

The decline of the private rented sector has been one of the most consistent features of the twentieth century. Explain the trend and discuss the prospects for attempts to resurrect this sector.

One of the most obvious changes in British housing in the twentieth century has been the decline of the private rented sector. Before the First World War private landlords controlled the majority of rented accommodation in both Scotland and Britain. From 1914 to the present day both their physical stock and their share of the rental market have been in continual decline. This has been particularly sharp since 1945. The decline has been attributed to rent controls, the increase in better investment opportunities elsewhere and the growth of owner occupation and council renting. In recent times there have been a number of attempts to resurrect this sector.

In the late nineteenth and early twentieth centuries the housing stock was overwhelmingly in the hands of private landlords. This sector accounted for 7.1m dwellings or 90% of the total housing stock in England and Wales in 1914. At the same time owner occupation accounted for no more than 10% and council renting around 1% of the housing stock in Britain (Daunton, 1987). By 1975, however, the number of private rented sector dwellings had fallen to 2.9m or 16% of the stock, a net loss of 4.2m (DOE, 1977). More recently, the size of the sector has fallen further to 7.7% of the stock in England and Wales (Malpass and Murie, 1990) and 5.9% of the stock in Scotland. (SDD, 1988)

The causes of the decline are well documented. (Kemp, 1980: Gibb, 1990) The imposition of legislation, to control rent and give security of tenure, has been seen as the main cause. They were first introduced to prevent private sector landlords from taking advantage of a housing Brief introduction. Nevertheless gives outline of content and order of what is to be discussed later. Outlines decline (Note frequent references because facts taken from other writers.) shortage that developed during the First World War in areas of munitions production. Some landlords exploited the situation by raising rents and justified their actions by claiming that they were off-setting higher rates of interest on borrowed capital. This created resentment amongst working class tenants and a wave of rent strikes took place throughout the country. This forced the State, which until then had showed no signs of intervening, to pass emergency legislation at the end of 1915 to control rent levels. The Increase in Rent and Mortgage Interest (War Restrictions) Act (1915) fixed most rents at the level of August 1914. The effect of this was to reduce the flow of investment into housing because it reduced a landlord's rate of return on capital. No private landlord would continue investing in an unprofitable market. After the war, and for the next twenty years or so, rent controls were removed in stages and then, just as the economics of private renting were becoming more attractive to landlords again, the Second World War broke out and rent controls were re-introduced. The experience of twenty years previously was then repeated.

The use of legislation to control the level of rents in this way had another serious effect on the private rented sector. Even before 1914 concern was being expressed at the flight of capital from the housing market but as rent controls reduced landlords' profits still further they looked around for better investment opportunities. As a result there was a flow of capital out of Britain, overseas. After 1914 it became even more serious as alternative investments offered a better combination of risk and return.

At the same time other forms of housing provision became more attractive to tenants. First of all owner occupation became a viable and more attractive option for households - including those on moderate incomes - for a number of reasons (Ball, 1983). There had, first of all, been a real growth in incomes, and the first Building Societies had become really established. Furthermore - particularly in the inter-war period - the massive development of subsidised public sector housing, built to a standard at least as good as that found in the majority of private sector dwellings, made housing available to those who could not buy. The combined result of these factors was the massive decline in the demand for private rented housing detailed earlier. Suggests causes of decline (next 3 paragraphs). Each one deals with a different cause. More causes of decline More causes of decline

Since 1979 there have been attempts to revitalise the private rented sector. The two most important of these were the Housing Acts of 1980 and 1988. The Housing Act (1980) contained a package of measures aimed at making rented housing an attractive investment for potential landlords, especially in high demand areas. In the first place the Fair Rents system was reformed. A Rent Officer had previously been able to set a rent if one could not be agreed between landlord and tenant. Once registered, this rent level was binding for three years. The 1980 Act reduced the period to two years. It also transferred older (pre-1965) controlled rents to this system. This, as intended, had the effect of raising these older rents. The two Acts also created two new forms of private tenancy. Shorthold tenancies in England and Wales (1980) and short assured tenancies in Scotland (1988) gave the landlord a guarantee of vacant possession after a fixed period of renting (1 -5 years). Later the conditions of the shorthold tenancy were changed to allow market rents (rather than fair rents) to be set for new tenancy agreements. A survey later found that 14% of all new lettings were shorthold (Todd 1986). Assured tenancies were also introduced (in the 1980 Act in England and Wales and in 1988 in Scotland). They allowed market rents to be charged on lets in new developments and were aimed at creating an increased supply of new lets. This type of tenancy has since been extended to cover lets other than those in new build developments. However, all these measures to revive the private rented sector had little impact.

The Housing Act (1988) was accompanied by two related measures also designed to make private renting more attractive to investors. The Business Expansion Scheme (BES) was one of them. It offered tax free incentives up to

£40,00 to investors prepared to commit money for five years. These incentives meant the subsequent sales of shares in housing developments were not subject to Capital Gains tax. The success of this was limited, however, by the fact that a rate of return of around 9% gross was needed and this was difficult to achieve in the rented housing sector unless the investment was in housing at the upper end of the market.

The second measure - in Scotland - had more effect. Scottish Homes was given powers to provide finance in different ways - in the form of grants for example - to private landlords to reduce the supply price of rented provision. Scottish Homes is a National Housing Agency, created on 1 April 1989 from a merger between Scottish Special Describes attempts to resurrect sector by using Housing legislation. Judges effectiveness. (Needs to justify judgement.) Describes attempts to resurrect sector by other legislation. Judges effectiveness. (Justification better. Facts need references.) Housing Association and the Housing Corporation in Scotland. It aims were "to make sure the quality of housing and variety of housing options available in Scotland are substantially improved." (Scottish Homes Annual Review, 1992-3). One of the objectives designed to support the achievement of this aim is to promote "the development of a more diverse rented sector". If it is to do this, it must "harness the considerable resources of all housing providers, including those of the private rented sector". In this task the existing partnerships between Scottish Homes, financial institutions and private landlords and developers have already helped towards realising that vision of diversity. During 1992-3 grants amounting to £49m were approved by Scottish Homes to fund new developments throughout Scotland which provided 309 new or improved houses for private rental (Scottish Homes Annual Review 1992-3). The fact that they intend to continue to do this was suggested as recently as December 1993, when they called for more private investments in housing projects (The Scotsman 3 December 1993).

It is clear then that the private rented sector has suffered a dramatic decline since the beginning of the century. For various reasons the efforts to revive it in the form of legislation in the 1980s had only limited success. In Scotland the legislation that created Scottish Homes in 1988 has had some, more positive impact on the private rented sector. However, attempts to capitalise on these will only be successful when innovative and practical initiatives to attract new investment can be devised. Describes the only successful measure. Judgement controversial (so need much more justification).