

Article

Private rental growth measures, a UK comparison: January to December 2022

Compares growth in the Index of Private Housing Rental Prices (IPHRP) with other measures of private rental growth.

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1 . Main points

- The [Index of Private Housing Rental Prices \(IPHRP\)](#), which measures the stock of private rents, is a broader and less volatile rental price index compared with private sector measures of new lets.
- IPHRP reported increasing annual percentage changes in private rental prices across the UK, UK nations and English regions during 2022.
- Private sector measures of UK newly-let rents reported increasing annual percentage change during late 2021 and early 2022, but some have eased in recent months of 2022.
- London accounts for a higher proportion of England's private rented stock than England's owner-occupier housing stock, which drives the difference between owner-occupiers' housing costs (OOH) and IPHRP measures.

2 . Overview

The [Index of Private Housing Rental Prices \(IPHRP\)](#) measures the price changes of renting residential property from private landlords. These rents are used for the rental equivalence measure of [owner occupiers' housing costs \(OOH\)](#) in the [Consumer Prices Index \(CPIH\)](#).

There can be considerable difference between the Office for National Statistics's (ONS) measures of rents (IPHRP, OOH, the private rental market summary statistics (PRMS)) and comparable indicators from the private sector. However, once adjustments are made for differences in what the indices are measuring, the ONS measures are more closely aligned with the other sources of rental prices.

We have shown the wide range of sources available for rental data, highlighting the extent of their similarities and differences. Differences can be explained, providing confidence that the IPHRP is a robust measure of private rental statistics.

By the end of 2020, and continuing into early 2021, IPHRP and private sector measures reported a slowdown of UK private rental price annual inflation. This was driven by a slowdown, and later reduction, of London rental prices, perhaps reflecting lower demand in London because of the coronavirus (COVID-19) pandemic. For example, remote working, meaning workers no longer needed to live close to offices, may have caused housing preferences to change.

By the end of 2021, IPHRP reported that the UK private rental price annual inflation was starting to increase, despite London private rental prices having fallen over the previous 12 months. London private rental prices rose from mid-2021. By December 2022, IPHRP reported record-high UK annual inflation in private rental prices (4.2% in the 12 months to December 2022), and the strongest annual inflation in London (4.0% in the 12 months to December 2022) since November 2015.

3 . Comparing the Office for National Statistics’s (ONS) rents data and private sector data

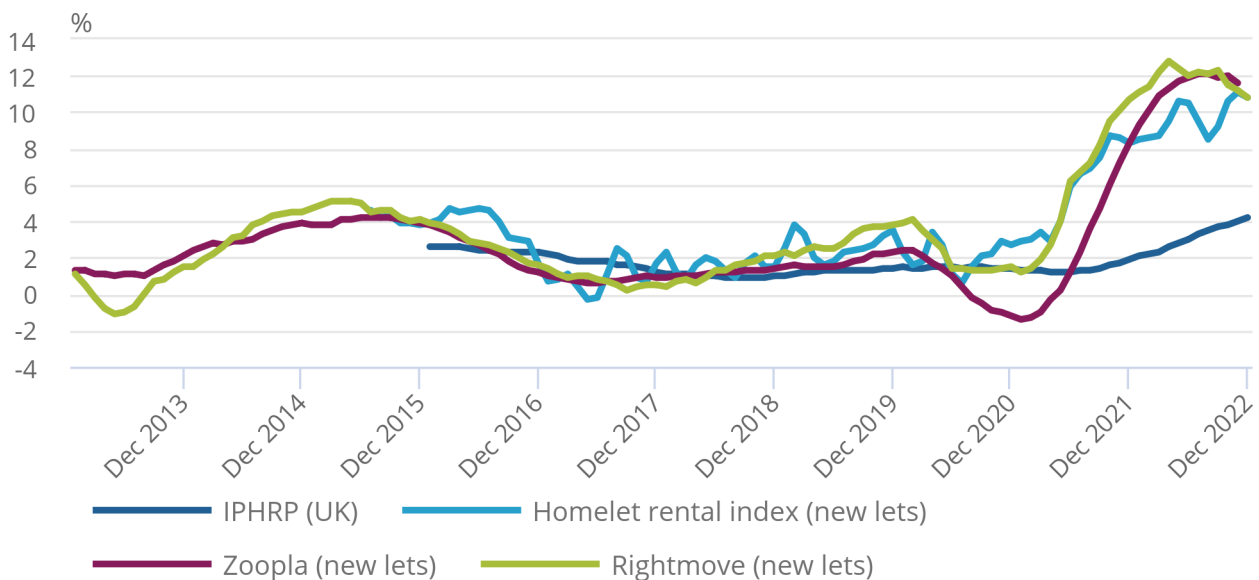
Many private sector organisations (such as HomeLet, Rightmove, and Zoopla) produce a range of rental data, including estimates of changes in rental prices.

Figure 1: Index of Private Housing Rental Prices (IPHRP) measure is more stable

IPHRP and private sector measures of rents, percentage change over 12 months, January 2013 to December 2022, UK

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IPHRP and private sector measures of rents, percentage change over 12 months, January 2013 to December 2022, UK



Source: Zoopla, HomeLet, Rightmove and Office for National Statistics – Index of Private Housing Rental Prices

IPHRP and private sector measures have reported increases in private rental price annual inflation during 2022, caused by rising rental prices spanning the UK. IPHRP reported that UK annual inflation increased to 4.2% in the 12 months to December 2022, up from 2.1% in the 12 months to January 2022. IPHRP also reported that, in the 12 months to December 2022, private rental prices in the East Midlands experienced the largest increase of all English regions (5.0%). Meanwhile, the North East and South East experienced the smallest increases in England (3.8%).

Rightmove reported that UK annual inflation was 10.8% in the 12 months to December 2022, down from 11.1% in the 12 months to January 2022. HomeLet reported that UK annual inflation increased to 10.8% in the 12 months to December 2022, up from 8.5% in the 12 months to January 2022. Zoopla reported that UK annual inflation increased to 11.6% in the 12 months to November 2022, up from 9.3% in the 12 months to January 2022. After steadily increasing during early 2022, some private sector measures have reported a slowdown in UK annual inflation of newly-let rental prices since September 2022 (Rightmove) and October 2022 (Zoopla).

Historically, private rental price increases measured by private sector measures have differed to those shown in the Index of Private Housing Rental Prices (IPHRP), and some are more volatile. This is because the private sector measures primarily focus on newly-let properties, while the IPHRP includes newly-let properties and existing lets (our blog, [Measuring rents: stock vs flow](#), provides more detail). More details on the private sector measures used in the comparison with IPHRP can be found in [Section 8: Data sources and quality](#). The Valuation Office Agency (VOA) rent officers suggest that larger price increases more frequently occur when properties are newly-let. Existing tenants tend to see smaller price increases (on contract renewal or during the existing contract period).

According to the [English Private Landlord Survey 2018 \(PDF, 1.48MB\)](#) and [Goodlord's Rental Index August 2020 report \(PDF, 306KB\)](#), the average rental contract fixed-term length is around 10 months. During this contract period, a tenant's rent is fixed and remains unchanged. The IPHRP includes all new lets, those renewing their contract, and those within their existing contract. Accounting for all three groups results in a smoother series for IPHRP than for other measures that focus on new lets, where there is more volatility between each month.

Additionally, since price changes are led by new lets and do not affect tenants within their existing contract until the contract term has ended, it takes time for changes in the new lets rental market to influence the overall stock monitored by IPHRP. Therefore, it takes time for rental impacts observed in the new let private measures to affect the overall stock, and show in IPHRP's measure.

4 . Comparison of Index of Private Housing Rental Prices (IPHRP) with Private rental market summary statistics

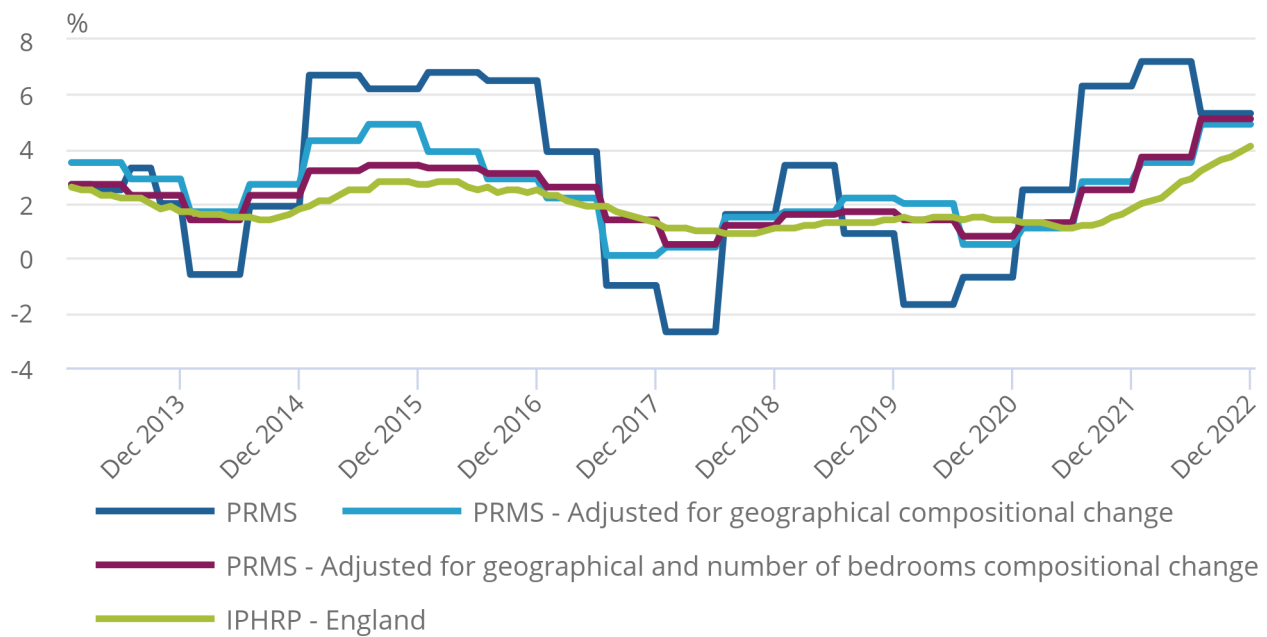
In evaluating measures of private rental price, some users have focused on the difference between the average rental prices published in our [Private rental market summary statistics \(PRMS\) bulletin](#), and our [IPHRP bulletin](#). Both are based on the same underlying private rents data collected by Valuation Office Agency (VOA) rent officers for England.

Figure 2: Private rental market summary statistics and IPHRP follow the same pattern after accounting for differences in measurement

Private rental market statistics adjusted for compositional change against IPHRP, percentage change over 12 months, January 2013 to December 2022, England

Figure 2: Private rental market summary statistics and IPHRP follow the same pattern after accounting for differences in measurement

Private rental market statistics adjusted for compositional change against IPHRP, percentage change over 12 months, January 2013 to December 2022, England



Source: Valuation Office Agency – Lettings Information Database, Office for National Statistics – Index of Private Housing and Rental Prices and Private rental market summary statistics

There are some major differences between the PRMS series and the IPHRP, which may affect confidence in the IPHRP; however, we can explain these differences.

The IPHRP is a "price index" that seeks to make pure price comparisons, while the PRMS is a simple "average of transactions" collected during the period; they are therefore not directly comparable over time.

Over the period presented, the average annual growth rate of the PRMS is 2.9%, compared with an average annual growth rate in the IPHRP of 1.9%. The difference of 1.04 percentage points arises from:

- geographical compositional effects (differences in the geographical coverage distribution between IPHRP's annually-fixed distribution and PRMS' 12-month periods) account for 0.49 percentage points of the difference, as shown by the lightest (blue) line in Figure 2.
- compositional changes relating to the number of bedrooms of properties in the PRMS sample account for 0.15 percentage points of the difference, as shown by the darker (purple) line in Figure 2.
- the remaining 0.40 percentage points difference reflects other methodological differences between PRMS and IPHRP that prevent direct comparison of these measures.

We are, therefore, confident that the IPHRP is a fair reflection of the increase in the stock of rental prices over time.

5 . Comparison of Index of Private Housing Rental Prices (IPHRP) with owner occupiers' housing costs

The IPHRP measures the change in price tenants face, when renting residential properties from private landlords. For information about the cost of purchasing a house, the [UK House Price Index \(HPI\) report](#) provides an estimate of the average house price (and how much it has fluctuated).

The measurement of costs associated with owning, or living, in a house (referred to as owner occupiers' housing costs (OOH)) is more difficult. Our blog finds the [cost of consuming housing services](#) is different to the cost of purchasing a house. The Office for National Statistics (ONS) measures OOH through rental equivalence, which assumes the rent paid for an equivalent house can be used as an estimate of the cost of housing services, as explained in our blog, [Housing costs: How we measure them and why](#).

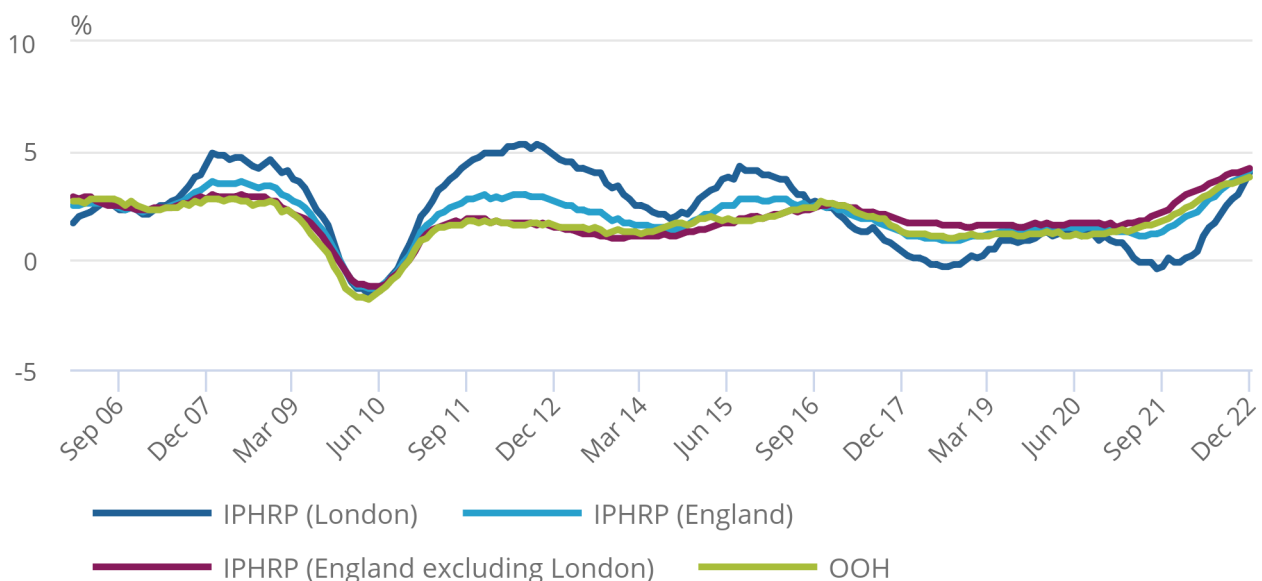
In calculating our OOH measure, we use the same rental data sources as the IPHRP, so it might be expected that they would show the same price development over time. Figure 3 shows they are similar, but any differences are explained.

Figure 3: IPHRP and OOH differences can be explained by different mix of properties

IPHRP compared with OOH, percentage change over 12 months, January 2006 to December 2022, England

Figure 3: IPHRP and OOH differences can be explained by different mix of properties

IPHRP compared with OOH, percentage change over 12 months, January 2006 to December 2022, England



Source: ONS Office for National Statistics – IPHRP Index of Private Housing Rental Prices and OOH Owner occupiers' housing costs

The main reason for this difference is the composition of the housing mix that represents the private-rented market, compared with the owner-occupied market. The type and location of properties in the private-rented sector are different to the owner-occupiers' sector. This is taken into account when calculating these estimates.

Taking location as an example, London has a higher proportion of private-rented stock, compared with owner-occupied housing stock. Therefore, rental price growth in London impacts the IPHRP more than OOH. The IPHRP series "England excluding London" is very similar to the OOH series "OOH" (both shown in Figure 3), which demonstrates the impact London has on the IPHRP.

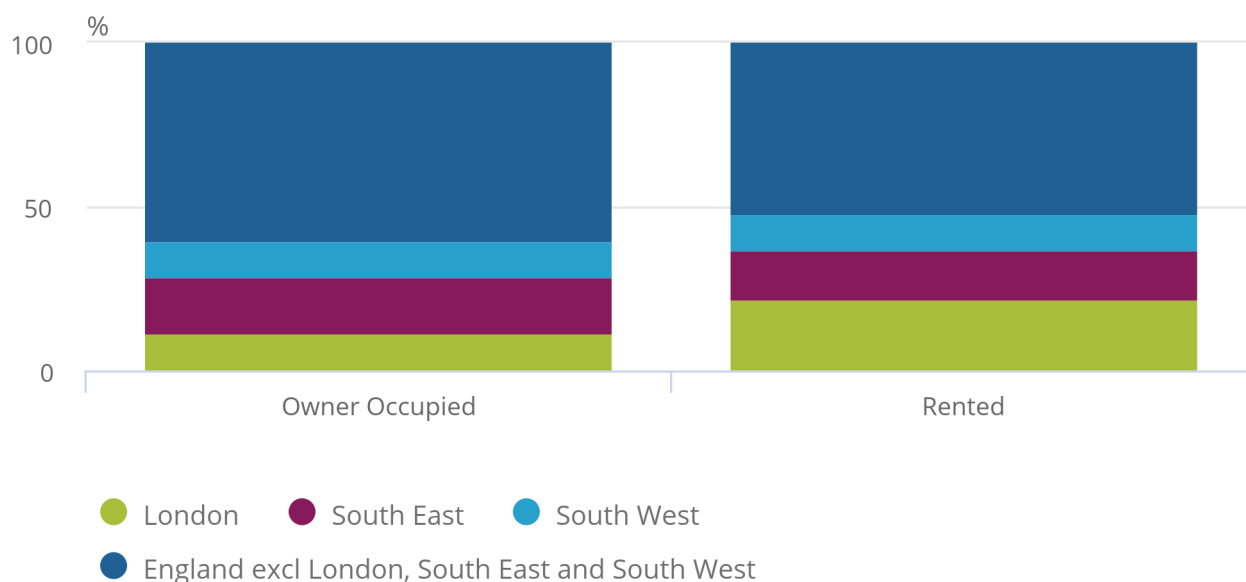
Figure 4 provides an indication of how the proportion of owner-occupied and private-rented stock differs in England, with London containing a higher proportion of England's private-rented stock than England's owner-occupied stock. Figure 4 is based on [the latest government dwelling stock data from 2021](#) (Table 109).

Figure 4: London accounts for a higher proportion of the private-rented dwelling stock than the owner-occupied dwelling stock

Dwelling stock proportions, by tenure and region, England, 2021

Figure 4: London accounts for a higher proportion of the private-rented dwelling stock than the owner-occupied dwelling stock

Dwelling stock proportions, by tenure and region, England, 2021



Source: Department for Levelling Up, Housing and Communities – Dwelling stock (including vacant)

6 . Effect of the private rental market on the cost of living

The Consumer Prices Index including owner occupiers' housing costs (CPIH) annual inflation rate can be used as an indication of the cost of living, according to [our latest insights](#). The CPIH UK annual inflation rate has increased, between early 2021 and late 2022, indicating that the cost of living has increased during this period.

Our [Index of Private Housing Rental Prices \(IPHRP\) bulletin](#) is used for the rental equivalence measure of [owner occupiers' housing costs \(OOH\) in CPIH](#). IPHRP reports that annual inflation in UK private rental prices has been consistently increasing since mid-2021 and has continued to increase during 2022. This means that rising private rental prices has contributed towards the rising cost of living in 2022.

IPHRP reported that, in the 12 months to December 2022, UK private rental prices were rising at the fastest annual rate (4.2%) since the UK series began in January 2016. Meanwhile, London private rental prices were rising at the fastest annual rate (4.0%) since November 2015.

Private sector measures also reported reaching record-high annual inflation in UK new lets in 2021 and 2022. However, in late 2022, private sector measures of newly-let rental properties indicated that annual inflation in UK new lets may no longer be continuing to increase at rates as fast as reported in late 2021 and early 2022.

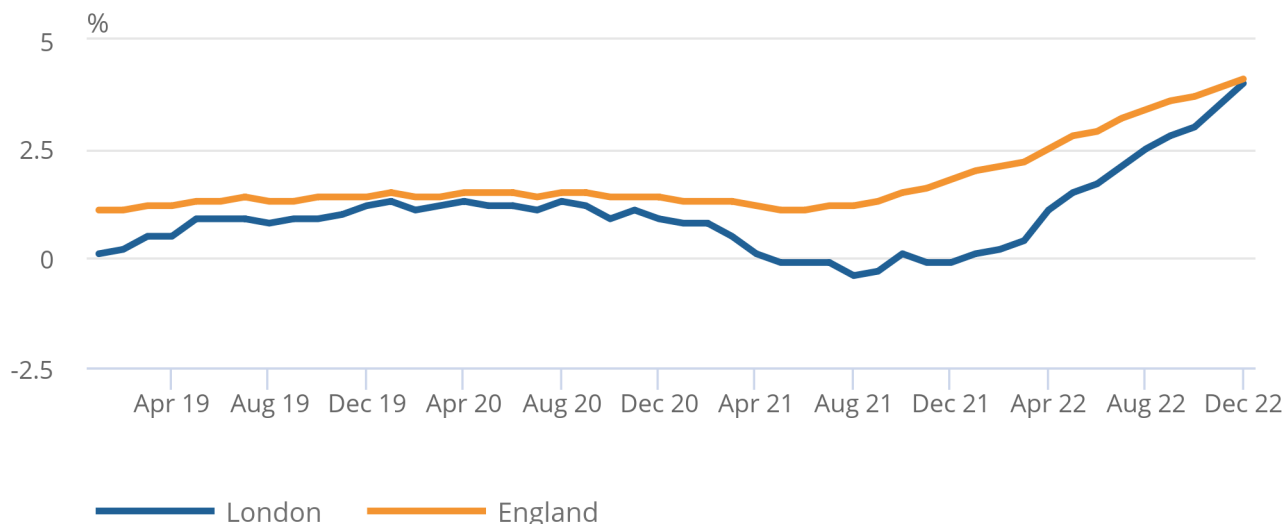
While private sector indices measure price changes in newly-let rental properties, IPHRP measures the stock of rents. This means that it may take some time for any effect from newly-let rental prices to be fully reflected in IPHRP. It may also take some time for the impact of changes in the private rental market to be fully reflected in measures of the cost of living, including CPIH. This is because IPHRP is used in measures of cost of living, such as the CPIH.

Figure 5: Private rental annual inflation has increased during 2022 in England and London, but England's private rental price annual inflation started increasing 6 months earlier than London's

Index of Private Housing Rental Prices: London and England, percentage change over 12 months, January 2019 to December 2022, England

Figure 5: Private rental annual inflation has increased during 2022 in England and London, but England's private rental price annual inflation started increasing 6 months earlier than London's

Index of Private Housing Rental Prices: London and England, percentage change over 12 months, January 2019 to December 2022, England



Source: Office for National Statistics – Index of Private Housing Rental Prices

Figure 5 shows that London's annual inflation in private rental prices increased during 2022. It rose from 0.1% in the 12 months to January 2022, to 4.0% in the 12 months to December 2022, which is the strongest annual inflation in London since November 2015. IPHRP also reported that the annual inflation in UK private rental prices increased during 2022, rising from 2.1% in the 12 months to January 2022 to 4.2% in the 12 months to December 2022. IPHRP shows that all parts of the UK experienced private rental price growth in 2022, contributing to the rising cost of living, with London's annual inflation rising fastest of all English regions between January 2022 and December 2022.

7 . Glossary

Index of Private Housing Rental Prices (IPHRP)

The Index of Private Housing Rental Prices (IPHRP) measures the change in the price tenants face when renting residential property from private landlords.

Administrative data

Administrative data are data that people have already provided to the government through day-to-day activities, such as health records, social security payments, or educational attainment information.

Owner occupiers' housing costs - rental equivalence approach

Assumes a dwelling is a capital good and therefore not consumed, but instead provides a flow of services that are consumed each period. Rental equivalence imputes owner occupiers' housing costs from the rents paid for equivalent rented properties. Measures the ongoing consumption of owner occupiers' housing services.

Local authorities

Shires, metropolitan districts, the Council of the Isles of Scilly, unitary authorities, London boroughs, and the City of London are local authorities.

8 . Data sources and quality

Information regarding external data sources, Zoopla, Rightmove and HomeLet is available in [our previous release](#).

9 . Future developments

Following the [Digital Economy Act 2017](#), the Office for National Statistics (ONS) gained access to the Valuation Office Agency (VOA) private rental microdata. Consequently, the ONS aims to redevelop the Index of Private Housing Rental Prices (IPHRP) and private rental market statistics (PRMS). This will produce mix-adjusted average rental prices that are comparable over time and geography down to lower geographic levels, to better meet user needs.

More information, and a timetable for these developments, is available in our [Private rental prices development plan: updated February 2022 article](#). If you have any queries or feedback on these developments, please email hpi@ons.gov.uk.

10 . Related links

[Index of Private Housing Rental Prices: December 2022](#)

Bulletin | Released 18 January 2023

An experimental price index tracking the prices paid for renting property from private landlords in the UK. Includes measures of owner occupiers' housing costs.

[Consumer price inflation, UK: December 2022](#)

Bulletin | Released 18 January 2023

Price indices, percentage changes and weights for the different measures of consumer price inflation.

[Private rental market summary statistics in England: October 2021 to September 2022](#)

Bulletin | Released 14 December 2022

Median monthly rental prices for the private rental market in England, calculated using data from the Valuation Office Agency.

[Private rental prices development plan: updated February 2022](#)

Article | Released 8 February 2022

Overview of our plans for the statistical development of rental prices statistics, including a timeline for development.

[Measures of owner occupiers' housing costs, UK: January to March 2020](#)

Article | Released 17 June 2020

The different approaches of measuring owner occupiers' housing costs (OOH) associated with owning, maintaining and living in one's own home.

11 . Cite this article

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