

Housing Services

Housing affordability report

January 2019

Teignbridge District Council



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1 Introduction

The report considers affordability issues associated with all types of market and affordable housing tenure in the area. The Government has recently published a new National Planning Policy Guidance Framework (NPPF) in July 2018, which refers to affordable home ownership targets and entry level housing. This report has been commissioned partly in response to this change, to better understand the local housing affordability context and the affordability of various types of affordable housing including entry level housing.



Local housing affordability is assessed in this report by comparing local average incomes to local house prices. Some affordability assessments are made against lower quartile incomes – however this report has opted to consider average incomes and average house prices. There are various types of affordable housing for sale or rent (as defined in the NPPF 2018) and all are intended for those whose housing needs are not met by the market.

Housing affordability ratios compare the average (median) house price to the average (median) gross annual work placed earnings. Tracking the headline affordability ratio figures for Teignbridge District in recent years shows that the situation with Housing affordability is getting worse. (See Annex 2 for a snapshot of the affordability data for SW Local Authorities). The Affordability ratio has gone from just under 9 times annual earnings – to 10.78 in the last three years. It is important for local policy makers and practitioners to understand the context and implications of the local housing affordability of different housing tenures in the local market. Understanding the local affordability context will also be useful to inform emerging planning policy research.

The key underlying questions are:

WHO among the local population is having problems with housing affordability? This question will be considered in its broadest sense to look at how many people, across a range of local income levels, are in housing need due to affordability problems.

WHAT are the housing affordability differences in the various housing tenures?

WHERE does the evidence show significant differences in affordability across the District?

HOW should Teignbridge District Council respond to this evidence and consider what this means for planning policy development and the focus of affordable housing enabling work going forward?

2 Executive summary

2.1 The report sets out headline findings on local housing affordability

1. Teignbridge Average (and Lower Quartile Wages) are very low – ranking in the bottom 10% of predominantly rural local authorities, and much lower than national averages.

Average (Mean) wages from 2016 in Teignbridge are **£22,818** per annum
Lower Quartile wages from 2016 in Teignbridge are **£12,775** per annum
(Annual survey of Hours and Earnings - ASHE data)

2. When comparing local housing costs to local average incomes, the report shows affordability problems for most housing tenures in Teignbridge, because of the differential between low wage levels and housing costs. Most housing tenures require double income households and above average incomes.
3. Shared ownership (40%) is evidenced in this report to be the most affordable form of affordable home ownership (intermediate affordable housing) for households on local average incomes. Any expansion of affordable home ownership catering for Teignbridge local average income households would need to focus around affordability similar to shared ownership.
4. 80% discounted affordable home ownership is only affordable to double income local average earning households for a 1 bed flat. This type of affordable home ownership (intermediate affordable housing) is not affordable to those on local average incomes needing larger properties, or single earning local average income household for any dwelling size option.
5. Most private rents are only affordable to double earning local average income households. Even then, the amount of private rent payable leaves little capacity to save for a home ownership deposit.
6. Private rental opportunities in rural areas of Teignbridge are scarce and those which are available are less affordable than their urban comparables. This lack of availability and affordability problem for rural private rents exacerbates the housing affordability problem for rural areas of Teignbridge. In affordable housing meetings concerns have been raised within rural communities about social sustainability, due to households moving away from rural areas to resolve their housing needs.
7. 96% of Households registered on Devon Home Choice for the Teignbridge area do not have sufficient income or savings to affordable any form of home ownership.
8. Market private rents now far exceed the local housing allowance benefit levels (which has been frozen for a number of years). Apart from 1 bed flats, larger dwelling market rents are only affordable to local average income households with double earners. In addition these rental affordability problems are also evident in the affordable rented tenure, where evidence shows that average affordable rents now exceed the Local Housing allowance.

A summary of the housing affordability findings is represented in the table below to illustrate what the findings have shown about housing options for household income groups. Housing affordable varies by dwelling size required. The table shows the situation for a 2 bed housing need.

The extent of housing affordability gaps are set out in the tables included in the main body of the report.

Annex 1 - shows various typical household scenarios summaries to illustrate the evidence within the report. These scenarios are often encountered by Teignbridge housing officers and represent the impact of the various local affordability problems identified.

Annex 2 – shows Teignbridge housing affordability ratios in the context of other SW local authority areas.

Table 11: Local average income households (from Section 11 Summary conclusion p 19 )

Household Income	Market purchase	80% discounted affordable housing purchase	40% shared ownership	Private rent	Affordable Rent	Social Rent
More than £80,000	✓	✓	✓	✓	✓	✓
£80,000 - £60,000	✓	✓	✓	✓	✓	✓
£60,000 - £45,000	X	✓	✓	✓	✓	✓
£45,000 – £30,000	X	X	✓	✓	✓	✓
£30,000 – £20,000	X	X	X	✓	✓	✓
Less than £20,000	X	X	X	✓	✓	✓

Results above using 2 bed house evidence

Green = Local average income band – single earning household @ < £22,818

Amber = Local average income band - double earning household @ < £45,636

Red = Unaffordable for local average income households

3 Background and context

The Council’s Strategic Housing Market Assessment joint report (SHMA) of 2015 identifies a high need for affordable housing in the District (234 affordable homes per annum) at a percentage level of 40% Affordable housing needs. The Council’s current adopted Local Plan affordable housing policy generally seeks for between 20% and 30% of homes on residential sites to be affordable housing through s106. (Note that the % Affordable housing rates have been set below the evidenced needs levels due to viability assessment). The Council also sets out a tenure mix of 70% rented housing and 30% intermediate housing

The report focusses on general/average District-wide housing affordability, however it also contains some assessment of identifiable differences in housing affordability between urban and rural areas of the District.

The report assesses the housing costs/income analysis using average local incomes (this is because for lower quartile income households the only affordable housing option is social rented housing). The analysis in the report makes assumptions about the proportion of local households likely to be able to afford the various different housing options (by both size of accommodation and location). The report provides information (based on available data) to make comparisons across a range of housing tenures - including analysis of low-cost home ownership affordability, given that the NPPF 2018 has introduced a ‘policy

target', where possible 10% of new homes should be delivered as affordable home ownership tenure. It is important to understand what this would mean in the context of local affordability.

The primary aim of Teignbridge housing enabling service is to assist with all interventions to increase the supply of affordable housing options for local people to meet housing needs. The research is intended to inform continued enabling work, and to evidence where affordable housing delivery should be focussed, including identifying where any new areas of affordable housing delivery required.

The report information will be used in s106 affordable housing negotiation, as well as Housing Association and land based affordable housing delivery. The affordability report highlights where an interventionist approach is required to ensure that local circumstances are taken into account where alternative affordable housing provision is necessary. The report identifies that different enabling approaches may be required where there are significant variations in affordability across parts of the district where it will be important to assess the risks and returns to delivering the various affordable housing options.

The report links to other work commissioned by TDC from partners including Devon Rural Housing Partnership and the Right to Build Task Force. Advice has also been sought from Help to Buy South West team members. The report uses data sources and information to demonstrate the current housing market conditions and affordability issues across a variety of housing tenures. It seeks to identify the evidence in geographical variations across the different parts of the district, and considers the impact on delivering affordable housing options in the various parts of the district.

4 Affordable housing and affordability

The National Planning Policy Framework 2018 requires that Affordable housing needs are assessed by taking account local incomes and comparing them to local house prices. Local information analysis and circumstances are critical to understand housing affordability issues in the area. What is considered affordable in other parts of England or the South West, may not be affordable to those households on lower/average incomes in Teignbridge. The report looks in closer detail at the local affordability issues which have been flagged by the planning SHMNA assessment. This detailed work will inform local affordable housing needs priorities and highlight housing affordability issues.

As previously noted, housing affordability problems in Teignbridge are exacerbated by the Districts' low average wage levels (Teignbridge ranks in the bottom 10% of wages levels in predominantly Rural Local Authorities). Affordability problems in Teignbridge are compounded by comparably high property values in the area.

The most recent annual survey of hours and earnings - ASHE data shows that Teignbridge wage levels are significantly lower than national averages:

- Average (Mean) wages from 2016 in Teignbridge were £22,818 per annum (nationally mean average was £28,799)
- Lower Quartile wages from 2016 in Teignbridge are £12,775 per annum (nationally lower quartile average was £14,201)

Housing affordability assessments compare local incomes to local house prices. Given that house prices vary significantly by location and because Teignbridge District is geographically varied (rural/urban, proximity to Exeter, coastal premium) – it follows that affordability also varies. The Devon Rural Housing

Partnership report identifies geographical variations in affordability between parts of the rural Teignbridge district and the National Park and proximity to Exeter where house prices are higher.

This affordability report uses a variety of national and local data and calls on work undertaken by Devon Rural Housing Partnership and the Right to Build Task Force for Teignbridge. This report sets out 8 main findings in the executive summary for further consideration and will be used to focus policy and enabling work to tackle housing affordability issues in the District.

It is important to note that the financial modelling in this report uses basic borrowing assumptions, and presents typical development cost modelling for new build housing. The assumptions used for the range of dwelling size typologies have been selected because they are typical of the new residential development profiles in the Teignbridge area.

5 Market housing costs

5.1 Owner-occupied housing

Owner occupied housing affordability ratios differ depending on which measure of local wages levels and which house type/prices are used. Data from the Land Registry from 2017 shows that the average (mean) cost of detached housing in the District was £370,016 – as compared to a national average (mean) detached house price of £395,689. Compare the average Teignbridge wage to the average local detached house price and this is **16 times** average wages levels.

The average cost of a terraced house in Teignbridge was £203,064 – as compared to a national average of £237,254. Compare the average Teignbridge wage to the average local terraced house price and this is **9 times** average wage levels.

To put Teignbridge Housing Affordability into context, the most recent regional Housing Affordability ratio figures compare average local wages with average local house prices and the overall **Housing Affordability ratio for Teignbridge is 10.78**. Annex 2 to this report shows Housing Affordability ratio data in the South West context.

Bearing in mind the local income multiples set out above - it is clear that those on local average wages (without equity or other assistance) cannot afford open market purchase. Analysis is set out in the report, for a variety of house purchase size and affordable home ownership options. The assessment set out the relative gaps in local affordability by highlighting the required income and deposit requirements. Many of the affordable home ownership options are also not affordable to those on average local incomes.

The new build housing affordability analysis done by the Right to Build task force has considered the typical new development viability in the district using different house types and compares relative affordability between dwellings sizes. Excerpts are set out below – with additional commentary regarding affordability:

- 77sqm (assumed 2 bed 4-person house). Comparable to a typical off the shelf private speculative house type;
- 100sqm (assumed 3 bed 5 person house) to reflect TDC's Custom & Self Build Housing Supplementary Planning Document;
- 105sqm (assumed 3 bed 5 person house);
- 120sqm (assumed 4 bed 6 person house);
- 135sqm (assumed 5bed 7 person house).

Table 1 (Market Land values) is useful to show the impact of land values on affordability and illustrates the extent of land value discounting needed to deliver an affordable housing option. It shows the typical cost breakdown per new home and demonstrates the potential land/plot value by house type in a typical development scheme.

Table 1: Typical Market Land Value Assumptions 2018

Dwelling size	Property Sales Value @ £3,006/sqm	Construction Cost £1,500/sqm	Fees on build @ 14%	Profit @ 21% on costs	Subtotal	Residual land value
50sqm 1 bed flat	£150,300	£75,000	£10,500	£17,955	£103,455	£46,845
77sqm 2 bed house	£231,462	£115,500	£16,170	£27,650	£159,320	£72,142
100 sqm 3 bed house	£300,600	£150,000	£21,000	£35,910	£206,910	£93,690
120sqm 4 bed house	£360,743	£169,500	£23,730	£40,578	£233,808	£126,935

Source: RTB Task force research 2018

Table 1 shows the potential market land/plot value for the 5 new build house types based on current property values and local construction costs. Planning policy impact (such as exception site land value) is not accounted for.

The next table inserts a range of typical local incomes in order to represent the affordability issues based on the same range of typical property examples. Throughout this report (for consistency) in order to work out mortgage loan affordability, a household is considered able to afford to buy a home if it costs less than 3.5 times the gross household income; it has also been assumed that a household will have a 5% deposit.

In addition for all forms of home ownership the household will be responsible for upkeep and maintenance which typically costs £2,000 per year. This is a monthly cost of £167 per month and will be added into the affordability income requirements for calculation purposes.

Table 2 below shows the income levels required for the typical market house types and their respective property values.

Table 2 Incomes and affordability

Assumptions - Mortgage multiple at 3.5 times household income. 3.92% interest rate on a repayment basis over 25 years using Money Saving Expert Ultimate Mortgage calculator. 5% deposit. £2,000 dwelling maintenance /upkeep per annum.

Dwelling size	Property Sales Value @ £3,006/sqm	Typical deposit @ 5%	Mortgage required	Annual income level needed	Cost per month
50sqm,1 bed flat	£150,300	£7,515	£142,785	£42,795	£954
77sqm	£231,462	£11,823	£224,639	£66,182	£1,343
100 sqm	£300,600	£15,030	£285,570	£83,591	£1,662
105 sqm	£315,630	£15,781	£299,849	£87,671	£1,763
120sqm	£360,743	£18,037	£342,706	£99,916	£1,961
135sqm	£405,835	£20,291	£385,544	£112,155	£2,185

Source: RTB Taskforce research 2018 element 5

Local average annual income comparable = £22,818

Amber = affordable to local average income household - double income

Red = not affordable to local average income households

None of the new build purchase options would be affordable to local average wage single earners – hence the incomes needed in the table are highlighted red, with only one option highlighted amber because this would require a double income average wage household.

Note annual incomes required for mortgages far exceed those of average local wages. Using an assumption of a double wage earning household on local average wages – only a one bed flat new build open market purchase is achievable, subject to. In most cases the affordability gap is too big to be bridged by a Help to Buy loan.

5.2 Help to Buy loans

Government assistance in the form of short term Help to Buy loans are being used to bridge the affordability gap for some – however these loans are short term with loan charges at 6% triggered from year six following the purchase. Modelling of the Help to Buy equity loan repayments has shown that some First Time Buyer may struggle with these additional costs from year 6 onwards. Many Help to Buy first time buyers are assumed to be relying on house price inflation and the prospect of moving on from the Help to Buy house purchase, to repay the equity loan. These assumptions may not be sustainable.

Recent changes to ‘Help to Buy’ terms means that in future these loans will be restricted to First Time Buyers. There is some uncertainty as to whether government Help to Buy assistance will continue in the long term. A Help to Buy market purchase would be at similar affordability figures to the modelling for 80% discounted purchase. As a result of the concerns outlined above, this report has not specifically assessed Help to Buy.

5.3 Home ownership affordability – deposit, purchase costs and upkeep

Note also that affordability of market housing or affordable home ownership is often compromised by a lack of ability to be able to save for a deposit (even at 5%) because for many, high private rental housing costs preclude the ability to put aside savings. In addition there are other one off costs associated with house purchase (such as legal costs /tax/ fees etc.) that add significant costs to already stretched budgets.

There will be variances to the assumptions made on housing costs depending on the individual scheme and how the scheme is to be developed, procured and financed.

Based on typical new build residential scheme examples illustrated above, even the smaller market sale house type is potentially unaffordable for a large number of local people earning average incomes. These properties would only be affordable to households with earnings significantly above the average levels. For larger properties the affordability gap is much bigger.

See also information on page 17 about Devon Home Choice (DHC) housing register income details in the section on rented affordable housing. Local housing register data on household incomes shows that 96% of those on the housing register (in housing need) for Teignbridge do not have sufficient income or savings to access affordable home ownership.

6 Affordable home ownership

Various types of affordable home ownership such as discounted affordable, starter homes, shared ownership are defined in the NPPF. Subsidy is invested in the purchase to ensure that these products are affordable and legal controls are applied to ensure they are also affordable for future eligible households. Eligible households for affordable home ownership (outside London) are those with household earnings below £80,000 – subject to an affordability verification that the household cannot afford to buy on the open market for example due to available equity and or savings.

Comparing new market house price costs – to local incomes we can see that depending on house size needs, even a household with an income of £80,000 will not be able to afford to buy a market larger house, because there is a significant equity gap of over £100,000 when compared to typical new 4 bed house market prices.

Households with a total household annual income slightly above £60,000 would be able to afford to buy a small market property – ie. a flat or small house (provided they could save for a deposit – which is not always possible).

The table below provides some modelling assumptions about household income group range for affordable discounted dwellings such as entry level/starter homes modelled at 80% discount.

Table 3: Affordability of Home ownership option at 80% discounted levels

Assumptions - Mortgage multiple at 3.5 times household income. 3.92% interest rate on repayment basis over 25 years using Money saving expert ultimate mortgage calculator. 5% deposit. £2,000 dwelling maintenance /upkeep per annum.

Dwelling size	Property Sales Mkt Value @ £3,006/sqm	80% AH discounted sale value	Typical deposit @ 5%	Mortgage required	Monthly mortgage cost plus upkeep	Annual income level needed
50 sqm 1bed flat	£150,300	£120,240	£6,012	£114,228	£765	£34,637
77sqm 2bed house	£231,462	£185,170	£9,258	£175,912	£1084	£52,261
100 sqm 3 bed house	£300,600	£240,480	£12,024	£228,456	£1,363	£67,273
120sqm	£360,743	£288,594	£14,430	£274,164	£1,602	£80,336

Source: RTB Taskforce 2018/ Money saving expert ultimate mortgage calculator

Local average annual income comparable = £22,818

Amber = affordable to local average income double earning households

Red = not affordable to local average income households.

If new build entry level affordable home ownership properties were sold at a 20% discount, as compare to open market values in Table 1(OMV), the evidence in this report shows that they would not be meeting local affordable housing need as compared to typical local average income levels. To make discounted home ownership affordable to local incomes this would either require discounts on OMV of well in excess of 20%, or significant intervention in the land plot values set out in Table 1.

None of the 80% discounted affordable home ownership options tested above would be affordable to single earner local average incomes. Even at affordable discounted rates, only the small 2 bed new build at 77sq meters size would be affordable to a local average double income household.

For discounted affordable housing and starter homes the NPPF makes clear the importance of considering how the discounted equity margin below 100% is handled (ie – to ensure that this affordable discount value is secured at the % discount for future purchasers). If an affordable discounted property were to be bought out to market levels of 100% value, then affordable housing subsidy funds should be repaid to the Council or housing association for reinvestment in further affordable housing delivery.

For larger property needed and the level of local income, some open market properties will need to be discounted by substantially more than 80% to ensure affordability to those on local incomes. Note that affordable home ownership in the form of % shared under the shared ownership schemes are much more affordable to households with lower income levels as set out in Table 4 below.

6.1 Affordability of home ownership option at 40% discounted levels

The Help to Buy South West Agency is the local organisation which helps eligible households with their applications for affordable home ownership. They use the government agency ‘Homes England’ criteria for annual income multiples to assess affordability. Depending on the client situation and circumstances, Homes England advice is that a range of between 2.5 and 4.5 times household income can be used. For the purposes of simplicity this report uses the midpoint of 3.5 times income multiplier for the mortgage capacity and income required assumptions.

In terms of affordability assessment the Help to Buy Agency will also look at the debt to income ratio for that household. This ratio would need to fall between 25% and 45% of household income. For the purposes of comparability with rented housing affordability – this is a factor which has been used to guide the maximum affordable percentage of household income which can be spent on rent – at 40%.

Note that there are more lenders for mortgage purposes if shared ownership purchasers have a 10% deposit. In order for a shared ownership purchaser to access a mortgage with a 5% deposit the site must be on the lenders panel of developers. However for consistency /assumption purposes throughout this report the mortgage assessment will use the following calculations and assume a 5% deposit.

6.2 Affordable shared ownership at a 40% share

Table 4: Affordability of 40% shared ownership

Dwelling size	Property Sales Mkt Value @ £3006/sqm	40% AH discounted sale value	Typical deposit @ 5%	Mortgage required (plus rent)	Total monthly cost	Annual income level needed
50sqm 1 bed flat	£150,300	£60,120	£3,006	£57,114 + £206 rent pm	£672	£24,498
77sqm 2 bed house	£231,462	£92,584	£4,630	£87,954 + £322 rent pm	£949	£36,789
100 sqm 3 bed house	£300,600	£120,240	£6,012	£114,228 + £413 rent pm	£1,178	£47,037
120sqm 4 bed house	£360,743	£144,297	£7,215	£137,082 + £496	£1,380	£56,046

Source: RTB Taskforce Money saving expert calculator and Help to Buy SW

Assumptions - Mortgage multiple at 3.5 times household income. 3.92% interest rate over 25 years on repayment basis using Money saving expert ultimate mortgage calculator. 5% deposit. £2,000 dwelling maintenance /upkeep per annum.

Shared ownership rent on retained equity is charged at 2.75%. The income affordability assessment required to pay this element is calculated at 40% and added onto the mortgage payments.

Local average annual income comparable = £22,818

Amber = affordable to average local incomes – double earners.

Red = not affordable to average local income households.

Affordable home ownership via a shared ownership purchase in the affordability modelling above is evidenced to be better more affordable, also at a wider range of dwelling sizes, to those households on local average incomes. Shared ownership tenure would be potentially cheaper than privately renting if the equity share is as low as 25% - 30%. The affordability of any particular dwelling will vary depending on the open market value and the individual circumstances of prospective purchasers.

See also Appendix A: 4 graphics sheets for the different dwelling sizes - which show more details of the comparable incomes required to support the relative housing costs.

Another way of looking at housing affordability is to stress test this affordability information further, using the information presented above for household income housing affordability for home ownership.

6.3 Household income levels and affordability

Local average income households with single income will not have sufficient income to consider market home ownership (a one bed flat purchase would be affordable to a local average income household with double earnings). Typical double earning local above average income households will need to exceed £60,000 before market home ownership of a 2 bed new build house is achievable. Typical double earning local above average income households will need to exceed £80,000 before market home ownership of a 3 bed new build house is achievable.

- Less than £30,000 – Unlikely to be able to access affordable home ownership
- £30,000 - Maximum Loan potential £105,000 – small dwelling shared ownership
- £40,000 - Maximum Loan potential £140,000 – small dwelling shared ownership
- £50,000 - Maximum Loan potential £175,000 – large dwelling shared ownership or small discounted affordable
- £60,000 - Maximum Loan potential £210,000 – large dwelling shared ownership, small dwelling discounted affordable or small open market
- £80,000 - Maximum Loan potential £280,000 – large dwelling discounted affordable or smaller market dwelling

Based on the affordability information in the report of home ownership options, the following points are noted:

The report sets out the affordability range for several affordable home ownership options and highlights where there are likely to be local affordability problems. The report shows that most forms of market housing and some forms of affordable home ownership set out in the NPPF 2018 affordable housing definition (e.g. Starter Homes or Discounted Market Sale) also have the potential to be less affordable / too expensive for those on average local incomes, and those needing larger dwellings.

It is also noteworthy, when looking across the range of housing tenure costs in table 10 (page 18), there are crossovers in the relative affordability between housing tenures. For example looking at the amber category (double income average wage household affordability) this spans from 1 bed flat market purchase, 80% discounted, shared ownership, private rent and affordable rent.

6.4 Affordable home ownership – summary

Shared ownership is the most affordable home ownership option available to local households. Overall, the analysis would support shared ownership as the most affordable form of affordable home ownership that can be promoted by the Council and on this evidence Enablers would recommend that shared ownership should be included in the intermediate affordable housing mix, where an affordable home ownership element is to be included. Given the evidence about the wider local affordability problems in Teignbridge set out in this report, decision makers will need to ensure that the affordable home ownership properties are made available in a format and at prices affordable to local households. Where ever possible, priority of allocation should be given to households with a local connection.

Table 10 (page 18) shows that there are overlaps between income level requirements and different housing tenures. Awareness of shared ownership as an affordable housing option is increasing as a result of leaflet promotion work by Teignbridge enablers. Using the evidence in this report enablers will continue to work with housing association partners and others to promote this shared ownership affordable home ownership option to local households.

7 Affordability of rented housing

Analysis of current letting practice suggests that letting agents typically work on a multiple of 40%. Government policy (through Housing Benefit payment thresholds) would also suggest a figure of 40%+ (depending on household characteristics).

The English Housing Survey headline report (2015/16) provides data on the proportion of household income spent on housing costs, by tenure. This showed, on average, those buying their home with a mortgage spent 18% of their household income on mortgage payments whereas rent payments were 28% of household income for social renters and 35% of household income for private renters. Excluding Housing Benefit, the average proportion of income spent on rent was 37% for social renters and 41% for private renters.

The cost of private rented accommodation in Teignbridge as a whole is shown in table 5 page 14. While average rents are relatively similar or lower than national rents, it is interesting to note that lower quartile rents for 2/3/4 bed properties are more expensive than national rents. It is not clear why Lower quartile rents are more expensive in Teignbridge, although it is possible that the relative expense of lower quartile private rents is influenced by the local housing allowance top up through benefits.

To take one example - an average private rented 3-bedroom home rental costs around £793 per month. The income needed to pay for this accommodation (assuming that 40% of income could reasonably be spent on housing) would be £23,790. This is above the average level of local incomes. In addition there is often a mis-timing problem with the requirements for rental deposits and the release of funds from deposit guarantee scheme (which can take 2 weeks). Many households will not have available funds to make advance payment for rent in advance. There are serious concerns about Rent in Advance requirements for all types of rented accommodation and the Council's Tenancy Strategy will seek to address this issue.

The amount of Housing Benefit that can be claimed is generally lower than average and lower quartile market rents, meaning that benefit dependent households could find it difficult to access market rented housing (without having to top-up the rent to be paid above the benefit levels).

8 The private rented sector

Many local households with double income average wages are living in private rented accommodation. The number of households living in private rented accommodation is increasing. Private rented accommodation is less secure and with often poorer quality living conditions (less thermally efficient hence higher heating costs for example). As set out in table 6 below, most Teignbridge private rental costs are not affordable to single earning households on local average incomes.

The high cost of private rented accommodation also has an adverse impact on the ability of those households to save for an affordable home ownership deposit – which means that even if they are aware of the market or affordable home ownership options – they cannot save sufficient deposit to access alternative housing.

Table 5 below shows average private rents (weekly) in Teignbridge in 2017/18 compared to the national average in order to provide some context for the housing cost information.

Table 5: Local and national average private rents by bedroom size

	1 bedroom		2 bedrooms		3 bedrooms		4 bedrooms	
	Median	LQ	Median	LQ	Median	LQ	Median	LQ
England	163	104	178	121	203	137	357	208
Teignbridge	117	104	150	138	183	161	249	213

Source: DCLG Private Market Rental Statistics

8.1 Household income levels needed to access private rented accommodation

There is some debate about the proportion of household income required, whereby rent payments are considered affordable. Shelter’s definition of affordable income proportions would be 30% of household income which should be spent on housing costs. For the purposes of this report we have used an assumption - commonly used for private rented housing income proportions – that 40% of household income spent on rent is the maximum affordable level of housing cost payments. The 40% assumption used in the report also aligns with Homes England guidance.

8.2 Teignbridge private rents affordability

Table 6 Monthly and annual household income to support average private rents

Average (Median) Private rent	1bed	2bed	3bed	4bed
Monthly cost	£507	£650	£793	£1,079
Local housing allowance (benefits)	£96.91pw	£128.19 pw	£153.02pw	£192.24pw
South Devon rate	£419.94 pm	£555.49 pm	£663.08pm	£833.04pm
Monthly income required @ 40% household income	£1,267	£1,625	£1,982	£ 2,697
Annual income required @ 40% household income	£15,210	£19,500	£23,790	£32,370

Source: DCLG Private Market Rental Statistics inc Teignbridge South Devon LHA

Local average annual income comparable = £22,818

Green = affordable to average local incomes – single earner.

Amber = affordable to average local incomes – double earners

Where private rent levels are coloured amber in table 6 – more than a single local average income would be required to pay the rents. The income levels required in order to pay these average Teignbridge private rents in most cases exceed the average local incomes. This means that many private rents are often having to be topped up with benefits claims where possible. Note that many private rents are above the Local Housing Allowance rate.

When such a high proportion of household income – 40% is assumed is used to pay for private rent – it is proving very difficult for these household to save money for an affordable home ownership purchase deposit. The length of time it would take to save the required deposits is often excessive.

Many tenants express concern that living in private rental accommodation provides less security of housing – with short terms tenancies. There is also bridging loan gap/ affordability issue with rental deposits held within the Deposit guarantee scheme which takes 2 weeks for release of funds – however a tenant will need an advance deposit for new rented accommodation. The mis-timing of deposit rental returns and advance deposit payments, often causes hardship.

The affordability situation with private rental property is even worse in rural areas. The following search results show just how little available private rented property there is available in the sampled rural areas. Even where there is a property available to rent – market forces mean that these properties command a premium and are therefore more expensive than their urban comparators. This make affordability even more difficult in rural areas and many households are forced to move away to urban areas nearby. This is have a detrimental impact on rural sustainability.

Table 7: Private rental properties - rural parish affordability and availability

Search filter applied 250m radius around village to include properties surrounding.

Parish	Size/type private rent available	Rent per week	Rent per month	No. private rented properties available	Annual income requirement @ 40%
Denbury/Torbryan	2 bed house	£167	£724	1	£21,709
Ipplepen	4 bed house	£335	£1450	1	£43,500
Tedburn St Mary	3 bed house	£190	£825	2	£24,750
	2 bed annex	£173	£750		£22,500
Widcombe	1 bed cott	£156	£675	1	£20,250
Lustleigh				0	
Trusham	4 bed house	£231	£1000	1	£30,000
Shaldon	1 bed appt	£120	£520	3	£15,600
	4 bed house	£404	£1750		£52,500
	4 bed house	£253	£1095		£32,850
Abbotskerswell	2 bed flat	£190	£825	3	£24,750
	3 bed bungalow	£253	£1095		£32,850
	4 bed house	£323	£1400		£42,000
Broadhempston	3 bed house	£254	£1100	1	£33,000
Ilsington/Liverton				0	

Source: Rightmove (6/9/2018)

Green = affordable to average local incomes – single earner.
 Amber = affordable to average local incomes – double earners.
 Red = not affordable to average local income households.

Private rental availability comparison to Newton Abbot – there are 61 private rented properties available. Comparable Gum tree search did not reveal any other private rented properties being advertised in these areas.

9 Average affordable and social rents

Table 8 Comparison of average affordable and social rents to benefit payments

	1 bed	2 bed	3 bed	4 bed
Average affordable rent Exeter BRMA	£121.52	£146.24	£169.79	£223.63
Local housing allowance (benefits) Exeter rate	£116.52	£141.24	£164.79	£218.63

Average affordable rent South Devon BRMA	£101.91	£133.19	£158.02	£197.24
Local housing allowance (benefits) South Devon rate	£96.91	£128.19	£153.02	£192.24

Average social rent	£87.27	£99.07	£109.33	£127.47
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Source: Statistical Data Return 2016/2017 Gov.UK

The cost of affordable rented housing (should not exceed 80% of market rents including service charges). Given the housing affordability pressures evidenced in the Teignbridge area, additional safeguards are set out within s106 documents and the Teignbridge Affordable Housing Partnership Agreement, to ensure that Affordable rents (including service charges) are capped at or below the maximum Local Housing Allowance Housing Benefit levels.

However because the Local Housing Allowance has been frozen for several years this benefit support is not keeping pace with affordable rent costs (as evidenced in the above table where average Affordable rents are shown to be above LHA rates). In addition for households requiring larger homes, it is possible that the benefit cap would make it difficult to access affordable rented housing and restrict their housing options to Social rented housing only.

Social rents are notably cheaper than private or affordable rents and are the most affordable form of rented accommodation. Price differentials between Social and Affordable rents may be acting as a barrier to households moving or relocating to more suitable alternative accommodation.

10 Teignbridge Housing Register

Teignbridge households needing to access rented affordable housing must register their housing need via the Devon Home Choice Housing Register (where eligibility is assessed). This is a choice base letting system and households are required to bid for suitable available properties which are advertised every week. The level of housing need far exceeds the amount of available affordable properties.

The Housing register information provides a useful source of data regarding incomes of people with Affordable Housing need and their savings as set out in Table 9.

Table 9 – Teignbridge housing register household income data, August 2018

Devon Home Choice Households Housing Needs Register Household income:	Number of households in income band	% of total households on register
Less than £1,000	66	6%
Between £1,000 and £4,999	98	10%
Between £5,000 and £9,999	246	25%
Between £10,000 and £14,999	218	22%
Between £15,000 and £19,999	176	18%
Between £20,000 and £24,999	98	10%
Between £25,000 and £29,999	45	4%
Between £30,000 and £34,999	24	2%
Between £35,000 and £39,999	13	1%
More than £40,000 *	14	1%
Total no of households on register 10/08/2018	998	

Source: Devon Home Choice

*it should be noted that several of the household incomes recorded above £40,000 appear to be likely to result from data inputting errors

With regard to savings information from the Devon Home Choice – Housing Register, only 18 of the 998 households registered for Teignbridge had savings over £16,000. Most of the households with savings comprise elderly residents. It is possible that these saving are from pension payments. However entry level affordable home ownership is targeted at first time buyer households, with capacity to make long term mortgage payments. Older person households are more likely to have an accessible housing need within rented affordable stock, seeking to future proof housing options in either step free or accessible housing.

Using the affordability results reported above we can assume that the minimum household income to support affordable home ownership would be £30,000. The data from the Housing Register shows that only 4% of the DHC register could afford affordable home ownership, entry level affordable housing, including shared ownership.

Any shift in the tenure balance of affordable housing delivery away from rented affordable housing, would potentially prejudice the chances of those on the Housing Register to secure suitable affordable housing.

Greater provision of home ownership options would allow some households to move out of private rented accommodation – although saving for a home ownership deposit remains difficult.

Geographical differences – A report from Devon Rural Housing Partnership (DRHP_ shows that Rural and National Park areas of Teignbridge have larger ‘gaps’ in affordability. The cost differentials between local incomes and open market purchase are bigger. In rural areas there are higher housing costs for private rented housing – with scarce availability driving up housing costs.

Rural areas appear to have worse affordability than urban parts of Teignbridge. Lack of access to affordable housing is a common concern of many rural community organisations with reports of many households

having little option but to leave rural areas in order to access more affordable accommodation in urban centres nearby. * see also the DRHP report on Affordability variations by location.

11 Summary and conclusion

Table 10 below seeks to demonstrate the monthly and annual affordability requirements and variations for different house sizes and tenures. The graphics sheets in annex 1 provide information drawn from the report to allow affordability comparisons of housing tenures including market, affordable home ownership cost including shared ownership and rented tenures.

Table 10: Affordability (income) thresholds for different tenures of housing – by size

Property size	1bed	2bed	3bed	4bed
New mkt purchase	(£150,300) £42,797	(£231,462) £66,182	(£300,600) £83,591	(£360,743) £99,916
80% Discounted purchase	(£120,240) £34,637	(£185,170) £52,261	(£240,480) £67,273	(£288,594) £80,336
Shared ownership 40%	(£60,120) Plus rent £24,498	(£90,954) Plus rent £36,789	(£114,228) Plus rent £47,037	(£144,297) Plus rent £56,046
Private rent	£15,210	£19,500	£23,790	£32,370
Affordable rent	£13,260	£17,280	£17,125	£25,620
Social rent	£11,310	£12,870	£14,160	£16,500

Teignbridge local average income comparable - £22,818 per annum.

Green = affordable to average local incomes – single earner.

Amber = affordable to average local incomes – double earners

Red = not affordable to average local income households

Focussing on the local average income bands highlighted Table 11 below shows the results of housing affordability testing.

1. None of the affordable home ownership options are affordable to local average income households as single earners
2. Depending on the size of dwelling required the most likely affordable home ownership option for a local average income household (double income) is shared ownership. However for large dwelling housing requirements even shared ownership is not affordable to local average income households - double earners
3. Any expansion of affordable home ownership options should be at similar affordability ratios to shared ownership in order to make provision for local household income groups
4. 96% of households registered on the Housing register cannot afford home ownership. Continuation in the delivery of rented affordable housing provision is required
5. Private rent affordability is at the top of household 40% spending allowance which reduces capacity for saving for a home ownership deposit
6. Local housing allowance benefits levels are not keeping pace with rental affordability

Table 11: Local households average income

Household Income	Market purchase	80% discounted affordable housing purchase	40% shared ownership	Private rent	Affordable Rent	Social Rent
More than £80,000	✓	✓	✓	✓	✓	✓
£80,000 - £60,000	✓	✓	✓	✓	✓	✓
£60,000 - £45,000	X	✓	✓	✓	✓	✓
£45,000 – £30,000	X	X	✓	✓	✓	✓
£30,000 – £20,000	X	X	X	✓	✓	✓
Less than £20,000	X	X	X	✓	✓	✓

Results above using 2 bed house evidence

Results above using 2 bed house evidence – See Annex 1

Green = Local average income band – single earning household @ < £22,818
 Amber = Local average income band - double earning household @ < £45,636
 Red = Unaffordable for local average income households.

Annex 1: Affordability personas

Saving for a purchase deposit

Couple – living in private rent 2 bed paying £650 per month. Depending on circumstances monthly payments on shared ownership mortgage for 2 bed (at 40% share) may be achievable. However saving capacity for a purchase deposit is often a problem. Assuming £100 savings per month for 2 bed market house deposit @ 5% would be £11,823. It would take 118 months or 10 years to save up the required amount for deposit an open market purchase (individual does not have family assistance with deposit payment). Indeed price inflation on the required deposit amount could mean that saving for a deposit was never achievable.

By comparison it would take 46 months or 4 years to save up the deposit for a shared ownership 2 bed house.

Option - Shared ownership affordable housing provides better security in the housing market, takes less time to save deposit and allows purchaser to increase equity share or trade up property size in future.

Rural affordability and availability worse for private rented accommodation

Large Family – 2 adults and 4 children - 2 female children aged 12 and 6, plus 2 male children aged 14 and 10.

Living in private rented accommodation in rural community – the family have just been served notice regarding end of tenancy. No alternative large size private rented accommodation available in the village or surroundings, unless family is prepared to pay more than 50% of household income in premium rent which is not affordable within the family budget.

Options – Do they have to move out of village to nearest town and away from family network – or do they qualify to register on Devon Home Choice and bid for large rented Housing Association properties in order to be able to stay in the village?

Down/Rightsizer - couple aged 52 and 53

Living in 3 bed social rented house. Children have left home. Benefits assessment caps housing assistance to smaller property size (housing need) therefore significant top up payment required in order to pay £472 per month rent. Couple want to relocate to smaller property. Ideally want to move into step free accommodation to future proof housing for getting older (don't want to keep having to move). Price differential for a new small affordable rented unit (at £442 per month for a 1 bed) acts a disincentive to move.

Availability of 1 bed flats at social rent priced at £372 for relocation would incentivise down/right size move and free up the household payment currently going on rent top up.

Wheelchair accessible housing need - widow aged 78

Living in market house which has escalating equity release debt now worth more than 60% of property value. Health deteriorating now needs wheelchair and mobility aids. House will very soon no longer suitable. Would like to continue living independently in the community and doesn't want to live in residential home or extra care facility.

Options - Accessible housing needs could be registered on both Devon Home Choice (for rented accessible accommodation) and Help to Buy SW (for shared ownership accessible accommodation if remaining equity could buy a 40% share). Affordability of shared ownership option would be calculated by Help to Buy South West. Accessible housing need would be assessed by an Occupational Therapist.

Rent in advance – couple with one child

Family have been living with parents. The strain on overcrowded living conditions is putting pressure on all family relationships. Following months of bidding on properties available on Devon Home Choice the family have now been selected as the top bid (highest level of need and longest time waiting).

Unfortunately there is a problem because the Housing Association is requesting 4 weeks rent payment in advance – nearly £600. The family do not have this money available.

Options – Do they borrow on a high interest short term loan – or do they decline the opportunity to move in – being unable to afford the rent in advance payment? In addition to this rent in advance payment the family also need white goods, beds and other essential items to set up their first home

(This is a very real dilemma affecting many Teignbridge clients in housing need. Several declines would also risk disqualification from Devon Home Choice bidding.)

Annex 2: Housing affordability in the South West

Ratio of median house price to median gross annual (where available) workplace-based earnings by local authority district, South West England, 2011 to 2017

Name	2011	2012	2013	2014	2015	2016	2017
Christchurch	9.37	10.41	10.05	10.32	11.63	12.59	13.04
Cornwall	8.86	8.85	8.56	8.65	9.00	9.13	8.96
East Devon	10.87	10.51	9.97	10.04	10.34	9.39	9.84
East Dorset	11.68	11.50	10.92	11.48	11.61	11.73	13.23
Exeter	7.17	7.22	6.97	7.28	8.07	7.69	8.45
Isles of Scilly	:	:	:	:	:	:	:
Mid Devon	7.97	7.84	8.49	8.00	8.82	8.81	8.50
North Devon	9.11	9.07	8.74	9.22	9.59	9.76	9.99
North Dorset	9.89	10.08	9.81	9.49	9.29	9.63	9.09
North Somerset	7.01	6.78	6.85	7.25	8.13	8.35	8.99
Plymouth	5.47	5.40	5.34	5.69	5.90	6.26	6.03
Poole	7.80	8.00	7.97	8.65	8.81	9.31	10.00
Purbeck	9.94	9.38	9.43	8.80	9.26	10.84	11.05
South Gloucestershire	6.62	6.93	6.95	7.04	7.45	8.29	7.97
South Hams	11.85	11.27	11.83	11.10	12.25	12.06	11.91
Swindon	5.63	5.55	5.57	5.70	5.89	6.47	7.00
Teignbridge	8.80	8.76	8.56	8.89	9.41	9.94	10.78
Torbay	7.25	7.37	7.35	8.03	7.86	8.17	7.67
Torridge	10.63	9.94	9.79	8.66	10.03	10.00	9.51
West Devon	9.19	9.32	9.54	8.78	9.48	9.69	10.15
West Dorset	9.49	9.40	9.07	9.55	10.06	10.96	11.27
Wiltshire	8.28	8.44	8.10	8.35	8.83	9.55	9.43

Source: [Office of National Statistics](#)

12 Contact details

If you need this information in another format please contact us

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