

APPENDIX 8: LOCAL HOUSING LADDERS

While ‘getting a foot on the ladder’ is a commonly expressed idea about the housing market, how such ‘ladders’ may work in practice is considered rather less. But the concept of local housing ladders is very useful for understanding how households do actually perceive and relate to the housing market as they progress through different lifestages of a housing career or pathway.

This appendix explores the idea further and produces some case study examples based on data acquired for the SHMA. Building local ladders is one way in which housing markets can be understood and judgements made to give better direction to policy.

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8) Local Housing Ladders

8.1 'Getting In' and 'Moving On' in the Evington Road 'South Asian terraced' area

8.1.a Our approach is to compare patterns of household income (based on CACI PayCheck profile data) against recent and current property prices (using Land Registry and advertised sales and rental data) to identify how many households entering and moving on in the housing market can afford home ownership (full and low cost) and by implication, the proportion requiring social housing or other tenures. It is important to emphasise that:

- this assessment makes no attempt to define affordability as a multiplier of local income incomes or proportion of gross income, it is an assessment of 'financial access' to housing, and,
- it assumes that those entering or moving on in the housing market will have a 'normal' income profile when incomes may well be lower for younger employed households. Consequently, the level of access to home ownership identified below may well be a 'best case' scenario.

We have selected a number of typical but different sub areas within the HMA, and considered local ladders in each of them.

Evington Road, Leicester

8.1.b This area is a typical example of an 'South Asian terraced' area of Leicester and have focused on two property archetypes, a two bedroom flat suitable for a couple 'getting in' to the housing market and a three bedroom house suitable for a young family 'moving on' in the housing market.

8.1.c This section summarises the cost of the options available to consumers in the housing market in the Evington Road area as the basis for informing how best to intervene to improve affordability and access. Typical 'entry level' price refers to the point at which consumers begin to have a choice in the market and usually equates to the lower quartile price by property type.

What is the cost of social renting?

8.1.d This sub-section summarises the cost of accessing the social rented sector in Leicester, including the Evington Road area.

Table 1: average weekly social rents in Leicester, April 2006 - March 2007, rounded

Landlord	Property types		
Council rented	1 bed	2 bed	3+ bed
Rental	£45	£53	£55
RSL rented	1 bed	2 bed	3+ bed
Rental	£52	£64	£74

(Source: CORE data)

8.1.e The following key findings and trends are identifiable:

- average social rents range from £45-£52 for a 1 bed flat to £53-£63 for a 2 bed and £55-£74 for a 3 bed home.

What is the cost of private renting?

8.1.f There are very few properties for renting in the Evington Rd/Melbourne Rd area; typical entry level prices at November 2007 were as follows:

- £240 pcm for 1 bed properties (2 properties);
- £475 pcm for 2 bed properties (2 properties), and
- £750 pcm for 4 bed properties (6 properties).

Consequently, we have had to estimate a rental value of £550 for 3 bed properties.

What is the cost of buying a home?

Values in the re-sale sector

8.1.g We now turn to the owner occupied sector and begin by identifying typical entry level prices for re-sale properties as the basis for considering the costs of accessing home ownership. Re-sale properties are all those traded for the second or subsequent time and 'entry level value' refers to the point at which consumers begin to have a choice in the market. Typical entry level prices for our property archetypes based on Land Registry data for the period July 2006 to July 2007 are:

- 2 bed: £110k
- 3 bed: £115k

Values in the new-build sector

8.1.h There are no new homes currently for sale in the Evington Rd area and no 3 bed houses were recorded within Land Registry data for the period July 2006 to July 2007. The typical entry level price for our 2 bed property archetype is based on Land Registry data and the 3 bed value is modelled on the basis of our experience with values relative to 2 bed properties:

- 2 bed: £120k
- 3 bed: £145k

What does it cost to buy a home in the Evington Road area?

8.1.i Although this analysis can be undertaken for any property type, we have focused on two archetypes, a two bedroom flat and a three bedroom house. We have also set out below, for comparison with full cost purchase, the costs of 3 standard shared ownership products:

- New Build HomeBuy (NBHB)

Based on a minimum 50% purchase of a new-build property and paying rent on the remaining share @ 2.75%, and equivalent to 70% of full cost purchase.

- Expanded Open Market HomeBuy (EOMHB)

Based on a minimum 87.5% equity purchase of a re-sale property, with no rent payable on the remaining equity share, and equivalent to 87.5% of full cost purchase.

- Open Market HomeBuy Government Loan Only (OMHB GLO)

Based on a minimum 75% equity purchase of a re-sale property, with no rent payable on the remaining equity share, and equivalent to 75% of full cost purchase.

8.1.j The analysis makes the following assumptions:

- the inclusion of entry level property values;
- the provision of a 10% deposit for 2 bed and 20% for 3 bed properties, although any size of deposit or none at all, can be accommodated within the calculations;

- mortgage affordability based on a loan: income ratio of 3.5 for single income households and 2.9 for couple income households, and,
- monthly repayments based on a 25 year repayment mortgage at a rate of 7.25%. Whilst lower cost fixed rate and interest only deals are available, these are less likely to be offered to low income first time buyers.

8.1.k Table 2 summarises the outcome in relation to full cost re-sale and new-build properties for people 'getting into' and 'moving on' in the housing market and Table 3 summarises the outcome in relation to the main HomeBuy options.

8.1.l The following key findings and trends are identifiable for this area:

- The estimated access rate for an entry level new-build 2 bed property is 35% of single income and 25% of joint income households, and for a 3 bed property is 31% and 21% respectively.
- The estimated access rate for an entry level re-sale 2 bed property is 41% of single income and 29% of joint income households, and for a 3 bed re-sale property is 45% and 33% respectively;
- The provision of HomeBuy options would have a positive impact on access to home ownership enabling in the region of an additional 5 - 25% more households to access 2 bed or 3 bed homes.

Table 2: accessing owner occupation in the Evington Road area, figures rounded

Property types	Property price (000s)	Deposit (2b=10% 3b=20%)	Mortgage required	Single income required to access a 90% mortgage (@ 3.5 x income)	Single income: estimated access rate (% of households in receipt of income required)	Joint income required to access a 95% mortgage (@ 2.9 x income)	Joint income: estimated access rate (% of households in receipt of income required)
<i>Entry level 2 bed new-build property</i>	£120k	£12k	£108k	£30.9k	35%	£37.2k	25%
<i>Entry level 3 bed new-build property</i>	£145k	£29k	£116k	£33.1k	31%	£40k	21%
<i>Entry level 2 bed re-sale property</i>	£110k	£11k	£99k	£28.3k	41%	£34.1k	29%
<i>Entry level 3 bed re-sale property</i>	£115k	£23k	£92k	£26.3k	45%	£31.7k	33%

(Source: CACI and HVC review of property prices)

Table 3: accessing low cost home ownership in the Evington Road area, figures rounded

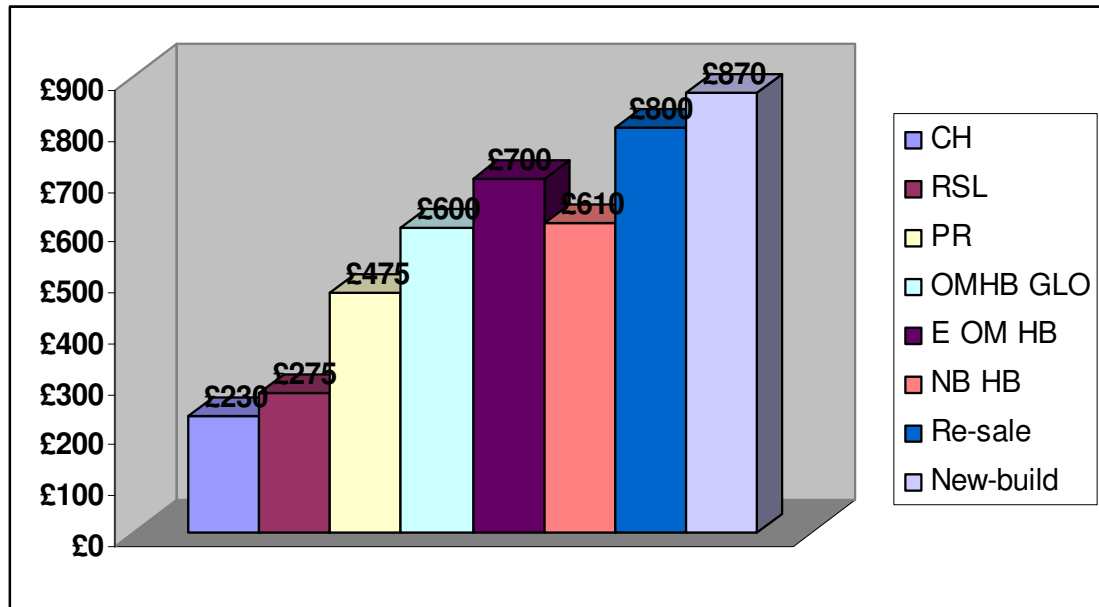
LCHO option	Property type	Price	Single household income required (x 3.5)	Estimated access rate (% of households in receipt of income required)	Change in relation to full cost access rate	Joint household income required (x2.9)	Estimated access rate (% of households in receipt of income required)	Change in relation to full cost access rate
<i>New Build HomeBuy (70% of full cost purchase)</i>	<i>Entry level new-build 2 bed property</i>	£120k	£21.6k	55%	+22%	£26.1k	45%	+20%
	<i>Entry level new-build 3 bed property</i>	£145k	£23.2k	53%	+24%	£28.0k	41%	+19%
<i>OMHB GLO @ 75% of full cost purchase)</i>	<i>Entry level re-sale 2 bed property</i>	£110k	£21.2k	58%	+17%	£25.6k	45%	+17%
	<i>Entry level re-sale 3 bed property</i>	£115k	£19.7k	61%	+14%	£23.8k	53%	+16%
<i>EOMHB @ 87.5% of full cost purchase)</i>	<i>Entry level re-sale 2 bed property</i>	£110k	£24.8k	47%	+8%	£29.9k	37%	+12%
	<i>Entry level new-build 3 bed property</i>	£115k	£23.0k	53%	+5%	£27.8k	41%	+8%

8.2 'Getting in' and 'moving on', developing a housing ladder for the Evington Road area

8.2.a Using the above analysis, the following tables express the cost of accessing a 2 bed flat then a 3 bed house, the abbreviations used are as follows:

- CH: renting from the council
- RSL: renting from a housing association;
- PR: private renting;
- OMHB GLO: Open Market HomeBuy Government Loan Only @ 75% equity share;
- E OMHB: Extended Open Market HomeBuy @ 87.5% equity share;
- NB HB: New-build HomeBuy @ 50% equity share plus 2.75% rental;
- Resale: full cost purchase of a re-sale property;
- NB: full cost purchase of a new-build property.

Table 4: getting into the housing market: the monthly costs of accessing a 2 bed flat in the Evington Road area



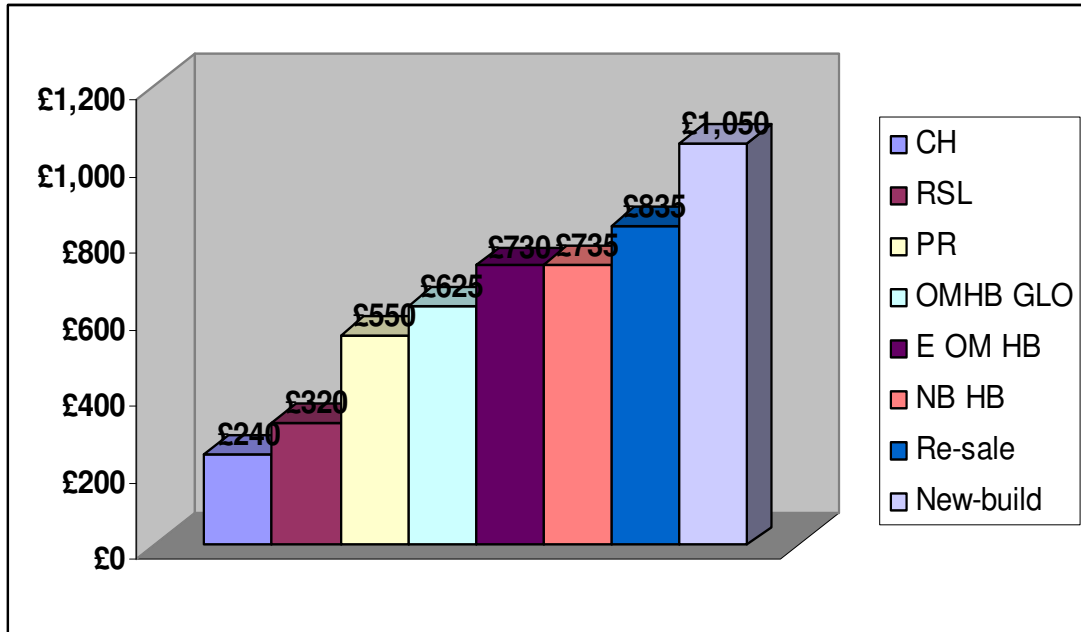
(Source: HVC analysis)

8.2.b Key findings:

- the gulf between the cost of social renting and other options is clearly apparent;
- because of the small differential between re-sale and new build prices in an area with strong re-sale values, New Build HomeBuy is a potentially attractive product although the Open Market HomeBuy at a 75% equity share would be even more so;
- however, none of these options provides an easily accessible step from social or private renting.

8.2.c The following table compares the costs of accessing a 3 bed house by tenure.

Table 5: getting on in the housing market: the monthly costs of accessing a 3 bed house in the Evington Road area



(Source: HVC analysis)

8.2.d Key findings:

- The gulf between social renting and other options is even wider, and,
- New Build HomeBuy is a potentially attractive product although the Open Market HomeBuy options are even more so. Purchasing less than a 50% or 75% equity share would increase affordability further.

8.3 Narborough Road, Leicester

8.3.a This area as a typical example of an 'inner urban' area of Leicester and have focused on two property archetypes, a two bedroom flat suitable for a couple 'getting in' to the housing market and a three bedroom house suitable for a young family 'moving on' in the housing market.

8.3.b This section summarises the cost of the options available to consumers in the housing market in the Narborough Road area as the basis for informing how best to intervene to improve affordability and access. Typical 'entry level' price refers to the point at which consumers begin to have a choice in the market and usually equates to the lower quartile price by property type.

What is the cost of social renting?

8.3.c This sub-section summarises the cost of accessing the social rented sector in Leicester, including the Narborough Road area.

Table 1: average weekly social rents in Leicester, April 2006 - March 2007, rounded

Landlord	Property types		
Council rented	1 bed	2 bed	3+ bed
Rental	£45	£53	£55
RSL rented	1 bed	2 bed	3+ bed
Rental	£52	£64	£74

(Source: CORE data)

8.3.d The following key findings and trends are identifiable:

- average social rents range from £45-£52 for a 1 bed flat to £53-£63 for a 2 bed and £55-£74 for a 3 bed home.

What is the cost of private renting?

8.3.e At November 2007, there were 47 properties available for private renting in the Narborough Road area, typical entry level prices are as follows:

- £310 pcm for 1 bed properties (2 properties)
- £475 pcm for 2 bed properties (11 properties)

- £550 pcm for 3 bed properties (16 properties)
- £750 pcm for 4 bed properties (6 properties)

What is the cost of buying a home?

Values in the re-sale sector

8.3.f We now turn to the owner occupied sector and begin by identifying typical entry level prices for re-sale properties as the basis for considering the costs of accessing home ownership. Re-sale properties are all those traded for the second or subsequent time and 'entry level value' refers to the point at which consumers begin to have a choice in the market. Typical entry level prices for our property archetypes based on Land Registry data for the period July 2006 to July 2007 are:

- 2 bed: £90k
- 3 bed: £105k

Values in the new-build sector

8.3.g There are no new homes currently for sale in the Narborough Rd area and no 3 bed houses were recorded within Land Registry data for the period July 2006 to July 2007. The typical entry level price for our 2 bed property archetype is based on Land Registry data and the 3 bed value is modelled on the basis of our experience with values relative to 2 bed properties:

- 2 bed: £130k
- 3 bed: £150k

What does it cost to buy a home in the Narborough Road area?

8.3.h Although this analysis can be undertaken for any property type, we have focused on two archetypes, a two bedroom flat and a three bedroom

house. We have also set out below, for comparison with full cost purchase, the costs of 3 standard shared ownership products:

- New Build HomeBuy (NBHB)

Based on a minimum 50% purchase of a new-build property and paying rent on the remaining share @ 2.75%, and equivalent to 70% of full cost purchase.

- Expanded Open Market HomeBuy (EOMHB)

Based on a minimum 87.5% equity purchase of a re-sale property, with no rent payable on the remaining equity share, and equivalent to 87.5% of full cost purchase.

- Open Market HomeBuy Government Loan Only (OMHB GLO)

Based on a minimum 75% equity purchase of a re-sale property, with no rent payable on the remaining equity share, and equivalent to 75% of full cost purchase.

The analysis makes the following assumptions:

- the inclusion of access level property values;
- the provision of a 10% deposit for 2 bed and 20% for 3 bed properties, although any size of deposit or none at all, can be accommodated within the calculations;
- mortgage affordability based on a loan: income ratio of 3.5 for single income households and 2.9 for couple income households, and,
- monthly repayments based on a 25 year repayment mortgage at a rate of 7.25%. Whilst lower cost fixed rate and interest only deals are available, these are less likely to be offered to low income first time buyers.

8.3.i Table 2 summarises the outcome in relation to full cost re-sale and new-build properties for people 'getting into' and 'moving on' in the housing market and Table 3 summarises the outcome in relation to the main HomeBuy options.

8.3.j The following key findings and trends are identifiable for this area:

- The estimated access rate for an entry level new-build 2 bed property is 31% of single income and 21% of joint income households, and for a 3 bed property is 29% and 20% respectively.
- The estimated access rate for an entry level re-sale 2 bed property is 53% of single income and 41% of joint income households, and for a 3 bed re-sale property is 53% and 39% respectively;
- The provision of HomeBuy options would have a positive impact on access to home ownership enabling in the region of an additional 5 - 20% more households to access 2 bed or 3 bed homes.

Table 2: accessing owner occupation in the Narborough Road area, figures rounded

Property types	Property price (000s)	Deposit (2b=10% 3b=20%)	Mortgage required	Single income required to access a 90% mortgage (@ 3.5 x income)	Single income: estimated access rate (% of households in receipt of income required)	Joint income required to access a 95% mortgage (@ 2.9 x income)	Joint income: estimated access rate (% of households in receipt of income required)
<i>Entry level 2 bed new-build property</i>	£130k	£13k	£117k	£33.4k	31%	£40.3k	21%
<i>Entry level 3 bed new-build property</i>	£150k	£30k	£120k	£34.3k	29%	£41.4k	20%
<i>Entry level 2 bed re-sale property</i>	£90k	£9k	£81k	£23.1k	53%	£27.9k	41%
<i>Entry level 3 bed re-sale property</i>	£105k	£21k	£84k	£24k	53%	£29k	39%

(Source: CACI and HVC review of property prices)

Table 3: accessing low cost home ownership in the Narborough Road area, figures rounded

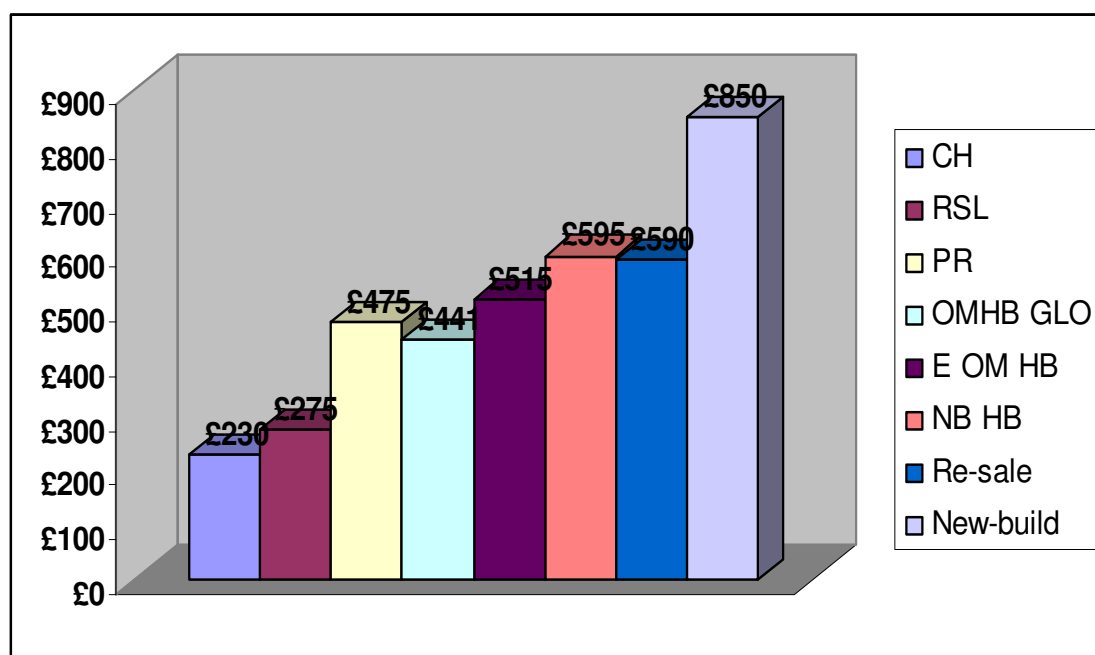
LCHO option	Property type	Price	Single household income required (x 3.5)	Estimated access rate (% of households in receipt of income required)	Change in relation to full cost access rate	Joint household income required (x2.9)	Estimated access rate (% of households in receipt of income required)	Change in relation to full cost access rate
<i>New Build HomeBuy (70% of full cost purchase)</i>	<i>Entry level new-build 2 bed property</i>	£130k	£23.4k	55%	+22%	£28.2k	41%	+20%
	<i>Entry level new-build 3 bed property</i>	£150k	£24.0k	53%	+24%	£29.0k	39%	+19%
<i>OMHB GLO @ 75% of full cost purchase)</i>	<i>Entry level re-sale 2 bed property</i>	£90k	£17.4k	70%	+17%	£21.0k	58%	+17%
	<i>Entry level re-sale 3 bed property</i>	£130k	£18.0k	67%	+14%	£21.7k	55%	+16%
<i>EOMHB @ 87.5% of full cost purchase)</i>	<i>Entry level re-sale 2 bed property</i>	£90k	£20.3k	61%	+8%	£24.4k	53%	+12%
	<i>Entry level new-build 3 bed property</i>	£130k	£21.0k	58%	+5%	£25.4k	47%	+8%

8.4 'Getting in' and 'moving on', developing a housing ladder for the Narborough Road area

8.4.a Using the above analysis, the following tables express the cost of accessing a 2 bed flat then a 3 bed house, the abbreviations used are as follows:

- CH: renting from the council
- RSL: renting from a housing association;
- PR: private renting;
- OMHB GLO: Open Market HomeBuy Government Loan Only @ 75% equity share;
- E OMHB: Extended Open Market HomeBuy @ 87.5% equity share;
- NB HB: New-build HomeBuy @ 50% equity share plus 2.75% rental;
- Resale: full cost purchase of a re-sale property;
- NB: full cost purchase of a new-build property.

Table 4: getting into the housing market: the monthly costs of accessing a 2 bed flat in the Narborough Road area



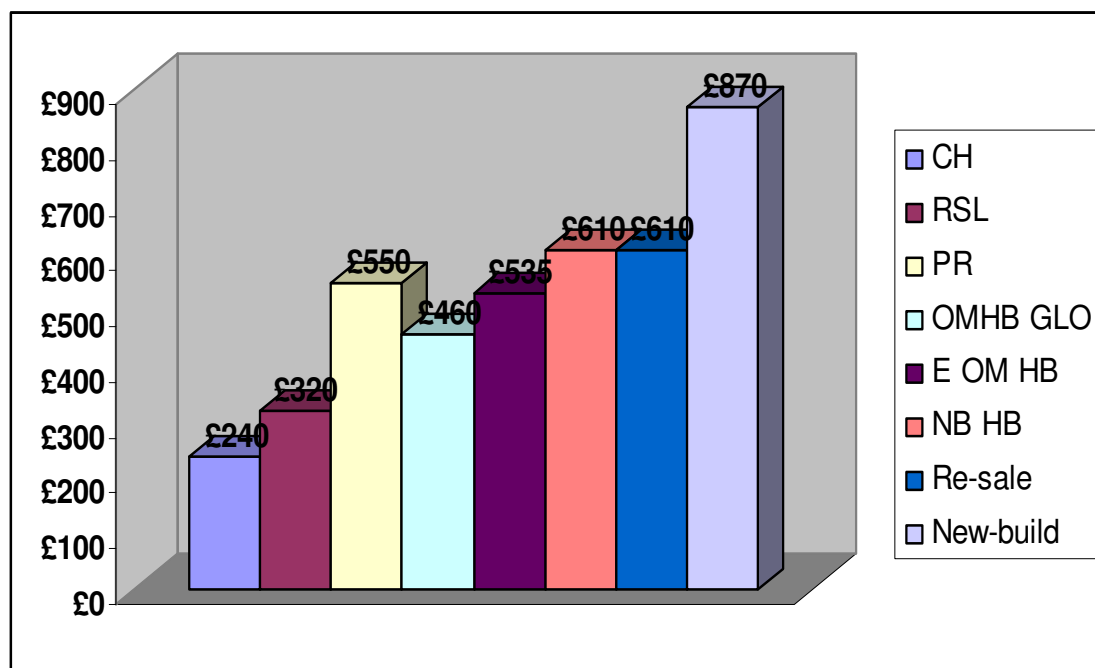
(Source: HVC analysis)

8.4.b Key findings:

- the gulf between the cost of social renting and other options is clearly apparent;
- because of the differential between re-sale and new build prices in this relatively low value area, there is a 'bunching' of costs between open market re-sale and New Build HomeBuy with expanded Open Market HomeBuy not far behind;
- only by buying a 75% share of an open market property is the gap between private renting and home ownership effectively bridged.

8.4.c The following table compares the costs of accessing a 3 bed house by tenure.

Table 5: getting on in the housing market: the monthly costs of accessing a 3 bed house in the Narborough Road area



(Source: HVC analysis)

8.4.d Key findings:

- The gulf between social renting and other options is still very wide, and,
- New Build HomeBuy is now directly competing with open market re-sale, with both forms of open Market HomeBuy providing a genuine alternative to private renting. Purchasing less than a 50% or 75% equity share would increase affordability further.

8.5 'Getting In' and 'Moving On' in the Broughton Astley 'Rural' area

8.5.a This area as a typical example of an outer urban area in Leicester and have focused on two property archetypes, a two bedroom flat suitable for a couple 'getting in' to the housing market and a three bedroom house suitable for a young family 'moving on' in the housing market.

8.5.b This section summarises the cost of the options available to consumers in the housing market in the Broughton Astley area as the basis for informing how best to intervene to improve affordability and access. Typical 'entry level' price refers to the point at which consumers begin to have a choice in the market and usually equates to the lower quartile price by property type.

What is the cost of social renting?

8.5.c This sub-section summarises the cost of accessing the social rented sector in Blaby, including the Broughton Astley area.

Table 1: average weekly social rents in Blaby, April 2006 - March 2007, rounded

<i>Landlord</i>	<i>Property types</i>		
Council rented	1 bed	2 bed	3+ bed
Rental	-	£49.57	£54.81
RSL rented	1 bed	2 bed	3+ bed
Rental	£54.08	£69.31	£74.02

(Source: CORE data)

8.5.d The following key findings and trends are identifiable:

- average rents range from £54 for a 1 bed property; £50-£69 for a 2 bed and £53-£74 for a 3 bed home.

What is the cost of private renting?

8.5.e There is only a limited amount of private renting available in the Broughton Astley area, typical entry level prices are as follows:

- £ 450 pcm for 1 bed properties (4 properties);
- £550 pcm for 2 bed properties (6 properties);

- £800 pcm for 3 bed properties (3 properties), and
- £850 pcm for 4 bed properties (4 properties).

What is the cost of buying a home?

Values in the re-sale sector

8.5.f We now turn to the owner occupied sector and begin by identifying typical entry level prices for re-sale properties as the basis for considering the costs of accessing home ownership. Re-sale properties are all those traded for the second or subsequent time and 'entry level value' refers to the point at which consumers begin to have a choice in the market. There were almost no sales of flats in Land Registry data for the period July 2006 to July 2007, and therefore we have modelled the 2 bed entry level price on the basis of the 3 bed values:

- 2 bed: £120k
- 3 bed: £135k

Values in the new-build sector

8.5.g The following table summarises the range of advertised new-build values by property type.

Table 3: new homes for sale in the Broughton Astley area – currently advertised values

No. of beds	Property type	No. of properties	Values
1 bed	apartment	5	£126k- £145k
2 bed	apartment	5	£147k-£170k
1 bed	Town house	4	£80k-£140k
3 bed	Town houses	6	£200-£230k
3 bed	Semi	3	£226-£227k

4 bed	Semi Detached	1	£240k
4 bed	Detached	9	£260K-445k
5 bed	Detached	1	£350k
6 bed	Detached	1	£325k
Total		35	

(Source: HVC review)

Key findings:

8.5.h Current entry level prices are as follows:

- 1 bed: £130k;
- 2 bed: £150k;
- 3 bed: £210k, and
- 4 bed or larger: £260k.

There are also a number of shared ownership properties available at entry level entry level prices of:

- 1 bed £72k, and
- 3 bed £78k

What does it cost to buy a home in the Broughton Astley area?

8.5.i Although this analysis can be undertaken for any property type, we have focused on two archetypes, a two bedroom flat and a three bedroom house. We have also set out below, for comparison with full cost purchase, the costs of 3 standard shared ownership products:

- New Build HomeBuy (NBHB)

Based on a minimum 50% purchase of a new-build property and paying rent on the remaining share @ 2.75%, and equivalent to 70% of full cost purchase.

- Expanded Open Market HomeBuy (EOMHB)

Based on a minimum 87.5% equity purchase of a re-sale property, with no rent payable on the remaining equity share, and equivalent to 87.5% of full cost purchase.

- Open Market HomeBuy Government Loan Only (OMHB GLO)

Based on a minimum 75% equity purchase of a re-sale property, with no rent payable on the remaining equity share, and equivalent to 75% of full cost purchase.

8.5.j The analysis makes the following assumptions:

- the inclusion of entry level property values;
- the provision of a 10% deposit for 2 bed and 20% for 3 bed properties, although any size of deposit or none at all, can be accommodated within the calculations;
- mortgage affordability based on a loan: income ratio of 3.5 for single income households and 2.9 for couple income households, and,
- monthly repayments based on a 25 year repayment mortgage at a rate of 7.25%. Whilst lower cost fixed rate and interest only deals are available, these are less likely to be offered to low income first time buyers.

8.5.k Table 3 summarises the outcome in relation to full cost re-sale and new-build properties for people 'getting into' and 'moving on' in the housing market and Table 4 summarises the outcome in relation to the main HomeBuy options.

8.5.l The following key findings and trends are identifiable for this area:

- The estimated access rate for an entry level new-build 2 bed property in this higher income area is 43% of single income and 33% of joint income households, and for a 3 bed property is 23% and 15% respectively.

- The estimated access rate for an entry level re-sale 2 bed property is 50% of single income and 39% of joint income households, and for a 3 bed re-sale property is 50% and 39% respectively;
- The provision of HomeBuy options would have a positive impact on access to home ownership enabling in the region of an additional 5 - 25% more households to access 2 bed or 3 bed homes.

Table 3: accessing owner occupation in the Broughton Astley area, figures rounded

Property types	Property price (000s)	Deposit (2b=10% 3b=20%)	Mortgage required	Single income required to access a 90% mortgage (@ 3.5 x income)	Single income: estimated access rate (% of households in receipt of income required)	Joint income required to access a 95% mortgage (@ 2.9 x income)	Joint income: estimated access rate (% of households in receipt of income required)
<i>Entry level 2 bed new-build property</i>	£150k	£30k	£120k	£34.3k	43%	£41.4k	33%
<i>Entry level 3 bed new-build property</i>	£210k	£42k	£168k	£48.0k	23%	£57.9k	15%
<i>Entry level 2 bed re-sale property</i>	£120k	£12k	£108k	£30.9k	50%	£37.2k	39%
<i>Entry level 3 bed re-sale property</i>	£135k	£27k	£108k	£30.9k	50%	£37.2k	39%

(Source: CACI and HVC review of property prices)

Table 4: accessing low cost home ownership in the Broughton Astley area, figures rounded

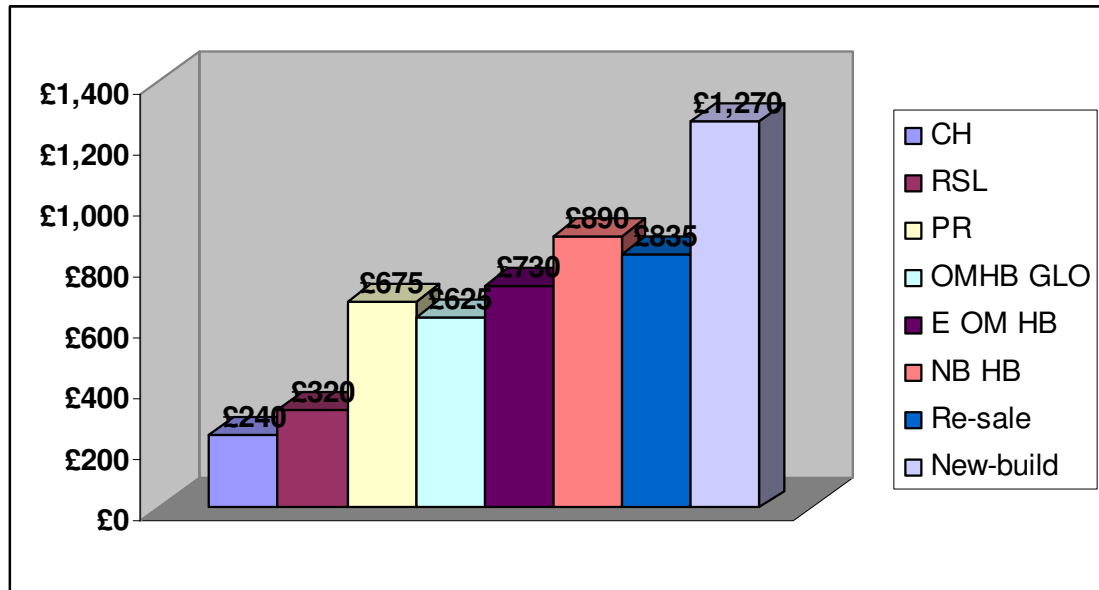
<i>LCHO option</i>	<i>Property type</i>	<i>Price</i>	<i>Single household income required (x 3.5)</i>	<i>Estimated access rate (% of households in receipt of income required)</i>	<i>Change in relation to full cost access rate</i>	<i>Joint household income required (x2.9)</i>	<i>Estimated access rate (% of households in receipt of income required)</i>	<i>Change in relation to full cost access rate</i>
<i>New Build HomeBuy (70% of full cost purchase)</i>	<i>Entry level new-build 2 bed property</i>	£130k	£23.4k	63%	+18%	£28.2k	56%	+23%
	<i>Entry level new-build 3 bed property</i>	£150k	£24.0k	62%	+17%	£29.0k	54%	+21%
<i>OMHB GLO @ 75% of full cost purchase)</i>	<i>Entry level re-sale 2 bed property</i>	£120k	£23.1k	63%	+13%	£27.9k	56%	+17%
	<i>Entry level re-sale 3 bed property</i>	£135k	£23.1k	63%	+13%	£27.9k	56%	+17%
<i>EOMHB @ 87.5% of full cost purchase)</i>	<i>Entry level re-sale 2 bed property</i>	£120k	£27.0k	58%	+8%	£32.6k	45%	+6%
	<i>Entry level new-build 3 bed property</i>	£135k	£27.0k	58%	+8%	£32.6k	45%	+6%

8.6 'Getting in' and 'moving on', developing a housing ladder for the Broughton Astley area

8.6.a Using the above analysis, the following tables express the cost of accessing a 2 bed flat then a 3 bed house, the abbreviations used are as follows:

- CH: renting from the council
- RSL: renting from a housing association;
- PR: private renting;
- OMHB GLO: Open Market HomeBuy Government Loan Only @ 75% equity share;
- E OMHB: Extended Open Market HomeBuy @ 87.5% equity share;
- NB HB: New-build HomeBuy @ 50% equity share plus 2.75% rental;
- Resale: full cost purchase of a re-sale property;
- NB: full cost purchase of a new-build property.

Table 5: getting into the housing market: the monthly costs of accessing a 2 bed flat in the Broughton Astley area



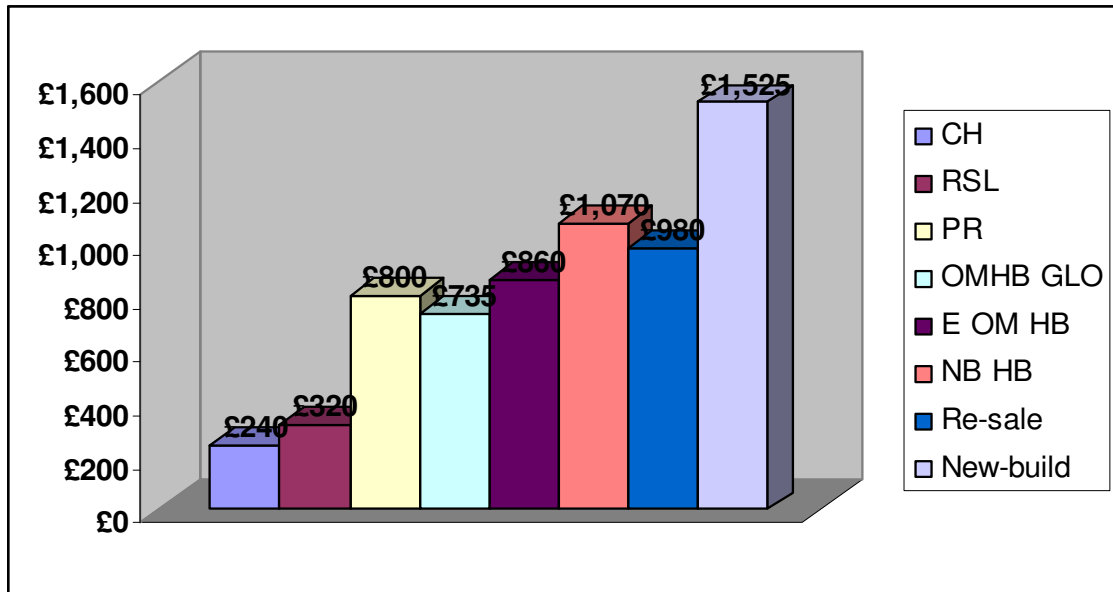
(Source: HVC analysis)

8.6.b Key findings:

- the huge gulf between the cost of social renting and other options is clearly apparent;
- because of the large differential between re-sale and new build prices in this area, New Build HomeBuy is a financially unattractive product compared purchasing a full cost re-sale property, and
- the Open Market options provide a more effective step on the housing ladder.

8.6.c The following table compares the costs of accessing a 3 bed house by tenure.

Table 6: getting on in the housing market: the monthly costs of accessing a 3 bed house in the Broughton Astley area



(Source: HVC analysis)

8.6.d Key findings:

- The gulf between social renting and other options is even wider, and,
- Because of the high values for new-build 3 bed housing in this area, New Build HomeBuy is a financially unattractive product which is more expensive than full cost re-sale purchase;

8.6.e ***Open Market HomeBuy options are financially more attractive as they are tied to re-sale values. Purchasing less than a 50% or 75% equity share would increase affordability further.***

8.7 'Getting In' and 'Moving On' in the Scraftoft/Hamilton/Humberstone 'Outer Urban' area

8.7.a Our approach is to compare patterns of household income (based on CACI PayCheck profile data) against recent and current property prices (using Land Registry and advertised sales and rental data) to identify how many households entering and moving on in the housing market can afford home ownership (full and low cost) and by implication, the proportion requiring social housing or other tenures. It is important to emphasise that:

- this assessment makes no attempt to define affordability as a multiplier of local income incomes or proportion of gross income, it is an assessment of 'financial access' to housing, and,
- it assumes that those entering or moving on in the housing market will have a 'normal' income profile when incomes may well be lower for younger employed households. Consequently, the level of access to home ownership identified below may well be a 'best case' scenario.

8.7.b We have selected this area as a typical example of an outer urban area in Leicester and have focused on two property archetypes, a two bedroom flat suitable for a couple 'getting in' to the housing market and a three bedroom house suitable for a young family 'moving on' in the housing market.

8.7.c This section summarises the cost of the options available to consumers in the housing market in the Scraftoft/Hamilton/Humberstone area as the basis for informing how best to intervene to improve affordability and access. Typical 'entry level' price refers to the point at which consumers begin to have a choice in the market and usually equates to the lower quartile price by property type.

What is the cost of social renting?

8.7.d This sub-section summarises the cost of accessing the social rented sector in Leicester, including the Scraftoft/Hamilton/Humberstone area.

Table 1: average weekly social rents in Leicester, April 2006 - March 2007, rounded

<i>Landlord</i>	<i>Property types</i>		
Council rented	1 bed	2 bed	3+ bed
Rental	£45	£53	£55
RSL rented	1 bed	2 bed	3+ bed
Rental	£52	£64	£74

(Source: CORE data)

8.7.e The following key findings and trends are identifiable:

- average social rents range from £45-£52 for a 1 bed flat to £53-£63 for a 2 bed and £55-£74 for a 3 bed home.

What is the cost of private renting?

8.7.f There is a good supply of properties for renting in this area; typical entry level prices at November 2007 were as follows:

- £450 pcm for 1 bed properties (5 properties);
- £500 pcm for 2 bed properties (28 properties);
- £675 pcm for 3 bed properties (12 properties), and
- £750 pcm for 4 bed properties (6 properties)

What is the cost of buying a home?

Values in the re-sale sector

8.7.g We now turn to the owner occupied sector and begin by identifying typical entry level prices for re-sale properties as the basis for considering the costs of accessing home ownership. Re-sale properties are all those traded for the second or subsequent time and 'entry level value' refers to the point at which consumers begin to have a choice in the market. Based on a strong supply, typical entry level prices for our property archetypes based on Land Registry data for the period July 2006 to July 2007 are:

- 2 bed: £100k

- 3 bed: £105k

Values in the new-build sector

8.7.h There is a good supply of number of new properties for sale in the area, the following table summarises the range of values by property type.

Table 2: new homes for sale in the Scraftoft/Hamilton/Humberstone area – currently advertised values

No. of beds	Property type	No. of properties	Values
1 bed	Apartment	2	£118-£122k
2 bed	Apartment	2	£120-£135k
2 bed	Town houses	3	£140k-£280k
3 bed	Town houses	25	£85k-£280K
3 bed	Semi	10	£162-£205k
3 bed	Detached	12	£170K-£205K
4 bed	Town houses	1	£195K
4 bed	Semi Detached	2	£320K
4 bed	Detached	24	£203K-£335K
5 bed	Detached	5	£450K-£490K
Total		86	

(Source: HVC review)

Key findings:

- current entry level prices are as follows:
 - 2 bed: £140k
 - 3 bed: £175k

- 4 bed or larger: £250k.

What does it cost to buy a home in the Scraftoft/Hamilton/Humberstone area?

8.7.i Although this analysis can be undertaken for any property type, we have focused on two archetypes, a two bedroom flat and a three bedroom house. We have also set out below, for comparison with full cost purchase, the costs of 3 standard shared ownership products:

- New Build HomeBuy (NBHB)

Based on a minimum 50% purchase of a new-build property and paying rent on the remaining share @ 2.75%, and equivalent to 70% of full cost purchase.

- Expanded Open Market HomeBuy (EOMHB)

Based on a minimum 87.5% equity purchase of a re-sale property, with no rent payable on the remaining equity share, and equivalent to 87.5% of full cost purchase.

- Open Market HomeBuy Government Loan Only (OMHB GLO)

Based on a minimum 75% equity purchase of a re-sale property, with no rent payable on the remaining equity share, and equivalent to 75% of full cost purchase.

8.7.j The analysis makes the following assumptions:

- the inclusion of entry level property values;
- the provision of a 10% deposit for 2 bed and 20% for 3 bed properties, although any size of deposit or none at all, can be accommodated within the calculations;
- mortgage affordability based on a loan: income ratio of 3.5 for single income households and 2.9 for couple income households, and,
- monthly repayments based on a 25 year repayment mortgage at a rate of 7.25%. Whilst lower cost fixed rate and interest only deals are available, these are less likely to be offered to low income first time buyers.

8.7.k Table 3 summarises the outcome in relation to full cost re-sale and new-build properties for people 'getting into' and 'moving on' in the housing market and Table 4 summarises the outcome in relation to the main HomeBuy options.

8.7.l The following key findings and trends are identifiable for this area:

- The estimated access rate for an entry level new-build 2 bed property is very low at 26% of single income and 17% of joint income households, and for a 3 bed property is 21% and 13% respectively.
- The estimated access rate for an entry level re-sale 2 bed property is 41% of single income and 29% of joint income households, and for a 3 bed re-sale property is 45% and 33% respectively;
- The provision of HomeBuy options would have a positive impact on access to home ownership enabling in the region of an additional 5 - 20% more households to access 2 bed or 3 bed homes.

Table 3: accessing owner occupation in the Scraftoft/Hamilton/Humberstone area, figures rounded

Property types	Property price (000s)	Deposit (2b=10% 3b=20%)	Mortgage required	Single income required to access a 90% mortgage (@ 3.5 x income)	Single income: estimated access rate (% of households in receipt of income required)	Joint income required to access a 95% mortgage (@ 2.9 x income)	Joint income: estimated access rate (% of households in receipt of income required)
<i>Entry level 2 bed new-build property</i>	£140k	£14k	£126k	£36k	26%	£43.5k	17%
<i>Entry level 3 bed new-build property</i>	£175k	£35k	£140k	£40k	21%	£48.3k	13%
<i>Entry level 2 bed re-sale property</i>	£110k	£11k	£99k	£28.3k	41%	£34.1k	29%
<i>Entry level 3 bed re-sale property</i>	£115k	£23k	£92k	£26.3k	45%	£31.7k	33%

(Source: CACI and HVC review of property prices)

Table 4: accessing low cost home ownership in the Scraftoft/Hamilton/Humberstone area, figures rounded

LCHO option	Property type	Price	Single household income required (x 3.5)	Estimated access rate (% of households in receipt of income required)	Change in relation to full cost access rate	Joint household income required (x2.9)	Estimated access rate (% of households in receipt of income required)	Change in relation to full cost access rate
<i>New Build HomeBuy (70% of full cost purchase)</i>	<i>Entry level new-build 2 bed property</i>	£140k	£25.2k	47%	+21%	£30.4k	37%	+20%
	<i>Entry level new-build 3 bed property</i>	£175k	£28.0k	41%	+20%	£33.8k	29%	+16%
<i>OMHB GLO @ 75% of full cost purchase)</i>	<i>Entry level re-sale 2 bed property</i>	£110k	£21.2k	58%	+17%	£25.6k	45%	+16%
	<i>Entry level re-sale 3 bed property</i>	£115k	£19.7k	61%	+15%	£23.8k	53%	+20%
<i>EOMHB @ 87.5% of full cost purchase)</i>	<i>Entry level re-sale 2 bed property</i>	£110k	£24.8k	47%	+6%	£29.9k	37%	+8%
	<i>Entry level new-build 3 bed property</i>	£115k	£23.0k	53%	+8%	£27.8k	41%	+8%

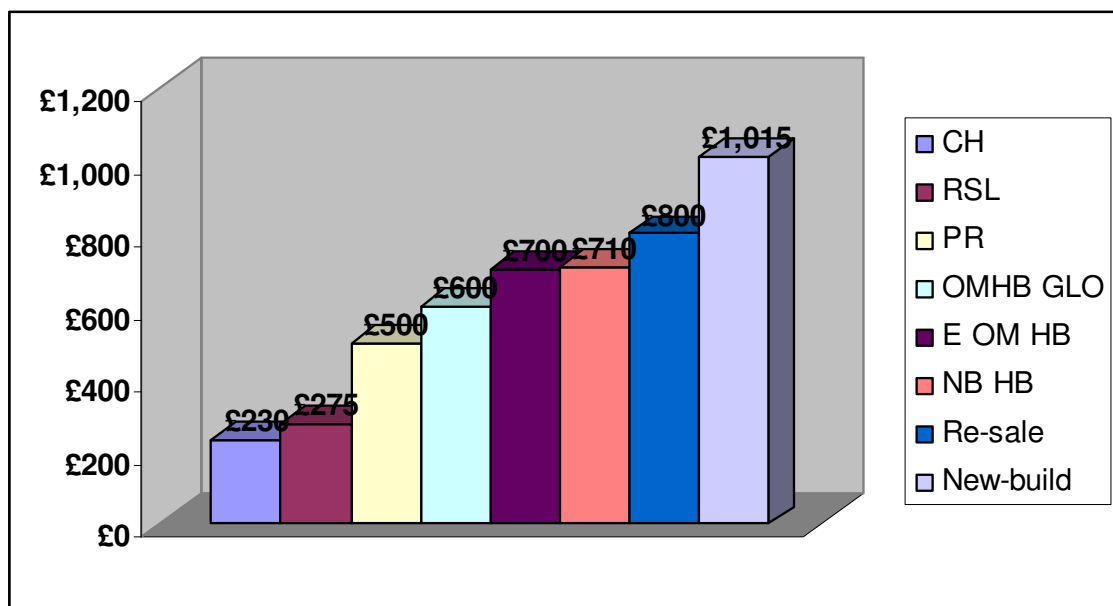
(Source: CACI and HVC review of property prices)

8.8 'Getting in' and 'moving on', developing a housing ladder for the Scaptoft/Hamilton/Humberstone area

8.8.a Using the above analysis, the following tables express the cost of accessing a 2 bed flat then a 3 bed house, the abbreviations used are as follows:

- CH: renting from the council
- RSL: renting from a housing association;
- PR: private renting;
- OMHB GLO: Open Market HomeBuy Government Loan Only @ 75% equity share;
- E OMHB: Extended Open Market HomeBuy @ 87.5% equity share;
- NB HB: New-build HomeBuy @ 50% equity share plus 2.75% rental;
- Resale: full cost purchase of a re-sale property;
- NB: full cost purchase of a new-build property.

Table 5: getting into the housing market: the monthly costs of accessing a 2 bed flat in the Scaptoft/Hamilton/Humberstone area



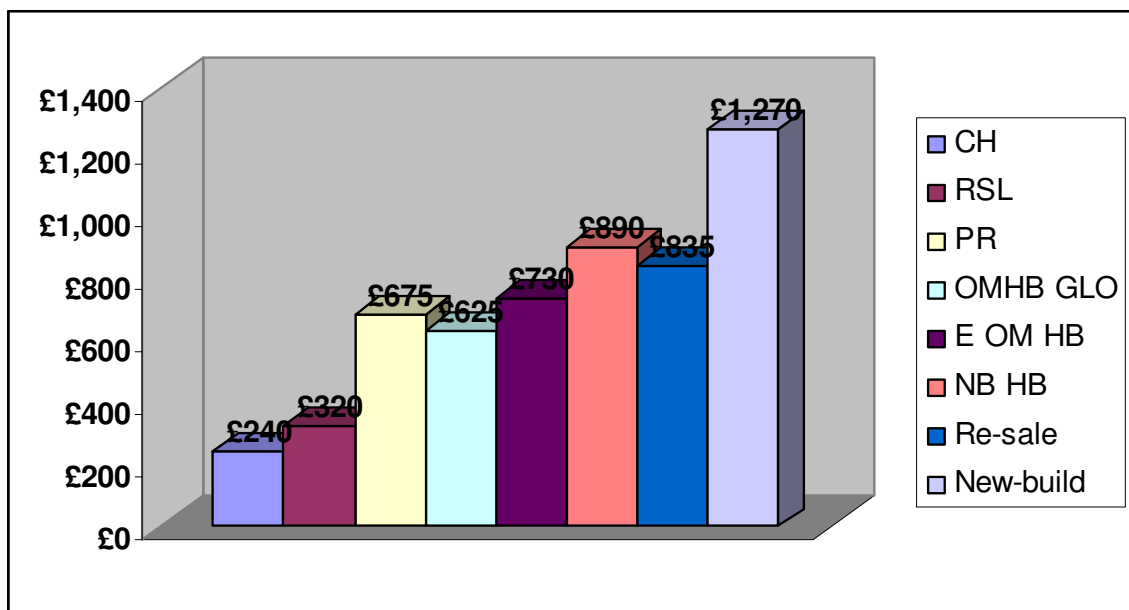
(Source: HVC analysis)

8.8.b Key findings:

- the gulf between the cost of social renting and other options is clearly apparent;
- because of the close differential between re-sale and new build prices in this area, New Build HomeBuy is a potentially attractive products although the Open Market HomeBuy at a 75% equity share would be even more so.

8.8.c The following table compares the costs of accessing a 3 bed house by tenure.

Table 6: getting on in the housing market: the monthly costs of accessing a 3 bed house in the Scraftoft/Hamilton/Humberstone area



(Source: HVC analysis)

8.8.d Key findings:

- The gulf between social renting and other options is even wider, and,
- Because of the high values for new-build 3 bed housing in this area, New Build HomeBuy is a financially unattractive product which is more expensive than full cost re-sale purchase;
- the Open Market HomeBuy options are financially more attractive as they are tied to re-sale values. Purchasing less than a 50% or 75% equity share would increase affordability further.