

## Characteristics and functions of the private rented sector

**Only a minority of UK households rent privately, but this tenure performs important functions within the modern housing system. Analysis of the people and households living in private rented accommodation in the 2001 census, by David Rhodes of the University of York, found that:**

- The private rented sector (PRS) housed 10.6% of UK households in 2001. It was largest in England, where 11% of households were renting privately, followed by Wales (9.7%) and Northern Ireland (9.2%). Scotland had the smallest proportion of households renting privately (8%). The sector was sizeable in a number of coastal and university towns, and largest of all in Greater London, where 16.4% of households were living in the PRS.
- The nature of the PRS differed across the UK. Compared with England, the other UK countries had more private tenants renting from a relative or friend. Scotland had a relatively high proportion of private tenants in employment-linked accommodation. Rural areas tended to have higher levels of employment-linked accommodation, whereas in urban areas the PRS was more open-market in nature.
- The PRS was the tenure with the youngest age profile, with a bulge of private renters aged between 25 and 34. PRS households were most commonly comprised of a single person of under pensionable age.
- People working in professional and higher technical occupations were often private renters, confirming the importance of the loosely termed 'young professionals market' within the sector.
- The PRS was the most ethnically diverse tenure. All black and minority ethnic groups (i.e. non-British or Irish white) were twice as common within the PRS compared with the UK as a whole.
- Private renters were twice as likely as all households to have been living in accommodation with no form of central heating. Pensioner households were the most likely to have not had any central heating, with one in four of them lacking the amenity.
- The PRS was much the most mobile tenure, reflecting its importance for job movers, students and other people needing relatively quick and easy access to a home.



## Background

Following its decline over much of the twentieth century, the private rented sector (PRS) gradually changed from a general housing needs tenure to one performing specific functions. This research examined the characteristics of the contemporary PRS by analysing 2001 census data, and re-assessed its role in today's housing system.

## Size and geography of the PRS

In 2001, 10.6% of all UK households were renting privately. At regional level, there was a broad north/south divide in the size of the PRS; it was smallest in the North East of England and Scotland and largest in southern England. The PRS in Greater London was twice as big as in Scotland (see Figure 1).

At local authority level, the proportion of PRS households was large in several coastal towns, and especially in England, including Brighton and Hove (22.6%), Berwick upon Tweed (20.3%), Bournemouth (19.3%), Blackpool (18.5%), Torbay (17.4%) and Southampton (17.2%). It was also large in several university towns. The PRS was particularly large in some inner London boroughs, including Westminster (35.3%), Kensington and Chelsea (29.6%), City of London (28.1%) and Camden (26.6%).

In contrast, PRS households were almost non-existent in some Scottish council areas (notably North Lanarkshire, West and East Dunbartonshire, East Renfrewshire and Falkirk).

Eight in ten PRS households lived in open-market accommodation, in that they rented from a private landlord or through a letting agency (see Figure 2). About one in ten rented from a relative or friend, and about one in 20 lived in accommodation tied to their employment. There was a greater culture of renting from a relative or friend in Scotland (14%), Wales (14.5%) and especially Northern Ireland (16.2%) than in England (9.6%). Scotland had a

comparatively high proportion of households living in employment-linked accommodation (8.4%).

Although the PRS was numerically the largest in urban areas (where most people live), as a proportion of all households it was larger in rural areas. Thus 10.9% of all households in urban wards in England and Wales rented privately, whereas the figure was 13.9% for households in rural wards. In mixed rural and urban wards, the proportion of PRS households was 9.5%.

In the most urban areas, more of the PRS was open-market in nature, whereas in rural areas a greater proportion was tied to employment, most probably for agricultural workers. Thus the proportion of PRS households renting on the open market ranged from 66.1% in rural wards of England and Wales to 88% in Greater London. In contrast, the employment-linked proportion ranged from 14.9% in rural areas to 2.6% in Greater London.

## Recent trends in size of the PRS

Comparison of the 2001 census with the three previous censuses (in Great Britain) showed a decline in the PRS, which began earlier in the twentieth century, and its subsequent revival in the 1990s. The size of the sector more than halved between 1971 and 1991, from 22.5% to 9% of all households. Although the employment-linked PRS declined substantially between 1991 and 2001, the sector as a whole revived in all GB regions after 1991.

Over the 30-year period, the size of the PRS fluctuated most in urban areas. The recovery since 1991 has been principally urban-led, indicating the importance of the open-market PRS within the modern housing system. There was a statistical relationship between the decline and subsequent revival, such that the post-1991 recovery has had a slight 'correcting' affect: as a proportion of all households, the size of the PRS has tended to increase more in areas where it had previously decreased the most.

Figure 1: **Percentage of households in the PRS**

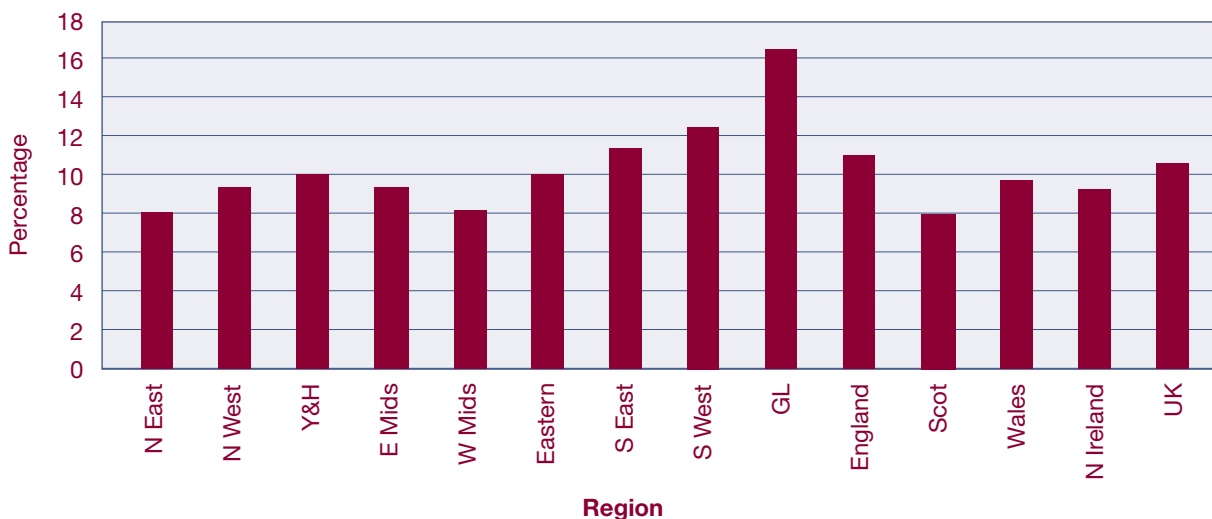
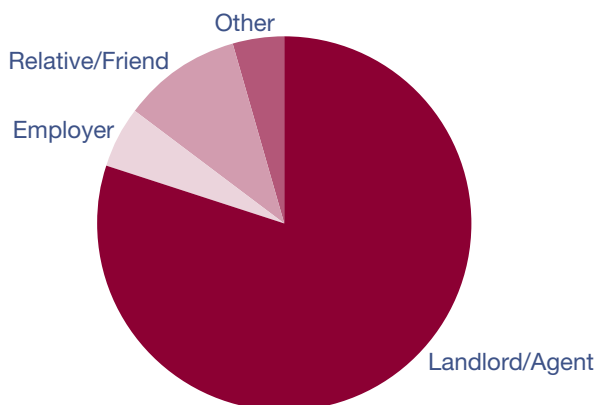


Figure 2: Sources of renting for PRS households



### Age

The age profile of private renters was the most youthful of all tenures. Compared with all household reference persons (HRPs) – a classification replacing the previous ‘head of household’ – more than twice as many private renting HRPs were aged 16 to 34 (48%) compared with overall (22.4%).

The profile of private renters was more youthful in urban areas. In particular, there was a bulge of private renting HRPs in the 25 to 34 age band in urban areas of England and Wales (35.8%), especially within Greater London (44.1%).

### Household type

The PRS contained a high proportion of single person households of below pensionable age: 27.3% compared with 15.8% in all tenures. Lone parents with dependent children were also over-represented compared with all tenures (10.7% and 6.5%), as were ‘other’ households, often comprising shared adult groups (9.2% compared with 3.5% overall). Pensioner households were slightly less common within the PRS compared with all tenures, as were couples with dependent children.

### Socio-economic classification

People in professional and higher technical occupations were well-represented within the PRS (18.7% compared with 15.4% overall), and particularly within Greater London. In conjunction with the tenure’s age profile, this reflects the importance of the loosely termed ‘young professionals market’ within the PRS.

These occupational groupings were also common within the employment-linked PRS sub-sector, as were managerial and supervisory occupations. Given the recent decline in this sub-sector, such occupational concentrations suggest that employers have been focusing their provision of accommodation on certain ‘key workers’.

Along with those renting privately from an educational establishment in a hall of residence, around two-fifths of full-time students aged 18 and above were likely to have been renting from a private landlord. The PRS was skewed towards students in a number of university towns (notably Durham, Sheffield, Cardiff, Aberystwyth, Leeds, Oxford, Manchester, York, Cambridge and Bristol).

### Ethnic group

The private rented sector was the most ethnically diverse tenure. About twice as many private renting HRPs were of a black and minority ethnic group (i.e. non-British or Irish white) compared with all HRPs in all tenures (17.8% and 9.1% overall). High proportions of private renters from particular ethnic groups tended to be found in the same areas where they occurred generally, irrespective of tenure. For instance, areas with high levels of Asian ethnic groups renting privately also had high levels of Asian ethnic groups living in other tenures.

Black and minority ethnic (BME) groups were generally more common in urban than rural areas. Thus in England, 22.6% of private renting HRPs were of a BME group in urban districts, compared with 6.6% in rural areas. The proportion of private renting HRPs of a BME group was especially high within Greater London (40.5%).

### Lack of central heating

The 2001 census asked householders if they had the use of various types of central heating. Compared with all households in all tenures (8.3%), about twice as many PRS households lacked any form of central heating (17.4%). Those most commonly lacking this amenity were all-pensioner households (single people of pensionable age, couples where both were pensioners, and other types of all-pensioner household), 25.3% of which had no form of central heating. This proportion rose to 29.2% in Yorkshire and Humber, and 39% within Greater London.

In what may reflect their bargaining power in the modern private rented market, all-student households were the least likely to live in PRS accommodation lacking central heating (5.7%).

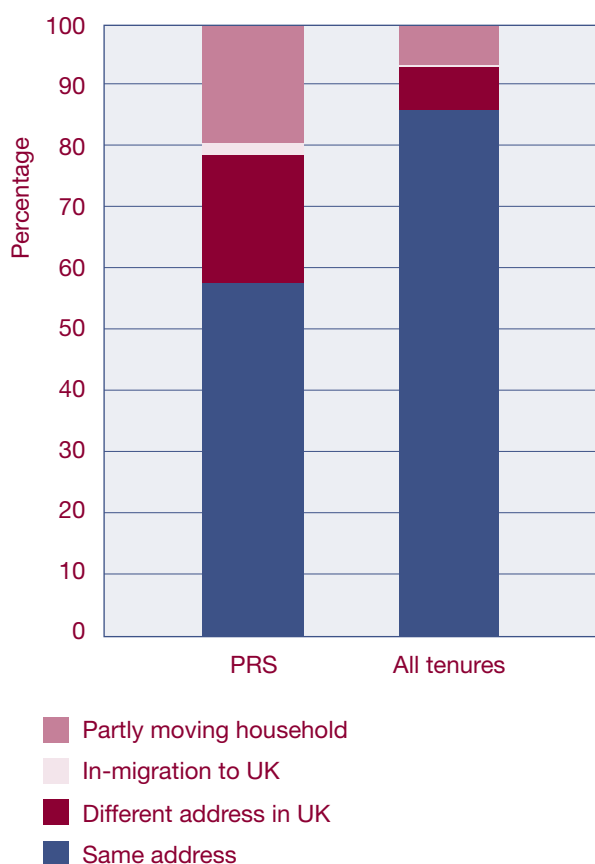
### Movement and migration

Mobility within the PRS was much the highest of all tenures. The proportion of UK private renting households living at the same address as one year before the 2001 census was 58%, indicating a high level of ‘churning’ within the sector. This proportion compares with 86.3% of all UK households in all tenures (see Figure 3). Scotland had the lowest proportion of PRS households not changing address over the year prior to the census (54.6%), and therefore the greatest amount of turn-over in the sector. Northern Ireland had the highest proportion of PRS households with the same address as a year before the census (65.1%), indicating the least amount of turn-over.

PRS households were more likely to be classified as partly moving, compared with all households (19.2% and 6.4%), which suggests a high level of new household formation in the tenure.

The private rented sector was also catering for a relatively high level of inward migration to the UK, including migrant workers, asylum seekers and overseas students. Although only 2.3% of whole households in the PRS had moved into the UK (compared with 0.3% overall), these comprised two-thirds of all households with an overseas address one year before the census. In-migrants to the UK were most common in Greater London, comprising 4.1% of PRS households.

Figure 3: **Address one year before the census**



## Conclusions

The PRS remains a diverse tenure, catering for several key demand groups. However, several characteristics suggest that its most important role within the modern housing system is to provide flexible accommodation for young and mobile people. Thus, this analysis of the 2001 census shows that the PRS contained high levels of young people, single people, shared adult groups, professionals, full-time students, mobile households and inward migrants to the UK. The open-market PRS was generally the most attuned to this role, mostly in urban areas and especially within Greater London.

## About the project

The research was based on an analysis of the PRS in the 2001 census, using data classifications at local authority and ward levels, including household type, age band, socio-economic classification and ethnic group. Some counts were provided for the tenure as a whole, while sometimes the PRS was divided into four sub-sectors, allowing more detailed analysis. These sub-sectors were based on whom the accommodation was rented from. Much of the analysis included all of the UK, but parts of it had to be restricted to England or England and Wales because of different types of area and output classifications (such as rural/urban indicators) and data availability.

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## For further information

The full report, **The modern private rented sector** by David Rhodes, is published for the Foundation by the Chartered Institute of Housing.

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