

# Housing Need and Local Affordability Analysis

*March 2018*



Headline Information .....	2
1. Overview of the borough.....	3
2. Demographics .....	3
3. Local housing stock .....	4
4. The national housing affordability crisis.....	5
5. What is affordable housing? .....	6
6. Affordability in Waverley.....	7
7. Housing Need in Waverley .....	11

## Headline Information



A family seeking to buy an average home in Waverley would now require an income of over £113,000 to afford the mortgage, making home ownership unavailable for many.



Work is no guarantee that local people will be able to pay all their housing costs.  
28% of Waverley's housing benefit claimants are in work.

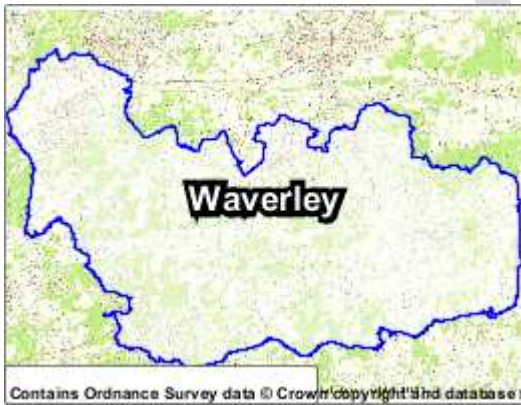


The cost of renting privately is becoming less affordable with average monthly rents now standing at £1,050 in Waverley. This means local people spend 42% of their income on rent.

## 1. Overview of the borough

Waverley is an affluent borough in the South West corner of Surrey, with high demand for housing, high house prices and above average incomes.

The borough covers 133 square miles and is predominantly rural, with most residents living in four main urban settlements, surrounded by villages set amongst the countryside and attractive natural landscape. Nearly three quarters of Waverley's population lives within one of the four largest settlements: Farnham 39,000, Godalming 22,000, Haslemere 17,000 and Cranleigh 11,000.



61% of the land in Waverley is designated as Green Belt. In addition to this 92% of the land in Waverley borough is rural. Much of the borough's countryside is designated as an Area of Outstanding Natural Beauty (AONB), nature reserve and/or Area of Great Landscape Value (AGLV).

Waverley is a prosperous area with low unemployment at 2.9%<sup>1</sup> when compared to the national average of 5.1%. The population is highly qualified and 43% of

<sup>1</sup> ONS, NOMIS model based estimates

those in employment commute outside the area to work, many to access higher paying jobs in London. A significant number of workers from outside the borough also commute into Waverley.

Ranked as one of the least deprived areas in Britain<sup>2</sup>, Waverley's residents enjoy an above average life expectancy and there are low levels of crime. However, both urban and rural areas of the borough are deprived in terms of barriers to housing due to lack of affordability. There are pockets of relative deprivation which remain a challenge in Waverley<sup>3</sup>. Some of the borough's rural villages lack services including public transport, supermarkets, schools and healthcare.

## 2. Demographics

The population in Waverley is over 123,300. Current estimates suggest this will increase by around 5% during the lifetime of this strategy<sup>4</sup>.

There is less ethnic diversity in Waverley than across Surrey as a whole. 95% of Waverley residents described themselves as white in the 2011 Census. This compares to the Surrey average of 90% and England average of 85%<sup>5</sup>.

A key driver of change in the housing market over the next 20-25 years is expected to be the growth in the population of older people. 19.5% of Waverley's population is over 65 and this is set to increase<sup>6</sup>, having implications for residents' independence, housing, care

<sup>2</sup> Index of Multiple Deprivation 2015

<sup>3</sup> Index of Multiple Deprivation 2015

<sup>4</sup> [ONS Population estimates 2015](#)

<sup>5</sup> 2011 Census data

<sup>6</sup> [2011 Census data: table PP01UK](#)

services and community safety. In particular, the demand for extra care and specialist dementia care accommodation is expected to significantly increase in the coming decades<sup>7</sup>. The proportion of very elderly (85yrs+) residents in Waverley is the highest in Surrey<sup>8</sup>. Planning for the right type of housing and care for this age group is a significant challenge for the housing and planning authorities, social care and health partners working together to address this need.

21.3% of households in Waverley contain someone with a long term health problem or disability<sup>9</sup>, a higher proportion than for the other Surrey authorities. We know that there are over 900 people with learning disabilities or autism living in residential homes in Surrey, however, the Adult Social Care Commissioning team has identified the need for more independent or individualised accommodation for some of these households. It will be necessary to plan to meet some of this need in Waverley. In addition, many young adults with learning disabilities who live with their parents will require suitable alternative accommodation when their ageing parents are no longer able to care for them.<sup>10</sup>

### 3. Local housing stock

There are currently 52,734 homes in Waverley<sup>11</sup>. The majority of residents own their homes and a significant number live in rented homes<sup>12</sup>. The breakdown of different housing types is shown in Figure 1.

The housing stock is largely made up of detached and semi-detached housing with fewer smaller terraced homes or flats.

Waverley has the highest proportion of detached housing in the housing market area<sup>13</sup> at over 41%. Nearly 31% of homes in Waverley have 4 or more bedrooms (see Figure 2.) The majority of homes in Waverley are currently under-occupied (76.7%), having more than one extra bedroom than required. Many older households will remain in their current homes but some may wish to downsize or will require specialist housing or support, for example because of dementia or mobility problems. 2.5% of Waverley households are overcrowded. Older households downsizing releases homes for families with children.

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<sup>7</sup> See also section 7c.

<sup>8</sup> 2011 Census data

<sup>9</sup> 2011 Census data

<sup>10</sup> [Surrey JSNA 2017](#)

<sup>11</sup> Information supplied by WBC council tax department

<sup>12</sup> Tenure information from 2011 census data

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<sup>13</sup> The HMA covers Waverley, Guildford and Woking local authority areas.

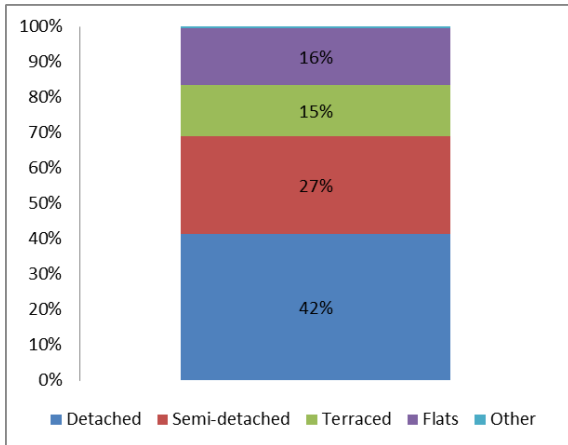


Figure 1: Profile of stock, by type<sup>14</sup>

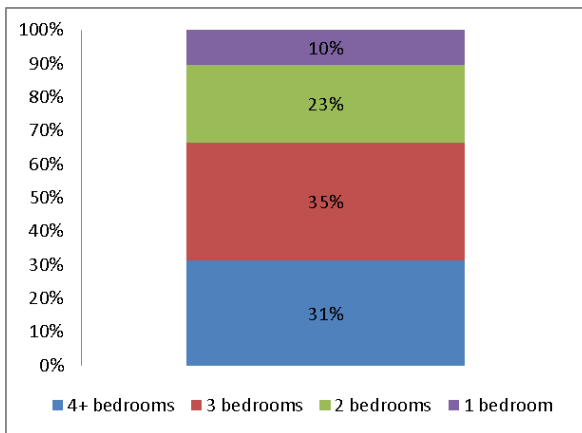
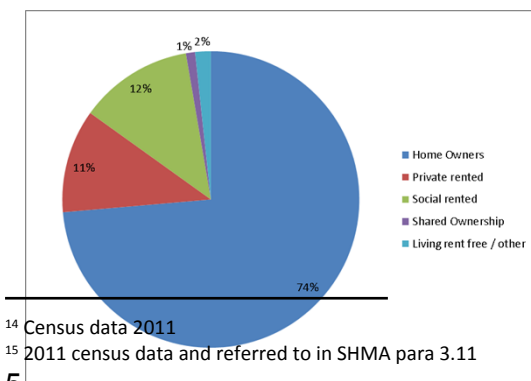


Figure 2: Profile of stock by number of bedrooms<sup>15</sup>

Unoccupied empty or second homes are an issue in Waverley with 4.5% of homes in the borough having no permanent residents. Home ownership is the dominant tenure in Waverley (73.7%), with 11.3% of residents renting privately and 12.4% living in social rented housing. The remaining 2.7% residents live rent free or in shared ownership accommodation (see Figure 3).



<sup>14</sup> Census data 2011

<sup>15</sup> 2011 census data and referred to in SHMA para 3.11

Figure 3: Tenure in Waverley (Census, 2011)

#### 4. The national housing affordability crisis

A significant number of households in England cannot afford market housing without support.

The average annual full-time earnings of people working in the lowest-paid occupations range from £17,665 to £18,462 in care, leisure and other service occupations. This is about £10,000 less than the national full-time median of £28,213.

People in lower-paid occupations are particularly affected by the affordability crisis, having seen housing costs moving further out of reach of their earnings than for any other occupational group. As access to home ownership in the South East of England becomes increasingly dependent on access to family or inherited wealth, so the gap between those able and those unable to draw on such resources widen (see Figure 4.)

The pressure is particularly keenly felt in areas of high housing costs like Waverley, presenting a barrier both to private renting and to home ownership for low income households.

The three occupational groups with the lowest median earnings (caring and leisure; sales and service; elementary occupations) are required to spend high proportions of their earnings on rent payments across all nine English regions. The typical (median) rent of a worker in all three occupational groups takes up 40% or more of their earnings in the majority of local authorities in London and the South East (see Figure 5.)

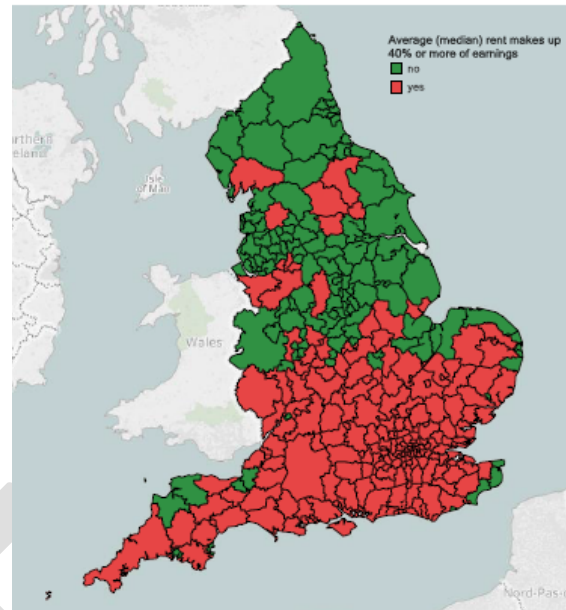


Figure 5: Local Authorities where the median rent takes up 40% or more of the earnings of workers in the care, leisure and other service occupations <sup>17</sup>

	Earnings to house price ratio in South East England
Managers, directors and senior officials	6.6
Professional Occupations	7.4
Associate professional and technical occupations	8.7
Skilled trades occupations	10.4
Process, plant and machine operatives	11.3
Administrative and secretarial occupations	12.8
Elementary occupations	14.8
Sales and customer services	15.6
Caring, leisure and other service occupations	16.1

Figure 4: Earnings to house price ratios in South East England <sup>16</sup> National Housing Federation research

Privately renting is often the only option available to those with median or below median incomes, however, certain parts of the private rented sector are badly managed and poor quality. Few private landlords offer long term security for families<sup>18</sup>.

In recognition of the severity of the national affordability crisis, the government announced a £125 million increase in the targeted affordability funding available to assist in high rent pressure areas in the November 2017 Budget.

## 5. What is affordable housing?

The government defines affordable housing as “social rented, affordable rented and intermediate housing provided to specified eligible households whose

<sup>17</sup> Figure 10, [NHF](#), 2017

<sup>18</sup> [Resolution foundation home truths](#)

needs are not met by the market<sup>19</sup>. When the housing is built, it is safeguarded as affordable housing in perpetuity by a legal agreement to ensure that upon re-let or re-sale, it is again made available to eligible households in housing need.<sup>20</sup>

In Waverley, the main affordable tenures are social rent (around 55-60% of market rent), affordable rent (around 80% of market rent) and shared ownership, also known as part-rent, part-buy.

There are currently 6424 affordable homes in Waverley<sup>21</sup>. These include social rented, affordable rented and shared ownership homes owned by the council and housing associations.

The different affordable tenures meet a range of housing needs across the broad spectrum of households who cannot access market housing. However, as

	Waverley Workplace	Waverley Resident
Median income	£22,797	£29,770
Lower quartile income	£11,991	£17,368

discussed below, for many households in Waverley, social rented housing remains the only genuinely affordable tenure.

## 6. Affordability in Waverley

The borough has high levels of economic activity and is one of the least deprived areas in England. The attractiveness of the borough is reflected in its house prices which are among the highest in Surrey.

It is vital to Waverley's prosperity that it continues to deliver high quality health,

<sup>19</sup> National Planning Policy Framework

<sup>20</sup> Exceptions such as the Right to Buy and shared ownership staircasing apply.

<sup>21</sup> 2017 RP stock data and 2017 WBC stock data.

educational, care and security services, yet high property prices in Waverley are pricing out essential workers such as teachers and care workers. As a result, some employers are finding it difficult to recruit and retain staff<sup>22</sup>. In particular, attracting enough care workers to care for Waverley's ageing population is becoming a pressing issue.

Making affordable housing options available to low and middle income workers benefits the local economy by ensuring the continued provision of key services and reducing staff turnover in these services. Workers are then able to put down roots in the area, becoming an integrated part of the community they serve and at the same time reducing pressure on local transport infrastructure.

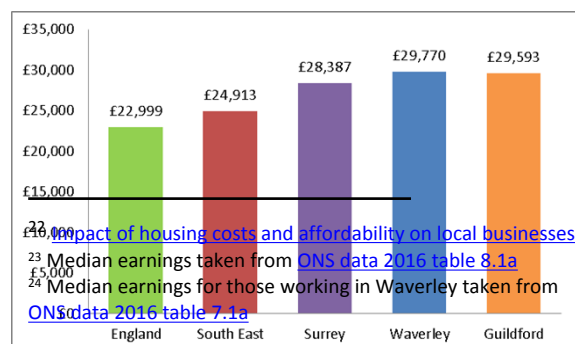
### a. Incomes in Waverley

The average median annual earnings of those living in Waverley in 2016 was £29,770<sup>23</sup>, compared to £22,797 for those working in Waverley but commuting in from outside the borough<sup>24</sup> (see Figure 6).

Those living in the borough and working elsewhere are often London commuters with higher salaries (see Figure 7).

Figure 7: Median salaries by area (2016)

Figure 6: Comparison of incomes in Waverley (2016)



<sup>22</sup> Impact of housing costs and affordability on local businesses

<sup>23</sup> Median earnings taken from ONS data 2016 table 8.1a

<sup>24</sup> Median earnings for those working in Waverley taken from ONS data 2016 table 7.1a

Household formation rates for 25-34 year olds have reduced significantly since 2001<sup>25</sup>. Younger families in Waverley are often unable to move out of their parents' homes or shared accommodation.

### b. Affordability of home ownership in Waverley

Waverley is one of the most expensive places in Surrey to buy a home. In 2016, house prices in Waverley were 78% above the average for England and well above the average for the South East (see Figure 8).

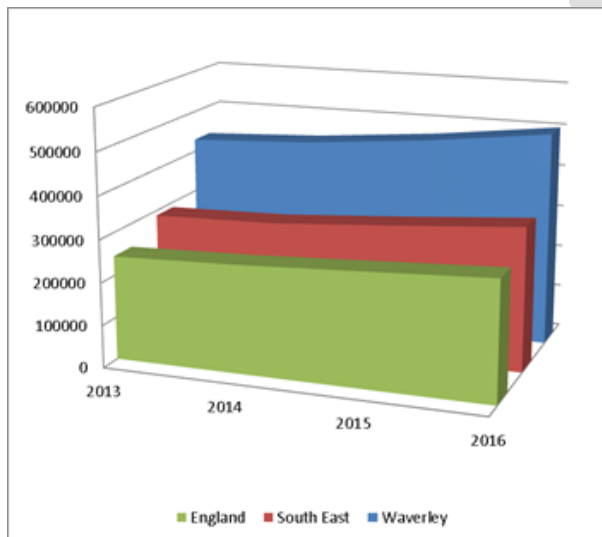


Figure 8: Average house prices in Waverley

An average home in Waverley costs £503,125<sup>26</sup> (see Figure 9.)

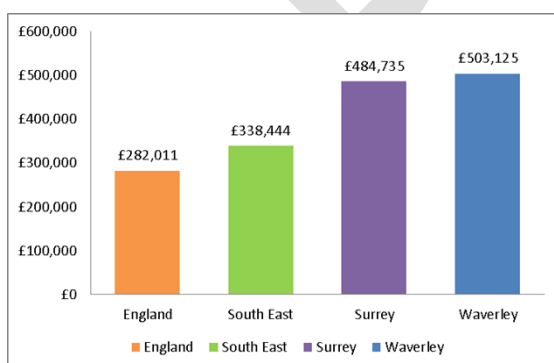


Figure 9: Average (mean) house prices 2016<sup>27</sup>

<sup>25</sup>RTPI 2014 Planning for Housing in England

<sup>26</sup> Office for National Statistics (ONS), small area statistics

Homes in Waverley's rural villages are particularly expensive. Typically, rural house prices are 26% higher than urban areas, whilst annual earnings in rural areas are on average £7,200 lower<sup>28</sup>.

Newly forming households require substantial deposits and salaries to purchase on the open market in Waverley. Using the above figures, an income of £113,203 is required for a 90% mortgage on an average property (see Figure 10)

Total cost	£503,125
Deposit required	£50,312
Mortgage per month	£2148
Income required	£113,203
Based on a 90% mortgage, 3% interest rate and lending at 4 x income.	

Figure 10: Average housing costs in Waverley

Lower quartile prices give an indication of what it would cost a family in Waverley to buy their first home (see Figure 11.)

Lower Quartile house Purchase <sup>29</sup>	Total	Deposit	Mortgage per month <sup>30</sup>
Lower Quartile Flat	£191,000	£19,100	£815
Lower Quartile terrace	£288,000	£28,800	£1,230
Lower Quartile	£360,000	£36,600	£1,534

<sup>27</sup> Office for National Statistics (ONS), price paid data

<sup>28</sup> [Office for National Statistics, Annual Survey of Hours and Earnings 2014](#)

<sup>29</sup> [ONS dataset](#)

<sup>30</sup> Using mortgage calculator available on the Money Advice Service ([www.moneyadviceservice.org.uk](http://www.moneyadviceservice.org.uk)).



semi - detached			
Lower quartile detached	£518,500	£51,850	£2,213

Figure 11: cost of purchasing a home in Waverley

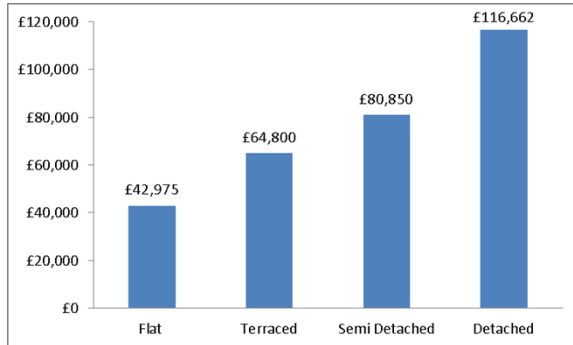


Figure 12: Income required to purchase a lower quartile home in Waverley (based on 90% mortgage)

Even those households with above-average incomes in Waverley find their access to homeownership severely restricted, with a household income of over £80,000 and deposit of over £36,000 required to purchase a lower quartile semi-detached home (see Figure 12)

### c. Affordability of shared ownership in Waverley

Shared ownership provides an opportunity for people who cannot afford open market housing to access the housing ladder. Shared ownership purchasers buy a share of the equity in the property, increasing their share over time if they can afford to do so (known as 'stair-casing'). Rent is payable on the equity retained by the council or housing association.

The equity share for sale varies from 25%-75%. However, even a 25% share plus rent can be too expensive for people on medium and low incomes.

A household is considered able to afford to buy a home if it costs 3.5 times the gross household income for a single

9

Housing Need and Affordability Analysis

Annexe 1 to Draft Housing Strategy

earner household, or three times the household income for dual income households<sup>31</sup>.

Figure 13 and 14 are based on shared ownership properties currently for sale in Surrey:

Typical shared ownership property example: 1 bedroom flat 25% share <sup>32</sup>	
Total	£205,000
Mortgage	£48,688
Deposit	£2,563
Monthly mortgage cost (at 3% interest)	£231
Rent & service charge	£429
Total monthly cost	£660
Minimum income	£26,000

Figure 13: 1 bed shared ownership affordability

Typical shared ownership property example: 2 bedroom flat 25% share <sup>33</sup>	
Total	£285,000
Mortgage	£67,688
Deposit	£3,563
Monthly mortgage cost (at 3% interest)	£338
Rent & service charge	£580
Total monthly cost	£918
Minimum income	£35,000

Figure 14: 2 bed shared ownership affordability

Based on these examples and the median salary in Waverley of £29,770, shared ownership offers a viable option for some residents, subject to them being able to secure a mortgage and having the necessary deposit. However, larger shared ownership houses suitable for families command significantly higher values and may be beyond the reach of local families in housing need.

<sup>31</sup> Cambridge Centre for Housing and Planning Research 2009

<sup>32</sup> Based on a [1 bedroom shared ownership flat in Surrey](#).

<sup>33</sup> Based on a [2 bedroom shared ownership flat in Surrey](#).

## d. Affordability of private renting in Waverley

Work is no guarantee that people can afford the cost of renting. 21% of Waverley's housing benefit claimants are in employment<sup>34</sup> (see Figure 15). A comparison of income and rents shows that 42% of gross income goes on rent in Waverley<sup>35</sup>.

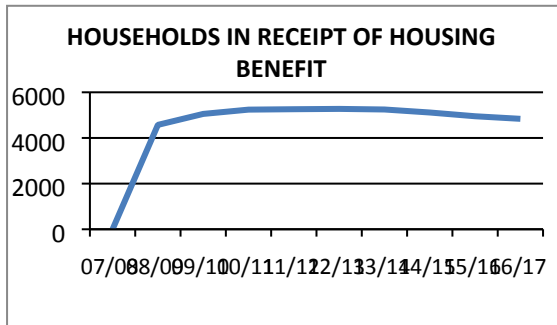


Figure 15: Households in receipt of housing benefit

The median monthly private sector rent in Waverley 2015/16 was £1,050<sup>36</sup> (see Figure 16).

	Private rent £pcm	LHA <sup>37 38</sup> p cm	SHORTFALL pcm
1 BED	£790	£739.57	£50.43
2 BED	£1,050	966.16	£83.84
3 BED	£1350	£1,161.46	£188.54
4 BED	£2250	£1,495.41	£754.59

Figure 16: Private sector renting compared to maximum housing benefit (LHA)

The shortfall is the amount of money a family would have to find per calendar

<sup>34</sup> 1038 households contain 1 or more adults in employment out of 4830 households in receipt of housing benefit, 2017

<sup>35</sup> £29,614,522 HB expenditure 2016-17

<sup>36</sup> Valuation Office Agency: Private rental market summary statistics – October 2015-September 2016

<sup>37</sup> Valuation Office Agency: Private rental market summary statistics – October 2015-September 2016

<sup>38</sup> There are 3 different LHA rates in Waverley. I have used the one that covers the majority of Waverley Borough in this table.

month (on average) from their personal income after any assistance from housing benefit has been paid.

## e. Affordable rent and social rent

Historically the guide to what is affordable rent has been 35% of a household's net income<sup>39</sup>. The government introduced the 'affordable rent' tenure (80% of market rent) in 2011, meaning that new development requires less grant. Whilst the new tenure falls within the government definition of affordable housing, it means some households could spend over £14,000pa on an affordable rented property in Waverley. The average social rent is around £8,000 per annum. For households on very low incomes in Waverley, the only genuinely affordable tenure is social rent.

Affordable rented homes and social rented homes are allocated to eligible households on Waverley Borough Council's Housing Register. Households with a gross annual income of over £60,000 or savings/ assets in excess of £30,000 are not eligible to join the Housing Register. However, a larger family with an income of £60,000 may struggle to buy or to privately rent a property to meet their needs in Waverley. These families may look to shared ownership, for which households with an income of up to £80,000 are eligible.

## 7. Housing Need in Waverley

### a. The Housing Register and Help to Buy Register

<sup>39</sup> <http://blog.shelter.org.uk/2015/08/what-is-affordable-housing/>

There were 1500 households on Waverley’s housing waiting list (the Housing Register) as at 1 April 2017. In total, 274 households secured affordable rented accommodation in 2016/17 through the Housing Register.

The households who secured affordable rented accommodation in 2016/17 waited over 4 years on average before being offered affordable accommodation. Those requiring a 3 bedroom property waited the longest, over 5 years on average<sup>40</sup>.

255 households living or working in Waverley are currently waiting for a shared ownership home in the Help to Buy Register.

**b. Homelessness prevention**

Waverley’s Housing Options team received contact from over 879 households regarding homelessness last year. On average, 574 households are prevented from becoming homeless by Waverley’s Housing Options team each year<sup>41</sup> and 530 new applications to the Housing Register are processed.

**c. The Strategic Housing Market Assessment (SHMA) 2015**

The SHMA<sup>42</sup> is an assessment of current and future housing need in the borough based on current statistics and projections. The latest SHMA was produced in 2015, covering the West Surrey housing market area shared by Waverley, Woking and Guildford councils. The SHMA informs the calculation of the number of new houses needed for the lifetime of the Waverley Local Plan.

<sup>40</sup> [Waiting Days by Band and Beds 2013 to 2017.pdf](#)

<sup>41</sup> Housing Options data

<sup>42</sup> [Strategic Housing Market Assessment 2015](#)

**Hidden households**

The SHMA estimates that there are 374 ‘concealed households’ in Waverley. These are households within a household and are often young families living with parents and unable to form a household of their own due to high housing costs. 73% of these concealed households cited unaffordability of housing as the reason for their housing situation.

**Projected growth and future housing need**

Waverley’s Local Plan which was adopted on 20.02.18 requires the number of new homes that should be built each year in Waverley should be 590.

**Housing for older people in Waverley**

Within Waverley it is expected that a growing older population will result in an increase in the number of people with dementia by around 1,800 from 2013-31, and growth in the number of persons with mobility problems of over 3,500.<sup>43</sup>

Some older households will require specialist housing. The SHMA identifies a need for over 3,950 additional specialist units of housing for older people across the housing market area from 2013-2033, including sheltered and extra care homes, with 1,700 of those required in Waverley (see Figure 17).

2013-33	Market	Affordable	Total
Guildford	1,136	198	1,334
Waverley	1,442	260	1,703
Woking	962	-44	918
HMA	3,540	414	3995

Figure 17: Need for specialist housing for older people, 2013-33

<sup>43</sup> West Surrey SHMA 2015

In addition, the SHMA indicates a need for 1,031 bed spaces in care homes (396 in Waverley). This does not form part of the household population; it is therefore additional to the need identified for housing above.

### **Suggested future housing mix for Waverley**

The SHMA recommends the best mix of housing to meet future need across the West Surrey Housing Market Area (see Figure 18 and 19).

	<b>1 bedroom</b>	<b>2 bedroom</b>	<b>3 bedroom</b>	<b>4+ bedrooms</b>
<b>Market</b>	<b>10%</b>	<b>30%</b>	<b>40%</b>	<b>20%</b>
<b>Affordable</b>	<b>40%</b>	<b>30%</b>	<b>25%</b>	<b>5%</b>

Figure 18: Need for different sizes of homes across the West Surrey housing market area

	<b>Intermediate</b>	<b>Social / Affordable Rent</b>
Guildford	29%	71%
Waverley	32%	68%
Woking	26%	74%
West Surrey HMA	29%	71%

Figure 19: Mix of affordable housing tenures needed

The SHMA data is used alongside local evidence, including the Housing Register, Help to Buy Register and rural housing needs surveys, when planning the mix of affordable housing required on new developments at planning application stage.