

Briefing Note for Think Tank 3: Private Renting – Why Social Landlords Get Involved?

Private renting is often in the news – evictions, lost deposits, overcrowding, disrepair, damp, high rents – a bad housing deal. It doesn't have to be like this, and often isn't. Housing associations have been de facto private landlords for a long time. For over 100 years, they provided rental homes without subsidy on a semi-charitable, low-return basis, providing homes for low-income tenants. After the First World War, governments adopted councils as their main providers. Meanwhile, housing associations continued to operate on a low-return, secure tenancy "good landlord" model. In the 1970s they came into their own with government support as a 'third tenure', after owner-occupation and Council renting.

Recent government cuts have pushed associations back into building without subsidies. Many now build for owner occupation at profit – to subsidise some shared ownership and some social housing. This leaves a big gap in provision which is increasingly filled by private renting.

Demand for private renting has risen fast due to reductions in social housing provision and the high cost of building a home.

There are many reasons for the rapid growth:

- Social housing is in short supply and heavy demand.
- Many people are excluded from access to it – particularly if they have modest to average incomes from work.
- Household patterns have changed –with later marriage and child-bearing, higher job mobility, longer time lags before settling in to jobs etc. Younger, more mobile, more qualified people rent because they can't afford to buy and can't get a mortgage.
- Owner occupation is harder to access due to the banking crisis and new tighter regulations on mortgages.
- Government initiatives to help first time buyers help to push up prices without helping those who still cannot afford to buy.

The changes over the last 10-15 years have provoked experiments in intermediate private renting, with a pay back and low-profit, helping modest earners by charging under-market rents. Several housing associations such as Peabody Trust and Joseph Rowntree Housing Trust have done this. Housing Associations are ideally suited to help, much more in creating this low-profit type of private renting. They have a strong track record in managing rented homes to modest income tenants; they borrow to invest and can invest for the long-term as they are long-term landlords; they provide

decent quality homes and services at below market rents; they offer secure tenancies. All these skills can be adapted to a higher quality, more secure Private Rented Sector with slow patient long term investment.

Local authorities also have a pivotal role to play in registering Private Landlords, prosecuting cases of abuse, and creating arms-length vehicles to help deliver private lettings. Several pioneering councils are doing these things.

These experimental renting schemes have opened the door to **many new, “social”/private renting initiatives**, which help groups who need to rent and risk falling through the cracks in the housing system.

Cities and towns need a sizeable private rented market offering quick access, on a pay as you go basis with no big upfront costs.

There is a powerful argument for social landlords becoming **the providers of intermediate private renting**. The sector is desperate for models that work financially and socially, offering quality with security. Social landlords have the ambition to expand, so why would they not plug this real gap in housing provision?

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