

Associated document

The need for affordable rental accommodation

Over the period of the NDP, the pressure for affordable rental properties will increase. It is also likely that demand will strengthen for family homes compared with the existing preference for one-bed accommodation.

These trends are borne out by [statistics](#) showing that over the next fifteen years, house building will not meet [demand](#), mortgage availability will harden and population growth will sustain the need to house more people with children. All this places greater emphasis on the public rental sector, leading to demand exceeding supply and to rental prices rising. Therefore, notwithstanding the need to accommodate older single people and couples, the provision of truly affordable rental accommodation with more than one bedroom is going to be more and more important.

The evidence

According to the ONS, UK population was 62.2 million as of mid-2010. Their projection is for a growth to 67.2 million by mid-2020. [Market Oracle](#) forecasts a total of 70.5 million by 2030. The ONS projection is 73.2 million by 2035.

It is generally accepted that not enough new homes are being built to meet growing need. Recent [housing projections](#) indicated that 220,000 additional households will be needed each year up to 2022. This exceeds the number of homes built recently by a considerable margin.

According to the Economist (18 July 2015), 150,000 new homes were built in Britain during 2014. Of these, 37,000 were classed as affordable homes or 24.6% of the total.

[Nathaniel Litchfield & Partners](#) suggest that only one million new homes can be built on available brown field sites and that three million homes are needed over the next 15 years.

"As we look forward, tighter mortgage regulation is likely to restrict people's ability to get on and trade up the housing ladder, capping transaction levels across the country and underpinning rental demand. In this respect there is evidence that the mortgage market review has caused mortgage approvals to plateau.

"In addition, as interest rates rise over the medium term so the costs of ownership relative to renting are likely to rise, further underpinning demand for renting.

"In light of the above we are forecasting that the number of households in the private rented sector will rise by 1.2 million over the next five years, with more than half of that growth occurring in households over the age of 35. This is likely to increase demand for family housing in the sector as much as for smaller properties" ([Savills July 2015](#)).

This is despite the [apparent availability](#) of 420,000 plots with planning permission across the country.

By 2025 more than half of those under 40 will be living in properties owned by private landlords ([PwC July 2015](#)).

[Demand for UK rental property](#) has soared, with seven tenants now chasing every new property on the market, according to The Daily Telegraph on 1st September 2014. The average UK tenant outside London paid £697 per month in rent in July compared with £670 a year ago, while rents in London increased by 6% to £1,515.

The rent increases are also well above average wage growth, putting more pressure on Britain's hard-pressed households. According to the Office for [National Statistics](#), total pay including bonuses contracted by 0.2% in the three months to June 2014 compared with a year earlier, while regular pay climbed by just 0.6%.

Around 19 per cent of the English population lives in rural areas. House prices are significantly higher than the national average while rural wages are significantly lower. According to Action with Communities in Rural England (ACRE) Rural Evidence project (November 2013), median house prices as a ratio of median incomes in Mevagissey is 22.7 compared to 15.7 across England.

[Joseph Rowntree Foundation](#) 2004 highlighted the issue of young working people (aged 20-39) being able to afford a home. According to the [Halifax Building Society](#), rural house prices have risen 35% faster in the countryside than in urban areas over the last decade. The average rural house price is now £30,000 higher than its urban equivalent.

Recent figures confirm continued large price rises in the region which those on average incomes cannot afford.

The Land Registry's trusted Market Trend Data for September 2015 calculated the monthly rise to August in the South West at 1.1% and an annual rise of 5.4%, to leave the average home worth [£194,088](#).

Affording a house in Cornwall

Statistics produced by [Eurostat](#) (May 2014) - the EU's equivalent of the Office of National Statistics - show average wages in the Duchy now stand at £14,300 a year. Cornwall is the UK's poorest region - and is now less wealthy than Poland, Lithuania and Hungary.

After a 20% discount was applied, an average Cornish house would cost £155,270. A 5% deposit (government help to buy scheme) would require savings of £7,763.52, equivalent to 54% of the average wage. Without further savings being available, a mortgage would need to be provided at 20 times annual income.

A 20% discount on market value provides no real reflection of affordability which can only be measured in terms of what a person can actually afford.

Therefore most Cornish people in housing need would not be able to purchase their home and would need to access rental property.

The way forward

Financial routes will need to be found to enable new homes to be built and made available for rent at prices that can be afforded in areas where incomes/savings are low and house values are high. Community and self-build initiatives, Community Land Trusts (CLT), Communitybuilders Fund, socially active builders, mortgage lenders and other suitable routes should be explored to achieve this. CLT and Housing Associations in such consortia need to accept that they will carry the capital cost for making homes available to rent rather than to buy.

Concluding quotation from Alison Inman, Vice-President of the Chartered Institute of Housing:

“ Politicians’ persistent claim that people want to buy their own home is ‘wearing a bit thin’...”That may be true but there will always be a good third of the population who cannot access a mortgage”. “There is nothing wrong with renting: we need to persuade the new minister that Social Housing saves money and helps build strong communities”.