

**THE INDEPENDENT** HOUSE & HOME



News	Opinion	Environment	Sport	Life & Style	Arts & Entertainment	Travel	Money	Extras	Student	Offers
------	---------	-------------	-------	--------------	----------------------	--------	-------	--------	---------	--------

[Career Planning](#) [Gap Year](#) [Getting Into University](#) [Student Life](#) [Postgraduate](#) [Competitions](#)

[Home](#) > [Life & Style](#) > [House & Home](#) > [Property](#)

## Get off the ladder: why renting is no longer the last resort

The stigma is fading and so are claims of 'money down the drain' as falling prices persuade more people to give ownership a rest. By Laura Howard

Sunday, 6 April 2008

Britain has long been a nation obsessed by property, with more than 70 per cent of housing stock owned by its occupants, according to figures from the Council of Mortgage Lenders. The Government's long-term target is to push this figure up to 75 per cent – but recent figures reveal that a trend back towards renting is beginning to emerge.

A survey published last week by [iammoving.com](#) – an online service that enables home movers to register changes of address – shows that almost one in five users (18 per cent) are considering jumping off the property ladder in fear of house prices falling.

Likewise, comparison site [fool.co.uk](#) found in a survey of its readers that a large number are preparing to abandon plans to buy in favour of renting.

This has to be seen against the backdrop of a market now going into reverse. The price of the average property dropped for the fifth time in as many months in March – by 0.6 per cent – according to Nationwide Building Society.

"Our position at [iammoving.com](#) gives us a window on the world of property," says Simon Preston, chairman of the service. "We have noted a 30 to 40 per cent decrease in activity in the 'sale and purchase' sector – which is reflected in the wider mortgage figures – as well as a general move toward rented property."

Malcolm Harrison at industry body the Association of Residential Lettings Agents (Arla) says that this is not an unusual reaction. "Every time there is a softening of house prices, there is an increase in rental demand. And while people choose to rent for different reasons, many will be waiting for a better opportunity to buy if house prices continue to fall."

According to Jonathan Davis, an independent financial adviser and spokesman for website [housepricecrash.co.uk](#), this eventuality is certain. "I am amazed that it's only 18 per cent of home movers who have abandoned the property ladder for this reason," he comments. "Seemingly, people still haven't got it into their heads that house prices are falling."

"Annual price inflation has already dropped from 10 per cent to 1 per cent in just eight months, according to Nationwide – which is the start of what I predict will be a 33 per cent fall during the next four to five years," he adds.

A further 14 per cent of home movers are considering turning to the rented sector due to more immediate money worries, says the [iammoving](#) survey, as rises in mortgage costs exacerbate the strain caused by hikes in council tax and fuel bills.

Renters also avoid the legal, conveyancing and mortgage fees associated with buying a house, as well as stamp duty. According to research from the Halifax, this tax is now payable on 79 per cent of the country's housing stock.

Renting isn't even much less secure than owning these days, according to Mr Harrison at Arla, as assured shorthold tenancy agreements mean you can set an arrangement in stone for six or 12 months. "But according to our figures, the average tenancy is actually longer than this at 17 months as landlords want security too," he adds.

The move away from home ownership is underpinned by the theory that this house-price cycle is the first in which renting is "entirely socially acceptable," says Mr Harrison. "Since the inception of buy-to-let in 1996, competition in the rented sector has grown and so the quality of accommodation is much higher. And people rent because they choose to, not have to."

But while their standing in the community might be intact, tenants will not get off much more lightly in terms of their monthly housing costs. According to the latest buy-to-let index from lender Paragon, average monthly rents reached a new peak of £990 in February – up from £967 in January. This would fund the interest on a £200,000 mortgage priced at the currently typical rate of 6 per cent – though as mortgage availability withers on the vine, getting the loan would be another hurdle in itself. This "difficult environment" for purchase means landlords are able to achieve higher rents on their properties, says John Heron, Paragon's managing director.

Meanwhile, there is a warning for tenants who think they can play the depressed housing sector to their advantage. Rob Clifford, managing director at broker Mortgageforce, says that selling at the perceived top of the market, and renting with the sole purpose of buying cheaper when prices fall, is a risky tactic. "Not only are rents not cheap, this approach assumes there is going to be major negative house price inflation. But there is a big difference between this and a flattening market."

What's more, just because you are sheltered from mortgage costs, your landlord isn't, says Mr Clifford. "It's not a straightforward case of 'tenant' equals 'security'. What if the landlord of your property is one of the more recent investors who got into buy-to-let? He may be even more likely to default on the mortgage. Although a lender that repossesses will have to honour the current tenancy agreement, it's very unlikely that it will be renewed, so it still means an upheaval."

Mr Davis of [housepricecrash.co.uk](#) agrees that tenants should take care to vet their landlords, as well as the other way round, by running credit checks. "It is a two-way contract after all," he says.

But it will take more than a blip in the market to dissuade the vast majority of people from staying on the ladder, maintains Mr Clifford. "Ownership of property in this country is deeply embedded in our psyche and there is an age-old feeling that rent is 'money down the drain'. Any move back to rental will be among people who were already dubious about buying again. For example, they may have affordability constraints with their mortgage or minimal capital. And in these circumstances, renting is the sensible thing to do.

"But the vast majority of people want to own their own home – and when you have done it once, it would be hugely frustrating to find yourself answerable to a landlord."

Mr Davis, himself a tenant, says: "House prices are going to fall. We pay £1,800 a month in rent and live in an £800,000 house on a two-year lease.

"We have security and a beautiful home in Hertfordshire which we could not afford to buy – and we never have to worry about borrowing or house prices."