

Keeping it close to home:
the geography of private rented
housing portfolios and landlord
strategies

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Outline

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 - Landlord strategies
 - Role of submarkets and information
 - Characteristics of the sector
- Research questions
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 - Types of neighbourhoods
 - Socioeconomic deprivation of neighbourhoods
 - Distance
 - Spatial clustering/dispersal of portfolios
- Findings, discussion and conclusion
 - Policy implications
 - Further work

Intro (I): Policy background

- In contrast to several European countries, the PRS in the UK is a ‘cottage industry’ (Crook & Kemp 2010; cf)
- The affordability crisis has created a corps of ‘normalised’, even aspirational, renters (Atkins 2011)
- Residualisation and retrenchment within the social rented sector: a bigger welfare role for the PRS (Rugg & Rhodes 2008)
 - Geographic growth of PRS in disadvantaged areas (Houston & Sissons 2012)
- Successive governments have expressed the aim of expanding the PRS and increasing the amount of institutional investment in the sector
 - Attractive market fundamentals, but limited institutional interest (Mansfield 2000)
 - Contribution to economic flexibility, price elasticity of supply (Whitehead 1998)

Intro (2): Landlord strategies

- Landlords engaged in a continuous process of managing risks (Crook et al 2012)
 - Business risks
 - Market risks
- Dynamic evaluation of these is also implied in theoretical models of tenure choice and rents (e.g. Nordvik 2000) and underpins landlord ‘types’
- Different landlord types approach risks differently
 - “Investors in the sector are a very inhomogeneous group” (Skifter Andersen 2007)
 - BTL landlords assess market risks, downplay business risks? (Rhodes & Bevan 2003, Gibb & Nygaard 2004)
 - Selectivity of acquisitions has distinct spatial impacts
 - Specific sectors (e.g. “DHS”, student areas, ‘executive lets’, etc)

Intro (3): Submarkets & Information

- Good local knowledge is important for both types of landlords, but especially those seeking competitive advantage (Whitehead 1998)
- Composition of supply within “loosely connected submarkets” can have significant impacts on price
 - Good price information is a prized asset among landlords (Gibb 1994; Gibb & Nygaard 2004)
- Crook et al (2012) found evidence of landlords valuing proximity, especially larger landlords

Intro (4) Characteristics of PRS in Scotland

<i>Category</i>	<i>Proportion of dwellings owned (percentage)</i>
<i>Type of landlord</i>	
Individual or couple	84
Company, partnership or property trust	14
Institution	2
All (N = 1463 weighted)	100

	<i>Type of landlord</i>			
	<i>Individual or couple</i>	<i>Company, partnership or property trust</i>	<i>Institution</i>	<i>All</i>
<i>Portfolio size (percentage of dwellings)</i>				
1 dwelling	44	16	13	39
2–4 dwellings	36	21	9	34
5–19 dwellings	17	38	39	20
20–99 dwellings	3	20	22	5
100 or more dwellings	<1	5	17	1
N (weighted)	1214	200	123	1437

Some questions

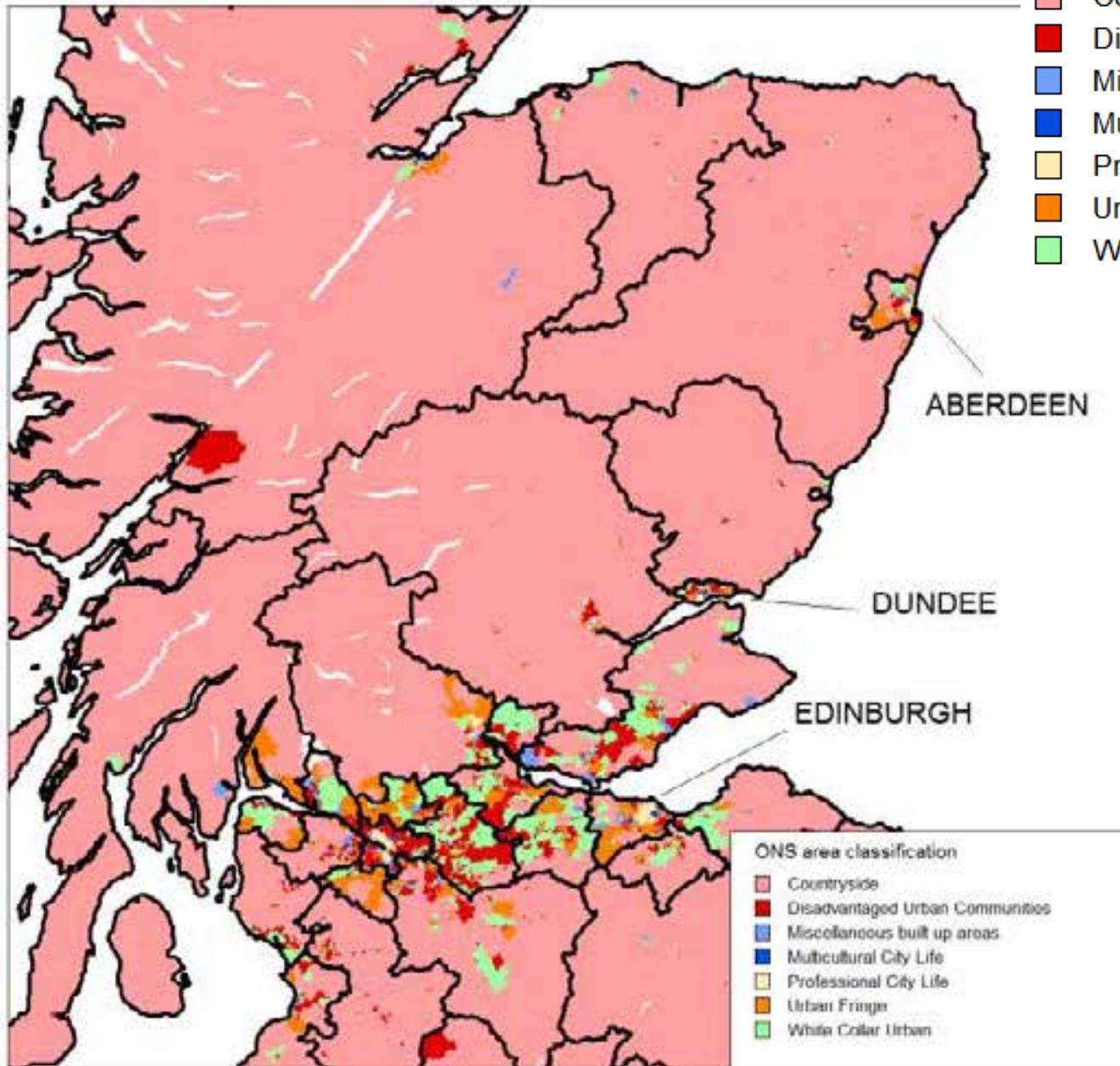
- How closely connected are landlords and their portfolios?
- What types of neighbourhood do landlords hold their portfolios in?
- How geographically selective are portfolios?

Methods and data

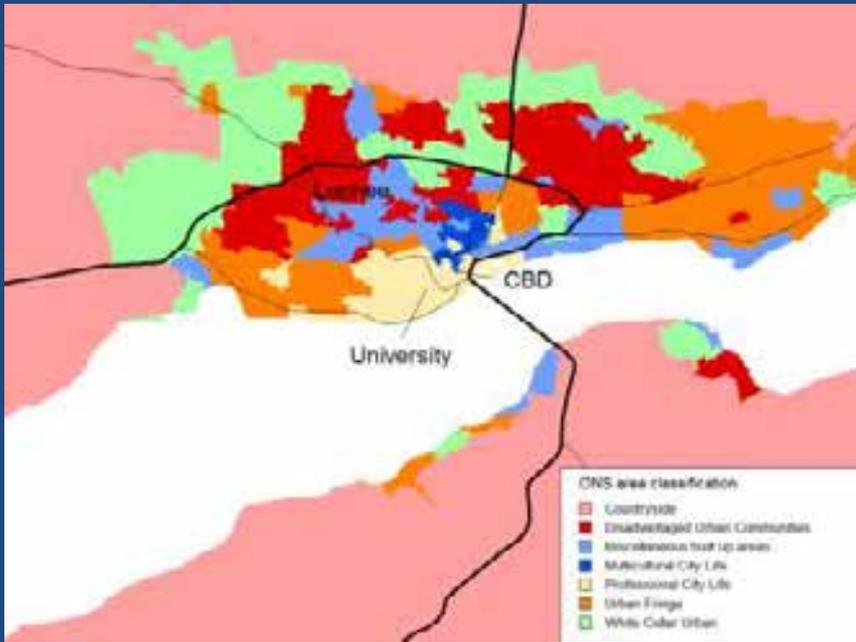
- Dataset on landlord registrations
 - properties in Edinburgh, Dundee and Aberdeen
- Data from a snapshot in June 2008
- 33654 records
 - Landlord contact address
 - Property address
 - Unique landlord reference number
- Geo-coded (991 unknowns, < 3%, includes non-UK)
 - Analysis of UK landlords only
- Data on neighbourhood types and deprivation
 - Scottish Index of Multiple Deprivation 2009
 - ONS Classification of Datazones (based on 2001 census)

ONS area classification

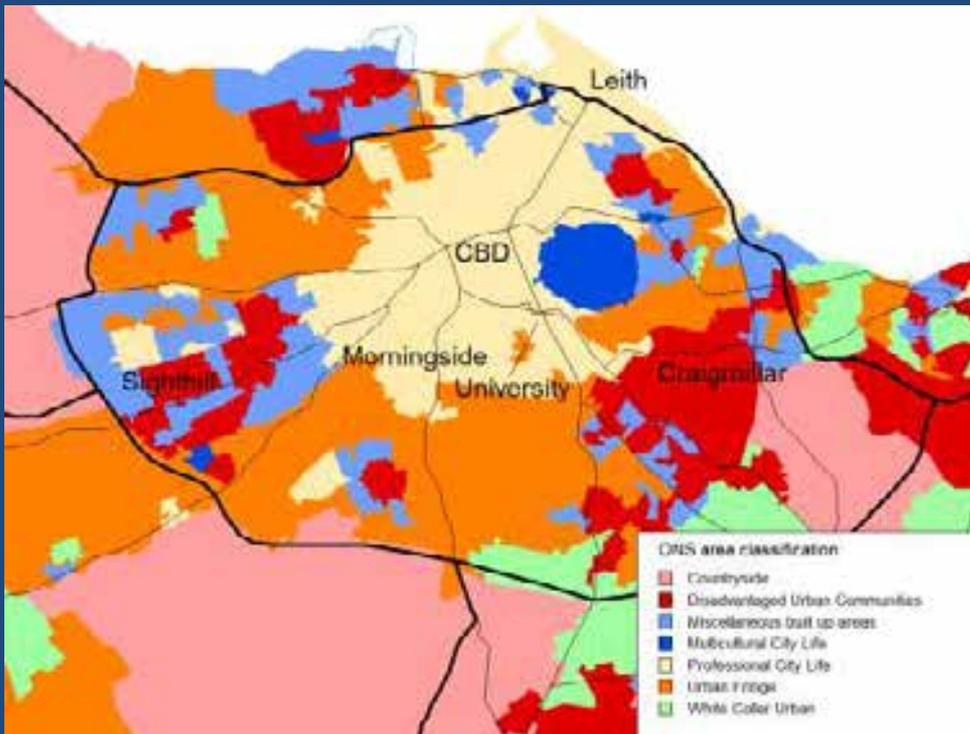
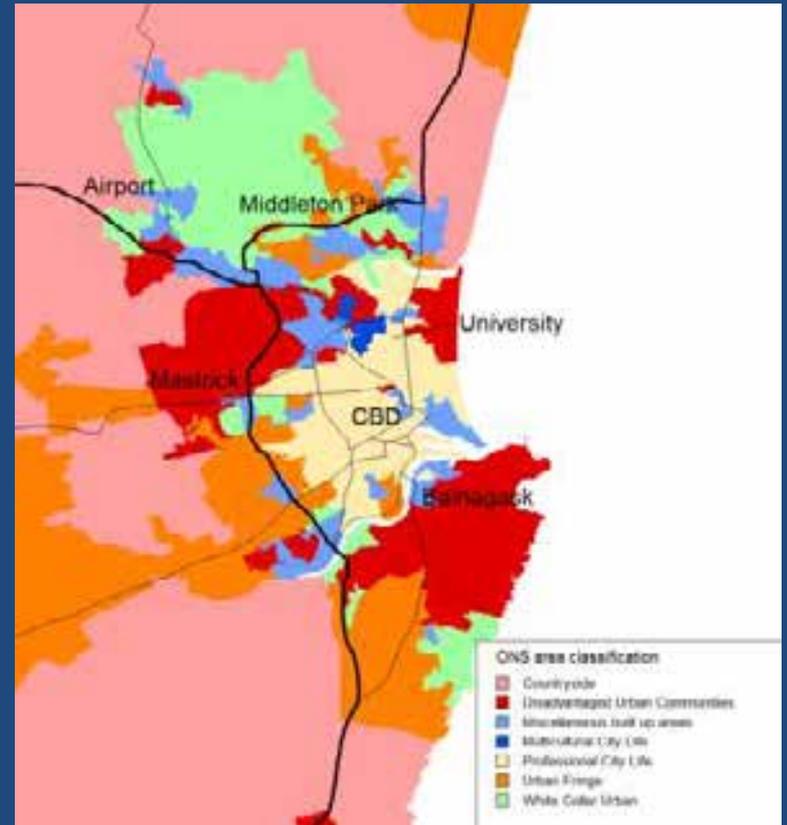
- Countryside
- Disadvantaged Urban Communities
- Miscellaneous built up areas
- Multicultural City Life
- Professional City Life
- Urban Fringe
- White Collar Urban



Dundee

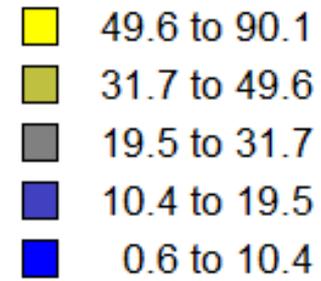


Aberdeen

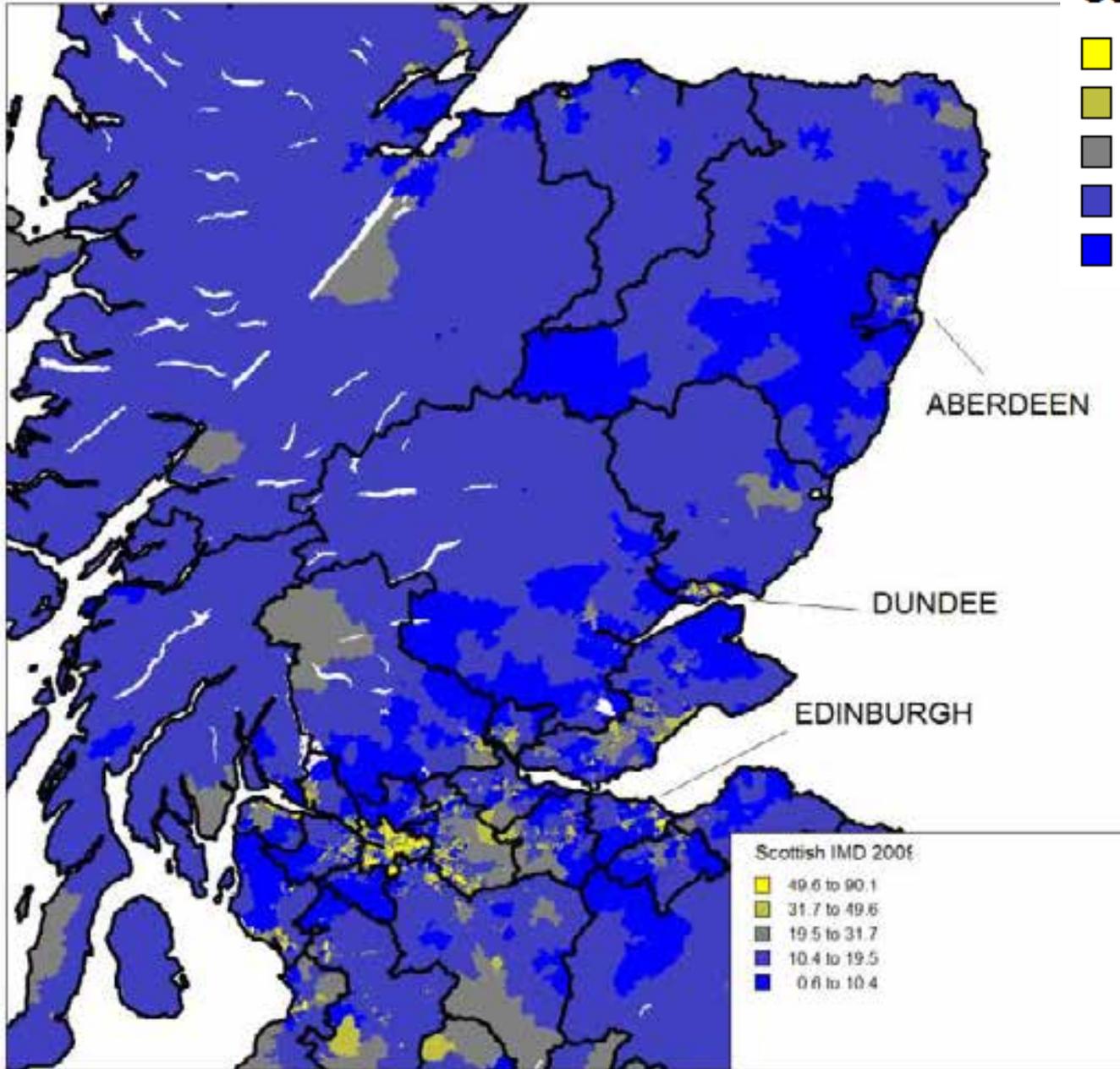


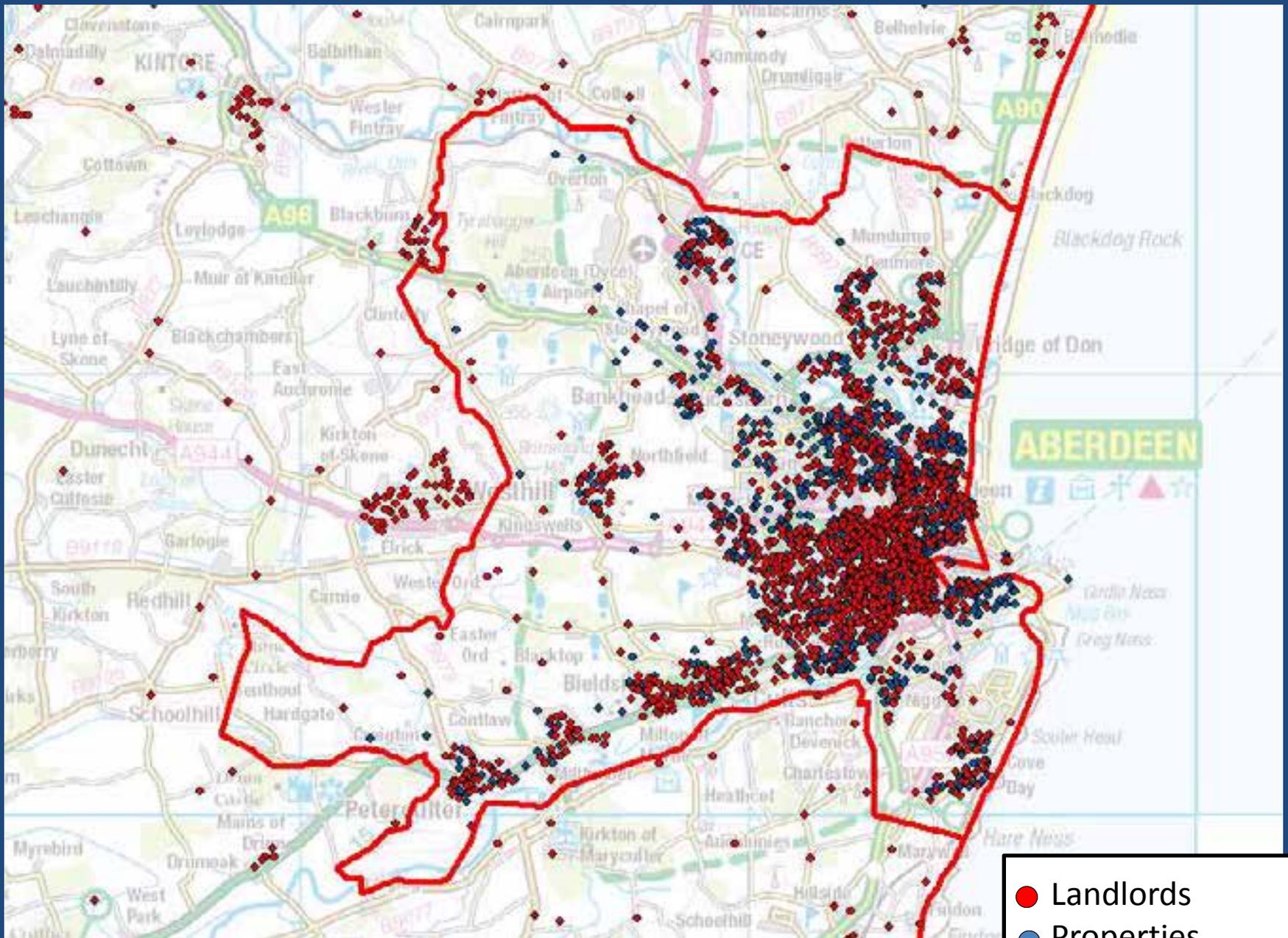
Edinburgh

Scottish IMD 2005

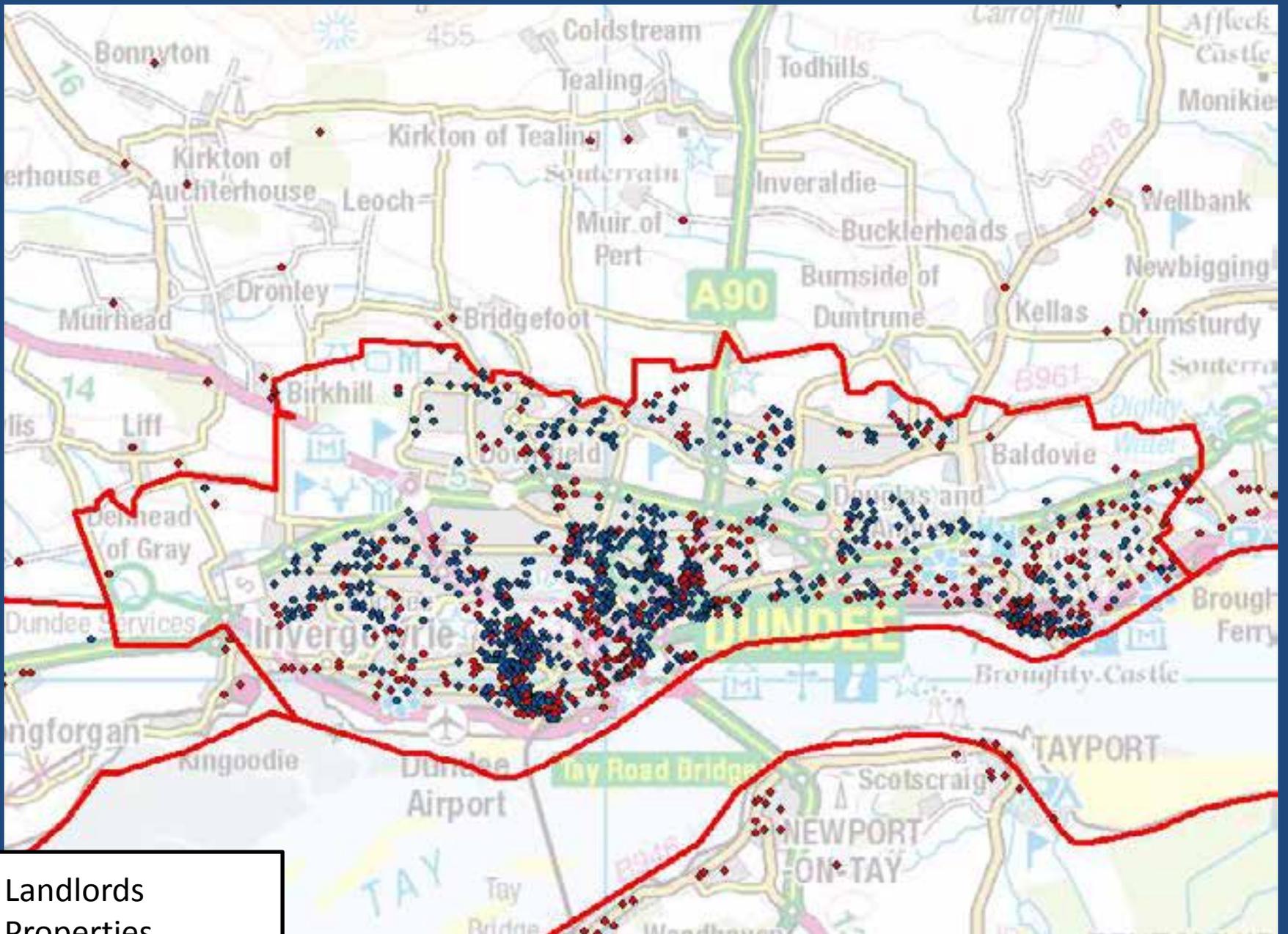


More
deprived



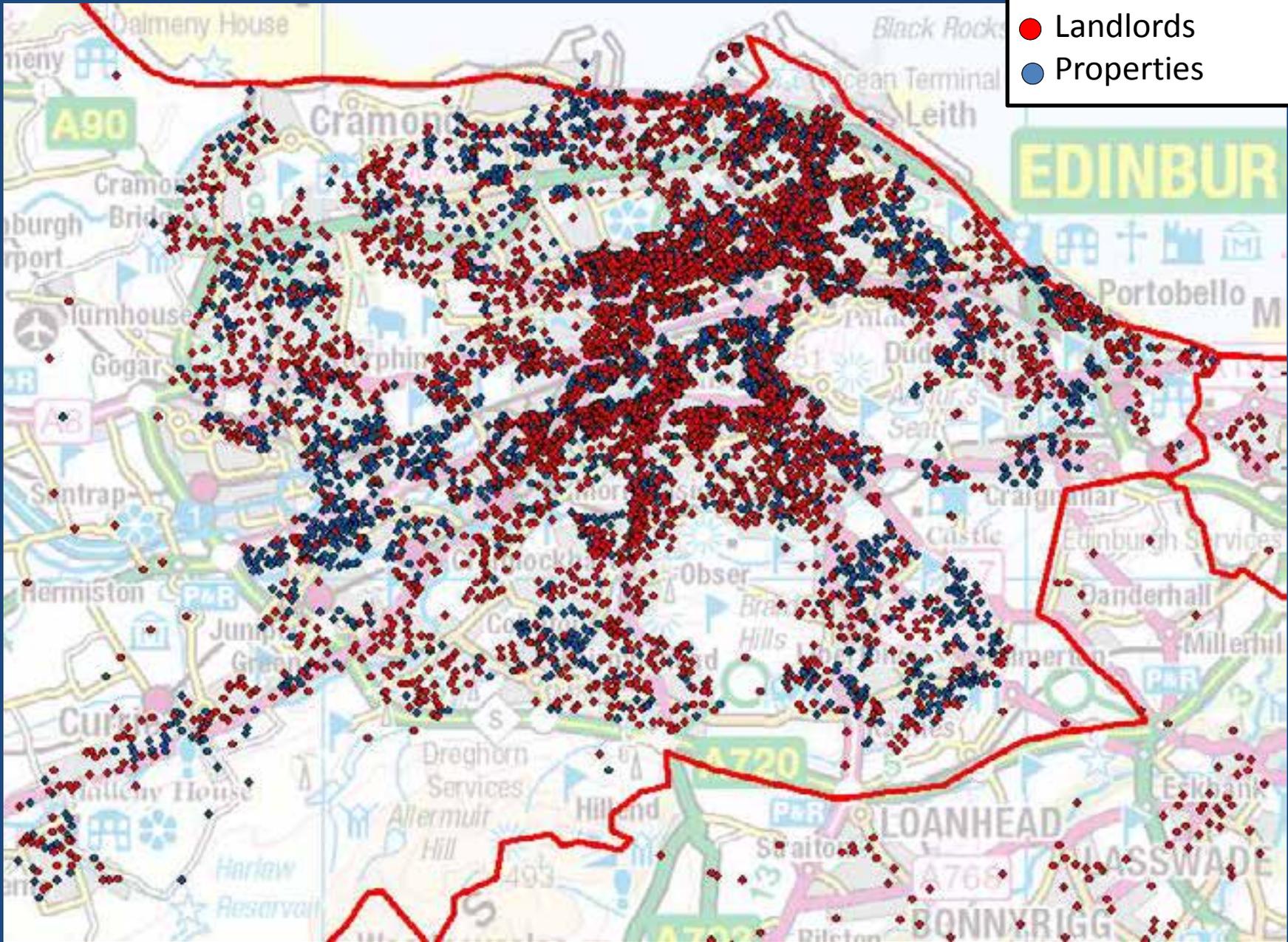


- Landlords
- Properties



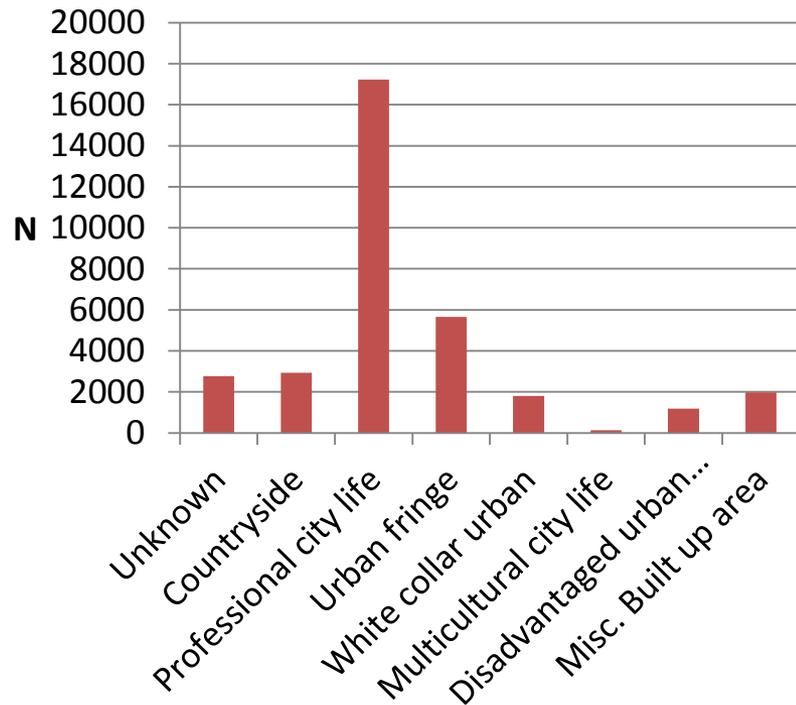
- Landlords
- Properties

● Landlords
● Properties

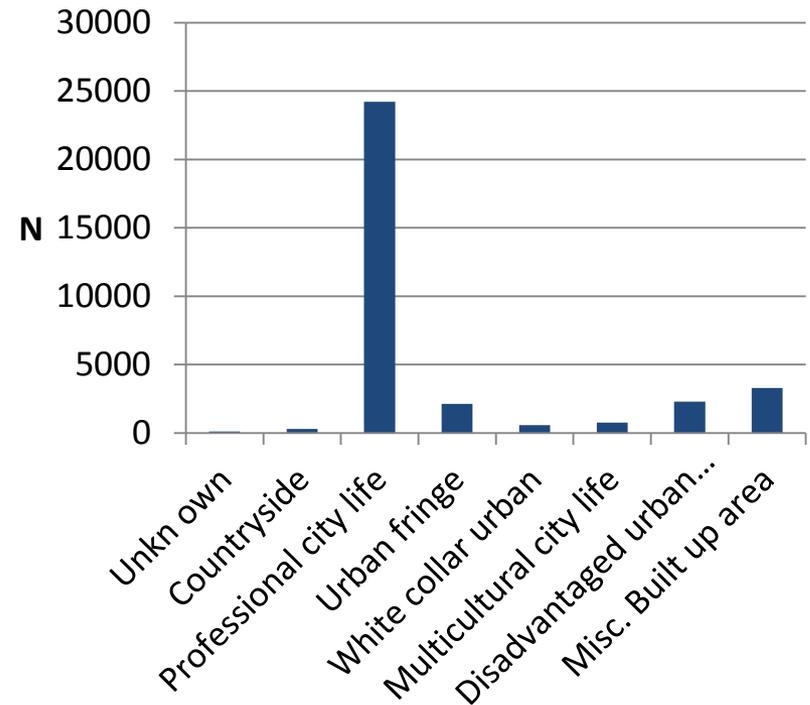


The vast majority of properties and landlords are in particular types of neighbourhood

Landlord location type

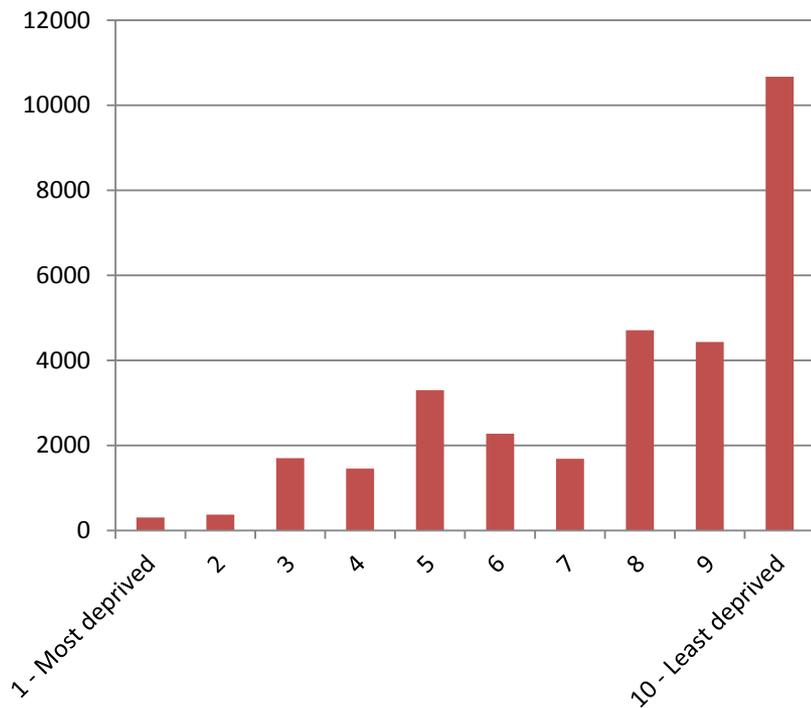


Property location type

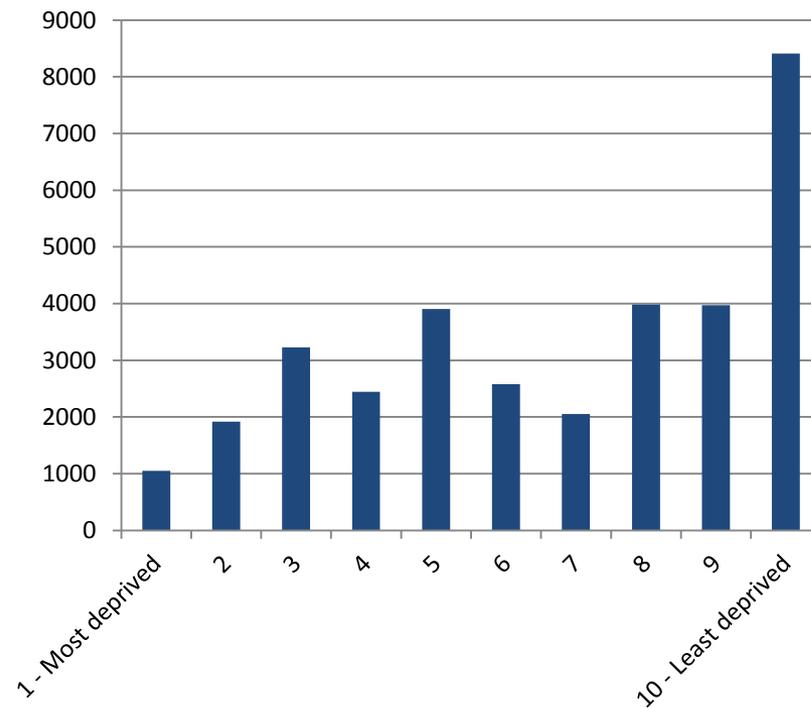


There is a large representation in the most affluent neighbourhoods (function of the PRS...), but generally portfolios are in a range of socioeconomic contexts

Deprivation: landlord n'hood



Deprivation: property n'hood

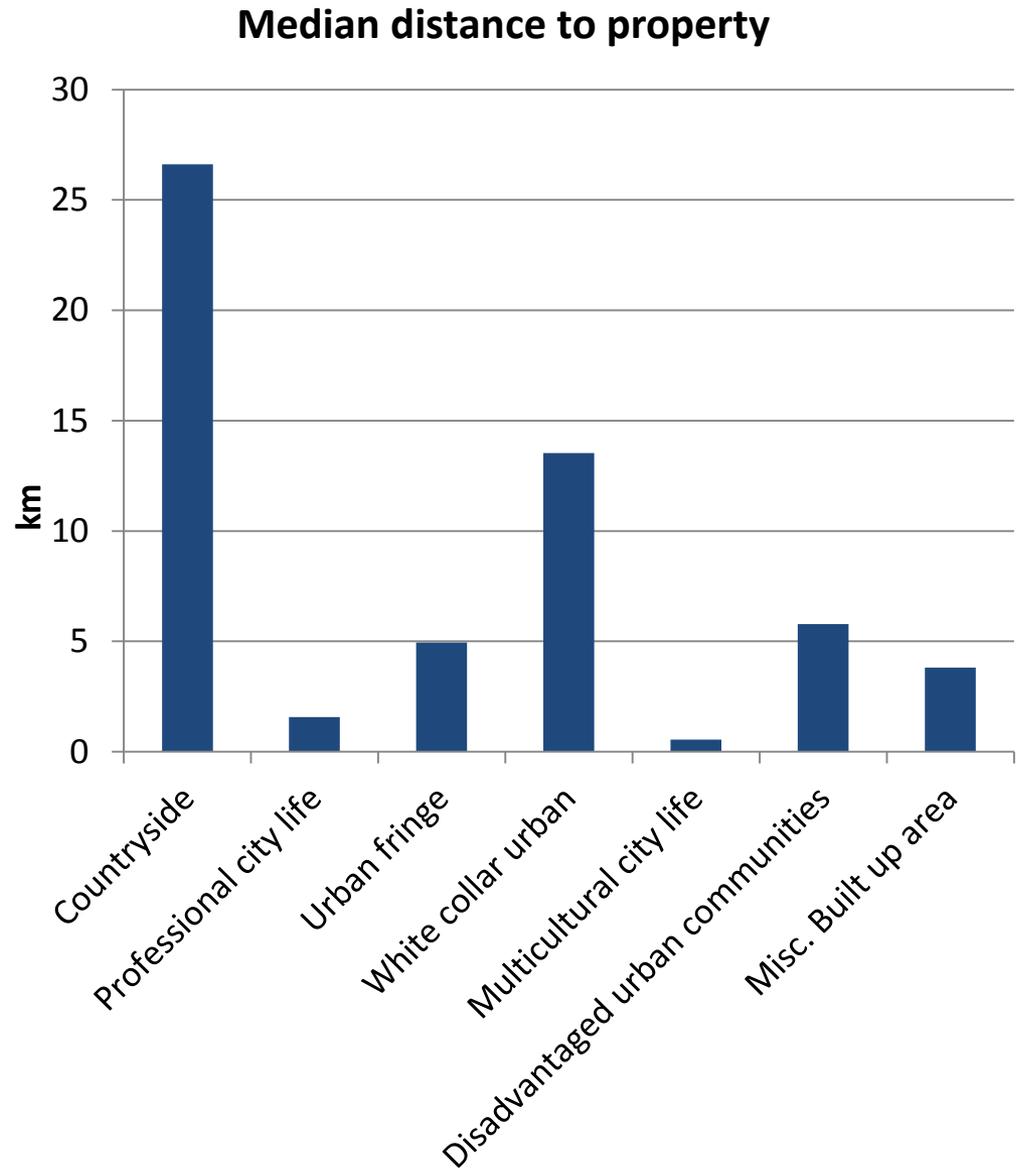


Distance from property to landlord

Average crow-fly distance 41.4 km

Median crow-fly distance 2.9 km

Landlords live very close to properties in the dense central areas of cities: these are the most numerous



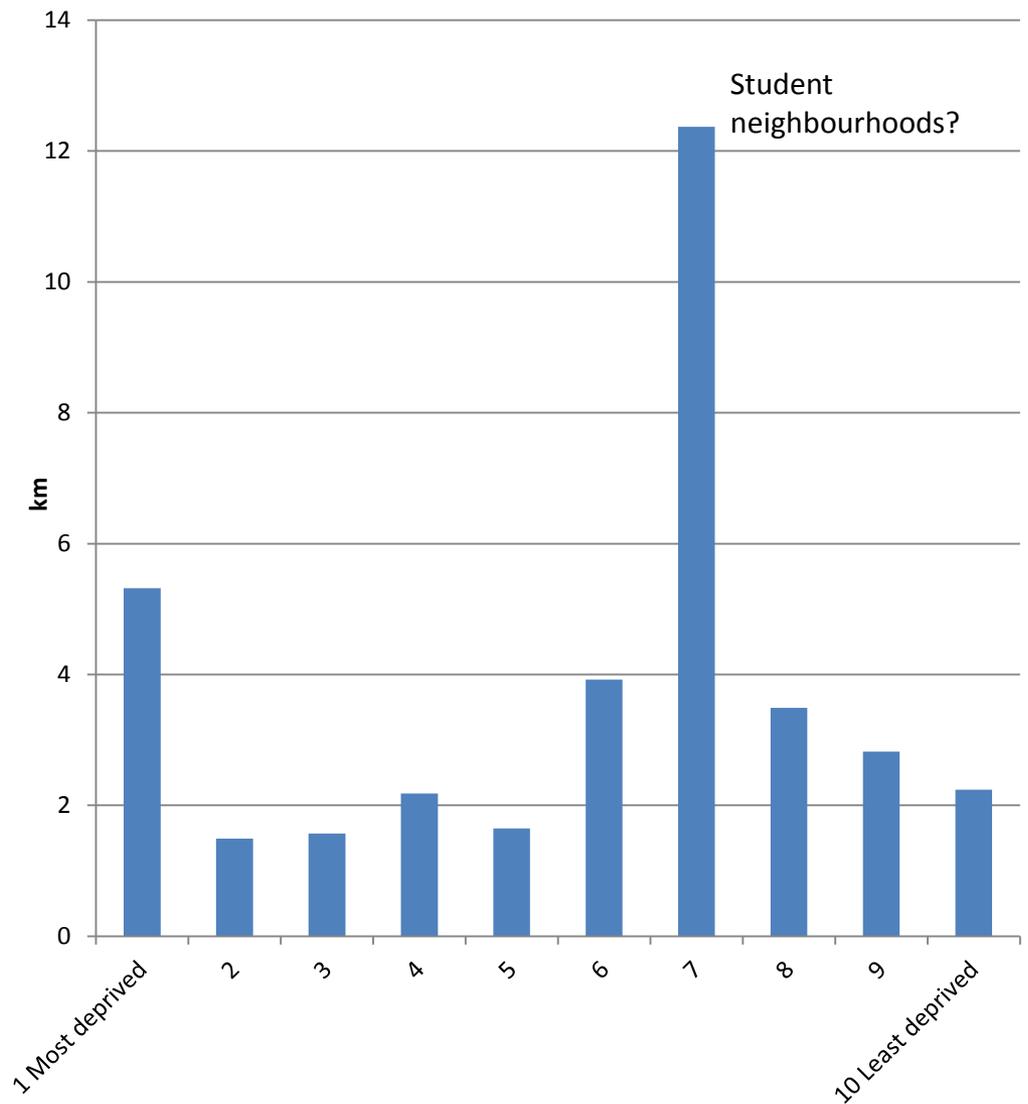
Distance from property to landlord

Landlords live remotely from the most deprived neighbourhoods

But otherwise appear to live close by

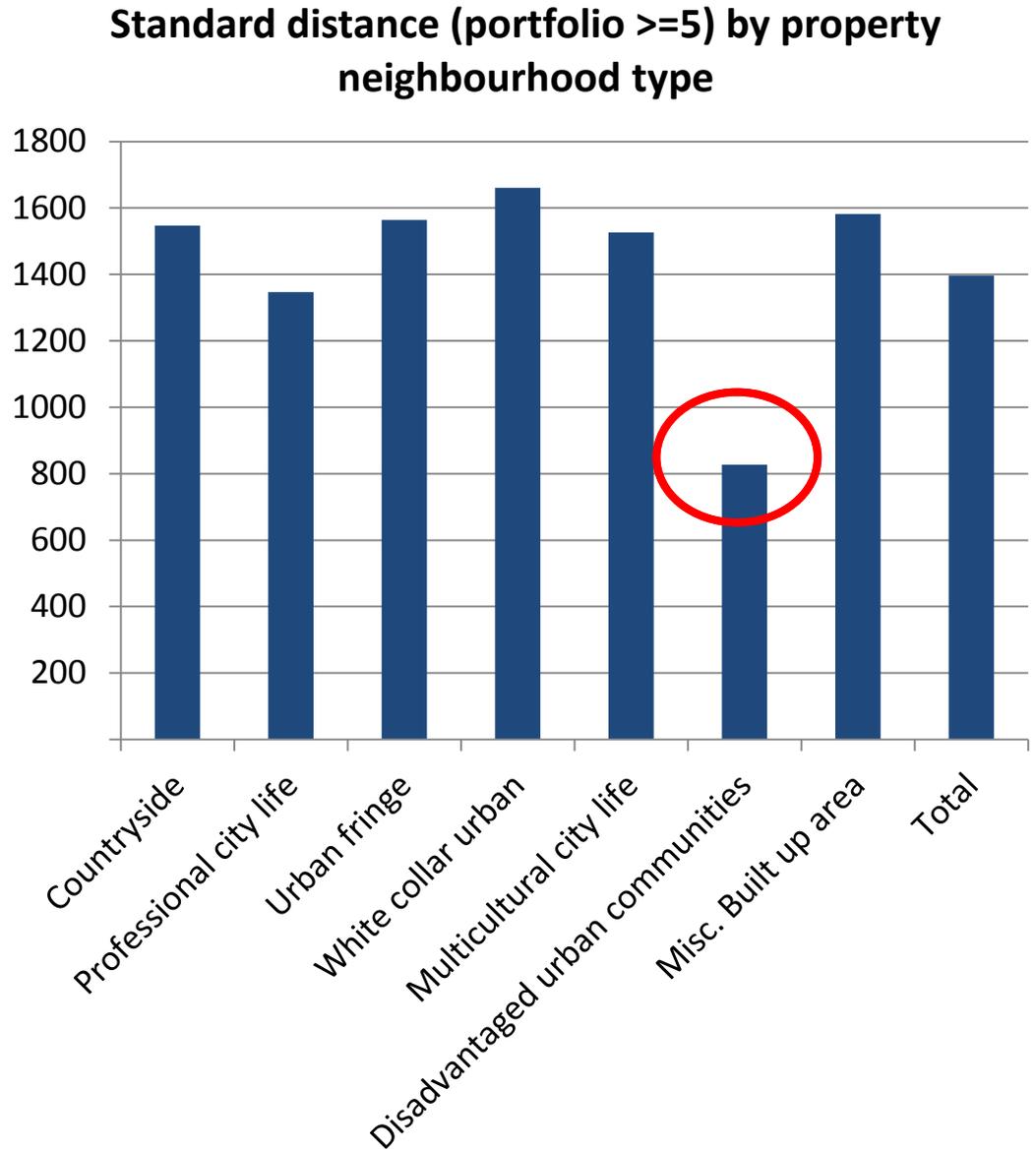
The anomaly in the 7th decile is likely to be explained by student accommodation owned by distant parents

Median distance to property



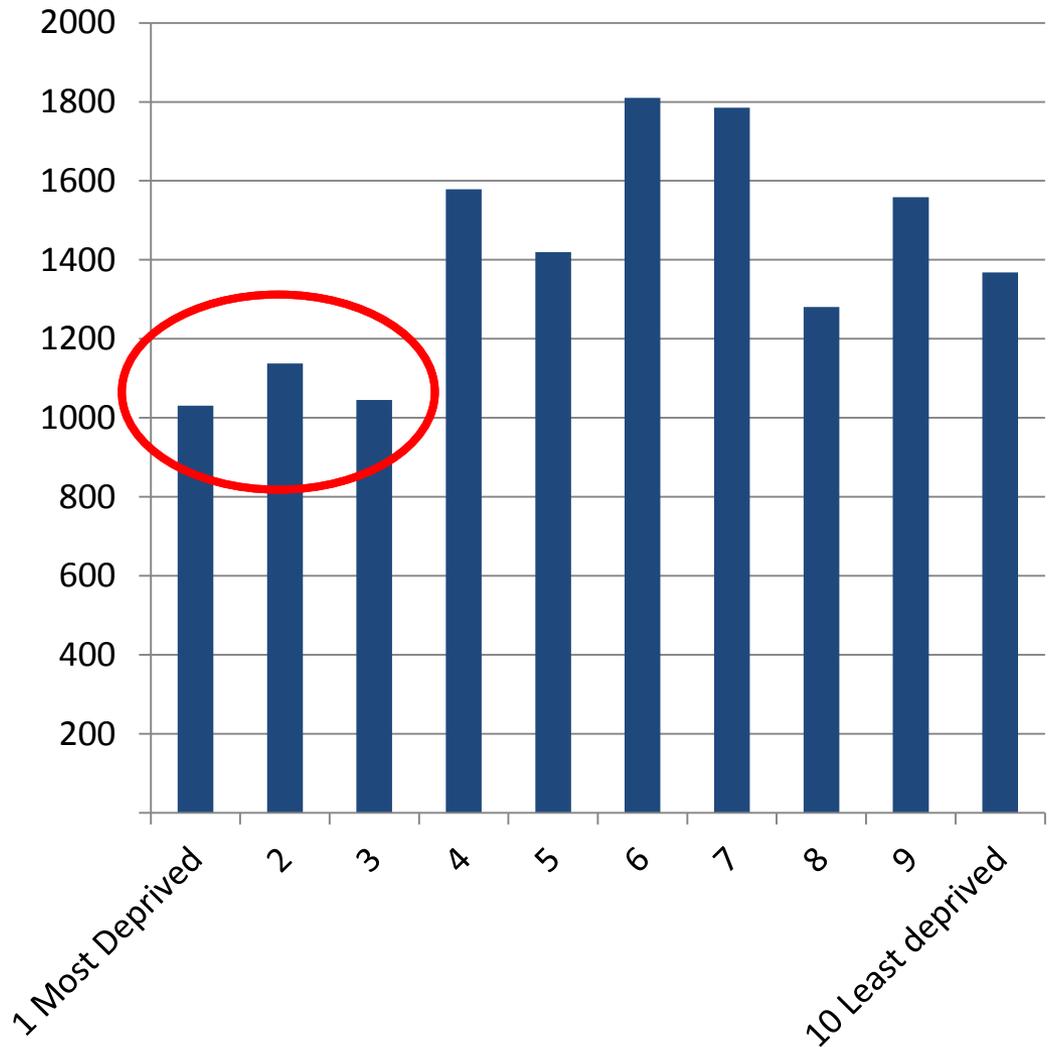
Spatial dispersal of portfolios: standard distance

Portfolios that are in disadvantaged urban communities are more spatially clustered



Portfolios that are in more deprived areas are more spatially clustered

Standard distance (portfolio ≥ 5) by deprivation of property neighbourhood



Conclusions and policy implications

- Despite very high **average** distances to portfolios, most landlords live very close to their properties
 - This is especially the case for particular areas types
- Portfolios are reasonably clustered, especially in poorer neighbourhoods where particular landlord types specialise
- Landlords will have ‘natural limits’ to expansion horizons: value of local information, knowing the neighbourhood and the type of neighbourhood
- This will limit the extent to which the PRS will expand as currently constituted
- How to open up the market by improving information?
 - Role for better rental data

Future work

- Work in progress
- Need to do more to understand differences between landlords that use agents and those that don't
- Need for more work on data cleaning – particularly:
 - the reliability of contact addresses
 - 'response bias' in the data set

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