

Applications for intermediate housing, including homes for key workers

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Chapter 19: Applications for intermediate housing, including homes for key workers

19.1 Summary

- Although numbers of registered applicants have increased in recent months, (up from nearly 800 in April 2007 to over 1,800 in Feb 2009) the total is well below the demand for social rented housing (21,500 in the sub-region, of which 12,200 are in a reasonable preference category). There is a major issue about the public's awareness and knowledge of the schemes available. There are more intermediate housing products available now than there were in 2007 and while this range is good it adds to the confusion about what the different products actually are.
- Heaviest demand arises from people living in South Cambridgeshire, Cambridge City and Huntingdonshire. Demand is still proportionately lower from applicants living in Fenland and Forest Heath than other districts, but there are currently around 4 times as many applicants from Fenland and 6 times as many applicants from Forest Heath than there were in April 2007. The number of applicants living in all districts except Cambridge City has more than doubled.
- Key workers predominantly work in Cambridge City.
- Key worker applicants mainly work in health or education sectors.
- Applicants are currently housed in two main tenures –living with friends or family (39%) and renting privately (37%). In 2007, there was a higher proportion of private renters than people living with family and friends, which may suggest problems accessing the private rented sector in 2009.
- In Cambridge City, renting privately accounts for over 50% of applicants. In all other districts living with friends or family is the dominant tenure.
- Relatively few applicants currently rent from a social landlord (7%), although this group is a target for the HomeBuy 'product'. Successful targeting would help free up social housing.
- Single applicants account for 35% of all applicants – rising to 40% in Cambridge City. Couples without children account for 26% of applicants. Households with children together account for 36% of applicants, (25% families and 11% lone parents).
- Currently, 17% of applicants require a property with 3 bedrooms or more, although 30% or more would be entitled to buy these larger homes if their finances could support the cost.
- Current home owners and households renting from a social landlord are more likely to have children.
- Applicants living with friends or family are predominantly single.
- There is a relatively high proportion of non-white applicants, compared to the general population profile of the sub-region as a whole, especially for keyworker applicants.
- A significant 25% of applicants can only support a mortgage of up to £57,000. 50% of applicants are unable to support a mortgage above £74,000. Couples have the highest average incomes and can thus afford the highest-priced (and therefore largest) properties. Lone parents have the lowest average incomes (although some may access to capital following a relationship break-up).
- Generally the largest families do not have the highest incomes, so there may be affordability problems in relation to purchasing homes of 3 or more bedrooms

- Applicants who are currently renting from a social landlord are slightly better off in income terms than applicants overall – but they include more families and fewer single people.
- Affordability is a particular problem in Fenland, in terms of the size of mortgage most applicants would be able to obtain.

19.2 Introduction

The 'intermediate' housing sector relates to what appears to be a growing void between income levels and house prices.

In the Strategic Housing Market Assessment guidance, affordable housing is defined as housing that includes "social rented and intermediate housing, provided to specified eligible households whose needs are not met by the market. Affordable housing should

- Meet the needs of eligible households including availability at a cost low enough for them to afford, determined with regard to local incomes and local house prices
- Include provision for the home to remain at an affordable price for future eligible households or if these restrictions are lifted for the subsidy to be recycled for alternative affordable housing provision."

Intermediate affordable housing is then defined as "housing at prices and rents above those of social rent but below market price or rents and which meet the criteria for affordable housing set out above."

While the guidance sets a framework to understand and respond to the market, the data set out in Chapter 21, *Current affordability and income*, shows that in Cambridgeshire, entry-level private rents are usually cheaper to access than shared ownership. This focuses attention on the affordability of intermediate tenures and the huge gap between affordable rented accommodation and all other tenures.

This chapter aims to define what is included, trace the development locally and provide a detailed analysis of the current 'aggregate' register of applicants for shared ownership or intermediate rented dwellings. Chapter 20 *Sales of intermediate housing* then continues by analysing recent completed purchases under the Open Market HomeBuy programme, derived from CORE records for 2008/9.

19.3 Defining the market

For many years this market has been dominated by employer-owned or tied housing and has predominantly been rented to employees. In the public sector it has included the armed forces, police, prisons and hospitals as the main providers. Rents charged have invariably been below full market levels. It is also possible to include student and other 'academic' housing in an 'intermediate' housing sector. College and university-provided housing plays an important role in the Cambridge sub-region and is generally rented out at rents below market levels. However, given the specific requirements of student housing it is suggested that the topic is best covered in Chapter 34 *Housing for different household types*.

The other main element of the intermediate market is housing built or purchased for shared ownership, together with a smaller number of properties built for rent. Over the past 20 years a number of such new build schemes have been developed by both local authorities and registered social landlords (RSLs). Subsidy has been provided through the transfer of land at less than market values, by Homes and Communities Agency (HCA) grant and through local authority and housing association funds. A scheme operated by South Cambridgeshire

District Council is specifically targeted at the elderly. Prospective residents moving into self-contained sheltered housing are required to purchase on a shared ownership basis if they have sufficient resources. In 2006-07 some 41 homes were sold to pensioner applicants on this basis.

The 'Key Worker Living' scheme, first introduced by central government in April 2004, has provided Housing Corporation funds for new build developments for both low cost home ownership and 'intermediate' rent – where rents are typically set around 75% of full market prices. It has also supported households with equity loans to purchase existing private sector property such as the "My Choice HomeBuy" and "OwnHome" schemes. The availability of schemes and precise details have varied from year to year over the past three and will not doubt continue to be modified and refined in the future. For the most up-to-date information on the type of schemes available see the zone agent's website.

Alongside key worker housing an increasing share of HCA grant has been targeted at other shared ownership or shared equity housing schemes, as it has developed policies which recognise the growing need for an 'intermediate' sector. The rapid rise in house prices relative to incomes has made it increasingly difficult for new households to become outright owner-occupiers as their incomes are inadequate to pay off large mortgages. However, many can afford to purchase a share – typically 40% to 50%, although larger shares are becoming more common - often renting the remaining share. Alongside a ring-fenced 'pot' to support key workers, the HCA adopted a 70%:30% breakdown of its subsidy to support social rented and shared ownership/equity new build units for the 2006-08 bid round.

The other main driver to develop this sector has been the adoption of land-use planning policies requiring minimum percentages of 'affordable' housing to be included in many new building schemes, through what are known as Section 106 agreements. Backed by Government policies, these shares have increased on larger sites and have been applied on smaller developments as well. A number of rural 'exception sites' require all housing to be 'affordable', either for social rent or for low cost home ownership. With Section 106 agreements now delivering a higher percentage and hence number of 'affordable' units there is insufficient HCA grant to ensure that all can be provided as 'social rented' stock. Many RSLs and some private developers are providing the 'balance' due as low cost home ownership dwellings. For 2006/07 this resulted in the actual 'new build' programme of affordable housing splitting 55% social rented and a high 45% shared ownership/intermediate rent.

There is now considerable – and growing – evidence to suggest that this sector has the potential to grow significantly. House prices have been increasing at rates well above inflation, fuelled by investment companies, buy-to-let, equity release, inheritance and a strong economy. In the Cambridge sub-region this has resulted in not only very high average prices in most districts, but also a very high 'lower quartile' price, which is generally accepted as the likely 'entry-level' price for newly forming households (see Chapter 13 *Snapshot of property prices*). Although house prices have decreased slightly in the economic downturn, this has bought them to a similar level to what they were in 2006/07. As subsequent analysis shows, current applicants for shared ownership properties in the Cambridge sub-region can only, on average, support a mortgage of around £70,000, (based on a multiple of 3 times single or combined incomes).

Alongside rising house prices, there is evidence to show that new household formation may be slowing, with more 'concealed' households. Relatively more young people are returning to live at their parental home after finishing university or college studies – frequently with a high student loan to repay. Opportunities to save for deposits are poor, especially with current low interest rates. High Loan-to-Value mortgages have disappeared in the last 18 months, so although the house prices have decreased the percentage size of deposit

required has almost doubled. First time buyers are accounting for a falling share of all purchasers and their average age is increasing. The owner-occupied market is, indeed, reported to be falling nationally as the number/share of homes which are privately rented increases.

Consequently, there would appear to be extremely fertile ground for the development of a large 'intermediate' housing market. But, as the subsequent analysis shows, there is a significant affordability gap facing many households aspiring to low cost home ownership; this has been adversely affected by changes in some intermediate tenure products available.

19.4 Demand as at February 2009

This section analyses information about 1,844 applicants on the register for intermediate housing products in February 2009. The analysis is a snap shot of the register held by the area HomeBuy agent, Keyhomes East (Khe), which is the intermediate housing arm of Bedfordshire Pilgrims Housing Association (bpha).

In April 2009, Orbit became the HomeBuy Agent for this area. The last time this data was reviewed was April 2007 when there were 787 applicants, so the register has more than doubled in the past two years. It excludes applicants for existing shared ownership properties which may be sold through estate agents or local authorities. There was no update in 2008 due to the changeover from one Zone Agent to another.

The following analysis provides a breakdown by where applicants currently live and where they work. It shows current tenure and also current family 'type', or composition. The analysis shows whether the applicant is eligible for key worker housing and the main employment 'strand', by sector, for key workers. It includes a breakdown of incomes to indicate the size of mortgage that might be supported by each applicant household. In all cases the source of the information is bpha.

People eligible for the 'Key Worker Living' scheme are those public sector workers who are included in the government's definition. In the East of England this includes many health service workers, teachers, social workers and related occupations, police, fire-fighters, prison and probation staff. It also includes a small number of other local authority occupations where a recruitment shortfall has been identified, such as land-use planners. In recent years the coverage has expanded and there is now scope for the Regional Housing Board to identify specific occupations in the public sector for inclusion. It should be noted that there are a number of other new build housing schemes which are described as 'key worker' homes which are built without Housing Corporation subsidy, such as university accommodation in Cambridge. This housing is excluded from the following analysis.

19.5 Where applicants live and work

Tables 1 and 2 summarise where applicants for 'HomeBuy' properties in the Cambridge sub-region live and work, breaking the information down by both district and for key workers/non-key workers.

Table 1. District of residence, key worker & non-key worker HomeBuy applicants

	Key worker	Non key worker	Unknown	Total	% key worker	% non key worker	% unknown
Cambridge City	134	249		383	35%	65%	
East Cambridgeshire	35	161	1	197	18%	82%	0.5%
Fenland	16	78	1	95	17%	82%	1.1%
Huntingdonshire	75	278		353	21%	79%	
South Cambridgeshire	83	316		399	21%	79%	
Forest Heath	10	125		135	7%	93%	
St Edmundsbury	51	198		249	20%	80%	
Outside Sub-Region	6	27		33	18%	82%	
Total	410	1432	2	1844	22%	78%	0.1%

Source: BPHA, Feb 2009

Table 1 shows that 22% of applicants are key workers and 78% non-key workers. The percentage of non-key workers has grown 64% in February 2007. In most of the sub-region fewer than 21% of applicants are key workers. In Cambridge City 35% of applicants are key workers. In Forest Heath 46% of applicants living in the district in 2007 were key workers – now only 7% are, although the number of applicants has increased from 21 to 135.

Table 2. District of work, key worker and non-key worker HomeBuy applicants

	Key worker	Non key worker	Unknown	Total	% key worker	% non key worker	% unknown
Cambridge City	221	467	2	690	32%	68%	0.3%
East Cambridgeshire	10	90		100	10%	90%	
Fenland	12	43		55	22%	78%	
Huntingdonshire D. C.	48	202		250	19%	81%	
South Cambridgeshire	41	220		261	16%	84%	
Forest Heath	9	97		106	8%	92%	
St. Edmundsbury	43	165		208	21%	79%	
Outside Sub-Region	26	147		173	15%	85%	
Unknown		1		1	0%	100%	
Grand Total	410	1,432	2	1,844	22%	78%	0.1%

Source: BPHA, Feb 2009

Table 2 covers 'district of work'. There are more than twice as many people working in Cambridge City as living there. In all the other districts there are more people living than working. There are proportionately more key workers living in Fenland, Forest Heath and St Edmundsbury than there are working there. In all the other districts there are more key workers living in each place than work there.

Nine percent of applicants currently live outside the sub-region. Of the 173 people currently working in but living outside the sub-region, 36 live in Peterborough, 20 live in London and between 5 and 12 live in Breckland, Hertfordshire, Mid Suffolk, Suffolk Coastal, Uttlesford, Bedford and North Herts.

Table 3 provides a breakdown of where key worker applicants live and work and Table 4 provides a similar breakdown for non-key worker applicants.

Table 3. Districts of residence & work, key worker applicants for HomeBuy

		Work							Total	%	
		Cambridge City	East Cambs	Fenland	Hunts	South Cambs	Forest Heath	St Edmundsbury			Other
Live	Cambridge City	114	2	1	4	9		1	3	134	33%
	East Cambs	17	4	3	3	4		2	2	35	9%
	Fenland	3	1	7	1	1			3	16	4%
	Hunts	19	1	1	35	4		1	14	75	18%
	South Cambs	54	1		4	20		1	3	83	20%
	Forest Heath	3	1				5	1		10	2%
	St Edmundsbury	10				3	4	34		51	12%
	Other	1			1			3	1	6	1%
Total		221	10	12	48	41	9	43	26	410	100%

Source: BPHA, Feb 2009

Table 3 shows, for example, that of the 134 key worker applicants living in Cambridge City, 114 work in Cambridge, 9 work in South Cambridgeshire and 4 work in Huntingdonshire. Of the 83 key worker applicants living in South Cambridgeshire a high 54 work in Cambridge City and only 20 work in South Cambridgeshire itself. Around half of the 35 key worker applicants living in East Cambridgeshire work in Cambridge City and only four work in the district itself.

Around 33% of key worker applicants live in Cambridge City, 20% live in South Cambridgeshire and 18% live in Huntingdonshire. There is proportionately less demand from key workers living or working in the northern districts of the sub-region.

Table 4. Districts of residence & work, non-key worker applicants for HomeBuy

		Work							Total	%	
		Cambridge City	East Cambs	Fenland	Hunts	South Cambs	Forest Heath	St Edmundsbury			Other
Live	Cambridge City	193	2		8	31	3	1	11	249	17%
	East Cambs	48	74	1	2	16	12	1	7	161	11%
	Fenland	9		36	10	2	1		19	77	5%
	Hunts	42	1	3	170	19			43	278	19%
	South Cambs	127	4		10	141	3	2	29	316	22%
	Forest Heath	15	9	1	2	5	60	19	14	125	9%
	St Edmundsbury	20				5	15	139	19	198	14%
	Other	13		2		1	3	3	5	27	2%
Total		467	90	43	202	220	97	165	147	1,431	100%

Source: BPHA, Feb 2009

Table 4 provides a breakdown for non-key workers. There are more non-key worker applicants living in South Cambridgeshire than any other district, at 22% of the total, Huntingdonshire accounts for 19%, and 17% currently live in Cambridge City. Fewer than 10% of non key worker applicants live in Fenland and Forest Heath.

In terms of place of work Cambridge City takes first place, with 467 applicants accounting for a third of all non-key workers registered. South Cambridgeshire is the work-place of 15% of the total. Other districts contributing a 10% or higher share of workplace jobs for non-key worker applicants include Huntingdonshire, with 14%, and St Edmundsbury, with 12%. As with key workers, both Fenland and Forest Heath rank low in terms of both residence and

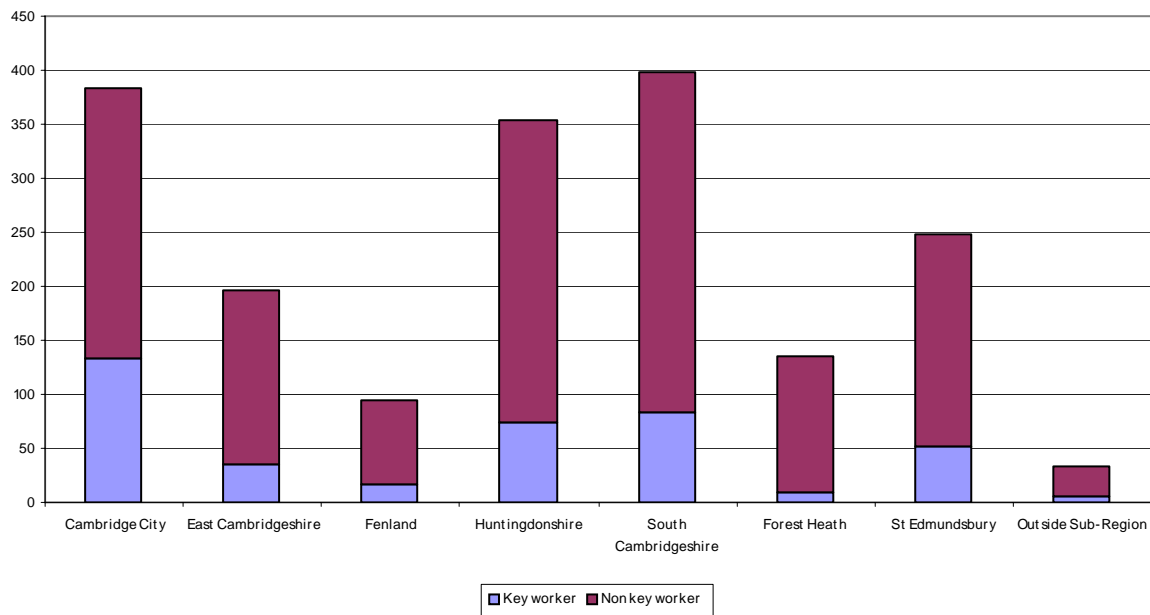
workplace. East Cambridgeshire has significantly more non-key worker residents than workers (74 as compared with 4).

19.6 Issues for where applicants live and work

- Cambridge City dominates the key worker profile in terms of place of work
- Non-key workers are more widely spread across the sub-region in terms of both place of residence and of work
- East Cambridgeshire has a significantly higher share of applicants living in the district than working in it: true of both key workers and non-key workers
- Neither Fenland nor Forest Heath rank high as places for applicants to live or work, although there has been a massive increase in the numbers of people resident in these districts on the intermediate housing register.

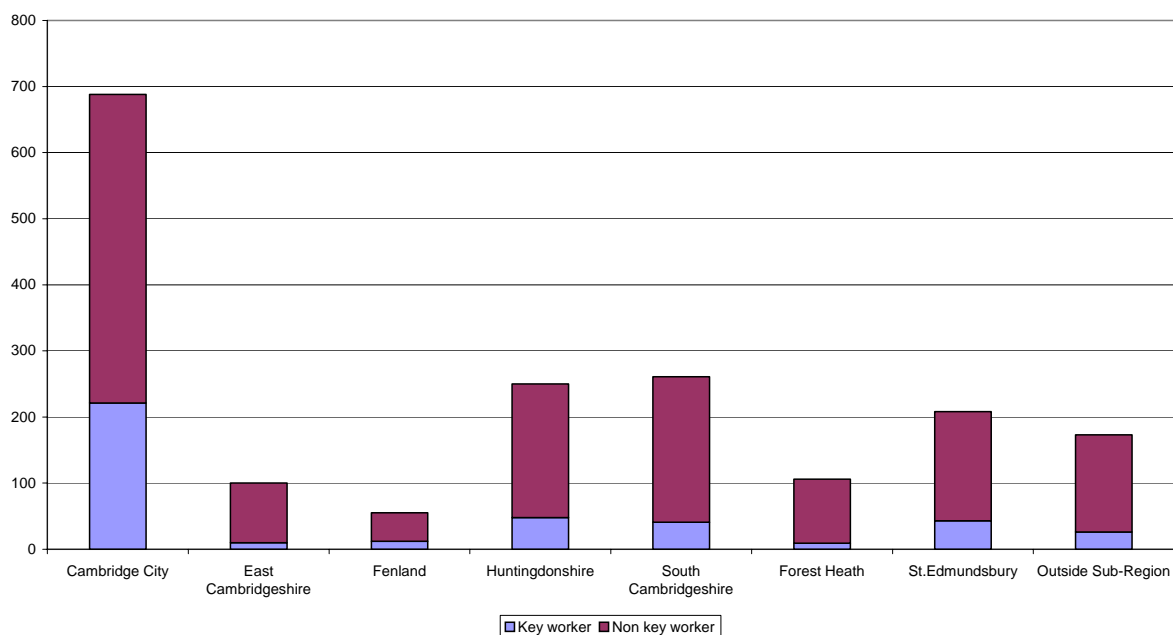
Fig 1 shows the breakdown of applicants by key worker/non-key worker status and fig 2 by district of residence and of workplace. The clearly show the dominance of Cambridge as a place of work.

Fig 1: Applicants for LCHO by district of residence, key workers and non-key workers



Source: BPHA, Feb 2009

Fig 2: Applicants for LCHO by district of work, keyworkers and non-keyworkers



Source: BPHA, Feb 2009

19.7 Key worker industry sectors

Table 5 provides a summary of the main industry sectors of key worker applicants with jobs in the Cambridge Sub-region. It shows that of the 410 applicants for whom the industry of work is known some 242, or 59% work in the health sector. Of these 138 are nurses. A further 100, or 24%, work in education, (excluding the university sector, which is not covered by the government's definition). Teachers account for 76 applicants. The police force accounts for 23 applicants, just under 6% of key workers. No other sector recorded more than 13 applicants.

Table 5. Industry sectors of key worker applicants for HomeBuy by district of work

	Cambridge City	East Cambs	Fenland	Hunts	South Cambs	Forest Heath	St Edmundsbury	Outside Sub-Region	Total
Education	46	3	3	10	7	2	15	14	100
Firefighters	4		1	1					6
Health	153	7	3	24	33	1	13	8	242
LA social workers	5		1				1		7
LA - other	4			2			2	1	9
MOD service personnel				2		2	3		7
Police	7		2	6	1	2	3	2	23
Prison	1		2	3		2	5		13
Probation	1						1	1	3
Total	221	10	12	48	41	9	43	26	410

Source: BPHA, Feb 2009

In September 2007 Addenbrooke's carried out a survey of housing needs for employees. This provides a useful insight into the specific needs of this key group of employees, a summary in included in Appendix 1.

19.8 Current Tenure

This section looks at the current tenure of applicants, analysed according to where they live. Tables 6 and 7 show the breakdown in terms of counts and percentages. Where tenure is not known, housing 'status' is provided.

Table 6. Current tenure/status of HomeBuy applicants, district of residence (numbers)

	Cambridge City	East Cambs	Fenland	Hunts	South Cambs	Forest Heath	St Edmundsbury	Outside Sub-Region	Total
Current home owner	14	24	8	45	45	11	25	2	174
Previous home owner		3	1	4	1	3			12
Council tenant	5	3	1	1	4	3	5	1	23
Housing association tenant	28	15	2	19	21	3	16	2	106
On a council housing waiting list	12	5		8	15	2	10		52
Temporary accommodation by LA							1		1
Living with family or friends	85	81	44	133	201	55	99	14	712
Renting from your employer	16	5	2	12	11	4	3		53
Renting privately	218	59	36	127	96	52	86	14	688
Other/Unknown	5	2	1	4	5	2	4		23
Total	383	197	95	353	399	135	249	33	1844

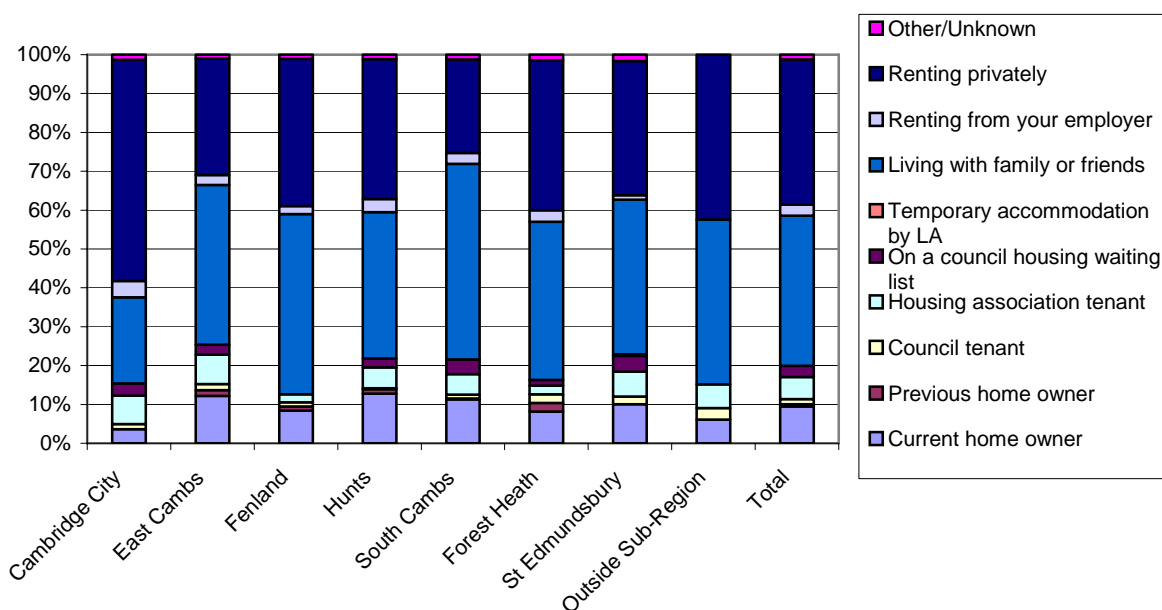
Source: BPHA, Feb 2009

Table 7. Current tenure/status of HomeBuy applicants, district of residence (%s)

	Cambridge City	East Cambs	Fenland	Hunts	South Cambs	Forest Heath	St Edmundsbury	Outside Sub-Region	Total
Current home owner	4%	12%	8%	13%	11%	8%	10%	6%	9%
Previous home owner		2%	1%	1%	0.3%	2%			1%
Council tenant	1%	2%	1%	0.3%	1%	2%	2%	3%	1%
Housing association tenant	7%	8%	2%	5%	5%	2%	6%	6%	6%
On a council housing waiting list	3%	3%		2%	4%	1%	4%		3%
Temporary accommodation by LA							0.4%		0.1%
Living with family or friends	22%	41%	46%	38%	50%	41%	40%	42%	39%
Renting from your employer	4%	3%	2%	3%	3%	3%	1%		3%
Renting privately	57%	30%	38%	36%	24%	39%	35%	42%	37%
Other/Unknown	1%	1%	1%	1%	1%	1%	2%		1%
Total	100%	100%	100%	100%	100%	100%	100%	100%	100%

Source: BPHA, Feb 2009

Fig 3: Applicants for LCHO by current tenure, district of residence



Source: BPHA, Feb 2009

The Tables also show the share of all applicants living in each district.

The two dominant tenures are 'living with family or friends', contributing 712 applicants, 39% and 'renting privately', accounting for 688 applicants or 37%. When this data was analysed in 2007, 43% of applicants were renting privately and 34% were living with family and friends. At district level in 2007, it was only "renting privately" was the dominant tenure in all districts except for South Cambridgeshire. The 2009 data shows that living with family or friends is now the dominant tenure in every district except for Cambridge City. There are a few possible explanations for this change:

- Renting privately is less affordable than it was two years ago.
- The private rented sector does not have the capacity to house the people who cannot afford to buy.
- The register for intermediate affordable housing has more than doubled. The marketing may be reaching a larger number of people who just happen to be living with relatives or friends, or this group may be being targeted.

The proportion of current home owners has increased considerably, from 5.6% to 9%. Cambridge City has the lowest proportion of current homeowners, but the percentage of homeowners in the district has increased from 0.4% to 4%. The proportion of social renters (council and RSL tenants) has remained the same. There has been a slight decrease in the proportion of people renting from employers (from 3% to 4%). The percentage of people "on a council housing waiting list has increased from 1.3% to 3%.

19.9 Family Type

Tables 8 to 11, together with Fig 4, provide an overview of the family types of applicants. This information can be used to help guide new developments in terms of property size. However, it is important to appreciate that, as in the fully owner-occupied sector, many households ideally want extra rooms above a tight definition of current need and

intermediate affordable housing allows for one bedroom in addition to the number required. All tables analyse applicants by their current district of residence.

Table 8 provides a detailed breakdown of current family structure, including number of children. In the sub-region as a whole, 35% of applicants are single and a further 26% are couples without children. Ten percent of applicants are families with one child and a further 7% are families with two children. Just over 11% of applicants are lone parents. In each of the Cambridgeshire districts

Table 8. Applicants for HomeBuy by family type and district of residence

	Cambridge City	East Cambs	Fenland	Hunts	South Cambs	Forest Heath	St Edmundsbury	Outside Sub-Region	Total	% of all
Single Applicant	153	70	27	120	155	39	73	15	652	35%
Couple without children	101	44	18	83	114	42	79	6	487	26%
Couple pregnant	7	6	5	13	11	3	10	2	57	3%
Family with 1 child	34	14	15	35	29	19	32	1	179	10%
Family with 1 child + pregnant	6	5	2	6	8	2	3	2	34	2%
Family with 2 Children	24	15	12	25	24	6	19	3	128	7%
Family with 2 children + pregnant				2			1		3	0.2%
Family with 3 Children	15	7	1	8	6	1	5		43	2%
Family with 4 Children	4		2	1	1		2		10	1%
Family with adult children					1				1	0.1%
Lone parent pregnant no other dependants		1			1				2	0.1%
Lone Parent with 1 child	17	17	7	22	19	9	11	2	104	6%
Lone Parent with 2 Children	12	8	2	24	18	10	8		82	4%
Lone Parent with 3 Children	1	4	1	4	6		2	1	19	1%
Lone Parent with 4 Children			1						1	0.1%
Lone Parent with adult children					1				1	0.1%
Other	1	1							2	0.1%
Sharers	6	5	1	9	5	4	2	1	33	2%
Sharers with dependants	2		1	1			1		5	0.3%
Total	383	197	95	353	399	135	249	33	1844	100%

Source: BPHA, Feb 2009

Table 9. HomeBuy applicants requiring 3 or more bedrooms, district of residence

	Cambridge City	East Cambs	Fenland	Hunts	South Cambs	Forest Heath	St Edmundsbury	Outside Sub-Region	Total
Households with 2 or more children	62	39	21	70	63	19	40	6	320
% of all	16%	20%	22%	20%	16%	14%	16%	18%	17%

Source: BPHA, Feb 2009

Table 9 shows that across the sub-region as a whole 320 of 1,845 applicants require larger homes – 17% of the total. At a district level the share of applicants requiring larger properties varies from a low 14% in Forest Heath to over 22% in Fenland. It should be noted that the regulations covering HomeBuy enable households to buy dwellings with one spare bedroom. Hence a couple or lone parent with 1 child are both eligible to buy a 3 bedroomed home. Consequently the potential demand for properties with 3 or more bedrooms is at least 30% in the sub-region as a whole.

Tables 10 and 11 summarise the information into six categories of household – couples, families with children, lone parents with children, sharers, single people and other/not known (the latter includes an applicant wanting a property adapted for a child with disability).

Table 10. HomeBuy applicants by broad family type, by district of residence (numbers)

	Cambridge City	East Cambs	Fenland	Hunts	South Cambs	Forest Heath	St Edmundsbury	Outside Sub-Region	Total
Single Applicant	153	70	27	120	155	39	73	15	652
Couple without children	101	44	18	83	114	42	79	6	487
Family with Children	90	47	37	90	80	31	72	8	455
Lone parents	30	30	11	50	45	19	21	3	209
Sharers	8	5	2	10	5	4	3	1	38
Other	1	1							2
Total	383	197	95	353	399	135	249	33	1844

Source: BPHA, Feb 2009

Table 11. HomeBuy applicants by broad family type, by district of residence (%)

	Cambridge City	East Cambs	Fenland	Hunts	South Cambs	Forest Heath	St Edmundsbury	Outside Sub-Region	Total
Single Applicant	40%	36%	28%	34%	39%	29%	29%	45%	35%
Couple without children	26%	22%	19%	24%	29%	31%	32%	18%	26%
Family with Children	23%	24%	39%	25%	20%	23%	29%	24%	25%
Lone parents	8%	15%	12%	14%	11%	14%	8%	9%	11%
Sharers	2%	3%	2%	3%	1%	3%	1%	3%	2%
Other	0.3%	1%							0.1%
Total	100%	100%	100%	100%	100%	100%	100%	100%	100%

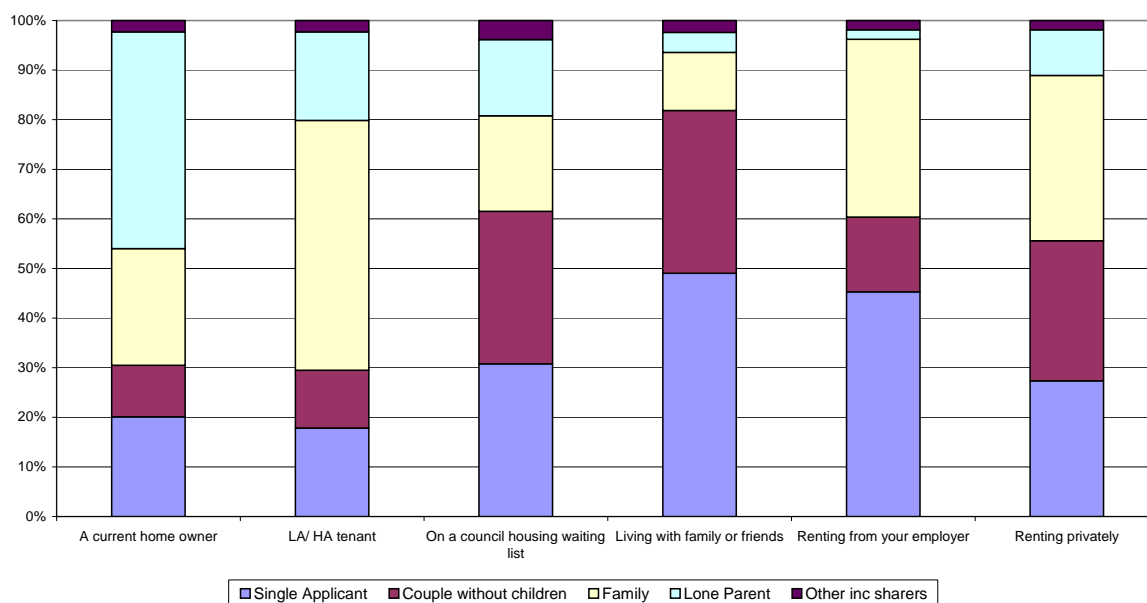
Source: BPHA, Feb 2009

Tables 10, 11 and Fig 4 show that the profile of applicants varies from one district to another. In Cambridge City single applicants account for almost 40% of the total, whereas the share in Forest Heath is just 29%. On the other hand, couples constitute 32% of applicants living in St Edmundsbury but a much lower 19% of applicants living in Fenland. The district with the highest percentage of families is Fenland with 39% families. East Cambridgeshire has the highest proportion of lone parents (15%).

19.10 Family Type by Tenure

Fig 4 shows that the family type profile varies significantly across different tenures. Forty-four percent of current home owners are lone parents and a further 22% are families. Of the households who are current HA/ LA tenants, 47% are families and 18% are lone parents. More than half (55%) of people renting privately are either single person households or couples without children. Just under half (49%) of the people currently living with family or friends are single, but 33% are couples without children and 16% are families or lone parents (including pregnant women). Fig 4 shows the tenures with more than 50 applicants by broad family type, along with the overall picture across all tenures.

Fig 4: Breakdown of HomeBuy applicants by main tenure and broad family type



Source: BPHA, Feb 2009

19.11 Affordability

The information on applicants includes gross incomes and information on savings. For the purposes of assessing a measure of affordability, Cambridge Building Society will generally offer a mortgage of up to 3 times either a single or combined income of applicants for HomeBuy properties. This is somewhat lower than other lenders¹, but as many applicants have relatively low incomes and also have to pay some rent it is considered an appropriate standard for this analysis. So, alongside a mortgage, shared ownership households will also have to pay rent on the remaining share of the property which is owned by a housing association. Typically the rent is around 1.5% of the capital sum involved per annum and is capped at 2.75%. Consequently overall 'affordability' measures should include mortgage repayments and rent. As an example, a property with an open market value of £180,000 and a 50% share of equity sold will give rise to the following monthly costs: mortgage of £90,000: £544 a month (repayment over 25 years) + £112.50 rent at 1.5%, giving a total of £656 a month. If the rent is charged at 2.75% the housing cost would increase to £750 a month. This sum would pay the full mortgage on a £125,000 home.

¹ At the start of March 2009 according to the website gocompare.com Halifax were still lending at an income multiple of 4.5 times income at a 95% LTV.

In the following analysis the 'mortgage band' figure has been calculated as either 3 times a single or joint income.

19.12 Key workers and non key workers

It is useful to look first at how key workers differ from non key workers. Table 14 and Fig 6 provide an overview.

Table 14 and Fig 6 show that key workers generally have higher incomes than non-key workers, and hence can access higher mortgages. For example, whereas just over 19% of non-key workers can access a mortgage of £100,000 or more, a higher 33% of key workers can afford a larger mortgage. Around 66% of non-key workers can support a mortgage of £60,000 or more but a higher 83% of key workers are in this position.

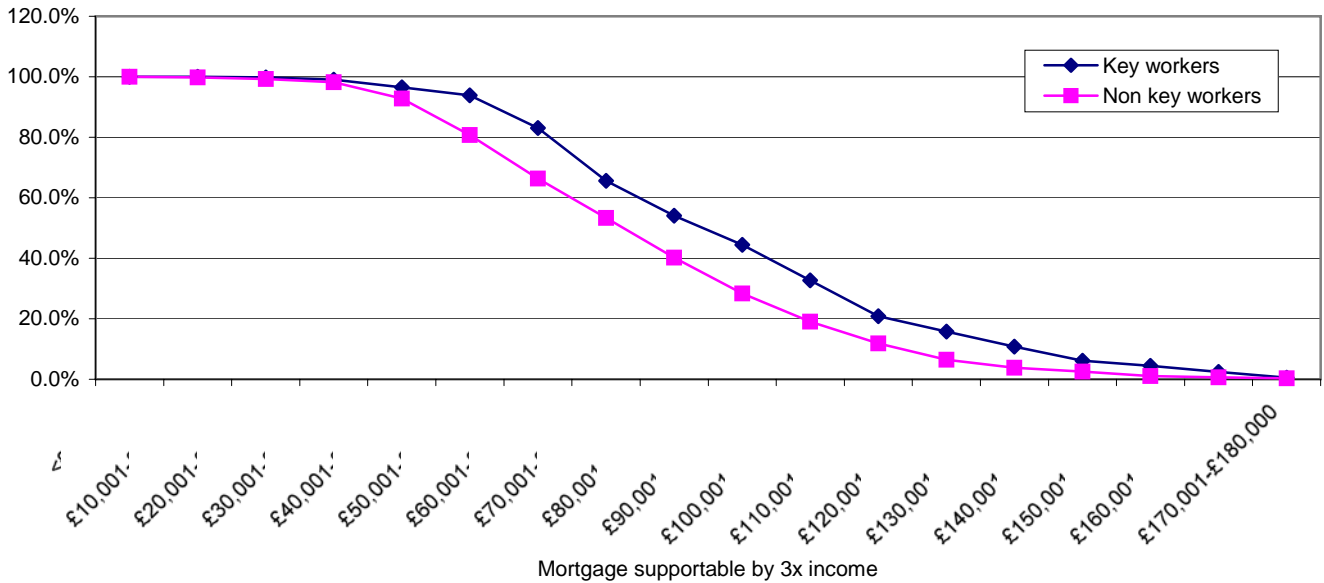
Table 12. Mortgage supportable by 3 x incomes of HomeBuy applicants, key & non-key workers

	Key worker	% of all	Cumulative % of all	Non key worker	% of all	Cumulative % of all	Total	% of all	Cumulative % of all
<£10,000	0	0.0%	100.0%	3	0.2%	100.0%	3	0.2%	100.0%
£10,001-£20,000	1	0.2%	100.0%	8	0.6%	99.8%	9	0.5%	99.8%
£20,001-£30,000	3	0.7%	99.8%	14	1.0%	99.2%	17	0.9%	99.3%
£30,001-£40,000	10	2.5%	99.0%	78	5.5%	98.2%	88	4.8%	98.4%
£40,001-£50,000	11	2.7%	96.6%	171	12.0%	92.8%	182	9.9%	93.6%
£50,001-£60,000	44	10.8%	93.9%	205	14.4%	80.8%	249	13.6%	83.7%
£60,001-£70,000	71	17.4%	83.0%	186	13.1%	66.4%	257	14.0%	70.1%
£70,001-£80,000	47	11.5%	65.6%	186	13.1%	53.3%	233	12.7%	56.0%
£80,001-£90,000	39	9.6%	54.1%	169	11.9%	40.2%	208	11.4%	43.3%
£90,001-£100,000	48	11.8%	44.5%	133	9.3%	28.4%	181	9.9%	31.9%
£100,001-£110,000	48	11.8%	32.7%	102	7.2%	19.0%	150	8.2%	22.1%
£110,001-£120,000	21	5.2%	20.9%	77	5.4%	11.9%	98	5.4%	13.9%
£120,001-£130,000	20	4.9%	15.7%	38	2.7%	6.5%	58	3.2%	8.5%
£130,001-£140,000	19	4.7%	10.8%	18	1.3%	3.8%	37	2.0%	5.4%
£140,001-£150,000	7	1.7%	6.1%	21	1.5%	2.5%	28	1.5%	3.3%
£150,001-£160,000	8	2.0%	4.4%	6	0.4%	1.1%	14	0.8%	1.8%
£160,001-£170,000	8	2.0%	2.5%	5	0.4%	0.6%	13	0.7%	1.0%
£170,001-£180,000	2	0.5%	0.5%	4	0.3%	0.3%	6	0.3%	0.3%
Total	407	100.0%		1424	100.0%		1831	100.0%	

Source: BPHA, Feb 2009

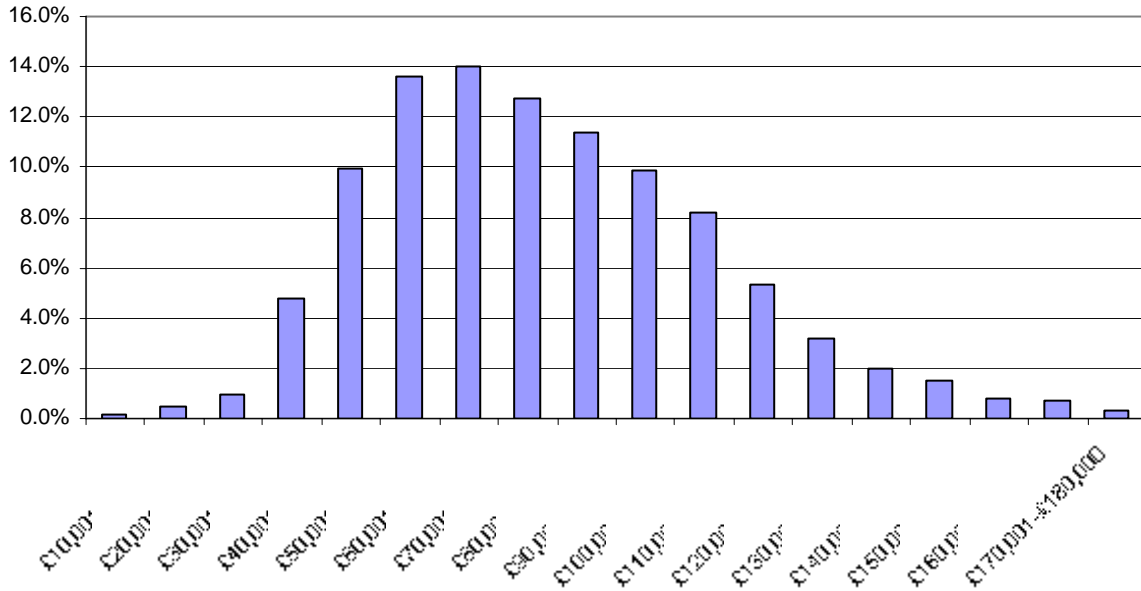
It is perhaps surprising that a number of applicants appear to have very low incomes and cannot support a mortgage of even £50,000 or more – 3% of key workers and 7% of non-key workers are in this position. However, they may have capital – for example from the sale of a former home following the break up of a relationship. Table 14 also provides a breakdown of all applicants in the Cambridge sub-region by 'mortgage band'. Figs 5 and 6 show this in graph form. It is clear that the majority of applicants can only support mortgages below £100,000 – and a significant share can only support a mortgage of £70,000 or less.

Fig 5: Mortgage "affordability" for HomeBuy applicants, key and non-keyworkers



Source: BPHA, Feb 2009

Fig 6: Mortgage supportable by incomes of applicants for LCHO, resident in Cambs sub-region



Source: BPHA, Feb 2009

The mean average mortgage which applicants can support is £77,813 across the Sub-region. The 'lower quartile' level is £56,821, the median is £73,849 and the upper quartile is £96,738.

19.13 Mortgage Bands by District

Tables 15 and 16 show the 'mortgage affordability' of intermediate housing applicants living in the seven districts making up the Cambridge sub-region. Fig 8 enables the overall profiles of 'affordability' to be compared by district.

Tables 15 and 16 and Fig 8 show that applicants living in Cambridge City and Huntingdonshire are generally able to support higher mortgages than are applicants living elsewhere in the Sub-region. In contrast, applicants living in Fenland have significantly lower incomes than people living elsewhere. Just over half of Fenland applicants, 52%, can only afford a mortgage of £70,000 or less whereas elsewhere in the sub-region (excluding Cambridge City) the percentage of applicants restricted to this mortgage level is between 45% and 47%. In Cambridge City, only 36% of applicants are restricted to this level. However, apart from these two districts there is very little difference in terms of applicants' ability to support a mortgage.

Table 13. Mortgages supported by 3 x annual income, HomeBuy applicants by district of residence (numbers)

	Cambridge City	East Cambs	Fenland	Hunts	South Cambs	Forest Heath	St Edmundsbury	Outside Sub-Region	Total
<£10,000		1				2			3
£10,001-£20,000	1	2		1	4	1			9
£20,001-£30,000	2	3	2	5	3	1	1		17
£30,001-£40,000	9	9	12	16	22	9	10	1	88
£40,001-£50,000	27	14	14	48	31	10	33	5	182
£50,001-£60,000	36	37	10	48	61	25	24	8	249
£60,001-£70,000	62	26	10	40	57	14	44	4	257
£70,001-£80,000	47	22	14	44	45	25	33	3	233
£80,001-£90,000	48	17	16	39	45	14	24	5	208
£90,001-£100,000	44	19	5	33	42	10	27	2	182
£100,001-£110,000	39	18	4	23	31	10	24	1	150
£110,001-£120,000	27	10	1	16	24	5	14	1	98
£120,001-£130,000	16	8	3	13	10	3	5		58
£130,001-£140,000	9	3		10	9	2	3	1	37
£140,001-£150,000	8	3		6	6	2	3		28
£150,001-£160,000	1	2		4	5		1	1	14
£160,001-£170,000	4	1	1	2	2	1	2		13
£170,001-£180,000	3			1	1		1		6
Total	383	195	92	349	398	134	249	32	1,832

Source: BPHA, Feb 2009

Note: Missing data on 12 applicants

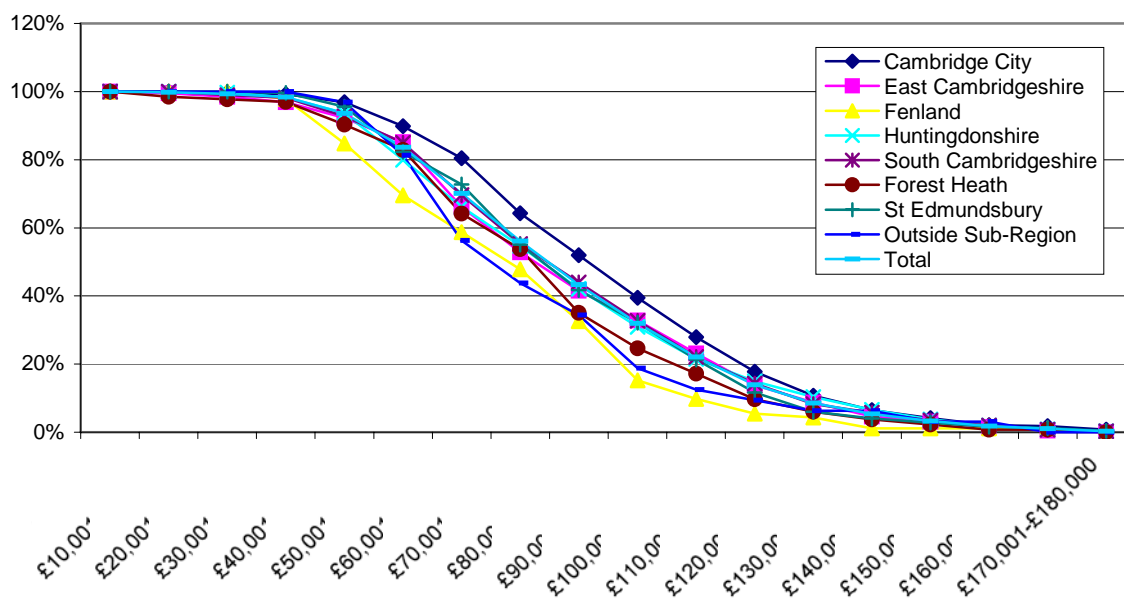
Table 14. Mortgages supported by 3 x annual income, HomeBuy applicants by district of residence (%s)

	Cambridge City	East Cambs	Fenland	Hunts	South Cambs	Forest Heath	St Edmundsbury	Outside Sub-Region	Total
<£10,000	0%	1%	0%	0%	0%	1%	0%	0%	0%
£10,001-£20,000	0%	1%	0%	0%	1%	1%	0%	0%	0%
£20,001-£30,000	1%	2%	2%	1%	1%	1%	0%	0%	1%
£30,001-£40,000	2%	5%	13%	5%	6%	7%	4%	3%	5%
£40,001-£50,000	7%	7%	15%	14%	8%	7%	13%	16%	10%
£50,001-£60,000	9%	19%	11%	14%	15%	19%	10%	25%	14%

	Cambridge City	East Cambs	Fenland	Hunts	South Cambs	Forest Heath	St Edmundsbury	Outside Sub-Region	Total
£60,001-£70,000	16%	13%	11%	11%	14%	10%	18%	13%	14%
£70,001-£80,000	12%	11%	15%	13%	11%	19%	13%	9%	13%
£80,001-£90,000	13%	9%	17%	11%	11%	10%	10%	16%	11%
£90,001-£100,000	11%	10%	5%	9%	11%	7%	11%	6%	10%
£100,001-£110,000	10%	9%	4%	7%	8%	7%	10%	3%	8%
£110,001-£120,000	7%	5%	1%	5%	6%	4%	6%	3%	5%
£120,001-£130,000	4%	4%	3%	4%	3%	2%	2%	0%	3%
£130,001-£140,000	2%	2%	0%	3%	2%	1%	1%	3%	2%
£140,001-£150,000	2%	2%	0%	2%	2%	1%	1%	0%	2%
£150,001-£160,000	0%	1%	0%	1%	1%	0%	0%	3%	1%
£160,001-£170,000	1%	1%	1%	1%	1%	1%	1%	0%	1%
£170,001-£180,000	1%	0%	0%	0%	0%	0%	0%	0%	0%
Total	100%	100%	100%	100%	100%	100%	100%	100%	100%

Source: BPHA, Feb 2009

Fig 7: Mortgage affordability at 3x income for HomeBuy applicants by district of residence



Source: BPHA, Feb 2009

19.14 Family type & affordability

To provide some guide as to what price property different family types can afford Table 17 looks at the average mortgage that can be supported by couples, families with children, lone parents with children, single applicants and sharers. The analysis is for the sub-region as a whole. In each case it is assumed that a mortgage can be raised on 3 x household income.

Table 17 shows that couples have the highest purchasing power, able to support a mortgage of £94,227 on average. Families with children can, on average, support a mortgage of £91,162. Sharing adults can support a similar mortgage, £90,212. Single applicants, in contrast, can generally only support a mortgage of £61,914 and lone parents with child(ren) have the lowest average incomes, able to support a mortgage of £57,817. However, it is important to note that in some cases lone parents have access to significant capital, arising from the sale of a former owner-occupied home. In some cases they purchase up to a 50%

share outright, paying a relatively low rent on the remaining share. Around two-thirds of applicants provided some data on savings at the time of application. Lone parents have on average £18,599 in savings, compared to £9,134 for single people, £9,460 for sharers, £6,819 for families and £5,228 for couples with no dependent children.

It is to be expected that single people will generally be looking to buy a smaller property than other family types. However, whereas couples may only 'need' a one bedroom property, their purchasing power indicates they have the most scope to buy a larger home.

Table 15. Average mortgages 'afforded' by incomes of HomeBuy applicants by family type

	Average Mortgage	Index
Couple	£94,227	121%
Family	£91,162	117%
Lone Parent	£57,817	74%
Sharers	£90,212	116%
Single	£61,914	80%
Grand Total	£77,809	100%

Source: BPHA, Feb 2009

19.15 Tenure & affordability

Finally this section examines the extent to which there may be particular issues of affordability for applicants living in the social rented sector, (council or housing association tenure). Table 17 looks at the lower quartile, median and upper quartile mortgages which can be afforded by HomeBuy applicants currently renting in the social sector and compares these levels with all applicants for HomeBuy. The analysis is by district of residence, although it should be noted that there are so few 'social renting' applicants in some areas that it is not possible to provide a quartile split, (classified as n.a.).

Table 18 shows that, overall, there is very little difference in the mortgages that can be supported by social renters as compared to all applicants. There are more marked differences as between applicants living in different districts. Fig 9 provides a comparison of lower quartile, median and upper quartile mortgage 'affordability' across all applicants on a district of residence basis.

Table 16. Lower quartile, median & upper quartile mortgages supported by incomes of HomeBuy applicants, Social Rent (SR) and All

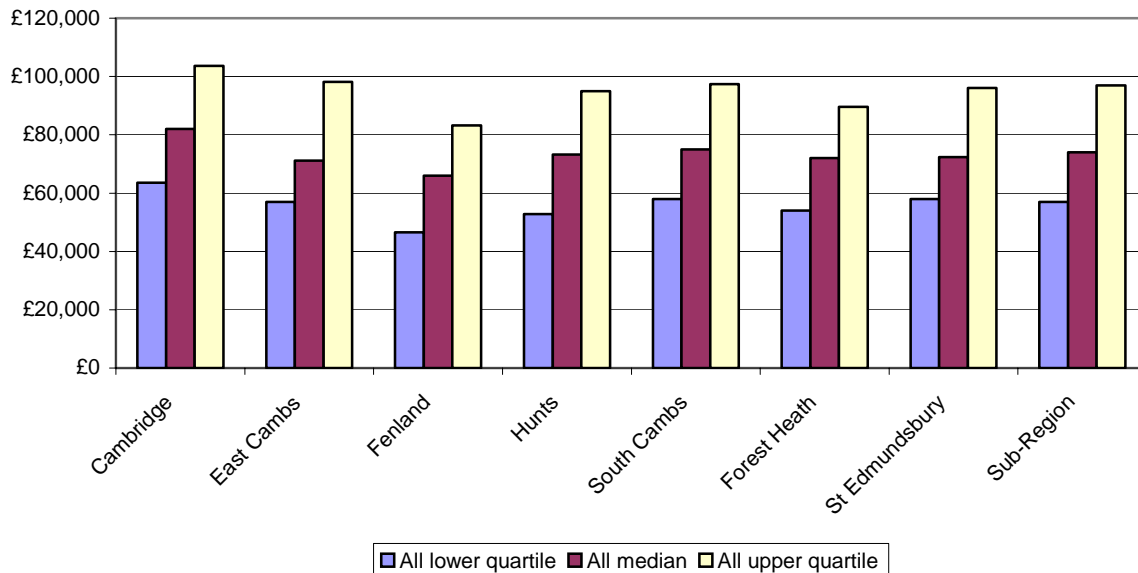
	SR lower quartile	SR Median	SR upper quartile	All lower quartile	All median	All upper quartile
Cambridge City	£66,000	£72,000	£96,471	£63,585	£82,050	£103,673
East Cambridgeshire	£53,511	£70,804	£107,582	£57,000	£71,118	£98,130
Fenland				£46,500	£66,000	£83,250
Huntingdonshire	£61,902	£77,250	£87,706	£52,800	£73,200	£95,013
South Cambridgeshire	£51,000	£93,327	£104,742	£57,965	£75,000	£97,367
Forest Heath				£54,000	£72,000	£89,581
St Edmundsbury	£47,192	£63,679	£94,283	£57,999	£72,355	£96,075
Sub-Region	£53,625	£76,500	£99,527	£57,000	£74,025	£96,957

Source: BPHA, Feb 2009

Table 18 shows that 25% of the sub-region's 'social renting' applicants can only afford a mortgage of £53,625 or less. For all applicants 25% are able to support a mortgage of £57,000. The median mortgage which social renters can support, £76,500, is slightly higher

than the median mortgage for all applicants, £74,025. This suggests that 'social rental' applicants are not more disadvantaged in terms of income than other applicants; the major issue is the fact that there are so few applicant households currently occupying social rented housing. The number of applications from existing social tenants has increased from 71 to 130 since April 2007, but the percentage of applicants who are renting socially has decreased from 9% to 7%.

Fig 8: Lower quartile, median and upper quartile mortgages afforded, Homebuy applicants



Source: BPHA, Feb 2009

Fig 8 provides an alternative way of illustrating the differences between parts of the sub-region in terms of the financial resources of shared ownership applicants. Applicants living in Cambridge are generally able to support higher mortgages than those living outside the City. Applicants in Fenland are considerably below the rest of the sub-region. The Figure shows starkly that in all districts at least 25% of applicants will be restricted to mortgages of £52,000 or less; in Fenland that proportion of applicants is restricted to borrowing around £46,000 or less.