



SUNDAY TIMES DIGITAL

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## RENTAL BRITAIN

# Life off the ladder

**R**ental Britain, the Rental Generation — whatever you want to call it, our housing market is changing. There are now 4.14m people renting privately in England, and Savills estate agency expects this to reach 5.7m by 2018, as rising property prices and insufficient levels of building shut more people out of home ownership.

Average house prices in Britain climbed by £1,200 in April to a new record of

More people are renting than ever before. Some are trapped by soaring house prices, others are enjoying the freedom, finds **Alexandra Goss**

£263,113, according to the LSL Property Services/Acadata index. While this leaves owners rubbing their hands with barely contained delight, those who have not managed to climb the ladder (and those who do usually have help from the bank of mum and dad) are not so gleeful.

"Soon an Englishman's home will only be his castle

if first owned by his parents," says Nigel Wilson, chief executive of the insurer Legal & General.

With a year to go until the election, Ed Miliband has made housing inequality one of his key issues — never mind the fact that he resides in a £2.3m town house in leafy north London. The Labour leader plans to impose a rental

cap on private landlords and council-tax premiums on "ghost homes" hoarded by wealthy investors and other absentee owners; his party will also call a vote in the Commons on Tuesday to try to ban letting agents from charging tenants fees.

Whatever the outcome of the polls, more of us than ever are going to have to get

used to renting — and big businesses are cottoning on. The property consultancy Allsop announced at the start of the month that it has launched a "build to rent" team "to capitalise on a new era in housing".

Essentially, it will advise investors and developers on the potential of large-scale property assets, which will be purpose-built to house a new generation of long-term tenants.

We take a look at the new face of Rental Britain.

↑  
 RISING HOUSE PRICES HAVE FED THROUGH TO HIGHER RENTS. AVERAGE PRIVATE RENTS ROSE 64% BETWEEN 1996-97 AND 2007-08. MEANWHILE, THE SUPPLY OF RENTAL PROPERTIES INCREASED BY ONLY 40%





Daniel Bowditch/Visit Britain/Peter Cade/Getty

**THE RENTY-SOMETHINGS**

It's an age-old pattern: you finish studying, then somehow manage to secure a job/zero-hours contract/unpaid work experience and move to the big city. Not only do you have to give up all the comforts of home – freshly prepared meals, free laundry service, hundreds of Sky TV channels – you have to pay half your income to secure a flatpit with a broken thermostat, directly above a kebab shop. Renty-somethings are the longest-established group of tenants. Aged between 25 and 34, they make up a third of all renters, according to figures from the 2011 census. Although the government brought in the controversial Help to Buy schemes to give first-timers a leg-up on the



ladder, they have given rise to only 27,000 purchases since the first one was introduced last April.

Your prospects of buying your own bricks and mortar are greatly affected by where you live. In the first three months of this year, 12,700 people bought their first home in London, at a typical price of £293,589, according to analysis by LSL Property Services. Yet in the northeast, although the typical cost of a first property was just £104,023, LSL found that only 3,000 people made that move during the same period.

Renters in their twenties and thirties are fast being joined by those a decade or more older: tenants aged 35-44 account for almost a quarter of the total and are the fastest-growing segment of the rental market. "An increasing number of people

HOUSE PRICES IN THE UK HAVE RISEN 4,300% IN THE PAST 40 YEARS. IF THE PRICE OF FOOD HAD GONE UP AT A COMPARABLE RATE, BUYING A CHICKEN AT THE SUPERMARKET WOULD COST £51.18, ACCORDING TO SHELTER

aged 40 and above are choosing or having to flatshare," says Jonathan Moore, director of the rental website Easyroommate.co.uk.

"This trend is being driven largely by financial constraints resulting from marriage break-ups, redundancy and job relocation. A number of users choose to live in shared houses in big cities during the week, then spend weekends with their families."

**THE TRAPPED TENANTS**

Snapping at the heels of the renty-somethings, and competing with them for housing, are families who cannot afford to trade up to a home that's large enough for their needs. "The rental landscape, particularly in London, is changing fast," says Zoe Rose, head of London lettings at Strutt & Parker →



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→ estate agency. "We are seeing far more long-term serial renters, particularly couples in their thirties with young families who are seeking smaller houses, usually three-bedders. They are unable to buy what they need and often don't want to live in a flat with children in tow. Likewise, they can't afford to rent a large, sprawling house."

It is not only rising property prices that are keeping this group stuck where they are. New, tougher mortgage rules, designed to prevent a repeat of the reckless lending seen before the financial crisis, have been introduced in recent months and are making it harder to secure a loan. House purchase approvals fell by 6% to 63,170 between March and April, the third consecutive monthly fall, according to the latest mortgage monitor from e.surv chartered surveyors. In total, loan approvals have fallen by 17% over the past three months, from January's figure of 76,251.

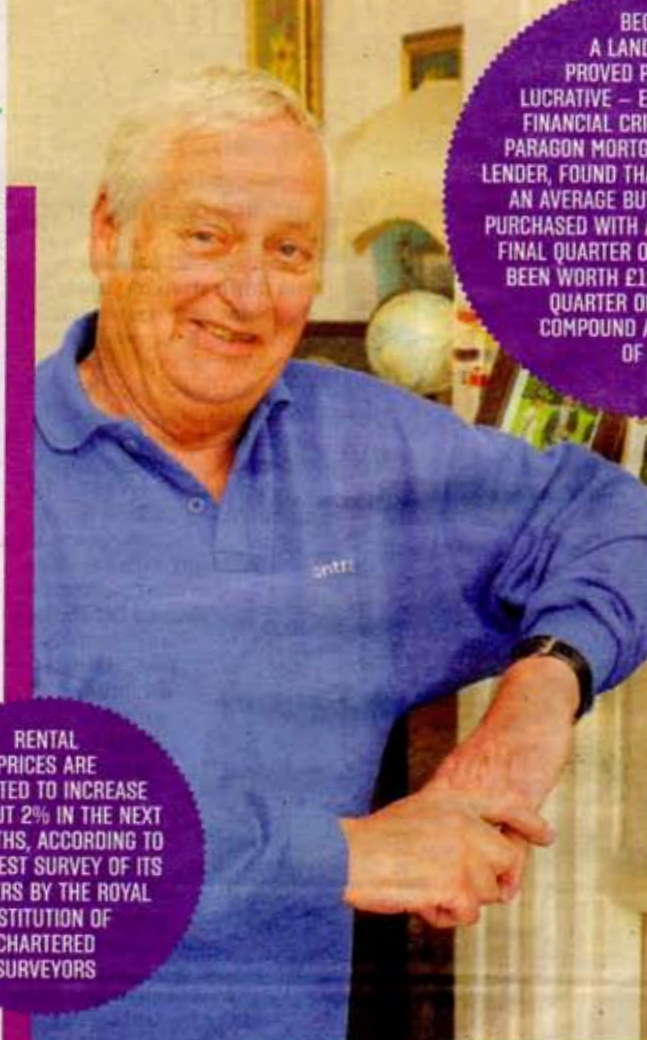
"The new Mortgage Market Review regulations will

undoubtedly affect young families who are attempting to get on the property ladder but cannot afford a large deposit," says George Spencer, chief executive of the online lettings service Rentify. "As such, people who would not usually be classed within a typical rental demographic are being forced to rent, creating even more demand and pushing up already historically high rent levels."

In London, some families already on the housing ladder are getting round the conundrum by thinking laterally. "They are looking at creative ways of upsizing without having to move out of their desired location and away from their chosen schools," says Sue Foxley, research director at Cluttons estate agency.

"We have seen an increasing number of clients opting to let out their smaller flat for income and rent a larger home in the same location."

RENTAL PRICES ARE EXPECTED TO INCREASE BY ABOUT 2% IN THE NEXT 12 MONTHS, ACCORDING TO THE LATEST SURVEY OF ITS MEMBERS BY THE ROYAL INSTITUTION OF CHARTERED SURVEYORS



BECOMING A LANDLORD HAS PROVED PARTICULARLY LUCRATIVE – EVEN THROUGH THE FINANCIAL CRISIS. RESEARCH BY PARAGON MORTGAGES, A BUY-TO-LET LENDER, FOUND THAT £1,000 INVESTED IN AN AVERAGE BUY-TO-LET PROPERTY PURCHASED WITH A 25% DEPOSIT IN THE FINAL QUARTER OF 1996 WOULD HAVE BEEN WORTH £13,048 BY THE FINAL QUARTER OF LAST YEAR, A COMPOUND ANNUAL RETURN OF 16.3%

## LIVE-IN LANDLORDS

As the cost of living rises, and pension plans do not produce the juicy returns that were promised, increasing numbers of over-fifties are rejoining the lettings market that they left behind in their youth and becoming live-in landlords. According to the rental company Spareroom.co.uk, the number of people aged 55-64 on its website who are taking in lodgers has soared by 93% in the past two years, while the number of over-65s letting out a room rose 46% between 2011 and 2013.

"There seems to be far less stigma around taking in lodgers among the older generation, many of whom grew up in the post-war years, when the practice was widespread," says Matt Hutchinson, communications director at Spareroom. "Many retirees find they get as much satisfaction from the companionship of taking in lodgers as they do from the income."

Adrian Morley, a retired wine importer, owns an Edwardian house in Sanderstead, Croydon, with four bedrooms – one of which he has been letting out to lodgers for the past couple of years. "My wife died suddenly four years ago and my income plunged by 25%," says Morley, 70. "I could have sold the house and downsized, but my home is my asset, so I decided to do up one of the rooms and let it out."

He has since had two lodgers, both found through Spareroom, and takes in just over the tax-free rent-a-room allowance of £4,250 a year, boosting his pension pot. "They have the run of the house, but I'm away quite a lot, so we don't get under each other's feet. So far, it's worked out quite well."

## THE LET SET

While most people rent because they can't afford to buy, a growing band of well-off tenants – let's call them the let set – are actively choosing the footloose freedom that renting your home can afford. A survey conducted by Savills found that a quarter of people rent because it is less hassle than owning and they like the flexibility, a figure that rises to 30% among more affluent households.

One of the key players in the let-set demographic is the high-earning professional who may have to move frequently for work and doesn't want to deal with maintaining a property, or pay a chunky stamp-duty bill. "Age-wise, these tenants average 25-40," says June Inglis, senior office manager at Finders Keepers, an Oxford-based lettings agency. "They are fortunate in being financially secure, but don't want a mortgage for the time being."

Then there are the tiger mums and helicopter dads, who move to a new area for their children's primary education. "They may own a home elsewhere and prefer to retain it, perhaps letting it out for the duration of the schooling, knowing that they can move back home when their children go on to board," Inglis says.

Finally, there is the second-home renter, who wants a pied-à-terre in the Cotswolds or by the sea, but doesn't want to commit to buying it. Berkeley's Lettings is seeing growing demand for long-term lifestyle lettings in coastal Poole; others are opting for a Downton-lite experience, renting a cottage on country estates such as Blenheim, Althorp and Belvoir Castle, and getting access to the huntin', shootin' and fishin' lifestyle and homes that would rarely, if ever,

Adrian Morley has had two lodgers at his Edwardian home in Croydon, boosting his pension pot



## PENTHOUSE OF THE WEEK

This three-bedroom penthouse at Park House Apartments, on a quiet street in Mayfair, is not your average oligarch pad filled with greige bling. Yes, it has a Crestron home automation system and Gaggenau kitchen appliances, but it also has high ceilings, a large roof terrace and contemporary interiors.

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## STATELY OF THE WEEK

How about living in a seven-bedroom, grade I listed National Trust landmark? You can at Morville Hall, near Bridgnorth, Shropshire. The current tenants have added an Elizabethan parterre to the garden, which has an Italianate pool. The catch? You'd have to open your doors to the public eight days a year.