



To: Executive Councillor for Housing: Councillor Kevin Price

Report by: Liz Bisset, Director of Customer & Community Services

Relevant scrutiny committee: Housing Scrutiny Committee 30/9/2014

Wards affected: Abbey Arbury Castle Cherry Hinton Coleridge East Chesterton King's Hedges Market Newnham Petersfield Queen Edith's Romsey Trumpington West Chesterton

INTERMEDIATE MARKET HOUSING

Key Decision

1. **Executive summary**

1.1 There is currently very high demand for housing in Cambridge and the surrounding area, and house prices and private rent levels are high.

1.2 As a result, there is a significant proportion of local people who do not receive priority for social housing for rent, but are also unable to afford to access good quality market housing. As house prices and rents continue to rise faster than incomes the issue is becoming more and more acute.

1.3 This report, together with Appendices 1, 2 and 3:

1.3.1 Provides data and information on demand for, and costs and affordability of, market and intermediate market housing in Cambridge;

1.3.2 Outlines the main models of intermediate housing available, including shared ownership, equity loans, intermediate rent and rent to buy, and some variations on those models;

1.3.3 Summarises the Council's current strategic approach to intermediate housing, and makes recommendations around priorities moving forward.

2. Recommendations

The Executive Councillor is recommended:

2.1 To endorse the need to address a range of intermediate housing needs amongst people who cannot afford to buy or rent good quality housing on the open market but who also do not have priority for social housing for rent.

2.2. To consider options for a social lettings agency to help meet the needs of the intermediate housing market in Cambridge, including consideration of future development of the sub-regional lettings agency Town Hall Lettings.

2.3 To prioritise exploring how different models of intermediate market housing for rent might be delivered through the Council's Affordable Housing Development programme.

2.4 That the extent to which provision of intermediate market housing is prioritised in the future is considered as part of the review of the Council's Housing Strategy due to take place during 2015.

3. Background

3.1 There is currently very high demand for housing in Cambridge and the surrounding area. House prices and private rents are high, and many people are unable to afford to buy or rent in the City.

3.2 This means that there is a significant proportion of local people who, although they do not receive priority for social housing for rent, are also unable to afford to access good quality market housing; a group sometimes referred to nationally as the 'inbetweens' or 'the squeezed middle'. This was a concern highlighted by respondents to consultation on the Council's Housing Strategy in 2012, and as house prices and rents continue to rise faster than incomes the issue is becoming more acute.

3.3 This report, together with Appendix 1 (Intermediate Housing Market Review); Appendix 2 (Data); and Appendix 3 (Town Hall Lettings and the Intermediate Market):

3.3.1 Provides data and information on demand for, and costs and affordability of, market and intermediate market housing in Cambridge;

3.3.2 Outlines the main models of intermediate housing currently available, including shared ownership, equity loans, intermediate rent and rent to buy.

It also explores some of the more experimental variations that providers have introduced nationally over the years;

3.3.3 Summarises the Council's current approach to intermediate housing, and makes recommendations around priorities moving forward;

3.4 What is Intermediate Housing?

3.4.1 The National Planning Policy Framework defines intermediate housing as a form of Affordable Housing provided to eligible households whose needs are not met by the market, with eligibility determined with regard to local incomes and local house prices. Intermediate housing comprises homes for sale and rent provided at a cost above social rent, but below market levels. It can include shared equity (shared ownership and equity loans), and other low cost homes for sale and intermediate rent. It does not include Affordable Rent housing, which can be let at up to 80% of market rents but which is subject to rent controls.

3.4.2 Applicants for intermediate housing must earn less than £60k per year.

3.5 The market for Intermediate Housing.

3.5.1 The following gives examples of available housing market information relevant to assessing the market for intermediate housing.

3.5.2 It also draws on some new draft research commissioned by the Council from the Cambridge Centre for Housing & Planning Research (CCHPR) to help to improve our understanding of the size of the intermediate housing market, and to help assess what might be considered affordable to different households within that market.

3.5.3 The average house price in the City currently stands at just under £387,000, with the lower quartile being around £240,000. The median house prices to earnings ratio is around 9.7, and that of lower quartile prices to lower quartile earnings is 14.7.

3.5.4 Median monthly market rents for all property sizes in the five postcode areas CB1 to CB5 (which also include some properties in South Cambridgeshire) range from £943 per calendar month (pcm) in CB4, to £1,129pcm in CB2, and rents are increasing.

3.5.5 Private rents in Cambridge, as well as being above Local Housing Allowance rates, are also well above the national average used to calculate the Living Wage.

3.5.6 Renting an average one bedroom home is affordable at 35% of average net income in most postcode areas, but all other property sizes are considered unaffordable. Renting and buying an average home of any size is unaffordable to those on median or lower quartile incomes.

3.5.7 Private rented housing tends to be occupied mainly by younger one person households, but nationally the proportion of couples with dependent children is increasing; 45% of households aged 25-34 in England are now renting privately and the proportion is increasing.

3.5.8 Demand for intermediate housing is strong in Cambridge, reflected by the number of people on the Homebuy (Help to Buy) register living and/or working in Cambridge, and by high demand experienced by providers.

3.5.9 Intermediate market purchasers in Cambridge were on incomes below the average for Cambridge over the three years to 2011/12. Applicants tend to have low levels of savings, or no savings at all.

3.5.10 Larger households – including those with more children – tend on average to have larger incomes.

3.5.11 The greatest theoretical demand for intermediate housing is for smaller homes, although there is also a reasonable potential demand for larger homes.

3.5.12 Intermediate rents are unlikely to be affordable to lower-earning single person households in Cambridge, but are likely to suit better paid single earners and couples.

3.5.13 Modelling by CCHPR suggests that a couple renting a one bedroom intermediate rent home would need to earn just over £20,000 each if their rent were to be no more than 25% of their net income, whereas a couple renting a two bedroom home would need to earn nearly £30,000 each.

3.5.13 To rent a one bedroom home at an intermediate rent may require a gross household income of between £17,500 and £41,500 depending on the value of the home and the percentage of income to be spent on housing costs. For a two bedroom intermediate rent home, a gross income of between £22,500 and £59,500 would be required.

3.5.14 An annual gross income of between £18,600 and £30,000 might be reasonable to purchase a shared ownership home, whereas an income of

between £24,300 and £43,700 would be required to purchase a 2 bedroom home.

3.5.15 The extent of demand from the growing number of older people is not clear, but research suggests that intermediate market housing could help to meet the needs of this group – eg for those who wish downsize, or to free up equity to pay off debts or pay for personal care. There is also limited information available on need or demand from people with disabilities.

3.5.16 Appendices 1 & 2 to this report give further detail on the housing market and the need and demand for intermediate housing.

3.6 Intermediate Housing Models

The main models are:

3.6.1 Shared ownership – where purchasers buy a share of a property on a leasehold basis, and pay rent on the remaining share. Additional shares can be bought over time (known as ‘staircasing’), with the option of purchasing the property outright.

3.6.2 Older People’s Shared ownership is a variation of the standard model, aimed at people aged 55 and over. Purchasers can buy up to a 75% share, after which they pay no rent on the remaining share. They are not permitted to purchase outright.

3.6.3 Home Ownership for People with Long Term Disabilities (HOLD) is another variation, enabling disabled people to buy a share of a home where properties available through the other government funded Help to Buy schemes do not meet their needs.

- Shared ownership can help people who want longer term housing security to get on the housing ladder, and can be cheaper than renting privately. Advantages to the provider include a capital receipt from the purchaser which can be used to cross-subsidise other development, plus rental income on the unsold share, and it can help to create more mixed and balanced communities. There are some down-sides however – eg there are fewer mortgage options than for outright purchase, there may be limited opportunities to move on as household circumstances change, and some will be unable to afford to staircase up.

3.6.4 Equity Loans - The buyer normally purchases a property outright with the help of an equity loan to cover part of the value, to reduce the percentage of the value requiring a mortgage. Loans may be provided by

the government, a housebuilder, lender and/or housing provider. Like shared ownership, an equity loan can help would-be home owners to buy, and can contribute towards more balanced communities. However, administering such schemes can be complex, and the provider receives no rental income.

3.6.5 Intermediate Rent – where properties are let at sub-market rents (separate from Affordable Rents).

3.6.6 Rent to Buy – a variation of intermediate rent. Tenants rent a home at a percentage of market rent for a fixed period, during which they are either expected – or have the opportunity to – save for a deposit. At the end of that period the tenant has the option of buying the property on a shared ownership basis.

- Intermediate Rent and Rent to Buy can offer longer term stability for those who want it, and can give potential buyers more opportunity to save for a deposit. For a provider, they offer a higher level of income than social rents, contributing to scheme viability as well as helping to balance communities.
- A number of modified approaches to the above models have been trialled nationally by different providers, with varying degrees of success.

3.7 Funding

3.7.1 Homes and Communities Agency (HCA) grant is currently available for the three main shared ownership models, although Right to Buy receipts cannot be used for intermediate market housing. There is no HCA grant available at present for other forms of intermediate tenure.

3.8 Current approach

3.8.1 The Council's Housing Strategy and Affordable Housing Supplementary Planning Document (SPD) resolve that a maximum of 25% of new social homes on sites in Cambridge should be provided as intermediate tenures.

3.8.2 A key objective in the Housing Strategy is to 'increase the supply of good quality... Affordable Housing in a range of sizes, types and tenures'.

3.8.3 The Council has its own stock of shared ownership homes. Following a review of the scheme, the Executive Councillor and Community Services Scrutiny Committee agreed in January 2014 that: shared ownership be

provided on Council's new developments where appropriate - eg at Clay Farm and on other new Affordable Housing Development Programme sites – to cross-subsidise rental build and help create balanced communities, in line with the requirements of Council's Local Plan and Affordable Housing SPD.

3.8.4 Officers have been in discussion with colleagues at South Cambridgeshire District Council and Cambridgeshire County Council about opportunities to set up a joint venture to deliver new housing, which could potentially include intermediate housing. This sort of approach would require General Fund investment to proceed.

3.9 Future direction

3.9.1 With a clear market for intermediate housing products, the Council needs to consider how it will respond to the demonstrated need.

3.9.2 The Council's Housing Strategy is due for review in 2015. Consideration will need to be given to the extent to which providing for different parts of the intermediate market should be prioritised in the longer term.

3.9.3 In the meantime, there are issues that can be explored further, and officers recommend that the following actions are prioritised:

- a) Consider if there is a role for the sub-regional lettings agency, Town Hall Lettings. Set up by the seven authorities in the Cambridge housing sub region, this currently offers private landlords guaranteed rent payments to tackle single homelessness. See Appendix 3 to this report for more information. A review and options report on Town Hall Lettings will be brought back to the Executive Councillor and Housing Scrutiny Committee in the January 2015 cycle.
- b) Explore how different models of intermediate market housing for rent might be delivered through the Council's Affordable Housing Development programme. This would need to include looking at the need and potential for intermediate housing on a site by site basis, as well as how funding might be secured.

4. Implications

- (a) **Financial Implications.** There are no financial implications at this stage.
- (b) **Staffing Implications.** There are no staffing implications at this stage.
- (c) **Equal Opportunities Implications**

The recommendations are aimed at supporting the needs of those who have low priority for social housing, but who are also unable – or find it difficult to - access good quality housing in the City which meets their needs.

No Equalities Impact Assessment (EqIA) has been carried out at this stage. An EqIA would need to be carried out on any more concrete proposals which arise from the recommendations.

- (d) **Environmental Implications**

Climate change impact is Low. Environmental implications would need to be considered around any more concrete proposals which arise from the recommendations.

- (e) **Procurement**

There are no procurement implications at this stage.

- (f) **Consultation and communication**

No consultation has taken place.

No wider communication is planned at this stage.

- (g) **Community Safety**

There are no community safety implications.

5. Background papers

These background papers were used in the preparation of this report:

5.1 Office for National Statistics workday population estimates - from Cambridgeshire County Council Research Group slideshow of findings from New Development Surveys:

<http://www.cambridgeshireinsight.org.uk/housing/housing-research/new-housing-development-surveys>

5.2 National Planning Policy Framework:

<https://www.gov.uk/government/publications/national-planning-policy-framework--2>

5.3 Rightmove report on Cambridge as a market hotspot:

<http://www.rightmove.co.uk/news/articles/property-news/cambridge-fastest-selling-hotspot-as-average-time-for-property-to-sell-across-great-britain-falls-to-65-days>

5.4 English Housing Survey 2012-13:

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/335751/EHS_Households_Report_2012-13.pdf

5.5 The Role of the Planning System in Delivering Housing Choices for Older Londoners – GLA 2012

5.6 Shared Ownership Facts & Figures – Promoting Shared Ownership Group, 2010: http://www.shared-owner.co.uk/media/static/SO-the_facts.pdf

5.7 Quality and Choice for Older People's Housing – Pannell & Blood 2014: http://www.housinglin.org.uk/library/Resources/Housing/Support_materials/Practice_briefings/HLIN_PRS_Briefing1.pdf

5.8 Tenure Aspirations & Shared Ownership – CCHPR 2008

5.9 Baseline Study for Intermediate Housing Market in and Around Cambridge City – Draft Final report: CCHPR September 2014

5.10 Resolution Foundation, One Foot on the Ladder, November 2013: http://www.resolutionfoundation.org/media/media/downloads/One_foot_on_the_ladder.pdf

5.11 Homes & Communities Agency shared ownership scheme:

http://www.homesandcommunities.co.uk/cfg?page_id=5523&page=58

5.12 Cambridge City Council Shared Ownership Review 2013:

<https://www.cambridge.gov.uk/sites/www.cambridge.gov.uk/files/documents/shared-ownership-report-for-website.pdf>

5.13 National Housing Federation research –The Role of Shared Ownership in the Future Housing Market , 2010 - page 14:

<http://www.lqgroup.org.uk/assets/files/The-role-of-shared-ownership-in-the-future-housing-market---summary-version.pdf>

5.14 Savills Spotlight – Alternative Residential Investments, 2014:

<http://pdf.euro.savills.co.uk/residential---other/spotlight-alt.pdf>

5.15 Shelter – Homes for forgotten families, August 2012:

[http://england.shelter.org.uk/_data/assets/pdf_file/0014/702023/Shelter -
_Homes for forgotten families.pdf](http://england.shelter.org.uk/_data/assets/pdf_file/0014/702023/Shelter_-_Homes_for_forgotten_families.pdf)

5.16 Resolution Foundation One Foot on the Ladder, 2013:

[http://www.resolutionfoundation.org/media/media/downloads/One foot on t
he ladder.pdf](http://www.resolutionfoundation.org/media/media/downloads/One_foot_on_the_ladder.pdf)

5.17 Community Services Scrutiny January 2014 minutes, item 14/10/CS:

[http://democracy.cambridge.gov.uk/documents/g1000/Printed%20minutes%
2016th-Jan-
2014%2013.30%20Community%20Services%20Scrutiny%20Committee.pdf
?T=1](http://democracy.cambridge.gov.uk/documents/g1000/Printed%20minutes%2016th-Jan-2014%2013.30%20Community%20Services%20Scrutiny%20Committee.pdf?T=1)

5.18 Homes & Communities Agency Affordable Homes Programme 2015-

2018: [http://www.homesandcommunities.co.uk/sites/default/files/our-
work/ahp_2015-18.pdf](http://www.homesandcommunities.co.uk/sites/default/files/our-work/ahp_2015-18.pdf)

5.19 DCLG Homelessness research 2013

5.20 Homes & Communities Agency webpage on Local Housing

Companies: [http://www.homesandcommunities.co.uk/ourwork/local-
housing-companies](http://www.homesandcommunities.co.uk/ourwork/local-housing-companies)

5.21 Cambridge sub-region Strategic Housing Market Assessment, Ch. 8

6. Appendices

Appendix 1: Intermediate Housing Market Review – Final Report

Appendix 2: Data

Appendix 3: Town Hall Lettings and the Intermediate Housing Market

7. Inspection of papers

To inspect the background papers or if you have a query on the report please contact:

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