

Private rents in England are fair - for most tenants in most areas across England

November 2024

Background

During the Evidence hearing of the Renters Rights Bill Committee, the question was asked whether rents in England were fair?

Statistically, Government data from the Office of National Statistics show that, on average, rents in the private sector, for most, are fair. That's because, in the main, rents can only rise in line with wages.

There are reasons however, that rents will not feel 'fair' for some tenants. Firstly, in areas where property prices – and therefore rents - are more expensive than 'average', such as London, Bristol or Harrogate, rents are becoming prohibitive due primarily to a lack of stock. This results in tenants bidding up rents because, according to Zoopla, for every rental property available, there are 21 tenants competing to secure the property.

Source: [Zoopla](#)

However, those that will really feel that rents are high and 'unaffordable' are the 1.1 million households in the PRS are on benefits according to The English Housing Survey and are likely to be a substantial number of the 1.3 million households that, according to Shelter, are eligible for a social home, but due to a lack of homes being available, are forced to rent in the PRS. As social homes are subsidised by the taxpayer, these are typically rented at around half the rent of the private sector.

To make affordability worse, Local Housing Allowance has been frozen by successive governments in an effort to keep welfare bills down. This means tenants on benefits are struggling to afford to live in the Private Sector, especially as they have to compete with private tenants whose wages typically allow them to afford a rental property at a considered affordable cost of around 30% of their wages.

Housing is considered affordable if the cost is approximately 30% of earnings

Nationally, rents are just under 30% of average earnings – despite the recent unprecedented rise in rents since the pandemic.



Source: <https://advantage.zoopla.co.uk/research-and-insights/zoopla-uk-rental-market-report-march-2024/>

The Office of National Statistics suggest that the figure was slightly higher in 2023:-

“Private renters on a median household income could expect to spend 34.2% of their income on a median-priced rented home in England”

However, they explain that affordability in the rental market today is similar to that of 2015:-

“Despite private rents increasing since 2015, and at a faster rate since 2022, incomes of private-renting households in England and Wales have increased faster, leaving affordability at a broadly similar level in FYE 2023 compared with 2015.”

<https://www.ons.gov.uk/peoplepopulationandcommunity/housing/bulletins/privaterentallaffordabilityengland/2023>

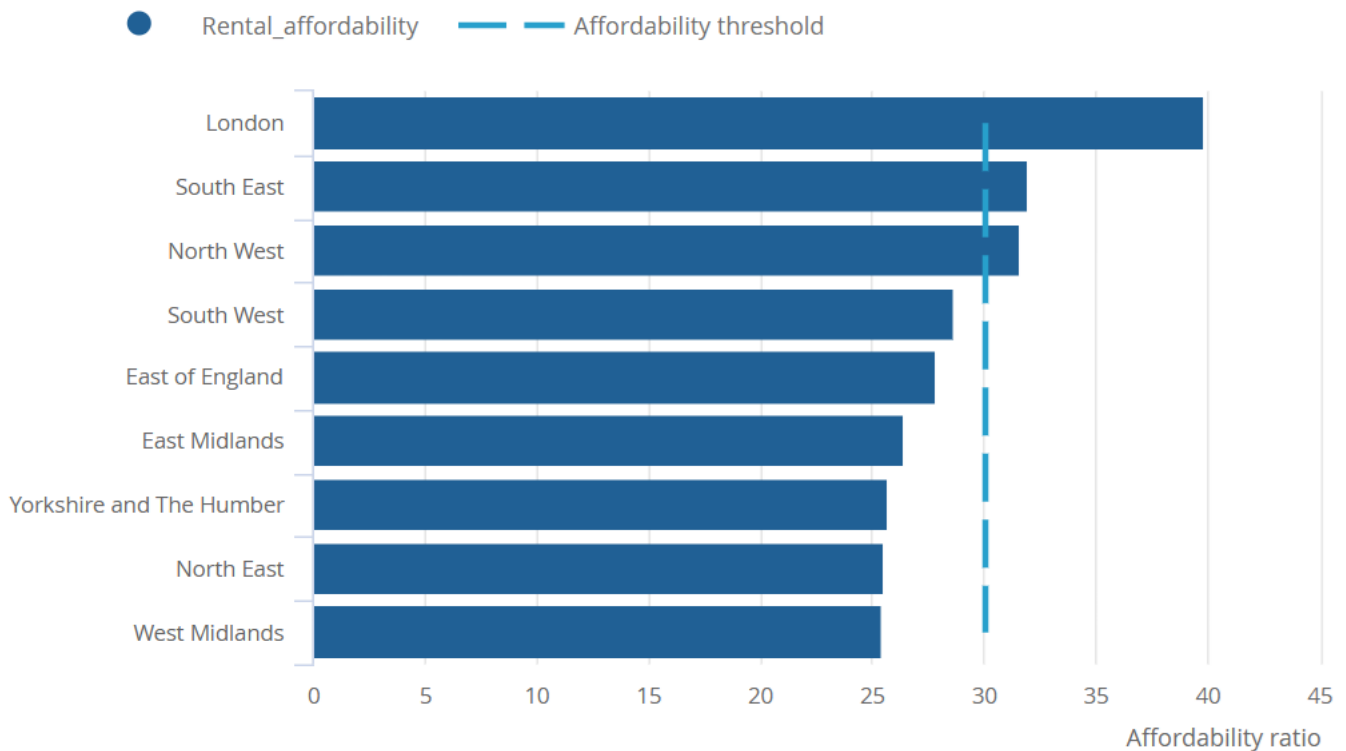
Regional affordability differences

There are, however, regional and Local Authority differences. Data for 2023 from the Office of National Statistics shows that on a regional basis, six out of nine of regions have average rents that are considered as affordable.

The North West and the South East affordability is close to 30% - both see rents account for less than 32% of their income.

The outlier is London, which as for most Capital Cities, see average rents at nearly 40% of income.

Percentage of median private renting household income equivalent to average rent, by region, financial year ending 2023



Source:

<https://www.ons.gov.uk/peoplepopulationandcommunity/housing/bulletins/privaterentalaaffordabilityengland/2023>

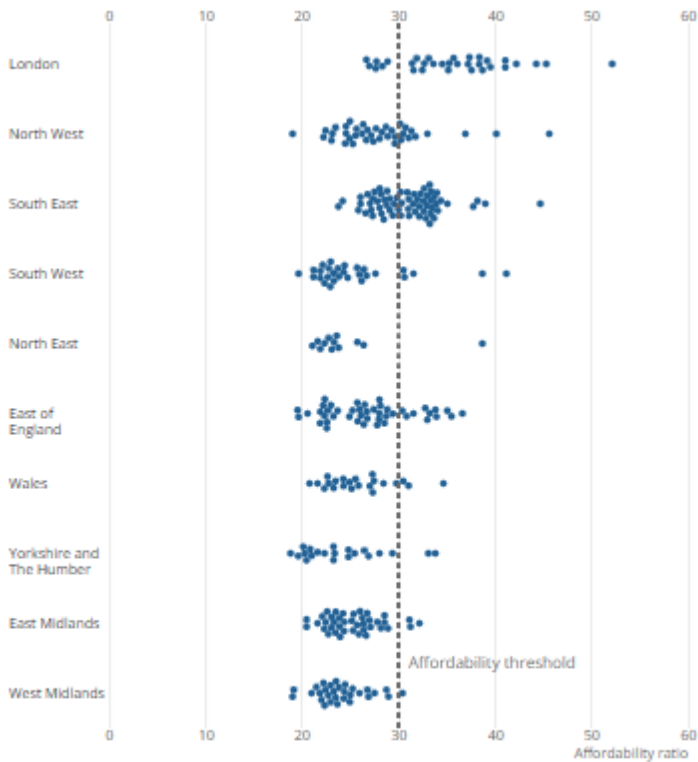
Affordability at local authority level – ONS figures

As the chart shows below, each region has one area where rents are above the 30% affordability threshold. However, the chart also shows that there are other local authorities where rental affordability is a lot lower than 30%. In fact, rents in some areas are as low – or lower - than 20% of income, with rents in many regions being less than 25% of income.

“Of the 10 most affordable LAs, 4 were in Yorkshire and The Humber, 2 in the West Midlands, 2 in the East of England and 1 each in the North West and South West”

and

“The LAs with the least “affordable” median rents in each region in 2023 were those in urban centres such as London, Manchester, Brighton and Hove, Bristol, Bath and North East Somerset, Oxford, and Newcastle upon Tyne”



Source: Family Resources Survey from the Department for Work and Pensions, Price Index of Private Rents and Earnings and employment from Pay As You Earn Real Time Information, UK from the Office for National Statistics

Other evidence that rents are affordable for the majority of tenants:-

From the latest English Housing Survey, the following statements suggest that most tenants are able to pay their rent and that affordability issues in the PRS, where they do exist, is similar to that in the Social Sector:-

The majority of private (71%) and social (73%) renters reported finding it easy to pay their rent. Social renters were more likely to find it very easy to pay their rent (29%) than private renters (20%), Annex Table 2.11.

Approximately 1.2 million (29%) private renting households reported finding it difficult to pay their rent. A further 852,000 (27%) social renting households reported finding it difficult to pay their rent.

“On average (mean), private renters spent 32% of their income on rent when housing support was included in their household income, compared to 37% when it was excluded. Similarly for social renters, when housing support was included, they spent an average of 26% of their income on rent, compared to 34% when housing support was excluded”

Both private and social tenants find London equally difficult to afford:-

Private (62%) and social (68%) renters living in London were less likely to report finding it easy to pay their rent than those living in the rest of England (both tenures: 74%).

The majority of both private (95%) and social (85%) renters were not currently in arrears at the time of interview, nor had they been in the past year.

With regards to rent arrears, these are typically worse in the social sector than the PRS

Approximately 74,000 (2%) private renting and 338,000 (9%) social renting households were currently in arrears at the time of interview, and a further 154,000 (4%) private renters and 255,000 (6%) social renting households were not currently but had been in arrears in the last 12 months.

A greater proportion of social (9%) than private renters (2%) were currently in arrears. Additionally, a greater proportion of social (6%) than private renters (4%) had been in arrears within the last year

<https://www.gov.uk/government/statistics/english-housing-survey-2022-to-2023-rented-sectors/english-housing-survey-2022-to-2023-rented-sectors#housing-costs-and-affordability>

Affordability in the PRS is a major issue for tenants on benefits

With the cost of providing legally and safely let rented homes in the PRS, especially when taxation is taken into account, research carried out by Zoopla and Crisis showed that there are simply not enough homes in the PRS for those on benefits and housing waiting lists to rent, whatever restrictions governments put on landlords.

Private landlords simply cannot be 'squeezed' to meet social need:-

Low-income renters across England are facing a 'housing black hole' due to soaring rents and the freeze on housing benefit leaving a huge shortfall in genuinely affordable homes.

At the start of 2022, one in four private renters in England (1.2 million households) were reliant on housing benefit to keep a roof over their heads. By contrast, new analysis of Zoopla listings data finds that fewer than one in eight properties available for rent last year were affordable to those in receipt of housing benefit, leaving tens of thousands facing shortfalls in rent amidst a cost of living crisis.

Average monthly rental prices are now 12% higher than they were before the pandemic, but housing benefit has remained frozen since March 2020 and is based on rents from 2018-19. In May of this year, the Westminster Government committed to increase other means-tested benefits in line with inflation in April 2023, but it has so far ignored housing benefit.

The shortfalls between housing benefit payments and rents are more than double what the most recent Government figures suggest – with low-income renters being forced to find, on average, an additional £648 for a one-bed, £1,052 for a two-bed and £1,655 for a three-bed a year compared to £313, £371 and £498, respectively.

In almost 50% of local authorities, fewer than 20 such properties listed were affordable to people receiving housing benefit in the last year. This is despite 44% of private renters being singles or couples with no children and for who a one bed property would be the most suitable.

<https://www.crisis.org.uk/get-involved-1/corporate-partnerships/crisis-and-zoopla-partnership/>

Conclusion – are rents fair?

In conclusion, rents are fair 'on average' but not in areas such as London and for tenants who are eligible for a social home and forced to live in the PRS, while not being compensated enough to rent there due to the freezing of Local Housing Allowance by successive governments.

The Lettings Industry Council

The Lettings Industry Council (TLIC) is a voluntary group of PRS stakeholders from across the industry including professional bodies such as RICS, Propertymark, NRLA, Deposit and Ombudsman schemes, advice4renters, NTSELAT, GLA, VOA, The Property Institute, agents large and small and industry providers. For a full list of stakeholders visit: <https://www.thelettingsindustrycouncil.co.uk/about>

The aim of TLIC is to share the group's experts extensive lettings experience through collaboration and accurate market data which allows us to inform, educate and improve the Private Rented Sector for all. All who engage in TLIC are united in their objective to see standards rise across the lettings sector. The group strives to ensure tenants and landlords are given everything they need to secure legally let and safe housing in the private rented sector. The group works closely with MHCLG and other Government departments.

For more information, please contact Theresa Wallace, Chair of the TLIC

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