

Market Signals and Housing Affordability Profile – Part II

Information, Intelligence and Insight, Shropshire Council

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Market Signals and Housing Affordability

Housing Affordability

Part II of the Market Signals and Affordability report endeavours to understand the ability of Shropshire Households to afford and access different housing tenures. It seeks to identify gross household income levels and the housing costs associated with different housing tenures in Shropshire and the Place Plan Areas. From this it is possible to estimate the difficulties Shropshire households are facing in accessing affordable housing.

Housing Costs by Tenure

Table 1 identifies the monthly housing costs by type of tenure, including social and private rented accommodation and the cost of purchasing private sector housing. It allows comparison by including the lower quartile, median and average (mean) costs. It also provides an explanation of the assumptions used in estimating the household income required to afford these different tenure options.

Table 1: Housing Costs by Type of Tenure

Tenure	Cost	Income Assumptions
Social rent ¹	£357	Affordability based on 25% of income, excluding housing benefit.
Affordable rent ¹	£534	Affordability based on 25% of income, excluding housing benefit.
Market rent lower ² quartile	£465	Affordability based on 25% of income, excluding housing benefit.
Market rent median ²	£550	Affordability based on 25% of income, excluding housing benefit.
Market rent average ²	£573	Affordability based on 25% of income, excluding housing benefit.
Market sale lower quartile ³	£150,000	90% loan to value; 3.5x household income; 10% deposit.
Market sale median ⁴	£197,998	90% loan to value; 3.5x household income; 10% deposit.
Market sale average ⁵	£230,542	90% loan to value; 3.5x household income; 10% deposit.
Starter home	£184,434	20% discount on full (average value), 10% deposit on discounted portion, remainder mortgage based on 3.5x income. Capped at £250k full property value.

Market sale price at Q4 2016, Market Rent at 01/04/2016-31/03/2017.

Assumptions have been made that:

1. The purchase price of a privately owned house, after a 10% deposit, would need to be divided by 3.5 to estimate the level of income required by a household. 2. In order to afford to rent a property, a household would need to earn four times the rental price (excluding those receiving housing benefit).

¹ Average Social Rent – Local Authority area level tables: 2015 to 2016 - <https://www.gov.uk/government/statistics/social-housing-lettings-in-england-april-2015-to-march-2016>

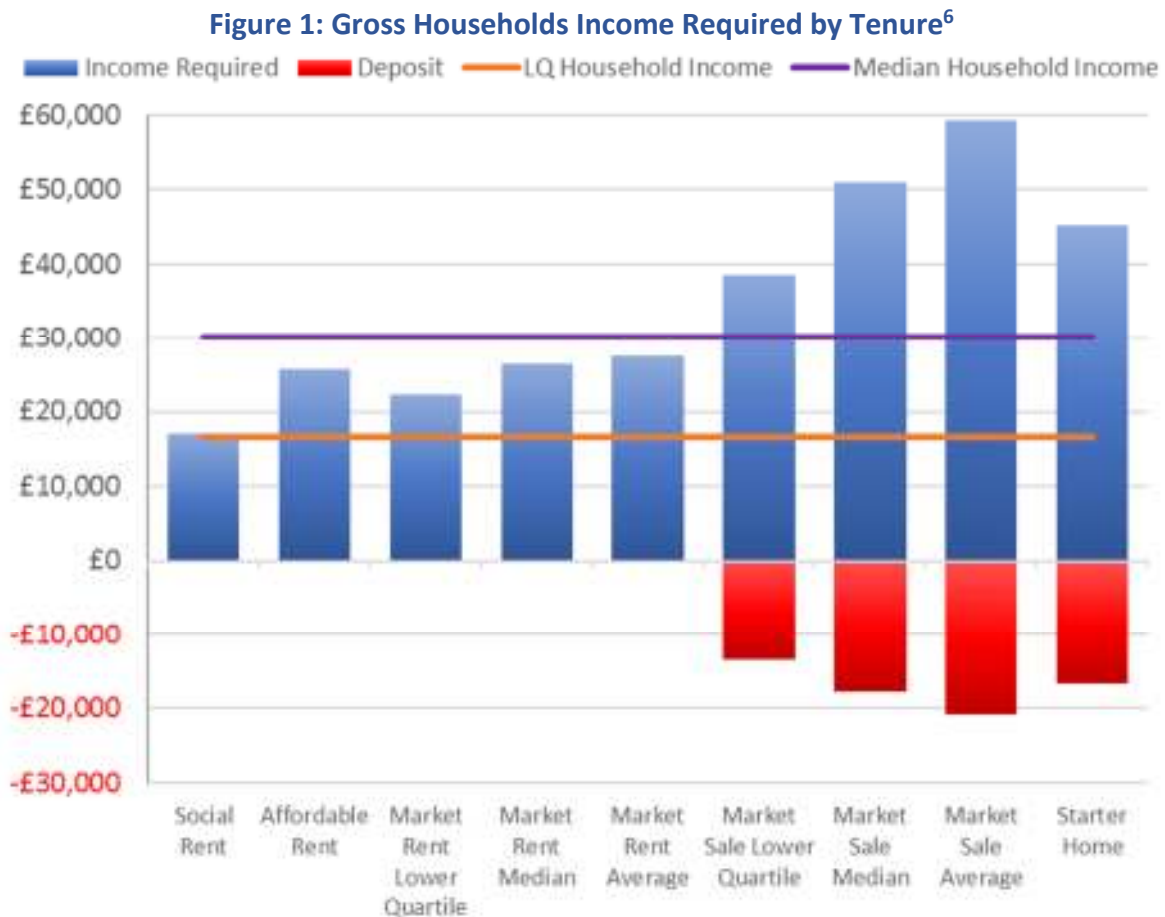
² Private Rental Market Statistics – Summary of monthly rents recorded between 1 April 2016 to 31 March 2017 by administrative area for England - <https://www.gov.uk/government/statistics/private-rental-market-summary-statistics-april-2016-to-march-2017>

³ Lower quartile price paid for administrative geographies - HPSSA Dataset 15, ONS. <https://www.ons.gov.uk/peoplepopulationandcommunity/housing/datasets/lowerquartilehousepriceforationalandsubnationalgeographiesquarterlyrollingyearhpssadataset15>

⁴ Median price paid for administrative geographies - HPSSA Dataset 9, ONS. <https://www.ons.gov.uk/peoplepopulationandcommunity/housing/datasets/medianhousepriceforationalandsubnationalgeographiesquarterlyrollingyearhpssadataset09/current>

⁵ Mean price paid for administrative geographies - HPSSA Dataset 12, ONS. <https://www.ons.gov.uk/peoplepopulationandcommunity/housing/datasets/meanhousepriceforationalandsubnationalgeographiesquarterlyrollingyearhpssadataset12>

Figure 1 compares the estimated housing costs shown in Table 1 with lower quartile and median annual gross household income within Shropshire. This illustrates that even households with a median household income of £30,053 (and enough saved for a deposit) will struggle to access private market housing in Shropshire. Lower quartile house prices are often used as a measure of whether households on lower household incomes can afford to purchase their own home. In Figure 1 the only tenure that a Shropshire household on a lower quartile income level (£16,680) could afford would be social rented housing.



Within the private rented housing sector the lower quartile monthly rent (£465) is assumed to be the minimum cost that a household would need to afford in order to access private rented accommodation. Figure 2 illustrates lower quartile private rent by number of bedrooms, showing that households requiring over two bedroom properties would need to afford in excess of the £465 a month (lower quartile rent).

⁶ **CACI PayCheck Data** – Source: © CACI Limited 1996 - 2016 Source: Living Costs and Food survey (LCF), previously known as the Expenditure and Food Survey (EFS), conducted by the Office for National Statistics. The analyses in this report are carried out by CACI and those who carried out the original collection and analysis of the data bear no responsibility for their further analysis or interpretation. © Crown Copyright 2017 Adapted from data from the Open Government Licence v.3.0. Source: CLG Household projections Source.

http://www.caci.co.uk/sites/default/files/resources/Paycheck_product_sheet.pdf (Please note the licence restrictions).

Figure 2: Lower Quartile Private Sector Rents by Number of Bedrooms

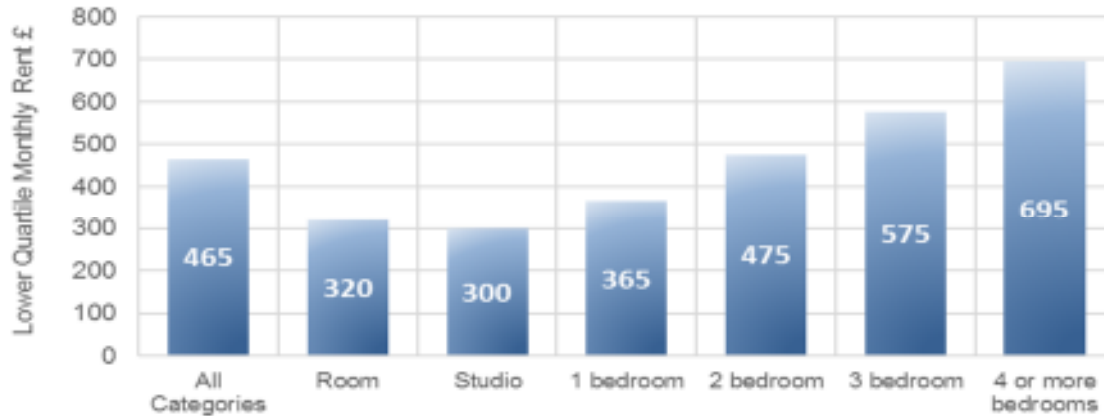
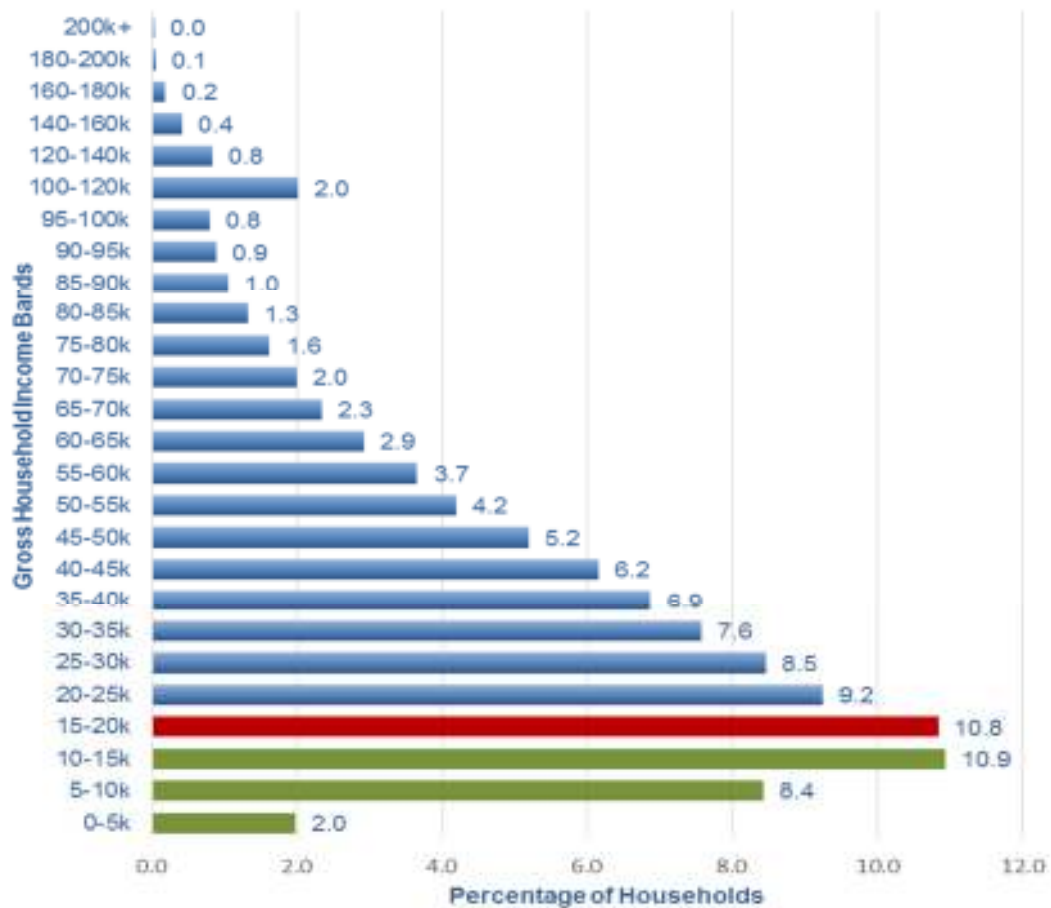


Figure 3: Percentage of Households by Gross Household Income Banding⁷



Red band: Contains the lower quartile gross income.

Green bands: Bandings below the lower quartile gross income.

⁷ **CACI PayCheck Data** – Source: © CACI Limited 1996 - 2016 Source: Living Costs and Food survey (LCF), previously known as the Expenditure and Food Survey (EFS), conducted by the Office for National Statistics. The analyses in this report are carried out by CACI and those who carried out the original collection and analysis of the data bear no responsibility for their further analysis or interpretation. © Crown Copyright 2017 Adapted from data from the Open Government Licence v.3.0. Source: CLG Household projections Source.

http://www.caci.co.uk/sites/default/files/resources/Paycheck_product_sheet.pdf (Please note the licence restrictions).

Figure 3 provides a breakdown of households by gross household income bandings (sourced from the CACI Paycheck data). The CACI Paycheck data estimates that 32.2% of households in Shropshire have a gross income of below £20,000 and at the opposite end of the scale only 24.3% have an income of over £50K. This compares with 33.1% (lower incomes) and 25.7% (higher incomes) nationally. The lower quartile income within Shropshire is £16,680 and the median income is £30,053. These are very slightly above estimates for England of £16,216 and £30,015 respectively.

Using the assumptions included in Table 1, the estimated income required to purchase accommodation by different tenures has been calculated. This is included in Table 2 alongside the income band the estimated income falls within.

Utilising the gross household income bandings, the proportion of households who could and could not afford the different tenures has been calculated and is included in Table 2. This estimates that 41.4% of households in Shropshire could not afford a lower quartile market rent and 64.4% could not afford to purchase a property on sale at the lower quartile house price in Shropshire.

Table 2: Gross Household Income Required by Tenure⁸

Tenure Option	Income Required	Income Banding	% Can Afford	% Cannot Afford
Social Rent	£17,136	15-20k	67.8	32.2
Affordable Rent	£25,632	20-25k	58.6	41.4
Market Rent Lower Quartile	£22,320	20-25k	58.6	41.4
Market Rent Median	£26,400	25-30k	50.1	49.9
Market Rent Average	£27,504	25-30k	50.1	49.9
Market Sale Lower Quartile	£38,571	35-40k	35.6	64.4
Market Sale Median	£50,914	50-54k	24.3	75.7
Market Sale Average	£59,282	55-60k	16.4	83.6
Starter Home	£45,257	40-45k	29.5	70.5

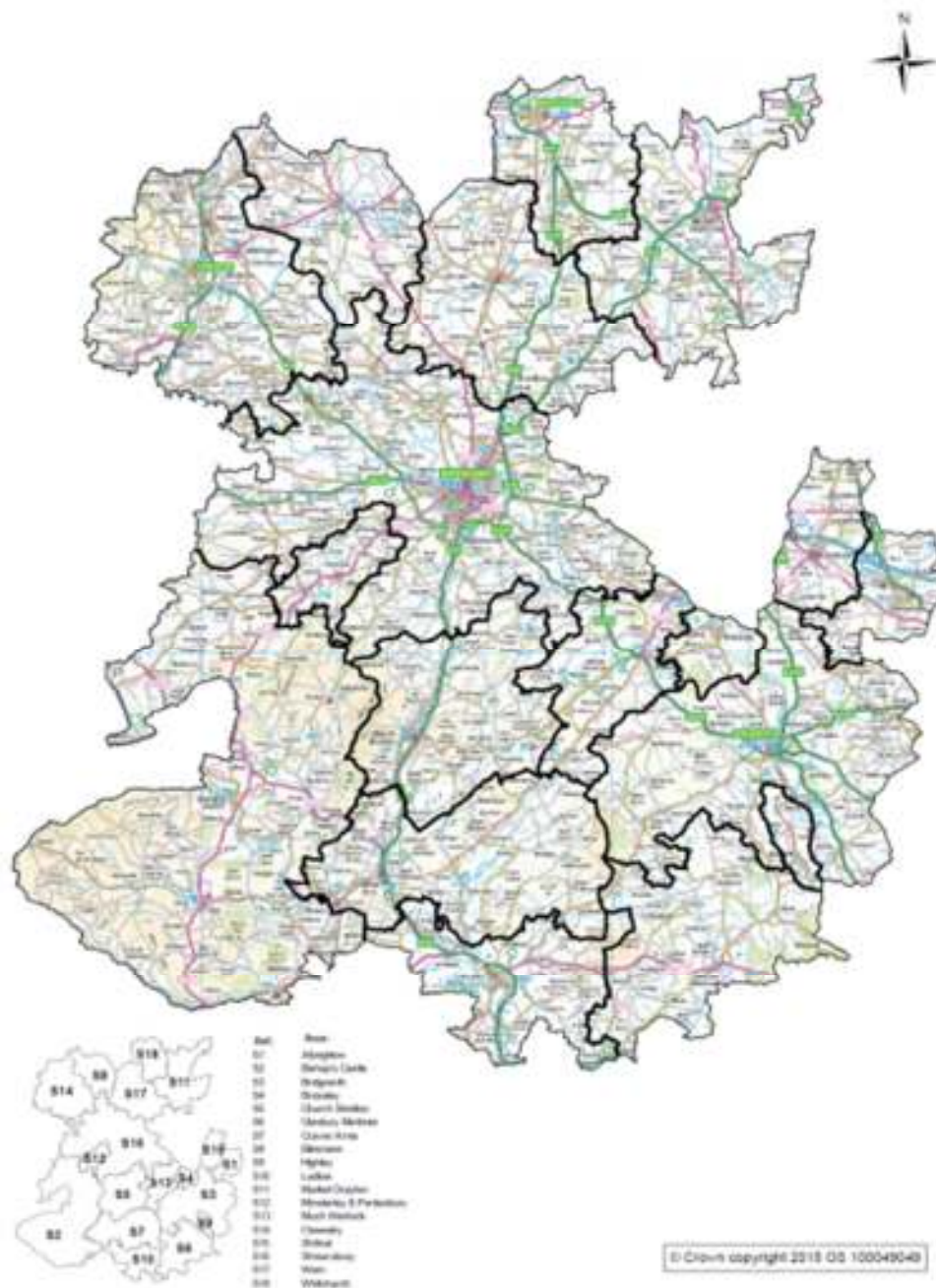
⁸ CACI Paycheck product (year 2016) - <https://www.caci.co.uk/products/product/paycheck>
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Housing Affordability at Place Plan Area Level

Understanding where access to affordable housing is challenging at a sub-county level, through analysis of annual gross household income and the housing costs associated with different tenures, can also assist in having a more detailed understanding of the functioning of Shropshire's local housing market.

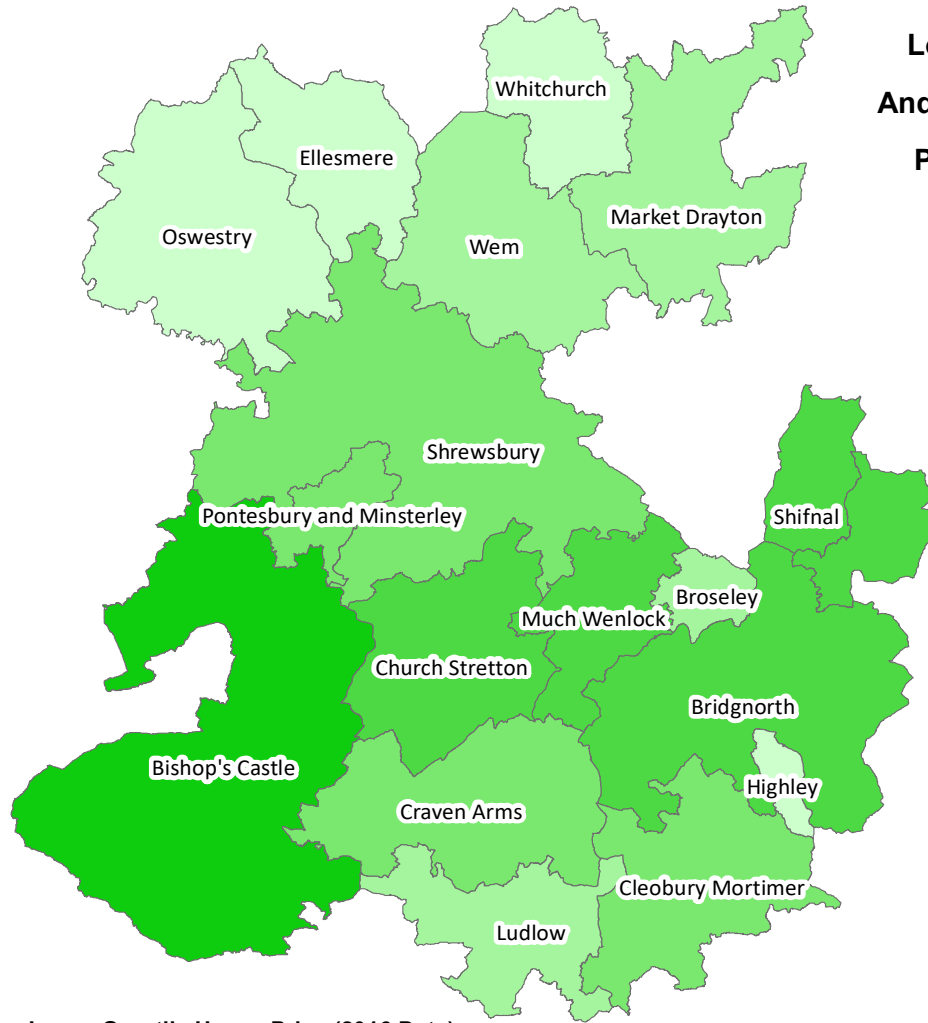
This analysis analysis at Place Plan Area level enables the identification of areas within Shropshire where access to affordable housing is particularly challenging and where barriers to accessing affordable housing can be further investigated. Figure 5 provides insight into the similarities and diversity in lower quartile and median private market house prices across the County. This is derived from analysis of Price Paid⁹ data (at record level) sourced from the Land Registry (accessible via the DCLG website). Figure 7 illustrates Shropshire's Place Plan Areas to help interpret the analysis.

Figure 4: Shropshire Place Plan Areas

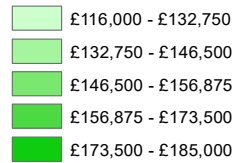


⁹ Price Paid Data, Land Registry – 2014-2016 - <https://www.gov.uk/government/statistical-data-sets/price-paid-data-downloads>

Lower Quartile House Price Data (2016)



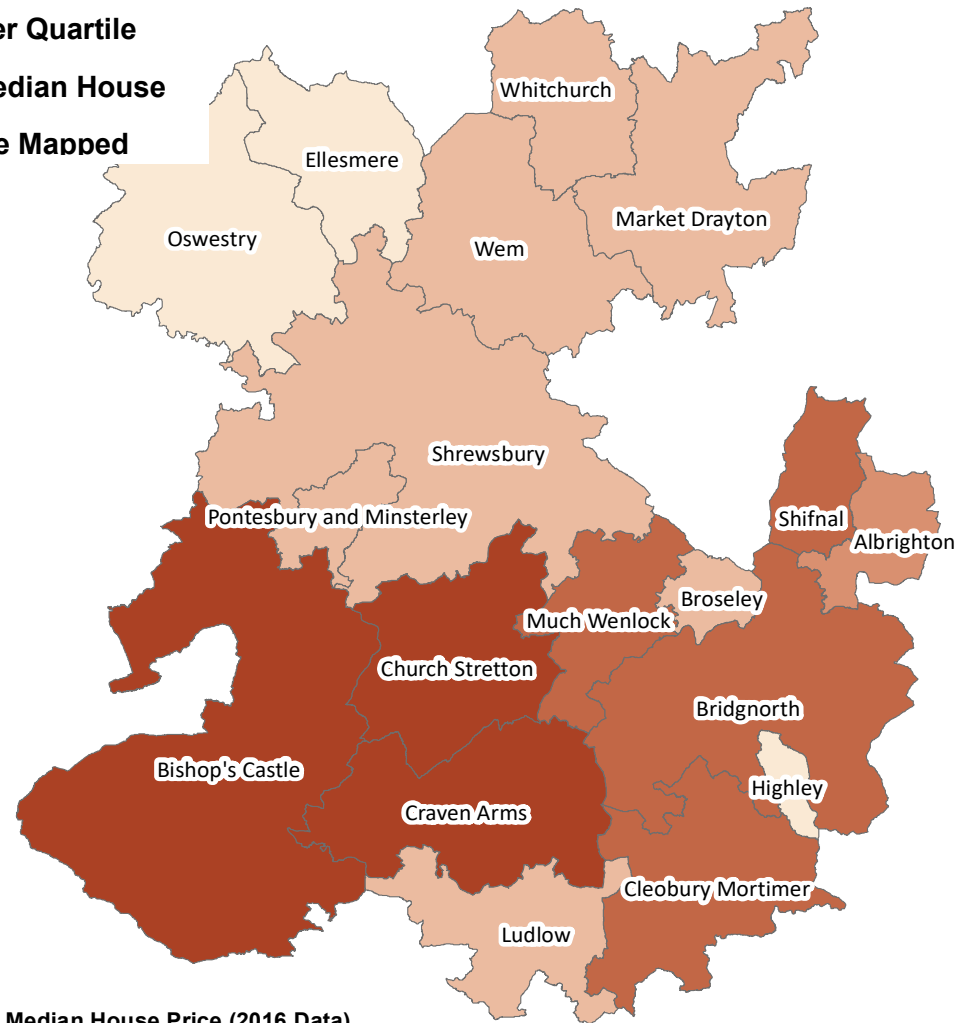
Lower Quartile House Price (2016 Data)



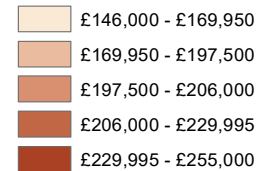
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Figure 5:
Lower Quartile
And Median House
Price Mapped

Median House Price Data (2016)



Median House Price (2016 Data)



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Housing Affordability Ratios

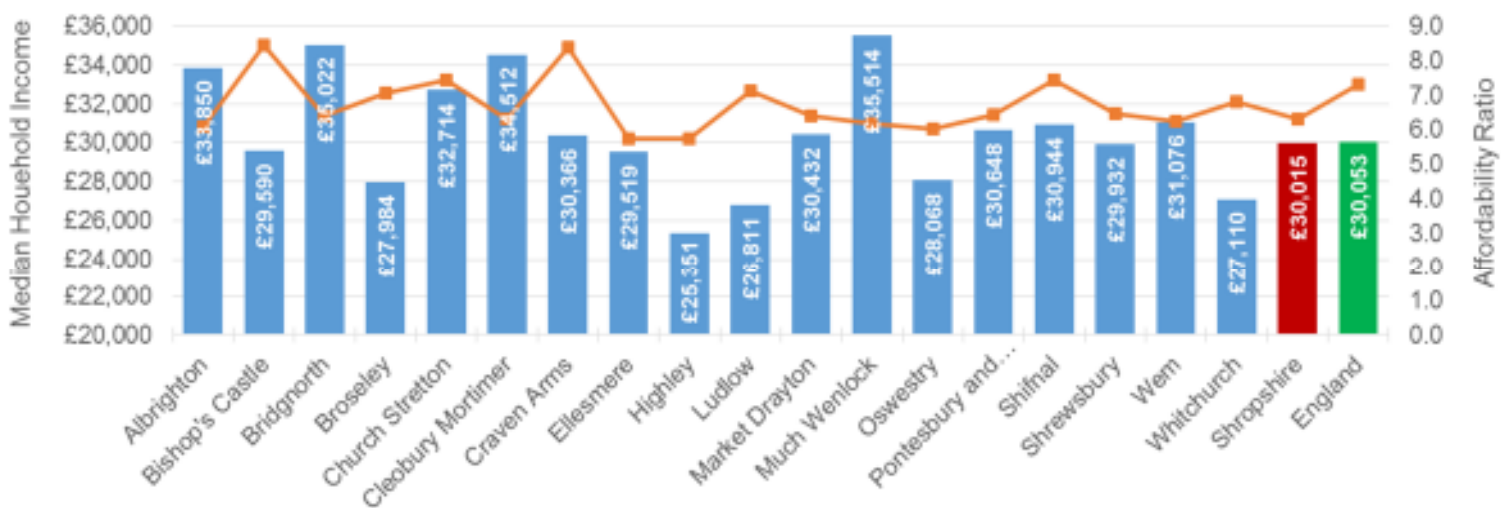
NPPG identifies affordability ratios (ARs) (ratio of house prices to income) as a key market signal in determining housing need. As explained in Part I of this profile ARs provide a measure of how affordable housing costs are in an area. A high value indicates housing costs are less affordable relative to average gross household income in an area. ONS use earnings data from the ONS Annual Survey of Hours and Earnings (ASHE) to calculate ARs, however this data is not available below county level. So the following analysis is based on gross household income PayCheck¹⁰ data purchased from CACI.

Figures 6 and 7 include data on median / lower quartile household income by Place Plan Area. For comparison a secondary axis is included illustrating ARs based on median household income / median house price and lower quartile household income / lower quartile house price.

Figure 6 shows Highley Place Plan Area has the lowest median household income (£25,361) within Shropshire contrasting with Much Wenlock which has the highest (£35,514). This difference of over £10K gives some insight into the diversity of gross household income levels across Shropshire. Bishop's Castle, Broseley, Ellesmere, Highley, Ludlow, Oswestry, Shrewsbury and Whitchurch fall below the Shropshire and national median household income. Albrighton, Bridgnorth, Cleobury Mortimer and Much Wenlock Place Plan Areas in the south east of Shropshire have median household income levels in excess of £33,000, which is largely attributable to many residents commuting to work in Telford and the West Midlands conurbation, accessing higher paid jobs.

The ARs in Figure 6 reveal the largest gap between housing costs and household income is in the Place Plan Areas of Bishop's Castle and Craven Arms in the south of Shropshire, where median house prices are the highest in Shropshire. Lower levels of median household income may be attributable to the lower wage agricultural economy in these areas combined with more retired residents and higher median house prices may be attributable to the attractiveness of the South Shropshire Hills AONB as a place to retire to from other parts of the UK.

Figure 6: Median Household Income (2016) by Shropshire Place Plan Area¹⁰



¹⁰ CACI Paycheck product (year 2016) - <https://www.caci.co.uk/products/product/paycheck>

Figure 7 shows high levels of affordable housing need in Bishop's Castle, closely followed by Shifnal, Albrighton, Broseley, Church Stretton and Ludlow. These areas all have ARs in excess of the Shropshire and national ARs. Seven Place Plan Areas have lower quartile gross household incomes below the Shropshire average (£16,680), with Highley (£14,540) and Ludlow (£14,899) having the lowest.

Figure 7: Lower Quartile Household Income (2016) by Shropshire Place Plan Area¹⁰

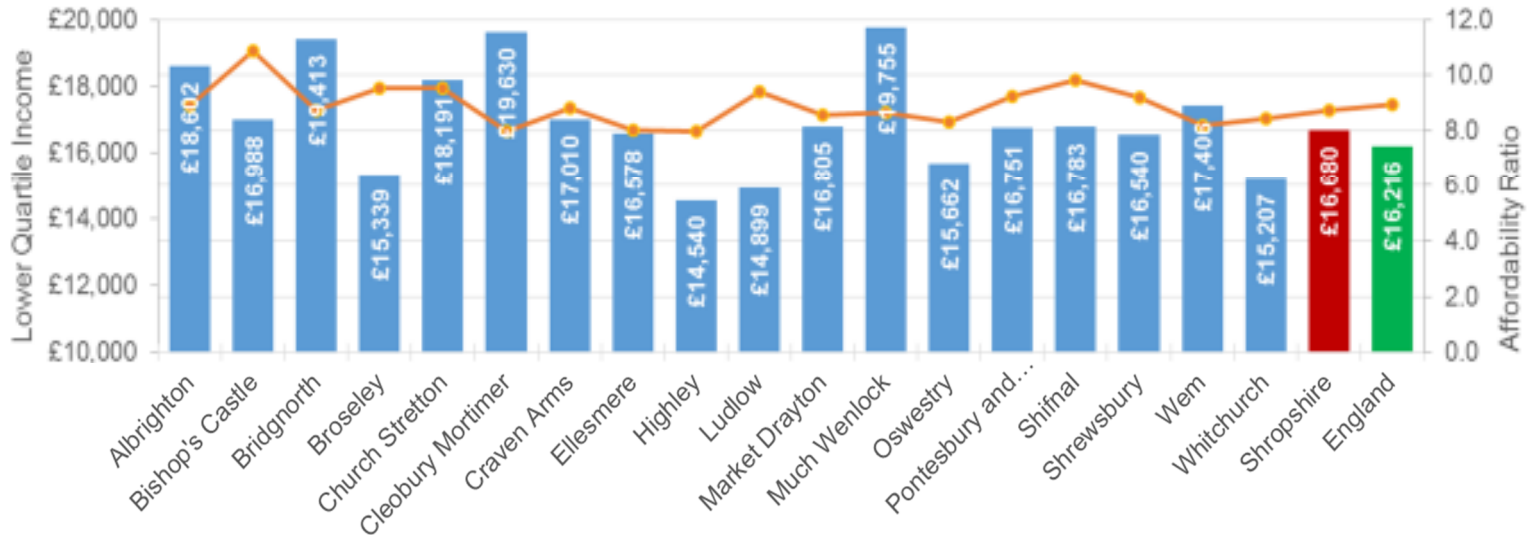


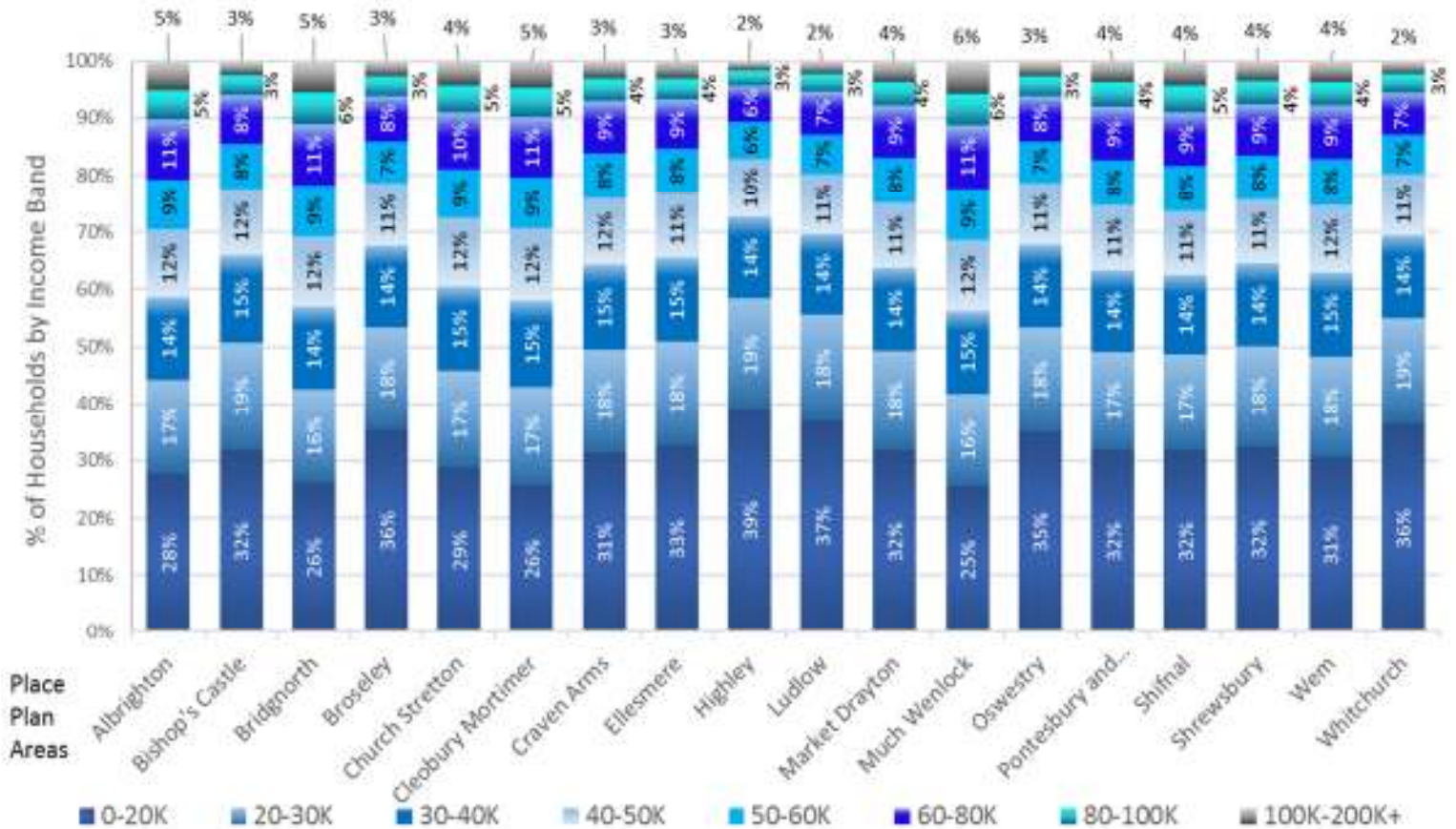
Figure 8 illustrates the percentage of Shropshire households with annual gross household incomes shown by broad income banding for each Place Plan Area. Highley (39%) followed by Ludlow, Whitchurch, Broseley and Oswestry all have in excess of 35% of households with incomes of £0-20K, substantially above national (33.1%) and County (32.2%) levels.

Annual Gross Household Income

Using the identified housing costs by tenure it was possible to estimate the proportion of households able or unable to access housing based on their gross household income. The income data is provided by £5K income bandings. This means it is not possible to know exactly how many households earn under the shown housing costs (Table 3) but this method does provide an important insight into the variability of affordability issues across the County. To further explain social rented accommodation requires an income of £17,136 a year and so these estimates include the proportion of households with an income of £0-20K.

Table 3 shows that in Highley 39.0% of households would be unable to afford social rented accommodation, 49.4% unable to afford 'affordable rent' housing, 78.4% unable to afford lower quartile house prices and 49.4% unable to afford lower quartile private rented accommodation. This highlights that Highley Place Plan Area faces the greatest challenges in enabling households to access affordable housing.

Figure 8: Percentage Breakdown in Households by Broad Income Bands by Shropshire Place Plan Area



Much Wenlock (25.5%), Cleobury Mortimer (25.7%) and Bridgnorth (26.1%) Place Plan Areas have the lowest estimates of households in terms of being unable to afford social rented accommodation, however this is still just over a quarter of households being unable to access the most affordable housing tenures. The ability of households to enter the private housing market and purchasing a property with a lower quartile house price is most limited in Highley, but most accessible in Much Wenlock where 66.2% of households can afford this tenure.

Table 3: Percentage of Households Who Can and Cannot Afford Housing Costs by Tenure¹¹

Tenure	Shropshire Social Rent ¹²		Shropshire Affordable Rent ¹²		Median House Price ¹³		Lower Quartile House Price ¹³		Average House Price ¹³		Starter Home ¹³		Shropshire Median Private Rent ¹⁴		Shropshire Lower Quartile Rent ¹⁴		Shropshire Average Private Rent ¹⁴	
	Cannot Afford	Can Afford	Cannot Afford	Can Afford	Cannot Afford	Can Afford	Cannot Afford	Can Afford	Cannot Afford	Can Afford	Cannot Afford	Can Afford	Cannot Afford	Can Afford	Cannot Afford	Can Afford	Cannot Afford	Can Afford
Housing Costs	£17,136		£25,632		£52,971		£42,686		£65,467		£58,193		£26,400		£22,320		£27,504	
Place Plan Areas	Cannot Afford	Can Afford	Cannot Afford	Can Afford	Cannot Afford	Can Afford	Cannot Afford	Can Afford	Cannot Afford	Can Afford	Cannot Afford	Can Afford	Cannot Afford	Can Afford	Cannot Afford	Can Afford	Cannot Afford	Can Afford
Albrighton	27.7%	72.3%	36.3%	63.7%	75.1%	24.9%	65.0%	35.0%	82.5%	17.5%	79.2%	20.8%	44.3%	55.7%	36.3%	63.7%	44.3%	55.7%
Bishop's Castle	31.9%	68.1%	41.7%	58.3%	81.9%	18.1%	72.3%	27.7%	88.4%	11.6%	85.6%	14.4%	50.7%	49.3%	41.7%	58.3%	50.7%	49.3%
Bridgnorth	26.1%	73.9%	34.5%	65.5%	73.9%	26.1%	63.5%	36.5%	81.6%	18.4%	78.2%	21.8%	42.5%	57.5%	34.5%	65.5%	42.5%	57.5%
Broseley	35.5%	64.5%	44.9%	55.1%	82.5%	17.5%	73.5%	26.5%	88.6%	11.4%	85.9%	14.1%	53.4%	46.6%	44.9%	55.1%	53.4%	46.6%
Church Stretton	28.7%	71.3%	37.5%	62.5%	77.0%	23.0%	66.9%	33.1%	84.2%	15.8%	81.0%	19.0%	45.9%	54.1%	37.5%	62.5%	45.9%	54.1%
Cleobury Mortimer	25.7%	74.3%	34.5%	65.5%	75.3%	24.7%	64.8%	35.2%	83.0%	17.0%	79.5%	20.5%	42.9%	57.1%	34.5%	65.5%	42.9%	57.1%
Craven Arms	31.4%	68.6%	40.8%	59.2%	80.2%	19.8%	70.6%	29.4%	86.9%	13.1%	83.9%	16.1%	49.4%	50.6%	40.8%	59.2%	49.4%	50.6%
Ellesmere	32.7%	67.3%	42.2%	57.8%	81.1%	18.9%	71.7%	28.3%	87.5%	12.5%	84.6%	15.4%	50.8%	49.2%	42.2%	57.8%	50.8%	49.2%
Highley	39.0%	61.0%	49.4%	50.6%	86.4%	13.6%	78.4%	21.6%	91.6%	8.4%	89.3%	10.7%	58.4%	41.6%	49.4%	50.6%	58.4%	41.6%
Ludlow	37.1%	62.9%	46.9%	53.1%	84.0%	16.0%	75.5%	24.5%	89.7%	10.3%	87.2%	12.8%	55.5%	44.5%	46.9%	53.1%	55.5%	44.5%
Market Drayton	31.8%	68.2%	41.0%	59.0%	79.4%	20.6%	69.9%	30.1%	86.1%	13.9%	83.1%	16.9%	49.4%	50.6%	41.0%	59.0%	49.4%	50.6%
Much Wenlock	25.5%	74.5%	33.8%	66.2%	73.4%	26.6%	62.9%	37.1%	81.2%	18.8%	77.7%	22.3%	41.8%	58.2%	33.8%	66.2%	41.8%	58.2%
Oswestry	35.0%	65.0%	44.7%	55.3%	82.6%	17.4%	73.7%	26.3%	88.6%	11.4%	86.0%	14.0%	53.4%	46.6%	44.7%	55.3%	53.4%	46.6%
Pontesbury and Minsterley	31.8%	68.2%	40.8%	59.2%	78.9%	21.1%	69.4%	30.6%	85.7%	14.3%	82.7%	17.3%	49.0%	51.0%	40.8%	59.2%	49.0%	51.0%
Shifnal	31.7%	68.3%	40.5%	59.5%	77.9%	22.1%	68.6%	31.4%	84.7%	15.3%	81.6%	18.4%	48.6%	51.4%	40.5%	59.5%	48.6%	51.4%
Shrewsbury	32.5%	67.5%	41.7%	58.3%	79.9%	20.1%	70.6%	29.4%	86.5%	13.5%	83.6%	16.4%	50.1%	49.9%	41.7%	58.3%	50.1%	49.9%
Wem	30.6%	69.4%	39.8%	60.2%	79.0%	21.0%	69.3%	30.7%	85.8%	14.2%	82.8%	17.2%	48.4%	51.6%	39.8%	60.2%	48.4%	51.6%
Whitchurch	36.4%	63.6%	46.3%	53.7%	84.0%	16.0%	75.4%	24.6%	89.7%	10.3%	87.2%	12.8%	55.1%	44.9%	46.3%	53.7%	55.1%	44.9%

¹¹ **CACI PayCheck Data** – Source: © CACI Limited 1996 - 2016 Source: Living Costs and Food survey (LCF), previously known as the Expenditure and Food Survey (EFS), conducted by the Office for National Statistics. The analyses in this report are carried out by CACI and those who carried out the original collection and analysis of the data bear no responsibility for their further analysis or interpretation. © Crown Copyright 2017 Adapted from data from the Open Government Licence v.3.0. Source: CLG Household projections Source.

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¹¹**Average Social Rent – Local Authority area level tables:** 2015 to 2016 - <https://www.gov.uk/government/statistics/social-housing-lettings-in-england-april-2015-to-march-2016>

¹³**DCLG – Land Registry Price Paid Data** - <https://www.gov.uk/government/statistical-data-sets/price-paid-data-downloads>

¹⁴**Private Rental Market Statistics** – Summary of monthly rents recorded between 1 April 2016 to 31 March 2017 by administrative area for England -

<https://www.gov.uk/government/statistics/private-rental-market-summary-statistics-april-2016-to-march-2017>