Guide to local rents part I: Cross tenure rents

The Guide to Local Rents Parts I and II provides comprehensive data on the pattern of rents in the social housing sector in England. Part I compares the average weekly rents, including new lets and re-lets, charged by housing associations (HAs), with the average weekly rents charged by local authorities and with average weekly rents in the private rented sector (Housing Benefit cases referred to the Rent Officer).

Key findings

At the national level

- The average gross rent (including service charges eligible for Housing Benefit) for all general needs housing stock owned by associations (HAs) at 31 March 2005 was £63.46. The average gross rent for new lettings made during the period 1 April 2004 to 31 March 2005 was £74.94 and the average gross rent for relettings was £63.75.

- The average private rent (including service charges eligible for Housing Benefit) referred to the Rent Officer by the local authority for Housing Benefit determination during the period 1 April 2004 to 31 March 2005 was £103.30 (62.8%. higher than the average HA gross rent).

- The average rent (excluding service charges) charged by local authorities (LAs) was £55.48 (based on estimates for the period 1 April 2005 to 31 March 2006 made by LAs). The average HA net rent (excluding service charges) at 31 March 2005 was £61.46, 10.8% higher than the average LA rent.[1]

At the regional level

- The regional average rents (for HAs, LAs and the private sector) all follow a north-south pattern. London has the highest regional average rents, followed by its surrounding regions – the South East, the East of England and the South West. Yorkshire and the Humber and the North East regions had the lowest regional average rents.

- Across all bedsize categories, with few exceptions, the regional average rents for new HA lettings were higher than the regional average rents for HA relettings and both new lettings and relettings had higher regional average rents than HA rents in general.

- Across all bedsize categories, with few exceptions, the regional average net rents for HAs were higher than LA regional average rents.

[1] LAs, unlike HAs, do not classify their dwellings as general needs or supported housing, thus sheltered and supported housing are included.

- Regional average private rents were higher than regional average HA gross rents across all bedsize categories and, with few exceptions, higher than the regional average rents for HA new lettings and relettings.

At the local authority area (district[2]) level for two bedroom properties

- District average HA gross rents ranged from £44.67 to £89.58, with a national average for two bedroom properties of £62.96.
    - 2.5% were lower than £50.
    - 77.4% were higher than £50 but less than £75
    - 20.1% were over £75.

- District average rents for HA new lettings and relettings follow a similar pattern of distribution, although the range for new lettings was wider (£49.39 to £151.54) and more skewed towards higher rents (29.0% were over £75).

- District average LA net rents ranged from £40.69 to £92.61, with a national average for two bedroom properties of £55.27. The distribution of LA rents was more skewed towards lower rents.
    - 33.0% were below £50
    - 62.8% were higher than £50 but less than £75
    - 4.2% were higher than £75.

- District average private rents had a far wider spread than both HA rents and LA rents, ranging from £55.01 to £341.10, with a national average for two bedroom properties of £114.27.
    - No average private rents at the district level were below £50
    - 6.5% were higher than £50 but less than £75
    - 39.3% were higher than £75 but less than £100
    - 49.7% were higher than £100 but less than £200
    - 4.5% were over £200.

- The district average HA gross rent was lower than the district average private rent in all districts, with the exception of Teignbridge in the South West. In 38.4% of all districts the district average private rent was at least £50 a week more than the average HA gross rent.

[2] 'District' is used for local authority area so that the average rent for a local authority area will not be confused with the average rent for local authority stock.

Introduction

The Rent Guide provides 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 2005 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 sector (Housing Benefit cases referred to the Rent Officer).[4] The data are presented by local authority area, NUTS3 area[5], region[6], and for England as a whole. The equivalent costs of owner occupation[7] for 2004/05 (which was published as Table A3 in the Rent Guide Part I for 2003/04) will be available from the Dataspring website.

Part II of the 2005 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.

Both 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). An analysis of target rents is reported in *Sector Study 47, 'Housing associations and movement to target rents, 2004 to 2005'* (Housing Corporation, 2005).

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[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 database called *Dataspring*. This database brings together a range of data on rents, incomes, population and employment and allows users to analyse local housing markets. 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] Data for the private rented sector come from The Rent Service *Valuation report for the years 1 April 2001 to 31 March* 2005. The findings in this commentary are based on analysis by Dataspring.

[5] 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).

[6] In previous years data were presented by the ten Housing Corporation investment regions. From 2005 Merseyside has been included in the North West region.

[7] The equivalent costs of owner occupation data series approximates the weekly costs of owner-occupation using variables such as the typical size of loan for first-time buyers, mortgage repayments, insurance costs and lower quartile house prices.

Part I: social landlord and private rents

There are two tables in Part I of the Guide. Table A1 presents data for each of the Housing Corporation's nine investment regions and for England. Table A2 provides the same data by local authority areas, NUTS3 areas and Housing Corporation investment regions. The data are broken down by dwelling size – bedspaces, bedsit, one bedroom, two bedrooms, three bedrooms, four or more bedrooms, and for all sizes.

Comparing the data

When making comparisons between the various rent datasets, a number of factors should be noted.

First, some data are collected at a particular point in time ('a snapshot') whereas other data are collected over the course of a year ('flow').

- HA rent data from the Regulatory and Statistical Return (RSR) **as at 31 March 2005**. HAs complete the RSR every year. Data include average weekly net rents, service charges (eligible for Housing Benefit), gross rents, and target rents.

- HA average weekly gross rents for all new lets and re-lets made by HAs during the period **1 April 2004 to 31 March 2005.** Data are collected by CORE (COntinuous REcording system)[8] every time a housing association property is newly let (newly built, rehabilitated or otherwise acquired) or re-let (where an existing property has become vacant). This means that if a property was re-let twice during the year it would be included twice in the dataset.

- Local authority (LA) rents are estimates for the period **1 April 2005 to 31 March 2006**. These data are derived from the returns made to the Office of the Deputy Prime Minister (ODPM) in the survey of housing rents undertaken annually. LA rent is the average rent for the stock held by a local authority on 1 April 2005.

- Private rents (Housing Benefit cases) cover the period **1 April 2004 to 31 March 2005**. Data are collected for each private sector rent referred to the Rent Officer to determine entitlement to Housing Benefit.

Second, the stock definitions for each dataset vary slightly.

[8] CORE (COntinuous REcording) is a system developed jointly by the National Housing Federation and the Housing Corporation and is managed by the Joint Centre for Scottish Housing Research. CORE is used to record information on HA lettings and sales in England.

- HA rent data exclude supported housing and housing for older people, whereas LAs, unlike HAs, do not classify their dwellings as general needs or supported housing, thus sheltered and supported housing are included.

- HA gross rents and private sector rents include average service charges that are eligible for Housing Benefit. The definition of LA rent in the ODPM survey is of a standard rent, excluding service charges.

- Target rents are specified for, and, therefore should be compared to HA net rents (all service charges are excluded).

- HA new lets and re-lets and private rents include only assured tenancies, whereas the HA-all stock, private sector and LA rent data include a combination of assured and secure tenancies.

Third, changes in definitions need to be taken into account when comparing data with previous years.

- In 2004/05 the definition of 'general needs' used by the Housing Corporation (affecting the HA–all stock, HA–new lettings, and HA–relettings figures) changed. Prior to 1 April 2004 general needs housing included some dwellings classified as sheltered housing for older people. From 1 April 2004 the sheltered housing classification was abolished and dwellings that met certain design criteria moved out of the general needs and into a new category, housing for older people. At 31 March 2004, 14.2% of general needs housing was classified as sheltered, although not all of this stock will have moved into the new, housing for older people category in 2004/05. Dwellings that did not meet the design criteria remained in general needs housing. For the period 1 April 2003 to 31 March 2004 1.2% of general needs new lettings and relettings were classified as sheltered. See *Impact of changes in definitions in supported housing and housing for older people between the RSR 2004 and 2005*, Dataspring (2005) for further information about the change in definitions and the impact on stock.[9]

  The Commentary section of the *Rent guide part II: social landlord rents 2005* includes an analysis of the effects of the changes in definitions on average rents and service charges and gross rents. In summary, the analysis indicates that the effect of the new definition on general needs housing rents can be observed in the (HA –all stock) average gross rents and service charges for bedspaces, bedsits and one bedroom properties. Despite relatively high annual increases in average net rents for these sized properties (in order to comply

[9] The definitions set out in the 2004/05 CORE guidance were not consistent with the RSR 2005 return. 'Designated supported housing for older people' (a sub-category of Housing for older people), was classified as 'general needs' and not 'supported' in CORE for 2004/05. (See Housing Corporation Regulatory Circular 03/04.) In the RSR 2005 the total number of units defined as 'Designated supported housing for older people' was 177,658, and a relatively small proportion of this stock would have been newly let or relet during 2004/05.

with the rent restructuring regime) increases in average gross rents were moderated by the decrease in average service charges.

- There is a break in the data series for local authority rents. In the previous *Guide to local rents part I* (2004) the local authority rents reported were as at 1 April 2003. In the current *Guide to local rents part I* rent data for local authority stock are estimates (made by each local authority) for the period 1 April 2005 to 31 March 2006. Data for the period 1 April 2004 to 2005 were not collected.

- The private rents published in the current *Guide to local rents part I* are not directly comparable to the private rents published previously in the *Guide* (up to and including 2002). The rent data previously published did not report the referred rent.

- Rent officer statistics categorise lettings by number of habitable rooms rather than number of bedrooms, therefore assumptions have been made about the relationship between the number of rooms and the number of bedrooms in a property. Please see the Appendix for details.

Further information about data sources and methodology can be found in the Appendix.