Private rental affordability, England, Wales and Northern Ireland QMI

Quality and Management Information about the Private rental affordability, England, Wales and Northern Ireland publication

Table of contents

1 . Output information

- Title: [Private Rental Affordability, England, Wales and Northern Ireland](#)

- National Statistic: no

- Data sources: [Private rental market summary statistics](#) (PRMS); [Family Resources Survey](#) (FRS); [Rent Officers Wales](#); [Northern Ireland Housing Executive](#)

- Frequency: annual

- How compiled: administrative and survey data

- Geographic coverage: countries of England, Wales and Northern Ireland, regions in England

- Related publications: [Housing affordability in England and Wales](#); [Housing purchase affordability in Great Britain](#); [Additional measures of housing affordability](#)

- Last revised: 23 October 2023

2 . About this Quality and Methodology Information

This quality and methodology information report contains information on the quality characteristics of the data, as well as the methods used to create it.

The information in this report will help you to:

- understand the strengths and limitations of the data

- learn about existing uses and users of the data

- understand the methods used to create the data

- help you to decide suitable uses for the data

- reduce the risk of misusing data

3 . Important points

Our Private rental affordability statistical bulletin along with housing purchase affordability are intended as a series of additional measures of affordability. They provide users with further measures in addition to our Housing affordability in England and Wales publication. We plan to include more measures over time.

These statistics include estimates of the percentage of income spent on private rent in the countries of England, Wales and Northern Ireland and for regions in England. They use household income for renters from the Family Resources Survey (FRS) in all three countries.

Rent price information from our Private rental market summary statistics (in England) (PRMS) uses data from the Valuation Office Agency (VOA). Monthly rent prices in Wales has been created as a custom output by the Office for National Statistics (ONS) using data from Rent Officers Wales and methods consistent with the PRMS for England. Monthly rent prices in Northern Ireland has been created as a custom output by the ONS using data from the Northern Ireland Housing Executive (NIHE) and methods are consistent with the PRMS for England.

In England and Wales data are for new and existing rents. In Northern Ireland data covers new rents only, as a source of existing rents is not available.

For this methodology , we deem a property "affordable" if a household would spend the equivalent of 30% or less of their income on rent.

4 . Quality summary

In this methodology, we produce estimates of the percentage of gross household income spent on rent, by private renters at country level in England, Wales and Northern Ireland and at a regional level in England.

For rent in England, data are taken from our Private rental market summary statistics (PRMS) release. We specifically use the quartile estimates of monthly rent dataset, broken down by region (Table 1.7). In Wales, rent data are processed by the Office for National Statistics (ONS) using data from Rent Officers Wales and methods consistent with the PRMS for England. Similarly, in Northern Ireland, rent data are processed by the ONS using data from the Northern Ireland Housing Executive (NIHE) and methods are consistent with the PRMS for England.

For income, we use the household income estimates from the Department for Work and Pensions Family Resources Survey (FRS), using the household file obtained via the UK Data Service. We only include private renting households, whether they are privately renting a furnished or unfurnished property, rent-free or squatting. We use a grossing factor weight to adjust for potential bias in responses to the FRS and allow us to create regionally weighted quartiles.

We use weights to account for survey design and missing respondent responses in the FRS.

We then calculate the percentage of monthly income spent on rent, by quartiles, for the English regions.

For this bulletin, we deem a property affordable if a household would spend 30% or less of their income on rent. While the ONS use 30%, there is no widely accepted standard on this. A 2019 Scottish Government review looked at the literature around measuring affordability. The review found a range of different thresholds used both within the UK and internationally, from as low as 20% to as high as 50%. The report also identifies other methods of measuring affordability, some of which specifically look to avoid the necessary generalisation of such a blunt measure.

Uses and users

These measures of affordability are in addition to our main release, where users have been identified as the following:

- central government: monitoring housing trends, supply and demand, policy-making such as schemes for first-time buyers

- devolved administrations: supporting policy-making and monitoring changes at the country level, similar to those requirements of central government; also used for comparisons with wider UK policies

- local government: monitoring and developing housing policies and affordability of housing to meet the current and future needs of their areas and to understand how changes and policies at the national level affect housing at the local authority level; determine the need of what type or price of property is required in the area so people can better afford housing

- other private sector organisations: property investors and financial management companies may also use these data to assess affordability of investments

- banks and building societies: house price and affordability statistics are used for mortgage lending to make decisions on whether to lend, how much to lend and setting interest rates; earnings data are also useful to inform mortgage lending to see how much of people's earnings are needed to spend on mortgages and how long is needed to pay them off

- house builders: these users are interested in whether and where demand for new housing exists, how much people are likely to be able to afford to spend on a property in a given area and the returns received on homes built and converted

- housing industry specialists: these include organisations such as larger estate agents seeking information on subnational housing affordability trends

- housing bodies: these include organisations such as the Home Builders Federation and charities that carry out secondary analyses of official housing statistics

- general public: interest in the affordability of housing in their local area across the UK

Strengths and limitations

A limitation of the affordability calculation is that we do not adjust for property or household size, so, for example, while a one-bedroom flat in a region may be affordable for a family, it may not be suitable. When we look at different parts of the housing distribution, the mix of properties represented will be different over the distribution, that is, smaller properties are likely to be more represented at the cheaper end, larger properties at the larger end.

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

Housing sales and rent prices are not adjusted to represent a typical mix of what is available in an average period. If different mixes of dwelling sizes or types came on to the market in any given year this is likely to alter the house price distribution.

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

The rental data for England and Wales 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 only be treated as indicative and care should be taken when making comparisons over time. Further quality information for the rental statistics can be found in our Private rental market summary statistics release.

Rental data in England and Wales are from sources that exclude rentals paid using Housing Benefits. For England and Wales we use administrative data on actual rents being paid by both existing and new tenants. Data for Northern Ireland are based on advertised rents for new tenants. The rental data for the three countries are not from the same source, so there will be differences in how these were collected but they are broadly comparable.

There are various sources of income data. A strength of the FRS is that it allows us to differentiate between homeowners and private renters and therefore we have chosen to use this source. We have used a weighted-quartiles method to approximate quartile income estimates from these 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.

5 . Quality characteristics of the private rental affordability estimates

This section provides a range of information that describes the quality of the data and details any points that should be noted when using these statistics.

Relevance

Housing affordability is an important issue as it affects almost everyone in the country. There are a number of different aspects to housing affordability dependent on the situation for each individual or household. This can be if someone is renting, looking to buy a property or currently paying a mortgage. This methodology is one of a range of different affordability measures to provide evidence for the public debate and policy decision-makers.

The private rental income estimates we use will not be a perfect match for the incomes considered by landlords or letting agents. A variety of factors will affect the affordability for households or individuals.

Incomes and house prices are presented on a nominal basis; this means they have not been adjusted for the effects of inflation over time and are comparable with each other.

Accuracy and reliability

These estimates are subject to a margin of error as they are based on survey data. There are limitations with both the rent and income data sources and therefore the data should be treated as indicative of rental affordability.

The coronavirus (COVID-19) pandemic impacted the response rate to the FRS in 2021, with roughly half the usual number of households responding and even fewer private rental households. We use statistical techniques such as weighting to partially compensate for this, however, there is more uncertainty around the 2021 income values than in previous years. In 2022, response rates have partially recovered.

The FRS for the financial year ending (FYE) 2021 was conducted by telephone. This resulted in response rates of around 10,000, compared with 19,000 to 20,000 in a normal year. The FRS for the FYE 2022 was also conducted by telephone, but response rates partially recovered to 16,000. This is because coronavirus disruption decreased, particularly in the second half of the year.

Further, various changes in composition in FYE 2021 included a reduction in the number of private renters responding. With the subset of the sample we use to estimate private renters' income, we saw a reduction in sampled households (UK), from 3,262 in FYE 2020, to 1,226 in FYE 2021. This partially recovered to 2,324 in FYE 2022. For more information on this, please see the [background information on the Family Resources Survey for 2021](#) and the [background information on the Family Resources Survey for 2022](#).

The private rental market data have not been drawn from a statistically designed sample, so these statistics are only indicative of the private rental market. The results are not adjusted to produce statistics that are representative of the private rental property market in England. Housing Benefit claimants are excluded, so not all privately rented properties are represented in this sample.

There are no uncertainty measures available for the private rental estimates and consequently we cannot provide measure of error or [confidence intervals](#) for this output.

Coherence and comparability

Although work is currently being undertaken to redevelop private rental prices that are comparable over time and geography down to lower levels, the current output states that caution is advised comparing across years. Therefore, this also extends to these private rental affordability statistics.

The rental data for the other countries of the UK are collected on a different basis and are not directly comparable with England.

Timeliness and punctuality

We intend this output to be published annually in autumn, but the statistics will be lagged by a year because of data availability - so in autumn 2022, it included data for financial year ending (FYE) 2021.

The required FRS income data are available in May, but are lagged by a year - so in May 2022, data for FYE 2021 were available.

The financial year estimates of PRMS are released in June and cover the year that recently ended - so in June 2022, data for FYE 2022 were released.

6 . Methods used to produce the additional measures of housing affordability estimates

This methodology takes regional monthly rental quartile estimates directly from Table 1.7 in our Private rental market summary statistics in England release.

For the income element, household data are taken from the Family Resources Survey, accessed via the UK Data Service. The data are filtered to only include monthly household income of private renters. A UK household weighting variable (Gross4) is applied to weight the observations and weighted-quartile estimates are then calculated for each region and country as a whole.

The proportion of income spent on rent is then calculated by combining these measures within each region and country.

7 . Useful links

Private rental market summary statistics in England Bulletin | Released twice per year 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 Bulletin | Released Annually (Usually March) 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 Alternative measures of housing affordability in England, including 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 to assess comparability, coherence and data limitations.

Family Resources Survey Collection | Revised 31 March 2022 The Family Resources Survey is a continuous household survey, which collects information on a representative sample of private households in the UK.

Average household income, UK: financial year ending 2021 Bulletin | Released 28 March 2022 Final estimates of average household income in the UK, with analysis of how these measures have changed over time, accounting for inflation and household composition.

A guide to sources of data on income and earnings Methodology article | Revised 2 March 2022 Outlines the different data sources and outputs that feed into the analysis of income and earnings within the UK.

8 . Cite this methodology

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