

Review of the Private Rented Sector in Wales

Welsh Assembly Government





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Sarah Ballard

Housing Directorate

The National Assembly for Wales

Cathays Park

Cardiff

CF10 3NQ

Tel: (029) 2082 3353

E-mail: sarah.ballard@wales.gsi.gov.uk

Website: <http://www.wales.gov.uk/>

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Chapter One

Introduction

1.1 Introduction

The University of Glasgow was commissioned by the National Assembly for Wales to carry out a Review of the Private Rented Sector in Wales.

Task Group 2 working on the National Housing Strategy for Wales recommended that this research be carried out. This recommendation was made against a background of concern about the housing conditions found in the sector, and a suspicion that the sector is important for key niche groups such as young vulnerable single people, reforming households and so on. In addition, investment in properties tends to be low, possibly caused by a combination of low returns, and restrictions since 1996 on the level of Housing Benefit payable for some tenants and privately rented properties.

The over-arching concern of the National Assembly for Wales in commissioning this research, however, was that the existing evidence base concerning the private rented sector in Wales was lacking. Therefore, this report seeks to make a modest contribution to fill that gap.

1.2 Aims and Objectives

The broad aims of the research were to identify specific problems in the private rented sector in Wales and gaps in knowledge which could usefully be the subject of future research. In addition, the National Assembly for Wales specified that the contractor should make recommendations on which aspects of the sector should be regularly monitored and

how this might be achieved. Data sources were also to be reviewed with a view to helping the research team draw conclusions as to what research could realistically be carried out in the future.

The specific objectives of the research were to assess:

- 1 the scale, spatial distribution and characteristics of privately rented properties,
- 2 the characteristics of tenants,
- 3 the role of Housing Benefit in supporting the private rented sector,
- 4 the characteristics of landlords catering for different segments of the market, their reasons for involvement and views on how investment could be increased,
- 5 the role that housing grants to landlords play in sustaining the sector,
- 6 the relative importance of different types of tenancy agreement, and
- 7 how the private rental sector is changing and has changed over recent years.

1.3 Approach

Descriptive analysis of the private rented sector using some of the quantitative data sources which were reviewed has been carried out. This draws mainly, but not exclusively, on: the 1991 Census of Population; 1992-1999 DSS/DWP Housing Benefit data; 1970-1999 Family Expenditure Survey; 1996-2000 JRF/University of York Indices of Private

Rents and Yields; and the 1998 Welsh House Condition Survey.

Some of this analysis is for all of Wales, while some has been carried out at finer geographies. The scale and spatial distribution of the private rented sector has been analysed at local authority level, as have data relating to Housing Benefit and information on private rents. The scale and distribution of shared dwellings using the 1991 Census has been analysed at ward level.

Qualitative interviews were carried out across Wales with people in the public and private sectors with a knowledge and interest in the future of the private rented sector. A limited number of previous studies into particular aspects of the private rented sector in Wales were also identified and reviewed.

Twenty-six qualitative interviews were carried out with a number of Environmental Health Officers, Housing Advice Centres, Housing Strategy/Policy Officers, landlord representative organisations, letting agents, Rent Officers and University Accommodation Officers. Locally based interviews were carried out in Anglesey, Merthyr Tydfil, Powys and Swansea.

1.4 Structure of this Report

After explaining the methods used (chapter two), this report goes on to provide a background to the private rented sector and the Housing Benefit system in the UK

and Wales (chapter three). Consideration is given to how this research relates to the development of the National Housing Strategy for Wales and the on-going debate in Wales regarding the future of private rental housing.

The chapters containing the main empirical findings (chapters four to eight) each conform to the following broad structure:

- Data Review – outlining the relevant information contained in various datasets
- Data Analysis – presenting the data analysis carried out on selected datasets
- Qualitative Analysis – presenting the findings of the interviews carried out
- Future Research – presenting ideas for future research as suggested by interviewees and/or designed by the research team.

Chapter nine recaps the ideas for future research before making specific recommendations regarding the forthcoming Welsh Household and Dwelling Survey. Lastly, a means to monitor the private rented sector in Wales by centralising the data collected by the Rent Officer Service is outlined.

Chapter Two Methodology

2.1 Introduction

This chapter outlines the approaches taken by the research team to tackle the seven objectives of this research. The research team's approach consists of four main strands of work, which are reflected in the structure of the remainder of this chapter:

- a literature review;
- a data review and analysis;
- the selection of case study local authorities; and
- qualitative interviews and analysis.

2.2 Literature Review

Three main methods were used to identify previous research into the private rented sector in Wales. Firstly, electronic searches were performed of three databases. Secondly, enquiries were made by letter of three key Welsh organisations with an interest in housing. Finally, telephone enquiries were made of the Department of City and Regional Planning at Cardiff University.

The following three bibliographical databases were electronically searched: the Social Science Citation Index; the Planning Exchange; and Glasgow University Library catalogue. The Social Science Citation Index (accessed through the Web of Science, formerly through BIDS) is a bibliographical database of academic articles dating from 1981 and is updated weekly. The Planning Exchange is a bibliographical database of academic articles, discussion papers, consultants' reports and various types of policy

documents. The Glasgow University Library catalogue searches all material located in all libraries of the University of Glasgow.

Enquiries by letter were made of three key Welsh organisations with an interest in housing. These were: the Chartered Institute of Housing in Wales (CIH Cymru); Shelter Cymru; and the Institute of Welsh Affairs (which is not an exclusively housing oriented organisation, but carried out research into housing in Wales in 1997).

Finally, enquiries by telephone were made of the Department of City and Regional Planning at Cardiff University. This enabled access to two post-graduate dissertations from the masters course in housing which relate to aspects of the private rented sector in Wales.

2.3 Data Review and Analysis

The purpose of the data review was threefold. First, to provide an overview of the available data relating to the private rented sector. An account of the contents of a number of datasets relating to the private rented sector can be found in appendix one.

Second, to gain access to a number of datasets in order to provide a description of the private rented sector in Wales. The results of this are presented in the main body of the report.

The final purpose of the data review was to allow the research team to make practicable suggestions for future research and monitoring. These are presented

towards the end of each of chapters four to eight.

The following datasets were reviewed:

- 1 Census of Population, Local Base Statistics & Small Area Statistics, 1991
- 2 DSS/DWP Housing Benefit data, annually from 1992
- 3 Family Expenditure Survey, annually from 1961
- 4 General Household Survey, annually from 1971
- 5 JRF/Uni of York Index of Private Rents & Yields, available quarterly from 1996Q1
- 6 Student Accommodation data, 1998/99
- 7 Welsh Health Survey, 1998
- 8 Welsh House Condition Survey, 1998
- 9 Welsh Index of Multiple Deprivation, 2000

2.4 Selection of Case Study Local Authorities

Four case study local authority areas were selected in which to carry out the locally based qualitative interviews (for example, interviews with Environmental Health Officers, Housing Advice Centres, Housing Strategy/Policy Officers, etc.). It was decided to select case study areas on two principal grounds. Firstly, it grounds the questions in a particular setting to ensure realism. Secondly, selecting contrasting case study areas ensures that a range of experiences and circumstances encountered across Wales are heard.

The four 'case study' areas are not intended to provide a detailed picture of the private rented sector in each. Rather, they are intended to provide a focus for the interviews.

The criteria used to select case study areas were population density and the proportion of the population in receipt of state benefits. These criteria were chosen to help ensure that the four case study areas represented a range of different types of area found across Wales. Local authorities' population density was plotted against the percentage of the population in each area in receipt of key social security benefits. In discussion with the National Assembly for Wales, the following four local authority areas were chosen in which to base interviews:

- Anglesey,
- Merthyr Tydfil,
- Powys, and
- Swansea.

2.5 Qualitative Interviews

Seven different interview topic guides were developed for the following interviewees:

Local area interviewees

- 1 Environmental Health Officers
- 2 Housing Advice Centres
- 3 Housing Strategy/Policy Officers
- 4 Letting agents
- 5 Rent Officers
- 6 University Accommodation Officers

National interviewees

- 7 Landlord representative organisations
- 8 Large letting agents (the same topic guide as for local letting agents with minor adjustments to wording)

Semi-structured qualitative interviews were carried out covering the nature of the private rented sector, changes to the sector over the previous five years, problems with the sector including tenancy and repair issues, the operation of the Housing Benefit system, issues relating to Houses in Multiple Occupation, and policies which could be amended or introduced to help improve or expand the sector. Face-to-face interviews were arranged over the telephone from Glasgow prior to travelling to Wales. Initial contact was made with the names provided by the National Assembly for Wales. In some cases, these people themselves were interviewed, while in others they provided the name of an alternative or additional person qualified to answer the questions. Most of the local letting agents were identified while in the field via the local press and by utilising the local knowledge of other interviewees.

Table 2.1 summarises the interviews which were carried out. Both the 'national' letting agents were part of chains which

have, or had, offices across Wales, but in practice it was not possible to identify a person with all-Wales knowledge, therefore these interviews predominantly reflect the experience of the Cardiff offices. It was attempted to interview the Welsh regional representative of the UK-wide Association of Residential Letting Agents (ARLA), but this position was vacant at the time interviews were carried out. One of the landlord representative organisations interviewed had members across North Wales, and the other had members based mainly in and around Cardiff.

One of the 'Powys' letting agents was actually based in Aberystwyth, although managed some properties in Powys. The Anglesey letting agent and one of the Swansea letting agents completed the interview topic guide in writing and returned by post. All other interviews were conducted face-to-face.

Interviewees where possible were sent a copy of the topic guide prior to the interview in order to consider the issues before hand and so be able to provide more comprehensive responses. Interviews were tape recorded and detailed notes and quotations written up subsequently. These notes were then thematically coded.

Table 2.1: Qualitative interviews carried out

Interviewee	Area					Total
	National	Anglesey	Merthyr Tydfil	Powys	Swansea	
Environmental Health Officer	NA	1	1	1	-	3
Housing Advice Centre	NA	1	1	1	1	4
Housing Strat/Pol Officer	NA	1	1	1	1	4
Letting agent	2	1	1	2	2	8
Rent Officer	NA	1	1	1	1	4
University Acc. Officer	NA	NA	NA	NA	1	1
Landlord representative	2	NA	NA	NA	NA	2
TOTAL	4	5	5	6	6	26

Chapter Three

Background

3.1 Introduction

This chapter provides contextual background to the private rented sector in the UK and outlines the context in Wales in which this review of the private rented sector was commissioned. Closely associated areas of public policy are also outlined, namely Housing Benefit, tenancy legislation and housing grants. Finally, four specific studies relating to particular aspects of the private rented sector in Wales which were identified during our literature searches are summarised.

3.2 The Private Rented Sector in the UK

The private rented sector has an importance for housing policy that far outweighs its small numerical size. It is generally recognised that the sector has an important role in providing accommodation for a number of important niche groups within the housing market. As well as a declining group of elderly people, the sector accommodates young people including students living away from the parental home, and people living in tied accommodation. In addition to providing the first home for many newly formed households, the private rented sector also accommodates households who are unable, at least for the time being, to gain access to social housing, many of whom are dependent upon Housing Benefit to afford their rent. The sector also eases the operation of the owner occupied sector by allowing movers to sell without necessarily having found a dwelling suitable for purchase, thus helping to prevent the accumulation of housing chains. A large

and efficient private rented sector can therefore have significant economic benefits by enhancing labour mobility, allowing workers to move swiftly in response to changing labour market conditions (Maclennan and Pryce, 1996).

In addition, the importance of the sector may be set to grow as the number of households rises over the next two decades. This anticipated demographic change has raised questions over whether many of the new smaller households will be able to gain access to owner occupancy given that house prices in many areas have risen to the point where only households with more than one earner can afford the necessary mortgage payments, although this is generally less true in Wales than in the rest of the UK. Combined with significant shifts in the labour market towards more flexible (and less stable) forms of employment contract, the sustainability of a tenure structure dominated by owner occupancy and mortgage finance has diminished, raising the economic importance of the private rented sector (Maclennan and Pryce, 1996; Bramley, Pryce and Satsangi 1999).

However, notwithstanding these important roles, the private rented sector is beset by a number of serious problems. In particular, the sector features some of the worst housing conditions in the UK and in Wales.

In addition to poor house conditions, there are concerns about the quality of management by some private landlords. The establishment and growth of the Association of Residential Letting Agents

(ARLA) has helped to raise standards and make the management of the sector more professional. The Buy-to-Let scheme sponsored by ARLA has also helped in this regard. However, many landlords manage their property themselves, often in their spare time rather than as a full-time business. While some of these sideline landlords have the requisite skills to manage their properties well, others do not (Bevan, Kemp & Rhodes, 1995; Crook, Hughes & Kemp, 1995). Although recent governments has sought to modernise the ownership of the private rented sector, to date the financial institutions have been reluctant to invest in this market.

House conditions and management standards are particularly problematic in houses in multiple occupation (HMOs). The introduction of compulsory licensing, which has been proposed in the 2000 Housing Green Paper but has yet to be given parliamentary time, should help to improve physical and management standards within this small but important part of the privately rented market. However, there are also concerns that the introduction of licensing may prompt some HMO landlords to withdraw from the market. This may increase homelessness among the more vulnerable tenants on the margins of the housing market. Moreover, the Westminster proposals for licensing cover only HMOs, yet the problems of poor standards and inadequate management are by no means confined to this part of the private rented sector (Crook et al, 2000). The National Assembly for Wales have, however, recently issued a consultation paper on selective licensing of non-HMO properties in the private rented sector.

The student sub-sector of the private rented housing market is also a cause for concern in some respects. The changes in student finance (the replacement of grants by loans, the introduction of tuition fees, and the withdrawal in September 1990 of eligibility for Housing Benefit) have raised concerns about student poverty and debt. The evidence suggests that students living in privately rented accommodation have to spend a disproportionate share of their resources on rent. There are related concerns about overcrowding, about the cleanliness and condition of student rental housing, about anti-social behaviour by student households, and about the impact of student lettings on local property markets (Rugg et al, 2000).

In recognition of the important roles that private renting performs, but mindful of the problems that characterise much of the sector, recent governments, and now the National Assembly, have sought to further modernise this part of the housing market, building upon existing initiatives, not least the past and present role of housing improvement grants in Wales. However, as the National Assembly for Wales Task Force (2000b) report noted, the development of effective policy has been hindered by the relative lack on an adequate evidence base on the private rented sector in Wales. Although there has been a considerable amount of research on the private rented sector in recent years, most of this work has been focused on Britain as a whole, England, or Scotland, rather than specifically on Wales.

3.3 The Role of Housing Benefit

Concerns exist about the difficulties that people in receipt of social security benefits face in gaining access to, and being able to

afford the rents charged for, privately rented dwellings. The difficulties surrounding the administration of Housing Benefit and the impact of restrictions on eligible rents appear to have made some private landlords reluctant to let their accommodation to tenants in receipt of Housing Benefit. These restrictions have led to shortfalls between the rents considered eligible for Housing Benefit and the rents charged by private landlords (Kemp & McLaverty, 1995; Kemp & Rugg, 1998; Murphy, 1998).

In some cases, these restrictions in eligible rents, not to mention delays in the processing of Housing Benefit claims, have made it more difficult for 'Access (Bond) Schemes' to persuade private landlords to accept homeless people as tenants (Rugg, 1997). In addition, as research by NACAB (1998) and others has shown, the difficulties that some private tenants face in getting some of the less scrupulous landlords to return bonds has also been a concern for policy makers. The effectiveness of various tenant deposit schemes around the UK remains to be seen.

Since 1996, restrictions have been in place on Housing Benefit payment in three regards. Firstly, Housing Benefit will only be paid up to the going market rent for a particular property, as valued by the Rent Officer. This is designed to prevent landlords and/or tenants making a profit out of inflated claims for Housing Benefit. Secondly, Housing Benefit is only payable for the number of rooms that a household requires. Thirdly, Housing Benefit is only payable up to a maximum ceiling of the average local rent for a given size and type of property. This is designed to prevent Housing Benefit recipients living in luxury

accommodation. This ceiling for different sizes and types of property is known as the Local Reference Rent and is set by the Rent Officer with regard to market evidence based on private lets to people not in receipt of Housing Benefit.

More stringent restrictions apply to people under the age of 25 years. These individuals are subject to the Single Room Rent which restricts Housing Benefit entitlement to only cover a 'single room' rather than a whole self-contained dwelling. This means that people under 25 years on Housing Benefit are restricted to bed-sit type properties. However, as from July 2001 the definition of accommodation that is not self-contained was expanded to include cases where there is a shared lounge area, i.e. will include 'house share' arrangements. This means the Single Room Rent set by Rent Officers should rise to mean people under 25 years on Housing Benefit could afford to live in a 'house share'.

Prospective tenants looking for accommodation are entitled to ask for a Pre-Tenancy Determination. This is performed by the Rent Officer and tells the prospective tenant what the maximum eligible rent for a particular property will be for Housing Benefit purposes. This is intended to help people decide if they can live in a particular property before entering into a contract with the landlord.

3.4 Tenancy Types

Before 1989, rent levels in the private rented sector were regulated and tenants had greater security of tenure than they do now. The 1988 Housing Act introduced assured shorthold tenancies which were aimed at the private rented sector. Since

then, almost all private lets have been assured shorthold tenancies. Indeed, without signing a contract, they are the default legal position.

An assured shorthold tenancy locks both the landlord and tenant into a minimum period of six months. Thereafter, the landlord is required to serve two months' notice to the tenant to vacate the property (the two months notice can be served four months into the tenancy so that the minimum of six months residency will still be achieved). The tenant is required to serve one month's notice to the landlord of their intention to vacate a property (similarly, this can be served five months into a tenancy). After the initial six month period, the tenancy is said to be 'periodic'.

3.5 Housing Grants

The Local Government and Housing Act of 1989 saw increased public sector investment in private sector residential properties in the form of grants. Wales was a particular beneficiary of this policy due to the greater incidence of unfitness and disrepair found there than in the rest of the UK. Between 1986 and 1996, three times the number of grants were provided per 1,000 private dwellings (owner occupied as well as privately rented) in Wales than in England. In addition, the average grant paid was nearly twice as high in Wales (Bourton and Leather, 2000).

However, the mechanisms for allocating funds for housing renewal grants have changed since devolution in Wales, and the abolition of mandatory renovation grants by the Housing Grants, Construction and Regeneration Act of 1996. Since then, local authorities have the responsibility to

develop a strategy to deal with unfitness and disrepair in their own areas. General Capital Funding in Wales continues to rise, but local authorities may choose to allocate less funds to housing grants, reflecting competing local priorities.

3.6 The Welsh Context

A notable feature of housing (of all tenures) in Wales is the wide range of geographical variation in housing conditions and housing markets found across Wales. This makes it difficult to generalise about housing in Wales, and underlines the need for reliable data at sub-Wales level.

Another feature of housing in Wales compared to the rest of the UK is the age of the housing stock. The 1998 Welsh House Condition Survey shows that just under a third of dwellings in Wales were constructed before 1919 compared to just under a quarter in England. Privately rented properties are over-represented among older properties.

Another feature is the relatively high level of owner occupation in Wales which is in part a result of the 'building clubs' prevalent in the late nineteenth century, particularly in the Valleys (Fisk, 2000). More recently, low residential property prices in Wales have helped sustain this (Williams, 2000a). However, increasing house prices in some parts of Wales now mean that an increasing number of people cannot afford to enter owner occupation and therefore choose the private rented sector in its place (Holmans, 1996). This raises a question of meeting housing need with accommodation of a decent standard, as the better quality properties in the

private rented sector tend not to accept tenants in receipt of Housing Benefit (Institute of Welsh Affairs, 1997).

Overall, 8.6% of dwellings in Wales were in the private rented sector in 1999, lower than 11.1% of dwellings in England but higher than the 6.8% of dwellings in Scotland (Williams, 2000a). The proportion of dwellings in the private rented sector was in long term decline in Wales as in the rest of the UK until it rose slightly in the early 1990s but has stabilised throughout the late 1990s (Williams, 2000b). However, because the number of households and dwellings in Wales is rising, this constant proportion masks a continued growth in the absolute number of private rented properties. According to 1998 Welsh House Condition Survey, there were 88,535 privately rented dwellings in Wales.

The Welsh and English House Condition Surveys showed that in Wales 8.5% of housing in 1998 was unfit for human habitation compared to 6.5% in England in 1996. This is the result of the age of the stock, the wet climate in Wales, low property values reducing the incentive to invest, and because low incomes in Wales combine with a relatively high rate of owner occupation to mean that owners are less likely to be able to afford repairs (Bourton and Leather, 2000). The rate of unfitness found in the private rented sector in Wales was 18.4% in 1998 compared to 7.6% found in the owner occupier sector.

The devolution of additional decision making functions and the power to pass secondary legislation to the National Assembly for Wales established in 1999 poses new housing challenges as well as presenting opportunities for change. The

increased accountability brought by devolution has raised the public's expectations of change and improvement, particularly in housing (Gallent and Tewdwr-Jones, 2000).

The establishment by Win Griffiths MP in 1998 of the National Consultative Forum on Housing has led to the development of the National Housing Strategy for Wales by the Forum, the Welsh Office and now the National Assembly for Wales. Task Group Two which worked on developing the strategy in relation to private housing (owner occupation and private renting) made five recommendations in relation to the private rented sector in Wales. These were that:

- 1 The National Assembly be given the power to introduce its own model of licensing of HMOs within any primary legislation proposed by Westminster. [However, licensing of HMOs was not in the 2001 Queen's Speech].
- 2 The National Assembly initiate research on the private rented sector in Wales. [i.e. this review is the first piece of such research].
- 3 The Assembly should ensure that there is equal access to bond schemes across Wales.
- 4 Research be carried out by the Assembly to establish best practice on deposit management schemes.
- 5 The Assembly investigates possible means to help bring about the abolition of the Single Room Rent which restricts Housing Benefit eligibility to people under the age of 25 years.

The subsequent consultation paper issued by the National Assembly in December 2000 broadly accepted 1), 2) and 3). In addition, the National Assembly made a commitment to consider the viability of a landlord accreditation scheme in the light of DETR/DTLR research into this. In relation to 5), note that from July 2001, the definition of a 'single room' has been broadened to include rooms in houses with a shared living room, thus increasing the range of accommodation available to people in receipt of Housing Benefit under the age of 25 years.

The subsequent National Housing Strategy for Wales document reported that there was strong support from consultees of: mandatory licensing of HMOs but in a manner that would not restrict supply; a landlord accreditation scheme; an increase in access to bond schemes; and of the role that the private rented sector has in general in meeting housing need. This document was debated by the National Assembly on 12th July 2001 and is now formal policy. In addition, as noted in section 3.2, the National Assembly have recently issued a consultation paper on selective licensing of non-HMO properties in the private rented sector.

3.7 Previous Studies of the Private Rented Sector in Wales

There is a dearth of research into the private rented sector in Wales. Four specific pieces of work were found, two of which are dissertations carried out as part of the post-graduate course in housing offered by the Department of City and Regional Planning at Cardiff University. One other is a study commissioned by the

Housing Association Charitable Trust of older private tenants in Carmarthenshire and Pembrokeshire. The final study identified by the research team is a survey of advertisements for private lets in Alyn and Deeside in 1992 and 1993 carried out by Shelter Cymru. These four studies are now summarised in turn.

3.7.1 Gaining and maintaining private rented accommodation for young single homeless people

This housing dissertation by Daniel (1999) examined the problems that young single homeless people encounter in securing privately rented accommodation as well as remaining in that accommodation. Interviews were carried out with Bond Boards, 'support workers' and 'landlord development workers' in Cardiff, Vale of Glamorgan and Rhondda Cynon Taff. In addition, a survey of tenants and landlords using the Bond Boards was carried out.

This study found evidence of people in Vale of Glamorgan under 25 years on Housing Benefit having to share rooms because of the restrictions of the Single Room Rent. This resulted because of a shortage of bed-sit type accommodation in this area, so young people end up having to share a room in a house together.

The reasons most commonly cited by young homeless people for not being able to secure private rented accommodation were: 'unable to pay deposit and rent in advance', 'prejudice towards homeless people', 'lack of accommodation in preferred area', and 'could not afford furniture'.

3.7.2 *Access to the private rented sector for low income people*

This housing dissertation by Thomas (1995) is an evaluation of the Cardiff Bond Board. The main methods used were: interviews with a housing advice provider, a letting agent, landlords, Social Fund Officers, and people involved with the Bond Board; a survey of all Citizens Advice Bureaux in South East Wales; and a survey of bondees.

The main research findings were: only a small proportion of clients were ex-hostel dwellers (i.e. a major target group); hostels were not fulfilling their role as participating agencies; the Housing Help Centre was the main source of information about the Bond Board for tenants; ALMA, Cardiff Flatshop and the local press were the main sources of information for landlords; rent arrears among Bond Board clients were low and these were mainly caused by delays in the payment of Housing Benefit; and the Bond Board encouraged good management by landlords generally.

3.7.3 *Older private tenants and landlords in Carmarthenshire and Pembrokeshire*

This was a survey of 13 landlords, 36 tenants and 73 owner occupiers, all over the age of 60. The survey was carried out between 1998 and 2000. The main purpose of the study was to establish what problems older landlords and tenants had in maintaining their properties compared to owner occupiers.

The survey found that half of tenants had lived in their current home for more than 20 years compared to two-thirds of owners. This suggests that older owners are more settled than older private tenants.

Both tenants and owners underestimated the extent of work required to be done to their homes to bring them up to a standard of good repair. However, tenants underestimated this to a greater extent.

Eighty-nine per cent of private tenants said it was 'very important' to them to stay put where they lived. The area and neighbours were more important than the house in which they lived. Many older tenants were cautious about asking their landlord to carry out repairs for fear of eviction, even in cases where this risk was perceived to be small.

Only 20% of private tenants were aware of Care and Repair Cymru services, compared to 40% of owners. In addition, renters were less likely to seek assistance from Care and Repair due to the need to discuss the process with their landlord.

Most of the landlords had not heard of Care and Repair, but half said that they thought their older tenants would benefit from using Care and Repair. The same half also said they might contribute to the cost of the service.

3.7.4 *The availability of the private rented sector to families in Alyn and Deeside*

This work reports the results of a survey carried out by Shelter Cymru which collected information on advertised private lets in Alyn and Deeside. The survey was initially carried out in September 1992 and was repeated in September 1993. Over the two years, 691 lets were sampled. The survey was mainly concerned with the accessibility of the private rented sector to families. The key findings were:

- shortholds increased from 88% of new lets for family size accommodation in 1992 to 94% in 1993,
 - almost all single person lets were shortholds,
 - 97% of new lets surveyed in 1993 required a deposit compared to 95% in 1992,
- 84% of new lets in 1993 stated 'no DSS' compared to 80% the previous year, and
 - median asking rents for two bedroom houses increased from £289 per month to £324 per month, a rise of 12%.

Chapter Four

Private Rented Sector Stock

4.1 Introduction

This chapter is organised into two parts. The first covers the scale and spatial distribution of the private rented sector in Wales. The second covers the characteristics of properties.

Each part of this chapter and chapters five to eight are structured under the headings outlined in section 1.4. In summary, these are: data review; data analysis; qualitative analysis; and future research. Each section or chapter finishes with a summary of findings.

4.2 Scale and Spatial Distribution

4.2.1 Data Review

4.2.1.1 1991 Census of Population

Given near 100% coverage of the population, this can provide information on the precise spatial distribution of households and persons in the private rented sector in Wales. This can be done at the level of all Wales, former counties, former districts, wards or Enumeration Districts (EDs) using the Small Area Statistics (SAS) and the Local Base Statistics (LBS).

Most Census tabulations refer to households or persons, but a small number of tables in the LBS refer to dwellings. For example, LBS Table 64 provides information on the number of shared and non-shared dwellings, disaggregated by tenure.

4.2.1.2 1998 Welsh House Condition Survey

The 1998 Welsh House Condition Survey (WHCS) is formed of two sub-surveys. First, a household interview survey which was carried out in 1997 with just over 40,000 households. Second, a physical dwelling inspection by a surveyor which was carried out in 1998 on around 12,000 of the dwellings included in the household survey.

The household survey includes information on the geographical location of dwellings, households and persons at various spatial scales. These include various regional classifications within Wales (e.g. TEC areas, Health Authority areas, local authorities, parliamentary constituencies, postcode areas e.g. CF and postcode districts e.g. CF1). Note, however, that the WHCS was designed only to provide robust information down to local authority level for most variables. Therefore, a reliable estimate of the housing tenure structure of different local authority areas can be made, but further disaggregations within the private rented sector will result in small numbers of observations in some cells.

4.2.1.3 1998 Welsh Health Survey

The 1998 Welsh Health Survey (WHS) provides information on a random selection of 30,000 individuals. Information is collected regarding housing tenure. The WHS and the WHCS could, in theory, be combined to provide a larger dataset but the weights used in each survey to factor-up the results to reflect the age, gender

and geographical distribution of population in Wales would need to be merged.

4.2.2 Data Analysis

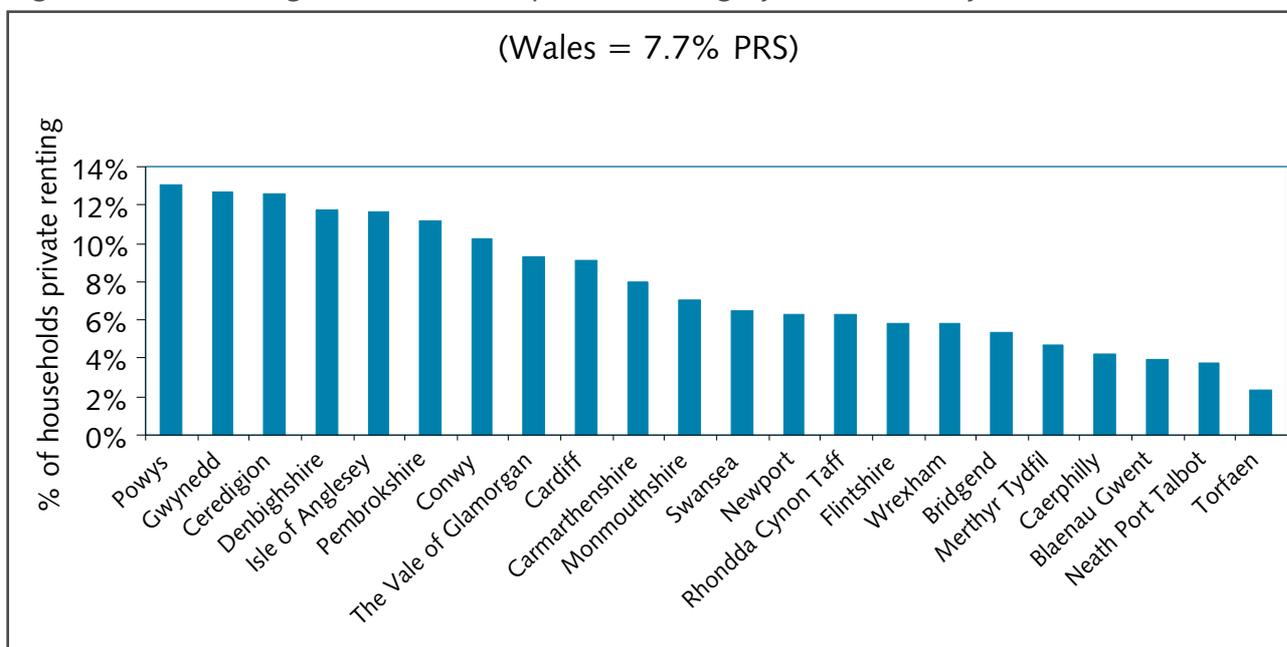
The results of the 1998 Welsh House Condition Survey indicate that 88,535 households, representing 7.7% of all households in Wales, rented their accommodation from a private landlord. This compares to 21.6% of households renting from a 'social' landlord (mainly local authorities and housing associations), and 70.8% who own their home (including those still repaying a mortgage or other loan).

However, the prevalence of the private rented sector (PRS) varies across local authority areas from 2.3% of households in Torfaen to 13.0% in Powys. Figure 4.1 shows the percentage of households in each local authority area in Wales living in the PRS. There is a clear geographical pattern to the prevalence of the PRS in Wales. The local authorities of mid-Wales, south-west Wales and the north-west (with the exception of Carmarthenshire) have an above average prevalence of the PRS.

None of these has less than 10% of households living in the PRS. In contrast, the local authorities with below average representation of the PRS cover the South Wales Valleys and industrial towns such as Port Talbot, Bridgend and Newport. Local authorities with around the Welsh average proportion of households living in the PRS are Cardiff, Swansea, the Vale of Glamorgan, Carmarthenshire and Monmouthshire. Flintshire and Wrexham stand out from this broad North/South pattern, both with below average representation of the PRS, both with 5.8% of households in the PRS.

Part of the reason for commissioning this research was to investigate whether the PRS could be expanded. A key question, therefore, is why is the PRS more prevalent in some locations than others? If some insight to this question can be provided, it may help identify the conditions in Wales which would enable the PRS to expand. It is therefore useful to consider which other housing tenure is most likely to currently house people who may have, given slightly different circumstances, chosen the PRS.

Figure 4.1 Percentage of households private renting by local authority 1977



Source: WHCS, 1998

The distribution of households across the three main housing tenures by local authority is shown in figure 4.2. In Wales as a whole in 1997, 70.4% of households lived in owner occupied properties, 21.9% lived in the social rented sector, and 7.7% in privately rented accommodation. Local authorities in figure 4.2 are ranked in descending order by the proportion of households in the private rented sector, as is figure 4.1.

Figure 4.2 shows a moderate cross-sectional (local authority level) inverse association between the proportion of households in the social rented sector (SRS) and the proportion in the PRS. This may mean that one acts as a substitute for the other, although many factors lie behind the production of this statistical association.

Local authorities with a high prevalence of owner occupation generally tend to have a slightly lower than average prevalence of social renting. This is consistent with these tenures being substitutes for one another, i.e. if earnings and employment rates were higher, more people would buy their own home, but being unable to do so, opt for the social rented sector.

Figure 4.3 shows the proportion of all renting households that rent from a private landlord. It ranges from around 7% in Torfaen to nearly 50% in Ceredigion. Comparing figures 4.1 and 4.3, there is a statistical association between the private rented sector's share of the rented sector and its share of all housing in different areas.

Figure 4.2 Tenure distribution by local authority, 1997

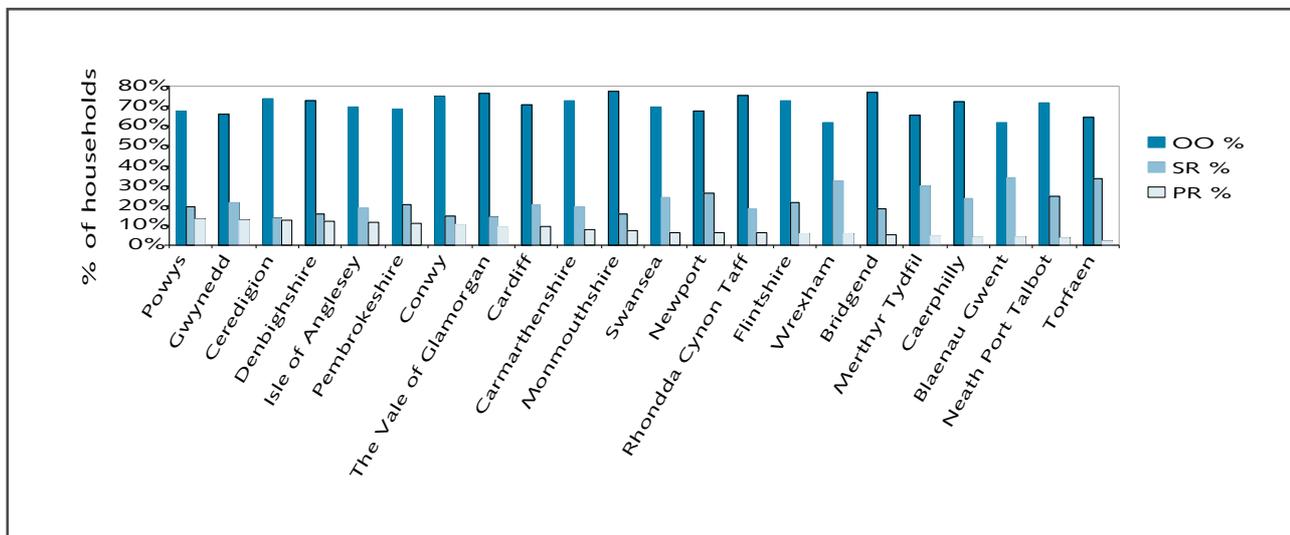
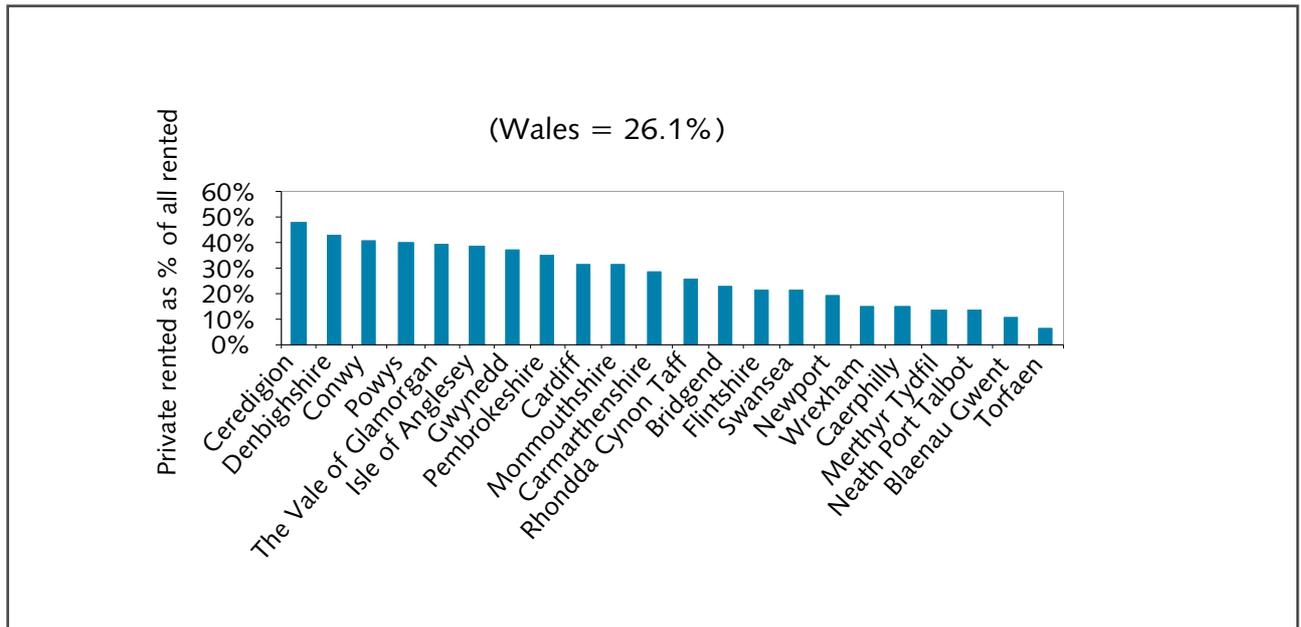


Figure 4.3 Private rented share of all rented by local authority, 1997



Houses in Multiple Occupation (HMOs) form a small but important part of the private rented sector. Some of the worst conditions and practices of the private rented sector are found in HMOs and some of the most vulnerable people in society are housed in HMOs. These factors, and because HMOs are subject to statutory controls, make HMOs of profound interest

to policy makers. Therefore, the scale and distribution of shared dwellings across Wales have been analysed using the 1991 Census of Population.

Table 4.1 shows the distribution of shared and unshared dwellings between different housing tenures for Wales as a whole.

Table 4.1 Shared dwellings* by tenure, 1991

Tenure	All dwellings %	Shared Dwellings %	Shared dwellings per 1000 dwellings	Mean households per shared dwelling
Owner occupied	71.1	24.4	0.8	2.8
Social Rented	21.5	8.4	0.9	4.6
Private Rented	7.3	67.2	20.4	3.9
TOTAL**	100.0	100.0	2.2	3.7

Source: 1991 Census of Population

* The Census definition of a household is one person living alone or a group of people who share either a living room or at least one meal a day. The Census definition of a dwelling is a self-contained property with a common front door. A shared dwelling is a dwelling occupied by more than one household.

** Percentages throughout this report may not sum due to rounding

Over two-thirds of shared dwellings in 1991 were in the private rented sector, despite the privately rented dwellings only accounting for 7.3% of all dwellings in Wales. Overall, 2.2 per 1,000 dwellings in Wales were shared in 1991. However, nearly ten times this proportion of privately rented dwellings were shared, at 20.4 per 1,000. The mean occupancy (households per shared dwelling) of shared dwellings in 1991 was 3.9 households in the private rented sector compared to only 2.8 in the owner occupied sector. The figure for social rented accommodation is 4.6. The average social rented figure is likely to be high due to large hostels for homeless and other vulnerable people run by some local authorities.

A dataset of shared dwellings at ward level for all housing tenures has been derived from the 1991 Census of Population Local Base Statistics Table 64 by the research team. This has been supplied to the National Assembly for Wales in electronic format. It contains the following information for all 945 wards in Wales:

- number of dwellings,
- number of unshared dwellings,
- number of shared dwellings,
- number of household spaces,
- shared dwellings per 1,000 dwellings, and
- mean number of households per shared dwelling.

The above variables are provided separately for:

- all properties,

- owner occupied properties owned outright,
- owner occupied properties purchased with a mortgage,
- all owner occupied properties,
- local authority properties,
- housing association properties,
- all social rented properties,
- unfurnished privately rented properties,
- furnished privately rented properties,
- privately rented properties tied to employment, and
- all privately rented properties.

4.2.3 *Qualitative Analysis*

A number of the groups of people interviewed in the course of this research were asked about the private rental market in their local area. These were mainly letting agents, housing officers and rent officers. A number of responses shed light on the reasons for the private rental market having a greater share of all housing in some areas compared to others.

Inward investment and general economic buoyancy were mentioned by a number of interviewees, particularly in the context of Cardiff, as factors which encouraged the expansion of the private rented sector in order to cater for in-coming workers. This boosted the middle and upper ends of the private rental market in particular by catering largely for professional workers and, in some cases, managers in executive positions who may seek luxury accommodation in the private rented sector. In the case of large inward investors, companies may purchase a

property or properties in which to house newly appointed staff.

Low incomes in an area can restrict the number of households who can afford to enter owner occupation and who may choose to live in privately rented accommodation as an alternative. This was cited as a factor in explaining the high rate of private renting found in Powys. In addition, limited availability of social rented accommodation in Powys can add to the role of the private rented sector in meeting housing need.

The quality of social rented accommodation available can also contribute to the private rented sector increasingly fulfilling the role of meeting housing need. A number of interviewees in all four case study districts mentioned that they had noticed an increase in the number of people already in the social rented sector moving to a private rented property. There was uncertainty regarding the reasons for this, but drug problems, anti-social behaviour and poor environmental quality on some council estates were suggested as possible factors. In addition, the social rented sector's ability to meet housing need was reported as being compromised by demographic changes meaning that properties in the social rented sector tend to be too large for the increasing numbers of smaller households in housing need.

Historical influences on the housing market were also mentioned by interviewees. For example, in rural areas, properties formerly tied to agricultural employment or farm tenancies tend to remain in the private rented sector, even if the occupants no longer work the land. Seaside towns along the North Wales coast where the tourist industry has collapsed in recent decades

retain an inheritance of large former B&B properties, many of which have now been converted to bed-sits.

In rural parts of North Wales, accommodation used for holiday lets in the summer often are rented out for a six month period during the winter off-season. This was not considered by the housing strategy officers interviewed to be a satisfactory arrangement since this by definition can only provide short term temporary accommodation.

The presence of a university enhances the size of the private rental market in a given location, since a significant proportion of students living away from their parental home are accommodated in privately rented accommodation. This may help account for the fact that both Swansea and Cardiff have a greater share of their housing stocks in the private rented sector than the rest of South Wales.

The broader housing market also has an influence on the size of the private rented sector in a given location. For example, if house prices are particularly low, then this often increased the yields to be obtained by landlords as rent levels appear to hold-up relatively well for landlords in low house price areas. This was the view of a letting agent and a housing officer in Powys, a letting agent in Swansea, a letting agent in Merthyr Tydfil and a rent officer in Anglesey. In addition, a letting agent and an Environmental Health Officer in Merthyr Tydfil made the point that some people who had left the area to find better employment had difficulty selling their house in such a depressed local housing market, therefore chose to place it on the private rental market.

In terms of the potential to expand the private rented sector as a whole, the landlord representatives, letting agents and some of the local authority Housing Officers expressed concern at excessive and inconsistent regulation of the sector, particularly with regard to HMOs. A number of interviewees expressed the view that only a minority of properties in the private rented sector are problematic, but that the whole sector suffers from over-regulation as a result and that this deters prospective landlords from entering the sector and existing landlords from expanding their portfolio. Inconsistencies between local authorities in how stringent Environmental Health Officers were in applying fire regulations in HMOs was raised as a source of confusion and frustration to landlords who operated in more than one local authority.

4.2.4 *Future Research*

As noted above, a number of interviewees mentioned that they had noticed an increase in the number of households moving from the social rented sector to the private rented sector. This is of more concern to the social rented sector than the private rented. Nevertheless, this appears to be an increasing trend which social housing providers may wish to address, therefore it needs to be better understood. Indeed, a number of those interviewed, mainly housing officers, suggested that an investigation of the reasons for this would be a useful piece of research to be carried out in the future.

The 2001 Census of Population presents an opportunity to provide an up to date detailed account of the scale and spatial distribution of different types of persons, households and dwellings in the private

rented sector, including shared dwellings. In addition, it will be possible to assess the change since 1991 at a fine grained geography.

The 2001 Census of Population also provides the opportunity for local authorities to compare the number of HMOs they have on any database or registration scheme against the actual number of properties in their area (although, of course, the identity of particular properties cannot be identified from the Census). The uncertainty surrounding the proportion of HMOs that Environmental Health departments have knowledge of was a source of concern to all the Environmental Health Officers interviewed. Indeed, there is a need for more general research into the nature of the problems associated with the HMO sub-sector.

There is also scope for the Rent Officer Service to make similar use of the 2001 Census of Population. Again, the Census can act as a benchmark against which to assess the proportion of the private rental market for which market evidence has been obtained for the purposes of setting the Local Reference Rent and the Single Room Rent.

4.2.5 *Summary of findings*

- 7.7% of households in Wales in 1997 were in the private rented sector, varying from 2.3% in Torfaen to 13.0% in Powys.
- There is generally a greater prevalence of privately rented properties in rural areas, North, Mid and West Wales.

- The private rented sector tends to be more prevalent in local authority areas where a lower proportion of households live in the social rented sector.
- Interviewees thought that the main influences on demand for private rented accommodation in a particular area are: economic buoyancy and inward investment; the presence of students; the quality and quantity of social rented accommodation; and the affordability of entry to owner occupation.
- Interviewees thought that the main influences on the supply of private rented accommodation in a particular area are: profitability; and the historical inheritance of excess property in an area, e.g. off season holiday lets, seaside B&B properties and tied agricultural cottages.

4.3 Dwelling Characteristics

4.3.1 Data Review

4.3.1.1 1991 Census of Population

The 1991 Census provides information by housing tenure on the number of rooms in dwellings, dwelling type (detached house, terraced house, flat, etc.) and amenities (e.g. central heating and shared WC facilities). Housing tenure in the Census differentiates between furnished and unfurnished private rented properties and accommodation that is rented from the tenant's employer. These data refer to households rather than dwellings.

4.3.1.2 1998 Welsh House Condition Survey

The 1998 Welsh House Condition Survey physical inspection is well documented by the National Assembly for Wales and local authorities across Wales. Therefore, it was not reviewed in detail in this study. Rather, the research team concentrated on the 1997 household interview component..

The 1997 household survey includes information on: the date of construction, number of rooms, type of dwelling, level of insulation, and the presence of central heating and basic amenities. The respondents' and the interviewers' assessments of the condition of properties are also recorded.

The WHCS was designed to provide robust information down to local authority level for most variables. Therefore, a reliable estimate of the housing tenure structure of different local authority areas can be made, but further disaggregations within the private rented sector will result in small numbers of observations in some cells.

4.3.1.3 General Household Survey

The General Household Survey (GHS) is available annually from 1971 and provides detailed information on housing, household and individual personal characteristics. In any year, it has information on approximately 8,000 households across the UK, which generates around 40 private rented sector observations in Wales. Therefore, analysis could only be carried out at all-Wales level, and adjacent years would need to be combined to generate robust sample sizes. The geographical indicators contained in this dataset are Standard Regions.

The GHS also contains information on the type of landlord people rent from. This could be used to provide an insight into the long term changing type of landlord operating in the private rented sector, for example employers offering accommodation tied to a job, other institutional landlords and private individuals. Long term change in the size and type of properties in the private rented sector could also be assessed.

4.3.1.4 Family Expenditure Survey

The Family Expenditure Survey (FES) is another UK wide on-going survey which collects information on approximately 8,000 households each year, the same size as the GHS. The FES is available from 1961. Since the focus of the FES is on expenditure, it includes levels of rent and rent rebates (presently Housing Benefit). The FES also provides information on the size of properties, whether they have central heating or not, whether rented properties are furnished or not, and where properties are located. The geographical indicators contained in this dataset are Standard Regions.

4.3.1.5 1998 Welsh Health Survey

Information in this survey on housing characteristics is limited to tenure and the age of dwelling.

4.3.2 Data Analysis

This section describes the physical characteristics of the properties in which households living in the PRS are accommodated. In order to provide context to this, the PRS is compared against the Social Rented Sector (SRS) and Owner Occupation (OO). This section

describes these three housing tenures in terms of type of accommodation, age of accommodation and the size of properties. It then goes on to briefly describe the level of insulation found in different housing tenures and amenities inside the properties such as central heating and smoke alarms. Finally, the state of repair of properties in different tenures is described and then the adequacy of the size of dwellings for the families living in them is outlined.

Table 4.2 shows the dwelling type composition of each of the three tenure groups. Over 20% of private renting households live in flats/maisonettes compared to only 2% of owner occupiers. Social renters are also substantially over-represented in flats/maisonettes, to an even greater extent than private renters, with over a quarter of all social renters living in this type of dwelling.

Terraced housing is split in approximately the same tenure proportions as national housing tenure breakdown would predict, although private renting is marginally over-represented while owner occupation is marginally under-represented. Private renting is substantially under-represented amongst semi-detached housing with only 17% of private renters living in semi-detached dwellings compared to 34% of owner occupiers and 37% of social renters. The healthy representation of semi-detached housing among social renters is due to significant quantities of this type of housing built by the public sector, mainly during the inter-war period. However, bear in mind that of semi-detached housing, less than a quarter of it is in the social rented sector while nearly three-quarters of it is in owner occupation, owing to the overall greater prevalence of owner occupation compared to social renting.

Table 4.2 Type of dwelling by tenure, 1997

Type of dwelling	Tenure			Total %
	Owner Occ %	Social Rented %	Private Rented %	
Detached house/bungalow	31	2	20	24
Semi-datched house/bungalow	34	37	17	33
Terraced house/bungalow	32	35	38	33
Flat/maisonette	2	26	20	9
Other	1	1	5	1
Total	100	100	100	100

Source: WHCS, 1998

Curiously, private renting breaks the pattern of being over-represented by small, flatted dwellings when it comes to detached properties, with nearly one-in-five PRS households living in a detached property, not substantially below the Welsh average of 24%. However, nearly one-in-three owner occupiers lives in a detached property compared to 2% of social renters. The higher than expected proportion of private renters in detached properties is likely to be due to a combination of tied, and formerly tied, agricultural properties within the PRS and second and holiday homes in remoter locations being rented

out by the owners while they are not in residence and in the off season.

Table 4.3 shows the date of construction by tenure. The PRS is dominated by older dwellings, with 60% of private renters living in dwellings built prior to 1919 compared to only of 6% social renters and 35% of owner occupiers. Similarly, only 17% of private renters live in properties constructed since 1964 compared to 43% of social renters and 32% of owner occupiers.

Table 4.3 Date of construction by tenure, 1997

Type of construction	Tenure			Total %
	Owner Occ %	Social Rented %	Private Rented %	
Pre 1919	35	6	60	31
1919-1944	15	14	14	15
1945-1964	17	38	10	21
Post 1964	32	43	17	33
Total	100	100	100	100

Source: WHCS, 1998

Table 4.4 shows the size of households' accommodation by tenure. Overall, the PRS tends to be over-represented amongst smaller dwellings, although this is also true of the SRS. The PRS is particularly over-represented amongst one room dwellings (bed-sits) although these only form 0.3% of all households. The PRS is also over-

represented amongst two and three room dwellings (generally one bedroom flats with and without separate lounge/kitchens respectively). The PRS is under-represented amongst all dwellings larger than three rooms, although only marginally so for dwellings of seven or more rooms.

Table 4.4 Number of rooms by tenure, 1997

Number of rooms available to household	Tenure			Total %
	Owner Occ %	Social Rented %	Private Rented %	
One	0	1	2	0
Two	1	17	10	5
Three	13	28	25	17
Four	31	30	26	30
Five	33	22	21	30
Six	13	2	9	11
Seven or more	9	1	7	7
Total	100	100	100	100

Source: WHCS, 1998

The properties in which private renting households live generally have less amenities, insulation and central heating compared to other tenures, although in absolute terms the private rented sector is not too badly equipped. For example, 96% of households in the PRS have use of all basic amenities (gas/electricity and plumbed WC, bath/shower, wash-hand basin and sink) compared to 99% in both the SRS and owner occupation. However, owing to the small overall size of the PRS, of the households without use of all basic amenities, nearly two-thirds are actually in owner occupation.

Of the households interviewed in the 1998 WHCS, 2% of the private renters said their dwelling had no insulation compared to less than 1% of owner occupiers and a negligible proportion of social renters. The more significant insulation problems in the PRS are with roofs/lofts (17% with no roof/loft insulation compared to 10% of owner occupiers); double glazing (over half with no windows double glazed compared to less than one-in-four of owner occupiers); and hot water tanks (13% with no insulation compared to 7% of owner occupiers).

Three-quarters of households in the PRS have central heating compared to around nine out of ten owner occupiers and social renters. Of the private renters who do

have central heating, it is more likely to be powered by electricity than other tenures which is less cost effective to run.

Just under four-in-five of all households in Wales have smoke alarms. However, only two-thirds of households in the PRS have smoke alarms compared to over three-quarters of owner occupiers and 92% of those in the SRS. Of those households without smoke alarms, 13% of in the PRS, 79% are in owner occupation and 9% are in the SRS.

Table 4.5 shows the overall condition of dwellings as reported by the household interviewer. The overall condition of dwellings is rated 'good' if no parts of the dwelling appear in disrepair; 'bad' if one of roof, walls or doors/windows appear in disrepair; 'very bad' if two or more of roof, walls or doors/windows appear in disrepair or any one is in major disrepair.

Eighty-five per cent of owner occupier households' accommodation was classified as in 'good' condition compared to only two-thirds of privately renting households' and just over three-quarters of that in the social rented sector. Similarly, 16% of the PRS households' dwellings were classified as in 'very bad' condition compared to 6% of owner occupiers' and 9% of social renters'.

Table 4.5 Overall condition of property by tenure, 1997

Overall condition of property	Tenure			Total %
	Owner Occ %	Social Rented %	Private Rented %	
Good	85	76	66	82
Bad	7	11	13	9
Very Bad	6	9	16	7
Not Visible	2	5	5	3
Total	100	100	100	100

Source: WHCS, 1998

The household interviewers' assessment of the state of repair of properties is confirmed by residents' own assessment. Fifty-three per cent of private renters thought their accommodation was in good repair compared to 77% of owner occupiers. Nine per cent of private renters thought their accommodation was in need of major repair compared to 3% of owner occupiers.

These figures are confirmed by the results of the physical inspections of properties by surveyors in the 1998 Welsh House Condition Survey. These showed that 18% of properties in the private rented sector were classified as unfit for human habitation compared to only 8% of owner occupied properties and 8% of social rented accommodation. Similarly, the estimated average cost of repairs per dwelling to meet minimum fitness standards were £1,883 in the private rented sector compared to only £951 in the owner occupied sector and £654 in the social rented sector.

Finally, in terms of the adequacy of the size of dwellings for the households living in them, there was no significant problem in

relation to the 'bedroom standard' with any particular housing tenure. The 'bedroom standard' assumes one bedroom is required per single adult (21 years or over), adult partners (whether 21 year or not), two children sharing (but one room each for children over ten years if of different genders). Only 6% of both private and social renting households were below their bedroom standard and 2% of owner occupiers were below their bedroom standard. However, 81% of owner occupiers were above their bedroom standard compared to 60% of private renters and 50% of social renters.

4.3.3 Qualitative Analysis

A number of interviewees were asked about the nature and condition of properties prevalent in the private rented sector. Landlord representatives and letting agents were asked about landlords' attitudes towards repair and maintenance.

The landlord representatives and the letting agents had a strongly held view that the majority of landlords who are in the sector for the purposes of investment have a good record on repairs and maintenance.

They pointed out that many investment landlords want to sell the property when they retire therefore want to maintain it in good condition. Other landlords may wish to live in the property in question at some point in the future, therefore these 'accidental' landlords also wish to maintain their property to a high standard.

The restrictions on the level of Housing Benefit payable introduced in 1996 is a factor cited by landlord representatives and letting agents as limiting some landlords' ability to carry out repairs and maintenance. This was particularly true in areas where a large proportion of private tenants are in receipt of Housing Benefit.

Letting agents are often given a high degree of responsibility for carrying out repairs and maintenance themselves. Letting agents said that it is not in their interests to be managing properties which are in disrepair, as they are difficult to let and cause complaints from tenants. Some letting agents said they would decline to manage a property if it was in a poor state of repair.

Environmental Health Officers reported that there is a high incidence of dampness, disrepair and unfitness in the private rented sector. This is especially true of HMOs, consistent with findings of the 1998 Welsh House Condition Survey physical inspections.

4.3.4 *Future Research*

Much is known in general from the 1991 Census of Population and the 1998 WHCS, therefore the most fruitful areas for future research are those which focus on specific disrepair issues and how they may be remedied. For example, the HMO sub-sector and the impact of Housing Benefit restrictions on repairs and maintenance in different private rental market contexts could be usefully investigated further.

4.3.5 *Summary of findings*

- Flats/maisonettes; older properties esp. pre 1919; smaller dwellings esp. one room; below average condition properties; and properties without all basic amenities are over-represented in the private rented sector compared to other tenures.
- Most investment landlords and letting agents have high maintenance standards.
- DSS sector landlords have less good maintenance records, especially those not using a letting agent in areas of low market demand.
- Landlord representatives and letting agents say that Housing Benefit restrictions have limited landlords' ability to carry out repairs and maintenance.
- Environmental Health Officers report much dampness, disrepair and unfitness in the private rented sector, especially HMOs.

Chapter Five

Private Rented Sector Tenants

5.1 Data Review

5.1.1 1991 Census of Population

Information on household size is available by tenure in the 1991 Census of Population. In addition, counts of the numbers of households with dependent children, households with pensioners and households with any dependants are available disaggregated by housing tenure. Information on overcrowding and car ownership is also provided by housing tenure.

5.1.2 1998 Welsh House Condition Survey

The 1998 WHCS contains information on the characteristics of households and individuals. Broadly, data refer to household size, household income, individuals' age, individuals' socio-economic status, and individuals' receipt of various state benefits. Whether or not Housing Benefit is paid to the household is also recorded, as is the amount of rent paid.

5.1.3 General Household Survey

The General Household Survey (GHS) provides detailed information on household and individual personal characteristics at all Wales level.

5.1.4 1998 Welsh Health Survey

The only non-health related information this survey contains that is not contained within the WHCS is ethnic group.

Obviously, detailed information is contained within this dataset regarding individuals' ailments, state of health and frequency of visits to GPs and hospital. This type of health data could usefully be analysed against housing conditions, as it has long been recognised that poor housing can result in poor health, yet recent empirical evidence to support this is sometimes lacking.

5.2 Data Analysis

This section describes the characteristics of the households and individuals who live in the PRS, the SRS and OO. The characteristics of the residents of these three housing tenures are described in terms of household size, household type, household income, marital status, age, socio-economic status, ethnic group and state of health.

Table 5.1 shows household size by tenure. Single person households are substantially over-represented in both the PRS and the SRS, with 32% of households in the PRS consisting of one person and 36% of those in the SRS compared to 21% of those in owner occupation. There are not particularly marked deviations from the Welsh aggregate tenure distribution for households of more than one person, although larger households of six or more people are more likely to be housed in the SRS and, to a slightly lesser extent, the PRS.

Table 5.1 Household size by tenure, 1997

Number of people in household	Tenure			Total %
	Owner Occ %	Social Rented %	Private Rented %	
One	21	36	32	25
Two	37	27	31	34
Three	18	16	16	17
Four	17	12	12	16
Five	6	6	6	6
Six or more	2	3	3	2
Total	100	100	100	100

Source: WHCS, 1998

Table 5.2 shows the income distribution of households in each of the three housing tenures. Private renting households are on lower than average income but not as low as social renters. Households in the SRS are the most skewed towards lower household incomes, with just over half on gross household incomes of less than £7,000 per annum compared to 15% of owner occupiers and 36% of private renters. Private renters are also strongly skewed towards lower incomes, although less so than social renters. At the upper end of the income scale, 8% of private renting households have gross annual incomes over £20,000 compared to 18% of owner occupiers and only 1% of social renters.

However, gross household income underestimates the actual wealth experienced by individuals in the PRS because private renting households are on average much smaller than other tenures, so a given household income goes further. The PRS, as outlined above, has a particular concentration of single person households. An 'equivalent income' adjustment would need to be made to accurately reflect how 'well-off' different household types and sizes actually are. Nevertheless, the differences in household income between housing tenure groups shown in table 5.2 are sufficiently marked so that the general pattern is unlikely to be altered if using an equivalent income scale.

Table 5.2 Gross household annual income by tenure, 1997

Gross household annual income	Tenure			Total %
	Owner Occ %	Social Rented %	Private Rented %	
Up to £4,000	5	22	17	9
£4,001-£7,000	11	29	19	15
£7,001-£10,000	9	13	10	10
£10,001-£15,000	10	6	8	9
£15,001-£20,000	9	3	5	8
£20,001-£30,000	10	1	5	8
Above £30,000	8	0	3	6
Refused	24	14	17	21
Don't Know	15	13	16	15
Total	100	100	100	100
Average income (£) (based on mid-points; upper band £40,000)	16,196	6,351	9,762	13,281

Source: WHCS, 1998

Another indicator of wealth is household savings. In particular, savings make purchasing a property with a mortgage more manageable. However, 37% of those in the PRS have no savings and 54% have less than £3,000 (a realistic minimum amount required to put down a 5% deposit and pay legal, survey and other set-up costs when buying a home). This compares to only 13% of owner occupiers having no savings and 34% with less than £3,000. Fifty per cent of social renters have no savings and 68% have less than £3,000.

Table 5.3 shows the distribution of different household types found within each housing tenure. The importance of the PRS in housing non-pensioner single persons is striking, with 21% of households in the PRS falling into this category compared to only 7% of owner occupiers and 11% of social renters. Single pensioners, however, are under-represented in the PRS, with 11% of private renting households being single pensioners compared to 25% of social renters and 13% of owner occupiers. Lone parents are also substantially over-represented in the PRS, but also in the SRS

Table 5.3 Household type by tenure, 1997

Household type (h/h = household)	Tenure			Total
	Owner Occ %	Social Rented %	Private Rented %	%
Single pensioner	13	25	11	16
Other single pensioner	8	11	21	9
Lone parent h/h	3	16	13	6
Other h/hs with dependent children	28	22	18	26
Families without dependent children	49	27	37	43
Total	100	100	100	100

Source: WHCS, 1998

This section so far has described the characteristics of households. It now considers the characteristics of the individuals, again disaggregated by housing tenure. Table 5.4 shows individuals' marital status by housing tenure. The 'single never married' category is substantially over-represented in the PRS, illustrating the role of the tenure as a first stop after young adults leave their parental home. Fifty-three per cent of individuals in owner occupation are married compared to only 27% of those in privately rented accommodation and 30% of those in the SRS. Just under 3% of private renters are married but separated compared to just over 1% overall and under 1% of owner occupiers. This illustrates the role of the PRS in providing accommodation for people immediately after they separate

from their marriage partner. Divorcees are also over-represented in the PRS but less so, reflecting a gradual shift back into owner occupation (but not into social renting) after couples' divorces come through.

Table 5.5 shows the age profile of the individuals living in each of the three main housing tenures. The PRS contains its proportionate share of dependent children while the SRS contains more than its share and owner occupation slightly less. Young adults (age 18-24) are heavily over-represented in the PRS, reflecting the tenure's important role for young people after leaving home and prior to entering owner occupation and, to a lesser extent, prior to entering the SRS.

Table 5.4 Martial Status by housing tenure, 1997

Household type	Tenure			Total
	Owner Occ %	Social Rented %	Private Rented %	%
Single, never married	36	50	59	41
Married, living with spouse	53	30	27	46
Married, separated	1	2	3	1
Divorced	3	8	6	5
Widowed	7	11	5	7
DNA	0	0	1	0
Total	100	100	100	100

Source: WHCS, 1998

Table 5.5 Age of residents by tenure, 1997

Age Group	Tenure			Total
	Owner Occ %	Social Rented %	Private Rented %	%
0-15 (children)	19	30	22	22
16-17 (adolescents)	3	3	2	3
18-24 (young adults)	7	7	22	8
25-59/64 (adults of working age)	51	39	44	48
60/65+ (pensioners)	20	21	10	20
Total	100	100	100	100

Source: WHCS, 1998

The private rented sector also contains a disproportionate share of households headed by an individual under the age of 30 years. In 1997, 34% of households in the private rented sector were headed by someone under the age of 30, compared to only 14% in the social rented sector and 6% in owner occupied accommodation.

Unemployment is high among people in the private rented sector, although not as high as among those in the social rented sector. Of economically active private rented sector tenants of working age interviewed in the 1998 WHCS, 12% were unemployed compared to 19% of social rented sector tenants and only 3% of owner occupiers. The Welsh unemployment rate according to the 1998 WHCS was 5%. These figures relate to the 'ILO' definition of unemployment, which requires an individual to have looked for work in previous four weeks and be available to start within a fortnight.

Members of ethnic minority groups are substantially over-represented in the PRS. Just over 3% of individuals living in the PRS are members of ethnic minority groups compared to just over 1% of both owner occupiers and social renters.

The general state of individuals' health is marginally, but not dramatically, better in the PRS than in Wales as a whole. 18% of people living in the PRS describe their health as 'excellent' compared to 15% of those in owner occupation. Only 8% of social renters, however, describe their health as 'excellent'. Conversely, 5% of both private renters and owner occupiers described their state of health as 'poor' compared to 13% of social renters. These figures are not surprising since private renters tend to be younger than people in

other housing tenures. Indeed, given that the tenure differences are not substantial, if age were controlled for, it may be the case that private renters actually have poorer health than their counterparts in other tenures.

5.3 Qualitative Analysis

Market segments commonly identified by most of the groups of interviewees were broadly:

- professionals and other mobile workers,
- young single people and couples,
- students, and
- 'DSS lets' (i.e. recipients of Housing Benefit).

These four broad groups formed distinct market segments in the minds of lettings agents and investment landlords. Within each of these three broad groupings, however, distinctions were made between sub-groups. The 'professionals and mobile workers' group included itinerant workers, for example in construction or tourism, contract staff at universities, young junior professionals and company executives who may move into family accommodation at the luxury end of the private rented sector, mainly in Cardiff.

The 'young single people and couples' category is thought to include people who cannot yet afford to enter owner occupation and couples in the early stages of their relationship who are not yet ready to commit to a joint mortgage. There is overlap between this and the former group, as many young people seeking entry to owner occupation may also be unsure of how long they may stay in their

current job. In Powys and Anglesey where employment is more seasonal than in South Wales and the private rented sector more prevalent, this group of young renters extends to older couples with children. Indeed, in these areas, letting agents reported a small proportion of families make private renting their long term tenure of choice.

'Students' form a fairly homogenous group, although letting agents differentiated between undergraduates and post-graduates. Undergraduates often approached landlords or letting agents in a group, while post-graduate students were more likely to live alone. Post-graduate students were also more likely to share with non-students and as such had aspects in common with the mobile worker category.

Two distinct groups within the 'DSS lets' category were long-term Housing Benefit recipients and a more transient group. The former were most commonly lone parents or people also in receipt of Incapacity Benefit. The latter group were more often in receipt of Job Seekers Allowance.

This latter group of shorter term, more transient, tenants in receipt of Housing Benefit were reported by landlord representatives and letting agents to be the source of some problematic behaviour from landlords' point of view. Rent arrears and vacating properties without serving notice to quit, and in some cases not returning keys, were the most commonly reported problems. These problems appeared to be the most severe in the seaside towns of North Wales where 'DSS lets' form a large proportion of the private rental market due to the conversion of former B&B properties to bed-sit type accommodation and a

particularly high turnover of tenants. In Merthyr Tydfil, there was some informal policing of 'problem' tenants through word of mouth between landlords.

Vacating properties in a poor state of cleanliness was reported as a common problem and that this was more common among a 'certain type' of Housing Benefit recipient. Damage to property, neighbourhood nuisance and drug taking were mentioned by some letting agents and housing officers as problems in the bottom end of the private rented sector, but these were not generally considered to be particularly significant in extent or severity in this tenure.

5.4 Future Research

As with dwelling characteristics, much is already known from the Census and the 1998 WHCS with regards to the characteristics of private tenants. What is less well understood is the precise experiences and aspirations of private tenants, as little qualitative work has been done with them. Questions to ask might include: How long do people intend to live in a particular property? How long do people intend to live in the private rented sector? What problems do they encounter in finding suitable accommodation? Do people chose different housing tenures because of the inherent nature of the tenure or because of the quality, type, location and size of properties available in different housing tenures?

The apparent problems with rent arrears and the vacation of properties by tenants without serving notice to quit could usefully be examined from tenants' point of view. For example, their 'side of the story' with regards to repairs, rent arrears,

the Housing Benefit system and relationship with landlords could be sought. As with much previous work into the private rented sector in the UK, this review of the sector in Wales has not gathered information on tenants' perspectives, but has rather relied on landlords' and letting agents' opinions.

5.5 Summary of Findings

- private tenants are substantially younger and lower income than the population as a whole,
 - single people, both pre- and post-marriage, are more likely to be private tenants (apart from pensioners),
 - private tenants are more likely to be unemployed and members of ethnic minority groups compared to the population as a whole,
- landlords and letting agents generally recognise the following market segments:
 - professionals and other mobile workers,
 - young single people and couples, including families in rural areas,
 - students, and
 - 'DSS lets' (i.e. recipients of Housing Benefit), differentiating between long-term and more transient sub-groups.
 - landlords representatives and letting agents reported problems at the bottom end of the 'DSS' market of rent arrears and tenants vacating properties without serving notice to quit.

Chapter Six

The Role of Housing Benefit in Supporting the Private Rented Sector

6.1 Introduction

Housing Benefit plays an important role within the housing market by helping low-income tenants to afford their rent. It is especially important in the private rented sector, where rents are generally much higher than in social housing.

This chapter considers the role of Housing Benefit (HB) within the private rented sector in Wales. It draws on administrative data supplied by the Department for Work and Pensions, on the socio-economic data on private tenants collected as part of the household interviews in the Welsh House Condition Survey, and on qualitative information collected from interviews with private landlords, managing agents, and Rent Officers.

6.2 Data Review

6.2.1 Administrative Data

The Department for Work and Pensions' (DWP) Housing Benefit Management Information System is based on returns by local authorities on 100% of their HB caseload. It contains annual data on the number of regulated and deregulated private tenants in receipt of HB in Wales and in each local authority from 1992 to 2000. It also contains, for Wales and for each local authority, the average eligible rent and average HB entitlement of regulated and deregulated private tenants from 1996 to 2000.

6.2.2 1998 Welsh House Condition Survey

The household interview survey carried out as part of the 1998 Welsh House Condition Survey includes questions on gross annual rent and on whether or not anyone in the household receives Housing Benefit. This makes it possible to examine the characteristics of households in receipt of HB and compare them with those of other tenants in the private rented sector.

6.3 Data Analysis

The first part of this section summarises the DWP administrative data on HB claims by private rented sector (not housing association) tenants in Wales. The second part of this section then draws on the quantitative data from the household survey in the 1998 WHCS to compare the circumstances of households on Housing Benefit with those of non-recipients in the private rented sector in Wales.

6.3.1 Housing Benefit Claims

Because Housing Benefit is a demand-led social security benefit, the caseload tends to fluctuate with the economic cycle, other things being equal. In fact, the HB caseload for private tenants in Wales increased in the early to mid-1990s and then fell, broadly in line with the rise and fall of unemployment over this period (Table 6.1).

Table 6.1 The Housing Benefit caseload: private renters in Wales, 1992-2000

Year	Regulated tenancies	Deregulated tenancies	Total
1992	16,000	35,000	51,000
1993	14,000	41,000	55,000
1994	12,000	46,000	58,000
1995	10,000	48,000	58,000
1996	9,000	49,000	58,000
1997	7,000	47,000	54,000
1998	6,000	46,000	52,000
1999	5,000	44,000	49,000
2000	5,000	42,000	47,000

Source: Department for Work and Pensions

However, the change in the caseload cannot be wholly reduced to a function of the change in unemployment because this period also witnessed a long-run decline in the number of regulated tenants. Most of the increase in caseload in the early to mid-1990s was due to a rise in the number of deregulated tenants on income-based Jobseeker's Allowance (JSA) and Income Support (IS) claiming HB. But the fall in this component of the caseload over the second half of the decade was matched by a fall in the number of regulated tenants on HB. In the deregulated sub-sector, the fluctuation in the Income Support/JSA caseload was much greater over the decade than among other HB claimants.

Table 6.2 shows average weekly eligible rent and average weekly HB entitlement among private tenants in Wales from 1996 to 2000. The eligible rent may not be the same as the contractual rent that the tenant has agreed to pay the landlord, for example if it is net of ineligible service charges that are included in the contractual

rent. In addition, the eligible rent may be lower than the contractual rent if it is affected by one or more of the various restrictions within the HB scheme. For example, the rent may be restricted for the purpose of calculating HB because it is over-expensive compared with the rent someone not on benefit would pay or because the accommodation is deemed to be over-large for the tenant's needs. The eligible rent will also be capped if it exceeds the local reference rent or (in the case of single claimants under 25) the single room rent.

As would be expected, the average eligible rent of deregulated tenants on Housing Benefit is roughly £17 to £18 per week higher than that of regulated tenants (Table 6.2). Not surprisingly, the average amount of HB is also higher.

The average amount of HB is higher for tenants on Income Support or income-based Jobseeker's Allowance (JSA (IB)) than it is for other claimants. This is

because the former generally get all of their rent covered by Housing Benefit, whereas other claimants may only have part of their rent covered by HB because of the 'taper' whereby benefit falls as income rises.

Hence, the average amount of HB is not far short of the average eligible rent in the

case of tenants who are also on IS or JSA (IB). For regulated tenants who are not on IS or JSA (IB), there is a difference of approximately £8 to £9 per week between the average eligible rent and the average HB entitlement. The equivalent difference for deregulated tenants is approximately £12 per week (Table 6.2).

Table 6.2 Average weekly eligible rent and Housing Benefit among private renters in Wales, 1996-2000

Year	Regulated tenancies				Deregulated tenancies			
	IS/JSA		Non IS/JSA		IS/JSA		Non IS/JSA	
	Rent	HB	Rent	HB	Rent	HB	Rent	HB
1996	£34.40	£34.00	£35.10	£27.30	£52.30	£52.00	£53.20	£41.40
1997	£36.40	£36.00	£36.90	£28.80	£53.30	£53.00	£53.70	£42.10
1998	£37.90	£37.50	£39.00	£30.10	£54.50	£54.20	£55.40	£42.90
1999	£39.10	£38.70	£40.50	£32.20	£56.10	£55.80	£56.30	£43.80
2000	£40.50	£39.70	£41.50	£34.50	£53.80	£57.00	£57.90	£43.50

Note: 'Rent' is average weekly eligible rent; 'HB' is average weekly Housing Benefit. 'IS/JSA' is Income Support and Jobseeker's Allowance (income-based) cases; 'Non-IS/JSA' is non-Income Support and non-Jobseeker's Allowance (income-based) cases.

Source: Department for Work and Pensions

6.3.2 Private Tenants and Housing Benefit

This section draws on the quantitative data from the household survey in the 1998 WHCS to compare the circumstances of households on Housing Benefit with those of non-recipients in the private rented sector in Wales.

There are significant differences between the family characteristics of HB recipients and other tenants in the private rented sector in Wales. The main difference is that a much higher proportion of HB recipients are lone parents. Thus, 27% of HB recipients are lone parents compared with only 3% of non-recipients. In fact, 87% of lone parents living in the private rented sector in Wales are on HB. By comparison, only 33% of couples with children, 24% of couples without children and 35% of single people are on HB.

As Housing Benefit is a means-tested benefit, it is not surprising that recipients have lower incomes than other private tenants. Table 6.3 shows the gross household income of private tenants in Wales in 1997. The data exclude the large proportion of respondents who did not know what their household income was and those who refused to say. Among those who were willing and able to provide the information, eight out of ten recipients, compared with only a quarter of non-recipients, had a total gross household annual income of less than £7,000. Approximately three-quarters of households with an income below this amount were receiving HB. Housing Benefit receipt tails off quite quickly as annual income rise above £7,000.

Table 6.3 Annual household income of private tenants by receipt of HB

Annual household income	HB recipients	Non-recipients
	%	%
Up to £4,000	41	11
£4,001-£7,000	43	15
£7,001-£10,000	12	17
£10,001-£15,000	3	20
£15,001-£20,000	1	14
£20,001-£30,000	1	14
Over £30,000	-	10
Total	100	100

Source: WHCS, 1998

For much the same reasons, HB recipients in the private rented sector also have few, if any, savings. Among those who responded to this question in the 1998 WHCS, eight out of ten HB recipients had no savings at all, a figure that was double that for other private tenants (Table 6.4).

About one in ten recipients, compared with one in six non-recipients, had savings of up to £500. Hardly any (1.5%) recipients had savings of over £3,000 – the level at which savings start to reduce HB entitlement - compared with one in five non-recipients.

Table 6.4 Household savings of private tenants by receipt of HB

Gross annual household income	HB recipients	Non-recipients
	%	%
None	82	43
Up to £500	11	17
£501 to £1,000	3	9
£1,001 to £3,000	3	10
£3,001 to £10,000	1	12
£10,000 to £16,000	-	4
Over £16,000	-	6
Total	100	100

Source: WHCS, 1998

The lack of savings among HB recipients is not surprising given their low income and the fact that savings above £3,000 reduce the amount of benefit to which people are entitled. But it can have significant implications for those who wish or have to move – and turnover within the PRS is very high - because private landlords commonly require prospective tenants to pay rent in advance and a deposit.

Table 6.5 shows gross annual rent (before HB) in the private rented sector in 1997. Two out of five private tenants were being charged a rent that was between £2,500 and

£4,999, while a further fifth were charged between £1,000 and £2,499. One in 20 had a rent of £7,500 or more per year (i.e., £625 or more per month).

Table 6.5 Private sector rents

Gross Annual Rent	%
Rent Free	9
Up to £499	1
£500-£999	2
£1,000-£2,499	22
£2,500-£4,999	40
£5,000-£7,499	7
£7,500 or more	5
Don't know	9
Refused	4
Not asked	2
Total	100

Source: WHCS, 1998

Private sector rents are generally higher than social housing rents. The spread of rents is also much greater in the private sector. This reflects the fact that the private sector caters for a much wider range of income groups than the social housing sector, with a correspondingly greater range in housing size and quality. In addition, around one in ten private tenants, but hardly any social housing tenants, live in rent-free accommodation. Social housing rents are subsidised, which keeps them below market levels. Finally, private rents in the deregulated sector adjust to the demand and supply conditions found in different sub-markets, unlike social housing rents.

The extent of rent-free accommodation in the private rented sector reflects a number

of factors. Firstly, 6% of households in 1997 were renting accommodation from their employer and half of them were not charged rent. In the agricultural sector in particular, the provision of rent-free 'tied housing' is often associated with low wages. Second, 12% of private tenants were renting their accommodation from a relative or friend and two-fifths of them were not being charged rent.

HB recipients generally have lower rents than other tenants in the private sector. In 1997, 95% of HB recipients were being charged a rent that was below £5,000 per annum, compared with 78% of tenants not on HB (Table 6.6). Seven out of ten HB recipients had rents between £2,500 and £4,999 per annum, equivalent to between £52 and £96 per week.

Table 6.6 Private sector rents by receipt of HB

Gross annual rent	HB recipients	Non-recipients
	%	%
Up to £499	1	2
£500-£999	2	2
£1,000-£2,499	22	33
£2,500-£4,999	70	42
£5,000-£7,499	5	11
£7,500 or more	-	11
Total	100	100

Source: WHCS, 1998

A very substantial minority of private tenants in Wales receives financial assistance from the Housing Benefit scheme to help them afford their rent. In 1997, 45% of private tenants who were being charged rent were in receipt of HB. This is a higher proportion than in either England or Scotland, where currently around a quarter and a third of private tenants respectively are on Housing Benefit. However, it is much lower than the social housing sector in Wales, where 72% were receiving HB in 1997. Because it is much smaller than the social housing sector and a smaller proportion of tenants is in receipt of HB, the private rented sector accounts for only about one in six HB recipients in Wales.

Nevertheless, it is clear that a significant proportion of private landlords is willing (or has little choice) to let their accommodation to HB claimants. Of course, some of the private tenants in receipt of HB may not have required assistance to pay their rent when they were first offered a tenancy, but may have

subsequently experienced a fall in income. If a landlord is otherwise satisfied with the tenant, then they may be willing to accept rent payment wholly or partly through HB.

Turning now to the homes in which private tenants live, there is no apparent association between the date of construction of the dwelling and receipt of HB. For example, recipients are just as likely as non-recipients to be living in the oldest (i.e. pre-1919) dwellings and in the most modern (i.e. post-1964) ones. There is, however, a difference between these two groups of tenants in terms of the type of dwelling they rent from their landlord. HB recipients are more likely to be living in flats, while non-recipients are more likely to be living in detached homes or bungalows. They are equally likely to be living in semi-detached or terraced houses. In general, HB recipients tend to live in smaller dwellings (measured in terms of the number of rooms) than non-recipients.

There are some significant differences in some aspects of the quality of dwellings in

which HB recipients live compared with those in which non-recipients live. For instance, HB recipients are less likely than non-recipients to be renting accommodation that has the benefit of central heating (72% compared with 79%). This may have an impact on tenants' ability to keep their home warm or the amount of money have to pay in fuel costs, which may have implications for fuel poverty given the lower income of recipients compared with non-recipients.

Housing Benefit recipients in Wales are also less likely than non-recipients to be living in properties that are in good physical condition. The WHCS shows that 66% of non-recipients were living in properties that were assessed by the survey interviewer as being in 'good' condition, compared with 61% of HB recipients (Table 6.7). Conversely, HB recipients were more likely to be renting properties assessed as being in 'bad' condition. However, they were slightly less likely to be living in 'very bad' properties, which suggests that the relationship between property condition and benefit receipt is not a straightforward one.

Table 6.7 Visible property condition* by receipt of HB

Condition of property	HB recipients	Non-recipients
	%	%
Good	61	67
Bad	17	12
Very bad	17	19
Not visible	5	3
Total	100	100

* as assessed by the survey interviewer

Source: WHCS, 1998

There are also some differences between how HB recipients perceive the repair condition on their property as compared with other private tenants. In fact, those who are on HB are slightly more likely to

say their property is in good repair than are non-recipients. But they are also slightly more likely to say that their property needs major repair work (Table 6.8).

Table 6.8 Private tenants' view of the need of repair on their property by receipt of HB

Need for repair	HB recipients	Non-recipients
	%	%
In good repair	52	49
Needs minor repair	37	42
Needs major repair	11	9
Total	100	100

Source: WHCS, 1998

Private tenants on HB are less likely to be renting their home from their employer than are non-recipients. This is not surprising given that many tied tenants do not pay rent and most are in paid work (a minority is retired). The other main difference is that HB recipients are more likely to be renting from an individual than from an organisation.

Housing Benefit recipients are just as likely as other private tenants to prefer living in the PRS. In the WHCS 1997, 27% of recipients and 28% of non-recipients said they would prefer to rent from a private landlord if they had the choice. In other words, while little more than a quarter of private tenants is in their preferred tenure, HB recipients are as likely to be in their preferred tenure as non-recipients. Where

these groups differed most of all was in relation to social rented housing. Private tenants on HB were three times as likely as non-recipients to say they would prefer to rent from a social housing landlord. Non-recipients were a little more likely to say they would prefer to buy their home. These differences are likely to reflect their assessment of their long-term income prospects, among other things.

Not surprisingly given their respective preferences for social housing, HB recipients are much more likely to be on a local authority or housing association waiting list than are other private tenants. In the 1998 WHCS, one in five HB recipients and one in 20 non-recipients in the private rented sector had their name on a social housing waiting list (Table 6.9).

Table 6.9 Whether private renting households have their name on a social housing waiting list by receipt of HB

On a waiting list?	HB recipients	Non-recipients
	%	%
Yes	21	5
No	79	95
Total	100	100

Source: WHCS, 1998

6.4 Qualitative Analysis

This section reports on the responses to questions on Housing Benefit included in the semi-structured, qualitative interviews with landlords' representatives, managing agents and Rent Officers.

6.4.1 Landlords and agents

The proportion of tenants who were HB claimants was thought to vary significantly, depending upon the landlord or the area. Thus, one agent had very few tenants on HB, while another had more than 50% in this category. In one seaside area, 'DSS lets' were said to account for most of the market, especially among HMOs.

Three of the eight landlords and agents said there were no advantages at all in letting to people on HB. However, in some areas they did not always have the choice about whether to let accommodation to someone on HB or not. Some distinguished between long-term tenants and transient ones, liking the former but not the latter. Several said one advantage of letting to HB recipients was that direct payments meant that they were assured of getting the rent.

However, the quid pro quo of direct payments was that the local authority would claw money back from the landlord if the tenant had been overpaid HB, a problem that could be exacerbated where there were delays in the initial payment of benefit. As a result, one letting agent (who had few claimants on their books) said they were now reluctant to accept direct payments and insisted instead that HB claimants paid their rent themselves via a standing order.

Three respondents complained about the slow speed with which HB claims were being processed by the local authority. One authority was said to have a 6 months backlog of claims.

Two respondents said that another disadvantage of letting to HB recipients was that the benefit was paid in arrears instead of in advance, while another mentioned the fact that it is paid 4-weekly but they charge rent monthly. Finally, HB shortfalls were said to be a disadvantage of letting property to claimants.

There was a range of responses about whether tenants ever tried to negotiate over the rent when they viewed a property. Some landlords and agents said that this happened sometimes, one said it did not happen at their office but it did at their branches elsewhere in Wales, and one said it never happened. However, one agent said that 3 out of ten tenants negotiated the rent and this reflected the fact that the market was over-supplied and rents had fallen over the previous 5 years. Two respondents said that HB recipients were *less* likely to negotiate the rent when viewing a property. But two others said they were *more* likely to do so than tenants paying out of their own pocket, especially if they had had a pre-tenancy determination (PTD) that was less than the asking rent. The PTD could thus provide a lever for people on HB.

The knowledge of the rent restriction rules among the landlord representatives and managing agents varied considerably and was not always accurate. In general, agents and landlords that let a significant proportion of their properties to HB recipients had considerable knowledge of the rules, whereas those who had few such

tenants tended to have quite poor knowledge.

Three of the eight landlords and agents had not heard of the local reference rent (LRR); two of these had also not heard of the single room rent (SRR), while the other had only heard of it because his mother let bedsits. Most of the landlords and agents who were aware of the LRR and SRR did not know how either was calculated, but especially the latter.

Several landlords and agents were very critical of the level of LRR set by the Rent Officer Service, claiming that it was unrealistically low, had driven rent levels down, or made them less willing to let accommodation to HB recipients. On the other hand, one landlord felt that the LRR was set at about the right level.

All of the landlords and agents thought that shortfalls (resulting from the gap between the contractual rent and the rent on which the local authority had calculated HB) were the norm rather than the exception. One agent tried to ensure that they only placed HB recipients in properties where their experience suggested that there would be no shortfall or where the tenant could provide a guarantor for the rent. Most of the landlords and agents said that they expected the tenant to make up the shortfall and would not lower the rent, though one said they sometimes did re-negotiate the rent. However, expectation was not the same as reality and tenants often fell into arrears. Some tenants moved to somewhere cheaper, but this was not always possible and, if they did move, the process simply repeated itself with the next landlord.

Responses were mixed about whether HB tenants were more or less concerned about the rent than other tenants. Several thought that, because of the rent restriction rules and the consequent possibility of experiencing a shortfall, HB recipients were more concerned about the rent than other tenants. One landlord claimed that longer-term tenants on HB were just as concerned as other tenants, but the transient tenant was not concerned about the rent (and tended not to make up any shortfall). One agent believed that some tenants had a relaxed attitude to the rent if they were not paying themselves and the HB was often late. Another (who had cut back on lettings to HB tenants) claimed that tenants do not pay shortfalls.

6.4.2 Rent Officers

The proportion of HB referrals inspected by Rent Officers varied from just under a quarter to two-fifths. All four Rent Officers said they aimed to inspect all properties being referred to them for the first time and carried out re-inspections either every four or five years.

Finding 'market evidence' - that is, information on rents being paid by tenants out of their own pocket - was a constant aspect of the Rent Officer's job. All said that there were areas or types of property for which it was difficult to find any market evidence. The scattered nature of small rural villages was a particular problem and it often meant that a property was being compared with the rent on a property in another village that might be 30 miles away. One Rent Officer said the localities which they used for setting LRRs often had to be extended in order to find enough market evidence. However, this meant that the LRR was almost always likely to 'bite',

and thus restrict choice to HB recipients, in the more expensive pockets of property within these larger localities. One Rent Officer noted that because few properties could be inspected internally, they had to assume that they were in average condition.

Rent Officers believed that many HB claimants did not understand the rent restriction rules. This was thought to be especially true of first-time claimants and young people affected by the SRR. Repeat or long-term claimants had a much better grasp of the system. It was said that some landlords had a very good working knowledge of HB but that others had relatively little idea. Rent Officers felt the size criteria were less well understood than the LRR or SRR. Some landlords were thought to target HB claimants, but others steered clear of them if they could. The former knew the rules and set their rents according to the LRR or PTD valuation.

Three of the four Rent Officers said that it was very difficult to find market evidence for properties that fitted in with the pre-July 2001 definition of the SRR. In one local authority there was said to be almost no accommodation that fell within the rather restrictive definition. However, all three noted that the revised definition was much more realistic and that it should be easier to find market evidence. So far as benefits of the SRR are concerned, one Rent Officer could not think of any. Another said it had helped to get rid of the worst HMOs in the area, though in some other areas it may have helped to maintain demand for such accommodation as it forced people into bedsits.

It was claimed that some landlords initially asked claimants for a high rent, but then

agreed whatever rent the local authority accepted for HB purposes. It was also claimed that other landlords would accept the LRR and not chase up shortfalls if they were happy with the tenant (but would if they were not). Some landlords tried to avoid HB claimants because of the LRR, but the success of this strategy depended on the characteristics of the local housing market. In other words, if supply exceeds demand in a particular area, then landlords cannot avoid letting to recipients of HB.

Pre-tenancy determinations whereby the Rent Officer, via the local authority, provides claimants and their prospective landlord with a valuation of the rent for HB purposes on individual properties, were generally thought to be a good thing. In one area, PTD applications were falling, while in another they were increasing. As well as providing claimants with information about the rent that would be accepted by the local authority for HB purposes, PTDs helped to speed up HB claims because the Rent Officer had already inspected the property and made a valuation. They also put Rent Officers into more direct contact with landlords, which helped them to collect market evidence. However, the procedure of joint application by landlord and tenant could be a problem as some tenants did not want their prospective landlord to know they would be claiming HB in case this stopped them getting the tenancy.

6.5 Future Research

Most of the research to date on the impact of HB on the private rented sector has been focused on England or covers only Cardiff rather than the rest of Wales. There may therefore be merit in commissioning research on the role of HB in the PRS in

Wales, covering a range of housing market circumstances. It would be useful to get a better insight into the impact of HB administration on tenants and their landlords, although it may be prudent to delay this until after proposed reforms to HB administration set out in the Housing Green Paper. It would also be useful to gain further insights into the operation and impact of pre-tenancy determinations. Finally, the impact of rent restrictions on claimants and landlords deserves further study in Wales.

6.6 Summary of Findings

- The number of private tenants receiving HB in Wales increased during the first half of the 1990s and fell during the second half of the decade.
- In 2000, the number of private tenants on HB was 47,000 (compared with 51,000 in 1992), of whom nine out of ten had deregulated tenancies.
- There are significant differences between private tenants on HB and those who are not. Differences exist in terms of income and savings, household composition, and some aspects of housing quality such as the presence of central heating in the dwelling.
- Knowledge of HB among managing agents and private landlords varies according to their experience with letting to this part of the market
- Attitudes and perceptions of managing agents and private landlords to tenants on HB varies between different housing market areas
- Most private landlords and managing agents prefer not to let to tenants on HB, though many do in practice and a minority prefer them
- Poor administration of HB, recovery of overpayments where the HB is paid direct, and the impact of rent restrictions are the main reasons why landlords and managing agents are negative towards HB
- The main advantage of HB is that the rent is guaranteed once HB is in payment and paid direct to the landlord
- Rent Officers experience difficulties in finding market evidence in some areas and for certain types of property; this is especially true of the pre-July 2001 definition of the single room rent
- Landlords and managing agents say that the response of tenants to rent restrictions varies (re-negotiating the rent, making up the shortfall, getting into rent arrears, moving to another property)
- Pre-tenancy determinations can provide a lever for HB recipients to negotiate a lower rent



Chapter Seven

Landlords, Housing Grants and Tenancy Types

7.1 Data Review

7.1.1 General Household Survey

The General Household Survey (GHS) contains information on the type of landlord people rent from. This could be used to provide an insight into the long term changing type of landlord operating in the private rented sector, for example employers offering accommodation tied to a job, other institutional landlords and private individuals. Because of the size of the GHS, this could only be done at the all-Wales level.

7.1.2 1998 Welsh House Condition Survey

The 1998 Welsh House Condition Survey contains information regarding type of private landlord according to the following categories:

- 1) employer (organisation) of household member,
- 2) another organisation,
- 3) relative or friend of household member,
- 4) employer (individual) of household member,
- 5) other individual landlord.

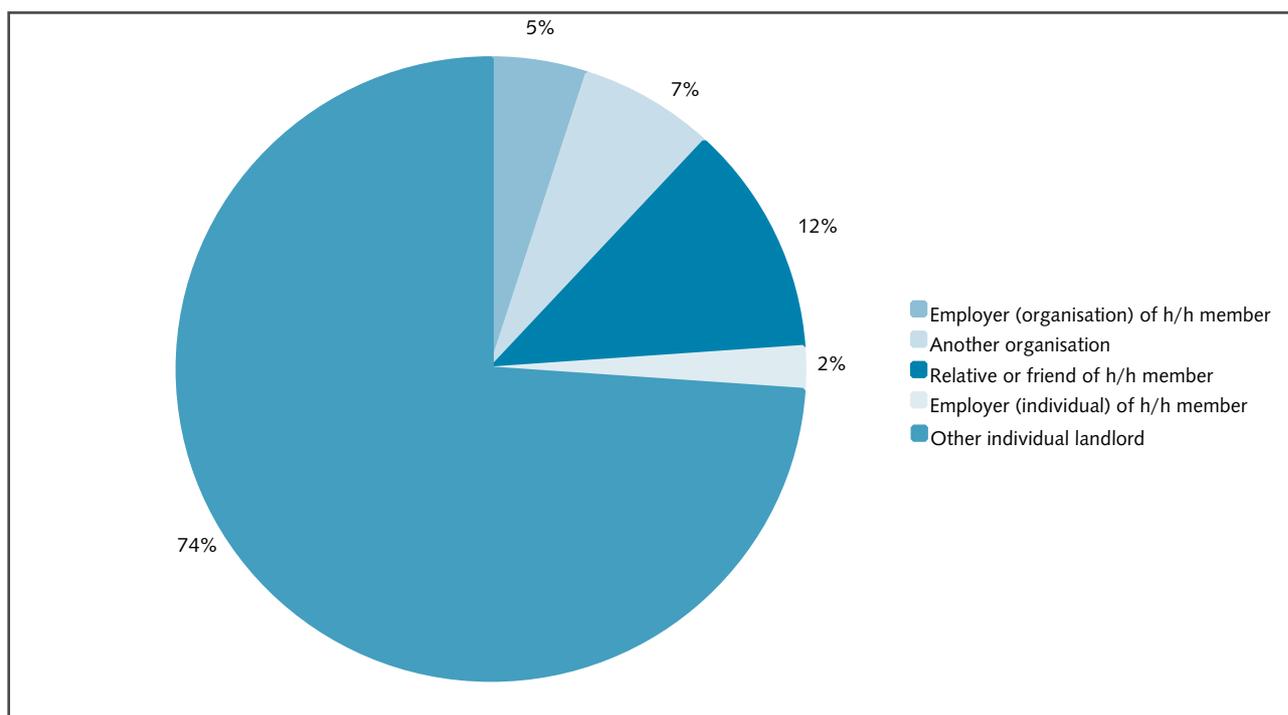
The 1998 Welsh House Condition Survey also contains a question on whether or not a housing grant has been received to improve the property.

7.2 Data Analysis

Figure 7.1 shows the breakdown of private landlords into the five different categories listed above. Overall, 6% of households in the PRS rent from their employer. A significant minority, 12%, rent from a friend or relative. However, the majority (74%) rent from individuals who are not an employer or a friend/relative.

Six per cent of private renting households in the 1998 WHCS reported that their dwelling had been improved with a housing grant compared to 7% of owner occupiers. However, 36% of private renters said they did not know if the dwelling in which they live had been improved with a housing grant. If the 'don't knows' are excluded, 9% of the remaining private renters said their dwelling had been improved with a grant, actually higher than the 8% of owner occupiers (excluding the 'don't know' responses from owner occupiers).

Figure 7.1 Type of Private Landlord



Source: WHCS, 1998

7.3 Qualitative Analysis

Landlords and letting agents reported that most landlords they deal with fall into one of two categories: ‘investment’ landlords who have made the decision to become a landlord for financial reasons; and ‘accidental’ landlords who no longer require to live in their owned property and therefore decide to place it on the rental market. This latter group includes people who move abroad and wish to maintain a base in the UK, as well as people who move within the UK for employment reasons. Often people are unable or unwilling to sell their home in certain parts of Wales where house prices are particularly low, notably Merthyr Tydfil of the four case study areas.

Many investment landlords have very small property portfolios, in the majority of cases only one or two properties. This type of small scale landlordism has been encouraged by ARLA supported Buy-to-Let

mortgages throughout the 1990s and more recently by other mortgage lenders who now offer increasingly competitive buy-to-let mortgages. Many lenders now offer standard mortgage lending rates for buy-to-let. However, the maximum loan to value ratio is generally 75% and a reference from a letting agent, not necessarily a member of ARLA, is required stating that the property in question can be expected to generate a certain rental income without significant periods of vacancy. Also, some lenders have loosened the restrictions on the number of buy-to-let mortgages an individual may hold. Many individual investment landlords see their property as a ‘nest egg’ which they intend to sell at retirement.

While the majority of landlords are small scale investment landlords who are in paid employment and generally use letting agents, some landlords with a number of properties in an area manage the properties themselves and make landlordism their full-

time business. Some are also qualified builders and are involved with property improvements.

Students' parents are increasingly becoming landlords. This increase in Swansea was concentrated in a period of rapid expansion in student numbers in Swansea during the early 1990s and has since stabilised. However, this trend of increasing landlordism among students' parents continues in Aberystwyth. It was thought by a student accommodation officer and a local letting agent that this trend can be accounted for by the introduction of student loans and increasing house price differentials between southern England and Wales making property purchase in Wales appear more affordable. In many cases students' parents do not sell the property when their sons and daughters graduate but rather continue to rent the property out, thus there is a degree of cumulative increase in supply in university towns.

Over-supply of private rented accommodation in certain parts of Wales is, or threatens to become, a problem. The popularity of buy-to-let, the perceived buoyancy of the Cardiff economy in excess of its actual buoyancy, and students' parents becoming landlords were cited by a number of different types of interviewee as contributing towards over-supply.

Many interviewees indicated that the balance between demand and supply differed with regards to different types of property. In most locations, demand for two and three bedroom flats outstripped supply. One letting agent suggested that this was because some first time landlords bought a property that they themselves would like to live in, without consulting a

letting agent or considering the types of people who are most likely to rent. Consequently, there is over supply in some locations of larger properties and non-flatted accommodation in particular. This is consistent with lower yields for these types of properties for the UK as a whole (University of York, 2000).

Housing Advice Centres, and to a lesser extent Environmental Health Officers and local authority Housing Officers, reported problematic behaviour from some landlords. The main problems highlighted were a lack of investment in repair and maintenance resulting in dampness, the non-return of deposits and landlords serving less than the two months statutory notice to quit on tenants under assured shorthold tenancies or, in a smaller number of cases, serving notice to leave within the assured six month period. Other problems included landlords expecting access to properties while tenants are resident and non-flexibility over late payment of rent while Housing Benefit claims are being processed.

There was a general consensus across all interview groups that it would be desirable to increase the level of grant assistance available to private landlords for repairs. However, some Housing Officers and Environmental Health Officers reported a degree of unease, particularly from elected members, at the prospect of offering grants to for-profit landlords. In the climate of reduced availability of resources to local authorities for housing grants generally, Basic Credit Approval is usually used to fund improvement grants for owner occupiers. Some of the local authorities interviewed had secured Supplementary Credit Approval but this is in most cases restricted to fund improvements of HMOs

in order to meet fire regulations. Both the landlord representatives interviewed said that restrictions on Housing Benefit had limited landlords' ability to carry out repairs and maintenance, while some of the letting agents interviewed said that this had had either no or only marginal impact. This can most likely be accounted for by the fact that some of the letting agents interviewed were operating towards the middle and upper end of the private rental market, while the two landlord representatives interviewed had many members operating towards the bottom end of the market.

Housing Advice Centres, Housing Officers, and Environmental Health Officers were strongly in favour of Bond Boards in principle. However, there was a degree of concern that they are not attractive to landlords, a view borne out by the landlord representatives and letting agents who said there was no benefit or incentive from landlords' point of view to let to a tenant using a Bond Board rather than one paying a cash deposit. One letting agent reported that a local landlord had used the local Bond Board and when the tenant left the property in a poor state of cleanliness the Bond Board would not pay to have the property cleaned. Word of this anecdote spread between landlords in the area and may have had a detrimental impact of the success of the Bond Board overall. This highlights the importance of Bond Boards in being seen to be fair and to deliver a benefit to the landlord as well as the tenant in order for landlords to have faith in using Bond Boards.

One means around these problems would be to create a compulsory custodial bond scheme whereby an independent body held all tenants' deposits and assessed the proportion to be returned to the tenant at

the termination of a lease. However, a number of interviewees questioned the practicability of this, particularly with regard to the speed with which such an organisation could realistically inspect properties at the beginning and end of tenancies. In addition, one letting agent was of the view that most letting agents run 'client accounts' to hold deposits and perform this brokerage function over deposits between tenants and landlord in a satisfactory manner, therefore public sector involvement in this area would duplicate existing efforts and may crowd out good practice in the private sector.

Finally, in terms of attitudes towards different types of tenancies, there appears to be a high degree of satisfaction with shorthold tenancies among both landlords and tenants. Letting agents reported that few tenants wanted longer leases as many tenants are uncertain of where they will be working in six months or a year's time. Some tenants, however, preferred the security of renewing a shorthold at the end of the assured six months in order to obtain a further assured six months rather than allowing the tenancy to go 'periodic' and only have two assured months. In addition, some tenants at the bottom end of the private rental market were reported by Housing Advice Centres and landlord representatives to be vulnerable to unfair eviction from a minority of landlords.

Generally, landlords were reported to be happy with the existing tenancy arrangements as they could regain possession of properties relatively quickly. However, at the bottom end of the private rental market, some landlords were reported to be of the view that they were unsupported by the legal system as in practice it was not cost or time effective to

pursue tenants through the courts for rent owed during the assured six months of a shorthold tenancy if the tenant had vacated during that period. A better strategy was to refill the property as quickly as possible.

However, these findings relate only to landlords and tenants currently in the private rented sector. It does not provide insights regarding prospective landlords and tenants who may have been discouraged from entering the private rented sector because of the current tenancy arrangements. A number of interviewees were of the opinion that assured shorthold tenancies are not attractive to people seeking a long term home, particularly older people and families with children. From landlords' perspective, the view was also expressed by one letting agent that a private rental market with lower turnover of tenants would be more attractive to institutional investors who would therefore perhaps prefer to offer assured tenancies.

7.4 Future Research

Given the excess supply of certain types of properties for private rent in certain locations, and excess demand in others, it would be beneficial to policy makers to better understand the reasons people become landlords and how they decide what type and location of property to purchase. Promoting buy-to-let mortgages is effective in expanding the private rented sector generally, but this is a blunt instrument in persuading landlords to look closely at the market segments in shortest supply. Landlords need to be persuaded to examine economic indicators such as rents, house prices and yields prior to purchasing in order to deliver the most appropriate

types of accommodation in the most appropriate locations. There is a potential to increase the involvement of estate and letting agents in assisting prospective landlords in this regard.

A review of housing grants, particularly the benefits derived from grants received by private landlords versus tenants, would be of interest. If tenants resident in privately rented properties which were improved with the use of a local authority housing grant were shown to benefit from that improvement, and that the improvement would not have occurred without the grant, then there may be more political and financial support for housing grants to private landlords in the future.

Given the high degree of scepticism among landlords and letting agents about Bond Boards and their apparent low usage of them, a review of Bond Boards across Wales would be of great benefit in ensuring their success in the future. The research team notes that the National Housing Strategy for Wales proposes to carry out such a review in 2001/02. We would urge this review to include landlords' and letting agents' perspectives as well as those of tenants.

In general, there appeared from the interviews to be a low level of trust and co-operation between private landlords and local authorities. A high degree of cynicism and frustration was reported to be felt by landlords towards local authorities, particularly with regard to reported inconsistencies in enforcement of HMO regulations and delays in processing Housing Benefit claims. Equally, local authorities and Housing Advice Centres, who are subject to the worse conditions and practices found in the private rented

sector, appeared to be of the opinion that landlords were uncooperative and sometimes unscrupulous. No local authorities knew of any local private landlord forums. However, in Anglesey and Powys, Environmental Health and Housing Departments reported that they had good relationships with selected local landlords and referred people looking for housing to those landlords. However, means to increase the co-operation and trust between private landlords and local authorities could be usefully investigated. This is an important area to foster, as private landlords play an important role in meeting housing need.

7.5 Summary of findings

- Eighty-seven per cent of tenants' landlords are individuals, of which 12% are a friend or relative of the tenant,
- seven per cent of private tenants rent from their employer,
- seven per cent of tenants' landlords are organisation (other than their employer),
- approximately 9% of PRS and 8% of owned properties have been improved with a housing grant,
- the majority of landlords are small scale either 'investment' or 'accidental' landlords,
- buy-to-let mortgages have encouraged small scale investment landlordism throughout the 1990s,
- there is over-supply of larger properties in some locations,
- there is under-supply of two and three bedroom flats in some locations,
- a small minority of landlords and tenants are unscrupulous,
- reduced availability of housing grants over recent years and Housing Benefit restrictions are blamed by landlord representatives and some letting agents for low levels of repair in the private rented sector,
- Bond Boards were supported in principle by most interviewees, but there was some concern expressed over their attractiveness to landlords,
- a high degree of satisfaction with assured shorthold tenancies was reported regarding landlords and tenants, notwithstanding some unscrupulous behaviour at the bottom end of the market from both landlords and tenants,
- however, assured shorthold tenancies are unlikely to attract many tenants looking for a long-term home,
- individual landlords are unlikely to be persuaded by assured or longer term shortholds, but institutional landlords may not be deterred by such types of tenancy.

Chapter Eight

Changes in the Private Rented Sector

8.1 Data Review

8.1.1 1993 and 1998 Welsh House Condition Surveys

The household interview components of the 1993 and the 1998 Welsh House Condition Surveys can be used to assess changes in the characteristics of properties and tenants in the private rented sector, and these changes can be compared to changes in housing as a whole. The physical dwelling inspections can be used to assess changes in the level of unfitness and the cost of repairs required to meet fitness requirements. This can be disaggregated, of course, by tenure.

8.1.2 General Household Survey

The GHS is available annually from 1971 and provides detailed information on housing, household and individual personal characteristics. In any year, it has information on approximately 8,000 households across the UK, which generates around 40 private rented sector observations in Wales. Therefore, analysis could only be carried out at all-Wales level, and adjacent years would need to be combined to generate robust sample sizes. The geographical indicators contained in this dataset are Standard Regions.

The GHS contains information on property type and size as well as demographic and socio-economic information relating to households and individuals. Long term change in the size and type of properties and the characteristics of tenants in the private rented sector could therefore be assessed.

8.1.3 Family Expenditure Survey

The Family Expenditure Survey (FES) is another UK wide on-going survey which collects information on approximately 8,000 households each year, the same size as the GHS. The FES is available from 1961. The FES, being a survey of expenditure, has information on the level of rent paid and rebate received (currently Housing Benefit). It also provides information on the size of properties, whether they have central heating or not, whether rented properties are furnished or not, and where properties are located. The geographical indicators contained in this dataset are Standard Regions. The FES also provides demographic and socio-economic information regarding individuals and households. As with the GHS, the FES could be used to provide a picture of long term change in the characteristics of properties and tenants at the all-Wales level, although the information in this regard is less detailed than that contained in the GHS.

8.1.4 1991 and 2001 Censuses of Population

Given near 100% coverage of the population, this can provide information on the precise spatial distribution of households and persons in the private rented sector in Wales. This can be done at the level of all Wales, former counties, former districts, wards or Enumeration Districts (EDs) using the Small Area Statistics (SAS) and the Local Base Statistics (LBS).

The 1991 Census provides information by housing tenure on the number of rooms in dwellings, dwelling type (detached house, terraced house, flat, etc.) and amenities (e.g. central heating and shared WC facilities). Information on household size, household structure, overcrowding and car ownership are also provided by housing tenure. Housing tenure in the Census differentiates between furnished and unfurnished private rented properties and accommodation that is rented from the tenant's employer. These data refer to households rather than dwellings.

The 2001 Census of Population has changed relatively little compared to the 1991 Census. This means that the above characteristics could be compared between 1991 and 2001 at the level of all Wales, wards or Enumeration Districts (EDs). 1991 Census data could be converted into the new local authority boundaries for purposes of comparison at this geography by aggregating 1991 data from the relevant wards or EDs. Detailed 2001 Census data will not be released for some time.

8.1.5 Joseph Rowntree Foundation/ University of York Index of Private Rents and Yields

The University of York Index of Private Rents and Yields (formerly the Joseph Rowntree Index of Private Rents and Yields) consists of two indices. The first is the Valuations Index which is based on Rent Officers' valuations of the typical rent for six different types of common private rented properties, each with a prescribed set of attributes. This is done at the local authority district level and is standardised to take account of the type of properties that are more likely to change tenants

therefore be included in a Rent Officer's valuation which is based on evidence from recent transactions. An adjustment is also made for the property type mix in each district.

The second index produced by the University of York, the Transactions Index, is based, as the name suggests, on actual transactions in the private rented sector. Data on these are provided by a sample of members of the ARLA and other principle letting agents. Note that this is biased towards the middle and upper end of the private rental market because landlords at the bottom end of the private rental market are less likely to use letting agents. The Transactions Index is available at district level, and for selected smaller postally based units, usually the main UK cities, when a sufficient number of transactions are present in order to provide a reliable estimate of market rent. This index is standardised through time to allow for the fact that different segments of the market will have a higher proportion of all transactions at different points in time e.g. students taking up private tenancies in September/October, and longer scale variations with the economic cycle. As with the Valuations Index, an adjustment is also made for the property type mix in each district.

The York Indices provide time series data since the first quarter of 1996 on the rent charged for different types of property and the yield returned to landlords. Yield is annual rent as a proportion of the open market vacant repossession value of the property. In the Valuations Index, this is based on valuations of the same properties as the rental valuations have been made on. However, in the Transactions Index, property values are taken from Halifax Plc

sale prices, therefore rental yields in the Transactions Index are estimates.

8.2 Data Analysis

8.2.1 Change in scale

Table 8.1 below shows for 1986, 1992 and 1997 the number of households living in the private rented sector and the total number of households in Wales. The final column in the table shows the percentage of households in the private rented sector.

The private rented sector expanded in size considerably between 1986 and 1992,

from 81,789 to 88,300 households, an increase of 8%. However, this was against a background of a significant increase in the total number of households in Wales, reflecting strong growth in the number of households across the UK as a whole, meaning that the private rented sector's share of all households in Wales actually fell slightly from 7.9% to 7.8% of all households. In contrast, between 1992 and 1997 the private rented sector expanded only marginally against a background of continued increases in the number of households overall.

Table 8.1 Absolute and relative size of the private rented sector in Wales: 1986, 1992 and 1997

Year	Privately renting Households	All households	% of households privately renting
1986	81,789	1,035,000	7.9
1992	88,300	1,126,100	7.8
1997	88,536	1,157,280	7.7

Source:s: 1986, 1993 and 1998 Welsh House Condition Surveys

An important question to consider in regard to the possible expansion of the PRS is the future housing tenure aspirations of people currently in different housing tenures. Social and private renters in the Welsh House Condition Survey were asked what their preferred housing tenure is (this was not asked of owner occupiers). The results are shown in table 8.2 below.

Over half of social renters are currently in their tenure of first preference, compared to only a quarter of private renters. Over half of private renters aspire to owner occupation and 40% of social renters.

Table 8.2 Tenure aspirations of social and private renters

Preferred tenure	Current Tenure		Total %
	Social rented %	Private Rented %	
Own occupation	40	52	43
Social Rented	52	7	40
Private Rented	2	26	8
Other	0	4	1
Don't mind	4	7	5
Don't know	3	5	4
Total	100	100	100

Source: WHCS, 1998

Table 8.3 shows the proportion of households who are on a social landlord's waiting list, as an indication of the level of need for people to move out of private renting. Under 2% of owner occupiers are

on a social housing waiting list compared to 12% of private renters. Significantly more private renters are on a social housing waiting list than say that social housing is their preferred tenure.

Table 8.3 Social housing waiting list by tenure

On social housing waiting or transfer list	Tenure			Total %
	Owner Occ %	Social Rented %	Private Rented %	
Yes	2	11	12	4
No	98	90	89	96
Total	100	100	100	100

Source: WHCS, 1998

8.2.2 Change in dwelling characteristics

Chapter four showed that dwellings in the private rented sector had a higher incidence of unfitness compared to other

dwellings in Wales. Is this situation getting better or worse over time? Table 8.4 below shows the percentage of dwellings in different tenures which were unfit in 1993 and in 1998.

Table 8.4 Proportion of dwellings unfit by tenure, 1993 and 1998

Tenure	1993 % share	1998 % share	Change in share of dwellings unfit % change
Own occupation	12	8	-36%
Social Rented	16	8	-48%
Private Rented	26	18	-28%
All dwellings	13	9	-37%

Source: 1993 and 1998 Welsh House Condition Surveys.

Note: The fitness standard for human habitation used in both the 1993 and 1998 Welsh House Condition Surveys was that set out in Section 604 of the Housing Act 1985 as amended by Schedule 9 of the Local Government and Housing Act 1989

Overall, the level of unfitness of housing in Wales fell dramatically between 1993 and 1998, from 13% of all dwellings to 9% of all dwellings, a reduction by some 37%. However, the reduction in unfitness in the private rented sector fell by 28% (from 26% to 18% of dwellings), a smaller percentage fall than in other tenures. Therefore, although the rate of unfitness found in the private rented sector has improved considerably, its position relative to other tenures has worsened.

Table 8.5 shows the average cost of repairs per dwelling required to meet standards for human habitation for the same two years. The reduction in the average repair cost has been more marked than the reduction

in the proportion of dwellings unfit, with an overall reduction in the average repair cost for housing in Wales by 64% in real terms. This indicates that the properties in the worst condition have been upgraded, consistent with the 'worst first' strategy in administering housing grants that was reported by the local authorities interviewed in the course of this research. However, once again, the improvement in the private rented sector lags behind the improvement in other housing tenures, with a 50% reduction in the private rented sector average repair cost. This left the average repair cost for a privately rented property at a not inconsiderable £1,883 in 1998.

Table 8.5 Average repair cost per dwelling to meet fitness standards by tenure, 1993 and 1998

Tenure	1993 Average repair cost (£, 1998 prices)	1998 Average repair cost (£)	Change in average repair cost (%)
Own occupation	2,611	951	-64%
Social Rented	1,961	654	-67%
Private Rented	3,739	1,883	-50%
All dwellings	2,611	953	-64%

Source: 1993 and 1998 Welsh House Condition Surveys.

There was a reduction in the prevalence of flats in the private rented sector between 1992 and 1997. A quarter of households in the private rented sector lived in flats in 1992, but this had fallen to a fifth by 1997. This is a reduction in share by 21%, compared to a reduction by only 9% in the share of all households living in flats in Wales. Since flats are over represented in the private rented sector, this shows that the private rented sector is becoming more similar to the rest of the Welsh housing stock through time. Unfortunately, figures for other types of dwellings cannot be meaningfully compared between 1992 and 1997 because of changes to the categories of dwelling types reported.

Table 8.6 shows changes in the size of dwellings found in the private rented sector compared to housing as a whole. This again shows a general convergence

between the private rented sector and housing as a whole in Wales. In 1992, one, two, three and four room dwellings were over represented in the PRS. Between 1992 and 1997 the PRS growth was greater, or decline lesser, than the housing stock as a whole in these sizes of dwelling. Similarly, dwellings with five, six or seven or more rooms were under represented in the PRS in 1992 and these size categories experienced lesser decline than the housing stock as a whole or growth in the face of slight decline in the case of five room dwellings. Broadly speaking, the proportions of both PRS dwellings and dwellings as a whole are declining in the cases of very small and very large dwellings and growing in the mid-ranges. This reflects the pattern of demographic change in household size which is shown in the following sub-section of this chapter.

Table 8.6 Size of privately rented dwellings and all dwellings, 1992 and 1997

Dwelling size (no rooms)	1992		1997		Change in % share	
	PRS (% share)	All (% share)	PRS (% share)	All (% share)	PRS (% share)	All (% share)
One	5	1	2	0	-62	-50
Two	14	2	10	5	-25	148
Three	15	7	25	17	60	162
Four	22	18	26	30	21	63
Five	19	30	21	30	13	-0
Six	16	28	9	11	-43	-63
Seven or more	10	15	7	7	-30	-52
Total	100	100	100	100	-	-

Source: 1993 and 1998 Welsh House Condition Surveys.

The foregoing analysis has assessed changes in dwelling characteristics between 1992 and 1997. How is the private rented sector in Wales changing in the longer

term? Selected characteristics for selected years from 1970s are shown in table 8.7 below.

Table 8.7 Long-term change in dwelling size, dwellings with central heating and furnished dwellings in the private rented sector in Wales

Year	No. Observations	Average number of Rooms per PRS dwelling	% PRS Dwellings with Central Heating	% PRS Dwellings that are Furnished
1970	49	5.0	8	24
1975	45	5.2	11	18
1980	19	5.3	5	21
1989	21	4.9	48	48
1995	30	5.1	60	47
1999	21	4.2	76	29

Source: Family Expenditure Survey

There appears to be no long term trend in the average number of rooms in privately rented dwellings in Wales, with the average apparently stable at around five rooms per dwelling (although bear in mind that these figures are based on small sample numbers). Unsurprisingly, the proportion of privately rented dwellings in Wales with central heating is rising dramatically over time. Finally, the proportion of dwellings that are let furnished rose steeply throughout the 1970s, reflecting the decline of the private rented sector in providing permanent homes (which are generally let unfurnished) during that time. The drop between 1995 and 1999 may be a statistical aberration.

8.2.3 Change in tenant characteristics

Table 8.8 shows that, overall, between 1992 and 1997 in Wales the proportion of single person households remained stable while the proportions of two and three person households grew and the proportions of larger households fell. The pattern of change in the size distribution of households in the private rented sector, however, is considerably different. Here, the proportion of single person households fell by 28.7% and the proportion of all other household sizes grew. The growth was particularly strong in the case of larger households, with an increase of over 60% in the share of PRS households of six or more people compared to a decline of nearly 10% in the share of all households in this size category. As with the size of dwellings, this shows a convergence between the size of households in the private rented sector and households generally.

Table 8.8 Household size in the PRS and of all households, 1992 and 1997

Dwelling size (no rooms)	1992		1997		Change in % share	
	PRS (% share)	All (% share)	PRS (% share)	All (% share)	PRS (% share)	All (% share)
One	45	25	32	25	-29	-0
Two	26	34	31	34	22	2
Three	13	17	16	17	23	0
Four	11	16	12	16	12	-1
Five	4	6	6	6	36	-3
Six	2	2	3	2	61	-9
Total	100	100	100	100	-	-

Source: 1993 and 1998 Welsh House Condition Surveys.

Table 8.9 shows the age of household heads and selected household types for 1992 and 1997, both for the private rented sector and for all housing tenures. (Only 'single pensioner' and 'other single

person' household type categories were common to both the 1993 Welsh House Condition Survey and the 1998 Welsh House Condition Survey).

Table 8.9 Age of head of household (HoH) and household type for the PRS and all households/individuals, 1992 and 1997

Characteristic	1992		1997		Change in % share	
	PRS (% share)	All (% share)	PRS (% share)	All (% share)	PRS (% share)	All (% share)
<i>Age of HoH</i>						
Under 30 years	40	12	34	10	-15	-15
<i>Household type</i>						
Single pensioner	12	16	11	16	-7	1
Single non-pensioner	32	9	21	9	-34	-1

Source: 1993 and 1998 Welsh House Condition Surveys.

The proportion of household in the private rented sector which are headed by an individual under the age of 30 years fell from 40% in 1992 to 34% in 1997, although this remains substantially greater than the 10% of household heads as a whole in this age group in 1997. Although the proportion of household heads in the private rented sector under the age of 30 years is falling, the reduction is broadly in line with the reduction in the proportion of all household heads in this age group. However, the fall in the proportion of households headed by an individual under the age of 30 years was slightly greater among private renters than among all households - the reductions between 1992 and 1997 were just over 15% for private renters and 14.5% for all households.

Since young people are over represented in the private rented sector, this shows a slight tendency towards convergence with other housing tenures but it is not marked.

The private rented sector lost its share of single pensioner households relative to the population as a whole, with a reduction from 12% in 1992 to 11% in 1997, compared to a stable figure of just over 15% of all households. The proportion of private renting households in the 'single non-pensioner' category fell by over a third from 32% in 1992 to 21% in 1997, while this proportion remained stable at just over 9% of all households. This once again shows that the characteristics of the private rented sector are converging with other housing tenures over time.

8.2.4 *Change in rents and yield, 1996-2000*

Figure 8.1 shows weekly rent (standardised for changes in the mix of property types over time) in Wales and Britain (excluding London) for each quarter from the first quarter of 1996. The first thing to note from figure 8.1 is that standardised rents are generally lower in Wales than in the rest of Britain. Both Welsh and British rents are on a broadly similar upward trajectory, although rents in Wales stagnated throughout 1998 while they continued to rise in the rest of Britain, and since the second quarter of 2000 rents in Wales have fallen while they have increased sharply in Britain, although it is not clear from the data if this divergence will continue.

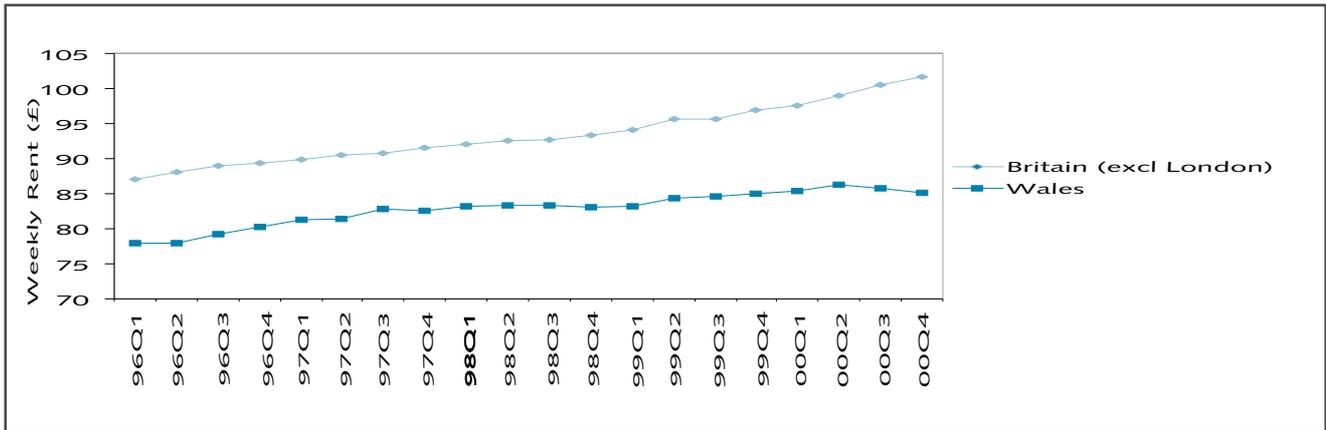
Standardised rents in Wales and Britain (excluding London) were stable in real terms (1996 prices) at around £78 per week and £87 per week respectively from the start of 1996 until the first quarter of 1998, as shown in figure 8.2. Since the first quarter of 1998, however, standardised rents in Wales have been falling in real terms with a period of stability in early 1999, and with sharp falls between the second and fourth quarters of 2000. Standardised real rent fell in Britain after the first quarter of 1998 in line with Wales, but stabilised and since the end of 1998 has been rising at an increasing rate

with particularly steep rises since the second quarter of 2000, the same time Welsh rents started to fall steeply.

Despite lower rents in Wales than in the rest of Britain, yields are higher as shown in figure 8.3 owing to lower house prices in Wales. Indeed, Wales' position relative to the rest of Britain appears to be improving with regard to rental yield achieved in the private rented sector. In the early part of 1996, yields were actually slightly higher in Britain than in Wales but this position switched after the third quarter of 1996. Yields in Wales and Britain then both fell sharply until the second quarter of 1997 when Welsh yields rose again steeply and have since fluctuated around a slight downward trend, while British yields continued to decline and have only recovered slightly since the second quarter of 2000.

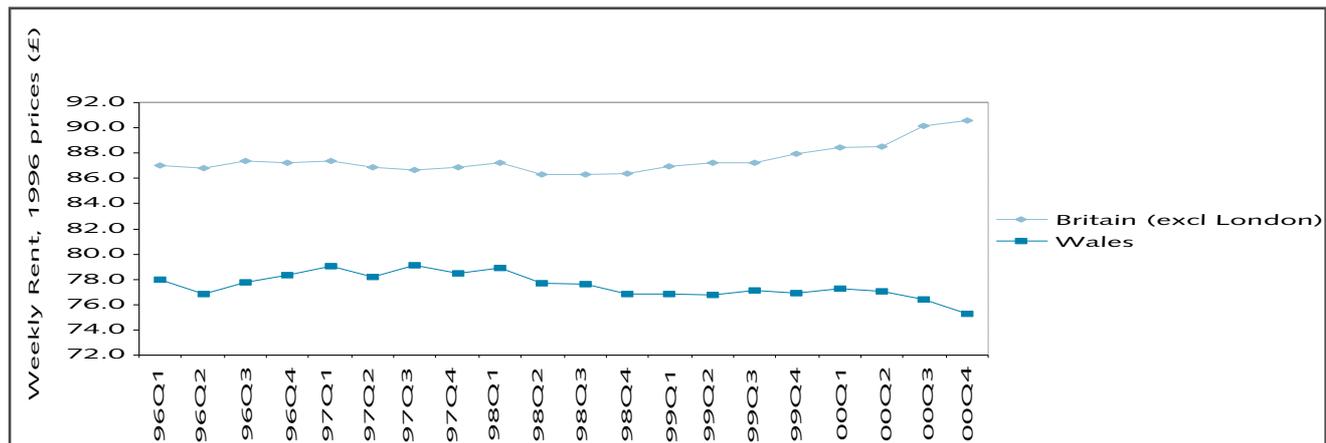
The relatively unstable trends in rental yields compared to the relatively smooth trend in rents illustrates that changes in rental yields are in large part determined by changes in house prices. Furthermore, increases in rent are not keeping pace with increases in house prices leading to declining rental yields. This is likely to act as a deterrent to new landlords entering the private rental market, but should not adversely affect existing landlords who will enjoy capital appreciation on their properties.

Figure 8.1 Weekly rent, Britain (excluding London) and Wales, 1006-2000



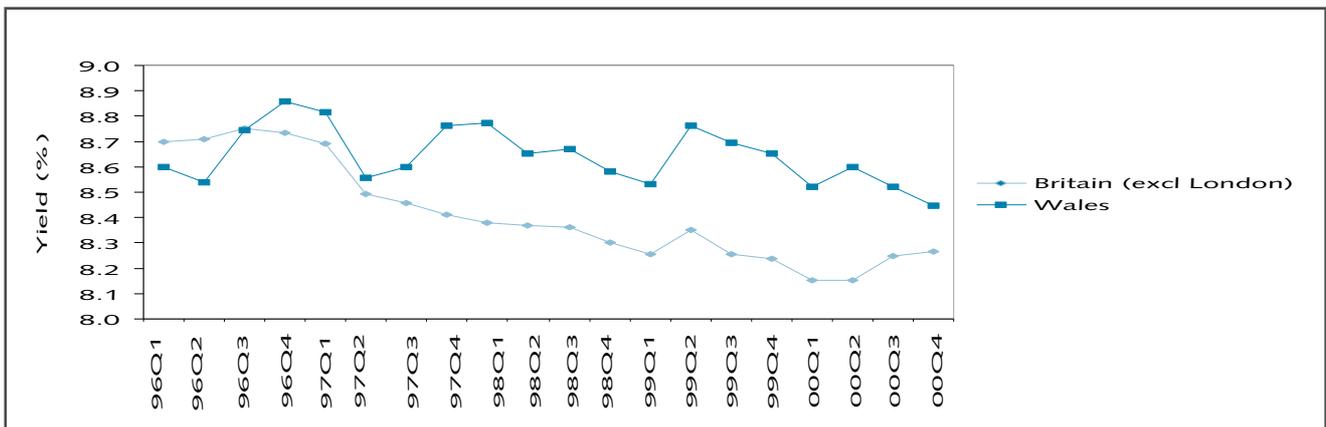
Source: JRF/University of York Index of Private Rents (Valuations Index)

Figure 8.2 Real terms weekly rent, Britain (excluding London) and Wales, 1996-2000



Source: Derived from JRF/University of York Index of Private Rents (Valuations Index) and RPLX

Figure 8.3 Rental yield, Britain (excl London) and Wales, 1996-2000



Source: JRF/University of York Index of Private Rents (Valuations Index)

This section so far has considered changes through time in rents. However, there is variation in rent, and variation in the rate of change in rent, both geographically within Wales and for different types of properties. Weekly rents in Wales disaggregated by local authority and by type of property for the fourth quarter of 2000 are shown in table 8.10. Blank cells are due to insufficient or missing data. The highest rents for most property types can be found in Anglesey, Bridgend, Caerphilly, Cardiff, Ceredigion, Conwy, Gwynedd, Monmouthshire, Newport, Swansea and the Vale of Glamorgan. These areas are generally, but not exclusively, areas with a higher than average share of dwellings in the private rented sector, as shown in chapter four. This is perhaps due to high demand increasing both supply of properties and rent levels. The lowest rents for most property types are generally found in Blaenau Gwent, Merthyr Tydfil, Powys and Rhondda Cynon Taff. These are generally the less economically buoyant areas in Wales, and low rents are likely to be a reflection of low incomes and low house prices.

Table 8.11 shows the average annual percentage change (discounted) in real rent between the fourth quarter of 1997 and the fourth quarter of 2000, again disaggregated by local authority and by type of property. Note that inflation has been deducted so the changes are in real terms. There is a wide range of changes in rents, both increases and decreases, but with decreases slightly out-numbering increases, reflecting the overall slight fall in rent in real terms in aggregate across Wales during this period as shown in figure 8.2. There is no obvious pattern by type of dwelling, although there appears to be greater variation (i.e. larger increases and larger decreases) between local authorities for detached and semi-detached properties compared to other property types. Falls in real rent for terraced properties appear to be the most consistent between local authorities, with many of the falls in the region of 2.0-4.5% per annum.

Table 8.10 Average weekly rents, by property type and local authority, 2000 Q4

Local Authority	Unfurnished					Furnished					
	D'ched	Semi	Terrcd	Flat 2 bed	Flat 1 bed	D'ched	Semi	Terrcd	Flat 2 bed	Flat 1 bed	Bedsits
Anglesey	105	85	80	67	55	110	90	80	70	60	38
Blaenau Gwent	84	70	58	58	50	87	76	60	58	53	40
Bridgend	100	85	75	70	65	100	85	75	70	65	50
Caerphilly	110	81	69	62	55	120	87	74	665	58	48
Cardiff						185	127	98	90	75	40
Ceredigion		100		75	75	98	115	85	80	78	45
Carmarthenshire	85	80	70	70	60	85	80	70	70	60	45
Conwy	115	92	85	75	67	127	100	90	80	70	40
Denbighshire	95	81	75	65	60	95	81	75	65	60	38
Flintshire	98	83	75	70	63	98	83	75	70	63	45
Gwynedd	110	90	85	70	55	120	100	85	75	60	38
Merthyr Tydfil	75	67	63	30	55	80	67	63	60	55	40
Monmouthshire	133	95	80	81	73	138	98	84	84	76	46
Neath Port Talbot	87	70	60	65	55	100	75	70	68	60	38
Newport	115	87	76	74	62	115	92	81	78	65	42
Pembrokeshire	85	80	75	70	65	85	83	75	70	65	40
Powys	62	72	62	64	56	65	72	65	64	58	44
Rhn'da, Cynon Taff	80	65	60	60	55	85	68	62	62	58	40
Swansea	115	80	65	70	55	150	80	70	80	65	35
Torfaen	98	81	62	60	54	104	87	65	62	56	39
Vale of Glamorgan						150	110	86	83	70	39
Wrexham	95	81	65	63	55	95	81	65	63	55	40

Source: JRF/University of York Index of Private Rents (Valuations Index)

Table 8.11 Average annual percentage change (discounted) in rent, minus inflation by property type and local authority, 1997 Q4 to 2000 Q4

Local Authority	Unfurnished					Furnished					
	D'ched	Semi	Terrcd	Flat 2 bed	Flat 1 bed	D'ched	Semi	Terrcd	Flat 2 bed	Flat 1 bed	Bedsits
Anglesey	1.5%	-3.4%	2.8%	-2.8%	-2.3%	3.1%	-1.5%	2.8%	-1.3%	0.7%	-1.4%
Blaenau Gwent	-1.9%	-1.3%	-2.3%	-2.3%	-2.3%	-0.7%	1.5%	-1.2%	-2.3%	0.3%	-2.3%
Bridgend	-0.6%	-0.2%	-2.3%	-3.7%	-3.8%	-2.3%	-2.3%	-4.4%	-4.6%	-4.7%	-0.9%
Caerphilly	0.3%	0.3%	-0.3%	-2.3%	-2.3%	3.3%	2.8%	2.1%	-0.7%	-0.5%	2.3%
Cardiff						11.1%	2.9%	-1.2%	-1.2%	-1.4%	0.3%
Ceredigion		50%				-4.3%	6.2%	-2.3%	-2.7%	2.4%	1.7%
Carmarthenshire		-2.3%	-2.3%	0.2%	0.7%			-4.6%	-2.3%		5.4%
Conwy	0.8%	-1.6%	-2.3%	-3.6%	-0.2%	2.6%	-0.6%	-2.3%	-2.3%	0.2%	-2.3%
Denbighshire	-4.0%	-2.3%	0.0%	-2.3%	-0.6%	-4.9%	-2.3%	0.0%	-2.3%	0.6%	-2.3%
Flintshire	-1.2%	0.2%	-2.3%	0.2%	-0.7%	-3.0%	-1.1%	-2.3%	0.3%	-0.7%	1.7%
Gwynedd	2.7%	-0.4%	0.6%	-1.3%	-2.3%	4.0%	1.3	-0.2%	0.0%	0.7%	-2.3%
Merthyr Tydfil	-6.4%	-3.7%	-2.3%	-0.6%	-0.4%	-4.3%	-3.7%	-3.3%	-2.3%	-2.3%	0.3%
Monmouthshire	2.7%	0.7%	-0.6%	1.7%	1.1%	4.0%	1.8%	1.1%	1.6%	1.0%	-1.6%
Neath Port Talbot	-3.4%	-6.6%	-9.0%	-0.7%	-2.3%	-2.3%	-4.4%	-4.1%	0.8%	0.7%	0.5%
Newport	-2.3%	0.1%	1.0%	1.6%	0.6%	-2.3%	2.0%	3.2%	1.4%	0.4%	-2.3%
Pembrokeshire		0.3%	2.6%	0.2%	-2.3%	0.7%	1.6%	2.6%	0.2%	-2.3%	
Powys	-8.4%	0.1%	1.8%	2.9%	-0.4%	-9.0%	-1.3%	0.4%	-0.1%	-0.5%	-3.0%
Rhn'da, Cynon Taff	-9.5%	-4.7%	-2.3%	-0.6%	-1.0%	-11.9%	-5.5%	-1.2%	-1.2%	-0.5%	-0.6%
Swansea	-2.9%	-1.4%	-6.9%	-6.6%	-7.7%	0.0%	-1.4%	-4.6%	-2.3%	-2.3%	-3.2%
Torfaen	-2.3%	-0.1%	-1.7%	0.7%	-0.4%	-0.3%	2.3%	-1.2%	0.0%	-0.4%	-1.4%
Vale of Glamorgan						3.7%	0.9%	-1.9%	0.2%	0.2%	1.4%
Wrexham	-4.0%	1.2%	-2.3%	-1.8%	-4.0%	-4.9%	0.3%	-3.3%	-1.8%	-4.0%	-2.3%

Source: Derived from JRF/University of York Index of Private Rents (Valuations Index)

8.2.5 Constructing a long-term rent index, 1970-1999

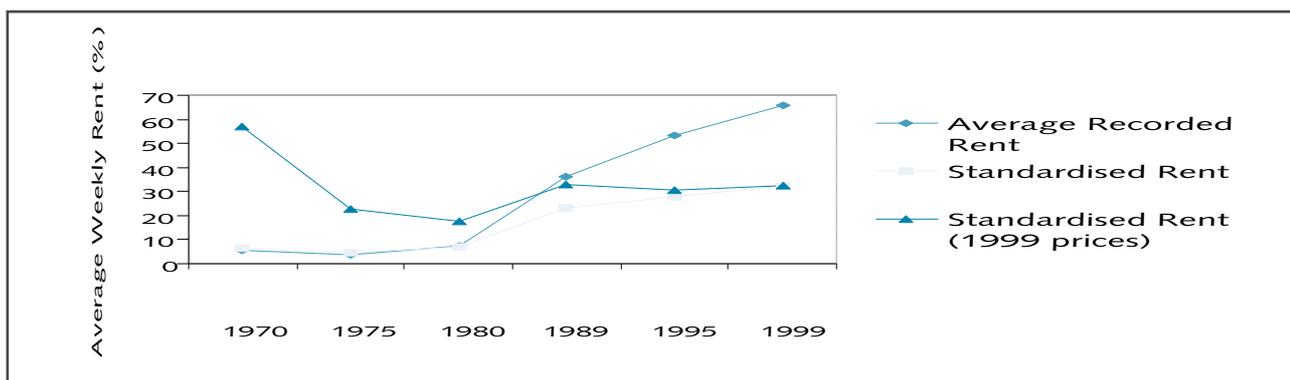
One of the factors that has constrained the analysis of private renting in Wales, and indeed in the rest of the UK, has been the absence of time series data on rents. Although this omission has been rectified in part by the establishment of the York rent index, two major data shortfalls remain: (1) no data series precedes 1996 and so very little is known about the pattern of rents in most of the post-war period; (2) no attempt has been made to construct a long run index that controls (or 'standardises') for variation in dwelling attributes. This standardisation issue is crucial in calculating accurately the underlying change in rent after removing the effect of, for example, a greater number of large than small properties entering the private rented sector over time. Not to take account of this could be likened to saying that selling oil in larger barrels would result in the price of oil rising.

Our approach was to select six years of data from the Family Expenditure Survey (FES) - 1970, 1975, 1980, 1989, 1995, 1999. We calculated average rent in Wales for these years, standardising for changes in the following attributes: size of

properties in the PRS, and the prevalence of both central heating and furnished properties. A 'standard' property refers to a property with the average values of these attributes across all years. It was our intention to use every fifth year from 1970, but inconsistencies in the structure of the FES made this difficult for 1985 and 1990. 1989 was substituted for 1990, and 1999 was substituted for 2000, the data for which have not yet been released.

Standardised rent is compared with the average recorded rents in each year, as shown in figure 8.4. As one might expect, figure 8.4 shows rising nominal rent both for the standardised and recorded rents. However, standardised rent has grown less rapidly, reflecting the change in the PRS over time towards a higher proportion of dwellings with central heating and being furnished. Standardised rent in real terms (1999 prices) in Wales was considerably higher in 1970 than at any other time since. The steep falls in standardised rent in real terms throughout the 1970s is a reflection of high price inflation during this period in the face of stable nominal rent levels. Real standardised rent then recovered throughout the 1980s and stabilised throughout the 1990s at just over £30 per week (1999 prices).

Figure 8.4 Average recorded rent, standardised rent and real standardised rent in Wales, 1970-1999



Source: Derived from the Family Expenditure Survey

The change over time in the impact of dwelling characteristics cannot be verified, however, using the FES because of its limited description of dwelling characteristics. Thus a further possible avenue for future research would be to compare regressions based on more detailed cross sectional data (such as from Rent Officer records) from different points in time to ascertain which of these explanations is most valid.

8.3 Qualitative Analysis

Many interviewees said that they thought that the quality of privately rented properties was improving and that the sector as a whole was increasing in professionalism. A number of interviewees said that this was in part driven by increasingly confident and choosy tenants who will not accept poor standards, particularly of cleanliness. Certainly in Cardiff, it was thought that privately rented accommodation is no longer perceived to be a second preference housing tenure. However, this is not borne out by the stated tenure preferences by social and private renters in the 1998 Welsh House Condition Survey, as reported earlier in this chapter.

There were some clear differences of opinion between local authority interviewees, particularly Environmental Health Officers, and letting agents and landlords representatives. The majority of local authority interviewees thought that state of repair and conditions generally in the private rented sector are deteriorating while letting agents and landlord representatives thought they are improving. Section 8.2.2 of this chapter reported the results of the 1993 and 1998 Welsh House Condition Surveys which

show that physical conditions in the private rented sector are actually improving. However, this aggregate improvement across the sector in Wales as a whole may mask falling standards towards the lower end of the market which are more than offset by rising standards in the upper end of the private rental market. Consistent with this interpretation, some letting agents and the landlord representatives reported that landlords' ability to carry out repairs was being curtailed by the restrictions on the level of Housing Benefit payable which were introduced in 1996. However, counter to this, some letting agents reported that landlords would find it difficult to let properties if they did not keep them well maintained, although generally the letting agents who said this were those who were not letting to many recipients of Housing Benefit. The decreasing availability of housing grants, particularly to private landlords, was also cited by some letting agents and the landlord representatives for contributing towards the poor repair and maintenance records of some landlords.

Buy-to-let mortgages have been instrumental in contributing towards increased supply of properties for private rent. However, other factors have also been important in certain locations, notably students' parents purchasing properties to rent and out-migrants from economically depressed areas being unable to sell their home therefore decide to place it on the private rental market. In Merthyr Tydfil, it was reported in this context that some former local authority properties which had been purchased through the Right-To-Buy scheme had now found their way onto the private rental market.

A phenomenon mentioned by several local authority interviewees is the increasing number of people choosing to move from the social rented sector to the private rented sector. Thus, not only are some properties moving from the social rented sector to the private rented sector, but this is also true of some tenants. It was thought by interviewees that this is likely to be due to low environmental quality and drug problems in certain housing estates dominated by social rented accommodation. This phenomenon may also be due in part to increasing standards of quality found in much of the private rented sector, as shown by the results of the 1993 and 1998 Welsh House Condition Surveys.

Overall, it was thought by a number of interviewees that the rapid expansion of the PRS in the early 90s was now stabilising, perceptions borne out by the estimates of the number of privately rented dwellings from the 1986, 1992 and 1997 surveys of households carried out in Wales and reported in section 8.2.1 of this chapter. However, this was not universally true across Wales, for example in Cardiff the private rented sector continues to expand. Part of the reason for the expansion of the private rented sector in the early 1990s was thought to be due to negative equity in the housing market in some locations. It was also thought that the prospects for significant future expansion of the private rented sector were limited without the introduction of assured type tenancies, as without these, the sector will not appeal to older 'settled' people and families.

8.4 Future Research

The Welsh Household and Dwelling Survey is due to be carried out within the next year or two. Once the results of this are available, obvious research to carry out would be to assess changes since 1998 in fitness, repair costs, and dwelling and tenant characteristics in the private rented sector as well as housing as a whole. To gain detailed information from both the household interviews and the physical inspections regarding particular property or household types within the private rented sector, it may be necessary to increase the number of households and properties in the private rented sector sampled in the forthcoming Welsh Household and Dwelling Survey.

Similarly, the results of the 2001 Census of Population when available will allow long term change since 1991 in the private rented sector to be assessed. The Census would be particularly useful to examine the change in the scale and distribution of the private rented sector, including shared dwellings.

The findings reported in section 8.2.5 of this chapter suggest that meaningful results could be obtained from applying hedonic techniques to the Family Expenditure Survey in order to derive a long term rent index for Wales and other regions in the UK. If all the years of the FES were utilized, it would be advisable to combine adjacent years in the construction of dummies in order to ensure that the estimates of the regional effects were based on an adequate number of observations. Further research could also explore in more detail how the shape and explanatory power of the hedonic rent schedule has changed over time.

8.5 Summary of findings

- The private rented sector in Wales, as in the UK as a whole, was in long term decline until the late 1980s/early 1990s when there was some expansion, but the sector has stabilised in size since the mid 1990s. However, the sector's share of all dwellings and households in Wales continues to decline slightly because the numbers of dwellings and households in Wales are rising.
- The private rented sector is overall not a popular choice of housing tenure, with it being the first preference for only a quarter of its tenants. Furthermore, less than 2% of social renters aspire towards private renting.
- The level of unfitness and average repair cost per dwelling fell substantially in the PRS between 1993 and 1998, but this lagged significantly behind even more dramatic improvements in other housing tenures.
- The size and type of dwellings found in the PRS converged towards those found in housing as a whole in Wales between 1992 and 1997, but important differences remain.
- The size and type of households in the PRS also showed some convergence with households as a whole, but the PRS's below average share of single pensioners fell further relative to the population as a whole.
- Private rents in Wales are lower than the rest of Britain, and they diverged further throughout the late 1990s, and particularly so during 2000. This is due to stagnant nominal rent in Wales from the end of 1997 and falls in 2000, in the face of increases elsewhere.
- Yields in Wales, however, are higher than the rest of Britain due to lower house prices. Yields in Wales and Britain were both on downward trends over the period 1996-2000.
- Recent changes in rent levels show great variation within Wales according to the type of property and geographical location. No particularly strong patterns emerged from this analysis.
- In the long run, average nominal rents in Wales were stagnant in the 1970s, rose steeply in the 1980s and rose at a slower rate in the 1990s. However, around half of this increase can be accounted for by the fact that the properties are becoming larger and have better amenities rather than being due to any underlying change in market conditions. Once the effect of inflation is also removed, real standardised rents in Wales fell sharply in the 1970s, recovered slightly in the 1980s and stabilised throughout the 1990s. This trend in real standardised rent mirrors the trend in the total number of privately rented properties in Wales over this period.
- There is an increasing professionalisation of the sector.
- Local authority officers, particularly Environmental Health Officers, perceive the PRS to be deteriorating in terms of unfitness and disrepair, while letting agents and landlord representatives perceive it to be improving. While the Welsh House

Condition Surveys objectively showed that the sector is dramatically improving in aggregate, this may mask important deviations from this trend at the bottom end of the market.

- Buy-to-let mortgages have been instrumental in facilitating the expansion of the private rented sector throughout the early 1990s, but many parts of Wales have reached market saturation. Therefore, further measures to expand the supply of properties for private rent may need to be entered into with caution.
- Although the majority of existing tenants are reported to be happy with assured shorthold tenancies, to expand the demand for private

renting in the future from groups at present under represented in the tenure, greater security of tenure would be required.

- Part of the reason for increased supply of properties for rent in the early 1990s was negative equity in the mortgaged owner occupied sector meaning home owners were unwilling or unable to sell when they vacated their home, for example to move to another part of the country.
- Although the numbers of tenants involved are relatively small, many interviewees noted an increasing trend in people choosing to move from social rented accommodation to the private rented sector.



Chapter Nine

Future Research and Monitoring

9.1 Introduction

A key output specified by the National Assembly for Wales was recommendations on future research and on "which aspects of the sector should be regularly monitored at local authority and all-Wales level and how this might be achieved" (NAW, 2001, p.3). This chapter therefore draws together the ideas for future research which have been outlined at the end of each empirical chapter. Specific suggestions for the forthcoming Welsh Household and Dwelling Survey are then made. Finally, some thoughts on how the private rented sector in Wales could be monitored are presented.

9.2 Broad Themes for Future Research

Two broad themes for future research into the private rented sector in Wales unite many of the specific issues for future research suggested in the foregoing empirical chapters. These two broad themes are outlined here.

9.2.1 Tenure choice in Wales

Wales has experienced rapid growth in owner occupancy over the past two decades, and simultaneous shifts away from both private and social renting. If the private rented sector is to be revived, policy makers need to understand the key factors that drive tenure choice and the sensitivity of the home ownership decision to these factors. On a more detailed level, the factors which influence the choice between private and social renting could also be considered.

Quantifying this process requires an application of tenure choice analysis: a statistical examination of tenure decision grounded in economic theory. Although a large number of such studies have been carried out in the US, relatively few have been estimated in the UK context and none specifically for Wales. It may be, however, that peculiarities of the Welsh housing market and its socio-economic composition, limit the applicability of studies carried out elsewhere, and point to the need for a tenure choice analysis specifically for Wales. A possible data source for such an analysis is the British Household Panel Study, which now has a booster sample for Wales and Scotland. The forthcoming Welsh Household and Dwelling Survey offers an opportunity to gather information on people's previous housing and residential mobility which would also facilitate a tenure choice analysis for Wales.

9.2.2 *The dynamics of the residential property market in Wales*

The growth of home ownership was not facilitated by a massive increase in new construction but by the transfer of dwellings between tenures through private landlords selling properties, and council tenants taking advantage of Right-to-Buy. The dynamic of this tenure switching process holds vital clues to the operation of the housing market in Wales. Work has been done on England and is currently being done for Scotland to develop a formal analysis of this process. Using regression analysis, estimates are produced of (amongst other things) the sensitivity of

the probability that a dwelling will transfer to owner occupancy with regard to average rent. Such techniques require a longitudinal dataset of dwellings (such as that contained in the Scottish House Condition Surveys), which is currently not available for Wales (although this was done in Wales between the 1981 and 1986 surveys). However, the National Assembly may wish to bear in mind the advantages of developing a longitudinal element to the data set when the forthcoming Welsh Household and Dwelling Survey is carried out.

9.3 Specific Issues for Future Research

A number of specific issues for future research were identified throughout this report. They are summarised here.

Scale and distribution of the private rented sector

- Reasons for migration from the social rented sector to the private rented sector.
- Scale and distribution of different types of person, household and dwelling in the PRS using the 2001 Census of Population.
- Use the 2001 Census of Population as a benchmark against which to compare HMO databases and registration schemes held by local authorities.
- Use the 2001 Census of Population as a benchmark against which to assess the degree of market penetration achieved by Rent Officers' market evidence databases.

Dwelling characteristics

- HMO management, including repairs and maintenance.
- The impact of Housing Benefit restrictions on repair and maintenance.

Tenant characteristics

- Qualitative interviews with tenants regarding their housing aspirations in general and their experiences of the PRS and Housing Benefit.

The role of Housing Benefit in supporting the PRS

- The impact of Housing Benefit restrictions on private landlords and tenants.
- The impact of Housing Benefit administration on private landlords and tenants.
- Evaluation of pre-tenancy determinations.

Landlords, housing grants and tenancy types

- Assessment of why people become landlords and how they decide on what type and size of property to purchase for the purposes of letting.
- Review of housing grants, especially regarding their benefit and the equity issues surrounding whether landlord or tenant benefits the most, and the flexibility local authorities have in administering housing grants.
- Review of Bond Boards, including landlord, letting agent and tenant perspectives.

- Assessment of means to increase trust, communication and co-operation between landlords and local authorities, particularly Housing Benefit and Environmental Health departments.

Changes to the private rented sector

- Change in unfitness, repair costs, and dwelling and tenant characteristics from the 1998 Welsh House Condition Survey and the forthcoming Welsh Household and Dwelling Survey.
- 1991-2001 change in scale and distribution of the private rented sector from the Census of Population.
- Calculate a robust long-term standardised rent index for Wales and other regions of the UK using the Family Expenditure Survey.

9.4 The forthcoming Welsh Household and Dwelling Survey

Three issues to consider in the design of the forthcoming Welsh Household and Dwelling Survey are suggested here. They are: boost the private rented sector sample; introduce a longitudinal element from the 1998 surveys; and additional questions.

9.4.1 Boost the private rented sector sample.

The private rented sector plays various roles in the overall housing system in Wales and the UK, the importance of which far outweighs its numerical size. In addition, problems in terms of unfitness and disrepair are more prevalent in the PRS than in other housing tenures. Furthermore, the PRS is not a homogenous group of properties or tenants, with a number of sub-sectors, for

example, 'DSS lets', the student market and luxury rooms and houses.

If detailed information is required on various aspects of the private rented sector at local authority level, then it may be advantageous to boost the number of PRS households and dwellings in the forthcoming Welsh Household and Dwelling Survey. Possible means of achieving this include:

- 1) Take a longitudinal sample of all the 1998 PRS dwellings and repeat them in addition to those PRS dwellings identified by random sampling of addresses. This would, however, introduce a bias in favour of properties which have been in the PRS for at least five years.
- 2) Random sampling of addresses held by the Rent Officer Service (ROS) around Wales - biases uncertain. Permission may need to be granted for this by the Data Protection Commissioner. This would also be of interest to the Rent Officers as they could compare randomly selected PRS properties with the properties on their market evidence databases. The ROS could perhaps contribute to the marginal cost of surveying properties from their records.
- 3) Some or all local authorities may be prepared to pay for a PRS boost in their area. Some would be able to provide lists of HMOs, for example, from Environmental Health Departments. Again, permission may need to be granted for this by the Data Protection Commissioner.

The biases introduced by these means of boosting the PRS sample could be assessed

by comparison against the 2001 Census. Appropriate weights could then be calculated for grossing to reflect the housing stock and population as whole. Because the forthcoming Welsh Household and Dwelling Survey is likely to be close to a Census year, reasonably accurate weights could be calculated to adjust for stratified sampling such as that outlined above.

9.4.2 *Introduce a longitudinal element from the 1998 survey*

As outlined in the previous section, it may be possible to take a longitudinal sample of the 1998 PRS dwellings and repeat them in addition to those PRS identified by random sampling. Not only would this boost the PRS sample in the Welsh Household and Dwelling Survey, but it would also produce a longitudinal dataset to analyse change in individual properties. This longitudinal element could usefully be introduced for all tenures which would allow, amongst other things, the type of analysis outlined previously of the dynamics of the Welsh residential property market.

There may be ethical and Data Protection issues to consider in contacting households from the 1998 survey as they may have been given assurances that they would not be contacted again. If this precludes sampling from the previous survey, then a provision to allow this to be done in the future from the Welsh Household and Dwelling Survey sample could be introduced.

9.4.3 *Additional questions*

The 1998 Welsh House Condition Survey was fairly short compared to many other face-to-face household surveys carried out in the UK. No doubt there are good

reasons for this, not least cost. However, we suggest two areas for possible expansion.

- 1) It would be useful to ask the amount of Housing Benefit received. This would allow, for example, a detailed analysis of the importance of Housing Benefit in supporting the private rented sector, including different sub-markets within the PRS such as HMOs. In addition, the shortfalls different groups of people face between payable rent and Housing Benefit received could be assessed.
- 2) It would be of benefit to include questions regarding recent and anticipated residential mobility, including reasons for moving. Information on recent residential mobility could be used to calibrate a dynamic tenure choice model. This would help shed light on, for example, the reasons for the possible increasing movement from the social rented sector into the private rented sector identified by a number of interviewees during the course of the qualitative research for this project. It would also shed light on the reasons that people choose to live, or choose not to live, in privately rented accommodation in general.

9.5 **Possible Monitoring of the PRS**

The Rent Officer Service collects large quantities of detailed data about the private rented sector across Wales, both in collecting market evidence from non-HB lets and in making rent determinations for properties let, or to be let, to a HB recipient. This is a potentially valuable resource which, if stored centrally for all of Wales, could increase knowledge about

changes through time on an on-going basis regarding the scale, distribution, rent and characteristics of the private rented sector across Wales.

Given that the structure of the Rent Officer Service in Wales is currently under review by the National Assembly for Wales, this may represent an opportunity to standardise the way in which data are collected and recorded by the Rent Officer Service. The Rent Agency in England, we understand, are moving towards the creation of an all-England rent database, from which no doubt lessons could be learned.

There have been some calls for an annual or bi-annual survey of housing and households in Wales along similar lines to the Survey of English Housing (for example, see Smith, Stirling and Williams, 2000). This is a potentially useful source of information regarding housing and households in Wales which could be used for on-going monitoring, although the size of a survey of this frequency would be such that it is unlikely that it would be possible to obtain robust detailed information about the private rented sector, certainly below the all-Wales level.



Chapter Ten

Conclusions

10.1 Introduction

This final chapter summarises the key findings of this review as well as areas identified for future research and monitoring. This is not intended to be an exhaustive account, but rather to highlight the most important issues.

10.2 Key Findings

The key research findings of this review are as follows:

Scale and distribution of the private rented sector

- The private rented sector in Wales has been in long term decline until the 1980s and early 1990s when it expanded slightly but it has stabilised in size since the mid 1990s.
- The share of households in the private rented sector is greater in north and mid Wales than elsewhere in Wales.
- The share of households in the private rented sector is lower in south Wales and industrial towns than elsewhere in Wales. However, Cardiff and Swansea have around the Welsh average proportion of households living in the PRS.

Dwelling characteristics

- Dwellings in the private rented sector are smaller compared to other housing tenures.

- There is a greater prevalence of flats in the private rented sector than housing as a whole in Wales.
- Dwellings in the private rented sector are on average considerably older than in other tenures.
- Dwellings in the private rented sector have a higher prevalence of unfitness and higher repair costs than housing in other tenures.

Tenant characteristics

- private tenants are substantially younger and lower income than the population as a whole,
- single people, both pre- and post-marriage, are more likely to be private tenants (apart from pensioners),
- private tenants are more likely to be unemployed and members of ethnic minority groups compared to the population as a whole,
- landlords and letting agents generally recognise the following market segments:
 - professionals and other mobile workers,
 - young single people and couples, including families in rural areas,
 - students, and
 - 'DSS lets' (i.e. recipients of Housing Benefit), differentiating between long-term and more transient sub-groups.
- landlords representatives and letting agents reported problems at the

bottom end of the 'DSS' market of rent arrears and tenants vacating properties without serving notice to quit.

The role of Housing Benefit in supporting the private rented sector

- Restrictions on Housing Benefit are reported by some landlords' to limit their ability to carry out repairs at the bottom end of the private rental market, although this is sometimes reported to also be the case with market rents in some sub-sectors.
- Restrictions on Housing Benefit are resulting in increasing numbers of tenants facing shortfalls between their rent and that which Housing Benefit will cover.
- Knowledge of the Housing Benefit system is variable, with some tenants, landlords and letting agents being unsure of how it operates.

Landlords, housing grants and tenancy types

- Buy-to-let mortgages have facilitated an expansion of individual investment landlords throughout the early 1990s in particular.
- There has been an increased professionalisation of the PRS in the last decade or so, with reported increasing use of management and letting agents.
- There is over supply or market saturation in the private rental markets in some locations.
- Few landlords or letting agents see any benefit to them of using Bond Boards.

- Although the majority of existing tenants are reported to be happy with assured shorthold tenancies, to expand the demand for private renting in the future from groups at present under represented in the tenure, greater security of tenure would be required.

Changes to the private rented sector

- There is some evidence that the private rented sector in Wales is converging with the rest of the housing stock in Wales in terms of dwelling and tenant characteristics.
- Unfitness and repair costs in the PRS are improving considerably, but this may be less true at the bottom end of the market. Furthermore, the improvement in the PRS is slower than that in other housing tenures and the condition of PRS properties remains significantly below that found in housing as a whole in Wales.
- Rents are rising in Wales slower than in the rest of Britain, particularly in 2000. Furthermore, rents in Wales are lower than in the rest of Britain.
- Yields are higher in Wales than the rest of Britain due to lower house prices. Yields in both Wales and Britain are falling.
- Although nominal rents are rising in Wales, after taking account of inflation and the fact that larger and better quality properties are entering the PRS, underlying rent in Wales fell in the 1970s, recovered slightly in the 1980s and has been stable throughout the 1990s.
- Although the numbers of tenants involved are relatively small, many

interviewees noted an increasing trend in people choosing to move from social rented accommodation to the private rented sector.

10.3 Key areas for future research and monitoring

Some of the areas for future research listed below relate to issues, particularly Housing Benefit, which are to a large extent out with the direct control of the National Assembly for Wales. However, the National Assembly may wish to communicate with Westminster central government departments over the direction of UK research in these areas.

Two general areas for further research have been identified:

- Tenure choice in Wales.
- The dynamics of the residential property market in Wales.

Specific areas for future research identified by this review include:

Scale and distribution of the private rented sector

- Reasons for migration from the social rented sector to the private rented sector.
- Use the 2001 Census of Population as a benchmark against which to compare HMO databases and registration schemes held by local authorities.
- Use the 2001 Census of Population as a benchmark against which to assess the degree of market penetration achieved by Rent Officers' market evidence databases.

Dwelling characteristics

- The impact of Housing Benefit restrictions on repair and maintenance.

Tenant characteristics

- Qualitative interviews with tenants regarding their housing aspirations in general and their experiences of the PRS and Housing Benefit.

The role of Housing Benefit in supporting the PRS

- The impact of Housing Benefit restrictions on private landlords and tenants.

Landlords, housing grants and tenancy types

- Review of Bond Boards, including landlord, letting agent and tenant perspectives.
- Assessment of means to increase trust, communication and co-operation between landlords and local authorities, particularly Housing Benefit and Environmental Health departments.

Changes to the private rented sector

- Change in unfitness, repair costs, and dwelling and tenant characteristics from the 1998 Welsh House Condition Survey and the forthcoming Welsh Household and Dwelling Survey.
- 1991-2001 change in scale and distribution of the private rented sector from the Census of Population.

In addition, we suggest the following for the forthcoming Welsh Household and Dwelling Survey:

- Boost of the private rented sector sample.
- Introduce a longitudinal element from the 1998 survey.

- Ask additional questions regarding a) the level of Housing Benefit received, and b) past and anticipated residential mobility.

Finally, we suggest that the proposed restructuring of the Rent Officer Service in Wales be used as an opportunity to centralise and standardise the data collected both for valuations and market evidence.



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Appendix 1

Data Review

This appendix provides a brief description of all the datasets reviewed in one place. The data review sections at the start of each empirical chapter in the main body of the report only cover material relevant to each particular chapter.

The following datasets were reviewed:

- 1) Census of Population, Local Base Statistics & Small Area Statistics, 1991 and 2001
- 2) DSS/DWP Housing Benefit data, available annually from 1992
- 3) Family Expenditure Survey, available annually from 1961
- 4) General Household Survey, available annually from 1971
- 5) JRF/Uni of York Index of Private Rents & Yields, available quarterly from 1996Q1
- 6) Student Accommodation data, 1998/99
- 7) Welsh Health Survey, 1998
- 8) Welsh House Condition Survey, 1998
- 9) Welsh Index of Multiple Deprivation, 2000

1) Census of Population

Year(s): Decennial, 2001 not yet available.

Sample: Full population coverage; some more complex tables are 10% samples.

Census data are mostly based on households or persons, but selected tables based on dwellings. Given near 100% coverage of the population, this can provide information on the precise spatial distribution of households in the private rented sector in Wales down to a fine grained geography using the Local Base Statistics (LBS) and the Small Area Statistics (SAS). In the 1991 Census, data are available at the levels of Wales, County, District, Ward and Enumeration District (ED). In the 2001 Census they will be available at Wales, local authority, Ward and ED levels.

The 1991 Census provides information by housing tenure on the number of rooms in dwellings, dwelling type (detached house, terraced house, flat, etc.) and amenities (e.g. central heating and shared WC facilities). Information on household size, household structure, overcrowding and car ownership are also provided by housing tenure. Housing tenure in the Census differentiates between furnished and unfurnished private rented properties and accommodation that is rented from the tenant's employer. These data refer to households rather than dwellings.

The 2001 Census, which will not be available for some time, contains similar information. The 2001 Census includes a new question on the general state of individuals' health, hopefully which will be made available in the 2001 SAS tabulated against housing tenure. Unfortunately, proposals to include a question on income were not implemented.

2) DSS/DWP Housing Benefit Data

Year(s): From 1992

Sample: 100% of HB caseload.

The Department for Work and Pensions' Housing Benefit Management Information System is based on returns by local authorities on 100% of their HB caseload. It contains annual data on the number of regulated and deregulated private tenants in receipt of HB in Wales and in each local authority from 1992 to 2000. It also contains, for Wales and for each local authority, the average eligible rent and average HB entitlement of regulated and deregulated private tenants from 1996 to 2000. It is possible to make estimates of the annual cost of HB for Wales and for each local authority, based on the data for the number of recipients and average HB entitlement. We propose to include these estimates, together with an overview of the HB caseload and average payments, in the final report. Because of local government reorganisation in Wales in 1996, data presented will be for all of Wales from 1992 and by local authority from 1996.

3) Family Expenditure Survey

Year(s): From 1961

Sample: Approximately 8,000 households annually across the UK

The Family Expenditure Survey (FES) is a UK wide on-going survey which collects information on approximately 8,000 households each year. The FES is available from 1961. In any year, the FES generates around 40 private rented sector observations in Wales. Therefore, analysis could only be carried out at all-Wales level, and adjacent years would need to be combined to generate robust sample sizes.

Since the focus of the FES is on expenditure, it includes levels of rent and rent rebates (presently Housing Benefit). The FES also provides information on the size of properties, whether they have central heating or not, whether rented properties are furnished or not, and where properties are located. The geographical indicators contained in this dataset are Standard Regions.

4) General Household Survey

Year(s): From 1971

Sample: Approximately 8,000 households annually across the UK

The General Household Survey (GHS) is available annually from 1971 and provides information on housing, household and individual personal characteristics. It has information on approximately 8,000 households across the UK, so faces the same sampling constraints with regard to the private rented sector in Wales as the FES. The geographical indicators contained in this dataset are Standard Regions.

The GHS also contains information on the type of landlord people rent from. This could be used to provide an insight into the long term changing type of landlord operating in the private rented sector, for example employers offering accommodation tied to a job, other institutional landlords and private individuals. Long term change in the size and type of properties in the private rented sector could also be assessed.

5) JRF/ University of York Index of Private Rents and Yields

Year(s): From 1996, quarterly

Sample: N/A (Valuations Index); 1,000+ transactions per quarter (Transactions Index)

The University of York produces two indices (formerly sponsored by the Joseph Rowntree Foundation). The first is the Valuations Index which is based on Rent Officers' valuations of the typical rent for six different types of common private rented properties, each with a prescribed set of attributes. This is done at the local authority district level and is standardised to take account of the type of properties that are more likely to change tenants therefore be included in a Rent Officer's valuation. An adjustment is also made for the property type mix in each district.

The second index produced by the University of York, the Transactions Index, is based, as the name suggests, on actual transactions in the private rented sector. Data on these are provided by a sample of members of the ARLA and other principle letting agents. Note that this is biased towards the middle and upper end of the private rental market. The Transactions Index is available at district level, and occasionally to smaller postally based units when a sufficient number of transactions are present in order to provide a reliable estimate of market rent. This index is standardised through time to allow for the fact that different segments of the market will have a higher proportion of all transactions at different points in time e.g. students taking up private tenancies in September/October, and longer scale variations with the economic cycle. As with the Valuations Index, an adjustment is also made for the property type mix in each district.

The York Indices provide robust time series data since the first quarter of 1996 on the rent charged for different types of property and the yield returned to landlords. The yield is annual rent as a proportion of the open market vacant repossession value of the property. In the Valuations Index, this is based on valuations of the same properties as the rental valuations have been made on. However, in the Transactions Index, property values are taken from Halifax Plc sale prices, therefore rental yields in the Transactions Index are estimates.

Note that the University of York Indices may be discontinued in the near future.

6) Student Accommodation Data

Year(s): Available for academic years/ sessions (October to September).

Sample: All student enrolments.

These data are recorded by the Statistical Directorate of the National Assembly for Wales. They are collected for all students (full and part time; HE and FE) for each academic year. It is not clear from the data we have been given whether it is possible to differentiate between full and part time students.

Each student's home postcode is recorded, but not the postcode of where they live during term time. The identity of the institution at which the student is enrolled is recorded, as is the local authority code in which the institution is located, for both HE and FE students.

The type of accommodation in which the student lives during term time is recorded as one of the following: 'institution maintained property'; 'parental/guardian home'; 'own home'; 'other'; 'not known'; and 'not in attendance at institution'. Unfortunately, this does not identify students in the private rented sector, as 'own home' includes students living in owner occupation, the PRS and the SRS. However, these data do allow for the proportion of students who live with their parents/guardians to be calculated, which would give an indication of the affordability of accommodation to students generally. This would need to be restricted to students with a parental home within a certain distance of the institution in question in order to control for variation in the recruitment catchments of institutions. This proportion could be broken down by, for example: institution, local authority area, and location of parental home.

7) Welsh Health Survey

Year(s): 1998

Sample: 29,874 individuals

The 1998 Welsh Health Survey (WHS) provides information on a random selection of 30,000 individuals. The only non-health related information it contains that is not contained within the Welsh House Condition Survey is ethnic group. No household information is collected (e.g. household size) and information on housing characteristics is limited to tenure and the age of dwelling. The WHS and the Welsh House Condition Survey could, in theory, be combined to provide a larger dataset but the weights used in each survey to factor-up the results to reflect the age, gender and geographical distribution of population in Wales would need to be modified. In any case, this would only enhance the data common to both datasets, i.e. age of dwelling and individuals' characteristics (age, gender, marital status, etc.) but nothing on household characteristics.

8) Welsh House Condition Survey (WHCS)

Year(s): 1998

Sample: 40,670 household interviews; 12,037 physical inspections.

Every five years or so a survey of house conditions is carried out in Wales. Surveys have been carried out in 1968, 1973, 1976, 1981, 1986, 1993 and 1998, and another is planned to take place within the next year or two. The 1998 WHCS consists of household interviews followed by physical inspections of a selection of dwellings from the household survey. The household interview element was carried out in 1997 and is sometimes referred to as the 1997 Welsh Household Interview Survey. The physical survey was carried out in 1998.

The 1998 Welsh House Condition Survey physical inspection is well documented by the National Assembly for Wales and local authorities across Wales. Therefore, it was not reviewed in detail in this study. Rather, the research team concentrated on the household interview component. The National Assembly for Wales made the 1998 Welsh House Condition Survey available to the research team in electronic format and provided published reports of the 1986 and 1993 surveys. Note that the earlier surveys were based on substantially smaller samples therefore are less robust at local authority level.

The 1998 Welsh House Condition Survey includes information on:

- geographical location at various scales (for example, regions within Wales, local authorities, parliamentary constituencies, postcode areas e.g. CF and districts e.g. CF1),
- the characteristics of properties (e.g. date of construction, number of rooms, type of dwelling, level of insulation, presence of central heating),
- the respondents' and the interviewers' assessments of the condition of the properties
- the characteristics of households and individuals (for example household size, household income, and individuals' age and socio-economic status),
- the amount of rent paid,
- whether Housing Benefit and other state benefits are received or not,
- whether a housing grant has been received to improve the property or not,
- the type of landlord (this is broadly: tied, institution or individual).

The Welsh House Condition Survey was designed to provide robust information down to local authority level for most variables. Therefore, a reliable estimate of the housing tenure structure of different local authority areas can be made, but further disaggregations within the private rented sector at local authority level will result in small numbers of observations in some cells.

9) 2000 Welsh Index of Multiple Deprivation

Year(s): 2000 (some data sourced in earlier years)

Sample: N/A - various secondary sources used

This is at electoral division level (of which there are 856 in Wales). The Index contains the following domains:

- income (based on the proportion of the population in receipt of various social security benefits),
- employment,
- health and disability,
- education, skills and training,
- housing (based on the proportion of housing in disrepair, without central heating and lacking roof/loft insulation),
- geographical access to services,
- crime and physical environment,
- overall index.

The income domain within the Welsh Index of Multiple Deprivation was used as a criterion in the framework for the selection of case study local authority areas.