

Rural landowners' attitudes to private renting

A recent study of rural private renting demonstrated marked stability in the size of this sector. The team, from York University, found that only a small number of landlords were intending to increase or decrease their holdings. They found:

- f** About 1 in 7 rural households lived in this type of accommodation compared with 1 in 11 in urban areas. Rural private rented accommodation had a smaller proportion of single person households, and more two-adult households (particularly those with children).
- f** Of the three types of rented accommodation studied (linked to job/business, furnished, unfurnished), more accommodation was rented with their job or business in rural areas, and conversely, furnished accommodation formed a much smaller component of the rural private rented sector.
- f** Very few rural landlords had specifically acquired property for the purpose of letting it on the open market, and no landlords were letting property as their main business activity. While some viewed letting as an important source of income and as a way of diversifying their business interests, others were making non-commercial letting decisions (for example, as an alternative to selling the property, or from semi-philanthropic reasons).
- f** The great majority of rural landlords intended to continue with the same number of open market lettings over the next two years. There was a general view that the introduction of assured shorthold tenancies and greater rent-setting freedom in the 1988 Housing Act had been beneficial.
- f** While most landlords were not interested in expanding their open market letting, there was evidence amongst those who were that financial incentives (such as a change in the taxation of private letting) would increase interest.
- f** Greater decline seemed likely in the 'tied' subsector (let to an employee or former employee), with about 1 in 6 landlords planning to reduce their tied letting over the next two years, and none planning an increase. However, the research suggests that some of the properties lost to the tied subsector may be transferred to open market letting.

Background

The housing options of many rural households are constrained since, in spite of the slump in the property market, the owner-occupied sector still remains unaffordable to households on low incomes. Further, compared with urban areas, there are limited stocks of local authority and housing association accommodation in rural areas. This study explores rural landowners' attitudes to private renting, examining what factors influence their commitment to the private rented sector.

Private renting in rural areas: an overview

Detailed analysis of 1991 Census data for England found that the private rented sector was proportionately larger in rural areas than in urban or in mixed rural and urban areas. About 1 in 7 households in rural areas were living in privately rented accommodation compared with 1 in 10 households in mixed rural and urban areas, and 1 in 11 households in urban areas.

Further, the composition of households living in privately rented accommodation differed between urban and rural areas. Single-adult households were less likely to be privately renting in rural than in urban areas. In contrast, households with two adults, particularly those with children, were more prevalent in the rural private rented sector (see Housing Research Findings 162).

In rural areas, a much larger proportion of privately renting households were renting with a job or business than was the case in urban areas (41 per cent compared to 17 per cent). Conversely, the furnished subsector formed a much smaller component of the rural private rented sector than the urban (16 per cent as opposed to 43 per cent). The proportion of privately renting households that were living in unfurnished accommodation was, however, very similar in both rural and urban areas.

Rural landowners and their properties

A large-scale postal survey was undertaken with a sample of members of the Country Landowners Association (CLA), the total membership of which owns and manages about 60 per cent of the countryside in England and Wales. The resulting data (from 1,247 members) was weighted to make it representative of CLA membership as a whole. About half of the respondents had holdings of 100 acres or less. The majority of respondents were private individuals (58 per cent) or partnerships (30 per cent) (see Table 1).

Table 1: Status of respondents

Status	Number of respondents	%
Private individual	716	58
Partnership	376	30
Company	85	7
Private trust	45	4
Other	13	1

Weighted base: 1,235 (All respondents)

In total, respondents controlled about 3,700 rural properties other than their own homes, which may be grossed up to an estimated 141,000 properties for the CLA membership as a whole. Almost all of the properties were both habitable and occupied. Of those which were described as uninhabitable, nearly three-quarters were likely to be brought up to a habitable standard over the next five years. The great majority of habitable properties which were unoccupied (including properties temporarily vacant between lettings) were to be let either to holidaymakers or to open market tenants over the next two years. Only a very small proportion were to be left empty or sold.

Of those properties that were normally occupied, the vast majority were let to open market tenants or employees, with open market lettings notably predominating. In total, about 2,100 properties were normally occupied by open market tenants, which may be grossed up to a total of around 80,000 such lettings for the entire CLA membership. Thus (on an estimate based on the 1991 Census) members of the CLA control about 42 per cent of the rural (open market) private rented sector in England and Wales.

Of all the properties in the survey which were let on the open market, more than a third were controlled by private individuals, almost another third by private trusts, and just over a quarter by partnerships or companies. The great majority of all respondents letting on the open market had between one and four such lettings. There was a greater prevalence of larger portfolios among companies, private trusts, and respondents whose total landholding exceeded 500 acres.

Reasons for open market letting in rural areas

None of the landlords in a series of qualitative interviews with CLA members were letting property as their main business activity. Instead, letting property formed one part of the overall activity of landlords. Very few landlords had specifically

acquired property for the purpose of letting it on the open market. Frequently, properties had formerly been used to house employees, and had become surplus to such requirements as the numbers of workers employed on farms and estates had decreased.

There was a diverse range of attitudes to letting on the open market. Some landlords viewed letting as an important source of income and a way of diversifying their business activities in rural areas, or as a means of supplementing personal income. Other landlords, often estates, had a semi-philanthropic attitude towards letting and had traditionally provided accommodation for rent in rural areas for households on low incomes, including their own employees. In contrast, there were landlords who had acquired or inherited property as part of a landholding, and were letting surplus property as an alternative to selling, which would break up their landholding.

Finding tenants for open market properties

Landlords most commonly found tenants for their open market properties by word of mouth. Most of the landlords considered that the level of demand for their properties was either fairly or very high, although a few mentioned that there could be difficulties in filling vacancies during the winter months.

About a third of the landlords had no particular preferences as to the type of tenants they let to, above and beyond the basic desire for “good tenants” who would look after the property and pay the rent. The remainder expressed a varied range of preferences, the most common being for employed tenants, married couples (as opposed to single people) and tenants who would get on with the neighbours and generally fit in with the existing community.

About half of the landlords had let to tenants on Housing Benefit. Most of these had experienced no problems, and seemed happy to let to such tenants in future. Among those who had no experience of letting to tenants on Housing Benefit, some concern and unwillingness was expressed. Some felt that their properties would be unsuitable for people on Housing Benefit, either because the rent would be too high or because their isolated situation necessitated the use of a private vehicle, which a tenant on benefit might be unlikely to possess. Others feared that people in receipt of Housing Benefit might prove to be unsatisfactory tenants who would not look after the properties or would cause other problems to the landlord.

Future letting intentions

Previous research has highlighted the past decline in the number of private lets in rural areas. However, in this study the overall impression to emerge from rural landlords was one of stability. The postal survey showed that the great majority of landlords (82 per cent) intended to continue with their present number of open market lettings over the next two years. Nine per cent intended to increase, whilst 5 per cent would either reduce their number of lettings or cease open market letting altogether (the remaining 4 per cent being unsure).

The qualitative study also suggested that, providing there is no return to a pre-1988 style legislative framework (the 1988 Housing Act having introduced assured shorthold tenancies and greater freedom in setting rents), there is likely to be no great change in the numbers of properties let on the open market by rural landlords such as these.

While greater decline seems likely in the area of tied letting, with about 1 in 6 landlords intending to decrease their tied portfolios over the next two years, and none planning expansion in this area, the research suggests that some of the properties lost to the tied subsector may be transferred to open market letting.

Incentives

Incentives could play a significant part in encouraging some of those landlords who envisaged a possible *decrease* in their open market letting to retain their current number of lettings. A number of landlords mentioned the perceived unfairness of the current tax treatment of rental income, and they felt that income from rent should be treated as earned rather than unearned income.

Landlords commonly expressed a desire to consolidate their current rural portfolios through modernisation and improvement, and they felt that improvement grants would help them to ensure that the property they let was of a reasonable standard.

However, a small number of landlords who were reducing their involvement with open market letting felt that incentives would not alter their fundamental view that they did not really want to be landlords, and wished to exit the sector as soon as they obtained vacant possession of their properties.

Expansion

A minority of landlords were interested in *expanding* their rural open market portfolios, and it would seem that financial incentives could be instrumental in encouraging such landlords at the margin to invest in further property to let.

In discussing incentives for expansion, landlords

reiterated the importance to them of an alteration in the tax regime so that private letting was treated as a trade. There was specific support for the CLA's proposal for open market letting to be encapsulated, for tax purposes, within the idea of a Rural Business Unit.

Although fewer landlords felt that changes to capital gains tax would be an important incentive, there was a minority view that the ability to 'roll-over' capital gains would be an incentive to invest in property to let. This would mean that gains made from property sales would not be liable for tax so long as the money was re-invested in further property to let.

About the study

This research was initiated by the Country Landowners Association, and was conducted by Lora Sanderling and Mark Bevan at the Centre for Housing Policy, York University. It was directed by Professor Peter Kemp of the Centre for Housing Research and Urban Studies at Glasgow University.

Methods of data collection and analysis comprised: (1) a statistical overview of rural private renting in England using ward level Census data; (2) a postal survey of a representative sample of members of the Country Landowners Association in England and Wales; and (3) 40 semi-structured qualitative interviews with rural private landlords (also members of the CLA) in four case study areas in England.

Further information

A full report, *Private Renting in Rural Areas* by Mark Bevan and Lora Sanderling (price £10 including postage and packing), is published by the Centre for Housing Policy, University of York, Heslington, York YO1 5DD (Tel: 01904 433691).

Further information about the research can be obtained from Peter Kemp at the University of Glasgow (tel: 0141 330 3665).

Related *Findings*

The following *Findings* look at related issues:

- 139** The supply of privately rented housing (Mar 95)
- 141** Evaluating rural housing enablers (Apr 95)
- 144** Private tenants and restrictions in rents for housing benefit (May 95)
- 158** Licencing private rented housing (Nov 95)
- 162** Private renting in rural areas (Nov 95)
- 169** Housing homeless people in the private rented sector (Mar 96)

For further information on these and other *Findings*, contact Sally Corrie on 01904 654328 (direct line/answerphone for publications queries only).



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