



What do National Organisations Have to Say About the Cost of Living Crisis?

This paper offers a focus on rents and how the cost of living crisis has specifically affected the rental market and the most vulnerable people who depend on it in the UK. As the Local Housing Allowance (LHA) in the UK remains frozen, tenants are under severe pressure as they have to face the escalating costs of everyday products, bills and energy, meaning that the risk of homelessness has become dangerous for some.

THE COST OF LIVING CRISIS AND RISING RENTS: WHAT DOES THIS MEAN FOR LEVELS OF HOMELESSNESS IN THE UK?



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Over the past few months, the cost of living has been on everyone's minds. As the costs of housing, energy and food have soared, with record high rates of inflation not seen for decades, low-income households are being hit particularly hard. Many people have been forced to skip meals and live in freezing conditions, whilst *still* falling into debt and rent or mortgage arrears and facing the very real threat of homelessness. In the UK, some emergency measures have been put in place to support households facing the worst of this crisis, but many households still face impossible situations and, from a policy perspective, one glaring omission remains: the fact that local housing allowance remains frozen at levels based on rental data from 2018-19.

LOCAL HOUSING ALLOWANCE REMAINS FROZEN

Local housing allowance (LHA) is the amount of money that low-income households living in the private rented sector receive to cover their housing costs, but it has been frozen for almost three years now. Over the same period, rents have soared, with private rents increasing by more than 12% on average across the UK in the last year alone and areas such as London seeing increases as large as 17%¹. The results of this are twofold: first, it's harder for low-income renters to find properties that they can afford; and second, households are having to make up for large shortfalls between their housing costs and local housing allowance whilst also dealing with other rising costs that far outstrip increases in income.

1 Zoopla Q3 2022 Rental Price Index

This isn't a problem that only affects a small number of people: 1 in 3 private renters in Britain receive LHA² to help cover their rent, yet research by Crisis and Zoopla³ found that less than 1 in 12 rental listings in England in the 12 months to September 2022 were affordable within LHA rates. In some areas the picture is even worse – the map shows how affordability of 1-bedroom accommodations varies across local authorities within England.

As rent tends to be one of the largest costs households face, these shortfalls also tend to be very large, with the same research finding that the typical shortfall households now faced for renting a 1-bedroom property was £950 a year, with shortfalls for 2 and 3-bedroom properties being even higher at £1,500 and £2,300, respectively. What is scary is just how quickly things are getting worse: in the 5 months from April to September, these shortfalls increased by over 40% than they were just 5 months before, highlighting just how damaging a freeze on LHA can be – even for a short period of time.

In contrast, during the pandemic, LHA was temporarily unfrozen to meet the 30th percentile of rents. This opened up access to the PRS market briefly and was an important measure in preventing and minimising homelessness⁴, which has since been cancelled out.

2 StatXplore data

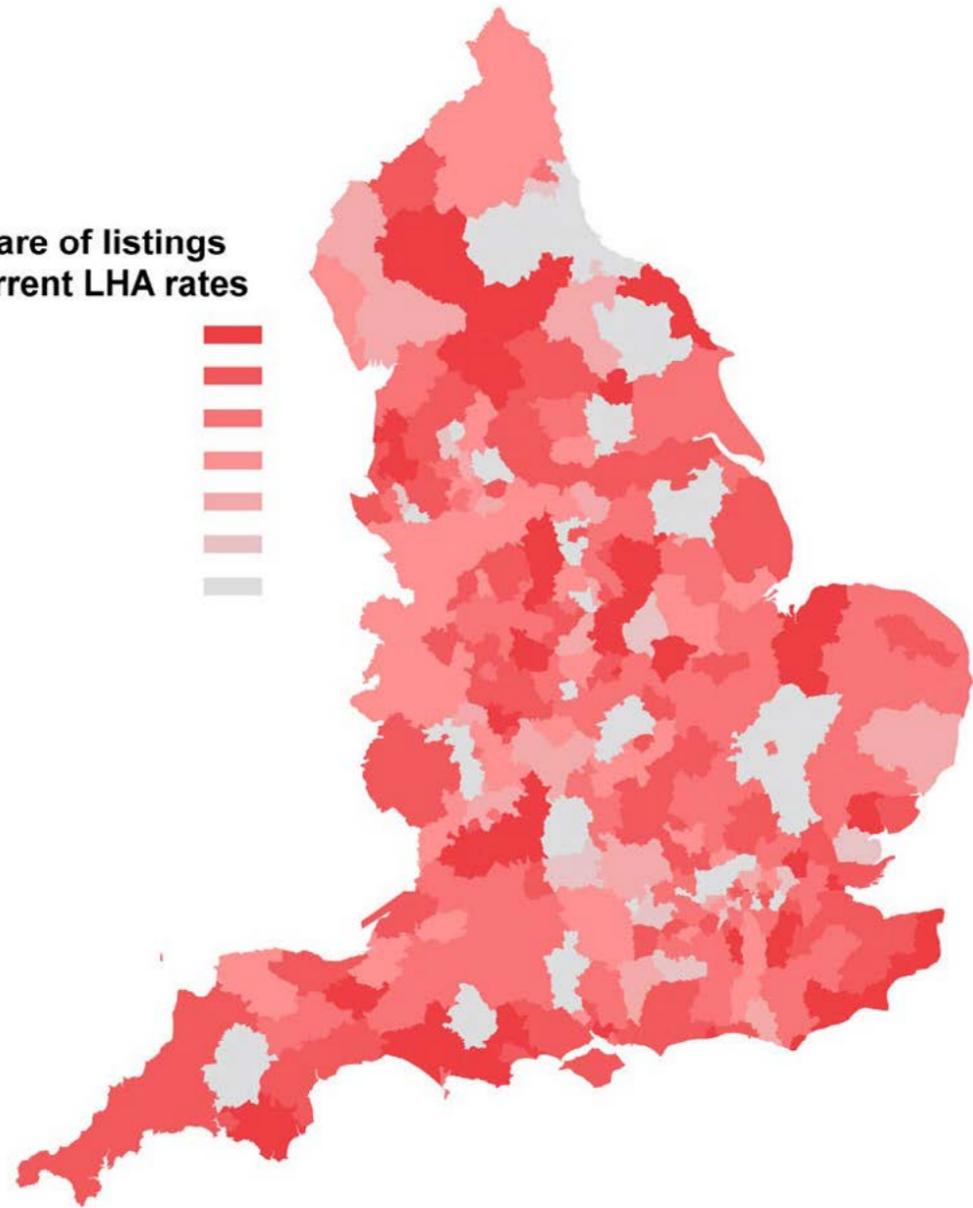
3 <https://www.crisis.org.uk/about-us/media-centre/properties-affordable-on-housing-benefit-have-declined-by-a-third-in-the-last-five-months-down-to-just-8/>

4 Watts, B., Bramley, G., Pawson, H., Young, G., Fitzpatrick, S. and McMordie, L. (2022) The Homelessness Monitor: England 2022 [the-homelessness-monitor-england-2022_report.pdf](https://www.crisis.org.uk/about-us/media-centre/properties-affordable-on-housing-benefit-have-declined-by-a-third-in-the-last-five-months-down-to-just-8/) (crisis.org.uk)

Share of 1 bedroom property listings affordable to people in receipt of Local Housing Allowance

1 bed: share of listings below current LHA rates

- Below 5%
- 5% to 10%
- 10% to 15%
- 15% to 20%
- 20% to 25%
- 25% to 30%
- Above 30%



THE IMPACT OF RISING RENTS, FOOD AND ENERGY COSTS ON LOW-INCOME HOUSEHOLDS

When households face shortfalls between their local housing allowance and rent they have to make up the difference themselves by cutting back on other things. But at a time when household budgets are so stretched, this is money that most low-income households simply don't have. Following the announcement of the energy price guarantee back at the start of September, Crisis found that, even with the cap in place, the lowest income renters (equivalent to 1.7 million households) will still on average be spending more than the entirety of their incomes just to cover the combined costs of rent, fuel and food, with these costs exceeding average incomes by more than 16% - and that's despite the energy cap being put in place. This means debt, rent arrears and the risk of homelessness for many households.

Some of this will be offset by the recently announced uprating of Universal Credit but many households will still be facing costs they simply cannot manage, and urgent action is needed to ensure many more households don't face homelessness this winter.

WHAT DOES THIS MEAN FOR LEVELS OF HOMELESSNESS IN ENGLAND?

Early indication of government statistics shows increases in certain causes of homelessness linked to rent rises. In the last year, there has been a 19% increase in the number of households facing homelessness whose tenancy had ended in the private rented sector compared to before the pandemic. There has also been a steady rise in the number of households seeking assistance because their landlord wants to re-let or sell the property.

These statistics capture the early impact of the cost of living crisis, and the consequences of the withdrawal of many of the protections that were put in place over the pandemic that stopped households being pushed into homelessness. The quickest and most effective way to keep people in their homes is for the Government to urgently invest in housing benefits so that it covers the true cost of rents. Investing in housing benefits 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.

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