# Understanding the causes of homelessness in the private rented sector

*Addressing Homelessness: Reducing-Preventing-Ending conference*

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# Outline

- Aims of research
- Context
- Method
- Findings
- Survey
- Interviews
- Implications and policy recommendations

# Aims of research

- Funded by Residential Landlords' Association

- Research aims to:
  - Explain increase in absolute numbers
  - Understand policy, market and other factors underlie these changes
  - Identify whether some groups more at risk than others
  - Identify whether/what support or resources do landlords' need to address these changes
  - Identify policy implications arising from this
- Research involves:
  - Literature review
  - Stakeholder interviews
  - Landlords' survey
  - Delphi study

# Homelessness in PRS

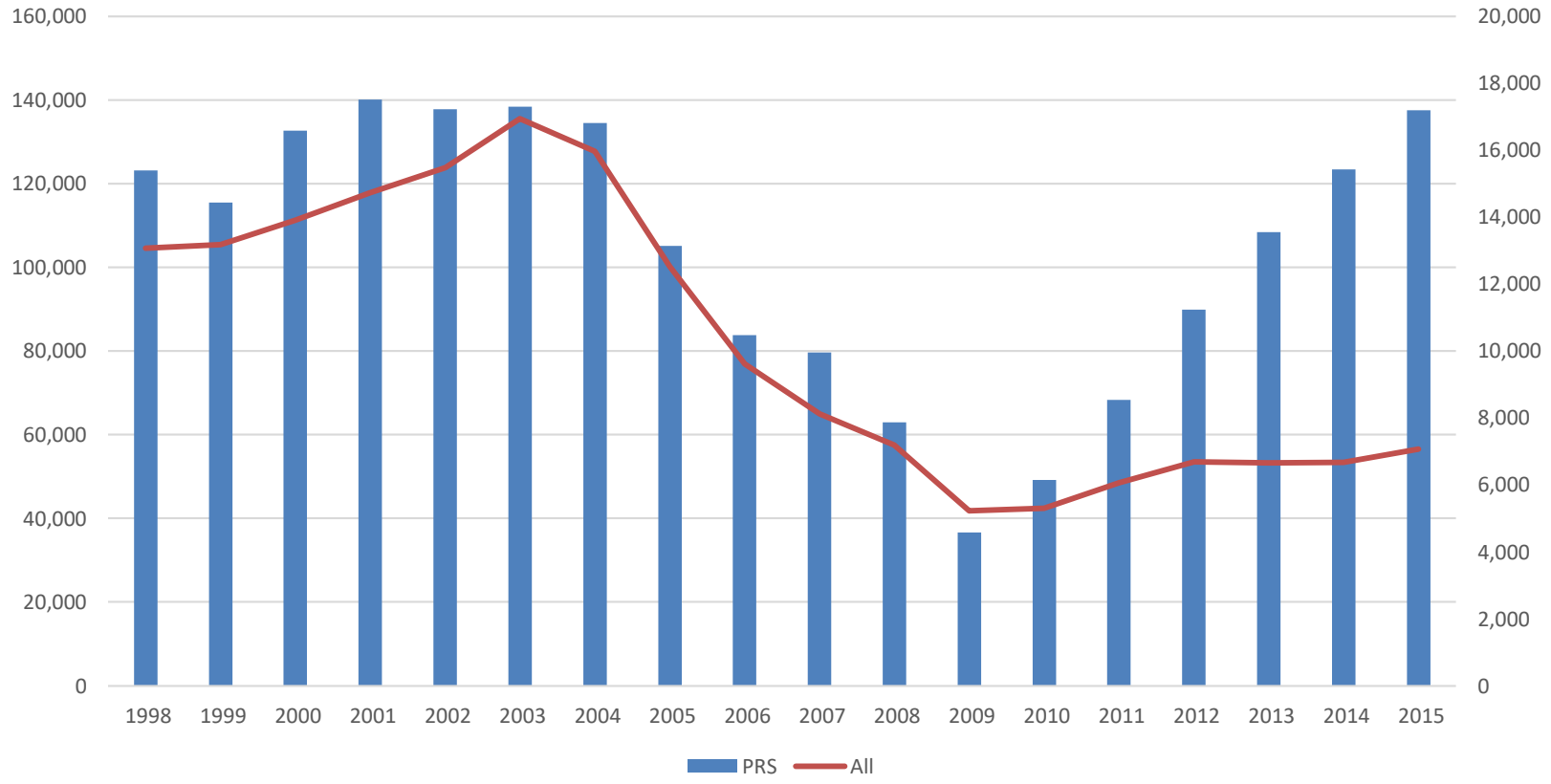


Table 1: Change in numbers of all acceptances and acceptances following end of a PRS tenancy (source data: DCLG (2016c) table 774 England

# Context

- Increase in size of PRS and its share of housing market (Rugg and Rhodes, 2008) (DCLG, 2016a)
- Increase in population and number of households from 18.6m in 1971 (ONS, 2009) to 27.1m in 2016 (ONS, 2016)
- Changes in household size – GB 2.91 in 1971, 2.3 in 2004, stable at 2.4 in England over last decade. Increase in one person households since 1971 Rate of increase in households greater than increase in population
- Increase in house prices and house price to wage ratio– 3.54 in 1997 to 7.63 in 2015 (DCLG, 2016b). Wide variations – 2.85 in Copeland to 39.74 in Kensington and Chelsea
- Significant changes in economic and policy context for PRS (Clarke and Monk, 2013)
- These changes disproportionately affect the lower end of the market (Reeve et al, 2016)

# Context

- Changes in welfare benefits, including:
  - Introduction of Universal Credit
  - Introduction of benefit cap and removal of spare room subsidy
  - Changes to Local Housing Allowance
  - Changes in payment arrangements

- Direct payment of HB/UC to tenants makes landlords less likely to let to those on benefits (Reeve et al, 2016)
- Challenges of finding accommodation within LHA rates (Reeve et al, 2016)
- Changes may mean existing tenants gaps between benefits and rent levels (Reeve et al, 2016)

# Context

- PRS at lowest point in 1988/9 and then increased, because:
  - Housing Act 1988 introduced assured shorthold tenancies and removal of rent controls (Dorling and Davis, 1984 in Rhodes, 2006)
  - 1990s negative equity crisis
  - Increased demand for private rented market
  - From 1996, availability of buy-to-let mortgages (Rugg and Rhodes, 2008) but note that represents a minority of all PRS properties
- In 2015, 4.3m households in PRS in England (DCLG, 2016a). Share of all households increased:
  - 10 per cent in 1994/5 (1.936m PRS, 13.363m owner occupier, 4.444m social)
  - 11 per cent in 2004/5 (2.437m PRS, 14.520m owner occupier, 3.876m social)
  - 18 per cent in 2012/3
  - 19 per cent in 2014/5 (4.278m PRS, 14.324m owner occupier, 3.912m social)
- PRS households tend to be younger and also lived at current accommodation for shorter time than either owner occupiers or social rented

# Size and structure of PRS

- Not a single market – number of niche sectors and regional differences (Rugg and Rhodes, 2008):
  - Young professionals
  - Students
  - Housing benefit market
  - 'Slum rentals'
  - Tied housing
  - High income renters
  - Asylum seekers
  - Temporary accommodation
  - Regulated tenancies
- Most published data and research at market, not niche/regional, level

# Findings: structure of market

- General agreement that Ruggs and Rhodes (2008) framework is useful
  - Key issues with HB & temporary accommodation sub-markets – counter position is that affordability is the only significant variable
- Some fluidity between sub-markets
- Relationship between PRS and other sectors important
- Geography and local context also significant
- Challenge – over-simplifying or over-stratifying PRS
- Not much known about slum rental sub-market
- Questions whether policy makers understand how the market works, issue of London-centric analysis, unintended impact of housing and welfare policies

# Findings: demand drivers

- Explored what is driving demand for PRS and focus on whether these demand drivers increase risk of homelessness
- Findings
  - Demand outstripping supply, even given increase in overall provision
  - Overall demand and supply driven by house prices, lifestyle choices, B2L, pension changes, wealth increase, demographic changes, changes in household composition
  - Not just about overall supply but also about type of provision
  - Some switching within PRS, reducing provision for some sub-markets and more competition at lower end of market
  - In some areas – landlords find it easy to relet properties
  - Changing profile of renters
  - Reluctant landlords
  - Changes in social rented sector, especially RSLs (more like PRS and renting at market rates). Also new power to discharge to PRS, growing demand for temporary accommodation, issue of housing options/advice

# Findings: risks, triggers, causes

- Explored what might explain changes in homelessness numbers, looking at market, policy, individual factors
- Findings
  - Relationship between LAs and PRS is important but variable
  - Big difference of opinion around security of tenure and s8 notices
    - Most – not an issue. Minority – major issue and s8 needs amendment
  - Area of agreement – impact of LHA rate changes on affordability:
    - Increases likelihood of end of tenancy, especially in those areas with high alternative demand
    - Increases likely switch to non-LHA accommodation
    - Increases likelihood of rent arrears and related problems
    - Creates barriers to next move accommodation (reduces affordability)
  - Future benefit changes will also have effect
    - Current landlords in this area likely to move out
  - Interaction effect – not accounted for in policy decisions
  - Issue of landlord churn – landlords entering and exiting market. May be more significant when MIR changes start to bite

# Policy and research implications

- For LAs
  - Homelessness Reduction Act
  - Active engagement with PRS in area
- For government
  - Interaction effect
  - Unintended consequences of welfare reform and LHA rates
  - Impact outside of London
- For researchers
  - More work to understand sub-markets and regional variations
  - Focus on homelessness in PRS