

Statistical bulletin

Private rental affordability, England: 2012 to 2020

Private rent prices in England expressed as a percentage of gross monthly household income. Part of our additional measures of housing affordability series.

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Next release: Autumn 2022

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1. Main points

- Private renters on median income could expect to spend 23% of their income on a median priced rented home in England.
- The East Midlands and North West are the most affordable rental regions for lower income households living in the region.
- In London, only a household in the higher income quartile would be able to rent a property without spending more than 30% of their income on rent.

2. Private rental affordability, England

The affordability of the private rental sector is important for a large number of people. <u>Dwelling stock data</u> from the Department for Levelling Up, Housing and Communities suggest nearly 20% of all dwellings were privately rented in 2020.

We give an indicator of affordability by expressing rent prices as a percentage of income. For this bulletin, we deem a property affordable if a household would spend 30% or less of their income on rent.

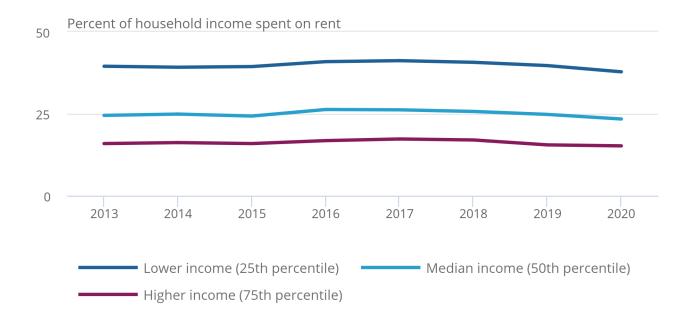
This analysis builds on the previous research carried out on <u>additional measures of affordability</u>, but figures are not directly comparable because of improvements in methodology. The previous research also included information on purchase affordability, upfront costs, mortgage repayment affordability and purchase affordability for small areas.

Figure 1: Renters on median income could expect to spend around a quarter of their income on an average-priced rented home

Percentage of household income spent on median rent, by income quartile, England, FYE 2013 to FYE 2020

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Percentage of household income spent on median rent, by income quartile, England, FYE 2013 to FYE 2020



Source: Office for National Statistics - Family Resources Survey, Private rental market statistics

Notes:

1. The household income refers to the gross household income of private renters only, not all tenures.

Although there are some changes year to year, over the time period as a whole, private rental affordability has remained relatively stable.

For the financial year ending (FYE) 2020, a household with a median income in England could expect to spend 23% of their income on median private rent. Households with income at the lower quartile could expect to spend a higher proportion (38%) of their income if they were to rent the same median rental property.

3. Regional private rental affordability

Table 1: The East Midlands and North West are the most affordable regions for lower income households living in the region

Table showing the highest rent price quartile that a household at each income quartile can rent for less than 30% of income, by region, England, FYE 2020

Region name	Lower income	Median income	Higher income
East Midlands	Low rent	High rent	High rent
North West	Low rent	High rent	High rent
Yorkshire and The Humber	none	High rent	High rent
West Midlands	none	High rent	High rent
North East	none	Median rent	High rent
East of England	none	Median rent	High rent
South West	none	Median rent	High rent
South East	none	Median rent	High rent
London	none	none	High rent

Source: Office for National Statistics - Family Resources Survey, Private rental market statistics

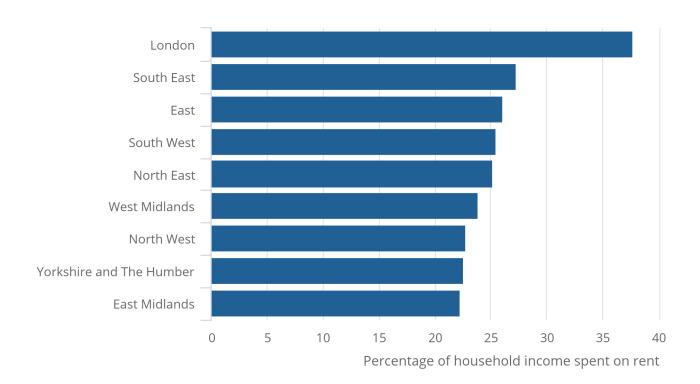
The East Midlands and the North West are the only regions in England where rent prices at the lower quartile are affordable for those at the lower quartile of household income. In London, only a household with a higher income would be able to rent a property without spending more than 30% of their income on rent.

Figure 2: London was the least affordable region for rent prices

Percentage of renters' median household income spent on median rent, by region, England, FYE 2020

Figure 2: London was the least affordable region for rent prices

Percentage of renters' median household income spent on median rent, by region, England, FYE 2020



Source: Office for National Statistics - Family Resources Survey, Private rental market statistics

Notes:

- 1. The household income refers to the gross household income of private renters only, not all tenures.
- 2. We consider an area to have affordable private rent if renters spend up to 30% of their income on rent prices.

Figure 2 shows that renters with median household income could expect to spend between 22% (East Midlands) and 38% (London) of their income on renting a median-priced property in 2020.

For most regions, private rental prices have become slightly more affordable since 2013, as the proportion of income required to rent in 2020 was less than in 2013. This indicates that average incomes have risen further than rental prices.

The East of England saw the largest reduction in affordability, where the percentage of income needed to rent increased from 23% to 26% between 2013 and 2020. Throughout this period, a household on median income in London would have needed to spend greater than 30% of their income on median rent, ranging from 50% in 2017 to 38% in 2020.

4. Private rental affordability data

Private rental affordability, England

Dataset | Released 06 October 2021

Percentage of total monthly household income spent on private rent, by region, England, Financial Year Ending 2013 to 2020.

5. Measuring the data

Private rent prices are taken from the <u>Private rental market summary statistics (PRMS)</u>, which are produced by the Office for National Statistics (ONS), but prior to 2018 were produced by the <u>Valuation Office Agency</u>. The data provide rent price quartiles (lower quartile, median and upper quartile). The rent prices are a summary of monthly rents recorded between 1 April and 31 March each year.

Total household income quartiles are calculated using data from the <u>Family Resources Survey (FRS)</u>, which is conducted by the ONS. The income used for this measure refers to gross household income and is the income for private renters only. We filter the FRS to only include those who are privately renting a furnished or unfurnished property, rent-free, or squatting, to work out the income of private renters. We use a grossing factor weight to adjust for potential bias in responses to the FRS.

To show the affordability of private renting, we calculate the percentage of the gross monthly household income that is spent on monthly rent. We consider an area to have private rent that is affordable if they spend 30% or less of their gross monthly income on rent.

Quality

More quality and methodology information on strengths, limitations, appropriate uses, and how the data were created is available in the <u>private rental affordability QMI</u>.

6. Strengths and limitations

There are strengths and limitations of the rental, income, and affordability elements of these statistics.

The rental data have not been drawn from a statistically designed sample, so these statistics should be considered as only indicative of the private rental market. As such, the private rental affordability dataset should also be treated as indicative only and care should be taken when making comparisons over time. Further quality information for the rental statistics can be found in the Private rental market summary statistics release.

There are various sources of income data. A strength of the Family Resources Survey (FRS) is that it allows us to differentiate between homeowners and renters, and therefore, we have chosen to use this source. We have used a weighted-quartiles method to approximate quartile income from this data. The weighting helps to compensate for some survey design and response bias. Further quality information for the income statistics can be found in the Family Resources Survey information page.

A limitation of the affordability calculation is that we do not adjust for property or household size. For example, while a one-bedroom flat in a region may be affordable for a family, it may not be suitable.

We are aware that by averaging over regional areas, this can hide differences within each region, where affordable properties may be in a different place to the households with the appropriate incomes.

7. Related links

Private rental market summary statistics in England: April 2020 to March 2021

Statistical bulletin | Released 16 June 2021

Median monthly rental prices for the private rental market in England, calculated using data from the Valuation Office Agency.

Housing affordability in England and Wales: 2020

Statistical bulletin | Released 25 March 2021

Data on house prices and annual earnings to calculate affordability ratios for national and subnational geographies in England and Wales, on an annual basis.

Research Output: Alternative measures of housing affordability: financial year ending 2018

Article | Released 19 March 2020

Affordability in relation to varying household income and house price distributions, upfront costs, mortgage repayments, and private rental affordability.

UK private rented sector: 2018

Article | Released 18 January 2019

Brings together existing UK data sources on the private rented sector (PRS) to assess comparability, coherence and data limitations.

A guide to sources of data on income and earnings

Methodology article | Released 1 March 2021

Outlines the different data sources and outputs that feed into the analysis of income and earnings within the UK.