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Oxford academics: 'House prices can keep rising only if the Government backs mass buy-to-let'

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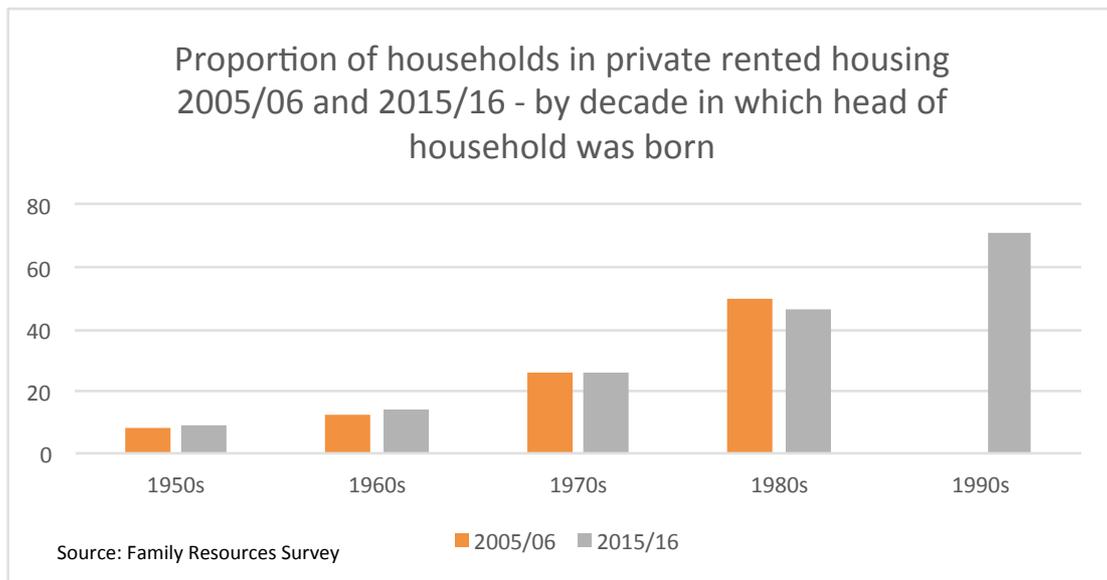


'The housing ladder is becoming a fiction'

Every so often a social statistic is released that confirms that something extraordinary has occurred, something so strange that it cannot continue.

This year's impossible-to-continue social statistic is found in the rise in private renting in Britain. The rise has now reached such a speed that if it were to continue at current rates, within 10 years half of all households headed by someone aged under 55 would be renting privately. Within another 10 years half of all households would be.

The graph shows the proportion of households born in each decade that were renting privately in 2005-06 and 10 years later, according to the most recently released data. The graph shows that 71pc of all households headed by someone in their 20s or late teens were renting privately by 2015-16. A decade earlier that proportion had been 50pc.



<http://cloud.highcharts.com/show/iwyvozy/3>

For people born in the 1970s, just over a quarter are now renting privately, exactly the same proportion as 10 years earlier. There appears to be no escape from “generation rent” even for this older generation.

What that statistic means is that the number of people in their late 30s or early 40s who managed to get a mortgage in the past 10 years has been cancelled out by people of the same age who had to give up buying, who split up and have rented, or who left another tenure to become a private renter.

The statistics for even older people appear to be getting even worse, unless you equate renting privately at older ages with greater freedom. For those who are now aged 48-57 the proportion who head a household that is privately renting has risen from 12pc in 2005-06 to 14pc in 2015-16.

In short, if you were nearing middle age 10 years ago and were not already on the housing ladder you are even less likely to be on it now.

These statistics bear witness to the end of an era – an era in which the older you got, the more likely you were to escape private renting. The trends most recently revealed by the Family Resources Survey, when compared with data from the same survey a decade earlier, suggest that on average there is no longer any escape.

Private landlords are buying up such a high proportion of properties that as people age their chance of not having to rent privately for another year no longer improves. The housing ladder is becoming a fiction because, in net terms, as many people have been stepping off the ladder as have stepped on to it.

Why do we know that this cannot continue? Because the rate of change has been so fast. For the trend to continue most people aged under 40 today should assume that they will be renting from a private landlord for the rest of their lives. Within a decade most people aged under 50 should assume they will always rent, then most aged under 60.

At the same time more than 90pc of people in their 20s, then more than 90pc in their 30s, will be privately renting, and at this point the increase has to slow down because it is not possible that more than 100pc of an age group are in any one tenure.

Can mass private renting be sold to the British? The argument for increasing private renting in the UK was that the rate was below what was usual in many other European countries and having a population that can more easily migrate is good for the economy.

In the rest of Europe people have a greater choice over whether to rent or buy. Those who rent have much better security of tenure and enjoy lower rents for higher-quality properties. Those who buy elsewhere in Europe do not expect

to make the financial gains that Britain's homeowners and landlords have made in recent decades.

As long as house prices continue to rise much faster than wages in the UK the trends shown in the graph can be expected to continue, regardless of Brexit. The fact that we cannot sensibly expect those trends to continue as they have for much longer may tell us many things. Not least over what we ought to expect to happen to house prices in future. They can keep rising only if we keep moving this quickly towards a mass private renting future.

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Proportion of households in private rented housi

Decade born in	2005/06	2015/16
1950s	8	9
1960s	12	14
1970s	26	26
1980s	50	46
1990s		71

Source of original data:

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/599729/frs-tenure-data-tables-2015-16.xlsx
(sheet 3_7)