

# **Research into the private rented sector in South Yorkshire**

A report for Transform South Yorkshire

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ECOTEC

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# 1.0 Introduction

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## 1.1 Background

This report sets out ECOTEC's findings on the state and status of the private rented sector (PRS) in South Yorkshire. The original research was conceived and commissioned by Transform South Yorkshire in 2007 at the peak of the Buy-to-Let market and has been concluded at a time of the greatest uncertainty in housing markets in the post-war era. Capturing an up to date position, as best as this can be done, in a rapidly changing market, has been a key element of this work and the focus has been on an:

- Updated policy and national trends review. We have tried to ensure that this is accurate up to February 2009;
- Fieldwork conducted from a set of four case studies, a large scale survey of PRS tenants (reported previously) and interviews with landlords.
- New primary data collected late in 2008 and early 2009

The work has been conducted by a study team comprising ECOTEC Research and Consulting and its in-house market research team, ECOTEC Survey, and Nigel Sprigings, Lecturer in Housing and Director of Housing Studies Programme, Department of Urban Studies at the University of Glasgow.

## 1.2 Research Aims

In brief the study aimed to cover:

- The likely future market in private renting in South Yorkshire;
- The groups that should be monitored closely especially those that can be covered by the housing market renewal policies of Transform South Yorkshire;
- The impact and effectiveness of current approaches to managing the sector;
- Recommendations for the development of new approaches to the management of the sector including
  - methods for continuous and more consistent monitoring
  - consistent approaches to the issues of standards and services
  - ways to increase contact and involvement with the PRS
  - ways that the PRS can continue to meet the needs of vulnerable and low income households without detriment to landlords, occupants, and neighbourhoods.

### 1.3 The Survey of Private Rented Tenants and the Case Studies

As part of the wider project, ECOTEC were commissioned to undertake a survey of private rented tenants in the four South Yorkshire Local Authority areas.

The questionnaire was designed to gain responses from those currently living within the private rented sector along with those who have lived in privately rented accommodation within the last two years. The survey collected information regarding respondents' current homes, their previous home, opinions on their neighbourhood and housing in the area and their future intentions in terms of housing tenure, affordability and area preferences.

Data collected can be used to further understand the situation and aspirations of those living in the private rented sector and can be used to consider analysis of the key characteristics in terms of demand for privately rented accommodation in the future.

Two research methods were used to complete the survey element of this project. A large scale postal survey was distributed in July/August 2008 with face to face interviews completed in three selected Case Study areas in December 2008.

A total of 15,000 questionnaires were distributed to households in Sheffield, Barnsley, Rotherham and Doncaster. Questionnaires were sent to addresses where highest proportions of properties in the areas were rented from private landlords. This ranged from areas where between 13% and 90% of the housing stock is in the PRS. Using the percent private rented figures and extrapolating this to the sample we would estimate that approximately 3,000 of the 15,000 questionnaires were distributed to households renting from private landlords.

The table below details the number sent in each of the four Local Authority areas and the number of responses received.

**Table 1.1 Local Authority Area**

Table 1 – Local Authority Area	Households in PRS <sup>1</sup> (census)	Number Mailed	Number of Responses Received
Sheffield	18,544	6,078	184
Barnsley	6,680	2,959	68
Doncaster	7,795	2,637	53
Rotherham	5,786	3,326	56
TOTAL	38,805	15,000	361

*Base: all respondents – postal survey*

Issues around sample size and data reliability are addressed in section 5.

<sup>1</sup> The figures for numbers in the PRS are taken from the 2001 census, as they are the most comparable set. More recent estimates (2007 and 2008) from local Stock Condition Surveys and SHMAs show different figures, substantially dissimilar in some cases: Sheffield: 11,735, Barnsley: 5,082, Doncaster: 14,046, Rotherham: 7827

## 1.4 Report Structure

The report follows under the following headings:

- Section 2 covers national trends and policies
- Section 3 provides a commentary on the baseline position, expanding on the data and tables we included in the proposal
- Section 4 summarises data on the operation of Housing Benefit in the PRS in South Yorkshire
- Section 5 provides a synopsis of key points emerging from the survey and the case studies
- Section 6 details the findings of the landlord interviews
- Section 7 sets out our conclusions
- Section 8 contains our recommendations in the form of a tool-kit for future action by the local authorities concerned.

## 2.0 National trends and policies

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### 2.1 National Issues and Trends

This section briefly considers a range of topics within and related to the Private Rental Sector (PRS) in the UK. The purpose of this is to create the context in which the current study was undertaken and to illustrate the extent to which the findings reflect similar or different conditions found elsewhere in or across the UK. Inevitably national averages aggregate very variable local level conditions while detailed figures at local level (the number of Buy-to-Let mortgages in an area for instance) are not available and therefore cannot be subject to direct comparison. Sources of data also conflict depending upon sample sizes and the objectives of the survey and some evidence is more readily available (e.g. BTL lending, arrears etc) than others (total PRS acquisitions in any given period are not recorded anywhere). However, it remains useful to understand, as best we can, the extent to which South Yorkshire is aligned with national trends.

The following paragraphs will therefore cover:-

- Growth trends in the PRS, the legal framework and its consequences for tenants
- Indicators of the impact on the wider housing market
- Indicators of the impact wider market conditions have on the PRS
- Landlords, their markets and intentions and consequences for tenants
- National policy debates on the PRS including the Law Commission review of the legal framework and the Rugg/Rhodes Review of the PRS.

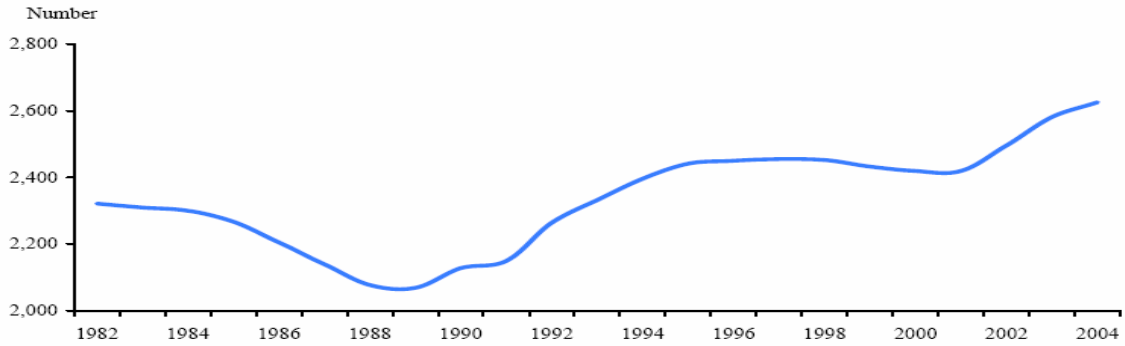
### 2.2 Growth Trends in the PRS

Government policy on housing tenure has given priority to owner occupation for many decades. The PRS has been, in many ways, the poor relation regarded as a residual tenure catering for specialist needs at very high levels of the market (predominantly in London) or more commonly the low rent sector of the market including student lets.

Following a long period of decline driven by a range of housing policy and economic factors, the sector reached its low point in the UK in the late-1980s, with just over 7% of all stock (although sources vary on the absolute size and proportion of stock). Figure 2.1 below shows the extent of its recovery based on official figures that may even underestimate the turnaround (Sprigings 2008). The policy stimulus for PRS growth came in the late 1980s when the then Conservative government removed rent control and greatly reduced security of tenure through the creation of Assured Shorthold tenancies for new lettings. The attraction of this for landlords is obvious. Needing no actual grounds for possession of the property once the initial contract period has expired, landlords feel confident of their level of control over the property and therefore feel

confident to invest in property purchase for rental. The consequent high level of turnover (discussed below) may be detrimental to other policy objectives such as sustainable communities.

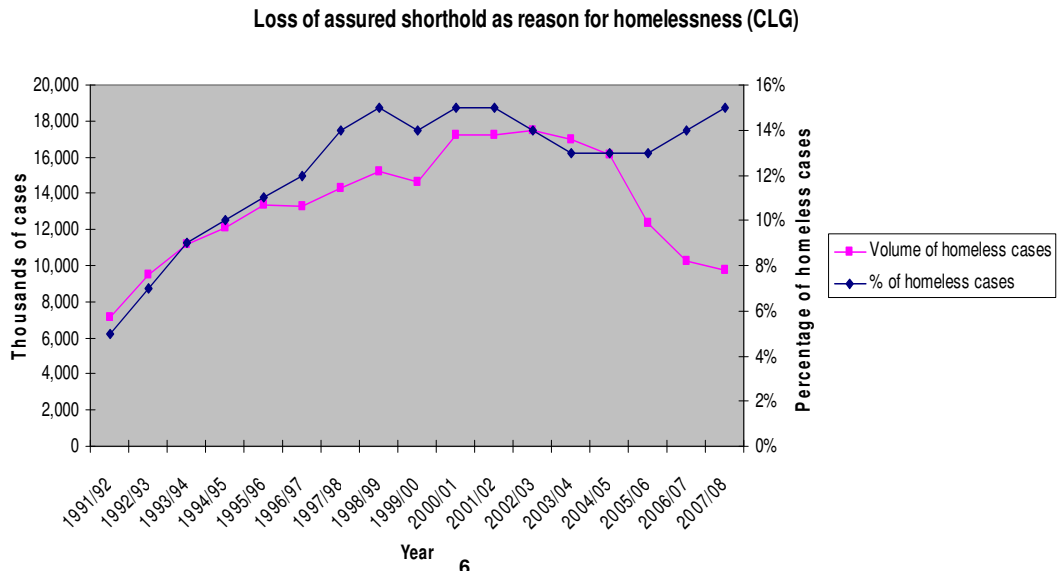
**Figure 2.1 Number of dwellings in the private rental sector in England (thousands)**



Source: Thomas (2006) using ODPM figures

While landlords' powers have increased obviously the tenants' rights have reduced. Many people now live in the sector with no certainty of having a home beyond the 4 week notice period after which mandatory possession grounds could be called upon that require no default on the part of the tenant. One result of this is that the modern PRS, growing rapidly through a decade of house price inflation, has attracted landlords who are primarily property investors seeking capital yield on sales that can be secured quickly rather than rental yield through a long term tenancy. Interestingly national data shows that loss of assured tenancy is a growing proportion of homelessness cases (even though it is a declining number at the moment).

**Figure 2.2 Assured shorthold tenancies and homelessness**

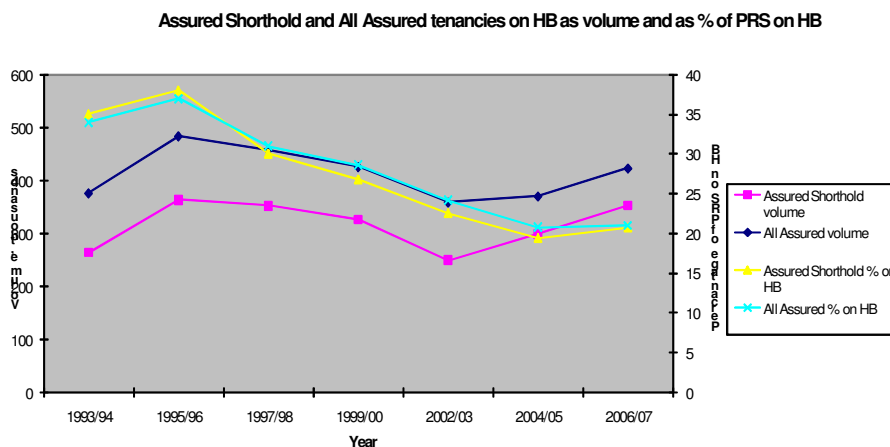


Of more recent concern is the increase in mortgage arrears and fraud in the BTL market and the resulting repossessions leading to eviction of tenants who may well have been paying rent but lose their homes because the landlord did not use the rental income to pay the mortgage. The increased scale of this risk emerged in the last quarter of 2008 (CML data) and the long term trends will be difficult to predict but impacts should be monitored locally through homeless presentations.

Nationally, the private rented sector is varied. It houses professionals in prime city centre apartments and unemployed people in bedsits, along with many people between these two extremes. Again the patterns of use of the PRS have changed. Rugg and Rhodes (2008) produce extensive tables in Appendix 2 of their report showing changes in the characteristics of the sector. For example the dependence of the PRS on Housing Benefit (HB) has declined significantly in numbers and as a proportion between 1993/4 (581,000 HB cases comprising 34% of the PRS) and 2005/6 (455,000 cases and only 19% of the PRS). Local changes in the HB level market show, where there is data available, that the sector to be growing. This is explored in more detail in Section 4.

Figure 2.3 below shows the changing pattern of Assured and Assured Shorthold tenants on HB (taken as an indicator of affordable rent levels) and this shows a growing number over the past 6 years (but rapid growth of the PRS overall means that this is a declining proportion of PRS stock)

**Figure 2.3 Housing Benefit and the Assured PRS tenancies**



Also on the demand side, the PRS has become a key source of affordable housing for newly forming households. Furthermore, PRS housing is often the only viable source of affordable housing for black and minority ethnic (BME) groups whose area preferences have not traditionally tended to extend to social housing estates. There is some evidence of this in the survey results for Sheffield and the Sharrow case study (in Section 5).

In terms of the stock of the PRS, again Rugg and Rhodes (2008) provide comprehensive statistics showing the reducing proportion of the PRS that is older (pre-1919) housing (from 48% of the PRS in 1993/4 to 36% of the stock in 2006/7. However the reduction in volume of the pre 1919 stock is only around 160,000 dwellings and the proportional change seems to be partly due to the growth of purpose built flats in the PRS, growth that accelerated after 2000.

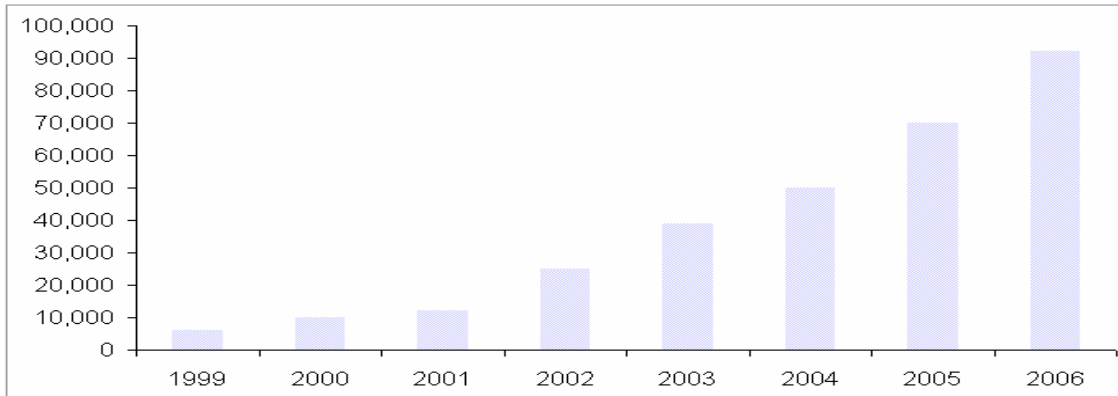
Ownership of PRS stock is equally varied with studies reporting between 1m and 1.2m landlords in the UK at the moment, the majority of whom own less than five properties. The rate of growth in new landlords locally is reported later where Housing Benefit data has been used to record changes in the number of landlords they have contact with for HB purposes. Again this only relates to a particular portion of the market but may also be indicative of wider market trends.

This increase in PRS supply is not fully explained by any single factor but rather by a series of factors including increased demand from a mobile population (young professionals, migrant workers, increased student numbers), job insecurity for lower income workers making mortgages unavailable, increased household formation due to relationship breakdown, readily available funding through BTL, and reduced supply of social housing through RTB and reduced lettings to name a few of the more significant factors.

However one of the key drivers of PRS expansion is obviously the motivations of the people who decide to move into the market. Rugg and Rhodes (2008) indicate a significant increase in the proportion of landlords entering the sector for investment reasons (1993/4 48% rising to 70% in 2006). Again the percentage figure masks the growth in actual numbers; 70% of the 2006 number of landlords is a far higher volume of landlords seeing their role as primarily investment than the 48% of their 1993/4 number. This may have significance for the management of the sector if fewer numbers of landlords see service provision as part of their motivation. The greater use of agents for management purposes (Rugg and Rhodes 2008) may also reflect this change and concerns about service levels in this sector lie behind their call for mandatory regulation of this industry “to ensure better quality management standards”. However, it is worth highlighting that, from the findings of the survey, it is clear that there is little correlation between the quality of the landlord's service / condition of home, and 'localness' of the landlord. Landlords who lived outside South Yorkshire (who we could assume to be more likely to be property investors) deliver no worse a service than locally-based landlords.

Investment led acquisition activity has almost certainly been stimulated by the availability of loans and Buy-to-Let (BTL) mortgages, first introduced by the Association of Residential Letting Agents in 1996, that have become a popular investment option and indeed are now a recognised part of personal financial planning. The period from 1999-2006 saw BTL borrowing increase from 2% to 9% of the mortgage market – approaching a billion pounds worth of outstanding mortgage debt in 2006. The sector has also grown through other forms of finance, such as purchases made by lettings companies and cash buyers, showing that the scale of change has been significant and probably greater than BTL and other data sources currently indicate (Spriggs 2008).

**Figure 2.4 Growth in buy-to-let borrowing across the UK: total outstanding borrowing (£m)**



Source: Council of Mortgage Lenders

As recently as May 2007 there were over 4000 BTL mortgage products available on the market. Many of these set less stringent conditions than normal mortgages due to reduced regulation of them by the FSA. It was easier to become a landlord with a bad financial history than it was to become an owner occupier and press reports (Guardian 11th March 2009) indicate a growing rate of collapse of mortgage frauds valued at over £700m/year since 2007 and new reports coming in to specialist police teams “daily”. Also the amount of any loan was not limited by the income of the borrower: it was assumed that rental income could be generated to cover mortgage costs and some of the lender websites in the early days of BTL..

Even in the currently constrained market the BTL element of the PRS is holding its own. Figure 2.5 below shows that over 2008 there were around 103,00 BTL mortgages for initial house purchase: this is a figure that will dwarf social housing new supply for the period.. Obviously the significance of this is in the extent to which the PRS is an expanding supplier to markets shared with social housing (see Table 2.1) below for comparative growth). However, it should be noted that this does not give the full picture of relative supply levels, as the substantial majority of BTLs will be reuse of existing buildings, whereas social housing supply to contribute to new stock.

**Figure 2.5 BTL advances in the credit crisis**

Buy to let gross advances including remortgages (col3) and new purchases only (col 4)		Gross advances in period	House purchase
		number	number
2006	Q3R	99,400	56,840
	Q4R	75,500	39,810
2007	Q1R	81,300	43,130
	Q2R	88,200	47,300
	Q3R	93,100	48,690
	Q4R	83,500	44,230
2008	Q1R	74,900	33,640
	Q2R	69,900	31,700
	Q3R	41,700	20,590
	Q4R	36,700	16,930

Source: CML Table MM17

**Table 2.1 RSL completions and BTL acquisitions 2006-08 by quarter**

Year and Quarter	RSL New Completions CLG Table 211	BTL Mortgages for house purchase CML Live tables	PRS minimum gain on Social renting
2006 Q3	6,090	56,840	50,750
2006 Q4	7,150	39,810	32,660
2007 Q1	7,700	43,130	35,430
2007 Q2	5,470	47,300	41,380
2007 Q3	5,930	48,690	42,760
2007 Q4	7,760	44,230	36,470
2008 Q1	8,630	33,640	25,010

In several studies only half (at most) of landlords have indicated that they use BTL mortgages to fund their acquisitions. Other landlords use cash from sales, equity release funds, normal business loans and other sources. What this means is that the BTL acquisitions figure could be only half of the total PRS acquisition activity and that a significant shift in UK tenure patterns is continuing without any significant debate on the desirability of this change or the possible consequences. If this is the case then the estimates of the size of the PRS at the moment may be significantly below

the actual level (all the data available comes from sample surveys where, for a variety of reasons the sample may not fully reflect the growth of the sector in recent years – see Sprigings 2008). The anomalous (compared to the Census) figures in footnote 1 may also reflect this.

Further evidence for the overall scale (but local variability) of this expansion comes from Fitch data published by the Financial Times in April 2008. Amid concerns about “high risk” mortgages and their effects on the banking sector, they published a map and table of the concentrations of both sub-prime and BTL mortgages by post code area. The table below shows the main concentrations of BTL in London but other areas also have significant exposure. For BTL mortgages to take up such a high proportion of all outstanding mortgages in these areas, the proportion of total acquisitions over recent years must have been much higher. And again it is worth noting that this table shows the concentration of BTL mortgages, not the total concentration of the PRS as a whole although it is likely that the areas BTL funded landlords target are likely to be the same as the areas targeted by other investors/landlords.

A study of new housing supply in London in 2005 showed that only 30% of new supply was being purchased by owner occupiers. Rugg and Rhodes cast doubt on the rigour of this study but the figures reflect those reported in other studies undertaken by ECOTEC/Sprigings. Developer reports remain the only source of data unless door to door surveys are done as was attempted in Newcastle or, as sometimes happens in the context of Strategic Housing Market Assessments, strategic bodies purchase comprehensive Land Registry data that indicates the location of the purchaser if the dwelling is not to be their home. These research figures are individually inconclusive about the scale of the PRS and its rate of growth but collectively they show that significant rates of growth have occurred nationally and that local concentrations are even more significant.

**Table 2.2 Concentrations of BTL mortgages by postcode.**

Large postcode area	BTL mortgages as % of all outstanding mortgages	BTL Rank (1 = highest proportion of BTL mortgages)
London E	28	1
London SW	21	8
Manchester	16	13
Leeds	13.5	17
Bristol	13.45	19
Liverpool	12.4	26

*Source: Financial Times using Fitch Data.*

The South Yorkshire area did not feature very high on this Financial Times list with the main postcode areas of Sheffield, and Doncaster being 80th and 84th in the ranking with 7.8% and 7.7% of outstanding mortgages due to BTL.

## 2.3 Consequences of PRS growth for users of the sector

This growth in the PRS has benefits in increasing the flexibility with which housing needs can be met and there is evidence that residents in the PRS are increasingly working adults who need this flexibility. However they are not the only users of the sector. The survey and case studies indicated substantial pockets of those outside the labour market that rely on the PRS. and one reason why understanding and monitoring the PRS is increasingly important for local authorities and housing policy agencies is the impact on social cohesion that a growing PRS with high “churn” may have on neighbourhoods as well as the effects of low security on single parents and other vulnerable households. Most studies report much higher than average cross tenure levels of mobility in the PRS but varying significantly between areas. For example in West Yorkshire Hickman et al (2008) report Outside Research data showing that in Leeds and Calderdale the proportion of PRS tenants moving within the past 6 months was 31% and 22% respectively, compared to a national average of about 12% of households moving each year. The survey confirmed these high levels of 'churn' with, for example, only 11% of Sheffield PRS residents planning **not** to move. Having said this it is clear that there are some pockets of long-term residents (for example in Rotherham), willing or not to remain in the sector.

While a high proportion of PRS tenants move voluntarily for a wide variety of reasons, the English Housing Survey shows that 18% of movers in the PRS move because their previous accommodation (in the PRS) was no longer available to them. This is a high percentage of enforced movement and we need to see if the recent rise in BTL landlord arrears increases this figure. Figure 2.2 above has already shown that an increasing proportion of homeless applications come from the loss of assured shorthold tenancies. An enforced or voluntary contraction of the PRS in the current financial climate could have a further significant impact on social housing and other affordable housing demand in areas with high PRS exposure as well as increasing the social instability of areas with a significant PRS tenure base. Alternatively it is possible that even if landlords wish to sell off their investment stock to cut losses there may be no market to sell into. This may mean they would be keen to enter leasing arrangements with local authorities and RSLs to increase social supply in the short term.

Landlord arrears and repossessions affecting houses are a distinct possibility in the current climate. CML data on the final quarter of 2008 (CML 2009) indicates that BTL repossessions are now 1300/quarter and 12.5% of all repossessions. With repossessions predicted to be around 75,000 in 2009 that implies over 9000 BTL repossessions nationally. Tenants are extremely vulnerable in this situation but so are owners in shared buildings and Glasgow and Salford Councils have already had to intervene in situations where the failure of landlords to pay charges in multiple ownership buildings has threatened the loss of communal services. It may be that further demands will be made on the public sector as the full effect of the recession on the PRS/investor market emerges.

A long term consequence of PRS growth could be declining stock quality. The PRS has always featured in national housing surveys as the tenure with the greatest concentrations of poor quality

stock. Landlords have improved this recently, but through the acquisition of better quality of stock rather than through investment in improvements. It remains a feature of the PRS as a business that periodic improvement expenditure is rare. Many long term landlords interviewed in recent projects have indicated that they use periods of rising prices to offload poor quality stock and to acquire better stock (for which they have no long term investment plans). Landlords new to the business also tend not to have long term stock improvement plans but simply use NHBC guarantee periods on new dwellings as securing quality for the period before they sell again to re-invest any capital gains. This may prove to be a particular problem for new city centre flats developments where long term maintenance of buildings is shared with many owners and where adequate arrangements for communal and structural repairs may be lacking. It is rare in this author's experience for any sales agents for this type of property to understand the insurance and maintenance implications of such lease agreements either administratively or in terms of costs.

## **2.4 Indicators of impact of the PRS on the wider housing market**

The NHPAU responded to concerns about the impact of BTL on house prices with a study that sought to model the effects. Their conclusion was that the impact of BTL on house prices (that were rising rapidly at the time) was around a modest 7%. There are obvious difficulties in trying to isolate the effects of one single factor on house price rises. Other factors would have included the availability of 100% (and higher) mortgages reducing the need for deposits, increased pressure on the market for houses as new supply switched to emphasise flat developments, higher rates of employment, increased available of family equity to part fund purchases or provide student offspring with homes.

When considering the impact of PRS expansion on the wider housing market it is therefore important not to attribute causal effects where these are, in fact, almost impossible to determine. But some correlations seem to make it likely that the impact of PRS growth on the wider housing market has greater than the 7% price rise attributed to it and that it extends to influencing the type of new supply coming on line which, in turn, has increased pressure on the traditional housing market.

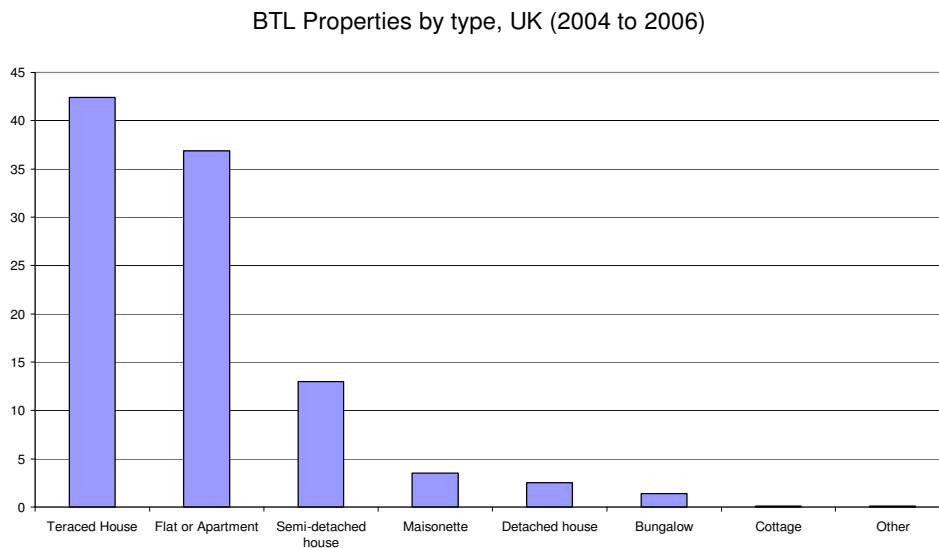
The first point about PRS acquisition (especially but not exclusively using BTL funds) is that it does not rely on the income of the purchaser. While house prices were booming lenders would often be satisfied that rapidly rising capital values would make up for any rental loss. It was also assumed that target rents could be achieved but agents have often reported target rents to be aspirational rather than achievable.

Secondly, BTL funded acquisition has tended to be concentrated in particular segments of the housing market as shown in figure 2.6 below. This concentration on particular property types also implies concentrations in particular areas so even if the overall effect of BTL lending has been only a 7% increase in prices, the effect at many neighbourhood level locations must be higher as landlords/investors with less constrained borrowing capacity vied with each other for attractive stock. This is also shown by the concentration of investment in particular postcode areas shown

above. The key issue for price inflation is the volume of money being channelled into particular markets and the more the routes for investment flows the more significant the impact is likely to be.

Thirdly, this concentration of PRS acquisition has been in segments of the stock that would normally have attracted first time buyers whose incomes would have sustained or limited prices for these property types. CML and other data confirms the extent to which first time buyers can no longer compete without family help, another indicator that BTL lending along with other PRS acquisition activity has had a greater than 7% impact on price rises.

**Figure 2.6 BTL acquisitions by property type**



Source: Taylor 2008

Fourthly, a likely impact of BTL lending is a significant shift in new supply away from houses and towards flats (Sprigings 2008). This has also been driven by supposedly “green” objectives of higher densities and brownfield site development but many agents selling city centre flats have indicated the importance of the investor market for this type of stock. A DTZ report on Leeds shows “In 2000, 86% of all new build properties in the Leeds District were houses and 14% flats. In 2006, this has changed to 74% flats and 26% houses.” Such a switch has the effect of reducing the size and attractiveness of the stock involved in annual transactions and thus increasing the pressure on the stock of existing houses that come to market. National and local data on affordability ratios show rapidly reducing affordability for lower income households since the turn of the century.

Lastly, the availability of BTL mortgages and the attractiveness of property investment for others with independent funding sources has added a significant number of purchasers to a market where supply is severely constrained and does not (in volume terms) respond to increases in demand. The building industry is happy to turn increased demand into increased profitability rather than increased supply. It may be that BTL/investor/PRS acquisition activity has begun to replace the

first time buyer as the base and lower rungs of the “property ladder”. If this is the case then we have entered a new phase in housing market dynamics and the effects of a downturn may not follow previous patterns at all.

Looking at local level data for Sheffield (using Zoopla website, see bibliography) the credit crunch induced price fall seems to have affected all property types but the larger fall is occurring at lower values (terraces and flats). The Rightmove website (see bibliography) which has a large stock of PRS property advertised indicates that there are well over 1500 properties available within 5 miles of Sheffield and around 1300 of these are below £600/month. Websites are often used as indicators of the current state of the market but my own experience indicates that many properties here will already have been let or sold but have not been removed from the site.

## **2.5 Indicators of wider market impact on the PRS**

Markets are a series of feedback loops affecting price, supply, and demand over time. Consequently effects are not only one way. Landlords seeking capital gain from their investment rather than rental yield are dependent on the wider house purchase market fuelling that growth. Thus the advent of 100% and 120% mortgages for first time buyers and others helped to generate the returns for investors that stimulated further investment. It may also be that if BTL / investment / PRS expansion has stimulated price growth over the past ten years it has helped to sustain itself as a market segment.

As government has promoted home ownership as a way to secure unearned wealth to safeguard an individual’s long term welfare, the logic of owning more than one property has become equally clear to many as the growth in investment motivated PRS ownership illustrates (Rugg and Rhodes 2008). This strategy for individuals and government has relied heavily on over-supply of money and under supply of dwellings as the crucial combination that drives rapid price rises. For investors and landlords the development of a wide range of mortgage products designed to help them cash in on this bubble had helped to sustain, well beyond many analysts predictions, the bubble that has now so spectacularly burst.

It is not clear what happens next except that press reports currently indicate contradictory views:

- That this is a “good time” for investors as there are many bargains for those with cash. Auction sales are up nearly 50% with transactions taking place at 40%-80% below valuation. It is unlikely that the market overall will suffer this level of adjustment so the potential for huge capital gains has not reduced as the average market price has fallen. This view was highlighted in some of the landlord interviews

Or

- That this is the end of the line for most PRS/BTL investors at least in the short term because the funding streams have reduced dramatically and the investment gains have diminished.

There is also evidence that as price rises force lower income households out of the purchase market, the housing demand is transferred to the PRS. If the expansion of the PRS proves to have raised the bar permanently in terms of the house price to incomes ratio for lower earners, it may also have served to generate its own market. Again, if this emerges as one of the outcomes of this market adjustment then many of the standard measures (affordability ratios etc) will have to be adjusted to reflect the new reality, but national and local housing strategies will have to address the impacts of a steadily increasing PRS.

## **2.6 Landlords, markets and intentions**

The great unknown for those responsible for housing strategy development is how the current crop of PRS landlords will respond to the house price fall and to any lagged fall in rental income (reduced household income through recession, PRS oversupply as houses do not sell as is currently reported in London). Over the past few years many studies report landlords claiming to have long term intentions to remain in the PRS market. This has been repeated in trade surveys (RICS, ARLA etc) so while the overall housing market supported long term capital gain, we can be fairly sure that landlords intended to remain long term suppliers (while often changing their actual stock to secure capital gains as cash).

Now the market is very different. Landlords may hope to remain in the PRS supply market but they may be affected by factors such as repossession if they are unable to pay mortgages or divert tenants' rental payments to other financial needs. Loss of capital gain in some markets (flats seem most vulnerable) may cause landlords to seek exit from the PRS, over time. Locations with a high level of PRS may prove to become "low demand" neighbourhoods as management practices and property types lead to rapid social and environmental decline in high density areas. A "market rescue" package similar to that of the early 1990s could see RSLs owning stock they would never have been allowed to build.

These are all unknowns but it is unlikely that local landlords, whatever they report, will be able to resist national trends. If the BTL lenders feel that their fingers have been burnt through the BTL experiment then funding may be withdrawn (the range of products available has already reduced dramatically). However it may be that lenders will simply be more cautious, opening up the possibility of the increased value of local accreditation schemes and highlighting the value to them, and the professional landlord, the benefits of good regulatory practice and high standards. This is an opportunity for local policy makers and may be vital in securing long term supplies of adequate affordable housing to meet local needs. This is reflected in our recommendations.

The next section outlines some of the general policy issues and debates at national level along with recent interventions in the PRS. It remains pertinent to state at this stage of the report that the most common "business model" in the PRS has capital accumulation and yield at its heart. This means that the successful landlords in the sector are heavily dependent upon rising values that mask under-investment in maintenance, and constrain access to ownership for many first time buyers. Indeed the PRS may have replaced first time buyers as the base of many local housing

purchase markets. If this turns out to be a long term trend of tenure change then it is important that interventions are devised that ensure standards for the users of the sector. Local level partnerships may help to initiate models for this, but national level action will also be necessary to remove some of the highest levels of vulnerability and worst practices. There is certainly no “business model” for the PRS that provides consistent incentives for customer service quality and security across the sector. It is at local level that these interventions are likely to have to be determined.

## **2.7 National policy context**

A number of public policy themes cut across or interface with the PRS. Launched in 2005, Sustainable communities: Homes for all recognised the increasing importance of the sector in offering flexible housing options to support dynamic housing markets and greater labour market mobility. However, as stated above, there are potential conflicts with this agenda and the high levels of churn in the PRS.

Sustainable communities cemented some of the specific provisions made by the 2004 Housing Act to ensure effective management and enforcement within the PRS. These included introduction of:

- the Housing Health and Safety Rating System;
- mandatory HMO Licensing;
- selective licensing powers for local authorities; and
- interim and final management order powers for local authorities.

Local authorities will all have some experience of operating these new regulatory powers and will have views on their effectiveness and best methods of operation. In addition, there is a specific target for the proportion of vulnerable households in the private sector homes which meet the Decent Homes Standard. Tackling non-decency in the PRS is recognised as offering distinct challenges for policy makers and practitioners alike.

Additionally the CLG supported a major review study of the PRS (Rugg and Rhodes 2008) that assembles a wide range of data on the PRS nationally that consolidate the findings of many recent research projects at local level and repeats many of their recommendations (but giving national level emphasis) including:-

- the need for a sound evidence base: the PRS is not closely monitored in terms of its changing scale, stock and markets and this makes it hard to devise any appropriate evidence based support or interventions.
- A need for “better understanding of managing rented housing” along with recommendations for mandatory regulation for managing agents.
- Devising methods to encourage the expansion of the PRS as a business sector including changes to tax regulations to encourage landlords to see the PRS as a “business rather than an investment activity”. This is vitally important as the sector remains largely “amateur” (many small

landlords) and is a service industry where the landlords often believe they gain little from providing a service.

- Expanding choice between rental sectors
- Light touch licensing as a way of sustaining and enhancing standards.

These are national level initiatives. Until government makes these changes local authorities and their partners will have to work within the existing frameworks of legislation and regulation. However it is possible to establish far better data bases on the PRS using combinations of existing data to indicate trends (see Hickman et al 2008; Sprigings/ECOTEC/Stoke CC 2007; O'Sullivan and Gibb 2007). Some examples of this are included in this report, and recommendations for future monitoring activities are included in section 8

Rugg and Rhodes (2008) also conclude that there is no evidence to support the recommendations of the Law Commission Review regarding changes to tenancies, nor other recommendations to increase security. This is strange given the extent of mobility in the PRS that may not be entirely voluntary but is based on the effects of insecurity. Again this is hard to quantify other than the figures given above but the pernicious nature of these effects merit due consideration being given to the Law Commission report regardless of the absolute or comparative scale of the problems. The Grainger report on the PRS sponsored by the largest UK landlord company has no objection to increased security because of the landlords' interest in long term tenants.

## 3.0 Context of the private rented sector in South Yorkshire: the baseline position

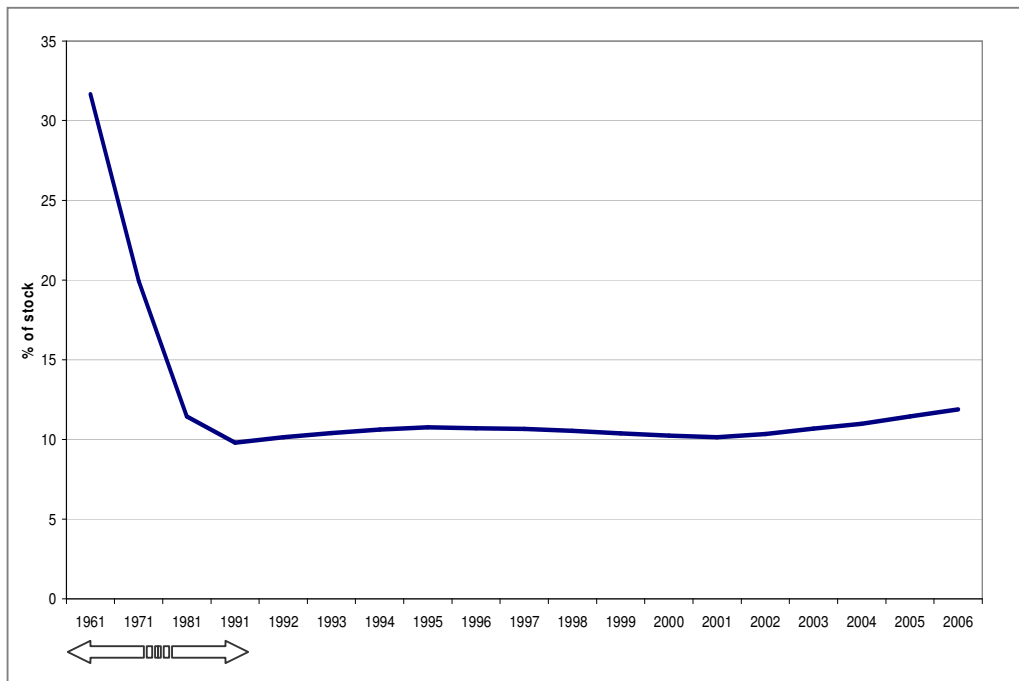
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### 3.1 The Private Rented Sector

The national picture of the development of the PRS has been covered in the previous section, but in summary some of the factors encouraging its expansion include:

- The formation of smaller households;
- Increased job mobility;
- Affordability issues;
- Increased student numbers; and
- Falling supply of social rented housing as a result of Right-to-Buy sales.

**Figure 3.1 The PRS as a Proportion of All Stock, 1961–2006**

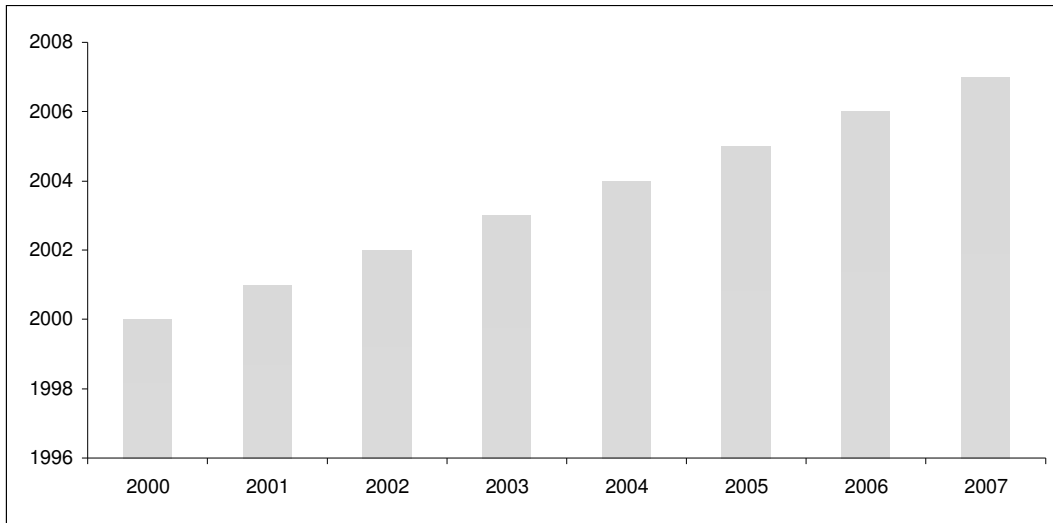


Source: CLG Live Table 104 ([www.clg.gov.uk](http://www.clg.gov.uk)) (national figures)

The PRS has become a key source of affordable housing for newly forming households. For Black and Minority Ethnic (BME) groups whose area preferences have not traditionally extended to social housing estates, PRS has offered a viable source of affordable housing for many years now, as is evidenced in the Sheffield survey results.

Various other factors have served to increase supply. BTL mortgages, first introduced by the Association of Residential Letting Agents in 1996, have become a popular investment option, which is now a recognised part of personal financial planning. The period from 2000-2007 saw buy-to-let borrowing increase from 2% to 10% of the mortgage market – equivalent to £1.2 billion pounds worth of outstanding mortgage debt in 2007. Add to this growth in the sector not financed through buy-to-let such as purchases made by lettings companies and cash buyers, and it is clear that the scale of change is significant.

**Figure 3.2 Growth in Buy-to-Let Borrowing: Total Outstanding Borrowing (£m)**



Source: Council of Mortgage Lenders

### 3.2 The Private Rented Sector in South Yorkshire

The private rented sector formed a relatively small component of the South Yorkshire housing market in 2001 (Table 3.1) at just over 7% (38,805 households) compared to 9% for the Yorkshire and Humber region. This ranged from nearly 6% (5,786) of households in Rotherham to 8.5% (18,544) of households in Sheffield.

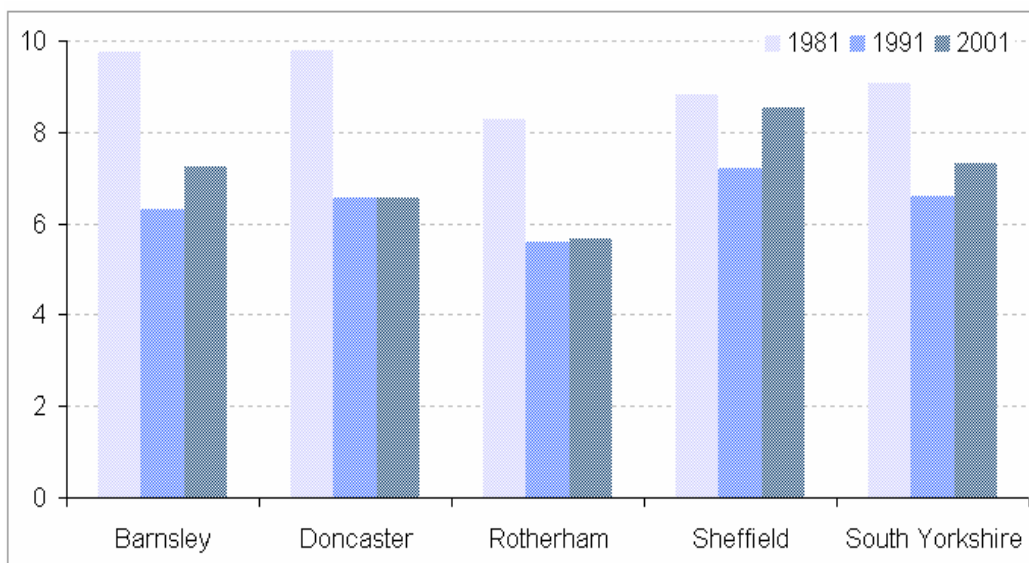
**Table 3.1 Proportion of Housing Stock in South Yorkshire**

Area	All households	Owned		Social Rented		Private Rented	
		No	%	No	%	No	%
Barnsley	92,165	59,154	64.2	23,679	25.7	6,680	7.2
Doncaster	118,699	82,594	69.6	24,827	20.9	7,795	6.6
Rotherham	102,279	66,837	65.3	26,986	26.4	5,786	5.7
Sheffield	217,622	130,905	60.2	65,904	30.3	18,544	8.5
<b>South Yorkshire</b>	<b>530,765</b>	<b>339,490</b>	<b>64.0</b>	<b>141,396</b>	<b>26.6</b>	<b>38,805</b>	<b>7.3</b>
Yorkshire and Humber	2,064,748	1,395,895	67.6	434,176	21.0	187,810	9.1
England	20,451,427	14,054,122	68.7	3,940,728	19.3	2,037,470	10.0

Source: Census 2001

Figure 3.3 highlights the changing proportion of the private rented sector across the sub region over the last three Censuses. The pattern of change has been consistent across all local authorities declining from a peak in 1981 (between 8%-9%) before levelling out to just under 6% for Rotherham and under 9% for Sheffield in 2001. The sector is known to have grown since 2001 due to a range of factors including those summarised above. Evidence from other private rented sector research suggests that BTL investors have been particularly active in areas of previously low demand, typically with relatively low house prices. The lion's share of growth of the private rented sector in South Yorkshire will be concentrated in specific pockets of the sub-region, though considerable growth may also have occurred in areas not traditionally associated with the private rented sector. As noted in footnote 1, there are anomalies in the recording of numbers which highlight the difficulties in getting a firm grasp of the scale of the sector. The HB market accounts for around half of the PRS in 3 authorities but not Sheffield where only around 20% of the PRS stock is in the HB market. This is covered in more detail in section 4

**Figure 3.3 Private Rented Sector: 1981, 1991 & 2001: South Yorkshire (%)**



Source: Census 1981, 1991 & 2001

In the past it may have made sense for research focusing on private renting to look at the sector in isolation. However, a number of interrelated factors mean that this is increasingly not the case. The following factors can be seen to contribute to greater fluidity in the private rented sector:

- Private renting is now the predominant tenure for newly forming households. Affordability issues and greater job mobility have served to stimulate demand for the private rented sector, but have also made it intrinsically less stable. Whilst living within the private rented sector younger households tend to move home relatively frequently and ultimately aspire to owner-occupation; this is confirmed in the survey
- Increasing numbers of household breakdowns means that there is an increasing amount of movement - down the housing ladder - from owner-occupation into private renting. This is perhaps best illustrated in the Rotherham survey results, where 19% of current PRS tenants had previously been owner-occupiers. Often this is as a temporary measure, before individuals move back into owner-occupation; and
- The long-term impact of the Right-to-Buy has been to deplete the supply of social housing available to rent, particularly family-sized accommodation. The private rented sector is therefore increasingly a housing option of those for whom social renting would, in the past, have been the most obvious choice. Many households remain on council waiting lists whilst renting privately in the interim. Constrained supply of social rented housing also means that statutorily homeless households are increasingly being housed in the private rented sector.

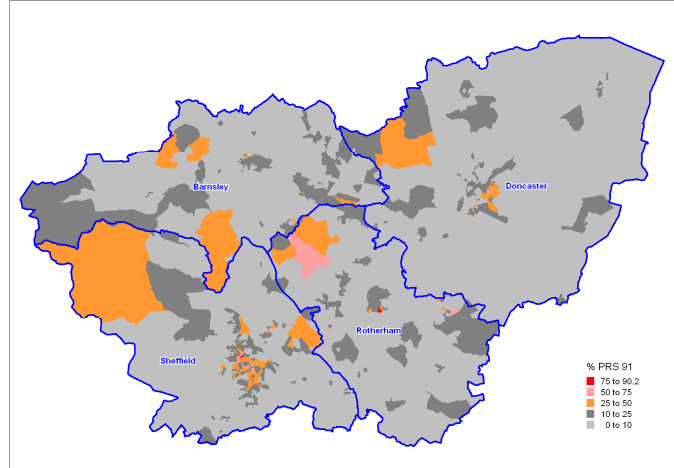
Figures 3.4 and 3.5 opposite shows the location and concentration within South Yorkshire of the private rented sector in 1991 and 2001, and concentrations of private renting within terraced housing stock in 2001.

As these maps indicate, areas with the highest levels of private renting in 1991, tended to continue to be characterised by above average levels of private renting in 2001. However, some new areas also saw expansion of the sector over the ten year period to 2001.

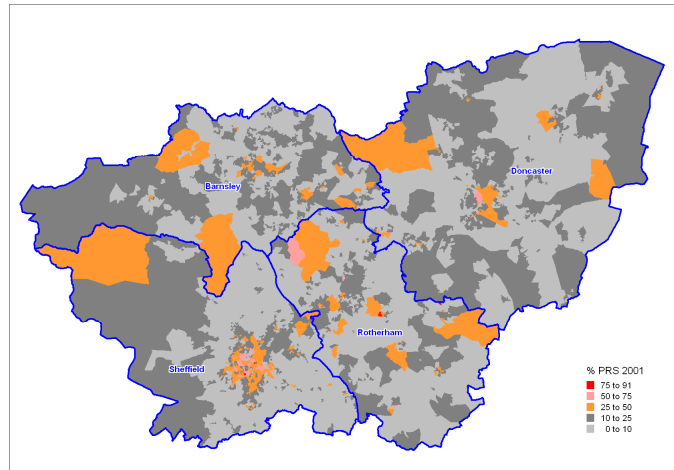
Figure 3.6 shows the location and concentration of private renting within terraced properties in 2001. This clearly indicates the close relationship between the private rented sector and terraced housing in finely distributed 'pockets' across the sub-region.

Evidence from studies recently undertaken by ECOTEC suggests that areas with established private rented sector markets in 2001 are likely to have experience the strongest growth over the last six years. However, it is important to bear in mind that areas not traditionally associated with the sector may also have been subject to considerable investor activity.

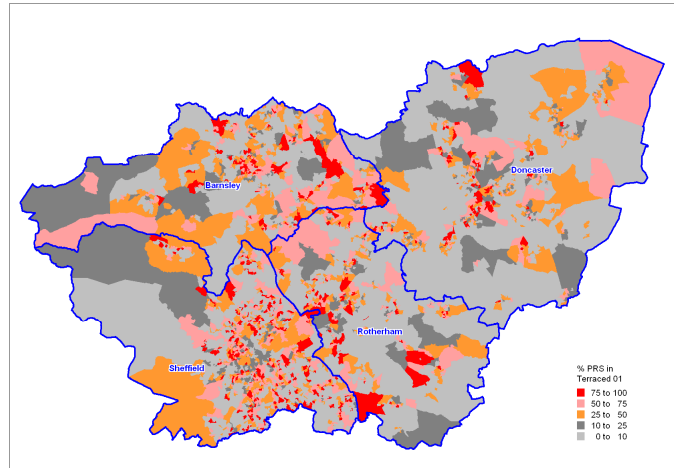
**Figure 3.4 % PRS 1991**



**Figure 3.5 % PRS 2001**



**Figure 3.6 % PRS in Terraced Stock, 2001**



### 3.3 Private rented sector change in Barnsley

Figure 3.6 % PRS 1991: Barnsley

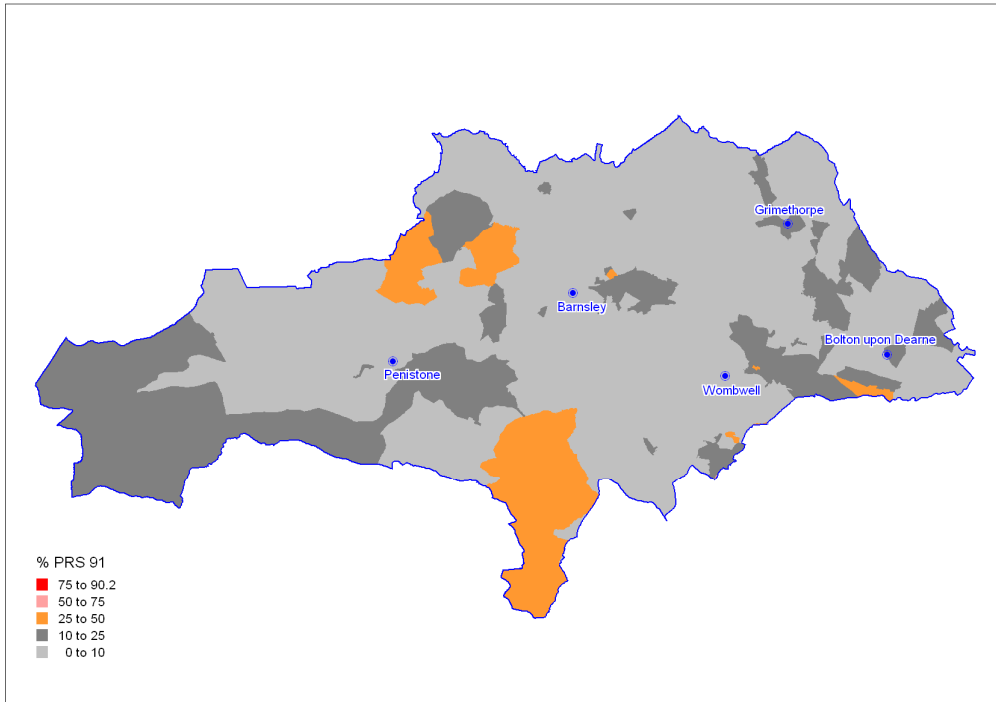
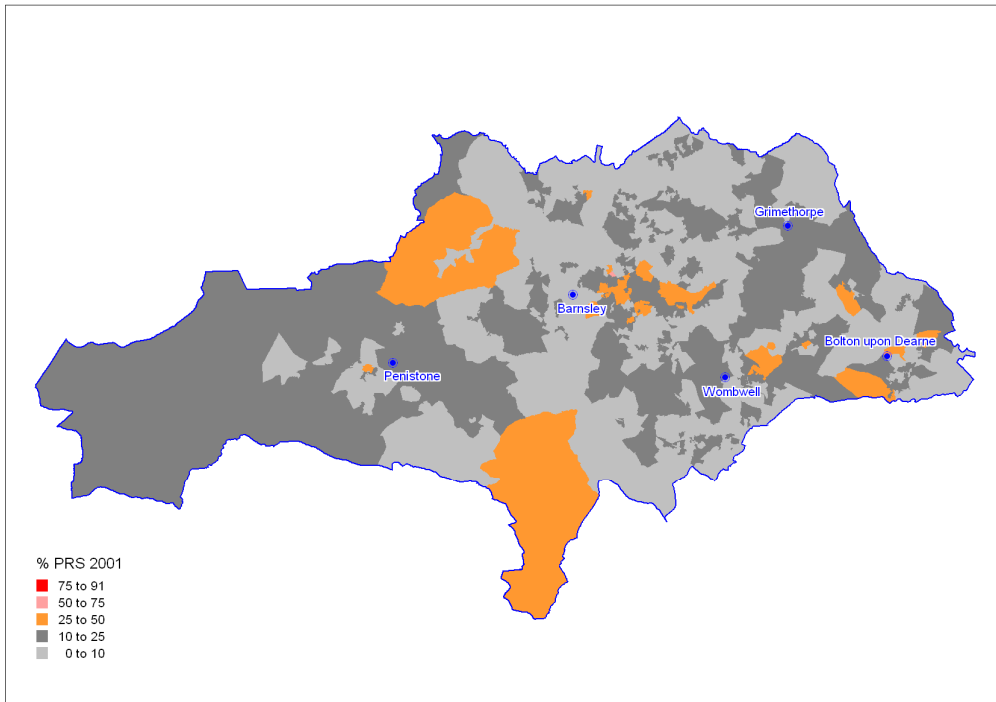
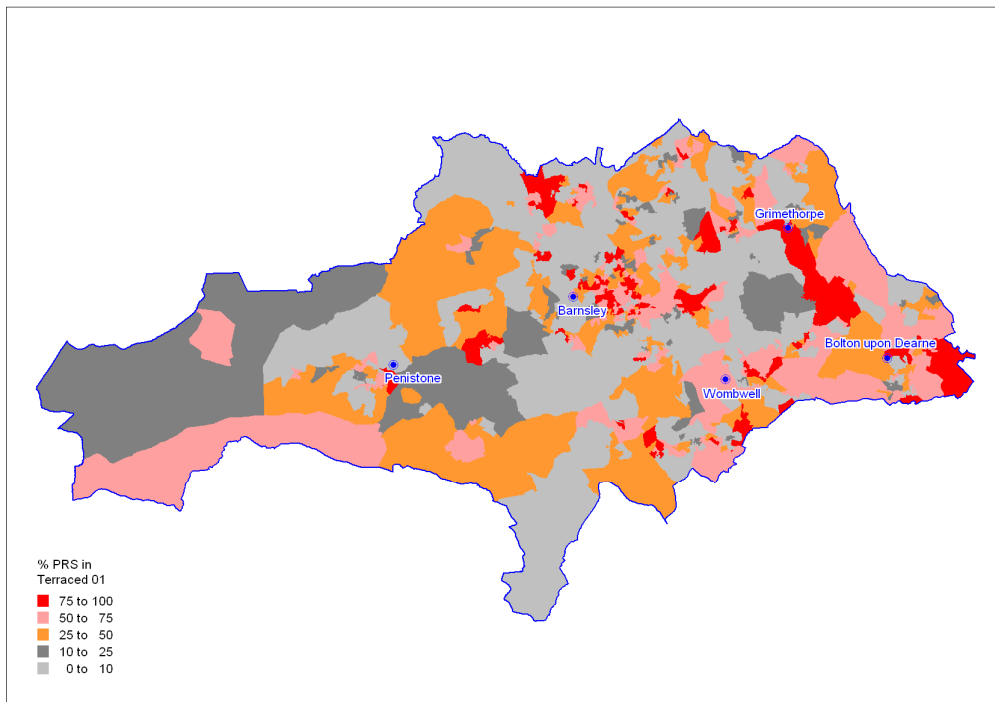


Figure 3.7 % PRS 2001: Barnsley



As figures 3.6 and 3.7 demonstrate Barnsley has a moderate concentration of the private rented sector, with a general increase across the Borough over the ten year period. The same locations to the North West and to the South of the Borough have tended to remain unchanged with 25-50% of the stock being privately rented. The areas around the town centre and Bolton upon Dearne have seen the greatest increase in the private rented sector between the two Censuses.

**Figure 3.8 % PRS in terraced stock 2001: Barnsley**



The expansion of the private rented sector around the town centre and Bolton upon Dearne is related to the pockets of high levels of terraced housing (75 to 100% of stock) within the Borough, as shown in Figure 3.8.

### 3.4 Private rented sector change in Doncaster

Figure 3.9 % PRS 1991: Doncaster

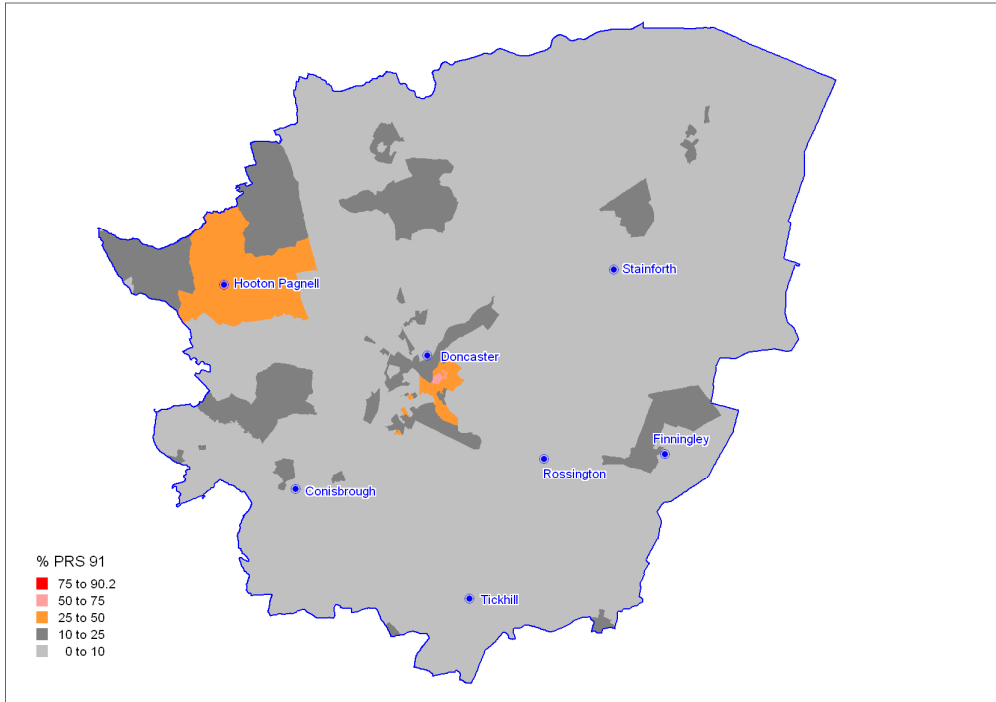
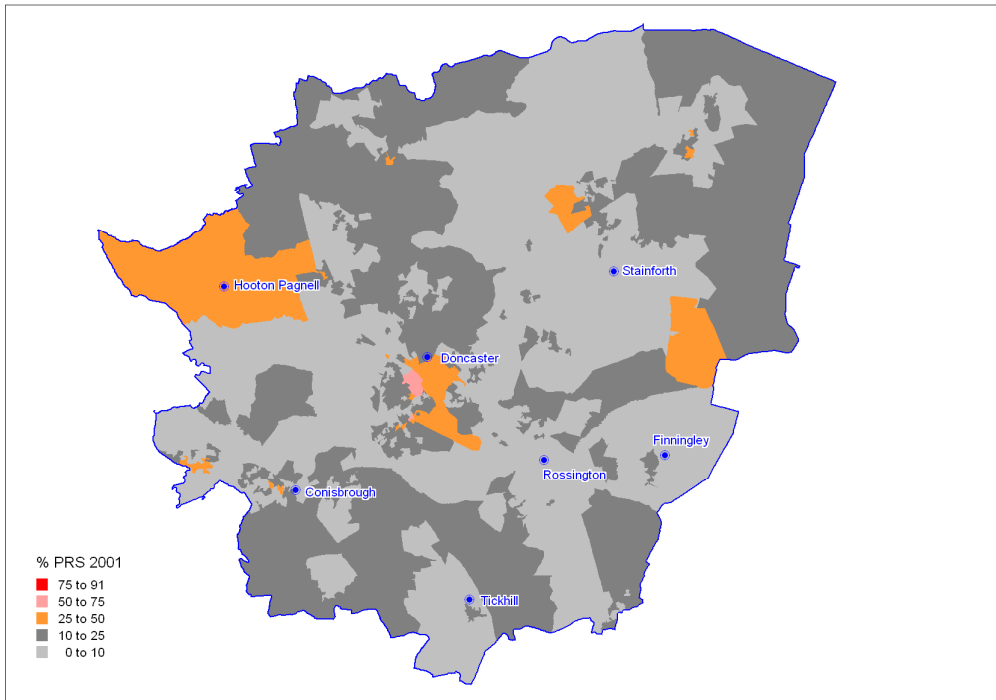


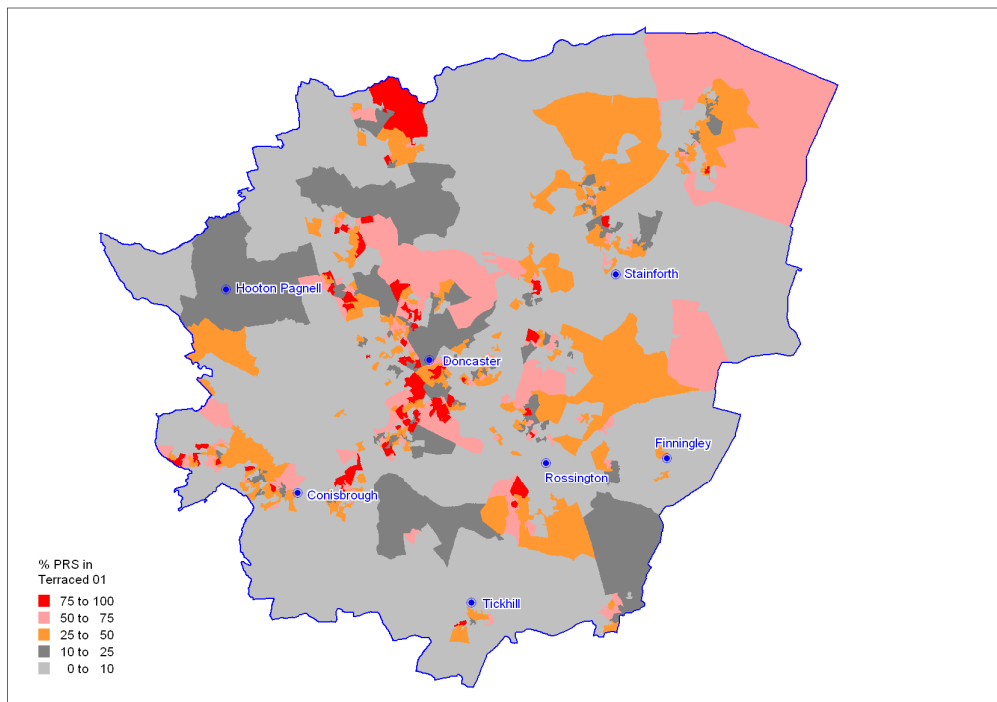
Figure 3.10 % PRS 2001: Doncaster



The private rented sector in Doncaster has increased in the ten years between 1991 and 2001. In 1991, the higher levels of private renting (25-50%) were concentrated in Hooton Pagnell and in proximity of the town centre. The town centre has a small pocket where the rented sector levels reached between 50% and 75%. By 2001, this had expanded including more of the town centre and pockets to the west of the Borough.

Figure 3.11 shows the relationship between these areas recording private rented sector levels and the proportion of terraced housing stock – in particular the area including the town centre and to the west of the Borough near Conisbrough

**Figure 3.11 % PRS in terraced stock 2001: Doncaster**

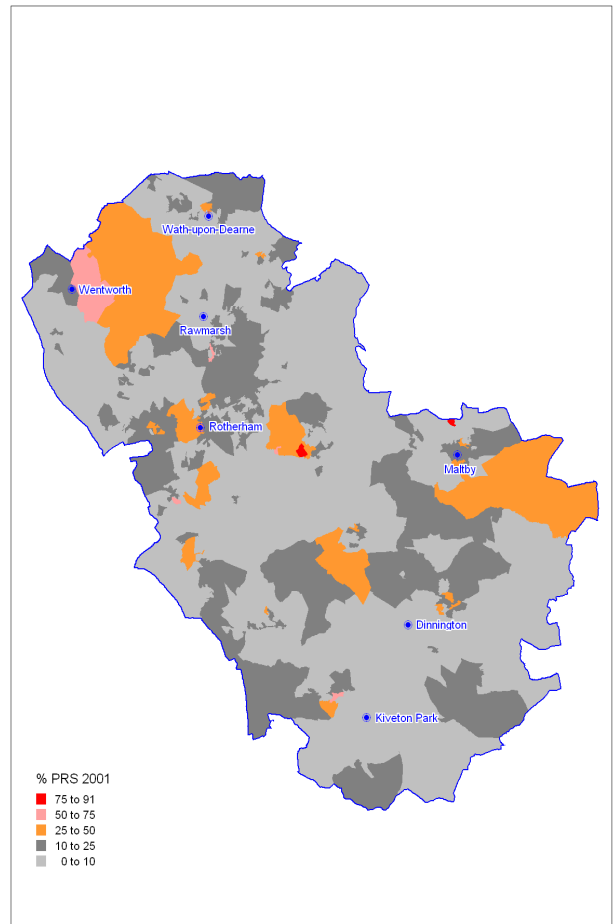
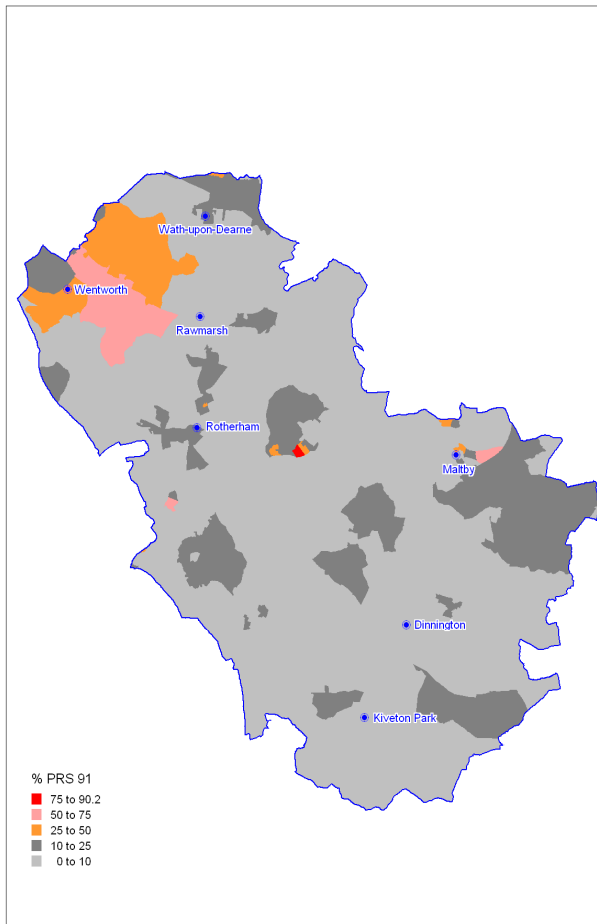


### 3.5 Private rented sector change in Rotherham

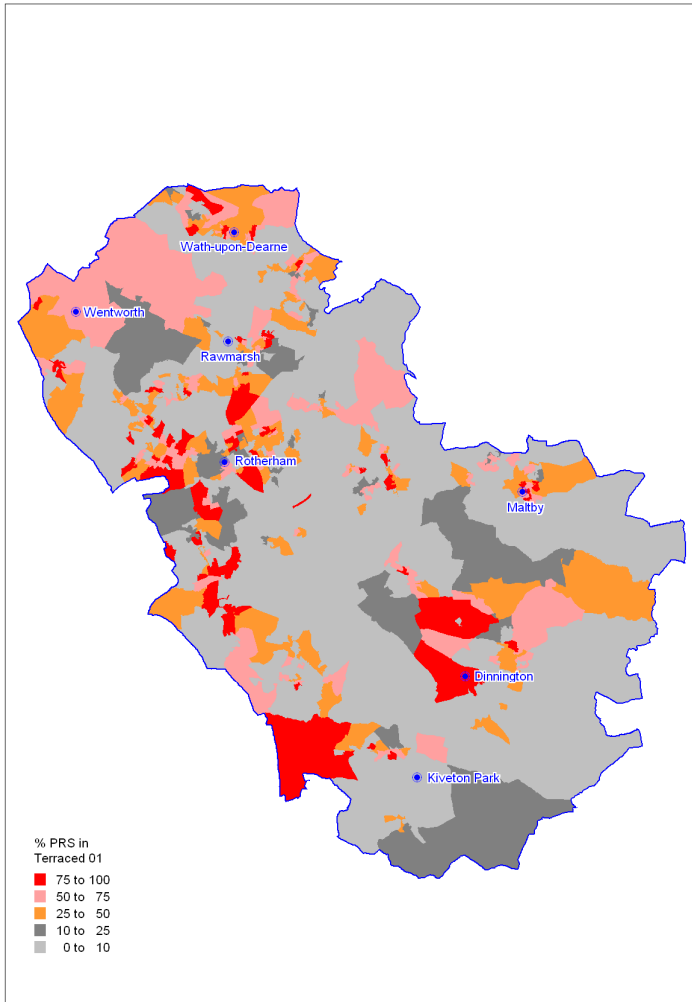
Figures 3.12 and 3.13 below demonstrate the extent of the private rented sector in Rotherham. Between 1991 and 2001 the levels remained constant to the north of the Borough (Wentworth and Wath-upon-Dearne). The areas closest to the town centre saw a slight increase in levels. One pocket has levels of over 75% of the private rented sector.

Figure 3.12 % PRS 1991: Rotherham

Figure 3.13 % PRS 2001: Rotherham



**Figure 3.14 % PRS in terraced stock 2001: Rotherham**



### 3.6 Private rented sector in Sheffield

Figure 3.15 % PRS 1991: Sheffield

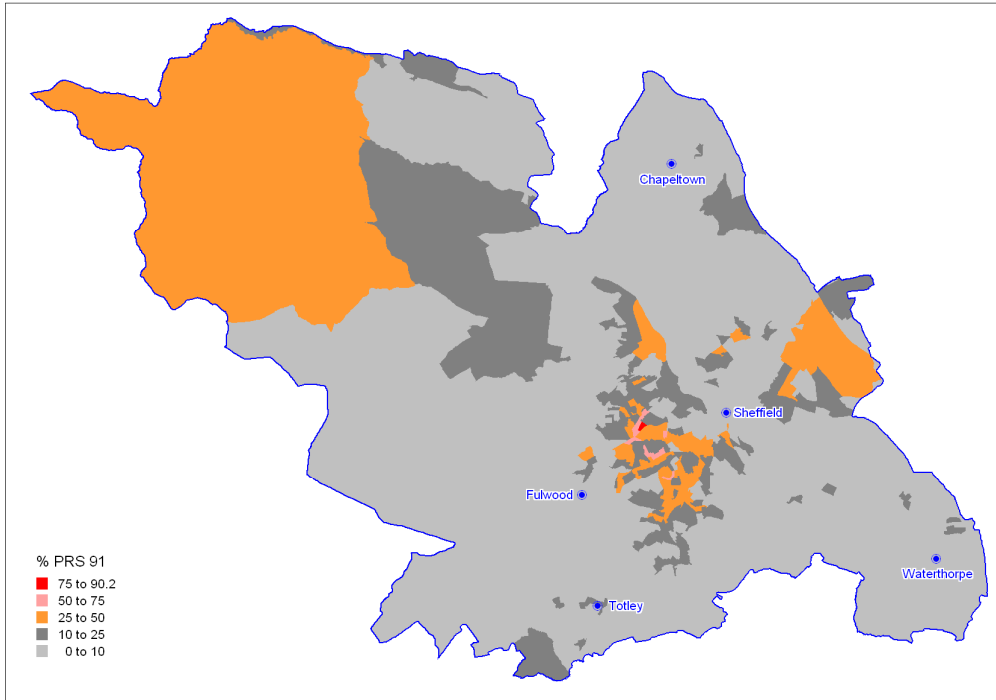
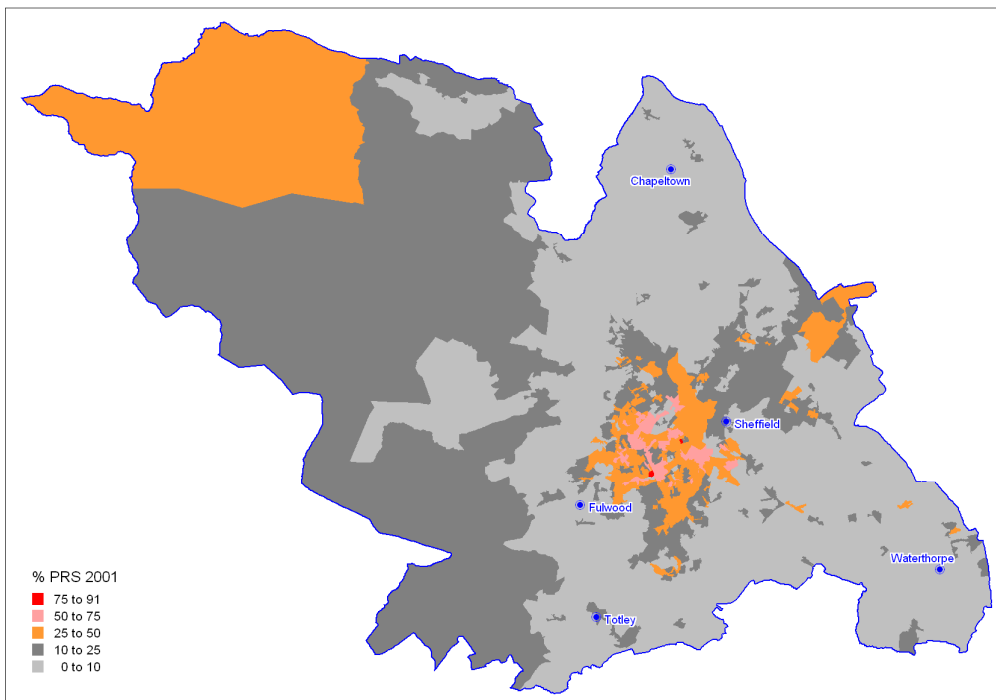
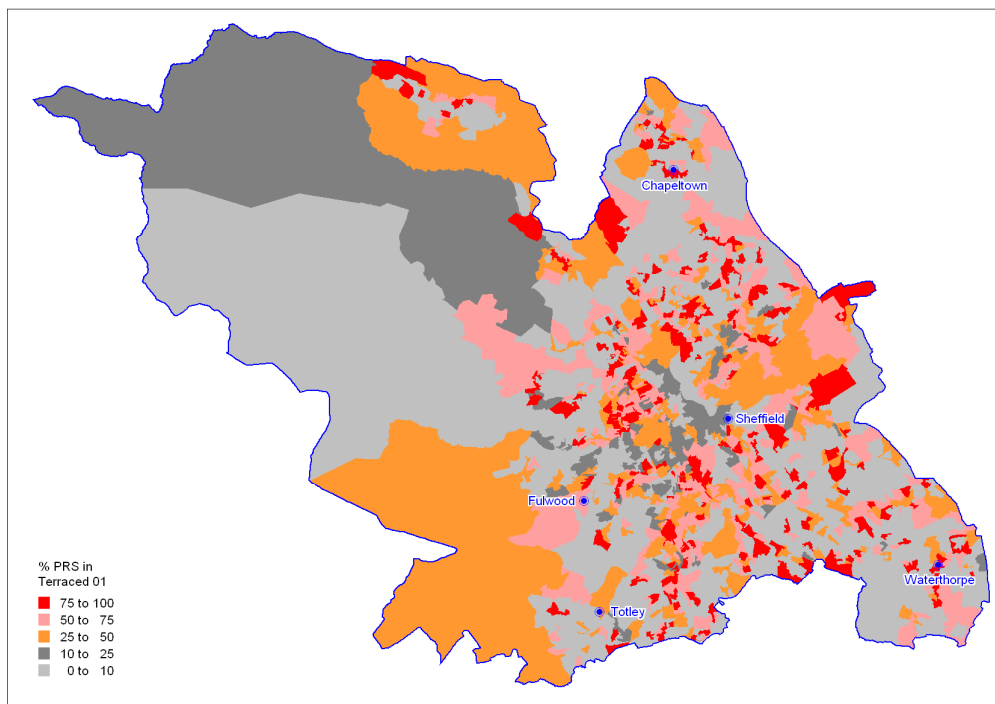


Figure 1.16 % PRS 2001: Sheffield



Sheffield's private rented sector has remained higher than average over the ten year period. The city centre has the highest concentrations with pockets reaching over 75% privately rented. The city has a wider range of terraced stock than other local authorities in South Yorkshire and high concentrations are located where there are also high levels of private rented sector properties.

**Figure 3.16 % PRS in terraced stock 2001: Sheffield**



### 3.7 Survey Input: comparison with the Census

This sections looks at some of the demographic and housing market characteristics of respondents to the survey, and where possible, compares the results with the baseline given by 2001 Census results. Previous 'health warnings' about the sample size of the survey should be borne in mind.

The survey data records the length of time at current address of current PRS tenants, along with their previous tenure and location. It also records, for those having left PRS in the last two years, time at previous address.

The results of the survey suggest that 47.6% of all respondents are new to the PRS in South Yorkshire, having lived at their current address within the last 5 years. This is shown in table 3.2 below.

**Table 3.2 New entrants to South Yorkshire PRS in last five years**

	Barnsley	Doncaster	Rotherham	Sheffield	South Yorkshire
Number of respondents	53	48	25	122	248
% of all respondents	44.9%	46.6%	44.6%	50%	47.6%

Source: ECOTEC Survey

At District level, Barnsley and Sheffield show an element of inflow from other districts as shown in table 3.3. This inflow artificially raises the South Yorkshire figures, as these new entrants to the Sheffield and Barnsley PRS markets are previous PRS tenants in other South Yorkshire districts.

**Table 3.3 New entrants to District PRS in last 5 years**

	Barnsley	Doncaster	Rotherham	Sheffield	South Yorkshire
Number of respondents	59	48	25	124	256
% of all respondents	50%	46.6%	44.6%	50.8%	49.1%

Source: ECOTEC Survey

Of all respondents, 11.9% have left the South Yorkshire PRS in the last two years as shown in table 3.4.

**Table 3.4 PRS leavers in last 2 years**

	Barnsley	Doncaster	Rotherham	Sheffield	South Yorkshire
Number of respondents	1	3	3	7	14
% of all respondents	0.8%	2.5%	2.5%	5.9%	11.9%

Source: ECOTEC Survey

At the 2001 Census, all four districts showed the PRS as having male Household Reference Persons (HRPs) at above 50%, with Sheffield showing 57.6% Male Headship, above the County average of 54.5%.

**Table 3.5 Gender of PRS HRPs 2001**

	Barnsley	Doncaster	Rotherham	Sheffield	South Yorkshire
Male	52.0%	52.8%	51.2%	57.6%	54.5%
Female	48.0%	47.2%	48.8%	42.4%	45.5%

Source: Census 2001

The Survey findings in Table 3.6 below and the change figures in Table 3.7, shows a very significant shift towards female headship, however the figures actually reflect the primary respondent. In many cases this may be skewed by who filled in the survey and economic activity in the household etc (i.e. home-based women filling in the survey whilst partner at work etc).

**Table 3.6 Gender of PRS Respondents 2008**

	Barnsley	Doncaster	Rotherham	Sheffield	South Yorkshire
Male	32.5%	35.6%	26.8%	46.3%	38.9%
Female	67.5%	64.4%	73.2%	53.8%	61.1%

Source: ECOTEC Survey

**Table 3.7 Change in PRS HRP 2001 – 2008 (percentage points)**

	Barnsley	Doncaster	Rotherham	Sheffield	South Yorkshire
Male	-19.5	-17.1	-24.4	-11.4	-15.6
Female	19.5	17.1	24.4	11.4	15.6

Source: Census 2001 and ECOTEC Survey

Table 3.8 shows the HRP age profile within the PRS at 2001 Census. The profiles show a skew in Sheffield, where a significantly higher proportion of households are headed by people in lower age groups. This has the affect of inflating the overall age profile across the county at the younger end. All districts show a slight increase in the 65-74 age band, suggesting a slightly aging population.

**Table 3.8 Age of HRP 2001**

	Barnsley	Doncaster	Rotherham	Sheffield	South Yorkshire
AGE OF HRP 16 TO 24	15.0%	13.5%	12.9%	32.5%	21.9%
AGE OF HRP 25 TO 34	29.2%	29.4%	27.1%	33.1%	30.6%
AGE OF HRP 35 TO 44	21.8%	21.3%	21.4%	15.3%	18.8%
AGE OF HRP 45 TO 54	14.7%	14.3%	15.5%	8.4%	12.0%
AGE OF HRP 55 TO 64	8.2%	8.7%	9.1%	4.9%	7.0%
AGE OF HRP 65 TO 74	11.1%	13.0%	14.0%	5.8%	9.6%

Source: Census 2001

Table 3.9 shows the age group of survey respondents. The profile, along with the change calculations in Table 3.10, seem to suggest a shift of headship in the PRS to lower age groups, with Barnsley showing an increase in the 16 to 24 age group of 17 percentage points (in fact a doubling from 15% of HRPs in 2001 to 32% in 2008). Again the nature of the survey must be taken into account. Some surveys may have been completed by younger members of the household on behalf of parents etc.

**Table 3.9 Age of HRP 2008**

	Barnsley	Doncaster	Rotherham	Sheffield	South Yorkshire
AGE OF HRP 16 TO 24	32%	27%	15%	37%	31%
AGE OF HRP 25 TO 34	26%	24%	24%	32%	28%
AGE OF HRP 35 TO 44	17%	25%	28%	15%	19%
AGE OF HRP 45 TO 54	15%	12%	17%	11%	13%
AGE OF HRP 55 TO 64	5%	7%	17%	5%	7%
AGE OF HRP 65 TO 74	5%	5%	0%	1%	3%

Source: ECOTEC Survey

**Table 3.10 Change in Age of HRP 2001 – 2008 (percentage points)**

	Barnsley	Doncaster	Rotherham	Sheffield	South Yorkshire
AGE OF HRP 16 TO 24	17.0	13.5	2.1	4.5	9.1
AGE OF HRP 25 TO 34	-3.2	-5.4	-3.1	-1.1	-2.6
AGE OF HRP 35 TO 44	-4.8	3.7	6.6	-0.3	0.2
AGE OF HRP 45 TO 54	0.3	-2.3	1.5	2.6	1.0
AGE OF HRP 55 TO 64	-3.2	-1.7	7.9	0.1	0.0
AGE OF HRP 65 TO 74	-6.1	-8.0	-14.0	-4.8	-6.6

Source: Census 2001 and ECOTEC Survey

The composition of households within the PRS in 2001 shows a lean towards single person renters in all districts. Sheffield however, shows an approximately equal split between single person and Adult shares/other households. This may be accounted for by the Student market operating within the city to accommodate the two universities.

**Table 3.11 Household Composition 2001**

	Barnsley	Doncaster	Rotherham	Sheffield	South Yorkshire
Adults sharing/other	7.6%	6.7%	6.7%	32.9%	19.4%
Couple no children	18.0%	16.5%	19.0%	16.0%	16.9%
Couple with children	14.9%	15.2%	16.3%	9.5%	12.6%
Single parent	20.3%	19.1%	20.4%	8.1%	14.3%
Single person	39.2%	42.5%	37.6%	33.5%	36.9%

Source: Census 2001

The profile of Household Composition in 2008 suggests an increase in the possible student market in Sheffield, with a significant reduction in single person renters from 33.5% to 22.5% or the PRS.

**Table 3.12 Household Composition 2008**

	Barnsley	Doncaster	Rotherham	Sheffield	South Yorkshire
Adults sharing/other	5.9%	2.9%	7.1%	38.9%	20.9%
Couple no children	16.1%	15.5%	16.1%	18.9%	17.3%
Couple with children	18.6%	22.3%	21.4%	8.2%	14.8%
Single parent	26.3%	17.5%	25.0%	10.7%	17.1%
Single person	30.5%	38.8%	28.6%	22.5%	28.2%

Source: ECOTEC Survey

**Table 3.13 Change in Household Composition 2001 – 2008 (percentage points)**

	Barnsley	Doncaster	Rotherham	Sheffield	South Yorkshire
Adults sharing/other	-1.7	-3.7	0.5	6.0	1.6
Couple no children	-1.9	-1.0	-3.0	2.9	0.4
Couple with children	3.8	7.1	5.1	-1.3	2.2
Single parent	5.9	-1.6	4.6	2.5	2.8
Single person	-8.7	-3.7	-9.0	-11.0	-8.7

Source: Census 2001 and ECOTEC Survey

The breakdown of the PRS by ethnic group in 2001, shows Barnsley, Doncaster and Rotherham to have approximately 95% white British populations, with Sheffield recording 80.2% white British. Rotherham shows a Pakistani population accounting for 2.3% of the PRS whilst Sheffield shows a range of significant populations including White Other, Indian, Pakistani and Black African.

**Table 3.14 Ethnic Group 2001**

	Barnsley	Doncaster	Rotherham	Sheffield	South Yorkshire
White - British	95.9%	94.5%	94.4%	80.2%	87.9%
White - Irish	0.7%	0.9%	0.5%	1.0%	0.8%
White - Other	1.3%	1.3%	1.1%	4.6%	2.9%

	Barnsley	Doncaster	Rotherham	Sheffield	South Yorkshire
Mixed - White and Black Caribbean	0.1%	0.1%	0.2%	0.3%	0.2%
Mixed - White and Black African	0.0%	0.1%	0.1%	0.2%	0.1%
Mixed - White and Asian	0.2%	0.2%	0.2%	0.6%	0.4%
Mixed - Other	0.1%	0.2%	0.0%	0.6%	0.4%
Asian - Indian	0.3%	0.7%	0.3%	2.4%	1.4%
Asian - Pakistani	0.2%	0.7%	2.3%	2.7%	1.8%
Asian - Bangladeshi	0.1%	0.0%	0.0%	0.5%	0.2%
Asian - Other	0.3%	0.2%	0.3%	1.2%	0.7%
Black or Black British - Black Caribbean	0.1%	0.4%	0.2%	0.9%	0.5%
Black or Black British - Black African	0.1%	0.3%	0.2%	1.7%	0.9%
Black or Black British - Other	0.0%	0.1%	0.0%	0.1%	0.1%
Chinese or Other Ethnic Group - Chinese	0.2%	0.3%	0.1%	1.5%	0.8%
Chinese or Other Ethnic Group - Other	0.3%	0.1%	0.3%	1.7%	0.9%

Table 3.15 Source: Census 2001

The survey findings suggest that Barnsley and Doncaster have stayed largely the same, with Barnsley showing an increase in White Other. Rotherham shows a reduction in White British households from 94.4% to 88.2%, with the Pakistani population remaining at 2.6%. However, Black African and 'Other' groups have increased. Sheffield shows a reduction in White British households by ten percentage points to around 70%, with both Indian and Pakistani populations doubling to over 5% each. The Black African group also shows a doubling of the PRS market share.

**Table 3.16 Ethnic Group 2008**

	Barnsley	Doncaster	Rotherham	Sheffield	South Yorkshire
White - British	92.7%	93.7%	88.2%	70.1%	82.0%
White - Irish	0.0%	0.7%	0.0%	0.9%	0.6%
White - Other	5.5%	1.4%	2.6%	6.4%	4.8%

	Barnsley	Doncaster	Rotherham	Sheffield	South Yorkshire
Mixed - White and Black Caribbean	0.6%	0.0%	0.0%	0.9%	0.6%
Mixed - White and Black African	0.0%	0.7%	0.0%	0.0%	0.1%
Mixed - White and Asian	0.0%	0.0%	0.0%	0.3%	0.1%
Mixed - Other	0.0%	0.0%	0.0%	0.6%	0.3%
Asian - Indian	0.0%	0.0%	0.0%	5.8%	2.7%
Asian - Pakistani	0.0%	0.0%	2.6%	5.5%	2.8%
Asian - Bangladeshi	0.0%	0.0%	0.0%	0.6%	0.3%
Asian - Other	0.0%	0.0%	0.0%	1.8%	0.8%
Black or Black British - Black Caribbean	0.0%	0.0%	0.0%	0.3%	0.1%
Black or Black British - Black African	0.0%	0.7%	1.3%	3.4%	1.8%
Black or Black British - Other	0.0%	0.0%	0.0%	0.6%	0.3%
Chinese or Other Ethnic Group - Chinese	0.0%	0.0%	0.0%	0.9%	0.4%
Chinese or Other Ethnic Group - Other	0.0%	0.0%	2.6%	0.3%	0.4%
No Response	1.2%	2.8%	2.6%	1.5%	1.8%

Source: ECOTEC Survey

**Table 3.17 Change in Ethnic Group 2001 – 2008 (percentage points)**

	Barnsley	Doncaster	Rotherham	Sheffield	South Yorkshire
White - British	-3.3	-0.8	-6.3	-10.0	-5.9
White - Irish	-0.7	-0.2	-0.5	0.0	-0.3
White - Other	4.1	0.1	1.6	1.8	1.9
Mixed - White and Black Caribbean	0.5	-0.1	-0.2	0.6	0.3
Mixed - White and Black African	0.0	0.6	-0.1	-0.2	0.0

	Barnsley	Doncaster	Rotherham	Sheffield	South Yorkshire
Mixed - White and Asian	-0.2	-0.2	-0.2	-0.2	-0.2
Mixed - Other	-0.1	-0.2	0.0	0.0	-0.1
Asian - Indian	-0.3	-0.7	-0.3	3.4	1.3
Asian - Pakistani	-0.2	-0.7	0.4	2.7	1.0
Asian - Bangladeshi	-0.1	0.0	0.0	0.1	0.0
Asian - Other	-0.3	-0.2	-0.3	0.7	0.2
Black or Black British - Black Caribbean	-0.1	-0.4	-0.2	-0.6	-0.4
Black or Black British - Black African	-0.1	0.4	1.2	1.7	0.9
Black or Black British - Other	0.0	-0.1	0.0	0.5	0.2
Chinese or Other Ethnic Group - Chinese	-0.2	-0.3	-0.1	-0.6	-0.4
Chinese or Other Ethnic Group - Other	-0.3	-0.1	2.4	-1.4	-0.5
No Response	1.2	2.8	2.6	1.5	1.8

Source: Census 2001 and ECOTEC Survey

Table 3.18 shows Economic Activity at 2001 Census within the PRS. As suggested previously, 13.1% of the profile for Sheffield is recorded as being in Education or training this is potentially largely due to the two universities in the City). Sheffield also shows an above County average of households identified as employed, with all other districts showing less than 50% of households in employment. Significant proportions of the market are recorded as 'Not Working' in Barnsley, Doncaster and Rotherham, though this is markedly less in Sheffield.

**Table 3.18 Economic Activity 2001**

	Barnsley	Doncaster	Rotherham	Sheffield	South Yorkshire
Education or training	1.3	0.5	0.7	13.1	6.2
Employed	43.6	45.4	47.3	52.3	48.4
Not working	45.5	43.1	43.5	29.4	37.7
Unemployed	9.6	11.0	8.5	5.1	7.8

Source: Census 2001

The survey results suggest slight increases of households in Barnsley and Doncaster in Education and training. However, Rotherham shows an increase from less than 15 to over 5% in this sector. Sheffield shows a doubling in this area from 13.1% to 29.1%.

Barnsley shows a decrease in employed households by ten percentage points from 43.6% to 31.4% over the period. This is reflected in an increase in unemployment from 9.6% of households in 2001 to 17.8% in 2008.

Doncaster shows a significant drop in the proportion of households 'Not Working', from 43.1% to 26.2% and a rise in Unemployed households from 11% to 25.2% over the period.

Sheffield shows a decrease in households 'Not Working' of twenty percentage points from 29.4% to 9.4%. This is largely reflected in the 16 percentage point increase in households in education and training stated previously.

**Table 3.19 Economic Activity 2008**

	Barnsley	Doncaster	Rotherham	Sheffield	South Yorkshire
Education or training	1.7	1.0	5.4	29.1	14.8
Employed	31.4	45.6	42.9	52.5	45.3
Not working	45.8	26.2	39.3	9.4	24.2
Unemployed	17.8	25.2	8.9	6.6	13.1
No Response	3.4	1.9	3.6	2.5	2.7

Source: ECOTEC Survey

**Table 3.20 Change in Economic Activity 2001 – 2008 (percentage points)**

	Barnsley	Doncaster	Rotherham	Sheffield	South Yorkshire
Education or training	0.4	0.4	4.7	16.0	8.6
Employed	-12.2	0.2	-4.5	0.1	-3.1
Not working	0.3	-16.8	-4.2	-20.0	-13.5
Unemployed	8.2	14.3	0.4	1.4	5.3
No Response	3.4	1.9	3.6	2.5	2.7

Source: Census 2001 and ECOTEC Survey

The main conclusions that can be drawn from comparing survey and Census data are:

- A significant shift towards female headship of households in the sector
- A reducing household age profile for the sector
- A reducing proportion of single person households in the private rented sector, accompanied by an increase in couples and households with children
- Increasing evidence of studentification, especially in Sheffield
- Changes in the ethnic make-up of the cities, with (generally) a decreasing proportion of White British residents in the sector, and increasing numbers of mixed, Black, Asian, and 'Other' households.
- A reduction in the proportion of those in employment and an increase in the proportion of those not participating in the labour market

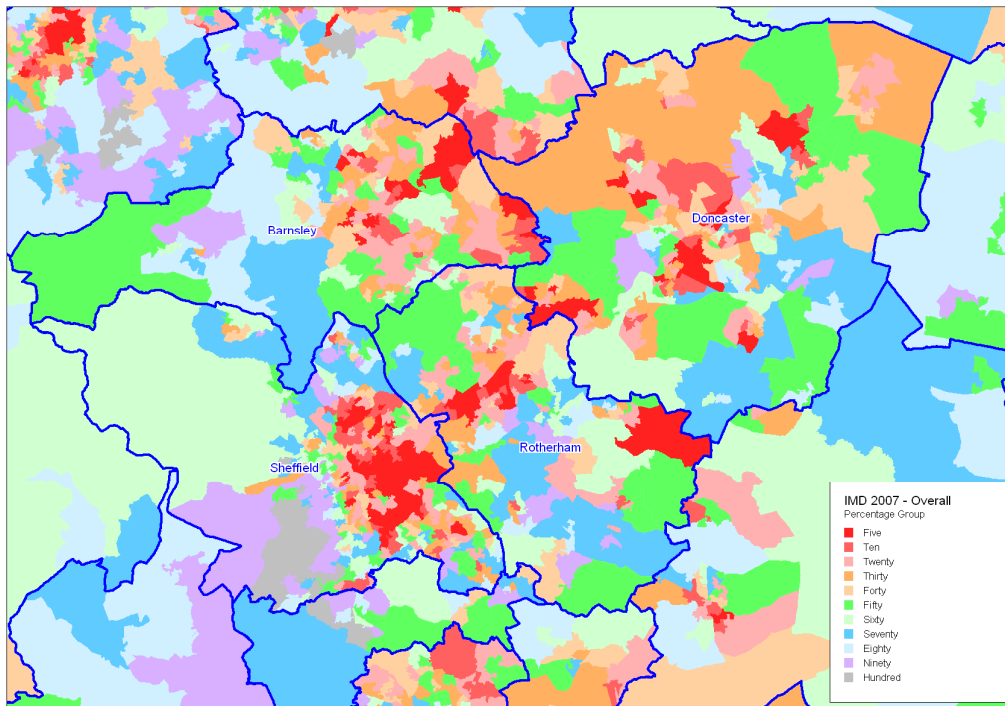
### **3.8 Socio-economic characteristics of South Yorkshire**

Barnsley, Doncaster, Rotherham and Sheffield are all ranked in the 20% most deprived local authorities according to the Index of Multiple Deprivation (IMD) 2007<sup>1</sup>. The IMD is constituted from six different domains (crime, barriers to housing, environment, education, health, and employment). These give a composite score based on a number of indicators to assess the level of deprivation in each Super Output Area (SOA).

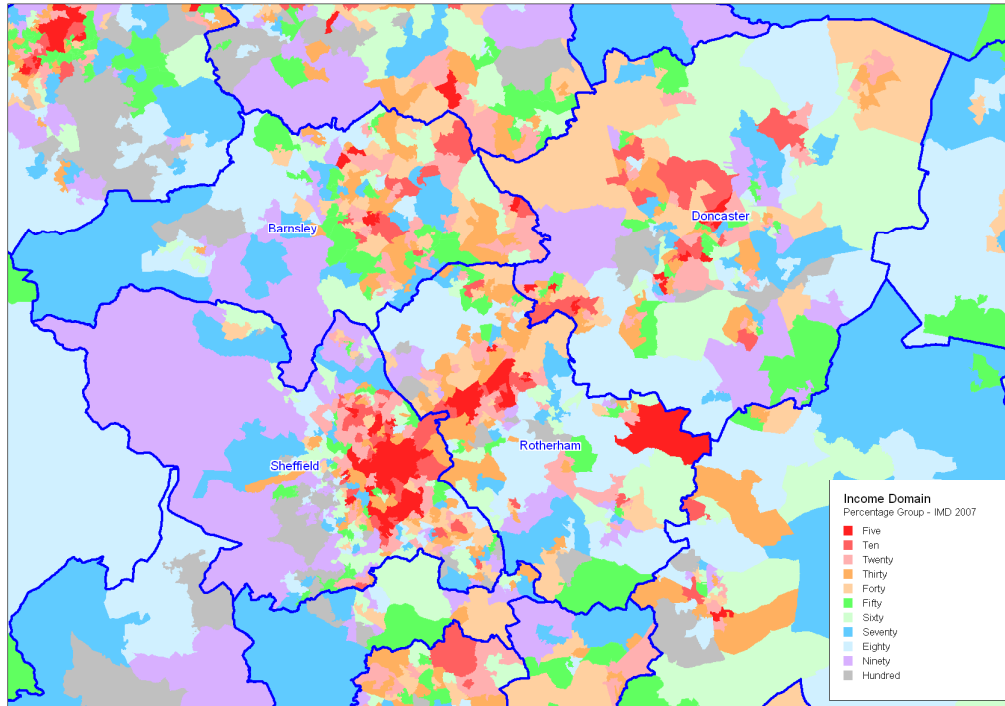
The map below shows the percentile range for each SOA in the sub region for overall IMD rankings. It highlights pockets of deprivation across many of the areas experiencing high levels of the private rented sector and terraced properties. For example, in Sheffield the areas with the strongest concentration of private rented properties to the East of the city centre recorded in the 2001 Census are also areas identified as being in the five percent most deprived SOAs in England.

<sup>1</sup> The English Indices of Deprivation (2007) Communities and Local Government

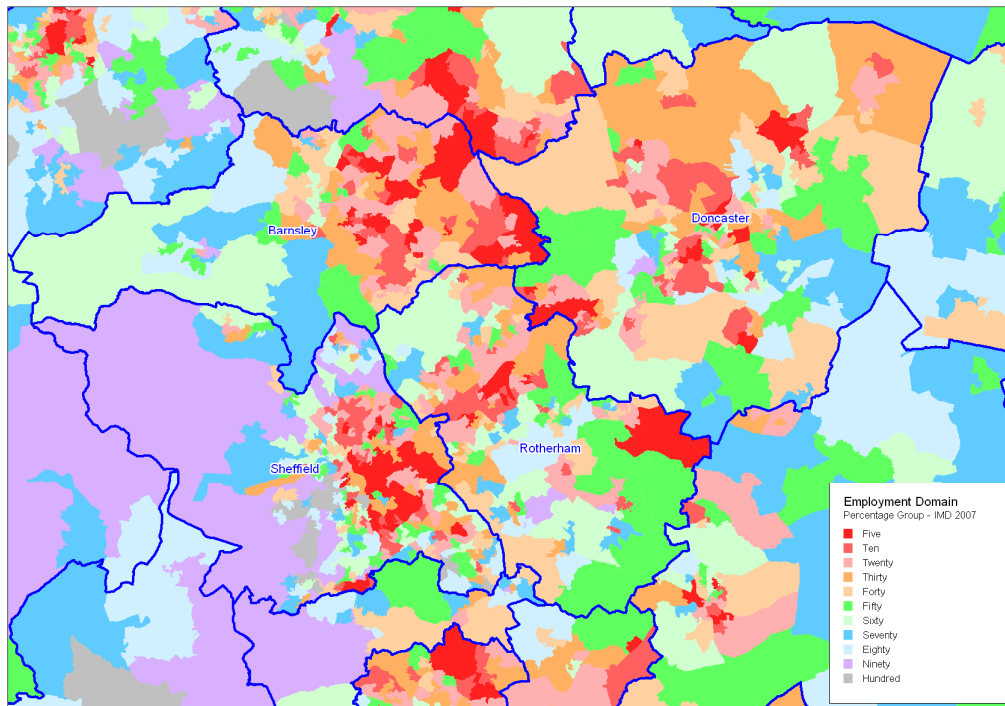
Figure 3.17 IMD 2007: Overall rankings by SOA



**Figure 3.18 IMD 2007: Income domain by SOA**

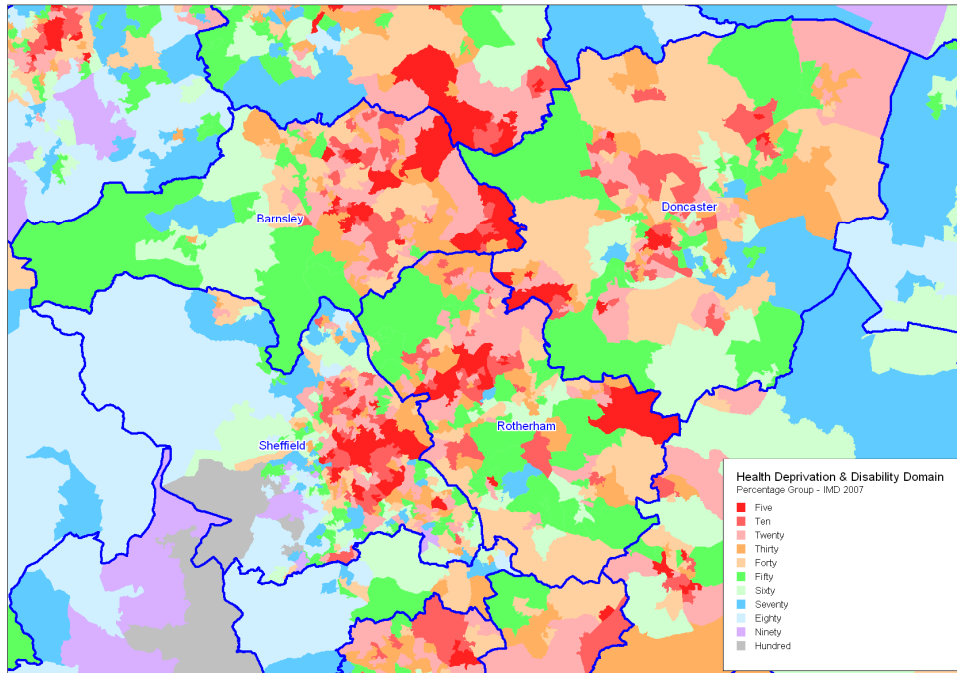


**Figure 3.19 IMD 2007: Employment domain by SOA**



Figures 3.18 and 3.19 highlight the Income and Employment Domains respectively. Many of the urban areas are in the top 10% deprived in terms of employment. The same pattern can be observed for the income domain; this shows that average incomes remain low, with many people in poorly paid, casual or part time work.

**Figure 3.20 IMD 2007: Health Domain by SOA**



In terms of health, most severe health conditions are concentrated in areas where terraced housing is the main tenure (Figure 3.20).

**Figure 3.21 IMD 2007: Education domain by SOA**

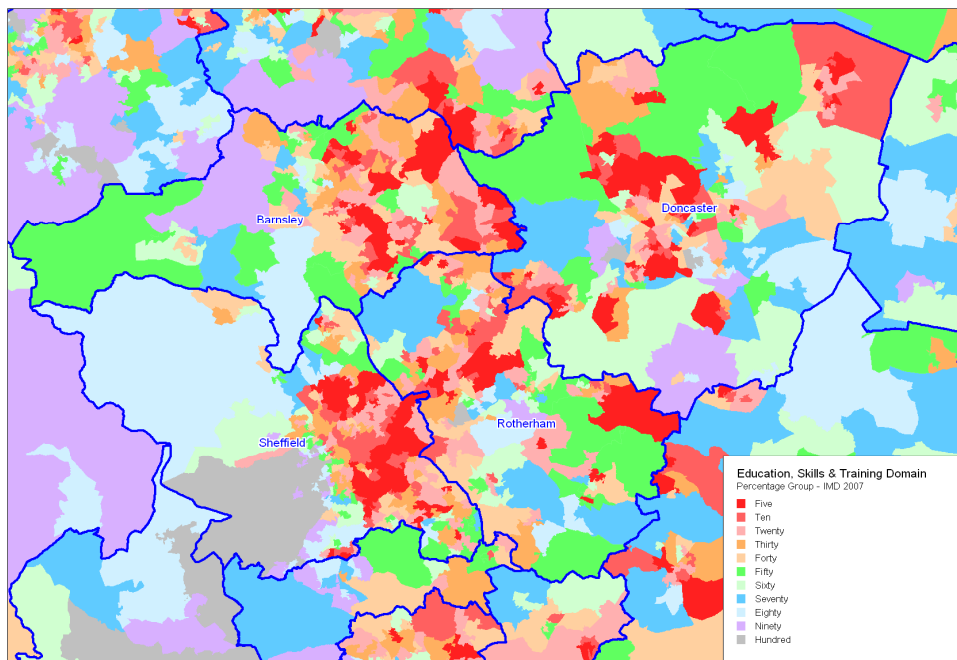


Figure 3.21 shows the spread of educational attainment across South Yorkshire with SOAs varying between 5-30% most deprived; particularly in areas already identified as containing private rented stock.

The IMD crime domain (Figure 3.22) shows there are some parts of South Yorkshire that are seriously affected by crime, particularly in the centres of Barnsley and Doncaster, and to the east of Sheffield.

Barriers to housing and services are based on a number of indicators: overcrowding, homelessness, access to homeownership; and distance from services including GPs, shops, schools and post offices. Figure 3.23 demonstrates that the most deprived areas facing housing barriers in South Yorkshire are mainly concentrated around Doncaster and to the west of Sheffield.

**Figure 3.22 IMD 2007: Crime domain by SOA**

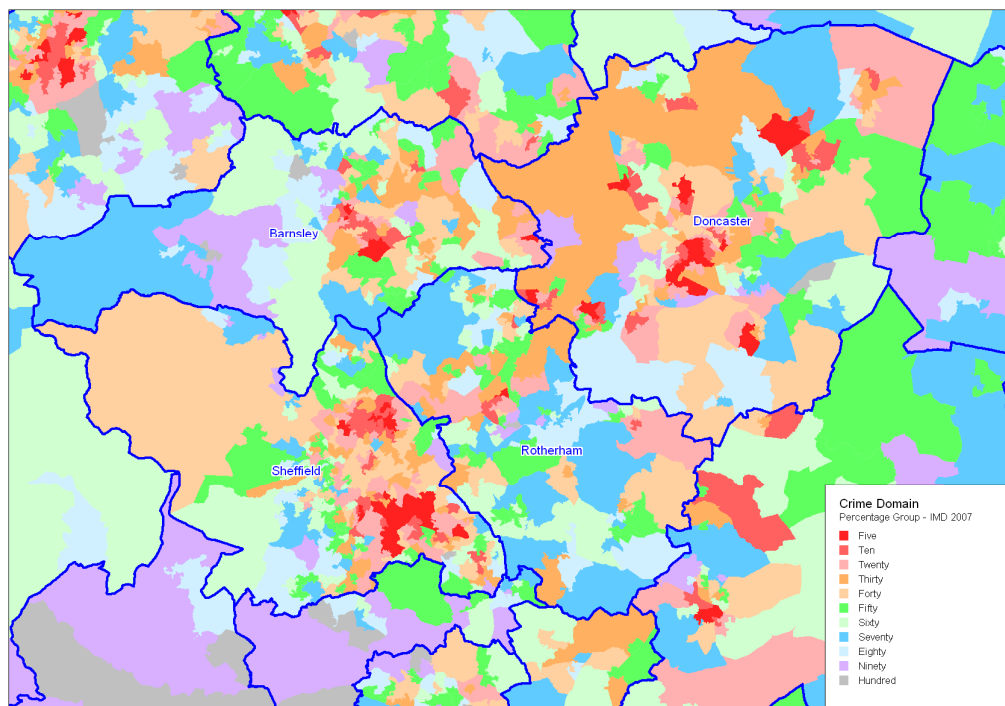
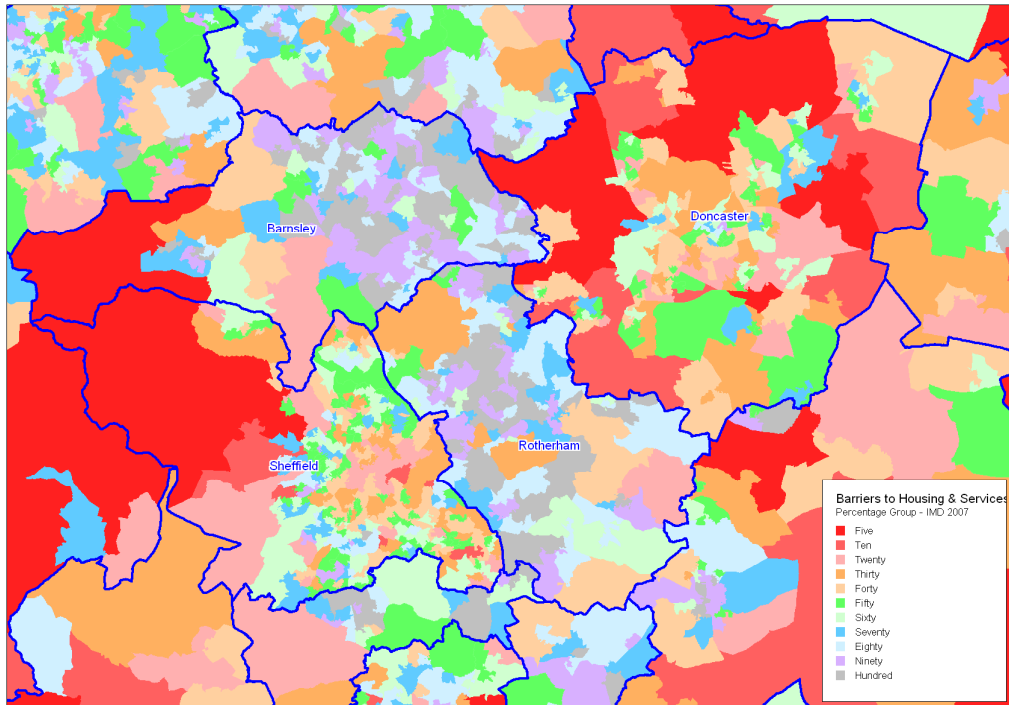


Figure 3.23: IMD 2007: Barriers to housing domain by SOA



## 4.0 South Yorkshire Housing Benefits

### 4.1 Background

Housing Benefit provides support to a significant number of PRS residents in many areas although the proportion of the PRS it supports in any particular local authority market area varies enormously. Rugg and Rhodes (2008) provide figures that show up to 70% to 80% of the PRS is an HB dependent market in some council areas at certain times. For South Yorkshire it is likely to be around 50% of the PRS (see the census analysis in section 3 for comparison).

Whatever the actual proportion of the overall market (which is not known without detailed data on the size of the sector as a whole) it remains true that HB supports many thousands of households in the PRS in most urban areas and South Yorkshire is no exception. However one of the problems of using HB data is that it is drawn from a “live” operating system and therefore only has historical records if an authority keeps this information. Additionally the extent to which the live data can be interrogated is dependent upon the computer systems used.

### 4.2 Baseline data

We approached all four local authorities and discussed data needs with them and two were able to extract some detailed information and another provided summary data. For this reason we start with long term trend data from the DWP website which presents the data supplied to them by each local authority annually showing long term trend change.

Below are details of the total number of PRS claims reported to the DWP from each authority at 2 year intervals starting with December 2000 as the earliest available on-line data comparable to figures requested from the local authorities for 2008.

**Table 4.1 Total PRS HB claims 2000 - 2008**

Authority	Dec 2000	Dec 2002	Dec 2004	Dec 2006	Dec 2008 data not available yet from DWP: LA supplied
Barnsley	2822	3221	3143	3360	4336
Rotherham	2742	2632	2625	2833	3725 (Feb 2009)
Doncaster	4085	3964	4852	4641	5916
Sheffield	3298	3718	3826	3843	-
S Yorks	12,947	13,535	14,446	14,747	-

*Source DWP Website accessed 21/2/09 except for 2008 figures direct from the respondent authorities.*

This data reveals little apart from the scale of this element of the market in each borough and a rising trend.

### 4.3 Detailed data

For this reason we sought more detailed data from each authority. Potentially HB records can provide data about landlord numbers (and location) as well as about claims. We asked for core data covering the following topics

- The number of current PRS claimants of Housing Benefit.
- The number of past PRS claimants of HB for previous years going back to 2000 if possible (end of year comparisons if December not available).
- The number of landlords on the database as “live” landlords.
- The number of landlords currently receiving HB direct (if this is different from 2 above).
- The total number of landlords on the database altogether including non-active landlord cases (and the year the database started, this would be an indicator of how many landlords you have dealt with and the turnover of landlords in the area over time).
- From the number of landlords currently receiving HB direct how many are receiving this for
  - 1 or 2 properties/tenancies only
  - Between 2 and 20 properties
  - Over 20 properties (if any of your landlords have over 100 properties how many of these are there)
- Do above figures include agents collecting on behalf of landlords and how many properties they manage.
- What is the total number of new landlords on your system by year of registration (i.e. 2000 100 new landlords, 2001 120 new landlords etc).

We also asked for time series data if this was available so we could identify any trends in the sector.

Three authorities were able to supply some of the detailed data but all have records for different periods.

**Table 4.2 Authority-based data**

		Barnsley	Doncaster	Rotherham
Current claimants	Dec 2008	4336	5916	-
Current claimants	Feb 2009	-	-	3725
Past claimants	Feb 2008			3046 (all figs for Feb)
Past claimants	2007	3431 (all figs Dec)	4931 (all figs Financial year end)	2845
	2006	3308	4856	2735
	2005	3041	4491	2661
	2004	2955	4356	2611
Current landlords live system		2760 (may include non live cases)	2785	934
Landlords receiving Direct Payments		898	1323	-

The data includes agents and company landlords. It confirms several key points raised in the general background material:-

- Growth in this element of the PRS market
- The high volume of landlords involved (this fragmentation has significant implications for monitoring and intervention).

The fragmentation of ownership and number of landlords each authority has to deal with is further confirmed by the 2 responses to the question about portfolio size:-

In Doncaster 1138 landlords receive HB direct for only 1 or 2 tenants and a further 175 landlords receive HB direct for between 3 and 20 tenants. Only 20 landlords have HB direct for 20 or more tenants and of these only 1 has over 100. In Barnsley 763 landlords receive HB direct for 1 or 2 tenants, 128 for 3-20 tenants and only 7 for 20 or more (with none over 100).

Lastly, the rate of change in landlord holdings (or tenant circumstances) in the PRS is indicated by data from Doncaster where the growth of the landlord database indicates the number of new landlords in the system at the end of each year.

**Table 4.3 Landlord numbers**

Year	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08
Landlords	11,403	12,140	12,823	13,484	14,244	14,952	15,792	17,292
New landlord record		+737	+683	+661	+760	+708	+840	+1500

This time series record is rarely available but where it has been recorded and used in other research this rate of annual change is also observed. Again, monitoring, engaging with, and regulating this rapidly changing number of participants is a daunting task for any authority.

## 5.0 The private rented sector in South Yorkshire- Survey and case studies

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### 5.1 Background

If there is one single message that emerges from the survey, it is that the private rented sector (PRS) serves a multiplicity of different markets, and has a role in meeting different housing requirements in different communities. While we are used to thinking of the owner-occupied market as highly differentiated ('first time buyers', 'mature earners', 'empty nesters' etc), the PRS is often characterised as the preserve of the young, the mobile and those excluded from other sectors. The South Yorkshire study shows the inapplicability of this stereotype across all areas. In some ways the survey analysis complements that in section 2, which envisages a PRS that may be becoming a much more significant and entrenched tenure in future housing markets

The four areas surveyed and the three neighbourhoods selected for case studies all showed different demographic profiles for those in the PRS, and different characteristics and expectations among tenants, different levels of satisfaction, as well as different reasons for entering and staying in the tenure, and different views as to their long terms futures. There are also some indicators about different landlord behaviours.

The detailed findings from the survey are contained in the full Survey report. This section highlights some of the key findings, and presents profiles of the role of the PRS in the four different towns surveyed, and the three case study areas within them. The case study areas were chosen primarily by the local authorities concerned, to help understand the impact of the PRS on three different types of communities. Sharrow, in Sheffield, was chosen to illustrate the impact on older areas of terraced housing characterised by a high student population. It was perceived by officers as an area that 'worked' in terms of cohesion, and diversity, with a range of different ethnicities and income groups living harmoniously in a mixed community. Edlington in Doncaster was considered to have experienced a high level of 'Right to Buy' purchases over the years, as well as being an ex-coalfield area, and there was interest in discovering how this stock was being used. And Goldthorpe, near Barnsley, is an ex-mining village, with all the attributes of economic and social dislocation that the end of the industrial base has brought.

It should be said from the start that there were more differences between the characteristics of Sheffield on the one hand, and the other three towns as a group. However, we would maintain that there are important distinctions in the nature of the PRS between Barnsley, Doncaster and Rotherham as well.

Care needs to be taken with these findings of the survey due to the small sample sizes in some Local Authority Districts and Case Study areas. The overall sample size of 521 responses is statistically significant with a range of error of + or - 4.3% at the 95% confidence level. This means that if 50% of respondents in the sample responded 'yes' to a question, we can be 95%

sure that between 45.7% and 54.3% would have responded 'yes' if the whole population of Private rented sector tenants had been surveyed.

When analysing data for sub-samples, care needs to be taken with the range of error increasing as sample sizes decrease. The table below details the range of error for Local Authority and Case study sub-samples.

**Table 5.1 Sampling summary**

Sub-sample		Total Interviews Achieved	Range of Error
Local Authority	Sheffield	244	±6.3%
	Barnsley	118	±9.0%
	Doncaster	103	±9.7%
	Rotherham	56	±13.1%
Case Study Area	Sharrow	60	±12.7%
	Goldthorpe	50	±13.9%
	Edlington	50	±13.9%

Whilst care needs to be taken in drawing conclusions based on small sub-samples, the number of interviews and responses achieved in the Case Study areas do provide detailed views, experiences and future plans of tenants in the sector and indications of differing sub markets and the likely futures of the private rented sector markets in these areas.

## 5.2 Key points

Some of the key general points, across the four areas and three case studies, emerging from the Survey that may have policy implications include:

**The absence of students** – with the notable exception of Sheffield and Sharrow, the PRS was surprisingly underused by a student population, in spite of the presence of tertiary education colleges; this may perhaps be to do with the local nature of student intake (with students living at home), but it runs counter to the common view of the PRS as student dominated; and it prompts consideration of where future markets could lie

**The dominance of female tenants** – on average, 60% of respondents were female, reaching 73% in Rotherham. Again, this is not a common perception. In part it could be explained by significant numbers of lone parents, especially in Barnsley and Rotherham (26% and 25%)

**The size of homes** – 82% had two bedrooms or more, signalling the prevalence of building type, and the absence of flatting or bedsit development that has occurred in towns where higher demand may exist

**'Stayers' and 'leavers'** – there were distinct groups identified that could be characterised as long-term residents (for example in Rotherham), or short-term transients (e.g. in Doncaster). These differing levels of mobility must have considerable impact on the characteristics of the PRS in different towns, with implications for (for example) the workability of accreditation schemes, control of noise and antisocial behaviour, community development and cohesion

**Labour market inclusion and exclusion** – on average only 51% of PRS residents were working full or part-time or were self-employed (and this figure is distorted upwards by Sheffield). Correspondingly, significant numbers were benefit dependent. But within this overall pattern there were important distinctions between the areas in terms of the dynamics of engagement, with some areas (e.g. Barnsley) exhibiting disengagement, shown by high numbers 'At home looking after the family', while others (e.g. Doncaster) showed high levels of those unemployed but actively seeking work. These different characteristics may have important implications for policies around combating social exclusion and promoting inclusion.

**Extent to which views are based on low expectations:-** Generally one would expect to find those living in the worst conditions to be least satisfied. On this occasion this does not seem to be the case, with people living in the worst condition (such as students and those in Edlington) recording higher satisfaction than those living in 'better' conditions / properties. This may relate to the level of expectation: for example, students placing little priority on obtaining a high standard of accommodation as they only plan to live there for short periods of time. If they are not concerned about the condition of the house they live in they are also unlikely to claim to be dissatisfied with it. On the other hand, those looking to remain in a property in the longer term and who have higher expectations are more likely to claim to be dissatisfied with lesser problems.

**Transient populations and reliability:** We do not consider that there are any issues to do with the reliability of results from populations that are relatively transient from this survey – their views are as representative of their demographics as are the views of any others. Private rented tenants in general tend to produce anomalous results on questions around satisfaction. A very large survey in Scotland generated 85% satisfaction ratings; but equally, 45% wanted to move to social housing for their next tenancy,

**Local and distant landlords:** Interestingly, there was little evidence that a landlord's services, or the quality of home provided varied substantially depending on whether the landlord was 'local' (i.e. based in South Yorkshire) or distant (elsewhere in the UK or abroad). More or less identical proportions of tenants (72% and 73%) were satisfied with their landlord, and a similar pattern was repeated for cost and affordability, and 'your home overall'. There was some difference in views of the private renting experience as a whole, with 73% of those with local landlords being positive, compared to 64% of those with distant landlords.

## 5.3 Sheffield

### 5.3.1 Sheffield tenants

The Sheffield PRS is focussed on serving two separate, though similar sub-markets: the student (29%) and young worker populations (52%), giving it a youthful (67% under 34 year) profile, with significant numbers sharing houses with others (32%). It is very different from the other towns in this study.

Because of the element of sharing, there is thus a larger average household size (2.6) than other towns, in spite of the fact (unsurprisingly) that there were low proportions of households with children (19% compared to the average 32%). Sharrow can claim to be a particular student centre, with over 52% of its PRS being in full-time education. All in all, Sheffield tenants are the most satisfied with their homes, landlords, and the private renting experience

While sharing was a strong feature, in terms of actual bedrooms PRS tenants had access to, 30% only had access to one (compared to the 19% average). And also reflecting the younger, shorter-term nature of residence, 58% rented furnished as oppose to unfurnished homes (compared to under 10% in all the other towns)

Sheffield also had the greatest proportion of PRS residents who came from BME backgrounds (21% not white), with an even greater proportion in the case study area within Sheffield, Sharrow (37% Asian households). Significant proportions of the BME community comprised Indian and Pakistani students, with a range of other ethnic groups in the employed categories. We estimate that a reasonable response rate was achieved for BME communities, given that the BME population across all tenures in Sheffield is 9% (2001 Census).

Sheffield's 'up market' focus is underlined by the occupational profile of its working PRS population. 57% were in higher-status jobs, in the senior managerial, professional and technical sectors. This can be compared with the nearest similar profile – Rotherham – which had 24% in these categories. This is reflected in the income profile which (in spite of the heavy student presence which would tend to push incomes down) shows that only 49% have monthly incomes of under £1200 per month (compared with nearest neighbour Rotherham with 66%). Correspondingly, low proportions are on benefits (e.g. only 12% on HB and Income Support compared to the average of 23% and 25% respectively). In Sharrow, the student centre, 69% were receiving no benefit at all.

In keeping with the profile, the significant majority of Sharrow residents had been in their homes for less than two years, reflecting their student predominance, though across Sheffield high turnover was not out of the average. However when looking at tenants' future intentions, Sheffield tenants were significantly more likely than elsewhere to move on within the next two years (53% compared to 33% in the nearest comparator, Doncaster).

### 5.3.2 Sheffield homes, landlords and tenant satisfaction

Differing rent levels reflect the two sub-markets identified. Interestingly, Sheffield has both the highest proportions of very low rents (21% under £250 per month) and of very high rents (over 11% paying more than £550 per month). The lower end reflects the student population, and the higher end reflects the young professional market. This analysis is bolstered by the fact that in student-dominated Sharrow 32% were paying the lowest rents (compared to 2% in the other two case study areas)

The Sheffield landlord market is dominated by the individual private landlord, rather than being characterised by the role of letting agents and letting companies. This is particularly the case for students (75% of whom let from individuals), and is highlighted in Sharrow, where 96% rented from individual private landlords. The idiosyncratic nature of the student landlord is commented on further in section 5. Sheffield landlords are also primarily locally based – 66% lived in the Sheffield area. They were in the main scrupulous about providing written tenancy agreements (94%), though less good at demonstrating gas safety compliance (63%).

75% of tenants were satisfied with their landlords, similar to the average for the four areas, though satisfaction was very high in Sharrow (91%). Sheffield tenants are the most satisfied with their home (80%), its state of repair (66%) and the private renting experience in general (74%). In terms of stock condition, Sheffield homes suffered the least defects of the four towns, and tenants had encountered a low level of problems with their homes, which meant there had been a relatively low level of reasons to contact the landlord (only 7% of Sharrow residents had done so). However, of those who did make contact about a problem, only half were satisfied with the response, 28% dissatisfied

### 5.3.3 History and future

Nearly half current tenants' previous home was also in the PRS, with another 30% (the highest among the towns) previously living with family or friends, reflecting the student impact. A relatively high proportion (20%) came from elsewhere in the UK, and another 9% from abroad though the vast majorities' last homes were in Sheffield (61%). Sharrow is even more cosmopolitan in nature, with 28% coming from elsewhere in the UK and 21% from abroad.

As regards future plans to move, there is considerable evidence of high turnover. Only 11% were planning to remain where they were, with 53% having definite plans within the next two years, and a further 24% wanting to move but without a specified time target. As expected, higher proportions of movers were in Sharrow. The prime motivation for moving (40% - substantially higher than other areas) was to be nearer a job, reflecting the young professional and student future-planning. They were also more likely to move elsewhere in the UK (19%, 37% in Sharrow), though substantial numbers (64%) were planning to remain within the Sheffield area. 12% of Sharrow residents were planning to leave the UK.

Reflecting their higher income and employment expectations, significantly more Sheffield residents expected to buy their next home (27%, compared to next highest 18%), and relatively

few expected that they would access social housing (18%, compared to next lowest 33%). Even those who expected they would continue to privately rent for the interim (42%) had longer-term ownership expectations (56% - next highest 21%). Among students a full 85% expected to end up as owner-occupiers

## 5.4 Rotherham

### 5.4.1 Rotherham tenants

Rotherham PRS tenants are predominantly female, (73%), older (63% over 35, including 20% over 64), and more likely to be long-term sick or disabled (20%) than elsewhere, and 25% are lone parents. There is limited BME presence (6%) in the sector. A higher proportion are working (44% than in Doncaster or Barnsley) are working, and the majority of these are in the lower classified occupation types – 29% in sales and customer service, 13% in personal services, and 13 % in elementary occupations. We would characterise Rotherham as having a significant proportion of mature, working age adults (35-64 years old) – 59% of the PRS, compared to 43% in Doncaster, the nearest similar proportion. A significant number (41%) have been in their homes for over five years – far higher than elsewhere (Doncaster at 13% is the closest). But they are not content with their situation - on a whole range of indicators, Rotherham tenants are the least satisfied and least happy with their landlords, homes, and tenure

There are relatively few students in the Rotherham PRS (5%), though this is more than in Barnsley and Doncaster. With another 13% out of the labour force at home, looking after the family and another 7% retired, this means that there is actually a relatively low percentage (9%) of tenants unemployed and actively seeking work. In spite of this, it is perhaps surprising that no PRS residents indicated that they were claiming Job Seekers Allowance. Of those that are working over two-thirds (67%) work locally, with Barnsley attracting 14%

In terms of income, putting Sheffield with its substantially different economic profile to one side, Rotherham PRS tenants are slightly better off than their other South Yorkshire neighbours, with 66% earning under £1,200 per month, but with 10% earning more than £2000 a month (compared to 5% in Barnsley and Doncaster). Again perhaps reflecting their slightly wealthier profile, they are less likely than Barnsley and Doncaster tenants to be receiving Income Support, Housing Benefit and Council Tax Benefit; on the other hand, more Rotherham tenants get Incapacity Benefit and Disabled Living allowance than do PRS tenants in the other towns. Interestingly, Rotherham tenants are far more likely than elsewhere to receive Child or Working Tax Credit – a reflection of their low unemployment levels, and perhaps also the presence of a substantial lone parent element in their numbers.

As noted, the prime employment categories are in the lower classifications, but relative to Barnsley and Doncaster (but not Sheffield) there is a higher incidence of more senior employment levels, with 24% of working tenants in the higher managerial / senior official, professional and technical categories

#### 5.4.2 Rotherham homes, landlords and tenant satisfaction

Slightly over half Rotherham PRS tenants rent from individual landlords as oppose to via an agency or lettings company. A noticeable feature of the landlord market is that 32% (higher than all other areas) of landlords live elsewhere – 21% in other parts of South Yorkshire, and 11% in other parts of the UK. This could perhaps indicate that more professional 'Buy to Let' activity has been occurring, also indicated by the relatively high use of lettings agents. Rotherham landlords, with Sheffield ones, were also the least likely to be involved in an accreditation scheme (11% knowledge of such by tenants), which may be allied to the relative 'hands off' approach. This could be compared to the Doncaster case where there is a high incidence of local landlords (71%) and a (relatively) high incidence of accreditation or membership of assurance schemes (26%).

In terms of stock condition, problems with damp (32% a 'serious problem') were more prevalent in Rotherham than elsewhere. In parallel with this, 36% considered lack of heating to be a slight or serious problem. And 45% of Rotherham tenants had serious or slight problems with their windows.

Rotherham landlords were marginally less good than those in other areas in providing tenancy agreements (85%) and were average on gas certificate provision. The type of properties they let out were more likely to be semi-detached houses (30%) than elsewhere, or flats (17% - only Sheffield had more), though the majority (47% were terraced houses, as was the norm in South Yorkshire PRS).

However, when we examine tenant perceptions of a range of indicators, the unique character of the Rotherham PRS tenant stands out. They are least satisfied (62%) and most dissatisfied (25%) with their homes, affordability (64% and 19%), and with the private renting experience overall (47% satisfied, 26% dissatisfied). They are more likely to have been in touch with their landlord (60%) than elsewhere; and they are least satisfied (34%) and most dissatisfied (50%) with the response the landlord made to their problem. By a substantial margin they are the least satisfied with their landlords (51% compared to the 73% average), and most dissatisfied (28% compared to 15%).

And furthermore, Rotherham tenants were the least satisfied with the neighbourhood they lived in, accounting it the worst among the four authorities for choice in buying (47%) or renting (45%) and quality of rented stock (36% 'good'). In a list of neighbourhood characteristics that potentially needed improving (e.g. parking, crime, rubbish), an above-average number of Rotherham tenants prioritised ten out of eleven indicators.

The aura of demoralisation of Rotherham PRS tenants is reinforced when examining factors they considered important when choosing a home. They were least concerned about area, type and design of property, or size, and they showed high levels of 'neutrality' when asking if these factors were important or not, giving the response 'neither important nor unimportant' in many instances. Examining the figures, we gain a sense of disillusionment with the sector.

This dissatisfaction was echoed in the fact that a higher proportion of Rotherham tenants were on council and housing association waiting lists (55%) compared to elsewhere (35% average). And

allying this to the fact that Rotherham tenants have been significantly less mobile than elsewhere – 41% have been in their current homes for over five years (compared to the average 16%) - we gain a picture of an unhappy sector trapped in its current position.

#### 5.4.3 History and future

Perhaps part of the reason for this negative outlook can be gleaned from examining Rotherham tenants' histories. A surprisingly low number occupied their previous home as a PRS tenant (28% compared to the average 46%). 19% had previously been owner-occupiers (average 12%) and 20% had previously been council or housing association tenants (average 9%). It is not possible from this study to determine why people moved between sectors, but clearly the journey from elsewhere into the PRS has not been a happy or successful one for many, and the PRS's reputation suffers in this context. It is perhaps also significant that Rotherham tenants were more likely than elsewhere to have had their previous home in the same neighbourhood - so perhaps negative contrasts with previous housing circumstances were easy to make

As regards future intentions to move, the figures here confirm the 'trapped' nature of the Rotherham PRS. 45% (above the 34% average) would like to move, but don't know when. Of those that do have a moving time frame, 23% have plans to move in the next two years, compared to the average 40%. The main drivers for those that do expect to move within two years are to be nearer the job (31% - second only to highly-mobile Sheffield), to reduce costs (23%), be nearer family (23%) and because 'the area isn't a nice place to live' (23%).

And in this context, it is not surprising that Rotherham tenants look to the Council to rescue them from their situation, with a full 56% expecting to access a council or housing association tenancy on their next move. Only 21% of potential movers expected their next home to be in the PRS (average 40%), and an optimistic 18%, mainly those in work, looked forward to becoming owner-occupiers in their next homes.

## 5.5 Doncaster

### 5.5.1 Doncaster tenants:

Doncaster PRS tenants have a similar age range to Barnsley tenants, though with a higher proportion of maturer working age people (43%), but their demographic profile is rather different. There are relative few (18%) lone parents, and the most common household type is the single person households (39%). Tenants are highly mobile - 52% have been tenants for under a year – though they tend to move within the local authority area. Again, a high proportion are female households (63%). They also have the highest proportion of couples with children (22%), with 31% in the case study village of Edlington. In terms of ethnicity, like Barnsley the Doncaster PRS is more or less exclusively white

The economic profile shows relatively strong engagement in the labour market, with 33% in full-time employment, and another 13% either self-employed or in part-time work. Of those not

currently working, only 10% are 'At home looking after the family'. This in part will be a reflection of the low numbers of lone parents, but given that there is a high number of couples with children, this does not give the whole story. As in Barnsley, there are another 10% who have long-term sickness or disabilities. However, the significant figure is the 25% who are actively looking for work (compared to 18% in Barnsley, 13% in Sheffield and 9% in Rotherham. This pattern is amplified in Edlington, where the proportion in employment is 8% lower than the Doncaster average, but a full 40% are actively seeking work (and 29% are on Job Seeker's Allowance).. 14% are 'at home' (compared to the 35% in Goldthorpe, the counterpart Barnsley case study.)

In terms of occupation types, again like Barnsley there is only a small managerial / professional / technical sector, but there is a greater proportion in the administration and secretarial sector (23%) and in sales and customer service (26%). Doncaster has also managed to preserve a core of skilled trades people in the PRS (11%), higher than elsewhere, and has lower levels of reliance on the lowest two economic sector classifications. With the exception of Sheffield, there are surprisingly few people in all the towns' PRS who are in full-time education and training, and this reaches its extreme in Doncaster, where only 1% of the PRS has that status. Doncaster PRS's working residents are highly self-contained, with 79% based in the town (comparable to Sheffield's 84%). However, given the high proportion seeking work, there must be questions about the efficacy of transport networks in giving access to employment markets outside the town.

Doncaster tenants are significantly the most mobile and least settled of all the four towns, with over half (52%) having been in their homes for under a year, and 72% less than two years. Turnover was even higher in Edlington, where 64% of respondents had lived in their current address for less than a year, and only 4% had been there longer than five years

As regards income, Doncaster's profile is very like that of Rotherham, with 46% earning less than £800 per month, and 67% under £1200 per month. However there are fewer higher earners than Rotherham, placed Doncaster mid-range between Barnsley (poorest) and Rotherham (least poor) among the towns, with Sheffield having a very different profile. This is mirrored in the benefit take-up picture, with Doncaster PRS residents (35% HB, 17% JSA) less benefit-dependent than Barnsley but more so than Rotherham.

#### 5.5.2 Doncaster homes, landlords and tenant satisfaction:

Doncaster tenants were able to access larger homes than others, with 46% occupying 3 bedroom or larger homes. In Edlington all 52 respondents had two or three bedrooms, with the majority (56%) occupying three-beds. This perhaps reflects the slightly higher proportion of couples with children, though it should also be noted that Doncaster had more single people than all the other towns. This may therefore be an indicator of a relatively good supply of larger PRS homes. It is also reflected in the rents, which tend to be more expensive than those in Barnsley and Rotherham (the mode band being £351 to £450 per month, rather than £251 to £350 per month). Edlington also had more properties in the higher band.

It is also here worth reflecting on the impact of Right to Buy in Doncaster, and on the Edlington market, which was selected as a case study area because of a belief that this was important.

There are a series of indicators that suggest a substantial proportion of the PRS could have its origins here: the prevalence of larger properties; the prevalence of individual landlords; the high turnover of tenants – these could all be considered symptomatic of a post-Right to buy market, with owners effectively letting out second homes on a short terms basis. On the other hand, given that the vast majority of stock is terraced housing, we would want more information to confirm this finding was not co-incidental – normally we would expect a greater proportion of flats in the mix.

Outside of Sheffield Doncaster landlords were the most likely to be individuals (58%) rather than lettings agencies, with the highest proportion of landlords living inside the local authority boundaries (71%). They also had the greatest likelihood (26%) to be identified as being in an accreditation scheme or similar. They were average in supplying tenancy agreements and gas certificates.

Landlord satisfaction and dissatisfaction presents a mixed picture. Doncaster has the most tenants who are very satisfied with their landlord (51%, with even higher levels in Edlington), but also the highest but one proportion being very dissatisfied (11% - Rotherham was 13%). However, on one indirect indicator of dissatisfaction – presence on the council or housing association waiting list, under half (46%) of Doncaster tenants were on it, compared with 52% and 55% in Barnsley and Rotherham respectively..

In terms of satisfaction with the home, Doncaster consistently sits in between Barnsley (more satisfied) and Rotherham (less satisfied). It performs worse in terms of the condition of the home (51%) than the other towns., and landlord responsiveness to complaints was average (49% satisfied). In terms of the quality of the neighbourhood, Doncaster PRAS tenants are the most pleased with their friendly neighbours. However, all in all, Doncaster tenants are the most likely to be satisfied with private renting (76%). This reaches a peak in Edlington , with 92% of tenants satisfied.

### 5.5.3 History and future

Doncaster tenants were the most likely to have previously been private renting, with a significant number (23%) having been living with family or friends. 83% previously lived in the same neighbourhood or within the same local authority, with 10% coming from elsewhere in the UK (higher than other towns except of course Sheffield). 91% of Edlington residents' last address was either in the village or the wider local authority area , showing a higher degree of market self-containment.

As to the future, with the exception of Sheffield, Doncaster tenants were the least likely to stay put, and the most likely to have definite moving plans in the next year. This fits in with other findings about the short length of tenancies. Doncaster also had the largest group (46%) of those that wanted to move but were not sure when this would be.. Edlington had similar figures. The main reason for wanting to move (in common with Barnsley and Rotherham) was that the property was the wrong size for the family. (24%). Again, like those two towns, Doncaster residents were conservative about where they'd move to, with 72% expecting to move within the local authority boundary and a further 12% expecting to move elsewhere in S. Yorkshire. As regards tenure,

rather more Doncaster tenants expected to buy compared to Barnsley (18% v 11%, perhaps reflecting the slightly higher incomes). While 35% expected to be social renting next, 38% expected to remain within the PRS. Edlington tenants were more ambitious – 23% expected to buy their next home. When asked about long term ambitions, 21% (higher than all towns except Sheffield) did expect to buy sometime in the future.

## 5.6 Barnsley

### 5.6.1 Barnsley tenants:

Perhaps reflecting the long-term economic downturn in the area – and especially the legacy of industrial decline in the case study village of Goldthorpe – Barnsley PRS tenants are the most excluded from economically productive sectors and the labour market (55%). A predominantly female sector, with a high level of lone parent households, they have the lowest wages, low education aspirations, pay the lowest rents, and have the lowest long-term expectations in terms of mobility and home-ownership

As with Doncaster and Rotherham over two-thirds of PRS tenants are female, with the highest proportion of lone parent families (26%) also in Barnsley. In Goldthorpe 31% of the households were lone parents (average 17% across the study). There is a lower proportion of 'traditional' couple with children households than towns other than Sheffield. The age profile is similar to Doncaster, but slightly pitched towards younger age groups, with a relatively low proportion of maturer working age residents (35%, compared to 41% in Doncaster and 59% in Rotherham). Barnsley has the least multi-ethnic PRS of the towns, with solely 4% of 'other white' backgrounds complementing the 94% of the sector who are white British.

In terms of working status, the Barnsley PRS shows the most extreme levels of labour market dislocation across the study. 27% of households are 'at home looking after the family' (average 11%). One assumption might be to ascribe this primarily to the number of lone parent families. However, although of course this is an important reason for labour market exclusion, it is significant that Rotherham, with only slightly fewer lone parent families (25%), has only 13% 'at home...'. In Barnsley, with a further 37% either unemployed, sick or disabled, or retired, this leaves only 34% in work or in education – compared to 47% in Doncaster and 49% in Rotherham. The case study village of Goldthorpe encapsulates the extreme of this pattern - 15% in employment, no-one in further education, 85% unemployed, sick, at home or retired.

Within these depressing statistics it is significant to compare the figures for Doncaster with Barnsley, and for their two case study areas. The prime difference is potential engagement with the labour market. While 25% of Doncaster's PRS are looking for work, only 18% of Barnsley's are. And while 27% of Barnsley's PRS are 'at home', only 10% of Doncaster's are. The respective case study areas / villages associated with the two towns exemplify the extremes of this: 40% of the Doncaster case study of Edlington's PRS are looking for work, compared to 27% of Goldthorpe's; and 14% of Edlington's PRS are 'at home...' compared to 35% of Goldthorpe's..

Of those who are in work, in terms of occupation, Barnsley's employed PRS are compressed into the lower end of the occupational scale, with only 11% in the three highest professional and technical categories, (average 38%) and 27% into the elementary and process operatives categories (average 17%). 19% of those in employment are in the personal services sector, with another 19% in sales and customer services, reflecting the establishment of multiple call centres in the area, especially around Goldthorpe. Barnsley workers also have to commute further than any others to get to work – only 57% work as well as live in Barnsley, with over 10% commuting to Sheffield, Rotherham and elsewhere in South Yorkshire

As noted, Barnsley PRS tenants are the poorest of those surveyed, with over 50% earning less than £800 per month (average 39%), 73% earning less than £1200, and only 4% earning more than £2000 per month (average 11%). Mirroring these low incomes, Barnsley PRS tenants are significantly more benefit reliant than elsewhere, with a greater proportion claiming a greater range of benefits than all other towns (45% on housing benefit, compared to the 23% average, 23% on JSA, compared to 11% average). With the exception of invalidity and incapacity benefits (where Rotherham has the greatest proportion of claimants) and tax credits (unsurprising because of the low employment levels) Barnsley tenants are more likely to be reliant on the whole spectrum of means tested benefits than other towns. Again, Goldthorpe residents responses were an exaggerated version of Barnsley as a whole – 56% on income support, 75% claiming HB and CTB, 25% on JSA

#### 5.6.2 Barnsley homes, landlords and tenant satisfaction

In terms of how long Barnsley tenants have been in their properties, they have a similar profile to Sheffield – with less rapid turnover in the first year than Doncaster, but with little (14%) of the longer term 'old guard' who have been in their homes for over five years, as we show in Rotherham. Turnover was higher in Goldthorpe, where 31% had been in their homes for under a year, and only 9% had been there for five years or more. The type of property for let was predominantly terraced houses (77%). All Goldthorpe PRS interviewees were living in terraced homes. As was the norm for everywhere except Sheffield, the vast majority (86%) were unfurnished lettings.

Rent levels were pitched towards the lower end of the scale, with 95% paying less than £450 a month, and are probably of average the lowest of the four areas. Goldthorpe rents were also significantly lower than elsewhere - 75% paying less than £350 a month.

Barnsley landlords appear to be the most 'hands off' in the survey, with over half tenants getting their homes through lettings agencies (69% in Goldthorpe) and (with the exception of Doncaster) had the greatest proportion living outside the district.

In terms of satisfaction, Barnsley tenants view of their landlords was on a par with Sheffield and Doncaster (that is, happier than the miserable Rotherham experience). However they were nearly as keen as Rotherham tenants in escaping the PRS with 52% on the council or housing association waiting lists. In terms of satisfaction with their home, they were more positive than Doncaster and Rotherham tenants (73%), and in terms of satisfaction with affordability, best

pleased (80%) of all four towns (88% in Goldthorpe) – in part this must be a reflection of the lower rent levels noted above. On repairs they were mid-range in satisfaction (59%) though Goldthorpe was higher (89% satisfied). And they received a slightly better service when they had a problem (55%) than elsewhere – perhaps a sign that hands off landlords need not necessarily give a worse service. But when all things were told, Barnsley PRS tenants were the second least satisfied with the PRS experience (69% satisfied). They were more positive about the choices and quality available for buying and renting in their town than most (63% and 54%)

### 5.6.3 History and future

Along with Doncaster tenants, Barnsley tenants were the most likely to have previously had a PRS tenancy (50%) and, with Sheffield, the least likely to have been an owner-occupier (11%). Fewer Barnsley tenants had moved in from parents and friends, perhaps indicating a slightly maturer history than elsewhere. They were more likely to have moved in from outside Barnsley and a fair proportion had come from elsewhere in S Yorkshire (13%) though not from further afield than that. 75% of Goldthorpe tenants had moved in either from another Goldthorpe address or other part of Barnsley.

In terms of future intentions, in spite of the poverty and poor economic prospects that appear to face the Barnsley PRS, there are fewer signs of wanting to move home area than respondents elsewhere. A quarter never intend to move (average 15%), and 41% may like to move but don't have plans to do so. In Goldthorpe 35% don't intend or expect to move. Of those that did want to move, the main driving factors were not economic (neither costs nor being nearer job were significant). They were more concerned with the property itself '25% – not the right size', 2% - garden) or the neighbourhood (25% - area not nice to live in). 78% wanted to remain within the Barnsley area if they did move. 92% of Goldthorpe residents would move within South Yorkshire, if they had to move at all.

In keeping with the reality of their financial circumstances only 11% (average 20%) of Barnsley PRS residents expected to buy their next home. No-one in Goldthorpe expected this. They were the most likely to accept they would be privately renting again (47%) and less hopeful of getting a council or housing association tenancy than those in Doncaster and Rotherham. Interestingly, they were more interested in Shared Ownership than others (6%) but the numbers here are very small. Barnsley PRS residents also had low expectation of eventually, in the long-term, becoming owners (18%, average 35%). While not exhibiting as many negative impressions as Rotherham residents (who are in general better off and suffering less exclusion), it is clear that the Barnsley PRS experience is a dour one.

## 6.0 The private rented sector in South Yorkshire - Landlord interviews

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### 6.1 Background

An element of the research brief was to conduct interviews with landlords operating in the South Yorkshire area. The purpose of the interviews was to establish how the current market conditions were affecting their operations and their plans for the future. Interviews were conducted using a topic guide seeking information about their length of time in the business, the size and type of their stock holding etc, their acquisition or sales strategies, customer bases, and recent changes in the market.

Any report of landlord interviews will be giving the views of a self selected sample; landlords contacted are not always willing to be interviewed. This also means that it is impossible to identify any characteristics that may differentiate those willing to be interviewed and those not and those willing to be interviewed may not be representative of the sector. For this reason it is also impossible to attribute any statistical significance to these interview findings.

This summary of landlord discussions should therefore not be viewed as anything other than opinions expressed by some contactable landlords in response to questions, and need to be read in conjunction with information from other sources. For example no landlord interviewed claimed to let sub-standard property but we know that the PRS carries a high proportion of property in poor repair.

Interviewees were sought through advertisements in the press with some follow up interviews where landlords knew others willing to discuss their work anonymously. The classified ads are an open source of landlords contact numbers with no other details available and this reassures them about anonymity. This worked well in Barnsley, Doncaster and Rotherham, but less well in Sheffield where, despite the property pages carrying details of around 500 available properties, all the adverts were from agents not individual landlords. This is in contrast to the case studies, where in the majority of cases respondents landlords were individual actors. Agents are often acting for absentee landlords and the local landlords managing their own stock often do so because of high costs and poor service quality associated with agents. The Rugg Review (2008) specifically refers to the need to regulate this element of the PRS.

Reports of the PRS often produce material structured around a “typology” of landlords that use criteria such as volume of stock holding or other characteristic as a means of grouping (see for example Rugg 2008 and the “types” of landlords characterised by personal or business criteria). After conducting many landlord interviews this seems a particularly unconstructive approach to reporting on the activity of the sector as the various typologies rarely reflect the ways landlords

work. Of more significance is the stock itself and landlords have strategies that vary across their portfolios depending more upon the stock they hold, its age, how long they have owned it, the areas this stock is in, and the way markets in these areas change over (perhaps very short) periods of time. It is obviously important to note the fragmentation of the sector (the increasing number of small stock holders) but an individual with a new “waterside” flat may manage that in the same way as a company with 30 of them (and these are points that the Rugg Report also discusses).

The detailed summary below reflects landlord comments on the variety of stock they hold and the variety of markets they operate in and understand. It is structured by themes and where views are completely contradictory this often reflects some consequence of the areas they operate in (points on regeneration for example) or the client groups they rent to (those favouring/avoiding HB claimants for example).

## **6.2 Landlords contacted**

20 landlords were successfully contacted for interviews through local adverts. These all obviously have local stock and several also had stock outside the area. Most landlords were based within South Yorkshire and many spoke of the importance of being local to the stock for effective management; “All my stock can be reached within 15 minutes”. Some landlords manage stock for friends or relatives and this may be more dispersed than their own. Several landlords operate within more than one authority area. One used to be involved across England but has decided now to concentrate locally. Interestingly, the survey results found little difference between 'local' and 'remote' landlords in the quality of the home or of the service provided.

The smallest landlord stock holding was 1 property, the largest “over 400” but this landlord operated regionally. One landlord was also a developer producing property to rent and for the investment market with a management company and linked websites. The most recent landlord started in 2006 and the most established has been in business for 30 years. The majority of landlords interviewed had been involved in the PRS for 10 years or more.

Most landlords owned “terraced houses” but some had a range including old and new stock, houses of different sizes and different quality locations. One landlord interviewed had a new build flat but this was not city centre, only one had HMO stock, and no-one rented to students (this may reflect the difficulty in finding landlords in Sheffield: student landlords will advertise in summer and let for the academic year and the rest of the letting stock, including many flats, are let through agents). The survey results give some balance here, as substantial numbers of Sheffield students were contacted.

## **6.3 Landlord motivation**

Obviously financial gain is the motivation but as expected this takes various forms often determined by the stock rather than the landlord. Capital gains and long term savings were a motivator for

many and these landlords were not unduly concerned by the current state of the market. Almost all talked of “looking for bargains” when they buy so were usually acquiring their stock below average market value anyway so their equity position is still positive.

Rental yields in the sub-region seem very good and landlords who have been in the business some time own many of their properties outright. One, operating in Doncaster, had started when terraced houses could be bought for £15,000 and paid for in 3 years. Rental yields on new property are not always what was expected and one landlord spoke of having to drop rent by over £100/month to let a new flat although the fall in interest rates has covered this temporarily. This investor’s “out of town” strategy had been informed by the large number of empty flats in Sheffield and Leeds.

Two landlords talked of developing “income streams” which is a combination of regular rental income, strategic equity release from stock, and capital gains from sales transactions. The flexibility of this allows them to adapt to changing market conditions without significantly changing the base of their business.

Although many talked of the job in terms of “hassle” or “headaches” (“100 properties is 100 headaches”) only one was contemplating leaving the sector and this landlord had originally planned to buy off plan and sell on completion but the market had turned making this impossible.

#### **6.4 Funding arrangements**

Almost all had used BTL mortgages at some point. One landlord was still acquiring using BTL funding put in place 2 years ago that could still be drawn down. None had used business loans but one was about to do so.

Capital for acquisition/expansion was often raised through sale or equity release and one landlord has used a second mortgage on their own home to raise capital 3 years ago.

Current funding constraints were a source of frustration for several landlords who saw the current time as an ideal time to buy. Most would seek acquisitions at below market value through industry contacts or auctions and one thought that “many” transactions at the moment involved landlords attracted to repossessed stock (including landlord repossessions) and developer “sales”.

Several interviewees referred to the current bonus of low interest rates and it seems that many BTL products were tracker mortgages without collars. One landlord knew of someone who had several hundred BTL funded properties on which they were paying no interest at present making rental yield as high as it has ever been. In general, issues about falling into negative equity did not arise. While all will be suffering from falling values, across the board private rented investors are not highly geared; the only ones likely to suffer negative equity problems are those buying into city centre flats or new developments or having to take on high mortgages. Only one of the interviewees could be said to have fallen into these categories.

## **6.5 Client groups**

No landlord operated with single client groups. Most talked of a variety of working, professional and HB supported clients. One had housed a lot of migrant workers until recently but this market had died.

While HB featured prominently with identified client groups and landlords were largely satisfied with HB levels and payments, one said they tried to avoid HB due to delays and other problems (see also later section on LHA).

These interviews identified landlords who advertise but one landlord also does lets by word of mouth and particularly likes former RTB stock as these can be easily let to family of current residents on estates.

## **6.6 Market changes**

Overall landlords expected there to be changes in their market over time but had not experienced any adverse market trends recently. One landlord said recent applicants had shown an increase in HB dependent households and several landlords identified repossessions as a growing source of clients (both owner occupied repossessions and landlord repossessions) but not in significant numbers (“3 or 4 out of 50 applicants”) except for one landlord who said there were currently “a lot” of repossessed households applying to him. One owner said lettings were getting harder and taking longer.

One landlord was engaged in 'buy to rent back' although using this to expand the portfolio, not evicting to sell. This activity is clearly driven by the current economic recession and the difficulties that some mortgage holders are experiencing. Any further signs that landlords themselves are getting into financial difficulties should be monitored, as this may have the knock-on effect of these former owners losing their tenancies, if the landlord in turn defaults on their mortgage or loan repayments.

## **6.7 Impact of regeneration**

There were two completely opposed views on the effects of regeneration activity that seem to derive from the location of the stock. Several landlords reported very positive results from regeneration activity in improving areas and driving up values from which they recognise they benefit in terms of equity gain, area improvements attracting tenants, and other environmental benefits. However others reported the opposite with increases in vandalism of empty properties, falling and restricted values through CPO activity and short term area decline with significant financial and management implications for them. The differences seem to relate to the extent of clearance for proposed regeneration as opposed to areas where there are widespread improvements without clearance.

## **6.8 Accreditation schemes**

None of the landlords were in local authority accreditation schemes but several were in national or regional landlord representative bodies. They use these to gather information about changes in the sector, rules and regulations that affect them and advice on problems.

One attended LA forums and thought his authority was about to set up an accreditation scheme that he would join. Several said they would welcome this type of initiative and would value closer working relationships with the council. Relationships with the councils varied from seeing them as “bureaucratic” and “inflexible” to being helpful and supportive.

## **6.9 Future plans**

All the landlords interviewed planned to stay in the business even though acknowledging that it was hard work. It was the view of some landlords that 10 to 15 properties was enough for it to be a full time job but some with this number were doing it in addition to other work including doing their own repairs etc. Landlords with larger stock holdings (100 or more) employed staff for rent collection and other management tasks.

The general feeling was that this is a good time to be a landlord. Interest rates on existing borrowing is low, rents are comparatively high compared to capital costs in the area, tenant demand is holding up, and expansion prospects are good if capital can be raised. This last point was the main problem that landlords talked about at the moment for those actively engaged in the market; there are lots of bargain properties but a shortage of funds to support acquisition.

Linked to this, there is little evidence that the Buy to Let market is collapsing. While some landlords may not have been able to access new Buy to Let mortgages, they were using business loans and other equity release mechanisms to continue to fund purchases. Currently, Buy to Let mortgages are at proportionately the same level in overall lending terms as before the housing market recession began (although clearly lower in value). Circumstantial evidence is that landlords are buying heavily at auctions and the most recent ALRA survey has more landlords buying than selling.

While none of the interviewees said they were experiencing any difficulties sustaining their private rental business at the moment, several said they knew of others who were. There had been a “clearing out” of recent entrants to the market especially those who had bought into the new flats market and were getting their fingers burnt by over supply and falling values. Landlords who commented on this tended to see it as no bad thing as it would improve the quality of services in the sector if professional landlords were more prominent.

If true, the impact of this change in the PRS supply on some local housing markets will be interesting as the professional landlords spoken to have avoided the locations where a lot of new

development has gone to investors. These markets are associated with high costs and letting difficulties that do not attract experienced landlords locally.

## 6.10 Impact of LHA

One of the most interesting and consistent sets of responses related to their experiences of HB and the Local Housing Allowance (LHA). Generally speaking there was satisfaction with the old HB regime despite concerns about delays and occasional claw backs. However the new LHA arrangements prompted several specific observations by landlords in terms of effects and impacts:-

- Increased tenancy turnover
- Abandonment with back dated payments resulting in higher arrears for landlords (for which there is no penalty for tenants and some tenants have been able to do this several times; one landlord suggested it was fraud to claim money for rent but not to pay it as rent for example)
- Tenants with good payment records getting into arrears when LHA is paid into an overdrawn bank account and the bank keeps the money
- Increased costs of rent collection.
- When talking through responses to these problems there were several themes:-
  - Avoiding lettings where LHA is involved
  - Increasing rents above LHA levels to recover losses and cover cost increases (more rent collection etc)
  - Attempting to re-negotiate direct payments without the initial rent loss.

The relationship with LHA, like HB, is rather ambivalent. Landlords acknowledge the importance of this market to them but resent the arbitrariness of losses through poor administration and absconding. However, one landlord who was considering avoiding the LHA market also said he would need to *reduce* rents in order to let to working people in that area. However, this willingness to reduce rents slightly over a period of annual income has to be compared to the loss of £800 to £1000 “several times” with occupants who only stay a few months before absconding with the back dated LHA. In reality, any rent loss is likely to be built back into the system through higher rents over the long term or, more worryingly for local authorities in terms of meeting housing needs, restrictions on access for benefit dependent households.

It is also interesting that the general view is that LHA has led to higher turnover. Churning has often been associated with problems attributed to locations with high PRS involvement and if this increases there may be unintended consequences in reduced community cohesion, area sustainability, etc. that regeneration investment is intended to bring about.

## 7.0 Conclusions

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Our key conclusions from the study are:

- The PRS is today bigger in both number and as a share of all households than its lowest point in the late-1980s, and is growing rapidly. This is as true of South Yorkshire as of any other administrative area. However the sector remains highly fragmented with many owners having comparatively small holdings of stock. There are consequent variations in motivations and behaviour that make the sector hard to generalise about.
- There are different motivations for buying and letting property, mostly driven by a desire for a financial return. The biggest group of investors are small-scale and amateur landlords, seeking a variety of returns including regular income streams from rent and/or capital gain through sales, or for secure savings for their retirement. A small proportion of investors have made speculative investments for short-term capital growth. A third group is professional landlords living on rental income.
- Landlord behaviours vary, some appears to be cyclical (buying into a rising market for simple capital gain) while others are counter-cyclical (buying into a falling market where bargains are plentiful but rental yields sustained). This makes predictions about the short or long term future of the sector extremely uncertain. It also seems clear that there are niche landlord markets (e.g. the student sector) and differing levels local engagement in the South Yorkshire setting
- The wider economic recession and its interaction with the Buy to Let market may have significant long-term consequences for the structure of the private housing sector, and the relationship between renting and owning. It may be that the traditional concept of the 'first time buyer' as the entry point to the owner-occupier housing ladder may be becoming redundant
- There is substantial dissatisfaction with many of the elements of the Local Housing Allowance Scheme. It is perceived to have increased turnover, abandonment and arrears. In the longer term, it is likely to lead to further restrictions on benefit-dependent households accessing the sector.
- The PRS is the most rapidly changing part of the English housing market and is the part we currently know least about either at national or local levels. Comparing the results of the survey (2008) with Census 2001 demographic data we find that over the last seven years:
  - A significant shift towards female headship of households in the sector
  - A reducing household age profile for the sector
  - A reducing proportion of single person households in the private rented sector, accompanied by an increase in couples and households with children
  - Increasing evidence of studentification, especially in Sheffield
  - Changes in the ethnic make-up of the cities, with (generally) a decreasing proportion of White British residents in the sector, and increasing numbers of mixed, Black, Asian, and 'Other' households.

- A reduction in the proportion of those in employment and an increase in the proportion of those not participating in the labour market
- Examples of this level of ignorance are the perhaps counter-intuitive findings from the survey that a substantial majority of users of the sector are women; that it is an essential source of housing for lone parents; that there is a mature working-age component to the sector; that there are pockets of strong self-containment and low mobility within the sector, as well as high-turnover. All these run contrary to popular conceptions of private renting
- With the exception of Sheffield, there is an extremely low level of private sector tenants who are in full-time education or training (under 5%). Given that all three towns have tertiary education colleges, including arts and technology centres in Rotherham and university level degree course in Doncaster, this is again counter-intuitive and hard to understand
- The surveys have confirmed varying use of the PRS across income and social status. But it seems likely that vulnerable tenants remain a high proportion of users of a sector which offers little effective security (for example the high proportion of single parent household respondents in Rotherham and Barnsley) with potential increases in homelessness demand if the sector contracts as a result of the financial crisis.
- The PRS remains an increasingly important source of housing supply to lower income households but is also a source of housing demand as tenancies end for a variety of reasons and unprotected tenants have to leave their homes.
- The socio-economic make-up of the sector in South Yorkshire (with the exception of Sheffield) on first glance looks a lot like some of those areas where social housing concentration, deprivation, worklessness and labour market disengagement are prevalent. It was beyond the scope of this study to compare the position of PRS tenants with that of social tenants. But, if as the authors suspect, there are distinct similarities, then there are important policy implications for local authority and public sector social and financial inclusion, employment, training, and health services, as well as any housing policy and service outcomes.
- There are different levels of engagement with the labour market in different towns by PRS residents, for reasons that may not immediately be apparent on the surface; this implies that social inclusion policy needs to be carefully nuanced to local conditions to be successful.
- Varying levels of satisfaction across the boroughs and markets may indicate variations in the effectiveness of local regulatory regimes. We would recommend the expansion of collaborative working between authorities in the Pathfinder area to ensure a consistent approach to standards, accreditation schemes, HMO licensing, and possibly even LHA administration and rule application (to help landlords who work across several authority boundaries).
- We would also recommend the expansion of accreditation schemes and landlord forums with a view to establishing “kite mark” or “star rating” systems that can support good landlord practices and help with the self regulation of the sector. Collaborative working with landlords will take a long time and needs the investment of resources with long term strategies.
- Data gathering and understanding of the PRS at local level remains weak as in most areas of the UK. Repeating the recommendations of the Rugg report and earlier studies of our own we would recommend the increased use and analysis of readily available data collected in consistent form across the county. Without an increase in accurate and reliable knowledge of

the sector and the trends of change over time, any snapshot based interventions will remain ill informed and possibly counter productive.

As well as the diversity of the sector itself, this study has identified diversity between the authorities in relation to the PRS in South Yorkshire. Sheffield has a larger student PRS than the other authorities and a smaller HB dependent sub-division of the PRS. Tenant satisfaction levels seemed lowest in Rotherham, but conditions are variable across all administrative areas.

There were however several consistent themes that are important for developing work with the PRS and its landlords:-

1. there is substantial evidence that the sector is expanding and continuing to expand despite the current financial crisis;
2. landlords often operate across administrative boundaries and so are encountering different administrative and regulatory regimes;
3. the sheer number of landlords (and their geographical spread) will make interaction with them extremely time consuming and probably impossible with current staffing resources;
4. the PRS remains an integral part of the "safety net" for households in housing need and as the recession bites it is likely that the HB/LHA element of the market in each authority area will grow.

For this reason the recommendations concentrate on cross authority issues. This is not to deny the existence of local markets where there may be very specific issues but is intended to concentrate on practical areas of common concern where collective action and consistent approaches may be best in developing involvement with the sector as a whole.

## 8.0 Recommendations: a tool-kit

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Recommendations therefore concentrate on responding to the key conclusions in the following ways:-

1. recommending and proposing methods for continuous and more consistent monitoring of the PRS to track changes and inform strategies and justify resources;
2. consistent approaches to the issues of standards and services in the PRS to avoid distortions of local markets due to differential practices;
3. proposing ways to increase contact and involvement with the PRS as it becomes a more important element of local housing supply at all levels;
4. considering ways that the PRS can continue to meet the needs of vulnerable and low income households without detriment to landlords, occupants, and neighbourhoods.

We consider that the series of recommendations below can be treated by local authorities as a tool-kit, which could be used as a menu from which to introduce particular practices, either by individual local authorities, or as part of a wider South Yorkshire partnership.

### 8.1 Monitoring the PRS

There is no single picture of the scale and scope of the PRS or the number of landlords available from reliable sources. Any study such as this one inevitably has to put together a range of indicative data to form an incomplete jigsaw picture that is inevitably a snapshot. What is important for local policy makers is to develop a reasonably reliable and regular set of data sources that allow trends in the PRS to be monitored. This can inform strategy towards the sector including justifying resources. Many data sources are those regularly used by local authorities but not necessarily investigated for PRS information as “recording” in this way is not the purpose of the system. Useful and easily accessed data sources include:-

- A. Census baseline data. This has been supplied in this report and while the 2001 census is obviously long out of date it is a periodic source of information about the scale of the sector and its users that can indicate changing patterns when compared to more up to date sources. A note of caution is that despite being ostensibly a 100% survey, there are errors of perhaps as much as 10% in the identification of tenure because it is a self completion form.
- B. Housing benefit data base. The weakness of the HB IT systems is that they are usually designed to facilitate the processing of claims and payments as a live system. However the evidence in this report is that, if fields are set within the systems or records kept, this can be a very useful source of data about a significant element of the PRS and the number, location and turnover of landlords, the location and concentrations of tenancies, and changes in ownership on the same stock. The best way to do this would be to download and keep the full records for the same week/day each year so they can be interrogated at leisure. Local authorities may also be able to agree between themselves a range of data it is reasonable to extract for consistency. It may also be possible to identify landlords operating across boundaries as long as data protection requirements are met. In some ways this is the most important segment of the PRS as it is the one where the worst conditions are likely to be found, conditions being a key concern in terms of regulation.

- C. Council Tax. Many authorities ask a question about tenure in their Council Tax form. This is comparatively easy to do and provides a 100% survey that is constantly up to date about the size of the PRS stock if the information is collated.
- D. Housing Registers. Many applicants for social housing have their current or previous home in the PRS. Questions asked to assess needs may give indicators of poor conditions, overcrowding or other problems within the PRS that the authority needs to become involved in (this may include targeting support services, ASB activity, grants and other interventions that support landlords).
- E. Tenancy Deposit Schemes. Now these are operational they will contain a lot of information about landlords operating in an area and the type of properties being let.
- F. Where there is a large student market we would advise developing links with the University Accommodation service not just for regulatory purposes but to gather core data about student residences and changing patterns of rental (institutional v individual landlords for example).
- G. Land Registry Data. Although this has to be purchased, land registry data can provide information on likely landlord purchases. This can be used for particular geographical locations or new developments. It is generally accepted by those who have used the data that where the purchasers address is given on the record as being different from the address of the purchased property, that this represents a potential landlord purchase. This has shown a surprising level of landlord acquisition activity in some areas and may contribute to understanding the dynamics of change in the market along with other methods above.

## 8.2 Standards and Services

As well as planning for meeting housing needs and demand in their area the main local authority duty relating to the PRS is regulatory with a range of statutory duties and powers available to facilitate this. While this is a necessary role, it can create an atmosphere of confrontation despite the fact that many landlords decry the existence of bad practice and poor standards in their sector. This section makes suggestions for working with the PRS to improve standards in addition to the well established use of powers to impose standards.

- A. Grant giving. Various public bodies have the power to channel funds towards the physical improvement of property. It is an established principle of business support and economic development in the UK that a range of “incentives” are available for people to establish and develop businesses. Given its economic value there seems to be no reason why the PRS should be treated differently and we would recommend exploring ways to target improvement funds to below dent homes standard PRS stock. This could be linked to accreditation and contractual commitments to keep the stock within the PRS for a minimum specified period.
- B. Co-ordinated activity. Several landlords interviewed for the project worked across administrative boundaries. In order to minimise confusion and promote consistent regional standards we would recommend working towards cross-authority sets of standards, principles and approaches to regulation. This may already happen to some extent but a cross authority accreditation scheme could help maintain standards and facilitate working with landlords through joint forums etc.
- C. Avoiding market distortions. If differential standards do develop this could skew demand to areas where regulation is perceived to be most relaxed. In the long term this could impact disproportionately on local services delivered to the most vulnerable households who often find themselves accessing the poorest quality stock.
- D. LHA. One of the observations from landlords was the impact of LHA on their turnover and rent losses. Again a consistent approach and willingness to work across boundaries with landlords could ease this situation and prevent any possible escalation.

### 8.3 Increasing contact and involvement with landlords

The PRS is increasingly important for local authorities in helping them achieve their housing objectives. The sector provides easy access, facilitating employment mobility; it offers a growing volume of housing stock for low income households; it adapts rapidly to changing local level demand; it increasingly provides accommodation to help authorities meet statutory obligations on homelessness. For these reasons it is important to develop a partnership approach to the PRS. The difficulty with this is the thousands of landlords involved, their geographical spread, and a possible legacy of antagonism resulting from the regulatory role.

For these to be overcome there needs to be greater contact and involvement and a willingness to work together to ensure good quality housing standards, to ensure professional standards of housing management, and to enhance neighbourhoods. Some of these aspirations will need intensive work and the encouragement of partnerships with other agencies including RSLs.

- A. Promoting forums and accreditation. Where landlords advertise in the press they can be contacted direct to promote accreditation and any proposed forums promoting information sharing, training and advice on services. This is pro-active, uses information in the public realm and gives the opportunity to discuss issues. Where there are names and addresses available to the authorities, mail outs are possible. Reputable landlords are likely to be keen to be involved in discussions about removing poor practice from their sector as they all suffer by reputation if the PRS performs poorly. Landlords themselves may have innovative ideas about improving standards.
- B. Supporting accreditation through kite marking or similar approaches. It is unlikely that many residents know about accreditation schemes. If the local authority were prepared to actively promote the benefits to tenants of seeking out accredited landlords, this would be an added incentive for landlords to join the scheme.
- C. Access through accreditation. Accreditation schemes will develop where there are mutual benefits. Local Authorities could consider giving landlords access to bulk purchase schemes, maintenance services (especially out of hours services) and other methods as benefits of accreditation.
- D. Contacts with the local authorities. Landlords may have need to contact a range of local authority services at different times. Access to LA services can be facilitated by having a designated contact point whose role would be to help landlords access appropriate services across the LA>
- E. HB and LHA links. One of the main points of contact for landlords is with the service that provides payments to eligible tenants. Many authorities have begun the process of keeping landlords better informed but LHA may raise a new set of issues where this relationship can be developed in ways that is mutually beneficial. It is not in the interest of the LA to have landlords withdraw from this area of the market because of payment difficulties or rent loss.
- F. Work with Letting Agents. Agents play a key role in the sector but can often have a negative impact where they condone poor standards of property, encourage high turnover to secure letting fees, or provide poor services to tenants. However Agents manage stock for many landlords and intensive engagement with them is a way to reach a lot of housing stock comparatively quickly. Agents may be those with most to gain from effective local Kite Mark schemes or other incentives.
- G. Work with BTL Lenders. While this may be an issue best addressed nationally it could be that local banks and lenders, in the current climate, would be very interested in engaging with accreditation or Kite Marking schemes. If future loans were tied to continued involvement in such schemes it would help to protect their asset interests while promoting good management practices and legal standards to prospective and practicing landlords.

## 8.4 Meeting needs.

Meeting housing needs in an area often involves a range of agencies and services. These agencies and services are often more closely connected with social housing due to the scale of their individual ownership and the perception of their wider responsibility for neighbourhood management etc. Individual landlords often have difficulty accessing support services or other interventions to assist them in their management of their stock and the areas where they have housing.

- A. Neighbourhood Management. Landlords often have concentrations of property in particular neighbourhoods and some specialize in ex RTB stock as referred to in the report. Efforts should be made to engage these landlords in neighbourhood management issues. They are an additional resource for the authority and also have an interest in maintaining an area.
- B. Anti-Social Behaviour. ASB is a cross tenure issue and LAs have a cross tenure responsibility. However interventions are often concentrated on social housing as social landlords often have a delegated responsibility for ASB or can act more effectively as a lobby for services. However the PRS also provides a “safety net” for those excluded from social housing and should be able to access ASB teams and initiatives in the same way as social landlords.
- C. Floating Support. PRS landlords tend to have small holdings of stock but some of their tenants may have support needs. This was not raised as an issue by landlords in S. Yorkshire but in other areas the difficulty of accessing support services for tenants has arisen regularly. When discussing services with PRS landlords this issue should be explored by LA staff to see if there are similar needs in this area.
- D. High Demand for Housing. The expanding PRS continues to be an important way to meet housing needs in an ay area and this reliance on the PRS is likely to grow unless government policy is reversed. Many areas now run leasing schemes that are beneficial for all parties in the current policy climate. Needs in the area will best be met by developing a partnership approach through formal agreements, joint working, and developing mutually beneficial working arrangements. The ultimate beneficiaries are the tenants and for needs groups this is an important consideration in the development of any policy towards the PRS.

## 8.5 Summary

The intention throughout is to consider the needs of tenants as the occupants of the PRS as the key beneficiaries of strategies towards the PRS. However it remains the case that very few landlords and agents have a vested interest in the association of their sector with poor standards of property or services and the purpose of regulatory intervention is simply to minimize the influence of these individuals on local housing conditions. We believe this is common ground for all parties working with the PRS.

The PRS is also an increasingly important business sector in urban areas especially. Any activity that supports the growth of a responsible PRS business sector will benefit the local economy in a variety of ways (employment mobility, maintenance work, white goods supplies etc). Many of the “business” linked incentives discussed for the PRS are national issues (such as tax liabilities and incentives) but to treat the PRS as a business sector will encourage it to see itself in these terms and to become more closely linked to the mainstream economy, local chambers of commerce and

other bodies. All of this should help to develop and support a responsible and responsive PRS with incentives for self regulation in the long term.

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