

Statistical bulletin

Index of Private Housing Rental Prices, Great Britain: July to September 2014

An experimental price index tracking the prices paid for renting property from private landlords in Great Britain.

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1 . Main findings

- Private rental prices paid by tenants in Great Britain rose by 1.0% in the 12 months to September 2014
- Private rental prices grew by 1.0% in England, 1.4% in Scotland and 0.2% in Wales in the 12 months to September 2014
- Rental prices increased in all the English regions over the year to September 2014, with rental prices increasing the most in London (1.5%)

2 . About this statistical bulletin

The Index of Private Housing Rental Prices (IPHRP) measures the change in price of renting residential property from private landlords. The index is published as a series of price indices covering Great Britain, its constituent countries and the English regions.

IPHRP measures the change in price tenants face when renting residential property from private landlords, thereby allowing a comparison between the prices tenants are charged in the current month as opposed to the same month in the previous year. The index does not measure the change in newly advertised rental prices only, but reflects price changes for all private rental properties.

IPHRP is released as an experimental statistic. This is a new official statistic undergoing evaluation and therefore it is recommended that caution is exercised when drawing conclusions from the published data as the index is likely to be further developed. Once the methodology is tested and assessed, and the publication meets user needs, the IPHRP will be assessed against the Code of Practice to achieve National Statistic status. A complete description of the methodology and the sources used is included in the article [Index of Private Housing Rental Prices - Historical Series](#).

The IPHRP is constructed using administrative data. That is, the index makes use of data that are already collected for other purposes in order to estimate rental prices. The sources of private rental prices are [Valuation Office Agency](#) (VOA), [Scottish Government](#) (SG) and [Welsh Government](#) (WG). All three organisations deploy rental officers to collect the price paid for privately rented properties. The sources of expenditure weights are Department for Communities and Local Government (DCLG), Scottish Government, Welsh Government and VOA. DCLG produces estimates of the private rental dwelling stock for England and its regions. Scottish Government and Welsh Government produce estimates of private rental dwelling stock for Scotland and Wales.

3 . Great Britain rental prices

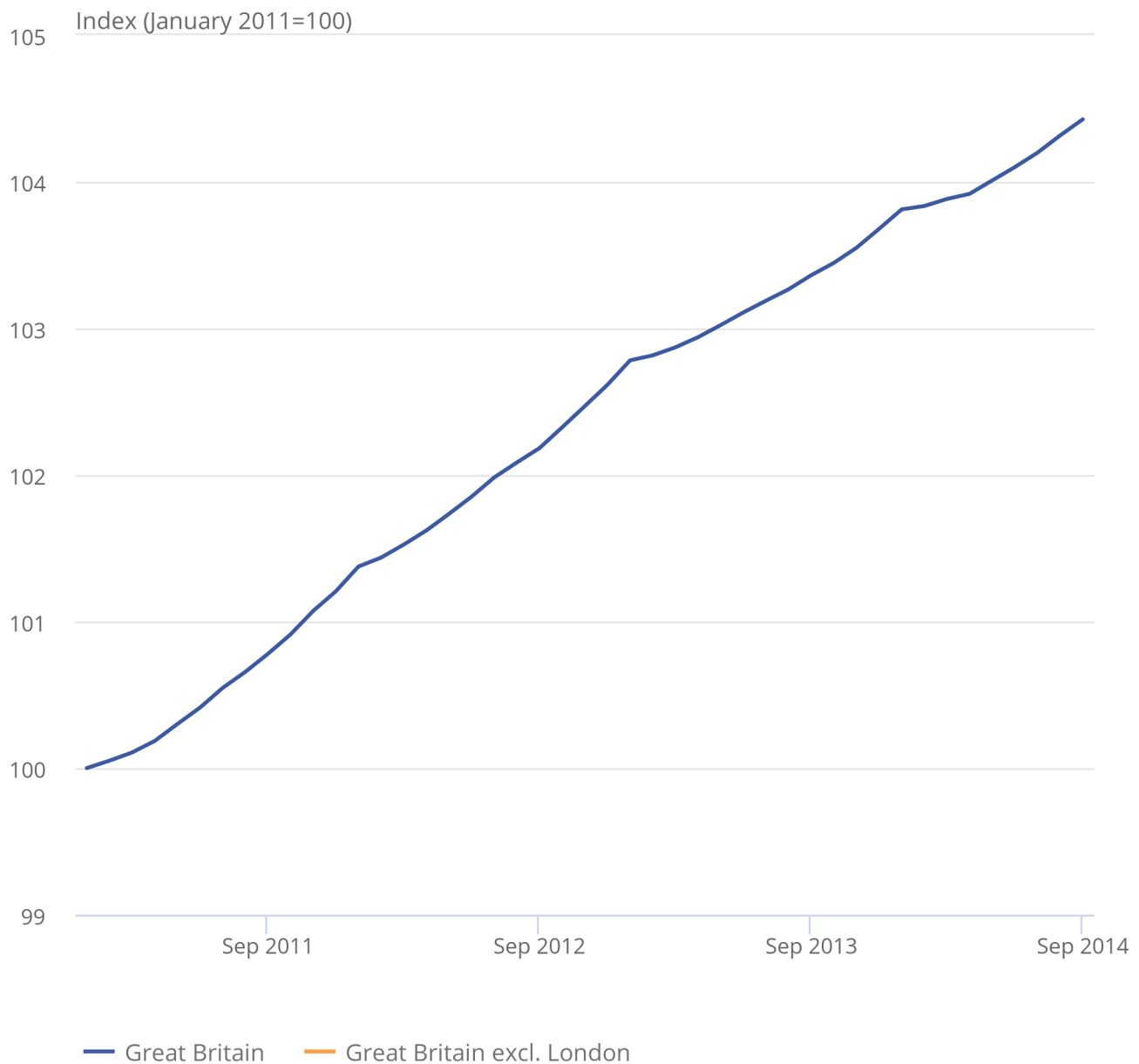
The Great Britain private rental price series starts in January 2011. This is the date for which all the sources for constituting countries are available on a consistent basis. This index has seen small and gradual increases since January 2011 (Figure 1).

Figure 1: IPHRP indices, Great Britain

January 2011 to September 2014

Figure 1: IPHRP indices, Great Britain

January 2011 to September 2014



Source: Office for National Statistics

Source: Office for National Statistics

Notes:

1. Not seasonally adjusted.

Between September 2013 and September 2014 Great Britain private rental prices grew by 1.0%. For example, a property that was rented for £500 a month in September 2013, which saw its rent increase by the Great Britain average rate would be rented for £505.00 in September 2014.

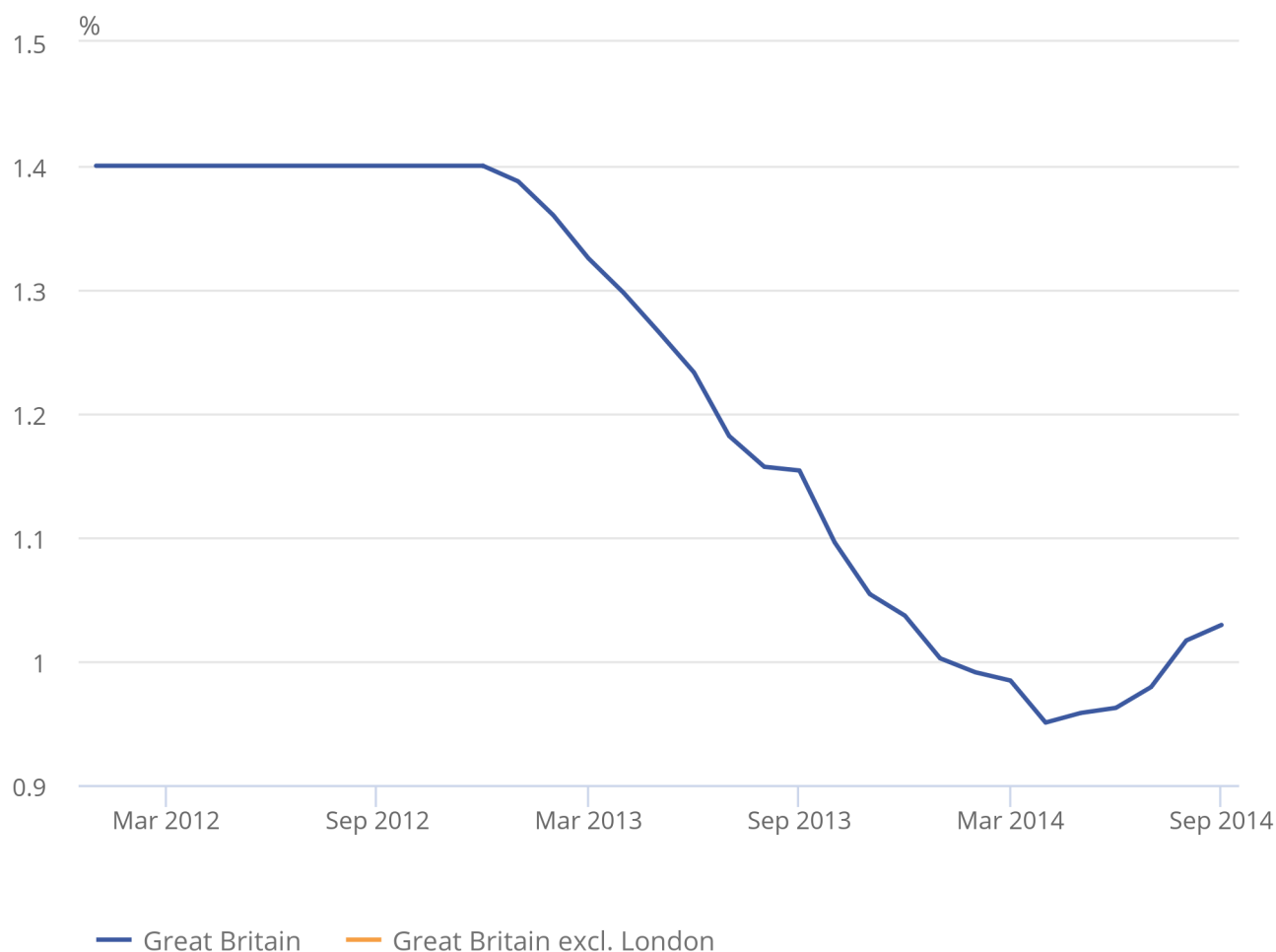
Rental prices for Great Britain excluding London grew by 0.8% in the same period (Figure 2). This difference is due to the higher inflation in rental prices experienced in London when compared to the rest of Great Britain and its large weight in the Great Britain index. The large weight that London has in the overall index reflects its high average rental prices and its large volume of private rented property.

Figure 2: IPHRP percentage change over 12 months, Great Britain

January 2012 to September 2014

Figure 2: IPHRP percentage change over 12 months, Great Britain

January 2012 to September 2014



Source: Office for National Statistics

Source: Office for National Statistics

Notes:

1. Not seasonally adjusted.

4 . Rental prices for constituent countries of Great Britain

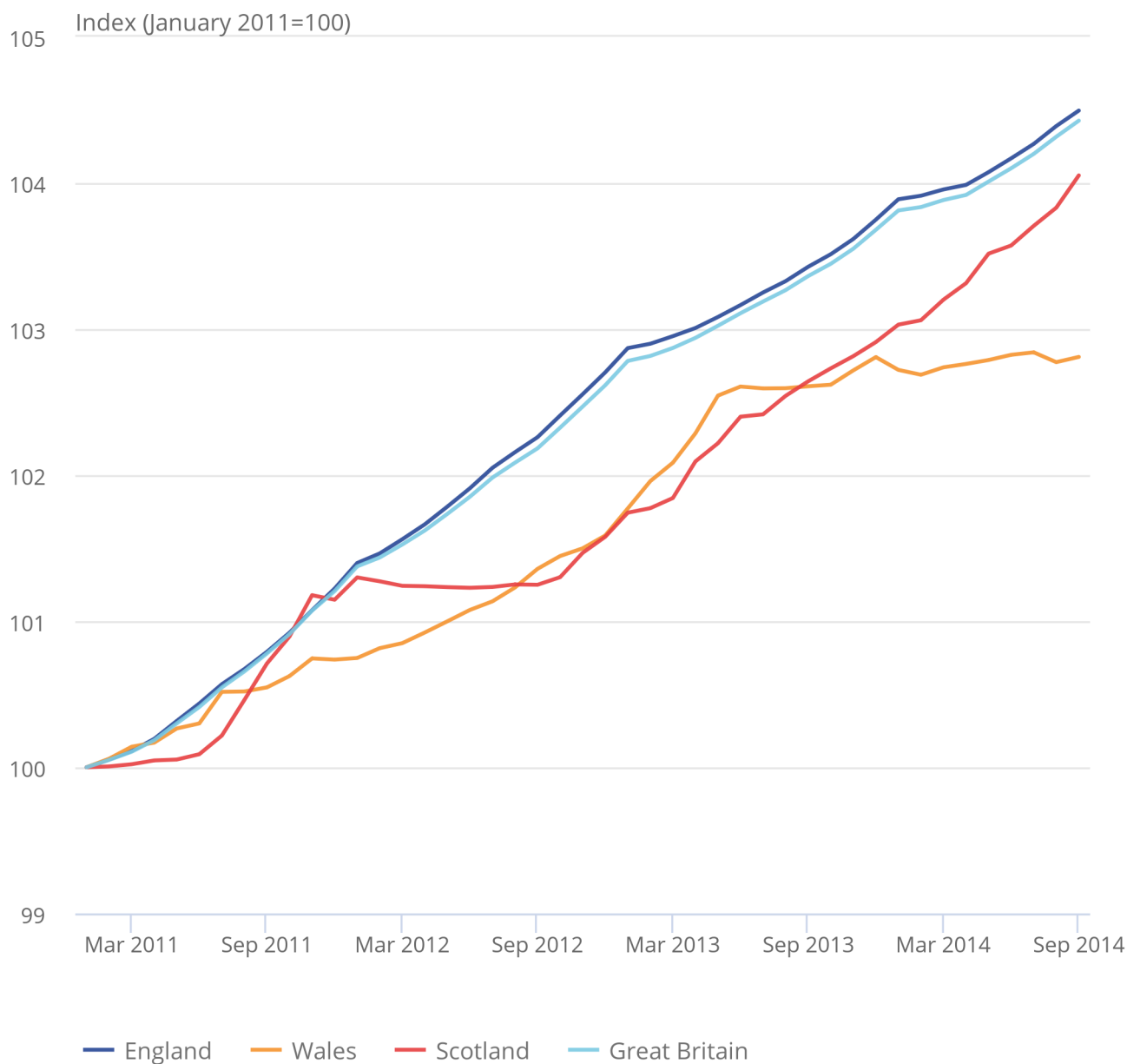
All the countries that constitute Great Britain have experienced rises in their private rental prices since 2011 (Figure 3). Since January 2011 England rental prices have increased more than those of Scotland and Wales.

Figure 3: IPHRP indices for Great Britain and its constituent countries

January 2011 to September 2014

Figure 3: IPHRP indices for Great Britain and its constituent countries

January 2011 to September 2014



Source: Office for National Statistics

Source: Office for National Statistics

Notes:

1. Not seasonally adjusted.

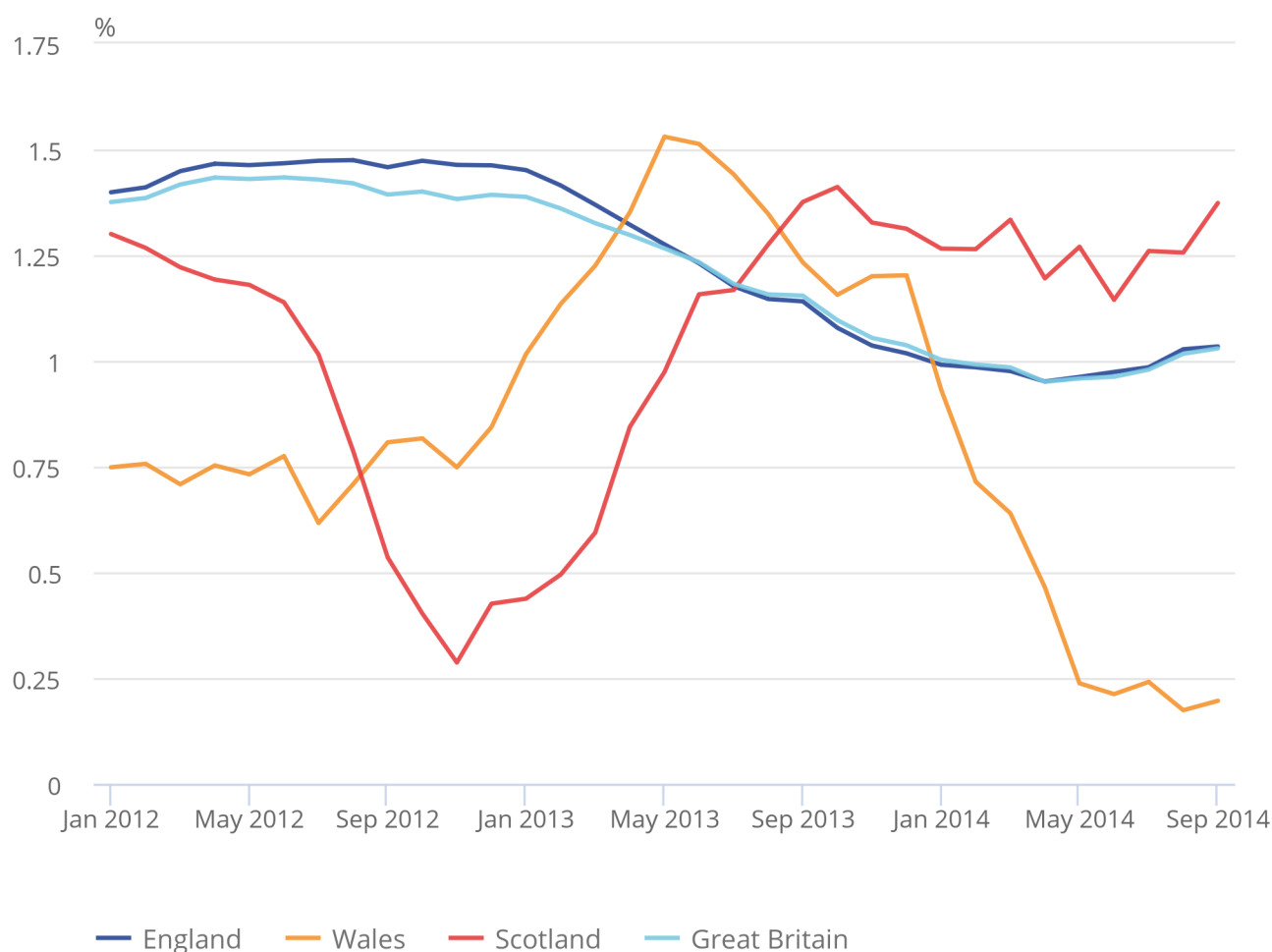
Since January 2014, the annual rate of change in the IPHRP for Wales has fallen below that of England and the Great Britain average (Figure 4). The annual growth rate in Scotland continues to be higher than both England and Wales.

Figure 4: IPHRP percentage change over 12 months, Great Britain and its constituent countries

January 2012 to September 2014

Figure 4: IPHRP percentage change over 12 months, Great Britain and its constituent countries

January 2012 to September 2014



Source: Office for National Statistics

Source: Office for National Statistics

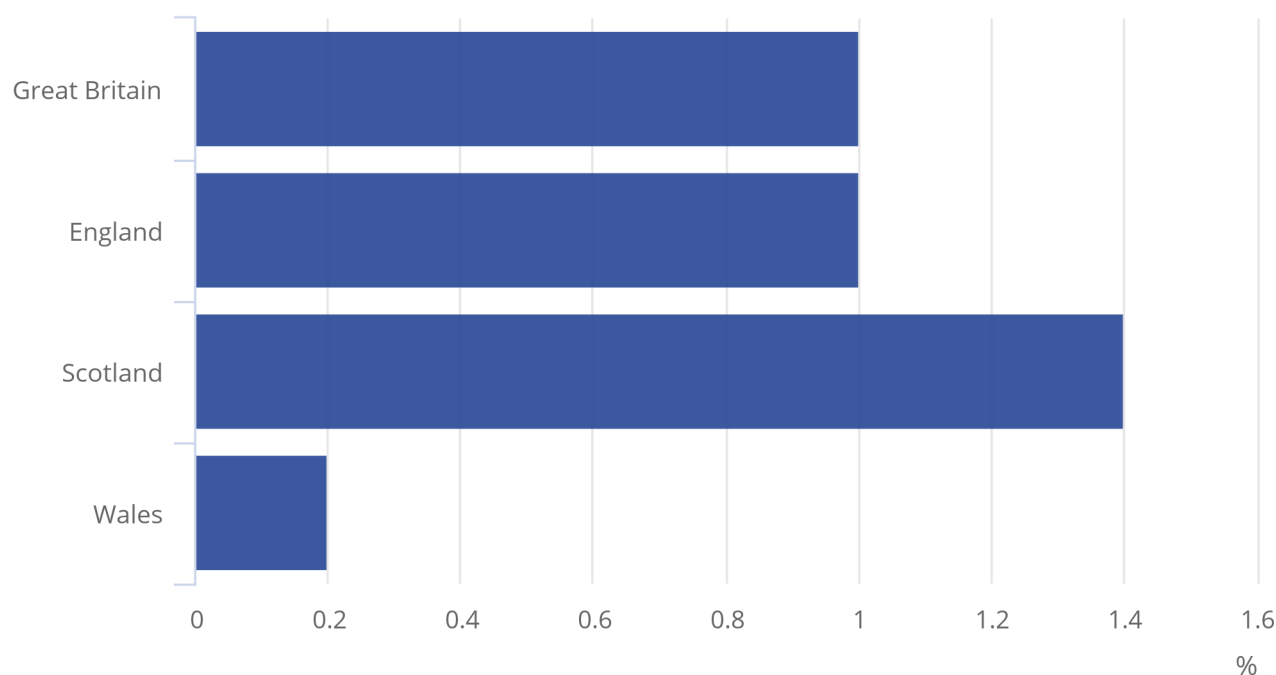
Notes:

1. Not seasonally adjusted.

Between September 2013 and September 2014, rental prices grew by 1.0% in England, 1.4% in Scotland and 0.2% in Wales (Figure 5).

Figure 5: IPHRP percentage change over the 12 months to September 2014, Great Britain and its constituent countries

Figure 5: IPHRP percentage change over the 12 months to September 2014, Great Britain and its constituent countries



Source: Office for National Statistics

Source: Office for National Statistics

Notes:

1. Not seasonally adjusted.

5 . Rental prices in England and its regions

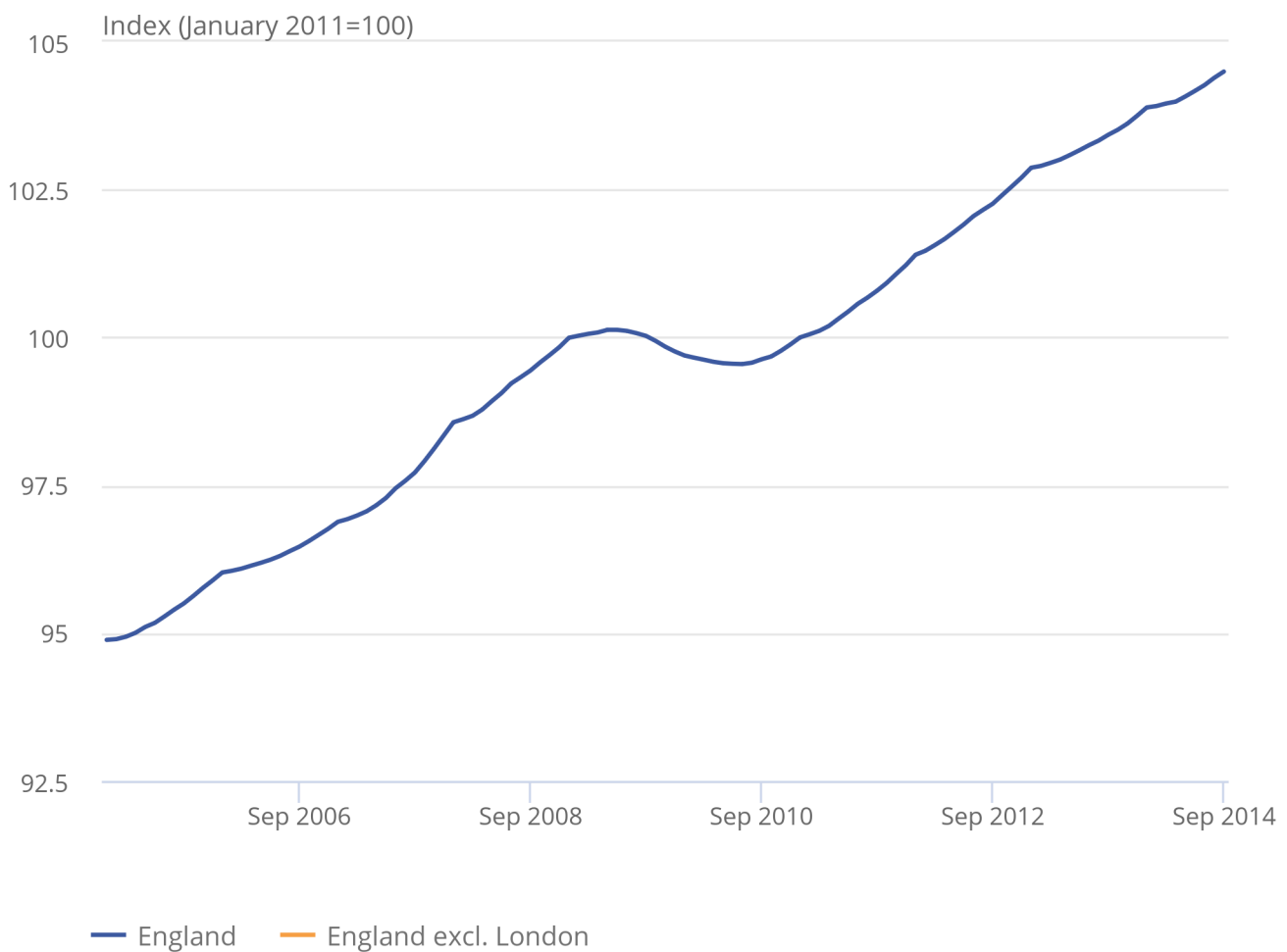
The IPHRP series for England starts in 2005. Private rental prices in England show three distinct periods: rental price increases from January 2006 until November 2009, rental price decreases from December 2009 to November 2010, and increasing rental prices from December 2010 onwards (Figure 6). Of these three periods, 2008 showed the largest rental price increases. When London is excluded, England shows a similar pattern but with slower rental price increases from around January 2011.

Figure 6: IPHRP indices, England

January 2005 to September 2014

Figure 6: IPHRP indices, England

January 2005 to September 2014



Source: Office for National Statistics

Source: Office for National Statistics

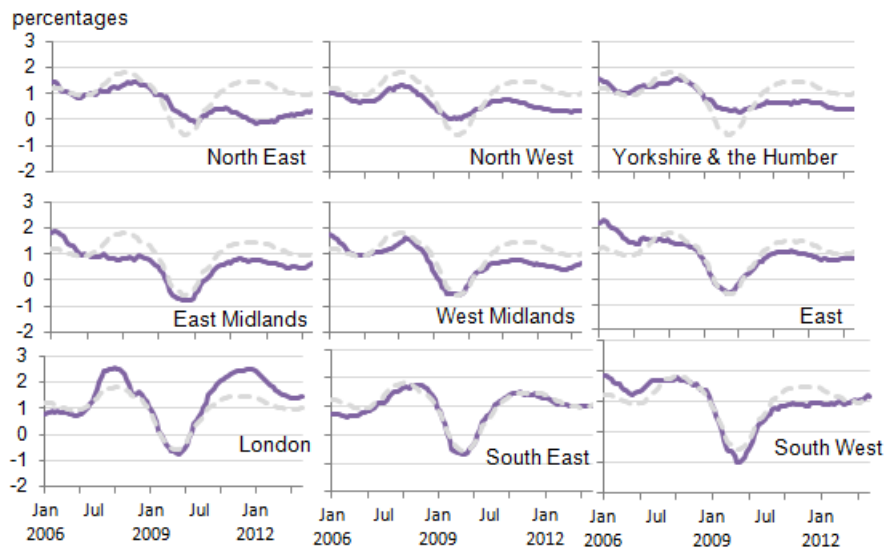
Notes:

1. Not seasonally adjusted.

Figure 7 shows the historical 12 month percentage growth rate in the rental prices of each of the English regions.

Figure 7: IPHRP percentage change over 12 months by English region

January 2006 to September 2014

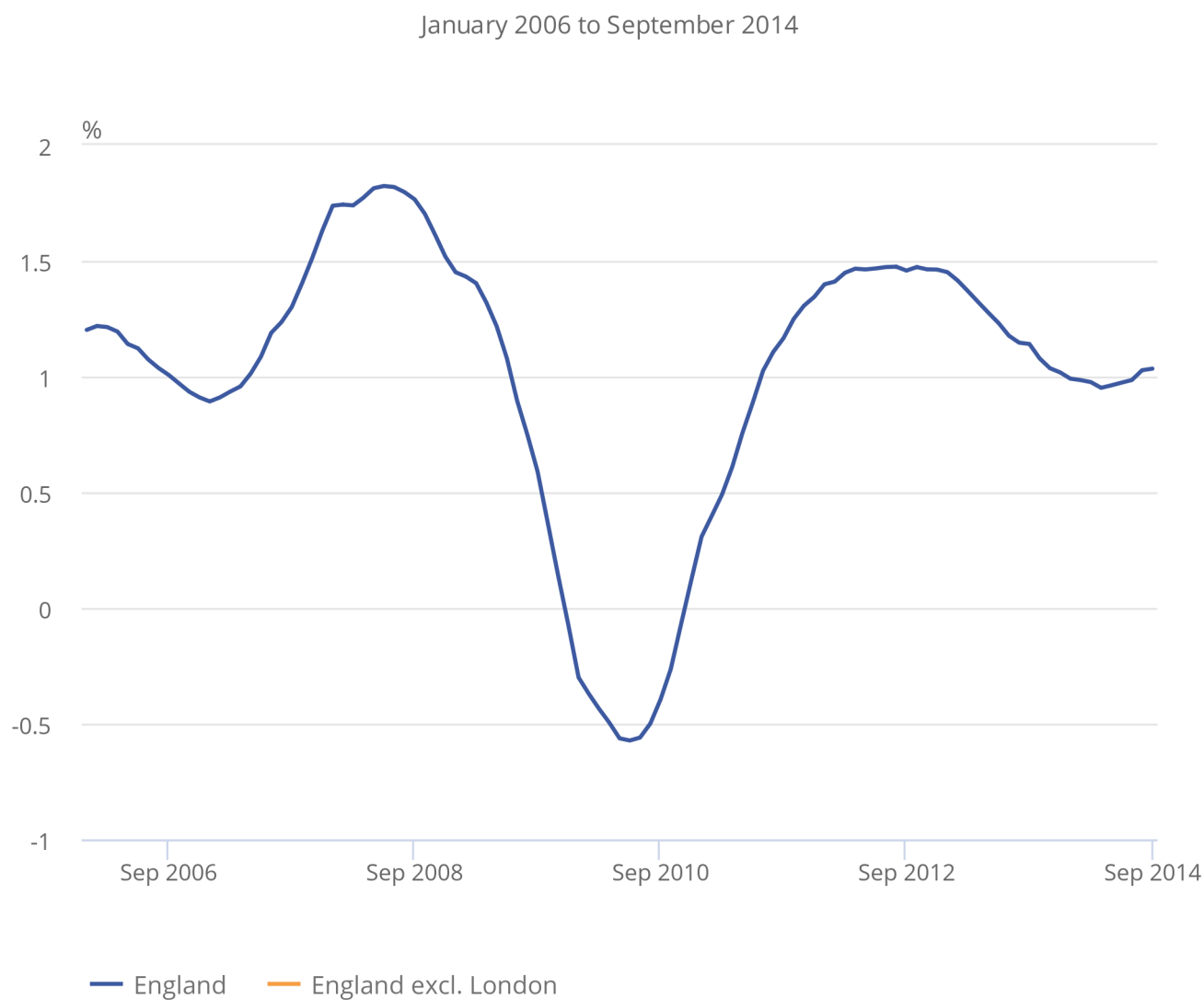


Since the beginning of 2012 English rental price increases have been stable at between 1.0% and 1.5% year-on-year, with September 2014 rental prices being 1.0% higher than September 2013 rental prices (Figure 8). Excluding London, England showed an increase of 0.8% for the same period.

Figure 8: IPHRP percentage change over 12 months, England

January 2006 to September 2014

Figure 8: IPHRP percentage change over 12 months, England



Source: Office for National Statistics

Source: Office for National Statistics

Notes:

1. Not seasonally adjusted.

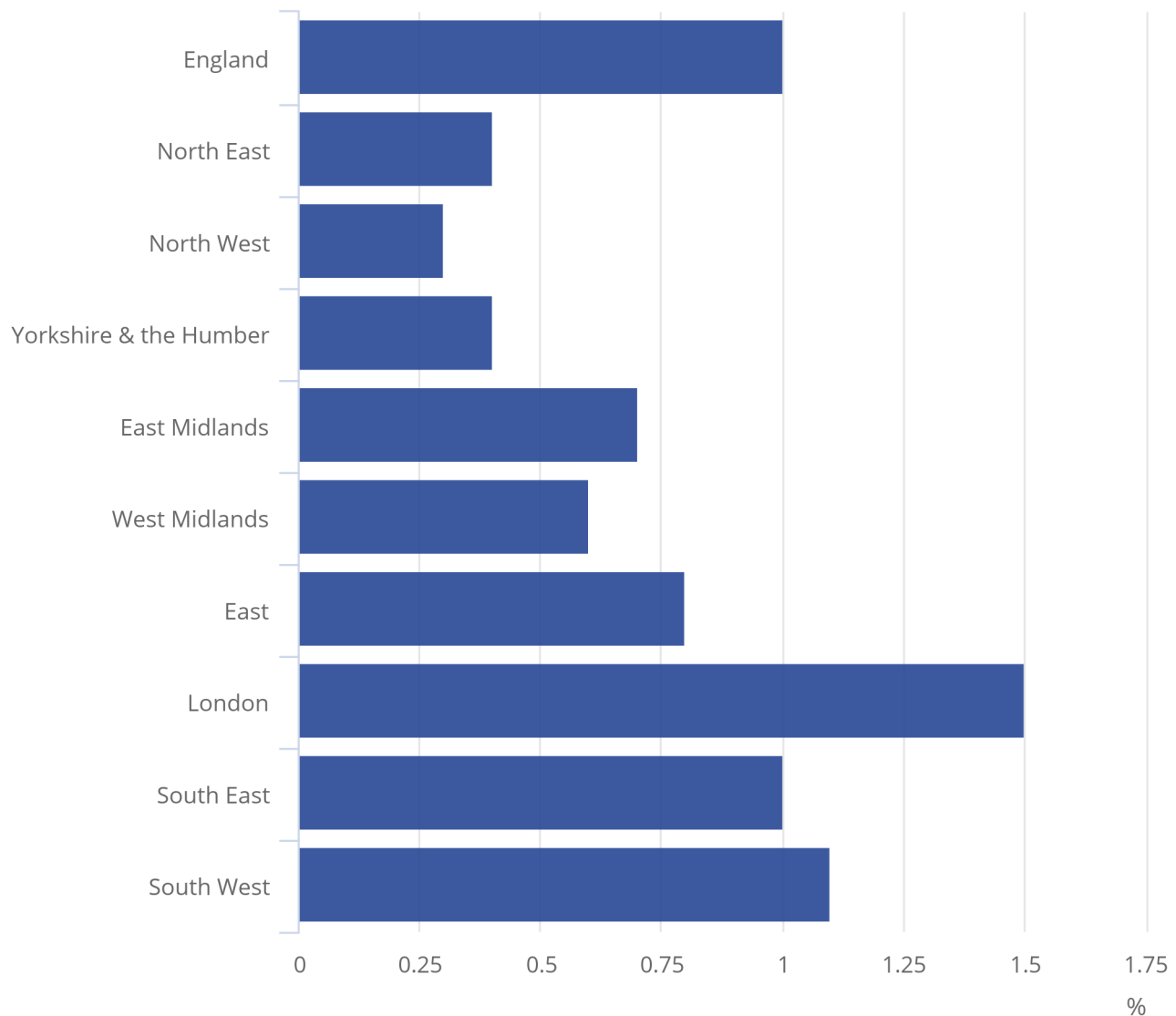
In the 12 months to September 2014, private rental prices increased in each of the nine English regions (Figure 9). The largest annual rental price increases were in London (1.5%) followed by the South West (1.1) and South East (1.0%). Rental price increases have been stronger in London than the rest of England since January 2011.

Figure 9: IPHRP percentage change over the twelve months to September 2014 by English region

September 2014

Figure 9: IPHRP percentage change over the twelve months to September 2014 by English region

September 2014



Source: Office for National Statistics

Source: Office for National Statistics

Notes:

1. Not seasonally adjusted.

6 . Analysis: Index of private housing rental prices and consumer price index actual rentals

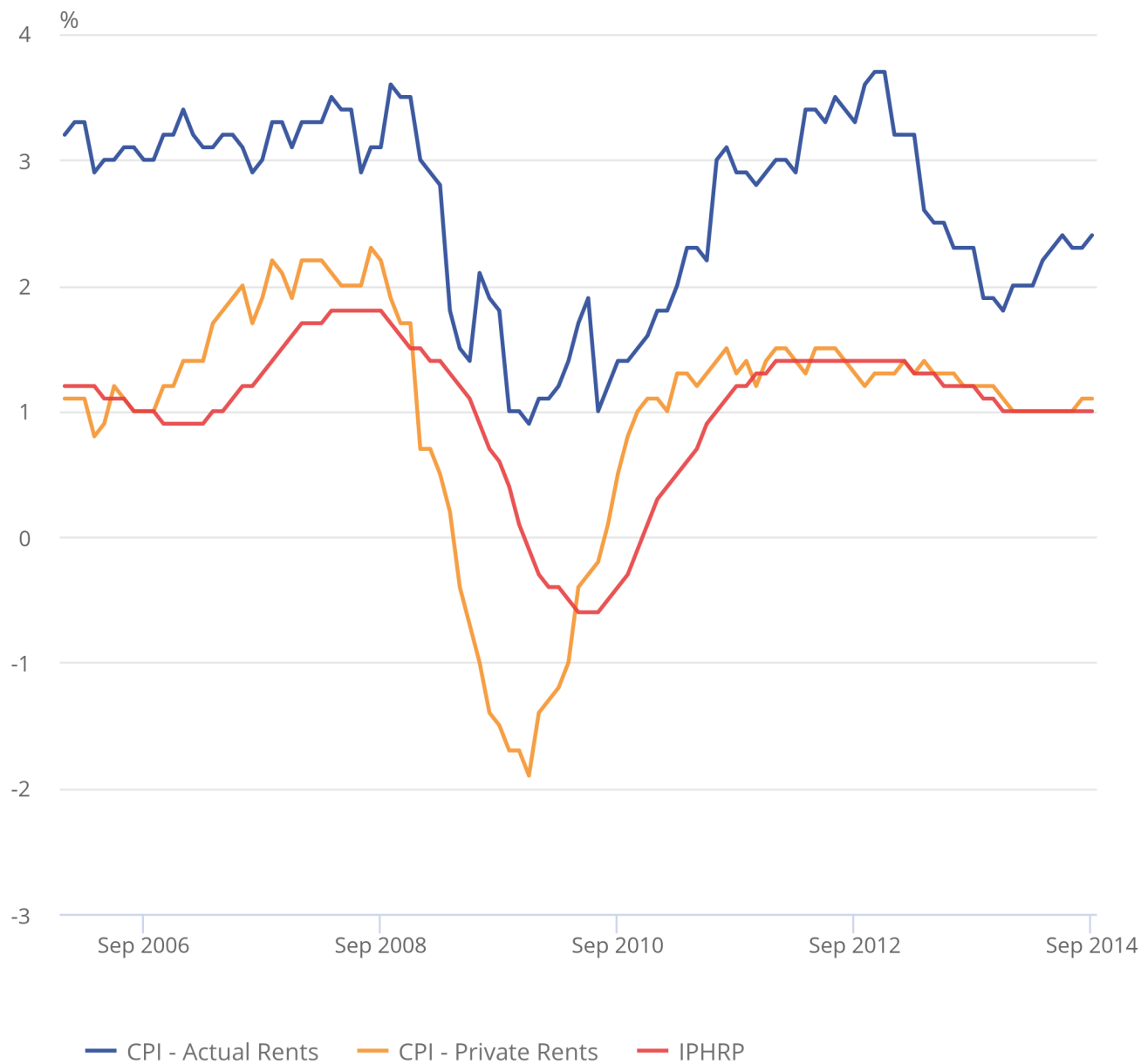
Some users of the IPHRP have asked how this series differs from the Consumer Prices Index (CPI) actual rentals for housing. The main difference between these two series is that in addition to private rented housing, CPI actual rentals for housing includes social housing (housing associations and local authorities) and holiday lets. CPI actual rentals for housing had a higher rate of increase in the period from January 2006 to September 2014 than IPHRP, in part due to target rents in social housing often being linked to inflation. Figure A shows three separate series: the IPHRP, the actual rentals for housing from CPI and the private rental component of the actual rentals for housing. CPI actual rentals for housing is higher for the entire period, while the magnitude of the CPI private rentals subcomponent and the IPHRP are comparable.

Figure A: comparison of 12 month rate of change of IPHRP and CPI actual and private rents

January 2006 to September 2014

Figure A: comparison of 12 month rate of change of IPHRP and
CPI actual and private rents

January 2006 to September 2014



Source: Office for National Statistics

Source: Office for National Statistics

Notes:

1. Not seasonally adjusted.
2. From February 2013 onwards private rental prices in CPI and IPHRP are based on the same sources.
3. The IPHRP 12 month growth rates are based on the England series from January 2006 to January 2011, then on a bespoke series from February 2011 onwards which is constructed by chaining the GB series from February 2011 onwards onto the England series from January 2011. The CPI data are based on the UK for the whole period.

7 . Planned improvements to IPHRP methodology

It was announced in August 2014¹ that the National Statistics designation of CPIH, a measure of consumer price inflation including owner-occupiers' housing costs (OOH), was being suspended whilst further development work took place to improve the OOH component. The OOH component of CPIH is primarily sourced from data held within the Valuation Office Agency's (VOA) systems. This is the same source of data used to produce the experimental IPHRP (further details regarding the IPHRP methodology can be found in the [June 2013 article](#)). This was followed up by a further letter² from John Pullinger to Sir Andrew Dilnot on 26 September 2014 detailing progress with the ongoing developments.

In recent months, ONS and VOA officials have continued to work together to review the methods used to generate the elementary aggregates used in compiling the OOH component of CPIH (and subsequently to compile IPHRP). Four aspects of the methodology have been assessed:

1. The matching process for replacement properties, which can be improved so all viable matches are identified and used.
2. The imputation approach for properties where a matching replacement property cannot be found, which can be improved by introducing a better imputation approach also used for other components of consumer price indices.
3. The sample size of properties can be improved to allow a better balance between a robust initial sample and the maintenance of the sample over the year.
4. Evidence around the assumed contract length suggests a shorter period might be appropriate, and this has initiated further work.

Whilst there is still work to complete, the work to date suggests the OOH component has been underestimating rental inflation and this will mean a similar impact on the inflation estimates produced for IPHRP.

Next steps for IPHRP

It is too early to understand the full impact for IPHRP, but work is continuing to make the necessary improvements to the methodology used in the production of the index. In light of this additional work, a [scheduled autumn 2014](#) article explaining IPHRP methodology will be postponed until any new improvements have been implemented. Once the changes to methodology have been tested and finalised, the IPHRP will be revised to the start of the series (January 2005 for England data and January 2011 for Great Britain, Wales and Scotland data) and published alongside a note detailing the reason for the revisions. It is expected that ONS will be in a position to publish revised estimates in the first quarter of 2015. A proposed timetable for the implementation is as follows:

- October 2014 to January 2015: ONS continue to review methodology and implement changes
- 30 January 2015: IPHRP for October to December 2014 published as scheduled using current methodology
- March 2015: Revised IPHRP and article explaining improvements published
- 25 April 2015: IPHRP for January to March 2015 published as scheduled using new methodology
- May 2015: Methods explained article for IPHRP (fully explaining the methodology used in the production of IPHRP) published

For further information, please contact Chris Jenkins (christopher.jenkins@ons.gsi.gov.uk or +44 (0)1633 455474)

Notes for planned improvements to IPHRP methodology

1. <http://www.statisticsauthority.gov.uk/reports---correspondence/correspondence/letter-from-john-pullinger-to-sir-andrew-dilnot-140814.pdf>
2. <http://www.statisticsauthority.gov.uk/reports---correspondence/correspondence/letter-from-john-pullinger-to-sir-andrew-dilnot-260914.pdf>

8 . Proposed development of a new, definitive House Price Index - user consultation

The Office for National Statistics; Land Registry; Registers of Scotland and Land & Property Services, Northern Ireland are seeking your views regarding the development of a new, single definitive house price index and how the proposed methodology meets your requirements for official house price data. Further information and a link to the [consultation questionnaire](#) are on the ONS website.

Additionally, alongside the consultation a series of user events are being jointly arranged across the United Kingdom to provide users with the opportunity to discuss the proposals further with the departments involved. The first user event will be held in London on Thursday 6 November. Further details regarding the user event and how to register for a place can be found on the [ONS website](#).

The user consultation opened on 7 October and closes on 12 December 2014.

9 . How are we doing?

The Office for National Statistics would welcome your views on the data presented in this statistical bulletin. Please contact the House Price Index team using the email address below to discuss any aspect of the data, including your views on how ONS can improve the data.

hpi@ons.gsi.gov.uk

10. Background notes

1. Publication of IPHRP

The development of official statistics to cover the private housing rental market and the production of a private housing rental price index was one of the recommendations of the [National Statistician's Review of](#)

[Housing Market Statistics](#). This experimental IPHRP release is aimed towards the production of such an index, and development of the index will take place in order to further satisfy user needs.

The production of this index is possible due to recent developments of the housing components of the consumer price indices, and although the same data sources are used by both, the methodology of the IPHRP has been further developed in order to produce a regional level series. IPHRP will be published on a quarterly basis to facilitate user feedback. Once the index has been evaluated, it may be published monthly.

ONS invites users to comment on the methodology and current publication of IPHRP. Please send your comments or queries to hpi@ons.gsi.gov.uk

2. Experimental status

ONS has designated the IPHRP as experimental statistics. The results presented in this article are subject to revisions if improvements in the methodology are identified. Results should be interpreted with this in mind.

In future publications improvements to the methodology may be made and these could lead to revisions. All revisions to the index will be labelled with a 'R' and the reason for the revision fully explained in the background notes section.

3. Relevance of the index

The IPHRP has multiple potential uses ranging from the assessment of returns from housing investments or buy-to-let property to the setting or updating of social housing rental prices. Currently the IPHRP is the only statistic with Great Britain coverage on private housing rents. Additionally, it is based on actual paid rents instead of advertised rents (with the exception of Scotland, which is based on advertised rents).

4. Other rental price statistics

There are other official statistics available for rental prices:

[Valuation Office Agency](#) (VOA) publishes [private rental market statistics](#). These cover the average prices paid for renting private housing in England to the level of region and local authority. The composition of the sample used for this publication varies over time and therefore makes it hard to produce reliable comparisons over different time periods.

[Department for Communities and Local Government](#) (DCLG) publishes [social rent statistics](#). These cover average prices paid for renting both local authority and private registered provider (housing association) properties in England. These are collected from the continuous recordings of lettings and sales in social housing (CORE) and are available at regional and local authority level.

[Scottish Government](#) publishes [social rent statistics for Scotland](#). These cover the average weekly rents paid for local authority and registered social landlords, and are available at area level.

[Welsh Government](#) publishes [social rent statistics for Wales](#). These cover the average weekly rents paid for local authority and registered social landlords, and are available at area level. Available in StatsWales.

5. Sources

The current sources of private rental prices are Valuation Office Agency for England, Scottish Government for Scotland and Welsh Government for Wales. Private rented dwelling stock estimates are sourced from the Department for Communities and Local Government and Welsh Government. The distribution of property type by country and region is sourced from the English Housing Survey, the Scottish House Condition Survey and Welsh Government. Estimates of the proportions of properties that are rented furnished and unfurnished are produced from the Living Costs and Food Survey. Estimates of the expenditure on property that is rented furnished and unfurnished are sourced from the National Accounts.

6. Methodology

Full details of the methodology used to calculate the IPHRP can be found in the [June 2013 IPHRP article](#).

7. Accessibility

This bulletin includes data up to and including September 2014.

8. General

Details of the policy governing the release of new data are available from the Media Relations Office.

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9. Details of the policy governing the release of new data are available by visiting www.statisticsauthority.gov.uk/assessment/code-of-practice/index.html or from the Media Relations Office email: media.relations@ons.gsi.gov.uk