

**Rents and rates of return in the housing
association and private sectors
1998/99 to 2007/08**

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With

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Key findings

Rents in the Housing association (HA) and private sectors in 2007/08

- The national average of HA rents for all property sizes was £72.18, while the private sector equivalent was £125.89.
- The H-P gap, the private average deducted from the HA average, was -£53.71
- The H/P ratio, the HA average divided by the private average, was 57.3%.

Rates of return in the HA and private sectors in 2007/08

- In England, the HA sector rate of return was 2.96%, and the private sector equivalent was 5.15%. The H-P gap was therefore -2.19 percentage points.
- In the HA sector, the North East had the highest rate of return (3.53%) among the nine regions. The lowest was held by London (2.26%).
- In the private sector, the North East, again, showed the highest (5.33%), while the South West had the lowest (4.04%).
- The H-P gap was the widest in London (-2.59 points) and narrowest in the East Midlands (-1.46 points).

Rents in the HA and private sectors over the period of 1998/99 – 2007/08

- In nominal terms, the HA sector's national average rose by £16.64 or 30.0% over the period. The private equivalent was up by £42.53 or 51.0%.
- In real terms the HA average has been fairly stable, varying within a range of £2.15, but the overall trend of the private average was upward with an increase of £13.03 or 15.6% through the decade.
- Therefore, the H/P ratio, which cancels out inflationary elements, has declined – from 66.6% in 1998/99 to 57.3% in 2007/08.

HA and private sector rates of return over the period of 1998/99 – 2007/08

- Over the last decade, the national average rate of return in the HA sector dropped by 3.25 points, while the private sector rate was down by 4.17 points.
- Compared to 2006/07, the latest rates increased slightly in both sectors – the first annual increase for the HA sector (0.08 points) and the second rise for the private sector (0.31 points) in a decade. This is owing partly to the modest year-on-year increases in LQ house prices.
- The H-P gap narrowed from 3.11 points in 1998/99 to 2.19 points in 2007/08.
- The latest gap, however, slightly widened from the previous year's 1.96 points.
- Overall, the nine regions showed similar trends. Over the decade, all of them had decreased rates in both sectors.
- Between the latest two years, three regions (the South East, the East of England and the North West) saw decreases in the HA rates, while London observed declines in both sectors' rates, albeit only by small margins.
- The H-P gaps narrowed over the decade in all regions except the East Midlands. Compared with 2006/07, all regions observed narrowing H-P gaps.
- Local authorities saw a marginal annual increase (0.05 points) in the HA rates' median, but in the private sector this midpoint decreased by 0.13 points.
- Four major cities distinguished themselves from each other with respect to annual changes. London had decreased rates in both sectors where

Newcastle had increases. Birmingham had a raised HA rate and a lower private rate. Whereas, Manchester had a lower HA rate and a higher private rate.

1. Introduction

Since 2007 Dataspring has analysed rents and rates of return in social and private rented sectors over the period commencing from 1998/99. This paper updates the analysis to 2007/08 while making necessary amendments to data for previous years to account for changing definitions in the latest dataset. It also examines the pattern of changes since the beginning of the observation period at various geographical levels.

One of the objectives of this comparative study is to scrutinise the housing association (HA) sector's rental development in the context of the rent restructuring regime, which relates the sector's rents more closely to market fundamentals. Although the regulatory framework was firstly set out in the 2000 Housing Green Paper by the Department of the Environment Transport and the Regions, the 1998 Housing Act had already guided each HA to set rents to reflect property values and to raise sufficient rental income to meet their expenditures. With this respect, our study observes the relevant development over the period from 1998/99.

Another aim is to help understand whether HA rents are adequate enough to cover the costs of managing and maintaining the stock and to help support investment. In equity terms it is also important to comprehend the extent to which economic subsidy, reflected in varying rates of return, varies between different areas as a result of the rent structures that have been put in place. The rate of return or the rent relationship with property value is important for the viability of the HA sector in that rents are virtually the only form of return available to the social sector landlord (unlike in the private sector where capital gains are relevant).

To meet the objectives, this paper is structured as follows. Section 2 provides the sources and definitions of data in use. The next two sections present static analyses on the latest HA and private sector rents (in Section 3) and the two sectors' rates of return (in Section 4). The analyses are carried out for England overall as well as by region, local authority and urban/rural classification. Also the observations for four metropolitan cities, London, Birmingham, Manchester and Newcastle-upon-Tyne, are presented. Following on from this, Sections 5 and 6 look at dynamic analyses over the last decade of rents and rates of return. The final section summarises some of the key points arising from the above analyses and draws some conclusions. In addition, more in depth statistics are attached as annexes.

2 Sources and definitions of data in use

Rate of return

A rate of return in this paper is measured by the annual average rent, which is converted from the weekly average gross rent, as a percentage of the Lower Quartile (LQ) house price for each corresponding geographical unit in England. The data sources for the numerators and denominators are as below.

HA sector rent

The HA sector rent data are taken from the Tenant Service Authority's Regulatory and Statistical Return (RSR), which identifies HA rent levels as at March 31st each year. The period of analysis is from 1998/99 to 2007/08.¹ We use the stock-weighted average of gross rents, that is, rents inclusive of service charges eligible for housing benefit. All rents in the data are for general needs assured and secure tenancies combined. They contain rents for general needs housing including Estate Renewal Challenge Fund stock, but exclude those for all supported housing and housing for older people.²

Private sector rent

Private sector rent data are taken from the Rent Officer Service at the former Department of Transport, Local Government and the Regions for 1998/99 to 2000/01 and from the Rent Service, an executive agency of the Department for Work and Pensions, for later years. Following the government's department restructuring, the Rent Service launched in 1999 (to replace the Rent Officer Service) and records rent determinations in housing benefit cases. The annual term is defined as April 1st to March 31st in the following year. The weekly private rents consist of net rents and service charges eligible for housing benefit.

One merit of using this source lies in the fact that these records are the most comprehensive dataset for private sector rents. Another advantage is that the data can be the most applicable reference for rents in the social sector or rents of HAs, as the private rent data in housing benefit cases are representative of the lower half of the market, that is, the section of the market in which HAs compete.

Notes for both sectors' rents

Rent data for local authorities (LAs) where there are few cases and/or some geographical or socio-economic peculiarity have been excluded from the analyses. This applies for example to the City of London and the Isles of Scilly. Therefore, the totals of local authorities' figures in some tables may not be the same as the equivalents published by the data source organisations. Figures are inflationary unadjusted unless specified.

¹ The data were derived from all housing associations that completed the long version of the RSR and made a valid return. In general HAs which owned or managed 250 or more dwellings and/or bedspaces had completed the long version of the RSR until 2005/06, but since 2006/07, the threshold has been raised to HAs with 1,000 units or over.

² From 2005, the definition of 'general needs' in the RSR changed. Prior to this, general needs housing included some dwellings classified as sheltered housing for older people. From 2005 the sheltered housing classification was eliminated and dwellings that met certain design criteria transferred from general needs into a new category, housing for older people. For further information, see Housing Corporation (currently, Tenant Service Authority) circular 03/04.

Since 2007/08, the Rent Service has combined three one-habitable-room categories – ‘board and lodge’, ‘non-self contained’ and ‘self-contained’ – into one, which makes it unable to produce average rents exclusively for all self-contained properties. From this year, therefore, our analyses include rents for bedspaces into the analyses, and for consistency, backdates the time-series data up to 2001/02– a year, in which both sectors’ rents for non self-contained properties were available for the first time. Prior to 2001/02, rents and rates of return were based on self-contained properties.

LQ house price

House prices for each geographical unit are Lower quartile (LQ) house prices provided by Communities and Local Government (CLG) /Land Registry.^{3, 4} The main reason LQ house prices, rather than medians, are used is that they are representative of the lower part of the market so as to correspond to the rent datasets in this paper.⁵ The annual term for LQ house prices is defined as April 1st to March 31st of the following year up to 2006/07. Since 2007, however, CLG no longer produces financial year data on house prices, and thus 2007/08 rates of return will be based on the 2007 LQ house prices⁶.

LQ house prices for LAs with few private rent cases and/or some geographical or socio-economic peculiarity have been excluded from the analyses at the local authority level, so as to remain comparable with analyses of private sector rents. Because of administrative reasons, one local authority (Tamworth) did not have a 1998/99 LQ house price.

At the time of writing, CLG is adjusting LQ house prices for LAs based on new boundaries which were introduced on 1 April 2009. This amendment temporarily makes the 2007 LQ house prices for the 37 LAs subject to the boundary change unavailable. Such LAs, which are included in Annex 1, do not show rates of return for 2007/08 for the analyses at LA level. However, this does not affect statistics at the upper geographical levels.

³ Formerly these data were provided by the Office of the Deputy Prime Minister (ODPM)/Land Registry.

⁴ In calculation of LQ house prices, CLG does not include sales at below market price (e.g., Right To Buy), sales below £1,000 and sales above £20m.

⁵ According to the *Family Resource Survey*, cited in CLG (2008) *Housing in England 2006/07*, 45% of social housing renters (householders and partners) had gross annual incomes of less than £10K in 2006/07, whereas the equivalent proportion for private housing renters was 28%.

⁶ If available, this analysis would have utilised house price data for the 2007/08 financial year, which would have included the beginning of the downturn in housing demand and prices; the effects of which were seen clearly in the first quarter of 2008. However, as these data were unavailable for the 2007 calendar year were used as a proxy. This limitation should be taken into account when considering rates of return in this paper.

3. Rents in the HA and private sectors: 2007/08

This section profiles the HA and private sectors' average gross rents in 2007/08. For comprehensive comparisons between the two sectors' rents, see Banks and Whitehead (2009), *Cross Tenure Rents and Affordability, 2007/08*.⁷

England

- In 2007/08, the national average of HA rents for all property sizes was £72.18, while the private sector's equivalent was £125.89.⁸
- Therefore the H-P gap, the private average deducted from the HA average, was -£53.71.
- The H/P ratio, the HA average divided by the private average was, 57.3%.
- In 2007, the lower quartile (LQ) house price for England was £127,000.
- Across the country, all three variables were positively correlated with one another (Table 3.1). The HA rents' relationship with LQ house prices (0.79) was slightly weaker than the equivalent for private sector rents (0.88).

Table 3.1 Correlation coefficients of HA rents, private rents and LQ house prices in England, 2007/08

	HA	Private	LQ HP
HA rents	1.00		
Private rents	0.82	1.00	
LQ house prices	0.79	0.88	1.00

Note: $N=352$ between HA rents and private rents (the City of London and the Isles of Scilly were excluded). $N=315$ in relation to LQ HP. Source: Author's calculation based on datasets described in Section 2.

Regions

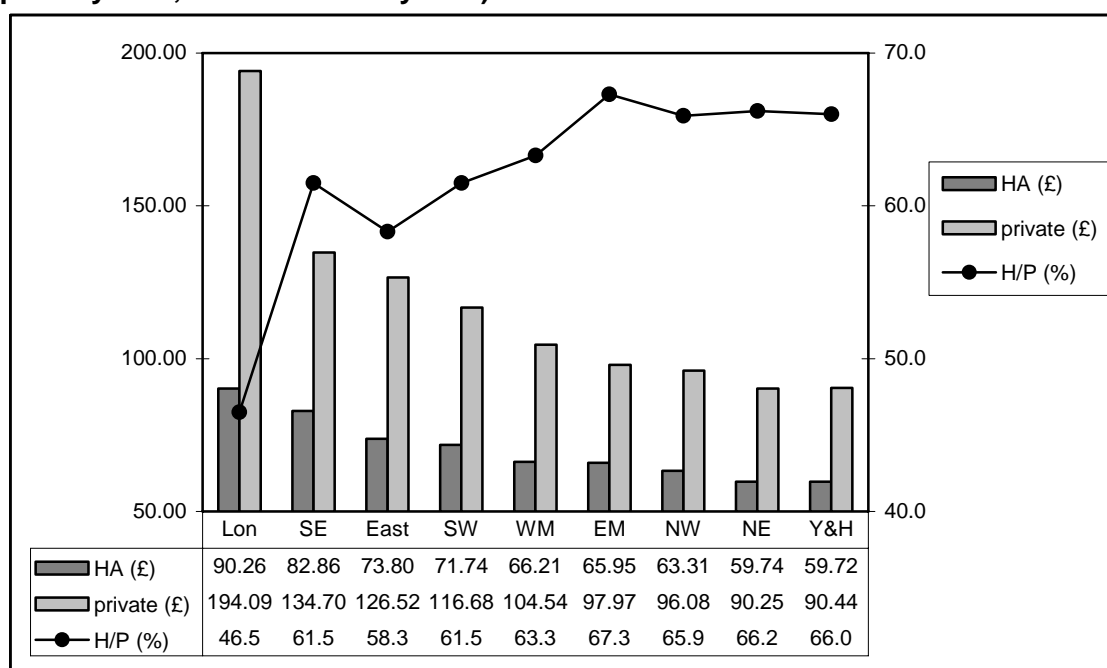
Figure 3.1 displays the regional average rents for the HA and private sectors. For example statistics on the latest H-P gaps and regional LQ house prices, see Annex 2.

- Overall, the two sectors had similar regional ordering in terms of rent levels.
- In both sectors, London had the highest averages – £90.26 for the HA sector and £194.09 for the private sector.
- The North East and Yorkshire & the Humber were the lowest two regions – both had HA sector average rents at around £60 with private equivalents of around £90.
- The H/P ratios were over 60% in all regions but two – the East of England which was only just below, and London, where the HA average rent was less than half of the private equivalent.
- The H-P gap was significant in London (wider than -£100), while being moderate in the North East and Yorkshire & the Humber (almost -£30 for each).

⁷ Forthcoming at <http://www.dataspring.org.uk>. The study uses the COntinuous REcording (CORE) system for HA rents data

⁸ All property sizes contain non-self contained units. Excluding rents charged in the City of London and Isles of Scilly. However, their quantities of housing stock were small enough to be negligible in calculation of the national and regional averages in both sectors.

Figure 3.1 Average rents and ratios for the HA and private sectors (£ on primary axis; % on secondary axis): 2007/08



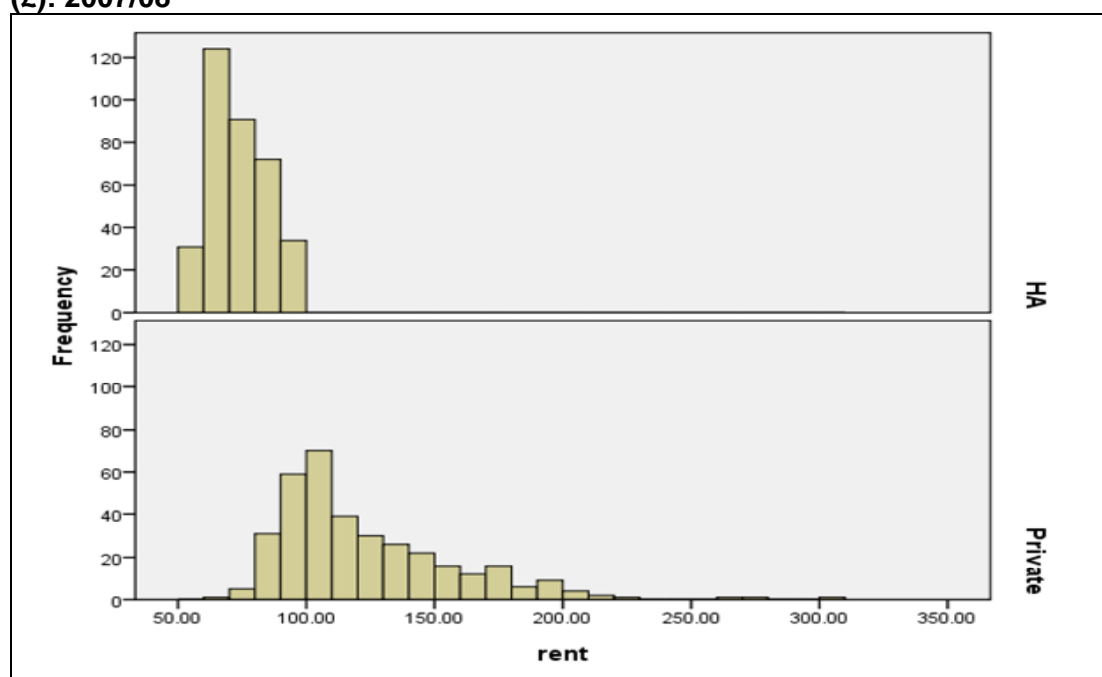
Note: Rents charged in the City of London and the Isles of Scilly were excluded. Source: Author's calculation based on datasets described in Section 2.

Local authorities

Table 3.2 sets out key statistics for HA and private rent averages at LA level in 2007/08 and Figure 3.2 illustrates the distributions of LAs by each sector's rent average. For more details, such as statistics on LAs' LQ house prices, LAs' rent averages aggregated by region or by urban/rural classification, and the statistics for four metropolitan areas, see Annex 2.

- The medians of the LAs' rent averages were £71.47 for the HA sector and £111.56 for the private sector.
- The median of the H-P gaps was -£42.32 and that of H/P ratio was 62.5%.
- As seen in the histograms, the private sector had a wider distribution.
- Therefore, the variation, measured by the standard deviation, was greater in the private sector (£34.88) than in the HA sector (£10.72).

Figure 3.2 Distributions of LAs by average rents in the HA and private sectors (£): 2007/08



Note & Source: As Figure 3.1.

Table 3.2 Key statistics on LAs' average rents in the HA and private sectors (£; %): 2007/08

	HA	Private	H-P	H/P
Median	71.47	111.56	-42.32	62.5
Std. Deviation	10.72	34.88	26.80	9.1
Range	47.28	248.55	217.45	66.5
Minimum	51.11	60.89	-220.34	28.8
Maximum	98.39	309.44	-2.89	95.3

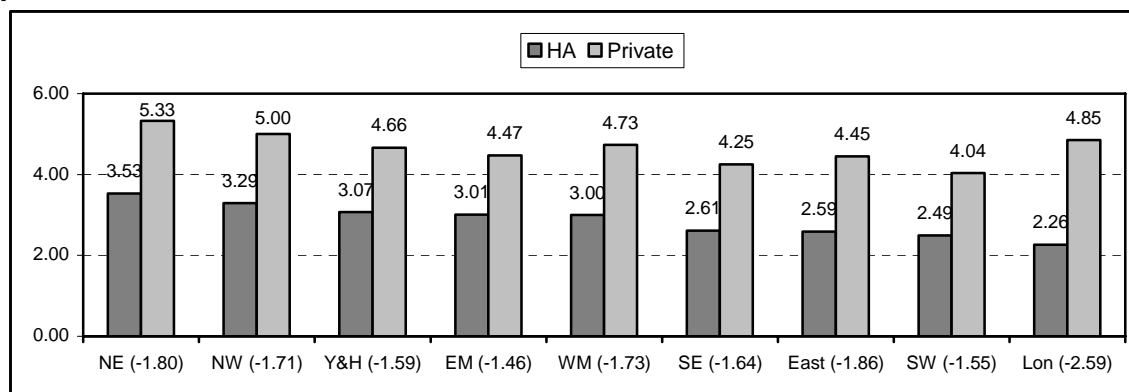
Note & Source: As Figure 3.1.

4. Rates of return in the HA and private sectors: 2007/08

England and regions

- In 2007/08, the HA sector's national average rate of return was 2.96%, while the private sector's equivalent was 5.15%.
- The H-P gap, measured by the private rate deducted from the HA rate, was thus -2.19 percentage points.
- As shown in Figure 4.1, among the nine regions, the North East had the highest HA rate of return (3.53%). The lowest HA rate was held by London (2.26%).
- In the private sector, again, the North East showed the highest (5.33%). The lowest was held by the South West (4.04%).
- The H-P gap was the widest in London (-2.59 points) while being the narrowest in the East Midlands (-1.46 points).

Figure 4.1 HA and private sector rates of return by region (%); H-P (%-point) in parenthesis: 2007/08



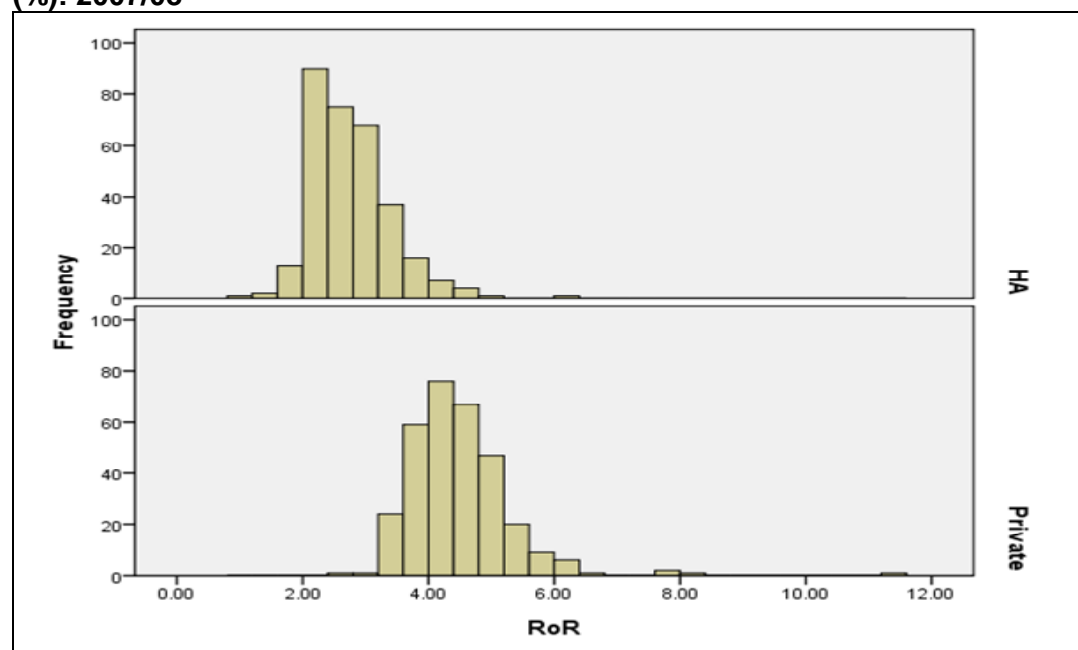
Note & Source: As Figure 3.1.

Local authorities

Table 4.2 sets out key statistics for HA and private rates of return for LAs. Figure 4.2 illustrates the distributions of LAs by each sector's average rate of return.

- The medians of the LAs' rates of return were 2.65% for the HA sector and 4.37% for the private sector.
- The median of H-P gaps was -1.67 percentage points.
- The distribution of LAs was wider in the private sector than the HA sector, because the former sector had greater rental variation.
- Hence, the standard deviation of the private sector rates of return (0.82%) was larger than that of the HA sector (0.64%).
- Across LAs by region, the North West had significant variation in both sectors – the standard deviations were 0.75% and 1.44% for the HA and private sectors respectively.

Figure 4.2 Distributions of LAs by the HA and private sectors' rates of return (%): 2007/08



Note: $N = 315$, because of the data availability and exclusion of the City of London and the Isles of Scilly. Due to rounding, .01-errors might be allowed. Source: Author's calculation based on datasets described in Section 2.

Table 4.2 Key statistics on LAs' rates of return (%; percentage point): 2007/08

	HA			Private			HA – private			N
	Median	S.D	Range	Median	S.D	Range	Median	S.D	Range	
Overall	2.65	0.64	5.01	4.37	0.82	8.70	-1.67	0.61	7.59	315
East	3.01	0.51	2.23	4.41	0.52	2.28	-1.36	0.29	1.36	45
E Mid	2.48	0.36	1.36	4.28	0.51	2.26	-1.68	0.37	1.71	40
London	2.23	0.40	1.68	4.67	0.53	2.79	-2.44	0.39	2.12	32
NE	3.58	0.44	1.47	5.25	0.57	1.71	-1.71	0.22	0.66	10
NW	3.39	0.75	3.84	4.99	1.44	8.06	-1.69	1.20	7.13	37
SE	2.43	0.43	1.84	4.18	0.42	2.61	-1.73	0.33	1.78	67
SW	2.39	0.27	1.12	3.94	0.39	1.57	-1.49	0.29	1.39	34
W Mid	2.80	0.57	2.35	4.57	0.68	3.07	-1.61	0.32	1.41	29
Y & H	2.93	0.67	2.68	4.70	1.04	4.55	-1.35	0.92	4.69	21

Note & Source: As Figure 3.2.

Urban and rural local authorities

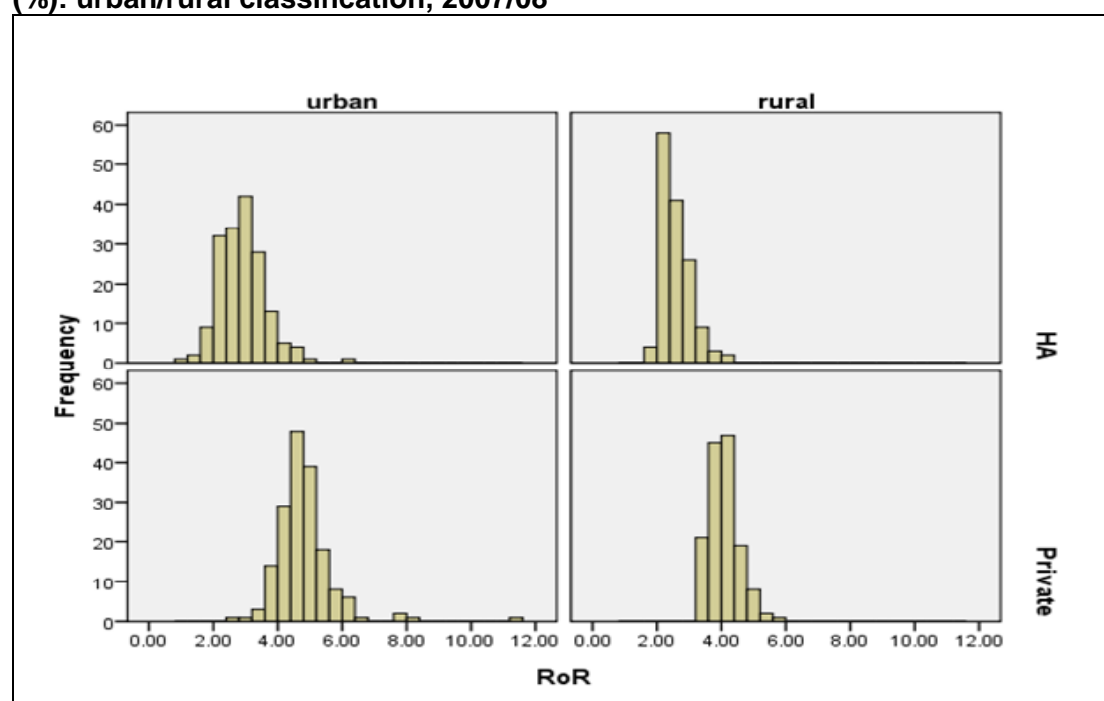
Table 4.3 restructures the previous table by grouping LAs by urban/rural classification.⁹ Figure 4.3 illustrates the distributions of the urban and rural LAs by each sector's rate of return.

- In both the HA and private sectors, the medians of the urban LAs' rates were greater (2.85% and 4.71% for each sector) than those of the rural LAs' equivalents (2.49% and 4.05%).

⁹ The definitions of urban or rural LAs are based on Defra (2006) *Rural Definition and Local Authority Classification*, available at <http://www.defra.gov.uk/rural/ruralstats/rural-definition.htm#defn>. The six sub-groups of urban/rural classification are, in descending order of being urban, Major Urban, Large Urban, Other Urban, Significantly Rural, Rural-50 and Rural-80. Note that the classification was as in 2005.

- The median of the H-P gaps was also more substantial in the urban group (-1.79 points) than the rural group (-1.48 points).
- In both sectors, the rates varied more among the urban LAs (the standard deviations were 0.73% for the HA sector and 0.90% for the private sector) than among the rural LAs (0.45% and 0.46%).
- This pattern is illustrated in Figure 4.3 with the relatively narrow and tall shapes of the histograms of the rural LAs for both sectors.
- Across the six urban/rural sub-groups, the greatest variations were seen in 'Other Urban' LAs for the HA sector's rates, and in 'Major Urban' LAs for the private sector's rates – the standard deviations were 0.79% and 1.08% respectively.
- The most rural sub-group, 'Rural-80' LAs, showed the smallest standard deviations – 0.35% for the HA rates and 0.41% for the private rates.

Figure 4.3 Distributions of LAs by the HA and private sectors' rates of return (%): urban/rural classification, 2007/08



Note & Source: As Figure 4.2.

Table 4.3 Key statistics on LAs' rates of return (%; %-point) by urban/rural classification: 2007/08

	HA			Private			HA – private			N
	Median	S.D	Range	Median	S.D	Range	Median	S.D	Range	
urban	2.85	0.73	5.01	4.71	0.90	8.70	-1.79	0.72	7.59	172
MU	2.52	0.67	2.76	4.72	1.08	8.70	-2.12	0.90	6.93	74
LU	2.93	0.63	2.73	4.61	0.69	3.26	-1.66	0.38	2.09	44
OU	2.99	0.79	4.17	4.78	0.79	4.29	-1.66	0.42	2.41	54
rural	2.49	0.45	2.51	4.05	0.46	2.64	-1.48	0.34	2.14	143
SR	2.65	0.53	2.40	4.23	0.43	1.89	-1.54	0.31	1.38	48
R-50	2.43	0.43	2.01	4.15	0.48	2.64	-1.51	0.33	1.83	42
R-80	2.41	0.35	1.74	3.90	0.41	2.02	-1.38	0.35	1.86	53

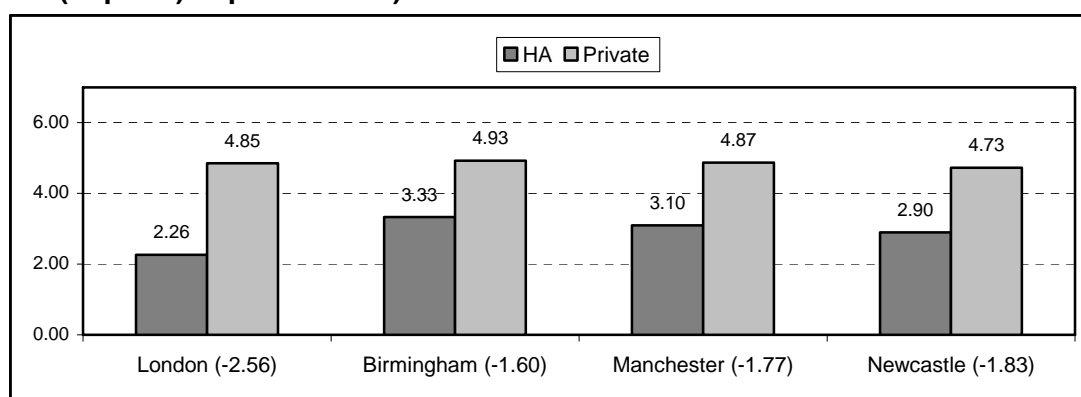
Note & Source: As Figure 4.2.

Four metropolitan areas – London, Birmingham, Manchester and Newcastle

Figure 4.4 sets out the rates of return for four metropolitan areas – London, Birmingham, Manchester and Newcastle upon Tyne (henceforth Newcastle).

- The HA rate of return was the largest in Birmingham (3.33%), while being the smallest in London (2.26%).
- The private rates of return varied across the four cities within a marginal range of 0.2% – from 4.73% in Newcastle to 4.93% in Birmingham.
- The H-P gap was the widest in London (-2.56 points), and the lowest in Birmingham (-1.60 points).

Figure 4.4 HA and private sector rates of return for four metropolitan areas: (%; H-P (%-point) in parenthesis): 2007/08



Note: As Figure 3.2. The geographical unit is an LA area except for London whose figures are at the regional level. Source: As Figure 3.2.

5. Rents in the HA and private sectors: 1998/99 – 2007/08

England

Table 5.1 sets out the relationships between the three key variables across LAs in England in 1998/99.

- Comparison to the relationships in 2007/08 (see Table 3.1) shows improved positive relationships between HA rents, private rents and property values.
- The HA rent's correlation coefficient with private rents rose by 0.21 points from 1998/99 to 2007/08, and that with LQ house prices increased by 0.26 points.
- The relationship between private rents and house prices has been significantly positive for the period with the correlation coefficient around 0.9.

Table 5.1 Correlation coefficients of HA rents, private rents and LQ house prices between local authorities: 1998/99

	HA	Private	LQ HP
HA rents	1.00		
Private rents	0.61	1.00	
LQ house prices	0.53	0.90	1.00

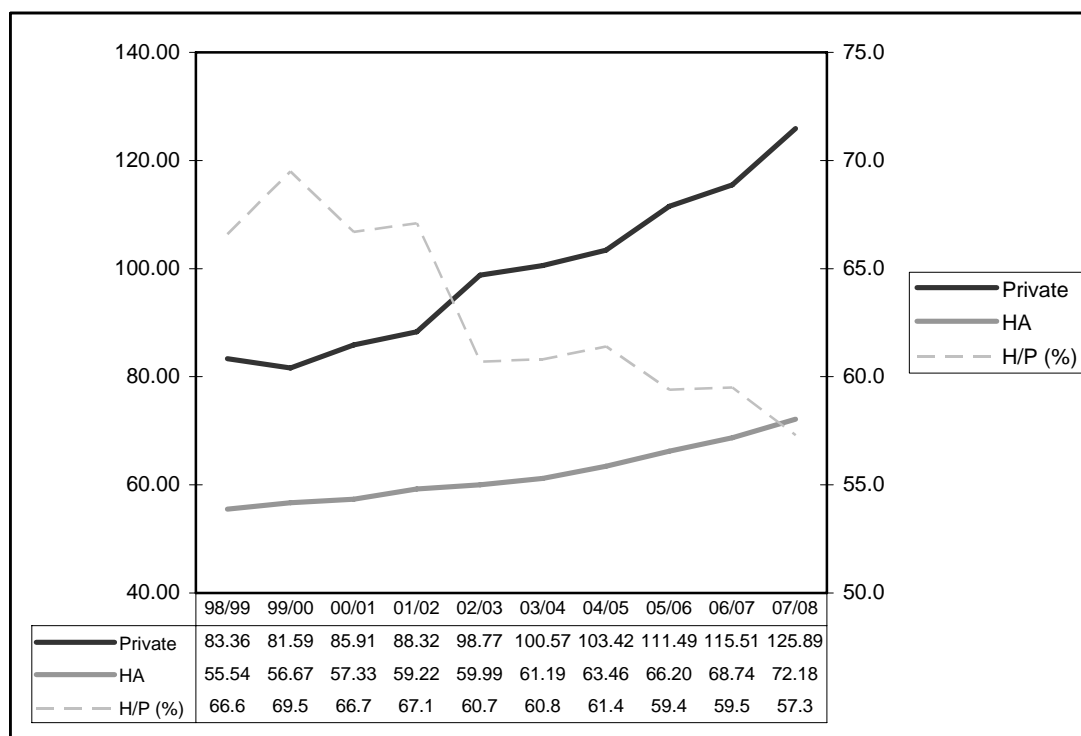
Note: $N=352$ between HA rents and private rents (the City of London and the Isles of Scilly were excluded). $N=351$ in relation to LQ HP. Source: Author's calculation based on datasets described in Section 2.

Figures 5.1 and 5.2 show the HA and private rent averages over the last decade in nominal and real terms respectively. For the nominal and real LQ house prices over the same period, see Annex 3.

- In nominal terms, the HA average has increased by £16.64 or 30.0% for the observation period – the annual average growth rate was 3.0%.
- The private average was up by £42.53 or 51.0%, which gives the annual average growth rate of 4.7%.
- In real terms, however, the HA average has been fairly stable over the past decade, varying within a range of £2.15.¹⁰
- On the other hand, the real private average appeared overall to be on an upward trend during the period – with an increase of £13.03 or 15.6%.
- Therefore, the H/P ratio, which cancels out inflationary factors, has declined – from 66.6% in 1998/99 to 57.3% in 2007/08.

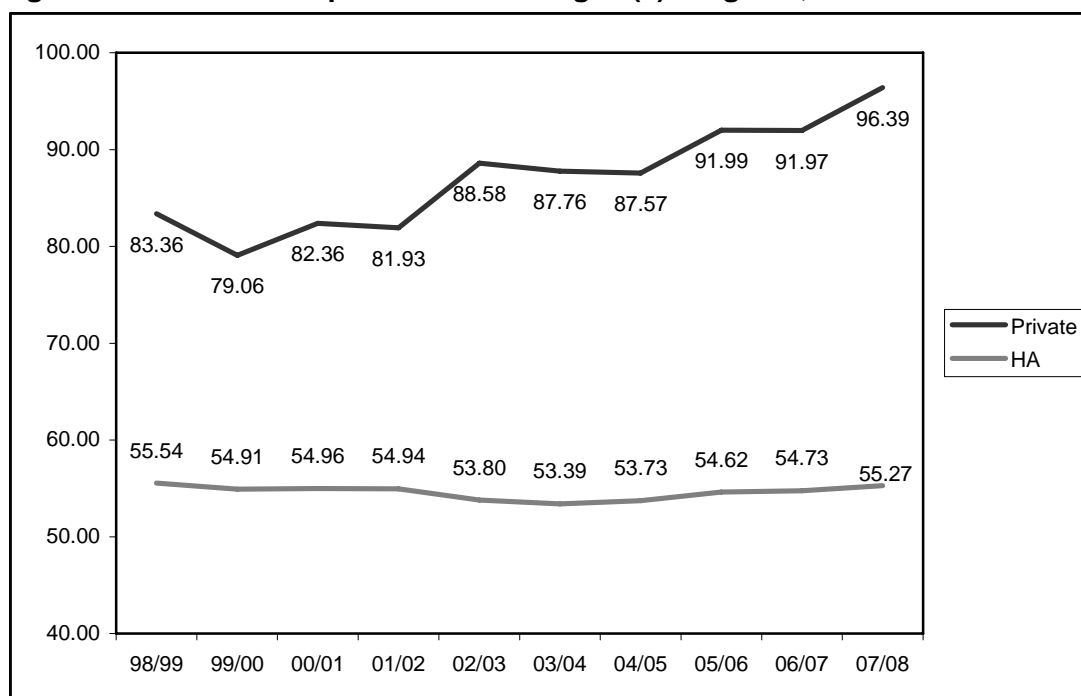
¹⁰ There are several possible reasons for the real HA rent average's inertness – among others, (A) the regulation on annual net rent increases, (B) decreases in service charges for a few years after the introduction of the rent restructuring regime, which requests strict demarcation between net rents and service charges, and (C) downward pressures from the former council housing stock entering the HA sector through Large Scale Voluntary Transfer packages. Regarding (A), as the regulatory guideline, which introduced since 2002, is based on the previous year's inflation (more specifically, the previous year's RPI + 0.5% ± £2), HA rents in a period of inflation increasing more substantially from the preceding year were deflated greatly in conversion into real prices, though their regulated nominal rises were based on previous year's relatively moderate RPI. However, the last two years, part of such periods in the past decade, saw marginal increases in real HA rents, and thus, further impact research will be required in this respect. For details of (B) and (C), see Dataspring (2009) *Detailed pattern of RSL rents in 2008/09*, forthcoming at <http://www.dataspring.org.uk>.

Figure 5.1 Nominal HA and private rent averages (£ on primary axis): England, 1998/99 – 2007/08



Note: From 1998/99 to 2001/02, rents charged only for self-contained properties were used. Rent data of the City of London and Isles of Scilly were excluded for all years. Private rents of Tamworth are not included for 1998/99 due to unavailability. Source: Author's calculation based on datasets described in Section 2.

Figure 5.2 Real HA and private rent averages (£): England, 1998/99 – 2007/08



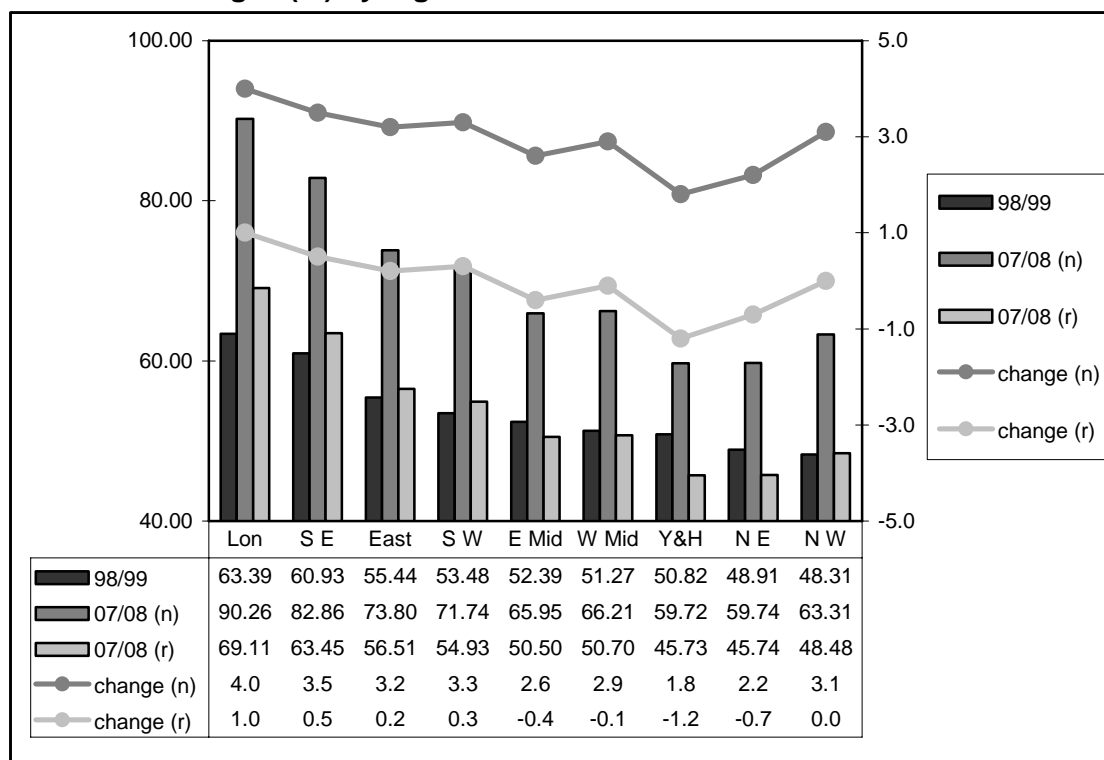
Note: Deflated by RPI's in Annex 3, Table A.3.1. The other notes & Source: As Figure 5.1

Regions

Figures 5.3 and 5.4 compare the 1998/99 rents with the 2007/08 rents across the regions for the HA and private sectors respectively, and Figure 5.5 sets out the regional H/P ratios for the two years.

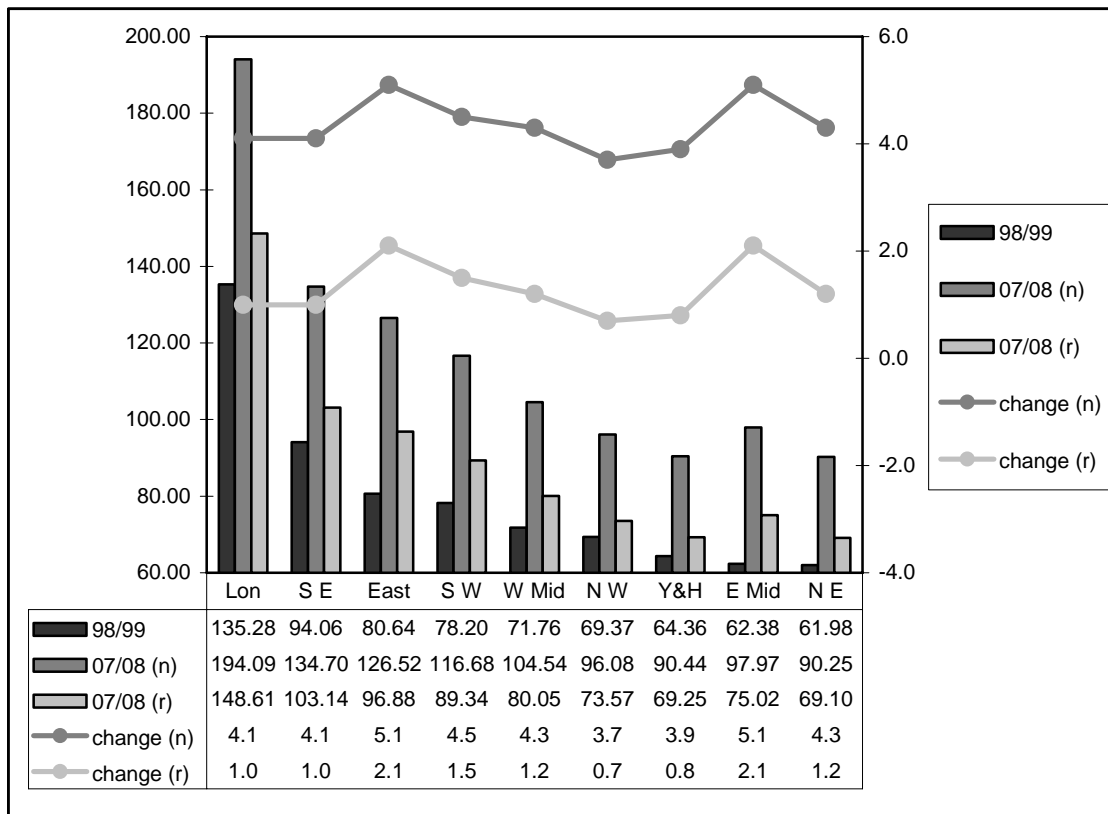
- Between 1998/99 and 2007/08, the average HA rent increased most drastically in London – the annualised average growth rate was 4.0% in nominal terms and 1.0% in real terms.
- The growth in Yorkshire & the Humber was the lowest – nominal 1.8%, which equates to a decline of 1.2% in real terms.
- For private average rents, the East of England and the East Midlands equally showed the highest growth rates – 5.1% per year in nominal terms and 2.1% in real terms.
- The North West saw the lowest growth rates of 3.7% and 0.7% in nominal and real terms respectively. Unlike the HA sector, no regions experienced decreases in real rent changes.
- With respect to the latest H/P ratio changes from 1998/99, the East Midlands showed the sharpest decrease of 16.7 percentage points, because in real terms, the region had the highest private rent rise while showing a decline in the HA rent.
- On the other hand, London has kept the H/P ratio almost inert at around 47%, because the region's real rent growth was 1.0% per year for both sectors.

Figure 5.3 Nominal and real (1998/99 base) HA rents (£ on primary axis) and annualised changes (%) by region: 1998/99 and 2007/08



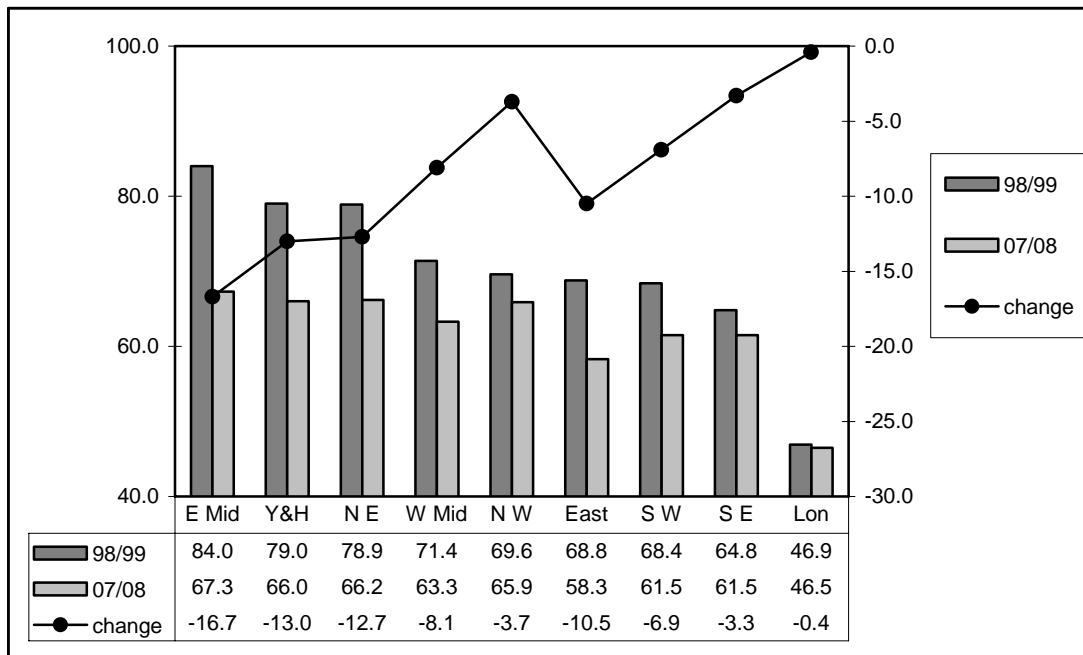
Note & Source: As Figure 5.2.

Figure 5.4 Nominal and real (1998/99 base) private rents (£ on primary axis) and annualised changes (%) by region: 1998/99 and 2007/08



Note & Source: As Figure 5.2.

Figure 5.5 Regional H/P ratios (% on primary axis) and changes (%-point): 1998/99 and 2007/08.



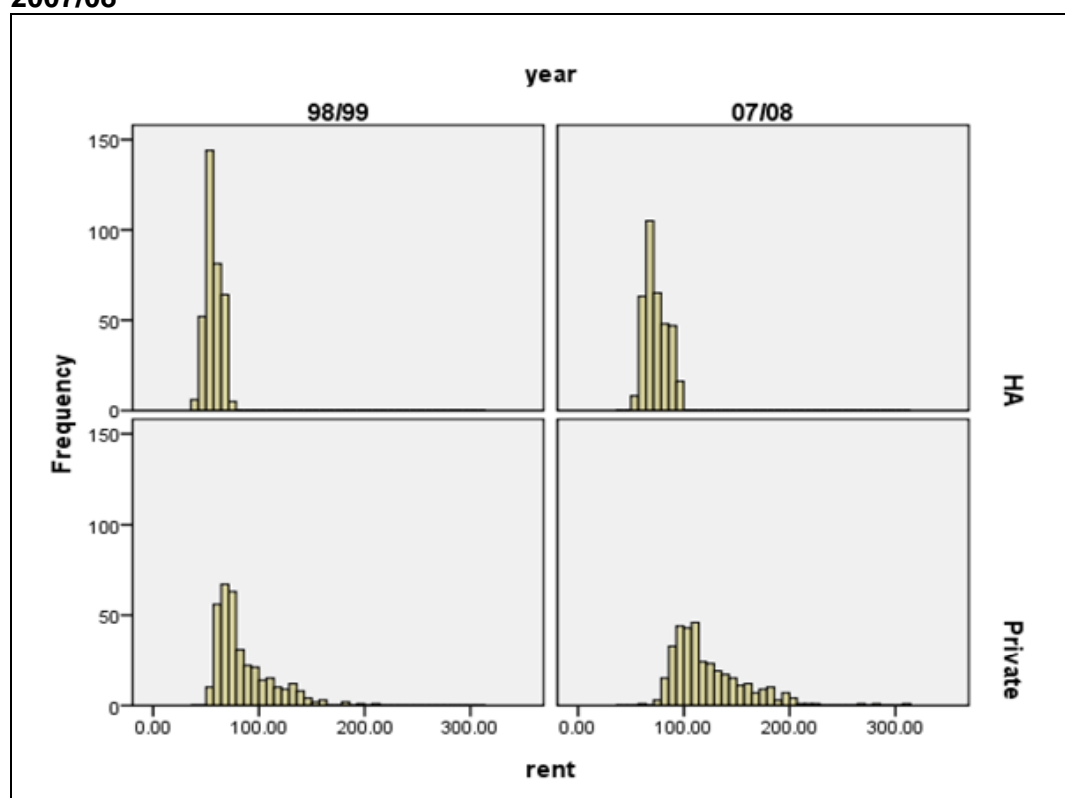
Note & Source: As Figure 5.2.

Local authorities

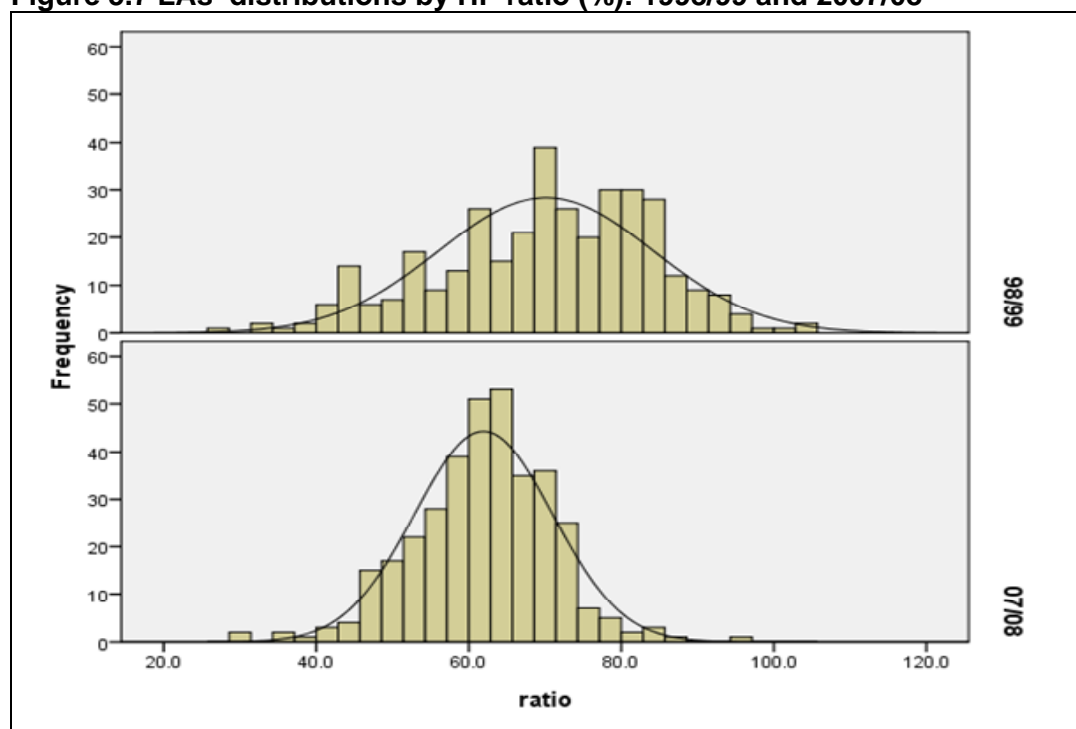
Figure 5.6 sets out LA distributions by HA and private sector rents for 1998/99 and 2007/08, and Figure 5.7 shows the LA distributions by the H/P ratios for the two years. Key statistics for these variables over the last ten years are presented in Annex 3.

- Between 1998/99 and 2007/08, the rental variations across LAs widened in both sectors.
- In fact, the standard deviations increased from £7.06 to £10.73 for the HA rents and from £26.75 to £35.57 for the private rents.
- In contrast, the pattern of the H/P ratio, was very different. The shape of the distribution became narrower and taller.
- The standard deviation decreased from 14.1% in 1998/99 to 9.1% in 2007/08.
- The 2007/08 distribution curve appears close to normal showing that nearly 70% of LAs had their H/P ratios in a narrower range of 62.5% (median) \pm 9.1% (standard deviation).

Figure 5.6 LAs' distributions by HA and private sector rents (£): 1998/99 and 2007/08



Note & Source: As Figure 5.2.

Figure 5.7 LAs' distributions by HP ratio (%): 1998/99 and 2007/08

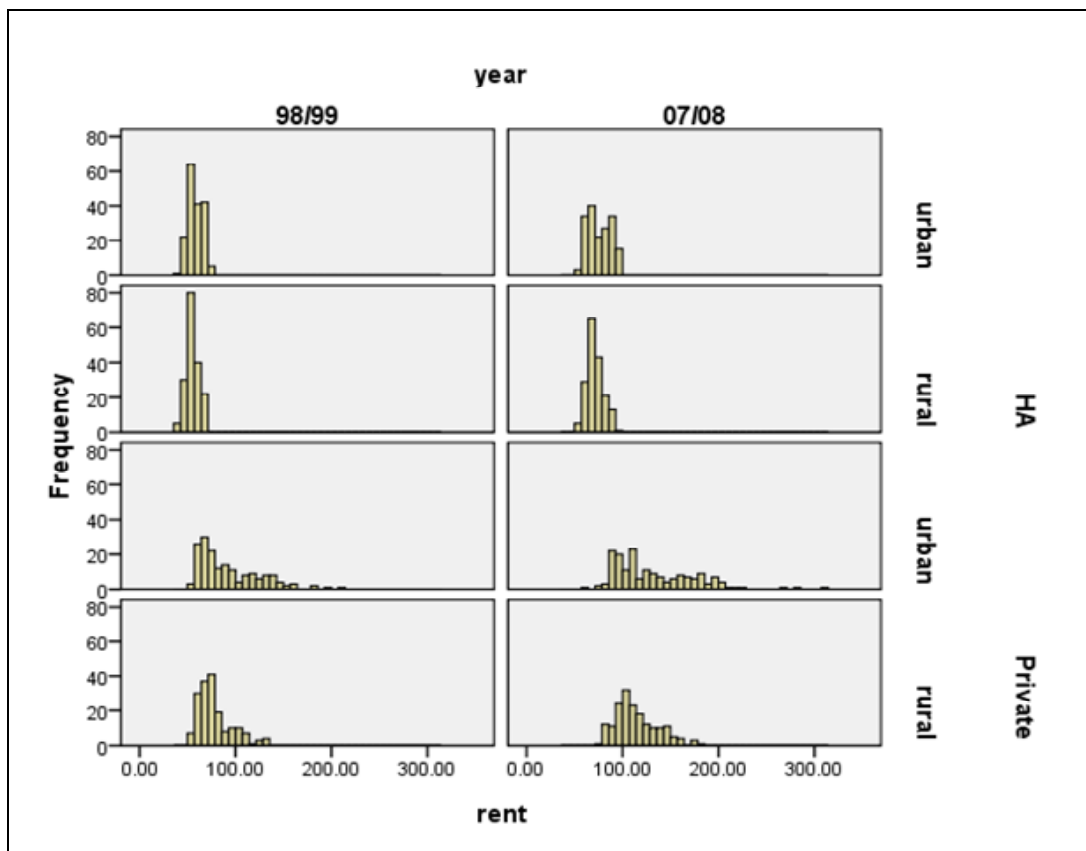
Note & Source: As Figure 5.2.

Urban and rural local authorities

Figure 5.8 sets out urban and rural LAs' distributions by HA and private sectors' rents for 1998/99 and 2007/08, and Figure 5.9 shows LA distributions by the H/P ratios for the same years. Key statistics for these variables over the last ten years are displayed in Annex 3.

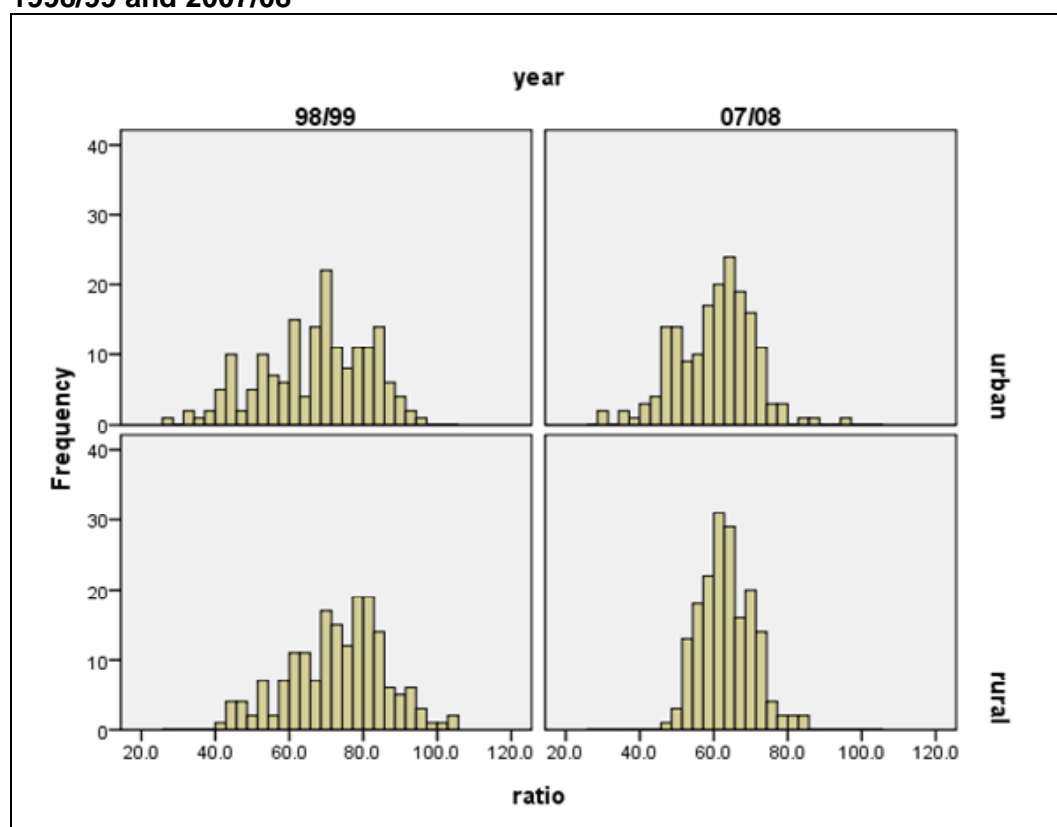
- Between 1998/99 and 2007/08, both sectors' variations across LAs broadened in the urban areas and, to lesser extent, in the rural areas.
- The HA sector's standard deviations increased by £4.46 in the urban areas and by £2.54 in the rural areas.
- In the private sector, the increases were by £11.62 and £4.21 in urban and rural areas respectively. (In real terms, however, the rural group showed a marginal decline of just a pound; see Table A.3.4 in Annex 3.)
- On the other hand, the variations of the H/P ratios were compressed in the urban and, more substantially, in the rural areas.
- The decreases in the standard deviations were 3.9 percentage points in the urban areas and 5.9 points in the rural areas.
- This suggests that in the rural areas HA rents have become associated with private rents more evenly in proportional terms across LAs.

Figure 5.8 LAs' distributions by HA and private sector rents (£) by urban/rural classification: 1998/99 and 2007/08



Note & Source: As Figure 5.2.

Figure 5.9 LAs' distributions by H/P ratios (%) by urban/rural classification: 1998/99 and 2007/08



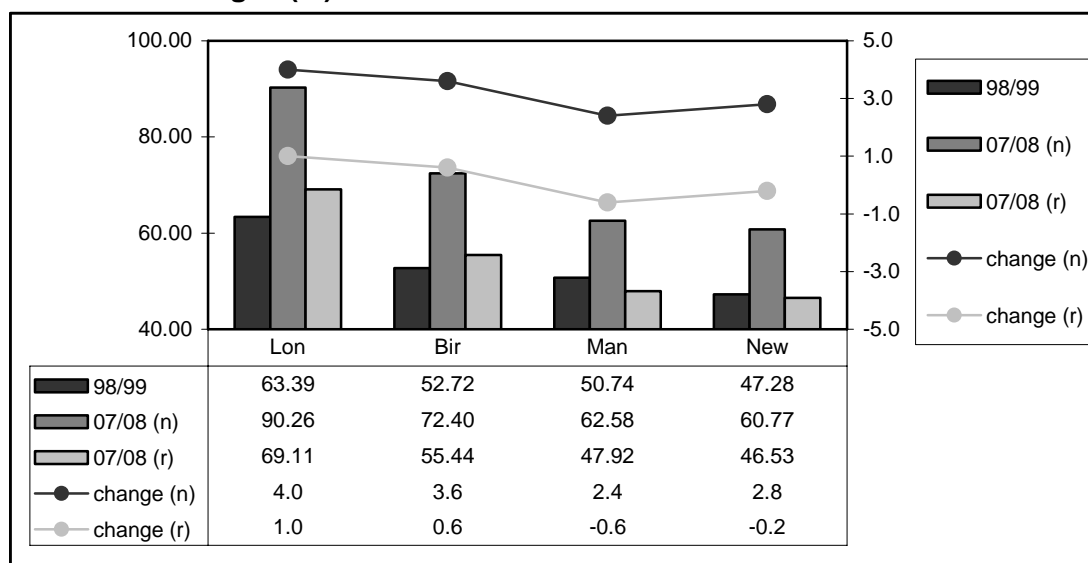
Note & Source: As Figure 5.2.

Four metropolitan areas – London, Birmingham, Manchester and Newcastle

Figures 5.10 to 5.12 set out four metropolitan areas' HA rents, private rents and H/P ratios in 1998/99 and 2007/08. For key statistics for these variables over the last decade, see Annex 3.

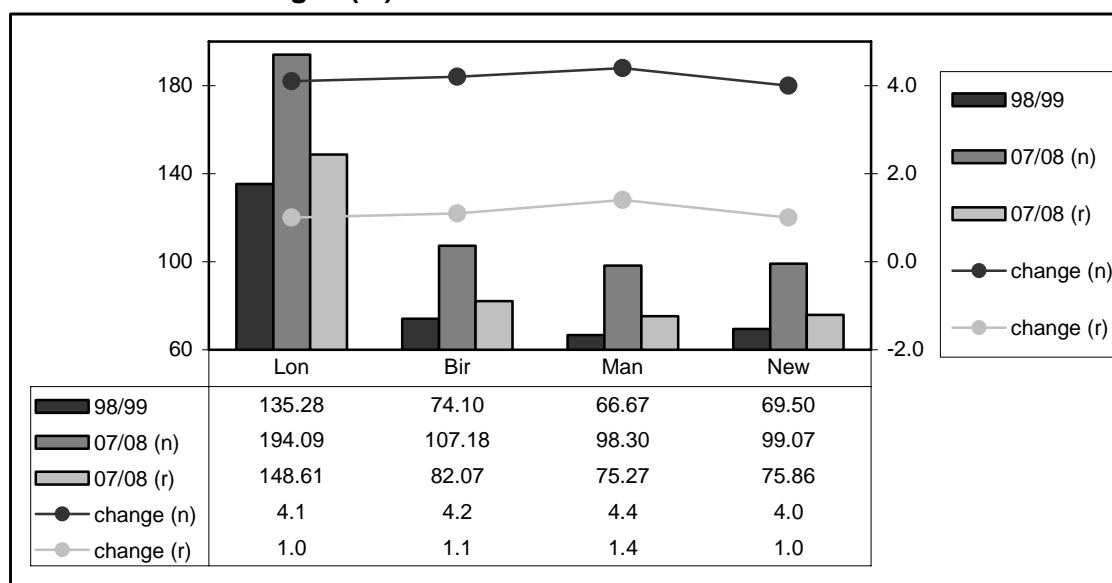
- Between 1998/99 and 2007/08, the four cities showed nominal HA rent increases but in real terms, Manchester and Newcastle experienced decreases – their real growth rates per year were -0.6% and -0.2% respectively.
- In the private sector, all four showed similar increases in both terms – the annualised nominal growth rates ranged 4.0% to 4.4%, and the real growth rates were from 1.0% to 1.4%.
- The H/P ratios decreased across all cities – although the capital city showed very little change partly because it already had a substantially low ratio in 1998/99.
- Manchester and Newcastle, cities with real HA rent declines, showed relatively large drops – -12.5 and -6.7 percentage points for each.

Figure 5.10 Nominal and real (1998/99 base) HA rents (£ on primary axis) and annualised changes (%): 1998/99 and 2007/08



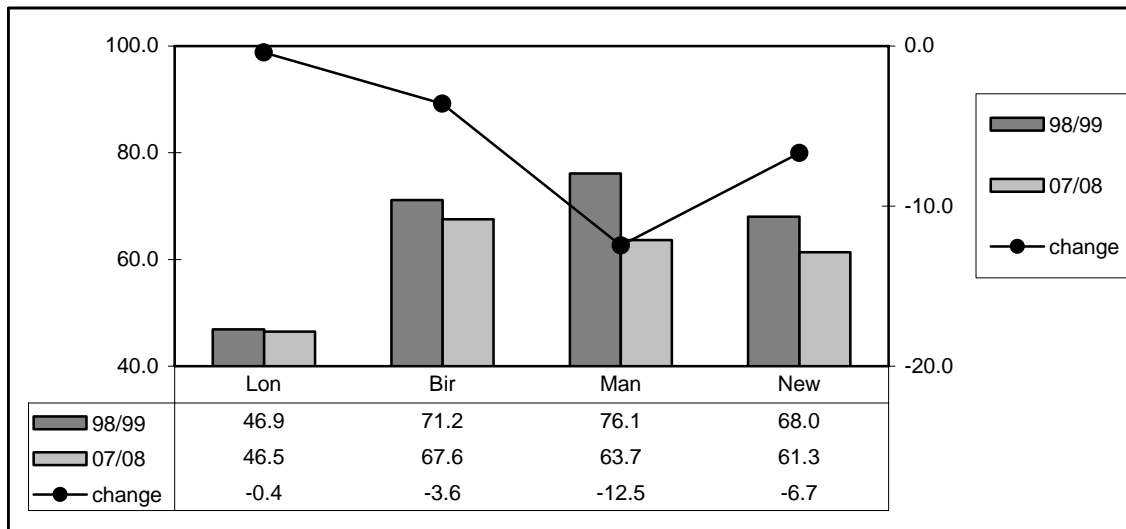
Note & Source: As Figure 5.2.

Figure 5.11 Nominal and real (1998/99 base) private rents (£ on primary axis) and annualised changes (%): 1998/99 and 2007/08



Note & Source: As Figure 5.2.

Figure 5.12 H/P ratios (% on primary axis) and the changes (%-point): 1998/99 and 2007/08



Note & Source: As Figure 5.2.

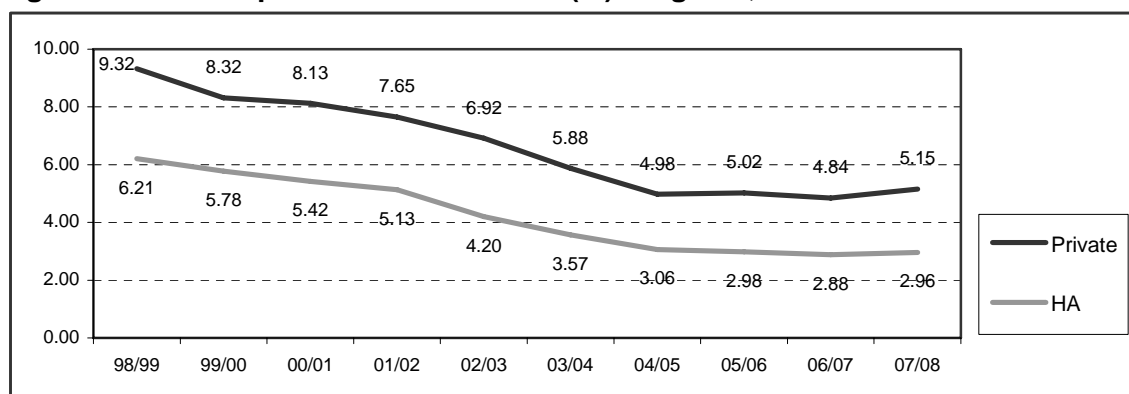
6. HA and private sector rates of return: 1998/99 – 2007/08

England

Figure 6.1 sets out the HA and private sectors' rates of return from 1998/99 to 2007/08.

- Over the last decade, the HA rate decreased by 3.25 percentage points, while the private rate was down by 4.17 points.
- However, the comparisons between the latest two years showed marginal increases for both sectors – 0.08 points for the HA sector and 0.31 points for the private sector.
- This was the first rise for the HA sector in ten years, and the second for the private sector, following a marginal rise in 2005/06.
- Both sectors' rates have been relatively inert, or have lost downward momentum, since 2004/05.
- This is owing partly to the modest increases in national LQ house prices for the period – in real terms, the price showed the first annual decline in this decade (see Figure A.3.2 in Annex 3).
- The H-P gap narrowed from 3.11 points in 1998/99 to 2.19 points in 2007/08.
- The latest H-P gap, however, slightly widened from the previous year's 1.96 points. Again, this is explained partly by the broken trend in LQ house prices.

Figure 6.1 HA and private rates of return (%): England, 1998/99 – 2007/08



Note: From 1998/99 to 2001/02, rents charged only for self-contained properties were used. Rent data of the City of London and Isles of Scilly were excluded for all years. Private rents of Tamworth are not included for 1998/99 due to unavailability. Source: Author's calculation based on datasets described in Section 2.

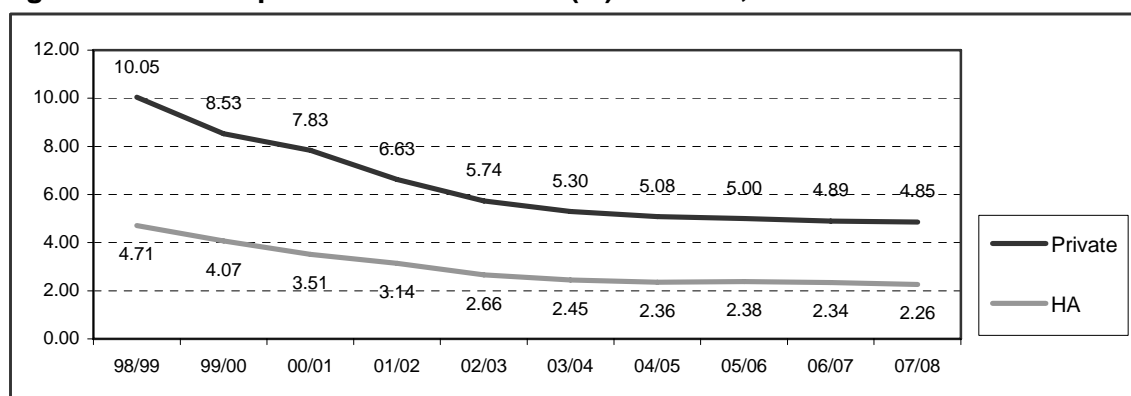
Regions

Figures 6.2 to 6.10 are the regional versions of the previous chart.

- Overall, the nine regions showed similar pictures to the national trends. Between 1998/99 and 2007/08, all regions experienced declines in the rates for both sectors.
- Over the decade, the HA rate decreased most drastically in the North East, by 4.42 percentage points, while the sharpest decline in the private rate was observed in the North West (5.31 points).
- For latest two years, however, not all regions follow the national patterns.

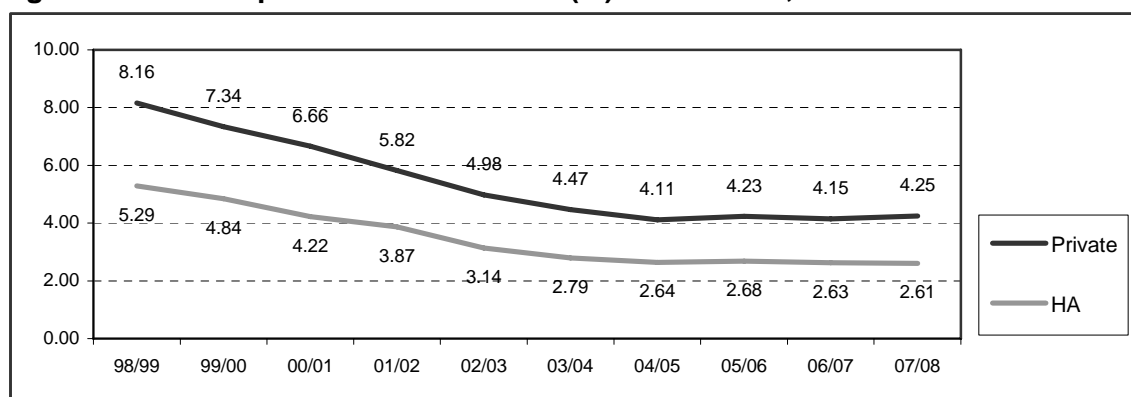
- Five regions (the South West, the East Midlands, the West Midlands, Yorkshire & the Humber, and the North East) observed marginal increases in both sectors' rates from the 2006/07 level, as England did.
- However, three regions (the South East, the East of England and the North West) saw decreases in the HA rates, and London had lower rates in both sectors', albeit only by small margins.
- Between 1998/99 and 2007/08, the H-P gaps narrowed across all regions except in the East Midlands, which showed a marginal widening – from 1.33 to 1.46 points.
- The greatest contraction was seen in London from 5.34 to 2.59 points.
- Compared with 2006/07, however, all regions observed widening H-P gaps – the expansions are owing partly to the fact that the latest annual increases in the real HA rents were moderate relative to the real private rent rises across the regions (see Table A.3.2 in Annex 3).

Figure 6.2 HA and private rates of return (%): London, 1998/99 – 2007/08



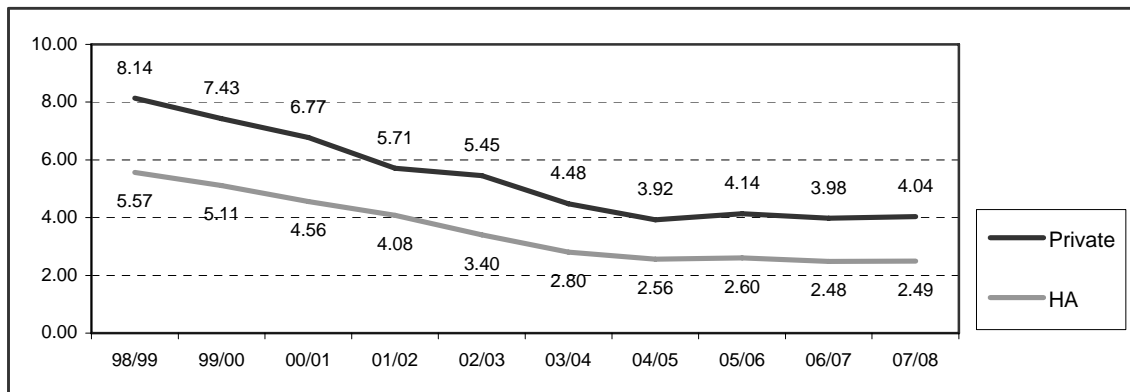
Note: From 1998/99 to 2001/02, rents charged only for self-contained properties were used. Rents of the City of London were excluded. Source: As Figure 4.1.

Figure 6.3 HA and private rates of return (%): South East, 1998/99 – 2007/08



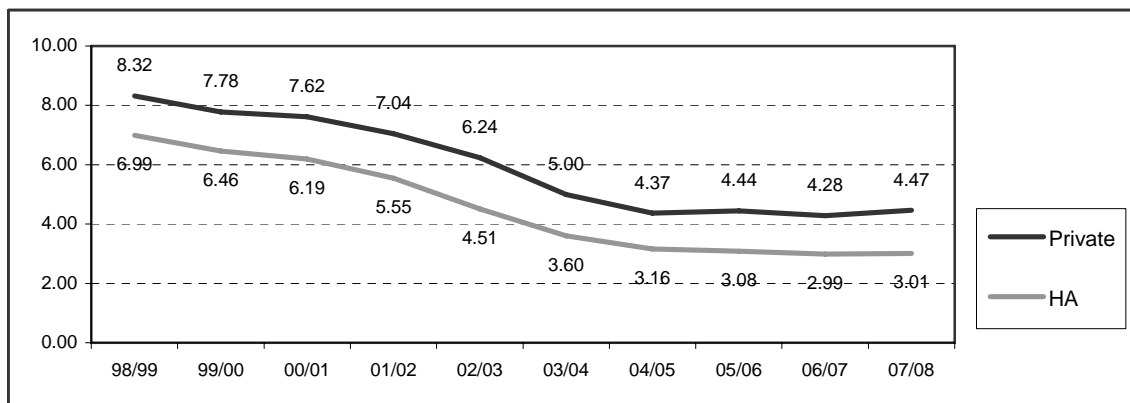
Note: From 1998/99 to 2001/02, rents charged only for self-contained properties were used. Source: As Figure 4.1.

Figure 6.4 HA and private rates of return (%): South West, 1998/99 – 2007/08



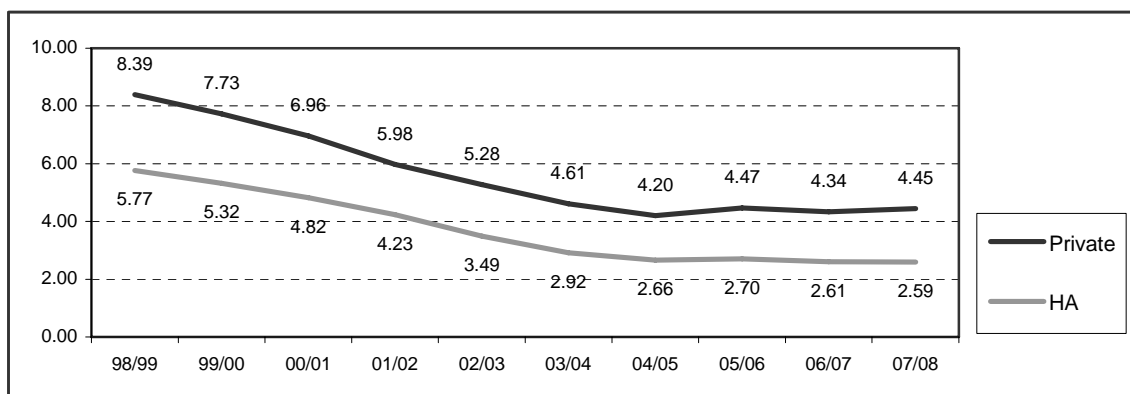
Note: From 1998/99 to 2001/02, rents charged only for self-contained properties were used. Rents of Isles of Scilly were excluded. Source: As Figure 4.1.

Figure 6.5 HA and private rates of return (%): East Midlands, 1998/99 – 2007/08



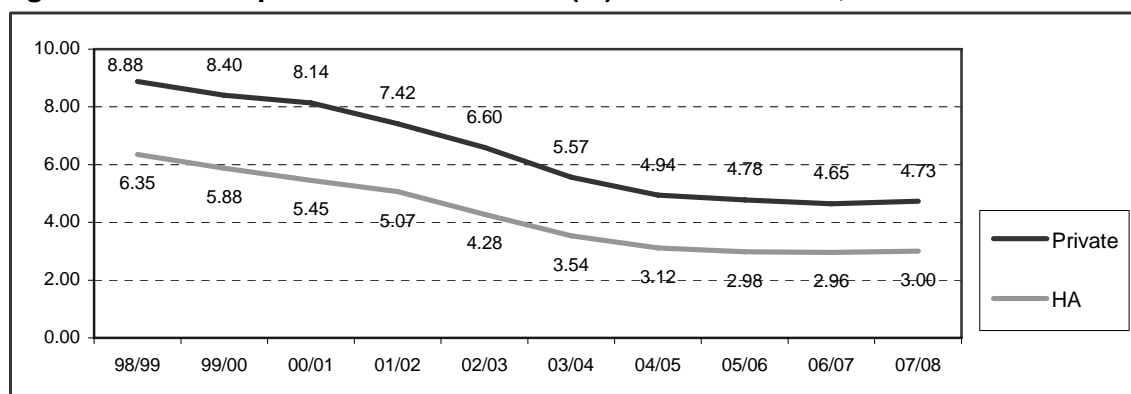
Note & Source: As Figure 4.3.

Figure 6.6 HA and private rates of return (%): East of England, 1998/99 – 2007/08



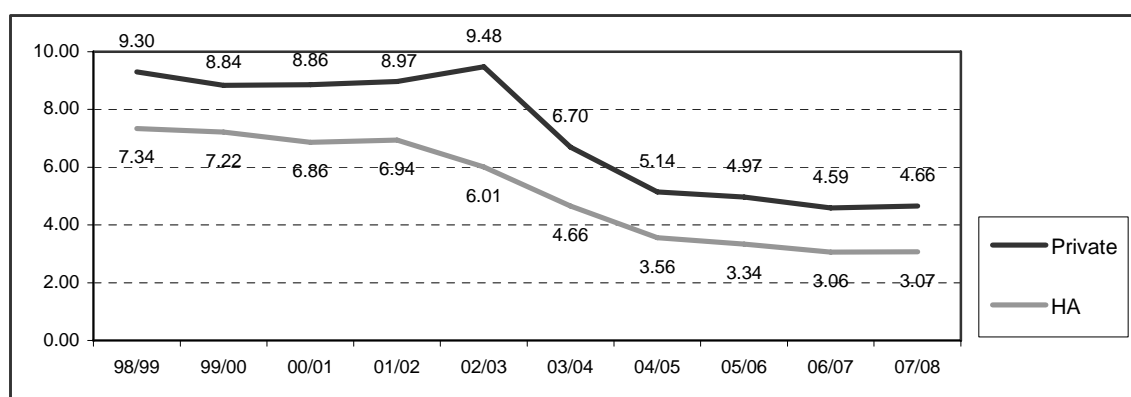
Note & Source: As Figure 4.3.

Figure 6.7 HA and private rates of return (%): West Midlands, 1998/99 – 2007/08



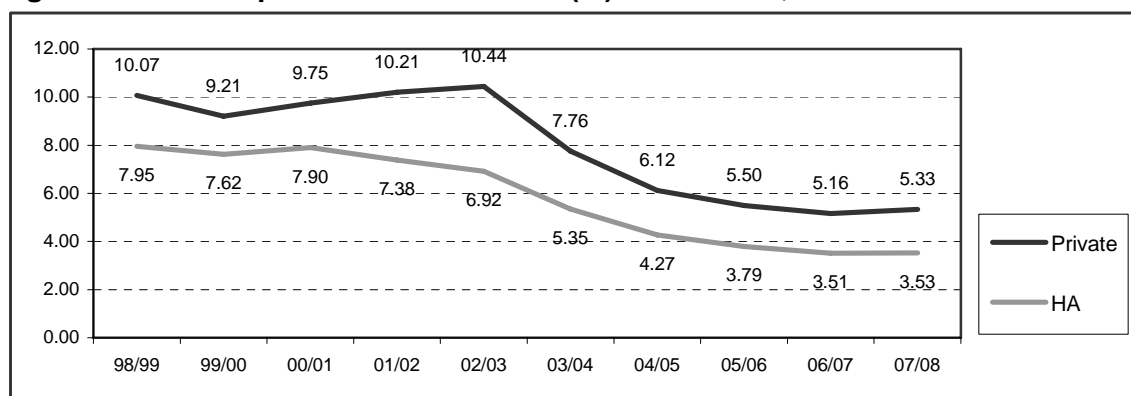
Note: From 1998/99 to 2001/02, rents charged only for self-contained properties were used. Private rents of Tamworth are not included for 1998/99 due to unavailability. Source: As Figure 4.1.

Figure 6.8 HA and private rates of return (%): Yorkshire & the Humber, 1998/99 – 2007/08

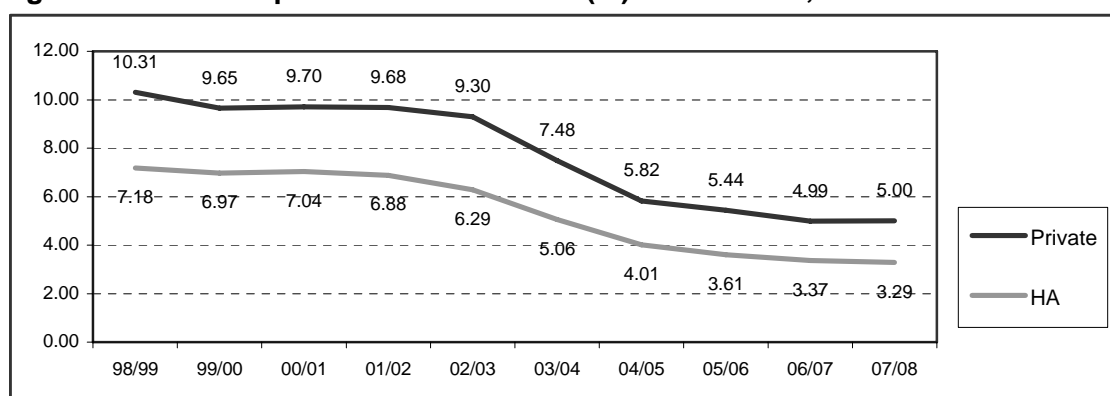


Note & Source: As Figure 4.3.

Figure 6.9 HA and private rates of return (%): North East, 1998/99 – 2007/08



Note & Source: As Figure 4.3.

Figure 6.10 HA and private rates of return (%): North West, 1998/99 – 2007/08

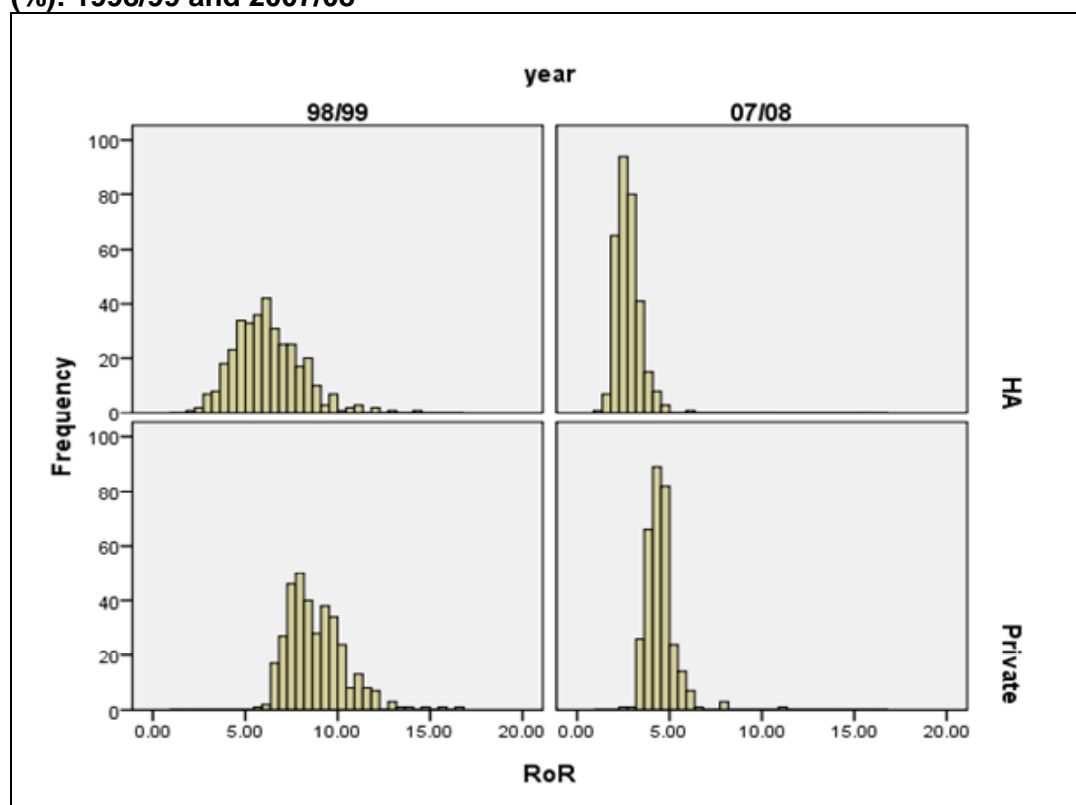
Note & Source: As Figure 4.3.

Local authorities

Table 6.1 sets out the key statistics for HA and private sector rates of return for LAs over the past ten years. Figure 6.11 compares the distributions of LAs by the two sectors' rates in 1998/99 and 2007/08 respectively.

- Between 1998/99 and 2007/08, the median of LAs' HA rates decreased by 3.05 percentage points, and that in the private sector was down by 4.17 points.
- However, the latest annual change in the HA rates' median was a marginal increase of 0.05 points. The private sector saw an annual decline of 0.13 points.
- Compared with 1998/99, the distributions of LAs in 2007/08 were narrow for both sectors' rates.
- In fact, the rate variations, measured by the standard deviations, lessened by 0.96 and 0.76 percentage points for the HA and private sectors respectively.
- The variations peaked in 2002/03, but have stayed below 1% since 2005/06 in both sectors.
- The median of the H-P gaps among LAs was up from -2.85 points in 1998/99 to -1.67 points in 2007/08.
- Starting at 1.17 points in 1998/99, the standard deviation of the H-P gaps has remained around 0.6 points for the last few years.

Figure 6.11 LAs' distributions by the HA and private sectors' rates of return (%): 1998/99 and 2007/08



Note: In 1998/99, rents charged for self-contained properties were used. N=351 for 1998/99 (the City of London, Isles of Scilly and Tamworth were excluded), and 315 for 2007/08 (the exclusion of the City of London and 39 LAs shown in Annex 1). Source: Author's calculation based on datasets described in Section 2.

Table 6.1 Key statistics on rates of return for LAs (%; %-point), 1998/99 – 2007/08

	HA			Private			H - P			N
	Median	S.D.	Range	Median	S.D.	Range	Median	S.D.	Range	
98/99	5.70	1.60	10.76	8.54	1.58	10.93	-2.85	1.17	6.28	351
99/00	5.27	1.66	10.88	8.02	1.56	10.89	-2.64	1.03	5.95	352
00/01	4.74	1.92	12.02	7.26	1.91	14.36	-2.53	0.91	5.41	352
01/02	4.24	2.02	15.35	6.35	2.29	17.72	-2.27	0.83	4.54	352
02/03	3.46	2.10	20.54	6.18	2.59	26.12	-2.61	1.12	7.34	352
03/04	2.94	1.57	12.93	5.19	1.87	16.42	-2.14	0.81	4.85	352
04/05	2.72	1.15	12.87	4.49	1.31	13.81	-1.65	0.68	3.58	352
05/06	2.71	0.80	7.68	4.71	0.89	8.36	-1.85	0.60	3.47	352
06/07	2.60	0.63	5.47	4.50	0.76	6.44	-1.78	0.59	4.07	352
07/08	2.65	0.64	5.01	4.37	0.82	8.70	-1.67	0.61	7.59	315
Change										
98/99 to 07/08	-3.05	-0.96	-5.75	-4.17	-0.76	-2.23	1.18	-0.56	1.31	

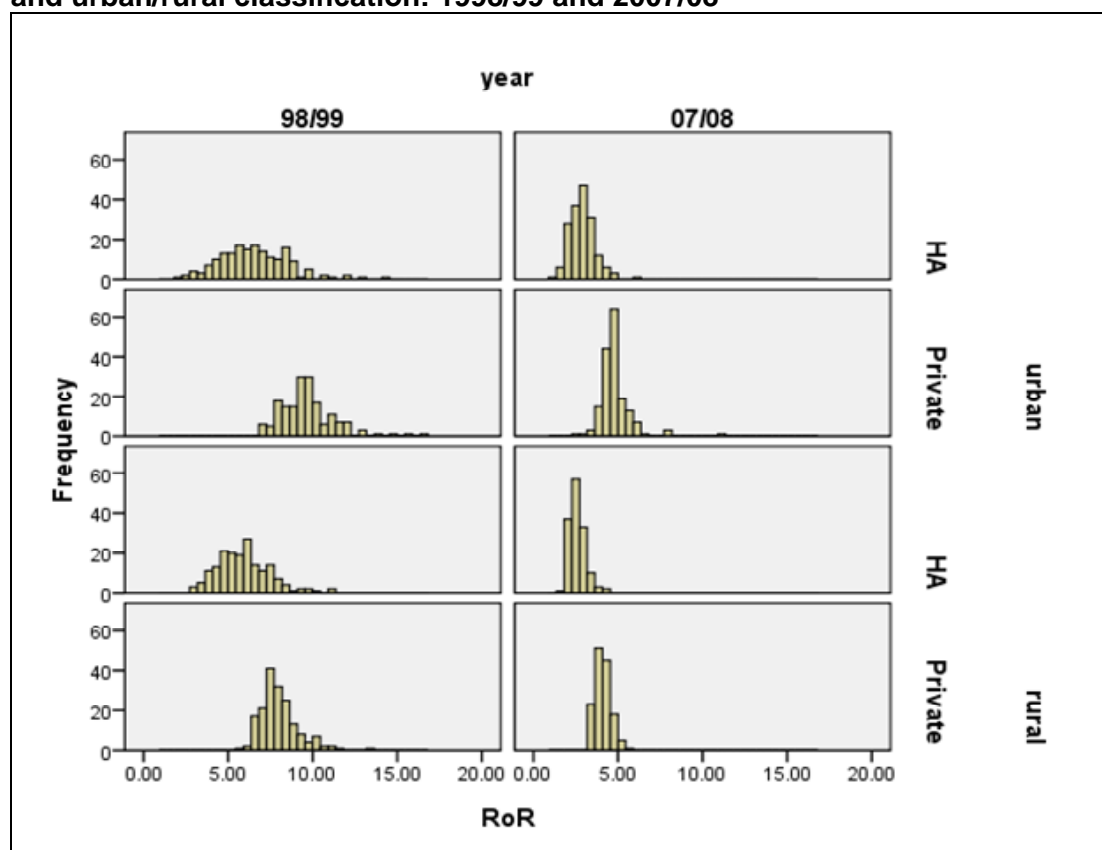
Note: From 1998/99 to 2001/02, rents charged for self-contained properties were used. The City of London and Isles of Scilly were excluded for all years. Tamworth was not included in 1997/99. 39 LAs was excluded in 2007/08. Source: Author's calculation based on datasets described in Section 2.

Urban and rural local authorities

Table 6.2 sets out key statistics on HA and private sector rates of return for urban and rural LAs respectively over the past ten years. Figure 6.13 compares the distributions of urban and rural LAs by the two sectors' rates in 1998/99 and 2007/08.

- Between 1998/99 and 2007/08, both urban and rural LAs had decreased medians for HA rates and private rates.
- The urban group's drops were by 3.55 percentage points for the HA sector and by 4.76 points for the private sector. The rural group's equivalents were by 3.38 points and 3.74 points.
- Comparing the latest year to 2006/07, each subset of LAs had slightly lower HA median rates but increases in the private equivalent – reversing the pattern for LAs overall.
- Compared with 1998/99, the latest distribution patterns of both groups became narrower in each sector.
- For the urban LAs, the standard deviations lessened by 1.30 percentage points in the HA sector and by 0.64 points in the private sector.
- For the rural LAs, the declines were by 1.09 points and 0.69 points respectively.
- The median of the H-P gaps across urban LAs was up from -2.93 points in 1998/99 to -1.79 points in 2007/08, while rural LAs' increase was from -2.07 points to -1.48 points.
- Between 1998/99 and 2007/08, the standard deviation for the urban group decreased from 1.65 points to 0.91, while increasing from 0.64 points to 1.03 points in the rural group.

Figure 6.13 LAs' distributions by the HA and private sectors' rates of return (%) and urban/rural classification: 1998/99 and 2007/08



Note & Source: As Figure 6.11.

Table 6.2 Key statistics on rates of return for LAs by urban/rural classification (%; %-point), 1998/99 – 2007/08

	HA			Private			H - P			N
	Median	S.D.	Range	Median	S.D.	Range	Median	S.D.	Range	
urban										
98/99	6.40	2.03	12.13	9.47	1.54	9.72	-2.93	1.65	1.28	175
99/00	5.93	2.12	12.11	8.77	1.58	10.89	-2.66	1.27	1.14	175
00/01	5.34	2.49	13.84	8.01	2.09	13.59	-2.55	1.18	0.98	175
01/02	4.79	2.60	16.06	6.94	2.63	17.52	-2.29	1.08	0.80	175
02/03	3.92	2.75	21.42	5.98	3.14	27.39	-2.25	1.21	0.92	176
03/04	3.26	2.04	13.28	5.31	2.23	16.33	-1.99	1.05	0.70	175
04/05	2.95	1.50	13.06	4.79	1.52	13.50	-1.75	1.00	0.56	175
05/06	2.97	0.97	7.70	4.83	0.98	8.10	-1.77	1.29	0.49	175
06/07	2.86	0.74	5.58	4.63	0.76	5.68	-1.68	0.98	0.51	175
07/08	2.85	0.73	5.01	4.71	0.90	8.70	-1.79	0.91	0.72	172
Change										
98/99 to 07/08	-3.55	-1.30	-7.12	-4.76	-0.64	-1.02	1.13	-0.74	-0.57	
rural										
98/99	5.87	1.54	8.27	7.79	1.15	7.86	-2.07	0.64	0.99	177
99/00	5.51	1.54	8.54	7.28	1.13	6.63	-1.87	-0.06	0.90	177
00/01	4.83	1.67	9.01	6.62	1.35	7.31	-1.78	0.64	0.81	177
01/02	4.37	1.73	8.95	5.74	1.69	9.99	-1.40	0.43	0.65	177
02/03	3.52	1.67	8.70	5.35	1.96	10.35	-1.80	1.61	1.03	177
03/04	2.83	1.20	7.28	4.49	1.31	9.33	-1.48	0.96	0.55	177
04/05	2.54	0.74	4.51	3.89	0.77	5.27	-1.23	0.66	0.39	177
05/06	2.57	0.59	3.34	4.10	0.57	3.67	-1.45	0.75	0.32	177
06/07	2.50	0.51	2.87	3.92	0.56	3.72	-1.34	0.53	0.34	177
07/08	2.49	0.45	2.51	4.05	0.46	2.64	-1.48	1.03	0.34	143
Change										
98/99 to 07/08	-3.38	-1.09	-5.76	-3.74	-0.69	-5.23	0.59	0.39	-0.66	

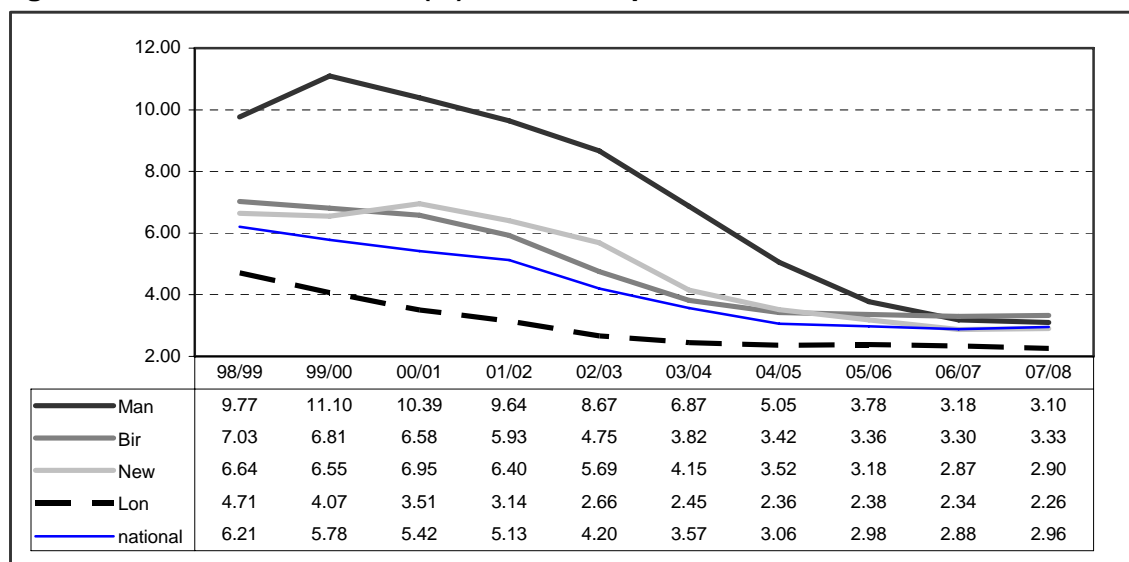
Note & source: As Table 6.2.

Four metropolitan areas – London, Birmingham, Manchester and Newcastle

Figures 6.14 to 6.16 set out four metropolitan areas' HA rates of return, private rates of return and H-P gaps from 1998/99 to 2007/08 respectively. It is worth noting that Newcastle's private rate in 2002/03 might have been biased by possible errors in the original data sources.

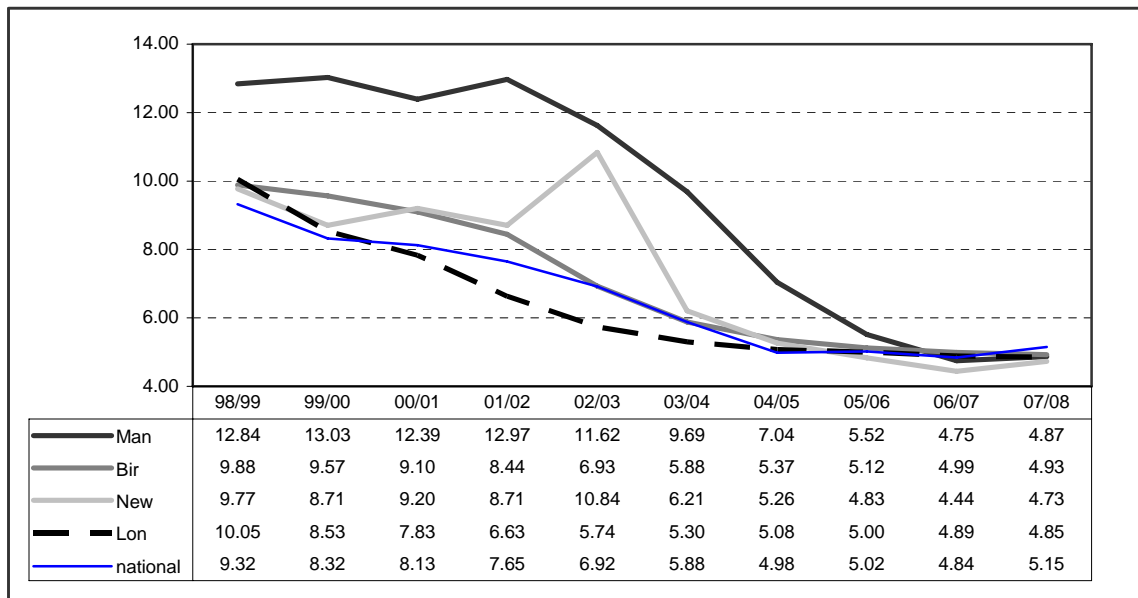
- Between 1998/99 and 2007/08, all four cities experienced declines in the rates in both sectors.
- Both sectors' rates decreased most drastically in Manchester (by 6.67 percentage points for the HA rates and 7.97 points for the private rates), mainly because the city's initial rates in both sectors were much greater than any other city's equivalents.
- Between the latest two years, however, the four cities show contrasting rate developments.
- London saw decreases both in the HA and private rates while Newcastle showed increases in the two sectors' rates.
- The HA rate in Birmingham was up from the previous year but the private equivalent was down. Manchester showed the opposite pattern, with an increase in the private rate and a decrease in the HA rate.
- The H-P gaps narrowed between 1998/99 and 2007/08 across all four cities, with the largest contraction in London – from -5.34 to -2.56 points.
- Compared with 2006/07, however, all four cities but Birmingham observed widening H-P gaps.

Figure 6.14 HA rates of return (%): four metropolitan cities, 1998/99 – 2007/08



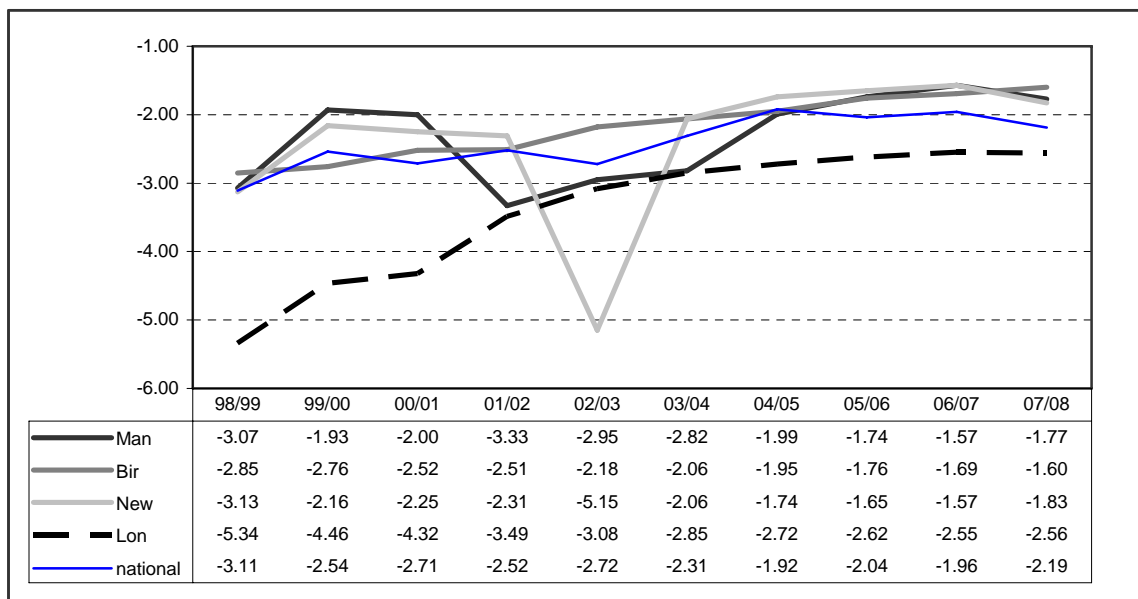
Note: From 1998/99 to 2001/02, rents charged only for self-contained properties were used. Rents in the City of London were excluded for all years. The geographical unit is an LA area except for London, which show figures at the regional level. Source: Author's calculation based on datasets described in Section 2.

Figure 6.15 Private rates of return (%): four metropolitan cities, 1998/99 – 2007/08



Note & Source: As Figure 4.14.

Figure 6.16 Rate differentials (%-point): four metropolitan cities, 1998/99 – 2007/08



Note & Source: As Figure 4.14.

7. Summary and conclusions

In 2007/08, there was an increase in the HA sector national average rate of return from the previous year's level – although moderate, it was the first year-on-year rise in the past decade. The private sector also observed an annual increase, which was the second rise in the same period. Both sectors had steady increases in rental incomes but the main development to break recent trends was found in their employed capital, measured by the national LQ house price, which grew weakly in nominal terms or decreased in real terms – the first annual decline since the beginning of the observation.

However, with only patchy upward pressure from the recent property slump on rates of return across the country, both the HA and private sectors, did not commonly duplicate the national pattern regionally or locally. Three regions, the South East, the East of England and the North West (particularly, Manchester) showed continuous declines in the HA rates of return, while London had decreases in both sectors' rates. Mixed rate progress across local authorities was observed with variations broadening marginally for both sectors in 2007/08, reversing the former trend which ran from 2002/03 onwards.

The H-P gap for national average rates of return widened in 2007/08. This is owing firstly to the expansion of the rent differential between the two sectors – the annual increase in the private average rent was greater than the HA equivalent. The subdued development of LQ house prices also impacted on the failure to catch up with the numerator's growth in percentage terms. The regions also saw broadening H-P gaps but local authorities' H-P gaps had a lower median and a wider range.

It is too early to conclude that the rates of return in both sectors have bottomed out and started on an upward trend, first because the impact of the recent property crash has varied greatly across England. Secondly, events in the property market have tended to lag in their impact on rental markets and the lengths of such lags can vary between the sectors as well as between regions or localities. The trends in rates of return in the HA and private sectors over the next few years are therefore uncertain.

Annex 1 Thirty-eight LAs without the LQ house price for 2008

LA	Code	GOR	U/R	U/R 6 categories
Bedford	09UD	East of England	rural	SR
Mid Bedfordshire	09UC	East of England	rural	R80
South Bedfordshire	09UE	East of England	urban	OU
Alnwick	35UB	North East	rural	R80
Berwick-upon-Tweed	35UC	North East	rural	R80
Blyth Valley	35UD	North East	rural	R50
Castle Morpeth	35UE	North East	rural	R80
Chester-le-Street	20UB	North East	urban	MU
Derwentside	20UD	North East	rural	R80
Durham	20UE	North East	rural	R50
Easington	20UF	North East	rural	R50
Sedgefield	20UG	North East	rural	R50
Teesdale	20UH	North East	rural	R80
Tynedale	35UF	North East	rural	R80
Wansbeck	35UG	North East	rural	R50
Wear Valley	20UJ	North East	rural	R80
Chester	13UB	North West	rural	SR
Congleton	13UC	North West	rural	R80
Crewe and Nantwich	13UD	North West	rural	SR
Ellesmere Port and Neston	13UE	North West	urban	LU
Macclesfield	13UG	North West	rural	SR
Vale Royal	13UH	North West	rural	R50
Caradon	15UB	South West	rural	R80
Carrick	15UC	South West	rural	R80
Isles of Scilly	15UH	South West	rural	R80
Kennet	46UB	South West	rural	R80
Kerrier	15UD	South West	rural	R50
North Cornwall	15UE	South West	rural	R80
North Wiltshire	46UC	South West	rural	R50
Penwith	15UF	South West	rural	R80
Restormel	15UG	South West	rural	R80
Salisbury	46UD	South West	rural	R50
West Wiltshire	46UF	South West	rural	R50
Bridgnorth	39UB	West Midlands	rural	R80
North Shropshire	39UC	West Midlands	rural	R80
Oswestry	39UD	West Midlands	rural	R80
Shrewsbury and Atcham	39UE	West Midlands	rural	SR
South Shropshire	39UF	West Midlands	rural	R80

Annex 2 HA and private rents for 2007/08 and LQ house prices for 2007

Table A.2.1 2007/08 rents and 2007 LQ house prices by region

	HA	private			LQ house price
	£	£	H/P	H-P	£
East Midlands	65.95	97.97	67.3	-32.02	114,000.00
East of England	73.80	126.52	58.3	-52.72	148,000.00
London	90.26	194.09	46.5	-103.83	208,000.00
North East	59.74	90.25	66.2	-30.51	88,000.00
North West	63.31	96.08	65.9	-32.77	99,950.00
South East	82.86	134.70	61.5	-51.84	165,000.00
South West	71.74	116.68	61.5	-44.94	150,000.00
West Midlands	66.21	104.54	63.3	-38.33	114,950.00
Yorks & H	59.72	90.44	66.0	-30.72	101,000.00

Note & Source: As Figure 3.1.

Table A.2.2 Key statistics on LAs' averages of HA and private rents by region (£): 2007/08

	HA rent				Private rent				N
	median	S.D.	min	max	median	S.D.	min	max	
overall	71.47	10.72	51.11	98.39	111.56	34.88	60.89	309.44	352
East Midlands	68.35	4.11	58.69	75.62	100.25	9.72	80.84	128.49	40
East of England	77.22	8.51	60.79	92.82	128.90	22.45	96.37	180.08	48
London	91.16	3.55	82.79	96.85	189.51	35.66	135.20	309.44	32
North East	60.21	3.80	51.11	67.88	89.01	6.11	73.00	99.07	23
North West	64.48	4.48	57.58	74.65	98.30	20.63	77.58	201.90	43
South East	84.73	5.82	72.19	98.39	144.06	21.57	104.13	198.95	67
South West	71.68	5.21	64.40	85.77	116.46	11.62	99.00	146.94	44
West Midlands	69.37	5.85	53.33	75.85	105.10	10.89	86.24	132.66	34
Yorks & H	64.54	6.00	53.59	74.03	92.24	23.10	60.89	175.19	21

Note & Source: As Figure 3.1.

Table A.2.3 Key statistics on LAs' H-A gaps and H/P ratios by region (£; %): 2007/08

	H - P				H/P				N
	median	S.D.	min	max	median	S.D.	min	max	
overall	-42.32	26.80	-220.34	-2.89	62.5	9.1	28.8	95.3	352
East Midlands	-30.94	8.95	-60.74	-12.48	69.0	6.1	52.7	84.8	40
East of England	-49.99	16.29	-92.47	-27.51	59.3	5.9	46.4	71.7	48
London	-97.36	34.82	-220.34	-43.20	48.2	7.3	28.8	68.0	32
North East	-28.55	7.02	-41.64	-11.19	68.5	6.3	56.0	84.7	23
North West	-33.98	20.39	-138.42	-8.89	66.7	9.6	31.4	88.5	43
South East	-59.98	18.73	-106.35	-27.27	58.7	7.3	46.1	73.8	67
South West	-43.65	9.28	-75.48	-32.48	62.6	4.3	48.0	68.9	44
West Midlands	-37.68	9.38	-62.18	-20.82	64.3	6.1	53.1	76.5	34
Yorks & H	-31.84	21.01	-107.97	-2.89	68.1	11.5	38.4	95.3	21

Note & Source: As Figure 3.1.

Table A.2.4 Key statistics on LAs' LQ house prices by region (£): 2007

	median	S.D.	min	max	N
overall	145,000.00	48,205.24	55,000.00	405,000.00	315
East Midlands	117,900.00	20,769.43	85,000.00	173,000.00	40
East of England	152,800.00	31,021.49	110,000.00	238,000.00	45
London	214,975.00	52,136.12	165,000.00	405,000.00	32
North East	89,062.50	11,223.12	74,000.00	109,000.00	10
North West	96,500.00	22,454.47	55,000.00	150,000.00	37
South East	179,000.00	32,851.79	115,000.00	250,000.00	67
South West	154,500.00	18,999.92	123,500.00	210,000.00	34
West Midlands	119,000.00	24,217.48	71,000.00	170,000.00	29
Yorks & H	104,950.00	28,286.27	69,500.00	167,500.00	21

Note & Source: As Figure 4.2.

Table A.2.5 Key statistics on LAs' averages of HA and private rents by urban/rural classification (£): 2007/08

	HA				private				N
	median	S.D.	min	max	median	S.D.	min	max	
urban	74.75	11.94	53.33	98.39	121.34	42.33	60.89	309.44	175
Major U	86.21	13.43	55.50	96.85	163.80	50.01	86.52	309.44	75
Large U	71.01	10.84	53.33	98.39	113.93	23.53	76.31	180.08	45
Other U	70.99	9.22	57.58	92.60	110.82	27.21	60.89	198.95	55
rural	70.33	8.85	51.11	94.50	108.89	22.29	73.00	178.74	177
SR	71.80	9.92	57.78	92.31	111.27	24.57	82.28	178.74	53
R-50	71.47	9.19	51.11	94.50	110.82	23.80	79.92	172.83	52
R-80	69.33	7.33	52.91	89.06	106.57	18.41	73.00	159.66	72

Note & Source: As Figure 3.1.

Table A.2.6 Key statistics on LAs' H-A gaps and H/P ratios by urban/rural classification (£; %): 2007/08

	H - P				H/P				N
	median	S.D.	min	max	median	S.D.	min	max	
urban	-44.53	33.34	-220.34	-2.89	61.6	10.4	28.8	95.3	175
Major U	-77.07	39.95	-220.34	-21.79	53.5	10.6	28.8	76.1	75
Large U	-40.00	16.14	-92.47	-12.66	64.1	7.1	47.2	83.4	45
Other U	-41.44	19.40	-106.35	-2.89	63.7	8.9	46.5	95.3	55
rural	-40.73	15.68	-88.42	-11.19	62.9	7.1	48.0	84.8	177
SR	-42.24	16.85	-88.42	-12.48	63.0	7.5	50.5	84.8	53
R-50	-41.31	16.48	-88.10	-24.74	62.9	6.4	49.0	73.8	52
R-80	-38.92	13.75	-76.18	-11.19	62.9	7.3	48.0	84.7	72

Note & Source: As Figure 3.1.

Table A.2.7 2007/08 rents and 2007 LQ house prices: four metropolitan areas

	HA	private	H/P	H-P	LQ house price
	£	£			£
London	90.26	194.09	46.5	-103.83	208,000.00
Birmingham	72.40	107.18	67.5	-34.78	113,000.00
Manchester	62.58	98.30	63.7	-35.72	105,000.00
Newcastle	60.77	99.07	61.3	-38.30	109,000.00

Note: For rents, as Figure 3.1. Source: As described in Section 2.

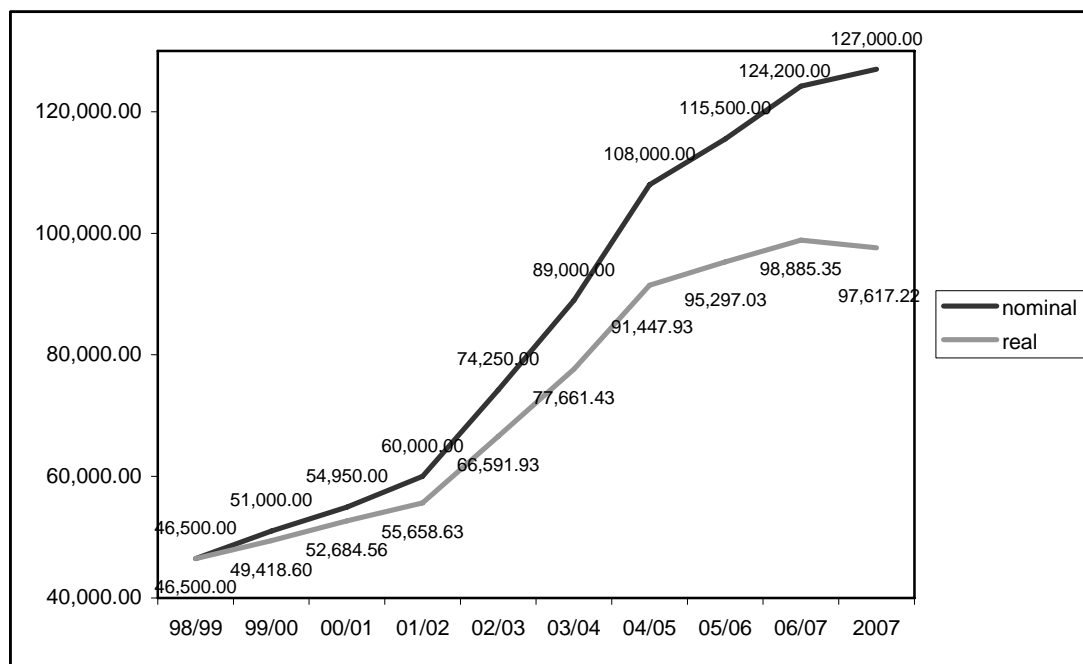
Annex 3 HA and private rents and LQ house prices: 1997/98 to 2007/08

Table A.3.1 Deflators: RPI (all items; September 1997 = 1.000)

1997 09	1998 09	1999 09	2000 09	2002 09	2003 09	2004 09	2005 09	2006 09	(2007 06)	2007 09
1.000	1.032	1.043	1.078	1.115	1.146	1.181	1.212	1.256	(1.301)	1.306

Source: ONS.

Figure A.3.2 Nominal and real LQ house prices (£): England, 1998/99 – 2006/07 and 2007



Note & Source: As Figure A.3.1.

Table A.3.2 The HA and private rent averages by region, in nominal and real terms: 1998/99 – 2007/08

	nominal		real		H/P	nominal		real		H/P
	HA	private	HA	private		HA	private	HA	private	
	E Mid					East				
98/99	52.39	62.38	52.39	62.38	84.0	55.44	80.64	55.44	80.64	68.8
99/00	52.20	62.83	50.58	60.88	83.1	57.21	83.21	55.44	80.63	68.8
00/01	52.97	65.24	50.79	62.55	81.2	58.82	85.04	56.40	81.53	69.2
01/02	53.41	67.70	49.55	62.80	78.9	60.15	85.14	55.80	78.98	70.6
02/03	54.61	75.56	48.98	67.77	72.3	62.04	93.96	55.64	84.27	66.0
03/04	55.41	76.91	48.35	67.11	72.0	63.09	99.80	55.05	87.09	63.2
04/05	57.73	79.88	48.88	67.64	72.3	64.96	102.46	55.00	86.76	63.4
05/06	60.48	87.05	49.90	71.82	69.5	67.56	111.78	55.74	92.23	60.4
06/07	63.25	90.48	50.36	72.04	69.9	70.28	116.71	55.96	92.92	60.2
07/08	65.95	97.97	50.50	75.02	67.3	73.80	126.52	56.51	96.88	58.3
change	13.56	35.59	-1.89	12.64	-16.7	18.36	45.88	1.07	16.24	-10.5
change: %	25.9	57.1	-3.6	20.3		33.1	56.9	1.9	20.1	
annual avg: %	2.6	5.1	-0.4	2.1	-1.7	3.2	5.1	0.2	2.1	-1.1
	Lon					N E				
98/99	63.39	135.28	63.39	135.28	46.9	48.91	61.98	48.91	61.98	78.9
99/00	65.40	137.02	63.37	132.77	47.7	49.81	60.20	48.27	58.33	82.7
00/01	66.76	149.16	64.01	143.01	44.8	50.92	62.82	48.82	60.23	81.1
01/02	69.34	146.63	64.32	136.02	47.3	49.68	68.75	46.09	63.78	72.3
02/03	71.68	154.43	64.29	138.50	46.4	50.54	76.26	45.33	68.39	66.3
03/04	74.07	159.95	64.63	139.57	46.3	51.37	74.54	44.83	65.04	68.9
04/05	78.11	167.87	66.14	142.14	46.5	53.38	76.56	45.20	64.83	69.7
05/06	81.80	172.24	67.49	142.11	47.5	55.79	80.91	46.03	66.76	69.0
06/07	85.67	178.57	68.21	142.17	48.0	57.45	84.34	45.74	67.15	68.1
07/08	90.26	194.09	69.11	148.61	46.5	59.74	90.25	45.74	69.10	66.2
change	26.87	58.81	5.72	13.33	-0.4	10.83	28.27	-3.17	7.12	-12.7
change: %	42.4	43.5	9.0	9.9		22.1	45.6	-6.5	11.5	
annual avg: %	4.0	4.1	1.0	1.0	0.0	2.2	4.3	-0.7	1.2	-1.3
	N W					S E				
98/99	48.31	69.37	48.31	69.37	69.6	60.93	94.06	60.93	94.06	64.8
99/00	49.61	68.68	48.07	66.55	72.2	63.27	96.04	61.31	93.06	65.9
00/01	50.08	69.03	48.02	66.18	72.5	64.50	101.86	61.84	97.66	63.3
01/02	52.89	74.35	49.06	68.97	71.1	66.97	100.74	62.12	93.45	66.5
02/03	53.25	78.70	47.76	70.58	67.7	68.94	109.14	61.83	97.88	63.2
03/04	54.49	80.52	47.55	70.26	67.7	69.64	111.64	60.77	97.42	62.4
04/05	56.34	81.73	47.71	69.20	68.9	73.20	113.69	61.98	96.27	64.4
05/06	58.01	87.29	47.86	72.02	66.5	76.51	120.83	63.13	99.69	63.3
06/07	60.57	89.80	48.22	71.50	67.4	79.31	125.43	63.14	99.86	63.2
07/08	63.31	96.08	48.48	73.57	65.9	82.86	134.70	63.45	103.14	61.5
change	15.00	26.71	0.17	4.20	-3.7	21.93	40.64	2.52	9.08	-3.3
change: %	31.0	38.5	0.4	6.1		36.0	43.2	4.1	9.7	
annual avg: %	3.1	3.7	0.0	0.7	-0.4	3.5	4.1	0.5	1.0	-0.3

	S W					W Mid				
98/99	53.48	78.20	53.48	78.20	68.4	51.27	71.76	51.27	71.76	71.4
99/00	55.07	80.03	53.36	77.55	68.8	50.86	72.65	49.28	70.40	70.0
00/01	56.18	83.27	53.86	79.84	67.5	50.34	75.18	48.26	72.08	67.0
01/02	58.76	82.26	54.51	76.31	71.4	52.67	77.01	48.86	71.44	68.4
02/03	60.44	96.94	54.21	86.94	62.3	53.50	82.50	47.98	73.99	64.8
03/04	60.77	97.10	53.03	84.73	62.6	54.49	85.69	47.55	74.77	63.6
04/05	63.56	97.21	53.82	82.31	65.4	57.01	90.16	48.27	76.34	63.2
05/06	66.04	105.04	54.49	86.67	62.9	59.66	95.64	49.22	78.91	62.4
06/07	68.31	109.51	54.39	87.19	62.4	62.51	98.30	49.77	78.26	63.6
07/08	71.74	116.68	54.93	89.34	61.5	66.21	104.54	50.70	80.05	63.3
change	18.26	38.48	1.45	11.14	-6.9	14.94	32.78	-0.57	8.29	-8.1
change: %	34.1	49.2	2.7	14.2		29.1	45.7	-1.1	11.6	
annual avg: %	3.3	4.5	0.3	1.5	-0.7	2.9	4.3	-0.1	1.2	-0.8

	Y&H									
98/99	50.82	64.36	50.82	64.36	79.0					
99/00	52.79	64.57	51.15	62.57	81.8					
00/01	51.32	66.28	49.20	63.55	77.4					
01/02	53.37	68.99	49.51	64.00	77.4					
02/03	52.54	82.99	47.12	74.43	63.3					
03/04	53.67	77.28	46.83	67.43	69.4					
04/05	52.65	76.06	44.58	64.40	69.2					
05/06	55.17	82.12	45.52	67.76	67.2					
06/07	56.42	84.73	44.92	67.46	66.6					
07/08	59.72	90.44	45.73	69.25	66.0					
change	8.90	26.08	-5.09	4.89	-13.0					
change: %	17.5	40.5	-10.0	7.6						
annual avg: %	1.8	3.9	-1.2	0.8	-1.3					

Note & Source: As Table 6.2.

Table A.3.3 Key statistics on HA rents, private rents (£) and H/P ratios (%) across LAs: 1998/99 to 2007/08

	HA (nominal)			private (nominal)		
year	median	S.D.	range	median	S.D.	range
1998/99	55.49	7.06	35.84	75.71	26.75	158.54
1999/00	57.01	7.34	38.90	77.36	28.68	173.40
2000/01	57.83	7.69	39.57	79.30	30.90	182.30
2001/02	59.90	7.89	40.48	79.30	26.78	135.92
2002/03	61.13	8.15	40.88	91.39	28.50	147.20
2003/04	61.67	8.43	40.32	90.71	29.16	153.13
2004/05	63.46	9.25	42.98	93.04	29.88	164.05
2005/06	66.26	9.80	43.95	101.13	29.65	160.47
2006/07	68.77	10.42	45.77	104.30	30.56	179.55
2007/08	71.63	10.73	47.28	111.87	35.57	248.55
change	16.14	3.68	11.44	36.16	8.82	90.01
change %	29.1	52.1	31.9	47.8	33.0	56.8
annual chg %	2.9	4.8	3.1	4.4	3.2	5.1
	HA (real)			private (real)		
year	median	S.D.	range	median	S.D.	range
1998/99	55.49	7.06	35.84	75.71	26.75	158.54
1999/00	55.24	7.11	37.69	74.96	27.79	168.02
2000/01	55.45	7.38	37.94	76.03	29.63	174.78
2001/02	55.57	7.32	37.55	73.56	24.84	126.09
2002/03	54.83	7.31	36.66	81.96	25.56	132.02
2003/04	53.81	7.36	35.18	79.15	25.45	133.62
2004/05	53.73	7.83	36.39	78.78	25.30	138.91
2005/06	54.67	8.09	36.26	83.44	24.46	132.40
2006/07	54.75	8.30	36.44	83.04	24.33	142.95
2007/08	54.85	8.22	36.20	85.65	27.24	190.31
change	-0.64	1.16	0.36	9.94	0.49	31.77
change %	-1.2	16.5	1.0	13.1	1.8	20.0
annual chg %	-0.1	1.7	0.1	1.4	0.2	2.1
	H/P ratio					
year	median	S.D.	range			
1998/99	71.3	14.1	75.5			
1999/00	71.9	14.3	82.6			
2000/01	70.9	14.5	75.6			
2001/02	73.5	12.8	68.3			
2002/03	66.5	12.3	64.6			
2003/04	65.5	11.6	71.7			
2004/05	66.7	10.6	61.8			
2005/06	63.6	9.0	57.2			
2006/07	64.3	9.0	58.3			
2007/08	62.5	9.1	66.5			
change %-pt	-8.8	-5.0	-9.0			
annual chg %-pt	-1.0	-0.6	-1.0			

Table A.3.4 Key statistics on HA rents, private rents (£, base year = 1998/99) and H/P ratios (%) across urban and rural LAs: 1998/99 to 2007/08

HA rents (nominal)

year	urban			rural		
	median	S.D.	range	median	S.D.	range
1998/99	57.24	7.51	33.37	55.01	6.29	31.47
1999/00	58.73	7.73	38.90	56.11	6.67	32.01
2000/01	59.30	8.05	39.57	57.16	7.02	32.49
2001/02	61.80	8.34	40.48	59.06	7.08	31.44
2002/03	63.76	8.71	40.88	60.43	7.17	31.53
2003/04	65.23	9.04	40.32	60.87	7.29	30.23
2004/05	67.13	10.29	42.98	62.86	7.59	32.98
2005/06	69.33	11.02	43.95	65.03	7.92	34.94
2006/07	72.01	11.80	45.77	67.49	8.29	41.97
2007/08	74.93	11.97	45.06	70.38	8.82	43.39
change	17.70	4.46	11.69	15.37	2.54	11.92
change:%	30.9	59.3	35.0	27.9	40.3	37.9
annual chg:%	3.0	5.3	3.4	2.8	3.8	3.6

HA rents (real)

year	urban			rural		
	median	S.D.	range	median	S.D.	range
1998/99	57.24	7.51	33.37	55.01	6.29	31.47
1999/00	56.91	7.49	37.69	54.37	6.46	31.02
2000/01	56.85	7.71	37.94	54.80	6.74	31.15
2001/02	57.33	7.74	37.55	54.79	6.57	29.17
2002/03	57.18	7.81	36.66	54.19	6.43	28.28
2003/04	56.92	7.89	35.18	53.11	6.36	26.38
2004/05	56.84	8.71	36.39	53.23	6.42	27.93
2005/06	57.20	9.09	36.26	53.65	6.53	28.83
2006/07	57.33	9.39	36.44	53.73	6.60	33.42
2007/08	57.37	9.16	34.50	53.89	6.76	33.22
change	0.14	1.65	1.13	-1.12	0.47	1.75
change:%	0.2	22.0	3.4	-2.0	7.4	5.6
annual chg:%	0.0	2.2	0.4	-0.2	0.8	0.6

Private rent (nominal)

year	urban			rural		
	median	S.D.	range	median	S.D.	range
1998/99	82.32	31.73	153.67	73.55	18.02	85.30
1999/00	84.02	34.20	167.69	73.78	19.20	89.02
2000/01	86.13	37.04	178.71	77.46	20.36	88.88
2001/02	88.60	31.48	131.10	76.52	17.70	80.62
2002/03	95.66	32.82	146.75	89.68	22.54	147.12
2003/04	98.01	34.01	147.13	88.98	20.94	111.74
2004/05	101.17	35.74	159.61	89.53	19.10	84.53
2005/06	107.46	35.52	160.47	98.50	19.92	85.00
2006/07	111.74	36.45	177.73	100.90	20.31	90.59
2007/08	121.72	43.35	248.55	108.99	22.23	105.74
change	39.40	11.62	94.88	35.44	4.21	20.44
change:%	47.9	36.6	61.7	48.2	23.4	24.0
annual chg:%	4.4	3.5	5.5	4.5	2.4	2.4

Private rent (real)

year	urban			rural		
	median	S.D.	range	median	S.D.	range
1998/99	82.32	31.73	153.67	73.55	18.02	85.30
1999/00	81.41	33.14	162.49	71.49	18.61	86.26
2000/01	82.58	35.51	171.34	74.27	19.53	85.22
2001/02	82.19	29.20	121.61	70.98	16.42	74.79
2002/03	85.80	29.44	131.61	80.43	20.21	131.95
2003/04	85.52	29.68	128.39	77.64	18.27	97.50
2004/05	85.66	30.27	135.15	75.81	16.17	71.57
2005/06	88.66	29.30	132.40	81.27	16.44	70.13
2006/07	88.96	29.02	141.50	80.33	16.17	72.13
2007/08	93.20	33.19	190.31	83.45	17.02	80.96
change	10.88	1.46	36.64	9.90	-1.00	-4.34
change:%	13.2	4.6	23.8	13.5	-5.5	-5.1
annual chg:%	1.4	0.5	2.4	1.4	-0.6	-0.6

H/P ratio

year	urban			rural		
	median	S.D.	range	median	S.D.	range
1998/99	69.2	14.5	68.6	74.3	13.0	63.1
1999/00	69.3	15.1	71.9	74.8	12.9	69.9
2000/01	68.5	15.4	71.8	72.7	12.9	61.4
2001/02	70.2	13.3	63.5	76.4	11.4	57.3
2002/03	66.5	12.6	64.6	66.5	12.0	59.9
2003/04	64.8	12.0	63.5	66.5	10.9	64.8
2004/05	64.3	11.4	61.1	69.7	9.0	43.9
2005/06	62.8	9.9	50.5	64.8	7.8	46.6
2006/07	63.0	9.6	57.8	65.8	7.9	47.5
2007/08	61.5	10.6	66.5	63.0	7.1	36.8
change	-7.7	-3.9	-2.1	-11.3	-5.9	-26.3
change:%						
annual chg:%	-0.9	-0.4	-0.2	-1.3	-0.7	-2.9

Table A.3.5 The HA and private rent averages, in nominal and real terms: Four metropolitan areas; 998/99 – 2007/08

	nominal		real		H/P ratio	nominal		real		H/P ratio
	HA	Private	HA	Private		HA	Private	HA	Private	
	London					Birmingham				
98/99	63.39	135.28	63.39	135.28	46.9	52.72	52.72	74.10	74.10	71.2
99/00	65.40	137.02	63.37	132.77	47.7	53.73	52.06	75.42	73.08	71.2
00/01	66.76	149.16	64.01	143.01	44.8	55.70	53.40	76.98	73.81	72.4
01/02	69.34	146.63	64.32	136.02	47.3	57.73	53.55	82.20	76.25	70.2
02/03	71.68	154.43	64.29	138.50	46.4	59.41	53.28	86.57	77.64	68.6
03/04	74.07	159.95	64.63	139.57	46.3	60.93	53.17	93.87	81.91	64.9
04/05	78.11	167.87	66.14	142.14	46.5	63.14	53.46	99.22	84.01	63.6
05/06	81.80	172.24	67.49	142.11	47.5	66.54	54.90	101.43	83.69	65.6
06/07	85.67	178.57	68.21	142.17	48.0	69.13	55.04	104.70	83.36	66.0
07/08	90.26	194.09	69.11	148.61	46.5	72.40	55.44	107.18	82.07	67.6
change	26.87	58.81	5.72	13.33	-0.4	19.68	2.72	33.08	7.97	-3.6
change: %	42.4	43.5	9.0	9.9		37.3	5.2	44.6	10.8	
annual avg: %	4.0	4.1	1.0	1.0	0.0	3.6	0.6	4.2	1.1	-0.4
	Manchester					Newcastle				
98/99	50.74	66.67	50.74	66.67	76.1	47.28	47.28	69.50	69.50	68.0
99/00	53.37	62.64	51.72	60.70	85.2	49.72	48.18	66.17	64.12	75.1
00/01	51.93	61.95	49.79	59.40	83.8	51.43	49.31	68.15	65.34	75.5
01/02	53.78	72.32	49.89	67.09	74.4	52.94	49.11	72.00	66.79	73.5
02/03	55.88	74.88	50.12	67.16	74.6	53.56	48.04	102.04	91.52	52.5
03/04	56.12	79.23	48.97	69.14	70.8	54.67	47.71	81.84	71.41	66.8
04/05	57.33	79.83	48.54	67.60	71.8	55.48	46.98	83.02	70.30	66.8
05/06	59.61	87.04	49.18	71.82	68.5	56.95	46.99	86.38	71.27	65.9
06/07	60.90	90.82	48.49	72.31	67.1	59.41	47.30	91.85	73.13	64.7
07/08	62.58	98.30	47.92	75.27	63.7	60.77	46.53	99.07	75.86	61.3
change	11.84	31.63	-2.82	8.60	-12.5	13.49	-0.75	29.57	6.36	-6.7
change: %	23.3	47.4	-5.6	12.9		28.5	-1.6	42.5	9.2	
annual avg: %	2.4	4.4	-0.6	1.4	-1.4	2.8	-0.2	4.0	1.0	-0.7

Annex 4 HA and private rates of return: 1997/98 to 2007/08

Table A.4.1 LAs by quartiles of the rate differentials and by region: 1998/99 and 2007/08

	1st Q (widest)		2nd Q		3rd Q		4th Q (narrowest)	
	98/99	07/08	98/99	07/08	98/99	07/08	98/99	07/08
count								
London	30	31	2	0	0	0	0	1
S. E	26	14	21	26	14	19	6	8
N. W	18	6	17	13	6	9	2	9
East	8	14	15	10	13	13	12	8
S. W	2	2	11	8	19	13	12	11
W. Mid	2	6	8	8	12	8	11	7
N. E	1	2	7	3	8	4	7	1
E. Mid	0	2	1	5	9	11	30	22
Y & H	0	2	6	5	7	2	8	12
<i>total</i>	<i>87</i>	<i>79</i>	<i>88</i>	<i>78</i>	<i>88</i>	<i>79</i>	<i>88</i>	<i>79</i>
proportion (%)								
London	34	39	2	0	0	0	0	1
S. E	30	18	24	28	16	25	7	13
N. W	21	8	19	19	7	9	2	11
East	9	18	17	16	15	15	14	9
S. W	2	3	13	9	22	14	14	16
W. Mid	2	8	9	8	14	13	13	9
N. E	1	3	8	5	9	4	8	1
E. Mid	0	3	1	6	10	16	34	25
Y & H	0	3	7	6	8	4	9	14
<i>total</i>	<i>100</i>	<i>100</i>	<i>100</i>	<i>100</i>	<i>100</i>	<i>100</i>	<i>100</i>	<i>100</i>

Note: The Q's were -3.79 (1st), -2.85 (2nd), and -2.21 (3rd) for 1998/99; and -1.97 (1st), -1.67 (2nd), and -1.34 (3rd) for 2007/08. The other notes and the source: As Table 6.2.

Table A.4.2 LAs by quartiles of the rate differentials and by urban/rural classification (%): 1998/99 and 2007/08

	1st Q (widest)		2nd Q		3rd Q		4th Q (narrowest)	
	98/99	07/08	98/99	07/08	98/99	07/08	98/99	07/08
count								
urban	72	67	52	43	34	37	16	25
MU	45	46	24	16	5	8	1	4
LU	10	8	10	14	19	16	6	6
OU	17	13	18	13	10	13	9	15
rural	15	12	36	35	54	42	72	54
SR	7	5	13	11	15	16	18	16
R-50	4	4	14	14	15	13	19	11
R-80	4	3	9	10	24	13	35	27
<i>total</i>	<i>87</i>	<i>79</i>	<i>88</i>	<i>78</i>	<i>88</i>	<i>79</i>	<i>88</i>	<i>79</i>
proportion (%)								
urban	83	85	59	55	39	47	18	32
MU	52	58	27	21	6	10	1	5
LU	11	10	11	18	22	20	7	8
OU	20	16	20	17	11	16	10	19
rural	17	15	41	45	61	53	82	68
SR	8	6	15	14	17	20	20	20
R-50	5	5	16	18	17	16	22	14
R-80	5	4	10	13	27	16	40	34
<i>total</i>	<i>100</i>	<i>100</i>	<i>100</i>	<i>100</i>	<i>100</i>	<i>100</i>	<i>100</i>	<i>100</i>

Note & Source: As Table A.4.1.