The private rented market

Chapter 15. The private rented market

This chapter looks the type of households in the private rented sector and at the average cost of renting properties in the private sector and how this compares to household income by residence. The chapter also looks at how many private tenants are renting in the sub-region, who they are renting from and ages, length of stay and the distance moved from previous accommodation. Chapter 11, *Dwelling profile and occupation* gives information on the size and nature of the private rented sector across the sub-region.

15.1 Private sector renters

Table 1 shows data taken from the Census 2001, highlighting that around 13% of people in the sub-region rent their homes privately, the majority from a letting agent or landlord.

Table 1: Households Renting Privately, Cambridge Sub-Region 2001

	Total Households	Households Renting Privately	% Households Renting Privately
Cambridge City	42,584	9,326	21.9%
East Cambridgeshire	29,807	3,547	11.9%
Fenland	35,212	3,486	9.9%
Huntingdonshire	62,783	6,655	10.6%
South Cambridgeshire	52,242	4,963	9.5%
Forest Heath	22,991	5,173	22.5%
St Edmundsbury	40,459	4,491	11.1%
Sub-Region	**286,079**	**37,641**	**13.2%**

Source: Joseph Rowntree Foundation, "The Modern Private Rented Sector," 2006

Forest Heath has the highest percentage of people living in the private sector (22.5%), followed by Cambridge City (21.9%). In Cambridge City just under a third are full time students. In Forest Heath, there is a high percentage of private rented because of the USAAF, with some local letting agents specialising in this market, and also because of the horse racing industry in and around Newmarket. In the rest of the sub-region between 9.5 and 11.9% of households rent privately. This data comes from the 2001 Census, however there has been around a 10% increase in private tenancies nationally the past few years (see ARLA's report *Buy to Let: The Revolution – Ten Years On*). The Survey of English Housing shows an increase in the number of homes renting privately from 10% to 12% between 2001 and 2006.

Table 2: Type of Landlord by District

	Landlord/ Letting Agent	Employer	Friend/ Relative	Other
Cambridge City	78.6%	5.8%	5.2%	10.4%
East Cambridgeshire	68.6%	14.9%	10.2%	6.3%
Fenland	76.6%	5.0%	14.9%	3.4%
Huntingdonshire	72.1%	10.9%	9.5%	7.5%
South Cambridgeshire	68.8%	14.0%	9.6%	7.6%
Forest Heath	59.4%	20.6%	5.0%	15.0%
St Edmundsbury	69.3%	13.4%	9.6%	7.7%
Sub-Region	**71.3%**	**11.5%**	**8.4%**	**8.8%**

Source: Joseph Rowntree Foundation, "The Modern Private Rented Sector," 2006

Across the sub-region as a whole, 71% of households in the private rented sector rent from a private landlord or a letting agent. Eleven percent rent from employers. This is highest in Forest Heath and lowest in Fenland. In Forest Heath this is mostly American Air Force. There are also military barracks in South Cambridgeshire and Huntingdonshire, which would count as employer accommodation. Between 5 and 15% of private tenants in the sub-region rent from friends or family.

Table 3: Private Sector Tenant Age Bands

	16-34	35-54	55+
Cambridge City	70.0%	22.7%	7.4%
East Cambridgeshire	39.8%	39.5%	20.8%
Fenland	36.7%	37.9%	25.3%
Huntingdonshire	42.5%	41.7%	15.8%
South Cambridgeshire	45.5%	38.6%	15.9%
Forest Heath	50.3%	38.3%	11.4%
St Edmundsbury	43.6%	38.3%	18.1%
Sub-Region	**50.1%**	**35.2%**	**14.8%**

Source: Joseph Rowntree Foundation, "The Modern Private Rented Sector," 2006

Nationally private sector tenants are on average quite young with the largest age group being 23-30 year olds (ARLA *Survey of Residential Investment Landlords*, 2006). Table 3 shows the age of respondents renting in the private sector to the Census in 2001. The 16 to 34 age band is the largest for renters in all areas except Fenland, which also has a high number of renters aged over 55.

Table 4: Distance moved by tenants from previous address, Cambridge Sub-Region 2006

	Moved From <2mi	Moved From 2-5 mi	Moved From 5-10 mi	Moved From 10-40 mi	Moved From 40+	Non-UK
Cambridge City	0	225	165	322	308	612
	0%	14%	10%	20%	19%	37%
East Cambridgeshire	50	50	40	20	0	20
	28%	28%	22%	11%	0%	11%
Fenland	313	198	76	67	86	31
	41%	26%	10%	9%	11%	4%
Forest Heath	71	64	56	11	0	180
	19%	17%	15%	3%	0%	47%
Huntingdonshire	142	102	62	119	159	40
	23%	16%	10%	19%	25%	6%
South Cambridgeshire	0	0	53	13	0	0
	0%	0%	80%	20%	0%	0%
St Edmundsbury	81	237	163	97	43	61
	12%	35%	24%	14%	6%	9%
Sub-Region	**657**	**876**	**614**	**648**	**594**	**944**
	15%	**20%**	**14%**	**15%**	**14%**	**22%**

Source: Survey of Letting Agents

Our survey of letting agents in the sub-region showed that 49% of tenants are moving less than ten miles from their previous address, but 14% move from further than 40 miles away and 22% are coming from overseas. Fenland has the highest percentage of local migration, with only 24% of tenants moving from more than 10 miles from their previous address.

Forest Heath and Cambridge have a lot of migration from overseas, although this isn't being picked up in the other counties. In the case of homebuyers, 55% are moving from less than ten miles away and only 3% from overseas, so the private lettings market may be important in understanding migration into the region. See Appendix 4 and Appendix 5, which give accounts of our first surveys of estate and lettings agents.

Overall, private tenants tend to stay in rented properties for between 13-20 months, although there is some difference between household structures, with families staying for longer periods and individuals staying for shorter tenancies. There appears to be no difference between the districts.

In addition to research undertaken by the SHMA team, other experts are collecting their own data and naturally, anaylsing the market for a variety of reasons and ends. Appendix 1 (at the end of this chapter) provides a brief summary of one such piece of research, undertaken by Prospect Row, independently from the SHMA and providing an interesting insight into the private rented market specifically via lettings agents in Cambridge City.

® The SHMA would look to incorporate and work with experts across the housing market in future, to compare and discuss research methods and outcomes, and to work together to build a more complete picture of market sectors across the housing sub region. We hope to be able to build upon this first "foundation" of SHMA research, and to work with partners in the sub-region in future, to this effect.

15.2 **Private sector rents and affordability**

The CLG's Practice Guidance for SHMAs recommends using Rent Service data to calculate the cost of renting a property. Table 5 shows the Local Reference Rents (LRR) for the private rented sector by number of rooms for each district:

Table 5: Local Reference Rents PCM by Number of Bedrooms and District, Oct-Dec 2006

	Room	1 bed	2 bed	3 bed
Cambridge City	£423	£476	£596	£785
East Cambridgeshire	£320	£231	£449	£526
Fenland	£276	£176	£355	£409
Huntingdonshire	£305	£314	£437	£531
South Cambridgeshire	£394	£353	£525	£626
Forest Heath	£305	£221	£408	£472
St Edmundsbury	£307	£357	£409	£484

Source: The Rent Service

Local Reference Rents (R) are calculated by the formula: $R=(L+H)/2$, where L is the Lowest Non-Exceptional Rent and H is the Highest Non Exceptional Rent, i.e. they are the midpoint of "normal rents" in an area. Using this method, Cambridge is the most expensive place to rent a room, followed by South Cambridgeshire and Fenland is the cheapest. It is interesting to note that in some areas – East Cambridgeshire, Fenland, South Cambridgeshire and Forest Heath, the LRR for a self-contained one-bedroom property is less than the LRR for a room in shared accommodation.

The Research Group conducted a review of over 1000 advertised lets from the local press and the results for average and lower quartile (i.e. entry level rents) are summarised in Tables 6 and 7.

Table 6: Average Rent PCM by District and Size, Oct-Dec 2006

	Room	1	2	3	4 or more
Cambridge City	£352	£672	£864	£973	£1,437
East Cambridge	£333	£537	£595	£758	£1,021
Fenland	£309	£407	£505	£653	£808
Huntingdonshire	£356	£455	£572	£708	£988
South Cambridgeshire	£347	£520	£706	£860	£1,142
Forest Heath	£343	£497	£660	£764	£1,148
St Edmundsbury	£280	£529	£674	£852	£1,071
Sub-Region	**£343**	**£505**	**£653**	**£774**	**£1,094**

Source: Review of Lettings in Local Press, autumn 2006

Table 7: Lower Quartile Rent PCM by District and Size, Oct-Dec 2006

	Room	1	2	3	4 or more
Cambridge City	£322	£605	£695	£799	£1,250
East Cambridge	£300	£458	£550	£650	£850
Fenland	£240	£375	£475	£575	£700
Huntingdonshire	£324	£425	£525	£633	£856
South Cambridgeshire	£323	£450	£650	£750	£925
Forest Heath	£317	£431	£595	£710	£1,020
St Edmundsbury	£263	£500	£588	£750	£850
Sub-Region	**£301**	**£425**	**£541**	**£650**	**£878**

Source: Review of Lettings in Local Press, autumn 2006

These results support The Rent Service data in showing that Cambridge City is the most expensive area for all sizes of properties and Fenland is still the cheapest – with a three-bedroom home in Fenland costing less than the price of a one-bedroom property in Cambridge City. However, both the average and lower quartile rents from the press review are much higher than those calculated by the Rent Service. In all areas, the cost of renting a room is at least £100 less than the cost of a one-bedroom self-contained property.

Fig 1: Average, Lower Quartile, and Local Reference rent by district

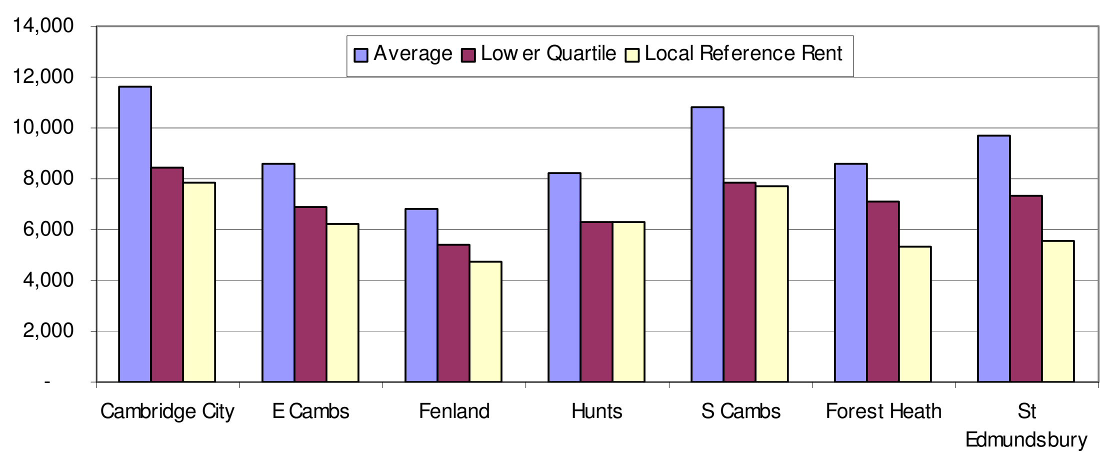


Fig 1 shows that Cambridge City and South Cambridgeshire are much more expensive areas in which to rent than elsewhere in the sub-region, and that in some areas LRR are nearly the same as lower quartile rents, but in the Suffolk districts they are a long way below. There is also less difference between the districts for LRR than the results from the press review. While data is available at a district level, LRR are used in Broad Rental Market Areas. Those within the sub-region are shown in Table 8.

Table 8: Broad Rental Market Areas used by The Rent Service, Dec 2005-06

Broad Rental Market Area	Includes…
Cambridge	City, Impington, Milton, Girton, Grantchester, Trumpington, Fen Ditton, Cottenham
South Cambridgeshire	Great Shelford, Fulbourn, Sawston, Linton, Duxford
West Cambridgeshire	St Neots, Gamlingay, Kimbolton
Huntingdonshire	Huntingdon, Godmanchester, Warboys, Brampton, St Ives
Ely	Ely, Littleport, Haddenham, Little Downham
Mid Cambridgeshire	Waterbeach, Papworth Everard, Cottenham. Soham, Chippenham
Fenland	Wisbech, Chatteris, March.
Peterborough	Peterborough, The Ortons, Dogsthorpe, Werrington, Whittlesey
Royston	Royston, Melbourn, Arrington, Heydon, Steeple Morden
West Suffolk	Mildenhall, Brandon, Stowmarket, Sudbury, Haverhill
Newmarket	Newmarket, Kentford, Dullingham, Lidgate, Great Bradley
Bury	Bury St Edmunds, Chedburgh, Rattlesden, Shimping Street

Source: The Rent Service

Most of these appear sensible, especially the smaller areas. However the Rent Service is planning to change with one Broad Rental Market Area covering from St Neots in the West to Haverhill and Newmarket in the East and from Saffron Walden in the South to Littleport in the North. Fig 1 shows that there is a big difference between rents in the City and South Cambridgeshire, and the rest of the sub-region. Changing the boundaries to view this as one area seems rather odd. Despite the difference between LRR and the results from the review of advertised rents, it does provide historical data about rents at a local level – see tables 9 and 10 below.

Table 9: Local Reference Rents, 2001/02 - Jan Mar 2006

	2001/02	2002/03	2003/04	2004/05	Jan to Mar 2006
Cambridge City	390	490	491	534	607
East Cambridgeshire	322	410	415	432	480
Fenland	252	274	307	334	365
Huntingdonshire	300	417	390	405	482
South Cambridgeshire	403	560	490	533	592
Forest Heath	299	376	350	362	408
St Edmundsbury	325	346	371	394	430

Source: The Rent Service

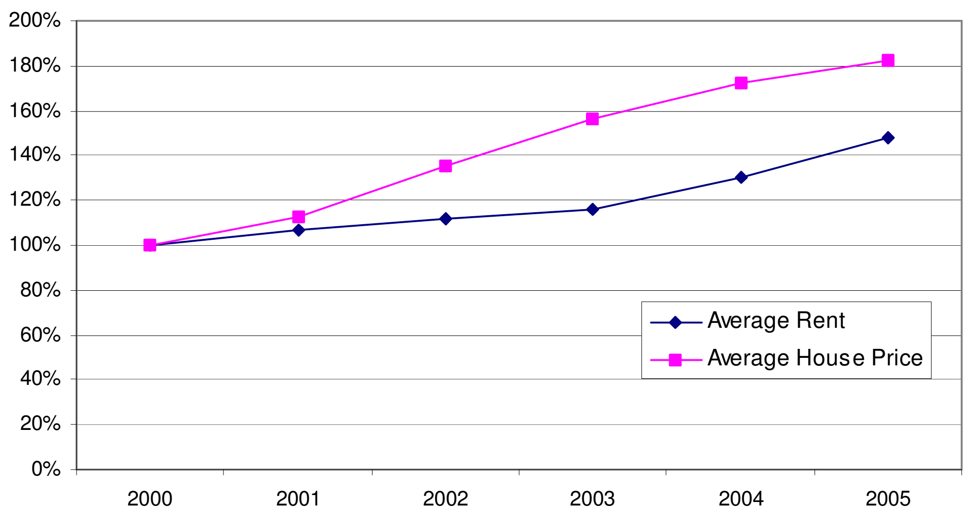
Table 10: Percentage Increase in Local Reference Rents since 2001

	2002/03	2003/04	2004/05	Jan to Mar 2006
Cambridge City	26%	26%	37%	56%
East Cambridgeshire	27%	29%	34%	49%
Fenland	9%	22%	33%	45%
Huntingdonshire	39%	30%	35%	61%
South Cambridgeshire	39%	22%	32%	47%
Forest Heath	26%	17%	21%	36%
St Edmundsbury	6%	14%	21%	32%

Source: The Rent Service

Local Reference Rents have increased by between 32% (St Edmundsbury) and 61% (Huntingdonshire) since 2001. In most areas, the largest increase occurred between 2001/02 and 2002/03. In the same period house purchase prices have increased by between 55% in South Cambridgeshire and 118% in Fenland, so rents are increasing more slowly. Fig 2 compares the increase for the average house price and rent in the East of England since 2000.

Fig 2: Increase in Average Rent and House Price since 2000, East of England



Source: CLG

In the East of England, the average house price increased by 82% between 2000 and 2005. The average rent increased by 48% in the same period, although much of the increase between 2003 and 2005. This corresponds quite well to the local level data from The Rent Service. However, it also shows that the biggest increase occurred between 2003 and 2005, which is different from the LRR data. Table 11 shows that people renting in the private sector in the Cambridge sub-region can expect to pay about a third of their household income on rent per year, in line with advice from the NHF[1]. The lowest ratio if found in Huntingdonshire at around 26%. The average rent in Cambridge City represents 41% of median household income. The average rent figure for the City includes new-build apartments e.g. those by the train station. A recent survey by Encore New Homes showed that about 27% of these were occupied by tenants (higher than the City average for private

[1] National Housing Federation

renters). These apartments have a higher rent e.g. two bedroom properties in some of these developments cost £1050-1450/month to rent, compared to £625-895 for older properties of a similar size. Many of the residents in these apartments are relatively high earners, the majority earning between £30-60,000/year, i.e. above the average income used in Table 11.

Table 11: Average Rents and Median Household Income, 2006

	Average Rents	Median Household Income	% rent represents of income
Cambridge City	11,583	28,500	41%
East Cambridgeshire	8,615	29,800	29%
Fenland	6,793	25,300	27%
Huntingdonshire	8,203	31,600	26%
South Cambridgeshire	10,834	33,300	33%
Forest Heath[3]	8,566	30,225	28%
St Edmundsbury	9,734	31,538	31%

Source: Review of Lettings in Local Press, CACI, Suffolk County Council

15.3 Summary

- In the Cambridge sub-region 13% of households rent their home privately. In Cambridge City, 22% of residents are private renters. This is based on 2001 Census data and there is some evidence of a national increase in the number of private sector tenants since then. Forest Heath also has a high percentage of private renters, largely due to the influence of the USAAF presence.
- Between 59% and 79% of tenants rent from landlords/letting agencies, with the second largest group of landlords being employers such as the military. In the sub-region, 8% of private tenants rent from family members or friends. Most private sector tenants are young (aged 16-34) and stay at their rented address for 13-20 months depending on household structure.
- Some 14% of private tenants in the sub-region previously lived more than 40 miles away from their new address. 22% came from outside the UK, suggesting that the private rented sector is important in housing migrant workers. There is currently a lot of interest in the connection between private renting and migrant workers from organisations such as ARLA and Nationwide UCB (one of the largest buy-to-let mortgage lenders). ® Further sub-regional research into this subject is planned.
- Based on the review of local press adverts for rented property, the average rent for the sub-region is £755/month, although there is variation between districts and types and sizes of properties. Cambridge City is the most expensive place to rent a property (£965/month). There is a large gap between the average rents in the City and the rest of the region. Fenland is the cheapest district in which to rent (£566/month), and a three-bedroom property in Fenland costs about the same per month as a one-bedroom property in the City. ® This review will need to be repeated in future to update the information and monitor changes in prices in the private rented sector.
- The Local Reference Rents calculated by The Rent Service are a lot lower than the average and entry level rent for each district, but still show a difference between the

[3] Suffolk Districts: Household Income is Mean Average, 2005.

City and South Cambridgeshire and the rest of the region. The boundaries used to calculate LRR may be a useful point of comparison for sub-markets within the SHMA area. The proposed new boundaries, which are going to produce a suggested level of housing benefit for Cambridge, Littleport, St Ives and Newmarket, if approved, are likely to be less useful.

- In most of the sub-region the average cost of renting is about a third of the yearly household income. This is lower in Huntingdonshire and higher in Cambridge City. There are several new build developments in the City where both rent and the income of residents is higher.
- Evidence on past rents at a local level is currently difficult to find, but in the East of England, average rents increased by 48% between 2000 and 2005. This is less sharp than the increase in the average house prices (82%), but rents jumped considerably between 2003 and 2005 compared with a more gradual increase of the previous three years.

Appendix 1: Brief summary of Prosepct Row research

Prospect Row undertook a survey of letting agents in Cambridge City in 2007. The report on this project looked at supply and demand by property size, average rents over time, households renting privately, HMOS, and popular areas and where overlap in the questions asked occurs, largely supports our own survey of letting agents in the city.

Supply and Demand

For 1 and 2 bed properties were supply and demand were well-matched – there were a large number of two bedroom properties available, but there were also a high number let. There was a high demand for 1 bed properties (possibly due to price) and a lower demand for properties with three or more bedrooms.

Rents

Average rent for a one-bedroom flat had increased by more than £200 between 2001 and 2004. This is most likely due to more new-build, luxury apartments, and there is more demand for these types of smaller properties than for older homes. There had been very little change for two bedroom flats between 2001 and 2007 (an increase of only £15). Rents had decreased by around £100/month for larger properties.

Households Renting Privately

Young professionals aged 20-34 were the majority of privately renting households. Older households tended to be larger and may have been families between moves or people resident in Cambridge City Mon-Fri who had another home elsewhere.

The ratio of male to female households was 51:49, but there were a larger number of male renters around the Science Park area and more female renters around Addenbrooke's.

Houses in Multiple Occupation (HMOS)

A third of agents don't let rooms in shared houses due to some confusion over what was meant by an HMO. The remainder would only take on this type of property if they were sure it would get through the registration process. It was felt that this left a decreasing albeit significant number of landlords who were either unaware of changes in legislation or deliberately ignoring them.

Landlords

About half of the new lettings made during the period Prospect Row asked about, around half were buy-to-let properties. The average number of properties owned by each landlord was two, with a large number of people owning one property, but also a handful of landlords with five or more properties in their portfolio.