

Current affordability by tenure and size

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Chapter 21. Current affordability by tenure and size

21.1 Summary

Generally the data presented for each of the districts shows:

- For “all” properties, in all districts it is cheaper to buy a lower quartile property than it is to rent an average priced property, assuming a buyer has a 10% deposit and a lender will lend on 90% loan to value. The median loan-to-value for first time buyers is currently 75% - i.e. many people are buying with a deposit of 25% or more. In this area, this represents more than half a year’s median household income which indicates that there is possibly a lot of parental assistance.
- One “target group” for shared ownership is existing social tenants. In most of the districts there is a considerable difference in the monthly cost of social rent and the monthly cost of purchasing a 30% share of a property. This is not to say there is not a market among this group. A recent report¹ from the Housing Corporation profiled social renters and broadly divided them into four groups: young urbanites, working families, non-working poor and older, settled households and the first two of these categories may include some people for whom shared ownership is an attractive option. The “young urbanite” group are mostly under 35 and mostly single people or childless couples. They are more mobile than the other groups described, with a larger number of recent movers. This group is most likely to express dissatisfaction with their current accommodation and least likely to have heard of shared ownership (compared to the other groups). “Working families” usually have at least one person in work. Most of these households have an income between £10,000 and £20,000, but a small number have an income between £25,000 and £50,000. Some of the households who fall into these categories may see shared ownership as a good option.
- Assuming a buyer has access to a 10% deposit, renting is more expensive than buying for one bedroom properties in all districts and for two bedroom properties in all districts except East Cambridgeshire and Fenland. In the Suffolk districts renting is considerably more expensive than buying for 1, 2, 3 and 4 bed properties. There is less difference in cost between renting and buying three bedroom properties than there was previously in most districts. With the exception of Huntingdonshire and the Suffolk districts it is cheaper to rent than to buy four bedroom properties, and the difference between buying and renting for this size of home is generally quite large.
- The proportion of households unable to afford lower quartile private rent has increased in South Cambridgeshire, stayed the same in Forest Heath and has decreased in all other districts. i.e. in most of the sub-region renting privately has become a little more affordable
- There is a huge difference between the cost of social rent and other affordable tenures. One of the groups shared ownership targets is “existing social renters”. Given the difference in monthly costs, there may be a very

¹ Clarke, A (Jan 2008) “Understanding Demographic, Spatial and Economic Impacts on Future Affordable Housing Demand: The Profile of Affordable Housing Residents”

small demand for shared ownership among this group – in 2007/08, only 4% of shared ownership sales were to people who had previously been in social rented housing. In 2008/09 there was a small increase to 6%.

- Generally, cost for intermediate tenures are now falling in between the costs for social rent and the open market. However, the calculation used assumes that an intermediate purchaser can find a mortgage lender prepared to lend to them with only a £5,000 deposit, which has become considerably more difficult. Most lenders are currently asking for a loan to value of between 70% and 80% for shared ownership, with higher values being asked for flats than for houses.
- Because of the restrictions of lending under shared ownership, the amount of people in intermediate rented tenures has increased. Earlier in the year there were large numbers of new build shared ownership properties empty because of lending restrictions. A Rent to HomeBuy model is now available where people can rent for around 3 years in order to build up enough of a deposit to purchase a share. However, there are very few properties advertised under this model and it has been a rather ad hoc solution. There is still no information on the rents being charged. The intermediate rents may be lower than estimated from market rents, which shows it is relatively expensive compared to smaller shares of shared ownership particularly in areas with high rents. It is likely that intermediate rent will become a more common part of the market – private companies are now coming in to use a similar model to purchase existing properties – for an example, see <http://www.nestegghomes.co.uk/nutshell.cfm>.
- Purchasing a part share of a three bedroom property was in most places a cheaper option than buying a two bedroom property on the open market, which is an important consideration as people will generally buy the largest home they are able to afford and also because under the shared ownership scheme people are allowed to buy a home with one more bedroom than they “require”. This also means that potentially shared ownership may be a good way to reduce overcrowding – e.g. if a household can afford a two bedroom property but need a three bedroom property to meet their needs.
- There has been a decrease in the difference in costs between sizes of properties purchased on the open market. Last year, a three bedroom property was on average £189/ month more than a two bedroom property, and a two bedroom home was £205/ month more expensive than a one bedroom home. This year there is on average a difference of £135 between the lower quartile cost of a two and a three bedroom property, and a difference of £109 between a one and two bedroom home.
- Each district shows a percentage of households who are unable to afford social rents. National data from Housing in England² shows that 40% of households with an income under £15,000 per year actually own their properties outright. Many of these are pensioner households (income poor but housing rich).

² CLG (Sep 2008) “Housing in England 2006/07”

21.2 Introduction

This chapter uses the most current available data on house prices and rents to calculate the monthly cost of tenures by district and size of properties. The section on methodology contains details on the sources used and the assumptions behind these calculations. Each district is then examined separately and an estimate is made of the percentage of the population able and unable to afford each form of tenure by size, using CACI Paycheck data. This provides information on gross household income, including any benefits received. This data does not include savings. In the current market a minimum 10% deposit is required to get a mortgage so from this point of view savings are an important aspect of affordability. National Savings & Investments have some regional information on the behaviour of regular savings and some further work may be required on this, particularly at the first time buyer level.

The CLG guidance on Strategic Housing Market Assessments recommends using an income multiplier of 2.9 for single income households and 3.5 for dual income households for purchase, and a monthly rent of 25% of income to test affordability. This methodology assumes a third of monthly income is an affordable housing cost for both rent and sale.

While it would be interesting to look at the affordability of single and dual income households, there is no data available on household income by household type to compliment this. Also, some estimate has been made on the size of deposit available for purchase and these have been included in the calculations, but deposits are themselves an aspect of affordability. In the first iteration of the SHMA, some mortgage lenders were lending 100%+ mortgages. These are currently not available. Even if someone is able to afford the monthly costs estimated below, they may not have access to a large sum up front.

21.3 Methodology and sources

This section provides information on how the monthly cost of each form of tenure is calculated. A breakdown of each area is given in the subsequent sections.

Social rent

Data on RSL rent are taken from Dataspring 2007/08. This information is given as a weekly cost. To calculate the monthly cost, the weekly cost is multiplied by 4.33 (or 52/12). All the districts in the sub-region except for Cambridge City and South Cambridgeshire have transferred their local authority stock to housing associations. These two districts have provided some information on rent levels and this is included for comparison.

Intermediate rent

No data is collected on intermediate rent levels. Generally, intermediate rent is limited to 80% of the average private rent, although it may be around 60%. In this methodology, 75% of the average is used. In Cambridge City in particular there is a lot of high end new build which pulls the mean average up.

No analysis is done on the percentage of households unable to afford this type of tenure. This is partly because it is based on an estimate, not solid data. Historically intermediate rented properties have only been available to keyworkers, but a new Rent to HomeBuy product is being introduced and there might be considerable demand. However at the time of writing very little information exists on rent levels for Rent to HomeBuy.

Shared ownership/ New Build HomeBuy

Shared ownership purchase price data is taken from CORE sales 2008/09. Because this only records sales, some of the information is patchy and it is therefore supplemented with the purchase prices of properties currently advertised for sale on the Keyhomes East³ website. Even using these two sources, there is still only limited data on some types of housing in some locations – e.g. one bedroom properties in Fenland (none were sold and none are currently listed as for sale). The purchase price for the whole property is given in each case as is information on the equity share purchased. This paper will test the monthly cost of purchasing a 50%, 40% and 30% share of a property. 50% is the most common size of share purchased in most of the districts except for Cambridge City where 40% is slightly more common. Purchases of percentage shares below this level are not common, but are worth investigation as they may be more affordable for some people.

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

- The average purchase price of a shared ownership property by size. Due to the low number of sales of certain sizes of properties it is not possible to calculate a lower quartile or “entry level” price.
- Purchase prices are based on shared ownership sales only and do not include the Open Market HomeBuy products.
- A repayment mortgage taken out over 25 years. Given the average age of most shared ownership purchasers, section 4 compares the difference between a mortgage taken out over 25 years and one taken out over 30 years.
- In this calculation, a deposit of £5,000 is assumed. In the current market, mortgage lending on shared ownership has become more restrictive over the last year and many lenders currently want a deposit of 25% LTV, e.g. for a 50% share of a property costing £100,000 a buyer would require a £12,500.
- An interest rate of 5%. Data from the Council of Mortgage Lenders (CML) on Hometrack shows that current interest rates are around 4%, but a buyer with the smaller deposit would not be eligible for lower rates.
- It is assumed that the rental element is 2.69%/year of the remaining share – the sub-regional average

³ Since this data was collected the Zone Agent has changed from KHE/BPHA to Orbit HomeBuy Agents.

Table 1: Shared Ownership Monthly Cost – illustrative example

Purchase price	£100,000	A
Purchase cost		
Share purchased	50%	B
Cost of share purchased	£50,000	C
Deposit	£5,000	D
Mortgage required	£45,000	C-D
Monthly mortgage cost over 25 years at 4% interest	£238	E
Rental element		
Share on which rent is paid	£50,000	A-C
Monthly rent at 2.69%/12	£112	F
Total Monthly cost	£350	E+F

Private rents

Lower quartile and average private rents by size and district are taken from the review of private rents in the press in January 2009 as provided in Appendix 3, Survey of Private Rents. The rent calculated for one-bedroom properties does not include rooms in shared houses or studio/ bedsit accommodation. There is quite a limited demand for roomshare arrangement and studio accommodation outside Cambridge City. This does not include any service charges.

Open market purchase

Lower quartile purchase price data is taken from Hometrack (Nov 2008 -April 2009). This date was chosen for consistency with the other data sources – the Dataspring and CORE data are 2008/09, the survey of private rents was carried out in January 2009. This is changing very quickly at the moment and we will continue to monitor and update as appropriate.

Hometrack gives price data for one bedroom flats, two bedroom flats, two bedroom houses, three bedroom houses and four bedroom houses. It is assumed that prices for one bedroom flats are representative of the prices of one bedroom properties because generally there are very few one bedroom houses. A similar assumption is made about three and four bedroom houses relating to flats. The price for two bedroom properties is calculated by using the average of the flat and house price.

A deposit of 10% is assumed. There is currently no local level data available on the size of deposits buyers typically have available. Data from Hometrack (2009) shows that nationally the average Loan to Value (LTV) ratio for first time buyers is 75% (i.e. first time buyers have a deposit of 25% - in the sub-region as a whole, this would mean an amount of around £30,000 for a 2 bedroom property). It is therefore reasonable to assume that the “Bank of Mum and Dad” is playing a very important role in the housing market at the moment! However 10% is assumed here as mortgage are available for a 90% LTV ratio. Because of the “small” deposit level, a higher interest rate of 5% is assumed. The average interest rate at the moment is 4%.

The average LTV for home movers is typically 68%. Most of the four-bedroom homes will be purchased by home movers, and section 5 compares the monthly cost of a four bedroom home assuming a 30% deposit and assuming a 10% deposit.

Percentage of households unable to afford by tenure

This is calculated using gross household income data from CACI for 2008/09. This provides information about the number of households by income band in the district. It is based on income only and does not include savings etc, although it does include benefits. There is also a difference between what people are able to afford and what they need or aspire to. For example, Housing in England 2006/07⁴ shows that a quarter of those households with an income less than £5,000/ year are people who own their own property outright (in most cases this would be older retired people).

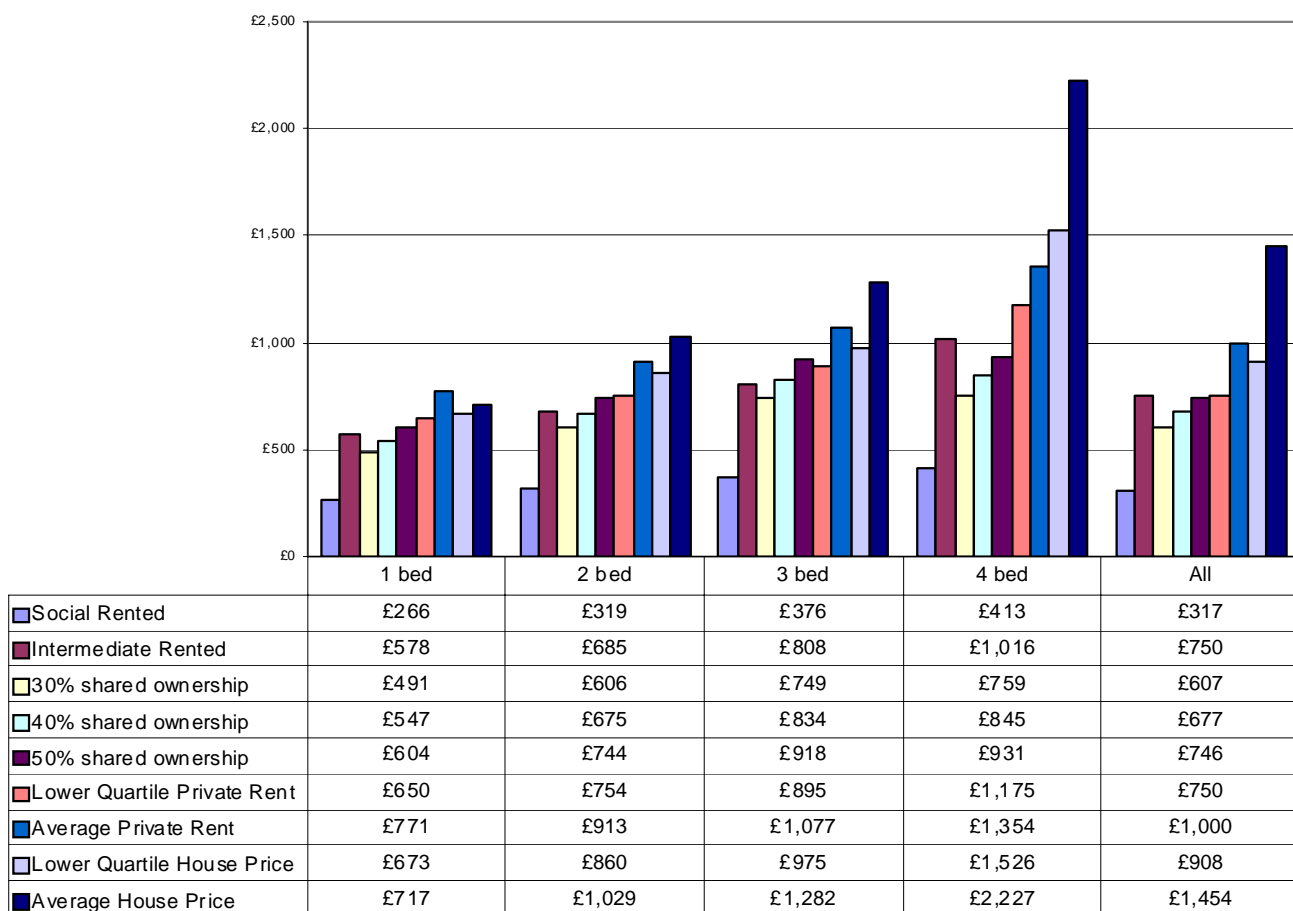
21.4 Cost by tenure and size across the Cambridge sub-region

The following sections look at cross-tenure affordability in each of the districts in the Cambridge housing sub-region.

⁴ <http://www.communities.gov.uk/housing/housingresearch/housingsurveys/surveyofenglishhousing/>

21.5 Cambridge City

Fig 1: Monthly cost by tenure



Source: Hometrack Nov 2008-April 2009, Dataspring 2008/09, CORE 2008/09, Survey of Rents in Press Jan 2009

- It is cheaper to buy a lower quartile one, two or three bedroom property than it is to pay the average rent on a property of a similar size, assuming a buyer has access to a 10% deposit. This is about £16,400 for a two bedroom home (around 67% of the lower quartile household income).
- Shared ownership is generally a cheaper option than renting or buying for all sizes of property, although a 50% share of a three bedroom property is slightly more expensive £23/month more expensive than the lower quartile rent.
- The average cost of renting a two bedroom property is similar to the cost of purchasing a 50% of a three bedroom property. It is more expensive to buy a lower quartile one bedroom than it is to purchase a 40% share of a two bedroom home. The lower quartile purchase price of a three bedroom property is cheaper than renting a three bedroom property.
- Estimated intermediate rent levels are similar to the cost of buying a 40% of a shared ownership property in the city and similar to the cost of renting a lower quartile property in South Cambridgeshire. These estimates are quite high because rents in the city are high compared to the rest of the sub-region. The

cheapest intermediate tenure is 30% shared ownership. The difference in cost between a social renting and 30% shared ownership (the cheapest intermediate tenure) is between £225 and £346/ month depending on property size.

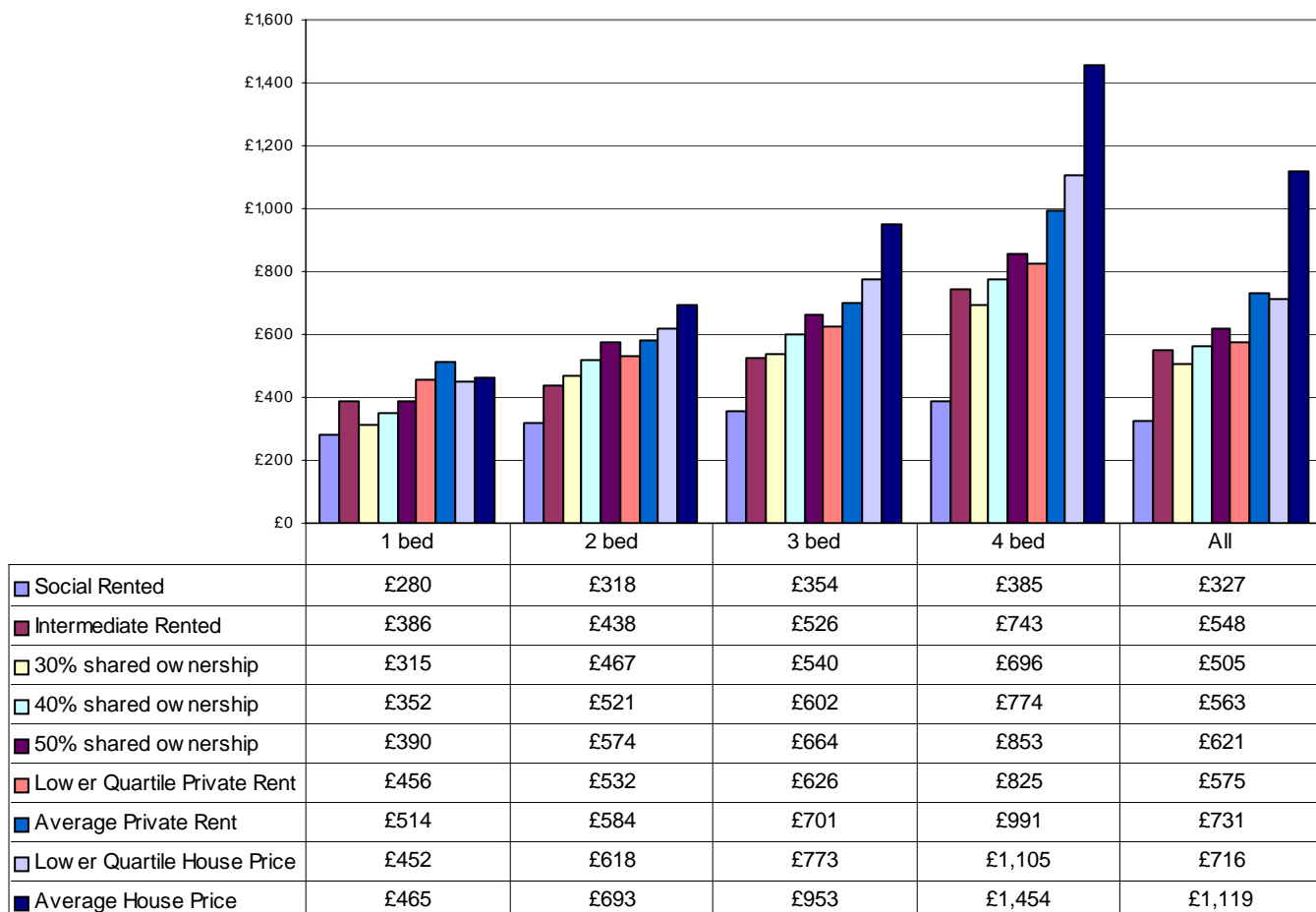
Table 2: Percentage of households unable to afford size and tenure

	1 bed	2 bed	3 bed	4 bed	All
Social Rented	7%	8%	14%	16%	8%
Intermediate Rented	29%	39%	48%	63%	43%
30% shared ownership	22%	32%	43%	43%	32%
40% shared ownership	27%	36%	50%	50%	36%
50% shared ownership	32%	43%	56%	58%	43%
Lower Quartile Private Rent	34%	43%	54%	70%	43%
Average Private Rent	45%	56%	66%	79%	61%
Lower Quartile House Price	36%	52%	60%	84%	56%
Average House Price	41%	63%	75%	95%	81%

Source: Hometrack Nov 2008-April 2009, Dataspring 2008/09, CORE 2008/09, Survey of Rents in Press Jan 2009, CACI 2009

21.6 East Cambridgeshire

Fig 2: Monthly cost by tenure



Source: Hometrack Nov 2008-April 2009, Dataspring 2008/09, CORE 2008/09, Survey of Rents in Press Jan 2009

- It is cheaper to rent than to buy in East Cambridgeshire for all sizes of property except one bedrooms. One bedrooms are cheaper to buy as long as the purchaser has access to at least £8,600 for a deposit (around 41% of the lower quartile household income)
- Fifty percent shared ownership is slightly more expensive than lower quartile rent for all properties except for one bedrooms. It is £16/month more expensive to buy a 40% share of a three bedroom property than it is to buy a lower quartile two bedroom home, and £1/month more to buy a 40% share of a four bedroom property than buy a lower quartile three bedroom property.
- Social rents are between £35 and £311/month less than 30% shared ownership depending on the size of the home. The difference between social rent and intermediate is £106 and £358/month depending on the size of the property.
- Estimated intermediate rents are more expensive than 30% shared ownership for 1 and 4 bedroom properties, but slightly cheaper for 2 and 3 bed homes.

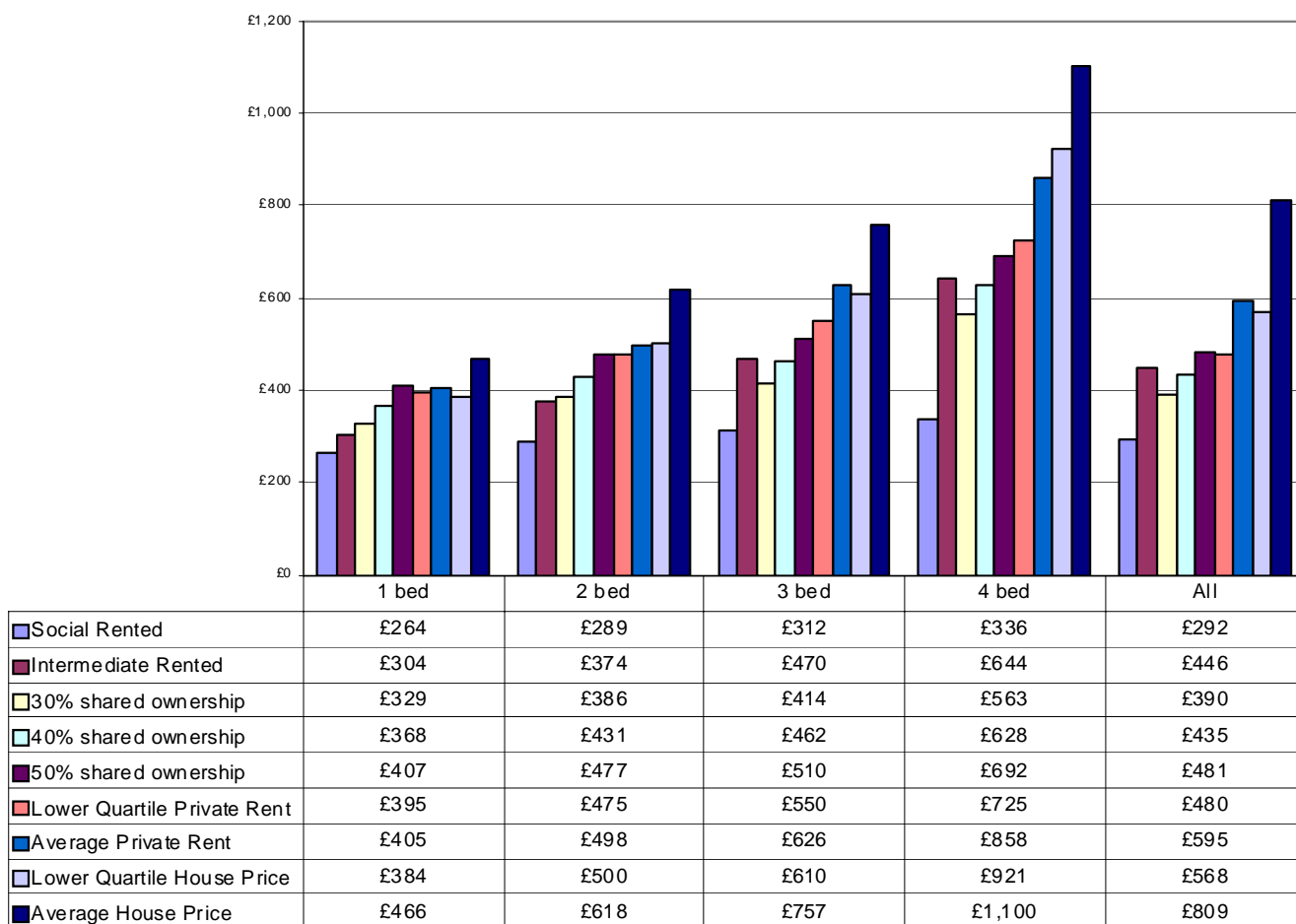
Table 3: Percentage of households unable to afford size and tenure

	1 bed	2 bed	3 bed	4 bed	All
Social Rented	6%	7%	10%	12%	9%
Intermediate Rented	12%	16%	22%	39%	24%
30% shared ownership	7%	18%	22%	35%	20%
40% shared ownership	10%	22%	28%	41%	24%
50% shared ownership	12%	26%	32%	47%	28%
Lower Quartile Private Rent	16%	22%	30%	45%	26%
Average Private Rent	22%	26%	35%	56%	37%
Lower Quartile House Price (FTB)	16%	28%	41%	63%	37%
Average House Price (FTB)	18%	35%	53%	78%	63%

Source: Hometrack Nov 2008-April 2009, Dataspring 2008/09, CORE 2008/09, Survey of Rents in Press Jan 2009, CACI 2009

21.7 Fenland

Fig 3: Monthly cost by tenure



Source: Hometrack Nov 2008-April 2009, Dataspring 2008/09, CORE 2008/09, Survey of Rents in Press Jan 2009

- Average rents for 1 and 3 bedroom homes are higher than the costs of lower quartile purchase, and there is very little difference between the average rent and lower quartile purchase for two bedroom properties.
- The cost of purchasing a lower quartile two bedroom is £10/ month cheaper than a 50% share of a three bedroom property. The average cost of buying a one bedroom home outright is £11/month cheaper than purchasing a 50% share of a two bedroom property, and £9/cheaper than the lower quartile rent for a two bedroom home. It is £8 cheaper to buy a lower quartile 3 bedroom home than an average priced 2 bed.
- A 40% share of a 3 bedroom property is £4/month cheaper than the average outright purchase price of a 1 bedroom property.
- The estimated intermediate rent is slightly cheaper than 30% shared ownership for 1 and 2 bedroom properties (by £25 and £12 respectively), but is considerably more expensive for larger properties (by £56/ month for 3 bedrooms and £80/ month for 4 bedrooms).

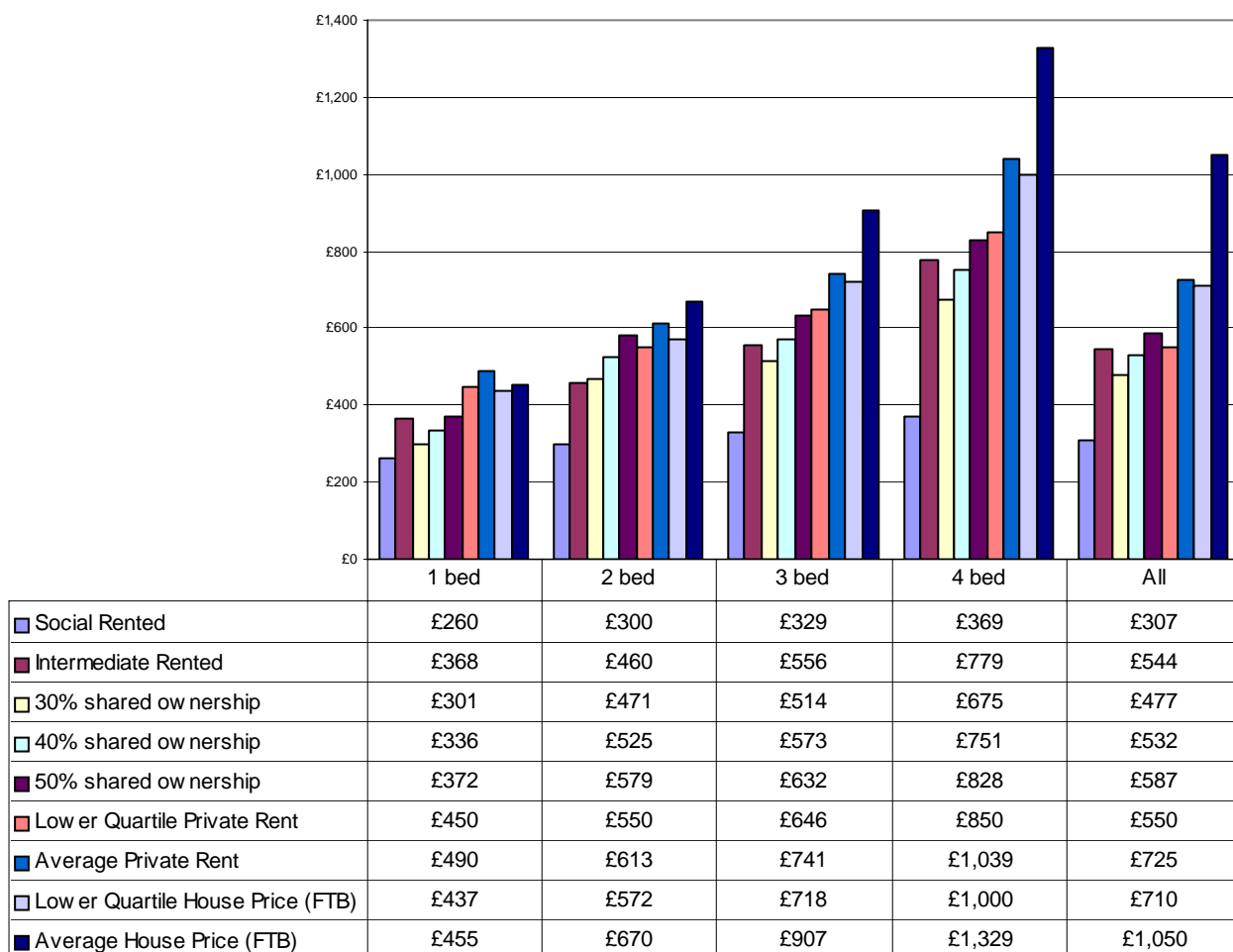
Table 4: Percentage of households unable to afford size and tenure

	1 bed	2 bed	3 bed	4 bed	All
Social Rented	8%	8%	10%	12%	10%
Intermediate Rented	10%	14%	24%	39%	21%
30% shared ownership	12%	17%	19%	32%	17%
40% shared ownership	14%	21%	24%	39%	21%
50% shared ownership	19%	24%	26%	44%	24%
Lower Quartile Private Rent	17%	24%	32%	47%	24%
Average Private Rent	19%	26%	39%	58%	34%
Lower Quartile House Price (FTB)	17%	26%	37%	62%	32%
Average House Price (FTB)	24%	37%	49%	73%	53%

Source: Hometrack Nov 2008-April 2009, Dataspring 2008/09, CORE 2008/09, Survey of Rents in Press Jan 2009, CACI 2009

21.8 Huntingdonshire

Fig 4: Monthly cost by tenure



Source: Hometrack Nov 2008-April 2009, Dataspring 2008/09, CORE 2008/09, Survey of Rents in Press Jan 2009

- Average rents are more expensive than lower quartile purchase for all sizes of property, but this model assumes access to a 10% deposit for open market purchase – between £8,300 and £19,000 depending on the size of property. For 1 bedroom properties, lower quartile rents are only £5/month less than the average purchase price.
- The lower quartile market price for two bedroom properties is only £1/month less than a 40% share of a 3 bedroom property. It is £43/ month cheaper to buy a 30% share of a 4 bedroom property than it is to pay the lower quartile rent on a three bedroom property.
- Estimated intermediate rent is slightly more expensive than 30% shared ownership for all sizes of property except two bedrooms where 30% shared ownership is £11/month more expensive. Thirty percent shared ownership is between £40/month and £306/ month more than social rents depending on the size of property.

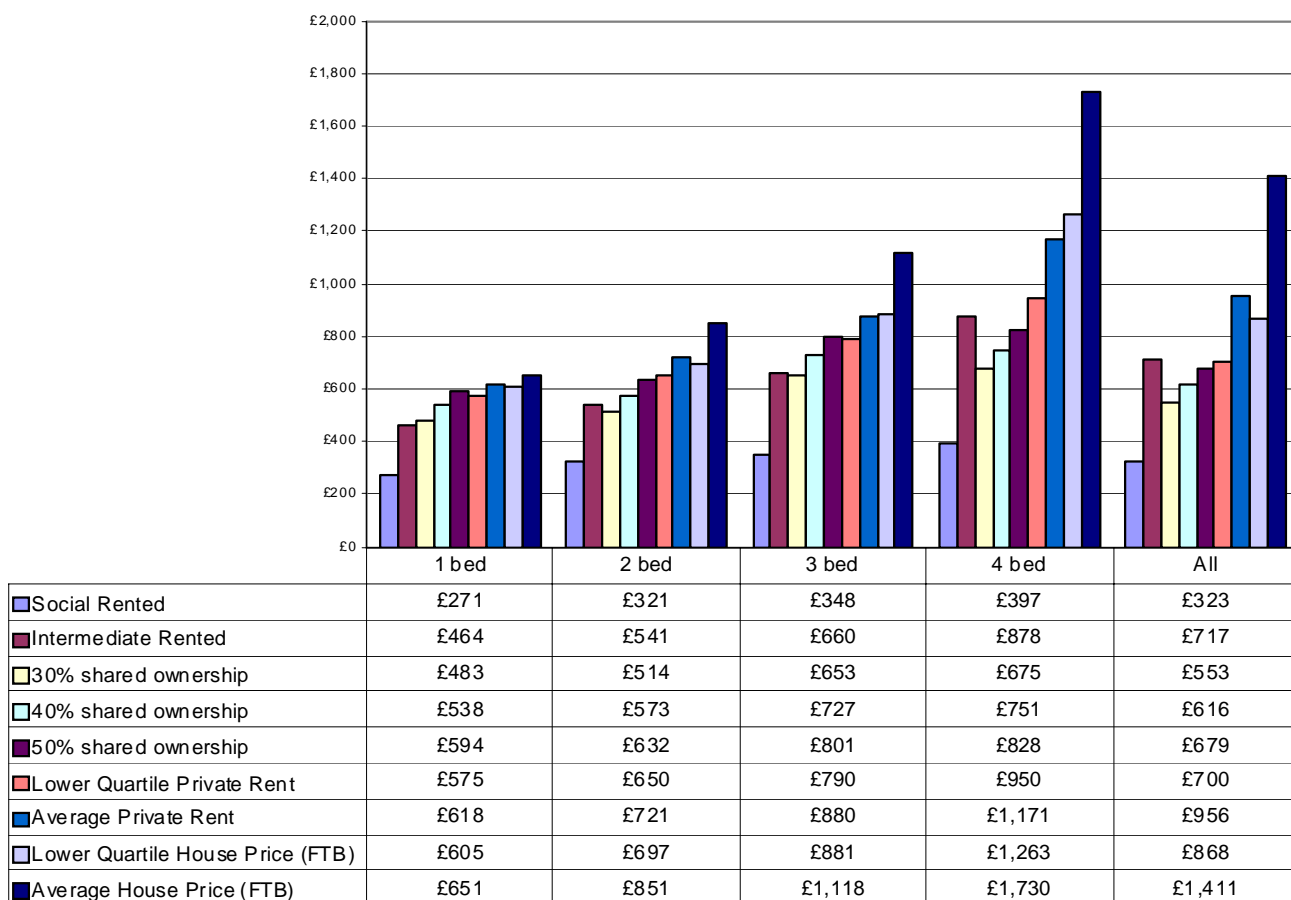
Table 5: Percentage of households unable to afford size and tenure

	1 bed	2 bed	3 bed	4 bed	All
Social Rented	4%	6%	7%	9%	6%
Intermediate Rented	9%	15%	21%	37%	21%
30% shared ownership	6%	15%	19%	29%	15%
40% shared ownership	7%	19%	23%	35%	19%
50% shared ownership	9%	23%	27%	41%	23%
Lower Quartile Private Rent	13%	21%	27%	43%	21%
Average Private Rent	17%	25%	35%	54%	33%
Lower Quartile House Price (FTB)	13%	23%	33%	53%	33%
Average House Price (FTB)	13%	29%	47%	71%	56%

Source: Hometrack Nov 2008-April 2009, Dataspring 2008/09, CORE 2008/09, Survey of Rents in Press Jan 2009, CACI 2009

21.9 South Cambridgeshire

Fig 5: Monthly cost by tenure



Source: Hometrack Nov 2008-April 2009, Dataspring 2008/09, CORE 2008/09, Survey of Rents in Press Jan 2009

- Average rent is more expensive than lower quartile purchase for 1 and 2 bedroom properties. The monthly difference in cost between renting and buying for three bedroom properties is just £1.
- There is £1 difference between the lower quartile rent of a 2 bed home and the average purchase price of a 1 bedroom property, and a difference between lower quartile 2 bedroom rent and a 30% share of a 3 bedroom property.
- It is £6/month cheaper to rent an average two bedroom property than it is to purchase a 40% share of a two bedroom property.
- Estimated intermediate rent is cheaper than 30% shared ownership for 1 bedroom properties, but more expensive for all other sizes of property.
- The difference in monthly costs of social rent and 30% shared ownership is between £193 and £305/month.

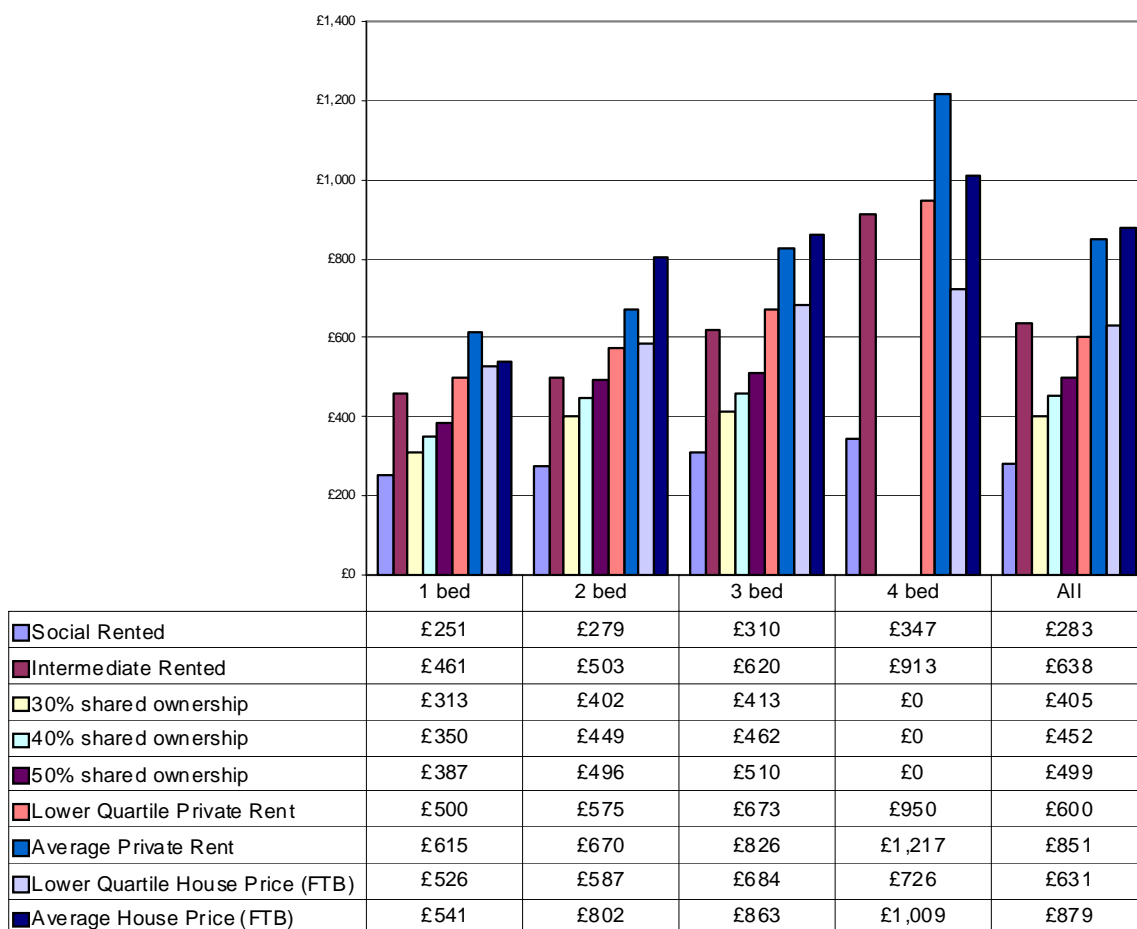
Table 6: Percentage of households unable to afford size and tenure

	1 bed	2 bed	3 bed	4 bed	All
Social Rented	4%	7%	8%	9%	7%
Intermediate Rented	14%	17%	27%	43%	31%
30% shared ownership	14%	16%	27%	27%	19%
40% shared ownership	17%	21%	31%	33%	23%
50% shared ownership	21%	25%	37%	39%	27%
Lower Quartile Private Rent	21%	25%	35%	46%	29%
Average Private Rent	23%	31%	43%	60%	46%
Lower Quartile House Price (FTB)	23%	29%	43%	64%	41%
Average House Price (FTB)	25%	41%	57%	82%	72%

Source: Hometrack Nov 2008-April 2009, Dataspring 2008/09, CORE 2008/09, Survey of Rents in Press Jan 2009, CACI 2009

21.10 Forest Heath

Fig 6: Monthly cost by tenure



Source: Hometrack Nov 2008-April 2009, Dataspring 2008/09, CORE 2008/09, Survey of Rents in Press Jan 2009

- There were no sales of 4 bedroom properties in the two Suffolk districts of the sub-region, and there were none advertised.
- Average rents are very high in Forest Heath and assuming someone has a 10% deposit available (between £10,000 and £18,300 for a lower quartile property depending on size) it is cheaper to buy than to rent. It is cheaper to buy a lower quartile 4 bedroom property than to rent a three bedroom home.
- There is very little difference in cost between shared ownership for a 2 bedroom property and shared ownership for a 3 bedroom property.
- Because the rent levels are high (due to the USAF influence), the estimated intermediate rent levels are also high. The difference in cost between social rents and 30% shared ownership is between £62 and £124/ month.

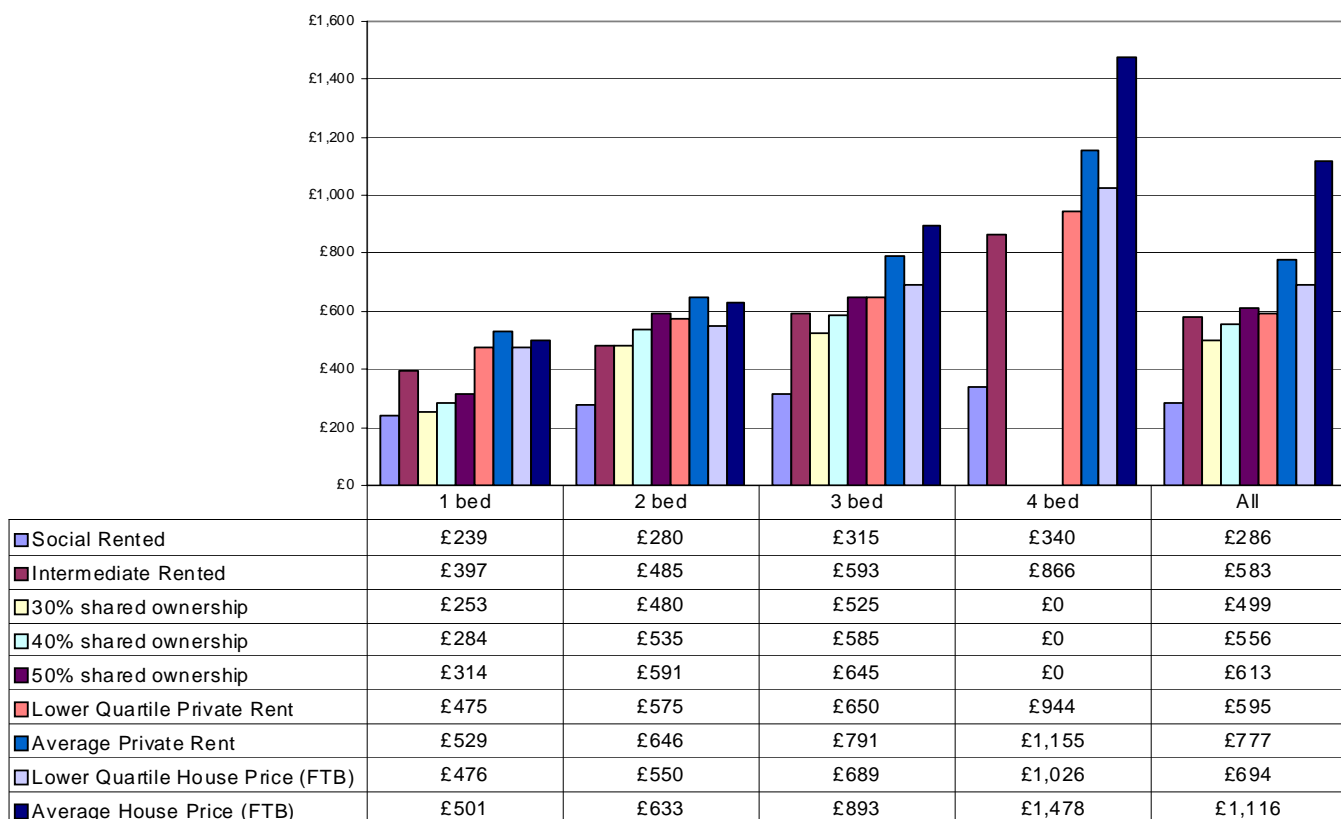
Table 7: Percentage of households unable to afford size and tenure

	1 bed	2 bed	3 bed	4 bed	All
Social Rented	6%	7%	9%	13%	7%
Intermediate Rented	21%	24%	33%	58%	36%
30% shared ownership	9%	15%	17%		17%
40% shared ownership	13%	19%	21%		19%
50% shared ownership	15%	24%	24%		24%
Lower Quartile Private Rent	24%	31%	38%	60%	33%
Average Private Rent	33%	38%	52%	75%	54%
Lower Quartile House Price (FTB)	26%	31%	41%	43%	36%
Average House Price (FTB)	26%	50%	54%	63%	56%

Source: Hometrack Nov 2008-April 2009, Dataspring 2008/09, CORE 2008/09, Survey of Rents in Press Jan 2009, CACI 2009

21.11 St Edmundsbury

Fig 7: Monthly cost by tenure



Source: Hometrack Nov 2008-April 2009, Dataspring 2008/09, CORE 2008/09, Survey of Rents in Press Jan 2009

- There were no shared ownership four bedroom properties sold or for sale.
- The average private rent for all sizes of property was higher than the lower quartile open market purchase price, assuming a 10% deposit (between £9,050 and £19,500 depending on the size of the property). It costs £21/month more to buy a lower quartile 2 bedroom property than it does to rent an average 1 bedroom.
- For a two bedroom property, a 50% shared ownership property would cost more than lower quartile rent or purchase for a property of the same size. However this assumes a £5,000 deposit which is more achievable than the £10,400 deposit required for open market purchase.

Table 8: Percentage of households unable to afford size and tenure

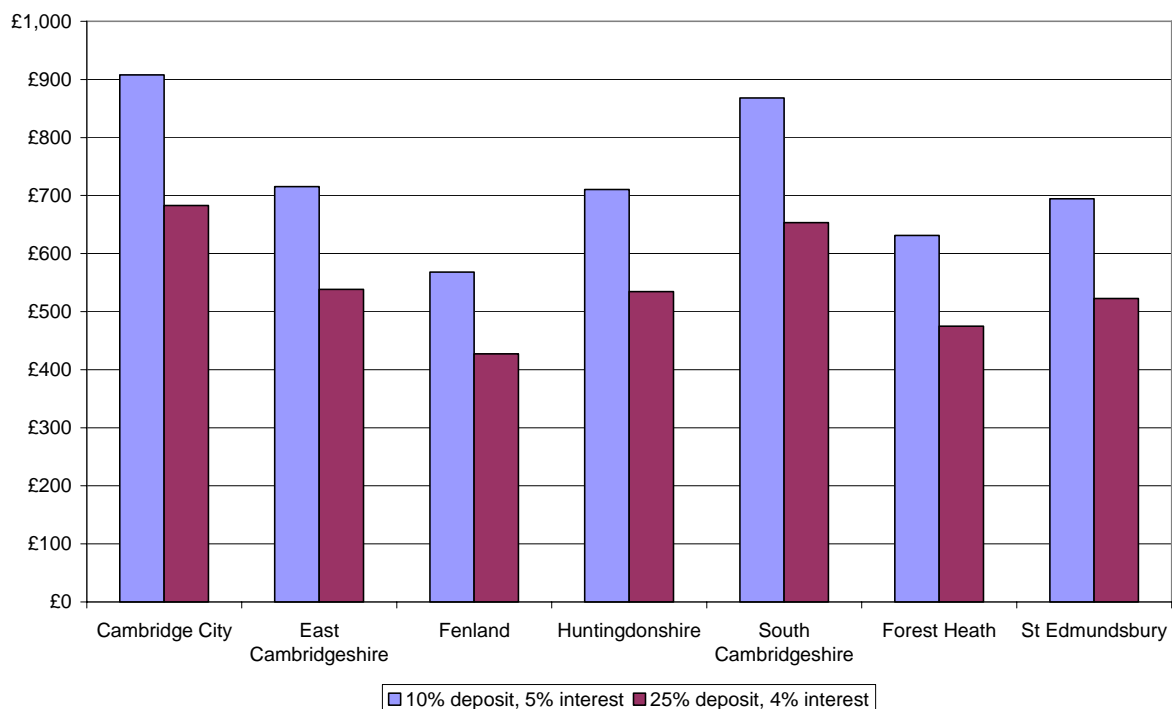
	1 bed	2 bed	3 bed	4 bed	All
Social Rented	5%	6%	8%	10%	6%
Intermediate Rented	13%	19%	28%	51%	28%
30% shared ownership	5%	19%	24%		22%
40% shared ownership	6%	24%	28%		26%
50% shared ownership	8%	28%	33%		31%
Lower Quartile Private Rent	19%	28%	33%	57%	28%
Average Private Rent	24%	33%	44%	70%	44%
Lower Quartile House Price (FTB)	19%	26%	38%	62%	38%
Average House Price (FTB)	22%	33%	53%	82%	67%

Source: Hometrack Nov 2008-April 2009, Dataspring 2008/09, CORE 2008/09, Survey of Rents in Press Jan 2009, CACI 2009

21.12 Deposits

As discussed in the methodology section above, the model above assumes that home buyers have a 10% deposit and the interest rate is 5%. Data from Hometrack (2009) shows that on average first time buyers have a deposit of 25% of the purchase price, and the average interest rate is 4%

Fig 8: Monthly cost difference – 10% deposit and 25% deposit, lower quartile house prices for “all” properties



Source: Hometrack

A buyer with a 25% deposit pays 75% of the monthly costs of a buyer with a 10% deposit. However the amount required to put up a 25% is very large when compared to the median household income for each district. A buyer in with a median household income would need to save the equivalent of more than a year's income to be able to put a 25% deposit on a lower quartile one bedroom property in Cambridge City.

Table 9: Median household income and deposit required for lower quartile home purchase (10% and 25%)

	Median Household income	1 bed		2 bed		3 bed	
		10%	25%	10%	25%	10%	25%
Cambridge City	£30,000	£12,800	£32,000	£16,350	£40,875	£18,525	£46,313
East Cambridgeshire	£32,500	£8,600	£21,499	£11,750	£29,375	£14,700	£36,750
Fenland	£27,500	£7,300	£18,250	£12,350	£30,875	£11,600	£29,000
Huntingdonshire	£34,500	£8,300	£20,750	£10,875	£27,188	£13,650	£34,125
South Cambridgeshire	£36,000	£11,500	£28,750	£13,250	£33,125	£16,750	£41,875
Forest Heath	£29,100	£10,000	£25,000	£11,150	£27,874	£13,000	£32,500
St Edmundsbury	£30,600	£9,050	£22,625	£10,450	£26,125	£13,100	£32,750

Source: Hometrack, lower quartile house prices Nov 2008 -April 2009

The modelling also assumes a deposit level for shared ownership – the shared ownership purchaser has a £5,000 deposit. Some lenders are asking for a 20%-30% for the mortgage part of a shared ownership property.

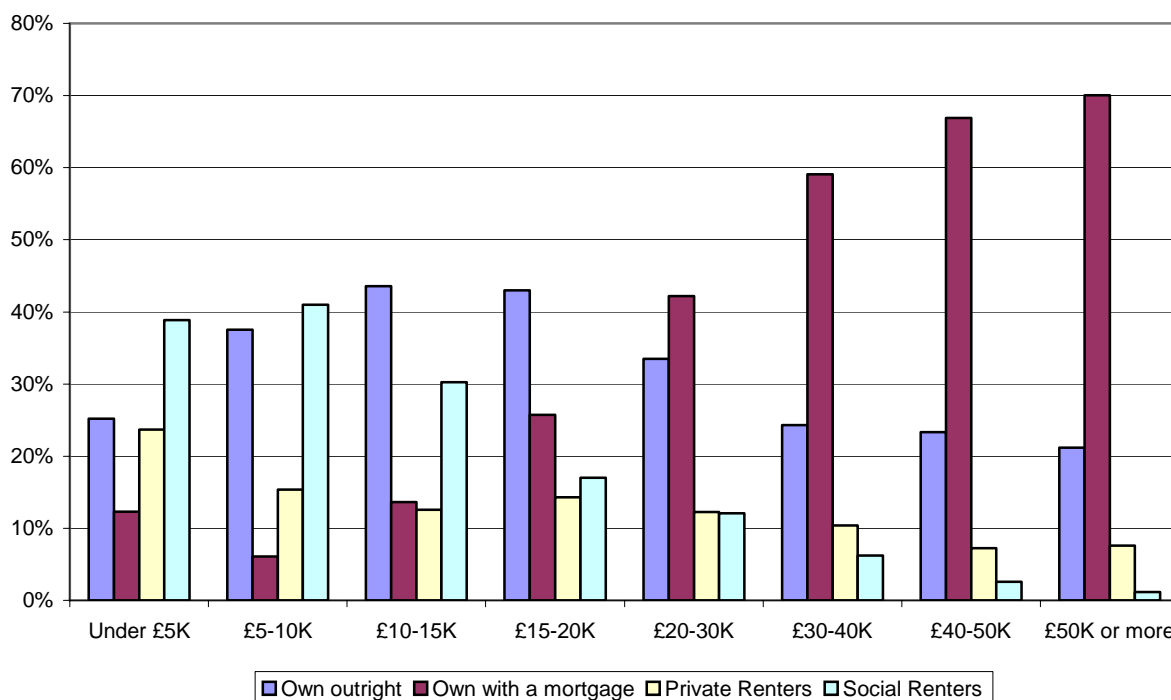
Table 10: Amount required for a 20% deposit for 30% shared ownership by size

	1 bed	2 bed	3 bed
Cambridge City	£9,399	£11,485	£14,064
East Cambridgeshire	£6,220	£8,962	£10,290
Fenland	£6,480	£7,509	£8,009
Huntingdonshire	£5,960	£9,034	£9,815
South Cambridgeshire	£9,250	£9,810	£12,328
Forest Heath	£6,180	£7,797	£8,000
St Edmundsbury	£5,100	£9,201	£10,015

Source: CORE 2008/09

A 20% deposit for a shared ownership property still represents a considerable but more achievable amount than that required for open market purchase (equivalent to between 26% and 39% of median household income depending on district for a two bedroom property). The amount required to purchase a 50% share of a 2 bedroom home is equivalent to between 44% and 64% of median household income.

Fig 9: Gross household income by tenure



Source: Housing in England, 2006/07