

Article

Private rental growth measures, a UK comparison: January to December 2021

Compares growth in the Index of Private Housing Rental Prices (IPHRP) with other measures of private rental growth.

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Release date:
20 January 2022

Next release:
To be announced

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1 . Main points

- The [Index of Private Housing Rental Prices](#) (IPHRP), as a measure of the stock of private rents, is a more stable index compared with the newly let private measures.
- London rental price growth has slowed since the start of the coronavirus (COVID-19) pandemic.
- The high proportion of private rented stock compared with owner-occupied housing stock in London drives the difference between owner occupiers' housing costs (OOH) and IPHRP measures.

2 . Overview

The [Index of Private Housing Rental Prices](#) (IPHRP) measures the change in price of renting residential property from private landlords. These are also used for the rental equivalence measure of owner occupiers' housing costs (OOH) in the Consumer Prices Index including owner occupiers' housing costs (CPIH). More information is available on [inflation and price indices](#) and CPIH.

Superficially, there can be considerable difference between the Office for National Statistics' (ONS') measures of rents (IPHRP, OOH and the private rental market summary statistics (PRMS)) and comparable indicators from the private sector. However, once adjustments are made for differences in what the indices are measuring, the ONS' measures of rents are more closely aligned with the other sources of rental prices.

We have shown the wide range of sources available for rental data and highlighted the extent of their similarities and differences. Differences can be explained, providing confidence that the IPHRP is a robust measure of UK consumer price statistics.

IPHRP and private measures reported a slowdown of private rental price growth in 2020 because of the coronavirus (COVID-19) pandemic, especially within London. In 2021, private rental price growth in the UK began to pick up, despite the impact of London rental prices, which have fallen over the year.

3 . Comparing the Office for National Statistics' rents data and private sector data

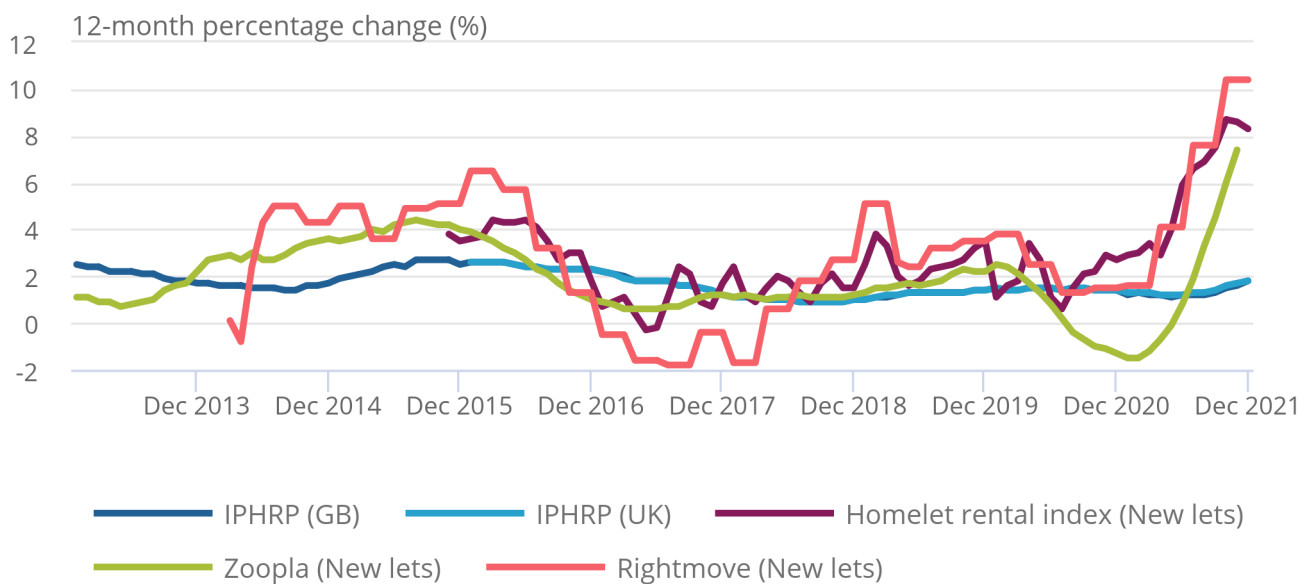
Many private sector organisations (such as HomeLet, Rightmove and Zoopla) produce a range of rental data, including estimates of changes in rental prices.

Figure 1: Index of Private Housing Rental Prices (IPHRP) measure is more stable

IPHRP and private sector measures of rents, percentage change over 12 months, January 2013 to December 2021, UK

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IPHRP and private sector measures of rents, percentage change over 12 months, January 2013 to December 2021, UK



Source: Zoopla, HomeLet, Rightmove and Office for National Statistics – IPHRP

Historically, rent increases measured by private sector measures have differed to those shown in the Index of Private Housing Rental Prices (IPHRP), and some are more volatile. This is because the private sector measures primarily focus on newly let properties, while the IPHRP includes newly let properties and existing lets (our blog [Measuring the UK housing market](#) provides more detail). The Valuation Office Agency (VOA) rental officers suggest that the greatest price rises occur when properties are newly let, compared with existing tenants, who tend to see smaller price increases.

According to the [English Private Landlord Survey 2018 \(PDF, 1.45MB\)](#) and [GoodLord's Rental Index August 2020 report \(PDF, 306KB\)](#), the average rental contract length is around 10 months. During this contract period, a tenant's rent is fixed and remains unchanged. The IPHRP includes all new lets, those renewing their contract, and those within their existing contract. Accounting for all three groups results in a smoother series for IPHRP than for other measures that focus on new lets, where there is more volatility between each month.

Additionally, price changes led by new lets do not affect tenants within their existing contract until the contract term has ended; this means it takes time for changes in the new lets' rental market to influence the overall stock monitored by IPHRP. Therefore, it takes time for rental impacts observed in the new let private measures to affect the overall stock and show in IPHRP's measure.

4 . Comparison of Index of Private Housing Rental Prices with Private rental market summary statistics

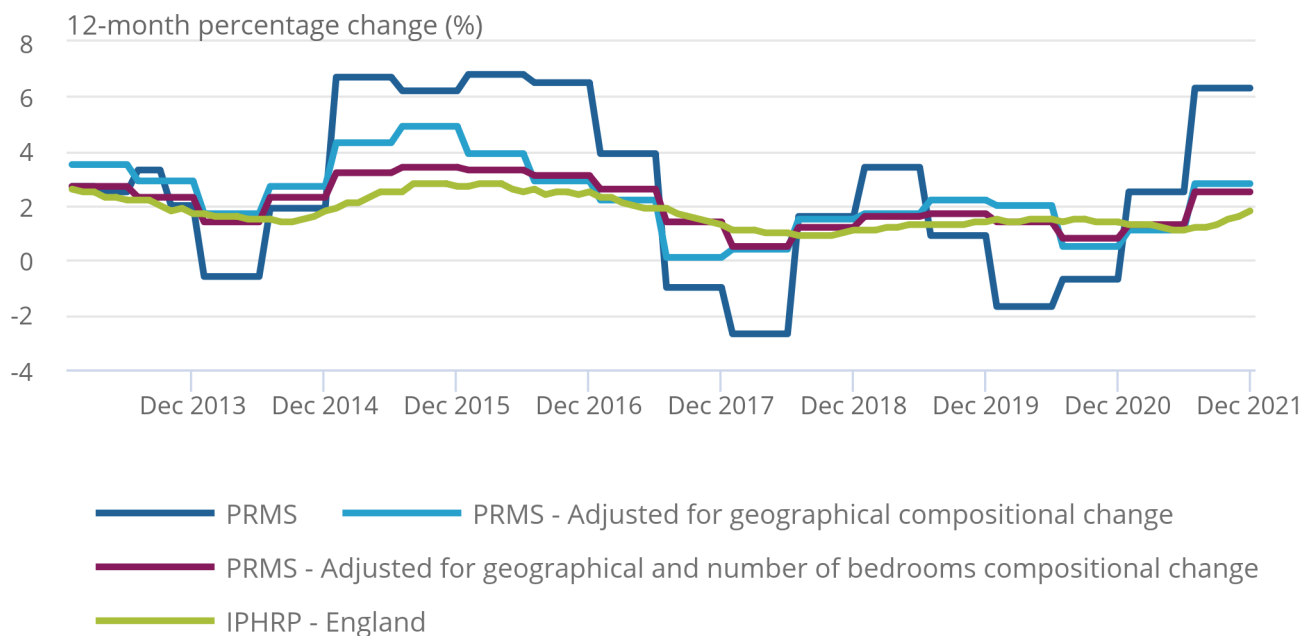
In evaluating measures of rental price, some users have focused on the difference between the average rental prices published in the [Private rental market summary statistics](#) (PRMS) publication, and the Index of Private Housing Rental Prices (IPHRP). Both are based on the same underlying private rents data collected by Valuation Office Agency (VOA) rent officers for England.

Figure 2: Private rental market summary statistics and Index of Private Rental Prices (IPHRP) follow the same pattern after accounting for differences in measurement

Private rental market statistics adjusted for compositional change against IPHRP, percentage change over 12 months, January 2013 to December 2021, UK

Figure 2: Private rental market summary statistics and Index of Private Rental Prices (IPHRP) follow the same pattern after accounting for differences in measurement

Private rental market statistics adjusted for compositional change against IPHRP, percentage change over 12 months, January 2013 to December 2021, UK



Source: Valuation Office Agency – lettings information database, Office for National Statistics – IPHRP and private rental market summary statistics (PRMS)

There are some major differences between the PRMS series and the IPHRP, which may affect confidence in the IPHRP; however, we can explain these differences.

The IPHRP is a "price index" that seeks to make pure price comparisons, while the PRMS is a simple "average of transactions" collected during the period; they are therefore not directly comparable over time.

Over the period presented, the average annual growth rate of the PRMS is 2.5%, compared with an average annual growth rate in the IPHRP of 1.7%. The difference of 0.80 percentage points can be accounted for by:

- geographical compositional effects (0.32 percentage points), as shown by the lightest (blue) line in Figure 2
- compositional changes relating to the number of bedrooms of properties in the PRMS sample (0.19 percentage points), as shown by the darker (purple) line in Figure 2
- coverage differences between PRMS and IPHRP (0.29 percentage points)

We are therefore confident that the IPHRP is a fair reflection of the increase in rental prices over time.

5 . Comparison of Index of Private Housing Rental Prices with Owner occupiers' housing costs

The Index of Private Housing Rental Prices (IPHRP) measures the change in price tenants face when renting residential properties from private landlords. However, if we are specifically interested in the cost of purchasing a house, the [UK House Price Index](#) (HPI) will provide an estimate of the average price (and how much it has fluctuated).

The measurement of costs associated with owning or living in a house (referred to as [owner occupiers' housing costs](#) (OOH)) is more difficult because the [cost of consuming housing services](#) is different to the cost of purchasing a house. The Office for National Statistics (ONS) measures OOH through rental equivalence, which assumes the rent paid for an equivalent house can be used as an estimate of the cost of housing services.

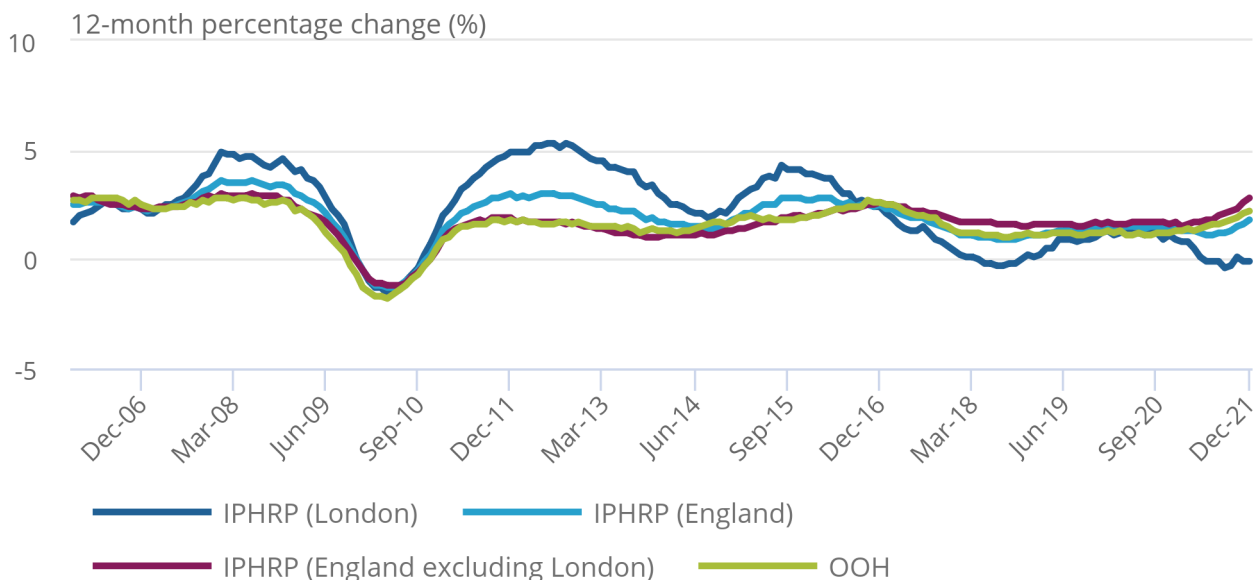
In calculating our OOH measure, we use the same rental data sources as the IPHRP, and so we might expect them to show the same price development over time. While they are similar (Figure 3), any differences are explained.

Figure 3: Index of Private Housing Rental Prices (IPHRP) and owner occupiers' housing costs (OOH) differences can be explained by different mix of properties

IPHRP compared with OOH, percentage change over 12 months, January 2006 to December 2021, UK

Figure 3: Index of Private Housing Rental Prices (IPHRP) and owner occupiers' housing costs (OOH) differences can be explained by different mix of properties

IPHRP compared with OOH, percentage change over 12 months, January 2006 to December 2021, UK



Source: Office for National Statistics – IPHRP and OOH

The main reason for this difference between IPHRP and OOH comes from the composition of the housing mix that represents the private rented market, compared with the owner-occupied market. The type and location of properties in the private rented sector are different to the owner-occupiers' sector, and we take this into account when calculating our estimates.

Taking location as an example, London has a higher proportion of private rented stock compared with owner-occupied housing stock. Therefore, rental growth in London has more of an impact on the IPHRP than OOH. If we compare the IPHRP series "England excluding London" (Figure 3) with OOH, they are very similar, highlighting the impact London has on the IPHRP.

Figure 4 provides an indication of how the proportion of owner-occupied and private rented stock differs for London, with private rented stock being much larger. Figure 4 is based on [dwelling stock data from 2020](#), which are the latest publicly available (Table 109).

Figure 4: London accounts for a higher proportion of the private rented dwelling stock

Dwelling stock proportions, by tenure and region, England, 2020

Figure 4: London accounts for a higher proportion of the private rented dwelling stock

Dwelling stock proportions, by tenure and region, England, 2020



Source: Ministry of Housing, Communities and Local Government – dwelling stock (including vacants)

6 . The impact of the coronavirus (COVID-19) pandemic on the private rental market

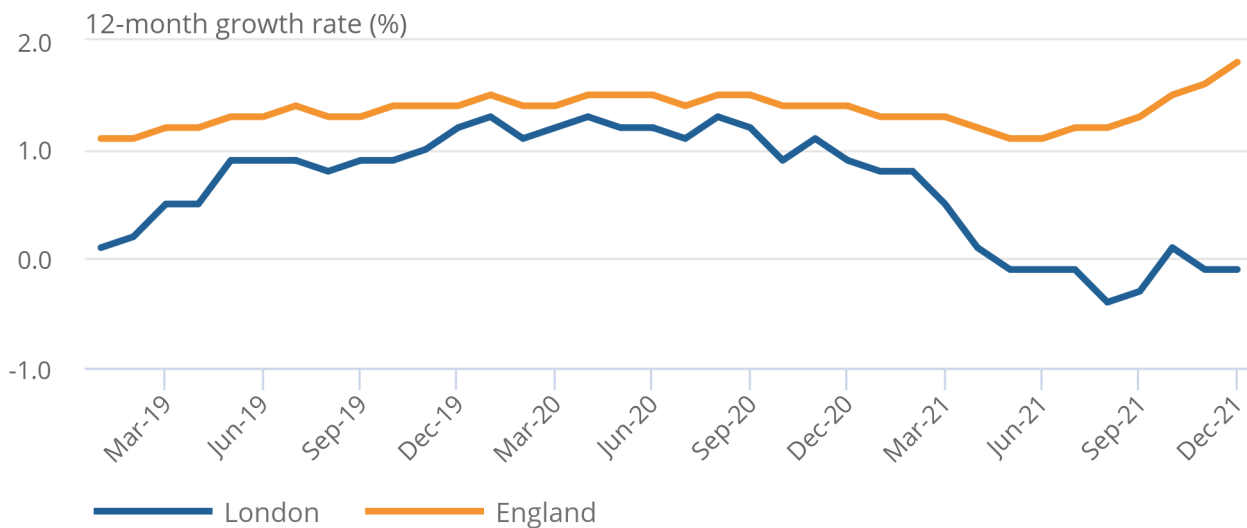
The Index of Private Housing Rental Prices (IPHRP) measures the stock of rents, so any impact of the coronavirus (COVID-19) pandemic on private rental prices may still take some time to be fully reflected. However, we are beginning to see the impact of the coronavirus pandemic on private rental prices in the IPHRP.

Figure 5: London rental price growth slowed from October 2020, while England's growth remained steady

Index of Private Housing Rental Prices (IPHRP): London and England, percentage change over 12 months, January 2019 to December 2021, UK

Figure 5: London rental price growth slowed from October 2020, while England's growth remained steady

Index of Private Housing Rental Prices (IPHRP): London and England, percentage change over 12 months, January 2019 to December 2021, UK



Source: Office for National Statistics – Index of Private Housing Rental Prices

Private rental prices' annual percentage growth slowed in London during 2021 (as shown in Figure 5) from 0.8% in the 12 months to January 2021, to negative 0.1% in the 12 months to December 2021. However, IPHRP reported that the annual percentage change in private rental prices in England remained stable in the 12 months to January 2021 at 1.3%, and increased to 1.8% in the 12 months to December 2021. IPHRP shows that although the coronavirus pandemic slowed private rental price growth in London, private rental price growth increased in other parts of the UK.

The [Royal Institution of Chartered Surveyors' \(RICS'\) November 2021 Residential Market Survey](#) reported that a supply drought is causing grief for potential future house buyers, because the number of properties being listed is declining again this month.

In addition, Zoopla and Rightmove have reported an increase in UK private rents' annual percentage growth in the latter half of 2021. Figure 1 shows Zoopla reported an increase in annual growth from negative 1.5% in January 2021 to 7.4% in November 2021. Rightmove also reported an increase in annual growth from 1.6% in Quarter 1 (Jan to Mar) 2021 to 10.4% in Quarter 4 (Oct to Dec) 2021. The increases in rental price growth reported by Zoopla and Rightmove were both driven by rental prices in cities and a recovery of rental price in London. These flow-based increases may take a while to be reflected in the stock-based IPHRP.

7 . Glossary

Index of Private Housing Rental Prices (IPHRP)

The Index of Private Housing Rental Prices (IPHRP) measures the change in the price tenants face when renting residential property from private landlords.

Administrative data

Administrative data are data that people have already provided to the government through day-to-day activities, such as health records, social security payments or educational attainment information.

Owner occupiers' housing costs - rental equivalence approach

Assumes a dwelling is a capital good and therefore not consumed, but instead provides a flow of services that are consumed each period. Rental equivalence imputes owner occupiers' housing costs from the rents paid for equivalent rented properties. Measures the ongoing consumption of owner occupiers' housing services.

Local authorities

Shires, metropolitan districts, the Council of the Isles of Scilly, unitary authorities, London boroughs and the City of London are local authorities.

8 . Data sources and quality

Zoopla

Zoopla is a property website covering the residential property market, helping users make informed property decisions. This searchable directory of UK residential properties is a leading online destination for market research.

Zoopla publishes a quarterly [rental market report](#). The index uses over 125,000 rental data points per month. Comparing Zoopla's series with the Index of Private Housing Rental Prices (IPHRP), both series follow the same trend; however, Zoopla leads IPHRP by between five months to one year.

Zoopla's data are comprised of new lets, which change in price more rapidly than a portfolio of rents containing new and existing lets, which IPHRP collects. Zoopla's data are also based on advertised let prices, which are usually collected before a property is initially let. In contrast, IPHRP data records prices at date of collection, which may be later than the initial let date of the property. This difference in data composition and collection may explain the time lag between the Zoopla and IPHRP series.

Rightmove

Rightmove is another property website covering the residential property market, helping users make property decisions. It is also a searchable directory of UK residential properties, and a leading online destination for market research.

Rightmove's rental trends tracker series is published quarterly with all short lets removed. Rightmove's series shows a similar trend to the IPHRP, leading it by around six months. Rightmove's rental trends tracker is compiled from the asking rents of properties coming onto the market on Rightmove.co.uk at the beginning of the rental process, and is sensitive to current market fluctuations. IPHRP's measure is stabilised by slower-changing existing let prices.

HomeLet

HomeLet is a private company that provides tenant referencing and insurance for letting agents, landlords and tenants. Since January 2009, it has published a UK new lets monthly index called the HomeLet Rental Index, based on achieved private rental prices collected from its tenant referencing services (around 29,000 per month). In August 2016, HomeLet re-launched this index, incorporating a methodology that stratifies by property type and geography; a historical series was also made available.

9 . Future developments

Following the [Digital Economy Act 2017](#), the Office for National Statistics (ONS) gained access to the Valuation Office Agency (VOA) private rental microdata. Consequently, the ONS aims to re-develop the Index of Private Housing Rental Prices (IPHRP) and private rental market statistics (PRMS) to produce mix-adjusted average rental prices. These will be comparable over time and geography down to lower geographic levels, which will help to better meet user needs.

More information and a timetable for these developments is available in the [Private rental prices development plan: updated January 2021](#). If you have any queries or feedback on these developments, please email hpi@ons.gov.uk.

10 . Related links

[Index of Private Housing Rental Prices: December 2021](#)

Bulletin | Released 19 January 2022

An experimental price index tracking the prices paid for renting property from private landlords in the UK.

[Consumer price inflation, UK: December 2021](#)

Bulletin | Released 19 January 2022

Price indices, percentage changes and weights for the different measures of consumer price inflation.

[Private rental market summary statistics in England: October 2020 to September 2021](#)

Bulletin | Released 15 December 2021

Summary of monthly private rent statistics by region, local authority and bedroom category for England.

[Private rental prices development plan: updated January 2021](#)

Article | Released 19 January 2021

The priorities, aims and methodology under development for private rental prices statistics, including a broad timeline of the planned work.

[Measures of owner occupiers' housing costs, UK: January to March 2020](#)

Bulletin | Released 17 June 2020

The different approaches of measuring owner occupiers' housing costs associated with owning, maintaining and living in one's own home.

