

Article

Private rental prices development plan: June 2020

The priorities, aims and methodology under development for private rental prices statistics, including a broad timeline of the planned work.

Contact:
Aimee North
hpi@ons.gov.uk
+44 (0)1633 456400

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Table of contents

1. [Introduction](#)
2. [Background](#)
3. [Previous user engagement](#)
4. [Improvements made to existing private rental price statistics](#)
5. [Future transformation of private rental price statistics](#)
6. [Timeline for development](#)
7. [Conclusion](#)

1 . Introduction

The Office for National Statistics (ONS) is responsible for the development and publication of private rental price statistics. It is our responsibility to make sure our private rental price statistics meet the needs of users, explore new and innovative methods, and comply with international private rental price statistics' best practice.

This article outlines the current situation and developments we want to make to private rental price statistics to better meet users' needs. This development plan will evolve over time reflecting feedback; details on how and when to provide feedback can be found in [Section 5](#). Where significant changes are made to the development plan, we will publish an update.

Existing private rental price statistics are used to inform the owner occupiers' housing costs (OOH) element of the Consumer Prices Index including OOH (CPIH), the ONS's lead measure of consumer price inflation. It is anticipated that the outputs from this development work will eventually be used to measure OOH for the CPIH. However, no changes will be made to the methodology currently used to produce OOH throughout this development plan's duration.

If you have a query about the private rental price statistics development, please email hpi@ons.gov.uk.

2 . Background

Currently, the Office for National Statistics (ONS) publishes two private rental prices statistical outputs: the UK Index of Private Housing Rental Prices (IPHRP), which is produced monthly, and Private rental market summary statistics in England (PRMS), which is produced bi-annually.

The IPHRP measures the change in the price tenants face when renting residential property from private landlords. The IPHRP publishes an index of private rental growth and annual percentage change for the UK, its countries and English regions.

PRMS are point-in-time rental price estimates for England, English regions and English local authorities. Current methodology limitations prevent compositional changes from being taken into account, so it is not appropriate to compare PRMS estimates year-on-year to infer trends in the rental market, and a price index cannot currently be produced.

3 . Previous user engagement

To meet user needs, we first must understand what users require from private rental price statistics. In 2016, a User Engagement Event was held at which two main areas for development were identified: publication of private rental price comparable over time, including a historical time series, and greater geographic granularity, including rent growth measures down to local authority level.

The Office for National Statistics (ONS) established data access requirements and received access to all necessary data by September 2019, enabling the launch of this development project.

In November 2019, the ONS presented its initial analyses and methodology research outputs to a selection of stakeholders. We gathered feedback on the initial findings, discussed methodology options, completed further analysis based on the outcomes of this consultation and implemented their valuable feedback in the development of the methodology.

4 . Improvements made to existing private rental price statistics

In October 2019, the responsibility for publishing the Private rental market summary statistics for England (PRMS) transferred from the Valuation Office Agency (VOA) to the Office for National Statistics (ONS). The ONS liaised with the VOA to include a user-interactive map feature in [December 2019's publication](#). This new feature showed median rental value by bedroom category and by local authority geographic area. This enhanced the user experience and allowed the user to more easily explore and utilise the data at the desired geography and bedroom category.

5 . Future transformation of private rental price statistics

This development plan is a dynamic article that will be updated when appropriate; changes to the plan will be announced to users through the statistical bulletins of the [Index of Private Housing Rental Prices](#) (IPHRP) and [Private rental market summary statistics for England](#) (PRMS).

Project aim

Following the feedback from consultation with users, we aim to unify private rental price statistics by replacing the IPHRP and PRMS with a new, single, monthly publication. This new publication will use the latest available data sources to publish private rental price statistics comparable over time and down to lower geographic levels than currently available in the IPHRP. We aim for these measures to be available for the UK, its countries, English regions and local authorities.

The new publication will contain:

- an index of private rental growth over time
- annual percentage change over time
- private rental price over time
- a breakdown of private rental price by geography and bedroom category (studio, one bedroom, two bedrooms, three bedrooms, and four or more bedrooms)

Methodology development

To achieve this, completely new innovative methodology will be needed. In October 2019, we started building a prototype using a new methodology with the capability to meet the aims specified in [Section 3](#).

We are consulting with methodology experts in the Office for National Statistics (ONS) and undertaking an internal peer review to ensure the new methodology meets recommended international best practice.

The methodology is currently under development and will aim to make better use of the rich sources of rental data at our disposal (such as monthly rental price transaction data and property attributes data) that will allow us to publish more granular rental estimates and a coherent set of price levels and inflation rates. The methodology will be based on the approach used to calculate the [UK House Price Index \(HPI\)](#) and goes through a six-stage process:

- stage one: the data are cleaned
- stage two: the data are fitted to a hedonic regression model to quantify the relationship between property characteristics and associated rental price for each calendar month
- stage three: quality assurance checks are completed on the data
- stage four: average rental price for each month is calculated on the stock of private rents
- stage five: the data are mix-adjusted for compositional changes in the data
- stage six: indices of private rental price and growth over time are produced

More detail on the methodology will be published in due course.

Future user engagement

We will continue to gather user feedback throughout 2020. This feedback will be consulted and actioned, where appropriate, during methodology implementation and during design of the new statistical bulletin.

When the methodology update is published, we will invite communications from users via email to hpi@ons.gov.uk. We will enter a user consultation period, which will include hosting an online workshop, and invite online feedback, to provide users with the opportunity to influence the content of the new statistical outputs.

6 . Timeline for development

Table 1 provides an outline of the project milestones of the work described in the other sections. Future dates are estimates and depend on the previous milestone being achieved. Resource availability is also subject to change as a result of the coronavirus (COVID-19) pandemic, which may lead to timetable changes.

Table 1: Timeline for development project

What	When	Progress
Gain access to data required for development	September 2019	Complete
Research existing methodologies used for rental price statistics	October 2019	Complete
Complete internal methodology ratification	July 2020	In progress
Quality assure new publication outputs	July-September 2020	To start
Publish an updated development plan containing new methodology	September 2020	To start
User consultation period	September 2020	To start
Publish initial analysis; collect user feedback	October 2020	To start
Publish first statistical bulletin using new methodology	To be confirmed	To start

Source: Office for National Statistics – Private rental prices development plan

7 . Conclusion

This article has been published to give you a greater understanding of the planned development work associated with private rental price statistics.

We are committed to continual improvement to our private rental price statistics, prioritising your valuable feedback. We welcome your communication in terms of this development work; if you have anything additional to raise, please email us at hpi@ons.gov.uk.