

Written evidence submitted by Generation Rent [HOP 057]

Executive Summary

1. The rise of private renting among people of working age is likely to see the population of retirees renting privately more than double in the next 20 years.
2. Assuming that most such households will need state support to meet their housing costs, this growth in the population will cause annual spending on housing benefit in the private rented sector to increase by 50%, or roughly £4.5bn in today's prices.
3. Although many older private renters are in regulated or assured tenancies dating back to the 1990s and beyond, the less secure assured shorthold tenancy is becoming more common. The lack of stability this offers tenants is particularly acute for older renters who are more likely to desire a permanent home.
4. The adult children of regulated or assured tenants who live in the same household would face hardship if they lose their home following the death of their parents, and the consequent end of the tenancy.
5. Our recommendations include reform of tenancy law to give tenants greater protections from eviction and certainty over rent, and greater investment in social housing in order to address the decline in home ownership and consequent costs to the state.

About Generation Rent

6. Generation Rent is the operating name of the National Private Tenants Organisation. We campaign for professionally managed, secure, decent and affordable privately rented homes. We represent all private renters, regardless of age or background.
7. Our primary purpose for submitting evidence is to highlight the growing number of older people who rent their home privately and the implications this trend may have on public policy.

Demographic trends

8. Private renting has become much more widespread in the past decade, but largely among people of working age. The number of households with a head of State Pension age has increased from 239,000 to 370,000 between 2005-06 and 2015-16.¹
9. In comparison, the figures for the 45-54 and 55-64 age groups have increased dramatically in the same period. Between them, the number of households in private renting increased from 403,000 to 1,114,000. While it is well-established that young people are now renting privately in greater numbers, it is worth recognising that a majority of private rented households are headed by someone over the age of 35.
10. Given that it is difficult for people over the age of 40-45 to obtain a mortgage, many people in these age brackets who currently rent privately will be renting for life. This suggests that we can expect the private renter population of State Pension age to increase rapidly over the next couple of decades.
11. While the age of the average first-time buyer has risen, the difference has been relatively modest, from 29.8 in 1994-5 to 32.5 in 2014-15.² People are not buying homes a great deal later: there are fewer buying them at all (those who have higher incomes and greater financial support from family and friends). This suggests that the tenure divide among today's 35-64-year-olds may well prove relatively static over the next few decades

¹ English Housing Survey 2015/16: headline report, AT1.4

² EHS 2014/15: first time buyers and potential home owners report, AT1.1

(assuming, that is, that there is no fundamental change in the housing market and especially the conditions for first-time buyers vis-à-vis existing homeowners and landlords).

12. Many people will still be able to buy a home after the age of 45. The English Housing Survey estimates that 50,000 households did so in the three years to 2015-16.³ If we assume a similar three-year rate among 45-64-year-olds over the next two decades, and half of those first-time buyers are from the current 45-64 cohort, then approximately 170,000 of today's 1.1m older working age private renter households will be homeowners by 2035, while over 900,000 will remain renting past retirement age.
13. We might therefore expect the retired private renter population to more than double in the next 20 years. This does not include the current cohort, many of whom will still be renting aged 85 and over.

Housing Benefit

14. Few pensioners would have the means to pay a market rent without state support – indeed, one of the benefits of home ownership is that there are normally no mortgage payments to make when one reaches retirement. We might therefore assume that nearly all private renters over the age of 65 receive housing benefit.
15. There are 1.07m private renter recipients of housing benefit, and if households aged over 65 make up 370,000, that leaves around 700,000 households of working age (428,000 of whom are in work)⁴. If the number of private renters aged 65 and over were to rise to 900,000 by 2035, then the private sector housing benefit caseload would rise by 50%, which would be worth around £4.5bn per year in today's prices. And that is just the impact of the decline in home ownership among today's over-45s. There are, of course, many other factors that would determine the total number of housing benefit recipients in 20 years' time, but this might be the easiest to forecast.

Conditions for older private renters

16. Many older private renters will have lived in the same home for many years, particularly if they have a regulated or assured tenancy, which confer greater security of tenure than today's default Assured Shorthold Tenancy (AST). The English Housing Survey suggests that their numbers are small: 124,000 assured tenancies (which would have started between 1989 and 1997) and 30,000 regulated tenancies (which would have started in 1988 or earlier).⁵ Some such tenants will be in the 45-64 age bracket, which suggests that the majority of private renters of retirement age are in short-term ASTs. This is at odds with other analysis which suggests that the majority of private renters of retirement age are in regulated tenancies.
17. While private renters of State Pension age are more likely to be in a stable home than a private renter of working age (22% have lived in their home for less than 3 years, compared with 65% of working age private renters), they are still four times as likely as owner occupiers to have moved home in the past three years, and twice as likely as social tenants to have done so.⁶

³ EHS 2015/16, AT1.8

⁴ EHS 2015/16, AT1.16

⁵ EHS 2014/15, AT3.1

⁶ Family Resources Survey, Table 3.4: Households by tenure, length of residency of head and age of head, 2014/15, United Kingdom

18. ASTs create the risk to the tenant of undergoing a no-fault eviction or being priced out of their home by an unaffordable rent rise. Even if neither of these things happen, the lack of certainty over one's long term home creates a lack of general stability in a tenant's life, particularly if they have children or want to be settled in a particular neighbourhood.
19. One issue for regulated tenants is succession. Many sons and daughters of such tenants have lived in the family home for many years, often in order to care for their parent, and may already be in an older age bracket themselves. When the tenant dies, their son or daughter may be financially crippled when they have to start paying a market rent. In addition, any improvements to the property that they have invested in over the years will revert to the landlord.

Recommendations

20. The government already recognises that private renters do not enjoy sufficient security of tenure to make private renting a viable long term tenure. However, their current proposals for new-build homes to rent to offer long term tenancies will help only around 2% of the total private renter population (on the basis that the size of the build-to-rent sector in the next few years is 80,000).
21. The government should give all private renters protection from no-fault eviction by requiring landlords to give grounds in order to evict a tenant, and provide compensation to a tenant who had not broken the terms of their tenancy agreement. This would deter abuse of the eviction process, while giving unlucky tenants greater means to find a new home. This would benefit all renters, including older renters who are on assured shorthold tenancies.
22. The decline in home ownership will cost the taxpayer £4.5bn in 20 years' time. This could be mitigated by building more homes in order to limit house price inflation, and building more social housing so that more private renters have a lower-cost option when they retire. If house prices stabilised, more people would be able to buy a home. If there were more social housing available, then there would be fewer low-income households relying on the more expensive private rented sector. Both of these outcomes would reduce the housing benefit bill. In addition, greater supply of social housing would reduce market rents, enabling more private renters to save a deposit on a first home.
23. The government has collected £1.2bn through the stamp duty surcharge since its introduction in April 2016. The government should invest this windfall in new social housing, including housing designed for older households. This pot could build at least 6000 homes a year – twice as many as councils built last year. The government should also relax restrictions on councils building homes.

March 2017