Renting is the only game in town with an extra 1.5 million private renters under 30 by 2020

Fierce competition and a lack of adequate supply is squeezing people out of the housing market. Kathleen Kelly argues for a more nuanced policy approach that balances the competing interests of landlords, tenants and lenders.

A new report from the Joseph Rowntree Foundation warns of fierce competition for private rented tenancies in 2020 creating an ever more dysfunctional housing market. Many more young people will be forced into a sector that they already feel doesn’t work. Tenants told us that the sector is characterised by conflict and landlords told us that landlord registration or accreditation schemes are burdens that don’t offer any advantages to them.

In this context the extra 500,000 young people under 30 who will be staying at home with Mum and Dad whilst they save to buy will probably be the lucky ones – they won’t have to struggle to compete for tenancies.

Figure 1: Trend-based tenure change and projections for young people aged 18–30 between 1997 and 2020

Source: Labour Force Survey up to 2008; author-developed trend continued to 2020

Not so lucky are the 400,000 people who will be living in the bottom tier of a three tier private rented sector. So whilst much has been made this week of the expected increase in young families renting, most worrying is how this bottom tier will compete for tenancies against better paid families and young professionals.

So how do we make renting work better? And what does all this mean for the nirvana of home ownership we still hold so dear?
On making renting work better there are two approaches – tinkering with what we have and taking a more fundamental approach to reforming private renting. Positive solutions that tinker with what we’ve got include: local lettings agencies – a sort of ethical letting agent who can work with landlords and tenants to get over hurdles such as having no references. Homes4Let in Poole was highlighted as one of a range of practical ideas to improve housing for young people.

Shared social tenancies that get around the lack of affordable private tenancies in many areas will also become more important – otherwise in many areas no-one will be able to leave home unless they experience the kind of family crisis that leads to (already) increasing homeless applications.

A more fundamental solution would be to focus on what it would take for landlords to offer longer term tenancies at cheaper rents. This is not about a return to the 1977 fair rent regime that quite rightly followed the outcry against Cathy Come Home but a more nuanced policy approach that balances the competing interests of landlords, tenants and lenders. With a long term undersupply of housing we cannot afford to take the risk of choking existing housing supply. International evidence shows that there could be a middle ground where smarter incentives for landlords can achieve more private supply and better security for tenants.

Now, what to do about that ever elusive goal of home ownership?

Of course more housing is part of the answer to how we can get both cheaper rents and more affordable house prices but that’s such a long term goal we need a quicker solution. A report by the JRF housing market taskforce suggested that property taxes were part of the shorter term answer to more affordable house prices. Of course house prices look very different according to whether you’re on the ladder already or struggling to find a foothold.

However if we don’t do something to avoid rising house prices we’re fast creating an hereditary system of home ownership that could lock out swathes of people from the home ownership ideal. There are some potential quick wins such as revaluing council tax so that it more accurately reflects house prices which would go some way towards achieving more manageable house prices.

Changing our approach to taxing housing would let us all think differently about the merits of home ownership versus other assets and could be another step towards making renting for longer less painful. If we don’t take action now in another eight years we could see a lot more people locked out of a fiercely competitive and dysfunctional housing market.

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