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# Homelessness and the Private Rented Sector

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& Prof Kevin Albertson  
November 2018



Manchester  
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**PERU** Policy Evaluation  
& Research Unit

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## EXECUTIVE SUMMARY

Homelessness has a devastating effect on those who experience it and is costly to the public purse. Homelessness acceptances have been increasing since 2009, with the most significant growth being from the private rented sector. The number of such households has grown in absolute terms – from 4580 acceptances in 2009 to 16,320 acceptances in 2017, and as a proportion of all acceptances, from eleven percent to twenty eight percent (MHCLG, 2018). Yet, while there has been some excellent research published recently about particular aspects of this growth, there remain a number of gaps in our understanding. Knowing what is driving recent increases in homelessness from the private rented sector is key to understanding what policy and other changes are necessary to address this problem.

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The research reported here was commissioned by the Residential Landlords' Association, and undertaken by Dr Chris O'Leary, Dr Susan O'Shea, and Professor Kevin Albertson from the Policy Evaluation and Research Unit at Manchester Metropolitan University. The research was conducted between June 2017 and July 2018, and involved a rapid review of the existing literature, research and data; interviews with sixteen key stakeholders representing landlords, policy makers, and homeless charities; a survey of around 1850 landlords; and, a Delphi survey of key stakeholders.

The research found that security of tenure is not a cause of increasing homelessness from the private rented sector. Most tenancies are ended by tenants rather than landlords. Where landlords ended tenancies under 'no fault' routes, rent arrears was the most common reason cited by landlords for terminations. This suggests that 'no fault' terminations is a misleading name and changes to the minimum length of tenancies or to s21 terminations are unlikely to reduce homelessness.

Rather, it is the introduction in 2008 of the Local Housing Allowance (LHA) as a means of calculating Housing Benefit payments, and subsequent changes to LHA rates, that is driving the increase in homelessness from the private rented sector. The LHA is a 'double whammy' for some households – increasing the likelihood that their tenancy will be ended by their landlord, and making it difficult for them to find alternative, affordable accommodation. The gap between Local Housing Allowance rates and market rents is significant, and is growing. Landlords who currently rent to Housing Benefit tenants are concerned about the effects of planned tax and benefit changes, and are looking to move out of this sector. Of particular concerns is the roll out of Universal Credit, both because of payment frequency and direct payment arrangements, but also because of the delays being experienced in dealing with claims.

These benefit changes do not account for all of the increase in homelessness from the private rented sector seen in the last decade; affordability, competition for accommodation, changes in and lack of access to social housing, and wider policy changes are disproportionately affecting the lower end of the market in some parts of the country.

Finally, this research found that much policy and wider debate about the private rented sector is London-centric. There is no single private rented sector, nor will a one-size-fits-all policy response work. In particular, some local authorities could do more to work actively and positively with their local private rented sector, and more support is needed to households who are placed in the private rented sector by local authorities discharging their homelessness duties.



The authors recommend:

- the Local Housing Allowance is driving homelessness from the private rented sector. Government should undertake a fundamental review of the design and operation of the Local Housing Allowance;
- local authorities should consider the role played by the private rented sector in their areas, particularly in terms of low-income households. They should develop strategies for actively and positively engaging with private landlords, using their enforcement and grant making powers to encourage supply at LHA rates;
- local authorities should review their 'help to rent' services, assessing whether these need to be targeted and personalized to the needs of individual tenants. Local authorities without 'help to rent' services should consider whether and how they might implement such help;
- there needs to be more research on the potential impact of the proposed three-year tenancies, taking account of regional and tenant sub-market differences within the private rented sector. Local authorities (particularly in Housing Benefit dominated areas) should consider undertaking such research in their local housing markets; and
- more research is undertaken on how and why landlords use s21 notices, and on the implications of restricting 'no fault' terminations.



## 1. INTRODUCTION

Homelessness is on the rise (NAO, 2017). According to official figures, the number of persons and households presenting to local authorities as homeless has been rising for a decade, following a period when it seemed that homelessness was falling. More people are now sleeping or living on the street, more families are being accepted as homeless by local councils, and more people are in insecure accommodation – sleeping on a friend’s or relative’s sofa, living in an overcrowded bedsit or B&B, or vehicle-living. Many possible reasons are suggested for these increases: the housing market; the 2008 crash; changes in government and local authority policies; immigration; changing lifestyles and household sizes – all of which affect different groups in different and complex ways.

One particular group of homeless people – those who become homeless following the end of a private rented sector (PRS) tenancy – have become the focus of recent research and policy debate. According to the Ministry of Housing, Communities and Local Government (MHCLG, 2018), the number of households in England accepted as homeless whose last settled home was in the private rented sector with an assured shorthold tenancy increased each year between 2009 and 2016, from 4580 to 18,750. It fell in 2017, to 16,320. This compares to an increase in all acceptances from 41,780 in 2009/10 (the low point for both overall acceptances and for acceptances following the end of an assured tenancy) to 59,260 in 2016/17. As such, both in absolute terms and as a share of all acceptances, the number of households accepted as homeless by English housing authorities has increased considerably over the past decade.

This has raised a number of questions about the causes of this increase, and about the policy and social implications of this rise. There is a wealth of existing research and available data on homelessness, some of which is directly relevant to understanding how, when and why individuals and families might experience an episode of homelessness when a private rented sector tenancy comes to an end. The challenge of this extant evidence is that there are significant gaps; the evidence is often contradictory, with different studies providing diverse pictures of homelessness; research and data are often not at the level needed to understand (1) why private rented sector tenancies end; or (2) why, in some cases, this leads to episodes of homelessness.

In Spring 2017, the Residential Landlords’ Association commissioned Dr Chris O’Leary, Dr Susan O’Shea and Prof Kevin Albertson of the Policy Evaluation and Research Unit at Manchester Metropolitan University to address these questions and the gaps in the extant literature. The research was completed between June 2017 and July 2018. This report provides an overview and key findings from this research, as well as the implications and a set of recommendations for policy makers, local authorities, landlords and others engaging with individuals and households experiencing homelessness from the private rented sector.

This report is structured as follows. First, we discuss the context within which this research was undertaken. We examine the size and structure of the private rented sector, and changes in the size and structure over the last three decades. We also consider changes in homeless rates over the same period. Finally, in terms of context, we also consider recent changes in the policy context around the private rented sector and around homelessness. Drawing on the extant academic and wider literature around homelessness and the private rented sector, we conclude the context section of the report by



identifying three possible explanations for the rise in homelessness from the private rented sector. These explanations provide an important context for the methods used in this research. The research has utilised a mixture of methods, including primary data collection through interviews with key stakeholders, a survey of landlords, and a Delphi survey of experts in the field. The overall approach is discussed, and the methods used are explained. We identify how the research presented here fits with the wider extant literature around homelessness and the private rented sector, as well as setting out clearly the limitations of our research. The third section of the report sets out the findings from this research. These are structured around the three potential explanations for the rise of homelessness from the private rented sector outlined in the context section of this report. This is followed by a set of implications and recommendations; for policy makers, local authorities, landlords and landlord membership bodies, and for wider stakeholders. We draw a set of conclusions about the research.



## 2. CONTEXT

### 2.1 THE SIZE AND STRUCTURE OF THE PRIVATE RENTED SECTOR

There were some 4.7m households in the private rented sector in 2016/17, which represents around 20 per cent of households (MHCLG, 2018a). This compares to 14.4m owner occupier households, and 4m households in social housing (MHCLG, 2018b). The sector hit its lowest point in 1988/9 after a century of decline (Rhodes, 2006). It has subsequently increased both in absolute numbers, and as a proportion of all households in the sector (Scanlon et al, 2014). In 1991, the sector accounted for less than ten per cent of all households, with around 1.7m households (Rhodes, 2015). In 1994/5, the private rented sector accounted for ten per cent of all households, with 1.9m households (13.4m owner occupiers and 4.4m in social housing) (DCLG, 2016). It subsequently increased to 2.4m or 11 per cent of all households by 2004/5 (14.5m owner occupier and 3.9m social housing) (DCLG, 2016).

Changes in the number of households in England, and changes in tenure, are illustrated in the following three figures. Figures 1 and 2 draw on English Housing Surveys (run each year since 2008) and its predecessor, the Survey of English Housing. It gives the estimated total number of households by tenure over the twenty-five years between 1991 and 2016. These are estimates, based on samples of around 20,000 households undertaken for the surveys; there have also been changes in the way the estimates are generated, and some earlier estimates have been adjusted following release of data from the 2001 census. Over the twenty-five years to 2016, the total number of households in England grew by about a fifth, from an estimated c19m households to c23m households (figure 1). During this period, England's population rose by a slower rate, at around 13 per cent. Both illustrates the growth in the number (figure 1) and relative size (figure 2) of the private rented sector, and the decline in the number and relative size of the social rented sector. Changes in owner occupation rates are more complex, with a period of growth between 1991 and 2005 and then apparent decline in both numbers and relative size in the decade between 2005 and 2015.

Figure 3 gives a longer view of these changes, illustrating the estimated total number of households each decade between 1961 and 2011. Over this fifty-year period, the total number of households grew by over half, with substantive increases in the number and relative size of owner occupation.



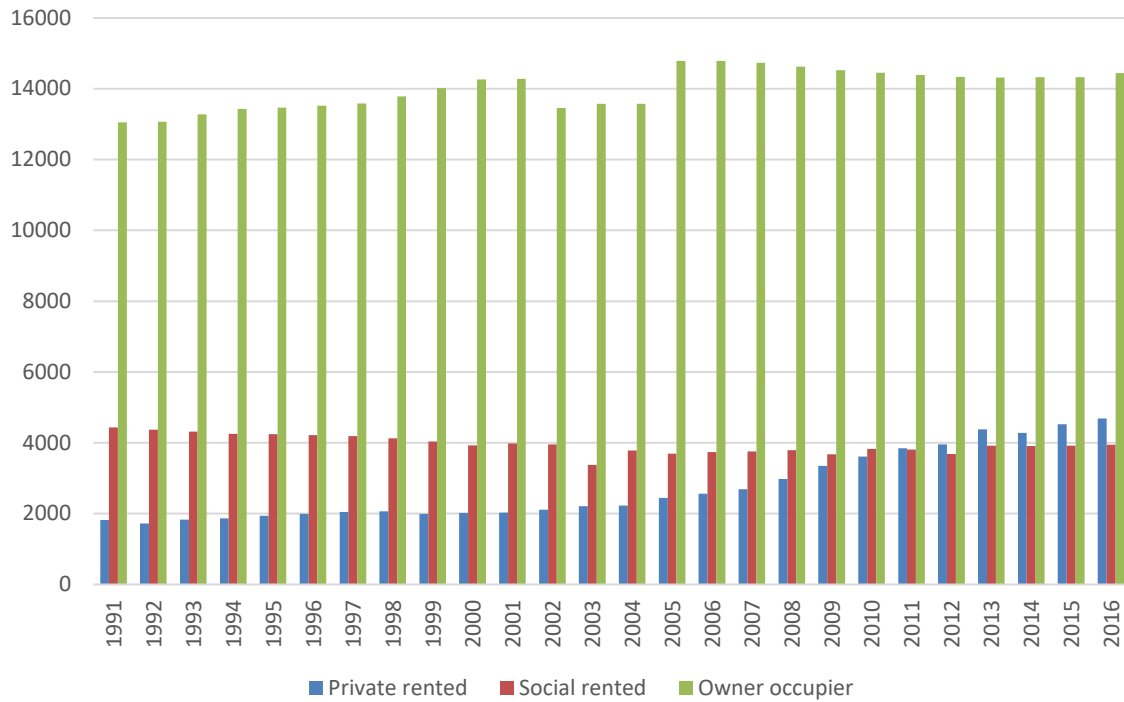


Figure 1: Changes in housing tenure in England (in millions), 1991 to 2016

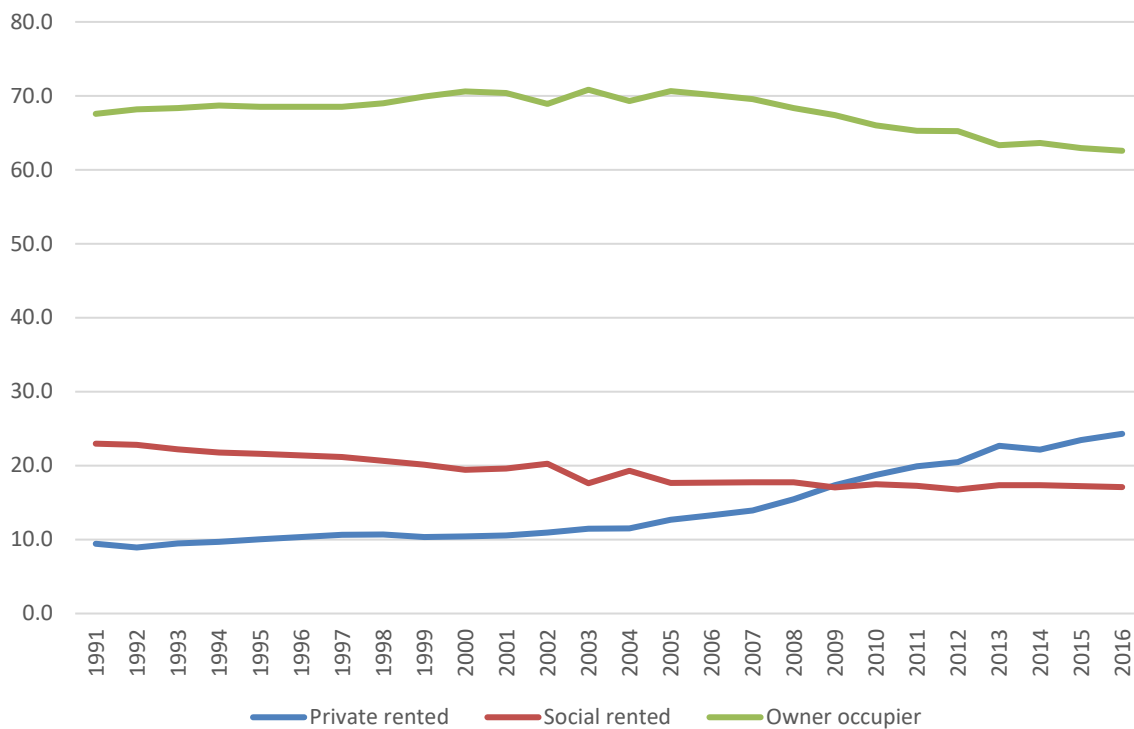
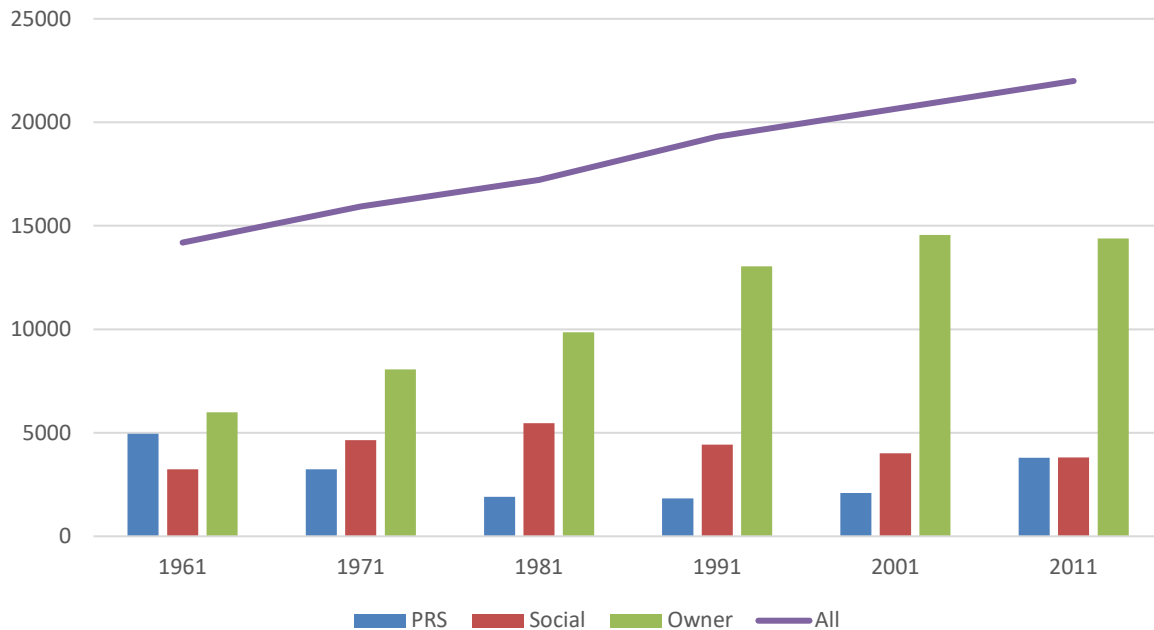


Figure 2: Changes in housing tenure in England by percentage share of overall households, 1991 to 2016



**Figure 3: Change in housing tenure, 1961 to 2011**

It is worth noting that the number of households using the private rented sector at any given time is probably higher than these static counts would suggest, because of the higher level of ‘churn’ in the sector compared to the owner occupier or social rented sectors (Rhodes, 2015). Rhodes’ (2006) analysis of data from the British Household Panel Survey found that a quarter of the original panel sample had rented privately during the first 14 years of the survey, when the PRS accounted for between nine and twelve per cent of households. Many people currently in the owner occupier or socially rented sectors will have some experience of renting privately (Rugg and Rhodes, 2008).

This increase in the number of households in the private rented sector and the proportion of all households represented by the sector has happened against the backdrop of both an increase in the population of the UK and a reduction in the size of the average household. (As such, the number of households has been rising at a greater rate than the increase in population.) In 1971 there were some 18.6m households in the UK, and a population of 55.9m (ONS, 2016), giving an average household size of just over three persons per household. By 2016, the UK’s population had increased to 65m, and the number of households to 27.1m (ONS, 2016), giving an average household size of 2.4 persons. The National Audit Office states that between 1981 and 2015, the UK’s population grew by 17 per cent and the number of households grew by 32 per cent (NAO, 2017). During this period, there has been an increase in the number of one-person households.

Several reasons are identified in the literature for the increase in the size of the private rented sector, both absolute terms and also as a proportion of all households. Rhodes (2006) suggests that, firstly, changes introduced to tenancy agreements and the removal of rent controls by the Housing Act 1988 were significant. These changes occurred just before the recession in the early 1990s, when negative



equity and mortgage repossessions both increased and a number of owner occupiers let out their properties. Rugg and Rhodes (2008), Bone (2014), and Scanlon et al (2014) identify the introduction of buy-to-let mortgages in 1996 as a significant factor in the increase of the private rented sector. However, Rugg and Rhodes (2008) point out that many such mortgages were generally taken out on properties already in the private rented sector (either to raise capital or to replace other forms of lending) and represent only a small proportion of all PRS properties. It is also worth pointing out that the most significant growth in the size of the sector took place in the years after 2006, a decade after the introduction of buy-to-let mortgages. Finally, there has been an increase in demand for private rented properties. A number of factors lie behind this increasing demand. Rugg and Rhodes (2008) argue that there have been significant increases in the numbers of several groups – young people, migrants and students - who are more likely to rent privately than access other forms of housing. Kemp (2015) identifies an increase in the number of adults aged 35 and under in the population, and suggests this is a group that is more likely to rent in the private sector and less likely to be able to access social housing or to be able to afford to buy. Rugg et al (2002, cited in Kemp, 2015) identify the changes in the higher education sector as being significant, both because the number of students has increased but also because there has not been a corresponding increase in university-owned accommodation. Thomas (2006, cited in Kemp, 2015) suggests that increases in economic migration has also increased demand for private rented property.

Several authors also identify house price affordability as a significant driver of demand for rented properties. House prices have risen faster than wages over the past thirty years, and rising house price: wages ratios is identified as a significant driver of demand in the private rented sector. Scanlon et al (2014), Kemp (2015), Cole et al (2016), Clapham et al (2014), Bone (2014) and Dorling (2015) and O’Leary (2018) all identify this effect. This ratio increased from 3.54 in 1997 to 7.63 in 2015 (DCLG, 2016a), with wide variations between different areas. For example, the lowest house price: wage ratio is in Copeland in Cumbria at 2.85 (both because of higher than average wages and lower than average house price levels) and the highest is in Kensington and Chelsea at 39.74 (DCLG, 2016a).

### **Profile of private renters**

There are some notable differences between households in the private rented sector and those in either owner occupier or socially rented households. Private renters tend to be younger than owner occupiers or social renters (MHCLG (2018), Scanlon et al (2014), Means (2007), and Kemp (2015)). Data from the English Household Survey suggests that around 70 per cent of private renters were aged under 45, compared to a quarter of owner occupiers and just over a third of social renters (MHCLG, 2018). It also suggests that around 1 in 10 of private renters were aged 65 and over, compared to around a third of social renters and owner occupiers (MHCLG, 2018). Survey data shows that the proportion of private renters aged 25 to 54 increased between 1994/5 and 2014/5, while the proportions of private renters aged 16 to 24 and aged 55 and over decreased (DCLG, 2016). This age data relates to the household reference person (HRP), who is the person whose name the accommodation is rented or, where the tenancy is joint, the person with the highest income. The decrease in the proportion of private renters aged 25 and under has been related to living with parents for a longer period before setting up a first home (Bone, 2014).

The average household size is lower in the private rented sector, which contains a higher proportion of working age one-person households than either the social rented or owner occupier sectors



(Scanlon et al, 2014). Around 27 per cent of all private rented households are one-person households, down from 35 per cent in 2004/5. The proportion of private renters (both lone and couples) with dependent children has increased between 2004/5 and 2014/5. The number of private renters with children has increased by 175 per cent over the ten years to 2016. The proportion of couples with children having increased from 15 to 24 per cent, and for lone parents with children from 8 to 13 per cent (DCLG, 2016).

A higher proportion of private renters are in full or part time employment than in either the owner occupier or social rented sectors, at 71 per cent, 61 per cent and 30 per cent respectively (Scanlon et al, 2014). The proportion of private renters in full or part time employment increased between 1994/5 and 2014/15 (DCLG, 2016). Data from the English Household Survey suggests that the mean gross weekly income of private renter households was £564 per week, compared to £323 for social renters (DCLG, 2016). No figure is available for owner occupiers. Survey data also suggest that 24 per cent of private renters had incomes in the lowest quintile, and 12 per cent in the highest. The proportion of private renters in the lowest income quintile fell from 34 per cent in 1994/5 to 24 per cent in 2014/5, and those in the highest increasing from 10 per cent to 12 per cent. This would seem to be counter to the claim made by Kemp (2015) that there are a growing number of low income households in the private rented sector, although the absolute numbers are increasing as the proportion decreases. The proportion in the second and third quintile increased from 38 per cent to 47 per cent over the same period (DCLG, 2016).

The Local Housing Allowance is the maximum amount that a household in the private rented sector may claim in Housing Benefit. The Local Housing Allowance acts as a strong rent control for some properties in the private rented sector (Rugg and Rhodes, 2018). A quarter of private renters are in receipt of a Local Housing Allowance (Scanlon et al, 2014), though this proportion was 22 per cent in the most recent English Housing Survey (MHCLG, 2016). The Housing Benefit market is shrinking as a proportion of the private rented sector as a whole, although the proportion of working HB claimants has increased (Rugg and Rhodes, 2018). Housing benefit claimants tend to be concentrated in HB-dominated markets, where landlords have few alternatives in terms of potential tenants. Almost half of all of those in receipt of Housing Benefit were in paid work, either full or part time. For those in receipt of Housing Benefit, around a fifth reported that benefit rates fully covered their rents. Around ten per cent of all private renters were in rent arrears, with those in receipt of Housing Benefit being more likely to be in arrears compared to those renting without benefits (DCLG, 2016).

Private renters less likely to be British or Irish compared to owner occupiers or social renters; in 2014/15, 78 per cent of private renters were British or Irish nationals, compared to 92 per cent of social renters and 96 per cent of owner occupiers. Eighty per cent of recent migrants from overseas live in the private rented sector (Rugg and Rhodes, 2018). Private renters tend to have lived at their current address for a shorter time than those in the socially rented or owner occupier sectors. In 2014/5, over three quarters of all private renters had lived at their current address for under five years, compared to 20 per cent of owner occupiers and 39 per cent of social renters (DCLG, 2016). On average, private renters had lived at their current address for four years, compared to 11.4 years for social renters and 17.5 years for owner occupiers (DCLG, 2016). There has been an increase over the past decade in the average length of tenancies (Rugg and Rhodes, 2018).



A number of authors identify insecurity of tenancy as being one of the key features of the private rented sector (Bone, 2014), (Dorling, 2015). The introduction of assured shorthold tenancies (AST) in the Housing Act 1988 is seen as the root cause of this insecurity (Rugg and Rhodes, 2008), and concerns have been raised about retaliatory or revenge evictions – landlords ending tenancies because a tenant has complained about disrepair or some other matter. Other authors challenge this view of tenure insecurity, pointing out that most tenancies do not end after six months or against the wishes of the tenant (Altes, 2016). Crook et al (2009) and Rugg and Rhodes (2008) state that most private rented sector tenancies end at the request of the tenant and not the landlord. Indeed, according to the English Housing Survey, ten per cent of all private sector tenants who moved in 2016-17 gave the reason for their move as being asked to leave by the landlord or managing agent, while 90 per cent of tenancies were ended by tenants themselves. The three most common reasons given for moving were job-related (16 per cent), wanting a larger property (13 per cent), and wanting to move to a better neighbourhood (11 per cent) (DCLG, 2016). Rugg and Rhodes (2008) cite one of their earlier studies, which analysed a survey of 1,659 landlords and letting agents for the Local Housing Allowance Pathfinder evaluation and stated that 3 per cent of landlords estimated the average length of tenancy to be 6 months, with ‘longer than two years’ being the most common response at 39 per cent of landlords. Of the three tenure types (owner occupation, social renting and private renting), tenants in the private rented sector are likely to live for a shorter period at their address (DCLG, 2016), with an average stay of 3.9 years (MHCLG, 2018).

### **Structure of the sector**

Several authors note that the private rented sector is not a single, homogenous market (Hickman et al, 2008), (Rugg and Rhodes, 2008), and that it is difficult to generalise about the sector (Rugg and Rhodes, 2018). Rather, there are number of sub and niche markets that reflect differences in landlord type, tenure and the socio-demographic characteristics of renters, and also significant regional variations (Rugg and Rhodes, 2008), (Rhodes, 2015) (Rugg and Rhodes, 2018). These sub-markets are significant because: (a) changes in the size and structure of the sector are not evenly distributed; (b) there are significant changes in the economic and policy context for the private rented sector (Clarke and Monk, 2013) and these disproportionately affect the lower end of the market (Reeve et al, 2016); and, (c) the level of homelessness in the sector is not evenly distributed (Rugg, 2008).

Rugg and Rhodes (2008) identify nine niche markets within the private rented sector, which are summarised in table 1. These niches framed this research. Since the completion of the research presented here, Julie Rugg and David Rhodes have published a further review of the sector (Rugg and Rhodes, 2018), which is reflected in this report.

There are also regional differences within the private rented sector. A distinction is often made between London and the rest of the country (Rugg and Rhodes, 2008). The London private rented market is large, distinctive and contains substantial diversity. Twenty-six per cent of households in London rented privately (GLA, 2015), with higher levels in inner, particularly inner west, London. It is also highly pressurised, with high demand driven by population growth, shrinking household sizes and the investment draw of London housing, and issues with supply (Rugg and Rhodes, 2008).

There are also notable differences within the private rented sector between urban and rural areas. The private rented sector plays a substantial role in rural areas, and is distinctive because of high rates



of tied accommodation, and because property for one-person households is less readily available (Rugg and Rhodes, 2008).

<b>Name</b>	<b>Niche</b>
Young professionals	Renting might be a lifestyle choice and reflect labour mobility, or might reflect the unaffordability of owner occupation. This group experiences a high churn rate.
Students	Reflecting the considerable increase in the student population in the UK. Over the last decade, there has been a growth in high-end student accommodation provider by larger, commercial landlords.
Housing Benefit	Households in receipt of Housing Benefit to cover all or part of their rent.
Slum rentals	The very bottom of the sector, where often vulnerable tenants are housed in poor quality properties, and where “it is unlikely that tenancies could be sustained in the long term” (Rugg and Rhodes, 2008).
Tied Housing	Shrinking part of the sector but still important in rural areas.
High income renters	Most commonly in central London and a small number of central urban areas, often in corporate lets. This group has a high churn rate, and are likely to move within the private rented sector.
Middle age, middle market renters	Use the private rented sector for short periods, typically following a change in household configuration or change of job.
Immigrants	Private rented sector is more accessible than either the owner occupier or socially rented sectors.
Temporary accommodation	The demand for temporary accommodation is highly concentrated, typically in central London.
Regulated tenancies	This is a dwindling portion of the market, where tenants tend to be older and have maintained tenancies for a longer time compared to the rest of the private rented sector.

Table 2: Niche markets in the private rented sector (Rugg and Rhodes, 2008)

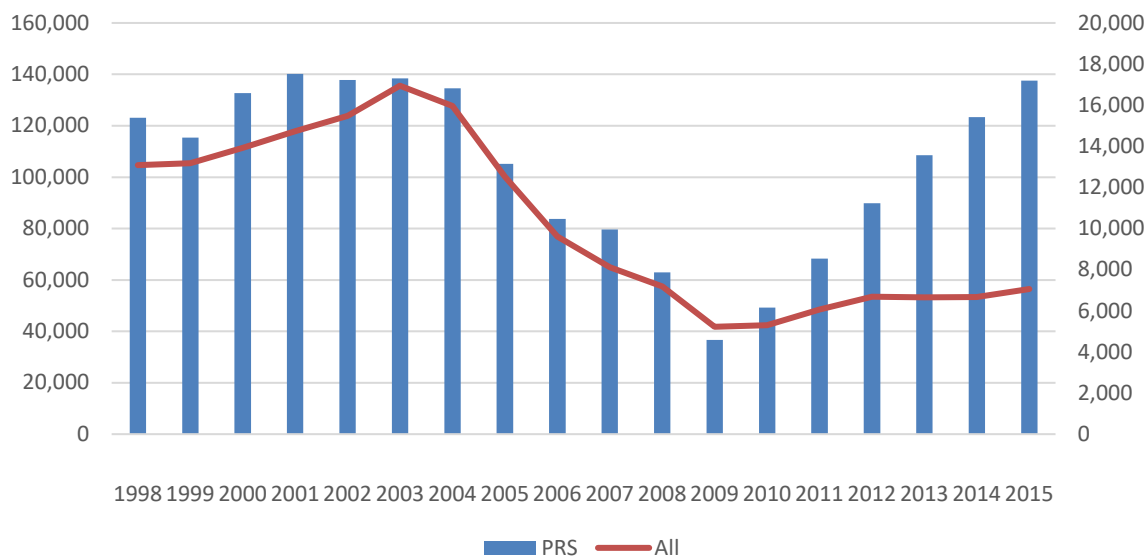


In their recent review of the private rented sector, published after the research presented here was conducted, Julia Rugg and David Rhodes reflected on these niches or sub-markets. They suggested no substantive changes to the categories outlined in table 1, although they noted the growth in families with children within the 'middle age/middle income' category. The growth of families within children in the private rented sector is a key finding of our research, and is discussed in section 4.1 of this report.

## 2.2 HOMELESSNESS FROM THE PRIVATE RENTED SECTOR

There are no data that directly measure the extent of homelessness from the private rented sector. The only available data on the extent of homelessness is provided by the homelessness statistics collated from local authorities with housing responsibilities and published by the Ministry for Housing, Communities and Local Government. These provide data on a specific group of homeless former private rented sector tenants, namely those households who (1) present to their relevant local authority as homeless; and (2) are assessed as meeting the statutory definition of homeless and therefore are owed a duty to be rehoused under the relevant housing legislation. The statutory definition of homelessness is a three-part test, where the household must: (a) be eligible (a nationality and residentially test) (b) be unintentionally homeless and (c) be in priority need (which typically excludes certain groups, such as one-person households); and (3) who state that they became homeless following the end of an assured shorthold tenancy.

Figure 4 illustrates changes in numbers of households accepted as homeless whose last settled address was in the private rented sector. It compares changes in numbers accepted with overall acceptances. (Underlying data are sourced from the homelessness statistics published by the Ministry of Housing, Communities and Local Government, MHCLG, 2018)

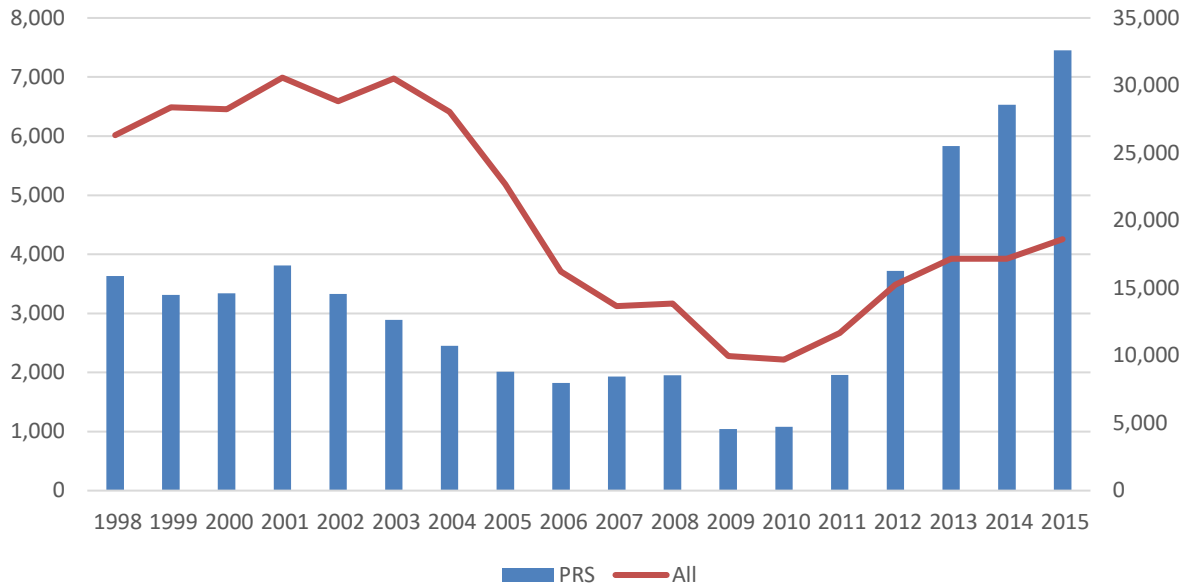


**Figure 4: Change in numbers of all acceptances and acceptances following end of a PRS tenancy**

A number of conclusions can be drawn from the data presented in figure 4 about England as a whole. First, homelessness acceptance levels from the private rented sector do not appear to be related to the size of the PRS. The PRS grew in size significantly over the period between 1998 and 2015, whereas homelessness from the sector peaked in 2001, fell over the next six years to 2009, and rose steadily through to 2015. This suggests that something over and above the growth in the PRS is responsible for the growth in homelessness acceptances from the private rented sector. Secondly, acceptance rates from the private rented sector seemed to mirror overall acceptance rates until 2009; from 2009 onwards, across England, overall acceptance rates have increased by about a third, whereas acceptances from the private rented sector have almost trebled. This suggests that something happen in 2008/9 which had a disproportionate effect on households renting in the private rented sector.

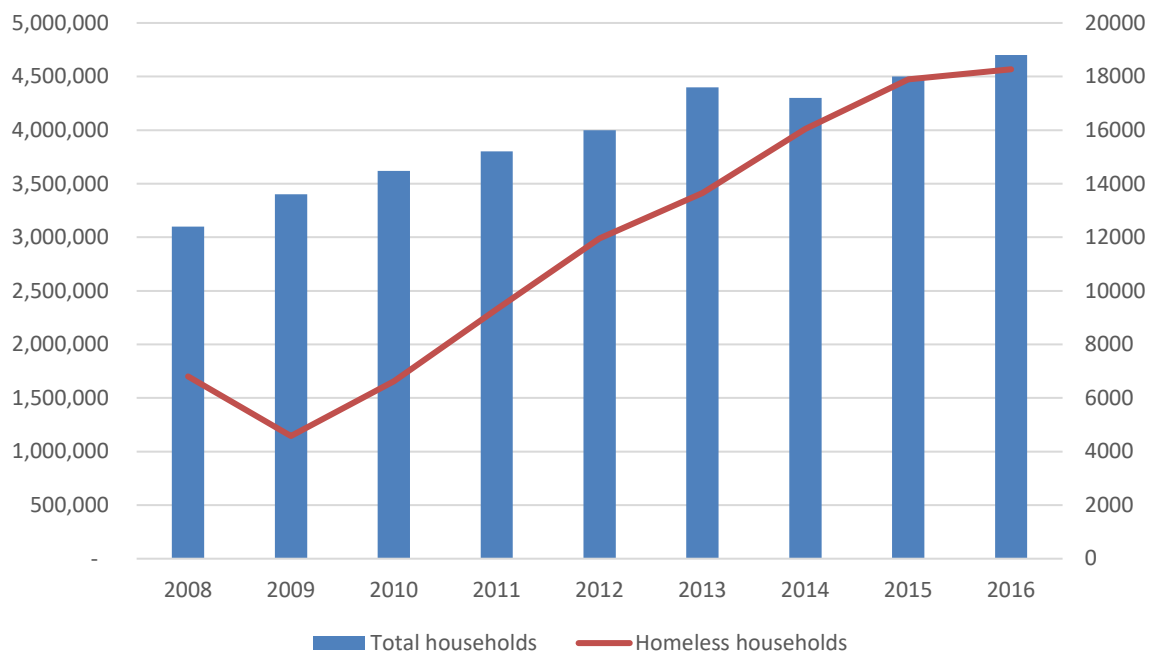
Figure 5 illustrates the position in relation to London. Here, there is a less pronounced relationship between overall acceptances and acceptances from the PRS before 2009, although we suggest there does appear to have been a relationship (albeit the fall in overall acceptances between 2001 and 2009 was much more significant than the fall in acceptances from the private rented sector). As with the picture for England, 2008/9 appears to have been a turning point in London, with both overall acceptances and acceptances from the private rented sector increasing from that point. The scale of the increase is very different between England and London. In contrast to the picture nationally, where acceptances from the PRS peaked in 2001, in London homeless acceptances from the private rented sector are almost twice the level now than in 2001. And while there has been a much more significant increase in overall acceptances since 2008/9, the growth in acceptances from the private rented sector is still significantly higher than for overall acceptances.





**Figure 5: Change in numbers of all acceptances and acceptances following end of a PRS tenancy**

It is also the case that growth in the number of households accepted as homeless exceeded the growth in the size of the private rented sector over the period since 2009. Figure 6 provides a comparison of these two variables. Data on the number of households in the private rented sector is sourced from the English Housing Survey published for each relevant year. Data on the number of households accepted as homeless from the private rented sector is sourced from the live homelessness statistics published by the Ministry of Housing, Communities and Local Government.



**Figure 6: Annual change in size of number of households in the private rented sector and number of households accepted as homeless from the private rented sector, 2008-9 to 2016-17**

### 2.3 POLICY CONTEXT

There have been several policy and tax changes over the past decade that relate to homelessness from the private rented sector, with other changes being introduced over the next two years, and other changes currently the subject of consultation. The most significant of these are discussed here.

#### **Power to discharge homelessness duty to private rented sector**

Local authorities have a duty to house those households they accept as being homeless under the Housing Act 1988. The Localism Act 2011 gave local authorities in England powers to discharge their duty by providing an offer of accommodation in the private rented sector. Previously<sup>1</sup>, households could refuse an offer of accommodation in the private rented sector without it affecting the duty owed to them by the relevant local authority. Provisions in the Localism Act mean that local authorities can now discharge their duty to house households they have accepted as being homeless and in priority need, providing that the accommodation offered is suitable, and is let on a minimum twelve month

<sup>1</sup> Under s193(2) of the Housing Act 1996.



assured shorthold tenancy<sup>2</sup>. It is important to note that the Localism Act gave local authorities the power to use the private rented sector to discharge their duties, but they are under no requirement to do so. The homelessness statistics published by the Ministry of Housing, Communities and Local Government provide some insight into the use of this power by local authorities. These data suggest that most households who are rehomed are not housed in the private rented sector. For example, for the 10,060 households for whom the main homelessness duty to house was ended in the period January to March 2018, over two thirds were housed in local authority or housing association accommodation, and five per cent accepted an offered of settled accommodation in the private rented sector (MHCLG, 2018).

### **Benefit changes**

There have been several changes to Housing Benefit in the last decade. A significant change to the system was introduced in 2008 under the Local Housing Allowance (LHA). The LHA is used to calculate how much Housing Benefit is payable to eligible households who rent in the private rented sector. Rates payable are based not on rent charged, but rather in relation to rents in the local area. Since 2011, a number of changes have been made to the rates of Housing Benefit payable under the Local Housing Allowance. These changes include: (1) changing the reference rents from the medium rent for the local area to the 30<sup>th</sup> percentile of local rents; (2) introducing caps to the total amount of Housing Benefit entitlement; (3) freezing uplifts in LHA rates for four years from 2012; and (4) extending the Shared Accommodation Rate to claimants aged 35 and under (this means that claimants under 35 will only be paid at rates that cover a room in a shared property, even if they live alone).

### **Homelessness Reduction Act**

This piece of legislation received the Royal Assent in April 2017, and made changes to the powers and duties of local authorities in terms of preventing homelessness, and providing relief from homelessness. The key changes introduced by this legislation include improved advice and information services, new duties to prevent and relieve homelessness, introducing assessments and 'personalised housing plans', and making changes to the definition of homelessness/being threatened with homelessness (including extending the period where a local authority has a duty to help persons threatened with homelessness from 28 to 56 days).

### **Changes to tenancy length proposals**

One of the most significant changes to the private rented sector introduced in 1988 was that of fixed term tenancies. Under current rules, assured shorthold tenancy agreements are fixed for a minimum

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<sup>2</sup> The local authority will have a duty to rehouse if the household becomes unintentionally homeless within two years of accepting a PRS tenancy under these provisions.



period of six months, during which neither party can terminate the tenancy<sup>3</sup>. Following this fixed term period, a new fixed term period can be agreed or the tenancy can move to a 'periodic' tenancy. Where a tenancy is on a periodic basis, tenants may give notice to end the tenancy, and the landlord can also give notice to end the tenancy. This can be done via a notice under Section 21 of the Housing Act 1988, sometimes called 'no fault' terminations, which require the landlord to give two months' (or eight weeks') notice. The Section 8 eviction route, through the courts, is available both during any fixed term or for periodic tenancies. Landlords may change rent levels at any time, providing they give the required notice, under periodic tenancies.

The current arrangements mean that the minimum period of security of accommodation is six months. In reality, most tenancies last considerably longer – 3.9 years on average (MHCLG, 2018) – and the overwhelming majority of tenancies are ended by tenants rather than landlords. However, there have been calls for longer minimum tenancy lengths. The government is currently consulting on proposals to amend the minimum tenancy length provision, either to two or three years (MHCLG, 2018). The government is consulting on a number of different options around these tenancies, covering rent increases, break clauses, types of tenancies that might be exempt, and mechanisms by which landlords may end tenancies during the fixed term period if they wish to sell or move back into the property.

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<sup>3</sup> The landlord may terminate under certain circumstances, by court order, as set out in s8 of the Housing Act 1988.



### 3. METHODOLOGY

There is a wealth of existing research and available data on homelessness, some of which is directly relevant to understanding how, when and why individuals and families might experience an episode of homelessness when a tenancy in the private rented sector comes to an end. The challenge of this extant evidence is that there are significant gaps; the evidence is often contradictory, with different studies providing diverse pictures of homelessness; research and data are often not at the level needed to understand (1) why private rented sector tenancies end; or (2) why, in some cases, this leads to episodes of homelessness. Much of the research focuses on particular tenant groups or policy interventions, particularly London or tenants in receipt of Housing Benefit. There is some published research that engages with tenants who have experienced homelessness from the private rented sector. This research is qualitative in approach and focuses on individuals who have contacted a specialist or charitable homeless organisation. There are significant limitations to the coverage and depth of the available secondary data, which also give only a partial picture. Our research design was cognisant of these limitations.

The research team undertook a rapid review of the extant literature to what is currently known about the risks, causes and triggers of homelessness associated with the end of private rented sector tenancy, where there are issues of gaps, timeliness or consistency in this literature, and the implications arising from the literature for this research. Two separate searches were undertaken, covering both peer-reviewed and non-peer reviewed literature. The Web of Science database and Google Scholar were used to conduct the search for peer-reviewed literature, and a Google search and search of specific websites of organisations involved in the private rented sector and homelessness were undertaken in relation to non-peer reviewed literature. Search criteria used included “private rented sector” or “private landlords” or “buy to let” or “residential landlords” or “residential rented sector” and “homeless”, or “homelessness” or “end of tenancy” or “nowhere to live”. Literature published before 1992 was excluded from the review.

The Web of Science search for peer reviewed literature initially returned  $N=813$  articles. Many of these related to private rented sectors outside of the UK, and the inclusion of “UK” in the search criteria reduced the number of articles found to  $N=42$ . The Google Scholar search identified a further  $N=14$  results, some of which were policy documents rather than peer reviewed work. An abstract review was then undertaken; each abstract was assessed in terms of relevance (risks, triggers and causes of homelessness in the private rented sector), and methodology (non-empirical articles were excluded, with any policy relevant material covered in the non-peer reviewed literature search). The abstract review identified twenty ( $N=20$ ) articles for full review.

In addition to the search for peer-reviewed literature, the research team undertook a wider search for policy focused reports and research via Google and by accessing the websites of organisations actively involved in the private rented sector and homelessness. This search identified a number of research reports, including a number by academic research centres involved in housing and homelessness. There were also some more policy-orientated reports/documents. These were included in the review, where they included some research or data analysis.



Following the literature review, the research approach utilised a mixed method, involving both primary research and the use of the extant literature and data, and both qualitative and quantitative methods. The research was granted ethical approval by Manchester Metropolitan University's Faculty of Arts and Humanities Ethics Committee (ref: A&H1718 -54). The key research questions underlying this research were:

1. *What explains the rise in the numbers of homelessness applications for households following the end of a tenancy in the private rented sector?*
2. *Are some groups more at risk of homelessness from the private rented sector?*
3. *What policy and practice changes are need to reduce homelessness from the private rented sector?*

The research involved three phases where primary data were collected; semi-structured interviews with key stakeholders, a survey of landlords, and a Delphi survey of experts in the field. The research team also utilised relevant published data (primarily homelessness statistics published by the Ministry of Housing, Communities and Local Government and data from the English Housing Survey). These are described below.

### ***Semi structured interviews with key stakeholders***

Sixteen interviews were conducted with key stakeholders in the field, including individuals from local authority private rented sector and homelessness person units, landlords and landlord representatives, the Greater London Authority, and homeless charities. The interviews were conducted in person or over the telephone. Interviews were recorded and simultaneous notes taken. Interview notes were uploaded to nVivo for analysis. Drawing on Rugg and Rhodes (2008), the interviews were structured around issues of the structure of the private rented sector, demand and supply of private rented properties, policy changes, and how each of these might affect changes in the levels of homelessness from the private rented sector.

### ***Survey of landlords***

A survey, which included both open and closed questions, was sent out by the Residential Landlords Association to around 70,000 individuals known to the Residential Landlords' Association (both members and others). The survey followed a similar structure to the interviews; it also included questions on the size, type and location of stock, changes over the previous twelve months, and types of tenant niches/sub-markets. A significant gap in the extant literature around the private rented sector relates to the use of S.21 notices by landlords (Rugg and Rhodes, 2018). Our survey was intended to address this gap, and asked several questions around the use of S.8 and S.21 notices. There were  $N=1824$  responses to the survey. Very little is known about the general demographics of private landlords as a whole (Simcock, 2017), and it is therefore not possible to understand whether the respondents to the survey were representative of the landlord population as a whole. As such, the findings presented here are not claimed to be representative of all landlords, and only relate to landlords who responded to the survey.



### ***Analysis of secondary data***

There are a number of extant secondary sources on housing tenure, housing demand and supply, homelessness and the wider economic and social context, which are relevant to this research project. Much of this data is publicly available. There are also issues with some of these data; some may not be directly relevant. The Ministry of Housing, Communities and Local Government (MHCLG) publishes data in relation to the statutory homelessness. There are issues with the coverage and completeness of these data. They are a measure of access to services; that is, they only measure individuals and families who present to a local authority as homeless, and many individuals (especially single homeless or individuals whose tenancy was ‘intentionally’ ended by them) will not be covered by these data. More importantly, while these data provide invaluable socio-demographic data, at the local authority level, there are issues with the data with respect to understanding the loss of main home or accommodation. While the data do include numbers, by local authority, of individuals whose previous accommodation was lost because of an end of an assured tenancy, the data provide no further information on why these tenancies were terminated and only record the ‘main’ reason for loss of accommodation. We acquired these data, and undertook descriptive analysis.

### ***Delphi survey of expert stakeholders***

Homelessness is a complex phenomenon; much of the data, analysis and research around homelessness is understood in different ways, and there is often huge debate around policy proposals intended to reduce or prevent homelessness. As such, a key issue in designing this research was to ensure a mechanism by which findings could be presented, discussed, and validated. The research design therefore included a Delphi survey. Delphi uses a series of iterative questionnaires to draw on the views and expertise of stakeholders in a structured way with the aim of achieving consensus on the underlying causes of homelessness in the private rented sector. It is commonly assumed that the Delphi method makes better use of group interaction (Häder and Häder, 1995) whereby the questionnaire is the medium of interaction (Martino 1983). The Delphi method is based on structural surveys and makes use of the intuitive available information of the participants, who are mainly experts. Therefore, it delivers qualitative as well as quantitative results and has beneath it explorative, predictive even normative elements. The method is a “relatively strongly structured group communication process, in which matters, on which naturally unsure and incomplete knowledge is available, are judged upon by experts” (Häder and Häder, 1995). We were cognisant that there are a wide range of different groups interested in the process and outcome of this research – landlords, local authorities, government policy makers, homeless charities and private rented sector tenants themselves, and saw this phase of work as an opportunity to engage with these wider stakeholder groups. The Residential Landlords’ Association identified and approached around 150 individuals to participate in the Delphi strand of this research. These individuals are from a wide range of different groups interested in the process and outcome of this research, including landlords, local authorities, government policy makers, homeless charities, private rented sector tenants and those who have experienced homelessness following the end of a private rented sector tenancy.



### ***Analysis***

Three broad explanations for the rise in homelessness from the private rented sector are identified in the literature. These three broad explanations provided an analytical framework for this research, and are discussed in detail in the findings section. Analysis was undertaken in three stages. Data from the semi-structured interviews, secondary data analysis, and landlords' survey were analysed, this was then triangulated to identify areas of commonality and of difference. Findings and this analysis were then presented to stakeholders through the Delphi survey. Finally, the Delphi findings were analysed. Analysis was undertaken by the lead researcher, Dr Chris O'Leary. Findings and analysis were discussed with the Residential Landlords' Association at key points during the research process.





## 4. FINDINGS

### 4.1 SIZE AND STRUCTURE OF THE PRIVATE RENTED SECTOR

It is clear that there has been substantive growth in the size of the private rented sector, both in absolute terms and relative to social renting and owner occupation, over the past thirty years. This growth, in itself, does not appear to explain the rise in homelessness from the sector; changes in the rate of homelessness from the private rented sector do not appear to be related to changes in the size of the sector.

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Over and above the growth of the sector, there have also been changes in its structure. Previous research on the structure of the private rented sector found that it is not a single, homogenous market (Rugg and Rhodes, 2008). Rather there are distinct niches or sub-markets, and regional/local variations. Our research has found that this typology is useful in terms of understanding the causes of homelessness from the private rented sector, because there are differences between different tenant types in terms of their experience of tenancies ending, and their risk of becoming homeless following the end of a tenancy. A majority of interviewees involved in our research suggested that the typology was useful, and that risk of homelessness did vary across the groups. These findings emphasised that the Rugg and Rhodes tenant categories were not mutually exclusive; that renters may move between groups over time and also between the private rented and other parts of the housing market. There are also regional and local differences that are significant. These regional variations include difference in supply and demand for PRS properties, the ease with which landlords might relet properties, which affect the affordability of private rented properties, and the distribution of Local Housing Allowance expenditures (there are a number of Housing Benefit dominated local housing markets, where claimants are concentrated. These areas have their own dynamics, not least because landlords have few alternative tenant groups to whom they can rent). These findings were reflected by other participants involved in this research. One Delphi participant commented that:

*“The typology remains useful as it reflects the position that landlords tend to let to specific market segments.”*

Another commented that:

*“It is highly likely that, as the discrete groups they identified have such widely varying characteristics, they will have differing vulnerabilities to homelessness. There is a need to explore the varying pressure points for homelessness between, even within, the sub-groups, if homelessness can be properly reduced.....”*

Others suggested that the typology was useful, but needed some further development, and that the niches identified by Ruggs and Rhodes were not mutually exclusive groups. A number of participants highlighted that the risk and experience of homelessness was not equal across all types of tenants, but differed significantly. One participant commented about the Rugg and Rhodes typology that:

*“It is useful, but the lack of data on the specific sub-sets identified is a real problem.”*



And another stated that:

*“A more consistent and rigorous approach to identifying niches is needed.....”*

One participant suggested that, while useful to think of the sector as different niches, it is important to consider the interaction between the private rented sector and other parts of the housing market, and to consider regional and local market factors.

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Overall, there was a reported increase in the stock held by respondents to our landlords’ survey, in line with wider evidence of the continuing increase in the size of the private rented sector. Despite these increases, participants in this research suggested that demand continues to outstrip supply in many areas. Around forty per cent (n=529/1405 valid responses) of respondents to our landlords’ survey stated that demand for private rented properties had increased over the last twelve months, compared to six per cent who stated that demand had decreased (n=81/1405) and thirty per cent stating that demand was unchanged (n=410/1405).

#### 4.2 WHAT EXPLAINS THE RISE IN HOMELESSNESS FROM THE PRIVATE RENTED SECTOR?

Broadly speaking, three key possible explanations are provided in the academic and wider literature. The first relates to the nature of the housing market itself; that is, the continuing demand for private rented properties, the lack of access to social housing, and the increasingly unaffordable nature of home ownership and rent levels. The second explanation locates the rise in the recent welfare reforms, and particularly changes to how Housing Benefit payments are calculated (what is known as the Local Housing Allowance). The final explanation focuses on the lack of security offered by assured shorthold tenancies.

These are not the only explanations available, but they do appear to be the dominant explanations discussed in the literature. They are not intended as mutually exclusive explanations. The three explanations identified here are ‘structural’ in nature, in that they focus on ‘broader forces such as housing market conditions, poverty, and unemployment’ (Bramley and Fitzpatrick, 2017), which is perhaps out of step with recent moves to consider both individual and structural factors in explain homelessness. These three broad explanations were reflected by participants in this research. Each explanation is considered here.

##### **Insecurity of tenure**

The Housing Act of 1988 introduced many changes to the private rental market, of which one of the most significant was the deregulation of private tenancies. Before 1988, private tenancies were of indefinite length, and rent controls were in place. These regulations, particularly rent controls (introduced as a temporary measure during the First World War), are often identified as factors that explain the significant reduction in the size of the private rented sector between 1918 and 1988 (Wilson, 2017). The 1988 Act both abolished rent controls and changed the length of tenure for private renters to a minimum contractual period of six months. Further changes were introduced through the



Housing Act 1996. Once outside the period specified in the tenancy agreement, S.21 of the Housing Act enables landlords to give two months' notice to end a tenancy, without any specific grounds being necessary. There are a number of legal requirements in place, in terms of the types of information that must be provided at the start of the tenancy, arrangements for protecting any tenants' deposits, and the form in which notices must be provided, for a S.21 notice to be valid.

A number of charities, including Shelter, argue that this tenure insecurity has a number of negative effects on tenants: it creates instability; it puts too much power in the hands of landlords; it increases tenant costs because it gives agents and landlords more opportunities to charge fees and increase rents; and it leads to homelessness (Shelter, 2012). Indeed, it is argued by many (including the government in its recent consultation on the introduction of three year tenancies, MHCLG, 2018) that an increase in the number of Assured Shorthold Tenancies coming to an end is the cause of the increase in homelessness from the private rented sector.

There were major differences of opinion between interviewees around the relationship between security of tenure and homelessness in the private rented sector. A majority of those involved in this part of the research felt that S.21 of the Housing Act 1988, which allows landlords to terminate a tenancy agreement after a fixed term period without giving any specific reason, was not significant in terms of increases in the number of PRS homelessness acceptances. A minority of interviewees felt that S.21 was itself a cause of the increasing numbers of homeless households, and that it needs to be amended. Insecurity of tenure is also raised in the academic literature (for example, Bone (2014) and McKee et al (2017), though it is not linked to the rise in homelessness in the private rented sector. These findings were reflected in other parts of our research. Overall – from the interviews, landlords' survey, and Delphi study, a minority of participants argued that the six-month length of the minimum tenancy contract and the provision of 'no fault' termination under s21 is a cause of homelessness from the private rented sector. Some stated that there was a relationship. One participant stated:

*“The ending of ASTs causes homelessness in high-pressure areas. In these areas private landlords can be selective about who they rent to, so won't rent to (for example) people in receipt of housing benefit, or those on a low income. This means that people who have to leave one property because of the end of an AST will not be able to secure anywhere to move to.”*

Others commented:

*“The PRS is far too insecure. The balance between flexibility for landlords over security for tenants is far too much in favour of landlords currently - this drives some of the other behaviours mentioned.”*

*“Strong relationship - if a tenancy is to suddenly end then a tenant would not be prepared financially to secure a new property.”*

*“The data from the 2018 Homeless Monitor is clear that ending ASTs is a significant driver of homelessness. Often this has been badged as 'eviction', but in the vast majority of cases, the ability of landlords to take possession relatively quickly means that tenants do have insecure tenancies. Particularly when access to other PRS properties becomes harder.”*



*“Seems obvious, the more secure your tenancy the less likely you are to be made homeless. BUT if there was greater security there would be a smaller PRS and this at the bottom of the ladder would find themselves homeless in the longer term.”*

*“Clearly if a landlord does not wish to renew the tenancy the tenant has got 2 months to find another tenancy if they fail to secure anew tenancy by the end of the term it is a factor.”*

Other respondents did not believe there was a relationship between security of tenure and recent increases in homelessness:

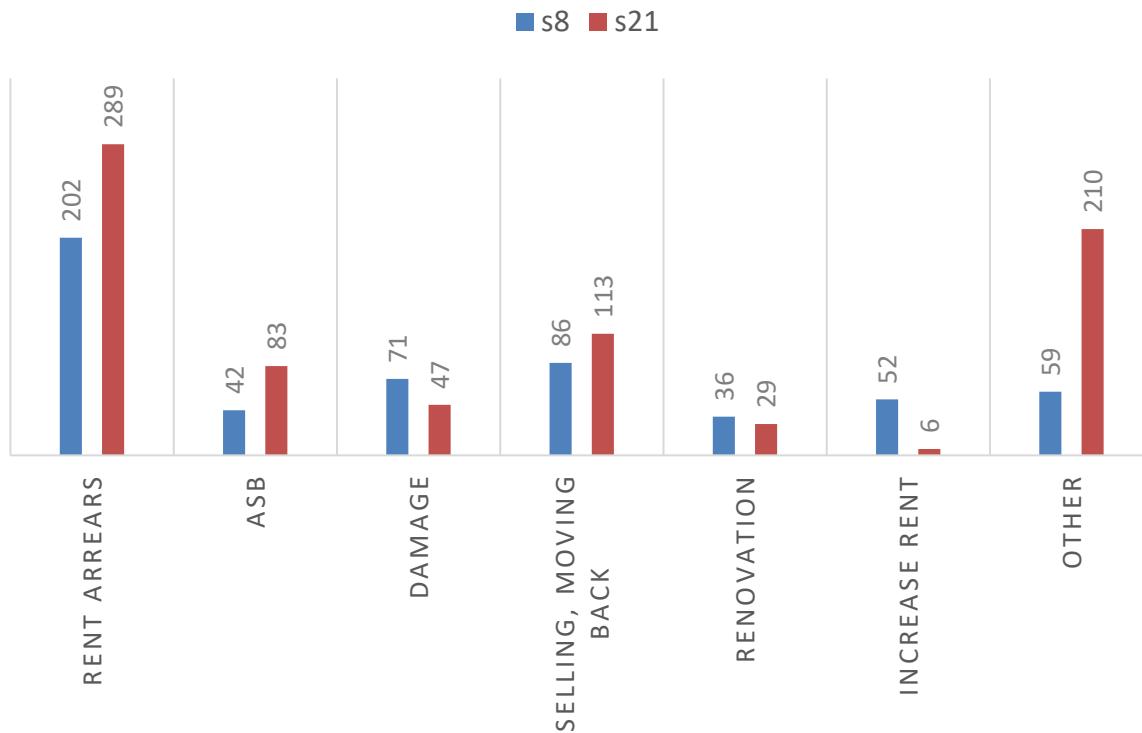
*“None - security of tenure has not changed, but the charts show other factors must be explaining the variation in homelessness.”*

*“Good landlords want to keep good tenants. Sounds simple but tenants need to be 'educated' in + the importance of paying rent, + maintaining property condition, + respect to neighbours and landlord. Main reasons we see for tenants being asked to leave concern the above”*

We would argue that this is not a plausible causal explanation, for two reasons. The difficulty here is timing; tenancies were deregulated in 1988 (and again in 1996), yet in absolute terms, the numbers of households accepted as homeless following the end of an assured tenancy remained largely unchanged between 1998 and 2004, fell considerably between 2004 and 2009, and then began to rise again. There are also many types of tenants who have a high level of ‘churn’ (changing addresses and/or tenancies), yet whose risk and experience of homeless is minimal. The short term and insecure nature of assured shorthold tenancies do not, at least on their own, seem to explain the changing levels of homelessness in the private rented sector.

Secondly, it is the case that the overwhelming majority of tenancies are ended by tenants, and not landlords. Evidence from the English Housing Survey, for example, suggests that around 90 per cent of tenancies are ended by tenants (MHCLG, 2018a). Of the 2.67m moves from a private rented property in the three years to 2016-17, the five most common reasons given by private rented tenants included in the survey sample were: (1) job related (15.9 per cent); (2) wanted large flat/house (13.1 per cent); (3) other reasons (11.9 per cent); (4) to move to a better neighbourhood (11.2 per cent); and, (5) landlord asked tenant to leave/gave notice (10.1 per cent, an estimated 271,000 households over the three year period) (sample size n=1421, table 3.3). It is also the case that the average tenancy length has grown over the past ten years (Rugg and Rhodes, 2018).

The homelessness statistics around households accepted as homeless from the private rented sector do not provide insight as to whether the tenant or landlord ended the most recent private sector tenancy. It is also not possible to identify the number of households who become homeless more than once in the reporting period. As such, it is not possible to say how many of the estimated 271,000 households asked to leave/given notice by their landlord estimated by the English Housing Survey went on to be included in the 52,210 households accepted as homeless from the private rented sector in this three-year period. It is likely, however, that a large number of households asked to leave/given notice by their landlord were not subsequently accepted as homeless.



**Figure 7: Reasons for ending tenancies under s8 and s21 (landlord responses)**

Moreover, our research raises questions around whether S.21 terminations can be described as ‘no fault’ evictions. One of the key gaps in our understanding of homelessness from the private rented sector relates to the reasons landlords use S.21 notices. A key aim of our research was to address this gap, and we included questions in the landlords’ survey around this. Figure 7 presents the findings from our landlords’ survey. The survey question was closed multiple choice. It gave respondents five options (rent arrears, ASB, damage to property, selling/moving back, renovation, increase rent), asking respondents to state how many tenancies they had ended in the previous twelve months under either S.8 or S.21. An additional ‘other’ option was also provided to cover reasons not otherwise specified. A total of n=443 landlords provided data on n= 5269 tenancies ended by either landlord or tenant in the twelve-month period to July 2017. Landlords then provided data on the reasons why a tenancy was ended by them on n=1325 tenancies. These findings suggest that many tenancies terminated by landlords under S.21 were ended because of tenant behaviour such as rent arrears, anti-social behaviour, damage to property. These would all be grounds for serving a S.8 notice; we are unable to comment on the reasons why landlords might prefer to use the S.21 over the S.8 route, although it is the case that S.8 evictions are significantly more costly.



## Affordability

The government has stated that the housing market is broken (DCLG, 2017) and increasingly unaffordable for many people. Affordability is a complex concept, with many dimensions that affect homelessness from the private rented sector.

One way in which affordability affects the private rented sector is in relation to house price affordability. Several authors identify house price affordability as a significant driver of demand for rented properties. House prices have risen faster than wages over the past thirty years, and rising house price: wages ratios is identified as a significant driver of demand in the private rented sector. Scanlon et al (2014), Kemp (2015), Cole et al (2016), Clapham et al (2014), Bone (2014), Dorling (2015) and O'Leary (2018) all identify this effect. The increasing housing price: wage ratios are associated with falling home ownership rates (O'Leary, 2018), and, in turn, with increasing demand for private rented property. There has been a significant increase in 'generation rent' - the number of people aged 35 and under who are living in the private rented sector and living for longer periods in the private rented sector, as they delay or are unable to afford to move into owner-occupation (O'Leary, 2018). Recent analysis by the Institute of Fiscal Studies suggests that middle class, middle income young people are increasing unable to afford homeownership (Cribb, Hood and Hoyle, 2018). Joyce, Miller and Keiller (2017) conclude that the increase in the private rented sector reflects falls in home ownership for top and middle-income households. There is no evidence to suggest this is directly related to the increase in homelessness.

The second aspect of affordability, and one that this research finds is related to the increase in homelessness from the private rented sector, is in relation to costs of living in the sector. Private rented tenants are likely to spend more on their housing, as a proportion of their income, than any other group (35 per cent of their income, compared to 28 per cent for social housing tenants and 18 per cent for owner occupiers with a mortgage (DCLG, 2016)). Some 14 per cent of private renters spend more than half of their income on rent, compared to just two per cent of owner occupiers with a mortgage, 6 per cent of social renters and 8 per cent of housing association tenants. And while there is some evidence of a post-2015 slowdown in rental price increases, rents continue to rise. In the last year, rents have risen on average by around 1.6 per cent, with the East Midlands and South East seeing the largest rises of 2.8 per cent and 2.6 per cent respectively, and the north east seeing the lowest growth at 0.4 per cent (ONS, 2017).

However, it is important to stress that affordability is not simply about rent levels, but rather rent levels when compared to income. Over the long term, rents are rising faster than incomes. Analysis of data from the Family Resource Survey by Julia Rugg and David Rhodes (2018) suggests that average rents increased by slightly more than incomes, leading to a decrease in affordability, in the fifteen years to 2016. They also identify regional variation, with affordability increasing in some parts of the country. And the effect of this increasing rent to income ratio is not felt equally across all tenant groups in the private rented sector. The majority of tenants can afford their rents, and fewer than ten per cent of all tenants are in rent arrears (Rugg and Rhodes, 2018). However, low-income groups spend a greater proportion of their income on rents, and are increasingly finding rents unaffordable. Using data from the Family Resources Survey and from the English Housing Survey, Joyce, Miller and Keiller (2017) conclude that:



*“The median rent-to-income ratio among private renters in the top two income quintiles is about the same as two decades ago. But it is higher than two decades ago for the bottom half of the income distribution.”*

This is significant; although it is the case that the proportion of all households in the private rented sector in the lower income quintile has fallen in recent years (Joyce, Miller and Keiller, 2017), there has been a growth in absolute numbers of low-income households. Our research identified this growth in the number of low-income households in the sector, and has found that it is directly related to the increase in homelessness from the private rented sector. Participants in this research identified a significant change over the last decade as being a growth in low income households accessing the private rented sector. One participant commented:

*“More people on low incomes are living in the PRS - numbers living in poverty in the PRS doubled in a decade. That means there are more marginal/precarious tenancies, households who are at risk of homelessness due to income shocks, welfare reforms etc.”*

Another stated that:

*“numbers living in poverty in the PRS have doubled in a decade, reflecting difficulties accessing social housing. This development arguably far more important in terms of homelessness risk...”*

A second significant change identified by participants in this research has been the growth in households with children living in the private rented sector; a finding that is consistent with academic and wider research in the field (see, for example, Cromarty and Bellis, 2017). One participant stated that:

*“Evidence from the English Housing Survey shows that the number of families in the private rented sector has risen by 20% over the past decade, while the number of households with children in the social rented sector has decreased.”*

It is likely that these two groups – low income households and households with children – are not mutually exclusive. This growth in the number of low-income households (and, to a lesser extent, in households with children) was linked by participants with a lack of access to social housing. One participant stated that:

*“Social housing has not kept pace with demand leading to higher levels of vulnerable people being housed in the PRS this group find it harder to sustain tenancies.”*

Another commented that:

*“The number of new social housing properties has fallen since 2011/12 and in 2015/16 was at its lowest level for over a decade. Combined with the impact of Right to Buy sales (there were over 13,000 in 2016/17) this means that the total level of lettings available to new tenants remain at historically low levels.”*

Several survey respondents also raised access to social housing as an issue that was driving demand for private rented property, especially as local authorities increasingly use the PRS to discharge their homelessness duties. One participant commented:



*“More social housing is needed for tenants with young families, and more protection is needed for landlords from problem tenants with mental health issues, drug problems, rent arrears and those who cause damage to property. Better employment prospects for tenants needed (we need an end to zero hours contracts and more affordable housing for those on low incomes).”*

The impact of reducing access to social housing was also identified by several interviewees, and is therefore a finding from across the various strands of our research. It is also consistent with wider research; research by the Institute of Fiscal Studies for the Joseph Rowntree Foundation found that the growth of the private rented sector “reflects falls in owner-occupation towards the top and (especially) the middle of the income distribution; and falls in social renting towards the bottom of the distribution” (Joyce, Miller and Keiller, 2017).

Indeed, Joyce, Miller and Keiller (2017) found that low income households with children were the group most negatively affected by rent to income ratios. All things being equal, the increase of numbers of low-income households, and households with children, is likely to have an upward effect on the number of households accepted as homeless from the private rented sector. Evidence from a range of sources suggests that low income households have been disproportionately affected by income changes over the past decade (Reeve et al, 2016; Joyce, Miller and Keiller, 2017).

### **Welfare changes**

There is substantive evidence, from the academic and wider literature, that the Local Housing Allowance is affecting the number of homeless households in the private rented sector. In 2008, the then Labour government introduced substantive changes to how Housing Benefit is calculated, known as the Local Housing Allowance (LHA). Under the LHA, the level of Housing Benefit payable not only takes account of the claimant’s personal and financial circumstances, but also their rent against comparable properties in their local area (not their local authority, but rather the ‘Broad Rental Market Area’ where similar properties are expected to rent for similar rents). For each of these local areas, a LHA rate is set by government for each type of property (broadly, by number of bedrooms) and this provides the maximum amount of Housing Benefit that can be paid, even if the actual rent charged is higher.

The rise in households being accepted as homeless from the private rented sector began to rise in 2009/10, shortly after the LHA regime was introduced. A number of changes were made to the Local Housing Allowance regime under the Coalition and Conservative governments. Originally, LHA rates were set at 50 per cent of rents for the local area; but this has now been reduced to the 30<sup>th</sup> percentile (and so, rates cover less of the rent for the same accommodation). Rates have also been frozen for a period of four years, and there have been some changes to how the rate is calculated for people aged between 26 and 35, and a cap on the total amount of benefit that any household can receive. Any gap between LHA rates and actual rents charged to tenants are down to tenants to meet.

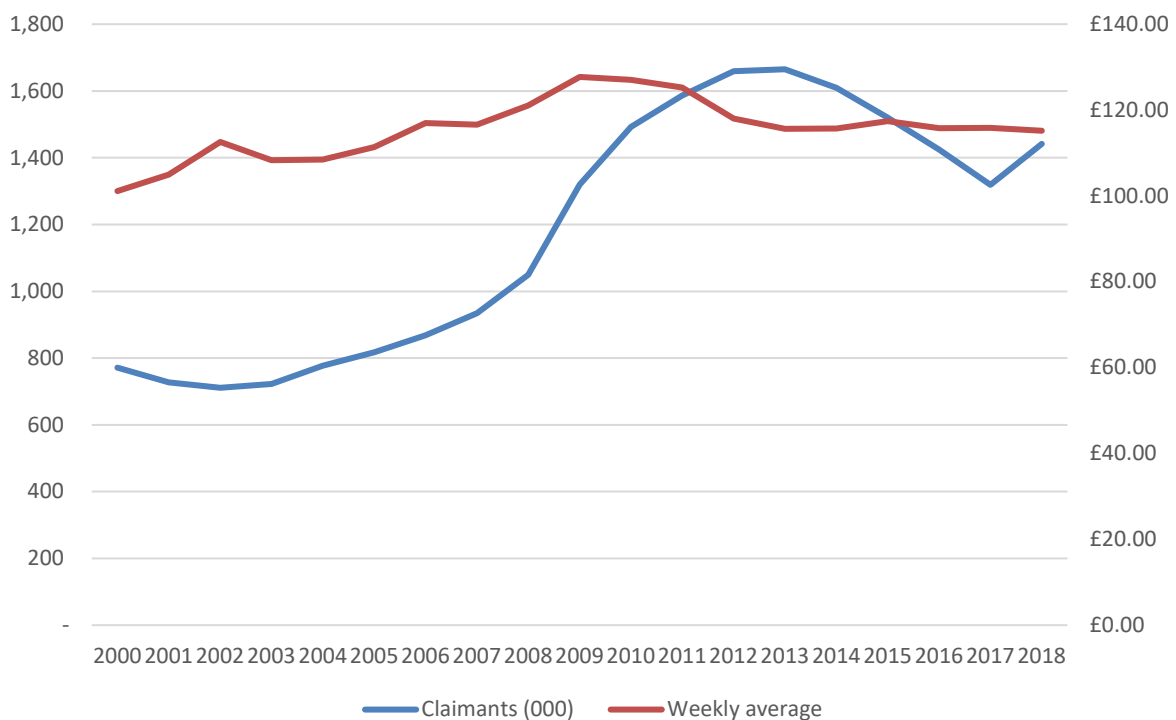
Local Housing Allowance was originally introduced to ensure fairness in the benefit system; to ensure that claimants in similar circumstances in the same area would receive similar benefit levels. It was also intended to encourage personal responsibility and choice (Wilson, 2013). The Coalition reforms were also framed in terms of fairness; fairness between working and non-working households (that





is, ensuring households on benefits could not live in accommodation that would be unaffordable to similar, working families (Beatty et al, 2014)). It was also intended to reduce the overall cost of Housing Benefit, which has grown significantly since the benefit was introduced in 1988.

The gap between LHA rates and actual rents is increasing (NAO, 2017), and now some two thirds of households covered by LHA are faced with such a gap (NAO, 2017). Evidence suggests that the reforms have reduced the average award made to private sector tenants in receipt of Housing Benefit: from £114.46 in March 2011 to £106.07 by November 2013 (Beatty et al, 2014). The overall caseload also seems to have changed; with a fall in the rate of increase, from an increase of c23,000 cases a month in 2009 to an increase of 4,200 a month in 2012 (Beatty et al, 2014). In central London, the number of cases actually declined, with 14 per cent fewer cases over the period. Research suggests that benefit claimants tried a number of different ways to manage the reduction in their benefits, including negotiating with their landlords, moving to cheaper accommodation, borrowing and reducing day to day spending (Beatty et al, 2014). The number of private sector housing benefit claimants grew each year between 2002 and 2013; more than doubling over that period, with a substantial increase between 2008/9 and 2009/10. The number has dropped slightly since 2013, but is still higher than at any point before 2010 (DWP, 2018). The average weekly claim also grew each year until it peaked in 2009/10 at £127.71 per week (in 2018 prices). It then fell slightly over the proceeding couple of years – to £127.07 (in 2018 prices) in 2010/11 and £125.24 (in 2018 prices) in 2011/12, before falling more substantially to £115.16 in 2018. Figure 8 illustrates the changes in private rented sector claimant numbers and average weekly claims over the period since 2000. (Underlying data source: DWP, 2018).



**Figure 8: Number of private rented sector Housing Benefit claimants and average weekly claim rate since 2000**



Before the reforms, tenants in high demand and high rent areas faced gaps between their actual rents and the level of rent covered by Housing Benefits. These gaps have increased following the reforms (NAO, 2017). This is leading to rent arrears, and in turn to tenancy terminations. In some high demand areas, landlords are easily able to find alternative tenants who are able to pay their rent in full. In his recent book, *Broken Benefits*, Sam Royston states that “LHA rates no longer bear any relationship to typical local rents”, and concluded that even if benefits are only source of income, HB is insufficient to cover cost of family’s rent. The National Audit Office (2017) recently stated that the welfare changes are partly responsible for the increase in homelessness.

Our research has found further evidence that the Local Housing Allowance is having a significant effect on the number of homeless households from the private rented sector. The LHA has a ‘double whammy’ effect that is driving homelessness. This double whammy means that; first, tenants in receipt of Housing Benefit are more likely other tenants to have their tenancy ended by their landlord; and, secondly, these households are finding it increasingly difficult to find suitable, affordable accommodation in the private rented sector.

The landlords’ survey conducted as part of this research asked a series of questions around housing benefit, around the changes in the gap between rents and LHA rates over the past twelve months and expectations of changes in the next twelve months, and whether landlords were more or less likely to rent to housing benefit recipients as a result of these changes. This survey generated a number of findings about the effects of LHA on landlords’ behaviour, and complements existing research on the effects of the LHA on tenants’ behaviour. These findings were subsequently tested with a range of ‘expert’ stakeholders through the Delphi survey.

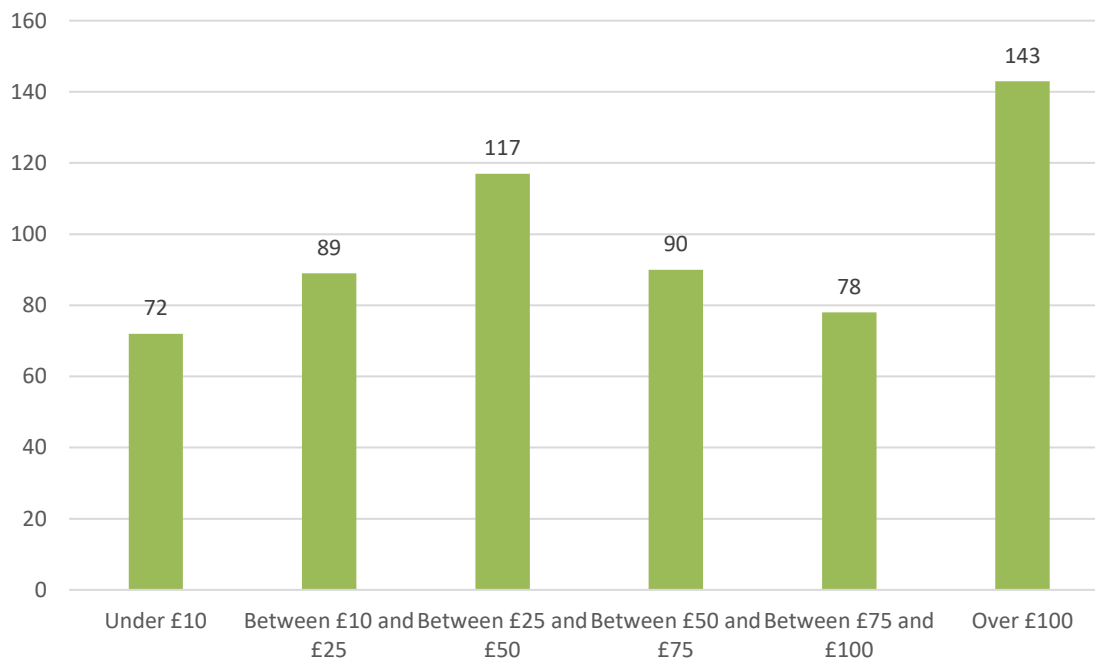
There is substantive evidence, reported in section two of this report, that the overwhelming majority of tenancies are ended by tenants and not landlords. However, the likelihood that a tenancy is ended by a landlord is not equally distributed across all tenants, and some tenants are more likely to have their tenancy ended than others. Our research has found that tenants in receipt of Housing Benefit are more likely to have their tenancies ended by their landlords than other tenants. Findings from our survey suggest that landlords operating in the housing benefit sector are much less likely to renew tenancies than landlords in other markets. We found that the odds of a landlord renewing a tenancy were 1.33 times higher compared to a landlord ending a tenancy (under notice). However, the odds of being renewed versus evicted for all other types of tenants were substantially higher at 1.82. So, while landlords operating in the housing benefit market are still more likely to renew than to end a tenancy, they are less likely to renew than landlords operating in other markets. Of course, these findings only provide a snapshot of the year to July 2017. As such, the findings presented here do not provide insight into whether the introduction of the Local Housing Allowance, or subsequent changes in how LHA rates compared to market rents, has made Housing Benefit tenants more or less likely over time to have their tenancy ended by their landlords, or more or less likely to then become homeless. It is worth noting, however, that a decade ago, the churn rate for households in receipt of Housing Benefit was typically much lower than in the wider private rented sector. Rugg and Rhodes (2008) cite data from the Survey of English Housing suggesting that some 34 per cent of PRS tenants in receipt of Housing Benefit have stayed in their tenancy for five years or more, compared to 14 per cent for those not in receipt of this benefit.



We also asked whether landlords knew of any tenants who became homeless following the end of their tenancy, and how many households were affected. Overall, only a small number of landlords answered that they knew of tenants becoming homeless ( $N=306$ ), and the number of households affected was small. However, landlords operating in the housing benefit market were six times more likely to know that a tenant had become homeless following the end of their tenancy than landlords who did not operate in this sub-market.

Our research has found that the gap between LHA rates and rents is large, is expected to grow in the future, and that this and other changes affecting the private rented sector are discouraging landlords from letting to tenants in receipt of Housing Benefit. Our findings complement wider research in the field, including Reeve et al (2016), Joyce, Miller and Keiller (2017), Beatty et al (2014), Cromarty and Bellis (2017), and Simcock (2017). Simcock (2017), reporting on a survey of landlords around welfare reform and renting, found that thirty eight per cent of landlords who responded to their survey had experienced rent arrears with tenants in receipt of Universal Credit, and the median amount owed in rent was £1150.

Firstly, we asked landlords to estimate the current monthly gap between LHA rates and market rents. The question asked landlords to focus on the region that was most important to them in terms of their rentals. A total of  $N=589$  landlords answered this question. The most common response  $N=143/589$  was that the gap was more than £100 per month, with the least common response being under £10 per month ( $N=72/589$ ). Figure 9 provides details on the answers provided by landlords.



**Figure 9: Landlords report gap between LHA rents and market rents, landlords' survey (n=589 respondents)**



Some  $N=262$  respondents to our landlords' survey commented on questions around rental prices and housing benefit. Many of those commented that they would not let to tenants in receipt of Housing Benefits, giving reasons such as delays in payment, direct payments, and the risks posed by the gap between the LHA rates and rents to their income and ability to meet their costs. One respondent commented:

*"Tenants on housing benefit generally are poor and cannot afford to top up rents - we tend not to enforce this but we won't take new tenants on housing benefit"*

Another stated that:

*"We have sadly moved away from letting to Housing Benefit tenants as they have struggled to make any top-up payments (and the gap is now over £500/month for a three bedroom house), and with no support or accountability or deposits tenants have been destroying the property which we have had to pay to repair."*

One Delphi participant commented that:

*"Research is demonstrating that 'top ups' are growing, and are now apparent in many different housing markets (not just those of SE England). It should also be noted that the gap is typically greater at the SAR and 1 bed rate."*

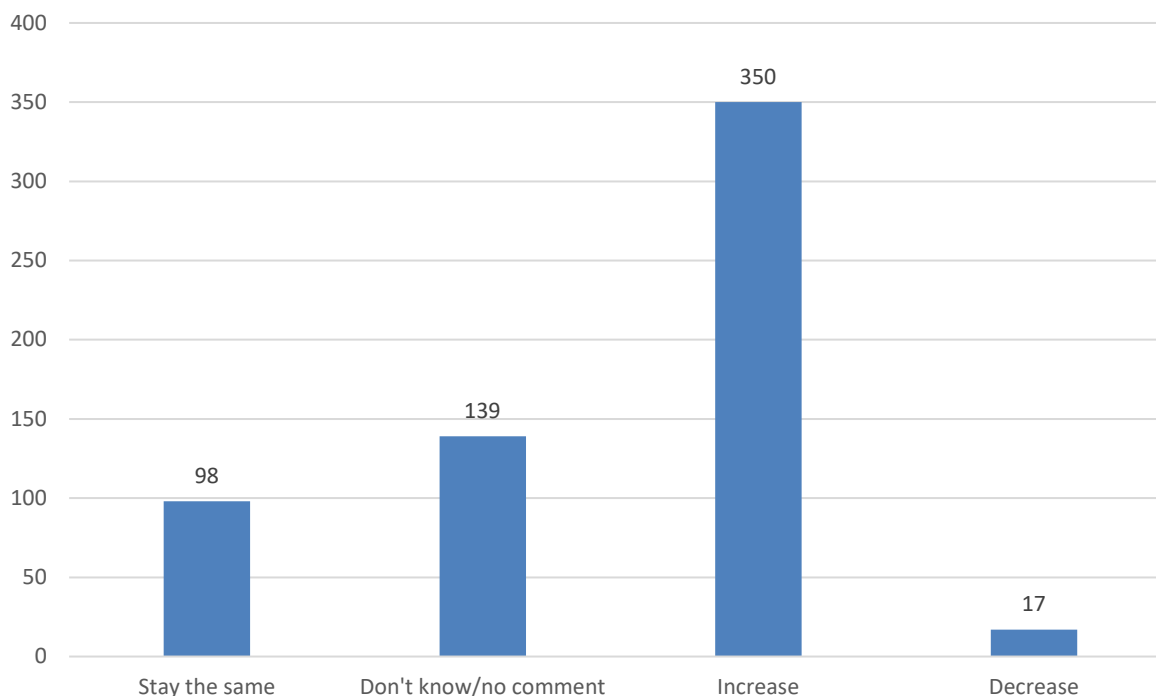
Another Delphi participant commented:

*"the gap will obviously increase the numbers being accepted as statutorily homeless due to the end of an AST. We should be clear this is probably the tip of the iceberg - there's quite a hurdle to be accepted as statutorily homeless...."*

This finding is consistent with other research in this area. For example, Joyce, Miller and Keiller (2017) state that:

*"Looking just at low-income renters in the private sector (those in the bottom 40% of the income distribution in each region), the fraction whose housing benefit does not cover all of their rent has increased quite steadily, from 74% in the mid 1990s to 90% in the mid 2010s. The biggest change occurred among low-income working-age households with children, where it rose from 63% to 90% over the same period."*

Landlords involved in this research expect the gap between LHA rates and market rents to grow further. We asked 'Over the next twelve months, do you think the gap between Local Housing Allowance rates and the rents you could charge will:', giving participants four possible responses. Figure 10 outlines the answers provided to this question.



**Figure 10: Landlords' expectations of changes in gap between LHA rates and market rents (n=604 respondents)**

One participant in this research commented:

*“The LHA is now a discredited value, as it has lost any connection, even using tortuous maths, with the market rent and as explained elsewhere can actually influence market rents in areas of low employment and low demand.”*

Another put it more bluntly:

*“You can't reduce LHA from 50th to 30th percentile, then uprate it beneath rents, then freeze it altogether, without this having some impact on tenants ability to afford accommodation - existing or alternative.”*

When asked whether future benefit changes would make it more or less likely that they would let to tenants in receipt of housing benefit, over two thirds (69 per cent of n=540 respondents) stated they would be less likely compared to only one per cent who would be more likely. Several respondents commented on the issue of direct payments, as well as on Universal Credit rollout. This finding is consistent with the wider literature in the field: Reeve et al (2016) found that two thirds of landlords reported that direct payment of Housing Benefit was making them less willing to rent to homeless people. Reeve et al also found that the rollout of Universal Credit is causing major anxiety for landlords operating in those markets. Similarly, Cole et al (2016) found that a majority of landlords stated that because of the LHA reforms they were no longer willing to rent to tenants under the age of 35 who were only eligible for Shared Accommodation Rate. Cromarty and Bellis (2017) report on research by Sheffield Hallam University and commissioned by Crisis, which found that government policy is



compounding rather than mitigating difficulties faced by homeless people and benefit claimants trying to enter the PRS. Royston (2017) reports that the government's evaluation of LHA reforms found that some landlords would not let to Housing Benefit tenants because of experiences/expectations of rent arrears because of shortfalls between LHA and rent. Nearly half of all landlords renting to people on LHA said that they had seen an increase in rent arrears and 20 per cent said that have taken action to evict, not renew or end tenancies because of the impact of the LHA reforms. One participant in our research commented:

*"The supply will reduce, firstly as LHA covers a smaller proportion of the market; but secondly as landlords become less willing to rent to LHA dependent households. So there's a natural contraction as a result of policy action, and an additional contraction due to landlord attitudes."*

### **Other findings**

Over and above the three broad explanations for the rise in homelessness from the private rented sector considered above, our research suggests a number of wider findings around the homelessness from the private rented sector, and central and local government policy responses to this.

A common theme that emerges from this research is that policy and wider debate about the private rented sector is London-centric, and is made without considering the differences between different local and regional markets in England. Several participants commented that the nuanced differences between tenant niches and local areas were not well understood by policy makers. One respondent to the landlords' survey stated (in relation to the niches within the private rented sector identified by Rugg and Rhodes) that:

*"I am a big fan of the Rugg Report and disappointed that successive governments have not built on the good work done a decade ago by Rugg and Rhodes...."*

Several participants suggested that there needs to be more research and data around the niches and sub-markets within the private rented sector. In particular, it is not known whether some households are experiencing multiple episodes of homelessness and placement in the private rented sector. More research is needed to understand whether there is 'revolving door' homelessness from the private rented sector. It was also stated that a more localised and nuanced policy framework was needed.

Finally, several participants commented about the importance of the relationship between local authorities and the private rented sector in their area. Some of these identified areas of good practice by their local authorities, such as providing bonds, ongoing tenancy sustainment support, or using grants to bring properties back into use/to a decent standard with long-term low-income tenancy requirements. Others were more critical; local authorities with negative views of their local private rented sector, and issues with homelessness applications (before the introduction of the Homelessness Reduction Act).



## 5. IMPLICATIONS, RECOMMENDATIONS AND CONCLUSIONS

### 5.1 INTRODUCTION

Homelessness has a devastating effect on those who experience it, and is costly to the public purse. Homelessness acceptances have been increasing since 2009. The most significant growth has been from the private rented sector. Yet, while there has been some excellent research published recently about particular aspects of this growth, there remain a number of gaps in our understanding. Knowing what is driving recent increases in homelessness from the private rented sector is key to understanding what policy and other changes are necessary to address this problem.

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This research has found that the introduction in 2008 of the Local Housing Allowance (LHA) as a means of calculating Housing Benefit payments, and subsequent changes to LHA rates, is a ‘double whammy’ for some households – increasing the likelihood that their tenancy will be ended by their landlord, and making it difficult for them to find alternative, affordable accommodation. Affordability does not just affect those on Housing Benefit; reducing access to social housing, competition for lower cost housing, and a period of stagnant wages are all having an effect.

Much policy and wider debate about the private rented sector is London-centric. There is no single private rented sector, nor will a one-size-fits-all policy response work. In particular, some local authorities could do more to work actively and positively with their local private rented sector, and more support is needed to households who are placed in the private rented sector by local authorities discharging their homelessness duties.

### 5.2 IMPLICATIONS AND RECOMMENDATIONS

There is now a body of evidence, from this research and from a number of other sources, that the operation of the Local Housing Allowance in its current form is driving increasing homelessness from the private rented sector. This research has found that this increase in homelessness is associated with the introduction of the Local Housing Allowance (the method used to determine how much Housing Benefit will be paid to eligible households) in 2008. However, changes made to the rates payable under the Local Housing Allowance since 2011 have significantly impacted on levels of homelessness.

The Local Housing Allowance acts as a strong system of rent control, and acts to the detriment of tenants (Rugg and Rhodes, 2018). Current Local Housing Allowance rates have a double whammy effect – both increasing the likelihood that tenancies will be ended, and reducing the chances of affected households finding suitable, affordable, alternative accommodation. It is this ‘double whammy’ effect that is driving homelessness from the private rented sector. Evidence suggests that ninety per cent of working age households with children face a gap between their LHA rates and the rent they are paying; this is a group increasingly dependent on the private rented sector for accommodation. It is also the case that working, low income households are being affected.



The gap between Local Housing Allowance rates and market rents is significant, and is growing, suggesting that the problem will only get worse. Evidence from this and wider research suggests that landlords who currently rent to Housing Benefit tenants are concerned about the effects on planned tax and benefit changes and are looking to move out of this sector. Of particular concerns is the roll out of Universal Credit, both because of the frequency and direct payment arrangements, but also because of the delays being experienced in dealing with claims.

***Policy recommendation***

Given the costs of dealing with this homelessness – costs to landlords, costs to local authorities, costs to the wider public purse, and costs to those experiencing homelessness – we strongly recommend that a review of the design and operation of the Local Housing Allowance should be undertaken.

The relationship between local authorities and their local private rented sector can be key to preventing homelessness from the private rented sector, and for minimising the impact where someone does lose their home. There are examples of good practice and of effective relationships. A number of local authorities have developed ‘help to rent’ schemes, which can provide a mix of financial and wider support services (Rugg and Rhodes, 2018). But some local authorities need to think differently about their engagement with private landlords, about their use of the private rented sector to discharge their homelessness duties, and about the need to provide support to tenants (budgeting and tenancy sustainment skills) after they have been placed in the private rented sector.

***Policy recommendation***

Local authorities should consider the role played by the private rented sector in their areas, particularly in terms of low-income households. They should develop strategies for actively and positively engaging with private landlords, using their enforcement and grant making powers to encourage supply at LHA rates. Local authorities without ‘help to rent’ services should consider whether and how they might implement such help.

***Practice recommendation***

Local authorities should review their ‘help to rent’ services, assessing whether these need to be targeted and personalized to the needs of individual tenants.

The design and operation of the Local Housing Allowance does not account for all of the increase in numbers of homeless households from the private rented sector. Rent: income affordability, competition for accommodation, changes in and lack of access to social housing, and wider policy changes are having a disproportionately negative effect on the lower end of the market in some parts of the country. Despite this, evidence suggests that most government policy is targeted at middle age/middle income renter affordability (Rugg and Rhodes, 2018).





Security of tenure is not a cause of the growing homelessness from the private rented sector, and changes to the minimum length of tenancies or to Section 21 terminations (so called ‘no fault’ terminations) are unlikely to reduce homelessness – indeed, this might further restrict the supply of accommodation at the lower end of the market. More work is needed on the impact of the government’s proposed three-year tenancies, particularly on properties available to households in the lower income quintiles, before changes are made to tenancy lengths. It would be perverse if, rather than protecting low income private tenants, changes to tenancy lengths instead lead to more homelessness.

**Research recommendation**

There needs to be more research on the potential impact of the proposed three-year tenancies, taking account of regional and tenant sub-market differences within the private rented sector. Local authorities (particularly in Housing Benefit dominated areas) should consider undertaking such research in their local housing markets.

The availability of ‘no fault’ tenancy terminations under Section 21 of the Housing Act 1988 is the subject of much conjecture, but limited evidence. Some in the sector assume that landlords use these provisions to end tenancies on a regular basis, though the costs involved, and evidence of risk-avoiding behavior by landlords, data that suggest that ninety per cent of tenancies are ended by tenants, and increasing duration of tenancies, raises questions about this assumption. There is a significant gap in our knowledge around why landlords use Section 21 notices, a gap which our research has sought to address. But more research is needed on why Section 21 notices are used, and about the potential effect of making changes to this aspect of tenure security.

**Research recommendation**

We recommend that research is undertaken on how and why landlords use s21 notices, and on the implications of restricting ‘no fault’ terminations.

Finally, policy and wider debate on homelessness from the private rented sector tends to be London-centric. A more nuanced, locally driven approach is necessary. In particular, some local authorities could do more to actively and positively engage with their local private rented sector.



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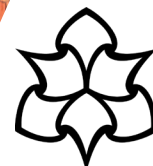
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