

**STAFFORD BOROUGH  
HOUSING NEEDS SURVEY  
UPDATE**

**2004**



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# 1 INTRODUCTION

## 1.1 Government Guidance

1.1.1 Government Guidance in Circular 6/98 and in the Good Practice Guidance for Local Housing Needs Assessment require that local authorities have robust and up to date assessments of the housing needs in their area. These are required to support the Housing Strategy and bids for resources and Local Plan policies for affordable housing provision.

## 1.2 The 2002 Study

1.2.1 DCA conducted a wide ranging needs assessment study in Stafford in April 2002 to September 2002. This study examined housing requirements in both market and social sectors.

## 1.3 The Update Study Objectives

1.3.1 The objectives of this update study were to re-analyse:-

- ◆ the change in the housing market locally to provide current house price and private sector rental costs to be able to re-assess income thresholds for access to market housing;
- ◆ the housing survey database and utilise the information into the Assessment Model recommended in the Good Practice Guidance issued in March 2000;
- ◆ the short, medium and longer term population forecasts for the Borough;
- ◆ prepare a report to provide an affordable need forecast to 2007;
- ◆ inform on-going Housing Strategy and support Local Plan policies for affordable housing and for negotiation in accordance with Circular 6/98 and PPG3.

## 1.4 Definitions

1.4.1 DCA work to a definition of housing requirements that encompasses demand, need and preferences. Households that can enter the general market without intervention of any sort can be defined as demand, whereas those households unable to enter the general market without some form of intervention can be defined as having a housing need. Our methodology enables us to identify this distinction by asking for both a household's characteristics in terms of size, current property condition and income and a household's views on suitability of current housing and preferences for moving or modification.

1.4.2 Affordability in our view is defined by the relationship between local incomes and the local general housing market. Our definition of affordable housing is as follows:-

*Affordable housing is that provided with subsidy, both for rent and low cost market housing, for people who are unable to resolve their housing requirements, in the general housing market because of the relationship between local housing costs and incomes.*

1.4.3 The types of affordable housing which comply with our definition are as follows:-

- ◆ *Units for rent, the major requirement;*
- ◆ *shared ownership with grant;*
- ◆ *shared equity where land value is retained to provide housing for sale at below market levels and where control of the 'equity discount' can be retained as long as they are needed;*
- ◆ *discounted market housing for sale or rent.*

1.4.4 The issue of affordability is central to our approach. Within the project, we capture a range of data on actual incomes and costs of housing and the likely level of incomes and the accessible costs of housing for moving or newly forming households. We also examine secondary data on incomes, house prices and rent levels. Thus a reliable indicator of affordability is derived that leads towards the identification of real options for meeting housing need.

## **1.5 Methodology**

1.5.1 The study consisted of the following elements:-

- i. analysis of the existing base of primary data gathered in 2002 which gathered information on housing needs to 2005 and is still currently valid;
- ii. A housing market survey utilising the Land Registry and Halifax databases and a telephone survey of estate agents on the cost of access level property and on the supply and cost of private rented housing;
- iii. Secondary data analysis drawing upon HIP and Housing Register data on the flow of social stock and need, 2001 Census, household and population projections and other national research.

1.5.2 As a database therefore the achieved sample of 5,067 is robust and is more than four times the 1,250 minimum recommended in the ODPM guidance.

## 2 THE STAFFORD HOUSING MARKET

### 2.1 Introduction

- 2.1.1 This report was commissioned by Stafford Borough Council to provide an update on house prices in the Borough. It has been conducted on the same structure as that in the 2002 Housing Needs Survey, comparisons in prices over the period and the available data on income change have also been analysed.
- 2.1.2 Three data searches were commissioned to provide information on house price and sales volumes across the Stafford Borough:-
- ◆ from the Halifax, as the largest mortgage lender, analysing lending in the Region;
  - ◆ from the Land Registry, providing data on all sales in the area for the past year;
  - ◆ Estate Agency survey to assess access prices for new households in each sub-area.
- 2.1.3 The records include house price information by categories of dwellings, also included in the analysis is information about the volumes of sales of each type of dwelling.
- 2.1.4 As explained in 2.1.3 above, these indices are not absolutely comparable. Land Registry increase levels tend to be lower because they include cash transactions but they are less reliable on a quarterly basis because they only calculate actual transactions and the figures are affected by changes in the mix of properties between the current and previous periods. Halifax data measures a constant mix of properties by type and size which removes the changing mix factor but does not of course include lower price cash transactions.
- 2.1.5 This information sets the context for the key issue of the affordability of housing in the area, and in particular we can relate the analysis to the problems of low income evaluated through the household postal survey.

### 2.2 National Picture

- 2.2.1 House price inflation in the first quarter of 2004 accelerated in most regions with an overall increase of 5.1%, above the 3.9% gain in the fourth quarter of 2003. However, this still remains well below the peak record in 1988 (34%). The overall sound UK economic background and the lowest mortgage rates since the 1950s have boosted housing demand in recent months and this trend should continue throughout the rest of the year.
- 2.2.2 UK house price inflation for the year ending 31<sup>st</sup> March 2004 was recorded by Halifax at 18.5% and the Land Registry at 14.2%.

### 2.3 Regional Picture

**Table 2-1 House Price Inflation**

|               | <b>% increase over year to 31<sup>st</sup> March 2004</b> | <b>% change over quarter to 31<sup>st</sup> March 2004</b> |
|---------------|---|--|
| West Midlands | 18.8  | - 2.0  |
| Staffordshire | 16.5  | - 1.1  |

- 2.3.1 The annual rate of house price inflation in the Halifax Index in the West Midlands Region at 31<sup>st</sup> March 2004 was 18.8%, slightly above the UK average of 18.5%.
- 2.3.2 House prices in the West Midlands Region show an overall rise, increasing by 3.6% during the first quarter of 2004.
- 2.3.3 House prices in Staffordshire rose over the last year by 16.5% as calculated by the Land Registry.

## 2.4 The Housing Market

- 2.4.1 The Regional Market is shown in Table 2-2 below, which details the prices paid for the main categories of house types for the whole of the West Midlands Region with comparisons against a different source of house price index data.

**Table 2-2 Average Region & County House Prices - All Buyers 2004**

| Property Type         | West Midlands Region        |                       | Staffordshire County        |                          |
|-----------------------|-----------------------------|-----------------------|-----------------------------|--------------------------|
|                       | Land Registry Average Price | Halifax Average Price | Land Registry Average Price | Land Registry % of sales |
| Terraced              | 98,137                      | 108,518               | 90,148                      | 27.0                     |
| Semi-detached         | 125,271                     | 133,979               | 115,262                     | 38.0                     |
| Detached              | 229,819                     | 236,958               | 210,639                     | 30.1                     |
| Bungalows             | *                           | 178,101               | *                           | 0.0                      |
| Flats & maisonettes   | 105,628                     | 109,498               | 94,137                      | 4.9                      |
| <b>All properties</b> | <b>137,644</b>              | <b>149,743</b>        | <b>136,180</b>              | <b>100.0</b>             |

Source: *Halifax House Price Index, 1<sup>st</sup> Quarter 2004.*  
*Land Registry Residential Property Price Report, 1<sup>st</sup> Quarter 2004.*  
 \* Land Registry figures do not identify bungalows separately.

- 2.4.2 The Halifax data is based on actual sales of mortgaged properties and the information is a real indication of actual prices prevailing in the purchases being made in the West Midlands Region. The Land Registry data incorporates all sales transactions in the Region and more specifically in the Stafford Borough.
- 2.4.3 Prices vary between the different data sources and we would expect the Land Registry figures to be lower in all cases given that these figures include non-mortgaged sales.
- 2.4.4 The table below examines average house prices for the Stafford area recorded by the Land Registry against house prices and also the volume of sales for Stafford in 2004 and 2003.

**Table 2-3 Average House Prices and Sales for the Borough - All Buyers 2004**

| Property Type         | Stafford Borough            |                                     |                             |                        |
|-----------------------|-----------------------------|-------------------------------------|-----------------------------|------------------------|
|                       | 2004                        |                                     | 2003                        |                        |
|                       | Land Registry Average Price | Land Registry % of sales by Borough | Land Registry Average Price | Increase % 2003 – 2004 |
| Terraced              | 103,683                     | 20.9                                | 80,746                      | 28.4                   |
| Semi-detached         | 120,574                     | 34.8                                | 98,949                      | 21.9                   |
| Detached              | 215,866                     | 37.7                                | 193,458                     | 11.6                   |
| Flats & maisonettes   | 96,801                      | 6.6                                 | 64,297                      | 50.6                   |
| <b>All properties</b> | <b>151,455</b>              | <b>100.0</b>                        | <b>124,948</b>              | <b>21.2</b>            |

Source: Land Registry Residential Property Price Report, 1<sup>st</sup> Quarter 2004 / 1<sup>st</sup> Quarter 2003.

- 2.4.5 Whilst the overall house price increase in the Borough is 21.2% over the last year, the price of terraced houses and flats – the access level stock, have increased by 28.4% and 50.6% respectively.
- 2.4.6 The largest volume of sales in the Stafford Borough were for detached houses (37.7%) selling at an average price of £215,866. Semi-detached houses average £120,574 and are 34.8% of sales. Terraced houses sell at an average price of £103,683 and account for 20.9% of sales. Flats / maisonettes average £96,801 and are 6.6% of sales. Due to the average price and high volume of sales of terraced houses, terraced houses are assessed to be the main access property for first time buyers.
- 2.4.7 The sales levels of terraced and flat / maisonette properties in 2004, 20.9% and 6.6% respectively are similar to 2003 levels (24.5% and 5.5% respectively). Sales levels of detached houses and semi-detached houses in 2004 are also similar to the 2003 sales levels.

## 2.5 Postcode Level Data

2.5.1 In order to further analyse house prices in the area the Borough has been divided into postcode areas and the wards contained within them are listed below:-

**Table 2-4 Sub-Area Breakdown**

| Postcode |         | Sub-Areas  |
|----------|---------|--|
| ST16 1   | ST17 9  | <b>Stafford</b><br><br>Holmcroft, Common, Coton, Littleworth, Baswich, Weeping Cross, Penkside, Manor, Highfields, Rowley, Tillington and Forebridge |
| ST16 2   | ST18 0  |  |
| ST16 3   | ST18 9  |  |
| ST17 0   | ST19 5  |  |
| ST17 4   | ST15 8  |  |
| ST15 0   | ST15 8  | <b>Stone</b><br><br>Stonefield & Christchurch, St Michael's and Walton   |
| ST16 1   | ST20 0  | <b>South</b><br><br>Gnosall, Church Eaton and Castle   |
| ST17 4   | ST20 9* |  |
| ST17 9   | ST21 6  |  |
| ST18 0   | TF10 9  |  |
| ST18 9   |         |  |
| ST10 4   | ST17 0  | <b>East</b><br><br>Milwich, Chartley, Beaconside, Milford and Haywood  |
| ST11 9   | ST18 0  |  |
| ST15 0   | ST18 9  |  |
| ST15 8   | WS15 2  |  |
| ST16 3   | WS15 3  |  |
| ST3 4    | ST12 9  | <b>North</b><br><br>Barlaston, Fulford and Oulton  |
| ST3 7    | ST15 0  |  |
| ST11 9   | ST15 8  |  |
| ST4 8    | ST20 0  | <b>North West</b><br><br>Woodseaves, Eccleshall, Swynnerton and Seighford  |
| ST5 4    | ST21 6  |  |
| ST12 9   | TF9 4   |  |
| ST15 0   | TF10 8  |  |
| ST16 1   | TF10 9  |  |
| ST18 9   |         |  |

## 2.6 Average House Prices / Sales Levels by Postcode Area

2.6.1 The table below examines average house prices for the Postcode areas recorded by the Land Registry.

**Table 2-5 Average House Prices and Sales - All Buyers 2004**

| Property Type     | Stafford       |              | Stone          |              | South          |              | East           |              | North          |              | North West     |              |
|-------------------|----------------|--------------|----------------|--------------|----------------|--------------|----------------|--------------|----------------|--------------|----------------|--------------|
|                   | Average Price  | % Sales      | Average Price  | % Sales      | Average Price  | % Sales      | Average Price  | % Sales      | Average Price  | % Sales      | Average Price  | % Sales      |
| Terraced          | 100,169        | 23.0         | 118,426        | 20.4         | 120,223        | 15.0         | 103,713        | 22.3         | 93,075         | 23.1         | 114,427        | 14.0         |
| Semi-detached     | 122,951        | 37.0         | 107,031        | 27.6         | 130,439        | 42.7         | 126,293        | 33.9         | 98,583         | 35.3         | 119,452        | 31.3         |
| Detached          | 209,098        | 36.2         | 217,005        | 42.8         | 223,421        | 40.9         | 218,549        | 39.4         | 194,721        | 37.5         | 238,810        | 53.0         |
| Flat / maisonette | 77,480         | 3.8          | 81,501         | 9.2          | 62,916         | 1.4          | 78,445         | 4.4          | 81,501         | 4.1          | 65,812         | 1.7          |
| <b>Average</b>    | <b>159,300</b> | <b>100.0</b> | <b>153,731</b> | <b>100.0</b> | <b>191,068</b> | <b>100.0</b> | <b>172,486</b> | <b>100.0</b> | <b>131,001</b> | <b>100.0</b> | <b>209,763</b> | <b>100.0</b> |

Source: Land Registry Residential Property Price Report, 1<sup>st</sup> Quarter 2004.

2.6.2 The postcode data shows a much more detailed range of house prices and variations in sales volumes than the Borough-wide data but it should be borne in mind that some areas and figures relate to low samples.

## 2.7 Entry Level Sales in the Borough

- 2.7.1 Entry to the market is clearly dependent on availability, a factor, which is particularly critical for low income households who can only enter the market in any numbers where there is an adequate supply of affordable dwellings.
- 2.7.2 First-time buyers as new entrants to the Housing Market do not purchase houses at average prices as they do not have average incomes. Although average prices are useful for comparisons in general they are not the purchase levels used in assessing the ability of households to access local markets.
- 2.7.3 In broad terms new purchasers of either flats or terraced properties buy in the lowest quartile of prices i.e. the bottom 25%. The only comparison available from Land Registry data has therefore been made which is at Borough wide level. In Stafford this is £93,975, 61.2% lower than the average of £151,455 in Table 2-3.
- 2.7.4 DCA have therefore undertaken a survey of the local estate agents to ascertain the cost of the cheapest units available both for private rent and for sale in each of the 6 sub-areas. Due to the lack of supply available in the current housing market, some samples are small.
- 2.7.5 There was no entry level sales information available for the South area, therefore this area has been excluded from Table 2-6.

**Table 2-6 Entry Level Sales in the Borough – April 2004.**

| Property Type  | Stafford | Stone   | East    | North  |
|----------------|----------|---------|---------|--------|
| 1-Bed Flat     | 69,300   | 62,950  | 83,150  | 81,100 |
| 2-Bed Flat     | 76,000   | 65,300  | 93,950  | --nd-- |
| 2-Bed Terraced | 83,100   | 102,200 | 112,350 | --nd-- |

| Property Type  | North West | Borough - Wide |
|----------------|------------|----------------|
| 1-Bed Flat     | --nd--     | 74,125         |
| 2-Bed Flat     | --nd--     | 78,416         |
| 2-Bed Terraced | 109,800    | 101,862        |

Source: DCA House Price Survey April 2004

- 2.7.6 Although the average price of flats / maisonettes according to the Land Registry survey is £96,801, entry sales levels vary across the Stafford Borough with the lowest entry level prices for a 1-bed property, starting at around £62,950 in Stone, £69,300 in Stafford £81,100 in the North area, rising to £83,150 in the East area as can be seen in Table 2-6 above. 2-bed flats can be purchased for £65,300 in Stone, £76,000 in Stafford, rising to £93,950 in the East area.
- 2.7.7 Terraced properties cost £83,100 for a 2-bed property in Stafford, £102,200 in Stone £109,800 in the North West area, rising to £112,350 in the East area.

## 2.8 The Private Rented Sector

2.8.1 Offered below are a few comments on the private rented sector but must stress that the evidence available is largely empirical. Some of the main private renting agencies operating in the Borough were approached to obtain this data.

2.8.2 From the estate agency sources approached, we set out below the prevailing private sector rent levels.

**Table 2-7 Average and Access Rent Levels in the Stafford Borough (£/month) – April 2004**

| Property Type       | Stafford |            | Stone   |            | South   |            | East    |            | North   |            | North West |            | Borough-wide |            |
|---------------------|----------|------------|---------|------------|---------|------------|---------|------------|---------|------------|------------|------------|--------------|------------|
|                     | Average  | Access     | Average | Access     | Average | Access     | Average | Access     | Average | Access     | Average    | Access     | Average      | Access     |
| 1-Bed Flat          | 340      | <b>285</b> | 404     | <b>300</b> | --nd--  | --nd--     | 338     | <b>300</b> | 372     | <b>300</b> | 300        | <b>275</b> | 363          | <b>296</b> |
| 2-Bed Flat          | 386      | <b>320</b> | 498     | <b>320</b> | --nd--  | --nd--     | 395     | <b>340</b> | 388     | <b>350</b> | 350        | <b>350</b> | 417          | <b>333</b> |
| 2-Bed Terraced      | 390      | <b>310</b> | 423     | <b>385</b> | 442     | <b>400</b> | 375     | <b>350</b> | 425     | <b>350</b> | 397        | <b>350</b> | 411          | <b>359</b> |
| 3-Bed Terraced      | 429      | <b>350</b> | 542     | <b>475</b> | 455     | <b>440</b> | 413     | <b>375</b> | 517     | <b>400</b> | 363        | <b>350</b> | 471          | <b>408</b> |
| 2-Bed Semi-detached | 407      | <b>370</b> | 450     | <b>400</b> | 473     | <b>450</b> | 394     | <b>350</b> | 448     | <b>395</b> | 500        | <b>350</b> | 434          | <b>393</b> |
| 3-Bed Semi-detached | 455      | <b>410</b> | 536     | <b>475</b> | 525     | <b>500</b> | 456     | <b>375</b> | 533     | <b>450</b> | 438        | <b>375</b> | 501          | <b>442</b> |

*nd: no data available.*

*Source: DCA House Price Survey April 2004*

- 2.8.3 Access rental costs in the private rented sector vary significantly by location within the Borough. The private rented sector can be accessed at £275 a month in the North West area, £285 in Stafford and £300 in Stone, the East and North areas (see Table 2-8 above) for a one bedroom flat, the smallest unit. For a 2-bed flat, rents range from £320 per month in Stafford and Stone, to £350 in the North West area.
- 2.8.4 In the case of 2-bed terraced houses, access rent levels were found to be £310 p.m. in Stafford, £350 in the East, North and North West areas and £400 in the South area. Semi-detached properties can be rented from £350 (for a 2-bed property) to a maximum of £500 (for a 3-bed property).
- 2.8.5 There is evidence to suggest that landlords would not accommodate Housing Benefit / Income Support cases, however the decision does rest with the individual landlord concerned.
- 2.8.6 A range of property types are available in the sector as a whole and are found in a variety of locations within Stafford. It would appear that the difference in rent level between furnished and unfurnished property is marginal with respondents indicating they do charge only slightly more for furnished accommodation. They indicated that the difference in cost was marginal, although many agencies do not deal with furnished property due to the fire regulations involved.

## 2.9 Conclusions

- 2.9.1 The annual rate of house price inflation in the Halifax Index in the West Midlands Region at 31<sup>st</sup> March 2004 was 18.8%, above the UK average of 18.5%.
- 2.9.2 The Land Registry average price for all dwellings in the Stafford Borough during the year was £151,455.
- 2.9.3 The largest volume of sales in the Stafford Borough were for detached houses (37.7%) selling at an average price of £215,866. Semi-detached houses average £120,574 and are 34.8% of sales. Terraced houses sell at an average price of £103,683 and account for 20.9% of sales. Flats / maisonettes average £96,801 but are only 6.6% of sales. Due to the average price and high volume of sales of terraced houses, terraced houses are assessed to be the main access property for first time buyers.
- 2.9.4 The increase in the price of terraced houses (28.4%) and flats / maisonettes (50.5%) is significantly in excess of wage inflation in the one year period from January 2003. Incomes in the West Midlands Region are assessed independently to have increased by 3.1% for the year, to April 2003 and it is reasonable to conclude that there was a similar increase in 2003 / 2004.
- 2.9.5 An income of around £19,900 is needed to buy a one bedroom flat in Stone and a two bedroom flat in Stone would require an income of £20,700. These are the cheapest locations in the Borough and higher incomes are required in the more rural areas.
- 2.9.6 Mortgage interest rates have been at their lowest level for over 45 years and people who cannot enter the market under these circumstances may never be able to do so, short of some collapse in the market or a significant change in their income level. Further house price increases above wage inflation in 2004 would make access to market housing more difficult to achieve and would impact on households with marginal incomes significantly.
- 2.9.7 Similar cost variation applies in the private rented sector across the Stafford Borough. Based on rent at 25% of gross income (equivalent to 30% net income) a one bed flat in the North West area requires £13,200 per annum and £14,400 in Stone, the East and the North areas. A 2-bed flat requires an income of £15,350 in Stafford and Stone and £16,800 in the North and North West areas. To rent a 2-bed terraced house would require an annual income of £14,900 in Stafford.
- 2.9.8 Access to market housing has therefore become more difficult for new households than it was in 2002, increasing the need for subsidised housing especially in the much higher priced rural areas.

### 3 HOUSING COSTS AND INCOME

#### 3.1 Income Data

3.1.1 The ability of a household to satisfy its own housing requirement is fundamentally a factor of the relationship between local house prices and household income. This section of the report assesses the income levels required to access the cheapest units available in reasonable supply from the research detailed in Section 2 and the change in incomes from the previous survey in 2002 utilising national secondary data.

#### 3.2 Purchase Income Thresholds

3.2.1 The cheapest access prices of the smallest units were assessed to enable threshold income levels to be calculated. These are based on 95% mortgage availability and a 3x gross income lending ratio. Table 3-1 below outlines the income ranges needed to enter the market through the cheapest available units in each of the main settlements in Stafford as identified in Section 2.

3.2.2 There was no access sales information available on which to base the purchase income threshold, for the South area therefore this area has been excluded from the table below.

**Table 3-1 Purchase Income Thresholds**

| Area       | Income Thresholds |            |               |
|------------|-------------------|------------|---------------|
|            | 1 bed Flat        | 2 bed Flat | 2 bed Terrace |
| Stafford   | 21,950            | 24,050     | 26,300        |
| Stone      | 19,900            | 20,700     | 32,350        |
| East       | 26,300            | 29,750     | 35,600        |
| North      | 25,700            | -nd-       | -nd-          |
| North West | -nd-              | -nd-       | 34,800        |

*-nd- no data available*

3.2.3 The change in income requirements between 2002 when the original survey was conducted and the date of the Update Survey have been compared in Table 3-2 below. The Borough-wide level of incomes needed to buy the smallest units in the housing stock based on the average price in the Land Registry Quarterly Reports have increased significantly since 2002.

3.2.4 The income needed to buy the average priced terraced property has increased from £25,570 to £32,832 (28.4%), and to £20,360 from £30,653 an increase of 50.5% to buy average priced flats / maisonettes.

**Table 3-2 Increase in Income Requirements 2003 – 2004 (£)**

| Property Type | March 2003 (£) | March 2004 (£) | Increase % |
|---------------|----------------|----------------|------------|
| Terraced      | 25,570         | 32,832         | 28.4       |
| Flats         | 20,360         | 30,653         | 50.5       |

*March 2003 average prices - Land Registry 1<sup>st</sup> Quarter 2003*

*March 2004 average prices - Land Registry 1<sup>st</sup> Quarter 2004*

### 3.3 Rental Income Thresholds

- 3.3.1 We assessed the cheapest rental prices of the smallest units in order to calculate the rental income threshold levels. These are based on rent at 25% of gross income, equivalent to around 30% of net income at this level. We believe that this is more appropriate to private rent but support the NHF level of 25% for the social housing market. Table 3-3 below shows the income levels needed to access the private rented market in the Borough.

**Table 3-3 Rental Income Thresholds**

| Area       | Income Thresholds |            |               |
|------------|-------------------|------------|---------------|
|            | 1 bed Flat        | 2 bed Flat | 2 bed Terrace |
| Stafford   | 13,700            | 15,350     | 14,900        |
| Stone      | 14,400            | 15,350     | 18,500        |
| South      | -nd-              | -nd-       | 19,200        |
| East       | 14,400            | 16,300     | 16,800        |
| North      | 14,400            | 16,800     | 16,800        |
| North West | 13,200            | 16,800     | 16,800        |

- 3.3.2 There is no comparable data for 2002 for which to compare the rental income requirements of the Borough.

### 3.4 Secondary Research

- 3.4.1 The Joseph Rowntree Foundation published the results of a study undertaken across the Country examining the ability of working households, both existing and new forming, to become homeowners. The study entitled 'Can Work – Can't Buy' conducted by Professor Steve Wilcox uses the Halifax database for House Prices of the lowest quartile prices for 4/5 room dwellings and calculates affordability ratios based on working household incomes from the New Earnings Survey.
- 3.4.2 Table 3-4 highlights the house price data, income levels and price to income ratio for Stafford and the West Midlands Region from that study.

**Table 3-4 Purchase Income Thresholds**

| Area          | Working Households |          |       |
|---------------|--------------------|----------|-------|
|               | 2002 Prices £      | Income £ | Ratio |
| Stafford      | 92,132             | 33,514   | 2.75  |
| West Midlands | 94,402             | 31,857   | 2.96  |

Source: Joseph Rowntree Foundation

- 3.4.3 The house price to income ratios across Staffordshire County authorities range from 2.23 in East Staffordshire to 3.01 in Newcastle-under-Lyme.

### 3.4.4 New Earnings Survey

- 3.4.5 Income data is always difficult to gather at local level. Most data is regionally based and we have used the Labour Market New Earnings Survey 2003 prepared by the Office of National Statistics. This provides data at County and Borough wide-level, although it is based on workplace rather than home location. The survey shows an increase of 3.1% in Stafford since 2002 which was the timing of our previous survey, however the increase in the West Midlands Region over the same period was slightly lower at 2.0%.
- 3.4.6 The level of inflation in incomes over the period 2002 to 2003 have period applied to the period from 2003 to 2004, therefore suggesting that there has been an increase of 6% in income levels since the timing of our previous survey.
- 3.4.7 The New Earnings Survey 2003 shows an average income of £22,048 for Stafford, lower than the average for the West Midlands Region (£22,662).
- 3.4.8 It is particularly important to examine the distribution of income rather than the average figure especially in relation to the proportions of households with the capacity to access the private sector market for rent or sale.
- 3.4.9 There is a wide distribution of earnings as detailed in Table 3-5 below:-

**Table 3-5 Distribution of Earnings**

| Income (per week / per annum)       | %    | Cum % |
|-------------------------------------|------|-------|
| Up to £229 / £11,908                | 10.0 | 10.0  |
| £229 to £250 / £11,908 to £13,000   | 6.2  | 16.2  |
| £251 to £350 / £13,001 to £18,200   | 26.5 | 42.7  |
| £351 to £460 / £18,201 to £23,920   | 22.1 | 64.8  |
| £461 to £672.3 / £23,921 to £34,960 | 25.2 | 90.0  |
| More than £672.3 / £34,960          | 10.0 | 100.0 |

Source: New Earnings Survey 2003

- 3.4.10 Analysis shows that:-
- the bottom 10% earn below £11,908;
  - 6.2% earn under £13,000;
  - 26.5% earn under £18,200;
  - 22.1% earn under £23,920;
  - 25.1% earn under £34,960;
  - the top 10% earn over £34,960.

- 3.4.11 The New Earnings Survey provides data on the spread of incomes, important in any Borough with diverse house prices and markets and shows that for Stafford, at April 2003, 22.1% of households earned less than £23,920, 26.5% less than £18,200 and 10% below £11,908 per annum.
- 3.4.12 As the incomes between 2002 and 2003 have increased by 3.1%, as highlighted by the New Earnings Survey, we have applied an increase of 6% to both existing and concealed household incomes to cover the period 2002 to April 2004.
- 3.4.13 The model utilises all of the data from the 2002 survey of 5,067 households. Table 3-6 and Table 3-7 highlight the revised incomes of existing and concealed households taken from the 2002 survey, with the increase of 6% applied to these incomes in order to determine the proportion of people now able to access market housing.

**Table 3-6 Incomes of Existing Households 2002 & 2004**

| Annual Income 2002 |         | Annual Income 2004 |         | %            |
|--------------------|---------|--------------------|---------|--------------|
| Below              | £5,000  | Below              | £5,300  | 5.9          |
| £5,001 - £10,000   |         | £5,301 - £10,600   |         | 14.1         |
| £10,001 - £12,500  |         | £10,601 - £13,250  |         | 6.7          |
| £12,501 - £15,000  |         | £13,251 - £15,900  |         | 7.6          |
| £15,001 - £17,500  |         | £15,901 - £18,550  |         | 5.5          |
| £17,501 - £20,000  |         | £18,551 - £21,200  |         | 7.0          |
| £20,001 - £25,000  |         | £21,201 - £26,500  |         | 10.5         |
| £25,001 - £30,000  |         | £26,501 - £31,800  |         | 9.3          |
| £30,001 - £40,000  |         | £31,801 - £42,400  |         | 13.1         |
| Above              | £40,000 | Above              | £42,400 | 20.3         |
| <b>Total</b>       |         |                    |         | <b>100.0</b> |

*N.B Incomes for 2004 have been updated by 6% inflation*

**Table 3-7 Incomes of Concealed Households 2002 & 2004**

| Annual Income 2002 |         | Annual Income 2004 |         | %            |
|--------------------|---------|--------------------|---------|--------------|
| Below              | £5,000  | Below              | £5,300  | 13.3         |
| £5,001 - £10,000   |         | £5,301 - £10,600   |         | 20.0         |
| £10,001 - £15,000  |         | £10,601 - £15,900  |         | 29.4         |
| £15,001 - £17,500  |         | £15,901 - £18,550  |         | 7.6          |
| £17,501 - £20,000  |         | £18,551 - £21,200  |         | 7.5          |
| £20,001 - £22,500  |         | £21,201 - £23,850  |         | 6.6          |
| £22,501 - £25,000  |         | £23,851 - £26,500  |         | 3.9          |
| £25,001 - £30,000  |         | £26,501 - £31,800  |         | 5.1          |
| £30,001 - £35,000  |         | £31,801 - £37,100  |         | 3.2          |
| £35,001 - £40,000  |         | £37,101 - £42,400  |         | 1.1          |
| Above              | £40,000 | Above              | £42,400 | 2.3          |
| <b>Total</b>       |         |                    |         | <b>100.0</b> |

*N.B Incomes for 2004 have been updated by 6% inflation*

- 3.4.14 Table 3-8 below outlines the incomes needed by concealed households to access the market through owner occupation, and the percentage of concealed households that are able to purchase.

**Table 3-8 Concealed Households – Incomes Needed to Enter the Market Through Owner Occupation and % Unable to Buy**

|          | (£)<br>income needed | % of concealed households unable to purchase |
|----------|----------------------|--|
| Flats    | 19,900 / 29,750      | 74.1 – 91.4                                  |
| Terraces | 26,300 / 35,600      | 88.0 – 95.7                                  |

- 3.4.15 Using the income requirements outlined in Table 3-1 and Table 3-7 above shows that 74.1% of concealed households cannot access a 1-bed flat in Stone and 91.4% of concealed households cannot access a 2-bed flat in the East area. Ability to purchase more expensive terraced houses is more limited. In Stafford 88.0% cannot afford to buy, this rises to 95.7% in the East area.
- 3.4.16 Table 3-9 below outlines the incomes needed by concealed households to access the market through private rented accommodation.

**Table 3-9 Concealed Households – Incomes Needed to Enter the Private Rented Market and % Unable to Rent**

|          | (£)<br>income needed | % of concealed households unable to rent |
|----------|----------------------|--|
| Flats    | 13,200 – 16,800      | 47.7 – 65.2                              |
| Terraces | 14,900 – 19,200      | 53.3 – 72.1                              |

- 3.4.17 Using the income requirements outlined in Table 3-7 and Table 3-9 above shows that in the North West area, 47.7% of concealed households cannot rent a 1-bed flat and 65.2% cannot rent a 2-bed flat in the North and North West areas. Ability to rent terraced houses is more limited. In Stafford 53.3% cannot afford to rent, rising to 72.1% in the South area.

### **3.5 Summary**

- 3.5.1 An income of around £19,900 is needed to buy a one bedroom flat in Stone, rising to £26,300 in the East area. A two bedroom flat requires an income of £20,700 in Stone, rising to £29,750 in the East area. On average the incomes needed to access flats and terraces have increased by 51% and 28% respectively over the last year to March 2004.
- 3.5.2 Similar cost variation applies in the private rented sector across the Stafford Borough. Based on rent at 25% of gross income a one bed flat in the North West area requires £13,200 per annum and £14,400 in Stone, the East and the North areas. A 2-bed flat requires an income of £15,350 in Stafford and Stone, and up to £16,800 in the North and the North West areas. To rent a 2-bed terraced house would require an annual income of £16,800 in the East, the North and the North West areas.
- 3.5.3 The Labour Market New Earnings Survey 2003 shows an average income of £22,048 for Stafford, a 3.1% increase on the 2003 figure of £21,377. This level has therefore been applied to the period 2003 to 2004, suggesting that there has been an increase of 6% in income levels since the timing of our previous survey.
- 3.5.4 The New Earnings Survey data on the spread of incomes, important in any Borough with diverse house prices and markets, shows that for Stafford, at April 2003, 65% of households earned less than £23,920, 43% less than £18,200, 16% less than £13,000 and 10% below £12,400.
- 3.5.5 The implication of incomes having risen by only 6% since 2002 directly impacts concealed household's ability to enter the market through owner occupation. Updating the incomes of concealed households from the 2001 survey shows that 74% of concealed households cannot buy a 1-bed flat in Stone, and 91% of concealed households a 2-bed flat in the East area. Ability to purchase more expensive terraced houses is more limited. In the East area 96% cannot afford to buy.
- 3.5.6 A similar pattern is found when looking at concealed household's ability to enter the market through private rented accommodation. 48% cannot rent a 1-bed flat in the North West area and 65% cannot rent a 2-bed flat in the North and the North West areas. Ability to rent terraced houses is also limited, 53% of concealed households cannot afford to rent in Stafford, with this rising to 72% in the South area.
- 3.5.7 Overall 83% of new households cannot buy flats which are in limited supply and 93% cannot afford to buy a terraced house. The private rental market costs are beyond the means of 65% of these households based on location and property size requirements to meet their need.

## 4 HOUSING NEEDS ASSESSMENT MODEL

- 4.1.1 When the 2002 Model was prepared it was impossible to provide accurate resident household data at local level because data was not available on the distribution of vacant stock and second homes across the Borough and the survey was grossed to dwellings. The 1991 Census was eleven years old and the only known tenure data available was that for social stock. All other tenure figures were eleven years old. The survey data was weighted at sub-area level to be accurate for social tenure.
- 4.1.2 In undertaking this update we have therefore re-run the data file based on 2004 resident household numbers, using 2001 Census tenure proportions (adjusted by three years new dwellings) to draw key data used in the Model.
- 4.1.3 The 2002 tenure balance over represented owner occupiers with no mortgage, households who do not normally create affordable housing need and under-represented private sector tenants who might well have needs. The Census data however provides useful data on private tenants. They represent 5,078 households (9.8%) but only 3,316 (6.4%) rent from a private landlord. A further 1,762 (3.4%) rent from an employer, relative or friend and 1,141 (2.3%) live rent free.
- 4.1.4 The total households in the 2004 Assessment are 51,849 less than the dwellings based numbers of 52,138 used in 2002. The nature of the households in the tenure adjustment, fewer outright owner occupiers and more private tenants, has made only a marginal impact on key data. The number of in concealed households is only twelve fewer per annum (567 – 555) as neither group tend to contain these important households.

**Table 4-1**                    **Tenure of Present Households**  
Question 1

| Tenure                     | %            | Group %      | N <sup>os</sup> implied | Local Area Census 2001 * |
|----------------------------|--------------|--------------|-------------------------|--------------------------|
| Council rented             | 11.0         | 13.8         | 5,696                   | 11.5                     |
| HA rented                  | 2.8          |              | 1,442                   | 2.6                      |
| Shared ownership           | 0.4          | 0.4          | 208                     | 0.4                      |
| Private rented             | 6.4          | 9.8          | 3,316                   | 9.8                      |
| Other / tied to employment | 3.4          |              | 1,762                   |                          |
| Owner occupier - mortgage  | 41.8         | 76.0         | 21,701                  | 75.7                     |
| Owner occupier - outright  | 34.2         |              | 17,724                  |                          |
| <b>Total</b>               | <b>100.0</b> | <b>100.0</b> | <b>51,849</b>           | <b>100.0</b>             |

\* © Crown Copyright (Census)

## 4.2 Affordable Housing Needs Requirement

- 4.2.1 In this section, we calculate the overall affordable housing needs requirement on an annual basis. The need requirement calculation is structured from the survey data to take account of the key demand sources, households requiring subsidised housing, homeless households not assessed in the survey, households living in unsuitable housing whose needs can only be resolved in a different dwelling and concealed household formation emanating from demographic change.
- 4.2.2 Each category has been adjusted to ensure that proper account is taken of households who can access the owner occupied market without assistance (income >£19,900 / £26,300) and to eliminate any double counting between categories. The Private Rent Sector costs significantly exceed those in social rent. These are estimated at an access cost of £275 / £350 per month for the vast majority of households in this sector, requiring an annual income of at least £13,200 / £16,800 per annum.
- 4.2.3 The model has been prepared in accordance with the ODPM Good Practice Guidance.

| <b>The Backlog of existing housing need is as follows:-</b> |  |                    |
|---|--|--------------------|
| 1.  | Households living in unsuitable housing in Stafford who are planning to move in the next five years.   | HNS 4.2.1          |
| 2.  | Council / RSL tenant households living in unsuitable housing are excluded because a move would release a unit of affordable housing and it is therefore assumed that there would be no overall net effect. | HNS                |
| 3.  | Households in unsuitable housing who can have their need resolved in situ, including private tenants.  | HNS                |
| 4.  | Proportion of existing households unable to buy or rent (HNS income data) i.e. income <£13,200 / £16,800 depending on location and need to move.   | HNS<br>2004 update |
| 5.  | Priority homeless in temporary accommodation.  | SBC                |
| <b>6.</b>   | <b>Total Backlog need.</b>   |                    |
| 7.  | Quota to progressively eliminate backlog over a 5-year period (20%) as recommended in ODPM guidance.   | ODPM<br>Guidance   |
| <b>8.</b>   | <b>Total net annual need.</b>  |                    |
| <b>Newly Arising Need is as follows:-</b>                   |  |                    |
| 9.  | Concealed households identified in the survey, forming based on the average over two years.  | HNS                |
| 10.   | Percentage of households forming with a partner living elsewhere in the Borough  | HNS                |
| 11.   | Percentage of households registered on Waiting List  | HNS                |
| 12.   | Proportion unable to buy (i.e. income < £19,900 / £26,300) or rent (i.e. income <£13,200 / £16,800)  | HNS<br>2004 update |
| 13.   | Ex-institutional population moving into community p.a.   | SBC                |
| 14.   | Housing Register new applications 2003-2004 less cancellations from the register.  | SBC                |
| 15.   | In-migrant households over the last year who live in social housing.   | HNS                |
| <b>16.</b>  | <b>Total newly arising need.</b>   |                    |
| <b>Supply of Affordable Units is as follows:-</b>           |  |                    |
| 17.   | Existing social stock re-lets from RSL's and the local authority net of transfers.   | SBC                |
| 18.   | Increased vacancies and units taken out of management (demolition and Right To Buy).   | SBC                |
| 19.   | Future new supply each year based on average level over next three years.  | SBC                |
| 20.   | Total affordable supply per annum.   |                    |
| 21.   | Total affordable need per annum.   |                    |
| <b>22.</b>  | <b>Overall annual shortfall.</b>   |                    |

### 4.3 Affordable Housing Needs Assessment Model

|   |   | 2004              | 2002              |
|---|---|-------------------|-------------------|
| 1.  | Households in unsuitable housing  | 2,619             | 4,324             |
| 2.  | MINUS – RSL / Council tenants   | 607               |                   |
| 3.  | Cases where in-situ solution most appropriate   | <u>1,050</u>      |                   |
|   |   | 1,657             | 3,132             |
|   |   | <u>962</u>        | <u>1,192</u>      |
| 4.  | TIMES - Proportion unable to afford to buy or rent  | (46%)             | 322               |
| 5.  | PLUS - Backlog (non-households)   | <u>90</u>         | <u>23</u>         |
| <b>6.</b>                                 | <b>TOTAL BACKLOG NEED</b>   | <b>532</b>        | <b>345</b>        |
| 7.  | TIMES - Quota to progressively reduce backlog   | (20%)             |                   |
| <b>8.</b>                                 | <b>ANNUAL NEED TO REDUCE BACKLOG</b>  | <b><u>106</u></b> | <b><u>69</u></b>  |
| <b><u>Newly Arising Need:</u></b>         |   |                   |                   |
| 9.  | New household formation (gross p.a.)  | 555               |                   |
| 10.                                       | MINUS - Two person formation (25.3%) x 0.5  | <u>70</u>         |                   |
|   |   | 485               |                   |
| 11.                                       | MINUS - Households registered on waiting list (16.6%)                                       | <u>80</u>         |                   |
|   |   | 405               |                   |
| 12.                                       | TIMES - Proportion unable to buy (90%) or rent (65%) in market                              | (65%)             | 347               |
| 13.                                       | PLUS - Ex-institutional population moving into community (no data available)                | 0                 | 0                 |
| 14.                                       | Existing households falling into priority need  | 700               | 554               |
| 15.                                       | In-migrant households unable to afford market housing                                       | <u>22</u>         | <u>20</u>         |
| <b>16.</b>                                | <b>TOTAL NEWLY ARISING NEED</b>   | <b>985</b>        | <b>921</b>        |
| <b><u>Supply of Affordable Units:</u></b> |   |                   |                   |
| 17.                                       | Supply of social re-lets p.a.   | 571               | 545               |
| 18.                                       | MINUS - Increased vacancies (if applicable) and units taken out of management. Right To Buy | (158 x 7.9%)      | <u>12</u>         |
|   |   | 559               | 533               |
| 19.                                       | PLUS – Committed units of new affordable supply (not able to predict)                       | <u>0</u>          | <u>0</u>          |
| <b>20.</b>                                | <b>AFFORDABLE SUPPLY</b>  | <b>559</b>        | <b>533</b>        |
|   | Annual need to reduce backlog   | 106               |                   |
|   | Newly arising need  | <u>985</u>        |                   |
| <b>21.</b>                                | <b>TOTAL AFFORDABLE NEED</b>  | <b>1,091</b>      | <b>990</b>        |
|   | MINUS - Affordable supply   | 559               | 533               |
| <b>22.</b>                                | <b>OVERALL ANNUAL SHORTFALL</b>   | <b><u>536</u></b> | <b><u>457</u></b> |

\* Elimination over a five year period is recommended in the Guidance for model purposes but the Council can make a Policy decision to do so over a longer period.

## 4.4 Model Structure

- 4.4.1 The model we utilise is the Basic Assessment Model in the Good Practice Guidance although there are still a number of different ways of calculating backlog and newly emerging need. We have refined our calculation of backlog only to count households moving even although their housing maybe inadequate. The table in 4.3 shows the current assessment alongside the figures for 2002.
- 4.4.2 The model is structured on a ‘flows’ basis, taking account of recent experience over the previous three years and examining projections over the next two years. It has to be assumed that this ‘annualised’ data will occur each year to 2011. The primary data gathering will of course be undertaken again before 2011, but unless there are major changes, up or down, in house prices and incomes it is unlikely that there will be much variation in the overall situation.
- 4.4.3 The data from HIP returns for the three years to 31/3/2004 shows the following trends:-

**Table 4-2 2002 to 2004 Affordable Supply**

| Supply          | 2002       | 2003       | 2004       | Average    |
|-----------------|------------|------------|------------|------------|
| Council Re-lets | 426        | 445        | 492        | 454        |
| RSL Re-lets     | <u>119</u> | <u>124</u> | <u>109</u> | <u>117</u> |
| Total           | <u>545</u> | <u>569</u> | <u>601</u> | <u>571</u> |
| New Supply      | 80         | 33         | 126        | 80         |
| Total Supply    | <u>625</u> | <u>602</u> | <u>727</u> | <u>651</u> |
| Right to Buy    | 126        | 137        | 212        | 158        |

- 4.4.4 We have used a three year average of both re-lets and new supply in the Model. New supply in 2002 / 03 was 126 units, much higher than the three year average of 80 units. New supply is however 78 units a year less than the average level of Right to Buy, leading to a continuing reduction in stock and future relets.
- 4.4.5 Although an average of re-lets of 571 units is used in the Model the 2003 / 04 actual total is 601 units, 30 more than the three year average due to higher relet rates in the existing stock.

## 4.5 Needs Assessment

- 4.5.1 The total affordable housing need annually is for 1,091 units. Net re-lets of the existing social stock average 559 units.
- 4.5.2 Even after allowing for this level of supply, there will still be an annual affordable housing shortfall of 536 units a year. It is important however to appreciate that the future programme of new units are an expectation and not yet reality. These units will come from new sites, conversions and market purchase by RSL’s to reduce this shortfall figure each year.
- 4.5.3 This level of demand exceeds the number of units likely to be able to be delivered resulting in growing levels of unmet need each year.

- 4.5.4 New delivery has averaged 80 units a year, but ranging from 33 units to 126 and is therefore difficult to predict accurately. As the model will be updated annually it is more prudent to deal with new unit delivery in annual review.
- 4.5.5 The level of outstanding need of 536 units is nearly seven times the scale of delivery based on the last three years experience. Our significant experience of affordable subsidised housing in mixed developments leads us to recommend that target of new units negotiated should be increased to 40%. This proportion includes both affordable housing for rent and subsidised low cost market housing and targets may range higher or lower than this level on a site by site basis.
- 4.5.6 Essentially planning should be providing for balanced communities, which acknowledge the need for social compatibility if the problems of housing in the past are not to be repeated. The increases in average house prices of between 51% and 28% for flats and terraced houses over the last year have excluded a large proportion of 'first-time buyers' from the owner occupied market.
- 4.5.7 We recommend therefore that a quarter of affordable housing provided on new sites should be subsidised low cost market housing, more than would have been the case two years ago when it was a more marginal element of affordable need, even although there is only a limited expressed need from respondents.
- 4.5.8 In view of the scale of need and the inability of an adequate number of sites to address it particularly in the period to 2006, subsidised affordable units should be negotiated on all suitable sites. The Council should set a 'target' for each site taking into account existing supply, survey demand and other planning sustainability and economic factors.
- 4.5.9 In 2002 we assessed there was a need for unsubsidised small units in the general market to 2006 required to meet the needs of households whose incomes were sufficient to enable them to access the market without any subsidy or discount. The changed relationship between incomes and prices will mean that the number who can access housing in the private sector without subsidy will have reduced significantly.