

# A nation of renters

How England moved from secure  
family homes towards rundown rentals



**citizens  
advice**

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# Executive summary

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In the last ten years, the number of households living in the private rental sector in England has doubled from 2.2 million to 4.4 million. This remarkable rise has, in a short period, made private renting one of the country's most important consumer markets. Much has been said about how aspects of this market, from letting agents to landlords, have failed tenants.<sup>1</sup> But what of the market's more basic performance? How good is the product? And how much is being paid for it? In this landmark report we assess the physical state of private rental properties in England and quantify the true cost of privately rented homes.

We start by exploring how renters themselves have changed. The population of renters has not only grown, it has also become more diverse in age range. While the share of 25-34 year olds who rent privately has more than doubled in the past decade, rising from 21 to 48 per cent, renting is no longer just a stopgap for the young. One million more 35-54 year olds now rent privately compared to ten years ago and we see this reflected in household types. In 2004, the most common household type in the private rental sector was single working-age adults. Now, over a million families are raising children in a privately rented home, treble the number a decade ago. Couples with children are now the most common household type in the sector.

In well-functioning markets, a changing customer base leads to innovation in products and services. So how well does the private rental product fit today's needs? Our figures suggest it falls far short of expectations. Despite the growing need for security as the number of children in the sector has risen, the private rental sector is still an unsettled place. More than a third of all privately renting households moved into their current property in just the last year, and average tenure lengths remain far shorter than in other tenures. This is not a case of families moving on quickly to buy their first home; while 61 per cent of private renters still say they plan to buy a home in the future, the median private renter is less than one twentieth of their way towards saving for an average first deposit.<sup>2</sup>

But it is the physical state of private rental properties that reveals the market's failure most clearly. It is well-established that one in three private rented properties are 'non-decent' on official measures. But this officialese obscures the harsh reality of what non-decency means. According to our analysis of government survey data,

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<sup>1</sup> Citizens Advice (2015) *Still let down: How letting agents are still ripping off private renters - and what this tells us about consumer protection*; Citizen Advice (2014) *Renting Uncovered: Evaluating consumer protections in the private rental sector*

<sup>2</sup> In 2013 the average first-time buyer deposit was £34,000 and the median private renter had (less than £1,500) in savings. Source: House Price Index, December 2014; ONS; Table 34 & 38

one in six privately rented homes (16 per cent) is physically unsafe. These 740,000 unsafe homes, spread the length and breadth of England, contain a Category 1 hazard that presents “a severe threat to health or safety”, for example, severe damp, excessive cold or risk of falls. This means they fail the legal minimum standard for housing.<sup>3</sup> These unsafe private rented properties are home to half a million children. The detrimental impact of living in poor housing conditions on children’s health is well documented.<sup>4</sup>

How much rent are people paying for these homes? Overall, despite getting a worse product, private renters pay more than those in other tenures. On average, private renters spend a third (34 per cent) of their income on housing costs. And, with incomes squeezed, housing benefit is taking the strain; the share of private renting households who work and yet receive housing benefit rose from one in ten to one in seven in the last four years.<sup>5</sup> These high costs extend to homes that are unsafe. The average rent paid for private rental properties that are unsafe is £157 a week meaning that, in total, private landlords are paid £5.6 billion a year in rent for unsafe homes, £1.3 billion of which is paid by the state in the form of housing benefit.

These striking findings make one thing unavoidably clear: the state of the private rental sector in England is one of the central challenges of this parliament. This goes beyond issues like letting agent fees or rogue landlords to the fundamental fact that renters pay over the odds for a substandard and even dangerous product. As we have shown in our wider work, in most other markets a mix of consumer rights, licensing schemes and routes to redress, make it hard to profit systematically by selling a dud product.<sup>6</sup> As things stand, the housing market, the most important consumer market of all, lags far behind.

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<sup>3</sup> These properties contain a Category 1 hazard and fall short of the statutory minimum standard for safe housing.

<sup>4</sup> Shelter (2006) *Chance of a lifetime: The impact of poor housing on children’s lives*

<sup>5</sup> In 2009/10 the figure was 9 per cent. In 2013/14 the figure was 14 per cent.

<sup>6</sup> Citizen Advice (2014) *Renting Uncovered: Evaluating consumer protections in the private rental sector*

# Chapter 1: Who lives in private rented homes?

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## Summary

The number of households in the private rental sector has doubled in the last decade. But beneath this headline there have also been major changes in the makeup of the private renter population. This chapter looks at the characteristics of private renters, showing how these have changed and comparing the private renting population to those in other tenures. We find that:

- The private rented sector is no longer dominated by young or single households in the way it once was. Half of privately rented households are headed by someone aged 35 and over and couples with children are now the most common family type in the sector.
- In terms of income and economic activity, the private renting population is more mainstream than either the social or owner occupying sectors; private renters are evenly distributed across the income distribution, while social renters and owner occupiers are skewed towards low and high income respectively.
- Despite their broad range of incomes, 65 per cent of private renting households have less than £1,500 in savings. This means the median private renter is less than one twentieth of their way towards saving an average first home deposit.<sup>7</sup> Yet 61 per cent of private renters still say they expect to buy a home in future.

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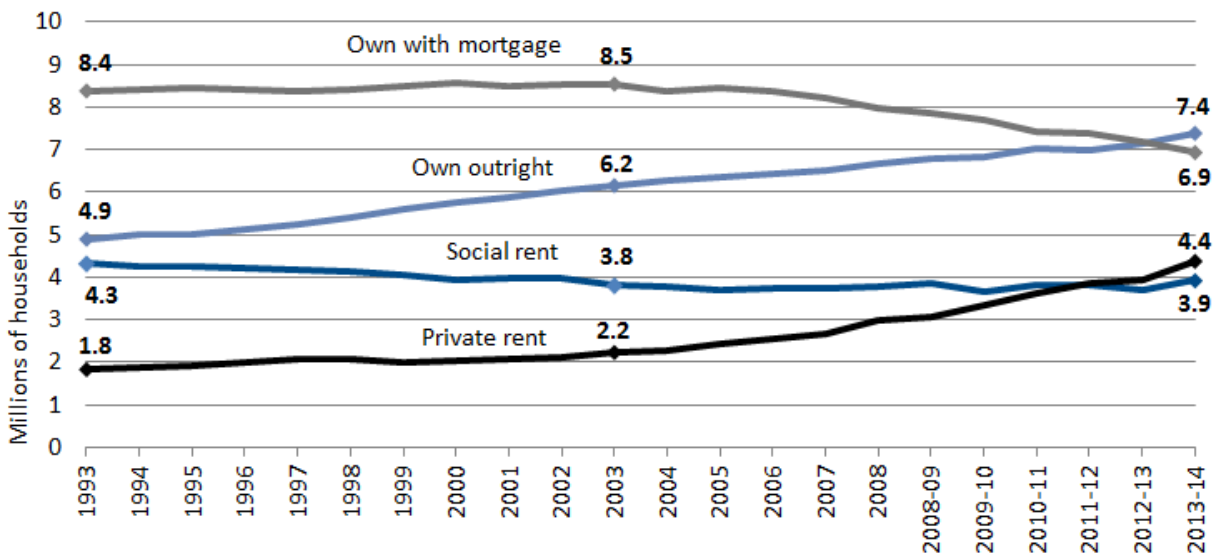
<sup>7</sup> The average deposit in 2013 was £34,000 and the median private renter has less than £1,500 in savings. Source: House Price Index, December 2014; ONS; Table 34 & 38

## Introduction

In the last two decades the private rented sector has gone from a minority tenure representing just a tenth of households, to the mainstream. In 2011/12 it became more common to rent privately than to live in the social rented sector and, by 2013/14, a fifth of households rented privately.

Figure 1 shows these trends in more detail. Since the early 1990s both the number of outright owners and private renters has grown, whilst the number of owners with a mortgage and social renters has fallen. The number of outright owners has risen as households have paid off their outstanding mortgages. But these households, mostly in older age groups, have not been replaced at the same rate by new owner-occupiers starting out on the property ladder. Instead, there has been a large increase in the number of households that rent privately, particularly since the early 2000s. In the last decade alone the number of privately renting households has doubled from 2.2 million to 4.4 million.

**Figure 1: The number of private rental households has doubled in a decade**  
*Number of households in England by tenure, millions*



Source: English Housing Survey 2013/14; DCLG

## Households characteristics

Beneath this overall growth, how has the private renting population changed over time? The private rented sector is commonly thought of as a young tenure and to some extent the evidence still supports this perception. Only seven per cent of private rented households are headed by someone aged 65 or over (330,000 households) while the biggest group in the private rental sector is those headed by someone aged 25-34.

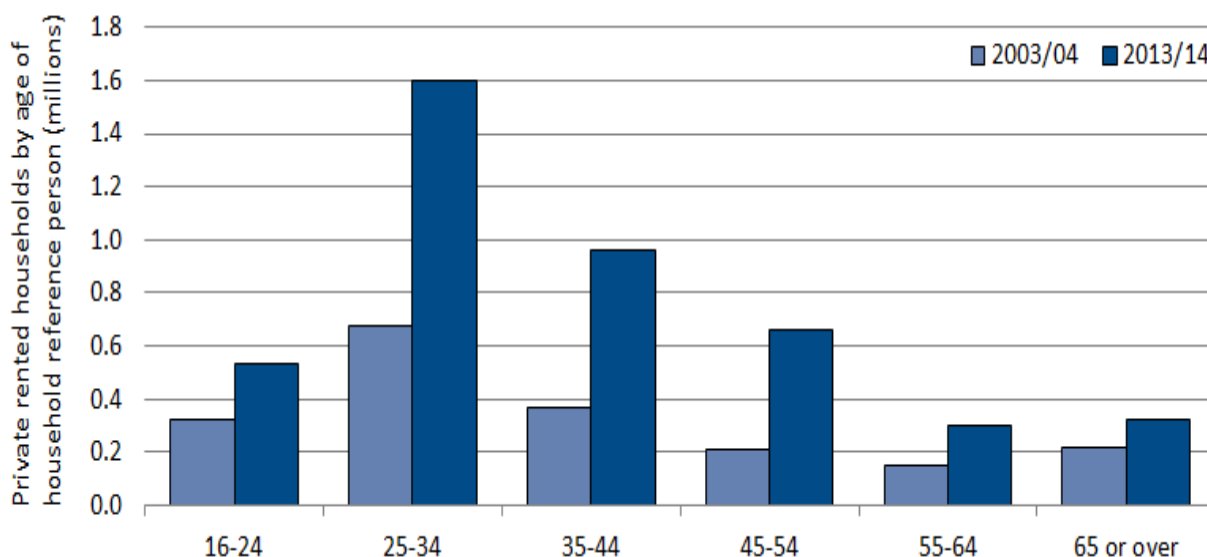
The number of younger adults in private rented accommodation has also been growing fast. In 2013/14, 25-34 year olds accounted for 1.6 million private rented households, 930,000 more than ten years ago. Over this period private renting became the most common tenure among 25-34 year olds, with the proportion of this age group renting privately rising from 21 per cent to 48 per cent. Meanwhile the proportion of owner-occupiers in this age group collapsed from 59 per cent to 36 per cent. This cohort of younger private renters have proven unable to get on the property ladder in the way their parents' generation had done.

But the rise in renting has not just been among those aged under 35; private renting is rising fast among older age groups as well. The number of private rented households headed by someone aged 35-54 rose by 1 million in the last ten years as the number of owner-occupiers fell by 930,000. In particular, private renting among the age group 45-54 has risen sharply – in the last decade it more than tripled reaching 660,000.

The rising number of middle-aged adults renting privately has fed through into the number of children living in the sector. A decade ago, just a quarter (24 per cent) of private rented households contained children. By 2013/14, this figure had risen to a third (35 per cent). Because of overall growth in the sector, the raw figures are even more remarkable; the number of privately rented households containing children trebled from 500,000 to 1.5 million over the decade to 2013/14. In total, 2.2 million children are now growing up in a privately rented home.

**Figure 2: Private renting has grown in all age groups, not just the young**

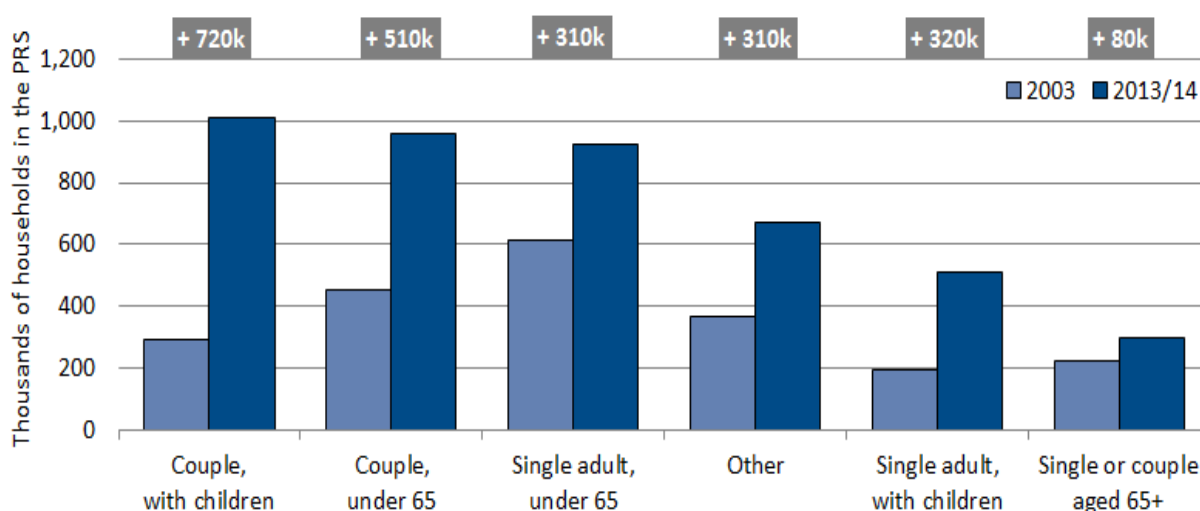
Number of private rented households by age of household head, millions



Source: English Housing Survey 2013/14; DCLG

Together, these changes mean that, while generation rent does exist, it is time to update the view that private renting is a stopgap for students or the young. Figure 3 shows how stark the recent changes have been. Ten years ago, the most common household type in the private rental sector was single working-age adults, and the second most common was working-age couples without children. Now, after trebling in number over the last ten years, couples with children have leapt to become the most common household type in the private rental sector. 'Other' household types, including sharing adults or properties containing multiple families, now account for a minority (15 per cent) of the tenure.

**Figure 3: Couples with children are now the most common household type**  
*Number of households in the private rental sector by household type, thousands*



Source: NPI analysis of Survey of English Housing 2003 and English Housing Survey 2012/13 & 203/14, DCLG

## Work, income and wealth

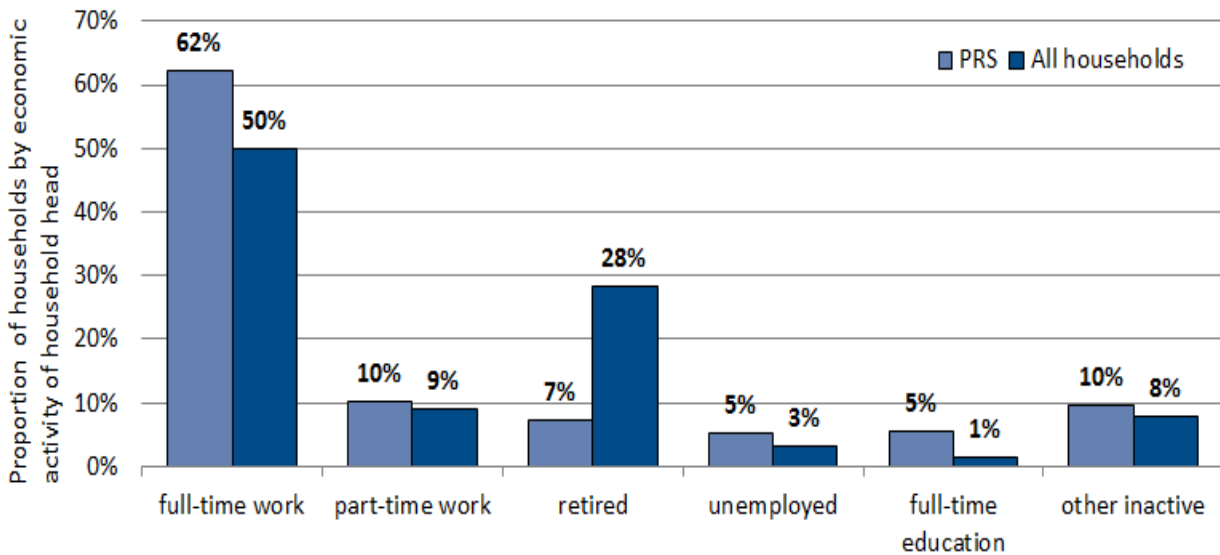
In the analysis above, we have shown how the private renting population has transformed by age and household type. What does the sector look like when it comes to employment status and income? Of the 4.4 million private rented households in England, a large majority, 3.2 million, are headed by someone in work. Among those not in work, there are now more private rented households headed by someone who is retired (320,000) than by full-time students (240,000).

When it comes to economic activity, the private rented sector looks broadly like England as a whole, albeit with slightly lower proportion of retired household heads and a slightly higher proportion of household heads who work full time. Other tenures differ from the average much more: the social rented sector has higher levels of inactivity (24 per cent), while outright owners have high levels of retirement (63 per cent) and mortgage-holders have high levels of full-time employment (84 per cent). By comparison, private renting is a more mainstream tenure, more representative of the population as a whole.



**Figure 4: Economic activity of private rented households is broadly similar to that of all households in England**

Proportion of households by economic activity of household head, percentage

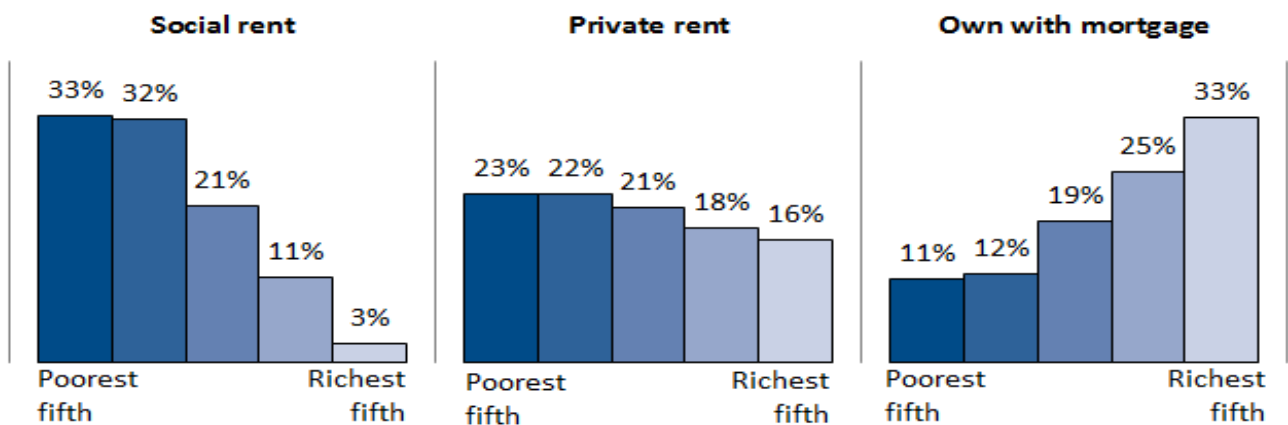


Source: English Housing Survey 2013/14; DCLG

The private rented sector also contains a broadly representative range of incomes. In terms of net income (adjusted for household size) private renters are relatively evenly distributed; 16 per cent of households in the sector are among the richest fifth of the population and 23 per cent are among the poorest fifth. By comparison, social rented households are far more likely to be in the poorest half on the basis of income, while owners with a mortgage are far more likely to be in the richest half of the population. Again, the private rental sector, far from being a niche tenure, looks more like England as a whole.

**Figure 5: The private rented sector contains households from across the income spectrum**

Proportion of households in income groups by tenure, percentage



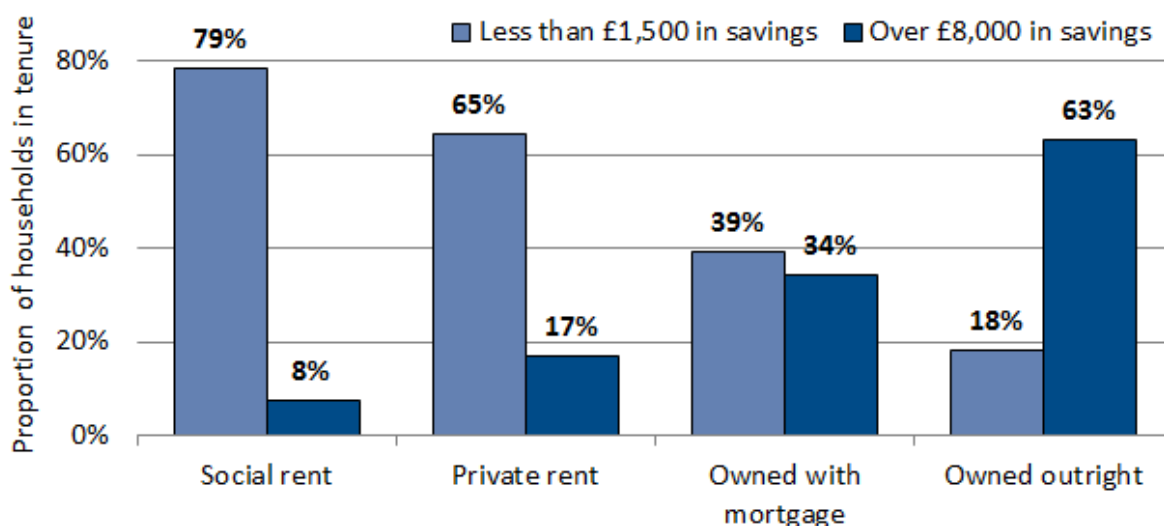
Source: Households Below Average Income 2012/13, DWP

So how are private renters different? One notable difference is in the group's asset position. Despite their broad range of incomes, private renters have lower savings than the average household. Almost two thirds (65 per cent) of private rented households had less than £1,500 in savings in latest data (see figure 6). This compares to an average in the wider population of 44 per cent. At the upper end of the scale, 17 per cent of private renting households had savings in excess of £8,000. This too compares poorly to the wider population, in which 35 per cent of households have savings in excess of £8,000.

Where do these saving rates leave private renters when it comes to buying a home? 61 per cent of private renters say they expect to buy a home in future but evidence suggests a gap between this aspiration and the reality of house prices and savings.<sup>8</sup> In the latest official data, the median price for a first home was £155k and the average deposit was 22 per cent, meaning a typical deposit of around £34k.<sup>9</sup> This leaves the median private renter less than one twentieth of their way towards saving for an average deposit. Only 7 per cent of private rented households had savings of over £30k, enough for an average deposit.

**Figure 6: A lack of savings in the private rented sector**

*Proportion of households with savings less than £1,500 or more than £8,000 by tenure, percentage*



Source: Family Resources Survey 2012/13, DWP

<sup>8</sup> English Housing Survey 2013/14; DCLG

<sup>9</sup> These figures are for the UK as a whole. House Price Index, December 2014; ONS; Table 34 & 38

# Chapter 2: The standard of private rented homes

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## Summary

In chapter 1 we have seen how private renters have changed over time. The tenure has gone mainstream and, far from being a stopgap for students, the main type of household in the sector is now a couple with children. So how is the market adapting? This chapter looks at the quality of the private rented sector product by comparison with other tenures and considers how this varies by household characteristics.

It is well-established that one in three privately rented properties (30 per cent) fall short of the decent home standard, a far higher proportion than other tenures. In this chapter we fill in the detail of what this means. We find that:

- One in six privately rented homes (16 per cent) present a severe threat to health or safety, falling short of the statutory minimum standard for safe housing. This compares to just 6 per cent of social rented homes.
- Nearly one in ten privately rented homes (8 per cent) have serious damp while 10 per cent pose a risk of a dangerous fall and 6 per cent are excessively cold. In other tenures these problems are much rarer.
- In total, 740,000 households live in a privately rented home that is physically unsafe<sup>10</sup>.
- Half a million (510,000) children live in privately rented homes that are unsafe. 180,000 disabled people and 120,000 people living in poverty also live in unsafe privately rented homes.<sup>11</sup>

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<sup>10</sup> This data relates to 2013

<sup>11</sup> This data relates to 2012, the latest available.

## Non-decency, hazards and damp in the private rented sector

It is well established that private rented homes are more likely to be substandard. In 2013, 30 per cent of private rented homes were estimated to be non-decent (totalling 1.3 million properties), compared to 19 per cent of owner-occupied homes and 15 per cent of social rented homes. What sits behind these figures and what does non-decency really mean?

A property fails to meet the statutory minimum standard for housing and is deemed non-decent if it<sup>12</sup>:

- poses a serious danger to health and safety;
- does not provide a reasonable degree of thermal comfort (based on insulation and heating adequacy and efficiency);
- is not in a reasonable state of repair based on the state of the building's components (for example, the roof is leak free and the electrical system is in reasonable condition)'
- does not have reasonably modern facilities and services, based primarily on the adequacy of the kitchen and bathroom.

The main source of data on these standards, and the data used in this report, is the English Housing Survey, a survey commissioned annually by the Department for Communities and Local Government.<sup>13</sup> The survey includes physical inspections of over 6,000 homes, assessing the property against these and other standards, and is the only robust and nationally representative source of information on the state of housing England. (It is worth noting that the government is currently consulting on cutting back this survey in future years.<sup>14</sup>)

Our analysis confirms that the private rental sector performs more poorly than other tenures on each of these four criteria for non-decency. The gap is most pronounced for thermal comfort, with 13 per cent of private rented homes failing this test, more than twice the rate in either the social rented or owner-occupied sectors.

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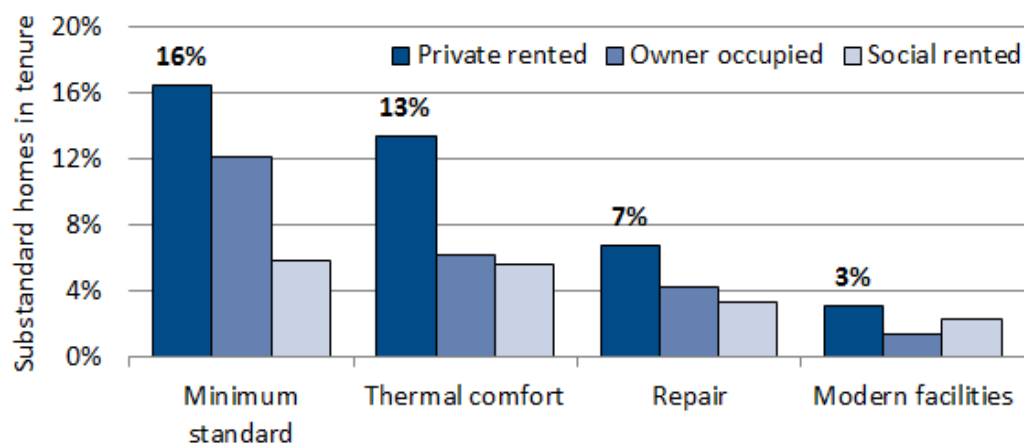
<sup>12</sup> Department for Communities and Local Government *A Decent Home: Definition and guidance for implementation* (2006)

<sup>13</sup> Department for Communities and Local Government [English housing survey](#)

<sup>14</sup> Department for Communities and Local Government *Consultation on the future shape of the English Housing Survey* (2015)

**Figure 7: 13 per cent of private rented homes were unable to provide a reasonable degree of thermal comfort, more than twice the rate for other tenures**

*Proportion of substandard homes by criteria for non-decency and by tenure, percentage*



Source: English Housing Survey 2013/14; DCLG

The most common reason for a private rental sector property to be non-decent, however, is that it contains a hazard that poses a serious danger to health and safety. These are known officially as a Category 1 hazards. In the social rented sector, landlords have a duty to fix these hazards on the grounds that they pose a threat to the tenant. In the private rental sector, one in six private rented homes (740,000) pose a serious danger to health and safety in this way. The most common hazards are risks of falls (present in 440,000 private rented homes, 10 per cent of the total) and excess cold (present in 280,000 properties, 6 per cent of the total).<sup>15</sup>

Problems with cold homes something we see in local Citizens Advice, for example:

Rachel, 32 visited Citizens Advice Lincolnshire because she wanted help with her landlord. She had reported on several occasions that her boiler was faulty and she was unable to heat her home. The walls in her home were damp and mould was growing on them. She was worried about the health of her three young children as two of them suffered from asthma which had been worsening. She was frustrated by the landlord's lack of action and the impact this was having on her children.

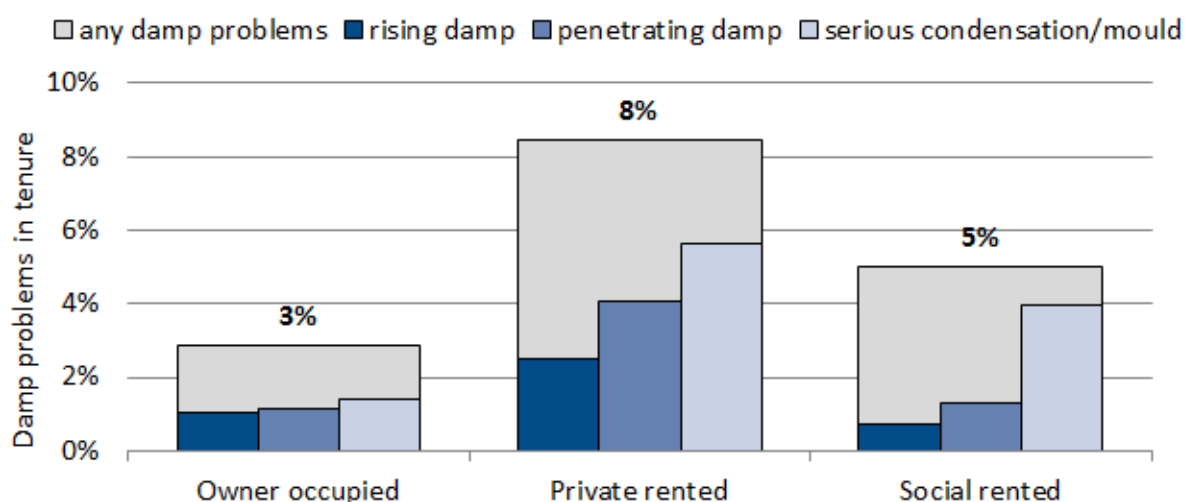
Charlotte, 20 visited Citizens Advice Hammersmith because she was living in an excessively cold room. She was renting a flat with two friends and paying £700 per month in rent and £200 in bills. She had told the landlord about the problem and he sent in a glazer. The glazer found that the windows were old fashioned and dangerous. After persistent phone calls, the landlord stated that he was still contemplating what to do. She was left living in what she considered to be dangerously cold conditions.

<sup>15</sup> NPI estimates for 2013 using EHS data for 2012

It is also worth noting that private rented homes are also almost twice as likely to have severe problems with damp. While this is not a requirement of the decency standard, severe damp encourages the growth of mould and mites and increases the risk of respiratory illnesses. Nearly one in ten privately rented homes (8 per cent) have a damp problem compared to 5 per cent of social rented and 3 per cent of owner-occupied homes. Serious condensation or mould are the most common type of damp across all tenures while penetrating damp and rising damp are relatively more common in private rented homes.

**Figure 8: The highest proportion of private rented homes have a serious damp problem compared with other tenures**

*Proportion of households with damp problems by tenure, percentage*



Source: English Housing Survey 2013/14; DCLG

### The detrimental impact of damp and cold homes on children:

- Damp and mouldy conditions in the home impact more strongly on children than adults.<sup>16</sup>
- Reviews of evidence in the UK and other countries found that children living in damp, mouldy homes are between one and a half and three times more prone to coughing and wheezing – symptoms of asthma and other respiratory conditions – than children in dry homes.<sup>17</sup>
- In general, poor housing conditions have been found to have a long-term impact on health, increasing the risk of ill-health or disability by up to 25 percent during childhood.<sup>18</sup>

<sup>16</sup> British Medical Association, Housing and health: building for the future, British Medical Association, 2003

<sup>17</sup> Strachan D, Damp housing, mould allergy and childhood asthma, Proceedings of the Royal College of Physicians in Edinburgh, 21:140-6, 1991; Peat JK, Dickerson J and Li J, Effects of damp and mould in the home on home on respiratory health: a review of the literature, Allergy, 53, 2, 120-128, 1998.

<sup>18</sup> Shelter (2006) Chance of a lifetime: The impact of poor housing on children's lives

Again, this is an issue we see regularly at local Citizens Advice, for example:

Jane, 48 visited Citizens Advice Cornwall because her landlord was doing nothing about a serious damp and mould problem in her bedroom. She reported water rivulets forming in her bedroom which lead to damp and mould. She reported the problem initially to her managing agents who obtained quotes for repairs. However, the landlord refused to authorise the work. Her local authority Environmental Health Officer had also inspected the property and found that it needed repairs. The damp and mould was such a problem that she had to move out of her bedroom and sleep in the living room.

Tom, 36 visited Citizens Advice Enfield because the bedsit he shared with his partner was in very bad condition and suffered from damp and mould. He had asked his landlord to address the problem but they had refused. Tom had a long-term health issue and was having difficulty breathing and his partner was seven months pregnant. They felt the damp was dangerous to their health.

## Living in unsafe housing

Who is living in the 740,000 private rented properties that are deemed by government-commissioned surveyors to be physically unsafe (containing a Category 1 hazard)?<sup>19</sup>.

Our analysis suggests that income affects the likelihood of living in an unsafe privately rented home. The latest available figures on this are from 2012, when 790,000 households lived in unsafe private rented homes. From these figures we find that 21 per cent of the poorest private renters live in unsafe housing compared to 15 per cent among the richest fifth. Overall, 120,000 households in England are both living in poverty and living in an unsafe privately rented home. Lower income owner-occupiers are also more likely than higher income owner-occupiers to live in homes with a Category 1 hazard but hazards are much rarer in this tenure overall. As a result, the richest fifth of private renters have a similar chance of living in an unsafe home (15 per cent) as the poorest fifth of owner-occupiers (17 per cent).

In the social rented sector, the profile of unsafe housing looks very different and income makes little difference to housing standards. The vast majority of social rented households are in the bottom half of the income distribution and yet the proportion of homes in the sector that are unsafe is significantly lower than other tenures. Regardless of income, the proportion of households living in unsafe homes in the social rented sector is half the level for owner-occupiers and a third of

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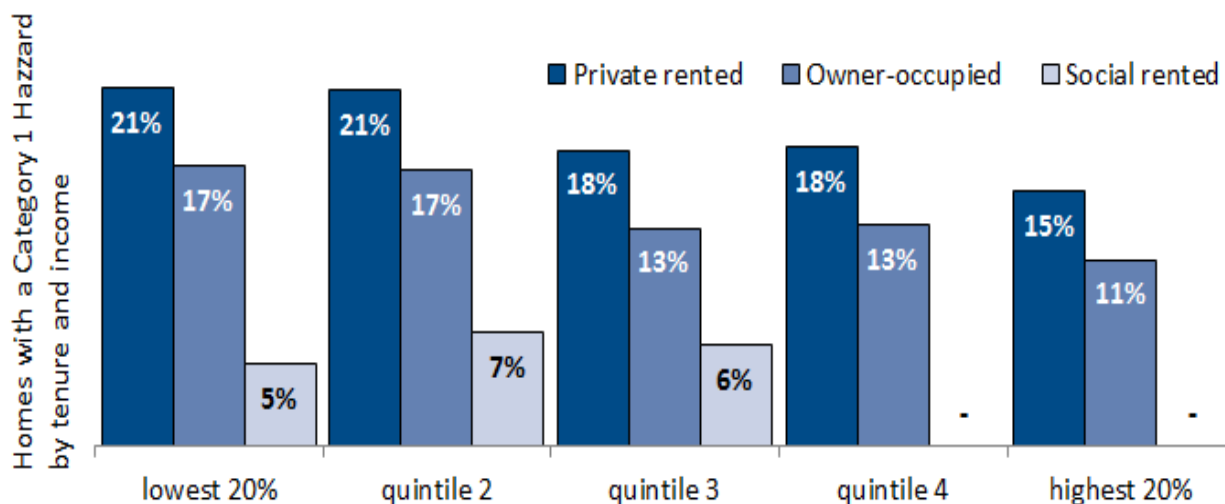
<sup>19</sup> For further information on the scale and extent of substandard housing in the private rented sector see table 1 at the end of this report



the level for private renters. This is likely because, in the social rented sector, landlords are registered and are obliged to deal with Category 1 hazards.

**Figure 9: Only the very richest private renters are less likely than the poorest owners to live in housing with a Category 1 hazard**

*Proportion of homes with a Category 1 Hazard by tenure and income, percentage*

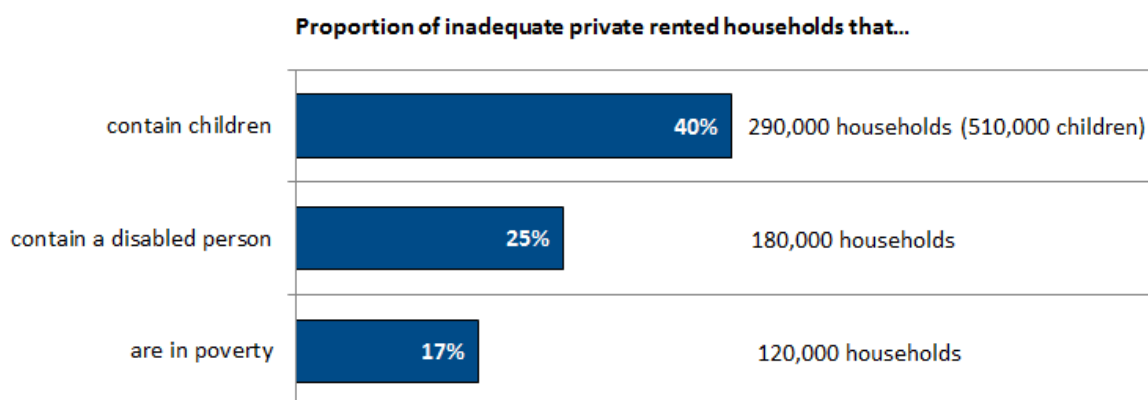


Source NPI analysis of English Housing Survey homes dataset for 2012, DCLG

How many of these unsafe properties contain a tenant who might be considered particularly at risk in terms of their safety or health? Again, the latest available figures on this are from 2012 when 790,000 households lived in unsafe private rented homes. Of these, 290,000 (40 per cent) contain children and a quarter (25 per cent) 180,000 contain a disabled person. In total, because two or more children live in many of these households, we find that half a million children in England live in a privately rented home with a Category 1 hazard. This means 510,000 children live in homes that contain severe risks such as a dangerous fall or excessive cold.

**Figure 10: Half a million children live in unsafe private rented homes**

*Proportion and number of inadequate private rented households containing vulnerable groups, percentage and thousands*



Source NPI analysis of English Housing Survey homes dataset for 2012, DCLG



## Churn in the private rental sector

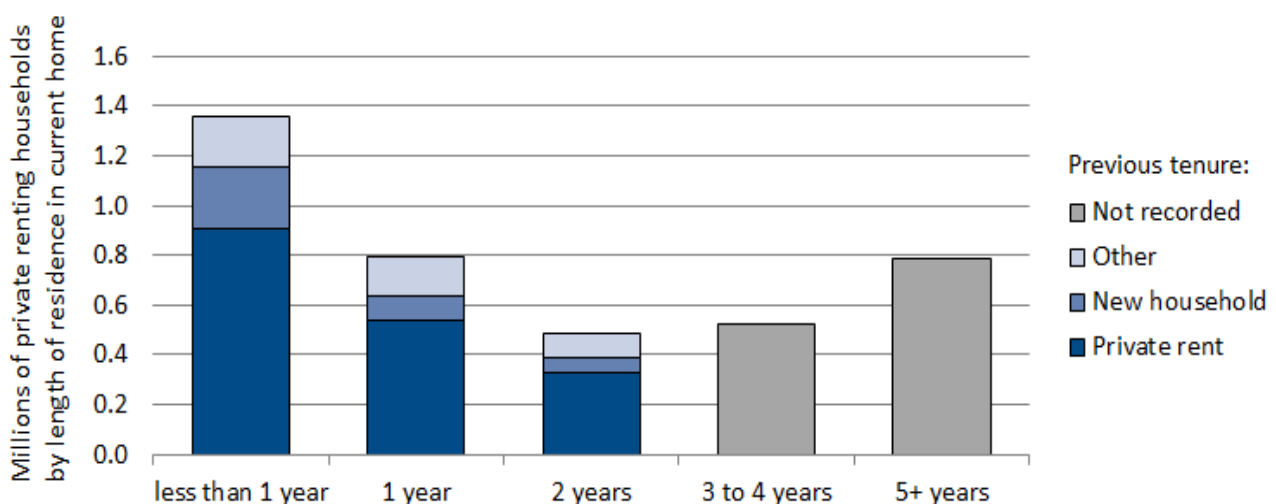
Finally, we look at the extent of turnover in the private rental sector by comparison with other tenures. We find that a high level of churn is still one of the tenure's most distinctive characteristics. A third (34 per cent) of private renters have lived in their current home for less than a year and two thirds for less than three years (67 per cent). Despite the rise of families living in the tenure, the private rental sector remains an insecure place to be.

These figures are also very different from those in other tenures. In 2012/13, 1.5 million households in the private rented sector had moved to their current home in the previous year. This is more than the number for owner-occupiers and social renters combined (at 680,000 and 360,000 respectively). As a result, while the private rented sector contains a fifth of all households, the sector contains three fifths of households that moved within the last year.

The high levels of churn in the sector feeds through into average tenure length. The average duration of residence of people living in the private rental sector is 3.5 years, a fraction of the average for social renters at 11.5 years and owner-occupiers at 17.1 years. This does not mean that households tend to rent privately for a short time before moving on to other tenures, for example by buying a home or by being accepted for social housing. Of the 2.6 million private rented living in their home for less than 3 years, 1.8 million previously lived in another private rented home. While each tenancy in the private rental sector tends to be short, these tenancies often add up into a long period of renting and moving from place to place.

**Figure 11: Whilst most private renters have only been living in their current homes for a short time, most of have been renting for much longer.**

*Number of private renting households by length of residence in current home, millions*



Source: NPI analysis of English Housing Survey 2012/13, DCLG

# Chapter 3: How much do renters pay?

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## Summary

Chapter 2 has shown the poor condition of the private rented sector. Not only are nearly a third (30 per cent) of privately rented properties ‘non-decent’ but one in six (16 per cent) present a severe threat to the health or safety of their tenants. So how much are people paying for these properties? This chapter looks at the cost and affordability of private rental properties versus other tenures. We also explore the extent to which housing benefit helps renters meet these costs and quantify how much is spent, by both individuals and the state, on unsafe homes. We find that:

- Private renters in England pay £5.6 billion a year for properties that are physically unsafe and £1.3 billion of this bill is picked up by the state in the form of housing benefit.
- Despite being in worse condition, the private rental sector is more expensive than other tenures, and this gap is widest at the bottom end of the market. The average private renter spends more than a third of their gross household income (34 per cent) on rent.<sup>20</sup>
- The number of private rented households receiving housing benefit more than doubled in the last decade from 410,000 to 1.1 million.<sup>21</sup>
- Since the recession this growth has been exclusively among working households; since 2009/10, housing benefit receipt has stayed flat among workless private renting households while rates have risen from 9 to 14 per cent among working private rental households. In 2004, 20 per cent of private sector housing benefit claimants were in work; by 2013/14 this figure had doubled to 39 per cent.

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<sup>20</sup> Gross household income includes income from state benefits.

<sup>21</sup> These figures compare 2003 and 2013/14.

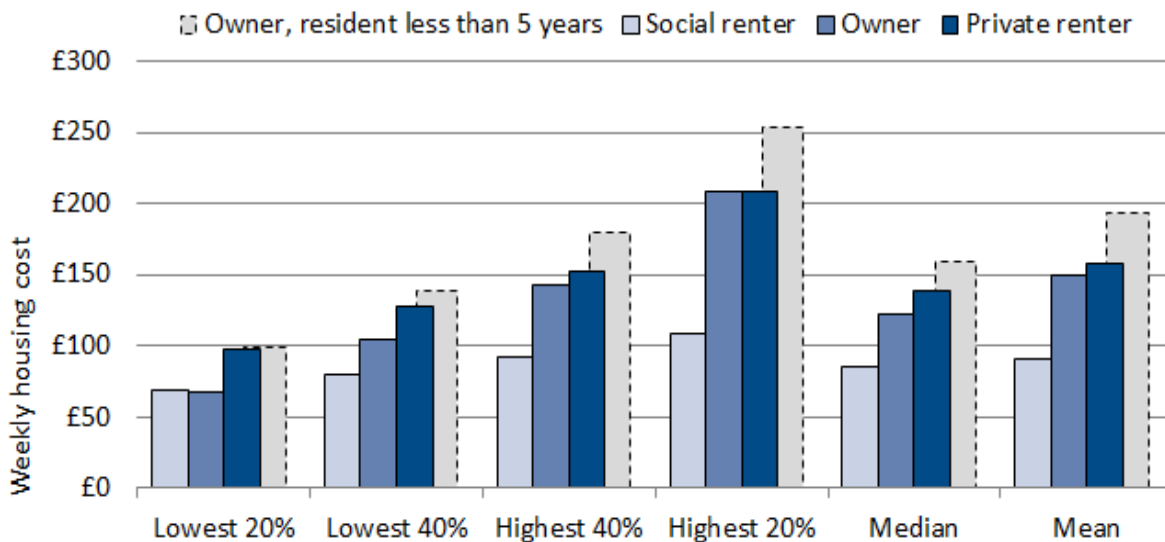
## Housing costs

We start by looking at the straightforward costs of renting a property in the private rental sector. In terms of average weekly spend, private renters spend more than those in other tenures; the average amount spent on rent is £144 per week, compared to £88 among social renters and an average mortgage payment of £122 per week among owners.<sup>22</sup>

Importantly, the price premium for private renting is widest at the bottom end the market. The cheapest fifth of private rental properties cost below £100 per week. This compares to just £70 a week in housing costs for the bottom fifth of owner-occupiers with a mortgage and a similar figure for social renters. At the top end of the market, private rental costs are similar to owner-occupiers, with the highest fifth paying at least £210 per week.

While these prices suggest that private renters could reduce their weekly costs by moving into home ownership, owners who have been resident in their homes for only 5 years face *higher* housing costs than private renters, particularly at the top of the market. Home ownership is initially expensive and gets cheaper later (even if we ignore the transition costs of a deposit and moving fees). As a result, even if we put transition costs such as deposits to one side, private renters are likely to see their housing costs rise in the short term if they move into home ownership.

**Figure 12: Private renters spend more on housing costs across the market**  
*Proportion of households spending on weekly housing costs by tenure, percentage*



Source: NPI analysis of English Housing Survey 2012/13, DCLG

<sup>22</sup> Data is the latest available: for rents it is 2013/14 for mortgage payments for 2012/13.

These trends are mirrored within the private rental sector itself. Private renters who have recently moved also tend to have higher housing cost than private renters who occupied their home for longer. The average rent for a private renter resident for at least 2 years was £156, compared to £183 for a resident for 1 to 2 years and £198 for resident for less than a year.

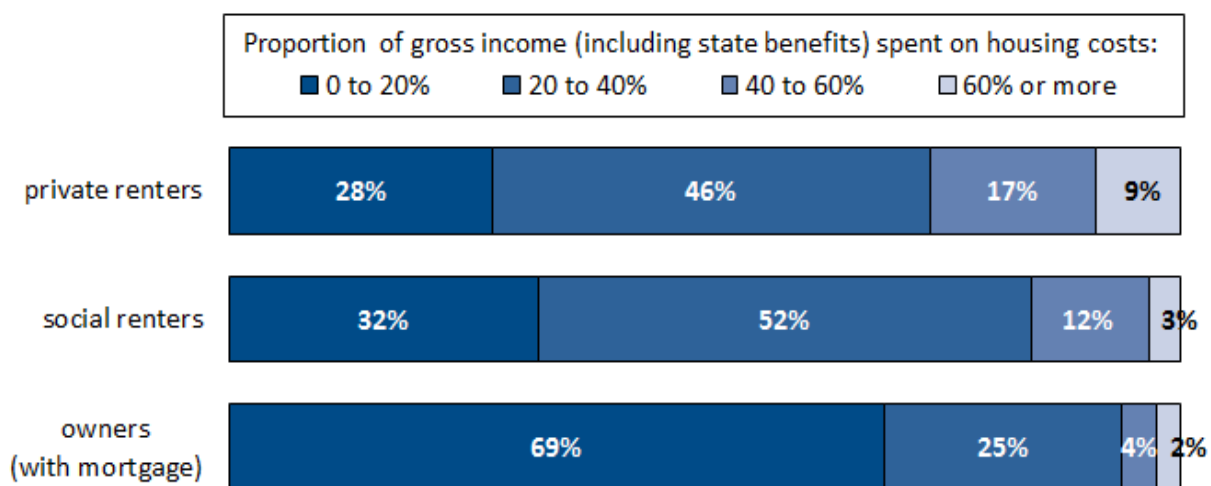
## Housing affordability

The relatively high price of private rental properties impacts on affordability for tenants. Overall, private rented households spend a higher proportion of their income on housing. The average private renter spends 34 per cent of their gross household income (including state benefits) on rent. This compares to 28 per cent for social renters while property owners spend an average of 19 per cent on mortgage payments.

Only a minority (28 per cent) of private rented households spend less than a fifth of their gross income on rent, compared to the vast majority of owners on mortgage payments (69 per cent). At the other end of the spectrum around one in ten private renters face extreme financial pressures from their rent, with 9 per cent spending at least 60 per cent of their income on housing costs, compared to 3 per cent of social renters and 2 per cent of owners.

**Figure 13: A quarter of private renters spend at least 40 per cent of their gross income on rent**

*Proportion of gross income spent on housing costs by tenure, percentage*



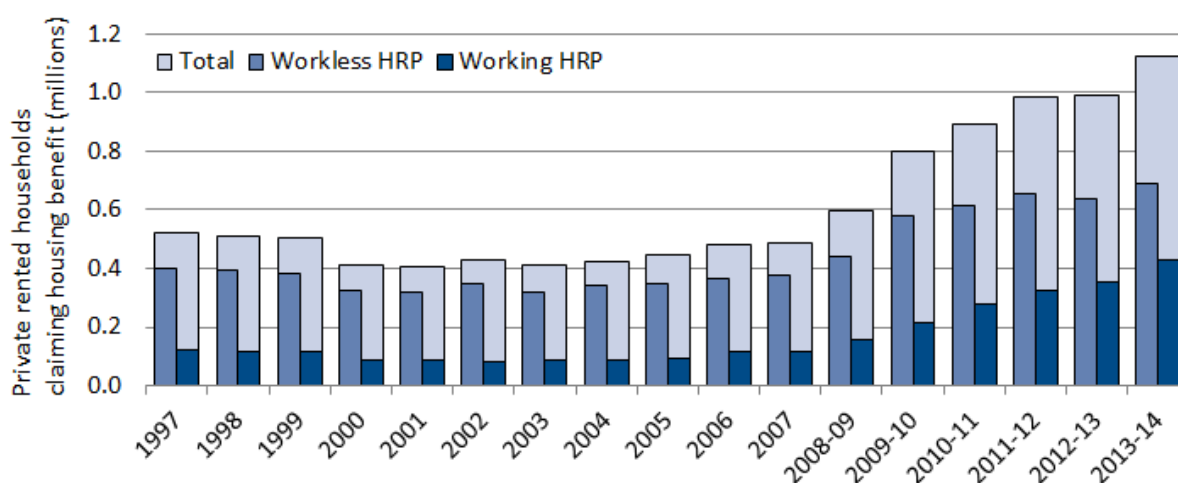
Source: English Housing Survey 2012/13, DCLG

## The role of housing benefit

In recent years, a combination of stagnant or falling earnings and the changing mix of private tenants has caused sharp growth in the receipt of housing benefit in the private rental sector. In the decade from 2003 to 2013/14, the number of private rented households in receipt of housing benefit to help meet the rent rose from 410,000 to 1.1 million. This contrasts with the trend seen in the late 1990s and early 2000s when the number of housing benefit claims first fell and then remained relatively flat for a number of years, despite growth in the size of the tenure overall.

**Figure 14: In the last five years the number of private rented households in work claiming housing benefit has almost trebled**

*Number of private rented households claiming housing benefit by employment status, millions*



Source: NPI analysis of English Housing Survey, DCLG

The downturn of 2008/09 and 2009/10 saw the number of private rented households receiving housing benefit jump by 200,000, a rise of a third (33 per cent) in a single year. Most of this growth (140,000) was among workless claimants linked with a sharp rise in unemployment and other cyclical factors. More surprisingly, despite subsequent falls in unemployment, the number of private renters in receipt of housing benefit has continued to rise and, since 2009/10, the number of working claimants in the sector has increased by more than the number of workless claimants.

While some of the growth in housing benefit claims among private renters can be attributed to the overall growth in the tenure, the proportion of private renters claiming housing benefit in recent years has come particularly from working households. Following the initial increase linked to the recession, the proportion of workless private renters claiming housing benefit has remained flat at around 55 per cent. Meanwhile, the proportion of working private renters that claim housing benefit has increased from 9.3 per cent in 2009/10 to 13.6 per cent in 2013/14. As a result, a growing share of the housing benefit bill for private renters is being driven

by working households; in 2004, only 20 per cent of private renting housing benefit claimants were in work; by 2013/14 this proportion had doubled to 39 per cent.

## Paying for unsafe housing

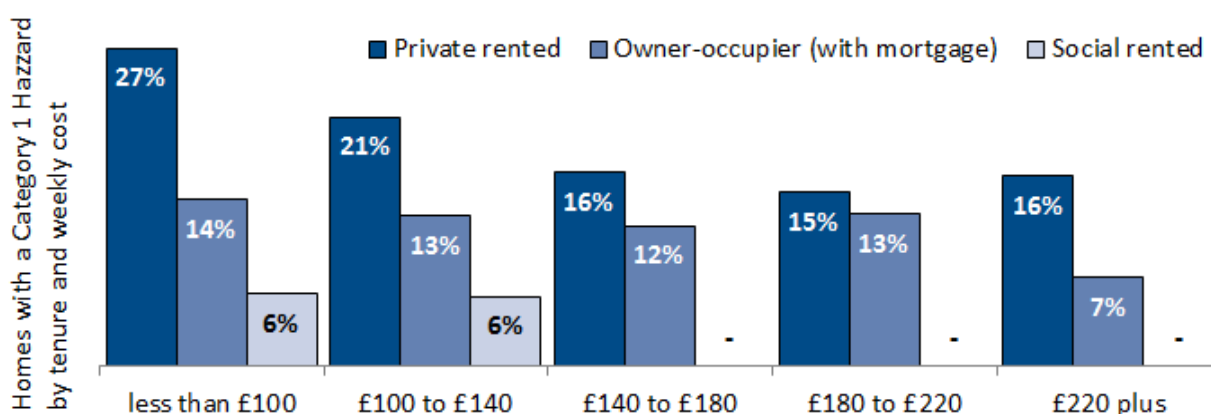
Our analysis has shown that private rented homes are both more expensive than other tenures and more likely to be in poor condition or even unsafe. We conclude the report by bringing this analysis together to quantify how much is paid in rent to private landlords in England for substandard and unsafe homes.

When exploring the physical state of private rental properties, we have seen that Category 1 hazards are more common in properties with lower rents. More than a quarter (27 per cent) of private rental properties that cost less than £100 per week are unsafe, almost double the rate for properties costing at least £140 per week (15 per cent). However, such is the sector's overall state of disrepair that the most expensive fifth of privately rented homes are more likely to be unsafe than even the cheapest fifth of owner-occupied homes with a mortgage.

By contrast, costs in the social rented sector make little difference to the likelihood of a home having a Category 1 hazard. The tenure offers both lower rents and safer homes. In England, 2.6 million social rented homes are free of Category 1 hazards and charge rents of £100 per week or less. This represents more than two thirds (68 per cent) of the total social housing stock. In the private rented sector, most homes charge rents over £100pw (72 per cent) and homes in this sector are three times more likely than social rented homes to be unsafe.

### Figure 15: Regardless of housing costs, private renters are more likely to live in a home with a Category 1 hazard than those in other tenures

*Proportion of homes with a Category 1 Hazard by tenure and weekly cost, percentage*



Source: NPI analysis of English Housing Survey homes dataset for 2012, DCLG

So how much is spent on unsafe privately rented homes? The latest available figures on this are from 2012, when 790,000 households were living in unsafe privately rented dwellings. Of these, 680,000 were rent paying households who live in unsafe homes and spent on average £157 per week on rent. Across England this

amounts to a total of £5.6 billion paid per year to private landlords to rent properties that are unsafe.

**Figure 16: 240,000 private rented households in unsafe housing were receiving housing benefit to help them pay rent**

*Number of private rented homes with Category 1 Hazard by weekly cost, thousands*



Source NPI analysis of English Housing Survey homes dataset for 2012, DCLG

How much of this overall cost falls to the state in the form of housing benefit? As we have seen, a growing number of private renters receive housing benefit to meet their rent. Around a quarter of a million (240,000) of the households who live in unsafe private rented housing receive housing benefit. This is over a third (35 per cent) of the households living in unsafe privately rented properties.

The combination of these facts means that a growing amount of housing benefit is being paid to private landlords in exchange for housing that poses a serious threat to health or safety. The average housing benefit payment to the 240,000 private rented households living in unsafe housing is £108 a week. This means that, of the £5.6 billion paid to private landlords for unsafe properties, £1.3bn is being paid by the state in the form of housing benefit.

Table 1 provides a fuller breakdown of the number of people living in unsafe properties, as well as other types of inadequate properties, and the amounts that are being spent on these homes.

**Table 1: Summary of scale and extent of substandard housing in the private rented sector**

<b>Private rented homes with:</b>	<b>Category 1 hazard</b>	<b>Non-decent</b>	<b>Severe damp problems</b>
Total dwellings in 2013	740,000	n/a	n/a
Total dwellings in 2012	790,000	1,400,000	390,000
Containing a disabled person	180,000	270,000	80,000
Containing children	290,000	450,000	160,000
In income poverty*	120,000	210,000	80,000
Rent paying households	680,000	1,200,000	300,000
Pay £180+pw in rent	160,000	260,000	90,000
Receiving housing benefit	240,000	410,000	150,000
Average rent (£pw)	£157	£153	£152
Average housing benefit (£pw)	£108	£106	£119
Annual rent spend in England (£bn)	£5.6	£9.5	£2.7
Annual benefit spend in England	£1.3	£2.3	£1.0

\*Income is measured before housing costs

Source: NPI analysis of English Housing Survey homes dataset for 2012, DCLG



# Conclusion: Time to act

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Each year, two million people turn to their local Citizens Advice for help. We see in this work, in rich detail, the strains that people across the country are facing. We also see when problems are reaching breaking point. In the past year, it has become clear that the private rental sector is reaching this point. The number of issues reported to us are up across the board and, for this reason, for the last nine months, we have undertaken a programme of work to explore the problem in more detail.<sup>23</sup>

In this report, we find a market that is failing systematically to deliver what consumers want. In the last decade, the number of households living in the sector has doubled from 2.2 million to 4.4 million. But it is the changing population of renters, as much as growing numbers, that has brought the problem home. In barely a decade, private renting has gone from being a stopgap for younger adults to a tenure that many families call home. Younger adults have borne the brunt as renting rates have more than doubled among those aged 25-34. But one million more 35-54 year olds also now head a privately rented home.<sup>24</sup> Couples with children are now the most common type of household in the sector and, in total, 2.2 million children are now growing up in the private rented sector.

In other markets, this kind of transformation in the customer base would drive innovation in products or services. Yet while pockets of good practice exist, the private rental sector remains an insecure and unsatisfactory tenure for many. It is well-established that a third of private rented homes are non-decent - a far higher rate than in other tenures. Now we find that one in six privately rented properties are in such poor state that they present a severe threat to the health or safety of their occupants. These 'Category 1' hazards range from risks of dangerous falls to severe damp to excessive cold. Half a million children live in unsafe privately rented homes. Meanwhile, turnover remains high; a third of private renters moved into their property in just the last year.

And far from being a cheaper option, private renters spend more on housing than people living in other tenures. The average private renting household spends more than a third of their income on rent. High costs hit both family finances and the state; the number of housing benefit claimants in the private rental sector more

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<sup>23</sup> See also: Citizens Advice (2015) *Still let down: How letting agents are still ripping off private renters - and what this tells us about consumer protection*; Citizen Advice (2014) *Renting Uncovered: Evaluating consumer protections in the private rental sector*

<sup>24</sup> The share of 25-34 year olds who rent privately jumped from 21 to 48 percent in the decade to 2013/14.

than doubled in the last decade and, since the downturn, this growth has come exclusively from private renters in work.

When we put together a rapidly expanding sector, poor standards and high prices, we see the true financial cost of a broken sector. Last year in England, £5.6 billion of rent was paid to private landlords for unsafe homes and £1.3 billion of this bill was met by the state in the form of housing benefit. In the social sector, unsafe housing of this kind is not accepted on the basis that the state will not pay for people to live in homes that pose a threat to their health or safety. Meanwhile, in other consumer markets, failures like this would trigger consumer rights to refund or redress.<sup>25</sup> As things stand, the housing market, the most important consumer market of all, is lagging far behind.

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<sup>25</sup> Citizen Advice (2014) *Renting Uncovered: Evaluating consumer protections in the private rental sector*

## Our aims

To provide the advice people need for the problems they face.  
To improve the policies and practices that affect people's lives

## Our principles

The Citizens Advice service provides free, independent, confidential and impartial advice to everyone on their rights and responsibilities. We value diversity, promote equality and challenge discrimination.

This report was written and produced by the New Policy Institute (NPI) and Citizens Advice. The analysis of the English Housing Survey was undertaken by NPI.

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**[www.citizensadvice.org.uk](http://www.citizensadvice.org.uk)**

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