

Briefing:

Renting at Local Housing Allowance

The affordability of private rental properties to benefit claimants

19 July 2019

Summary of key points:

Analysis of data on private rental listings extracted from Zoopla found that:

- Only 7.54% of rental properties advertised in England are affordable to LHA claimants.
- "Family-sized" properties, i.e. those with two or more bedrooms, are even less affordable, with only 6.5% being affordable at the relevant LHA rate.
- Southern and Eastern parts of England are the least affordable areas.
- In 2011, LHA was set to the 30th percentile of rents within Broad Rental Market Areas, meaning that claimants should have been able to afford 30% of the rental market in each BRMA. In 2019, the median percentage of the rental market that is affordable within a BRMA is only 5.9%.
- Only 2.75% of rooms within shared accommodation are affordable at LHA. The shared accommodation rate is usually the only LHA rate that single people aged under 35 may claim.

1. Introduction

There has been much discussion over the last year around whether Local Housing Allowance (LHA) rates are sufficient to allow people claiming benefits to be able to afford accommodation in the private rented sector. Shelter, Crisis and The Chartered Institute of Housing have all recently published analyses comparing LHA levels with the Valuation Office Agency’s published 30th percentile of rents in an area. However, as this published data includes properties that are currently let to sitting tenants, the properties that feature would not all be available to a family who are currently seeking accommodation.

In this briefing, we investigate how many rental properties would be affordable at LHA rates from a sample of properties that are currently on the market in England. This briefing therefore presents an analysis of affordability from the point of view of a family on benefits who are currently seeking accommodation in the private rented sector.

2. Terminology

For the rest of this report, we use the term “affordable” to mean “having a rent which is less than the LHA amount under consideration”.

3. Results

Our cleaned sample contained 74,154 properties across England. Of these properties, just 5,574 were affordable on the “relevant”¹ level of LHA.

	Not affordable	Affordable	Total
England	68,566	5,588	74,154

¹The “relevant” level was deemed to be that which corresponds to the number of bedrooms a property has. For example, two bedroom properties were measured against the two-bed LHA rate. Properties with five or more bedrooms were assessed for affordability against the four-bed LHA rate.

3.1 Affordability by region

Affordability is worse in the southern and eastern parts of the country:

Region	Not affordable	Affordable	Total	% affordable
East of England	7,091	234	7,325	3.19%
East Midlands	4,317	206	4,523	4.55%
South East	12,548	615	13,163	4.67%
London	18,165	942	19,107	4.93%
South West	5,097	303	5,400	5.61%
West Midlands	6,230	427	6,657	6.41%
North West	7,246	990	8,236	12.02%
Yorkshire and The Humber	5,005	770	5,775	13.33%
North East	2,867	1,101	3,968	27.75%
England	68,566	5,588	74,154	7.54%

This pattern remains similar when we look just at properties with two or more bedrooms, i.e. those which families might be expected to access:

Region	Not affordable	Affordable	Total	% affordable
London	11,794	242	12,036	2.01%
East of England	4,951	123	5,074	2.42%
South East	9,084	292	9,376	3.11%
South West	3,538	170	3,708	4.58%
East Midlands	3,038	153	3,191	4.79%
West Midlands	3,968	222	4,190	5.30%
North West	5,308	697	6,005	11.61%
Yorkshire and The Humber	3,289	475	3,764	12.62%
North East	2,258	910	3,168	28.72%
England	47,228	3,284	50,512	6.50%

3.2 Affordability by Broad Rental Market Area

Broad Rental Market Areas (BRMAs) are bespoke administrative areas that are used for setting the levels of LHA. They do not correspond to other administrative geographies.

In 2011, LHA rents were indexed to the 30th percentile of rents within each BRMA, meaning that around 30% of properties within each BRMA should have been affordable at their relevant LHA rate. In 2019, the median level of affordability within a BRMA was 5.9%.

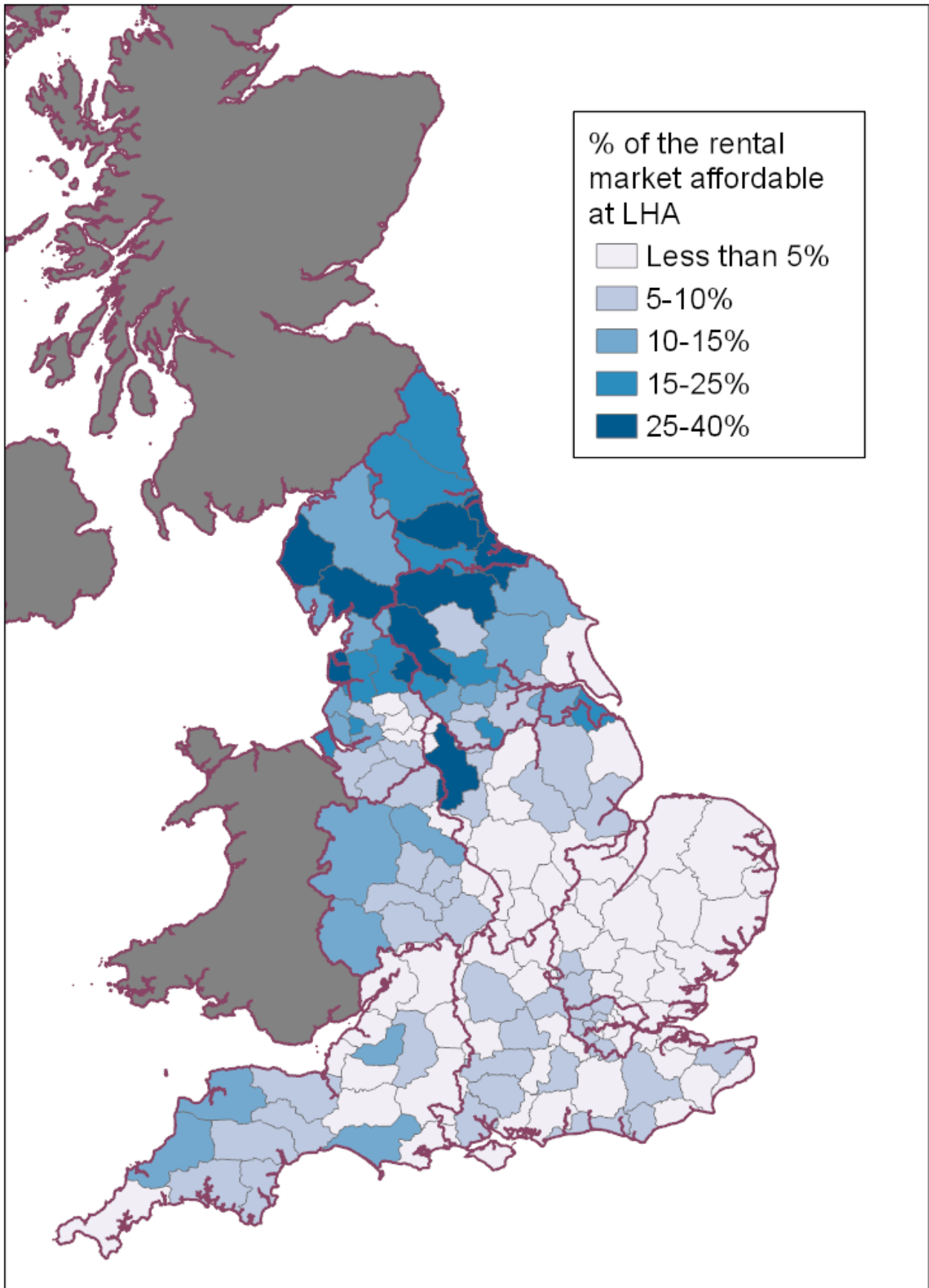
Broad Rental Market Area	Not affordable	Affordable	Total	% affordable
Huntingdon	226	1	227	0.44%
Thanet	216	1	217	0.46%
Stevenage & North Herts	158	1	159	0.63%
Ipswich	387	3	390	0.77%
Milton Keynes	504	4	508	0.79%
Peterborough	621	6	627	0.96%
Dover-Shepway	174	2	176	1.14%
Central London	3,703	44	3,747	1.17%
Wolds and Coast	79	1	80	1.25%
Outer East London	854	11	865	1.27%
Bury St Edmunds	227	3	230	1.30%
South West Essex	466	7	473	1.48%
North West Kent	314	5	319	1.57%
Sussex East	173	3	176	1.70%
Isle of Wight	172	3	175	1.71%
Outer South East London	967	17	984	1.73%
Mendip	56	1	57	1.75%
Leicester	885	16	901	1.78%
Outer North East London	1,318	24	1,342	1.79%
Northants Central	333	7	340	2.06%
Newbury	179	4	183	2.19%
Bedford	342	8	350	2.29%
Eastern Staffordshire	170	4	174	2.30%
Ashford	210	5	215	2.33%
East Thames Valley	613	15	628	2.39%
Nottingham	727	18	745	2.42%
Rugby & East	159	4	163	2.45%
Coventry	621	16	637	2.51%

Broad Rental Market Area	Not affordable	Affordable	Total	% affordable
Swindon	380	10	390	2.56%
Medway & Swale	486	13	499	2.61%
Chichester	291	8	299	2.68%
Colchester	421	12	433	2.77%
Harlow & Stortford	268	8	276	2.90%
Weston-S-Mare	67	2	69	2.90%
Chelmsford	298	9	307	2.93%
Inner South West London	661	20	681	2.94%
Bournemouth	695	22	717	3.07%
Portsmouth	535	17	552	3.08%
Southern Greater Manchester	314	10	324	3.09%
Northampton	334	11	345	3.19%
Cambridge	585	20	605	3.31%
Bristol	763	27	790	3.42%
Blackwater Valley	527	19	546	3.48%
Salisbury	109	4	113	3.54%
South East Herts	435	16	451	3.55%
Cherwell Valley	292	11	303	3.63%
Tameside & Glossop	103	4	107	3.74%
Hull & East Riding	506	20	526	3.80%
Maidstone	253	10	263	3.80%
Aylesbury	303	12	315	3.81%
Central Greater Manchester	1,400	56	1,456	3.85%
Yeovil	223	9	232	3.88%
Crawley & Reigate	636	26	662	3.93%
Southend	288	12	300	4.00%
Central Norfolk & Norwich	610	26	636	4.09%
Gloucester	304	13	317	4.10%
Kernow West	254	11	265	4.15%
Bolton and Bury	415	18	433	4.16%
Kings Lynn	207	9	216	4.17%
Lowestoft & Great Yarmouth	153	7	160	4.38%
Walton	927	46	973	4.73%
Inner East London	778	39	817	4.77%
Cheltenham	430	22	452	4.87%

Broad Rental Market Area	Not affordable	Affordable	Total	% affordable
North Nottingham	311	16	327	4.89%
Inner South East London	1,890	99	1,989	4.98%
Grantham & Newark	171	9	180	5.00%
Derby	467	25	492	5.08%
Lincolnshire Fens	93	5	98	5.10%
Worcester South	270	15	285	5.26%
Solihull	175	10	185	5.41%
Worthing	313	18	331	5.44%
North West London	1,106	64	1,170	5.47%
South West Herts	909	54	963	5.61%
Birmingham	2,045	122	2,167	5.63%
Harrogate	165	10	175	5.71%
West Wiltshire	176	11	187	5.88%
Eastbourne	159	10	169	5.92%
Guildford	581	37	618	5.99%
Luton	451	29	480	6.04%
Doncaster	372	24	396	6.06%
Southampton	665	43	708	6.07%
Basingstoke	278	18	296	6.08%
Brighton and Hove	355	23	378	6.08%
Warwickshire South	355	23	378	6.08%
Reading	844	55	899	6.12%
Chesterfield	150	10	160	6.25%
Oxford	724	51	775	6.58%
East Cheshire	155	11	166	6.63%
Black Country	1,108	80	1,188	6.73%
High Weald	422	31	453	6.84%
Barnsley	188	14	202	6.93%
Mid & East Devon	52	4	56	7.14%
Outer South London	1,039	81	1,120	7.23%
Taunton & West Somerset	141	11	152	7.24%
Inner West London	879	69	948	7.28%
South Cheshire	229	18	247	7.29%
Outer North London	1,823	145	1,968	7.37%

Broad Rental Market Area	Not affordable	Affordable	Total	% affordable
Worcester North	169	14	183	7.65%
Canterbury	277	23	300	7.67%
Exeter	322	27	349	7.74%
West Cheshire	343	29	372	7.80%
South Devon	291	25	316	7.91%
Staffordshire North	403	36	439	8.20%
Plymouth	436	39	475	8.21%
Outer South West London	1,204	110	1,314	8.37%
Sheffield	761	70	831	8.42%
Oldham & Rochdale	146	14	160	8.75%
Winchester	234	23	257	8.95%
Chilterns	603	60	663	9.05%
Outer West London	1,071	109	1,180	9.24%
Wigan	282	30	312	9.62%
Inner North London	1,237	132	1,369	9.64%
Lincoln	320	35	355	9.86%
Mid Staffs	413	48	461	10.41%
Shropshire	350	41	391	10.49%
Scarborough	76	9	85	10.59%
Mid & West Dorset	143	17	160	10.63%
Wakefield	327	40	367	10.90%
North Cornwall & Devon Borders	57	7	64	10.94%
Scunthorpe	185	23	208	11.06%
York	192	25	217	11.52%
Southport	148	20	168	11.90%
Bath	207	28	235	11.91%
North Cumbria	177	24	201	11.94%
Herefordshire	122	17	139	12.23%
Barrow-in-Furness	63	9	72	12.50%
Kirklees	333	48	381	12.60%
Lancaster	95	14	109	12.84%
North Devon	99	15	114	13.16%
Greater Liverpool	1,387	211	1,598	13.20%
North Cheshire	353	54	407	13.27%

Broad Rental Market Area	Not affordable	Affordable	Total	% affordable
Leeds	851	167	1,018	16.40%
Central Lancs	335	66	401	16.46%
Northumberland	338	72	410	17.56%
Grimsby	162	37	199	18.59%
Wirral	339	78	417	18.71%
Rotherham	225	57	282	20.21%
East Lancs	248	65	313	20.77%
Tyneside	1,165	310	1,475	21.02%
Halifax	178	49	227	21.59%
Darlington	108	34	142	23.94%
St Helens	150	49	199	24.62%
Fylde Coast	345	117	462	25.32%
Bradford & South Dales	432	149	581	25.65%
West Pennine	154	54	208	25.96%
Peaks & Dales	128	46	174	26.44%
Kendal	16	6	22	27.27%
Durham	411	171	582	29.38%
Richmond & Hambleton	66	30	96	31.25%
West Cumbria	60	33	93	35.48%
Sunderland	436	244	680	35.88%
Teesside	427	270	697	38.74%
Grand Total	68,566	5,588	74,154	7.54%



Map showing affordability of BRMAs. Red lines denote boundaries between regions.

3.3 Affordability by size

Rates of affordability are not constant by size. One bedroom accommodation is the most affordable type of accommodation for LHA claimants. However, rooms in shared accommodation are the least affordable type of homes for LHA claimants. The shared accommodation rate is (with some exceptions) the only LHA rate that single people under the age of 35 are able to access.

Two, three and four bedroom accommodation become gradually less affordable as properties increase in size. A small percentage of homes with five bedrooms or more are affordable when the four-bed LHA rate is treated as the relevant LHA.

Number of bedrooms	Not affordable at relevant LHA	Affordable at relevant LHA	Total	% affordable
Shared Accommodation	5,478	155	5,633	2.75%
One bedroom	15,860	2,149	18,009	11.93%
Two bedrooms	24,765	1,922	26,687	7.20%
Three bedrooms	14,067	1,010	15,077	6.70%
Four bedrooms	5,705	338	6,043	5.59%
Five or more bedrooms	2,691	14	2,705	0.52%
All	73,456	6,050	79,506	7.61%
All two or more bedrooms	47,228	3,284	50,512	6.50%

4. Methodology and assumptions

4.1 Data Cleaning and Coding

We carried out an exercise in July 2019 to gather a range of data from the latest 100 rental advertisements on property website Zoopla associated with each postcode area. This produced a base of 118,918 advertisements to work with.

The initial stage of data processing involved identifying and removing any listings that were for commercial property such as land, garages, retail units etc. This involved a combination of using the property type field and running text searches on the description. Additionally, all properties that were situated outside of England (in Wales, Scotland or Northern Ireland) were identified by their postcode and removed from the dataset.

The second stage was re-coding the “property type” field into simple categories based on the number of bedrooms each property had. For example, categories such as “three bed house”, “three bed maisonette” and “three bed flat” were combined into a single “three bed” category. Any properties recorded as single rooms were coded as shared accommodation. Any homes with five or more bedrooms were coded into a single category of “5+ bedrooms”. Any properties listed as “studio flats”, were recoded as one bedroom flats on the basis that housing benefit regulations define a one bedroom property as one where the tenant has exclusive use of one room, a bathroom and toilet and a kitchen.

At this stage, a number of inconsistencies were discovered in the way the “property type” field on Zoopla is used by letting agents. Upon inspection, many adverts for multi-bedroom properties according to the “number of bedrooms” field were found to actually be for individual rooms within those properties, with rent figures that reflected that. Additionally, it was found that many listings recorded as “studio flats” were actually for rooms within shared accommodation that had either a private kitchen or bathroom, but not both (and so would therefore not be eligible for the one bed rate). These inconsistently coded properties were identified using text searches on the description field and re-coded as shared accommodation.

Finally, the data was de-duplicated. All listings where the postcode, letting agent, simplified property type and rental value were all identical were considered duplicates and removed. This left a dataset consisting of 74,154 properties across England.

4.2 Other types of property

It should be noted that while adverts for land, garages, and commercial premises were removed, student properties were left in the dataset. This was due to the difficulty of separating those that are exclusively for students from those that are noted as suitable for students.

Also remaining in the dataset are adverts for “property guardian” schemes, where non-traditionally residential properties are let at low rents as a way of defending the building from vandalism, squatting etc. These properties are often occupied on a short-term basis with short notice periods built into the contract, and thus offer little security in terms of tenure, but they still form part of the rental market and, if affordable, could in principle be rented by people on housing benefit.

4.3 Matching postcodes to BRMAs

The next stage was to match each postcode with a Broad Rental Market Area (BRMA). This was achieved by matching each postcode district to the BRMA with which it had the largest area of overlap using the “Spatial Join - Largest Overlap” tool² in ArcGIS. Postcode districts were also matched to their region in which they are situated using the same tool.

4.4 Coding for affordability

Each property was then coded as affordable or unaffordable. Properties were coded as affordable if their advertised monthly rent was equal to or less than the monthly LHA rate that was applicable to its size and postcode district.

5. A note on Local Housing Allowance

Local Housing Allowance is a cap on the amount of Housing Benefit that welfare benefit claimants residing in the private rented sector are entitled to claim. LHA rates are applicable to private rented sector tenants only, and not to tenants in social housing. LHA rates were fixed in 2011 at the 30th percentile of private rents for each property size in the Broad Rental Market Area. In 2013, the method for uprating LHA rates annually was changed from uprating by rises in market rents to

²Available at: <https://www.arcgis.com/home/item.html?id=e9cccd343bf84916bda1910c31e5eab2>

uprating by Consumer Price Index inflation. Additionally, these rates have been frozen since 2016. Therefore, LHA rates may no longer match the 30th percentile of rents within each BRMA.

Different LHA rates are applicable to different sized rental properties within the same BRMA, ranging from the shared accommodation rate to a four-bed rate. A housing benefit claimant's entitlement to a given property size rate is dependent on the claimant's personal circumstances such as their age or number of dependants. It should be noted that for LHA rates of two bedrooms or more, eligibility, and thus the rate of LHA available, relates to the claimant rather than the dwelling. Therefore, the amount paid to the claimant is assessed on what size of property they are entitled to, not the size of the property they are actually residing in.