

**Until there's a home for everyone**

**Hard-pressed private renters:  
The forgotten middle?**

General Election 2017

Shelter

# Introduction

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The people coming through our doors to seek advice, provides us with a real-time picture of the housing crisis. Over the last two years we have analysed feedback from Shelter advice services, YouGov Profiles and polling data to understand why low-income, hard-pressed private renters – a fast-growing group of our clients – and why they are struggling. This document shares findings from those exercises, which have been used to inform our campaigning.

The document is made up of three main sections:

## **1. How our broken housing market has affected the country (slides 3 to 7)**

Analysis from official statistics and YouGov polling on rent increases as a proportion of pay, the rise of those trapped in renting and increasing anxiety around housing stability gives background to the acute challenges hard-pressed renters face.

## **2. Who hard-pressed renters are (slides 8 to 25)**

Shelter analysis of YouGov Profiles, with sample sizes of low-income renters varying between 450 to 2,000, depending on the question asked.

## **3. How hard-pressed private renters engage with solutions (slides 26 to 36)**

YouGov polling data outlines how new homes with living rent rates appeal to hard-pressed renters. Cross-market analysis shows how low rent homes are the answer to swelling numbers of trapped renters.

# The housing market is broken

**In national polling, housing remains the 5th top issue for voters.**

There is consensus across all parties that England's housing market is broken.

For too many people, this is frustrating their understandable desire for somewhere decent, secure and affordable to live.

This is largely due to a combination of:

- Rising rents
- Stagnating pay
- Sharp rises in house prices
- A lack of genuinely affordable housing stock.

**YouGov**<sup>®</sup>  
What the world thinks

Which of the following do you think are the most important issues facing the country at this time?  
Please tick up to three.

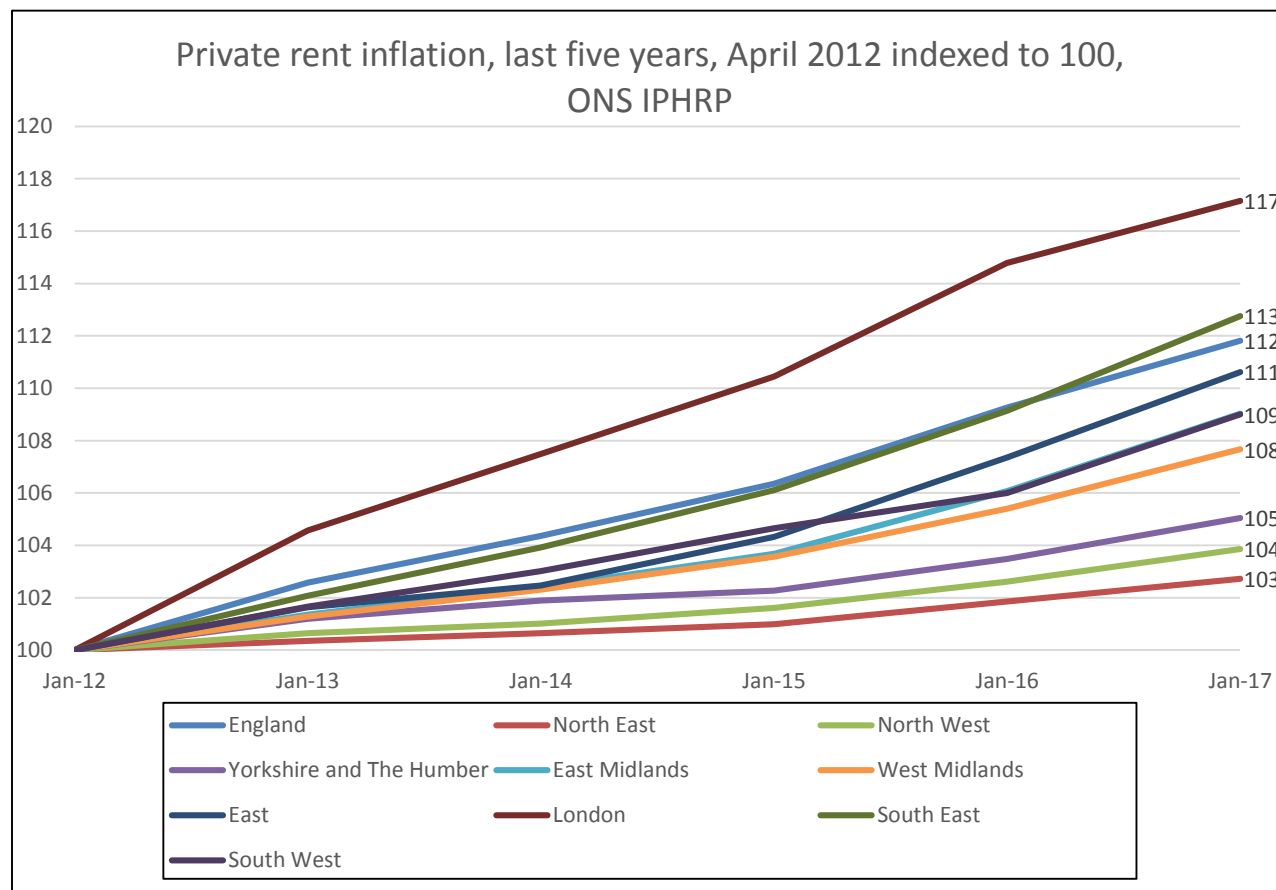
Britain leaving the EU	63	63
Health	42	42
Immigration & Asylum	38	38
The economy	32	33
Housing	18	17
Welfare benefits	17	17
Education	14	16
Crime	11	11
Pensions	9	10
The environment	11	9
Tax	6	5
Family life & childcare	4	4
Transport	3	3
None of these	1	1
Don't know	3	3

Source: YouGov,  
April 2017

# Rising rents across the country

Renting costs have increased across all areas of England, but most sharply in:

- London
- East of England
- South East
- South West.

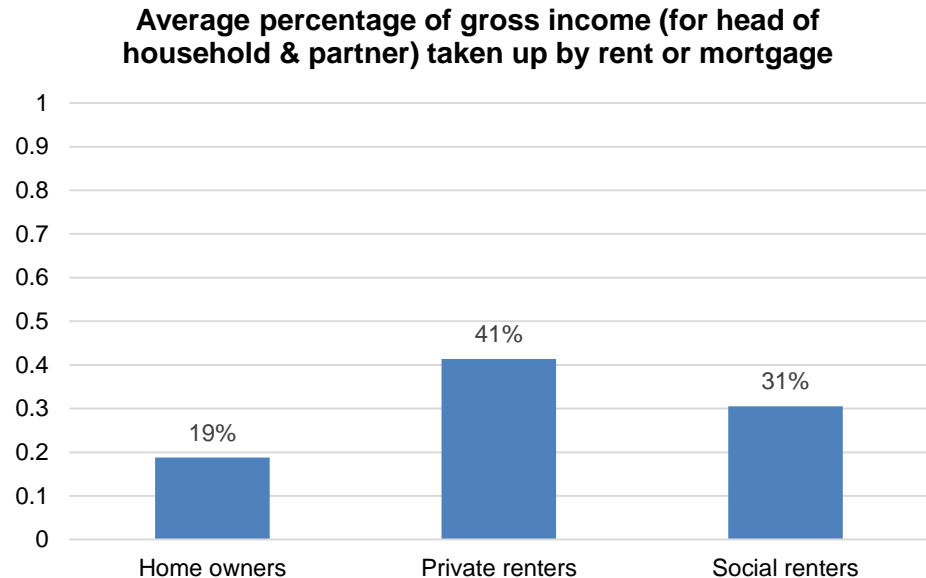


# Rent consumes almost half of salaries

Private renters, **nearly half of their income is spent on paying their rent.**

That is **over double the amount home owners pay** on mortgage repayments.

This proves frustrating for private renters; they pay more than anyone else to live, but that rent is 'dead money'.



2015/16 DCLG English Housing Survey

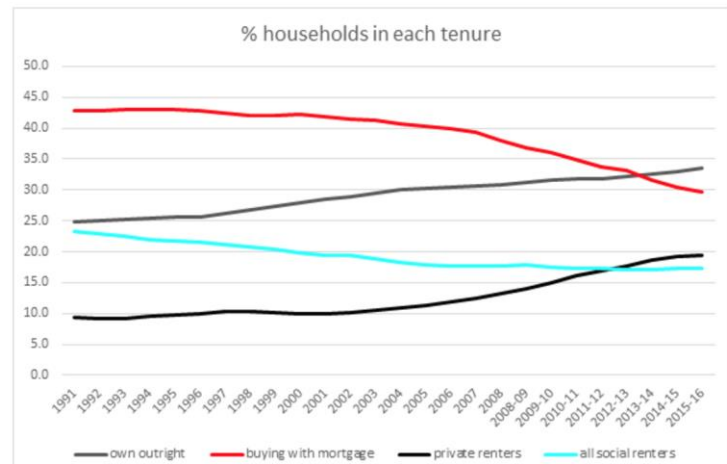
NB: These figures are for gross income only. If this analysis was made based on take-home salary, private renters would spend over 45% of their income on rent. It is also well over 50% for those renting privately in London.

# Home ownership down, renting up

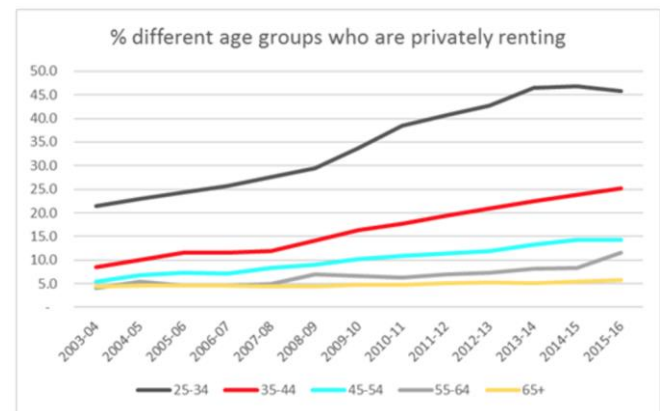
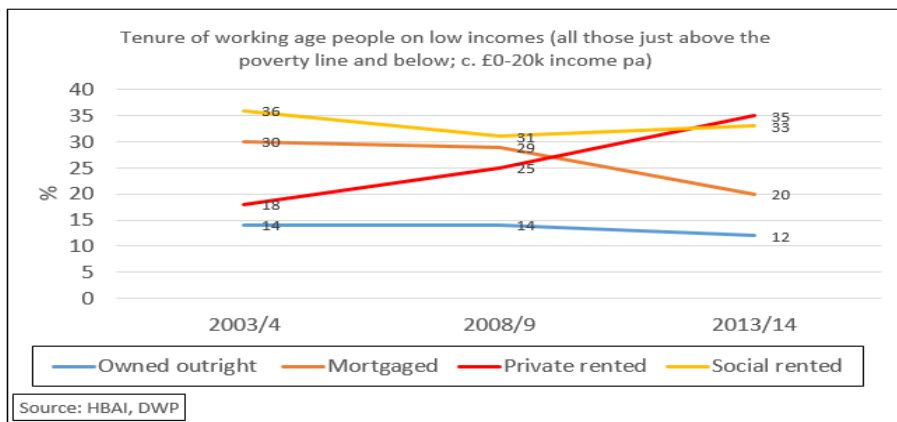
We are experiencing the **lowest levels of households buying with a mortgage since 1981**.

This decline is particularly acute among 25-34 year-olds and 35-44 year-olds of all backgrounds, and among those on low-incomes in particular.

For these groups, private renting has stopped being a stepping stone and become a trap.



Source: English Housing Survey, 2015-16



Source: English Housing Survey, 2015-16

# Rise in anxiety about instability

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In England, a shocking **three in ten private renters worried about losing their home in the last year.**

Our research shows even private renters who aren't struggling to pay their rent are worrying about having to move, and the impact that will have on the likes of their children's schooling.

The termination of a short-term private tenancy is also now the leading single cause of homelessness in England.



Findings from Shelter Research: Unsettled and insecure: The toll insecure private renting is taking on English families, February 2017

# Hard-pressed renters: falling through the middle

Wednesday, 31 May 2017

Shelter



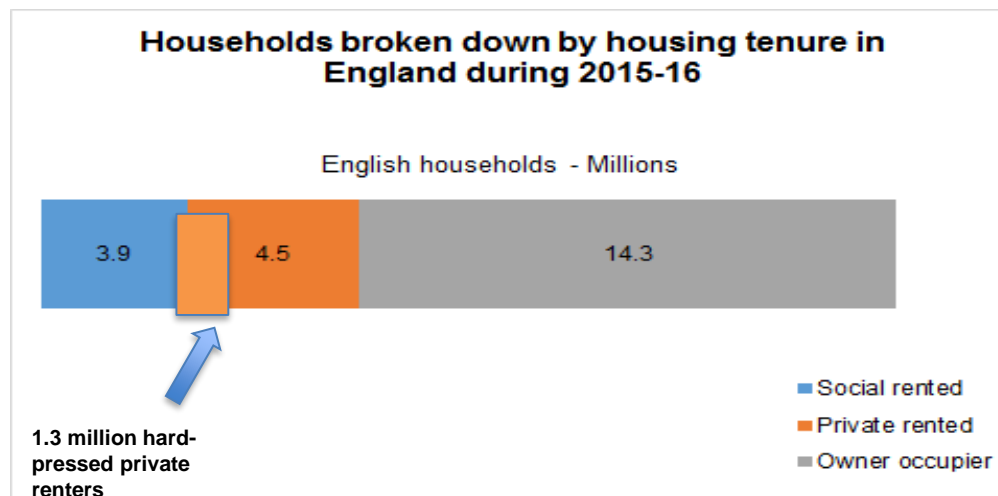
# Hard-pressed private renters

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As a result of these pressures, there is now a **growing army of low-income private renters in work but struggling to make ends meet.**

Shelter analysis of Family Resources Survey shows there are about 1.3 million private renting households who struggle to get by after paying rent to a private landlord.

This represents 10% of working-age households, and 30% of PRS households.



# Hard-pressed private renters: some numbers

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Of the hard-pressed private renters:

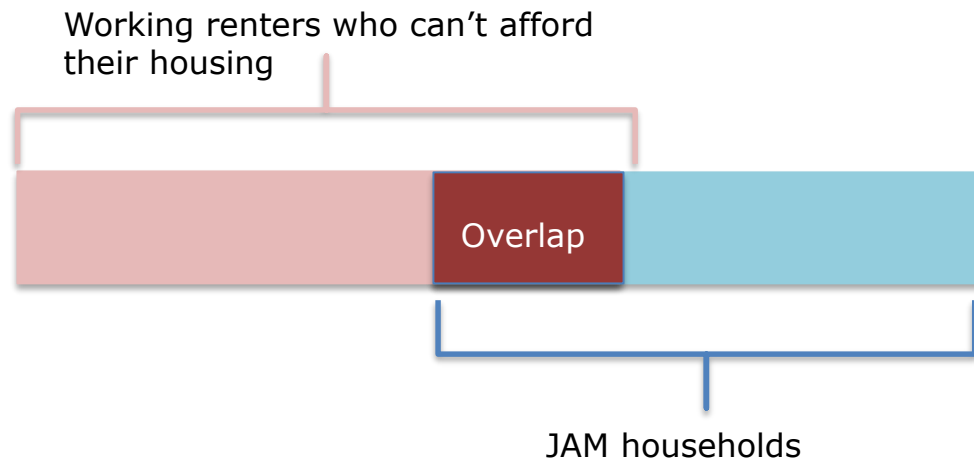
- 70% are either struggling or falling behind with their rent
- 1/3 have borrowed money to pay the rent in the last year
- 800,000 of them can't afford to save even £10 a month
- Private rented sector (PRS) 'just about managing families' (JAMs) are more likely to rank housing as an important issue than the general British public.

# Hard-pressed renters: JAMs?

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Hard-pressed private renters **represent around 15% of the Prime Minister's 'Just About Managing'** target group (all households in income deciles 2-5), and tend to be at the sharper end of this group of voters.

Of all PRS households that fall into the JAM definition, 70% are hard-pressed private renters struggling to pay the rent.



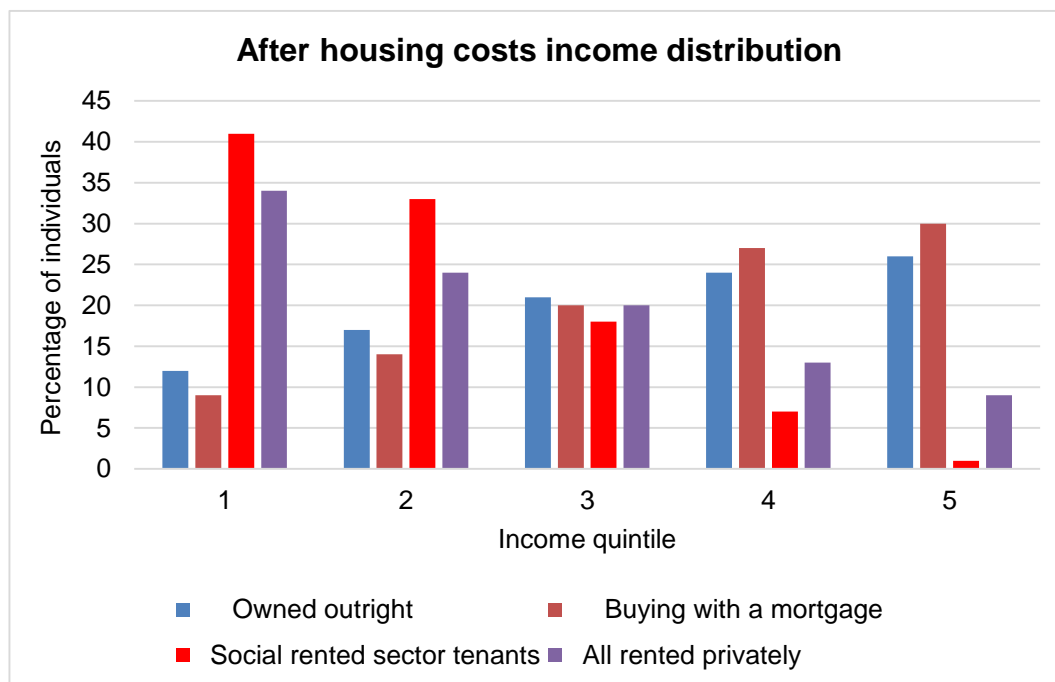
# The forgotten middle

Hard-pressed private renters **are currently missed out by most government interventions.**

They tend not to be in high enough need to qualify for social housing - **63% of social tenancies go to those out of work**, often because they are in the highest immediate need, missing out low-income private renters.

Furthermore, these renters **aren't well off enough to afford shared ownership or Affordable Housing** in most of the country.

**Meaning the private rented sector disproportionately houses those on low-incomes.**



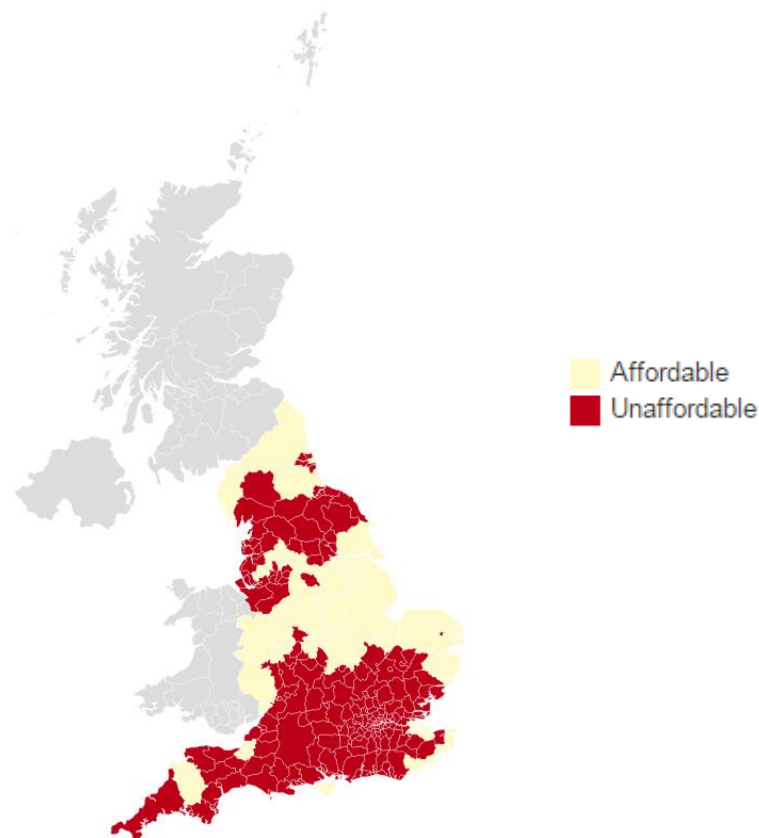
Source: Social Housing Lettings: April 2015 to March 2016, England, DCLG

# The forgotten middle

And Affordable Rent (80% of market rent) is out of reach for low earners in most of the country.

A hard-pressed private renting family would not be able to afford an Affordable Rent property in 2/3rds of the country.

**Areas where 80% median market rent for two-bedroom property > 30% median monthly household income – housing benefit**



Source: VOA Private rental market summary statistics, England, 2014-15

# Hard-pressed renters: who are they?

Wednesday, 31 May 2017

Shelter

# Who are hard-pressed private renters?

**Shelter analysed YouGov Profiles of JAM low-income renters, with sample sizes of 450 to 2,000.**

**YouGov**Profiles

**Typical features of hard-pressed private renters include:**

- In work; household income of £17,000 - £22,000
- Overrepresented in market towns and areas in non-London areas of the South East
- Thus we suggest this group would be unable to afford home ownership and wouldn't be in priority need for social housing
- Meaning they'd be trapped in private rented accommodation
- Data from Family Resources Survey shows they're mainly young families
- C2/D/E - in jobs that keep the country running
- Mainly in work unless not working to care for children.



# Example of hard-pressed renters

Luke and Tracey live in Halifax and have two young children. Luke is a bus driver and Tracey is a teaching assistant but is currently part-time, as her youngest hasn't started school yet.

Their current household income is £18,000 and they're generally unable to save. They shop in budget supermarkets like Iceland, Lidl and Asda.

While they're keen to own a home, and remain hopeful, all they can realistically save for is a family holiday. There'll never have enough savings for a deposit.

In the EU referendum they voted Leave. They're skeptical of politicians and are swing voters.

In general, Luke and Tracey aren't really into politics. They're Sun readers and don't keep up with current affairs, but housing is a top issue for them.



YouGovProfiles





# How do hard-pressed renters vote?

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## In general, hard-pressed renters:

- Vote just as often as the general public
- Vote more often than younger private renters
- But feel disengaged with politics
- More likely to perceive no difference between political parties.



## In terms of voting, hard-pressed renters:

- But are more likely than other private renters to vote Conservative
- More likely than other renters to have voted Leave in the EU referendum.

## Analysis from YouGov profiles shows:

- 23% of PRS JAMs live in a marginal constituency, compared to 19% of the whole population
- Marginals where PRS JAMs are particularly likely to live include: Halifax, Plymouth, Great Grimsby, Burnley and Hastings.



# What marginals do they live in?

## Top 30 marginals PRS JAMs more likely than average to live in

Halifax	Rossendale and Darwen
Burnley	Bedford
Great Grimsby	Waveney
St Austell and Newquay	Dorset Mid and Poole North
Plymouth, Sutton and Devonport	Croydon Central
Chester, City of	Sutton and Cheam
Blackpool South	Norwich South
High Peak	Crewe and Nantwich
Hastings and Rye	Manchester, Withington
Wirral South	Birmingham, Yardley
Cheadle	Ealing Central and Acton
St Ives	Warwickshire North
Wells	Gloucester
Cornwall North	Battersea
Southampton, Test	Dudley South



Source: **YouGov** Profiles

# What media do they prefer?

In general, hard-pressed renters compared to the rest of the British public:

- Have low engagement with media
- Over-index on reading print, non-broadsheet media
- Typically read The Sun and The Star.




# Hard-pressed renters: Their housing and stability

Shelter

# Hard-pressed renters struggle financially

## Compared to the rest of the general public, hard-pressed renters:

- Don't tend to feel they can manage their money well
- Have had to become more careful recently
- High and rising rents, stagnating pay and the cost of living increasing means household budgets are squeezed
- They're optimistic about their future although the reality is they over-index on struggling to pay their rent every month.

Statement about personal financial situation	Hard-pressed renters
'I manage my finances well'	
'I am more careful with my finances than I used to be'	
'I think my household finances will get better over the next year'	
'I keep up with my rent'	
'I struggle with my rent'	
'I am falling behind with my rent'	

# A lack of stability and moving anxiety

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## Hard-pressed renters:

- Stay in their homes a bit longer than typical renters – this may be because they over-index in towns rather than big cities like London
- Typically live in their homes between 2-5 years.

## But they worry about:

- Not being able to stay in their home as long as they want to
- Children having to move schools due to an unwanted move.



**Hard-pressed renters see longer tenancies as an appealing way to improve renting.**

# These renters struggle to pay rent

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Which, if any, of the following have you sacrificed/done in order to enable you to keep up with any rental payments over the last year (i.e. since March 2016)?

Action taken	Percentage of hard-pressed renters
Reduced the amount I/we save	22%
Used my savings to pay rent	21%
Borrowed from overdraft	18%
Borrowed from credit card	15%

Over a third (34%) of hard-pressed private renters have borrowed money to pay their rent in the last 12 months. This includes 1 in 6 people who've used their credit cards to cover rent.

Over a fifth of these renters have dipped into savings to meet monthly rental payments in the last year.

# It's a challenge to keep up with rent

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Thinking about your situation, how easy or difficult is it for you to pay your rent?

Renters' situation	Percentage of hard-pressed renters
I/we are keeping up without any difficulty	28%
I/we are keeping up, but struggle from time to time	45%
I/we are keeping up, but it is a constant struggle	22%

Less than 3 in 10 of these renters is keeping up without difficulty. Nearly half struggle from time to time and over a fifth struggle constantly.

It's the norm for hard-pressed private renters to struggle in some way to cover their rent month on month.



# These renters find it hard to save

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800,000 private renters were unable to save even £10 a month.

Over two-thirds of private renters unable to afford shared ownership have no savings, leaving them vulnerable to financial shocks and unlikely to access homeownership in the short to medium term.



YouGov for Shelter. Sample size of 2208 18+ GB private renters, telephone interview conducted April 2017

# Solutions for hard-pressed renters

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# ‘Living rent’ homes

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**Living rents are a mechanism to correct the broken rental market.**

Just as the living wage is calculated to acknowledge living costs, living rents are calculated by acknowledging what renters can actually afford to pay:

- **Rents set at a third of a low-earners’ incomes**
- **10-year contracts**
- **Allocations solely for those in work**
- **Differs from social housing allocation**
- **Reducing households’ exposure to debt and arrears**
- **Enabling hard-pressed renters to save**
- **Lowering demand for housing benefit**

The concept has **attracted growing interest from across the political spectrum**, including from the **Joseph Rowntree Foundation**, the **Conservative think tank Renewal**, **Savills** and the **Mayor of London**.



# Most renting JAMs long for more control

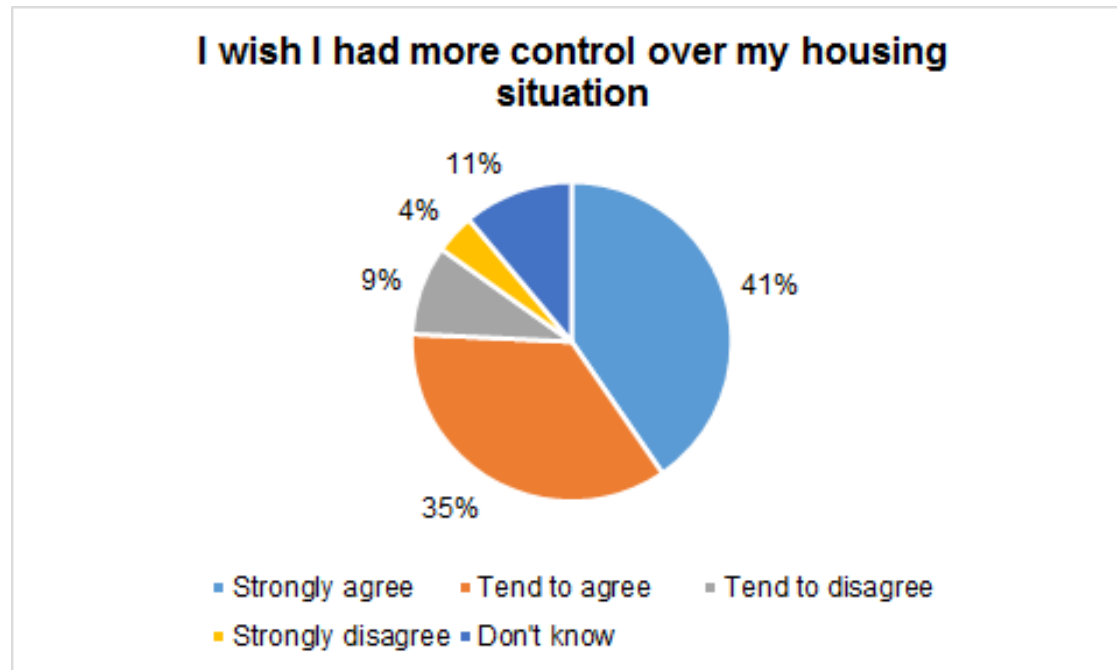
Shelter commissioned a survey of PRS JAMs.

Of the JAM private renters, **almost two-thirds (76%) wish they could have more control over their housing situation**. Only 13% of these renters don't wish they had more control.

This shows that for most, insecurity and instability are constant features of renting.

**YouGov**<sup>®</sup>

YouGov for Shelter,  
survey of 'Just About  
Managing' (JAM)  
households living in  
the PRS'

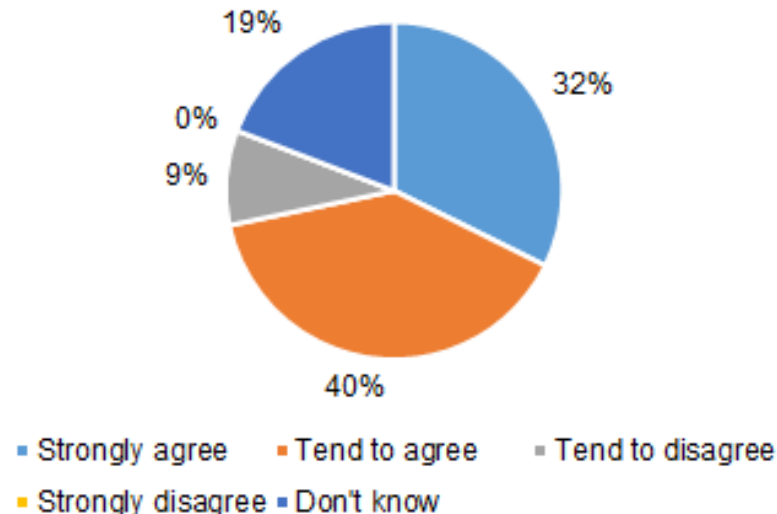


# Longer tenancies are appealing to JAMs

For JAMs who privately rent, **nearly three-quarters (72%) agreed that longer tenancies would improve their experience of renting.** Only 9% disagreed.

For renting JAMs, longer tenancies could provide increased stability and decrease anxiety while renting.

**Longer term/indefinite tenancies would improve my experience of renting**



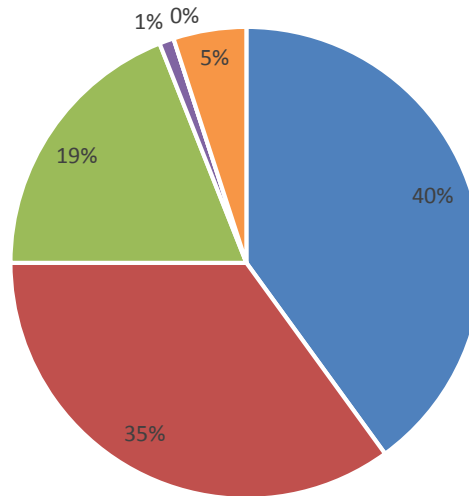
**YouGov**<sup>®</sup>

YouGov for Shelter,  
survey of 'Just About  
Managing' (JAM)  
households living in  
the PRS'

# Longer tenancies help JAMs feel in control

For JAMs who privately rent, **nearly half (40%) thought it was a lot more likely that longer tenancies would help them feel more in control of their housing situation.** Over a third (35%) thought it would be a bit more likely. Less than a quarter (19%) said longer tenancies would make no difference.

If I had a longer tenancy, I would feel more in control of my housing situation



YouGov®

YouGov for Shelter,  
survey of 'Just About  
Managing' (JAM)  
households living in  
the PRS'

- A lot more likely
- A bit more likely
- Make no difference
- A bit less likely
- A lot less likely
- Don't know

# Longer tenancies would help their children

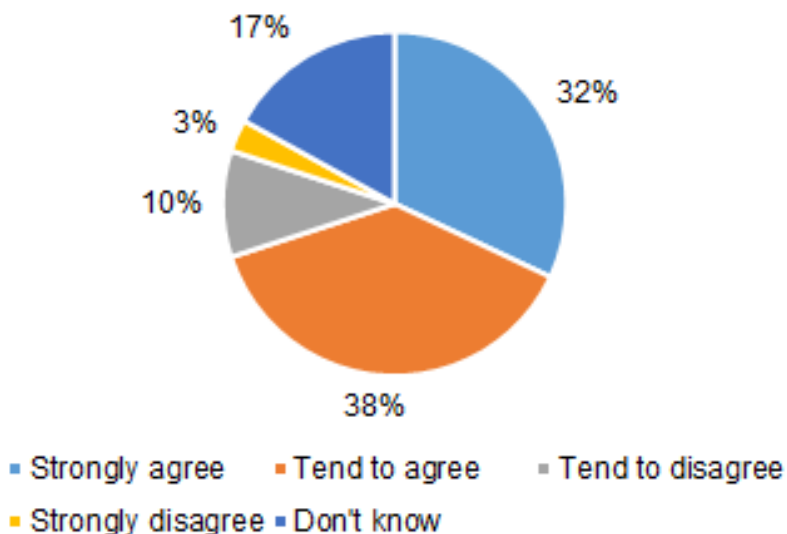
For JAM private renters specifically, **almost a third (32%) strongly agreed that longer term or indefinite tenancies would improve their children's experience of renting.** Well over a third (38%) tended to agree that this was the case.

This illustrates that longer term tenancies – and increased stability in general - could prevent considerable anxiety for private renting JAMs and their families.

**YouGov**<sup>®</sup>

YouGov for Shelter,  
survey of 'Just About  
Managing' (JAM)  
households living in  
the PRS'

**Longer term/indefinite tenancies would improve my children's experience of renting**



# Ownership and affordable rents are priorities

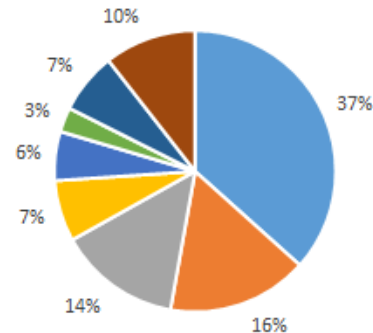
In a YouGov British public poll, when asked specifically about housing, **over a third of respondents (37%) outlined that affordability of home ownership was most important to them and their families.**

Affordability of rents in the private rented sector was the second most important issue, with 1 in 6 people (16%) saying this was a priority.

**YouGov**<sup>®</sup>

YouGov for Shelter,  
GB poll.

Thinking specifically about housing, which of these issues are most important to you/your family ? (Please select up to two)



- Affordability of home ownership
- Affordability of rents in the private rented sector
- The supply of social/ council housing
- Homelessness
- Condition and quality of homes in the private rented sector
- Short term contracts causing a lack of stability in the private rented sector
- Something else
- Don't know

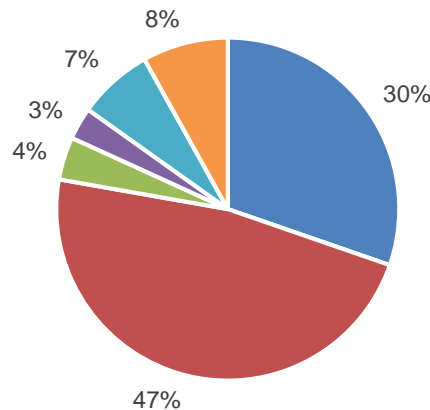


# Living rent: An appealing solution

Shelter commissioned a YouGov poll with a sample size of 1,637 British adults, and through analysis of self-description of income and housing tenures, we estimate 37% are PRS JAMs.

The poll asked if they would support a new home rental offer, with rents set at a living rent rate. **Two-thirds of those polled supported the policy (77%) and nearly a third strongly support the idea of new living rent homes (30%).** Only 7% opposed the policy.

Generally speaking, would you support or oppose a living rent policy?



YouGov®

YouGov for Shelter,  
GB poll.

■ Strongly support      ■ Tend to support      ■ Tend to oppose  
■ Strongly oppose      ■ Neither support or oppose      ■ Don't know

# Living rent: An appealing solution

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*'I could very easily be in this situation and the only reason I'm not is because I inherited money. That [£30,000] is too low – on two teacher's salaries we would've had just over that.'*

(Homeowner, 40-55, Watford)

*'This is basically my situation...It shouldn't get to the point when you are paying so much rent that you are struggling to buy food.'*

(Private renter, 18-39, Watford)

*'If this was the scheme, I think we would seriously look at it. That figure of the maximum household income – we would fall into this. It would give us an option...This could be the glimmer of hope that lots of people are waiting for.'*

(Private renter, 18-39, Coventry)

**Britainthinks**

— Insight & Strategy —

These quotes are from hard-pressed private renters and homeowners as part of Britain Thinks focus groups, commissioned by Shelter, May 2017.

*'My brother and his wife and their baby have had to move back in with her parents to try to save some money for a deposit, because they have nothing every month'*

(Private renter, 18-39, Coventry)

# Living rent: where would it fit in?

**living rent homes would be separate, and in addition to, social rent which could continue to serve the neediest.**

But living rent homes would fill the large gap in the market for those on low-incomes unable to afford private rent, but unable to afford shared ownership or Affordable Rent.

**Tenure mix if living rent home offer was available to hard-pressed renters**

English Households: Millions



■ Social rent    ■ Living rent    ■ Private rented sector    ■ Owner occupier

# Recommendations for living rent homes

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- Build 500,000 living rent homes over next five years.
- Contributing to government's overall target of 250,000 new homes a year.
- 10-year tenancies to provide long-term security for those raising families and those saving to buy a home.
- Costs can be reduced via Shelter's New Civic Housebuilding model - higher quality and lower cost homes can be built through reducing the cost of land and ensuring it is invested for the long term benefit of communities.

Shelter will publish a full report setting out the case for living rent homes in the autumn.

**We look forward to working with the next government to explore how low rent homes can be delivered. Achieving genuinely affordable rents will require government investment.**