



# The middle-aged rental squeeze

The number of households aged between 45 and 64 living in privately rented homes has nearly doubled in 10 years. What does that mean for the private rented sector?



## An introductory note from Richard Rowntree

**T**he idea that the private rented sector (PRS) is the tenure of the young is outdated. Over half of tenants today are over the age of 35 and, if current trends continue, the average age of tenants living in the sector will only rise.

The demographic of tenants that has experienced the fastest growth over the past 10 years is those aged between 45 and 64 – increasing by 70%. This is a cohort of renters that have lived in the tenure for the long-term and who look set to call the PRS a home for life.

We commissioned research of over 2,000 tenants to gather their views on renting and home ownership aspirations. Less than one in five of this age group is currently saving towards a deposit for their own home, even though the desire to own a home is much higher. Compared to younger age groups, the 45-64 cohort typically has a lower income, are in less skilled jobs and sit within lower social grades, inhibiting their ability to buy a home.

Looking at the group of over 65s currently living in rented accommodation, the ageing of this cohort past retirement age could have broad implications for the PRS, as well as present opportunities for landlords to provide these tenants with a home.

As with other distinct tenant groups – young couples and students to name but two – older tenants have their specific requirements. Over 65s are more likely to live alone and in smaller homes, for example, and the sector will need to adapt and evolve to cater for this ageing tenant population. Landlords will need to target smaller homes and be prepared for their tenant to adapt the home to suit their needs.

The good news is that landlords have a strong track record of meeting the needs of their tenants and I'm confident that they will be ready to respond to meet this changing demographic.



**Richard Rowntree**  
Managing Director of Mortgages  
Paragon Bank

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# How the private rented sector is getting older

**Often viewed as the tenure of the young, more than half of tenants in the PRS are aged over 35, with the strongest growth in those in middle-aged years**

Tenants living in the private rented sector are getting older and it is the middle-aged who are driving the change.

In the 10 years to 2021, the number of tenants in England aged between 45 to 64 increased by 70%, with those aged 65+ increasing by 38%.

Government data shows there are 1.18 million households where the lead household representative is within the 45-64 bracket, compared to 691,000 in 2011.

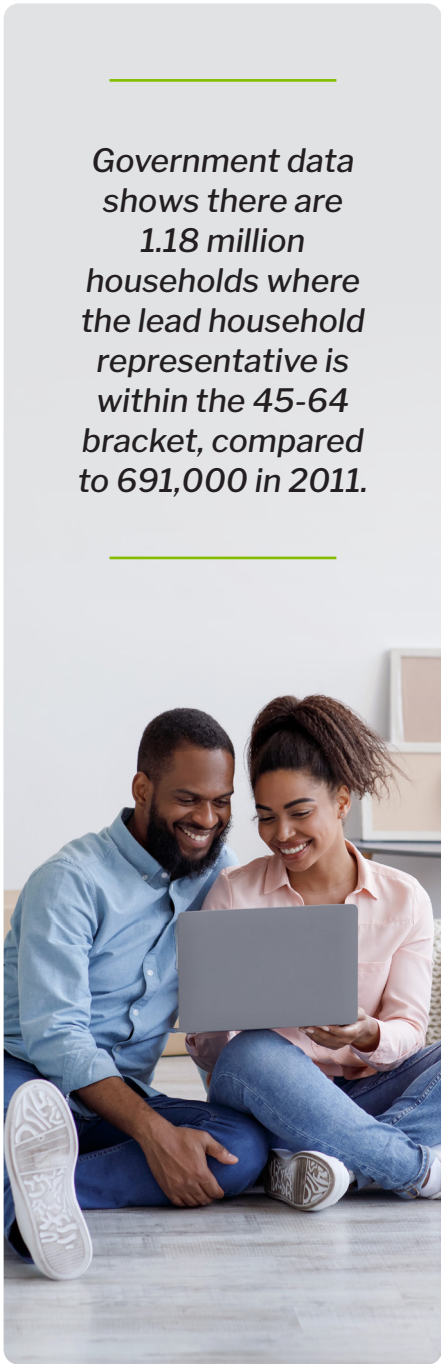
Today, over a third of households (35%) in rented accommodation are aged over 45, compared to 27% 10 years ago. If you include those aged 35 or over, that increases to more than half of tenants, 56%, dispelling the myth that privately renting is predominantly for the young.

This change in the age profile of the sector shouldn't be surprising given the latest census data. Census 2021 results confirmed there are more people than ever before in older age groups. Over 11 million people – 18.6% of the total population – were aged 65 years or older, compared with 16.4% at the time of the previous census in 2011.

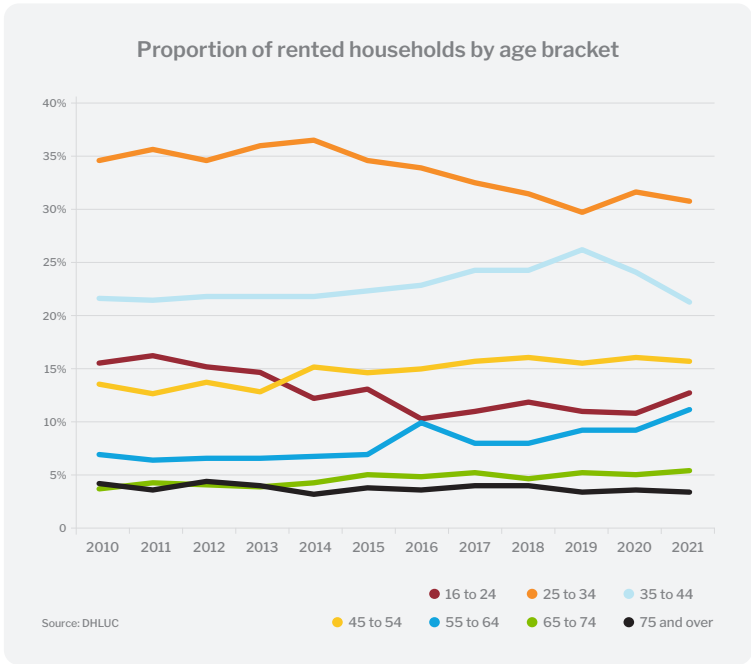
The average (median) age in England and Wales rose from 39 years in 2011 to 40 years in 2021, reflecting the changing age structure of the population.

The growth in the number of middle-aged renters has broad implications for the sector as this group ages. Although a high proportion of this group – nearly four in 10 – has a desire to move into home ownership, Paragon research of over 2,000 tenants shows only two in 10 in the 45-64 age group are actively saving for a deposit. Additionally, only one in ten has previously been a homeowner, suggesting this is a housing tenure for life for many of these households.





It is expected that a high proportion of those who are within this age bracket today will spend their lives in rented accommodation. With a higher incidence of single person households amongst tenants in later life, and a higher occurrence of benefits, the PRS will need to adapt.



*Government data shows there are 1.18 million households where the lead household representative is within the 45-64 bracket, compared to 691,000 in 2011.*



Number of rented households by age bracket

	 16-34	 35-44	 45-64	 65+
2011	1.87m	780k	691k	276k
2015	2.04m	960k	917k	364k
2021	1.93m	947k	1.18m	382k

Source: DHLUC



# From a quarter of PRS households to over half?

## Modelling from independent researchers suggests that over half of renting households could be headed by somebody aged 45 or over

Earlier this year, Paragon commissioned the Social Market Foundation (SMF) to analyse trends in the PRS. By 2035, the SMF anticipates that over half of households in the PRS will be headed by someone over 45, up from around a third today.

### The organisation based its modelling on three home-ownership scenarios:

- High ownership: projects forward trends in tenure between 2014 and 2019, assuming rising home-ownership is sustained
- Low ownership: projects forward trends in tenure between 2004 and 2014, assuming we return to the 'old normal' of rising private renting
- Mid ownership: projects forward trends in tenure between 2009 and 2019, producing an outcome between the high and low scenarios

Its modelling found that 25-34-year-olds are most sensitive to changes in the rate of home-ownership.

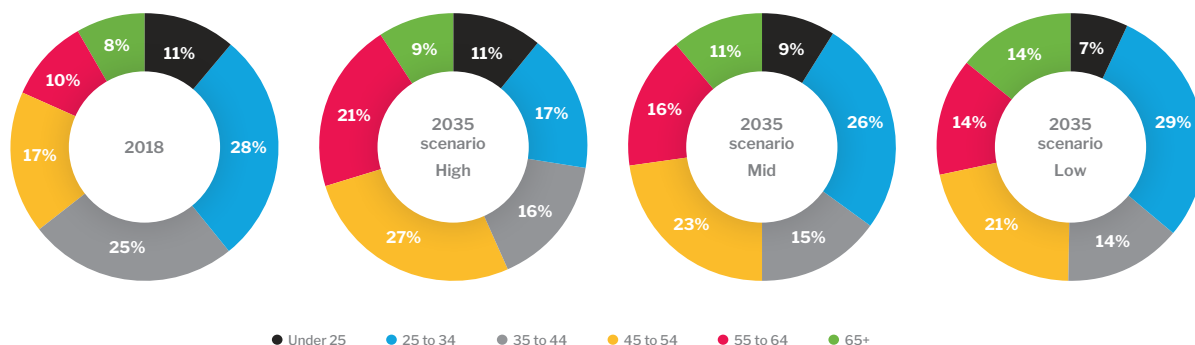
This is unsurprising, given that people in this age group comprise the majority of first-time buyers (65% in 2019/20), and have seen the biggest decline in renting in recent years.

The SMF report suggests a wide spread of potential outcomes for younger households: from a dramatic decrease (down to 22%) in the proportion of households headed by a 25-34-year-old in the private rented sector, to an increase to 71%.

The range of outcomes is narrower (though still quite wide, with a spread of around 10 percentage points between the different scenarios) for other age groups. However, it is notable that even in scenarios where overall home-ownership rises, it expects to see the share of private renters rise among those aged 45-64.

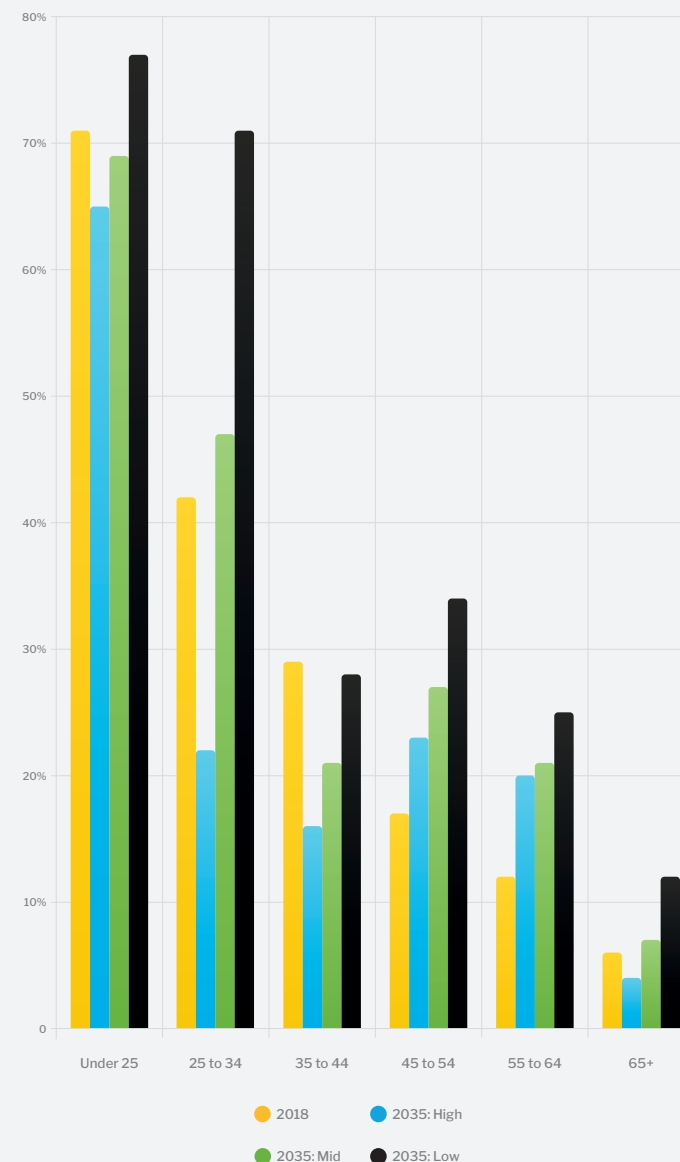
The impact on the age profile of the private rented sector is clear: it will be older; the question is how much older? In 2018, 35% of privately renting households were headed by a person over 45. By 2035, the SMF anticipates this will rise to around half or even as high as 56%.

Share of private rented sector in each modelled scenario by age of household reference person



Source: SMF modelling

Proportion of households in private rented sector in each modelled scenario, by age of household reference person



Source: DHLUC

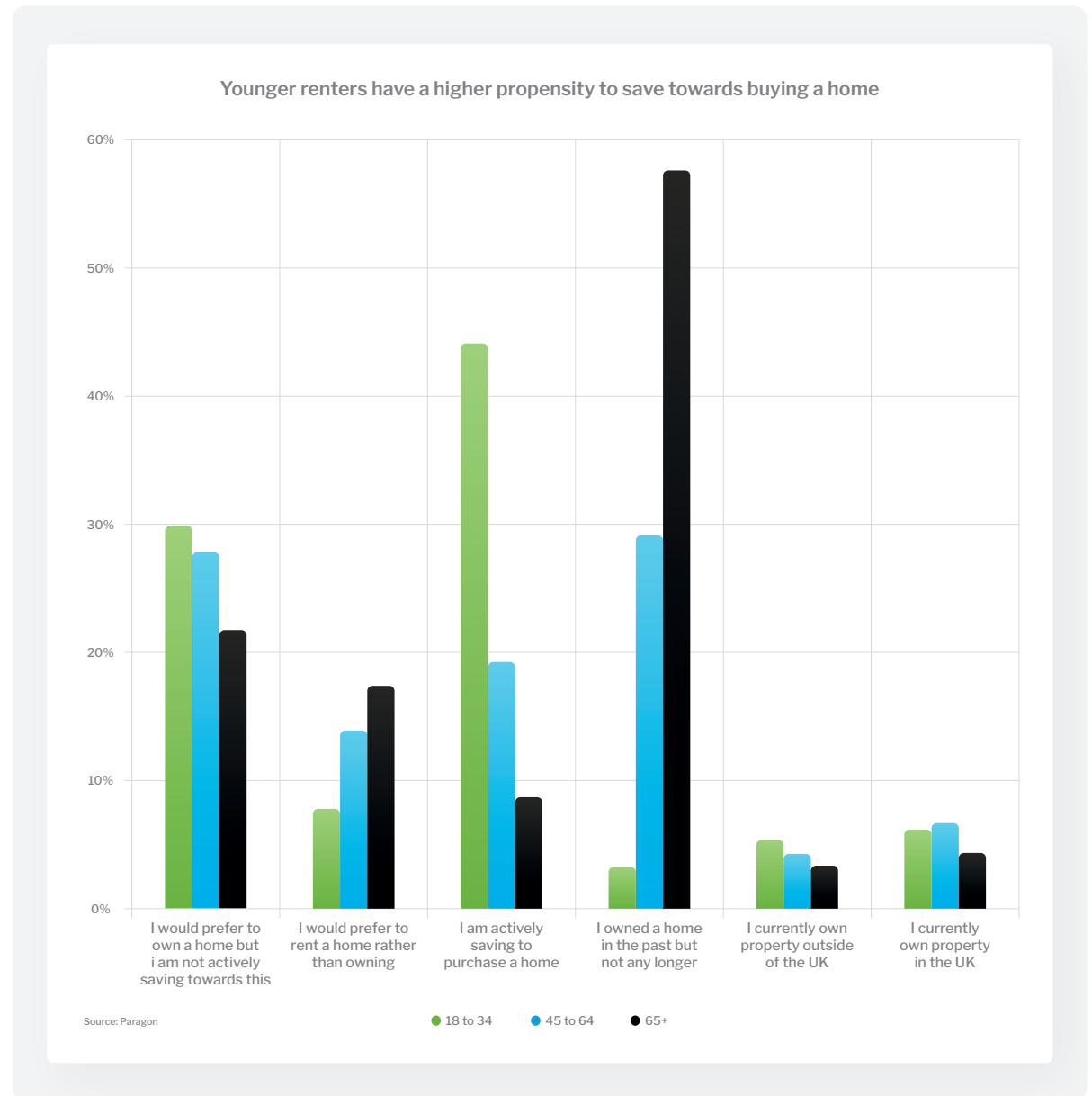
# Home ownership aspirations – the affordability gap

## Home ownership is the goal for four in ten 45-64 year olds, but this group is in a weaker economic position

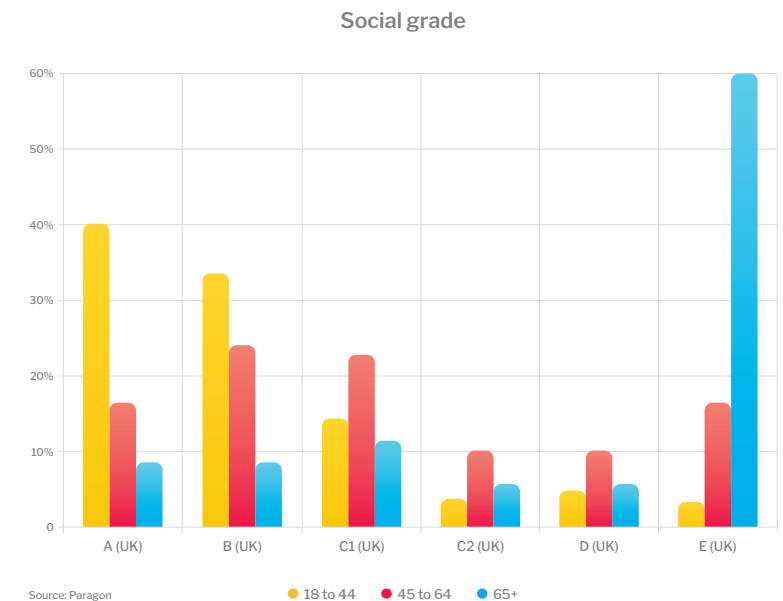
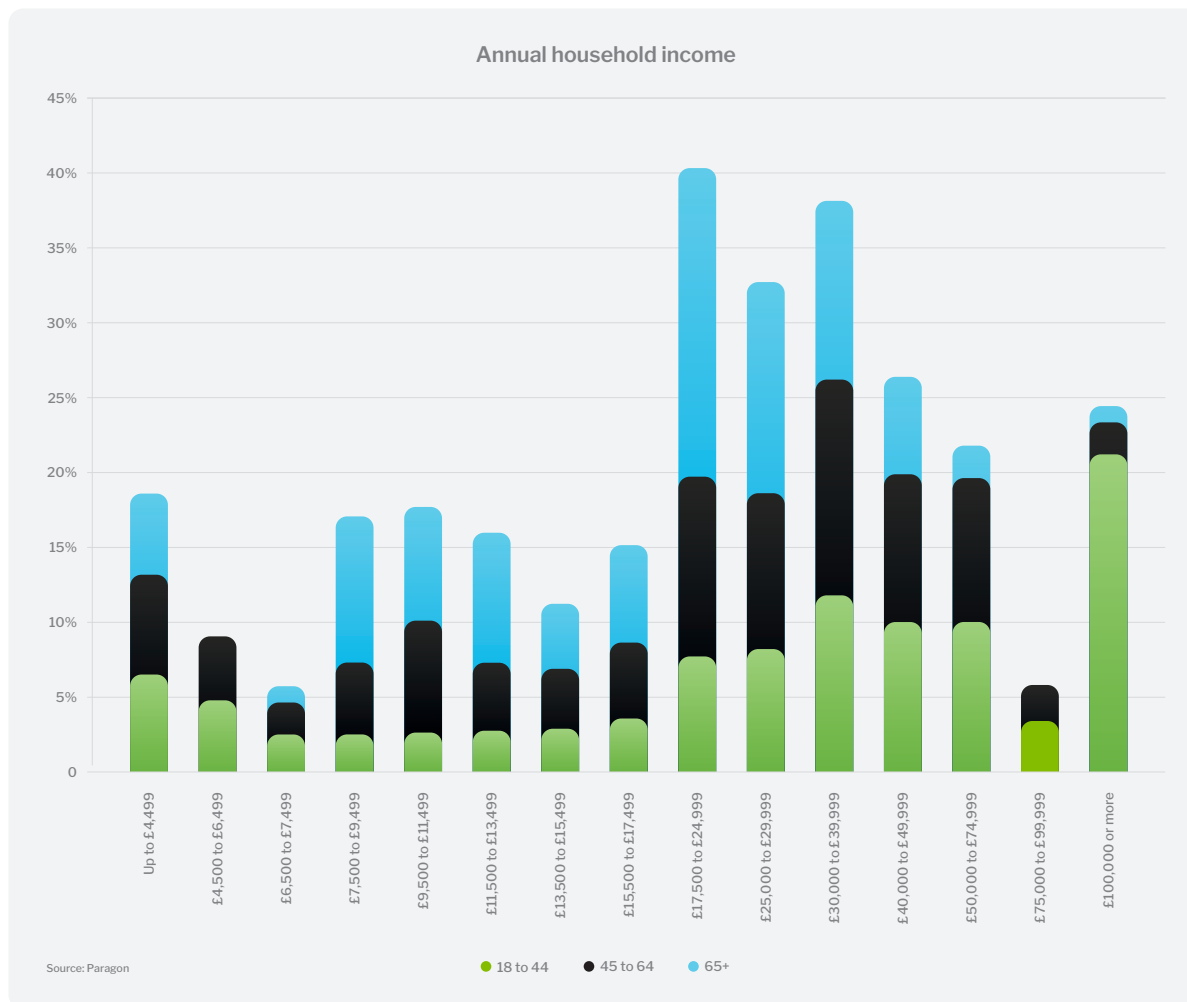
Four in ten people aged over 45 would like to buy their own home, but only 17% are actively saving to purchase a property, Paragon's research shows. This suggests that a high proportion of those currently in rented accommodation will remain in the PRS for some time to come.

Breaking down this cohort further, 28% of those aged between 45 and 64 would like to buy but have no savings plans in place for a deposit, compared to 22% of over 65s, and 19% are actively saving.

Of the 19% actively saving to purchase a home, 25% have their finances in place and are searching, with 4% in the process of purchasing. The remainder (71%) are in the savings phase.



Less than a third of tenants (29%) aged between 45 and 64 have owned a property in the past, whilst 11% of tenants in this group actually own property in the UK (7%) or overseas (4%). This could suggest that they will ultimately live in those properties.



## Income and social grade

Another issue facing this group is income. Just 14% of those in the 45-64 age bracket have an annual income in excess of £50,000, with a quarter earning less than £10,000 per year and a similar proportion earning between £30,000 and £50,000.

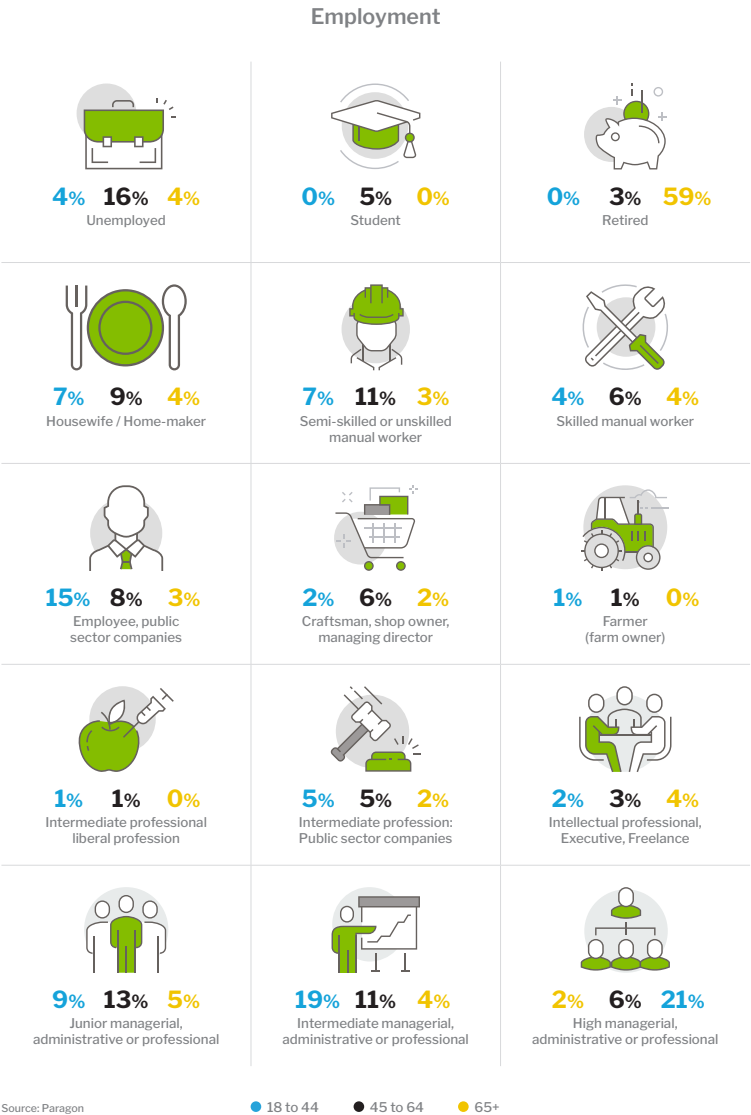
This not only inhibits the ability of tenants in this bracket to save for a deposit, it has broader implications for the ability to obtain and service a mortgage.

Additionally, households in this age cohort are more likely to be from a lower social group than other age groups. Six in 10 respondents in the 45-64 group are in the C or below Social Grade categories, compared to just over a quarter in the 18-44 age group. Younger age groups are much more likely to be in higher social grade groups.



# Employment status

A quarter of those in the 45-64 age bracket could be classed as in low income roles, with 16% unemployed and a further 10% in unskilled or semi-skilled manual work. Unemployment rates in this group were significantly higher than in other age groups. However, there is also a high proportion of this group in management roles or specialist positions.



Source: Paragon



## Could the great wealth transfer relieve the pressure on the PRS?

There could be a significant, if rather macabre, opportunity on the horizon for tenants trying to save for their own deposit.

Six in ten people who own their home outright in England are over the age of 65, with a further 24% in the 55-64 age bracket. Intergenerational wealth transfer could result in those currently in rented property inheriting either a property outright, subject to Inheritance Tax, or a substantial deposit.

It is estimated that the Baby Boomer generation controls around 80% of UK private wealth and property is expected to account for 70% of transferred wealth. This group acquired homes and started families at a younger age than more recent generations, so have benefited from significant housing equity growth.

According to the Resolution Foundation think-tank, the past 30 years have seen the over-65s moving from being the poorest generation to the wealthiest. In the period 2008-10, just under 850,000 people over 65 were living in houses worth £1 million or more. Ten years on that figure had gone up to 3.1 million.

However, people are inheriting later in life. According to a 2020 report by the Institute for Fiscal Studies (IFS), for people born between 1953 and 1962, the average age of receiving their inheritance was 58. For 1970s-born children it rises to 62, and 64 for those born in the 1980s.

How this wealth flows through the generations and how the inheriting generation prioritise any windfall is yet to be seen, but the next 10 to 20 years could have a significant impact on the housing market.



# The PRS – a long-term home for over 45s

## The PRS is a long-term home for many tenants, with nearly four in ten 45-64 year olds living in the tenure for 11 years or more

As expected, tenants aged 45 or over have been renting for longer, lived in more properties and tend to stay longer in the same home than those younger. They are also more likely to live alone when compared to the younger cohort.

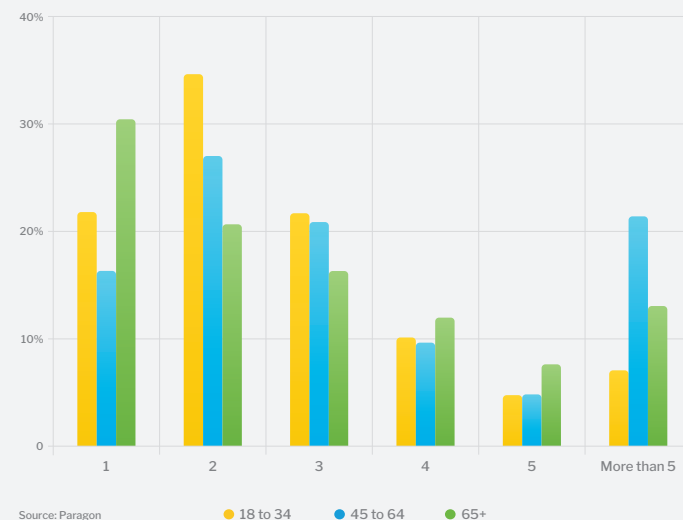
Over a fifth of those aged between 45 and 64 (22%) have lived in privately rented accommodation for more than 15 years, with a further 17% in the sector for between 11 and 15 years. Conversely, those under 45 typically have spent less time in rented homes, with nearly seven in 10 living in the sector for less than five years.

Just under a quarter of over 45s (23%) have lived in their current rental home for more than 10 years, with 22% living in the same home for between five and 10 years. This suggests that older tenants view their rental home as long-term accommodation.

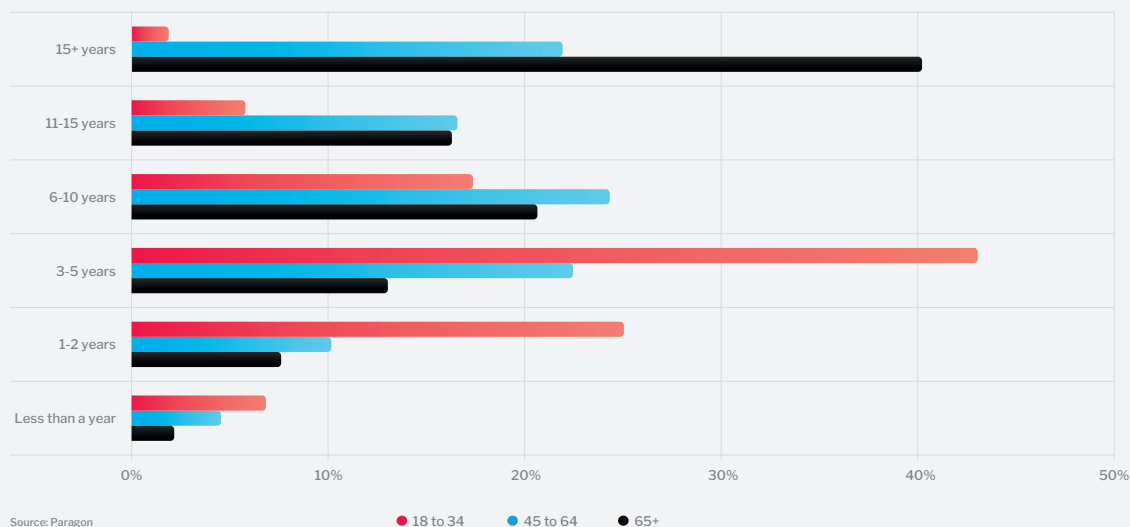
Although one in five have lived in more than five rented properties, the majority (65%) have lived in three or fewer rental properties, which again suggests this is a cohort who prefers to develop deep roots and view their rental property as a long-term home rather than temporary accommodation.

Another trend the Paragon research identified is a higher occurrence of living alone amongst over 45s, with a third (32%) living on their own.

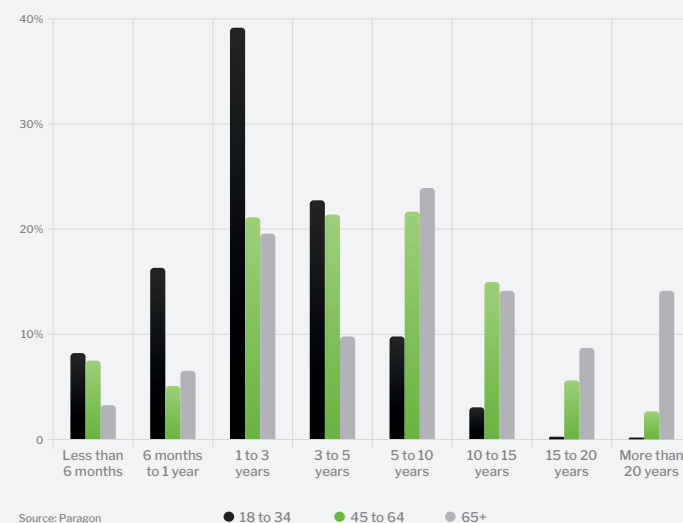
Number of privately rented properties lived in



Consecutive years lived in rented accommodation



Length of time in current home

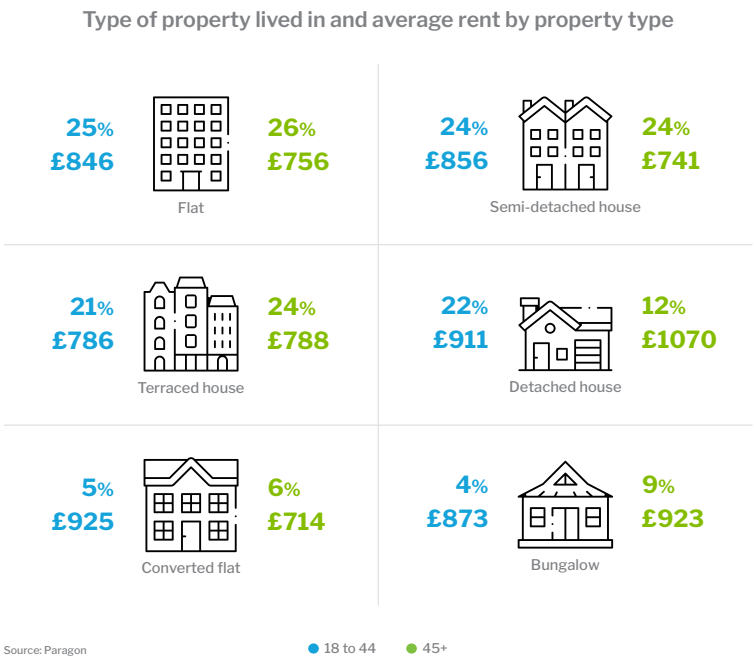
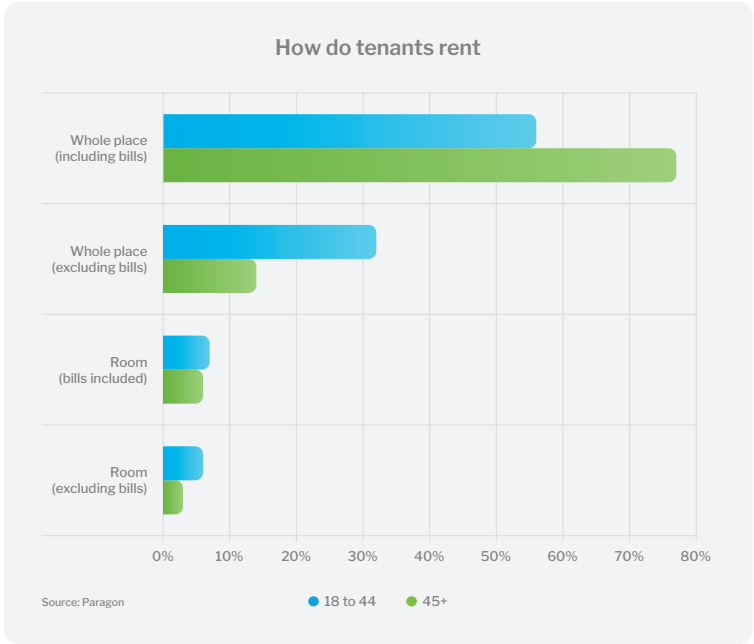
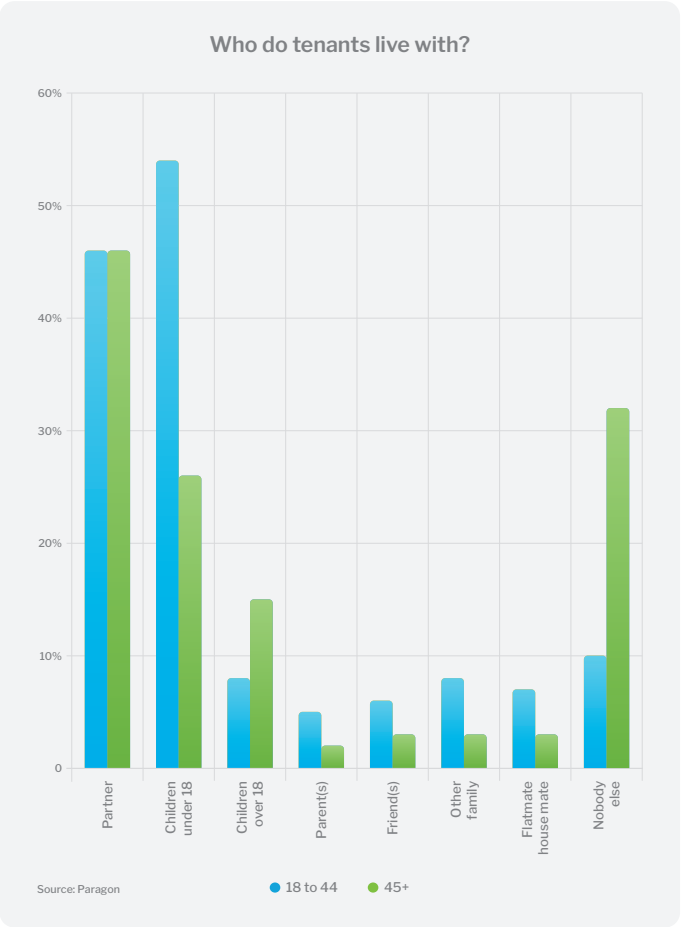




## Type of property and rent

Comparing the over 45s with younger tenants more broadly, tenants aged over 45 are more likely to live in a flat, semi-detached home or terraced house. Compared to those younger, they are less likely to live in a detached home (12% vs 22% for those aged under 45), although there is a higher occurrence of living in bungalows (9% vs 4%).

Three quarters (77%) of this cohort rent a whole place, excluding bills, and are less likely to rent property with bills included compared to younger age groups. This could reflect a greater propensity to live in build-to-rent accommodation for younger tenants – 14% of those aged up to 44 said they lived in build-to-rent style accommodation, compared to 7% for those aged 45+.



# Attitudes towards renting

## Tenants aged over 45 are generally happy living in the PRS and enjoy strong relationships with their landlord

Views towards rented property and landlords are equally positive amongst those aged over 45 and those younger. Tenants aged 45+ are less worried that they will be asked to move – likely due to having longer, more established tenancies.

Overall, two thirds of tenants aged 45+ like renting or have no strong feelings about renting. Of the 34% who didn't like renting, the biggest issue was the fact that they would prefer to own their own home (42%) rather than being due to any adverse relationship with a landlord or the property.

Nearly four in five (78%) tenants aged 45+ say they like the property they live in, with three quarters saying it feels like home. Meanwhile, 80% find it easy to contact their landlord and 76% have a positive relationship with their landlord.

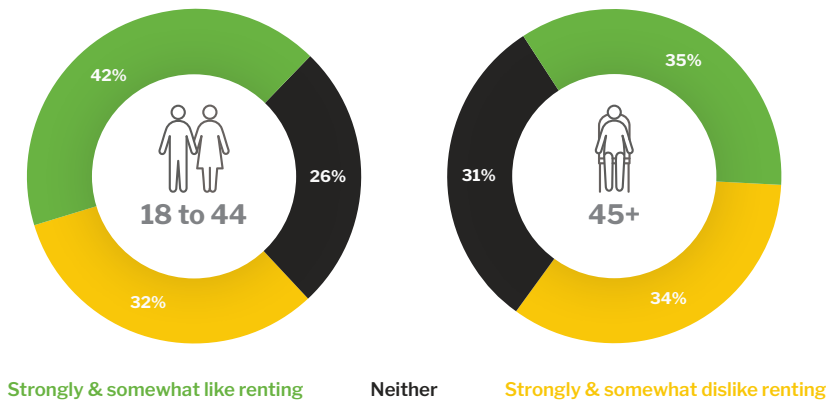
There is a fear from 61% of tenants that the landlord will sell the property, whilst 52% think the property is in need of some improvement.

When asked about what they like about renting, not having to worry about repairs is the best part of renting for 45+ year olds whilst for 18-44s it's flexibility they favour. The 45+ cohort also like the property being in a location in which they couldn't afford to buy, flexibility and no responsibility of home ownership.

When it comes to what they don't like about renting, for tenants aged 45+ it's the fear of being asked to move out, whilst the younger group would prefer to own the home.

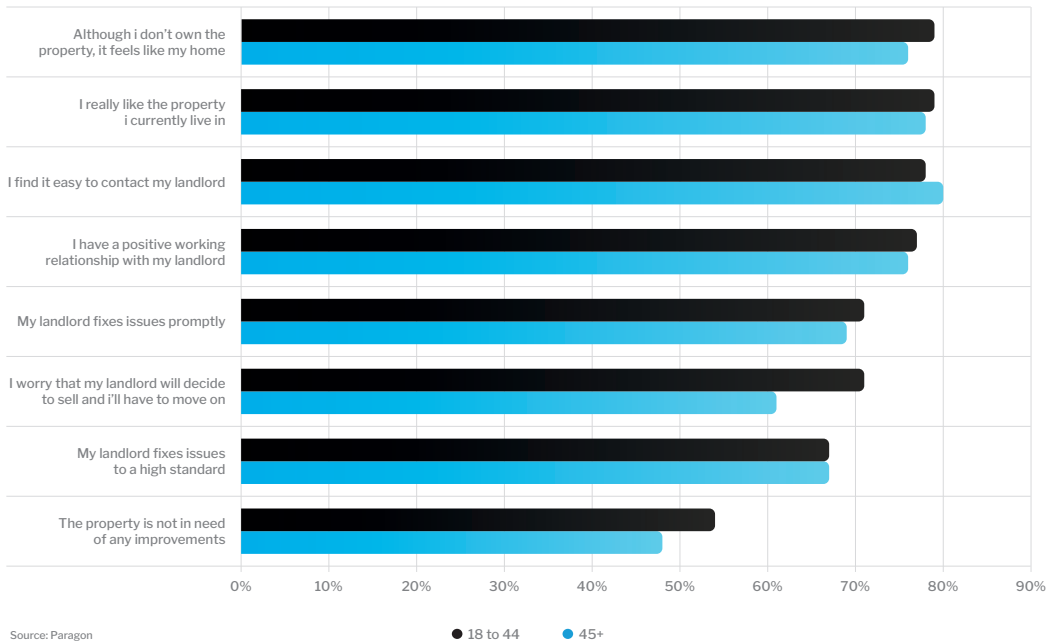


How do you feel about renting?



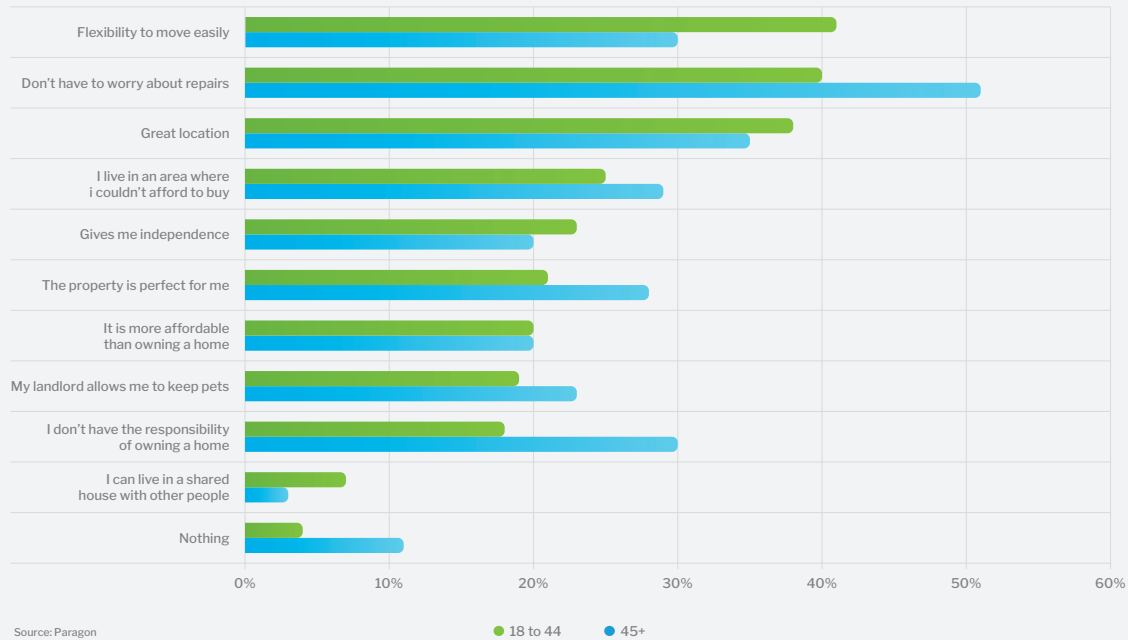
Source: Paragon

Tenants' view of renting

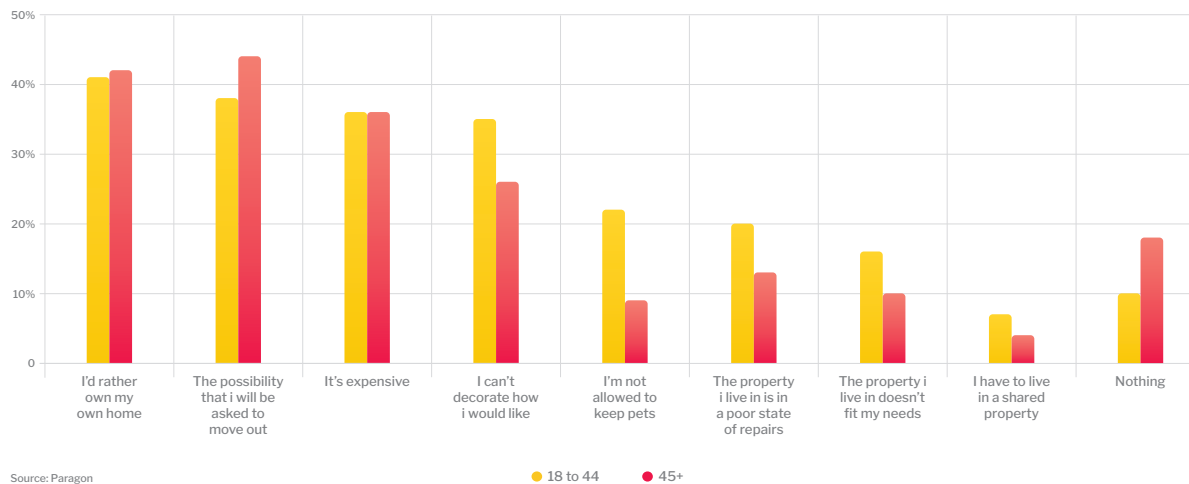


Source: Paragon

### What makes you happy about renting?



### What makes you unhappy about renting?





# How landlords view older tenants

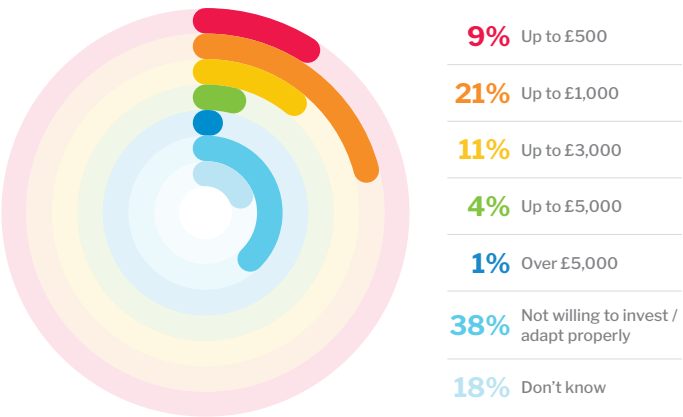
## Landlords value the stability that older tenants offer and would be willing to adapt property to meet their needs

Landlords value older tenants. Paragon research of nearly 800 landlords showed that landlords view older tenants as advantageous due to the fact they tend to prefer to have longer tenancies (65%), are more respectful of neighbours and the community (63%) and are reliable (58%).

On the negative side, 44% of landlords believe older tenants are more likely to request adaptations to the property and 42% think they are less likely to be able to afford rent increases due to fixed incomes.

Just under half of landlords (46%) would be prepared to invest in a property to adapt it to older tenants' requirements, with the average amount invested at £985. One in 10 landlords (11%) would be willing to spend up to £3,000 to make the required changes.

How much would you be willing to invest in adapting a property to meet the changing mobility / supports needs of ageing tenants?



Source: BVA BDRC

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### What landlords feel about older tenant groups

They prefer to have longer tenancies	65%
More respectful of neighbours and community	63%
Are reliable tenants	58%
More likely to maintain the property	46%
More likely to request adaptations to the property	44%
Less likely to fall into rent arrears	43%
Less likely to afford rent increases	42%
More likely to request to keep pets	26%
They want to live closer to amenities	25%
More likely to want to make changes to the property	16%
Can afford better quality homes	9%
Other	9%

Source: BVA BDRC

# Implications for the PRS

## An ageing tenant population will have broad implications for the PRS

An older tenant population will mean the PRS has to adapt to meet the needs of older tenants. We outline some of the implications below for landlords and policymakers.

### Landlords



#### Housing stock

There is a higher frequency of single person households in older age brackets living in the PRS. According to the English Housing Survey, 71% of private renters aged over 65 live alone, with 21% living as part of a couple. Only 2.5% of this group lived in a home of three or more people.

Nearly four in ten over 65s live in a flat (38%), with 14% living in a bungalow. Meanwhile 26% live in a semi-detached home and 6% in a detached property. As growing numbers of older tenants live in rented property, landlords could respond by increasing the proportion of flats or smaller properties in the sector.



#### Property flexibility

Six in ten over 65s have lived in their current residence for five years or more. For them, it's their home and they want it to reflect their style and personality. It should be expected that many of those in the 45-64 age brackets that will rent after the age of 65 will be in a long-term home and landlords will need to offer them the flexibility to adapt the home to their needs.



#### Tenancy terms

Later life tenants typically prefer security of tenure and will stay in a property for a longer duration. Landlords should be prepared to cater for their requirements and for the tenant to make amendments to the property so it is a 'home', such as decorating.



#### Property adaptations because of illness

Older tenants want to make their property their own through decoration and property adaptations. However, sometimes a property may need to be adapted to cater for a tenant's disability. EHS figures show that 53% of households privately renting over the age of 65 have, or live with somebody, with a long-term disability or illness.

This is significantly below the figure for homeowners, at 41%. Of those suffering from long-term illness, mobility issues are recorded by 57% of respondents and this may require the property to be adapted to cater for the tenant's specific requirements.



#### Location

Location is highly important for later life tenants. As is the trend with the location of modern care homes and retirement villages, being close to town centres and local amenities is attractive. Satellite towns are particularly popular as they are typically quieter than cities but offer the same types of essential shops and facilities.



#### Pets

According to The People's Dispensary for Sick Animals, 36% of dog owners are over the age of 55 compared to just 6% of dog owners being aged 18-24. As later life renters are more likely to be single person households, the propensity to own a pet is likely to be higher for wellbeing purposes. Many landlords stipulate no pets in their terms, but may need to have a more flexible approach on this issue.



## Policy makers



### Increased pressure on the public purse

According to the EHS, 40% of tenants aged over 65 in privately rented homes receive some form of housing payment support. This is higher than any other age group – 30% of those aged between 45 and 64 receive housing benefit, with the proportion falling for each lower age bracket. As the number of over 65s in the PRS increases, this could have an impact on the cost to the Government of housing older tenants in the PRS.



### The need for more care home beds

The PRS will provide a home for the majority of elderly tenants who require a rented home, but for some it is not the most suitable tenure and a care environment is required. According to Savills, the UK has the second lowest number of beds per 1,000 people aged over 65+ of the established European economies. We have by far the highest proportion of beds provided by the private sector -82%. An ageing population means more people will have increasingly complex care needs and Government provision of beds directly, or support of private operators, will need to increase.



### Ability to contribute towards care costs

The ability of people to pay for care in old age is means tested and, in most cases, a person's home is included in that calculation. With more people living in rented accommodation, housing equity won't form part of that calculation, placing more onus on the state to fund care.

A large proportion of long-term care funding in England is allocated to local councils by central government, however, the amount of these grants has been cut in recent years. In 2018, the IFS estimated the proportion of local taxes spent on adult social care will increase from 30% to over 50% by 2030.

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# 40%

*of tenants ages over 65  
in privately rented homes  
receive some form of housing  
payment support - higher than  
any other age group*

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