

Incomes and affordability

Interest and relevance

- Understanding the relationship between local housing costs and local incomes is one way to understand how different types of housing suit different types of household. Data from this chapter is used in Chapter 13 *Identifying affordable housing need*.
- The chapter compares the cost of market rent, market purchase, shared ownership at 25%, 50% and 75%, Affordable Rent set at 80% of median private rent and traditional social rent levels – all for 1, 2 and 3 bedroom homes. Analysis of costs for 4 bed homes and a lower level of Affordable Rent is included in Section 10.4.4.

Headline messages

- The mean household income in the sub-region as a whole is £37,800 and the lower quartile income for the sub-region is £16,100.
- A high proportion of households on the Home-Link register are low to middle earners, many reliant on benefits. Households on the Orbit register are mostly low to middle earners.
- Based on spending a third of gross household income on housing costs, between 24% and 41% of households in each district are unable to afford market entry (lower quartile private rents).
- Renting is mostly cheaper and more affordable than purchase.
- In most areas 25% shared ownership is a cheaper option than Affordable Rents set at 80%, and some traditional housing association rents. However some level of deposit is required towards the mortgaged share of the property which may not be available to lower income households.
- The income required for Affordable Rents set at the 80% level exceeds the lower quartile income in three of the seven districts in the sub-region (Cambridge, Forest Heath and St Edmundsbury).
- One bedroom homes in much of the sub-region are comparatively affordable for lower income households but there are few homes of this size and they are now flexible for growing families.

Changes over time

- Affordability has worsened since 2010 with fewer households able to afford market entry. This is largely because of a decrease in incomes and a slight increase in market rents.

Geographical variation

- Cambridge is the most expensive and least affordable housing area in the sub-region for all tenures. Here 41% of households have incomes below the level to rent a lower quartile home.
- Forest Heath is the second least affordable area for local people at market entry. Despite having the second lowest purchase prices it has some of the highest rents.
- Fenland is the cheapest housing area, but Huntingdonshire is the most affordable area when housing costs are compared with local incomes.

Future monitoring points

- Monitoring affordability continues to be important to the SHMA, providing an overall understanding of our housing market.

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Section 10.1 Introduction

10 Incomes and affordability

10.1 Introduction

- Understanding affordability is key to understanding the housing market. This is one of the core outputs of the SHMA as defined by CLG (2013) and the draft guidance on housing and economic assessments, issued by CLG in September 2013.
- The chapter examines data available about local incomes, the affordability of different tenures for different sizes of homes in terms of the monthly cost of the tenure, the income required to support these monthly costs and the proportion of households able to support these costs.
- For the purpose of this chapter, affordability is defined as spending a third of income on housing costs. For example, if the monthly cost = £500/month, the gross annual income required to afford this would be £18,000 ($500 \times 3 \times 12$). Based on the data available and the fact that the sub-region is generally a relatively high cost area, a third of income seems a reasonable expectation and is consistent with other organisations such as the Homes and Communities Agency and local HomeBuy Agent and is therefore in keeping with providing a conservative estimate of housing need.
- Using this assumption, a £1 difference in monthly housing cost means a £36 difference in annual income required. A difference in housing cost of around £15/month either way (£540/year) starts to make a difference to measuring the proportion of households who are able or unable to afford different tenures and sizes of home.
- For each district, the chapter compares
 - the cost of renting versus buying
 - the maximum Affordable Rent (set at 80% of the private rent level) with different levels of shared ownership
 - the difference in cost between traditional social rent and maximum Affordable Rent
 - the cost of market access (rent or purchase) for smaller properties; and
 - the typical cost of intermediate purchase for a slightly larger property.
- In this chapter we borrow some terms from the Resolution Foundation think tank: "Benefit reliant" for households with an income of less than £12,000 for whom more than one-fifth of income is likely to be derived from benefits (including housing benefit) and "low to middle earners" which refers to households with an income of between £12,000 and £30,000 who are largely not reliant on benefits, but may struggle with finding affordable appropriate housing for their household.
- The data used is based on 2011/12 data for all tenures. Tables highlighted in yellow are used in the calculation of affordable need in Chapter 13. Throughout this chapter, pa refers to "per annum" or per year. The terms mean, median and lower quartile are defined in section 10.4.2.

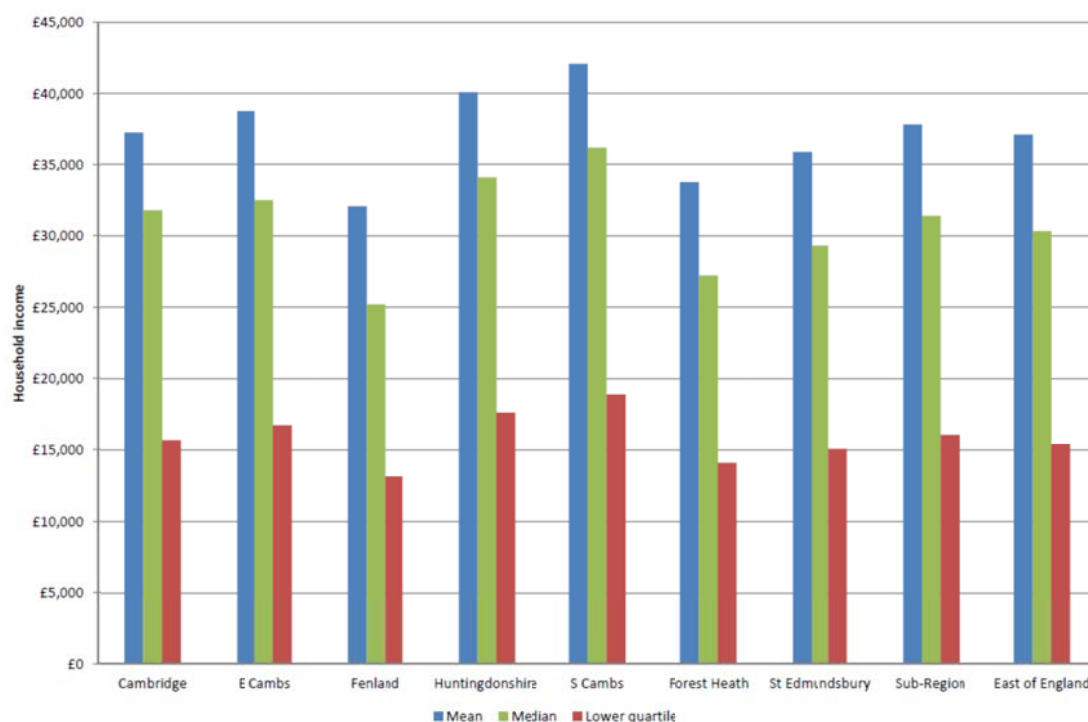
Section 10.2 Facts and figures

10.2 Facts and figures

10.2.1 Incomes: all households

Fig 1 shows the mean, median and lower quartile income for all households by district, based on gross household income, meaning income including benefits and earnings before tax.

Fig 1 **Mean, median and lower quartile gross annual household income per year – all households**



Source: CACI, 2012 via Hometrack

Table 1 **Mean, median and lower quartile gross annual household income per year – all households**

| | Lower quartile | Median | Mean |
|----------------------|----------------|--------|--------|
| Cambridge | 15,700 | 31,800 | 37,211 |
| East Cambridgeshire | 16,750 | 32,500 | 38,766 |
| Fenland | 13,150 | 25,200 | 32,072 |
| Huntingdonshire | 17,630 | 34,090 | 40,096 |
| South Cambridgeshire | 18,900 | 36,150 | 42,082 |
| Forest Heath | 14,120 | 27,240 | 33,754 |
| St Edmundsbury | 15,070 | 29,340 | 35,866 |
| Sub-region | 16,070 | 31,400 | 37,823 |
| East of England | 15,200 | 30,330 | 37,083 |

Source: CACI, 2012 via Hometrack

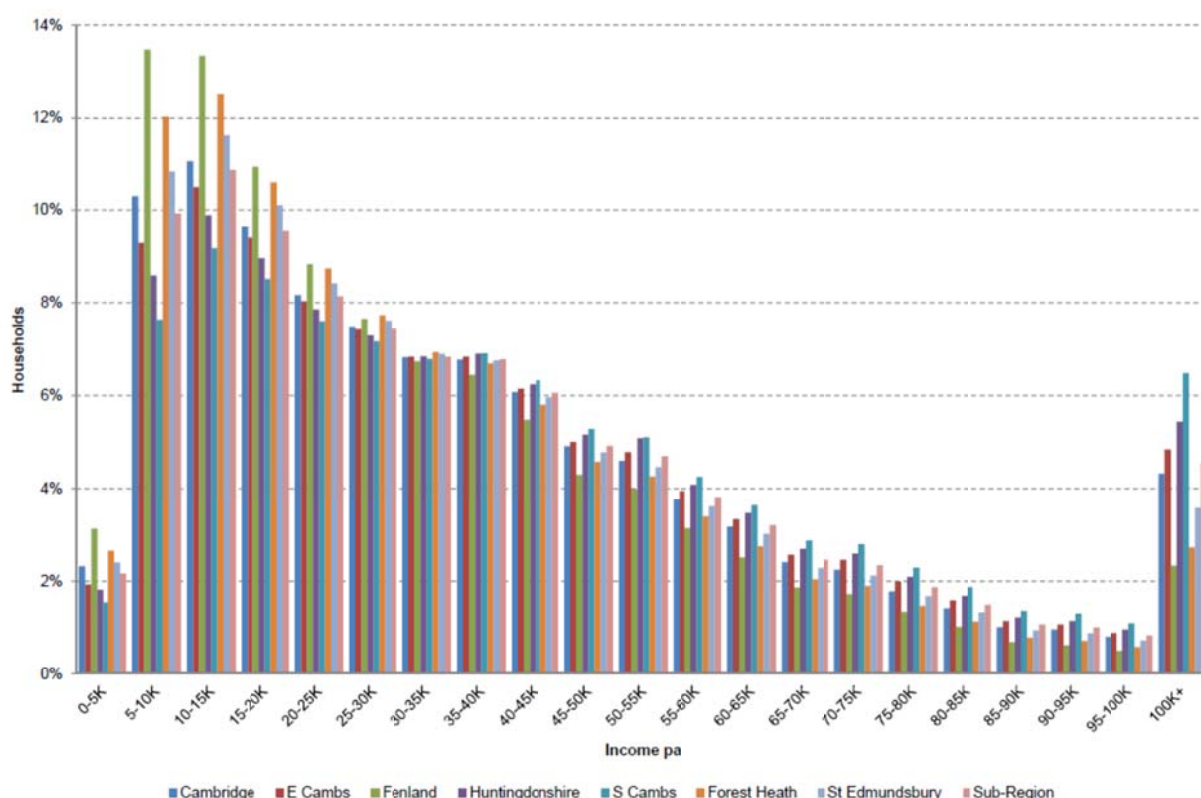
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Households in Fenland have the lowest mean income at £32,072 compared to a sub-regional average of £37,823. Incomes in Forest Heath and St Edmundsbury are below the sub-region average and Cambridge is slightly below, but close to the mean.

The mean household income in South Cambridgeshire and Huntingdonshire is more than £40,000pa. South Cambridgeshire has the highest income levels in the sub-region.

Fig 2 shows income distribution which helps visualise the level of earning for all households, in £5K income bands.

Fig 2 **Gross annual household income distribution – all households**



Source: CACI, 2012 via Hometrack

Fig 1 and Fig 2 show the household income distribution by district for all households in the Cambridge housing sub-region.

South Cambridgeshire and Huntingdonshire have the highest proportion of households with an income greater than £50,000pa, closely followed by East Cambridgeshire.

Fenland, Forest Heath and St Edmundsbury have a higher proportion of households with an income of less than £20,000pa than the sub-region as a whole. Of Cambridge households, 33% have an income of less than £20,000, which is the same as the sub-region as a whole.

Just under 5% of households have an income of more than £100,000pa in total across the sub-region.

There are around 12% of households in the sub-region with an income of less than £10,000. This is likely to include a number of older owner-occupiers with a low level of income but a higher level of savings and

Section 10.2 Facts and figures

capital tied up in their home. There is no data available on source of income for these households, but it is likely that they are in receipt of some level of benefit (which may include housing benefit). It is not possible to work out from the available data the household type and size by income.

10.2.2 Incomes: recently moved social tenants

Table 2 shows the average, lower quartile and median income data for households who moved into social rented homes between 2009/10 and 2011/12. This data stopped being collected, so is not available for 2011/12.

Table 2 **Annual household income of recently moved social tenants, 2009/10 to 2011/12**

| | Cambridge | ECDC | Fenland | HDC | SCDC | FHDC | SEBC | Sub-region |
|-------------------------------------|-----------|---------|---------|---------|---------|---------|---------|------------|
| Mean | £12,408 | £12,586 | £11,084 | £11,956 | £15,606 | £11,369 | £12,572 | £12,260 |
| Median | £9,360 | £11,380 | £9,880 | £10,400 | £13,944 | £9,880 | £10,678 | £10,400 |
| Lower quartile | £5,668 | £6,669 | £5,980 | £6,256 | £8,320 | £5,707 | £6,500 | £6,396 |
| Number of households providing data | 419 | 534 | 512 | 1,201 | 268 | 504 | 976 | 4,414 |

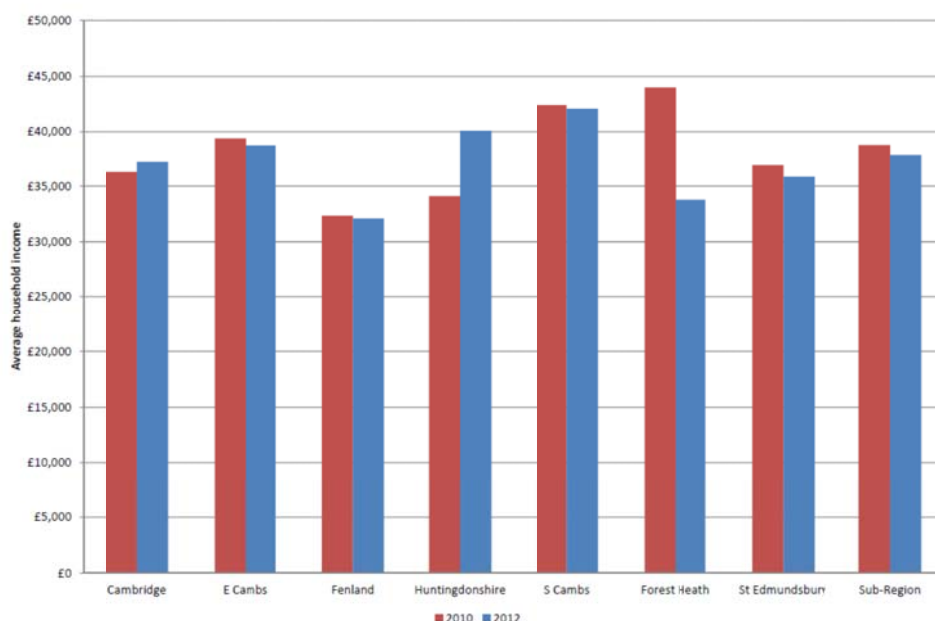
Source: CORE 2009/10 to 2011/12

Table 2 is based on data from just over 4,414 records on CORE. It suggests social tenant households are more likely to have lower incomes than the population as a whole. Also please note CACI data covering all households in Fig 1 includes benefits, but this is excluded from Table 2. While it varies by household structure, generally households within an income of less than £12,000 are likely to be entitled to some level of benefits.

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Fig 3 shows income distribution for recent movers

Fig 3 **Income distribution of recently moved social tenants, 2009/10 to 2011/12**



Source: CORE, 2009/10-2011/12

Fig 3 shows the income distribution of households who have recently moved into social rented properties by district. Although there is some variation in the income curve by district, it is interesting to note how similar the distribution is for all seven districts and for the sub-region as a whole. As noted above, there are data differences between CACI data shown in Fig 1 and CORE in Table 2.

10.2.3 Incomes: households on the Orbit (intermediate tenure) register

The available income data for intermediate housing applicants is shown in Table 3.

Table 3 **Annual gross household income of intermediate housing applicants, March 2012**

| | Cambridge | ECDC | Fenland | HDC | SCDC | Forest Heath | SEBC | Sub-region |
|----------------|-----------|---------|---------|---------|---------|--------------|---------|------------|
| Mean | £29,902 | £28,569 | £24,222 | £27,354 | £29,169 | £25,881 | £24,678 | £28,322 |
| Median | £27,500 | £25,969 | £25,860 | £26,000 | £28,472 | £24,282 | £23,366 | £26,500 |
| Lower quartile | £21,778 | £19,500 | £15,180 | £18,374 | £19,678 | £17,345 | £16,858 | £19,781 |

Source: Orbit, March 2012

Table 3 shows income information about applicants for intermediate housing (for further information see Chapter 9 *Intermediate housing*). There is some overlap between intermediate applicants and Homelink applicants, as some households are on both registers.

Income includes annual pay before tax and benefits, so is more similar to the data from CACI than Locata.

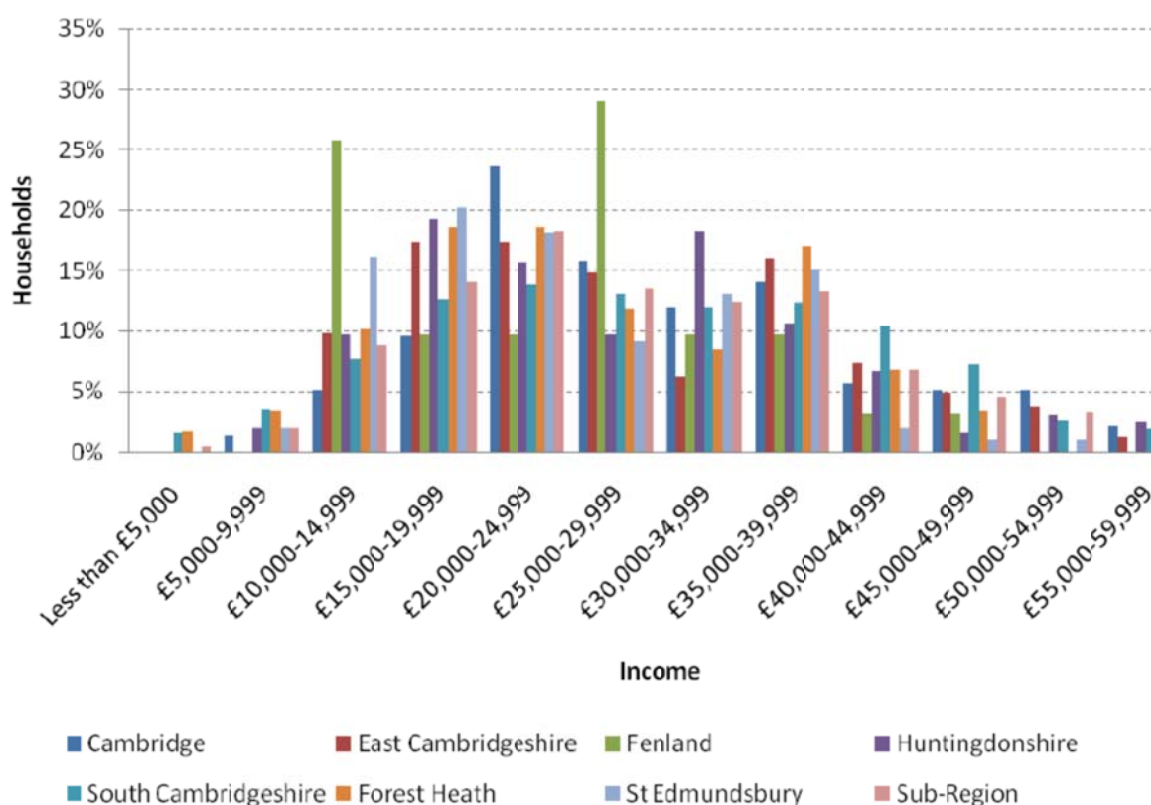
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The mean income of households on the intermediate register (£28,322) is lower than the mean for all households (£37,823). Households with an income of more than £60,000 are not eligible for intermediate housing and consequently there are none of these on the Orbit register.

The lower quartile income for intermediate applicant households in the sub-region at £19,781 is higher than the sub-region lower quartile for all households at £16,070.

Income distribution for intermediate applicants is shown in Fig 4 .

Fig 4 **Income distribution of intermediate applicants by current district of residence, March 2012**



Source: Orbit, March 2012

The income distribution of intermediate applicants is shown in Fig 4 . There are very few households (2.5%) with an income below £10,000 compared to both all households and households on the Home-Link housing register.

Around 63% of intermediate applicants have an income below the sub-regional median for all households (Fig 1). Some of this may be due to differences in data collection and definition.

Intermediate housing has traditionally been targeted at low to middle income households with a low need for social rented housing, but whose needs are not met by the market either.

Because income is an eligibility criteria, 99% of households registering with Orbit have provided income data.

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10.2.4 Cost, income and ability to afford, by district

Cambridge

Table 4 Monthly cost by tenure and size, income required to afford and % of all households unable to afford

| | 1 bed | 2 bed | 3 bed | All |
|--------------------------------|---------|---------|---------|---------|
| Monthly cost | | | | |
| Housing Association rent | £356 | £404 | £450 | £405 |
| LA rent | £318 | £383 | £441 | £380 |
| Affordable Rent (80%) | £584 | £716 | £780 | £680 |
| Shared ownership (25%) | £382 | £385 | £470 | £401 |
| Shared ownership (50%) | £536 | £540 | £659 | £563 |
| Shared ownership (75%) | £688 | £695 | £839 | £722 |
| Lower quartile private rent | £675 | £760 | £875 | £695 |
| Average private rent | £760 | £917 | £1,024 | £893 |
| Lower quartile market purchase | £694 | £972 | £1,149 | £1,066 |
| Required income | | | | |
| Housing Association rent | £12,822 | £14,531 | £16,195 | £14,592 |
| LA rent | £11,436 | £13,797 | £15,887 | £13,697 |
| Affordable Rent (80%) | £21,024 | £25,776 | £28,080 | £24,480 |
| Shared ownership (25%) | £13,750 | £13,852 | £16,921 | £14,452 |
| Shared ownership (50%) | £19,287 | £19,429 | £23,734 | £20,271 |
| Shared ownership (75%) | £24,785 | £25,008 | £30,205 | £26,006 |
| Lower quartile private rent | £24,300 | £27,360 | £31,500 | £25,020 |
| Average private rent | £27,360 | £33,012 | £36,864 | £32,148 |
| Lower quartile market purchase | £24,981 | £34,981 | £41,353 | £38,364 |
| Unable to afford | | | | |
| Housing Association rent | 19% | 24% | 26% | 24% |
| LA rent | 15% | 21% | 26% | 21% |
| Affordable Rent (80%) | 35% | 43% | 46% | 40% |
| Shared ownership (25%) | 21% | 21% | 28% | 21% |
| Shared ownership (50%) | 31% | 31% | 40% | 33% |
| Shared ownership (75%) | 41% | 41% | 49% | 43% |
| Lower quartile private rent | 40% | 44% | 52% | 41% |
| Average private rent | 44% | 53% | 58% | 52% |
| Lower quartile market purchase | 41% | 56% | 64% | 60% |

Source: Hometrack House Prices (chapter 5), VOA rents (chapter 6), NROSH and LAHS social rents (chapter 7), CORE Intermediate sales (chapter 8) and CACI from Hometrack.

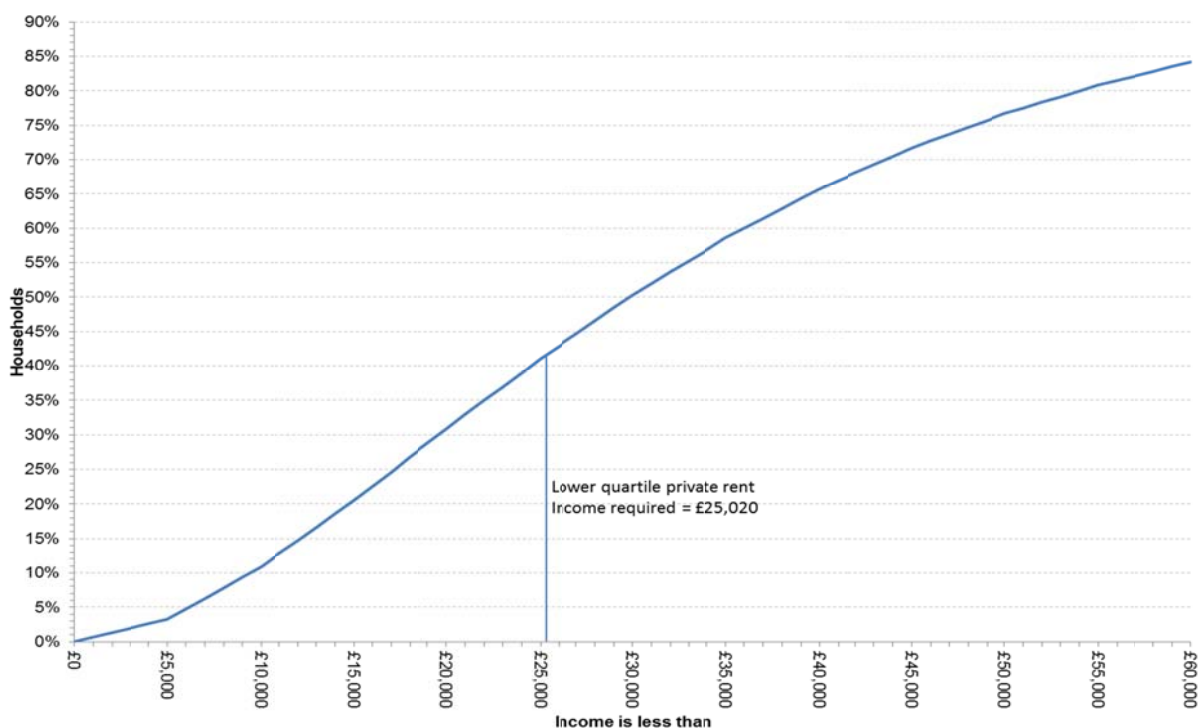
Table 4 shows the monthly cost by tenure for 1 to 3 bed homes, the income required to support these costs based on spending a third of income on housing costs and the proportion of all households with an income below this level (i.e. unable to afford) in Cambridge. Housing costs exclude any service charges.

- It can be cheaper to privately rent a lower quartile property than it is to buy, however the difference between renting and purchasing a lower quartile 1 bedroom property is only £19 per month.

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- It is useful to compare the monthly cost of different tenure and size homes. For example, the overall cost of Affordable Rent set at the maximum of 80% would be £680 per month; some £300 more than current council rent and £275 more than current housing association rent. Set at 80%, Affordable Rents cost around £15 per month less than lower quartile private rents.
- Based on a third of income being spent on housing costs, a household would require an income of £25,020 for lower quartile rent and £38,364 for lower quartile purchase.
- The lower quartile income in Cambridge is £15,700 which would support the costs of traditional social rent and 25% shared ownership (if that was available) but other affordable tenures and access to the market would be unaffordable at this income level.
- The mean income for the district is £37,211 meaning that an above average income is needed to support even shared ownership purchase in Cambridge, even without considering a deposit.

Fig 5 **Household income and households unable to afford lower quartile rent**



Source: CACI 2012 and VOA rents (Chapter 6)

Fig 5 shows the proportion of households unable to afford market entry (lower quartile rent) in Cambridge. An income of £25,020 is required (shown by the vertical line). Some 41% of households in Cambridge have an income below this level.

Table 5 **Cambridge: Monthly costs, income required and % of households able to afford 4 bed homes**

| | Housing Association rent | Affordable Rents @ 80% | Lower quartile private rent | Average private rent | Lower quartile market purchase |
|------------------|--------------------------|------------------------|-----------------------------|----------------------|--------------------------------|
| Monthly cost | £500 | £1,040 | £1,200 | £1,455 | £1,561 |
| Income required | £18,001 | £37,440 | £43,200 | £52,380 | £56,208 |
| Unable to afford | 29% | 58% | 66% | 75% | 79% |

Source: Hometrack House Prices (chapter 5), VOA rents (chapter 6), NROSH and LAHS social rents (chapter 7), CORE Intermediate sales (chapter 8) and CACI from Hometrack.

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East Cambridgeshire

Table 6 Monthly cost by tenure and size, income required to afford and % of all households unable to afford

| | 1 bed | 2 bed | 3 bed | All |
|--------------------------------|---------|---------|---------|---------|
| Monthly cost | | | | |
| Housing Association rent | £347 | £410 | £462 | £421 |
| Affordable Rent (80%) | £384 | £476 | £568 | £520 |
| Shared ownership (25%) | £227 | £300 | £355 | £312 |
| Shared ownership (50%) | £318 | £420 | £498 | £438 |
| Shared ownership (75%) | £376 | £540 | £646 | £566 |
| Lower quartile private rent | £445 | £550 | £650 | £550 |
| Average private rent | £486 | £598 | £763 | £746 |
| Lower quartile market purchase | £415 | £610 | £768 | £743 |
| Required income | | | | |
| Housing Association rent | £12,493 | £14,749 | £16,644 | £15,157 |
| Affordable Rent (80%) | £13,824 | £17,136 | £20,448 | £18,720 |
| Shared ownership (25%) | £8,174 | £10,786 | £12,783 | £11,231 |
| Shared ownership (50%) | £11,466 | £15,129 | £17,930 | £15,754 |
| Shared ownership (75%) | £13,537 | £19,456 | £23,256 | £20,383 |
| Lower quartile private rent | £16,020 | £19,800 | £23,400 | £19,800 |
| Average private rent | £17,496 | £21,528 | £27,468 | £26,856 |
| Lower quartile market purchase | £14,944 | £21,964 | £27,658 | £26,766 |
| Unable to afford | | | | |
| Housing Association rent | 15% | 22% | 25% | 22% |
| Affordable Rent (80%) | 20% | 25% | 31% | 29% |
| Shared ownership (25%) | 8% | 13% | 18% | 13% |
| Shared ownership (50%) | 13% | 22% | 27% | 24% |
| Shared ownership (75%) | 20% | 29% | 36% | 31% |
| Lower quartile private rent | 24% | 31% | 36% | 31% |
| Average private rent | 25% | 34% | 42% | 42% |
| Lower quartile market purchase | 22% | 34% | 44% | 42% |

Source: Hometrack House Prices (chapter 5), VOA rents (chapter 6), NROSH social rents (chapter 7), CORE Intermediate sales (chapter 8) and CACI from Hometrack.

Table 6 shows the monthly cost by tenure for 1 to 3 bed homes, the income require to support these costs based on spending a third of income on housing costs and the proportion of all households with an income below this level (i.e. unable to afford) in East Cambridgeshire. Housing costs shown exclude any service charges.

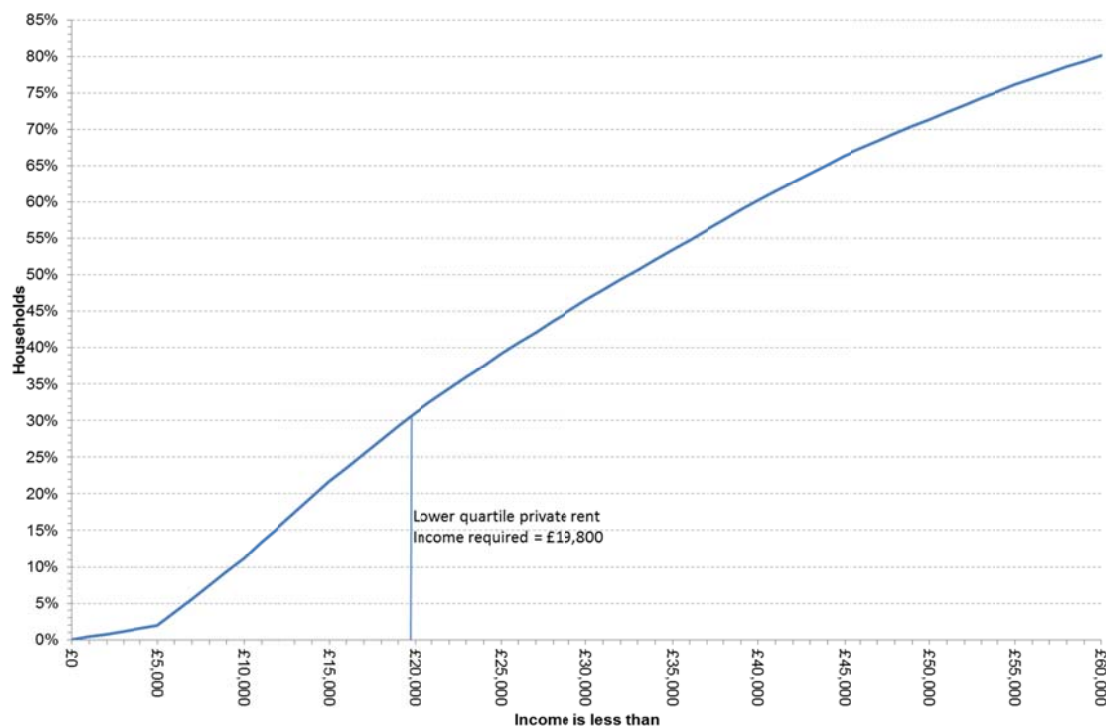
- It can be cheaper to privately rent a lower quartile 2 or 3 bed property than it is to buy, however a lower quartile 1 bedroom homes may be cheaper to buy than to rent, assuming the deposit needed does not prove a barrier.
- The overall cost of Affordable Rent set at 80% of the private rent level is £520 per month compared to £421 per month for housing association rent. This Affordable Rent would be more costly than 50% shared ownership.

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- It may be cheaper to buy a 50% shared ownership 2 bed property than to rent a lower quartile 1 bedroom home.
- Based on a third of income being spent on housing costs, a household would require an annual income of £19,800 for lower quartile rent and £26,766 for lower quartile purchase in East Cambridgeshire.
- The lower quartile income in East Cambridgeshire is £16,750. This is not enough to afford a lower quartile rent or purchase of a home with two or more bedrooms.
- An Affordable Rent (set at the 80% level) for a 1-bed would be affordable for households on lower quartile incomes but a 2 or 3 bedroom home at Affordable Rent (again at 80%) would not be.

Fig 6 shows affordability for lower quartile rent for all households.

Fig 6 Household income required and households unable to afford lower quartile rent



Source: CACI 2012 and VOA rents (Chapter 6)

Fig 6 shows the proportion of households unable to afford market entry (lower quartile rent) in East Cambridgeshire. An income of £19,800 is required (shown by the vertical line). Some 31% of all households in East Cambridgeshire have an income below this level.

Table 7 East Cambridgeshire monthly cost, income required and % of households able to afford 4 bed homes

| | Housing Association rent | Affordable Rents @ 80% | Lower quartile private rent | Average private rent | Lower quartile market purchase |
|------------------|--------------------------|------------------------|-----------------------------|----------------------|--------------------------------|
| Monthly cost | £491 | £960 | £950 | £1,212 | £1,140 |
| Income required | £17,688 | £34,560 | £34,200 | £43,632 | £41,041 |
| Unable to afford | 27% | 53% | 52% | 65% | 61% |

Source: Hometrack House Prices (chapter 5), VOA rents (chapter 6), NROSH and LAHS social rents (chapter 7), CORE Intermediate sales (chapter 8) and CACI from Hometrack.

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Fenland

Table 8 **Monthly cost by tenure and size, income required to afford and % of all households unable to afford**

| | 1 bed | 2 bed | 3 bed | All |
|--------------------------------|---------|---------|---------|---------|
| Monthly cost | | | | |
| Housing Association rent | £325 | £356 | £390 | £362 |
| Affordable Rent (80%) | £320 | £400 | £480 | £420 |
| Shared ownership (25%) | - | £229 | £279 | £265 |
| Shared ownership (50%) | - | £321 | £391 | £372 |
| Shared ownership (75%) | - | £379 | £503 | £480 |
| Lower quartile private rent | £370 | £450 | £550 | £450 |
| Average private rent | £394 | £496 | £604 | £535 |
| Lower quartile market purchase | £310 | £463 | £595 | £520 |
| Required income | | | | |
| Housing Association rent | £11,684 | £12,817 | £14,034 | £13,015 |
| Affordable Rent (80%) | £11,520 | £14,400 | £17,280 | £15,120 |
| Shared ownership (25%) | - | £8,245 | £10,040 | £9,551 |
| Shared ownership (50%) | - | £11,565 | £14,083 | £13,396 |
| Shared ownership (75%) | - | £13,654 | £18,099 | £17,288 |
| Lower quartile private rent | £13,320 | £16,200 | £19,800 | £16,200 |
| Average private rent | £14,184 | £17,856 | £21,744 | £19,260 |
| Lower quartile market purchase | £11,152 | £16,682 | £21,413 | £18,736 |
| Unable to afford | | | | |
| Housing Association rent | 22% | 25% | 27% | 25% |
| Affordable Rent (80%) | 22% | 27% | 34% | 30% |
| Shared ownership (25%) | - | 11% | 17% | 17% |
| Shared ownership (50%) | - | 22% | 27% | 25% |
| Shared ownership (75%) | - | 27% | 36% | 34% |
| Lower quartile private rent | 25% | 32% | 41% | 32% |
| Average private rent | 27% | 36% | 44% | 39% |
| Lower quartile market purchase | 19% | 34% | 43% | 39% |

Source: Hometrack House Prices (chapter 5), VOA rents (chapter 6), NROSH social rents (chapter 7), CORE Intermediate sales (chapter 8) and CACI from Hometrack.

Fig 6 shows the monthly cost by tenure for 1 to 3 bed homes, the income require to support these costs based on spending a third of income on housing costs and the proportion of all households with an income below this level (i.e. unable to afford) in Fenland. Housing costs exclude any service charges.

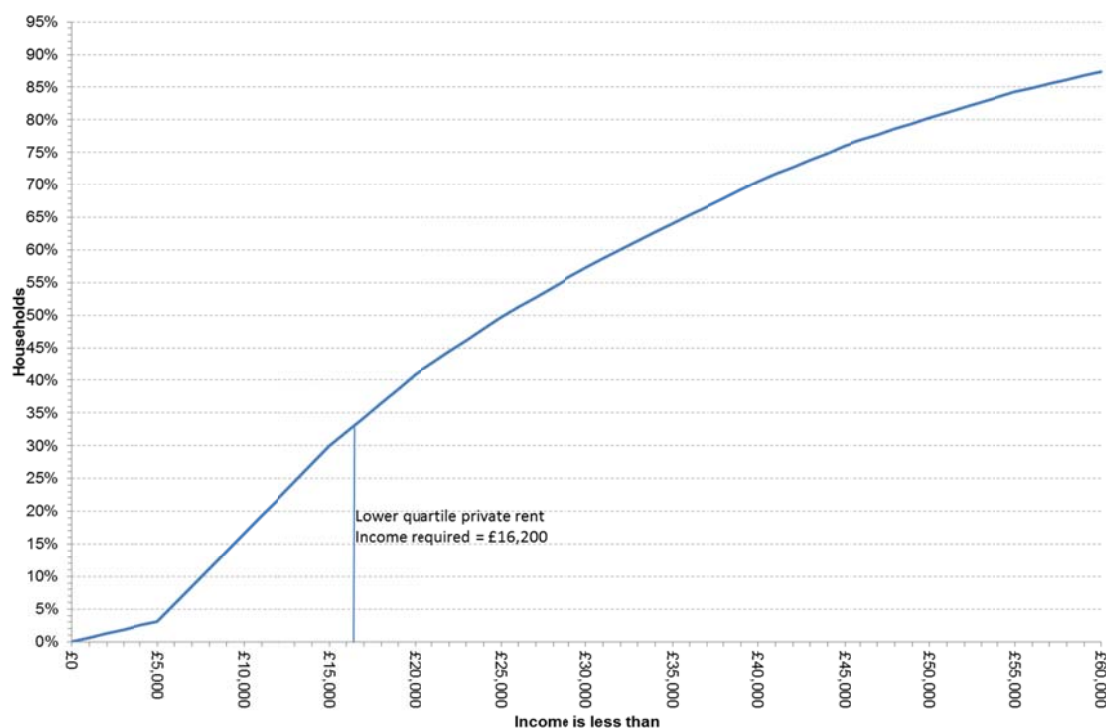
- A lower quartile private rent for a 1-bed costs £60 per month more than lower quartile purchase. This is based on the assumption of 10% deposit on purchase, (equivalent to around £6,500), so while the monthly costs of renting a 1 bed property may be higher, it may be a more realistic option for households with limited, or no savings.
- The overall cost of Affordable Rent set at 80%of the private rent level is £420 per month, which is £58 per month more than housing association rent. Buying a 25% or a 50% share in a home under shared ownership would be cheaper in terms of monthly cost than Affordable Rents at the 80% level. Buying a 50% share in a shared ownership property would only be £10 per month more than the average housing association rent.

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- No data is available for 1 bed shared ownership properties as there were no sales of this size recorded in Fenland. Because of the relatively low cost of purchasing one beds in Fenland (the lower quartile price is less than £60,000), the demand for 1-bed shared ownership in the district is likely to be low.
- Lower quartile purchase of a 1 bedroom home is £11 per month cheaper than buying a 50% shared ownership 2 bed property.
- Based on a third of income being spent on housing costs, a household would require an annual income of £16,200 to afford lower quartile rent and £18,736 for lower quartile purchase in Fenland. The lower quartile income in Fenland is £13,150. This covers housing association rent, Affordable Rent (set at 80%) for 1-beds; and for 25% and 50% shared ownership for 2-beds.

Fig 7 shows affordability for lower quartile rent for all households.

Fig 7 Household income required and percentage households unable to afford lower quartile rent



Source: CACI 2012 and VOA rents (Chapter 6)

Fig 7 shows the proportion of households unable to afford market entry (lower quartile rent) in Fenland. An income of £16,200 is required (shown by the vertical line). Some 32% of households in Fenland have an income below this level.

Table 9 Fenland: monthly costs, income required and % of households able to afford 4 bed homes

| | Housing Association rent | Affordable Rents @ 80% | Lower quartile private rent | Average private rent | Lower quartile market purchase |
|------------------|--------------------------|------------------------|-----------------------------|----------------------|--------------------------------|
| Monthly cost | £421 | £600 | £700 | £804 | £892 |
| Income required | £15,150 | £21,600 | £25,200 | £28,944 | £32,118 |
| Unable to afford | 30% | 44% | 50% | 56% | 60% |

Source: Hometrack House Prices (chapter 5), VOA rents (chapter 6), NROSH and LAHS social rents (chapter 7), CORE Intermediate sales (chapter 8) and CACI from Hometrack.

Section 10.2 Facts and figures

Huntingdonshire

Table 10 Monthly cost by tenure and size, income required to afford and % of all households unable to afford

| | 1 bed | 2 bed | 3 bed | All |
|--------------------------------|---------|---------|---------|---------|
| Monthly cost | | | | |
| Housing Association rent | £305 | £355 | £390 | £363 |
| Affordable Rent (80%) | £360 | £460 | £520 | £468 |
| Shared ownership (25%) | £244 | £307 | £380 | £320 |
| Shared ownership (50%) | £342 | £430 | £533 | £449 |
| Shared ownership (75%) | £437 | £554 | £684 | £579 |
| Lower quartile private rent | £425 | £525 | £600 | £485 |
| Average private rent | £464 | £588 | £669 | £634 |
| Lower quartile market purchase | £421 | £597 | £706 | £694 |
| Required income | | | | |
| Housing Association rent | £10,974 | £12,777 | £14,041 | £13,054 |
| Affordable Rent (80%) | £12,960 | £16,560 | £18,720 | £16,848 |
| Shared ownership (25%) | £8,767 | £11,045 | £13,676 | £11,527 |
| Shared ownership (50%) | £12,297 | £15,493 | £19,184 | £16,168 |
| Shared ownership (75%) | £15,728 | £19,930 | £24,624 | £20,829 |
| Lower quartile private rent | £15,300 | £18,900 | £21,600 | £17,460 |
| Average private rent | £16,704 | £21,168 | £24,084 | £22,824 |
| Lower quartile market purchase | £15,167 | £21,479 | £25,428 | £24,981 |
| Unable to afford | | | | |
| Housing Association rent | 12% | 16% | 18% | 16% |
| Affordable Rent (80%) | 16% | 24% | 27% | 24% |
| Shared ownership (25%) | 9% | 12% | 18% | 14% |
| Shared ownership (50%) | 14% | 20% | 27% | 22% |
| Shared ownership (75%) | 22% | 29% | 37% | 31% |
| Lower quartile private rent | 20% | 27% | 32% | 24% |
| Average private rent | 24% | 31% | 36% | 34% |
| Lower quartile market purchase | 20% | 31% | 37% | 37% |

Source: Hometrack House Prices (chapter 5), VOA rents (chapter 6), NROSH social rents (chapter 7), CORE Intermediate sales (chapter 8) and CACI from Hometrack.

Table 10 shows the monthly cost by tenure for 1 to 3 bed homes, the income require to support these costs based on spending a third of income on housing costs and the proportion of all households with an income below this level (i.e. unable to afford) in Huntingdonshire. Housing costs shown exclude any service charges.

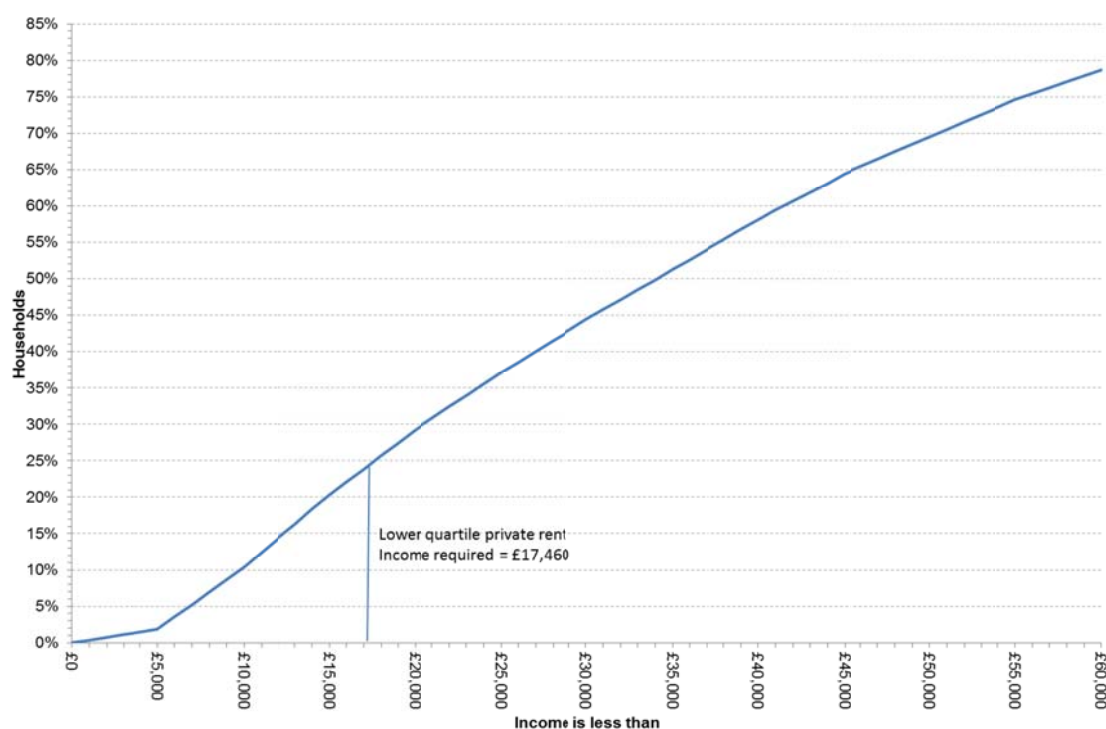
- The lower quartile rent is cheaper than lower quartile purchase overall, although buying a 1 bed home is £4 per month cheaper than renting - assuming access to a £8,500 deposit.
- The overall cost of Affordable Rent (if set at the maximum of 80% of the private rent level) is £468 per month; that is £105 per month more than housing association rent. The monthly cost of 25% and 50% shared ownership are cheaper than Affordable Rents set at the 80% level.
- Lower quartile private rent for a 1-bed can be £5 per month cheaper than 50% shared ownership for a 2 bed property.

Section 10.2 Facts and figures

- Based on a third of income on housing costs, a household would require an annual income of £17,460 to afford lower quartile rent and £24,981 for lower quartile purchase in Huntingdonshire.
- The lower quartile income in Huntingdonshire is £17,630. This is enough to afford housing association rents; Affordable Rents for 1 and 2 bedroom homes set at the 80% level; 25% shared ownership and 1 and 2 bedroom 50% shared ownership.
- Lower quartile income would also cover lower quartile rent or purchase for a 1 bedroom home.

Fig 8 shows affordability for lower quartile rent for all households.

Fig 8 Household income required and households unable to afford lower quartile rent



Source: CACI 2012 and VOA rents (Chapter 6)

Fig 8 shows the proportion of households unable to afford market entry (lower quartile rent) in Huntingdonshire. An income of £17,460 is required (shown by the vertical line). Some 24% of Huntingdonshire households have an income below this level.

Table 11 Huntingdonshire: monthly costs, income required and % of households able to afford 4 bed homes

| | Housing Association rent | Affordable Rents @ 80% | Lower quartile private rent | Average private rent | Lower quartile market purchase |
|------------------|--------------------------|------------------------|-----------------------------|----------------------|--------------------------------|
| Monthly cost | £443 | £796 | £850 | £1,093 | £1,042 |
| Income required | £15,932 | £28,656 | £30,600 | £39,348 | £37,517 |
| Unable to afford | 22% | 43% | 46% | 57% | 55% |

Source: Hometrack House Prices (chapter 5), VOA rents (chapter 6), NROSH and LAHS social rents (chapter 7), CORE Intermediate sales (chapter 8) and CACI from Hometrack.

Section 10.2 Facts and figures

South Cambridgeshire

Table 12 **Monthly cost by tenure and size, income required to afford and % of all households unable to afford**

| | 1 bed | 2 bed | 3 bed | All |
|--------------------------------|---------|---------|---------|---------|
| Monthly cost | | | | |
| Housing Association rent | £338 | £408 | £458 | £419 |
| LA rent | £320 | £363 | £389 | £364 |
| Affordable Rent (80%) | £476 | £556 | £660 | £600 |
| Shared ownership (25%) | £307 | £352 | £462 | £378 |
| Shared ownership (50%) | £431 | £494 | £648 | £531 |
| Shared ownership (75%) | £558 | £645 | £840 | £692 |
| Lower quartile private rent | £550 | £650 | £775 | £650 |
| Average private rent | £597 | £713 | £861 | £823 |
| Lower quartile market purchase | £570 | £794 | £968 | £942 |
| Required income | | | | |
| Housing Association rent | £12,173 | £14,680 | £16,482 | £15,100 |
| LA rent | £11,522 | £13,060 | £13,996 | £13,116 |
| Affordable Rent (80%) | £17,136 | £20,016 | £23,760 | £21,600 |
| Shared ownership (25%) | £11,049 | £12,676 | £16,623 | £13,619 |
| Shared ownership (50%) | £15,498 | £17,780 | £23,316 | £19,103 |
| Shared ownership (75%) | £20,100 | £23,230 | £30,225 | £24,919 |
| Lower quartile private rent | £19,800 | £23,400 | £27,900 | £23,400 |
| Average private rent | £21,492 | £25,668 | £30,996 | £29,628 |
| Lower quartile market purchase | £20,520 | £28,580 | £34,840 | £33,903 |
| Unable to afford | | | | |
| Housing Association rent | 13% | 18% | 20% | 18% |
| LA rent | 13% | 15% | 17% | 15% |
| Affordable Rent (80%) | 22% | 27% | 33% | 30% |
| Shared ownership (25%) | 11% | 15% | 22% | 17% |
| Shared ownership (50%) | 18% | 23% | 31% | 25% |
| Shared ownership (75%) | 27% | 31% | 42% | 34% |
| Lower quartile private rent | 27% | 31% | 39% | 31% |
| Average private rent | 28% | 36% | 43% | 42% |
| Lower quartile market purchase | 28% | 40% | 48% | 47% |

Source: Hometrack House Prices (chapter 5), VOA rents (chapter 6), NROSH social rents (chapter 7), CORE Intermediate sales (chapter 8) and CACI from Hometrack.

Table 12 shows the monthly cost by tenure for 1 to 3 bed homes, the income require to support these costs based on spending a third of income on housing costs and the proportion of all households with an income below this level (i.e. unable to afford) in South Cambridgeshire. Housing costs shown exclude any service charges.

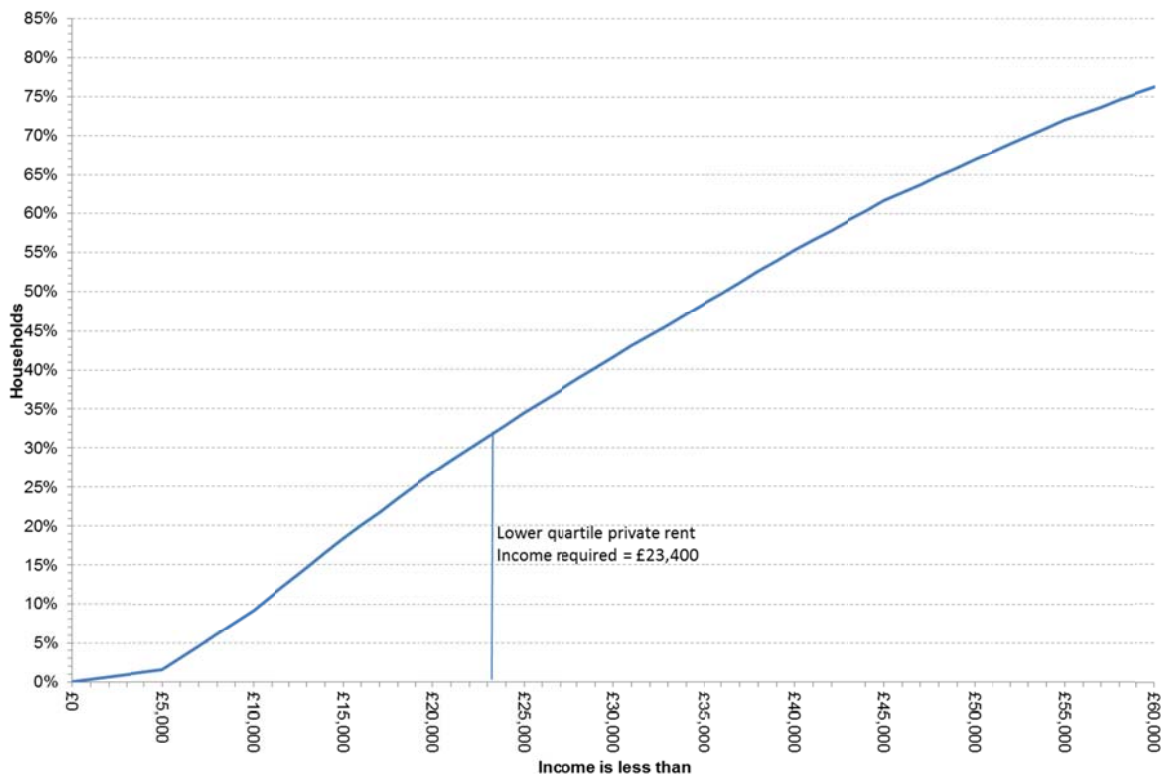
- Lower quartile market rents are cheaper than lower quartile purchase.
- The overall cost of Affordable Rent (at the 80% level) is £600 per month; this is £181 per month more than housing association rent, and £236/month more expensive than council rents. The monthly cost of 25% shared ownership is cheaper than Affordable Rent at 80%, and cheaper than housing association rents for 1 and 2 bedroom homes but more expensive for 3-beds.

Section 10.2 Facts and figures

However a small share like this may not be easy to find. 50% shared ownership for a 2 bed home can be £56 per month cheaper than the lower quartile private rent for a 1 bed home.

- Based on a third of income being spent on housing costs, a household would require an annual income of £23,400 to afford lower quartile rent and £33,903 for lower quartile purchase in South Cambridgeshire.
- The lower quartile income in South Cambridgeshire is £18,900. This is enough to afford Affordable Rents set at the 80% level for 1-beds and for 25% shared ownership or 50% shared ownership 1 or 2 bed homes. The lower quartile income would not support Affordable Rents (set at 80%) for a 2 bedroom home; or for lower quartile private rent or purchase.

Fig 9 **Household income (all households, intermediate and social applicants) and households unable to afford lower quartile rent**



Source: CACI 2012 and VOA rents (Chapter 6)

Fig 9 shows the proportion of households unable to afford market entry (lower quartile rent) in South Cambridgeshire. An income of £23,400 is required (shown by the vertical line). Some 31% of South Cambridgeshire households have an income below this level.

Table 13 **Monthly costs, income required and % of households able to afford 4 bed homes**

| | Housing Association rent | Affordable Rents @ 80% | Lower quartile private rent | Average private rent | Lower quartile market purchase |
|------------------|--------------------------|------------------------|-----------------------------|----------------------|--------------------------------|
| Monthly cost | £496 | £960 | £995 | £1,296 | £1,338 |
| Income required | £17,847 | £34,560 | £35,820 | £46,656 | £48,178 |
| Unable to afford | 23% | 48% | 50% | 64% | 65% |

Source: Hometrack House Prices (chapter 5), VOA rents (chapter 6), NROSH and LAHS social rents (chapter 7), CORE Intermediate sales (chapter 8) and CACI from Hometrack.

Section 10.2 Facts and figures

Forest Heath

Table 14 Monthly cost by tenure and size, income required to afford and % of all households unable to afford

| | 1 bed | 2 bed | 3 bed | All |
|--------------------------------|---------|---------|---------|---------|
| Monthly cost | | | | |
| Housing Association rent | £297 | £340 | £381 | £345 |
| Affordable Rent (80%) | £380 | £476 | £600 | £520 |
| Shared ownership (25%) | £254 | £285 | £326 | £298 |
| Shared ownership (50%) | £356 | £399 | £457 | £418 |
| Shared ownership (75%) | £449 | £508 | £586 | £528 |
| Lower quartile private rent | £425 | £550 | £600 | £550 |
| Average private rent | £496 | £610 | £782 | £773 |
| Lower quartile market purchase | £421 | £556 | £691 | £600 |
| Required income | | | | |
| Housing Association rent | £10,696 | £12,249 | £13,730 | £12,424 |
| Affordable Rent (80%) | £13,680 | £17,136 | £21,600 | £18,720 |
| Shared ownership (25%) | £9,147 | £10,253 | £11,736 | £10,727 |
| Shared ownership (50%) | £12,830 | £14,382 | £16,462 | £15,046 |
| Shared ownership (75%) | £16,154 | £18,293 | £21,091 | £19,024 |
| Lower quartile private rent | £15,300 | £19,800 | £21,600 | £19,800 |
| Average private rent | £17,856 | £21,960 | £28,152 | £27,828 |
| Lower quartile market purchase | £15,167 | £20,012 | £24,886 | £21,591 |
| Unable to afford | | | | |
| Housing Association rent | 17% | 20% | 25% | 20% |
| Affordable Rent (80%) | 25% | 31% | 41% | 36% |
| Shared ownership (25%) | 12% | 15% | 20% | 17% |
| Shared ownership (50%) | 22% | 25% | 29% | 27% |
| Shared ownership (75%) | 29% | 34% | 40% | 36% |
| Lower quartile private rent | 27% | 38% | 41% | 38% |
| Average private rent | 34% | 41% | 51% | 51% |
| Lower quartile market purchase | 27% | 38% | 47% | 41% |

Source: Hometrack House Prices (chapter 5), VOA rents (chapter 6), NROSH social rents (chapter 7), CORE Intermediate sales (chapter 8) and CACI from Hometrack.

Table 14 shows the monthly cost by tenure for 1 to 3 bed homes, the income require to support these costs based on spending a third of income on housing costs and the proportion of all households with an income below this level (i.e. unable to afford) in Forest Heath. Housing costs shown exclude any service charges.

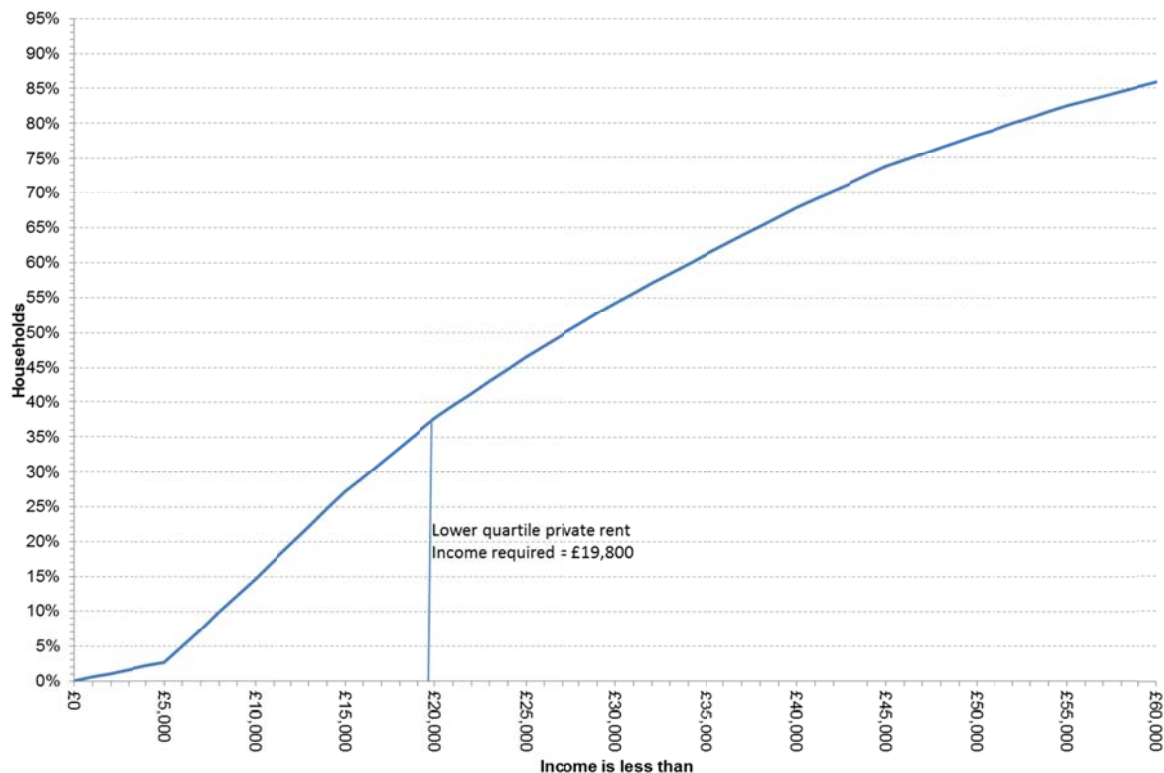
- The lower quartile market rent is cheaper than lower quartile purchase overall. However 1 bed lower quartile homes are cheaper to buy than rent, assuming access to a deposit of £8,500.
- The overall cost of Affordable Rent (at the 80% level) is £520 per month; this is £185 per month more than the average housing association rent in Forest Heath. 50% shared ownership is cheaper than Affordable Rents at 80%. The monthly purchase costs of 25% shared ownership is cheaper than the average housing association rent, though the supply may be small.

Section 10.2 Facts and figures

- 25% shared ownership for a 2 or a 3 bed home is cheaper than the lower quartile private rent or purchase for a 1 bed home.
- Based on a third of income being spent on housing costs, a household would require an annual income of £19,800 to afford lower quartile rent and £21,591 for lower quartile purchase in Forest Heath.
- The lower quartile income in Forest Heath is £14,120. This is enough to afford housing association rent, or 25% shared ownership if this were available. Lower quartile income would not cover Affordable Rents at the 80% level for 2 and 3 bed homes, although it would cover 50% shared ownership for 1 bed properties.

Fig 10 shows affordability for lower quartile rent for all households.

Fig 10 **Household income required and households unable to afford lower quartile rent**



Source: CACI 2012 and VOA rents (Chapter 6)

Fig 10 shows the proportion of households unable to afford market entry (lower quartile rent) in Forest Heath. An income of £19,800 is required (shown by the vertical line). Some 38% of households in Forest Heath have an income below this level.

Table 15 **Monthly costs, income required and % of households able to afford 4 bed homes**

| | Housing Association rent | Affordable Rents @ 80% | Lower quartile private rent | Average private rent | Lower quartile market purchase |
|------------------|--------------------------|------------------------|-----------------------------|----------------------|--------------------------------|
| Monthly cost | £425 | £880 | £830 | £1,184 | £1,009 |
| Income required | £15,315 | £31,680 | £29,880 | £42,624 | £36,312 |
| Unable to afford | 27% | 57% | 54% | 71% | 63% |

Source: Hometrack House Prices (chapter 5), VOA rents (chapter 6), NROSH and LAHS social rents (chapter 7), CORE Intermediate sales (chapter 8) and CACI from Hometrack.

Section 10.2 Facts and figures

St Edmundsbury

Table 16 **Monthly cost by tenure and size, income required to afford and % of all households unable to afford**

| | 1 bed | 2 bed | 3 bed | All |
|--------------------------------|---------|---------|---------|---------|
| Monthly cost | | | | |
| Housing Association rent | £294 | £343 | £375 | £346 |
| Affordable Rent (80%) | £420 | £476 | £560 | £496 |
| Shared ownership (25%) | £209 | £312 | £359 | £308 |
| Shared ownership (50%) | £293 | £438 | £503 | £432 |
| Shared ownership (75%) | £376 | £562 | £644 | £561 |
| Lower quartile private rent | £475 | £550 | £650 | £550 |
| Average private rent | £521 | £614 | £758 | £686 |
| Lower quartile market purchase | £406 | £635 | £743 | £719 |
| Required income | | | | |
| Housing Association rent | £10,579 | £12,338 | £13,496 | £12,474 |
| Affordable Rent (80%) | £15,120 | £17,136 | £20,160 | £17,856 |
| Shared ownership (25%) | £7,530 | £11,231 | £12,922 | £11,091 |
| Shared ownership (50%) | £10,562 | £15,754 | £18,125 | £15,557 |
| Shared ownership (75%) | £13,542 | £20,245 | £23,190 | £20,210 |
| Lower quartile private rent | £17,100 | £19,800 | £23,400 | £19,800 |
| Average private rent | £18,756 | £22,104 | £27,288 | £24,696 |
| Lower quartile market purchase | £14,632 | £22,854 | £26,765 | £25,874 |
| Unable to afford | | | | |
| Housing Association rent | 16% | 18% | 20% | 18% |
| Affordable Rent (80%) | 25% | 29% | 35% | 31% |
| Shared ownership (25%) | 9% | 16% | 20% | 16% |
| Shared ownership (50%) | 16% | 27% | 31% | 27% |
| Shared ownership (75%) | 23% | 35% | 40% | 35% |
| Lower quartile private rent | 29% | 35% | 40% | 35% |
| Average private rent | 33% | 38% | 46% | 43% |
| Lower quartile market purchase | 25% | 40% | 46% | 45% |

Source: Hometrack House Prices (chapter 5), VOA rents (chapter 6), NROSH and LAHS social rents (chapter 7), CORE Intermediate sales (chapter 8) and CACI from Hometrack.

Table 16 shows the monthly cost by tenure for 1 to 3 bed homes, the income require to support these costs based on spending a third of income on housing costs and the proportion of all households with an income below this level (i.e. unable to afford) in St Edmundsbury. Housing costs shown exclude any service charges.

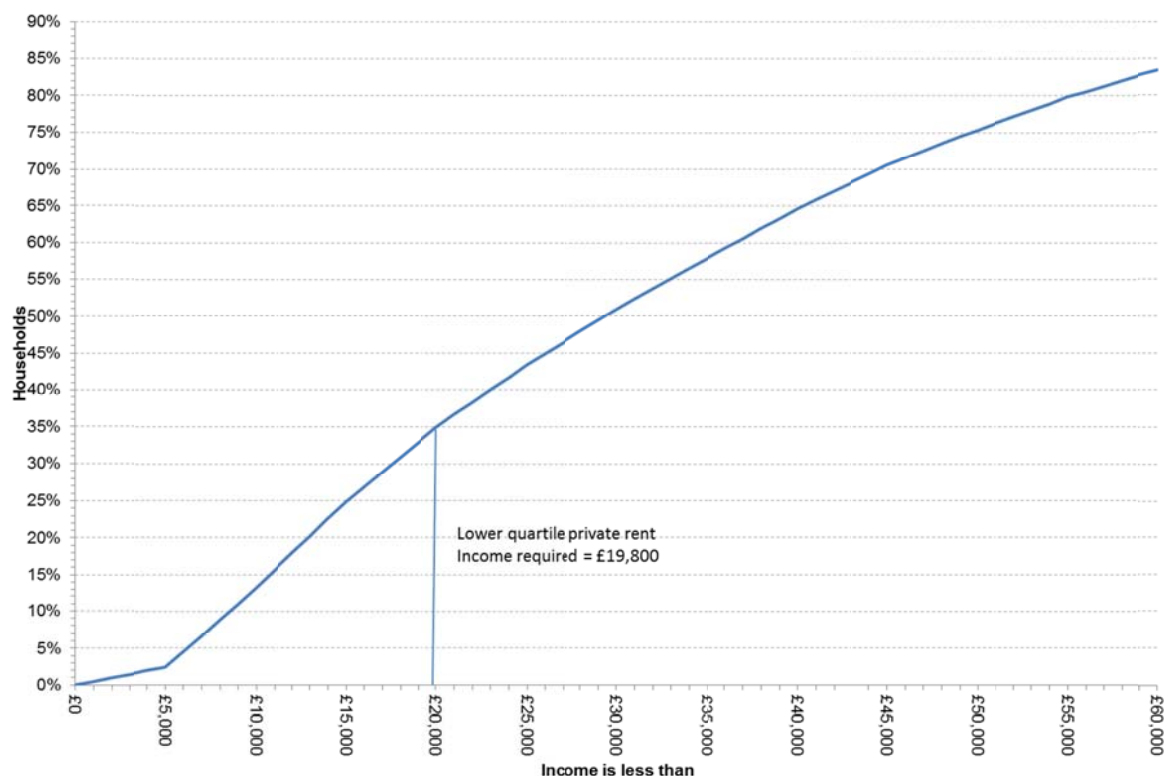
- The lower quartile market rent is cheaper than lower quartile purchase, but 1 bedroom homes are cheaper to buy than rent, assuming access to a £8,200 deposit.
- The overall cost of Affordable Rent (set at the 80% level) is £496 per month; which is £150 per month more than the average housing association rent in the district. 25% shared ownership is cheaper than the average housing association rent and Affordable Rents, but tends to be less common.

Section 10.2 Facts and figures

- 50% shared ownership for a 2 bed home is £37 per month cheaper than the lower quartile private rent for a 1 bed home.
- Based on a third of income being spent on housing costs, a household would require an income of £19,800pa for lower quartile rent and £25,874 for lower quartile purchase in St Edmundsbury.
- The lower quartile income in St Edmundsbury is £15,070. This is enough to afford traditional social renting or 25% shared ownership.

Fig 11 shows affordability for lower quartile rent for all households.

Fig 11 **Household income required and households unable to afford lower quartile rent**



Source: CACI 2012 and VOA rents (Chapter 6)

Fig 11 shows the proportion of households unable to afford market entry (lower quartile rent) in St Edmundsbury. An income of £19,800 is required (shown by the vertical line). Some 35% of households in St Edmundsbury have an income below this level.

The proportion of social housing applicants unable to afford market entry is considerably higher. Lower quartile rent is unaffordable for three quarters of households on the Home-Link register.

Table 17 **Monthly costs, income required and % of households able to afford 4 bed homes**

| | Housing Association rent | Affordable Rents @ 80% | Lower quartile private rent | Average private rent | Lower quartile market purchase |
|------------------|--------------------------|------------------------|-----------------------------|----------------------|--------------------------------|
| Monthly cost | £412 | £906 | £855 | £1,181 | £1,084 |
| Income required | £14,821 | £32,630 | £30,780 | £42,516 | £39,033 |
| Unable to afford | 25% | 55% | 52% | 68% | 63% |

Source: Hometrack House Prices (chapter 5), VOA rents (chapter 6), NROSH and LAHS social rents (chapter 7), CORE Intermediate sales (chapter 8) and CACI from Hometrack.

Section 10.2 Facts and figures

10.2.5 Summary of affordability for all districts

A summary of the overall affordability of each major tenure is shown in Table 18.

Table 18 **Summary of affordability by tenure across districts (percentage of households unable to afford)**
2011/12

| | Housing Association rent | Maximum Affordable Rent | 50% shared ownership | Lower quartile rent | Lower quartile purchase |
|----------------------|--------------------------|-------------------------|----------------------|---------------------|-------------------------|
| Cambridge | 24% | 40% | 33% | 41% | 60% |
| East Cambridgeshire | 22% | 29% | 24% | 31% | 42% |
| Fenland | 25% | 30% | 25% | 32% | 39% |
| Huntingdonshire | 16% | 24% | 22% | 24% | 37% |
| South Cambridgeshire | 18% | 30% | 25% | 31% | 47% |
| Forest Heath | 20% | 36% | 27% | 38% | 41% |
| St Edmundsbury | 18% | 31% | 27% | 35% | 45% |

Source: Tables 3-9

Summary results for the previous version of this chapter based on 2009/10 data (used in the 2013 calculation of affordable need) are shown in Table 19, for comparison.

Table 19 **Summary of affordability by tenure across districts, (percentage of households unable to afford)**
2009/10

| | Housing Association rent | Maximum Affordable Rent | 50% shared ownership | Lower quartile rent | Lower quartile purchase |
|----------------------|--------------------------|-------------------------|----------------------|---------------------|-------------------------|
| Cambridge | 19% | 41% | 35% | 45% | 63% |
| East Cambridgeshire | 16% | 23% | 23% | 27% | 44% |
| Fenland | 15% | 22% | 27% | 27% | 38% |
| Huntingdonshire | 11% | 18% | 22% | 20% | 36% |
| South Cambridgeshire | 13% | 25% | 29% | 30% | 47% |
| Forest Heath | 16% | 39% | 20% | 33% | 41% |
| St Edmundsbury | 14% | 26% | 24% | 30% | 44% |

Source: 2009/10 SHMA update Chapter 10 table 18

Section 10.3 Analysis

10.3 Analysis

Current situation

- We have looked at spending a third of gross income on housing costs as “affordable”. This helps identify the proportion of households who may be unable to afford different tenures and sizes of homes. However people may spend more or less than 30% of income on their housing costs.
- A third of income being spent on housing is more significant for a lower income household than for a higher income household. For example, a household with a gross income of £16,070 (the sub-regional lower quartile income) spending a third of income on housing costs will have £10,713 left over for other costs. A household with an income of £31,400 (the sub-regional median) would have £20,933 left over for other costs - nearly twice as much. This means decisions around spending priorities are likely to be considerably more difficult for the household with an income of £10,070.
- This method of assessing affordability means there is a cut-off point where £1 more means some “can’t afford”. In reality, one pound is unlikely to make enough difference to affect a housing decision; however a difference of around £15 per month or more may become more of an issue.
- The mean income across the sub-region is £37,823 and the lower quartile income is £16,070. The annual income required to afford a lower quartile rent varies from between £16,200 to £23,400. So the bottom 25% of households in terms of income cannot generally afford an entry level private rented home. Many lower income households will be single income households, but single income households do not necessarily equate to single person households.
- Traditional social rents and 25% shared ownership are the most affordable option overall, especially for local authority owned stock in Cambridge and South Cambridgeshire. There is a considerable cost difference between current social rent levels and the “Affordable Rent” (when set at 80% of median market rent levels). Larger homes are less affordable compared to smaller homes, in most areas. Purchasing a smaller share in a shared ownership home may be a more affordable option, assuming there is a supply of such homes and the applicant can access the required deposit. Private renting is generally cheaper than home purchase, although the cost of renting or buying a lower quartile 1 bed home in some districts can be similar. Cost difference between tenures for larger homes tends to be greater.

Changes over time

- Overall incomes decreased slightly between 2010 and 2012 (see Fig 12) except in Huntingdonshire and Cambridge. The sharpest decrease in incomes was seen in Forest Heath.
- Affordability for lower quartile rent or purchase has worsened slightly in all districts, as it has for housing association rents.
- This update shows more households able to afford Affordable Rent, though this may be due to a change in the data used. The previous version of this chapter took private rent data from an annual survey of private rents. There is now more secondary data available for private rents and this version uses data from the Valuation Office Agency (VOA) and median rent levels are slightly lower from this source (VOA rents do not include service charges).

Section 10.3 Analysis

- A 25% shared ownership home is generally more affordable than a couple of years ago, especially in comparison to other affordable tenures including housing association rents and Affordable Rents. However this is not a common share to be able to purchase; a larger share is more usual.

Changes across the sub-regional area

- Cambridge is the least affordable area of the sub-region for all tenures. Some 41% of local households have an income below that required to afford lower quartile market rent.
- Forest Heath has the second least affordable lower quartile rents for local households; 38% of households in Forest Heath have an income below the required level. Here, there is an unusual rented market due to the presence of the USAAF; private rents tend to be more expensive.
- Because these areas have expensive private rents, the maximum Affordable Rent level (based on 80% of the market rent) is also unaffordable for a large proportion of households. Some 40% of households in Cambridge and 36% in Forest Heath have an income below the level required to support Affordable Rent at 80%, based on spending a third of income on housing costs.
- Huntingdonshire is the most affordable district in the sub-region but even there 24% of households have an income that is insufficient to afford lower quartile rents. Although housing costs are higher in Huntingdonshire than Fenland (the cheapest district overall for rent and purchase) incomes are higher in Huntingdonshire.

What does all this data, combined, tell us?

- Housing affordability continues to be problematic for households with below median incomes, especially in Cambridge. Because of a combination of higher rents and lower incomes in Cambridge and Forest Heath these are the least affordable areas of the sub-region. The new Affordable Rent model which is linked to market rents are therefore also relatively unaffordable in these areas. Because this maximum (80%) may not fit local needs in some areas, Table 21 shows affordability for Affordable Rent at 60% of median market rents for comparison.
- Affordability can be a reason for moving and a factor to consider when choosing to move:
 - People who are currently housed may be less affected by housing affordability issues, for example if they bought when homes were cheaper or if they own their home outright.
 - People who are unable to access housing in their local area may choose to meet their need by moving further afield. Data from new developments surveys shows Cambridge is a major centre for both employment and shopping in the sub-region; but affordability can be an important factor when choosing a new home. For example, price compared to other areas was the top reason for choosing a home in Red Lodge in Forest Heath. Red Lodge is one of the more expensive housing areas in Forest Heath, but it is not as expensive as St Edmundsbury, Cambridge, or parts of South and East Cambridgeshire where a large number of Red Lodge residents work.
 - Moving some distance from major centres may mean balancing costs of travel against housing. Moving to a cheaper housing area that is poorly linked for transport may mean fewer employment opportunities.

Section 10.4 Background information

10.4 Background information

10.4.1 Links and references

Correct as of November 2013

CLG (2007) **Strategic Housing Market Assessments: Practice Guidance, version 2** accessed at

<http://www.communities.gov.uk/publications/planningandbuilding/strategichousingmarket>

CLG (2013) **Assessment of housing and economic development needs** accessed at

[http://planningguidance.planningportal.gov.uk/blog/guidance/#Assessment of housing and economic development needs](http://planningguidance.planningportal.gov.uk/blog/guidance/#Assessment%20of%20housing%20and%20economic%20development%20needs)

Centre for Research in Social Policy, Joseph Rowntree Foundation and Family Budget Unit **Minimum Income Standards Microsite** accessed at <http://www.minimumincome.org.uk/>

Resolution Foundation (2013) **Squeezed Britain 2013** accessed at

<http://squeezedbritain.resolutionfoundation.org/wp-content/uploads/2013/03/Resolution-Foundation-Squeezed-Britain-2013.pdf>

Section 10.4 Background information

10.4.2 Definition of terms

| Term used | Abbreviation | Meaning, source or link to relevant website |
|-----------------------------|--------------|--|
| Affordability | | <p>The terms 'affordability' and 'affordable housing' have different meanings.</p> <p>'Affordability' is a measure of whether housing may be afforded by certain groups of households.</p> <p>'Affordable housing' refers to particular products outside the main housing market.</p> <p>Source: http://www.communities.gov.uk/documents/planningandbuilding/pdf/1918430.pdf</p> |
| Affordability ratio | | <p>Relationship between house price and incomes or earnings, e.g. income = £25,000, house price = £200,000.</p> <p>House price: income ratio = £200,000/£25,000 = 8, (the house price is 8 times income).</p> |
| Affordable housing | | <p>Social rented, Affordable Rented and intermediate housing, provided to eligible households whose needs are not met by the market. Eligibility is determined with regard to local incomes and local house prices. Affordable housing should include provisions to remain at an affordable price for future eligible households or for the subsidy to be recycled for alternative affordable housing provision.</p> <ul style="list-style-type: none"> • Social rented housing is owned by local authorities and private registered providers¹, for which guideline target rents are determined through the national rent regime. It may also be owned by other persons and provided under equivalent rental arrangements to the above, as agreed with the local authority or with the Homes and Communities Agency. • Affordable Rented housing is let by local authorities or private registered providers of social housing to households who are eligible for social rented housing. Affordable Rent is subject to rent controls that require a rent of no more than 80% of the local market rent (including service charges, where applicable). • Intermediate housing is homes for sale and rent provided at a cost above social rent, but below market levels subject to the criteria in the Affordable Housing definition above. These can include shared equity (shared ownership and equity loans), other low cost homes for sale and intermediate rent, but not Affordable Rented housing. <p>Homes that do not meet the above definition of affordable housing, such as "low cost market" housing, may not be considered, for planning purposes, as affordable housing.</p> <p>Source: Section 80 of the Housing and Regeneration Act 2008.</p> |
| Affordable Rented housing | AR | <p>Rented housing let by registered providers of social housing to households who are eligible for social rented housing. Affordable Rent is not subject to the national rent regime** but is subject to other rent controls that require a rent of no more than 80% of the local market rent (Including service charges, where applicable)***</p> <p>** The national rent regime is the regime under which the social rents of tenants of social housing are set, with particular reference to the Guide to Social Rent Reforms (March 2001) and the Rent Influencing Regime Guidance (October 2001).</p> <p>*** Local market rents are calculated using the Royal Institution for Chartered Surveyors (RICS) approved valuation methods. The Tenant Services Authority has issued an explanatory note on these at http://www.communities.gov.uk/documents/planningandbuilding/pdf/1918430.pdf</p> |
| Equity loan / shared equity | | <p>An equity loan which acts as a second charge on a property. For example, a household buys a £200,000 property with a 10% equity loan (£20,000). They pay a small amount for the loan and when the property is sold e.g. for £250,000 the lender receives 10% of the sale cost (£25,000). Some equity loans were available for the purchase of existing stock. The current scheme is to assist people to buy new build.</p> |
| Loan to value ratio | LTV | <p>The size of the mortgage loan as a percentage of the purchase price, e.g. if someone buys a home for £200,000 and they have a £20,000 (10%) deposit, and take out a mortgage for the remaining £180,000, the LTV ratio is 90%.</p> |
| Lower quartile | LQ | <p>The bottom 25% value, i.e. of all the properties sold, 25% were cheaper than this value and 75% were more expensive. The lower quartile price is used as an entry level price and is the recommended level used to evaluate affordability; for example for first time buyers.</p> |

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| Term used | Abbreviation | Meaning, source or link to relevant website |
|-----------------------|--------------|--|
| Mean (average) | | The sum of all values divided by the number of values. The more commonly used “average” measure as it includes all values, unlike the median. |
| Median | | The middle value, i.e. of all the properties sold, half were cheaper and half were more expensive. This is sometimes used instead of the mean average as it is not subject to skew by very large or very small statistical outliers. |
| Shared ownership | S/O | Scheme where a purchaser part buys and part rents from a housing association or local authority. Typical purchase share is between 25% and 75%, and buyers are encouraged to buy the largest share they can afford. Generally applies to new build properties, but re-sales occasionally become available. There may be an opportunity to rent at intermediate rent level before purchasing a share in order to save/increase the deposit level |
| Social rented housing | SR | Social rented housing is owned by local authorities and private registered providers (as defined in Section 80 of the Housing and Regeneration Act 2008.) for which guideline target rents are determined through the national rent regime. It may also be owned by other persons and provided under equivalent rental arrangements to the above, as agreed with the local authority or with the HCA. http://www.communities.gov.uk/documents/planningandbuilding/doc/1980960.doc#Housing |

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10.4.3 Data issues

The data and assumptions used in the calculation of monthly costs are shown below

Social rent

- Data on housing association rent levels are taken from Data and Statistical Returns for 2011/12 (the most recent available at the time of writing). This is net rent, i.e. does not include service charges etc. Rent levels for social rent are paid weekly and data shown is the weekly amount. To calculate the monthly rent, the weekly cost is multiplied by $52/12=4.33$
- Average LA rent levels are taken from Local Authority Housing Statistics 2011/12 section H

Affordable Rent

- The new “affordable” rent scheme is *up to* 80% of market rent. This analysis uses 80% of median market rent data as collected in the 2010 review of private rents. The median market rent was chosen because it is less subject to skew by expensive outliers and therefore more appropriate to use as a measure for setting subsidised rents.

Shared ownership

Shared ownership purchase price data is taken from CORE sales 2009/10 to 2011/12. Because this is based on sales, there are very few records for some types of property.

The assumptions used in calculating the monthly costs for this tenure are:

- The average purchase price of a shared ownership property size.
- A repayment fixed rate 25 year mortgage and an interest rate of 4.73%. This is the average rate offered by lenders on the May 2012 list of lenders from Orbit (the HomeBuy Agent at the time of writing).
- A deposit of 15% is assumed. This is the average deposit required by the small pool of lenders (nine organisations) offering mortgages for shared ownership as of May 2012.
- It is assumed that the rental element is 1.57%/year based on the sub-regional average between 2009/10 and 2011/12.

Private rents

- Lower quartile and average rents by size and district are taken from the review of private rents January 2010.
- The mean average is used for the average rent in this tenure as a better reflection of the market.

Market purchase

- Lower quartile purchase price data for October 2009 to March 2010 is taken from Hometrack and is shown in chapter 5.
- Hometrack gives price data for one bedroom flats, two bedroom houses and flats, and three and four bedroom houses. It is assumed that one bedroom flat prices are also representative of

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the price for the limited number of one bedroom houses sold. A similar assumption is made about three and four bedroom flats and houses.

- The price of two bedroom properties is a weighted average between the two bed flat and two bed house lower quartile price given by Hometrack (weighted by number of sales).
- Data from Hometrack shows the average fixed 3 year interest rate for a 75% loan-to-value mortgage in Mar 2012 was 3.91% (see Fig 13). For outright purchase we have assumed a 90% loan to value ratio (10% deposit), where the average loan to value for first time buyers is currently around 80% (see Fig 14). Because we assume a lower deposit (10%), we have assumed a slightly higher rate of interest and an extra half a percent has been added to this (4.41%).

Recent changes to data

- In 2011 Hometrack and the Valuation Office started to make market rent data more widely available. In previous versions of the SHMA rent data was collected via a large survey of advertised private rents; this version uses data from VOA, which does not include services charges.

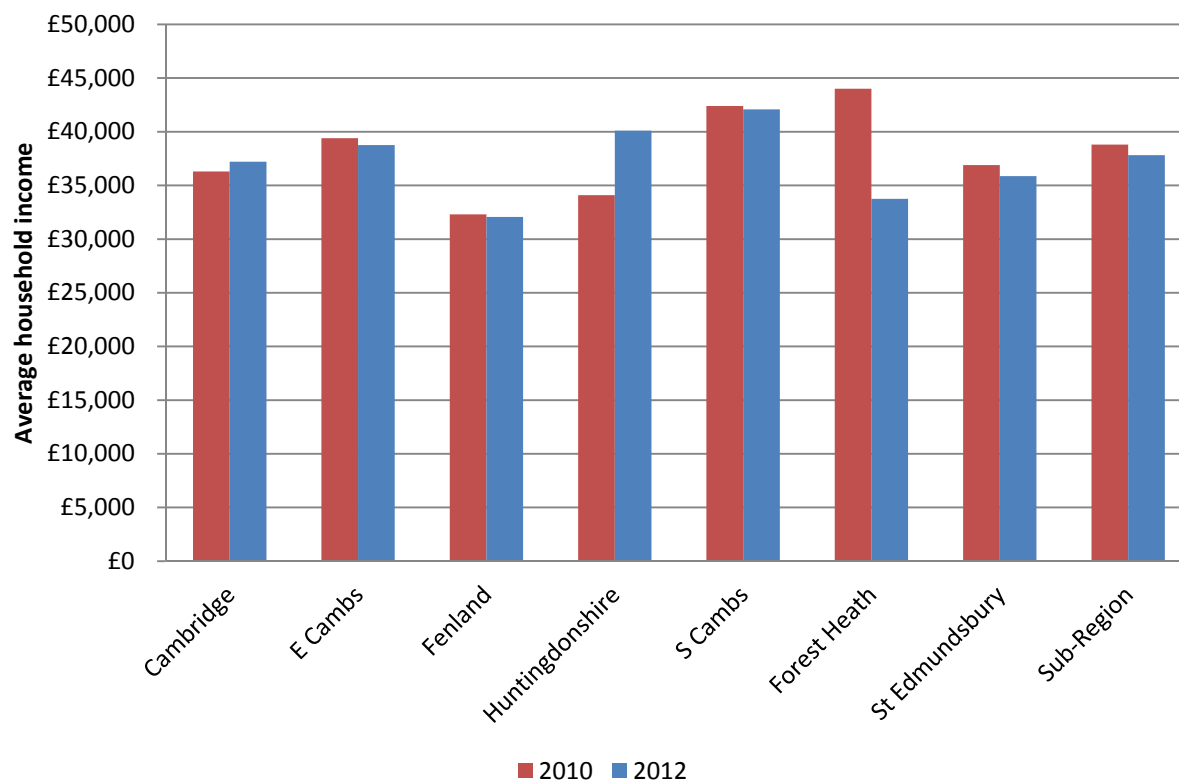
Planned changes to data

- Affordable Rent is a new product and currently there is insufficient data available about it from sources such as NROSH and CORE. When there is adequate data available, we will perform more sophisticated analysis based on the actual rents being charged rather than a maximum estimate based on data for private rents.

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10.4.4 Additional information

Fig 12 Average household income (all households) 2010 and 2012, Cambridge sub-region



Source: CACI 2010 and CACI 2012 via Hometrack.

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Table 20 **Monthly costs, income required and % of households able to afford 4 bed homes**

| | Housing Association rent | Affordable Rents @ 80% | Lower quartile private rent | Average private rent | Lower quartile market purchase |
|-------------------------|--------------------------|------------------------|-----------------------------|----------------------|--------------------------------|
| Monthly cost | | | | | |
| Cambridge | £500 | £1,040 | £1,200 | £1,455 | £1,561 |
| East Cambs | £491 | £960 | £950 | £1,212 | £1,140 |
| Fenland | £421 | £600 | £700 | £804 | £892 |
| HDC | £443 | £796 | £850 | £1,093 | £1,042 |
| South Cambs | £496 | £960 | £995 | £1,296 | £1,338 |
| Forest Heath | £425 | £880 | £830 | £1,184 | £1,009 |
| SEBC | £412 | £906 | £855 | £1,181 | £1,084 |
| Income required | | | | | |
| Cambridge | £18,001 | £37,440 | £43,200 | £52,380 | £56,208 |
| East Cambs | £17,688 | £34,560 | £34,200 | £43,632 | £41,041 |
| Fenland | £15,150 | £21,600 | £25,200 | £28,944 | £32,118 |
| HDC | £15,932 | £28,656 | £30,600 | £39,348 | £37,517 |
| South Cambs | £17,847 | £34,560 | £35,820 | £46,656 | £48,178 |
| Forest Heath | £15,315 | £31,680 | £29,880 | £42,624 | £36,312 |
| SEBC | £14,821 | £32,630 | £30,780 | £42,516 | £39,033 |
| Unable to afford | | | | | |
| Cambridge | 29% | 58% | 66% | 75% | 79% |
| East Cambs | 27% | 53% | 52% | 65% | 61% |
| Fenland | 30% | 44% | 50% | 56% | 60% |
| HDC | 22% | 43% | 46% | 57% | 55% |
| South Cambs | 23% | 48% | 50% | 64% | 65% |
| Forest Heath | 27% | 57% | 54% | 71% | 63% |
| SEBC | 25% | 55% | 52% | 68% | 63% |

Source: Hometrack House Prices (chapter 5), VOA rents (chapter 6), NROSH and LAHS social rents (chapter 7), CORE Intermediate sales (chapter 8) and CACI from Hometrack.

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Table 21 **Look at Affordable Rents set at 60% instead of 80% of private rent levels, by district and size**

| | 1 bed | 2 beds | 3 beds | All |
|---------------------------|---------|---------|---------|---------|
| Monthly cost | | | | |
| Cambridge | £438 | £537 | £585 | £510 |
| East Cambs | £288 | £357 | £426 | £390 |
| Fenland | £240 | £300 | £360 | £315 |
| HDC | £270 | £345 | £390 | £351 |
| South Cambs | £357 | £417 | £495 | £450 |
| Forest Heath | £285 | £357 | £450 | £390 |
| SEBC | £315 | £357 | £420 | £372 |
| Income required | | | | |
| Cambridge | £15,768 | £19,332 | £21,060 | £18,360 |
| East Cambs | £10,368 | £12,852 | £15,336 | £14,040 |
| Fenland | £8,640 | £10,800 | £12,960 | £11,340 |
| HDC | £9,720 | £12,420 | £14,040 | £12,636 |
| South Cambs | £12,852 | £15,012 | £17,820 | £16,200 |
| Forest Heath | £10,260 | £12,852 | £16,200 | £14,040 |
| SEBC | £11,340 | £12,852 | £15,120 | £13,392 |
| % unable to afford | | | | |
| Cambridge | 26% | 31% | 35% | 29% |
| East Cambs | 11% | 18% | 22% | 20% |
| Fenland | 14% | 19% | 25% | 19% |
| HDC | 10% | 14% | 18% | 16% |
| South Cambs | 15% | 18% | 23% | 20% |
| Forest Heath | 15% | 22% | 29% | 25% |
| SEBC | 16% | 20% | 25% | 20% |

Source: Hometrack House Prices (chapter 5), VOA rents (chapter 6), NROSH and LAHS social rents (chapter 7), CORE Intermediate sales (chapter 8) and CACI from Hometrack.

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Deposit assumptions and interest rate data

The tables below provide information about the upfront costs of purchase and part purchase. In the calculation of monthly costs we have assumed a 10% deposit is available for outright purchase and 15% for shared ownership. The average LTV ratio remains below 90%, i.e. most people have a larger deposit than 10%, but as deposit amounts are quite large compared to lower quartile and median income levels, this is a reasonable level for affordability estimates.

Table 22 **Deposit assumption – 25% shared ownership by size and district**

| | One bedroom | Two bedrooms | Three bedrooms | All |
|----------------------|-------------|--------------|----------------|--------|
| Cambridge | £6,539 | £6,588 | £8,047 | £6,873 |
| East Cambridgeshire | £3,888 | £5,130 | £6,079 | £5,341 |
| Fenland | £0 | £3,921 | £4,775 | £4,542 |
| Huntingdonshire | £4,169 | £5,253 | £6,504 | £5,482 |
| South Cambridgeshire | £5,255 | £6,028 | £7,905 | £6,477 |
| Forest Heath | £4,350 | £4,876 | £5,581 | £5,101 |
| St Edmundsbury | £3,581 | £5,341 | £6,145 | £5,275 |

Source: CORE 2009/10-2011/12

Table 23 **Deposit assumption – 50% shared ownership by size and district**

| | One bedroom | Two bedrooms | Three bedrooms | All |
|----------------------|-------------|--------------|----------------|---------|
| Cambridge | £13,079 | £13,175 | £16,094 | £13,746 |
| East Cambridgeshire | £7,775 | £10,259 | £12,159 | £10,683 |
| Fenland | £0 | £7,843 | £9,550 | £9,084 |
| Huntingdonshire | £8,339 | £10,506 | £13,009 | £10,964 |
| South Cambridgeshire | £10,509 | £12,056 | £15,811 | £12,954 |
| Forest Heath | £8,700 | £9,752 | £11,163 | £10,203 |
| St Edmundsbury | £7,163 | £10,683 | £12,291 | £10,549 |

Source: CORE 2009/10-2011/12

Table 24 **Deposit assumption – 75% shared ownership by size and district**

| | One bedroom | Two bedrooms | Three bedrooms | All |
|----------------------|-------------|--------------|----------------|---------|
| Cambridge | £19,618 | £19,763 | £24,142 | £20,619 |
| East Cambridgeshire | £11,663 | £15,389 | £18,238 | £16,024 |
| Fenland | £0 | £11,764 | £14,325 | £13,626 |
| Huntingdonshire | £12,508 | £15,759 | £19,513 | £16,445 |
| South Cambridgeshire | £15,764 | £18,085 | £23,716 | £19,431 |
| Forest Heath | £13,050 | £14,629 | £16,744 | £15,304 |
| St Edmundsbury | £10,744 | £16,024 | £18,436 | £15,824 |

Source: CORE 2009/10-2011/12

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Table 25 **Shared ownership lending, May 2012**

| Lender | Lowest available rate | Deposit requirement |
|------------------------|-----------------------|---------------------|
| Brtiannia | 3.79% | 10% |
| Cambridge | 4.59% | 15% |
| Cheshire Mortgage Corp | 9.50% | 0% |
| Co-op | 4.09% | 15% |
| Ecology | 4.90% | 15% |
| Halifax | 4.99% | 20% |
| Holmesdale | 3.89% | 25% |
| HSBC | 3.99% | 20% |
| Ipswich | Variable | 10% |
| Kent Reliance | 5.59% | 5% |
| Leeds | 6.49% | 5% |
| Nationwide | 3.59% | 25% |
| Santander | 3.45% | 20% |
| Santander | 3.54% | 40% |
| Shephed | 4.99% | 15% |
| Woolwich | 3.49% | 15% |
| Average | 4.73% | 15% |

Source: Orbit, May 2012

In calculating the monthly cost of shared ownership we have assumed a 15% deposit.

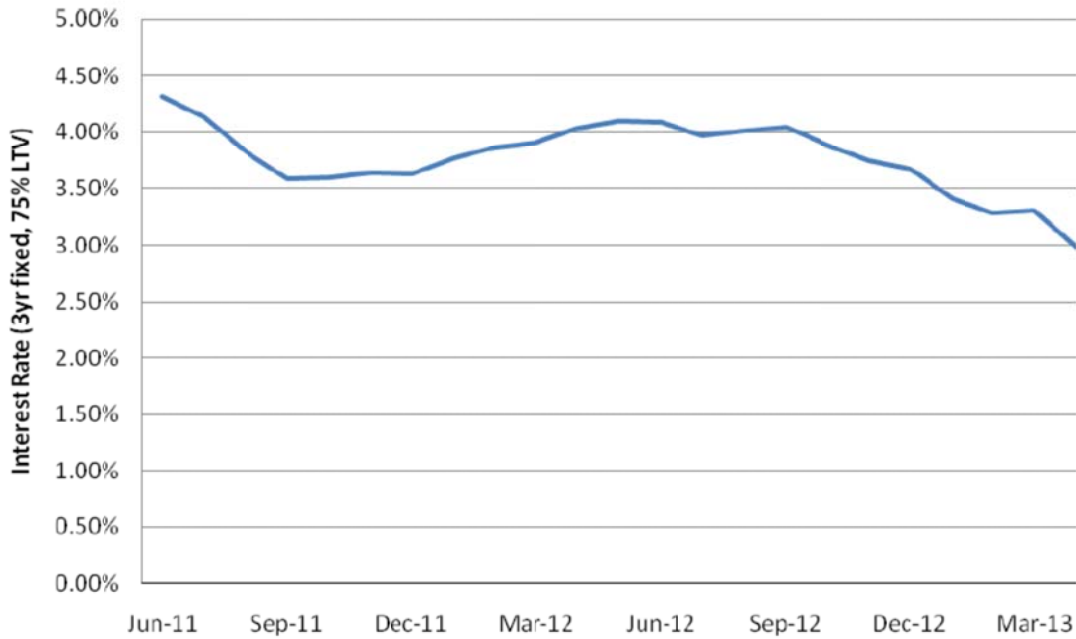
Table 26 **Deposit assumption – lower quartile market purchase by size and district**

| | One bedroom | Two bedrooms | Three bedrooms | Four bedrooms | All |
|----------------------|-------------|--------------|----------------|---------------|---------|
| Cambridge | £14,000 | £19,604 | £23,175 | £31,500 | £21,500 |
| East Cambridgeshire | £8,375 | £12,309 | £15,500 | £23,000 | £15,000 |
| Fenland | £6,250 | £9,349 | £12,000 | £18,000 | £10,500 |
| Huntingdonshire | £8,500 | £12,037 | £14,250 | £21,025 | £14,000 |
| South Cambridgeshire | £11,500 | £16,017 | £19,525 | £27,000 | £19,000 |
| Forest Heath | £8,500 | £11,215 | £13,946 | £20,350 | £12,100 |
| St Edmundsbury | £8,200 | £12,808 | £15,000 | £21,875 | £14,500 |

Source: Hometrack

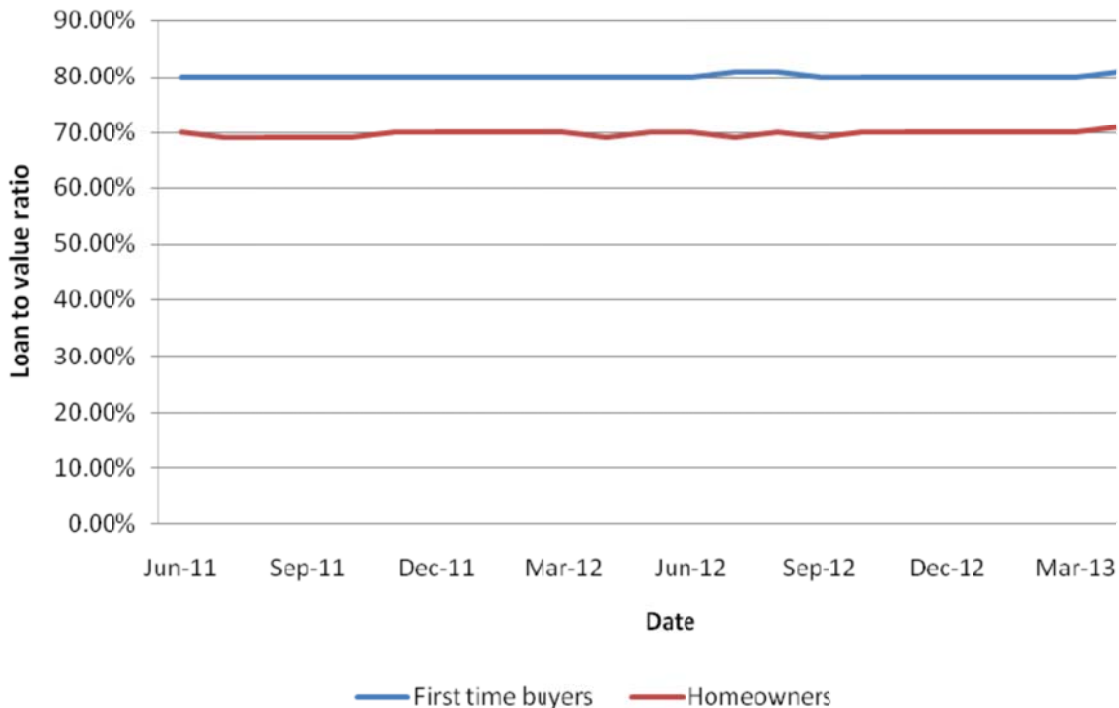
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Fig 13 **Mortgage interest rate, 3yr fixed rate mortgage at 75% loan to value**



Source: Hometrack

Fig 14 **Average loan to value ratio for first time buyers and homeowners**



Source: Hometrack

In calculating the monthly cost of lower quartile market purchase we have assumed a 10% deposit, but as 80% is more typical also assumed a higher level of interest on the mortgage.