

## Annual Analysis of the Current Pattern of Registered Social Landlord Rents, 2007/08

### Summary

#### Introduction

This paper examines the registered social landlord (RSL) rent patterns in 2007/08. It also investigates changes in rents over the six year period since 2002 at different spatial levels and by property size, and the rent pattern between different types of RSLs.

#### Methodology

The main source of data is the Regulatory and Statistical Return (RSR) which consists of the individual returns of RSLs to the Tenant Services Authority. The RSR data used cover the period from 2001/02 (the year before the implementation of the rent restructuring regime) to 2007/08. Most of the analyses use net rents as they are the basis for target rents.

#### Key findings

##### ***Average net rent, target rent and service charge at the national and regional levels***

- The national average net rent for all property sizes in 2007/08 was £69.10 per week.
- The average rent increased continuously over the period from 2001/02 to 2007/08. The latest annual growth rate was 4.9%, well below the guideline limit of RPI + 0.5% (4.1%) after taking into account the £2 additional adjustment to allow average rent moves toward target.
- Across the regions, London had the highest average net rent (£85.02) and Yorkshire and the Humber had the lowest (£57.65).
- Using the average rent of two-bedroom properties as an index, it was found that rents for smaller properties (bedspaces, bedsits and one-bedroom properties) increased faster than those for larger properties (those with three or more bedrooms) over the past six years.
- There was significant progress of average net rents towards their respective target rents. Even for RSLs in London, the gap between average net rents and average target rents narrowed.
- The national average service charge in 2007/08 for all property sizes was £4.83 per week, of which London was the highest (£7.56) and the South West the lowest (£3.63).

### ***Average net rents and service charges at the local authority (LA) level***

- In 2007/08, the median LA average net rent for all property sizes was £69.88 per week. The range was £44.09, from a minimum of £50.89 to a maximum of £94.98.
- LAs in London and the southern regions had the highest average net rents for each property size category.
- The median LA average service charge for all property sizes was £4.14 per week. The range was £10.80, from £1.02 to £11.82.
- Two hundred and twenty-nine LAs (64.9% of the total) had average net rents within  $\pm 5\%$  of the target rents.
- Predictably, average net rents rose according to property size. The median LA average net rent indices (two-bedroom = 1.00) were 0.69, 0.74, 0.86, 1.00, 1.11, 1.22, 1.32 and 1.43 (bedspaces through to properties with six or more bedrooms, respectively).
- Average net rents for each LA showed significantly positive relationships with their equivalents for surrounding areas, with the exception of those that had transferred council dwellings to RSLs relatively recently.

### ***Rent patterns of large scale voluntary transfer (LSVT) and black and minority ethnic (BME) RSLs***

- For all property sizes, the average net rent for LSVT RSLs was £66.27 per week, 11% below that for non-LSVT RSLs (£74.36).
- The average disparity between net rents and target rents was marginally above the regulatory objective of  $\pm 5\%$  for LSVT RSLs (5.7%), whereas that for non-LSVT RSLs was 1.8%.
- The gap between the average net rent and the target rent for LSVT RSLs diminished over time (since the transfer took place). Those who registered as RSLs before the introduction of the Estates Renewal Challenge Fund programme achieved their targets.
- There were, however, regional variations with some LSVT RSLs still very far from target.
- For BME RSLs, the average net rent for all property sizes was £87.72 per week while the non-BME equivalent was £74.36.
- For BME RSLs, average disparity of average rents from targets was -1.6%. The equivalent figure for non-BME RSLs was 3.9%. Both disparities were within the regulatory range of 5%.
- Even in London where many RSLs have found recent restructuring difficult, BME RSLs comfortably achieved their goals. Their average disparity was only 0.4%.

### **Conclusions**

Overall, RSL rents have shown good progress towards their targets with annual rent increases within RPI + 0.5%. Rent patterns at LA level show considerable coherence between neighbouring LAs, consistent with the objectives of the rent restructuring regime. However, average rents in LA areas with recent LSVT RSLs are still outside the target rent. By contrast, mature LSVT RSLs are both within their targets and within the guidelines. Similarly, for BME RSLs, particularly those in London, have comfortably achieved their targets and regulatory objectives.