

Appendix 3: Affordable Housing Prices in Spelthorne

- 1.1 Affordable Housing is defined as housing for sale or rent, for those whose needs are not met by the market, with schemes aiming to make cheaper homes available for people who can't afford to buy or rent at market rates. The full definition of Affordable Housing is set out in Annex 2 of the National Planning Policy Framework¹.

Types of Affordable Housing

Affordable Housing for Rent

- 1.2 Affordable Housing for rent is generally defined under one of the following categories:
- Social rented housing: Social rented housing is housing with the lowest rental levels possible. The rent for these properties is regulated by the Government. Properties are owned by local authorities and private registered providers.
 - Affordable rented housing: must be at least 20% cheaper than local market rents. This allows housing associations to let properties out at 80% of local market rent levels. All new build affordable housing in Spelthorne is based on Affordable Rent
- 1.3 This includes provisions to remain at an affordable price for future eligible households, or for the subsidy to be recycled for alternative affordable housing provision.

Affordable Housing for Ownership

- 1.4 Affordable Home ownership schemes aim to make cheaper homes available for people who can't afford to buy or rent at market rates. This can be split into the following categories:
- Shared ownership: this offers help to first time buyers who can't afford to buy a property outright. Buyers are able to purchase a share of a property between 25% and 75% of the value, for which they might need to raise a mortgage. They then pay an affordable, subsidised rent on the remaining share.
 - First Homes/Discounted Open Market: offers first-time buyers a discount when they purchase a new-build home in England. First Homes must be sold at a discount of at least 30% against their market value. After the discount, the maximum amount First Homes can be sold for is £250,000, or £420,000 in Greater London. The government says First Homes must account for at least 25% of affordable housing sold by developers. The discount will be tied to a legal agreement (Section 106), and remain on the property for future sales

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https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1005759/NPPF_July_2021.pdf

- Rent to Buy: helps buyers who can't raise a deposit make progress towards owning a home over time.
Under the scheme, housing associations offer properties for reduced rent (usually around 20% less than market value), allowing buyers to save for a deposit or purchase shares in their home using shared ownership.
Rent to Buy is open to non-homeowners with an annual household income below £80,000 who can't buy a suitable home without assistance, and don't have any outstanding credit issues.

Analysis of House Prices

- 1.5 Estimating the cost of Affordable Housing in Spelthorne has been explored through the Strategic Housing Market Assessment (SHMA) Update 2019. This report used Land Registry and Valuation Office Agency (VOA) data to consider entry-level costs of housing to both buy and rent across the Council area. The focus of this analysis was on lower quartile rents and prices – this is consistent with national Planning Practice Guidance and reflects the entry level point into the market. The data included in the SHMA update dates from 2018 and has been updated for 2022 internally to provide an indication of trends.
- 1.6 The data in Table 1 shows the estimated lower quartile property prices in the Borough by dwelling type. This is taken as a proxy for entry level costs for home purchases.
- 1.7 The data shows that entry-level costs to buy in Spelthorne are estimated to start from about £178,000 for a flat and rising to over £560,000 for a detached home. The lower quartile price across all dwelling types is £281,000. It should however be noted that there may be issues with the quality of the stock of housing at the bottom of the market and properties may require financial investment to improve their condition.

Table 1: Lower quartile cost of housing to buy – Spelthorne

	Lower quartile price (Sept 2018)	Lower quartile price (June 2022)
Flat/maisonette	£235,000	£178,000
Terraced	£330,000	£365,700
Semi-detached	£376,000	£430,000
Detached	£474,000	£560,000
All dwellings	£294,000	£281,000

Source: Land Registry

- 1.8 A similar analysis has been carried out for private rents using Valuation Office Agency (VOA) data – in the SHMA this covers a 12-month period to September 2018. This has also been updated internally to September 2022.
- 1.9 For rental data, information about dwelling sizes is provided by number of bedrooms (rather than types); the analysis shows an average lower quartile cost (across all dwelling sizes) of £950 per month in 2018, with this increasing to £995 in 2022.

1.10 In line with the National Planning Policy Framework definition, affordable rent should be at least 20% below local market rents, therefore a provisional column has been added to Table 2 to indicate the estimated rental cost with subsidy.

Table 2: Lower Quartile Market Rents – Spelthorne

	Lower Quartile rent, pcm (Sept 2018)	Lower Quartile rent, pcm (Sept 2022)	Affordable rent, pcm – 80% market rate (Sept 2022)
Room only	£525	£625	£500
Studio	£695	£795	£636
1-bedroom	£875	£925	£740
2-bedrooms	£1,100	£1,150	£920
3-bedrooms	£1,200	£1,350	£1,080
4-bedrooms	£1,550	£1,600	£1,280
All properties	£950	£995	£796

Source: Valuation Office Agency + internal analysis

1.11 To supplement Table 2, research carried out by the Spelthorne Housing Team provides an indication of the actual rental property prices by type at the lower end of the market in October 2022.

Table 3: Market and Affordable Rents in Spelthorne (October 2022)

Property type	Location	Market rent pcm	Affordable rent pcm
2 bedroom maisonette	Ashford	£1,300	£1,040
1 bedroom flat	Ashford	£950	£760
2 bedroom flat	Staines	£1,250	£1,000
1 bedroom flat	Ashford	£950	£760
1 bedroom flat	Ashford	£950	£760
1 bedroom flat	Ashford	£950	£760
1 bedroom flat	Ashford	£950	£760
1 bedroom flat	Staines	£950	£760
3 bedroom maisonette	Staines	£1,600	£1,280
3 bedroom end of terrace	Ashford	£1,600	£1,280

Source: Zoopla and Rightmove

1.12 As per the SHMA, a household is considered able to afford market rented housing in cases where the rent payable would constitute no more than a particular percentage of gross income i.e. if households only spent 40% of income how many would be in affordable housing need.

- 1.13 Based on a local analysis of Spelthorne as set out in the SHMA Update 2019², the figure of 35% can be used as a guide as to the proportion of income spent on housing considered to be reasonable, the figure can be adjusted based on the actual cost of any particular type of housing.
- 1.14 The table below provides an indication of the affordability thresholds and income levels considered appropriate. This shows for example that a housing cost of £800 per month might be expected to take up no more than 32.5% of a household income, and that the income would need to be in excess of around £29,500 per annum for this to be affordable.
- 1.15 The table below does not provide data above 40% as this is considered to be the maximum proportion of income on housing that can be considered affordable. It should also be noted that the SHMA update analysis dates from 2019 therefore the increased cost of living should also be factored in.

Table 4: Suggested income thresholds for different levels of housing cost

Housing cost (£ per month)	% of income	Income threshold (pa)
£400	25.0%	£19,200
£600	29.2%	£24,686
£800	32.5%	£29,538
£1,000	35.2%	£34,065
£1,200	37.5%	£38,400
£1,400	39.4%	£42,615
£1,467	40.0%	£44,010

How Much should Affordable Home Ownership Homes Cost?

- 1.16 Whilst several types of household are likely to fall under the definition of affordable housing need (i.e. in the gap between renting and buying), the potential supply of housing to buy makes it difficult to fully quantify this need.
- 1.17 Where Affordable Housing comes forward as discounted market sale, it will be important for the Council to ensure that such homes are sold at a price that is genuinely affordable for the intended target group.
- 1.18 On this basis, it is worth discussing what sort of costs affordable home ownership properties should be sold for. The Annex 2 (NPPF) definitions suggest that such housing should be made available at a discount of at least 20% from Open Market Value (OMV).
- 1.19 The SHMA update aims to set out a series of affordable purchase costs for different sizes of accommodation. These are based on equivalising the private rent figures into a house price so that the sale price will meet the needs of all households in the gap between buying and renting. Setting higher prices would mean that such housing would not be available to many households for whom the Government is seeking to provide an 'affordable' option.

² SHMA Update 2019, page 27: https://spelthornelocalplan.info/wp-content/uploads/sby-local-media/Evidence_Base/Housing/HOU004-Spelthorne-Strategic-Housing-Market-Assessment-Update-Report-2019.pdf

1.20 The table below, derived from the SHMA Update 2019, therefore sets out a suggested purchase price for affordable home ownership in the borough. As noted, the figures are based on trying to roughly equate a sale price with an equivalent access point to the private rental market. This is because many households who would like to own a property but cannot afford to, are confined to private renting whereby their income allows for rental expenditure but they are unable to find a suitable property to purchase based on their income. Figures have been updated internally for 2022 to determine the approximate prices of affordable home ownership houses in Spelthorne³.

Table 5: Affordable home ownership prices (aligned with cost of accessing private rented sector) – data for year to September 2018

	1-bedroom	2-bedroom	3-bedroom	4+-bedroom
Spelthorne	£187,000	£235,000	£256,000	£331,000

Source: derived from VOA data

Table 6: Affordable home ownership prices (aligned with cost of accessing private rented sector) – data for year to September 2022

	1-bedroom	2-bedroom	3-bedroom	4+-bedroom
Spelthorne	£197,333	£245,333	£288,000	£341,333

Source: derived from VOA data

1.21 The SHMA update 2019 also advises that if the Council do seek some additional housing to be in the affordable home ownership sector, it is additionally recommended that they set up a register of people interested in these products (in a similar way to the current Housing Register). This will enable any properties to be 'allocated' to households whose circumstances best meet the property on offer. This will be further considered once the Local Plan is adopted to determine if this is necessary to assist in meeting the needs of those requiring affordable home ownership products.

³ Monthly rent annualised (*12) then assumed that this represents 40% of household income (*4). Mortgage given on the basis of 4 times household income (*4) with an assumed 10% deposit raised separately (/0.9).