

Article

# Private rental prices development plan: updated January 2021

The updated proposed development plan for private rental price statistics outlines the priorities, aims and methodology under development. A broad timeline is included to provide users of private rental price statistics with a greater understanding of the planned development work.

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# 1 . Updates to the private rental prices' development plan

The January 2021 update to the Private rental prices' development plan contains an updated timeline for development in Section 5.

Our timeline has been slowed; this reflects the impact on resources because of the coronavirus (COVID-19) pandemic. It also reflects the need for more time to fully assure the new methodology. We have been working closely with ONS methodology experts to ensure our new methods are of high quality.

In spring 2021 we expect to publish an updated development plan containing the new methodology. We will then start to engage with users on the proposed development and methodology. After working to take this feedback on board, we will publish our initial analysis and collect user feedback in summer to autumn 2021.

## 2 . Introduction to private rental prices statistics in the ONS

### Introduction

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

This article outlines the current situation and developments we want to make to private rental prices 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 Future user engagement in Section 4. Where significant changes are made to the development plan, we will publish an update.

Existing private rental prices 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 prices inflation. It is anticipated that the outputs from this development work will eventually be used to measure OOH for the CPIH.

We are mindful of the need to engage extensively with stakeholders about any impact on OOH. We will consider the impact on OOH during this development plan and engage with stakeholders about it separately. We will undertake sensitivity analyses and a parallel run to ensure that users can provide feedback before the estimates are considered for use in CPIH.

If you have a query about the private rental price statistics development, please email [hpi@ons.gov.uk](mailto:hpi@ons.gov.uk).

### 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 are 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.

## **Improvements made to existing private rental prices statistics**

In October 2019, the responsibility for publishing the private rental market summary statistics in 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 the biannual bulletins. 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 use the data at the desired geography and bedroom category.

## **3 . Previous user engagement**

To meet user needs, we first must understand what users require from private rental prices 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 data 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 . Future transformation of private rental prices 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 UK Index of Private Housing Rental Prices (IPHRP) and private rental market summary statistics in 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 prices 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 publish these new private rental prices statistics, new innovative methodology is needed. In October 2019, we started building a prototype using a new methodology with the capability to meet the aims specified in Section 4.

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 recognised 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 stages will be based on the approach used to calculate the UK House Price Index. The exact detail of each methodology stage will be tailored to suit rental data. The methodology is a six-stage process:

- stage one: the data are cleaned, property records are matched by address to administrative data and missing data are imputed
- stage two: quality assurance checks are completed on the data
- stage three: 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 four: average rental prices for each month are 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 prices 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 2021. This includes engaging with the Advisory Panel for Consumer Prices Technical Panel, consultations with key users in other government departments and a user consultation period in Spring to Summer 2021. This feedback will be 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](mailto:hpi@ons.gov.uk). We will enter a user consultation period, which will include hosting an online workshop, as well as inviting online feedback, to provide users with the opportunity to influence the content of the new statistical outputs.

## 5 . Timeline for development

Here is 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.

- Gain access to data required for development by September 2019: now complete.
- Research existing methodologies used for rental price statistics by October 2019: now complete.
- Build and test a new system and methodology to produce private rental prices estimates throughout 2020 and early 2021: in progress.
- Complete internal methodology ratification by spring 2021: in progress.
- Quality assure new publication outputs by spring 2021: to start.
- Publish an updated development plan containing new methodology by spring 2021: to start.
- User consultation period by spring to summer 2021: to start.
- Publish initial analysis; collect user feedback by summer to autumn 2021: to start.
- Publish first statistical bulletin using new methodology, timing to be confirmed: to start.

## 6 . Related links

[Index of Private Housing Rental Prices](#)

Bulletin | Released 16 December 2020

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

[Private rental market summary statistics in England: October 2019 to September 2020](#)

Bulletin | Released 11 December 2020

Summary of monthly private rent statistics by region, local authority and bedroom category for England.