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2020

Dataloft Rental Market Analytics

Real Renter Affordability

27%
Average %
tenant income
spent on rent

1.6
Average number
of tenants
on tenancy

1.4
Average number
of earners
on tenancy

23%
Rented homes
with children
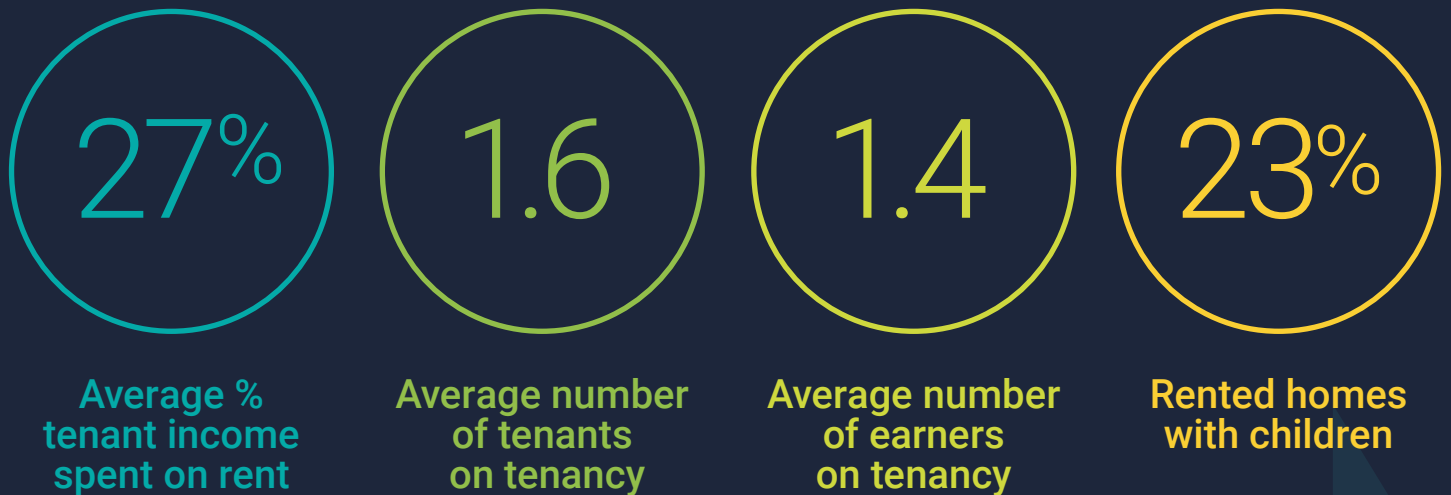
Understanding affordability is fundamental to assessing the potential for rental growth. Traditional estimates of renter affordability rely on comparing average rents to average earnings, alongside assumptions on occupancy levels. But investors need to understand the real spending power in their market. For the first time, this research analyses Real Renter Affordability.

dRMA Dataloft Rental
Market Analytics

Revealing the true picture

Utilising DRMA, our vast repository of rents paid and tenant profiles, this research analyses **Real Renter Affordability** (RRAff) across the country. We calculated the ratio between a renter's actual income and the rent for which they are personally responsible, making it a powerful and accurate measure of spending power in a local rental market.

Regional renter metrics

	Real Renter Affordability (RRAff)	Conventional Affordability Ratio[1]	Average no. of earners[2]	% rented homes with children
East Midlands	25%	26%	1.4	26%
East of England	27%	31%	1.4	27%
Greater London	30%	49%	1.6	15%
North East	24%	26%	1.3	25%
North West	25%	26%	1.3	23%
South East	29%	34%	1.4	27%
South West	27%	32%	1.4	25%
Wales	25%	28%	1.3	26%
West Midlands	25%	27%	1.3	24%
Yorkshire and the Humber	24%	27%	1.3	22%
UK	27%	35%	1.4	23%

[1]Average gross weekly earnings of full-time employees compared to average weekly rent

[2]Earning over £10k per annum

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The value of **measuring RRAff**

The conventional way of measuring Affordability is important for social policy. It compares average earnings in an area with average market rents in the private sector and tends to result in higher affordability ratios. It is a hypothetical measure of how much income someone on the average wage would need to commit to rent, were they to rent a home in the private sector. In reality, very low earners are generally excluded from the mainstream rental market, perhaps living at home, in social housing, or under informal arrangements.

Private renters often earn more than the average salary in an area while many share or combine incomes to live in their desired accommodation or area, something that conventional affordability measures are unable to quantify effectively. RRAff is designed to help an investor or policy-maker to assess the spending power of those who are actually renting property in the local private rental sector. In reality, the proportion of their income spent on rent is lower than the conventional metric implies.

In every region, RRAff is lower than the conventional ratio. Both measures are important but one without the other is misleading and incomplete.

On almost half (47%)

of tenancies in London, **two or more earners are contributing towards the rent** compared to just 35% outside of London

Renter profiles

under 30

48%
of renters are aged under 30

1 mile

25%
of renters moved less than 1 mile to their current home

overseas

5%
of renters moved from overseas to their current home
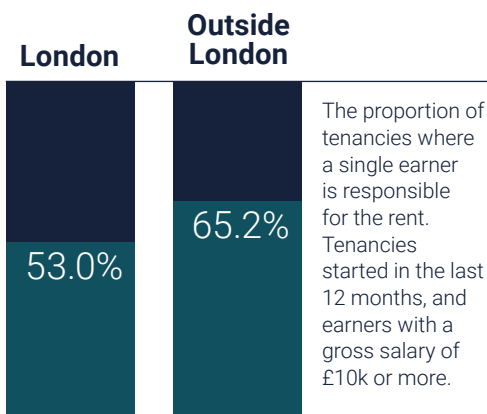
2 miles

30%
of renters live within 2 miles of their work

over £10k

37%
of tenancies have more then one income over £10k contributing to the rent

Single earner tenancies

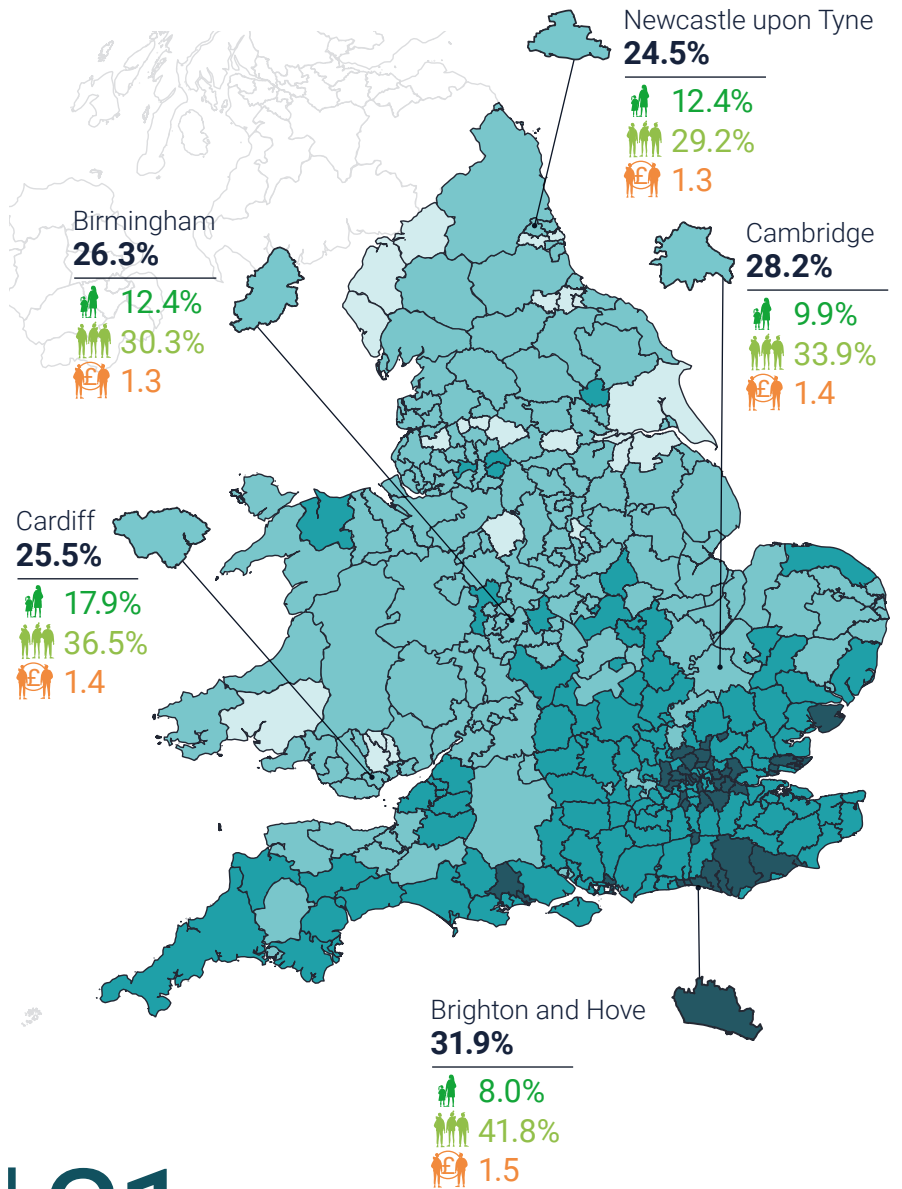| London	Outside London	
53.0%	65.2%	The proportion of tenancies where a single earner is responsible for the rent. Tenancies started in the last 12 months, and earners with a gross salary of £10k or more.

Real Renter Affordability at local authority district level

% of renter salary spent on rent

Under 23.3%   23.3%–26.7%   26.7%–30%   Over 30%

% with children   2 or more renters   Average no. of earners

Newcastle upon Tyne
24.5%
12.4%
29.2%
1.3

Cambridge
28.2%
9.9%
33.9%
1.4

Birmingham
26.3%
12.4%
30.3%
1.3

Cardiff
25.5%
17.9%
36.5%
1.4

Brighton and Hove
31.9%
8.0%
41.8%
1.5

21
out of 33 London Boroughs have an **average Real Renter Affordability (RRAff) of 30% or higher**

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Affordability calculations compare actual incomes (over £10k) to the rent that the tenant is responsible for. Data for last 12 months.

dRMA Dataloft Rental Market Analytics

DRMA is the largest and most comprehensive single source of achieved rents for the UK

DRMA holds rent-paid transactions, from individual tenants and tenancies. It contains over 2.3 million references rigorously recorded by tenant referencing companies and aggregated to form the largest and most comprehensive single source of rents achieved for the UK market. It covers five years with a monthly addition of c30,000 new tenancies and c50,000 new tenants.

> Until now, **robust and detailed tenant profiling data** has been notoriously difficult to access with operators and developers having to rely on aggregated data, assumptions and averages. **DRMA will bring greater transparency to the market**.
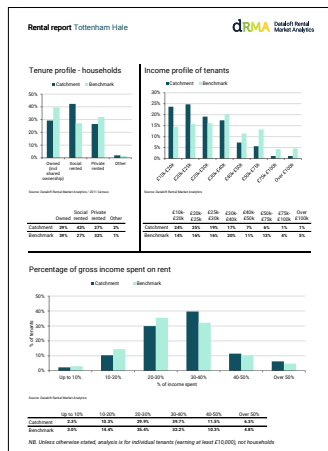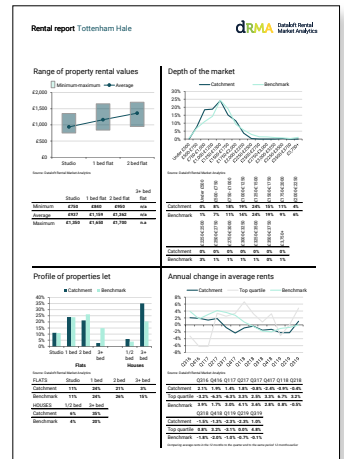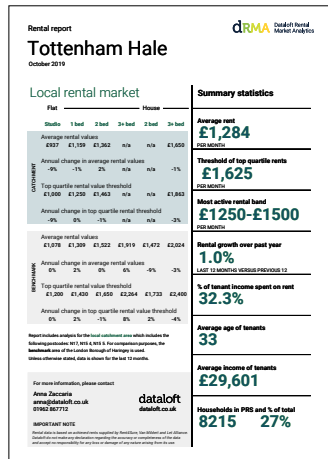
Standard reports

- Robust evidence of local market values, affordability and tenant demographics
- Achieved rents, not asking rents
- Analysed by tenant and household (tenancy)
- User-defined geography with a comparator benchmark

Bespoke consultancy

Clients use DRMA for:

- Identifying investment opportunity: analysing trends in rental values, affordability; and tenant demographics.
- Planning and development: analyse tenant demographics and affordability to inform scheme design, unit size mix and amenity provision.
- Portfolio monitoring: benchmarking trends in rents achieved in the portfolio against the wider market.
- Marketing strategy: profiling tenants in existing local markets and identifying clusters of target markets in others.

BNP PARIBAS   Essential Living   GREYSTAR®   lendlease   Foxtons   LONG HARBOUR   McCarthy & Stone — The UK's leading retirement housebuilder

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Dataloft is an established property market intelligence company with a long track record of analysing and reporting on the housing market. We are committed to stripping away the mystique of complex data analysis and adding value for clients through interpretation, insight and creativity.

T +44 (0)1962 867712
E hello@dataloft.co.uk

dataloft.co.uk