



Resolution Foundation

BRIEFING

Game of Homes

The rise of multiple property ownership in Great Britain

George Bangham
June 2019

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Summary

Additional property wealth is a big deal in Britain today. There is a lot of it around – almost a trillion pounds' worth in 2014-16, or almost one-sixth of the value of all property – and one-in-nine adults have some in their family. It has increased sharply in scale, with its value rising by one-fifth in two years, while the number of adults in families with additional property wealth has risen by more than 50 per cent this century, to 5.5 million people. This briefing looks at who owns additional property, the reasons for holding it, and the implications for the living standards of different generations and income groups.

This century's rise in multiple property ownership is a British story: not more houses overseas (their number has not changed), but instead a rapid growth in the number of people buying houses in Britain to rent out, and a smaller growth in the number of second homes. Buy-to-let is nowadays the biggest part of Britain's multiple property wealth, as well as the fastest-growing. Almost two million people own buy-to-lets, while the total number of outstanding buy-to-let mortgages has risen 15 times since 2000. This surge in multiple property ownership is the flipside of falling main property ownership rates since 2003 and an expanding private rented sector (which doubled between 1995 and 2016).

Who are the owners of multiple property in Britain? In many ways their profile matches household wealth more generally, so they tend to be older, higher income and southern. In the top tenth of the household income distribution, 7.5 per cent of individuals own a second home and 13.6 per cent own a buy-to-let.

However, the generational distribution of additional property wealth is different compared to primary property wealth. The recent boom in multiple property wealth has benefited all generations, so while younger ones have failed to match the property wealth accumulation of previous generations – 37 per cent of people born in the 1980s lived in families with property wealth at age 29, compared to 50 per cent of people born in the 1960s – they are matching the *additional* property ownership rates of previous generations. The 1980s cohort reached the same rate of additional property ownership that the 1960s cohort did by age 29, with 7 per cent of adults living in families with some additional property wealth in each case.

People choose to own multiple properties for a variety of reasons beyond wanting to spend time in them, notably to provide an income or capital return (especially in retirement) and to store wealth to pass on to the next generation. In 2014-16, more than half (52 per cent) of all rental income was received by the baby boomer generation (born 1946-65), with another quarter received by members of generation X (born 1966-1980). 10.8 per cent of working-age people said they planned to use income from additional property to help fund their retirement, suggesting additional property is an important part of wealthy Britons' retirement plans. These people appear to be using their additional properties as a complement to rather than a substitute for pensions: their pension provision is at least as good as that of people not planning to rely on additional property in retirement.

There is evidence that multiple property wealth may be more important than many other sorts of wealth for passing on as bequests. On average in 2016-17, over-50s in England

who planned to leave over £500,000 in bequests had primary property wealth 13.5 times larger than those planning to leave no bequests. By contrast, over-50s planning to leave bequests of over £500,000 had 41.6 times more additional property wealth than those planning to leave no bequests.

Policy makers have woken up to many of the issues around multiple property ownership in the past four years, and introduced welcome reforms to relevant tax reliefs, stamp duty surcharges and council tax exemptions. But the truth is that the distribution of multiple properties tells a bigger story about Britain. Additional property ownership is related to rising property wealth concentration within older cohorts and within the fortunate wealthy minority in younger ones. The associated rise of the private-rented sector, now home to one-fifth of all families and one-third of those with children, has increased insecurity for many. Recent policy reforms have been a welcome start, but there are major questions to confront if Britain is to avoid today's stock of additional properties further widening tomorrow's inequalities in wealth and income.

Rising additional property ownership has been the flipside of falling main property ownership

In recent years there has been considerable media attention devoted to the ownership of second homes and buy-to-let (BTL) property. This has partly been due to political efforts to change the taxation of additional property. These efforts have led to the phased removal of tax reliefs on additional property mortgages and on second and empty homes, and to an increase in the stamp duty payable on additional property purchases.

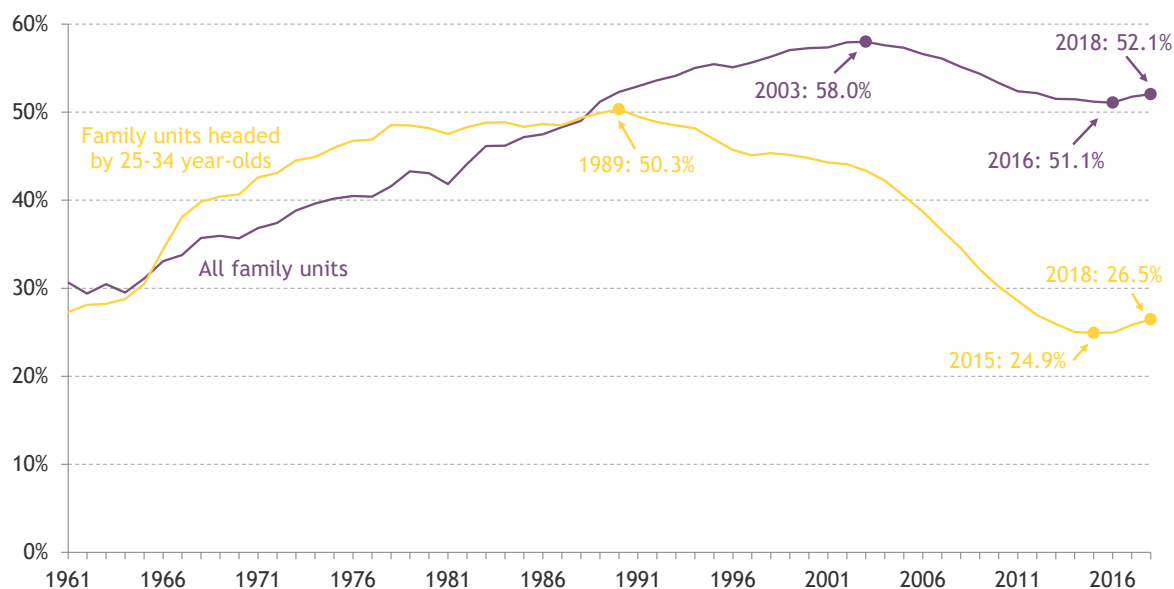
Perhaps more importantly, the issue of multiple property ownership has become more salient in recent years as rates of overall home ownership have fallen. Home ownership (which we measure at the level of the family unit) peaked in 2003 at 58 per cent of families, as Figure 1 shows, and then declined until 2016, before picking up a little since.^[1] Among families headed by people aged under 35, it has been declining since 1989. As a result, millennials today are only half as likely to own their home at age 30 as the baby boomer generation were when they were the same age.^[2]

[1] A family unit is a single adult or couple, and any dependent children. Tenure change is often measured on a household basis, however this fails to capture the living arrangements of many young adults who live in homes owned by friends or older family, or who rent as a group. For this reason we track tenure over time with a focus on the family unit. See: L Judge & A Corlett, 'Only half of families own their own home – how do the other half live?', *Resolution Foundation blog*, 27 December 2016

[2] A Corlett & L Judge, *Home Affront: housing across the generations*, Resolution Foundation, September 2017

Figure 1: Home ownership rates peaked in 2003, and in 1989 for young families

Home ownership rates, by age group of head of family unit: UK, 1961-2018



Notes: A family unit is a single adult or couple, and any dependent children.
Source: RF analysis of IFS, *Households Below Average Income (1961-83)*; ONS, *Annual Labour Force Survey (1984-91)*; ONS, *Quarterly Labour Force Survey (1992-2018)*

The implication of this fall in the proportion of families who own housing wealth is that more and more families are renting their homes, many for the long term. Within the whole rented sector, at a time when it has grown, the share of social housing has fallen sharply over the past 35 years, and hence a greater proportion of renters are renting from private landlords. In 1989, 7.9 per cent of families rented privately – the lowest proportion in recorded history – while the proportion has risen steadily since then to reach 18.3 per cent in 2018.^[3] Between 2003 (when home ownership peaked) and 2016 (when it stabilised), the number of households with children living in the private-rented sector tripled, rising from 0.6 million to 1.8 million.^[4]

Falling home ownership has not of course meant that the total number of houses has diminished. Instead, a greater proportion of the housing stock has been bought by existing home owners as additional property, precipitated by the liberalisation of credit for buy-to-let mortgages and the deregulation of rents and introduction of assured shorthold tenancies in the 1980s.^[5] Some of this will have been the owners of multiple properties buying yet more of them, while some will be explained by people making their first entry into multiple property ownership.

Supporting this conclusion is the fact that only a small proportion of rented properties are thought to be owned by institutional investors.^[6] And the expansion of the private-

[3] Source: RF analysis of ONS, *Annual Labour Force Survey (1984-91)*; ONS, *Quarterly Labour Force Survey (1992-2018)*

[4] L Judge & D Tomlinson, *Home improvements: Action to address the housing challenges faced by young people*, Resolution Foundation, April 2018

[5] Ibid.

[6] 94 per cent of rental properties in England are owned by individuals. Ministry of Housing, Communities and Local Government, *English Private Landlord Survey 2018*, January 2019

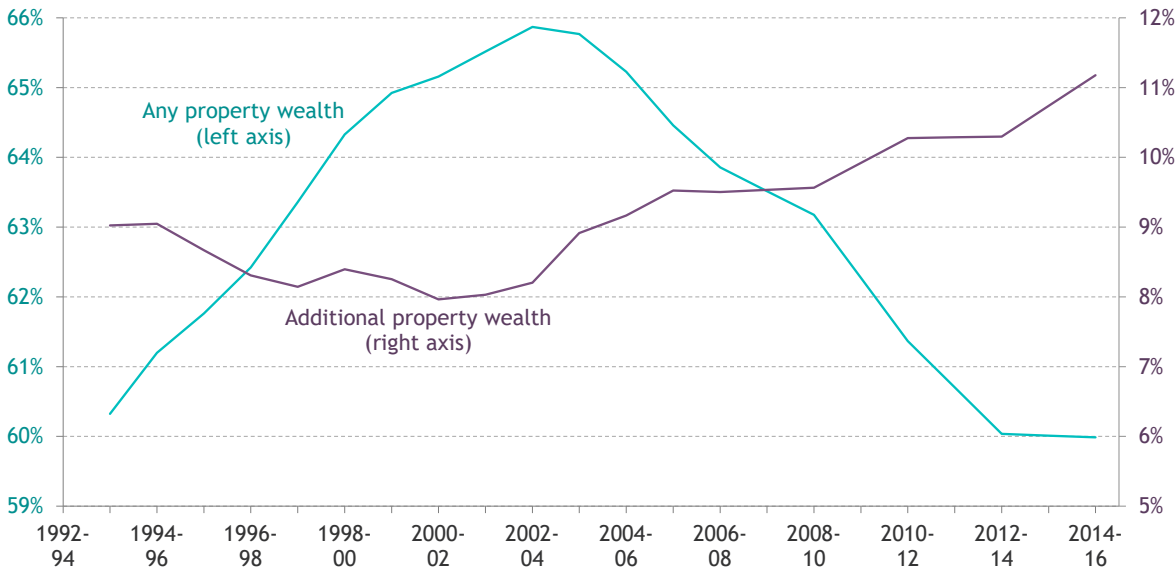
rented sector has not substantially increased the total supply of housing, given that more than half of landlords buy from existing housing stock rather than new-builds and that a substantial number of private-rented properties (over half a million) used to be publicly owned.^[7]

The proportion of adults with additional property wealth in their family has grown over the past 25 years

Measuring since the mid-1990s, we find that the rise in the number of people owning additional property has taken place particularly since the turn of the millennium. As Figure 2 shows, the proportion of adults who live in a family with property wealth outside their main residence rose from 7.9 per cent (3.6 million people) in 2001, to 11.2 per cent (5.5 million people) in 2014-16 (the latest time period for which the highest-quality data is available). This corresponds with the decline in the proportion of family units with any property wealth. As Figure 2 suggests, the proportion of adults whose families had any property wealth started falling soon after the proportion who had additional property wealth started rising.

Figure 2: The prevalence of additional property wealth has been rising since the turn of the century

Proportion of adults living in families with any property wealth and additional property wealth: GB, 1993-2016



Notes: Levels of wealth ownership from the Wealth and Assets Survey are rolled back to 1993 using trends observed in the British Household Panel Survey. Lines show three-year moving averages.
 Source: RF analysis of ISER, *British Household Panel Survey (1993-2007)*; ONS, *Wealth and Assets Survey (2006-16)*

The total gross value of all additional property wealth held by households, across Great Britain in 2014-16, was £941 billion (in 2018-19 prices), an inflation-adjusted rise in value

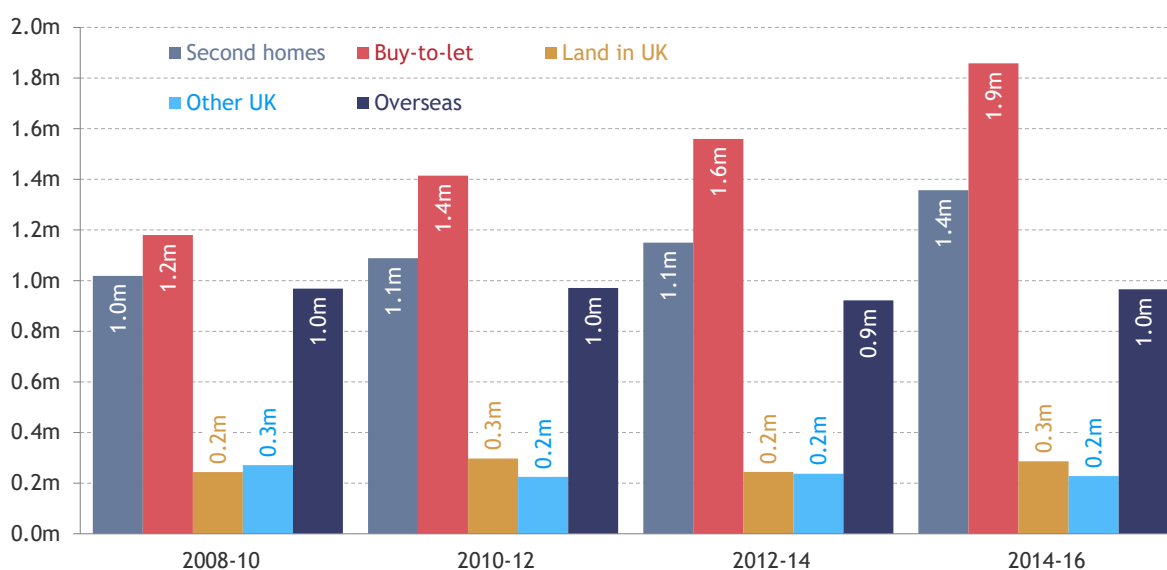
[7] J Rugg & D Rhodes, *The Evolving Private-rented Sector: its contribution and potential*, University of York Centre for Housing Policy, 2018

of over one-fifth (21.5 per cent) on the period two years earlier, and a rise of 54 per cent since 2001. To put this in context, additional properties accounted for 15.8 per cent of the total £6.0 trillion of gross property wealth held by households in Great Britain in 2014-16, compared to 13.7 per cent in 2006-08. The typical family that held additional property wealth held £85,000 of it per adult (the median) in 2014-16, compared to the median family in the wider population which held no additional property wealth at all. And these families' gross median primary property wealth was £159,000 per adult, considerably higher than the £69,000 median for the whole population.

Focusing on individual owners rather than families that benefit from additional property wealth, we find that approximately one-in-ten British adults reported holding some form of additional property themselves in 2014-16, over 4.3 million people. Figure 3 gives a breakdown of this population by the different types of additional property that they own. It shows that buy-to-let property accounts for the largest group of additional property owners (1.9 million people), followed by second homes (1.4 million) and then overseas property (970,000 people, including owners of time-shares and holiday homes).

Figure 3: Buy-to-let is the most widespread type of additional property, and also the fastest-growing

Number of individuals holding additional property wealth, by property type: GB



Notes: The sum of people across all categories is larger than the sum of all additional property owners, since some people own more than one type of additional property wealth.
Source: RF analysis of ONS, *Wealth and Assets Survey*

Looking at change over time, the biggest component of the increase in additional property ownership from 2008-10 to 2014-16 was in buy-to-let properties. The number of people owning buy-to-let property has risen by more than 50 per cent over this eight-year period. This is consistent with our story of rising multiple property ownership being partly the complement to rising private renting across the population. However, the number of second home owners has been rising too, from 1.0 million to 1.4 million over this eight-year period.

It's worth noting that alternative data can give a somewhat different picture of the number of additional property owners. The 2011 UK census shows that 350,000 people (0.63 per cent of the usual resident population) reported having a second address in another local authority that they used for work or holidays for more than 30 days per year.^[8] Council Tax data (for England) on the number of properties classed as second homes shows that there were 252,000 such dwellings in September 2018, an increase of only around a thousand since September 2014.^[9] These discrepancies are to some extent a conundrum, but can be partly explained by the fact the census definition of a second home is narrower than that adopted by the *Wealth and Assets Survey* (WAS), the fact that some people in the *Wealth and Assets Survey* may be holding a second property temporarily (for example during probate), and the fact that the unit of measurement in Figure 3 is per-individual rather than per-dwelling. Likewise, there are discrepancies between the *Wealth and Assets Survey* and *English Private Landlords Survey* (EPLS) on the number of private landlords, with the EPLS finding that around 1.5 million people are landlords compared to 1.7 million in the WAS (for England only).

The difference is likely to result from the EPLS only surveying landlords who participate in the Tenancy Deposit Scheme (thought to be between 56 and 71 per cent of them), and the fact that the WAS may in some cases count two members of the same family unit as landlords even if they own one rented property between them. Box 1 provides more detail on the different data sources that can be used to assess levels of additional property ownership and the characteristics of properties and owners. The discrepancy between these datasets highlights the need to improve the collection of data on additional properties.

i Box 1: Measures of additional property wealth

To measure the level of additional property ownership in the UK we use a range of different household survey datasets, each with their own strengths and weaknesses. This box explains their main features, and how they differ in their measurement of property wealth.

We generally use a broad definition of 'additional property', which includes second homes, empty homes, homes that are rented out, land, holiday homes and overseas land or property. Some datasets give us a more granular

look at particular types of property, like second homes or buy-to-lets. We usually measure wealth on a family wealth per adult basis, which allows us to compare the wealth of differently-sized family units on a fair basis.^[10] The main alternative datasets are as follows:

- The *Wealth and Assets Survey* (WAS), *British Household Panel Survey* (BHPS) and *English Longitudinal Study of Ageing* (ELSA). These three datasets are unusually detailed in that they survey the same

[8] Office for National Statistics, *2011 Census: Number of People with Second Addresses in Local Authorities in England and Wales*, March 2011, October 2012

[9] Ministry of Housing, Communities and Local Government, *Council Taxbase 2018 in England*, November 2018

[10] Formally, we assign all household property wealth to the main family unit within each household, and then divide this wealth by the number of adults in that family unit (either one or two). One household can contain more than one family unit.

households repeatedly through time. The highest-quality data on wealth in Great Britain is the WAS, which has been carried out every two years since 2006-08. Its main advantages are its granularity – it gives a fine level of detail about households' wealth holdings and many other characteristics – and its comprehensive coverage of national wealth including a strategy of over-sampling the wealthiest households. We use the BHPS to extend trends from the WAS back in time to 1993. Lastly, a small part of our analysis looks at the amount of money that people in England aged over 50 expect to leave as bequests. Here we use data from the ELSA.

- The *Family Resources Survey*, which we use to extend our analysis of the importance of rents for household incomes back in time from 2006-08 and forward from 2014-16.
- The *2011 UK Census* included a question on people's ownership of second homes, which we compare with other data on second home ownership.
- *Council Tax Records*. We can use council tax data collected by the Ministry of Housing, Communities and Local Government to measure the number of second homes in England and Wales, as well as the

proportion of them that receive council tax discounts.

- The *English Private Landlord Survey*. This government survey, last carried out in 2018, gives a detailed and comprehensive picture of the private-rented sector in England and the characteristics and motives of private landlords. As discussed above, it does not exactly reproduce the estimates for the number of landlords obtained from the *Wealth and Assets Survey*, but other aspects of its data make it an invaluable resource.
- *UK Finance data*. Data from the mortgage industry on lending for additional property purchases gives us a timely picture of the impacts of recent policy changes.

We aim where possible to use the WAS to measure additional property wealth, as this is the most detailed survey and the one with the largest sample and most comprehensive coverage of private wealth. We recognise that in some respects it differs from other surveys – for example it does not capture household incomes as comprehensively as the FRS, nor does it allow us to count the number of mortgages held on additional property as effectively as financial services industry data.

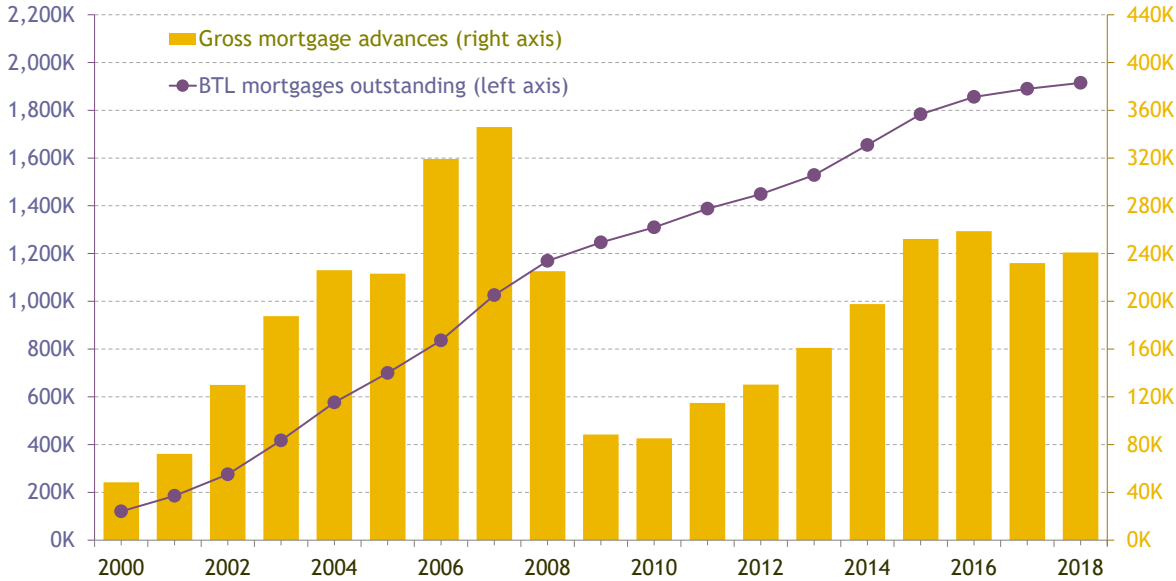
Buy-to-let is clearly therefore both the largest component of the stock of additional properties, and the fastest-growing part. Another way to measure its growth is to look at data on the volume of buy-to-let mortgages issued by lenders (although this is an incomplete measure given not all BTL owners take out mortgages).^[11] Figure 4 plots this data on an annual basis since 2000. The purple line shows a steady (and staggering) rise

[11] The English Private Landlord Survey suggests that 39 per cent of landlords had no mortgage at all in 2018, while 55 per cent had a buy-to-let mortgage. See: MHCLG, *English Private Landlord Survey 2018*, January 2019

in their number: in 2018 there were 15 times more buy-to-let mortgages outstanding than there were in 2000.^[12] The yellow bars show the number of new mortgages issued each year. We return to the composition of new mortgage flows later in this briefing note.

Figure 4: The total stock of buy-to-let mortgages has been growing for two decades, though new issuances have not regained their pre-crisis level

Total number of buy-to-let mortgages outstanding, and number of BTL mortgages advanced per year: UK, 2000-18



Notes: Data collected from all UK Finance members who issue buy-to-let mortgages, and scaled to reflect total industry lending.
 Source: UK Finance

A shrinking proportion of additional properties are overseas

Over the period 2008-10 to 2014-16, the total number of additional properties owned in Great Britain increased by 27 per cent. An interesting trend in this time period has been a shift to a higher proportion of additional properties being in the UK.

In 2006-08, 30 per cent of additional property-owner-held-properties were overseas, whereas by 2014-16 that figure had fallen to 22 per cent, as shown in Figure 5. This change has been driven not so much by a fall in the number of overseas property owners – their number has been fairly stable - but rather by a rise in the number of second homes and buy-to-let properties owned by people in the UK.^[13]

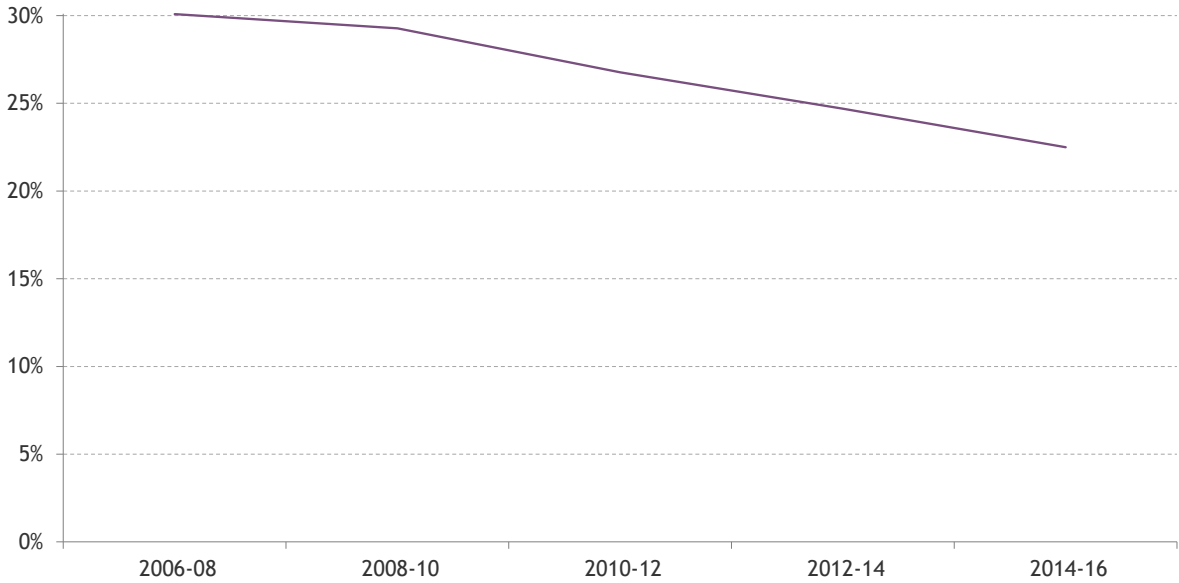
[12] Note that many buy-to-let properties are bought without a mortgage, and some buy-to-let landlords will hold multiple mortgages, so this trend does not map onto the number of individuals with BTL properties, discussed above.

[13] Throughout this paper our analysis focuses on properties owned by people who are resident in Great Britain (and sometimes the whole UK). Our datasets do not account for properties that are owned by people not resident in Britain, and they do not include properties owned by companies. Hence a part of the net increase in the housing stock that is made up of additional properties may be explained by foreign owners or companies selling their properties, rather than by former owner-occupiers selling to additional property owners.

These figures include only properties owned by people normally resident in the UK, so the increase in the number of additional properties in the UK is explained by a combination of falling home ownership, the construction of new houses, and foreign nationals selling property they owned in the UK.

Figure 5: There has been a decline in the share of additional property that is overseas

Proportion of individual additional property owners owning overseas property: GB, 2006-16



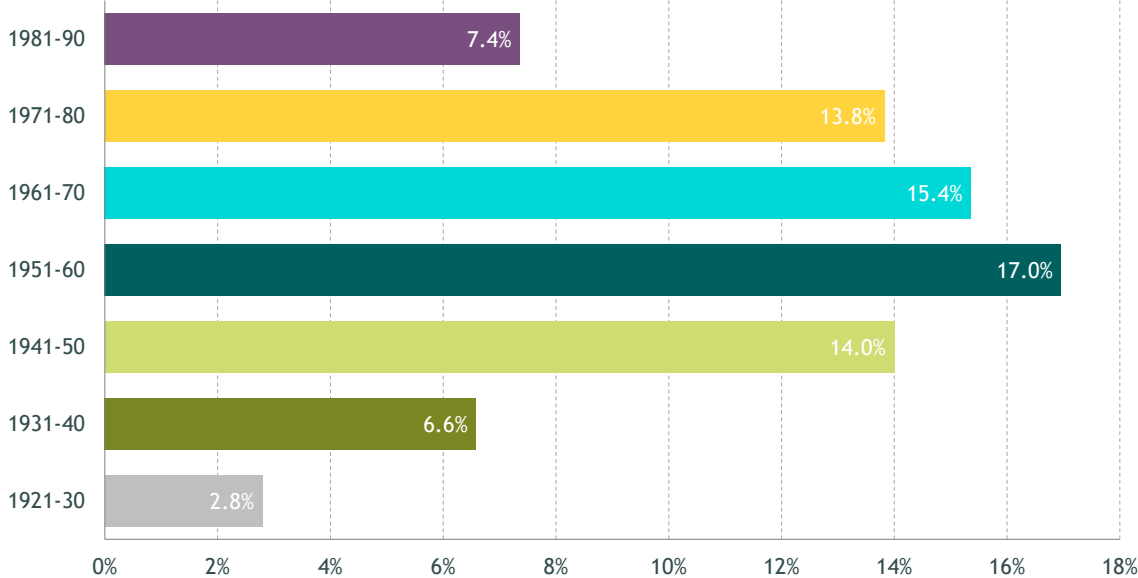
Notes: This measure includes holiday homes and time shares.
Source: RF analysis of ONS, *Wealth and Assets Survey*

Generation X, the baby boomers and the silent generation have had unusual cohort-on-cohort increases in additional property ownership

We turn now to the distribution of additional property wealth between different generations. Dividing up the adult population into ten-year cohorts by their dates of birth, Figure 6 shows that the highest prevalence of additional property wealth in 2014-16 was among people born in the 1950s, followed by those born in the 1960s. Around one-in-six of those born in the 1950s had additional property wealth in their family in 2014-16.

Figure 6: People born in the 1950s have the highest prevalence of family additional property wealth

Proportion of cohort that lives in a family with additional property wealth, by birth year: GB, 2014-16



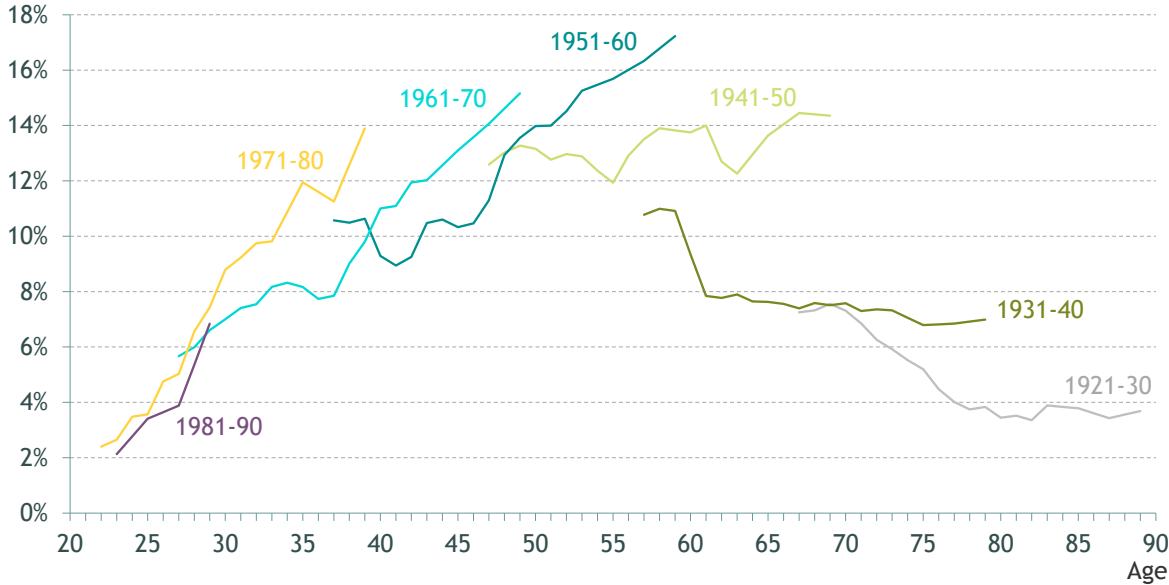
Source: RF analysis of ONS, *Wealth and Assets Survey*

Figure 7 puts these latest figures in their longer-term context, charting the pattern of the ownership of additional property wealth since the early 1990s, for different birth cohorts. Cohorts born since 1960 have failed to reach the same levels of main property wealth as their predecessors. For example, at age 39, 75 per cent of those born in the 1950s lived in families with primary property wealth, falling to 72 per cent for those born in the 1960s. And then at age 29, 50 per cent of the cohort born in the 1960s lived in a family with primary property wealth, falling to 37 per cent for the cohort born in the 1980s. On this basis, it might be expected that the story for additional properties is a similar one, with younger cohorts falling back substantially. But this is not the case.

Figure 7 instead shows that cohorts born between 1960 and 1980 have also exceeded their predecessors' rates of additional property ownership, despite a declining proportion of them owning any property. People born in the 1980s are not doing quite so well, essentially tracking those born in the 1970s, but a substantial and fast-growing proportion of this group are still becoming multiple property owners.

Figure 7: Generation X, the baby boomers and the silent generation have experienced the greatest cohort-on-cohort increases in additional property ownership

Proportion of adults in families with additional property wealth, by age and cohort: GB, 1993-16



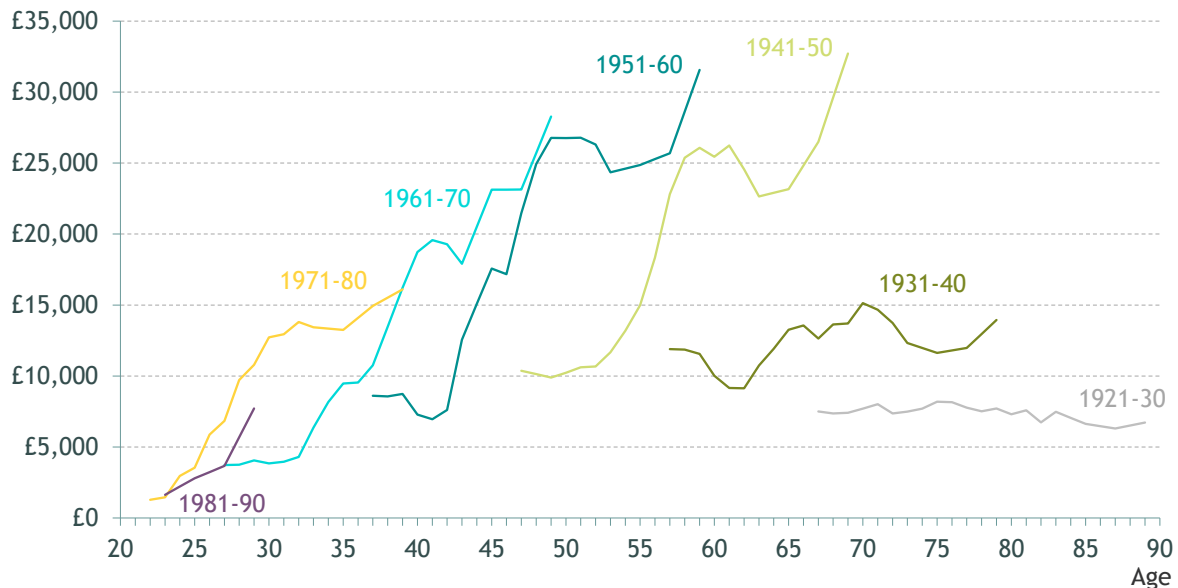
Notes: Levels of wealth ownership from the Wealth and Assets Survey are rolled back to 1993 using trends observed in the British Household Panel Survey.
 Source: RF analysis of ISER, *British Household Panel Survey (1993-2007)*; ONS, *Wealth and Assets Survey (2006-16)*

Figure 7 shows that the biggest cohort-on-cohort gains took place for the generation X cohort born in the 1970s, and the youngest silent generation and oldest baby boomer cohort born in the 1940s. These two cohorts – now in their late 30s and late 70s – are each around 60 per cent more likely to hold additional family property wealth than the cohorts born a decade prior to them were at the same age. Finally, it appears that people born before the 1940s have largely been excluded from the boom in additional property ownership that has taken place over the past two decades.

In Figure 8 we turn from ownership rates to the amount of additional property *wealth* that different cohorts possess. The picture here is a little different from the trends over time in additional property *ownership*. Cohort-on-cohort increases are small or non-existent for people born in the 1960s and 1970s, although remain for older cohorts. This suggests that although a higher proportion of people born in the 1960s held additional property wealth at age 45 than people born in the previous decade, the *value* of the additional properties held by people born in the 1960s was lower.

Figure 8: Additional property wealth has grown for all cohorts born since 1940, though people born since 1980 are falling behind their predecessors at the same age

Mean real additional family property wealth per adult (CPIH-adjusted to 2018-19 prices), by age and cohort: GB, 1993-2016



Notes: Wealth levels from the Wealth and Assets Survey are rolled back to 1993 using trends observed in the British Household Panel Survey.
Source: RF analysis of ISER, *British Household Panel Survey (1993-2007)*; ONS, *Wealth and Assets Survey (2006-16)*

Second home and buy-to-let ownership is mainly a richer, wealthier phenomenon

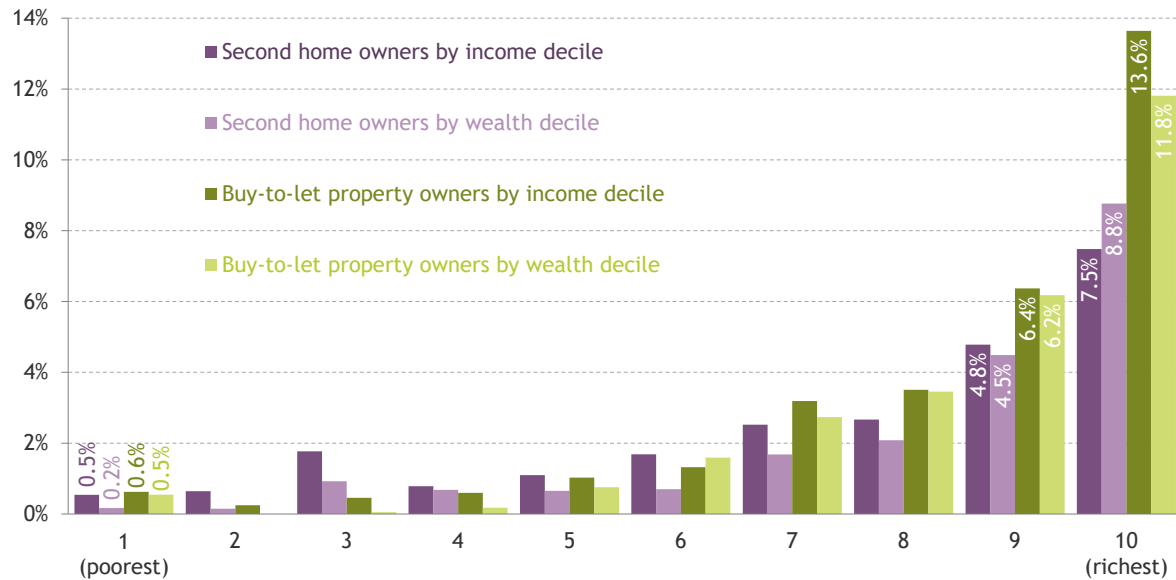
A claim that is frequently made about second home owners and landlords is that they are simply ‘ordinary people’ like anyone else.^[14] But, although there are additional property owners spread right across the income and wealth distributions, they tend to be considerably richer and more affluent than the average.

Figure 9 divides all British households into ten equally-sized groups (‘deciles’), having ranked them by income, and by wealth. It shows that in the top tenth of the household income distribution, 7.5 per cent of individuals own a second home, compared to less than half of one per cent in the bottom tenth. The distribution of buy-to-let properties is even more skewed towards high-income and high-wealth households, with 13.6 per cent of individuals in the top tenth of households by income owning a buy-to-let. In general, the distributions are quite similar regardless of whether we sort households by wealth or by income.

[14] G Norwood, ‘A New Year’s Resolution for every landlord – make someone love you’, *Estate Agent Today*, 27 November 2015

Figure 9: Second home and buy-to-let ownership is skewed towards wealthy, high-income households

Proportion of individuals in each household net income and net wealth decile owning a second home or buy-to-let property: GB, 2014-16



Source: RF analysis of ONS, *Wealth and Assets Survey*

A different way to approach the question of concentration of ownership is to look at the number of buy-to-let properties that people own. Overall, of the population of individuals who reported owning a buy-to-let property in 2014-16, only one-in-three (32 per cent) said they own more than one buy-to-let. This gives some support to the popular notion that much of the non-institutional buy-to-let sector is more of a ‘cottage industry’ than a big business. However, one-in-ten landlords have more than three properties, and looking only at BTL landlords in the richest tenth of households (by income), that figure rises to more than four-in-ten (40.8 per cent). This suggests that higher-income landlords are also substantially more likely to be the landlords of multiple properties. By comparison, second homes are much more of a piecemeal pursuit: 89 per cent of second home owners said they owned only one second home.

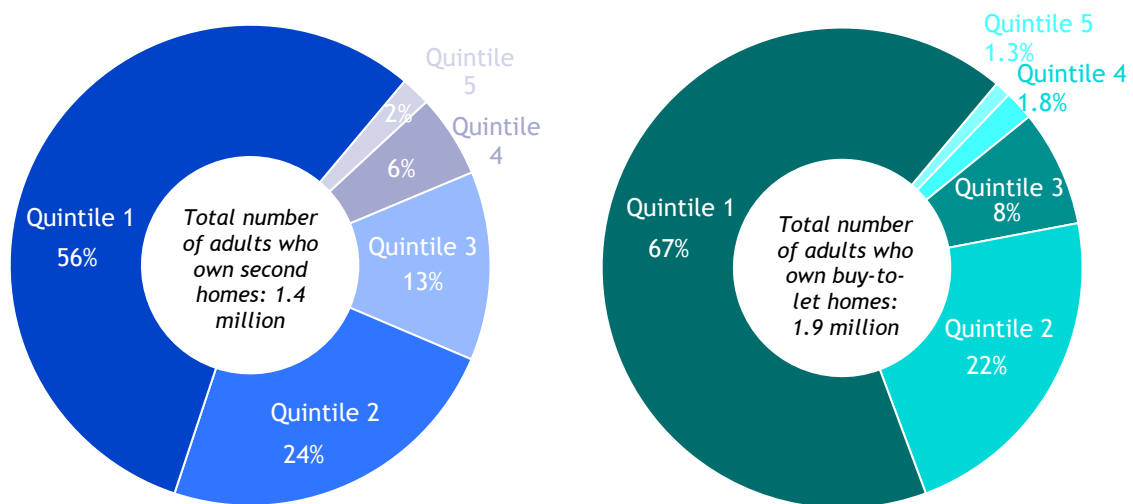
How has the skew in multiple home ownership towards wealthier and more prosperous households changed over time? Our data limits us to comparing 2014-16 with 2010-12, but this time period is enough to see some changes underway. The proportion of people living in the top half of the household income distribution who own buy-to-let properties has increased markedly, by around 1 percentage point in the top two deciles (1.1 and 0.8 percentage points in deciles 9 and 10 respectively). The proportion of people who own second homes has risen in every household income decile except the poorest one. Looking at variation over time in the wealth distribution, however, reveals far less change over this time period. There was a 1.5 percentage point rise in buy-to-let property ownership in the top income decile, but no clear pattern of change elsewhere in the distribution.

Figure 10 provides another perspective on the distribution shown in Figure 9, looking only at the population of adults who owned second homes and buy-to-let properties in

2014-16, in terms of their household incomes. It shows that over half (56 per cent) of second home owners live in the richest fifth of households by income, while two-thirds of buy-to-let home owners are in the richest fifth of households. In short, the overwhelming majority of second homes and buy-to-lets are owned by the highest-income fifth of households, but buy-to-lets are much more concentrated at the top end than second homes are.

Figure 10: More than half of second homes are owned by the richest fifth of households, and two-thirds of buy-to-lets

Proportion of individuals owning a second home or buy-to-let property in each household income quintile: GB, 2014-16



Source: RF analysis of ONS, *Wealth and Assets Survey*

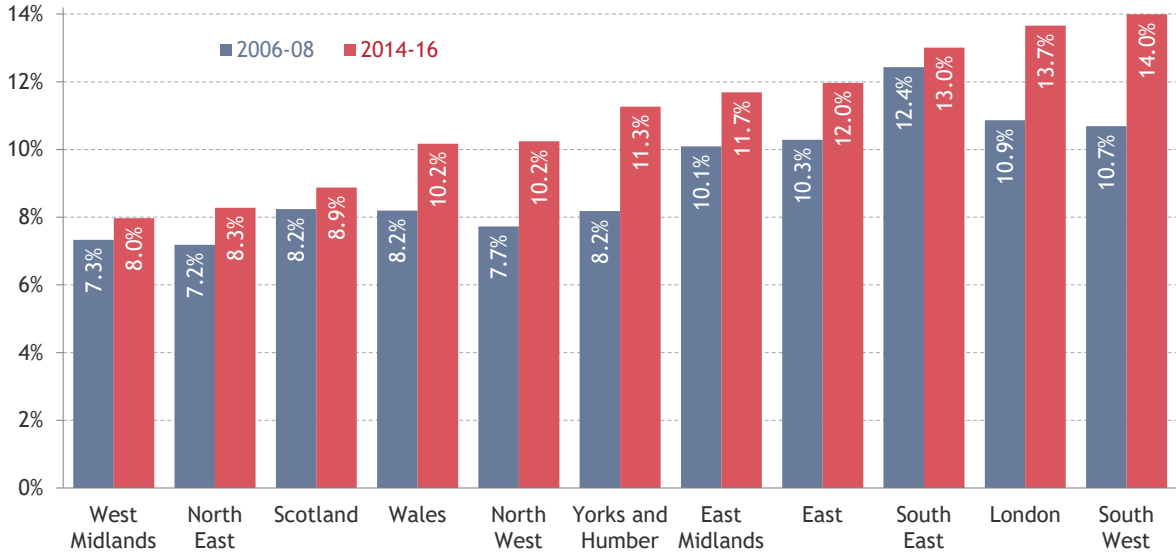
Buy-to-let ownership varies more across regions than second home ownership does

Geographic inequalities in additional property ownership are also notable. As we might expect, given that higher-income households are more likely to own multiple properties, Figure 11 shows that additional property ownership is more common in the highest-income parts of the country - the South West, London and the South East. However, it is generally quite evenly spread across regions, and has grown over time in all of them. Eight per cent of adults hold some additional family property wealth even in the lowest-ownership region (the West Midlands), though the gap compared to the highest-ownership region has widened over the period covered by this data. It is also important to note that the pattern of where the owners live does not necessarily map onto where the additional properties themselves are located.

For buy-to-let owners, evidence suggests they tend to live in the same region as the property or properties they rent out,^[15] but the opposite is likely to be true for second home owners.

Figure 11: Additional property wealth has grown in all regions and nations, though disparities have also widened

Proportion of adults living in families with additional property wealth, by region and nation



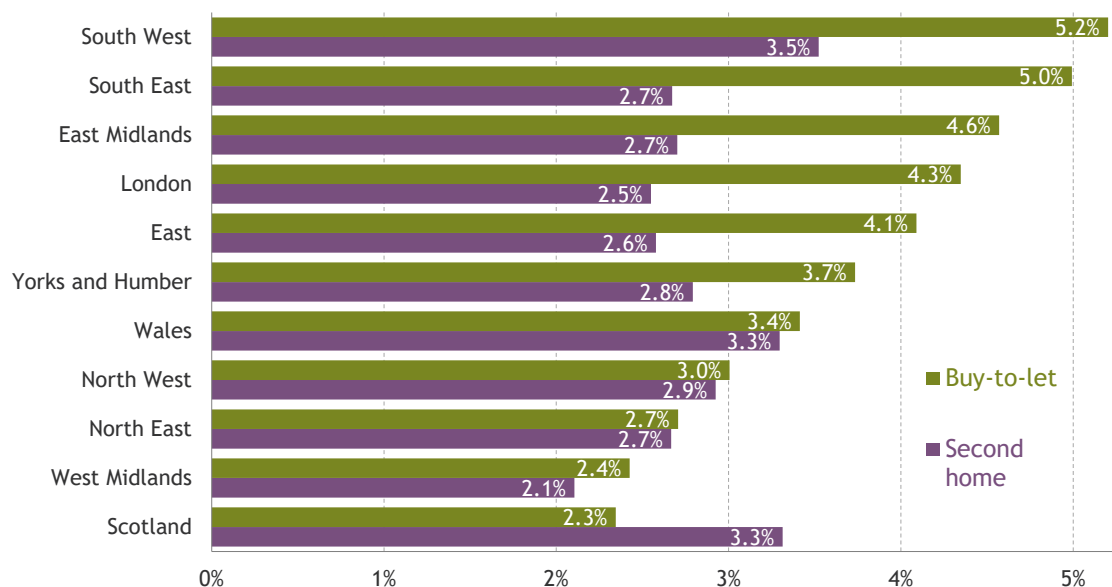
Source: RF analysis of ONS, *Wealth and Assets Survey*

A more interesting geographical disparity lies in the comparison between buy-to-let properties and second homes. Figure 12 shows that the regional distribution of buy-to-let ownership is much more uneven than that of second homes. The East Midlands nudges ahead of London in the ranking of regions and nations by their rates of buy-to-let ownership, while the areas with the highest proportion of second home ownership are the South West, Wales and Scotland.

[15] On the other hand, the higher the value of homes in the area, the less likely landlords are to live there. In the North East, 94 per cent of landlords live in the same area as the properties they rent out, whereas in the South East 69 per cent do. See: MHCLG, *English Private Landlord Survey 2018*, January 2019. In Scotland, according to the Scottish Landlord Association, 7.2 per cent of their members have a non-Scottish address.

Figure 12: Ownership of buy-to-lets is more geographically uneven than second homes

Proportion of individuals owning a second home or buy-to-let property, by region or nation: 2014-16



Source: RF analysis of ONS, *Wealth and Assets Survey*

The motivations for additional property ownership

To better understand what has driven recent trends in additional property wealth, we can consider in more detail why people might want to own more than one property. Housing wealth is not – status considerations aside – an end in itself, but rather it can be used to support people’s living standards over the course of their lives and the lives of their relatives. People who own multiple properties may attain higher living standards simply by ‘consuming’ the services those properties provide, for example by taking a holiday in their holiday home.

Additional property also functions as an asset, and may do so alongside or instead of its role in providing a service. A major study in 2018 categorised landlords into four categories of motivation: ‘episodic’ landlords who are letting due to life course events (e.g. inheriting a house); ‘pension plan’ landlords; ‘portfolio’ landlords who are building up an investment; and ‘divesting’ landlords who are running down their portfolio.^[16] For example, the *English Private Landlord Survey* found that around 40 per cent of landlords fell in to the category of ‘accidental’ landlords in 2018, having first acquired their rental property either to live in themselves, or via inheritance or receipt of a gift. We present a slightly different categorisation of landlords’ motives, focusing on the latter three categories set out above, and looking at them over the longer term.

[16]. J Rugg & D Rhodes, *The Evolving Private-rented Sector: its contribution and potential*, University of York Centre for Housing Policy, 2018

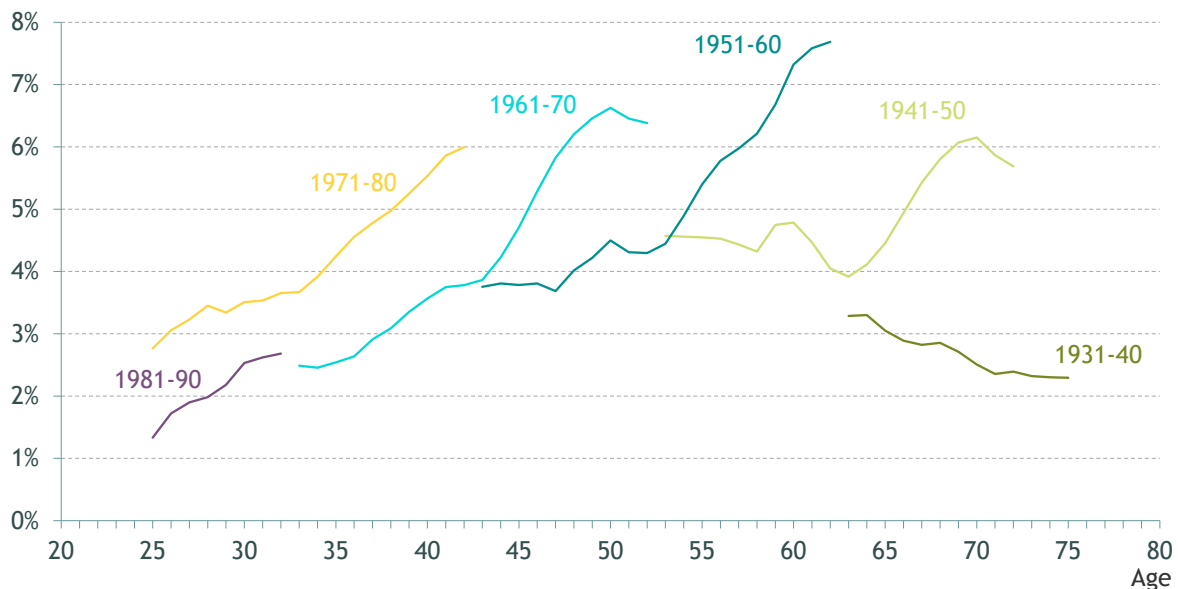
We categorise the purposes of holding addition property as: providing an income stream from an investment; support for people’s retirement; and as a store of wealth to bequeath to younger family members.

Purpose 1: Provision of rental income

Over the past two decades, additional property has been an attractive destination for investment, allowing people to convert savings into a relatively high-yielding investment to provide a steady monthly income. Buy-to-let investment was made particularly attractive by a combination of policy and market developments: mortgage interest tax relief on rental properties, assured shorthold tenancies that allow landlords to remove tenants with relative ease, and the development of interest-only buy-to-let mortgages. A majority of buy-to-let landlords do not in fact set out to buy their properties outright, opting for interest-only mortgages that allow them to extract rental income from these properties’ tenants. They then hope to realise future asset gains by selling the properties at a profit. Other motivations for people to invest in rental property have included the sharp rise in the number of private renters, and changes in bond markets and interest rates that have made other asset classes relatively less attractive to investors when compared with property.

Figure 13: People born in the 1950s are most likely to receive income from rents

Proportion of adults living in a family receiving income from property rent, by age and cohort: GB, 1993-2017



Notes: Levels of rental income receipt from the Wealth and Assets Survey are extended back in time before 2006-08 using trends observed in the Family Resources Survey. The Family Resources Survey measure includes income from property rent measured before tax but after paying for loans, repairs, rents, insurance and other costs on properties, and includes rental properties, holiday homes and second homes which are let, both in the UK and abroad.

Source: RF analysis of DWP, *Family Resources Survey* (1993-2007); ONS, *Wealth and Assets Survey* (2006-16)

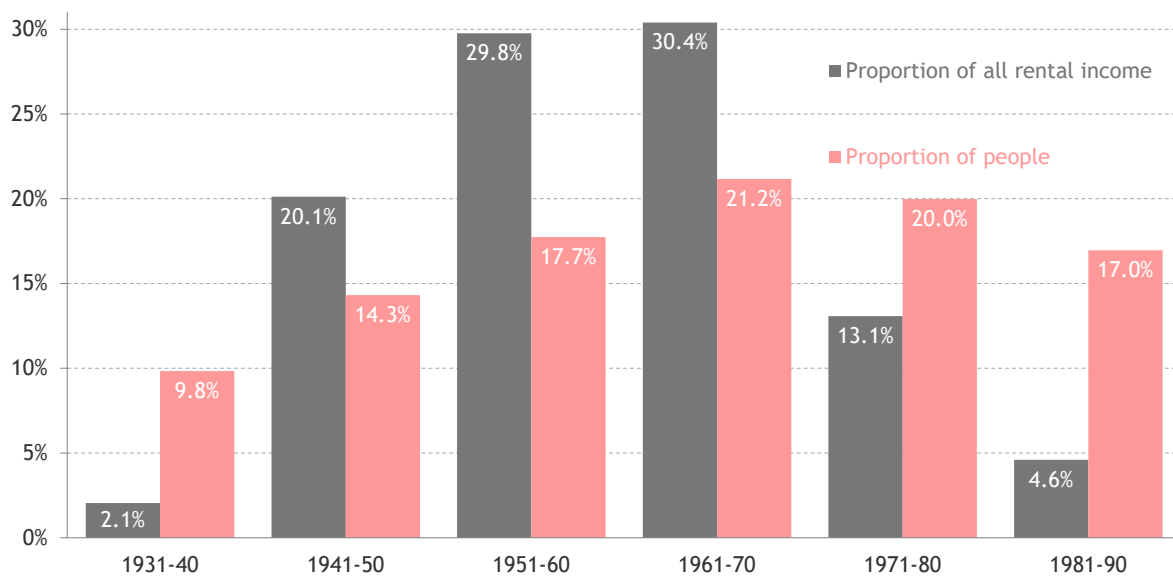
To get an idea of the importance of additional property as an income-yielding asset, we can look at the proportion of families who derive a part of their income from rents. Figure 13 shows that a substantial portion of each cohort born since the 1950s receives an income from rents. The ten-year birth cohort with the largest proportion of members receiving income from rents (those born in the 1950s) is also the cohort with the highest rate of additional property ownership.

Figure 14 divides up the total sum received in rental income by private households in the UK, showing the proportion of that total received by people in each 10-year birth cohort. It shows that the cohorts born in the 1940s, 1950s and 1960s each receive a greater proportion of total rents than their proportion of the population.

Taking a generational (rather than ten-year-cohort-based) approach shows that over half (52 per cent) of all rental income is received by baby boomers (born 1946-65), with another quarter (25 per cent) received by members of generation X (born 1966-80).

Figure 14: People born in the 1940s, 1950s and 1960s cohorts receive a greater share of all rental income than their share of the adult population

Proportion of all rental income that is received by people in each ten-year birth cohort, and size of cohort: GB, 2014-16



Source: RF analysis of ONS, *Wealth and Assets Survey*

Another measure of the importance of rental income is to look at the proportion of families who receive the majority of their market income this way. Of all adults living in families with additional property wealth in 2014-16, 2.1 per cent lived in families that received the majority of their net market income from rents.

Purpose 2: Provision of retirement income security

The second way in which additional property can boost living standards is via the provision of an income in retirement. This is partly a continuation of the first point, in that additional property can provide an income from the rent received when letting it out. But investing in additional property also provides the possibility of liquidating that investment in the future by selling it and (probably) receiving capital gains – or liquidating it gradually via forms of equity release. The downward slope of the trends in older cohorts' additional property ownership in Figure 7 may be evidence that people do indeed sell off additional properties over the course of their retirement.^[17]

How important is additional property in people's retirement plans? The latest *English Private Landlord Survey* found that 44 per cent of landlords took this route to contribute to their retirement income. Evidence from the *2014-16 Wealth and Assets Survey* on the sources of income that working-age people plan to rely on in their retirement shows that while pensions and savings are by far the largest planned sources of income, property also features in the plans of many people, either via downsizing or by additional properties yielding a regular income. Income from additional property features in the retirement plans of more than one in ten working-age adults (10.8 per cent of them), a slight increase compared to the previous years in which this survey was conducted.

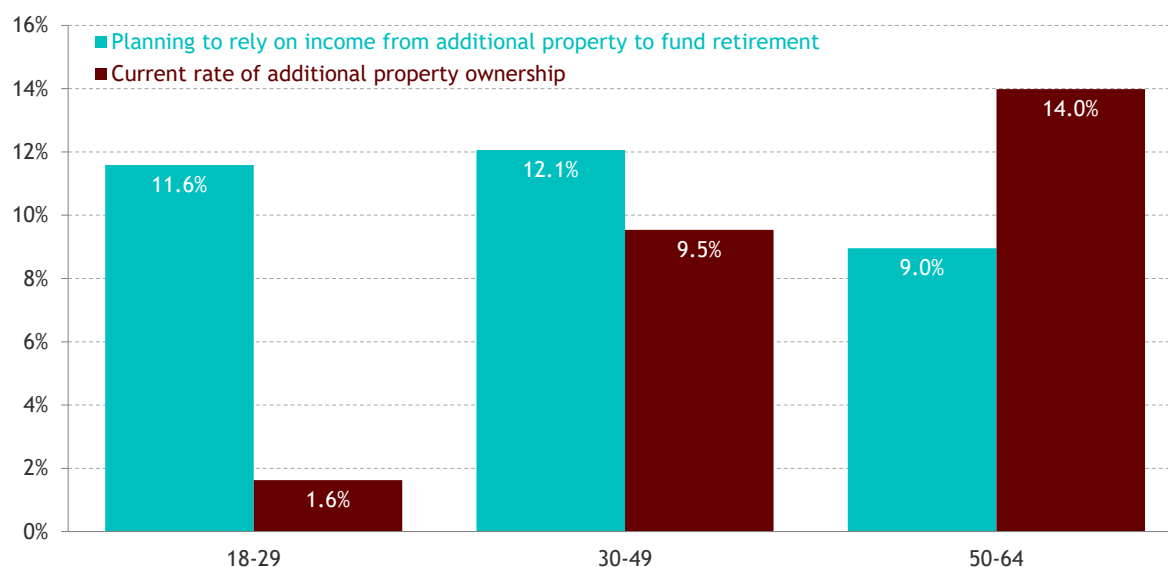
Figure 15 contrasts different age groups' plans to fund retirement via income from additional property with their present rates of additional property ownership. It suggests that around 10 per cent of under-30s must be expecting to acquire additional property by the time they have retired, in order to fund retirement, while among the over-50s there is a substantial number of additional property owners who do not expect to have to rely on that property to provide for their retirement. Further analysis of the over-50s suggests that the proportion planning to rely on the state pension (93 per cent) and personal pensions (67 per cent) are both higher than in the wider population.

What are the characteristics of the people who plan to use income from additional property to help fund their retirement? Are they a representative slice of Britain's families? One distinctive feature is that their incomes are high: one-third of them are in the richest tenth of households, while fully 89 per cent of them are in the top half of the household income distribution (though this is skewed somewhat by the fact that people in the richest tenth are also much more likely to own additional properties in the first place). A small majority of them (53 per cent in 2014-16) are male, and the largest proportions of them live in the South East (16.9 per cent) and in London (16.6 per cent).

[17] In addition, part of the falling rate of ownership may be due to compositional factors, such as those relating to morbidity and divorce.

Figure 15: There are significant disparities between cohorts' additional property ownership and their aspirations to use it to fund retirement

Proportion of working-age individuals planning to rely on income from additional property to fund retirement, and current rate of ownership, by age group: GB, 2014-16



Source: RF analysis of ONS, *Wealth and Assets Survey*

Are people who plan to fund their retirement partly with income from additional properties doing so because they have less in the way of pension provision? It appears that this is not the case. Looking at the average pension wealth held by people who do and don't plan to use additional properties to fund retirement shows that those who are planning to fund retirement in this way have family pension wealth provision at least as good as those who are not.

Table 1: Mean pension wealth among working-age adults, by intentions for using additional property to help fund retirement: GB, 2014-16

	Income from additional property	
	Yes	No
Total family pension wealth per adult	£238,000	£222,000
<i>if also planning to use personal/occupational pension wealth to fund retirement</i>	£262,000	£239,000
Total family defined benefit pension wealth per adult	£153,000	£157,000
Total family defined contribution pension wealth per adult	£33,000	£16,000

Source: RF analysis of ONS, *Wealth and Assets Survey*

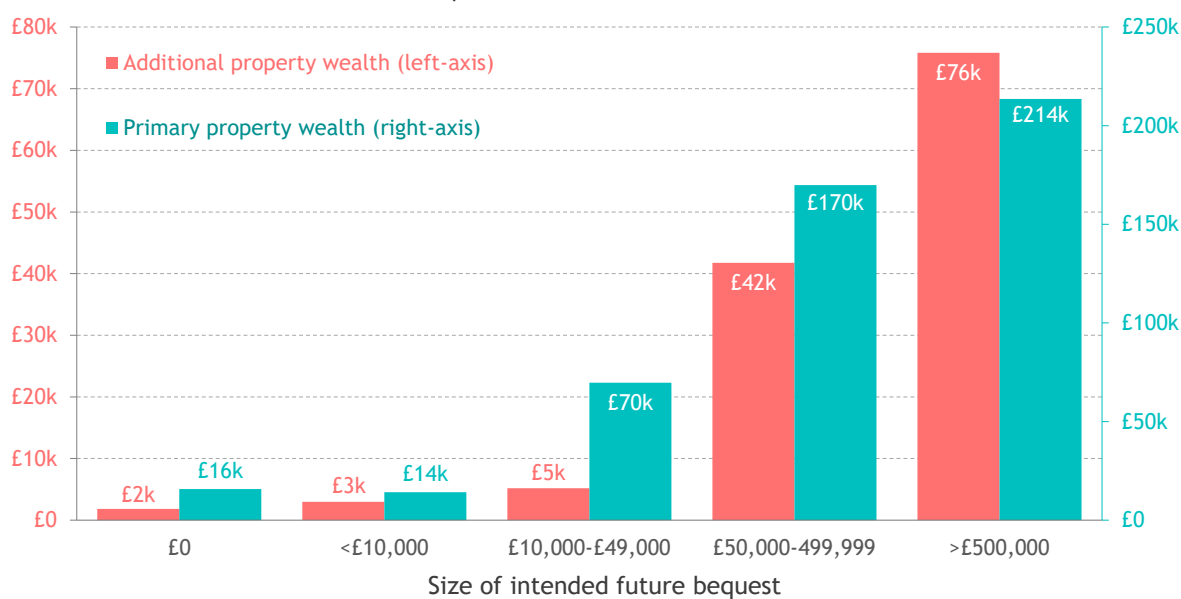
Of course, this picture of adequate pensions is not so consistent when we compare different cohorts, since there are specific concerns about the adequacy of pension provision for members of generation X, many of whom have neither benefited from generous Defined Benefit occupational pension schemes nor the uplift in pension provision since the introduction of Automatic Enrolment in 2012.^[18]

Purpose 3: Bequests and inheritance

A third, longer-term aim for the owners of additional properties may be to leave them to their descendants, as bequests. Figure 16 shows that people in England aged over 50 who are planning to leave large bequests also tend to have substantially larger amounts of additional property wealth.

Figure 16: Additional property wealth is more correlated with people’s bequest intentions than primary property wealth

Mean level of family primary and additional property wealth per adult aged 50+, by size of intended future bequest: England, 2016-17



Source: RF analysis of English Longitudinal Study of Ageing

At one level of course, it is unsurprising that wealthy people plan to leave larger bequests, since they have more wealth to give. But the relative difference in additional property wealth between people planning to leave no bequests and people planning to leave large (over £500,000) ones is much bigger than the relative difference in their main property wealth. On average in 2016-17, people over 50 who planned to leave over £500,000 in bequests had property wealth 13.5 times larger than those planning to leave no bequests. By contrast, over-50s planning to leave large bequests had 41.6 times more additional property wealth than those planning to leave no bequests. Additional property wealth is thus more correlated with bequest intentions than the wealth people hold in primary

[18] D Finch & L Gardiner, *As good as it gets? The adequacy of retirement income for current and future generations of pensioners*, Resolution Foundation, November 2017

residences. This suggests that additional properties may act more as a vehicle for future inheritances than do other forms of wealth, though multiple property ownership is far from the only reason why wealthy people plan to leave large inheritances.

Why the distribution of additional property ownership matters for the future

Unlike main property ownership, the intergenerational fairness issue around the ownership of additional property is not one of large cohort-on-cohort falls in ownership rates.^[19] As Figure 7 showed, today's younger cohorts have in fact seen a surprisingly rapid rise in their levels of additional property ownership, and may be on the way to similar rates of additional property ownership as today's middle-aged cohorts.

The generational issues with additional property ownership are instead around the consequences of the boom over the past two decades in buy-to-let and other additional property, and the associated fall in home ownership since 2003. This has had several important consequences:

- It is associated with a rise in the proportion of people living long-term in the private-rented sector. This matters because this housing tenure is associated with higher housing costs, greater insecurity and lower wellbeing.
- Under the current tax system, second homes yield less tax for the exchequer, all else being equal, although local authorities are increasingly using their powers to remove these tax breaks.
- If total national wealth (and additional property wealth) keeps growing faster than national income, this will widen the absolute gaps in wealth between people who own property and those who do not. Given that additional property wealth is held by the wealthiest members of each generation, and by a greater proportion of the generations born in the 1950s and 1960s, a rise in its value is likely to increase both inter- and intra-generational wealth gaps.
- It is possible that a rise in the number of small landlords has increased the risks for tenants of experiencing unprofessional, low-quality, or simply variable service.
- A rise in the number of second homes has increased the problem of under-occupancy of existing housing stock. This problem is particularly concentrated in regions such as the Lake District and the South West where there is a large number of holiday homes.

A further consequence of the growth in the number of private landlords is that, as a group, they receive large transfers of income both from private renters and from the government (in the form of housing benefit, which is forecast to cost £23.4 billion across the UK in 2019-20). Today, the private-rented sector on average transfers income between

[19] For details on cohort-on-cohort falls in main property ownership see A Corlett & L Judge, *Home Affront: housing across the generations*, Resolution Foundation, September 2017

generations, from tenants (who are likely to be lower income and younger) to landlords who are likely to be high income and older. In the future, though, if the age distribution of additional property ownership looks similar to today's but private renters get older on average as more of today's young adults never make it into home ownership, then the transfer of income effected by the private-rented sector may end up taking place much more within cohorts than between them. That is to say, middle-aged millennial tenants will be paying rent to their middle-aged millennial landlords. Such a scenario may put upward pressure on intra-generational and wider social inequalities.

Policy implications

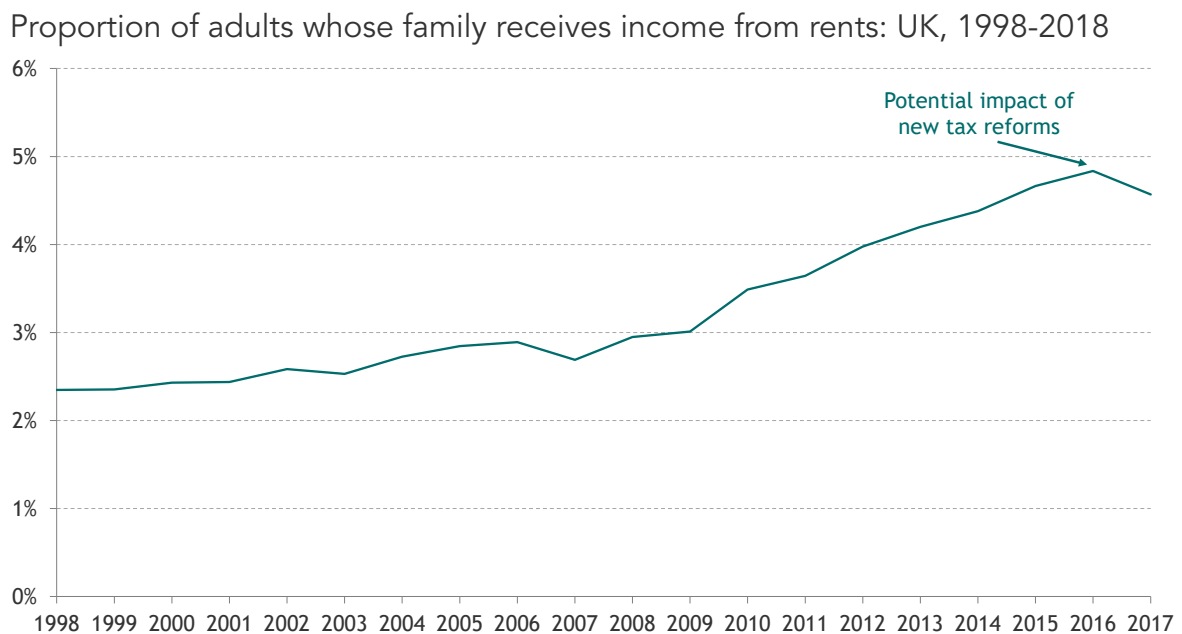
As additional property wealth has grown over the past two decades, the insecure private-rented sector has grown in tandem, and younger generations are much less likely to own property wealth than predecessors were at the same age (but are not falling behind on additional property ownership). The ownership of the UK's housing stock has therefore become more concentrated both across and within generations. In facing up to these outcomes, policy has an important role to play in ensuring all generations get a fair deal on housing security and asset accumulation. A key objective should be ensuring that the consumption of housing is not under-taxed relative to other forms of consumption. Within this – given housing is a scarce resource and that supply takes a long time to adjust – a priority should be to tax additional properties at least as heavily, if not more heavily, than primary residences. Other policy priorities might include making it easier for existing owners to exit additional property ownership, and improving security in the private-rented sector and the quality of the tenant experience.

Recent policy reforms have already made substantial changes to the tax regime affecting additional property. A stamp duty surcharge was introduced on buy-to-let properties in April 2016, since which point landlords have sold more homes than they have bought. The UK is now two years into the phase-out of mortgage interest tax relief, which is being cut by 25 per cent per year over a four-year period from April 2017. This has had substantial effects already, with UK Finance recording £9bn in new buy-to-let mortgages in 2018, a 15 per cent fall on the year before.^[20] The replacement scheme, mortgage interest tax credit, only allows the deduction of interest payments at the standard tax rate.

These recent tax changes appear to have changed landlords' behaviour. We only have very limited data so far on the types of landlord who are starting to sell properties in response to recent tax reforms, but there is suggestive early evidence of a small decline in those receiving rental income 2017-18, as Figure 17 shows.

[20] J Rugg & D Rhodes, *The Evolving Private-rented Sector: its contribution and potential*, University of York Centre for Housing Policy, 2018

Figure 17: It appears that recent tax reforms may have stopped the trend of more family units receiving rental income



Source: RF analysis of DWP, *Family Resources Survey*

The same change is observable in UK Finance data on the number of mortgages issued each month. As Figure 18 shows, the tax changes introduced in April 2016 coincided with a very large rise in mortgage issuance volumes the month before, followed by a substantial drop to a new lower level. More importantly, the April 2016 tax reforms coincided with a seemingly lasting change in the types of buy-to-let mortgages being issued. Today, a much greater proportion of them are for re-mortgaging existing buy-to-let properties rather than buying new ones. Over the course of 2014-15 and 2015-16, 43 per cent of the value of buy-to-let mortgage advances was for new house purchases. In 2016-17 and 2017-18, the proportion dropped to 29 per cent.

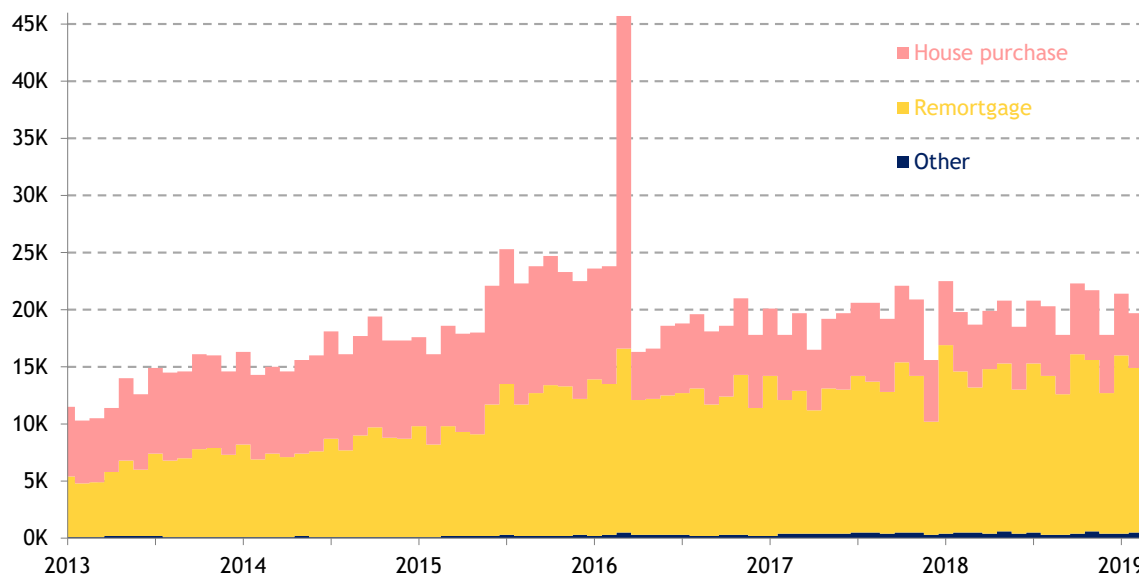
Another impact of these recent policy changes is that the proportion of homes bought by landlords has fallen, with the estate agents Hamptons International estimating that they now account for 11.4 per cent of house purchases, compared to 18.7 per cent in 2011.^[21] Small landlords are also no longer the fast-growing section of the private-rented sector that they long have been, even though 94 per cent of landlords in England still operate as individuals rather than within a company or other organisation.^[22]

[21] J Pickford, 'Dwindling numbers of buy-to-let property purchases', *Financial Times*, 27 February 2019

[22] Ministry of Housing, Communities and Local Government, *English Private Landlord Survey 2018*, January 2019

Figure 18: New buy-to-let mortgage issuances have fallen since tax reforms in 2016

Number of new buy-to-let mortgages issued each month: UK, 2013-2019



Source: UK Finance

With these changes already afoot, policy needs to tread a careful path through shifting terrain. The Resolution Foundation's Intergeneration Commission made recommendations in this area, including:^[23]

- Halving rates of stamp duty on main properties (at a cost of £2.7 billion across Great Britain in 2020-21), with existing first-time buyer reliefs retained. Crucially, on the topic of this briefing note, the Commission recommended that the existing (higher) rates should be retained on the purchase of additional properties.
- Introducing a time-limited, capital gains tax reduction for owners of multiple properties looking to exit the market when they sell to a first-time buyer. The Commission proposed increasing an individual's annual capital gains tax allowance (£11,700 in 2018-19) for two years, if selling an additional property to non-owners. Such a policy would benefit from quick implementation, as it would be likely to incentivise a large number of people to change the timing of their property sales.
- Replacing council tax with a new progressive property tax, based on up-to-date property values, with a tax-free threshold set at the value of the lowest-value tenth of properties in each region and a surcharge on high-value properties. In relation to the topic of this briefing note, the Commission recommended that the incidence of taxation be shifted from occupiers to property owners, and that each owner only have one tax free allowance. This would entail a higher effective tax rate on second homes and buy-to-let properties than primary properties, a reversal of the current situation in which some councils still offer council tax discounts on second homes (though they now have the power to reduce these discounts to zero).^[24]

[23] Resolution Foundation, *A New Generational Contract: The final report of the Intergenerational Commission*, May 2018

[24] Government data estimates that in 2018, 6 per cent of second homes in England still qualified for a discount, down from 16 per cent in 2013. Ministry of Housing, Communities and Local Government, *Council Taxbase 2018 in England*, November 2018

These recommendations are by no means exhaustive, and there will be a range of other policy ideas that merit consideration. In light of the large increase in additional property ownership in 21st century Britain, it is imperative that policy makers build on the foundations of recent reforms and consider what more can be done to reduce the concentration of housing and rebalance the property market back towards first-time buyers.

Conclusion

The proportion of the UK's housing stock that is held by multiple property owners has risen over the past two decades. Owners of additional property are mainly adults in prime age or early retirement. They are rich and wealthy, they are most likely to be living in the south of England, and they often intend to pass their property wealth on in bequests to the next generation of their family. Of course there are many individual exceptions, but the big picture is that multiple property owners represent some of the most affluent and fortunate members of society.

In fairness to policy makers, additional property ownership is one aspect of the shifting patterns of wealth accumulation in 21st century Britain that they have woken up to in recent years. Stamp duty surcharges on second homes were introduced in 2016, and mortgage tax relief for those engaged in buy-to-let began to be reduced in April 2017.

But given the role that additional property ownership plays as a flipside to falling home ownership, today's changing policy situation leaves much more to be reformed. In an era when 'generation rent' coexists with the highest levels of property wealth that the country has ever experienced, there is a case for thinking more broadly about how to ensure that housing is taxed fairly and efficiently, and how to reduce its concentration so that each generation has a fair opportunity to own a home of their own.

Resolution Foundation

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- developing practical and effective policy proposals; and
- engaging with policy makers and stakeholders to influence decision-making and bring about change.

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