



Falling short: Housing benefit and the rising cost of renting in England

Crisis

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ZOOPLA

The (un)affordability of the private rental sector for low-income households

Key findings:

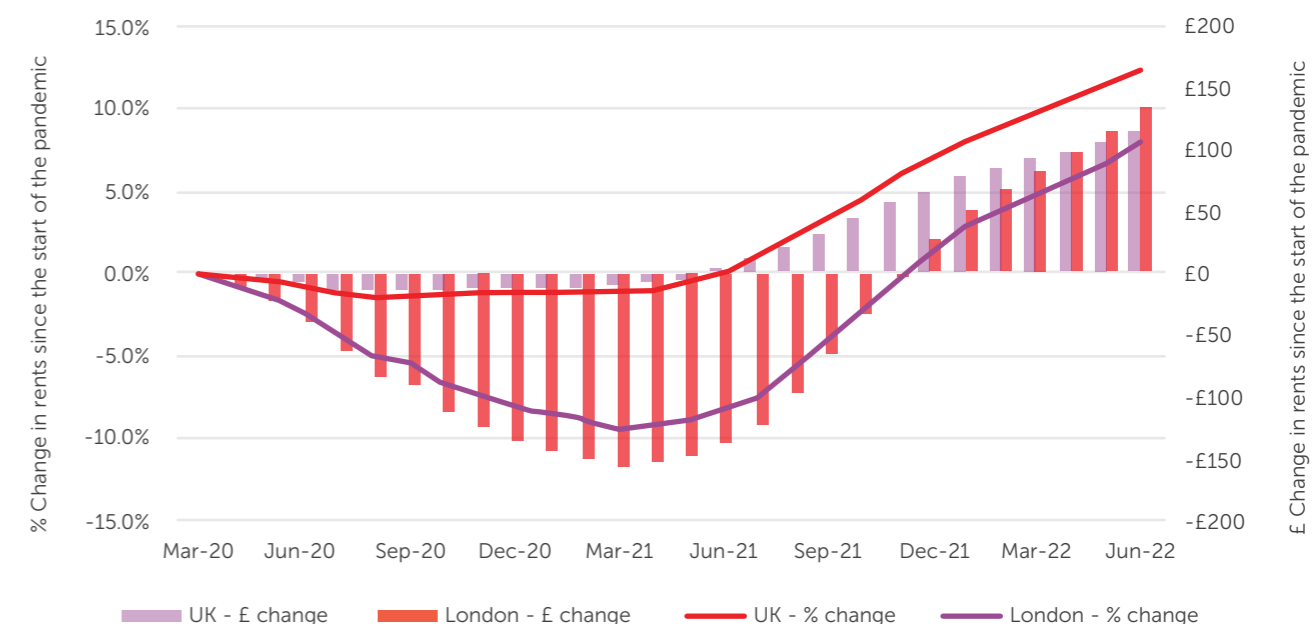
- Since the start of the pandemic, rents in the UK have risen by 12% on average yet housing benefits have remained frozen at levels set according to rent data collected during 2018-19.
- At the start of 2022, more than one in three renters in the private rental sector in England (1.7 million people) were dependent on housing benefit to help them cover the cost of their rent. New data from Zoopla shows that, by contrast, fewer than one in eight private properties listed last year were affordable within housing benefit levels.
- There is substantial variation in the supply of affordable housing across the country, with the worst scarcity currently being seen in areas such as the East Midlands and South West, where only one in 14 properties listed last year were affordable to people receiving housing benefit.
- The problem is particularly acute for one-bed properties, with more than half of all UK local authorities last year having fewer than 20 listings for one-bed homes on Zoopla that could be afforded using housing benefit.
- This means that thousands of households are being forced to rent properties that they simply cannot afford, with substantial shortfalls between the amount of housing benefit they receive and the cost of their rent. Zoopla data shows that the average shortfall for one-bed homes listed in the last year would be £648 a year – whereas for two and three bed homes, the average shortfalls are even higher at £1,052 and £1,655 respectively.
- These shortfalls between housing benefit payments and rents are more than double what the most recent Government figures suggest.

Right now, across the country, the mounting cost of living is on everyone's mind. While there has been some support from the Westminster Government to help people with increasing financial pressures, too many continue to struggle. As well as dealing with the rising cost of energy and food, households are facing a housing crisis that is out of control with rents that have been steadily climbing to unaffordable levels for low income households. Underpinning all of this is a lack of social housing in England for those who need it, with no national government strategy to address this. This means that more and more people on low incomes are renting, and

the cost of private rents has been eating up their incomes while they also battle with the soaring cost of food and energy. With over a third of households on low incomes spending more than 30% of their income on rent¹, the sudden exposure to these financial pressures is pushing more and more people to the brink. When rent becomes unaffordable, it leaves families in impossible situations – cutting back on food and energy, including skipping meals to ensure their children can eat; being forced to leave tenancies to avoid getting into debt; and eventually risk of eviction if rent arrears mount up. With evictions on the rise and homelessness numbers in England

1. Elliot, J. and Earwaker, R (2021) Renters on low incomes face a policy black hole: homes for social rent are the answer. JRF. <https://www.jrf.org.uk/report/renters-low-incomes-face-policy-black-hole-homes-social-rent-are-answer>

Figure 1. Rent rises since housing benefit has been frozen



Source: Zoopla Rental Index

already climbing, the growing pressure of unaffordable rents looks likely to force many more to resort to sleeping in cars, on their friend's sofas, or to rely on hostels and B&Bs.

Crisis and Zoopla's joint new research shows that people on the lowest incomes are struggling more than official estimates suggest as the gap between asking rents and housing benefit for private renting grows. Since the start of the pandemic, average rents in the UK have increased by 12%, with increases of 8% seen in London². Meanwhile the amount of money available to households through housing benefit to help them to cover the cost of private renting, known as Local Housing Allowance (LHA), has remained frozen since the start of the pandemic more than two years ago.

This analysis is the first to be conducted by Crisis in partnership with Zoopla, showing how the failure to invest in housing benefit is leaving renters in England facing a housing black hole as they struggle to find somewhere affordable to live.³ At the start of the pandemic, housing benefit was set to cover the cheapest 30% of rents according to data collected between September 2018 and September 2019. But following a small dip in rental demand during pandemic restrictions, rents have risen quickly since then and, as a result, only 12% of new properties listed in the last year⁴ were affordable to those in receipt of housing benefit. This widening gap means that the lowest income renters are facing shortfalls of over £600 a year for one-bedroom properties and £1,000 and £1,600 for two and

2. Zoopla data.

3. Affordable is defined in this briefing throughout as rents within the bottom 30th percentile in a local area.

4. Analysis includes all 1-3 bedroom properties listed on Zoopla between May 2021 and April 2022.

three-bedroom properties respectively – vast sums of money that people simply cannot afford in the current financial climate.

In this briefing, we describe the scale of the problem and the need for urgent government action to ensure that everyone can access a truly affordable home:

- Ultimately, we need the Westminster Government to deliver a strategy to build genuinely affordable housing, with 90,000 social rented homes needed every year for the next 15 years. This will relieve pressure from the private rental market and give people on low incomes genuinely affordable housing options, as well as address the current situation of thousands of families living in temporary accommodation on social housing waiting lists.
- Right now, we cannot continue to ignore the many people currently struggling to meet shortfalls in their housing benefit and private rents. The quickest and most effective way to keep people in their homes is for the Westminster Government to urgently invest in housing benefit so that it covers the true cost of rents. This will both pull people back from the brink of homelessness, and also support some people who are currently facing homelessness into a settled home.
- With enormous inflation in living costs, the benefit cap is more damaging than ever, preventing people from receiving full housing benefit, and there has never been a stronger case for a review of the level of the cap and its impact on homelessness. The Westminster Government needs to urgently carry out this review.
- It would be easier to keep housing benefit levels in line with the real cost of renting if the Government would use up-to-date and comprehensive data. The Westminster Government's proposals for reform of the private rental market in England through their white paper, A fairer private rented sector, sets out proposals for a landlord register. Crisis and Zoopla are calling for rent reporting to be included as part of this

process to support better data collection for housing benefit rent setting. In the meantime, the VOA processes could be made more robust and made more transparent.

These measures would mean that people will be better protected from sudden financial pressures, and we'll be closer to ending homelessness for good.

The supply of properties that are affordable to people needing support from housing benefit is far too low and will only continue to fall.

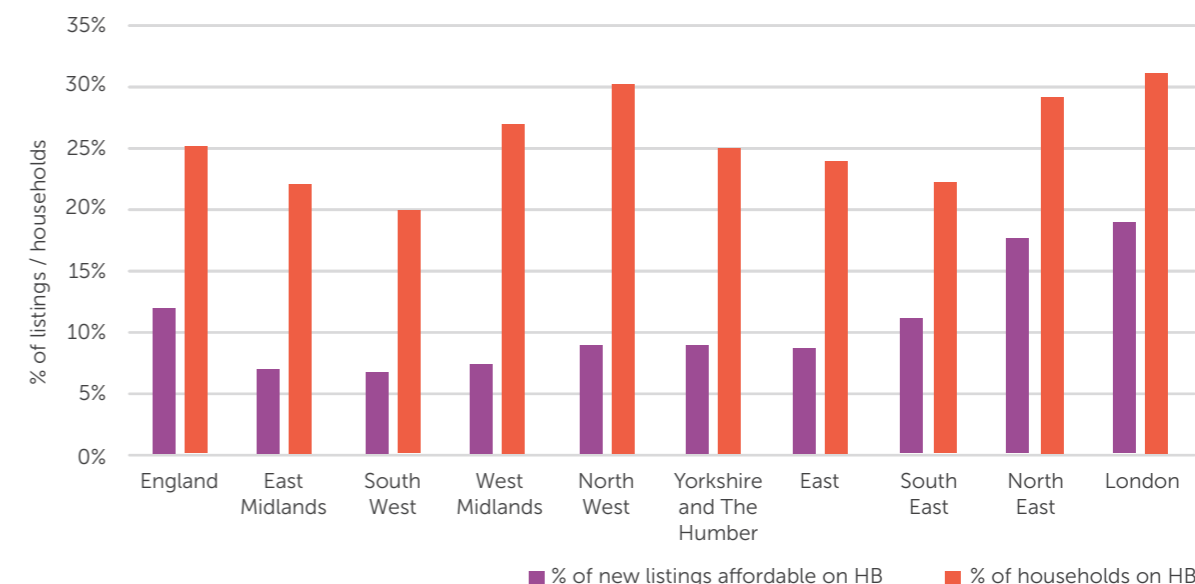
Housing benefit makes it possible for people on the lowest incomes to have a home by covering the cost of the cheapest rents. At the start of 2022, more than one in three households (1.7 million people) in the private rental sector in England were dependent on housing benefit to help them cover the cost of their rent⁵. Previously, housing benefit levels were set to cover the cheapest third of rents (30%) in each local area. However, housing benefit levels haven't been updated with rent increases since March 2020. This comes alongside a wider slow-down in the PRS market, which is most likely to squeeze the cheapest end of the market.

This new analysis using Zoopla listings data shows that fewer than one in eight private properties listed last year were affordable within housing benefit levels,⁶ leaving thousands facing a growing gap between their income and their rent, amidst wide cost of living pressures. Concerningly, it has taken just two years of housing benefit levels being frozen for the share of affordable properties to decline dramatically to just under one in eight homes being affordable. While the data used in our analysis is based on listings on Zoopla and therefore represents new tenancies only, they give a clear indication that rents are rapidly rising, and many tenancy renewals will also likely include rent increases.⁷

5. StatXplore showed there were 1.7 million households in England in the PRS and in receipt of the housing element of UC, and 533,000 in receipt of legacy HB. In 2020 there were 4.8 million households in the PRS (ONS Subnational estimates of dwellings by tenure, England).

6. Zoopla listing data covering May 2021 – April 2022. Rents refer to listed rents and housing benefits refers to the maximum amount of LHA that households living in a given property would be entitled to (i.e. does not account for the taper rate as households enter work or any other deductions).

Figure 2: Share of listings affordable to those in receipt of housing benefits and share of households in receipt of housing benefits.



Source: Zoopla; StatXplore; ONS

Notes: % of new listings affordable to those in receipt of housing benefits calculated using Zoopla data; % of households receiving housing benefits calculated by dividing the number of households in each region receiving housing benefits (from StatXplore – February 2022) by the most recent regional data showing the size of the PRS in each region (from ONS).

Without the necessary investment by the Westminster Government, we will only see a further decline in the number of properties affordable within housing benefit rates, placing increasing numbers of households under impossible financial strain, and pushing many to the brink of homelessness and into debt.

Across the country, you can see the shortage of homes that are affordable on housing benefit. The worst scarcity is currently seen in areas such as the East Midlands and South West, where only one in 14 properties listed for rent last year were affordable to people receiving housing benefit. Figure 2 shows the share of affordable one to three-bed properties listed on Zoopla in the last year, alongside the share of households in the private rental sector, relying on housing benefits to cover their rents in England and each of its regions.

The picture is likely to be even worse than this for people on the brink of homelessness. Firstly, because Crisis services are reporting that listed rents are increasingly seen as asking

prices, with tenants having to bid over them. Secondly, because conditions set by some landlords or letting agents can further reduce the number of properties that people can feasibly rent while on the lowest incomes. These requirements can include deposits worth six months' rent, credit checks, a home-owning guarantor or up to five years of landlord references. This can be compounded by reluctance to let to people on temporary or zero hour employment contracts or people who receive benefits – the latter is a practice which is illegal, yet continues in private.⁸

Moreover, most single renters under the age of 35 are not eligible for housing benefit rates for a one-bedroom flat, instead receiving a rate that is intended to cover a room in a shared property at a significantly lower rate. We have not assessed shortfalls for this type of housing due to data gaps, but other analysis shows how significant the challenges can be in accessing shared properties too.⁹ This means that single people in their twenties and early thirties are even less able to afford a home than this analysis shows.

7. DLUHC (26th May 2022) English Private Landlord Survey 2021.

8. English Private Landlord Survey 2021 Main Report: "Tenants who landlords were unwilling to let to included [...] those in receipt of Housing Benefit or Universal Credit (44% unwilling)."

9. Bevan Foundation (June 2022) <https://www.bevanfoundation.org/resources/wales-housing-crisis-an-update-on-the-private-rental-market-in-wales/>.

We urgently need the Westminster Government to invest in housing benefit so that it covers the true cost of rents. Investing in housing benefit makes it easier for people to afford to stay in their homes, preventing homelessness, and makes it easier for people to find an affordable property, which makes all the difference when it comes to leaving homelessness behind for good. In May, the Westminster Government committed to uprate other means-tested benefits with inflation next year, but it hasn't committed to ensuring means-tested housing benefit keeps pace with rents or wider inflation. This policy choice is leaving people trapped in homelessness and risks pushing thousands more into the void.

In the long term, what's really needed to solve this shortage of affordable housing is for the Government to put in place a clear plan to build the genuinely affordable homes that we desperately need, including through increasing the supply of social rent homes. Decent, secure and affordable housing is the foundation on which we build our lives: it's where we can rest, wash, cook and eat. A good home is where we can get ready for work, look after our health, care for our families and plan for the future. Increasing the supply of genuinely affordable housing is essential to unlocking the solutions to homelessness, and to more secure futures for us all.

There is a particular shortage of affordable one bed homes putting greater pressure on rents for single people, who are then exposed to homelessness.

This analysis shows that one-bed homes are the property type that has the greatest affordability shortages, which is adding to the upward pressure on rents. The households who are squeezed out of these one-bed

homes are households without children, and local authority homelessness systems aren't required to offer as much support to adults if children aren't facing homelessness. This means that as these households are squeezed out of the few affordable properties, they are then left at greater risk of homeless without any lifelines of support available to them.

There is a deeply inadequate supply of one-bed homes within both the private and social sectors. In the last year, only a fifth (22%) of the listings for one to three-bedroom properties were for one-bed homes. Compared to this, 44% of those receiving housing benefit and living in the private rental sector were single people or couples with no children – for whom one bed homes would be most suited¹⁰. The undersupply of these properties means that, even though a larger share of one bed homes are affordable to people in receipt of housing benefit (17% compared to two or three bed homes (11% and 10%, respectively), the supply of these properties is still disproportionately low compared to what is needed, meaning that for one-bedroom homes there is the biggest gap in affordable supply.

This problem is widespread – in just over half of all English local authorities (52%) last year, there were fewer than 20 listings for one-bed homes on Zoopla that could be afforded using housing benefit.

Rents have risen at different speeds since the housing benefit freeze, so the picture is even worse in some areas. For example, in over a third of local authorities last year, less than 10 per cent of one-bed homes were affordable to people in receipt of housing benefit. For two and three-bed homes, the proportions were much higher still (around two thirds of local authorities).

Figure 3 shows the share of one-bed properties listed on Zoopla in the last year in each local authority that were affordable to those in receipt of housing benefit (comparable figures for 2 and 3 bed properties are presented in Appendix 2).

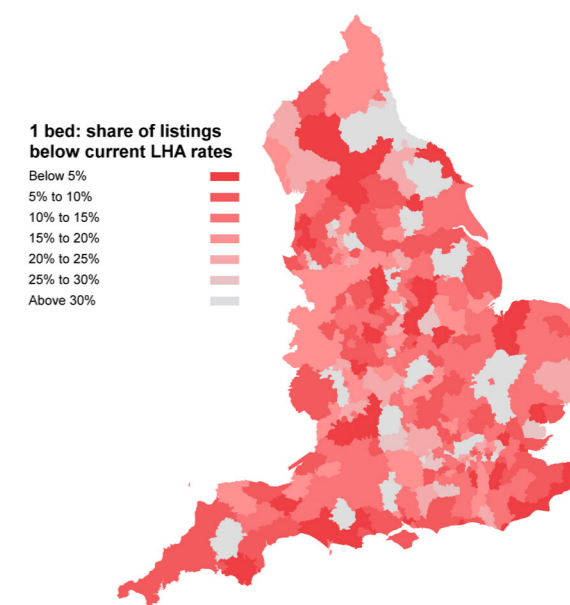
Covering shortfalls between housing benefit and the real cost of rents is forcing people to choose between paying rent and cutting back even more on necessities.

As rents rise and LHA remains frozen, many more households are being forced to rent properties that they cannot afford to cover using their housing benefit. These households typically don't have any additional savings or disposable income, meaning that in order to cover these shortfalls they are forced to forgo other necessities such as food or energy.

For households who are renting even one of the cheapest homes (i.e. homes that historically would have been affordable within housing benefit rates), these shortfalls are often substantial. Zoopla data shows that the average shortfall for one-bed homes listed in the last year would be £648 a year – whereas for two and three bed homes, the average shortfalls are even higher at £1,052 and £1,655 respectively. These are substantial shortfalls, making up the equivalent of between a quarter and a fifth of the average yearly food costs of households that are likely to live in one, two and three bedroom homes (23% for one-beds, 21% for two-beds and 27% for three-beds)¹¹.

In many areas, the picture is even worse than this. For example, in Brentwood a household renting a modest property that would have historically been affordable to them would now face a shortfall of £2,113 a year for a one-bed home, £2,765 for a two-bed home and £4,370 for a three-bed home. In Oxford they would face shortfalls of £1,777, £3,336 and £3,720 for one, two and three-bed homes, respectively. For households already feeling

Figures 3: share of listings affordable to people in receipt of housing benefit.



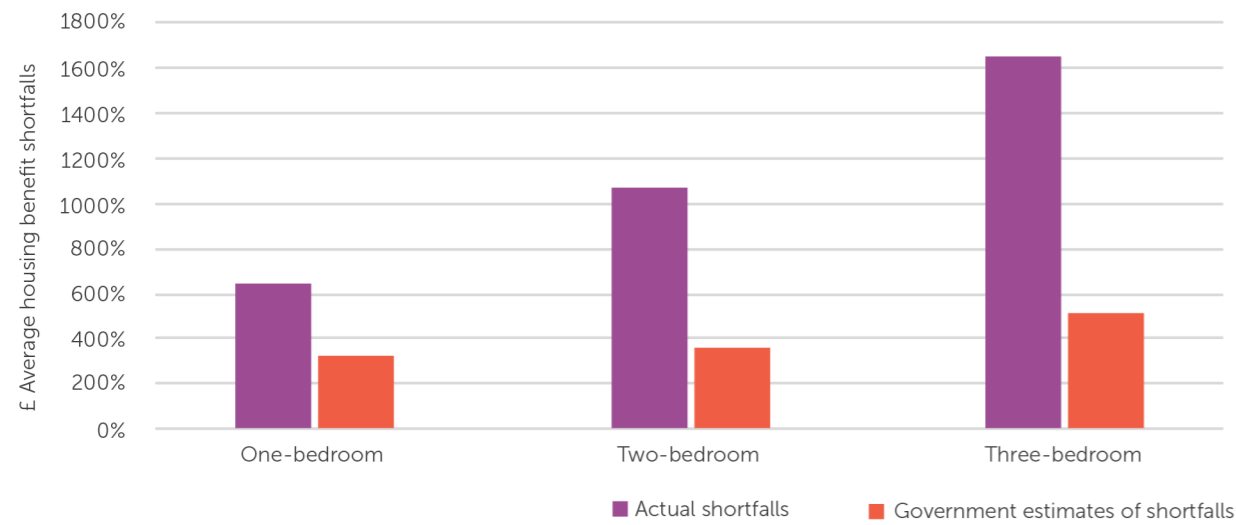
the worst impact of the cost of living crisis, these are shortfalls that are simply impossible to make up in other ways.

The people who come to Crisis for support are struggling with the cost of rent while facing some of the hardest cost pressures imaginable. The wider increase in energy costs is compounded by the "poverty premium" of paying for energy on a pre-payment meter. For example, one Crisis member living in a small studio flat in North West London, is having to unplug everything at night to keep their energy costs down. Even though their flat is just a small bedroom with a kitchenette and a bathroom the size of a cupboard, it's costing them £70 a month to pay for their top ups in the middle of summer. Although the Government have announced cost of living payments, there has been no recognition yet that people urgently need support with the rising cost of rents. When people have shortfalls in their rent, they don't have other ways to make up the difference.

10. StatXplore – February 2022 (most recent month of date available).

11. Calculations based on Loughborough University's Minimum Income Standard Household Budgets, inflated to 2022 values. For the purpose of our calculations, one bedroom properties assumed to be occupied by singles, two bedroom properties assumed to be occupied by couples with one child and three bedroom properties assumed to be occupied by couples with two children.

Figure 4: Government estimate shortfalls compared to actual shortfalls



Source: Zoopla; VOA data

Due to the interaction between housing benefit and the benefit cap, the additional amount needed to cover the cost of rent can be as high as £4,700, leaving struggling renters in impossible situations.

The financial pressure from shortfalls between housing benefit and the cost of renting is even more challenging in areas where the benefit cap takes money off the full housing benefit rate. The benefit cap is set by the Westminster Government and sets a limit on the amount of money people can receive from benefits. The cap was introduced in 2013. The current level of the cap means that families receiving support from Universal Credit cannot receive more than £23,000 a year in London (£15,410 for single people), and £20,000 a year in the rest of Great Britain (£13,400 for single people).

This is a particular problem in some parts of the South East of England, where rents are higher. For example, in Oxford a family of one parent and two children renting the aforementioned two-bedroom home with a £3,336 shortfall, might also be hit by the benefit cap, which would mean that they lose out on £1,362 of their housing benefit payment. That leaves a total £4,498 gap between their annual housing benefits and the cost of renting a modest flat which they need to make up in other ways.

A single person without children in Brent could lose an additional £608 on top of LHA shortfalls. In the same area a benefit capped one-parent, two child-household in a two bedroom property could receive £1,916 less than the actual housing benefit rate.

The original level of the cap was set at £26,000 when it was introduced, but in 2016 it was reduced to current levels. With enormous inflation in living costs as well as rents, the benefit cap is more damaging than ever and there has never been a stronger case for reviewing it than now.

We are urging the Westminster Government to commit to reviewing the level of the cap and its impact on the risk of homelessness.

Our analysis has found that shortfalls are far higher than what government analysis suggests, showing the weaknesses in the data, as well as issues with the way housing benefit is set.

The joint analysis by Crisis and Zoopla shows that households who are renting a modest one-bedroom home face an average shortfall of £648 a year, substantially higher than the £313 a year suggested by the most recent government data (published in 2022 and based on rents data collected in the 12 months up to September 2021). For two and three-bed homes, the average shortfalls are even higher at £1,052 and £1,655 respectively, compared to Government data showing shortfalls of £372 for two-bed and £498 for three-bed homes.

This arises partly from the data collection challenges that the Valuation Office Agency face, who has limited samples for their datasets. The pandemic disrupted the collection of rental data, but there are

ongoing limitations to it as well, due to the small sample size. The upcoming Renters Reform Bill will require landlords of English properties to register for a landlord portal to fulfil their legal obligations. The Government should include a requirement to report the level of rent being charged. This would not be burdensome but would immediately improve the basis for Government decision-making in setting housing benefit rates.

As with other means-tested benefits, it is a challenge to retain the value of people's incomes when using retrospective measures of price inflation, and the data used for housing benefit is heavily out of date by the time it is published. Using the rent reporting through the landlord portal would make the process cheaper and quicker, but Government should consider a more stable approach to supporting people with housing costs. Housing benefit should be updated each year as standard, so that it doesn't get disconnected from the real value of rents, with all of the distortion that can cause, and all of the pressure that it puts on everyday renters. If the Westminster Government could commit to tying housing benefit rates to the real cost of renting over longer periods of time, such as a parliament, it would offer security to landlords and tenants and open up access to the private rented sector.

Calls to action:

No one should have to be homeless in Britain today, and it is possible to prevent and end homelessness. Ensuring people can afford a home is fundamental to achieving that.

At the root of the problem is a housing crisis, with a significant shortage of genuinely affordable rented homes driving high housing costs. To tackle the scale of the problem, a bold housing strategy is needed, in which the Westminster Government delivers the genuinely affordable homes that we desperately need. This analysis shows that shortages in certain parts of the country, and in one-bedroom homes in particular, is a huge challenge to affordability.

A Government housing strategy should take account of those needs and deliver 90,000 units a year for social rent, over 15 years. When this happens, people will be better protected from sudden financial pressures, and we'll be closer to ending homelessness for good.

Right now, we are facing one of the worst cost of living crises' seen for decades, leaving those on the lowest incomes with a growing gap between their housing benefit and their rent.

The quickest and most effective way to keep people in their homes is for the Government to urgently invest in housing benefit so that it covers the true cost of rents. Investing in housing benefit makes it easier for people to afford to stay in their homes, preventing homelessness. It also makes it easier for people to find a home, making it possible for them to leave homelessness behind for good.

With the enormous inflation in living costs as well as rents, the benefit cap is now more damaging than ever, preventing people from receiving full housing benefit. It is crucial that the Government reviews the benefit cap so that people can receive the full amount of their housing benefit. There has never been a stronger case for reviewing it than now.

It would also be useful for Government to improve the way that it sets housing benefit levels. The Government's new landlord portal should include rent reporting as a standard requirement for landlords, as an easy and effective way to improve data collection. Government should use this to uprate housing benefit more frequently and more reliably.

It's time for a change to the way we support people with their housing costs, and the evidence is clear that we need to act if we're to prevent and end homelessness for good.

Appendices

Appendix 1:

The proportion of one, two and three bed property listings that were affordable to those receiving local housing allowance in each region and local authority is shown in Table 1.

Table 1:

	All	1 bed	2 beds	3 beds
England	12%	17%	11%	10%
East	9%	12%	9%	7%
East Midlands	7%	12%	7%	6%
London	19%	22%	18%	18%
North East	18%	28%	16%	18%
North West	9%	16%	8%	7%
South East	11%	15%	11%	8%
South West	7%	10%	7%	5%
West Midlands	8%	12%	7%	6%
Yorkshire and The Humber	9%	13%	9%	7%

Source: Zoopla

Appendix 2:

Heatmaps for 2 and 3 bed properties.

