

Emerging themes: Learning from international experience

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The Private Rented Sector in the UK

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The LSE logo consists of the letters 'LSE' in white, bold, sans-serif font, centered within a solid red square. A thin black horizontal line is positioned below the red square.

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The English PRS in brief

- 17.4% of dwellings in 2010, up from under 10% in 2000.
- About 75% of landlords are private individuals and couples, mostly owning 1-4 units, often funded by buy-to-let mortgages
- PRS more common in urban areas than elsewhere, and flats more likely to be in private rental than houses

Who lives in the PRS?

- The mobile
 - Young professionals
 - Students
 - High-income corporate transfers
- Those who can't afford owner-occupation
 - Housing benefit recipients
 - Migrants
 - Those who can't afford mortgage deposits

Who doesn't live in the PRS?

- Middle- and upper-income families almost always own their homes
- Very few of the elderly rent privately in the UK (not the case in some other countries)

Some similarities: Size of PRS

<i>Country</i>	<i>%</i>
Germany	59
USA	32
Australia	25
France	22
Belgium	18.5
Norway	17
Sweden	17
England	17
Netherlands	10
Spain	7

Landlords

(for-profit and non-profit, including pension funds)

<i>Country</i>	<i>Individuals/couples (professionals or sideline)</i>	<i>Institutions</i>	<i>Other</i>
Australia	Almost all		
France	95.1	3.3	1.6
Ireland	90		
Belgium	86	14	
Spain	86	6.7	7.2
Norway	78	22	
USA	78	13	9
UK	75	25	
Finland	60	37	3
Germany	61	17	22
Netherlands	44	37	19
Sweden	Few	Most	
Austria	Few	Most	

*

Tenants

- In most countries they are
 - Young or old
 - Low-income
 - Singles or single parents
- Main exception: Switzerland

Management

- In the UK as abroad, most small landlords manage their properties themselves.
Exception: Hong Kong, where landlords collectively hire property management companies to maintain high-rise flats
- Maintenance seen as problematic at lower end of UK market. In other countries little relationship between quality of maintenance and use of professionals.

Some differences

- Tax treatment
- Financing for landlords
- Physical form of rented stock—and whether blocks can be broken up
- Security of tenure/rent regulation

Tax treatment

<i>Country</i>	<i>Lower tax on rental income</i>	<i>Mortgage interest deductible</i>	<i>Costs deductible</i>	<i>Depreciation allowance</i>	<i>Rental losses offset against other types of income</i>
Australia	N	Y	Y	Y	Y
Belgium	Y	Y	Y	Y	
Finland	Y	N	Y	Y	Y
France	N	Y	Y	N	Y
Germany	N	Y	Y	Y	Y
Netherlands					
business	N	Y	Y	Y	Y
Not business	N	N	N	N	N
Norway	N	Y	Y	N	Y
Spain	Y	Y	Y	N	Y
Sweden	N	Y		Y	N
Switzerland	N	Y	Y	Y	Y
USA	N	Y	Y	Y	Y
UK	N*	Y	Y	N	N

*Except for 'rent-a-room' allowance

Financing for landlords

UK

- 8% of UK mortgages in 1Q11 were buy-to let (12% in 2008)
- No current gov't programmes to encourage investment.

Elsewhere

- Special mortgages for residential landlords not common.
- Many countries offer grants or tax incentives, almost always linked to affordable rents or energy saving.

Physical/legal form of rented stock

UK

Landlords own individual units which are not tenure-specific

Elsewhere

Denmark: Landlords own entire blocks which can only be sold as a whole to co-operatives

USA: Restrictions on change of tenure ('condo conversions') in some urban markets

Rent regulation

<i>Country</i>	<i>Rent regulation</i>			<i>Landlord can pass on cost increases</i>	<i>Tenant has first refusal on sale of unit</i>
	<i>on first renting</i>	<i>on new tenant</i>	<i>of rent rises on existing leases</i>		
Australia	N	N	N	Y	N
Belgium	N	N	Y	Y	N
Finland	N	N	Y	N	N
France	N	N	Y	Y	Y
Germany	Sometimes	Sometimes	Y	Some	New owner bound by tenancy.
Netherlands	Y	Y	Y	Y	New owner bound by tenancy.
Norway	N	N	Y	N	N
Spain	N	Y	Y	N	N
Sweden	Rents based on rents for similar units owned by municipal housing companies.				
Switzerland	Y	Y	Y	Y	N
USA*	N	N	N	N	N
UK	N**	N	N	Y	N

*Rent controls apply in some cities (e.g. New York City)

**Rent caps apply for beneficiaries of Local Housing Allowance

Leases

<i>Country</i>	<i>Typical lease period</i>	<i>Security beyond lease period</i>
Germany	Indefinite	High
Sweden	Indefinite	High
Switzerland	Indefinite	High
Netherlands	Indefinite	High
Spain	5 years	Low
Norway	3 years or indefinite	Low
France	3 years	Medium
Belgium	1–3 years	Low
Finland	One year	Medium
USA	1 year	Low
UK	1 year	Low
Australia	6 months	Low

What is a 'sustainable' PRS?

- A large sector?
- A growing sector?
- A profitable sector?

- One that accommodates a broad range of households?

- One that mainly houses those who benefit from the characteristics of private renting?