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Dataspring Report: Social Landlord Rents in 2006

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The Guide to Local Rents Parts I, II and III provide comprehensive data on the pattern of rents in the social housing sector in England. Part II of the 2006 Rent Guide provides data on housing association rents and service charges for general needs at individual housing association, local authority area, regional, and national levels.

Key findings

All-sized properties at the regional level (Table B1)

- London has the highest average gross rent at £81.80 a week, 23.6% higher than the average for England of £66.20. The South East (£76.51) and East of England (£67.56) also have average gross rents that are above the national average, while South West (£66.04) is fairly close to the English standard.

- Yorkshire and the Humber has the lowest average gross rent of £55.17. The average gross rents for the remaining four regions all fall within a range between £55.79 and £60.48 (in ascending order –North East, North West, West Midlands, and East Midlands).

- Average net rents follow a fairly similar regional pattern, ranging from £53.87 for Yorkshire and the Humber to £77.91 in London, with an average for England of £64.29.

- There is no distinct regional pattern of variation in average weekly service charges in terms of absolute values. Average service charges range from £3.37 in the South West to £6.50 in London, with an average for England of £4.35. Average service charges are considerably higher for bedspaces (£9.94 for England) than for any other type of property. By contrast, average service charges for three bedrooms (£2.78) and for four or more bedrooms (£3.34) appear relatively moderate. A significant proportion of bedspaces (61.6%) are located in London, which partly explains the relatively high average service charge for all bedsizes in London.

- The average target rent for England is £67.19 (£2.90 higher than the average net rent). At the regional level, the average target rents vary from £56.36 for North East to £86.17 for London. All nine regions have the average target rent higher than the average net rent, except South West where the target rent is £64.06 while the net rent £64.57. The differential between the average net rent and target rent is the largest for London -- the target rent is £8.26 higher than the net rent. The smallest gap is witnessed in East Midlands (£0.37).

Housing association assured and secure lettings (Table B2)

- Since 15 January 1989 new permanent lettings made by HAs are on the basis of an assured tenancy. Prior to 1989 the majority of HAs issued secure tenancies. In 2006, 8.7% of the general needs stock was let on a secure tenancy basis [1] and 47.5% of HAs (260/547) reported rents for secure lettings.

- For those HAs that report average weekly rents for both types of tenancy, the majority (84.6% or 220 of 260 HAs) give a higher average gross rent for assured tenancies than for secure tenancies.

Annual changes in rents and service charges (summary tables in the Commentary)

- Across all social general needs tenancies, the average gross rent increase over the year to 31 March 2006 was 4.3%. All the property types, except bedspaces, experienced increases in the average gross rent from the previous year.

- The average net rent increase over the year to 31 March 2006 was 4.6%. The guideline limit for 2005/06 was 3.6%, although net rents for individual properties were permitted to rise by an additional £2 if necessary, in order to progress towards target rent. Bedsits had the highest increase (11.2%), which is consistent with the requirements of rent restructuring. This property type was the most likely to have a net rent that is more than 10% below target rent in the previous year [2] and thus need to make higher percentage increases each year than the rents of larger sized properties in order to move towards target rents.

- The average service charge decreased by £0.48 (-10.0%). The average service charges for properties with two or more bedrooms increased, but in absolute terms increases were small (£0.10 for two bedrooms; £0.04 for three bedrooms and £0.15 for four+ bedrooms). The decrease in the average service charge for bedsits and bedspaces were was considerable £5.66 (-46.9%) and £3.09 (-23.7%) respectively, particularly given that the guideline limit permitted increases of up to 3.6%.

[1] The stock figures are not reported in the table.
[2] Among all the property types excluding bedsits. See Housing Corporation, 2005, 'Housing associations and movement to target rents, 2004 to 2005' Sector Study 47.

Introduction

The Rent Guides provide comprehensive data on the pattern of rents in the social housing sector in England. They are produced, on behalf of the Housing Corporation, by Dataspring, a team of researchers based in the Cambridge Centre for Housing and Planning Research, University of Cambridge.

All published rent data from 2001/02 onwards are available from the Dataspring[3] website at **www.dataspring.org.uk**.It is possible to select variables by bedsize, housing association and/or geographical area, and download the data, either in a report or in Excel. Alternatively, an entire dataset can be downloaded in Excel.

Part I of the 2006 Rent Guide compares the average rents, including new lets and re-lets, charged by housing associations (HAs), with the average rents charged by local authorities and with average rents in the private rented sector (housing benefit cases referred to the Rent Officer). The data are presented by local authority area, NUTS3 area [4], region, and for England as a whole.

Part II of the 2006 Rent Guide provides data on HA rents at individual HA, local authority area, regional, and national level. At the HA level there is a further breakdown of average rents by assured and secured tenancy.

Part III of the 2006 Rent Guide provides data on HA rents for supported housing and/or housing for older people at individual HA, local authority area, regional, and national level. At the HA level there is a further breakdown of average.

All the three parts of the Guide include details of target rents, the net rent level (at current prices) to be met by the end of the ten-year rent-restructuring implementation period in 2012 (see *Rent influencing regime: implementing the rent restructuring framework*, Housing Corporation, October 2001).

[3] To help housing associations carry out local housing market analysis, the Housing Corporation has sponsored the Cambridge Centre for Housing and Planning Research, University of Cambridge to construct a district level local housing markets database. This database brings together a range of data on rents, incomes, population and employment. Housing associations and other interested organisations are able to commission analyses of trends, key issues and other research. More information is available on the website at www.dataspring.org.uk.

[4] NUTS (Nomenclature of Territorial Units for Statistics) was created by the European Office for Statistics (Eurostat) as a single hierarchical classification of spatial units used for statistical production across the European Union. At the top of the hierarchy are the individual member states of the EU and below that are levels 1 to 3. Within England there are nine NUTS1 areas, consisting of the nine Government Office Regions (GOR), 30 NUTS2 areas, consisting of counties/groups of counties, and 93 NUTS3 areas, consisting of counties and groups of unitary authorities (www.statistics.gov.uk/geography/nuts.asp).

Part II: Rents and service charges by region, local authority area and housing association – general needs housing

There are three tables in Part II of the Guide. Table B1 presents data for each of the Housing Corporation's nine investment regions [5] and for England as a whole. It includes HA average net rents, service charges, gross rents and target rents. Table B3 provides the same data by local authority and for each HA within each local authority area and HC investment region.

Table B2 presents data by HA (listed in alphabetical order). It includes a breakdown of gross rents by assured tenancy (by dwelling size and for all dwellings), secure tenancy (all dwellings), and assured and secure tenancies combined (for all dwellings).

Annual changes in rents and service charges
Tables II.1 to II.3 compare the net rents, service charges, and gross rents from the 2005 RSR and the 2006 RSR.

Table II.1 shows that average net rents increased across all bedsizes and that bedsits experienced the highest percentage increase (11.2%). This is consistent with the requirements of rent restructuring – in 2005 the average net rent for all property sizes was lower than the average target, and over 2005 to 2006 net rents on individual properties were permitted to change by the guideline limit of 3.6% plus or minus a further £2 per week to move towards target rents.

The 2005 RSR revealed that among all the property types, bedsits were the most likely to have a net rent that is more than 10% below target.[6] Thus, on average, their rents need to make higher percentage increases each year than the rents of other types of properties in order to move towards target. The average net rent for bedsits in 2005 was £46.25. An increase of 3.6% would produce a rent of £47.92. In 2006 the average net rent was £5.18 higher at £51.43, which indicates that bedsits rents rose drastically towards target rents beyond the permitted additional £2 flexibility.

[5] Until 2004, the data were presented by the ten Housing Corporation investment regions. From 2005 Merseyside has been included in the North West region.
[6] As Footnote 2.

Table II.1 Change in net rents 2005 to 2006

Bedsize	Net rent 2005	Net rent 2006	Change (2006-2005)	Percentage change
	£	£	£	%
Bedspaces	43.41	44.43	1.02	2.3%
Bedsits	46.25	51.43	5.18	11.2%
One bedroom	53.70	56.33	2.63	4.9%
Two bedrooms	61.13	63.73	2.60	4.3%
Three bedrooms	65.83	68.54	2.71	4.1%
Four+ bedrooms	79.12	80.93	1.81	2.3%
All sizes	61.46	64.29	2.83	4.6%

Source: 2005 RSR Part Ia and 2006 RSR Part Ia

Table II.2 shows that in 2006 the average service charges for all properties declined by £0.48 or -10.0%. By property type, the average service charges for bedspaces, bedsits and one bedroom properties decreased by £3.09 (-23.7%), £5.66 (-46.9%) and £0.69 (-11.3%) respectively. Service charges for properties with two or more bedrooms increased, but in absolute terms increases were small (£0.10 for two bedrooms; £0.04 for three bedrooms and £0.15 for four+ bedrooms). Although the decrease in the average service charge for bedsits was considerable, this appeared to have been offset by the relatively large increase in net rents for this type of property.

Table II.2 Change in service charges eligible for housing benefit 2005 to 2006

Bedsize	Service charge 2005	Service charge 2006	Change (2006-2005)	Percentage change
	£	£	£	%
Bedspaces	13.03	9.94	-3.09	-23.7%
Bedsits	12.07	6.41	-5.66	-46.9%
One bedroom	6.08	5.39	-0.69	-11.3%
Two bedrooms	4.36	4.46	0.10	2.3%
Three bedrooms	2.74	2.78	0.04	1.5%
Four+ bedrooms	3.19	3.34	0.15	4.7%
All sizes	4.83	4.35	-0.48	-10.0%

Source: 2005 RSR Part Ia and 2006 RSR Part Ia

The effects of the changes in net rents and service charges presented in Tables II.1 and II.2 can be seen in Table II.3, which gives average gross rents. Overall there has been an increase in gross rents of £2.74 or 4.3%. The relatively large decreases in average service charges for bedspaces, bedsits and one bedroom properties have clearly had a moderating effect on the magnitude of the change in the gross rents. The average gross rent for bedspaces marginally declined by £0.69 or -1.3%, while the equivalents for bedsits and one bedroom properties increased by £0.21 (0.4%) and £2.32 (4.0%) respectively. The remaining three types of properties saw increases in average gross rents in 2006, reflecting that both of their average net rents and services charges rose from the previous year.

Table II.3 Change in gross rents 2005 to 2006

Bedsize	Gross rent 2005 £	Gross rent 2006 £	Change (2006-2005) £	Percentage change %
Bedspaces	51.75	51.06	-0.69	-1.3%
Bedsits	55.70	55.91	0.21	0.4%
One bedroom	57.37	59.69	2.32	4.0%
Two bedrooms	62.96	65.78	2.82	4.5%
Three bedrooms	66.57	69.38	2.81	4.2%
Four+ bedrooms	80.28	82.23	1.95	2.4%
All sizes	63.46	66.20	2.74	4.3%

Source: 2005 RSR Part Ia and 2006 RSR Part Ia