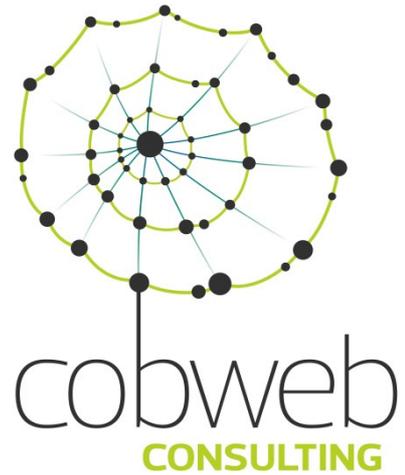




University
of Glasgow



The private rented sector in South East London and Lambeth

A study for South East London Housing Partnership and LB Lambeth

Main report

December 2014

South East London

housing partnership



Lambeth

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Summaries of key statistics from individual boroughs are published as a separate report

Executive summary

Background

In March 2014, South East London Housing Partnership (SELHP) and LB Lambeth commissioned Cobweb Consulting and Nigel Sprigings of the University of Glasgow, in association with Perspective Research Services Ltd to undertake a study of the private rented sector (PRS) in the area.

The aim of the research was threefold:

- To complement the South East London Strategic Housing Market Assessment (SHMA) that had been undertaken recently, by providing evidence and analysis of the PRS that would not be available or achievable through the 'desk top' SHMA.
- To provide some of the evidence base that boroughs will need to draw on if considering introduction of licensing in the PRS.
- To enable boroughs to better target interventions in the PRS, in terms of both enforcement and procurement (e.g. for use as temporary accommodation or for the prevention of homelessness).

The underlying fundamental question to be addressed through the research was:

"What is the capacity of the private rented sector in South East London and Lambeth to meet the housing requirements of households who would otherwise be accommodated in the social housing sector?"

Study approach

A three stage approach was adopted:

- Review and analysis of policy issues, evidence and of contextual data illustrating the nature of the PRS in the study area, both from central sources such as the Census 2011 and English Housing Survey, and administrative data provided by the local authorities
- A survey of residents, based on 1165 face-to-face interviews with tenants in properties where rents were below the relevant lower quartile figure for the borough and number of bedrooms (except for residents in Houses in Multiple Occupation, where no limit was set)
- Engagement with providers, comprising 43 interviews with landlords and lettings agents, attendance at local landlord forums, a web-survey and mystery shopping trips to local lettings agents

Review of policy issues

After a long period of decline, over the last fifteen years the private rented sector has revived as a significant tenure for many households. In 2011-12 the proportion of private tenants in London rose above the proportion of social rented tenants for the first time since the mid-1960s. The sector is complex, and a seminal study by Rugg and Rhodes (2008) identified a range of sub-sectors operating within the tenure. Access to Buy-to-Let mortgages, the recycling of Right to Buy properties into the sector, the expansion of the 'cottage' industry of small landlords, the impact of the credit crunch, the recession, and the rise of both the reluctant landlord and reluctant tenant as a response to a dysfunctional owner-occupier market have characterised the sector in London in recent years.

The role the PRS plays in delivering new housing supply has been an issue for successive governments, especially how to secure institutional investment in the sector. This is related to the policy aim of 'professionalising' the sector, which in turn links in to improving conditions and management standards through regulation. Scotland has introduced compulsory registration of all landlords, and in England a number of authorities have extended licencing arrangements. While property condition has been improving for some time, it is still worse than in other sectors.

There is also a debate around security of tenure and, currently, around 'retaliatory eviction', where landlords are alleged to have taken measures to evict tenants who complain about conditions (though there has been little systematic research into this area). Some commentators and politicians have argued that fixed, longer terms tenancies should be introduced to improve security; others are equally convinced that such intervention in the market would reduce supply).

The role the sector has played in relation to homelessness has been ambiguous. Although it has proved to be a valuable source of temporary accommodation through leasing and management arrangements since the 1980's, as an alternative to Bed and Breakfast, costs have risen substantially, and local authorities are finding it increasingly difficult to access stock – especially in London. Government policy has encouraged the sector to be a source of permanent rehousing for priority homeless households as well. However, the withdrawal by landlords from renting at the lower end of the market, as a response to both welfare reform and increasing demand from higher income groups, is leading to the PRS becoming a cause of homelessness as well as a solution to it.

Nonetheless, the size of the sector is likely to continue to expand, and will need to continue to play an important role in meeting demand from all its sub-sectors, including those on lower incomes, and those who otherwise would need to be supported by local authorities, from static or declining resources.

Summary of resident survey findings

Residence and tenancy

- Although most tenants stay in one property for more than one year, more than 80% have agreements which last for a year at the most so will need to renew them frequently.

Household size and structure

- 28% households were single adults and another 18% were couples without children. Lone parents made up 10%, and couples with children made up 30% of households. At least 40% households contained children.
- 15% of households were of 'other' family or alternative composition – this would include multi-adult households, with or without children.
- The incidence of residents aged 65 or over was very low at 3% of households.

Houses in multiple occupation

- One in four of the properties surveyed were HMOs with higher proportions in Lambeth and Southwark. Most properties had two or three households but there could be as many as ten. While half households in HMOs were single people, at least 13% contained children
- One third of those living in HMOs use all of their habitable rooms as bedrooms and 4% share bedrooms with other households.
- There are indications that the HMO market is expanding faster than the self-contained market.
- 13% of HMO residents are concerned about overcrowding; this should be considered in the context of the expanding HMO market
- There is a 'top-end' of better quality HMOs that command higher rents, contrasting with a concentration of poorer conditions at the cheaper end.

Opinions of the property and surrounding area

- Around 70% rated both quality and conditions as 'good' or 'very good' while 5% expressed dissatisfaction. Those living in HMOs have similar opinions to those living in self-contained accommodation, especially those paying higher rents. HMO residents paying lower rents were more dissatisfied.

- Where there are problems with quality and condition they are most likely to be due to damp and cold or a generally poor condition and state of repair.
- Two out of three seem satisfied with the quality of their local environment and it is only a small percentage (7%) who regard it critically. Rubbish and litter are the main subjects of criticism.
- The most likely potential Category 1 hazards were damp and excess cold, followed by poor security and overcrowding. Some 13% of HMOs felt the last was a severe problem. This should be considered in the context of findings from the landlord interviews that letting out of rooms is an area of rapid growth.

Anti-social behaviour

- It was found that 14% of tenants had personal experience of anti-social behaviour in the immediate area around their home in the previous year. The most likely problems were noise nuisance, drunken behaviour and vandalism or graffiti.

Property management

- Some 72% of tenants deal directly with their landlord rather than through an agent (27%). The figure is higher – 77% - for those in HMOs.
- Around 70% of tenants are satisfied with the way their properties are managed and maintained, the weakest aspect being the response to requests for repairs. However, opinions of landlords are better than those of agents who are not seen to be as helpful or responsive, and have a poorer management performance. For example 72% of those whose homes were managed by landlords were satisfied with repairs responsiveness, compared to 62% whose homes were managed by agents.
- Only a small proportion, fewer than 10%, had contacted their Council about landlord problems, overcrowding or re-housing
- In terms of costs incurred in securing a property, it seems that two thirds of tenants were required to pay a deposit and 44% rent in advance. Around one in four also said that they paid agents fees. The latter ranged from £50 to £1,300. On average, agents' fees were £285; deposits were £974; and rent in advance was £971

Rent, income and benefits

- Average monthly rents for self-contained properties ranged from £792 (1 bed), £953 (2 bed), £1,115 (3 bed) to £1,293 (4 bed). HMO rents are generally 20% to 30% lower.
- A total of 24% were receiving Housing Benefit, usually to cover part of their rent rather than all of it. This reflects the relatively high level of employment among respondents and possibly the difficulty of those on full HB have in accessing the sector.

Property intentions and history

- The largest single group – 41% - expected their next tenancy to be in the PRS. 28% expected to own their own homes; and 19% expected to access social renting.
- In terms of where they had lived previously, one in four had moved into London from elsewhere. Within London there is substantial movement between boroughs.
- Previous tenure was usually (78%) another private rented property but 11% had moved out of a family home into independent accommodation.
- Some 22% are likely to move in the next year including 14% who are 'very likely' to do so. The main reasons for moving are to obtain a larger home or reduce housing costs.

Profile data

- Profile data shows that those in private rented accommodation tend to be younger with a very small number over retirement age. Almost 60% were from White ethnic groups and over 70% were in employment. Those with health problems or disability were only 8% of the sample.
- Almost half of the sample (44%) have a gross income below £20,800 per annum or £400 per week. 29% earn between £20,800 and £31,200 per annum. 27% earn over £31,200 per annum
- In total, 74% were working full (58%) or part (16%) time. An additional 3% were seeking work, 6% were students, and 15% were outside the labour market for other reasons (2% retired, 10% at home looking after the family, 3% with disability or ill-health).

Sub-sector categories: the Rugg and Rhodes (2008) classification

- We suggest that on the evidence of the survey a new category of 'working poor' should be added to the existing classification system, to account for low income, working households who primarily are not benefit dependent

Engagement with providers

In common with the national pattern the majority of landlords and agents interviewed or surveyed operated at the smaller-scale end of the spectrum, though interviews with larger-scale operators were included. The principal finding related to the research questions was that although many landlords are now reluctant to let to tenants on benefits, a substantial proportion were still willing to do so; and that stability of income stream was, in some instances, as important as a high level of rental return.

Key points emerging were:

- Confidence about the continued expansion of the PRS in the study area; but concern that as acquisition costs increased, it was 'getting harder to make money in London'.
- Two parallel sets of rent policy: higher rents to young professionals, with relatively short lets, where rents were increased as tenancies ended to match market prices; and lower rent, longer term lettings, that may be at or close to LHA rates.
- In the context of welfare reform, the unlikelihood of reducing rents for tenants who lost benefits (and therefore, inevitably, the end of many such tenancies); some concern about direct payments, but more concern about monthly payments under Universal Credit.
- The dominance of the rooms market (in HMOs) as opposed to the market for self-contained flats, especially at LHA levels.
- Some willingness to work with local authorities to meet local housing needs. The key factor was financial, in terms of grants, leasing arrangements, rent guarantees and the like. But there were other factors on which greater engagement was conditional:
 - Increased 'professionalism' among local authorities in the way they worked with the sector
 - Greater recognition of the business needs of landlords, and a response to them
 - A 'light touch' approach to regulation, and a distaste for extending licencing
 - Better communication mechanisms, including enhanced roles for forums

We outlined three potential scenarios on how the sector could change over time, and explored the factors that could bring about the following:

- Scenario 1: Revival of interest in the low income household market
- Scenario 2: Acceleration of landlord withdrawal from the low income market
- Scenario 3: Gradual withering away of the low income market

Our conclusion was that the third scenario was the most likely, all other things being equal – but nonetheless there was a strong case for study area authorities to work together strategically to slow down or prevent this outcome.

Conclusions

Our principal conclusion is that, in response to the key research question

"What is the capacity of the private rented sector in South East London and Lambeth to meet the housing requirements of households who would otherwise be accommodated in the social housing sector?"

... we would suggest that while capacity is difficult to quantify, and recognising that the sector is facing long-term attrition, it is clear that some role does still exist and will continue to exist; and that there are measures that can be taken to help retain this sector of the PRS.

The following are the central findings that relate to this and associated questions:

The growth of the working poor

Perhaps the strongest indicator of how the sector has changed is the identification of the sub-sector we have termed the 'working poor', who make up approaching a third of those for whom we have income data. This group is not really recognised in the Rugg and Rhodes (2008) classification of sub-markets, nor have they been considered in policy terms. Only a quarter of these claim housing benefit (and the vast majority of those only claim partial housing benefit), and the principal risk to their housing futures in the PRS are their low incomes. A significant proportion of this group in the study area are from BAME backgrounds.

The impact of changes to the benefit regime

In terms of welfare reform's effect on landlord behaviour, as discussed it has had a detrimental impact – but perhaps not to the scale and speed that some commentators forecast. Nonetheless, we suggest that continuing attrition of the LHA-level sub-sector will occur as landlords relet properties as LHA tenants leave. The role of local authorities will be to work with those landlords that are willing to continue to engage in the lower quartile rent sub-sector of the market to reduce the rate of attrition and support those who remain in the sub-sector.

The prevalence of children

At least 40% of households surveyed in the study area had one or more children under sixteen. This group is particularly marginal in terms of income and employment, and vulnerable to welfare reform and landlord disengagement, with a potentially dramatic impact on local authority homelessness, rehousing and social services if landlords decide to terminate their tenancies, and relet to different, higher-earning groups.

There is a mixed pattern around conditions and management

Around 70% survey respondents rated condition and quality as 'good' or 'very good', below the national average of 84% (though it should be remembered that the national figure covers the full range of stock, not just that with lower quartile rents). Around 5% of survey respondents rated condition and quality as 'poor' or very 'poor'. There was some evidence of potential Category 1 HHSRS hazards, primarily around dampness and the need for modernisation, rather than security or dangerous electrical / gas issues. However, there is evidence of a concentration of poorer standards among those receiving Housing Benefit, and those whose homes are managed by agents rather than directly by landlords. There are also indications that the cheaper end of the HMO market also experiences worse conditions than the more expensive end. Evidence from local authority enforcement teams also indicates there are a number of properties with substantial problems, and enforcement activity appears to have increased over recent years. Thus, if authorities are looking to focus their intervention and enforcement activities, concentrating on the HB, managing agent and lower-rent HMOs sub-sectors would be indicated.

The scarcity of self-contained accommodation on the market

One of the more surprising findings from work on the landlord / lettings agent side of the study, was the scarcity of self-contained flats on the market. There are indications that lettings agents are leaving details of self-contained properties on web-sites and in their offices after they have been let,

to attract a waiting list of potential tenants. But it seems apparent that the HMO sub-sector is growing faster than the self-contained market

The rise of the HMO and room lettings

Perhaps counter-intuitively, overall HMO residents were slightly more favourably inclined to the condition, quality and local environments of their homes than those in self-contained accommodation. We suggest that more 'young professionals' are prepared to live in HMOs, and their higher rental ability can command better conditions. So, a revised image of the HMO is of an expanding sub-sector catering to better-off, younger singles, and providing a reasonable standard of accommodation – rather than the more-popularly accepted image of a sub-sector bordering on the slum definition. However, there are poorer conditions in some HMOs – these are likely to be concentrated at the cheaper end of the market. An additional issue is overcrowding – some 13% of HMO respondents are concerned about this.

Issues around enforcement and licensing

The majority of landlord views were firmly against extending licencing arrangements. In terms of the evidence for poor conditions, anti-social behaviour, and health and safety hazards in HMOs and elsewhere, there appears to be little systemic mismanagement or performance failure. The exception here is perhaps the performance of managing agents, and (as noted above) in lettings to those on HB. Local authority enforcement teams have identified numbers of poorer condition properties and management standards. We therefore suggest a two level approach by authorities:

- Light touch for majority of reasonable players
- Continuation of existing enforcement measures, against worst offenders, perhaps focussing on the HB market and properties managed by agents, and known trouble hotspots

We do not believe that there are strong pointers towards the extension of wide-scale regulatory licencing arrangements, on the evidence of this study.

Two diverging markets: high income/high turnover v. steady stream

We have already touched on the future of the LHA market in this section, but we also need to understand it in the context of other markets. The evidence from both the landlord interviews and web survey is that there are two prime business models or rent policies in operation:

- ***High income / high turnover.*** There are landlords and lettings agents who are focussing on earners, and whose policies are generally to increase rents when a tenant turns over. This is likely to be above LHA levels, and therefore be focusing on those in employment, some of who may be the 'working poor' (who will be paying up to 70% of their incomes in rent); and others who will be in the 'young professionals' or other higher-earning subsectors.
- ***Steady stream.*** Then there is another sub-sector, focussed on longer-term, 'reliable' tenants, who may be paying rents at or close to LHA levels with whom landlords will have built up relations over a longer term. These may or may not be claiming HB, but the disincentive for their landlords to end the tenancies is more to do with the trouble and expense (and risk) of finding new tenants, than the level of the income stream.

Engaging landlords

In summary, there needs to be a combination of strategic engagement and practical support. While some authorities are operating or planning social lettings agencies (packages of services provided to landlords to encourage good practice and access for local authority nominees) there may be further opportunities to offer focussed and professional maintenance and property management services to support landlords to remain in the lower-income sub-sector.

The starting point for this is better and more consistent use of the existing landlord forums (or their creation if absent), and an open approach to listening to landlords' own suggestions. A cross-study area forum was suggested, given that landlords operate across borough boundaries, and mechanisms to enable landlords currently working with low income tenants share their (positive) experience of this market with others.

As noted, in the views of landlords 'it is getting harder to make money' in the London PRS market; and therefore all local authority engagement needs to be underpinned by the question 'what will work to support the landlord's business?'. If options to provide financial incentives, in the shape of grants, loans, rental and void guarantee schemes, Discretionary Housing Payments and the like are available, all well and good. But if these financial tools are not available, focussing on improving the business operational environment within which landlords work is necessary.

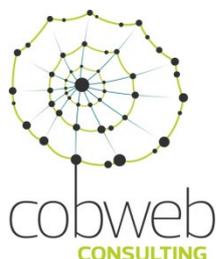
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November 2014



ONE: Introduction

Background

In March 2014, South East London Housing Partnership (SELHP) and LB Lambeth commissioned Cobweb Consulting and Nigel Sprigings of the University of Glasgow, in association with Perspective Research Services Ltd to undertake a study of the private rented sector (PRS) in the area.

The aim of the research was threefold:

- To complement the South East London Strategic Housing Market Assessment (SHMA) that had been undertaken recently, by providing evidence and analysis of the PRS that would not be available or achievable through the 'desk top' SHMA.
- To provide some of the evidence base that boroughs will need to draw on if considering introduction of licensing in the PRS.
- To enable boroughs to better target interventions in the PRS, in terms of both enforcement and procurement (e.g. for use as temporary accommodation or for the prevention of homelessness).

The underlying fundamental question to be addressed through the research was:

“What is the capacity of the private rented sector in South East London and Lambeth to meet the housing requirements of households who would otherwise be accommodated in the social housing sector?”

The study approach

A three stage approach to the project was agreed and adopted.

Stage 1: Survey of residents

First, a sample survey of PRS residents was designed and undertaken. 1165 households living in privately rented accommodation in the five boroughs of the South East London Housing Partnership – Bexley, Bromley, Greenwich, Lewisham and Southwark – and in Lambeth were interviewed in a door-to-door survey using a structured questionnaire (appendix 2). It was required that all residents paid a rent below the relevant lower quartile rent figure relevant for the borough and number of bedrooms, to reflect the objective of seeing how well the PRS is able to meet those that might otherwise require (or seek) social housing. The exception was where properties were identified as Houses in Multiple Occupation (HMOs) when no limit was set on rent levels. Fieldwork was conducted in May and June 2014 by Perspective Research Services Ltd. More detail on the methodology adopted is in section 3.

Stage 2: Engagement with providers

The second stage was engagement with landlords and lettings agents. There were several elements to this:

- Telephone or face-to-face interviews with 16 landlords and 27 lettings agents, using an agreed topic guide
- Attendance at local landlord forums, and discussions with landlords at those forums

- A web-based survey of landlords using a structured questionnaire, based on e-mail contacts supplied by authorities and collected at the forums
- A series of 'mystery shopping' visits to local lettings agents

Stage 3: Data analysis

The third stage was review of and analysis of data illustrating the broader nature of the PRS in South East London and Lambeth, and mapping of relevant material where possible. The principle data source examined was the 2011 Census, but we also used the English Housing Survey, data from the SE London SHMA, and administrative data from the authorities, including Housing Benefit, HMO and anti-social behaviour data.

In terms of the structure of this report, we have begun with the results of the data analysis and review, as this helps to contextualise other elements of the research.

TWO: Review of evidence and policy

This element of the research comprised a desktop review of evidence and policy on the PRS in South East London and Lambeth, and mapping of relevant material where possible. The principal data sources examined were the 2011 Census, the English Housing Survey used at regional (London) level, data from the South East London SHMA, the South East London Housing Partnership Housing Market Bulletin drawing on Hometrack, and administrative data from the six boroughs, mainly indicating the receipt of Housing Benefit and the location of registered HMOs. It should be borne in mind that changes to the housing market are fluid, and that 2011 data may already be outmoded in some respects. Nonetheless it does provide a necessary benchmark, to contextualise the resident survey and the work with landlords.

Background

After a long period of seemingly irreversible decline in favour of home ownership and social renting, the revival of private renting as a significant tenure for many households in Britain has been a significant development in housing over the past two decades. The proportion of private tenants doubled nationally from its low point of 9% in 1992 to 18% in 2012-13. In London the level of private renting is even higher, running at 24%. Significantly, in 2011-12 the proportion of private tenants in London rose above the proportion of social rented tenants for the first time since the mid-1960s. However, the growth of the private rented sector has mainly been at the expense of owner occupation and as a result of new building rather than through transfers from the social rented sector. Nonetheless, a substantial proportion of social housing stock acquired under Right to Buy in London is now in the private rented sector.

The introduction of legislation to permit lettings with restricted security of tenure and the removal of controls on rent levels are generally regarded as being major stimulants to the turnaround in the fortunes of private renting, but the introduction of new sources of investment finance on the one hand, and increases in personal wealth on the other are also important factors.

The private rented sector is complex in terms of the household types or sub-markets for which it provides. Rugg and Rhodes (2008)¹ highlight several sub-markets based on demand and supply characteristics, rental arrangements and policy intervention. These include:

- Young professionals: some living in the sector by choice and others because they cannot afford to buy.
- Students: who need ready access to housing, and form a traditional and long-standing sub-market. Student needs are however increasingly being met by larger institutional landlords.
- The housing benefit sector: occupied by people dependent on housing benefit to assist with rental costs. In this sector, housing benefit policy and administration impact substantially on both supply and demand.
- 'Slum' lettings at the bottom of the PRS: where landlords accommodate vulnerable households in poor quality property.
- Tied housing: still a declining sub-sector.
- High-income renters: often corporate lettings, or lettings on longer term leases.
- Middle aged, middle market renters: perhaps temporarily in the sector as they change jobs, or following a change in household configuration
- Immigrants: for whom private renting provides the only housing option in the short term.
- Asylum seekers: people housed through contractual arrangements with government agencies.
- Regulated tenancies, predominantly housing older residents: again a declining sector.

We will return to considering whether this typology is still accurate, in South London, six years later, after the impact of the credit crunch, the recession, and major policy interventions especially around

¹ *The private rented sector: its contribution and potential*, Julie Rugg and David Rhodes, University of York 2008

the welfare benefit system. The representation of these sub-markets varies from area to area, though most are strongly represented in London.

Unlike the landlords in the social rented sector, across the country private landlords are overwhelmingly individuals or couples (73% of landlords in 2006), usually with less than five properties in their portfolio. The proportion of landlords of this type is increasing. A further 13% were private limited companies, with the remainder a mixture of public companies (2%), trusts, charities, public authorities and educational establishments. All these types of landlord are in decline.

Nationally, a minority of landlords use agents either to let or to manage their properties, or both. Thus management of the sector is largely in the hands of individuals who have other occupations or are retired. Rugg and Rhodes rightly call this a 'cottage industry', and estimated the total number of landlords nationally at over 1.2 million in 2007. In the past, most landlords invested their own capital to purchase property, and some became landlords 'accidentally' for example by inheriting a property. But from the mid-1990s, specialist financial organisations, and later many mainstream mortgage lenders, provided Buy-to-Let mortgages specifically to enable landlords to buy properties using loan finance.. Nationally there were over 1 million loans of this type outstanding in 2007. These landlords have entered the sector intentionally, and although there is likely to be some 'turnover' of landlords, many seem to regard landlordism as a long-term activity, associated for example with the assembly of a portfolio to provide income in retirement.

This growth has also been linked with Right to Buy (RTB), and the facility to then let out an ex-RTB property. Research by a London Assembly member indicates that across London some 36% of ex-RTB properties are now privately let. In the study area figures range from 26% (Lambeth) to 34% (Greenwich and Southwark)².

In the past, across the country, older dwellings made up a major element of the private rented sector – as a result of the greater historical significance of the sector in the late 19th and early 20th centuries. This was one reason why the private rented sector was associated in the past with poor housing conditions. On top of this landlords argued that rent restrictions also prohibited investment in repairs and improvements. From the 1990s onwards the profile began to change as growth in the sector meant that landlords acquired inter- or post-war properties and even new-build units. The greater use of Buy-to-Let mortgages further encouraged this. Despite this, housing conditions in the PRS remain worse than in the other two tenures, with 33% of dwellings non-decent, double the level in the social rented sector and well above that in the owner occupied sector (20%). This suggests that landlords are less willing or able to invest in keeping dwellings in good condition than owners or social landlords, the latter who operate under a more rigorous and regulated standards framework.

Policy issues

Rugg and Rhodes (2008) and other commentators have highlighted a range of policy issues which the growth of the private rented sector has raised. The role of the sector in delivering new housing supply has become a central issue for policy as more households have become dependent upon being housed in the sector as a result of affordability problems. There is a view that investor demand has been a major driver of new dwelling construction – an argument put forward especially strongly by developers in London but there is little firm data to support this. Where the PRS is generating new demand this may be in specialised sub-markets, for example in the student sector where institutional investments are prominent. Rugg and Rhodes (2008) argue that the PRS has been successful in meeting the housing needs of households who cannot afford owner occupation, but who are not in a priority group for social housing. But it can also be argued that demand from landlords/investors has been a major contributory cause in itself to these very affordability problems.

Securing more institutional investment in private renting has been an issue for successive governments, with the aim of creating new supply as distinct from tenure transfer. It is also likely that institutional landlords would be more professional landlords, and that the sector would become less volatile. There is a long history of attempts to frame taxation regulations to effect large - scale institutional investment, with only limited results. Other suggested measures include changes to stamp duty and to capital gains tax, to encourage portfolio development.

² *From Right to Buy to Buy to Let*, Tom Copley, London Assembly member, 2014

Related to this is the aim of 'professionalising' PRS housing management. One major criticism of the PRS relates to the quality of landlord management. However, many landlords operate professionally, and only a minority wilfully act illegally. High proportions of private tenants are satisfied with their landlord. Market forces do not guarantee management quality in the PRS, as there is an excess of demand even at the bottom of the sector. The task of 'policing' is also spread amongst a number of agencies including local authority officers, other statutory agencies, the police and the industry itself. Suggestions to increase levels of professionalism amongst PRS landlords include increasing the numbers of corporate landlords and increasing the use of managing agents, but the latter are unregulated, and there is widespread dissatisfaction with their services. Landlord accreditation has the potential to improve management practice. Compulsory registration of landlords has already been introduced in Scotland, and there are some calls to have similar regulation in England. Several England local authorities have extended the scope of licencing arrangements.

Property condition in the PRS has been improving over time, but is still worse than in either social housing or owner occupation. Analysis of rental yields suggests that they are higher on property in poorer condition. It is uncertain how landlords formulate strategies on repairs and maintenance. Expenditure on property repair is often not targeted on the properties most in need of repair, or the most effective repairs. The average cost of bringing units up to standard is also higher than for owner occupation and social housing. Commentators argue that there is scope for reviewing taxation frameworks to encourage landlords to invest more, but others consider that measures such as licensing are required to change landlord behaviour.

Security of tenure is a further issue. Some commentators consider that the PRS provides only insecure, short-term housing where tenancies turn over frequently, and tenants have little protection against landlords seeking eviction. There is some concern about (though little robust evidence) a rise in 'retaliatory evictions', whereby landlords evict tenants who complain about conditions. Some suggest that tenancy agreements should be more transparent consumer contracts, where tenancy terms are agreed at the outset between landlord and tenant to permit longer term agreements. The industry favours continuation of the current tenancy framework, although landlords often favour tenants who seek longer tenancies. Short term lettings are attractive to some landlords because they alleviate the perceived risk of letting to a tenant who fails to pay the rent or damages the property.

The PRS had over the last thirty years increasingly come to play a role in tackling homelessness, both in providing temporary accommodation as an alternative to Bed and Breakfast and, in more recent years, as a permanent solution. It is often argued that it is feasible to expect the PRS to expand to meet additional demand for property from low income and/or homeless households, but landlords can be very reluctant to deal with households in receipt of housing benefit, especially where measures to make savings in benefit payments are an explicit aim of public policy. Increasingly, local authorities are finding the PRS's role in supplying both temporary accommodation to homeless households and permanent rehousing options reducing, especially in London. The level of need is evidenced by the range of incentives that have been developed to encourage existing housing benefit landlords to expand their portfolios. These can include leasing arrangements, which tie statutory authorities into arrangements to guarantee rental payments to landlords over three or five years. More recently, issues about the use of 'annexes' as temporary accommodation, and concern about rising levels of payment through the 'nightly rate' system have come to the fore. Statutory agency involvement in the PRS also introduces further competition for property at the bottom of the market.

Overall, these issues make the task of influencing the private rented sector a challenging one for local authorities. In the absence of measures to restrict the growth of private renting, further increases in the size of the sector seem likely, given the ability of investors to out-compete first time buyers or other low income households. Despite measures to attract institutional investors, small-scale non-professional landlords seem likely to dominate the sector for the foreseeable future. As a result, the PRS will play an increasingly important role in meeting demand which otherwise will fall on local authorities to meet from static or declining resources. But the scope for controlling or influencing the sector remains limited and expensive to implement, again at a time when resources are limited. However the first step in securing more influence over the sector, in addressing the most serious problems which emerge in terms of management or conditions, and in attempting to steer the sector to playing a greater part in meeting housing need, is a better understanding of its profile locally. The following sections of this report provide this profile for South East London and Lambeth.

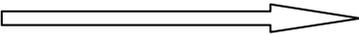
Overall level of private renting

Across the study area, 22% of households live in the private rented sector (Table 2.1). This is a lower proportion than the London-wide average (26%). Lambeth has the highest proportion (30%), followed by Lewisham and Southwark (25%), and Greenwich (21%). Levels of private renting in Bromley (14%) and Bexley (12%) are significantly smaller, and amongst the lowest in London. The level of private renting in the study area has increased by over eight percentage points (pp) since 2001, again lower than the increase across London as a whole (9pp). The boroughs with the largest sectors in 2001 experienced the greatest increases in private renting over the subsequent decade (9-11pp) whilst Bexley and Bromley experienced the lowest increases (5pp). Hence the gap between these two Boroughs and the remainder of South East London has widened since 2001.

Table 2.1 Overall level of private renting 2011 and 2001								
	2011				2001			
	Number of private tenants	% private renting	% renting from landlord/agent	% renting from other or rent free	Number of private tenants	% private renting	% renting from landlord/agent	% renting from other/rent free
Bexley	10,556	12.2	10.5	1.7	6,661	7.4	5.8	1.6
Bromley	17,393	14.2	12.4	1.8	12,245	9.7	7.8	1.9
Greenwich	20,004	20.9	18.5	2.4	10,749	11.6	9.0	2.6
Lambeth	38,133	30.4	27.7	2.7	25,436	21.5	18.4	3.0
Lewisham	28,216	25.3	23.0	2.3	15,391	14.3	12.2	2.1
Southwark	28,493	24.9	22.2	2.7	15,932	15.1	12.5	2.6
SEL/Lambeth	142,795	21.7	19.4	2.3	86,414	13.5	11.2	2.3
London	819,085	26.4	23.7	2.6	520,907	17.3	14.3	2.9

Source: 2011 Census Table DC4408EW, 2001 Census Table KS18

As Map 1 (p.27) shows, private tenants are very unevenly spread. Even within Lambeth, Lewisham and Southwark, with the highest levels of private renting overall, there are some neighbourhoods with very high levels of private renting and some with much lower levels. Bromley and Bexley have only a few concentrations and many areas where the level of private renting is very low. Table 2.2 illustrates this. Output Areas are the smallest spatial unit for which 2011 Census data is available and there about 5,000 across the study area. When these are ranked in terms of the percentage of private renting, and split into five equal groups of about 1,000 output areas each, Bexley and Bromley have only about 4% and 8% respectively of areas with high concentrations of private renting (areas in the top fifth). If private renting were evenly spread across South East London, they would be expected to have 20% of these areas. In contrast almost 40% of Lambeth's OAs fall into the highest fifth, about double the expected level. As a result, Lambeth, Lewisham and Southwark between them encompass three quarters of the top fifth of areas with the highest concentrations of private renting.

	Table 2.2 Concentration of private renting					
	% of output areas in each quintile					
	Most concentrated quintile				Least concentrated quintile	
Bexley	4.3	9.9	15.8	25.1	44.9	100.0
Bromley	7.9	13.1	16.2	20.6	42.2	100.0
Greenwich	18.5	19.7	19.8	25.1	16.9	100.0
Lambeth	38.6	25.3	20.6	11.7	3.8	100.0
Lewisham	23.4	27.3	23.0	20.2	6.1	100.0
Southwark	24.2	23.5	24.6	19.8	7.8	100.0
SEL/Lambeth	20.0	20.0	20.0	20.0	20.0	100.0

Source: Cobweb Consulting modelling of 2011 Census Table DC4408EW

Age structure of PRS households

The private sector is primarily a tenure used by younger people (Table 2.3). In 2011, 53% of household reference persons in the PRS in the study area were aged 16-34 and a further 33% were aged 35-49. Only 5% were aged 65 or more. These proportions are similar to the overall London average. In Bexley and Bromley, the proportion of younger households was smaller and there were more middle aged (14%) and older households (9%). This suggests a different function for at least some part of the sector in these boroughs.

Table 2.3 also shows the age structure of respondents to the 2014 PRS Residents Survey carried out as part of this study (See Chapter 3). This shows that the survey sample age profile was generally very similar to that found in the 2011 Census. The proportion of survey respondents aged 50-64 was slightly higher than that found in the 2011 Census, whilst the proportion of respondents aged 65 and over was slightly lower. At borough level the survey sample profiles are also generally close to the 2011 Census age profiles, the main differences being in Southwark (smaller proportion of the 16-34 age group in the survey) and Bexley (smaller proportion of the 65+ age group in the survey).

Table 2.3 Age structure of PRS households (Household Reference Person – HRP)					
Census 2011	Age of HRP (%)				
	16-34	35-49	50-64	65+	
Bexley	42	36	13	9	100
Bromley	40	38	14	9	100
Greenwich	50	35	10	5	100
Lambeth	59	30	8	4	100
Lewisham	51	35	9	5	100
Southwark	59	30	8	3	100
SEL/Lambeth	53	33	10	5	100
London	50	34	11	5	100
PRS Survey 2014	Age of HRP (%)				
	16-34	35-49	50-64	65+	
Bexley	50	31	16	2	100
Bromley	46	34	12	8	100
Greenwich	50	37	10	3	100
Lambeth	56	31	11	2	100
Lewisham	55	32	10	2	100
Southwark	46	42	8	1	100
SEL/Lambeth	51	34	16	2	100

Source: 2011 Census Table DC4610EW; Cobweb Consulting PRS Residents Survey 2014

Household composition

As Table 2.4 shows, multi-person households without a couple/lone parent with children present (i.e. groups of unrelated adults sharing) form the largest group of households in the PRS (30% across the study area), followed by one person households aged under 65 (25%). A further 18% of were couples without children. However, 22% of households were couples or lone parents with dependent children, with a further 2% having non-dependent children present. Only 3% were single people or couples aged 65+.

The proportion of PRS households with dependent children present is lower in the study area than across London as a whole (24%), but Bexley (41%) and Bromley (30%) have higher proportions, and correspondingly fewer groups of unrelated adults sharing. This is a further key difference in the function of the sector in these boroughs. In Bexley, slightly more than half of the households with dependent children (and 22% of all households in the PRS) were lone parent households with dependent children.

Table 2.4 Household composition										
	Household type (%)									
	One person 65+	One person other	Couple both 65+	Couple no children	Couple all ch. dep	Couple all ch. non-dep	Lone parent all ch. dep	Lone parent all ch. non-dep	Other, all students	Other
Bexley	4.3	22.6	1.1	12.6	19.5	1.9	21.8	2.9	1.6	11.9
Bromley	4.5	30.9	1.1	18.4	17.3	1.5	12.9	1.9	0.3	11.3
Greenwich	1.8	24.9	0.6	16.2	17.0	1.1	9.5	1.4	2.9	24.6
Lambeth	2.0	22.8	0.3	18.7	8.6	0.6	6.5	1.1	2.0	37.5
Lewisham	2.3	27.2	0.5	16.5	13.4	0.8	10.6	1.5	2.3	25.0
Southwark	1.6	20.7	0.3	21.7	9.1	0.7	4.0	0.9	5.4	35.7
SEL	2.4	24.5	0.6	18.0	12.7	0.9	9.2	1.4	2.6	27.7
London	2.7	24.5	0.6	17.3	15.6	1.1	8.8	1.5	2.6	25.5

Source: 2011 Census Table DC4101EW

Ethnic composition

The ethnic composition of Household Reference Persons (HRPs) in the private rented sector varies by borough (Table 2.4). Bexley and Bromley have the highest proportion of white private tenants (just over three quarters), reflecting the overall make-up of households in these boroughs, but white HRPs are under-represented in the PRS in these Boroughs, while Black HRPs are over-represented. Lambeth also had over 70% of white HRPs, and in contrast to Bexley and Bromley, white HRPs were over-represented in the PRS in the borough. While Black HRPs were under-represented. A high proportion of these white HRPs were not British or Irish, but further detail is not available broken down by tenure. Across all tenures, the main white (other than British or Irish) ethnic groups in Lambeth were European mixed (13%), Polish (12%), Other Western European (26%), and Italian (7%).

Southwark had a broadly similar profile to Lambeth, but with fewer white households and more from Asian ethnic groups. Asian HRPs were over-represented in the PRS compared to all tenures and Black HRPs were under-represented. Greenwich and Lewisham had the smallest proportions of white households in the PRS (around 60%). Both have relatively high proportions of Black (21-22% of all private tenants) and Asian (11-12%) HRP households.

Table 2.5 Ethnic composition (HRP)								
Private tenants	Ethnic group (%)							
	White	White British	White Irish	White other	Mixed	Asian	Black	Other
Bexley	76.9	67.5	1.3	8.1	2.3	5.9	14.0	0.9
Bromley	77.9	63.4	1.8	12.7	3.7	6.4	10.5	1.6
Greenwich	61.7	41.4	1.6	18.6	3.0	12.3	21.0	2.1
Lambeth	71.7	42.5	3.0	26.2	5.8	6.7	13.4	2.3
Lewisham	59.9	37.8	1.9	20.1	4.9	10.5	21.9	2.8
Southwark	68.1	40.7	2.3	25.1	4.3	11.7	12.5	3.3
SEL/Lambeth	68.4	45.6	2.2	20.7	4.4	9.1	15.6	2.4
London	64.0	36.2	2.2	25.5	3.9	16.7	10.7	4.7
All tenures	White	White British	White Irish	White other	Mixed	Asian	Black	Other
Bexley	86.1	81.2	1.6	3.3	1.3	5.0	6.9	0.7
Bromley	87.3	80.1	1.9	5.3	2.0	4.3	5.6	0.9
Greenwich	70.3	59.4	2.4	8.4	2.8	8.8	16.7	1.5
Lambeth	61.8	43.3	3.2	15.3	5.5	6.0	24.8	2.0
Lewisham	60.6	47.8	2.7	10.1	4.1	7.3	26.0	2.0
Southwark	61.5	45.8	3.1	12.6	3.7	7.9	24.2	2.7
SEL/Lambeth	70.9	58.9	2.5	9.4	3.3	6.5	17.7	1.6
London	66.9	51.0	3.0	12.9	3.1	14.2	12.7	3.1

Sources: 2011 Census Table LC4201EW

Economic activity

The PRS has a high economic activity rate (86% in the study area in 2011) because of the low proportions of older and middle-aged people living in this tenure. The proportion of Household Reference Persons who were economically active in 2011 was higher in the study area than across London as a whole (84%). The economic activity rate was lowest in Bexley (75%) reflecting the higher proportions of older/retired people living in the sector in the boroughs and (perhaps) the high proportion of lone parent households with dependent children in the PRS in Bexley. Nine out of ten economically active HRPs were in employment, so the unemployment rate in the sector was only 4%, although again Bexley stands out with a higher rate (7%). Southwark, Lewisham and Greenwich had higher proportions of students in the PRS than the other boroughs, but the scale of private renting in London is such that students tend not to dominate the sector as they might in smaller university towns. Overall, 12% of PRS tenants were inactive, but the proportion was much higher in Bexley, and exceptionally low in Lambeth and Southwark.

The Census does not collect data on receipt of benefits or on incomes. However the data on economic activity can give a very rough indication of the size of that sub-sector of private renting where tenants are heavily reliant on benefit. Adding together the proportions of HRPs who were unemployed and inactive but not retired or students accounts for 12% of the PRS across The study area, with a range from 7% in Southwark to 21% in Bexley. Adding in HRPs working part-time takes the study area average to 22% (35% in Bexley), and adding inactive retired HRPs takes the total to 26% (43% in Bexley). It seems clear from this data that the proportion of PRS tenants likely to be dependent on benefits for help with their rent will be highest in Bexley, and conversely lowest in Lambeth and Southwark.

Table 2.6 Economic activity									
	Economic activity (%)								
	Econ active	Employed or self-employed	Employed or self-employed, p/t	Unemp. (ex.students)	Inactive (ex students)	Inactive retired	Inactive, other (sick, disabled, carer etc)	Full time students	Inactive other plus unemp. (ex-students)
Bexley	75.4	65.6	13.7	6.9	22.5	8.6	13.9	5.0	20.8
Bromley	82.7	76.2	11.0	4.9	16.4	8.3	8.1	2.5	13
Greenwich	84.2	74.5	11.1	4.9	12.7	4.3	8.4	7.9	13.3
Lambeth	89.4	83.1	8.2	3.5	8.0	3.1	4.9	5.4	8.4
Lewisham	84.3	74.6	12.3	5.3	12.8	4.4	8.4	7.3	13.7
Southwark	88.4	80.5	7.6	3.0	7.2	2.9	4.3	9.3	7.3
SEL/Lambeth	85.6	77.5	10.1	4.4	11.6	4.5	7.1	6.5	11.5
London	83.8	75.9	11.8	4.4	12.8	4.8	8	6.9	12.4

Source: 2011 Census Table DC4601EW

Housing Benefit claimants in the PRS³

Data provided by the authorities indicate that there are between 4,526 (Bexley) and 16,045 (Lambeth) housing benefit claimants in the PRS. Distribution is shown in map 2. There are two ways of assessing HB claimants as a proportion of the overall PRS sectors: as a proportion of households in the sector, or as a proportion of adult residents in the sector. Both calculations involve the use of 2011 Census data, which may well be out of date to a certain extent.

We show both figures below, but in our view the most germane is the proportion of adult residents, given that multiple persons (e.g. joint tenants, house sharers) can claim HB from the same household, and that household data is based solely on a single Household Reference Person.

Table 2.7 Housing Benefit claims				
	No. HB claimants in PRS (2014)	PRS households (2011)	% HB claimants x PRS households	% HB claimants x PRS residents 16+
Bexley	4,526	11,319	40.0%	22.3%
Bromley		18,616		
Greenwich	4,591	21,084	21.8%	10.4%
Lambeth	16,045	39,526	40.6%	19.0%
Lewisham	9,964	29,375	33.9%	17.4%
Southwark	4,877	29,995	16.3%	7.3%

Source: local authority records, 2011 Census Tables DC4601EW, DC6403EW, LC4101EW; adjusted for demographics of older households

Socio-economic classification

Approaching half the HRPs in the PRS in the study area are in higher or lower professional, administrative and technical employment categories and a further 10% are small employers or working on their own account. Less than one third are in routine employment categories or

³ LB Bromley have not been able to provide Housing Benefit data. Their figures are therefore absent from table 2.7 and maps 2 and 3

unemployed/students. Again Bexley stands out from the other boroughs, with higher proportions of HRPs in the semi-routine, routine and long term unemployed/never worked categories, whilst Lambeth and Southwark have much lower proportions in these categories. A more detailed breakdown of socio-economic categories, relevant jobs and salaries appears in appendix 5

Table 2.8 Socio-economic classification (HRPs)									
	Socio-economic classification (%)								
	Higher prof, admin, tech	Lower prof, admin, tech	Inter-mediate	Small employer, own account	Lower superv, tech	Semi-routine	Routine	Long term unempld	Student
Bexley	7.7	18.9	14.6	12.4	7.5	15.4	10.7	8.2	4.7
Bromley	15.3	27.3	13.6	12.0	7.0	10.6	7.0	4.9	2.3
Greenwich	15.3	24.2	10.3	10.4	6.1	11.8	7.8	6.5	7.6
Lambeth	19.7	32.1	10.3	8.7	5.6	7.1	7.3	4.1	5.2
Lewisham	13.5	26.7	11.1	9.6	6.5	11.3	7.8	6.4	7.0
Southwark	23.2	29.7	8.5	7.1	5.6	6.8	6.4	3.5	9.1
SEL/Lambeth	17.1	27.9	10.8	9.5	6.2	9.6	7.5	5.2	6.3
London	17.7	26.2	9.4	11.4	5.6	9.4	7.4	6.4	6.6

Source: 2011 Census Table LC4605EW

Overcrowding/under-occupation

The PRS has a high level of overcrowding (18% of households living in the sector in the study area). There are fewer overcrowded private rented sector tenants in Bromley and Bexley. Conversely there are fewer private rented tenants under-occupying than owner occupiers, but nevertheless nearly one third of PRS tenants have 'spare' bedrooms according to the bedroom standard.

Table 2.9 Overcrowding and under-occupation				
	Occupancy rate (bedroom standard) (%)			
	2+ bedrooms above	1 bedroom above	At standard	One or more bedrooms below (overcrowded)
Bexley	10.1	32.1	47.0	10.8
Bromley	11.1	31.3	49.8	7.8
Greenwich	9.2	27.0	46.2	17.6
Lambeth	5.8	20.5	55.3	18.4
Lewisham	6.9	21.8	52.6	18.7
Southwark	6.1	22.6	51.4	19.9
SEL/Lambeth	7.5	24.3	51.4	16.8
London	7.4	22.6	52.4	17.5

Source: 2011 Census Table DC4108EW

Length of tenancy

Data on length of tenancy in the PRS is not readily available, except from special surveys such as that undertaken as part of this study. The English Housing Survey (EHS) has data at London-wide level on length of residence at current address by tenure. This does not equate to tenancy length as the tenancies had not ended. However the data shows clearly that private renting tenants in all four PRS categories in Table 2.10 are far more likely to have lived at their current address for less than one or two years than households in any other tenure including the social rented sector. This is a clear indication that average tenancy lengths are short. For the largest sub-group within the PRS (tenants of individual landlords), 53% of tenants had lived at their current address for less than two years.

But the table also shows that a minority stay much longer in their tenancies. Almost one in five tenants of individual landlords had been at their current address for five years or more. This strongly suggests that there is both demand for and some supply of longer-term tenancies.

Table 2.10 Tenure by length of residence, London 2012-13									
	Less than 1 year	One year	Two years	3-4 years	5-9 years	10-19 years	20-29 years	30+ years	Total households
Own outright	1.7	2.5	2.3	3.3	9.8	24.5	17.6	38.3	691,860
Buying with mortgage	7.8	4.7	9.2	8.5	27.1	26.7	8.2	7.8	877,601
Shared ownership	9.1	24.6	4.6	16.4	15.2	14.0	16.1	0.0	39,424
Council tenant	6.1	7.4	5.1	11.2	20.5	26.9	10.0	12.9	465,570
HA tenant	5.8	8.2	8.4	16.5	19.6	26.7	6.7	8.0	333,411
PRS - employer	20.0	13.7	9.5	21.2	16.7	13.8	2.0	.1	64,320
PRS - organisation	25.3	33.8	0.0	22.0	15.2	0.0	3.6	0.0	27,588
PRS - relative/friend	25.5	2.7	8.4	17.2	25.1	6.2	4.8	10.0	45,873
PRS - individual landlord	33.3	19.6	14.2	14.4	13.1	3.9	0.4	1.2	628,976
All households	11.7	8.6	7.9	10.4	18.3	20.8	8.7	13.7	3,174,623

Source EHS 2012-13

Private tenants in receipt of housing benefit (some 26% of all PRS tenants in London) were less likely to have moved recently (and hence probably had longer average tenancy lengths) than those not receiving benefit (Table 2.11). This is a significant difference, suggesting a greater level of stability for tenants receiving HB and a significant minority of landlords who are willing to let to this sub-sector on a longer term basis. However, it should be noted that this data reflects the situation prior to the introduction of major welfare reform measures. It also reflects, of course, differences on the demand side with higher mobility rates amongst higher income tenants. And it further implies that this sub-sector will account for a smaller proportion of new lets, in relation to its size.

Table 2.11 Length of residence by receipt of HB, PRS tenants, London 2012-13			
	HB received	HB not received	All households
Less than 1 year	13.4	37.6	31.4
One year	21.6	17.6	18.6
Two years	14.3	12.5	13.0
3-4 years	21.5	13.4	15.4
5-9 years	20.4	12.1	14.2
10-19 years	6.8	4.0	4.7
20-29 years	0.0	1.2	0.9
30+ years	2.1	1.7	1.8
All households	195,314	571,442	766,756

Source EHS 2012-13

Housing conditions

EHS also includes data on housing conditions by tenure (Table 2.12). 29% of PRS dwellings in London failed to meet the decent homes standard in 2011-12, compared to around 20% for the other tenures. PRS dwellings were more likely to fail to meet the decent homes standard on two or more criteria than dwellings from other tenures. Just under a quarter of dwellings in the PRS failed the standard on thermal comfort indicators alone, a similar proportion to all the other tenures except the local authority rented sector. The PRS also had the highest average overall repair costs for each of

three repair standards, urgent, basic and comprehensive repairs, and the highest cost per square metre (i.e. taking dwellings size into account) for all except urgent repair costs.

A further indication of the types of condition issue most prominent in the sector is given by ratings for the Housing Health and Safety Rating System (HHSRS). The private rented sector had relatively large proportions of dwellings with higher than average risk levels in relation to: falls on the level, fire (6%, twice the overall average), hot surfaces, damp and mould (11%, compared to the average for all dwellings of 7%), entry by intruders (4% compared to the average of 2%), noise (5% compared to the average of 2%) and domestic hygiene. Fewer dwellings had smoke detectors present (72% compared to the average of 79% across all tenures), and the proportion of dwellings with a very low SAP rating indicating a low level of energy efficiency (4%) was double the average. PRS dwellings also had higher proportions of dwellings with dampness problems in one or more rooms, serious condensation, penetrating damp, or rising damp than any of the other tenures.

Table 2.12 Housing condition by tenure, London 2011-12						
Tenure	% dwellings non-decent	Non-decent dwellings: reason for failure		Non-decent dwellings: number of criteria failed		
		Repair, HHSRS, or modern facilities	Thermal comfort only	1	2	3+
Owner occupied	20.5	76.1	23.9	78.5	17.5	4.0
Private rented	29.4	77.7	22.3	72.4	24.9	2.8
Local authority	20.2	87.1	12.9	84.7	12.7	2.6
RSL	18.2	72.6	27.4	97.0	3.0	0.0
All dwellings	22.5	77.8	22.2	78.8	18.2	3.1
	Mean urgent repair costs (£)	Mean basic repair costs (£)	Mean comprehensive repair costs (£)	Mean urgent repair costs (£ per sq m)	Mean basic repair costs (£ per sq m)	Mean comprehensive repair costs (£ per sq m)
Owner occupied	788	1527	4240	6.7	11.7	34.7
Private rented	1215	2003	4404	12.5	20.3	49.3
Local authority	1063	1369	2751	14.0	17.5	39.4
RSL	719	909	1837	8.4	10.7	24.3
All dwellings	930	1564	3830	9.4	14.6	38.1

Source: EHS 2011-12

Satisfaction with accommodation

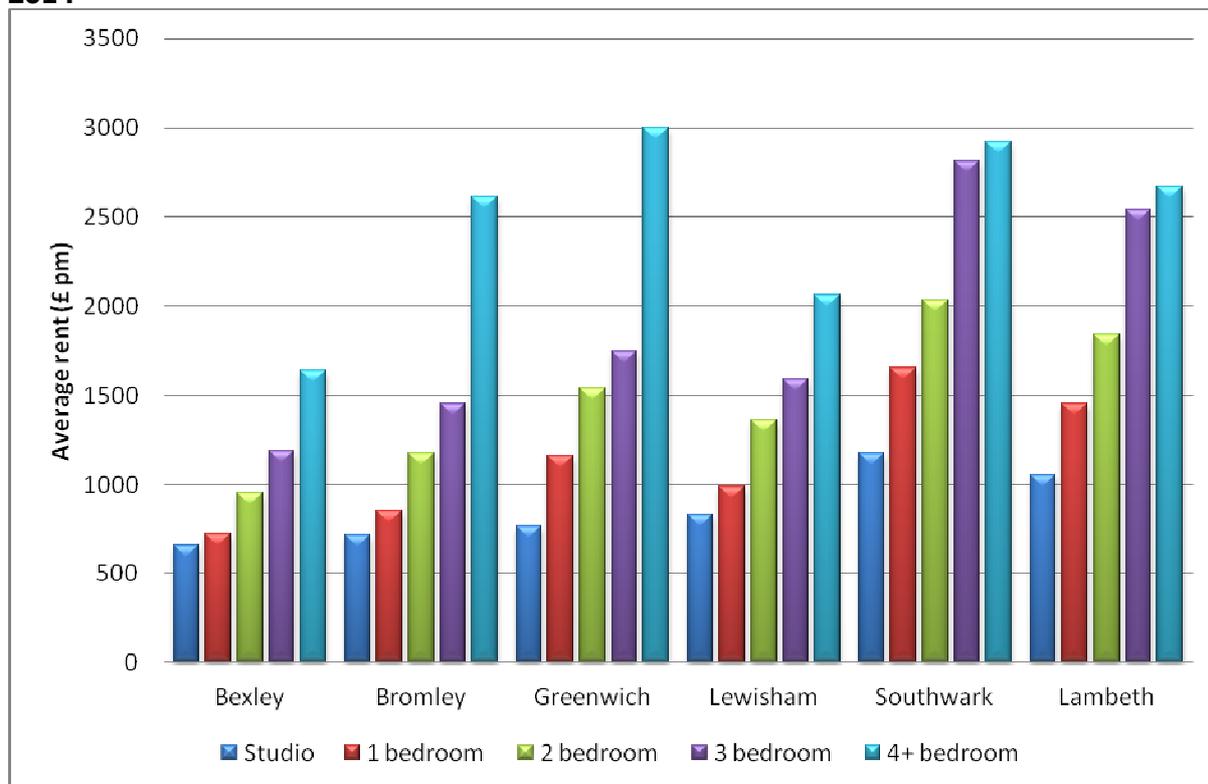
EHS suggests that private rented tenants are less likely to be very satisfied with their accommodation than owner occupiers (38% compared to 62%), but this is the same level of satisfaction as social rented sector tenants. Overall, 84% of PRS tenants were very/fairly satisfied with their accommodation, compared to 95% of owner occupiers and 81% of social rented tenants. Far fewer PRS tenants are very dissatisfied than social rented sector tenants. Despite the picture painted by dwelling condition indicators, they are also much more likely to be very satisfied with landlord repairs than social rented sector tenants (32% compared to 23%) and less likely to be fairly/very dissatisfied. They are less likely than owner occupiers to be satisfied with the area they live in but more likely to be satisfied than social rented tenants.

Rents

South East London Housing Market Trends Bulletins provide a time series of advertised private sector rents in South East London and Lambeth. Figure 2.1 shows mean rents by size of letting for the six Boroughs in April 2014. Rents were highest in Southwark and Lambeth across all sizes of letting, with the exception of a very high average rent for lettings of 4 or more bedrooms in Greenwich. The high

overall average rent (weighted by the number of lettings in each size band) was in Southwark (£2,036), followed by Lambeth (£1,869), Greenwich (£1,594), Bromley (£1,408), and Lewisham (£1,321) with the lowest average in Bexley (£1,069).

Figure 2.1 South East London average advertised rents April 2014



Source: South East London Housing Market Trends Bulletin April 2014

Figures 2.2 to 2.7 show changes in average rents by size of letting over the 2010-2014 period by borough. They show a generally consistent rate of increase, especially for smaller sized lettings, over most of the period. There is greater volatility in the advertised rents of 3 and 4+ bedroom lettings. Over the whole period, rents rose on average by 13-16% in five of the six boroughs, the exception being Lewisham where the average was 7%. This is consistent with the 2014 SHMA for South East London (excluding Lambeth) which found that private sector rents in the sub-region increased by an average of 4.3% per annum in the three years to October 2013. This was significantly above inflation and also above the average rise in incomes (average gross weekly pay of full time workers in South East London went up by 1.3% per annum over the same period). The SHMA concluded that there was clear evidence of an ongoing affordability squeeze being experienced by those renting from private sector landlords, a position which clearly continued in the subsequent year up to April 2014.

Figure 2.2 Average advertised rent by size of letting, 2010-2014 Bexley

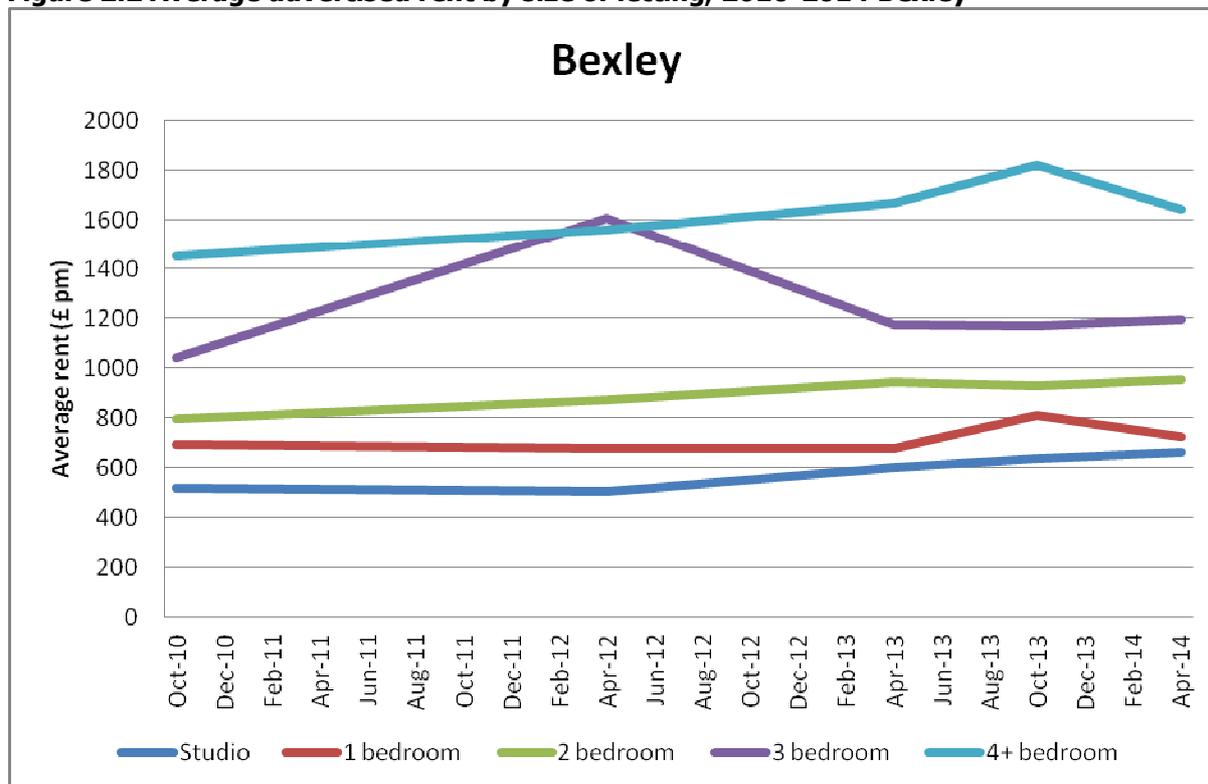


Figure 2.3 Average advertised rent by size of letting, 2010-2014 Bromley

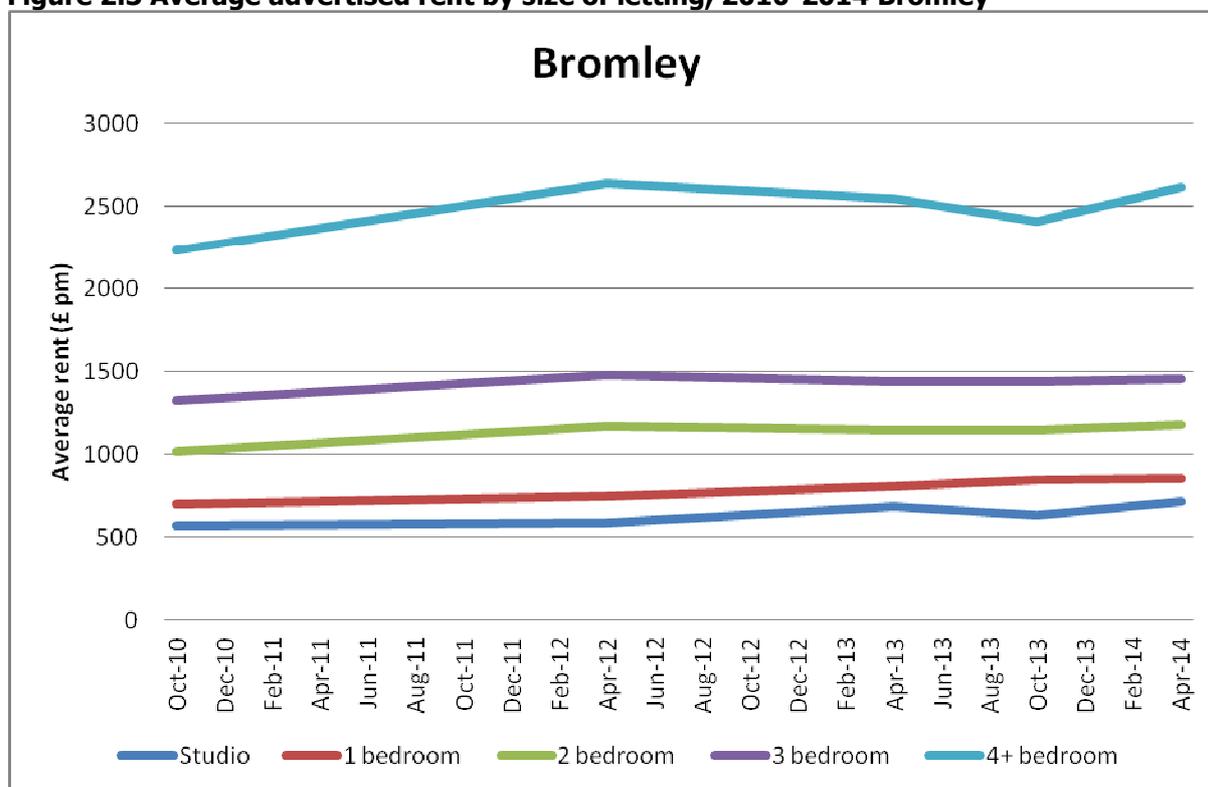


Figure 2.4 Average advertised rent by size of letting, 2010-2014 Greenwich

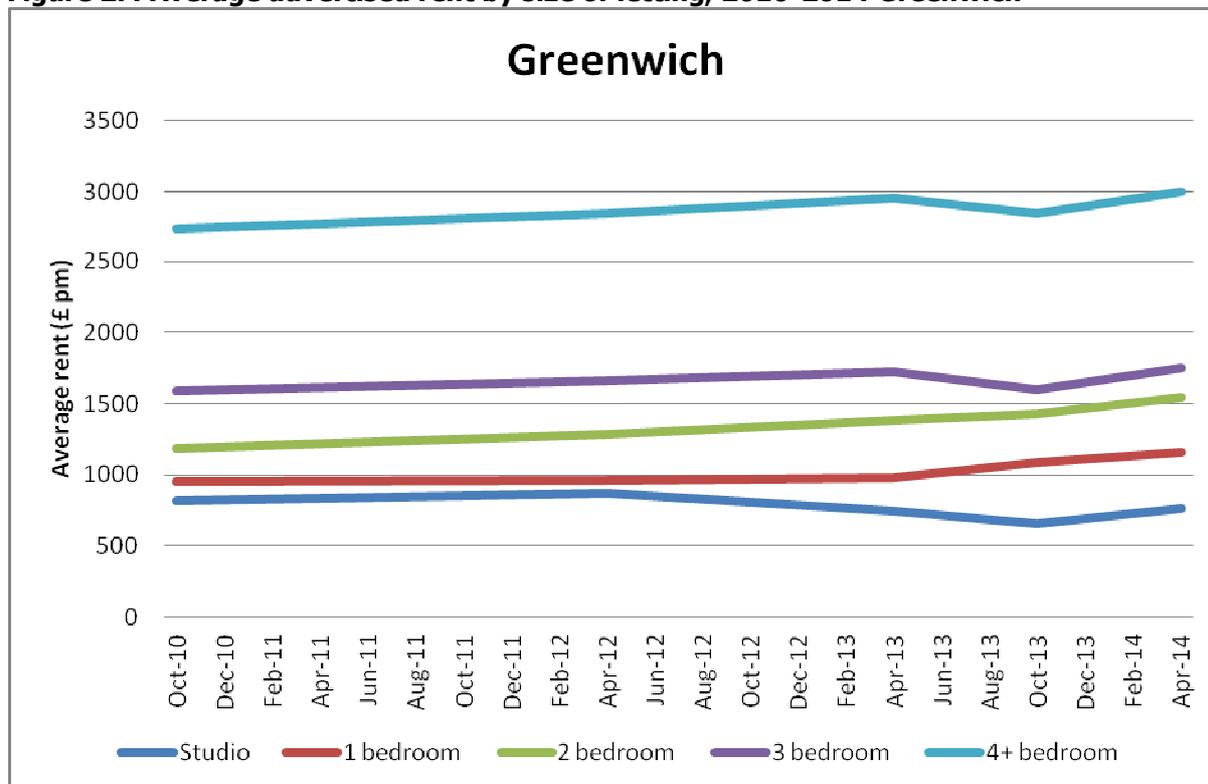


Figure 2.5 Average advertised rent by size of letting, 2010-2014 Lewisham

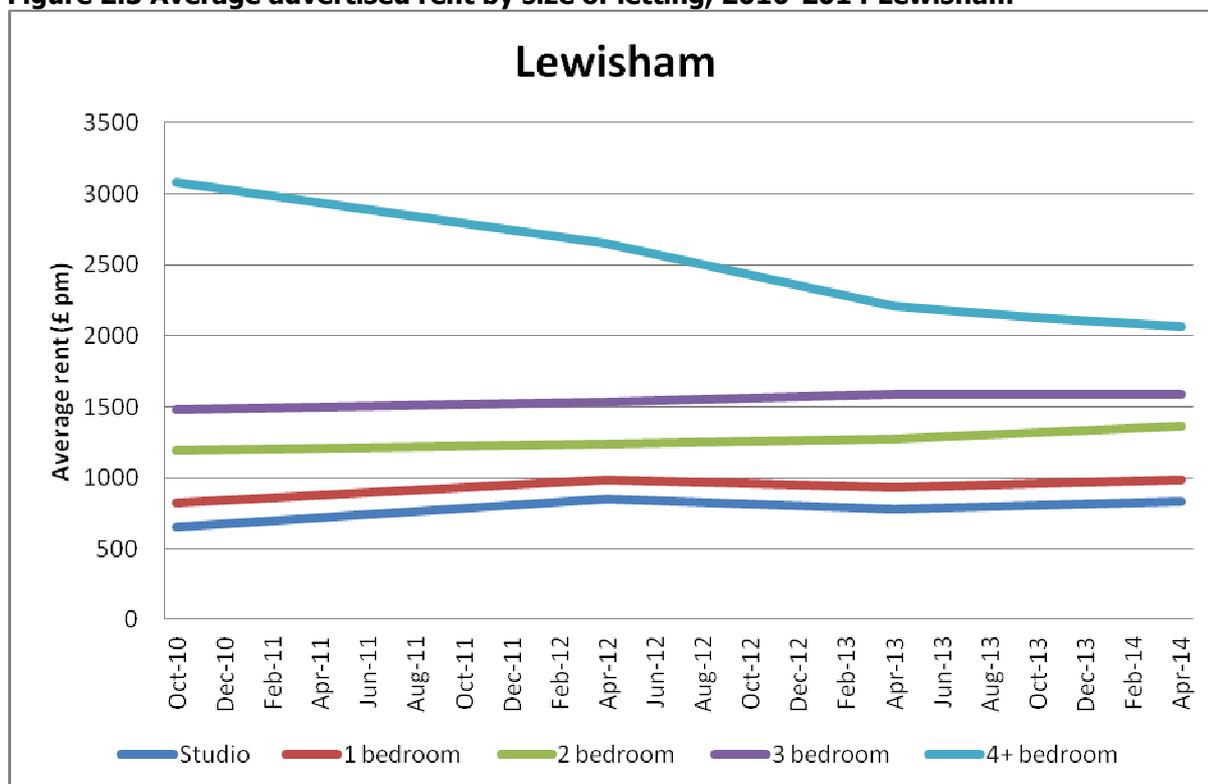


Figure 2.6 Average advertised rent by size of letting, 2010-2014 Southwark

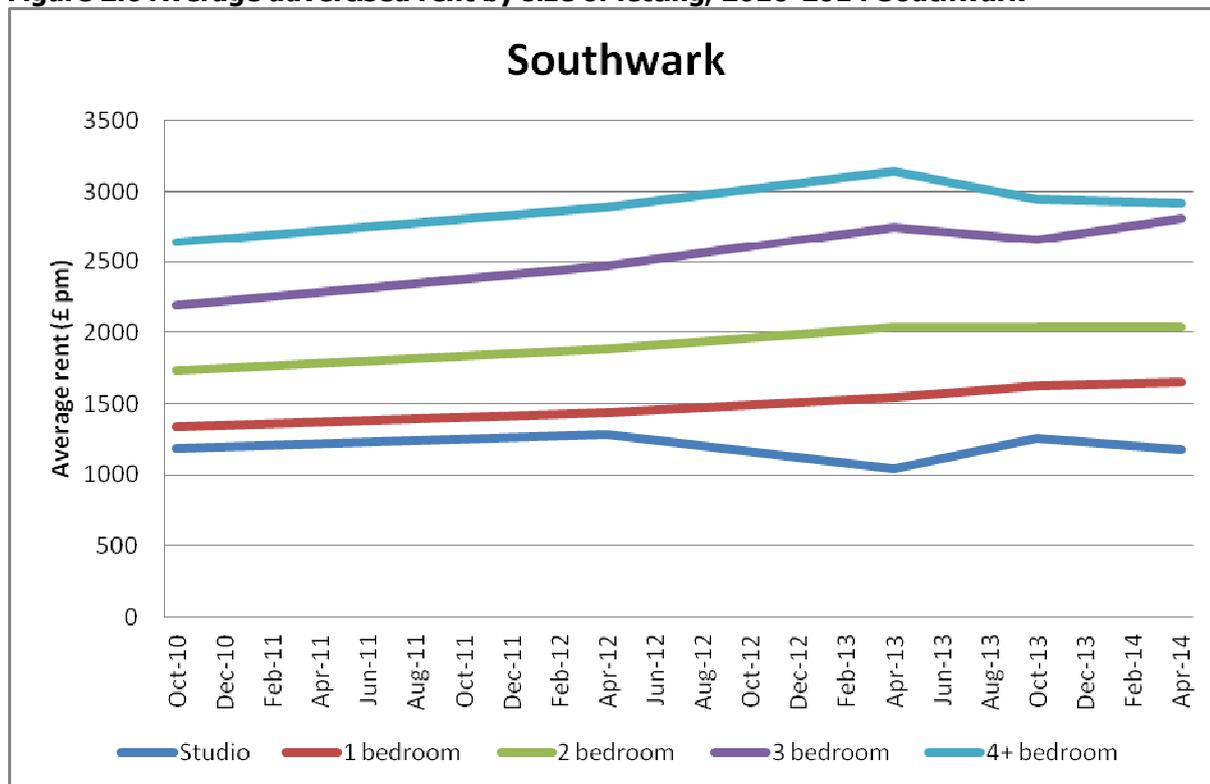
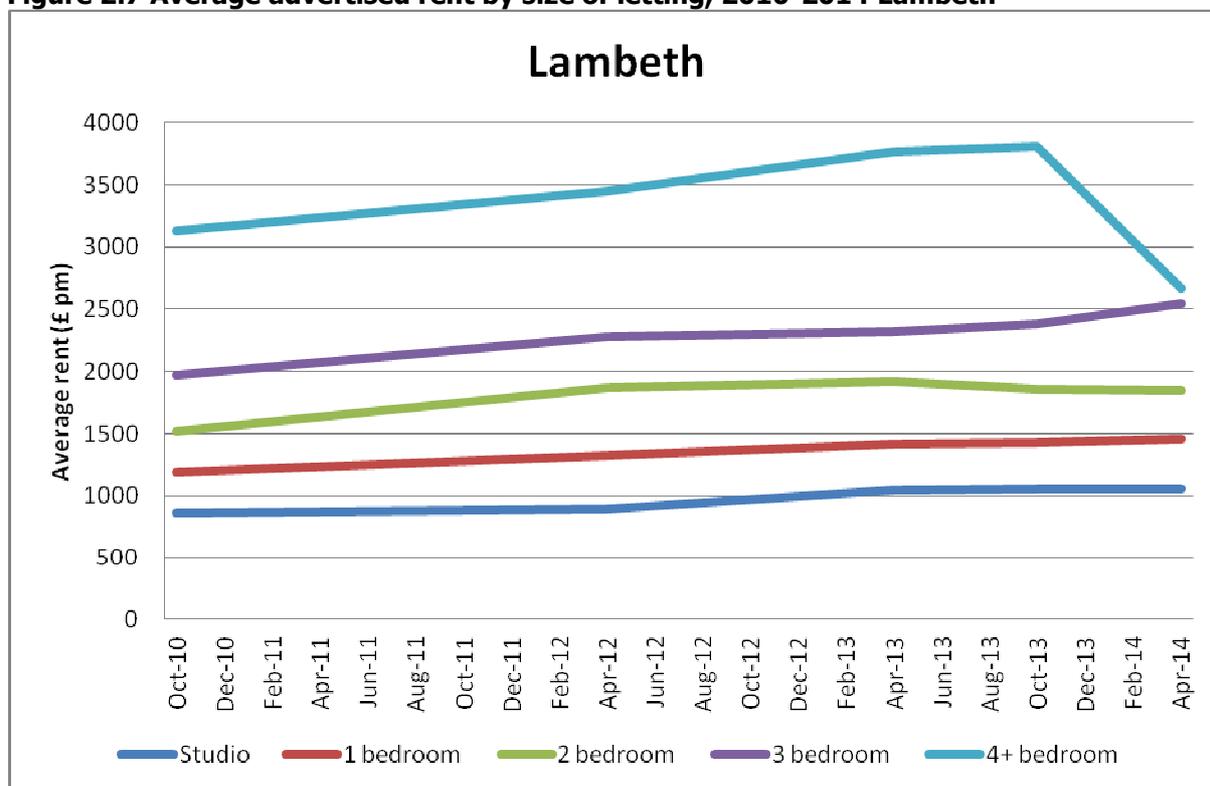
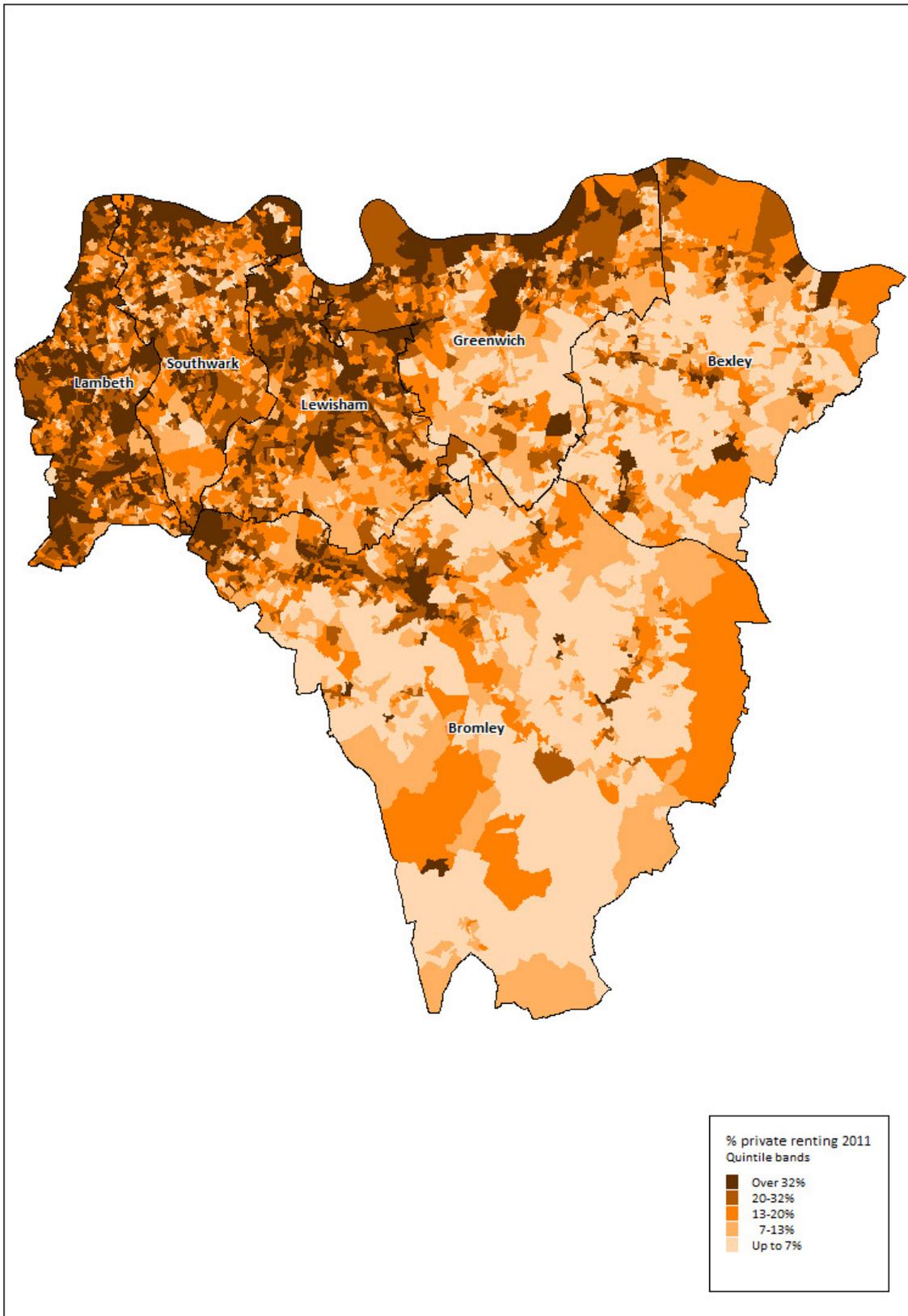


Figure 2.7 Average advertised rent by size of letting, 2010-2014 Lambeth



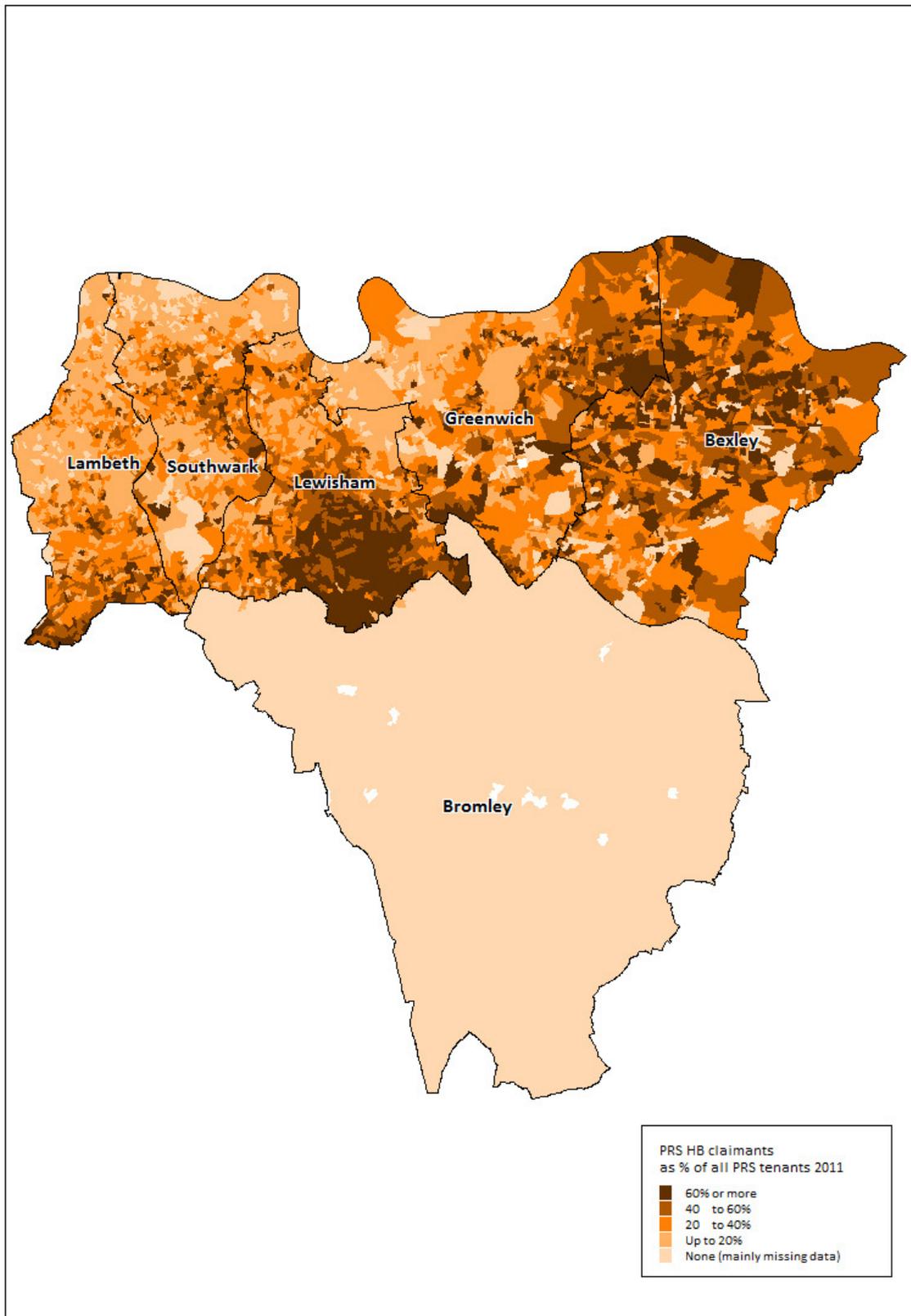
As an indication of affordability, median private sector rents at April 2014 can be compared with estimated median household incomes in April 2013 by borough drawing on SHMA data (except in Lambeth where income data was not available). In Southwark, the median PRS rent in April 2014 represented 73% of the median household income. Comparable figures for other boroughs were 56% (Greenwich), 50% (Lewisham), 43% (Bromley) and 38% (Bexley). Median incomes were higher in Bromley than in the other boroughs, which reduces the percentage despite high median rent levels in the borough. These percentages need to be seen in the context of commonly assumed affordability levels for rents of 25-33% of gross household income. These figures should also be examined in the context of the incomes of PRS residents who were surveyed as part of this study, discussed in Chapter 3.

Map 1 Households private renting



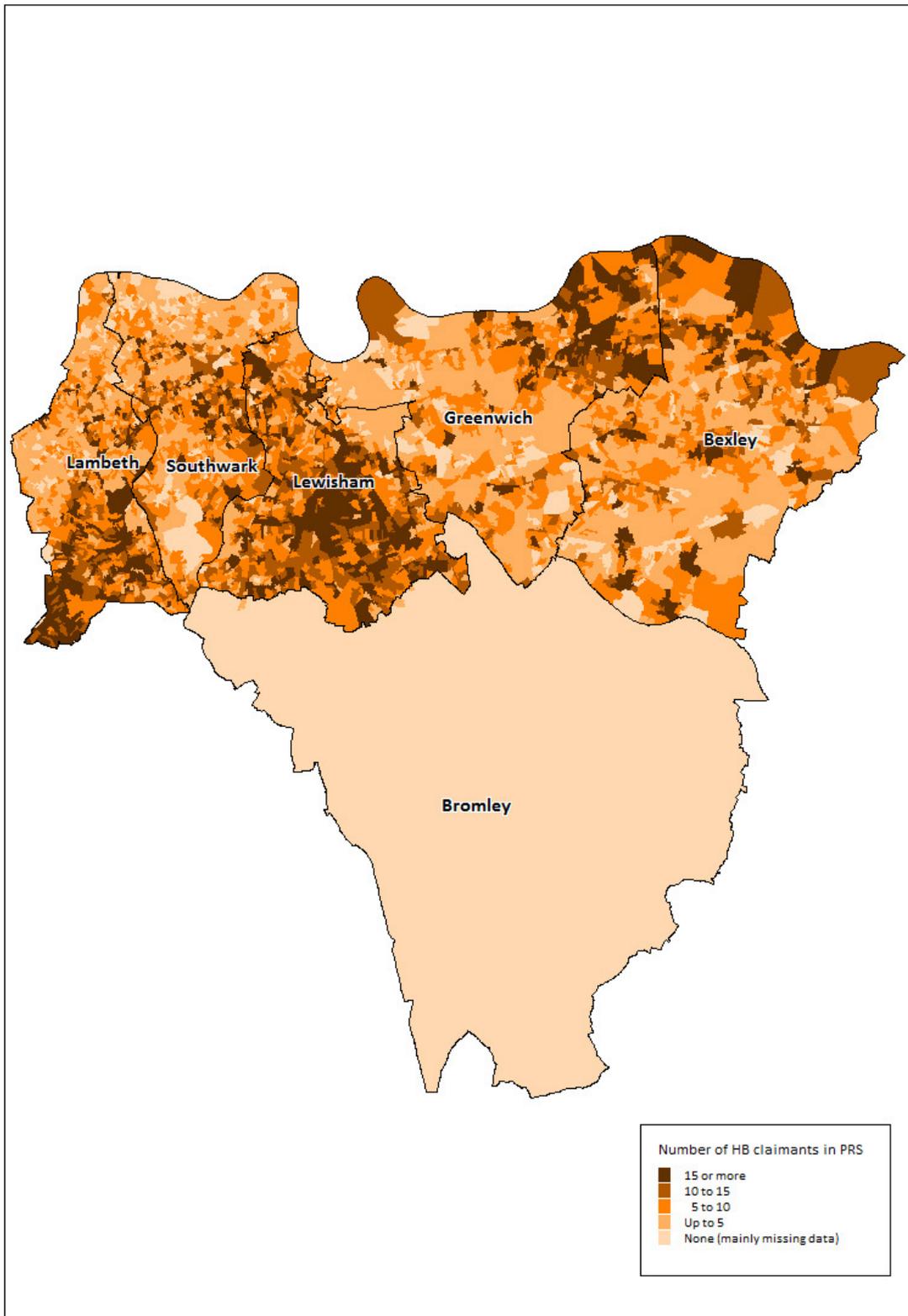
Source: Census 2011

Map 2 PRS HB claimants as a proportion of all PRS residents



Source: Local authority HB data and Census 2011

Map 3 Number of HB claimants in the PRS



Source: Local authority HB data and Census 2011

THREE: Resident survey results

Methodology

This section provides an analysis of a survey of 1165 households living in privately rented accommodation in the five boroughs of the South East London Housing Partnership – Bexley, Bromley, Greenwich, Lewisham and Southwark – and in Lambeth.

The household survey was conducted in the six boroughs as a door to door survey using a structured questionnaire (appendix 2). It was required that all respondents rented privately and paid a rent below the lower quartile figure for that borough, to reflect the objective of seeing how well the PRS is able to meet those that might otherwise require (or seek) social housing. The exception was where properties were identified as Houses in Multiple Occupation (HMOs) when no limit was set on rent levels. Detailed discussion with boroughs and analysis of Census data, rent data, Housing Benefit data, data on HMO prevalence and location of former Right to Buy stock where available was undertaken to determine the most appropriate areas for door to door survey. Map 1 below shows the location of the interviews, divided into local neighbourhoods. Fieldwork was conducted in May and June 2014.

The number of interviews to be obtained was determined by each borough separately dependent on their requirements and available budget. The number of interviews achieved met the requirements of the contract, and is as follows:

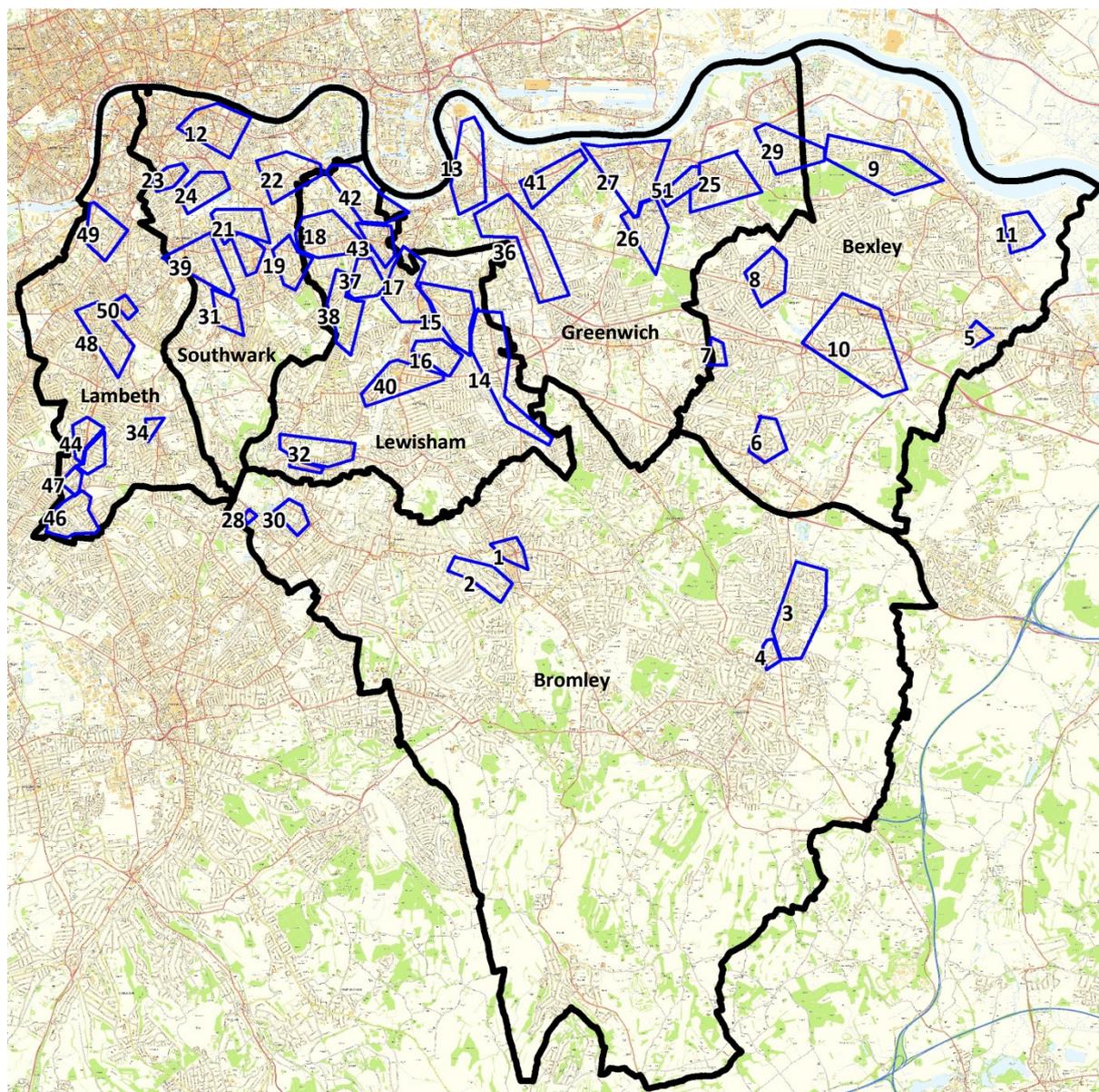
Table 3.1 Sample sizes and confidence intervals by borough.					
Bexley	Bromley	Greenwich	Lambeth	Lewisham	Southwark
93	96	224	214	377	161
+/- 10.1%	+/- 10.0%	+/- 6.5%	+/- 6.7%	+/- 5.0%	+/- 7.7%

The overall sample of 1165 is extremely robust and has a maximum statistical error of +/- 2.9% at the 95% confidence level. That is, we can be 95% certain that if the whole population was surveyed the result would be within 2.9% of that achieved in the sample. The statistical errors for each borough vary according to the sample size and are shown in the last row of Table 1 above.

In preparing this report the data has been weighted to reflect the actual proportion of private rented properties in each borough rather than the sample proportion so that combined figures better represent the overall situation across the six boroughs. Unless otherwise stated the tables and charts in this section are derived from this weighted data. The exceptions are tables showing borough breakdowns, which use unweighted data, so that each authority can consider their own results.

The following sub-sections group the results into broad topic areas. In addition to breakdowns of the data by borough, which are included for all questions, other breakdowns are introduced where they are of interest or relevance.

Map 4 Location of interviews



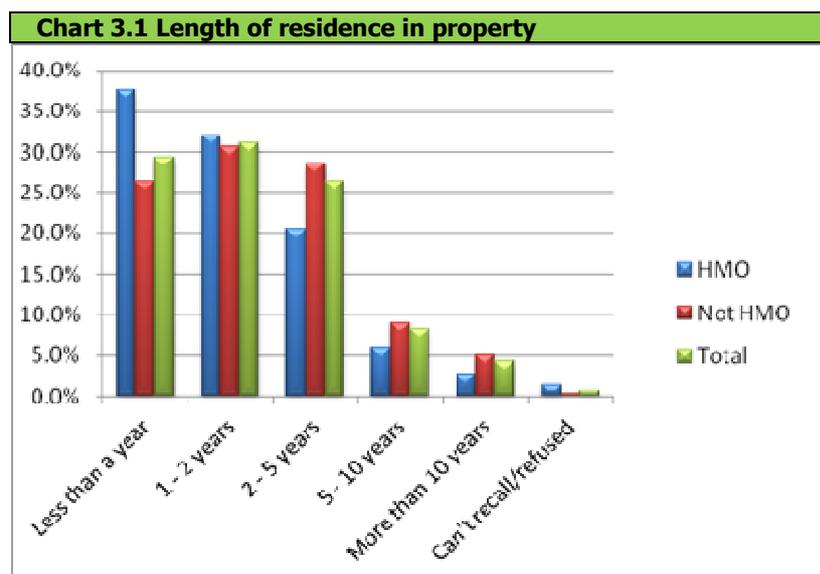
Key			
1 Bromley Town Centre	13 Maze Hill	26 Shooters / Eglington Hills	39 Camberwell
2 Shortlands	14 Lee and Grove Park	27 Woolwich	40 Catford & Bellingham
3 St Marys / St Pauls Cray	15 Lee High Rd area	28 South Norwood	41 Charlton
4 Orpington	16 Hither Green	29 Abbey Wood	42 Deptford
5 Dartford / Crayford	17 Ladywell & Lewisham Centre	30 Anerley & Penge	43 St Johns
6 East Sidcup	18 New Cross Gate	31 Dog Kennel Hill & E. Dulwich	44 Streatham Park
7 Blackfen	19 Queens Road area	32 Upper Sydenham	45 East Streatham
8 Welling / Wickham	20 Central Peckham	33 Lower Sydenham	46 Streatham Vale and Norbury
9 Belvedere	21 North Peckham	34 Norwood & W. Norwood	47 West Streatham
10 Bexley Town & Bexleyheath	22 Rotherhithe / Surrey Quays	35 Thamesmead	48 South Brixton
11 Erith	23 North Walworth	36 Vanbrugh Park	49 Fentiman Rd area
12 Borough & Bermondsey	24 South Walworth	37 East Brockley	50 Central Brixton
	25 East Plumstead	38 West Brockley	51 West Plumstead

Residence and tenancy

Key points

Although most tenants stay in one property for more than a year, more than 80% have agreements which last for a year at the most so will need to renew them frequently.
HMO dwellers tend to stay at one address for shorter periods
There is little difference in the characteristics and views of those living in ex-Right to Buy properties,

More than 30% of those interviewed had been in their current property for between one and two years, with just under 30% having lived in their home for less than 12 months. Just over 25% had lived in their current home for two to five years, indicating *some* degree of stability in the market; although longer term residency was much less common.



Those who live in HMOs are likely to have lived in their property for shorter periods; the respective figures for residence of less than one year are 38% for HMOs and 27% for others. Another potential influence on length of residence in one particular property is the quality and condition of the accommodation. Cross tabulation shows that those who have lived in their property for five years or longer are a little more likely to rate them as 'very good' or 'good'.

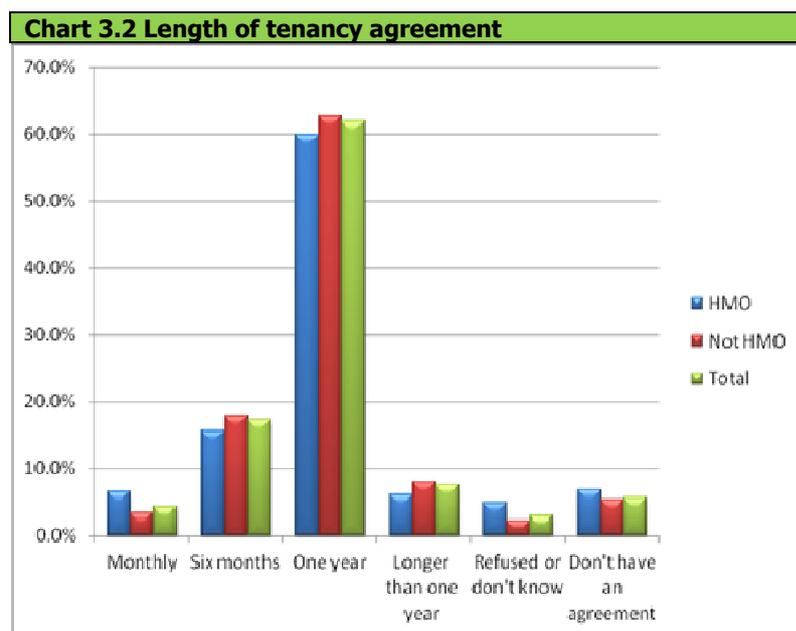
In contrast, people who are receiving Housing Benefit are more likely to remain longer than those who do not; 49% of those who receive Housing Benefit have been in their property for two years or longer, compared with 36% of those who do not. It is not necessarily the case that the latter group have more flexibility to move. Particularly those in lower paid employment but perhaps ineligible for HB are likely to value an established lower quartile rent and not seek to move unless triggered by landlord action or other factors. The landlord interviews mentioned moving for work purposes, or moving in as lodgers into a shared house as the main reasons for moving.

The borough breakdown shows small variations. For example, Lambeth has the lowest proportion of longer term residents (7% > 5 years) and Bexley the highest (18%). Lewisham has the highest proportion (35%) of people resident in their home for less than a year.

Table 3.2 Length of residence in property, by borough							
	Total	Bexley	Bromley	Greenwich	Lambeth	Lewisham	Southwark
	%	%	%	%	%	%	%
Less than a year	29	29	33	27	29	35	24
1-2 years	31	31	27	31	37	24	33
2 – 5 years	26	20	25	29	26	26	29
5 – 10 years	8	14	2	11	5	12	9
More than 10 years	4	4	13	3	2	3	4
Can't recall/refused	1	1	0	<1	0	1	2

Base: all respondents

Looking now at the length of tenancy agreements, it was found that two out of three agreements were for one year with more than 20% for shorter periods – largely for six months. Only six percent said that they did not have a tenancy agreement.



There was little difference for those living in HMOs; a few more were on monthly agreements and very slightly more without any agreement but the majority (60%) had a one year agreement. Nor were there any particular differences for those receiving Housing Benefit.

Variations between boroughs can be seen and it seems that Bromley has a slightly different pattern with more people on six monthly, or monthly, agreements - 32% - more than double the proportion found in Bexley. It should be noted that the sample sizes in both these boroughs are relatively small and, as such, subject to greater variation.

Table 3.3 Length of tenancy agreement by borough							
	Total	Bexley	Bromley	Greenwich	Lambeth	Lewisham	Southwark
	%	%	%	%	%	%	%
Monthly ⁴	4	4	3	6	5	4	3
Six months	17	11	29	13	18	17	16
One year	62	66	53	64	65	62	60
Longer than one year	8	12	6	9	6	7	9
Do not have an agreement	6	4	8	5	3	6	9
Refused or don't know	3	3	0	4	3	4	4

Base: all respondents

⁴ These will be mainly Assured Shorthold Tenancies where the initial period has expired, and the tenancy has 'run on' on a monthly basis without a formal renewal

Taken together, these findings on length of residence and length of tenancy suggest that, although most people stay in their property for more than one year, they will have to renew their tenancy every year.

Ex-Right to Buy properties

Overall, 15% of the properties included were what the interviewers judged to be ex-Right to Buy (RTB). This is rather below the London-wide average (26%), and the proportions assessed for all study boroughs except Southwark. The proportions varied from 2% in Greenwich to 44% in Southwark (this Authority having indicated they would like a focus on this group and the areas selected accordingly).

The proportion of ex-RTB was slightly higher amongst HMOs, 20% compared with 16% of other properties. In general, there is little to distinguish those living in ex-RTBs from other residents – the same proportions are in employment, the same proportions are in receipt of Housing Benefit and income levels are very similar (if anything, there are slightly more people in the two highest income brackets but the numbers are too small to be able to draw conclusions from this). Those in ex-RTBs also seem to regard the quality and condition of their properties and the way in which they are managed and maintained in very similar ways to those who live in other properties.

Household size and structure

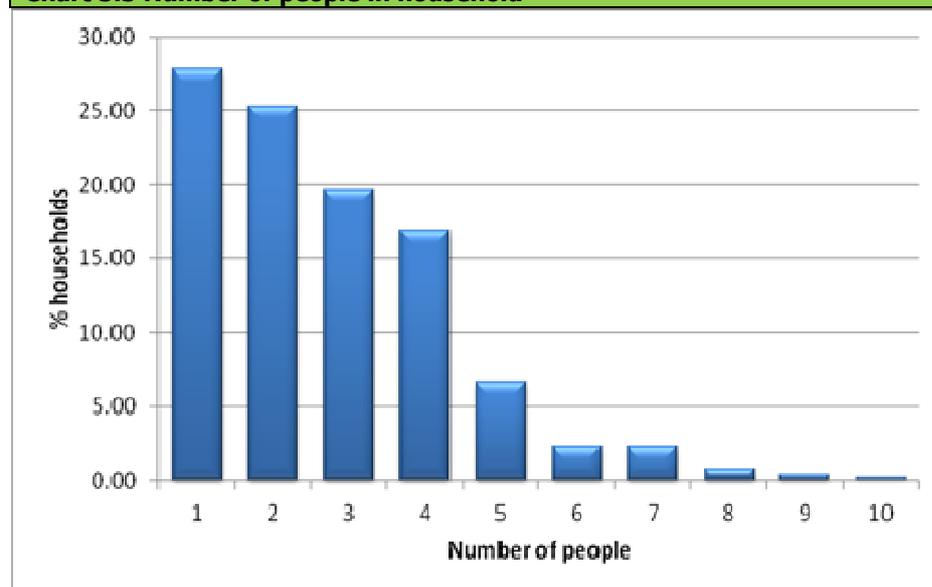
Key points

28% households were single adults and another 18% were couples without children. Lone parents made up 10%, and couples with children made up 30% of households. At least 40% households contained children.

15% of households were of 'other' family or alternative composition – this would include multi-adult households, with or without children. The incidence of residents aged 65 or over was very low at 3% of households.

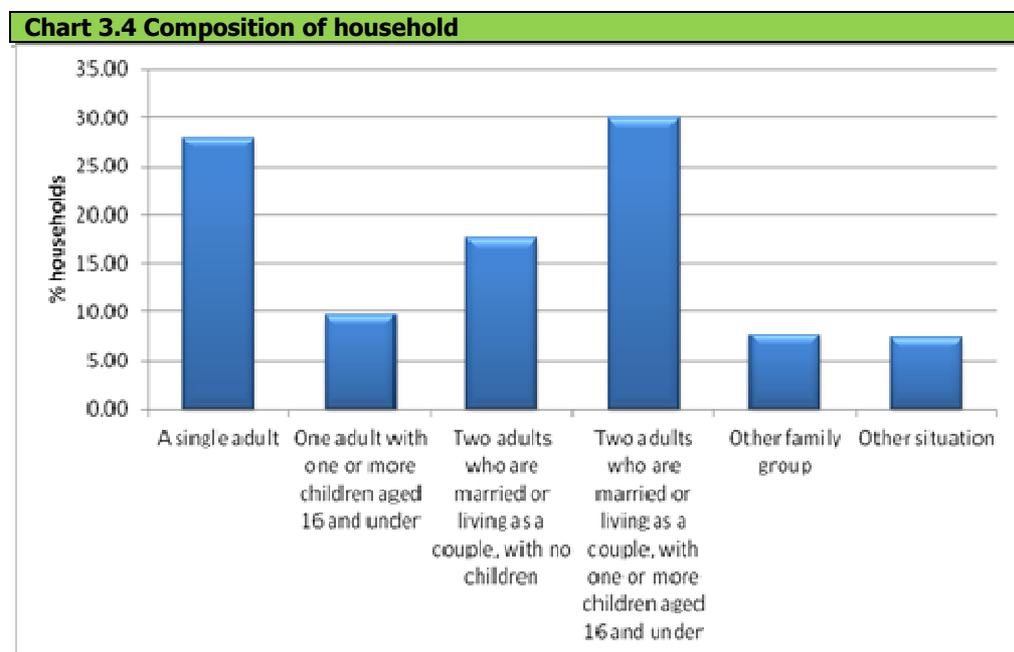
The number of people in any one household varied from one to ten but the average was between two and three (2.6). The chart below shows household size proportions for all properties (non-HMO and HMO).

Chart 3.3 Number of people in household



There is an interesting finding in relation to the HMOs within the sample; almost half (49%) of those living in HMOs are one person households, compared with only 21% of those in other properties. Whilst this is partly a function of the definition of a household used for the survey, and does not mean that people are living alone, it does illustrate that HMOs are an important source of accommodation for single people. This is largely what would be expected.

The composition of the households is as shown in this chart:



Perhaps surprisingly, the largest single group (30%) was of a family composed of two adults and one or more children under sixteen. If one adds in lone parent-headed households, this group totals 40% of households included children. This can be taken as a minimum figure for households with children, as some of the 'other family group' and 'other situation' categories will also contain children. This is highly significant, given that this group would be the most likely to require social housing should their PRS tenancy fail.

The incidence of residents aged 65 or over was very low, only 3% in total. This was 33 people and six of them live in HMOs. Just over half of the older residents were single person households with most of the remainder living as a couple.

Just over 4% of the sample were students sharing with other students. They fall into any type of household but are most likely to be single adults or in 'other situations'.

Table 3.4 Household composition by borough

	Total	Bexley	Bromley	Greenwich	Lambeth	Lewisham	Southwark
	%	%	%	%	%	%	%
Single adult	28	23	26	22	29	24	38
One adult with one or more children	10	14	15	9	8	9	9
Two adults living as couple, no children	18	14	26	14	22	18	11
Two adults living as couple, with child(ren)	30	32	25	33	34	33	23
Other family group	8	8	8	14	5	6	8
Other situation	7	8	0	10	2	11	13
Adult(s) 65+ present	3	5	7	5	2	2	1

Base: all respondents

Southwark's proportion (38%) of single adult households stands out as much higher than the other boroughs, with Greenwich the lowest at 22%.

Houses in Multiple Occupation

Key points

One in four of the properties surveyed were HMOs with higher proportions in Lambeth and Southwark. Most properties had two or three households but there could be as many as ten.

One third of those living in HMOs use all of their habitable rooms as bedrooms and 4% share bedrooms with other households.

13% of HMO residents are concerned about overcrowding; this should be considered in the context of the expanding HMO market

There is a 'top-end' of better quality HMOs that command higher rents, contrasting with a concentration of poorer conditions at the cheaper end.

In total, one in four of the properties in the survey were HMOs. This varied by borough with Lambeth and Southwark having the highest proportions.

Table 3.5 Number and proportion of HMOs in sample for each borough

Bexley	18	19%
Bromley	13	14%
Greenwich	52	23%
Lambeth	70	33%
Lewisham	90	24%
Southwark	53	33%
TOTAL	296	

Base: all respondents

Amongst these, 12% were of three or more storeys and therefore registerable HMOs. In only 2% of cases did the landlord also live in the property. NB Incomplete data was available for some of the properties so elements of the remaining analysis is based upon 255 HMOs rather than the 296 identified.

Typically, these households had the use of three or four rooms and used up to three of them as bedrooms. The next table cross references the number of available rooms with the number used as bedrooms. It should be noted that this refers to usage by the individual household, not the whole property, so that the usage of one room is a possibility for some households.

Table 3.6 Number of available rooms used as bedrooms within HMOs

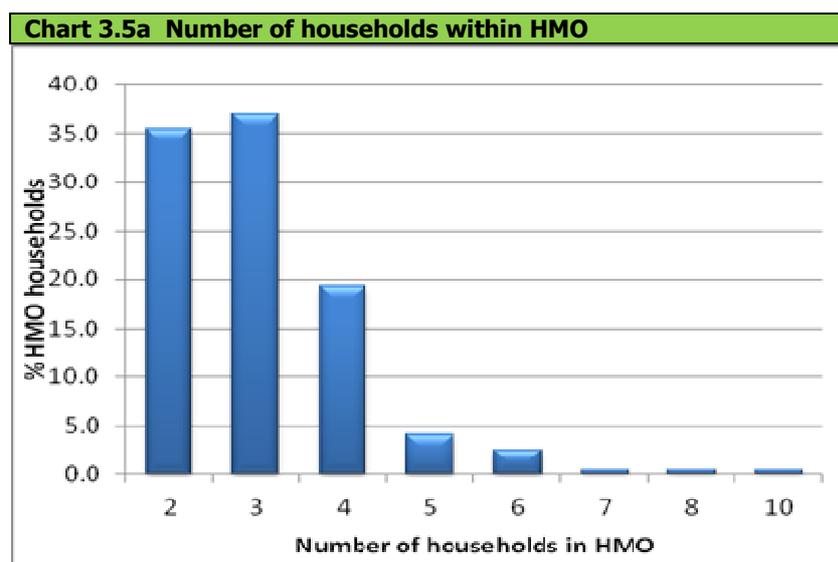
Number used as bedrooms	Available rooms					
	One	Two	Three	Four	Five	Six
	%	%	%	%	%	%
One	100	63	16	21	8	36
Two	-	38	46	10	17	0
Three	-	-	38	57	8	21
Four	-	-	-	14	42	14
Five	-	-	-	-	25	14
Six	-	-	-	-	-	14

Base: all living in HMOs (264 weighted); not all columns add to 100% due to rounding

The shaded cells indicate those HMO households using all of their available rooms as bedrooms. Taken together, these households using all their rooms as bedrooms represent 38% of those living in an HMO. This compares with 15% in non HMO properties who do the same. This may well be symptomatic of increasing pressure on space resources and landlord attempts to maximise income;

conversely, it could indicate tenants organising themselves to let out shared living space, in order to cut down on housing costs at the price of them losing space. Either way, it certainly has implications for lack of personal space, access to WC, bathroom and kitchen facilities, accompanying high levels of wear and tear on the properties. Cross-referencing the number of bedrooms used with the composition of the household indicates that there are at least 7% of households overall where adults share bedrooms with children. This occurs in only 2% of HMOs though, compared with 9% of other households, probably because there is a much higher proportion of single person households in HMOs.

The majority of HMO properties contained two or three households in total but the number could be as high as ten.



The borough breakdown shows some variations. For example, Bexley has the lowest percentage of properties with four or more households and Lewisham the highest. In most boroughs the most common number of households occupying an HMO was three; the exception was Bromley, where the norm was two households. NB the base sizes for Bexley and Bromley are quite small (15 and 9) so care should be taken in interpreting percentages.

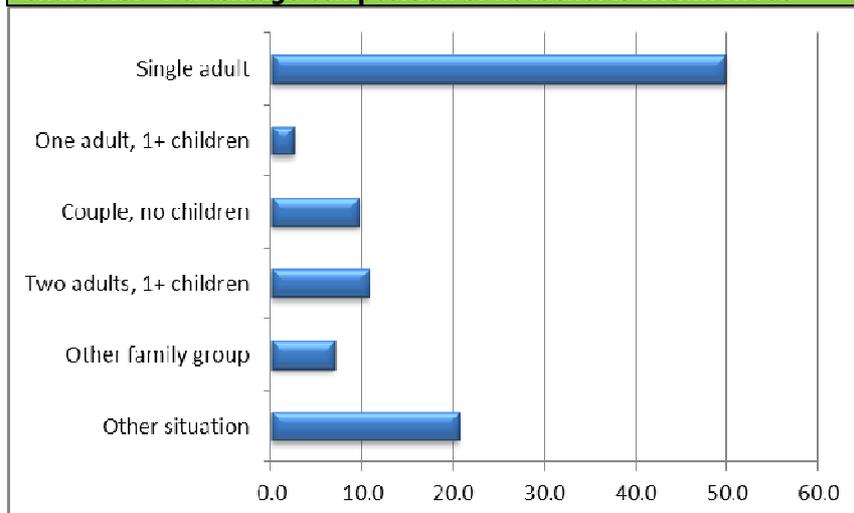
Table 3.7 Number of households within HMO by borough

	Total	Bexley	Bromley	Greenwich	Lambeth	Lewisham	Southwark
	%	%	%	%	%	%	%
Two	36	33	56	28	37	27	29
Three	37	47	22	51	39	32	33
Four	19	20	11	13	19	23	21
Five	4	0	0	5	2	12	4
Six - ten	4	0	11	3	3	5	4

Base: all living in HMOs (255 unweighted)

We can analyse the composition of households living in HMOs. Unsurprisingly, the highest proportion – nearly 50% - were single adults, but 13% were households with children, and 7% were ‘other family group’ some of which could contain children.

Chart 3.5b Percentage composition of households within HMOs



The final question relating specifically to HMOs asked the nature of the facilities that were shared with other households. Some 16% said that they did not share any facilities with others.

Table 3.8 Facilities shared with other households in HMO by borough

	Total	Bexley	Bromley	Greenwich	Lambeth	Lewisham	Southwark
	%	%	%	%	%	%	%
Kitchen/cooking facilities	72	73	67	82	66	77	73
Bathroom/toilet	71	73	67	82	66	70	75
Living room	50	53	67	49	56	41	
Bedrooms	6	20	0	5	5	4	6
Other	<1	0	0	0	2	1	0
No facilities shared	16	13	33	0	18	9	23

Base: all living in HMOs (255 unweighted)

It is not surprising that the majority share kitchen and bathroom facilities but half also share a living room and a few are sharing bedrooms. NB The figure of 20% sharing bedrooms in Bexley looks high but as the base is small it is only three people out of fifteen so care should be taken in interpreting the percentage figure. Further analysis of the fourteen people across the six boroughs who share bedrooms reveals very mixed characteristics:

- 70% are male and 30% female
- Two thirds were under 35 years old, the remainder no older than 64
- Half are from White backgrounds and the remainder split between Asian (Pakistani and Chinese) and Black ethnic groups
- The most likely household composition is single adults (40%) but there was one single parent, one couple with children and one other family group amongst the rest

This appears to indicate that there are a very few cases of severe overcrowding. However, within this section on HMOs, as noted, there are a number of indications of pressure on personal space, access to bathrooms and kitchens and significant wear and tear on the property itself.

We discuss the condition, quality of home, environment and management standards in relation to HMOs in the section below, where it is apparent that residents rate them as highly and sometimes higher than self-contained dwellings. However, when we analyse these findings by the level of rent paid for an HMO, there is a fairly strong correspondence between experiencing good or very good services and standard and paying highest rents, with the converse case for those paying lowest rent (table 3.8a)

Similarly, though slightly less consistently, there is a correlation between paying the lowest rents and receiving or experiencing poorer qualities standards and services (table 3.8b)

Table 3.8a High standards in HMOs and rent levels					
	Top quartile rent	Third quartile rent	Second quartile rent	Bottom quartile rent	Total
Very good or good quality accommodation	82%	66%	69%	65%	70%
Very good or good conditions	74%	60%	59%	56%	62%
Very good or good environment	82%	86%	64%	70%	76%
Very good or good management and maintenance	70%	67%	67%	52%	64%
Very good or good repairs responsiveness	79%	64%	73%	53%	66%
Very good or good attitude	72%	72%	73%	66%	72%

Base: all living in HMOs who provided rent data (244)

Table 3.8b Low standards in HMOs and rent levels					
	Top quartile rent	Third quartile rent	Second quartile rent	Bottom quartile rent	Total
Very poor or poor quality accommodation	2%	0%	2%	6%	3%
Very poor or poor conditions	2%	0%	2%	10%	4%
Very poor or poor environment	0%	1%	9%	5%	5%
Very poor or poor management and maintenance	3%	1%	6%	11%	5%
Very poor or poor repairs responsiveness	8%	8%	7%	7%	7%
Very poor or poor attitude	4%	4%	4%	4%	4%

Base: all living in HMOs who provided rent data (244)

This reflects the changing nature of the HMO sector in the study area, which, as well as housing lower earners, is also housing younger, single higher-income working people who cannot currently access the owner-occupied sector, but can afford higher rents and better standards in the private rented sector. This is also reflected in the fact that there are similar proportions of the highest earnings band (over £46,800) in both the HMO and self-contained sub-sectors.

We also compare the management performance of landlords and agents, especially in relation to lower quartile HMOs in the 'Property Management' section below

Opinions of the property and surrounding area

Key points

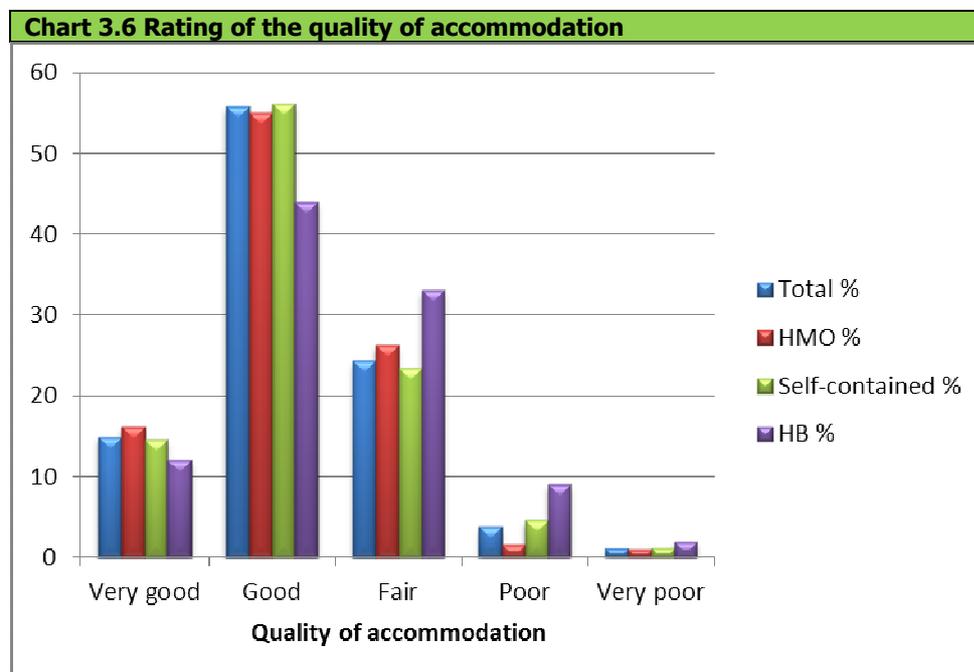
Opinions of the quality and condition of properties are mixed with 71% rating quality as 'good' or 'very good', and 68% rating condition similarly. There were low levels of dissatisfaction (around 5%). Those living in HMOs have very slightly better opinions than others. We could speculate that this may reflect lower expectations. It may also reflect previously owner-occupied properties being converted to HMOs, and higher-rent, higher standard HMOs in the market, as noted above.

Where there are problems with quality and condition they are most likely to be due to dampness or a generally poor condition and state of repair.

Two out of three seem satisfied with the quality of their local environment and it is only a small percentage (7%) who regard it critically. Rubbish and litter are the main subjects of criticism.

The most likely potential Category 1 hazards were damp and excess cold, followed by poor security and overcrowding. Some 13% of HMOs felt the last was a severe problem. This should be considered in the context of findings from the landlord interviews that letting out of rooms is an area of rapid growth.

Respondents were asked to rate the quality and condition of their home and the quality of the local environment using a five point scale from 'very good' to 'very poor'. Their views on the quality and condition of properties are largely favourable with at least 71% rating both as 'good' or 'very good' and low levels of dissatisfaction. The intended distinction was that 'quality' related to the overall standard of the property (for example size, facilities, location, fittings) whilst 'condition' meant the way the property was kept (for example state of repair, decorative condition). The next chart shows the rating for quality and compares the total with those in HMOs, self-contained accommodation and those receiving Housing Benefit.



'Good quality' is the most popular description and only 5% think they are living in poor or very poor quality accommodation. There is very little difference in the views of those who live in HMOs and others in the sample; this may be an accurate reflection of the situation or, if it was expected that standards in HMOs might be lower, perhaps it is the case that those in HMOs have lower expectations. It may also be the case that some previously owner-occupied properties (maintained to higher standards) have relatively recently been converted into PRS HMOs, as an effect of the changing market for owner-occupation, thus attracting a higher-earning sub-sector, as discussed above. There are more noticeable differences in the views of those who are in receipt of Housing Benefit with a generally lower rating of quality. Again, we can speculate that this reflects the fact that benefit-claiming households are less able to access better quality accommodation...

Overall, given that for self-contained accommodation this study was of the lower end of the PRS market (where it may be expected that conditions are poorer) one would expect standards to be lower than the norm. Although the 71% figure may appear to be high, in fact the overall satisfaction rate among PRS dwellers is 84% (across England)⁵.

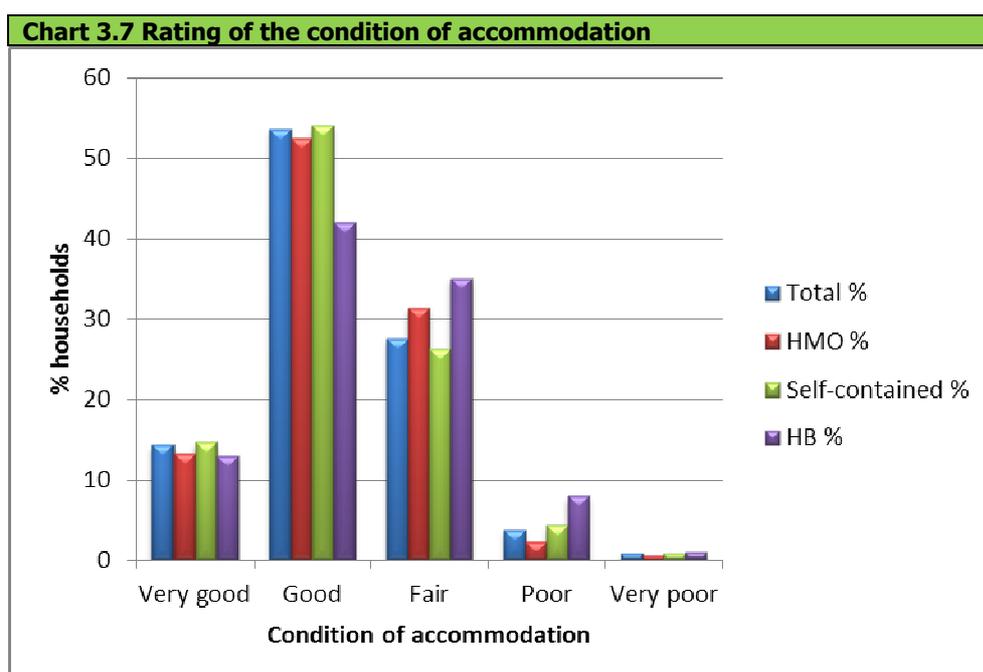
The next table gives the borough breakdown and shows that the same broad patterns are apparent in every area although there are local differences. They show, for example, that quality in Lambeth is perceived to be a little worse than in other boroughs.

⁵ English Housing Survey 2012-2013 Household Report, DCLG, July 2014

Table 3.9 Rating of the quality of the accommodation by borough							
	Total	Bexley	Bromley	Greenwich	Lambeth	Lewisham	Southwark
	%	%	%	%	%	%	%
Very good	15	17	9	10	15	18	17
Good	56	58	68	67	45	55	56
Fair	24	23	17	20	33	21	25
Poor	4	0	6	1	6	5	2
Very poor	1	2	0	2	1	2	0

Base: all respondents

Respondents were also asked to rate the condition of their accommodation and similar views were expressed. The chart again includes self-contained accommodation, HMO dwellers and Housing Benefit claimants as well as the total.



A few more people say 'fair' than 'good' for quality, making condition slightly less well regarded but the difference is small and there remain only 5% who are dissatisfied. As with the quality rating, there is very little difference between HMOs and other property but a generally lower rating from those people receiving Housing Benefit.

Table 3.10 Rating of the condition of the accommodation by borough							
	Total	Bexley	Bromley	Greenwich	Lambeth	Lewisham	Southwark
	%	%	%	%	%	%	%
Very good	14	14	6	13	13	17	20
Good	53	60	65	60	45	54	51
Fair	28	23	25	22	36	24	27
Poor	4	1	4	4	6	3	2
Very poor	1	2	0	1	<1	2	0

Base: all respondents

Again, there are different results within each borough. The differences are small though, except in Lambeth where residents give generally lower ratings. It should be noted that Lambeth has one of the higher levels of Housing Benefit, and this may be a factor.

Those who gave 'poor' or 'very poor' ratings for the quality or the condition of their property were asked to give their reasons, in their own words. This table has separate columns giving the answers

for quality and for condition and it can be seen that many of the same issues are relevant to both. NB Some people gave more than one reason so the percentages add to more than 100.

Table 3.11 Reasons for rating quality or condition poorly		
	Poor quality	Poor condition
	%	%
Damp/leaks	33	21
The property is cold	17	
Property is old/run down/needs updating	28	18
Repairs or redecoration needed	20	29
Bathroom and kitchen poor	8	24
Property not clean	7	3
Security issues	6	-
Pests and vermin	5	10
Other reasons	3	1

Base: all rating quality/condition poorly (58/53 weighted); verbatim comments tended to merge the 'cold' and 'old' description of conditions, hence the cell is merged

The most frequently cited problem was damp and leaks, and the next two were the need for repairs and redecoration, and that the property was old, rundown, and needed updating. A broad view is that these properties are old and poorly maintained in general by landlords who do not seem to have any regard for their tenants. In very general terms, the same issues are mentioned throughout the subgroups such as boroughs and HMOs but some of the sample sizes are quite small and detailed comparisons would not be reliable. Respondents had the option to make some comments on property condition, and a sample is below:

"It's in the same state of repairs as when we rented it – there are cracks in the walls from trains" (Bexley)

"There is no central heating in the house. There is a lot of mould in the winter, it's a big problem" (Bromley)

"Every room has damp. The drains are overflowing. The main security door is broken and has been for months" (Greenwich)

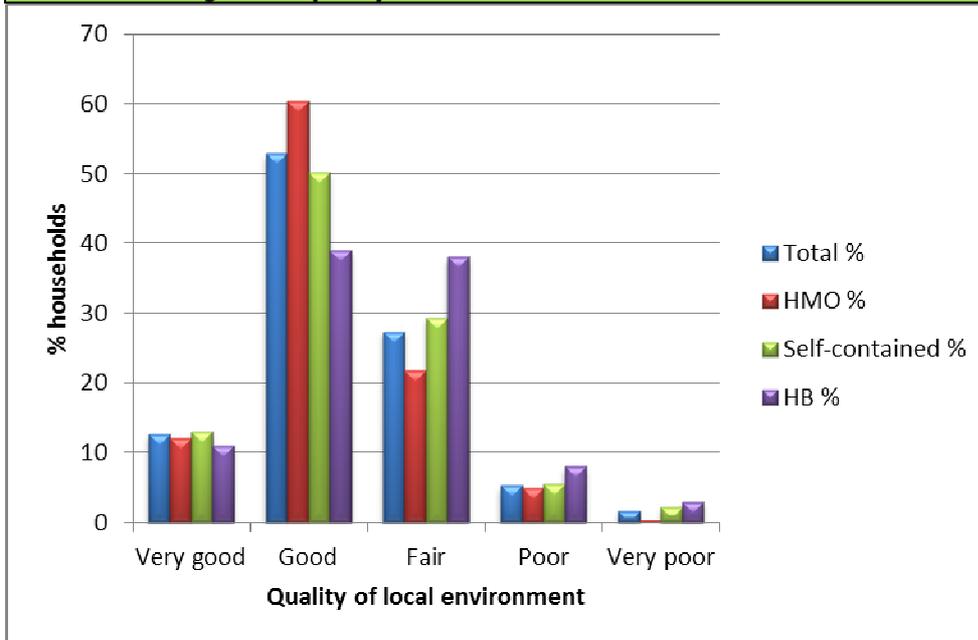
"I have two children. There is mould and mice and leaking. There are ants. Generally it's not a suitable property" (Lambeth)

"The insulation is not good. It is generally freezing. The bathroom is not possible to heat" (Lewisham)

"It's a very old kitchen and the bathroom is in poor condition" (Southwark)

Using the same five point scale, tenants were asked how they would rate the local environment in terms of litter and rubbish, how well it is maintained, etc.

Chart 3.8 Rating of the quality of the local environment



Two out of three seem reasonably satisfied with the local environment, rating it 'good' to 'fair' and it is only a small percentage who regard it critically. Those who live in HMOs have a more favourable opinion of their local environment than do other respondents (72% saying 'very good' or 'good' compared with 63% and 5% 'poor' or 'very poor' compared with 8%). This is slightly counter-intuitive, given the reputation of HMOs, but there may be factors to do with the age, size and location of properties that lead to this, and perhaps lower expectations among HMO residents. Additionally, it should be noted that the landlord interviews indicate that those letting rooms (as opposed to flats / studios) were most likely to have spent money recently on the property – increasingly trying to attract young professionals rather than low income singles.

Looking at the figures for those claiming Housing Benefit, the rating is again lower than for others. This is illustrated by a change in the balance between 'fair' and 'good' ratings and a slightly higher percentage who think their environment is 'poor' or 'very poor'.

At borough level there are variations but all areas follow the same broad pattern, with Bexley getting the highest ratings, and Lambeth the lowest ones, though still mostly in the 'good' to 'fair' bands.

	Total %	Bexley %	Bromley %	Greenwich %	Lambeth %	Lewisham %	Southwark %
Very good	13	22	8	10	10	11	18
Good	53	56	52	64	46	57	50
Fair	27	12	26	22	36	25	28
Poor	5	5	9	3	6	5	4
Very poor	2	5	4	1	2	1	0

Base: all respondents

The general theme is to regard the environment as 'good' to 'fair'; in Bexley it is 'good' to 'very good'. Slightly weaker areas are Bromley which have the lowest percentage of 'very good' ratings and Lambeth which has the highest proportion rating their environment as 'fair'.

The reasons given by those who do give a poor rating overwhelmingly relate to the presence of rubbish and litter and inadequate collection arrangements, making the areas dirty and untidy.

Table 3.13 Reasons for rating the quality of the local environment poorly	
	%
Rubbish dumped/lying around/not collected	61
Dirty/untidy/litter	27
Pollution/unpleasant smell	13
Noise nuisance	6
Vermin/pests	4
Dog mess	4
Other reasons	13

Base: all rating quality of local environment poorly (82 weighted)

A lack of recycling facilities in some areas also contributed to a build-up of rubbish. References to an unpleasant smell related to the rubbish that accumulated. Noise is a minor problem too.

Another line of questioning was designed to establish perceptions of the possible prevalence of Category 1 Housing Health and Safety Rating System (HHSRS) hazards in the properties represented. In order to avoid making the interview too lengthy, a shortened list was used, including those felt likely to be most relevant to respondents. This table shows the percentages who think the hazard **does** exist in their property, is severe and is based upon respondent assessments rather than a survey⁶.

Table 3.14 Existence of severe problems in the property by borough							
	Total	Bexley	Bromley	Greenwich	Lambeth	Lewisham	Southwark
	%	%	%	%	%	%	%
Damp or mould growth	21	17	26	13	22	23	20
Excess heat	3	2	2	1	3	2	5
Excess cold/lack of heating	9	5	8	6	11	11	10
Overcrowding or lack of space	7	9	5	2	11	7	6
Poor security/risk of intrusion	8	6	7	9	10	10	4
Poor sanitation/problems with water supply	3	3	1	4	3	3	4
Hazards likely to cause trips, falls or injury	3	3	4	1	3	2	3
Electrical or fire hazards	2	2	1	2	2	2	1

Base: all respondents

Damp and mould growth was by far the most likely hazard, affecting one in five properties. This varied from 13% in Greenwich to 26% in Bromley. Excess cold and poor security follow damp and mould in importance, all of which is supported by the earlier criticisms of poor quality properties. There are no great differences between HMOs and other properties except on the issue of overcrowding. In this respect, 13% living in HMOs think it is a severe problem, compared with only 5% of others. Those in receipt of Housing Benefit tend to be a little more critical than others, which also fits with earlier findings. Tenants living in ex RTB properties are a little more likely to identify damp and mould as a hazard, 28% compared with 19% of others, but their views are similar on other hazards.

Differences between the boroughs may be seen. Greenwich seems to have fewest problems while Lambeth and Lewisham are likely to have the highest incidences.

Cross tabulation can also be used to show that there is a strong degree of correlation between identifying possible Category 1 hazards and rating the condition of the property poorly. In all cases, the tenants who perceive that a hazard exists in their home are more likely to have given a less than favourable assessment of the condition of their property. For damp and mould, for example, 16% of those who feel it is a hazard rate the condition of their property as 'poor' or 'very poor' compared with only 2% of those with no hazard identified. If we include ratings up to 'fair' then the comparative

⁶ We should emphasise that the questions and responses in this section cannot be taken to reflect the full complexity of the HHSRS, with its combination scoring system based on severity and likelihood; rather, it is indicative of possible Category 1 hazard presence.

figures are 60% and 23%. Another example is excess cold or lack of heating and where this is regarded as a hazard 24% also rate the condition of their property as 'poor' or 'very poor' compared with 3% of others. A particular concern from a safety point of view is where the tenant identifies an electrical or fire hazard; the number is smaller (21 people) but almost half of them also rate condition poorly compared with only 4% of those satisfied there is no hazard.

Anti-social behaviour (ASB)

Key points

It was found that 14% of tenants had personal experience of anti-social behaviour in the immediate area around their home in the previous year. The most likely problems were noise nuisance, drunken behaviour and vandalism or graffiti.

It was found that 14% of tenants had personal experience of anti-social behaviour (ASB) in the immediate area around their home in the previous year. For those who live in HMOs the figure was 12% and for other residents, 15%. This may be relevant if evidence is sought for additional licensing of HMOs. There was also a difference for those who were in receipt of Housing Benefit; 20% of this group claimed to have experienced anti-social behaviour, compared with 12% of others. This fits with their lower ratings for their properties, suggesting that they live in poorer areas generally.

A breakdown by borough shows similar figures in each with the exception of a higher incidence in Bromley. This is perhaps a little unexpected but as it was one of the smaller samples it is subject to a greater degree of potential error.

Table 3.15 Proportion experiencing ASB in each borough

Bexley	13%
Bromley	23%
Greenwich	13%
Lambeth	11%
Lewisham	14%
Southwark	14%

Base: all respondents

The nature of the behaviour was also recorded and it seems that noise nuisance was seen as the most common problem; more than half of those affected by ASB mention noise.

Table 3.16 Nature of anti-social behaviour by borough

	Total	Bexley	Bromley	Greenwich	Lambeth	Lewisham	Southwark
	%	%	%	%	%	%	%
Noise nuisance	58	33	64	52	61	50	70
Drunken behaviour	27	25	14	41	22	30	35
Vandalism or graffiti	24	25	27	24	17	20	30
Loitering or begging	13	8	5	21	13	11	17
Confrontation between neighbours	11	0	14	7	17	4	13
Other problem	19	33	14	7	22	32	17

Base: all experiencing ASB in last year (163 unweighted)

After this, drunken behaviour was the next problem. The main issues mentioned in 'other problems' were theft and robbery (by 7%) and drug related problems (by 3%).

There were some differences for those who live in HMOs; they found greater problems with noise and loitering and offered more 'other' problems. Other residents found vandalism and graffiti and confrontations between neighbours to be more problematic than did those in HMOs.

There are some noticeable differences between boroughs too. For example, more than twice as many people are affected by noise in Southwark as in Bexley, drunken behaviour is more likely in Greenwich but loitering and begging are rarely an issue in Bexley or Bromley.

Property management

Key points

Some 72% of tenants deal directly with their landlord rather than through an agent. The figure is higher – 77% - for those in HMOs.

Around 70% of tenants are satisfied with the way their properties are managed and maintained, the weakest aspect being the response to requests for repairs. However, opinions of landlords are better than those of agents who are not seen to be as helpful or responsive. Tenants on HB are less satisfied.

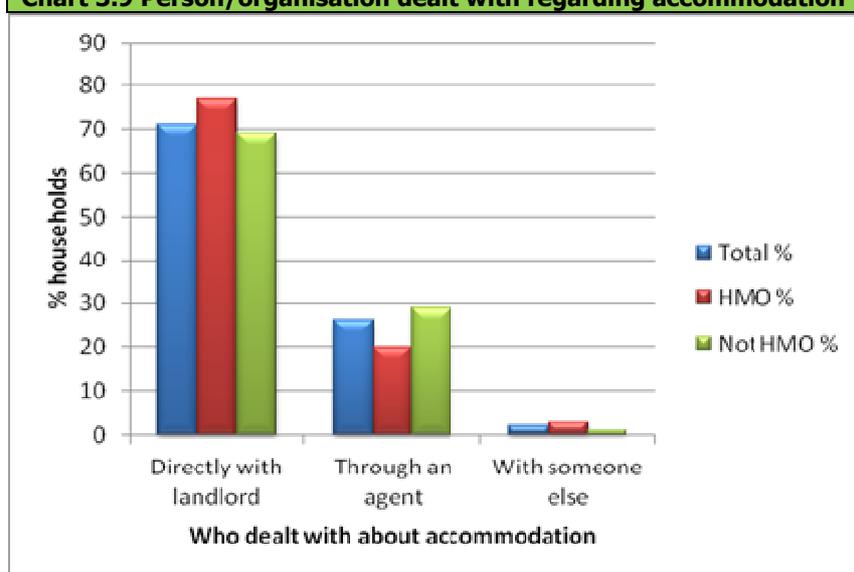
Only a small proportion, fewer than 10%, had contacted their Council about landlord problems, overcrowding or re-housing.

In terms of costs incurred in securing a property, two thirds of tenants were required to pay a deposit and 44% rent in advance. Around one in four also said that they paid agents fees. The latter ranged from £50 to £1,300. On average, agents' fees were £285; deposits were £974; and rent in advance was £971

Performance of landlords and managing agents

A number of questions were asked about the letting and management of properties. Firstly, it was found that the majority of tenants deal directly with their landlord rather than through an agent (though the landlord interviews indicate that substantial numbers obtain their tenants via lettings agencies).

Chart 3.9 Person/organisation dealt with regarding accommodation



Those living in an HMO are more likely to deal with the landlord – 77% compared with 69% of other tenants. So only 20% in an HMO go through an agent compared with 29% of other tenants. There is almost no difference between those who do or do not receive Housing Benefit.

Within the boroughs, Bexley and Southwark have higher proportions going through agents although there is no obvious reason for this.

Table 3.17 Person/organisation dealt with regarding accommodation by borough							
	Total	Bexley	Bromley	Greenwich	Lambeth	Lewisham	Southwark
	%	%	%	%	%	%	%
Directly with the landlord	72	69	76	74	72	75	66
Through a letting or estate agent	27	31	23	25	27	24	30
With someone else	1	0	1	1	1	1	4

Base: all respondents

Respondents were asked to rate how well their contact dealt with several aspects of managing their property and the results are shown in Table 3.18

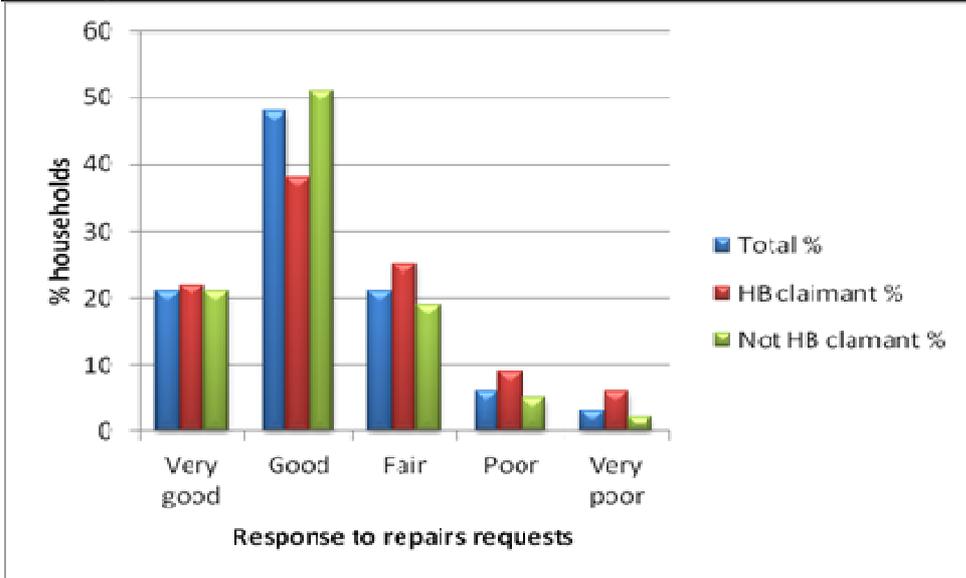
Table 3.18 Opinions of property management by landlord / agent						
		Very good	Good	Fair	Poor	Very poor
The way the property is managed and maintained	%	13	53	28	4	1
Landlord	%	13	55	28	4	1
Agent	%	12	49	31	4	2
General attitude and helpfulness	%	21	52	19	5	2
Landlord	%	23	54	19	3	1
Agent	%	14	50	20	11	4
Response to requests for repairs	%	22	48	21	6	3
Landlord	%	23	49	22	3	2
Agent	%	15	47	18	12	5

Base: all respondents NB percentages read across

The majority (66% - 73%) of tenants are satisfied with these aspects of property management, rating them 'good' or 'very good'. Real dissatisfaction is at quite a low level with the weakest aspect being response to repairs. However, there is a noticeable difference in opinion on the two latter aspects when broken down into landlords and agents. The latter are clearly less well thought of with 17% of tenants finding the response to repairs 'poor' or 'very poor' compared with only 5% where tenants deal directly with their landlords. The general attitude and helpfulness of agents is not a great deal better with 15% dissatisfied.

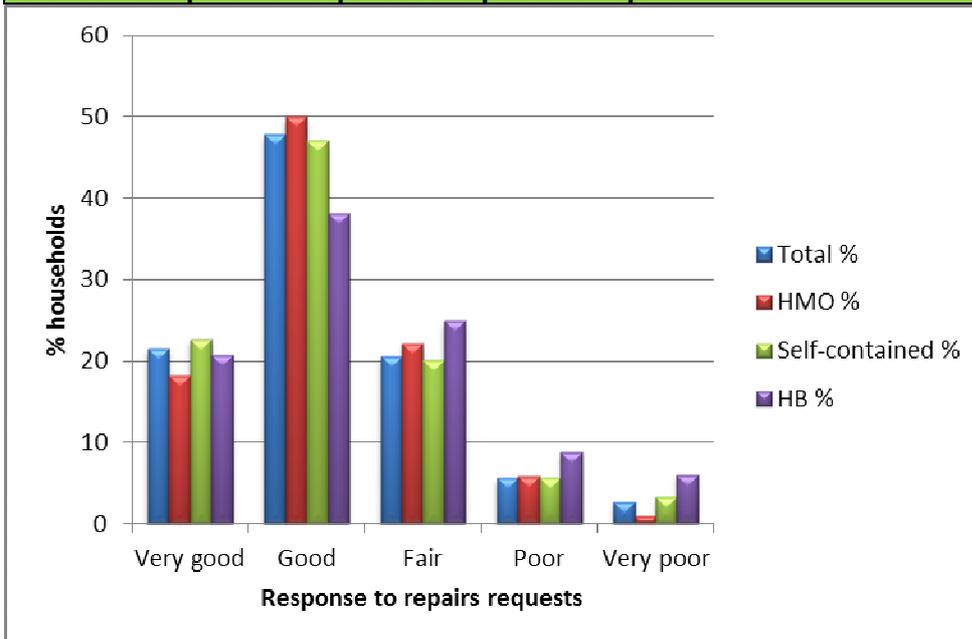
There is a similar disparity in the views of those who receive Housing Benefit and those who do not. This chart shows the comparison for requests for repairs but views were also relatively more negative on the other two aspects. Twice as many of those receiving HB were critical of the response to their requests for repairs. It is difficult to know whether this is a reflection of generally poorer opinions of service standards held by those who are in relatively poor accommodation or whether it is evidence of more negative attitudes to benefit claimants from providers.

Chart 3.10 Opinion of response to requests for repairs by Housing Benefit status



As regards the views of HMO and self-contained tenants, there was little difference in their opinion of repairs responsiveness:

Chart 3.10a Opinion of response to requests for repairs



On the questions of landlords' or agents' general attitude, and the quality of management and maintenance, as with repairs responsiveness, those claiming HB were generally less satisfied and more dissatisfied than average. There is little difference between the views of those in HMO and self-contained accommodation

Chart 3.10b General attitude and helpfulness

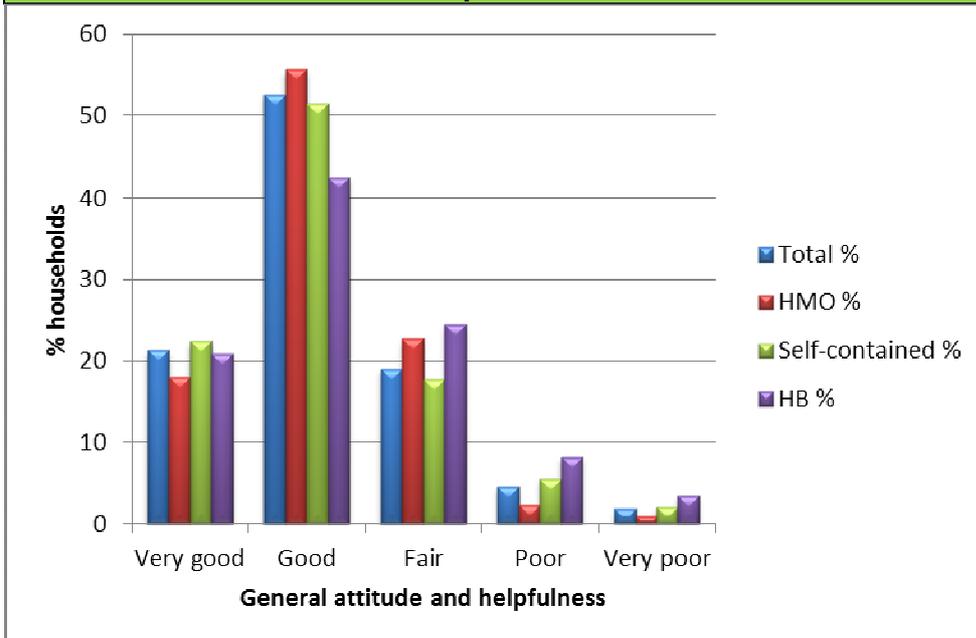
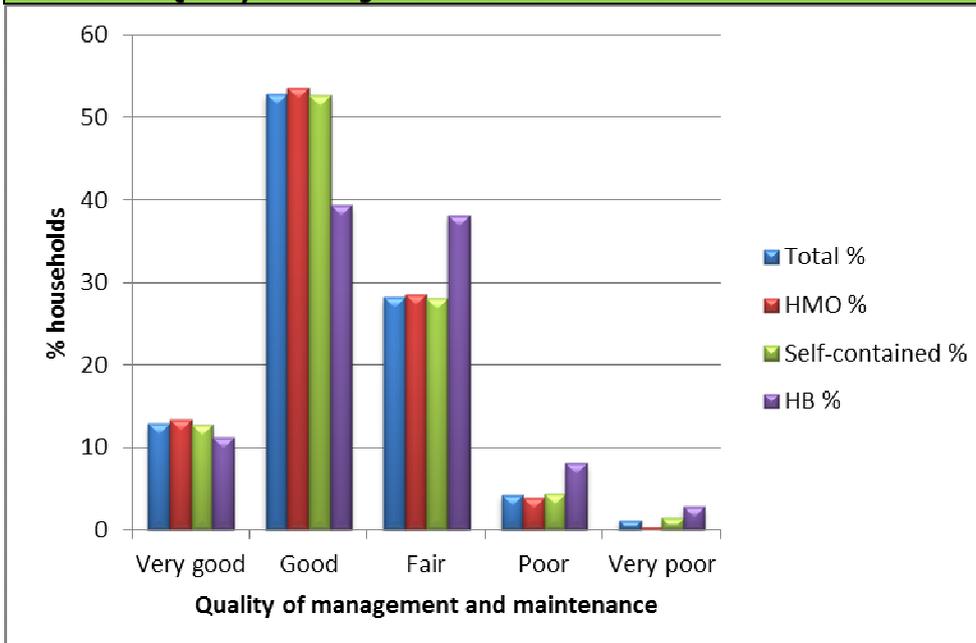


Chart 3.10c Quality of management and maintenance



Where respondents rated 'the way the property is managed and maintained' as poor or very poor they were asked to give their reasons. The dominant comment, from almost two out of three people, was that landlords were just not doing the necessary repairs or maintenance. There might perhaps be a long wait to get anything done and some landlords made do with cheap or temporary repairs. A handful of people spoke of doing necessary things themselves.

Comments included:

"It always takes ages for things to get done and we end up paying to do things ourselves" (Bexley)

"The landlord doesn't bother at all if any maintenance is required" (Bromley)

"The door is broken but the landlord has not bothered to repair it for three years" (Greenwich)

“The lettings agents don’t care about the property when [the previous tenants] moved. They didn’t prepare the property before we moved in – things need to be done” (Lambeth)

“We always have to call loads of time before the landlord does repairs” (Lewisham)

“We do all the maintenance ourselves” (Southwark)

While there was little difference overall in the views of residents in HMOs and self-contained accommodation, we also examined the data relating to HMO residents paying lowest quartile rents, and whether in particular there were differences in the performance of landlords and agents. Just examining those grading performance as ‘poor’ or ‘very poor’, the results indicate that agents perform worse on most indicators. NB please note that the numbers concerned here are very small.

Table 3.18a Poor or very poor management performance in HMOs with lower quartile rents		
	Landlord	Agent
	%	%
Quality of property	4	33
Condition of property	6	23
Local environment quality	4	0
Repairs responsiveness	6	10
Management and maintenance	8	25
Attitude and helpfulness	4	8

Base: HMO residents paying lower quartile rents (68)

Entry costs

The other aspect of property management investigated was to establish what tenants had been expected to find in the way of entry costs or advance payments at the time of securing their tenancies

Table 3.19 Incidence of advance payments					
	Total	HMO	Non HMO	Receiving HB	No HB
	%	%	%	%	%
Agents fees	27	24	28	23	28
A deposit	69	69	69	59	72
Rent in advance	44	47	43	36	47

Base: all respondents

It seems that two thirds of tenants were required to pay a deposit and 44% rent in advance. Around one in four also said that they paid agents fees. The majority paid more than one of these amounts, including 18% of all tenants who paid all three.

There is little difference for those in HMOs; they are slightly less likely to pay agents fees and slightly more likely to pay rent in advance and this probably reflects that these tenants were more likely to deal directly with their landlords rather than with agents. Those receiving Housing Benefit were less likely to have to pay any of these advance amounts.

The agents fees paid ranged from £50 to £1300, the maximum deposit was £4,200 and advance rent could be as much as £3,000. The averages paid are shown in this table.

Table 3.20 Average advance payments unweighted			
	Total	HMO	Non HMO
	£	£	£
Agents’ fees	285	302	281
Deposit	974	878	1,004
Advance rent	971	933	984

Base: all making advance payments and providing details (250/744/453)

Those in HMOs paid, on average, a little less as deposits and in advance rent but agent's fees could be higher.

Table 3.21 Average advance payments by borough							
	Total	Bexley	Bromley	Greenwich	Lambeth	Lewisham	Southwark
	£	£	£	£	£	£	£
Agents' fees	285	243	246	248	346	261	317
Deposit	974	843	837	875	1,141	993	1,000
Advance rent	971	801	802	870	1,099	981	1,064

Base: all making advance payments and providing details (250/744/453)

Variations between boroughs are clear with Lambeth seeming to be the most expensive area for all payments and Bromley and Bexley generally cheaper.

Contact with Council

Some 12% of those interviewed said that they had contacted their Council about their property since they moved in. The figure was a little higher for those in HMOs (14%) and higher still (17%) for those receiving Housing Benefit.

A borough breakdown shows that this was least likely in Bexley but otherwise the proportions were very similar.

Table 3.22 Percentage in each borough contacting Council about property	
Bexley	8%
Bromley	15%
Greenwich	13%
Lambeth	12%
Lewisham	11%
Southwark	14%

Base: all respondents

The reasons for the contact were recorded and were predominantly related to tax and benefits, as this table shows. Issues directly relating to the property and tenancy itself were mentioned by relatively few people.

Table 3.23 Reasons for contact with Council by borough							
	Total	Bexley	Bromley	Greenwich	Lambeth	Lewisham	Southwark
	%	%	%	%	%	%	%
HB/Council Tax queries	47	29	57	50	48	51	36
Rubbish/recycling issues	11	29	14	14	4	7	14
Poor condition of property	11	29	0	4	20	5	14
Being re-housed/eviction	6	14	0	7	0	14	5
Neighbours/noise	3	0	0	7	0	2	5
Problems with landlord	1	0	7	0	0	2	0
Overcrowding	1	0	0	4	4	0	0
Other reasons	19	0	21	17	24	15	27

Base: all contacting Council about their property (139 unweighted)

Those living in HMOs and those receiving HB were more likely to have complained about the condition of their property than others (19% and 26% respectively). Two people had had problems with their landlord and another two were concerned about overcrowding. Some also enquired about re-housing but only one specifically mentioned eviction. The 'other' reasons tended not to relate as much to the property or tenancy, except for one person who went to the Council when they found they could not afford the rent.

The borough breakdown is shown above but the sample sizes for Bexley and Bromley are quite small so comparisons would be unreliable.

Rent, income and benefits

Key points

Average monthly rents for self-contained properties ranged from £792 (1 bed), £953 (2 bed), £1,115 (3 bed) to £1,293 (4 bed). HMO rents are generally 20% to 30% lower. A total of 24% were receiving Housing Benefit, usually to cover part of their rent rather than all of it. This reflects the relatively high level of employment among respondents and possibly the difficulty of those on full HB have in accessing the sector.

Average monthly rents paid by each household and related to the numbers of bedrooms are shown in the table below. It should be recalled that maximum rents for those in non HMO properties were set at the lower quartile figure so these figures are not therefore representative of the market as a whole. There was no restriction on the level for HMOs so these figures may more accurately reflect market figures, although as interviews were conducted in the same geographic areas it is likely they are still at the cheaper end of the market. The same breakdown by borough is appended to this report (appendix 1).

Table 3.24 Average monthly rents paid (unweighted)

	HMOs	Non HMO
	£	£
One bedroom	610.71	792.39
Two bedrooms	836.81	953.20
Three bedrooms	908.79	1,115.04
Four bedrooms	903.55	1,293.81
Five bedrooms	581.82	1,450.00
Six bedrooms	410.00	2,000.00

Base: all respondents

The figures for HMOs relate to the household interviewed **not** the whole property. It should be noted that the sample sizes for the five and six bedroom properties are very small (between one and eleven) so the figures cannot be regarded as being as reliable as the others in the table.

In total, 24% of tenants were in receipt of Housing Benefit and there are some quite wide variations between boroughs. There is also a difference for those in HMOs, where only 11% receive HB, and other properties, where 29% do so. Of equal significance is the prevalence of partial Housing Benefit claims – indicating the needs of working households for benefit support.

Table 3.25 Percentage of households receiving Housing Benefit

	Total PRS tenants on HB	Covers all rent	Covers part rent
Bexley	29%	13%	16%
Bromley	34%	8%	26%
Greenwich	20%	4%	16%
Lambeth	28%	8%	20%
Lewisham	20%	6%	14%
Southwark	18%	6%	12%

Base: all respondents

Tenants in Bromley are most likely to be receiving HB and those in Southwark least so. However, those in Bexley were most likely to rely on Housing Benefit to cover all of the rent.

Almost 70% of those who receive HB are in the age range 25 – 49 with a further 17% in the 50 – 64 range. Two out of three (67%) of the households include children, whereas only 39% of total households do so. A further 20% are single adults. All ethnic groups are represented amongst claimants, in proportions broadly similar to the overall sample profile.

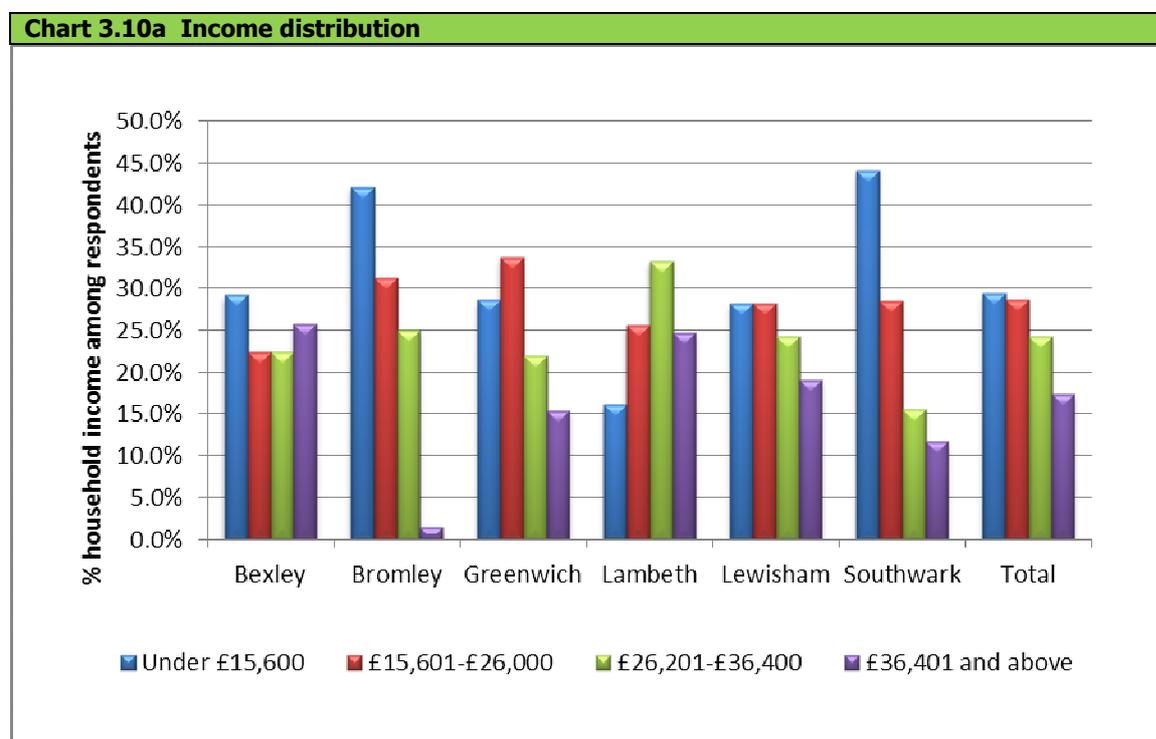
Gross income for the household, excluding Housing Benefit, was also recorded. There were 41% who either refused the information or did not know the level for the household so this table shows the breakdown only for those who provided the information.

Table 3.26 Gross annual income per household (unweighted)		
	%	Cumulative %
Under £5,200	3	3
£5,200 - £10,400	10	13
£10,401 - £15,600	16	29
£15,601 - £20,800	15	44
£20,801 - £26,000	14	58
£26,001 - £31,200	15	73
£31,201 - £36,400	9	82
£36,401 - £41,600	6	88
£41,601 - £46,800	4	92
Over £46,800	8	100

Base: all providing income information (682)

Almost half of the sample (44%) have an income below £20,800 per year or £400 per week and three out of four earn below £31,200 or £600 per week. At the other end of the scale, 27% earn over £31,200 per year. These figures can be compared to median household earnings across South East London of £32,200, ranging from £30,050 in Lewisham to £37,200 in Bromley.⁷

If we look at income distribution between authorities there are some variations. Bexley and Lambeth have a greater proportion of households in the higher income brackets (around 25%) than other authorities, particularly Bromley which has only around 2%. Southwark, Bromley and to some extent Greenwich's profiles are tilted towards the lower end of the income spectrum, whereas Bexley, Lambeth, and to some extent Lewisham head toward the higher end. This is also significant when we consider future tenure intentions (discussed below).



Base: all providing income information (682)

⁷ Para 4.35 South East London SHMA, June 2014 (figures relate to 2012)

If we look at the proportion of income spent on rent, there is a rather predictable conclusion that the higher the income, the lower the proportion spent on rent. Chart 3.11a excludes those who receive Housing Benefit as this skews the figures.



Up to an income of about £1,600 per month (£19,200 per annum), households are spending more than half of their income on rent. A few respondents claim to spend more than 100% of their income on rent. They are possibly those who are in arrears and are paying them off, or who have no recourse to public funds.

An analysis of income levels for those who do not claim HB shows that 8% of them have an income of less than £800 per month (and 19% have an income of less than £1,200 per month) and may well be eligible to claim.

At the end of the interview, respondents were asked about any benefits they received and this was recorded as follows:

Table 3.27 Benefits received by household by borough

	Total	Bexley	Bromley	Greenwich	Lambeth	Lewisham	Southwark
	%	%	%	%	%	%	%
Income Support	4	8	2	5	6	3	4
Housing Benefit	24	27	31	19	28	20	18
Council Tax Benefit	11	14	15	9	16	7	6
State retirement pension	2	2	5	2	1	1	0
Jobseekers Allowance	2	3	3	<1	2	2	3
Incapacity Benefit	1	2	1	0	1	1	1
Disability Benefits	4	3	5	1	6	2	3
Child Benefit	24	28	26	21	25	23	24
Working Families Tax Credit	9	10	6	5	13	7	9
Disabled Persons Tax Credit	<1	0	0	<1	0	0	0
None of these	57	53	45	54	60	61	61
Refused	7	8	8	12	2	6	9

Base: all respondents

Fewer than half the sample received any kind of benefit. This finding matches that in section 10, where it can be seen that over 70% of respondents were working. Where benefits were received, Housing Benefit and Child Benefit were most common. Those in Bromley were most likely to be

receiving some kind of benefit. The significance of Child Benefit is another indicator of the use of the PRS by households with children.

Property history and intentions

Key points

The largest single group – 41% - expected their next tenancy to be in the PRS. 28% expected to own their own homes; and 19% expected to access social renting.

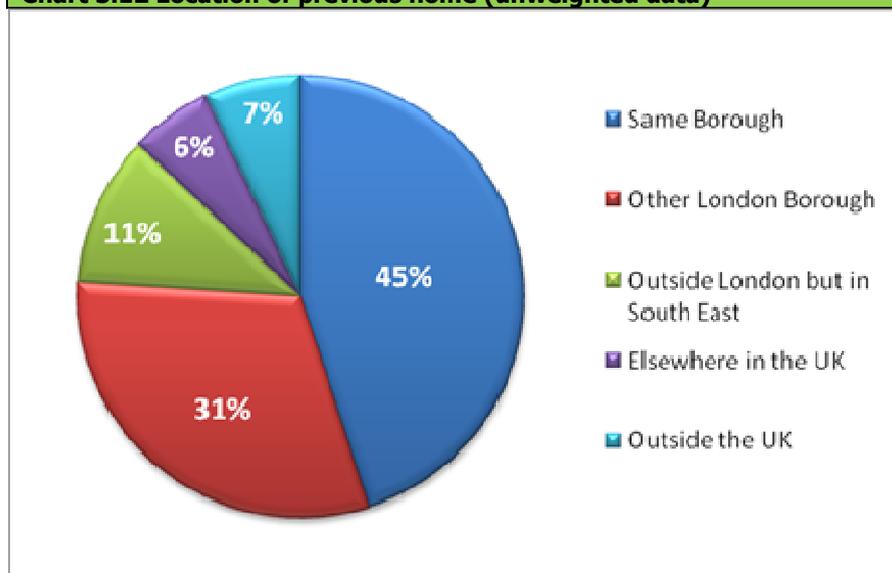
In terms of where they had lived previously, one in four had moved into London from elsewhere. Within London there is substantial movement between boroughs.

Previous tenure was usually (78%) another private rented property but 11% had moved out of a family home into independent accommodation.

Some 22% are likely to move in the next year including 14% who are 'very likely' to do so. The main reasons for moving are to obtain a larger home or reduce housing costs.

To begin to establish a pattern of movement, respondents were asked where they had lived in their previous home. Just under half had previously resided in the same borough but a further 31% had moved from elsewhere in London, indicating a good deal of mobility within the city. One in four people had previously lived outside London.

Chart 3.12 Location of previous home (unweighted data)



The following table gives a breakdown by borough and shows that residents of Bexley are most likely to have moved from another borough and those living in Greenwich are most likely to have stayed in the same area. Greenwich is the most likely destination for people coming from outside the UK.

Table 3.28 Location of previous home by borough (unweighted data)

	Bexley	Bromley	Greenwich	Lambeth	Lewisham	Southwark
	%	%	%	%	%	%
Same Borough	44	44	54	39	46	37
Other London Borough	37	30	24	34	33	28
Outside London but in South East	13	12	5	14	9	16
Elsewhere in the UK	2	12	5	6	6	11
Outside the UK	4	3	12	7	6	8

Base: all respondents

Note: more detail about movement between boroughs is shown in the borough summaries rather than in this section.

Tenure of the previous home was also recorded and it was found that a very high proportion had previously rented from private landlords. Those receiving Housing Benefit were 10% less likely to have rented privately before and more likely to have moved from social renting or temporary accommodation than others.

Table 3.29 Tenure of previous home by borough

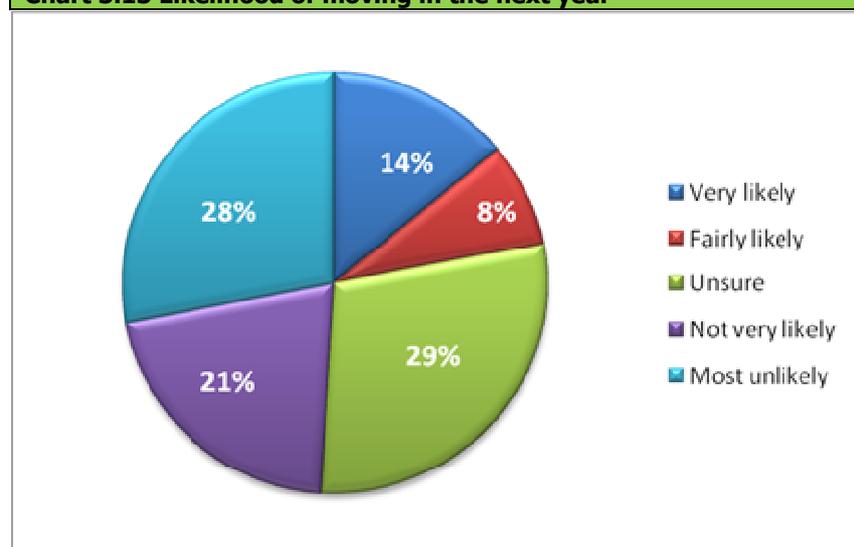
	Total	Bexley	Bromley	Greenwich	Lambeth	Lewisham	Southwark
	%	%	%	%	%	%	%
Owner occupier	3	4	3	5	2	2	2
Rented from Private landlord	78	80	85	75	75	79	76
Rent from Council or HA	2	0	2	4	2	2	3
Accommodation provided by employer	<1	0	0	<1	<1	<1	1
Temporary accommodation	2	1	0	3	2	2	0
Family home/with parents	11	12	7	9	11	10	14
Lived with friends	3	2	1	2	5	2	3
Other (hostel/care/prison)	1	2	0	1	1	2	1

Base: all respondents

The most likely other scenario was that tenants had moved out of their family home into independent accommodation. Very similar patterns are seen in all of the boroughs.

Another key issue was the likelihood of tenants moving to another property in the next year and it seems that 22% are considering this. A further 29% were unsure, leaving half the sample who appear to be settled. This echoes the relatively high proportion who had already lived in their current homes for over two years, discussed in section 2.

Chart 3.13 Likelihood of moving in the next year



Those living in HMOs are slightly more settled than others. The Housing Benefit claimants were less settled though, 28% were considering moving. This is not surprising given that they tended to be more critical of their property and environment.

Table 3.30 Likelihood of moving in the next year by borough

	Total	Bexley	Bromley	Greenwich	Lambeth	Lewisham	Southwark
	%	%	%	%	%	%	%
Very likely	14	11	12	8	19	13	18
Fairly likely	8	9	6	5	9	7	8
Unsure	29	27	23	35	28	32	26
Not very likely	21	28	15	23	22	17	22
Most unlikely	28	26	45	29	22	31	26

Base: all respondents

Those living in Lambeth and Southwark seem most very or fairly likely to move and those in Bromley least so. The two most important reasons for wanting to move were to obtain a bigger property or to reduce housing costs as the next table shows. Very few wanted to leave because of poor property condition

Table 3.31 Reasons for wanting to move in the next year	
	%
Need a larger property	41
The cost of the property is too high	22
Tenancy is coming to an end	10
To be nearer work	8
Don't like house/in poor condition	6
Want to buy/have our own property	4
Want to move to a better area	4

Base: all very or fairly likely to move in next year (257 weighted)

Some 10% were moving because their tenancy was ending – though whether this is a forced move because of landlord action, or because it is a convenient time to move is a matter for debate.

Anyone very or fairly likely to move in the next year was asked where they would expect to move to and what tenure they would expect. In terms of location, people seem to be fairly flexible. Although it is most likely that they will stay within London, they are certainly open to moving to another borough and those in Southwark are more likely to do this than stay in Southwark.

Table 3.32 Expected location of next home by borough						
	Bexley	Bromley	Greenwich	Lambeth	Lewisham	Southwark
	%	%	%	%	%	%
Same Borough	44	41	38	32	38	21
Other London Borough	22	29	24	23	17	26
Outside London but in South East	22	18	3	13	18	12
Elsewhere in the UK	0	0	10	7	4	12
Outside the UK	0	0	14	5	7	5
Don't know	11	12	10	20	16	24

Base: all likely to move in next year (242 unweighted)

In most areas there are also reasonable proportions who would consider going elsewhere in the South East. A detailed analysis of potential destinations for each borough is shown in the borough summaries.

Looking ahead to future tenure, across the study area by far the largest percentage expected to remain in the PRS. Only in Southwark did a greater proportion expect to buy their next home. However, although the largest group were those expecting to remain within the private renting sector, it was clear that a good proportion (28%) were expecting to move into home ownership, including 5% who were planning to do this via shared ownership schemes. There are also significant differences between boroughs regarding the expectation of moving on to home ownership, from the very low (7%) in Greenwich, to a third in Southwark.

Table 3.33 Expected tenure of next home by borough

	Total	Bexley	Bromley	Greenwich	Lambeth	Lewisham	Southwark
	%	%	%	%	%	%	%
Buy own home	23	17	12	7	27	16	33
Buy a shared ownership property	5	6	12	7	5	3	5
Rent from Private landlord	41	50	53	55	35	51	31
Rent from Council or HA	19	0	18	7	27	16	21
Have accommodation provided by employer	1	0	0	0	0	0	2
Move in with friends or family	3	6	0	7	2	3	2
Some other arrangement	2	0	0	7	2	4	0
Don't know	7	22	6	10	3	8	7

Base: all likely to move in next year (242 unweighted)

It is difficult to be sure whether these views represent expectation or aspiration but there is a substantial shift from their previous tenures towards home ownership and social renting. This perhaps suggests that there are still a substantial number of people for whom private renting is not a positive choice. It may also reflect the substantial numbers who are in full-time employment (see section 10) and therefore feel more confident about home ownership as a realistic option. Almost 90% of those hoping that their next move would be into social renting were households with children.

There are noticeable differences between boroughs with those in Southwark (38%) and Lambeth (32%) most positive about home ownership compared with only 14% in Greenwich. Lambeth also has the highest proportion expecting to move into social renting. However, these aspirations should be considered in the context of the generally below-London average earnings of respondents and, at a borough level, in the context of the differential levels of earnings illustrated in chart 3.10a. This indicates that realistically private renters in Bexley are substantially more likely to be able to access home ownership than their counterparts in say Southwark.

Profile data

Key points

Profile data shows that those in private rented accommodation tend to be younger with a very small number over retirement age. Almost 60% were from White ethnic groups and over 70% were in employment. Those with health problems or disability were only 8% of the sample.

Almost half of the sample (44%) have an income below £20,800 per year or £400 per week and three out of four earn below £31,200 or £600 per week.

In total, 74% were working full (58%) or part (16%) time. An additional 3% were seeking work, 6% were students, and 15% were outside the labour market for other reasons.

Some basic demographic data was collected to allow a broad profile to be built of the tenants in the properties of interest. This should be read alongside the data analysed earlier from the Census and other sources.

The sample was fairly evenly split by gender with 49% male and 51% female respondents.

Table 3.34 Gender of respondent by borough

	Total	Bexley	Bromley	Greenwich	Lambeth	Lewisham	Southwark
	%	%	%	%	%	%	%
Male	49	46	41	52	56	46	46
Female	51	53	58	48	44	54	54

Base: all respondents

The age breakdown shows a bias towards younger age groups and very few people over retirement age in these rented properties.

Table 3.35 Age of respondent by borough							
	Total	Bexley	Bromley	Greenwich	Lambeth	Lewisham	Southwark
	%	%	%	%	%	%	%
16 – 24	11	14	13	9	12	11	12
25 – 34	40	36	33	41	44	44	34
35 – 49	34	31	34	37	31	32	42
50 – 64	11	16	12	10	11	10	8
65 – 74	2	1	4	2	1	2	1
75 and over	1	1	4	1	1	0	0

Base: all respondents

The ethnic groups are summarised below and show that about 60% are from White backgrounds. The next largest group is Black African. Greenwich seems to have the most diverse population.

Table 3.36 Ethnic group by borough							
	Total	Bexley	Bromley	Greenwich	Lambeth	Lewisham	Southwark
	%	%	%	%	%	%	%
White British/Irish	40	65	56	29	42	39	32
Other White	19	7	13	12	29	21	24
Mixed	3	1	4	5	1	3	4
Indian	4	3	3	5	7	2	3
Pakistani	3	3	4	4	6	2	4
Chinese	4	2	1	3	1	6	4
Other Asian	6	4	2	17	2	5	1
Black Caribbean	5	2	1	5	4	7	3
Black African	13	11	12	17	6	11	21
Other Black	1	1	1	2	1	0	1
Other ethnic group	2	2	1	3	1	3	2

Base: all respondents

If these groups are aggregated to match the census figures then the comparison of the sample with the PRS across the six boroughs can be seen.

Table 3.37 Ethnic group: sample compared with PRS for SEL and Lambeth		
	Sample	Total PRS
	%	%
White British/Irish	40	48
Other White	19	21
Mixed	3	4
Asian/Asian British	17	9
Black/ Black British	19	16
Other ethnic group	2	2

Base: all respondents

The sample is a reasonably good match, a little lower in White British and Irish groups and a little higher in Asian and Black groups. This could, of course, reflect the fact that the sample was focussed on properties with the lowest quartile rents, as well as how the areas surveyed have developed since the Census data were collected.

There seemed to be a below average proportion of people who felt that their day to day activities were limited due to health problems or disability. This is probably due to the lack of older people in the sector as the two are often linked.

Table 3.38 Health problem or disability by borough							
	Total	Bexley	Bromley	Greenwich	Lambeth	Lewisham	Southwark
	%	%	%	%	%	%	%
Activity limited a lot	5	7	9	6	6	4	3
Activity limited a little	3	4	5	1	2	2	3
No health problem or disability	92	89	85	92	92	93	92

Base: all respondents

A question on employment status showed that 74% of respondents were working, most of them full time. Only 3% were seeking work, 6% were students, and 15% were outside the labour market.

Table 3.39 Employment status by borough							
	Total	Bexley	Bromley	Greenwich	Lambeth	Lewisham	Southwark
	%	%	%	%	%	%	%
Working full time	58	52	51	59	62	57	62
Working part time	16	22	20	13	14	17	14
Government training	<1	0	0	0	0	<1	1
Registered unemployed	3	5	3	5	3	4	0
Retired	2	1	7	2	1	2	1
Looking after home/family and not seeking work	10	5	14	9	11	10	6
Student/full time education	6	5	2	8	5	7	8
Unable to work due to sickness or disability	3	7	3	3	3	2	3

Base: all respondents

Rugg and Rhodes reconsidered: the 'working poor'

Using the socio-economic data collected from the survey, we have been able to categorise the proportion of respondents into some of the sub-markets described by Rugg and Rhodes (2008), in their seminal study of the PRS.

This is a slightly unrealistic exercise as, it will be remembered, the study has deliberately focussed on the lower quartile rental end of the PRS, rather than the full spectrum; and therefore we are unlikely to have picked up much representation from some of the Rugg and Rhodes categories, such as 'high income renters'.

Nonetheless, the analysis has been illuminating. What is immediately and substantially apparent is that there is a different and new sub-market in existence that has not been recognised significantly in policy terms. We term this sub-market 'the working poor'. Rugg and Rhodes identified a Housing Benefit-dependent sub-market in the sector, but this was characterised in terms of it being more similar:

*'..... to social housing tenants in receipt of rent rebate than the generalised demographic of private renting. In terms of household types, private renters on housing benefit are very similar to social housing tenants in receipt of rent rebate. For example, lone parents with dependent children comprise nine per cent of all PRS tenant households, but 31 per cent of private renting households on housing benefit.'*⁸

The group we identify has the following socio-economic characteristics: it comprises working age households (16-64); working full or part-time; and on incomes of £20,800 or lower, which is roughly comparable to the European Union base poverty threshold of 60% of average earnings applied at the local (i.e. South East London / Lambeth) level, as we are discussing local housing markets.

⁸ P.19 Rugg and Rhodes (2008)

Some 214 respondents fell into this category, representing nearly a third of respondents for whom we have income data. While they have a relatively high proportion of lone parents amongst them (15%), 26% are adult couples with children, and 39% are singles or couples without children. Most significantly (and differentiating them from the Rugg and Rhodes 'Housing Benefit market' sub-sector), only 25% are claiming Housing Benefit, and of these, all bar two households are getting partial Housing Benefit. Nearly two-thirds are in full-time employment, with slightly under a third working part time. In terms of age group, nearly 43% are between 35 and 49. Slightly over half (54%) are women; and perhaps most significantly, there is a substantial BAME household presence: 51% are from groups that are not White, compared to 39% across the whole study sample. 25% were from a Black African background, compared to 13% across the whole sample.

Table 3.40 Rugg and Rhodes sub-markets (revised)		
Sub-market	Criteria	%
Young professionals	Aged under 35, in f/t employment, earning over £31,201	11
Students	In full time education	6
Housing Benefit market	Working age, on HB (full or partial), and in one of the following groups: registered unemployed; looking after home/family; long-term sick / disabled	18
Working poor	In full or part time employment; earning less than £20,800	31
Slum rentals	Property quality, condition and management all graded 'very poor'	<1
Tied housing	We did not directly collect this data, but have used the figure for tenants with a resident landlord as a surrogate	2
High income renters	Age 35-64, earning over £46,800	2
Middle aged, middle market	Age 35-64, earning between £31,201 and £46,800	6
Older people	All those 65 or over, regardless of income / employment	3
Others	Those not fitting these categories	20

Bases: respondents giving income data (697); respondents 65 or over (69); respondents giving multiple 'very poor' ratings (7); respondents with resident landlords (21)

We do not have data on some of the other sub-markets (immigrants, asylum seekers, those in temporary accommodation) identified by Rugg and Rhodes, nor are all the figures above strictly comparable as some are based on proportions of those for whom we have earnings data, and some relate to the whole sample. However, we do believe that the principal finding – the identification of the 'working poor' group - is of value.

FOUR: The provider perspective

Context and methodology

Engagement with landlords and lettings agents had several aspects

- Telephone or face-to-face interviews with 43 businesses (16 landlords and 27 lettings agents), using an agreed topic guide
- Attendance at local landlord forums, and discussions with landlords at those forums
- A web-based survey of landlords using a structured questionnaire, based on e-mail contacts supplied by authorities and collected at the forums
- A series of 'mystery shopping' visits to local lettings agents

The interview programme

As part of the project we have undertaken interviews with 16 landlords and 27 agents who operate in the area and in the target markets. A topic guide (appendix 3) was prepared for the interviews but not all landlords wished to undertake this and several of the discussions were "informal" although all the material included is included with landlords' permission. Some of these discussions were actually longer than the formal interview and yielded valuable material for the project and strategic thinking about the local authority engagement with the PRS in the area. We also attended two Landlord Forum events and conversations and discussions with landlords at these are incorporated in our commentary.

As there is no full database of landlords and their characteristics it is impossible to know if the people interviewed are truly "representative" of the sector and its views but their varied comments can be assessed in the light of the wider research findings. The objective was to identify and interview a variety of landlords, mainly to seek their opinions on the way the PRS can help meet housing needs in the area, including by working more closely with the local authorities. Similarly, letting and managing agents were contacted.

Some of the interview questions attempted to ascertain the working methods of landlords (their sources of funding, their approaches to the market, how their stock is managed, etc.). As is common in these interviews, rather than producing reliable "types" of landlords working in particular ways and with common practices, the interviews confirmed that landlords have many motivations and a very wide range of operating practices. Not only is there variety between landlords but an individual landlord's own practices can vary over time (the motivation for entering the market may not be the same as the motivation for continuing in it or for expanding or contracting the business), or through a variety of stock types, and locations for example. These factors can affect who local client groups may be and responses to these variations reflect the "flexibility" for which the PRS is renowned and valued.

The interviews captured some of that variety and demonstrate the range of practices the local authorities will need to engage with strategically if they wish to develop closer working relationships with the PRS. Suggestions from landlords were that there is scope for closer engagement regarding a range of lettings and management issues, with a view to meeting the housing needs of households on the housing register. However, where this was discussed explicitly there were strong views on the need for the local authorities to engage with the sector far more professionally. In some instances this simply referred to speed of response that reflects the expectations of the PRS providers, but in other instances this related to much deeper and responsive understanding of the needs of PRS landlords and the strategic role of the local authority in helping the PRS meet standards and play a useful role in meeting housing needs as a rapidly expanding business sector that plays a huge role in the local service economies of the authorities.

These points will be expanded under the main sub-headings below.

The landlord interviews

All landlords were interviewed by telephone, except those engaged with at the local authority forums. Landlords interviewed had stock holding from 1 property (the majority of landlords in the UK have only 1 or 2 properties to rent) to over 800. The substantial majority interviewed had smaller holdings (under 15). Some landlords offered rooms only (which seems to be the main focus of landlord expansion – see below), others rented flats and houses as self-contained units.

Some had been in the business many years (“over 30 years” was the longest) but the majority had established their businesses since the relaxation of security of tenure in the 1989 legislation. The growth of the PRS in the UK is often attributed to the development of Buy-To-Let (BTL) mortgages in the mid-1990s and while the growing volume of BTL mortgages supports this argument, and landlords interviewed did use these facilities, it was also clear from these interviews that BTL lending is not the only (or perhaps even main) source of capital funding for recent acquisitions (again, see below on PRS expansion).

Some landlords were members of local authority landlord forums. The views on these varied from seeing them as a positive support to simply being something that “ticks one of the boxes” for the local authorities. The less professional or less confident landlords with smaller holdings tended to view the forum more positively as a source of information and guidance but longer standing and landlords for whom it was a main business felt that not enough use was made of the forums. Specifically they were felt to fail as a method of providing guidance to landlords or as an “open invitation” to landlords to begin working more closely with authorities. Developing closer working relationships with the PRS would involve local authorities using forums far more strategically as a way to engage and consult with the PRS on its needs, but what would encourage greater involvement from landlords is to see these issues being responded to.

Some landlords were clearly more interested in engagement with the local authorities than others. They recognized that “local authorities have a very difficult job” in meeting local housing needs in the current climate but they also “feel we should help” if working with the local authority brings positive benefits for their businesses.

The agent interviews

All agents were interviewed face to face, were interviewed in offices in the study area, and were advertising lets in the study area. Catchment areas varied between very small radii centred on a high street office, to larger agencies, advertising stock from wider areas, with slightly more agents operating at the larger area level. There was little difference in responses from the two groups. The questions to agents were fewer than to landlords. Not all staff in agencies will have any idea how many properties are in the management portfolios and it may be difficult to separate out local level stock within a regional portfolio. Nor will they know the breakdown of landlord holdings by size or type of property without considerable work. Discussions with agents were therefore confined to the availability of property, rent setting, and working with LAs.

Agents interviewed were from small local agencies (some recently established with only 1 or 2 staff) to local offices of larger regional or national chains. Again there is no “standard practice” as some landlords give agents free rein to let and manage the stock as they see fit as long as the expected return is generated, while other landlords retain quite tight control over key aspects of either lettings or management. This was clear in discussion with agents over the negotiation of rents for example where in some instances this would need to be referred to the landlord and in others agreements could potentially be made in the office.

We undertook a series of ‘mystery shopping’ visits to lettings agents, to gain access to potential lettings. In the event these did not result in any property visits, as no properties were available for view, and a registration and contact procedure was required in order to be notified when and if

suitable properties came on to the books. However, the material gathered from these visits and discussions with agents is included in our analysis

The web survey

Using mailing lists of local landlord forums, and e-mail addresses collected at two forums that the researchers attended, a web survey covering similar areas to the landlord interviews (and agreed with the project steering group) was undertaken, to augment the interview findings. 231 invitations to respond were issued, and we received 36 valid responses to the survey (a 16% response rate). This number is not large enough to generate statistically robust data but the findings generally support the main conclusions of the landlord interviews, and indicate areas for policy development.

It should be understood that those responding were likely to be from the more engaged end of the profession, given their membership of and attendance at forums. Their characteristics and views may therefore not necessarily be representative of the wider profession. A copy of the questions appears at appendix 4.

27 respondents were landlords, 6 were lettings agents and 7 were managing agents (several had multiple roles, hence these figures total more than 36). A substantial proportion had been in business for over 6 years (half of the landlords and practically all of the managing and lettings agents).

Generally, respondents had seen an increase in their activities over the last three years. 21 of the 36 respondents had expanded their operations in South East London and Lambeth, 13 had seen their portfolios remain the same, and only one had reduced their holdings.

About a third had used Buy to Let funding, but a similar proportion had accessed different resources—including commercial lending, their own resources and personal equity, inheritances and sales of other properties.

Echoing the national pattern of a market characterised by smaller players, 16 of the 36 landlords only had one property, with another 11 owning between 2 and 5 properties. Only 6 owned over 25 properties.

Smaller properties were the most popular (again echoing national statistics), particularly 2 beds, which were rented out by 22 respondents.

In terms of household make-up, 15 respondents let to groups of unrelated single sharers (though it should be noted that these are not necessarily large HMOs).

In terms of works to the properties, redecoration was most frequently mentioned (23), followed by repairs (22).

22 had carried out fire risk assessments on all or some of their stock (7 landlords had not), and 18 were members of accreditation or landlord / lettings agent representative bodies; 14 had attended training events (and another 5 might be interested).

In terms of knowledge of HMO licensing requirements, half of the respondents understood this, with the rest being uncertain, or not knowing. As regards views on licensing, perhaps 19 were against it (12 strongly against) but perhaps slightly surprisingly 11 were undecided and 4 'fairly in favour'. This is again probably a reflection of the fact that the survey probably picked up mostly reputable landlords. More unsurprising is the fact that most verbatim comments came from those opposed:

"It does nothing to assist the landlord to improve standard of accommodation and it simply pushes up the cost to tenants. It just seems a way for councils to raise money"...

"Self-regulation works in the most part and rogue landlords can be dealt with using existing law. Any costs of licensing would push up rents".

"The better landlords don't need licensing. The worse landlords will avoid it".

But an alternative view was...

"Our tenants have said there are some fairly crap other landlords on the street".

In terms of awareness of the required standards for managing HMOs in the different boroughs, around half of the respondents were aware, with the rest either not knowing or being unsure of what they were.

Respondents were asked what pre-rental requirements of tenants they had. Rent in advance was required by all, deposits by the vast majority. Nearly half required references, and over a quarter required rent guarantors in certain circumstances (students, younger people, unemployed people).

In terms of the sub-markets that respondents catered to, the largest single group was working households (but not necessarily on the highest incomes). 26 landlords and lettings agents let to this group. 18 landlords and lettings agents continued to have HB / LHA claimants as renters, while at the other end of the scale, 11 were letting to higher-earning professionals. It should be emphasised that many landlords with more than one property let to several different sub-markets. 9 landlords let to students, while 4 let to homeless or vulnerable households nominated via the local authority.

Respondents were asked about their perception of how the market had changed and the impact of welfare reform. The most significant indicator was the reduction in lettings to HB / LHA claimants by most respondents. In most other sub-markets, the proportion had remained the same or increased (particularly lower income working households).

Two lettings agent commented:

"Most landlords are reluctant to let to people on benefits now".

"Very few clients [are] now OK about benefits claimants".

However it should be noted that in depth interviews with landlords indicated a more mixed pattern, with in some cases continuing and stable numbers of lettings to this group. There may well be additional market factors and pressures that impact in different authorities, and areas within authorities.

There was also a concern expressed about HB overpayments, echoing landlords' comments about preferring payments going to the tenants:

"Worry that the Council will claim back overpayments, if tenant was falsely claiming housing benefit".

In terms of tenancy turnover, the largest single group were those remaining for one to two years (13). 8 respondents had tenants remaining for three or more years.

As regards changes to rents, the majority had increased them over the last three year by between the rate of inflation and 15%. The periodicity of rent increases was very evenly spread between annually, every two years, every five years, and on each new letting. There was some correlation between the role of lettings agent and faster rent increases (compared to direct landlord / tenant relations), as speculated in the discussion on the landlord role. There was also some comment relating the behaviour of the tenant to the frequency of rent increase, something also noticed in the landlord interviews:

"We have kept it the same because the tenant is very reliable".

As part of the theme of searching for the role of the PRS in housing households that may be in need of social housing, and on HB, respondents were asked what if any concerns they had about letting to this group. It is perhaps significant that only one of the 36 respondents indicated that they had no concerns though the landlord interviews are more positive about letting to this group. The most significant negative factors were concerns about rent arrears and delays in HB processing. The third most frequent comment was that there was a buoyant market from higher earners for properties (and therefore no reasons to let to those on HB). Nearly a third (11) respondents had in the past taken eviction proceedings against tenants on HB who were in arrears.

Perhaps linked to this is the impact of the welfare benefit reforms on the attitudes towards letting to those on HB. Nearly half suggested that the measures had discouraged them from letting to this group, with another 7 being unsure whether this was the case. 12 landlords indicated that the measures had been a factor in deciding whether to terminate the tenancies of HB claimants at the end of their term of tenancy. However, there was still an LHA / HB market in operation, particularly for long-term tenants (as also noted in the landlord interviews). Only 4 would consider reducing rents for tenants on HB who were struggling to make payments.

In terms of relationships with and the role of the local authority, only 3 respondents had links with their Council over allocations and referrals. The most popular measures to encourage landlords to let to lower income households were improved HB processing (16), a guaranteed rent scheme for households placed by the Council (10), and grants and loans to get properties up to standard, in exchange for letting to Council referrals (10)

Common themes

The remainder of this section of the report covers common themes that emerged from the interviews and web survey, and identifies issues that local authorities need to consider if they wish to work more closely with PRS landlord businesses in order to meet local housing needs as identified through the housing register.

The common themes were:-

- Rent levels and rent setting
- Stock availability
- Allocation practices
- PRS expansion
- Working with the local authority

Rent levels and rent setting

In theory, the role of the Valuation Office Agency (VOA) is to analyse the level of current market rents. As its website says: "Rent Officer valuations are currently based on information from around half a million private rents agreed within the previous twelve months"⁹ These rents are used as the basis for LHA rates and are therefore important when considering the needs of lower income households likely to be on Housing Registers.

However, the actual pattern of rents that landlords set does not necessarily reflect the situation 'on the ground' and the rents currently charged in the sector. The landlords interviewed suggested that there were probably two levels of rents being charged. Where they have long term tenants they may not increase rents over quite long periods (several years in some cases – 5 to 8 years were spoken of in interviews). One landlord said

"I don't think I have ever put up rent for a sitting tenant. We want good long term tenants to stay".

⁹ <http://www.voa.gov.uk/corporate/RentOfficers/index.html> accessed 21/08/2014

Landlords therefore see static rents as both an incentive and a reward for long term tenancies, something they wish to sustain as good long term tenants are a reliable source of income with no void costs or void rent loss periods. The implication of this during periods of rapid rent inflation is that new lets at above LHA rates may fall within LHA rates over time if the tenancy is sustained.

However when tenancies end and new ones begin landlords set rents in relation to what is being charged (asked on the market) locally. This causes rent levels to be stretched 'upwards', at least in the current market environment This was the criteria almost all landlords referred to as their method of setting a rent on a new letting. They also indicated a potential willingness to negotiate depending on the potential customer and their own sense of local market rents being achieved (rather than sought). There were exceptions to this with one landlord indicating they set rents below the LHA level as lower income households were a group they wished to help. But the norm would be that where a tenancy ended, the next rent level would be likely to be above LHA level. There were no problems in charging different rents for neighbouring rooms / properties, depending on time of letting.

Agents in contrast were clear that rents would be reviewed at least annually and uprated in accordance with local asking prices. Any longer term arrangements to "hold" or fix rents in any way at lower than asking price would have to be agreed by the landlord and would probably involve a longer tenancy agreement that committed the tenant. Even in these instances agents suggested that 18 months without a rent review would be the longest a tenant could expect. This is in clear contrast with the landlord interviews referred to above.

There is clearly a complex dynamic here especially in a high turnover market. The very fact of high turnover allows rents to be raised to continually test the ceiling of what households can afford while a more stable market environment may well still allow for profitable lettings at more stable rents.

Looking in the areas targeted by the research there was, in late July, almost nothing other than rooms available within LHA rates for the area through agents or advertised by landlords. Searching for specific property locations on the internet sometimes reveals lower rented property but in instances where this was followed up the properties were actually no longer available.

Despite high rents the market remained a sellers' market. On the ground in mid-July there were no properties available for immediate viewing and landlords and agents reported no difficulty in letting homes at all – a factor that allows frequent rent increases and contributes to the reluctance by agents to let at longer fixed rents or to create an environment where rents may stabilize. Although landlords follow this trend on relet they are clearly more willing to allow rents and tenancies to run on for long periods (this has been a consistent finding in other parts of the UK but is perhaps most surprising in London).

Local Housing Allowance (LHA) rent levels

As mentioned above, a limited number of landlords were willing to let new tenancies within LHA levels. Their view was that as long as there was a modest return there were no disadvantages to tenants who depended wholly or partly on benefits support (see below 'Allocation practices'). However, the reality on the ground when we undertook our visits to lettings agents was that there were no properties available at this level of rent available. This in part is due to the multiple factors that are discouraging new lettings at this level – the possibility of letting to higher income tenants, the ceiling on LHA, concern about the future of welfare reform. However, it is clear both from landlord interviews and from local authority returns indicating the continued creation of new LHA / HB claims that this market does still exist. We would speculate that lettings into it may be much more informal or direct between landlord and tenant, perhaps by word of mouth, by-passing the lettings agency sector. This impression is reinforced by the findings of the web-survey, where landlords were generally more open about letting at LHA levels than agents.

Welfare reform discussions produced widely diverging views. Sometimes welfare reform was cited as a reason for not helping benefit dependent households although understanding of the reforms was not that good and may indicate that landlords have not engaged with benefit dependent tenants knowingly for some time. For example one landlord discussed welfare reform largely in terms of the removal of the spare room subsidy which is a social sector policy.

Where landlords chose tenants on the basis of financial independence their response to tenants' changing circumstances that may lead to benefit dependency varied. Some were hesitant about their likely response (especially if it was a long-standing or valued tenant) but in the main the view was that tenants unable to afford the rent would simply have to move on.

The loss of direct payments also came up as an issue landlords viewed negatively (as has been widely reported in the press) but one landlord said this was not an issue as they had never used direct payments, preferring to have tenants set up direct debits. This removed the threat of claw back of HB direct from the landlord. Interestingly they had not found any problems with this so the loss of direct payments was no issue at all for them.

Rent levels v. cost of provision

As is clearly indicated above, there can be a dramatic separation between the cost of service provision and actual rents charged. In some of the target areas it is relatively easy to identify properties bought for around £60,000 in the early 1990s now being let at rents around £1500 per month with no obvious sign of recent investment in repairs or maintenance.

This separation creates the increasing attractiveness of the PRS as a long-term investment/business opportunity and is one of the reasons why PRS growth is likely to continue. One landlord letting stock generally to lower income households at well below LHA rents (keeping long term tenants so they also had very low turnover) was able to do this because stock had, mostly, been owned for some time. Thus even lower rents produced high yield and stock had high equity.

However, another landlord indicated that there may be an approaching ceiling as the cost of new acquisitions could not be sustained by current rents. Or greater yields can be achieved by acquisitions in target areas outside London. This was indicated in both interviews and from brief discussions at a landlord forum. Landlords accept that this requires a different method of operation as managing stock at a distance poses new challenges. All the landlords interviewed for this project lived in or near the areas where they own stock, but the prevalence of letting agents may indicate a high number of absentee owners operating as landlords in the study areas.

A related issue is whether there are differences between those landlords that would rent flats or let rooms. In our experience there is no clear correlation between smaller 'cottage' landlords renting out flats, and larger more institutional landlords renting rooms. Smaller landlords (those with up to 15 properties) often operate different policies even within their stock holdings. Larger landlords interviewed were not converting to rooms particularly – that would involve expense that is unnecessary in order to gather yield from established rental stock let at, or slightly below, current market rents. The main renters of rooms interviewed were those smaller-scale operators who had come into the business quite recently. This meant that their acquisition costs were high, and they needed to maximise rents to cover their loans and outgoings on refurbishments. Thus, four single room rents would bring in more than say one two-bed house rent

Stock availability

The local authorities' own housing market analysis indicates high levels of turnover in the PRS and that there are always a lot of properties being offered. However this data perhaps ought to be treated with some caution, as not all that is offered is actually available. It is left up on websites or in agents' window displays to attract interest and to encourage would-be-tenants to register their interest and contact details for future contact. There was nothing available to view immediately in the many agents visited – all had tenancies coming up and wanted contact and personal details (and some indicated references) in order to register an interest.

Landlords with rooms to rent seem (on the basis of our interviews) to be more likely to advertise, let and manage their own stock. Agents had rooms occasionally but their promotions and marketing is dominated by self-contained accommodation.

There was almost no stock advertised at LHA rent levels across the local authorities other than some rooms. These contact numbers were used to seek interviews but interviews were declined.

Authorities were interested to know if landlords were providing or had views on providing 'annexes' for homeless household temporary accommodation, as an alternative to B&Bs. In the event, this use of stock was not mentioned.

Allocation practices

One of the purposes of the interviews was to ascertain whether there is greater potential for the PRS to meet the needs of households likely to be on the social housing registers in the area. Rent setting practices have some influence on this but it is also the case that some landlords/agents set rents at a level that they know will restrict applications to particular income (and by implication, social) groups.

"Young professionals" were referred to frequently as the target market. This group are likely to be moving to or within London, to need accommodation for a short time (useful where landlords/agents want high turnover), and are seen to be "good tenants". High turnover among this group was attributed to them moving job or "buying their own places to share" in order to get on the property ladder.

There was some dissent from this view and some landlords happily recruit exactly the type of household likely to be on social housing registers. Here it was clear that LHA-dependent tenants were no more likely to damage property or be anti-social tenants than any other client group – though there was continuing concern about rent arrears. Local authorities may want to use this finding to help dispel fears about renting at LHA rent levels. However, even here there may still be some reluctance to work directly with local authorities (see final section below).

Landlords were asked about the impact of welfare reforms where appropriate. Clearly some already exclude LHA dependent clients so the reforms were not relevant to them (and where mentioned seemed little understood). However the possible loss of rent direct was referred to as a negative factor in the reforms by some landlords and agents. Contradicting this, a landlord who rents to LHA tenants said they had never used rent direct payments as they feared the effects of Housing Benefit overpayment, and the complexities of claw-back of these sums by local authorities. Their tenants had always had benefit paid to an account and rent paid by direct debit. They had had no problem with this over many years and loss of rent direct would have no impact. Bexley noted that from research and anecdotally, local landlords indicate that there is more of a concern about the move to monthly payments as a result of the introduction of Universal Credit than the loss of direct payments.

Expansion of the private rented sector

Clearly there has been rapid growth of the PRS over recent years, perhaps more so in London than in other areas of the UK. There seems to be no reason to believe that this will not continue although there were interviews which demonstrated signs of strain.

The landlords most confident and active in expanding in London (in these interviews) were landlords renting rooms in shared houses. This business continued to thrive presumably as tenants "choose" smaller accommodation at high cost/sq m over and above self-contained accommodation at higher overall cost.

Several landlords used BTL funding for their current portfolio and for their current plans but several also referred to using "private funds" alone or to supplement BTL funding. This seems to involve business expansion that draws in friends or family. This finding also came across in the web survey

Picking up again on the cost of provision v rents charged, more than one landlord commented that it was getting harder to make money in London as the cost of acquisition had grown to such an extent that current rent levels offered virtually no rental yield. If rental yield is part of the business plan (rather than capital gain) this factor may influence future expansion. However it may also be the case that costs of acquisition influence new or current rents and continue to drive up charges while tenants are prepared to commit a higher and higher proportion of stable or falling income to rental

costs. This tighter relationship of purchase prices to rental yield may also drive the trend towards room rentals.

Landlords who manage their own stock often concentrate on areas local to their home for practical purposes (viewings, repairs, etc.) while agents manage stock for both local and wider (including global) investors. In terms of working more closely with local authorities, especially through local lettings agencies, it may be that absentee owners would be a more productive client group than local landlords or agents but the problem remains of how to inform, attract, and retain such landlords as local authority partners.

Working with local authorities

Several factors outlined above impact on the ability or willingness of the PRS to engage more closely with local authorities in meeting local housing needs as expressed through the housing register. The people offering PRS stock are primarily driven by the profit-making potential of private renting. In several instances this is tempered by an understanding of meeting housing needs and a willingness to forgo an element of yield. For one such landlord the opportunity to combine social housing registers and PRS supply "should be a marriage made in heaven". Another said "obviously this should work".

There are clearly several obstacles to this marriage even for sympathetic landlords. In no particular order these are covered below. However while there was a willingness in some quarters to consider closer working links with the local authorities, one of the very practical barriers to this for the local authorities remains the difficulty in developing and sustaining communication, trust, and eventually working relationships with many hundreds if not thousands of operational landlords. The reality is also that the motivation to establish partnership with the local authority may vary considerably between a small landlord (who may want to use an LA backed agency for lettings and management services to take that problem from their hands) and a large professional landlord who will have lettings and maintenance functions well established (although for social or business reasons they may wish for a closer working relationship).

For local authorities this would clearly require dedicated staff, long term commitment and strategies to generate and sustain the necessary links. Landlords often feel they develop quite personal relationships with tenants over the long term and would probably want that kind of "personal touch" in services offered to or through them, using houses that they often regard as "theirs" in some personal way. It is also true that landlords usually see themselves as running a business, no matter how small that may seem to be. Consequently a key issue for them is whether any working relationship with the local authority helps them to sustain that business. There may be scope for the local authorities to consider how they could offer services to landlords that are more along the lines of business support or development (many local authorities have economic development units for example and these could bring a different perspective to the issue than simply housing-based approaches).

Trust

There are clearly issues of trust and this has come up as an obstacle to closer relationships all over the UK. For many PRS landlords, their main contact with the local authority relates to regulation of their activity or to Housing Benefit administration. This can be a negative experience from their perspective (even where intervention is justified in terms of legislative requirements) and one that does not encourage closer engagement with local authority staff. Where there are single contact officers helping landlords find their way through systems and services this can be, and was spoken of as being, helpful and a bridge builder.

Licensing and regulation

It may also be that there is scope to explore more non-regulatory approaches to improving standards, or at least to use existing extensive regulatory powers rather than expanding administrative approaches in ways that may not increase effectiveness. The expansion of licensing was seen by one landlord in this light, though the web survey in particular indicated that not all landlords were totally opposed to licensing, and that there was an acknowledgement of poor performers in the sector that

needed controlling. The need for action on sub-standard stock/services is acknowledged but responses that simply pass on costs to all tenants (which would be the response of most landlords to a chargeable licensing system) is not seen as the most effective way to address the problem.

This non-regulatory and voluntary approach chimes with the findings of a recent report, which indicated that while over half local authorities were considering introducing voluntary accreditation schemes, only around a fifth had or were considering selective licensing schemes and a sixth additional HMO licensing. There were mixed views about the trade-off between improved conditions and reduced supply. There was also a view that particularly for smaller landlords extending licensing particularly to smaller landlords was neither necessary nor economically viable. There were also concerns about the resources available to make extended licensing effective.¹⁰

Views at the landlord forums were supportive of voluntary (and low cost) accreditation schemes and membership of professional bodies. The London Rental Standards umbrella approach was broadly welcomed, and could be encouraged. While this clearly is not an alternative to enforcement action where required, it could incentivise more awareness of and engagement with higher standards.

Professionalism

Developing closer links would have to be built on "professionalism" as landlords see it. For many this means flexibility and speed of response to their specific issue. One concrete example was given of a local authority advertising for PRS stock to access on behalf of housing register applicants. When landlords responded to this the LA reaction was slow and seemed uncoordinated. What landlords do not want, and have no need to suffer in the high demand London market, is vacant property and apparent confusion regarding how vacancies will be filled.

It was suggested in the interviews with landlords that attempts to establish any kind of "letting agency" for example, should involve professional staff from the sector who understand lettings in this market, rather than it being an extension of current allocations teams. Landlords need to feel confident and to trust that local authority lettings would deliver for them. Agents themselves doubted that local authorities could deliver such a service. For an appropriate fee it may be possible to get agents to work with the local authority.

For both the above issues it was clear that initiating discussions with, and soliciting ideas from, the PRS could be done through landlord forums. Landlords network through these forums and outside them. An effective long term strategy to deliver support services that landlords find beneficial to their businesses will eventually filter out to the wider PRS providers and help to develop links. However it was not clear from the interviews that the foundations for such positive links or "partnerships" are yet in place.

It was also highlighted that at a strategic level within the local authority "no-one has private rental sector experience". This means that strategy is not likely to be driven by understanding of the needs of private rental providers, or even from an identification of shared interests, but rather from the needs and regulatory perspectives of the local authorities. This was not seen as an insurmountable obstacle but at least one interviewee felt it was time local authorities began to address this problem in some way. If strategic importance was given to the long term development of improved working relationships this may create scope for appointments or consultancy partnerships with willing individuals.

Mechanisms for using stock

Landlords were not always clear about leasing arrangements but some had used them and found them satisfactory. They had however withdrawn from schemes when leasing arrangements had ended. At all stages landlords are looking for arrangements that help them to make profit from their business and several indicated a willingness to engage with such initiatives or even to experiment

¹⁰ *The growth of the private rented sector: what do local authorities think?* Smith Institute, 2014

with new ones – for example having management/ownership partnerships when they expand their portfolios.

Some mention was made of using improvement funds made available through local authorities and the almost unanimous response was that it would depend on the details of the agreement and contract conditions in terms of how it might curtail landlords' freedom of operation which would include disposal, raising other loans against the property and so on.

Landlords also felt their willingness to work with local authorities would be enhanced if local authorities were more obviously engaged with trying to help them. It was suggested that the local authority should be the first port of call for accurate and detailed on-line guidance for landlords about key legal requirements, regulatory topics, and working arrangements involving the authority. It was felt that there is scope for improvement in this area but that such improvements would produce rewards as newer (and possibly established) landlords saw the local authorities as a source of consistent, comprehensive, and reliable advice and guidance. Over the long term this could change many of the established attitudes within the sector.

Another issue for landlords operating locally but perhaps across several local authority areas, was inconsistencies in PRS related practices, policies and approaches (an issue that has often been raised by Registered Providers operating across several local authority areas). It is felt that South East London could establish itself as almost a "local market area" and authorities could work together on ways to make it easier for the PRS to work with them. Again this is an issue about long term strategic vision and commitment being given time and resources to deliver in ways that the PRS can see as tangible improvements and support to their businesses.

Other obstacles

As well as those mentioned above, a key obstacle to local authorities having closer working/partnering arrangements with the PRS is the sheer volume of landlords in the area and of landlords with only a few properties. All of this would require huge time input for very gradual early gains. Large landlords see no reason to alter what is for them a successful formula. Local authorities would need to have detailed discussions and exchanges of ideas with private landlords about the ways in which engagement with social housing registers and local authorities might boost their businesses. As success in the market currently seems to be almost guaranteed by market conditions, including high demand and high turnover, almost any proposals have to make life easier in some way for landlords (raising rental yields or reducing management costs) rather than harder.

As mentioned above, the regulatory role of the local authority is also seen as a potential obstacle, especially where this is interpreted as increasingly interventionist and bureaucratic. Reputable landlords in the PRS all accept the need to take effective action against rogue landlords because rogue landlords affect the reputation of the sector as a whole (again this is a consistent theme in interviews across the UK). However, regulatory expansion often affects most the landlords already most willing to engage with local authorities to improve the PRS. A greater understanding of, and willingness to work with, the PRS would help to force bad practices from the sector.

This obviously leads to the point made by some landlords and agents; "Why bother?" At the moment the market is very easy and both landlords and agents can operate profitably using their current model. It is hard to see any short to medium term change in that position which probably means that any landlords willing to set up working arrangements with the local authority will be in a minority and will do it because they feel a sense of social responsibility. The good news is that this minority does seem to exist although it may take some time to locate it and nurture it. However if such arrangements worked well and could be promoted successfully through various landlord networks, there may be scope for longer term development and expansion.

Recommendations for landlord engagement

The following are a range of recommendations from the mundane to the speculative. It is unlikely that there will be any suggestions here that the authorities have not considered before and attempted

or had to reject due to lack of resources or some other reason. There will be a recognition within the authorities too, that any meaningful relationship with the PRS will take a long time to nurture and develop and will require consistent and significant input at a time when the wider policy environment militates against this. However there were positive messages from the PRS and what follows are a combination of direct suggestions and our interpretations of these. Some of these are very pragmatic and simple and, as we say, may have been tried or considered already. At the other end of the scale we have proposals that are much broader in scope and designed to stimulate activities that might have long term impacts on the wider market area that the six authorities have influence over.

What was clear from the interviews was that while some landlords could see potential benefits from greater engagement with the local authorities, neither landlords nor agents felt any need for closer engagement. The PRS will continue to thrive in the current climate whatever the local authorities do. As the primary role of the local authorities in relation to the PRS is regulatory, this colours the relationship between the two and a key concern from the landlords side is to what extent the local authorities may seek to extend their regulatory role (through licensing for example) simply because this is the role they understand best. There is a clear need to build more positive and trusting relationships based on whatever mutual benefits can be identified and promoted.

Building relationships – possible approaches, initiatives and targeting

It should not be under-estimated how difficult it is to identify potential partners and work with even 40 or 50 of several thousand landlords.

There are possibilities to extend the role of the existing landlord forums. As a start point we believe they should be used as a targeted consultation exercise to determine the type of relationship landlords would like to have with the councils and what types of services would benefit landlord businesses (a lettings service, out of hours/emergency repairs, regulatory advice, leasing schemes etc.). It would be desirable to ask landlords what they would like before deciding what will be on offer. Earlier consultations have suggested website improvements and improved IT usage for example and these may be minor facilities that can make early progress possible.

As many landlords work across boundaries (and several landlords attending did not own property in London at all) it may make sense to have a multi authority forum for these landlords.

There may also be benefits in having landlord forums for different target audiences such as large landlords, small landlords, agents, landlords operating in different markets. There are also emerging “franchise” arrangements with umbrella agencies supporting landlords with specific business plans and support. Obviously the existing landlord representative bodies will have a role and may develop into key partners.

Local authorities probably have, through a variety of sources, details of many landlords operating in the market area most crucial for them to develop relationships with. We would suggest targeting invitations to forums or smaller consultation meetings using these databases.

Many landlords recognize the damage that bad practices do to the reputation of the sector (and by implication to themselves). This means that tenants, local authorities, and landlords have a shared interest in raising standards and reducing bad practice. What suggestions do landlords and their agents/representatives have for stimulating continuous improvement?

In all the potential activity to generate closer working relationships it seems to us there are great advantages in the six authorities working together. Some landlords work across several local authority boundaries and spoke of the inconsistency of approach or application of regulations frustrating and confusing (this is often a complaint from Registered Providers (RPs) too but obviously not in this study).

There were landlords in our interviews who spoke positively about their engagement with benefit dependent tenants and it could help recruit new landlords to this market area if landlords used to working in this sector were able to use forums or other methods to pass on their experiences. It does seem that many landlords equate receipt of benefits with “tenants from hell” but based on nothing

other than newspaper headlines. The evidence from our in depth interviews and the web surveys showed that this was a minority opinion

A word that came up several times in interviews was the need for local authorities to develop initiatives and to service the sector professionally. Landlords may be willing to express views on exactly what form professionalism towards them would take but they clearly regard themselves as being professional (they run businesses after all) and if working with the local authority is inefficient for them it costs them money.

Landlords spoke highly of relationships with some HB departments (for example) where designated contacts dealt with their queries. There were other examples of designated landlord link officers within an authority have helped engagement across Departments – something that can seem complex from the outside with the council sometimes seeming to have inconsistent priorities.

Trying to widen access to the PRS for low income households on housing registers is, in effect, a sales pitch by the local authorities on behalf of those households. Landlords who already work in this market may have ideas about what could make this sales pitch more attractive to potential landlords. For early successes it might make sense to target landlords with larger property holdings.

Local authorities monitor market trends quite closely – would this information be of use to landlords for acquisition strategies in exchange for a proportion of lets?

Overall we would emphasise the role of the PRS as a substantial local business sector. As well as traditional routes to engagement with the PRS it may be worth exploring any possible role for local business support/business expansion strategies as part of economic development activity.

It is difficult to see what benefits agents may get from closer working with local authorities especially if there are plans to establish rival lettings / managing agencies. In interviews agents were largely indifferent to the local authority role and the needs of housing register applicants. However this doesn't mean there are not possible avenues to explore and agents do attend landlord forums. Local authorities may need to decide early whether letting and managing agents are predominantly part of the problem or part of the solution in order to determine their approach. It will be difficult to ride both horses.

It did not come up specifically in this study but in other studies landlords have frequently reported taking their stock back into personal management and away from agents because of dissatisfaction with charges and services. Some landlords here were dissatisfied with agents but only with services they continued to use them for (lettings for example). This would indicate some tensions within the industry where the local authorities may be able to broker improvements or work with the PRS to support accreditation or some other form of standard setting or supporting self-regulation. Alternatively, while some authorities have developed, or are developing local social lettings agencies, there may be additional capacity (perhaps via housing associations) to provide professional services, such as maintenance and rent collection, as well as lettings, in competition with the (fairly unpopular) managing / lettings agents sectors. Smaller, cottage landlords may particularly benefit from this.

Working on the supply side of the market

We will touch on the 'bigger picture' around institutional investment in the PRS supply side in Chapter 5.

At a strategic level the local authorities may be able to work together to stimulate the supply side of the market rather than simply working with existing supply which they try to nudge towards meeting needs. Local authorities remain powerful players in development and they may be able to work with national agencies to explore ways to influence the sub regional market area.

What we have in mind is attracting/brokering meetings with investors, potential investors, RSLs, large scale private landlords operating inside or outside London currently (those outside may want to get a

foothold in a high equity market, as may some of the large national RSLs with little or no stock in London at present).

Authorities will know who has large land holdings and can explore use of this for private rental (similar to large scale student developments perhaps).

It may be possible through such initiatives to better understand restrictions and explore potential innovations. This may be high risk and high intensity but potentially could generate high return benefits for the area.

Considering specifically supply side initiatives to support the more affordable end of the market, authorities will have already been using Discretionary Housing Payments (DHP), both to support those with particular needs and, in some cases, to compensate for the benefit caps. Additional and continuing DHP resources will be necessary in the future, given the unlikelihood of rent levels reducing significantly. While DHPs cannot be used to pay more than eligible rents, they can be used for, for example, deposits and rent in advance: a potentially useful tool given the high entry costs to the sector noted earlier in this report.

FIVE: Drivers and future scenarios

The following brief scenarios derive from our understanding of the current drivers and state of the market in the area, the interviews, and likely future trajectories. We attempt three different scenarios.

- **What would stimulate/revive interest in the low income household rental market operating at LHA level?**
- **What would accelerate landlord withdrawal from that market?**
- **What are the likely implications of a gradual withering away of the low income rental market?**

Key drivers

There are several key drivers that will interplay in devising these scenarios. The continuing high cost of accessing the owner-occupier sector (including the requirement for high levels of deposit and tightening mortgage conditions for individual owner-occupiers) has 'lubricated' the viability of the PRS in the study area. Between the last two Censuses the proportion of households in the PRS nearly doubled (from 13% to 22%), mainly at the expense of owner-occupation.

Conversely, the continuing availability of Buy-to-Let and alternative mortgage finance for landlords has stimulated their activities. However, during interviews and at landlord forums landlords spoke of investing outside London where returns in the form of income yield were much greater. There were hints in the interviews that the overall housing market may be reaching some kind of limit as the cost of new acquisitions were so high that chargeable rents may not cover costs. This would indicate difficulties for small investors in expanding their portfolios. The obvious ways round this, and an evident area of expansion, was the sub-division of houses into rooms. Conversions have played a small but important part in reshaping the supply of housing in the area, particularly in Lewisham and Lambeth.

And critically, at least for the short and medium term, the impact of the existing and continuing reforms to the welfare benefit system, the overall benefit caps, the squeeze on the Local Housing Allowance, and the rolling out of Universal Credit will play a significant role in shaping the future PRS market. For low income households paying rent is dependent on welfare support in the form of Local Housing Allowance which government policy is using as the focal point of welfare cuts (the benefits cap and Universal Credit impacts on housing payments first). Recent proposals to "freeze" welfare payments will again impact on landlord yields in a local market where rents continue to rise well ahead of inflation.

These factors and trends may impact in various ways some of which will be unpredictable. We have not considered likely short or long term implications of restrictions on immigration, withdrawal from the EU etc. that may have dramatic impacts but which are beyond the scope of local authority level intervention.

While we are confident that overall private renting will continue to expand, the overheated market of London and the South East also differs from many other areas of the UK in that only a small (and stable) section of the market seems to be dependent upon HB level rental market. In other parts of the UK, benefits support a higher proportion of the market and there is no alternative demand as there is in London which makes it harder for landlords to switch market and charge higher rents. This study has identified a distinct sub-sector within the PRS of 'the working poor' – paying high proportions of their income in rent, sometimes requiring partial Housing Benefit to maintain their tenancies, holding a substantial number of households with children as well as single people and

couples. However in London, the lure of the higher-rent paying 'young professional' market will contribute to the attrition of the low income market, including the LHA market.

Scenario 1: Revival of the low income household rental market operating at LHA level

This is probably the most difficult of the three scenarios as all the market trends indicated above are moving in the opposite direction. Any initiative is likely to involve capital grant spend or subsidy in some form to sustain landlord yields at levels comparable to the market.

The most obvious possibility is the expansion of institutional investment in the PRS perhaps channelled through RPs. This could cover existing stock acquisition or new build for market rent. However recent housing press articles indicate that RPs are withdrawing from this market due to increasing development costs. A key part of the equation is rising land costs and the rents that can be charged at the end of the process (and so set ceilings on investor returns).

For the small investor operating alone the only stimulus would be grant support at acquisition stage that would allow them to secure rental yield at lower rents. This approach would combine support for small local businesses with improving and securing affordable PRS stock.

Interviews with landlords did indicate two groups of landlords who may be willing to work more closely with local authorities. One would be landlords who have owned stock for many years and consequently almost all current rental income is profit yield. They may already charge below market rent and may be prepared to work with local authorities to focus their lettings on housing register clients or even use equity to make small expansion investments (perhaps with local authority business support).

The other group are landlords who are sympathetic to the needs of low income households and believe they have a role to play. These landlords may be prepared to play a more active role in landlord forums in countering the prejudices that sometimes exist around the problems of managing LHA dependent tenants. For example one interviewee had no concerns about the loss of direct payments as they had never used this mechanism and it had never been a problem for them. Other landlords may be reassured by these experiences that counter the prevalent scare stories.

While local authorities retain control over HB payments they will have a data base of landlords details that they could draw on to make contacts and try to build up relationships and strategies. Once welfare payments for housing are centralized under Universal Credit it is likely landlords will lose this vital data source and old records will become increasingly irrelevant.

Perhaps one positive sign was slight evidence that the apparently endless rise in rents and housing purchase costs in London may be stalling. At some point even wealthy households will balk at living in a room that costs 2/3 of their income. That some landlords are having to look beyond London for new acquisitions/business expansion is possibly indicative of some kind of watershed where what households can spend on housing costs cannot match the market cost. If there has been a bubble, and it bursts, there will be a huge impact on the whole economy and house prices and rents that may again stimulate landlords to return to a less lucrative but reliable market niche. One of the arguments for a PRS is its flexibility and adaptability to market conditions.

Scenario 2: Acceleration of landlord withdrawal from the low income household rental market

Landlords spoke of the negative impacts of welfare reform which seem set to continue. As long as there are alternative customers prepared to pay the rapidly rising rents landlords will continue to exit the HB level market. Recently the government have made several housing-related proposals that will impact negatively on landlord perceptions of this market. Not paying Universal Credit for the first 7 days of entitlement, then paying 4 weeks in arrears will alarm landlords concerned about the financial management capabilities of low income households, and the proposal to reduce the benefit cap and freeze it will obviously impact on the ability of benefit dependent tenants to pay rapidly rising rents.

The proposal has been mooted to cease under-25s eligibility for Housing Benefit, and this would remove this sub-market at a stroke if implemented. These concerns will arise especially for new landlords, or landlords expanding their portfolios, who have the highest costs relating to their entry to / expansion in the market due to rising acquisition costs.

Government seems to believe that landlords will change their practices (deposits, rent in advance etc.) if benefits are cut but the interviews gave no indication at all that landlords saw the need to make these changes to accommodate this client group.

It is clear that the higher incomes available to some in the area support rapidly rising rents. Growing income inequality will make it less likely that landlords will want to cater for the needs of lower income households as higher incomes and/or a willingness to commit a higher proportion of income to housing costs, will drive up rent. Although some new lettings may continue to go to LHA recipients, they are likely to be much less stable and long-term than those identified in this study.

Mortgage regulation restricting the income/value to loan ratios will, in a very high cost market, force more middle to high income households into rental. This will further reduce landlord reliance on or interest in the housing needs of lower income households.

The growing number of single person professional households working in London temporarily or permanently will sustain the expansion of the room rental market. If the employment market in London continues to draw on migrating young professionals then landlords will expand their conversions to room rents.

Scenario 3: Gradual withering away of the low income rental market

This market has been gradually withering away for two decades (or perhaps has been artificially propped up by such initiatives as the 'shopping incentive' of the early 2000s), and all other things being equal, this decline is likely to continue.

There is evidence in London of a growing supply of sub-standard housing (beds in sheds, overcrowding, etc.) the extreme versions of which we did not come across in the research areas but there is clear potential for its expansion here. One landlord spoke of the undermining of conditions by rental to migrant populations who were unaware of standards and rights that protect them in the UK market. This situation is not unique to London and is stimulated by the existence of very low income work and temporary migrants prepared to tolerate poor conditions temporarily in order to send money home. There are also migrant or absentee landlords who may not be aware of regulatory requirements.

As the cost of provision by landlords cannot be met through welfare supported rental payments landlords are likely to cut back on repairs and maintenance of existing stock to sustain the profitability of their businesses. A major concern here would be failure to maintain gas appliances or electric systems, potentially causing major harm.

So the first implication is of a continuing decline in the physical standard of living conditions and services in rented housing. The second is a decline in space standards with all the implications that has for quality of life.

Landlords are clearly seeing the sub-division of houses as a way of maximizing rental yield from their expensive acquisitions. While these may be of good standard in themselves and well maintained there is clearly the potential, over time, for landlords to begin to rent rooms to households of increasing size (welfare reform may stimulate this too). The sub-division of houses may also mask the use of inappropriate or dangerous space in houses (there has been recent news coverage of rented roof space with limited access and in another project we visited a house with an HMO licence for 5 which had been subsequently expanded to house 7 – the extra 2 rooms were where people would die if there was a fire). This could well affect apparently well-appointed and well maintained stock that would not outwardly attract regulatory interest.

In terms of the local economy it is already being recognized that the city depends on low income households for basic services. Without anywhere to live and with travel costs too high to sustain London based employment, these basic services could begin to decline.

Conclusions on likely trajectory

At the moment the third seems the most likely trajectory. Low income households will be increasingly constrained in their choices and their living and space standards will be eroded (with long term implications for health and social mobility). This has wider implications for the London economy that no national government is likely to address until it reaches crisis proportions and even then a range of vested interests will need to be appeased.

To have allowed the UK, and especially the London region, economy to become so dependent upon a booming housing market is a policy error of staggering proportions. What is not clear is whether or not the 6 local authorities of the study area have sufficient influence and co-ordinating capacity to turn against this tide. The surveys and analysis indicate areas where it is still possible for lower income households to sustain adequate housing conditions. But there is also evidence that this is being eroded as tenancies turn over, and that it is harder for landlords to supply this market given current acquisition costs. While welfare reforms to date have not deterred all PRS landlords (see interviews) there are future proposals that they may see as a threat to their business model.

If the local authorities can work together to begin to create a sizeable sub-market area in market rental they will need long term strategies that will require close engagement with PRS landlords of various types and a willingness to help these landlords sustain and develop their businesses. Interviews indicated a lack of trust in the local authority capacity to do this and also identified a lack of the necessary skills set to support the PRS "professionally", which normally referred to co-ordination, speed of response, focus etc. The challenge for any local authority is to develop closer working relationships with the thousands of landlords operating in their areas.

The alternative may be to find ways to actively support the growth of existing social landlords into this market. Again, market indicators at the moment are that this is difficult to achieve in the current context/environment but it may be that creating links between the various stakeholders would generate ideas and initiatives that could be tried. It may be difficult to run this approach alongside support for the traditional small landlord dominated PRS as they would see such institutional expansion as a direct threat to their markets and interests.

SIX: Conclusions

Overall conclusion

When considering how to draw together conclusions from this study, the first phrase that comes to mind is "it's complicated". Even within the lower end / LHA sub-sector of the PRS there is a complex picture of need, supply, and demand.

The PRS is in a period of volatility and change, both in relation to the wider housing market and internally. The combination of pressures from the economic shifts since 2008, house price inflation, the credit crunch affecting the private ownership market, the rise of the reluctant landlord and reluctant tenant, the changes to Local Housing Allowance, and the further reforms to the benefit system – and future ones - plus the current resurgence of home ownership has caused a series of different drivers to operate and outcomes to emerge. And as the scenarios outlined in Chapter 5 indicate, future development of the sector is sensitive to different political and economic factors.

The private rented sector has continued to expand over the last seven years – but its shape and nature has changed in important ways from that written about by Rugg and Rhodes in 2008. Especially in the context of welfare reform, many commentators expected a collapse in the lower, cheaper end of the market, as landlords withdrew from letting to those on housing benefit in favour of the young professionals market and the 'reluctant' but better-off tenants who could no longer access owner-occupation.

While this has proved to be true to some extent in the study area, nonetheless the lower end, LHA-rate market continues to function and turn over, and although it may suffer attrition over the years, it is not about to collapse in the immediate future, as we conclude in our discussion of possible future scenarios in Chapter 5.

So in terms of the key research question asked of this study:

"What is the capacity of the private rented sector in South East London and Lambeth to meet the housing requirements of households who would otherwise be accommodated in the social housing sector?"

.... we would suggest that while capacity is difficult to quantify, and recognising that the sector is facing long-term attrition, it is clear that some role does still exist and will continue to exist; and that there are measures that can be taken to help retain this sector of the PRS.

The subsidiary questions were:

To provide some of the evidence base that boroughs will need to draw on if considering introduction of licensing in the PRS.

To enable boroughs to better target interventions in the PRS, in terms of both enforcement and procurement (e.g. for use as temporary accommodation or for the prevention of homelessness).

The following are the central conclusions that relate to these:

The growth of the working poor

Perhaps the strongest indicator of how the sector has changed is the identification of the sub-sector we have termed the 'working poor', who make up approaching a third of those for whom we have

income data. These are, to a large extent, the type of households – working but on low incomes - who the social rented sector would have assisted in the past, before the demands of homeless and vulnerable households came to dominate allocations and lettings. Being in-work does not automatically equate to having an adequate income. Only a quarter of this group received Housing Benefit, and only two of these received full Housing Benefit.

It could be argued that the problems that this group face are primarily to do with the labour market, low wages, and a shortage of full-time jobs (nearly a third only work part time). As discussed in the scenarios in Chapter 5, there are economic consequences for London if this group cannot afford to access local housing.

The impact of changes to the benefit regime

Eighteen percent of respondents were in the 'traditional' benefit-dependent market, characterised by either being unemployed, or being outside the labour market, for reasons of long terms ill health or disability, or 'at home' looking after the family and not seeking work. These figures exclude retired people (2%) and students (6%).

Including the 'working poor' only around 25% of respondents were claiming Housing Benefit (though it seems likely that others were eligible but not claiming). However, what was striking about the Housing Benefit market was the high proportion claiming HB that covers part of the rent rather than the full rent. Clearly, both the 'working poor' and benefit dependent sub-sector will be particularly vulnerable to further changes in the benefits regime, particularly the rolling out of Universal Credit, and the now-mooted proposed withdrawal of HB for under-25s. This alone would impact on 7% of respondents to the survey. In terms of welfare reform's effect on landlord behaviour, as discussed it has had a detrimental impact – but perhaps not to the scale and speed that some commentators forecast. Nonetheless, we suggest that continuing attrition of the LHA-level sub-sector will occur as landlords relet properties as LHA tenants leave.

The prevalence of children

At least 40% of households surveyed in the study area had one or more children under sixteen. This can be compared to the figure of 22% across the study area noted in the 2011 Census. We can therefore conclude that those households with children that live in the PRS are concentrated in the lower quartile end of the sector. 10% are lone parents, but the substantial majority are couples with children. Nearly 60% of lone parents receive Housing Benefit, as do over 35% of couples. They are less likely to be in full-time employment, and more likely to be in part-time employment than average. 70% of lone parents earn under £15,600 pa, as do 51% of couples with children.

It should also be noted that 90% of interview respondents who expected their next move to be into the social rented sector were households with children.

Thus, this group is particularly marginal in terms of income and employment, and vulnerable to welfare reform and landlord disengagement, with a potentially dramatic impact on local authority homelessness, rehousing and social services if landlords decide to terminate their tenancies, and relet to different, higher-earning groups.

A mixed pattern around conditions and management

Around 70% survey respondents rated condition and quality as 'good' or 'very good', below the national average of 84% (though it should be remembered that the national figure covers the full range of stock, not just that with lower quartile rents). Given that we are talking of the cheapest end of the PRS, this finding is slightly surprising. It may be that some residents have lower expectations; it may also be that since the recession, higher standard properties (that would have formerly been occupied by owner-occupiers) have found their way into the PRS stock. While we do not want to minimise the seriousness of tackling condition-related issues (and one of our scenarios paints a bleak picture of how standards could worsen) whatever the reasons, the study does not evidence strong grounds for the needs for intensive, wider-scale enforcement action.

Around 5% of survey respondents rated condition and quality as 'poor' or very 'poor'. There was some evidence of potential Category 1 HHSRS hazards, primarily around dampness and the need for modernisation, rather than security or dangerous electrical / gas issues. But we were only able to categorise respondents as living in potential 'slum' properties in seven instances. However, there is evidence of a concentration of poorer standards among those receiving Housing Benefit. On all measures – quality of accommodation, condition, responsiveness to repairs requests - tenants on HB were less satisfied, or experienced poorer conditions and services than their non-HB counterparts. And tenants on HB were also more likely to experience damp or mould, cold rooms and overcrowding. There are also indications that the cheaper end of the HMO market also experiences worse conditions than the more expensive end; and that properties managed by agents have worse standards than those managed directly by landlords. Evidence from local authority enforcement teams also indicates there are a number of properties in troubled 'hotspots' with substantial problems.

We collected a certain amount of data from the enforcement teams. The most detailed data came from Southwark, which noted substantially increased interventions, particularly around HMOs since 2010, against a background of reduced resources. This included a 16% increase in the number of HMO notices served and a 101% increase in Housing Act notices served. 12 prosecutions took place in 2013-2014

Greenwich undertook 6 successful prosecutions between 2011 and 2013, resulting in fines ranging from £400 to £10,000. Lambeth undertook six prosecutions in 2013, five of which related to HMO licence infractions. Ten other enforcement actions took place, mainly relating to Category 1 hazards,

Thus, if authorities are looking to focus their intervention and enforcement activities, concentrating on the HB, managing agent and lower-rent HMOs sub-sectors would be indicated.

The scarcity of self-contained properties on the market

One of the more surprising findings from work on the landlord / lettings agent side of the study, was the scarcity of self-contained flats on the market. There are indications that lettings agents are leaving details of self-contained properties on web-sites and in their offices after they have been let, to attract a waiting list of potential tenants. But it seems apparent that the HMO sub-sector is growing faster than the self-contained market

The rise of the HMO and room lettings

The prevalent type of accommodation on offer was the single room. Of our interviews, around 25% were with tenants in HMOs. Again perhaps counter-intuitively, overall, HMO residents were slightly more favourably inclined to the condition, quality and local environments of their homes than those in self-contained accommodation. We can speculate that these tenants may have lower expectations, and that the resident profile is more tolerant of worse conditions (and nearly 70% of HMO-dwellers were aged under 35); we can also speculate that as a side effect of the stagnation of the owner-occupier market from 2008, more higher-standard properties that might have normally been expected to be sold for owner-occupation came on to the PRS market; and we can also suggest that more 'young professionals' who are earning relatively well but are not able to access owner-occupation are prepared to live in HMOs, and their higher rental ability can command better conditions. There is certainly a correlation between increased earnings and increased satisfaction with HMOs. Conversely, we identified a concentration of poorer conditions and management standards in HMOs with the lowest rents.

An additional sign that landlords are maximising their income from properties is the intensity of use of space: approaching 40% of HMOs have no shared living room (i.e. all residential rooms are used as bedrooms). So, a revised image of the HMO is of an expanding sub-sector re-orienting itself to cater increasingly for better-off, younger singles, and providing a reasonable standard of accommodation – rather than the more-popularly accepted image of a sub-sector bordering on the slum definition. This is not to dispute that some HMOs are of poorer quality, and require intervention by authorities.

Issues around enforcement and licensing

Unsurprisingly, the majority of landlord views were firmly against extending licencing arrangements, though there was recognition among many of the existence of 'rogue' operators. And in terms of the evidence for poor conditions, anti-social behaviour, and health and safety hazards in HMOs and elsewhere, there appears to be little systemic mismanagement or performance failure. The exception here is perhaps the performance of managing agents, which was consistently worse than that of landlords directly managing their properties; and (as noted above) in lettings to those on HB.

We therefore suggest a two level approach by authorities:

- Light touch for majority of reasonable players, including encouragement to join accreditation schemes, and engagement around procurement and supply (discussed below)
- Continuation of existing enforcement measures, against worst offenders, perhaps focussing on the HB market and properties managed by agents, and on known troubled 'hotspots'.

We do not believe that there are strong pointers towards the extension of wide-scale regulatory licencing arrangements, on the evidence of this study.

Two diverging markets: high income/high turnover v. steady stream

We have already touched on the future of the LHA market in this section, but we also need to understand it in the context of other markets. The evidence from both the landlord interviews and web survey is that there are two prime business models or rent policies in operation:

High income / high turnover. There are landlords and lettings agents who are focussing on higher earners, and whose policies are generally to increase rents when a tenant turns over. This is likely to be above LHA levels, and therefore be focusing on those in employment, some of who may be the 'working poor' (who will be paying up to 70% of their incomes in rent); and others who will be in the 'young professionals' or other higher-earning subsectors. Some (but not all) these properties will turn over quickly so, all other things being equal, this sector will inevitably see rents increasing at the rate the market will accept – though there are some signs that a ceiling may be being reached.

Steady stream. Then there is another sub-sector, focussed on longer-term, 'reliable' tenants, who may be paying rents at or close to LHA levels with whom landlords will have built up relations over a longer term. These may or may not be claiming housing benefit, but the disincentive for their landlords to end the tenancies is more to do with the trouble and expense (and risk) of finding new tenants, than the level of the income stream. The question then is, what does happen to these lettings on change of tenancy? There is anecdotal evidence of an informal, word of mouth sub-market in 'good' LHA tenants. But if there are substantial cuts to the benefit system, the rate of attrition of this sub-sector will increase. Nonetheless, this situation does open up opportunities for local authorities to engage with these landlords.

It is probably a mistake to attempt to categorise sizes and types of landlords by their portfolios too rigidly, but by and large there is likely to be a greater proportion of the 'steady state' lettings in the cottage landlord sector; and a greater proportion of high turnover tenants among larger operators. Having said this, evidence from the landlord interviews also indicates that the increased levels of HMO room lettings discussed above could be occurring among smaller-scale landlords as well.

Engaging landlords

Chapters 4 and 5 concentrate on the landlord viewpoint, and contain a set of recommendations on what can be done to engage them, both in continuing to operate in the LHA market, and to work with authorities on the prevention of homelessness.

In summary, there needs to be a combination of strategic engagement – preferably collectively by the study area authorities – and practical support. While some authorities are operating or planning social lettings agencies, there may be further opportunities to offer focussed and professional maintenance and property management services to support landlords to remain in the lower-income sub-sector. This could be through commissioning an existing service (possibly one provided by a Registered Provider). There may be particular opportunities here for working with smaller landlords, and absentee landlords. There are also issues about the experience and background of staff local authorities employ to work with landlords, and a message that more staff should be recruited from within the PRS sector, who understand lettings in this market. The starting point for this is better and more consistent use of the existing landlord forums (or their creation if absent), and an open approach to listening to landlords' own suggestions. A cross-study area forum was suggested, given that landlords operate across borough boundaries, and mechanisms to enable landlords currently working with low income tenants share their (positive) experience of this market with others.

The bottom line is that, in the views of landlords 'it is getting harder to make money' in the London PRS market; and therefore all local authority engagement needs to be underpinned by the question 'what will work to support the landlord's business?' If options to provide financial incentives, in the shape of grants, loans, rental and void guarantee schemes, Discretionary Housing Payments and the like are available, all well and good. But if these financial tools are not available, focussing on improving the business operational environment within which landlords work is necessary.

Finally, we would re-iterate that the PRS in South East London and Lambeth is a complex network of inter-linked sub-markets, catering for a variety of different socio-economic groups and meeting a variety of housing needs. While the lower rent end of the market is facing long-term attrition, it is clear that it does and will continue to have a role in meeting the housing needs of those who would otherwise be accommodated in the social housing sector; and that there are measures that can be taken to help retain this sub-sector of the PRS, and reduce pressure on social housing stock.

Appendix 1

Average monthly rent breakdown by Borough for survey respondents

	HMOs (participating household, not whole HMO)			Non-HMOs			
Borough	No. beds	No properties	Average monthly rent	Borough	No. beds	No properties	Average monthly rent
Bexley	1	4	675	Bexley	1	15	635.33
	2	6	729.17		2	33	780.61
	3	4	728.75		3	19	903.68
	4	1	300		4	2	975
	Total	15	686		Total	69	788.55
Bromley	1	7	424.29	Bromley	1	25	679.8
	2	1	400		2	27	797.7
	3	3	1083.33		3	16	900.56
					4	3	1333.33
	Total	11	601.82		Total	71	802
Greenwich	1	19	521.84	Greenwich	1	39	713.79
	2	12	728.75		2	53	954.25
	3	9	481.11		3	53	1065.66
	4	3	900		4	9	1202.78
	5	4	687.5				
	Total	47	605.11		Total	154	946.22
Lambeth	1	24	686.25	Lambeth	1	61	866.33
	2	14	1115.71		2	46	1123.09
	3	6	1120		3	24	1429.25
	4	1	500		4	4	1543.75
	5	2	260		5	1	1650
	6	1	400		6	1	2000
	Total	48	838.13		Total	137	1084.93
Lewisham	1	21	566.9	Lewisham	1	82	782.12
	2	16	746.56		2	143	963.42
	3	22	847.73		3	31	1227.42
	4	13	959.31		4	3	1406.67
	5	5	626		5	1	1250
	6	4	412.5				
	Total	81	737.67		Total	260	943.93
Southwark	1	10	795	Southwark	1	43	898.6
	2	13	830.54		2	45	965.73
	3	18	1137.78		3	4	875
	4	2	1050				
	Total	43	961.09		Total	92	930.41

Appendix 2

Resident face to face interview questionnaire

PERSPECTIVE –Kingsbourne House, 229-231 High Holborn, London WC1V 7DA
South East London Private Rented Sector study –questionnaire for door to door interviews.

	Borough	Area no.(from map)
Bexley	1	
Bromley	2	
Greenwich	3	
Lambeth	4	
Lewisham	5	
Southwark	6	

INTERVIEWER NAME: _____ INT NUMBER: _____

Respondent name Tel no.

Address

..... Post code

Good morning/afternoon/evening, my name is and I work for Perspective Research Services. We are conducting a survey on behalf ofCouncil on housing in the area. This is to help the Council understand about housing conditions and what people's needs are currently, could you please spare a short while to help, it will take no more than 15 minutes? Any information you give me will remain entirely confidential. Thank you.

QA. First I just need to ask about your current home. Do you

Own your own home, with or without a mortgage	1	Close
Have a shared ownership property	2	Close
Rent from a private landlord	3	Go to QB
Rent from a Council or Housing Association	4	Close
Have accommodation provided by your employer	5	Close
Are in temporary accommodation*	6	Close*
Are in some other situation	7	Close

*Interviewer – check if the TA is rented from a private landlord; if it is, then you can continue

QB And can I just confirm that you are the tenant, joint tenant or their spouse/partner?

Yes	1	Go to QC1
No	2	Close

QC1 **SHOWCARD A** Could you tell me which of these best describes your situation here?

I live in this property on my own	1	
I live in this property with a partner or spouse and/or other family members	2	
I share the property with one other person who is not a partner or family member	3	
I live here with my partner or spouse and /or other family members and at least two other people who are not members of my family	4	Code as HMO at QC3
I share the property with at least two other people who are not members of my family, and none of my own family live here	5	Code as HMO at QC3

QC2 And are any of the following also true?

	Yes	No
a) I am a student and share the property with other students	1	2
b) The landlord lives in the property	1	2
c) The property has three or more storeys	1	2

QC3 **Interviewer use** Is the property an HMO?

Property is HMO	1	Go to Q1
Not an HMO	2	Go to QD1

QD1 Could I ask how many habitable rooms, excluding kitchen and bathrooms, there are in this property?

QD2 And how many of them are used as bedrooms?

Interviewer – if only one room, clarify whether it is a studio flat. (i.e. a self-contained one room property as opposed to a bedsit or room which shares some facilities)

	QD1	QD2	
	Total rooms	Bedrooms	Tick if studio flat
One	1	1	
Two	2	2	
Three	3	3	
Four	4	4	
Five	5	5	
Six or more	6	6	

Interviewer – ask QD3, selecting the rent amount to insert from the table according to the number of bedrooms at QD2?

Bedrooms	Monthly rent £
Studio	
One bedroom	
Two bedrooms	
Three bedrooms	
Four or more bedrooms	

QD3 Is the rent that your household pays above or below £..... per month?

Above	1	Close
Below	2	Go to Q1

Q1 **ASK ALL** How long have you lived in this property?

Less than a year	1
1 – 2 years	2
2 – 5 years	3
5 – 10 years	4
More than 10 years	5
Can't recall/refuse	6

Interviewer – ask Q2a – d if the property is an HMO, otherwise go to Q3a

Q2a Now if I could just explain what we are calling a household for the purposes of this survey. A household could be a single person, if they live alone, or a family group. Or, if you share with other people who are not your family, then each person, or family group, is counted as a household. Bearing that in mind, please think now about your household only.

How many of the habitable rooms in the property, excluding kitchen and bathrooms, does your household use?

Q2b And how many of them do you use as bedrooms?

	2a) Total rooms	2b) Bedrooms
One	1	1
Two	2	2
Three	3	3
Four	4	4
Five	5	5
Six or more	6	6

Q2c You have said that you share the property with other households, which of these facilities do you share? **Code all that apply**

Kitchen/cooking facilities	1
Bathroom/toilet	2
Living room	3
Bedrooms	4
Other (write in)	5

Q2d How many households are there in total at this address, including your own?

ASK ALL

Q3a Could I just ask about your household please, how many people are there in your household, including yourself?

Q3b And which of these options best describes the composition of the household?

A single adult	1
One adult with one or more children aged 16 and under	2
Two adults who are married or living as a couple, with no children	3
Two adults who are married or living as a couple, with one or more children aged 16 and under.	4
Other family group	5
Other situation	6

Q3c Are there any adults aged 65 or over within the household?

Yes	1
No	2

Q4 **SHOWCARD B** I'd now like to ask your opinions of the property and the surrounding area. From the options shown on this card how would you describe....

	Very good	Good	Fair	Poor	Very poor	Don't know
a) the quality of the accommodation	1	2	3	4	5	6
b) the condition of the accommodation	1	2	3	4	5	6
c) the way it is managed and maintained	1	2	3	4	5	6
d) the quality of the local environment in terms of litter and rubbish, how well it is maintained etc.	1	2	3	4	5	6

Interviewer - for any rated poor or very poor, ask Q5a – d as appropriate otherwise skip to Q6

Q5a Please could you explain why you think the quality of the accommodation is poor/very poor? PROBE FULLY

Q5b Please could you explain why you think the condition of the accommodation is poor/very poor? PROBE FULLY

Q5c Please could you explain why you think the way the property is managed and maintained is poor/very poor? PROBE FULLY

Q5d Please could you explain why you think the quality of the local environment is poor/very poor? PROBE FULLY

Q6 In your opinion, do you think there are any severe problems in your property due to...

	Yes	No
a)Damp or mould growth	1	2
b)Excess heat	1	2
c)Excess cold e.g. lack of heating	1	2
d)Overcrowding or lack of space	1	2
e)Poor security or risk of intrusion	1	2
f)Poor sanitation or problems with the water supply	1	2
g)Hazards likely to cause trips, falls or injury	1	2
h)Electrical or fire hazards	1	2

Q7a Have you any personal experience of anti-social behaviour in the immediate area around your home in the last year?

Yes	1	Ask Q7b
No	2	Go to Q8

Q7b What form did this take? **DO NOT PROMPT, CODE ALL THAT APPLY**

Vandalism or graffiti	1
Noise nuisance	2
Loitering or begging	3
Confrontation between neighbours	4
Drunken behaviour	5
Other (WRITE IN)	6

Q8 Who do you normally deal with about your accommodation?

Directly with the landlord	1
Through a letting or estate agent	2
Someone else (write in)	3

Q9 **SHOWCARD B** Using the scale from very good through to very poor again how would you describe...

	Very good	Good	Fair	Poor	Very poor	Don't know
a) their general attitude and helpfulness	1	2	3	4	5	6
b) their response to requests for repairs	1	2	3	4	5	6

Q10 Could you tell me how much your household pays in rent for the property, per month? If your payment includes any bills, please just tell me how much the rent is.

Interviewer – if this is an HMO remember it is the household rent, not the full sum for the property

Per month	£
Refused or don't know	

Q11a Do you receive Housing Benefit?

Yes	1	Q11b
No	2	Q12

Q11b Does Housing Benefit cover all of the rent or part of it?

All of the rent	1
Part of the rent	2

Q12 When you were first taking the property, did you have to pay...

	Yes	No	Can't recall
a) any agent's fees	1	2	3
b) a deposit	1	2	3
c) any rent in advance	1	2	3

Interviewer – if yes to any please ask the relevant part of Q13, otherwise go on to Q14.

Q13 Can you tell me the amount for the.....?

a)agents fees	£
b)deposit	£
c)advance rent	£

Q14 How long is your tenancy agreement for?

Monthly	1	Q15a
Six months	2	Q15a
One year	3	Q15a
Longer than one year	4	Write in length
Refused or don't know	5	Q15a
Don't have an agreement	6	Q15a

Q15a Have you had any contact with Council about this property since you moved here?

Yes	1	Q15b
No	2	Q16a

Q15b Please can you explain this? PROBE FULLY

Q16a I'd now like to ask briefly about your previous property. In what area was your last home?

Interviewer – if within London use SHOWCARD C to code the Borough. If they do not know Borough, write in area name and the office will code.

Within London (code Borough from card)		Write in area if Borough not known
Outside London but still in the South east	34	
Elsewhere in the UK	35	
Outside the UK	36	

Q16b And did you.....?

Own that property, with or without a mortgage	1
Rent from a private landlord	2
Rent from a Council or Housing Association	3
Have accommodation provided by your employer	4
Live in temporary accommodation	5
Live in your family home/with parents	6
Live with friends	7
Live in some other type of accommodation e.g. hostel, care, prison	8

Q17a And now looking ahead, how likely are you to move from this property within the next year?

Very likely	1	Q17b
Fairly likely	2	Q17b
Unsure	3	Q20
Not very likely	4	Q20
Most unlikely	5	Q20

Q17b Why are you thinking of moving? PROBE FULLY

Need a larger property	1
Need a smaller property	2
The cost of this property is too high	3
Want to move to a different area (ask why and write in below)	4
Tenancy is coming to an end	5
To be nearer work	6
Other reason (write in)	7

Q18 What area do you expect to move to?

Interviewer – if within London use SHOWCARD C to code the Borough. If they do not know Borough, write in area name and the office will code.

Within London (code Borough from card)		Write in area if Borough not known
Outside London but still in the South east	34	
Elsewhere in the UK	35	
Outside the UK	36	
Don't know	37	

Q19 And when you do move do you expect to.....

Buy your own home, with or without a mortgage	1
Buy a shared ownership property	2
Rent from a private landlord	3
Rent from a Council or Housing Association	4
Have accommodation provided by an employer	5
Move in with friends or family	6
Have some other arrangement	7
Don't know	8

Finally, could I just ask a few details about you, so that we know we have talked to a good cross section of people.

Q20 Gender

Male	1
Female	2

Q21 **SHOWCARD D** Which of these age groups do you fall into?

16 – 24	1
25– 34	2
35 – 49	3
50 – 64	4
65 – 74	5
75 and over	6
Refused	7

Q22 **SHOWCARD E** To which of these ethnic groups do you belong?

White		Pakistani	10
English/Welsh/Scottish/Northern Irish/ British	1	Bangladeshi	11
Irish	2	Chinese	12
Gypsy or Irish Traveller	3	Any other Asian background (describe below)	13
Any other White background (describe below)	4	Black/African/Caribbean/Black British	
Mixed/multiple ethnic group		Black Caribbean	14
Mixed White & Black Caribbean	5	Black African	15
Mixed White & Black African	6	Any other Black background (describe below)	16
Mixed White & Asian	7	Any other ethnic group	
Any other mixed/multiple ethnic background (describe below)	8	Arab	17
Asian/Asian British		Any other ethnic group (describe below)	18
Indian	9	Prefer not to answer	19

Describe other

Q23 Is there anyone in your household whose day to day activities are limited because of a health problem or disability which has lasted, or is expected to last, at least 12 months?

Yes, limited a lot	1
Yes, limited a little	2
No	3
Refused	4

Q23 **SHOWCARD F** What is your employment status?

Full-time work (30 hours or more per week)	1	Looking after home or family full time and not seeking work	6
Part-time work (less than 30 hours per week)	2	Student/full time education	7
Government Training	3	Unable to work due to long-term sickness/disability	8
Registered unemployed and looking for work	4	None of the above	9
Retired	5	Prefer not to answer	10

Q24 SHOWCARD G Does anyone in your household receive any of these benefits? **CODE ALL THAT APPLY**

Income Support	1	Disability Benefits	7
Housing Benefit	2	Child Benefit	8
Council Tax Benefit	3	Working Families Tax Credit	9
State retirement pension	4	Disabled Persons Tax Credit	10
Jobseekers Allowance	5	None of these	11
Incapacity Benefit	6	Refused	12

Q25 SHOWCARD H Into which of these bands does the gross income for your household fall? That is your total income from employment and benefits, before any deductions but **excluding** Housing Benefit.

Per week	Per month	Per year	
Under £100	Under £400	Under £5,200	1
£100 - £200	£400-£800	£5,200 - £10,400	2
£201-£300	£801-£1,200	£10,401 - £15,600	3
£301-£400	£1,201-£1,600	£15,601 - £20,800	4
£401-£500	£1,601-£2,000	£20,801 - £26,000	5
£501-£600	£2,001-£2,400	£26,001 - £31,200	6
£601 - £700	£2,401 - £2,800	£31,201 - £36,400	7
£701 - £800	£2,801 - £3,200	£36,401 - £41,600	8
£801 - £900	£3,201 - £3,600	£41,601 - £46,800	9
Over £900	Over £3,600	Over £46,800	10
Refused	Refused	Refused	11
Don't know	Don't know	Don't know	12

Q26 Finally, the Council may decide to carry out more research on this topic. If they do, would you be happy to be contacted again?

Yes	1	Contact phone no. or email
No	2	

Thank respondent, obtain name and contact details and close interview.

Interviewer use

Q27 Is this obviously an ex-Council property that has been bought and is now being let out?

Yes	1
No	2

I declare this interview has been conducted according to the MRS code of conduct.

Interviewer name: _____ Interviewer number: _____

Signature: _____ Location: _____ Date: _____

Time interview started: ____:____ (use 24 hour clock)

Time interview ended: ____:____ (use 24 hour clock)

Appendix 3

Topic guide for landlord and agent interviews

This is a small survey designed to get a sense of whether landlords are or will consider operating in the lower value housing market for single people and families usually associated with social housing registers. The information will not be subjected to statistical analysis as there can be no assurances of this being a representative sample. It is rather a sense of the behavioural responses of landlords to the wide and varied range of behavioural triggers operating in the market at the moment (welfare reform, reduced employment contracts in terms of security/hours/wages, high earnings groups operating in an under-supplied market, asset value accumulation etc.)

We are seeking to address the key question in the brief relating to the capacity of the PRS to meet the requirements of households normally associated with social housing.

Landlords

- Stock – locations / type / size
- How long in the business
- How recently acquiring / selling stock (indications of length in the business and how
 - long stock held will give us an idea of profit levels, given older stock
 - probably owned outright)
- Do you use BTL or other funding sources [see below]
- Are you looking to continue operating in this area or moving elsewhere?
- What types of repairs/improvements have you invested in over the past 3 years?
- Do you have fire risk assessments on all your rented stock?
- Do you manage stock yourself or work through an agent? [only ask this where contact is not through advert or other indicator of self-management].

- Who do you mainly rent to working/not working; benefit dependent / not benefit dependent?
- Has your target tenant group changed recently?
- Do you require references from prospective tenants (what items/elements)?
- Do you require rent in advance and deposits (not normal in social housing although some RSLs are moving to this)?
- Does your mortgage lender/funder require any letting exclusions? How report to them? How enforced?

- Do you let stock within the rent levels given (we could ask this early and exclude people or ask it late and get a sense of who they think they are catering for outside these guide rents).
- How often do you increase rents? [Each letting, 6 monthly, annually etc.]

- Do you have any close links with the council over allocations?
- What would encourage you to rent to lower income households? [Seeking here any suggestions about support from the council or others – also perhaps awareness of leasehold or guaranteed rent schemes etc.].

Letting agents

[as above but also asking if landlords set the letting requirements or if they do; whether they take responsibility for fire risk etc. or they rely on the landlord; are there more landlords coming into the business/are landlords expanding their stock]

Letting/estate agents

[As above but where they are also involved in sales, estimate % of sales going to landlords (supported by BTL or other funding) especially at the lower end of sales values.]

Appendix 4

Landlord / agent web survey questions

- Are you a landlord, a lettings agent or a managing agent? (please tick all that apply)
- How long have you been in business as a landlord, letting or managing agent?
- Over the last three years have the number of properties you own, manage or let in SE London and Lambeth:
- Do you use Buy to Let or other funding sources?
- Does your mortgage lender or funder require any groups to be excluded from lettings?
- About how many units or properties do you own, manage, or let (per annum) in the following boroughs?
- Please could you insert the main postcodes where you have properties (just the first part - e.g. DA7, SW16 etc.)
- Approximately what number or proportion of your properties are [of different bedroom sizes]:
- And approximately what number or proportion of your properties are let to multiple unrelated households (e.g. single sharers)
- What types of repairs and improvements have you invested in over the last three years (please tick all that apply)?
- Do you have fire risk assessments on your rented stock?
- Are you a member of a Landlord Accreditation scheme or representative body (e.g. London Landlord Accreditation Scheme, National Landlords Association, Association of Residential Lettings Agencies)
- Have you attended any landlord training courses?
- Do you understand which types of property need to be licensed as Houses in Multiple Occupation (HMOs) in your area?
- What are your views on the mandatory licensing of PRS properties as a means of ensuring quality across the sector?
- Are you aware of the rental or HMO standards that the Councils in which you operate have adopted?
- Do you require any of the following from prospective tenants [references, deposits, rent in advance, guarantees]:
- What number or proportion of your properties are let to tenants in the following categories [professional, lower income working but not on HB, HB, students, homeless / vulnerable]:
- Do you feel that the proportion of your properties rented to each of these groups has reduced, stayed the same, or increased over the last three years?
- On average, how long do tenants stay in your properties?
- Generally, how have your rents changed over the last three years?
- How often do you generally increase rents?
- Do you have any concerns about letting to tenants claiming Housing Benefit / Local Housing Allowance? If so, please specify
- Have you ever served an eviction notice to tenants in receipt of Housing Benefit?
- If you have served eviction notices to tenants on Housing Benefit, what were the reasons? (please tick all that apply)
- Have welfare reform measures such as the benefit cap been a factor in deciding to terminate the tenancies of Housing Benefit claimants at the end of the term of the tenancy?
- Has welfare reform discouraged you from continuing to let to or starting to let to tenants on Housing Benefit?
- Would you consider reducing the rent for tenants receiving Housing Benefit who are struggling to make payments?
- Do you have links with the Council (s) over allocations or referrals?
- What could the Council do to encourage you to let to lower-income households (please tick all that apply)?
- Are there any other comments you'd like to make about the private rented sector in SE London / Lambeth, your activities and how they meet housing needs, and your relationship with the Council (s)? Please add in the box below
- Would you be willing to be involved in further research into the private rented sector in your area? If so, please give your contact details below:

Appendix 5

Salary and occupation data

The table below shows median and mean gross annual pay by Standard Occupational Classification two-digit category in 2013. Although categories do not align precisely with the NS-SEC categories from the 2011 Census, the table gives a clear indication of salary differentials between different types of occupation. 'Routine' and 'Semi-Routine' occupations relate to largely unskilled labour across sectors (production, operations, caring, sales, services for example). Routine occupations involve no element of employee discretion in carrying out; semi routine occupations involve a small element of discretion.

Description	Code	Gross annual pay (£)	
		Median	Mean
All		30,479	41,143
Managers, directors and senior officials	1	54,782	84,401
Corporate managers and directors	11	59,373	91,293
Other managers and proprietors	12	34,449	44,428
Professional occupations	2	39,497	45,495
Science, research, engineering and technology professionals	21	44,648	48,968
Health professionals	22	36,465	40,231
Teaching and educational professionals	23	34,886	35,368
Business, media and public service professionals	24	41,762	52,441
Associate professional and technical occupations	3	35,452	45,366
Science, engineering and technology associate professionals	31	31,152	33,292
Health and social care associate professionals	32	26,081	25,183
Protective service occupations	33	40,768	41,433
Culture, media and sports occupations	34	28,054	31,220
Business and public service associate professionals	35	38,385	53,427
Administrative and secretarial occupations	4	23,731	25,653
Administrative occupations	41	23,753	26,058
Secretarial and related occupations	42	23,463	24,437
Skilled trades occupations	5	26,367	28,021
Skilled agricultural and related trades	51	21,069	23,423
Skilled metal, electrical and electronic trades	52	33,085	34,265
Skilled construction and building trades	53	32,557	32,694
Textiles, printing and other skilled trades	54	18,506	19,620
Caring, leisure and other service occupations	6	16,512	17,735
Caring personal service occupations	61	14,489	15,399
Leisure, travel and related personal service occupations	62	20,600	22,736
Sales and customer service occupations	7	13,068	15,430
Sales occupations	71	11,201	13,553
Customer service occupations	72	21,042	22,101
Process, plant and machine operatives	8	28,997	30,117
Process, plant and machine operatives	81	25,231	28,794
Transport and mobile machine drivers and operatives	82	31,033	30,685
Elementary occupations	9	13,805	14,976
Elementary trades and related occupations	91	17,135	18,577
Elementary administration and service occupations	92	13,596	14,810

Source: Annual Survey of Hours and Earnings 2013, Office for National Statistics.

Appendix 6

Abbreviations

Abbreviation	Expansion
ASB	Anti-social behaviour
AST	Assured Shorthold Tenancy
BRMA	Broad Rental Market Area
BTL	Buy to Let
EHS	English Housing Survey
HB	Housing Benefit
HHSRS	Housing Health and Safety Rating System
HMO	House in Multiple Occupation
HRP	Household Reference Person
LA	Local authority
LHA	Local Housing Allowance
NLA	National Landlords Association
OA	Output Area (from Census 2011)
PRS	Private rented sector
RP	Registered Provider
RTB	Right to Buy
SELHP	South East London Housing Partnership
SHMA	Strategic Housing Market Assessment
UC	Universal Credit
VOA	Valuation Office Agency