



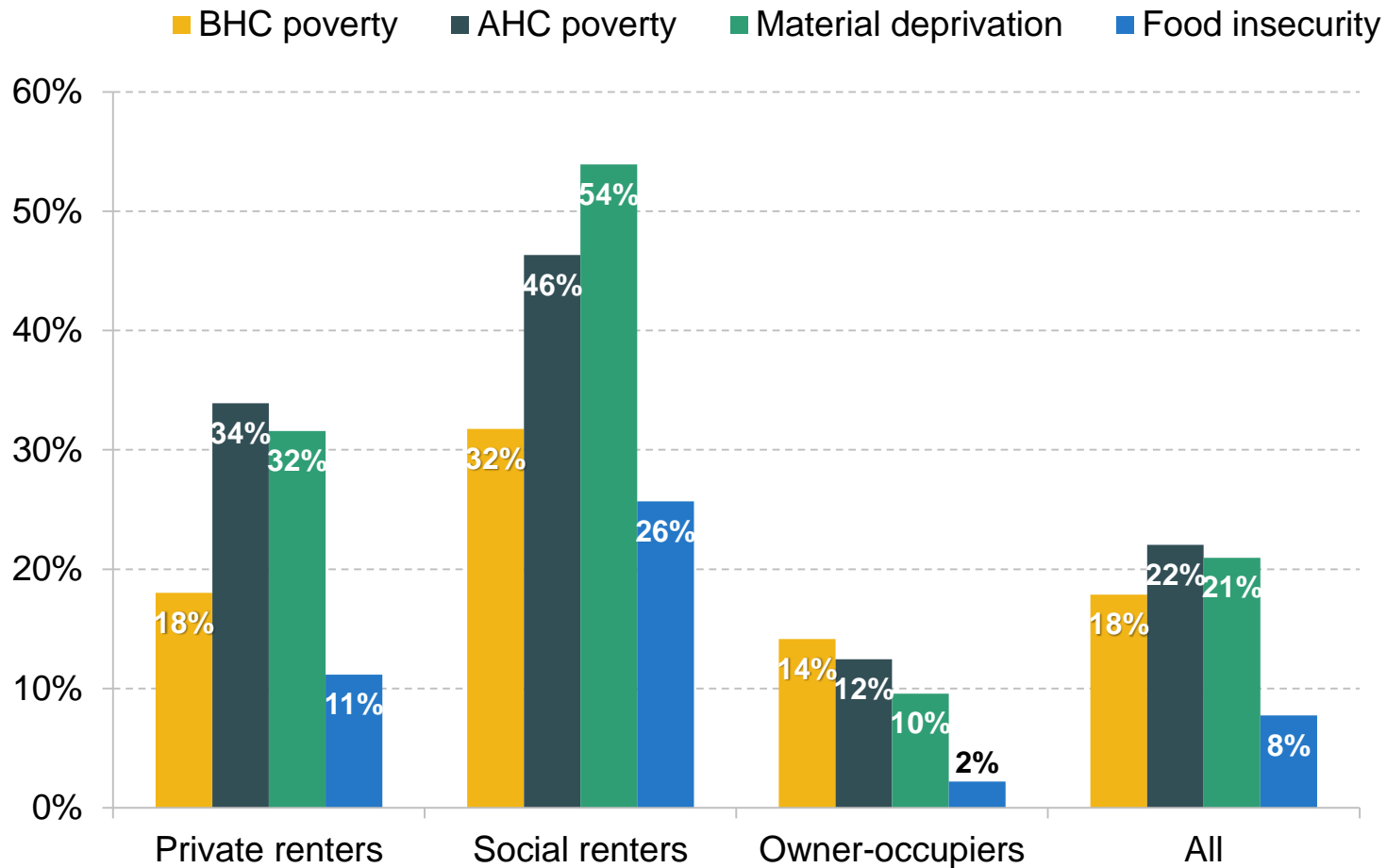
Tom Wernham

# Housing quality and affordability for renters on low incomes

13 July 2023

@TheIFS

# Renters have lower living standards on many measures



Note: we use the relative measure of poverty here  
Source: calculations using Family Resources Survey 2019

# This presentation



- What **housing tenures** do people on low incomes live in, and how has this changed over time?
- How do **costs** and **housing quality** differ across housing tenures?
- How have **rapidly rising rents** and **frozen housing benefit** affected private rental **affordability** in the last couple of years?
- How do properties with rents **coverable by housing benefit** **compare** with the average in terms of **quality**?



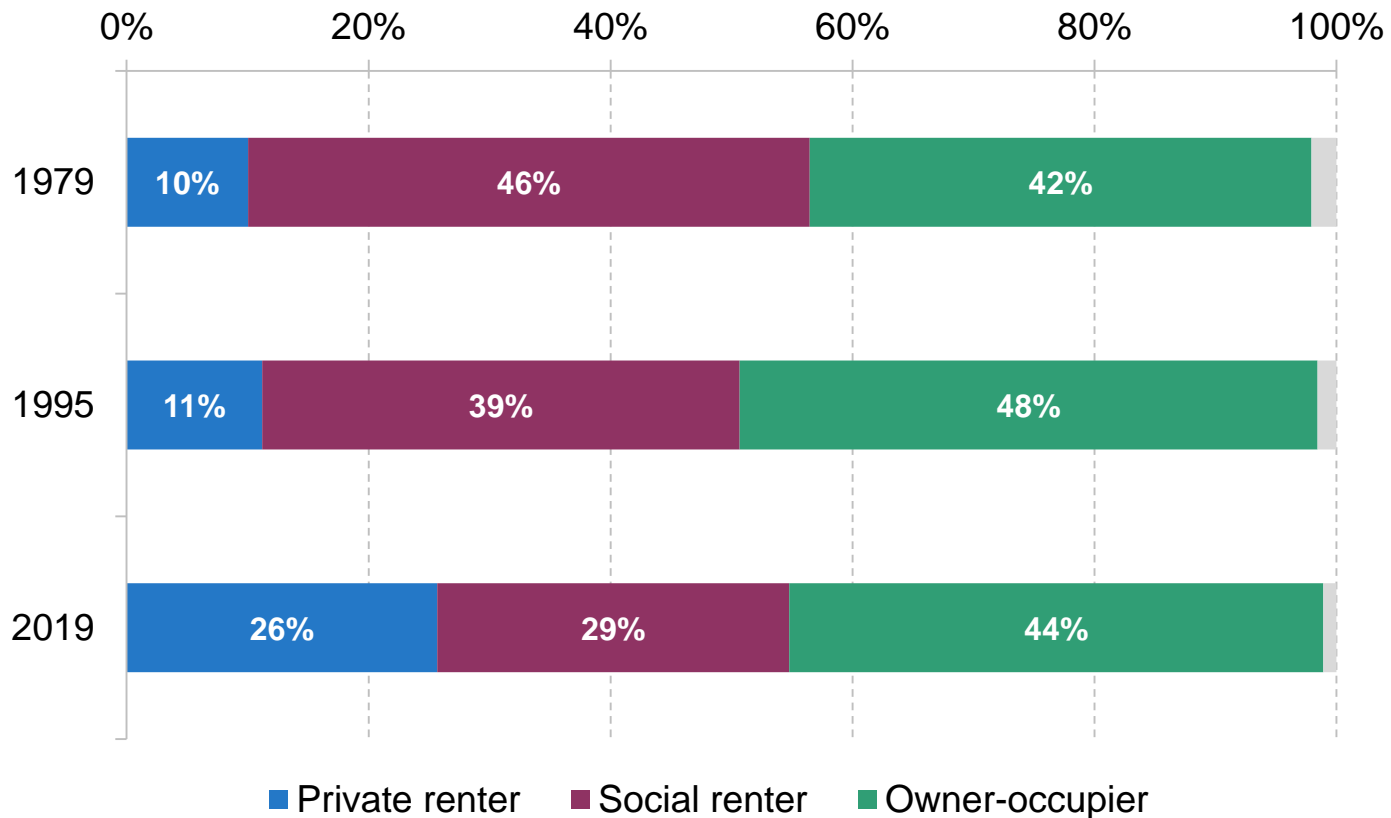
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# Changing housing tenure, costs and quality

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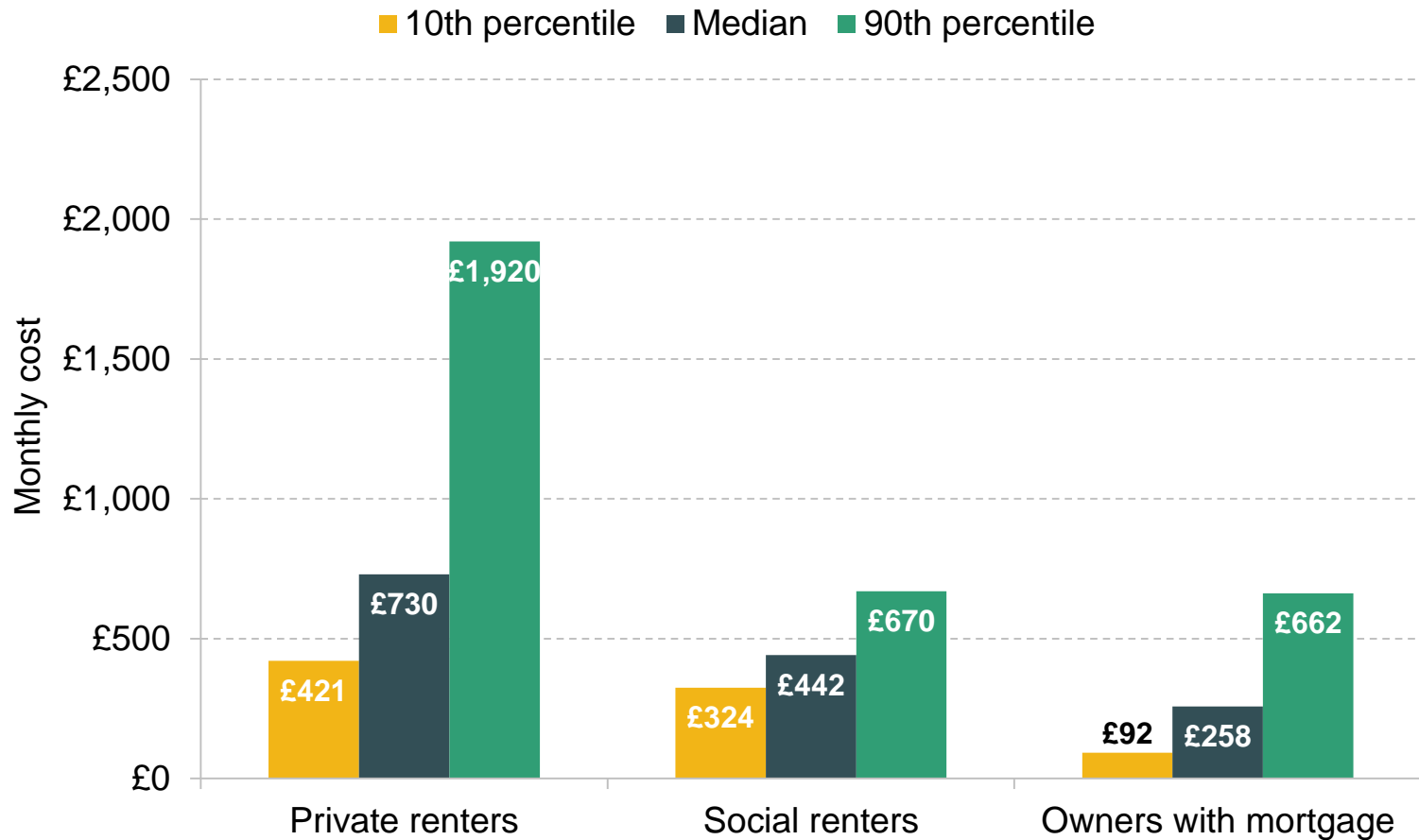
# Renting has been on rise, especially private renting, since the 1990s

Proportion of individuals in each housing tenure, amongst the lowest income 40%



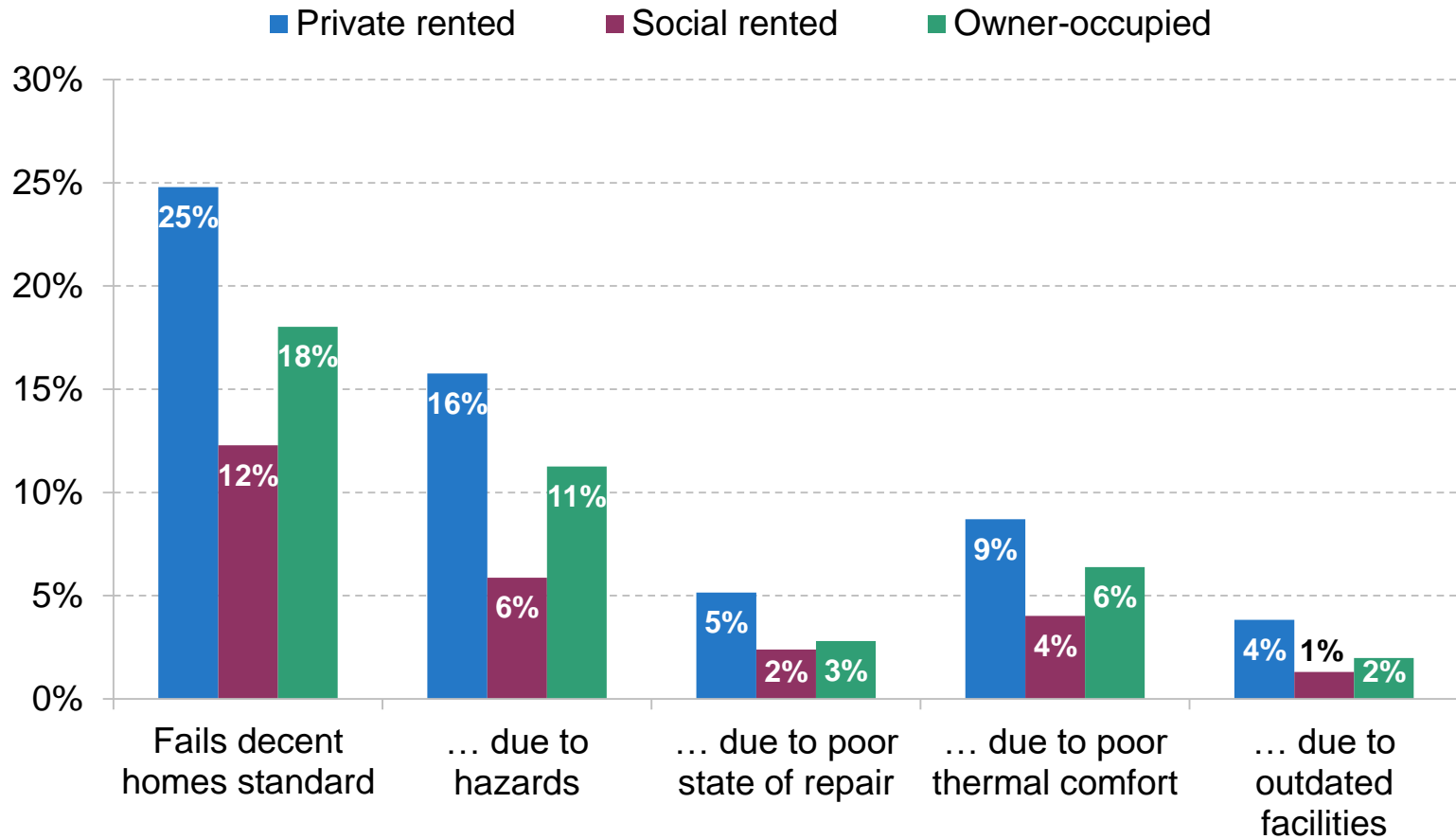
Source: calculations using Family Resources Survey and Family Expenditure Survey

# Private renters have the highest costs



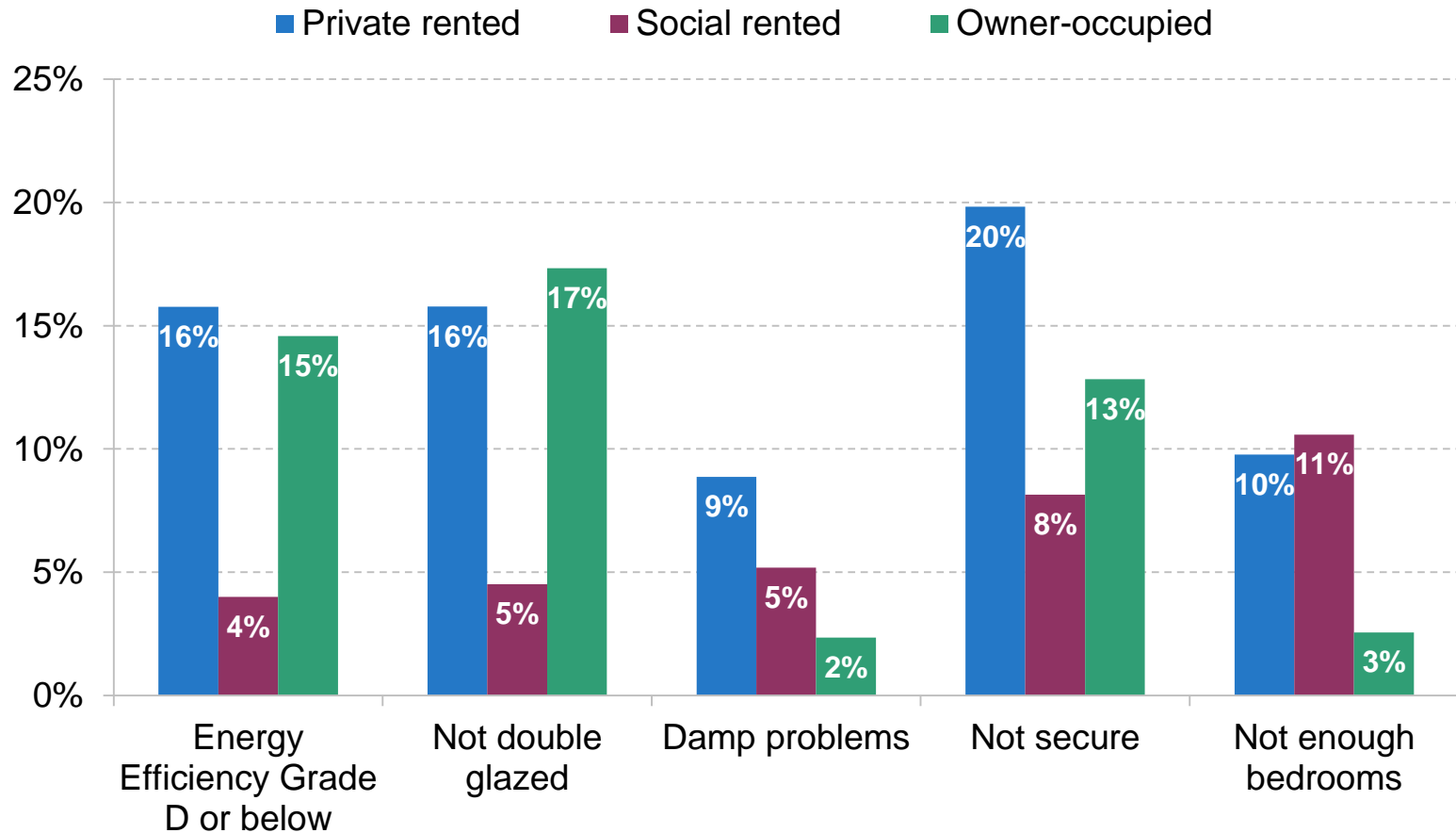
Note: owner-occupier costs include mortgage interest payments, but not principal repayments  
Source: calculations using Family Resources Survey 2019

# Private rented homes most likely to fail Decent Homes standard



Note: sample includes lowest income 40%, after deducting housing costs  
Source: calculations using English Housing Survey 2018-2019

# Private rented homes also perform poorly on other measures



Note: sample includes lowest income 40%, after deducting housing costs  
Source: calculations using English Housing Survey 2018-2019





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# Impact of freezes in housing benefits

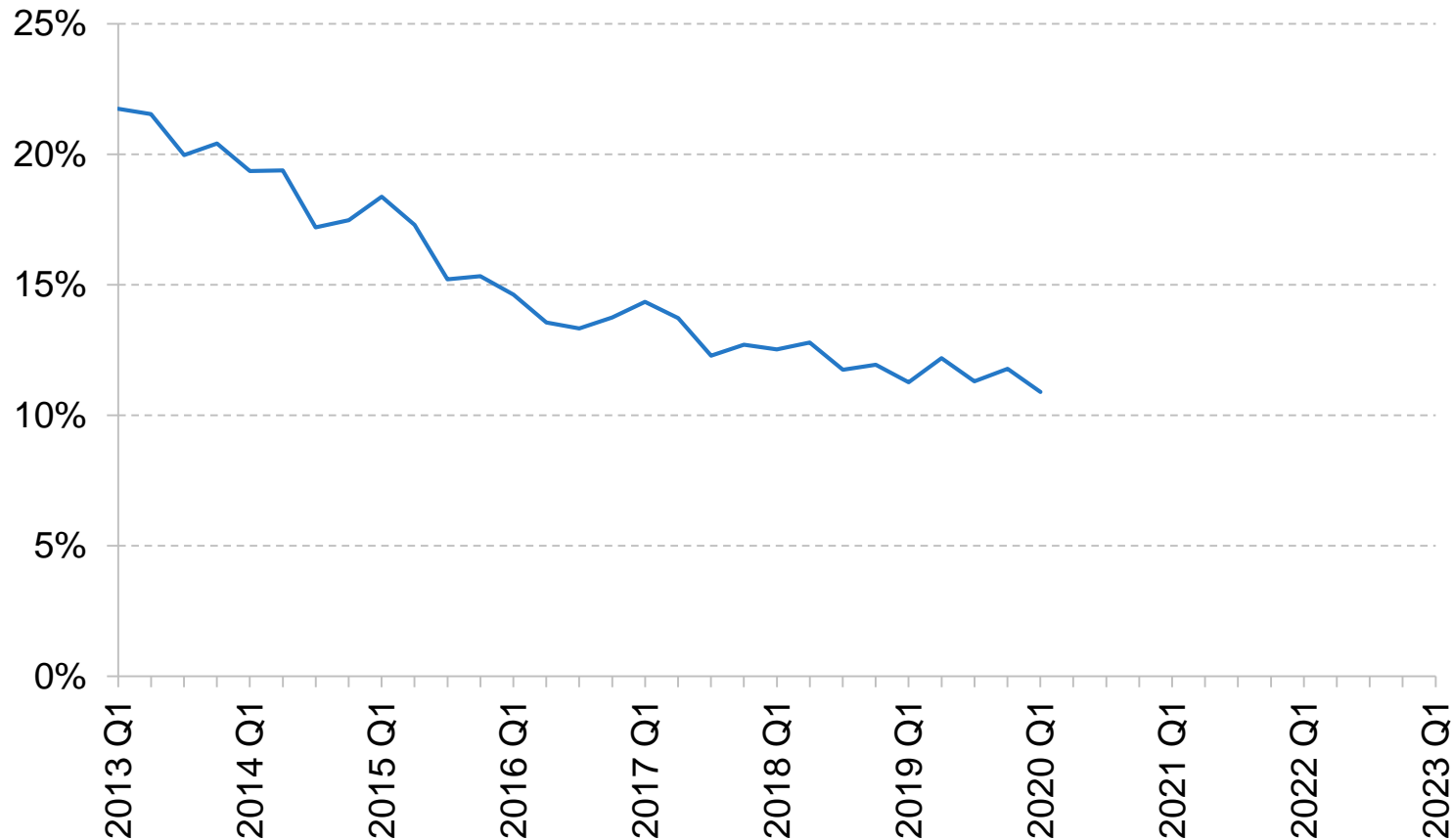
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# Housing benefit has been frozen since April 2020

- Around **38%** of private renting households receive **housing benefit**
  - This pays the rent, up to a **cap** which depends on the local area and family size – the **Local Housing Allowance (LHA)**
- **LHA rates** were set at median rents, **cut to 30<sup>th</sup> percentile** in 2011
- From 2013 to 2020, the **link to contemporaneous rents** was **broken**
- In **April 2020**, LHA rates were **reset to the 30<sup>th</sup> percentile** of local rents in **September 2019**, but have been **frozen since**
  - Meanwhile, **rents** for newly available properties have **increased by over a fifth** since September 2019

# Freezes to housing benefit have drastically reduced affordability

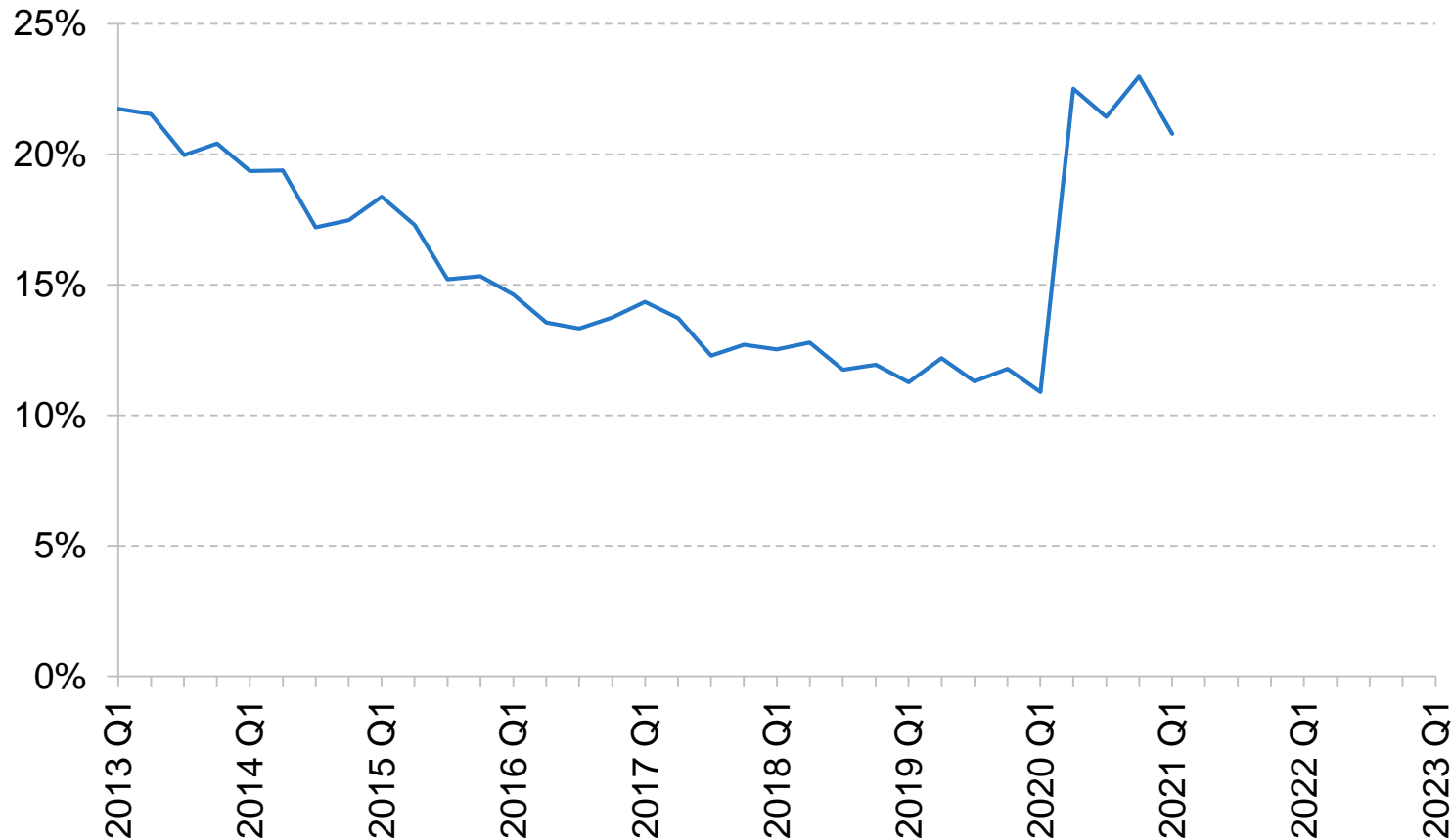
**Proportion of rental properties on Zoopla which can be covered by housing benefit**



Source: calculations using Zoopla data

# Freezes to housing benefit have drastically reduced affordability

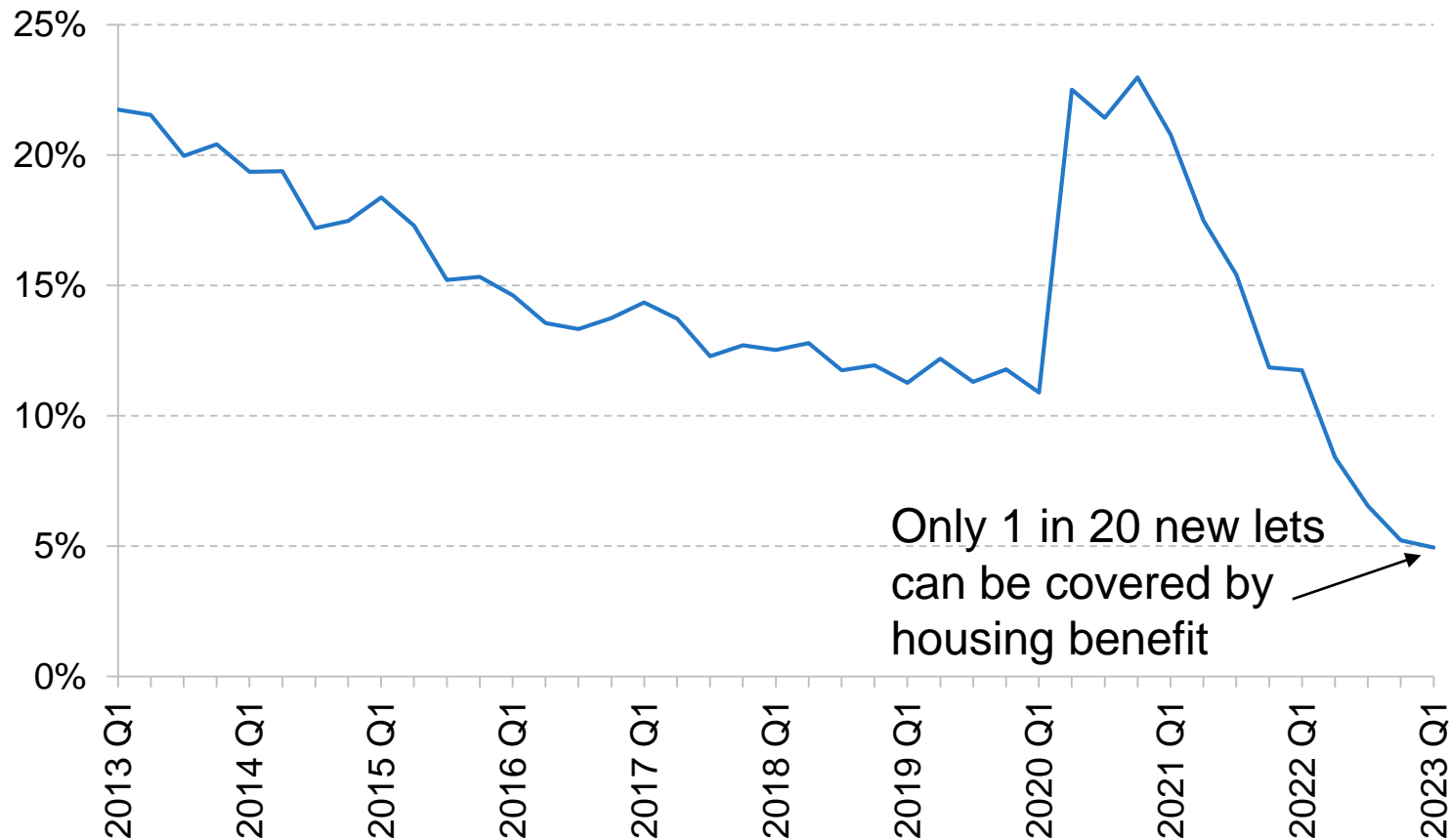
**Proportion of rental properties on Zoopla which can be covered by housing benefit**



Source: calculations using Zoopla data

# Freezes to housing benefit have drastically reduced affordability

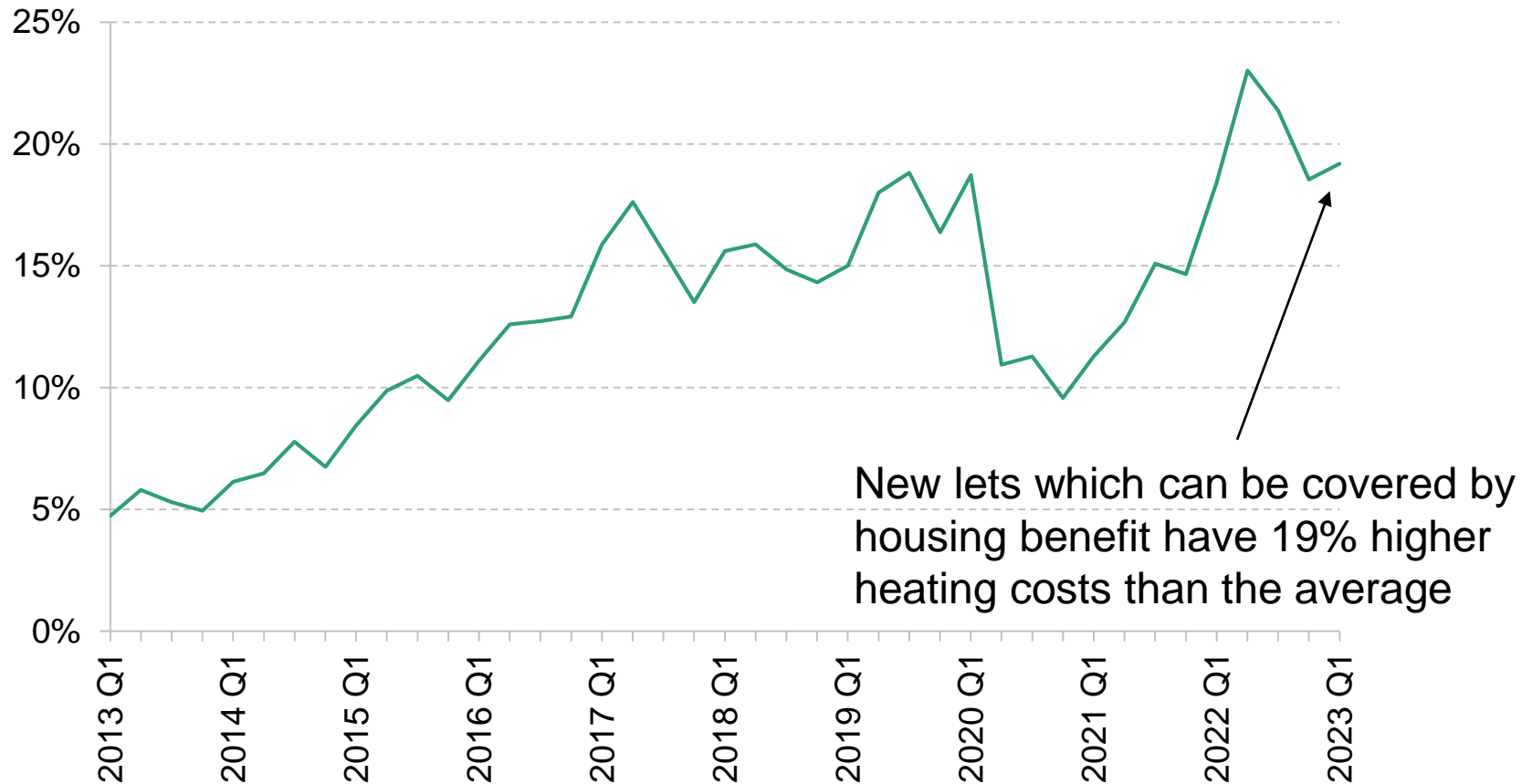
Proportion of rental properties on Zoopla which can be covered by housing benefit



Source: calculations using Zoopla data

# Affordable properties increasingly likely to have poor energy efficiency

**Heating and hot water costs of properties which can be covered by housing benefit, compared to average**



New lets which can be covered by housing benefit have 19% higher heating costs than the average

Source: calculations using Zoopla and EPC data

# Summary

- **Private renting has grown** in importance for lower income households, while social renting and homeownership has declined
- Problems with **poor quality housing** and **more common** for **private renters**
- **Freezes to housing benefit** have drastically **reduced affordability** of **private rental properties** for low income households
- Properties **covered by housing benefit** are increasingly **energy inefficient** and **expensive to heat**

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