Together we will end homelessness

Methodology for "Falling short: Housing benefit and the rising cost of renting in England"

This note sets out the methodology used for analysis in the recently published briefing on the cost of renting in England, which can be downloaded here.

Data: We use Zoopla listings data covering all one to three bedroom properties in England listed on Zoopla in the 12 months up to the end of April 2022. This data covers 462,601 listings, with an average of 1423 listings in each local authority across the 12 month period.

Analysis: our main analysis examines the percentage of one, two and three bedroom properties in each local authority that were affordable for households receiving housing benefit over this period. To calculate this we have determined if each listing is affordable at housing benefit rates by comparing its listed rent to the housing benefit rate that would apply to it based on i) the number of bedrooms it contains and ii) its location (i.e. the broad rental market area ("BRMA") it is within). Whilst listed rents may not represent the rents at which properties are actually rented out for, we are increasingly hearing from our services that where discrepancies exist properties are going for more than their listed value rather than less, meaning that, if anything, the affordability challenges households are facing are worse than our findings suggest. Similarly, our analysis does not account for the impact of the benefit cap. This means that in areas such as London, where the benefit cap is more often binding, many of the properties we have deemed as "affordable" may be made unaffordable if households do not receive their full housing benefit entitlement as a result of the cap.

A note of different geographies: although housing benefit rates are set differently for each broad market rental area ("BRMA" - a different geography level to local authority) we have published our findings at the local authority level in order to make our findings more easily comparable to other public data sets, as data is rarely published at the BRMA level. As Zoopla's listing data contains detailed geographical information we know both the local authority and BRMA that a property sits within, allowing us to apply the BRMA housing benefit rate but still report the findings at a local authority level.

Shortfall analysis: We have also examined the size of average housing benefit "shortfalls" within each local authority. Shortfalls are defined as the gap between housing benefit rates and the amount it would cost to rent a property at the 30th percentile of the rental distribution. In order to calculate average shortfalls we have calculated the 30th percentile rent within each local authority using Zoopla listings data and the weighted average of housing benefit rates of properties within that local authority (weighted by listings per BRMA). As a sense check we have also carried out this analysis at the BRMA level and found our results to be consistent across the two approaches.

What is driving our findings: As housing benefit rates were realigned with the 30th percentile of local market rents at the start of the pandemic the main driver of differences in affordability across areas is differences in the rates of rental price growth since March 2020. For example, whilst average rents in the UK have grown at 12% since March 2020, growth has been slower in London where average rents have grown at 8%. This means that areas that had traditionally been less affordable to households in receipt of housing benefits are in some cases, at least for now, more affordable than they have previously been. We do not anticipate this will remain true going forward based on the rate at which rents are rising and the increasing costs of other household outgoings (energy and food) placing greater financial pressure on low income households.