Statistical Release 19 May 2016

Private Rental Market Statistics, England, 2015-16

Valuation Office Agency

The data set used in this publication is based on a sample of 492,430 rents recorded between 1 April 2015 and 31 March 2016. Under the current methodology the VOA does not publish a time series and users are advised not to infer trends in the rental market over time.

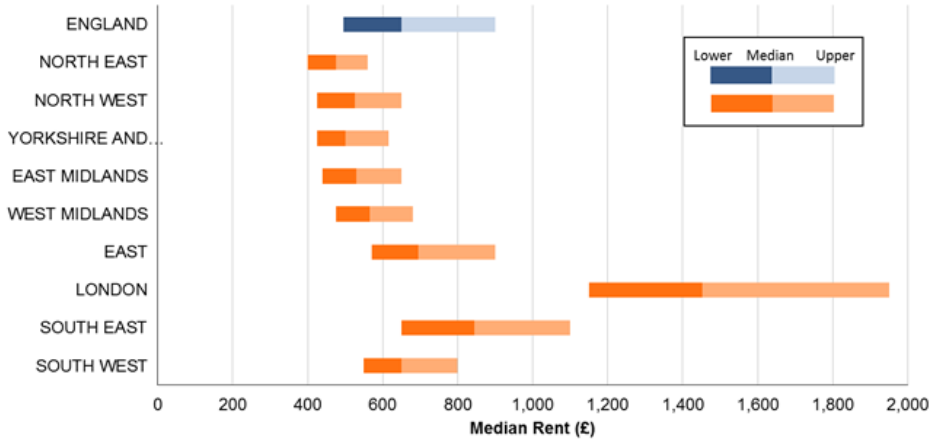
Main Findings

The median monthly rent recorded between 1 April 2015 and 31 March 2016 in England was £650.

London had the highest median monthly rent at £1,452, and North East had the lowest median monthly rent at £475. These regions are consistently the highest/lowest across all bedroom categories. The second highest median monthly rent is South East at £845.

London rents are generally much higher and have different characteristics to other regions. Chart 1(a) shows the median monthly rents by region, as well as the lower and upper quartiles. London has the largest interquartile range (difference between the upper and lower quartile) of monthly rents, with the lower quartile for London higher than the upper quartile for every other region.

Chart 1(a): Median and interquartile range of monthly rents by region: All bedroom categories between 1 April 2015 and 31 March 2016



Source: Private Rental Market Statistics (PRMS) Table 1.7

About This Release

These statistics summarise rents paid for private properties in England only. This is based on data collected by the Valuation Office Agency to support Local Housing Allowance (LHA).

The statistics are broken down by a number of bedroom categories for each local authority in England, for the 12 months to the end of March 2016.

The data used to generate these statistics are based on a sample of rental information, collected by Rent Officers from landlords and letting agents.

The composition of this sample changes over time therefore any differences in median rent may be due to differences in the sample rather than true changes in the rental market.

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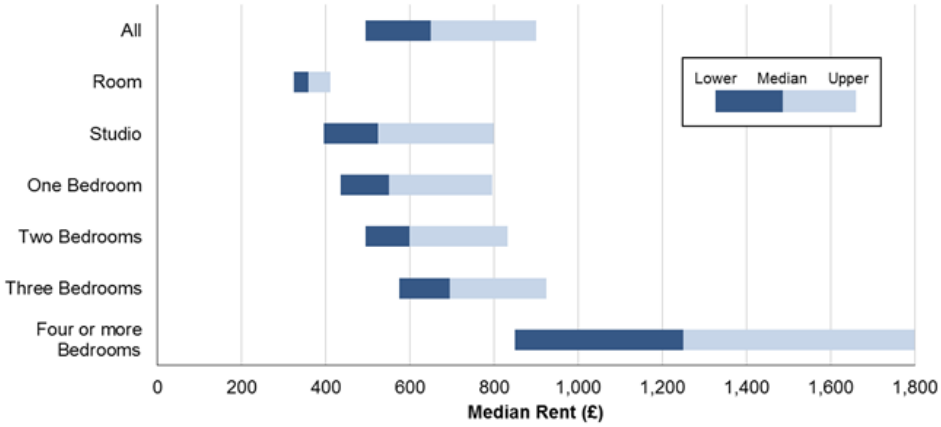
London has the biggest variation in rental values across all bedroom categories, followed by **South East**. It is not clear the extent to which variation in rental prices is due to underlying changes in the market or differences in the samples across the regions.

Properties with more bedrooms typically see higher median rents, with the highest median rents seen in properties with Four or more bedrooms. The range of Room rents is much lower than for other categories – around £100 per month between the lower and upper quartile. In England, the range of rents for Studios, One, Two and Three bedroom properties are similar to each other – around £400, with the median increasing as property sizes increases. This is shown in Chart 1(b).

Chart 1(b): Median and interquartile range of monthly rents by bedroom category: England between 1 April 2015 and 31 March 2016



Source: PRMS Tables 1.1 – 1.7

In most regions there is a small relative difference in median rent between each bedroom category and the next biggest category, e.g. between Studio and One bedroom properties or between Two and Three bedroom properties; but a large difference exists between Three and Four or more bedroom median rents and it could be that this is affected by larger properties being included in this category. This is shown in Chart 1(c).

Definitions

Median – when a series of numbers are arranged by order of magnitude the median represents the middle value.

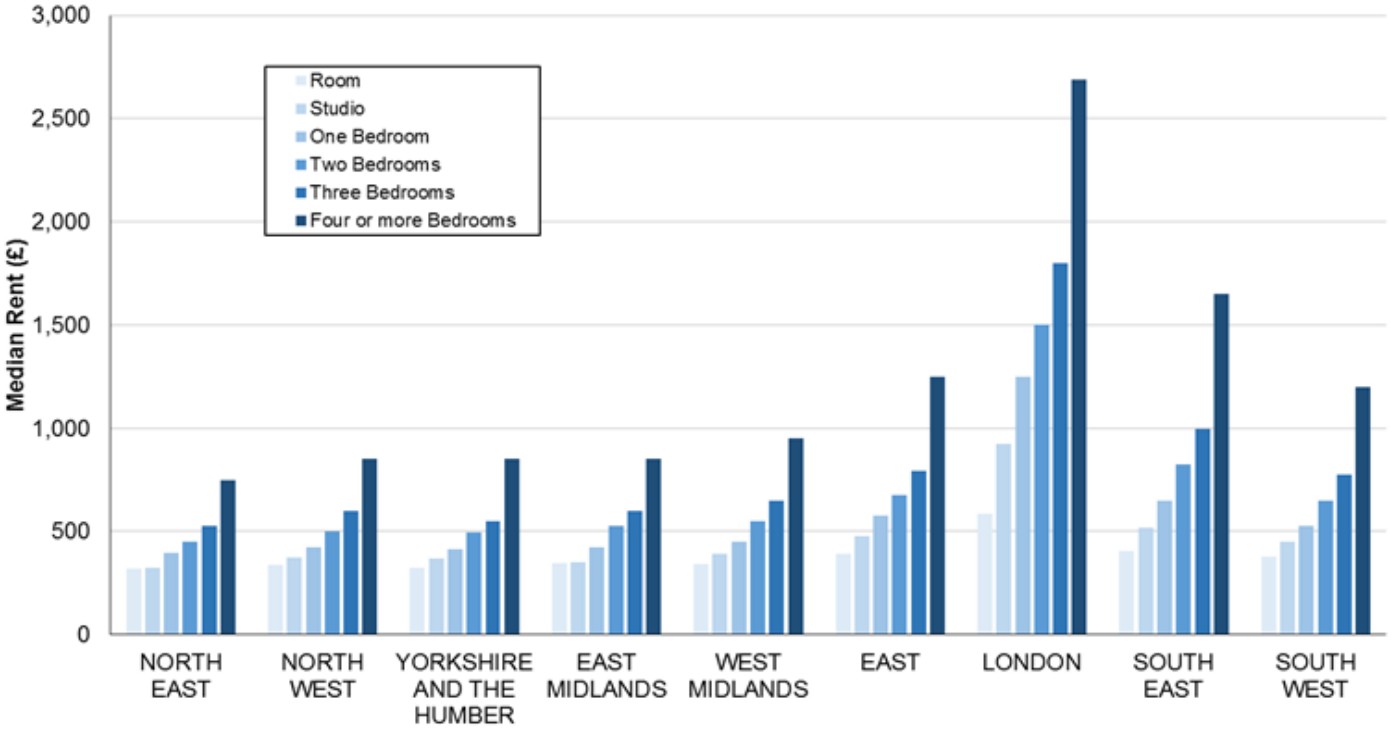
Lower quartile – when a series of values are arranged by order of magnitude the lower quartile (or 25th percentile) is the value that splits the lowest 25 per cent of the data from the highest 75 per cent.

Upper quartile - when a series of values are arranged by order of magnitude the upper quartile (or 75th percentile) is the value that splits the highest 25 per cent of the data from the lowest 75 per cent.

Interquartile range – difference between lower quartile and upper quartile, representing the middle 50 per cent of monthly rent values. This is also referred to as '**range**' in this publication.

Region – a geographical unit formerly referred to as Government Office Region (GOR). The GOR framework was the primary classification for regional statistics and comprises of nine regions in England, which combined with the devolved administrations collectively, spanned the United Kingdom. From 1 April 2011 the term GOR was dropped in favour of region.

Chart 1(c): Median monthly rents by region and bedroom category: All regions in England recorded between 1 April 2015 and 31 March 2016



Source: PRMS Tables 1.1 – 1.7

Regional Analysis

There is a varied distribution in the prices that tenants pay for private housing within regions. This section looks at London, as it has the highest rents and largest variations, and East to give a comparison. The difference between the lower quartile rent and upper quartile rent, the interquartile range, tends to be much greater in London, and there is a difference of over £1,000 in median rents between some boroughs within some regions.

Users should note that samples at borough level, even for the All number of bedrooms category can be small. When broken down further by the number of bedrooms, the average monthly rents may be less reliable due to the sample size *(See Data Quality section)*.

London

In London the median rent is £1,452, but there is a relatively large range around this between £1,150 at the lower quartile and £1,950 at the upper quartile - i.e. 25 per cent of properties in London have a rent greater than £1,950. Within London rents are highest for Inner London where the median rent is £1,668 and the highest median rent for a borough is for Kensington and Chelsea (£2,492), which is the highest rent for any borough in England. The lowest median rent in Inner London is for Lewisham (£1,200).The median rent in Outer London is £1,300, with the highest median rent in Richmond upon Thames (£1,595) and the lowest median rents in Bexley and Havering (£1,000).

East

In East the median rent is £695 with a range of £570 to £900. The highest median rents are in Hertfordshire, where the highest median rents are for Three Rivers (£1,225); and the lowest are for Stevenage and North Hertfordshire (£775), which is above the median for East as a whole. The lowest median rent for a borough in East is for Great Yarmouth in Norfolk (£510). However, readers should be cautious in drawing conclusions as the sample for Three Rivers (150 properties) and Stevenage (310 properties) are small compared to other boroughs in Hertfordshire.

Background Notes

This release is for information only and should not be confused with LHA rates published on DirectGov. While these statistics are derived from the same data source as LHA rates and Local Reference Rents (LRR), they are based on different categories and geographies.

Unlike the LHA rates, this publication reports on the total monthly rent paid (i.e. ignoring any adjustment for services not eligible for housing benefit) and in most cases the Broad Rental Market Area (BRMA) does not match the geography of the local authority area.

There has been no new data collection for this release. All data are captured during the course of Rent Officers' statutory responsibilities to administer functions related to Housing Benefit (LHA and LRR schemes) and Universal Credit on behalf of the Department for Work and Pensions.

Although Rent Officer functions relating to Housing Benefit date back to 1989, it was the introduction of LHA in April 2008 that necessitated a much larger geographically representative data set to meet the statutory requirements for median LHA rates. Increased collection activities commenced in 2007 in preparation for the new scheme.

In order to meet this responsibility, landlords and letting agents provide VOA Rent Officers with data pertaining to the properties they let. This information is captured electronically in the VOA's lettings information database. Checks are carried out at the point of entry to ensure that any Housing Benefit funded tenancies are excluded from this database.

Quality assurance of these data currently focuses on three areas:

- verification of data received from a sample of providers
- identification and validation of outliers
- accuracy of data entry.

The Census 2011 sets the benchmark for all data collection activities and Rent Officers endeavour to collect a proportionate spread of data by property type and geographic spread.

These statistics are limited to England.

All the lettings information is provided on a goodwill basis. These statistics would not be possible without the continued co-operation of landlords and letting agents.

Definitions

Local Housing Allowance (LHA) – Local Housing Allowance (LHA) is used to work out Housing Benefit for tenants who rent privately.

Local Reference Rents (LRR) – the LRR is the mid-point between what in the Rent Officer's opinion are the highest and lowest non-exceptional rents in a given Broad Rental Market Area.

Rent Officer – a statutory officer responsible for ensuring that the lettings information collected is representative of the full range of market rents for similar properties on which a rent determination is made and to record the information that they have used on VOA's lettings information database.

Broad Rental Market Area (BRMA) – a Broad Rental Market Area for Local Housing Allowance purposes is an area within which a person (or in the context of Local Reference Rents, a tenant of the dwelling) could reasonably be expected to live having regard to facilities and services, taking account of the distance of travel to and from those facilities and services. The BRMA contains residential premises of a variety of types to ensure representativeness of the rents that a landlord might reasonably be expected to obtain in that area.

Area Code – a unique identifier for administrative geographies as specified by the ONS.

Methodology

Private rental data entered into the lettings administrative information database were extracted for the 12 months to the end of March 2016. Only cases where there was sufficient evidence of a transaction taking place (i.e. a tenancy has commenced rather than an advert where a letting has not occurred yet) were included in the sample. A small proportion of data that was unconfirmed or had limited evidence was not included.

The data are broken down by boroughs and by bedroom/room category and statistics are calculated on the total monthly rents (which may include some service charges such as fuel and water). For Local Housing Allowance purposes, service charges are not included as they are ineligible for the calculation of housing benefit.

Definitions of the bedroom/room categories used are:

- **Room** – non self-contained single room with shared facilities. Includes bedsits, single rooms in a house or flat shared with other tenants, and single rooms rented from a resident landlord.
- **Studio** – self-contained single roomed property with own kitchen and bath/shower/WC facilities.
- **One to Four or more bedrooms** – self-contained properties with one to four or more bedrooms, including houses, bungalows, flats and maisonettes.

Data Quality

The statistics presented in this release represent the data collected by Rent Officers as recorded in VOA administrative systems. The sample size therefore varies across publications and also within publications where there is variation across regions. This can be seen in Chart 2 where the largest regional sample, South East, is more than three times the size of the smallest sample, North East.

Furthermore, it should be noted that while Census 2011 provides a benchmark for the population of privately rented properties (see background notes), the sample of properties is not randomly selected. Results are not adjusted to produce statistics which are representative of the private rental property market mix in England.

Housing Benefit claimants are excluded, so not all privately rented properties are represented in the sample.

Definitions

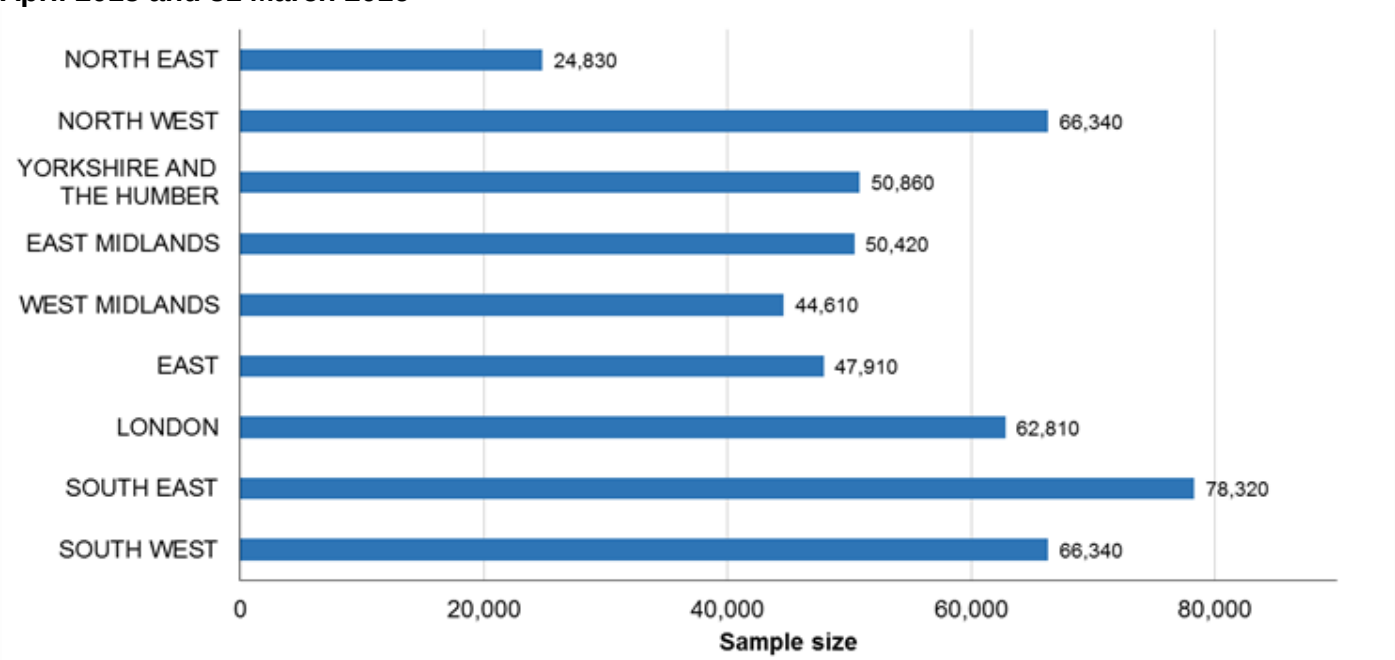
Self-contained – where all the rooms (including kitchen, bathroom and toilet) in a household's accommodation are behind a single door which only that household can use.

Lettings information database – the database that holds lettings information collected as part of the Valuation Office Agency's (VOA) responsibility to administer the rent officer functions related to Housing Benefit (Local Housing Allowance and Local Reference Rents) on behalf of the Department for Work and Pensions (DWP).

Local authority (LA) – a geographical unit; the lower tier of local government. This includes non-metropolitan districts, metropolitan districts, unitary authorities and London boroughs in England.

Mean – a measure of central tendency often referred to as the average. Given a series of values the arithmetic mean is calculated by summing all these values together and dividing by the count of these values.

Chart 2: Regional variation in the sample size: All bedroom categories recorded between 1 April 2015 and 31 March 2016



Source: PRMS Table 2.7

As the data set used has not been drawn from a statistically designed sample, the statistics in this release should be considered as indicative only of the private rental market. In concept, the nature of the data collection means that the statistics produced on rental levels will be closer to a measure of the private rental market "stock" i.e. rents paid on average by existing as well as new tenants, although these would only be indicative because of changes in the mix or quality of properties e.g. moves from older properties to new purpose-builds. The statistics give no measure of the "flow" i.e. the price paid by tenants for properties coming into the market for the first time.

In order to mitigate some of the effects of these problems and to avoid disclosure of personal information, we have made the judgement to suppress statistics derived from samples containing fewer than 10 records. We have removed around 360 cases (0.07 per cent) from the data set as there was insufficient information to assign them to a suitable bedroom/room category. All rent values have been rounded to the nearest pound.

Other private rental market statistics

There are a number of other sources publically available on the private rental market in the UK. These include:

- Rental component of the CPI and CPIH (Consumer Prices Index with OOH)
- Index of Private Housing Rental Prices (IPHRP)
- Private Rental Market Statistics for Scotland
- Private Rental Sector Rents for Wales
- The Family Resources Survey (FRS)
- Northern Ireland Family Resources Survey
- The English Housing Survey (EHS)
- The Living Costs and Food Survey (LCF)

The Office for National Statistics use the VOA's lettings data to produce CPIH and IPHRP. However, their methodology differs to the PRMS in a number of aspects and hence the potential for comparison is limited. The price indices data the VOA provides to ONS (known as 'elementary aggregates') undergoes a complex process to ensure there is a matched sample of comparable properties month-to-month during the year. This is consistent with the CPI methodology. The PRMS are designed to provide a 'snap shot' of the rental

market for the last 12 months with no attempt made to reflect the changing composition of the underlying data.

The ONS convert the elementary aggregates into a single weighted average index component by applying weights that reflect the composition of the UK owner occupiers' housing 'market' (and the rental market in respect to the IPHRP), weighting for regions and the distribution of different property types (e.g. flats and terraced, semi-detached and detached houses and bungalows) and whether the rented property is furnished or unfurnished in the IPHRP (CPIH uses only unfurnished properties). This weighting process of 'mix-adjustment' is also not applied in the PRMS.

More information on differences between VOA PRMS and ONS rental indices and analysis on the differences underpinning the series can be found at http://www.ons.gov.uk/ons/guide-method/user-guidance/prices/cpi-and-rpi/explaining-private-rental-growth.pdf.

The Welsh Government publish PRMS for Wales. These statistics are similar to those provided in this publication in that they are collected by rent officers and are based on transactional data. Further information can be found at: http://gov.wales/statistics-and-research/private-sector-rents/?lang=en

The Scottish Government publish PRMS for Scotland. Whilst it presents similar looking statistics to this publication, there are some differences which may affect any comparisons. In particular, rent for room-only shared properties is presented as net rather than including any shared services, and also properties with five or more bedrooms are excluded. These differences may impact on any comparisons for average rents for these types of properties. Further information can be found at: http://www.gov.scot/Publications/2015/11/3376

The latter four are household surveys which take an average of rents reported by respondents in the year and do not show the actual transacted price paid by a tenant.

Further Information

For further information on the area codes used in this release please refer to the ONS's website at the following location: http://www.ons.gov.uk/ons/guide-method/geography/geographic-policy/best-practice-guidance/presentation-order-guidance/administrative-areas/index.html.

Geographic Maps

The VOA publish maps illustrating PRMS by region and bedroom category.

VOA user engagement exercise

The VOA ran a user engagement exercise on the future design of its PRMS. This was in the form of a short user survey, which asked questions regarding how PRMS is used, perceived limitations and strengths and how users would like to see the statistics developed, including on the frequency of their publication and the level of detail required. The survey closed on 20 April 2016 and we plan to produce a high level summary of the results which will be published on the PRMS webpage in due course.

This is part of the VOA's ongoing methodological review aiming at improving the quality of the PRMS and will be used to inform future work. The VOA plans to publish revised statistics starting from November 2016. This is subject to agreement with the methodology peer review group and interested parties. Methodology and publication plans will be available on the VOA website in due course.