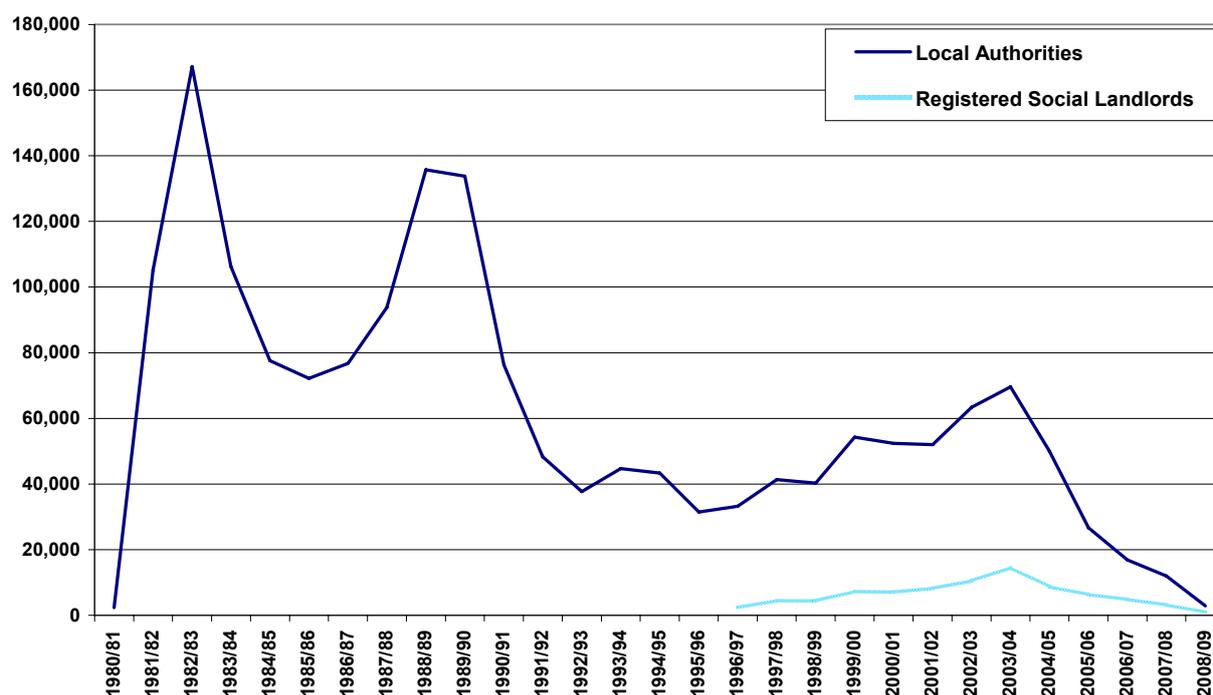
More generally, greater attention needs to be paid to the tenure mix of birth cohorts (groups of people born at a particular time). Recent research by the Institute for Fiscal Studies suggests that previous birth cohorts who have struggled to access owner occupation by the age of 30 have ‘caught up’ by the age of 50 and have similar levels of owner occupation to other birth cohorts⁵⁶. If younger households are to ‘catch up’ with the rates of owner occupation in older birth cohorts they will have to overcome considerable income and wealth constraints.

Social and political constraints on owner occupation

Focusing heavily on the affordability constraints to owner occupation assumes that it is the tenure of preference for most households and that finance is the major barrier to accessing it. The political and social consensus of the last thirty years has supported this assertion. There has been widespread agreement amongst politicians that Britain should, as Margaret Thatcher told the Conservative party conference in 1981, be a “property owning democracy”. Surveys of public attitudes suggested that the vast majority of people aspired to be home owners⁵⁷.

The political and social consensus on the benefits of owner occupation is strong but not universally held. In December 2009 then housing minister, John Healey, told the Fabian Society that the decline in rates of owner occupation may not be “such a bad thing”⁵⁸ and Scottish Minister for Housing, Alex Neil, said that “we have got to try to challenge the culture with the obsession of homeownership”⁵⁹. A poll conducted for the Chartered Institute of Housing in June 2009 suggested that the number of 25 to 34 year olds who considered owner occupation to be their ideal living situation had dropped from 83 per cent to 69 per cent⁶⁰. However, the promotion of home ownership is deeply embedded in political discussion and popular imagination, and is further supported by the taxation system.

Another constraint to owner occupation is the declining number of social housing sales to sitting tenants. Over two million homes were sold to sitting tenants in the UK through the Right to Buy between 1979 and 2003⁶¹. These sales peaked during the 1980s and then declined during the 1990s. During the early years of the last decade sales in England increased slightly, reaching a peak of almost 90,000 in 2003/4 but since then there has been a rapid decline to fewer than 10,000 sales in 2008/9 (see figure 15). This decline is clearly illustrated by the experience of the City of York council which saw Right to Buy sales drop from 28 in 2007/8 to just one in 2008/9⁶². Right to Buy sales made a significant contribution to increases in owner occupation and they have, at least temporarily, almost entirely halted. This rapid decline in sales from 2003/4 coincided with the decreases in the relative size of owner occupation. Therefore, it is worth considering whether this has been one of the key drivers in recent changes in the tenure mix of the UK housing system.

Figure 15: Social housing sales: Total social housing sales to sitting tenants, England⁶³

The future of Right to Buy sales will depend on both political and economic factors. Whilst it was the Conservative Government that introduced the policy, it has been continued by the Labour governments that have been in power in Westminster since 1997. In Scotland, responsibility for the Right to Buy has been devolved to the Scottish Assembly, which intends to use this power to curb its availability to new tenants⁶⁴. The Welsh Assembly has sought powers to reform the Right to Buy and have expressed the desire to limit its use in areas with housing market pressures⁶⁵. Even if politicians continue to support the Right to Buy in England, they will face economic factors that make it unlikely that the days of large-scale sales will return. Since the 1980s the social housing sector has decreased and focused on those in greatest need⁶⁶. This has resulted in tenants having lower incomes and higher levels of unemployment than those living in other tenures. With mortgage lending likely to remain more restricted and expensive for people on low incomes (see above) it is unlikely that the number of Right to Buy sales will return to the levels seen up until 2003/4, even if they increase from the current levels.

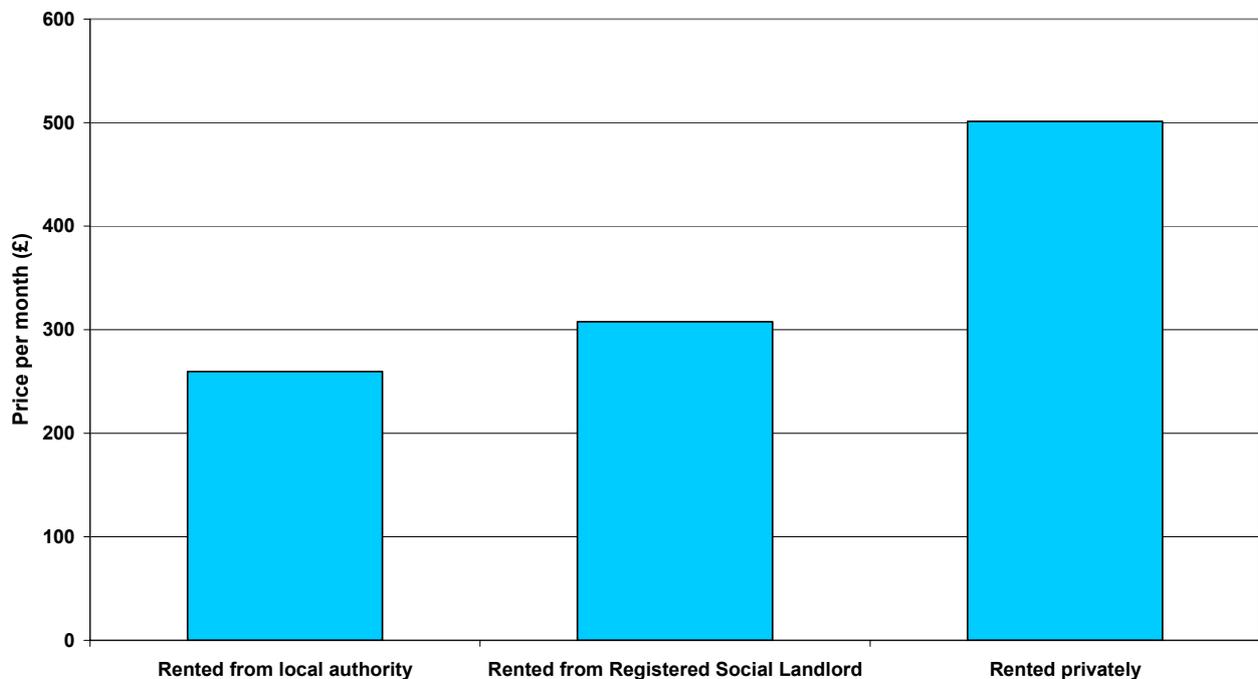
Economic, social and political constraints on social housing

Changes in the absolute size of the social rented sector are largely the result of two factors: Right to Buy sales (which decrease the size of the sector) and

completions of new social housing stock (which increase the sector). For almost all of the last thirty years, the rate of Right to Buy sales has been greater than the rate of new build completions. This has led to a reduction in the absolute size of the social housing sector. Right to Buy sales have now fallen below new completions of social housing stock. This has stopped the decline in the absolute size of the sector and is leading to a small growth in the number of social rented dwellings. However, the scale of growth in the number of households in the UK means that the percentage of households who are social renting is still decreasing.

The size of social housing waiting lists suggests that many people would like to have access to the sector. Almost 1.8 million households, or 4.5 million people, were on local authority housing waiting lists in England in 2009⁶⁷. There are several likely underlying reasons for this desire to access social housing. The security of tenure and the quality of stock offered by social housing are likely to be more attractive than private renting, particularly at the cheaper end of the market. Figure 16 below highlights the difference between rents for Housing Benefit recipients in different sectors. The median rent in the private sector is almost double the median rent in local authority accommodation. This difference in price is likely to be a powerful driver of demand for social housing.

Figure 16: Rental prices for Housing Benefit recipients, monthly median rent before deduction of Housing Benefit, by tenure, England, 2007/8⁶⁸



In addition, some local authorities wish to build new social housing stock. The Local Authority New Build Programme, which represented the first significant funding for new local authority housing in decades, was oversubscribed by £240 million⁶⁹. However large scale building from local authorities is unlikely to occur without changes to rules on public sector borrowing. These favour housing associations by counting local authority borrowing (but not equivalent borrowing from housing associations) as part of public sector borrowing.

Despite demand for social housing there is a limited amount of stock in this sector. In addition to this, the spatial distribution of social housing stock does not match the distribution of demand for social housing. Right to Buy sales mean that some areas, for example London and popular rural areas, have little or no remaining social housing. Even if social housing is available, prospective tenants will need to pass through local allocations arrangements to access it. Allocations policies for social housing vary between local areas and nations within the UK. Choice Based Lettings systems are becoming increasingly common. This system allows applicants to bid for homes that they are interested in. The applicant who is considered to have greatest need for the property (using a points based needs system) will gain the tenancy. This replaces more traditional allocation systems where local authorities matched available properties with applicants in greatest need. Communities and Local Government is aiming to ensure that every local authority in England is running Choice Based Lettings by the end of 2010.

Despite the introduction of Choice Based Lettings, applicants who are not considered to be in priority need for social housing may struggle to access the sector. This is particularly evident in high demand areas. In the London Borough of Newham, for example, 30 per cent of households were on the local authority waiting list for housing in 2009⁷⁰. There is also concern about the ability of social housing tenants to move within the sector. The Conservative Party have made 'the Right to Move' for social housing tenants a central part of their housing policy proposals⁷¹ and extra funding to increase mobility for social housing tenants was announced by Communities and Local Government in January 2010⁷². Despite these proposed changes, it appears that access to social housing is strongly constrained at present.

Evidence suggests that "the [housing association] sector has maintained stable performance amid significant fluctuations in the wider economy"⁷³ and has continued to grow during the recession. Despite this relative financial stability there may be difficulties ahead for both housing associations and the wider social housing sector. The major constraint to increasing the size of the social housing sector is accessing the necessary finance. A reduction in public spending over the coming years is widely expected whoever wins the 2010 general

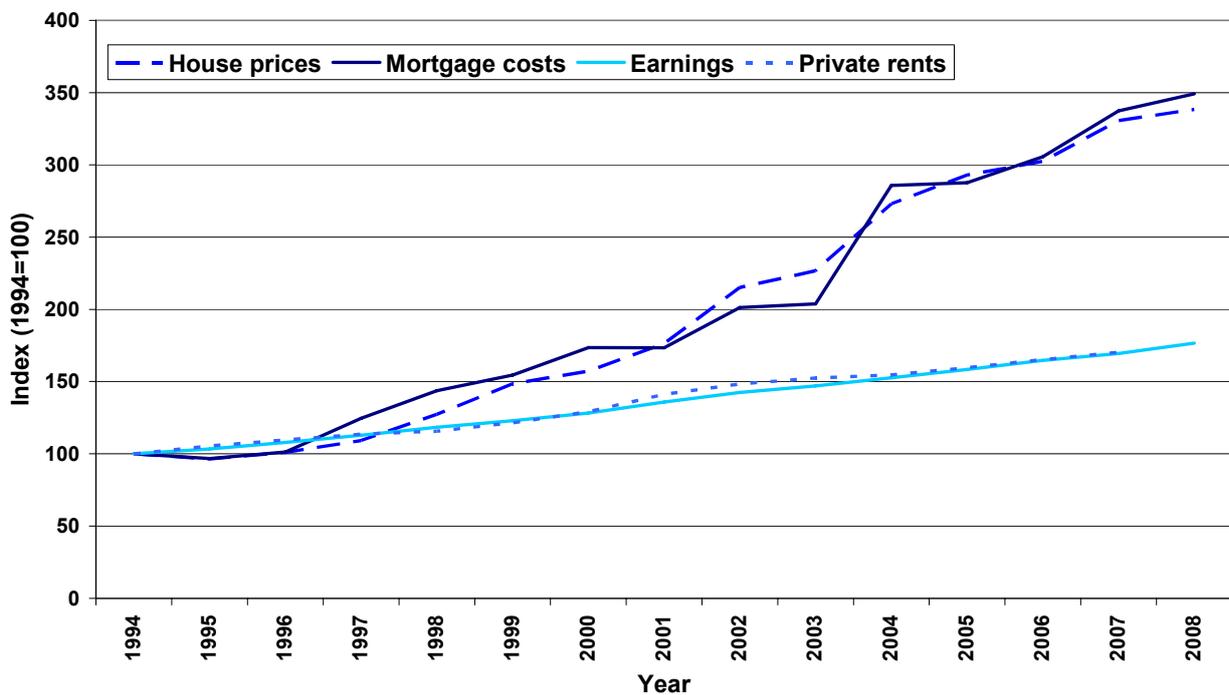
election. This may severely limit the ability of social housing providers to deliver new social housing stock. Estimates from the National Housing Federation suggest that this could result in a reduction of over 500,000 affordable homes from current government plans by 2020⁷⁴. This is based on cuts to the affordable housing budget of around 18 per cent. Even if the cuts in spending are less severe than these predictions suggest, the social housing sector is likely to face restricted government support in the medium term.

Pressure to reduce spending on Housing Benefit may also affect the financial position of housing associations. Housing Benefit provides a significant portion of current turnover, giving housing associations a predictable income stream. It is suggested that this predictability allows housing associations to undertake projects that would be untenable for commercial organisations⁷⁵. Other funding options are available to social housing providers, particularly Registered Social Landlords. These include 'sweating' existing assets to provide finance for development, cross subsidisation from other activities or accessing finance directly from the bond markets. However, these sources of finance are unlikely to lead to a significant increase in the size of social rented sector unless the government protects the sector from anticipated cuts in spending which might reduce the housing budget by 18 per cent⁷⁶.

Economic constraints on the private rented sector

Social drivers such as demographic and lifestyle changes are relatively slow moving and most likely to have a cumulative impact over many years. Economic drivers can change more quickly and there is clearer evidence of their likely impact on the private rented sector. Rents have increased in line with earnings over the last fifteen years whilst both house prices and mortgage costs have increased much faster (see figure 17). This has increased the affordability of private renting relative to owner occupation. The timing and scale of this change in affordability suggests it could be a significant factor in the relative growth of the private rented sector. Regional variations also support this possibility. In 2007, the area of England with the greatest differential between rental and mortgage costs was London where average private rents were 70 per cent of average mortgage costs⁷⁷. London is also the area where the private rented sector accommodates the largest share of households⁷⁸.

Figure 17: House prices, mortgage costs, rents and earnings comparison for first-time buyers (1994=100)⁷⁹



There is evidence that the current economic climate may constrain the growth of both owner occupation and social housing. The question of how it might affect the private rented sector has been addressed by the Treasury in a consultation document published in February 2010 which suggests that “the level of investment... into the private rented sector will be key to its future development, and will strongly influence the volume and quality of supply”⁸⁰. Two distinct strands of investment are highlighted in this consultation: individual and institutional.

Private landlords currently play a major role in the sector. It was estimated that there were 1.2 million private landlords in 2006⁸¹. Commentators suggest that the increase in the availability of Buy to Let mortgages is likely to have been a key factor in the growth of private landlords. In the last decade a competitive Buy to Let market involving mainstream lenders emerged. This happened alongside historically low interest rates, sustained economic growth and rising property prices to create an economic environment that supported the growth of the private rented sector⁸². New Buy to Let lending decreased dramatically during the credit crunch from £44 billion in 2007 to £8 billion in 2009⁸³. The Financial Services Authority has been critical of the excesses of Buy to Let mortgages and is proposing increased regulation of the market which suggests that access to this type of finance is likely to be more restricted in the future⁸⁴. However, a ‘flight to quality’ with mortgage providers looking for increased

safety might benefit the Buy to Let market which has recently had significantly lower default rates than credit impaired and self certified mortgages⁸⁵. The Treasury suggests that the major question for the private rented sector is “whether the recession and the change in [Buy to Let] lending attitudes may have fundamentally changed the incentives for individuals to invest in the [private rented sector]”⁸⁶.

The possibility of increased institutional investment (e.g. pension and insurance funds) in the private rented sector is gaining increased attention. In the UK, institutional investment in the private rented sector has been very limited⁸⁷. In 2009 the Homes and Communities Agency launched the Private Rented Sector Initiative which is designed to attract institutional investment into new build private rented accommodation. This initiative has attracted significant attention from potential investors and could yield investment of £1 billion in 2010⁸⁸. However, there are still significant barriers that will need to be overcome if this initiative is to develop, particularly relating to whether the return on investment will be high enough. The net income return from residential property has typically been between 3.3 and 3.6 per cent, well below the six to seven per cent return that many institutional investors look to achieve⁸⁹. Many landlords focused on the capital growth of the investment. This was often much greater than the income return when house prices were increasing rapidly. However, the future of these capital increases is much less certain. Yields are further squeezed because small landlords often use their own time to manage properties but institutional investors would have to pay for property management. The Treasury concludes that “institutions seem unlikely to threaten the dominant role of individual investors in funding overall [private rented sector] supply”⁹⁰.

Political and social constraints on the private rented sector

Legislative changes affecting the private rented sector have played a key role in its growth in the past twenty years. The changes to the sector introduced under the Housing Act of 1988, such as the introduction of the assured shorthold tenancy, created a legislative environment that supported the growth of private renting. Building on earlier changes in the Housing Act of 1980, the Conservative government sought to make investing in private renting a more attractive option. This was achieved by reducing the minimum length of a shorthold tenancy to six months and reducing rent controls to allow them to rise to ‘market’ levels⁹¹. Further political support for the sector came through reforms to Mortgage Interest Tax Relief which were announced in 1993 and led to its abolition in 2002. This change reduced the fiscal bias in favour of homeownership therefore providing an environment that is more supportive of

the growth of the private rented sector. The timing of these changes coincided with beneficial economic conditions to create an environment that supported growth of the private rented sector.

More recent political responses to the private rented sector appear to be a reaction to its recent growth rather than proactive support for it. The Rugg Review of 2008 was a major development in the policy response to the sector. It highlighted the role of the private rented sector as a “marginal, poorly regarded ‘third’ option that sits behind the preferred tenures of owner occupation and social renting”⁹² and the lack of data that exists on the sector. Progress since the review has been slow with Communities and Local Government acknowledging well over a year after the publication of the review that “significant work... needs to be done before we can legislate”⁹³. A Conservative government would be unlikely to make rapid policy changes as their key proposal is for “a review of the private rented sector to examine how the sector can play an enhanced role in the housing market”⁹⁴. The political response to private renting in different parts of the UK may begin to diverge, with the Scottish Government undertaking a separate review of the sector in 2009⁹⁵.

There is some evidence of increasing social drivers towards a larger private rented sector. It has already been observed that the strong preference for owner occupation may be diminishing. Limited evidence in this area suggests that this could be due to changing lifestyles that are more flexible than in previous generations (see figures 18 and 19)⁹⁶. If greater value is placed on flexibility and choice rather than long term security due to lifestyle considerations, then the popularity of the private rented sector may increase. The Rugg Review identified the many sub sectors in private renting such as students, young professionals, recent migrants, people on high incomes and people in temporary accommodation⁹⁷. This variety highlights how the flexibility of private renting can appeal to people with diverse ages, incomes and needs.

Figure 18: Family lifecycle and tenure- the past⁹⁸

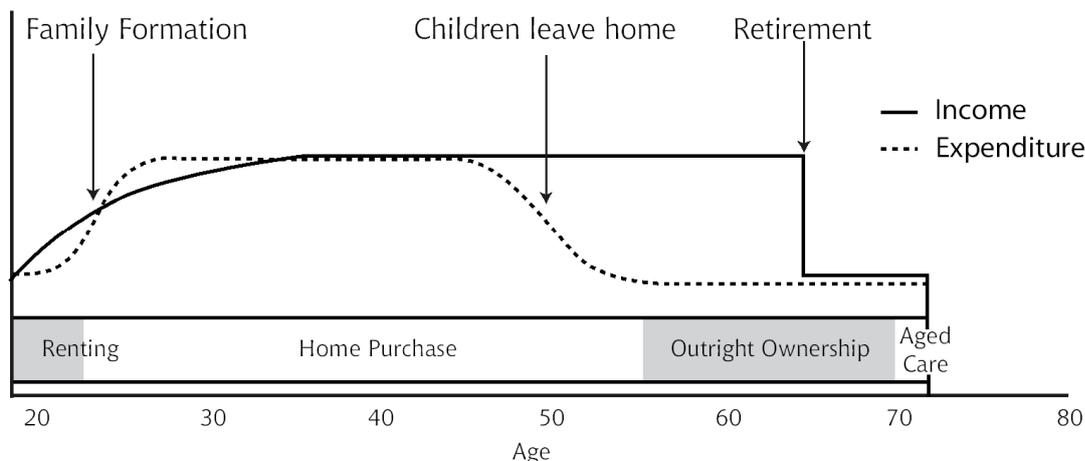
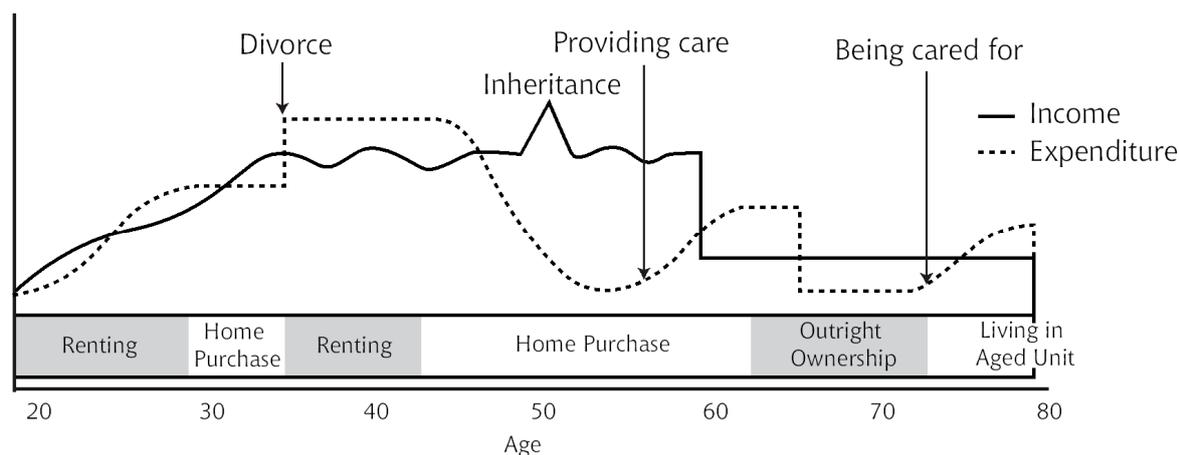


Figure 19: Family lifecycle and tenure- the present and the future⁹⁹

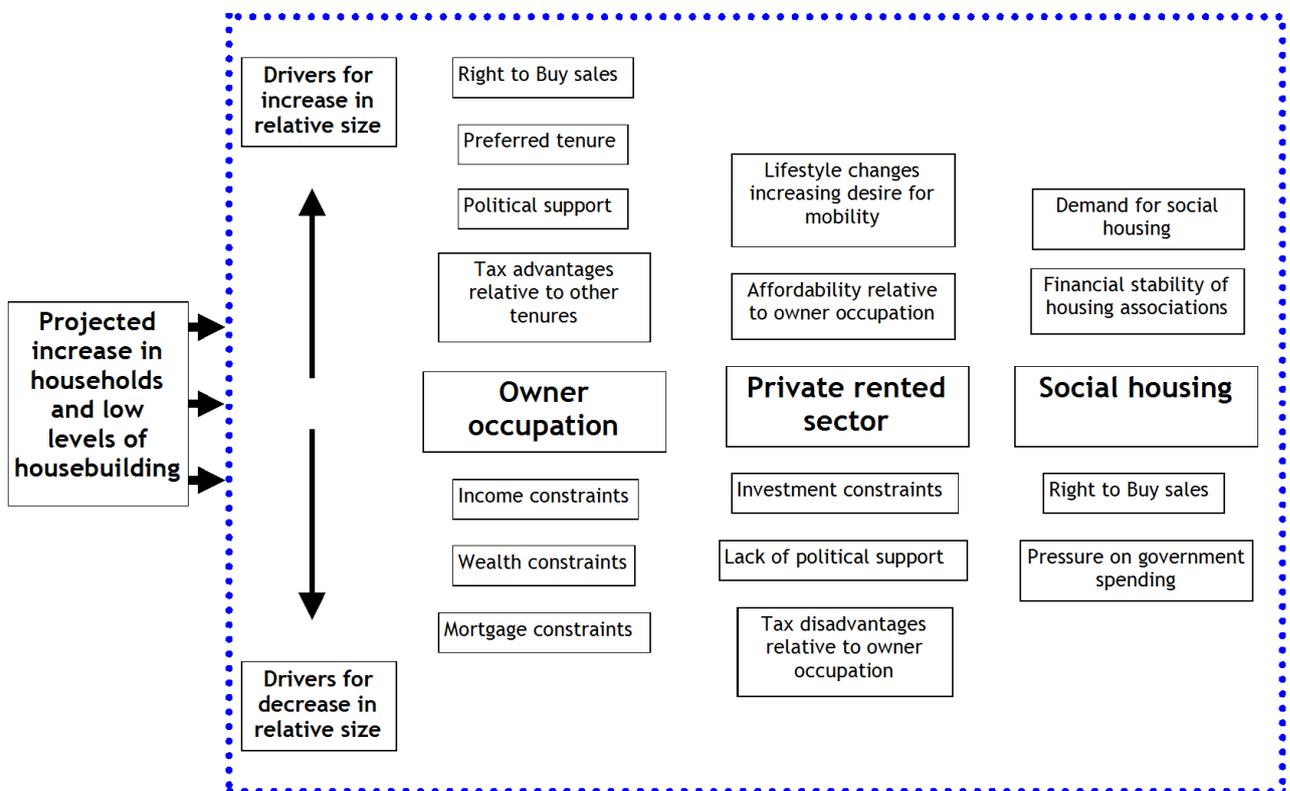


Demographic and lifestyle changes may be increasing the popularity of the private rented sector. These drivers are likely to change relatively slowly so are probably not behind the rapid increase of the private rented sector by over one million households in five years. It would seem more plausible to suggest that most of this increase in the private rented sector is due to constraints on the other two major tenures, particularly the difficulty of accessing social housing and financial constraints on owner occupation. This suggests that many households are living in the private rented sector despite their preference for another tenure. The private rented sector may be in danger of becoming the tenure of last resort. Further analysis of the new households entering the private rented sector is necessary to ensure that it is able to provide decent and affordable housing.

Is the growth of private renting likely to continue?

The evidence presented above suggests that the most likely causes for the change in tenure patterns seen in the last decade are a combination of political, economic and social drivers rather than one simple driver. Changes in the relative affordability of owner occupied and private rented accommodation appear to have built upon wider trends that include a growing number of households, the decline in Right to Buy sales and financial constraints on many young households. Figure 20 shows some of these drivers that appear to be influencing the relative size of the different tenures.

Figure 20: Some key drivers of recent changes in tenure mix



It is impossible to predict with any degree of certainty how such a wide variety of factors will affect tenure mix even in the short term. However, it is highly likely that there will be a considerable increase in the demand for housing in the medium to long term. This demand is based on a projected increase in households due to long-standing demographic trends, including an increase in single person households and an ageing population. Current low levels of housebuilding are failing to keep up with this demand.

In contrast to this demand there are serious constraints on investment in all three tenures. The future tenure mix of the UK will depend on how effectively

these sectors access what are likely to be limited funds available for investment, both public and private, in the short to medium term. The economic constraints to owner occupation might be crucial. The relative decline in owner occupation in the last five years has coincided with income and wealth constraints and a decline in Right to Buy sales. Without a significant easing of these constraints it seems unlikely that owner occupation will grow considerably in the short to medium term. This assumes that there are no other major systemic changes in the UK housing system or any high impact, low probability events often known as 'black swans'¹⁰⁰. There is little evidence that the drivers which appear to have led to recent changes in tenure mix are likely to change in the short to medium term. This suggests that the possible changes outlined in section 2 are worthy of serious consideration and that the UK is likely to have a significantly larger private rented sector by the end of this decade.

Section 4: Policy implications

Defining the roles of tenures

Housing policy in the UK needs to adapt to the changes that are occurring due to the recent growth of the private rented sector and the possibility that it will continue to grow. This recent growth highlights a need to clarify the roles played by each tenure. A serious discussion, followed by action, is needed to clarify the roles that different tenures play within the housing system and ensure that they are fulfilling these roles.

As the largest tenure by far, it makes sense to begin this discussion with owner occupation. What roles should the sector play in the housing system and wider society? Should the majority of households continue to find their accommodation in this tenure? How many households will be able to get access to this tenure and remain financially sustainable? How can we ensure that owner occupation does not have a negative impact on society in terms of social mobility, asset inequality or a wider impact on the economy? Perhaps more fundamentally there is a vital question about whether owner occupation is primarily concerned with provision of accommodation or as an investment.

This leads on to questions about the roles of the other tenures. If owner occupation is going to remain as the largest provider of accommodation, how can we ensure that those who are not owner occupiers still have access to decent and affordable housing? Who should have access to social renting? Is its primary role as a safety net or should it have a wider role in society? Pressures on public finances may increase discussion of how the sector should be funded. These funding pressures may also increase discussion about the role of the private rented sector. Is it cost effective to subsidise tenancies in the private rented sector? How can the rights of tenants in this sector be protected? Could the sector play a greater role in providing flexible accommodation? Is private renting a suitable long term option for different household types, such as young families?

As well as consideration of the role of particular tenures it is important to consider how the tenures fit together. Tenures do not exist in isolation; each tenure is part of the wider housing system. Unfortunately there is little or no discussion about how the tenures relate to each other and whether they combine to form a coherent housing system. The questions relating to individual tenures are underpinned by a wider question: what is the role of each tenure in ensuring that everyone has access to decent and affordable housing throughout their life?

Housing policy has often lacked a coherent vision not just of the roles of each tenure but of the purpose for the housing system. Clarifying this purpose could provide a strong foundation for defining the roles of different tenures and ensuring that they fulfil them. A recent Consultation at Windsor Castle on ‘the future of housing’ discussed the basic objectives of the UK housing system. Participants from across the housing sector agreed that “the housing system should provide decent and affordable housing for everyone”¹⁰¹.

The questions outlined above, and others, will need to be answered if we are to properly understand the roles that we wish each of the tenures, and the wider housing system, to fulfil.

Management of the tenure mix

Establishing the roles of each of the tenures, as described above, is a necessary step in ensuring they can combine to produce a housing system that meets the needs of everyone for decent and affordable housing. Once that has been established, the degree to which the tenure mix should be managed can be considered. A number of different government tools affect the roles of tenures and the overall tenure mix. Are these tools contributing to the desired outcomes for the housing system? This question deserves further attention, particularly for the following government tools:

- **Taxation.** At present the taxation system is biased towards owner occupation. Is this promoting decent and affordable housing for everyone? What impact do housing taxes and tax exemptions have on the wider housing system?
- **Subsidy.** Government subsidy has a significant impact on the tenure mix. How can government support be used to promote tenures that function effectively? Are housing subsidies split equitably between different tenures and household types?
- **Regulation.** How are current regulations, across areas as diverse as planning, consumer rights and the mortgage market, affecting tenure mix? Where should they be relaxed to promote new roles for different tenures? Where should they be tightened to avoid unwanted consequences of the current tenure roles? For example, does the planning system recognise the variety of roles played by the private rented sector?
- **Local control.** The optimal tenure mix is likely to vary significantly across the UK. Do local authorities, regional bodies and devolved administrations

have the necessary skills and powers to influence their local housing systems? How can tenure mix contribute to place shaping?

Private rented sector: tenure of last resort?

Recent changes in tenure mix highlight the growing role of the private rented sector in the UK housing system. Evidence suggests that this role is likely to increase, possibly quite rapidly, in the coming decade. The long term aim of tenure mix should be to ensure that each tenure has clear roles in the housing system and that the tenure mix provides decent and affordable housing for everyone. This long term aim should not obscure the urgent need for action in the private rented sector. Politicians and society generally need to ensure that the sector is able to provide decent and affordable housing for its tenants, both now and in the coming years. The diversity of the private rented sector, particularly in the large numbers of small landlords, may present particular challenges in achieving this aim.

The private rented sector has obvious strengths and may meet the housing needs of some groups within society, for example, students and young professionals. It is the most diverse tenure accommodating a wide variety of different people¹⁰². However, it is less clear whether it adequately meets the needs of other groups within society. Both the aspiration for owner occupation and waiting lists for social housing suggest that a significant proportion of households in the private rented sector would like to be in other tenures. To what extent have households moved into the private rented sector, not out of choice, but because they have no other option?

The private rented sector cannot be left to become the tenure of last resort, an unsatisfactory default option for those who are unable to access either social housing or owner occupation. The Rugg review could have been the start of a move to a better private rented sector but, unfortunately, progress since then has been slow. Urgent attention needs to be paid to the sector to ensure that it is able to respond to the growing role that it is playing in the UK housing system.

Conclusion

Tenure plays an important role in the UK housing system. Differences between the tenures include taxation, benefits, stock condition, security of tenure and mobility. The tenure mix of the UK housing system has changed significantly over the last one hundred years. Recently, the owner occupied sector has

decreased in relative size and the private rented sector has increased significantly.

If recent trends continue, considerable changes in the tenure mix could occur within the next ten years. These recent trends are dependent on a combination of political, economic and social drivers that act over both the short and long term. Assessing these different drivers highlights the possibility that at least some of the recent drivers of changes in tenure mix will continue. This makes the continued growth of the private rented sector a serious possibility.

Politicians, the housing sector and wider society need to pay attention to the recent growth of the private rented sector and the possibility of continued growth. This change in tenure mix highlights the importance of clarifying the roles played by tenure. These tenure roles also need to fit together to support a housing system that provides decent and affordable housing for everyone. Government has a number of tools that affect both individual tenures and the overall tenure mix. Could these tools, such as taxation, subsidy, regulation and local control, be used more effectively? It is highly unlikely that the growth in private renting is entirely driven by choice. Therefore, there is an urgent need to ensure that private renting is able to meet the needs of the households who would prefer to live in other tenures. Otherwise private renting is in danger of becoming the tenure of last resort, an unsatisfactory default option for households who do not have the choice to access social housing or owner occupation.

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Responsibility for any remaining errors remains, of course, with the authors.

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