

Briefing for Parliamentarians

EXECUTIVE SUMMARY

Rent is now the biggest concern of private renters

- Rising rents are compounding the cost-of-living crisis for private renters - rent is now the biggest concern of private renters compared with other spending.
- Anxieties around rent have increased and overtaken utility bills as the biggest concern since our previous private renter survey in July.
- Rents on new tenancies have risen by 12% in the past year and landlords are increasingly asking their existing tenants to pay much more.
- Half have been asked to pay a higher rent in the past year, up since July, with the size of rent hikes growing.
- Competition for homes is also seeing more dubious practices from letting agents which is adding to the stress faced by private renters looking for a new home.
- The prevalence of mass viewings has increased dramatically, with 36% of renters who have moved in the past year experiencing this.
- Demands for guarantors (experienced by 41%) and bidding wars (20%) have also been on the up this year.

SUMMARY OF KEY FINDINGS

Affording your home

- Concern about paying rent has seen a 15-percentage point increase in just four months
- 41% of respondents are now saying paying rent is their biggest concern in relation to the cost of living, up from 26% in July
- Anxiety about paying rent has overtaken anxiety about paying utility bills in the last four months, which has dropped 6 percentage points in four months
- Half of private renters surveyed faced a rent increase in the past year, up from 45% in July
- 46% of rent rises were worth more than £50 per month, up from 42% in July
- 1 in 5 renters now report that they have cut back on spending in order to pay rent.

Securing a new home

- At least 1 in 3 (36%) respondents who had moved in the past year had viewed a property at the same time as other people, roughly double the proportion in previous years
- 41% of people were asked to provide a guarantor when looking for a new home in the past year, though this is more established practice, with 31% of all respondents having experienced this
- 1 in 4 respondents who moved in the past year had been asked for multiple months' rent up front
- 1 in 5 had been asked to bid for a tenancy
- illegal and bad practice continues – 4% had been charged a fee to view a property.

While much of the focus of the cost-of-living crisis is on mortgage holders, who are seeing their housing costs increase for the first time in over a decade, private renters are getting barely any new support with their housing costs.

OUR RECOMMENDATIONS TO PROTECT RENTERS THIS WINTER

Generation Rent is calling on the government to introduce an emergency package of measures to relieve housing costs for private renters and keep more of them in their homes:

- 1. Freeze rents on private rented tenancies.**
- 2. Suspend Section 21 evictions to stop landlords from evicting simply to re-let at a higher rent.**
- 3. Give courts discretion over other evictions so tenants in rent arrears can defend themselves.**
- 4. Relink LHA with local market rents so tenants don't have to sacrifice on heating and eating**

INTRODUCTION TO OUR PRIVATE RENTER SURVEY

Generation Rent is the national voice of private renters. We represent thousands of private renters throughout the UK and help make their voices heard. One way we do this is through our regular surveys. Our last survey, of supporters in England, took place in June-July 2022, just after the Government published its white paper '*A Fairer Private Rented Sector*'. The survey received 1,025 responses from private renters on assured shorthold tenancies (ASTs).

The new context

Since then, the Prime Minister has changed twice, energy bills have been capped and the rental market has continued to overheat. The latter has been characterised not just by rising rents, but by stories of stressful experiences including mass viewings, bidding wars, and letting agents asking tenants to commit to long tenancies or rent in advance to secure tenancies.

We have seen evictions and homelessness increase dramatically since 2021

- 5,940 households in England faced homelessness in April-June 2022 as a result of Section 21, a rise of 62% on the same quarter in 2021.
 - This is the highest Q2 figure since councils started recording this in 2018.
- There were 6,092 possession claims in the county court under the Section 21 process July-September 2022.¹
 - This figure includes landlords evicting to sell or re-let their properties and tend to rise when house prices and rents are rising.
 - This was three times the number of cases in Q3 2022.
 - This is the highest figure since the end of 2017.
- There were 6,533 possession claims under the Section 8 process in July-September 2022.
 - These are predominantly rent arrears cases.
 - This figure was 54% higher than the same quarter in the previous year, and it is the highest figure since the MoJ started publishing the quarterly figures in 2009.

We have seen rents rise on new tenancies

- Rents on new tenancies are up by 12.1% in the past 12 months, according to the December 2022 edition of the Hometrack/Zoopla rental market report.
- Inflation is highest in London where rental inflation is running at 17.0%.

¹ These are categorised as "Accelerated" possession cases in the Ministry of Justice statistics.

Assessing the pressure on renters rise over recent months

To understand how many renters this is affecting, we have run a further survey of private renters in England, with many of the same questions as our last survey in July, to understand how the pressures on renters have changed in the past four months.

We launched our survey on 10 November and closed it on 25 November, receiving 1,017 responses from private renters on ASTs.

Our surveys are self-selecting so may not be representative of the private renter population as a whole, but they are particularly helpful in understanding trends over time.

SURVEY RESULTS

Rents

1. More renters are reporting a rent hike and the amount renters are being asked to pay is increasing.

In July, 45% of private renters who had lived in their home for more than a year had been asked to pay a higher rent in the previous 12 months.

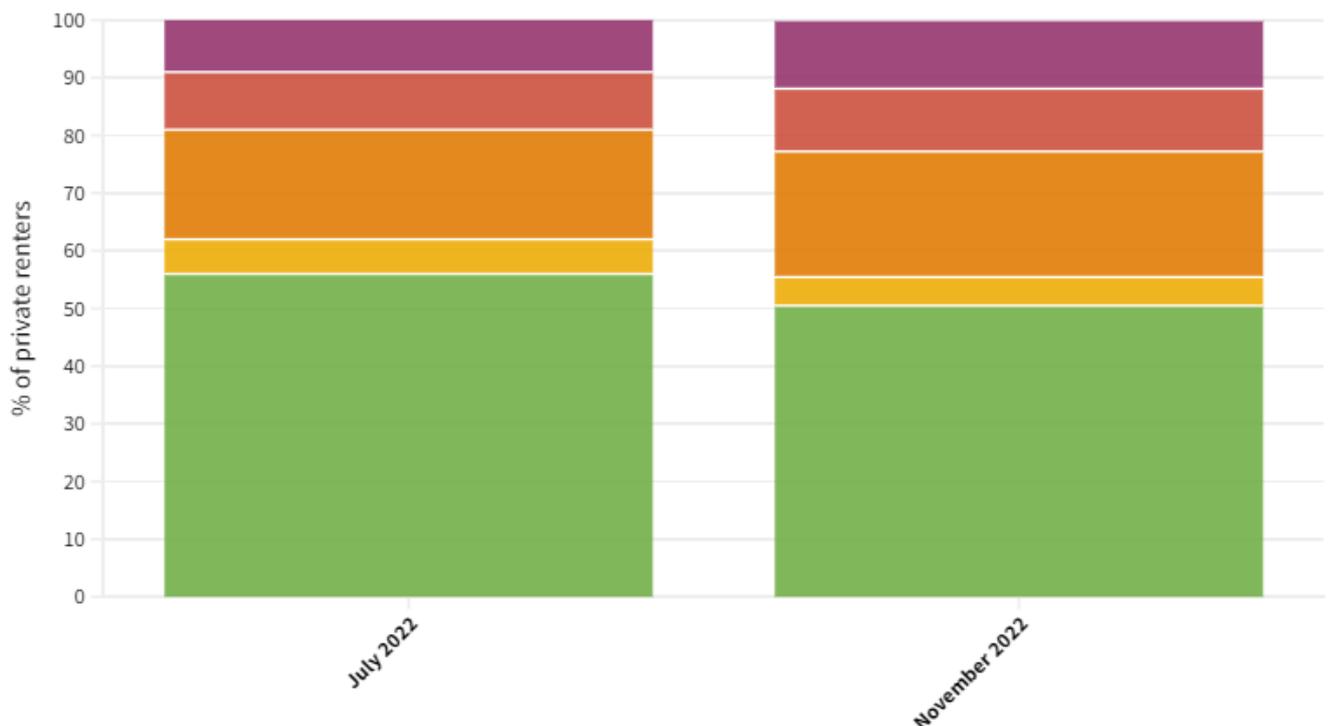
Of those, 42% had been asked to pay more than £50 extra per month (18% of the total).

By November, the proportion who had faced a rent increase had risen to 50%, with 46% of that group (22% of the total) being asked to pay more than £50 extra per month.

Has your landlord asked for a higher rent in the past 12 months and how much extra did they want per month?

Rent rise per month

- No rent rise
- £1-20
- £21-50
- £51-100
- £100+



2. Renters are left with no choice but to pay what they are asked for

Four fifths (79%) of tenants whose landlord demanded a higher rent paid up, a similar figure to that in July (82%). This is more common for tenants facing lower hikes.

People facing increases of £50 or less extra per month make up 54% of all respondents who had faced a rent increase, but 60% of those paid in full, and just 33% said they successfully negotiated a lower rent.

3. Seemingly, landlords are raising the rent because they can, not because they have to.

In this survey we asked if the landlord gave any reason for the rent rise.

The most common response was “higher market rents” (40%), followed by “cost of living” (19%) and “letting agent advice” (17%).

There is little evidence of mortgage interest payments being passed on at this stage – just 11% cited this – though we might expect this to increase as more landlords reach the end of fixed rate terms.

Finally, 12% cited a previous agreement to raise the rent, e.g. as a term of the tenancy.

What reason did your landlord give for the rent increase?

■ Cost of living ■ Higher market rents ■ Higher mortgage payments ■ Letting agent advice
■ Previously agreed increase



Barriers to moving

We asked tenants how long they had been in their home and what problems they had encountered the last time they moved. This gives us an indication of new and emerging problems faced by renters and which are more established practices in the rental market.

1. Being asked for a guarantor remains a standard practice

The most common is being asked for a guarantor, which happened to 30% of respondents.

It is more common among recent movers (41%) but has been a significant feature of the market for a while, with 26% who last moved 5 years ago reporting the same.

2. Demands for multiple months' rent up front

The next most common is being asked for multiple months' rent up front.

1 in 4 respondents who moved in the past year had been asked for multiple months' rent up front. This demand is more common for people receiving benefits or otherwise with a low or irregular income. It has declined in prevalence in recent years from a high of 31% among respondents who last moved 3 to 5 years ago. This may be because people receiving benefits were half as likely as others to have moved in the past year.

3. Queue to view

Mass viewings are dramatically more common, with 36% of respondents who moved in the past year reporting this, compared to just 8% of respondents who last moved 5 or more years ago.

4. Homes going to the highest bidder

1 in 5 who had moved in the past year had been asked to bid or offer the highest rent they could afford.

We have heard this anecdotally this year as a major problem, which adds greater stress and uncertainty to the house-hunting process. It has seen a dramatic increase in the past year, from 11% for people who last moved between 2019 and 2021, and a low of 2% for people who moved more than five years ago.

5. Illegal and bad practice continues

4% had been asked to pay a fee to view a property.

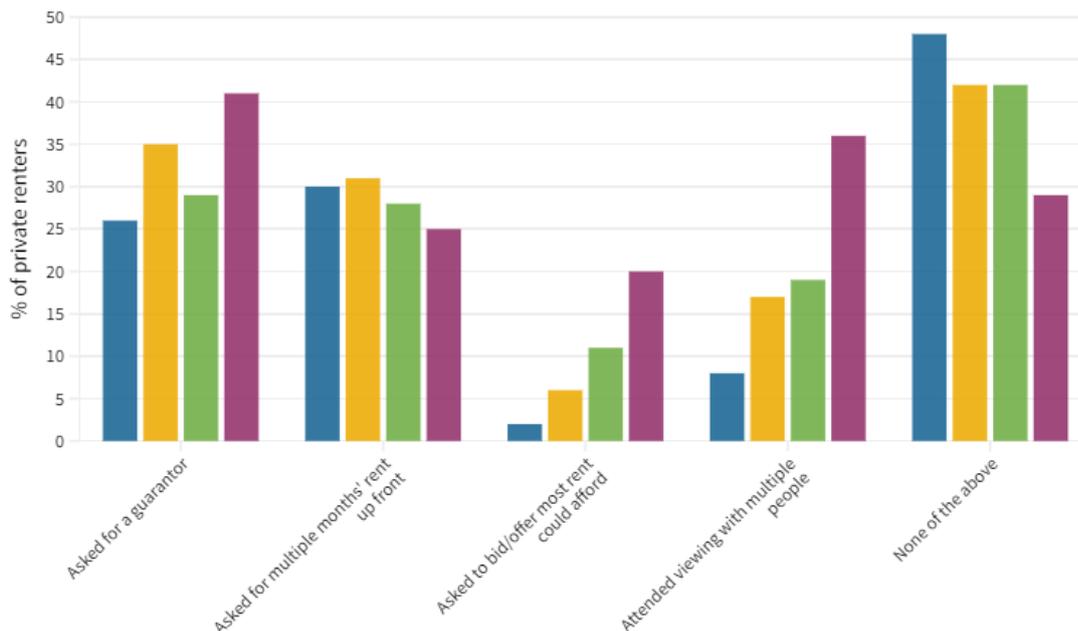
This is another problem we had previously only heard anecdotally, and is, moreover, illegal. It is very concerning that this appears to be happening and Generation Rent will be investigating this practice in more depth.

Barriers to moving are on the rise

It is becoming harder to avoid these barriers to moving, even if you only encounter one or two. Half of respondents who last moved five or more years ago (48%) had not faced any of the above barriers. For those who moved in the past year, only 29% could say the same.

When you last moved home, did you encounter any of the following?

Last moved home... ■ Before 2017 ■ 2017-19 ■ 2019-21 ■ 2021-22



Low earnings create more barriers to securing a home

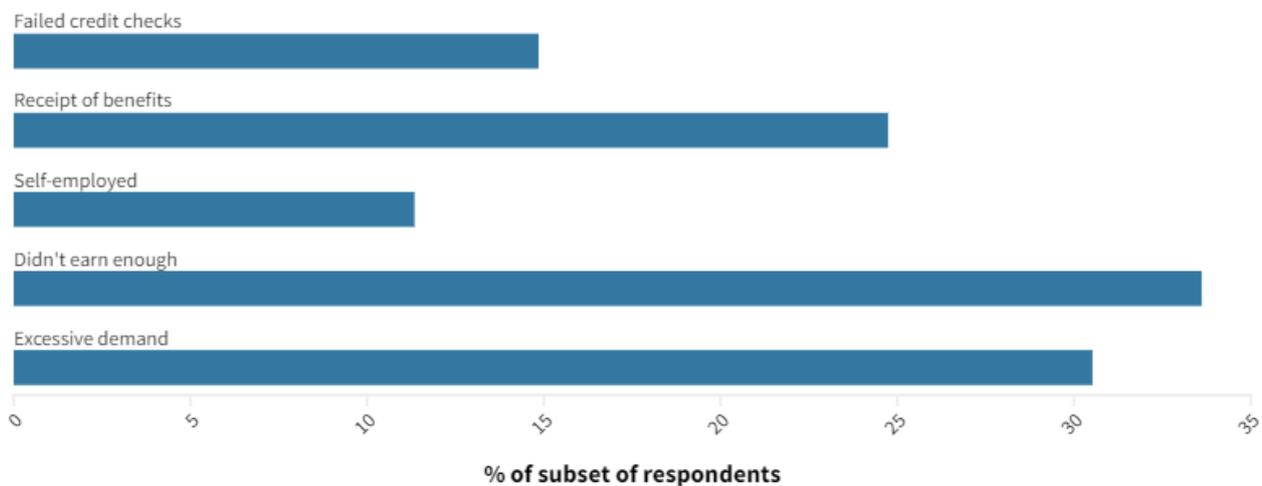
We asked tenants who had been asked for a guarantor or multiple months' rent, who had failed reference checks or had been refused a tenancy what reasons they were given for this.

The most common was that they didn't earn enough (34%), followed by "excessive demand" (31%). A quarter (25%) cited their receipt of benefits as the reason.

Failing credit checks was the reason for 15% of respondents, while 11% cited their self-employment for the problems they faced.

What reason were you given for the difficulties you experienced?

Question asked to people who had been asked for guarantor or multiple months' rent, failed checks or were refused a tenancy



It now takes longer to find a home

The increased barriers to moving that people have faced this year has translated into longer searches.

For people who moved in the past year, 47% reported taking 2 or more months to find a home, up from between 32% and 34% for people who last moved in previous years.

Eviction

9% of respondents had been issued with a Section 21 notice in the past 12 months, a decrease of two percentage points from July.

When asked if they had been able to move out as a result, respondents were:

- less likely to still be in the notice period (22%, down from 30% in July)
- more likely to have already moved out (39% compared with 34% in July)
- more likely to have stayed past their notice (40% compared with 36% in July), due to their landlord being more likely not to have taken further action (24% compared with 20% in July).

Landlords taking further action would show up as possession claims in the county court.

As highlighted above, Section 21 claims had hit nearly a five-year high in July-September 2022 of 6,092. If fewer renters are reporting that their landlord has taken further action at the end of a notice period, this may indicate that summer may have been the high-water mark of post-pandemic evictions. These figures, being more recent than the Government statistics, could reflect the

slowdown in the sales market discouraging landlords from selling up. There also appears to be a growing split between tenants who have been able to move and tenants who are struggling to find anywhere to do so.

Attitudes to the cost of living crisis

When asked what their biggest concern in relation to the cost of living, there has been a marked shift since July. **Paying the rent has become a bigger concern than utility bills.**

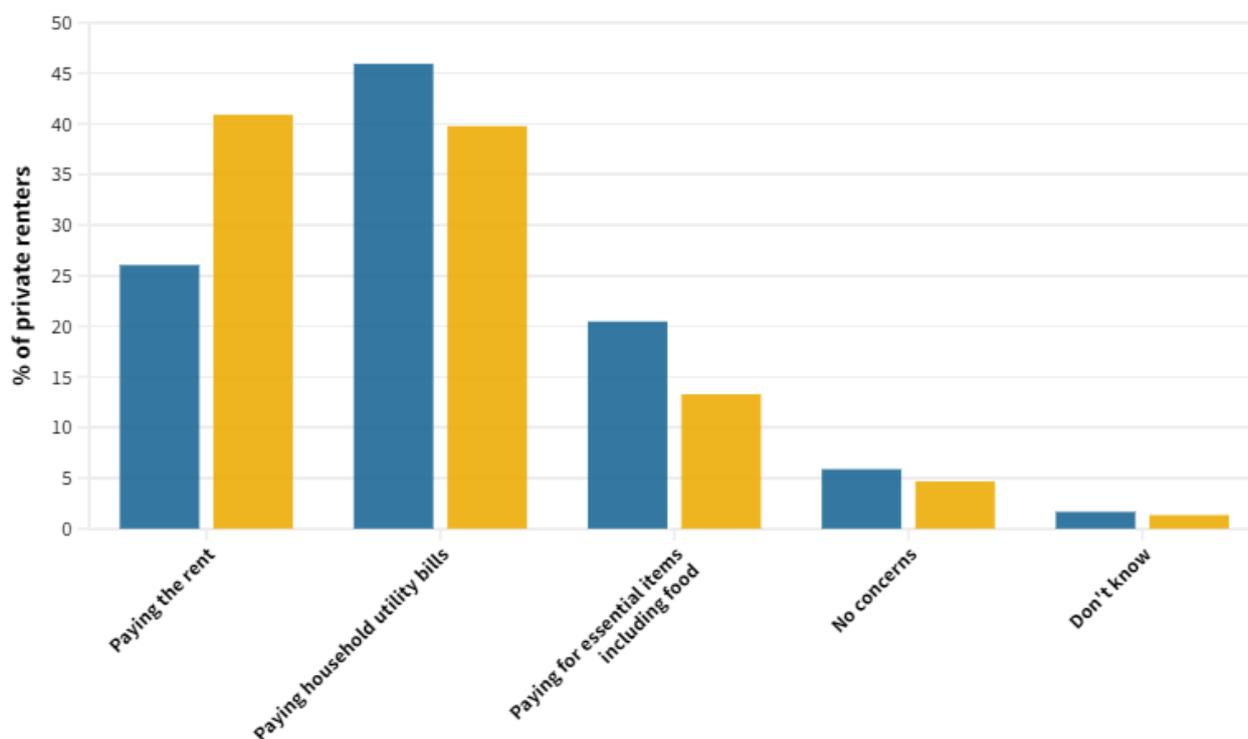
In July, 46% of respondents put utility bills as their biggest concern, with rent at 26%.

In November, rent was now the biggest concern for 41% of respondents.

Paying for utility bills was the next source of anxiety at 40%, with paying for essential items including food dropping down the list from 20% in July to 13% of respondents in November.

In terms of the cost of living, what is your biggest concern?

■ July ■ November



Snapshot from Scotland

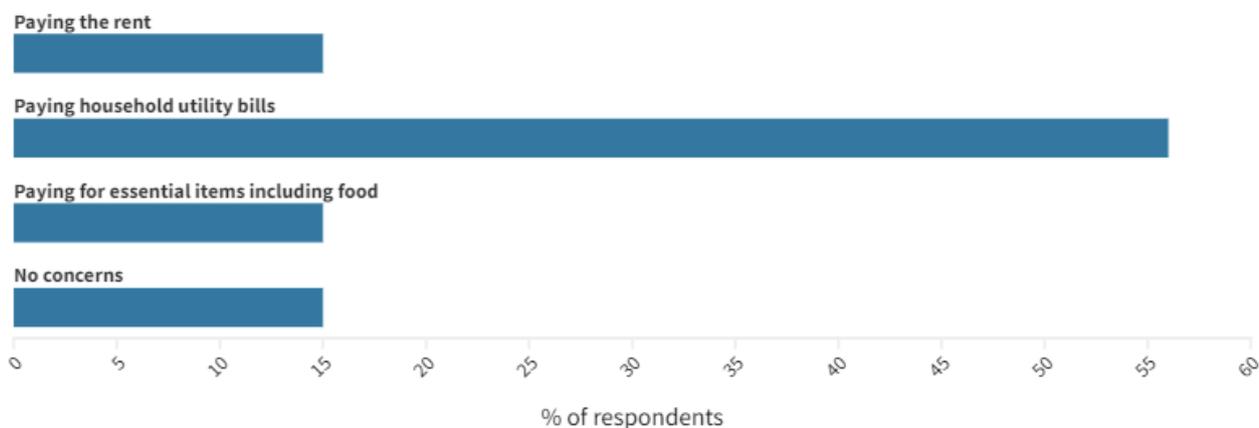
We ran a separate survey in Scotland in early December and asked the same question; *'In terms of cost of living, what is your biggest concern?'*

While it was a smaller sample of private renters, the contrast with England was marked: **only 15% said rent was their biggest concern.** 56% said utility bills were their biggest concern.

The Scottish Government imposed a rent freeze in early September. It has clearly relieved anxiety for renters about the affordability of their rent.

In terms of the cost of living, what is your biggest concern?

Scotland, December



How are renters coping with the cost of living crisis?

We asked what respondents were doing in response to the increasing cost of living. The results were similar to July:

- 61% were cutting back on essentials, including food (*July – 60%*)
- 72% were cutting back on non-essentials (*July – 71%*)

However, in November cutting back gas and electricity usage was higher.

- 68% were using less gas and electricity – up from 63% in July.

And conversely, fewer respondents were making fewer non-essential journeys in their vehicle (36%) than in July (42%) – seemingly reflecting the fact that in the period between the surveys, fuel prices have fallen.

Reliance on foodbanks

We asked if respondents were using food banks. Reliance on foodbanks fell slightly between the two surveys. In November, 5% were using food banks and 14% thought they would have to start using a food bank, compared to 6% who were using foodbanks and a further 16% who thought they would need to start doing so in July.

Making sacrifices to pay the rent

1 in 5 renters now report that they have cut back on spending in order to pay rent.

This is an increase from 17% in July to 21% in November.

There has been little change in the number of respondents reporting that they were in rent arrears between surveys – 5% in November, down from 6% in July. However, this proportion has fallen since the July 2021 when it stood at 9%, the same level as in August 2020.

Quality of housing

We were also interested in the quality of renters' homes and their renting experience.

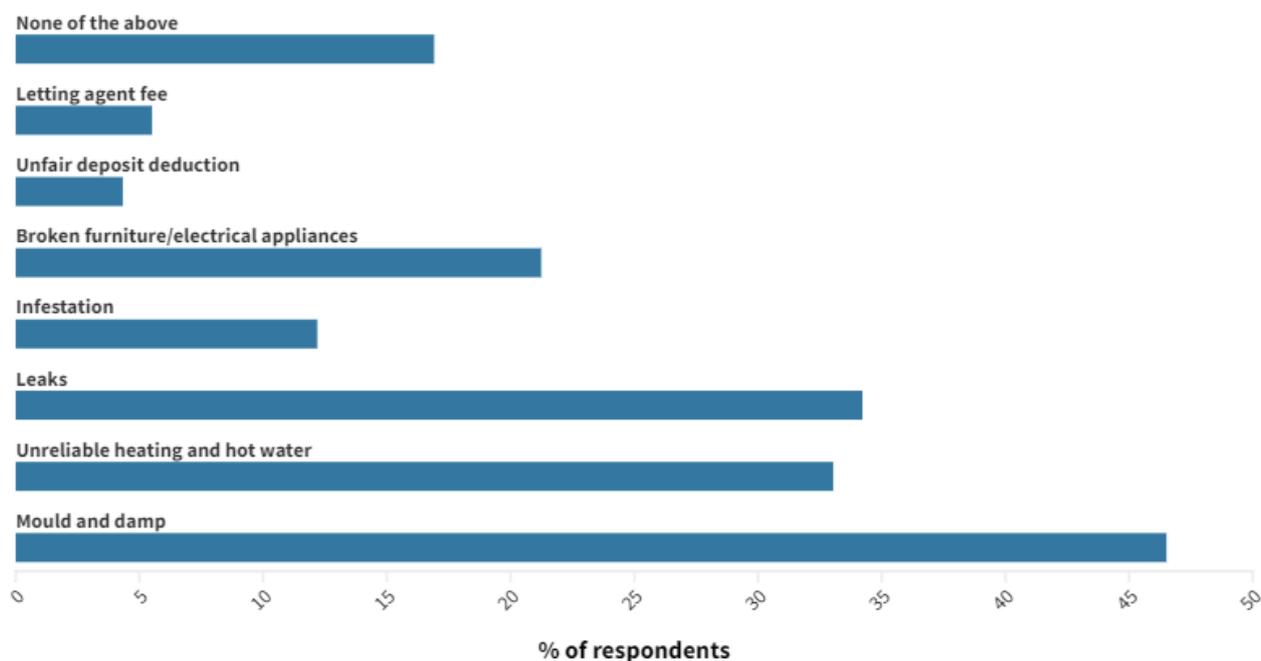
The most common problem was mould and damp, which affected 48% of respondents.

This was followed by 34% whose property had suffered leaks, and 33% who had faced problems with heating or hot water.

Broken furniture or appliances was selected by 21% of respondents and infestation by 12%. Less common were issues with moving home, with 5% of respondents being charged a fee and 4% having faced an unfair deposit deduction.

Have you experienced any of the following problems with your home in the past year?

Respondents could select more than one



CONCLUSION AND RECOMMENDATIONS

The housing crisis is a renting crisis

The housing affordability crisis has got worse since mid-summer, and this is compounding the cost of living crisis for more renters, with half having been asked to pay more rent in the past year.

The scale of rent increases is getting larger and this appears to be related to rent inflation in the market for new tenancies, rather than the landlords' own costs.

While the government's cap on energy tariffs has reduced anxiety about utility bills, anxiety about rent has grown and most renters are still cutting back their spending on essentials.

Inflation and the looming recession will herald a decline in living standards and private renters will be particularly hard-hit.

Although rising interest rates will push up housing costs for mortgage holders for the first time in more than 15 years, this is from a low base. In 2020-21, mortgaged owner-occupiers paid an average of 18% of their incomes on mortgage payments, while private renter households spent 31% of their income (including housing benefit) on rent.

There is no additional government support for private renters

While the Chancellor has met with lenders and agreed a package of measures to support their customers², and the government has capped rent rises in the social sector at 7%, we've had no

² <https://www.gov.uk/government/news/mortgage-lenders-commitments-to-borrowers>

commitments from government or private landlords to specifically help private tenants through this difficult time.

Even though market rents are rising by 12%, support through the state in the form of Local Housing Allowance (LHA) is frozen at 2019-20 levels and will continue to be frozen in 2023-24. This means that **renters on Universal Credit or Housing Benefit will have to subsidise any rent increase with other benefit income, leaving less to heat their home or put food on the table.**

Too many renters are at risk of losing their home

If renters challenge a rent increase, they could face a Section 21 eviction.

If they accept a rent increase but struggle to cover it they could face eviction for rent arrears.

Recent analysis by Zoopla and Crisis found only 8% of properties advertised for rent on the market are now affordable.

Too many renters find it hard to secure a new home

Moving home is difficult, particularly for people who have no one who can act as a guarantor, cannot pay several months' rent up front, and do not want to commit to renting a property after having viewed it for five minutes alongside a group of rival would-be tenants.

It is particularly bad for people relying on LHA.

According to Department for Work and Pensions, 55% of private renters on Universal Credit in May 2022 had rents higher than the LHA rates. For these households the average gap was £146 per month.³

Challenged on this, the government has highlighted the Discretionary Housing Payments, which are worth £100m in 2022-23.⁴ This would cover the annual shortfall in LHA for just 57,000 households, out of 748,000 who have a shortfall (8%).⁵

Government intervention is needed now and for the long-term.

The long-term answer to unaffordable housing is to build more homes in areas in high demand, particularly homes let on social rents.

The government must also make sure that under the forthcoming Renters Reform Bill tenants can effectively challenge an unaffordable rent increase and are protected from eviction on illegitimate grounds.⁶ We also need further action to insulate private rented homes.

But the government needs to also act immediately, with a package of measures to relieve hardship for private renters in the months ahead.

The government must:

- 1. Freeze rents on private rented tenancies**
- 2. Suspend Section 21 evictions to stop landlords from evicting simply to re-let at a higher rent**
- 3. Give courts discretion over other evictions so tenants in rent arrears can defend themselves**
- 4. Relink LHA with local market rents so tenants don't have to sacrifice on heating and eating.**

³ <https://questions-statements.parliament.uk/written-questions/detail/2022-12-06/102971>

⁴ <https://questions-statements.parliament.uk/written-questions/detail/2022-11-11/85047>

⁵ DWP Stat-xplore, May 2022

⁶ https://www.generationrent.org/white_paper_generation_rent_s_verdict