

Rental boom drives demand for 'build to let' investments

With the dream of homeownership fading – the average age of a first-time buyer is now 37 - more people than ever opt to rent



Julia Kollewe
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Developers aim to capitalise on the demand for homes to rent, as homeownership becomes onerous. Photograph Christopher Furlong/Getty Images

An Englishman's home is his castle and the [housing market](#) has long reflected people's desire to own their home. [Property](#) prices have come close to becoming a national obsession and it is hard to imagine TV schedules without the plethora of shows about buying, doing up and selling bricks and mortar.

But things are beginning to change as a number of powerful factors suggest that Britain is increasingly becoming a nation of renters.

Last year saw the lowest number of new houses built in Britain since 1924, and many would-be-buyers are still struggling to get a mortgage. With the dream of home ownership fading – the average age of a first-time buyer is now 37 – more people than ever opt to rent.

The market shows the trend. The average monthly cost of renting a home rose in November to a record £692, the tenth month in a row when they have gone up, according to a survey by LSL property index this week.

"It is more acceptable to rent now in London and in the big provincial

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cities," says Neil Gardiner, residential property manager at Aviva Investors. "We're drifting towards Europe and other parts of the world where people are waiting longer before settling down."

The growth in single-person households and the forecast rise in the population from 60 to 70 million over the next two decades will send demand for rented properties soaring. But Britain still has a long way to go – two-thirds of households are owner-occupiers while in Germany, a similar proportion are renter-occupied.

"We are going to become more and more continental European in our attitude," predicts Debbie Taylor, director of development and residential consulting at BNP Paribas [Real Estate](#). "We need to look very closely at the continental European model. France, Italy and Germany don't have speculative building. They build their own bespoke units or rent."

Traditionally, the UK rental market has been dominated by small buy-to-let landlords, who have bought one and two-bed apartments from housebuilders. Now, with rents rising and house prices falling, big institutional investors and some developers are entering the market to build mass rental homes – creating a new "build-to-let" sector.

To alleviate the UK's chronic housing shortage, the Homes and Communities Agency, the housing quango, agreed in September to back [Berkeley Group](#) to build homes for private rent in the first deal of its kind.

The housebuilder is to construct 555 homes in London and southern England over the next two years which will be owned and managed by a private rental fund set up by Berkeley. The deal could form a model for future development schemes, although Steve Turner of the Home Builders Federation is sceptical.

"The business model is based on buying land, building and selling homes and reinvesting the money to buy new land. It's not really in the business model for housebuilders to become long-term owners," he says. But he welcomes the fact that institutional investors are coming in to help reduce the shortage of houses, which approaches 1m homes. "We've got a huge housing crisis."

Some experts believe the shortage of affordable housing across the country could get worse, following the government's spending review. An average 26,000 fewer homes were built each year between 1997 and 2009, according to the Department for Communities and Local Government, the lowest peacetime house-building rates since 1924. As a result, 5 million people are now stuck on social housing waiting lists and 250,000 social homes are overcrowded, according to the government. "Clearly this system is broken and needs a radical overhaul," communities minister Andrew Stunell admitted last month.

The spending review included a number of changes to social housing, including increasing social rents to 80% of market rents to allow 150,000 homes to be built over the next four years, introducing fixed-term tenancies for new tenants, and slashing the budget for building affordable homes from £8.4bn to £4.5bn.

Creating an asset class

The HCA launched its private rented sector initiative in May 2009 to encourage institutional investors into the market. "The original intention was to attract institutional investors such as pension funds who put money in a fund that buys homes. The return goes to the investment fund and re-invested," explains Robert Davies of the HCA. "We want to create a new asset class. What we'd like to see is as much investment in the housing supply as possible through this route to mirror what you see in Europe and the US."

The agency is working with Aviva as well as a joint venture between

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Aegon Asset Management and property development firm Terrace Hill to create private rental investment funds. Jones Lang LaSalle's investment management division is also setting up a similar fund.

Aviva, the insurance group, is in the process of creating an investment fund to buy and rent out new-build homes and is seeking to team up with a developer. "We could well look at acquiring finished blocks or working with developers to build them," says Gardiner.

Aviva Investors wants to fund the construction of purpose-built blocks of 100 or more rental flats, targeting professionals, in the south-east. The fund is to be launched early next year.

At BNP Paribas Real Estate, Debbie Taylor and Chris Carter Keall, senior director of fund management, are also setting up a private rented sector fund that is expected to launch at the end of 2011 or start of 2012.

"The possible yields of 5% to 7% make this a very attractive investment avenue if the hurdles can be removed," says Taylor. Encouraging funds to enter this market would create a new investment class providing secure income streams and funding for developments.

Most of the private rental schemes focus on London and the south-east where the housing shortage is most acute, partly driven by migration from Europe, though Gardiner says Aviva might introduce its scheme in other parts of the country.

But he adds: "It is unlikely that the banks will provide either the terms or the volume of lending for residential purchases that they did up until 2007, in the foreseeable future. That is why institutional investment in the rented sector has become more critical, to increase the amount of rental stock for those that cannot easily get on the housing ladder."

Rental yields

The private rented sector has grown by 1.1 million households in the past decade and is now worth £500bn, dwarfing the value of the commercial property sector, according to property consultancy CB Richard Ellis.

A combination of stable rents and lower capital values has pushed yields out. Over the last five years, residential property has generated an average return of 6.8%, well ahead of commercial property at 1.8%.

Iain Hutchinson's London Rental Housing Company is trying to provide housing for the growing "sandwich" class of working families who cannot get into social housing or onto the housing ladder. It is taking the "no-frills airline approach" and building robust three-bed affordable flats and renting them out at £300 a week – below market rents and under the housing benefit threshold.

Hutchinson warns that if the housing crisis is not tackled decisively, we could see severe "disharmony" in coming years. "There's going to be a lot more people in overcrowded housing, a lot more street crime – it's going to be quite unpleasant."

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ChrisWoods

17 December 2010 5:00PM

Its all another recipe for disaster where the rights of those who rent from private landlords have little or no rights under current UK legislation. So sure bring in the slum landlords on a massive scale and rack em and pack em thats really going to fix our broken housing policy. After all, if you were rich you dont need slum housing you can afford to live in Hampstead or Kensington. Also since the govt have brought forward legislation to cap housing benefits in places like London where rents are high even for a crap hole, this will simply mean that having private landlords wont fix that problem where we have a few million on a waiting list.

The reason why on the continent that renting is so prevalent is because its seen as a good cheap way for a nice clean and affordable place to live. On the continent there are extremely strict rules for landlords who can face prison & fines by the authorities for not providing decent accomodation. Here in the UK people want to buy because more often than not rented housing is a dive and expensive. Private landlords spend the minimum in sub standard housing because they can get away with it with little recourse to the law well aware of the fact if the tenant complains they will just be booted out and offered to some immigrant for a little more money and even less rights.

Only way to fix the broken housing in the UK is for local authorities to buy up or build more housing and convert them so they are affordable and large enough for families. Cant see it happening in the next 50 years though.

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misterhoppy

17 December 2010 5:01PM

If rents are going up and wages are being frozen or cut...how does this help the economy? Surely this just means a higher proportion of peoples incomes are given to their landlord rather than being spent, and I doubt landlords are going to go and splash the extra cash around, it'll end up with the banks, again. Great.

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misterhoppy

17 December 2010 5:04PM

Must add the proportion of my income I have to spend on rent is already frightening, but hopefully if everyone who has more than one house and can't sell at the moment dumps them on the rental market that might lead to an excess, and therefore a lowering. Doubt it though.

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harbinger

17 December 2010 5:07PM

The average monthly cost of renting a home rose in November to a record £692, the tenth month in a row when they have gone up, according to a survey by LSL property index this week.

That to me says exactly what is wrong with the housing market. We used to call people who racked up rents month after month 'Rackmanites'. Yet here is an article that glories in the money you can squeeze out of people priced out the housing market - sting them with rents approached a thousand a month. And then keep on raising the price.

The rental market is just the same old housing bubble but under a new name. If rents climbed at this rate on the continent there would be an outcry. Yet in Britain it is a matter of pride it seems that you can become a landlord and turn the screw as often as you like.

A whole column devoted to telling speculators how to make even more money, baffles me..... but then is there anybody in Britain who regards the roof over their heads as a home for their families? I suspect not. It is a money making machine, a seeming one way bet to riches without having to work for it.

misterhoppy

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17 December 2010 5:12PM

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@Harbinger:

Sadly a lot of the buy to let landlords with only 1 or 2 properties have bought when the market was high, so they have to charge so much to cover their mortgages. Now imagine what will happen when interest rates rise at some point in the next few years!

If my rent increases I'll be pushed to afford it, and people tell me to move to a cheaper part of the country - after I've spent 3 years building up my business it isn't an option (plus I'd not be able to get the same hourly rate somewhere where there is less money about).



kvlx387

17 December 2010 5:15PM

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Don't we have an excessive number of empty properties in the UK?

It's odd that people would leave properties empty rather than renting them.



LacanianTopology

17 December 2010 5:26PM

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"We are going to become more and more continental European in our attitude"

Does that mean our tenancy legislation is going to get *more continental European* to match.

Because the behaviour of some UK landlords would be illegal under for example German law:

<http://www.globalpropertyguide.com/Europe/Germany/Landlord-and-Tenant>

Examples that are common in the UK:

- putting the property back on the market as soon as the tenant moves in.
- serving Section 21 as soon as the tenant moves in
- threatening the tenant with Section 21 if he or she challenges poor conditions or a rate hike.

Basically a tenant in UK law at present is little more than a disposable cash generator for 'investors', to be discarded at two months notice when it becomes more economic to sell up.



harmonyfuture

17 December 2010 5:37PM

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Why do we have to create a new 'Asset Class' to provide decent housing? Why could government not fund this if there is potential for good returns, Oh, we did that once then we sold them all off. Funny the same party now wants to bring back Institutional landlords.



nickspurs

17 December 2010 5:59PM

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The time has come (actually it is well over due) that BTL was taxed properly. It is a scandal and a national disgrace that tax money from FTB (and others) who can't afford a house goes toward tax reliefs for BTL. I don't blame the coalition as it was under Labour that BTL grew to such dizzy heights, but come on, lets have a sense of decency and fair play.

WageslaveX14

17 December 2010 6:01PM

[Recommend? \(44\)](#)



It annoys me when articles like this are written without any acknowledgement of the politics underlying land and housing.

As some commenters have mentioned above, UK tenants don't have anything like the levels of protection as French and German tenants, and continental rents are much lower. This makes renting a satisfactory option in Germany in particular, while renting in the UK is invariably pretty grim.

Nowhere in the above article is the basic, fundamental problem of British housing mentioned - it simply costs too much, whether rented or bought. Mortgage availability isn't the problem - prices are the problem. If renting was good value I wouldn't care about not being able to afford a house, but renting is not good value in the UK, and you have no security whatsoever.

Building more 'affordable housing' is not the answer, as in the UK this means substandard, tiny new-builds made 'affordable' by part-purchase/part-rent schemes, which are a ruse by banks and builders to charge even more for property.

The only answer is to make all housing more affordable. The only way to do that is to let house prices fall. Contrary to the protestations of unthinking economic commentators and people with a vested interest in keeping prices high, this would be a good thing for the UK economy as well as for UK citizens.

Giving people freer access to more debt at low rates is not the answer, as it just makes the economy more prone to disaster from interest shocks, and hampers the ability of central banks to combat inflation. There are many more reasons why debt is a bad idea, but I won't list them here.

The number of subsidies in the UK which help keep house prices high is incredible, and I would happily write an article for CiF on these if anyone is at all interest. I suspect no one is, though.

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nickspurs

17 December 2010 6:37PM

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Wageslavex14 - I would be delighted to read such an article were you to write one! I don't know whether it is for advertising revenue or what, but most newspaper column inches devoted to discussing housing (even on CiF) seem to try and ramp up property at every opportunity



CBernard1959

17 December 2010 7:15PM

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My suspicion is, that within 10 to 15 years, if all else is held equal there will be no shortage of housing (and it will be much more affordable). As the baby boomers age, they will be looking to downsize and cash in the equity that they have built up in their homes to fund their retirements. Supply will outstrip demand and prices will have to drop accordingly. Here's an analysis of what is anticipated:

<http://tiny.cc/xk7v8>



gwnfwr

17 December 2010 7:27PM

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Tom Tiddler's ground for the fat-cats!



12eason

17 December 2010 7:31PM

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The spending review included a number of changes to social housing, including increasing social rents to 80% of market rents

A tax on the poor, which will lead to homelessness. 80% of market rates is not 'affordable', so to use it to build more 'affordable' houses is moronic.



OnlineLettings

17 December 2010 9:16PM

This comment has been removed by a moderator. Replies may also be deleted.



machel

17 December 2010 9:49PM

[Recommend?](#) (8)

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WageslaveX14 - I'd be interested in your article too.

House prices will fall. Overall demand for houses is very inelastic, and there are a lot of empty houses. They are being kept off the market by banks in order to conceal their true financial position. The banks and government are looking for a slow unwinding rather than a crash, and for the taxpayer to pick up the bill.



nickmavros

17 December 2010 10:48PM

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"It is taking the "no-frills airline approach" and building robust three-bed affordable flats and renting them."

A London Rental Housing Company executive shows us around a typical house: "This is the bathroom/kitchen with dual purpose toilet bowl and sink, and a lovely bath which also doubles up as a the guest bedroom. The livingroom/ off road parking can be quickly converted into a garage by simply leaving the up and over front door open at all times: you'll have to leave the furniture outside though! The two in one bedrooms with internal staircase is upstairs: watch your heads in the bedroom because the ceiling is only 1m high. Finally, there are front and rear gardens laid to lawn: each one square metre in size - which also includes the dustbin area. That's it then!



Halo572

17 December 2010 11:30PM

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This country is sick and getting sicker every second that passes.



minacharm

18 December 2010 12:38AM

[Recommend?](#) (7)

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I'm an accidental landlord in negative equity, sitting on the svr cos my original mortgage was 95% ltv. Now I know what a sitting duck feels like! BTW it's no piece of cake being a landlord in the uk - my tenants bugged off at end Nov with hardly any warning and now I'm stuck with the mortgage and high rent costs over Xmas. It took me 10 years to get on the ladder and for the past three years the burden of being a new homeowner in this financial climate has been an absolute nightmare. I dread to think what 2011 brings as I can't sell - no-one can get a mortgage and interest rates can only go up.



minacharm

18 December 2010 12:40AM

[Recommend?](#) (2)

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Oh yes we landlords are laughing all the way to the bank...

GandalftheWhite

18 December 2010 7:59AM

[Recommend?](#) (12)

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[| Link](#)

B2L is another form of social genocide where the younger generation usually under the age of m38yrs old are Farmed as Cash Cows. Unless you all protest and as the students have done you will never free yourselves from this dickension enslavement. As those in power could be part of the problem as the expenses fiasco showed.

The Fairs Rent act is out of date (1984!) Rachman is back (check it out on Wikipedia), low interest rates means people buy property to prop up the uK House Price Ponzi scheme, which in turn means you loose your job to ensure B2L continues. This is why Interest Rates Must rise! But then the real Tsunami wil hit as Rents will rise even more. That is why B2L is liike social genocide.

The evil to society is not properly understood so I suggest you go to the PricedOut web site and join the campaign.



slackrabbitt

18 December 2010 8:05AM

[Recommend? \(6\)](#)

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"– the average age of a first-time buyer is now 37 - more people than ever opt to rent"

Doesn't that say it all....about how over priced the market is?
Still the denial of the whole mess continues.



marcospurs

18 December 2010 8:52AM

[Recommend? \(5\)](#)

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Misterhappy,

"Sadly a lot of the buy to let landlords with only 1 or 2 properties have bought when the market was high, so they have to charge so much to cover their mortgages. Now imagine what will happen when interest rates rise at some point in the next few years!"

That's not quite how it works. The market determines the rental levels not pushed BTL landlords. Its the supply and demand economics that drives prices. If a BTL landlords needs to charge more than the market rate his/her property will sit empty.

If the BTL landlord finds that there's a shortfall between the market rent and the mortgage then they have two choices - make up the shortfall from there own pocket or lose the property.

Its the unwillingness or inability of people not buying that is pushing up rents. There's now more demand for rental property - so, in reality everyone is to blame not BTL landlords as you would have us believe.



GJones

18 December 2010 9:25AM

[Recommend? \(17\)](#)

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GandalftheWhite 18 December 2010 7:59AM

" low interest rates means people buy property to prop up the uK House Price Ponzi scheme, which in turn means you loose your job to ensure B2L continues. This is why Interest Rates Must rise!"

Are you for real? Yours is probably the stupidest comment I have read on here (and I have read a lot, although that said, I do enjoy reading Fwoggies well considered posts).

Low interest rates ensure you keep your job - a rise in rates will send many businesses to the wall, mine included, leading to mass unemployment.

And all to satisfy your pathetic HPC crusade.

Oh ,and you also state "Unless you all protest and as the students have done you will never free yourselves from this Dickensian enslavement."

I didn't realise that tuition fees had been abolished, or is that just in your parallel universe?

**becarefuloutthere**

18 December 2010 10:53AM

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minacharm

You make an excellent case against B2L.

When house prices first fell in 2008 (of course, ill-advised lending has now driven them back up) I looked at b2l. Doing the sums the model doesn't work out very well, at least in the West Midlands. The most likley yield was just over 3% and this with an illiquid, over-valued asset amd high transaction costs.

Take note, this is an Aviva fund. So this will be marketed to the retail sector pining for higher yields One of the downsides of low interest rates is that poor investments are made a) due to the unsustainable price of capital b) due to desperation. The fund will attract management charges, that's how they make thei rmoney.

As we speak, quality corporate bonds that are effectively risk free (even in the 1930s the defaults on quality bonds were rare and companies pay out interest payments even before they pay tax) due to quantative easing are yielding around 6% and are very liquid. So why would an insurance company wish to enter b2l when a far better, certainly as good, investment already exists? Marketing, dear boy marketing.

**NoVI**

18 December 2010 11:22AM

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One major facet of the british housing market that is never addressed is the changing demographics of the country.

Society is becoming increasingly split between a few High earners and a mass of Minimum Wagers and benefit recipients. We have stripped out the relatively good earning industrial professional class and business owners.

That also means that the UK's housing portfolio needs to change. We no longer live in family units, the majority of children are brought up in Single mother households. This is usually social housing.

There is now a vast oversupply of up-market family homes in leafy suburbs and a dearth of social housing,(caused by enforced sell-off of council housing stock), in inner cities.

Hence there has been an increase in the prices at the lower end of the market, yet a fall at the upper end, (not very top-end).

This is the type of problem that takes decades to create but also decades to solve.

I must agree with comment from *Halo572* above !

**Habura**

18 December 2010 11:27AM

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A home is only worth what someone is willing to lend for it.

As long as the above holds true we're going to have an unbalanced housing market and economy.

**Busch**

18 December 2010 12:21PM

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What are they going to build. The cheaply built and badly insulated properties we have had for the last fifty years that are solely designed to maximise builders and energy companies profits and to create the dissatisfaction that leads to the housing market merry go round and more profits for solicitors, estate agents and HMRC. Its time the stranglehold of large building companies, holding huge landbacks, purchased with cheaply borrowed money was ended, so good indivudally designed fit for purpose properties could be built..

**optimist99**

18 December 2010 12:52PM

[Recommend? \(14\)](#)[Report abuse](#)[| Link](#)

A few points about the German housing system.

Building standards are really high - the Germans "build for eternity".
The average age of the housing stock is a fraction of the UK's.

There are spec. builders in Germany - usually building blocks of flats for owner occupation or small housing developments. (Contrary to what Ms Taylor says).

The legal framework regarding renting and buying is quite clear and obligations are easily enforced (and quite fair to the tenant/owner).

Until an owner-occupied property has been lived in for 10 years, tax on any capital gain is due.

There are a wide range of housing associations with differing sets of rules.
One excellent one I know opens up to new members only occasionally - they then go on the waiting list if they comply with various requirements (one being that they must be under 40).
Eventually they get a life-long tenancy of an excellent semi with a huge garden in a Garden suburb (at a very favourable rent)...

Normally, if wishing to receive a mortgage you first start saving with a Building Society (Bausparkasse) - then you get a fixed term fixed interest mortgage for 10 or 15 years. Usually at least a 25% deposit is expected.

Most German property has gained little in value over the past ten years (or even decreased in value).
This is in line with median incomes. No one worries about this.

The German system works, and works well - the UK would do well to imitate some aspects of it.
Housing is regarded in Germany as a non-problem - solved years ago.



Busch

18 December 2010 1:13PM

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My father was stationed in German barracks at the end of the war. He always maintained they were thirty years ahead of us in housing standards and other things even in a bombed out country. I think the Germans have realised that if you have good easily maintained housing, and cheap quality flats for mobile workers and students and are not spending most of your life in B&Q sorting out bodge building work, you can concentrate on your work and career and also holidays, beer and wurst.



wanderingbear

18 December 2010 1:29PM

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The are only 2 problems with the UK housing market:

Unfettered immigration and

Housing Benefit



Drottle

18 December 2010 3:28PM

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It's a one-way street, and that way is up.

There are hardly any new houses being built; mortgages are going to become harder to get; first-time buyers will need a bigger deposit; higher interest rates will put people off buying. Divorce and single-parenthood mean more homes for the same number of people. And on top of it all, the UK's population is growing and is forecast to grow even faster.

Low supply, high demand. Rents will continue to rise. And the nominal value of properties will continue to rise, thanks to similar pressures and to the policy of inflation-creating money supply expansion followed by the Bank of England.

As an investment, you can't really fault it; it's as safe as houses.

optimist99

18 December 2010 3:29PM

[Recommend?](#) (6)



wanderingbear-

Wrong and wrong.

EU immigration to the UK - will probably disappear or even go into reverse in May, Simply because then Germany will have no barriers against Polish(etc.) worker immigrants.

Germany is booming, has a labour shortage in many areas, and no housing problems - it's also closer to Eastern Europe. Far more attractive to East Europeans than the failing UK. (Eastern Europeans frequently learn German at school).

Non-EU immigration to the UK is already under tight control.

Housing Benefit is essential for those who cannot pay market prices for a roof over their heads - what do you suggest? Or do you want armies of homeless sleeping in the streets?

And reducing demand would hardly improve the existing deplorably low standards - maybe you think this is no problem?

UK net immigration is added to by returning pensioners who find Euroland too expensive - so many of these "immigrants" are Brits anyway.

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Burntfaceman

18 December 2010 4:44PM

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Total bullshit article, asking rents are up but occupancy levels are down and the market is absolutely flooded to bursting point with empty rentals indicating that prices will collapse as buy to let freaks take what's on offer.

Most B2Let mortgages are interest only; renting of the lender to then rent out with no chance of ever paying off the capital given we'll have stagnation stagflation for 2 decades.

These articles are always done from the Londinium perspective were the market may as well be a different planet, but given the restrictions of housing benefit coming into force (although now slightly delayed to allow Cmaeron and the cabinet to offload their investments) even that's not as water tight as many may think. For the rest of the country you can only compete in the rental market on price as there is massive amounts of choice. The displacement of private occupancy housing to the new greedy landlord class hasn't worked, it's an epic fail..

There's been some very clever pr by landlord associations suggesting rents are up but the volume of choice is truly massive, so voids and or repairs/renewals combined with property crashing does not a landlords' market make, nice try Julia, we wish you well with your buy to lets... ;-)



Burntfaceman

18 December 2010 4:46PM

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Drottle, Drottle, Drottle you sad sad troll..good look with your collapsing *empire* <snigger>



GandalftheWhite

18 December 2010 5:25PM

[Recommend? \(2\)](#)

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Drottle (Burntfaceman SPOT ON)

The social evil will only cause greater polarisation of society driven by greed and low taxation supported by Gvt (CO n Far Right in particular) who only put GCTax to 28% when lab reduced it to 18% in 2008 when before it was 40%.

This is just one reason, while the majority pay more tax the UK Housing Ponzi scheme gets worse with the support of Govt.

Unless GCTax for property is put back to 40%, Land Tax introduced, Higher interest rates for B2L mortgages this will only get worse. As it is already.

If you have 350,000 to invest 2.5% in a Bank is crap when you can get 5-8% yield on a falling property ,arket the GOvt wants to support to protect the banks abd assets. So yr all being milked by bad fiscal mgnt when u have higher tuition fees, VAT hikes, Food, Energy going up. With no controls on Rent increases.

You thought you lived in a socially responsible society and Govt....! :o)



Burntfaceman

18 December 2010 7:03PM

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There are approx 1.4 ml properties for sale on Rightmove, only 30-50,000 are selling each month. The unsold inventory is piling up month after month, it's grown by 500,000 in a year..There are 500,000 private rental properties available, only 20,000 are churned each month...

Now tell me, armed with that info. why on earth does anyone think the property market is healthy, or that price will not drive the market down. If we get a return to 5% interest rates inside the next 4 years values will slip back to 2001 levels, 'Id like to see the buy to let freaks hold onto their Sarah Beeny inspired 'propperrddee' portfolios with rates of 8% and their properties having 30% negative equity..



oommph

18 December 2010 9:19PM

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@optimist99:

"Germany is booming, has a labour shortage in many areas, and no housing problems"

Oh, it has some alright. The parts of towns people want to live in are becoming unaffordable too. Lots of "priced out" screaming going on in my town and many others. I couldn't afford the place I bought a couple of years back (35% more now, this "prices don't rise" is a myth, they very much do in some places). And plenty of Brits and Irish wannabees baulking at paying 1300 a month to run a two-bed flat in a town they have never heard of and so assumed was cheap.

A whole raft of articles just yesterday in FAZ and the rest. And guess who is getting the blame? Yup. Us. The "international professional" (aka the immigrant). We have high expectations apparently.



LANDLORDX

18 December 2010 10:19PM

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I doubt very much that institutional financing for specialist rental developments will be available given the wider chaos in the economy and the exposure of UK banks to Eurozone debts. I predict falling property values in UK but massive shortages of rental accommodation - rents are going to go through the roof. Tenants on benefits will be completely priced out of many areas but there will be plenty of private sector tenants to replace them. Zero house-building plus unfettered immigration means boom times ahead for professional landlords.



mrtncooke

18 December 2010 11:18PM

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How many people can give an opinion without revealing their personal position? I think I could guess the housing status of 99% of posters on here.

For the record I own 1 property and rent it out as I am living overseas, please don't try to say life is all gravy for landlords, a lot of tenants have no respect.



ak1981

19 December 2010 5:49PM

[Recommend?](#) (0)

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@optimist99 A few points about the German housing system. Building standards are really high - the Germans "build for eternity". The average age of the housing stock is

a fraction of the UK's.

The reason the average age of German housing stock is so much younger than the UK has more to do with the RAF/ US Air Force/ Red Army than build quality. We didn't have to rebuild our country to anything like the extent that Germany did.

But I take your point, German build quality tends to be very good. Many British Georgian, Victorian, & Edwardian houses were built to an excellent standard, but the standard of some of the things thrown up in the property boom has been shocking - particularly some city centre new build flats.



mistercp

20 December 2010 10:36AM

[Recommend? \(0\)](#)

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The housing market is at present dysfunctional. Low transaction levels, low mortgage approvals and very few FTBs. All this with IRs at 0.5%.

The easy excuse for media drones and politicians is to blame 'mortgage availability' - everyone seems desperate for us to go back to lax lending to re-inflate the bubble; short memories, some folk, as irresponsible lending is what nearly wiped out the banks 2 years ago.

However, the prospect of prices falling to affordable levels is so abhorrent to most commentators as they're probably up to their teeth in BTLs. It's the elephant in the room that's barely ever mentioned in articles like this, where supposed 'experts' are trotted out to tell us that unless we release more land to build more houses, unless the banks get lending at 95% LTV, and unless mortgage rates come down we're doomed.

Yet this is all that's needed to restore sanity to the market - lower prices would create a sentiment shift whereby investors would be more cautious about buying a depreciating asset and there'd be no need to loosen current mortgage lending criteria that would prevent another boom.

But unfortunately too many people depend on their property's equity and aren't going down without a fight. The previous government knew this was a vote winner and fought tooth and nail to keep prices high.

The market will, of course, collapse - when and by how much I don't know, but unless wages miraculously rise to make up the gap, we're looking at years of declines in nominal prices that should have been allowed to happen many years ago when it would have caused a lot less pain...



SarumantheWise

20 December 2010 1:08PM

[Recommend? \(2\)](#)

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@ Gandalf,

I just dont understand all of the whining. Unless the Government does this, unless the government does that... Why not just accept the fact that you don't live in a "socially responsible" society and deal with it?

As mentioend in previous threads, B2L provides valuable accomodation for students and those who do not actually want to settle down and be pinned to one area.

Social evil? My tennants are happy, I am happy. If you can only get a return of 2.5% from a bank, why not try B2L yourself as you seem to understand the benefits it brings in the current climate?

Besides a diverse portfolio protects you from one off asset price shocks.

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