

The private rented sector in Greater London

24 June 2014

1. The scale of London's private rented sector

London's private rented sector has grown significantly in recent years, and is now the second largest tenure in London.¹ Shelter estimates private renting will grow to 41% of all households by 2025² – becoming bigger than the owner occupied sector in London for the first time since the mid-1960s.

	Owner occupied	Private rented	Social rented
1961	36.3%	45.5%	18.2%
1971	40.4%	34.8%	24.9%
1981	48.6%	16.6%	34.8%
1991	57.2%	13.9%	28.9%
2001	56.5%	17.3%	26.2%
2011	49.5%	26.4%	24.1%

However, the data suggests that, instead of adding more homes to the total housing stock, the private rented sector's growth has largely been at the expense of other tenures. Between 2001 and 2011 London's total housing stock grew by 10%.³ In this period the private rented sector grew by 75% (352,000 homes) – equivalent to the number of homes in a city the size of Bristol.⁴ Yet, the number of owner occupied homes actually fell by more than 86,000 and London's social rented stock stayed much the same.⁵

The reduced stock of social and owner occupied housing has made London's private rented sector a more likely destination for families. The proportion of privately renting households with children has increased from 19% in 2001 to 29% in 2011.⁶ Most private renters have an Assured Shorthold Tenancy that lasts for six months or a year. Landlords offering this type of tenancy only need to give two months' notice to evict the tenant after the first four months without needing to provide a reason. For many families – particularly those with children in school or who rely on local support networks for childcare – this insecurity is clearly detrimental.

2. Rising rents

London is the most expensive place to live in the United Kingdom. Valuation Office Agency (VOA) data shows that average monthly rents in London reached £1,300 in October 2013 compared to the national average of £595.⁷ While other indices have shown different rates of inflation, the VOA figures (which measure the cost of new tenancies and do not include data for those receiving Local Housing Allowance) recorded that rents increased by 13% in the year to October 2013.⁸

3. Landlords

Despite increasing rents, London's renters continue to suffer from poor treatment by landlords. Shelter report that in the five years to 2013, complaints by London's private sector tenants

¹ 'Trend in household tenures, London 1961-2011', Greater London Authority. Available here:

<http://data.london.gov.uk/datastore/package/housing-london>

² 'Rent reform: Making London's private rented sector fit for purpose', London Assembly Housing and Regeneration Committee, June 2013, p.13

³ Op cit, p.11

⁴ Ibid, p.11

⁵ Ibid, p.11

⁶ 'Homes for London: The London Housing Strategy', draft for consultation, Mayor of London, November 2013, p.9

⁷ Private Rental Market Statistics, Valuation Office Agency, 2014

⁸ Ibid

increased by 47%.⁹ Citizen Advice records that in the year to April 2012 its London bureaux dealt with 18,539 enquiries about the 'private rented sector'¹⁰ – issues such as disrepair; possession actions; security of tenure; harassment; problems with letting agents; and deposits¹¹.

The number of complaints is also likely to represent an under-reporting of the actual level of abuse by landlords. The Chartered Institute of Environmental Health has said many tenants' concerns, particularly about housing quality, go unreported for fear of retaliatory eviction,¹² something the London Borough of Hounslow has stated its "enforcement officers...see...with alarming frequency".¹³

4. Letting agencies

The London Assembly Housing and Regeneration Committee published a report in June 2013 on London's private rented sector, which found evidence that London's letting agencies frequently encourage landlords to offer shorter tenancies in order to charge fees to tenants. The report commented that "*Shorter tenancies offer the prospect of more frequent upward rent reviews, encourage 'churn' of tenancies and allow charges for registration, credit checks, renewal fees that all increase the already high cost of the sector.*"¹⁴

The implications of letting agency fees were highlighted by Shelter in its report '*Letting Agencies: The price you pay*'. This report noted that "*upfront fees are preventing households from being able to adequately predict and meet the costs of renting, and whilst rental costs can at least be anticipated and paid over time, high and unpredictable letting agency fees leave many in unanticipated financial difficulty.*"¹⁵ It has been reported that Foxtons charges new tenants £420 as an 'administration fee'.¹⁶ Felicity J Lord charges £165 per property for a 'tenancy agreement', £65 per person 'for reference checks', a £60 'admin fee' and a £120 'check-in fee'.¹⁷ A constituent that contacted me from the London Borough of Camden was asked by a letting agent to pay £300 just to be added to a tenancy agreement.

5. Property conditions

The most recent English Housing Survey found that the private rented sector is still the worst tenure for poor property conditions in London, with 30% of properties failing the Decent Homes Standard used in the private rented sector.¹⁸ This compares to 20% of owner occupied homes, 21% of council properties and 18% of housing association homes.¹⁹ Furthermore, a recent Centre for London report highlighted that nearly half of London's privately rented homes fail even the most basic tests of health and safety, with 356,000 homes reported as having Housing Health and Safety Rating System Category 1 hazards in 2011/12.²⁰

Tom Copley AM, 24 June 2014

⁹ 'Rent reform', p.23

¹⁰ Ibid

¹¹ Relative to the size of the sector, these figures are small and suggest that only around 2 per cent of tenants are reporting problems or seeking advice. Consumer Focus, however, found that in 2009, of those who had recent experience of renting privately, more than one in four had cause to complain in the previous two years.

¹² 'Rent reform', p.28

¹³ Ibid

¹⁴ Op cit, p.9

¹⁵ 'Letting Agencies: The price you pay', Shelter, June 2013, p.12

¹⁶ 'Letting agents must be upfront about hidden fees and charges, say MPs', The Guardian, 18 July 2013

¹⁷ Ibid

¹⁸ 'Trend in non-decent homes by tenure, London', Greater London Authority. Available here: <http://data.london.gov.uk/datastore/package/housing-london>

¹⁹ Ibid

²⁰ 'Stressed: A review of London's private rented sector', Centre for London, August 2013, p.12