

London Rent Watch: Rent inflation and Affordability in London's private rental market

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Introduction

At the launch of the [Homes for London campaign](#) in March 2012, Shelter revealed that 65% of non home-owning Londoners expect never to be able to buy a home in their local area. Buying a home in the capital is becoming ever harder – the typical deposit needed for a first time buyer in London is estimated at over £84,000 - and social housing is in short supply. This means more and more Londoners have found themselves with no choice but to rent privately - nearly a quarter of London households are renting from private landlords, (23%, 700,000), up from 15% (445,000) ten years ago.¹

Private renting is no longer solely the domain of highly mobile students and young professionals. Nationally, the number of families with children renting privately has grown disproportionately; there are now more than one million families with children renting privately in England, almost double the number five years ago. Six and 12 month letting contracts are common and renting families are ten times more likely to have moved in the last year than those paying a mortgage, resulting in a much less stable family situation for those forced to rent.

Families want to put down roots in their community, but in an overheated market their choices are severely limited. Simple things like the ability to redecorate or make minor improvements would help renting families make their house feel homely, yet are typically banned in tenancies. As a result, almost half of families with children responding to a [recent survey](#) do not think of their private rented accommodation as 'home'.²

Home is the centre of family and community life, and is integral to the way Londoners feel about their city. However, private renters are much less likely to know their neighbours, volunteer or vote. The high cost of renting and moving presents barriers to renters taking up jobs and dampens consumer spending by reducing disposable income.

Difficulty affording the rent is the most widespread problem among renters, and the research in this report reveals a detailed picture of rent inflation and affordability in London's private rental market. Using newly available figures from the Valuations Office Agency (VOA), the Government body responsible for collecting data on the private rental market, the report covers:

- [rent inflation rates](#) for inner, outer and the whole of London, split by bedroom size
- [the levels of household income](#) needed to afford the median rent on a two bedroom home in each London borough
- the affordability of private renting in London for [key worker families](#) on median pay for their roles

This is the second report in Shelter's Rent Watch series, this time focussing exclusively on rental trends in the capital. The affordability findings can be viewed as an interactive map on our [website](#). It follows from Shelter's first [Rent Watch](#) report on local rent levels and affordability throughout England, published in October 2011.

¹ [Homes for London policy briefing](#), Shelter 2012

² [Homes fit for families](#), Shelter 2012

Key Findings

Rent Inflation in London

Results

- Private rents rose at an average annual equivalent rate of 7% across London in 2011.³
- London rents rose slightly more on family sized homes with rises of 7% for two bedroom homes, and 8% for three bedroom homes.
- The rate of rental inflation was slightly higher in Inner London at 7.4%, than in Outer London at 5.5%.⁴
- The rate of inflation on London private rents is 1.8 times greater than the rate of inflation on the average London wage.⁵ In outer London it is three times higher than wage inflation.
- In contrast to the rises in rents, average London wages have fallen for a number of key worker professions: The London average wage for nurses and teachers is down by 1%, and Police Officers pay in the capital is down by 2%.

Method

We compared average private rents in London, between the first set of rent statistics (covering the twelve months July 2010 to June 2011) and the latest available (covering the twelve months January 2011 to December 2011).⁶ The difference found between rents in these two sets of data, which are six months apart, is then calculated as an annual equivalent inflation rate for 2011.⁷ This is the rate of inflation that would be seen if the trend observed in the rents we analysed continues for a further six months.

The rents were weighted to account for changes in the geography and mix of different sized homes, ensuring a like-for-like comparison between the two samples. The methodology has been independently verified.⁸ The rental data is from a Government source and each sample contains the agreed contractual rents of over 55,000 private rental homes in the capital. It is the most detailed and robust publicly available set of statistics on private rents.

³ Properties with four plus bedrooms were excluded from this rate, due to the exact mix of bedroom sizes being unknown. This is an average of shared to three bedroom homes.

⁴ See annex table 4 for Inner and Outer London Boroughs.

⁵ Wages figures are from ASHE 2011 provisional results, and inflation to wages is for the period March 2010 to March 2011, these do not exactly match the period used for rent inflation, but are the latest available.

⁶ [Private Rental Market Statistics, VOA](#). The datasets were weighted to account for changes in the mix of bedroom sizes and in the locations of homes. See methods and data sources section for more details.

⁷ The mid time points of the two datasets in the annual equivalent calculations are 1st January 2011 and 31st December 2011.

⁸ An independent academic expert on housing and rents confirmed that the methods used by Shelter were fair and the most accurate possible, with the data and time available.

Affordability in London

Results

- A family would need a net household income of just over £41,100 a year (an estimated £51,900 gross in wages) to affordably rent a two bedroom home at the median London rent (£1,200 per month).
- A net household income of more than £40,000 is required to affordably rent the median two bedroom home in half (16 of 32) of London's boroughs. This equates to an estimated £50,400 gross in wages.
- In six boroughs, more than £52,000 net household income is required, an estimated £67,700 gross in wages. These include Tower Hamlets and Islington.
- A family with London's median gross household income of £34,200 would find the median rent for a two bedroom home unaffordable in 26 of 32 boroughs.⁹
- The median rent for a two bedroom home takes up more than 40% of London median household income in 18 boroughs, and more than 50% in 9.
- A full-time prison officer and a part time teacher with a net household income of £41,500 (£52,400 in gross wages) would find the median rent for a two bedroom home unaffordable in 14 of 32 boroughs.
- A full-time teacher and part time nurse with a net household income of £43,900 (gross wages £55,900) would find the median rent for a two bedroom home unaffordable in 12 of 32 boroughs.

Method

Median rents are from the same Government source as the inflation analysis and we use the latest available set, which cover the twelve months January 2011 to December 2011.¹⁰ Affordability is set at 35% of total net household income.¹¹ Gross wages are calculated on the assumption that households are in receipt of child benefit for one child and have two equal earners. The key worker family example uses median wages for the relevant profession, plus child benefit.¹²

⁹ £34,236 gross, CACI Pay check, 2011, Shelter estimated net equivalent £31,300. Equivalent Government figures on London Median household income not available. This is the median household income for London, not by individual borough.

¹⁰ [VOA private rental market statistics](#). Note these are median rather than mean averages and are slightly different to those used in the rent Inflation section

¹¹ This is at the top end of income to housing cost ratios suggested by previous research, and practice in other countries, see footnote 17

¹² ASHE 2011, provisional results, table 15.7a

Methods and data sources

Data sources

Private rents

The analysis in this report is based on the Valuations Office Agency (VOA) private rental market statistics. The sections on affordability are based on the latest available statistics which cover the period January 2011 to December 2011. The section on rent inflation compares the first set of statistics released by the VOA, which cover the period June 2010 to July 2011, with the latest set. More details on how the inflation and affordability results were calculated are contained in the sections below.

These statistics are considered the best available source on private rents for the following reasons:

- The sample size is very large – more than half a million rents per year (with more than sixty thousand in London).
- They are based on the agreed contract rent and not advertised rents, in contrast to most website sources
- They provide a good representation of the lower end of the market, and include many lets that have been made directly by landlords and not via a letting agent. The average rents produced tend to be lower than most other sources.
- They are published in accordance with Office of National Statistics guidelines.

However, there are some constraints with these statistics:

- Tenancies where Housing Benefit was claimed from the outset should be excluded (rents where a tenant claimed HB after the start of the tenancy are included), but it is highly likely some are included, particularly as the LHA system means it is now more common for landlords to be unaware of the benefit status of their tenants. Under-representation of benefit claimants is an issue for nearly all sources of data on private rents. Shelter continues to publish research on the Housing Benefit subset of the market, but this report purposely focuses on the general market. The only definitive source for the rents charged on lets to LHA claimants is the DWP's Single Housing Benefit Extract, which is not publicly available.¹³
- The rental figures published by the VOA include money paid to private landlords or letting agents for utilities and service charges. In reality, this is only common practice in the shared accommodation category, so has little impact on the overall averages.
- The VOA statistics are a relatively new data source, and at the time of publication only three separate twelve-month sets of rental averages were available. Due to the rolling reporting of 12 month datasets, there is a six month overlap between the first and last

¹³ The changes to Local Housing Allowance mean it is possible that rents in the LHA subset of the market have inflated at a slower pace than the non-claimant sector, however this is unknown until the DWP evaluation of the changes is published. If it were possible to boost the sample of LHA claimants in our research, it is unlikely that findings would significantly change.

samples. The results in this report, particularly those on rent inflation, should therefore be viewed as a good indication of current trends, but will require revision once further sets of data become available. The overall averages are in line with other estimates of rent inflation in London, but the differences between bedroom sizes – particularly the finding that inflation is lowest in the shared category should be treated with caution at this early stage in the development of private rental market statistics.

The whole private rental market is extremely difficult to monitor in a representative way, but overall, the VOA private rental market statistics provide the best sample sizes and most accurate representation of the market, of any publicly available source.

Sample sizes

The total analysed sample sizes are: 61,563 (of which 23,588 were two bedrooms) in the first set of statistics, and 55,095 (of which 21,757 were two bedroom homes) in the second.

With these sample sizes, The London averages have an estimated statistical margin of error of less than 0.5%.

The City of London is excluded from all the analysis due to its low sample sizes in all property size categories. The local authority level results on the website for shared accommodation exclude five further local authorities (Bexley, Harrow, Havering, Barking and Dagenham, Kensington and Chelsea), because the sample size for this category is under 100 in at least one of the two sets of VOA statistics. In all other sizes of home included in the research (one, two and three bedroom homes), the sample sizes are over 100 for each borough. The average sample size for two bedroom homes is around 700 per borough in each set of statistics.¹⁴ The annex tables show the full breakdown of sample sizes by bedroom sizes.

Homes larger than three bedrooms are not included in the calculations of 'all sizes' averages, because the VOA statistics present these in one category – 'four or more bedrooms', so the mix of sizes in this category is unknown, meaning it cannot be mix-adjusted. Any 'all sizes' averages in this research exclude this category and represent the average of shared accommodation to three bedroom homes. The inflation rate for the four or more category is shown separately, as an indicative rate, and should be treated with caution.

¹⁴ Mean average sample size by borough for two bedroom homes July 2010 to June 2011 was 737, and for January 2011 to December 2011 was 680.

Methods

Use of averages

Section one, on rent inflation uses the change in the mean average rent, as this is by far the most commonly used when research examines rental, or any type of inflation. The median is not suitable as it is affected by rents clustering around the middle in some areas and cannot be reliably calculated. Whenever rent inflation is compared to other types of inflation (to wages, for example), the increases to mean averages are also used, to ensure a like-for-like comparison.

Sections two and three use the median rent (and median wages and incomes as comparators). This type of average is more commonly used in research on housing affordability. It is the point which splits the market in half according to the rent, and is less affected by variations in extremely high and low rents. In the affordability sections, the median is used in all calculations, for example the median London wage is used for the key worker family examples.

Rent Inflation

This analysis examines the changes in mean average rents between the first available set of rent statistics – the twelve months of July 2010 to June 2011 and the latest set which cover the twelve months from January 2011 to December 2011. The changes in average rents are also expressed as an annual equivalent 2011 rate. This is the rate of inflation that would be seen between the twelve months of July 2010 to June 2011 and July 2011 to June 2012, if the trend observed in the analysed rents continues for a further six months. It should therefore be viewed as indicative only.

The two sets of statistics used each cover a twelve month period, so seasonal variations in rents should be evened out. When further data is published later in the year, Shelter will revise these inflation rates and, if possible, show them across the whole of the country.

Average rates of inflation are calculated, for the whole of London, and Inner and Outer London. These are shown by bedroom size and as an all sizes (from shared to three bedrooms) average. These averages are calculated by using mix adjusting and weighting, because the mix of bedroom sizes and the boroughs in which homes are located differs between the two sets of VOA statistics, and they must be kept consistent to reliably estimate the inflation rate.

The change in the mix of bedroom sizes between the two sets of rental statistics are accounted for by using the breakdown in the first set of statistics as a base, and weighting the second set to match it, ensuring a like-for-like comparison.

The change in the geographic mix uses estimates of the numbers of households renting privately in each borough that were produced for Shelter by Cambridge University.¹⁵ The averages that use these weightings are:

¹⁵ CCHPR (Cambridge University) estimates for Shelter, 2010, calculated by updating the size of each London Boroughs private rented sector in 2001 Census by the increases for the London region according to the Labour Force Survey.

1. Inflation rates for London, Inner and Outer London, by each bedroom size

Both sets of rent statistics are weighted using the estimated size of the private rented sector in each borough. For example, if a borough accounts for an estimated 5% of London's private rented sector, its average rent for both time periods is multiplied by 0.05 in the calculation for the London average. The estimates of the sizes of each borough's private rented sector are not broken down by bedroom size, so an assumption that the geographic spread by bedroom size is uniform, is necessary. Results for Inner and Outer London are also shown as are annual equivalent inflation rates for 2011.¹⁶

2. All sizes (up to three bedroom) average inflation rates, for London, Inner and Outer London

This uses both the weightings for the mix of bedroom size, and geographic location, to produce an average London rent for each set of VOA statistics, which is then compared to give a whole of London average inflation rate. Results for inner and outer London are also shown.

The mix-adjusting and weighting was carried out with advice from a leading academic on rents and housing affordability.

The London rent inflation figures are then compared to the rates of growth in Londoner's wages from 2010 to 2011 using the Annual Survey of Hours and Earnings (ASHE 2011). Comparisons are also made to the two main measures of inflation – the Consumer Price Index (CPI) and Retail Price Index (RPI), sourced from the Office for National Statistics.

Affordability – Household income needed to afford median rents

This section takes the median two bedroom rent in each London Borough, and shows a set of results in terms of the net household income that would be required for that rent to take up 35% of household income. 35% of net household income is taken as the maximum level, and this is at the high end of thresholds of housing affordability for households on average to lower incomes, suggested by previous research, and practice in other countries.¹⁷

The estimated gross wages required, shown in [table 9](#), are calculated using the assumption that the household receives child benefit for one child, has two equal wage earners paying only income tax and national insurance, and no other income sources.

[Table 10](#) in this section takes the London median household income from CACI Paycheck 2011, and shows the proportion of this income taken up by the median rent on a two bedroom home in each borough. This source was used because a median household income figure for London was unobtainable from Government sources, and it is used in published reports by the Greater London Authority and a number of councils. More details on the source and the way a net figure was estimated, are contained in the section itself.

¹⁶ These are Inner and Outer London Boroughs as shown by the VOA statistics (in accordance with ONS guidelines), and may differ from that used for London pay weighting and other definitions.

¹⁷ Various sources: [Affordability of Housing Association rents](#); http://en.wikipedia.org/wiki/Affordable_housing; [Centre for affordable housing, Australia](#)

Affordability – Key worker families

This section shows how many boroughs have median rents for two bedroom homes that are unaffordable for a number of indicative examples of key worker families. In these examples a net household income is calculated by using median wages for the profession in London, minus tax and national insurance and added to child benefit, which is the only benefit that is applicable at these income levels.^{18 19}

The number of London Boroughs where the median rent for a two bedroom home is unaffordable is then calculated using 35% of net household income as an indicator (see footnote 17).

Website

[Shelter's website](#) contains an interactive map and infographic showing some of the results of the research.

Annex tables

The [annex tables](#) show the sample sizes and weightings applied for each London Borough and bedroom size. An additional table of statistics on private renting households, and London households is also included.

¹⁸ ASHE 2011, provisional results, table 15.7a. This is based on the location of the job, residence based tables by profession and region are not available. Wages figures that are not specific to profession are based on residence – the wages of people living in London.

¹⁹ Gross to Net and reverse calculations are done on one of the many income tax calculators available on the internet, checked against HMRC's site.

Detailed Findings

Section one: Inflation in London's private rented sector

Key findings

- Private rents in London rose at an average annual equivalent rate of 7% across all boroughs and bedroom sizes in 2011.²⁰ [\[See figure 1\]](#)
- London rents rose by 7% for both one and two bedroom homes, with an 8% annual equivalent for 2011 rise in the rents agreed on three bedroom homes. The increase in shared accommodation is lower, at 1.4%. [\[See figure 1\]](#)
- The rate of rental inflation was slightly higher in Inner London at 7.4%, than in Outer London at 5.5%. [\[See figures 2 & 3\]](#)
- The rate of inflation on London private rents is 1.8 times the rate of inflation on the average London wage, for the closest comparable time period. In outer London it is three times higher than wage inflation. [\[See figure 4\]](#)
- In contrast to the rises in rents, average London wages have fallen for a number of key worker professions: The London average wage for nurses and teachers is down by 1%, and Police Officers pay in the capital is down by 2%. [\[See figure 5\]](#)

Method

This section shows the changes in mean average rents between the samples for the twelve months of July 2010 to June 2011 and those for the period January 2011 to December 2011 are analysed. Average inflation rates are calculated for Inner, Outer and the whole of London, for each bedroom size, and as an 'all sizes up to three bedrooms' average. An annual equivalent inflation rate for 2011 is shown. This is the rate which would be seen between the twelve months of July 2010 to June 2011 and the twelve months of July 2011 to June 2012, if the trend observed in the available rents data continues for a further six months.

As detailed in the methods section, the figures are weighted to ensure consistency with the mix of bedroom sizes and the geographic locations of homes between the two sets of data.

²⁰ Properties with four or more bedrooms were excluded from the analysis, due to the exact mix of bedroom sizes within that category being unknown. The 'all bedroom size average' referred to in this key findings section covers shared, one, two and three bedroom homes. The inclusion or exclusion of 4+ bedroom homes makes little difference to these overall averages, and some indicative results for this category are included in the main findings.

Tables

Figure 1: Change in mean average private rents, London averages, mix adjusted for size and location.

London	Mean average private rent per month July 2010 to June 2011	Mean average private rent per month January 2011 to December 2011	Inflation rate- change in mean average between July 2010 to June 2011 and January 2011 to December 2011	Annual equivalent inflation rate, 2011
Shared	£468	£472	0.7%	1.4%
Studio	£768	£787	2.4%	5.0%
One bedroom	£1,028	£1,061	3.3%	6.6%
Two bedroom	£1,362	£1,408	3.4%	6.9%
Three bedroom	£1,803	£1,878	4.1%	8.4%
Four + bedroom*	£2,894	£3,040	5.0%	10.3%
Shared to three bedroom total	£1,165	£1,204	3.3%	6.8%
Sources: VOA Private Rental Market Statistics, 12 months from June 2010 to July 2011 and the 12 months from January 2011 to December 2011, total sample sizes 66,834 and 59,957; * The exact mix of bedroom sizes within the 4+ category is unknown, and cannot be mix-adjusted, and should be treated with caution.				

The property size categories with the highest and lowest rates of inflation should both be treated with some caution. These categories have the smallest sample sizes (albeit both more than 5,000). The shared market is very varied and more likely to be affected by small changes in sample collection, and as mentioned in the methods and sources section, the exact mix of bedroom sizes is not known in the four or more bedrooms category, so mix adjusting is not possible, making it is less reliable.

The headline rate of London rental inflation (6.8%) is a reliable indicator, based on two datasets of over 55,000 rents each. This figure is similar to those produced by other sources covering a similar time period and length of time.²¹

²¹ [LSL property services monthly private rental statistics](#) show a 5.6% increase to London rents in 2011 (and it has risen since). [Find-a-property.com](#) found a higher increase of 8.4% in London Between October 2010 and October 2011. The English Housing Survey reports a 9% increase to London average private rents between 2008-9 and 2009-10 (most recent available).

Figure 2: Change in mean average private rents, Inner London averages, mix adjusted to reflect changes in mix of bedroom sizes and location.

Inner London	Mean average private rent per month July 2010 to June 2011	Mean average private rent per month January 2011 to December 2011	Inflation rate- change in mean average between July 2010 to June 2011 and January 2011 to December 2011	Annual equivalent inflation rate, 2011
Shared	£518	£528	1.9%	3.8%
Studio	£879	£905	2.9%	5.9%
One bedroom	£1,218	£1,261	3.6%	7.2%
Two bedroom	£1,648	£1,701	3.2%	6.6%
Three bedroom	£2,260	£2,377	5.2%	10.6%
Four + bedroom*	£3,729	£3,952	6.0%	12.3%
Shared to three bedroom total	£1,378	£1,429	3.7%	7.4%
Sources: VOA Private Rental Market Statistics, 12 months from June 2010 to July 2011 and the 12 months from January 2011 to December 2011, total sample sizes 66,834 and 59,957; * The exact mix of bedroom sizes within the 4+ category is unknown, and cannot be mix-adjusted, and should be treated with caution.				

Figure 3: Change in mean average private rents, Outer London averages, mix adjusted to reflect changes in mix of bedroom sizes and location.

Outer London	Mean average private rent per month July 2010 to June 2011	Mean average private rent per month January 2011 to December 2011	Inflation rate- change in mean average between July 2010 to June 2011 and January 2011 to December 2011	Annual equivalent inflation rate, 2011
Shared	£417	£414	-0.8%	-1.6%
Studio	£654	£666	1.8%	3.6%
One bedroom	£833	£857	2.8%	5.7%
Two bedroom	£1,069	£1,108	3.7%	7.4%
Three bedroom	£1,337	£1,368	2.3%	4.6%
Four + bedroom*	£2,041	£2,107	3.3%	6.6%
Shared to three bedroom total	£921	£946	2.7%	5.5%
Sources: VOA Private Rental Market Statistics, 12 months from June 2010 to July 2011 and the 12 months from January 2011 to December 2011, total sample sizes 66,834 and 59,957; * The exact mix of bedroom sizes within the 4+ category is unknown, and cannot be mix-adjusted, and should be treated with caution.				

[Annex table four](#) shows which boroughs are in Inner and Outer London.

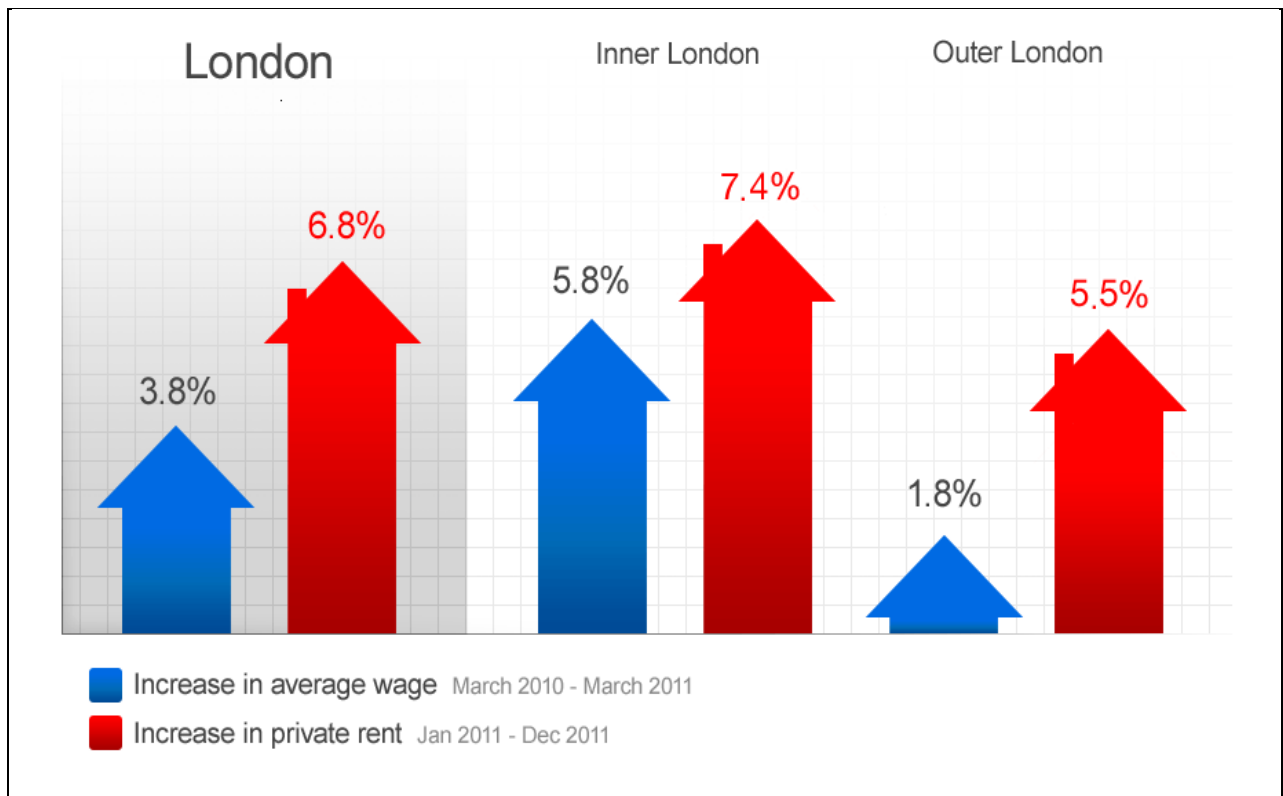
Rent inflation – comparisons with other indicators

Wages

The chart below shows the inflation rates for Londoners' wages, compared to the annual equivalent rental inflation rate found in this research. The wage figures are from the most recent and closest matching time-period available (March 2010 to March 2011), and are the average across all employees that live in London. It should be noted that this is an average wage of individuals that are in work. Unemployment has risen more in London in the last year than in any other UK region, and rising average wages do not necessarily equate to rising average household incomes.²²

Private rents rose at 1.8 times the rate of wage inflation, for the closest possible matching time period, in London. The difference was more marked in Outer London, where rents rose 5.5%, some three times the rate of average wage inflation which was 1.8%.

Figure 4: London private rental inflation (shared to three bedroom), compared to wage inflation.



Sources: London private rents, Shelter analysis of VOA private rental market statistics; wages from ASHE provisional results 2011, changes in mean averages

²² <http://www.guardian.co.uk/politics/davehillblog/2012/feb/15/london-unemployment-rate-increas>

Key worker wage inflation

Whilst the average London wage has increased, a number of key worker professions have seen decreases in average wages, and this is shown in the table below:

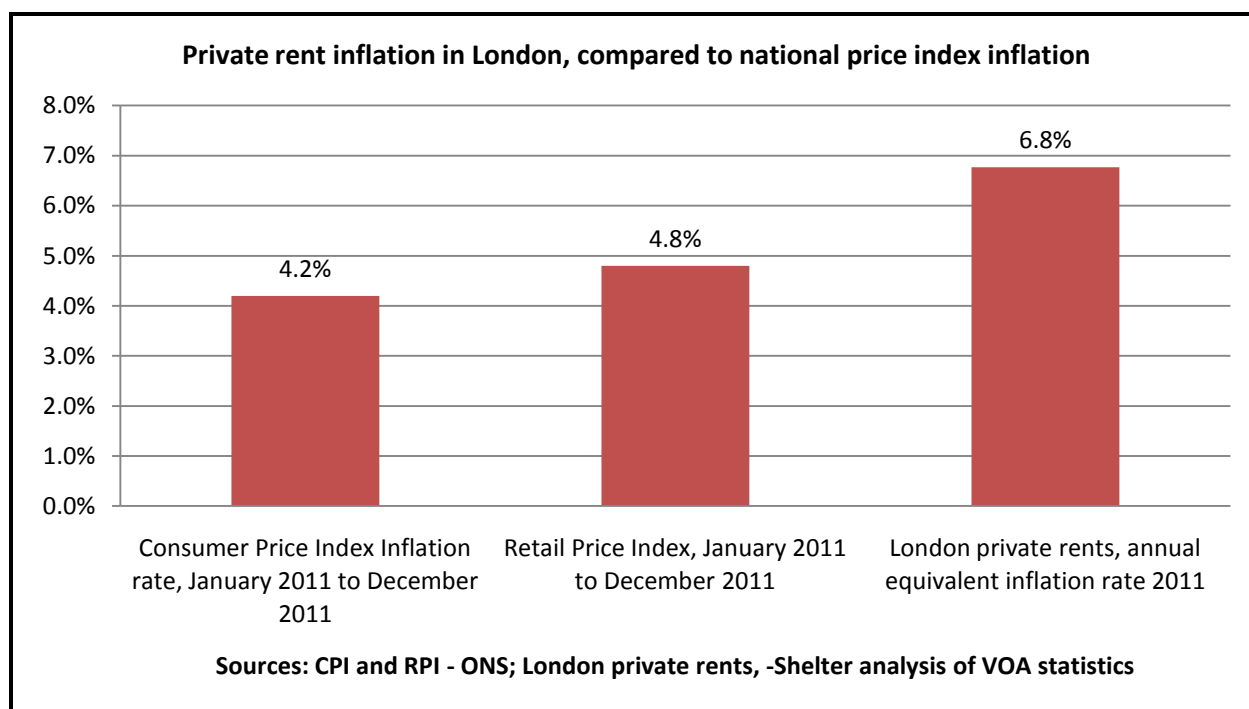
Figure 5: London average wage inflation, March 2010 to March 2011, examples of key worker professions.

Profession	Inflation to average wage, London, March 2010 to March 2011
Nurses	-0.8
Teaching Professionals	-0.8
Police officers (sergeant and below)	-2.0
Fire service officers (leading fire officer and below)	-0.4
Sources: ASHE 2011 provisional results, table 15.7a, changes in mean averages	

Price indices

The chart below shows the change in the two main measures of national inflation – the Consumer Price Index and Retail Prices index - in the twelve months from January 2011 to the end of December 2011. The London rental inflation rate found in this research is shown as a comparison. The inflation figures are sourced from the Office for National Statistics and match the time period for rental inflation.

Figure 6: London private rental inflation, compared to national price indices, 2011



Section Two

Affordability – household income required for median rents to be affordable

Key findings

- A family would need a household income of just over £41,000 a year (an estimated £51,900 gross in wages) for the median rent on a two bedroom home in London to be affordable. [\[See figure 9\]](#)
- A total net household income of more than £40,000 (requiring an estimated £50,500 gross in wages) is required in half of London's boroughs (16 of 32), for the local median private rent on a two bedroom home to be affordable. [\[See figure 9\]](#)
- In six boroughs, more than £52,000 net household income is needed (an estimated £67,700 gross in wages) for the median two bedroom rent to be affordable. [\[See figure 9\]](#)
- A household with the estimated London median net household income of £31,300 would find the median rent for a two bedroom home unaffordable in 26 of 32 boroughs. [\[See figure 10\]](#)

Method

This section shows the most recent median private rents for two-bedroom homes in each London Borough (January 2011 to December 2011). The net household income that a family would require for the median rent to be on the threshold of affordability – at 35% of net household income – is then calculated for each borough, and for inner, outer and the whole of London.

Background

The high cost of living in London is well documented, and although housing is the single biggest cost for the majority of households, other essentials can take up a large chunk of household incomes. For example parents pay an average of £5,668 per year on childcare in London (for children under two years old), and some nurseries cost double this.²³ The average London household pays over £3,400 in transport costs per year, just under £3,000 on food and non-alcoholic drinks and over £1,500 on water, electricity gas and other fuels.²⁴

Figure 7 provides some of the most recent available statistics on average wages and household incomes in London, and more details on the make-up of private renting households in London, and nationally, which help put these findings into context, can be found in [annex table 3](#).

²³ [Daycare Trust](#).

²⁴ Family Spending 2011 (Living costs survey 2008-2010), table a35

The most useful comparator for median rents, a median household income figure for London, is not available from published Government sources, so this is sourced from [CACI](#). CACI's figures are calculated from a range of household and lifestyle surveys combined with Government survey data. However, the mean gross household income figure they report for London - £41,435 is somewhat lower than the Government equivalent. For this reason, the median household income figures should be treated as indicative only.

Figure 7: London average household incomes and wages, various sources, most recent available.

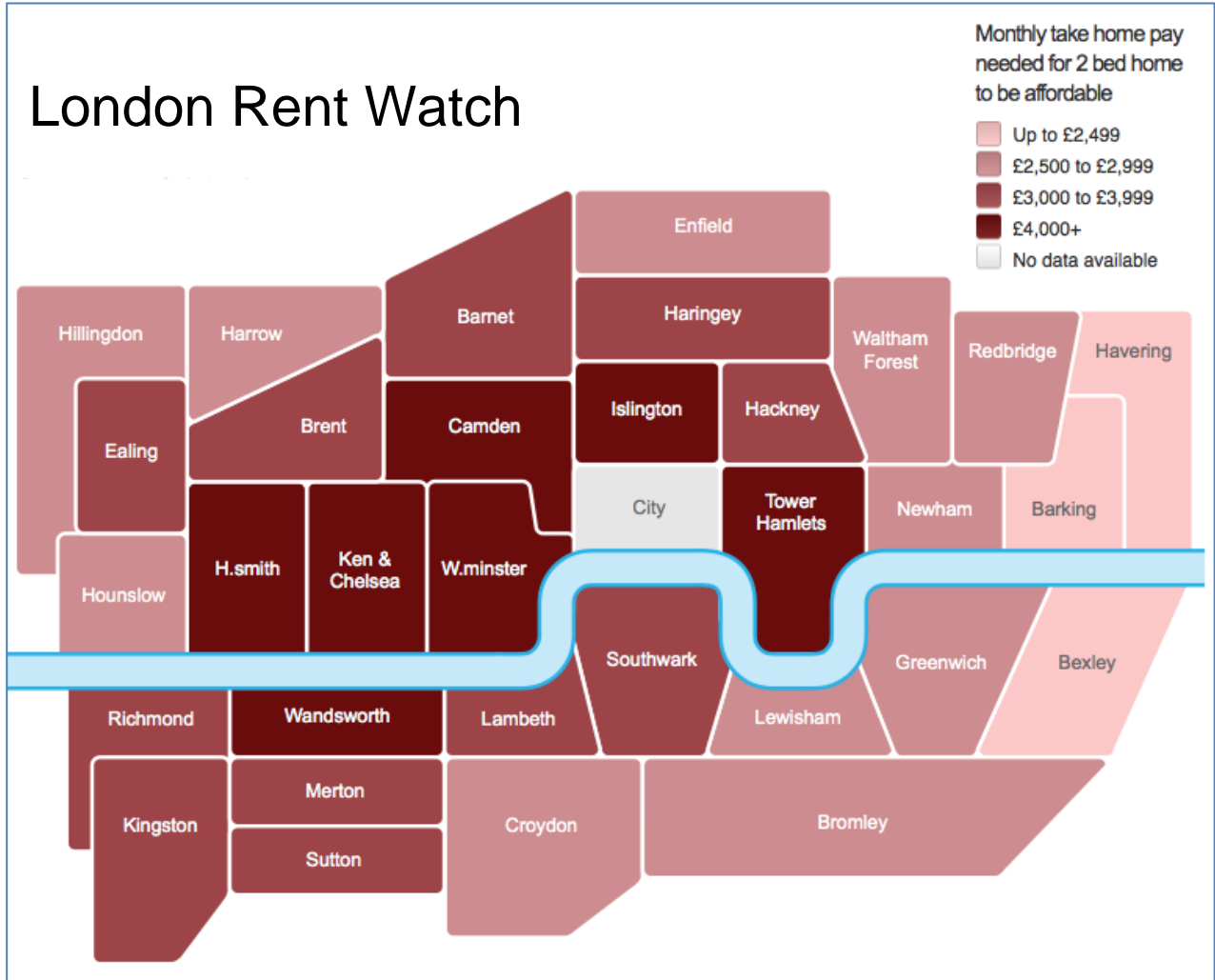
Description (All relate to London residents)	Gross amount	Estimated net amount	Source/ time period average relates to
Mean household income	£51,300	£40,500	ONS Living Costs Survey, average 2008-2010
Median household income	£34,200	£31,300 ²⁵	CACI Paycheck 2011 ²⁶
Mean wage (all employment)	£39,200	£29,200	ASHE 2011 provisional results, March 2011
Median wage (all employment)	£27,600	£21,100	ASHE 2011 provisional results, March 2011
Median wage, Public sector, full time	£35,200	£26,400	ASHE 2011 provisional results, March 2011
Median wage, Public sector, part time	£13,300	£11,300	ASHE 2011 provisional results, March 2011
Sources: ASHE 2011 provisional results, table 15.7a. Amounts rounded to nearest 100. Net amounts are estimated using an income tax calculator, deducting tax and National Insurance but not other possible deductions such as pension contributions.			

²⁵ This is estimated by Shelter, on the assumption of two equal earners, and wages making up 68% of income, which is the London average from Living Costs Survey 2008-10, table A41

²⁶ CACI Paycheck uses a combination of data sources to estimate gross household income from all sources, including benefits, and is used by the Greater London Authority.

Affordability map

Figure 8: map, monthly net household income required for median rents on two bedroom homes to be affordable (35% net household income).



Sources: Shelter analysis of VOA private rental market statistics, the 12 months from January 2011 to December 2011, median rents on two bedroom homes

An interactive version of this map is available on our [website](#).

Tables

Figure 9: Local authorities in London, ranked by highest household incomes required for median local two bedroom rent to equal 35% of net household income.

Rank (by highest rent/income)	Local authority	Median rent per month, two bedroom homes	Net household income required for median rent to equal 35% of income (per month)	Net household income required for median rent to equal 35% of income (per year)	Estimated gross wages required (per year)
1	Kensington and Chelsea	£2,600	£7,429	£89,143	£126,545.86
2	Westminster	£2,383	£6,810	£81,714	£113,954.87
3	Camden	£1,863	£5,324	£63,886	£84,894.49
4	Hammersmith and Fulham	£1,647	£4,705	£56,457	£74,128.78
5	Islington	£1,603	£4,581	£54,971	£71,975.24
6	Tower Hamlets	£1,517	£4,333	£52,000	£67,669.15
7	Wandsworth	£1,400	£4,000	£48,000	£61,871.88
8	Hackney	£1,387	£3,962	£47,543	£61,209.52
9	Brent	£1,350	£3,857	£46,286	£59,387.41
10	Richmond upon Thames	£1,300	£3,714	£44,571	£56,902.94
11	Southwark	£1,300	£3,714	£44,571	£56,902.94
12	Lambeth	£1,273	£3,636	£43,629	£55,536.48
13	Haringey	£1,249	£3,569	£42,823	£54,368.78
14	Ealing	£1,200	£3,429	£41,143	£51,934.00
15	Merton	£1,200	£3,429	£41,143	£51,934.00
16	Barnet	£1,170	£3,343	£40,114	£50,443.31
17	Kingston upon Thames	£1,100	£3,143	£37,714	£46,965.05
18	Hounslow	£1,050	£3,000	£36,000	£44,480.58
19	Harrow	£1,027	£2,934	£35,211	£43,337.72
20	Enfield	£1,001	£2,860	£34,320	£42,045.80
21	Lewisham	£975	£2,786	£33,429	£40,753.87
22	Newham	£953	£2,724	£32,686	£39,677.10
23	Hillingdon	£950	£2,714	£32,571	£39,511.64
24	Waltham Forest	£950	£2,714	£32,571	£39,511.64
25	Greenwich	£925	£2,643	£31,714	£38,269.40
26	Bromley	£916	£2,617	£31,399	£37,812.75
27	Croydon	£900	£2,571	£30,857	£37,027.16
28	Redbridge	£900	£2,571	£30,857	£37,027.16
29	Sutton	£875	£2,500	£30,000	£35,784.93
30	Barking and Dagenham	£850	£2,429	£29,143	£34,542.69
31	Havering	£825	£2,357	£28,286	£33,300.46
32	Bexley	£800	£2,286	£27,429	£32,058.22
	London	£1,200	£3,429	£41,143	£51,934
	Inner London	£1,473	£4,210	£50,514	£65,515
	Outer London	£1,000	£2,857	£34,286	£41,997

Sources: VOA Private Rental Market Statistics, the 12 months from January 2011 to December 2011, total sample size 21,781; The estimated gross wages figure is calculated by assuming two people earn equal salaries in the household, they receive child benefit for one child, and have no other income sources. At the lower end are likely to be slight over-estimates.

Figure 10: Proportions of London median household income (estimated net amount, £31,300 per year), taken up by the median rent on a two bedroom home, London Boroughs.

Rank (by highest income required)	Local authority	Median rent per month, two bedroom homes	% of London median household income (estimated net £31,300) taken up by median rent
1	Kensington and Chelsea	£2,600	99.8%
2	Westminster	£2,383	91.5%
3	Camden	£1,863	71.5%
4	Hammersmith and Fulham	£1,647	63.2%
5	Islington	£1,603	61.5%
6	Tower Hamlets	£1,517	58.2%
7	Wandsworth	£1,400	53.7%
8	Hackney	£1,387	53.2%
9	Brent	£1,350	51.8%
10	Richmond upon Thames	£1,300	49.9%
11	Southwark	£1,300	49.9%
12	Lambeth	£1,273	48.8%
13	Haringey	£1,249	47.9%
14	Ealing	£1,200	46.1%
15	Merton	£1,200	46.1%
16	Barnet	£1,170	44.9%
17	Kingston upon Thames	£1,100	42.2%
18	Hounslow	£1,050	40.3%
19	Harrow	£1,027	39.4%
20	Enfield	£1,001	38.4%
21	Lewisham	£975	37.4%
22	Newham	£953	36.6%
23	Hillingdon	£950	36.5%
24	Waltham Forest	£950	36.5%
25	Greenwich	£925	35.5%
26	Bromley	£916	35.1%
27	Croydon	£900	34.5%
28	Redbridge	£900	34.5%
29	Sutton	£875	33.6%
30	Barking and Dagenham	£850	32.6%
31	Havering	£825	31.7%
32	Bexley	£800	30.7%
	London	£1,200	47.1%
	Inner London	£1,473	57.8%
	Outer London	£1,000	39.2%

Sources: VOA Private Rental Market Statistics, the 12 months from January 2011 to December 2011, total sample size 21,781; London median gross household income is from CACI Paycheck 2011, estimated net amount calculated by Shelter on basis of 68% of gross income accounted for by wages (Living Costs Survey 2008-2010), and a household with two equal wage earners.

Section Three:

Affordability – Key worker families in London

This section examines the affordability of median private rents on two bedroom homes in each London borough for a range of key worker families with two incomes. The incomes are above the threshold for any benefit, other than child benefit, which is added in. These are modelled examples, rather than real-life cases, but the wages figures used are the real median earnings for these key jobs in London.

Rent taking up no more than 35% of net household income is used as the indicator of affordability (see footnote 17), and the results for a number of job combinations are shown.

Summary

The median rent on a two bedroom home is unaffordable in over a third of Boroughs for many families with two earners on median London pay for their professions (one full time, one part time):²⁷

- A full-time teacher and a part-time nurse on median London pay for their jobs, would find 12 of 32 boroughs unaffordable.
- A full-time Prison officer and a part-time teacher on median London pay for their jobs, would find 14 of 32 boroughs unaffordable.
- A full-time police officer and a part-time nursery nurse on median pay would also find 14 of 32 boroughs unaffordable.

²⁷ Median averages for jobs based in London, from ASHE 2011, provisional results, table 15.7a

Figure 11: Examples of total net household incomes for various key worker professions on median London wages, affordability of two bedroom homes

Full Time job	Part time job	Total net household income (including child benefit)	Number of London boroughs <u>unaffordable</u>	% of London boroughs <u>unaffordable</u>
Teaching Professional	Nurse	£43,873	12	38%
Teaching Professional	Social Worker	£43,008	13	41%
Police officer (sergeant and below)	Nursery Nurse	£42,011	14	44%
Fire service officers (leading fire officer and below)	Occupational Therapist	£41,980	14	44%
Prison Officer	Teaching Professional	£41,468	14	44%
Sources: wages are from ASHE 2011 provisional results, table 15.7a occupations by regions. Figures used are London median wages for each profession, and child benefit for one child included. Affordability based on Shelter calculations using VOA private rental market statistics, January 2011 to December 2011.				

Annex tables

Annex table one: sample sizes

Borough	Sample size, two bedroom homes, June 2010 to July 2011 dataset	Sample size, all homes (shared to 3 beds) , June 2010 to July 2011 dataset	Sample size, two bedroom homes, January 2011 to December 2011 dataset	Sample size, all homes (shared to 3 beds), January 2011 to December 2011 dataset
Barking and Dagenham	354	867	303	752
Barnet	1,201	3,289	1,174	2,889
Bexley	364	946	354	876
Brent	609	1,616	575	1,450
Bromley	666	1,450	677	1,511
Camden	923	2,709	1,071	2,785
Croydon	443	1,084	616	1,571
Ealing	721	1,955	764	2,028
Enfield	562	1,496	529	1,350
Greenwich	616	1,442	520	1,185
Hackney	748	2,031	638	1,668
Hammersmith and Fulham	442	1,213	529	1,190
Haringey	486	1,659	558	1,753
Harrow	510	1,308	536	1,239
Havering	350	883	339	860
Hillingdon	936	2,301	710	1,830
Hounslow	904	2,256	790	1,865
Islington	968	2,771	773	2,129
Kensington and Chelsea	1,071	2,356	421	961
Kingston upon Thames	498	1,848	390	1,441
Lambeth	1,144	2,781	1,058	2,403
Lewisham	747	2,054	788	2,058
Merton	722	1,700	807	1,929
Newham	410	1,236	380	1,114
Redbridge	655	1,750	602	1,575
Richmond upon Thames	743	2,071	786	2,108
Southwark	1,022	2,663	982	2,502
Sutton	407	927	387	884
Tower Hamlets	1,236	3,019	953	2,347
Waltham Forest	520	1,362	631	1,473
Wandsworth	1,420	3,439	1,194	2,989
Westminster	1,190	3,081	922	2,380

Sources: VOA Private Rental Market Statistics, 12 months from June 2010 to July 2011 and the 12 months from January 2011 to December 2011

Annex table two: Weightings applied

Borough	Geographic weight applied (Boroughs PRS as a % of London PRS)	Bedroom size weight applied to second dataset: Shared	Bedroom size weight applied to second dataset: studio	Bedroom size weight applied to second dataset: one bed	Bedroom size weight applied to second dataset: two beds	Bedroom size weight applied to second dataset: three beds
Barking & Dag	0.9%	1.586	1.100	1.056	1.168	1.095
Barnet	4.7%	1.542	1.090	1.035	1.023	1.040
Bexley	1.3%	1.725	0.731	0.947	1.028	1.085
Brent	4.1%	1.470	1.126	1.035	1.059	1.034
Bromley	2.4%	1.406	1.588	1.016	0.984	0.736
Camden	4.7%	1.594	1.085	0.972	0.862	0.928
Croydon	4.1%	0.553	1.000	0.766	0.719	0.652
Ealing	4.4%	0.911	0.892	1.010	0.944	0.995
Enfield	2.5%	1.502	1.028	0.968	1.062	1.004
Greenwich	2.1%	1.473	1.235	1.199	1.185	1.101
Hackney	2.7%	1.201	0.983	1.206	1.172	1.461
Hamm & Fulham	3.3%	1.871	0.820	1.019	0.836	1.012
Haringey	4.0%	1.138	1.131	0.776	0.871	1.037
Harrow	2.1%	1.677	0.865	1.055	0.951	1.103
Havering	1.1%	1.333	1.048	1.041	1.032	0.935
Hillingdon	2.1%	0.925	1.417	1.413	1.318	1.168
Hounslow	2.6%	1.556	1.342	1.215	1.144	1.172
Islington	2.8%	1.558	1.229	1.300	1.252	1.184
Kens. & Chelsea	4.4%	3.036	2.191	2.339	2.544	2.211
Kingston	2.2%	1.346	0.942	1.045	1.277	1.464
Lambeth	4.9%	1.659	1.040	1.059	1.081	1.222
Lewisham	2.9%	1.019	1.022	1.060	0.948	0.990
Merton	2.7%	0.793	1.159	0.838	0.895	0.994
Newham	3.4%	1.392	0.922	1.025	1.079	1.048
Redbridge	2.7%	1.029	1.175	1.194	1.088	1.118
Richmond	2.9%	1.108	1.100	1.015	0.945	0.850
Southwark	2.9%	1.125	1.115	1.021	1.041	1.169
Sutton	1.6%	0.856	1.028	1.040	1.052	1.203
Tower Hamlets	2.7%	1.219	1.427	1.316	1.297	1.245
Waltham Forest	3.2%	1.077	1.000	0.954	0.824	1.020
Wandsworth	5.6%	0.858	0.923	1.213	1.189	1.249
Westminster	6.0%	1.426	1.133	1.235	1.291	1.397

Sources: Geographic weight – unpublished estimates produced for Shelter by Cambridge University and based on Census 2001 uprated by Labour Force Survey; Size weights, VOA private rental market statistics

Annex table three – statistics on the private rented sector, working people, children and household incomes

These statistics help put the amounts needed to afford median rents in London into context, although data is not always available at tenure and regional level:

- The breakdown of working status among private renting families nationally is 27% with no-one in work, 33% with a mix of working and non-working adults, and the minority (40%) with all adults working. This 40% will include lone parent households where the parent is in work.(1)
- Other official statistics show that 28% of privately renting households nationally have no working person, 37% one, and again the minority, 35% with two or more people working.(2)
- Statistics on London households (of all housing tenures) show that in half, all the adults work, in 31% there is a mixture of working and non-working adults, and 19% contain no-one in work.(2)
- 37% of London children live in a home where everyone works, 42% in households with a mix of working and non-working adults, and 21% are households where no-one works.(2)
- Nationally, 30% of private rented households include children.(3)
- Nationally, the majority (65%) of private renting households contain no more than one person in full or part time work.(3)
- Nationally, the median gross household income in the private rented sector is £25,300, 12% below the national average of £28,400.(4)

(1) Family Spending 2011, based on 2010 living costs survey

(2) ONS - <http://www.ons.gov.uk/ons/publications/re-reference-tables.html?edition=tcm%3A77-222940>

(3) English Housing Survey 2009-10

(4) English Housing Survey 2009-10

(5) English Housing Survey 2009-10, rounded to nearest 100

Annex table four – Inner and Outer London borough classification

Borough
Inner London
City of London (excluded from analysis due to small number of private rented homes)
Camden
Hackney
Hammersmith and Fulham
Haringey
Islington
Kensington and Chelsea
Lambeth
Lewisham
Newham
Southwark
Tower Hamlets
Wandsworth
Westminster
Outer London
Barking and Dagenham
Barnet
Bexley
Brent
Bromley
Croydon
Ealing
Enfield
Greenwich
Harrow
Havering
Hillingdon
Hounslow
Kingston upon Thames
Merton
Redbridge
Richmond upon Thames
Sutton
Waltham Forest
Source: Various Government sources, this is the categorisation used in Office for National Statistics outputs.

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