

Renting versus buying a home

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Jan Ambrose considers opportunities in and research on homebuying and renting

Decisions, decisions ? to rent or buy? Affordability is obviously the main factor, and the continuing housing deficit will doubtless have an impact on house prices.

In March 2017, an article in [Property Industry Eye](#) found that the average tenant was in far worse financial health than a mortgagor. This followed a [December 2016 article](#) in *The Guardian* that claimed research into the rise of Generation Rent shows that barely half of all families in Britain own their own home: a study by the Resolution Foundation think tank has shown that official figures have exaggerated homeownership, which has been in steady decline since 2002.

According to the [Office for National Statistics](#), the UK owner-occupation rate rose sharply in the 2 decades after the [Housing Act 1980](#) gave council tenants the right to buy their homes at a discounted price. In more recent times, high house prices, weak or no growth in real incomes and more stringent lending policies have made homeownership harder.

Lindsay Judge, senior policy analyst at the [Resolution Foundation](#), made clear that official figures count the proportion of properties owned by an occupier, rather than the number of people who owned their own homes.

'Imagine, for example, a person who buys a house but then takes in 3 lodgers. On the standard measure, this simply counts as an owner-occupied household,'

she said, adding that the others:

'disappear from the statistics'.

Similarly, 5 unrelated people sharing a house would be counted as 1 rented household, she observed.

The think tank also analysed the proportion of families who own a home, defining a 'family' as a single adult or couple and any dependent children.

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Calculating the figures on that basis meant that owner-occupation had fallen to just 51% compared with 63% in the early 2000s. The foundation said there were 5.8m people who neither owned nor rented their property, and of these, 8 out of 10 were adult children living with their parents. More than double the number of families are in the private rented sector today compared to 1992, when just 1 in 20 families lived in this way.

The benefits of buying include the fact that you eventually own your home; but there are drawbacks, such as hefty upfront costs, including mortgage fees and stamp duty. Renting means it is easier to move, though if you never buy a home you must pay rent all your life.

Regardless of which is the best route, [National Housing Federation research](#) shows that 5m low-income workers are now priced out of both buying and renting across the UK.

The good news

But there are several initiatives to help buyers and renters.

Help to buy

The UK government has established a number of [help to buy schemes](#) .

- **Help to buy: ISA** is available to first-time buyers from many financial institutions. The government will boost their savings by 25% to a maximum of ?3,000.
- **Help to buy: shared ownership** is available to qualifying households, first-time buyers and existing shared owners, who can buy a share of between 25% and 75% of the home?s value and pay rent on the remainder. They also have the option of buying bigger shares later.
- **Homeownership for people with long-term disabilities:** available to those wishing to buy on a shared-ownership basis if the other schemes do not meet their needs; for example, they need a ground-floor property.
- **Older people?s shared ownership:** this is available to those aged 55 or older. Such buyers can only buy a maximum share of 75%.
- **Help to buy: equity loan:** the government lends up to 20% of the cost of the newly built home. The homebuyer only needs a 5% cash deposit and a 75% mortgage to make up the rest. They are not charged fees on the 20% loan for the first five years of owning their home.

Empty homes

The government is pursuing various strategies to help local authorities reduce the number of vacant properties in England (see *Re-use your empties*, [Property Journal July/August 2017](#) , pp.46-48).

[Burnley Borough Council](#) , for instance, offers qualifying owners of empty homes a maximum loan of ?20,000 to encourage them to bring them back into use. There are certain criteria, which include:

- the property must be in one of the council?s selective licensing areas and the landlord, who is strictly vetted, either has to be accredited or working towards accreditation through the Good Landlord and Agent Scheme
- the property must have been vacant for 6 months or longer
- the property must require remedial works to bring it up to Decent Homes Standards, including the provision of energy-efficiency works.

The landlord is required to repay the loan on a monthly basis over a maximum period of 10 years; the repayments are recycled into the Housing Capital Investment Programme for future investment in long-term empty homes. This scheme has proved helpful to landlords struggling financially who need assistance to get a property back into a rentable condition.

Build to rent

At the time of writing in July 2017, the [Department for Communities and Local Government](#) is analysing feedback from a [consultation on planning measures](#) to support an increase in build to rent (BTR) schemes across England. This includes revising the [National Planning Policy Framework](#) to increase the number of new BTR homes, and the provision of affordable private rental homes on BTR schemes. The consultation aims to promote the availability of longer tenancies ? 3 years or more ? in BTR accommodation where this is required by tenants.

It?s not all doom and gloom in the housing market, although bad news sells papers

Meanwhile, [Legal & General](#) (L&G) has bought a BTR site in the centre of Leeds, with permission for 250 homes as well as 803 m2 of commercial and amenity space. L&G?s total investment capability for the BTR sector currently stands at around ?1bn, having raised capital from major pension funds for an open-ended BTR fund, as well as a ?600m joint venture investment by Legal & General Capital and PGGM. Its existing sites in Bristol, Bath and Walthamstow, London, are progressing well, while its 225-unit scheme at the Slate Yard in Salford welcomed its first residents in June.

Residents at the Slate Yard can choose to take tenancies for a period from 6 months to 5 years, can decorate their own homes and keep pets. A wide range of tenants including families, pet owners, empty nesters and young couples benefit from a round-the-clock maintenance team on site and all-in costs, which equate to a monthly saving of around ?150 per apartment when compared with renting privately and paying utility bills separately.

Prospects

So it?s not all doom and gloom in the housing market, although of course, readers may well agree that bad news sells papers. There are affordable options out there for the determined homebuyer or tenant, and RICS professionals are well placed to advise them of what is available.

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Further information

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- This feature is taken from the [RICS Property journal](#) (December 2017/January 2018)
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