



Affordability Study

Identifying places with greatest housing need

Executive Summary



**Thriving
Investments**

Powered by Places for People

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Our Vision



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At Thriving Investments, we believe our investments hold more than monetary value – they can also improve lives. Creating a tangible link between investor expectations and the need for affordable housing, we bridge the gap between economic growth and social value through the investments, developments and communities we actively fund.

A key part of our vision is to provide homes across all tenures with a strong focus on providing good quality homes across the UK for those on (or below) median incomes. We are all aware that more housing is needed across the board, but we wanted to look at where we could get the most impact by creating housing specifically for the keyworker demographic as we believe that is an under-served demographic – the ‘squeezed middle’ as it is often called. Traditionally that has been to look at rent versus income but there are more factors to consider – whether alternatives are available for example affordability of for-sale homes or social housing and how markets have been changing over time.

Together with Dataloft by PriceHubble, we narrowed the criteria to 8 components and then ranked the local authorities as to where the affordability issues were most acute. The research does not go into the viability of development and opportunities for housing in those areas: we hope that many new sites will come forward and that this research can highlight priority areas.

We intend to revisit this research regularly to see what impact new affordable housing delivery has on the ranking of local authorities.

Our overall goal is to tackle the social issues of the day while providing strong financial returns alongside positive social impact.

Key Insights



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Multi dimensional affordability analysis: this unique research from Thriving Investments and Dataloft by PriceHubble, assessed the extent of the affordability problem and housing stress in 283 Local Authorities (LAs) using 28 metrics grouped into 8 broad themes.

Local insight is important: headline affordability is typically used as shorthand for housing stress - measured as the proportion of earnings it takes to pay rent. This is a critical metric but there are ways to dig deeper behind the headline to help reveal places that are often overlooked. For instance, we analysed affordability by income band (keyworkers) and the often-growing distance between home and work. Plus, the research took account of other signals such as the length of housing waiting lists.

Biggest mis-match not just London and South East: these regions dominate on many of the measures analysed but it would be wrong to conclude that affordability issues stopped there. This analysis showed that the areas under most pressure on the combined affordability measures stretched beyond London and the commuter belt, along the M40 corridor towards Northampton and key urban areas like Bath, Bristol and Birmingham.

Key workers are under pressure in high and low value markets: it is not surprising to find that key workers are under affordability pressure in London. It is perhaps less well recognised that across all local authorities outside London and the South East, just over a quarter of key workers pay more than 30% of their monthly earnings on rent.

Cyclical and structural influences at play here: recent market conditions (higher interest rates) have added to pressure on rental demand with more people renting for longer and constrained new supply.

Affordable need exists in small as well as large scale markets: the scale of need is weighted heavily towards dense urban markets (and London in particular), simply due to the size of the rental markets in these locations but this doesn't mean that the scale of need elsewhere is not significant.

Affordability study: 8 themes

1. **Scale of demand:** these metrics highlight dense urban areas with significant numbers of people, jobs and renters. The sheer scale of demand in these locations will put pressure on rents. Top ranked here are key cities (Birmingham, Manchester, Glasgow and Liverpool) and London boroughs (Tower Hamlets, Southwark and Lambeth).
2. **Rental pressure:** metrics used here (rental growth, population growth, low housing supply) are indicative of mounting rental pressure and showed a different affordability pattern with less dominance from London and the South East. In South Wales, particularly Cardiff and Newport, and on the periphery of core cities like Birmingham and Manchester, rental pressure is caused by a failure to align sufficient net additions to stock with population growth, resulting often in higher levels of rental growth.
3. **Theoretical renter affordability:** this looks at the proportion of the rental market accessible to lower and median earners. Noting that affordability can constrain would be renters from even entering the rental market (perhaps staying at the family home for longer). On this measure, besides the strong presence of London and South East; Nottingham, Bath, Manchester and York also fared poorly with a low proportion of stock accessible to low-earners.
4. **Sales affordability:** this metric highlighted the commuter belt around London as unaffordable, but this stretches all the way to the south coast as well as out to Oxford and beyond to the Cotswolds.

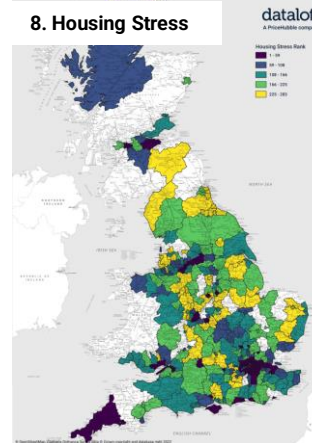
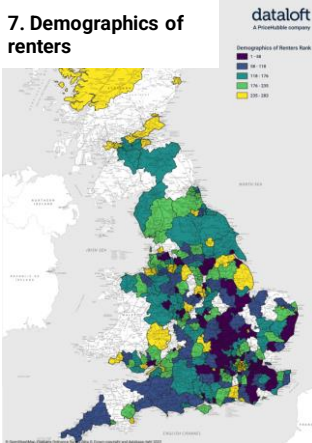
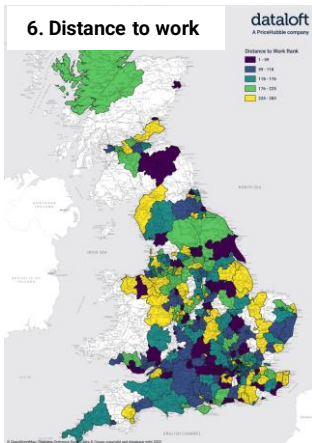
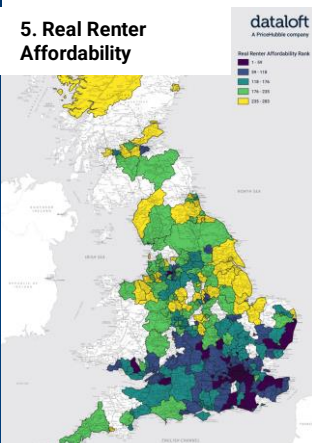
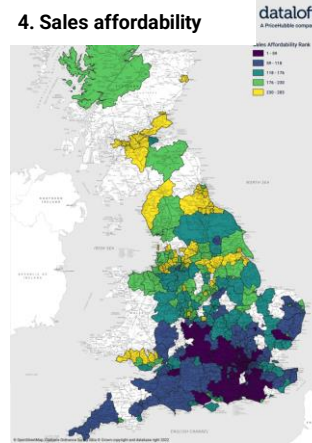
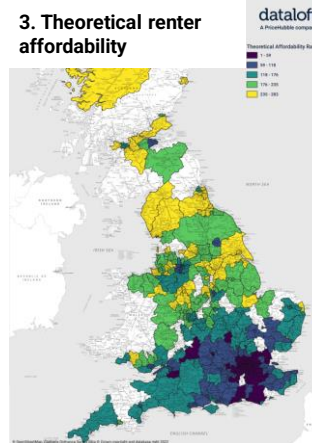
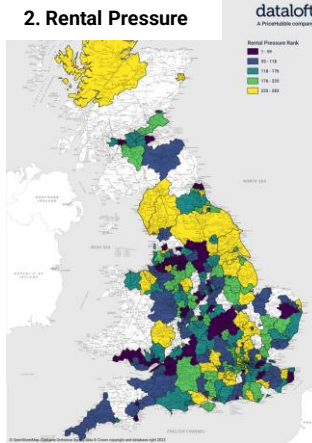
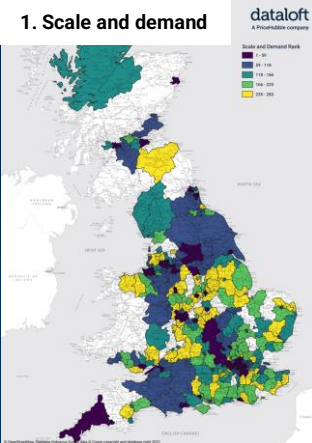
Affordability study: 8 themes

5. **Real renter affordability:** the research identified places where a disproportionate number of key workers spend over 30% of their income on rent (30% is a widely used affordability benchmark): these were mostly London and the South East but also Manchester, York and parts of Suffolk.
6. **Distance to work:** for many key workers being close to their place of work is critical (perhaps working shift patterns or at hours when public transport isn't available). The research found evidence of key workers renting further from their workplace in places ranging from Bath to York and Reading to Hastings compared with 5 years ago.
7. **Demographics of renters:** this analysed average age, proportion of families and household size. It found a growing need for family rental accommodation. The average age of a key worker renter was 31 years and 30% of renter households were families. Renters are living for longer in the rental sector. This indicator flagged an arc from Reading, via Northampton, to the Wash.
8. **Housing stress:** other signals of the affordability crisis include the growing housing lists and number of households in temporary accommodation (a large proportion of these with children). These metrics highlighted a corridor from east London to the coast, with housing stress greatest in Lambeth and Newham. Luton (3rd) is the only LA outside of London to feature in the Top 15.

8 Themes: The Rankings

The maps highlight the overall rankings for each theme assessed. Ranked from 1 as most unaffordable and most rental pressure through to 283 more affordable and less rental pressure.

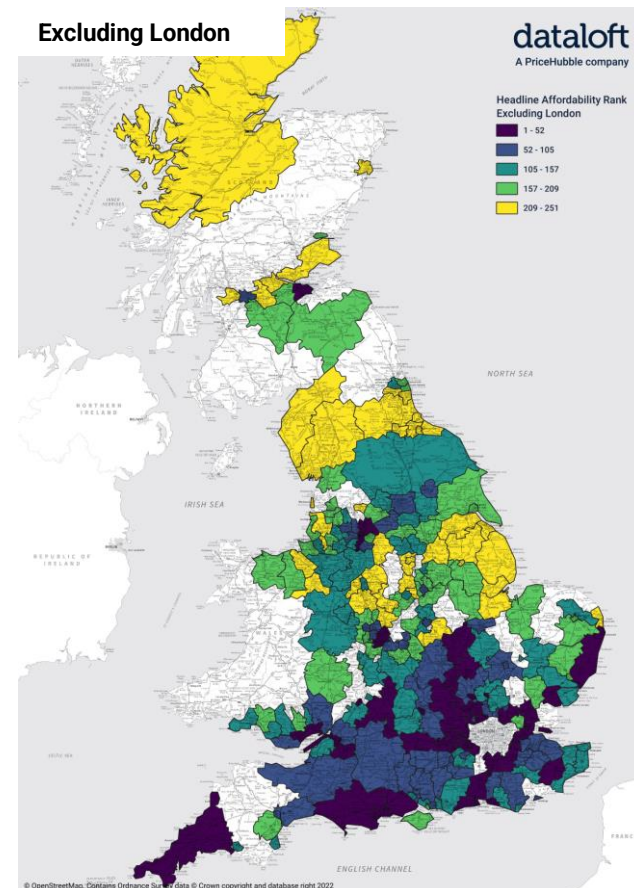
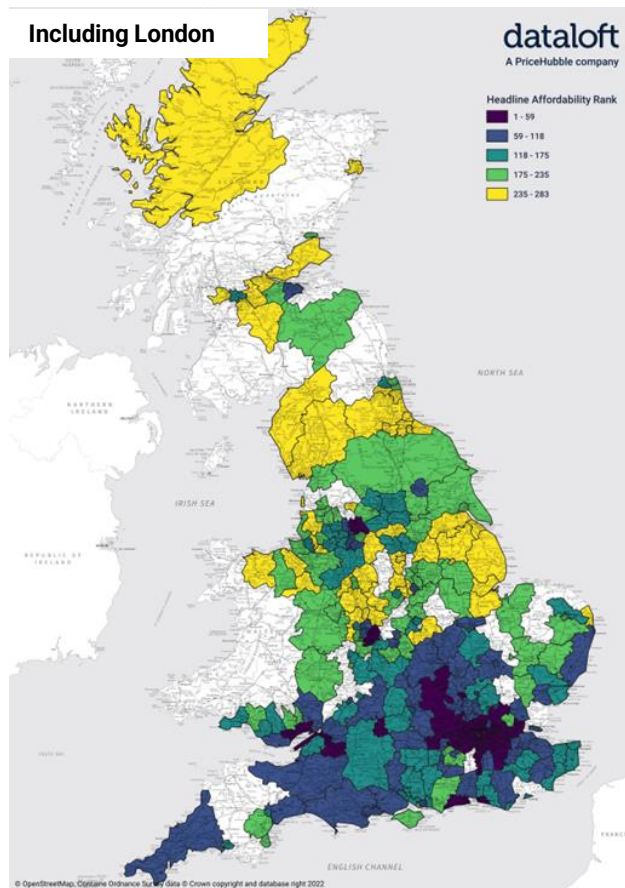
The maps summarise these into five bands. The most unaffordable in dark blue through to the more affordable in yellow.



Combined Rankings

These combined rankings are equally weighted across the eight themes of the affordability research and highlight that hotspots of acute housing need are scattered throughout the UK.

The maps summarise these into five bands. The most unaffordable in dark blue through to the more affordable in yellow.



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